




**2023 in Review:  
Economics and a Look  
into the Future**

**Brett Stuart**  
President, Global AgriTrends  
December 5, 2023

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**Our Business: Global AgriTrends**

- Global analysis of agriculture markets, est. 2006; focused on global proteins (beef, pork, poultry)
- Economic and policy, forecasting; market research
- Extensive global network of clients and contacts
- On-the-ground research on 6 continents
- Providing data to a wide variety of global agribusinesses including: multinational processors, agriculture banks, hedge funds, commodity brokers, meat and livestock producers (hogs, cattle, chickens, dairy, grains), trade associations, feed companies, nutrition, pharmaceuticals and others seeking market intel in the global protein space





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**Outline**

- 2023 – Brief Review
  - Stubborn inflation
  - Margin pressure, weather, global livestock liquidation
  - China’s woes
- 2024 and beyond – Outlook
  - Recession risk and proteins
  - Supply / demand imbalance
  - Trade and politics: China, climate policies



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### 2023: Brief Review

Stubborn inflation  
Margin pressure, weather, global livestock liquidation  
China's woes

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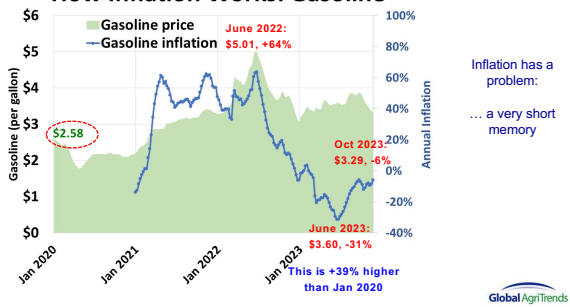
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### How Inflation Works: Gasoline



Inflation has a problem:  
... a very short memory

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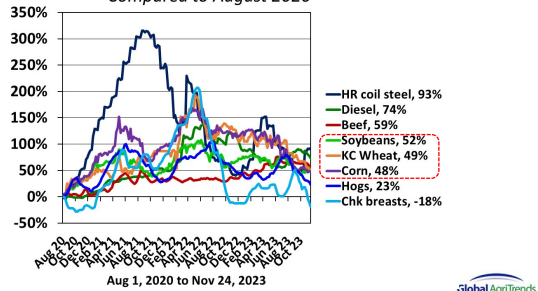
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### U.S. Price Changes

Compared to August 2020



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### Inflation Frustration

- Nearly 4 years after the heavy pandemic stimulus (US\$18 trillion globally), nations both poor and rich are still reeling with persistent inflation
- Strategies vary
  - Interest rate hikes have been used widely to slow the velocity of money and temper speculation
  - Governments can reduce spending and increase taxes, or impose price controls (or export taxes, Argentina...)
  - The blame game begins as consumers feel pinched by rising costs and wages are slow to keep up



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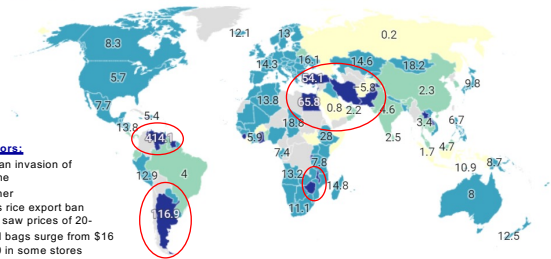
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### Global food inflation heat map

■ < 2  
 ■ 2-5  
 ■ 5-30  
 ■ ≥ 30



#### Key factors:

- Russian invasion of Ukraine
- Weather
- India's rice export ban which saw prices of 20-pound bags surge from \$16 to \$50 in some stores

Source: Datalwrapper



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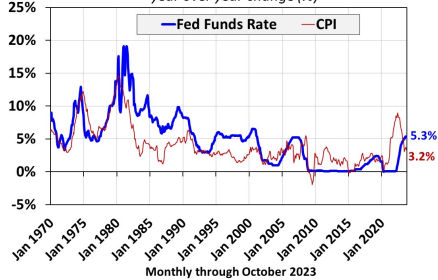
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### U.S. Inflation and Interest Rates

year over year change (%)



Monthly through October 2023



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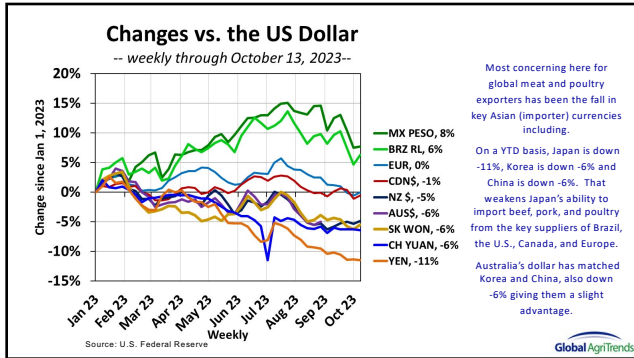
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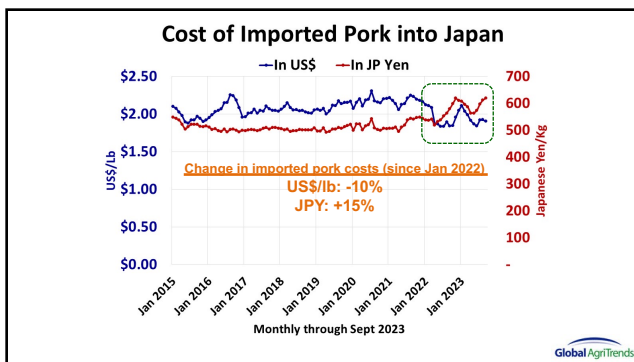
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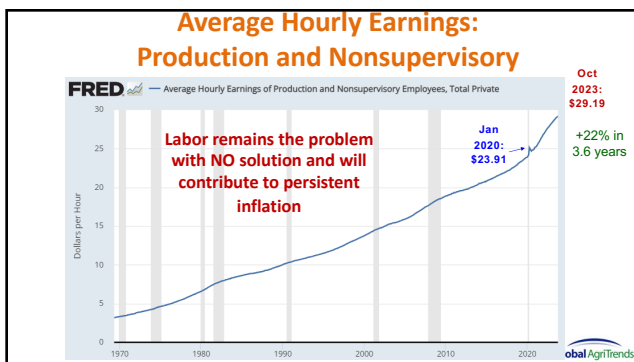
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### Persistent Inflation

- The sheer increase in money supply (US money supply grew 44% in 3 years) lends to a permanent structural cost increase: real estate, equity markets, goods & services
- Wages are the slowest to rise, pressuring household budgets
  - Labor remains the problem with NO solution
  - And will take a decade to rebalance with higher costs



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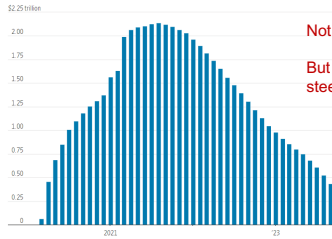
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### U.S. Consumers are Running Out of Money....

Cumulative excess savings held by U.S. households



Not yet though....  
 But the burn rate is pretty steep!

Source: Federal Reserve Bank of San Francisco

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### 2024 and Beyond – Economic Outlook

- Recession risk and proteins
- Supply / demand imbalance
- Trade and politics: China, climate policies

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Politics | Economics

### Forecast for US Recession Within Year Hits 100% in Blow to Biden


- Bloomberg Economics sees near certainty downturn will start
- Tightening conditions, inflation, hawkish Fed weigh on outlook






 Gift this article

Significant US Recession 'Not Inevitable,' Says Raimondo

By Josh Wingo

October 17, 2022 at 10:02 AM EDT




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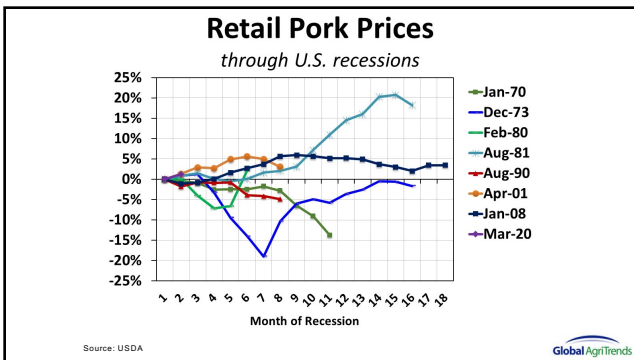
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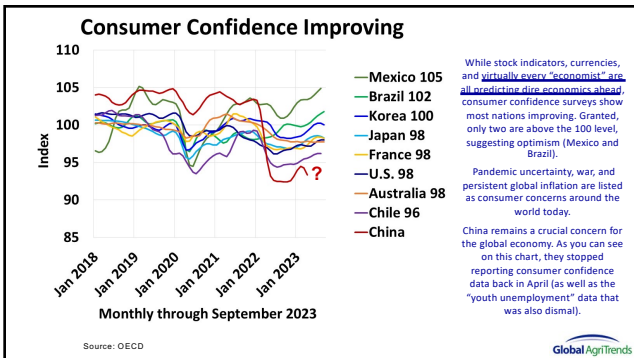
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### The Post-Pandemic Business Model: Supply Management

- Stubborn inflation, sustained by tight labor markets, has pressured companies large and small to **ration output and hold high prices**
  - This is the new model of dealing with heavy inflation
  - Margins can be maintained, for now, by throttling back output and keeping prices HIGH
  - Consumers pay the price (or at least those who can afford to will)
- It's becoming a universal model...



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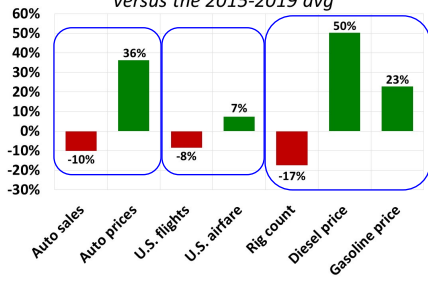
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### U.S. Output and Prices in 2023

versus the 2015-2019 avg



Source: AgriTrends



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### Global Livestock/Protein and Grains Supply and Demand Fundamentals

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### Global Protein: Liquidation in Sync

- **Australian cattle and sheep:** liquidation in progress to 2023-2024  
– rebuild to 2026-2027
- **U.S. cattle:** nearly 3 years of drought trimmed the herd by -9%  
– Expansion has yet to begin, but will tighten supplies further
- **U.S. hogs:** financial losses 8 of the past 10 months  
– H&P showed very slight liquidation, but losses expected to continue
- **U.S. chicken:** Processor losses accruing 10 of last 12 months  
– Egg sets remain -1% in Sep
- **Brazilian cattle:** Slaughter to decline -11% by 2026
- **China hogs:** Disease issues, weak demand, oversupply  
– 22 of the past 29 months have seen producer losses
- **EU Hogs:** Significant liquidation due to rising costs, policies  
– A further 10% decline by 2030 according to EU projections



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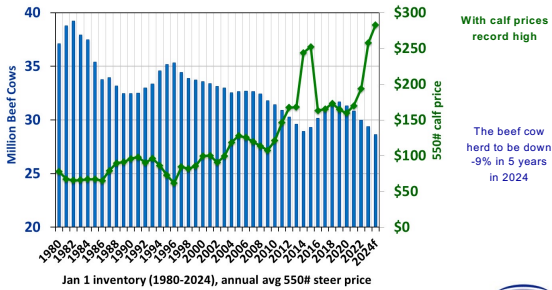
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### U.S. Beef Cows and Calf Price



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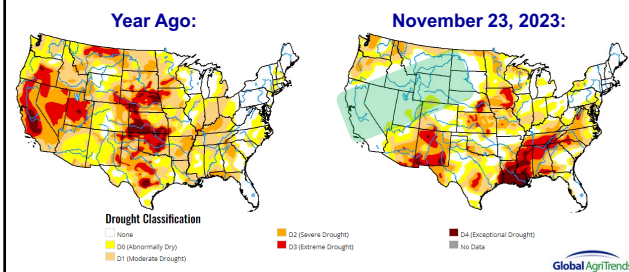
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### Persistent Drought



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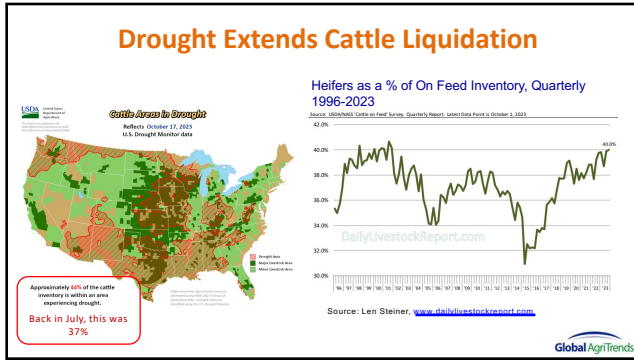
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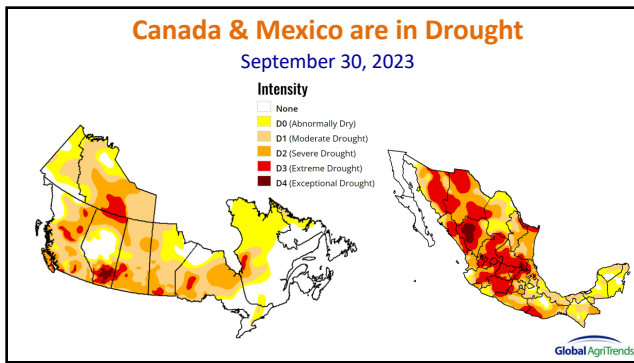
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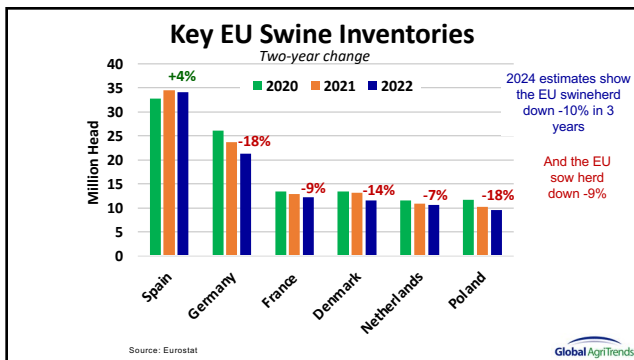
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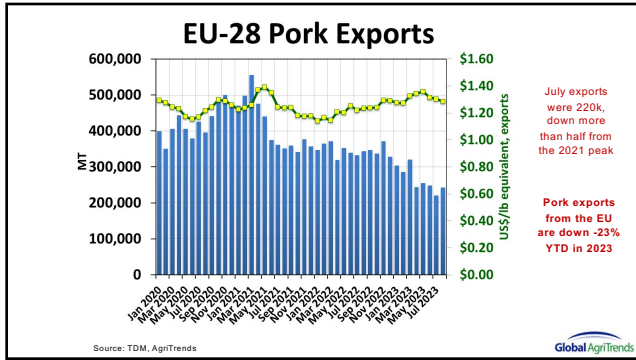
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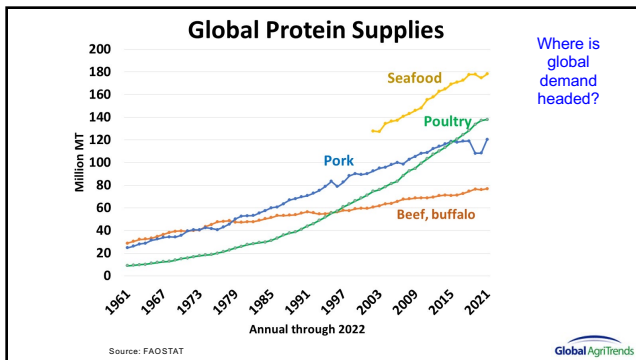
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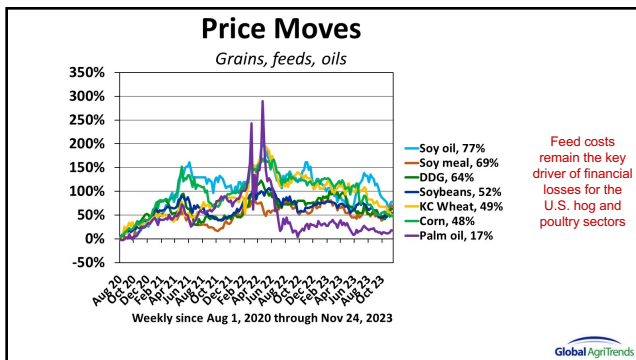
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### Global Feed Grain Markets

**Market Factors:**

- Russia/Ukraine: “war premium” built into wheat prices
- Global beef and swine herd liquidations over the next 3 years will have a longer term (and slight) impact in grain markets
- Energy policy: ethanol and biodiesel; new U.S. biodiesel plants will lead to increased soymeal supplies
- Mexico’s threat to ban U.S. GM corn
- China’s pivot from the U.S. to Brazil
- Weather remains the constant uncertainty...



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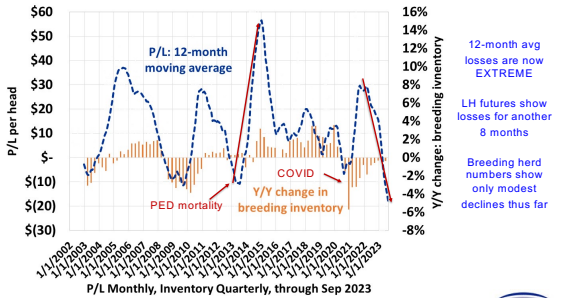
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### U.S. Hog Margins and Breeding Inventory



Source: Iowa State University, USDA

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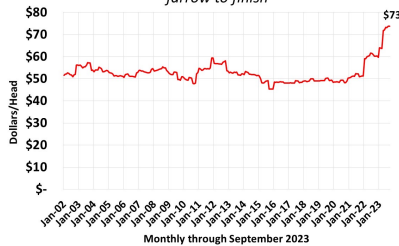
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### Blame the FEED COSTS...

#### Feed Cost per Head

farrow to finish



Source: Iowa State University

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### Trade and Politics

China  
Climate Policy

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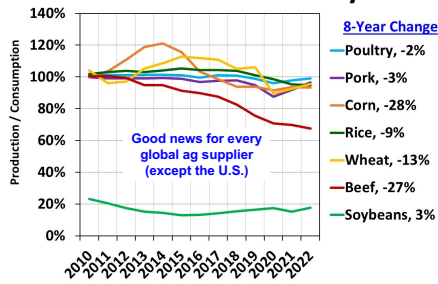
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### China Self-Sufficiency



Source: USDA/FAS

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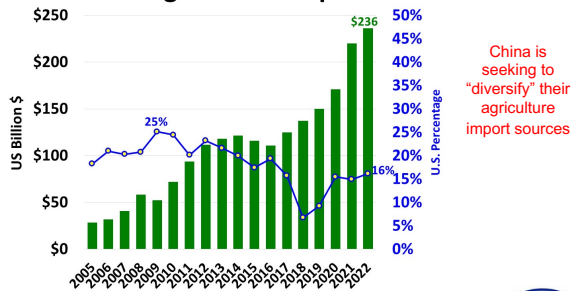
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### China Agriculture Imports



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THE WALL STREET JOURNAL

### It's U.S. vs. China in an Increasingly Divided World Economy

Trade and investment flows settle into new patterns around two rival power centers — with major risks

- China passed a significant milestone last fall: **For the first time since its economic opening more than four decades ago, it traded more with developing countries than the U.S., Europe and Japan combined.**
- For decades, the U.S. and other Western countries sought to make China both a partner and a customer in a single global economy led by the richest nations. Now trade and investment flows are settling into new patterns built around the two competing power centers.
- **Washington continues to raise the heat on China with investment curbs and export bans, while China reorients large parts of its economy away from the West toward the developing world**

[https://www.wsj.com/economy/trade/economy-us-china-trade-investment-1c6b226c?ref=article\\_feed&mod=story&utm\\_campaign=us-china-trade-investment](https://www.wsj.com/economy/trade/economy-us-china-trade-investment-1c6b226c?ref=article_feed&mod=story&utm_campaign=us-china-trade-investment)



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### Climate Legislation Against Livestock

- Dutch farmers protest plans to halve the nation's livestock
- New Zealand plans to tax farmers for emissions, beginning in 2025
- Ireland to cut emissions -25% by 2030
- Denmark to cut livestock emissions by -65%
- Canada's Trudeau suggesting a -30% cut in fertilizer emissions
  - Costing around 160 mmt of grain
  - And proposing tripling the carbon tax (to \$150,000 for a 5,000 ac farm)
- **It's all about METHANE**
  - From livestock, fossil fuels, landfills, biomass burning



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### Sustainability is an Opportunity

13 Frank Mitloehner Retweeted  
CLEAR Center @UCDavisCLEAR · Aug 24

"Methane is a super opportunity for the agricultural sector. If we can manage methane, agriculture can be part of the solution to reduce global warming." — @GHGGuru



ruralnewsgroup.co.nz

Better methane measure will make an impact  
Recognition is urgently needed on a new measure for short and long-lived greenhouse gases and their impact on global warming. That was ...



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### Final Thoughts

- Sticky inflation is shifting business models
- Global beef and pork supplies are tightening
  - In sync with each other for various reasons globally
  - Weather and margins are the key drivers
- **Higher prices and profits out there... in the future**
  - For those who can endure the present
- Threats and opportunities abound!
  - China, biodiesel, climate policies...



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## Thank You

Brett Stuart  
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 @agritrends

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