

Beef Economic Climate and Outlook

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Summary

- Cattle prices are stronger than expected
- Drought influencing heifer retention and slaughter rates
- Margin operators had opportunities to hedge for 2021 and may still be a good decision
- International market is strong

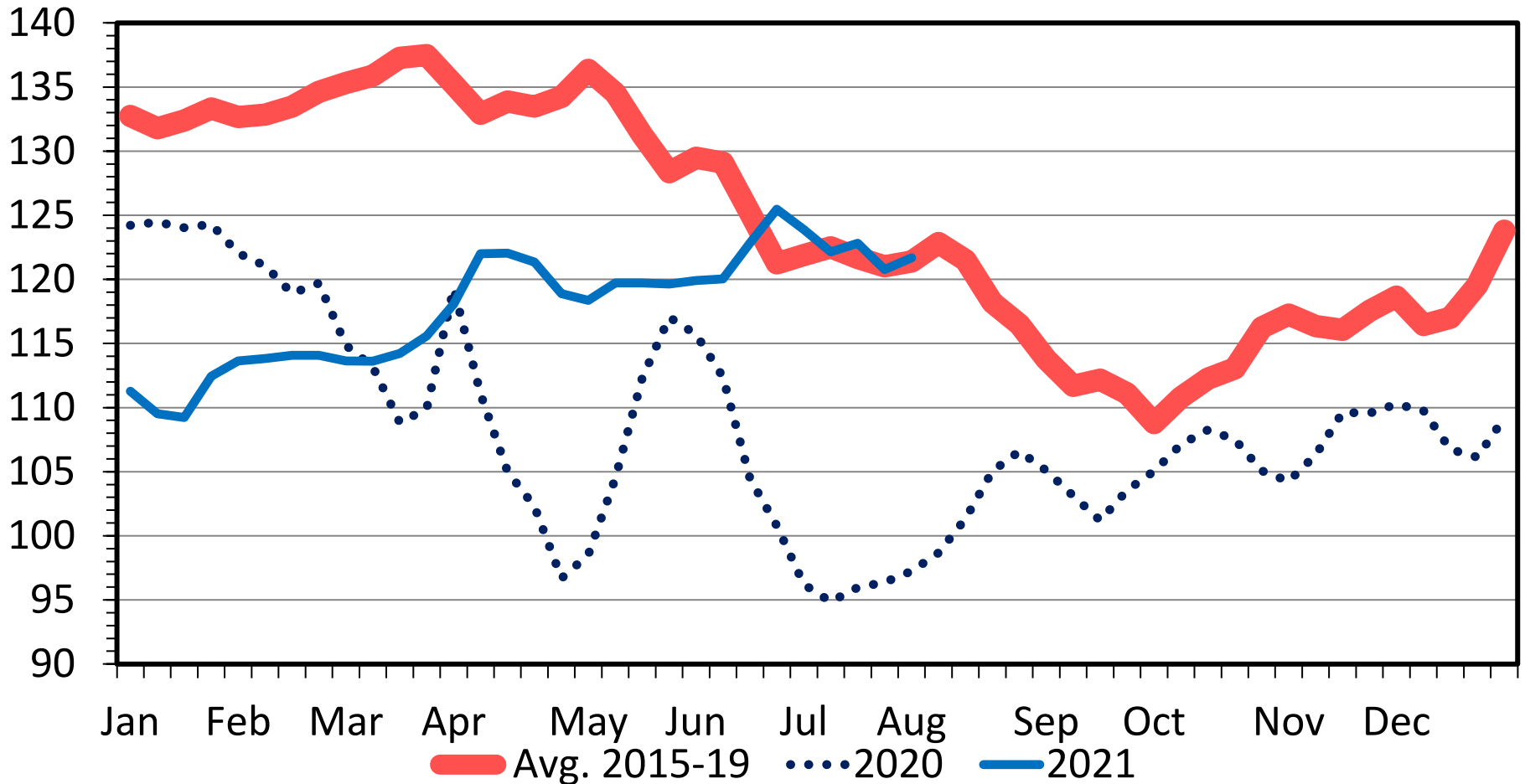
Current Cattle Prices



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



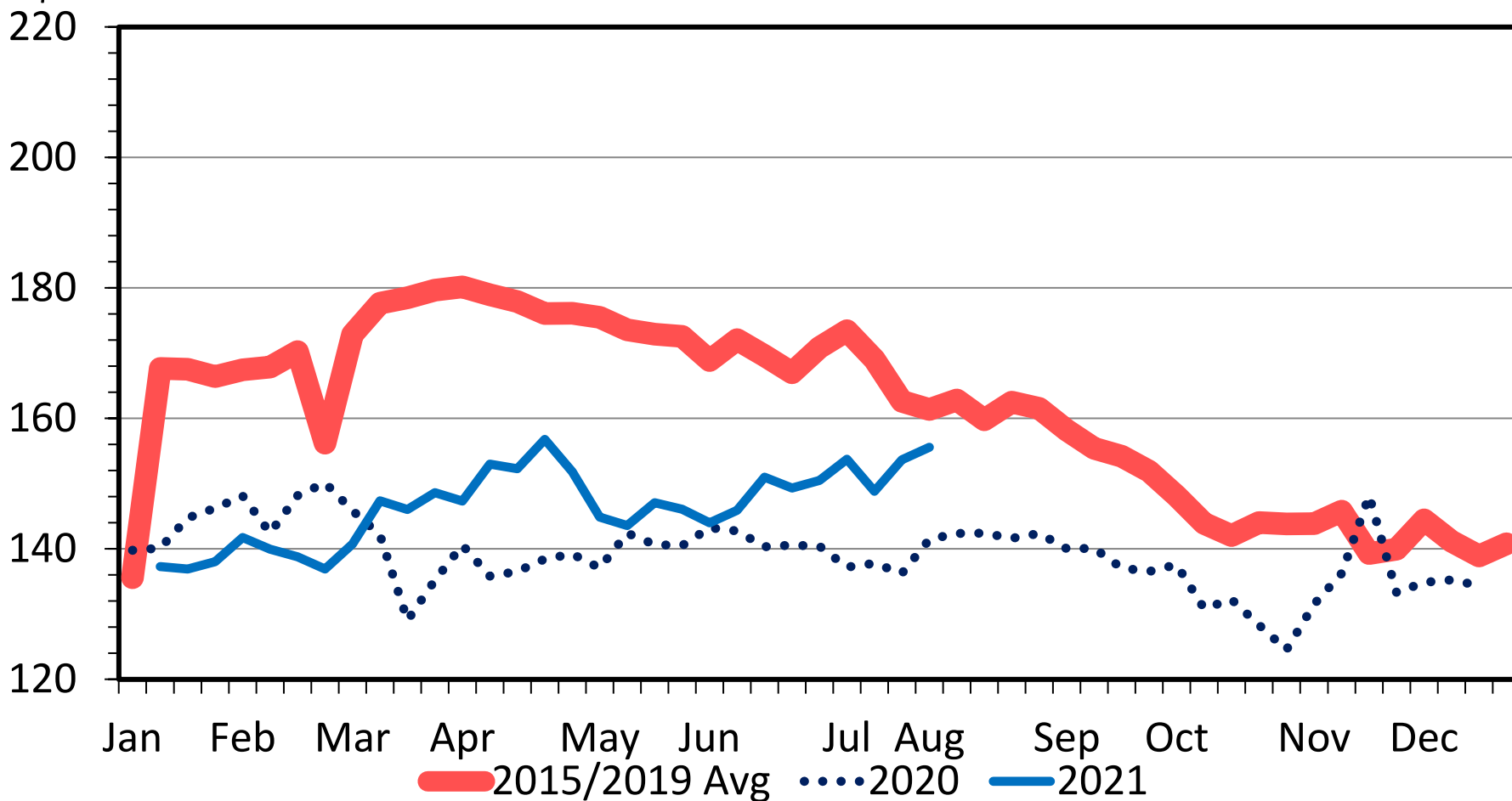
Data Source: USDA-AMS

Livestock Marketing Information Center

TENNESSEE 500-600 LB. STEER PRICES

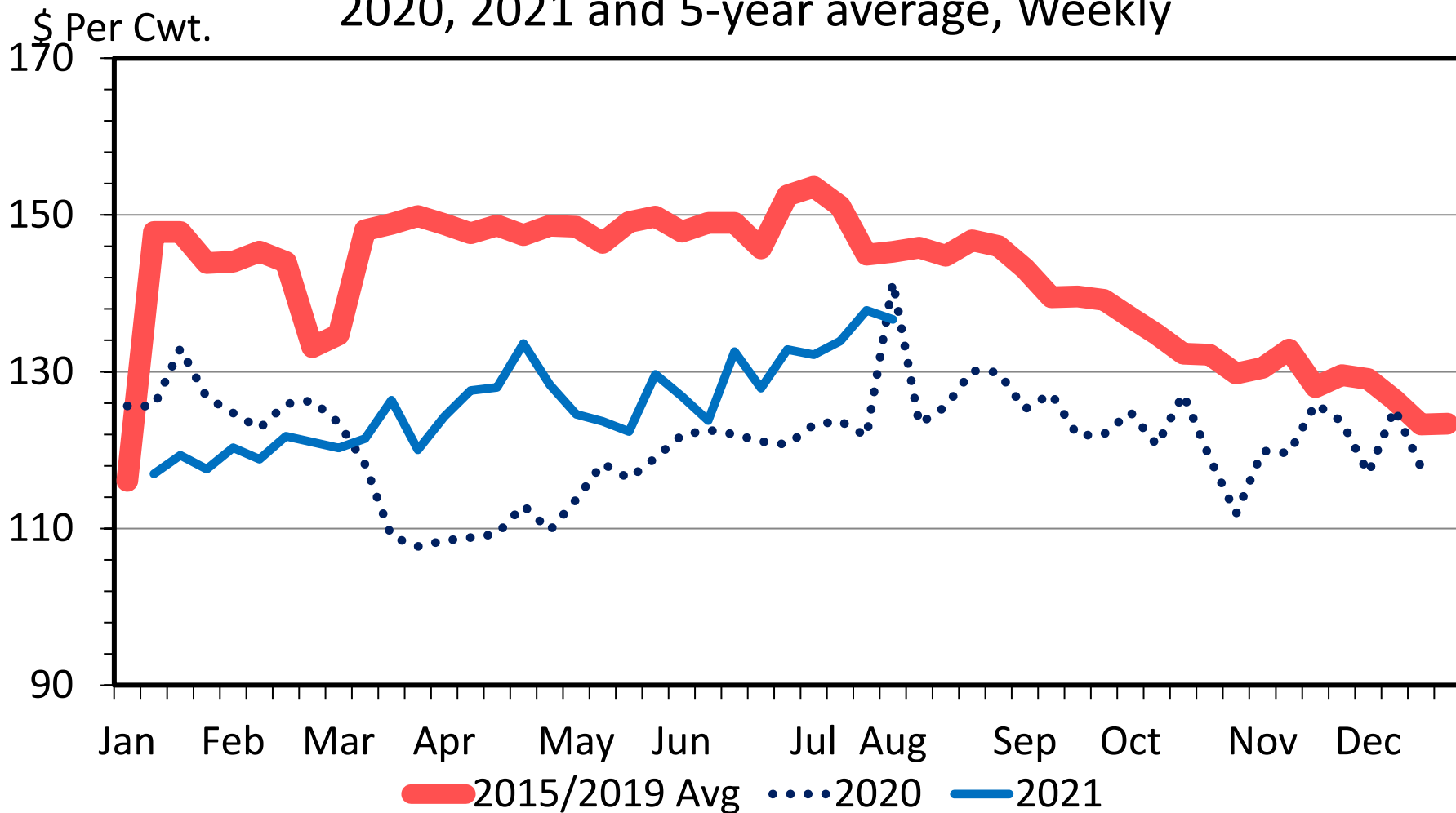
2020, 2021 and 5-year average, Weekly

\$ Per Cwt.



TENNESSEE 700-800 LB. STEER PRICES

2020, 2021 and 5-year average, Weekly

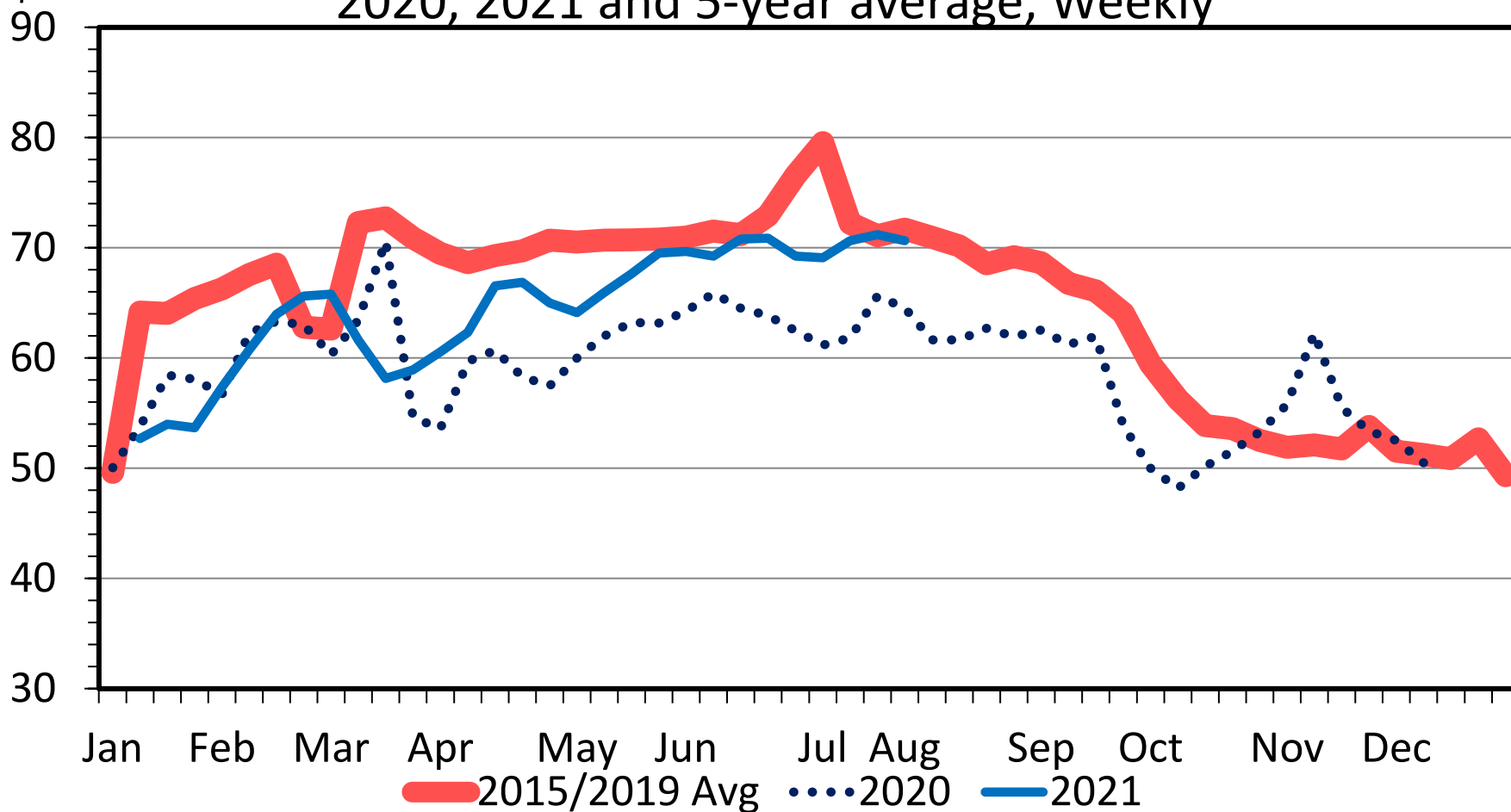


TENNESSEE SLAUGHTER COW PRICES

Breakers 75-80%

\$ Per Cwt.

2020, 2021 and 5-year average, Weekly



Slaughter and Meat Production



2021 Slaughter YTD

- Heifer: up 9.0%
- Steer: up 6.6%
- Beef cows: up 9.2%

2020 Meat Production YTD

- Beef production: up 6.6%
- Pork production: up 1.0%
- Broiler production: up 0.3%

Implications

- Plenty of meat available
- Must export beef and pork products
- Domestic beef demand is still pretty good

International Trade



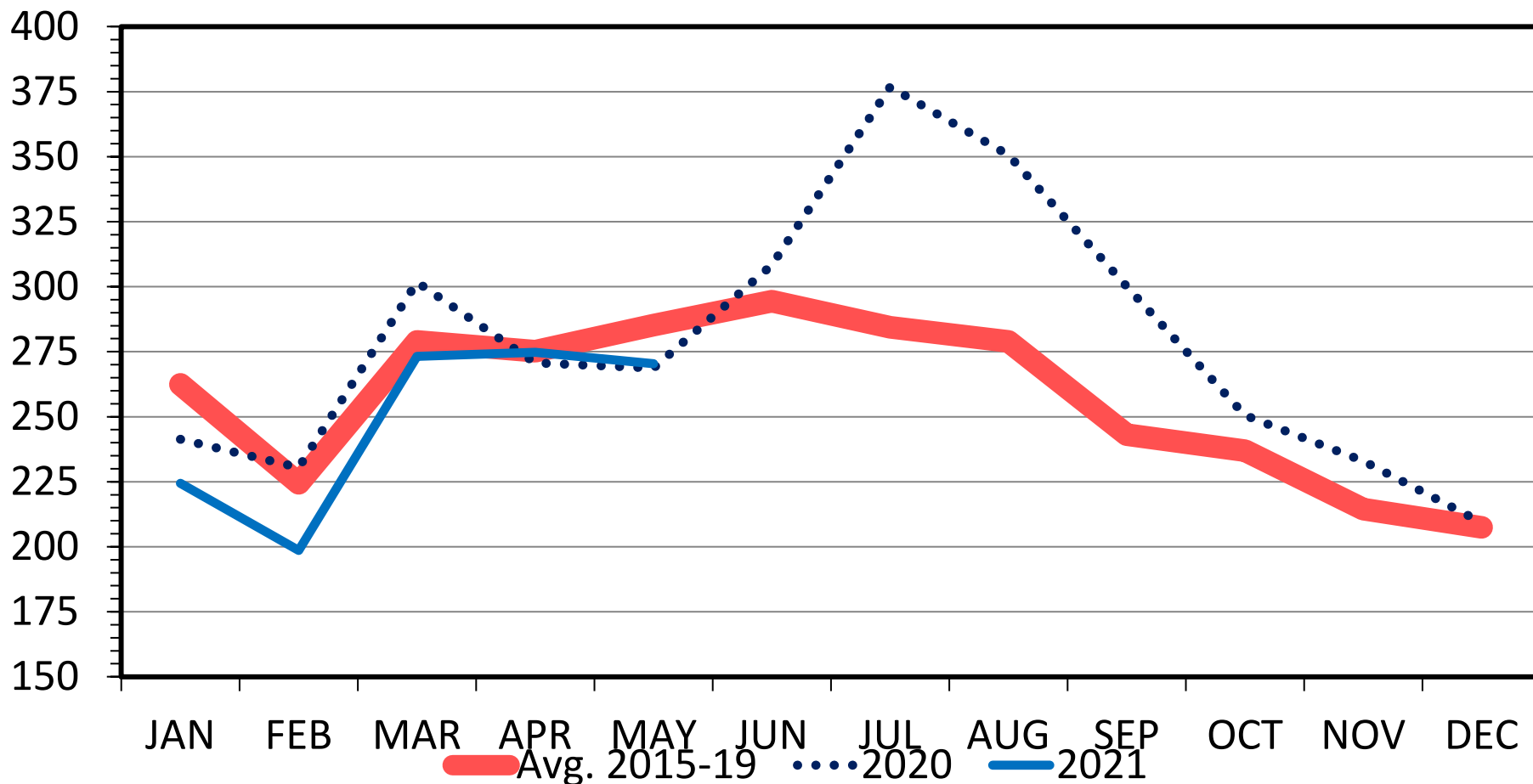
A Lot is Happening

- Mixed reports out of China
 - Importing a lot of U.S. pork, beef, corn, and soybeans
- Japan and South Korea still strong markets
- Things improving in Mexico

US BEEF AND VEAL IMPORTS

Carcass Weight, Monthly

Mil. Pounds



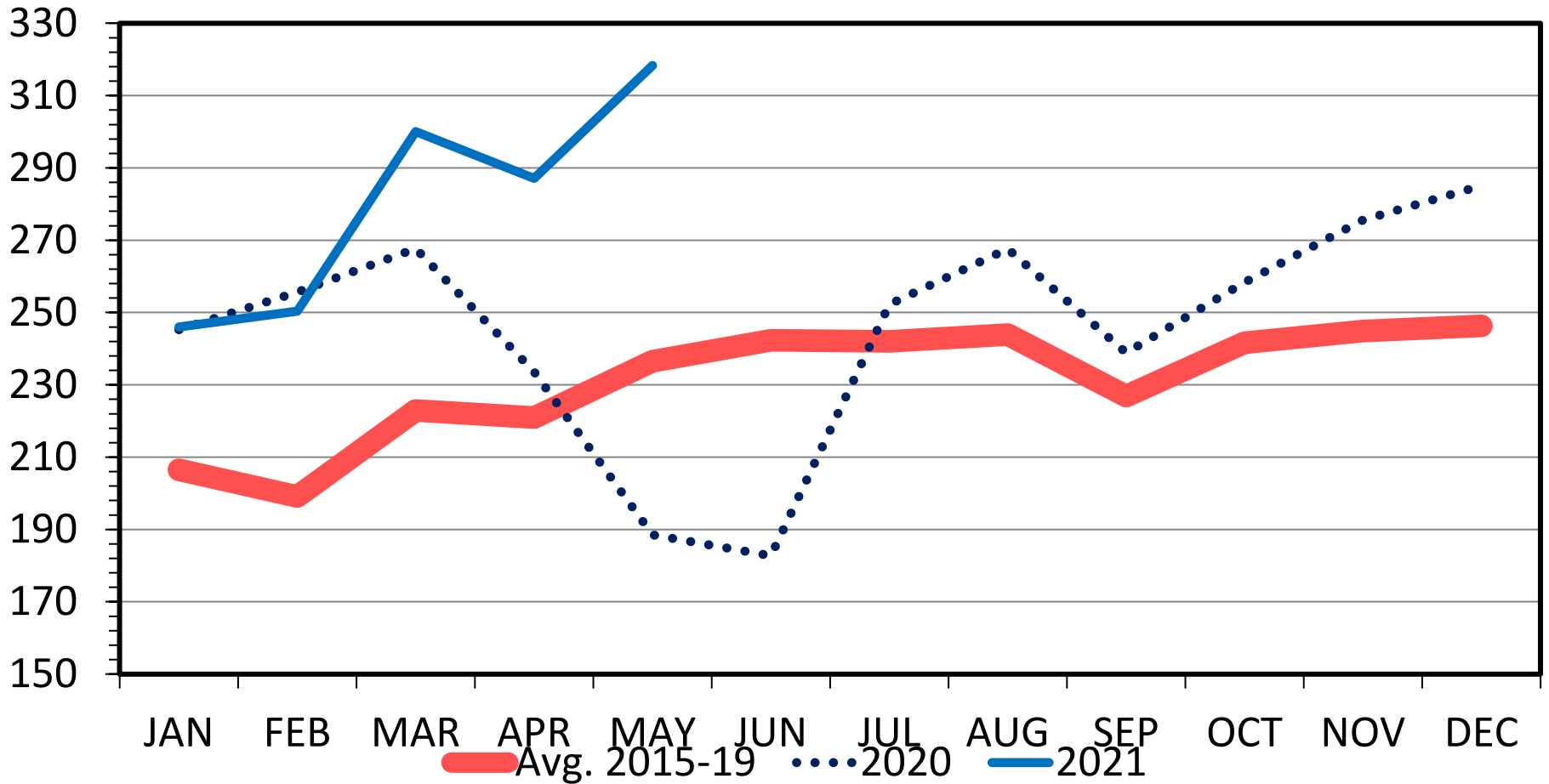
Data Source: USDA-ERS & USDA-FAS

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US BEEF AND VEAL EXPORTS

Carcass Weight, Monthly

Mil. Pounds

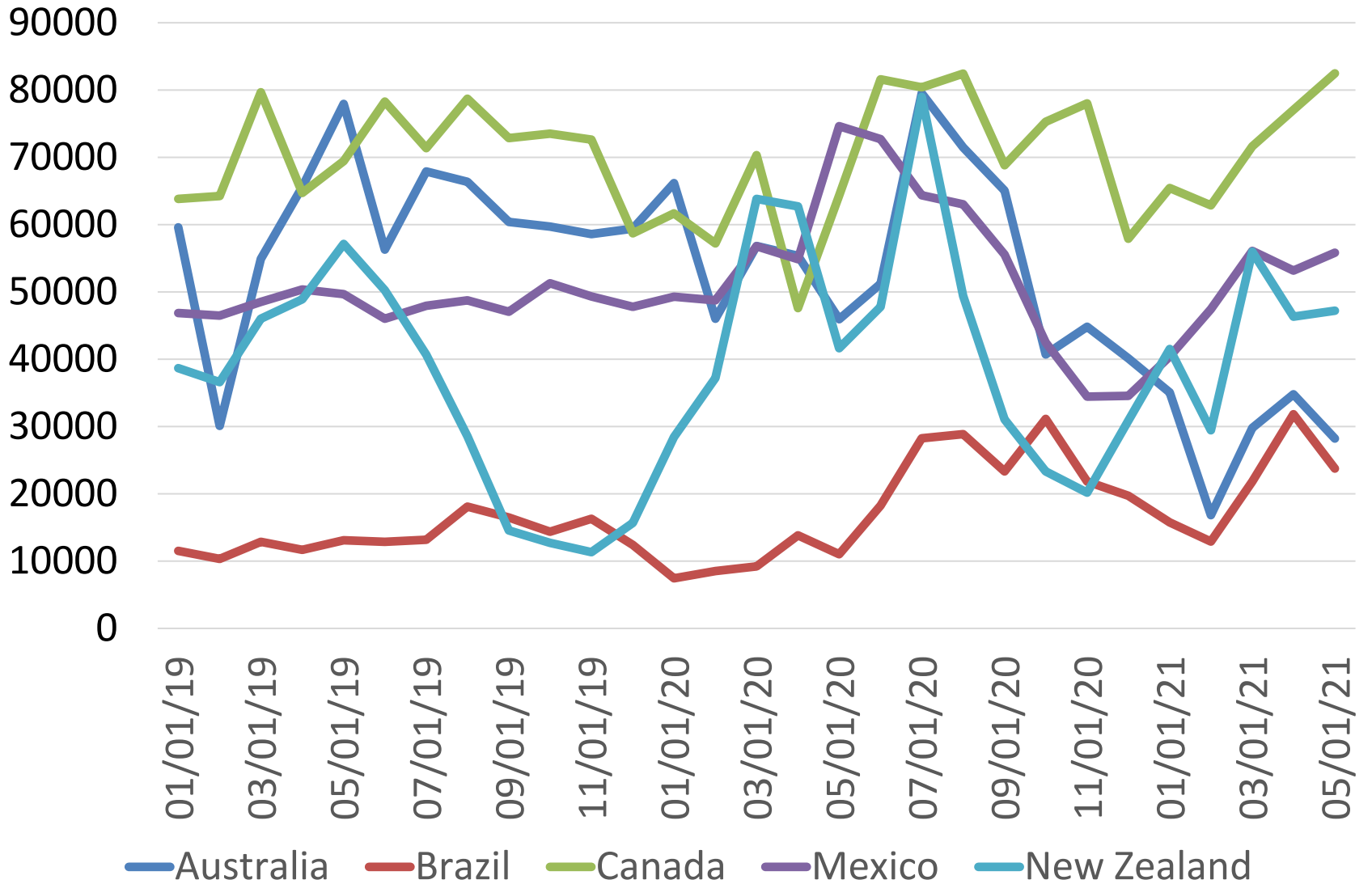


Data Source: USDA-ERS & USDA-FAS

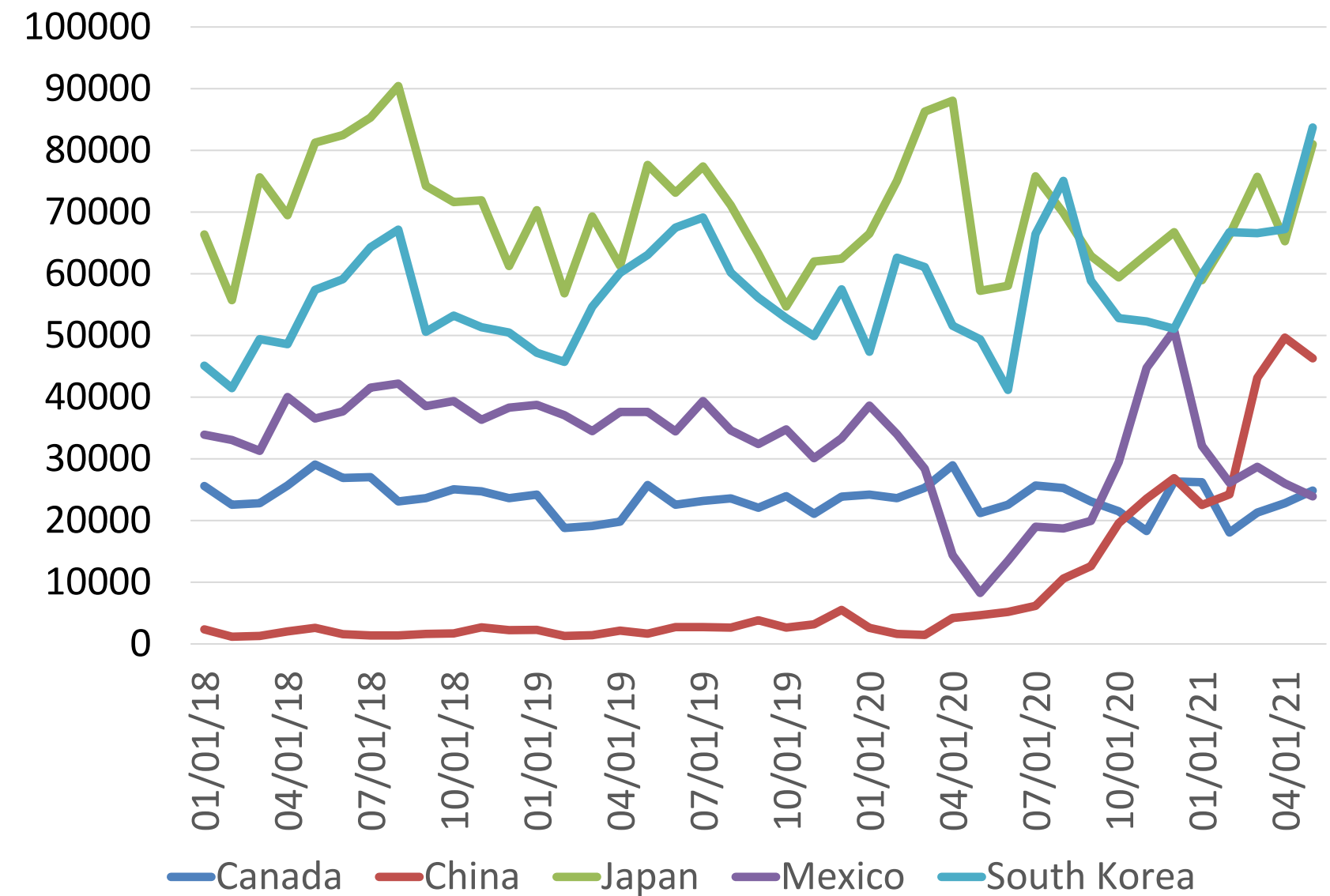
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Monthly Beef and Veal Imports

Thousand Pounds



Monthly Beef and Veal Exports



Implications

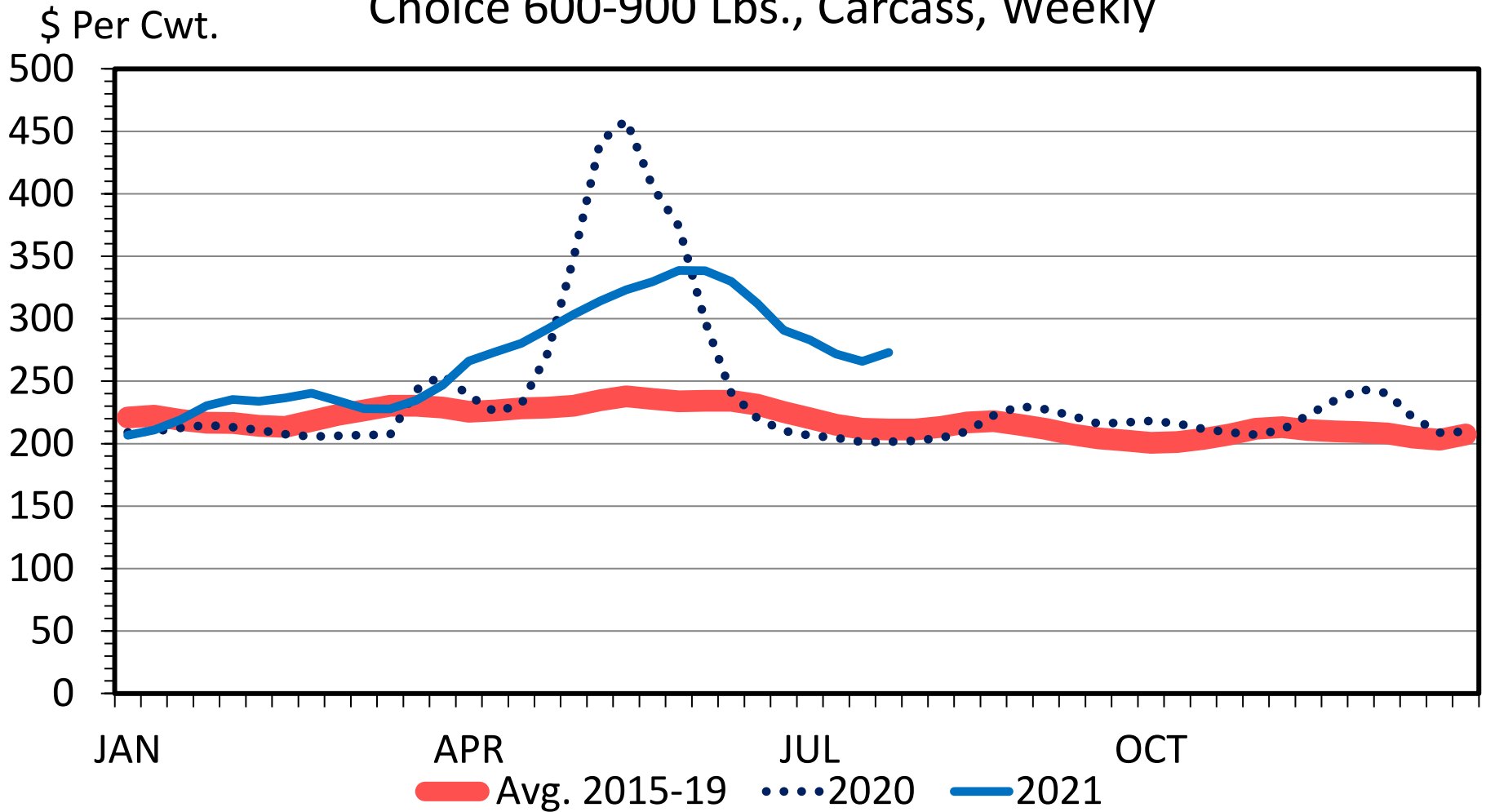
- Imports of inexpensive lean manufacturing beef softer
- New Asia-Pacific trade agreement (Regional Comprehensive Economic Partnership) may put U.S. at disadvantage (China, Jap., S. Kor., Aus., N.Z., Thai., Ind., etc.)
- China is demanding meat (pork, beef)

Meat Prices



BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Weekly



Data Source: USDA-AMS

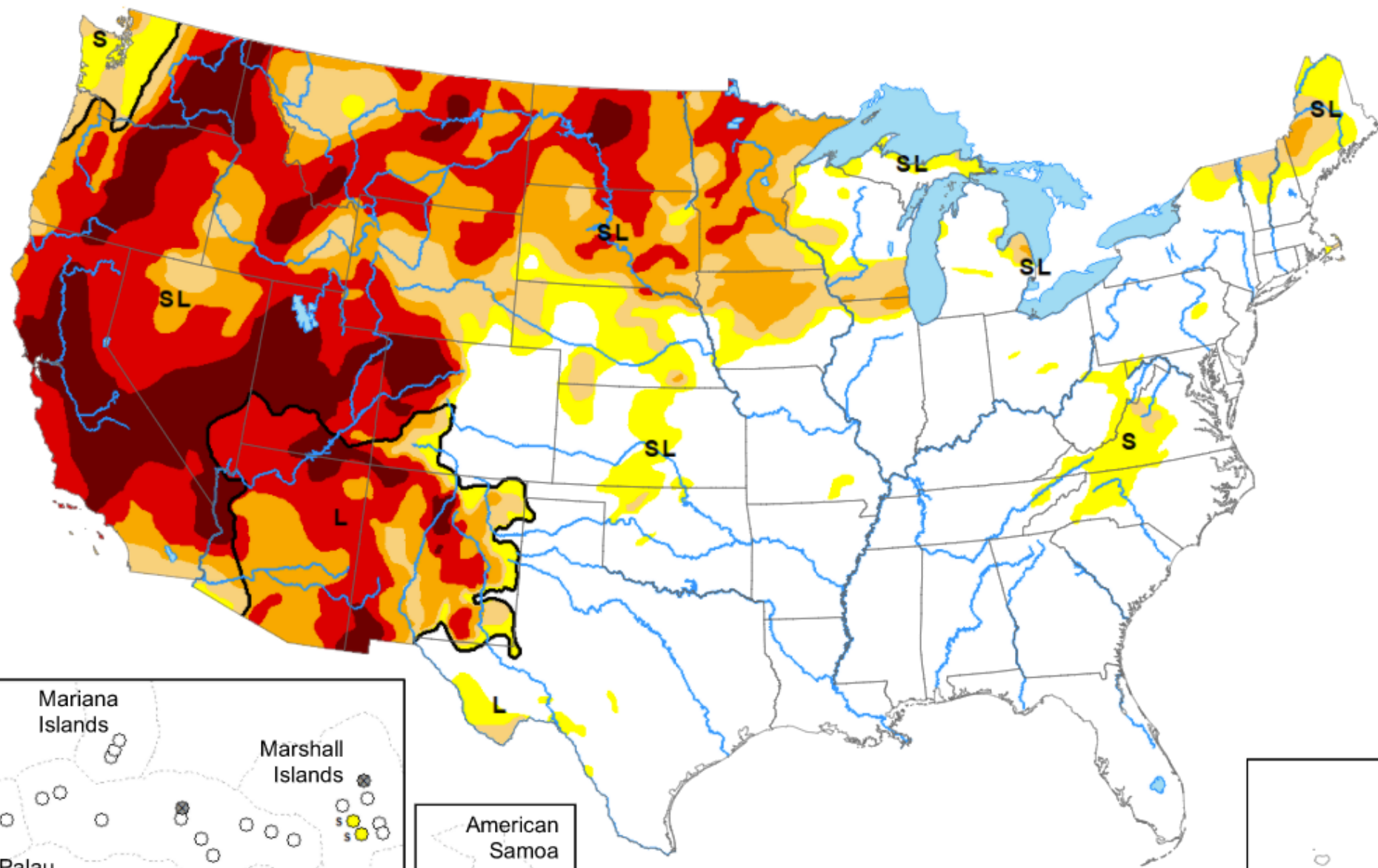
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Feed Situation



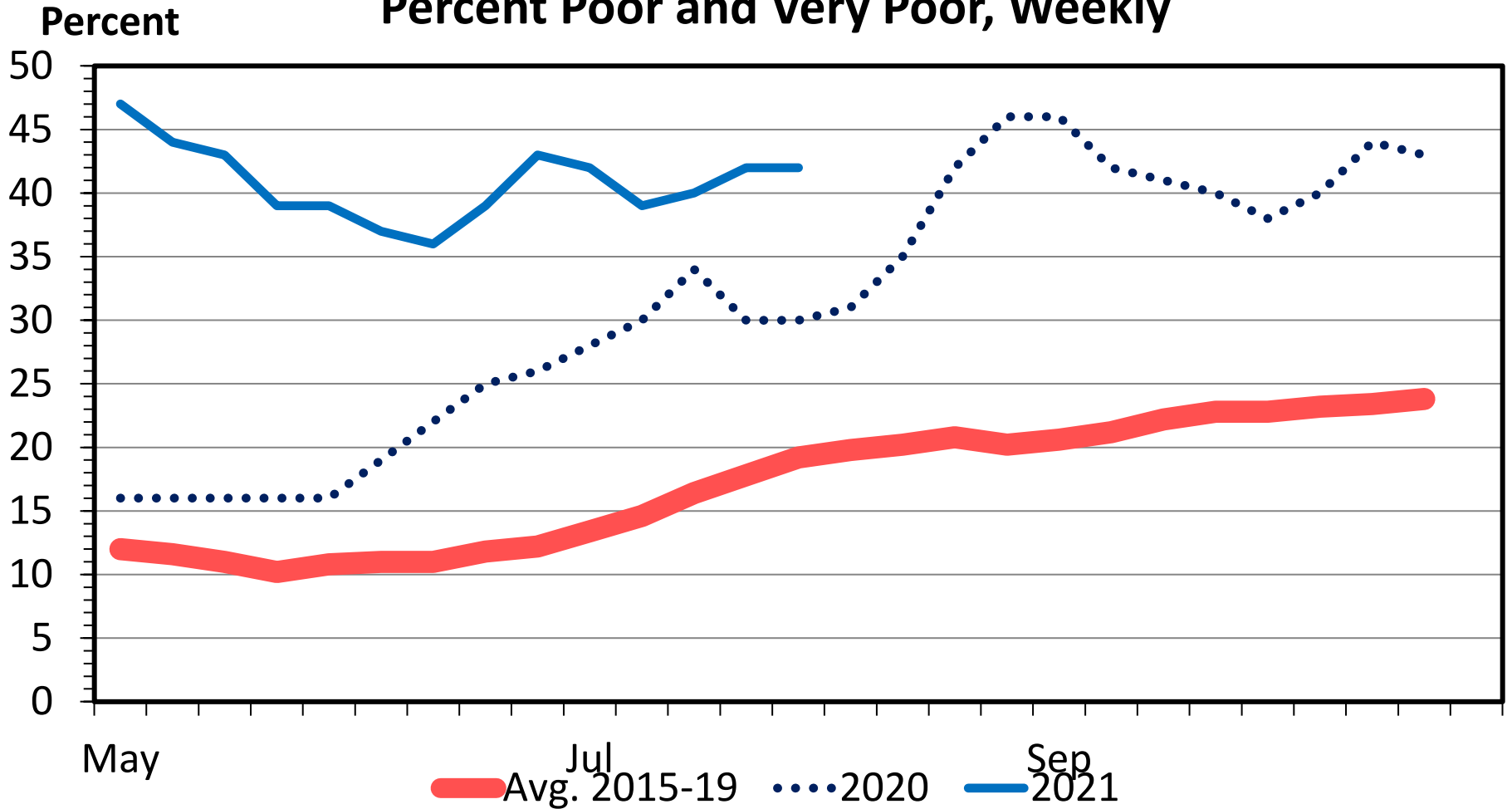
Map released: July 29, 2021

Data valid: July 27, 2021



US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



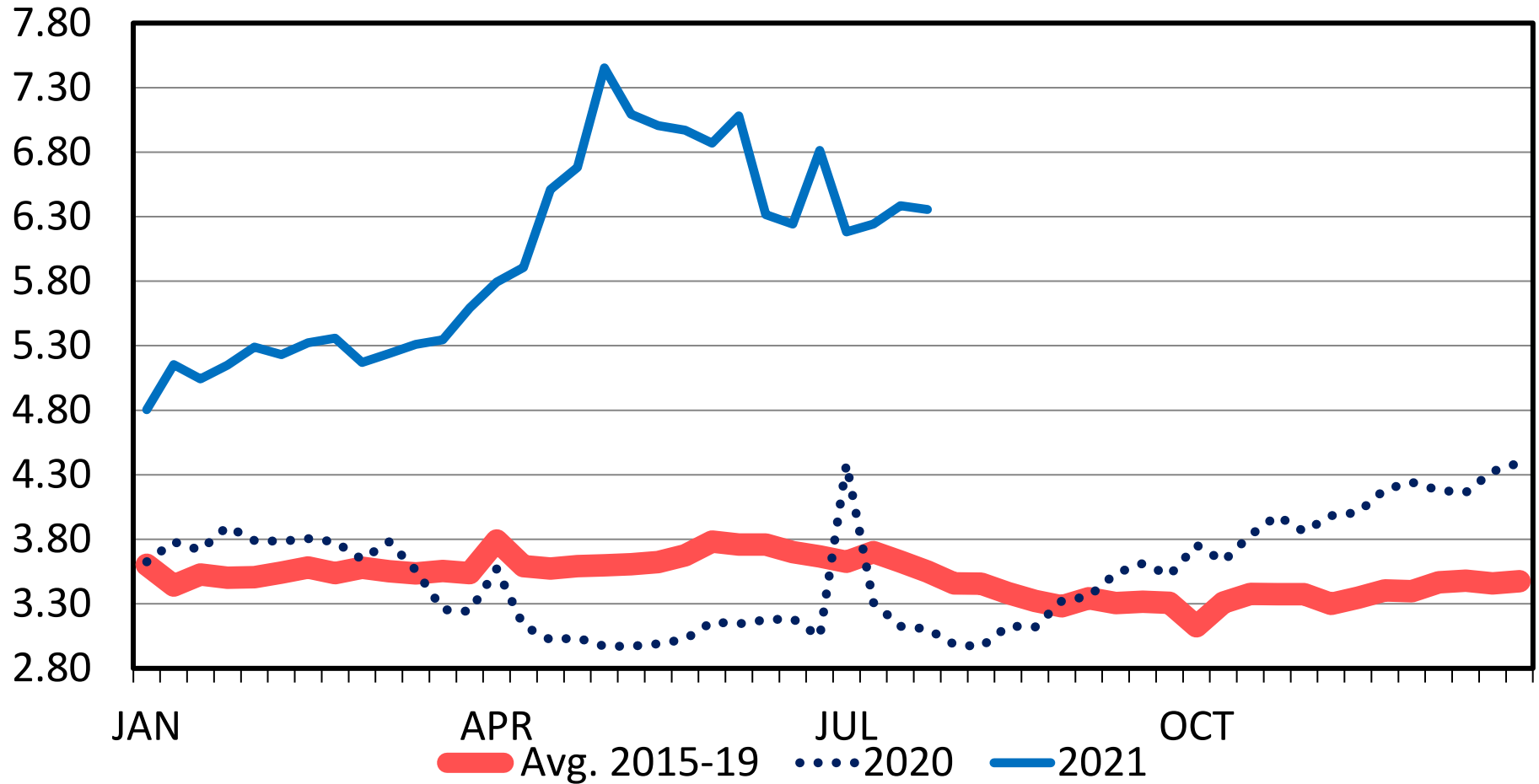
Data Source: USDA-NASS, Compiled & Analysis by LMIC

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OMAHA CORN PRICES

Weekly

\$ Per Bu.



Data Source: USDA-AMS

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Implications

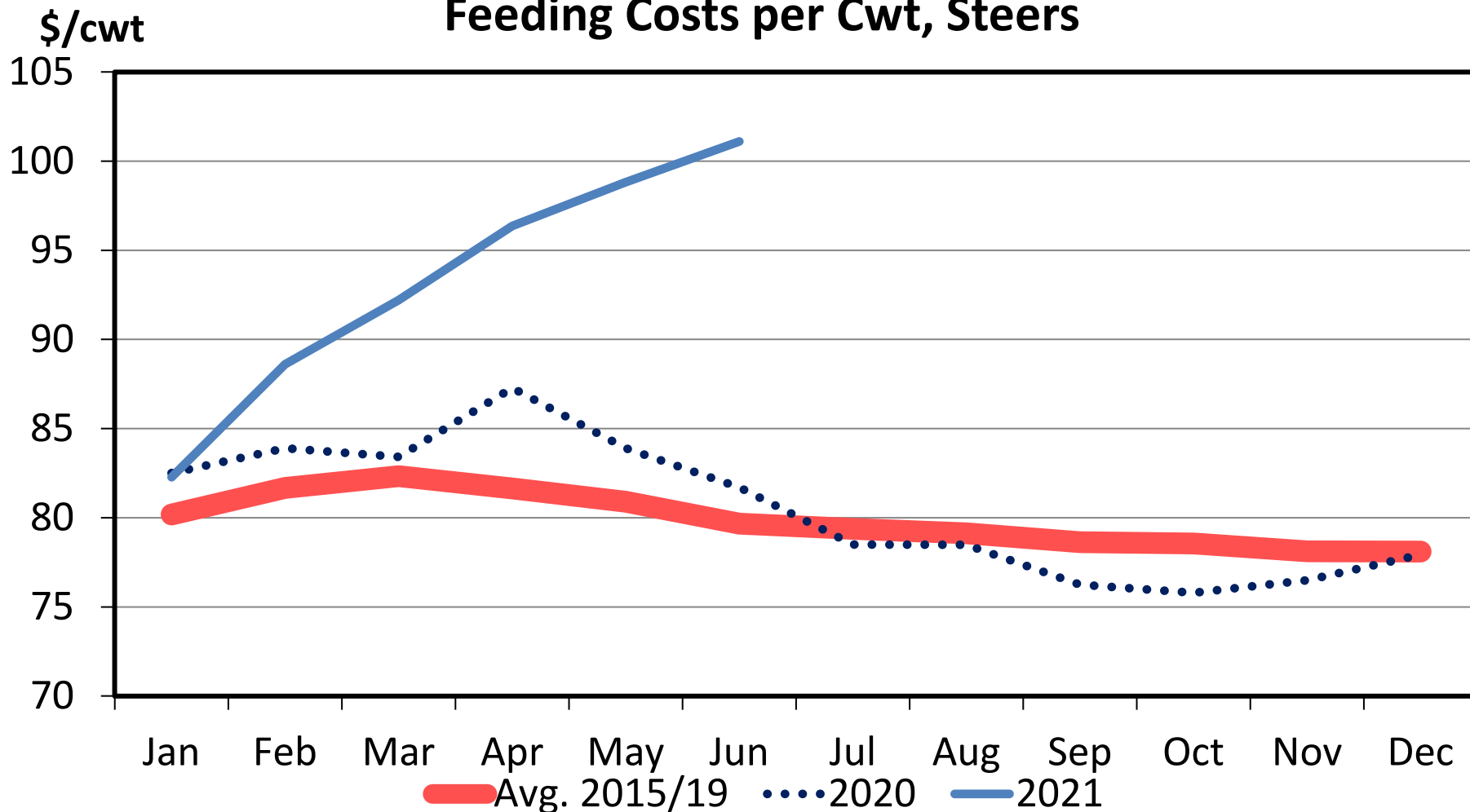
- Corn prices are putting pressure on feeder cattle prices
- Hay and forage appear to be sufficient in the Southeast but Western states are suffering

The Feedlot



KANSAS FEEDLOT CLOSEOUTS

Feeding Costs per Cwt, Steers



Data Source: KSU Focus on Feedlots, Compiled by LMIC

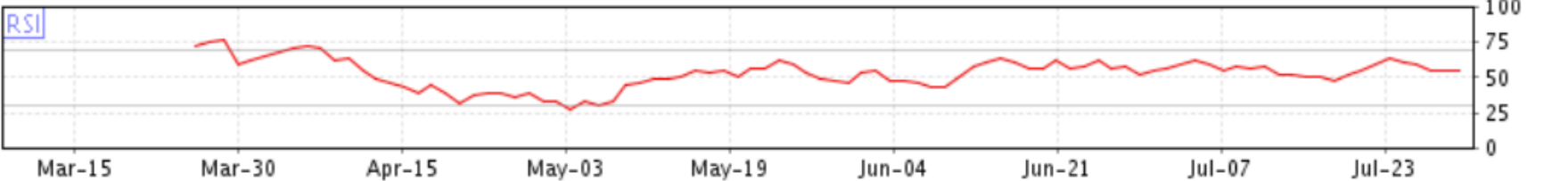
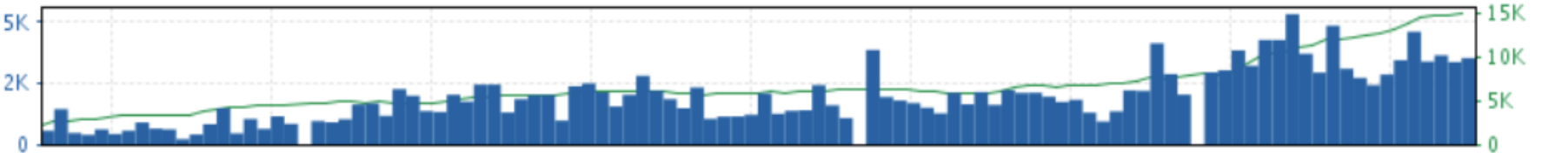
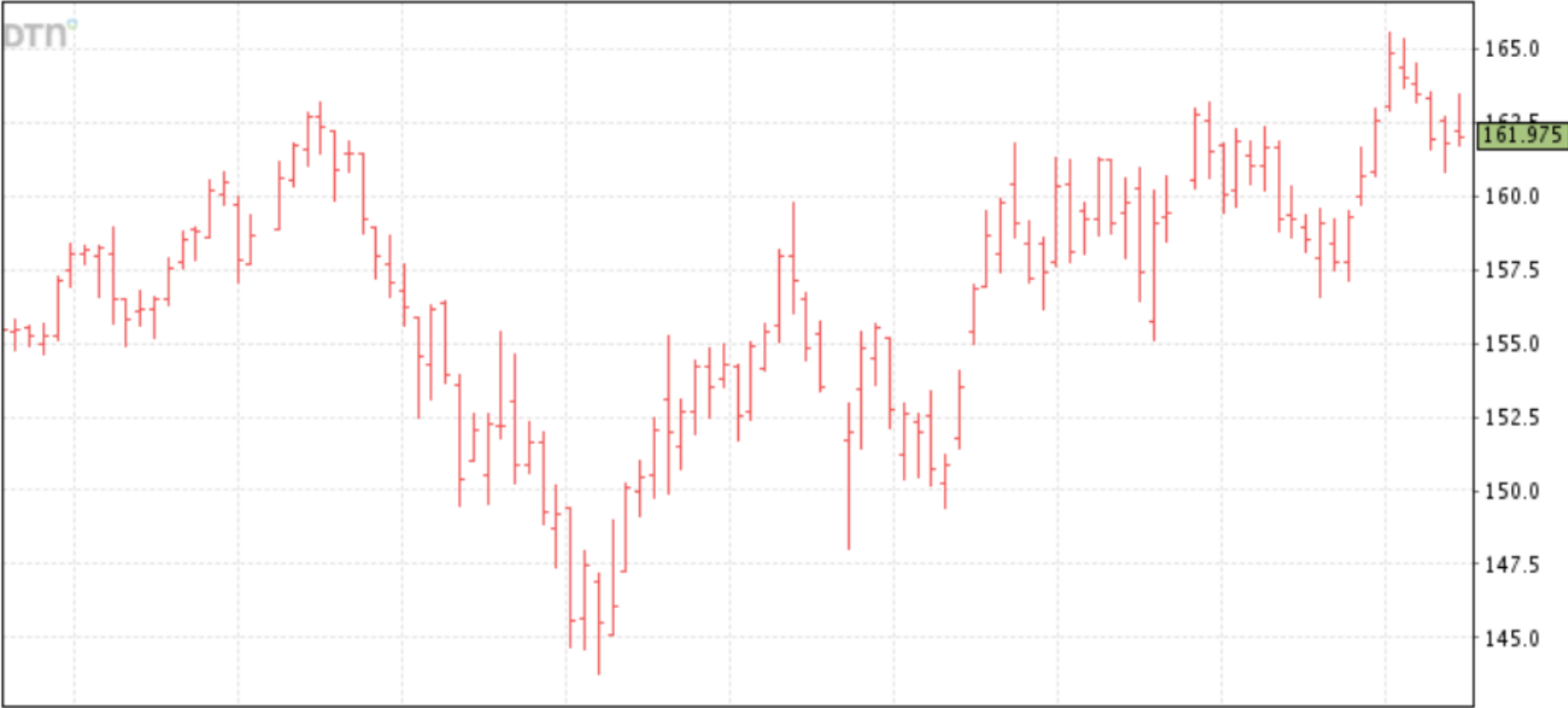
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ELEC. FEEDER CATTLE (@GFU21)



Symbol: [Symbol Search](#) | [Symbol Lookup](#) [Historical Chart](#) | [Chart](#) | [Options](#) | [Futures Chain](#) | [Spread Matrix](#)

Last: 163.225 | Chg: 1.250 | %Chg: 0.77 | Open: 162.250 | High: 163.825 | Low: 161.550 Current Month: [prev](#) | [next](#)



■ @GFU21 ■ Volume — Open Interest — RSI

ELEC. FEEDER CATTLE (@GFX21)



Symbol: @GFX21

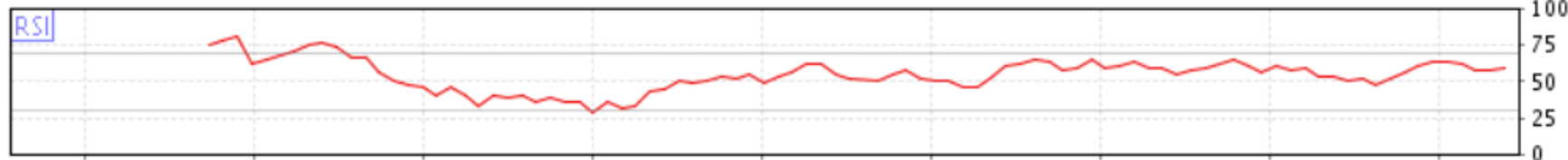
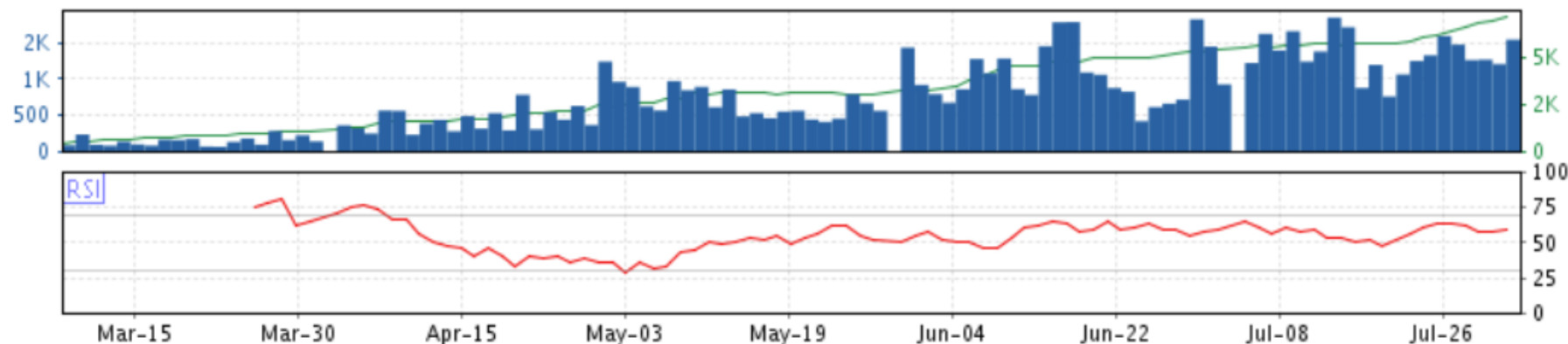
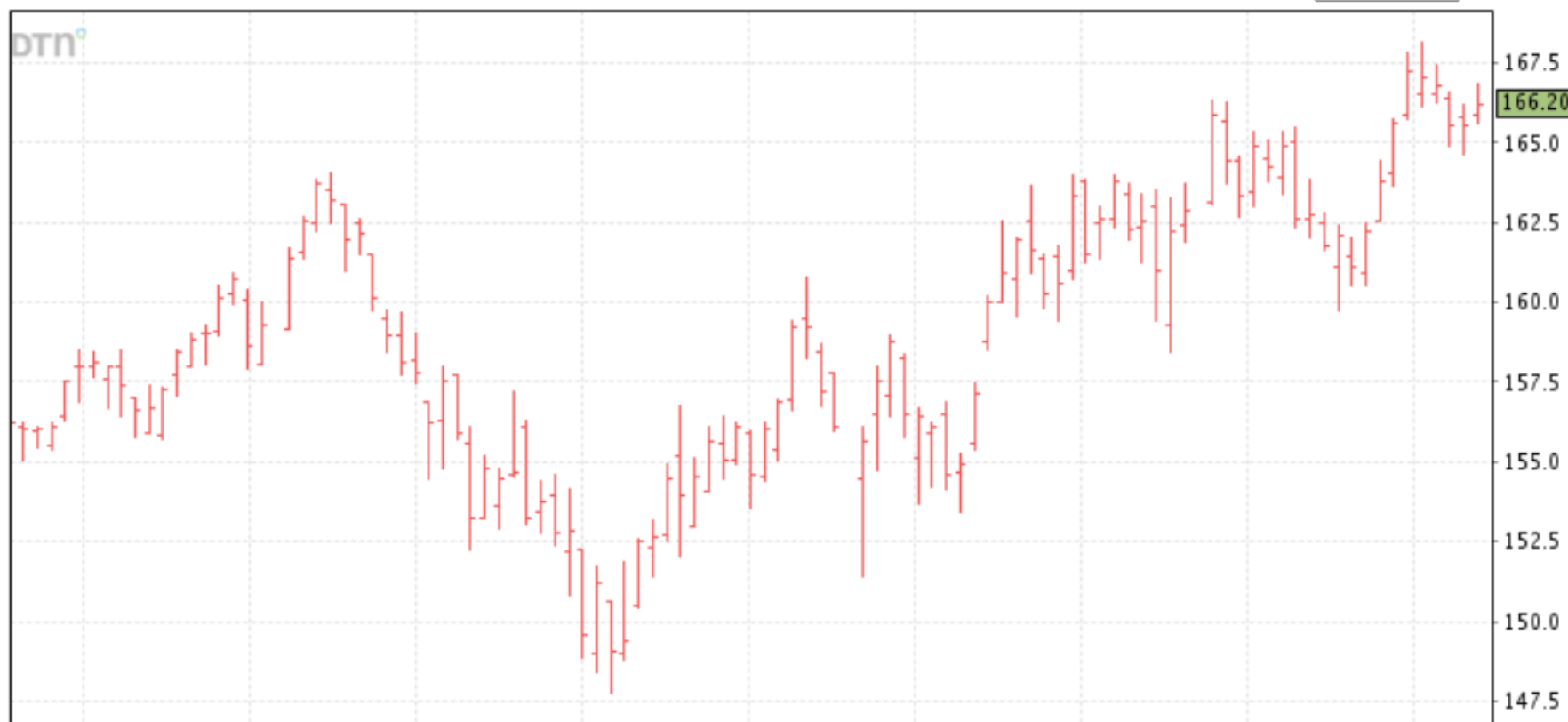
Go

Symbol Search | Symbol Lookup

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Last: 167.250 | Chg: 1.050 | %Chg: 0.63 | Open: 166.525 | High: 167.650 | Low: 165.625

Current Month: @GFX21 prev | next



@GFX21 Volume Open Interest RSI

Projections



Fed Cattle Price Forecast

	Forecast
Jul-Sep	117-119
Oct-Dec	120-123
Jan-Mar 2022	117-122
Apr-Jun 2022	125-130

Futures Based Feeder Cattle Price Forecast

	700-800 lb. Steers	700-800 lb. Heifers	500-600 lb. Steers
Aug	150-154	138-142	154-158
Sep	152-156	140-144	150-154
Oct	152-156	140-144	148-152
Nov	151-155	139-143	148-152

➤ 700-800 lb. load lot price

➤ 500-600 lb. weekly auction

How to protect the price

- Straight hedge/sell futures
- Purchase put option
- Purchase LRP
- Purchase put option and sell call option
- Purchase LRP and sell call option

Expected Price 800 lb Steer (January)

	Sell Futures	Purchase \$162 Put	Purchase \$162 Put Sell \$174 Call	Purchase LRP \$162	Purchase LRP \$162 Sell \$174 Call
Price	167	162	162	162	162
Basis	-7	-7	-7	-7	-7
Cost		-6	-6	-4	-4
Revenue			3		3
Expected/ Floor Price	160	149	152	151	154
Expected Price Range		149+	152-164	151+	154-166

Summary

- Stocker cattle should result in a positive margin
- Cow-calf profitability has improved but depends on where corn prices go
- Potential bull market next 2-3 years

May your boots still shine!

