

# Meat Market Expectations

H2 2024

1<sup>st</sup> August 2024

# Agenda

- Introduction to Expana
- Speakers
- Market Update
  - US & UK Beef
  - EU & US Chicken
  - EU & US Pork
- Q&A



# About us

At Expana, we provide critical market insights, so our clients can make informed decisions with confidence. We bring clarity to the world's data. Our intelligence spans over 27,000 price series and 500+ price forecasts, so our clients have full visibility of the whole supply chain. This enables businesses to manage volatility, navigate strategically and improve margins. For more than 200 years, we have built trust and credibility in the market through our deep specialist knowledge and constant innovation. We are industry experts. And we are part of the bigger picture.

We feed the world with the data it needs. Our intelligence is integral to our clients' businesses and the entire supply chain. Our clients play a vital role in the world. Their decisions have a huge impact on people, communities and industries. And our data enables this. Every single day. We are Expana, and our market intelligence delivers a more resilient, more transparent and more sustainable supply chain.



# Speakers



Gary Morrison  
Principal Reporter Protein



Rutika Ghodekar  
Protein Market Reporter



Sandro Schulz  
EMEA Protein Team Lead

# Global Beef Market Overview – U.S.

Gary Morrison, Principal Reporter

# Key Drivers – U.S. Beef

- Contraction phase of cattle cycle.
- Record high cattle prices.
- Heavy cattle weights.
- Good consumer demand but stretched because of inflation.
- Value and Versatility.
- Lean trimmings demand.
- Heifer Retention for Herd Rebuilding will put added stress on supplies.

# Cattle Inventory

All Cattle and Calves Inventory - United States: January 1



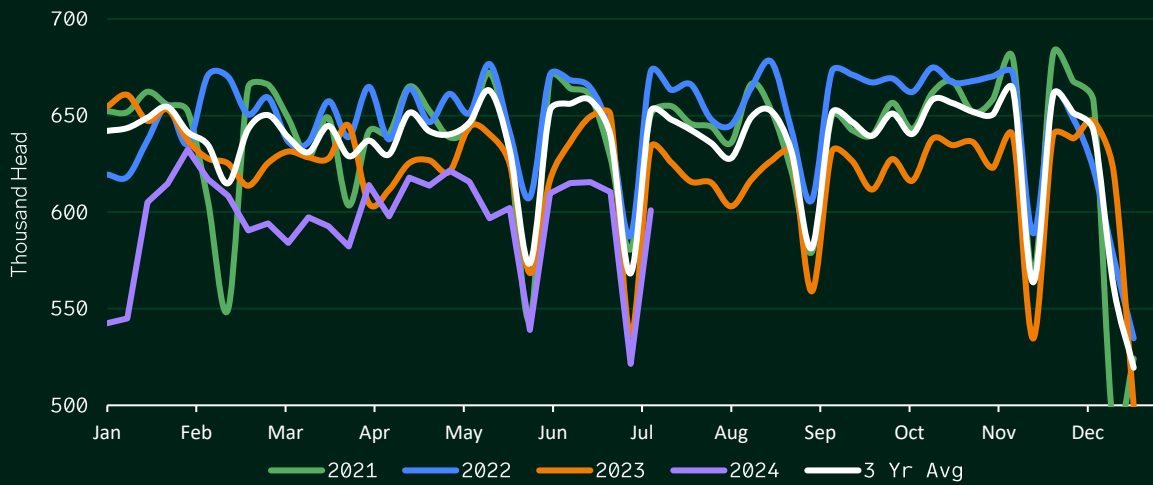
Source: USDA, Expana

## Cattle Supplies:

- 87.2 million head of cattle and calves on U.S. farms as of Jan. 1, 2024, -2% y-o-y. Lowest since 1951.
- There were 28.2 million beef cows, down 2% y-o-y. Smallest beef herd since 1951.
- Heifers kept as replacement estimated at 4.86 million head, -1% y-o-y. Contraction slowing?
- All cattle and calves on feed in U.S. feedlots estimated 14.4 million head, +2% y-o-y. Signals enough cattle to meet current needs. Pay attention to future Cattle-on-Feed reports.
- Feedlot inventory slow to decline with more days on feed. Economic incentive.
- Little heifer retention happening.
- July report:
  - On Feed June: 101%
  - Placed On Feed June: 93%
  - Marketed May: 91% (Second lowest June on record)

# U.S. Supply – Slaughter & Weights

USDA Estimated Daily Livestock Slaughter - Cattle

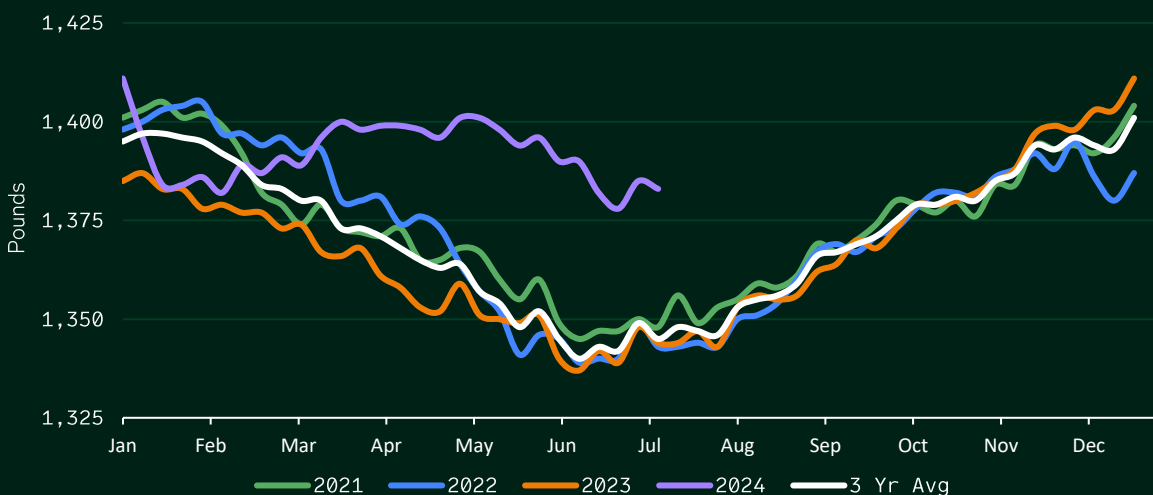


Source: USDA, Expana

## Cattle Slaughter:

- H1 slaughter down 5% y-o-y.
- Weekly average 599,000 head 2024 v. 630,000 head 2023.
- Tough margin environment.
- Slaughter likely to continue to decline.
- Look for heifer retention.

USDA Federally Inspected Live Weights



Source: USDA, Expana

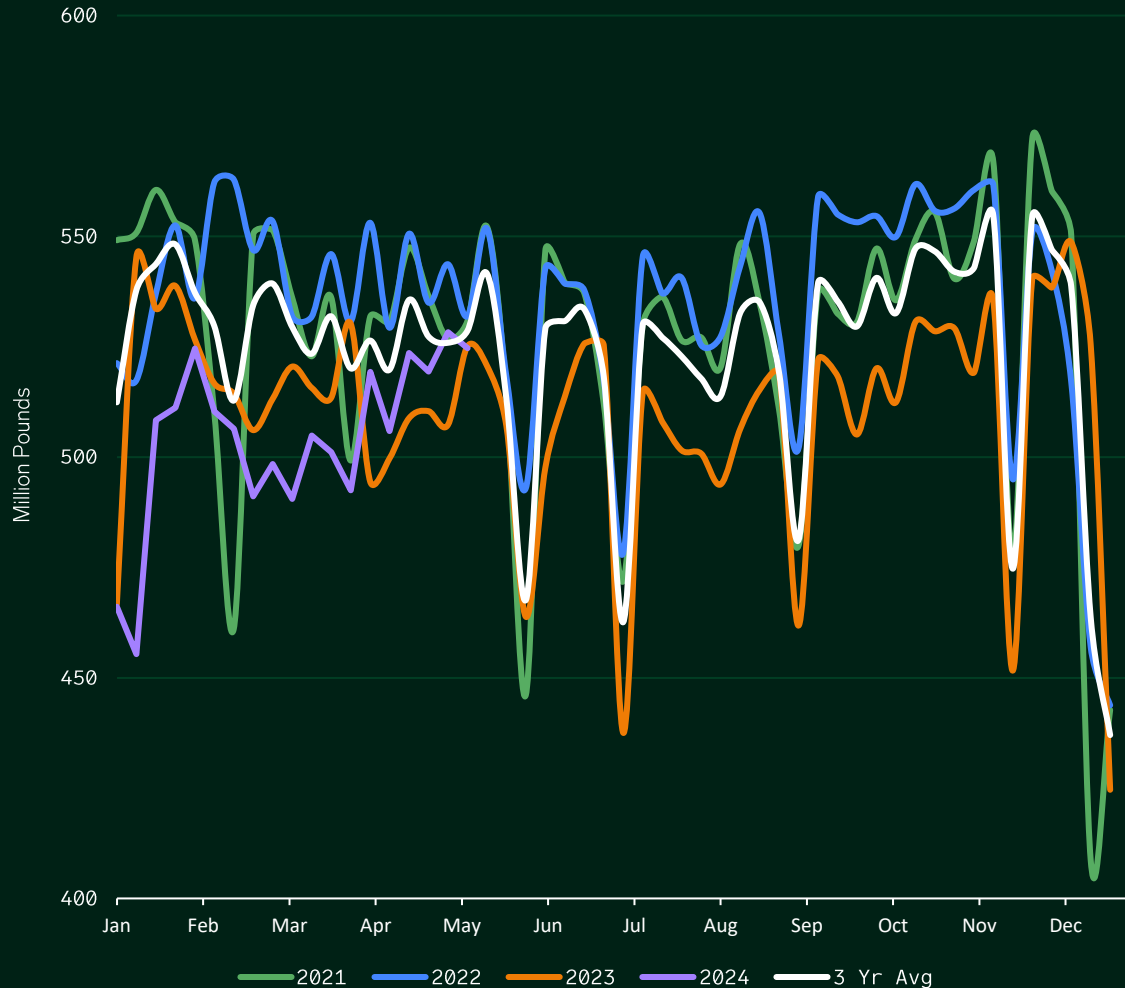
## Weights:

- Contra-seasonal move in weights.
- Averaging nearly 30 pounds higher y-o-y.
- 39 pounds higher end of June.
- Cost of gain, longer days on feed, feeding conditions favorable all helping.



# U.S. Supply – Production

USDA Federally Inspected Production (Beef)



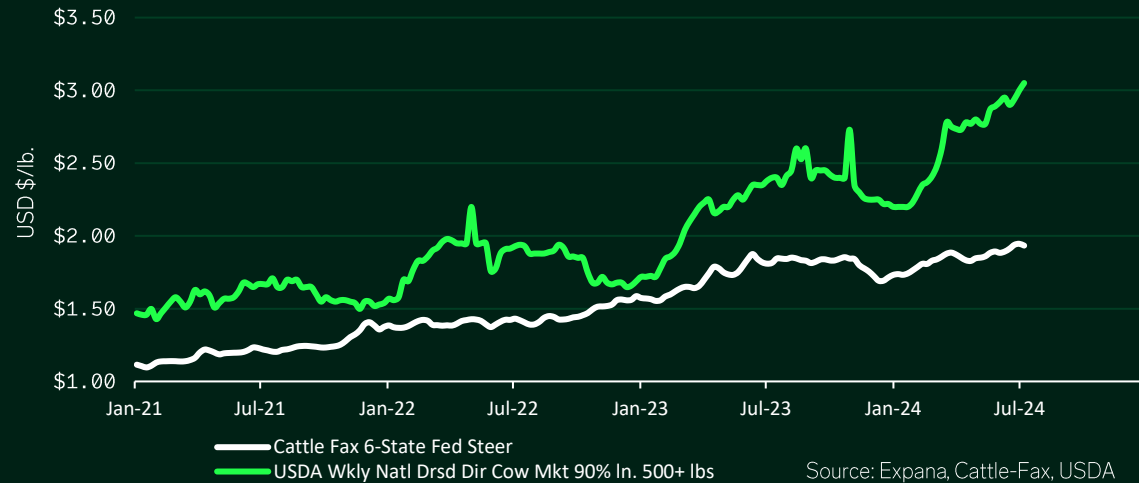
Source: USDA, Expana

## Beef Production:

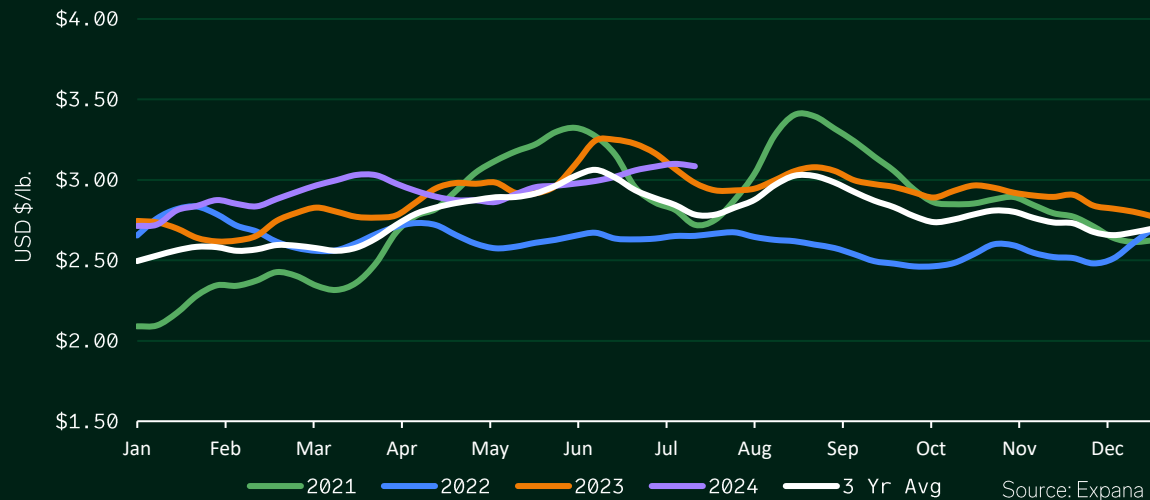
- H1 production down 1.6% y-o-y, lower than early year projections.
- 5% lower slaughter mitigated by higher weights.
- Fed production slightly higher H1; non-fed down double digits.
- Forecasted to decline 3% 2024, smaller than anticipated, due to weights.

# Live Cattle Prices & Beef Cutout

Live Animal Prices



UB Beef Cutout - 600/900 Total Carcass Value Choice



## Cattle Prices:

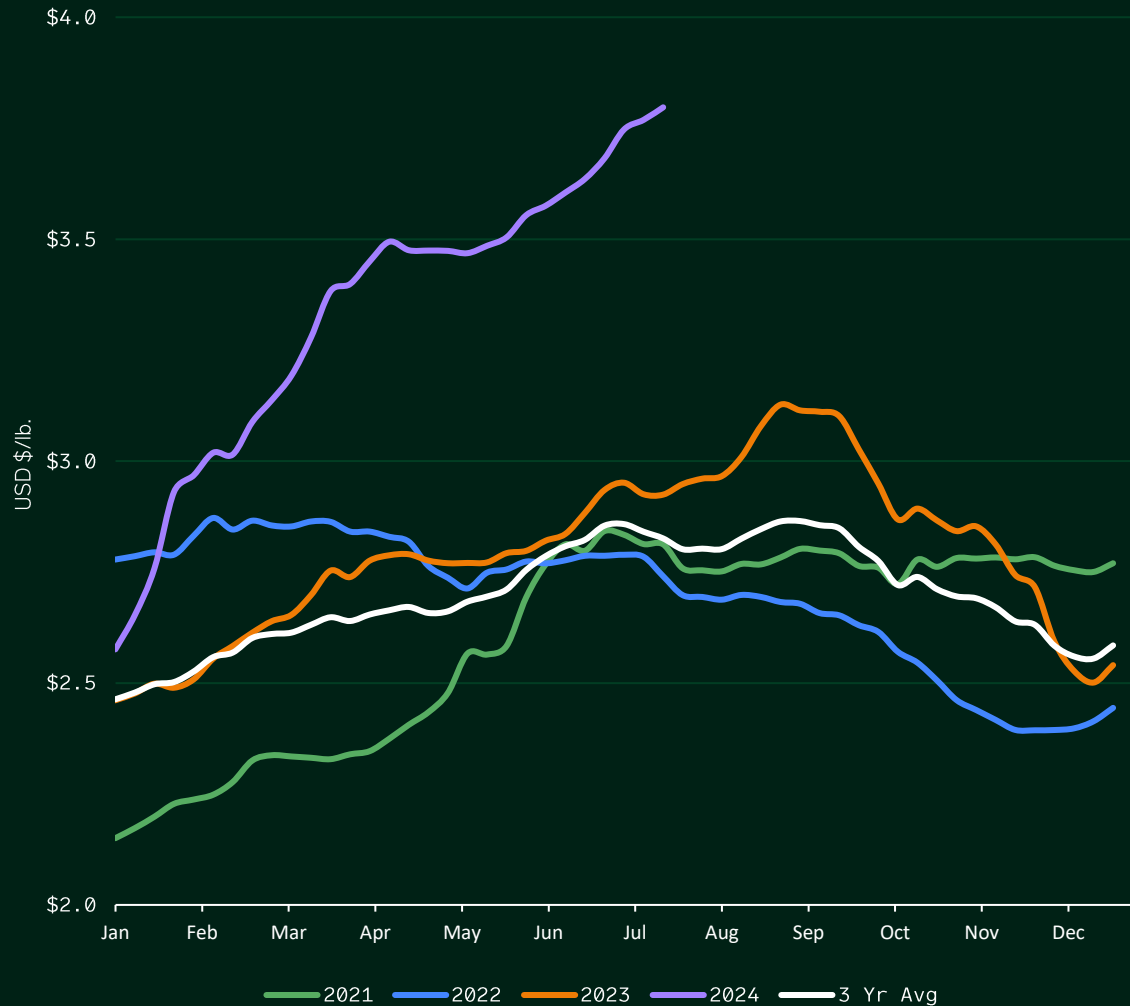
- Live cattle prices just off record highs – July 8, 2024, \$1.9508/lb.
- National direct cow market – cutter (90% lean) – 500 lbs. and up also at records – July 12, 2024, \$3.05/lb.
- Strong incentive to sell.
- Continuing tightening signals support for prices.

## Beef Cutout:

- Choice boxed beef cutout near 2023 levels.
- H1 average +1.7% y-o-y.

# Lean Trimmings

UB Beef Trim 90% Fresh Chemical Lean FOB River



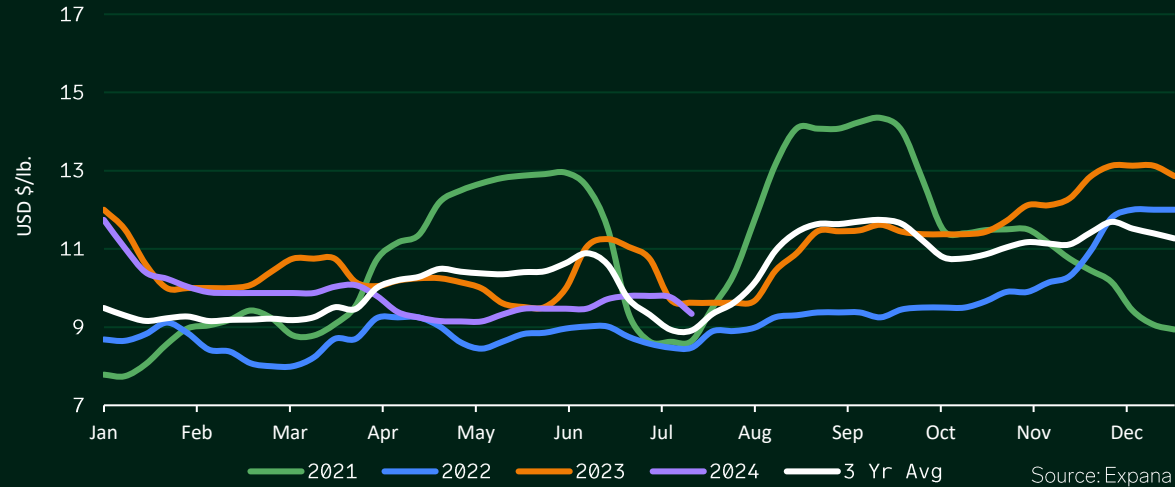
## Lean trimmings:

- Prices +45% from start of 2024.
- Continues to pierce through records.
- Reduction in non-fed slaughter and supportive ground beef demand main factors driving price action.

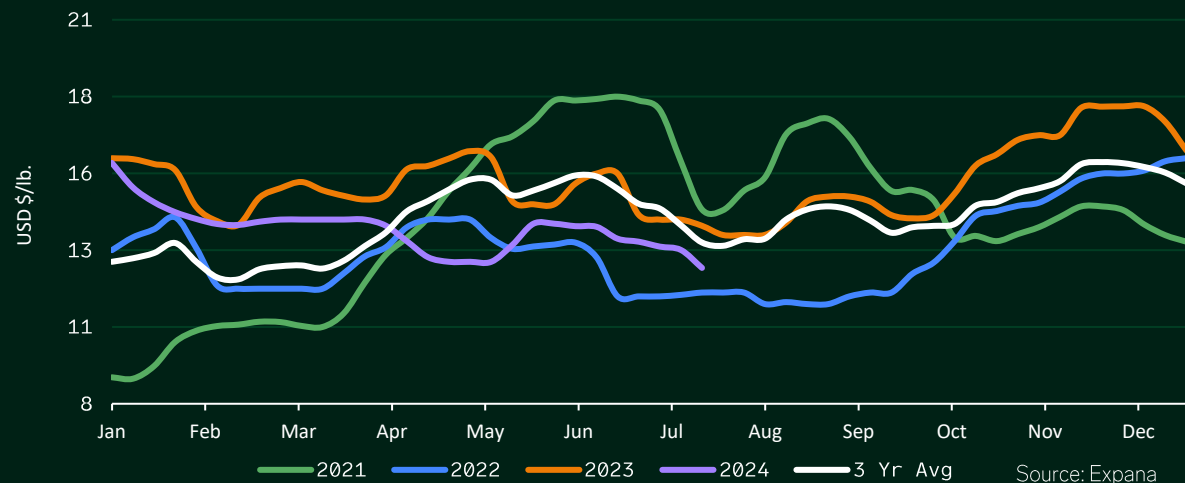
Source: Expana

# Middle Meats

UB 112A 3 Lip-On, Bnls Choice (TL)



UB 189A 4 Loin, Beef Tenderloin, PSMO, Defat Down Choice (LTL)

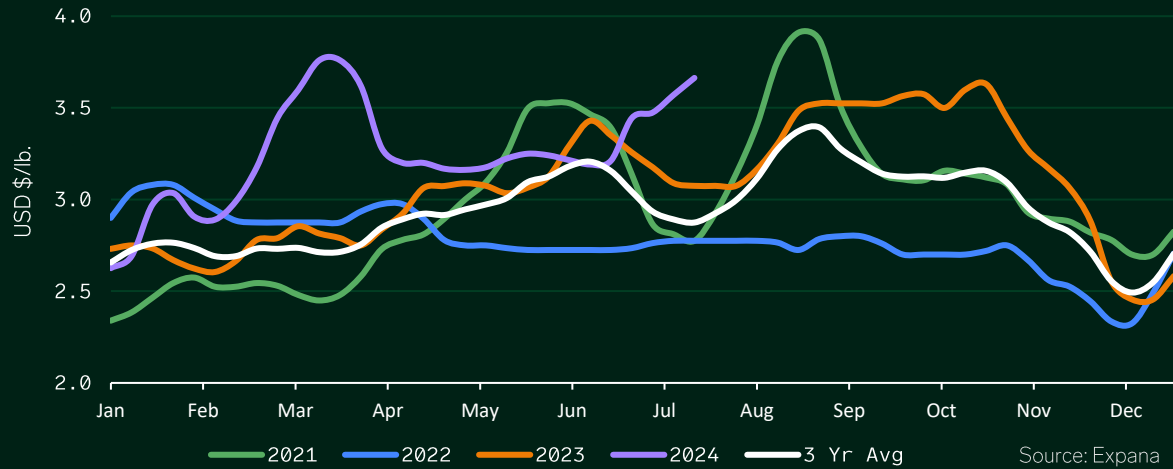


## Price Action:

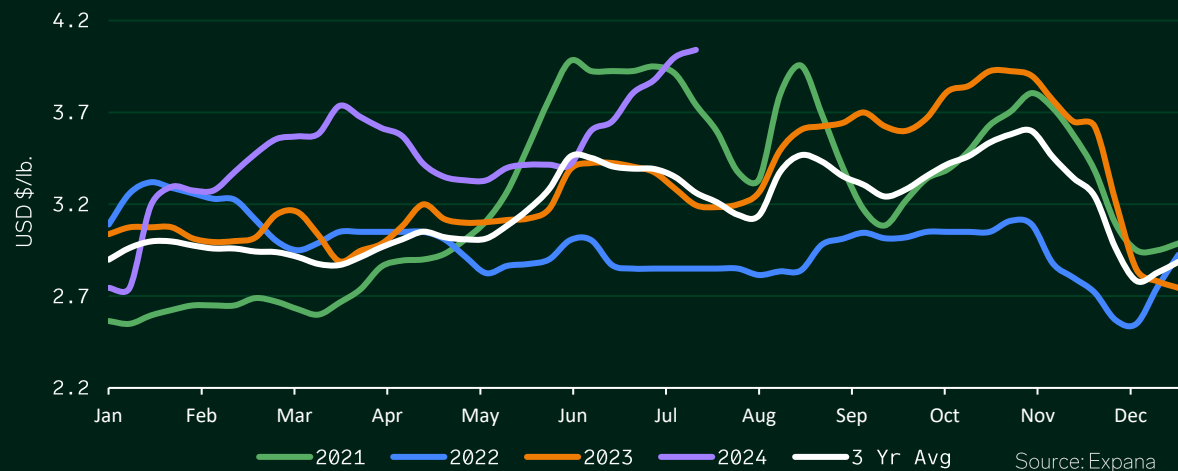
- More expensive cuts getting pushback – seasonal trend combined with tighter consumer wallets.
- Still good demand for alternate steak cuts – strip loins and top butts.
- People trading down within category not out of category.

# End Cuts

UB 168 3 Round, Top (Inside) Choice (TL)



UB 167A 4 Round, Knuckle, Peeled Choice (TL)



## Price Action:

- Driven by need to supplement product for lean material.
- Record high 90s, muscle cuts being utilized.
- Providing support to many end cuts.
- Insides +6% y-o-y, earlier run higher.
- Peeled knuckles +12% y-o-y, record pricing outside of 2020.

# Consumer Prices

## Summary of Retail Prices



## Retail Prices - Demand:

- Consumer Demand Staying Strong.
- \$7.96 per pound May 2024, record high.

# Global Beef Market Overview - UK

Gary Morrison, Principal Reporter

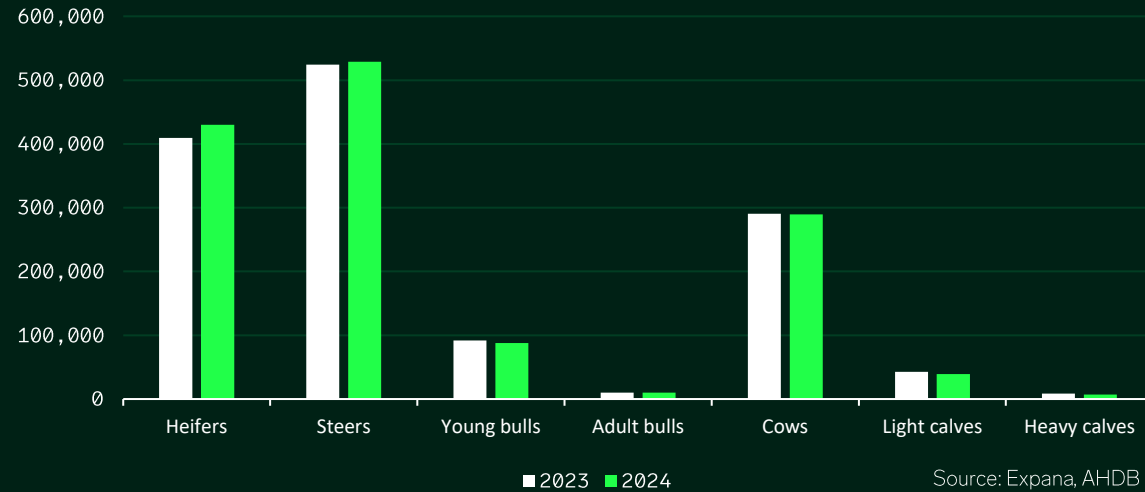
# Key Drivers – UK Beef

- Cattle supplies tight, supporting wholesale pricing.
- Competitive environment with cheaper imports entering market.
- Currency strength.
- Foodservice demand lower than expected, inflation.
- Unfavorable weather.

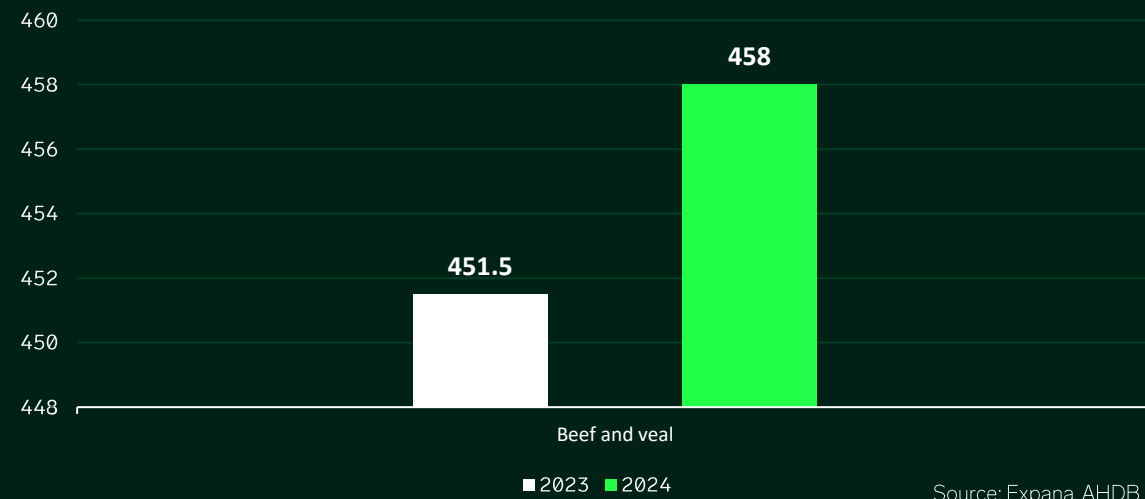


# Supply Data – UK

## U.K. Slaughter



## U.K. Production



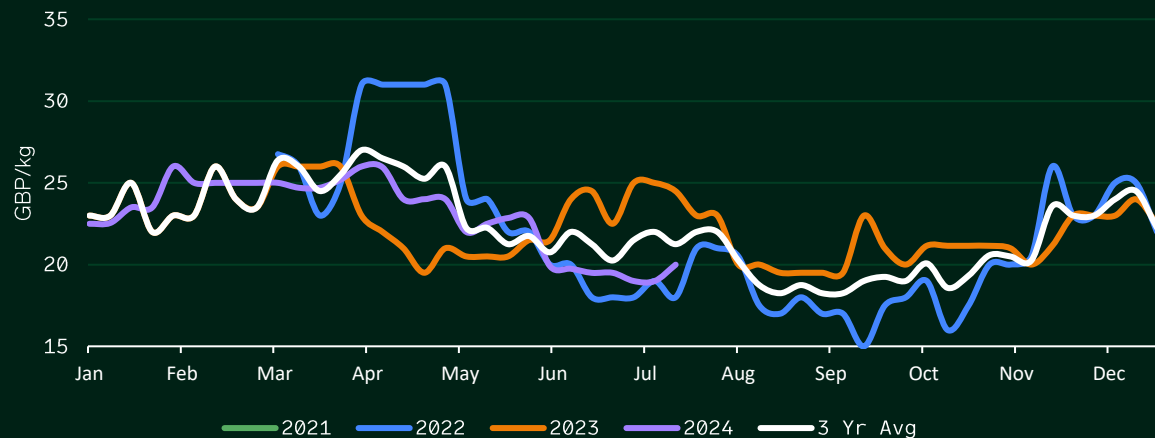
## Supply

- As of 1 December 2023, the UK breeding cow herd was 2% smaller than the year before.
- Heifer slaughter points to longer-term domestic beef supply reductions.
- Prime cattle slaughter is forecast to rise by 1% in 2024.
- Cattle population data points to supply reductions in the final quarter of the year.
- Prime cattle slaughter in 2025 is forecast to -3% y-o-y .
- UK beef production for the full year of 2024 is forecast at 903,000 tonnes, largely stable y-o-y.

# Pricing

UK Beef Fillet Chain (UTM)

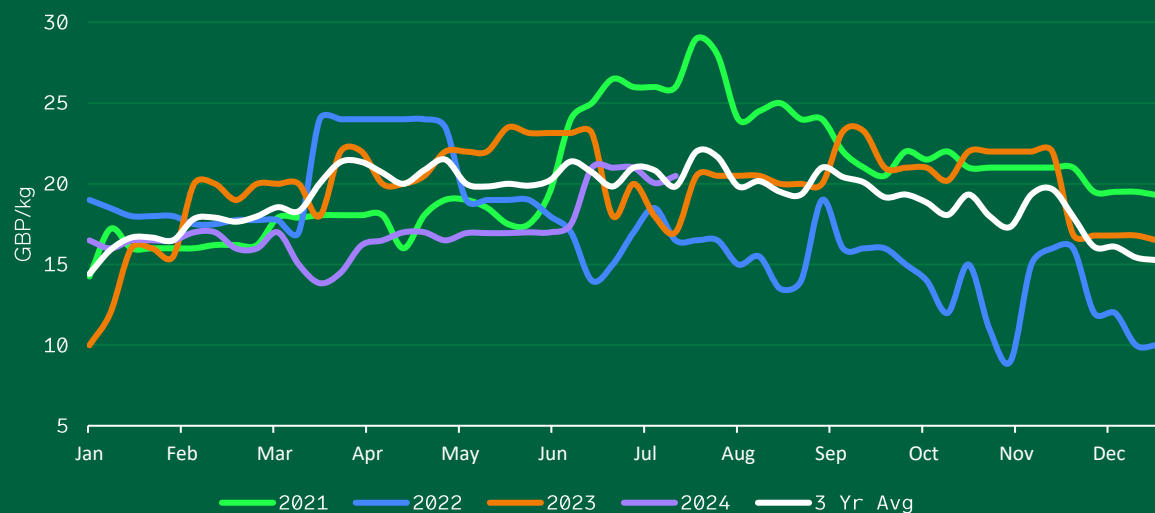
Source: Expana



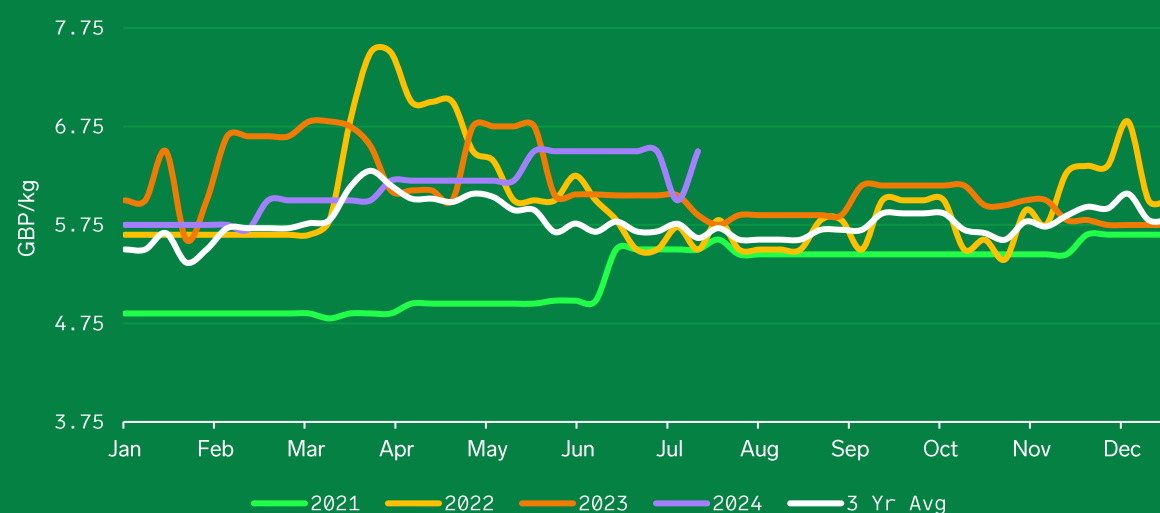
## Price Action:

- More expensive cuts (Beef Fillet) getting pushback – seasonal trend combined with tighter consumer wallets and adverse weather.
- Value items driven by lower-value import items, lack of supply, and tight cattle supplies.
- Rib Eye Roll and Brisket performing well.
- Beef Rump +19.2% m-o-m for July 2024.

UK Beef Rib Eye Roll (UTM)



UK Beef Flat Brisket (UTM)

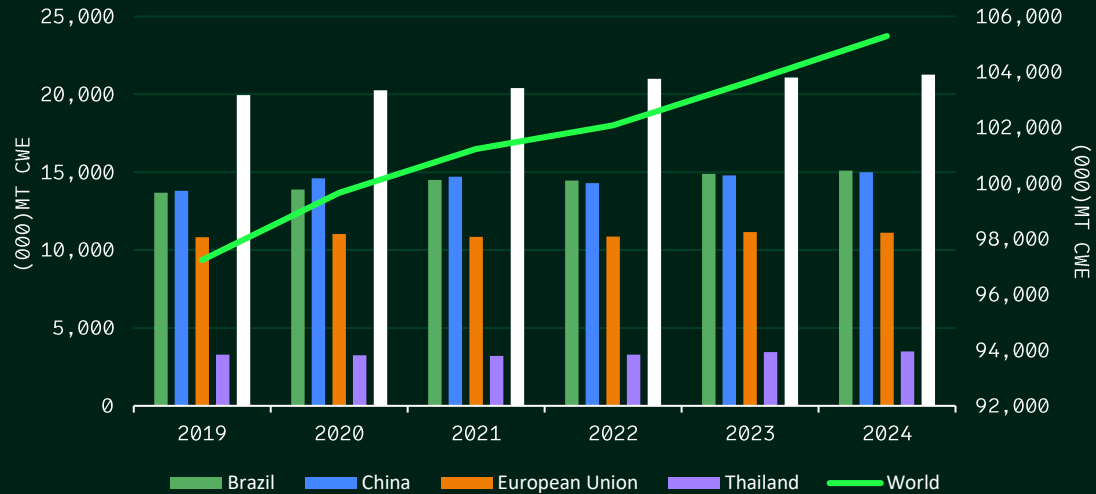


# Global Chicken Market Overview

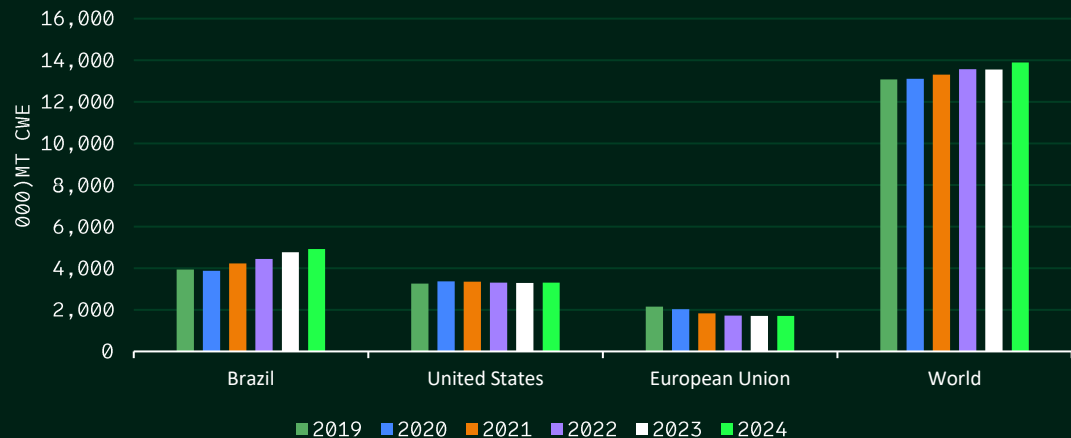
Rutika Ghodekar, Protein Market Reporter

# Global Chicken Market

Global chicken production



Global chicken exports



Source: Mintec Analytics

## Market Fundamentals

### Production

- Fastest growing protein segment in 2024
- Relatively low feed and energy prices to support global production

### Consumption

- Rebound in global consumption- Southeast Asia, Latin America and Middle East

### Trade

- High exports- Brazil and Thailand
- Newcastle disease in Brazil
- Processed chicken trade to remain slow –low food service demand
- Ukraine and Russia war- supply chain disruptions
- High global imports, however, demand from China-HPAI related bans

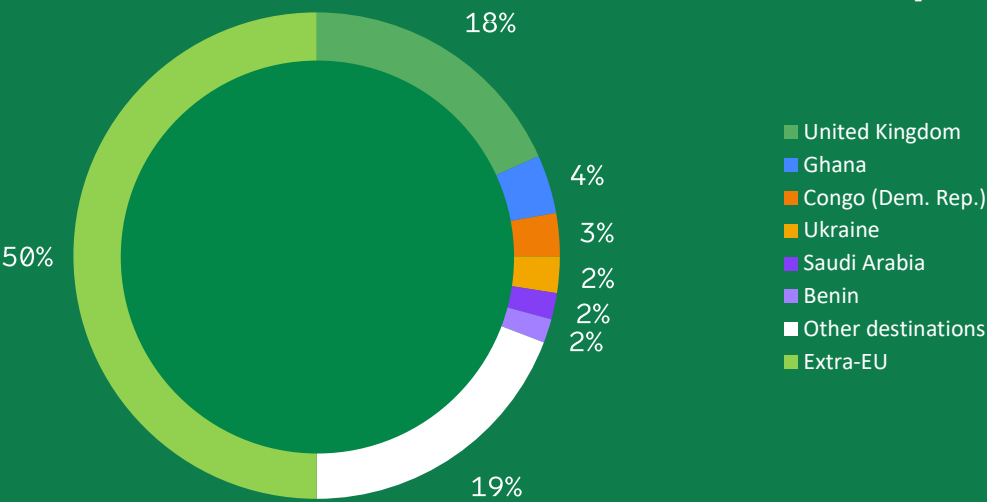
# EU Chicken Market Overview

# EU Chicken: Supply & Demand

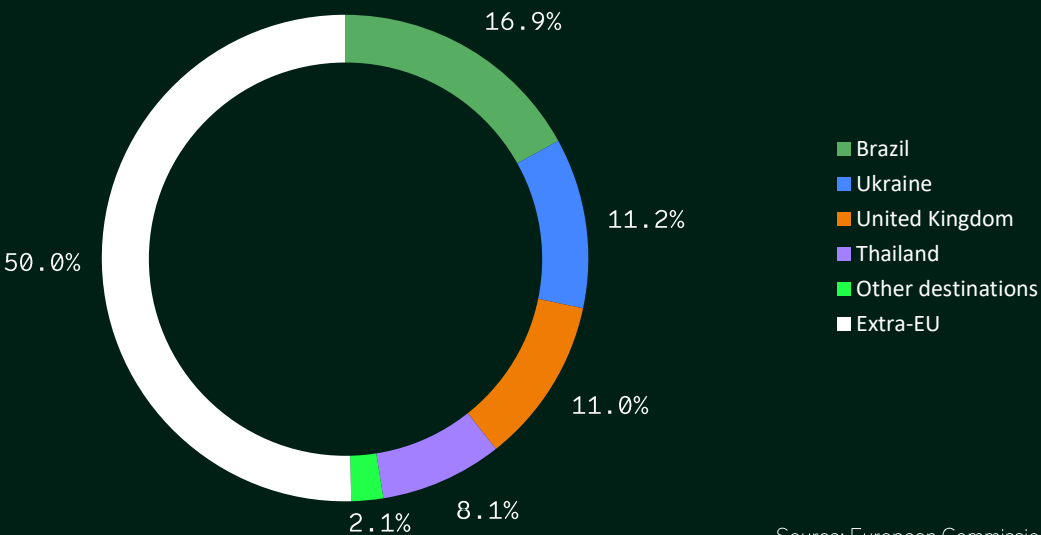
EU Chicken Balance Sheet



EU export destinations (2022 & 2023)

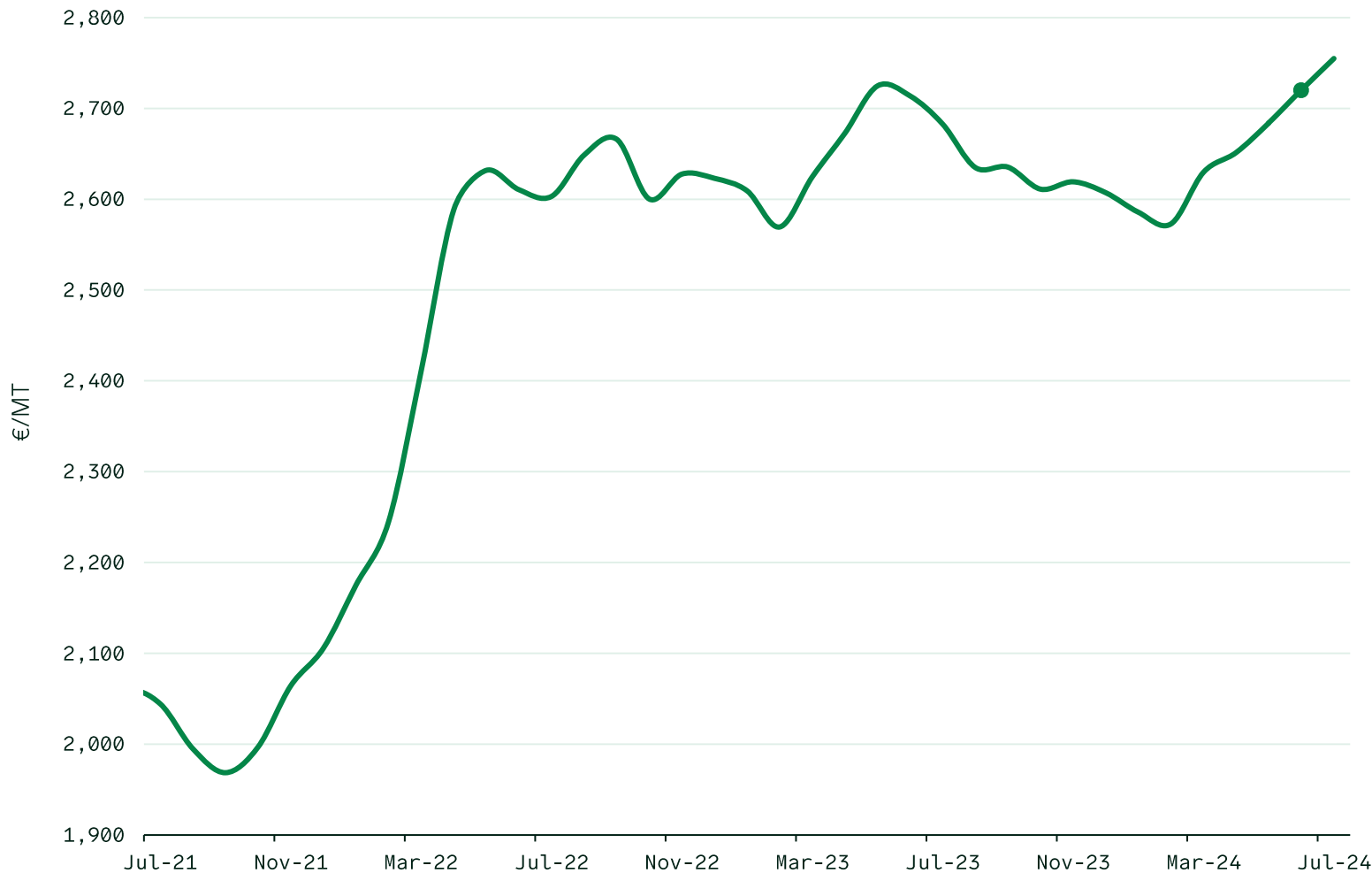


EU import destinations (2022 & 2023)



# Market Developments

BY18 - Chicken ddwt mp EU



Source: Mintec Analytics by Expana

## EU Chicken

BY18 - CHICKEN DDWT MP EU  
€2,754.8/MT

MONTH-ON-MONTH CHANGE  
↑ 1.3%

YEAR-ON-YEAR CHANGE  
↑ 2.7%

- Seasonal demand
- High meat prices- beef, lamb and pork
- Poultry indicators- increase in supplies

# Key EU Chicken Markets



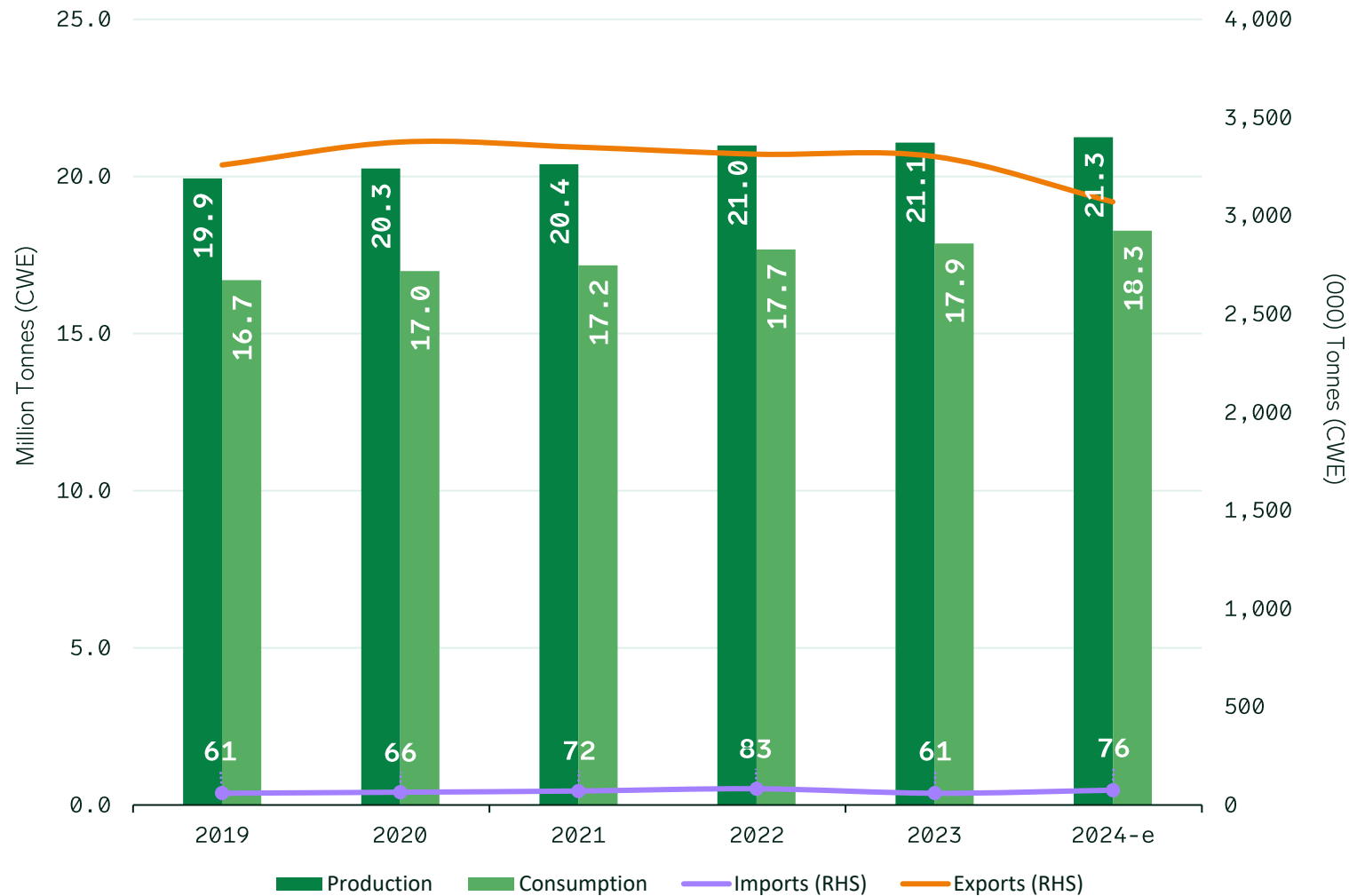
# Key EU Chicken Markets

Commodity	Recent price trend	Headlines
Poland (9A05)		<ul style="list-style-type: none"> <li>• High demand and elevated exports to Asia</li> <li>• Summer demand</li> <li>• Low supplies of live birds-Welfare restrictions</li> <li>• More supplies of fresh produce as compared to the frozen in the local market</li> <li>• Processors saving cold storage cost</li> </ul>
France (9A23)		<ul style="list-style-type: none"> <li>• Subsiding feed prices</li> <li>• Cheaper imports entering the French market- Brazil and Ukraine</li> <li>• Seasonal demand, France Olympics and exports to China</li> </ul>
UK (JI30)		<ul style="list-style-type: none"> <li>• Low stocks in domestic market</li> <li>• Seasonal demand</li> <li>• Ripple effect of rise in EU prices</li> <li>• Lower broiler chicks placed in April and May</li> <li>• Elevated import cost- extra veterinary checks at the borders</li> </ul>

# US Chicken Market Overview

# US Chicken: Supply & Demand

US Chicken balance sheet

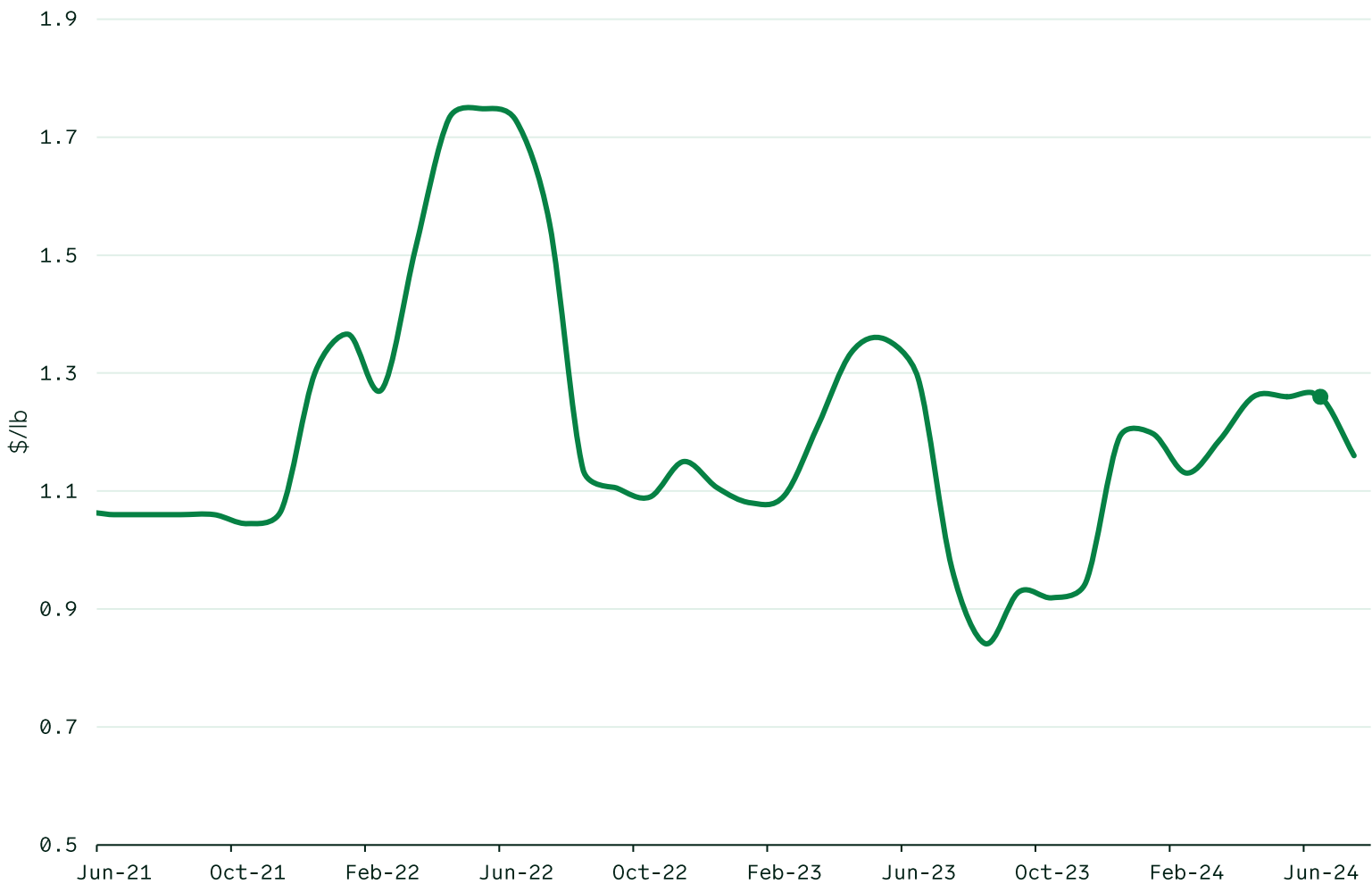


- Uptick in eggs set and chick placement figures
- Low exports- China, Taiwan , Cuba and the Philippines
- Highly Pathogenic Avian Influenza (HPAI) in the US chicken industry

Source: USDA

# Market Developments

WOG CHICKENS 3-3.5 lbs, Northeast (21626)



Source: Mintec Analytics by Expana

## US Chicken

21626 - WOG CHICKENS 3-3.5 LBS, NORTHEAST

USD 1.16/lb

MONTH-ON-MONTH CHANGE



7.9%

YEAR-ON-YEAR CHANGE

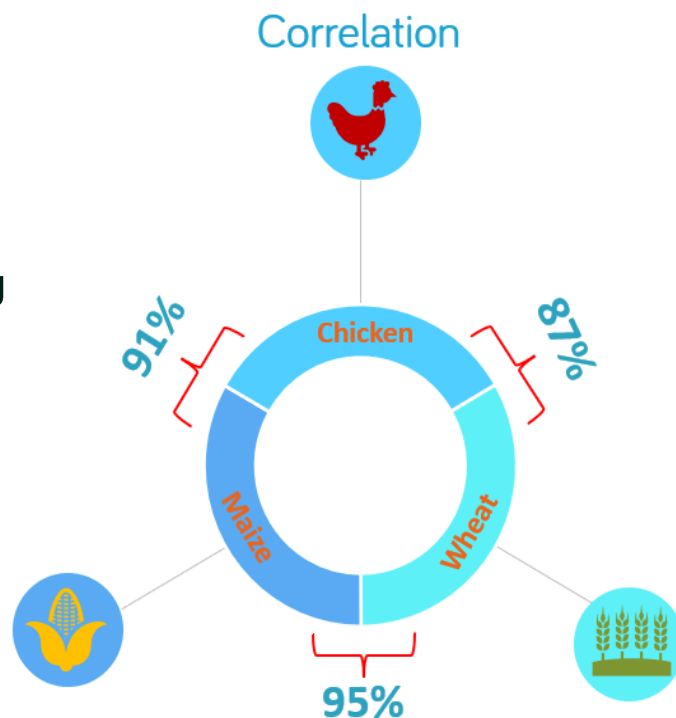


19.6%

- Increased chick placements-0.59% y-o-y
- Higher than average live weights-adequate supplies
- Weak demand from the traditional distributive and retail channels
- Lower exports- 10.3% y-o-y

# Price and Demand Drivers

- Feed costs- corn, soybean, wheat
- Energy costs
- Inflation
- Ukrainian chicken exports to the EU
- EU regulations: European Chicken Commitment (ECC) and other welfare restrictions
- EU and US: HPAI Cases



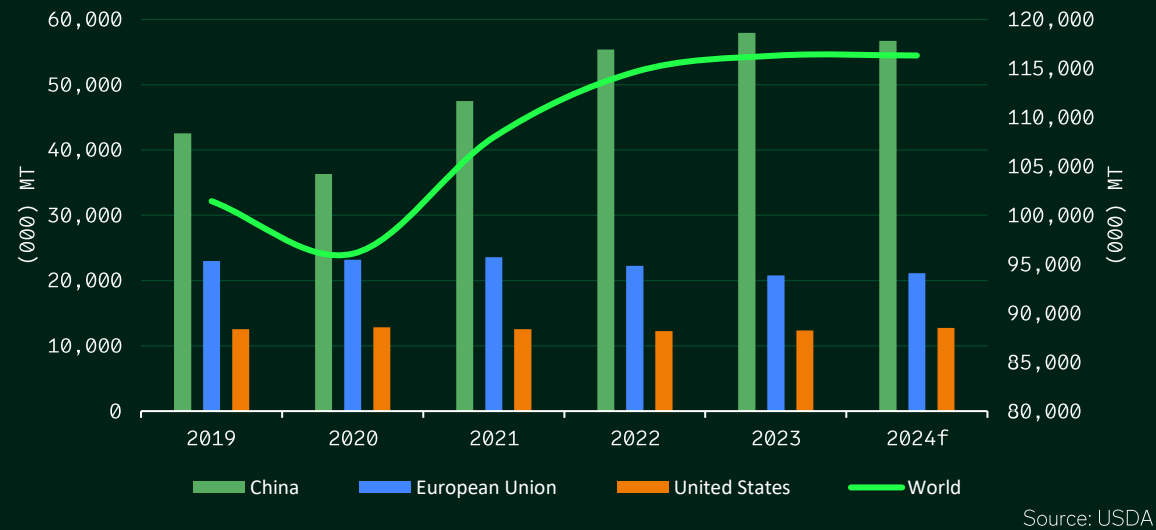
Cost of chicken production	Costs
Feed cost	67%
Genetics	14%
Labour	5%
Heat + Electricity + Water	5%
Transportation	2%
Interest and capital	4%
Others (overheads, repairs, maintenance, insurance)	3%

# Global Pork Market Overview

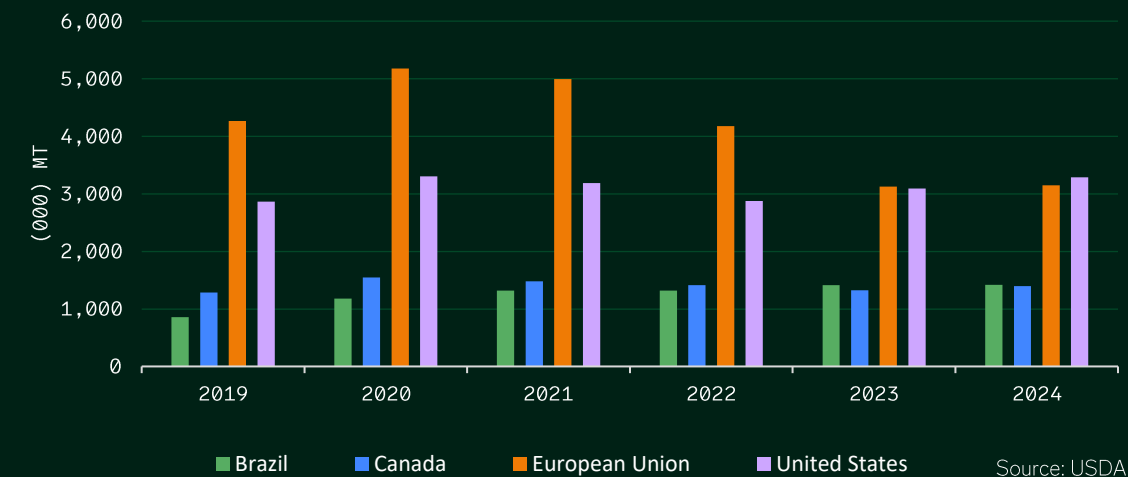
Sandro Schulz, EMEA Protein Team Lead

# Global Pork Market Dynamics

Global Pork Trade



Global Pork Trade



## Drivers

- The USDA's July 2024 report expects global pork production to increase slightly year over year instead of the previously expected decline. 2024 production totaling 116.32 million mt represents a 0.01% increase y-o-y
- China's pork production accounts for the largest portion of increase in the USDA's July 2024 report. Increasing by 800,000 mt to reach an expected 56.8 million mt 2024 production
- Global pork exports forecast a 3.2% y-o-y increase in 2024 – reaching 10.4 million tons
- Shipments from key players like the USA and Canada are expected to grow most during 2024. Meanwhile, imports into Mexico and South Korea will increase the most
- China's decline in pork imports since 2020 has been a large contributor to the decrease in global exports during 2020-2023.
- Chinese pork imports accounted for 13% of domestic consumption in 2020. 2024 forecasts expect China to import 1.5 million mt of pork representing 2.6% of domestic consumption
- The EU has been affected the most by China's decline in pork imports since 2020. A 0.8% increase is forecasted for 2024 as alternative markets like Japan and South Korea offset China's decreased imports

# EU Pork Carcass



## Drivers

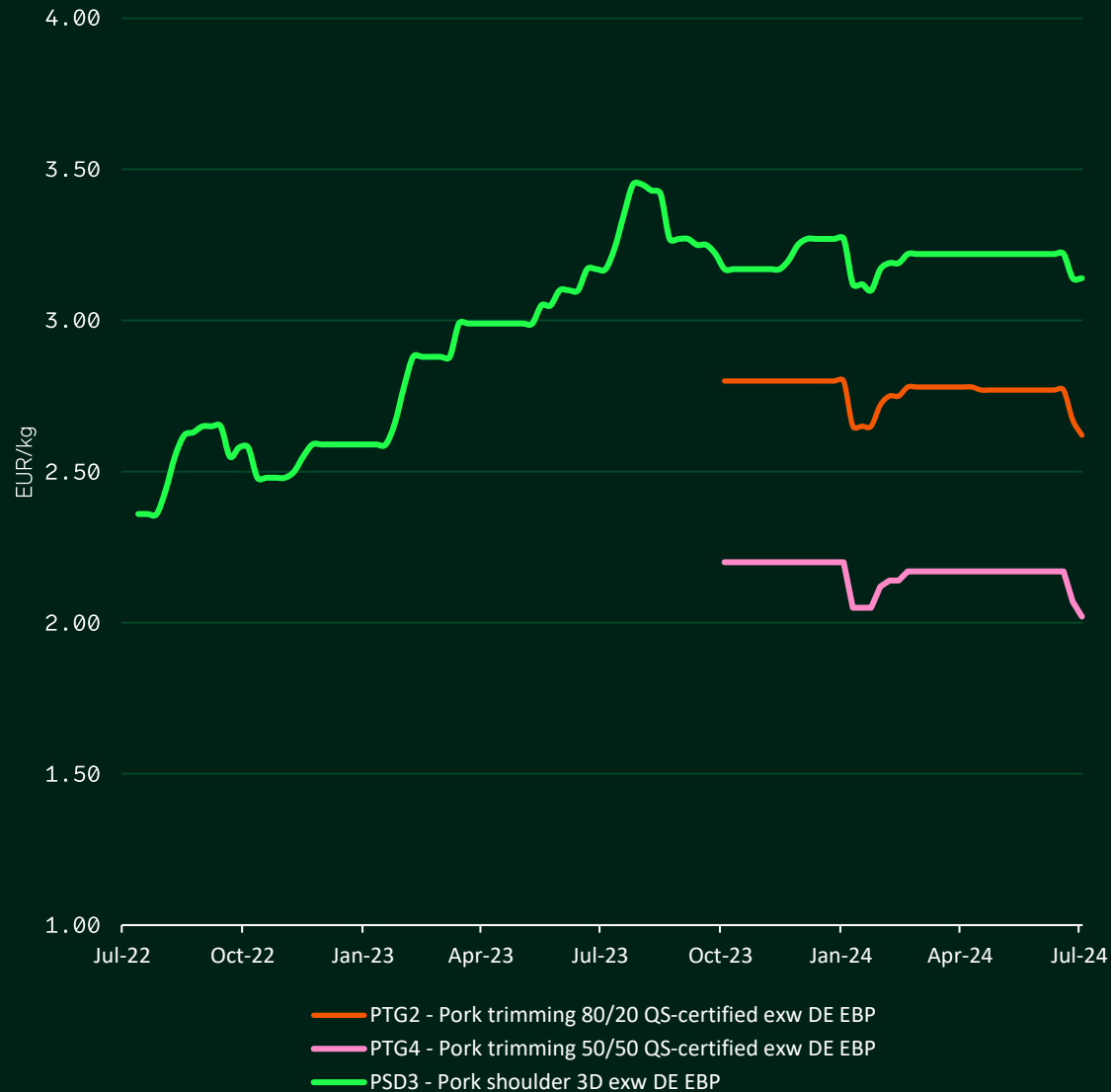
- Pork meat production increased 3.7% during Jan-Apr 2024 y-o-y
- Decrease in exports Jan-May 2024 -3.1% y-o-y
  - Driven by weaker international buying interest
- EU pork carcass prices increased 32% in H1, driven by a tight supply of live pigs across the EU
- Steady consumer demand across the EU
  - However, lower than-expected seasonal demand for grilling items during the second half of Q2
- Uncertainty surrounding ASF remains across the EU, as outbreaks among wild boar remain

## Market Expectation

- Steady to lower undertone in early H2
  - Seasonal increase in supply expected during late H2
  - Mixed demand expectations
  - Driven by fully adequate hog supplies and softening wholesale values



# EU Pork Cuts



## Drivers

### Pork shoulder

- Sufficient supply linked to an increase in pork slaughtering
- Steady retail demand during H1
  - Lower-than-expected seasonal demand during the grilling season
  - Only small retail features
- Stable international buying interest

### Trimmings

- Following steady supply during the second half of H1, supply tightened during the start of H2.
- Stable demand from processors and the export market during H1
- Mixed weather conditions reduced seasonal demand to produce grilling sausages

# US Pork Carcass



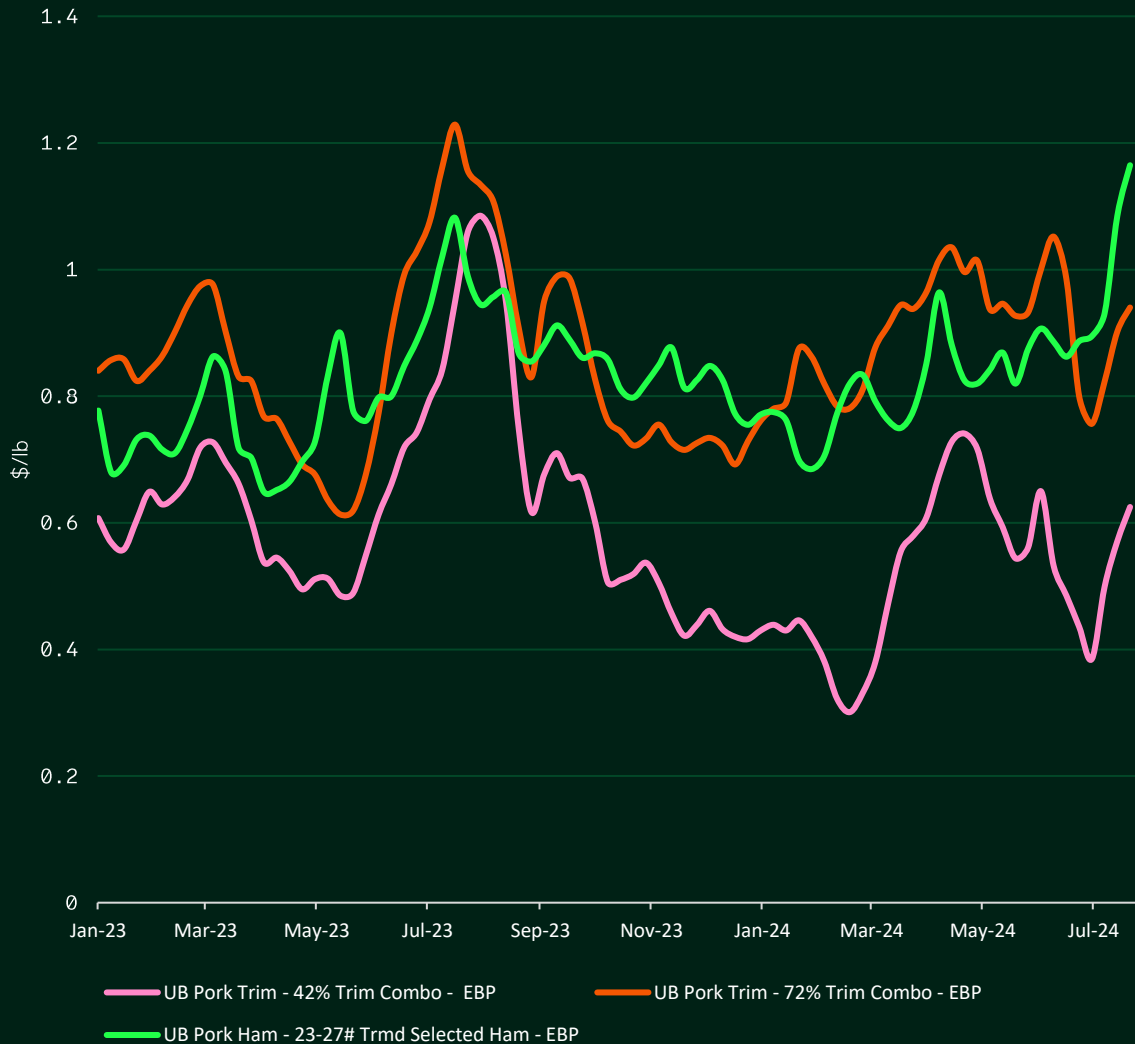
## Drivers

- Pork meat production increased 1% during Jan-May 2024 y-o-y
- US cash hog market gained nearly 81% in H1, driven by strong demand for the animals and higher YOY wholesale pork prices
- Grilling season supported domestic pork demand in late H1; the cash market hit H1 high in mid-May
- Total frozen pork cold storage inventories remained historically low
- Export demand for US pork was solid, especially from Mexico
  - Increase in exports Jan-May 2024 6% y-o-y

## Market Expectation

- Steady to lower undertone in early H2
  - Driven by fully adequate hog supplies and softening wholesale values
  - Mixed demand expectations
  - Seasonal increase in supply expected during late H2

# US Pork cuts



Source: Urner Barry by Expana

## Drivers

### Bone-In Ham

- Continuous strong buying interest from Mexico for US Ham
- Pork ham functions as a cheaper alternative to elevated beef ham prices

### 42% Trimmings

- Elevated hog weights supported the availability during the second half of H1
- Supply tightened during the first month of H2 linked to lighted slaughter weights

### 72% Trimmings

- Seasonal demand is supported by the summer holiday period and additional demand from the hot dog industry
- Following steady supply during the second half of H1, supply tightened during the start of H2

# Q&A



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# Thank you