Livestock Market Outlook

Brenda L. Boetel
Extension Commodity Marketing Specialist
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Wisconsin Agriculture Outlook Forum
• 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

Source: NRA; Values Greater than 100 = Expansion; Values Less than 100 = Contraction

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

RTC TURKEY PRODUCTION
US, Quarterly

- USDA WASDE report
- https://www.ams.usda.gov/mnreports/nw_py017.txt
- www.lmic.info
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%)

RTC BROILER PRODUCTION
US, Quarterly

Bil. Pounds

9.00
9.50
10.00
10.50
11.00
11.50
12.00
12.50

JAN-MAR
APR-JUN
JUL-SEP
OCT-DEC

Avg. 2016/20
2021
2022
2023

USDA WASDE report
https://www.ams.usda.gov/mnreports/nw_py017.txt
www.lmic.info
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%)

COMMERCIAL PORK PRODUCTION
US, Quarterly

- USDA WASDE report
- www.lmic.info
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
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%)
Cattle on Feed

- Jan 1 COF up 0.5%
- Jan COF over 120 days down 2.9%
Significance of Holstein Steers to US Beef Production

Holstein contribution to beef supply

% contribution

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%
  • 2nd quarter +13.5%
  • 3rd quarter +4.0%
  • 4th quarter +1.1%
Where will feeder cattle prices go?

• YoY percentage change in price

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Questions or Comments?

Brenda.Boetel@uwrf.edu