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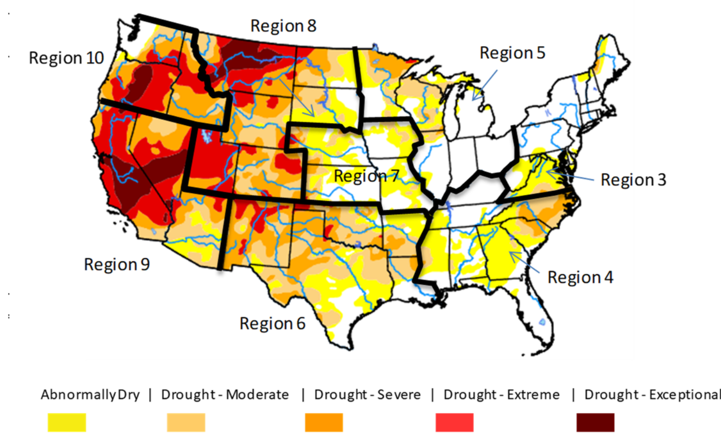
Non fed cattle slaughter should be at its annual peak and the supply of lean grinding beef will decline in the second half of this month as barns close around the country. Last week bull and cow slaughter was 149k head, 4.1% higher than a year ago and 0.9% higher than in 2019. We think that non fed cattle slaughter this week will be 146k head, 4% higher than last year and 2.4% higher than in 2014. Strong credit prices for cow meat, high feed costs, drought pressures in some parts of the country in the fall and overall cost inflation continues to push more cows to market. This is indeed a very unusual situation as normally a spike in beef prices tends to encourage cow-calf operators to hold on to their breeding stock and look to capitalize on better returns. The challenge last year and again this year is limited slaughter capacity. As a result the bulk of the higher beef sale returns have not trickled down to the farm. For retailers and foodservice operators this should a reason for concern. Beef supplies are unlikely to increase anytime soon. Rather, the decline in the beef cow herd, lower dairy cow numbers and strong competition in the world market will continue to limit beef availability next year and very likely in 2023 and 2024.

USDA offers a breakdown of weekly beef and dairy cow slaughter by region. The attached table shows the progress in slaughter during the previous 13 weeks (three months). This covers the first week of September through the first week of December (latest data). Total beef cow slaughter during this period was estimated at 935.5k head, 62.6k head or 7.2% higher than the same 13 week period in 2019. Comparisons to 2020 are skewed a bit by COVID but it is quite telling that beef cow slaughter was up during this period even as the July 1 beef cow inventory in 2021 was 900k head or 2.8% lower than the beef cow herd in 2019. By far the largest fall cow run this year has been in region 6, which includes Texas, Oklahoma, New Mexico, Arkansas and Louisiana (see the notation below the table for the states included in other regions). Beef cow slaughter in this region in the last four weeks was up 40.2k head compared to 2019 and 21.6k head or 10% higher than in 2020. Beef cow slaughter in region 4 and region 5 accounted for much of the additional increase in beef cow slaughter this fall. Interestingly cow slaughter in region 8, which has seen significant drought conditions, was 20k head or 23% lower than in 2019. Despite the drought conditions, producers in the region have sent fewer beef cows to market. As for dairy cow slaughter, during the same reference period it was estimated 772k head, 23k head or 3% higher than the previous year but 34.8k head or 4% lower than in 2019. Higher out-front feeder cattle values, continued declines in the beef cow inventory and recent improvement in dairy prices should limit the number of beef and dairy cows coming to market in Q1. This will have a direct impact on lean, grinding beef supplies, especially as supply chain issues continue to impact imported supplies.

USDA Federal Regions & Current Drought Monitor

Cow Slaughter Region Definition from SJ_LS714. Drought Monitor as of December 16, 2021



BEEF COW SLAUGHTER

Source: USDA-NASS. Analysis by Steiner Consulting

	2019	2021		
	Sep - Early Dec		'000 head	%
	'000	'000		
Region 3	38.6	19.7	-18.9	-49%
Region 4	116.2	144.0	27.8	24%
Region 5	135.1	146.7	11.6	9%
Region 6	194.10	234.3	40.2	21%
Region 7	162.2	165.8	3.6	2%
Region 8	87.9	67.9	-20.0	-23%
Region 9	50.7	56.2	5.5	11%
Region 10	88.1	100.1	12.0	14%
Other	0.4	1.2	0.8	-1%
Total	873.30	935.9	62.6	7.2%

1 - CT, ME, NH, VT, MA & RI;

2 - NY & NJ; **3** - DE-MD, PA, WV & VA; **4** - AL, FL, GA, KY, MS, NC, SC & TN;

5 - IL, IN, MI, MN, OH & WI; **6** - AR, LA, NM, OK & TX; **7** - IA, KS, MO & NE;

8 - CO, MT, ND, SD, UT & WY; **9** - AZ, CA, HI & NV; **10** - AK, ID, OR & WA.

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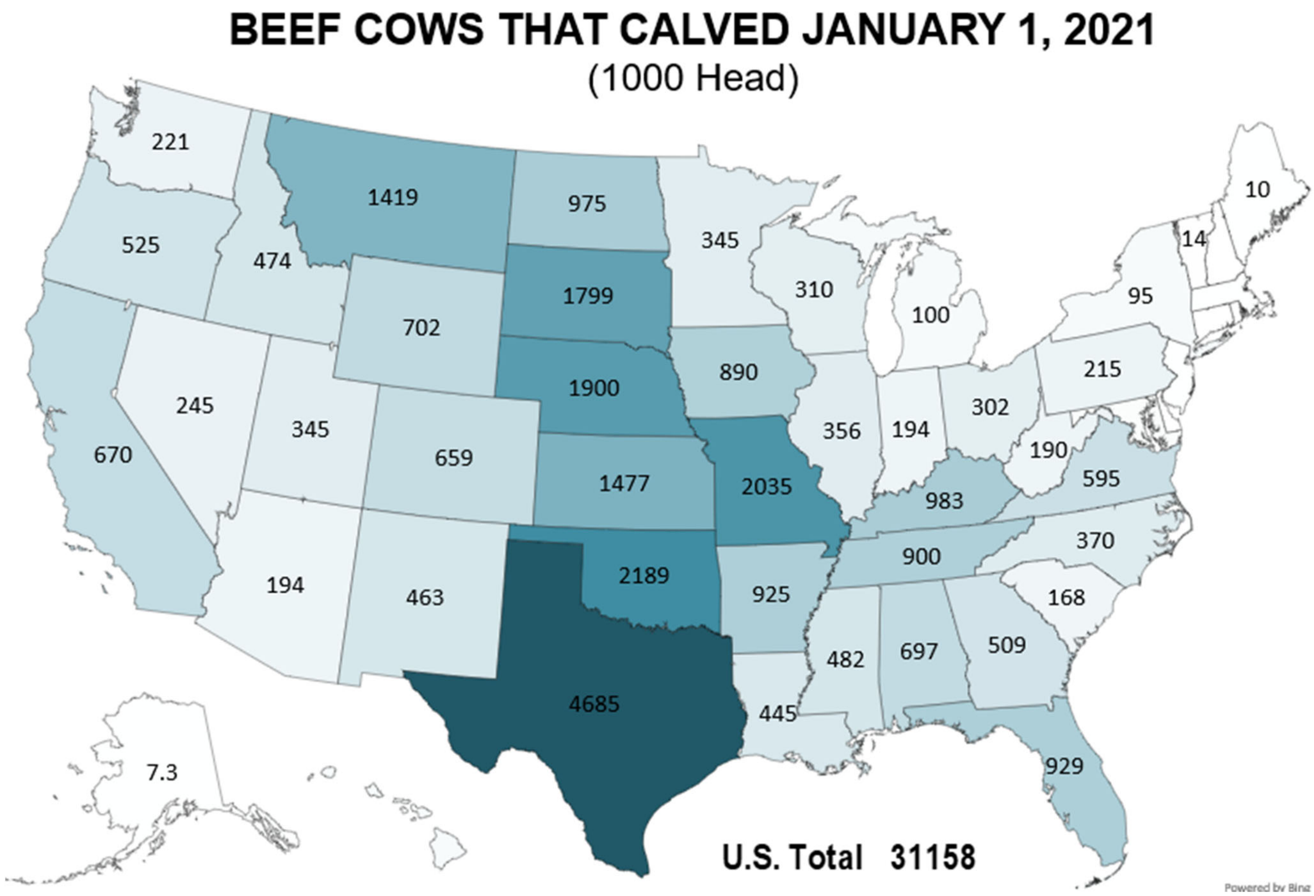

Data source: USDA-NASS. Map Compiled and Produced by the Livestock Marketing Information Center