U.S. Cattle: Moving Toward Tighter Supplies

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- The protracted drought in the southwestern and western states should create a structural supply deficit of cattle and beef that can last well into 2024.
- In the first half 2022 (H1-22) beef demand has been supported by the domestic re-opening trade and strong exports.
- Looking at the second half of 2022 (H2-22) we believe that fed cattle supplies will be accommodating through Q3 and contract during Q4. The continued culling of upstream breeding stock, heifers and beef cows, will limit midstream feeder and live cattle supplies.
- The Fed's commitment to combatting record inflation through active and "restrictive" monetary policy will present headwinds for domestic beef demand and for the U.S. cattle supply chain.
- Pasture availability, domestic beef demand, health of the U.S. consumer along with the relative strength of the U.S. dollar are the critical questions that will impact margins throughout the cattle supply chain in H2-22 and H1-23.

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