



Rodney's Take

June 3, 2024

Like Steak? Get It While You Can

Back in 1984, the Wendy's burger chain had a television ad featuring Clara Peller, an elderly woman whose tag line was, "Where's the beef?" Given soaring beef prices, many of us now may find ourselves wondering less about finding the beef and more about why it costs so much. It's not just inflation. Beef production is down for the third year in a row... which means prices will go up. From there, it gets complicated. An even better question now might be, "Where's the beef *coming from?*"

Americans ate an estimated 30 billion pounds of beef in 2021, a record high. Drive anywhere in the U.S. and you are likely to see cows—lots of them. Some are for milking, but others are bound for the feedlots. States fight for bragging rights over who has the best barbecue.

And they want us to eat bugs. Right.

The USDA says "the cattle herd continues to contract." As of early 2024, the cattle herd was at its lowest level since 1951. Beef production is expected to drop another 6% from 2024 to 2025, while cattle prices are expected to rise nearly 2.5% in 2025. U.S. beef imports are anticipated to go to record highs, and exports are forecast to fall by over 11%.

While we still process a lot of cows, cattle slaughter by poundage is at its lowest level since the drought of 2013-2014. The cows we do slaughter have tended to weigh less—and "cow" is the operative word here, rather than

steer. Producers have been sending more heifers than steers to feedlots for slaughter over the past five years. This won't stop in 2025.

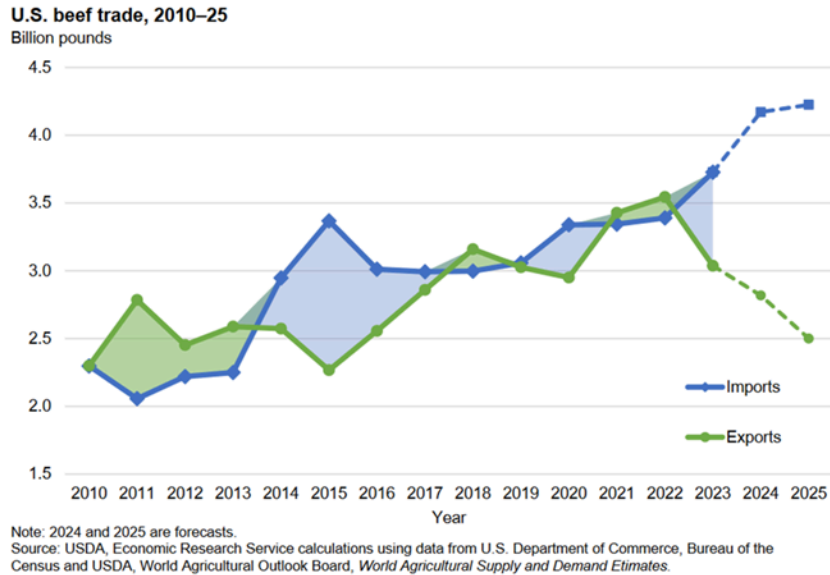
Heifers can be cheaper to feed than steers, and heifers destined for feedlots tend to cost less per pound. You can finish heifers (get them to the butchering stage) faster, which can improve cash flow for producers. But steers generally provide more meat and bring in more money per pound. Less steers can mean fewer packages of beef in the grocery, and more heifers in the feedlots means less heifers available to produce calves. Less calves? Less beef long term and higher prices on existing calves.

Meanwhile, meat packers don't want to pay high prices for feed cattle vs. steers. Heifers weigh less, which increases packing costs. Wholesale beef prices are up, especially for this time of year, and packers don't like it. November to May usually is the "low season" for cattle weight. Yet with fewer packers willing to buy, feedlot owners have been content to let cows sit on the lots and fatten up as they wait for better bids. The anticipation of higher-weight cattle for sale has increased retail price estimates for 2025.

Accordingly, U.S. beef exports are forecast to be down 8% for 2024. Americans still love their burgers, so imports will rise, but less of the beef will be coming from China. After expanding for several years, Chinese consumers are eating less beef (too expensive) and less meat in general—nearly one third less projected for 2024. Chinese beef imports are expected to be 4% lower for 2024, and exports are forecast to be 5% less, because the Chinese built up their beef stocks in 2023.

Producers in Australia, New Zealand, Brazil, and India likely will step into the gap. Worldwide, 2024 beef production is expected to be 1% higher. Global exports should be higher as well, although price competition is likely to drive U.S. exports a projected 11% lower year-over-year. U.S. beef exports averaged 12% for 2019-2023 and are estimated to be just under 11% for 2024 and 10% for 2025.

Mind the Gap: Beef Exports and Imports Projected to Diverge



Source: U.S. Department of Agriculture.

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The chart shows the projected size of the gap in beef exports and imports. All in all, your Big Mac is about to get a lot more expensive. But Fourth of July won't be the same if it's all hot dogs made with pork lips and soy... or worse, with chicken.

“Where's the beef?” indeed.

If the numbers of heifers, steers, producers, packers, exports, and imports made your head spin, just remember that it all comes down to money and how fast can you get paid. Producers want to get the highest price as quickly as possible, as do packers. That means smaller cows (heifers) and higher prices to consumers. The wild card is imports, which could break the cycle of rising prices. I hope it happens soon; it's grilling season.

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Got a question or comment? You can contact us at info@hsdent.com