

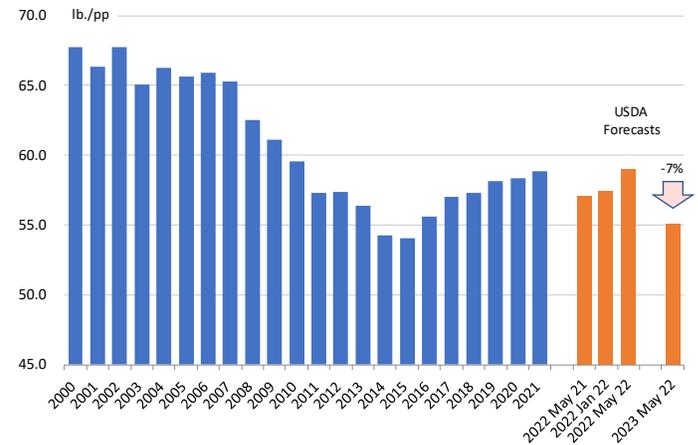
USDA issued yesterday its monthly update of supply/demand projections for 2022 and the first projections for 2023. There is always a fair amount of uncertainty built into forward projections, one needs only look at the adjustments made to 2022 per capita consumption numbers in the last 12 months (see chart). Record feed prices, drought conditions, inflation and war all make for an especially uncertain environment going forward. But these projections are still quite valuable in setting up a baseline and then adjusting it over time as conditions change. Below are some of the key numbers we observed:

Beef: Over the last 12 months USDA has made some significant upward revisions to beef production forecasts for 2022. The latest projections put beef production for 2022 at 27.910 billion pounds, down 106 million pounds or -0.4% from the previous year. At the start of the year USDA was expecting beef production for 2022 to be down 785 million pounds or -2.8%. The high rate of cow slaughter in the first four months of the year, and the increase in the number of cattle placed on feed drove these revisions to beef supply projections. But while producers appear to be pulling cattle supplies forward, the supply on the ground continues to decline, implying an even bigger decline in availability down the road. Different from hogs, where producers are able to offset the drop in the breeding stock by getting more pigs per litter, cattle producers are limited by biology. The calf crop was down last year and it's a sure bet that it will be down again this year. Once producers stop pushing female calves into feedlots, the supply hole will get even bigger. **USDA is forecasting beef production for 2023 to be 26.018 billion pounds, down 1.9 billion pounds or -6.8% compared to the 2022 forecast.** This would be the biggest y/y decline in beef production on record, surpassing the drop experienced in 2004 (BSE) and 2014 (drought). USDA has been consistently increasing import projections, reflecting the bigger volume coming from Brazil and Mexico and expectations for more imports from Australia in the second half of the year. Currently USDA is forecasting **beef imports to be 3.545 billion pounds**, 280 million pounds or 8.6% higher than the January forecast and **5.6% higher than a year ago.** Beef exports for 2022 have also been revised up by 86 million pounds since the start of the year but they are still forecast to be down 2.6% for the year. As a result, per capita beef consumption in 2022 is forecast to be slightly higher than in 2021 but the drop in output next year has USDA forecasting a huge 7% decline in beef per capita consumption next year.

Pork: Different from beef, where USDA has been revising 2022 output higher, **pork production has been consistently revised lower.** Pork production for 2022 is now forecast at 27.054 billion pounds, 2.3% lower than a year ago. At the start of the year pork production was forecast to be down only 0.6%. It is interesting to see that USDA is forecasting pork production to rebound in 2023. The first forecast presented yesterday

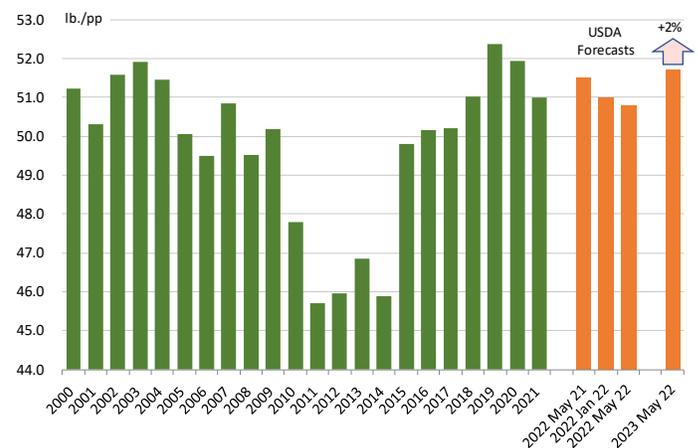
Per Capita **Beef** Consumption. 2000 - 2021 + 2022/23 Forecasts

Forecasts reflect USDA WASDE Updates in Jan 2022 and May 2022. Analysis by Steiner Consulting



Per Capita **Pork** Consumption. 2000 - 2021 + 2022/23 Forecasts

Forecasts reflect USDA WASDE Updates in Jan 2022 and May 2022. Analysis by Steiner Consulting



pegs **pork output for next year at 27.380 million pounds, 1.2% higher than in 2022.** USDA notes that they expect hog productivity to improve, which will help bolster supplies even if the breeding stock does not increase significantly. USDA thinks pork exports will be down 1.1% next year while imports are forecast up 2.3%. As a result, per capita pork consumption next year is expected to be up 2%, on the high end of the +20 year range.



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