



# MP AGRILYTICS

DELIVERING DATA, DEBATING OUTCOMES



# Supply & Capacity Highlights

- 1 Likely to see a 3-4M hd drop in fed slaughter. Probably not going to see a huge drop in 2023 (~1.25M)- unless massive change in weather.
- 2 Non fed likely to fall by 2-2.5M hd by 2024-2025
- 3 Our data suggest that if heifer slaughter does not fall 1.5M and cow kill by 1M, we will liquidate in 2023. We don't see either of those numbers happening.
- 4 Likely to put tremendous stress on current packing capacity with a 50K hd/wk drop in fed slaughter.
- 5 Given current plants today, plus an additional 1-3K daily capacity. We would need the cow herd to expand to previous levels. This would be ~29-30M hd of fed cattle harvested annual in US+CAN.



# North American Supply

- 1 DROUGHT REMAINS A DOMINANT FORCE
- 2 SUPPLY AFTER LIQUIDATION





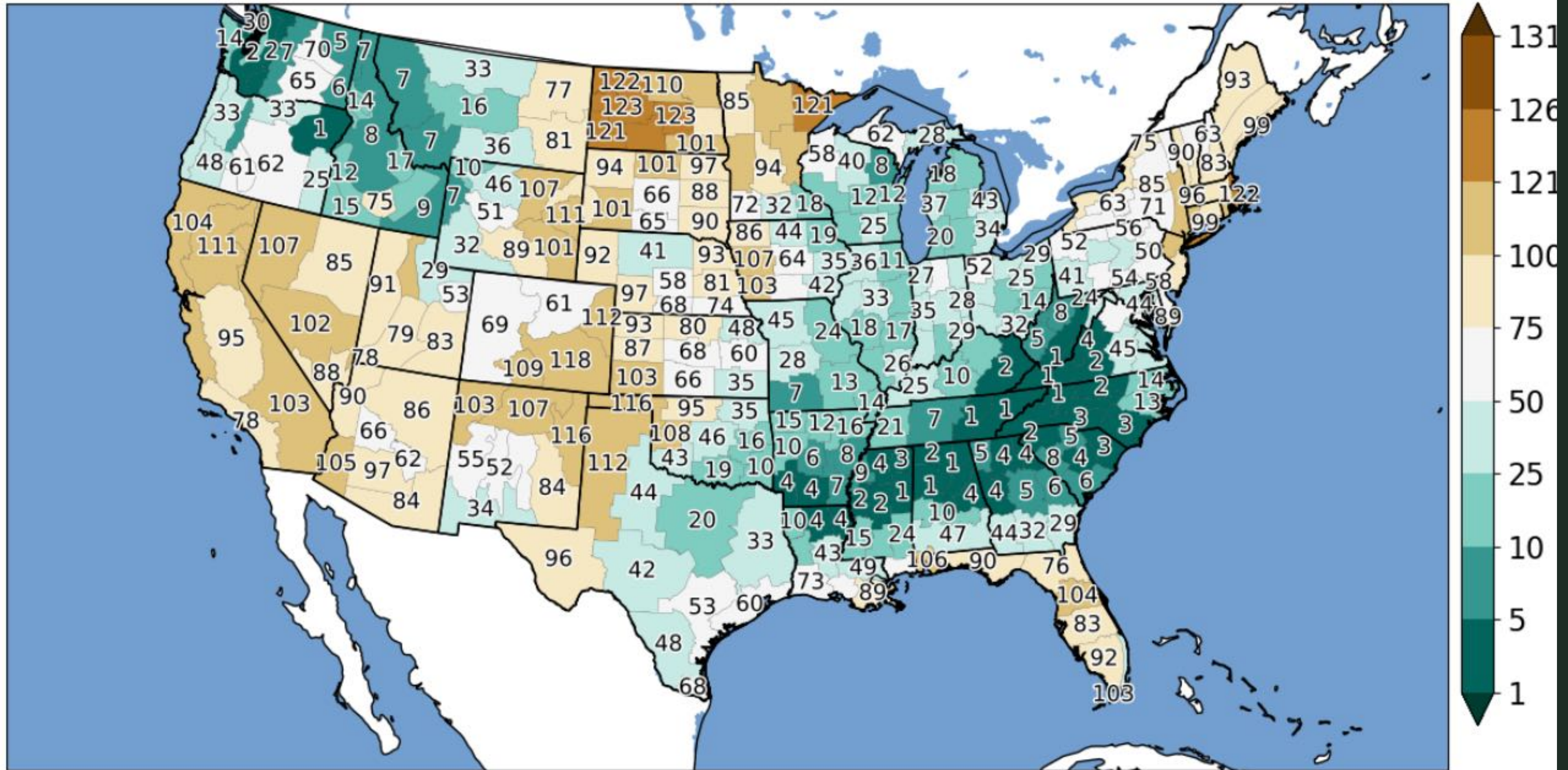


MP AGRILYTICS

# Supply- 2020 Drought in West and Northern Plains



31 Dec 2019 ~7 AM till 30 Jun 2020 ~7 AM Total Precipitation Ranks by Climate District  
Based on IEM Estimates, 1 is wettest out of 131 total years (1893-2023)



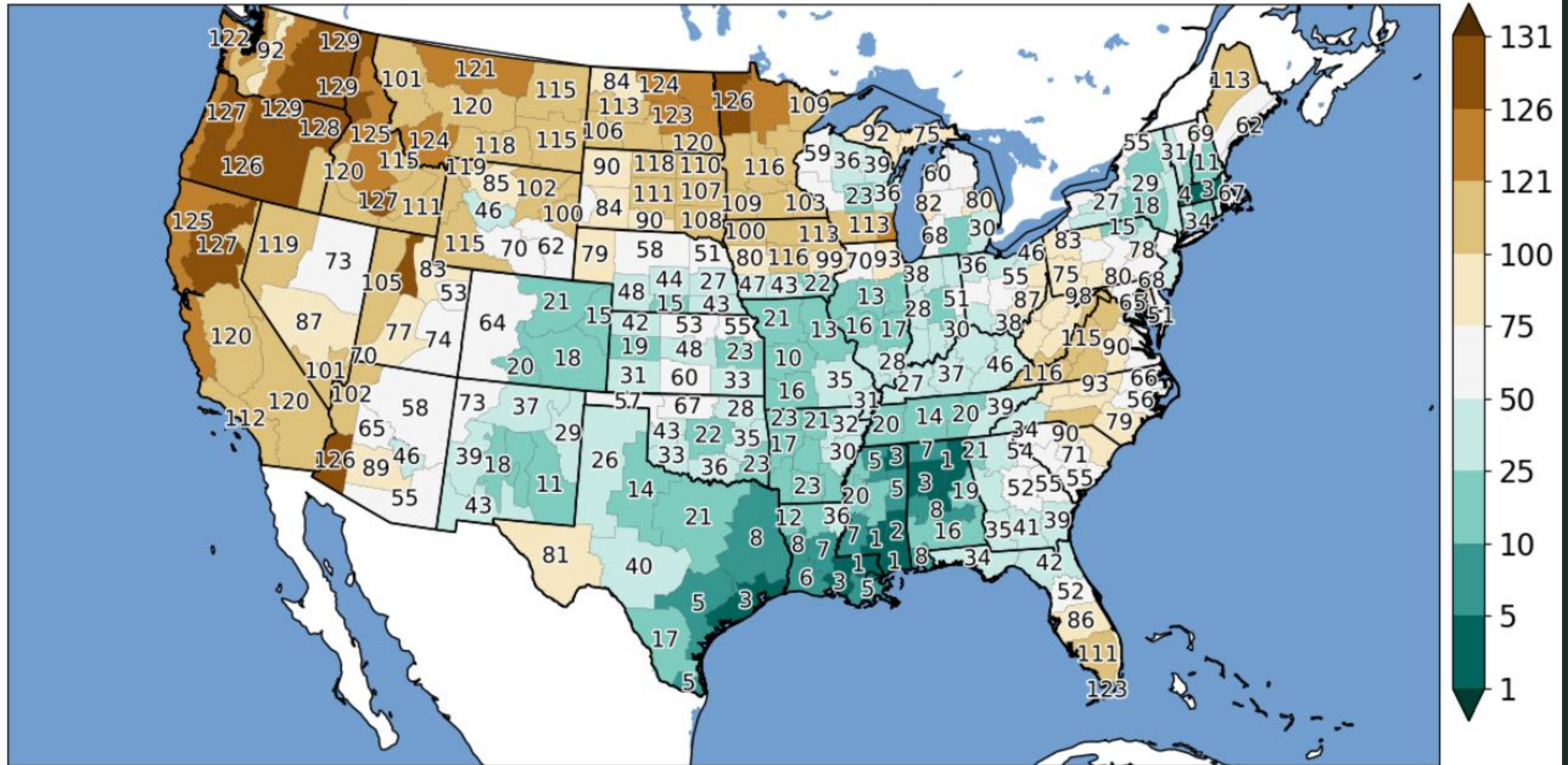




# Supply - 2021 Drought in North Plains and PNW



28 Feb 2021 ~7 AM till 31 Jul 2021 ~7 AM Total Precipitation Ranks by Climate District  
Based on IEM Estimates, 1 is wettest out of 131 total years (1893-2023)





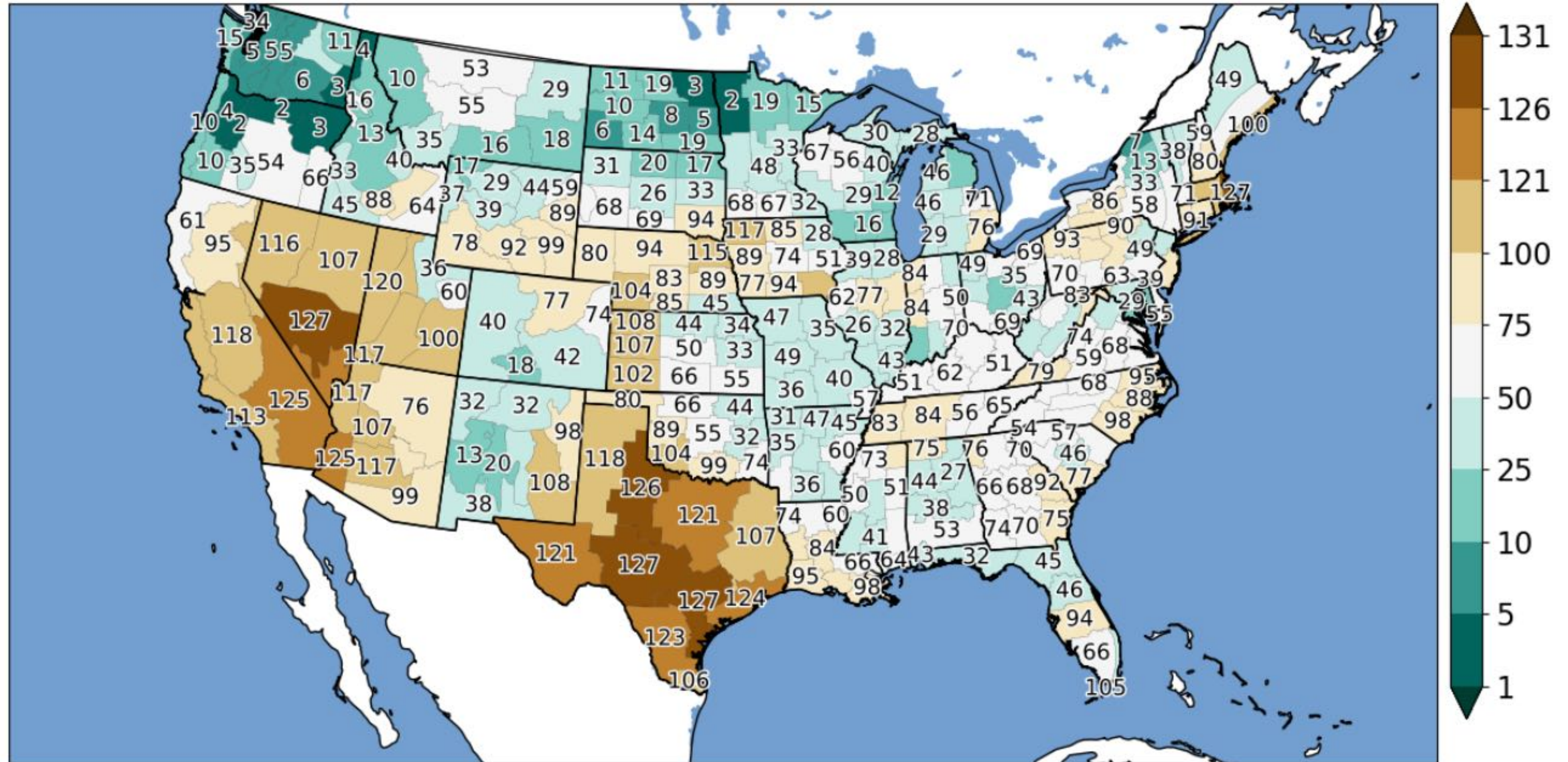


MP AGRILYTICS

# Supply - 2022 Drought in Central plains, TX and the West

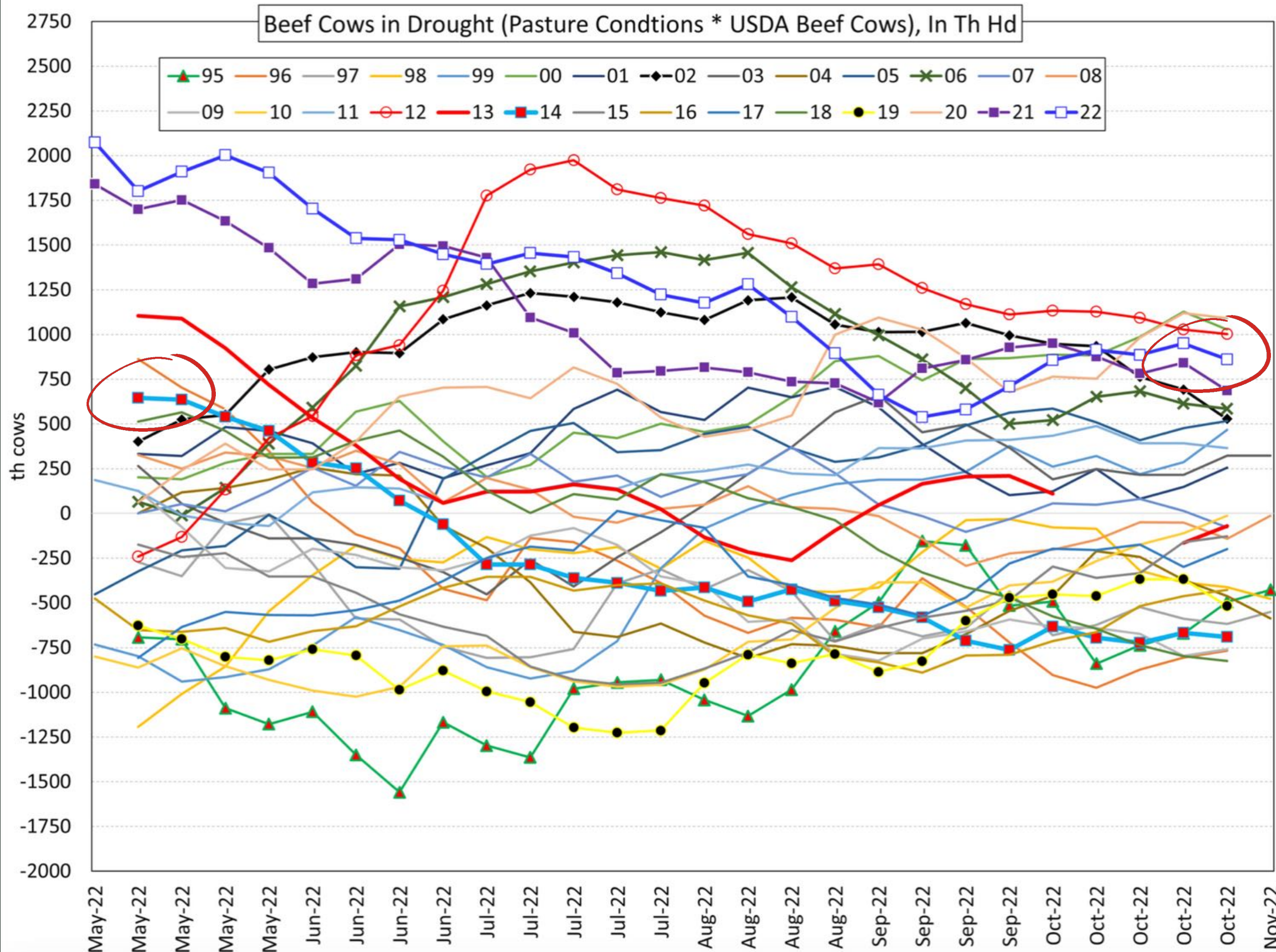


28 Feb 2022 ~7 AM till 31 Jul 2022 ~7 AM Total Precipitation Ranks by Climate District  
Based on IEM Estimates, 1 is wettest out of 131 total years (1893-2023)





# Supply



## NOTEWORTHY:

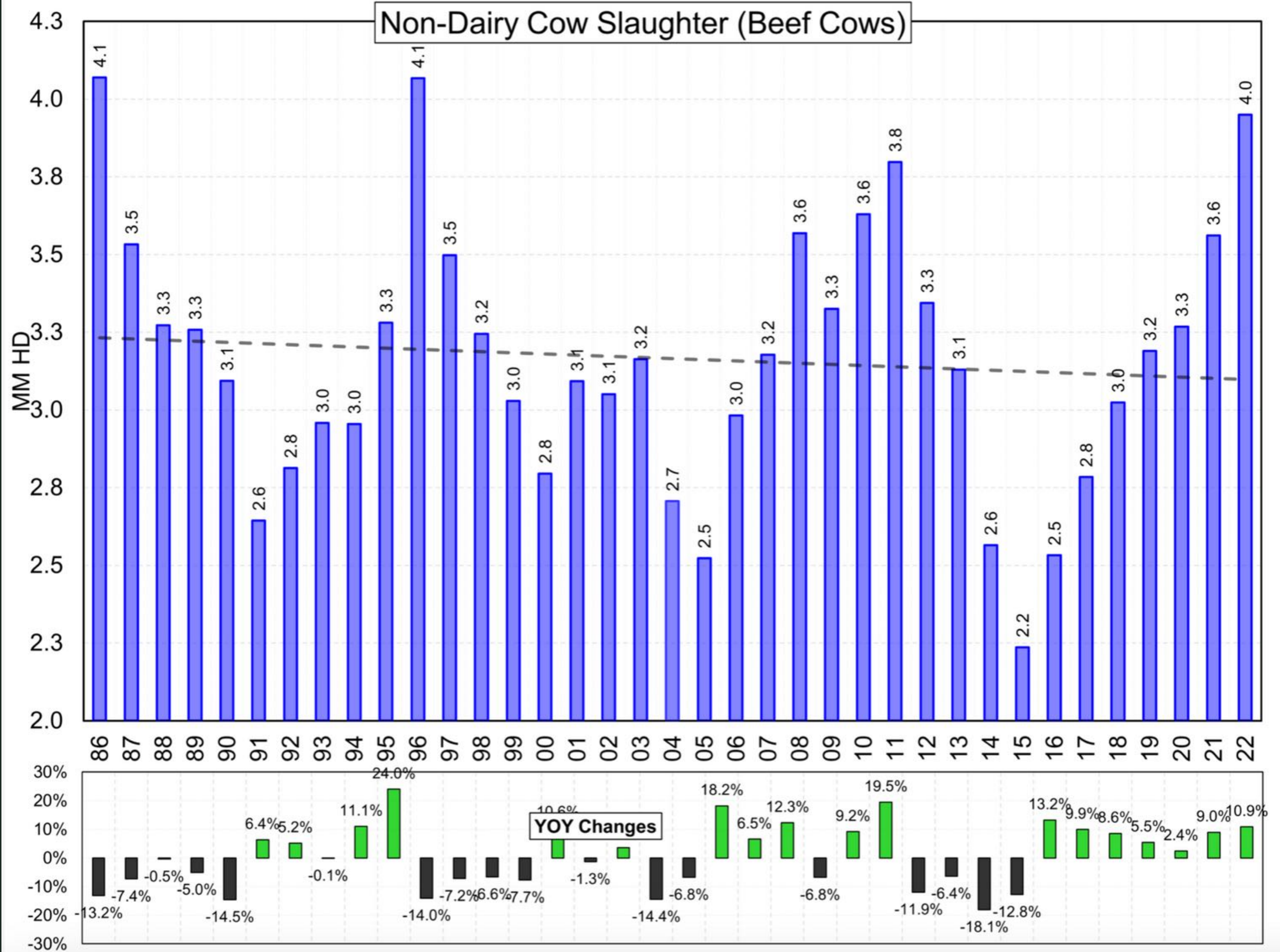
2014 was unique in the fact we started horrible and ended in nearly the best position historically speaking.



# Supply

**NOTEWORTHY:**

2022 was the largest beef cow slaughter since 1996.

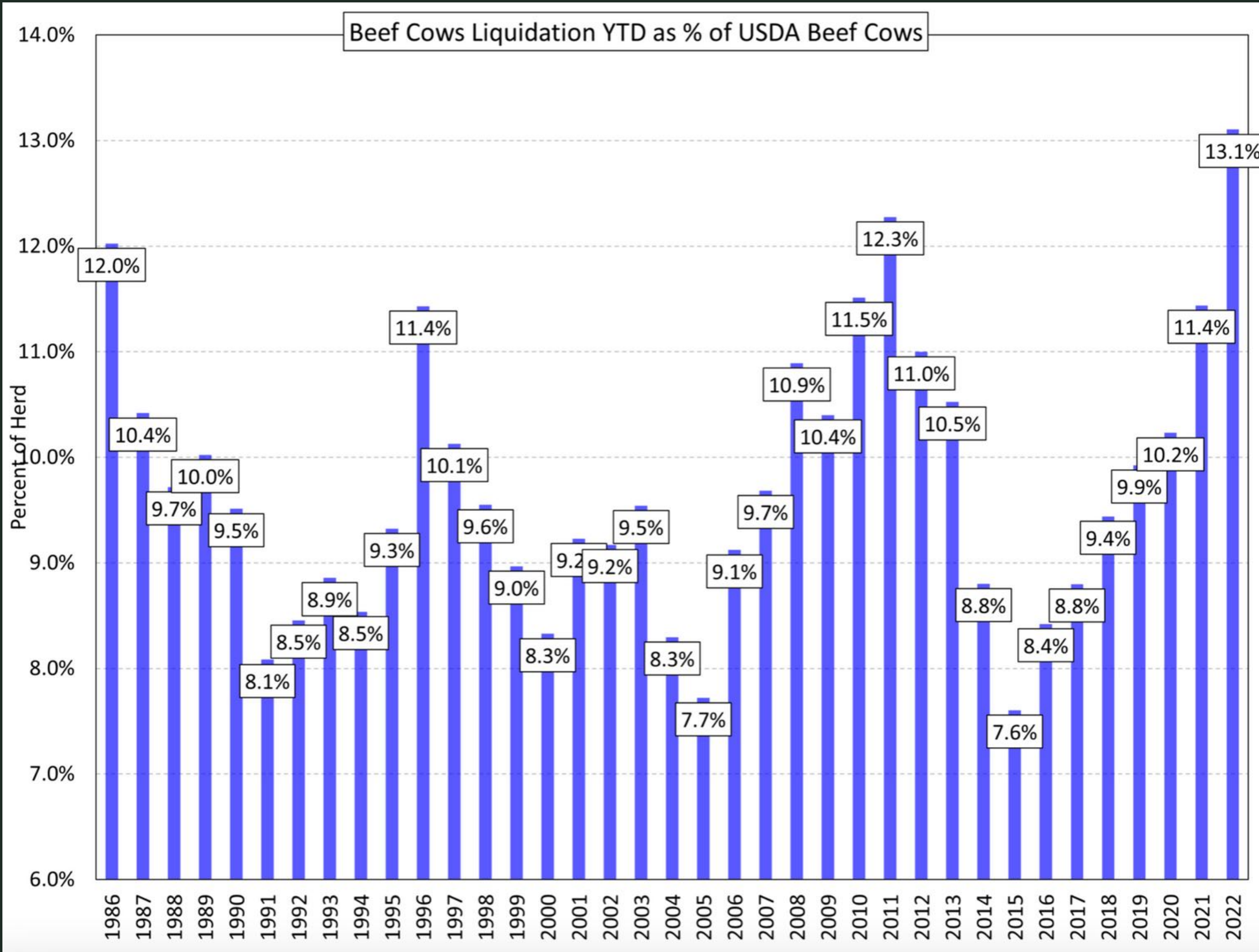




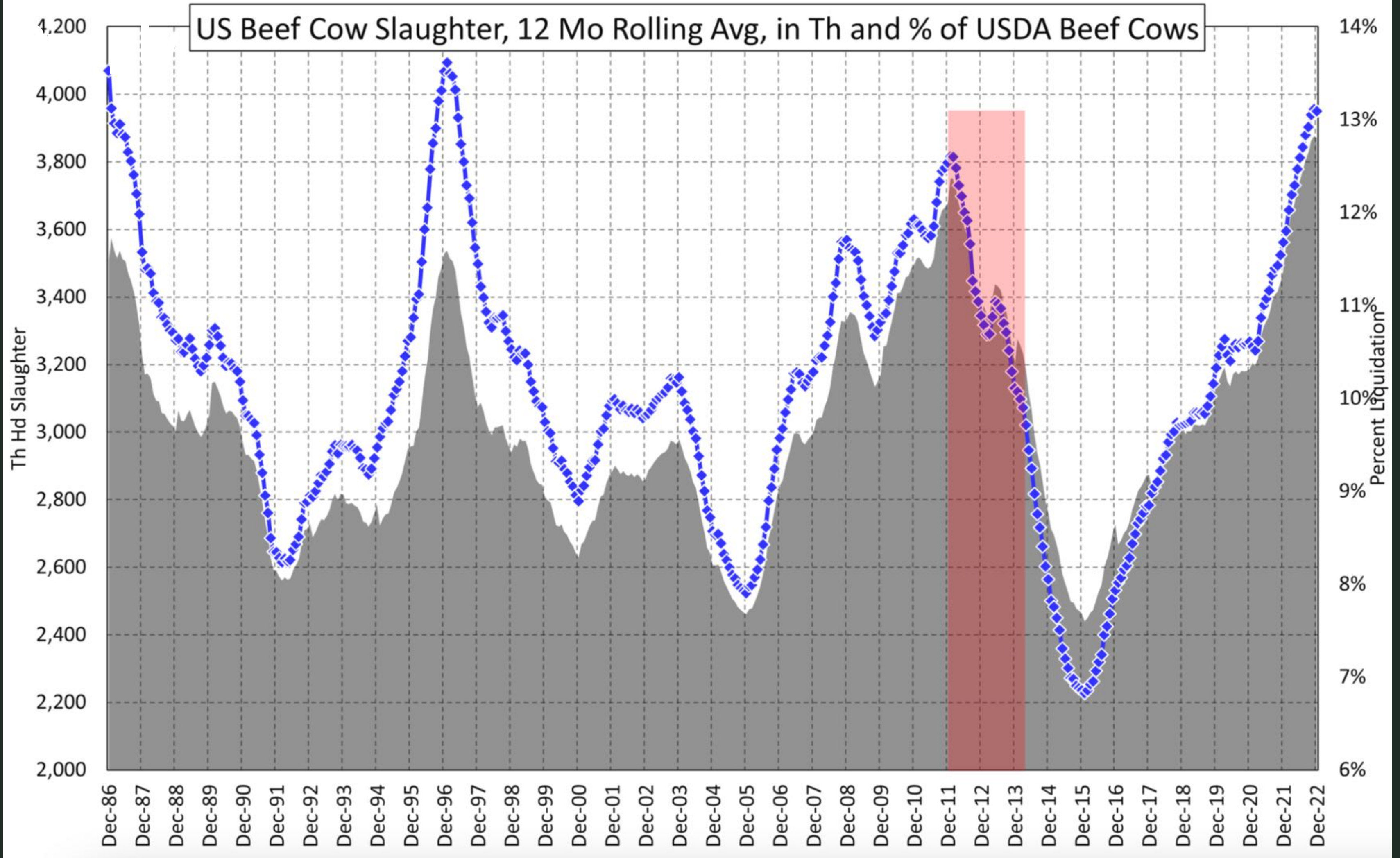
# Supply

## NOTEWORTHY:

USDA data suggests the largest % liquidation for any one year in history.





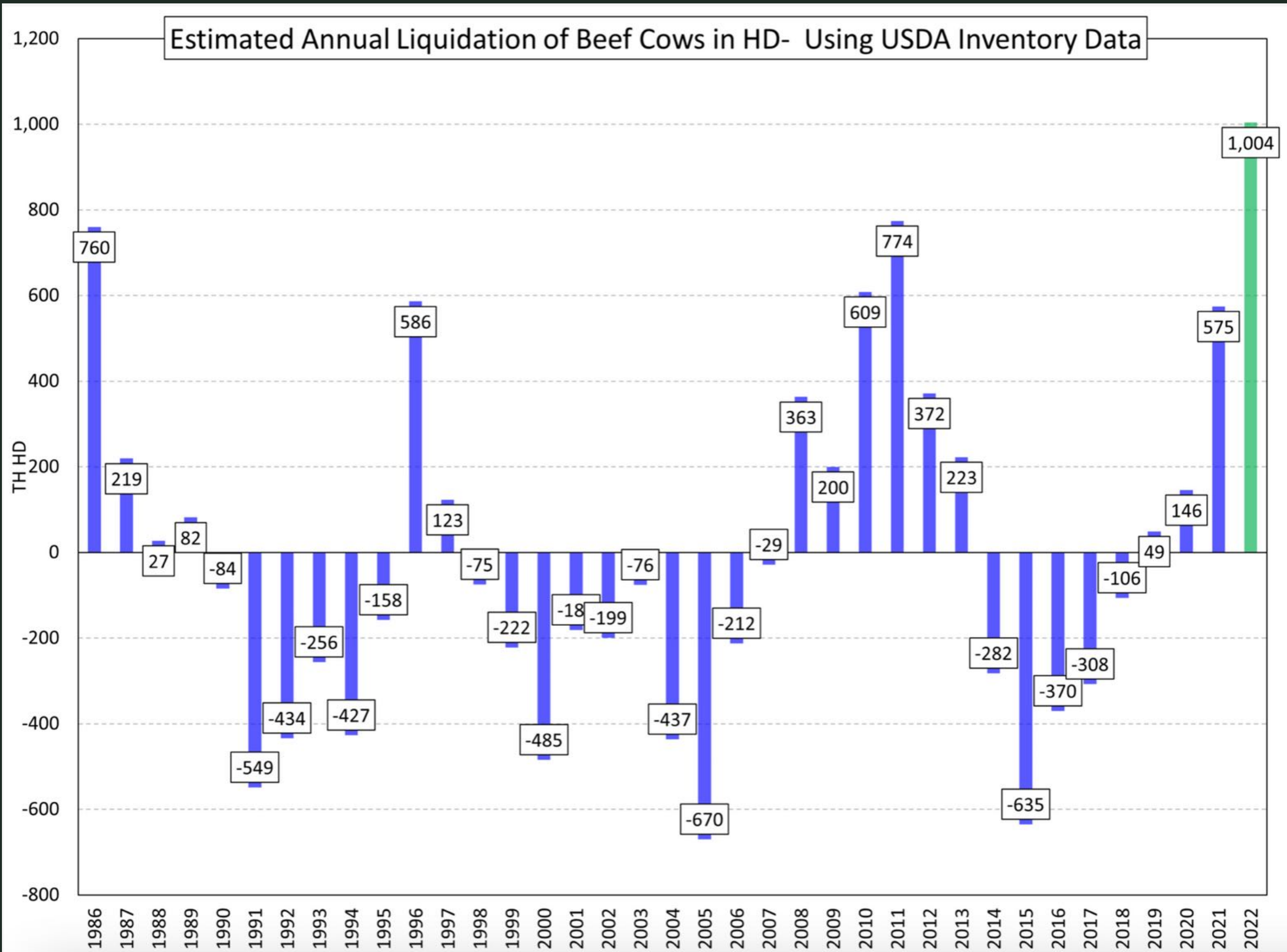




# Supply

## NOTEWORTHY:

Also the largest in number of head.





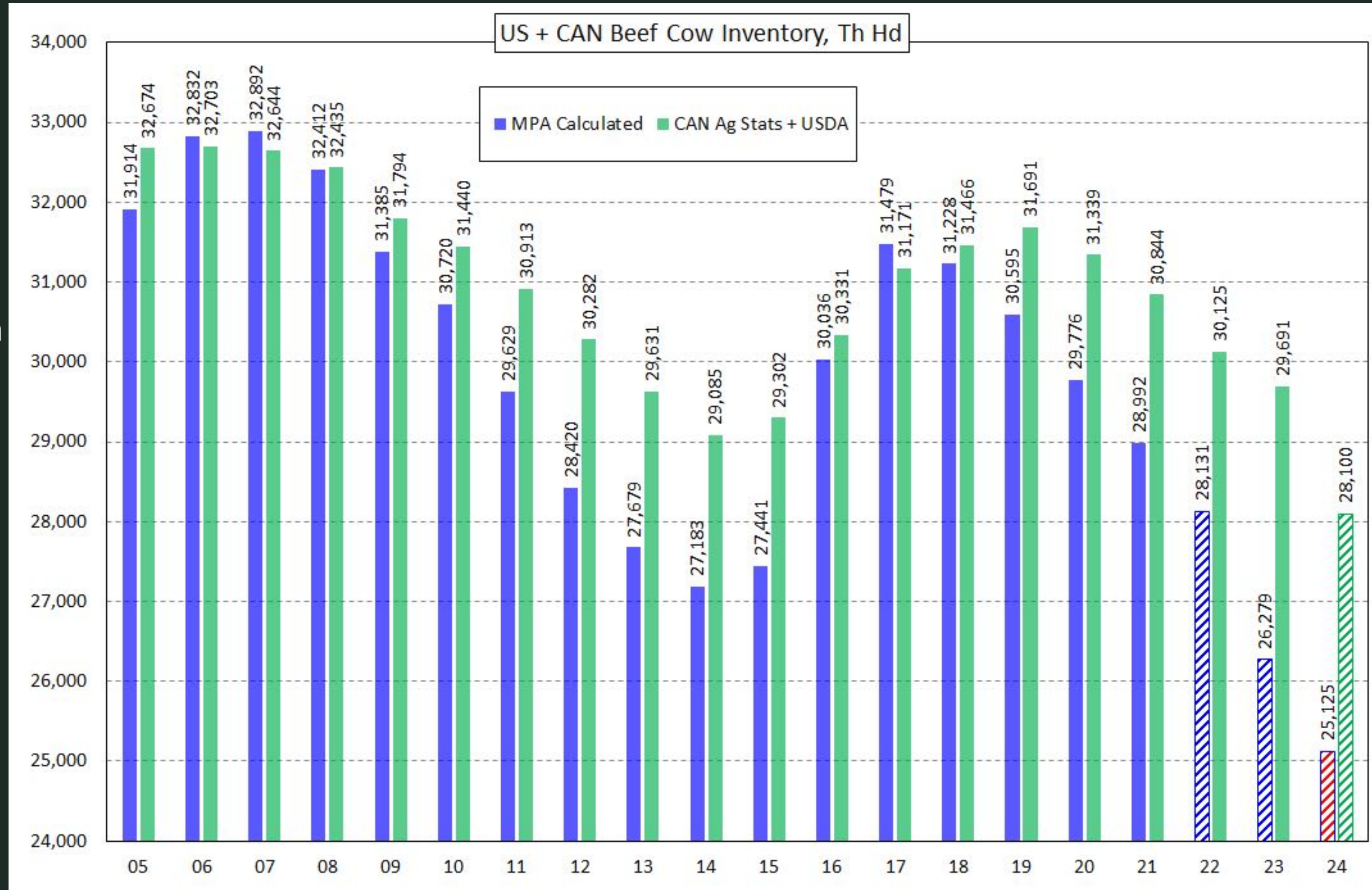




# Supply

## NOTEWORTHY:

The inventory report that comes out later this month is not very accurate, in our opinion. USDA cow inventories are directionally accurate, at best.

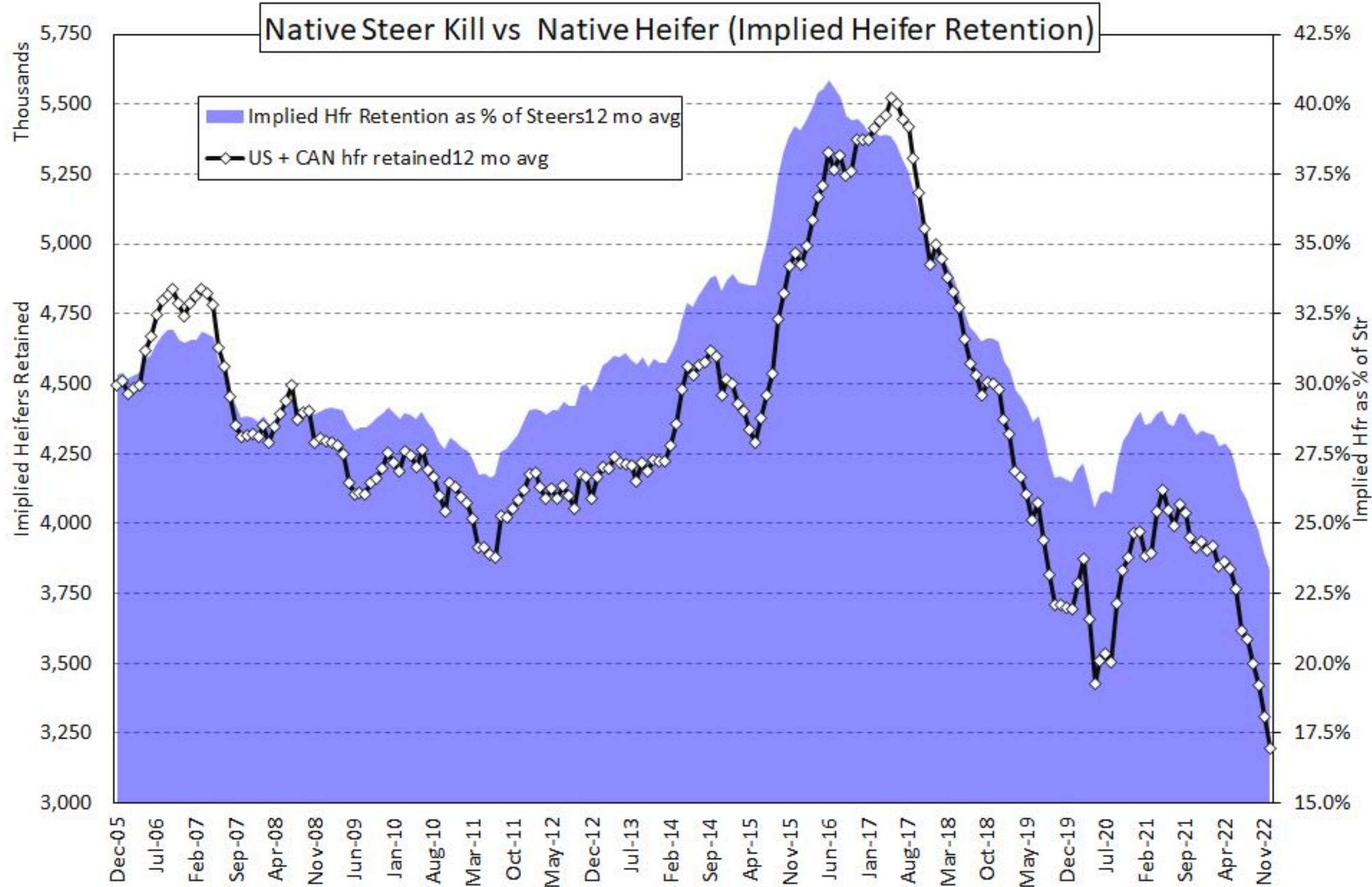




# Supply

## NOTEWORTHY:

We are not retaining enough heifers. Liquidation in our opinion, is probably worse than generally thought.

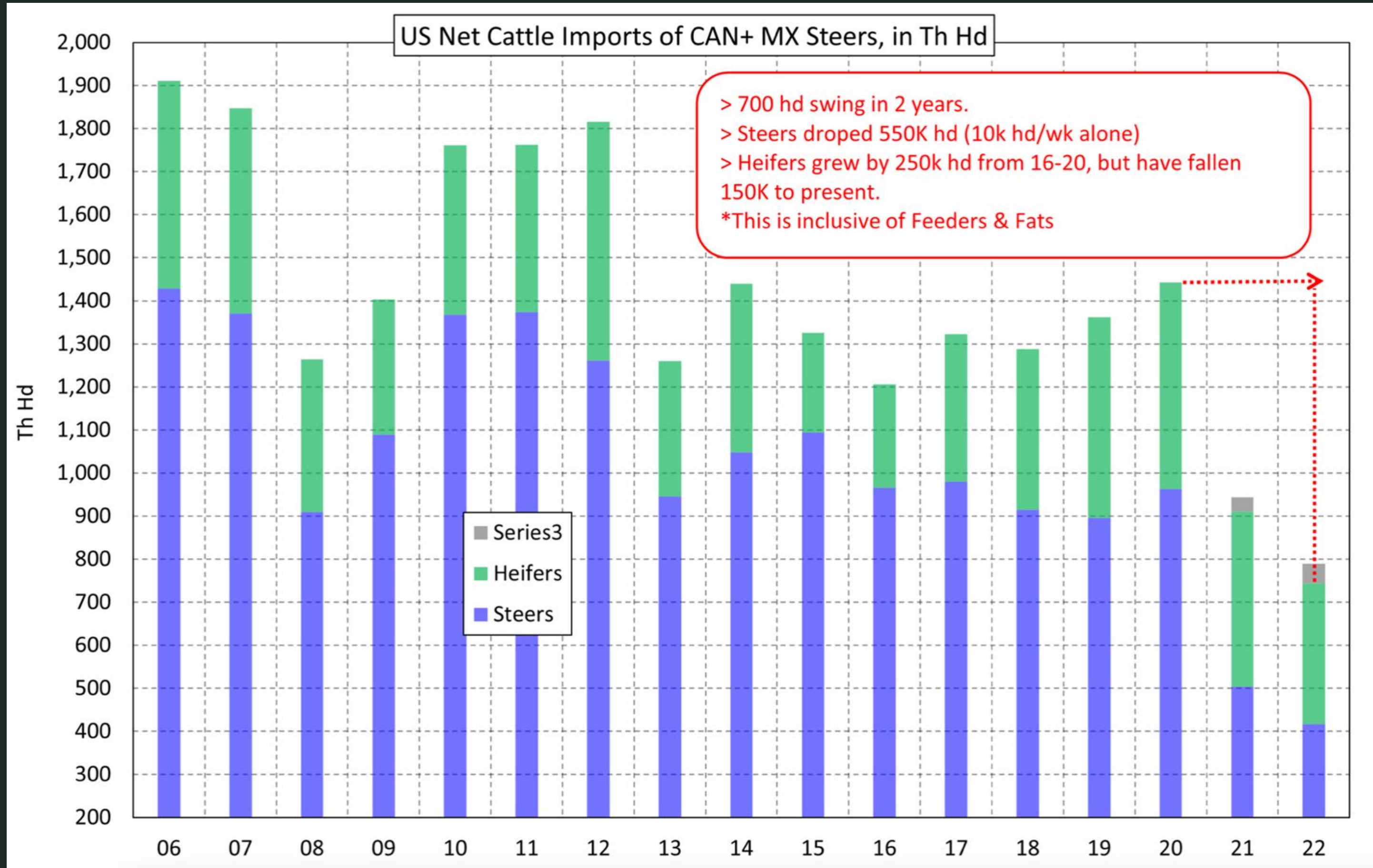




# Supply- CAN has pulled hard on feeder supply

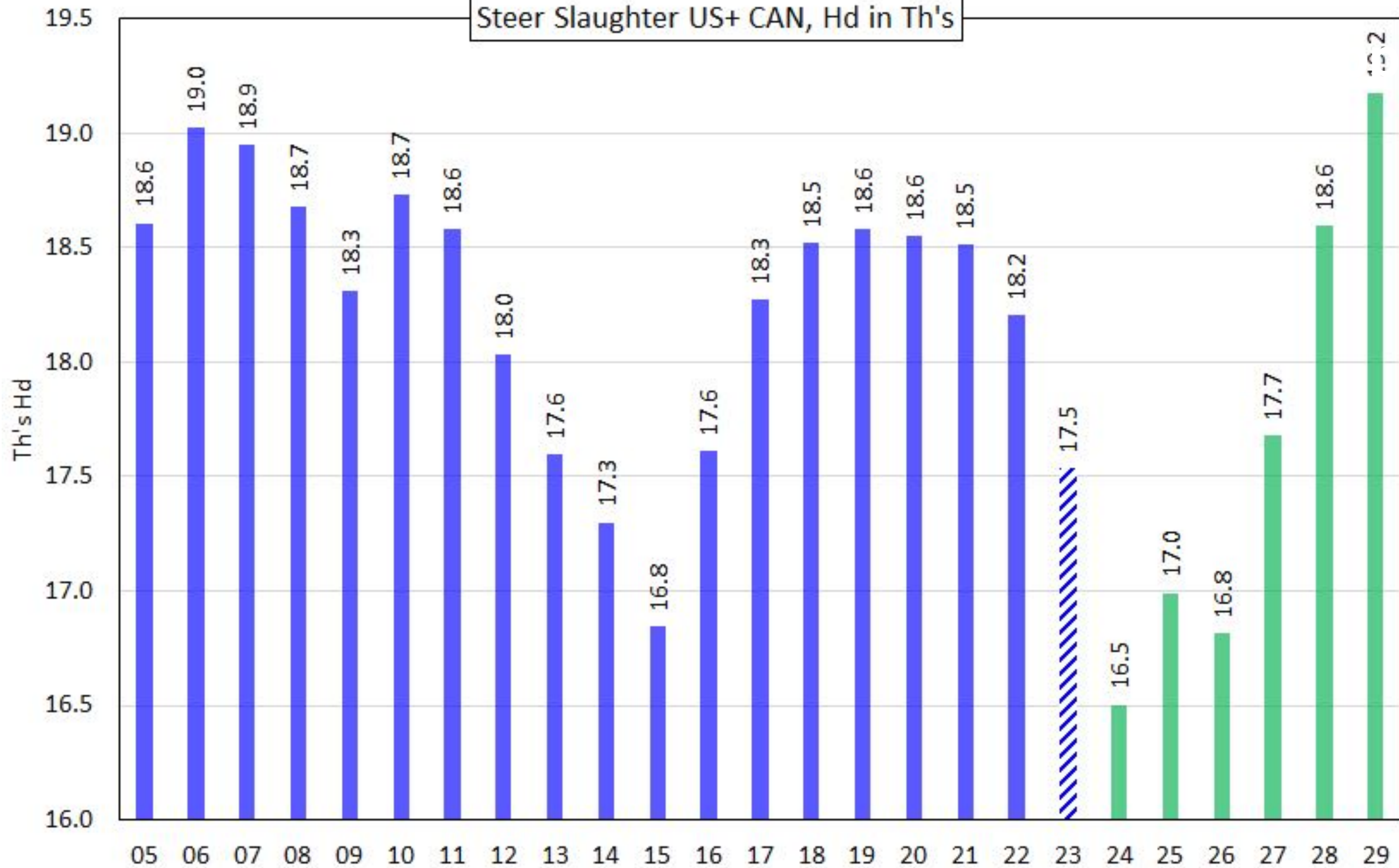
## NOTEWORTHY:

Figure about a 700K hd swing



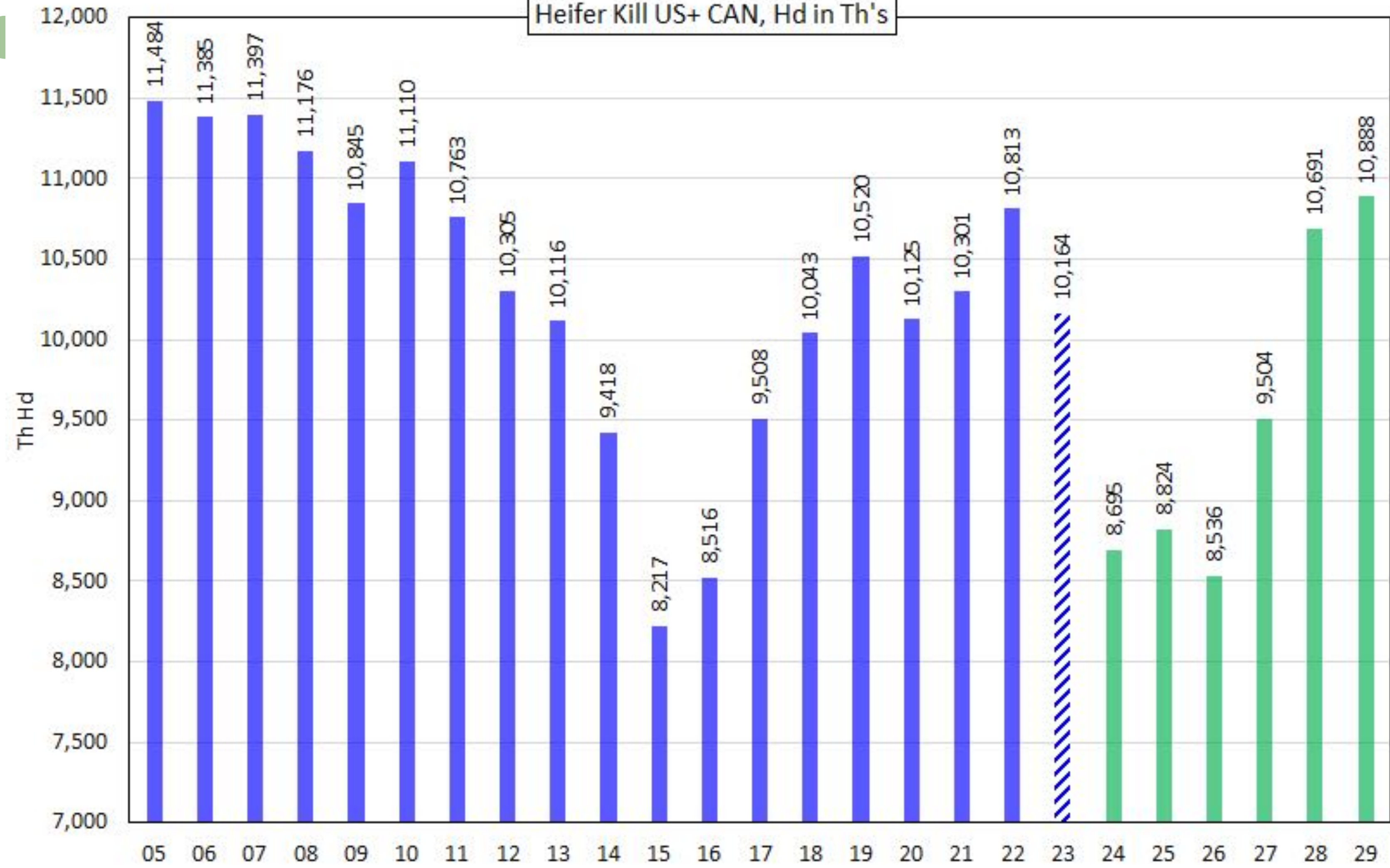


Steer Slaughter US+ CAN, Hd in Th's



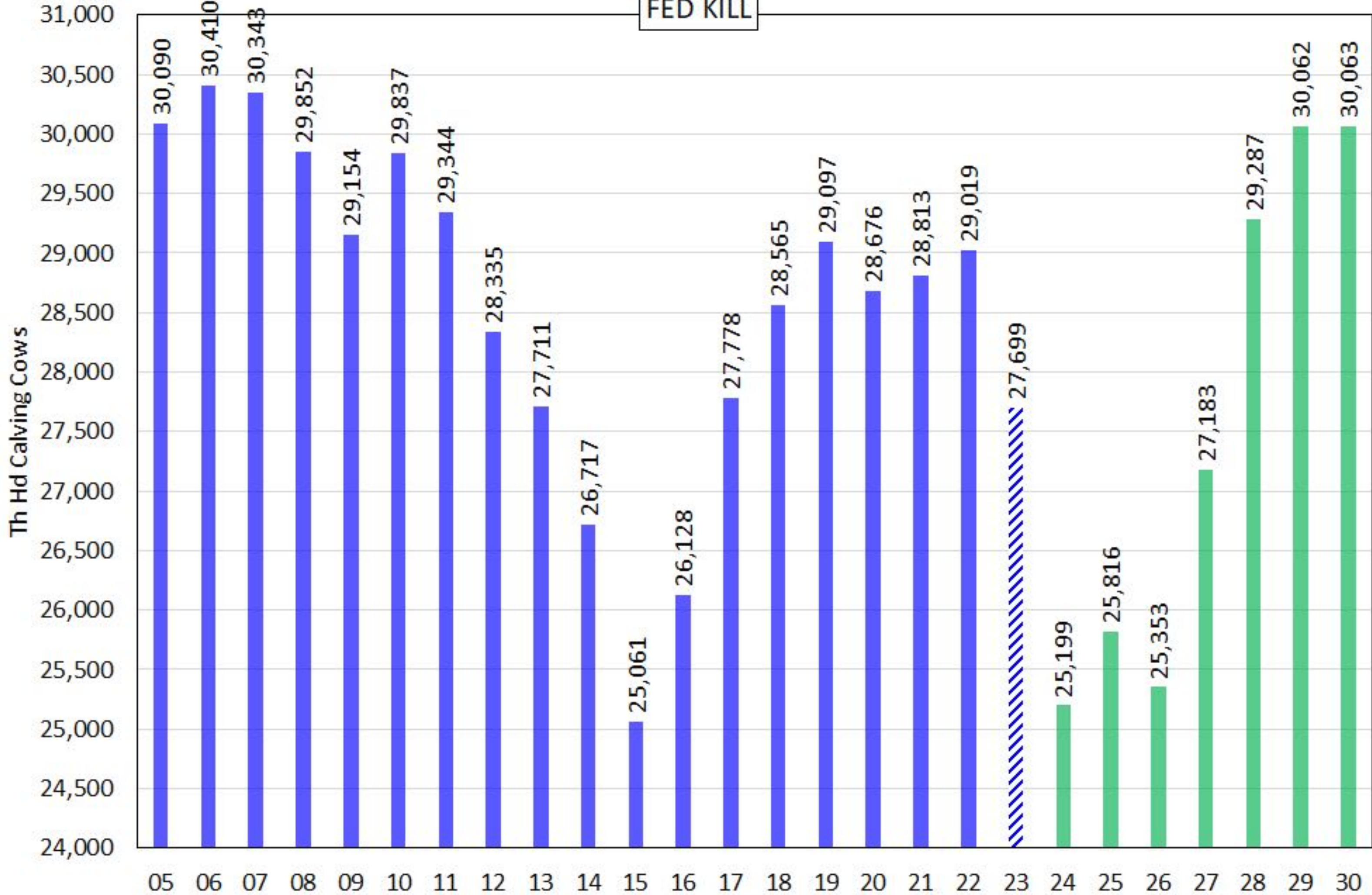


Heifer Kill US+ CAN, Hd in Th's



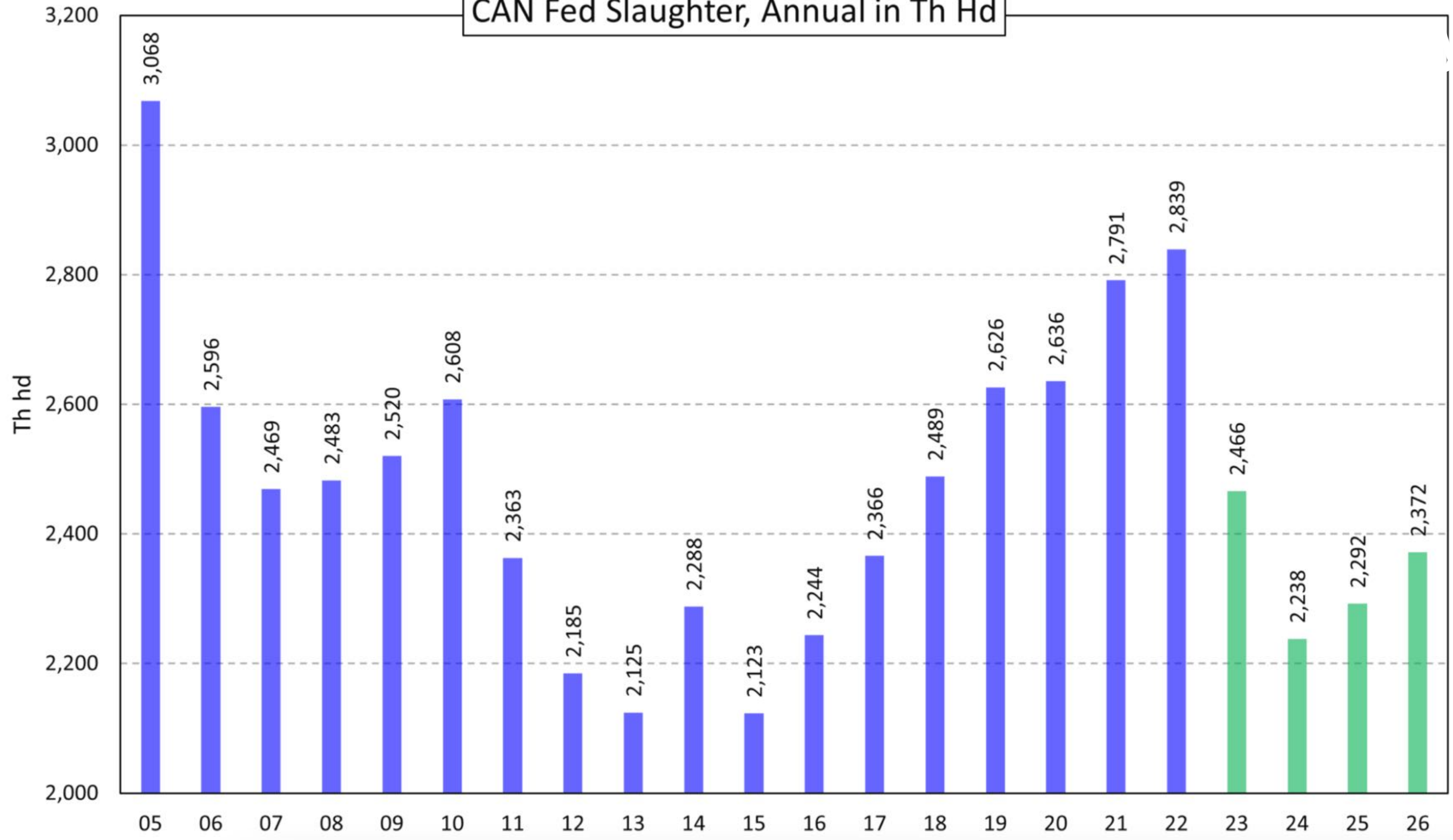


FED KILL



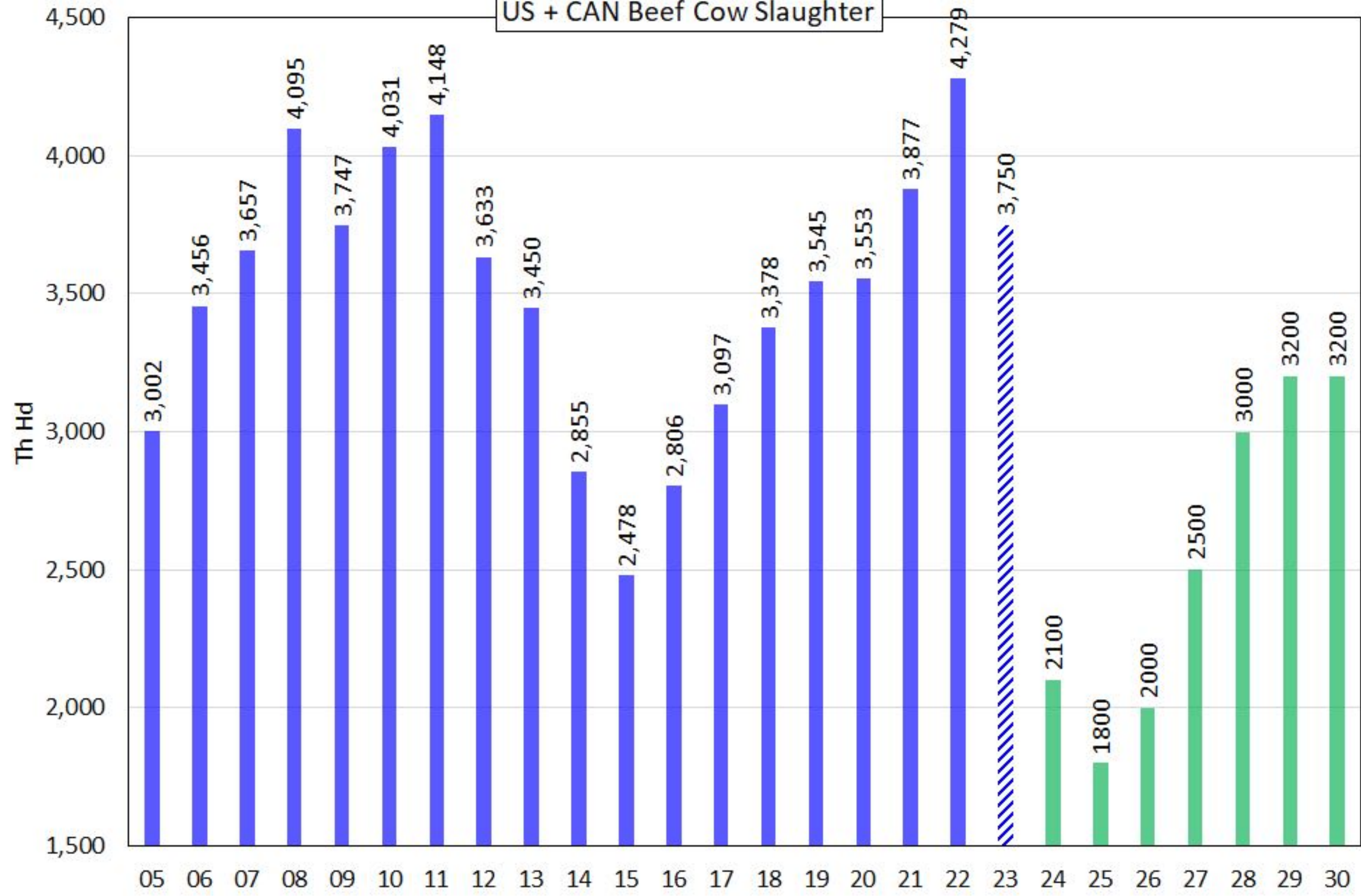


CAN Fed Slaughter, Annual in Th Hd



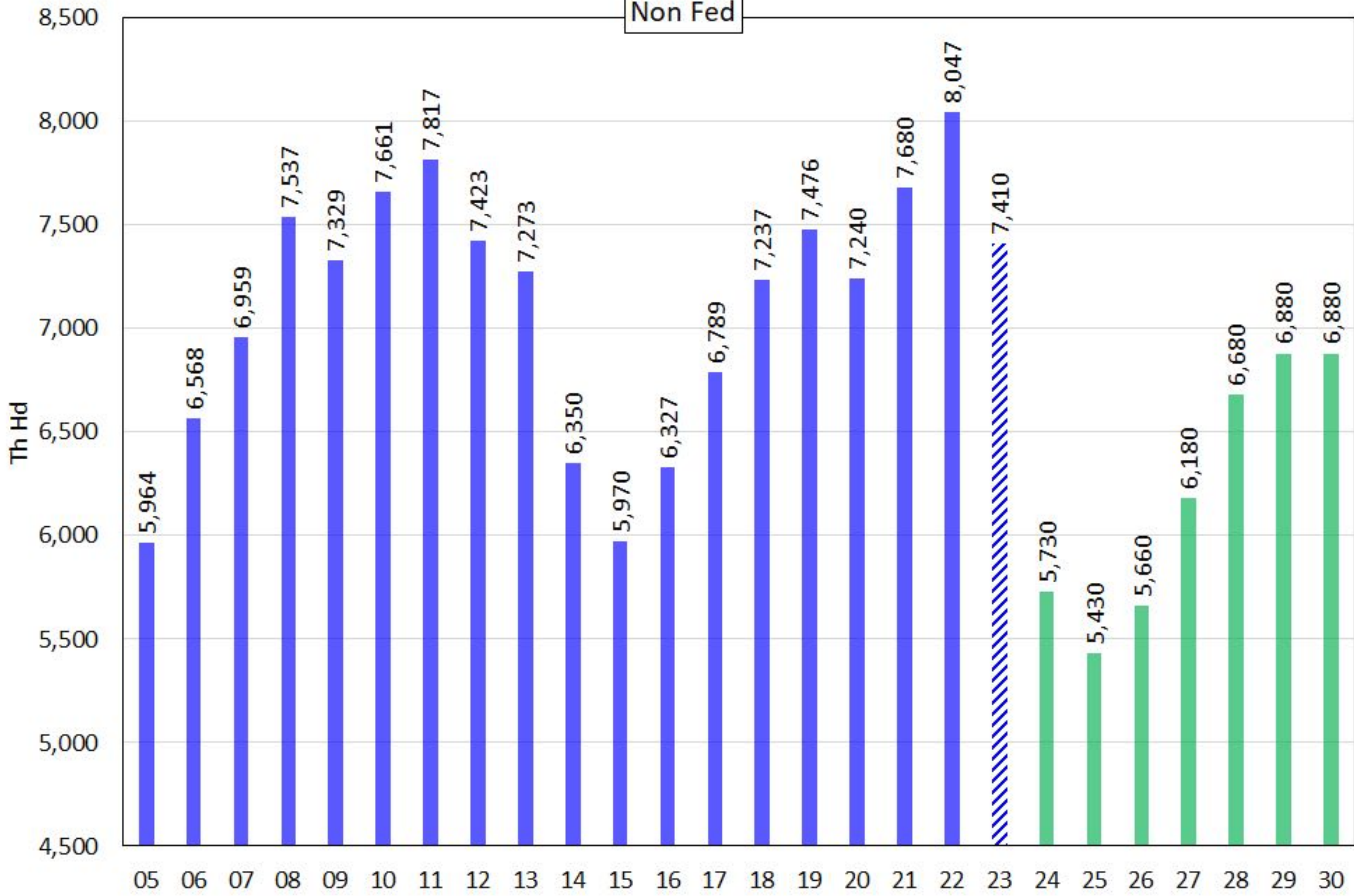


US + CAN Beef Cow Slaughter





Non Fed

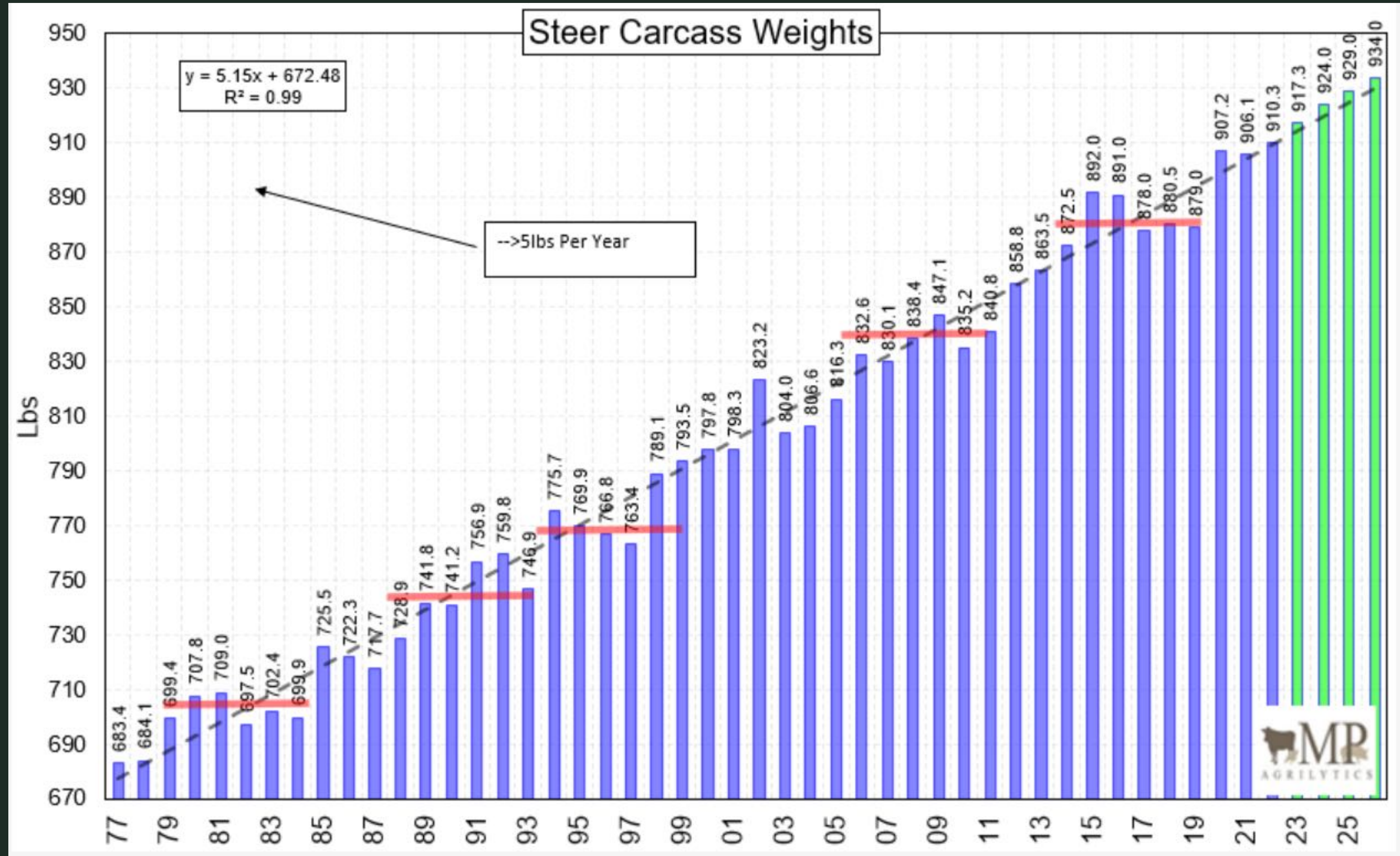




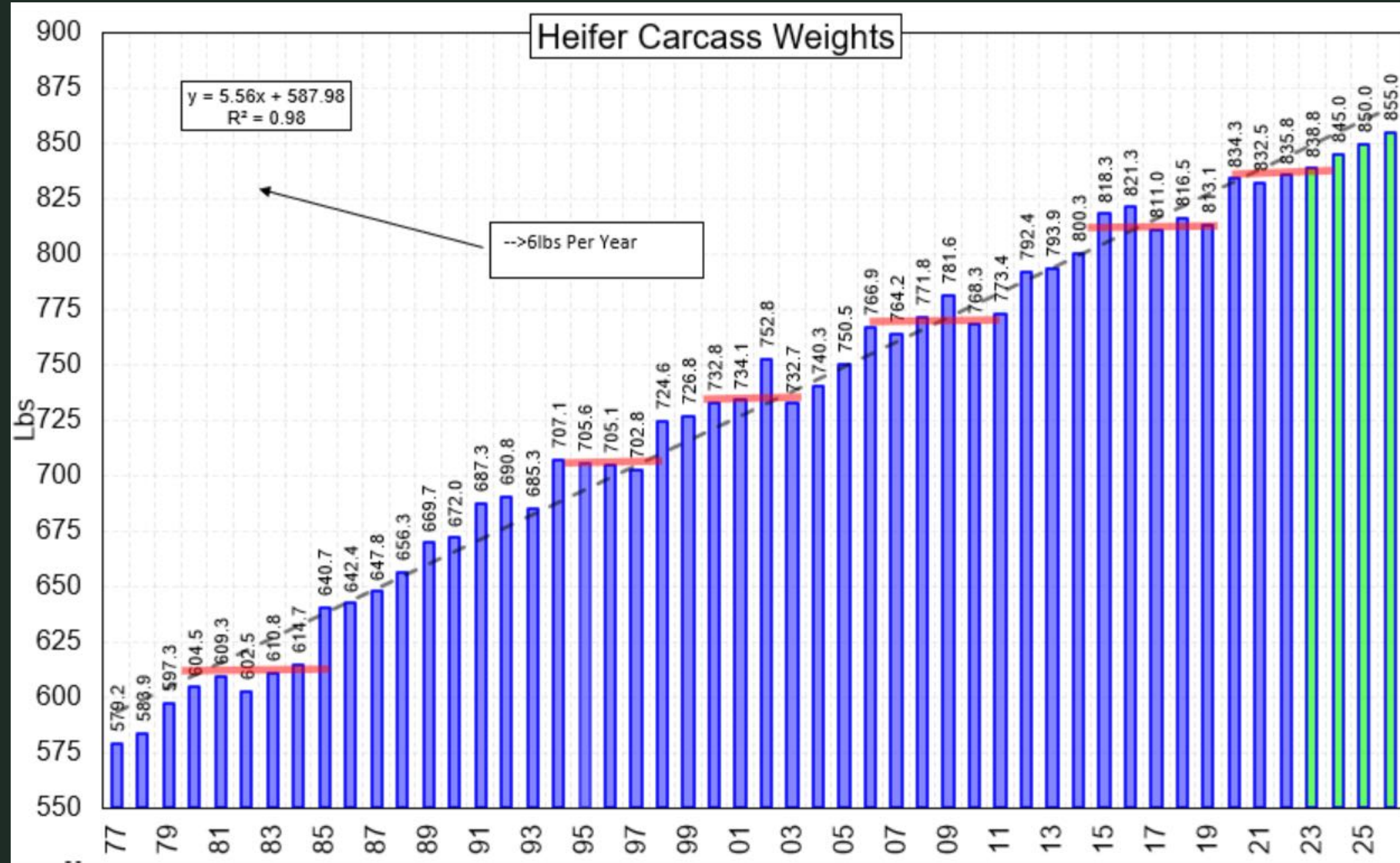
# Supply

## NOTEWORTHY:

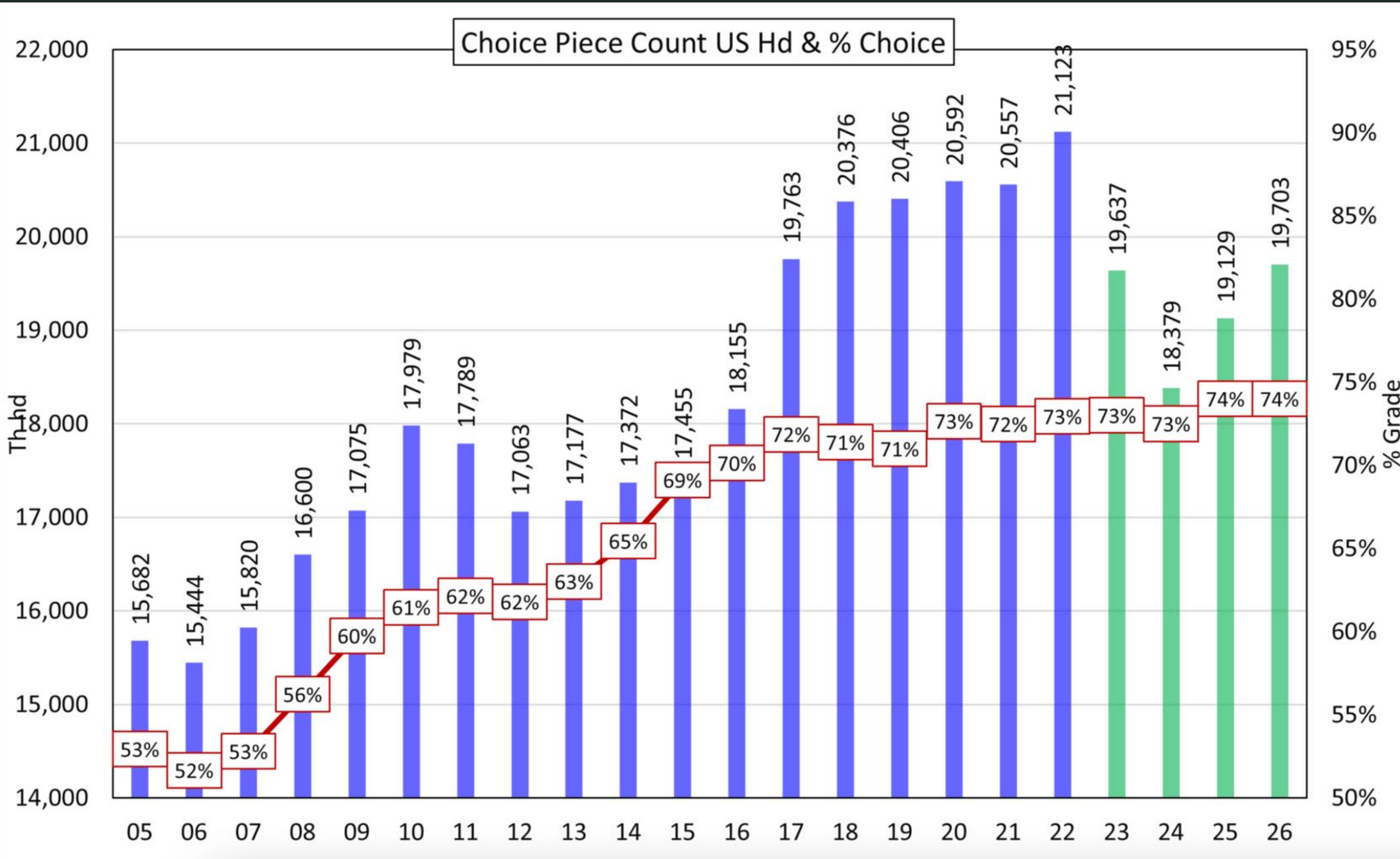
Poor replacement margins, market carries, and cheapening corn (eventually) are expected to keep steer carcass weights increasing annually, gaining 17 lbs between 2023 and 2026, or just under 6 lbs per year





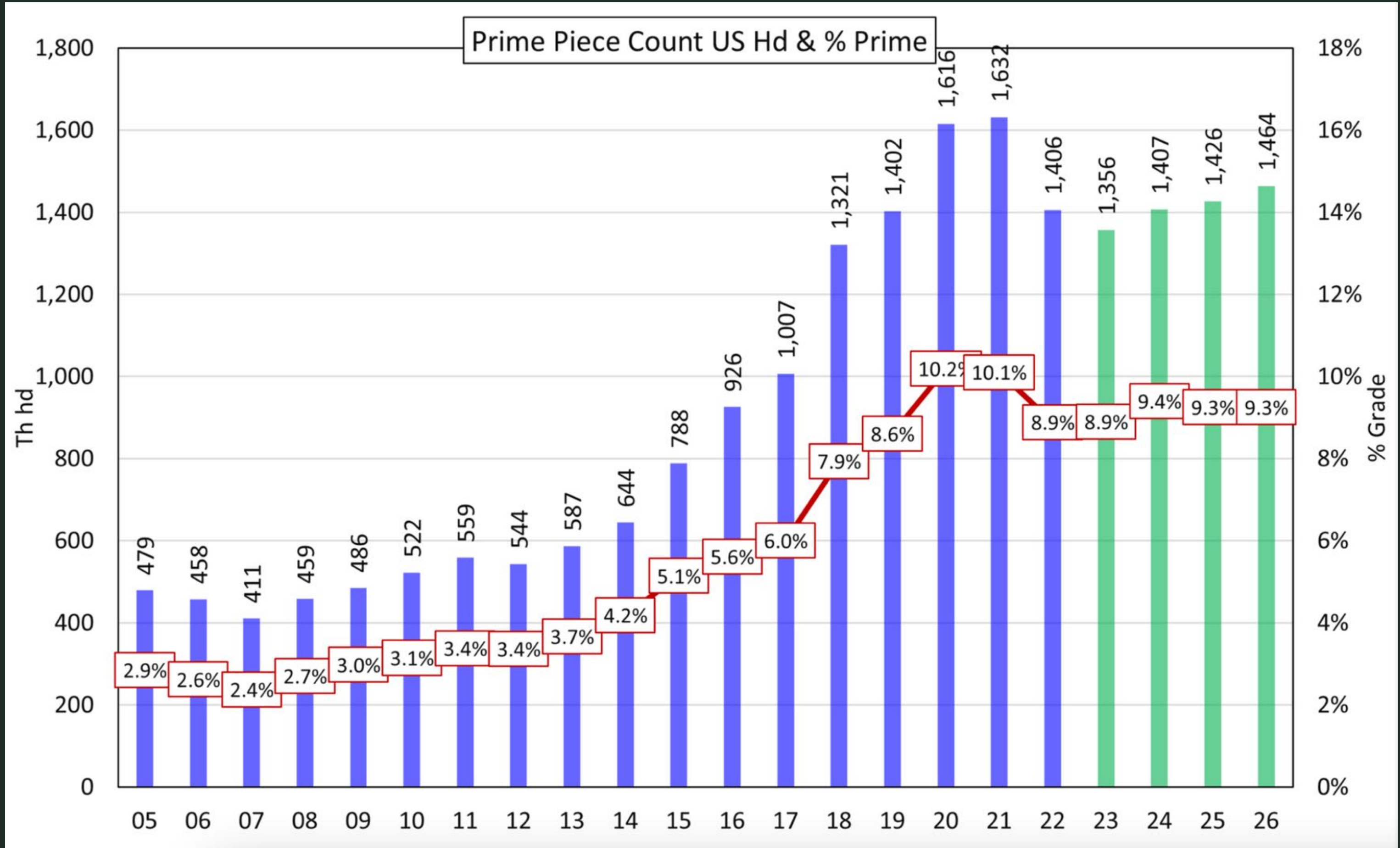








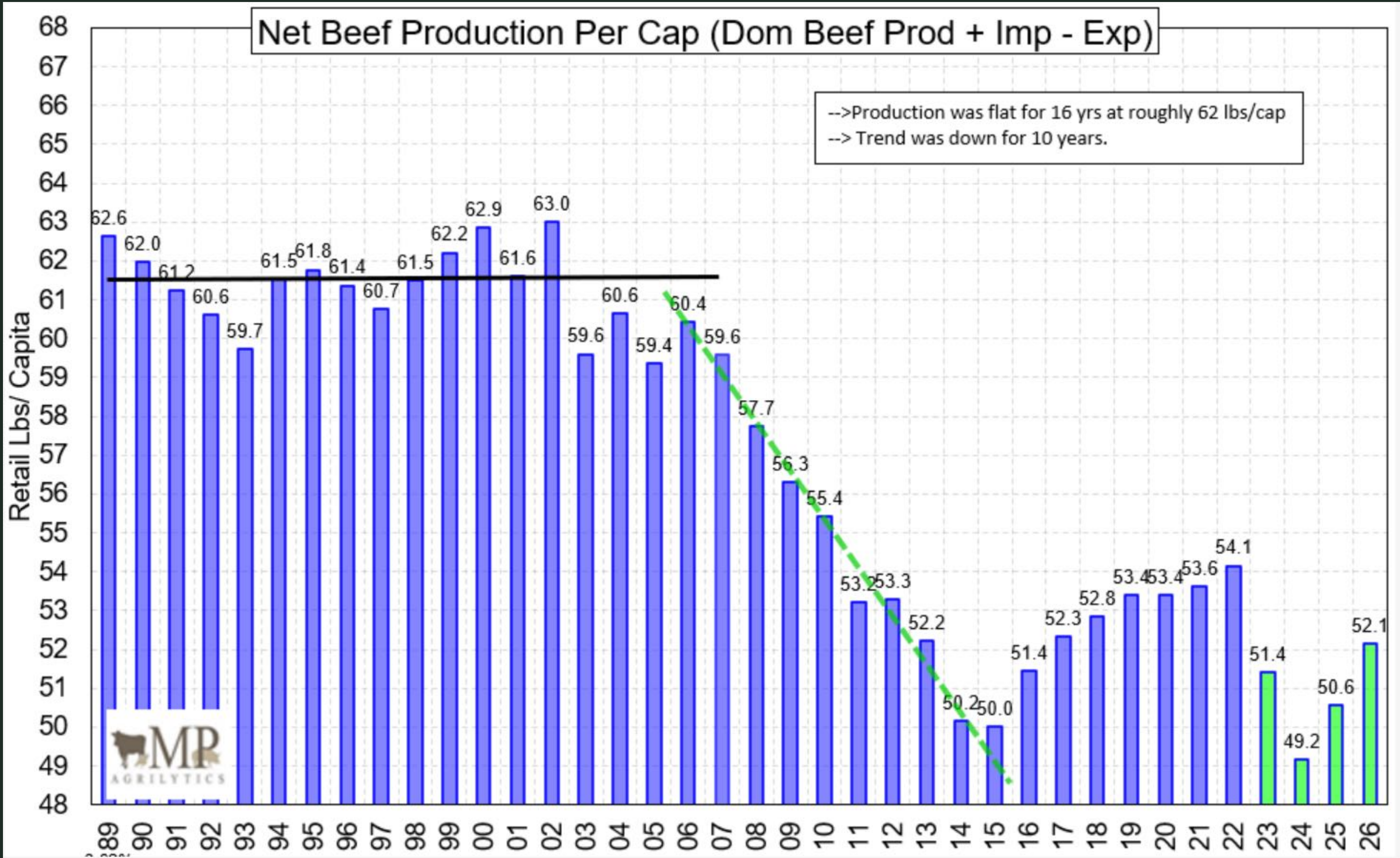
# Supply







# US NET BEEF SUPPLY





# Supply Summary

- **How big?**

If we stop liquidating -  
looking at a 3MIL HD drop

- **Moisture**

Producers continue to need  
improved moisture  
conditions.

- **Producer Expansion**

How quickly producer  
expansion happens will be a  
large factor.

- **Capacity**

How many head do we need  
with the capacity we will have?

- **Producers**

Need to improve their  
economic position.

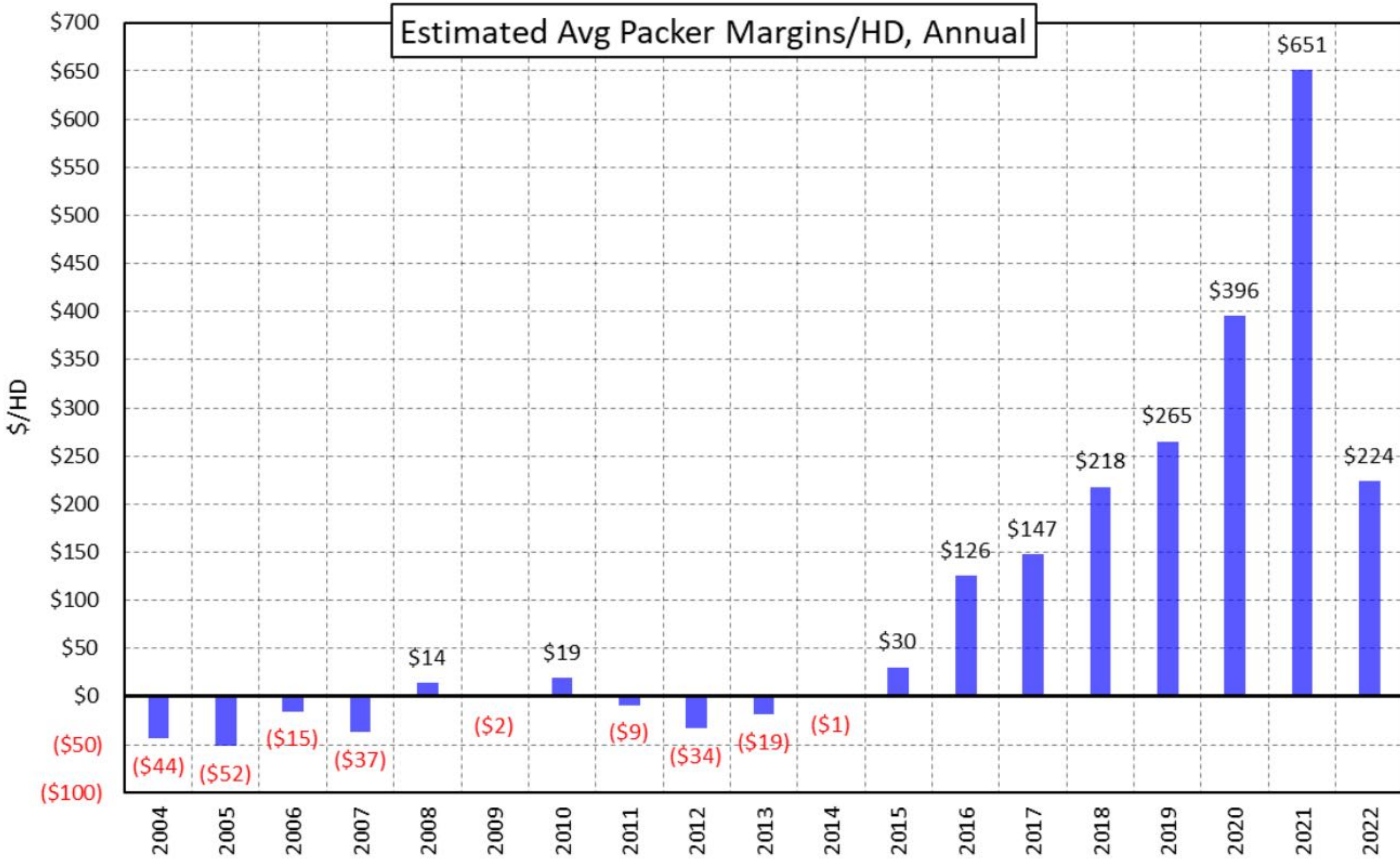




# Capacity & Margins

- 01.** How Bad Will It Get?
- 02.** How much capacity have we added?
- 03.** What will the Industry's response be?

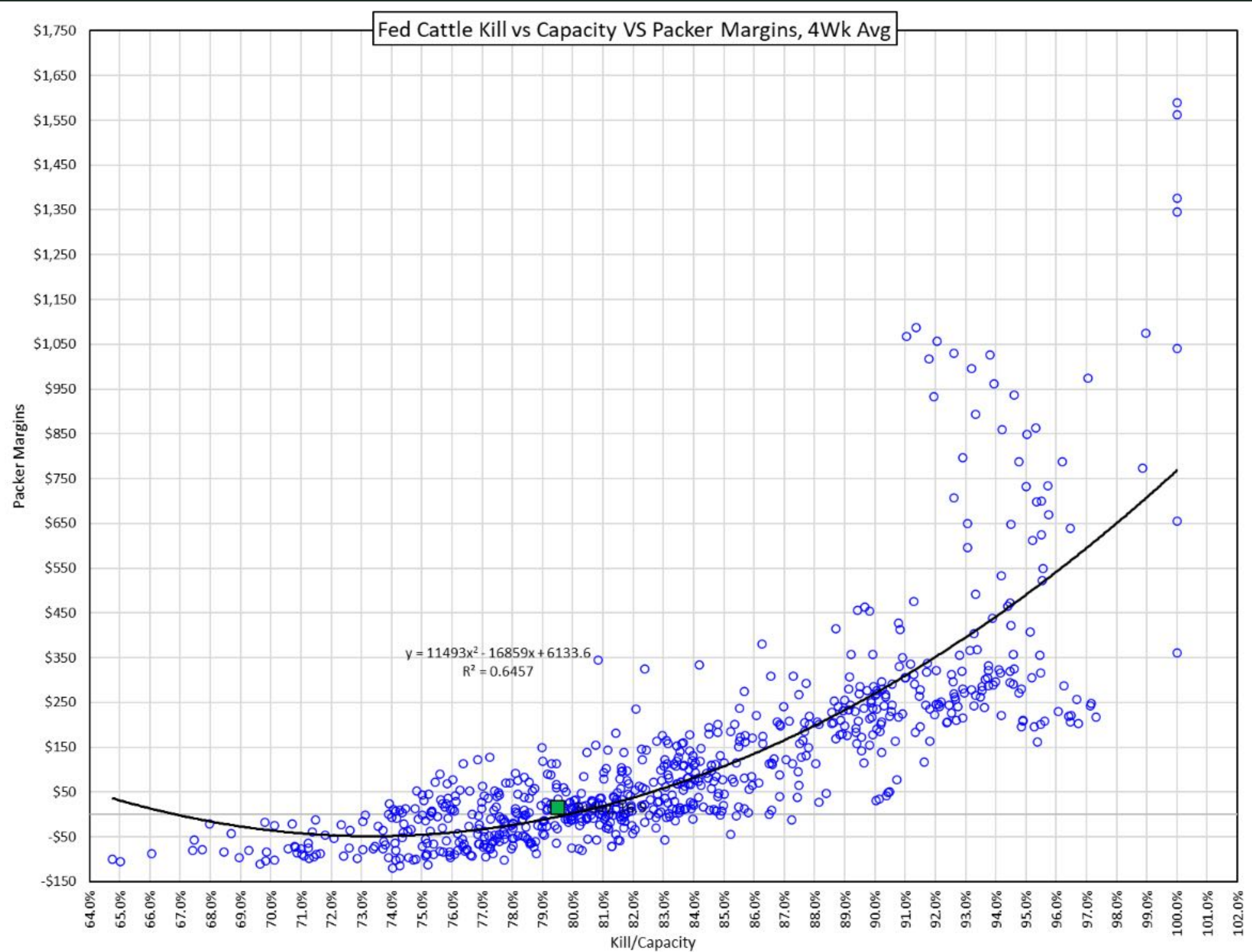
# Margins & Capacity





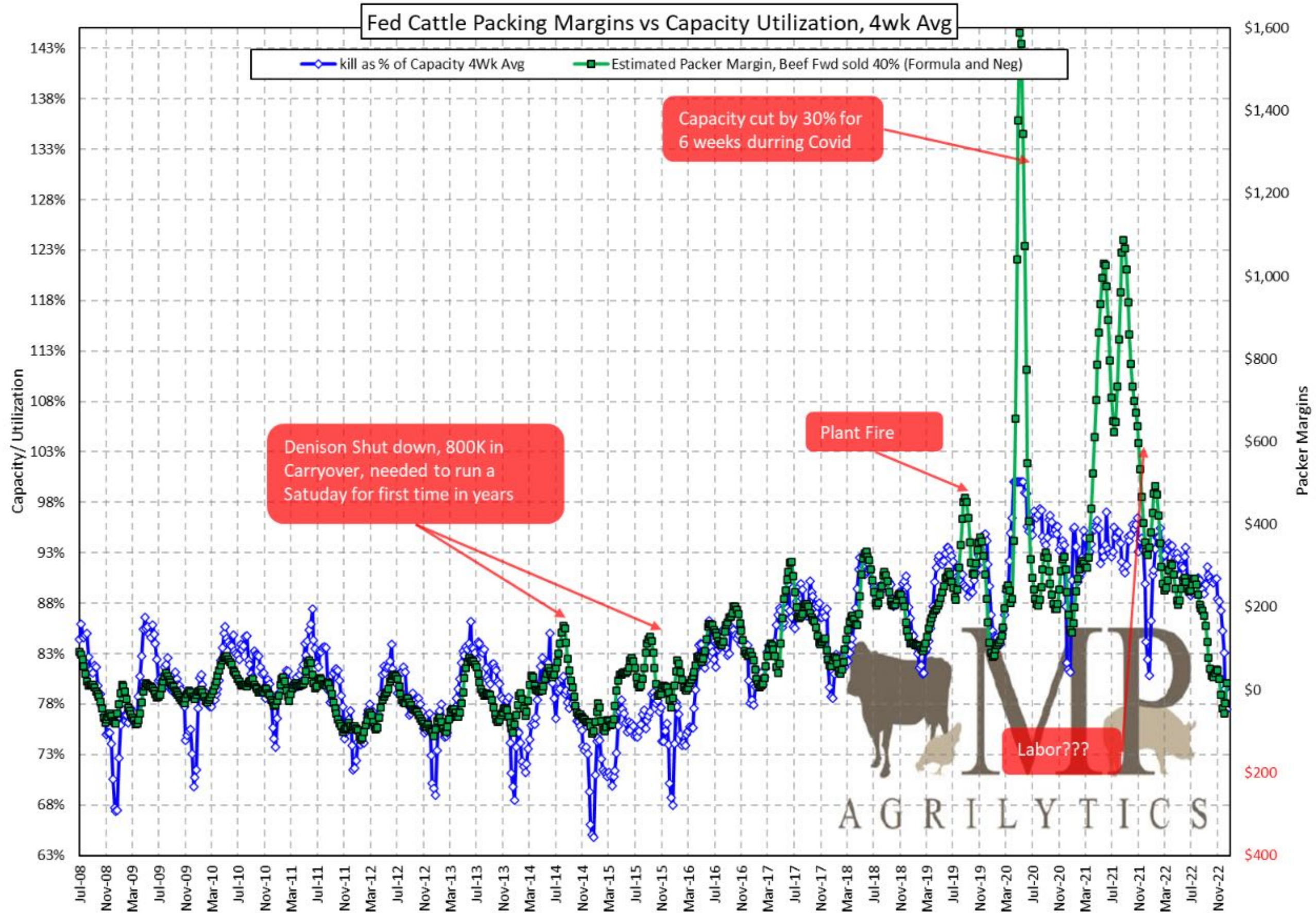


# Margins & Capacity





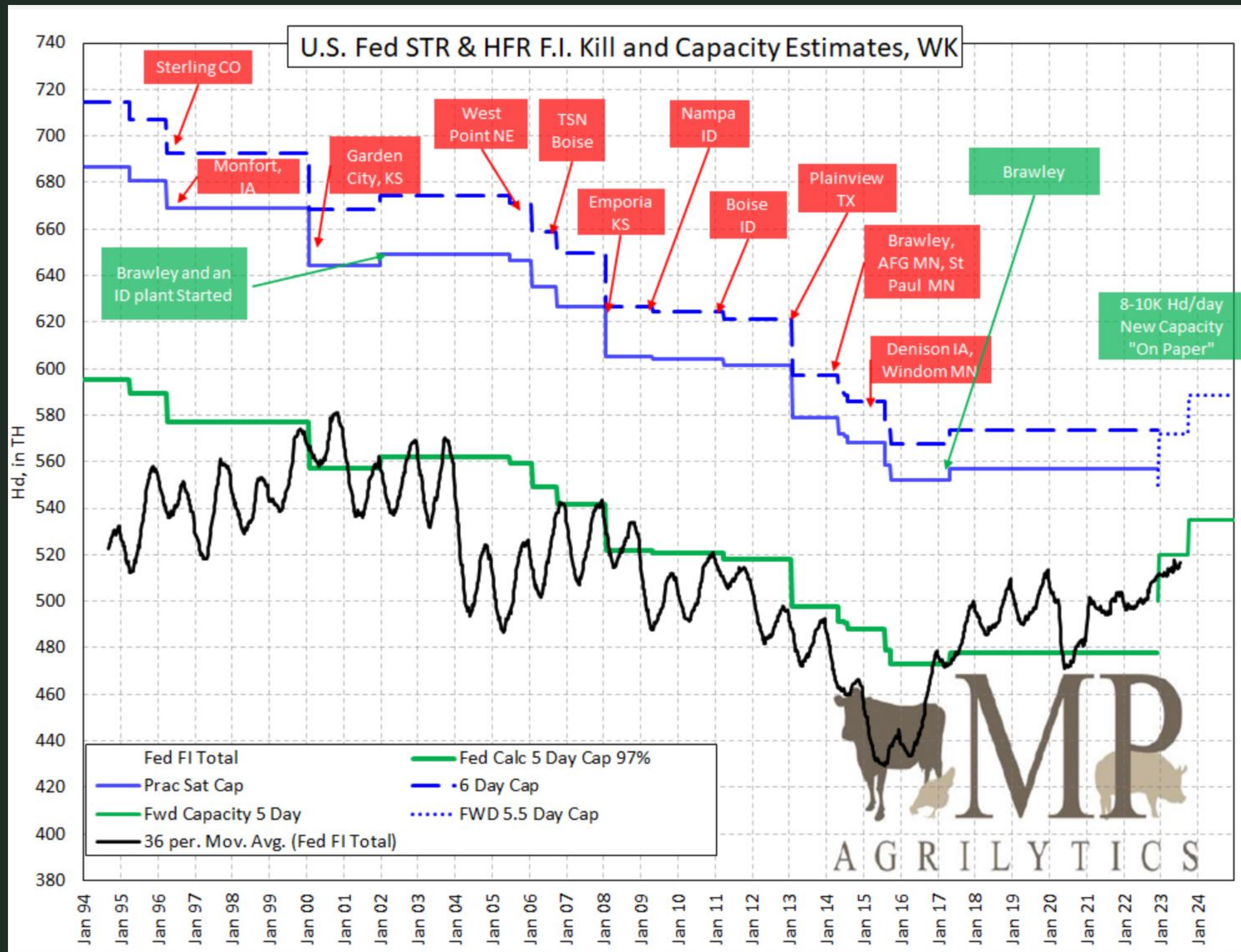
# Margins & Capacity







# Margins & Capacity





# Margins & Capacity

Current Capacity			
Change in Plants (Fed)	Daily Kill	5 Day	5.25 Day
Current Capacity	101.0	504.8	530.0

This Cattle Cycle (Fall of 2022-2024)	Daily Kill	5 Day	*5.1 Day	
Agri-Beef	0.5	2.5	2.55	Q1 2023
River Bend	0.3	1.3	1.3	
Aurora Pack	0.5	2.5	2.55	
Creekstone	0.2	1	1.05	*Just with more time?
Cav	1.4	7	7.14	2023 Once we killed all the cows?
NexGen	1.0	5	5.25	
Other Non Fed Plants?	2.5	12.5	12.75	2023 Once we killed all the cows?
Tama			0	Postponed
<b>New Additions</b>	<b>6.4</b>	<b>31.8</b>	<b>32.6</b>	
New Max (aka pre-2019)	107.3	536.5	547.2	

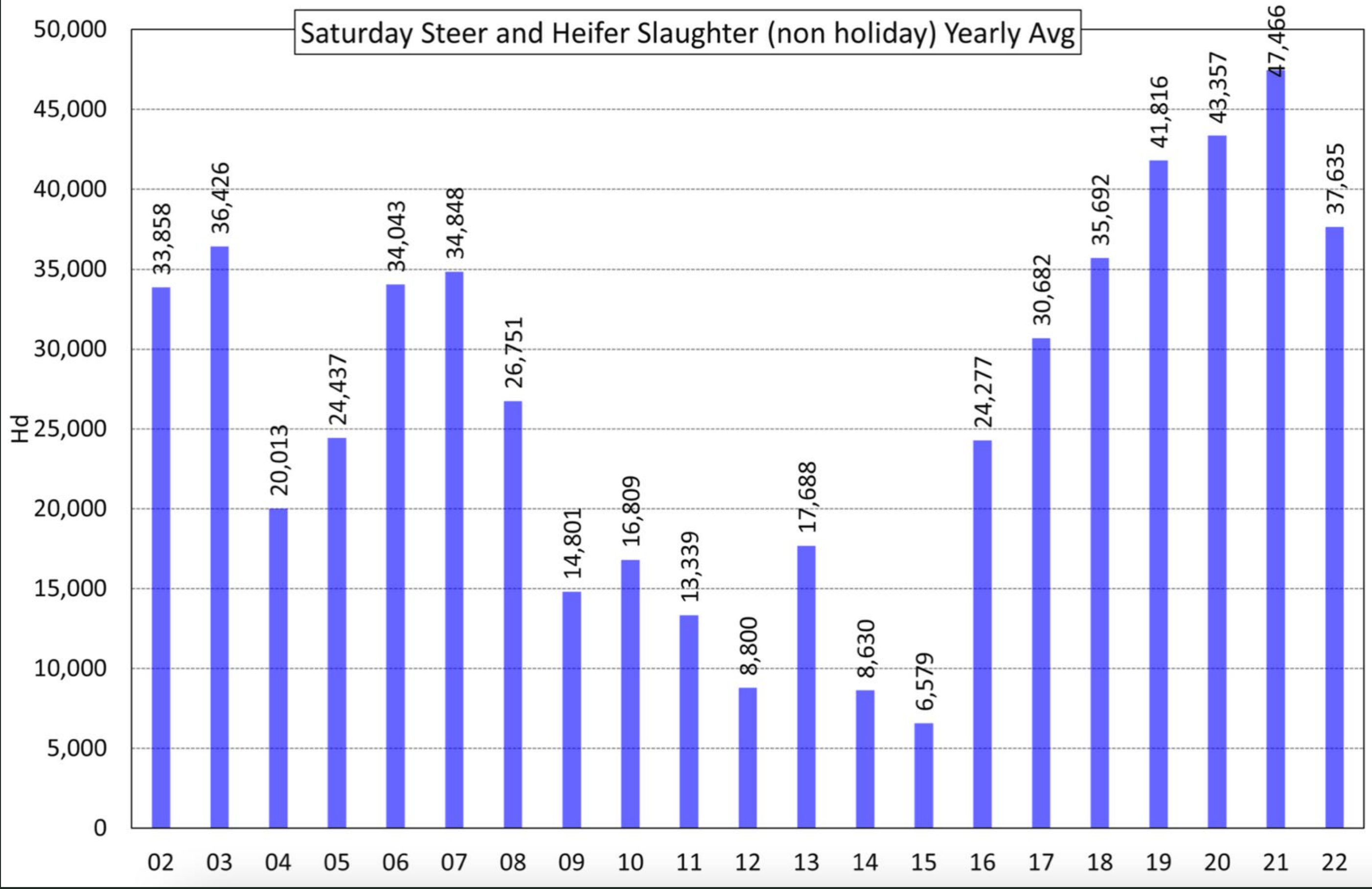
After Cycle	Daily Kill	5 Day	*5.1 Day	
North Platte	1.2	6	6.12	Late 2024?
Heritage Beef (Council Bluffs)			0.0	Not Likely
Producer Owned Beef (AMA)	1.5	7.5	7.7	2026?
SD			0.0	Not Likely
<b>Total Additions</b>	<b>2.7</b>	<b>13.5</b>	<b>13.8</b>	
<b>New Max</b>	<b>110.0</b>	<b>550.0</b>	<b>561.0</b>	





# Margins & Capacity

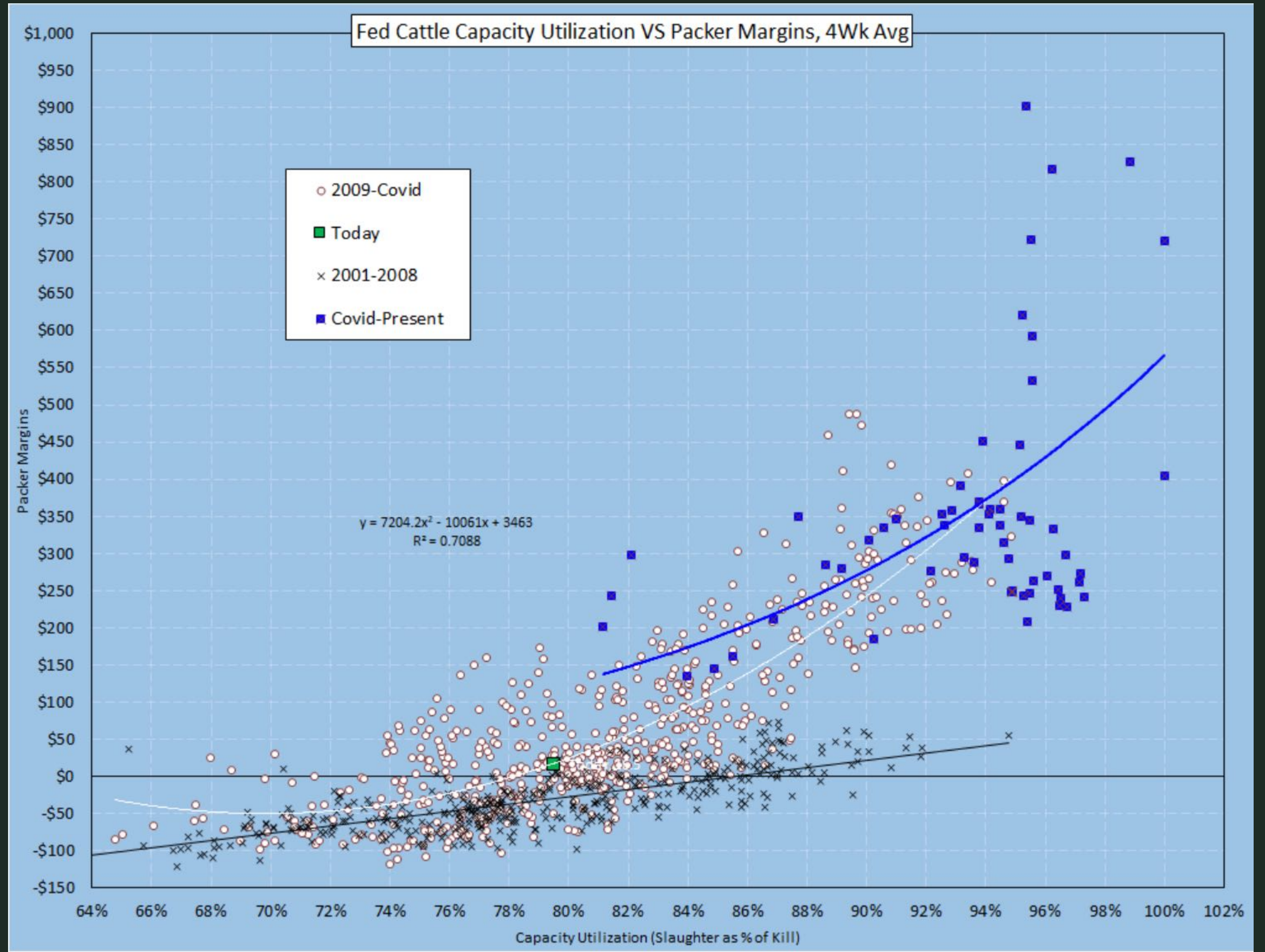
Saturday Steer and Heifer Slaughter (non holiday) Yearly Avg



# Margins & Capacity

## NOTEWORTHY:

\$150/hd just in Saturday's being "taken out permanently" Nearly absorbs all of the loss if 'kept.'







# Margins & Capacity

				-\$50 Loss			-\$75 Loss			-\$100 Loss			-\$150 Loss		
	5 Day	5.5 Day	5 Day	40	36	1/2 Sat	40	36	1/2 Sat	40	36	1/2 Sat	40	36	1/2 Sat
Base Wage	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00	\$24.00
Overhead Cost/ Hd	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
M-F Hours	40	40	40	40	36	40	40	36	40	40	36	40	40	36	40
Sat. Hours	0	8	0	0	0	4	0	0	4	0	0	4	0	0	4
Days Ran	5.00	6.00	5.00	5.00	4.50	5.50	5.00	4.50	5.50	5.00	4.50	5.50	5.00	4.50	5.50
WK Kill	27,500	33,000	27,500	27,500	24,750	30,250	27,500	24,750	30,250	27,500	24,750	30,250	27,500	24,750	30,250
Base Pay, Total	\$1,152	\$1,152	\$1,152	\$1,152	\$1,037	\$1,152	\$1,152	\$1,037	\$1,152	\$1,152	\$1,037	\$1,152	\$1,152	\$1,037	\$1,152
Overtime Rate	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0	\$36.0
Overtime Total	\$0.0	\$288.0	\$0.0	\$0.0	\$0.0	\$144.0	\$0.0	\$0.0	\$144.0	\$0.0	\$0.0	\$144.0	\$0.0	\$0.0	\$144.0
Total Pay	\$1,152	\$1,440	\$1,152	\$1,152	\$1,037	\$1,296	\$1,152	\$1,037	\$1,296	\$1,152	\$1,037	\$1,296	\$1,152	\$1,037	\$1,296
Total Labor Cost, in Th's	\$3,456	\$4,320	\$3,456	\$3,456	\$3,110	\$3,888	\$3,456	\$3,110	\$3,888	\$3,456	\$3,110	\$3,888	\$3,456	\$3,110	\$3,888
Overhead Cost (5 day), In Th's	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125	\$4,125
<b>Total Costs, in Th's</b>	<b>\$7,581</b>	<b>\$8,445</b>	<b>\$7,581</b>	<b>\$7,581</b>	<b>\$7,235</b>	<b>\$8,013</b>	<b>\$7,581</b>	<b>\$7,235</b>	<b>\$8,013</b>	<b>\$7,581</b>	<b>\$7,235</b>	<b>\$8,013</b>	<b>\$7,581</b>	<b>\$7,235</b>	<b>\$8,013</b>
Labor Cost/Hd	\$126	\$131	\$126	\$126	\$126	\$129	\$126	\$126	\$129	\$126	\$126	\$129	\$126	\$126	\$129
New Overhead Cost/hd	\$150	\$125	\$150	\$150	\$167	\$136	\$150	\$167	\$136	\$150	\$167	\$136	\$150	\$167	\$136
<b>Total Cost/hd</b>	<b>\$276</b>	<b>\$256</b>	<b>\$276</b>	<b>\$276</b>	<b>\$292</b>	<b>\$265</b>	<b>\$276</b>	<b>\$292</b>	<b>\$265</b>	<b>\$276</b>	<b>\$292</b>	<b>\$265</b>	<b>\$276</b>	<b>\$292</b>	<b>\$265</b>
Packer Gross Margin	\$401	\$400	\$400	\$225	\$226	\$226	\$201	\$201	\$201	\$176	\$176	\$176	\$126	\$126	\$126
Gross Revenue, In Th's	\$11,019	\$13,200	\$11,000	\$6,188	\$5,594	\$6,837	\$5,528	\$4,975	\$6,080	\$4,840	\$4,356	\$5,324	\$3,465	\$3,119	\$3,812
<b>Profit/hd</b>	<b>\$125</b>	<b>\$144</b>	<b>\$124</b>	<b>(\$51)</b>	<b>(\$66)</b>	<b>(\$39)</b>	<b>(\$75)</b>	<b>(\$91)</b>	<b>(\$64)</b>	<b>(\$100)</b>	<b>(\$116)</b>	<b>(\$89)</b>	<b>(\$150)</b>	<b>(\$166)</b>	<b>(\$139)</b>
<b>Profit (In th's)</b>	<b>\$3,438</b>	<b>\$4,755</b>	<b>\$3,419</b>	<b>(\$1,394)</b>	<b>(\$1,642)</b>	<b>(\$1,177)</b>	<b>(\$2,054)</b>	<b>(\$2,261)</b>	<b>(\$1,933)</b>	<b>(\$2,741)</b>	<b>(\$2,879)</b>	<b>(\$2,689)</b>	<b>(\$4,116)</b>	<b>(\$4,117)</b>	<b>(\$4,202)</b>
<b>Annual \$Profit in MM's</b>	<b>\$178.8</b>	<b>\$247.3</b>	<b>\$177.8</b>	<b>(\$72.5)</b>	<b>(\$85.4)</b>	<b>(\$61.2)</b>	<b>(\$106.8)</b>	<b>(\$117.6)</b>	<b>(\$100.5)</b>	<b>(\$142.5)</b>	<b>(\$149.7)</b>	<b>(\$139.8)</b>	<b>(\$214.0)</b>	<b>(\$214.1)</b>	<b>(\$218.5)</b>





# Capacity & Margins Summary

- **Price Point**

Bias is -\$50 is very much in the cards

- **DOJ Involvement**

Will doj let someone shut down a plant without offering it for sale?

- **Saturdays**

Will the industry really get rid of Saturday's?

- **Herd Growth**

Bias is we need to grow the herd back by 2 - 2.5M hd.

- **Shutdowns**

Will we idle or shutdown a plant for 2 years?