



Red Meat Webcast

July 12, 2023

Trends, analysis, and forecasts for the protein markets



JOIN US FOR THE
EMI FALL PROTEIN OUTLOOK CONFERENCE
DFW HILTON LAKES GRAPEVINE, TX
SEPTEMBER 19-21ST, 2023

EMI GOLF OUTING AT DALLAS COWBOYS GOLF CLUB- SEPTEMBER 19



Agenda

- Feed Ingredients
- Pork Outlook
- Beef Outlook
- Poultry Update



Brock Snouffer
Grains and Commodity
Analyst



Ty Neff
Director of Red Meat
Analytics



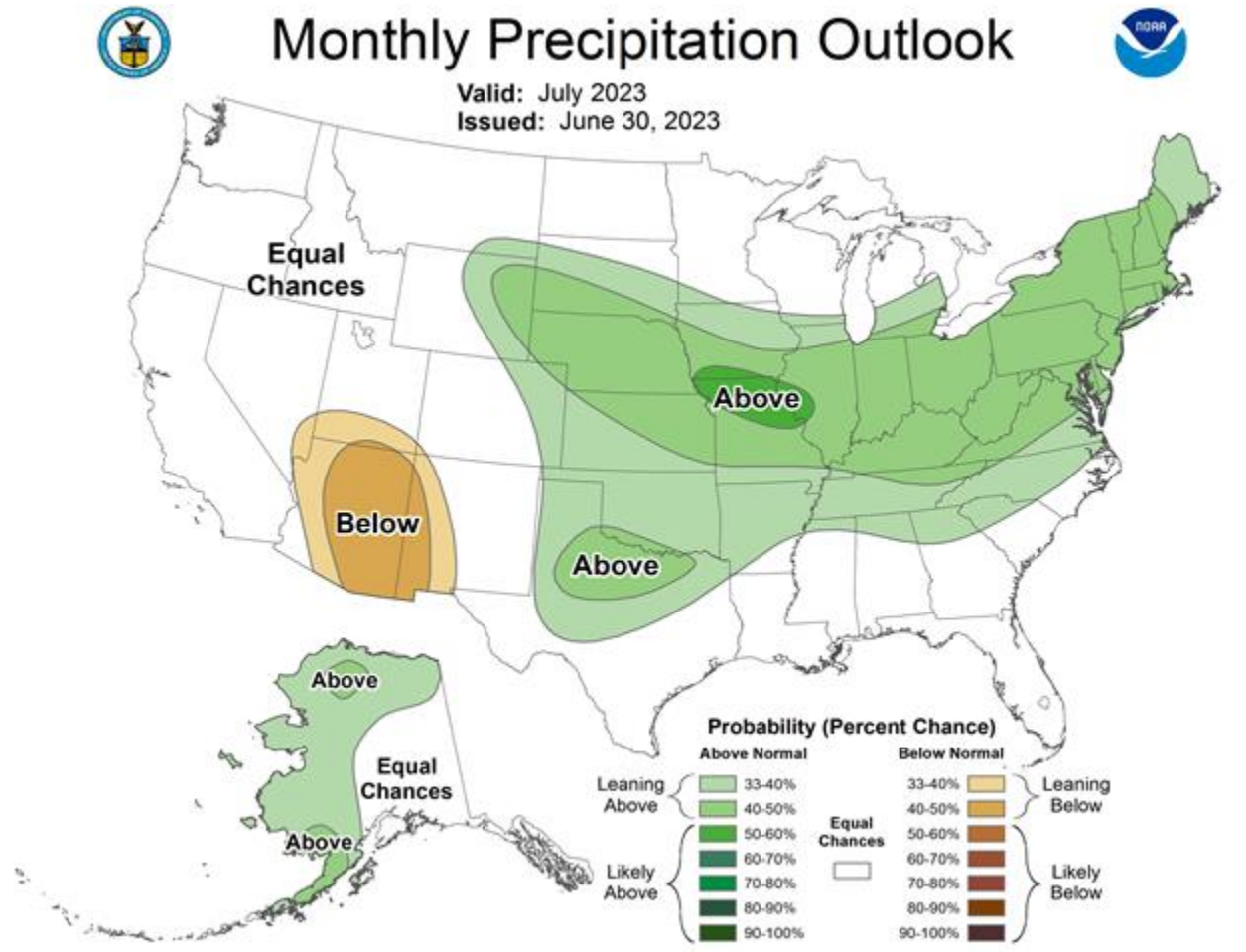
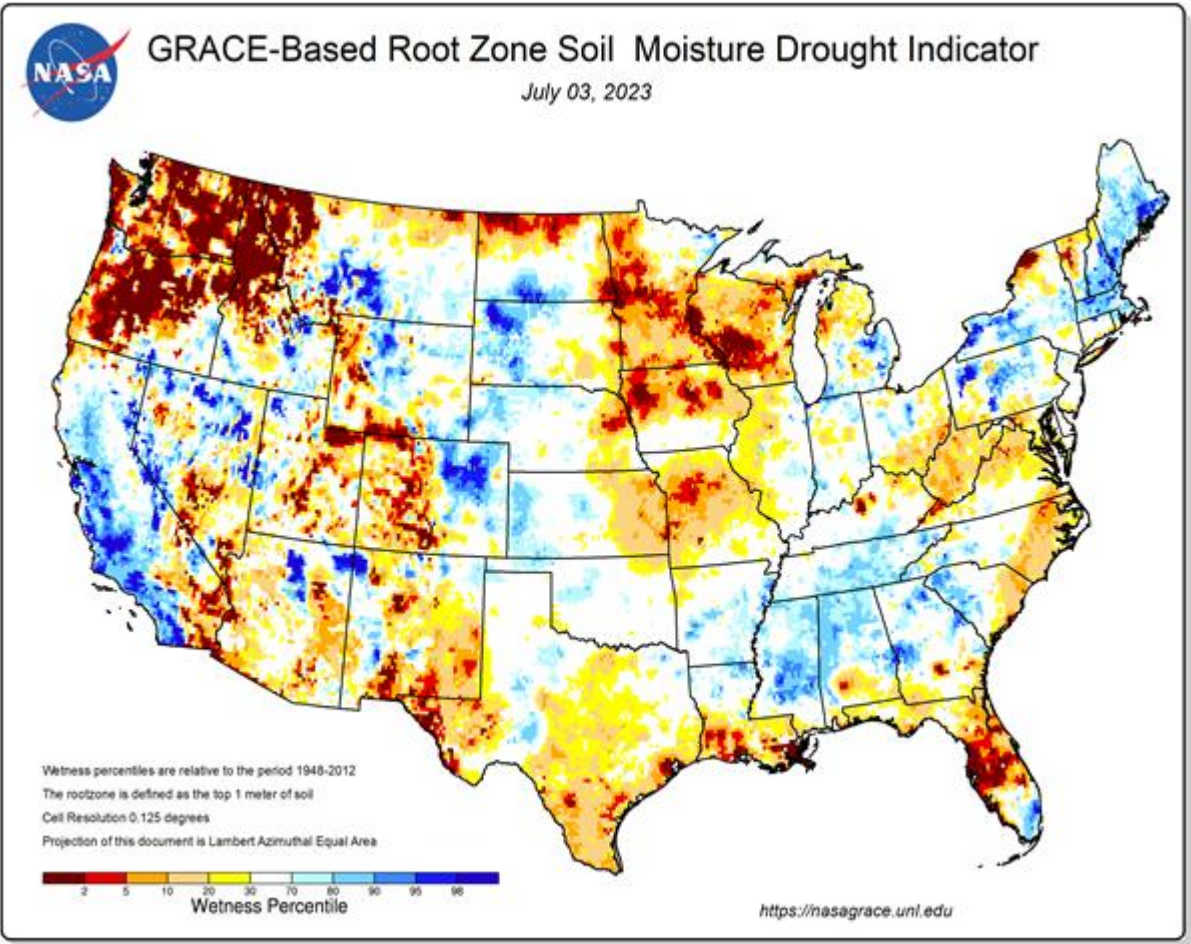
Amanda Martin
Director of Poultry
Analytics



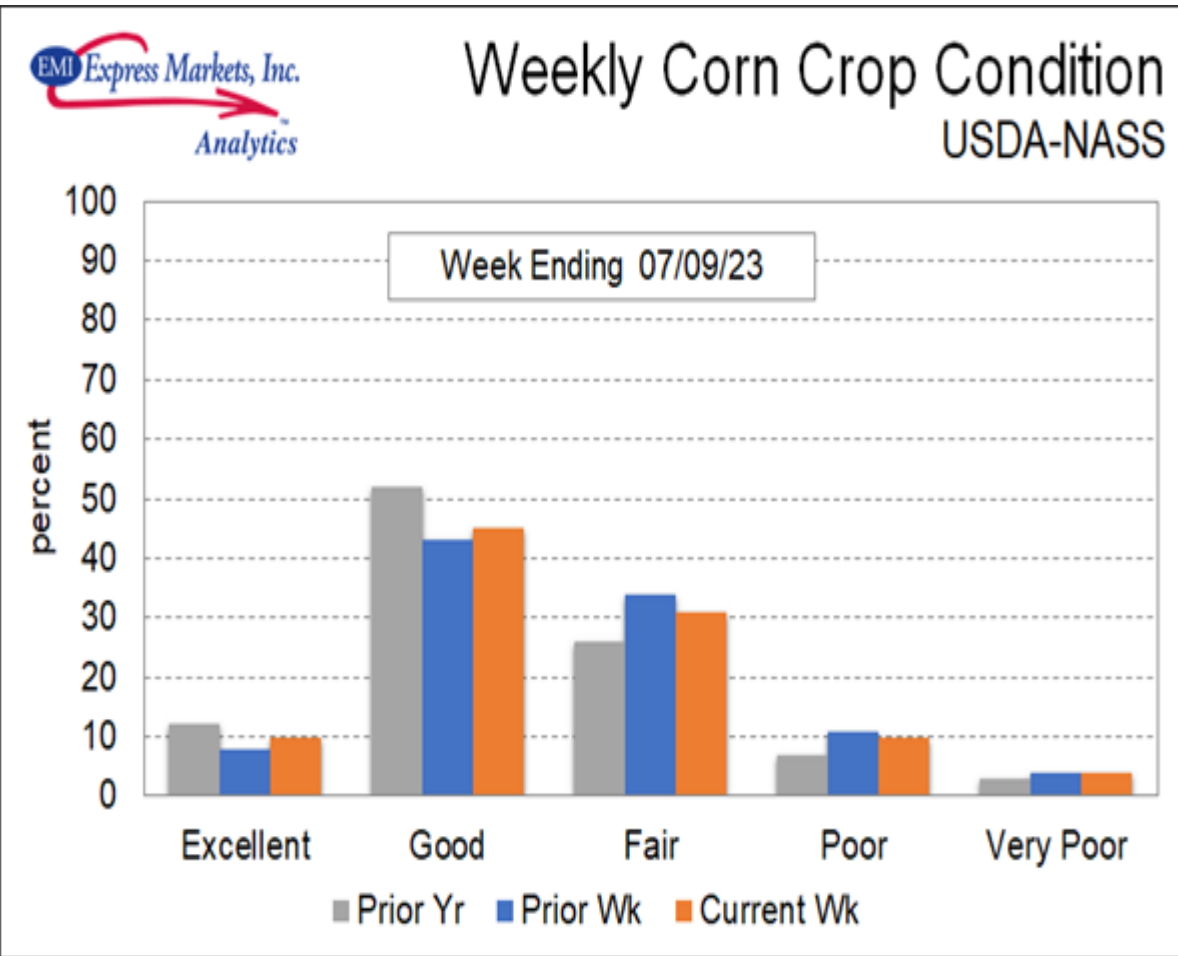
Brock Snouffer Grain and Commodity Analyst

Corn & Soybeans

- Production
- Exports
- Biofuels
- Balance Sheet
- Prices



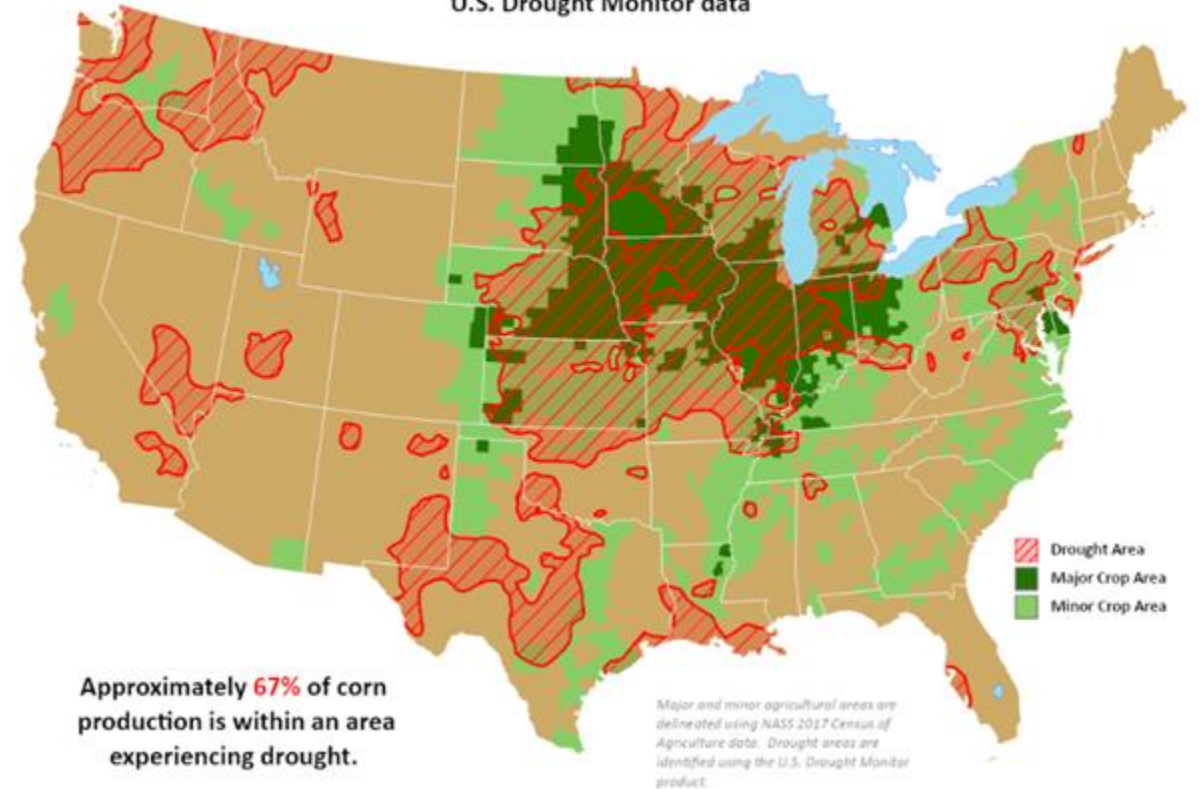
U.S. Corn Conditions



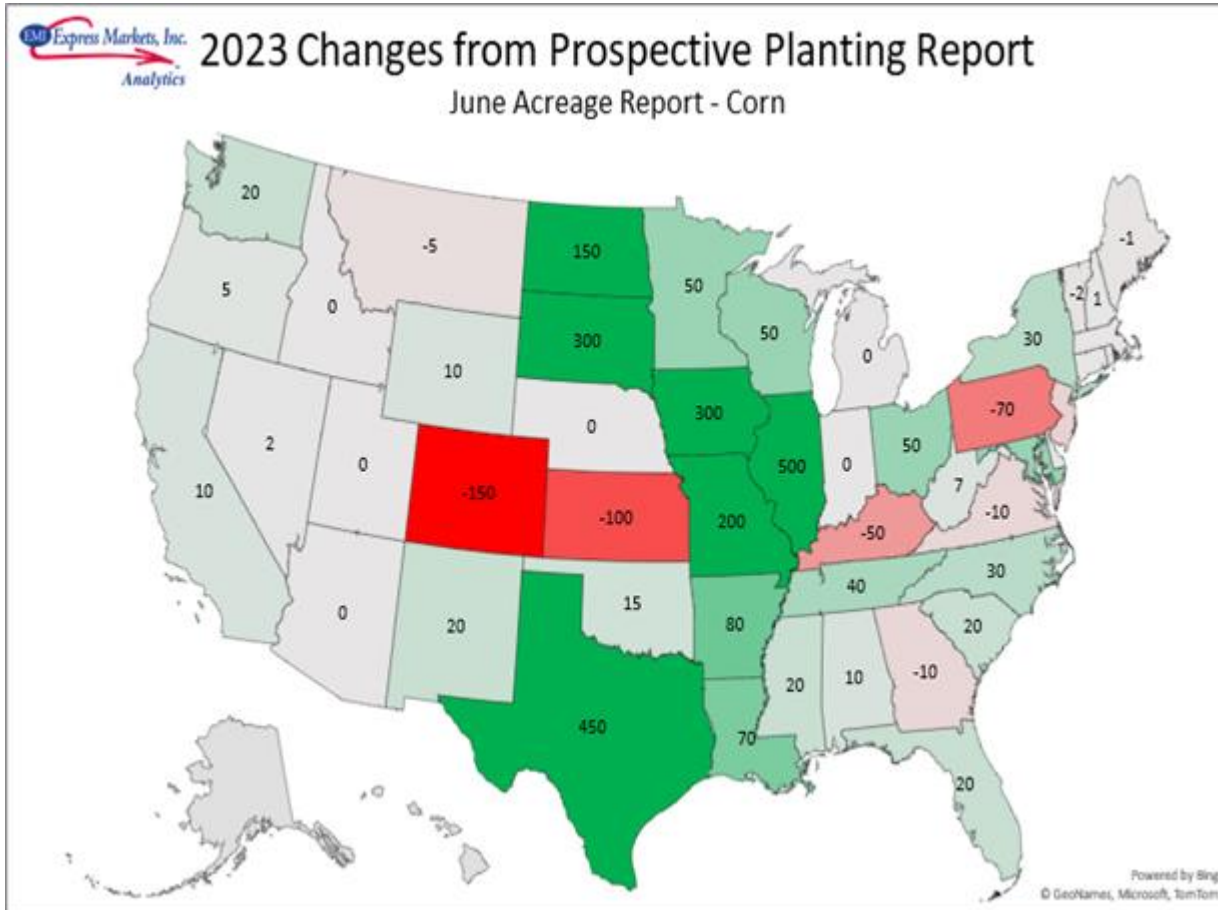
USDA United States Department of Agriculture
This product was prepared by the USDA Office of the Chief Economist (OCE) World Agricultural Outlook Board (WAOB)

Corn Areas in Drought

Reflects July 4, 2023
U.S. Drought Monitor data

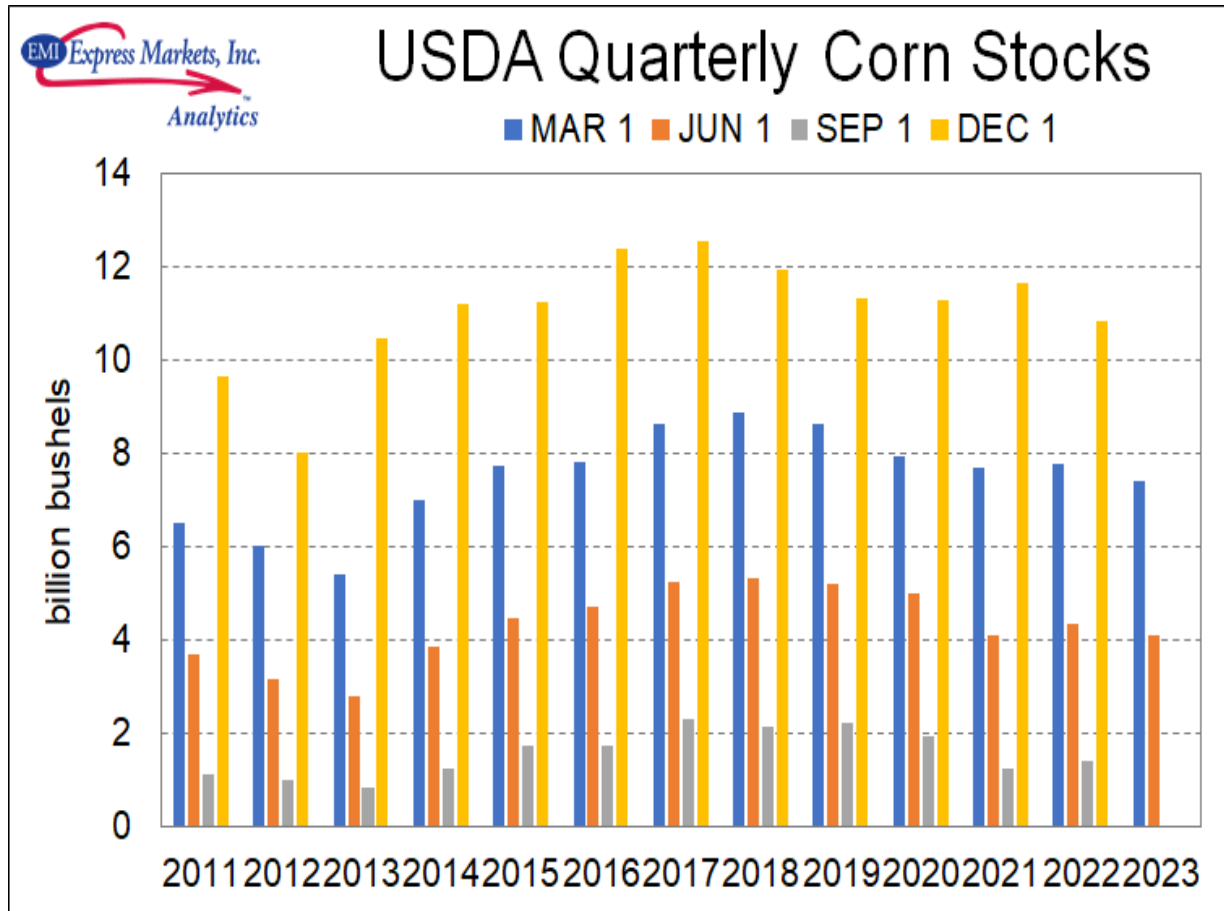


U.S. Corn Acreage Report



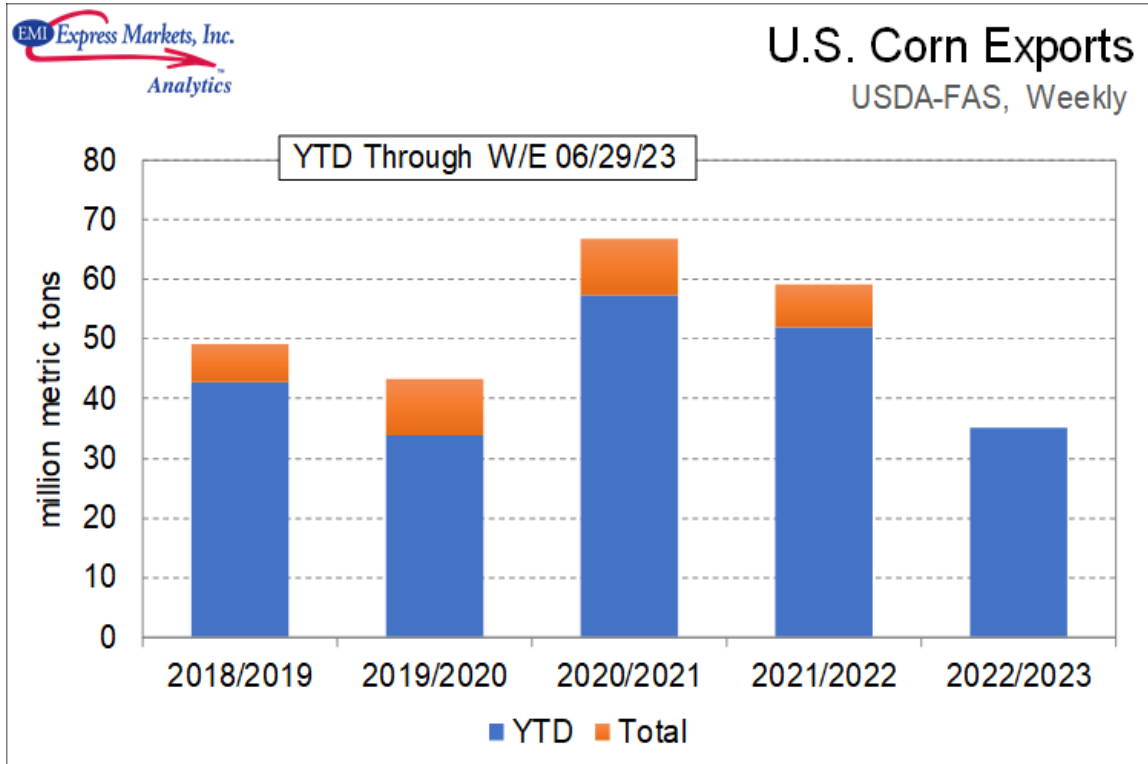
- USDA Acreage Report released 6/30/23
- Planted corn acres up 2.1 million acres from earlier Prospective Plantings Report
- Illinois, Texas, Iowa, South Dakota biggest gainers
- Would be 3rd highest planted acres

June Quarterly Stocks

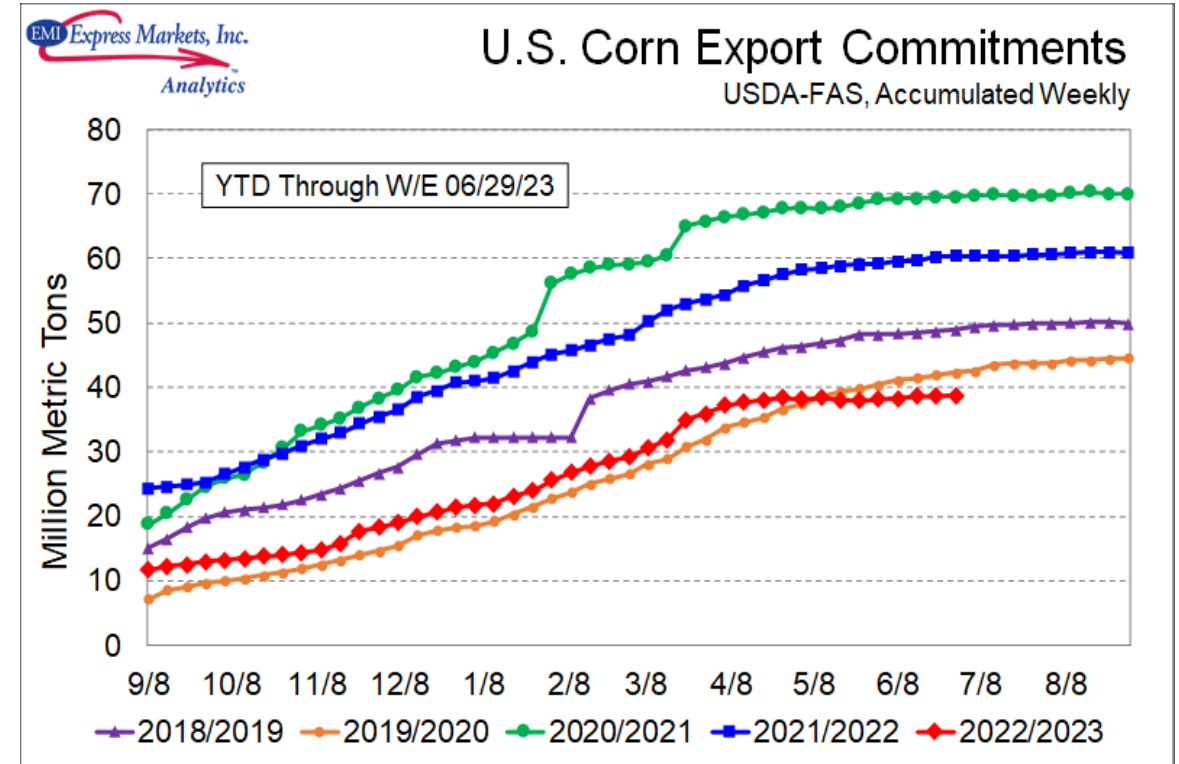


- USDA Quarterly Grain Stocks Report released 6/30/23
- June Corn Stocks at 4.106 BBU
- Down 44.5% vs June 2022 stocks
- Lowest level for June since 2014

Corn Exports/Commitments

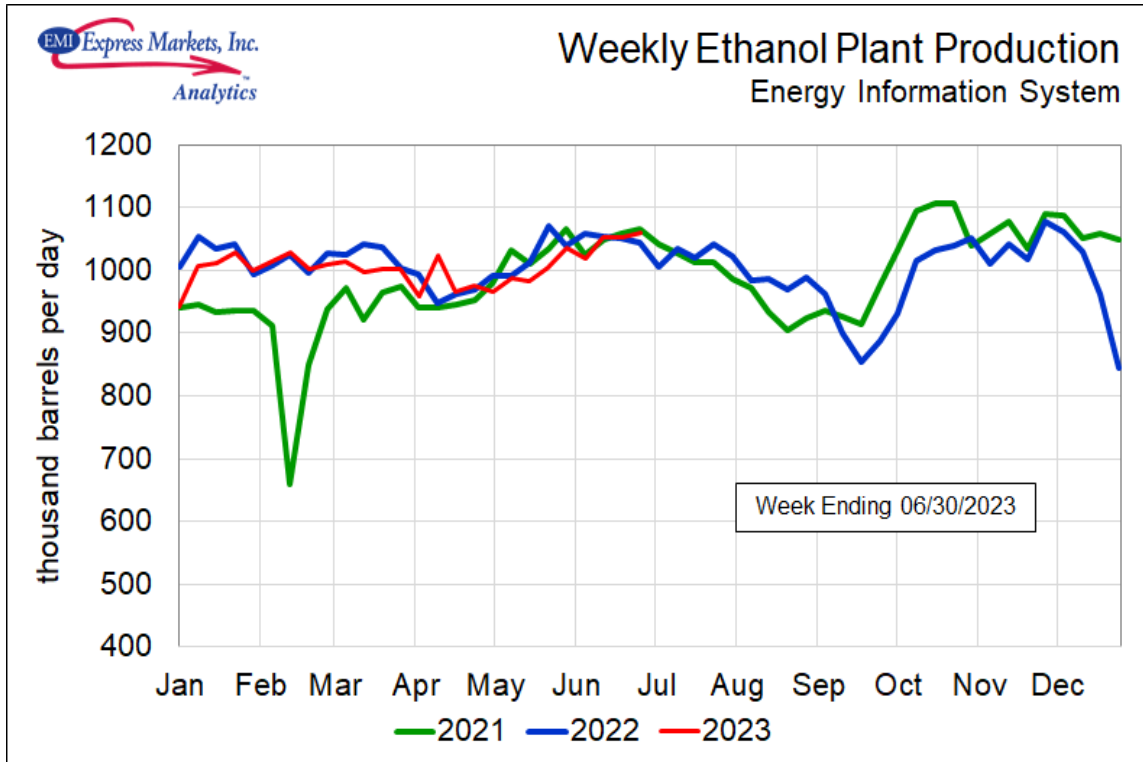


- 34.959 MMT in corn exports through 06/29/23, down 33.4% YTD versus Y/A
- Black Sea Export deal expires 7/17/23, Russia threatening to back out again...

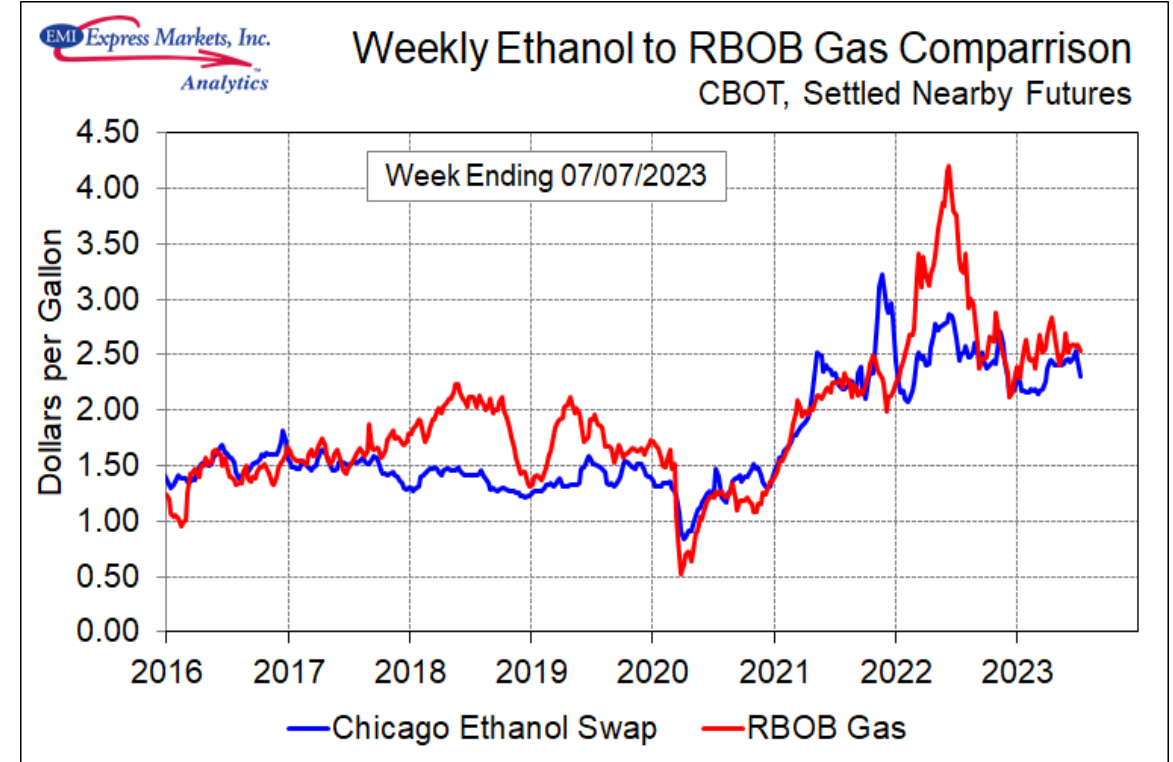


- Total commitments of 39.040 MMT through 06/29/23, down 35.3% YTD versus Y/A
- Brazil to take over as world's largest corn exporter

Ethanol




- EPA reduces ethanol mandate in final ruling for RFS RVO's through 2025
- Originally proposed at 15.25 billion gallons per year in December, ethanol mandate now at 15 billion gallons per year through 2025



- OPEC+ production cuts over the next five quarters, EIA forecasts smaller U.S. production
- U.S. ethanol production at 1.06 million barrels per day for the week ending 06/30/23, up 1.5% versus Y/A

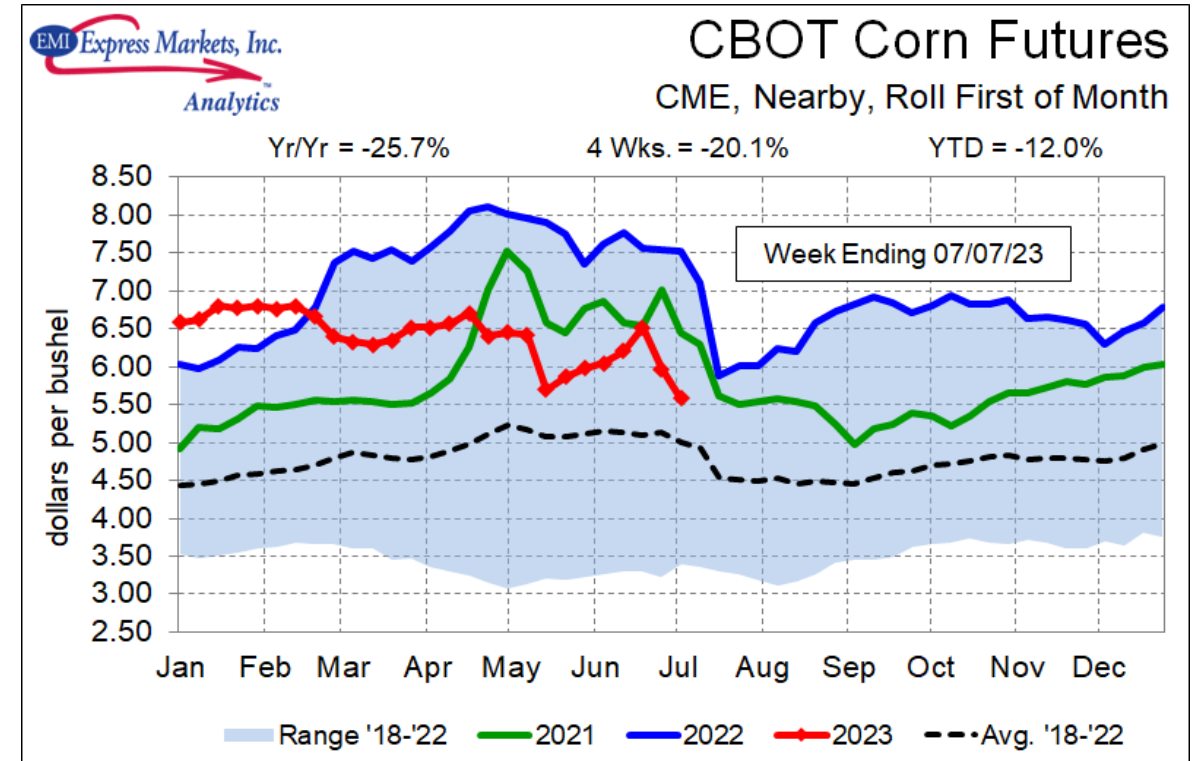
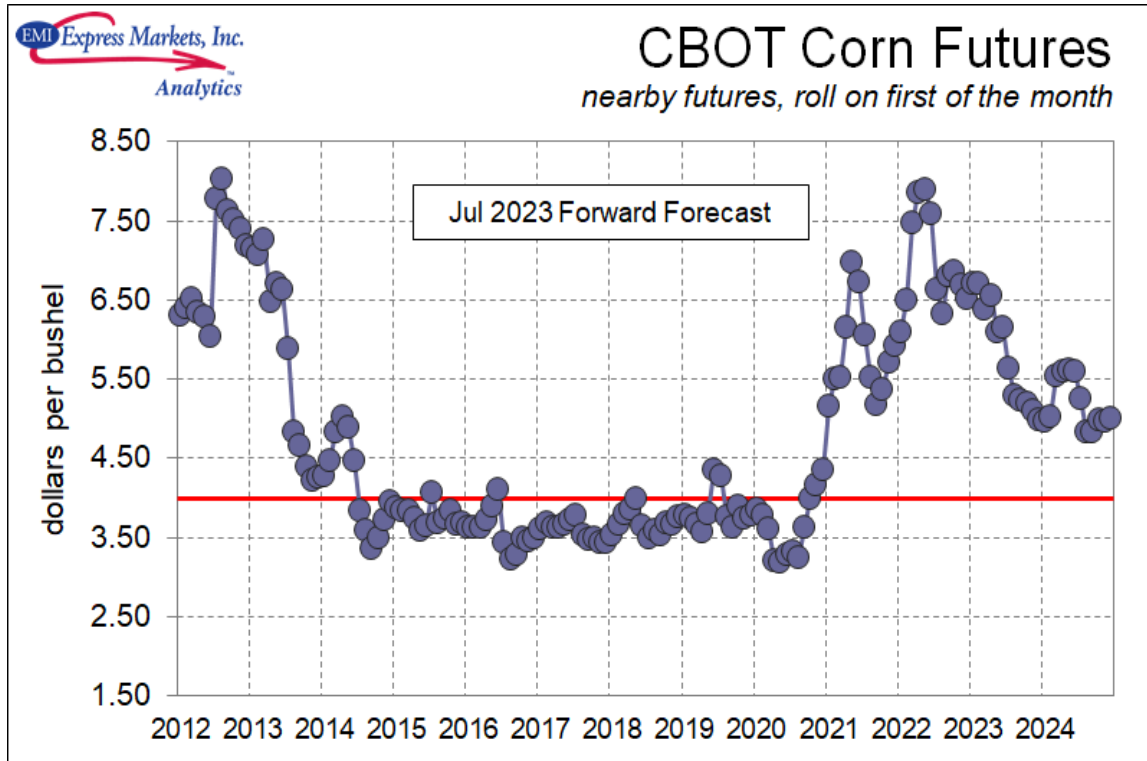
Corn Balance Sheet



				May USDA Forecast	June USDA Forecast	EMI Forecast
CORN	2020/2021	2021/2022	2022/2023	2023/2024	2023/2024	2023/2024
Planted (million acres)	90.7	93.3	88.6	92.0	92.0	94.1
Harvested	82.3	85.3	79.2	84.1	84.1	86.3
Yield (bu./acre)	171.4	176.7	173.3	181.5	181.5	179.0
Beginning Stocks (mill bu.)	1,919	1,235	1,377	1,417	1,452	1,452
Production	14,111	15,074	13,730	15,265	15,265	15,452
Imports	24	24	25	25	25	25
Total Supply	16,055	16,333	15,132	16,707	16,742	16,929
Feed and Residual	5,597	5,721	5,275	5,650	5,650	5,600
Food, Seed and Industrial	6,471	6,764	6,680	6,735	6,735	6,725
Ethanol	5,033	5,326	5,250	5,300	5,300	5,300
Total Domestic	12,068	12,484	11,955	12,385	12,385	12,325
Exports	2,753	2,471	1,725	2,100	2,100	2,100
Total Use	14,821	14,956	13,680	14,485	14,485	14,425
Ending Stocks	1,235	1,377	1,452	2,222	2,257	2,504
Avg Farm Price (\$/bu)	4.53	6.00	6.60	4.80	4.80	
STOCKS TO USE	8.33%	9.20%	10.61%	15.34%	15.58%	17.36%

- Next WASDE out at Noon
- EMI Forecast includes updated Planted/Harvested Acres forecast
- USDA forecast yield at 181.5 bu./acre
- Production at 15.265 billion bushels
- Usage at 14.485 billion bushels
- Ending stocks of 2.257 billion bushels
- Stocks to Use ratio of 15.58%

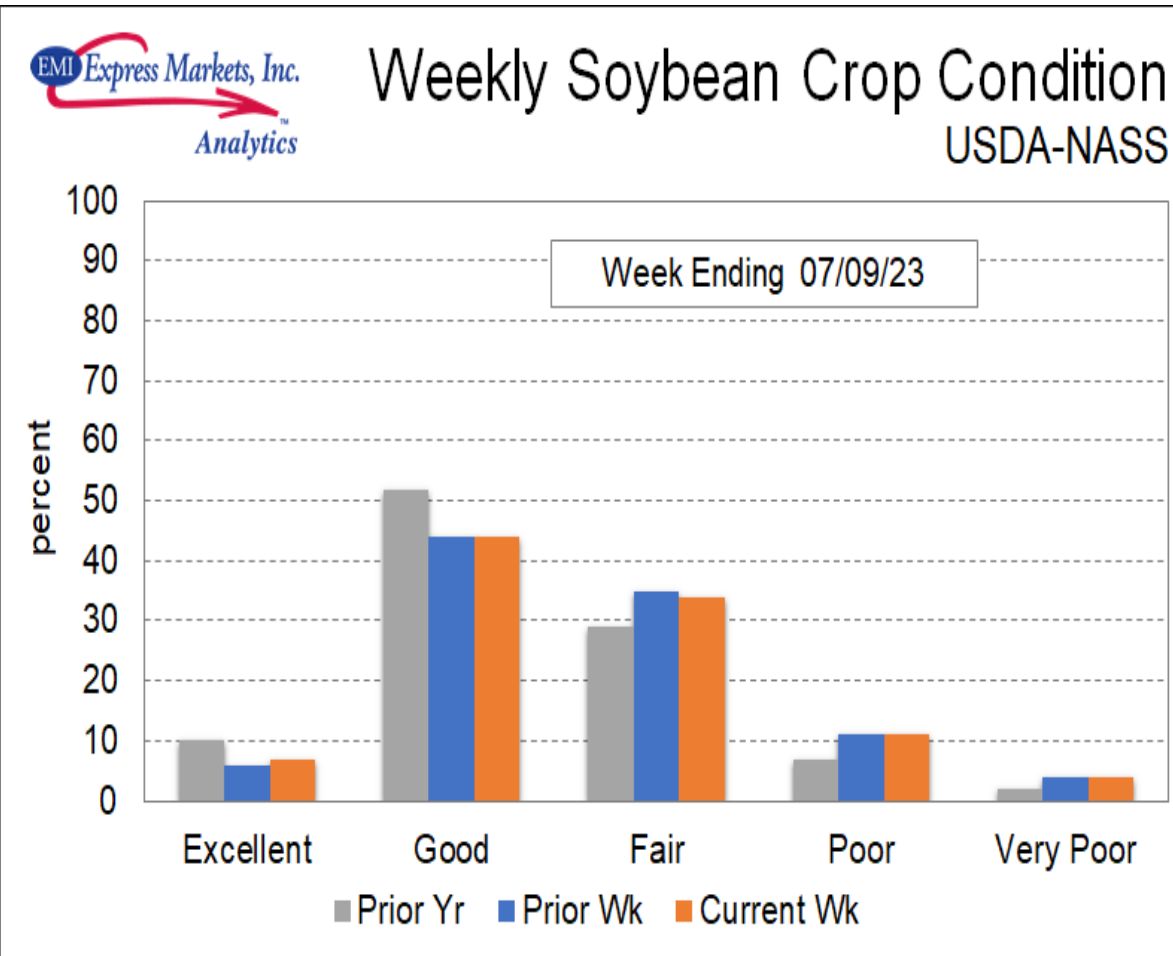
Corn Prices



- Wetter forecasts alleviating drought risks
- Even with yield cuts, extra planted acres will make for more supplies this fall

- Global production, boosted by South American countries, set to increase
- Dec Futures at \$5.03 as of this morning, 07/12/23

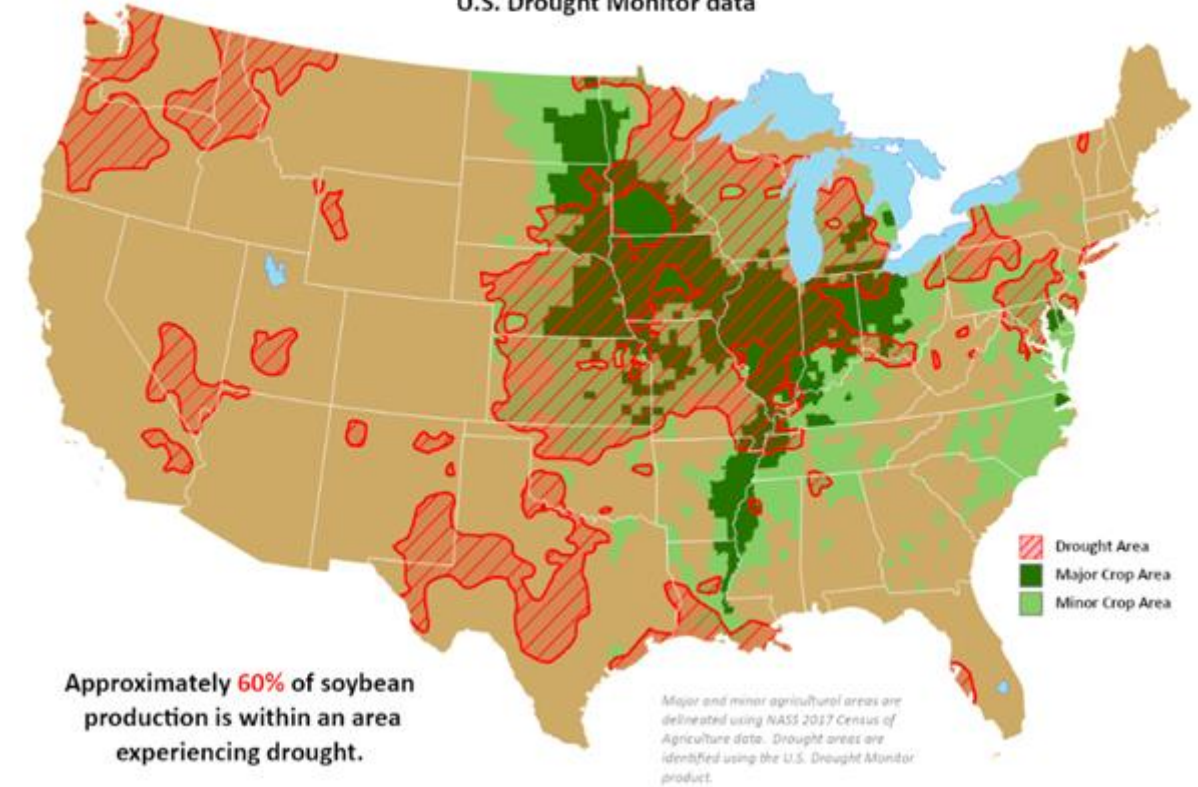
U.S. Soybean Conditions



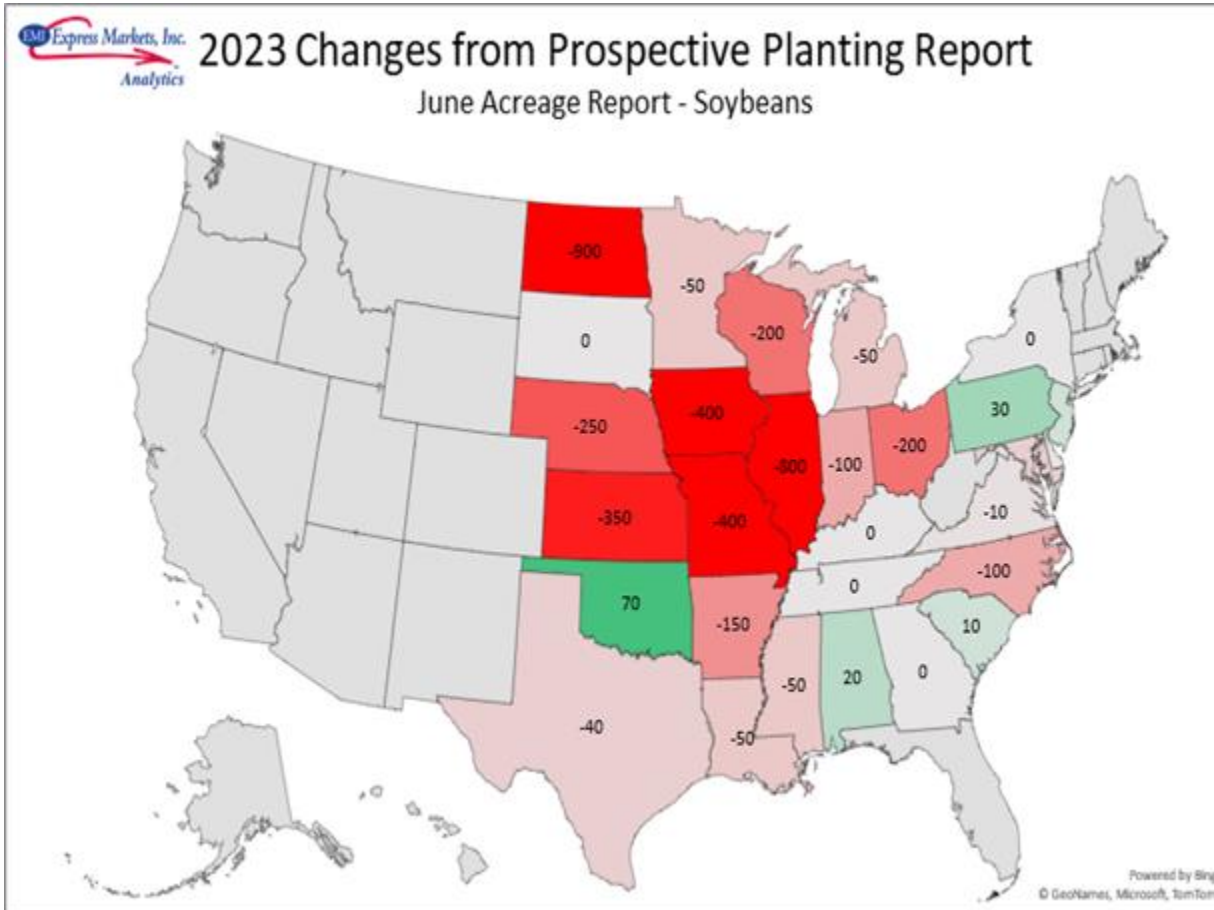
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Soybean Areas in Drought

Reflects July 4, 2023
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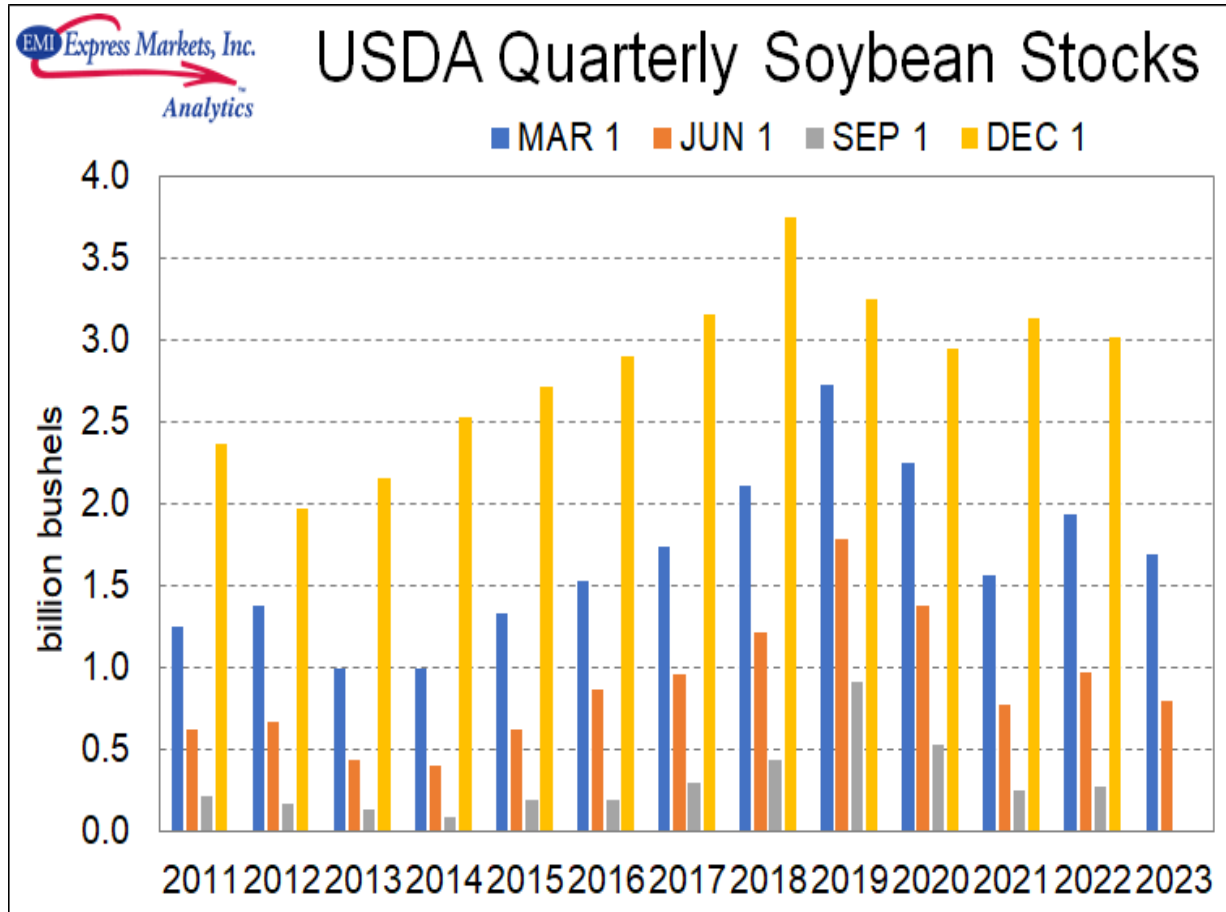


U.S. Soybean Acreage Report



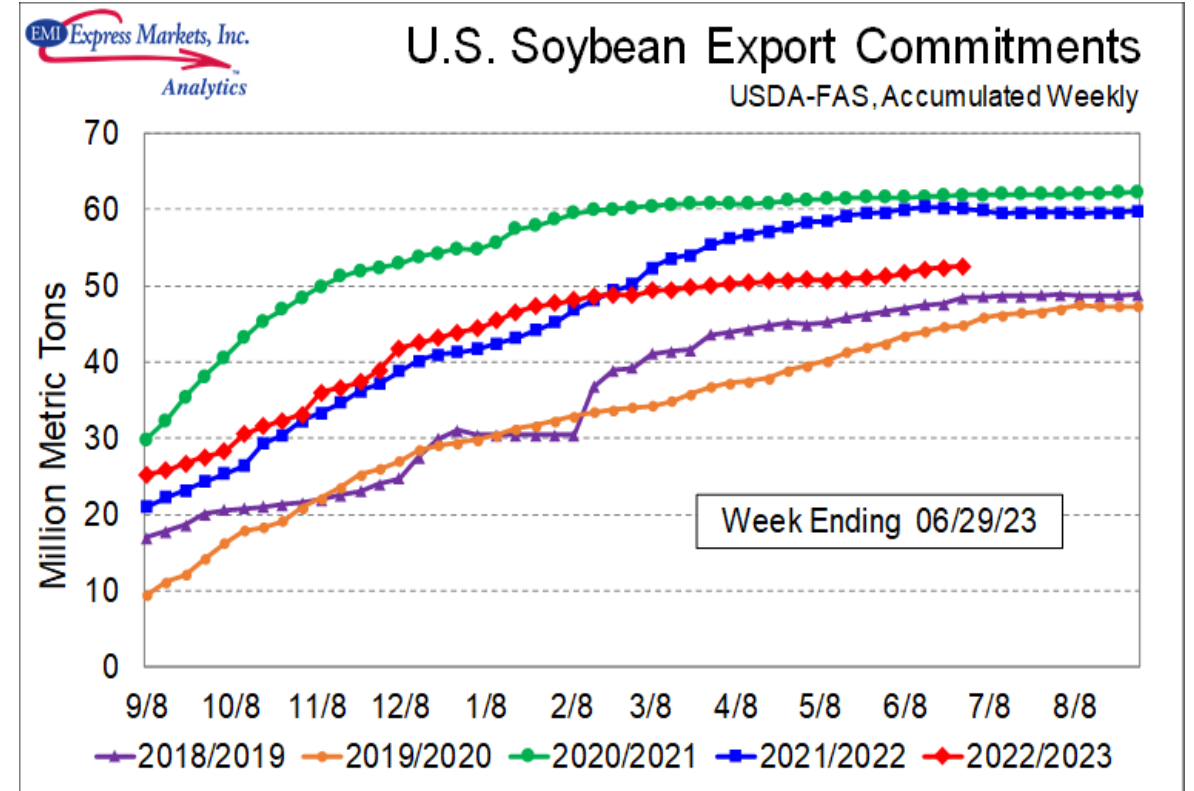
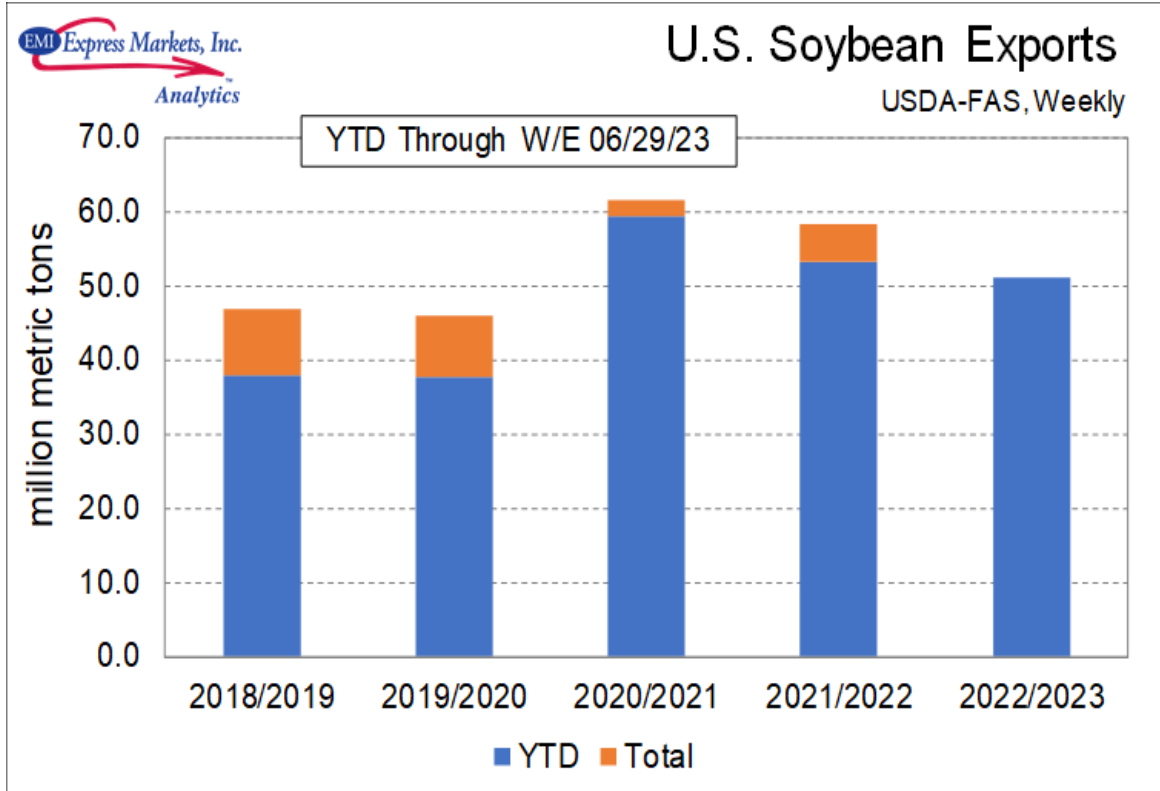
- USDA Acreage Report released 6/30/23
- Planted soybean acres down 4 million acres from earlier Prospective Plantings Report
- Illinois and North Dakota biggest losers

June Quarterly Stocks



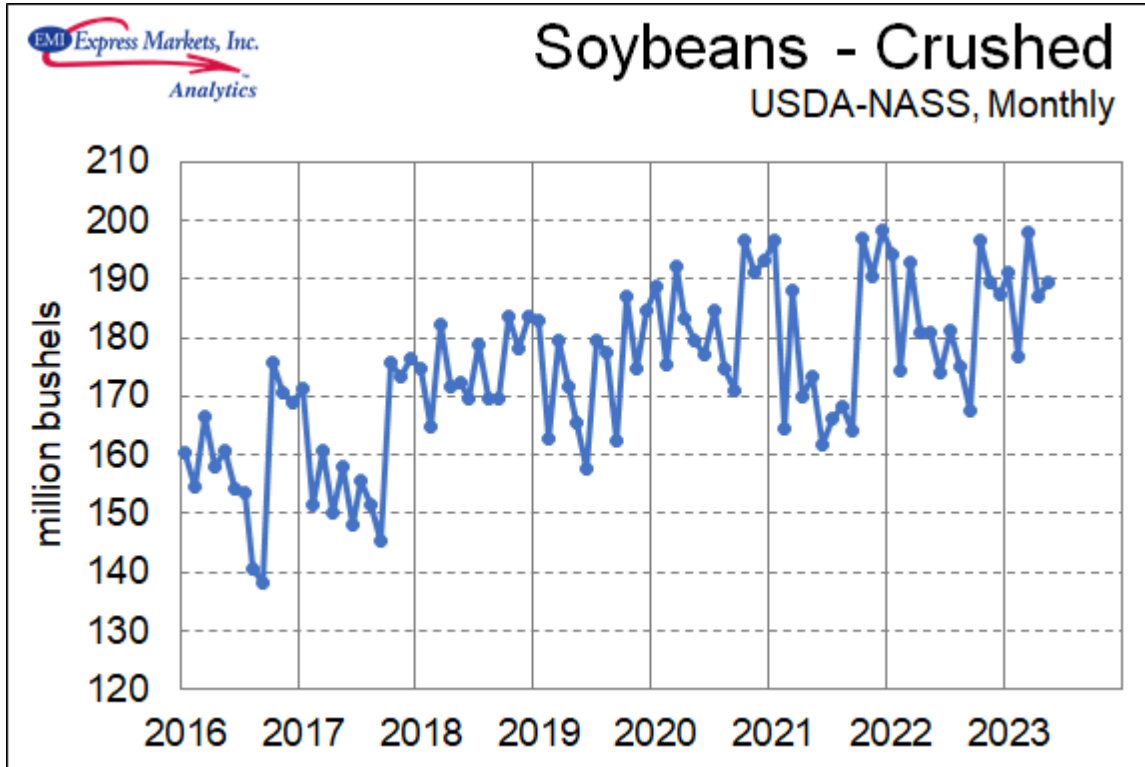
- USDA Quarterly Grain Stocks Report released 6/30/23
- June Soybean Stocks at 796 MBU
- Down 17.8% vs June 2022 stocks

Soybean Exports/Commitments

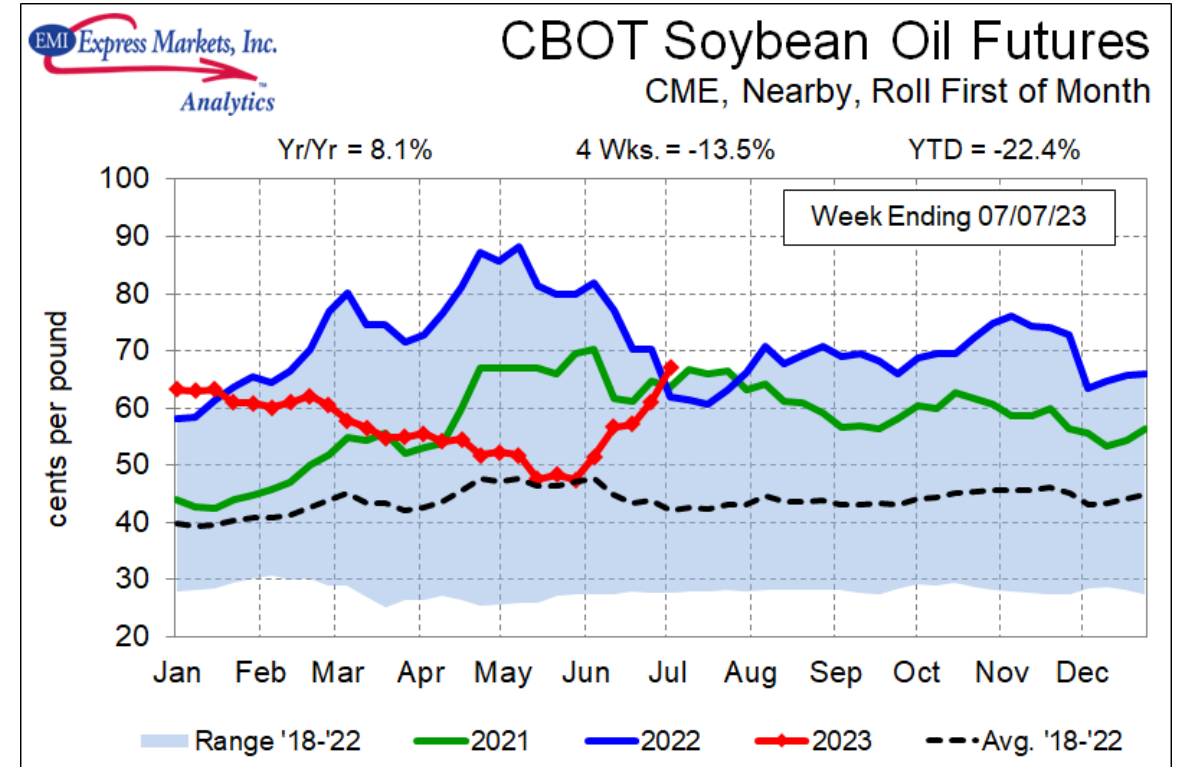


- 49.363 MMT in soybean exports through 06/29/23, down 5.4% YTD versus Y/A
- Exports to China up 8.4% versus same week Y/A, Chinese commitments up 2.2%

- 52.521 MMT in commitments through 06/29/23, down 12.3% YTD versus Y/A
- Brazil record production (163 MMT) hitting markets and taking away from U.S. exports through end of year




- May soybean crush up 1.2% from previous month to 189 MBU.
- May 2023 crush up 4.6% against April 2023 crush



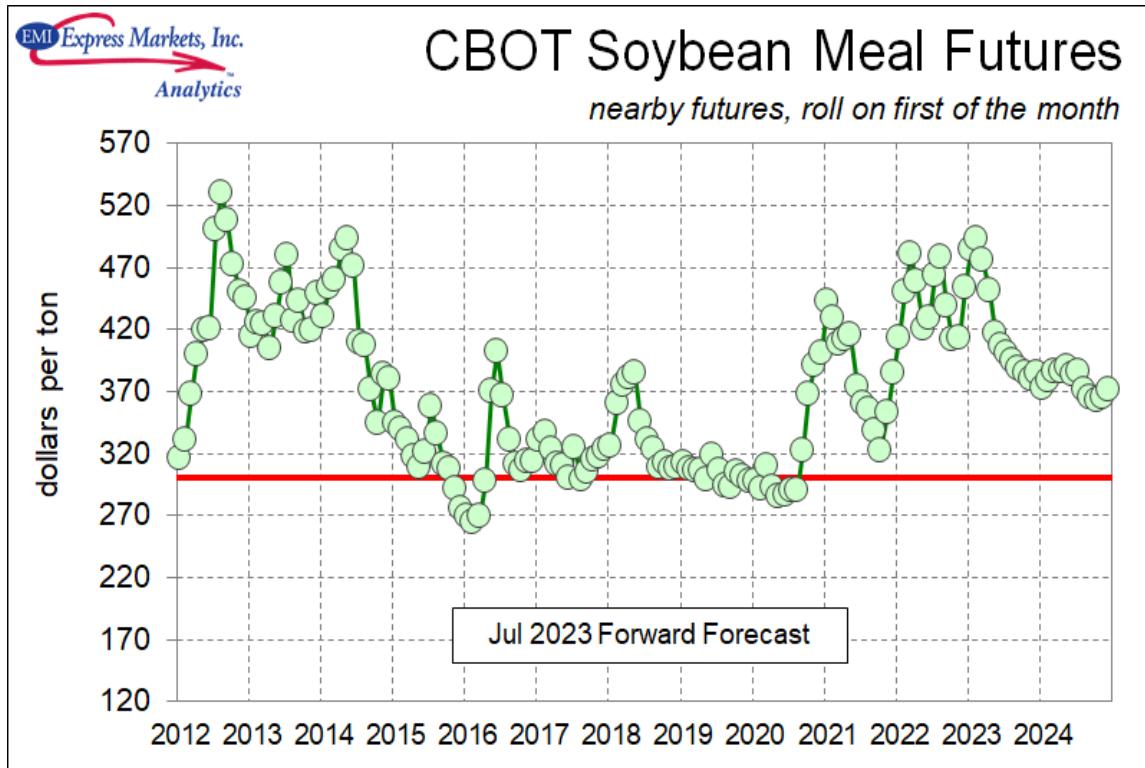
- EPA Final Ruling on RFS RVO's released on 6/21/23
- Biomass-Based Diesel RVO's increased slightly through 2025 to 3.35 billion gallons, originally at 2.95 billion gallons

Soybean Balance Sheet

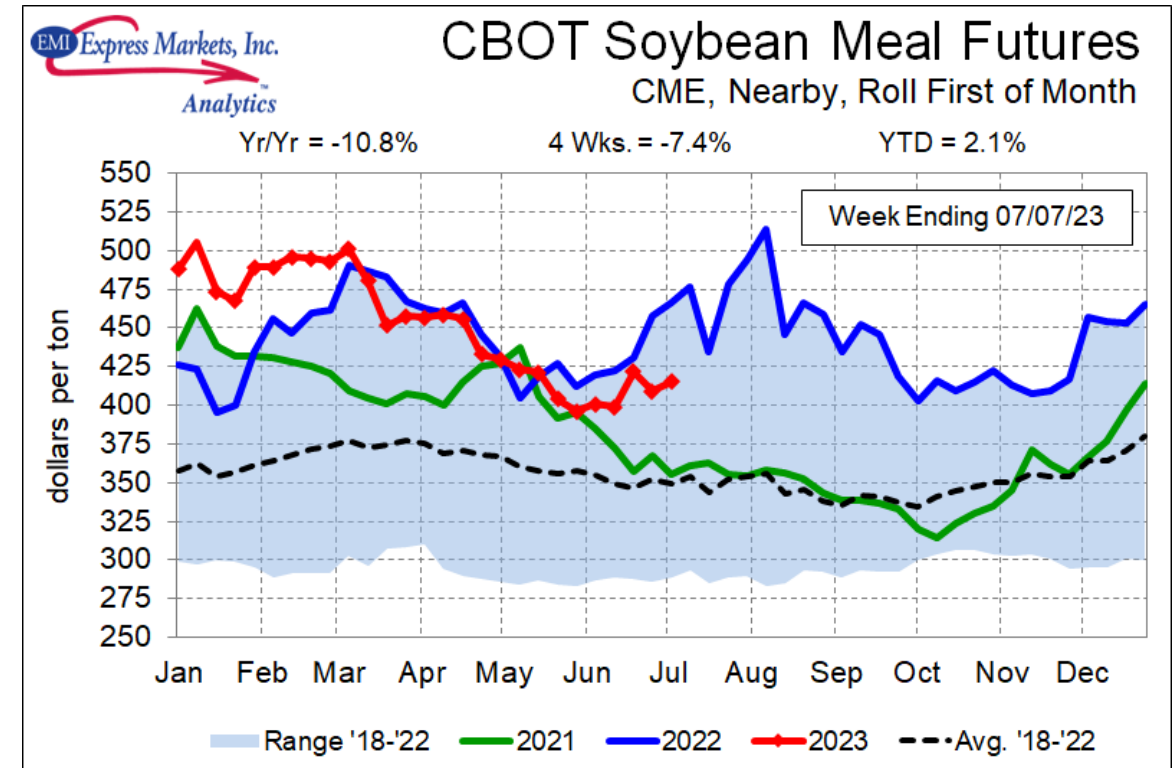
				May USDA Forecast	June USDA Forecast	EMI Forecast
SOYBEANS	2020/2021	2021/2022	2022/2023	2023/2024	2023/2024	2023/2024
Planted (million acres)	83.4	87.2	87.5	87.5	87.5	83.5
Harvested	82.6	86.3	86.3	86.7	86.7	82.7
Yield (bu./acre)	51.0	51.7	49.5	52.0	52.0	51.0
Beginning Stocks (mill bu.)	525	257	274	215	230	274
Production	4,216	4,465	4,276	4,510	4,510	4,217
Imports	20	16	20	20	20	35
Total Supply	4,761	4,738	4,571	4,745	4,760	4,526
Crushings	2,141	2,204	2,220	2,310	2,310	2,230
Exports	2,261	2,158	2,000	1,975	1,975	1,850
Seed	101	102	102	101	101	100
Residual	1	1	19	25	25	15
Total Use	4,504	4,464	4,340	4,411	4,411	4,195
Ending Stocks	257	274	230	335	350	331
Avg Farm Price (\$/bu)	10.80	13.30	14.20	12.10	12.10	
STOCKS TO USE	5.71%	6.14%	5.30%	7.59%	7.94%	7.90%

- WASDE out at Noon
- EMI Forecast includes updated Planted/Harvested Acres forecast
- USDA forecast yield at 52 bu./acre
- Production at 4.510 billion bushels
- Usage at 4.411 billion bushels
- Ending stocks of 350 million bushels
- Stocks to Use ratio of 7.94%

Soybean Meal Prices



- EPA RFS RVO's cool expanded crush capacity talks, for now...
- Acreage Report shows less soybeans to go around, weather risk still remains



- Weaker U.S. export market with Brazil's record production
- Dec contracts trading around \$401 as of this morning 7/12/23

Hogs/Pork Outlook



Ty Neff Director of Red Meat Analytics

- Disease & Prop 12 Updates
- Hogs & Pigs
- Estimated Returns
- Wean Pigs
- Pork Production
- Hog Prices
- Estimated Margins
- Cold Storage
- Trade
- Pork Prices

Disease Update

Global

- ASF expands in Europe with first outbreaks recorded in Bosnia-Herzegovina, and Croatia in domestic pigs
- ASF in Italy in wild boar in the province of Pavia raises concerns due to role of the region in domestic production

Domestic

- PRRS / PEDv outbreaks remain in bottom half of predictive range
- PDCoV in the top end of the predictive range with a modest decrease in adult/sow category and an increase in wean-to-market
- Seasonal decline in positive cases during the summer months

Source: Swine Health Information Center – Global/Domestic Disease Monitor Reports - July

Prop 12 Update

ANIMAL CARE PROGRAM CALIFORNIA PROPOSITION 12 (2018) QUESTIONS AND ANSWERS - JULY 1, 2023 UPDATE

1. Has implementation for Proposition 12 (2018) (Prop 12) been pushed back to January 1, 2024?

No. Prop 12 minimum usable floorspace requirements went into effect for calves and whole veal meat on January 1, 2020, for egg-laying hens, shell eggs and liquid eggs on January 1, 2022, and for breeding pigs and whole pork meat on January 1, 2022. On September 1, 2022 when Animal Confinement regulations were finalized and went into effect, additional requirements such as distributor registration, third-party certification, and shipping document markings requirements went into effect. Refer to [Important Dates guidance](#) document on the [Animal Care Program's website](#) for a complete list of previous implementation dates and the upcoming deadline of January 1, 2024, after which producers and distributors are required to be third-party certified.

In [California Hispanic Chambers of Commerce v. Ross](#) (Case No. 34-2021-80003765), the Sacramento County Superior Court enjoined enforcement of California Health and Safety Code Section 25990(b)(2) related to sales of whole pork meat, but that injunction terminates on July 1, 2023, except with respect to noncompliant whole pork meat that:

1. as of July 1, 2023, is in the possession of an "end-user" (Cal. Code Regs., tit. 3, § 1322, subd. (o)) or a "pork distributor" (id., subd. (t)) or on the premises of an establishment at which mandatory inspection is provided under the Federal Meat Inspection Act (21 U.S.C. Sec. 601 et seq.) and that holds an establishment number (prefix "M") granted by the Food Safety Inspection Service of the United States Department of Agriculture ("federally-inspected entity");
2. is self-certified by the end-user, pork distributor, or other federally-inspected entity to have been in their possession or was in the possession of another end-user, pork distributor, or other federally-inspected entity as of July 1, 2023; and
3. is ultimately sold, transferred, exported, or donated on or before December 31, 2023.

2. When did Prop 12 go into effect for breeding pigs and whole pork meat sold in California?

The requirement for a breeding pig to be confined with the minimum usable floorspace requirement of twenty-four square feet as described in California Health and Safety Code (HSC) Section 25991(e)(3) went into effect on January 1, 2022. Enforcement of that provision and HSC section 25990(b)(2) were enjoined by the Sacramento County Superior Court in [California Hispanic Chambers of Commerce v. Ross](#) (Case No. 34-2021-80003765), but that injunction terminates on July 1, 2023, except with respect to noncompliant whole pork meat that:

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- Enforcement of the rule has been delayed until Jan 1, 2024, on pork products only
- Hogs harvested after July 1, 2023, need to be Prop 12 compliant
- Cooked, Ground, or comminuted meat not covered under animal confinement rule
- Third-party verification must be in place by January 1, 2024
- <https://www.cdffa.ca.gov/AHFSS/AnimalCare/>
- EATS, PIGS, New Jersey
- MAQ3 delayed until August 23
 - Transshipment
 - State vs. Anyone

Hogs and Pigs

USDA QUARTERLY HOGS & PIGS REPORT

June 29, 2023

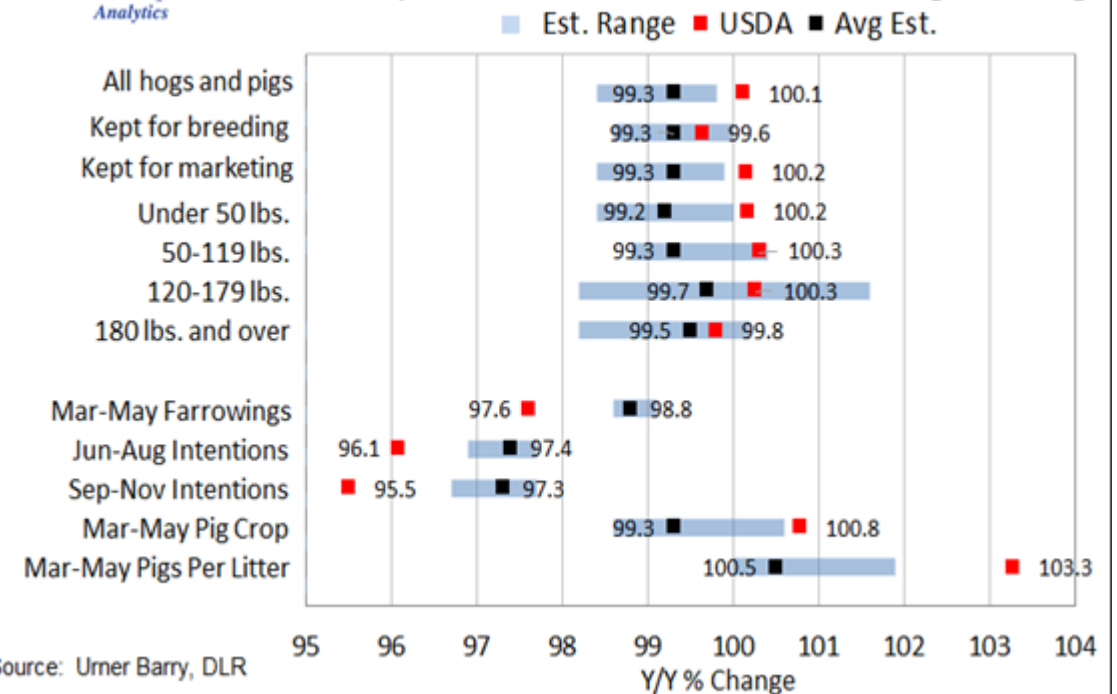
Category	2022	2023	'23 as a Pct of '22	Pre-Report Est's ¹	Actual minus E st.
Inventories on June 1 *					
All hogs and pigs	72,314	72,394	100.1	99.3	0.8
Kept for breeding	6,168	6,146	99.6	99.3	0.3
Kept for marketing	66,146	66,249	100.2	99.3	0.9
Under 50 lbs.	20,903	20,939	100.2	99.2	1.0
50-119 lbs.	18,691	18,748	100.3	99.3	1.0
120-179 lbs.	13,827	13,863	100.3	99.7	0.6
180 lbs. and over	12,725	12,699	99.8	99.5	0.3
Farrowings**					
Mar-May Farrowings	2,967	2,896	97.6	98.8	-1.2
Jun-Aug Intentions	3,062	2,942	96.1	97.4	-1.3
Sep-Nov Intentions	3,092	2,953	95.5	97.3	-1.8
Mar-May Pigs Crop	32,635	32,891	100.8	99.3	1.5
Mar-May Pigs Save Per Litter	11.00	11.36	103.3	100.5	2.8

*Thousand head ** Thousand Litters

¹Source: Uner Barry, DLR

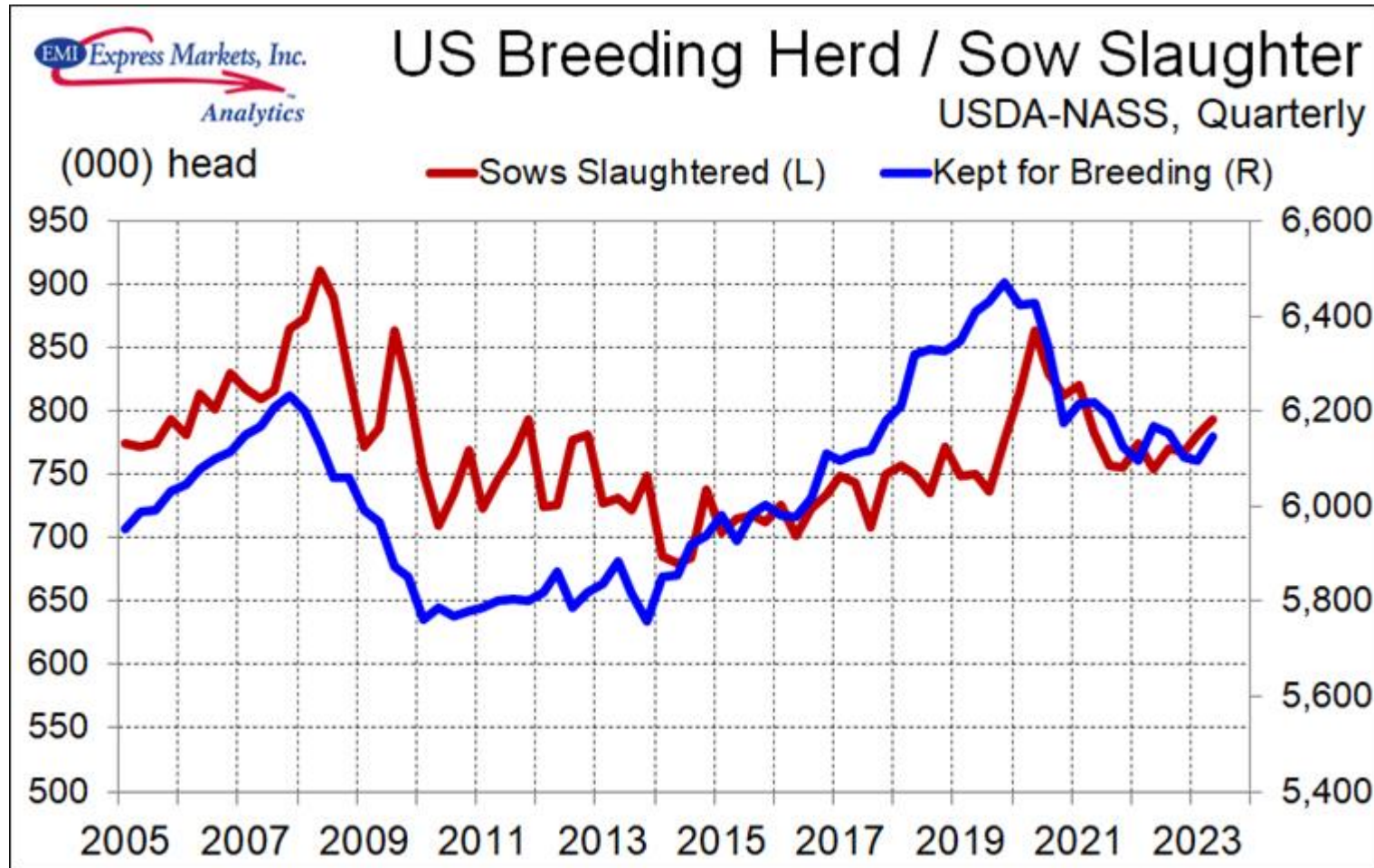
- Total hog inventory **+0.1%** Y/Y, and slightly larger than anticipated
- Report suggests more hogs in the coming months, and fewer hogs in H1 of 2024

Pre-Report Estimates Vs June Actual Hogs and Pigs



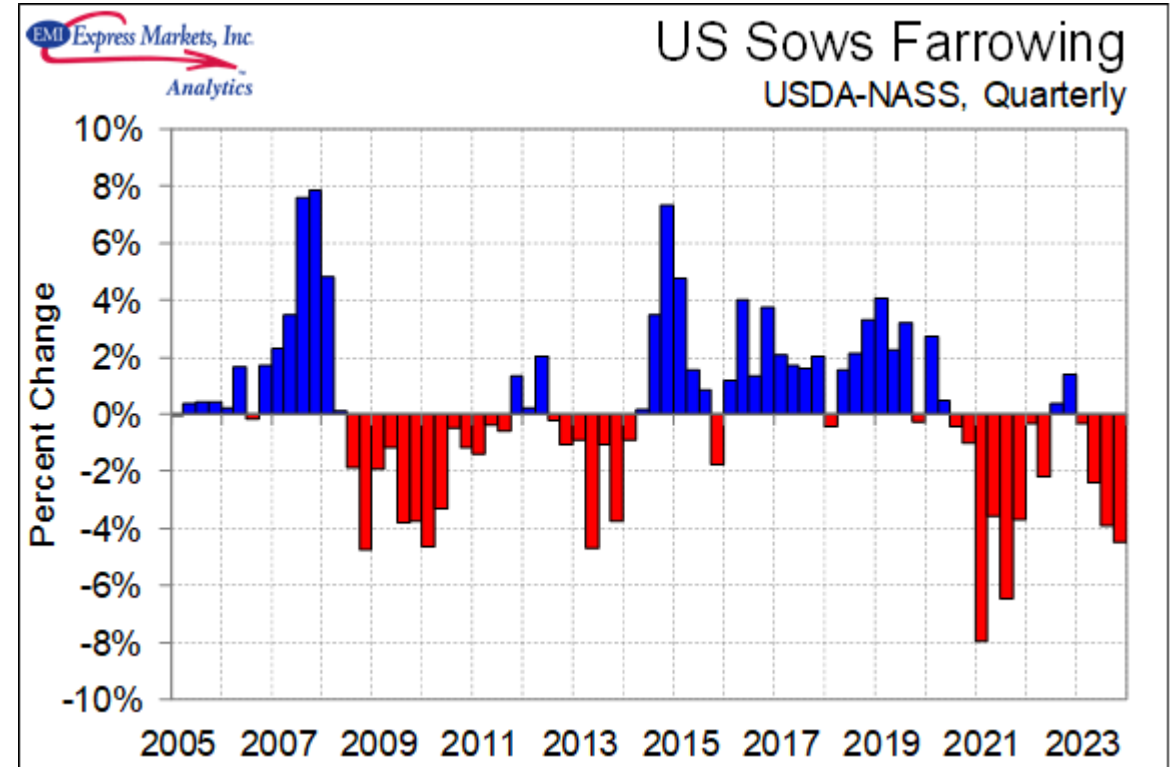
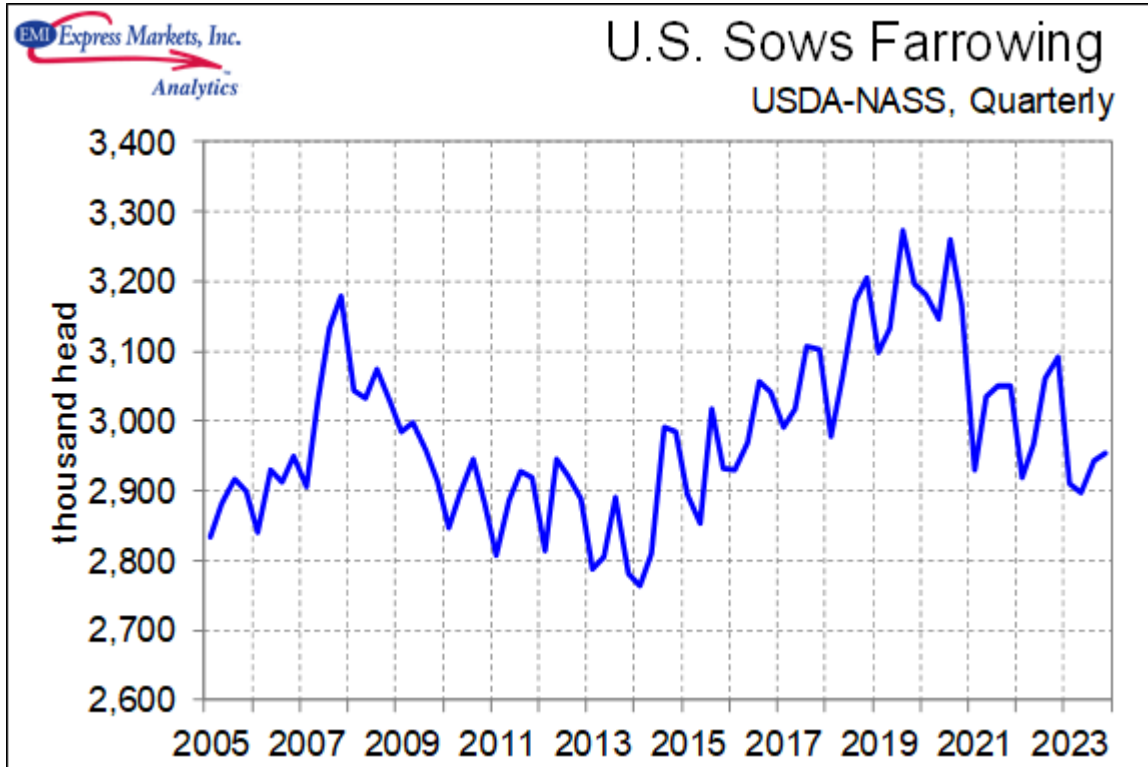
- Inventory numbers were slightly larger than analysts had expected, with two key things to watch in the coming months – farrowing intentions & pigs per litter
- Sow farrowing intentions were **-3.9%** for Jun-Aug, and **-4.5%** for Sep-Nov

Hogs and Pigs



- May sow slaughter up 12% versus a year ago, but the breeding herd was **-0.4% Y/Y**
- Producers may be culling less productive sows and replenishing breeding herd
- Missouri breeding herd numbers **+1.2% Y/Y, -3.3% M/M**, with more liquidation anticipated

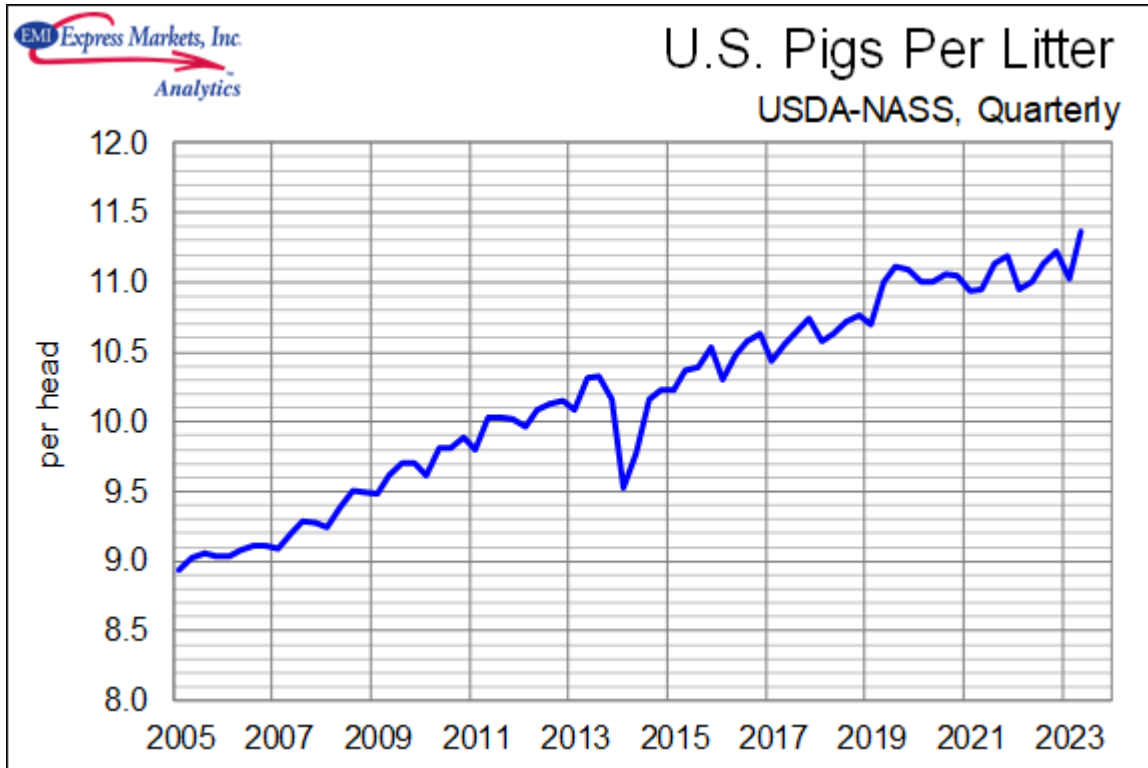
Hogs and Pigs



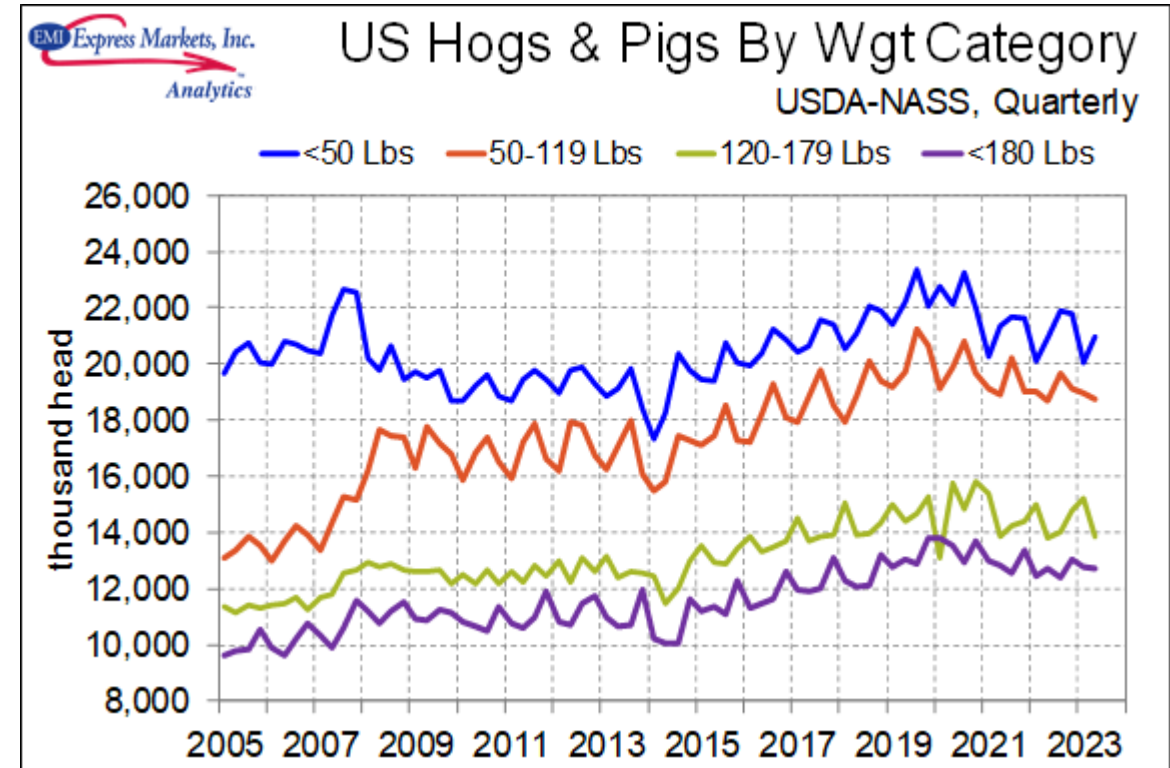
- Farrowing Intentions in Q2 of 2023 were estimated **-2.4%**, and Q3 of 2023 **-3.9%**, and Q4 **-4.5%** respectively versus Y/A
- Fewer hogs anticipated in 2024, but maybe not as steep if pigs per litter remain on an upward trend

- Last two quarters are estimates and likely to evolve as the year progresses and Prop 12 questions get resolved
- Returns anticipated to remain negative in 2023 and don't provide a lot of incentive to increase production

Hogs and Pigs

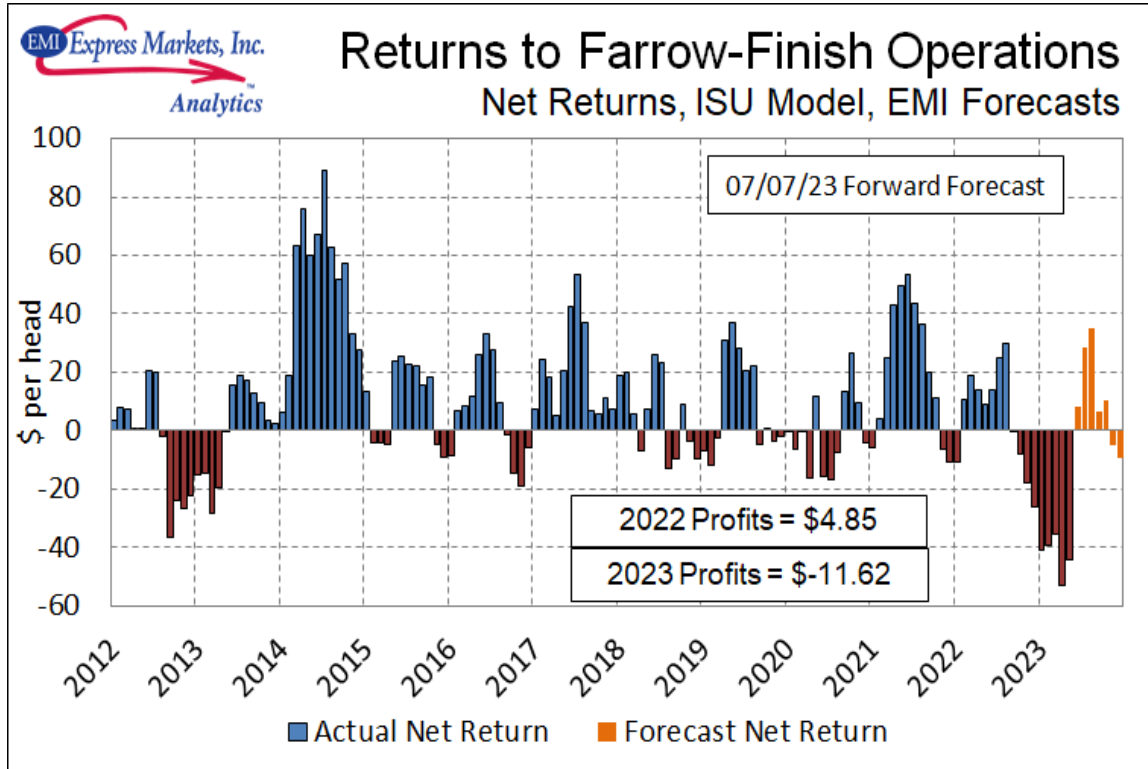


- Pigs per litter averaged 11.36 for Mar-May, **+3.3%** versus Y/A, and was the largest on record
- Appears that producers were able to get a handle on some of the disease issues they were facing with PEDv and PRRS

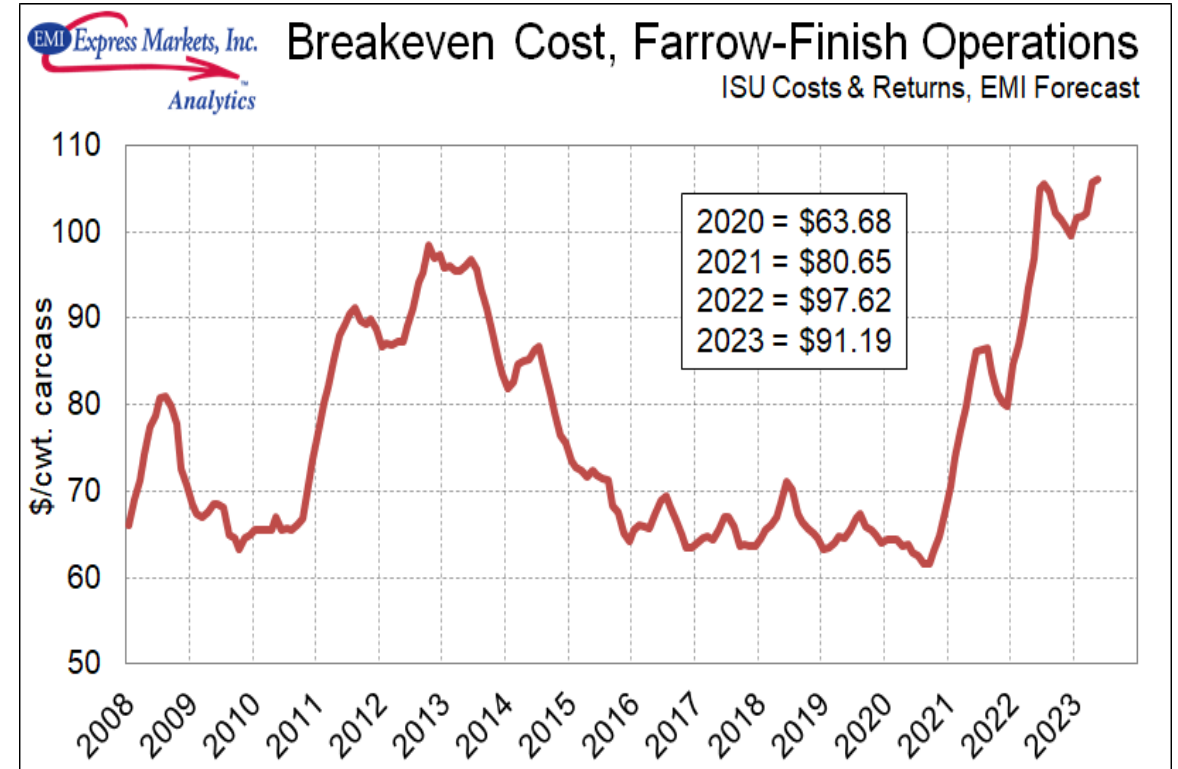


- <180 lbs **-0.2%**, 120-179 pounds **+0.2%** versus Y/A, suggests hog slaughter into Q3 2023 to be near Y/A levels
- Lighter weight categories were **+0.2%** versus Y/A, with Q3 and into Q4 hogs near year ago levels

Farrow-Finish Returns

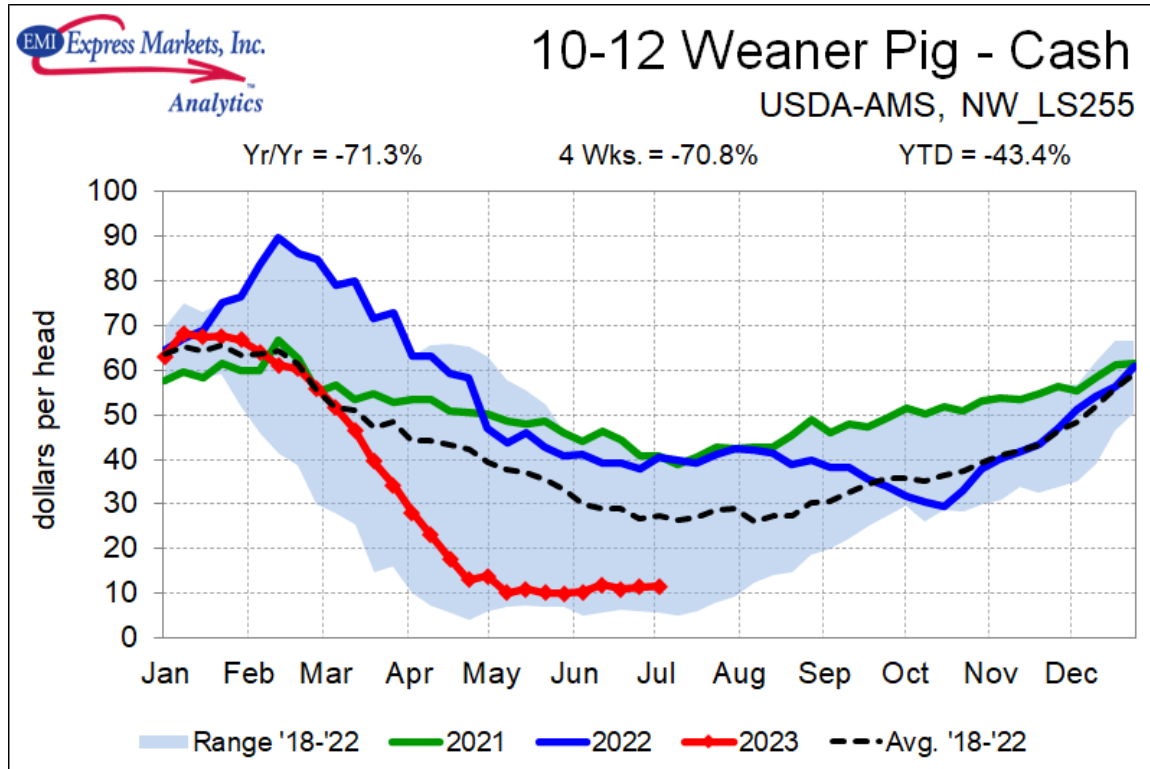


- Hog producers continue to lose money due to higher input costs, weaker hog prices
- Labor, production costs, animal welfare laws, and economic uncertainty remain a challenge in 2023

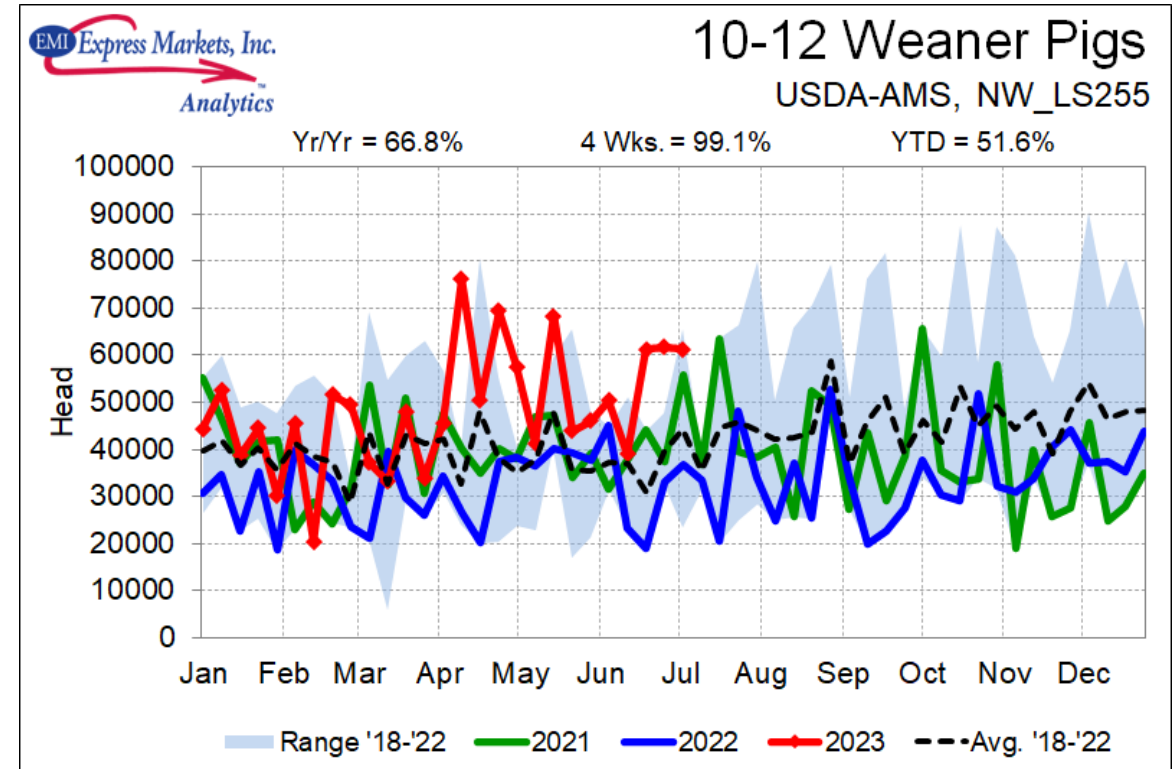


- Breakeven costs softening, but continue to exceed hog revenues
- These are modeled returns based on ISU data, USDA hog prices, and EMI forecasts and used as a barometer for possible returns

10-12 Weaned Pig

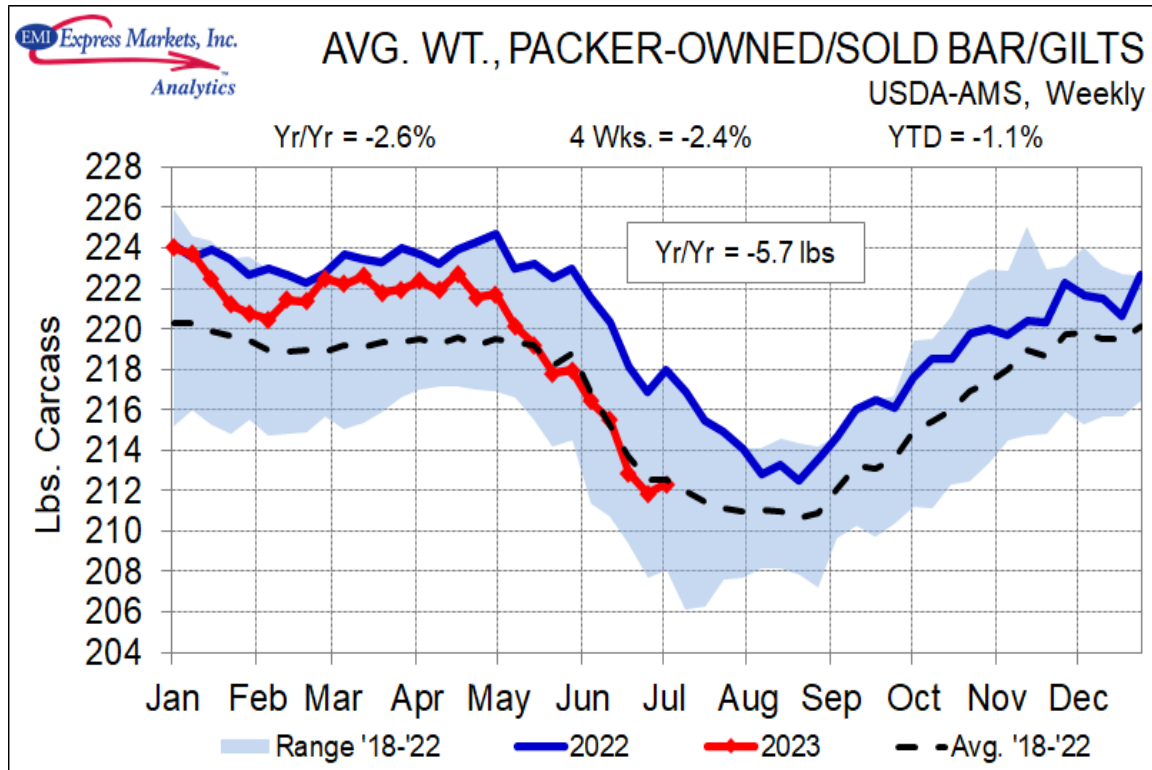


- June cash wean pig price averaged \$11/hd., **-71.9%** Y/Y, and formula wean pig prices averaged about \$31/hd. and were **-24.6%** Y/Y
- Wean Pig Composite (formula and cash) averaged about \$18/hd. and was **-54.9%** Y/Y

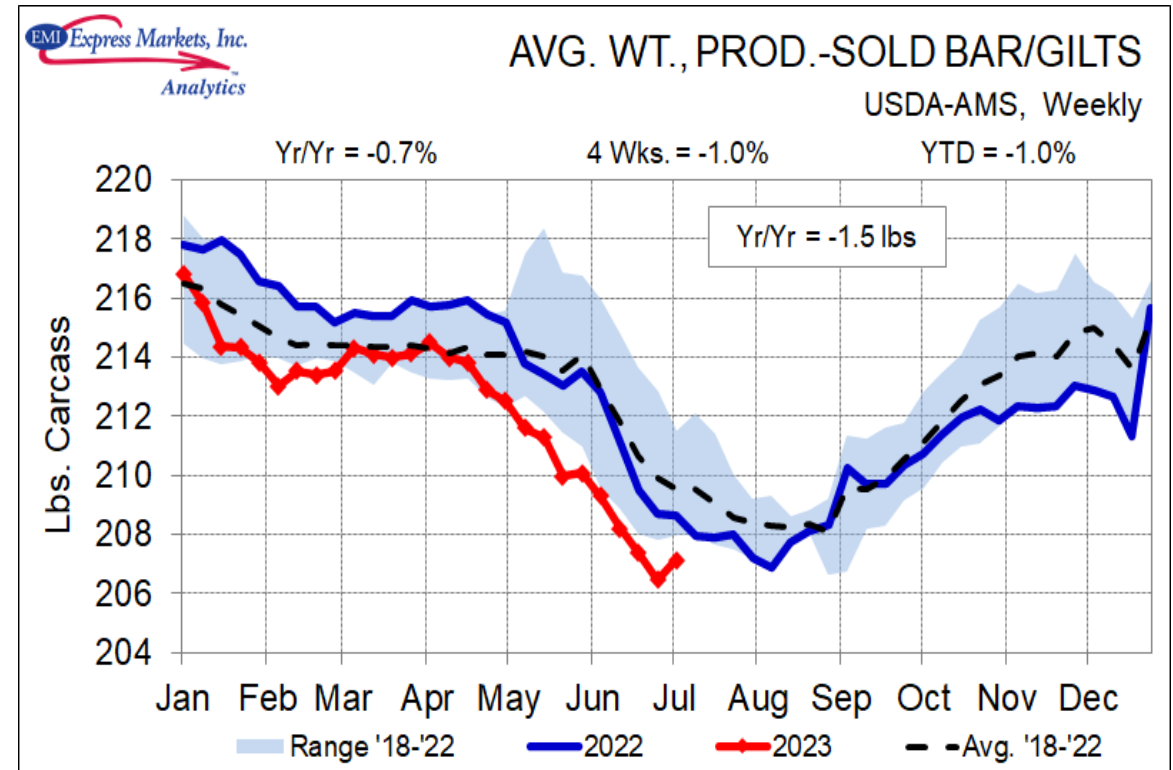


- Spot sales generally account for about 50% of total wean pig sales, 62% in May, 64% in June
- Increase in productivity leads to more pigs available and pressures pig prices

Pork Production



- Packers owned/sold dressed weights continue seasonal downward trend
- Dressed weights nearing seasonal lows, may move lower to sideways in the coming weeks



- Producer sold dressed weights continue to run below the 5-yr lows
- Potential for heavier hogs in the late fall and into 2024 if producers can cover feed costs and returns turn positive

Pork Production

June 2023 Hogs & Pigs Projected Forecasts

		Commercial Slaughter Forecasts				B&G Slaughter Forecasts				Commercial Production Forecasts			
		EMI		ACTUAL		EMI		ACTUAL		EMI		ACTUAL	
		Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Lbs	% Chnge	Mil. Lbs	% Chnge
2019				129.913	4.4%			125.844	4.6%			27.638	5.0%
2020				131.563	1.3%			127.149	1.0%			28.303	2.4%
2021				128.986	-2.0%			124.861	-1.8%			27.675	-2.2%
2022	Q1 **			31.604	-5.4%			30.608	-5.4%			6.905	-5.3%
	Q2			30.619	-1.6%			29.639	-1.5%			6.639	-0.4%
	Q3			30.967	-0.6%			29.936	-0.7%			6.534	0.1%
	Q4 ***			32.132	-3.4%			31.131	-3.5%			6.919	-3.7%
2022			125.322	-2.8%			121.314	-2.8%			26.996	-2.5%	
2023	Q1	32.569	3.1%	32.569	3.1%	31.567	3.1%	31.567	3.1%	7.071	2.4%	7.071	2.4%
	Q2	30.783	0.5%			29.770	0.4%			6.621	-0.3%		
	Q3 ***	30.988	0.1%			29.983	0.2%			6.541	0.1%		
	Q4 ***	31.881	-0.8%			30.892	-0.8%			6.882	-0.5%		
2023	Year	126.220	0.7%			122.212	0.7%			27.114	0.4%		
2024	Q1	31.797	-2.4%			30.808	-2.4%			6.919	-2.1%		
	Q2	30.500	-0.9%			29.508	-0.9%			6.589	-0.5%		
	Q3 **	30.890	-0.3%			29.890	-0.3%			6.530	-0.2%		
	Q4 **	32.083	0.6%			31.097	0.7%			6.948	1.0%		
2024	Year	125.269	-0.8%			121.303	-0.7%			26.987	-0.5%		

*Annual total uses actuals to-date plus forecasts for the rest of the year.

Blue figures are estimated using USDA data

Green figures are revisions since latest Hogs and Pigs report and EMI forecasts

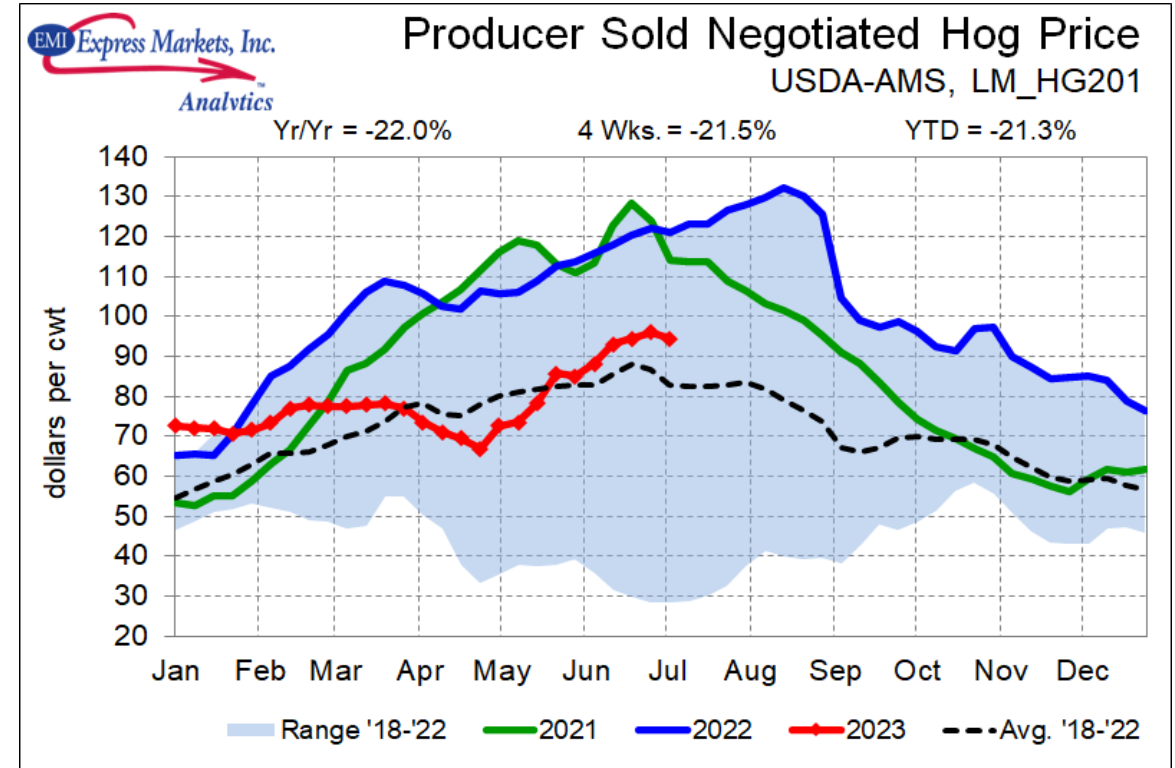
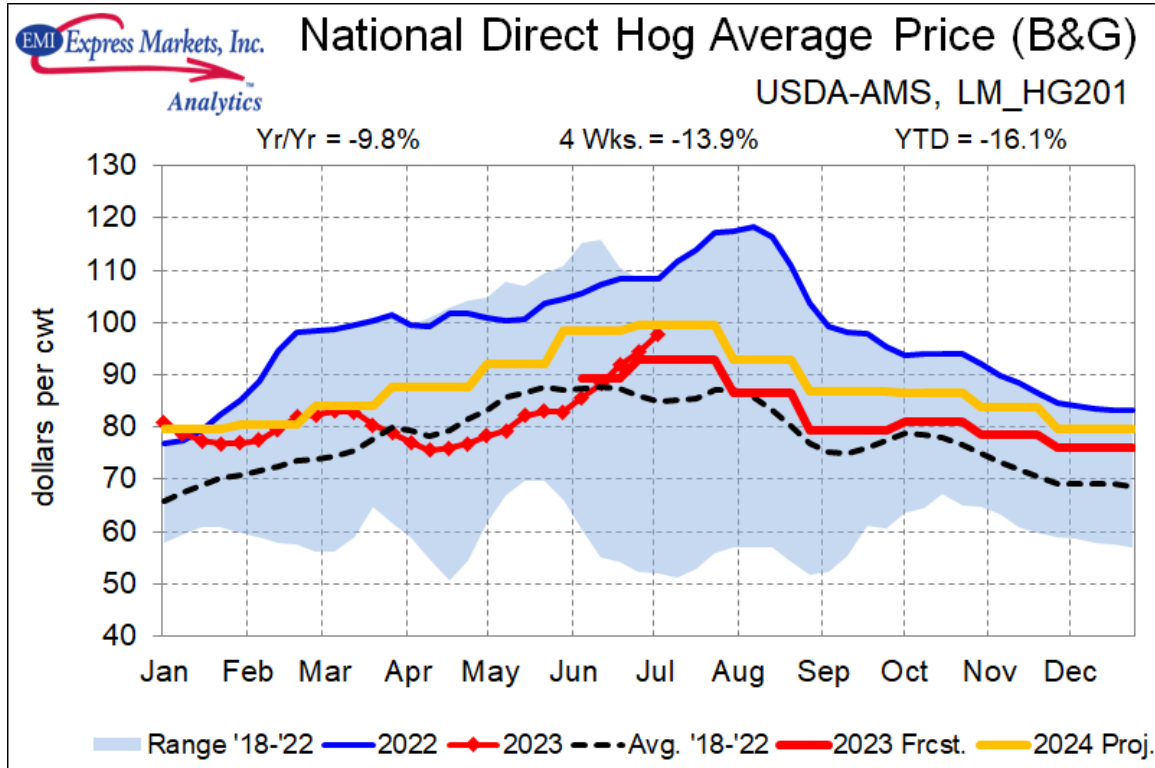
** 1 more day in qtr vs. yr. ago

*** 1 less day in qtr vs. yr. ago

7/12/2023

- Hog harvest in June estimated **0.7%** versus Y/A, with the same number of harvest days
- Q2 hog harvest is estimated **+0.6%** based on weekly and monthly harvest data, with same number of harvest days
- HyLife plant in Windom, MN sold to Premium Iowa Pork, plant currently closed with no indication on next steps
- Not a lot of incentive to expand with animal welfare laws and uncertainty of price expectations, higher production costs, labor availability, exports, and the possibility of negative farrow-finish returns in 2023

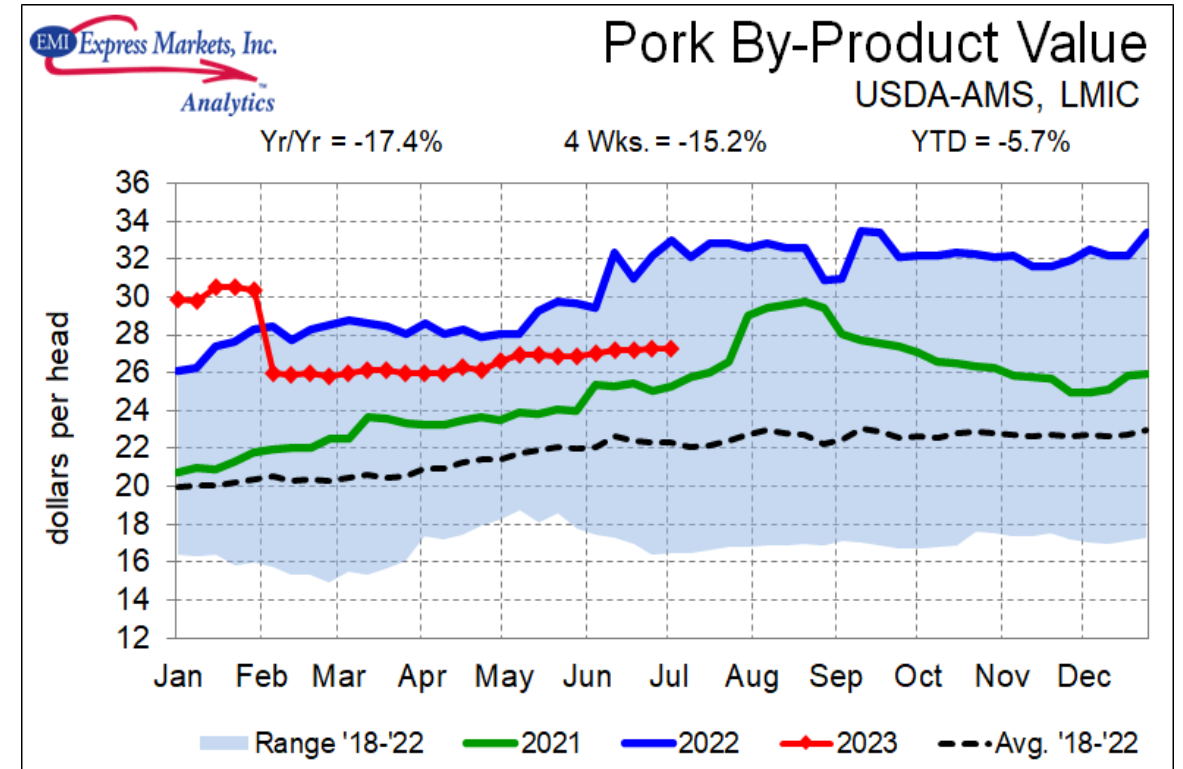
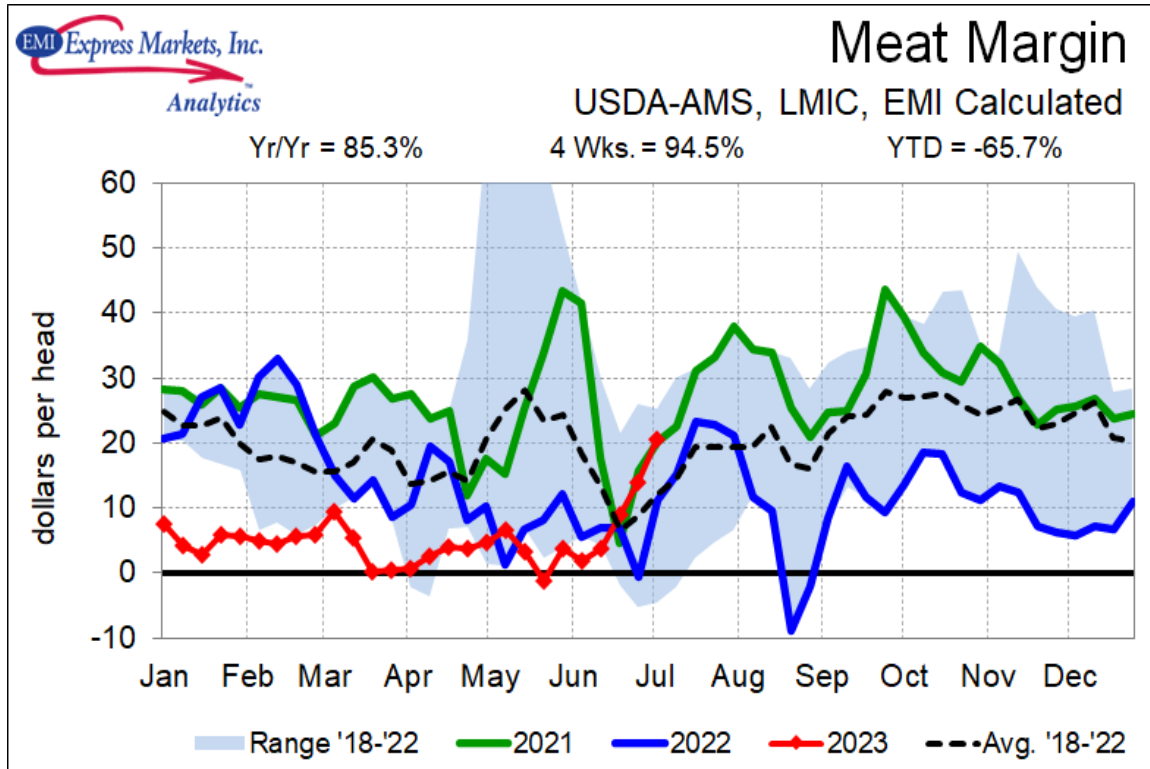
Hog Prices



- National average B&G, for all methods, averaged about \$89/cwt. in June, **-16.4%** Y/Y
- More hogs in H1 of 2023 likely pressured hog prices, the slight increase in hog numbers in H2, and proposition 12 may add some pressure to prices in the coming months

- Producer sold negotiated hogs averaged about \$92/cwt. in June, **-22.1%** Y/Y, but was **+3%** above the national average
- Seasonal increase, and possible support from Prop 12 ahead of July 1 deadline

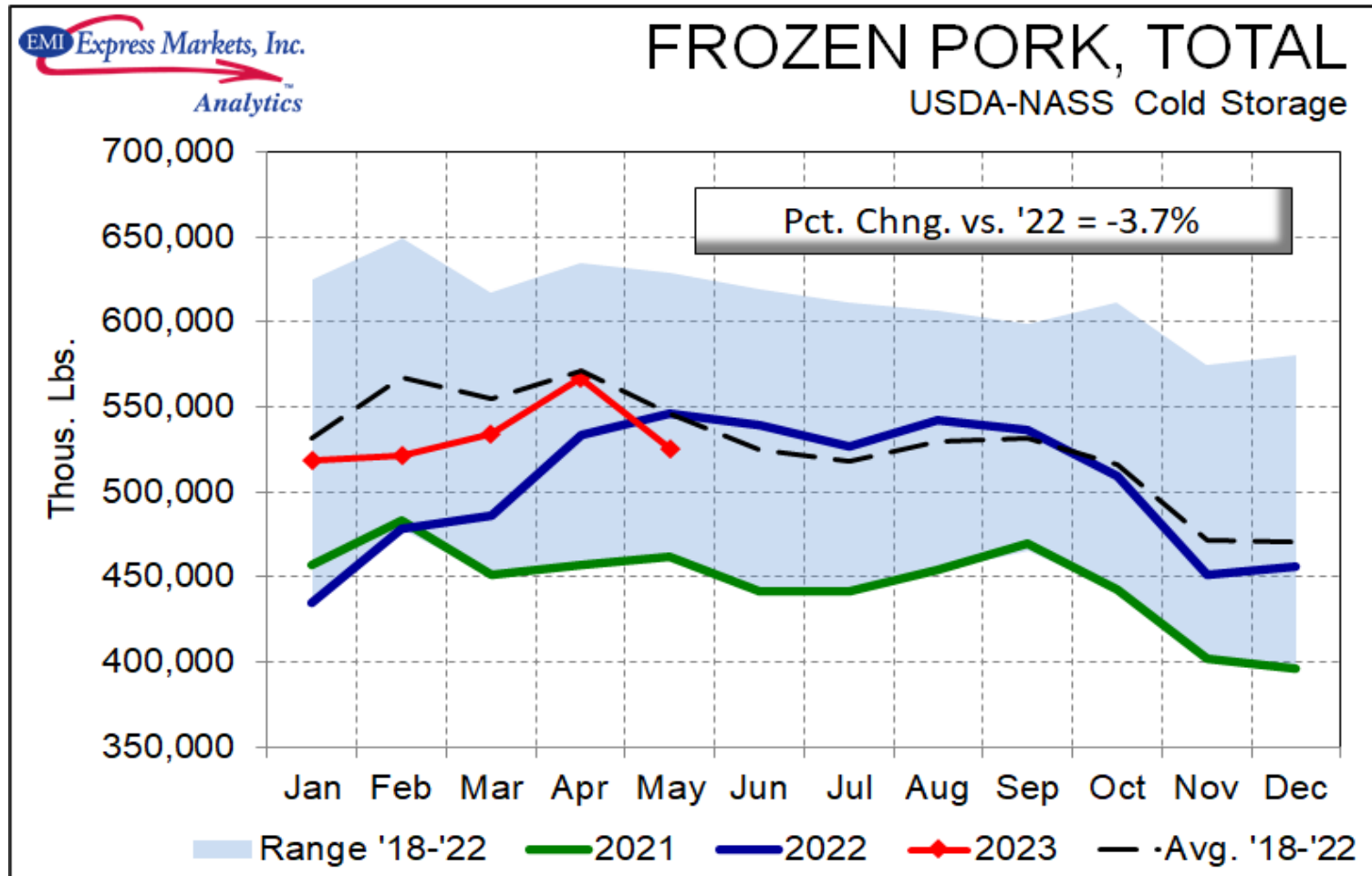
Estimated Packer Gross Margins



- The meat margin averaged about \$21/hd last week, due to increase in cutout value
- Pork by-product value continues trend near \$27/head, not a lot of change in the last several weeks

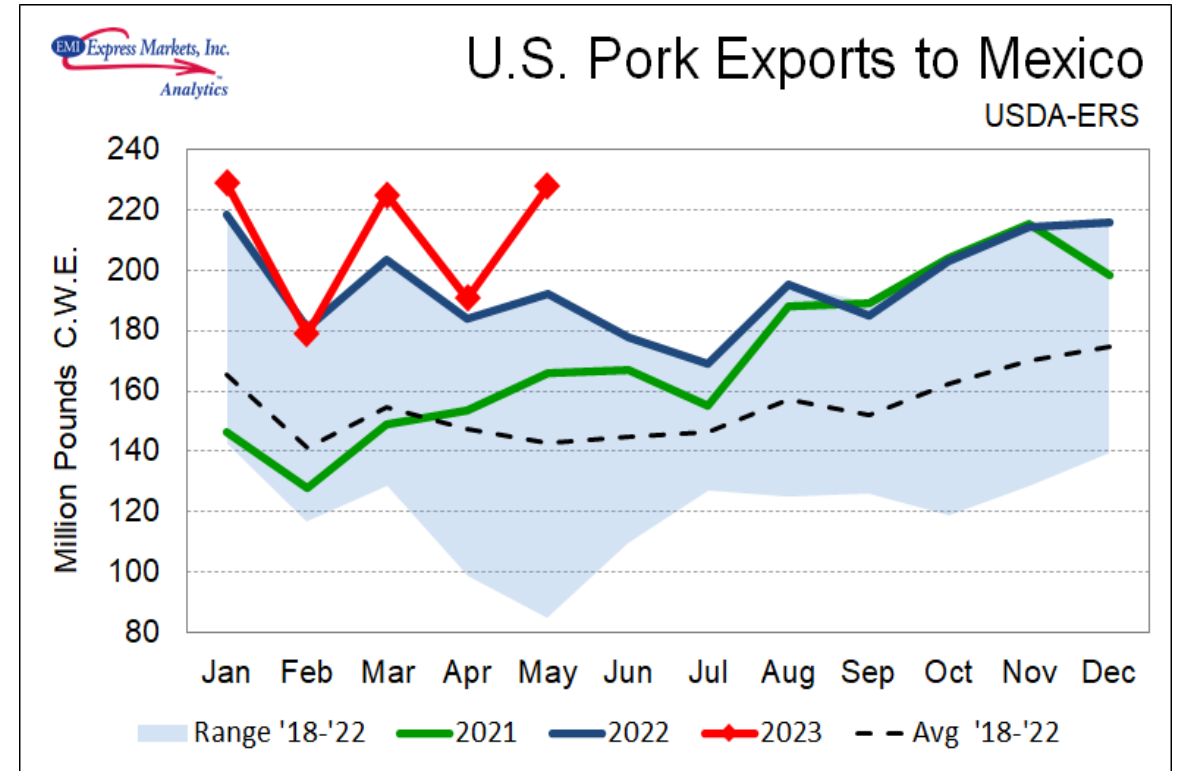
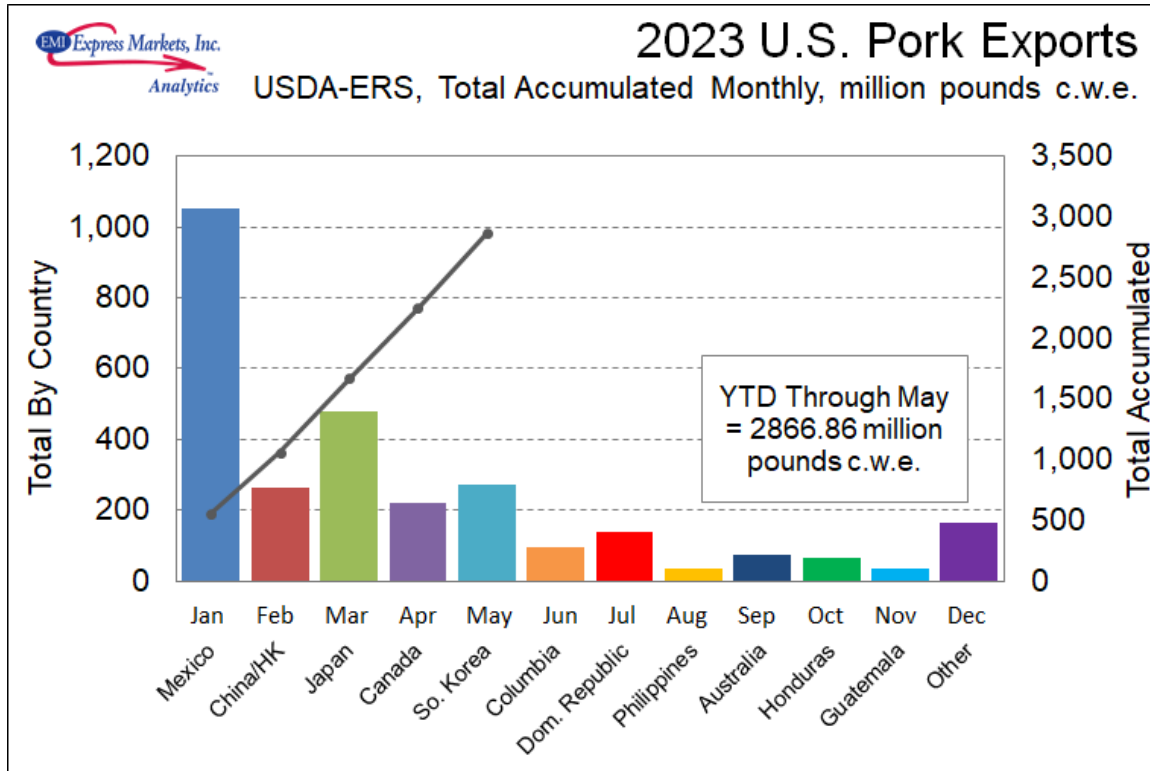
- The two combined is the estimated packer gross margin, which averaged about \$48/hd last week, and was +54.5% in the last 4 weeks
- **This is not a true representation of packer margins, only estimates and used as a barometer**

Pork Cold Storage



- Pork in cold storage inventories in May totaled 525.9 million pounds and were **-3.7% Y/Y**, **-7.3% M/M**
- Larger withdrawals may be partly due to stockholders looking to offload noncompliant pork out of freezers
- West Coast ports reach tentative agreement

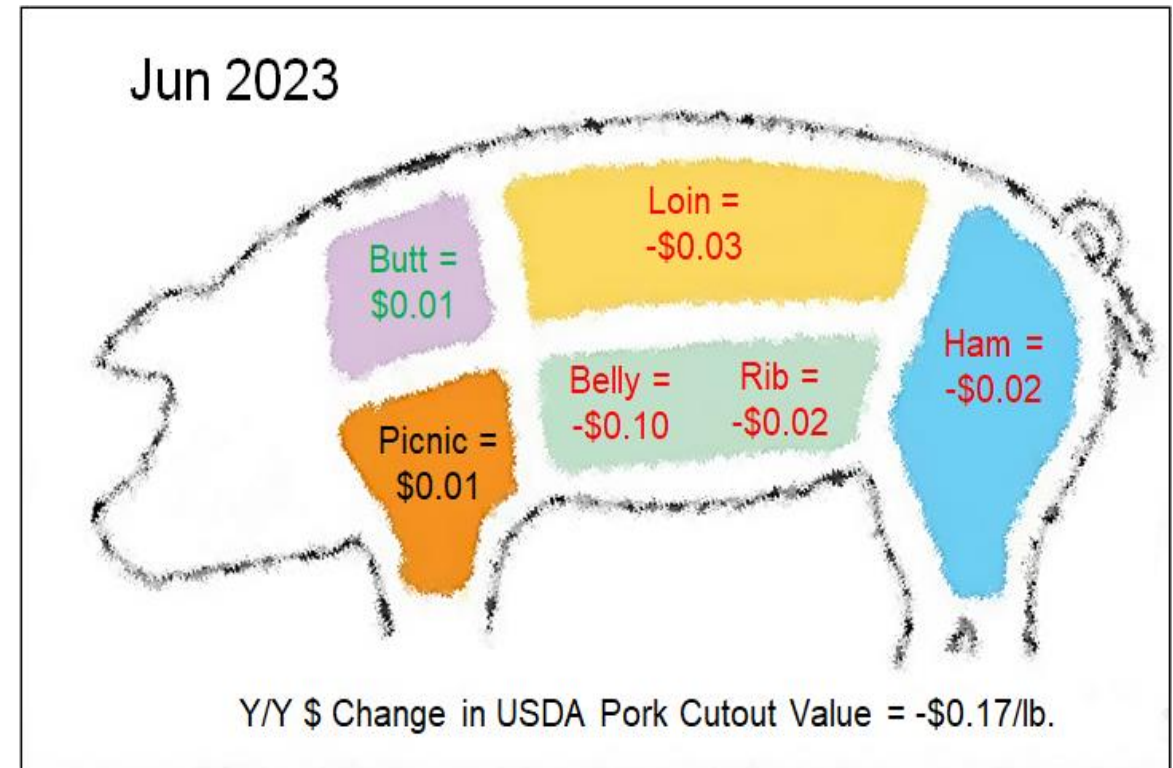
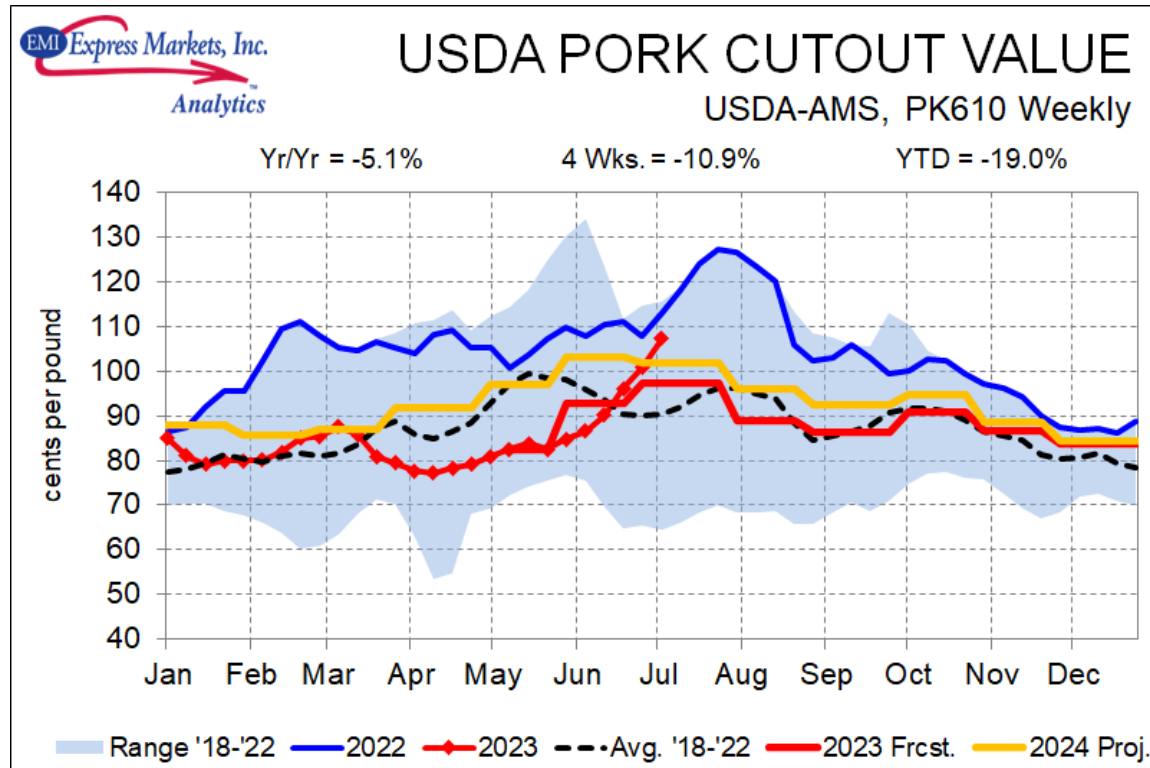
Pork Trade



- In May, US pork exports, excluding variety meats, totaled 618 million pounds c.w.e., +12.7% Y/Y
- US more competitive with smaller global supplies and global hog prices trending higher
- Tentative West Coast ports labor contracts, Strong US \$

- Mexico hog prices continue to decline, -24% in May per USMEF
- EU hog prices continue to outpace China's, based on the US dollar, making the US more competitive on the global market
- Brazil looking to expand pork production

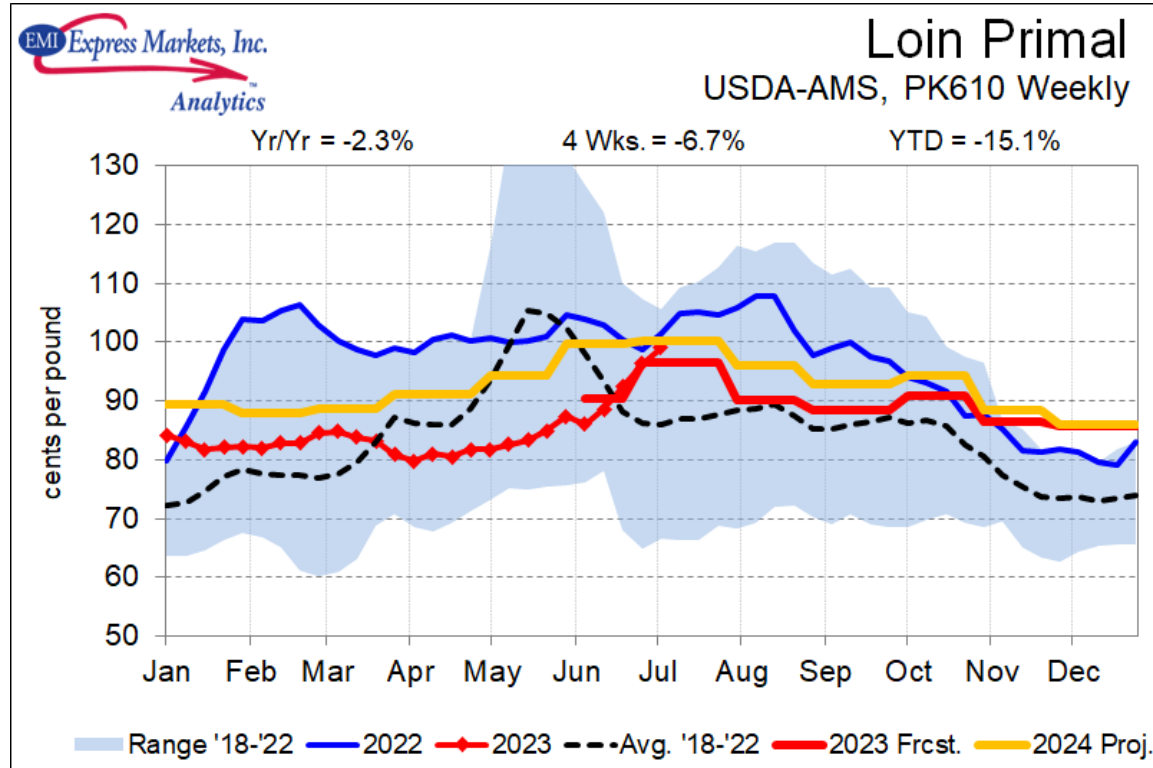
Pork Cutout



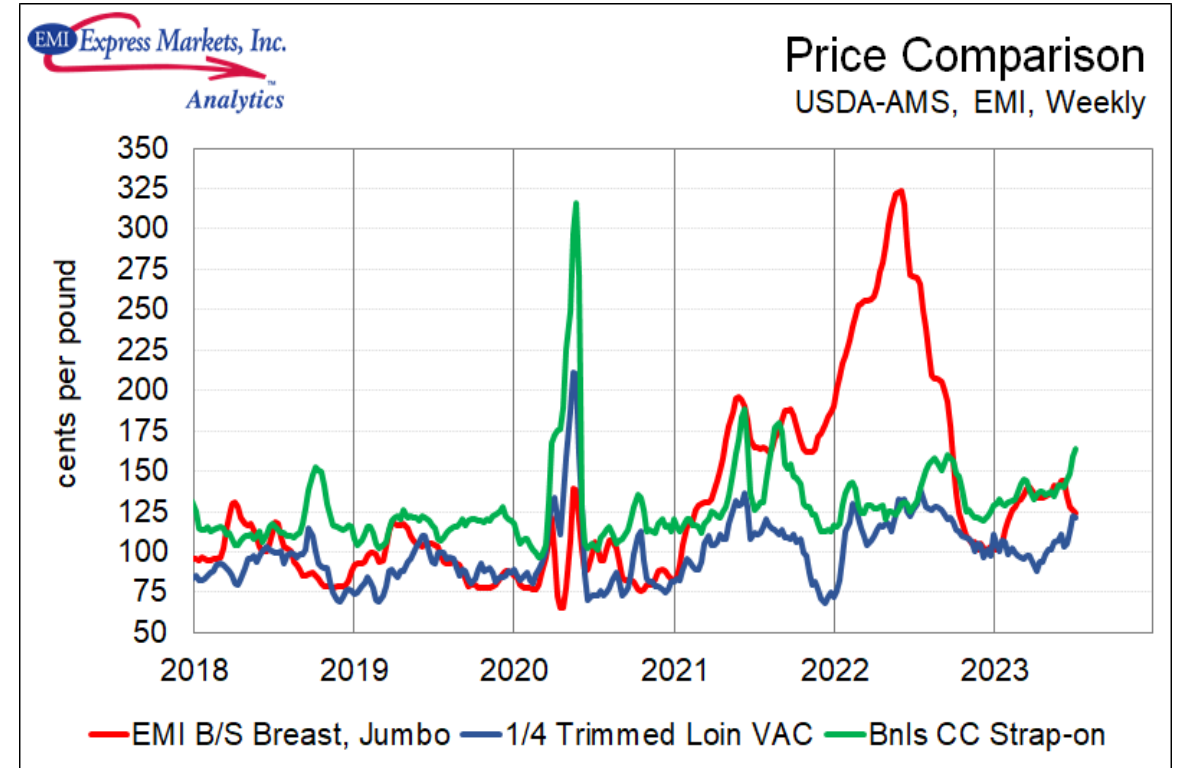
- Pork Carcass cutout value averaged \$0.93/lb. in June, **+12.2% M/M, -15.3% Y/Y**
- Prop 12 deadline likely contributed to the run up in the cutout value in June

- The belly primal cut was the biggest contributors to the weaker cutout value in June Y/Y
- Volatility is expected in the coming months due to Prop 12 and a slight increase in the number of hogs projected

Loin Primal

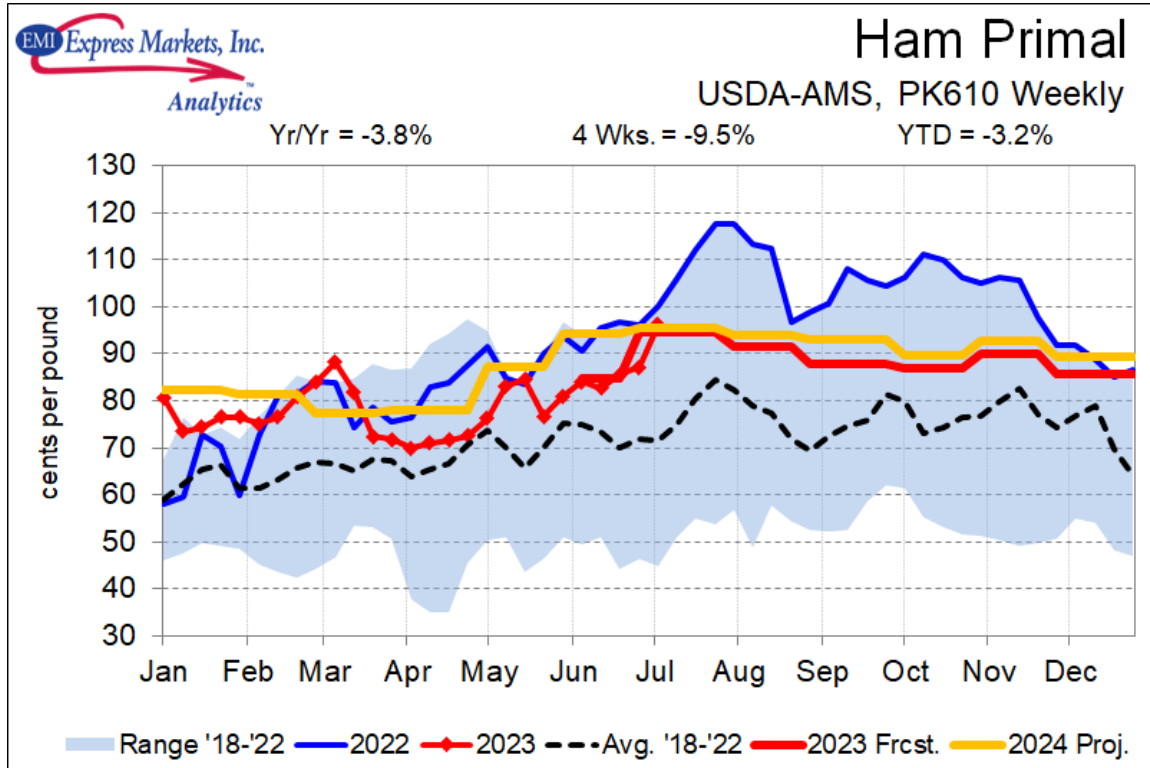


- In June, the loin primal averaged \$0.90/lb., +6.8% M/M, and -7% Y/Y
- Prop 12 deadline

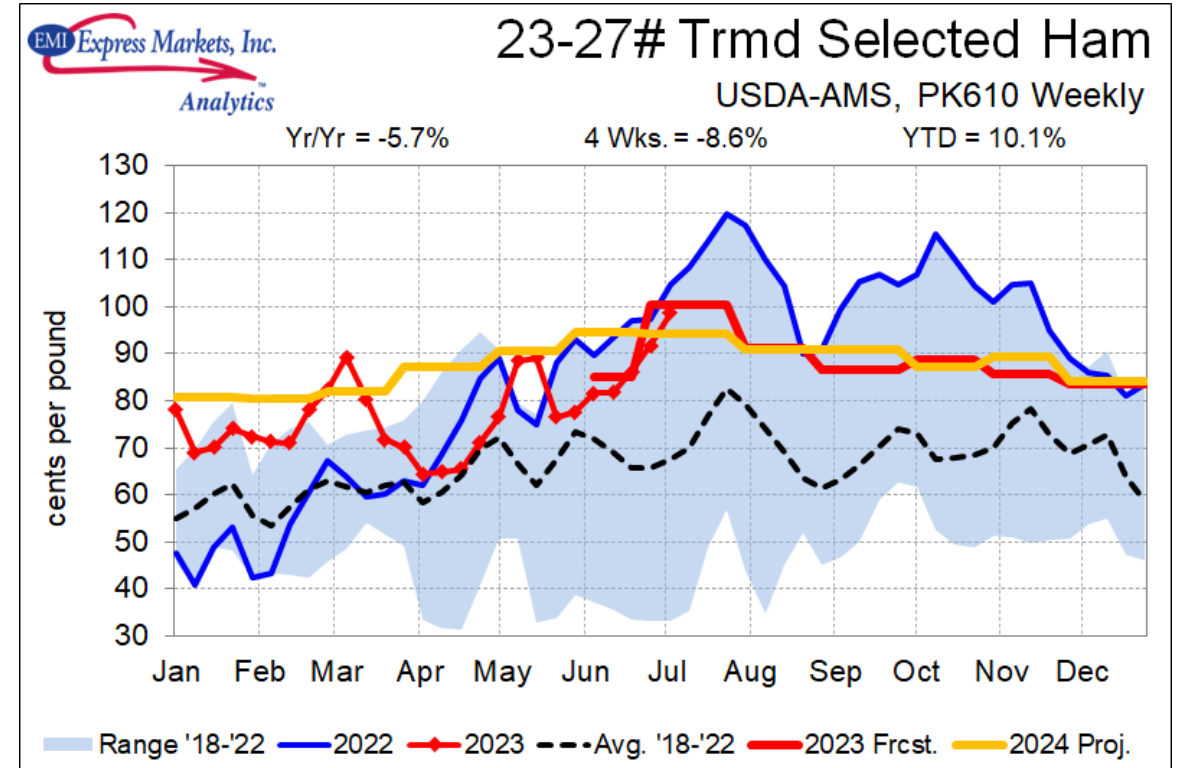


- Boneless loins deviate from B/S chicken breast prices for the short term
- Likely to narrow once again in the coming weeks

Ham Primal

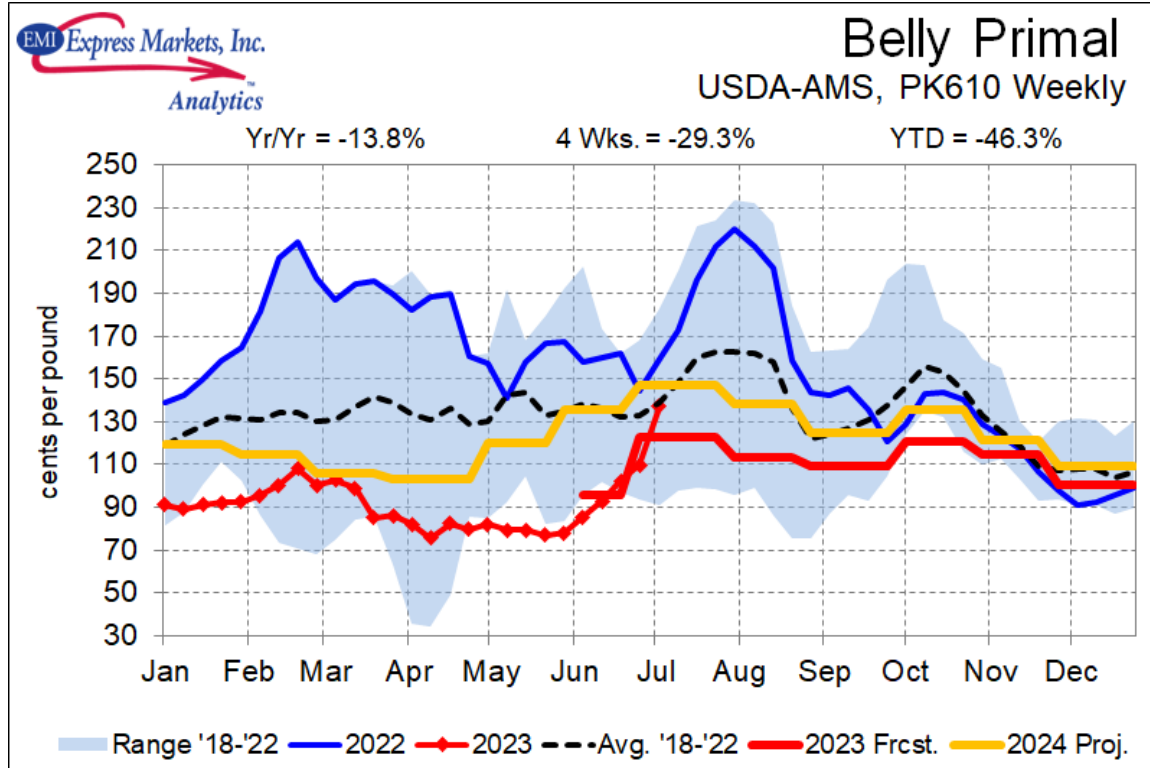


- In June, the ham primal averaged \$0.85/lb., +5.6% M/M, -10.5% Y/Y
- Most ham sold in the US is cooked and may not fall under Prop 12 requirements

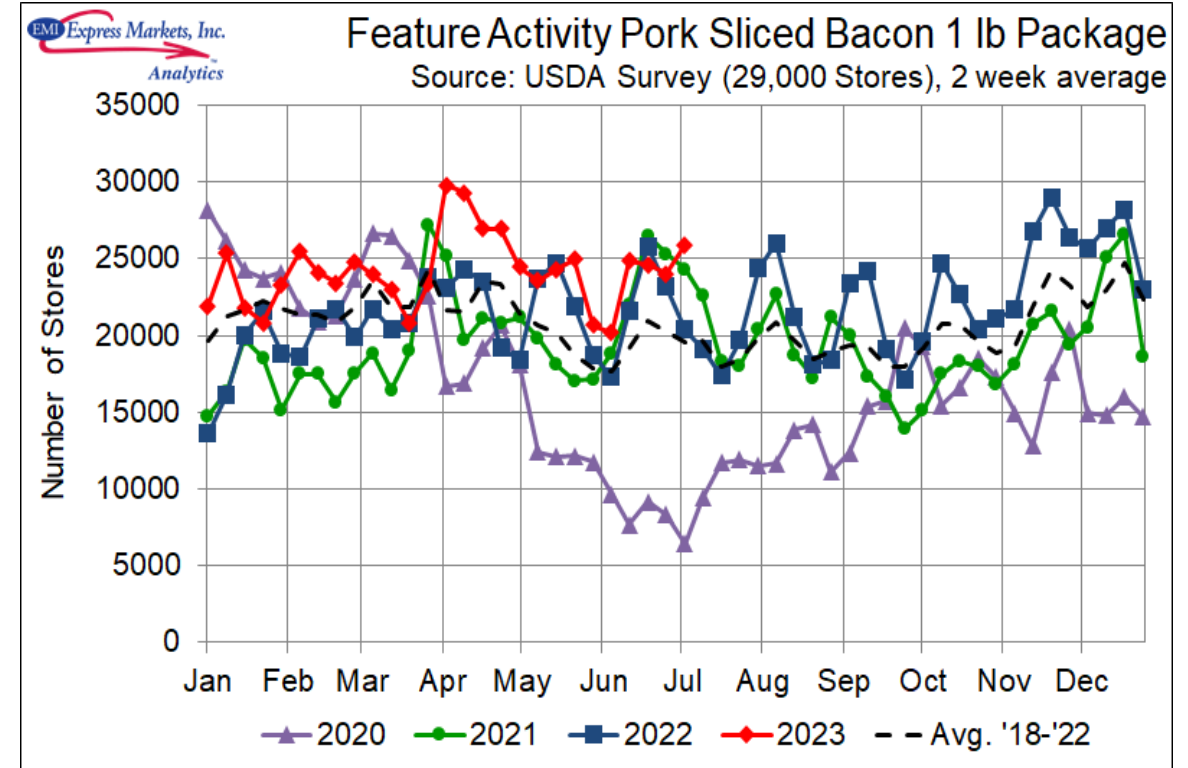


- In June, the 23-27# trmd selected ham averaged \$0.85/lb., +3.7% M/M, -10.3% Y/Y
- Bone-in cold storage +15.2% Y/Y in May
- Exports to Mexico

Belly Primal

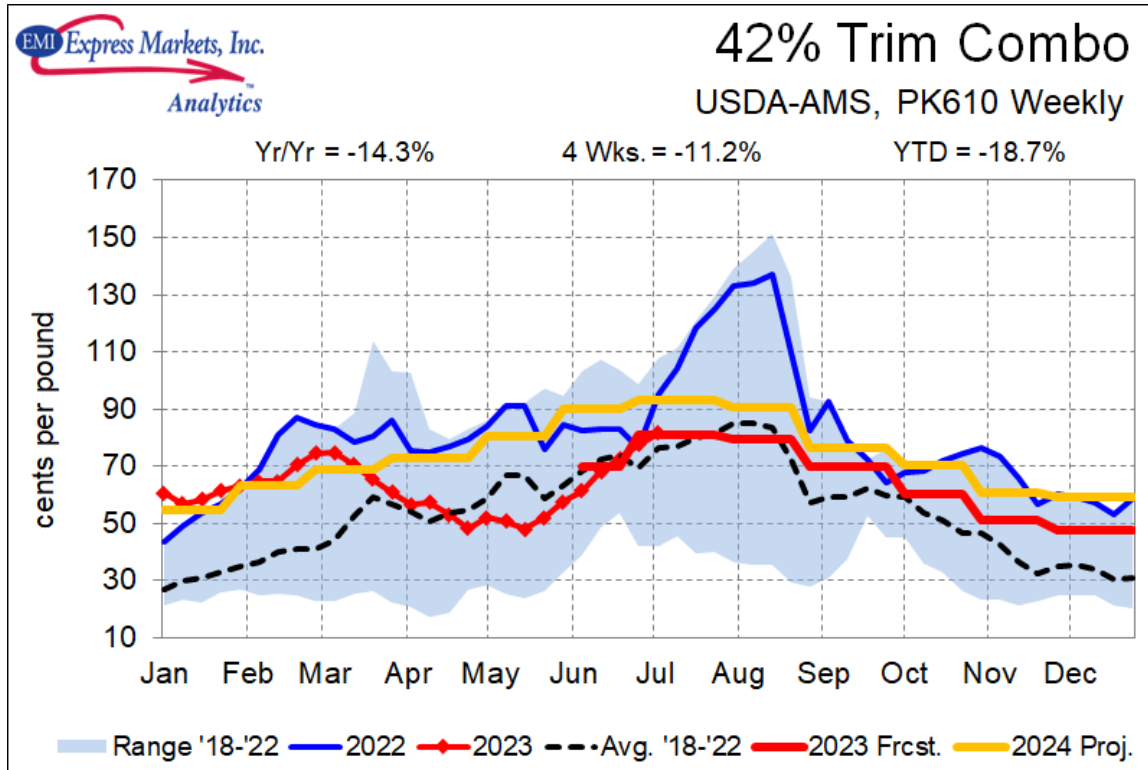


- In June, the belly primal averaged \$0.96/lb., **+20.9%** M/M, **-39.4%** Y/Y
- Cured, but uncooked and would fall under Prop 12 requirements and may add additional pressure to belly prices

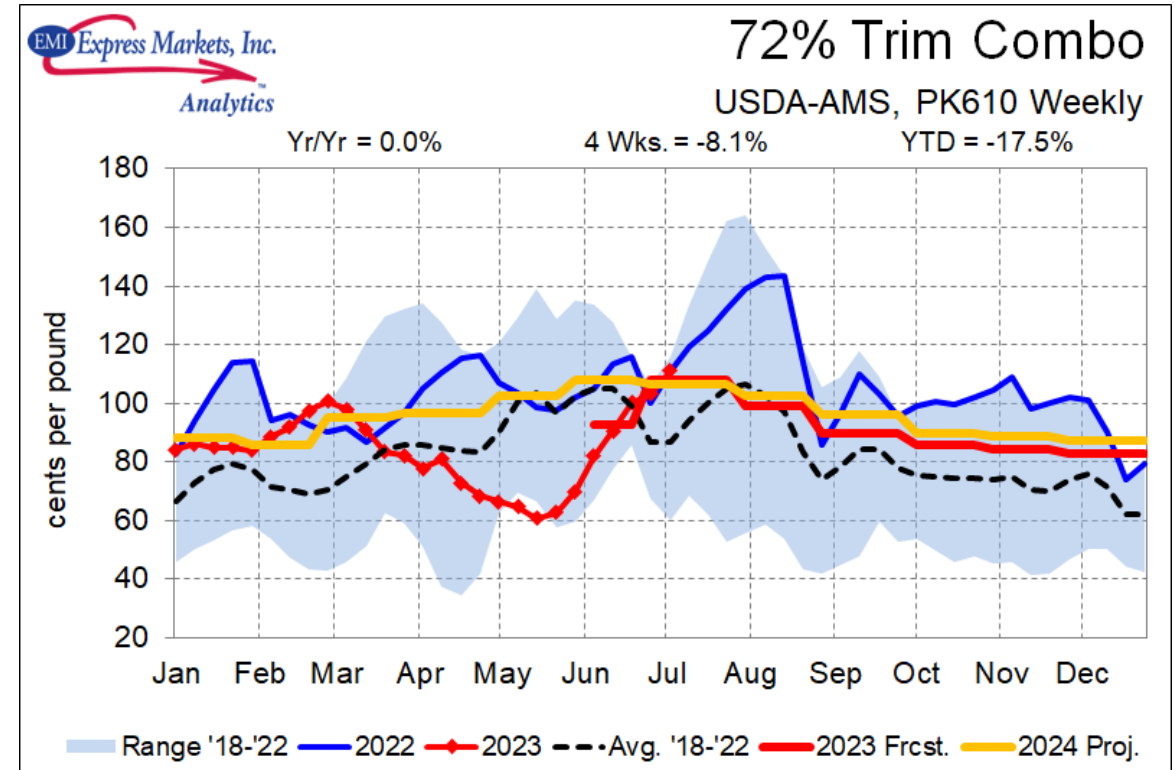


- Feature activity **+9.5%** in June Y/Y, with feature prices averaging \$5.13/lb., **-18.1%** Y/Y
- Cold storage stocks set 5-yr high in May, **+45.5%** Y/Y and keeping some pressure on belly prices

Pork Trim



- In June, 42% trim prices averaged \$0.70/lb., **+35%** M/M, **-17%** Y/Y
- Cold storage stocks **-4.9%** in May M/M, **+5.9%** Y/Y
- Ground pork not covered by Prop 12 Requirements



- In June, 72% trim prices averaged \$0.76/lb., **+44%** M/M, **-14.4%** Y/Y
- Volatility anticipated due small increase in pork production and Prop 12

Cattle/Beef Outlook

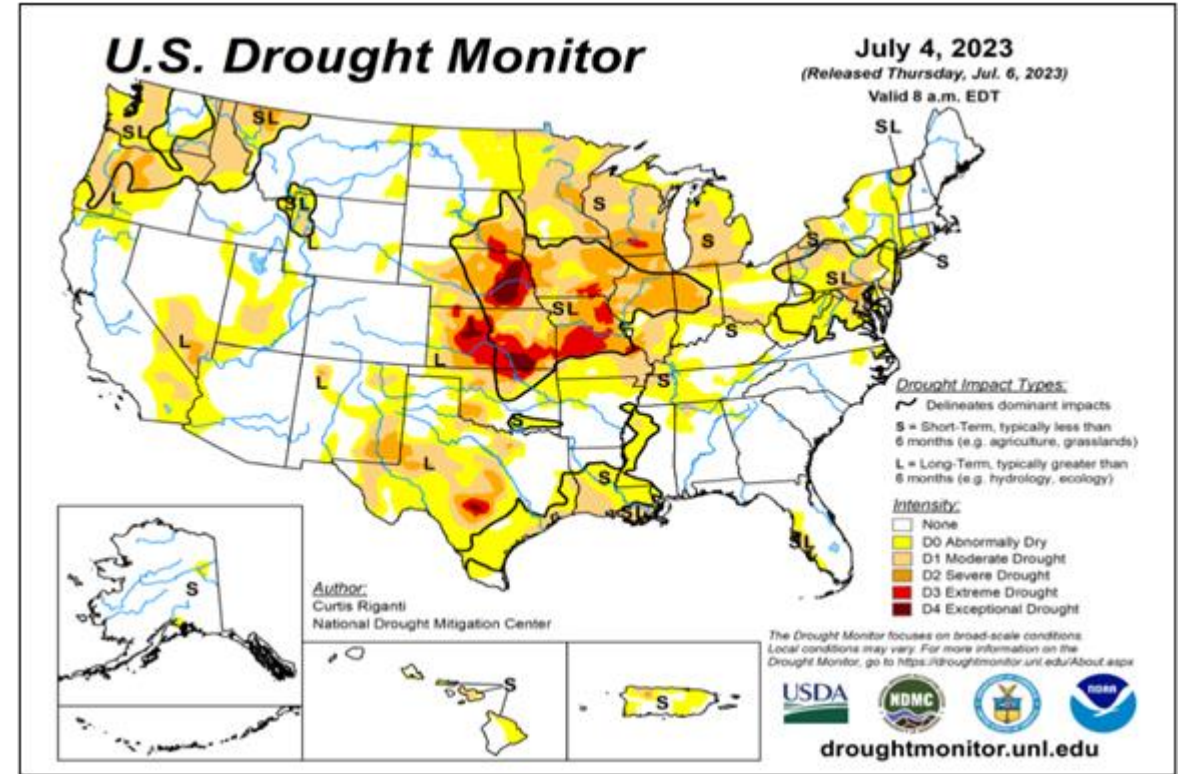
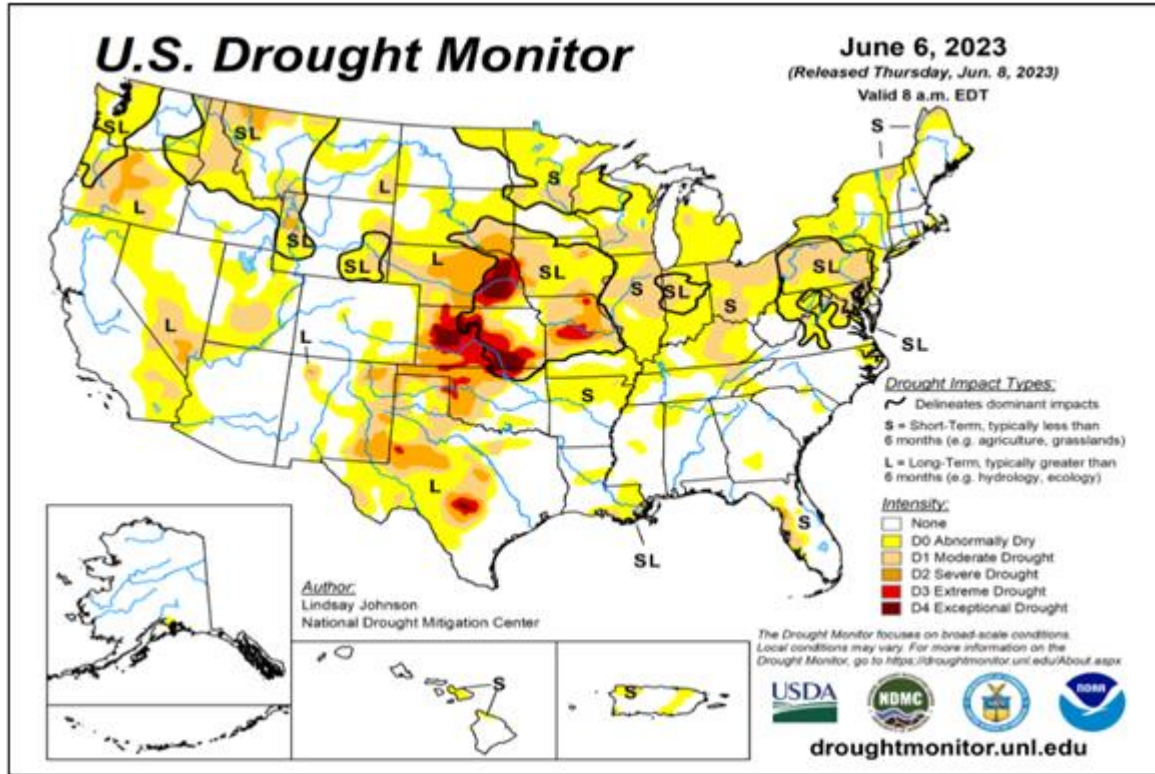


Ty Neff

Director of Red Meat Analytics

- Drought Outlook
- Cattle
- Beef Production
- Estimated Margins
- Cold Storage
- Trade
- Prices

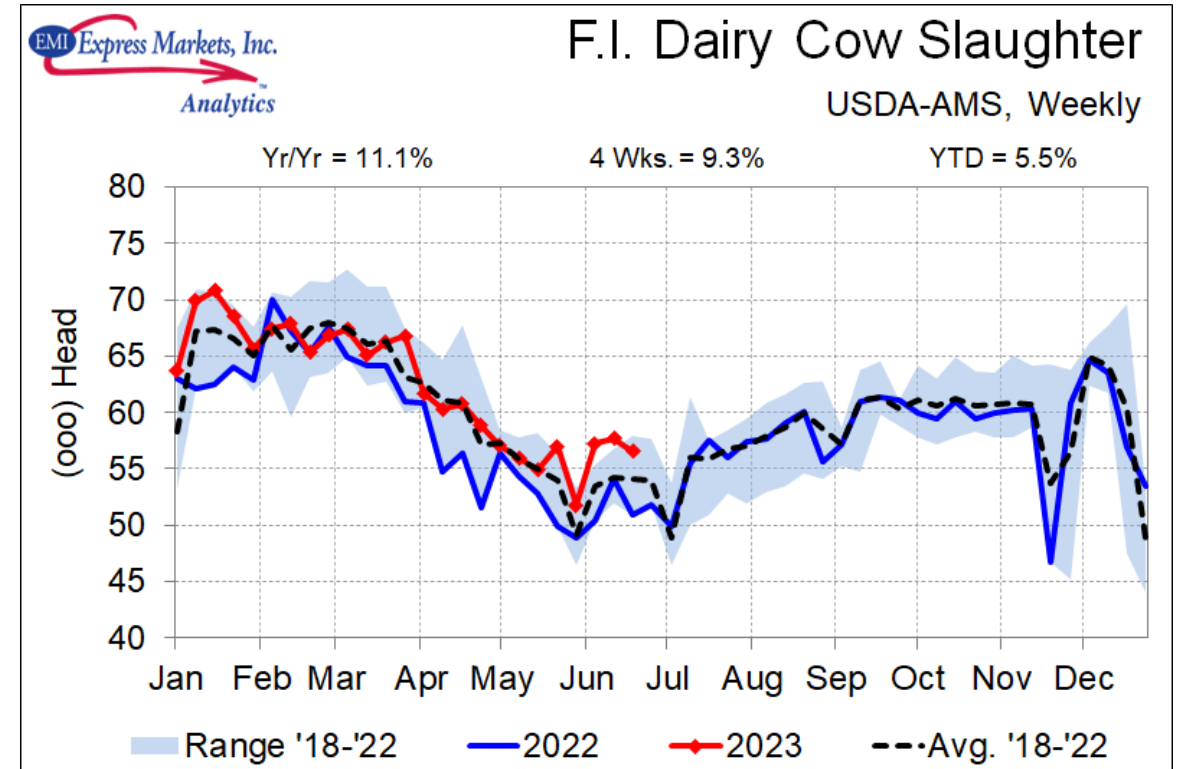
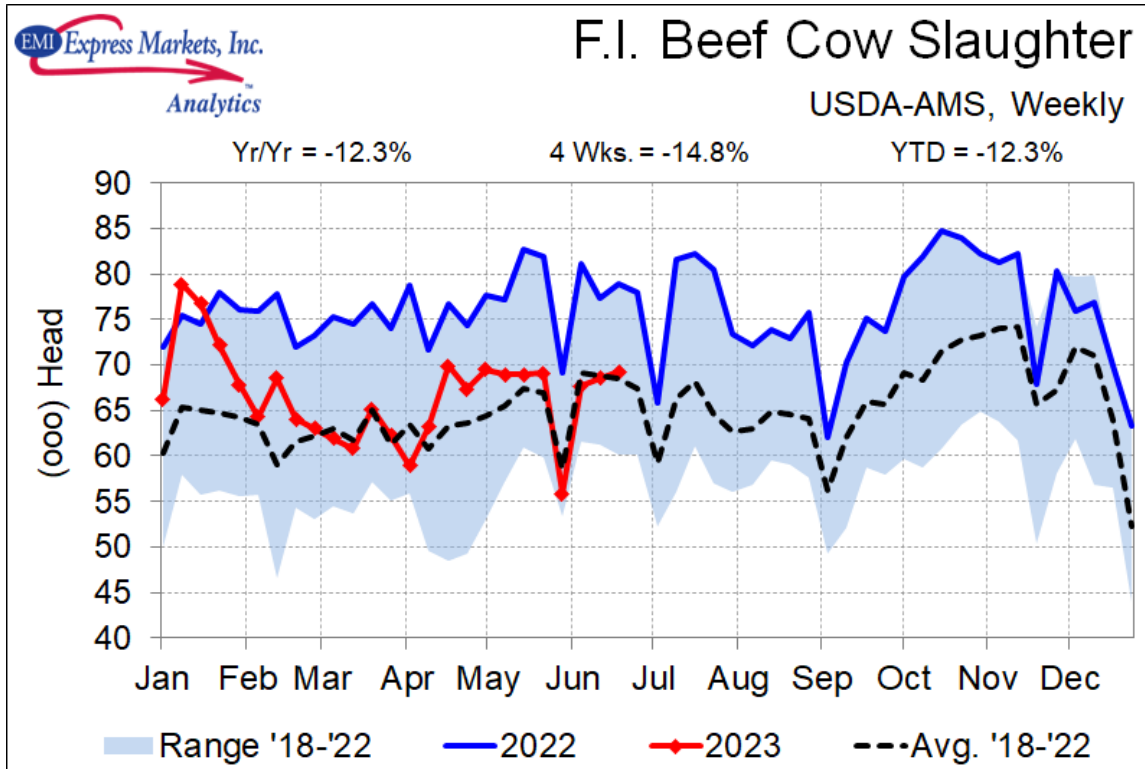
Drought Update



- Drought conditions continue to improve in some areas, while declining in the corn belt
- About 41% of cattle inventory in area experiencing drought, a 1-point improvement in the last 4 weeks

- Reminder: About 69% of cattle on feed in Central Great Plains states of TX, OK, KS, and NE
- Above normal temps in the Deep South, and equal/above chances of rain anticipated through the lower portion of the corn belt and on to the east coast

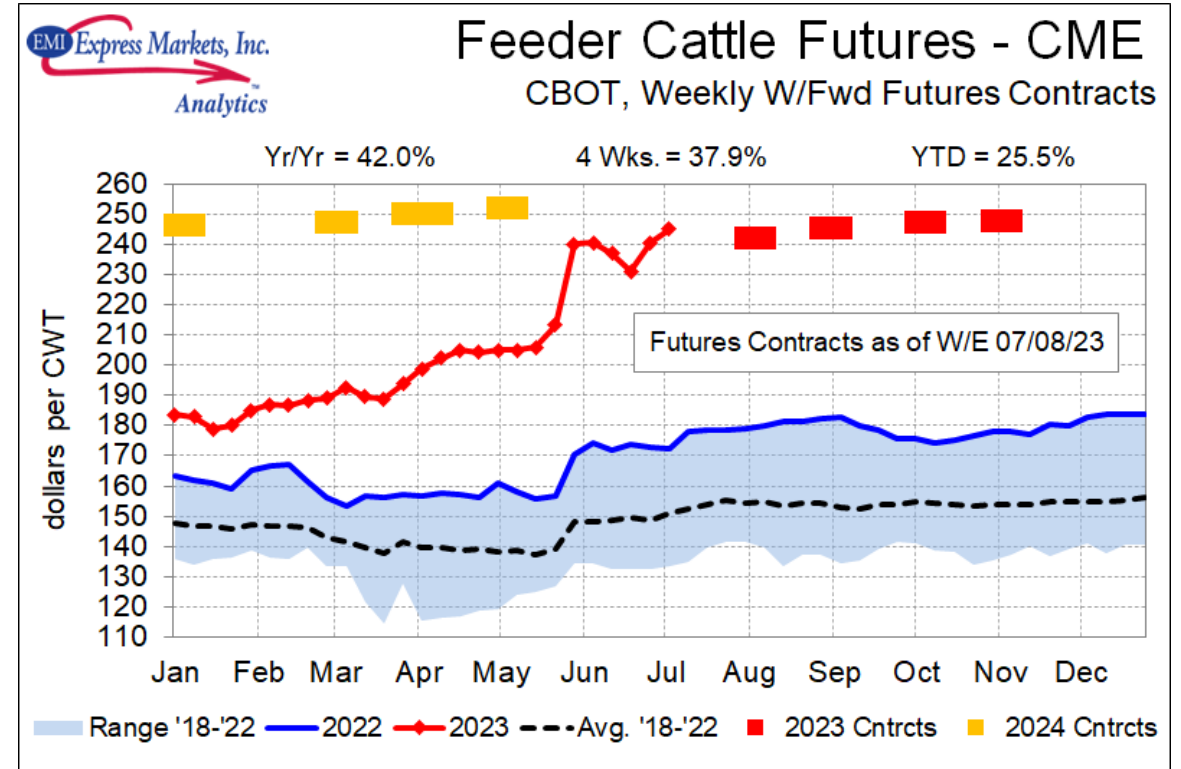
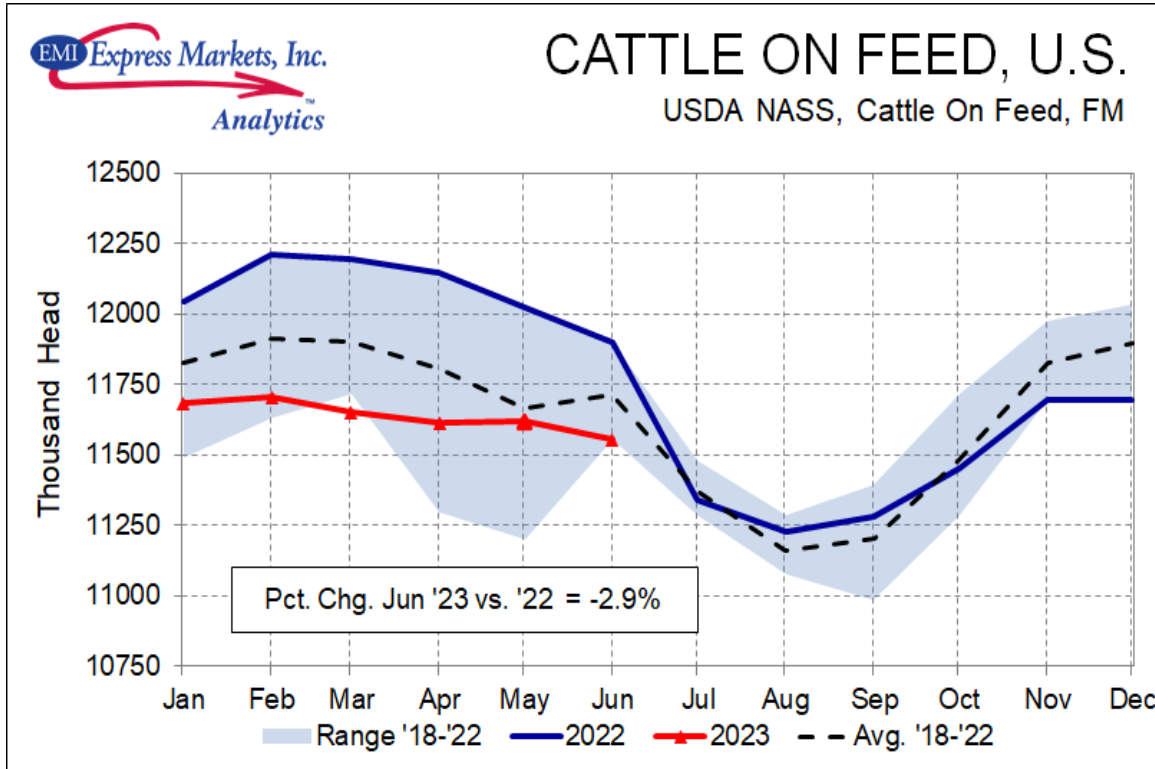
Culled Cows



- Beef cow slaughter was **-14.8%** Y/Y in the last 4 weeks, drought improvements may have some ranchers holding onto cows as long as they can
- Pasture conditions improving, 25% in Poor-Very Poor versus 46% a year ago, with some problem spots

- Dairy cow slaughter was **+9.3%** Y/Y in the last 4 weeks
- Class III milk futures were **-38.1%** in the last 4 weeks, averaging about \$14/cwt.
- Exports struggling with saturated global market, plentiful supplies weigh on dairy prices

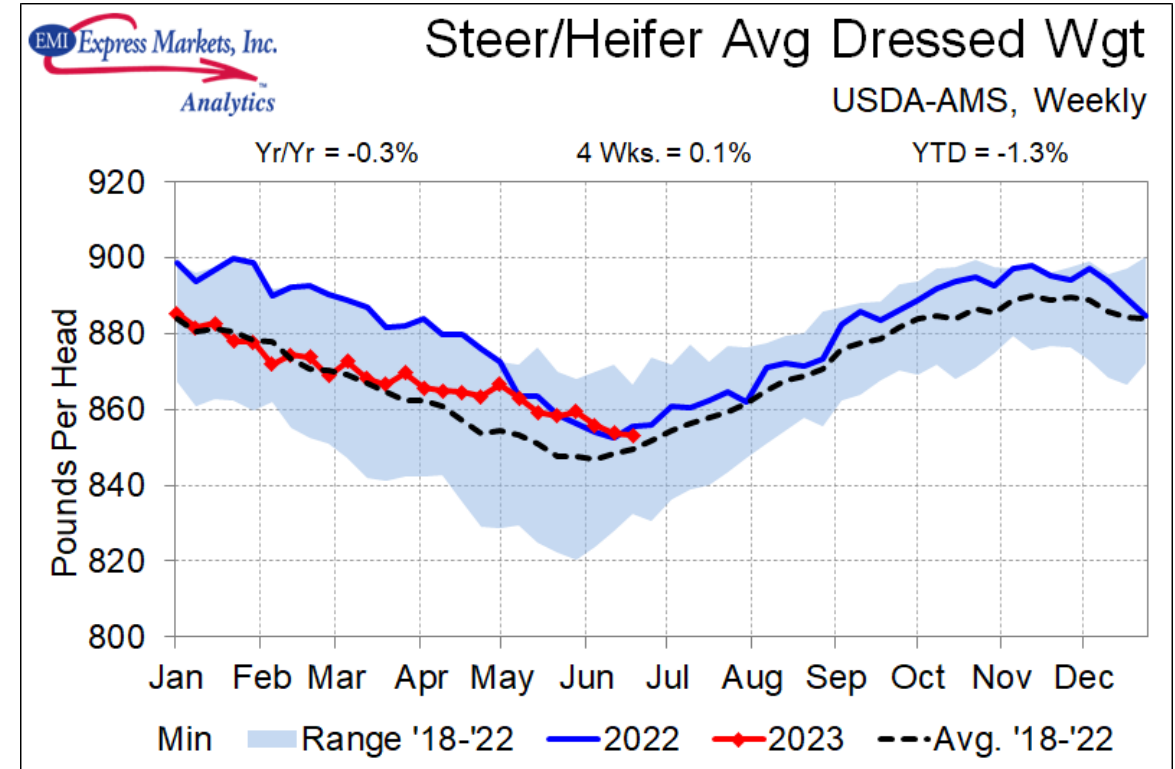
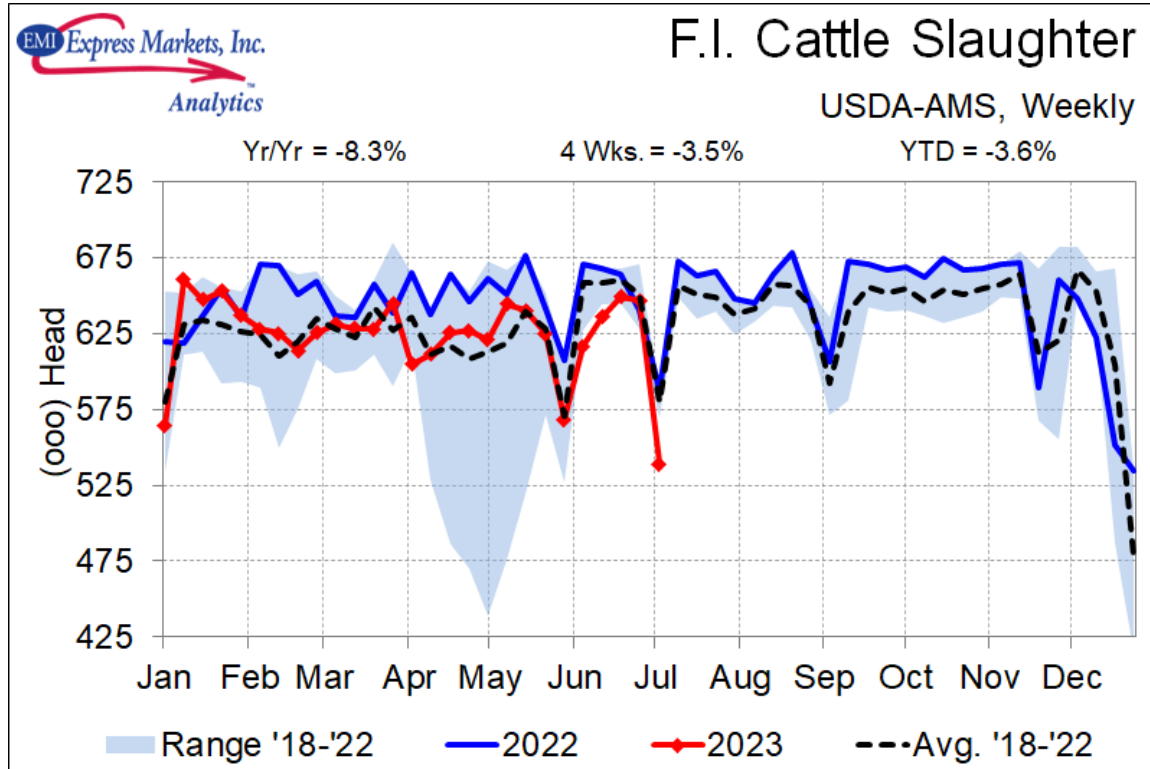
Cattle on Feed



- The June 1st COF total was 11.552 million head, **-2.9%** Y/Y
- Cattle enter at lighter weights, on feed longer - COF +180 days was **+2.2%** Y/Y, 90-120 days **-7.1%** Y/Y
- Fewer COF suggests tighter supplies coming

- The May placements total was 1.955 million head, **+4.6%** Y/Y, and was higher than pre-report estimates
- Tighter supplies, declining corn prices, and drought improvements push feeder futures **+37.9%** in the last 4 weeks (\$238/cwt.), **+42%** Y/Y

Beef Production



- Total slaughter for June was estimated **-4.8%** Y/Y on PKD basis with same number of kill days based on weekly data
- Part of the slaughter decrease has been attributed to the decline in beef cow slaughter

- Str/hfr dressed weights near Y/A levels, **+0.1%** in the last 4 weeks, averaging about 856 lbs./head
- Concerns over fed weight trend and finding bottom
- Heifer/Steer ratio **+1.6%** in the last 4 weeks Y/Y, **+15%** above the 5-yr average

Beef Production

Cattle -- Commercial Slaughter Forecasts

		LMIC		EMI		ACTUAL		EMI Str&Hfr	
		Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Hd	% Chnge
2019	Year	33.556	1.7%	33.555	1.7%	33.555	2.5%	26.500	1.2%
2020	Year	32.786	-2.3%	32.786	-2.3%	32.786	-2.3%	25.801	-2.6%
2021	Year	33.851	3.2%	33.850	3.2%	33.850	3.2%	26.494	2.7%
2022	Q1**	8.406	1.5%	8.406	1.5%	8.406	1.5%	6.457	-0.1%
	Q2	8.673	1.9%	8.673	1.9%	8.673	1.9%	6.788	1.1%
	Q3	8.754	2.7%	8.754	2.7%	8.754	2.7%	6.838	2.3%
	Q4	8.493	-0.5%	8.493	-0.5%	8.493	-0.5%	6.534	-1.4%
	Year*	34.325	1.4%	34.325	1.4%	34.325	1.4%	26.616	0.5%
2023	Q1	8.314	-1.1%	8.314	-1.1%	8.314	-1.1%	6.421	-0.6%
	Q2	8.278	-4.6%	8.275	-4.6%			6.507	-4.1%
	Q3***	8.301	-5.2%	8.237	-5.9%			6.463	-5.5%
	Q4***	8.134	-4.2%	8.107	-4.5%			6.281	-3.9%
	Year*	33.027	-3.8%	32.933	-4.1%			25.671	-3.6%
2024	Q1	7.557	-9.1%	7.598	-8.6%			5.991	-6.7%
	Q2	7.520	-9.2%	7.637	-7.7%			6.095	-6.3%
	Q3**	7.836	-5.6%	7.811	-5.2%			6.252	-3.3%
	Q4**	7.602	-6.5%	7.735	-4.6%			6.100	-2.9%
	Year*	30.515	-7.6%	30.780	-6.5%			24.438	-4.8%

*Annual total uses actuals to-date plus forecasts for the rest of the year.

Blue figures are estimated using USDA data

Green figures are EMI estimates

** 1 more day in qtr vs. yr. ago

*** 1 less day in qtr vs. yr. ago

7/12/2023

Cattle -- Commercial Beef Production Forecasts

		USDA WASDE		LMIC		EMI		ACTUAL	
		Bil. Lbs.	% Chnge	Bil. Lbs.	% Chnge	Bil. Lbs.	% Chnge	Bil. Lbs.	% Chnge
2019	Year	27.155	1.0%	27.155	1.0%	27.155	1.1%	27.155	1.1%
2020	Year	27.174	0.1%	27.174	0.1%	27.174	0.1%	27.174	0.1%
2021	Year*	27.948	2.8%	27.948	2.8%	27.948	2.9%	27.948	2.9%
2022	Q1**	7.023	1.8%	7.023	1.8%	7.023	1.8%	7.023	1.8%
	Q2	7.072	1.6%	7.072	1.6%	7.072	1.6%	7.072	1.6%
	Q3	7.144	2.4%	7.144	2.4%	7.144	2.4%	7.144	2.4%
	Q4	7.052	-0.8%	7.052	-0.8%	7.052	-0.8%	7.052	-0.8%
	Year*	28.291	1.2%	28.291	1.2%	28.291	1.2%	28.291	1.2%
2023	Q1	6.821	-2.9%	6.822	-2.9%	6.822	-2.9%		
	Q2	6.725	-4.9%	6.716	-5.0%	6.726	-4.9%		
	Q3***	6.820	-4.5%	6.773	-5.2%	6.775	-5.2%		
	Q4***	6.720	-4.7%	6.789	-3.7%	6.779	-3.9%		
	Year*	27.086	-4.3%	27.099	-4.2%	27.102	-4.2%		
2024	Q1	6.250	-8.4%	6.270	-8.1%	6.307	-7.5%		
	Q2			6.163	-8.2%	6.245	-7.2%		
	Q3**			6.481	-4.3%	6.445	-4.9%		
	Q4**			6.432	-5.3%	6.501	-4.1%		
	Year*	24.795	-8.5%	25.347	-6.5%	25.499	-5.9%		

*Annual total uses actuals to-date plus forecasts for the rest of the year.

Blue figures are estimated using USDA data

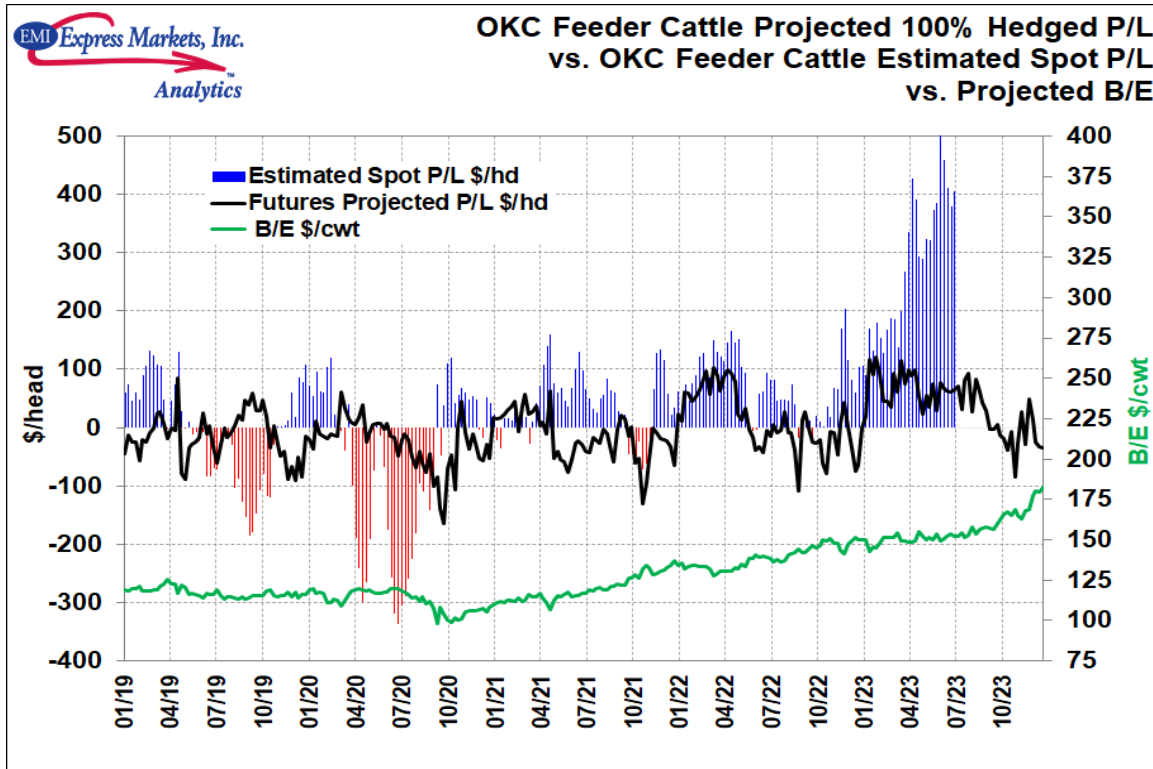
Green figures are EMI estimates

** 1 more day in qtr vs. yr. ago

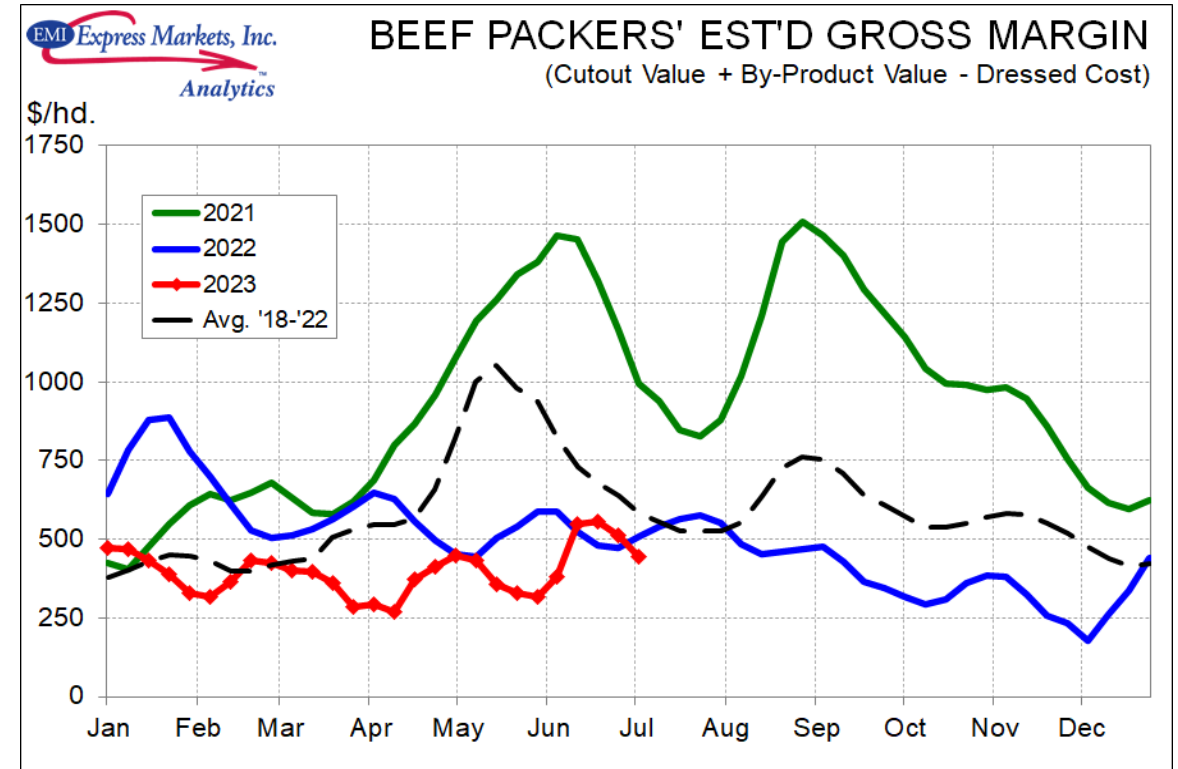
*** 1 less day in qtr vs. yr. ago

7/12/2023

Est. Feeding and Packing Margins

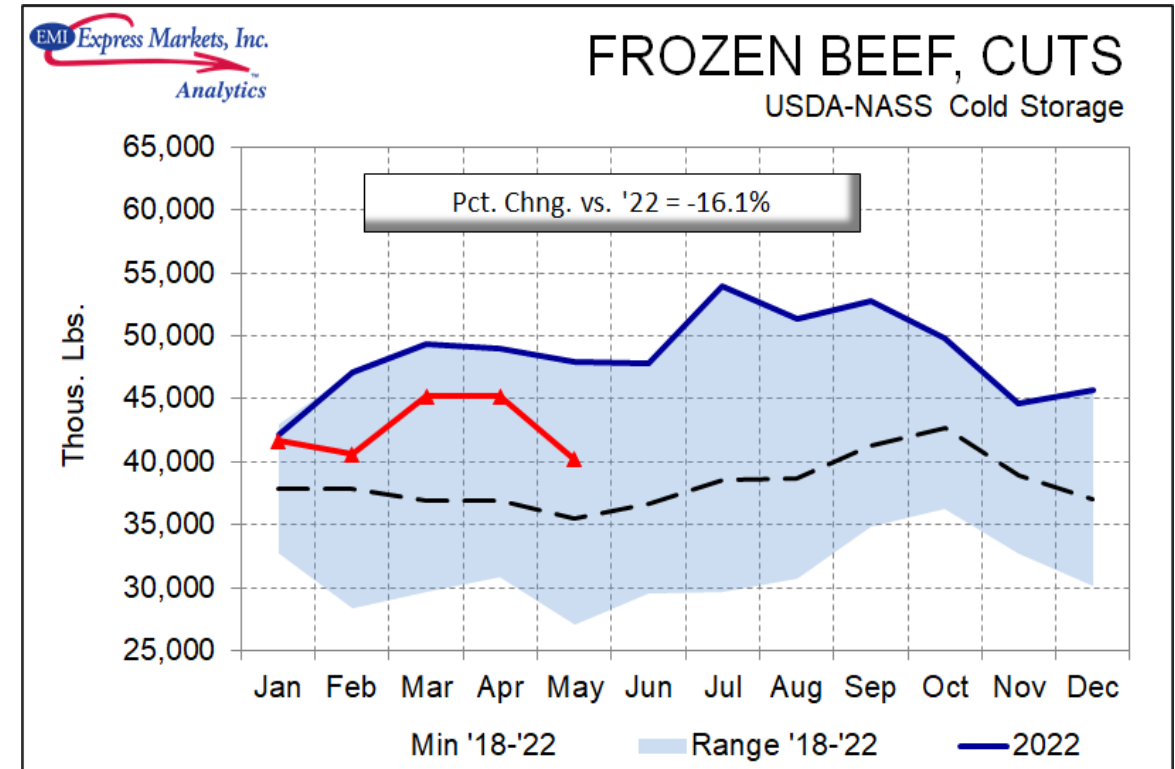
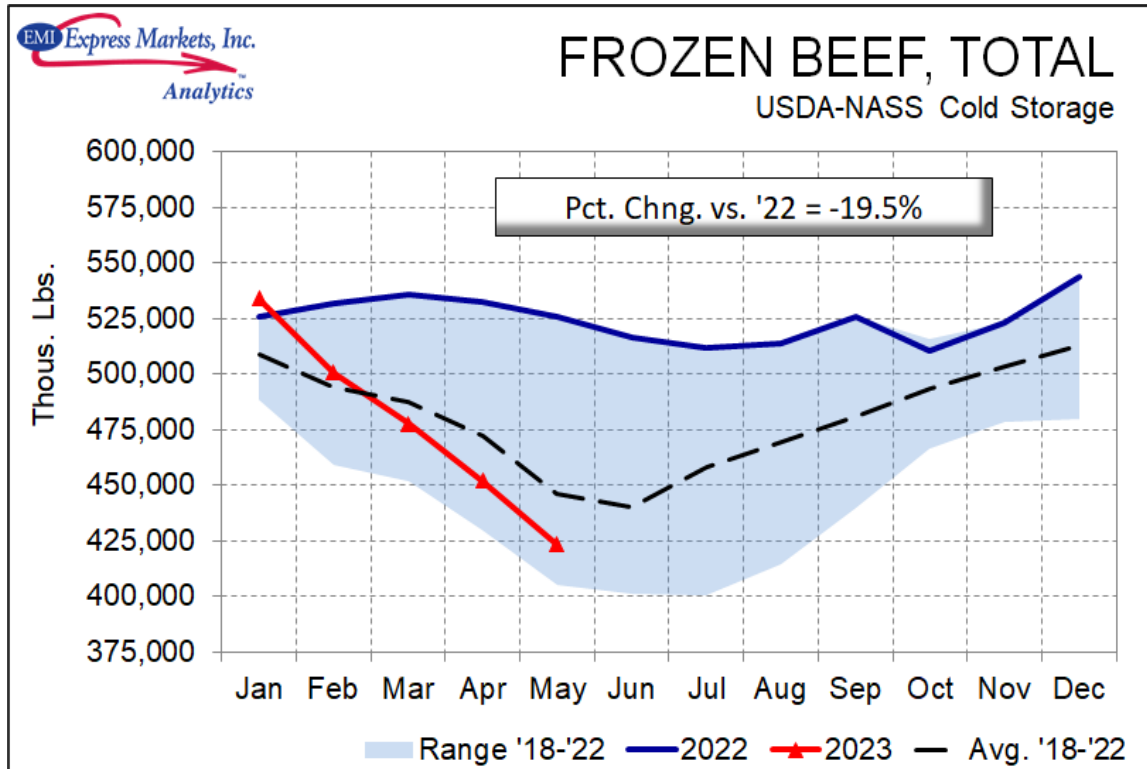


- Estimated spot profits for feeders averaged \$339/head in the last four weeks, market cattle for the fall still a concern
- Feeders optimistic with weaker grain costs
- 07/07/23 futures projected fed cattle losses in late Q3 and into Q4, with December break evens at \$180 cwt.



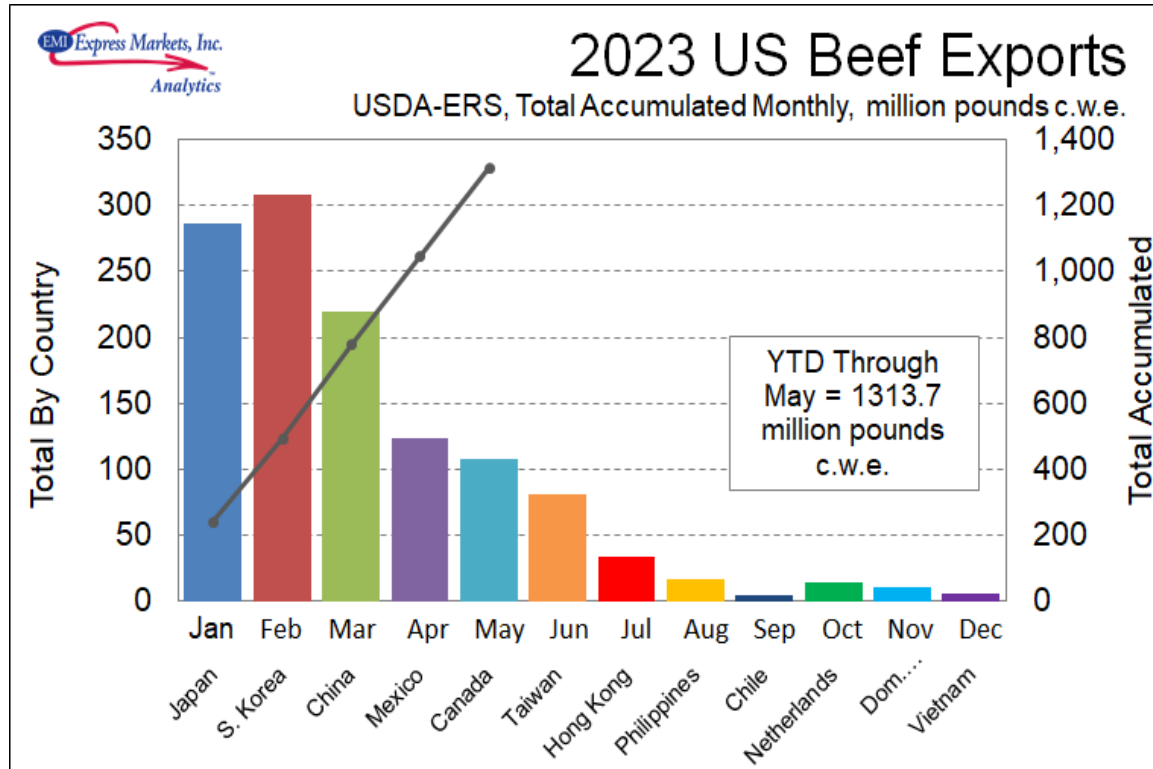
- Cutout value softens and pressures margins lower as higher cattle prices narrow the meat margin, and by-product values continue to hold steady
- Gross margin calc based on Choice/Select Cutout, not including branded or prime products, and is based on a meat margin and by-product value only

Beef Cold Storage

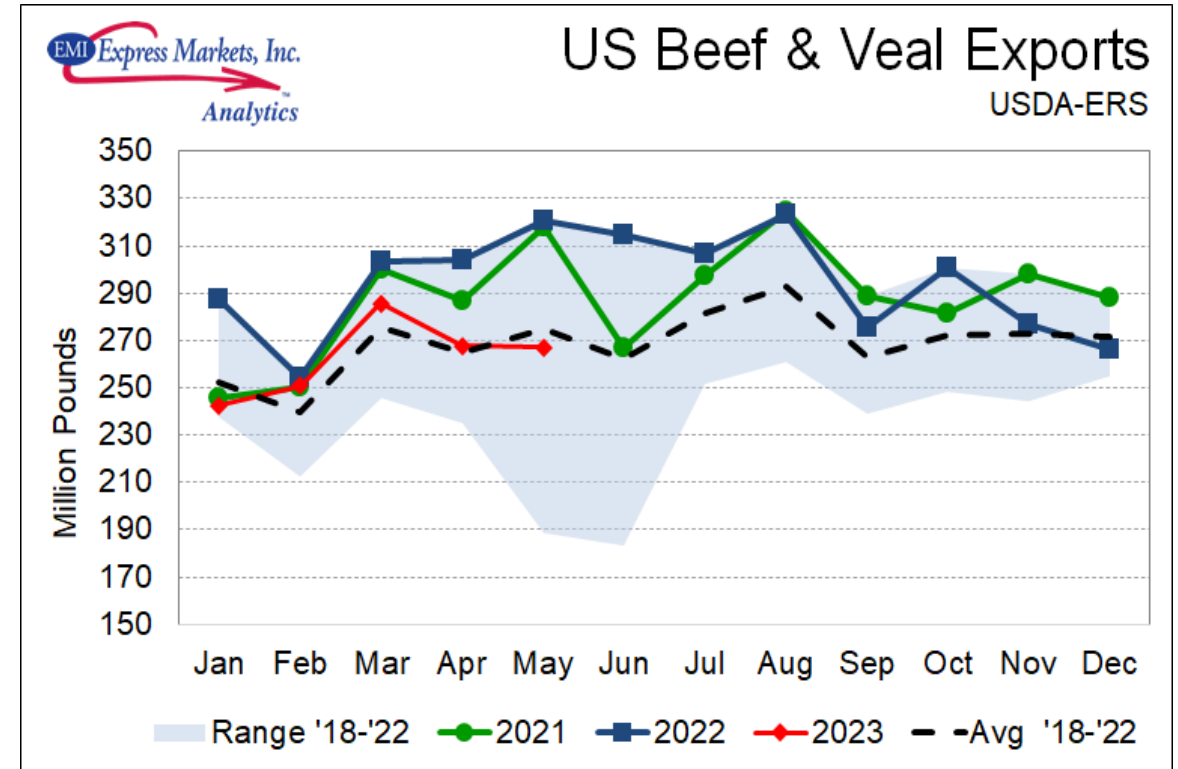


- Higher beef prices and a decline in cattle availability continue to pull beef stocks from storage, **-19.5% Y/Y** and are supportive of beef prices
- Boneless beef stocks were **-19.9%**, and beef cut stocks were **-16.1% Y/Y**
- Boneless beef stocks include steaks, roasts, boxed beef, trimmings, ground beef, and excludes variety meats
- Beef cuts includes boxed primal beef cuts, bone-in

Beef Exports

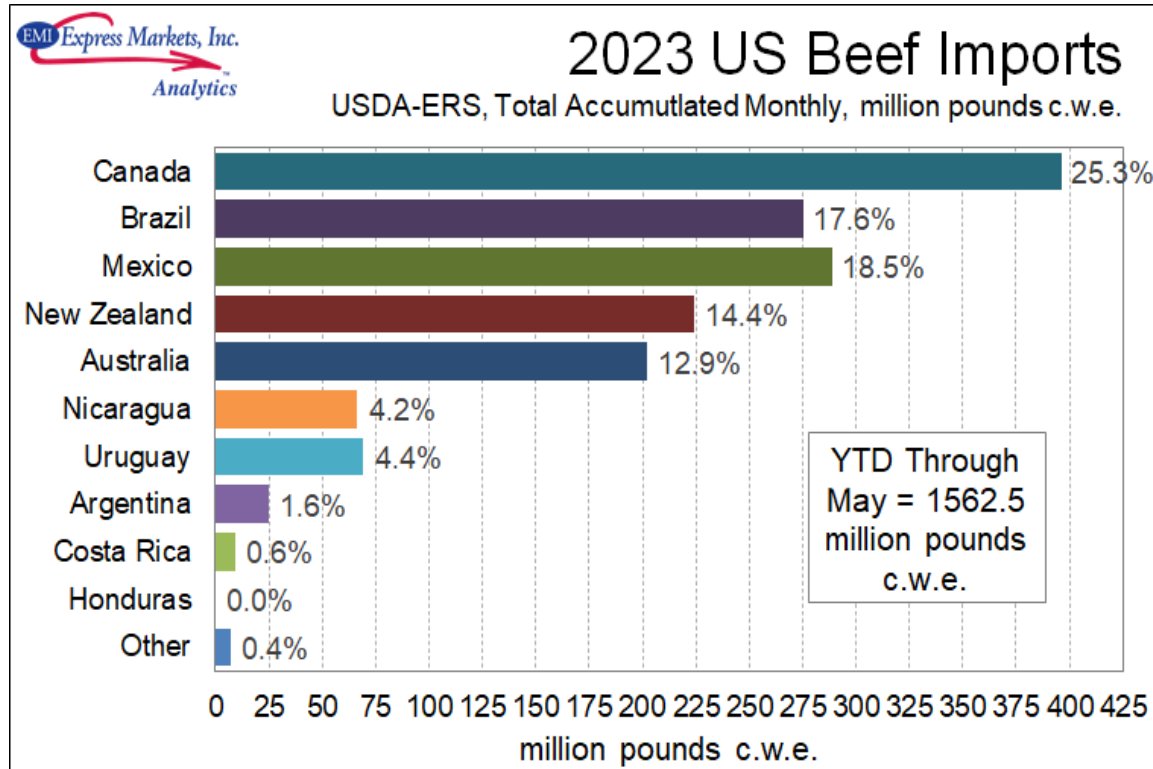


- In May, US beef exports totaled 267.1 million pounds c.w.e., **-16.8% Y/Y**, **-0.2% M/M**
- Japan **-36.4% Y/Y**, importing more FZN product from AUS, more FZN short plate from US

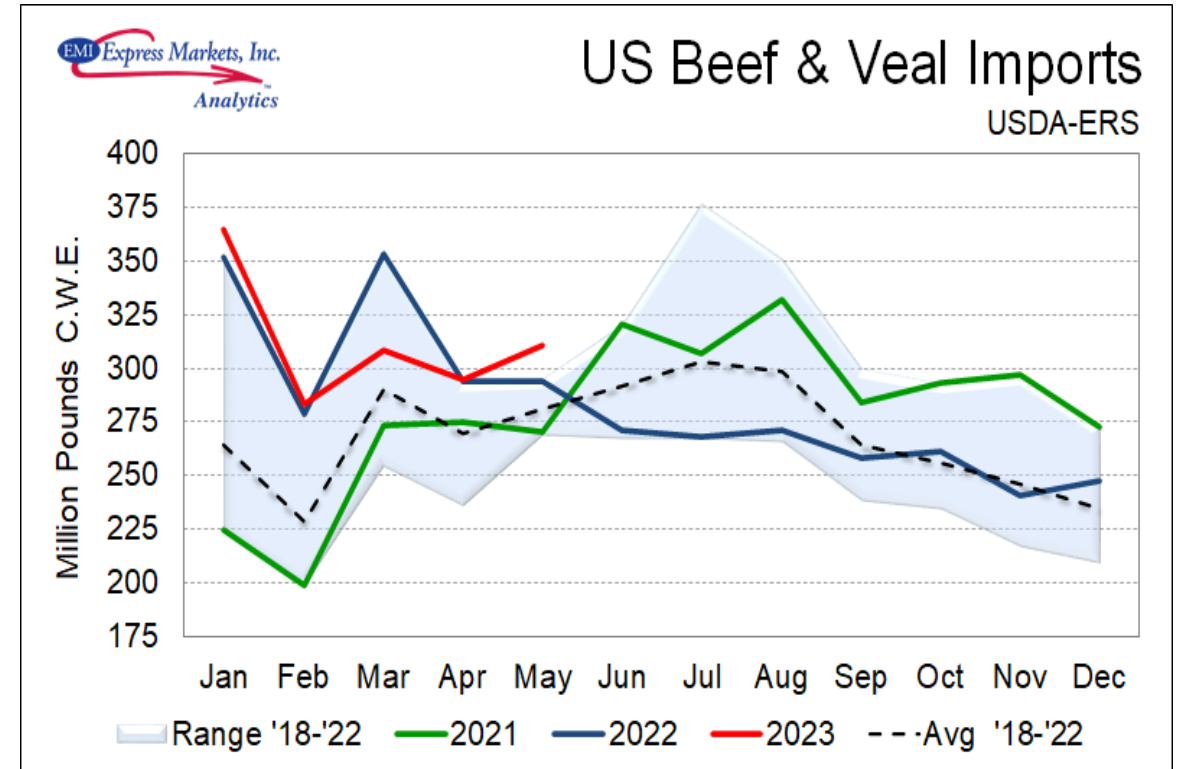


- KOR **-14%**, CHN **-15%**, MEX **-5.4%**, CAN **+22.7% Y/Y**
- Strong US \$ and higher beef prices make the US less competitive on the global market as global prices have been trending lower

Beef Imports

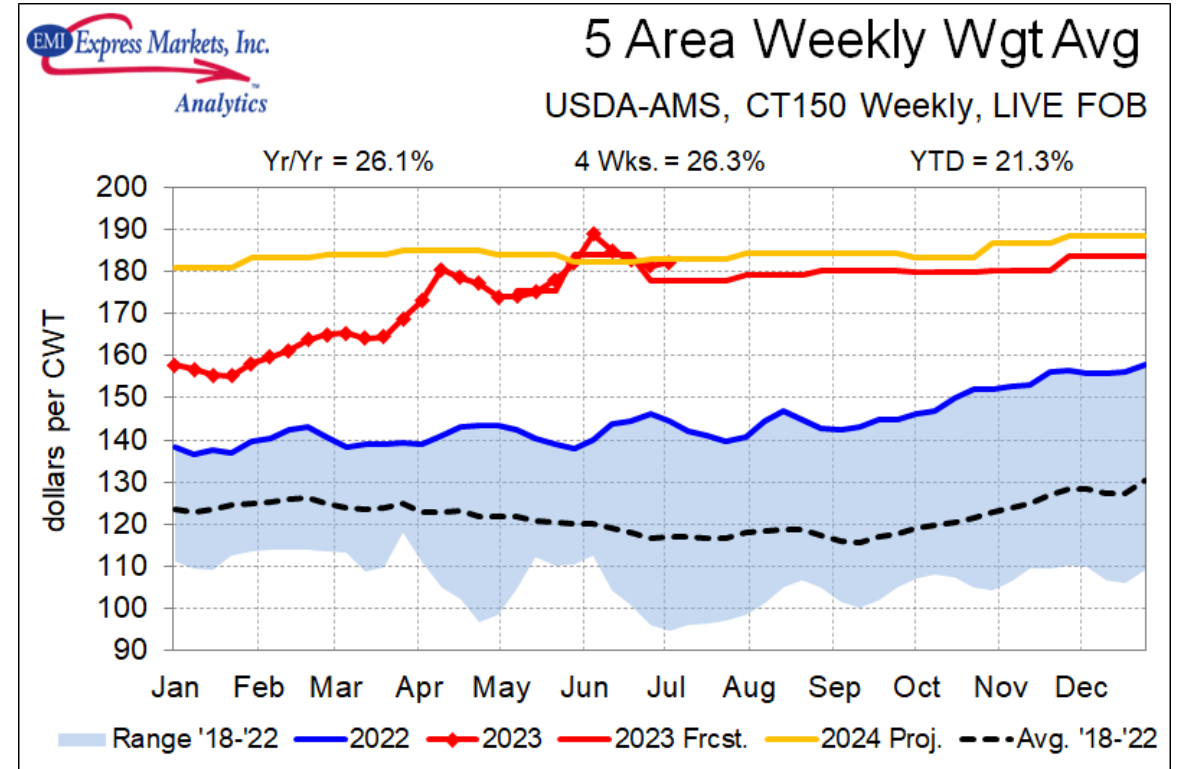
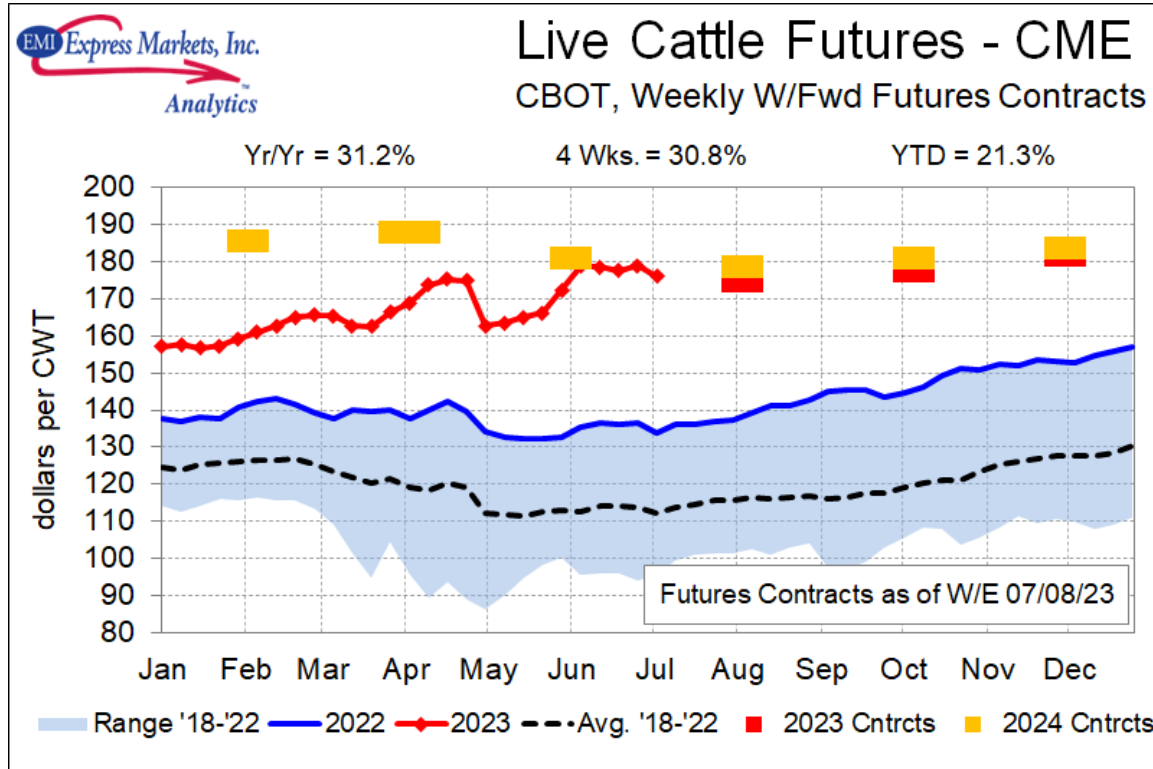


- In May, US beef imports totaled 311 million pounds c.w.e., +5.7% Y/Y, and +5.4% M/M
- Canadian cattle herd in same situation as US
- CAN -6.9%, MEX -4.1%, NZL +23.2%, AUS +39.1%, BRA -9.2% Y/Y



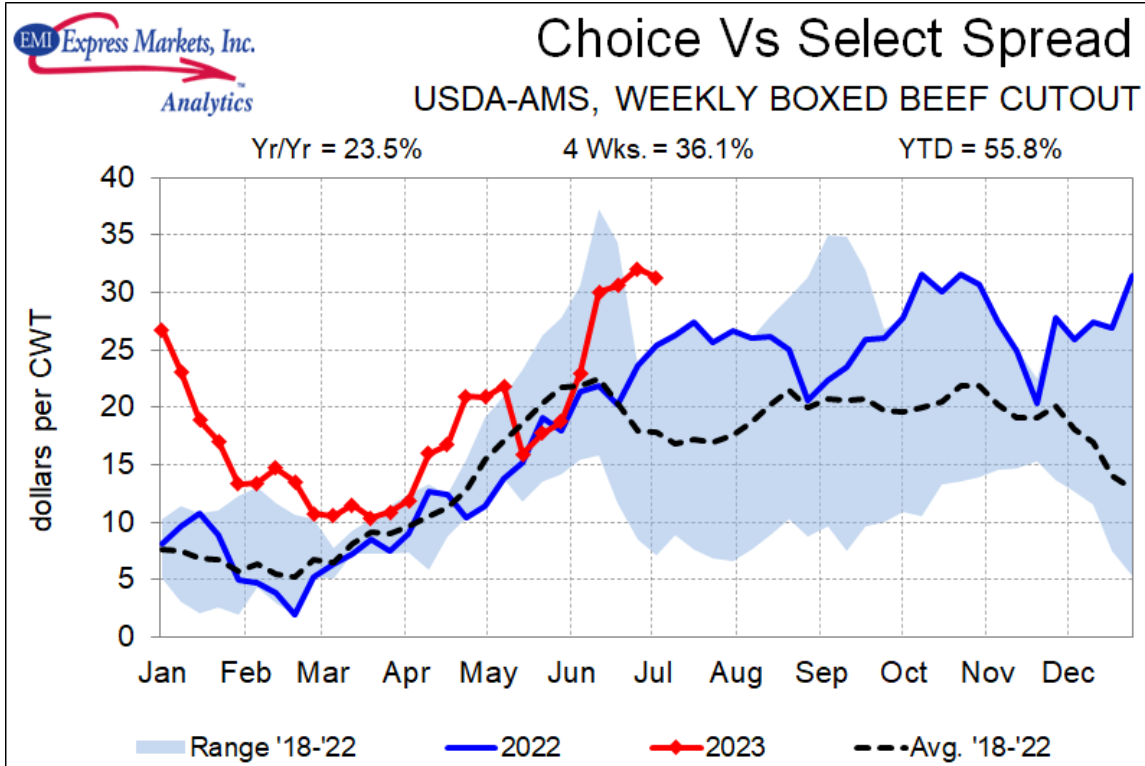
- Beef availability continues to improve in Australia/New Zealand
- US importing more cattle and less beef from Mexico due to dry conditions in Northern Mexico

Live Cattle

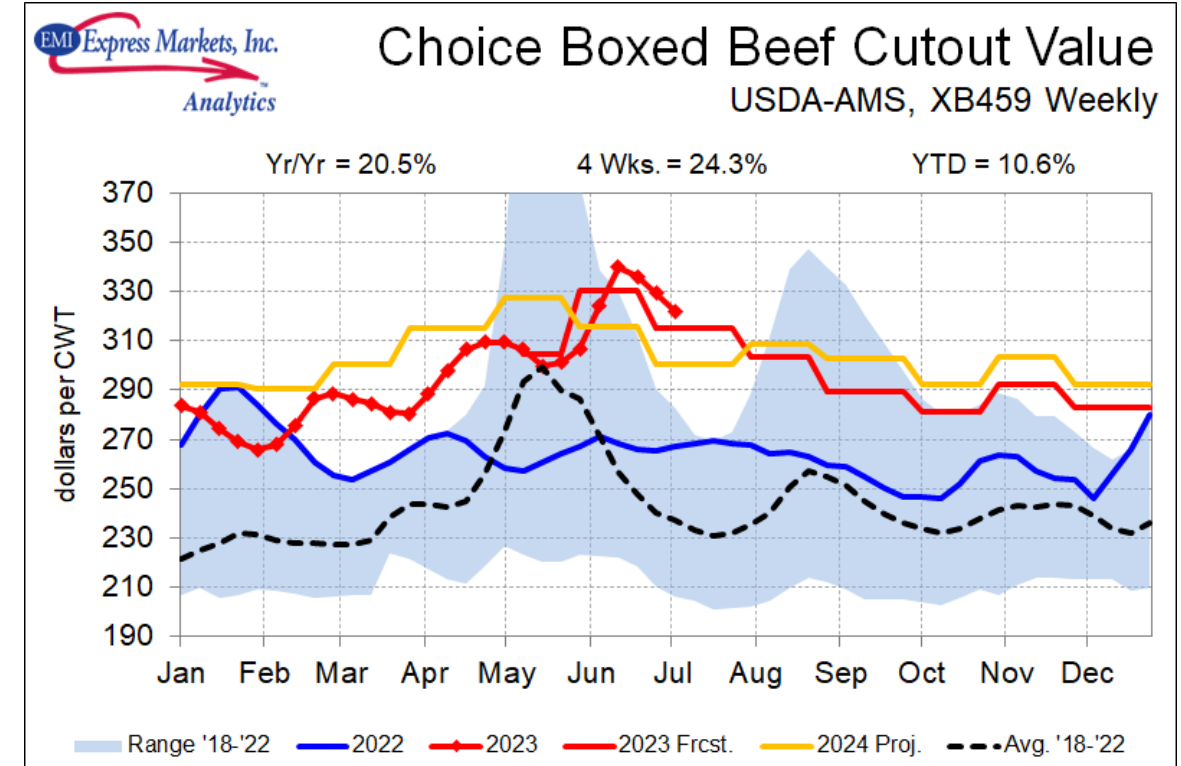


- Cash cattle prices near \$182/cwt. in the last 4 weeks, Southern cattle trading steady around \$178/cwt. while Northern cattle spotty, but trading in \$182-\$185/cwt. range
- Weaker cutout and rising B/E costs likely to keep tension between feeders and packers, both will want to protect margins
- Volatility anticipated and prices may trend higher despite weaker futures outlook

Beef Cutout

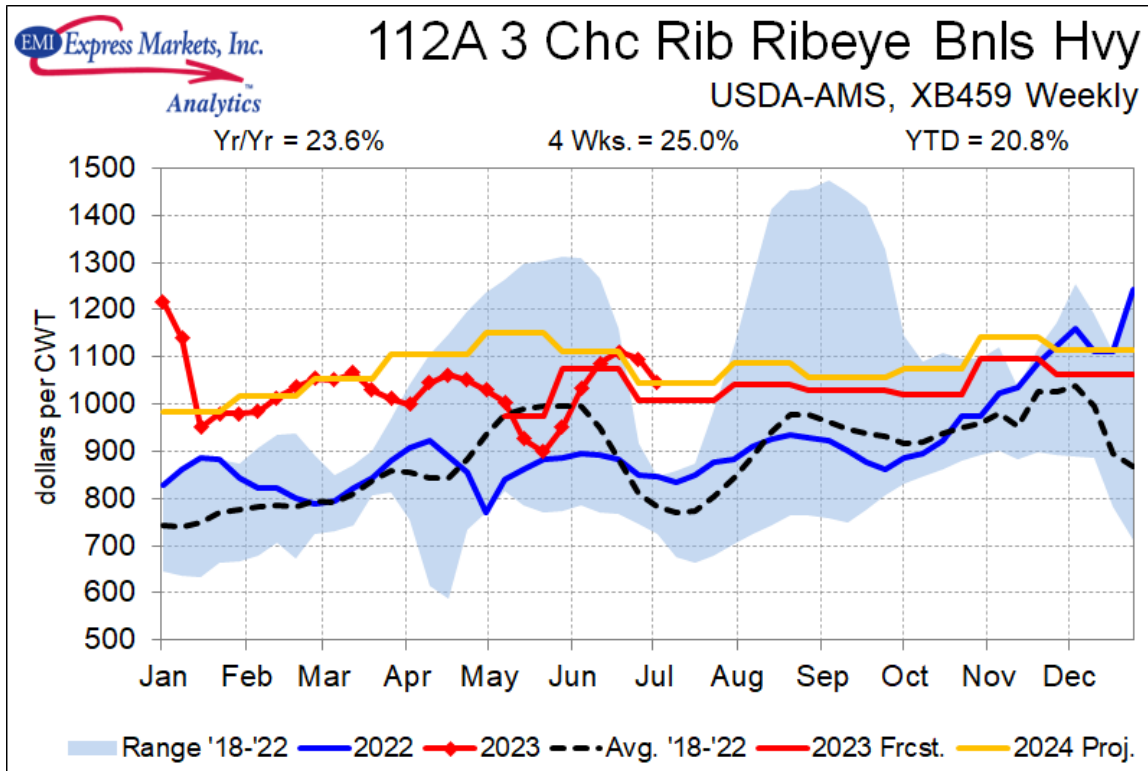


- More cattle grading Select as summer heat picks up, the number of cattle grading choice/prime, +0.8% Y/Y in the last 4 weeks
- Consumers taste preference for higher grade beef
- Smaller cattle supplies to support the cutout value

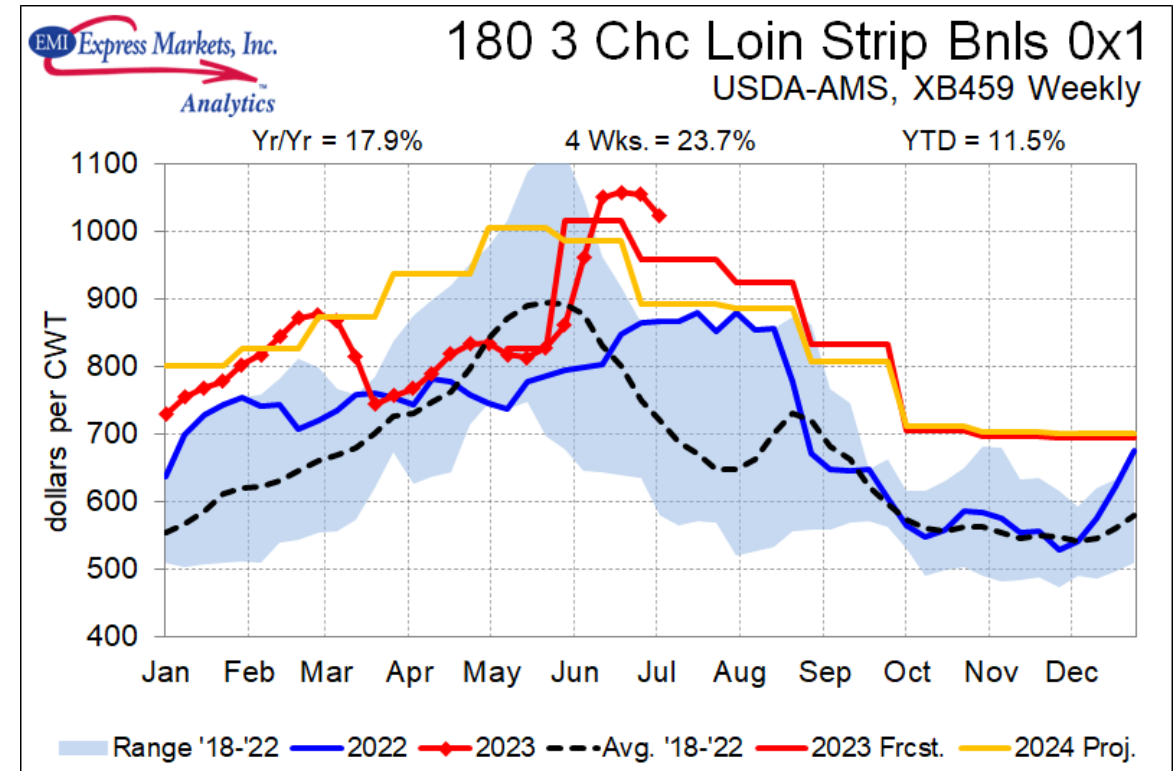


- In June, the choice boxed beef cutout value averaged \$3.30/lb., +23.3% Y/Y, +8.5% M/M
- All the primal cuts were up, with the loin primal the biggest contributor
- Prop 12 may add some short-term support for other proteins

Middle Meats

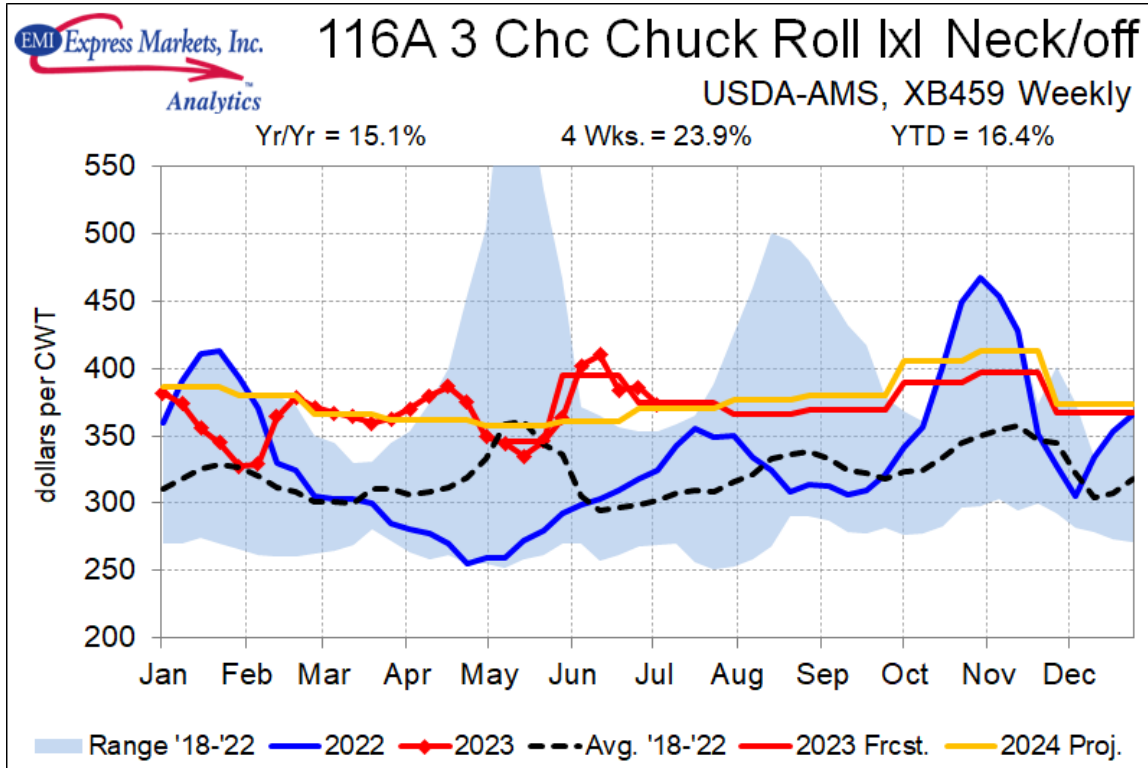


- In June, the ribeye boneless heavy averaged \$10.74/lb. and was **+21.6% Y/Y**, **+10.3% M/M**
- In June, the bone-in ribeye averaged \$9.68/lb. and was **+26.4% Y/Y**, **+14.6% M/M**

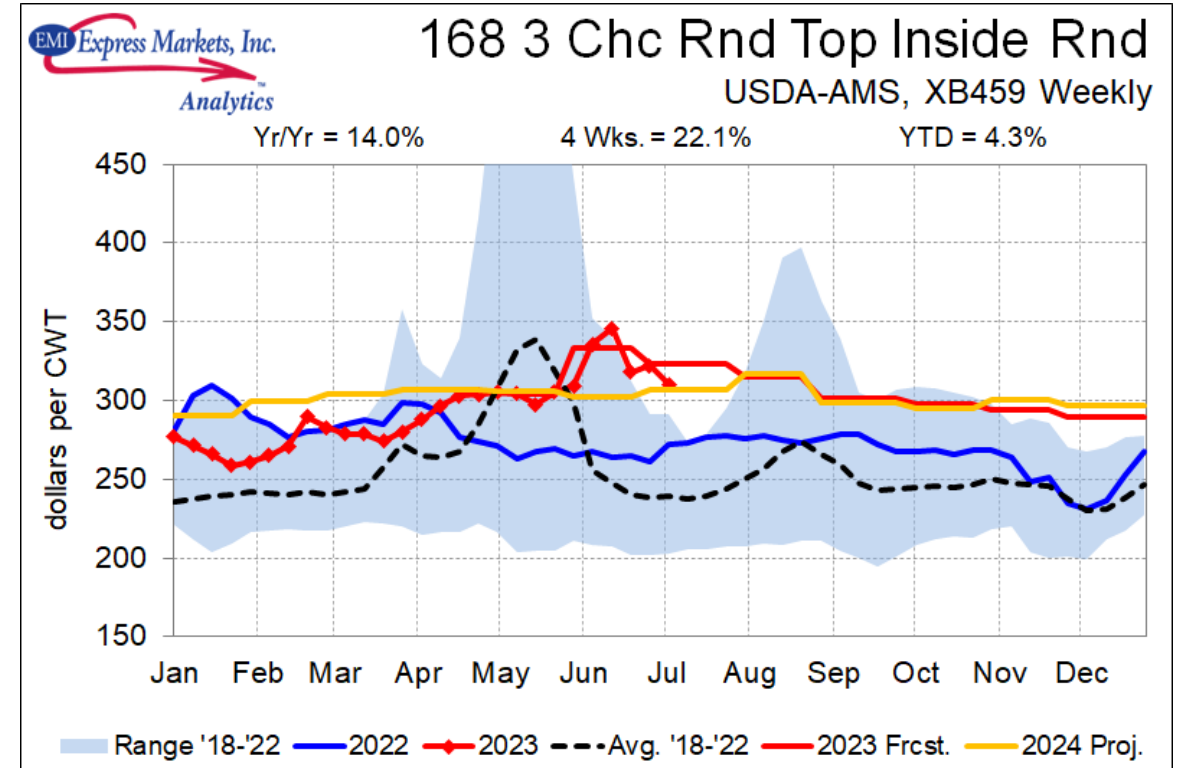


- In June, Strip loin boneless averaged \$10.17/lb. and was **+23.6% Y/Y**, **+23.1% M/M**
- Tenderloin-heavy averaged \$15.06/lb. and was **+23.9% Y/Y**, **-0.6% M/M**

End Meats

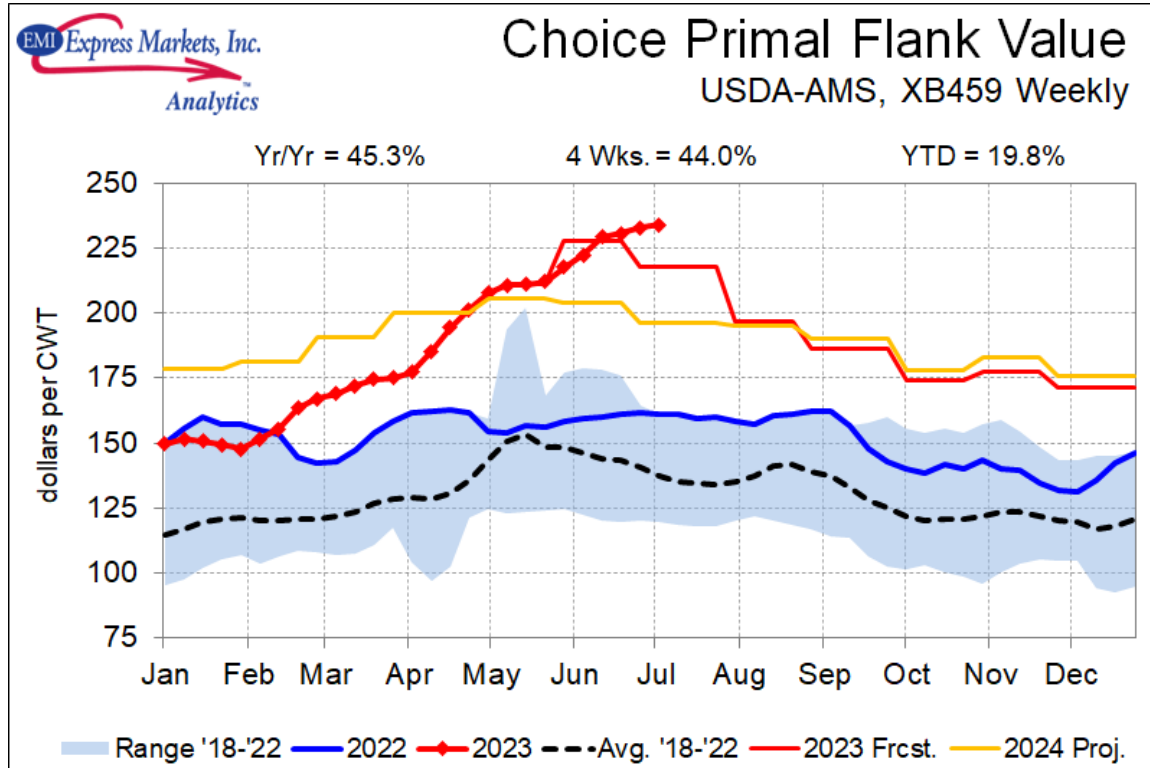


- In June, the chuck roll neck off averaged \$3.87/lb. and was +28.6% Y/Y, +11.9% M/M
- Roasts/steaks and exports can have a heavy influence on chuck rolls (Asia/Mexico)

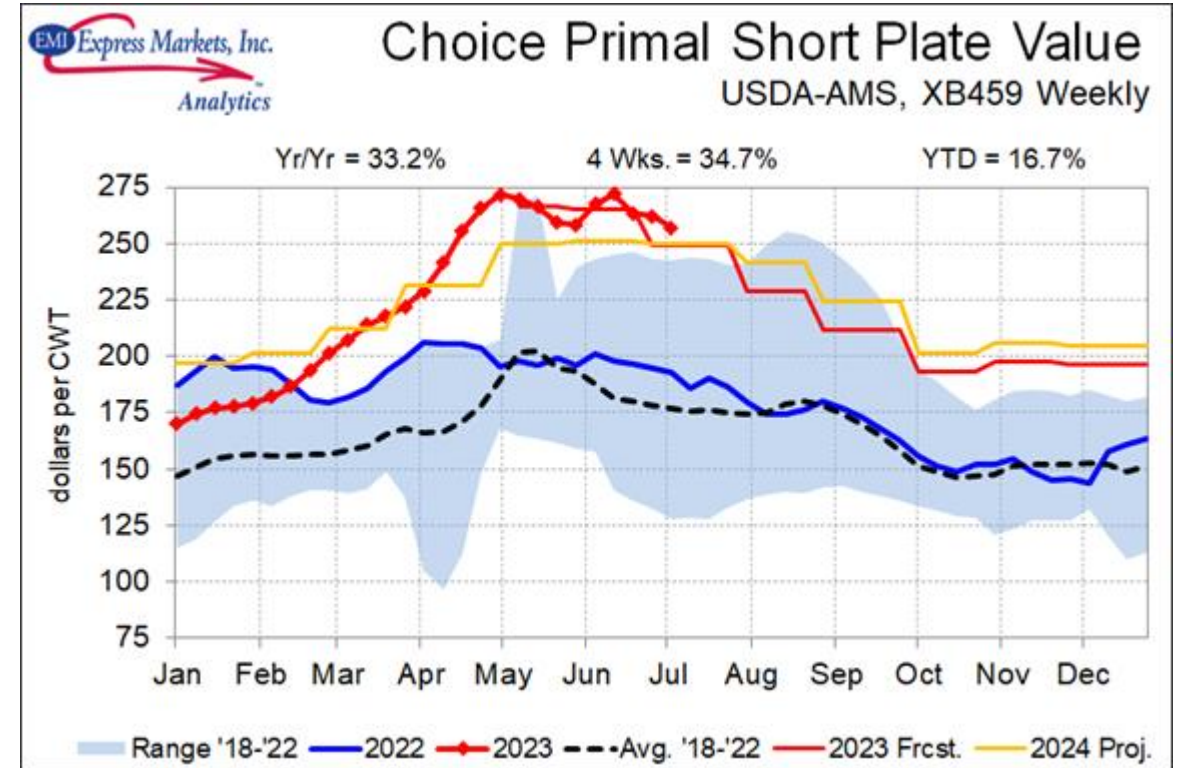


- In June, the top inside round averaged \$3.33/lb. and was +26.9% Y/Y, +9.1% M/M
- Mostly used as roast, and deli roast beef, but can be cut into steaks

Lower Middle Meats

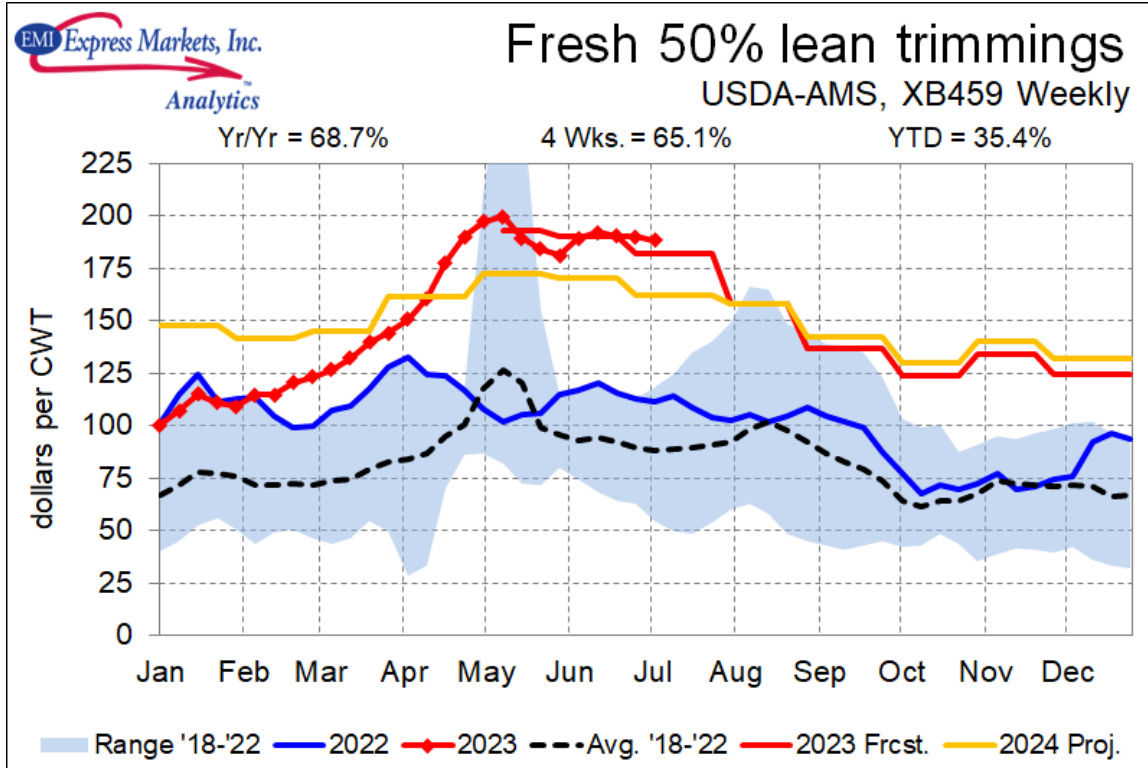


- In June, the flank primal averaged \$2.28/lb. and was **+42.2% Y/Y, +7.9% M/M**
- Lean, but flavorful best when braised or marinated

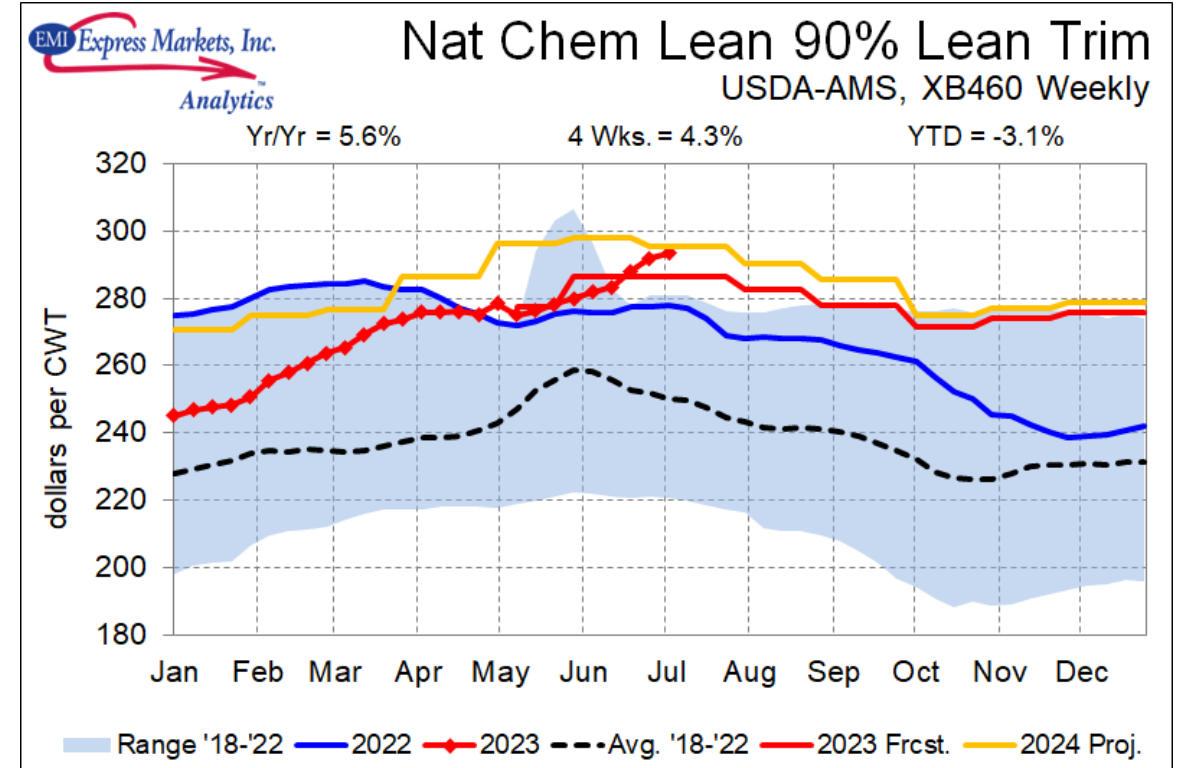


- In June, the short plate primal averaged \$2.65/lb. and was **+34.4% Y/Y, -0.3% M/M**
- Higher fat content, used as short ribs, skirt steaks, hanger steaks, and burger

Trimming



- In June, 50 lean trim averaged \$1.90/lb. and was **+63.1% Y/Y**, **-1.5% M/M**
- Higher beef trim prices may have some looking for substitutes (85% LT **+7.9% Y/Y**, 65% LT **+52% Y/Y**)
- Seasonal increase in dressed weights to pressure trim prices



- In June, 90 lean trim averaged \$2.86/lb. and was **+3.5% Y/Y**, **+3.1% M/M**
- Dairy cow slaughter unable to offset beef cow slaughter and freezer withdrawals, AUS boneless beef prices holding steady and were down 8-10% Y/Y in the last 4 weeks

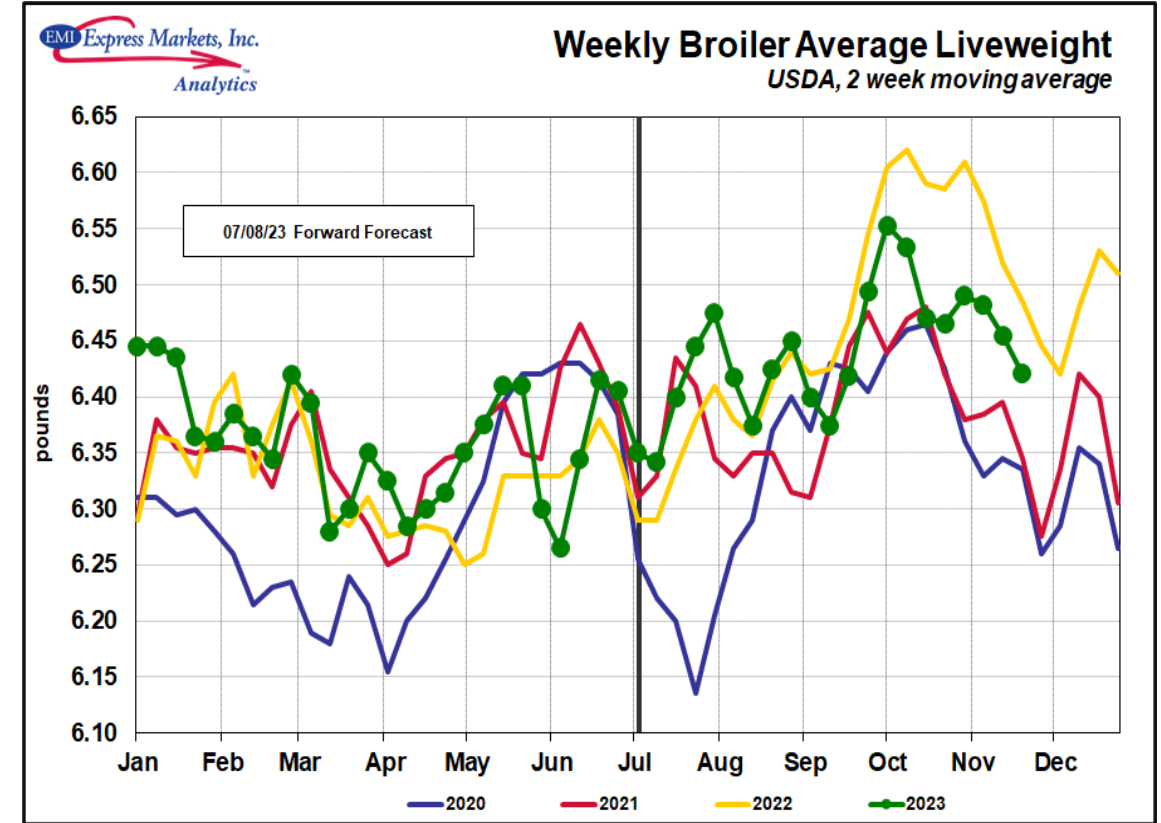
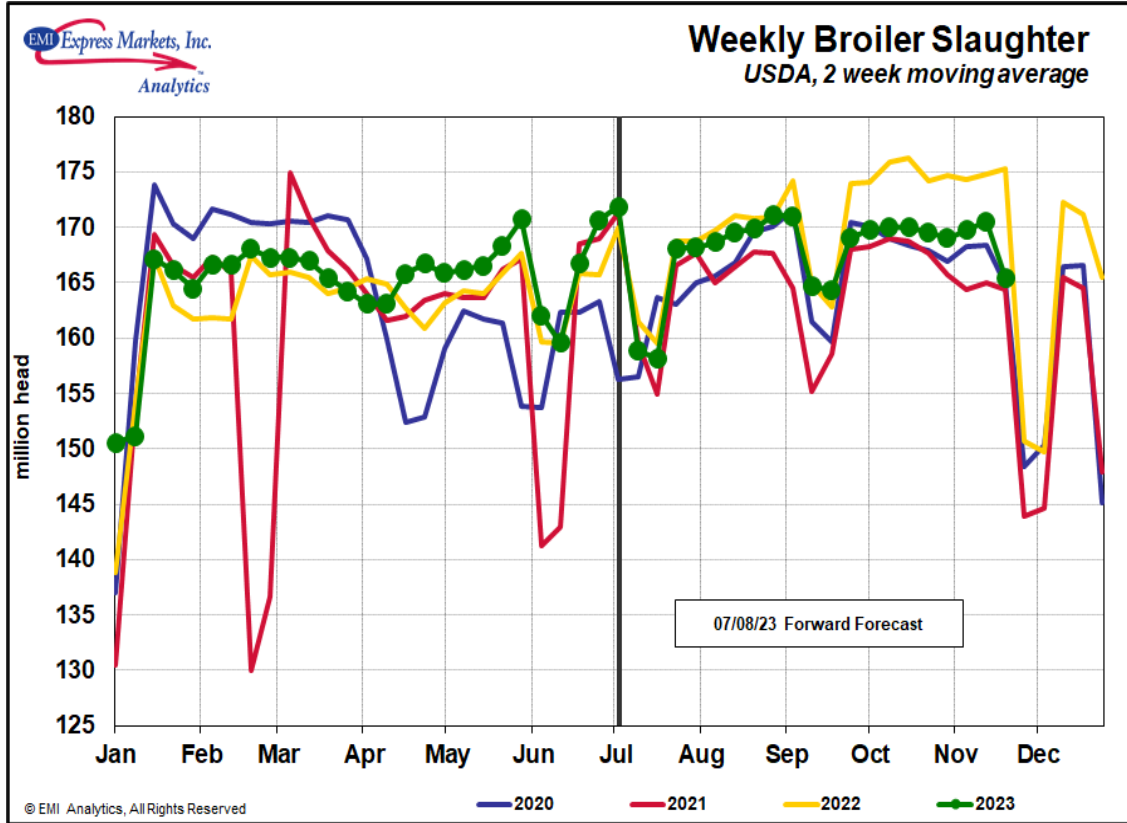
Poultry Update



Amanda Martin
Director of Poultry

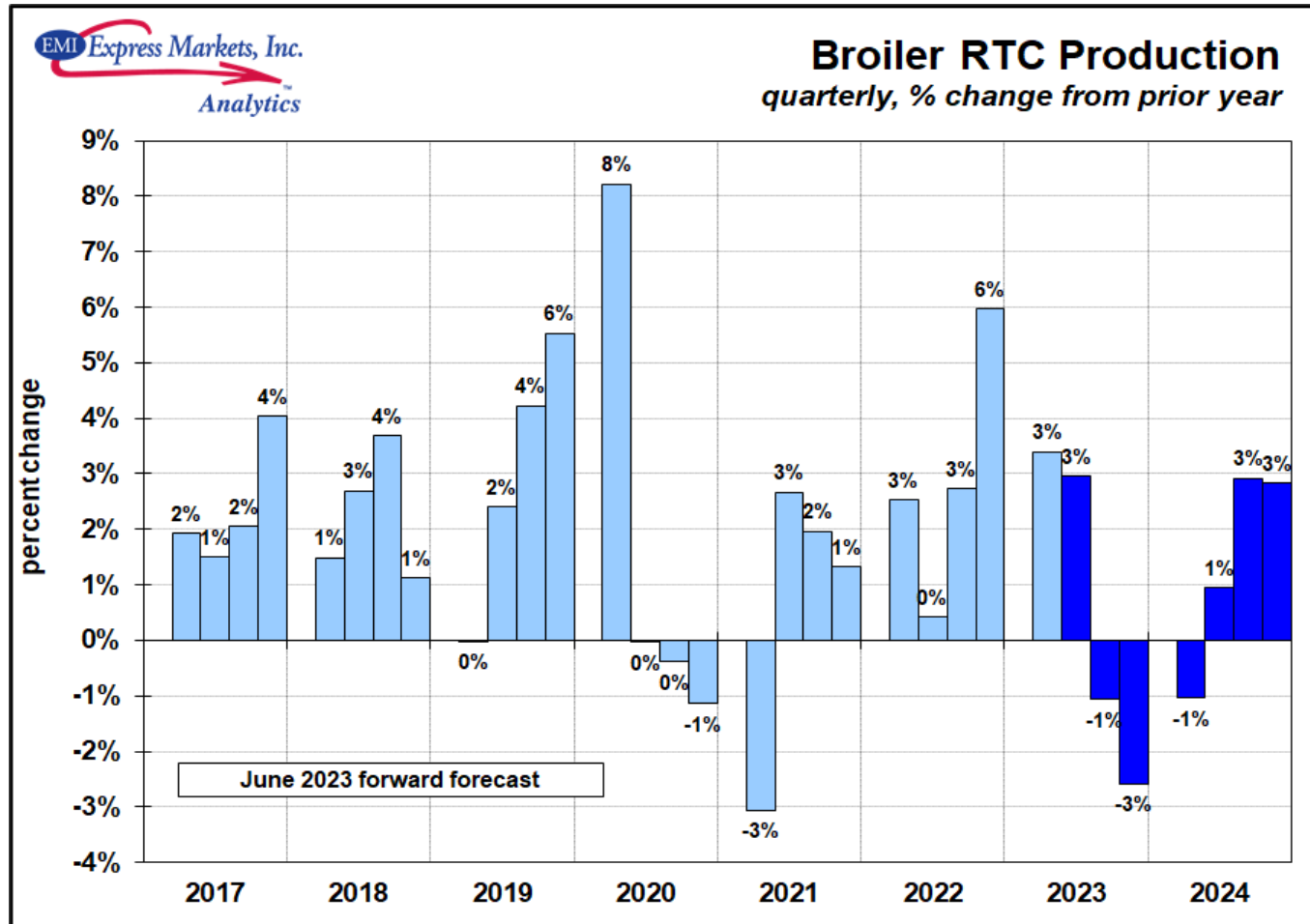
- Broilers / Turkeys
 - Production
 - Cold Storage
 - Markets

Weekly Production



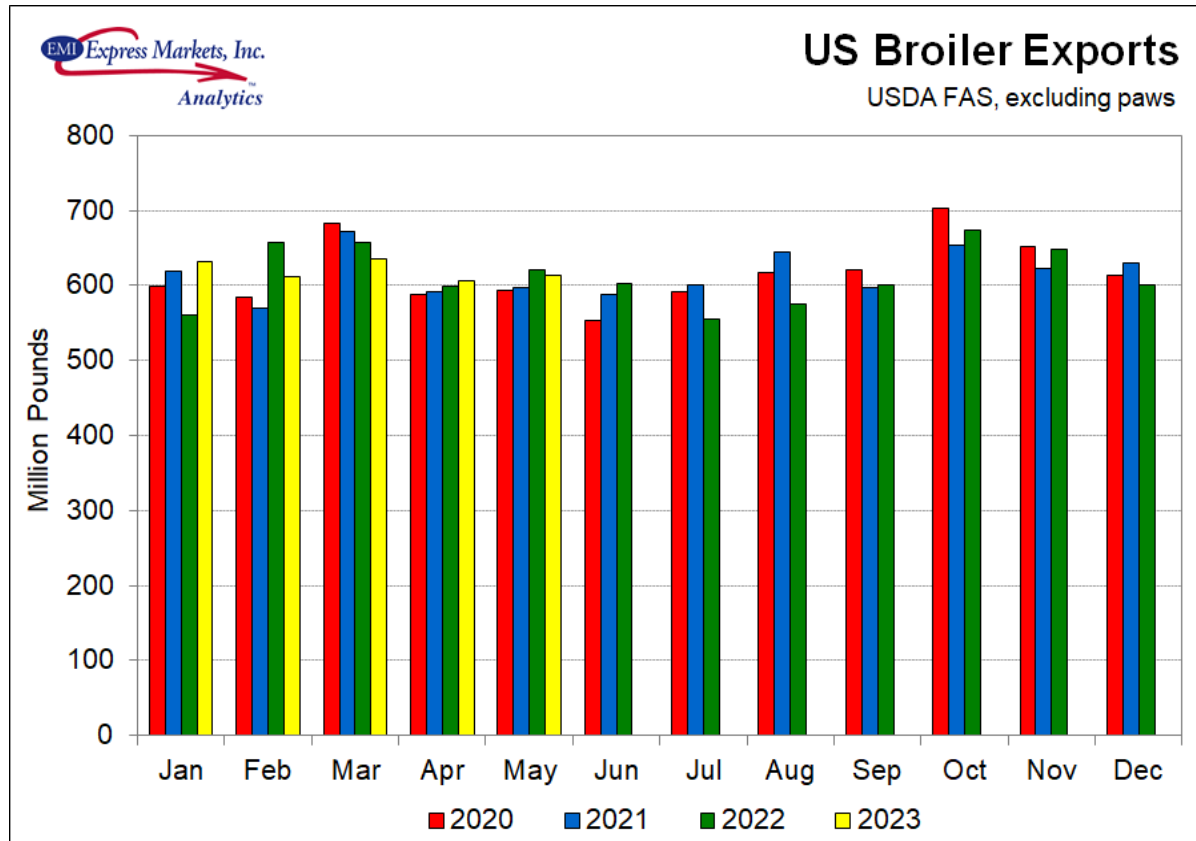
- Weekly Slaughter **+0.9%** on average past 5 weeks from year prior, averaging 166 million birds a week; most recent week **-1.5%** YOY
- Liveweights **+0.5%** on average past 5 weeks from year prior to average 6.36 pounds; most recent week **+0.6%** YOY
- RTC Production **+1.4%** on average from year ago past 5 weeks, averaging 803 million pounds/week; most recent week **-0.9%** YOY

Monthly Broiler Production

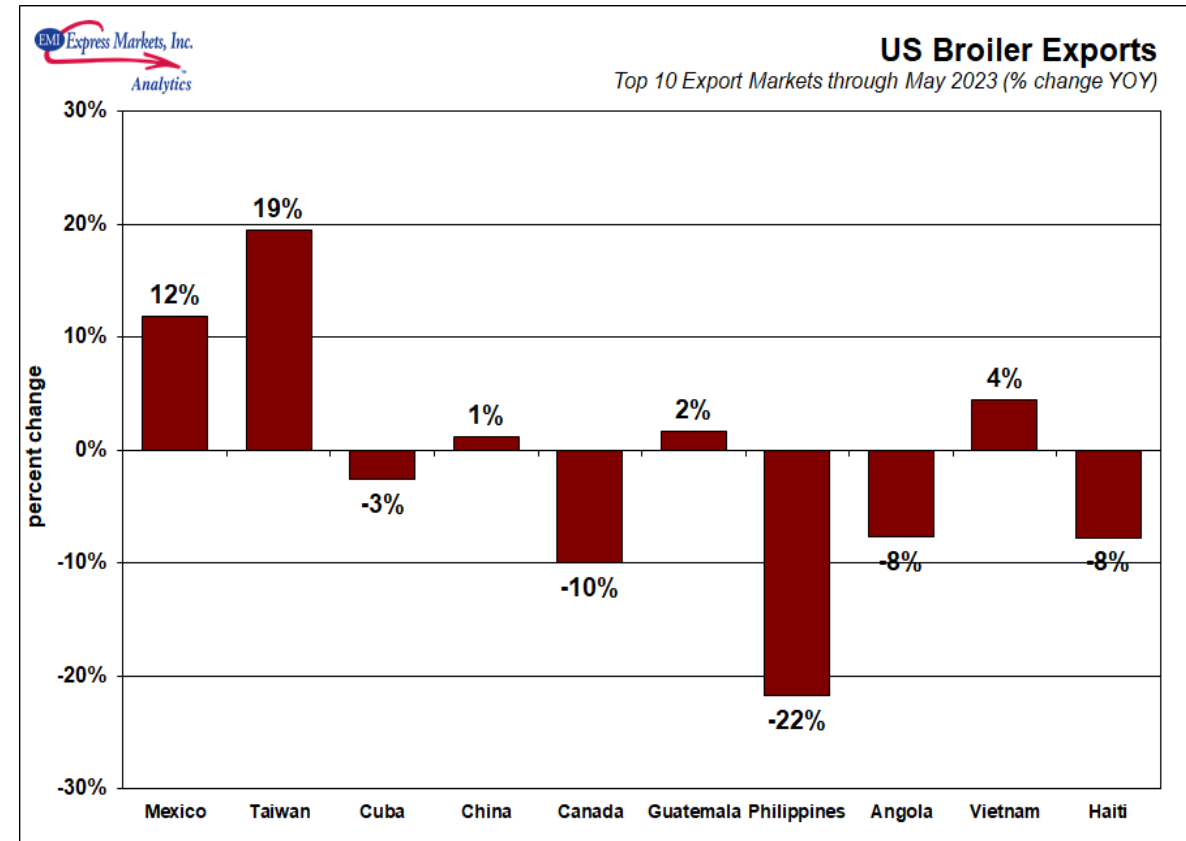


- For May 2023 – Broiler Production **+6.9%** YOY, totaling 4.04 billion pounds
 - One add'l processing day during the month; **+2.0%** on per kill day basis
 - Liveweights **+1.1%**
 - Slaughter per Kill Day **+0.3%**
- RTC Production for 2023 currently forecasted **+0.5% - +1.0%** from 2022, totaling 46.5 billion pounds
 - One less processing day during the year; **+1.0%** on PKD basis
- Anticipating production growth to be more seasonal through second half of 2023, especially during late Q3 and Q4
- Outlook a bit muddy into 2024, as some have noted a potential slowdown in production. Currently anticipating small increase for the year (**+1-1.5%**)

Broiler Exports

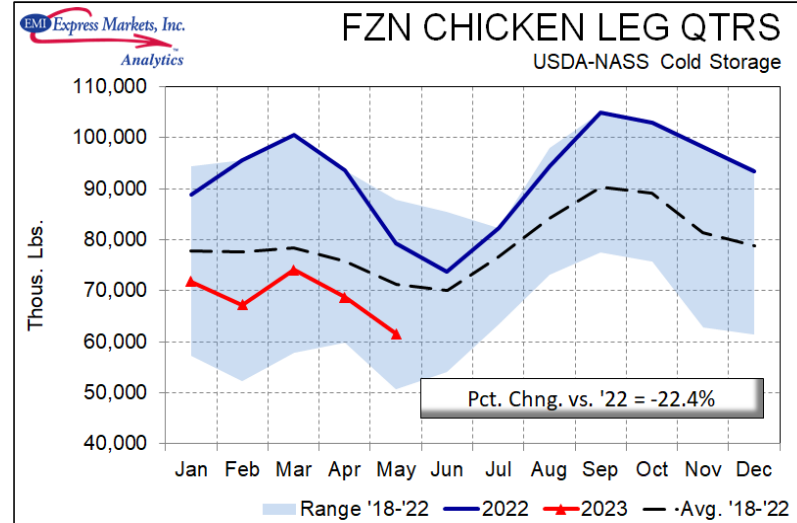
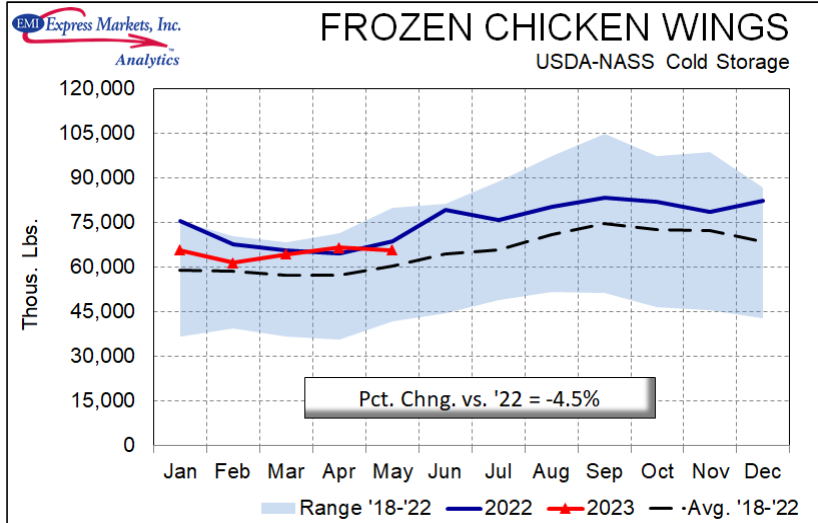
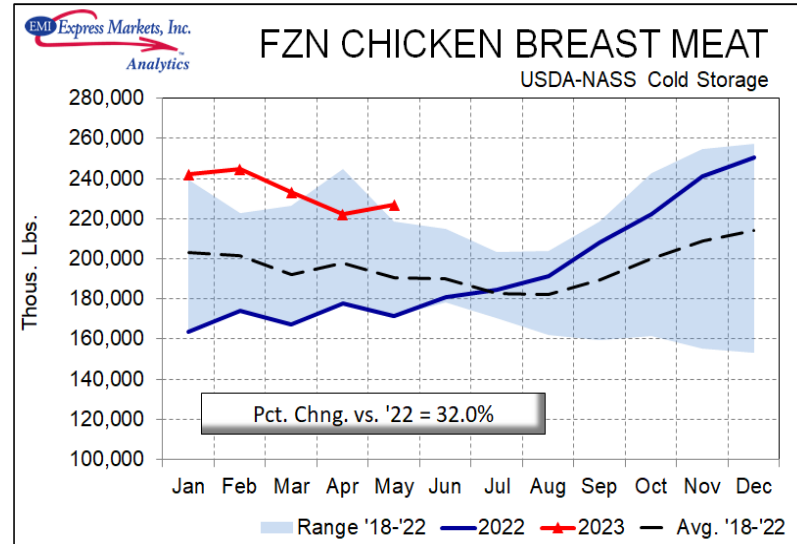
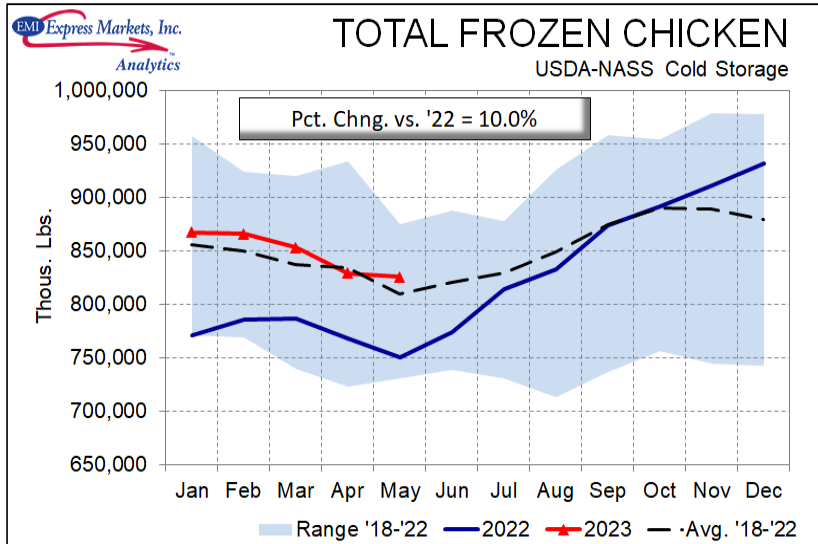


- May Exports – 615 million pounds, **-1%** YOY
- Annual Exports forecasted **+0.7%** during 2023 to 7.40 billion pounds, coming close to 2020's record year of 7.39 billion pounds



- Taiwan released Minnesota from HPAI ban list – 9 add'tl states remain: NH, UT, FL, IL, VA, MS, IA, WA, and CA
- US could have lost a bit of market share due to cheaper product out of Brazil due to HPAI concerns

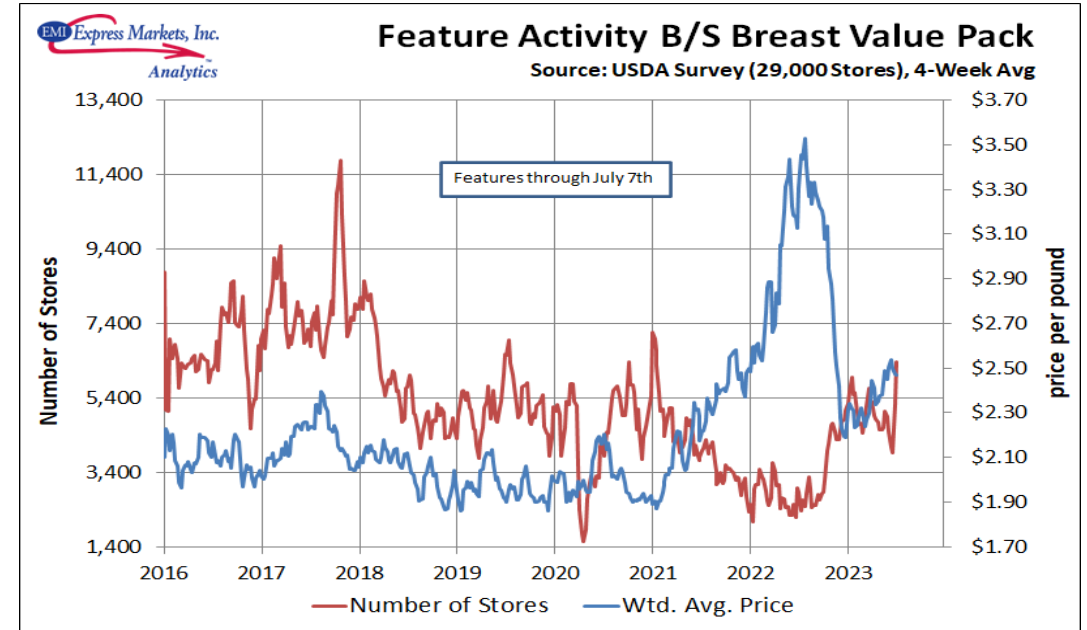
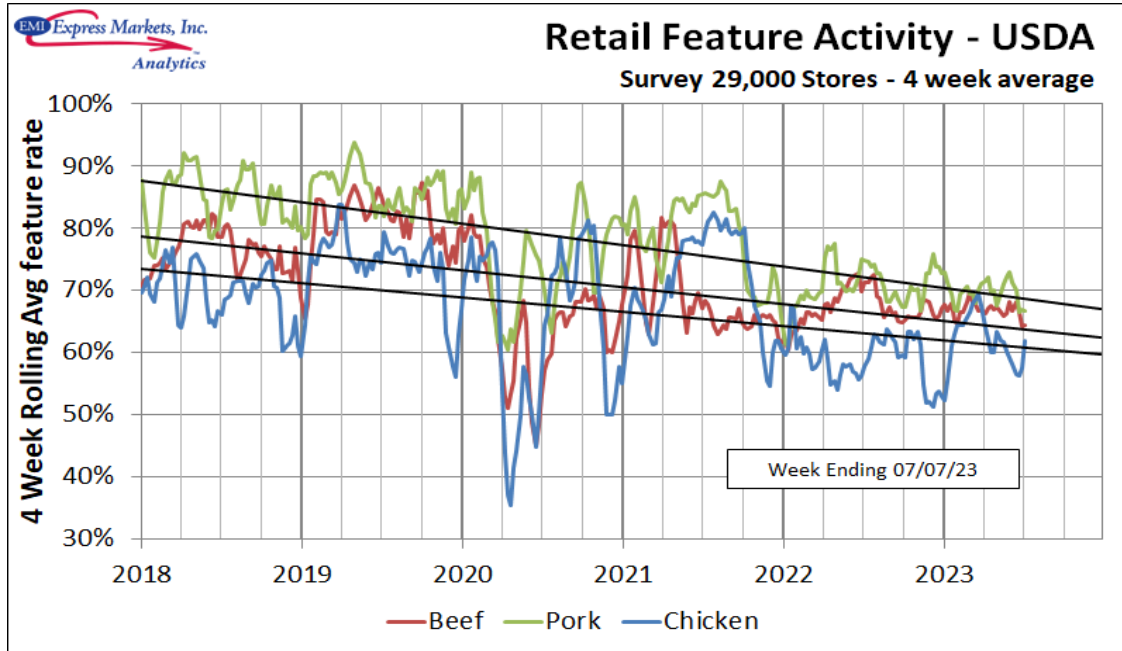
Broiler Cold Storage



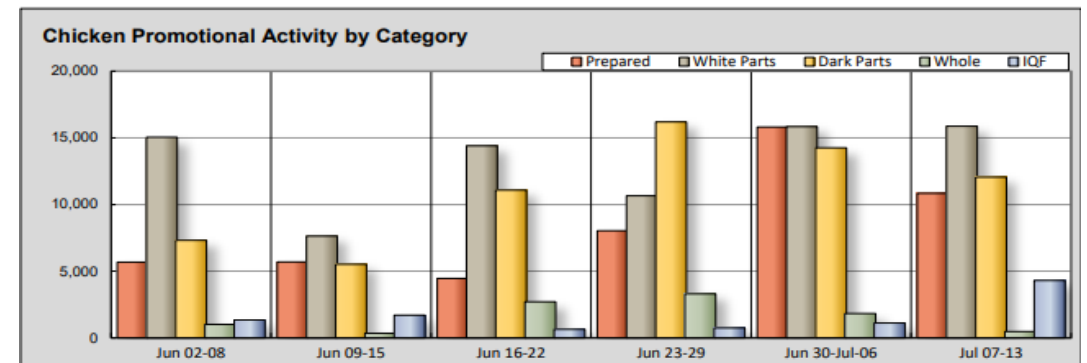
- May Cold Storage Inventories totaled 818.5 million pounds, **+9.8%** YOY, but **-4.5 million pounds** from the end of April and the lowest inventory level since July '22

- **Wings -935,000 pounds** from end of April and **-5%** from year prior
- **Breast Meat +4.7 million pounds** from end of April and **+32%** from year prior
- **Leg Quarters -7.2 million pounds** from end of April and **-22%** from year prior

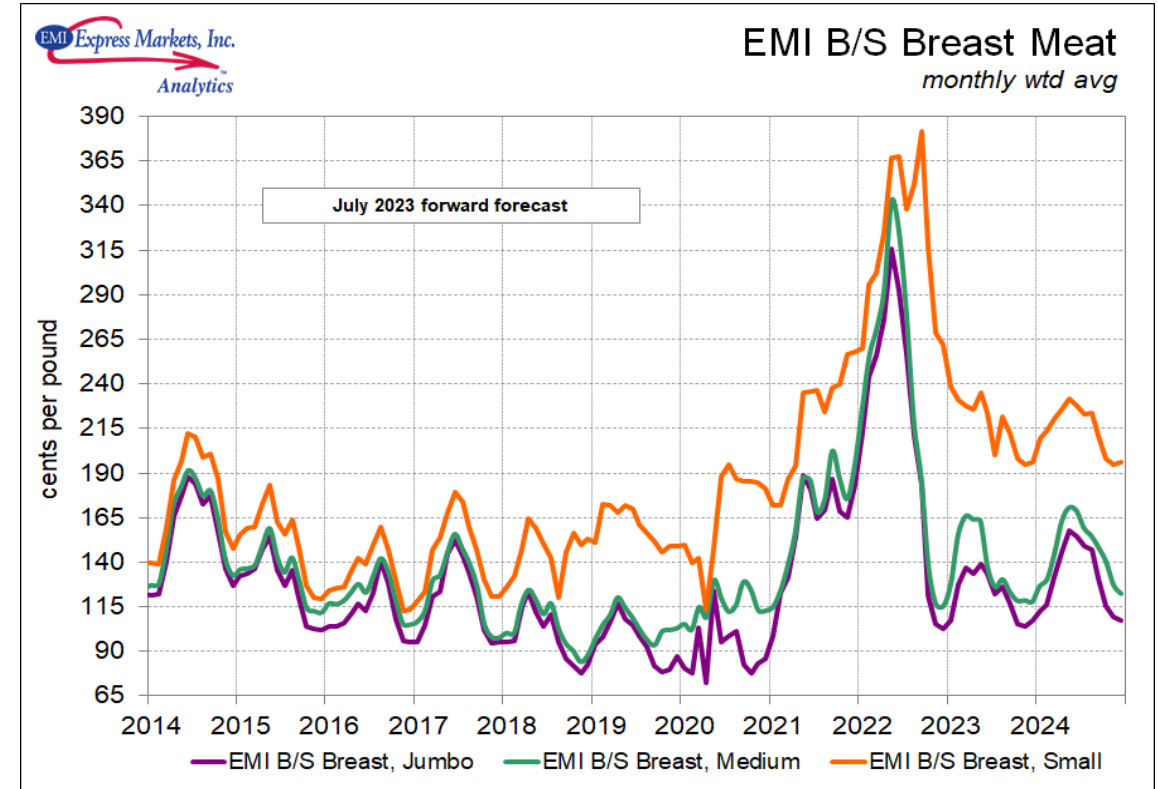
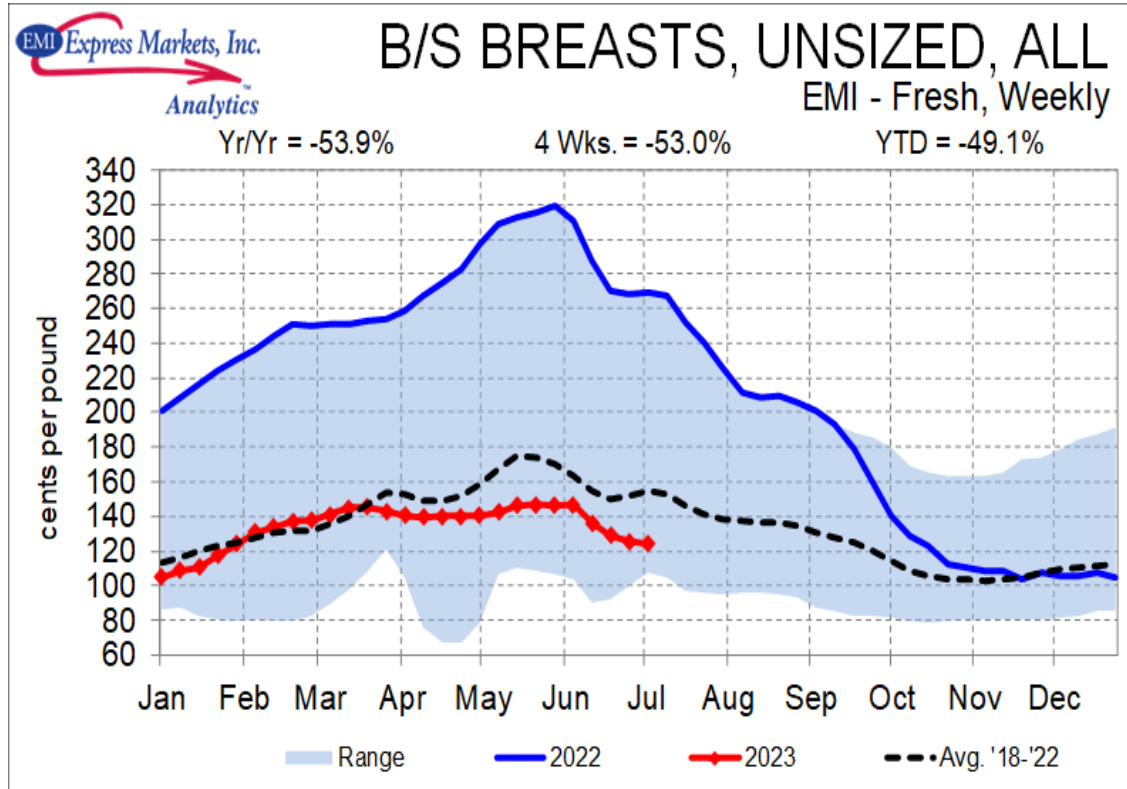
Retail Featuring



- Chicken Retail Featuring increasing – 70.1% of outlets for w/e 7/13, compared to 62% of outlets year ago
 - Late June / Early July saw a boost for chicken at retail
 - Value Pack B/S Breast featured at 7X the stores as year prior; over \$1 lower per pound YOY
 - Wings featured at 3X the stores vs. year ago this week; feature price \$1.50 lower per pound
 - Dark Meat Featuring in full force around July 4th holiday; most items priced lower YOY, but B/S Thighs move higher

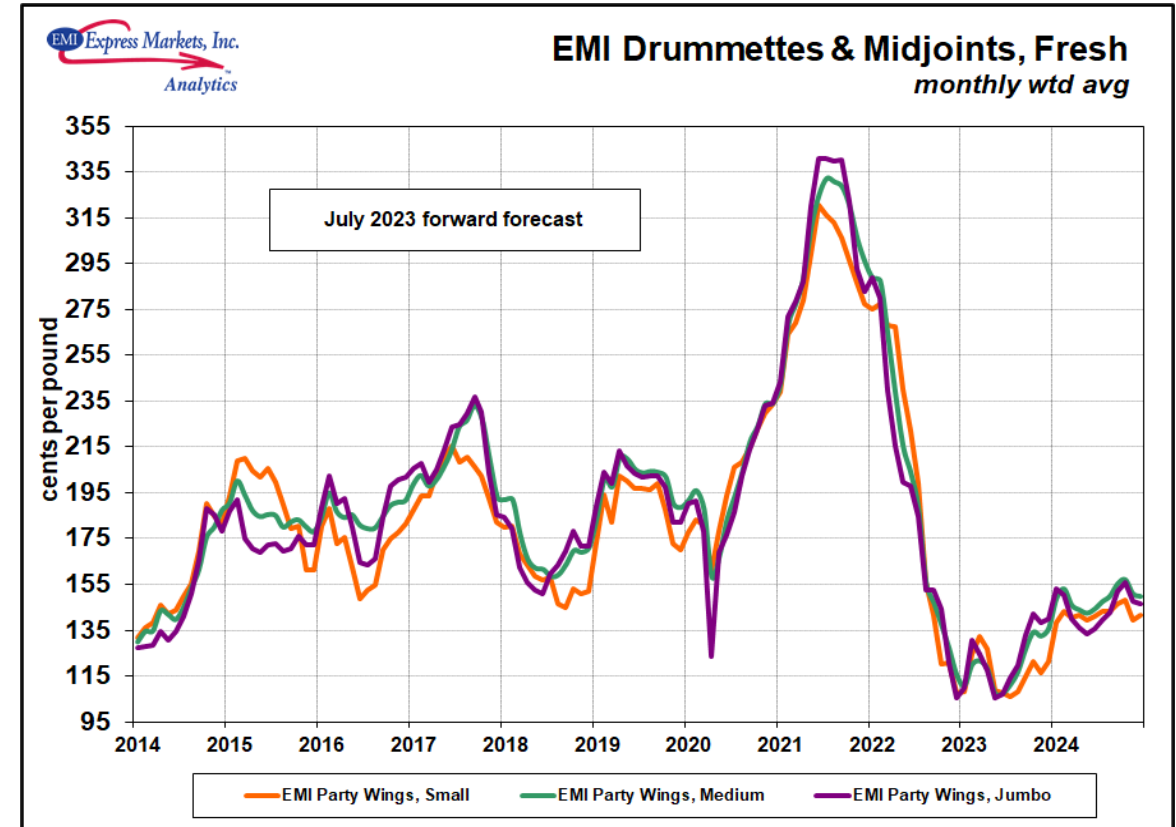
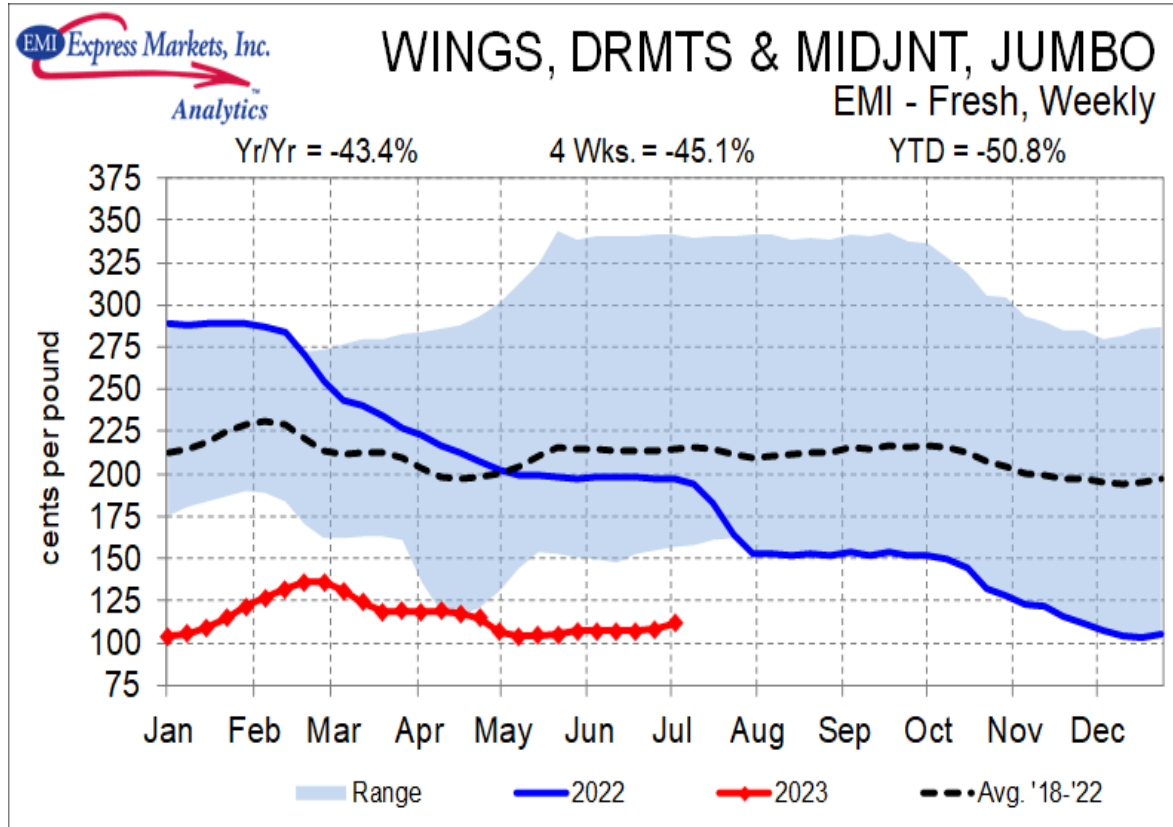


B/S Breast Meat



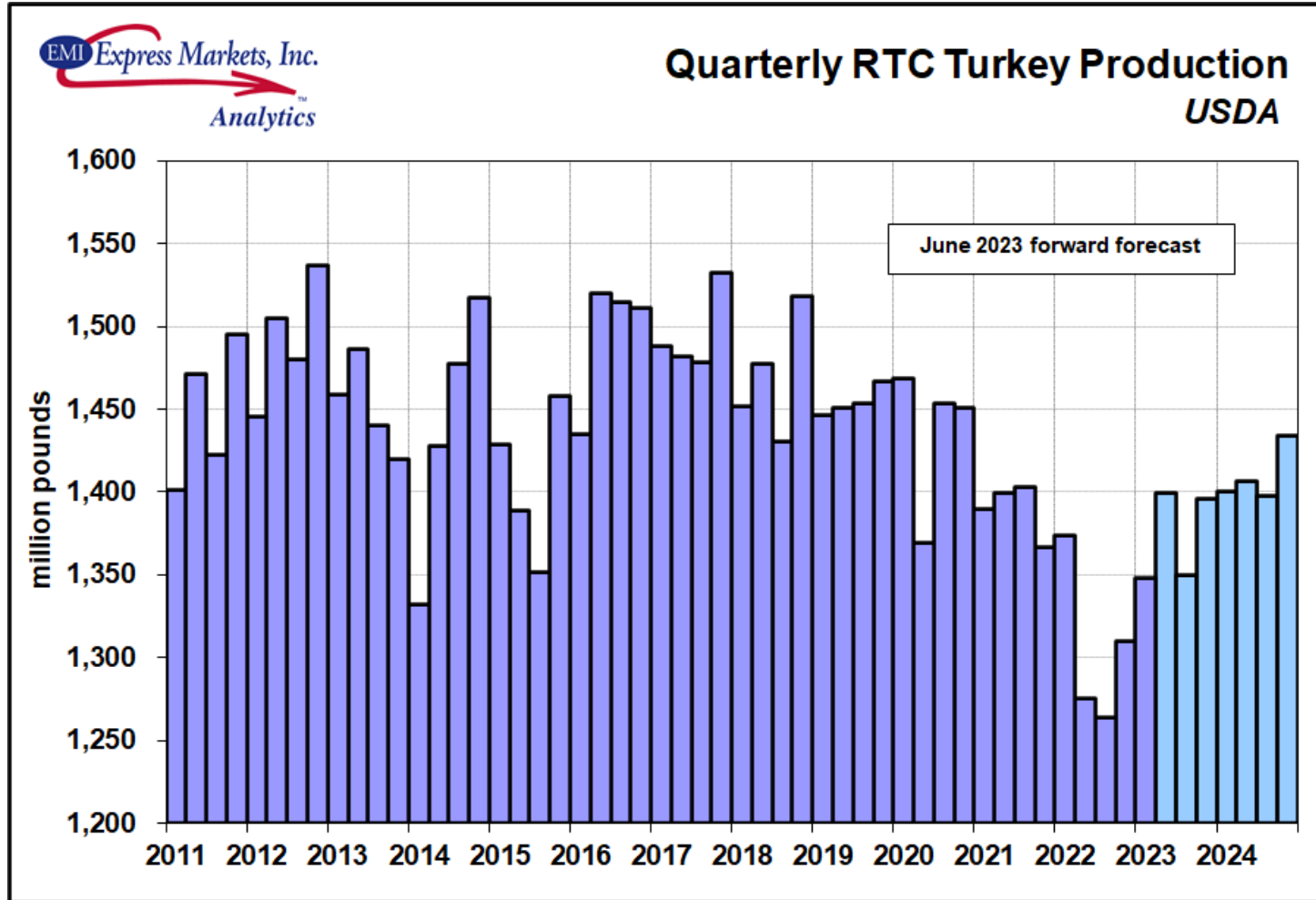
- B/S Breast meat pricing steadier after June declines
- Big retail push around July 4th holiday
- Foodservice into 2024 – With tightness on beef, operators may look towards chicken
- Potential for Beef and Pork production concerns to play into elevated demand and increased pricing through 2024

Wings



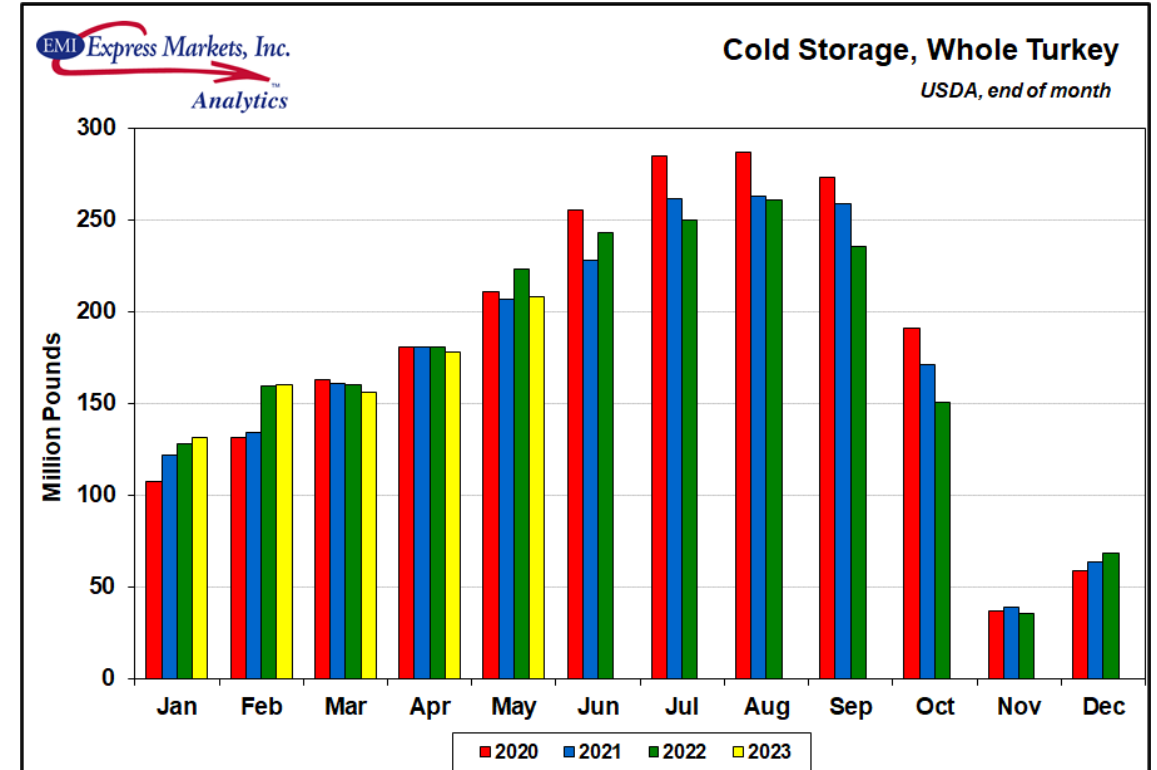
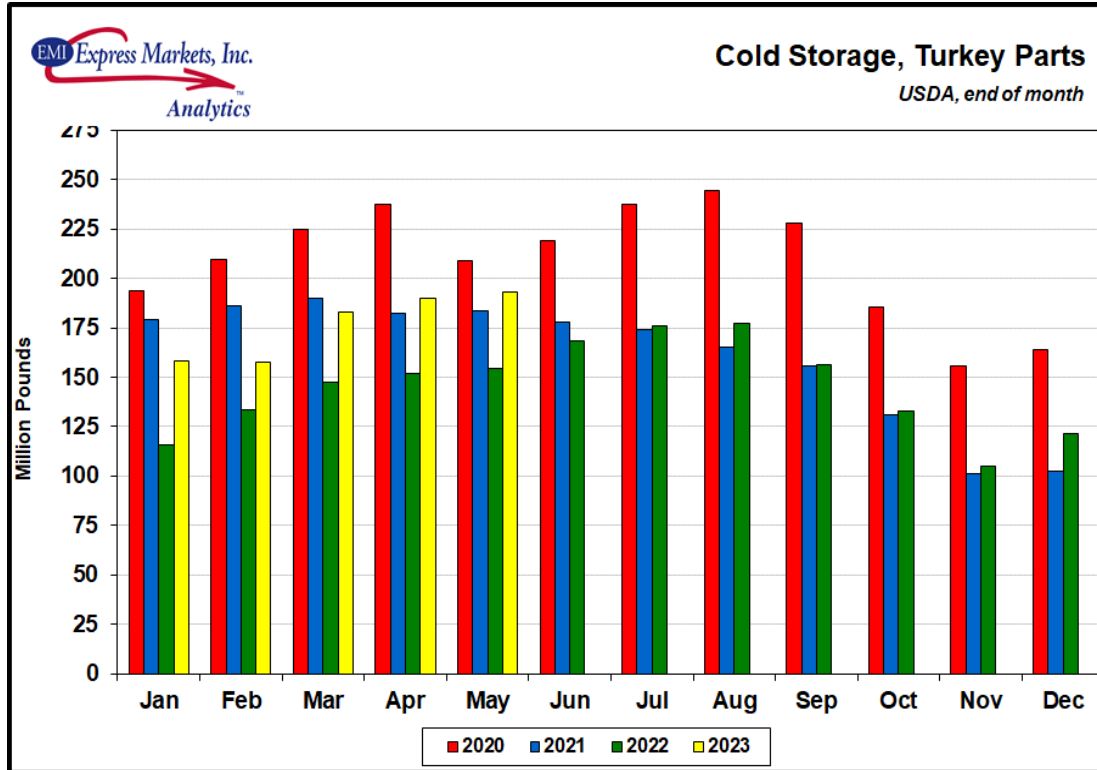
- Wing markets generally steady to slightly higher; Small remains sluggish
- Increased 'promotions' showing up at both foodservice and retail locations

Monthly Turkey Production



- HPAI remains quiet domestically, which has allowed US turkey production to grow
- Poults Placements - **+4.4%** YOY during May
 - Annual Placements forecasted **-0.1%** YOY after **+2.6%** during 2022
- For May 2023 - RTC Turkey Production **+18.1%** YOY, totaling 487 million pounds
 - One add'l processing day, **+12.7%** on per kill day basis as May 2022 was heavily impacted by HPAI (**-12.8%**)
- RTC Production for 2023 - forecasted **+5.2%** YOY to 5.49 billion; **+5.6%** on a PKD basis with one less processing day, if realized, after **-6.1%** during 2022
- Slower rate of growth moving into 2024, especially with toughening financial situation

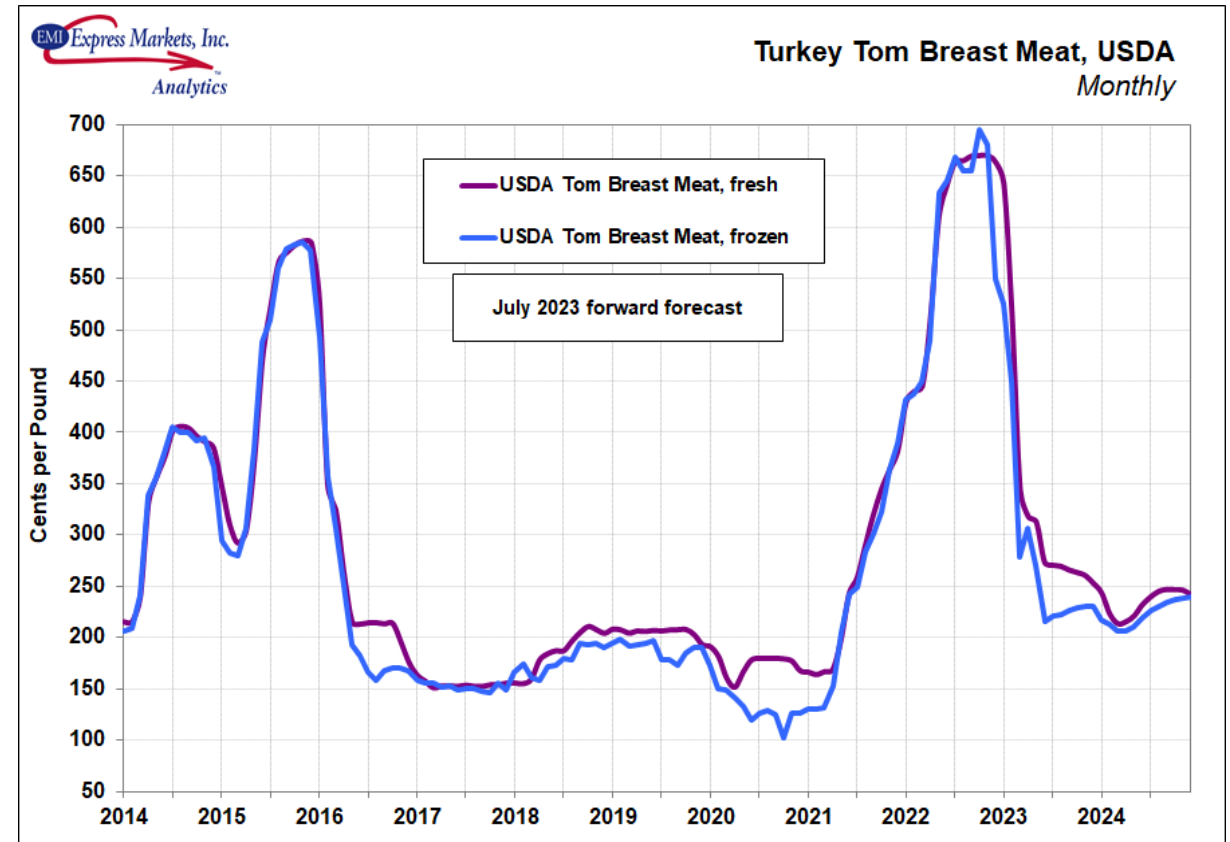
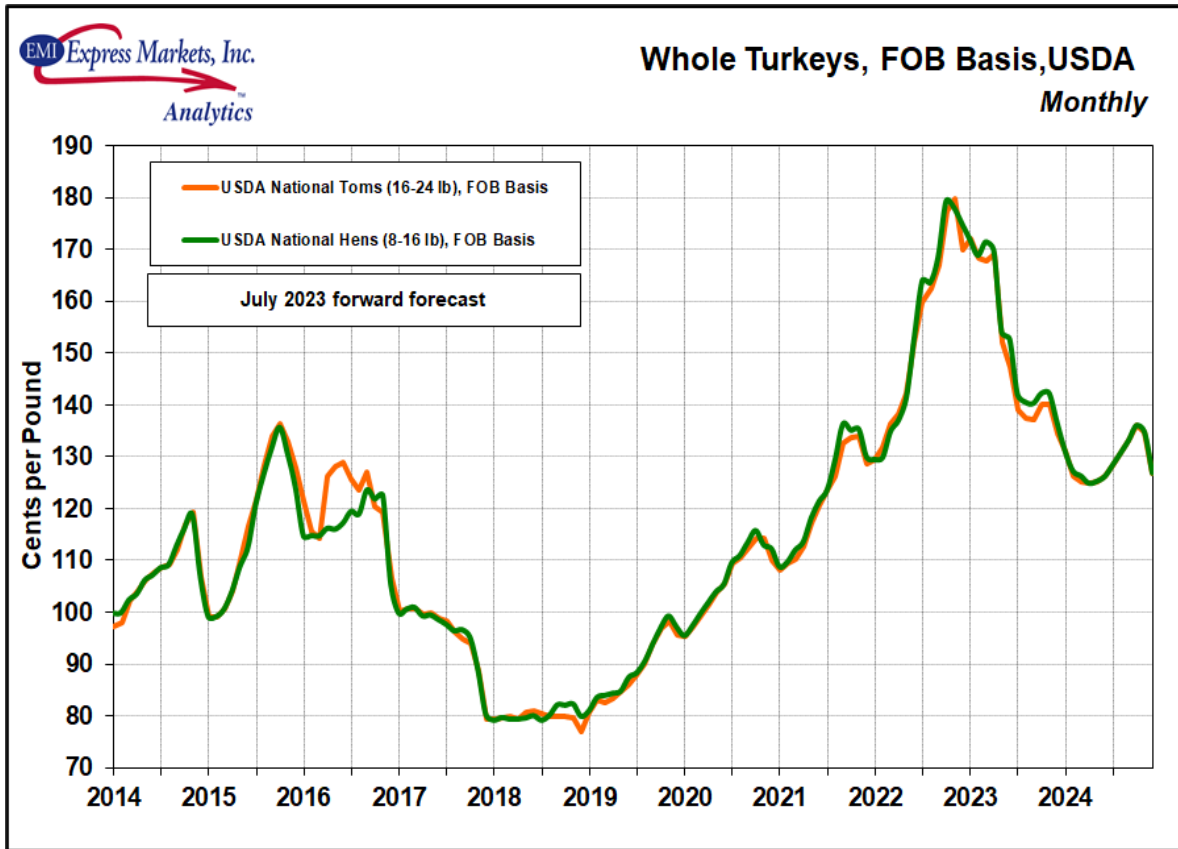
Cold Storage



- Turkey Part Stocks totaled 193.3 million pounds at the end of May, **+25% YOY**
 - Turkey Breast **+50%**, Legs **+118%**, and Unclassified **+11%** YOY
 - Turkey MDT **-11%** YOY

- Whole Turkey Stocks totaled 207.9 million pounds at the end of May, **-6.8% YOY**
 - Whole Hens **-12.6%**
 - Whole Toms **-3.1%**

Turkey Markets



- Trade remains limited, but some buyers taking advantage of lower markets, which has slowed decline – market remains barely steady
- Whole cold storage stocks remain near year ago levels

- Deli buyers purchasing only necessary needs, but Back to School ads breaking soon could boost movement and steady markets
- Frozen product remains soft, with cold storage stocks rising



Thank you!

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Trends, analysis, and forecasts for the protein markets