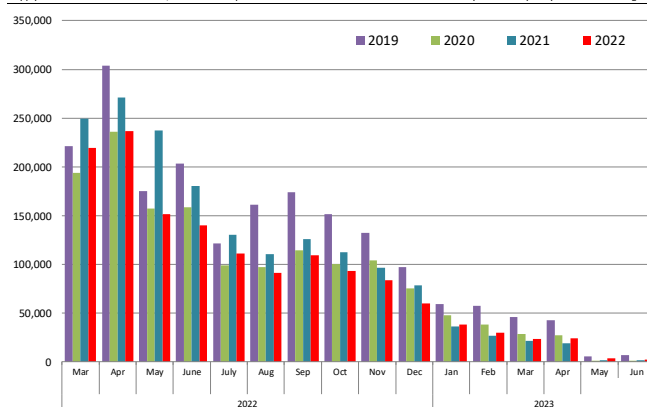


Fed cattle futures have managed to rebound after the Russian invasion-related selloff, but have yet to gain significant traction. Yesterday futures were down due to ongoing weakness in outside markets and fears that an economic slowdown may eventually dent demand. FED Chair Powell's comments that FED stood ready to raise rates by 50 points only served to highlight this risk. Cash markets are at a standstill, with the five day cash average still under \$140/cwt, about the same price level as at the start of the year. Packers seem less concerned about price risk, opting to limit the number of cattle they have contracted for forward delivery. This could be a function of forward orders (unlikely as we explain below), a function of their assessment of available supplies (somewhat speculative) and a function of their uncertainty about forward demand (more likely). Packers appear to be better positioned in April but **contracted cattle supply is still about 12% lower than a year ago and far lower than in 2019** (comparisons are for monthly contracted supply by third week of March). Their position is much smaller for May (-36% y/y) and June (-22%). Last year at this time packers were adding to their forward position at a much more aggressive pace. For the week ending March 21, 2022 packers booked 48,784 cattle for delivery in the next 14 months, with the bulk of those bookings for Aug 2022 - April 2023. For the same week last year, packers booked almost 95,000 head, and the bulk of those bookings were for May and June.

At a time that forward cattle bookings are lagging significantly vs. last year or 2019, **beef end users have become much more aggressive in booking beef for delivery out front**. This is both for domestic and export demand. In the last four weeks domestic beef sales for delivery 22-60 days out have been 20% higher than a year ago and 31% higher than in 2019. During the same period, sales for delivery 60-90 days out were about 30% higher than a year ago and 58% higher than in 2019. Inflation fears and the recent price break clearly has buyers much more motivated to cover forward needs even as prices are still on the high end of the 10 year range. And while we think retailers are likely driving much of the buying for the next couple of months, foodservice is likely the main contributor for bookings 3 months or more into the future. Those bookings the last four weeks are up 75% compared to the same four week period in 2019. Export demand has also rebounded. Demand in North America remains subdued, largely because Mexico beef sales but demand in other markets, especially in Asia has improved considerably. In the last four weeks, beef sales to those markets were up 25% compared to last year and 39% higher than in 2019. Seasonally higher beef demand and higher forward sales should underpin the cutout in Q2. The question now is when feedlots will become current enough to improve their bargaining position, especially as packers are not as well positioned with contracted cattle as they have been in previous years.

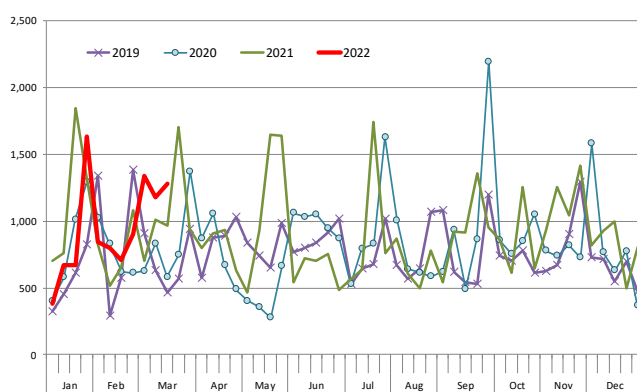
### Cattle Forward Contracted for Delivery in a Given Month

Supply Cumulative as of March 21, 2022 and Comparable Period in Previous Years. Source: USDA MPR System. Analysis by Steiner Consulting



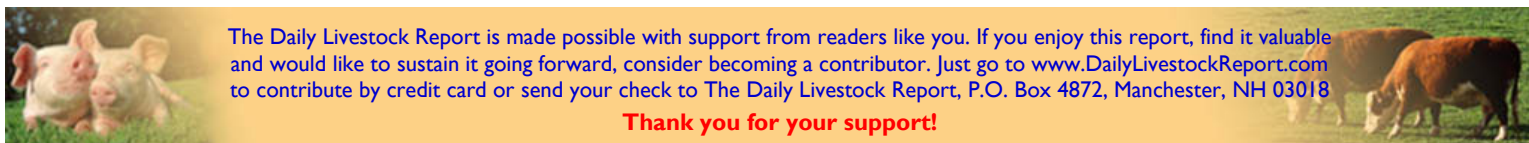
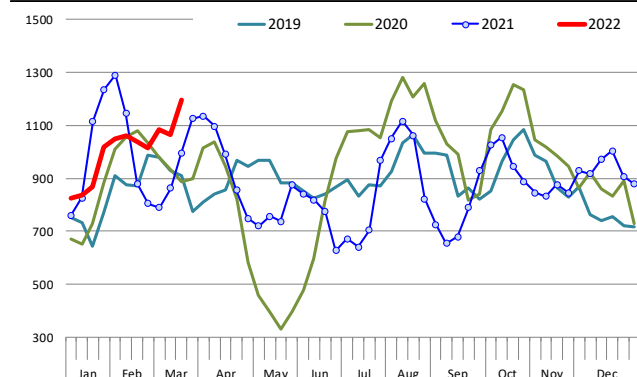
### # of Loads Sold Markets outside North America. Weekly Data

Source: USDA Comprehensive Cutout Report. Analysis by Steiner Consulting



### Beef Loads Sold For Delivery 22 - 60 Days. 4-week moving avg.

Data Source: USDA-AMS. Analysis by Steiner Consulting



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