Livestock Market Outlook

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Wisconsin Agriculture Outlook Forum

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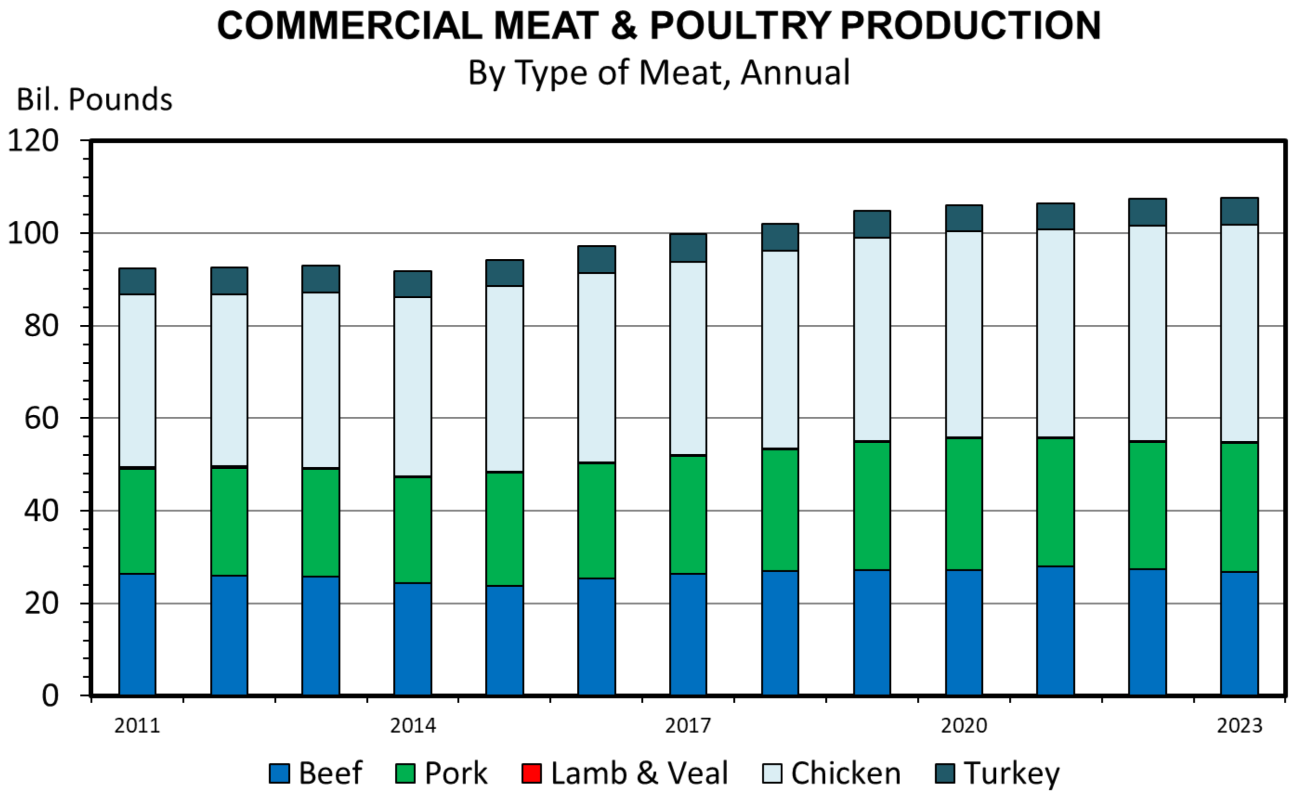
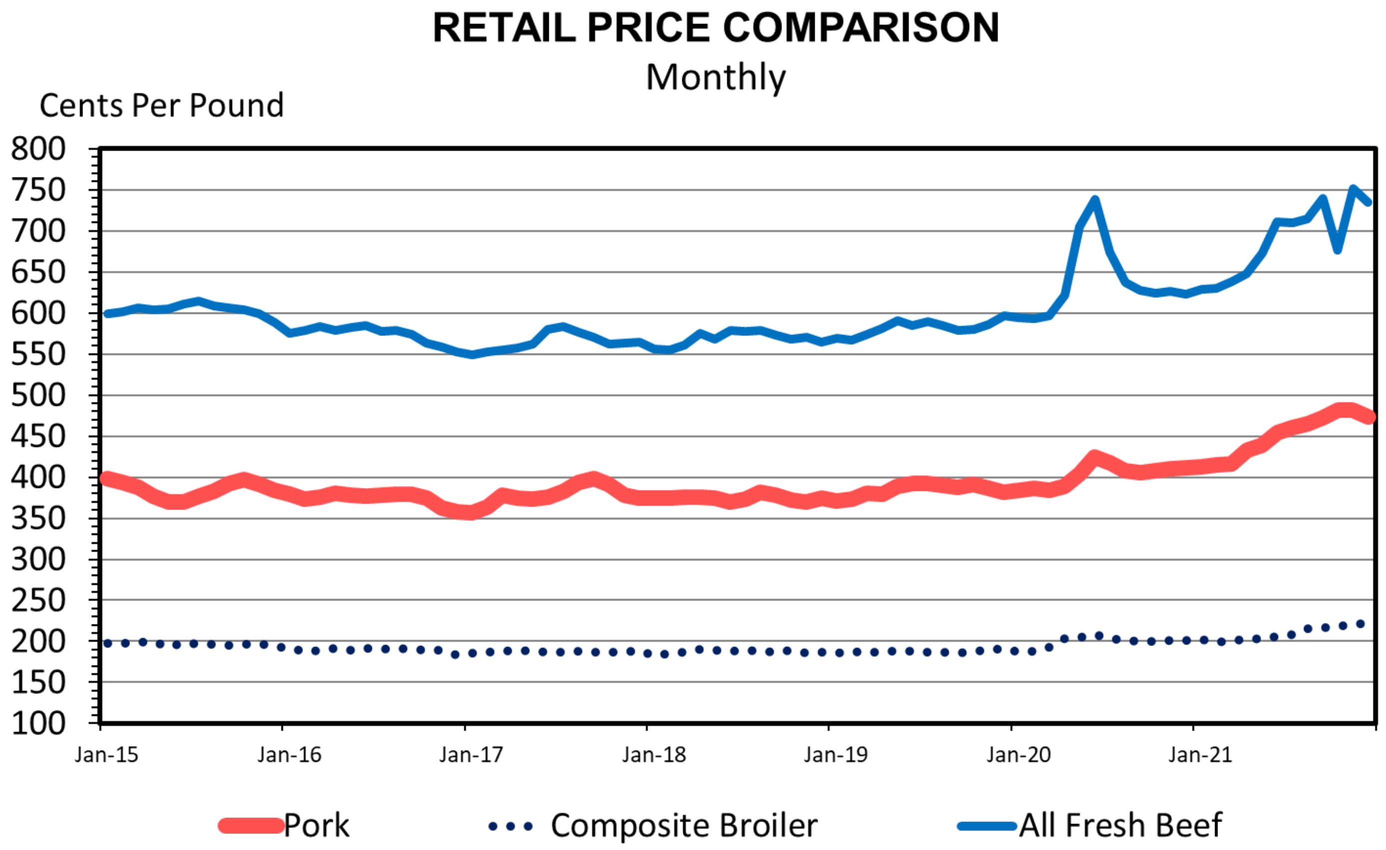
Meat Production

- 2021 total meat supply was down 0.8%
  - 222.9 lbs per capita supply in 2021
- 2022 supply will be down 0.2 lbs



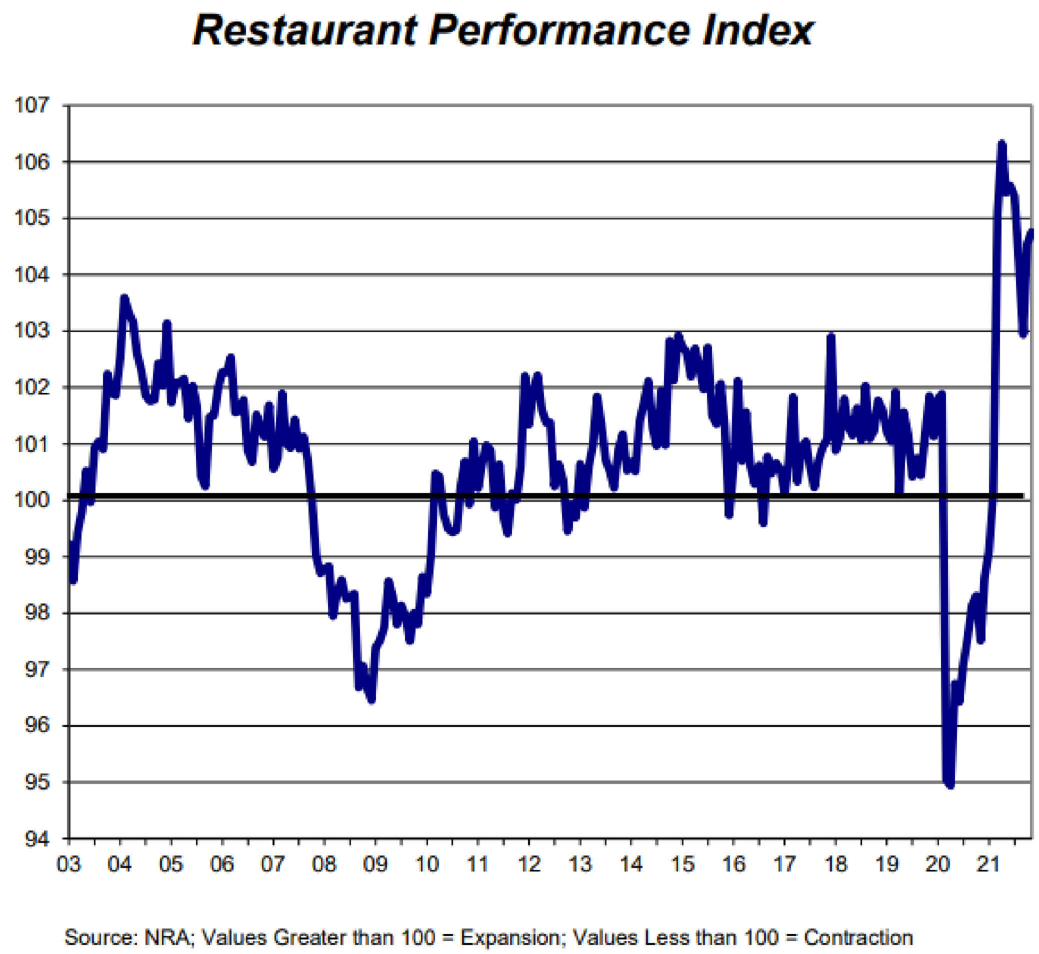
Retail Prices

- Monthly average price
  - Beef $7.35 in December
  - Pork $4.74 in December
  - Broiler $2.22 in December
- Difference
  - Beef to Pork $2.61/lb
    - Average over 2018-2020 was $2.05
  - Beef to Broiler $5.13/lb
    - Average over 2018-2020 was $4.01



Food Away From Home

- RPI up 0.2% in November to 104.8
- Positive same store sales compared to year ago



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https://restaurant.org/research/economy/rpi#:~:text=The%20National%20Restaurant%20Association's%20Restaurant%20Performance%20Index%20(RPI)%20is%20a,a%20neutral%20level%20of%20100.

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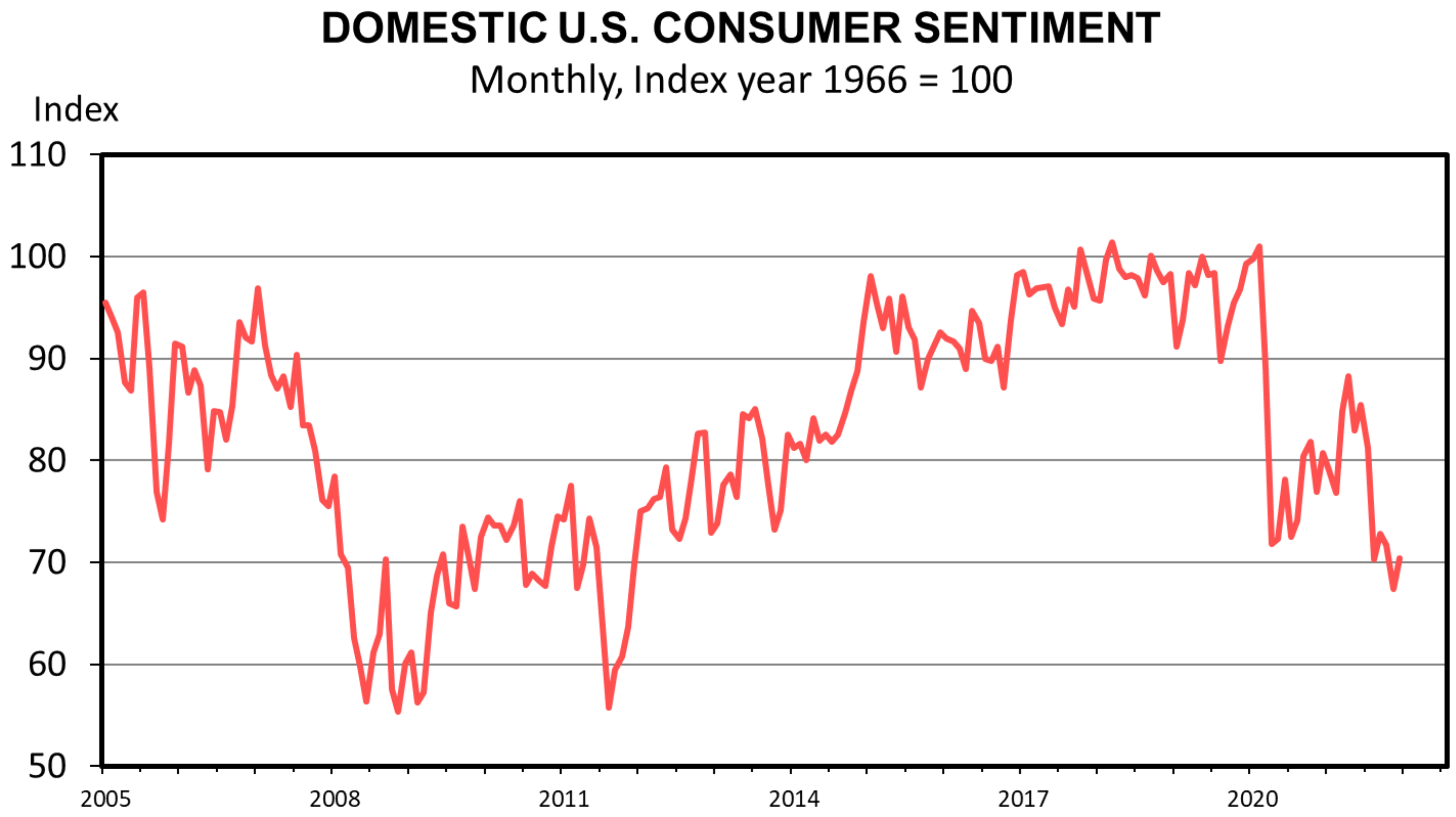
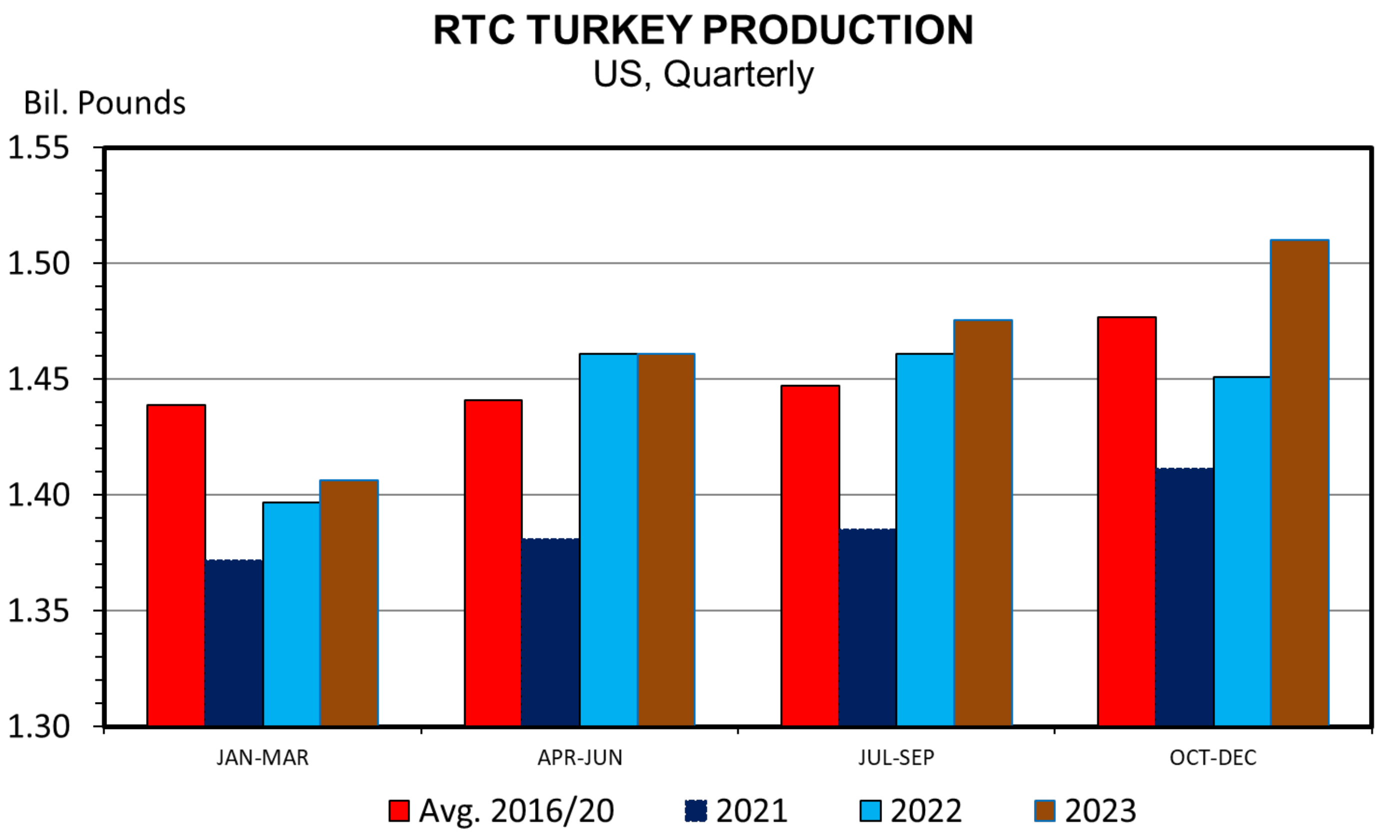
Consumer Confidence Index

- Down from first half of 2021
- Up from 2020



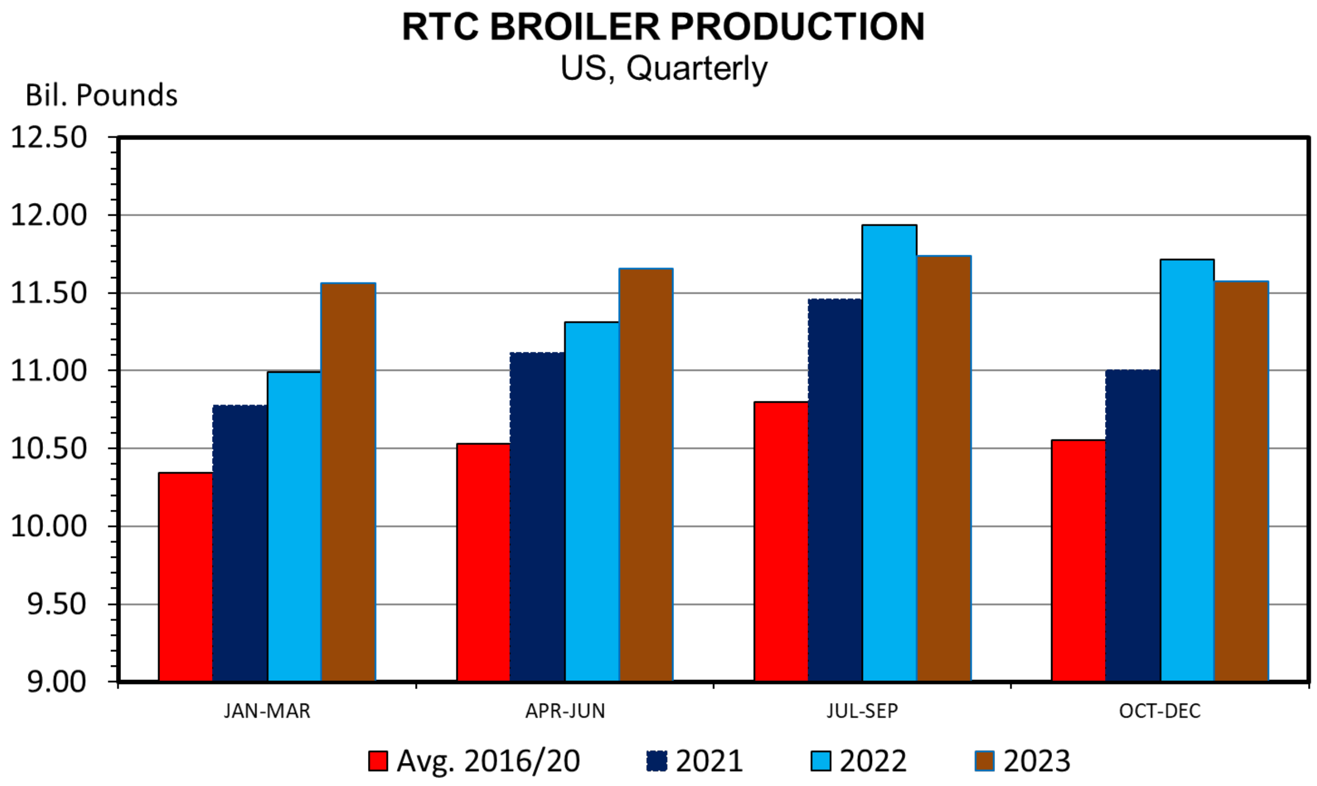
Turkey Production

- Turkey production down 2.7% in 2021
  - 5th consecutive yearly decline
- Expectations of 3.5% production increase for 2022
- Exports stable in 2021
  - Will be up 6.5% in 2022
- Per capita consumption down 0.1 lb in 2021
  - Will be stable in 2022



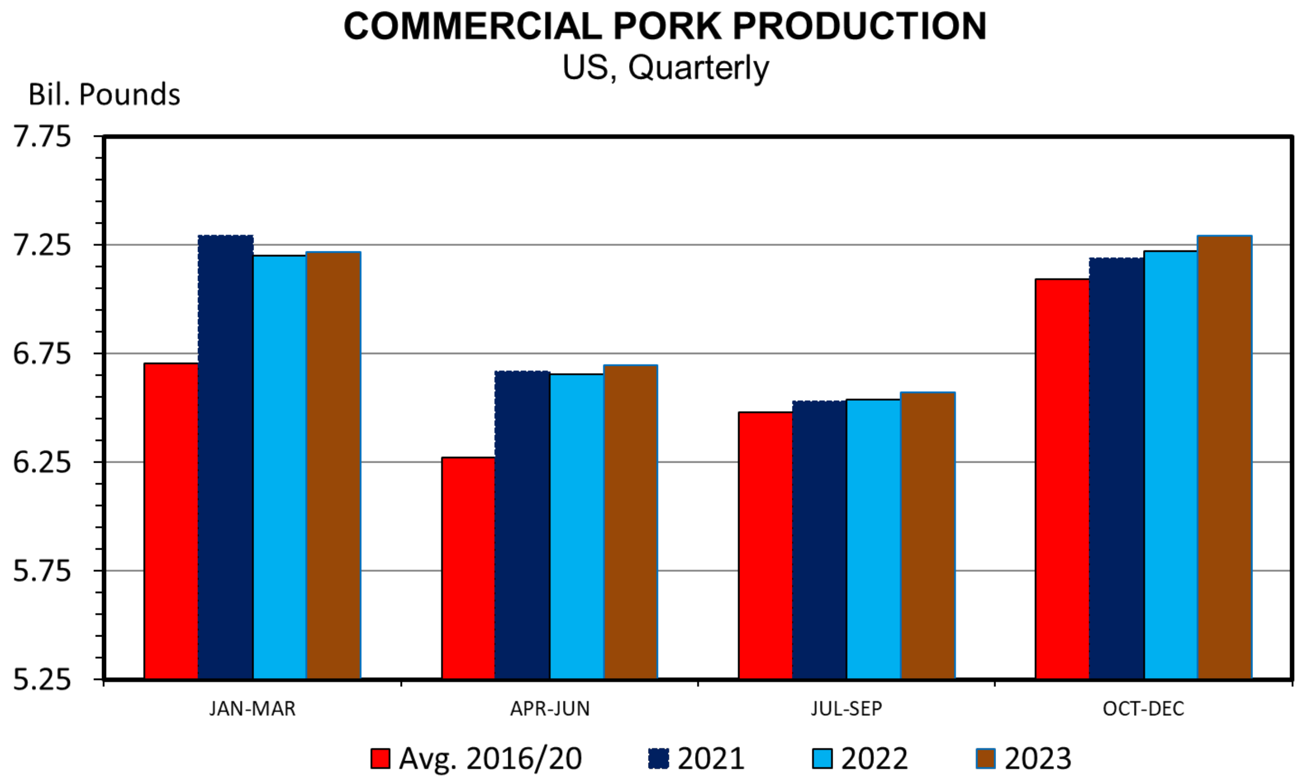
Broiler Production

- Broiler production up 0.7% in 2021
  - 10th straight year of increases
- Expectations of 1.9%production increase for 2022
- Exports up 3% in 2021
  - Will be up 2% in 2022
- Per capita consumption down 0.5 lb in 2021
  - Will be up 2 lb in 2022 (+2.1%)



Pork Industry

- Impacts from culling during 2020
  - 2021 down 2.2% from 2020
- Smaller herd going into 2022
  - 2022 down up approximately 0.2% over 2021
- Per capita consumption down 1.2 lb in 2021 (-2.4%)
  - Will be down 0.8 lb in 2022 (+1.6%)



- USDA WASDE report
- www.lmic.info

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Pork Industry: Challenges

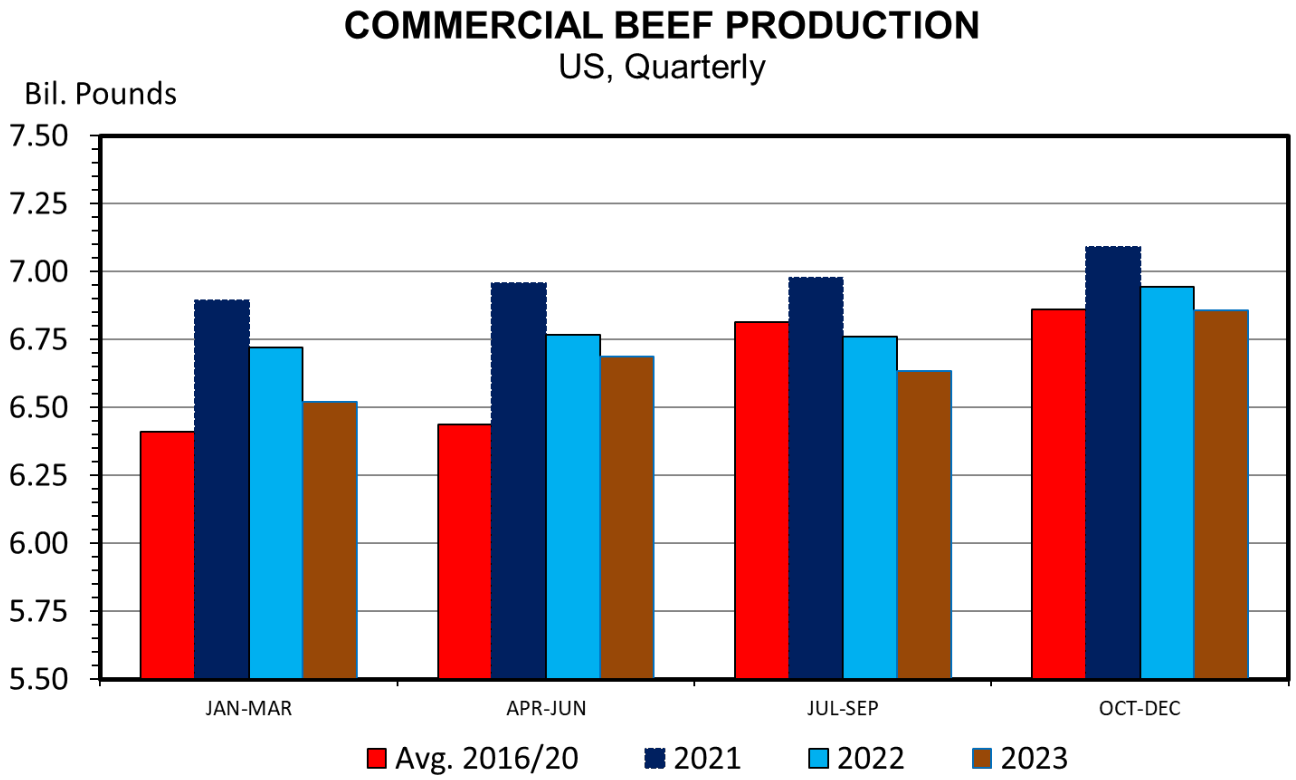
- Proposition 12
  - January 1, 2022
  - Breeding pigs raised with twenty-four square feet per pig
  - California accounts for 13% of pork consumption
- Line Speeds
- Packing capacity increases
  - Proposed packing facility in Sioux Falls, SD
  - Expanded facilities in Iowa and Nebraska
    - Contingent on labor
- Shortage of truckers impacting flow of slaughter hogs and feeder pigs to US

Pork Industry: Where is it headed?

- Supply mostly balanced with demand
- Cost pressures
  - Likely down 5% over 2021
    - Feed main reason for decrease
- Hog Price decrease 13% from 2021 levels
- Tighter margins for hog producers

Beef Production

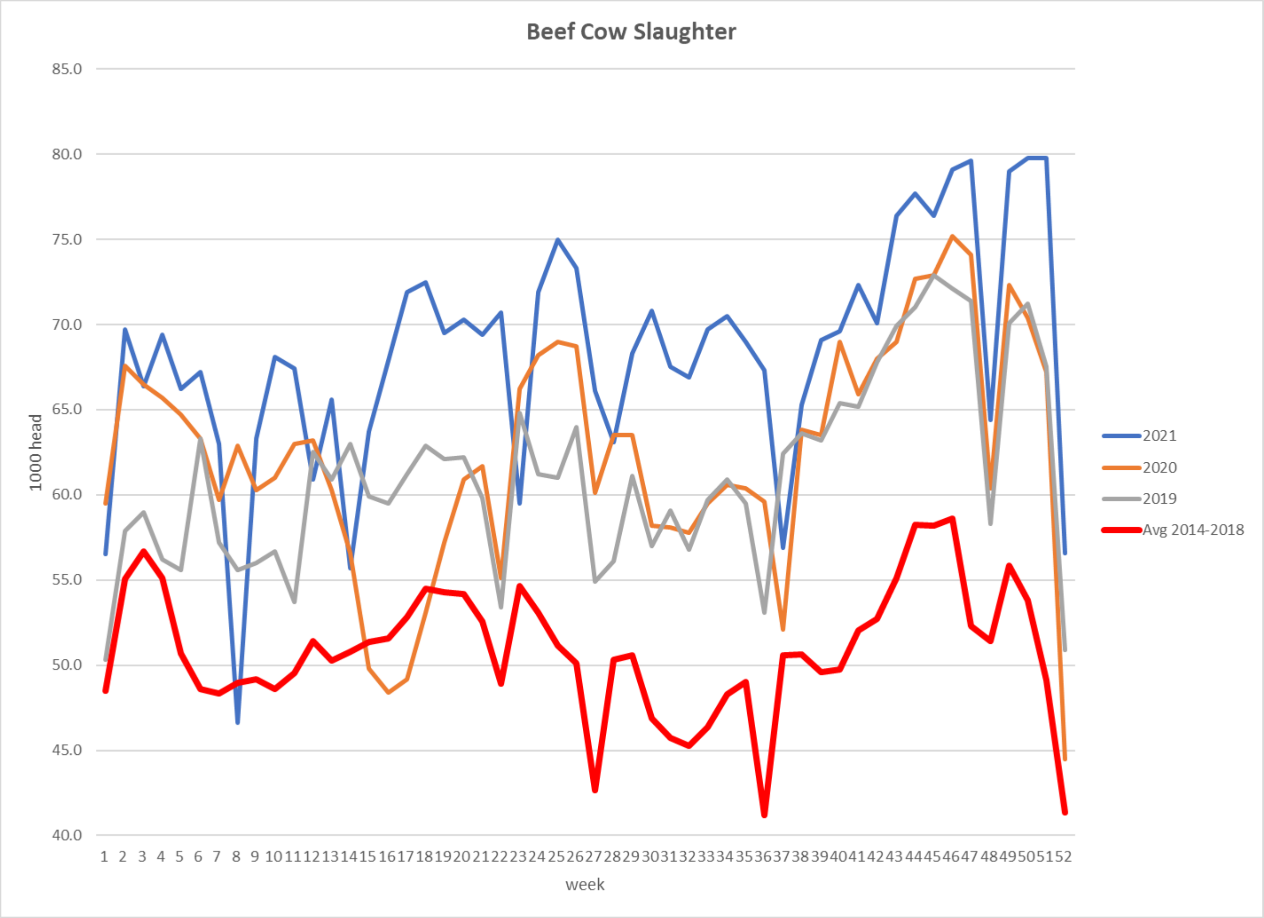
- 2021 beef production up 2.7%
  - Increased beef imports +4.4%
  - Increased beef exports by 14.5%
- 2022 will be down 2.6%
  - Decreasing Fed cattle slaughter -1.9%
  - Decreasing Carcass weight down -0.3%
  - Decreasing beef imports -2.6%
  - Decreased beef exports by 3.8%
- 2022 beef per capita down 1.9 lb at 56.9 lb (-3.2%)



2021 Beef Cow Inventory

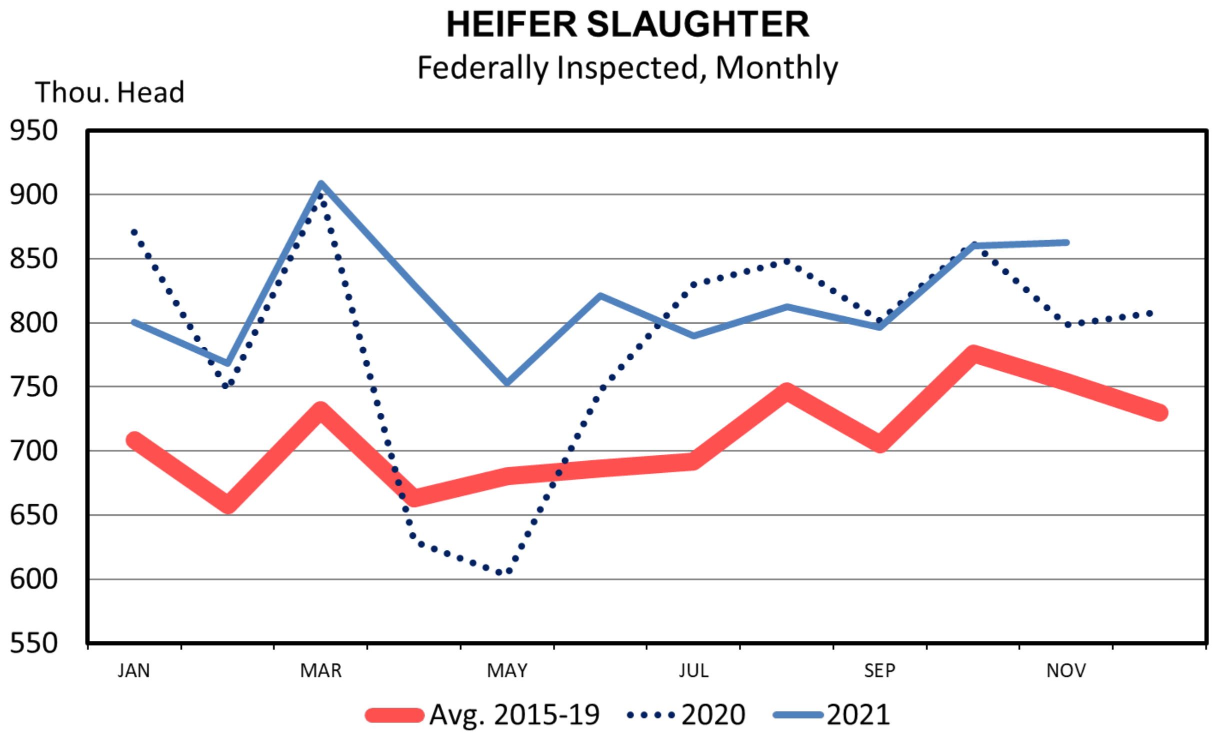
- January 2021 saw 31.2 M Head
  - Down 181,000 beef cows (-0.6%)
  - 533,100 less than 2019 (1.6%)

- 2022 inventory likely around 30.7 M Head
  - Down 450,000 (-1.4%)
  - Down 983,000 (3.1%) from 2019



2021 Heifer Slaughter

- Heifer slaughter up 4.2% in 2021
  - Heifer placements as 38.8% of total COF
  - Expected level during contraction at 34.4%
  - Drought acceleration?
- Cow herd contraction is not equal across US
- Jan 1, 2022 inventory may be lower than expected
- 2022 will continue to see cow culling
  - Decrease another 300,000 head



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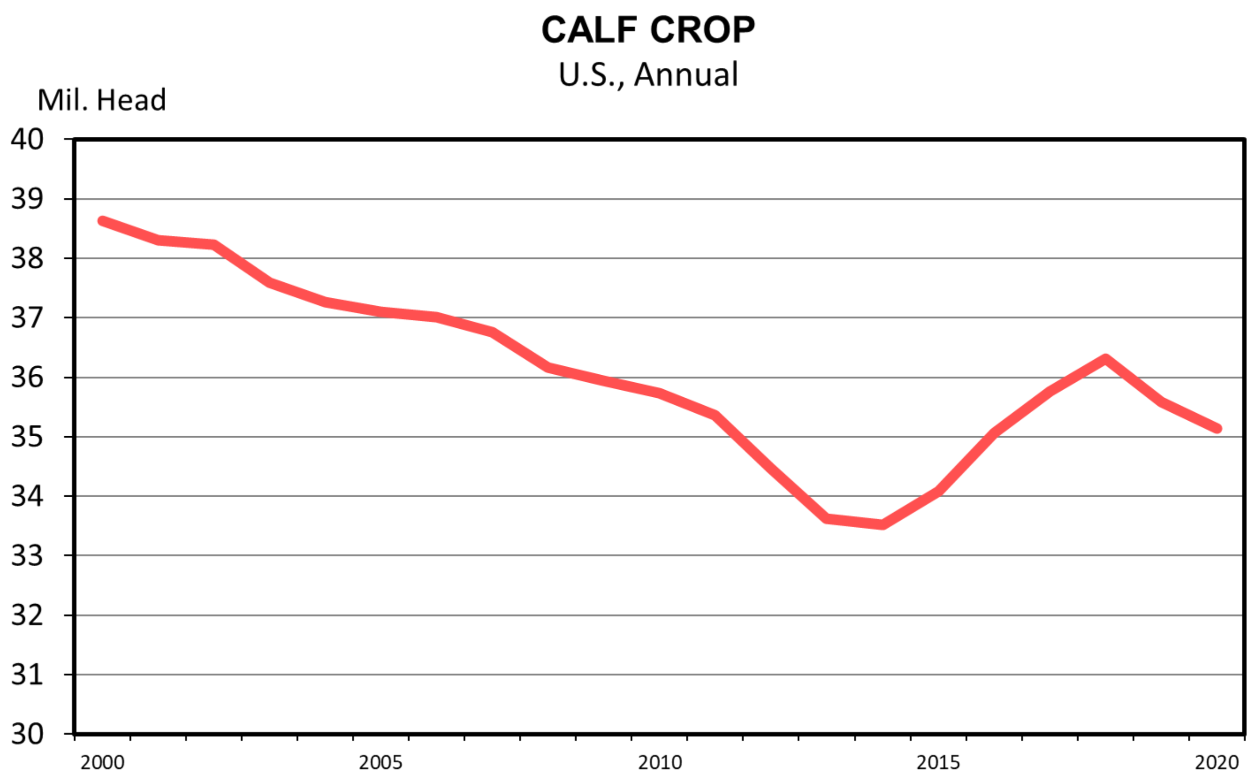
2020 Calf Crop

- 2020 Calf Crop was 1.3% lower YoY
  - Down 456,000 head
  - 1,177,200 less than 2018 (3.2%)
- 2021 Calf Crop down 0.6%
  - Down 200,000 head
  - Down 1,377,777 head since 2018 (-3.8%)
- Jan 1 Feeder cattle outside feedyards
  - Likely down 250,000 head (-1%)



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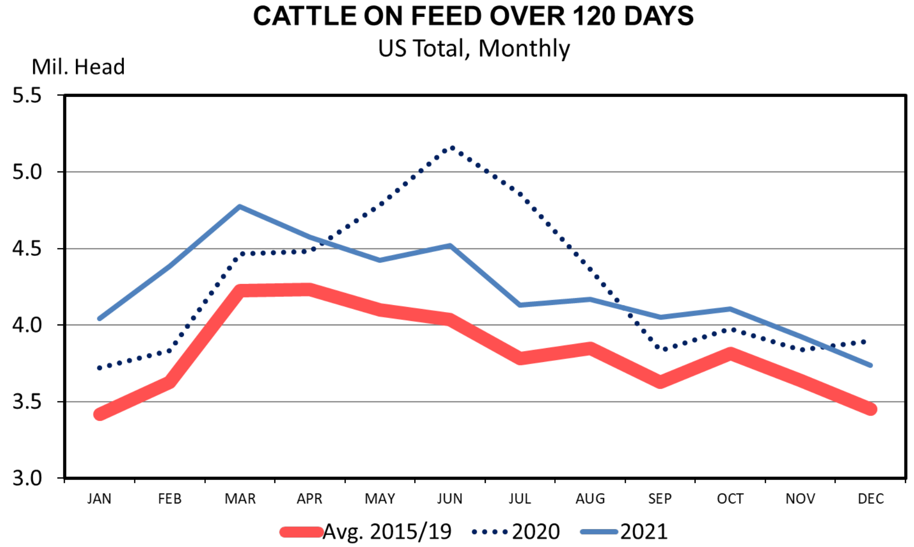
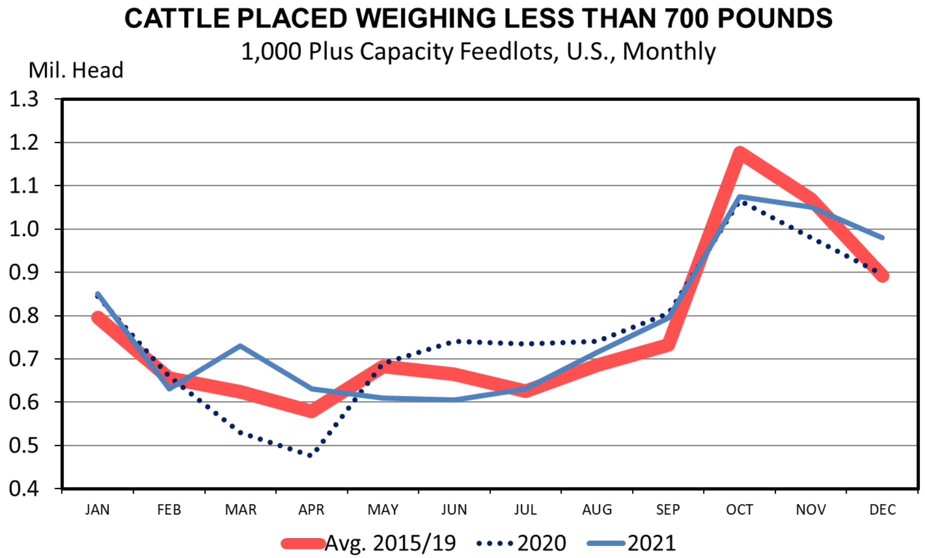
Cattle on Feed

USDA Cattle on Feed Report - Jan 2022

	Thousand head		2022 as % of 2021
	2021	2022	Actual
On Feed, Dec 1	12,036	11,985	100
Placed on Feed in Dec	1,844	1,963	106
Fed Cattle Marketed in Dec	1,853	1,857	100
On Feed, Jan 1	11,967	12,037	101





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- Jan 1 COF up 0.5%
- Jan COF over 120 days down 2.9%

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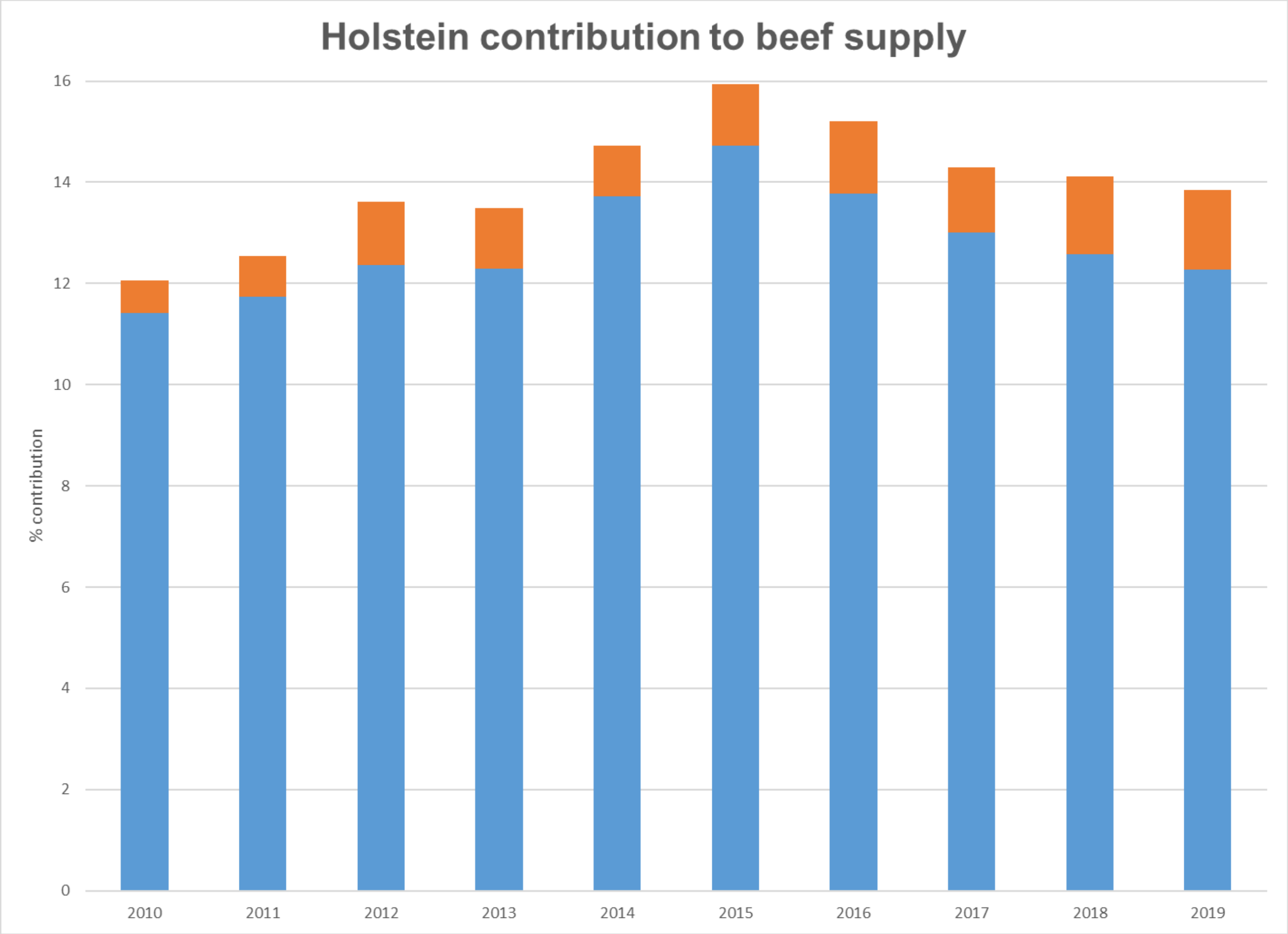
Significance of Holstein Steers to US Beef Production



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Where are we headed for 2022?

Price outlook should be viewed as having potential to be much different than expectations shown here.

- Lower feed prices
- Increasing land values
- Stable production of protein compared with 2021
- COVID will continue to challenge slaughter capacity
- Cattle profit margins will increase
  - Processors will see declining margins
- Cow/calf producers will gain leverage

Where will fat cattle prices go?

- Year over year increases
  - 1st quarter +18.2%
  - 2^{nd} quarter +13.5%
  - 3^{rd} quarter +4.0%
  - 4^{th} quarter +1.1%

Where will feeder cattle prices go?

- YoY percentage change in price

	500-600#	700-800#
1st quarter	+10.4%	+18.2%
2nd quarter	+10.3%	+12.7%
3rd quarter	+7.6%	+7.4%
4th quarter	+6.3%	+2.8%

Questions or Comments?

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