Where Do Cattle Markets Go From Here?

- It has been a wild ride the last few years
  - The pendulum has swung: too few cattle to perhaps too many
  - Other meat supplies have followed suit
- We may be returning to what is a long-term “normal”
  - Unfortunately this follows a sharp declines in cattle prices
  - As unforeseen events caused recent volatility, more may occur
- The tug-of-war between supply and demand continues
  - Recent demand performance and outlook is positive
  - Abundant cattle supplies continue to exert market pressure
ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual

$ Per Cow

Data Source: USDA-AMS, Compiled and Analysis by LMIC
Livestock Marketing Information Center

College of Agriculture,
Food and Natural Resources

C-P-66
07/07/17
Economies of Scale Are Present In All Agricultural Sectors

**Beef cow-calf cost of production per cow by size, 2008**

*Economies of size are apparent in beef cow-calf production, particularly for total economic costs.*

<table>
<thead>
<tr>
<th>Dollars per cow</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,800</td>
</tr>
<tr>
<td>1,600</td>
</tr>
<tr>
<td>1,400</td>
</tr>
<tr>
<td>1,200</td>
</tr>
<tr>
<td>1,000</td>
</tr>
<tr>
<td>800</td>
</tr>
<tr>
<td>600</td>
</tr>
<tr>
<td>400</td>
</tr>
<tr>
<td>200</td>
</tr>
</tbody>
</table>

- **Total economic costs**
- **Operating plus capital costs**
- **Operating costs**

**The Diverse Structure and Organization of U.S. Beef Cow-Calf Farms**

William D. McBride
Kenneth Mathews, Jr.

United States
Department of Agriculture
Economic Research Service
Economic Information Bulletin Number 73
March 2011

College of Agriculture,
Food and Natural Resources
MED. & LRG. #1 STEER CALF PRICES
400-500 Pounds, Southern Plains, Weekly

$ Per Cwt.

Data Source: USDA-AMS
Livestock Marketing Information Center
Beef Cows and Production

[Graph showing the number of beef cows and beef production from 1980 to 2016.]

College of Agriculture,
Food and Natural Resources
Annual Change in Beef Cows, 2017

The map shows the annual change in the number of beef cows in each state for the year 2017. The changes are color-coded to indicate increases or decreases.

- States with a significant increase in beef cows include Texas (+172), Oklahoma (+150), and South Dakota (+170).
- States with a significant decrease in beef cows include West Virginia (-24) and Kentucky (-8).
- Other states show changes in the range of 10 to 68.

The map is provided by the College of Agriculture, Food and Natural Resources.
Change in Beef Cows, 2017 vs. 2009

Map showing the change in beef cows from 2009 to 2017 across different states. The changes are indicated by numbers and colors:
- Green for a + sign: +59, +38, +69, +85, +57, +40, +28, +25, +6
- Red for a large negative change: -710

States showing changes:
- Montana: +49
- Wyoming: +85
- North Dakota: +69
- South Dakota: +57
- Nebraska: +65
- Kansas: +60
- Missouri: +40
- Wisconsin: +28
- Pennsylvania: +25
- Idaho: +6
- Washington: -46
- Oregon: +39
- Nevada: -67
- California: -39
- Colorado: -91
- New Mexico: -32
- Texas: -710
- New York: +25
- Florida: -34

Source: College of Agriculture, Food and Natural Resources
How Many More Beef Cows?

Million Head

Beef Cow Inventory

College of Agriculture,
Food and Natural Resources
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/

Released Thursday, October 18, 2012
Author: Matthew Rosencrans, NOAA/NWS/NCEP/CPC

USDA
National Drought Mitigation Center

College of Agriculture,
Food and Natural Resources
Weather Is Cooperating in Growing the Beef Cow Herd

U.S. Drought Monitor

August 30, 2016
(Released Thursday, Sep. 1, 2016)
Valid 8 a.m. EDT

Drought Impact Types:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Author:
Chris Fenimore
NCB/NOESDIS/NOAA

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/
Beef Cows in Drought-Affected States

“Drought-affected” here is defined as 40% or more of state in D2 or worse.
The “Known” on Beef Cow Inventory

Change in Beef Cows
Change in Cows (t-1) adjusted for slt.

Million Head

### July 2017 Cattle Report

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual</th>
<th>% of 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Cattle and Calves July 1</td>
<td>102,600</td>
<td>104</td>
</tr>
<tr>
<td>Annual Calf Crop</td>
<td>36,300</td>
<td>106</td>
</tr>
<tr>
<td>Total Cows/Heifers Calved</td>
<td>41,900</td>
<td>105</td>
</tr>
<tr>
<td>Beef Cows/Heifers</td>
<td>32,500</td>
<td>107</td>
</tr>
<tr>
<td>Milk Cows/Heifers</td>
<td>9,400</td>
<td>101</td>
</tr>
<tr>
<td>Heifers 500 lbs. +</td>
<td>16,200</td>
<td>103</td>
</tr>
<tr>
<td>For Beef Replacements</td>
<td>4,700</td>
<td>98</td>
</tr>
<tr>
<td>For Milk Replacements</td>
<td>4,200</td>
<td>100</td>
</tr>
<tr>
<td>Other Heifers</td>
<td>7,300</td>
<td>109</td>
</tr>
<tr>
<td>Steers 500 lbs. +</td>
<td>14,500</td>
<td>103</td>
</tr>
<tr>
<td>Bulls 500 lbs. +</td>
<td>2,000</td>
<td>105</td>
</tr>
<tr>
<td>Calves Under 500 lbs.</td>
<td>28,000</td>
<td>105</td>
</tr>
<tr>
<td>Cattle on Feed</td>
<td>12,800</td>
<td>106</td>
</tr>
</tbody>
</table>
Cattle on Feed, 1000+ Capacity Lots

Million Head

JAN  FEB  MAR  APR  MAY  JUN  JUL  AUG  SEP  OCT  NOV  DEC

F.I. Dressed Cattle Weight

College of Agriculture,
Food and Natural Resources
# Meat Production and Trade, July WASDE

<table>
<thead>
<tr>
<th>Production (billion lbs.)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>25.3</td>
<td>26.6</td>
<td>27.1</td>
</tr>
<tr>
<td>Pork</td>
<td>25.0</td>
<td>25.9</td>
<td>26.8</td>
</tr>
<tr>
<td>Chicken</td>
<td>40.3</td>
<td>41.0</td>
<td>41.8</td>
</tr>
<tr>
<td>Other</td>
<td>6.7</td>
<td>6.8</td>
<td>7.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exports (billion lbs.)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>2.6</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Pork</td>
<td>5.2</td>
<td>5.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Chicken</td>
<td>6.6</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Imports (billion lbs.)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>3.0</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Pork</td>
<td>1.1</td>
<td>1.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Other</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>
# Meat Availability and Prices, July WASDE

<table>
<thead>
<tr>
<th>Availability (lbs. / capita)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>55.6</td>
<td>57.1</td>
<td>57.9</td>
</tr>
<tr>
<td>Pork</td>
<td>50.1</td>
<td>50.1</td>
<td>50.9</td>
</tr>
<tr>
<td>Chicken</td>
<td>89.8</td>
<td>90.1</td>
<td>91.3</td>
</tr>
<tr>
<td>Other</td>
<td>19.1</td>
<td>19.3</td>
<td>19.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prices (cents / lb.)</th>
<th>2016</th>
<th>Projected</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fed steer</td>
<td>120.86</td>
<td>121 - 125</td>
<td>113 - 123</td>
</tr>
<tr>
<td>Barrow and gilt</td>
<td>46.16</td>
<td>48 - 50</td>
<td>46 - 49</td>
</tr>
<tr>
<td>Chicken</td>
<td>84.3</td>
<td>92 - 95</td>
<td>85 - 92</td>
</tr>
<tr>
<td>Turkey</td>
<td>117.1</td>
<td>101 - 104</td>
<td>102 - 111</td>
</tr>
</tbody>
</table>
Meat Production

Billion Pounds

1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017

(B)
How Does Trade Figure In?

Change in Total Meat, Billion Lbs.

- **Production**
- **Net Trade**

Years:
- 1990-94
- 1994-98
- 1998-02
- 2002-06
- 2006-10
- 2010-14
- 2014-18

Years mentioned:
- 2015
- 2016
- 2017

College of Agriculture, Food and Natural Resources
More Meat for U.S. Consumers Still to Come

![Graph showing domestic meat availability from 1996 to 2018. The graph indicates a trend of fluctuating meat availability per person, with a notable decline around 2008 and a recent increase towards 2018.](p)
US BEEF EXPORTS TO MAJOR MARKETS
Carcass Weight, Monthly

Mil. Pounds

Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center
Global Beef Exports

- U.S.
- India
- AU/NZ
- Brazil
- ROW

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Growth Potential in China!

Beef Consumption, Lbs./Person

- U.S.
- Canada
- EU
- S. Korea
- Japan
- China/HK/TW
Feeder Steer as Share of Wholesale Value

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SLAUGHTER STEER PRICES
Southern Plains, Weekly

Data Source: USDA-AMS
Livestock Marketing Information Center
AVERAGE ANNUAL RETURNS TO CATTLE FEEDERS
Feeding 750 Lb. Steers, S. Plains, Custom Feeding Total Costs

Data Source: USDA-AMS, Compiled and Analysis by LMIC
Livestock Marketing Information Center

College of Agriculture,
Food and Natural Resources

C-P-10
07/05/17
Wholesale Value of Fed Steer/Heifer Beef

Million Dollars


Branded/Choice  Select/Ungraded  Prime (right axis)
Boxed Beef Choice-Select Spread

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Cattle Prices

Dollars per Cwt.

Fed Steer

Feeder Steer (500-550 lb.)
Cattle Prices

Dollars per Cwt.

Fed Steer

Feeder Steers (500-550 lb)
Takeaways

- Lower livestock prices will last a while
  - The markets of 2014 and early 2015 will not return
  - There is more beef coming, and lots of pork and chicken too

- There is reason for optimism
  - Consumer demand for beef, especially higher quality, is solid
  - Export potential bright due to China, other exporter struggles

- Keep an eye on the developing drought in N. Plains
  - Beef cow numbers likely to grow a couple more years

- What can you do on your operation to take advantage?