



Jan

Feb

Mar

# CattleFax

**Cattle & Protein Situation & Outlook**  
**Independent Bankers**

Duane Lenz  
April 2022



## **Market Recap & Business Environment 2021**

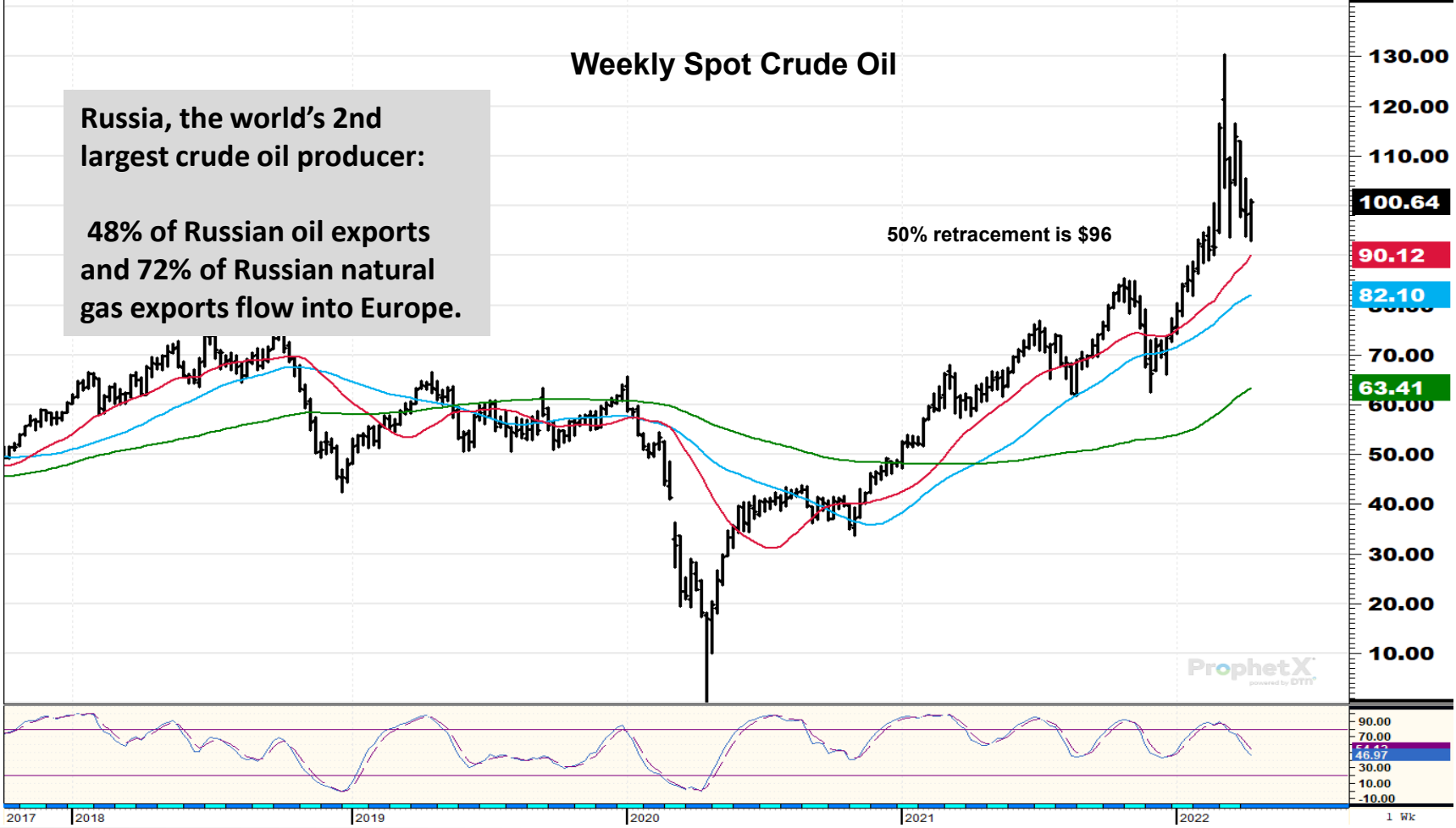
- **Cyclical fed slaughter was up 700,000 head and about even with 2019.**
- **Cow slaughter was the highest in the last decade.**
- **Beef production was largest on record large at 28 billion pounds.**
- **Wholesale and retail prices were record high.**
- **Beef demand was the highest in 33 years.**
- **Industry profitability improved.**
- **Drought continued to impact about 35% of the nations cow herd during 2021.**
- **Inflation is off and running and will be difficult to manage in the next 24 months**
- **Interest rates are poised to start increasing in 2022 and this will likely continue into 2024.**

# Weekly Spot Crude Oil

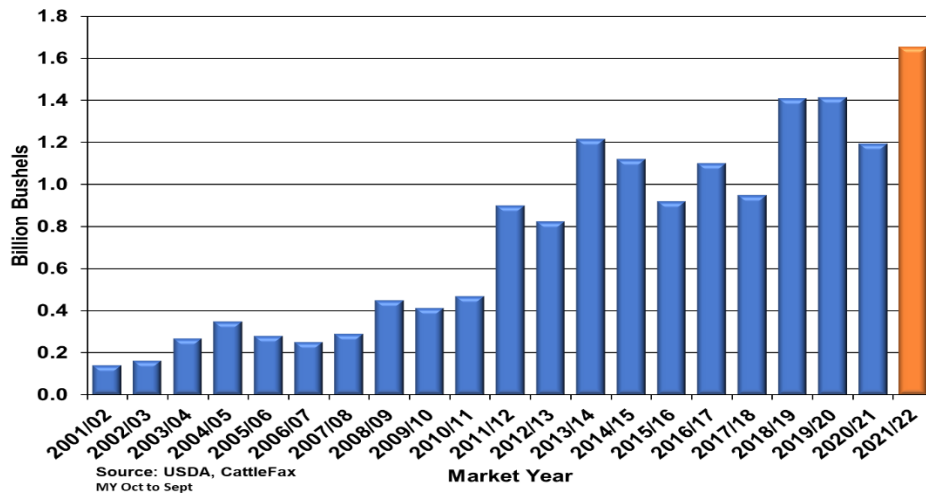
Russia, the world's 2nd largest crude oil producer:

48% of Russian oil exports and 72% of Russian natural gas exports flow into Europe.

50% retracement is \$96



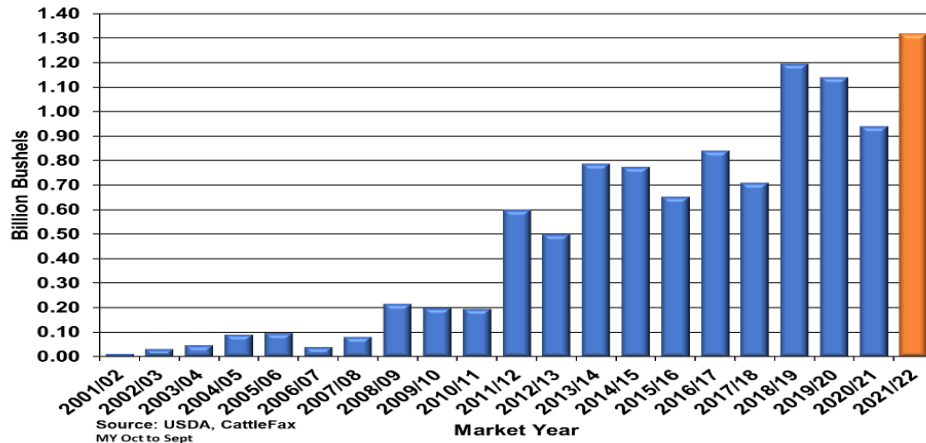
### Ukraine Corn Production



80% of corn produced in Ukraine is exported.

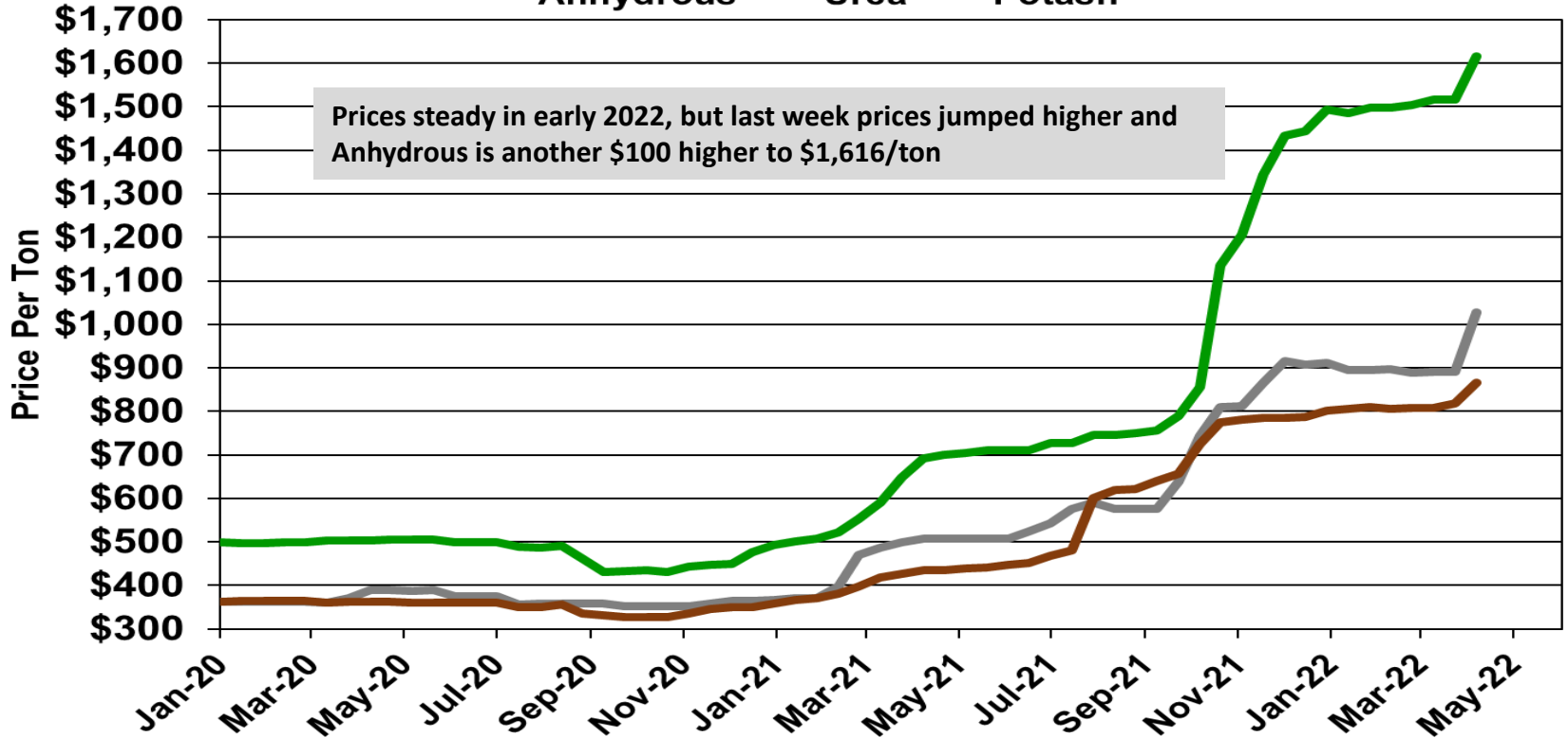
If the crop doesn't get planted the world would need to adjust to around a billion bushels of corn not being grown in the next market year.

### Ukraine Corn Exports



# Illinois Weekly Average Production Costs

— Anhydrous — Urea — Potash



Prices steady in early 2022, but last week prices jumped higher and Anhydrous is another \$100 higher to \$1,616/ton

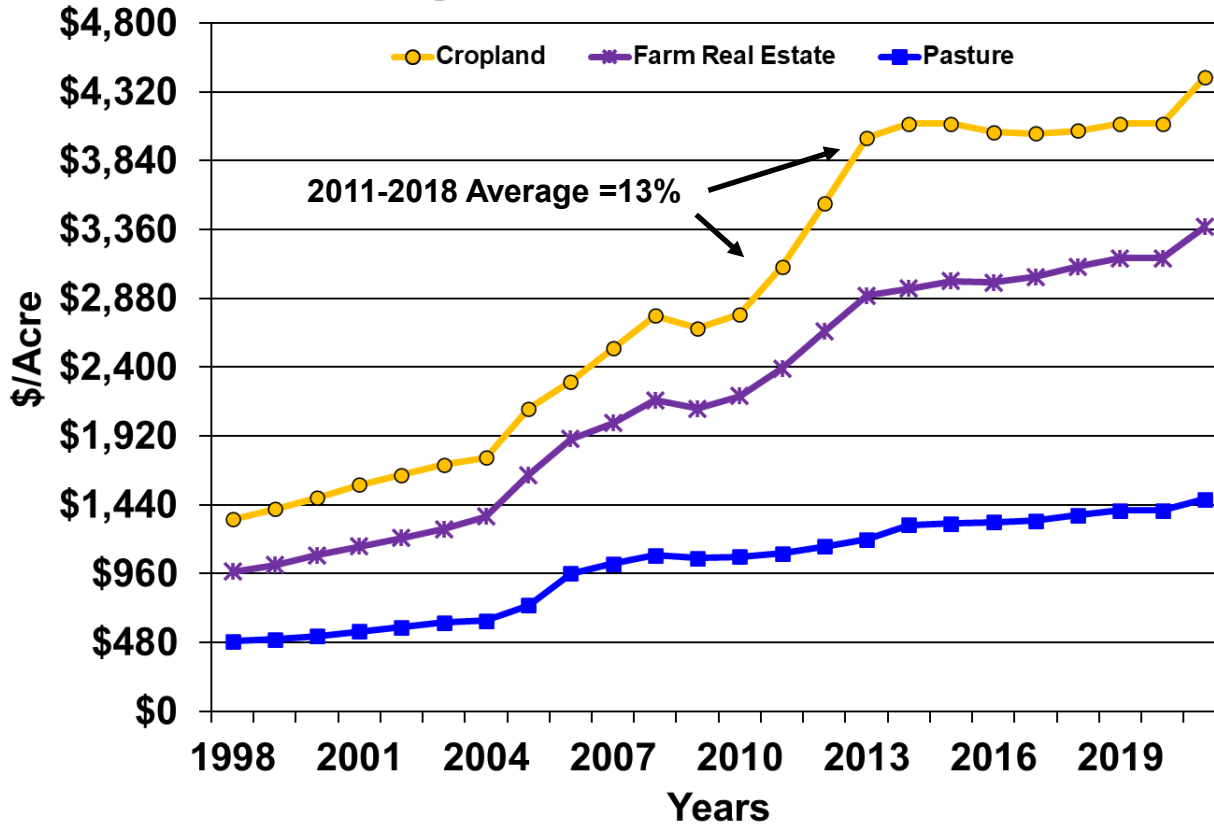
Source: USDA, CattleFax

Bi-Weekly

# Spot Corn Price 2006-2022



# U.S. Ag Land Values: 1998-2021



Source: USDA

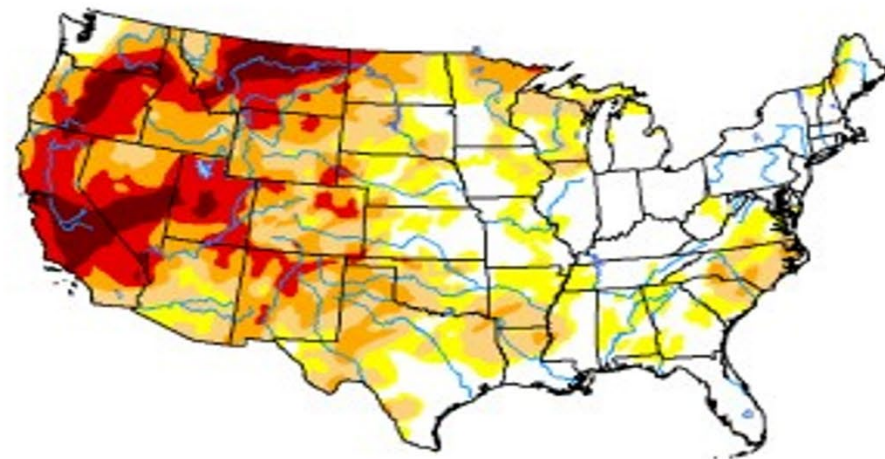
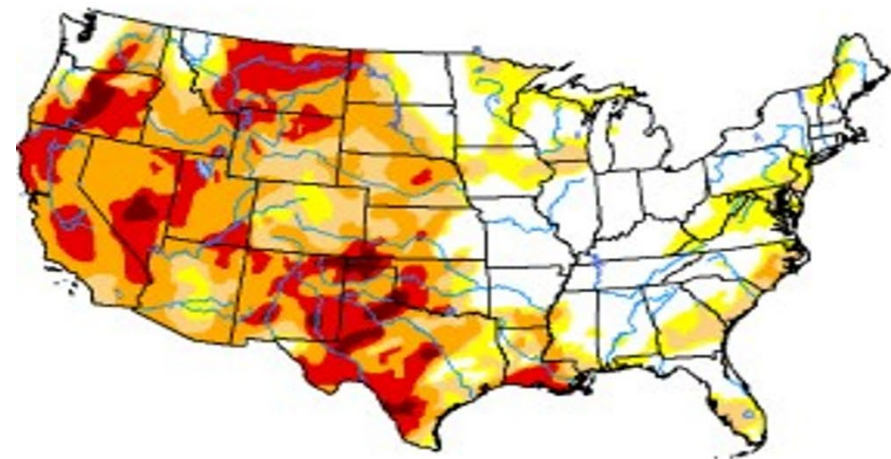


# Cattle Situation



**April 5, 2022**

**November 30, 2021**

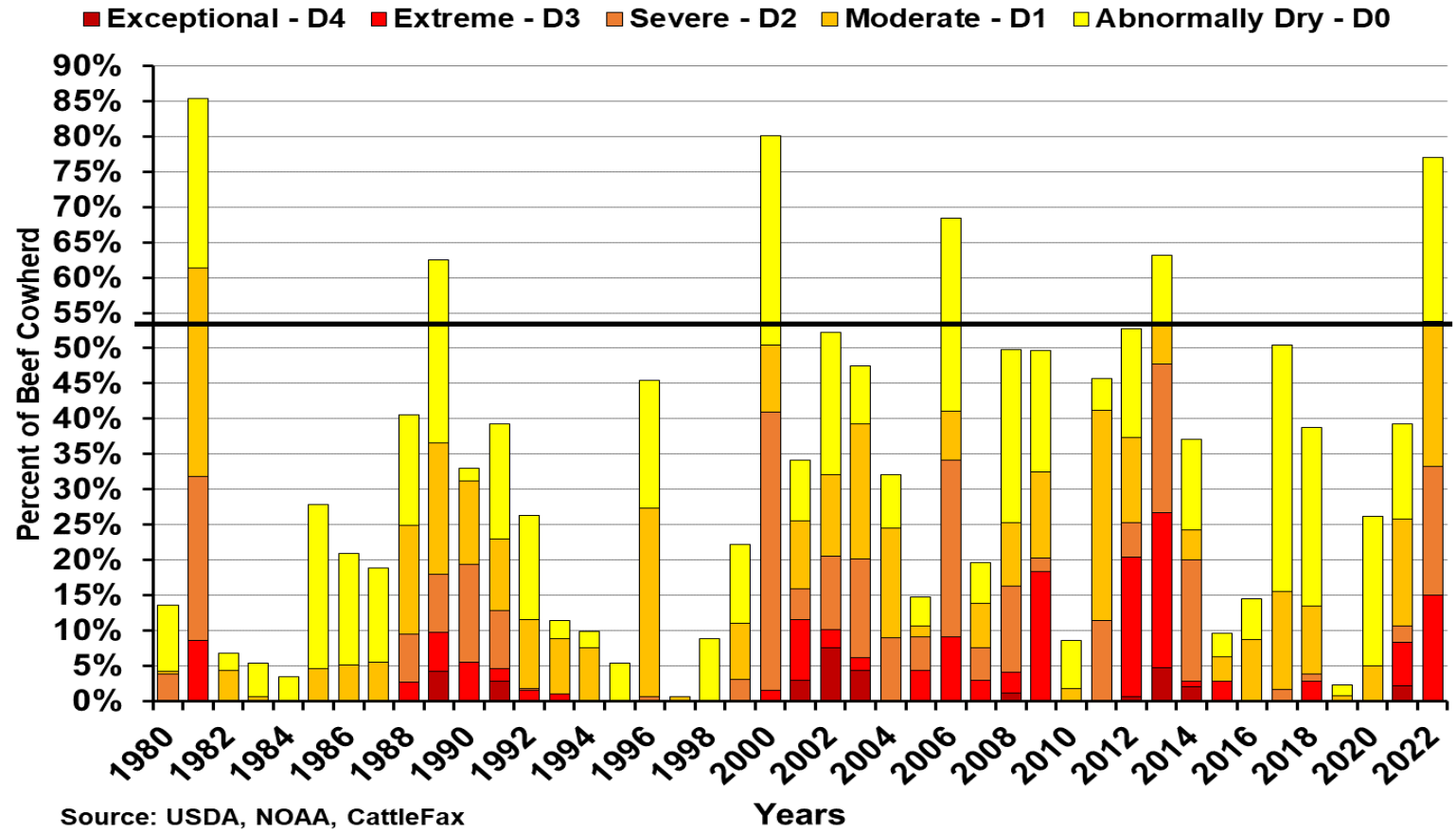


**69%**

**69%**

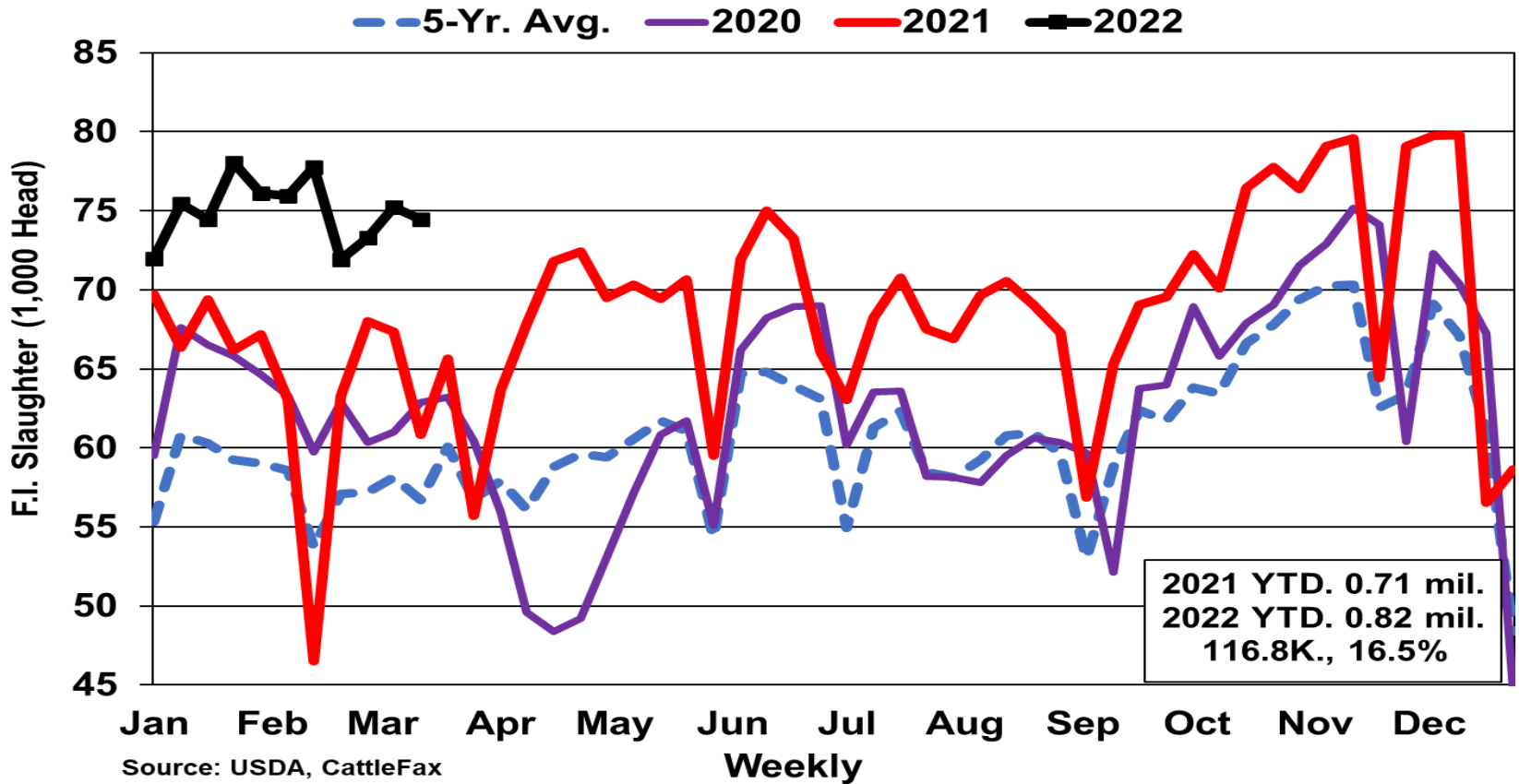
**La Nina!**

# U.S. Beef Cows in Drought - February



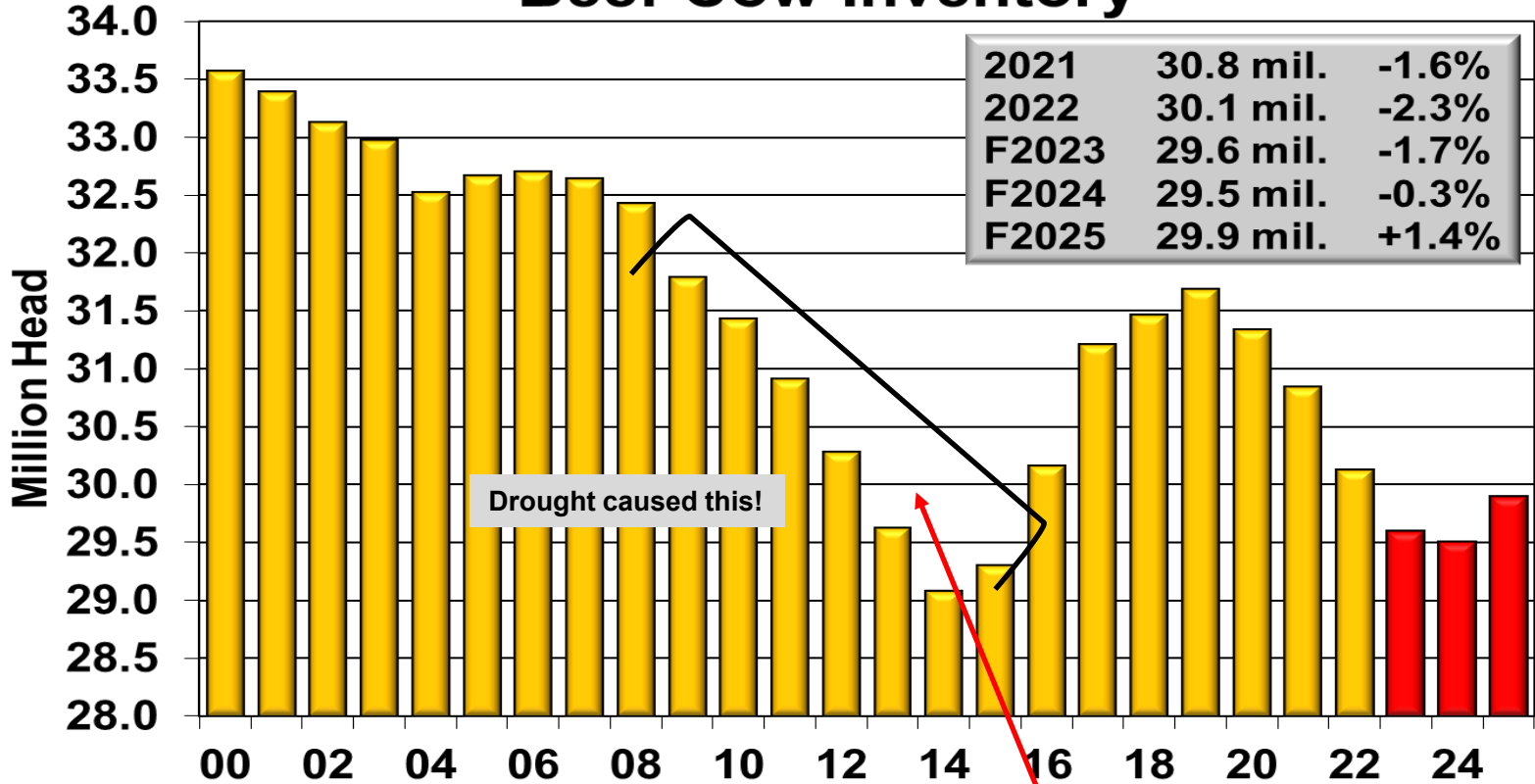
Source: USDA, NOAA, CattleFax

# USDA Beef Cow Slaughter



Source: USDA, CattleFax

# Beef Cow Inventory



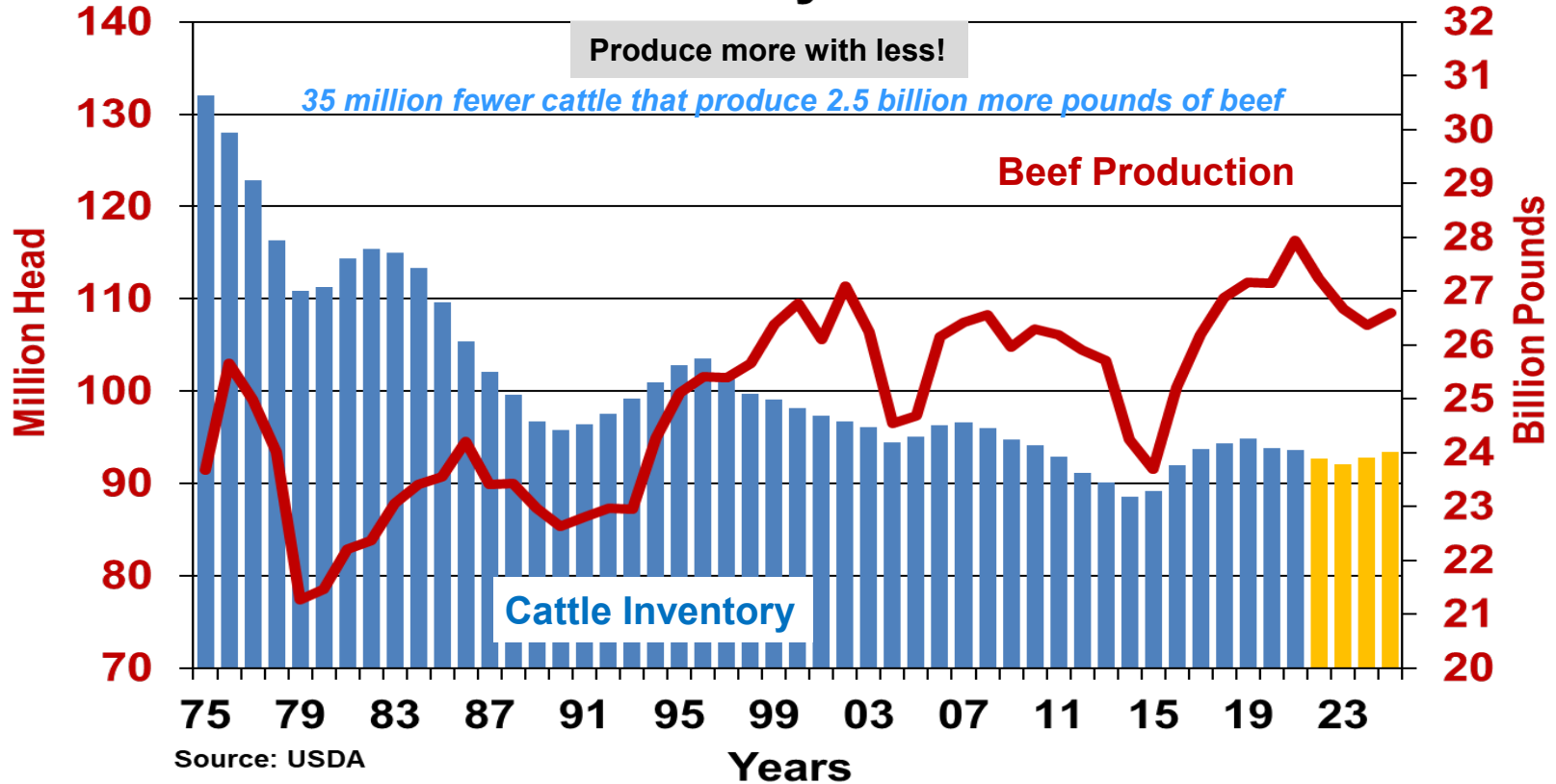
Drought caused this!

This is what put the packing plants out of business. **NO SUPPLY**

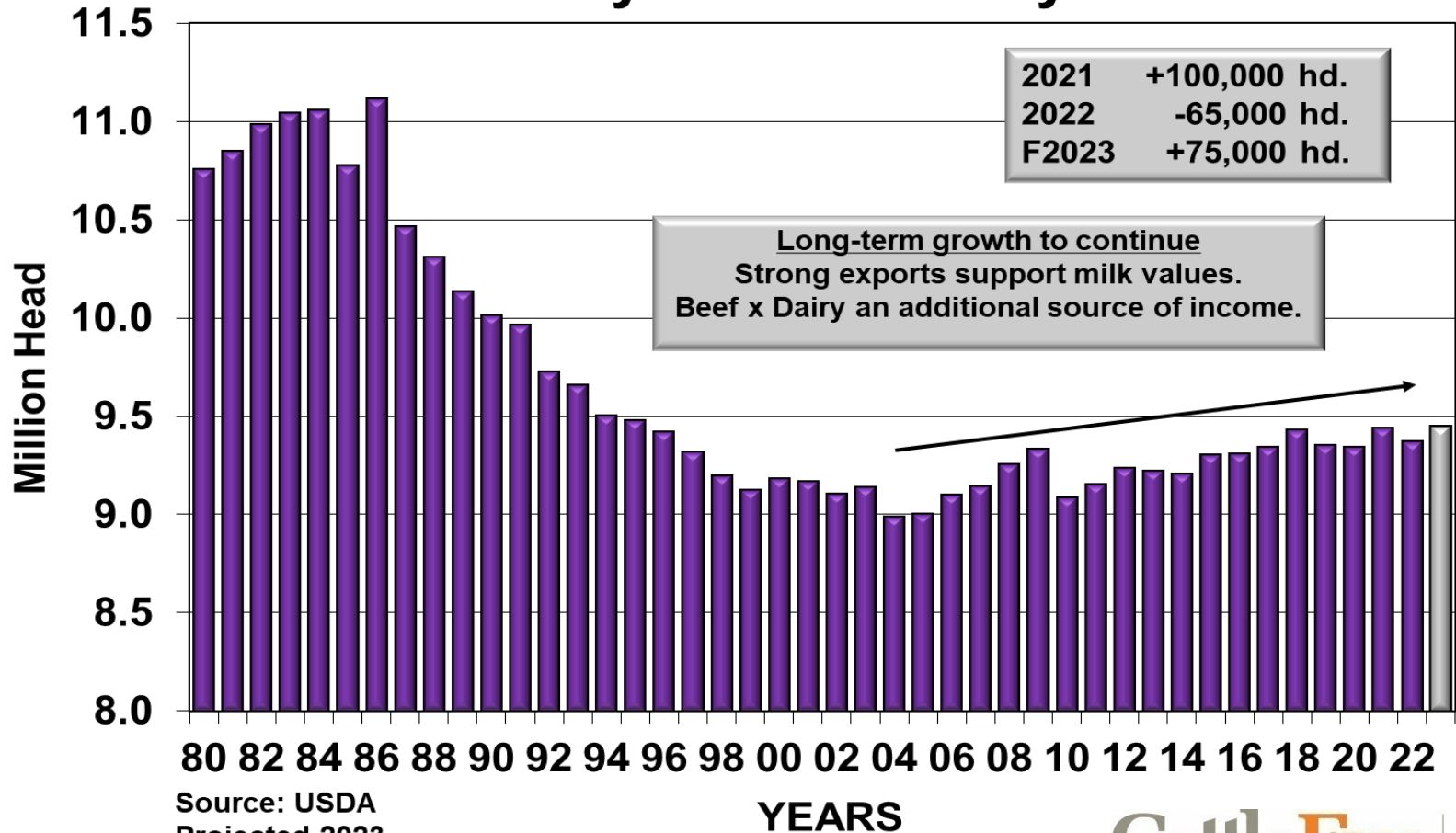
Source: USDA  
CattleFax Projection

YEARS

# U.S. Cattle Inventory & Beef Production

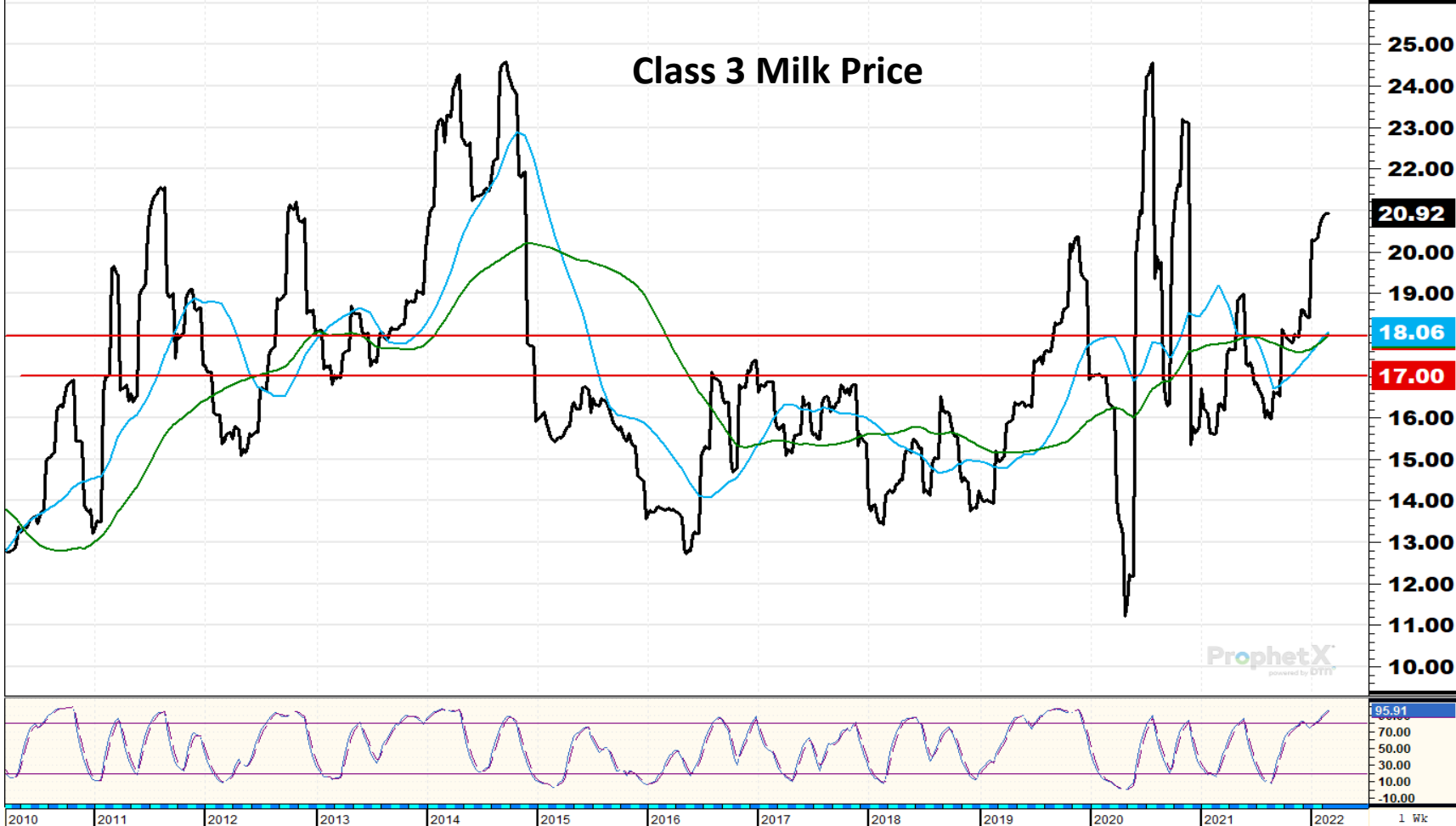


# Dairy Cow Inventory



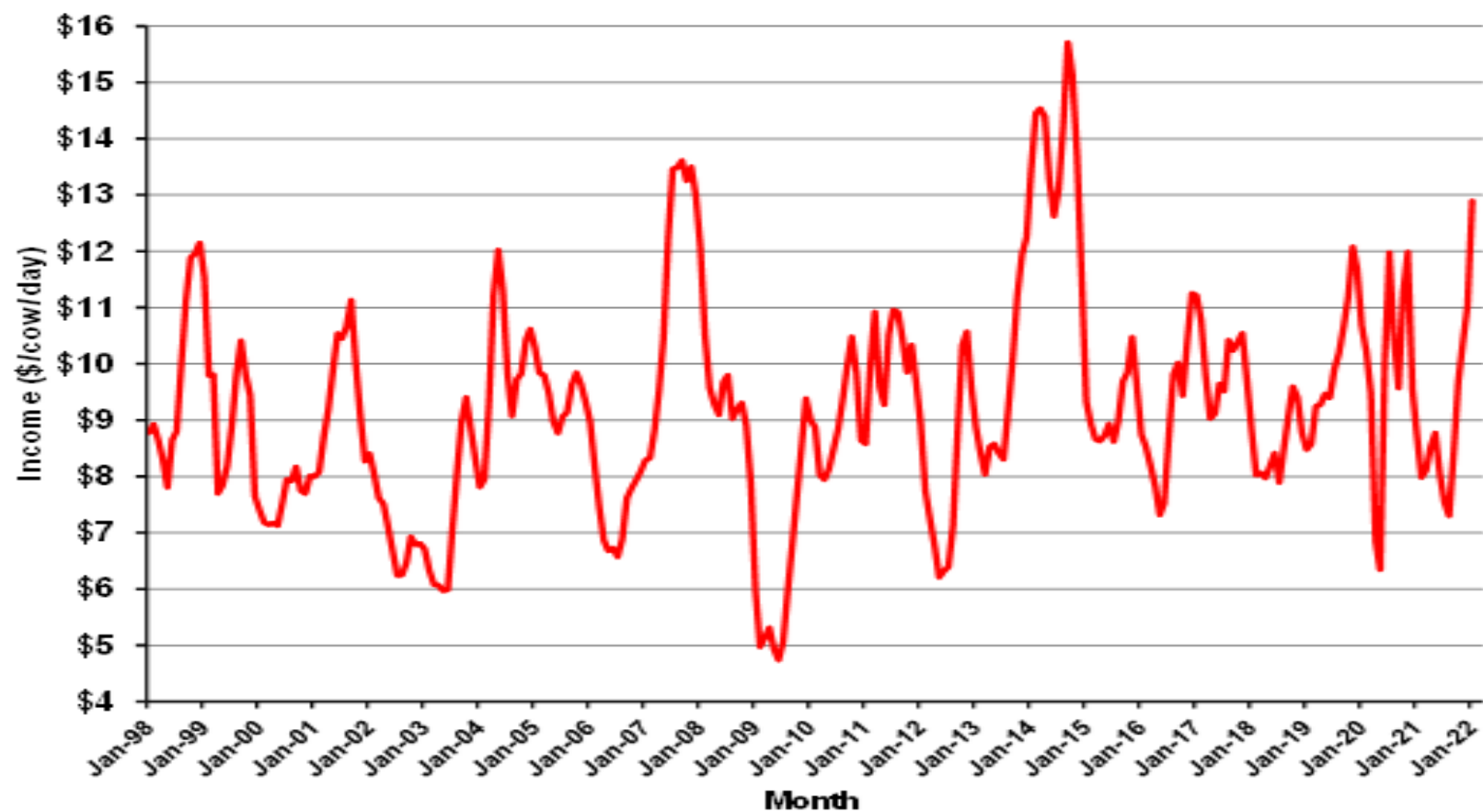
Source: USDA  
Projected 2023

# Class 3 Milk Price



ProphetX  
powered by DTI

# USDA Milk Income Over Feed Costs

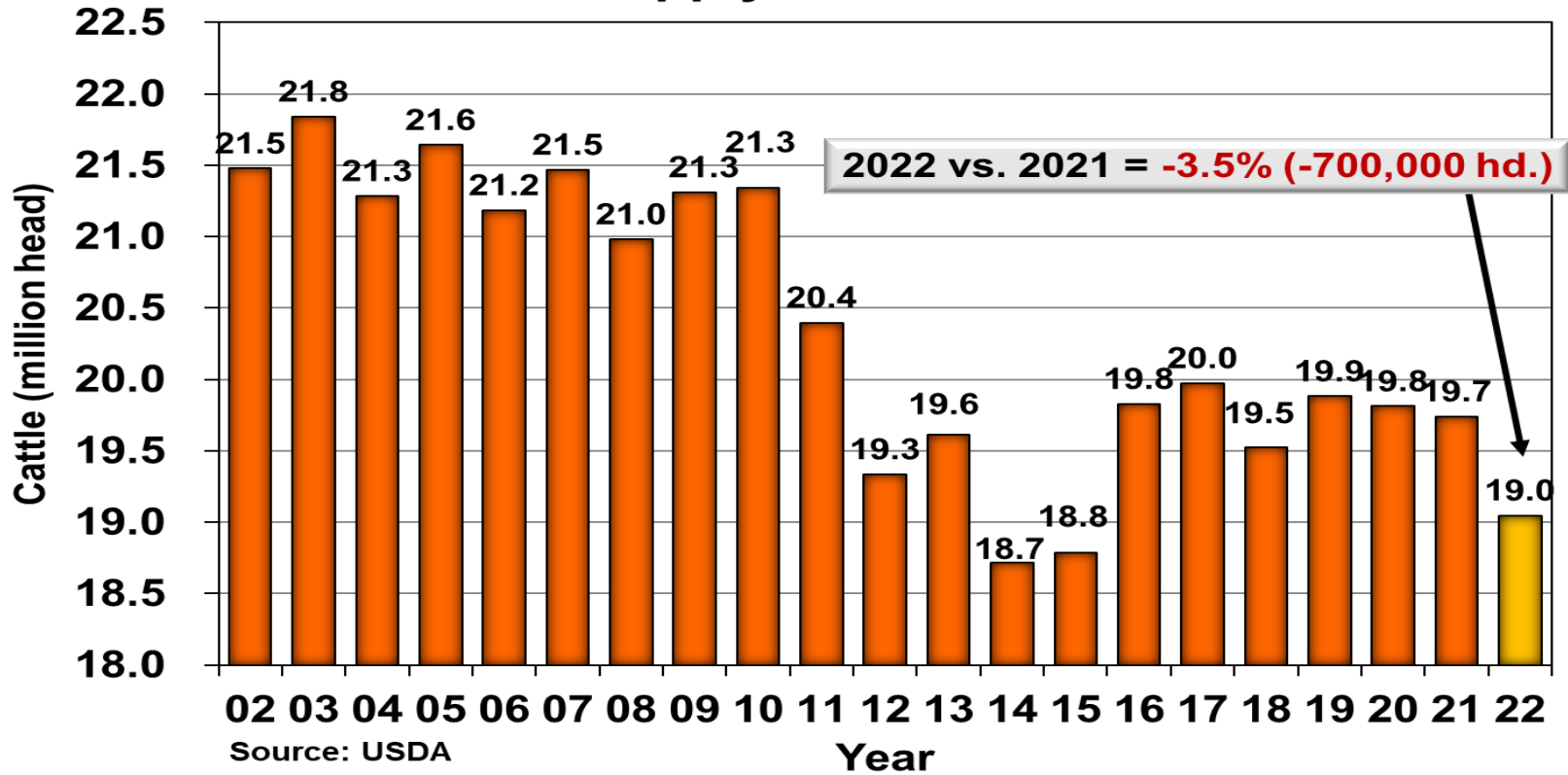




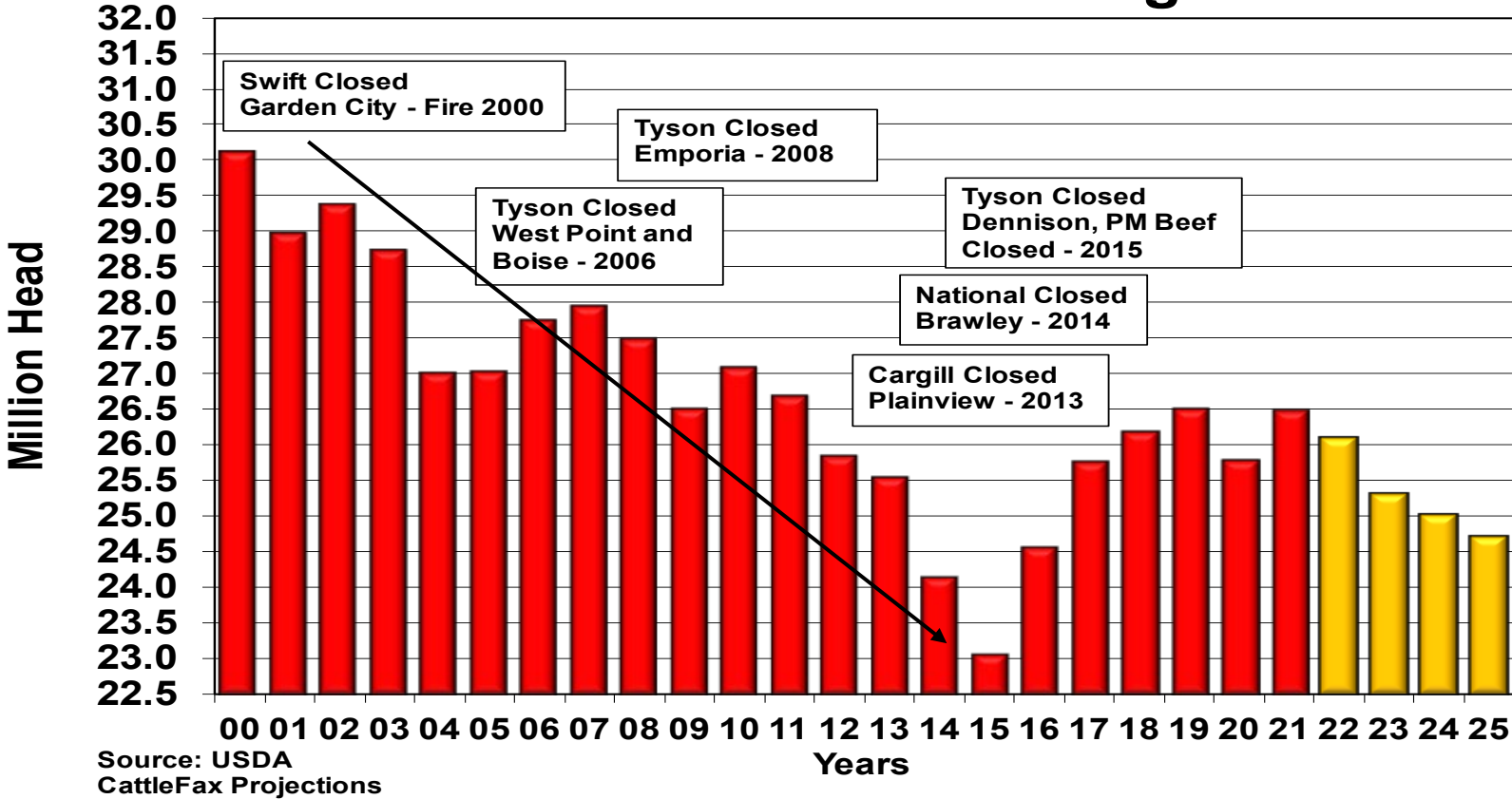
# Large Dairy Operation Advantages

- Economies of scale
- Vertically integrated – closer to consumers to capture more dollars
  - Ice cream, cheese, yogurt, etc. processors
- Adopt new technologies/ideas
  - Robotics
  - Sexed semen
  - **Beef x Dairy cross**
  - Retain ownership

# April 1 - U.S. Feeder Cattle and Calf Supply Outside of Feedlots



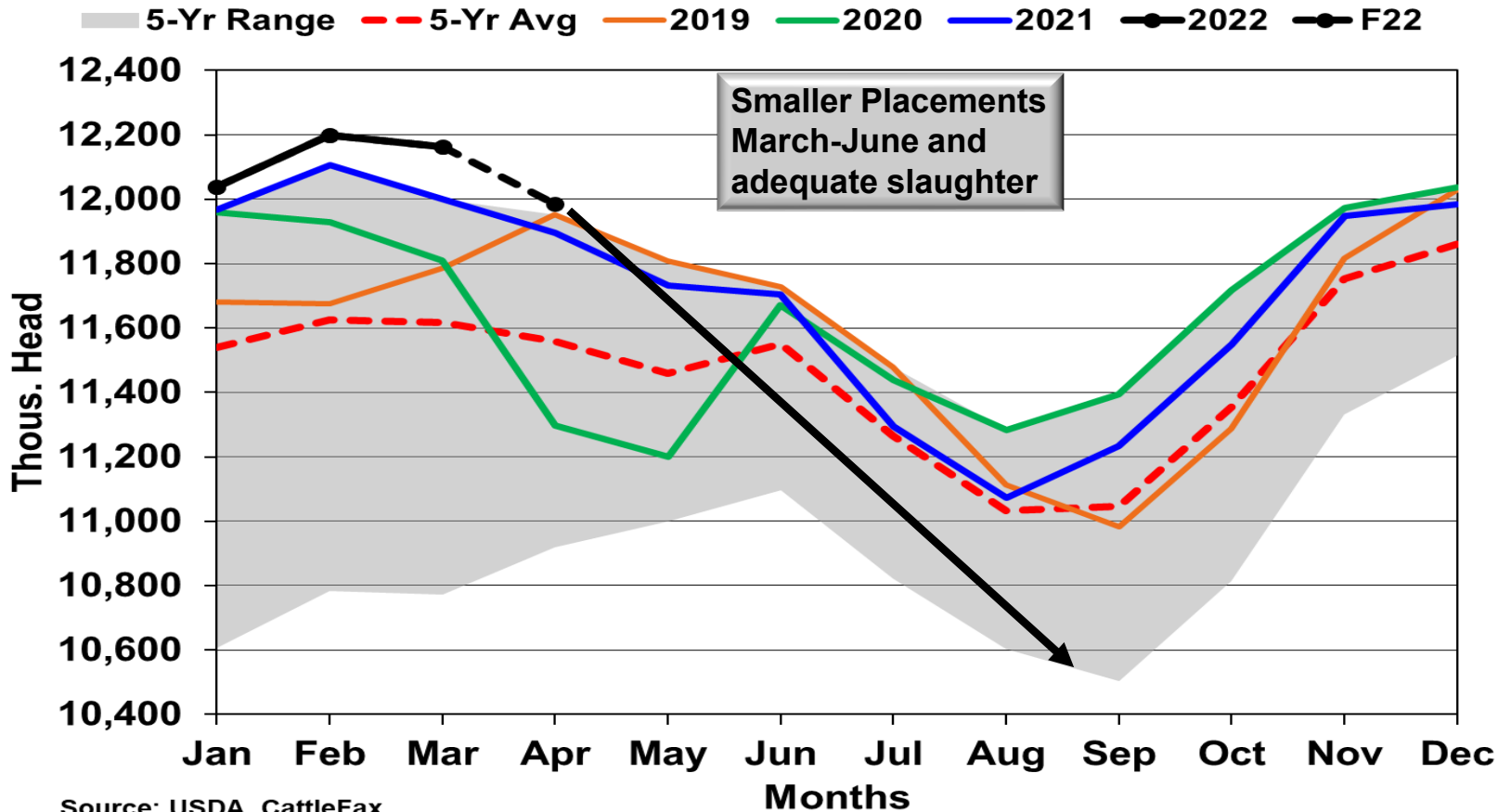
# U.S. Steer & Heifer Slaughter



Source: USDA  
CattleFax Projections

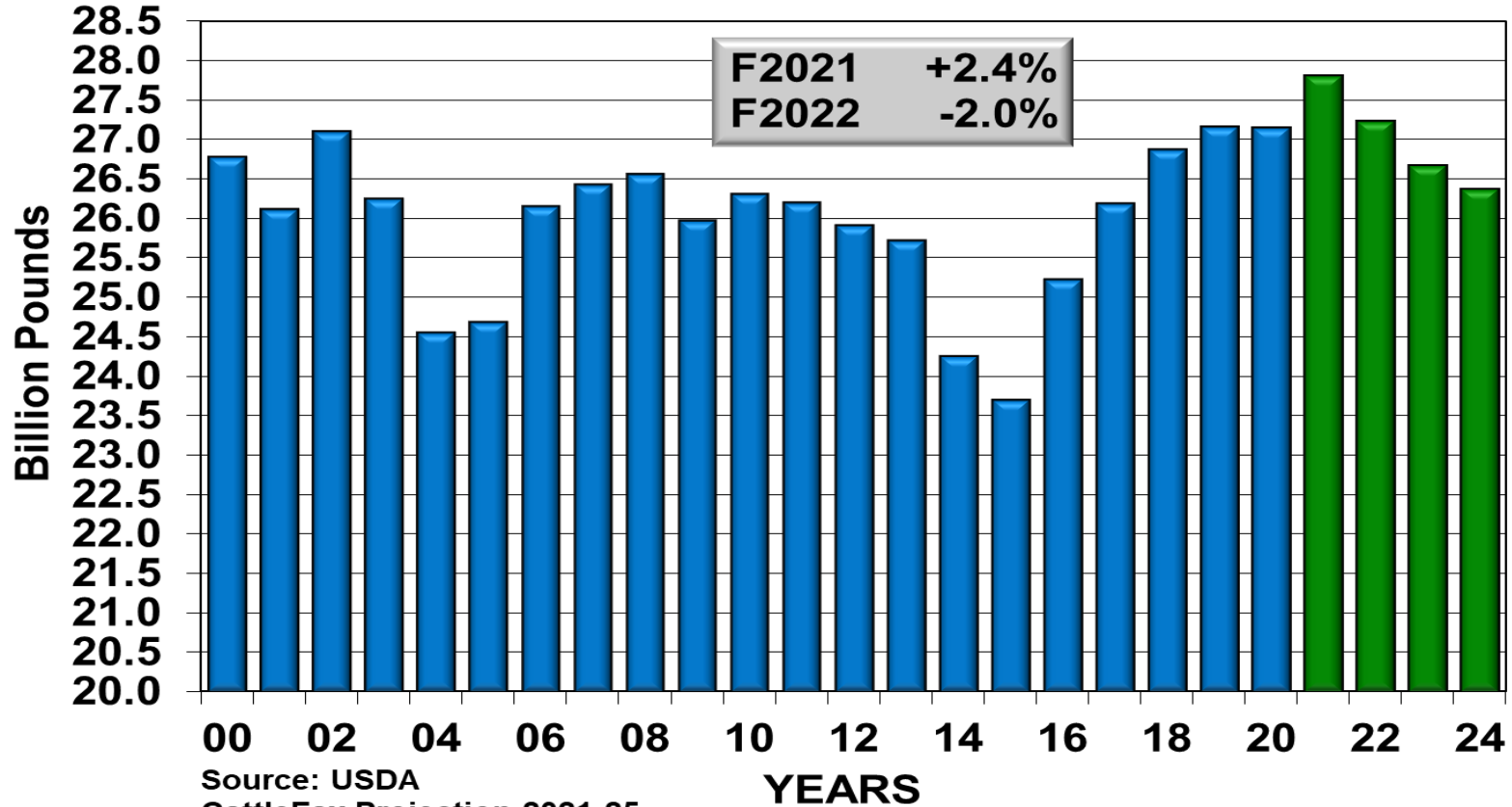
Slaughter increased 3.5 mil head from 2015 to 2019 and the capacity to harvest the animals in a normal 40-hour week was not available thus packers had the leverage, this will change significantly from 2022-2025.

# Monthly USDA Cattle on Feed



Source: USDA, CattleFax

# U.S. Commercial Beef Production

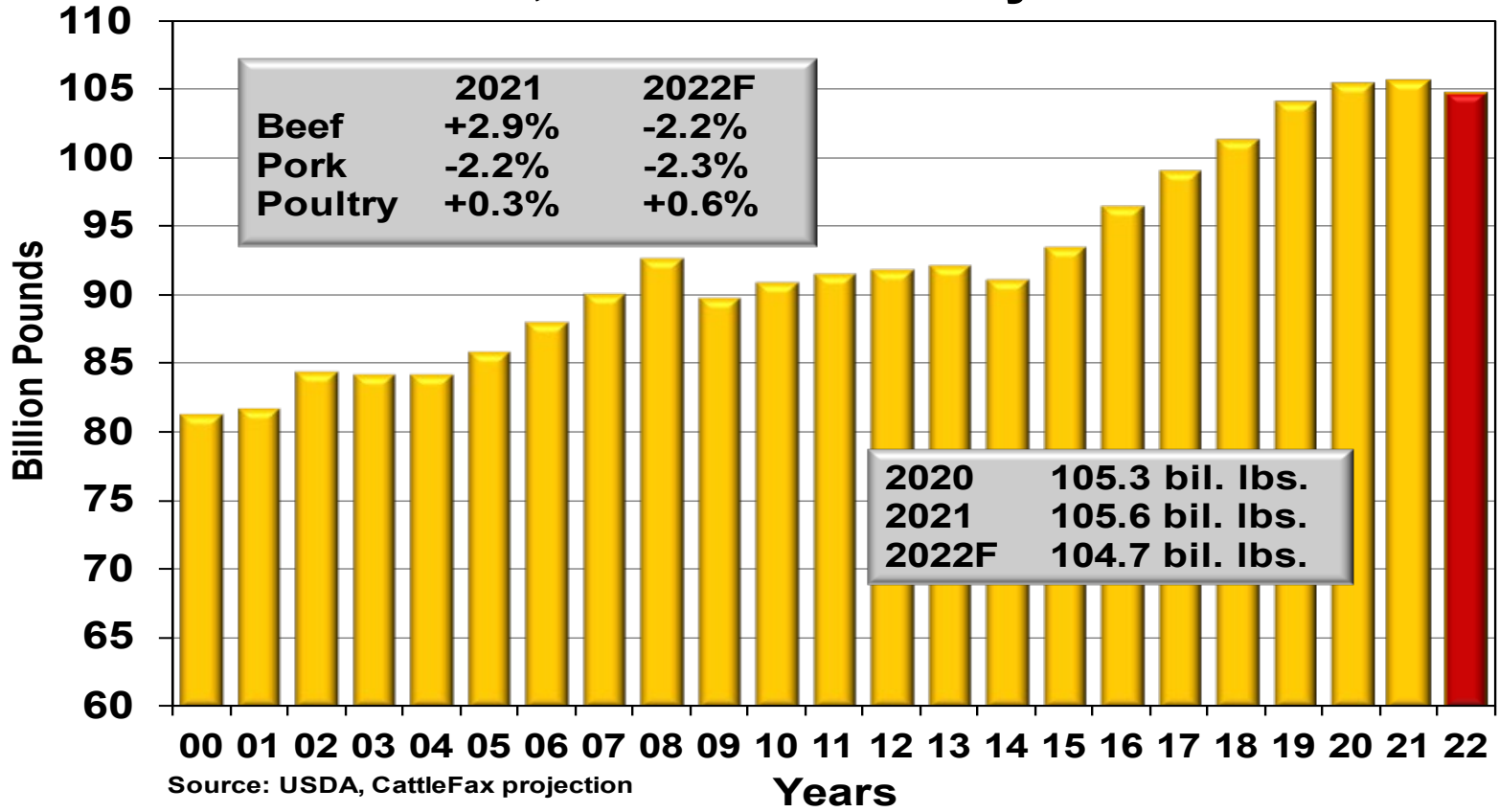


Source: USDA  
CattleFax Projection 2021-25

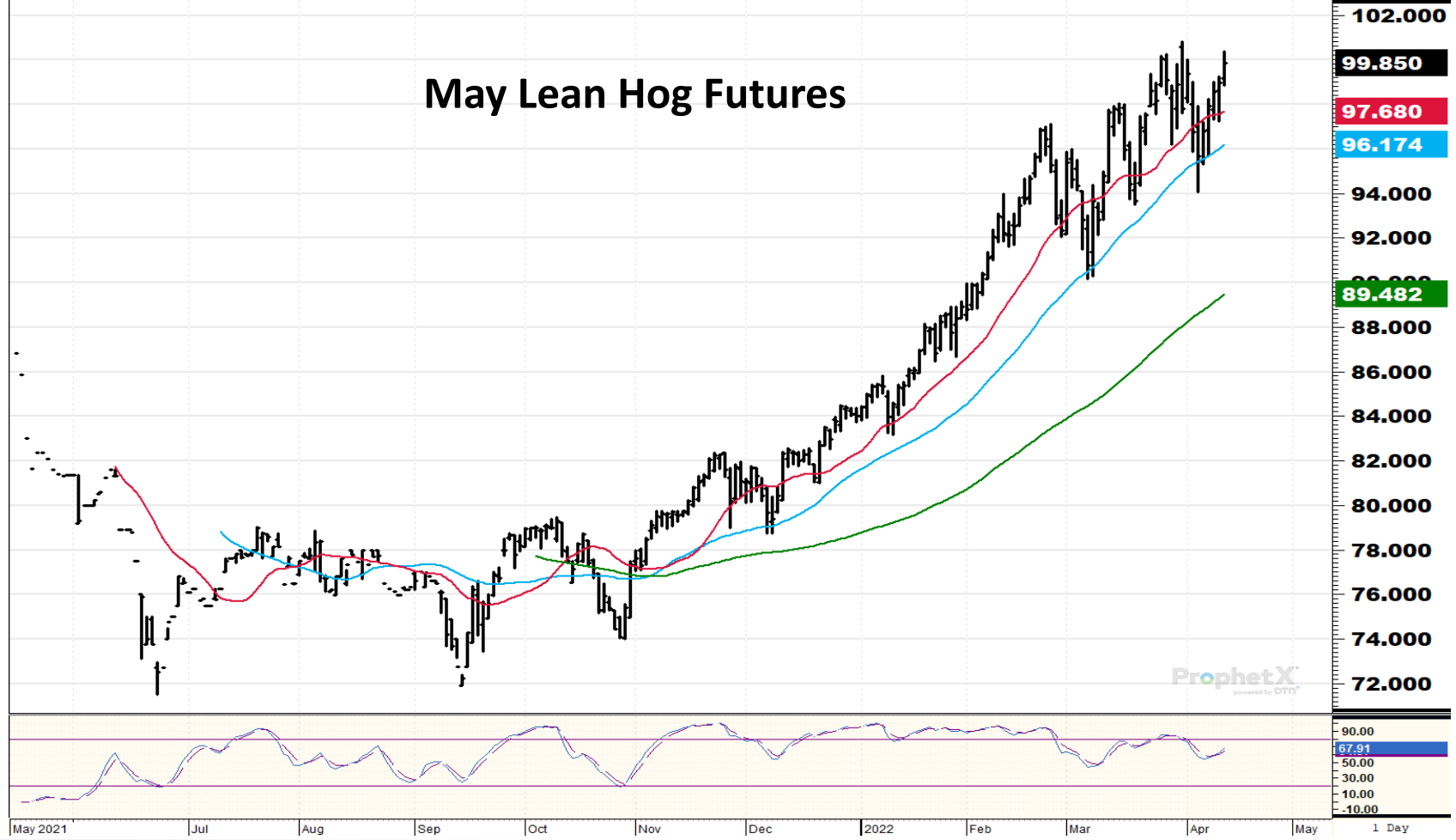


## **Demand, Exports and Competing Meats**

# U.S. Beef, Pork and Poultry Production

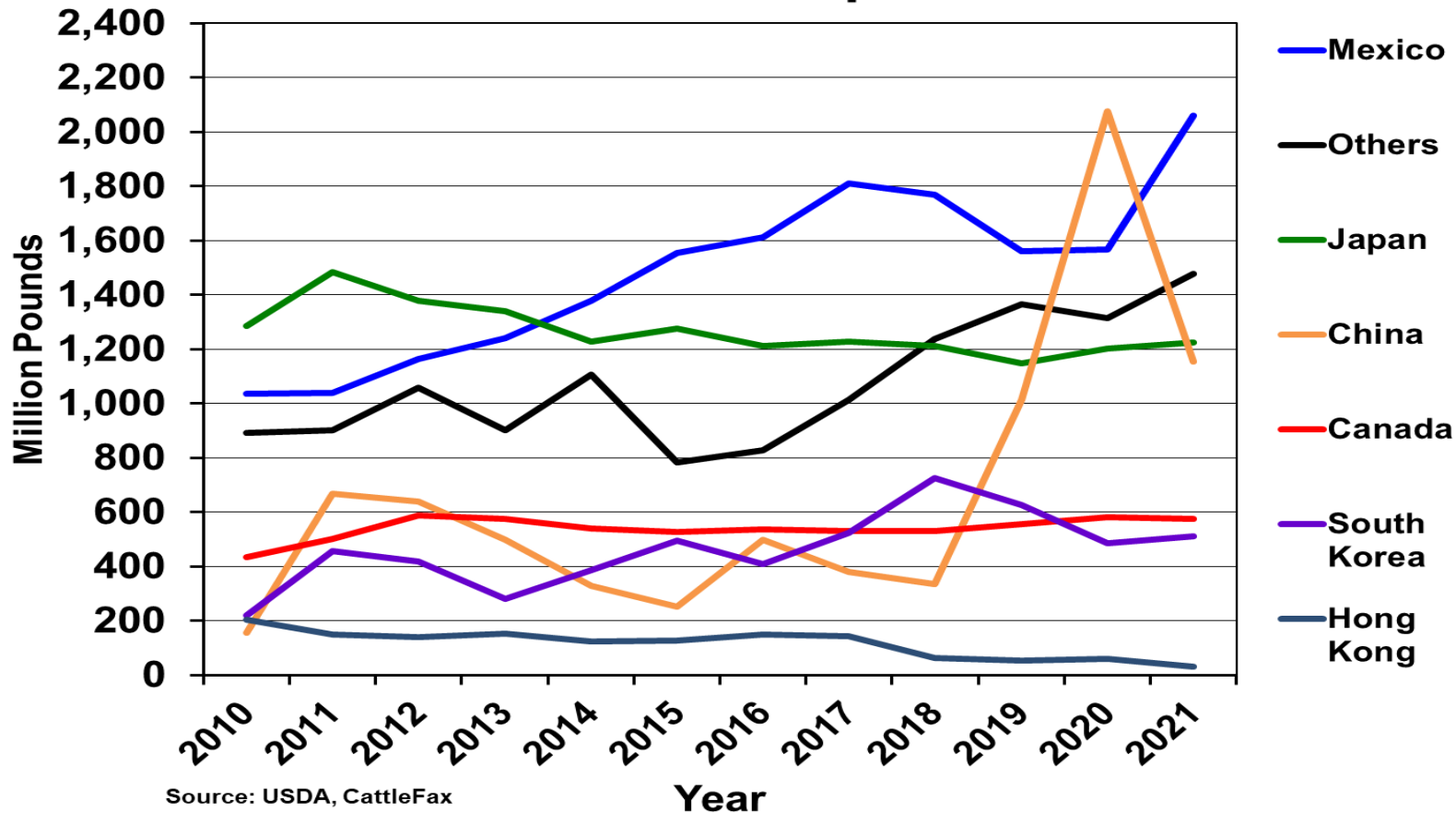


# May Lean Hog Futures



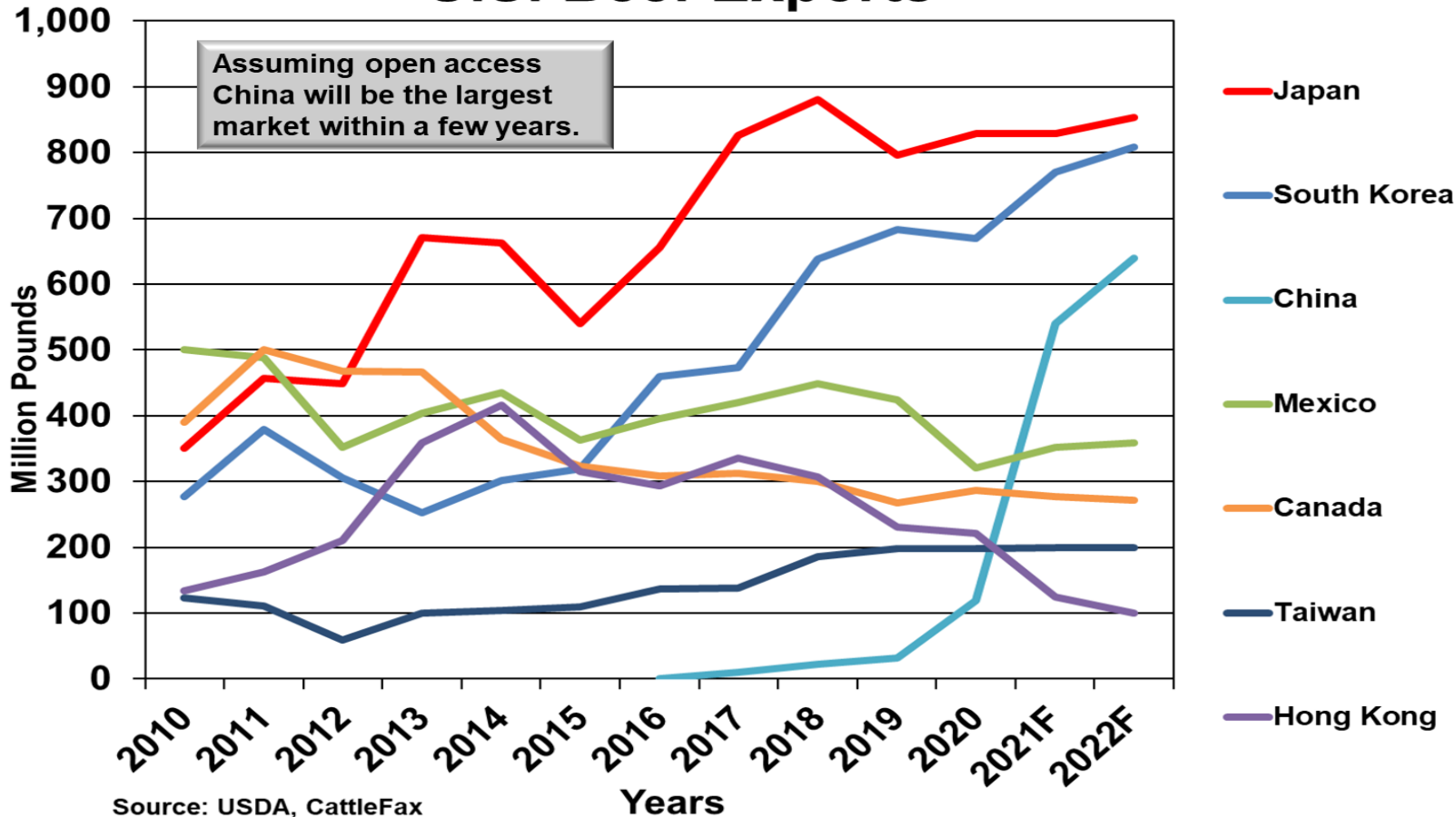


# U.S. Pork Exports



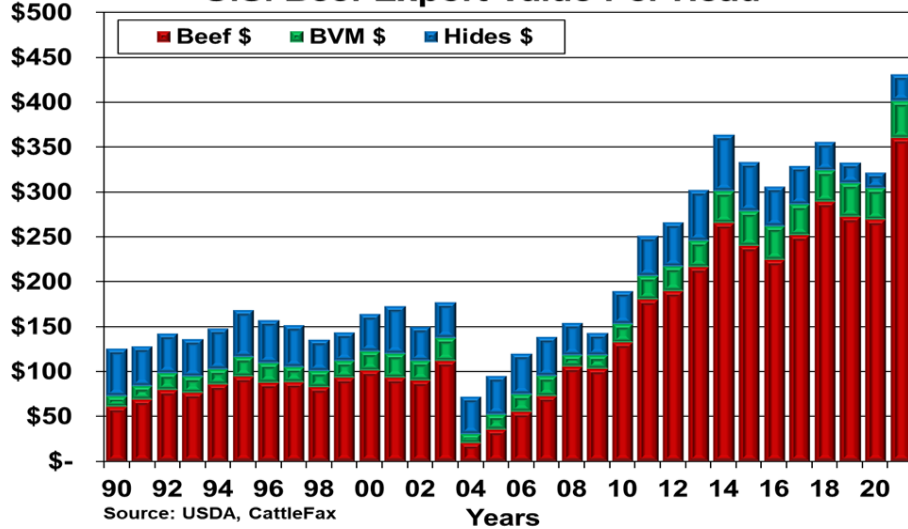
Source: USDA, CattleFax

# U.S. Beef Exports

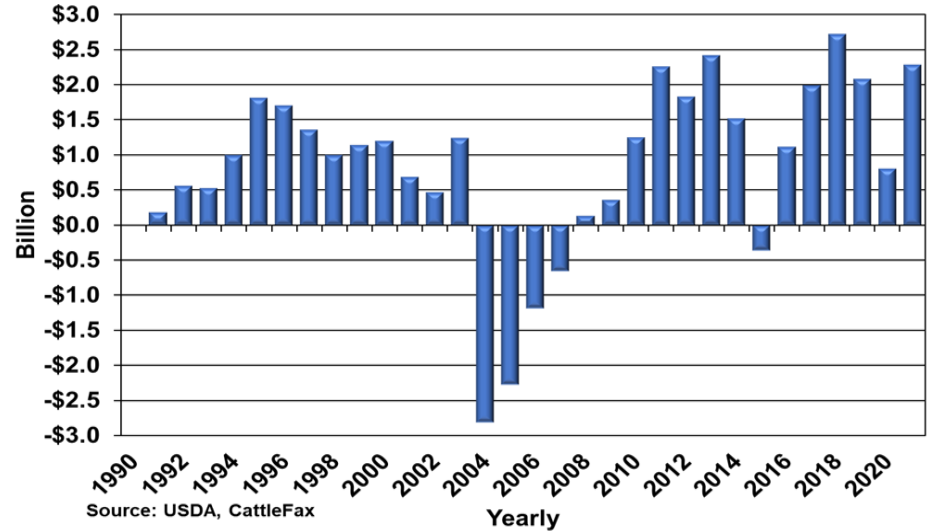


Source: USDA, CattleFax

### U.S. Beef Export Value Per Head



### U.S. Beef and Beef Variety Meat Net Export Value



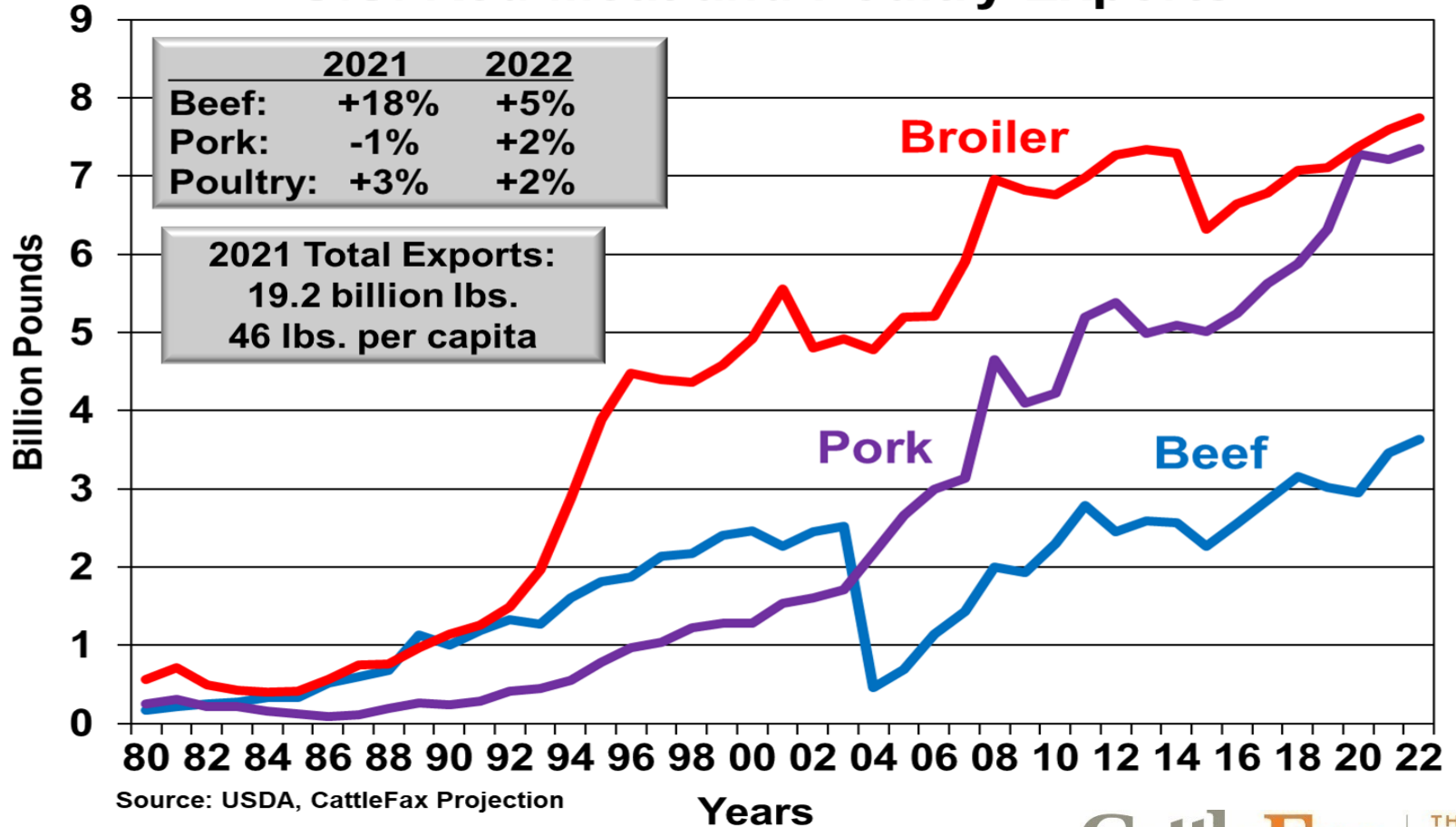
Higher export prices fueled the value per head to **record high levels.**

Estimated to be \$431 per head in 2021.

Value of beef exports near **\$10.5 billion** in 2021.

**\$2-\$2.5 bil. annual net surplus value of trade.**

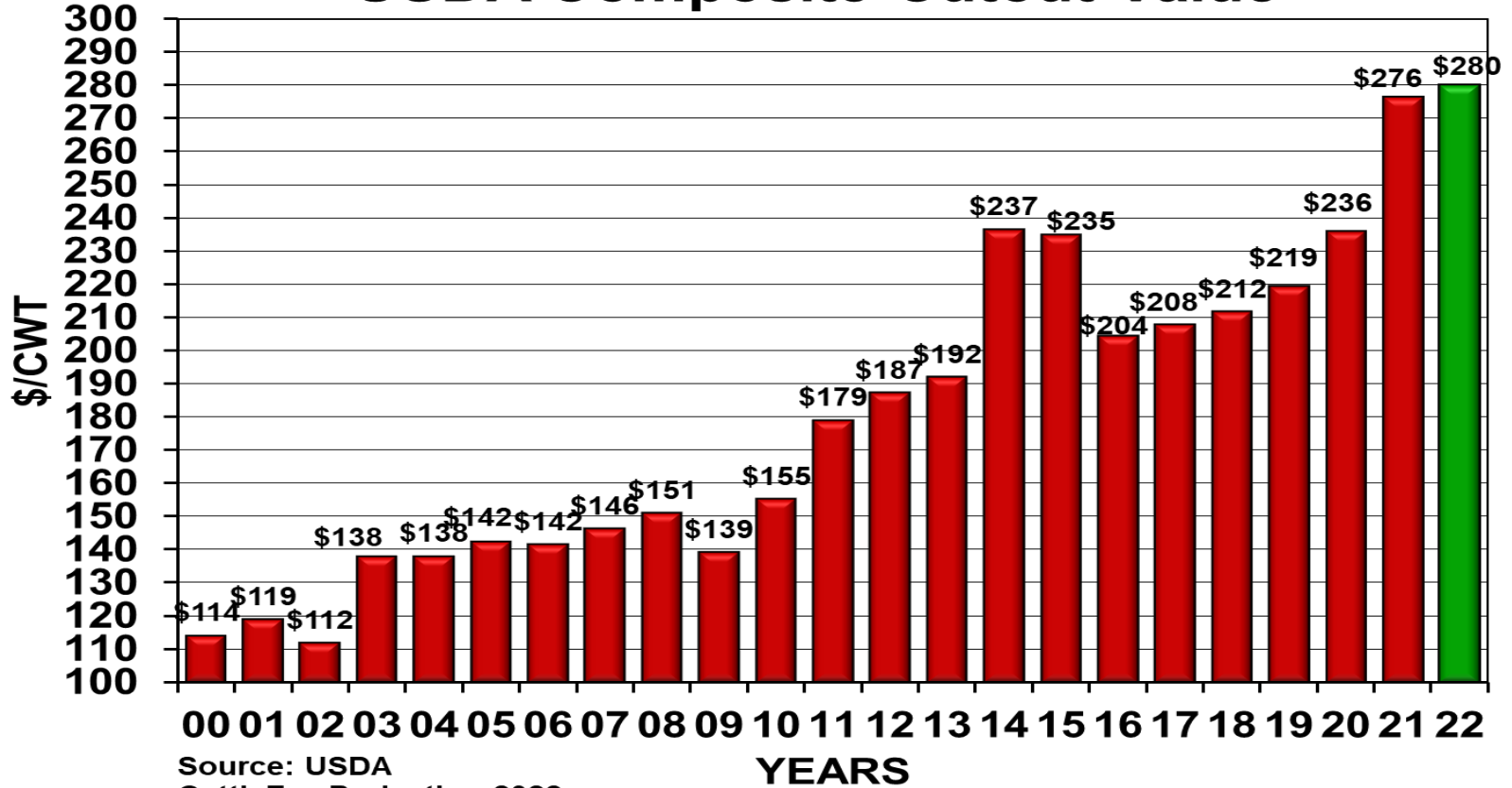
# U.S. Red Meat and Poultry Exports





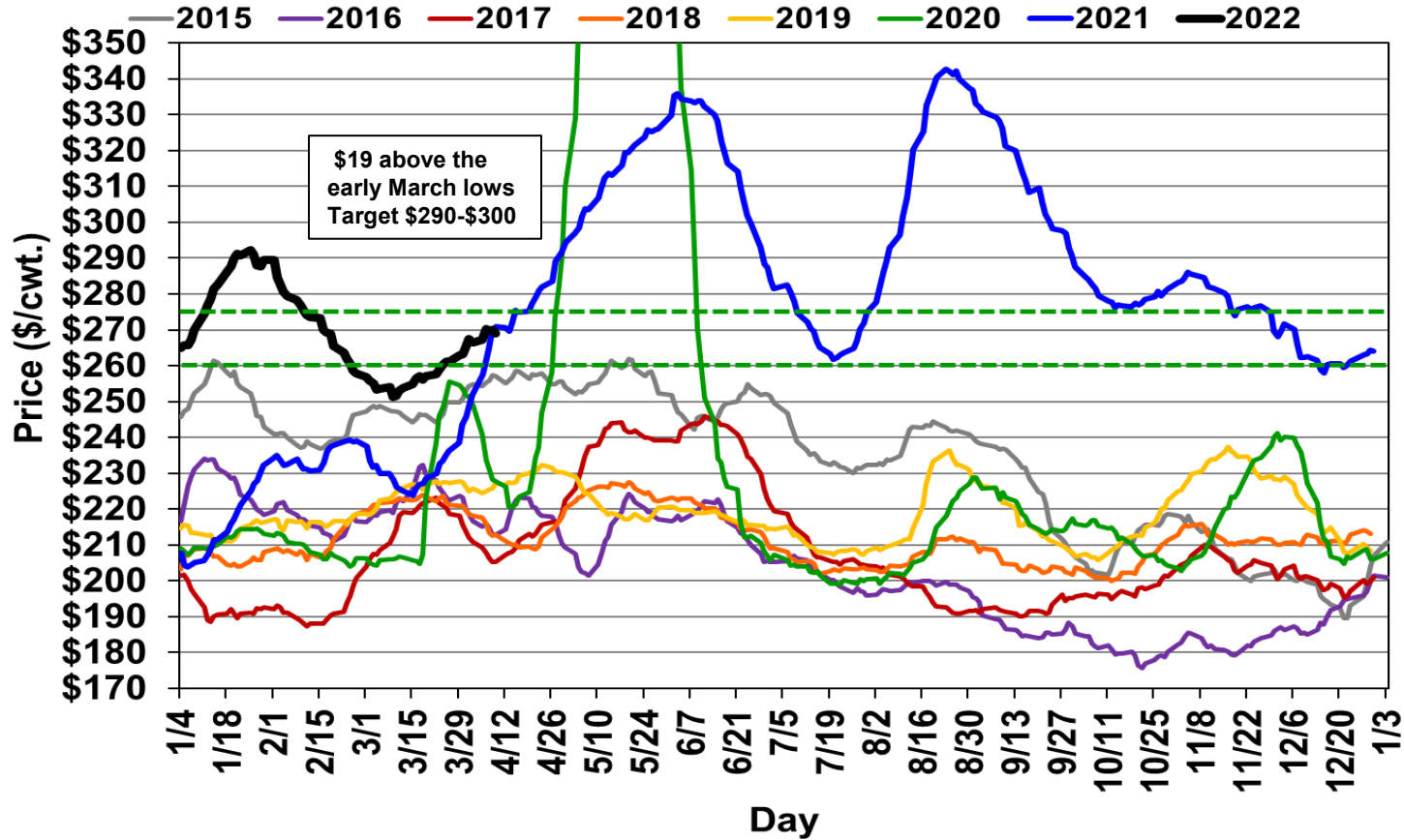
## **Market Expectations and Outlook**

# USDA Composite Cutout Value

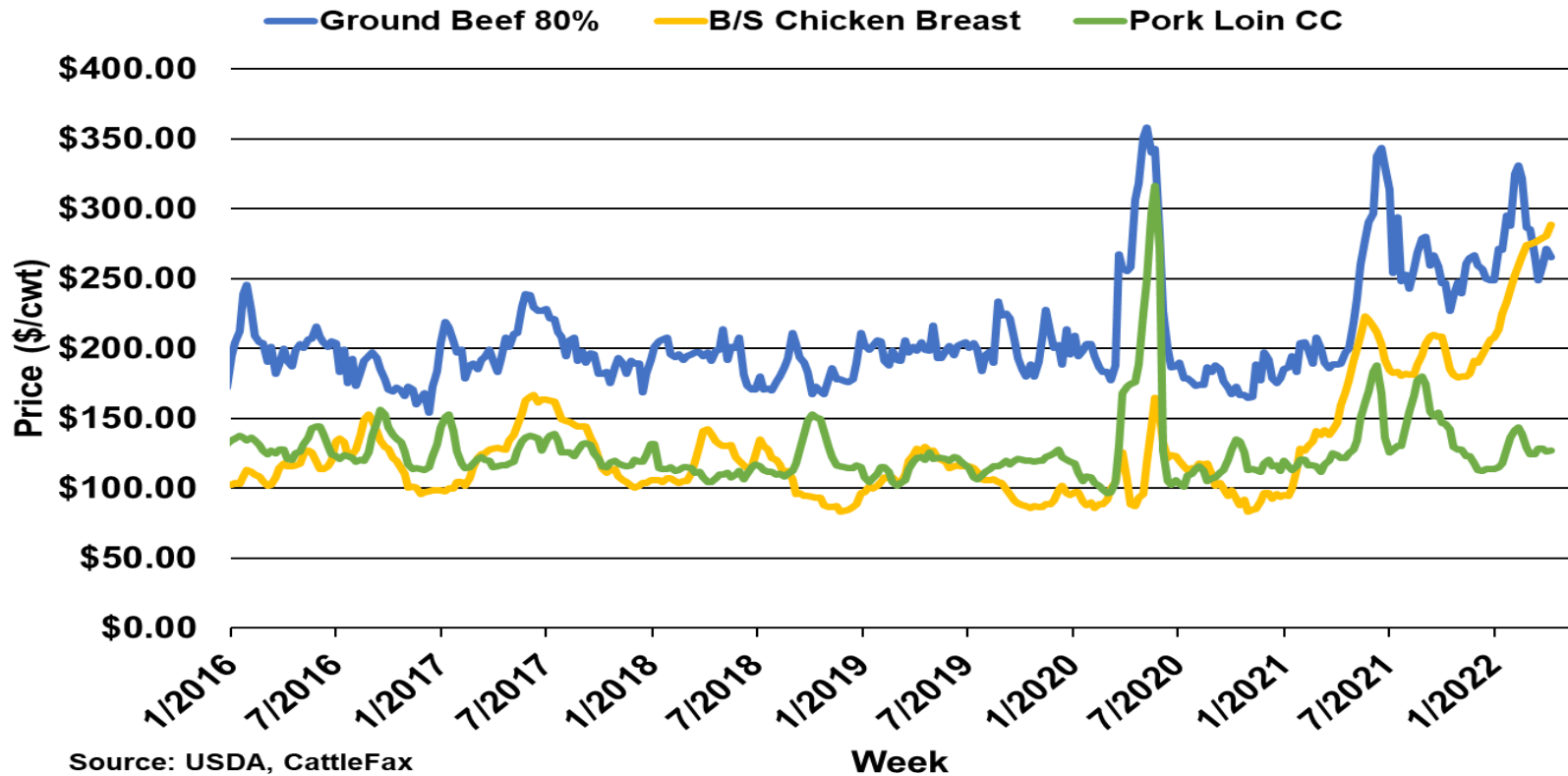


Source: USDA  
CattleFax Projection 2022

# Daily USDA Composite Cutout Value



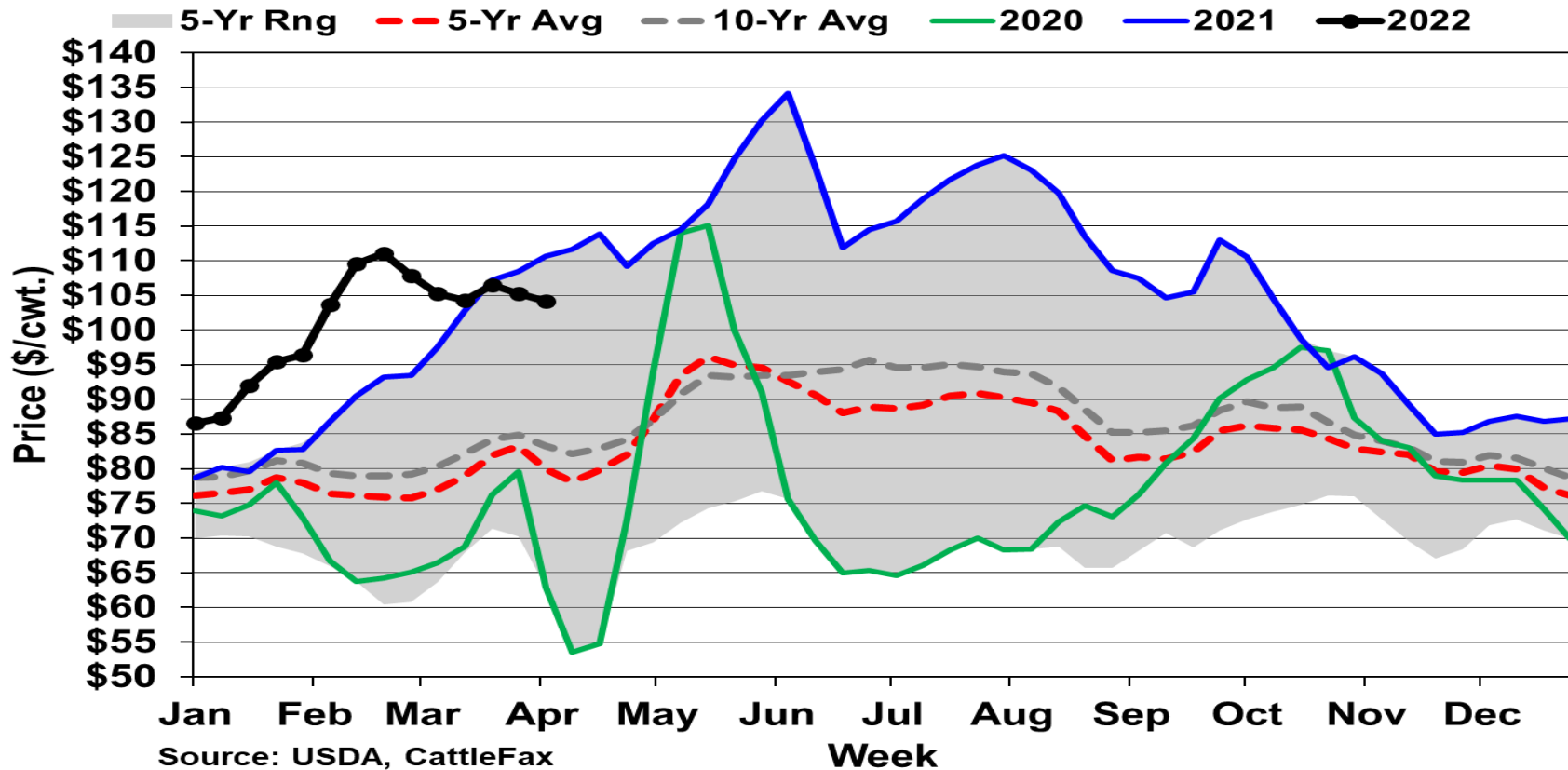
# Weekly USDA Wholesale Beef, Chicken and Pork Prices



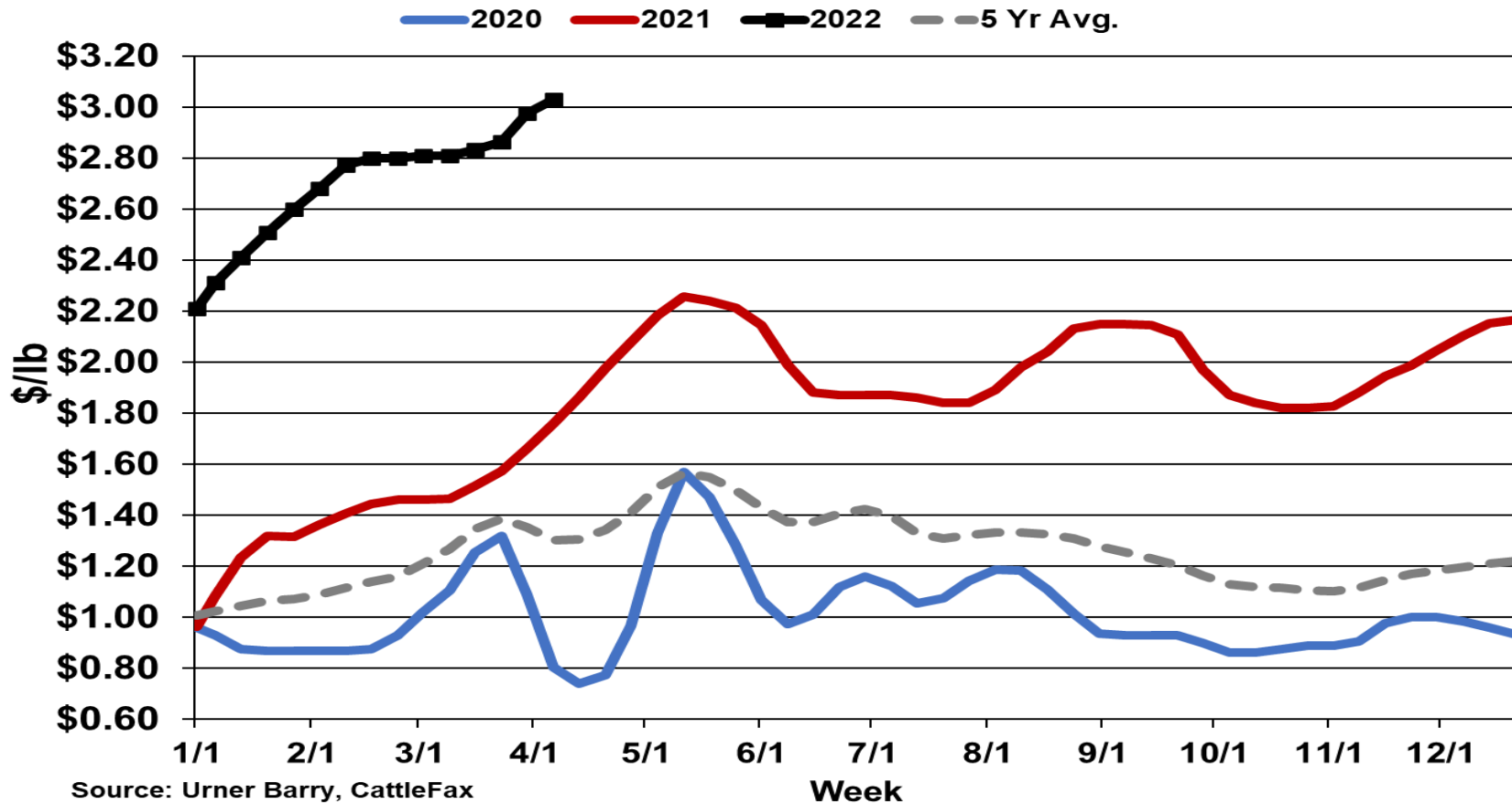
Source: USDA, CattleFax



# Weekly USDA Pork Cutout Price



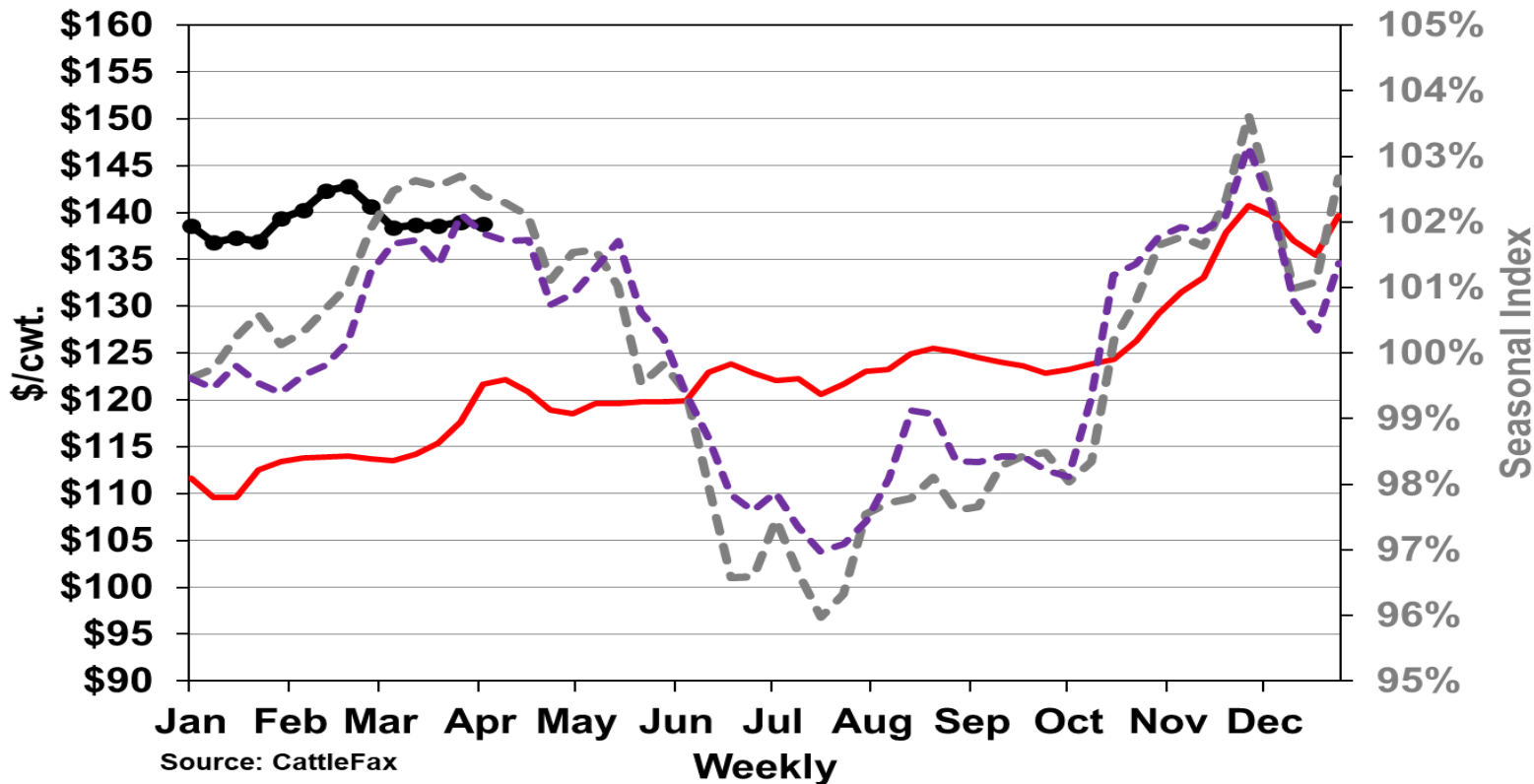
# Jumbo Bnls/Sknls Chicken Breast, Tender Out



Source: Urner Barry, CattleFax

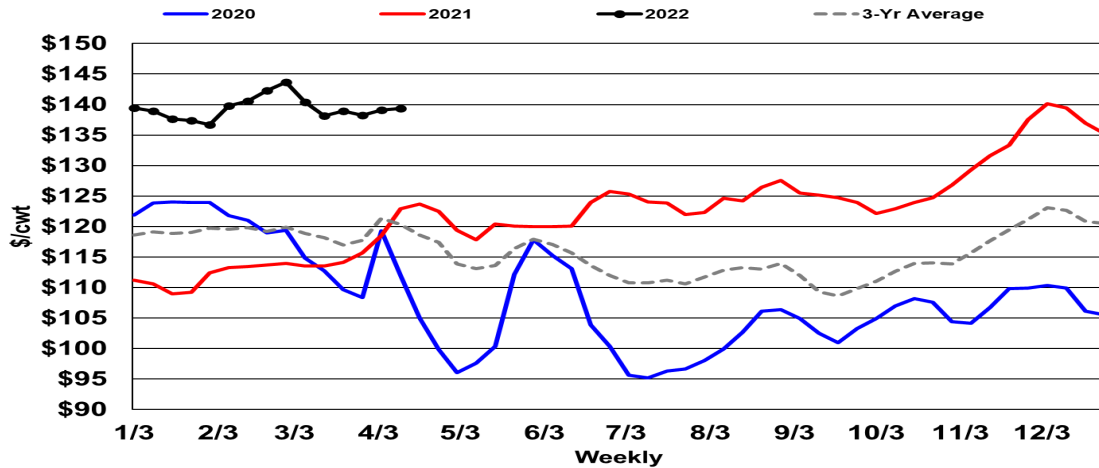
# CattleFax U.S. Fed Steer Price

— 2021 —●— 2022 - - - 20-Yr Index - - - Non-Expansion



Source: CattleFax

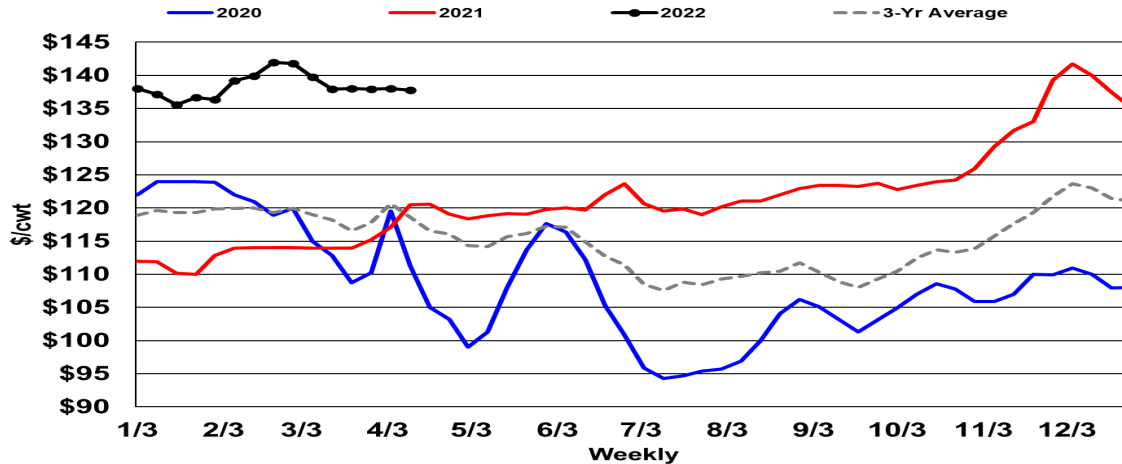
## USDA Nebraska Live



Highest prices since the first week in March

Source: USDA

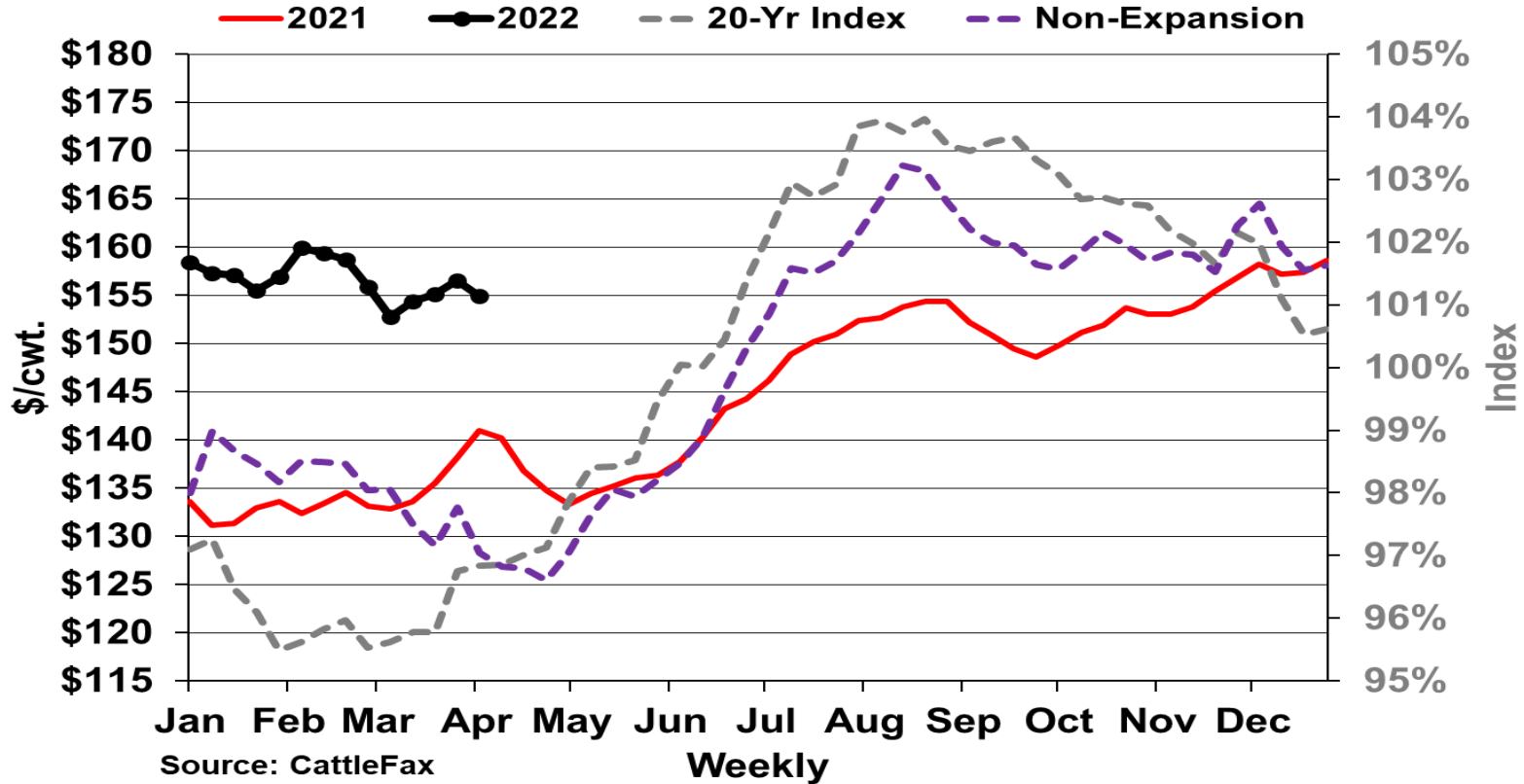
## USDA Kansas Live



Flat for five weeks

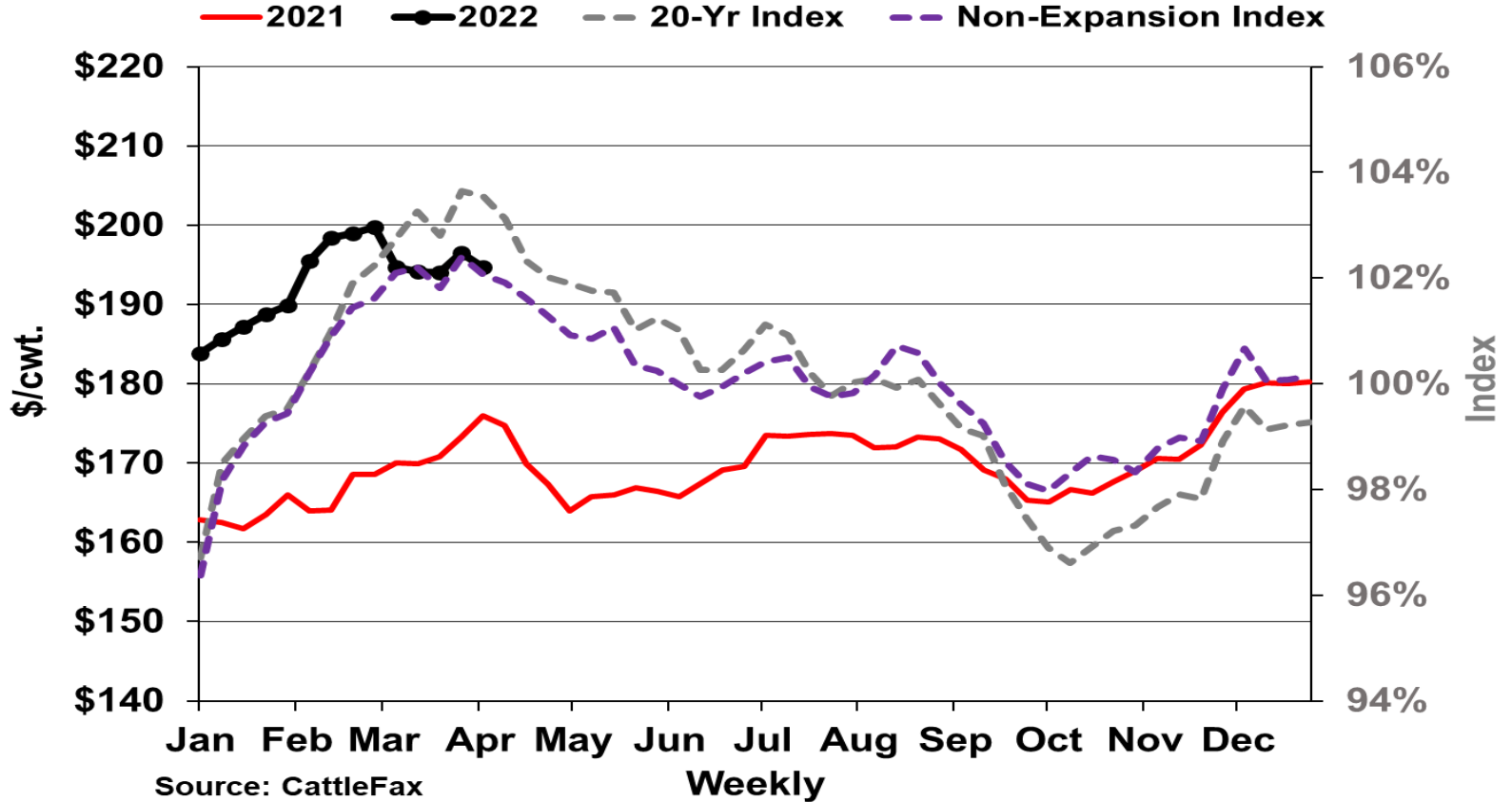
Source: USDA

# CattleFax U.S. 800-lb. Steer Price



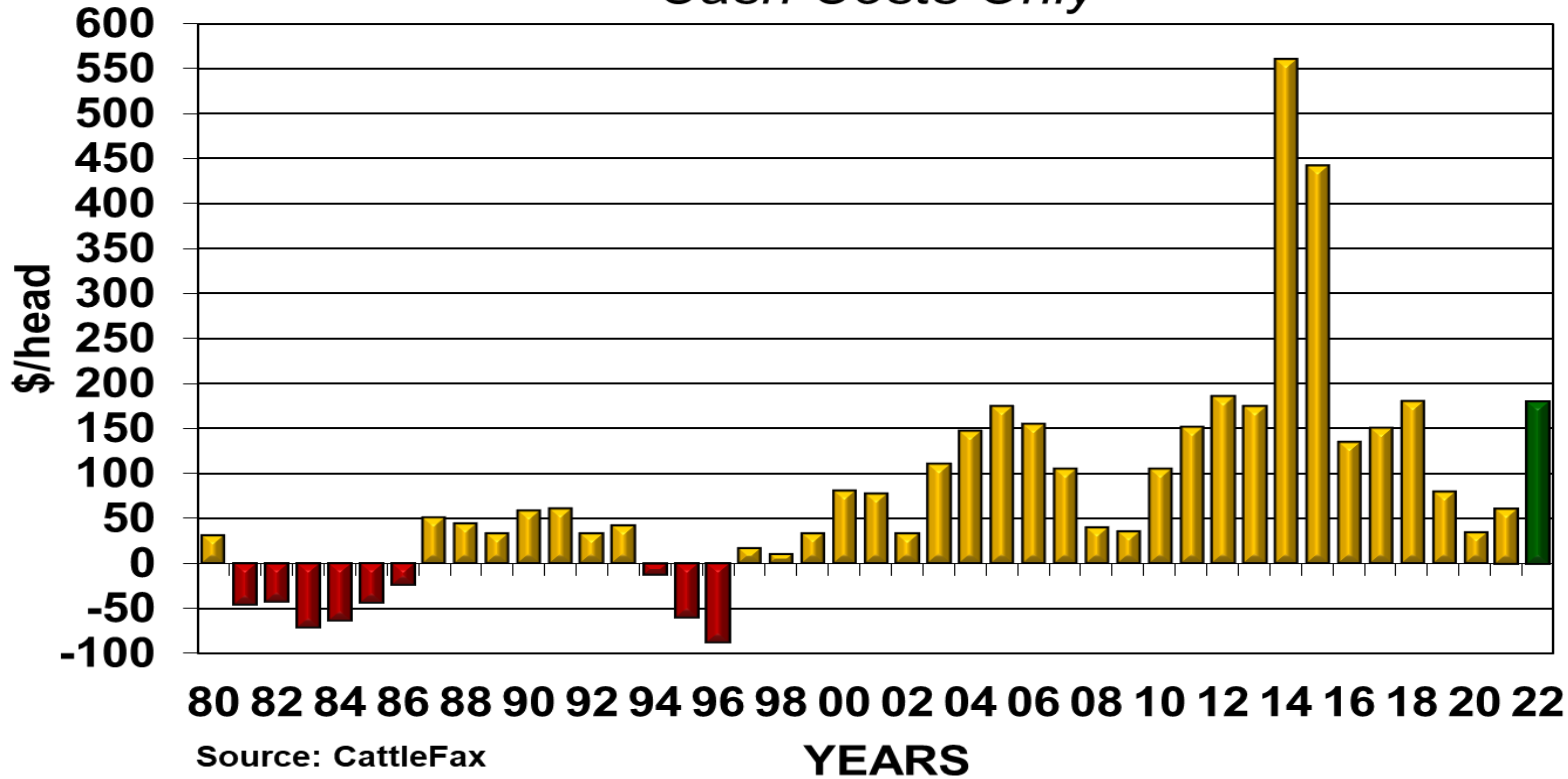
Source: CattleFax

# CattleFax U.S. 550-lb. Steer Price



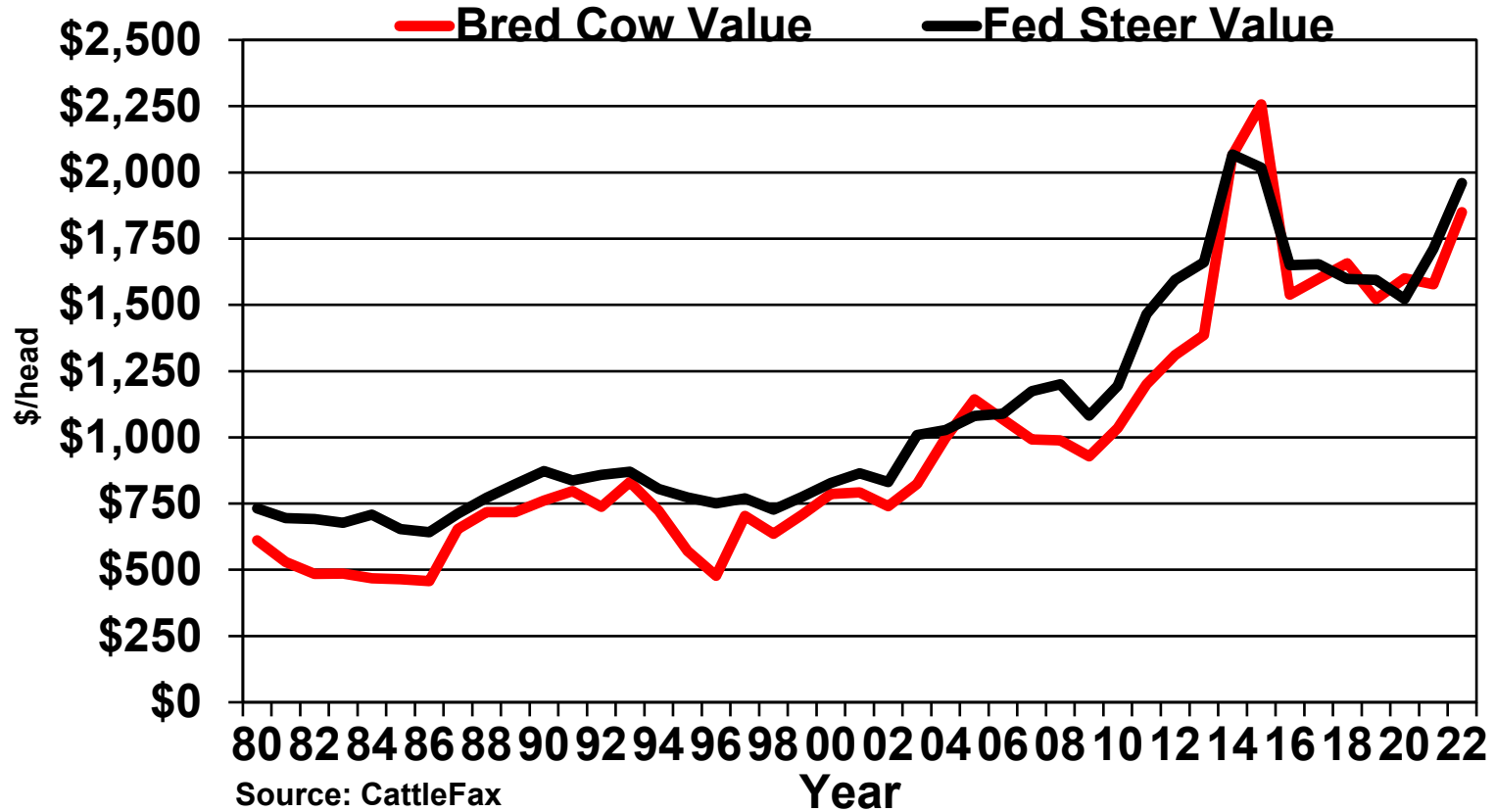
# Average Cow/Calf Profit (Loss)

*Cash Costs Only*



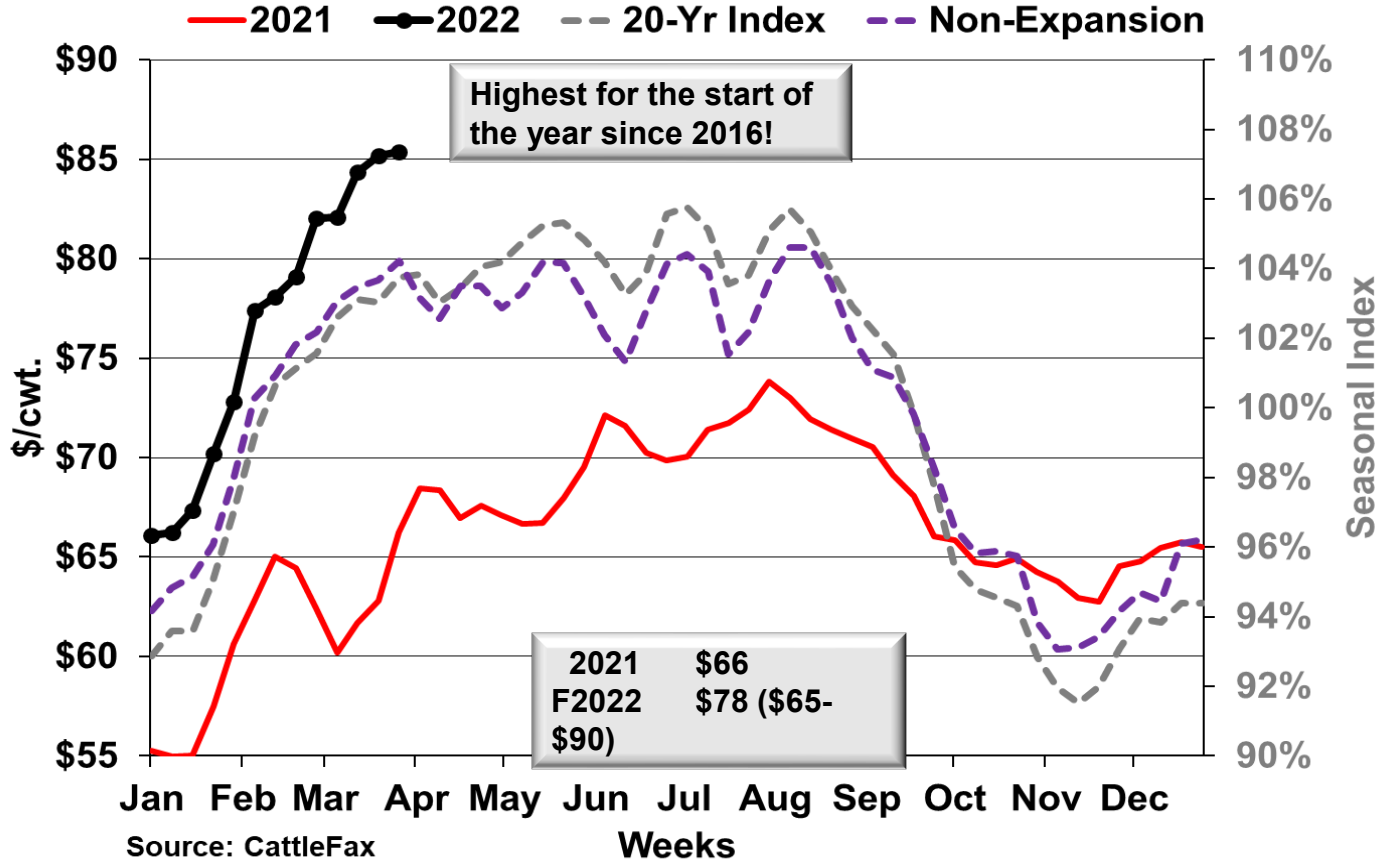
Source: CattleFax  
Forecast 2022

## CattleFax U.S. Bred Cow and Fed Cattle Values



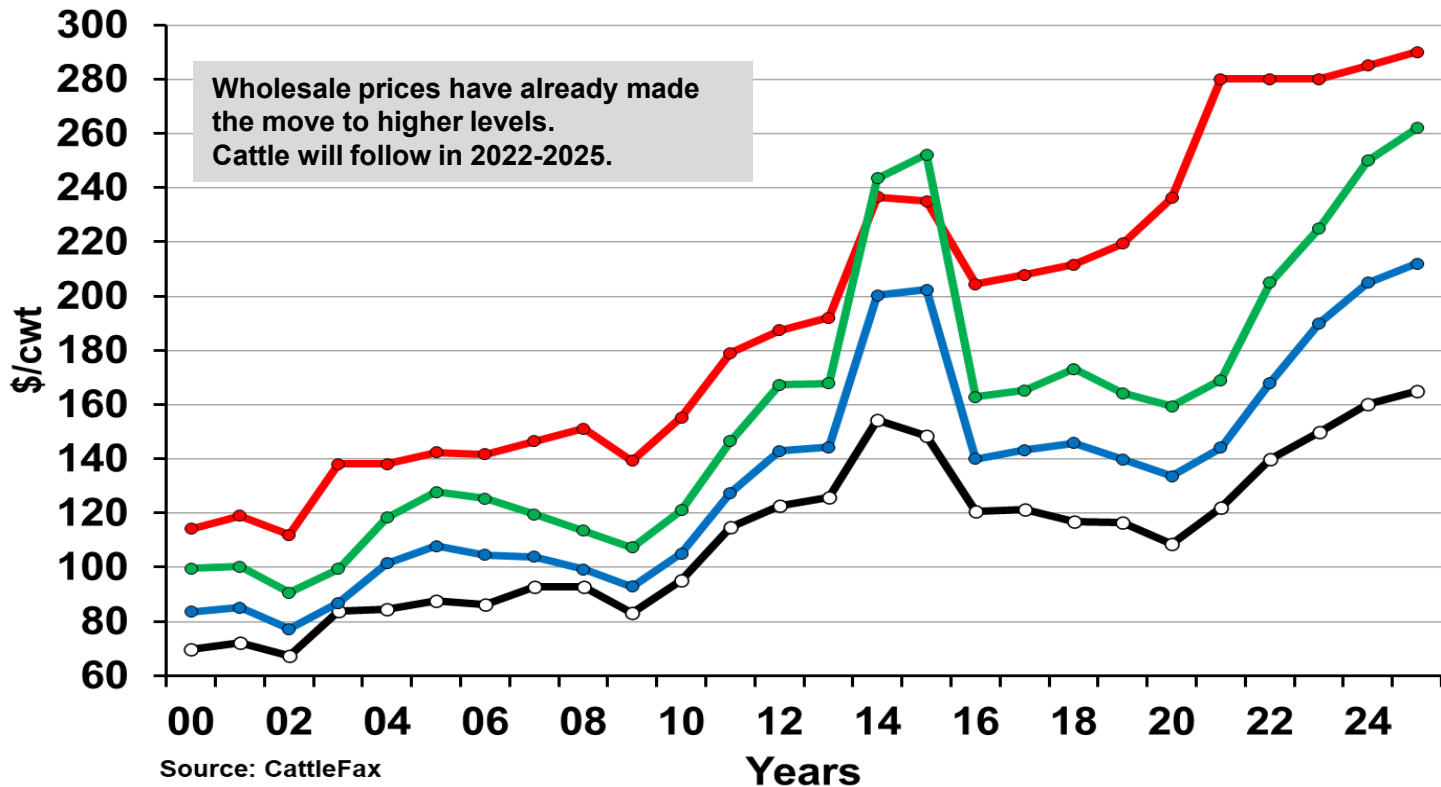


# CattleFax U.S. Utility Cow Price



# Annual U.S. Average Cattle Prices

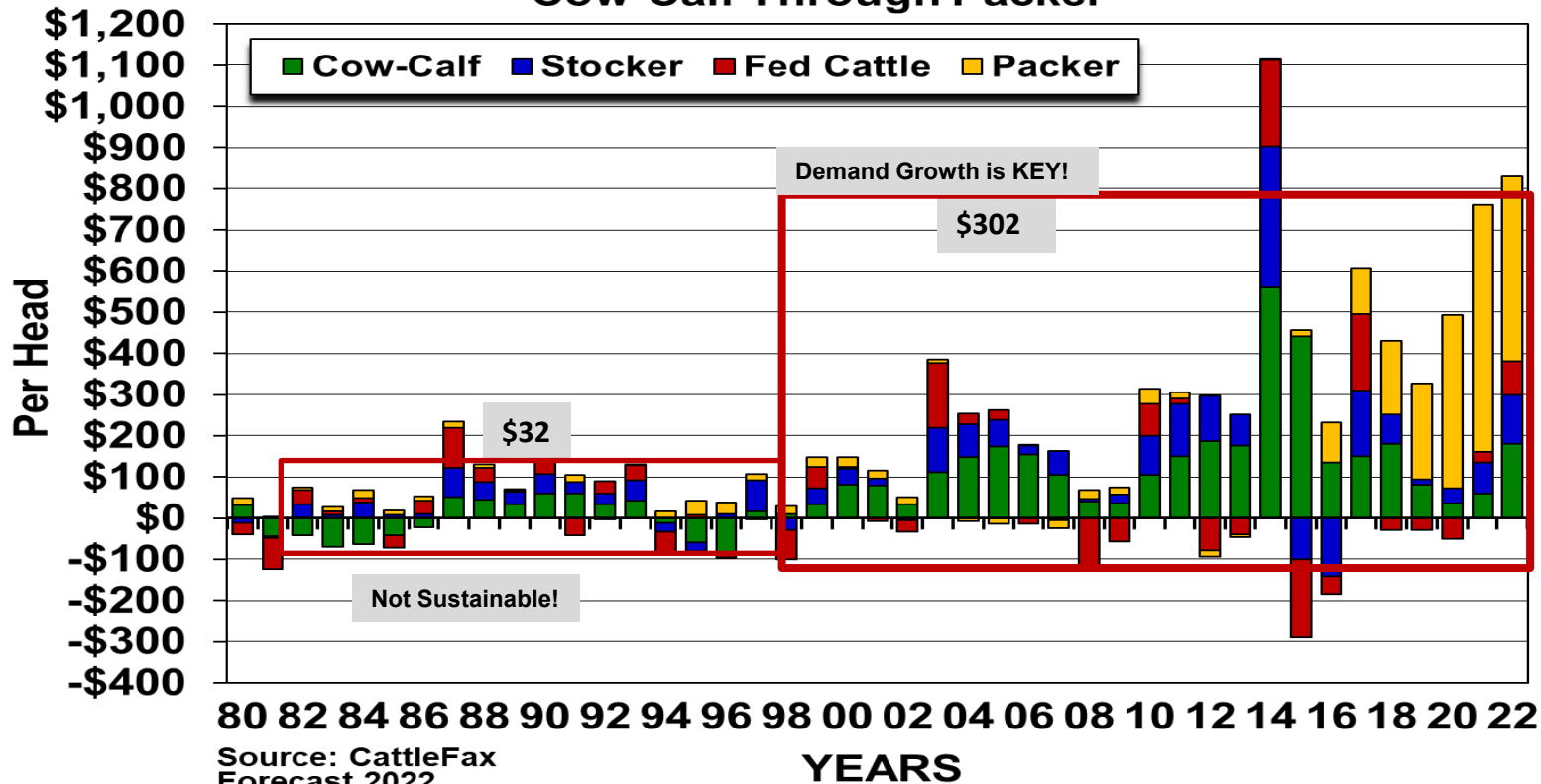
—●— Cutout   —○— Fed   —●— 800# Steer   —●— 550# Steer



Source: CattleFax

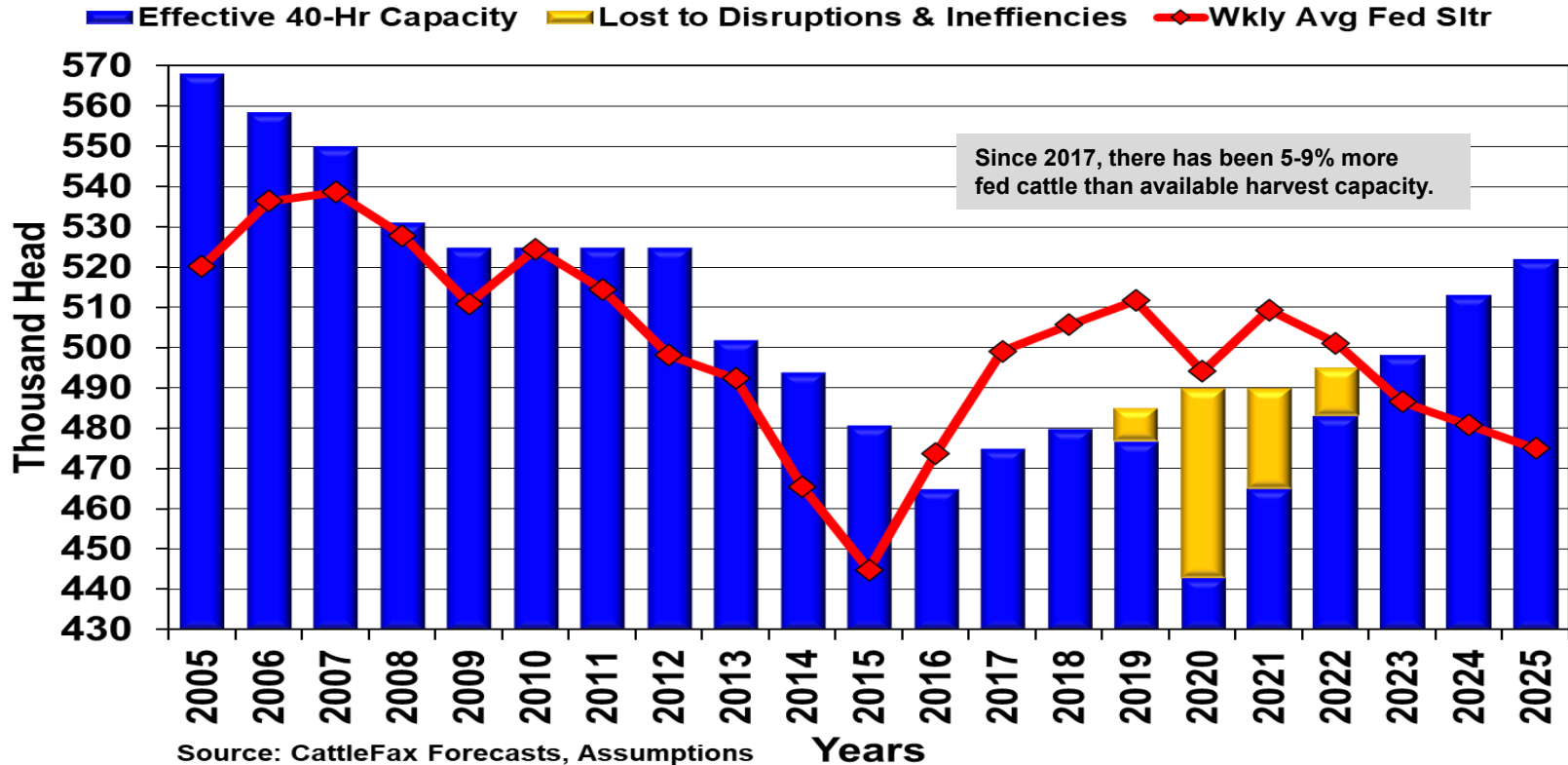
# Industry Profitability

## Cow-Calf Through Packer



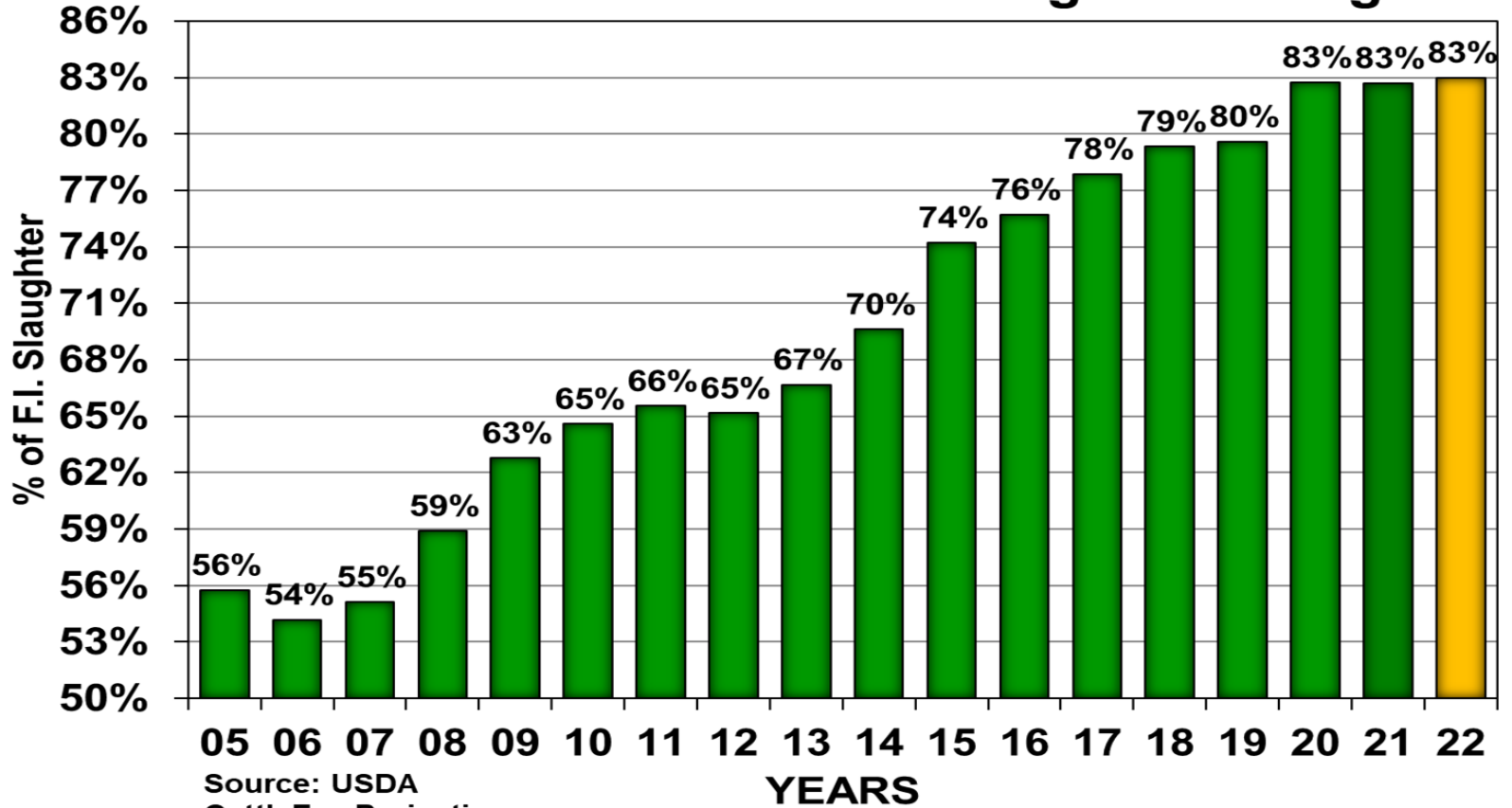
# Fed Slaughter Capacity Utilization

## *Vs. Monday-Friday Packing Capacity*



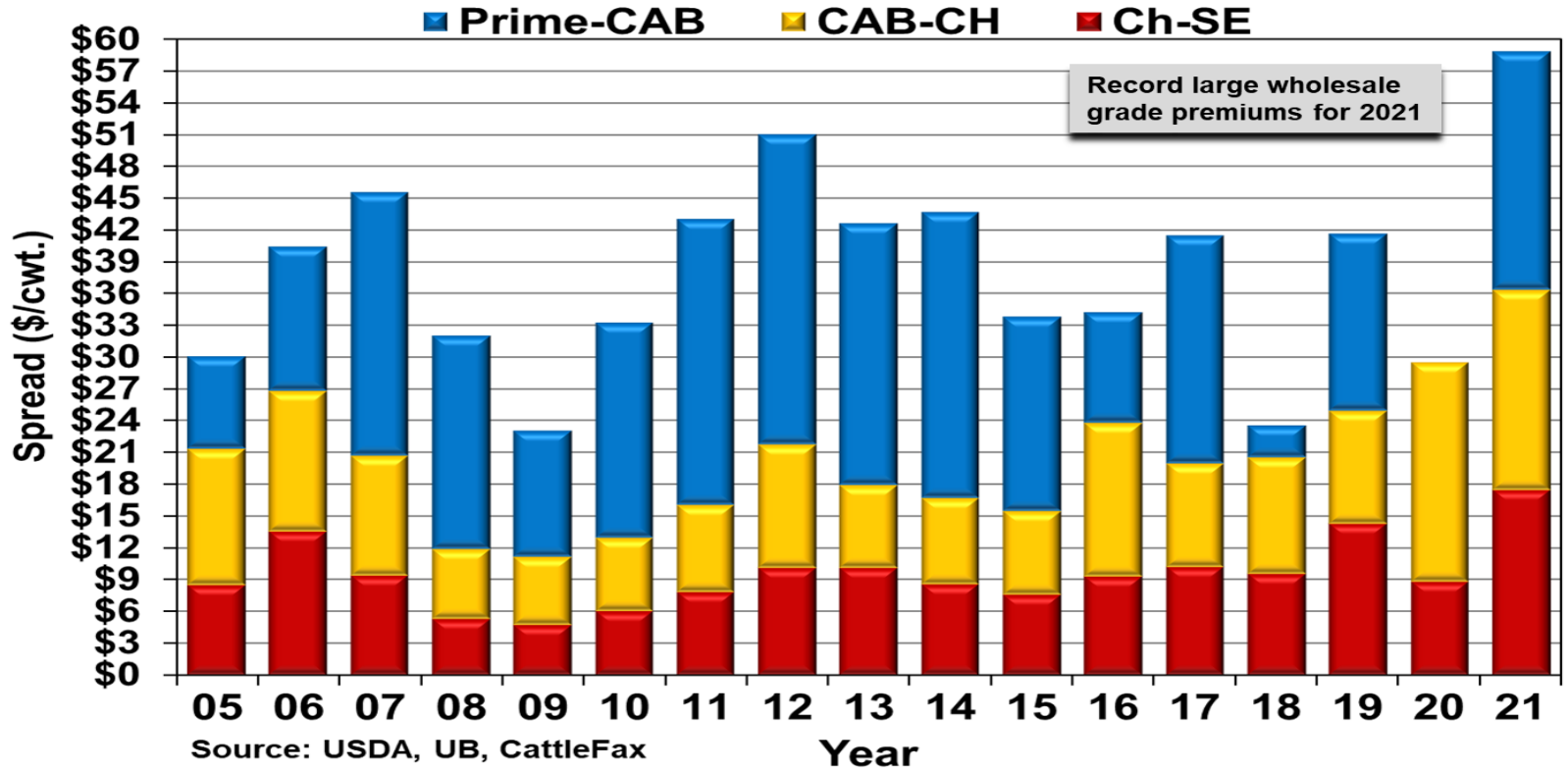
The industry needs more harvest capacity to avoid this in future.  
Some new capacity will come online in late 2022 thru 2024.

# USDA Prime+Choice Grading Percentage



Source: USDA  
CattleFax Projection

# Additional Value of Premium Grades



# Executive Summary



- Inflation risk are significant in the next 2-3 years. Be prepared.
- The annual growth trend for meat and poultry production will continue to moderate, chain speed, capacity constraints and elevated feed costs.
- Weather pattern is expected to shift from La Nina to El Nino by middle of 2022. Cow herd will stabilize by 2023.
- The smallest cyclical cattle and beef supplies will stretch into 2024-2025
- U.S. meat exports will continue to grow as the global population increases.
- The demand for High Quality PR, CAB, Upper 2/3 CH beef will remain strong. TASTE is KING!
- Prices for cattle are headed higher the next several years as supply shrink and margins realign.
- Profitability will improve significantly for cattle producers in 2022-2024.