

Cattle Numbers, Beef Demand and International Trade

by Travis Hickey





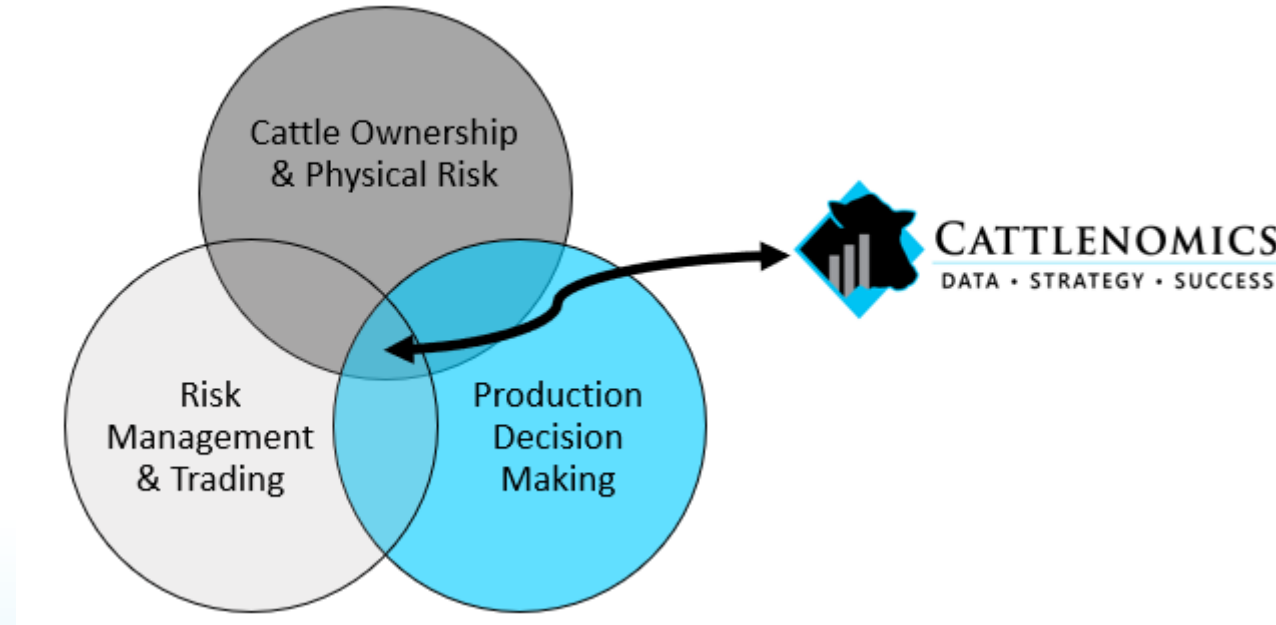
The trading of derivatives such as futures, options, and swaps may not be suitable for all investors. Futures and options trading involves substantial risk of loss, and you should fully understand those risks prior to trading. Carefully consider whether trading is suitable for you in light of your circumstances, knowledge and financial resources Any reference to past performance is not indicative of future results. All observations of economic, political and/or market conditions are not intended to refer to any particular trading strategy, promotional element or quality of service provided by Cattlenomics, LLC and should be construed as market commentary. All recommendations to buy or sell a specific derivative or forecasting statements regarding market activity and the pricing thereof should be construed as a solicitation in any jurisdiction in where such an offer or solicitation would be legal. Trading advice is based on information, statistical research and other sources that Cattlenomics, LLC believes are accurate and reliable, however we cannot guarantee that such information is complete and therefore should not be relied upon as such. Trade recommendations are subject to change without notice and there is no guarantee the advice given will result in profitable trades. By accepting this communication, you agree that you are an experienced user of the futures markets, capable of making independent trading decisions, and agree that you are not, and will not, rely solely on this communication in making trading decisions



Agenda

- Cattle inventories,
- US Cattle on Feed and Heifer Numbers,
- Beef Demand in the USA, Cutout Prices and Packing Margins,
- US beef exports and Imports,
- International Trade and Tariffs.

Who and What is Cattlenomics?



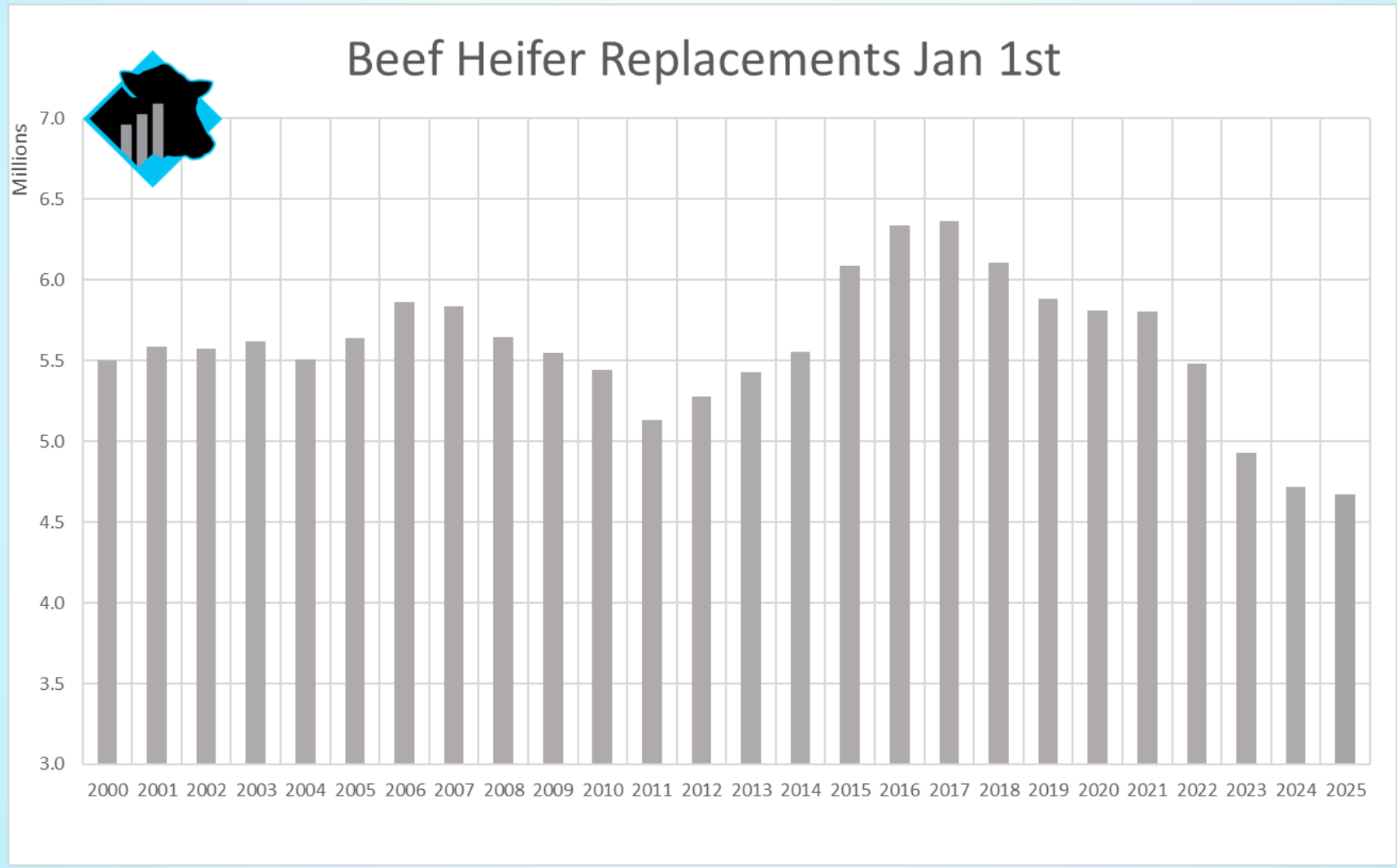
StoneX

US Cattle Inventories





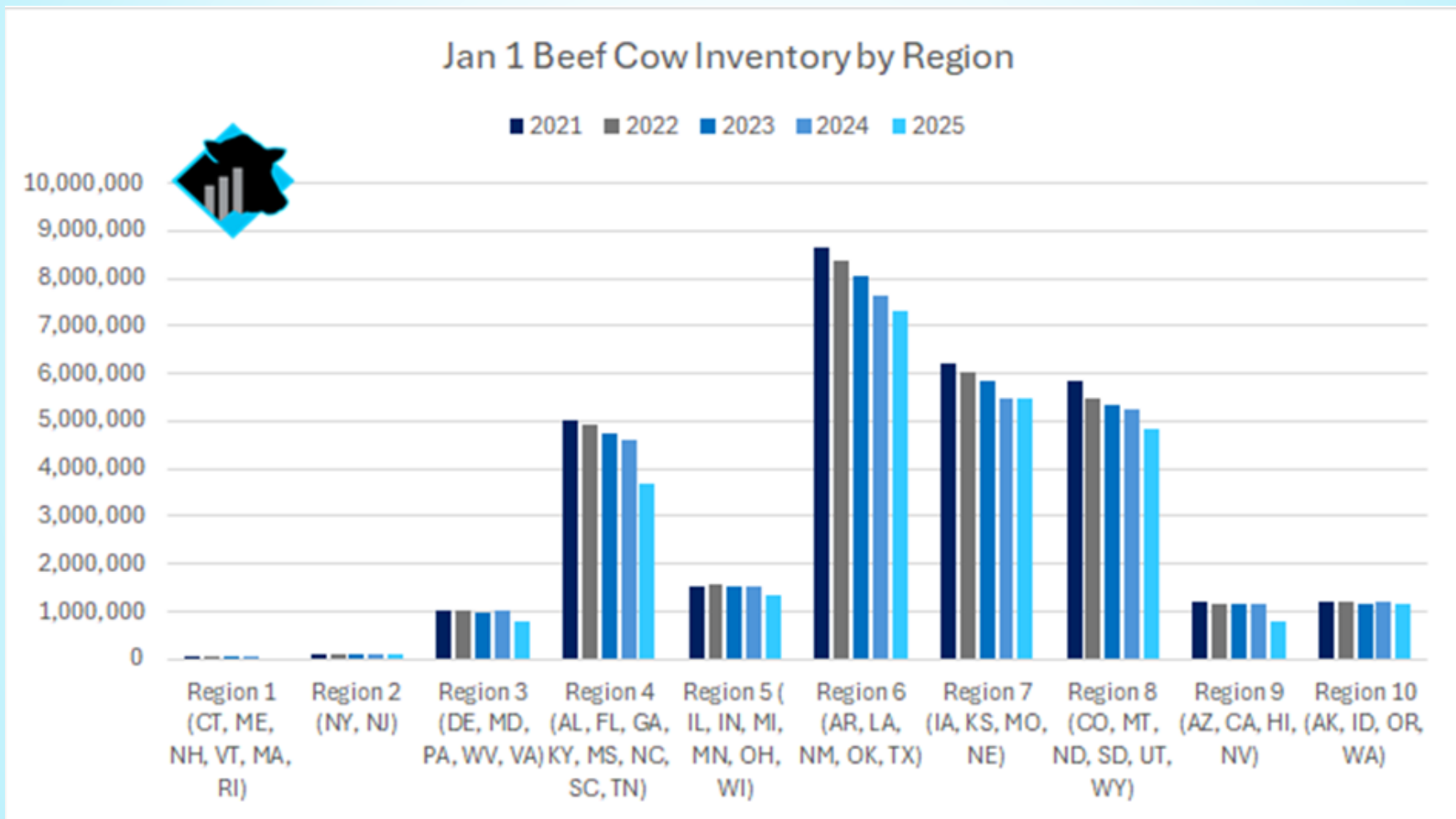
Beef Cow Inventory in the USA



Source: USDA and Cattlenomics, LLC Calculations



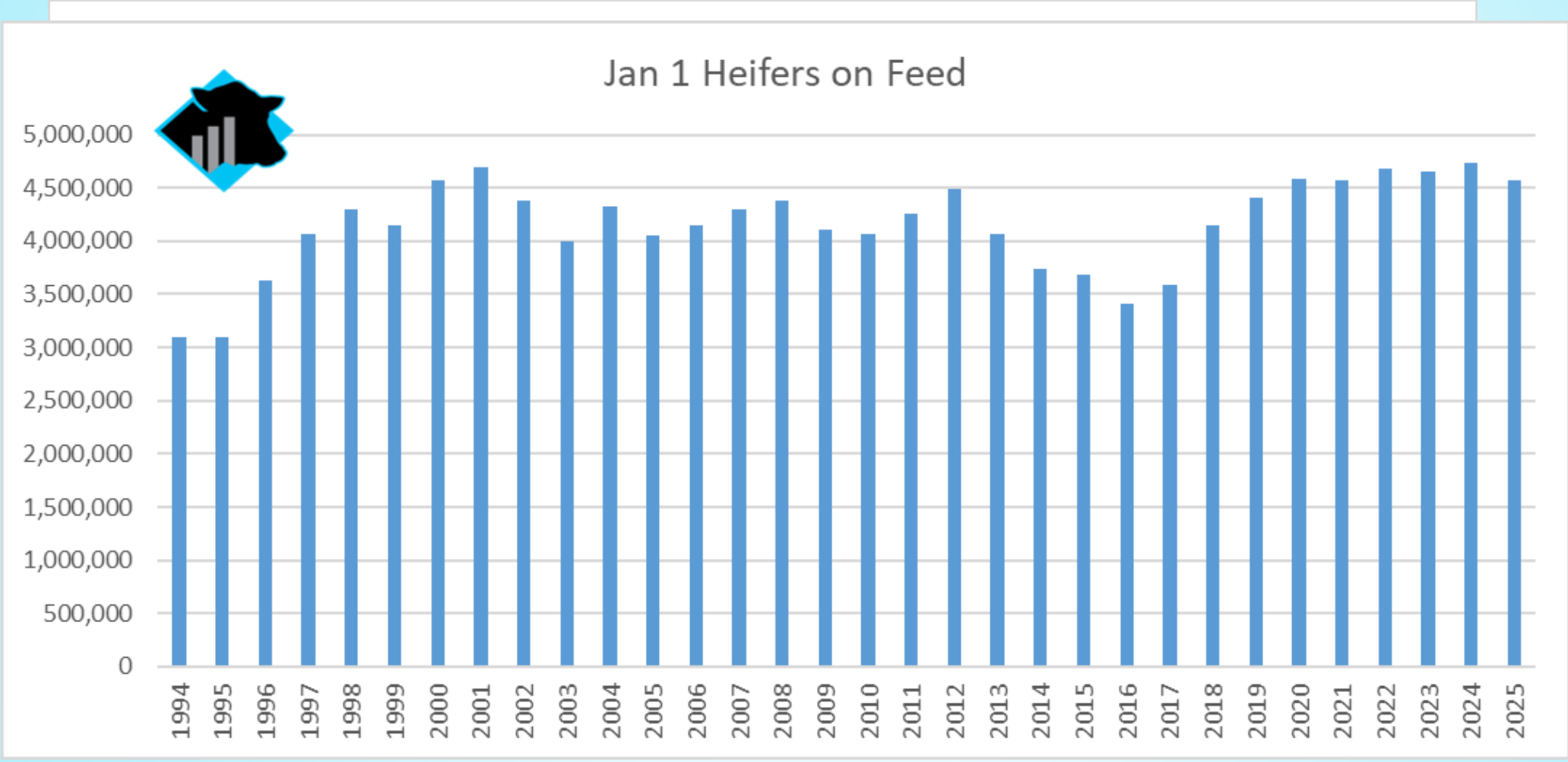
Beef Cow Inventory in the USA



Source: USDA and Cattlenomics, LLC Calculations



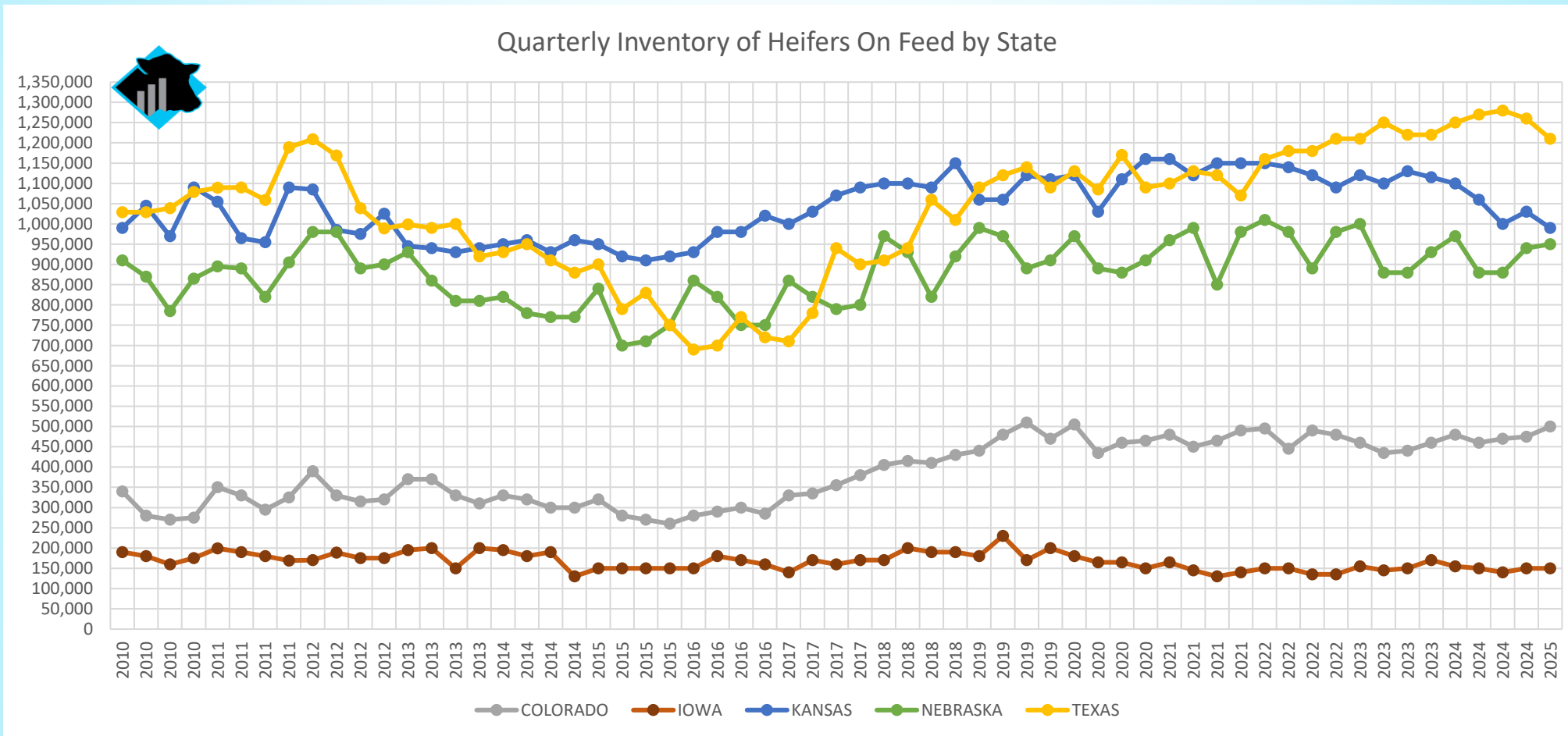
Heifers on Feed in the USA



Source: USDA and Cattlenomics, LLC Calculations



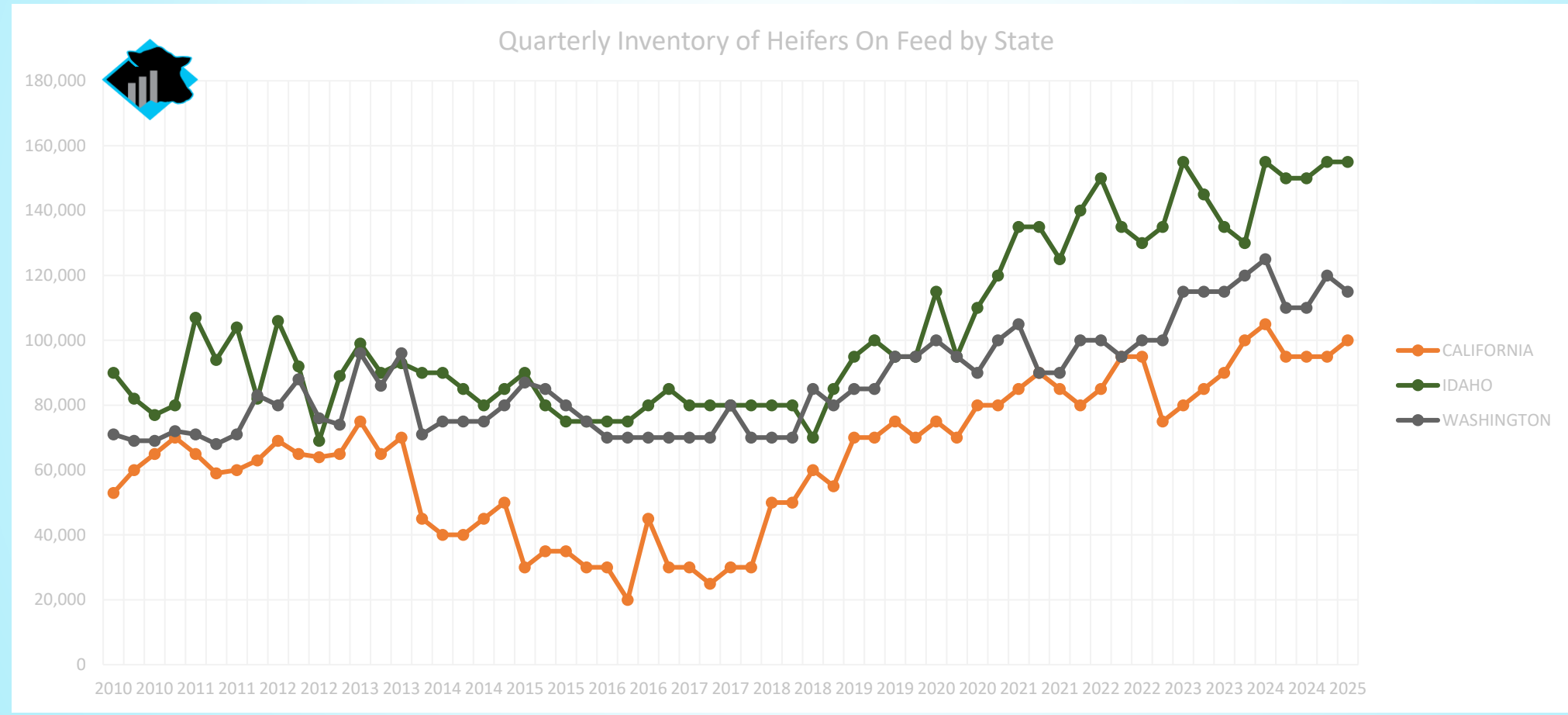
Heifers on Feed in the Biggest 5



Source: USDA and Cattlenomics, LLC Calculations



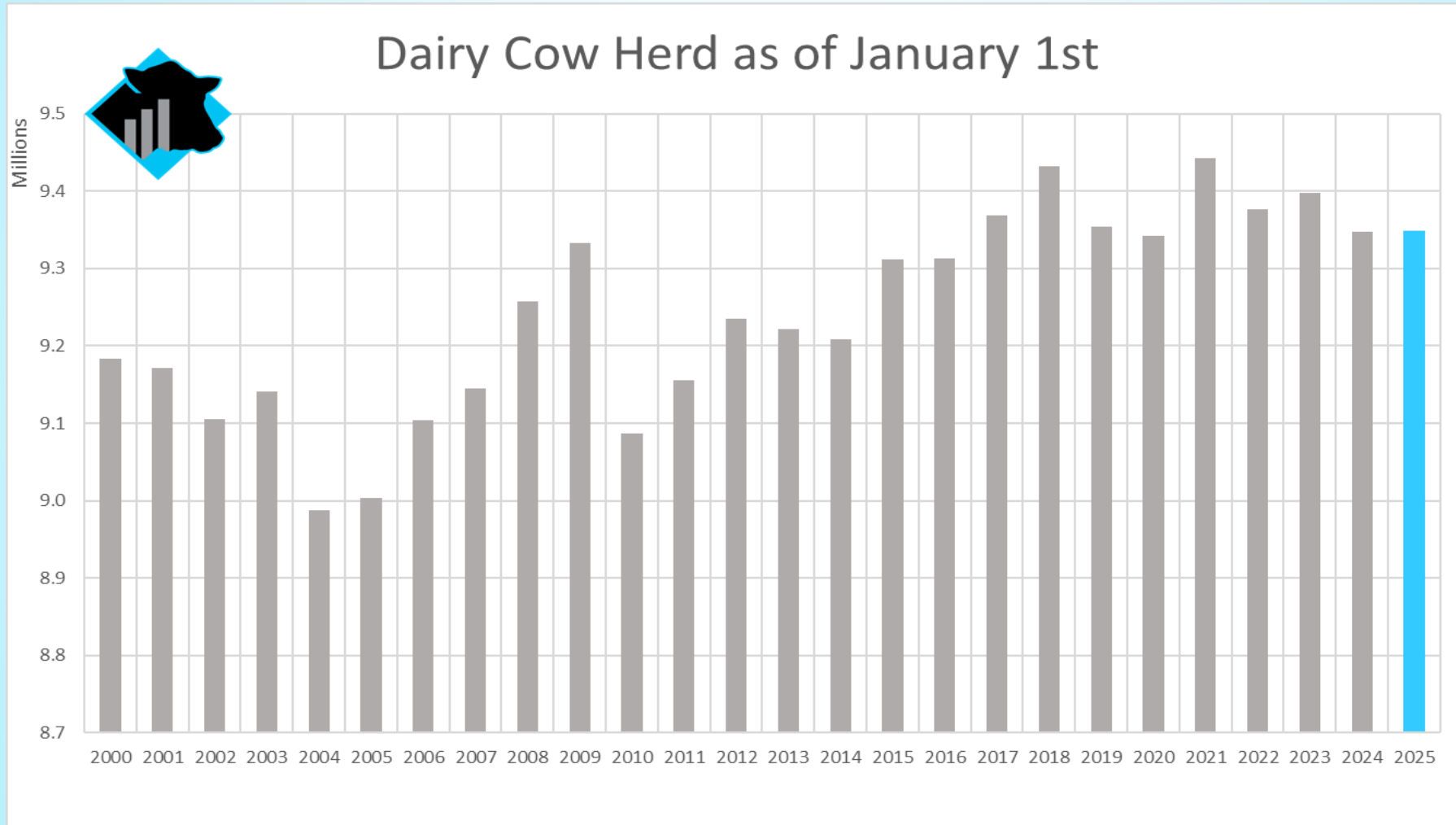
Heifers on Feed in Other States



Source: USDA and Cattlenomics, LLC Calculations



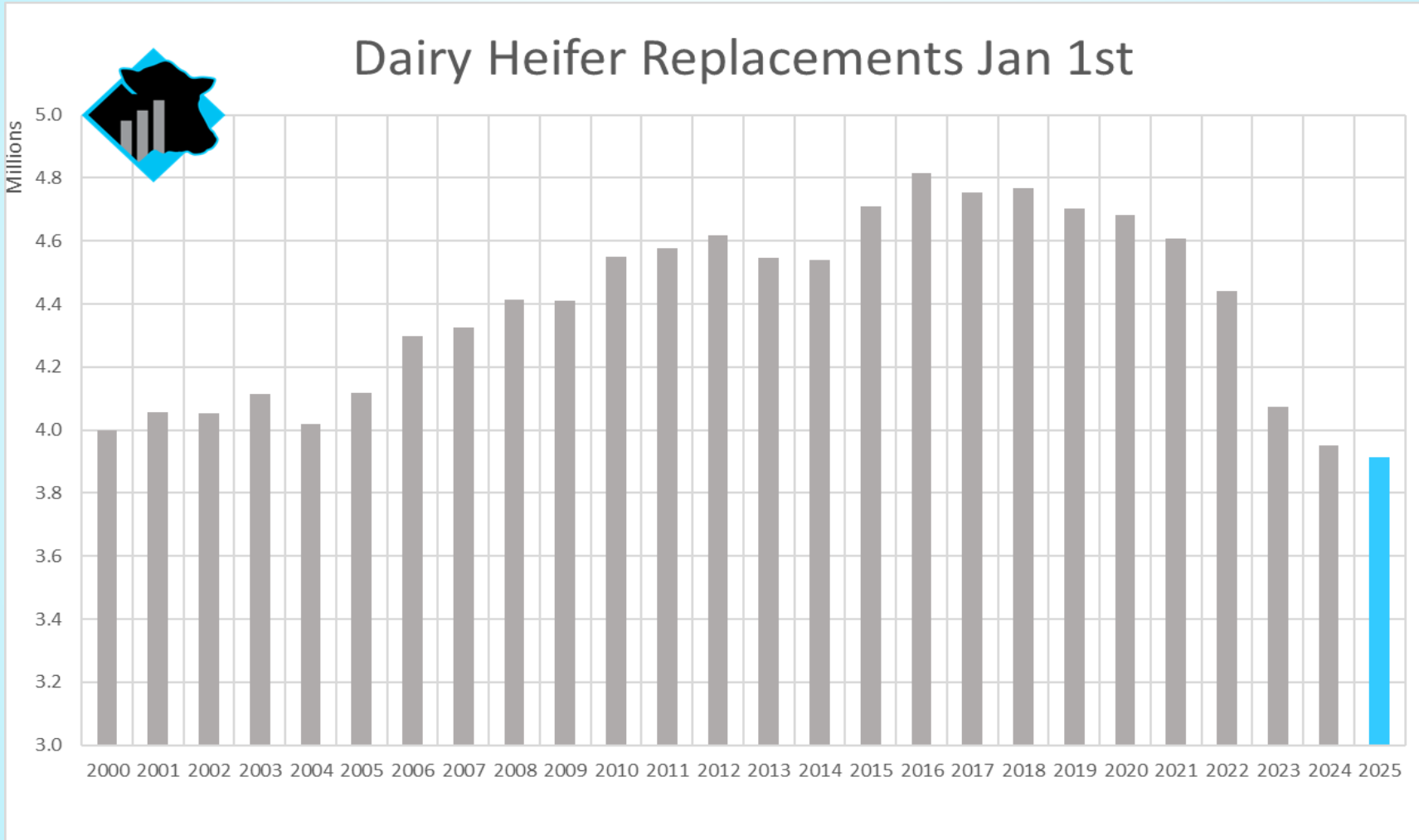
Dairy Influence



Source: USDA and Cattlenomics, LLC Calculations



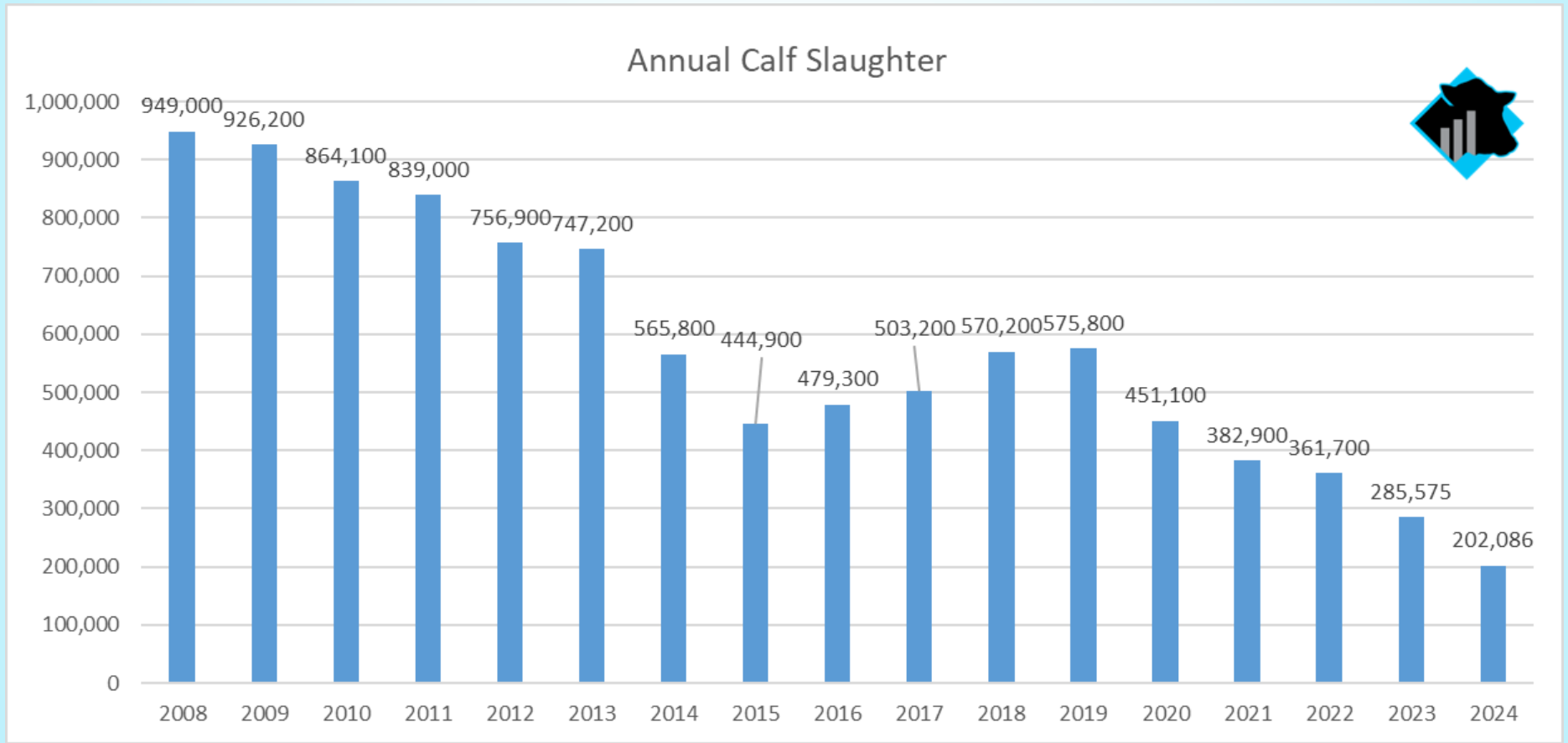
Dairy Influence



Source: USDA and Cattlenomics, LLC Calculations



Less Calf Slaughter = More Calves on Feed?



Source: USDA and Cattlenomics, LLC Calculations

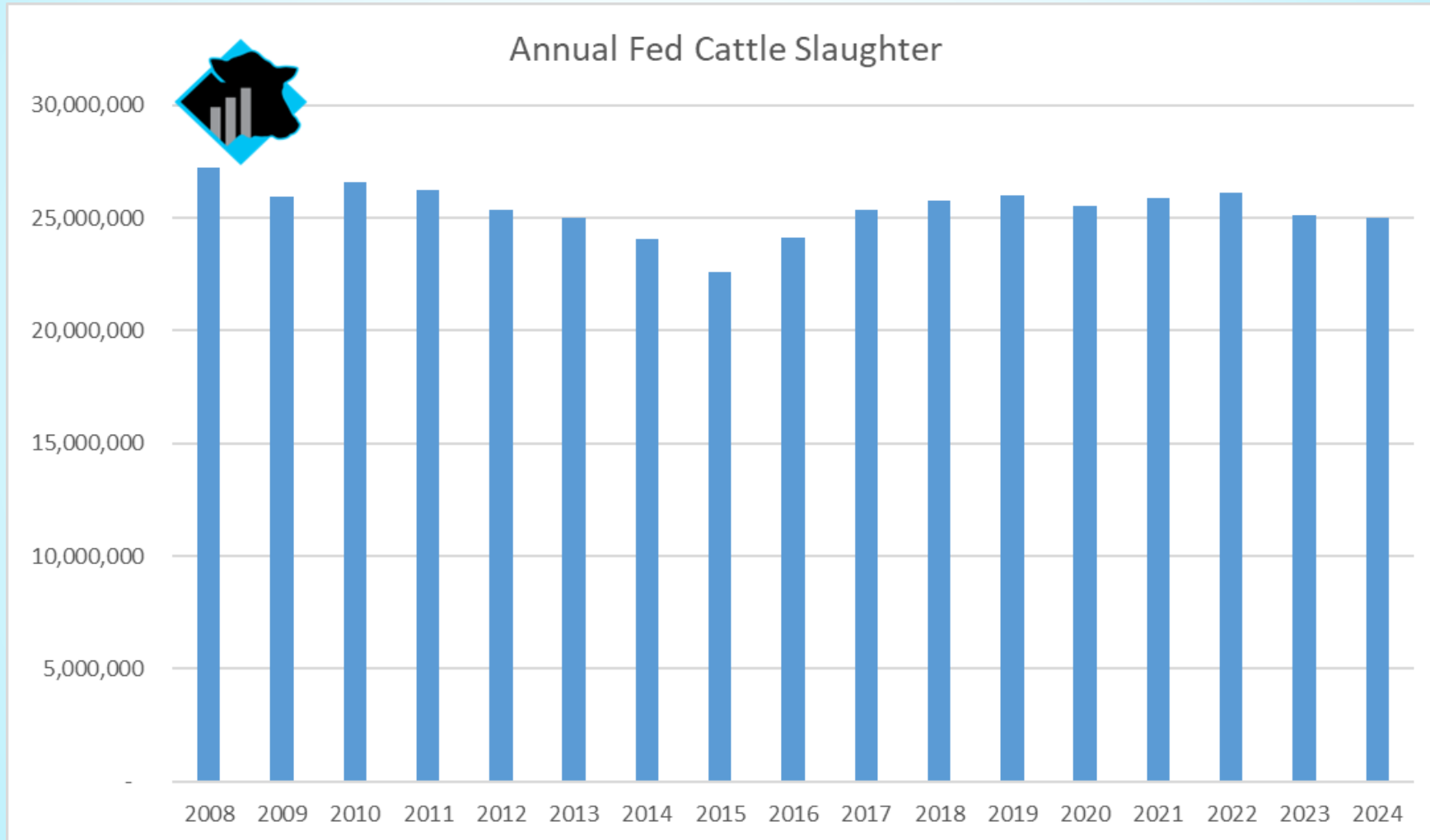


So What?

- The cattle have been pulled into yards early or at different times than history,
- Still no significant heifer retention,
- Small number of feeders outside of yards,
- Has the herd bottomed?



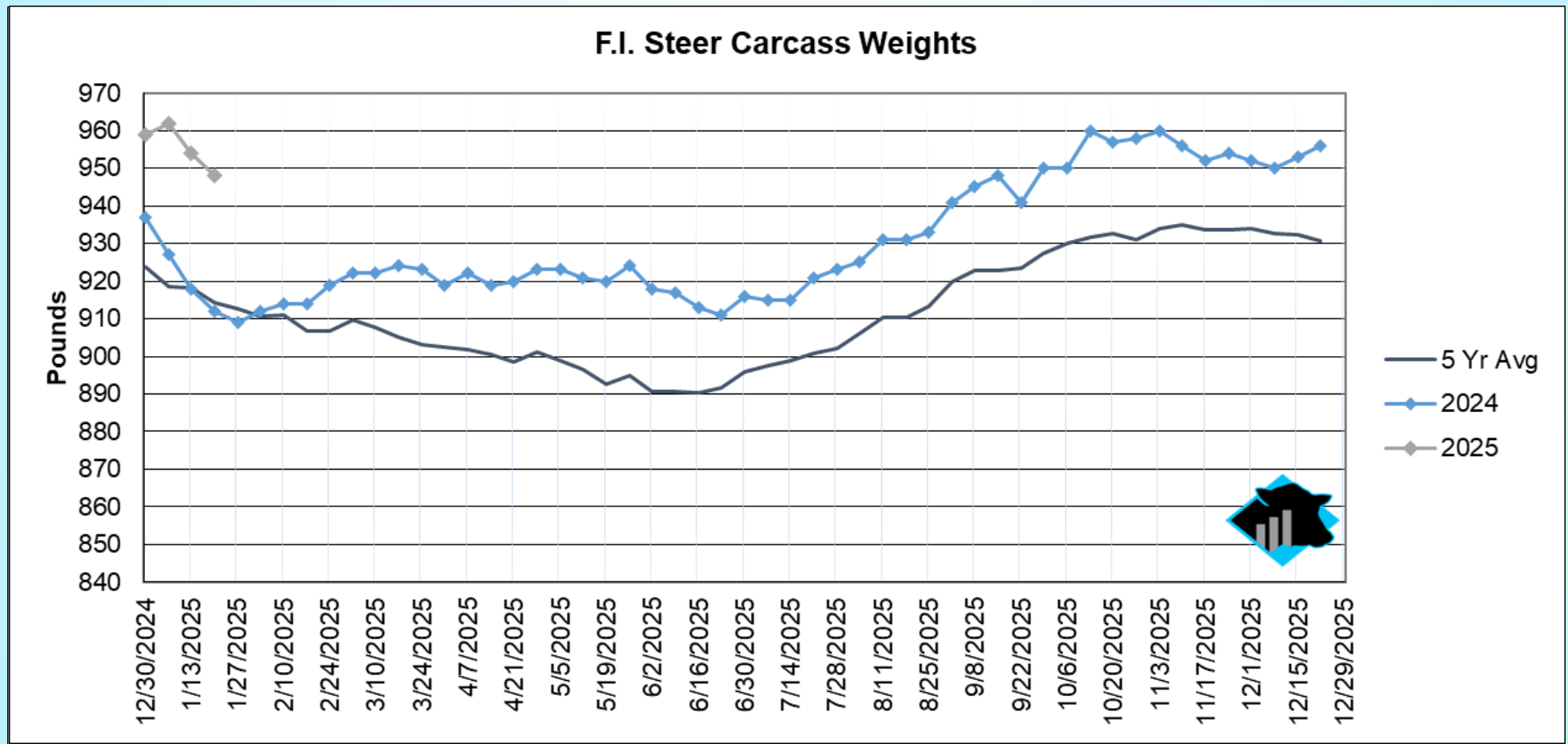
Slaughter Statistics



Source: USDA and Cattlenomics, LLC Calculations



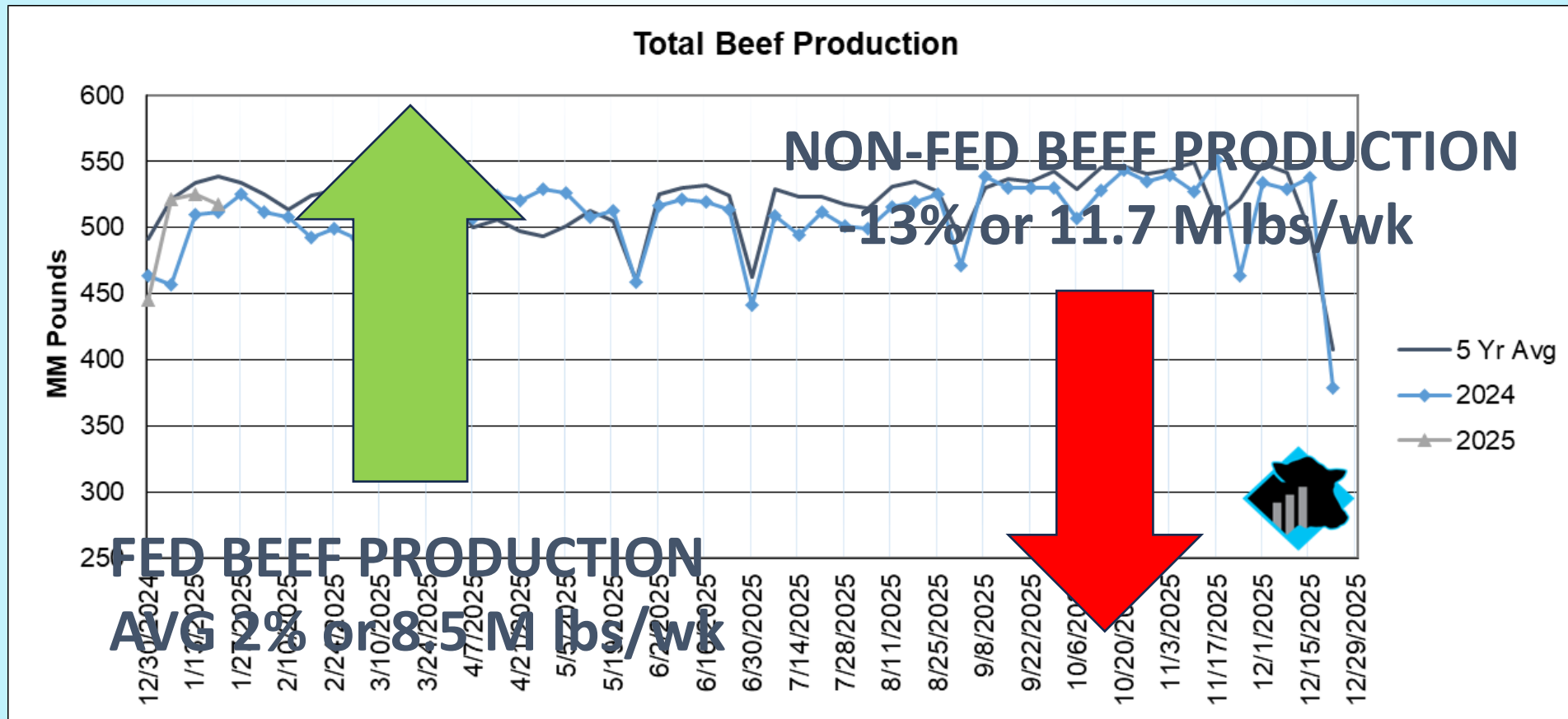
Beef Production & Carcass Wts



Source: USDA and Cattlenomics, LLC Calculations

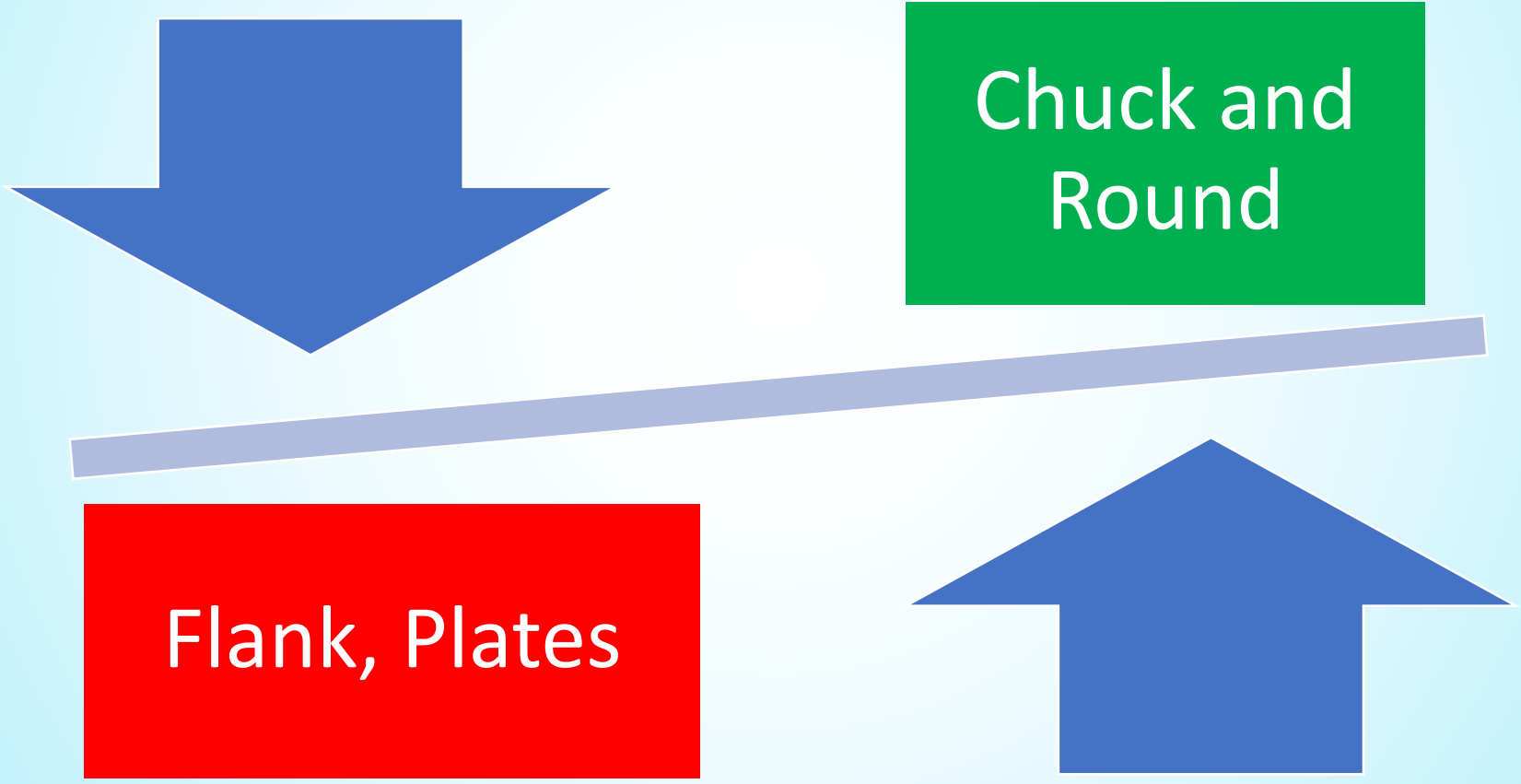


Beef Production & Carcass Weights





Beef Demand





So What?

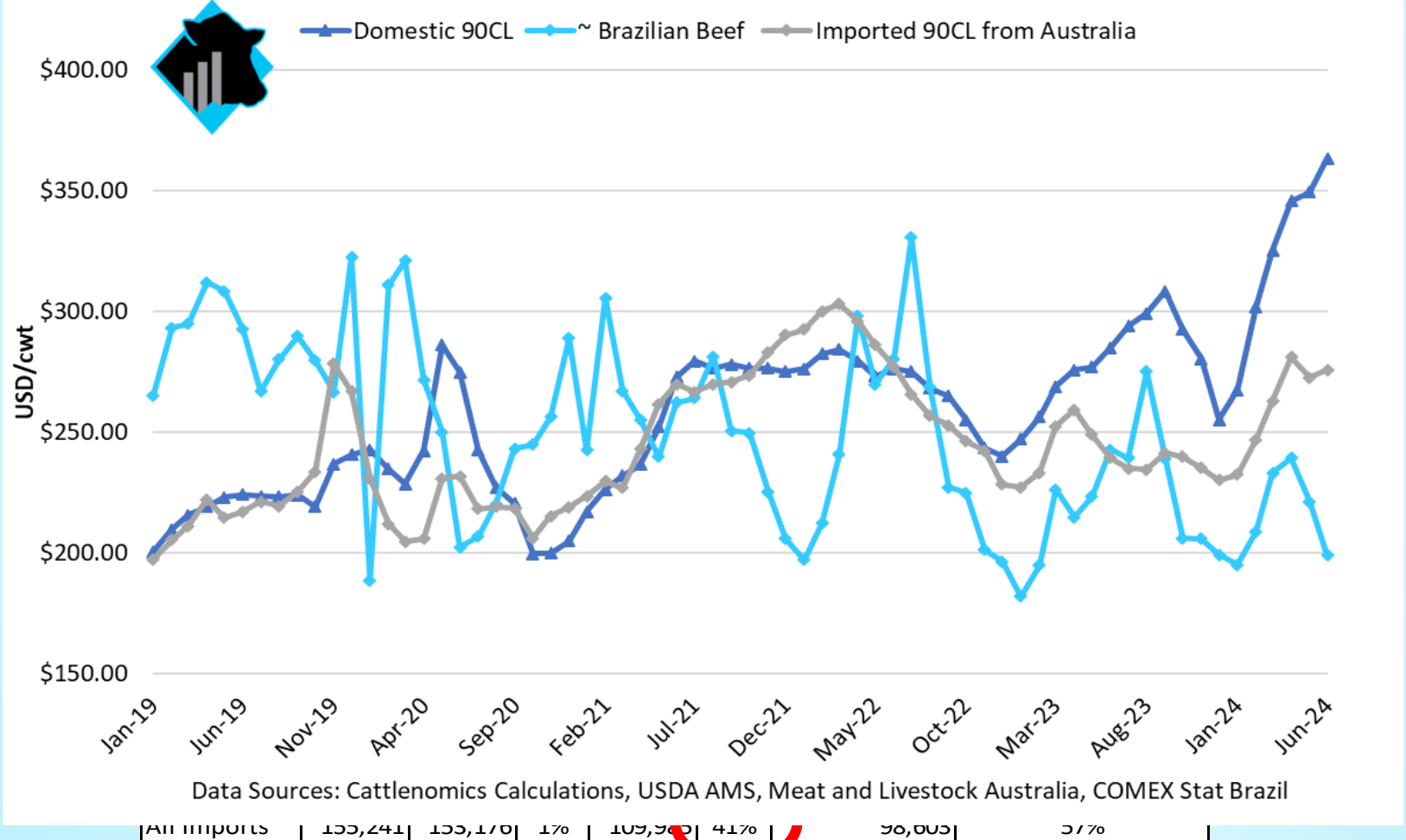
- Cattle supplies may be tightening, but carcass weights are offsetting all of the decline in fed cattle numbers...and more!
- Non-fed beef production is where there are “shortages”.



Beef Imports into the USA

Census-Confirmed US Beef Trade for December - Table 1

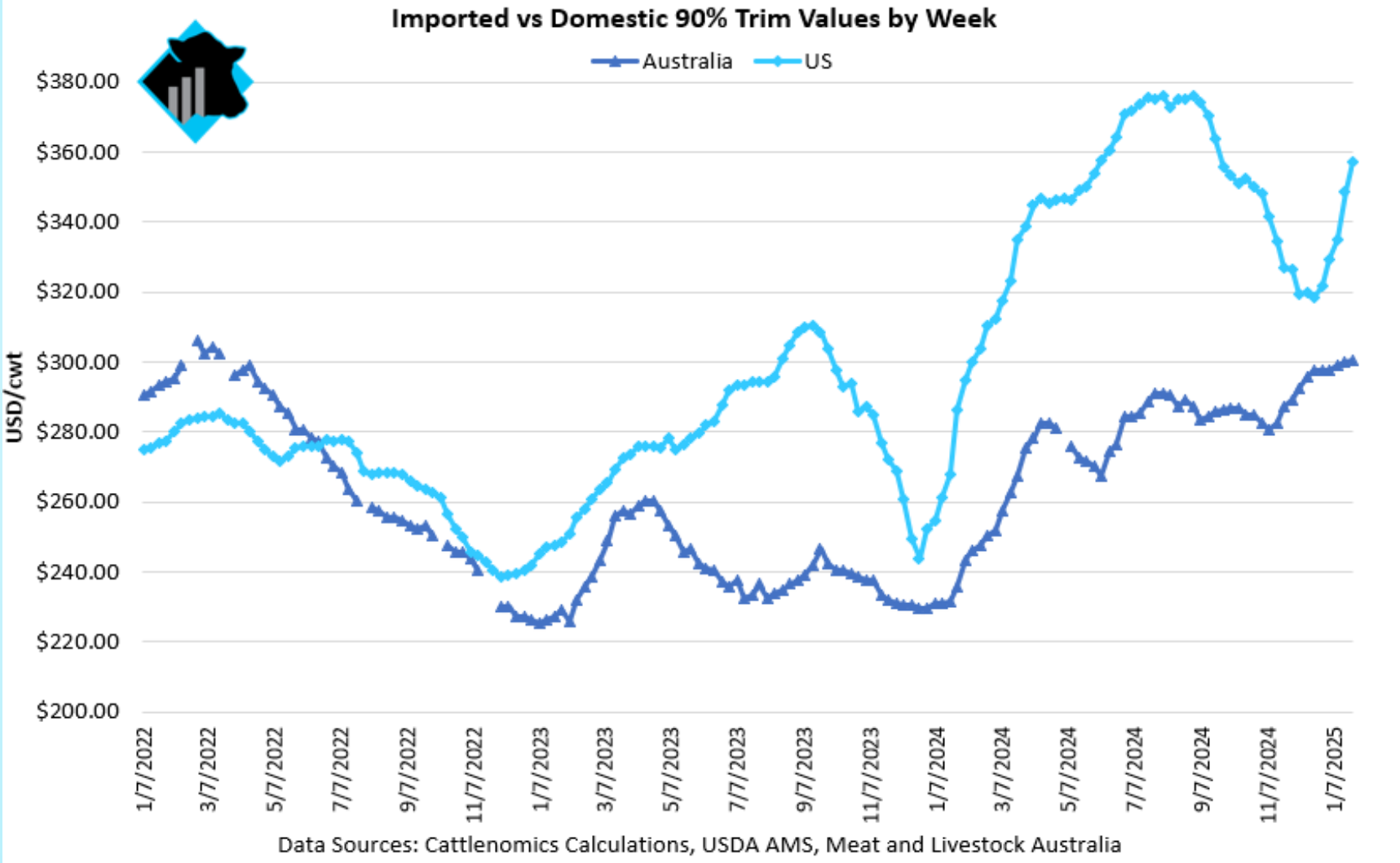
Imported vs Domestic 90's



Source: USDA and Cattlenomics, LLC Calculations



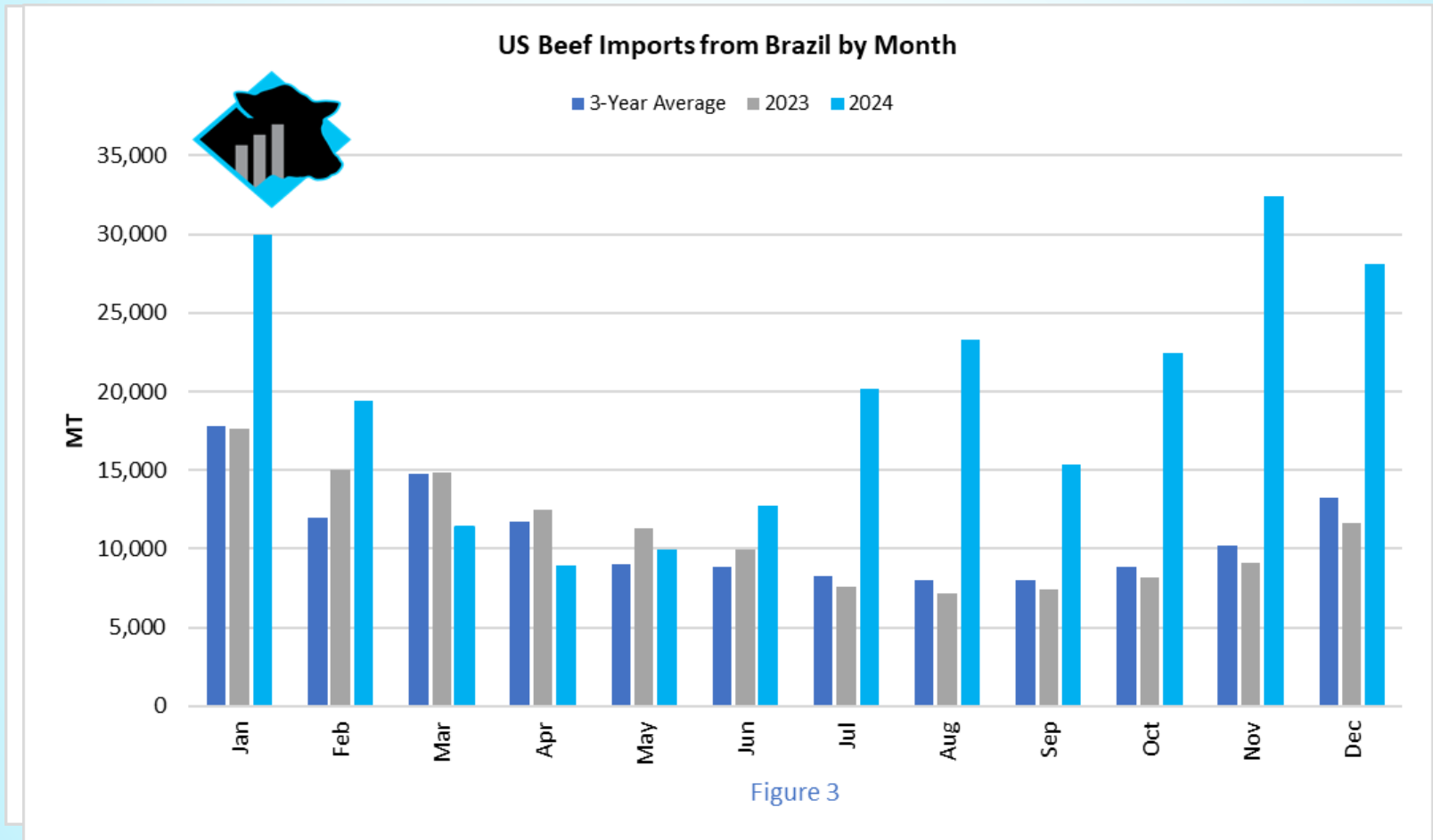
Beef Imports into the USA



Source: USDA and Cattlenomics, LLC Calculations

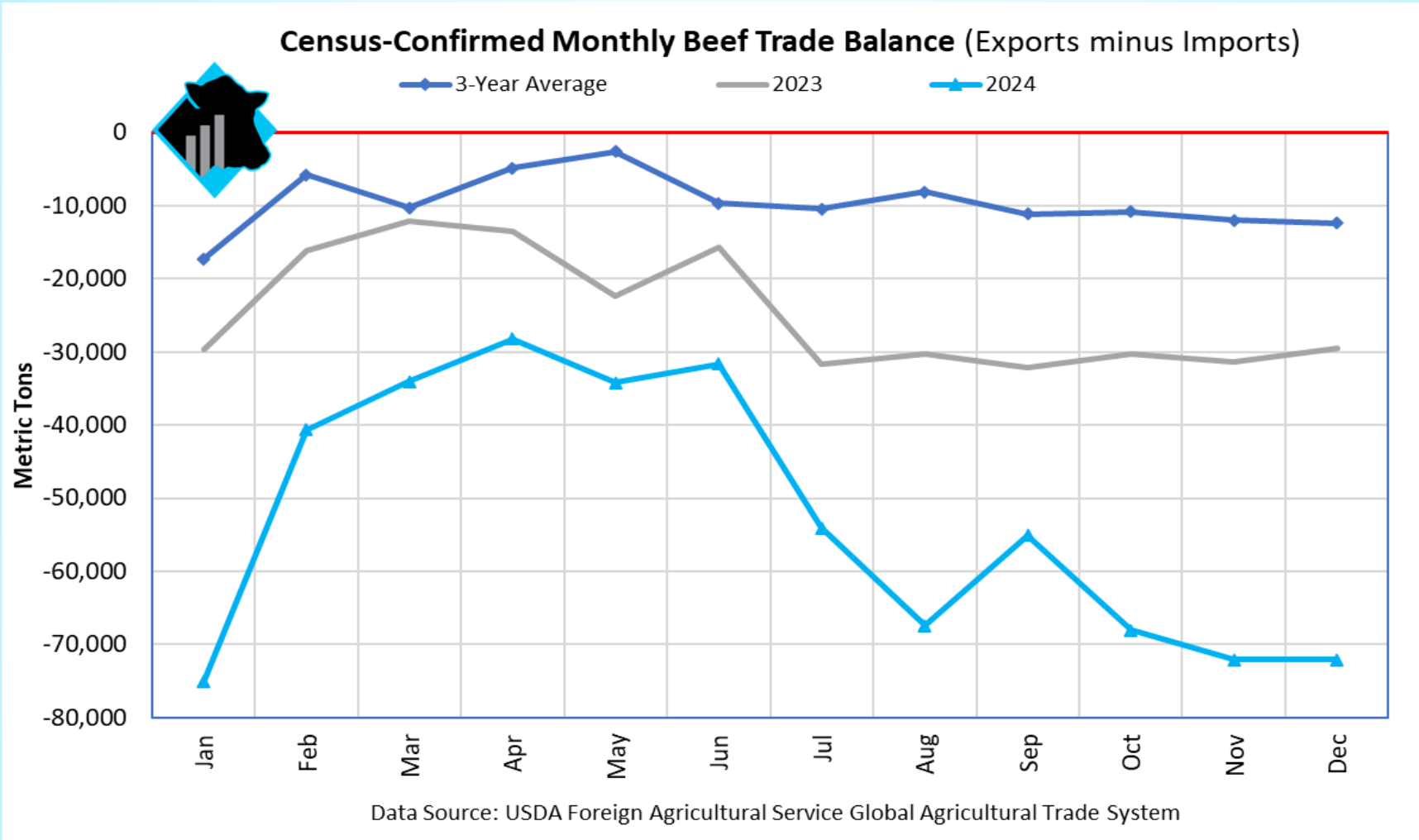


Beef Imports into the USA



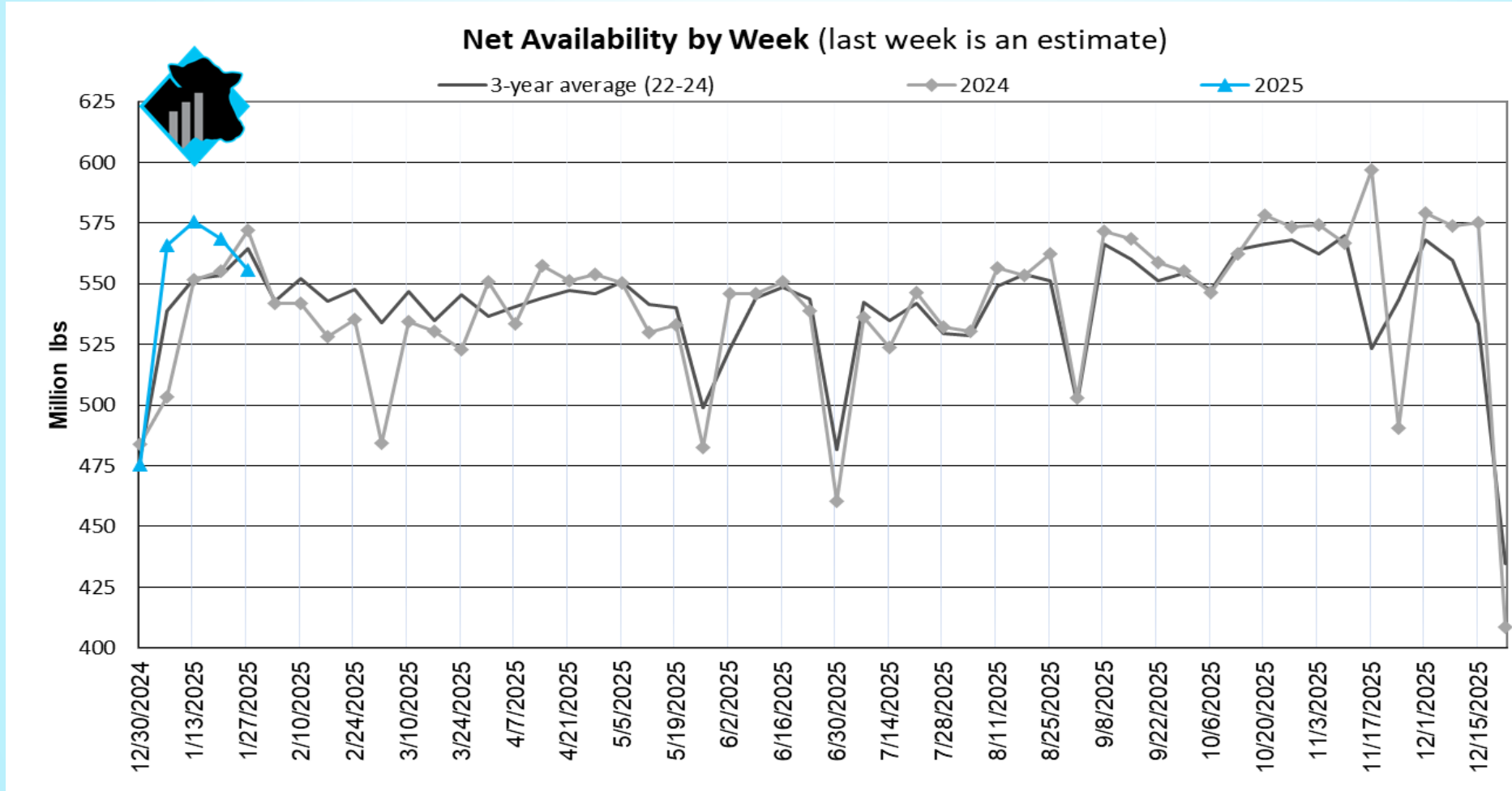


Beef Trade Balance in the USA



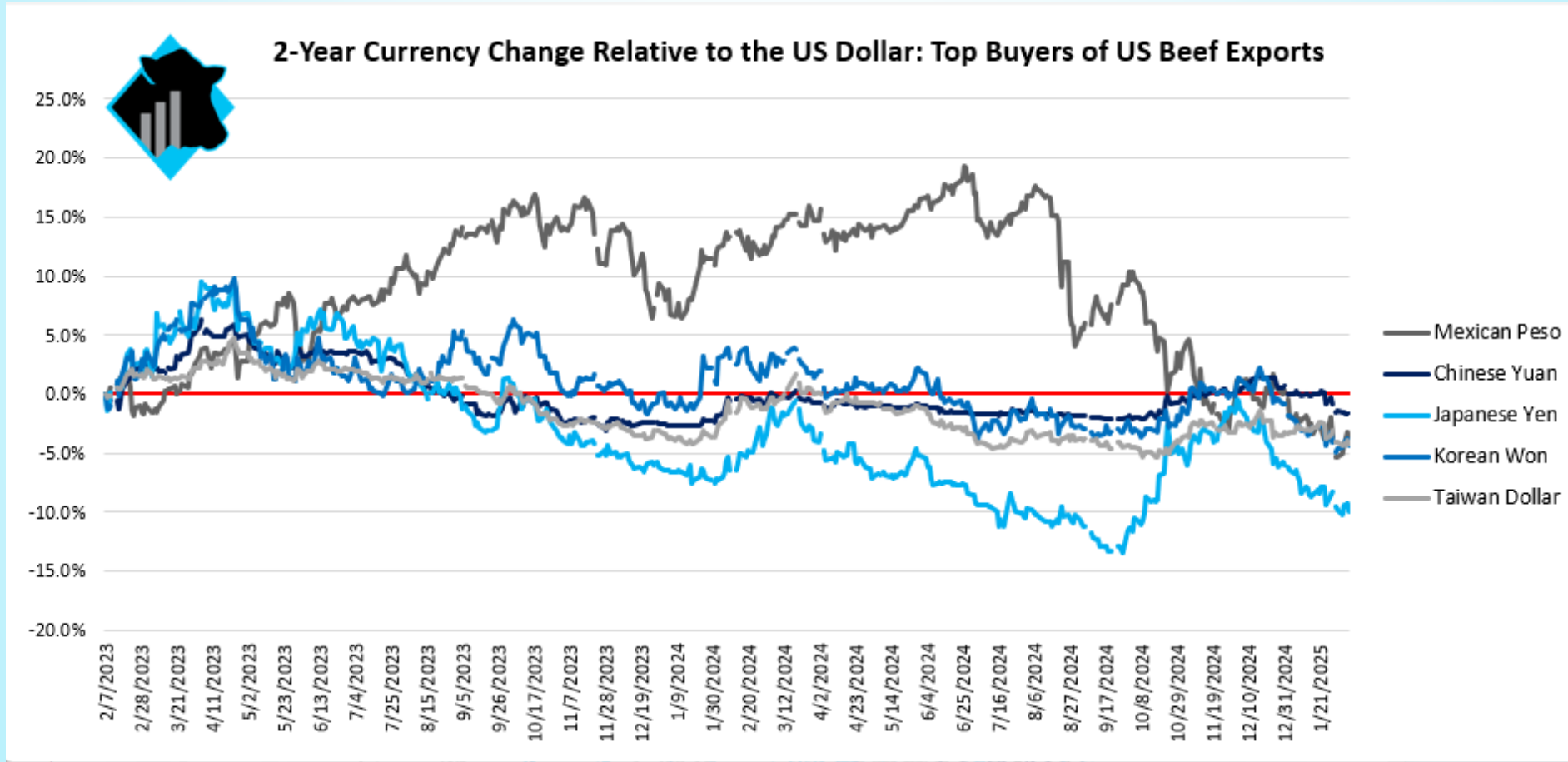


Beef Availability in the USA





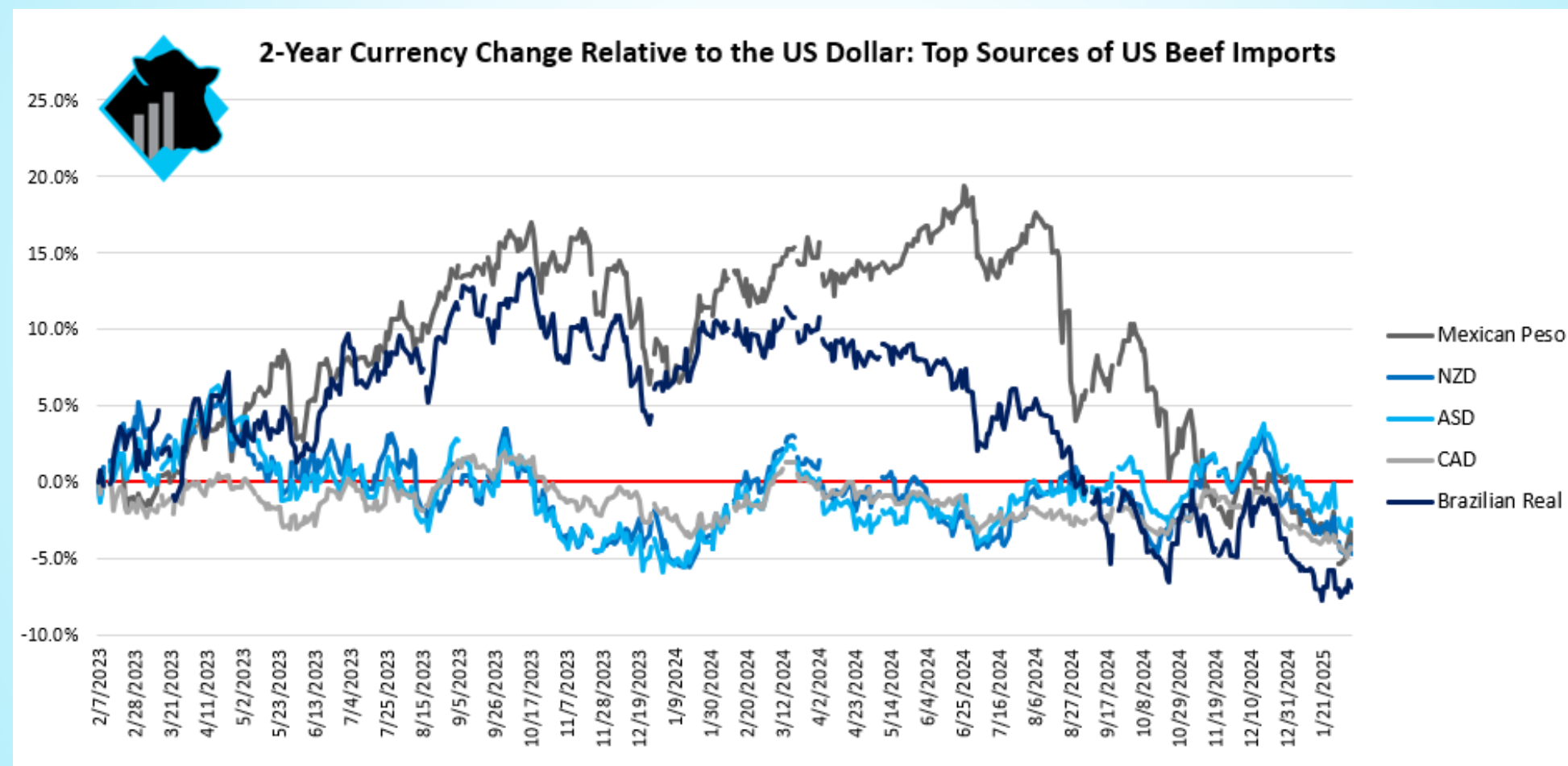
Exchange Rates of US Export Destinations



Source: USDA and Cattlenomics, LLC Calculations



Exchange Rates of US Import Sources



Source: USDA and Cattlenomics, LLC Calculations

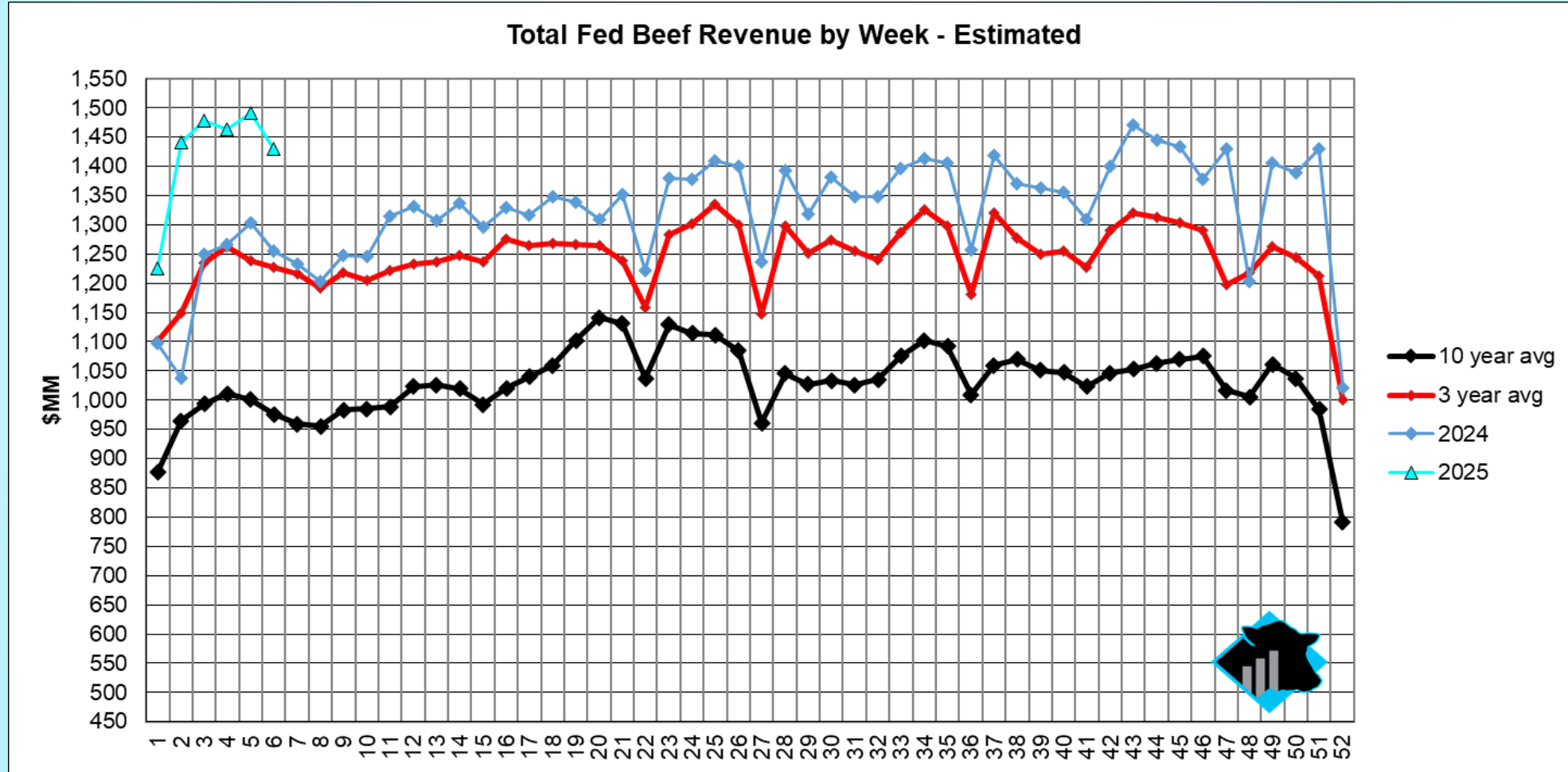


So What?

- Currently the S & D of beef in the USA is the driving force behind global trade in trim and grinds,
- Brazil and Australia are the main benefactors,
- Imports are more than offsetting any shortfalls in production, so the net availability has been rising.

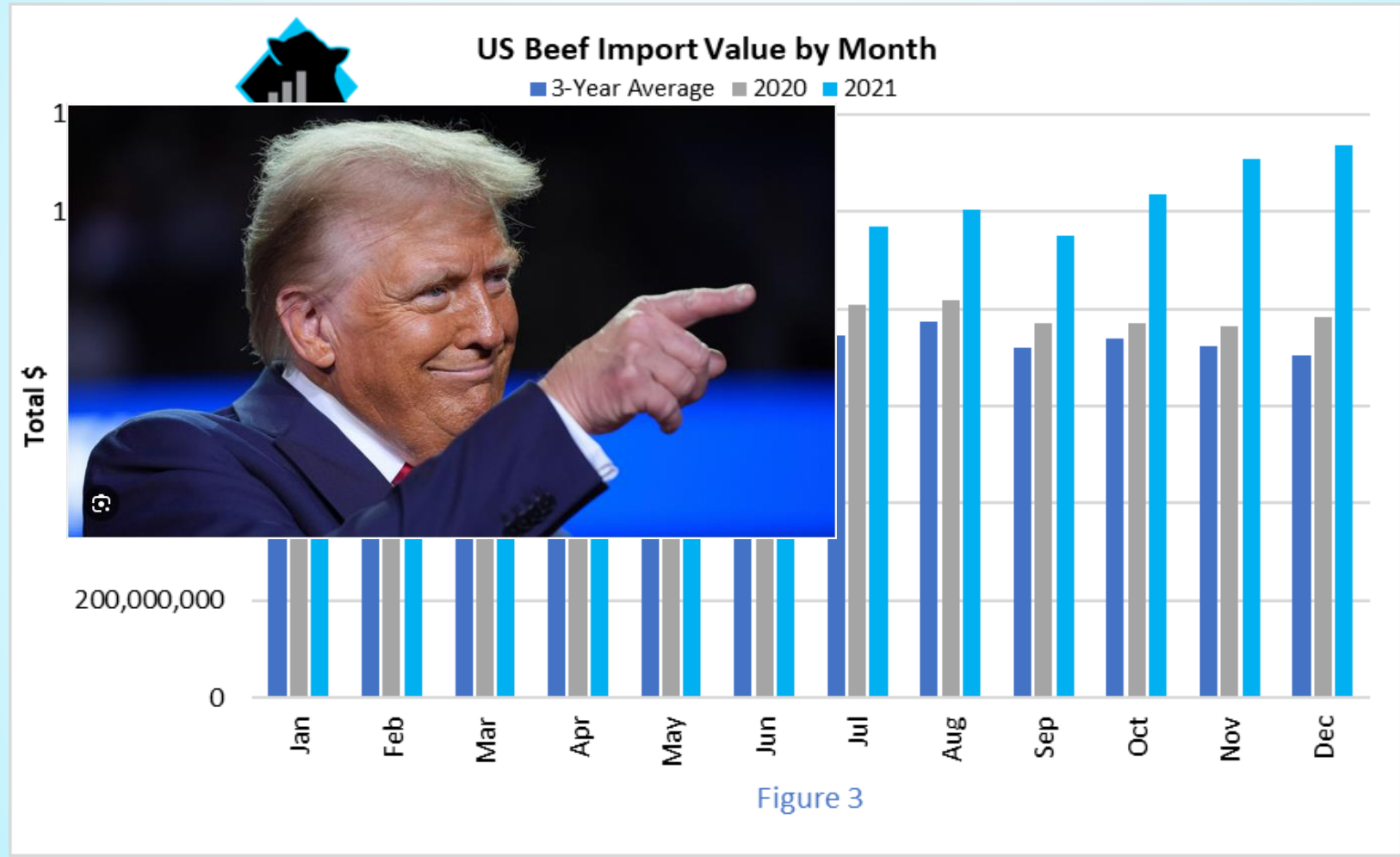


Demand for Fed Beef





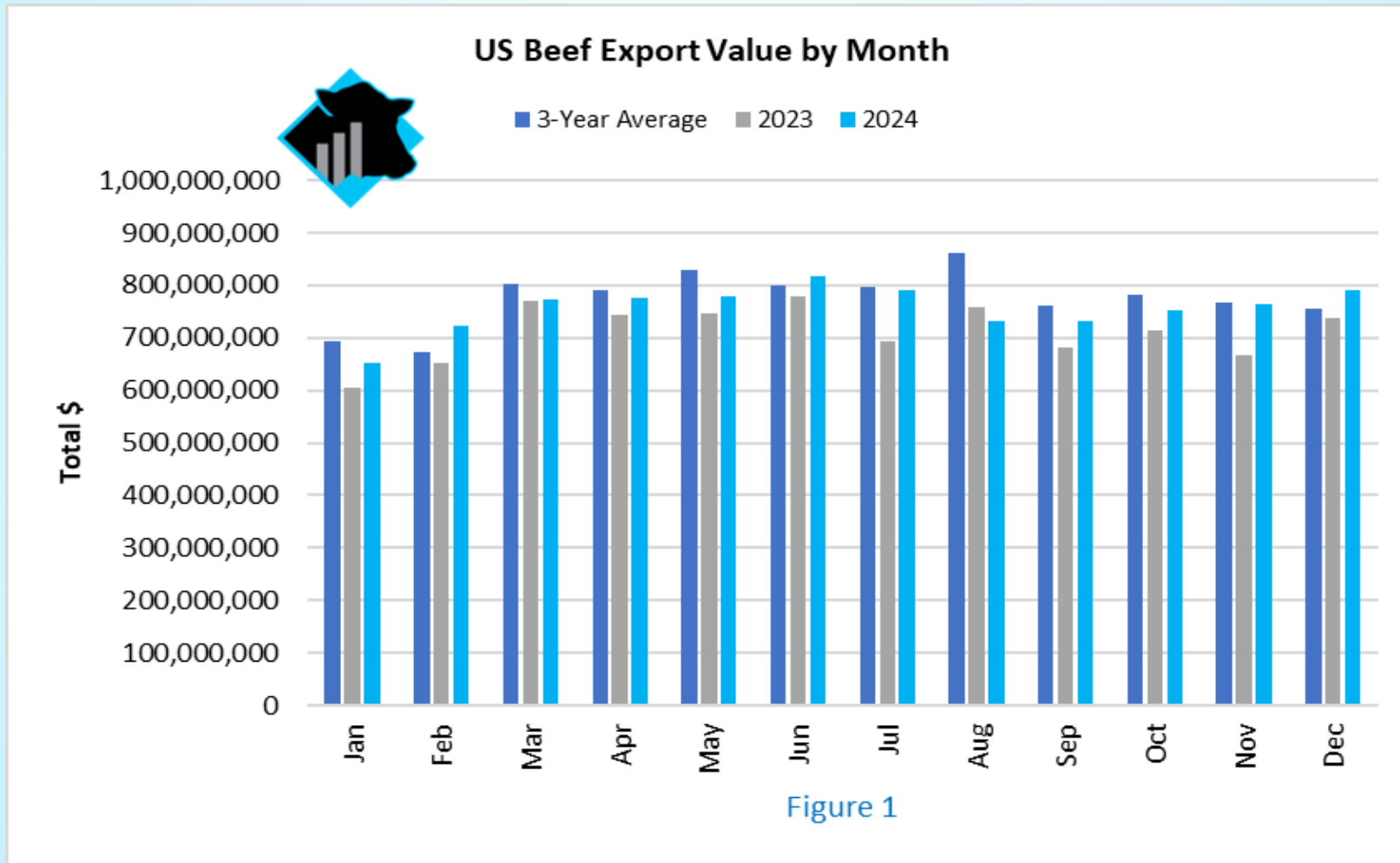
Imported Beef Demand



Source: USDA and Cattlenomics, LLC Calculations

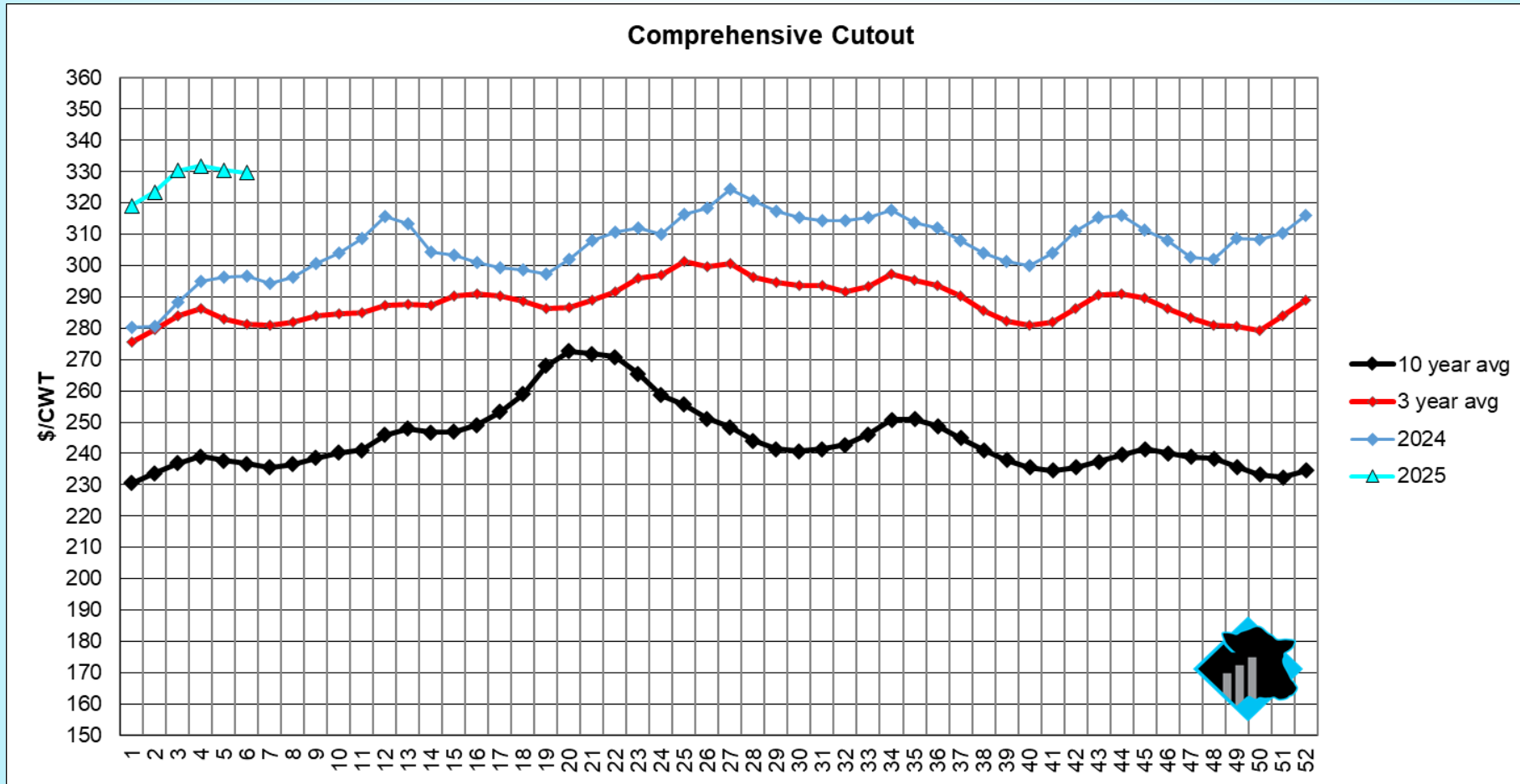


Exported Beef Demand



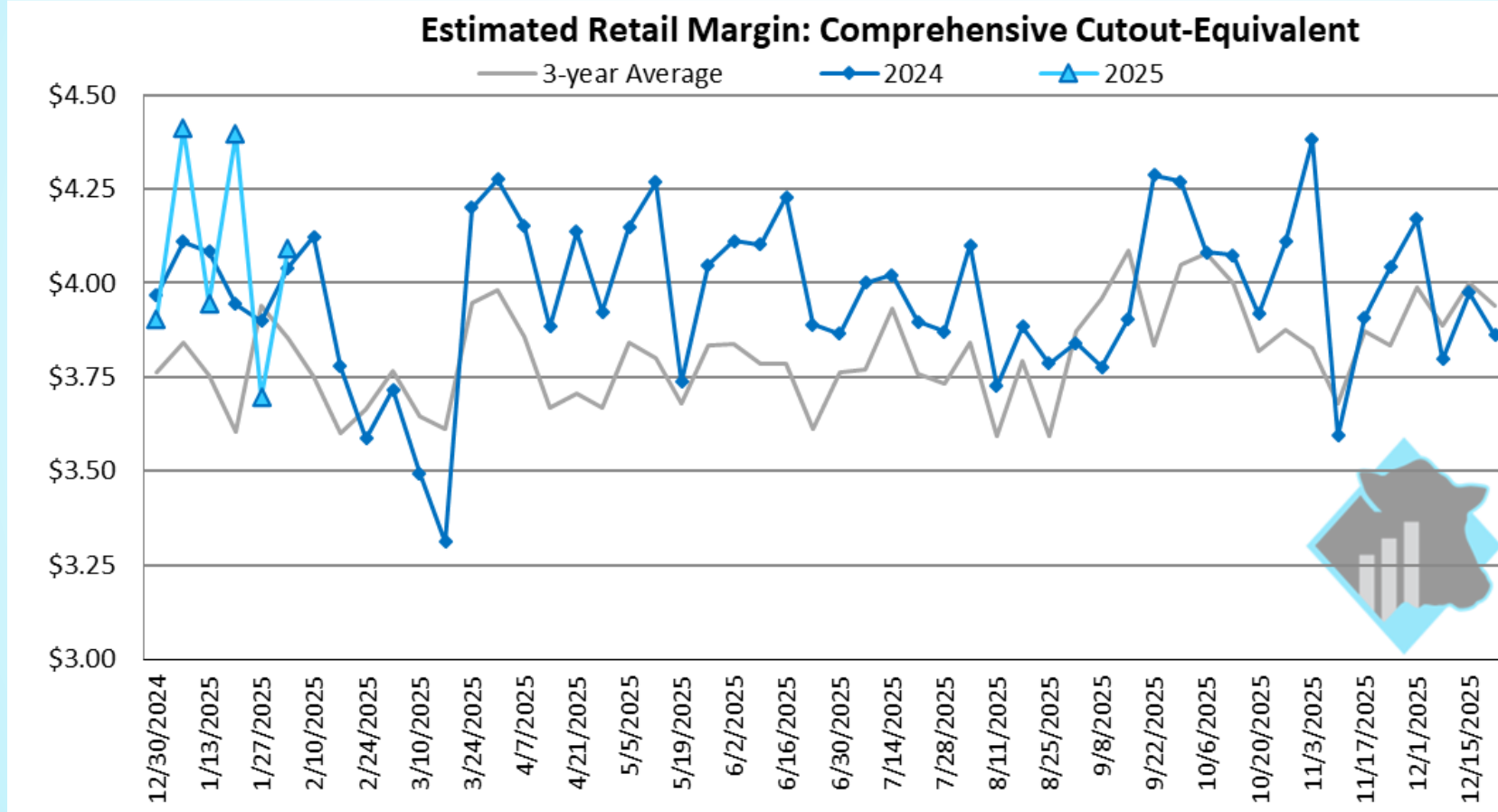


Price Matters!



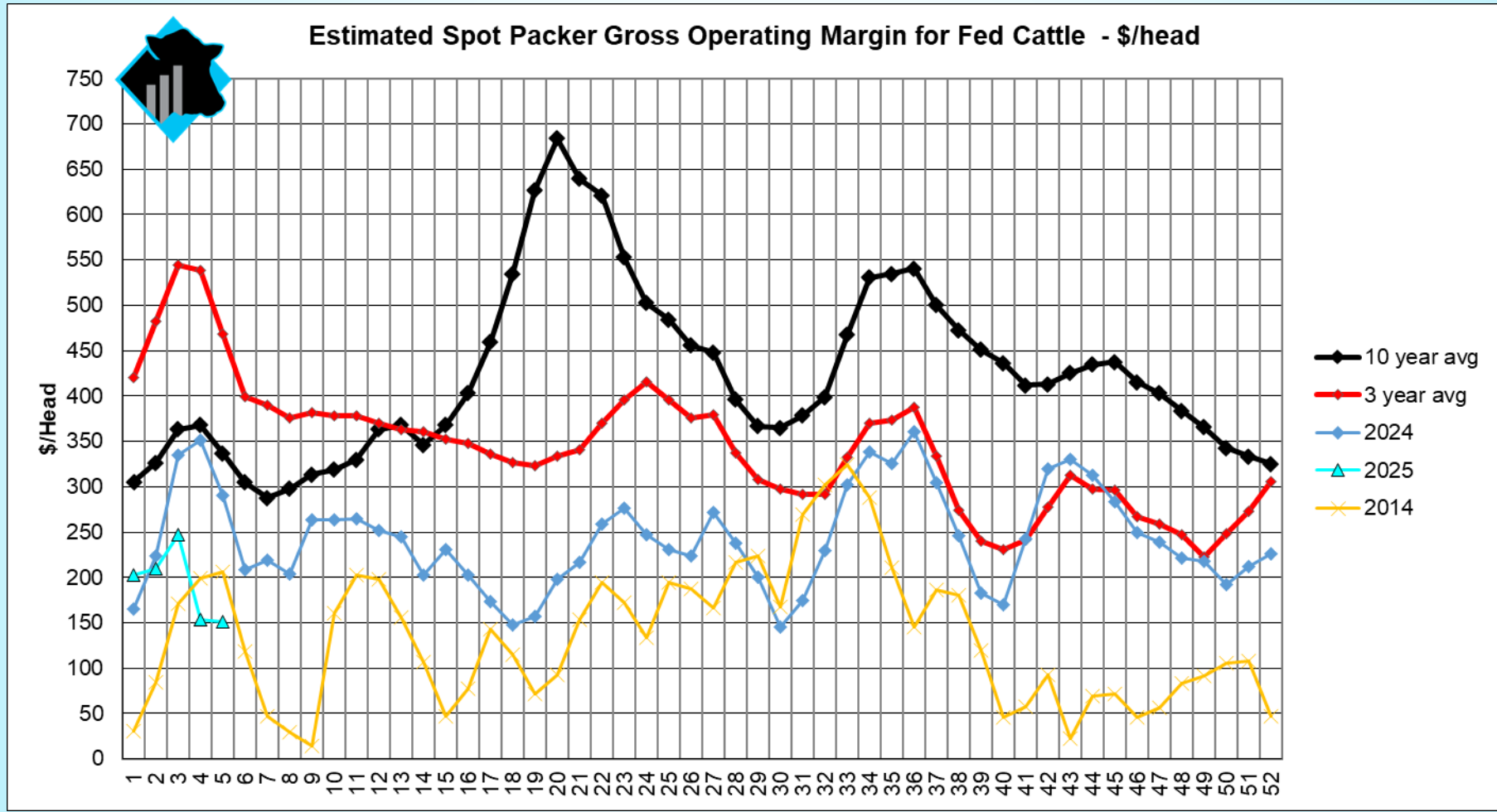


Wholesale – Retail Spreads





Packing Margins



Source: USDA and Cattlenomics, LLC Calculations



So What?

- The market has a way of eliminating margins and currently the packer is getting squeezed,
- Retail margins have been ok, but long ways from the levels from 2023 and early 2024,
- Cattle feeders next?

Feeding Margins (800lb Steer)*

Variable	Current	Forward
CME Feeder Index (\$/CWT)	\$ 246.71	\$275.85
COG to 1,400lbs (\$/lb)	\$1.13	\$1.21
Interest (\$/HD)	\$100.23	\$110.69
Breakeven (\$/CWT)	\$189.31	\$209.29
Sale Price	207.05	\$192.88
Profit/Loss (\$/Hd)	\$248.36	\$229.69

**Feeding margins for 800lb Steer over 180days to 1400lbs*




Tariff Scenario

- Choice Carcass @ 925 pounds,
- Fed Steer @ ~1540 pounds,
- Feeder Steer @ 800 pounds,
- Calf @ 500 pounds,
- Freight in CAD for Reefer truck @ \$4.79/loaded mile
- Freight in CAD for Cattle truck @ \$5.79/loaded mile
- Example illustrates the difference between two extremes:
 - 1 – buyer pays 100% of the tariff on top of the original purchase price
 - 2 – buyer backs out 100% of the tariff from purchase price



Tariff Scenarios – not a Forecast!

Hypothetical Example of Tariff Impact				
	<u>Choice Carcass</u>	<u>Fed Cattle</u>	<u>Feeder Cattle</u>	<u>Calf</u>
Price/cwt in USD FOB Greeley	\$ 330.00	\$ 205.00	\$ 275.00	\$ 350.00
Tariff @ 25% in \$/cwt	\$ 82.50	\$ 51.25	\$ 68.75	\$ 87.50
 Cost Per Carcass or Per Head	\$ 3,815.63	\$ 3,950.52	\$ 2,750.00	\$ 2,406.25
Cost to Buyer in USD/cwt	\$ 412.50	\$ 256.25	\$ 343.75	\$ 437.50
Value In CAD w. Exchange Rate @ 0.70	\$ 589.29	\$ 366.07	\$ 491.07	\$ 625.00
Freight Cost from Southern Alberta	\$ 9.09	\$ 9.69	\$ 9.69	\$ 9.69
Value in \$/cwt FOB High River	\$ 580.20	\$ 356.38	\$ 481.38	\$ 615.31
Dollars per Carcass or per Head	\$ 5,366.81	\$ 5,494.21	\$ 3,851.05	\$ 3,384.21
Value in \$/cwt FOB High River if the Buyer backs out the Entire Tariff	\$ 344.48	\$ 209.95	\$ 284.95	\$ 365.31
Dollars per Carcass or per Head	\$ 3,186.45	\$ 3,236.77	\$ 2,279.62	\$ 2,009.21
Difference	\$ (2,180.36)	\$ (2,257.44)	\$ (1,571.43)	\$ (1,375.00)

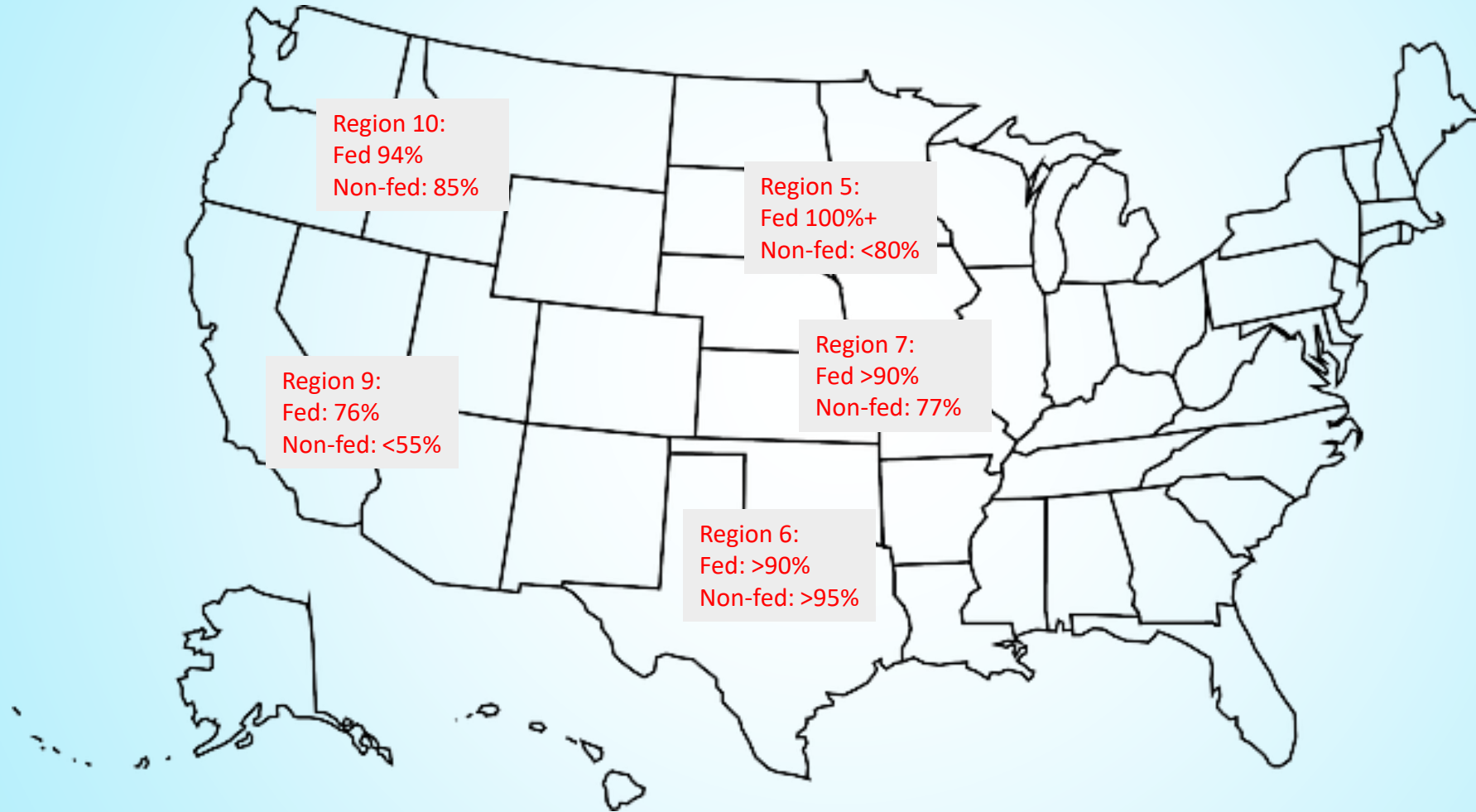


US Slaughter Capacity

- Theoretical vs. Reality?
- Regional Differences!



Plant Utilization Trends





Cattle Trade in 2024

- During the 2017-2024 period imports of US feeders have approached or surpassed pre-BSE levels - ~300,000 head
- Canadian exports of fed cattle – spiked in 2024, approaching 500,000 head,
 - Pre-BSE levels 750,000-900,000
- Canadian exports of feeders – have been around 175,000 in the last few years,



So What?

- In 2024, packing plant utilization rates showed large differences between fed and non-fed,
- Changes in the terms of trade between Canada, Mexico, and USA will create regional imbalances.



Summary

- The cattle have been pulled into yards early or at different times than history,
- Still no significant heifer retention,
- Small number of feeders outside of yards,
- Cattle supplies may be tightening, but carcass weights are offsetting all of the decline in fed cattle numbers...and more!
- Non-fed beef production is where there are “shortages”
- Imports are more than offsetting any shortfalls in production, so the net availability has been rising,
- Tariffs may favor calf and feeder exports over fed cattle or beef.



The trading of derivatives such as futures, options, and swaps may not be suitable for all investors. Futures and options trading involves substantial risk of loss, and you should fully understand those risks prior to trading. Carefully consider whether trading is suitable for you in light of your circumstances, knowledge and financial resources Any reference to past performance is not indicative of future results. All observations of economic, political and/or market conditions are not intended to refer to any particular trading strategy, promotional element or quality of service provided by Cattlenomics, LLC and should be construed as market commentary. All recommendations to buy or sell a specific derivative or forecasting statements regarding market activity and the pricing thereof should be construed as a solicitation in any jurisdiction in where such an offer or solicitation would be legal. Trading advice is based on information, statistical research and other sources that Cattlenomics, LLC believes are accurate and reliable, however we cannot guarantee that such information is complete and therefore should not be relied upon as such. Trade recommendations are subject to change without notice and there is no guarantee the advice given will result in profitable trades. By accepting this communication, you agree that you are an experienced user of the futures markets, capable of making independent trading decisions, and agree that you are not, and will not, rely solely on this communication in making trading decisions



Questions?

For a 30-day trial email us at:

info@cattlenomics.com

1-888-964-1710 – toll free

970-966-7620