Cattle/Feeder Volatility While Feed Costs Bottom

Dan Basse; President AgResource Company

2024 US Grain/Beef Markets: Where Next?

- **World Geopolitics are fast changing with the new power centers being in Washington and Beijing.** The world is a duopoly of geopolitical/economic influence. The US has been the center of economic/military might since WWII, but that is all changing. The US/China will clash on economic and geopolitical policy which dramatically alters ag trading patterns.
- **World Farmers are economically struggling** as profit margins fall amid sinking grain values while their costs (seed/equipment/land cost) stay elevated. Northern Hemisphere grain farmer margin is at the lowest since 2016. Negative margins have sparked EU/Indian farmer protests and US farmers have cut total seeded acres by 3.0 Mil along with a sharp 500% rise in Brazilian farm bankruptcies.
- **Climate is producing greater incidence of extreme heat, floods and drought.** Global ocean temperatures are record warm which creates marine heat waves and stagnant weather patterns. Consecutive record Northern and Southern Hemisphere crops are needed to restock and offer a supply cushion. Weather takes on OVERSIZED importance in world feed price determination.
- **Brazil has become an ag behemoth with annual exports of 100 MMTs of soybeans and 55 MMTs of corn.** And Brazil's export gain has not stopped with 2-3% annual seeded area expansion forecast for 2025. Brazil's growing season the most important in the world. China seeks out the reliability of Brazil as a soy and corn supplier which steals future export demand from the US.
- **US Government debt to accelerate amid the political polarity of Washington.** The falling US dollar will raise emerging market demand for grain and other foodstuffs. The US economy to slow while US Govt spending accelerates. US interest rates to gradually decline amid weakening consumer demand, but inflation returns in 2025/26.

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2024 US Grain/Beef Markets: Where Next?

- US Cattle/Feeder cattle market stays in a bullish trend in extreme day to day volatility. US consumer demand is being questioned today, but there is no sign of a recession into Q1 2025. Political worry abounds with talk of food price controls and new handouts on student debt/home purchases. Will the US boost tariffs on Chinese goods imports? There is more political uncertainty today than in decades.

- **Ag Market Volatility Elevated; Algo/AI trading gains**

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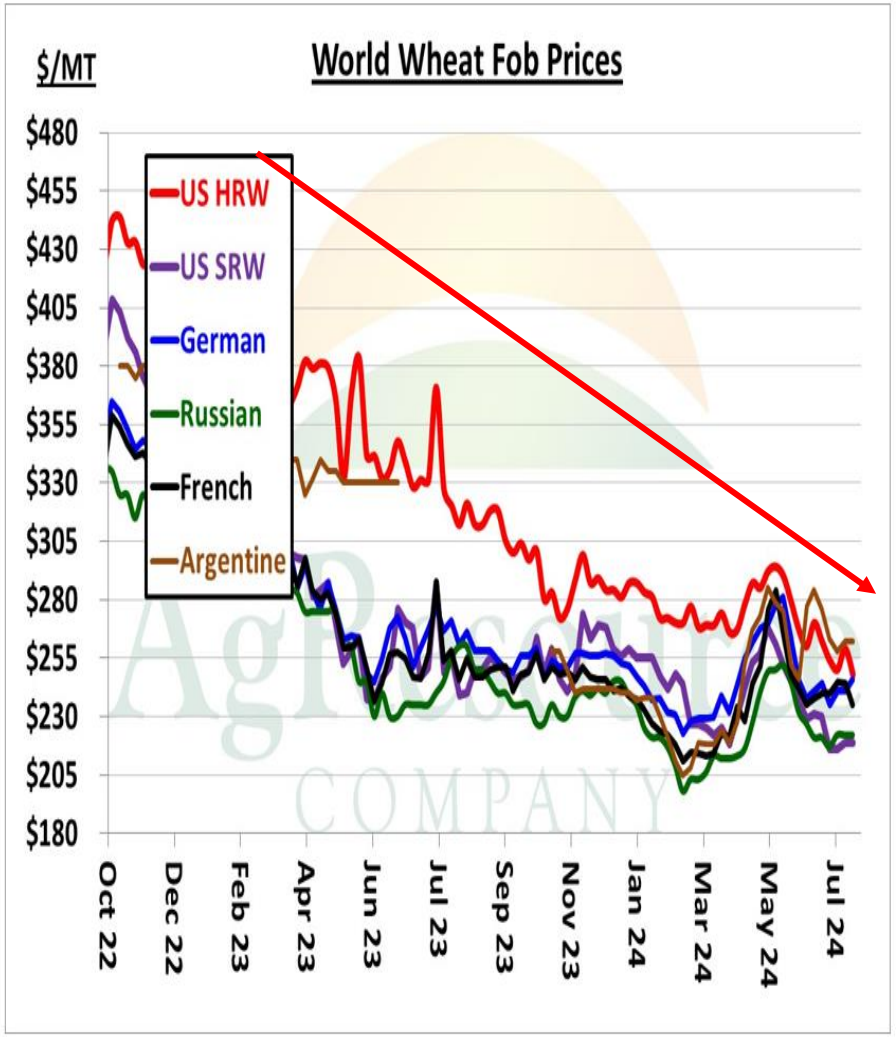
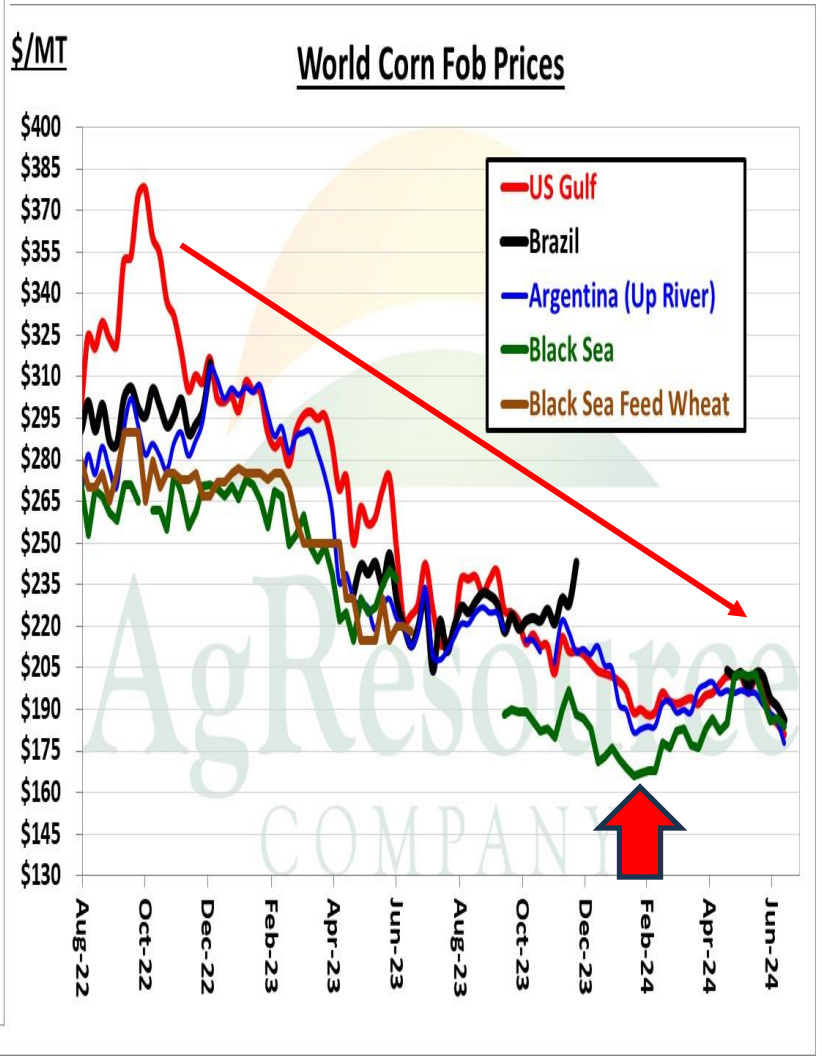
World FOB Grain Export Prices; Pressures Abound on Large US Yield Potential and Non US Exporter Aggression





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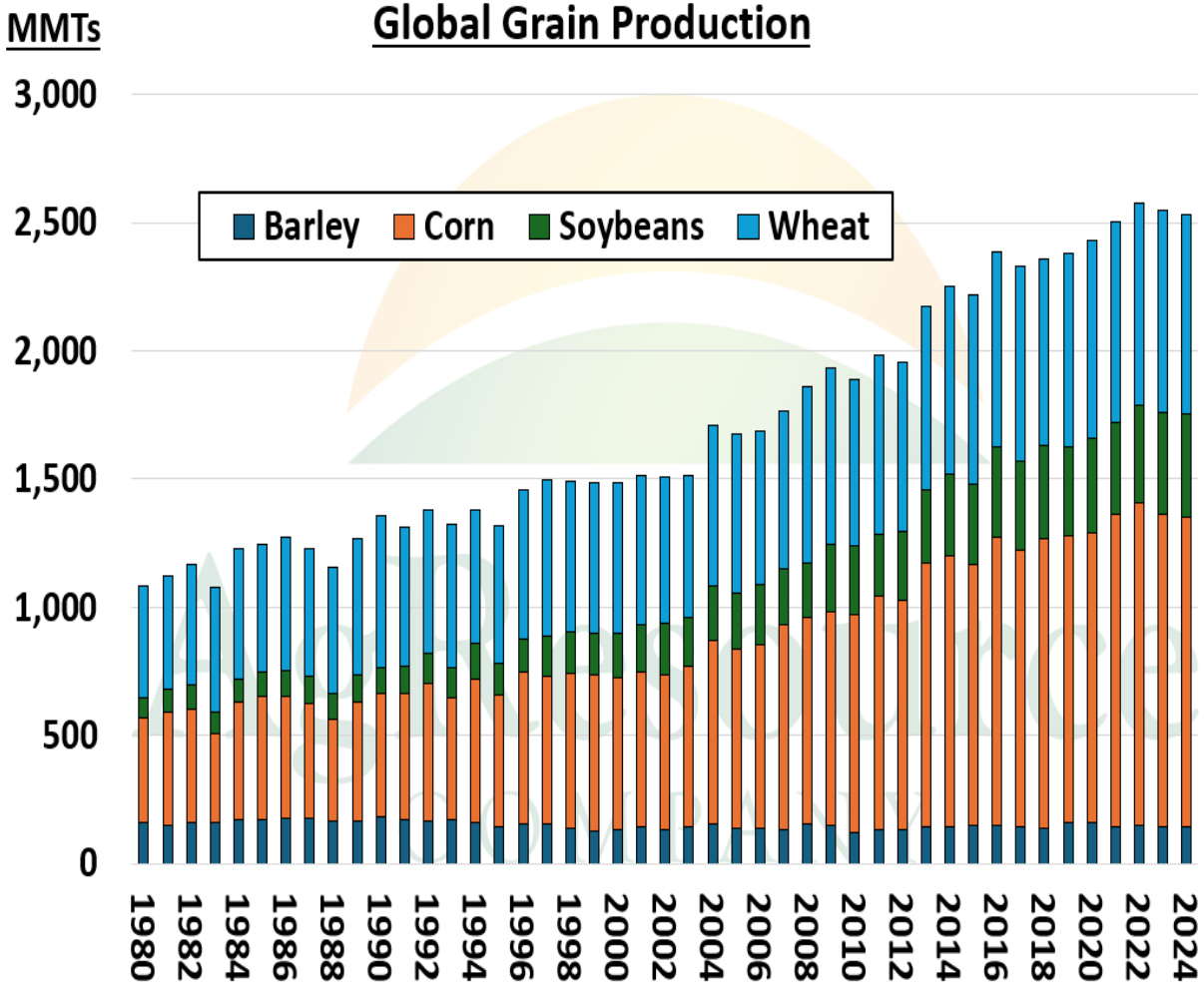
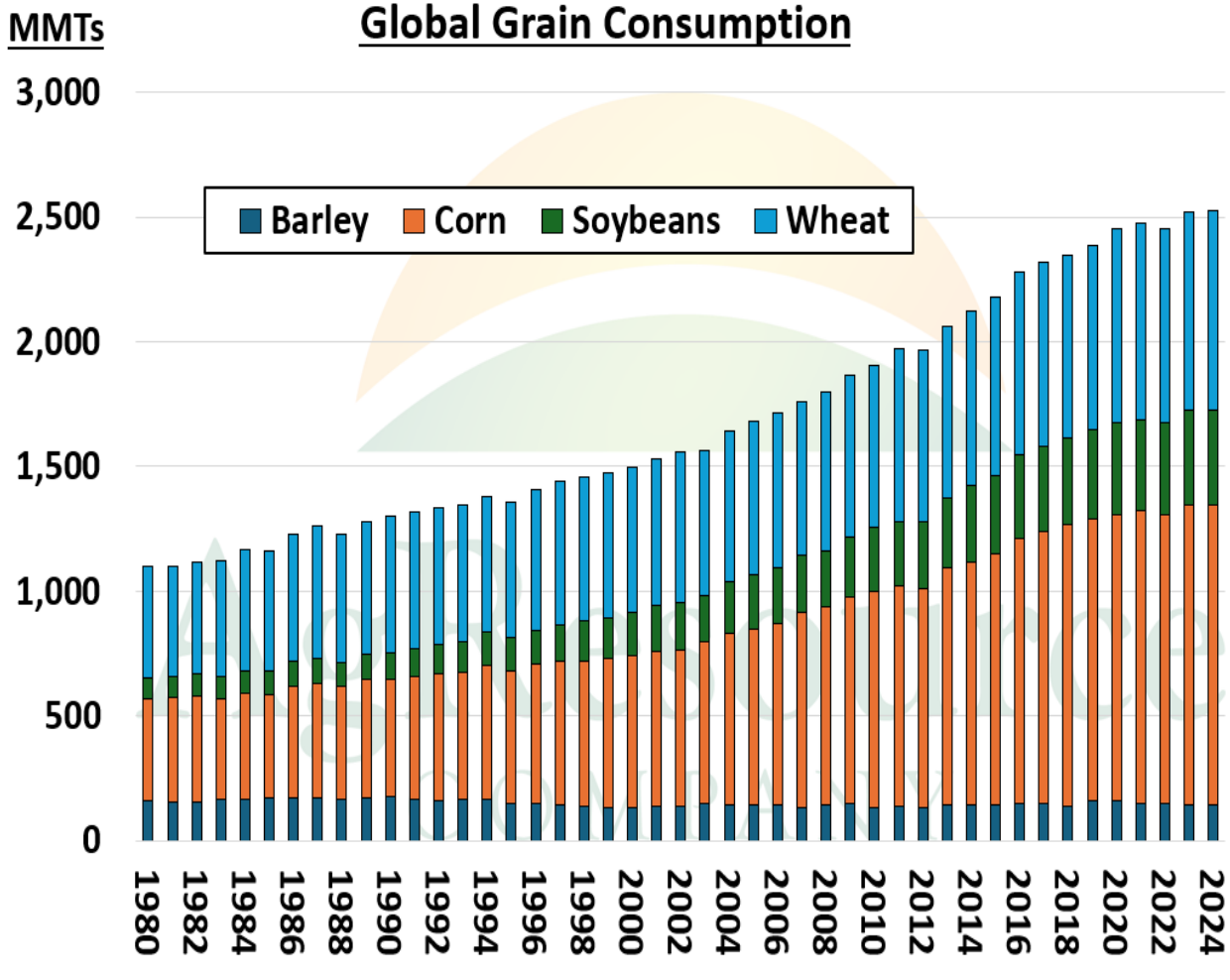
Global Production Fails to Keep up with Consumption; Due to Black Sea Drought; Can North America Make up the Difference?





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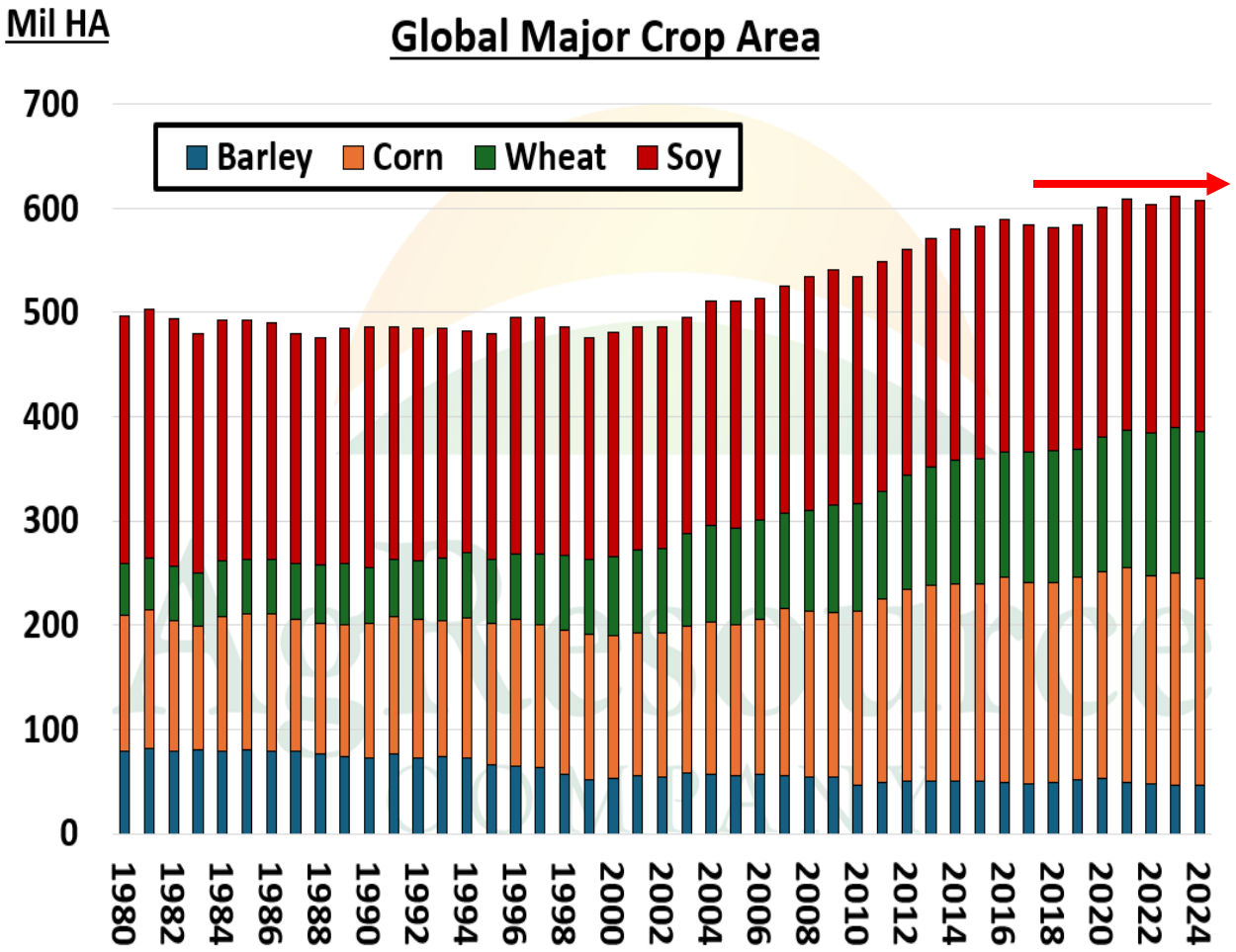
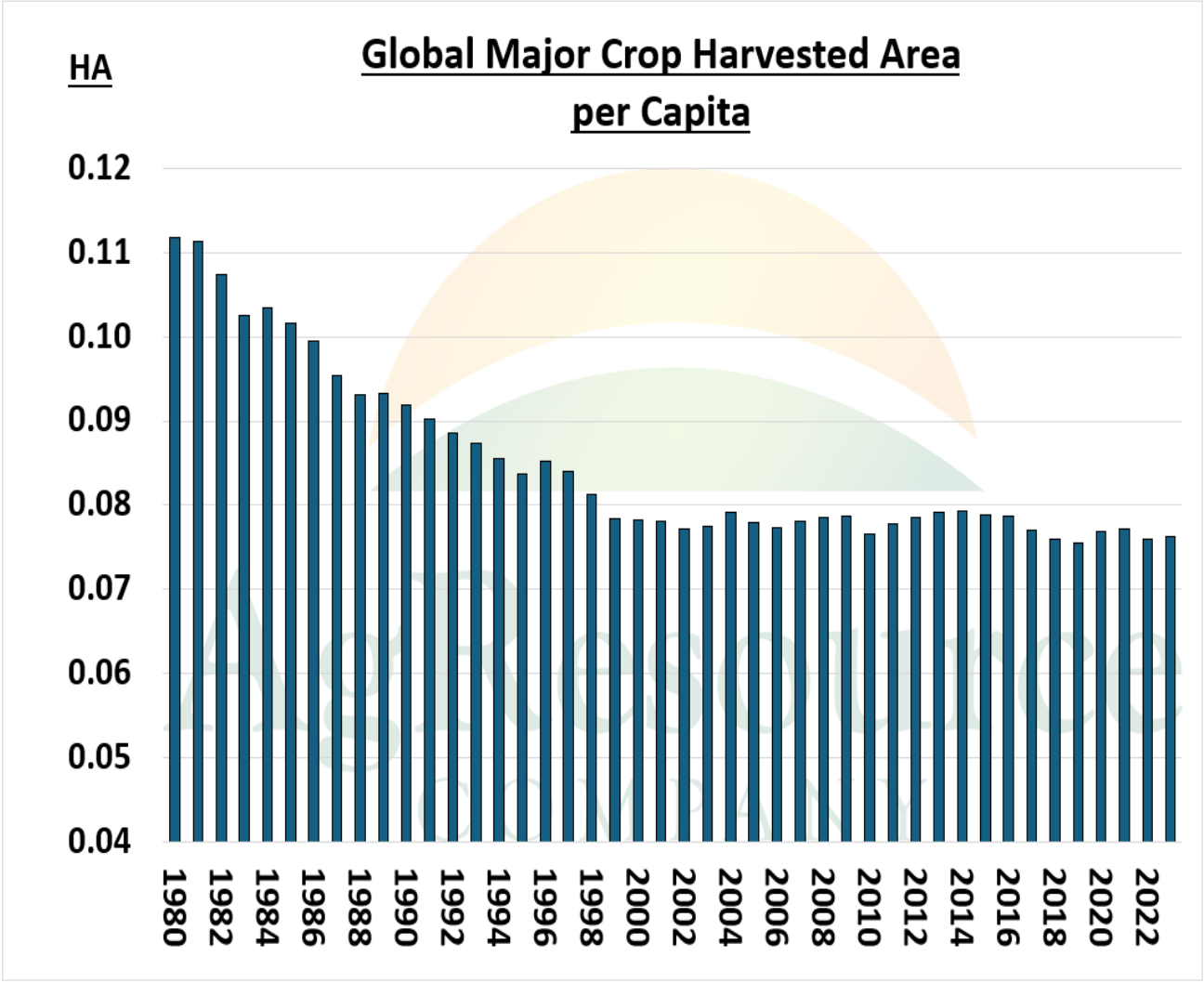
Global Grain Crop Area Stagnating; Per Capita Acres Flat since 1998; World adds acres as needed





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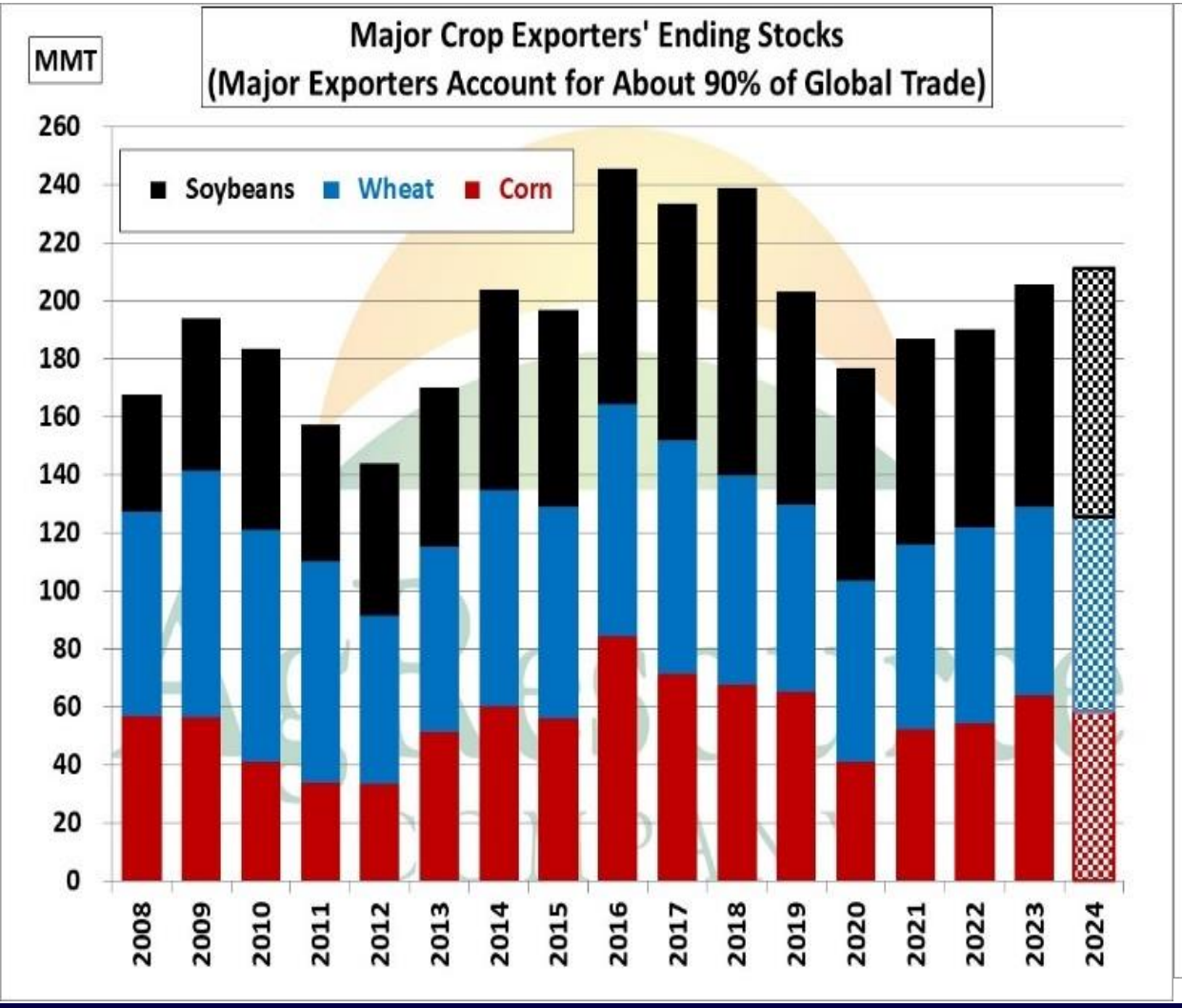
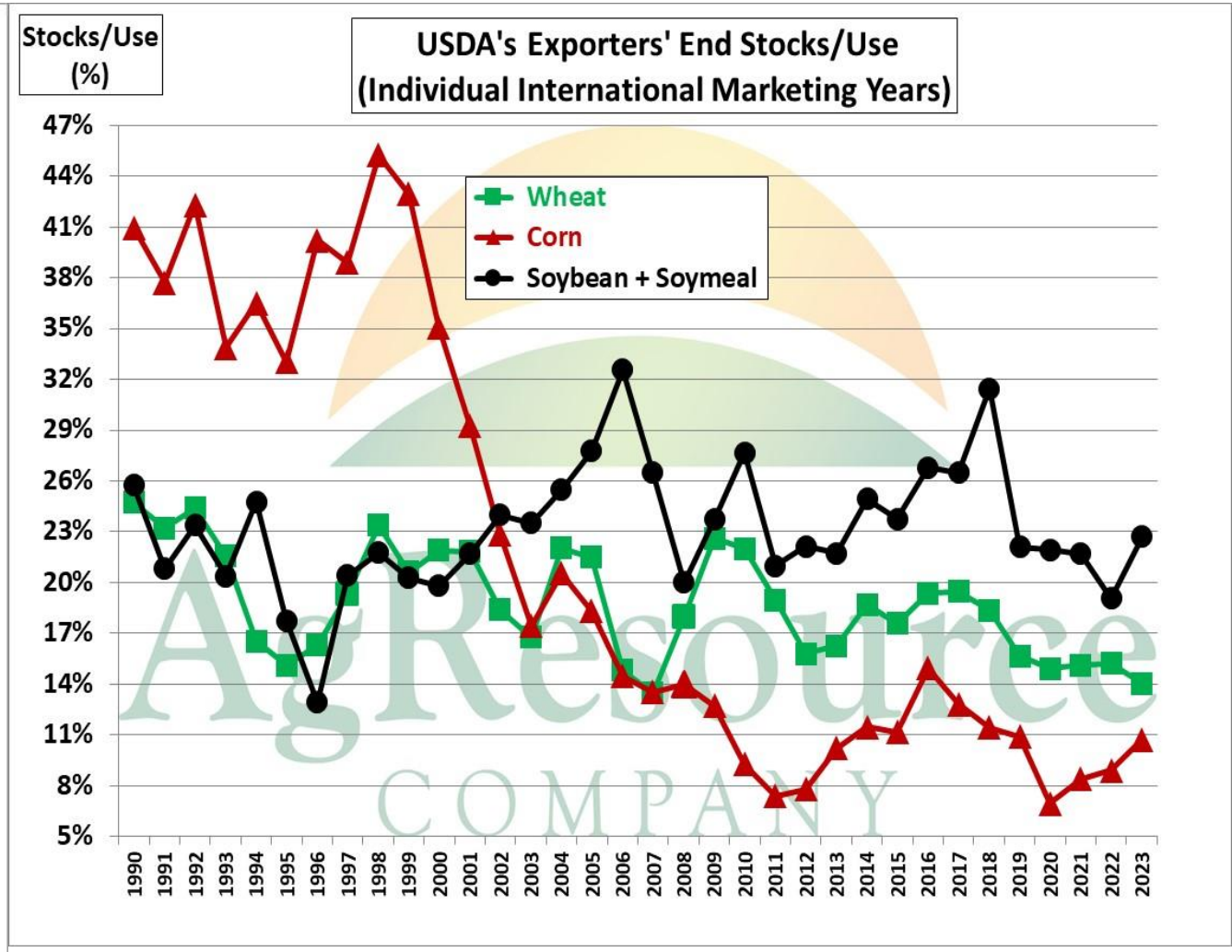
Another Exporter Stocks Building Year Ahead; Soybeans Have Most Downside Price Risk on Brazilian Abundance





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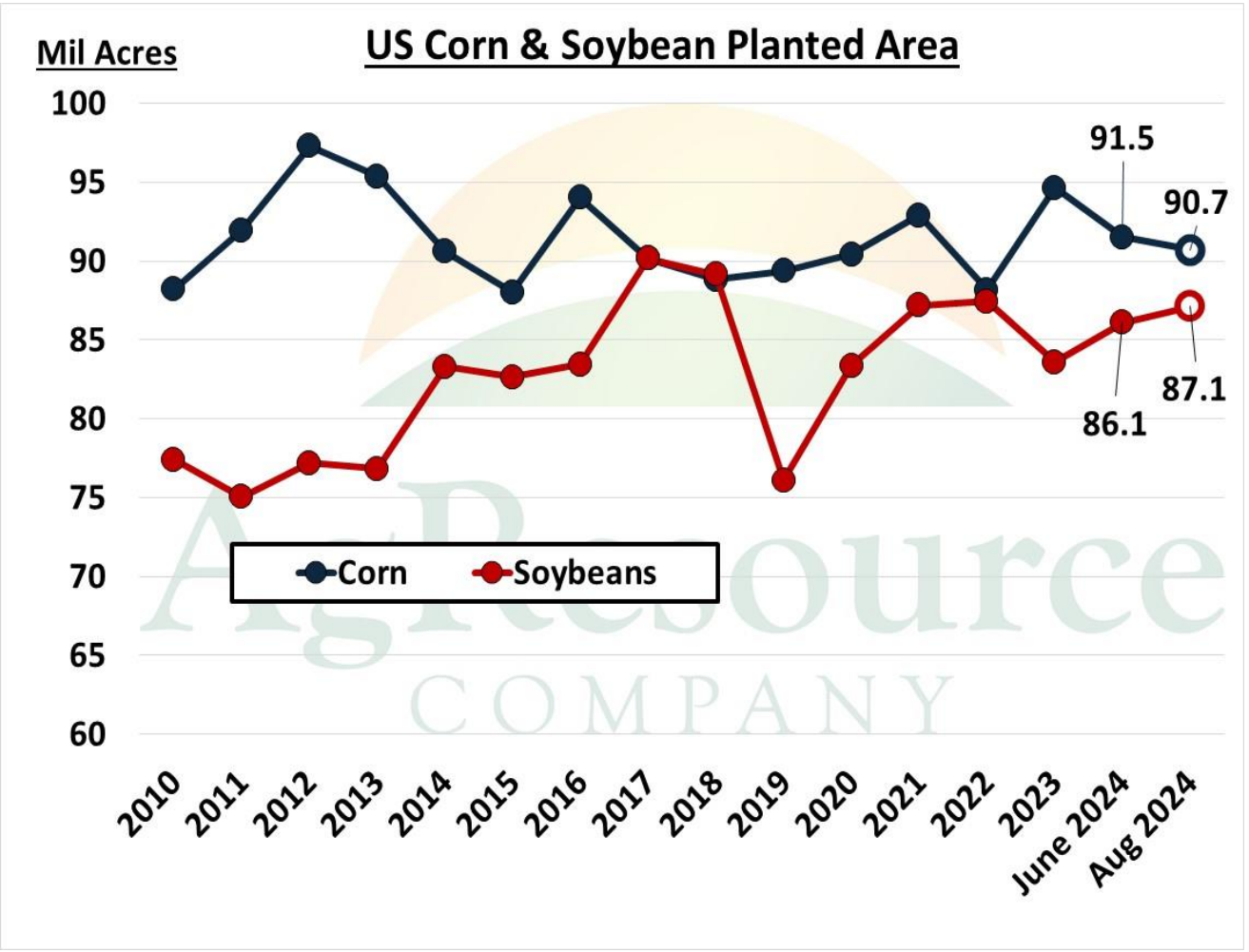
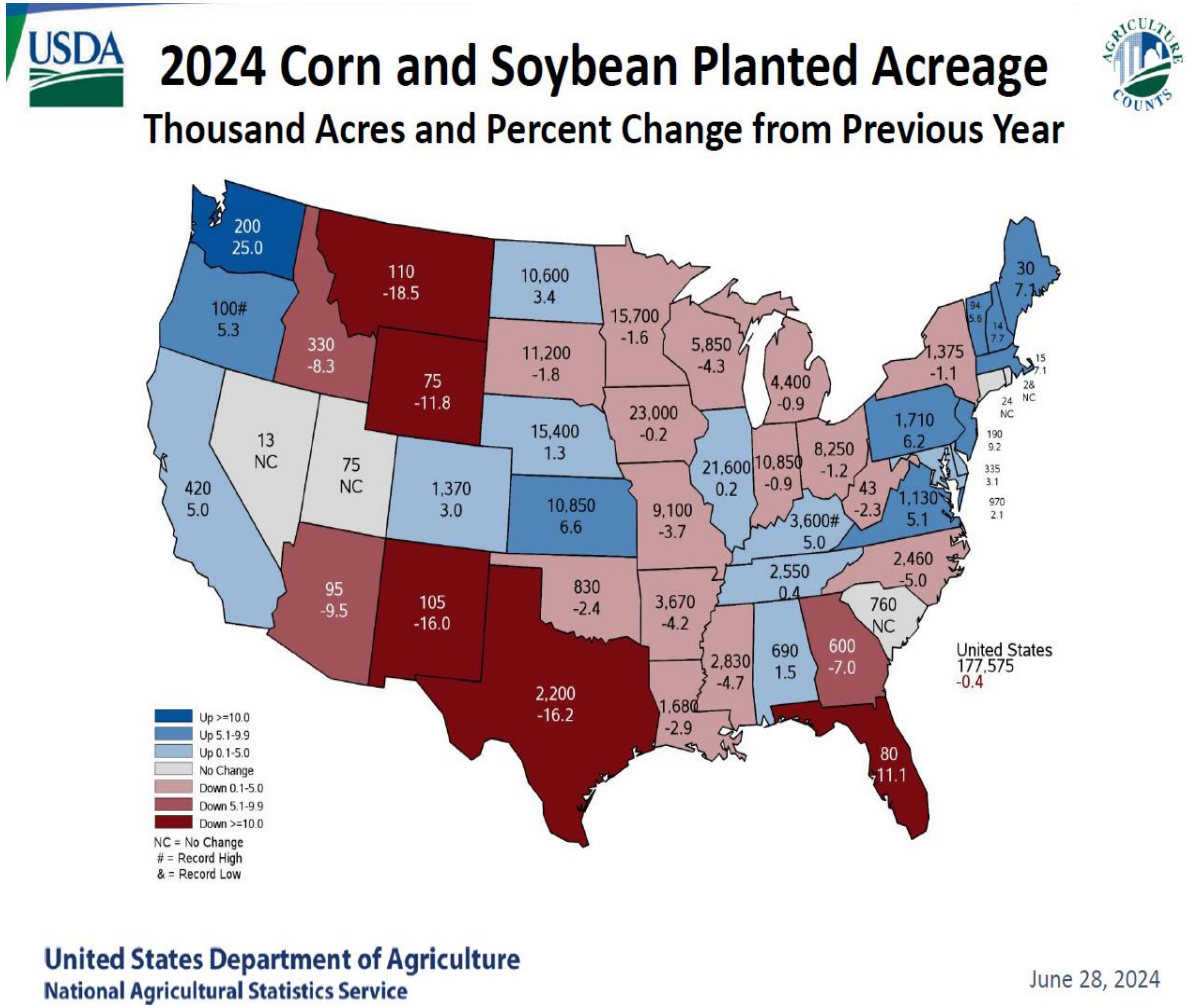
US Corn/Soy Acres Stagnate at 178-180 Mil Acres for Years to Come; Producers Seeking Alternatives





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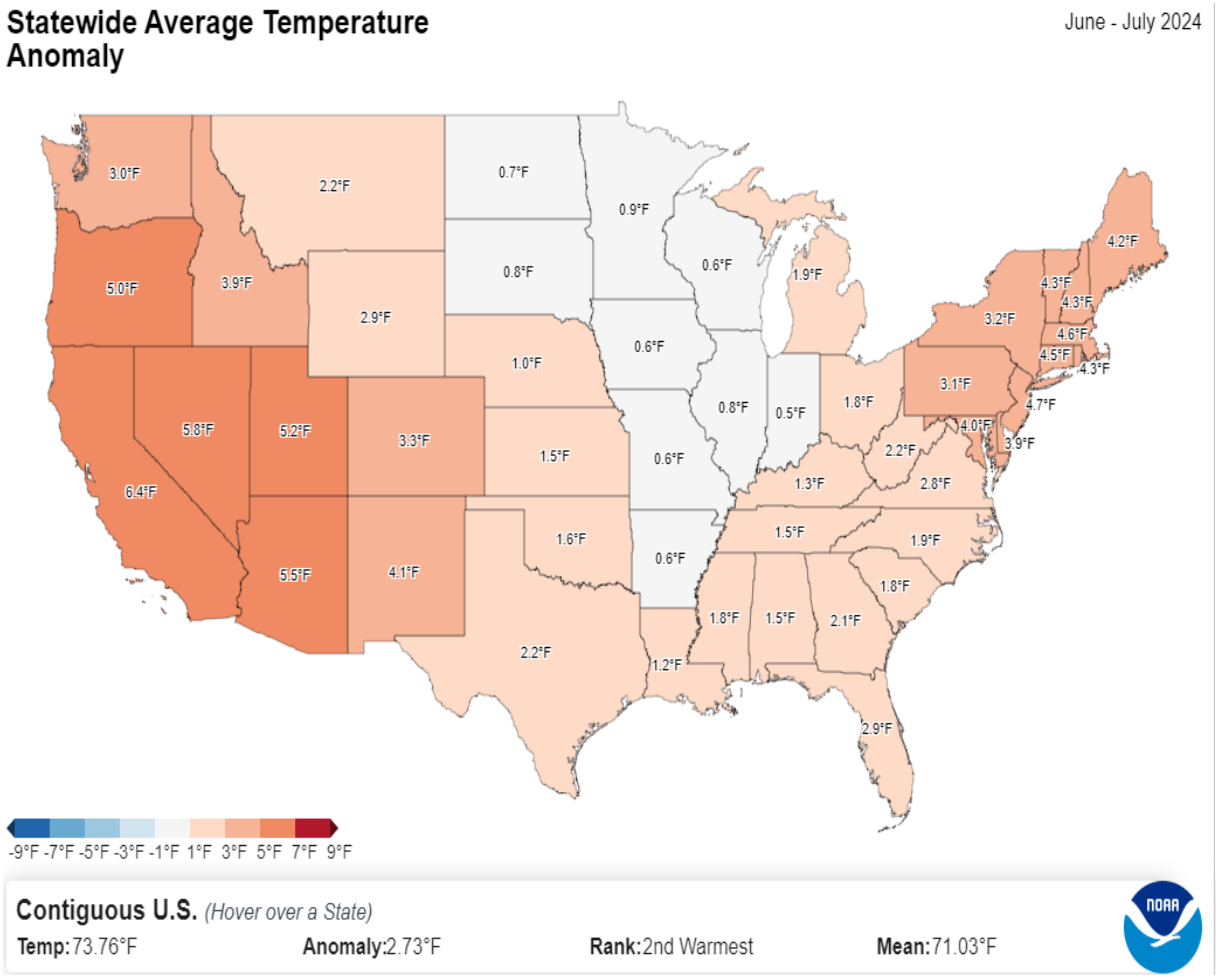
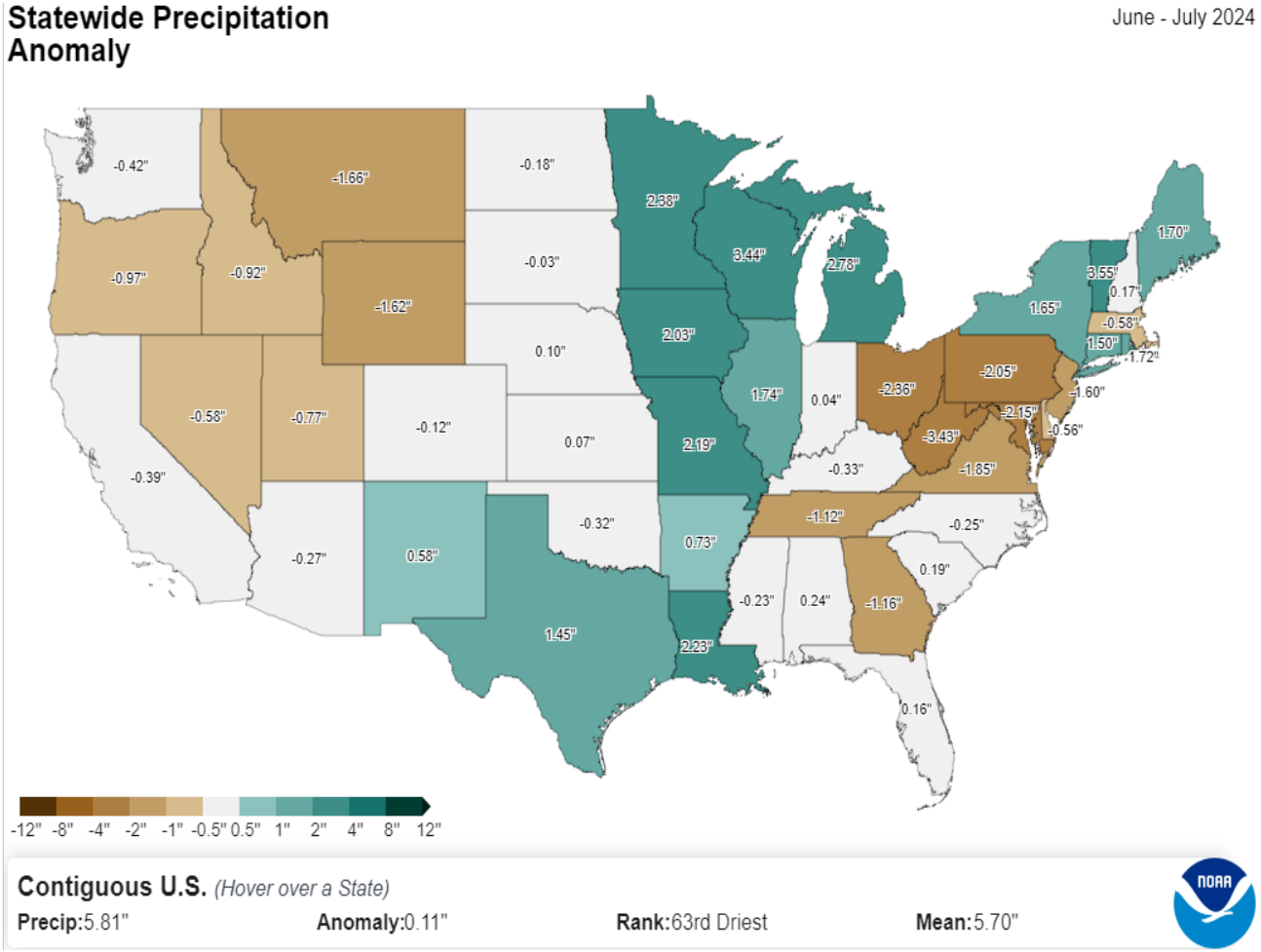
US June- July was 2nd Warmest on Record – Except the Midwest; Abundant Central US Rainfall





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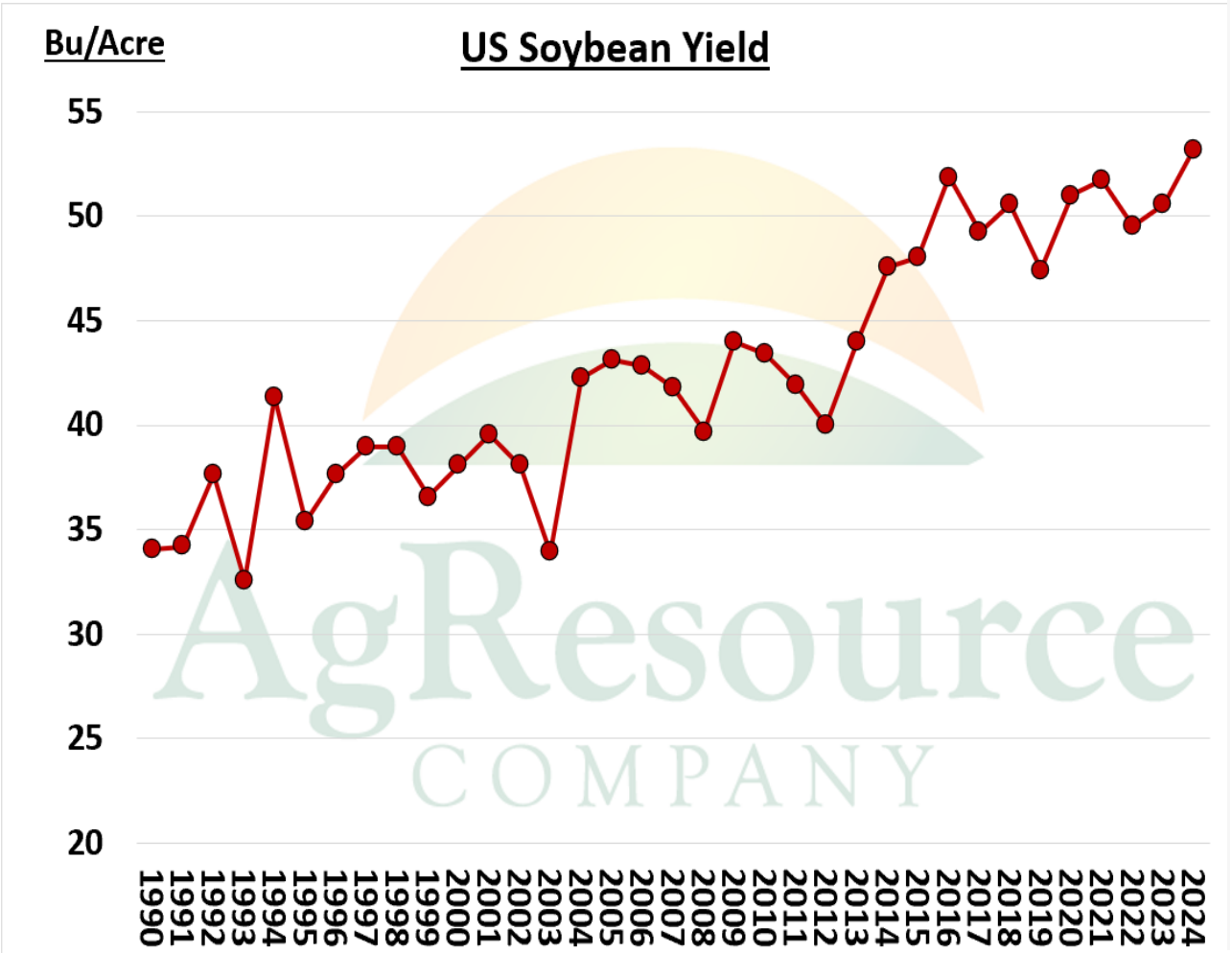
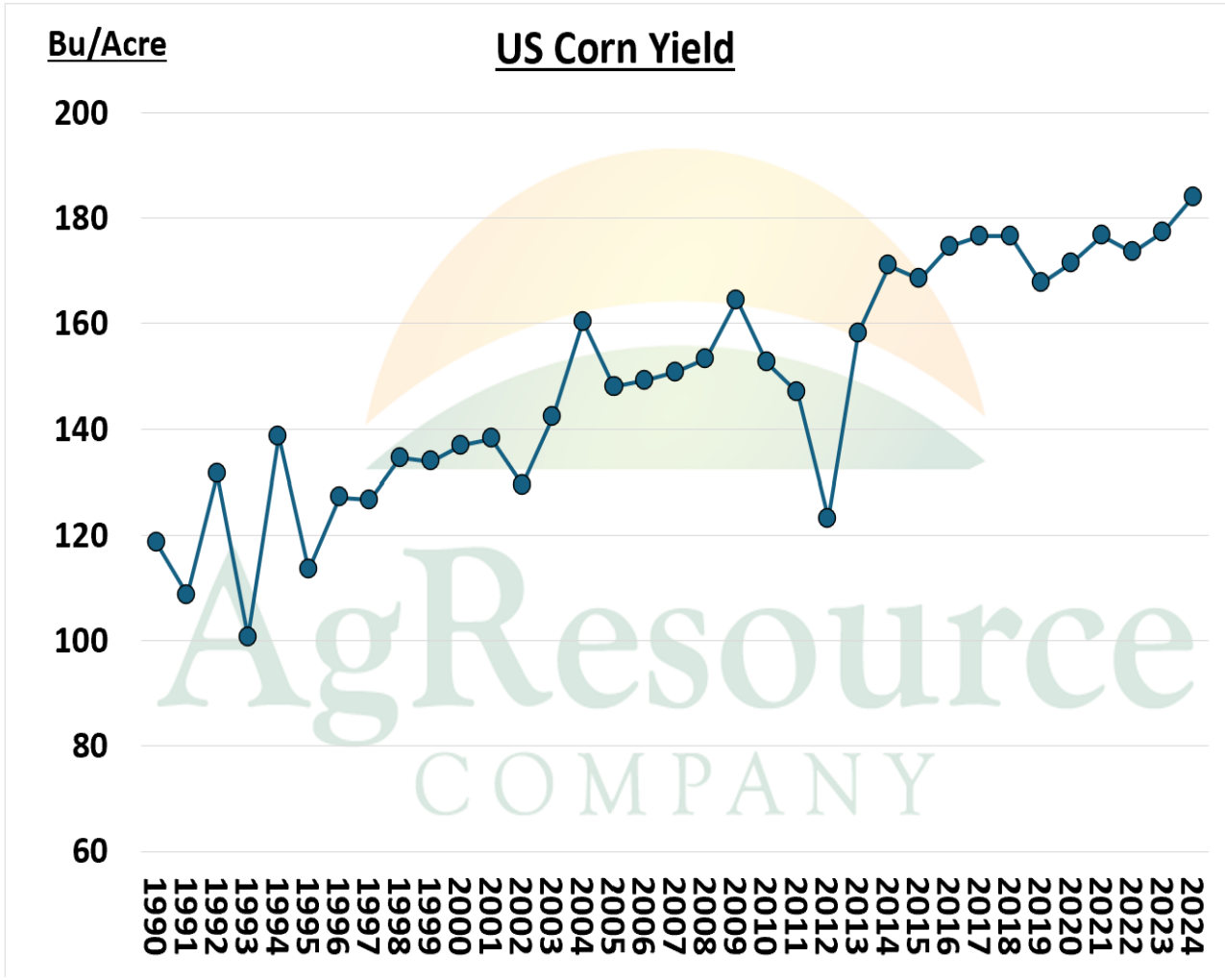
Big US Harvests Ahead with Normal Weather Through August; 53 BPA Soybean and 183 BPA Corn Yield





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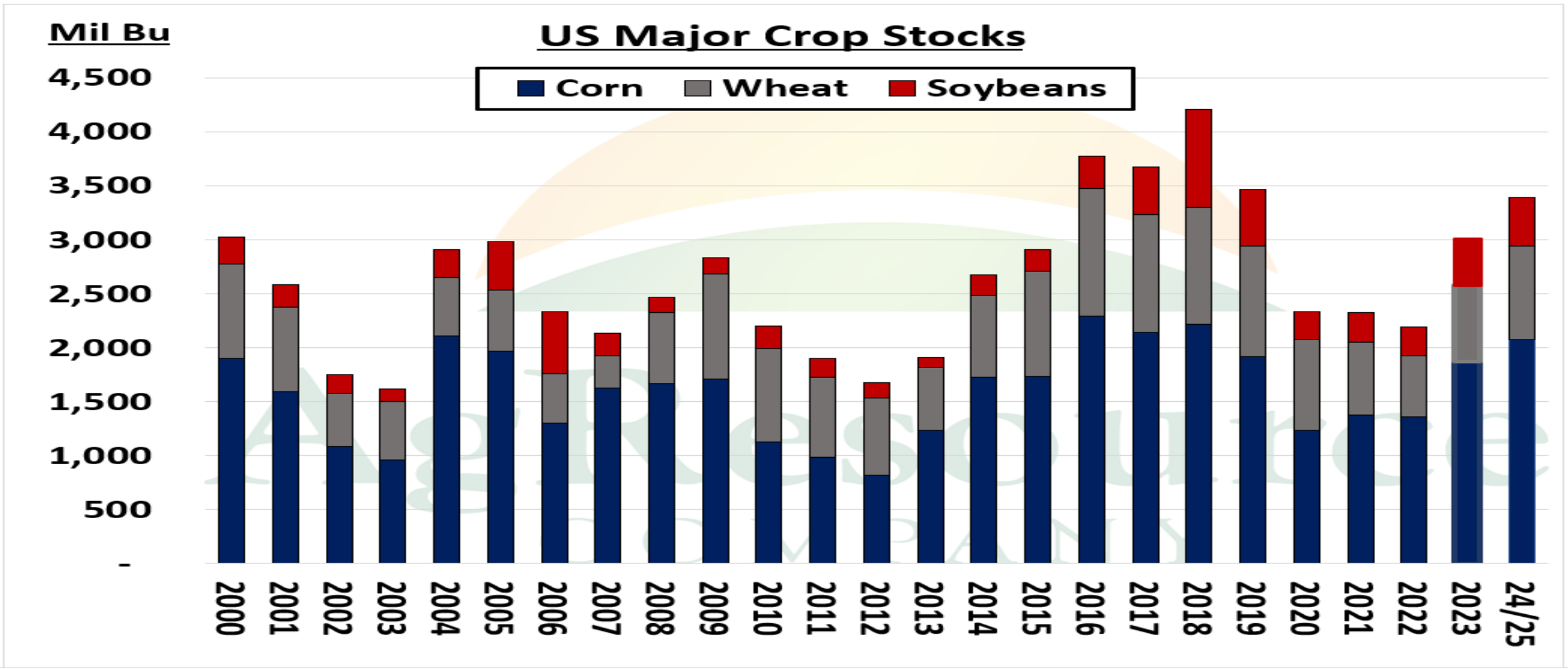
According to USDA; US Grain Stocks to Rise Question is Degree (Last half of US Summer Weather)



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Farmers Struggle With High Cost/Low Prices/Margins

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Since the 2022 High, Net US Farm Income is Down $69 Bil or 37%, Largest 2 Year Decline on Record

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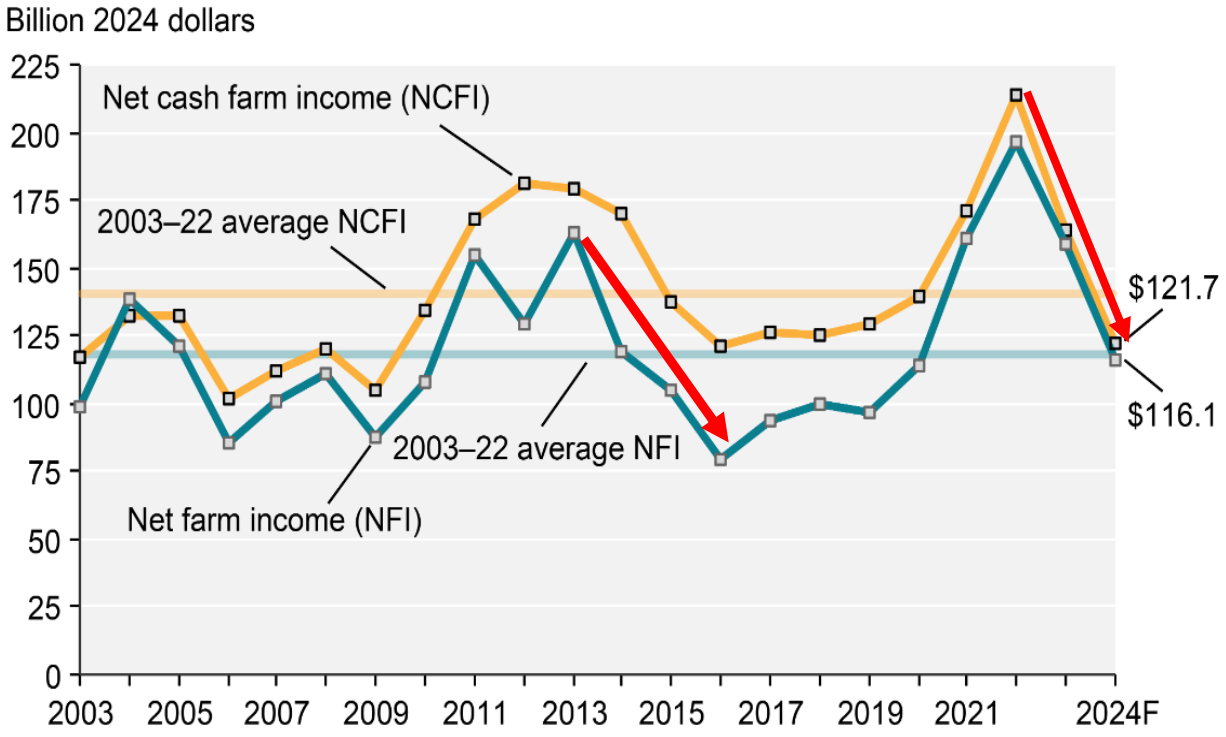
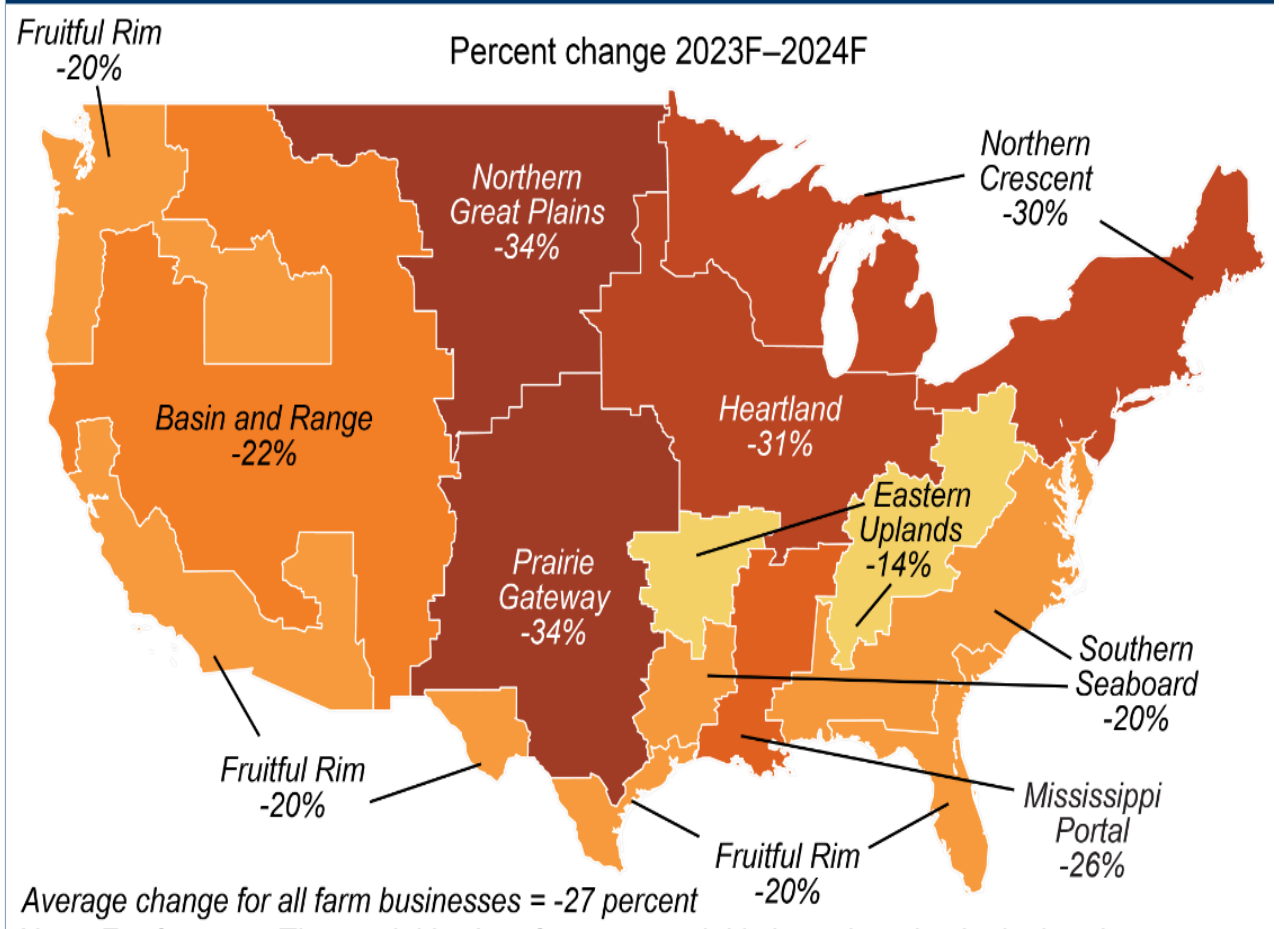
U.S. net farm income and net cash farm income, inflation adjusted, 2003–24F



Note: F = forecast; data for 2023 and 2024 are forecasts. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

U.S. farm business average net cash farm income by resource region, 2023F–2024F



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US Farmers Bleed "Red" Margin on Corn Breakeven of $4.69 and Soybeans at $10.97/Bu

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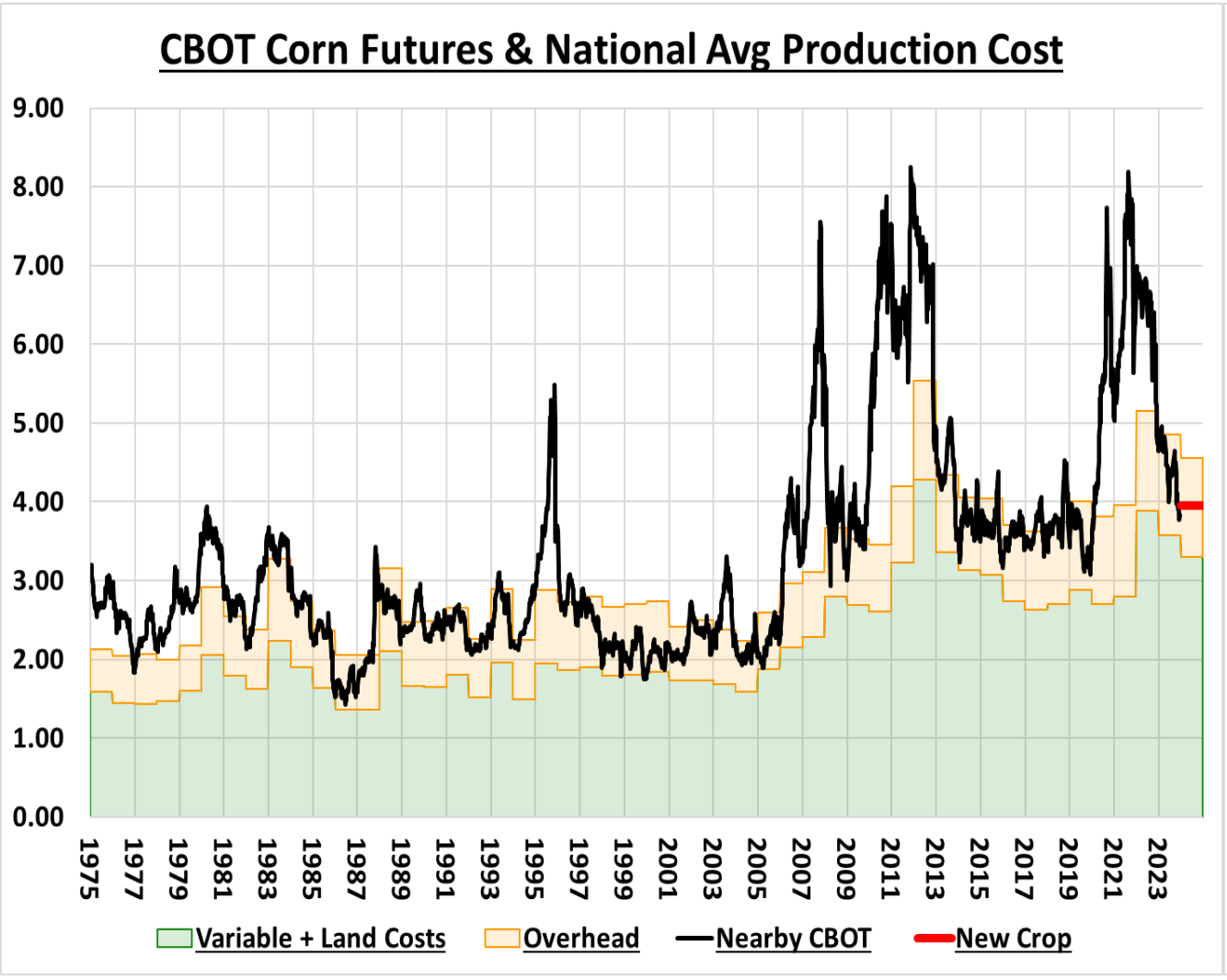

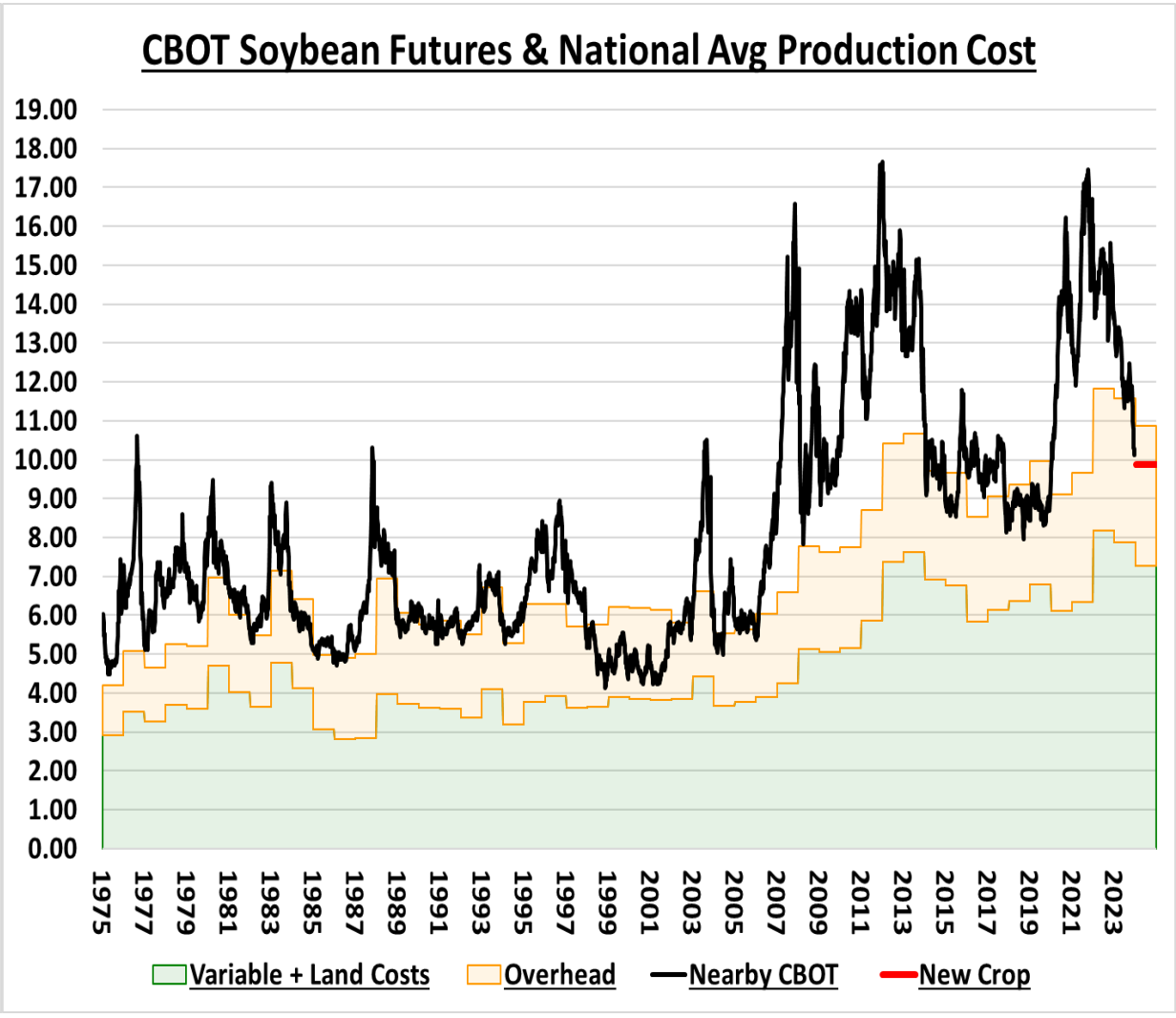

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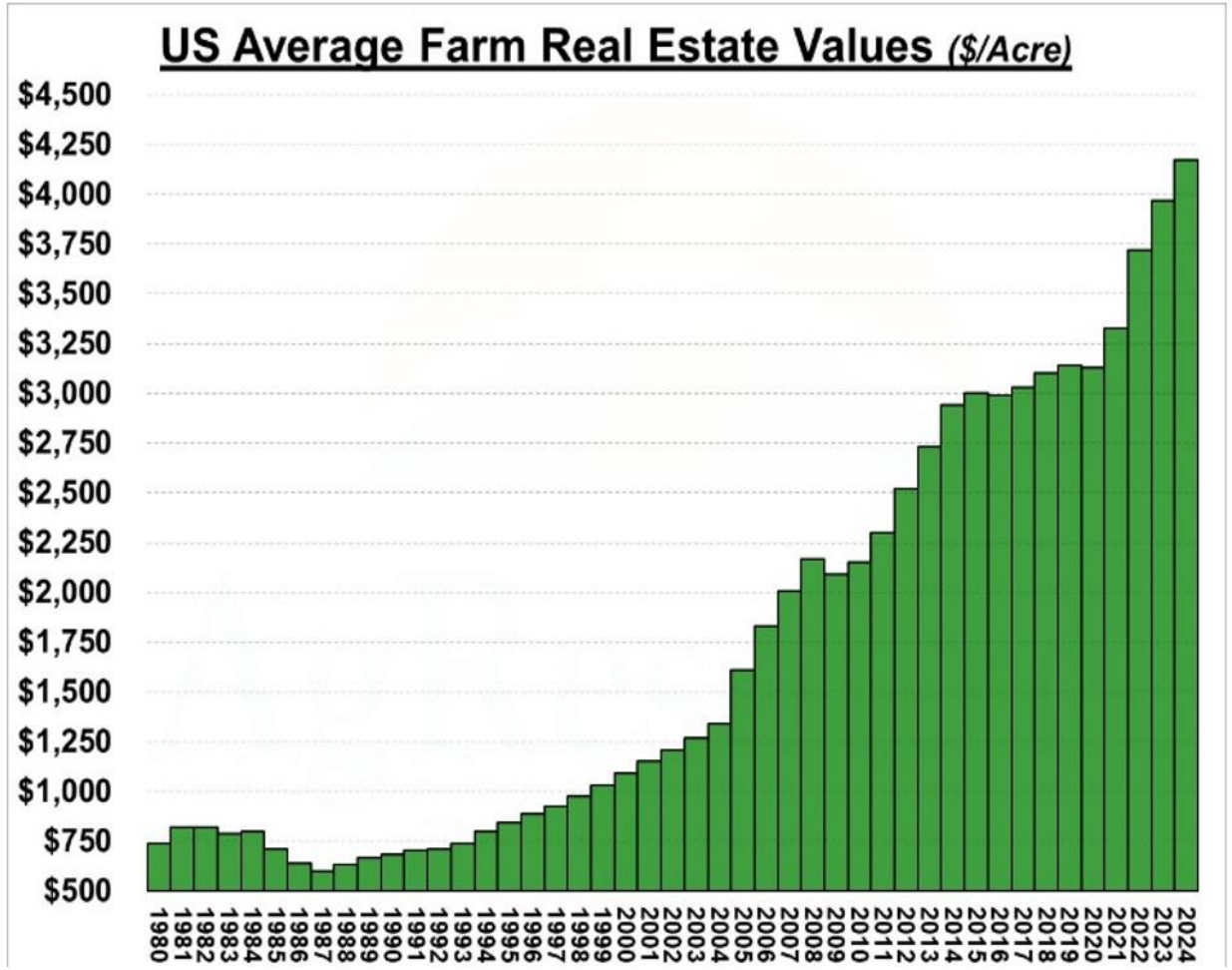
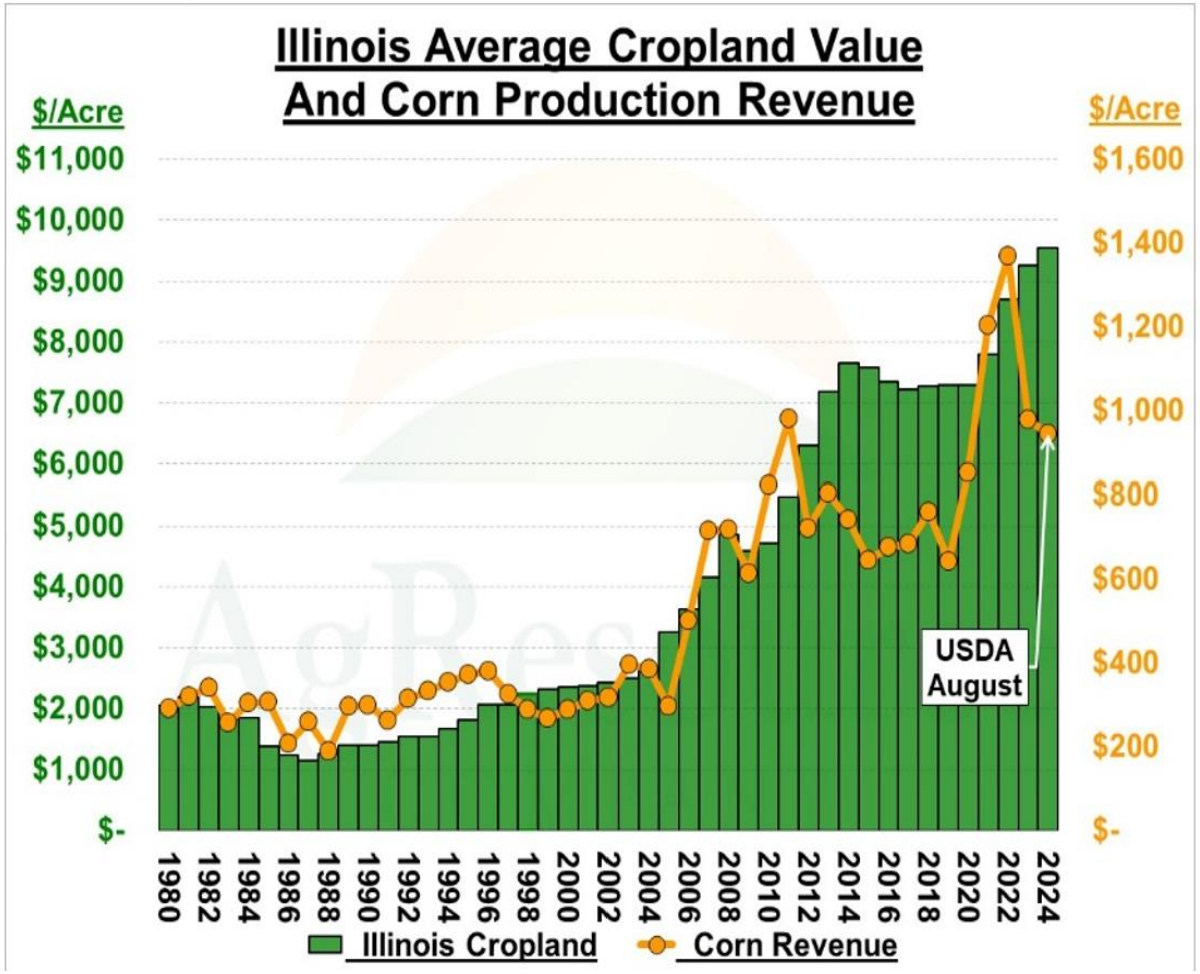
US Farmland Prices Kept Rising; Farm Margin Sag Gives Pause on Future Gains





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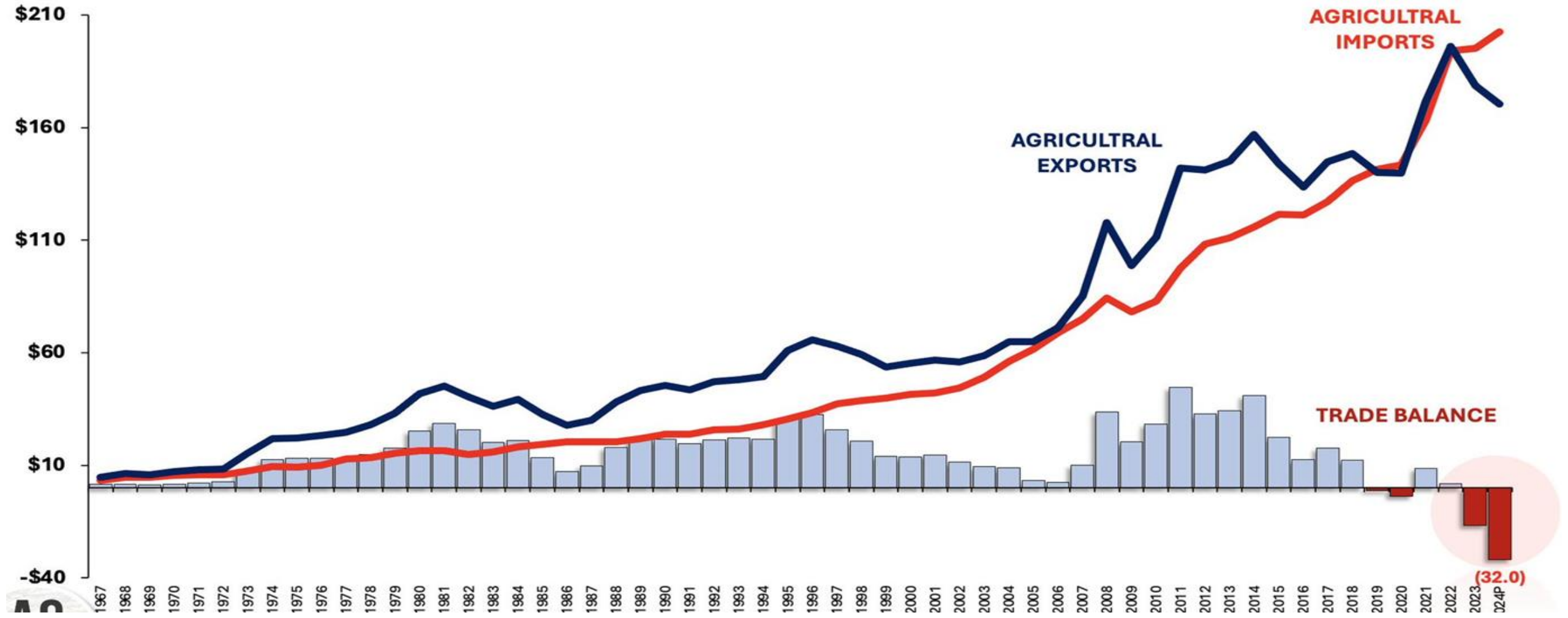
The Calamity for the US Ag Economy is based on Reduced Trade!!!!



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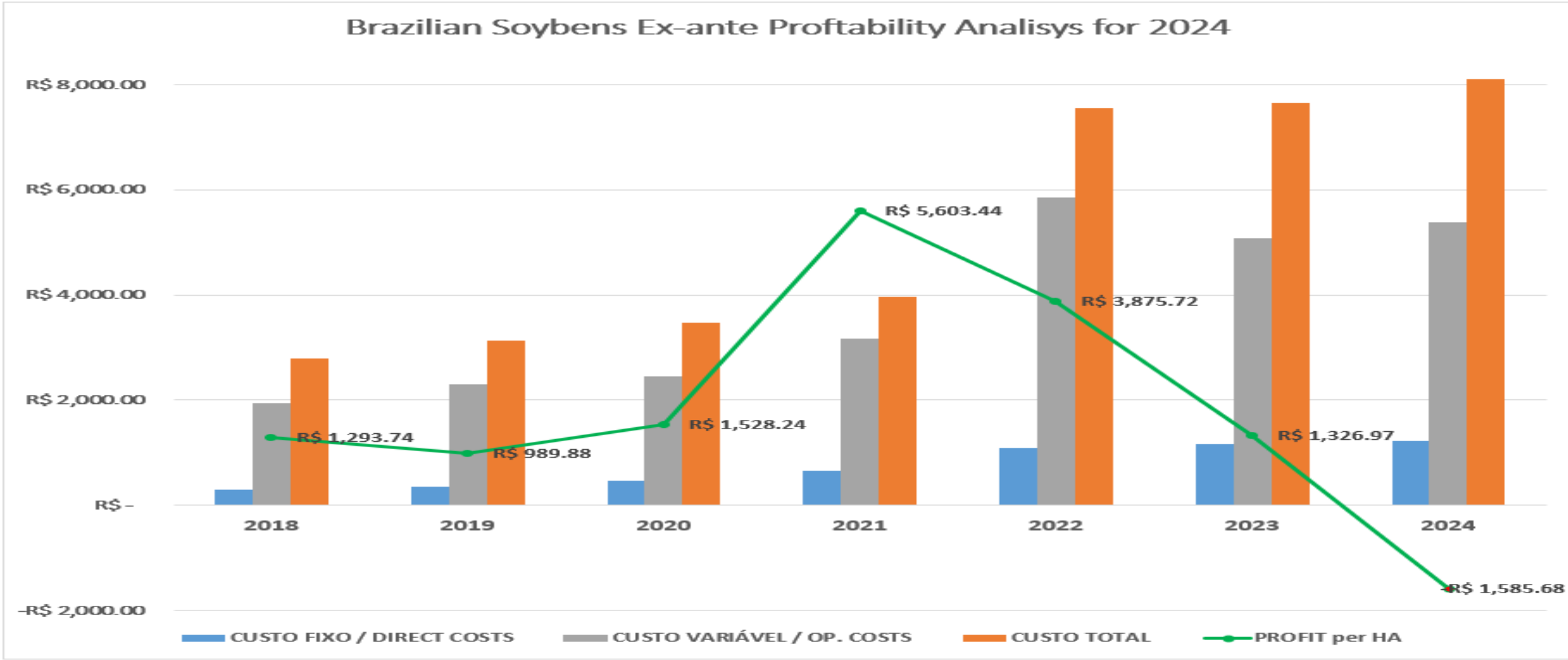
Brazilian Farm Profitability Plunges with CBOT and Rising Input Costs; Acerage Expansion To Slow



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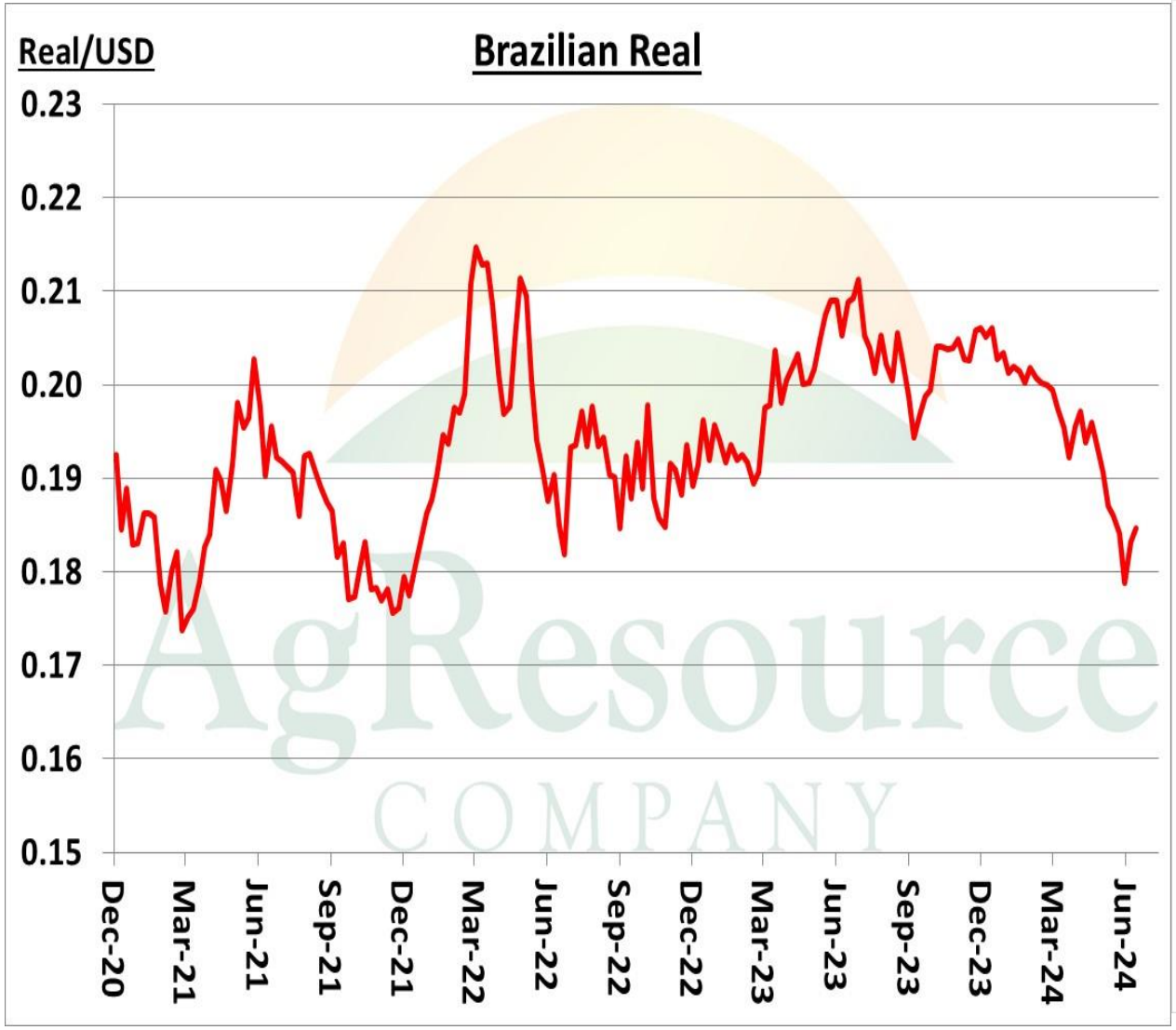
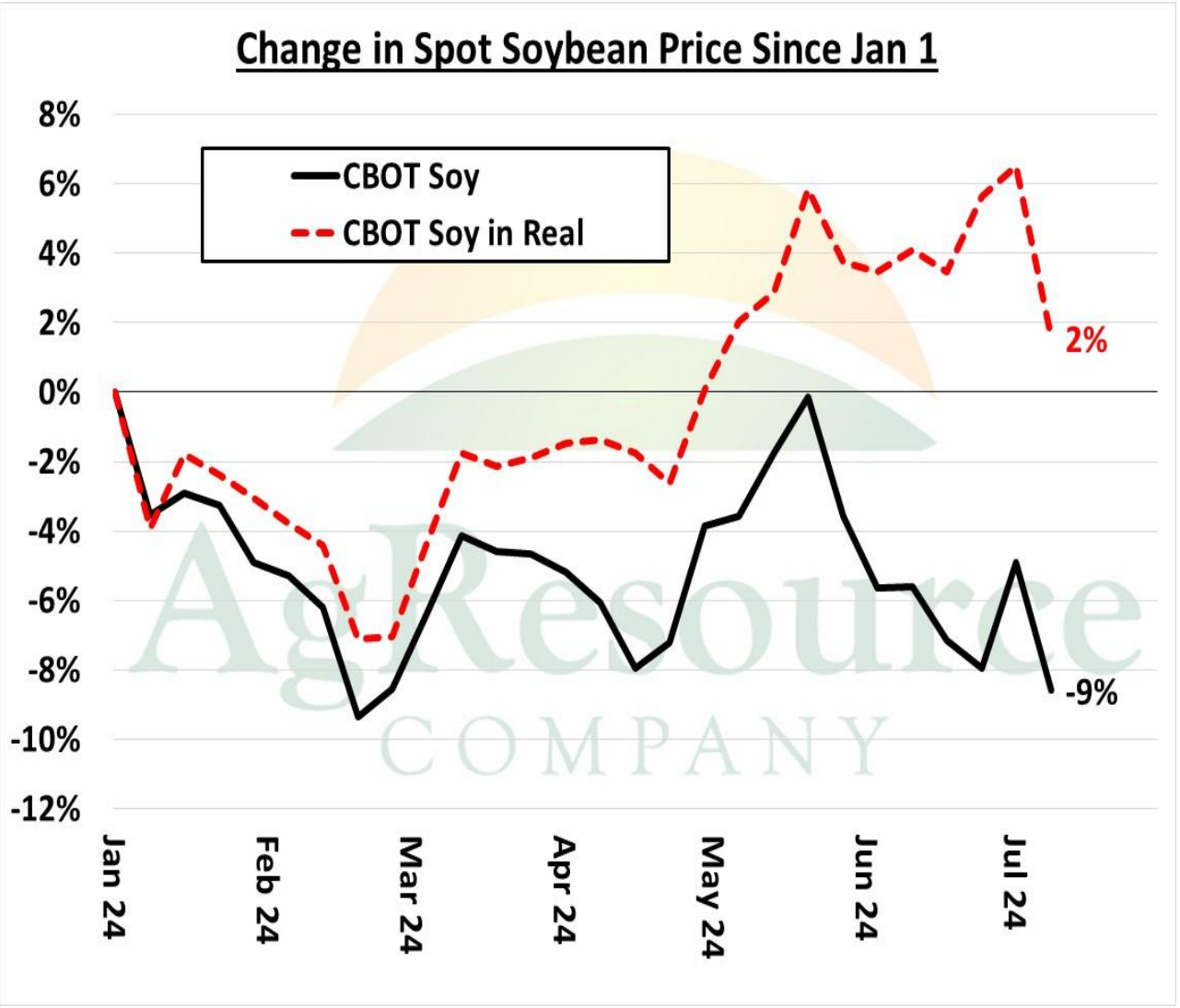
Brazilian Real Weakness Grows Brazilian Farm Income





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The New Geopolitical Landscape

Post Cold War (1991-2018)	Today (2018 - ???)
• Unipolar world: USA sole superpower	• Bipolar world: US-China Great-Power Competition
• Economic Globalization	• Geoeconomic Globalization

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The New Duopoly of World Economic Influence

- BRICS: 32% GDP, 42% Oil, stockpiling gold
- G-7: 30% GDP, massive government deficits – printing money
- Dollar: weapon for foreign policy

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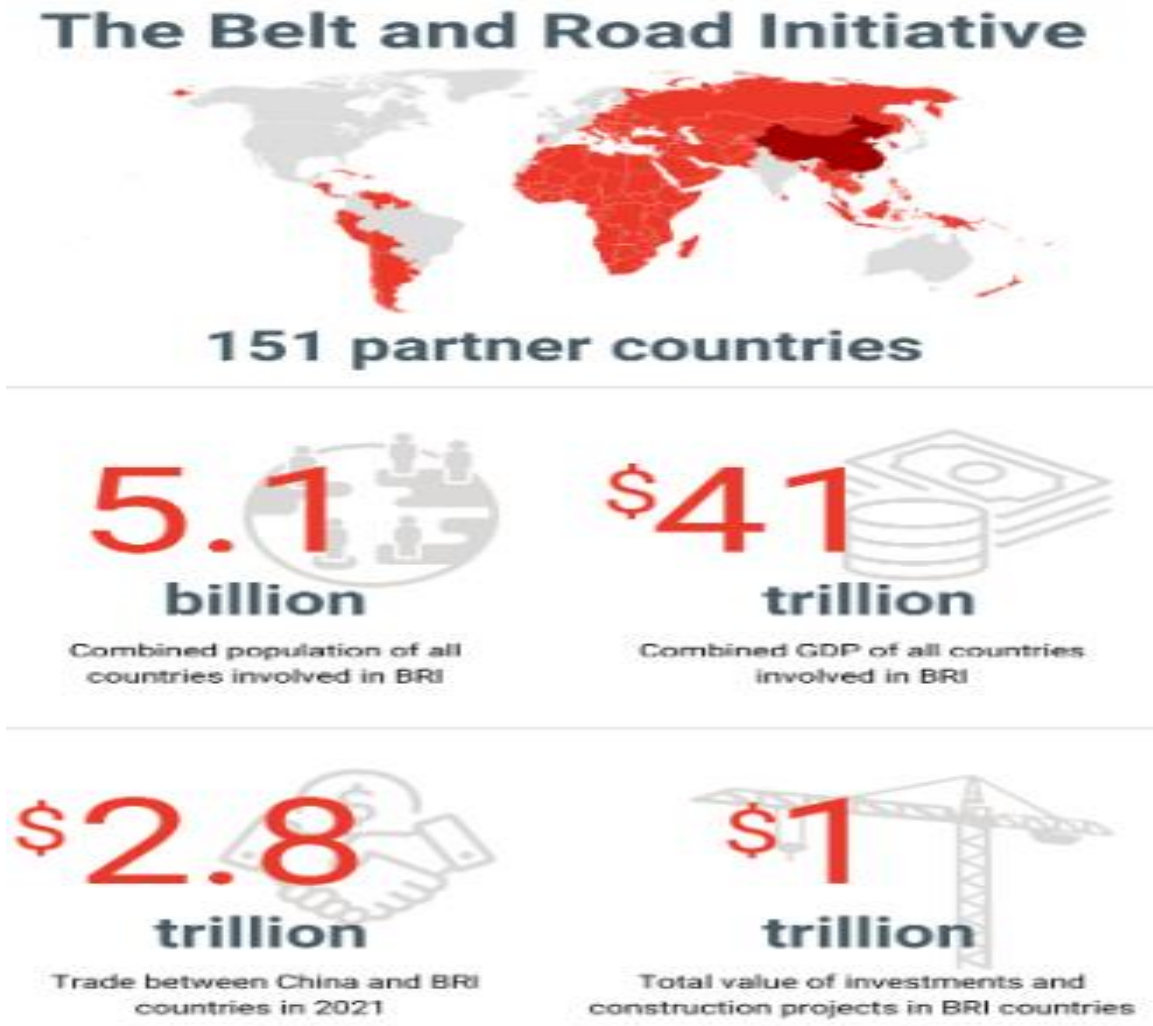
In Decades, China's dedication to the "Belt-and-Road" Initiative Paying dividends: the US is losing the Global War of Trade



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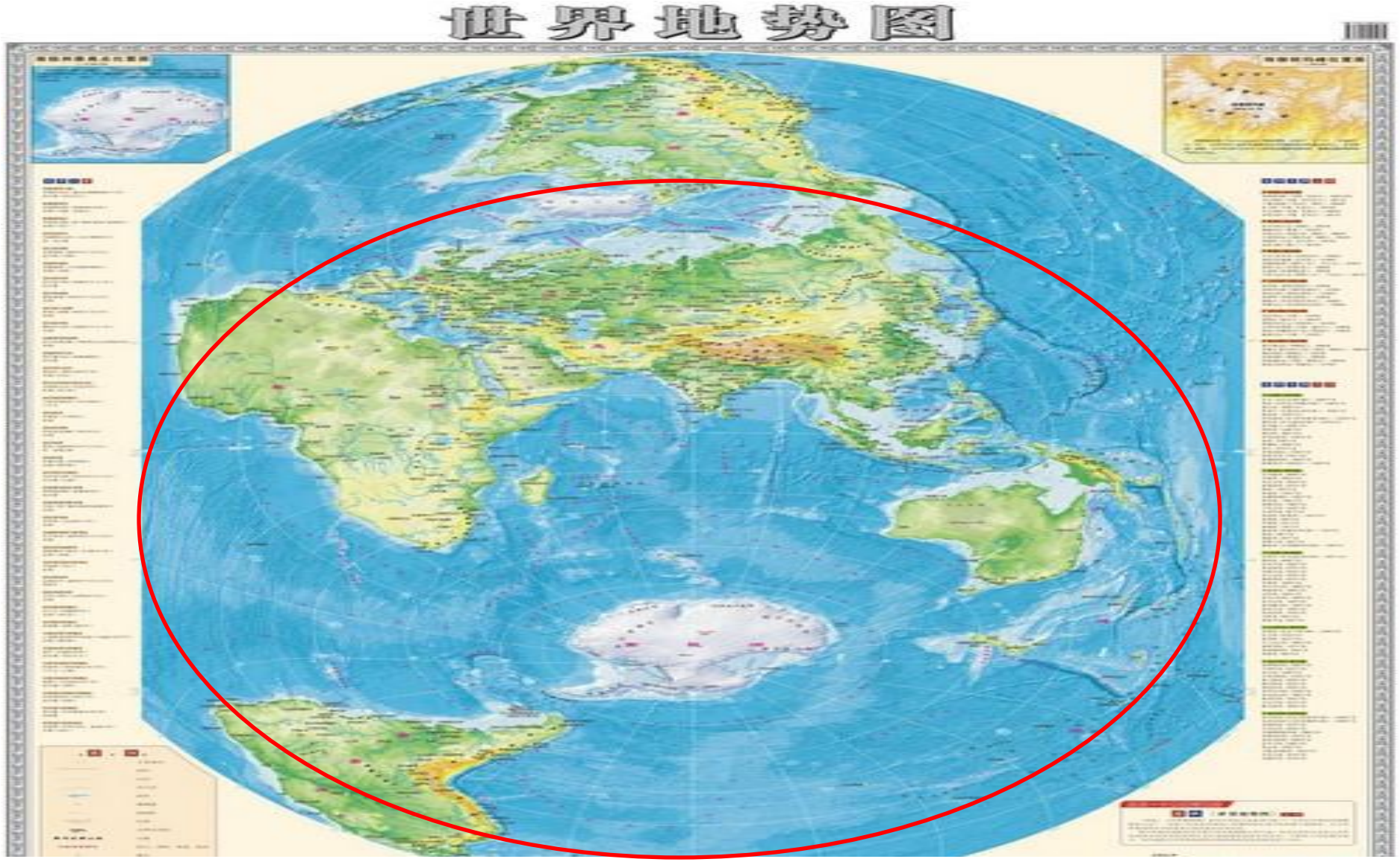
How Does China See the World Map Today?



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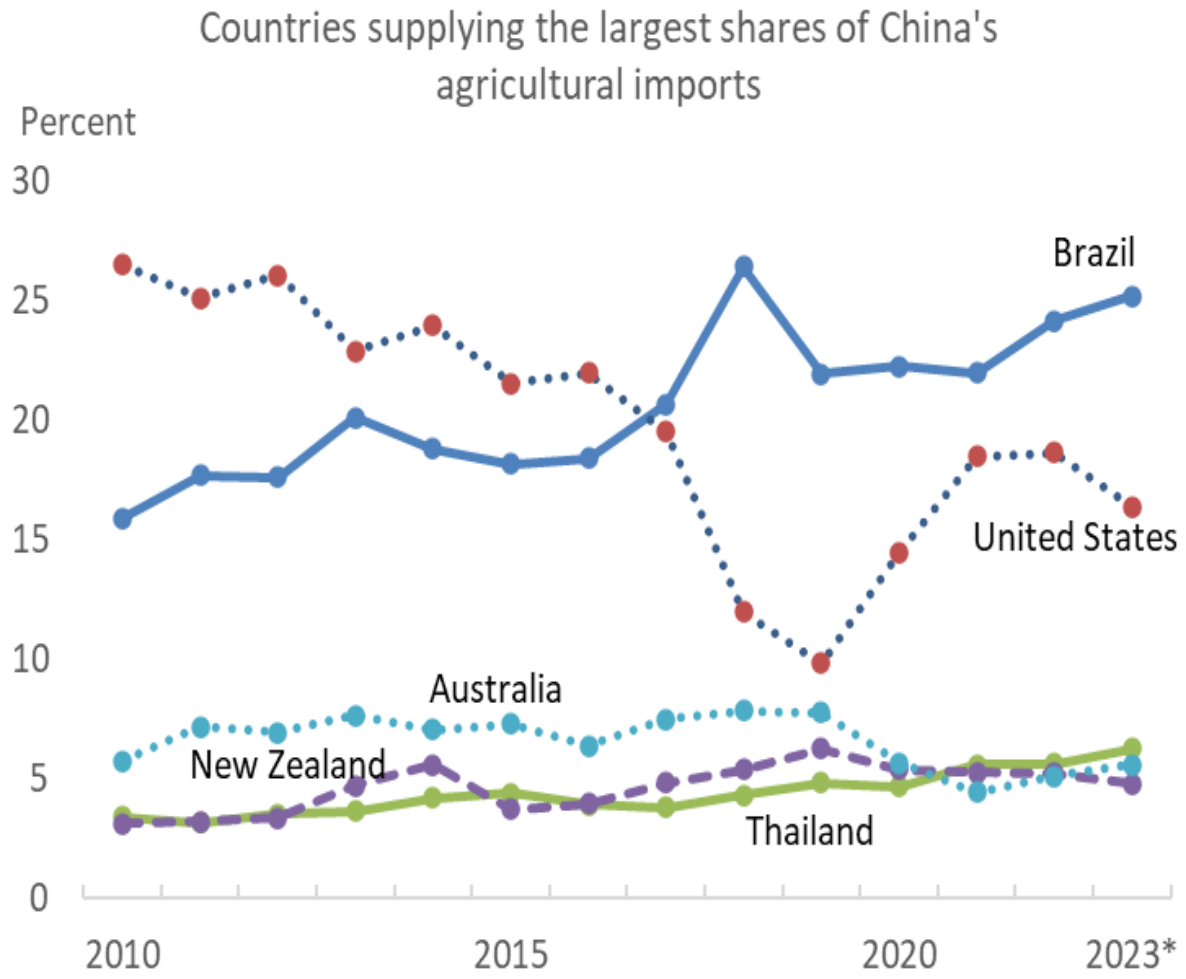
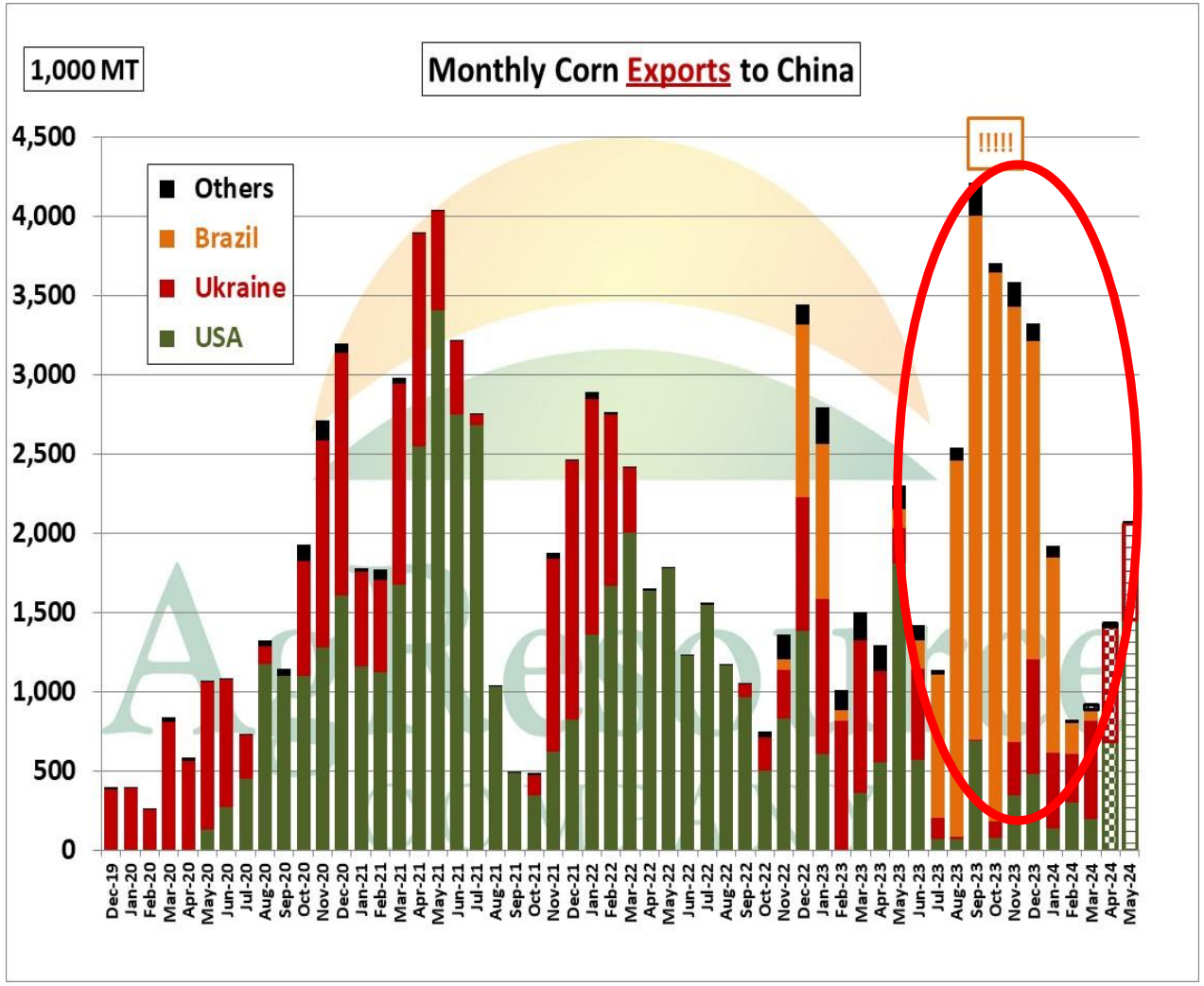
China Active in Securing World Corn – From Brazil - due to Politics – US is Residual Corn Supplier to China?





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The US is Losing its Largest Ag Customer!

Trump suggests he would consider a tariff upward of 60% on all Chinese imports if reelected

By Kate Sullivan, CNN
2 minute read · Updated 4:03 PM EST, Sun February 4, 2024

2023 World Ag Trade Estimated Value: $1.4 Trillion.

2023 China Food Imports $234 Bil or 17% of the World

2023 US Ag Exports to China $34 Bil or 19% of Total

2023 US Total Ag Exports $177 Bil, Mexico at $28 Bil

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Can the US/China Rekindle the Phase 1 Trade Deal for US agriculture for $35 Billion?

China / Diplomacy

Why there may be room to move on China-US trade in a populist Trump White House

- The Republican presidential nominee managed to hammer out a deal with Beijing on his last watch – something Biden is yet to do, analyst says

Listen to this article

Kawala Xie in Hong Kong and Orange Wang in Beijing

Published: 8:18pm, 19 Jul 2024

Why you can trust SCMP

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Brazil – Ag Export Behemoth – Brazilian Weather and Crop Sizes to Dominate in the Years Ahead

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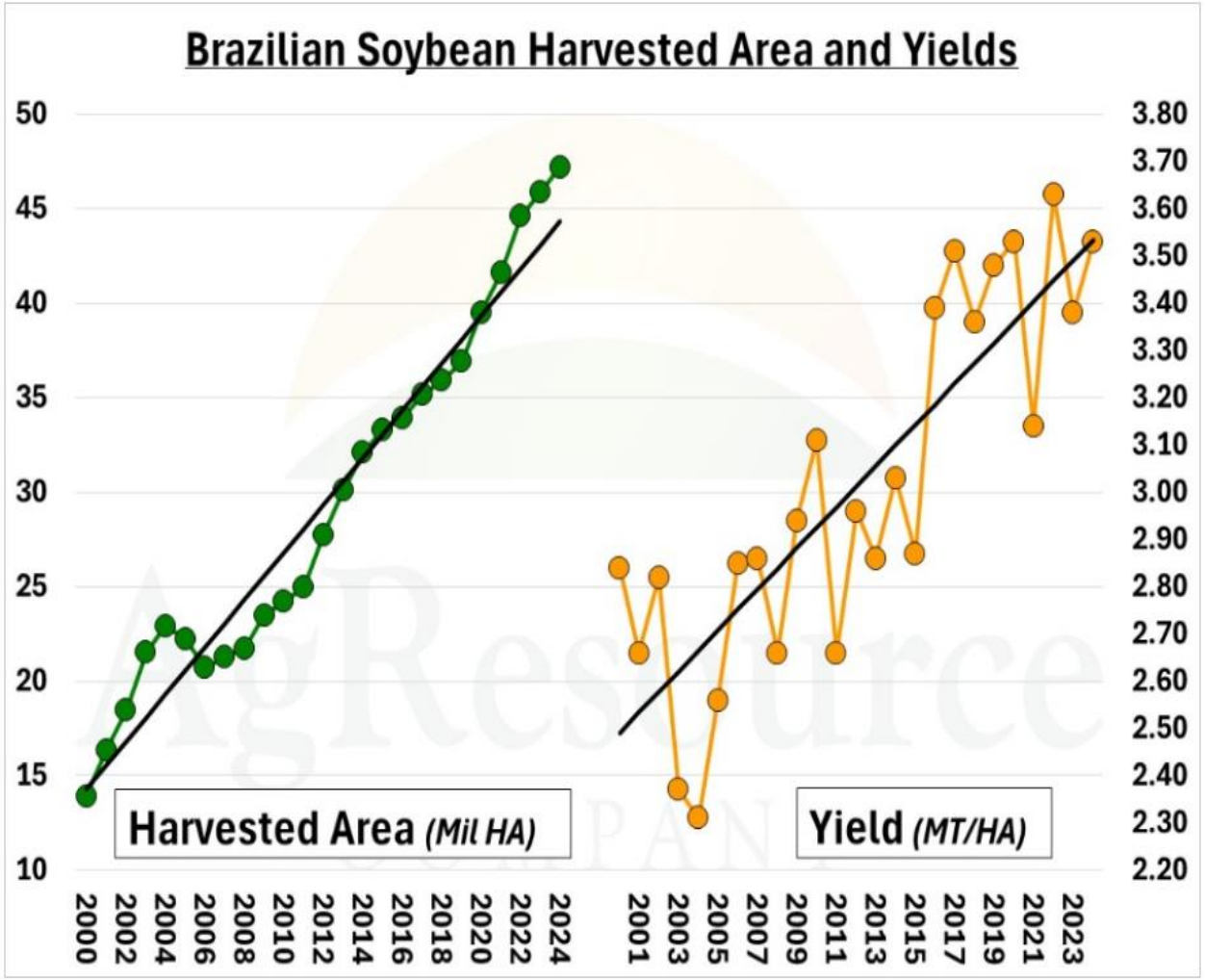
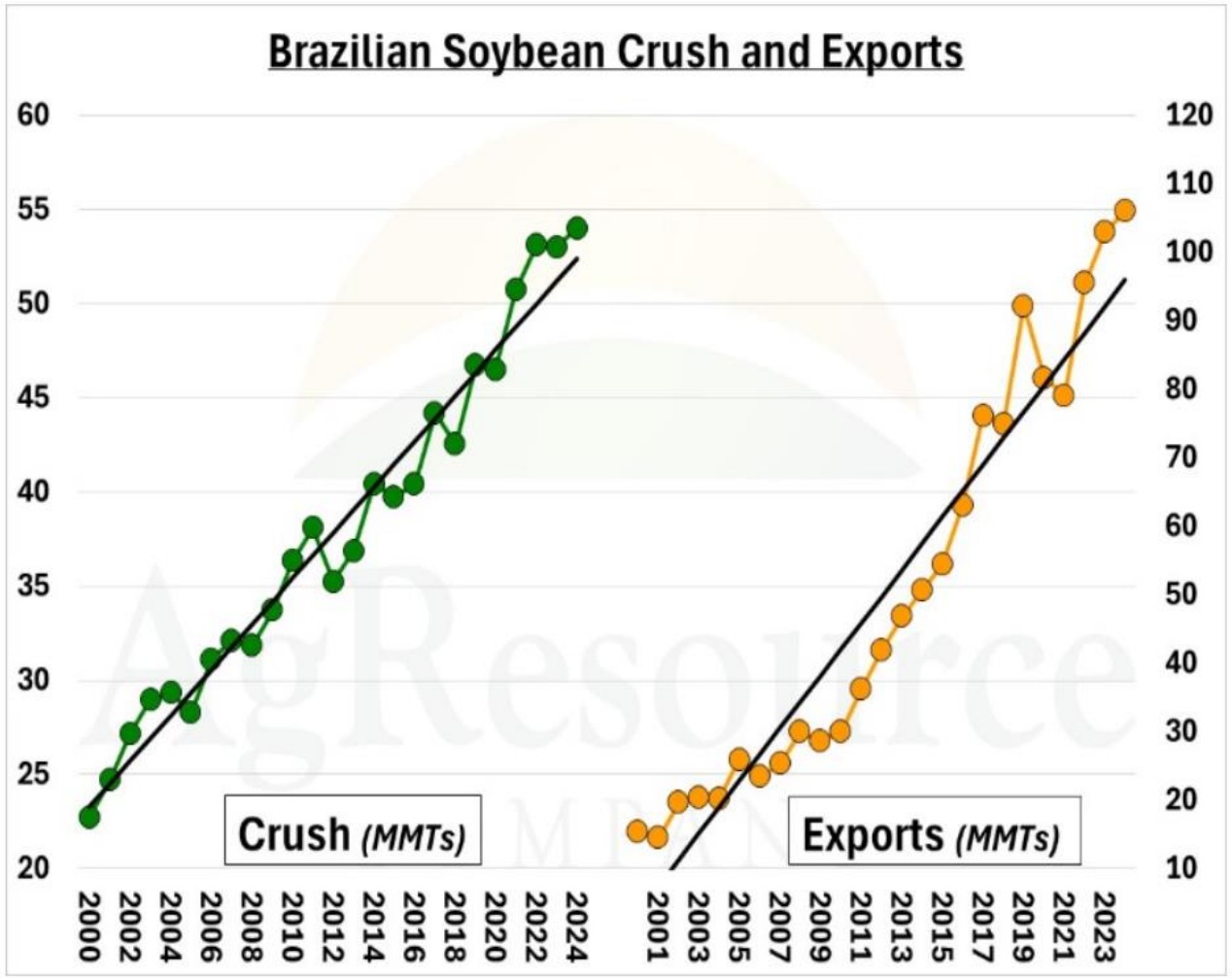
Brazil Dominates in Soybeans; The Growth in Production has been as Astounding Since 2000





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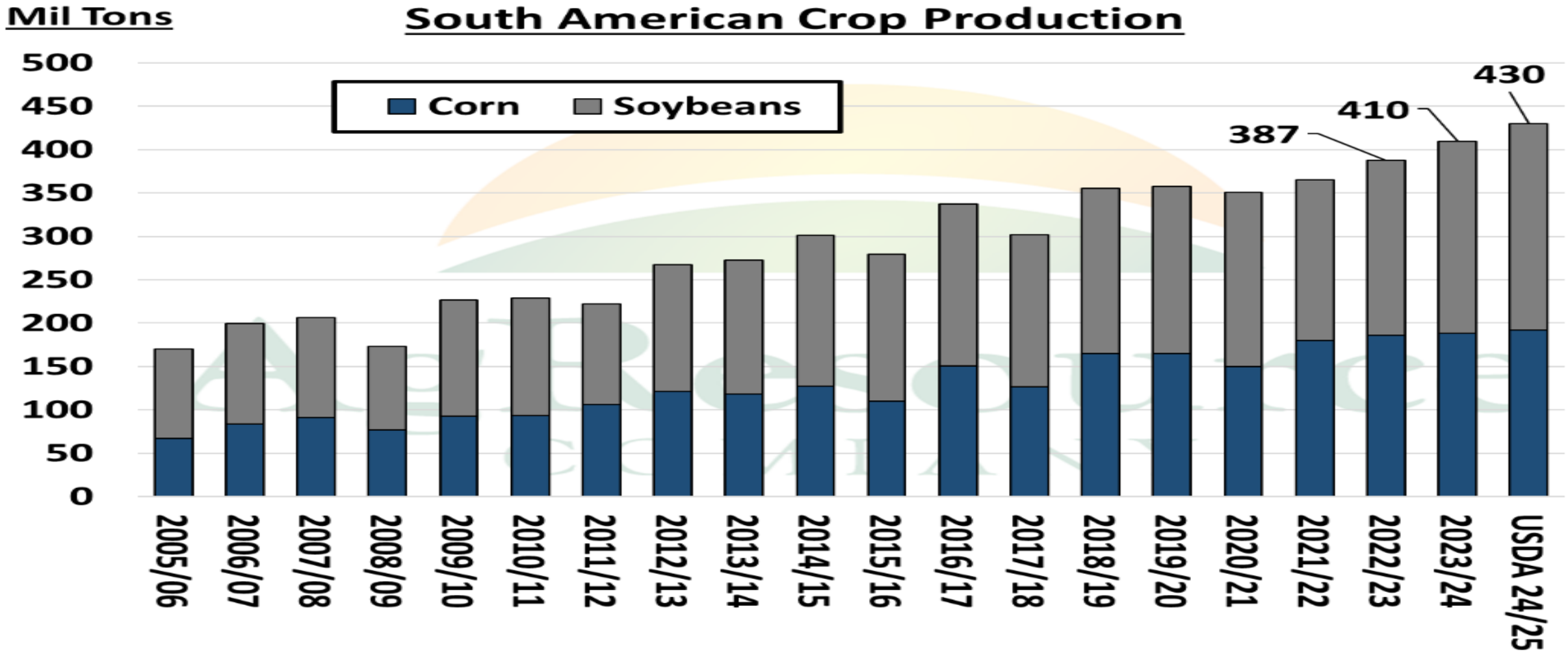
Annual South American Growth in Row Crop Production Equates to 20-25 MMTs (750-900 Mil Bu)!



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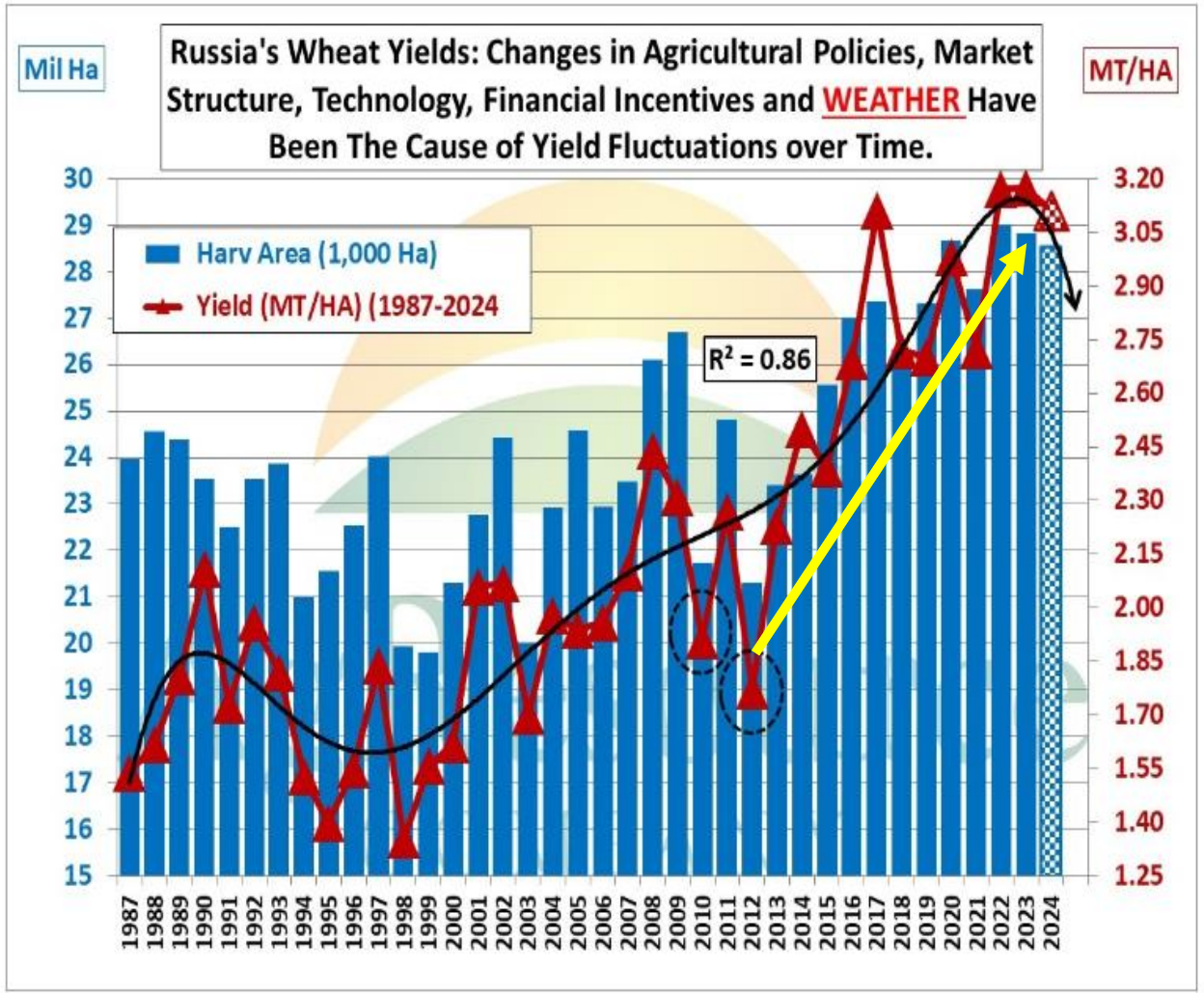
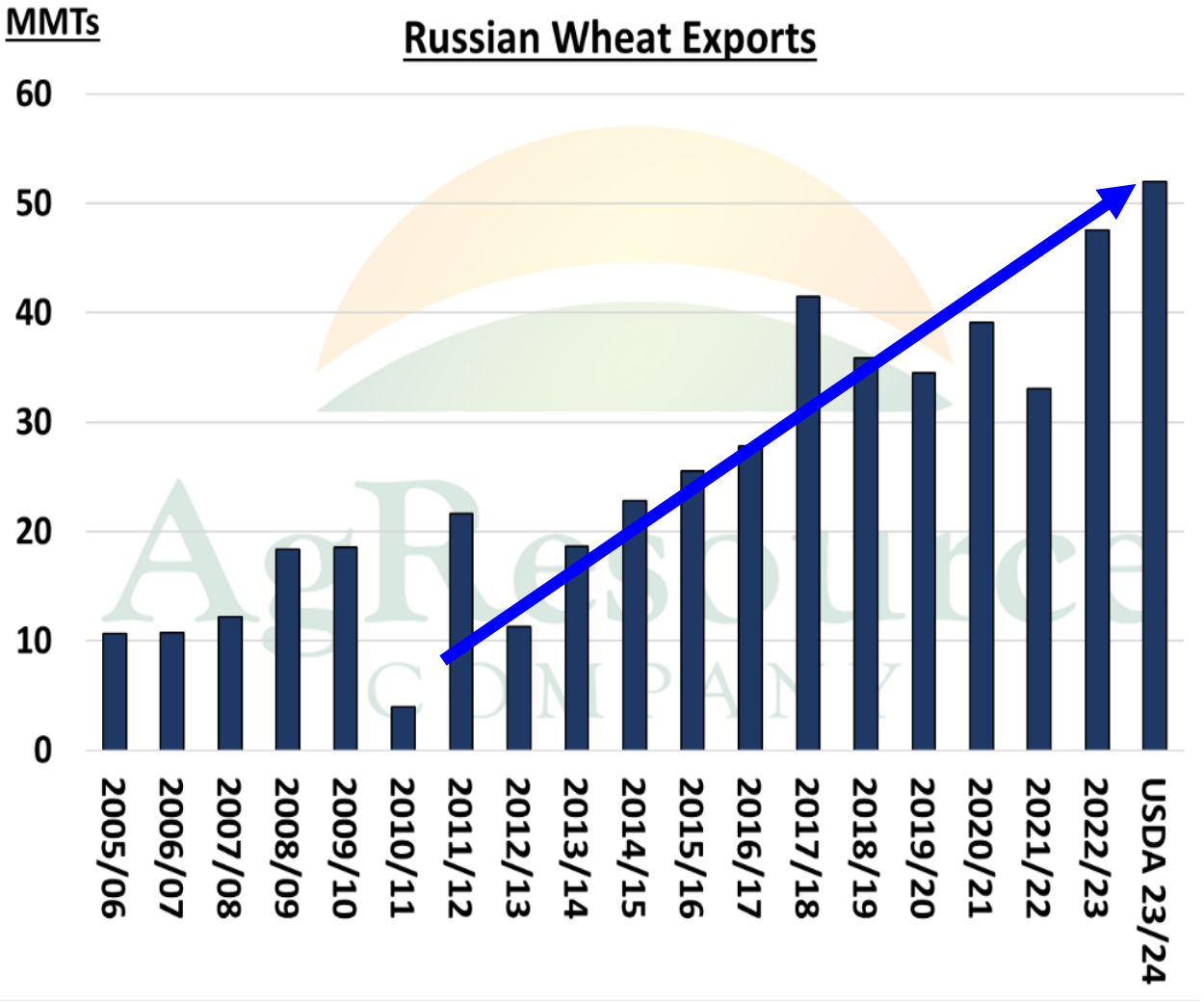
Russian Wheat Exports Garner World Market Share and Set World Wheat Price





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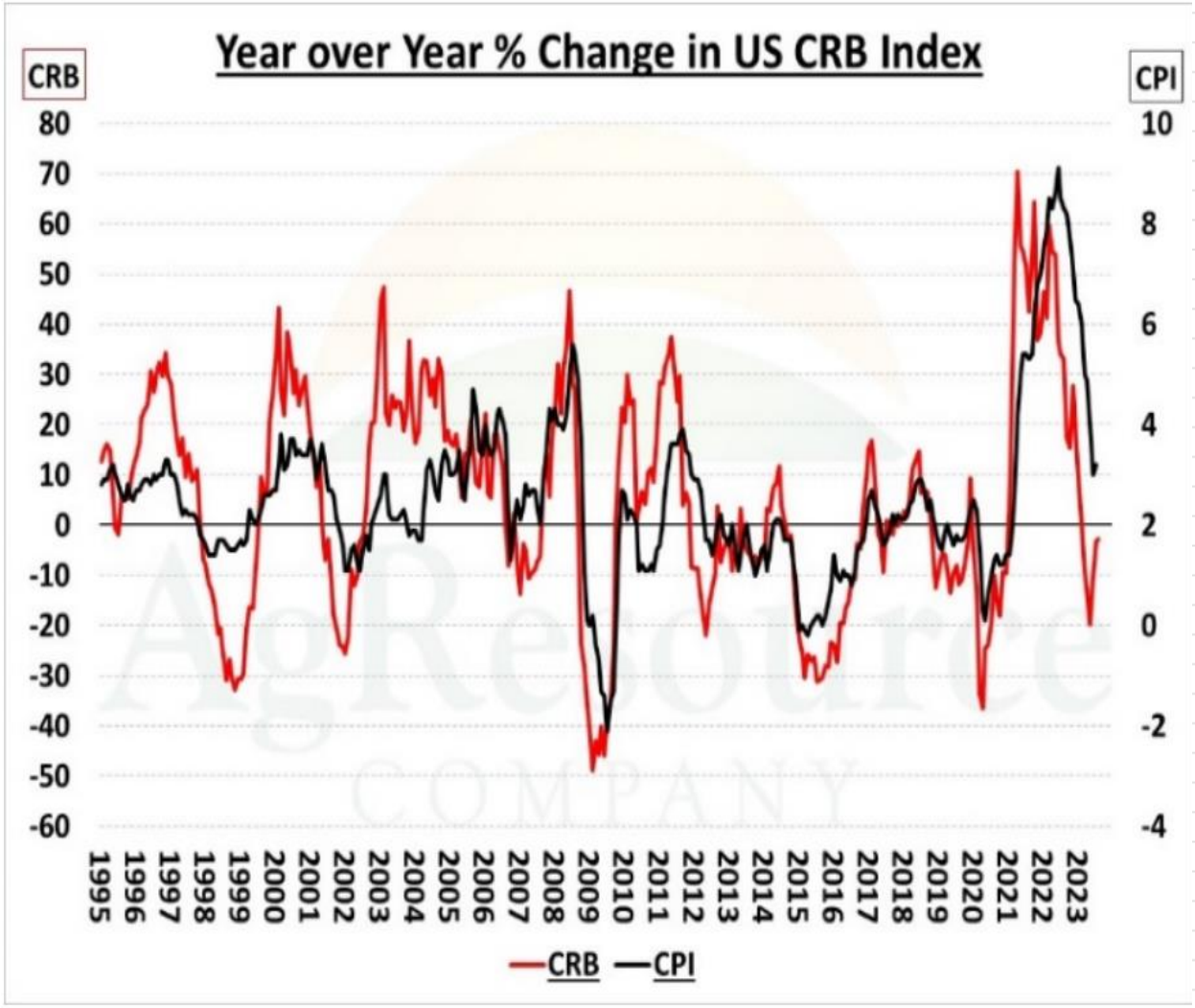
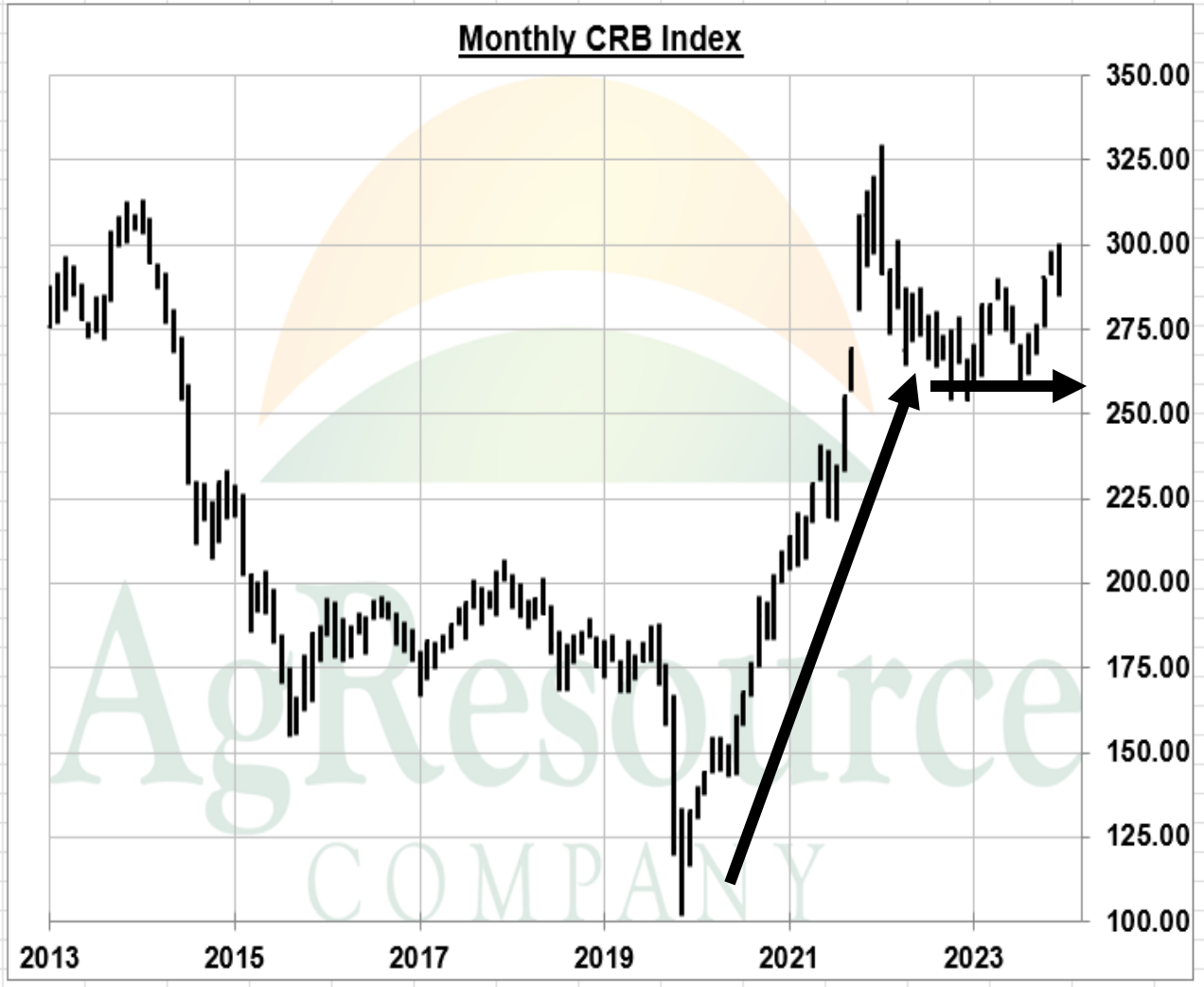
World Central Banks Slow Inflation; 2% US Target in Reach, But Costs To Stay Elevated





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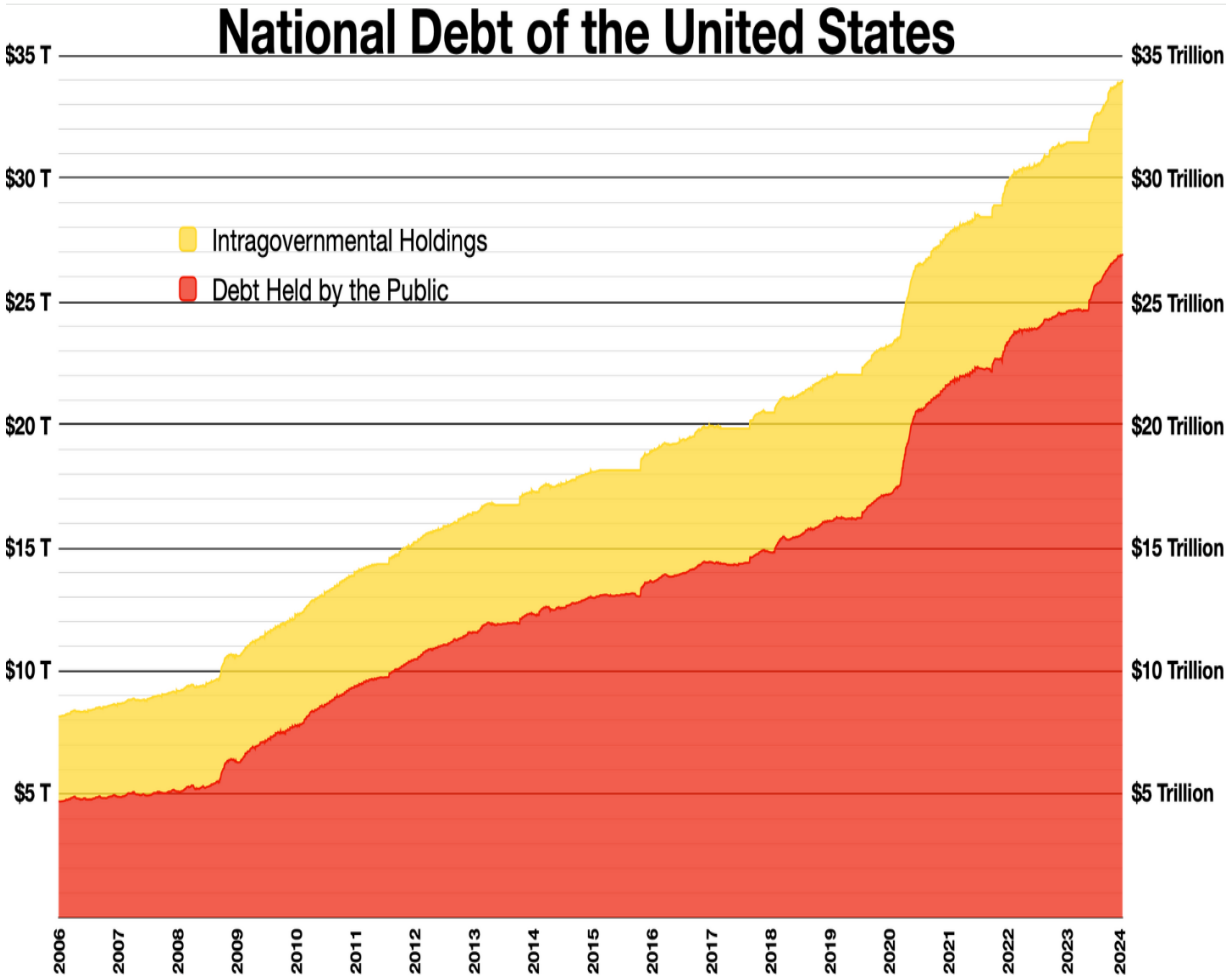
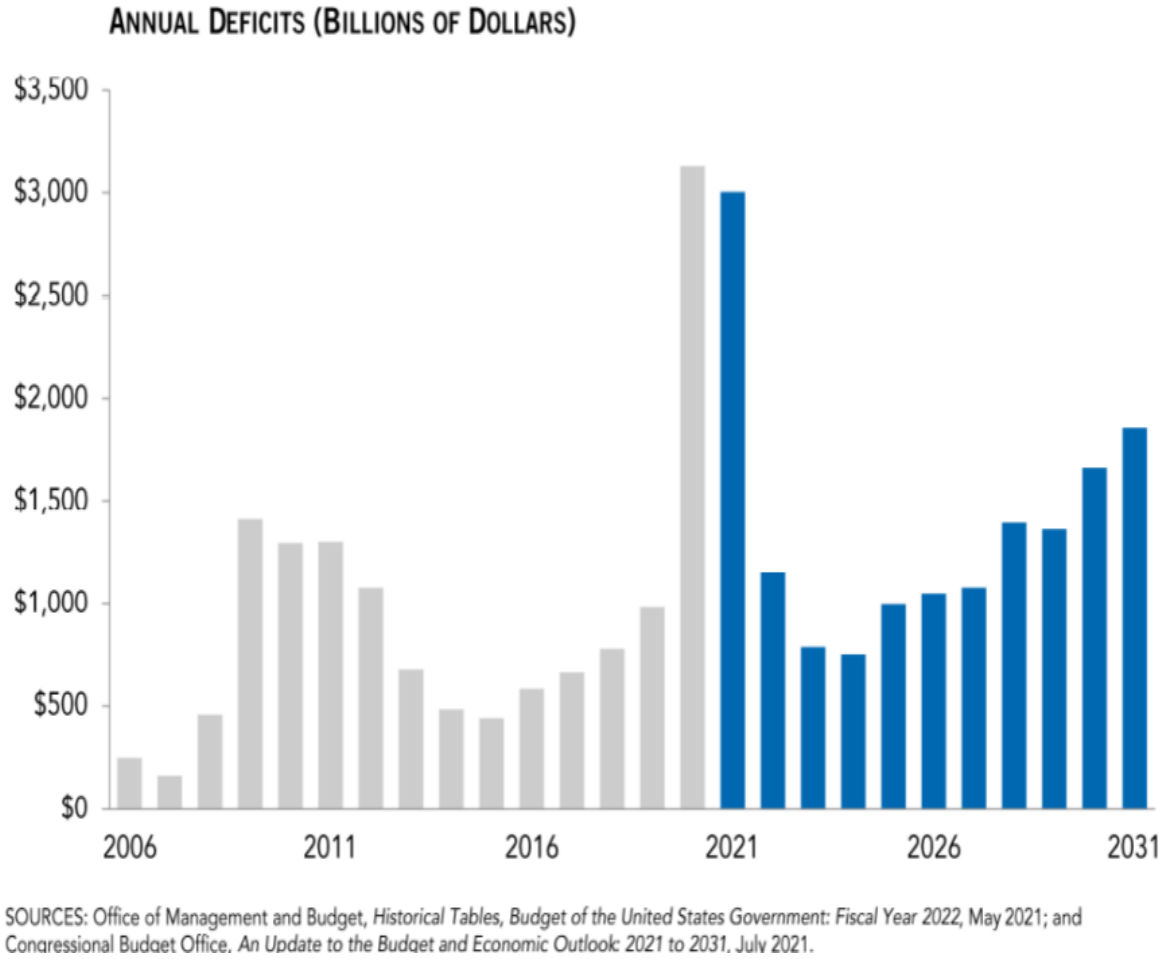
US Federal Spending Unlikely To be Cut in Polarized Political System; $1 Trillion in Debt every 100 Days.





SOURCES: Office of Management and Budget, *Historical Tables, Budget of the United States Government: Fiscal Year 2022*, May 2021; and Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031*, July 2021.

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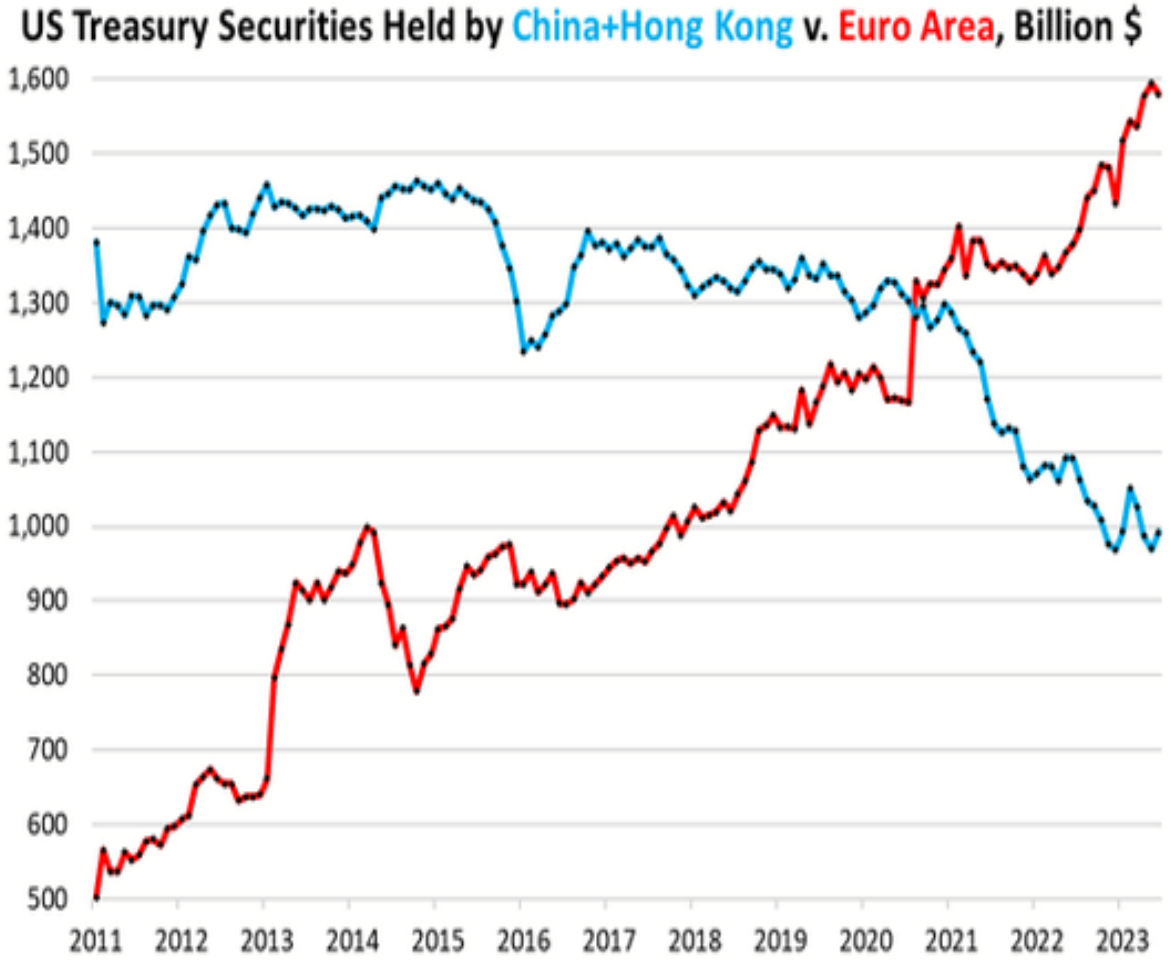
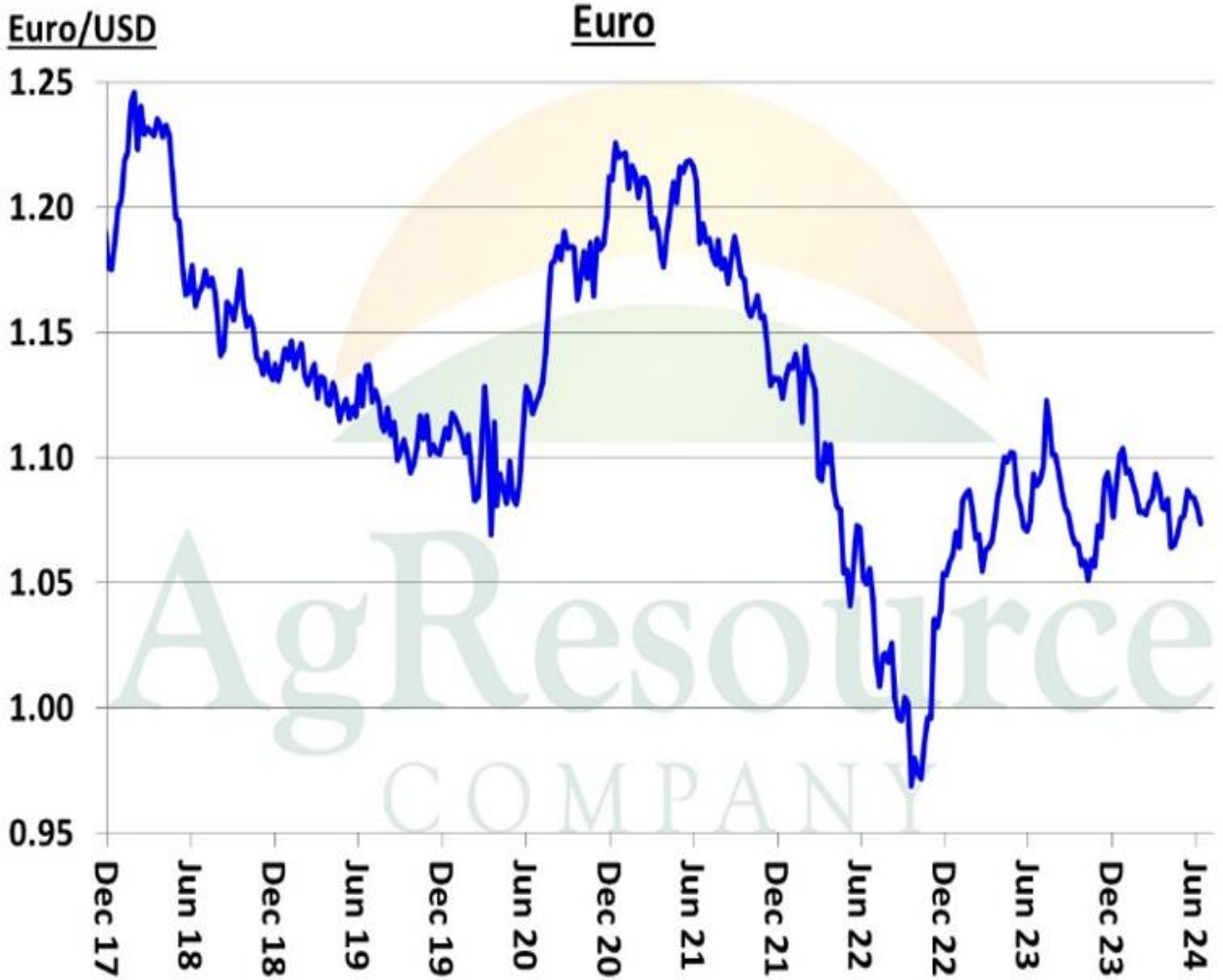
US Debt is a Good Investment (from Abroad) as long as the Dollar Stays Strong: Euro is the Key





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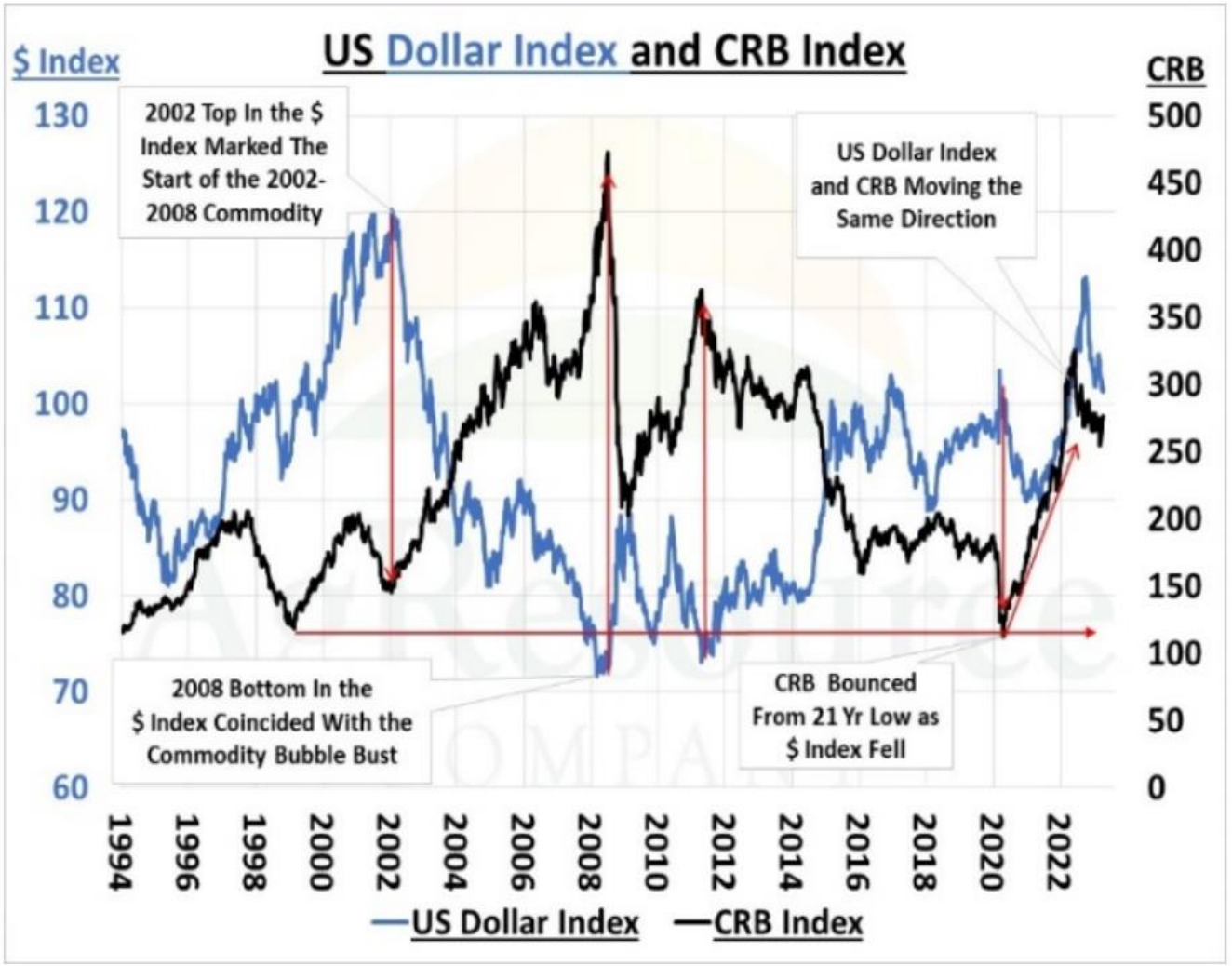
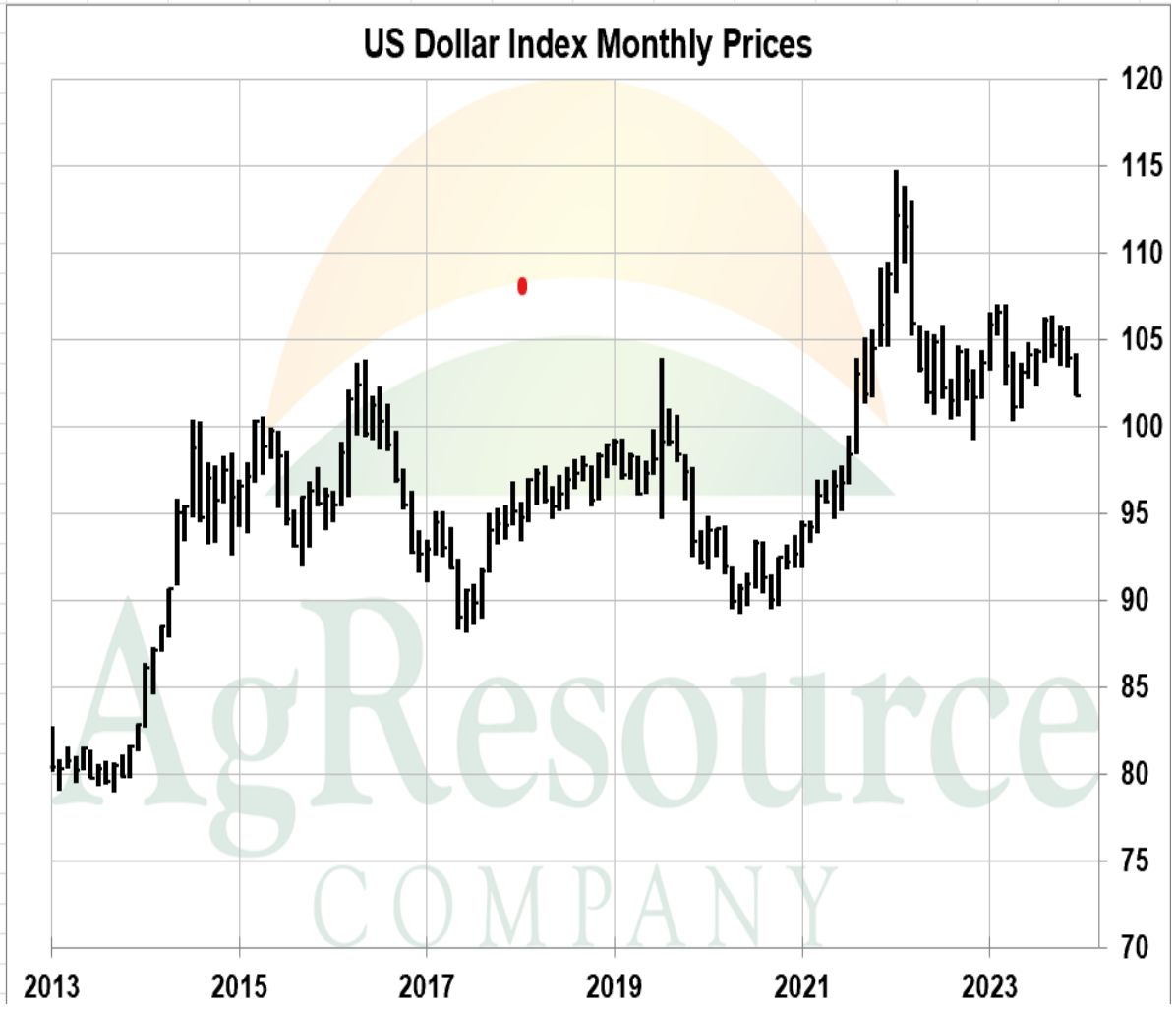
US Dollar needs to stay Strong To Prevent Inflation Return; the Dollar/Commodity (Inverse) Relationship





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Weather and the Changing Climate!

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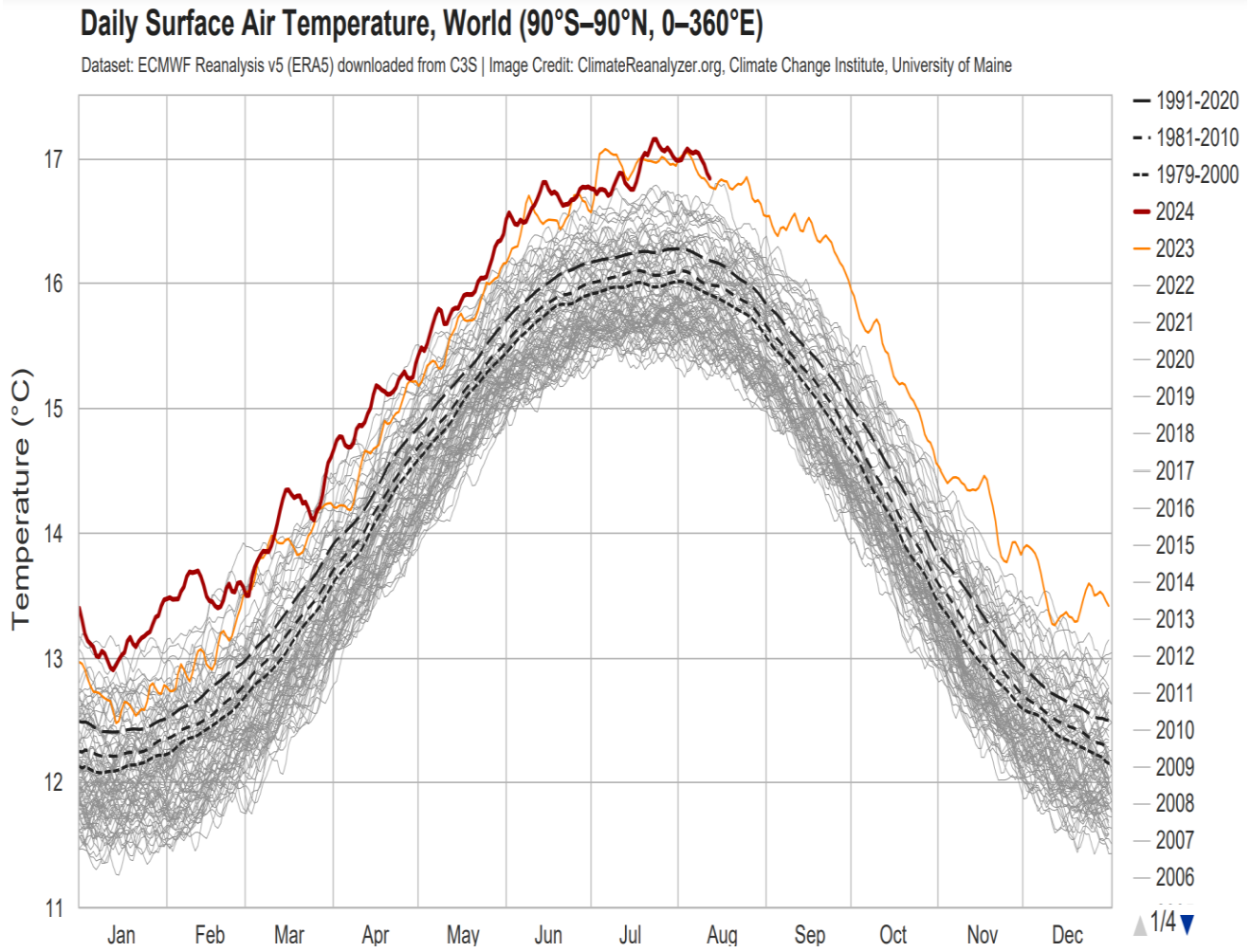
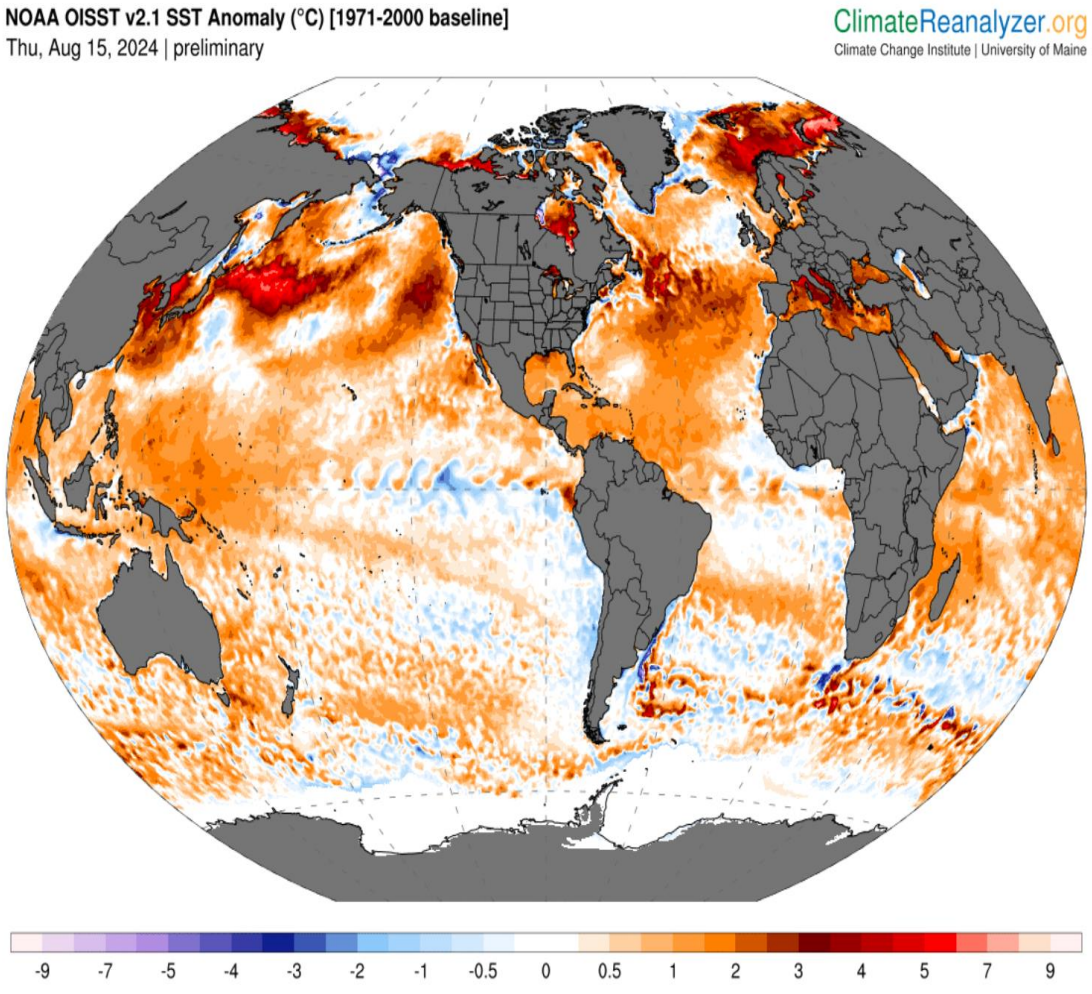
World Ocean Temperatures Record Warm; Record Temperatures in late July





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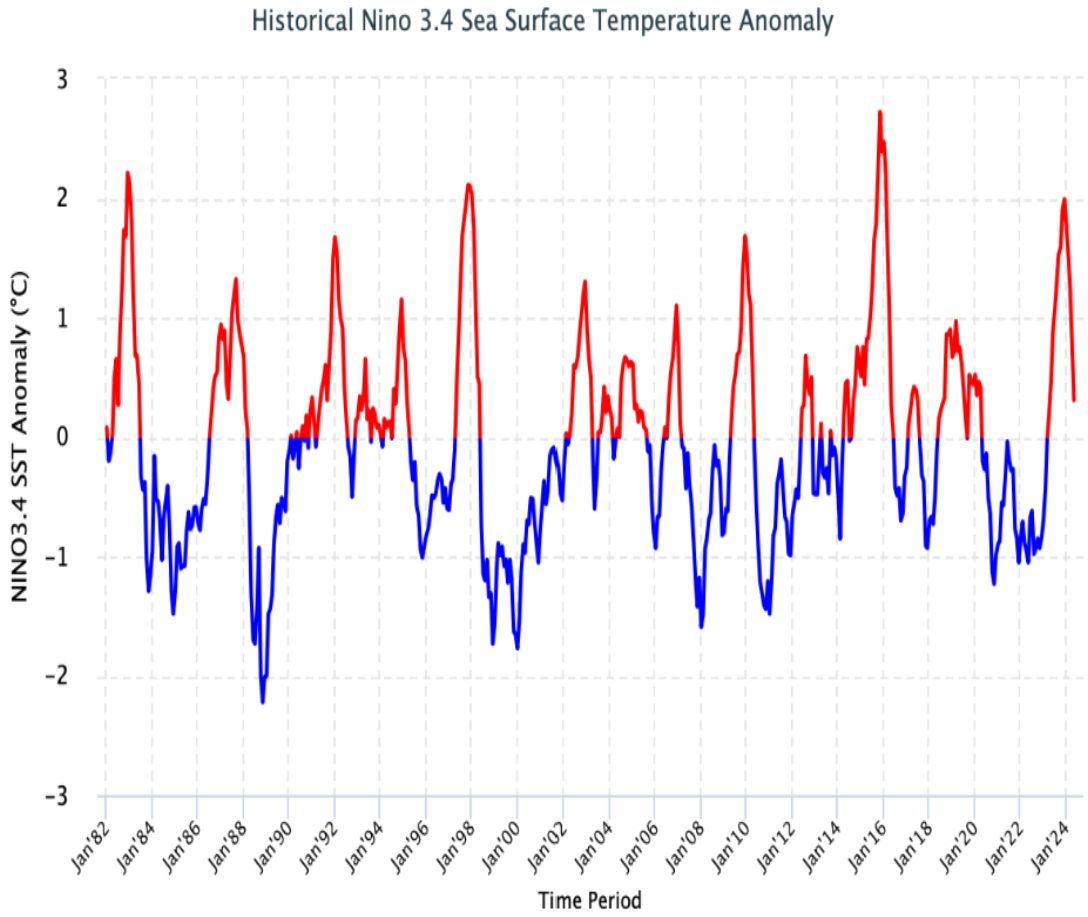
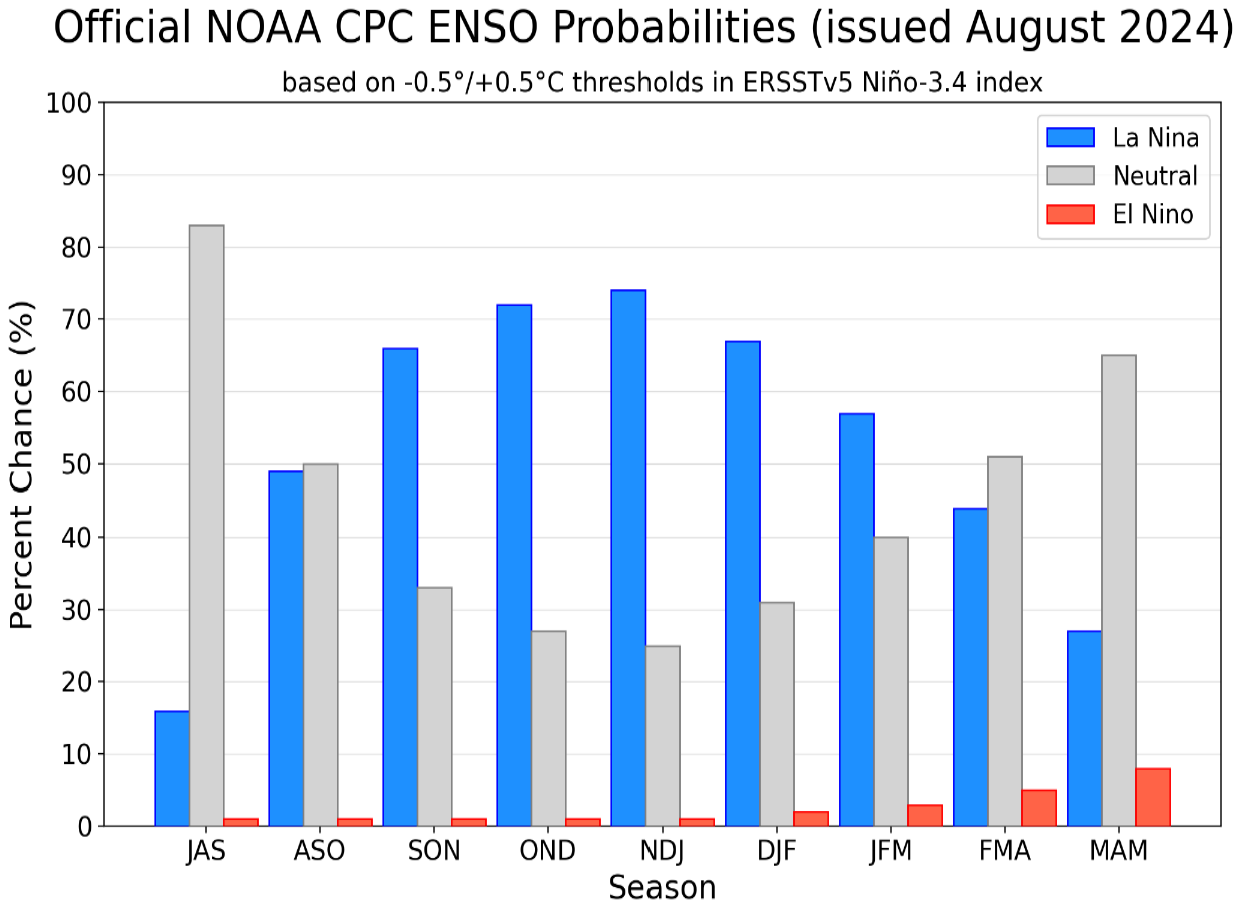
El Nino was Short Lived with La Nina Ahead – Drought Risk for Argentina, S Africa and the US in 2025





NOAA/CPC ENSO Forecast Graphic, courtesy of NOAA/CPC

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South American Corn Crops At Risk to La Nina

ENSO Events As They Relate To Argentina Corn Yields (past 30 years)

1. **Best in El Niño Years:**
   112.54% of the 30-year linear trend
   Record yields in 5 of 9 cases
   Very poor yields in 1 of 9 cases
   Last case: 2018/19 (110.03% of the 30-year trend)
2. 2nd Best in Neutral Years
   99.95% of the 30-year linear trend
   Record yields in 1 of 8 cases
   Ver poor yields in 2 of 8 cases
   Last case: 2019/20 (105.20% of the 30-year trend)
3. **Worst in La Niña Years:**
   91.05% of the 30-year linear trend
   Record yields in 0 of 13 cases
   Very poor yields in 6 of 13 cases
   Last case: 2022/23 (63.33% of the 30-year trend)

ENSO Events As They Relate To Brazil Safrinha Corn Yields (past 30 years)

1. **Best in El Niño Years:**
   106.36% of the 30-year linear trend
   Record yields in 2 of 4 cases
   Very poor yields in 1 of 4 cases
   Last case: 2018/19 (108.49% of the 30-year trend)
2. 2nd Best in Neutral Years
   102.78% of the 30-year linear trend
   Record yields in 7 of 18 cases
   Very poor yields in 2 of 18 cases
   Last case: 2022/23 (102.09% of the 30-year trend)
3. **Worst in La Niña Years:**
   89.94% of the 30-year linear trend
   Record yields in 2 of 8 cases
   Very poor yields in 5 of 8 cases
   Last case: 2021/22 (92.32% of the 30-year trend)

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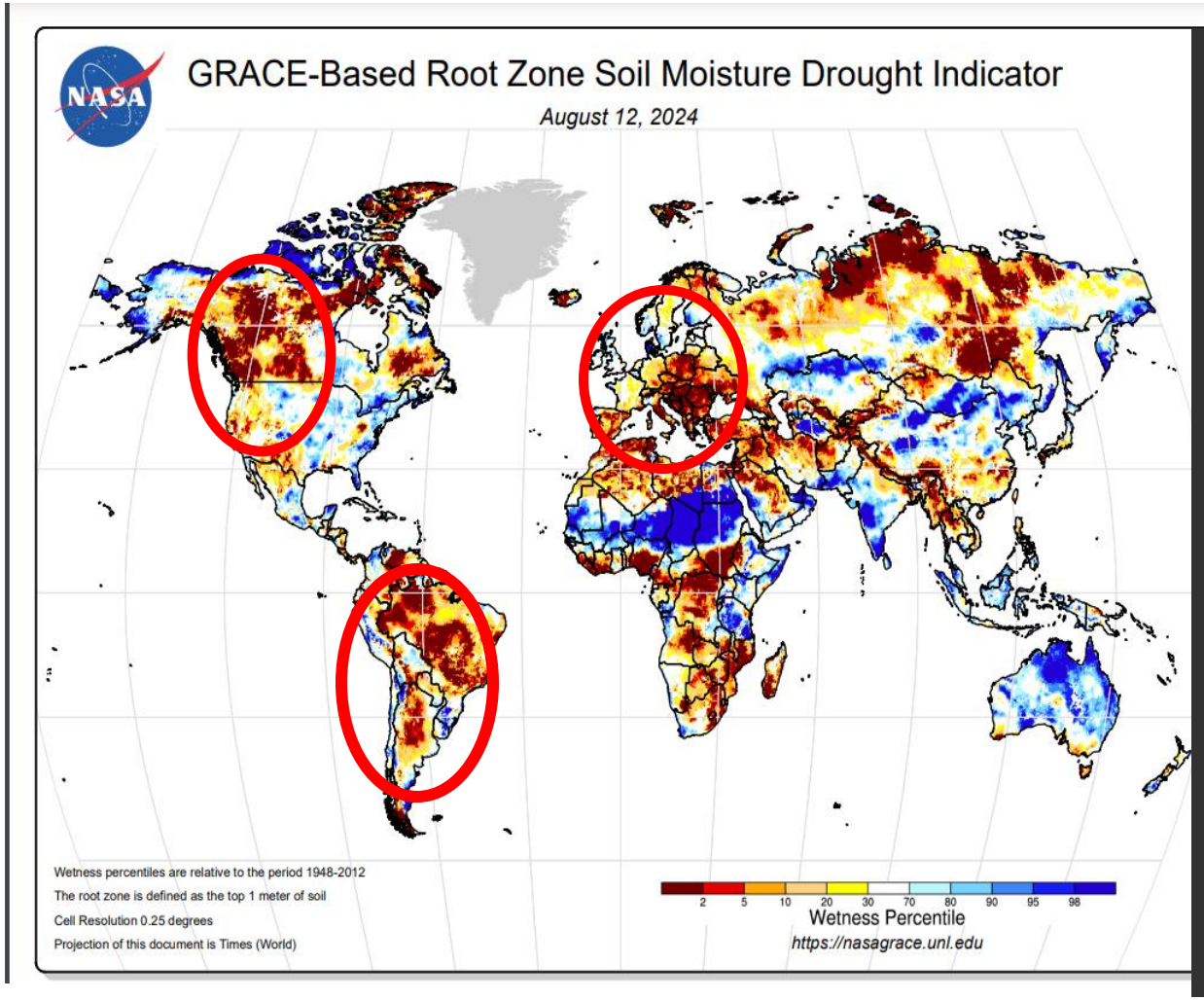
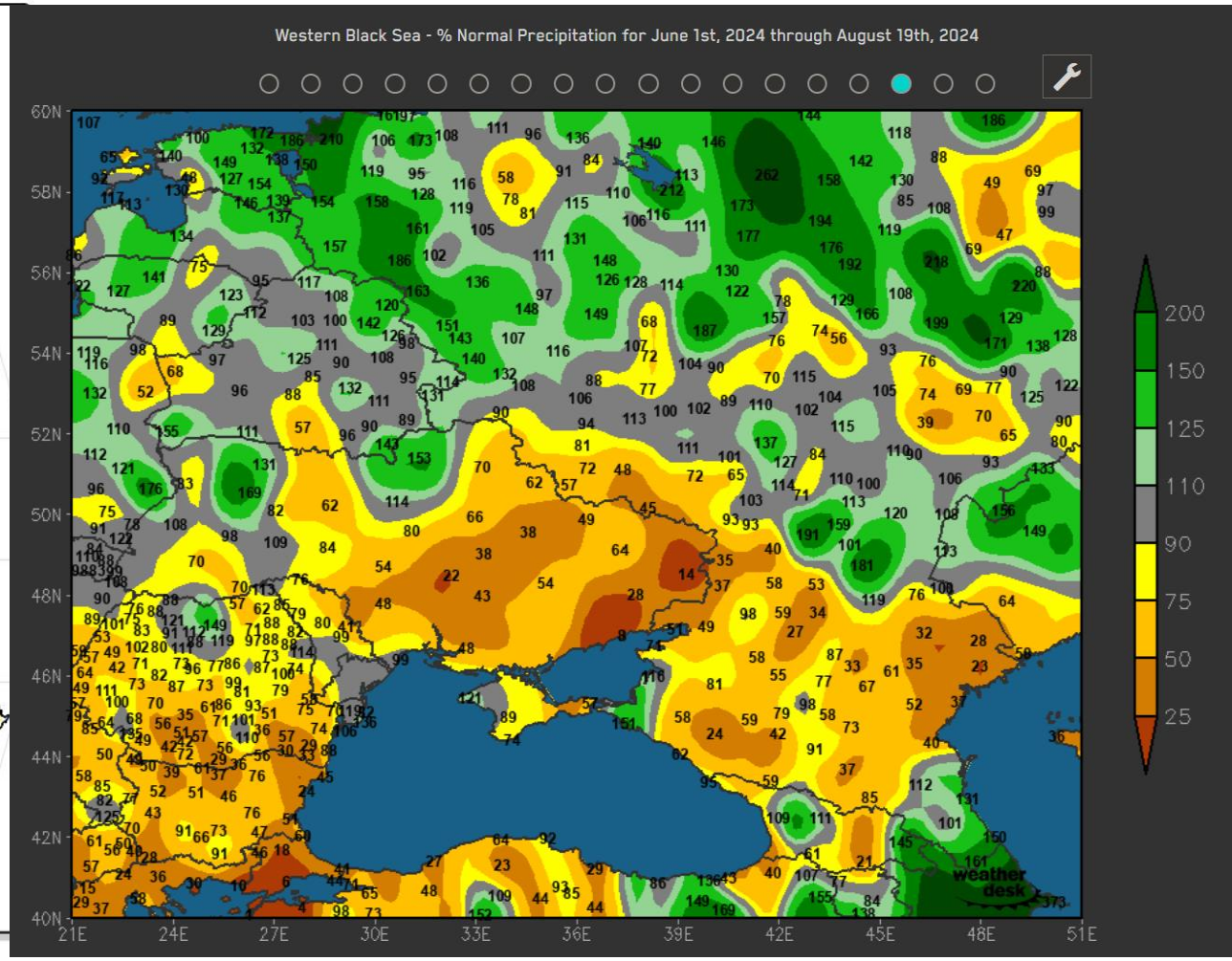
Primary Weather Risks into 2025, The Black Sea/ Eastern Europe; Western Canada and Brazil





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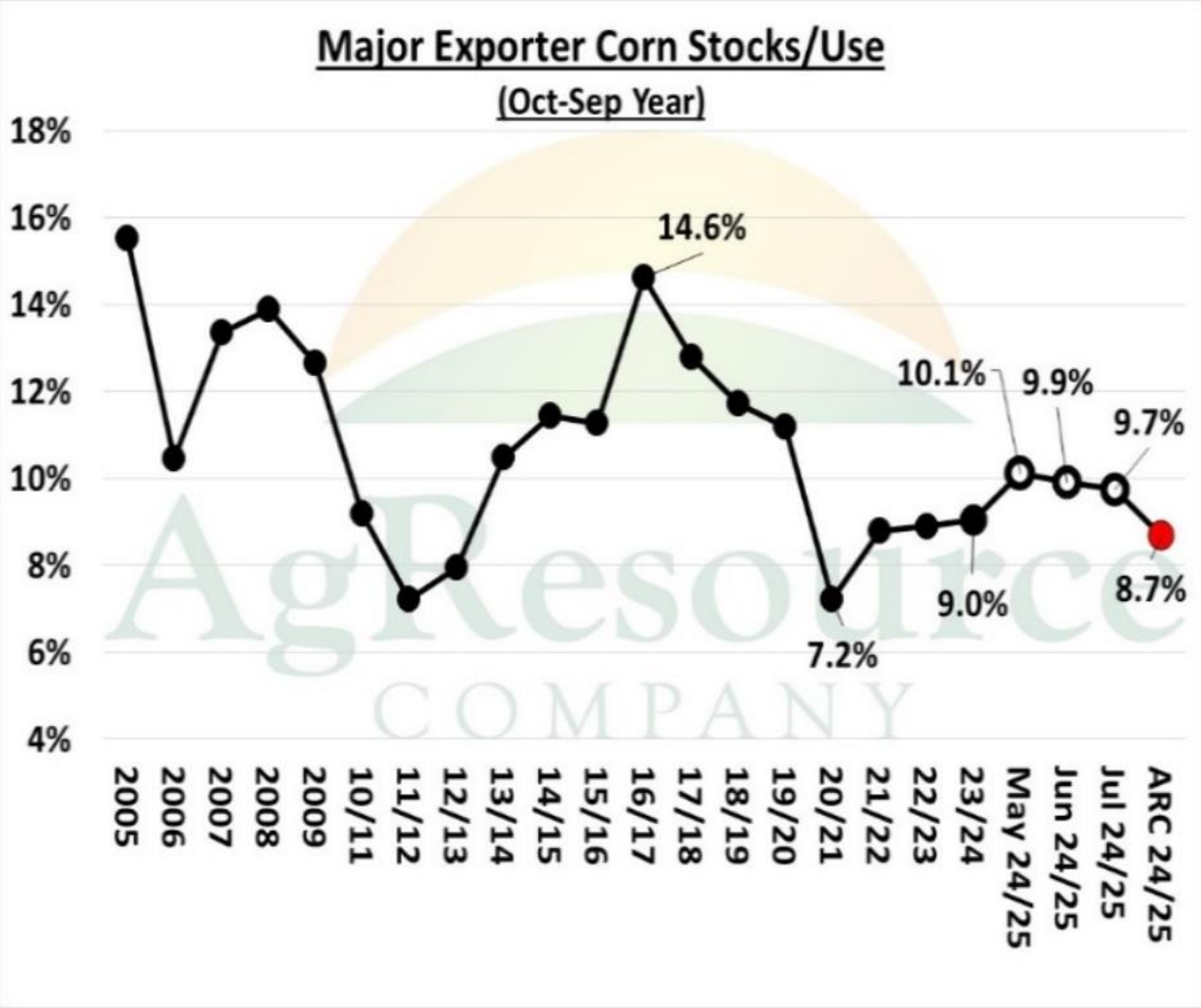
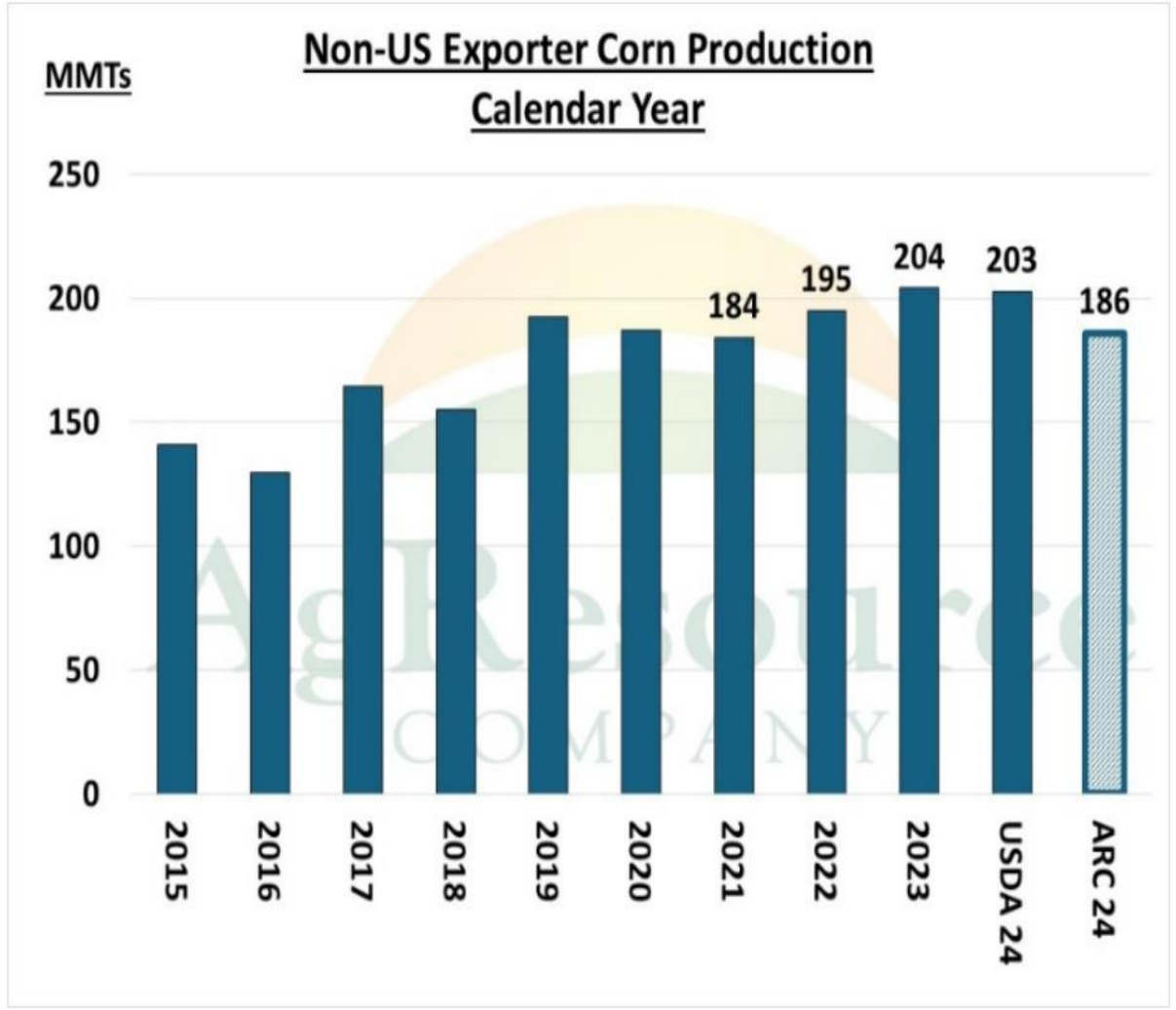
Major Exporter Corn Stocks/Use falls to 8.7%





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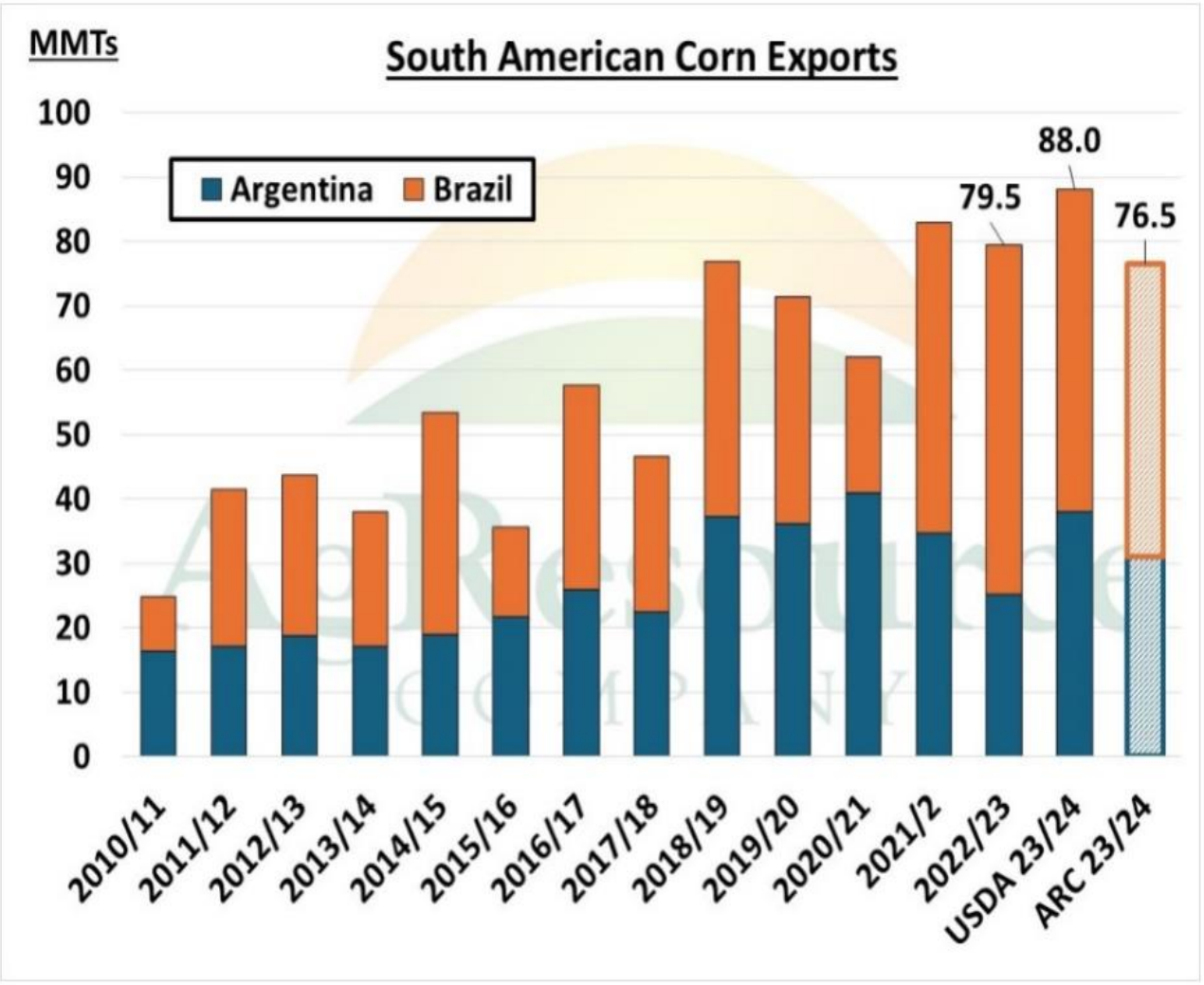
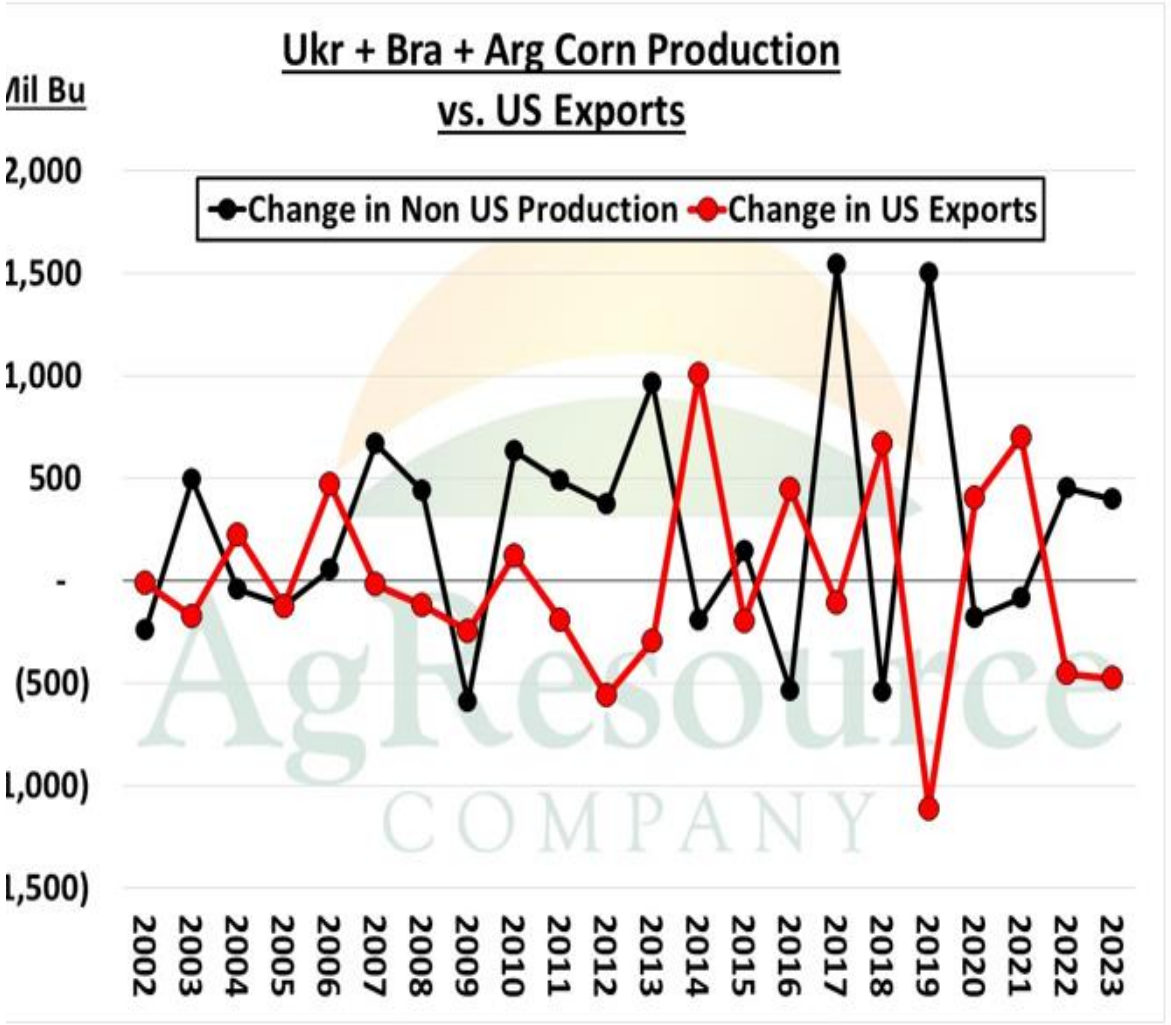
Brazilian/Ukraine/Argentine Corn Production (down 32 MMTs) and US Exports up 250-400 Mil Bu





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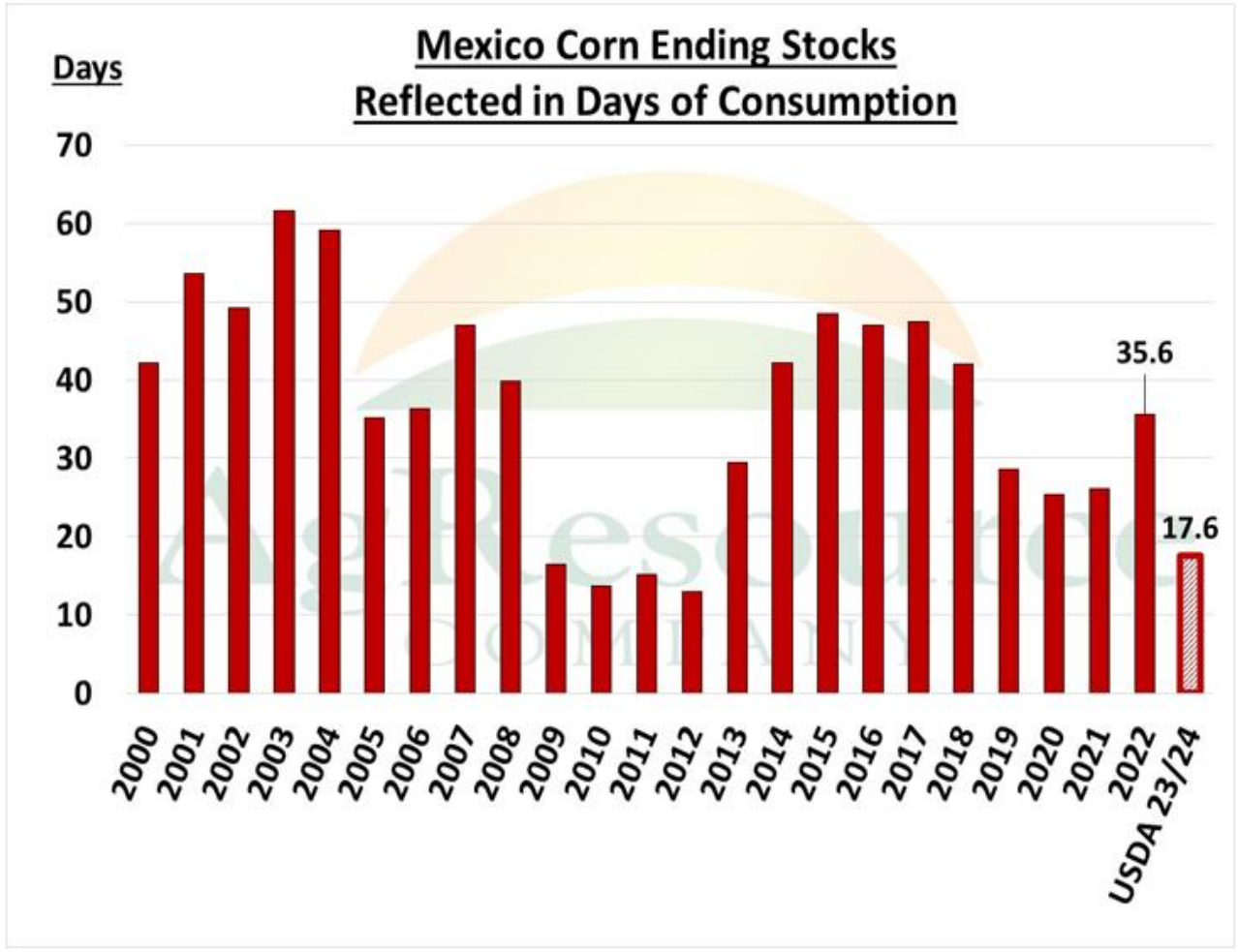
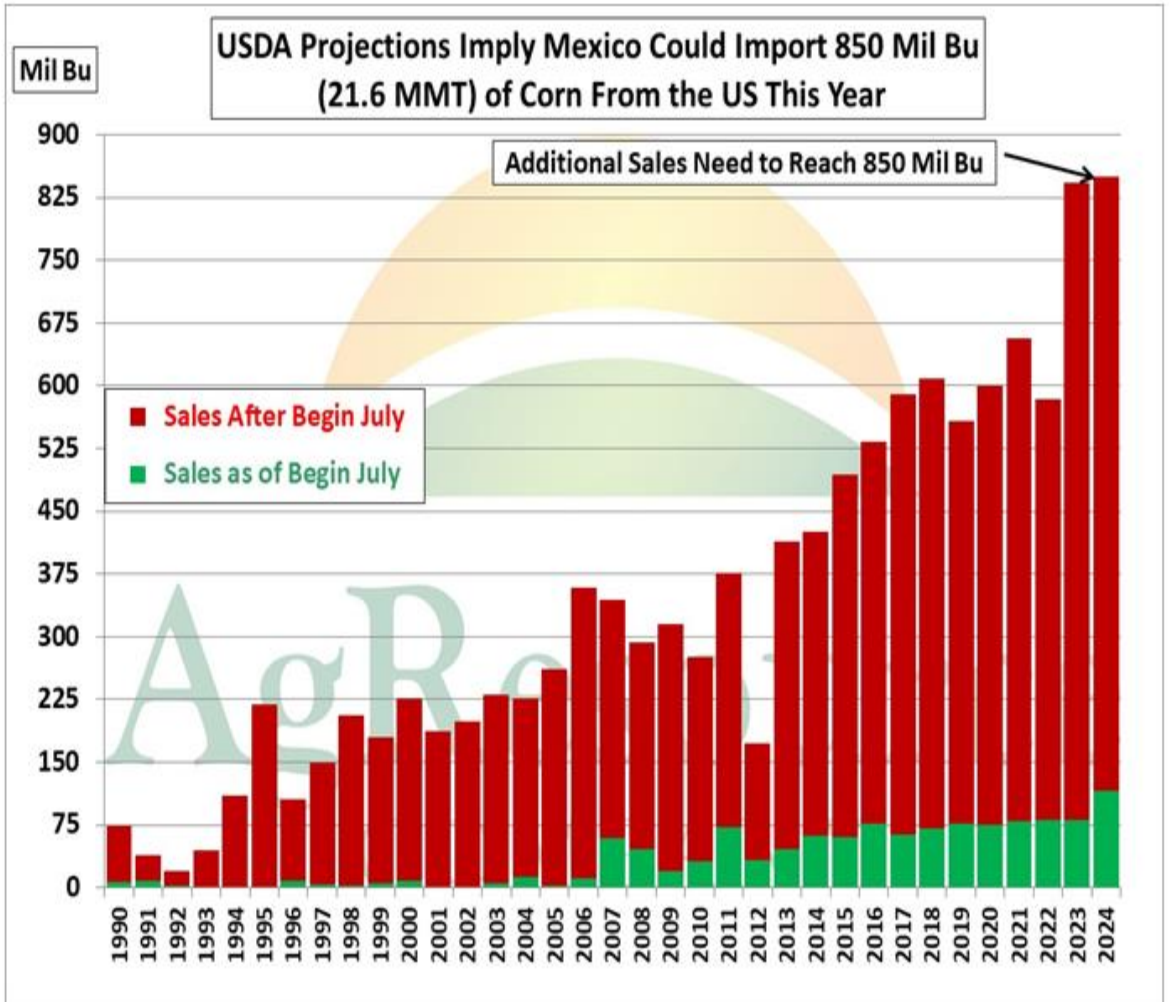
Mexico is fast becoming the US's largest Ag Importer. Yellow Corn is in Demand





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US 2024/25 Corn Stocks Fall Below 1,800 Mil Bu with 180.5 BPA Yield; Market Pricing 183-184 BPA US Corn Yield Today

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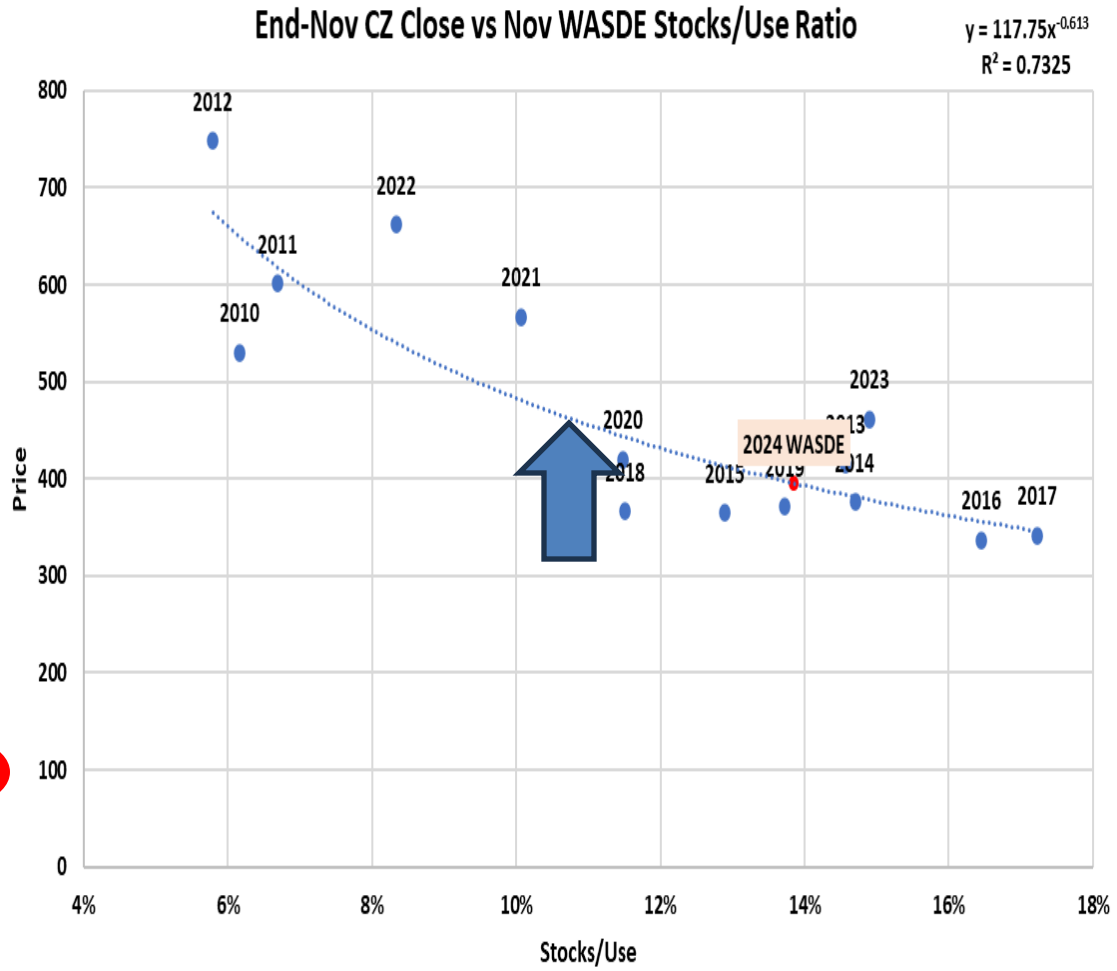
CORN	2023/24 USDA Jul	2023/24 USDA Aug	2023/24 ARC Aug	2024/25 USDA Jul	2024/25 USDA Aug	2024/25 ARC Aug
Mln Acres or Bushels						
Area Planted	94.6	94.6	94.6	91.5	90.7	90.5
Abandonment	8.6%	8.6%	8.6%	8.9%	8.8%	9.0%
Area Harvested	86.5	86.5	86.5	83.4	82.7	82.4
Yield	177.3	177.3	177.3	181.0	183.1	180.5
Production	15,342	15,342	15,342	15,100	15,147	14,875
Beginning Stocks	1,360	1,360	1,360	1,877	1,867	1,852
Imports	30	30	25	25	25	25
Supply, Total	16,732	16,732	16,727	17,002	17,038	16,755
Feed and Residual	5,775	5,775	5,775	5,825	5,825	5,825
Food, Seed, Industrial	6,855	6,840	6,850	6,855	6,840	6,840
Ethanol and by-products 1/	5,450	5,450	5,460	5,450	5,450	5,450
Food, Other Industrial 2/	1,375	1,360	1,360	1,375	1,360	1,360
Seed	30	30	30	30	30	30
Domestic, Total	12,630	12,615	12,625	12,680	12,665	12,665
Exports	2,225	2,250	2,250	2,225	2,300	2,350
Use, Total	14,855	14,865	14,875	14,905	14,965	15,015
Ending Stocks	1,877	1,867	1,852	2,097	2,073	1,740
Ending Stocks/Use (%)	12.6%	12.6%	12.5%	14.1%	13.9%	11.6%
Crop Insurance Price ($/Bu)	---	---	5.91	---	---	4.66
Avg. Farm Price ($/Bu) 3/	4.65	4.65	4.65	4.30	4.20	4.85
Fut-Based Forecast ($/Bu) 4/	---	---	---	---	---	4.00
Price Ratio: Corn/Soy (%)	37%	37%	37%	40%	38%	43%



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US Red Meat Supplies Tightening; How Much Will Consumers Pay?

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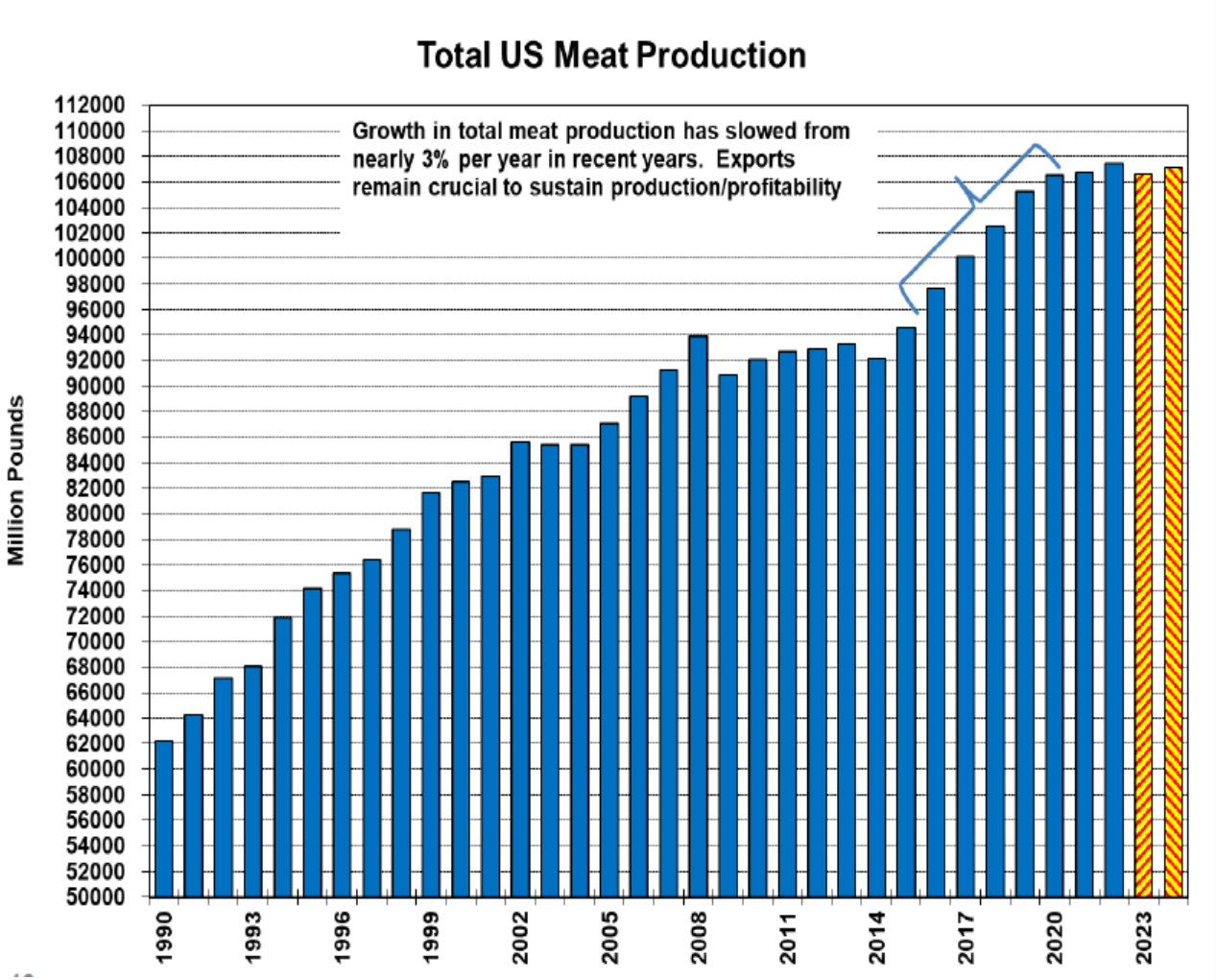
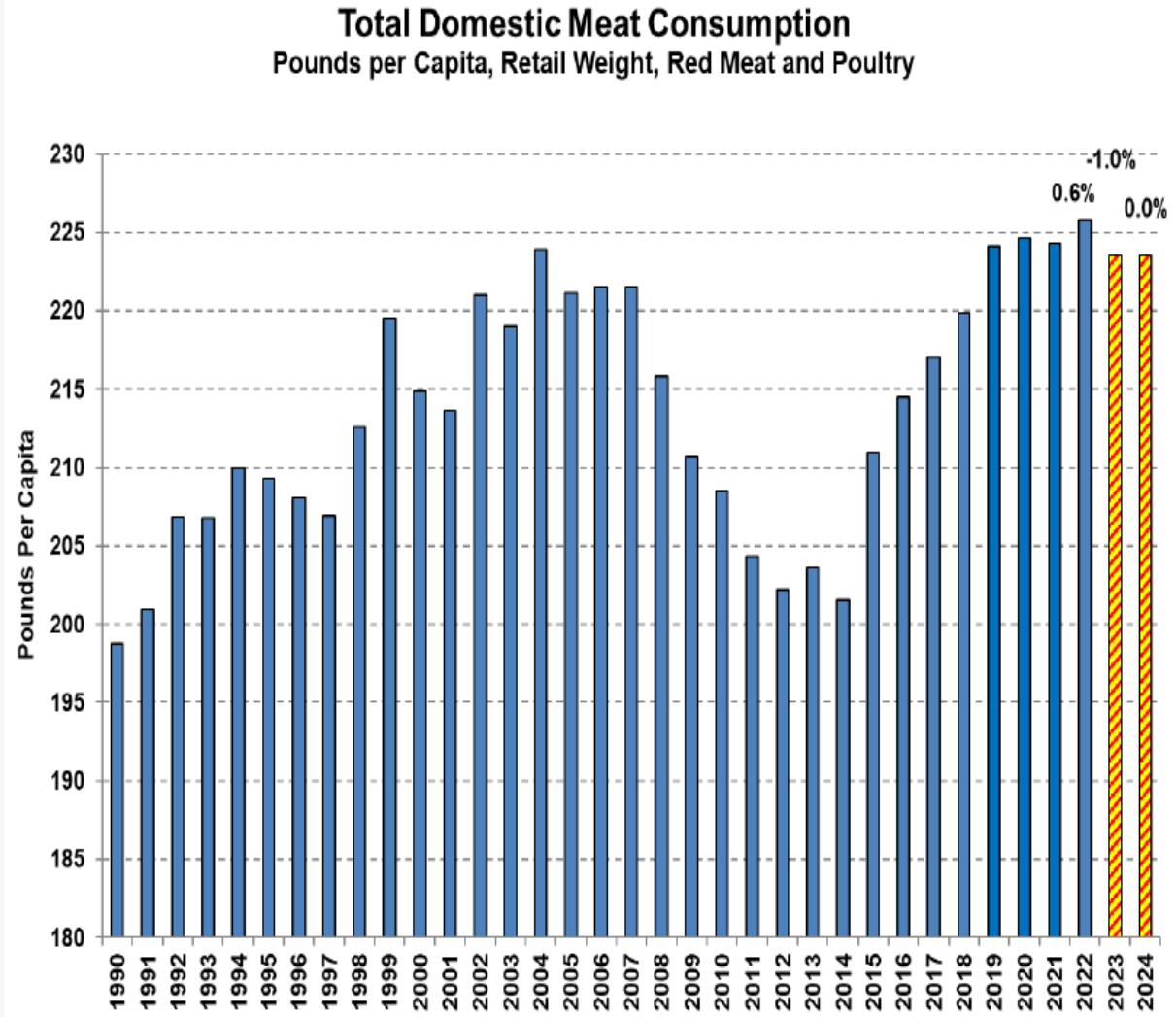
US Total Red Meat Production is Stagnating; Price is causing Like Reaction in Consumption





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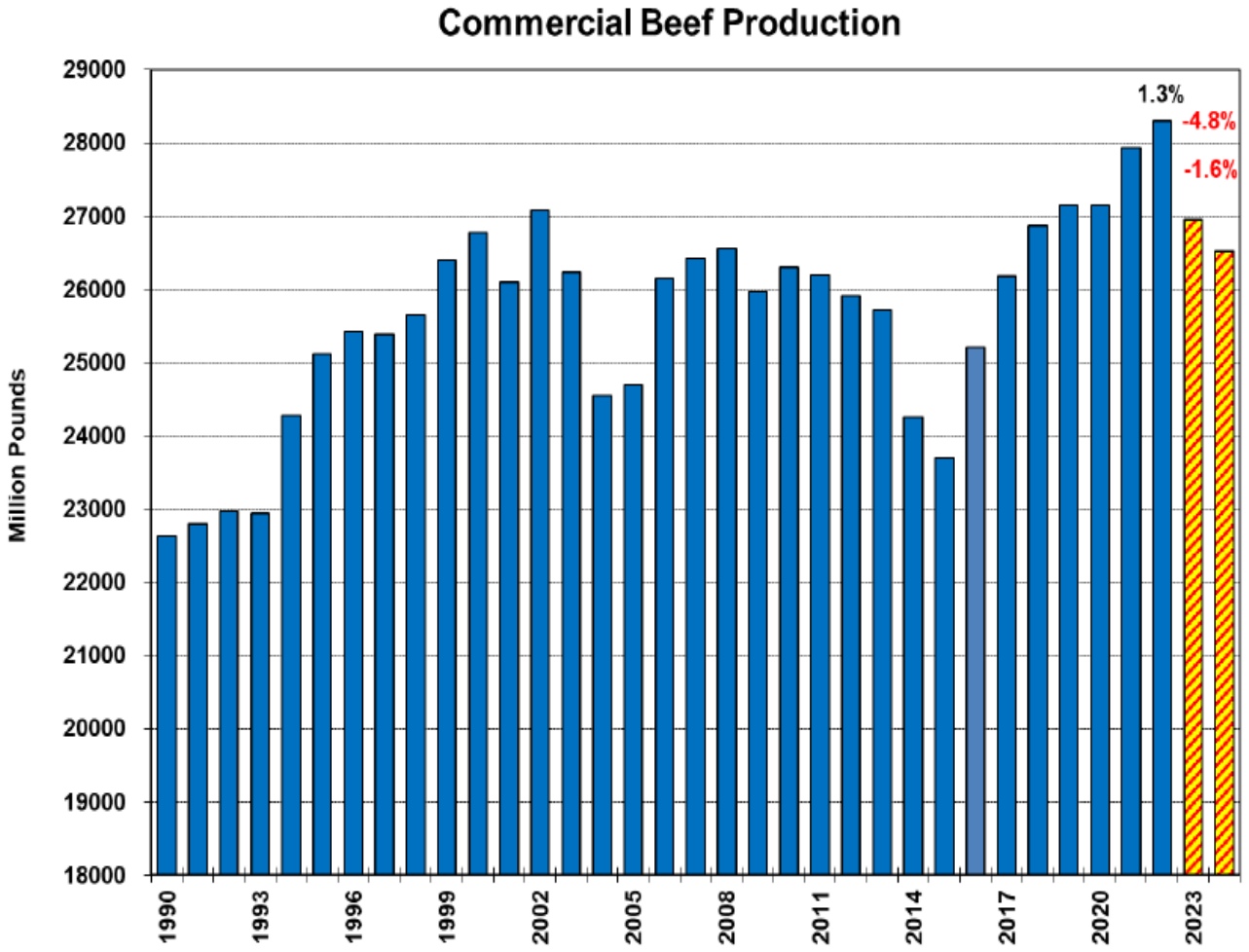
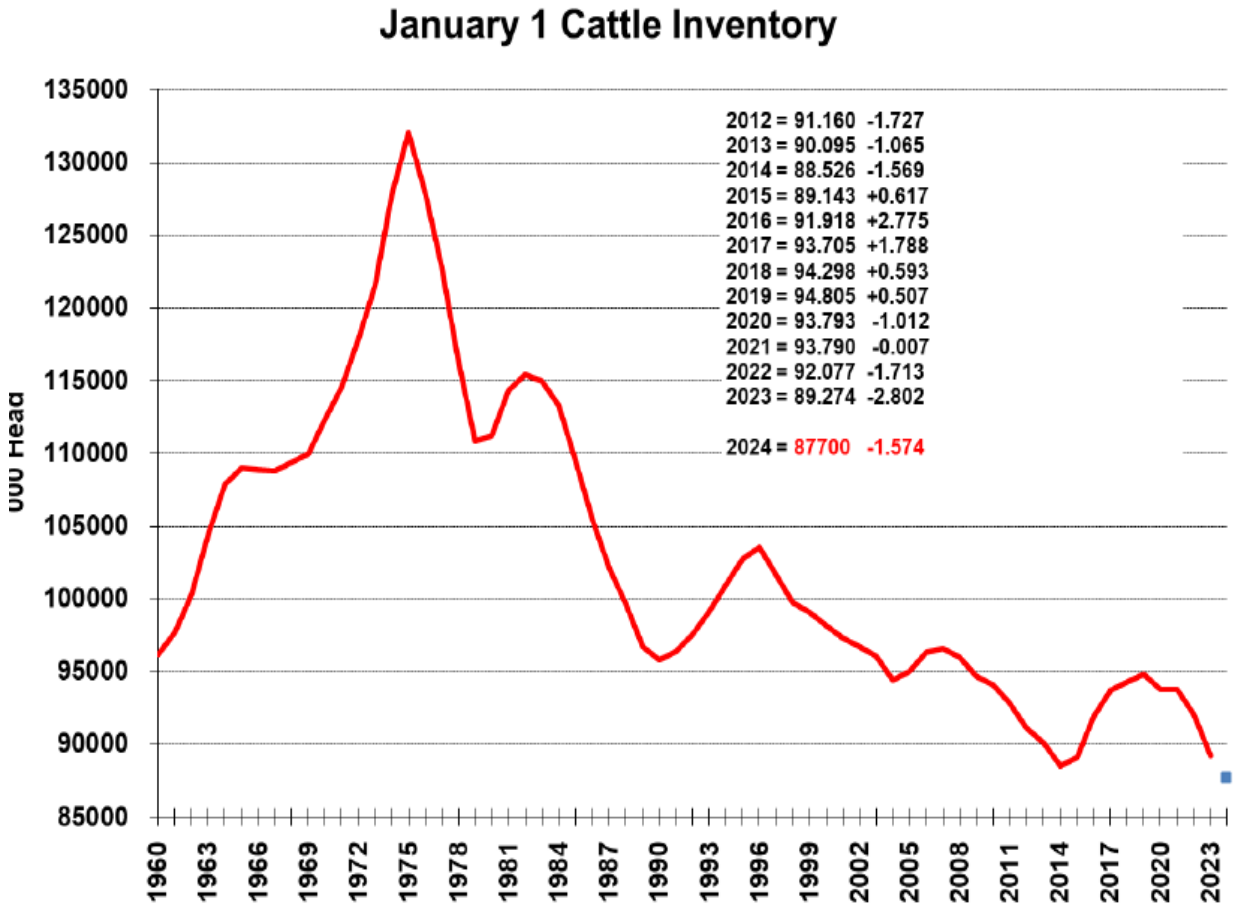
US Beef Production to Decline to Lowest level Since 2016; Dressed Weights Record High





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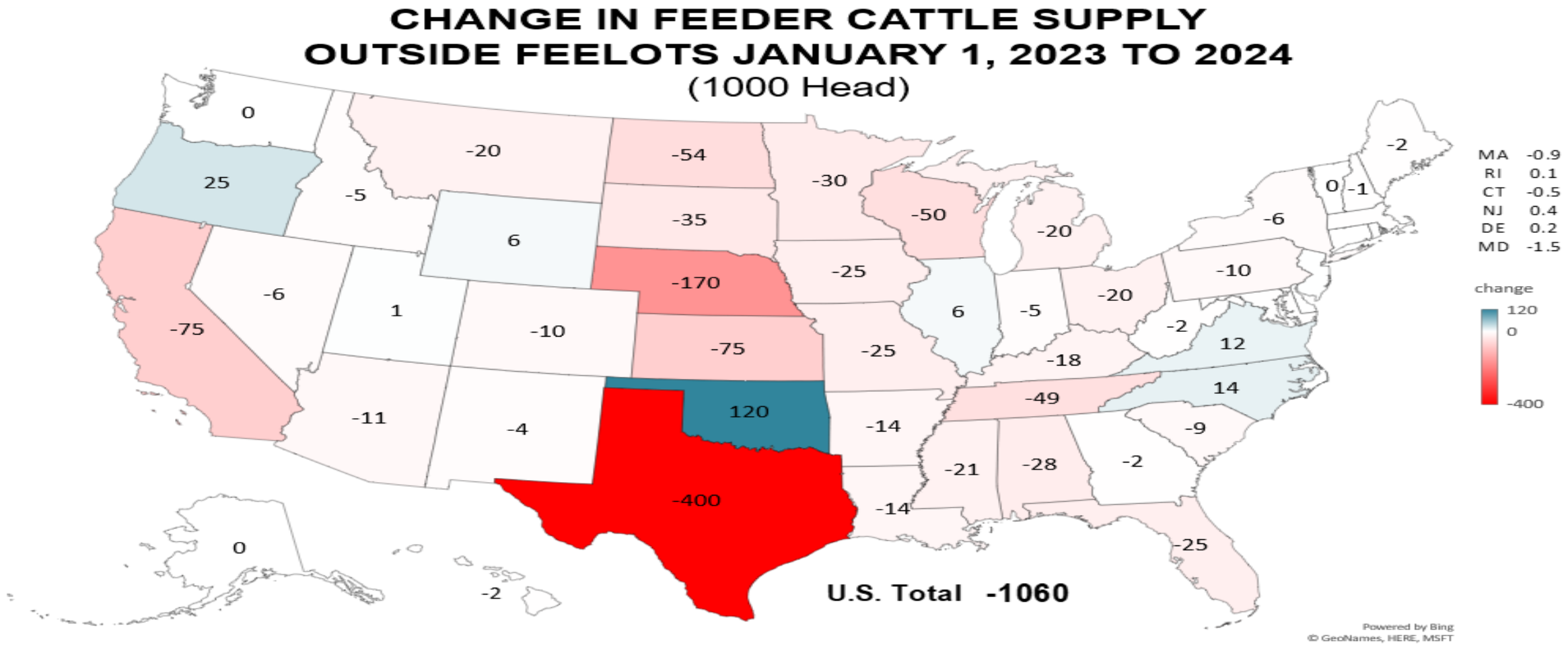
Plain's States Feeder Cattle Supplies Down 614,000 head vs 2023



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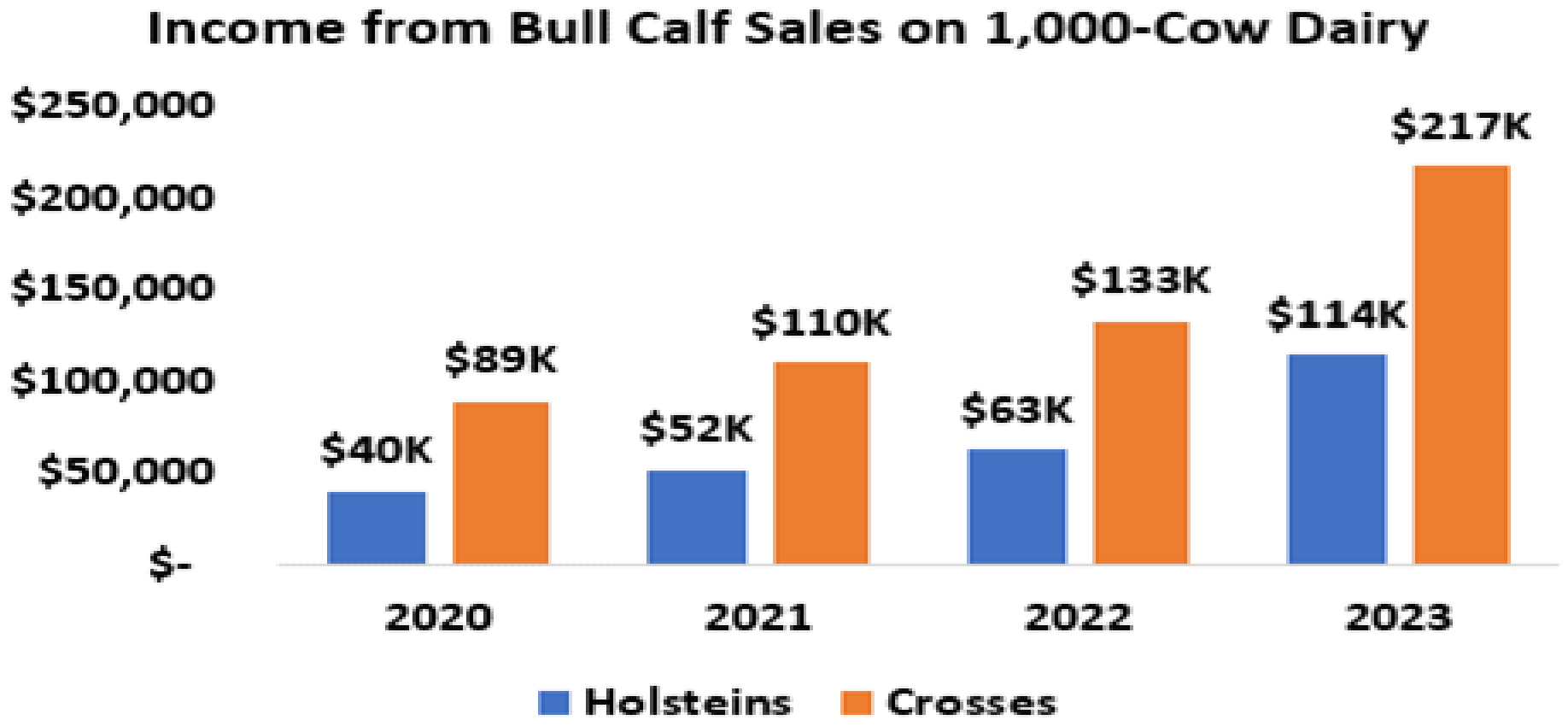
2023 Difference for a 1,000 Cow Dairy was $103,000 for crosses vs wet Holstein Bull Calf



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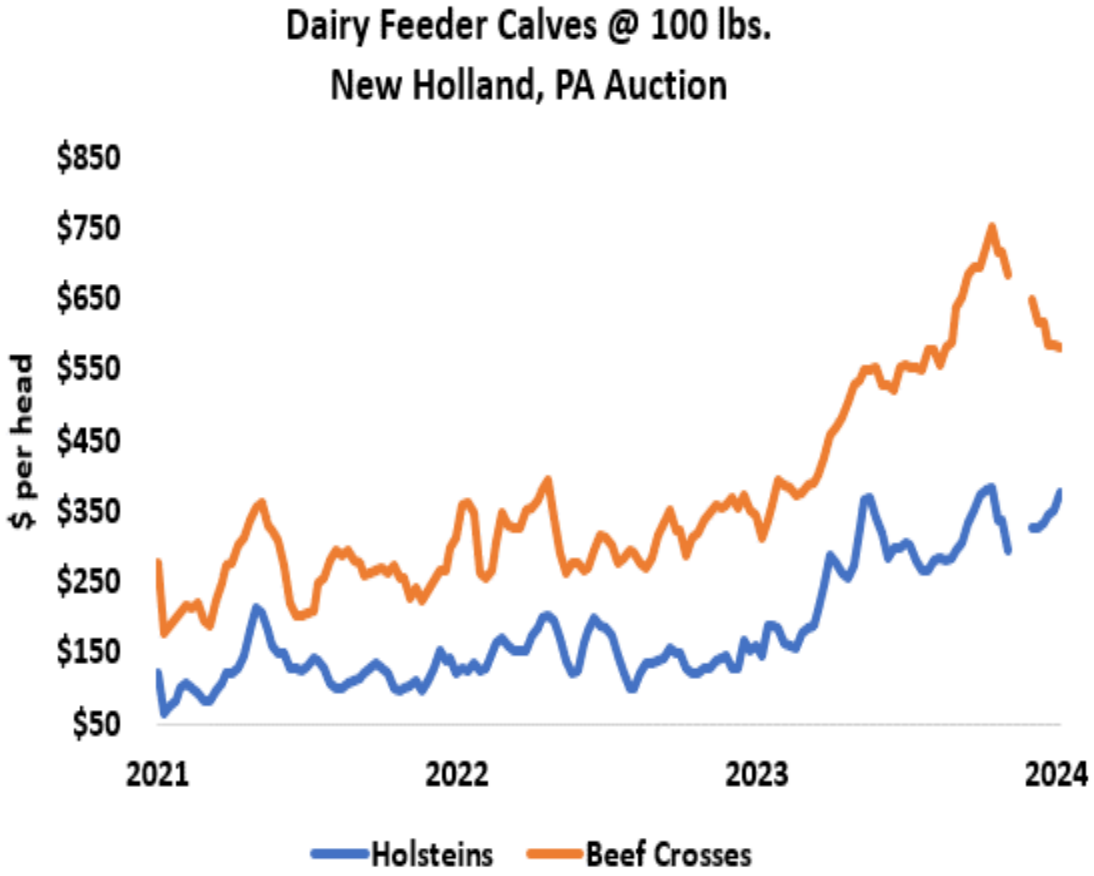
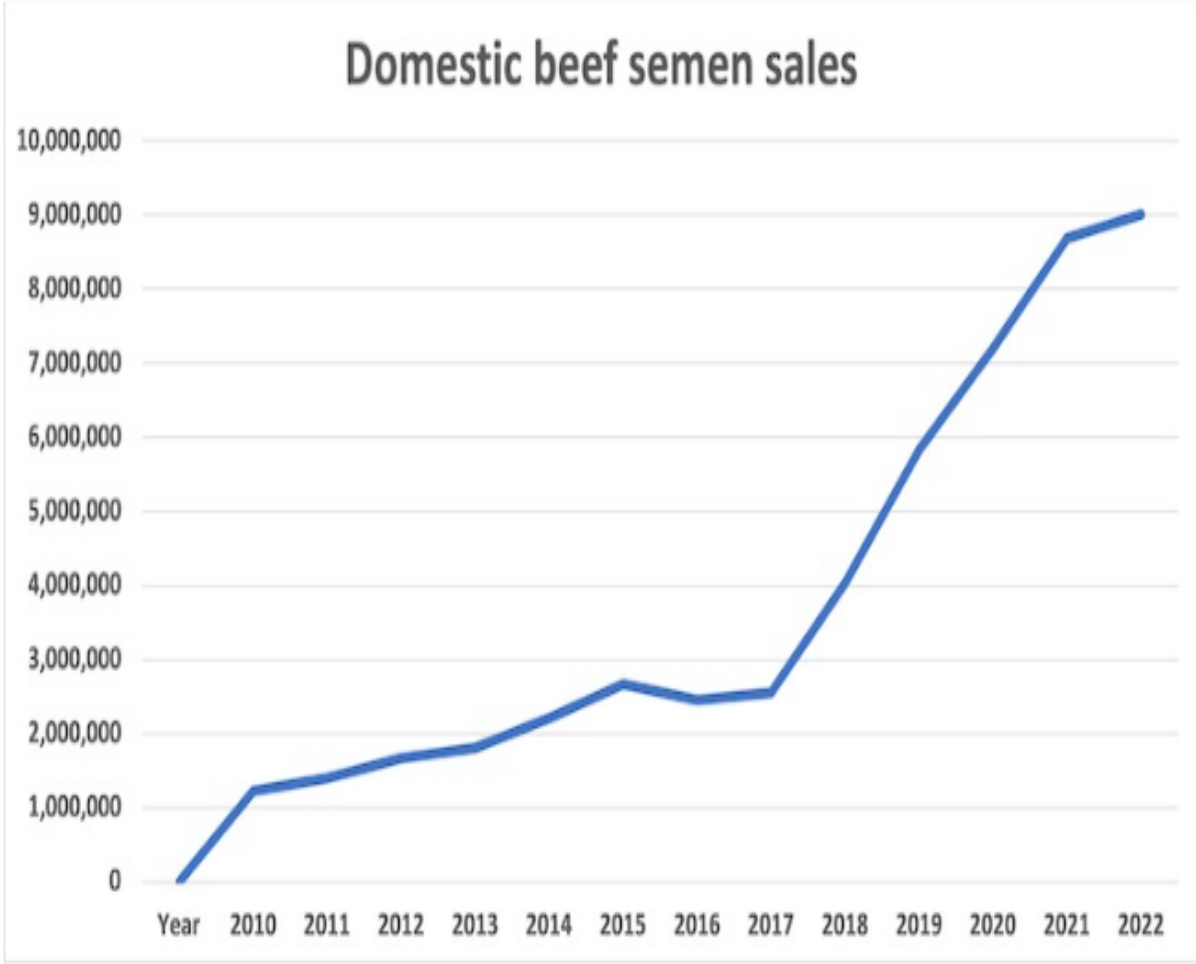
And it appears that the US Dairy Industry Has Received the Message!





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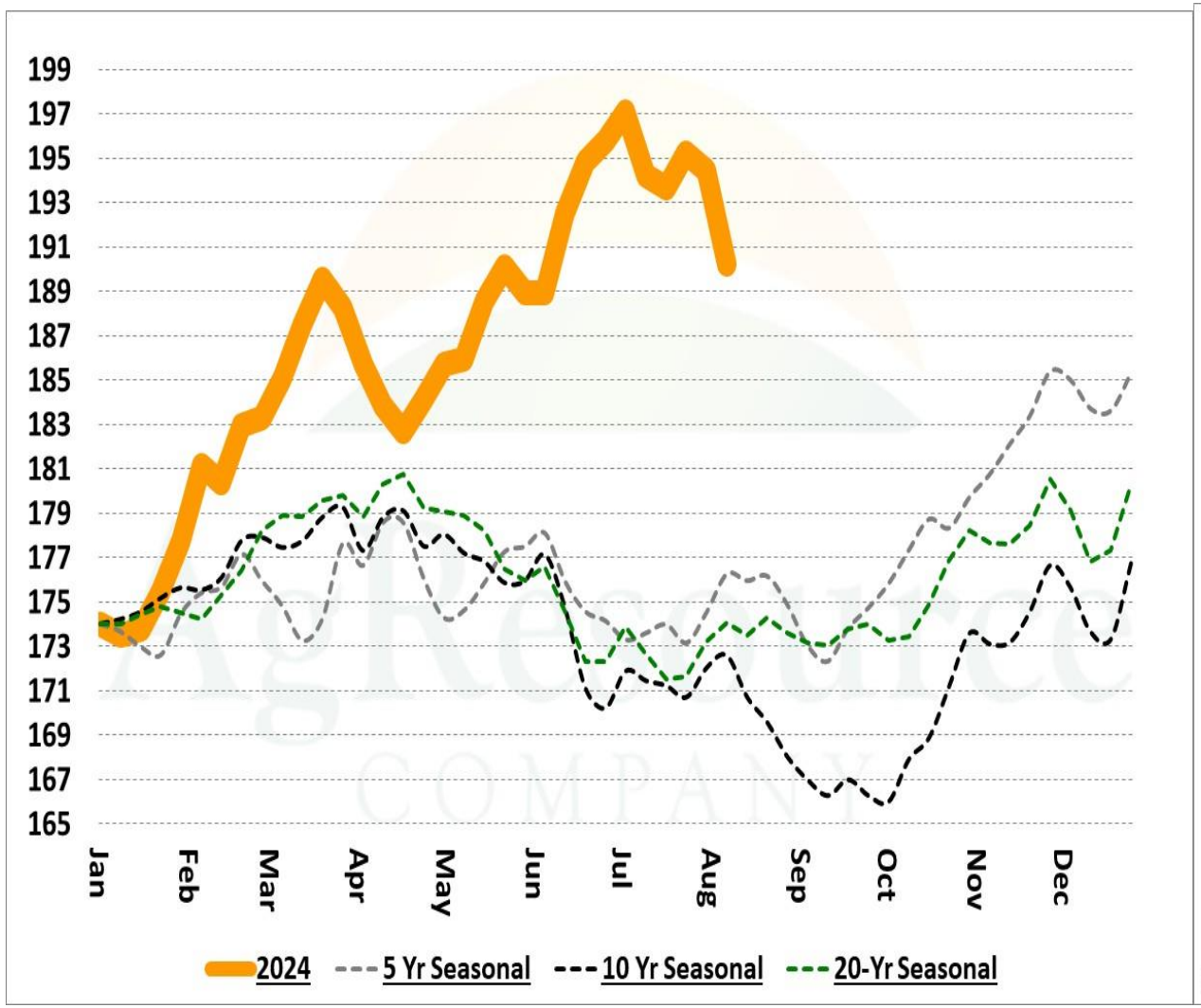
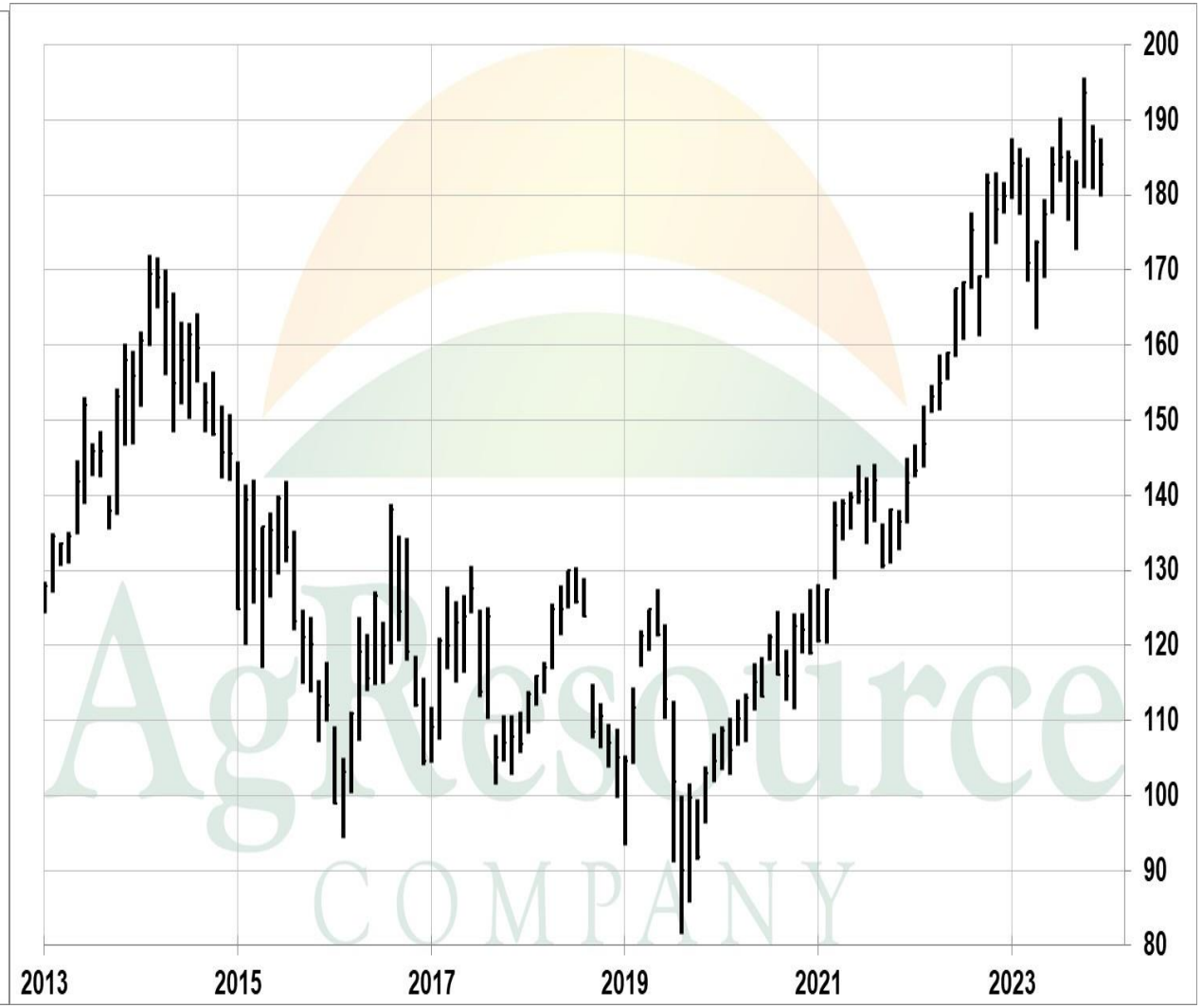
Cash Cattle Seasonal Price and Trends





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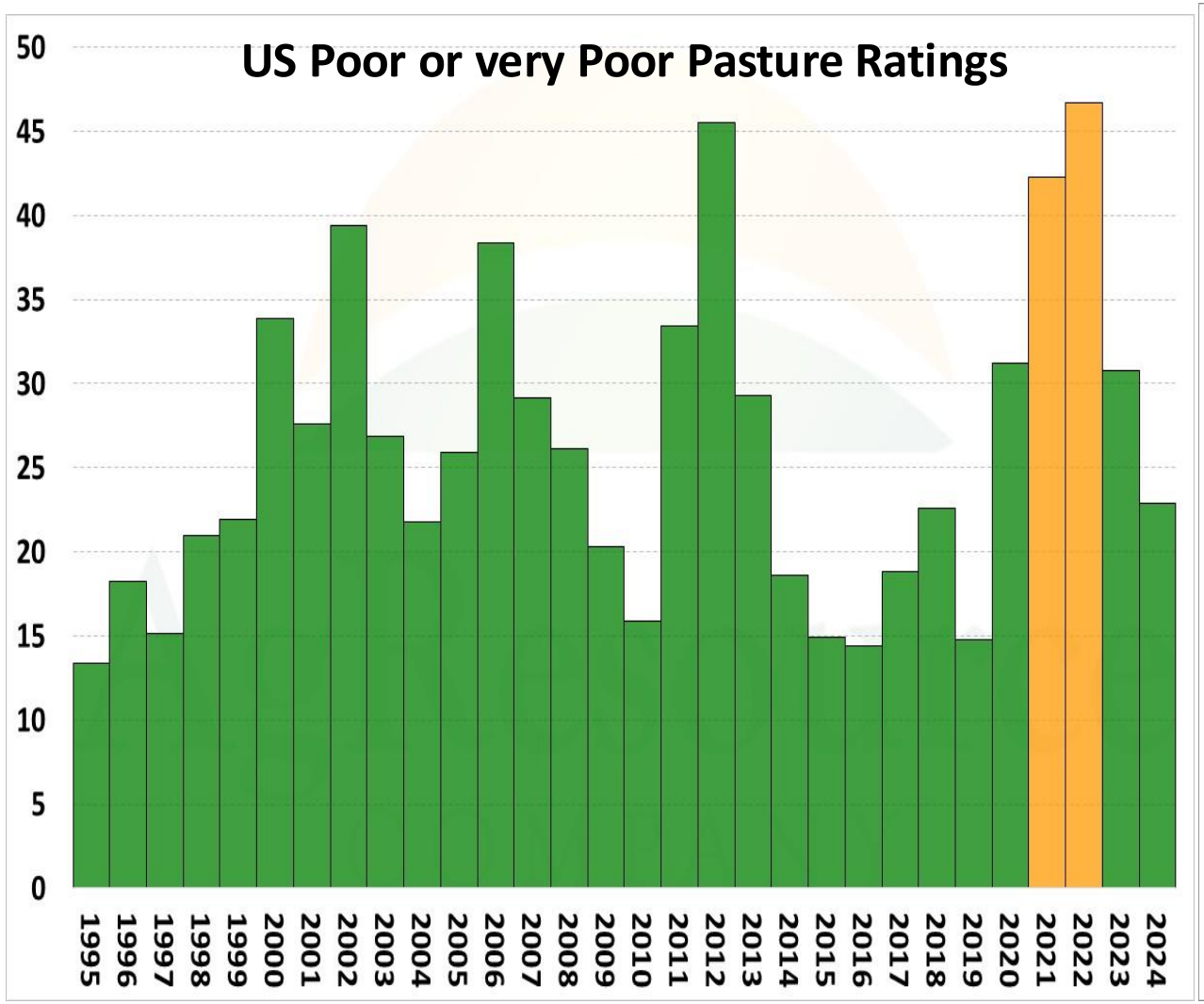
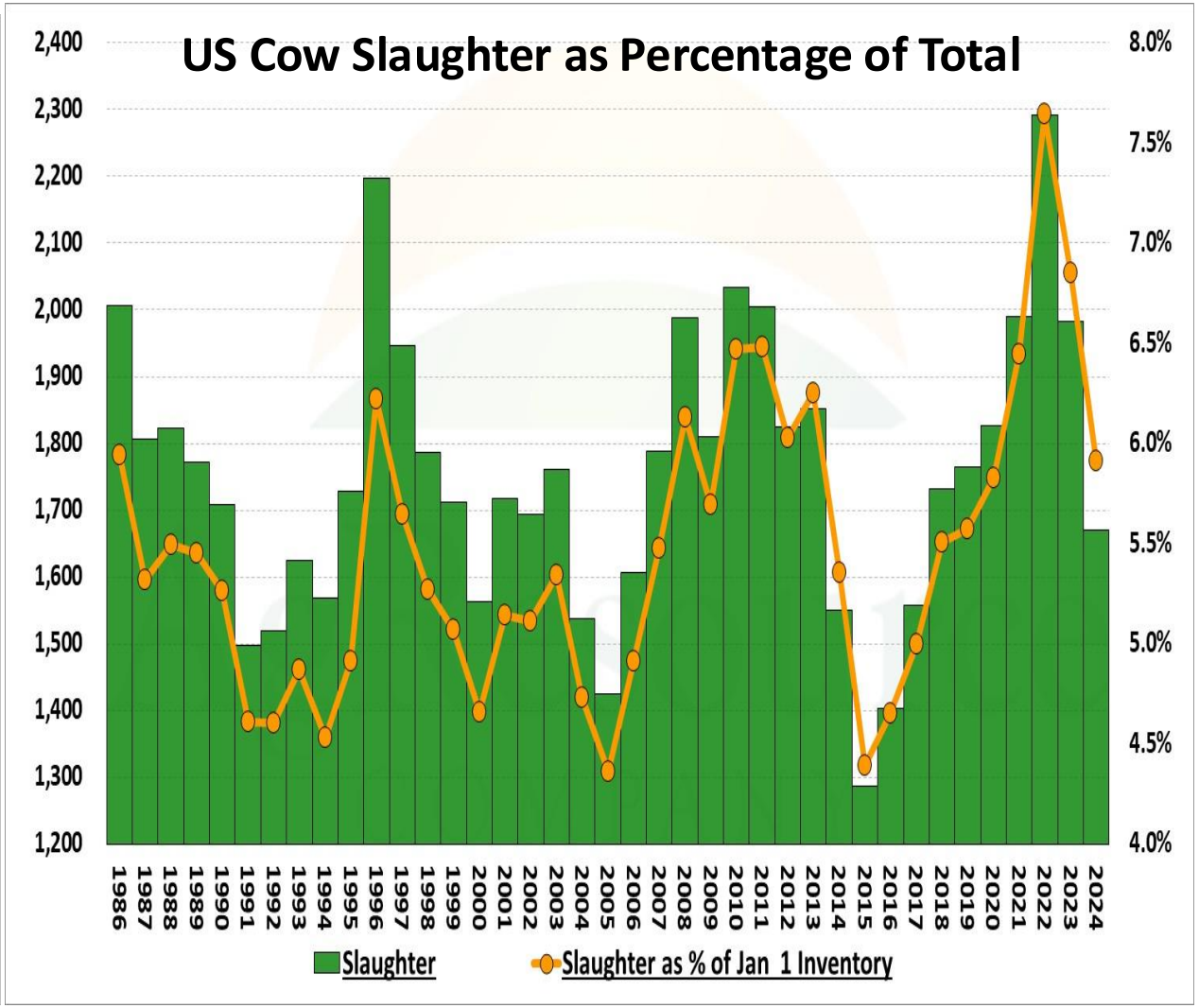
US Pasture Conditions Improve and Cow Slaughter Rate Declines; Start of Herd Expansion





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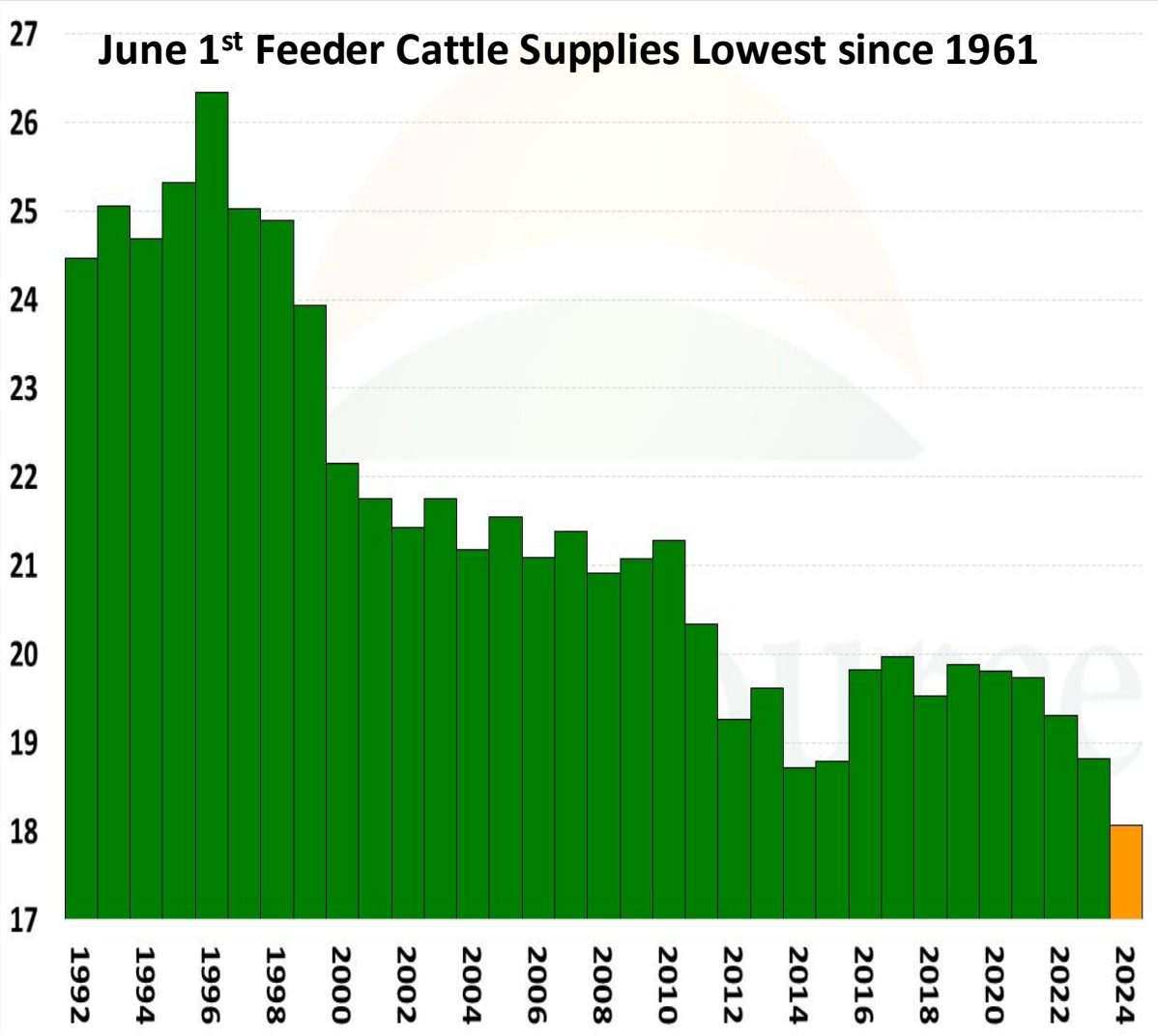
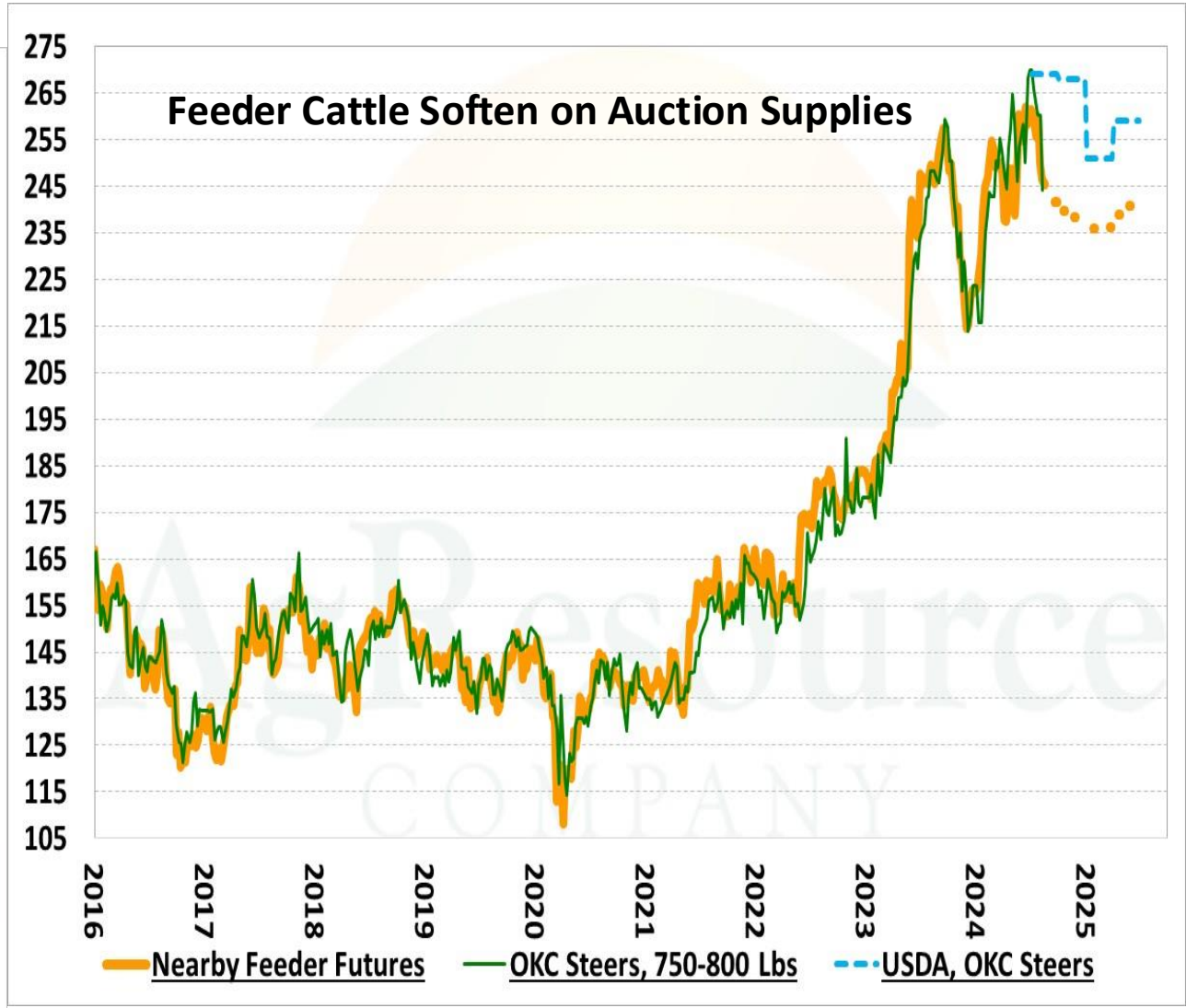
June 1 Feeder Cattle Inventories

(Mil Head)





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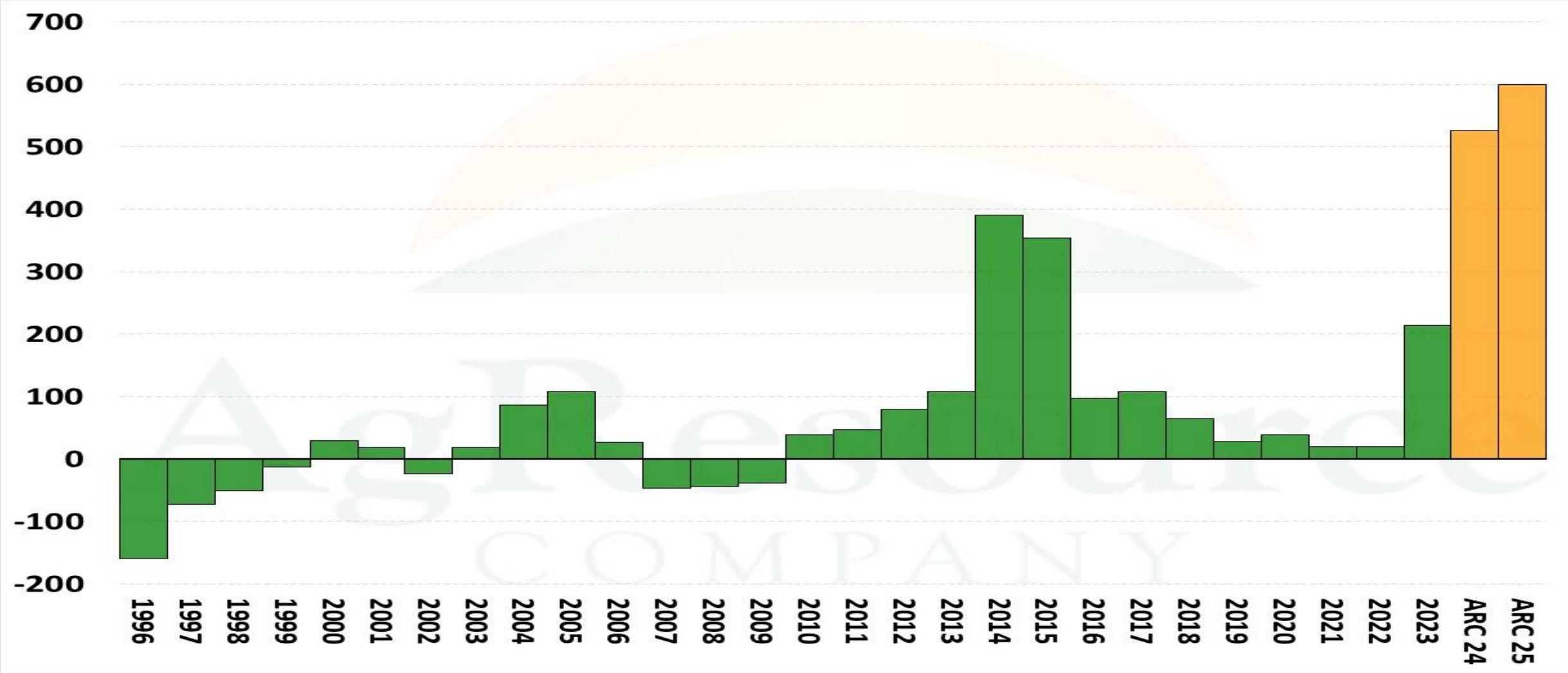
Cow/Calf Margins and Estimates

($/Head)



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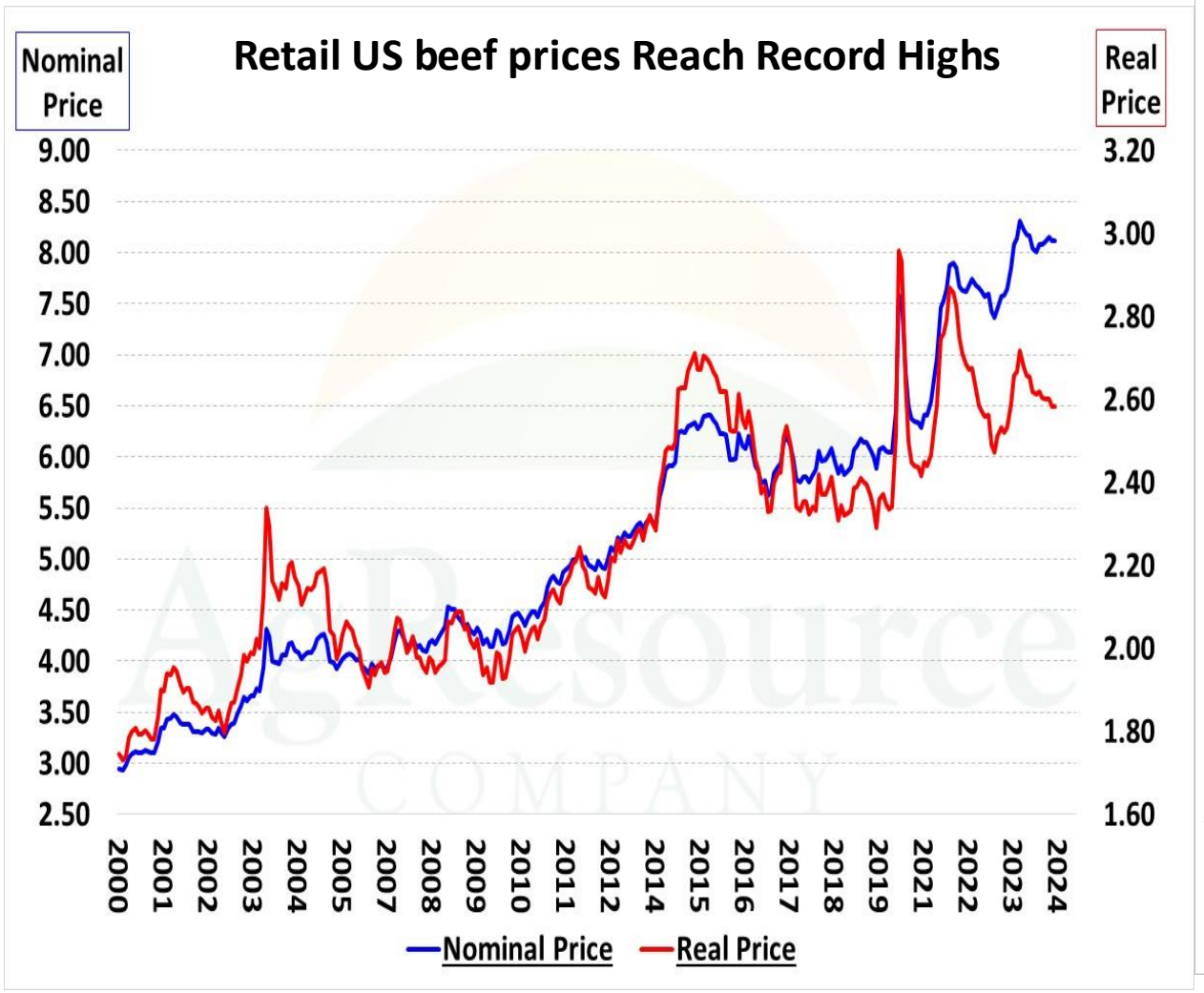
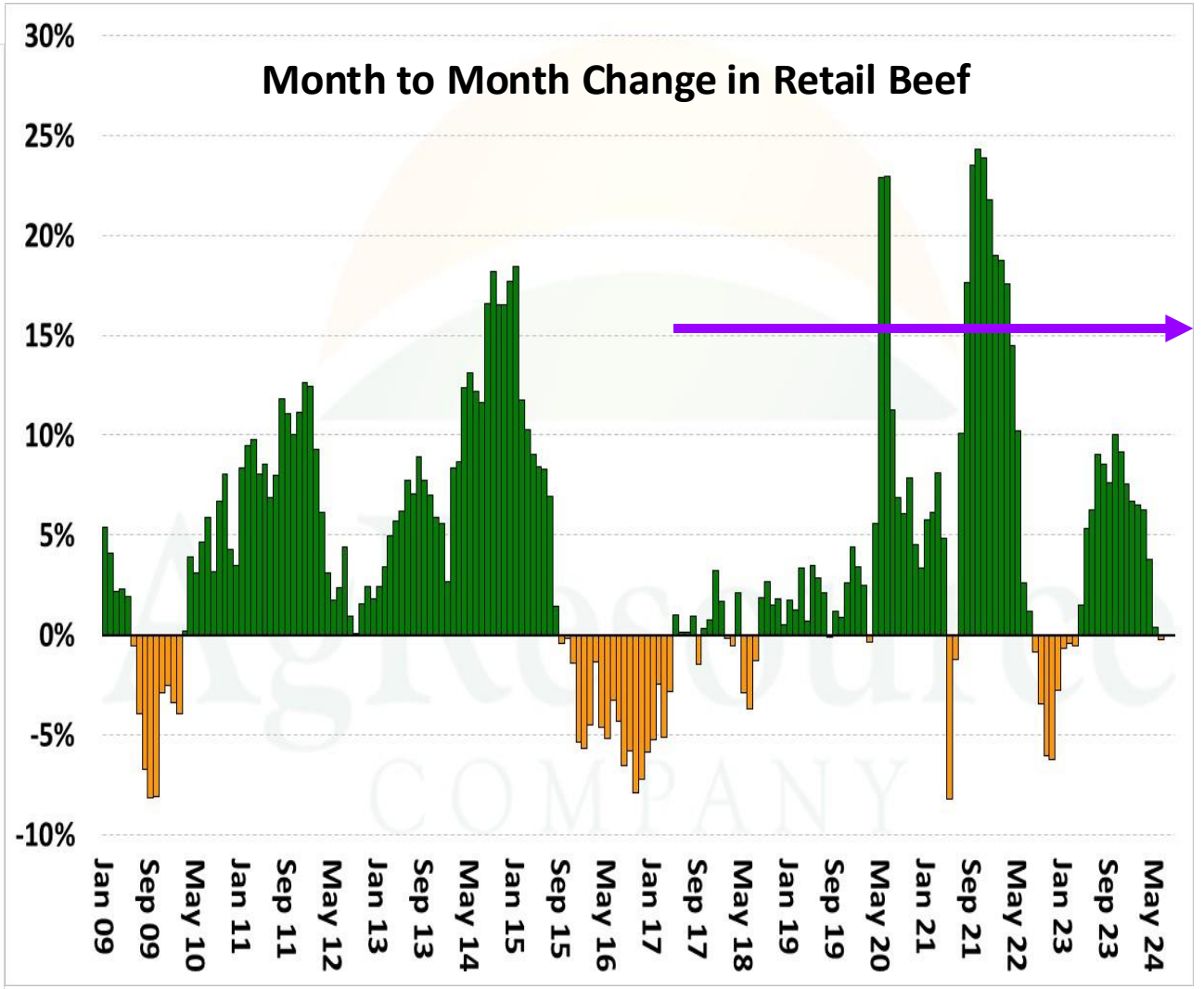
US Monthly Retail Beef Price and Monthly Change; 14 months lower since 2017





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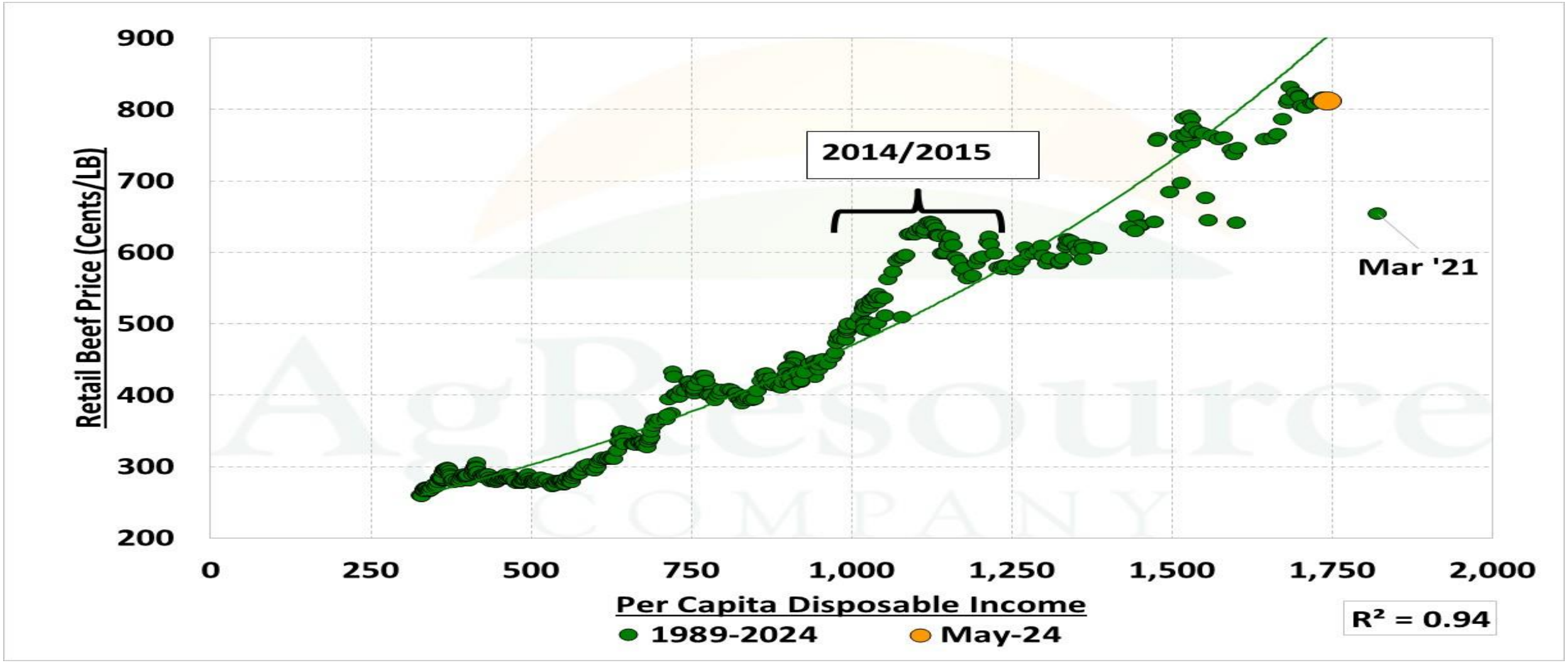
Monthly Retail Beef Price & Disposable Per Capita Income



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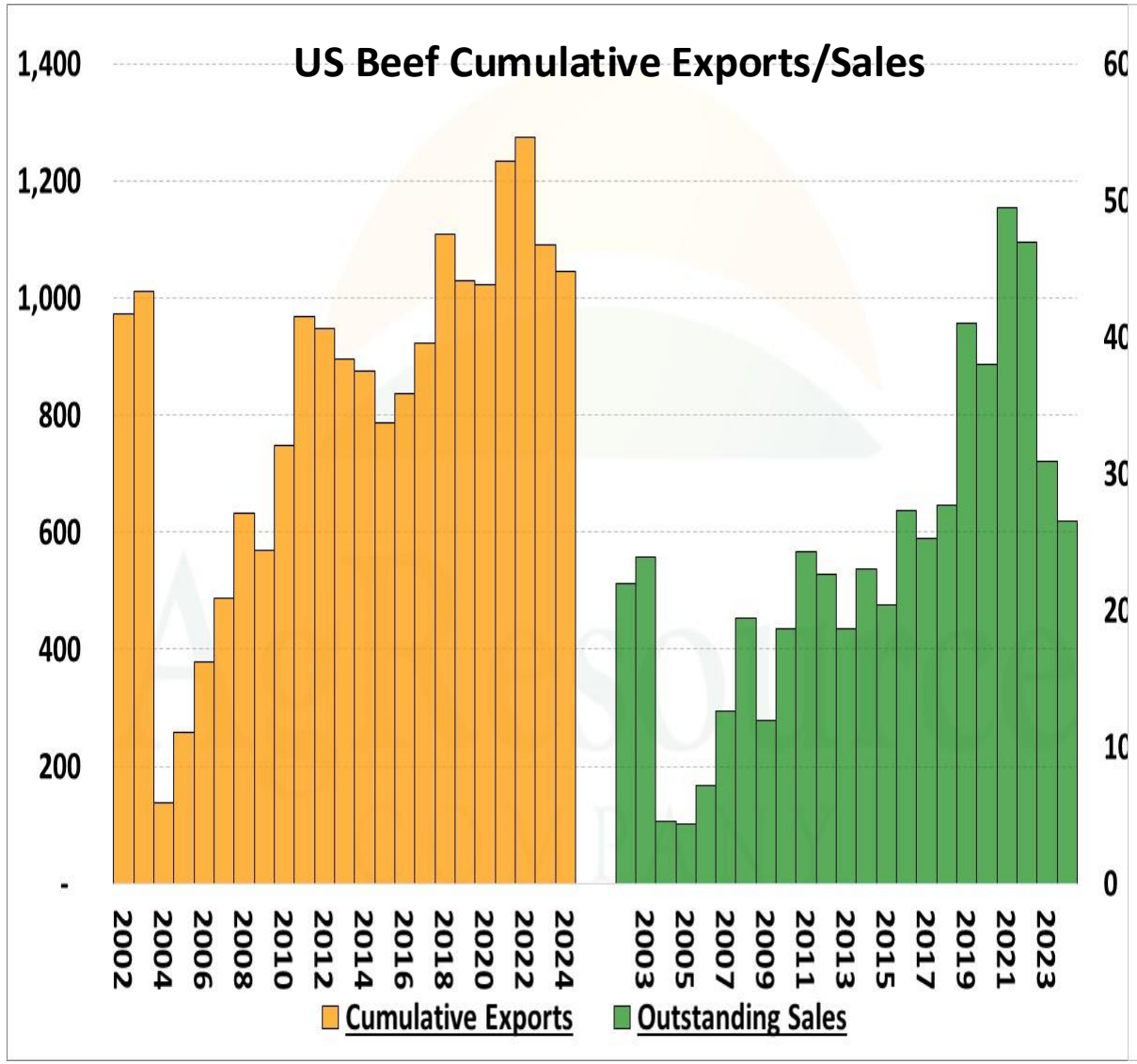
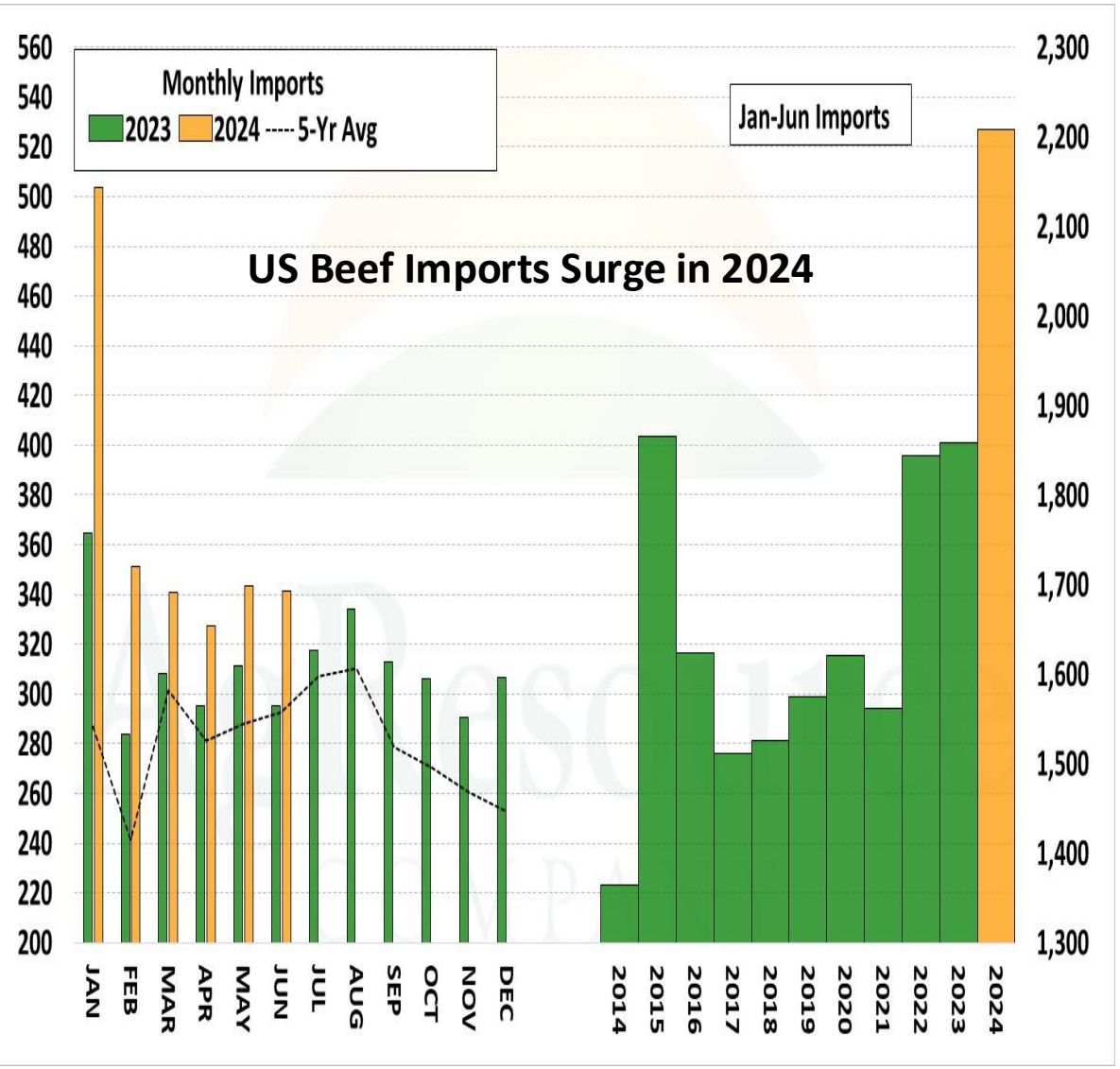
2024 US Beef Exports and Sales *(Mil Lbs)*





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CAB Cattle and Beef Summary

- **The Cattle Bull Market is expected to last another few years on herd expansion. Seasonal cash lows forecast in September/early October circa $180**
- **Domestic demand has held up and shows few signs of waning. However, caution is advised on the political uncertainty heading into 2025.**
- **A Long-Term Cattle high is Not Expected Until Industry Expansion is confirmed for several years.**

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