



Daily Futures Market Commentary Livestock Outlook

MONDAY MORNING JANUARY 3, 2022 LIVESTOCK REPORT

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THE USDA DID NOT POST REPORTS FRIDAY, DECEMBER 31, 2021.

USDA REPORTS WILL BE UPDATED ON AFTERNOON REPORT

HAPPY NEW YEAR!

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Last week packers paid \$140.00 to \$141.00 for cash cattle and dressed prices were \$220.00 to \$223.00. In Iowa there was \$145.00 paid on a small group. The Southwest didn't do as well as the Midwest with packers buying a few cattle at \$138.00.

January 2022 is going to start out with packers and processors having many of the same troubles that are slowing industries across the globe, Coronavirus is surging keeping workers from the labor force to management from working. The packing industry has been successful with high levels of vaccinations giving workers cash incentives to get vaccinations and many have hired and trained replacements. But reports show that truckers to workers in distribution facilities to retail stores people are not able to work.

China has locked down the western city, Xian, and is increasing inspection internally and at ports and airports with the worst outbreak since COVID 19 began two years ago..

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Biden to Meet With Farmers as He Seeks to Cut Meat Prices

By Associated Press Jan. 3, 2022, at 5:33AM.

<https://www.usnews.com/news/business/articles/2022-01-03/biden-to-meet-with-farmers-as-he-seeks-to-cut-meat-prices>

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...The administration is targeting meat processing plants, which can shape the prices paid to farmers and charged to consumers. The White House issued a fact sheet saying that the top four companies control 85% of the beef market. In poultry, the biggest four processing firms control 54% of the market. And for pork, the figure is 70% for the four biggest firms."

High prices for beef will be a major topic in 2022 as consumers who are already starting to fight high beef prices become more vocal. There will also be competition for international exports. This comes at a time when U.S. cattle and hog inventories are down with COVID is surging and global tensions are building.

2022- International Price Wars for Export Domination for Beef, Poultry and Pork

The US cattle market because of the pandemic and severe drought conditions in the Western and Southwestern United States has been contracting. Beef cow slaughter is expected to be up 10% and the dairy cow slaughter up 3%.

High grain prices in 2021 have cut feeding margins. A year ago cattle were selling around \$110.00/cwt and currently near \$140.00/cwt. At first it looks good but a year ago corn was in the summer of 2020 around \$3.70/bushel moving up to a few pennies over \$4.00 by year end 2020. For cattle going to slaughter now and bought in the spring of 2021 corn in July was over \$5.00/bushel and by November over \$6.00/bushel for cash corn.

The spring of 2020 was devastating to the private and family hog producers that sold hogs on the cash market. When packers dropped production during the spring 2020, there was wide scale liquidation of hogs and sows. Fortunately, it happened at the time African Swine Fever in China was dropping their hog herd from 40% to 50% and China went on a pork buying spree. Pork prices skyrocketed because of liquidation in the US and ASF in China. From

August 2020 to December 2020 hog prices gained a quick \$30.00/cwt. From December 2020 to June 2021 hogs gained another \$45.00/cwt. But like cattle, as grain prices moved higher, profit feeding margins dropped, but hogs were profitable in 2021.

2022 is going to see cattle prices start around \$140.00/cwt. Feedlot placements have improved over a year ago by 4% but it must be remembered in 2020 placements were down 9% from the 2019. For 2022 the higher placements are not going to make a substantial increase in slaughter. High corn prices are going to see a reluctance in buying replacements for the grain/cattle producers in the Midwest. 2021 did see a big increase in exports but exports have slowed down the last quarter of 2021. Competition for exports will increase in 2022. Brazil, Australia and Mexico are all increasing herd numbers. In 2022 consumers in the US and globally will look for cheaper beef cuts, lesser grades and alternatives for high priced beef.

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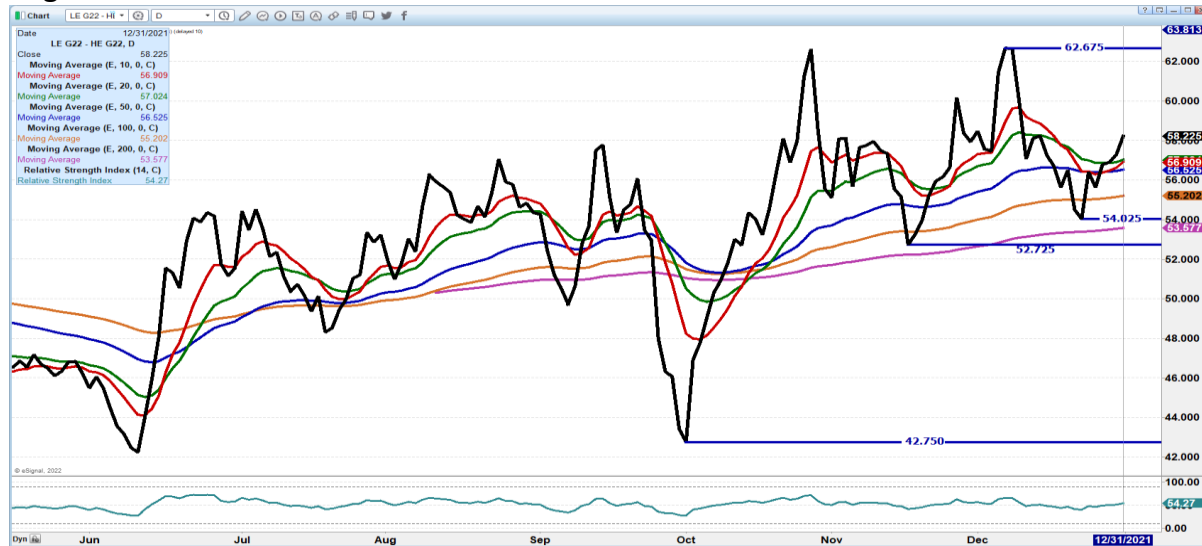
There is going to be negative advertising especially in Europe about cows and the ecosystem. President Bolsonaro has an election in October. He will push all agricultural exports and with beef exports falling down but still higher than 2021, beef will be a top priority. At the same time Brazil continues to expand and increase grain fed cattle.

The December Hogs and Pigs report suggests US contraction is probably over. But as the US contracted there were increases in Brazil, and Ukraine and both countries have strong trade agreements with China. The Chinese hog industry is back and above levels before African Swine Fever. Also, China now has increased its cold storage capacity along with increasing poultry, cattle and aquafarming. China was a super strong buyer in 2020 because of their massive liquidation. China has not only rebuilt herds but increasing and changing how hogs were raised. ASF devastated the small, mid-size and private hog producers while corporate farms expanded. Smaller farms were much less efficient from feed conversion to pigs per litter. Transportation and increasing areas of slaughter to distribution of pork have improved. Like most hog producing areas in the US, smaller producers in China have become contract feeders boosting efficiency and growth.

2022 is going to be the year of price wars.

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FEBRUARY 2022 LIVE CATTLE/FEBRUARY 2022 LEAN HOG SPREAD Look for cattle to gain on hogs



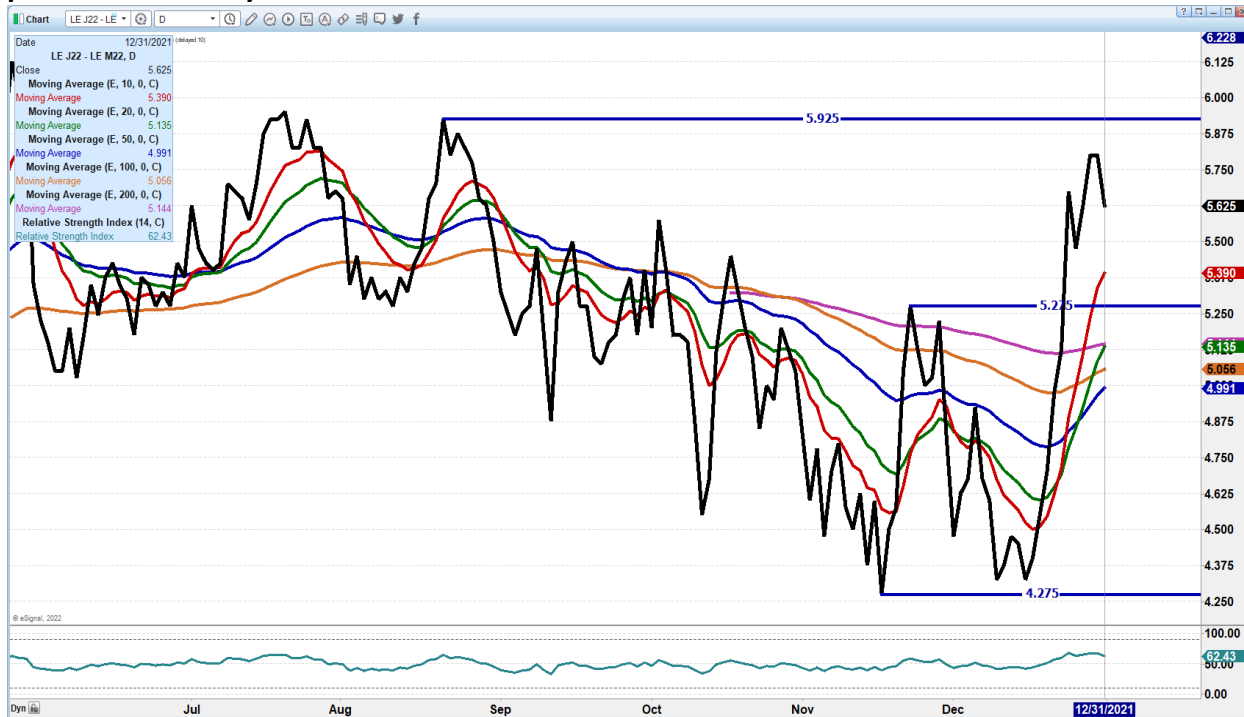
FEBRUARY 2022 / APRIL LIVE CATTLE SPREAD - bear spread and widening



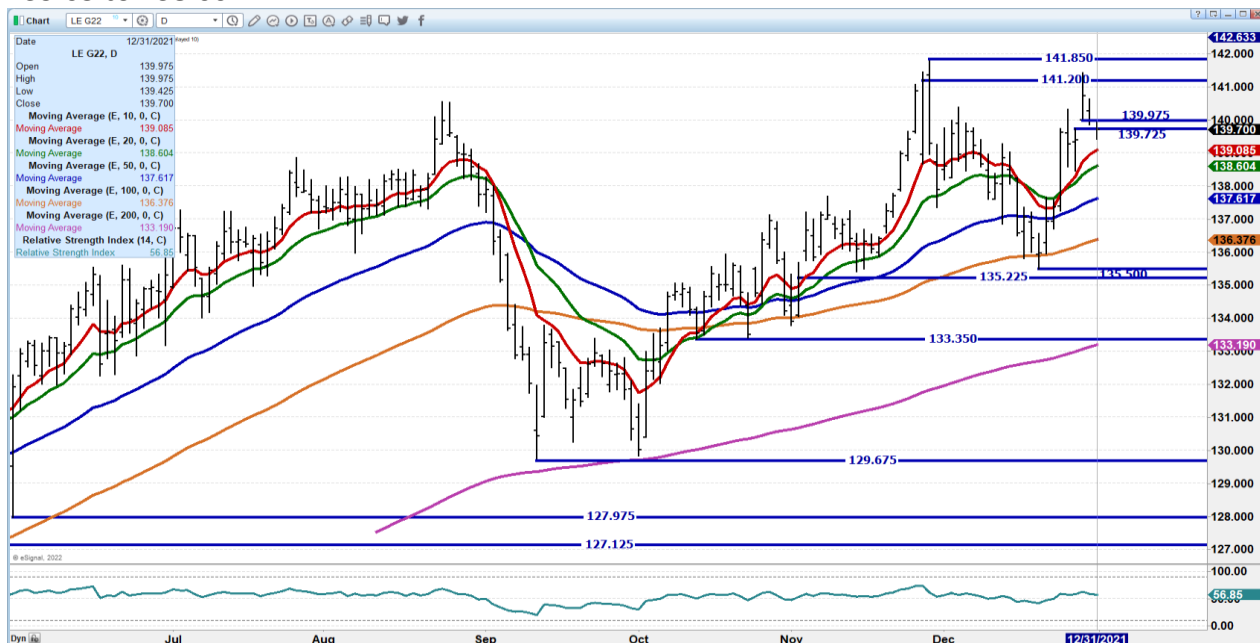
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APRIL/JUNE 2022 LIVE CATTLE SPREAD – bear spread Last COF report looking for biggest placements in May and June



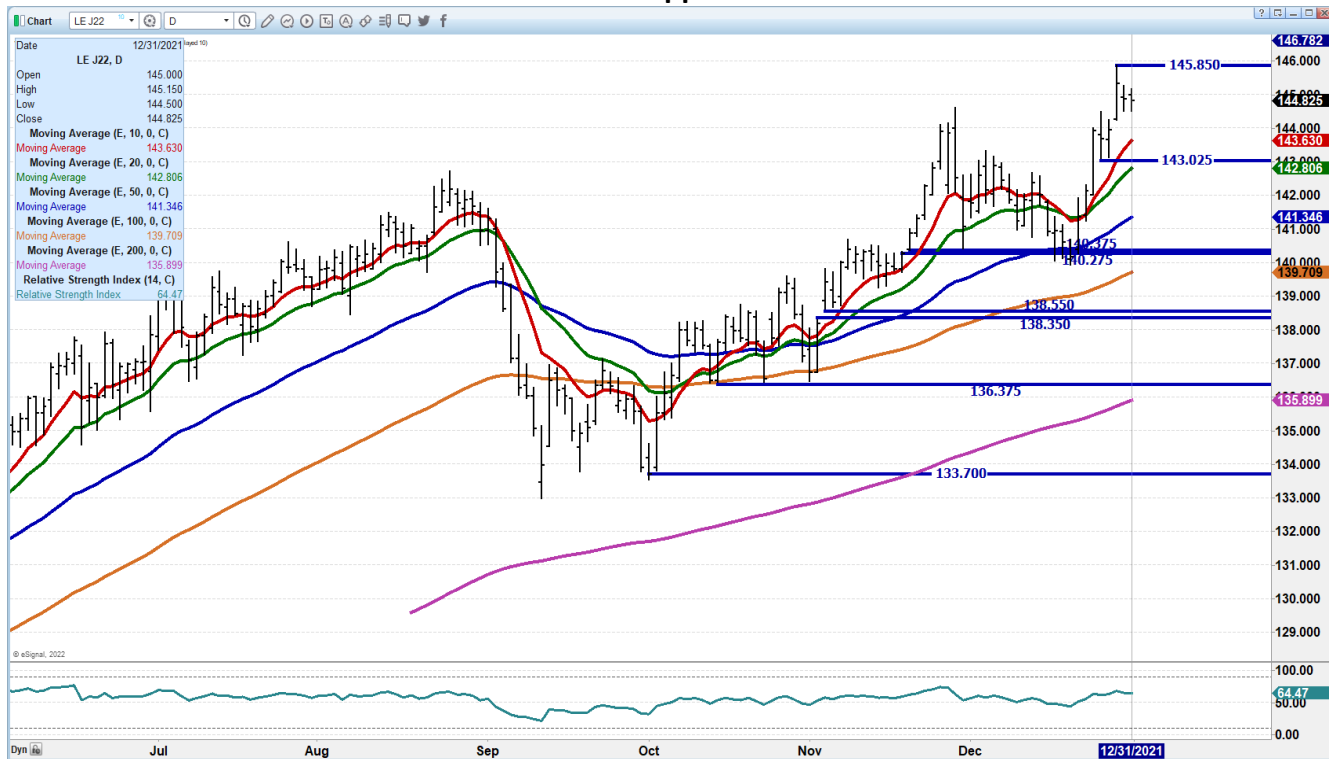
FEBRUARY 2021 LIVE CATTLE - volume was light at 15,003 Resistance at 141.20 Support at 139.05 to 138.00



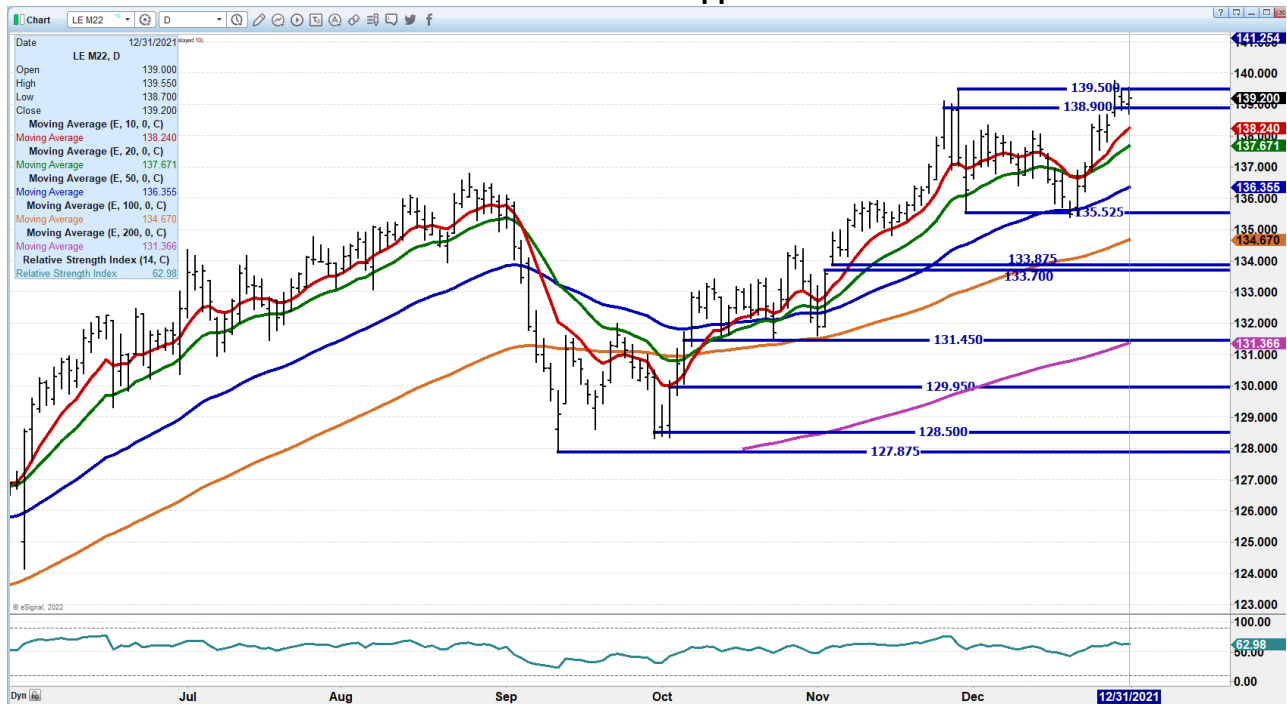
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APRIL 2022 LIVE CATTLE – resistance at 145.85 support at 143.60 to 141.30 volume 9863



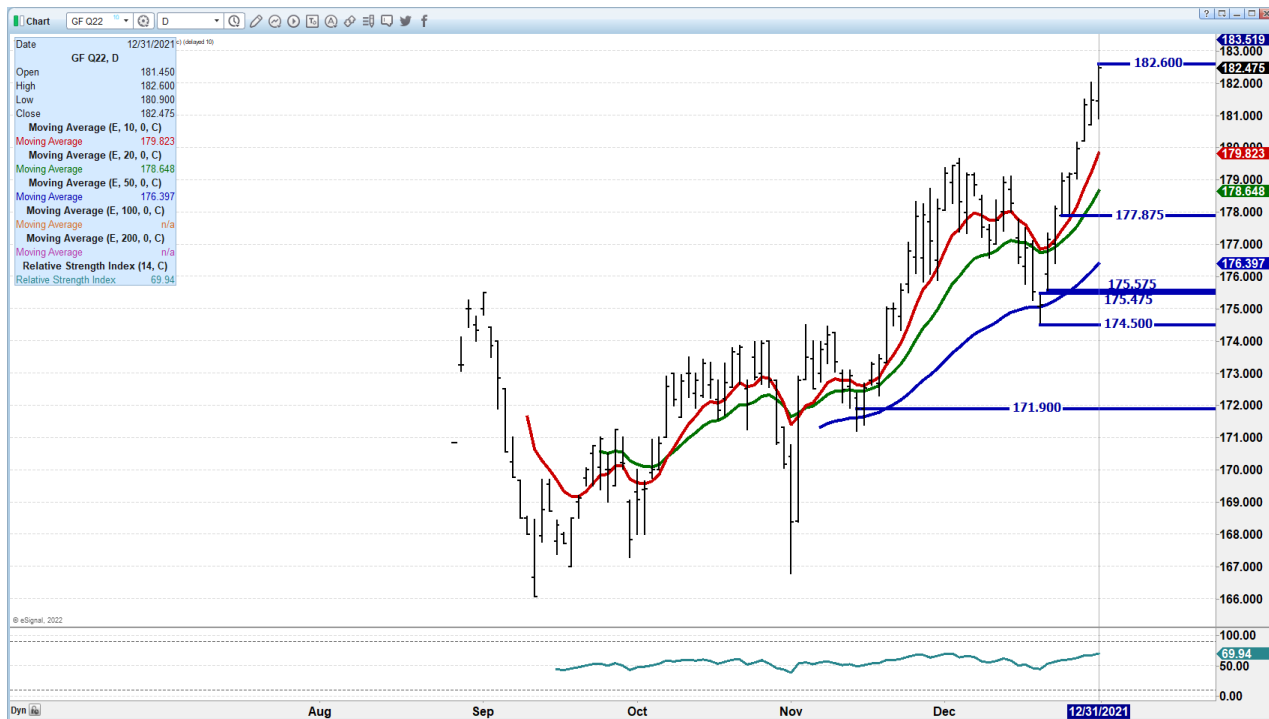
JUNE 2022 LIVE CATTLE – RESISTANCE AT 139.50 Support at 138.35 to 136.55



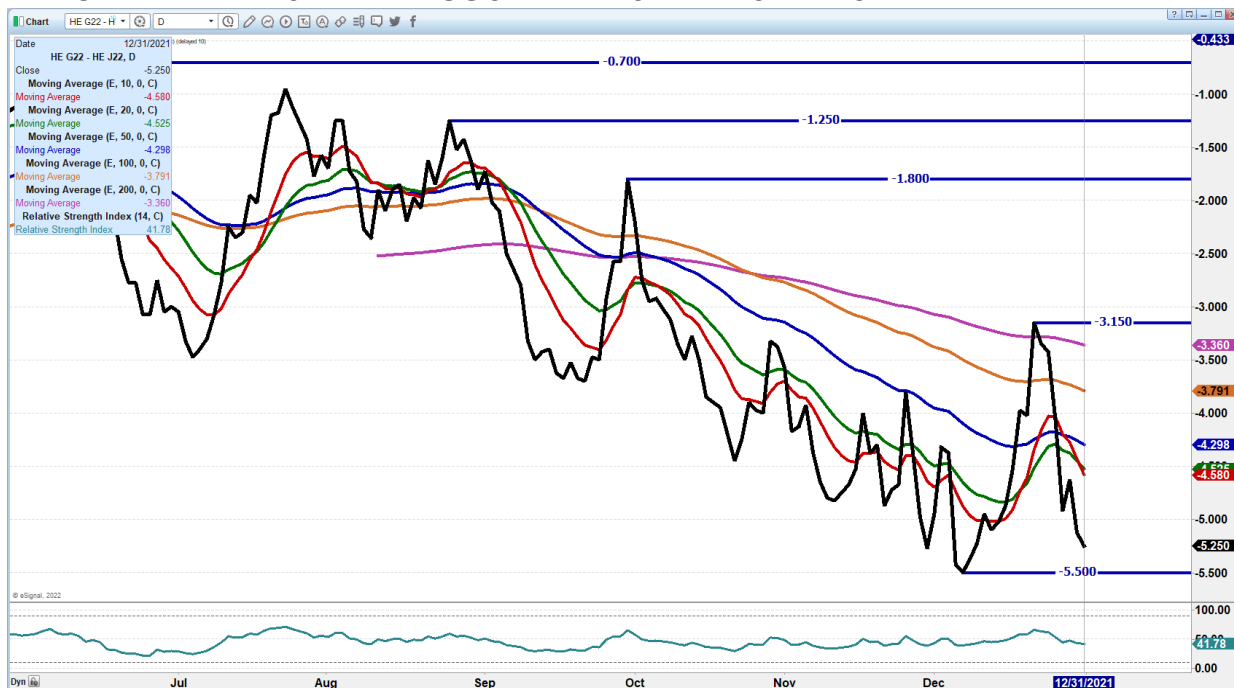
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AUGUST 2022 FEEDER CATTLE – BIG CLOSE ON FRIDAY REISTANCE AT 182.50. SUPPORT AT 179.80



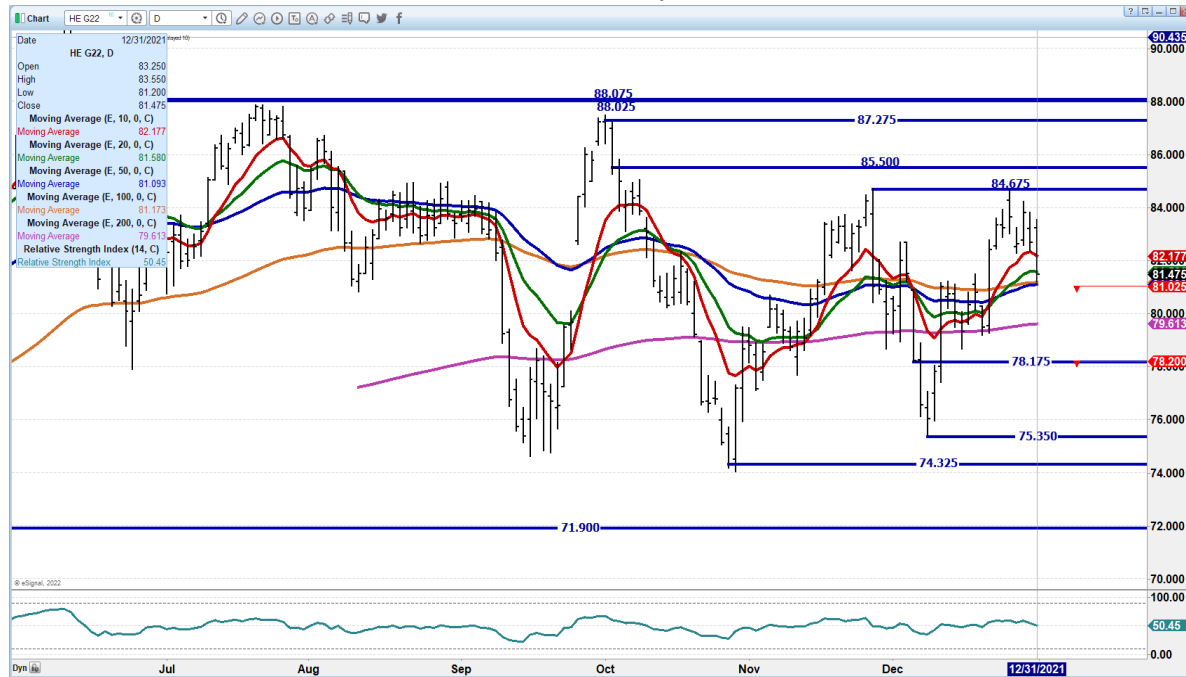
FEBRUARY – APRIL 2022 LEAN HOG SPREAD – SPREAD IS BEAR SPREAD



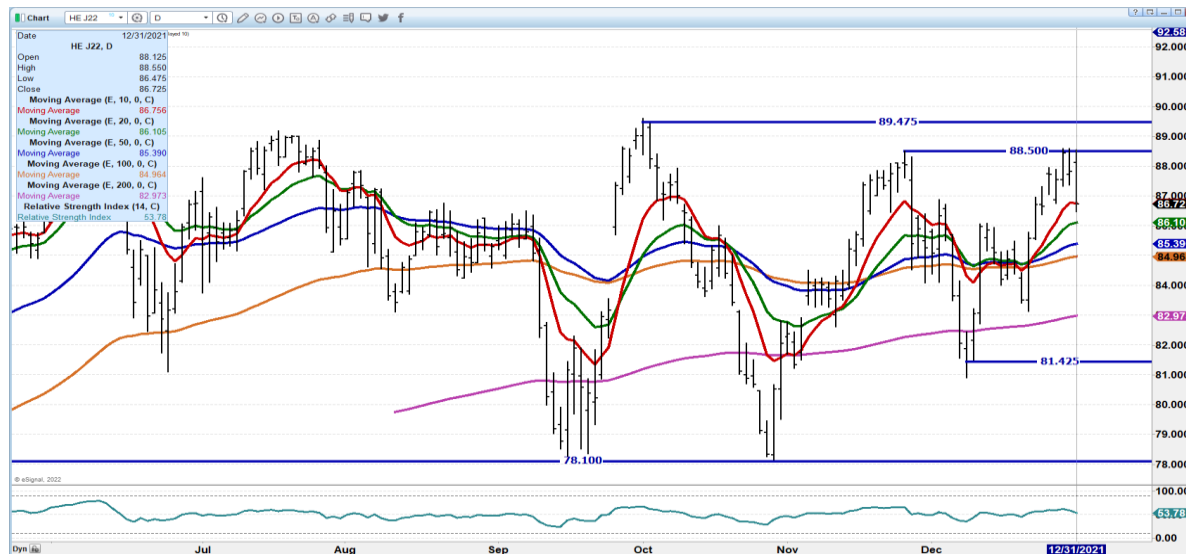
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FEBRUARY 2022 LEAN HOGS - STRONG SUPPORT AT 81.00 TO 79.60 RESISTANCE AT 84.67 CME PORK INDEX AT \$72.70 AS OF DECEMBER 28, 2021



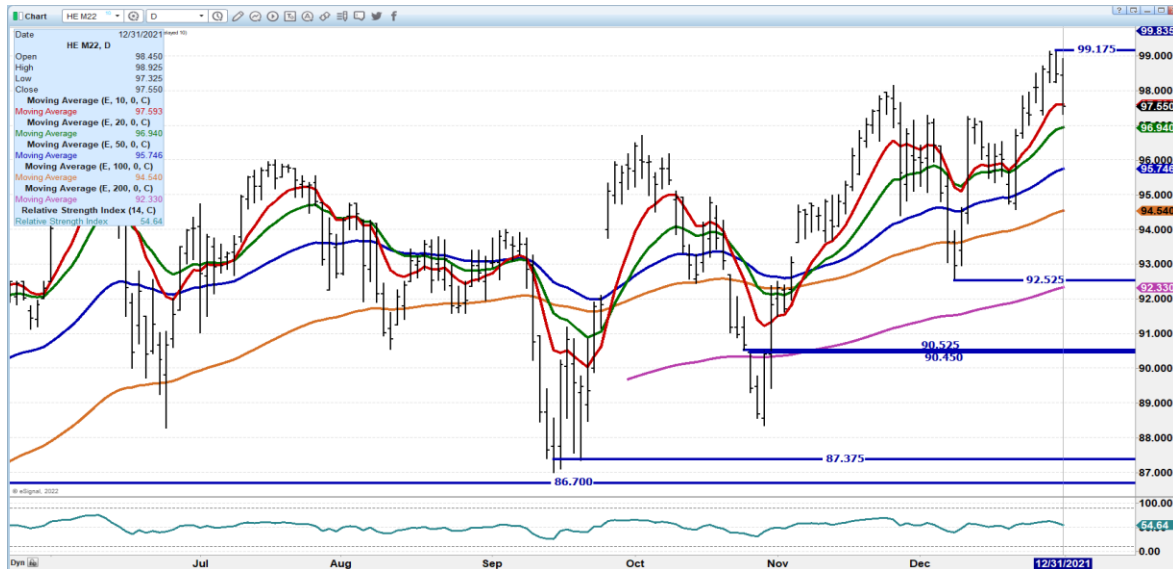
APRIL 2022 LEAN HOGS – 88.50 RESISTANCE TO 89.47 SUPPORT AT 86.70 TO 84.90



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JUNE 2022 LEAN HOGS – DROPPED TO SUPPORT ON 10 DAY AVERAGE. Next support at 96.90 to 94.50 resistance at 99.17



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