

2018 Cattle Market Situation and Outlook - August 9, 2018



Josh Maples - Assistant Professor
Livestock Extension Economist



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Overview

- **Market Conditions**
- **Beef Cattle Market Fundamentals**
 - Supply and Demand
- **Beef Demand & Consumption**
- **International Trade**
- **Questions/Discussion**



Market Conditions



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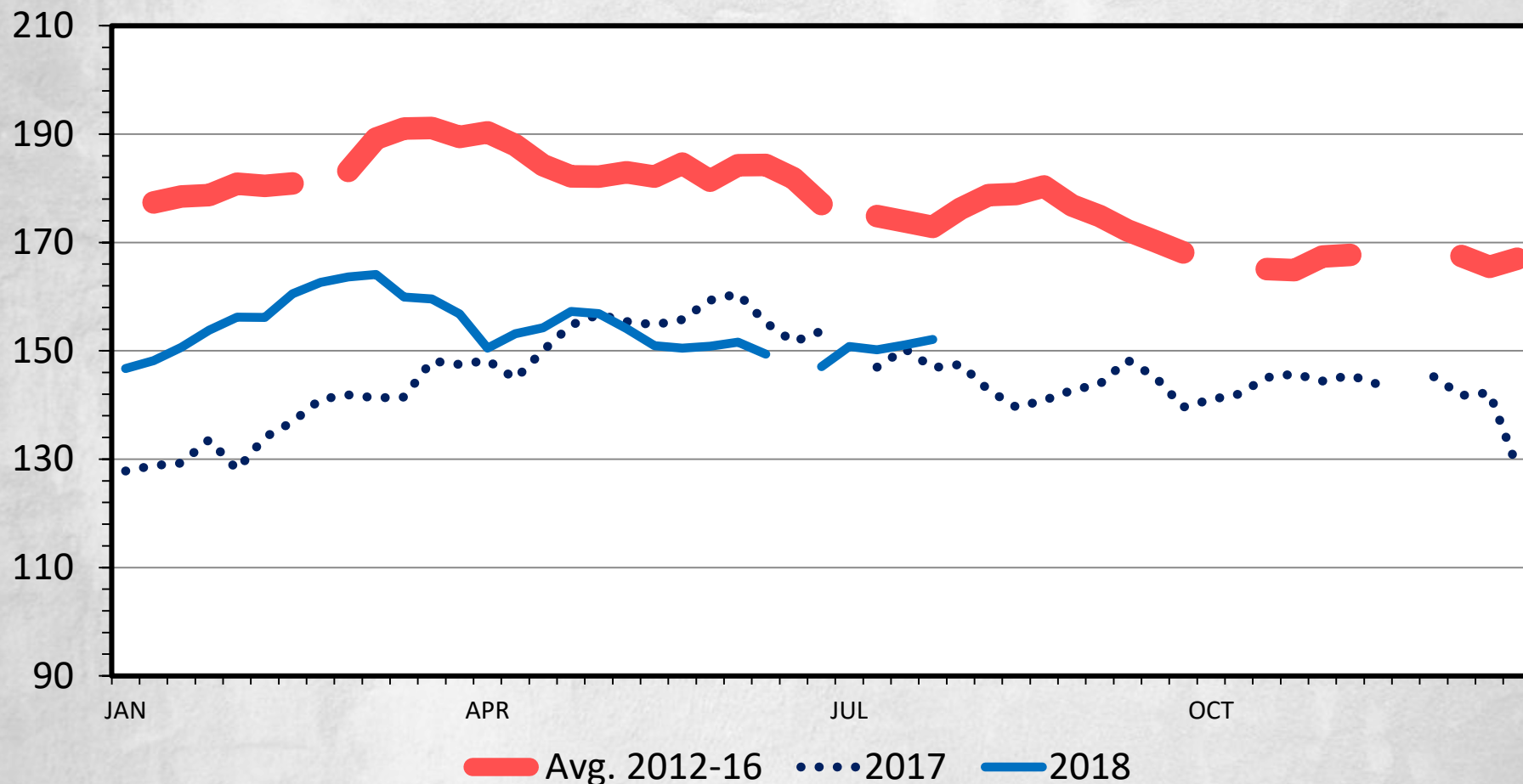


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MED. & LRG. #1-2 FEEDER STEER PRICES

500-600 Pounds, Tennessee, Weekly

\$ Per Cwt.



Data Source: USDA-AMS



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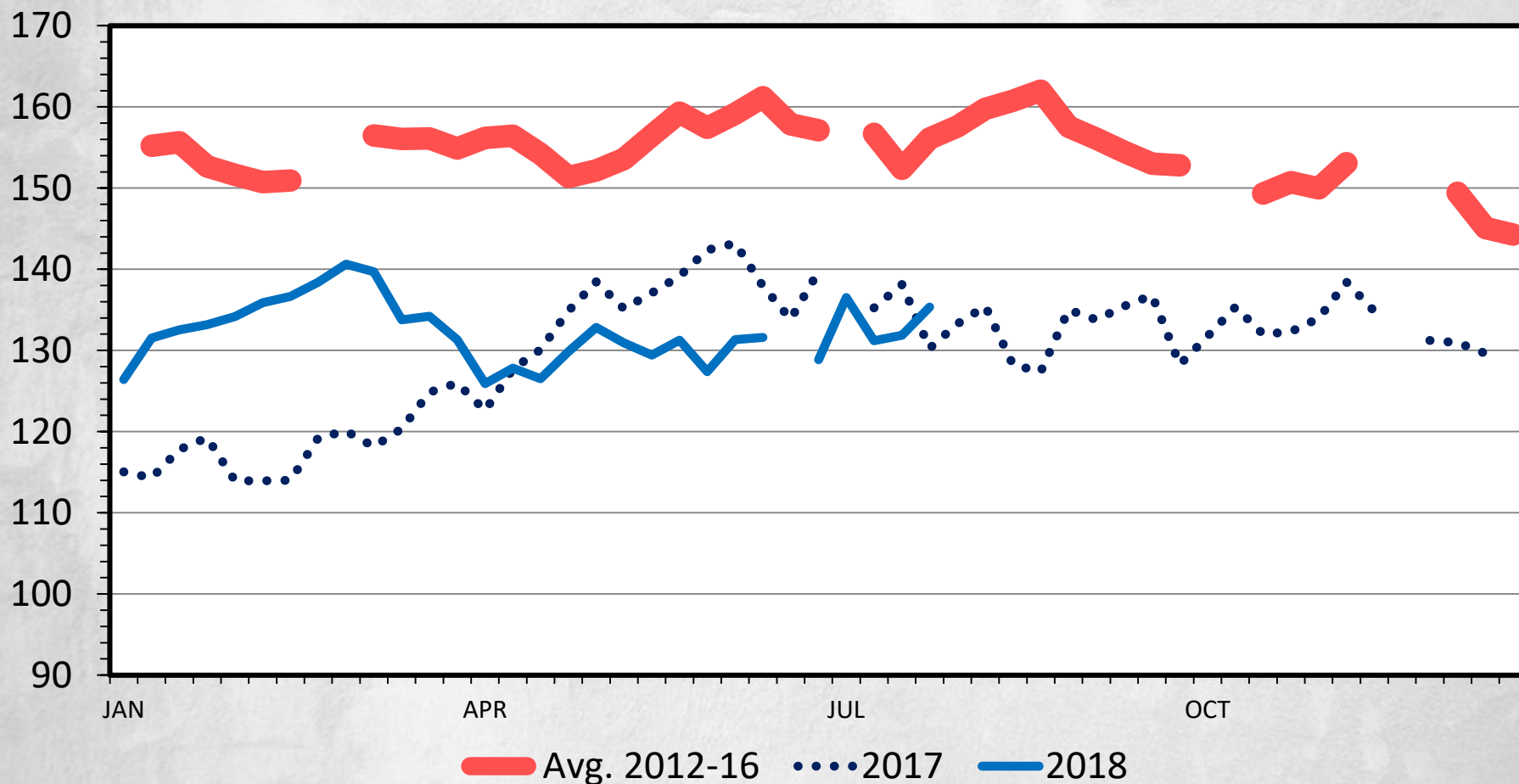
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CE-49
10/10/17

MED. & LRG. #1-2 FEEDER STEER PRICES

700-800 Pounds, Tennessee, Weekly

\$ Per Cwt.



Data Source: USDA-AMS



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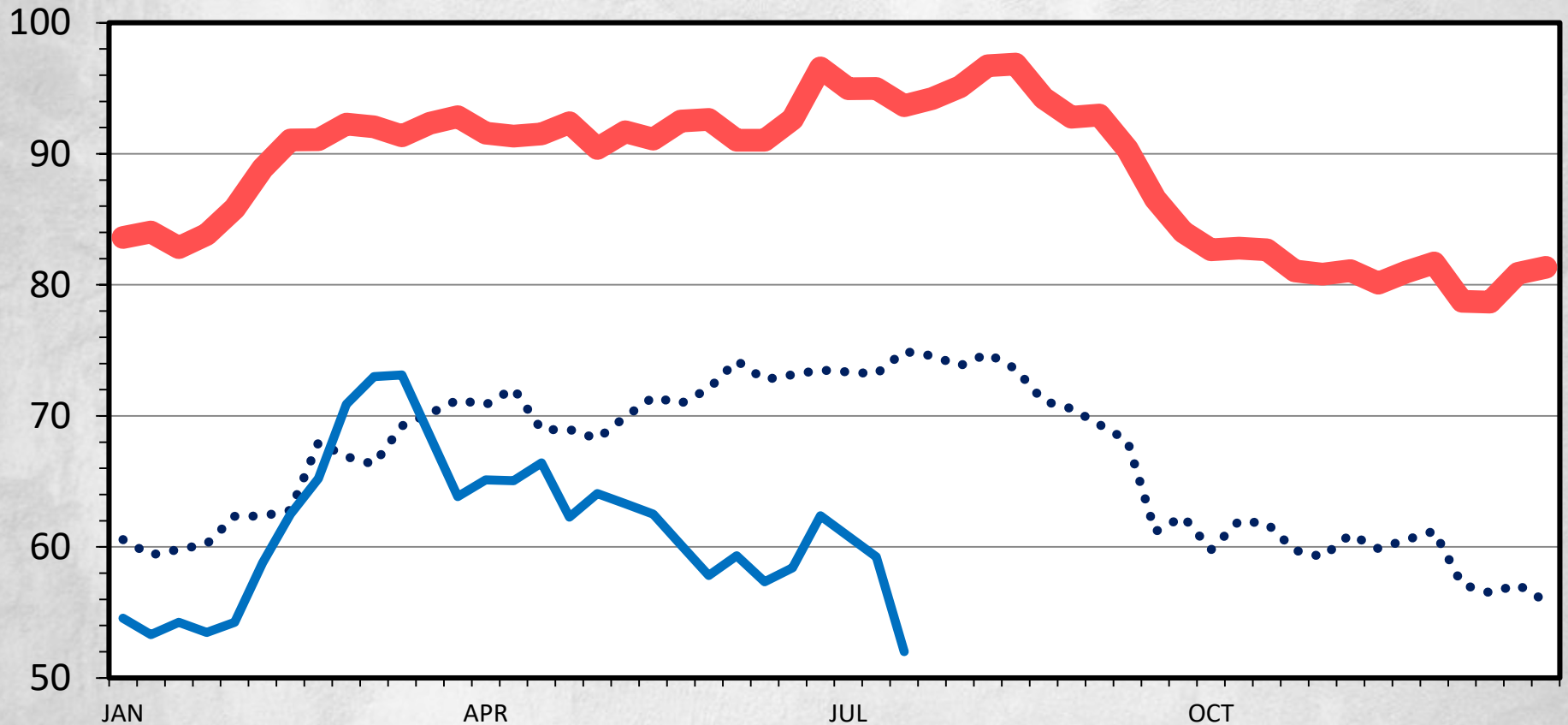
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CE-49
10/10/17

SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

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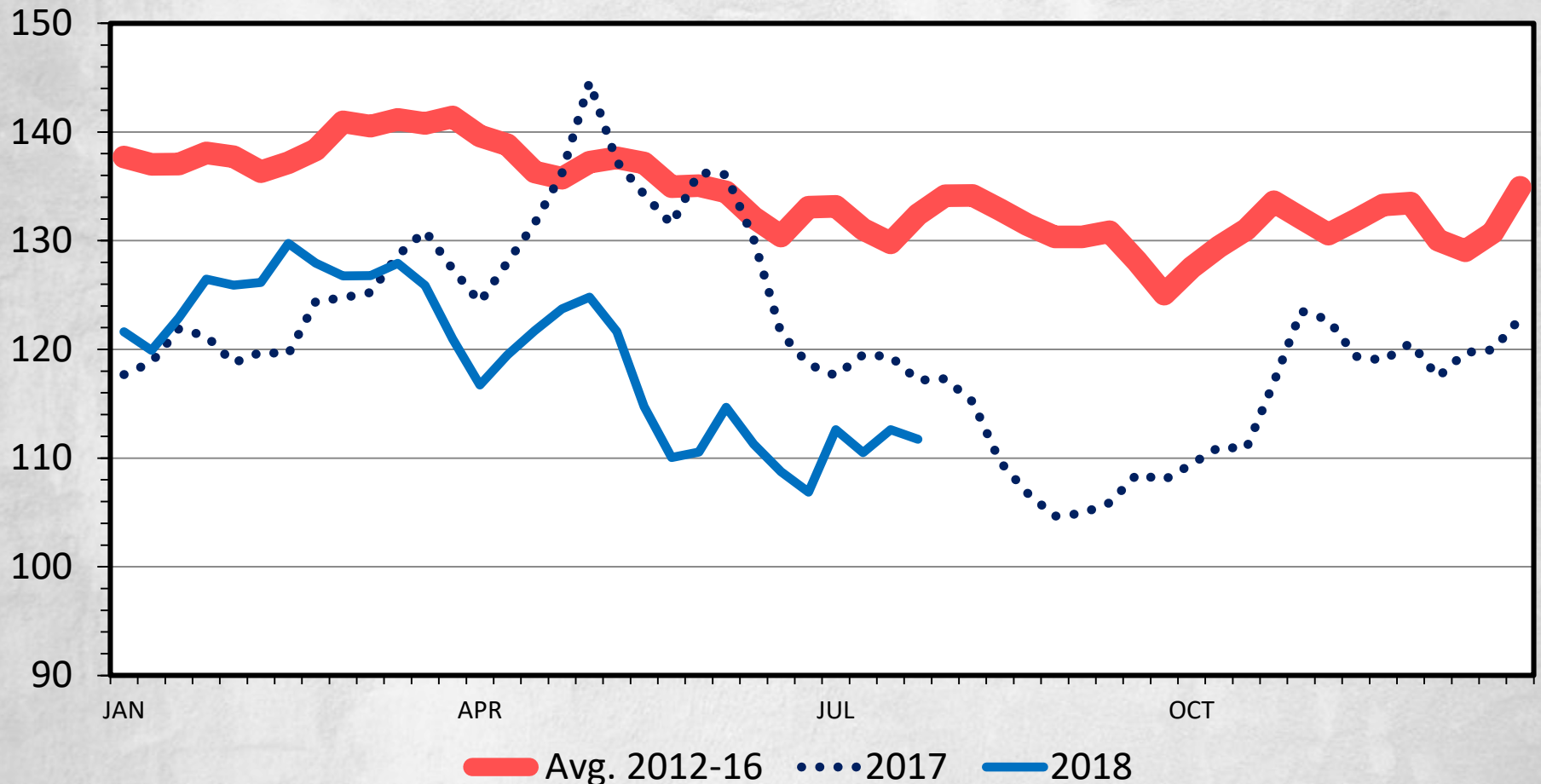


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SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



— Avg. 2012-16 2017 — 2018

Data Source: USDA-AMS

Livestock Marketing Information Center



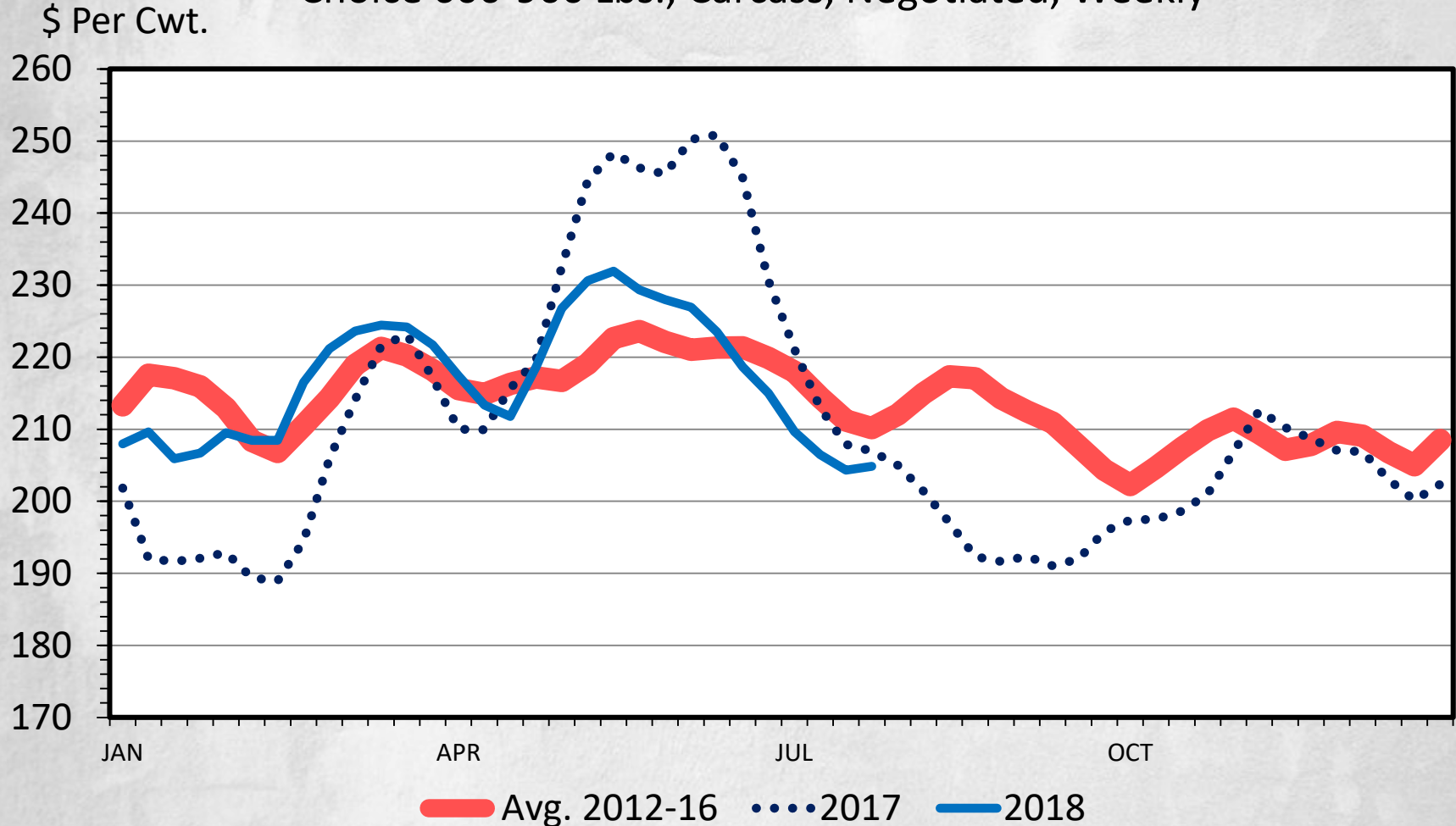
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BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Negotiated, Weekly



Data Source: USDA-AMS

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Supply



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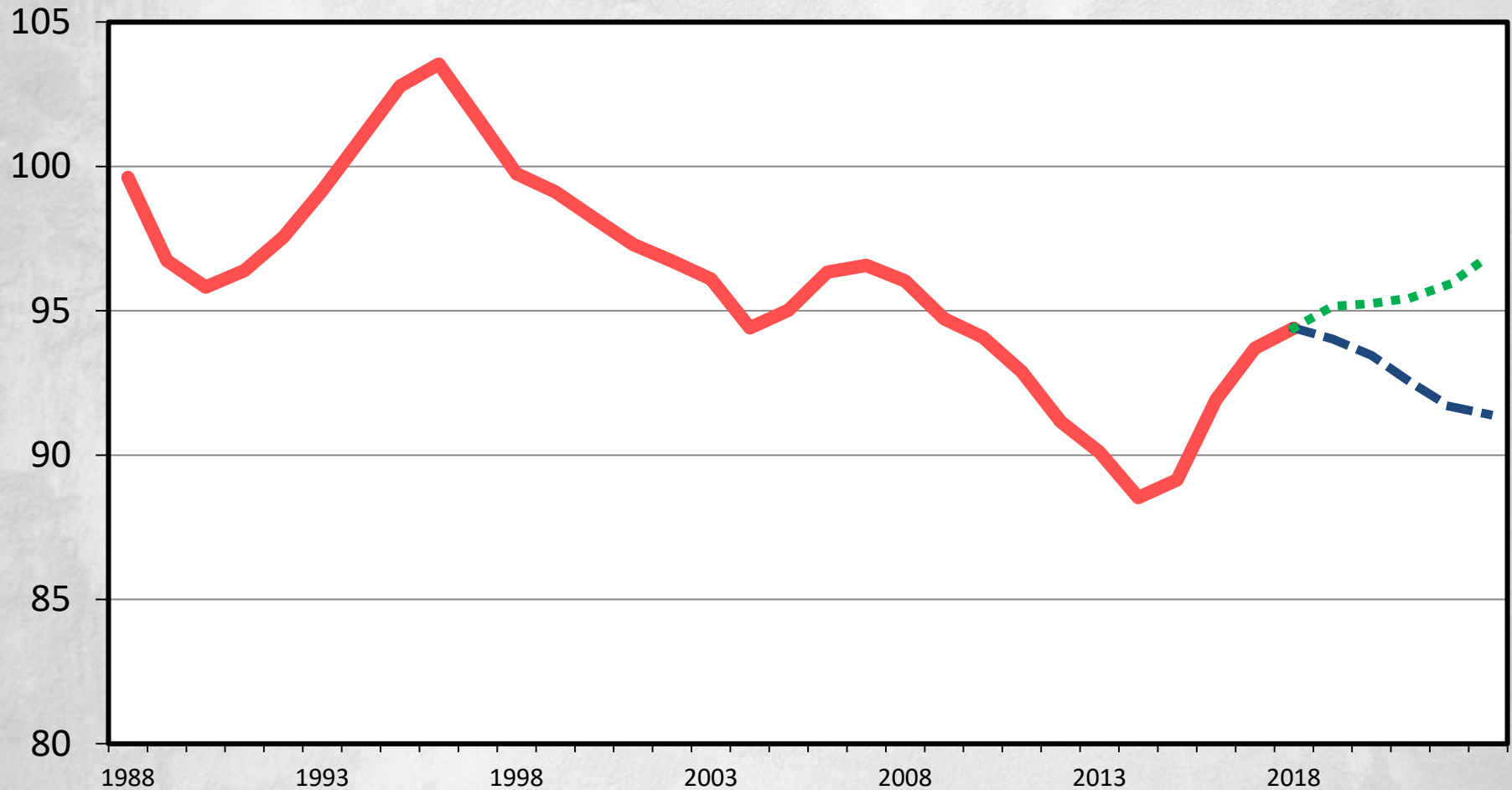


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JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center



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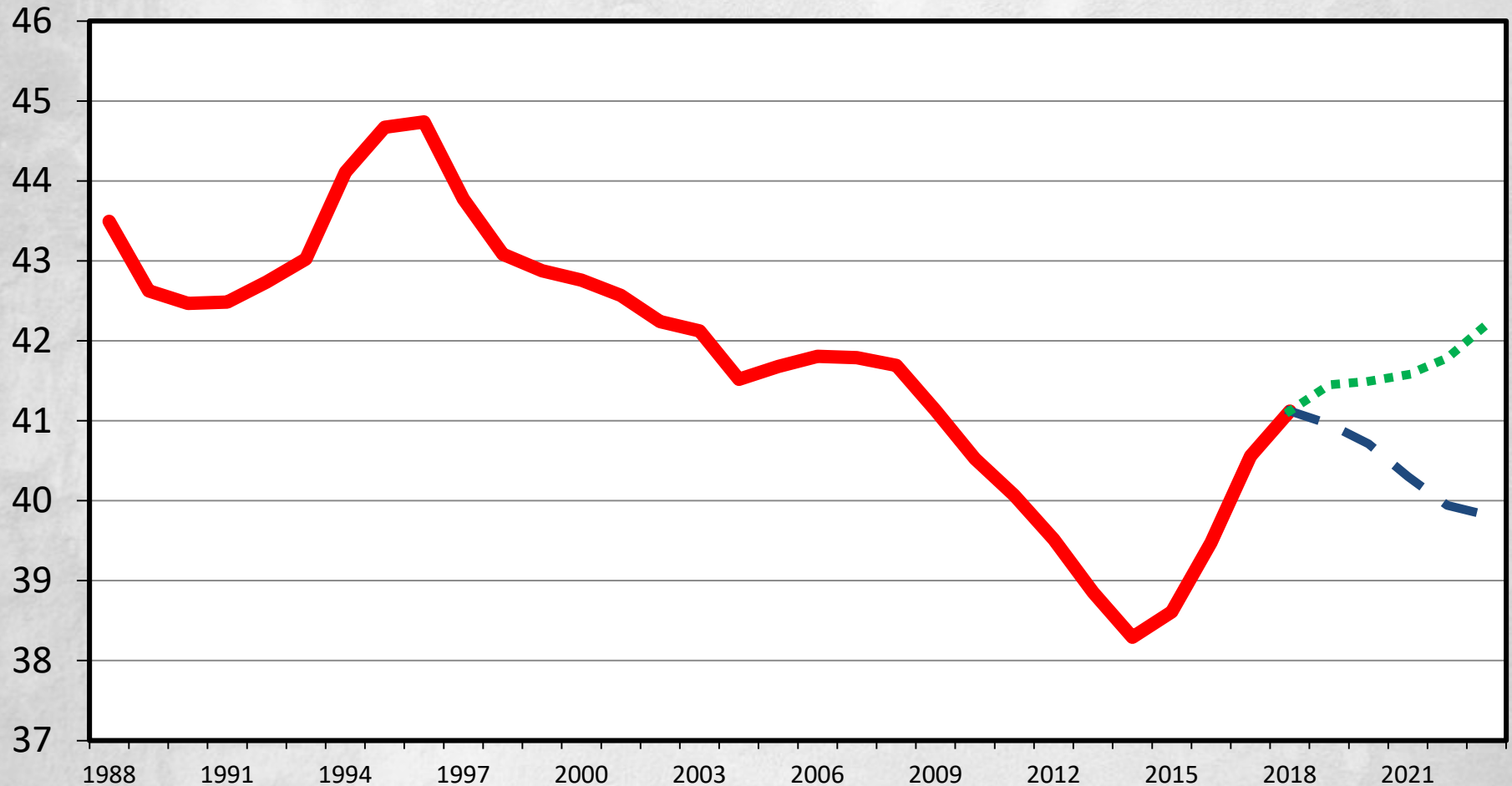


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JANUARY 1 TOTAL COW INVENTORY

U.S., Annual

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center



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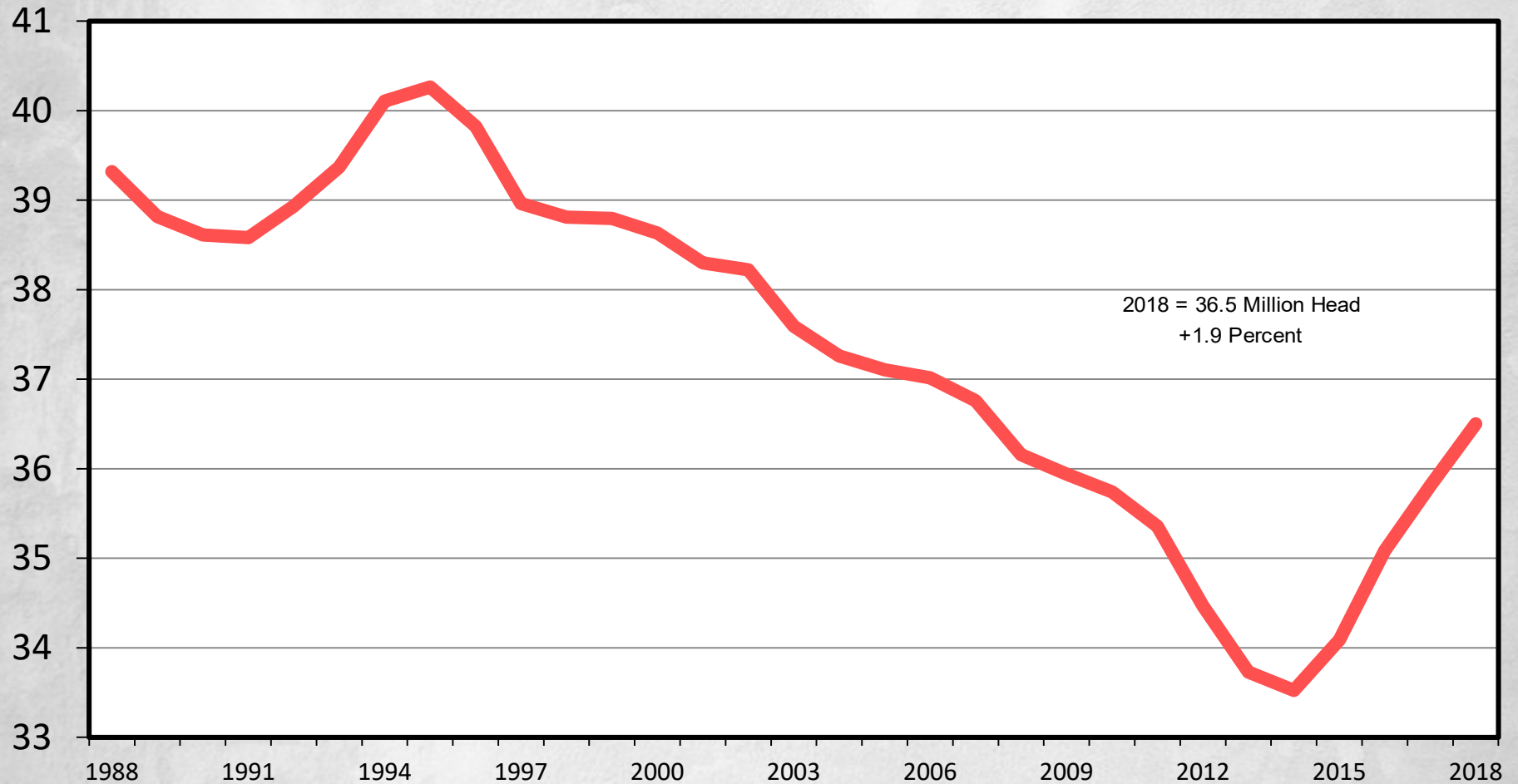


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CALF CROP

July Estimates, U.S., Annual

Mil. Head



Data Source: USDA-NASS

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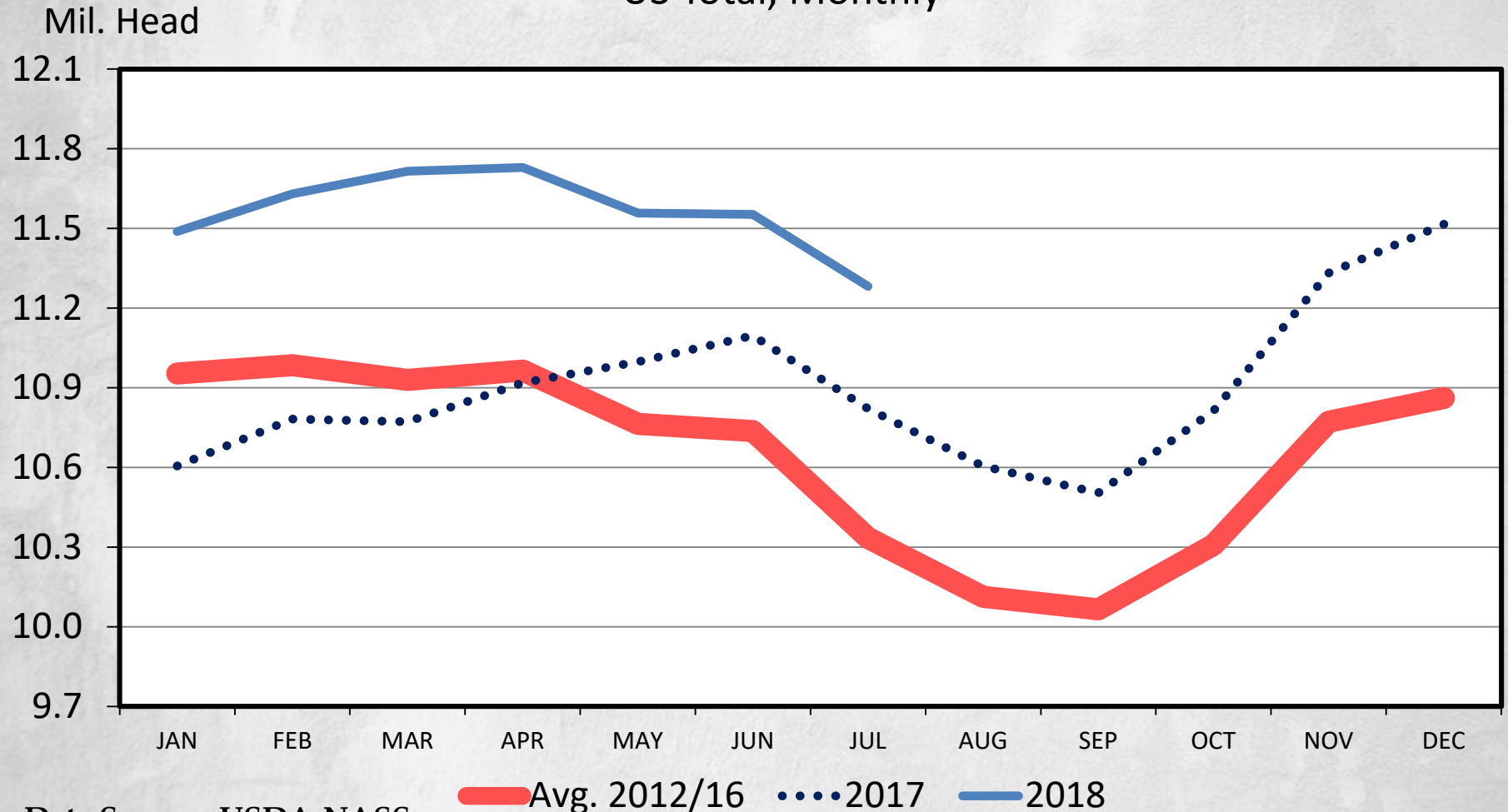
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CATTLE ON FEED

US Total, Monthly



Data Source: USDA-NASS

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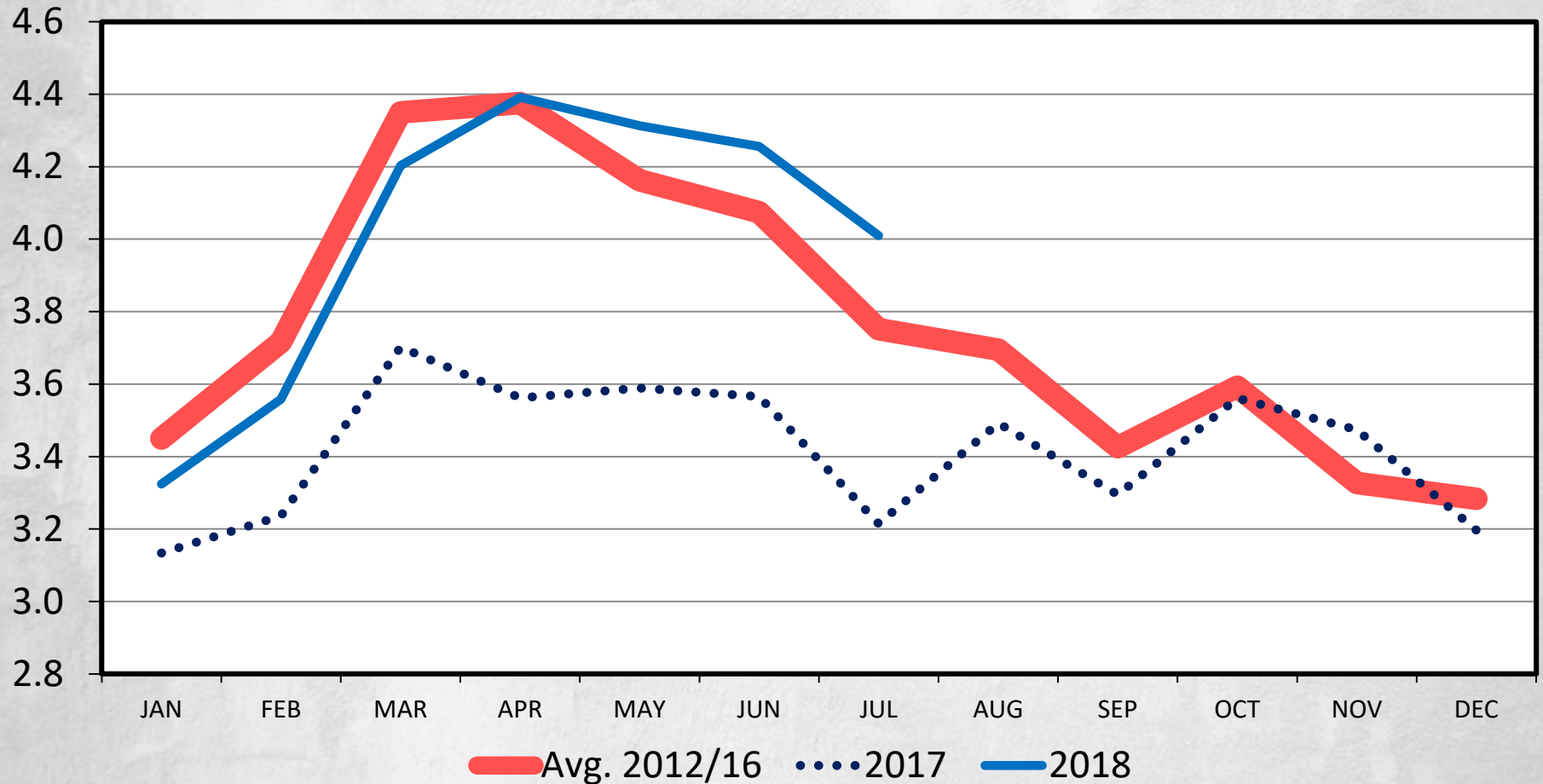


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CATTLE ON FEED OVER 120 DAYS

US Total, Monthly

Mil. Head



Data Source: USDA-NASS, Compiled by LMIC

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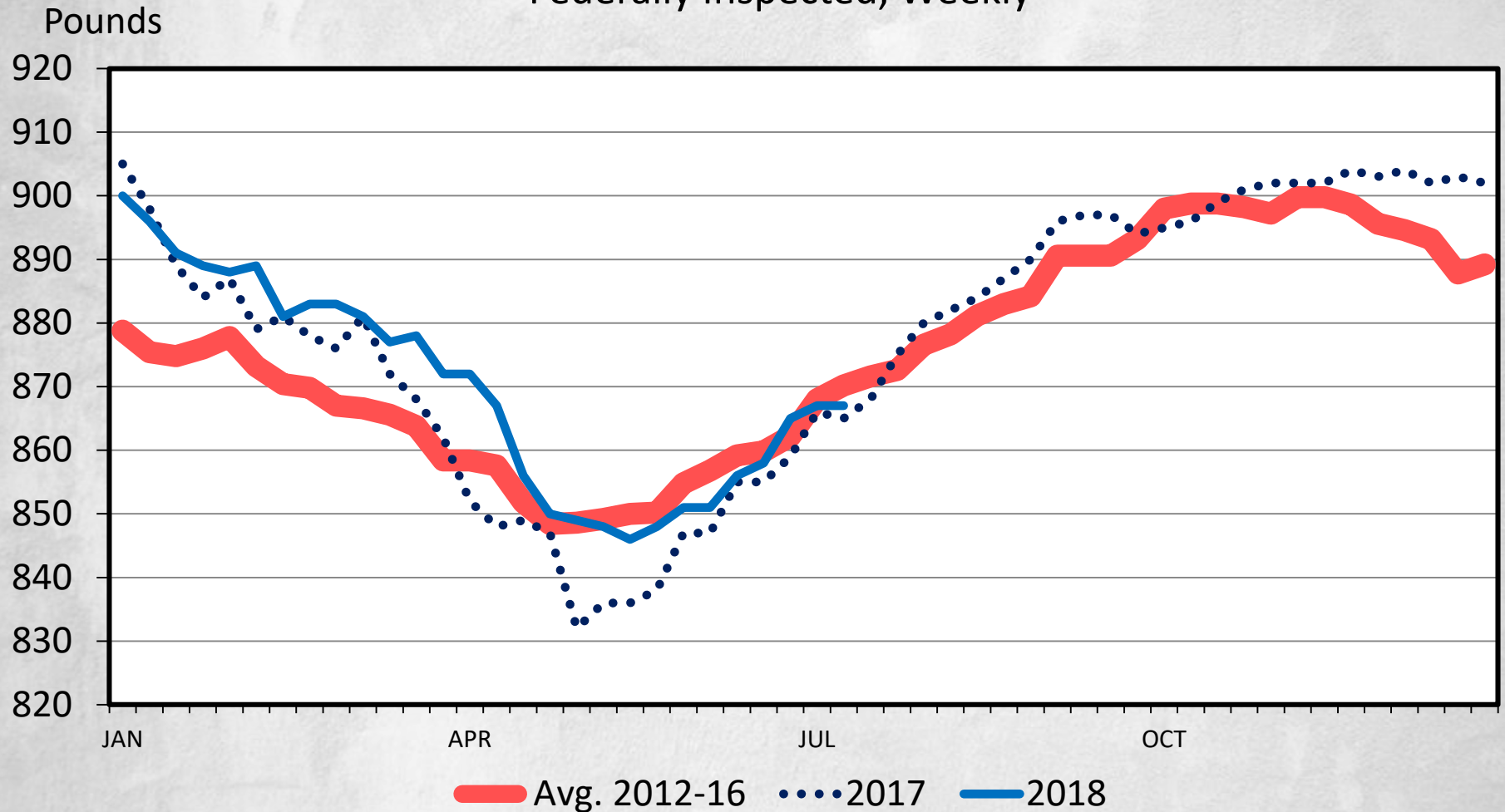
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STEER DRESSED WEIGHT

Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS



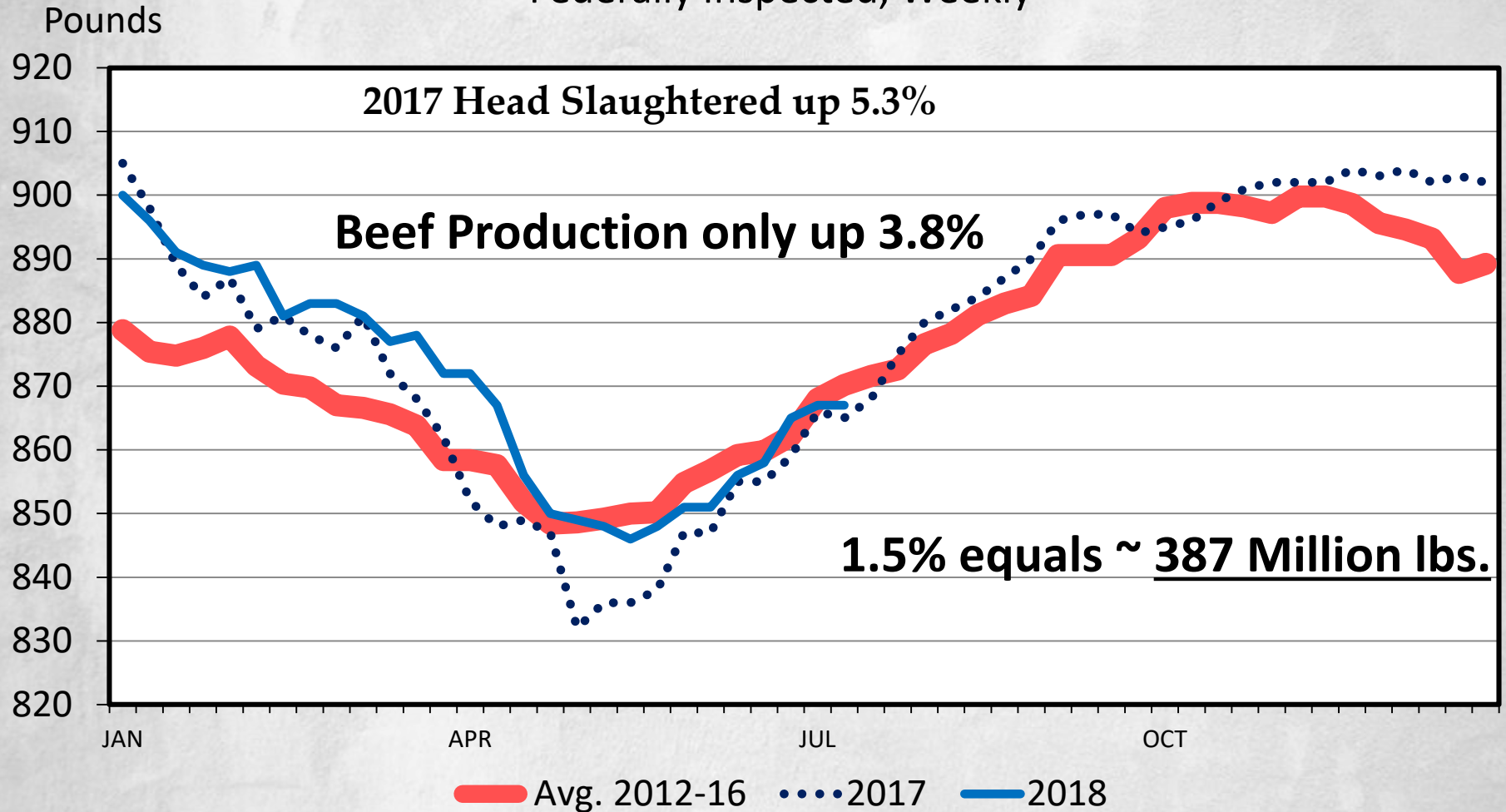
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STEER DRESSED WEIGHT

Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS



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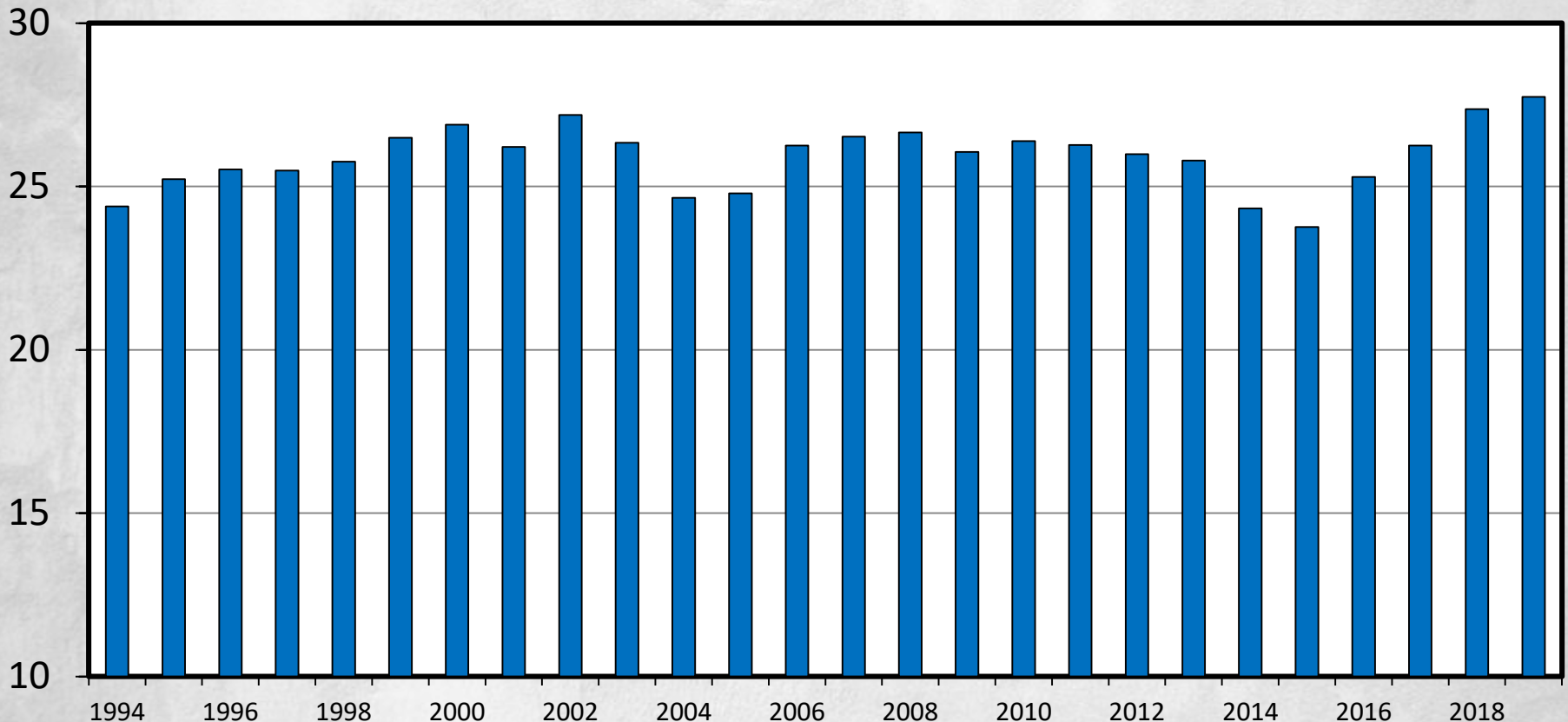


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COMMERCIAL RED MEAT PRODUCTION

By Type of Meat, Annual

Bil. Pounds



Data Source: USDA-NASS, Compiled & Forecasts by LMIC

Livestock Marketing Information Center



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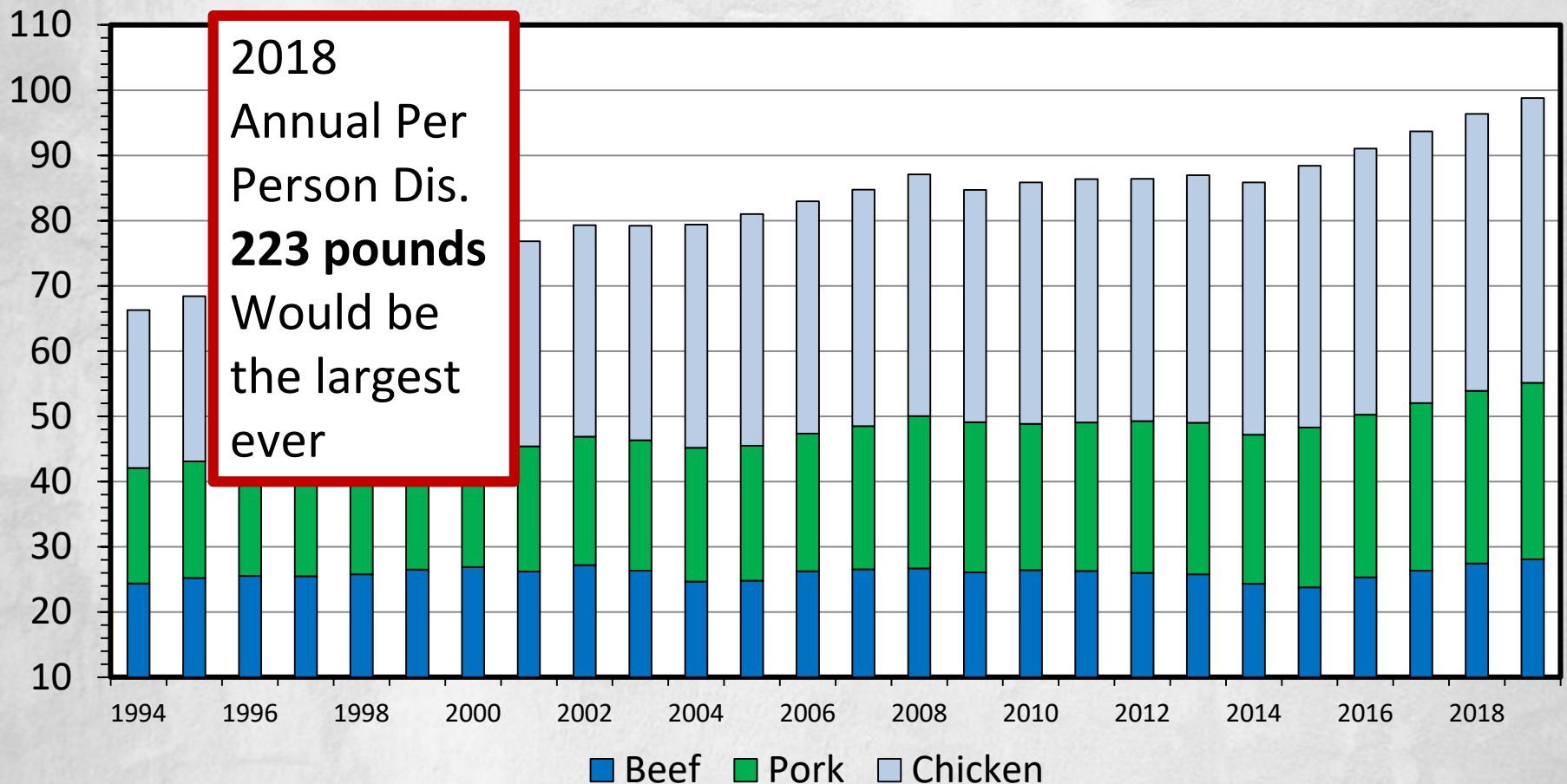


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COMMERCIAL MEAT & POULTRY PRODUCTION

By Type of Meat, Annual

Bil. Pounds



Data Source: USDA-NASS, Compiled & Forecasts by LMIC



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The Cattle Cycle



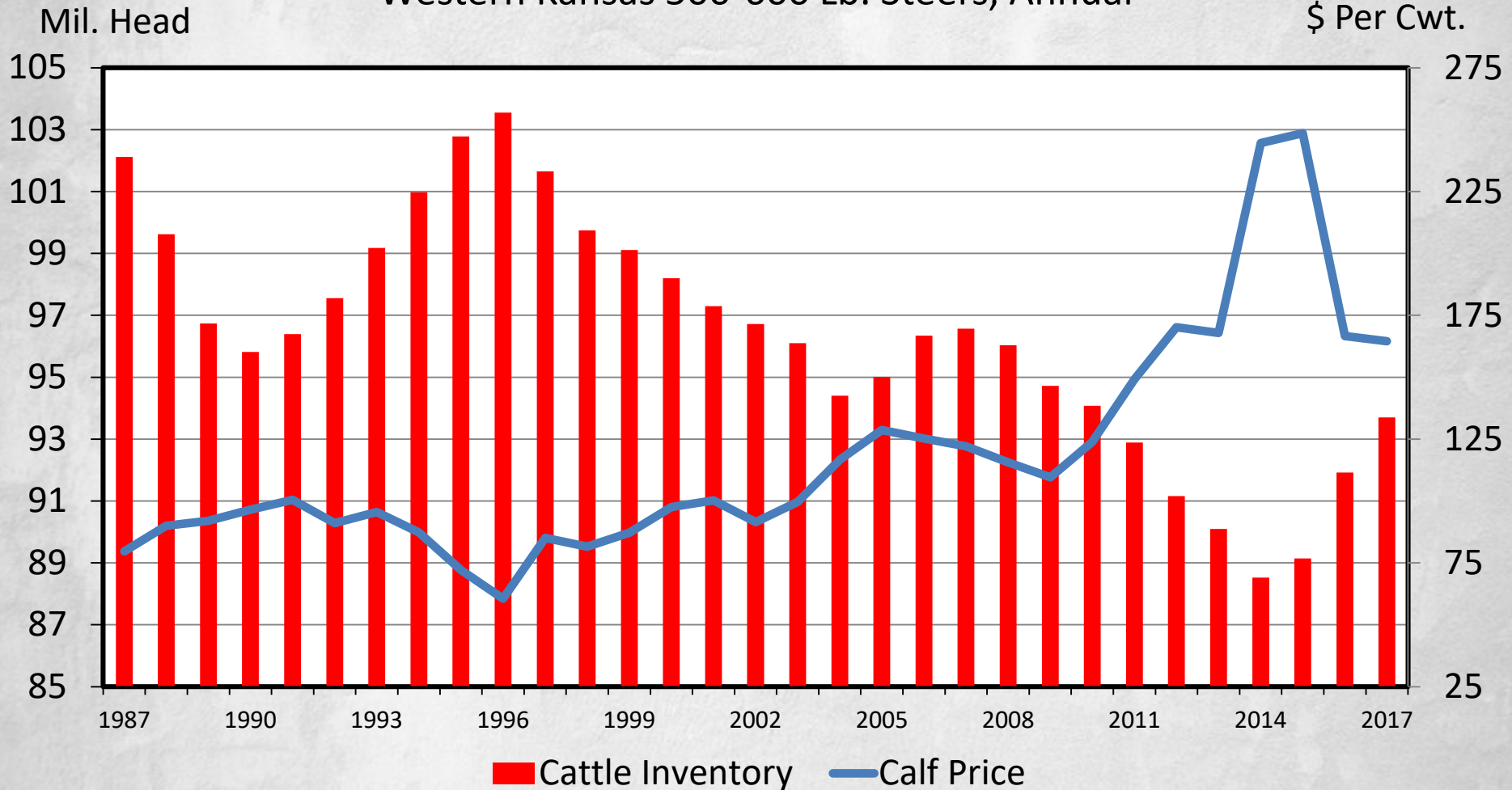
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CALF PRICES AND CATTLE INVENTORY

Western Kansas 500-600 Lb. Steers, Annual



Data Source: USDA-AMS & USDA-NASS



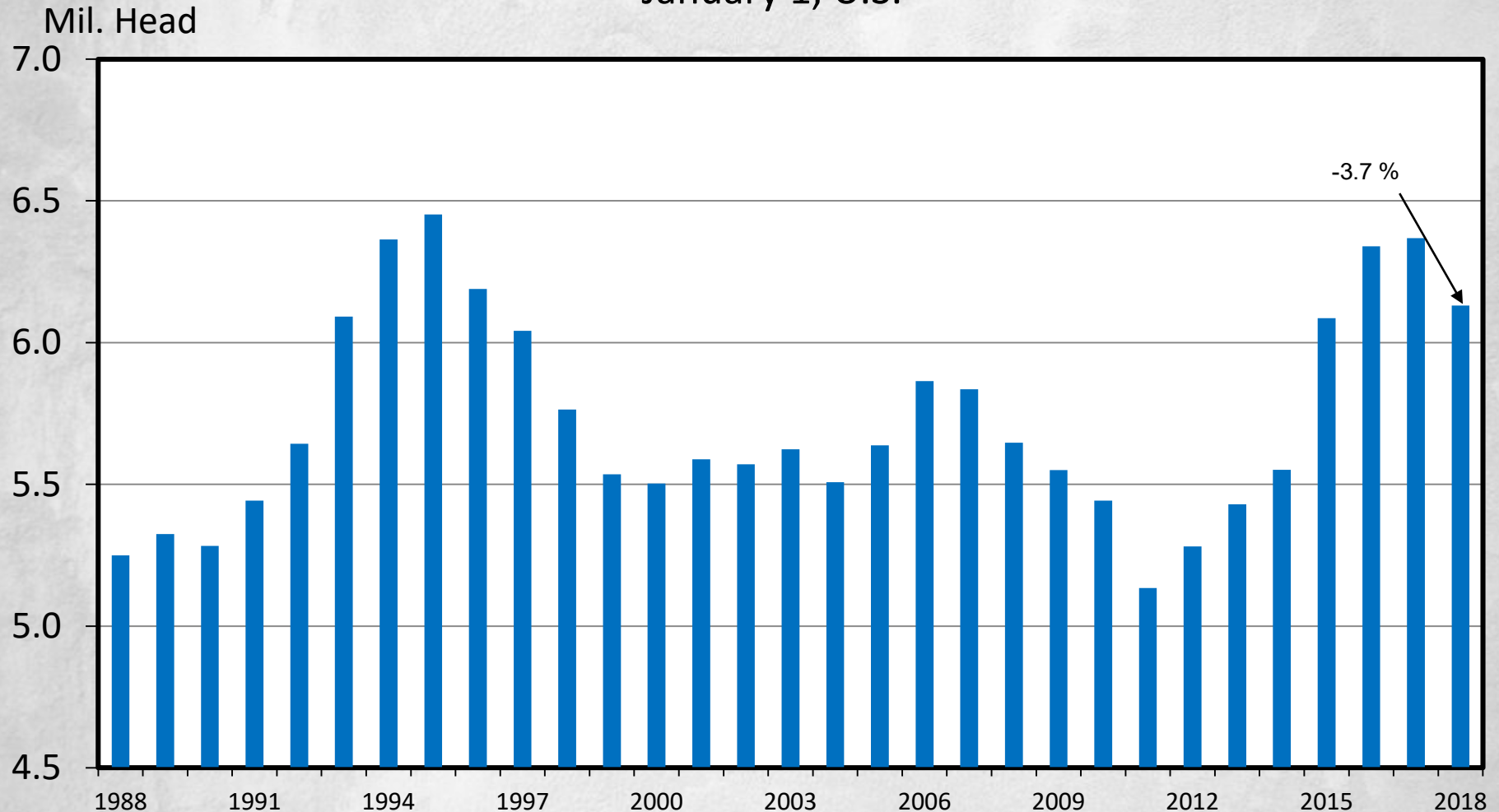
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HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



Data Source: USDA-NASS

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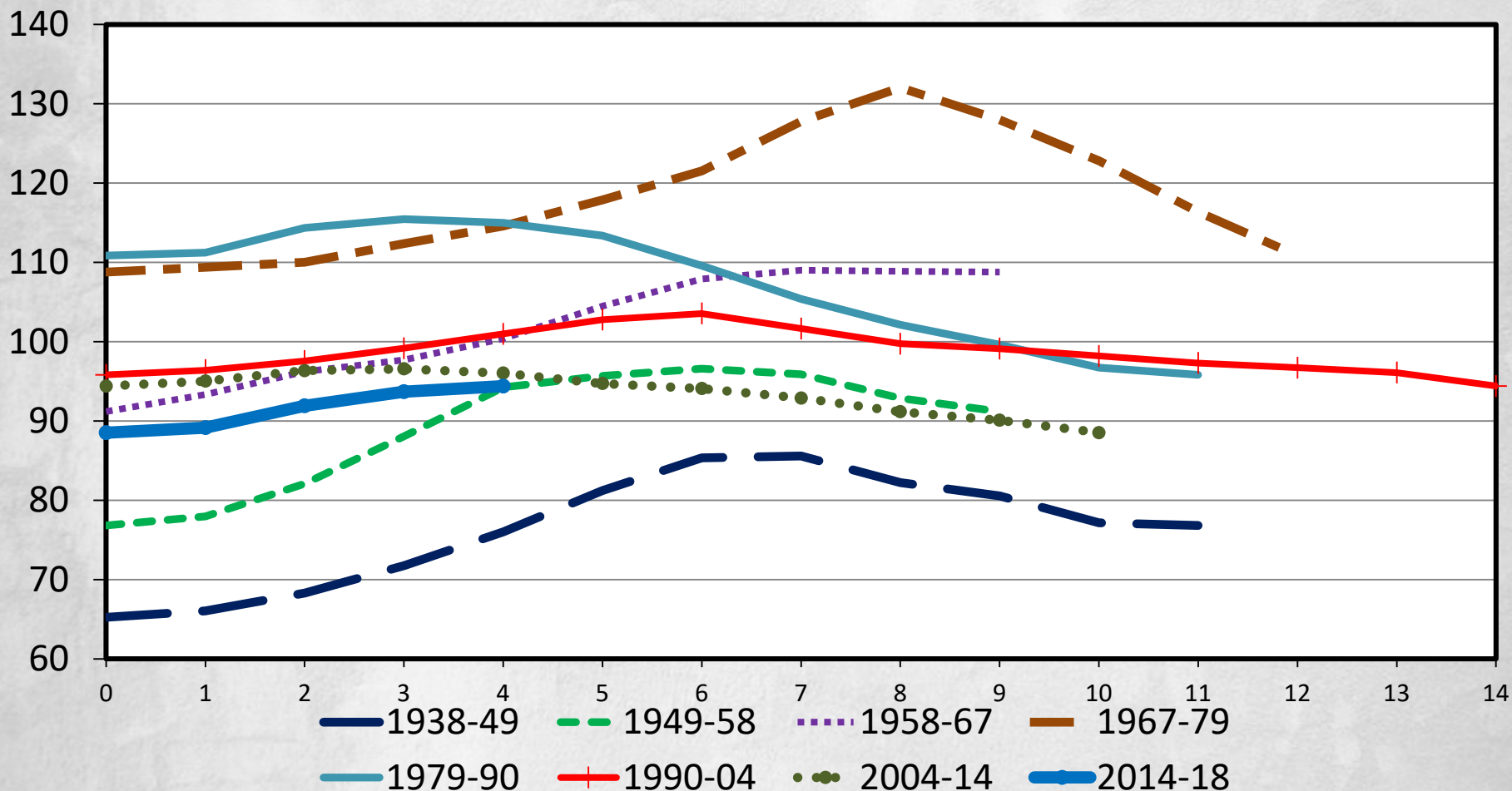


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TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

Mil. Head



Data Source: USDA-NASS

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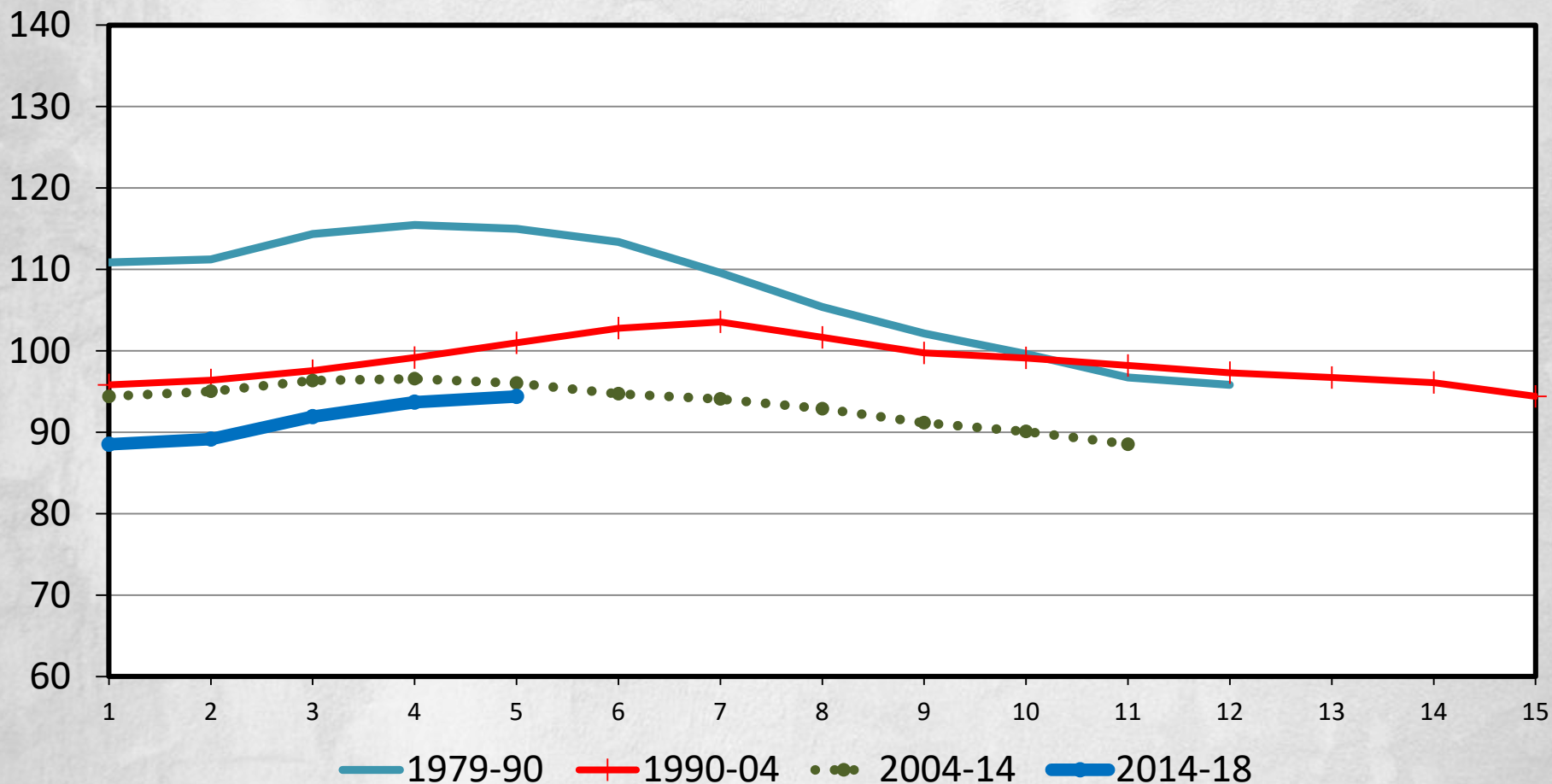


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TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

Mil. Head



Data Source: USDA-NASS

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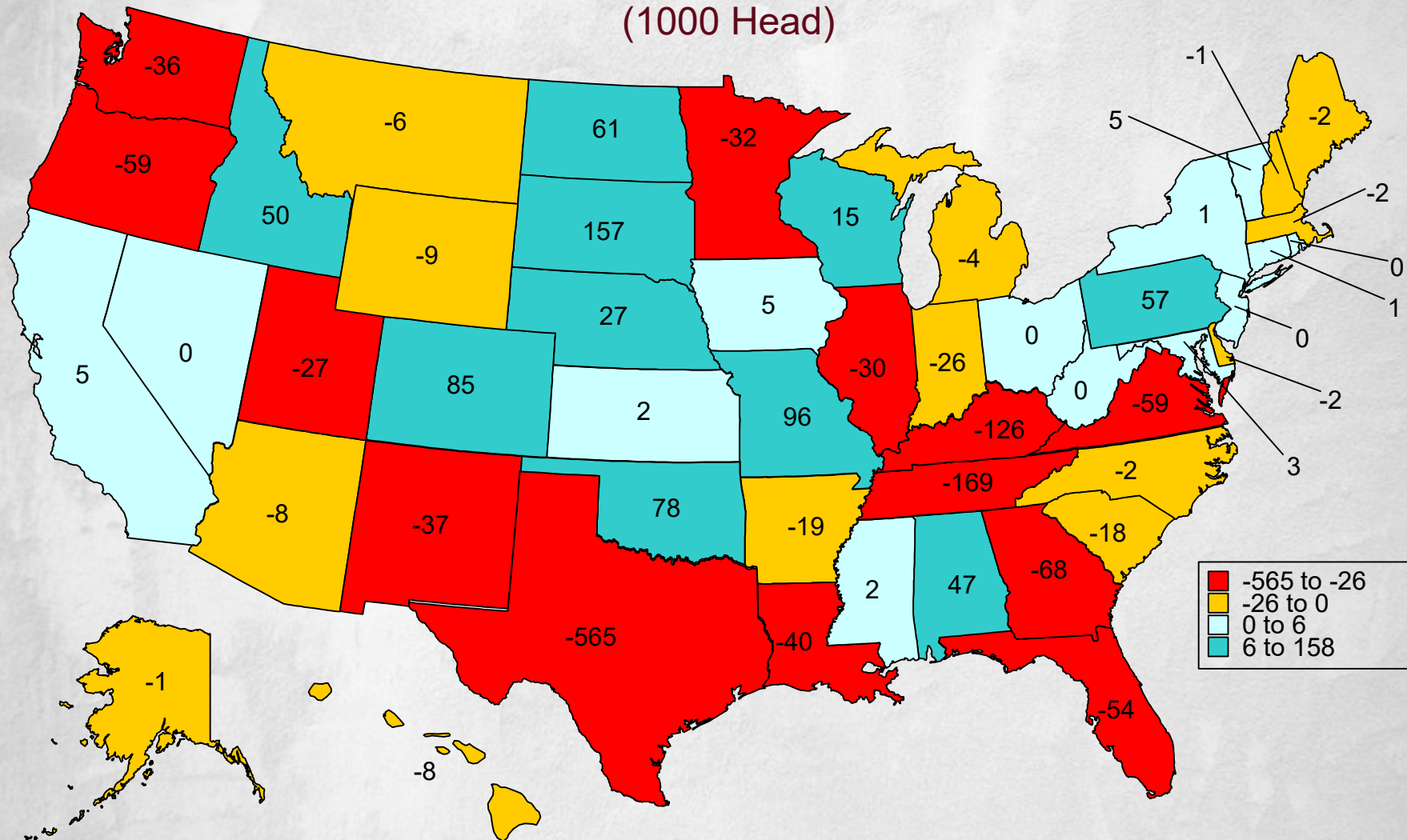


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CHANGE IN BEEF COWS NUMBERS 2008 TO 2018 (1000 Head)



US Total **-712**



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The Supply Story

- **Long-term**
 - We expanded during 2017 – slower pace
 - I expect 2018 to be very close to flat <1%
 - The stage is already set for larger calf crops in 2018 and probably 2019
 - 2020 is looking like the inventory peak
- **The supply market pressure is currently negative, but signs of a slowdown**



Feedstuffs



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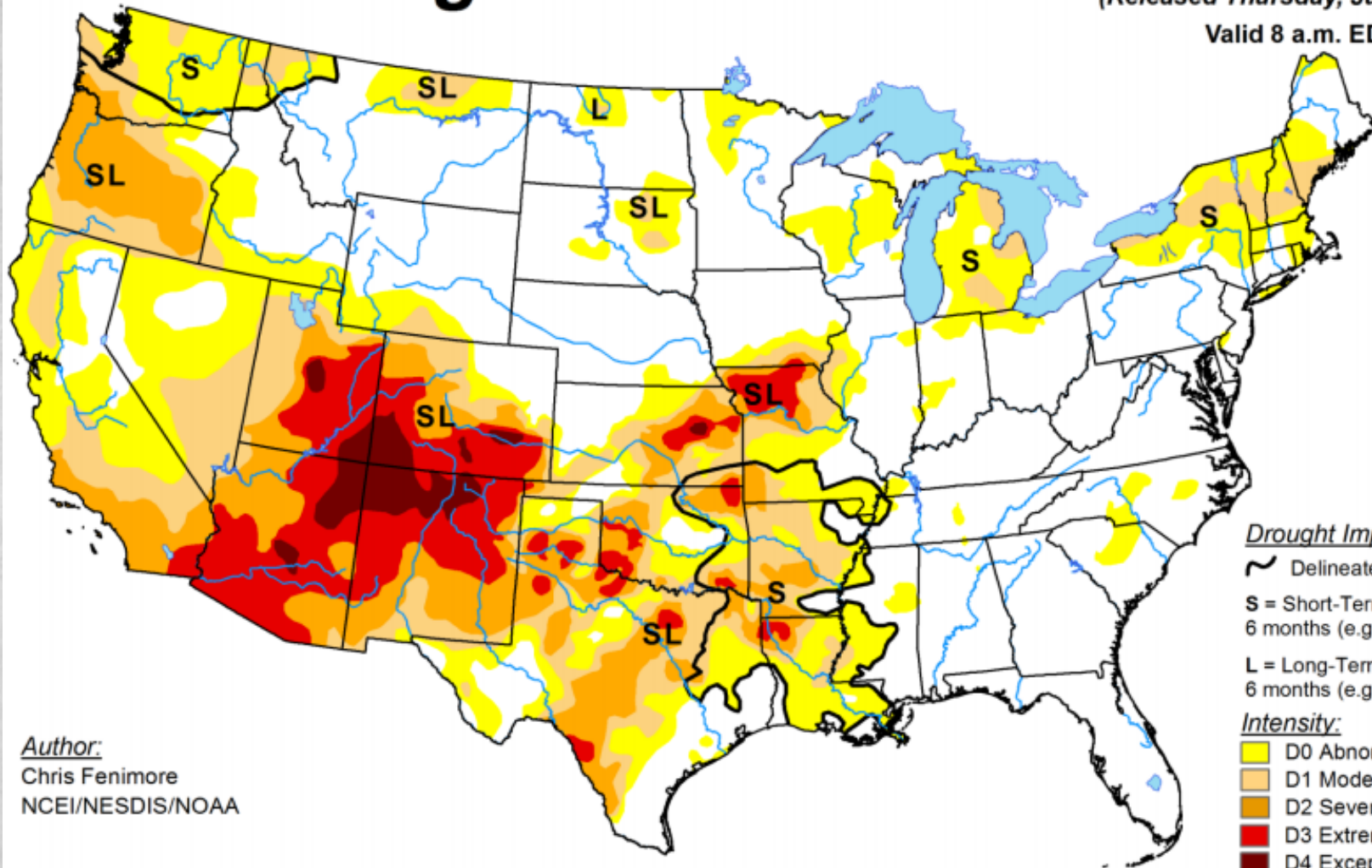
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U.S. Drought Monitor

July 24, 2018

(Released Thursday, Jul. 26, 2018)

Valid 8 a.m. EDT



Author:

Chris Fenimore
NCEI/NESDIS/NOAA



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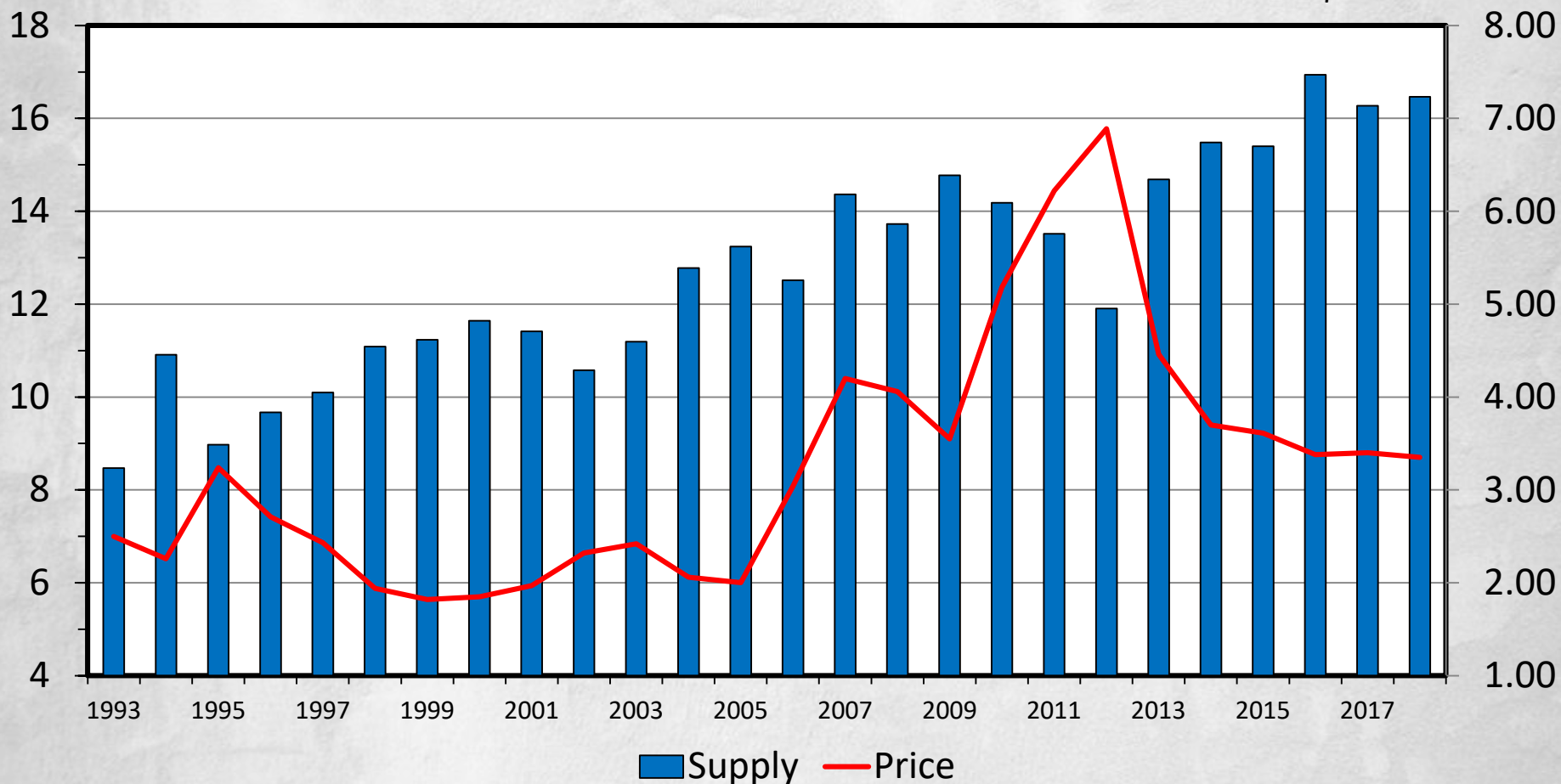
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US TOTAL CORN SUPPLY AND PRICE

Crop Year

Bil. Bushels

\$ Per Bushel



Data Source: USDA-NASS, Compiled & Forecasts by LMIC



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Demand

Part 1: Domestic



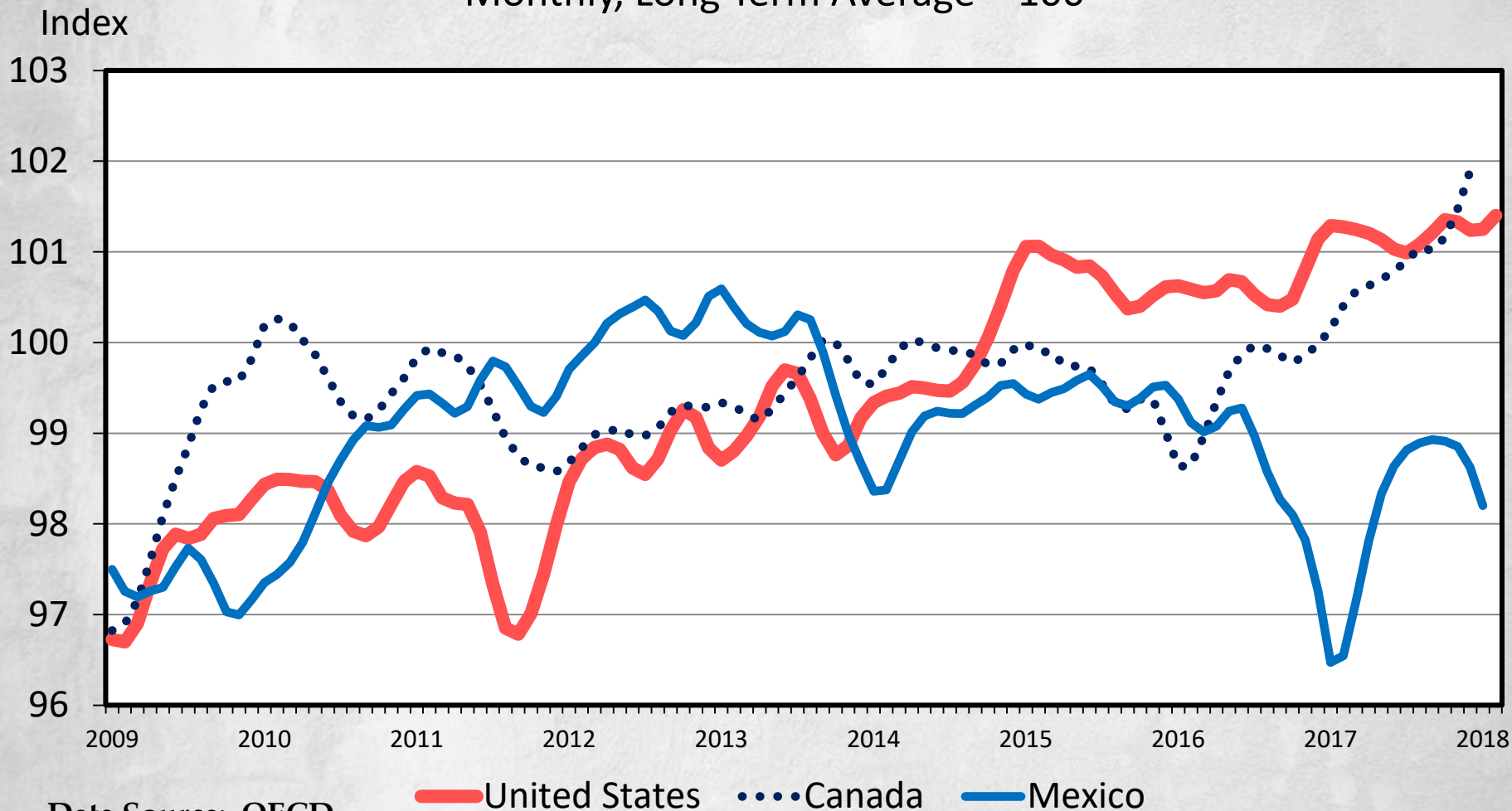
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NORTH AMERICA CONSUMER CONFIDENCE

Monthly, Long Term Average = 100



Data Source: OECD

Livestock Marketing Information Center



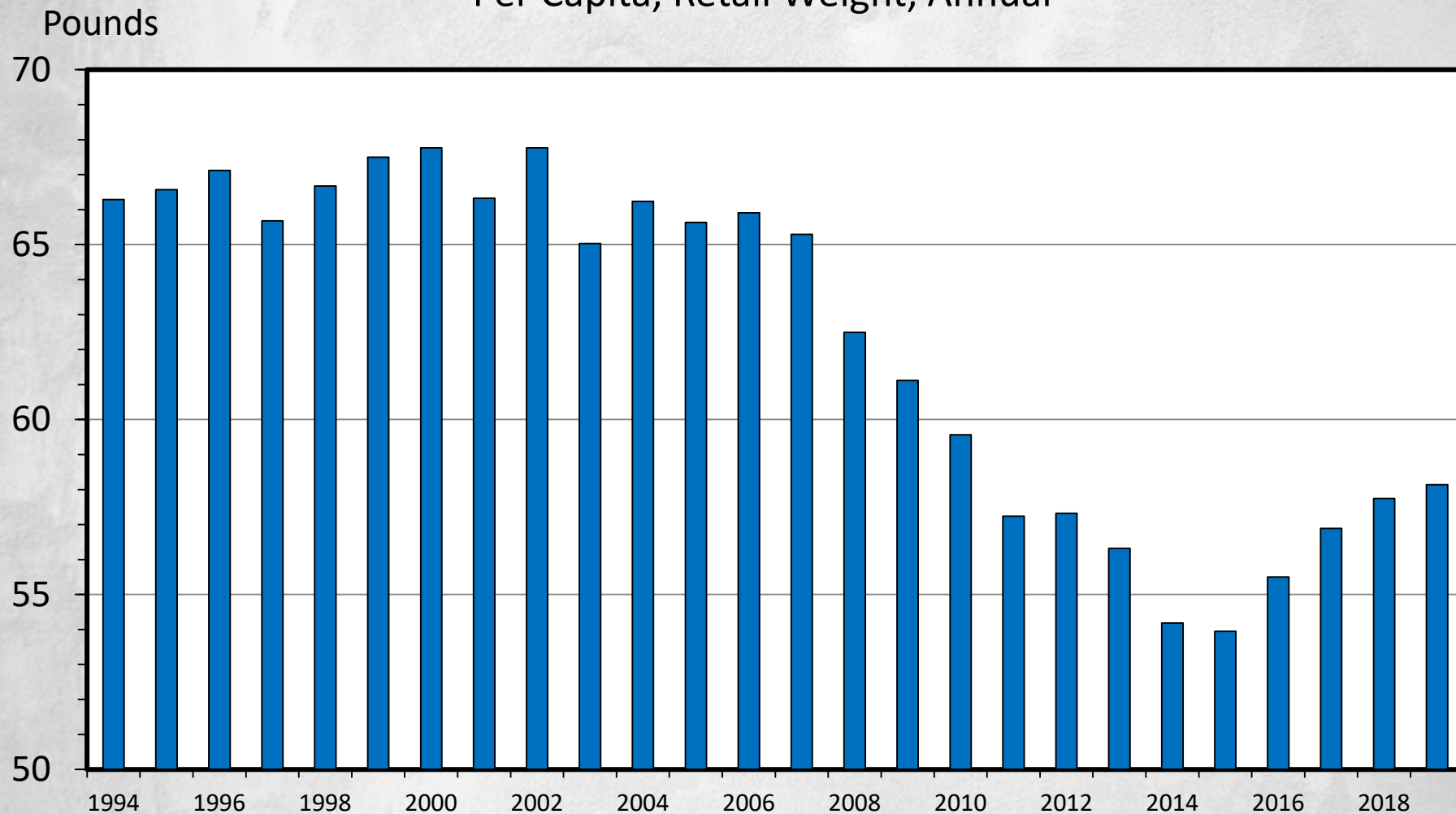
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US BEEF CONSUMPTION

Per Capita, Retail Weight, Annual



Data Source: USDA-NASS and USDA-ERS



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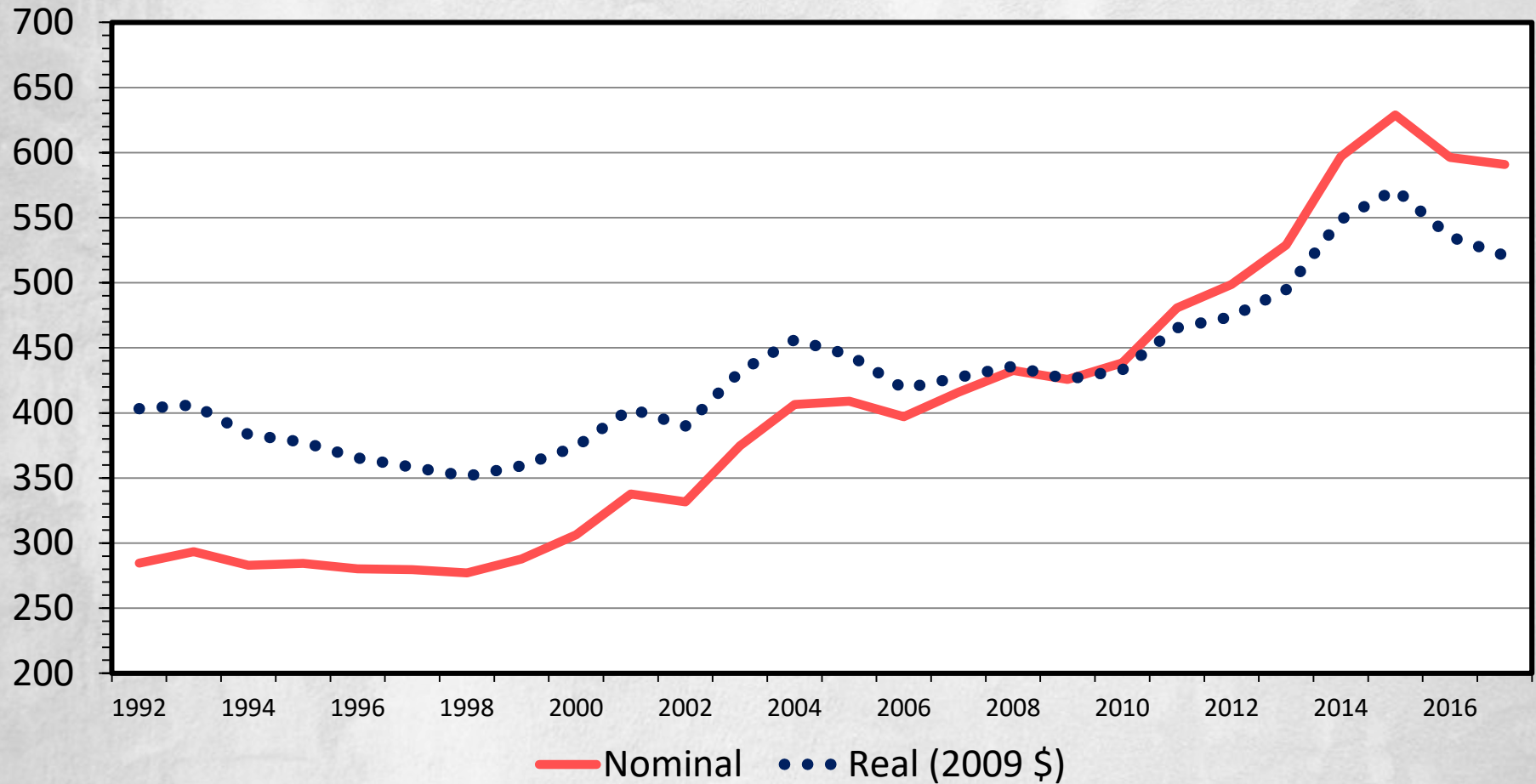


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RETAIL CHOICE BEEF PRICE

Nominal vs Real (GDP Deflator), Annual

Cents Per Pound



Data Source: Bureau of Economic Analysis & USDA-ERS



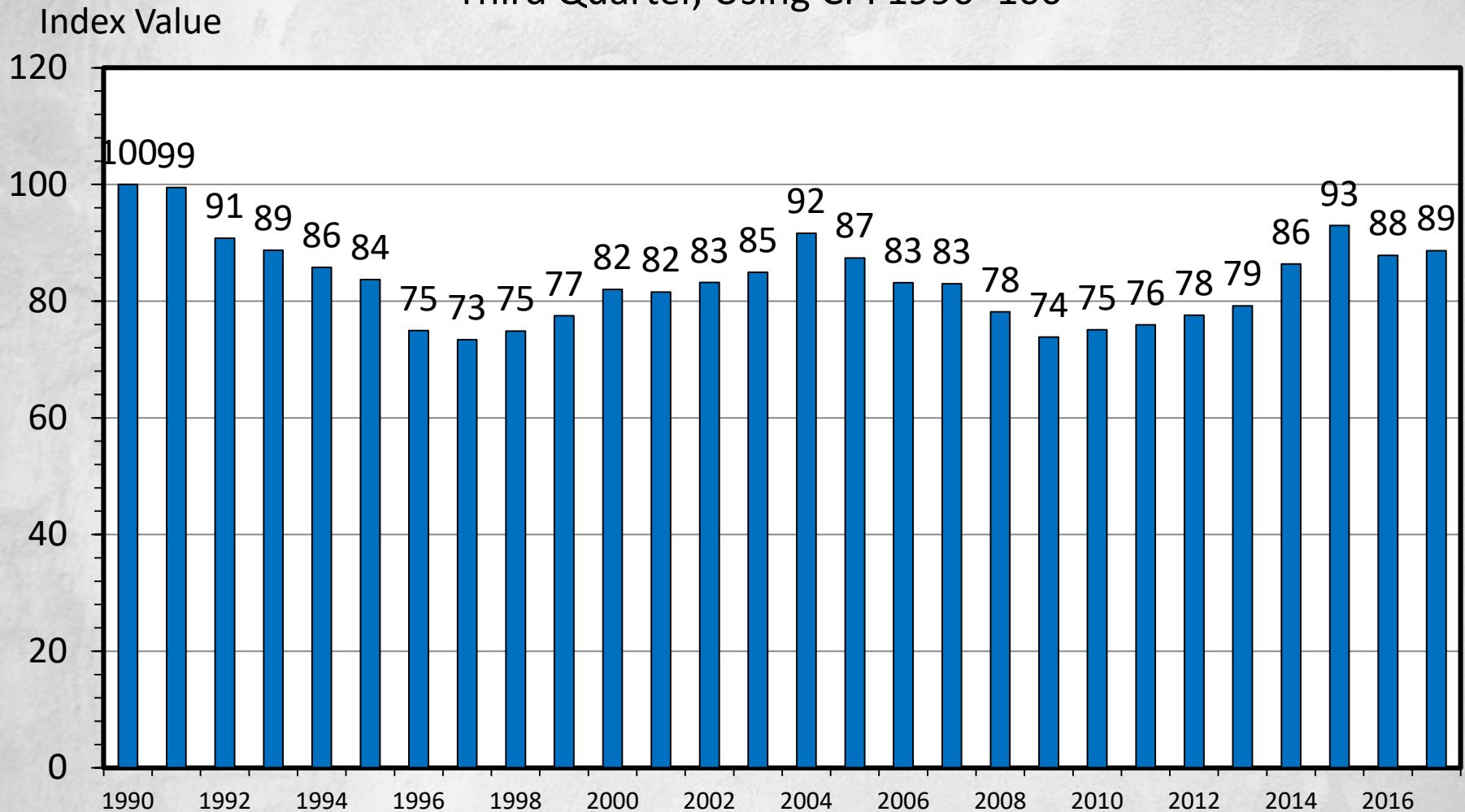
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RETAIL ALL FRESH BEEF DEMAND INDEX

Third Quarter, Using CPI 1990=100



Data Source: Bureau of Labor Statistics, USDA-ERS, Compiled & Analysis by LMIC



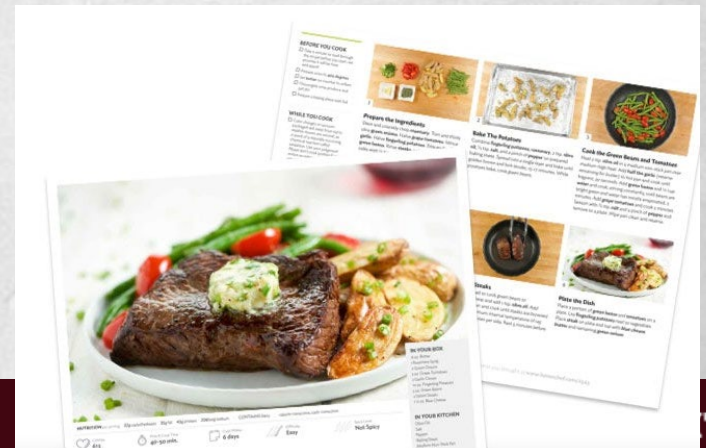
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Changing Retail Landscape

- Domestic beef demand is strong
- How/where will consumers buy their beef in the future?
- Increased online sales of other products
- Meat brings consumers in the door & retailers are using beef to attract customers

The Amazon logo, featuring the word "amazon" in a bold, black, sans-serif font, with a curved orange arrow underneath it pointing from the 'a' to the 'z'.

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Demand

Part 2: International Trade



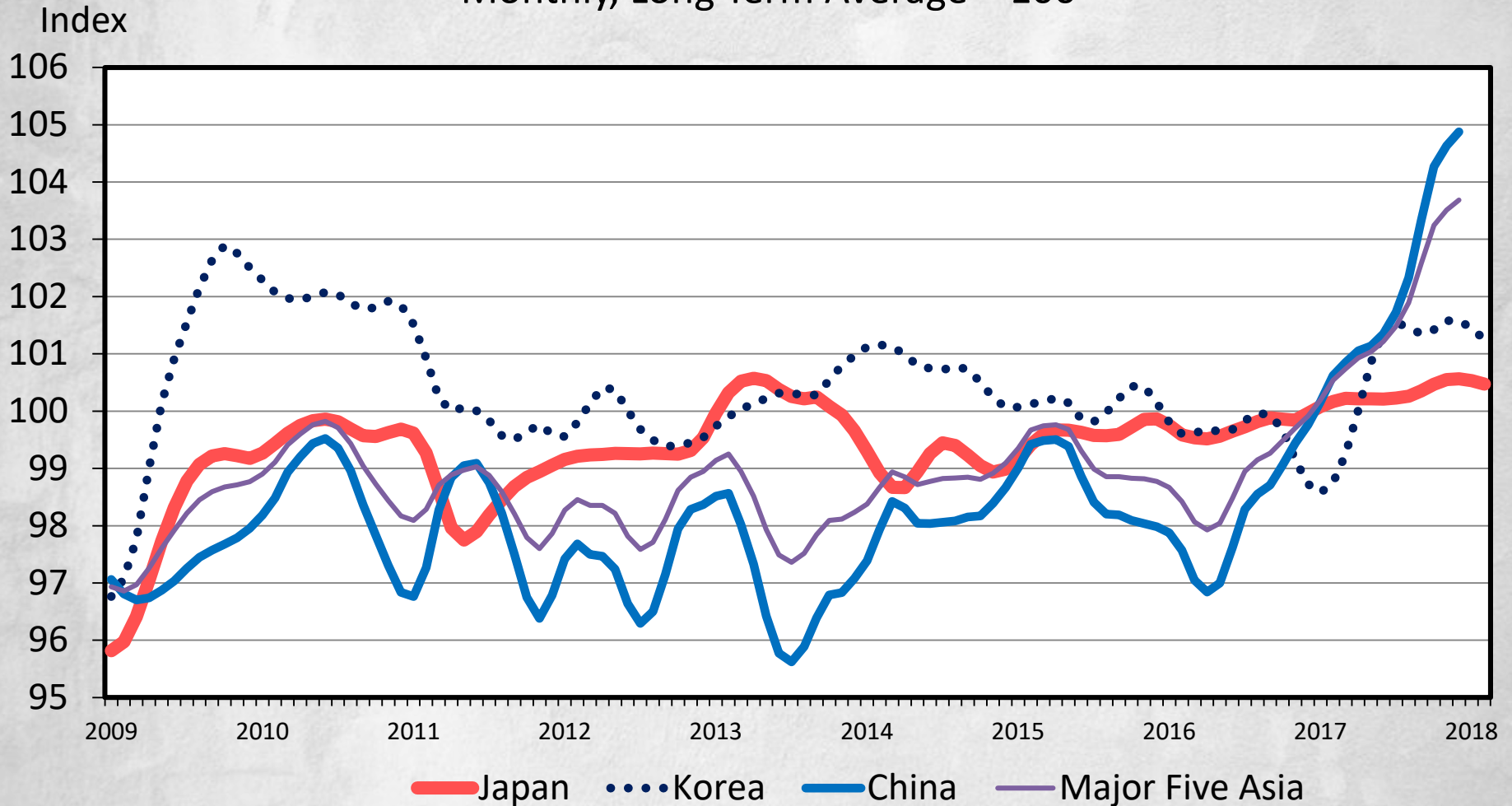
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ASIA CONSUMER CONFIDENCE

Monthly, Long Term Average = 100



Data Source: OECD



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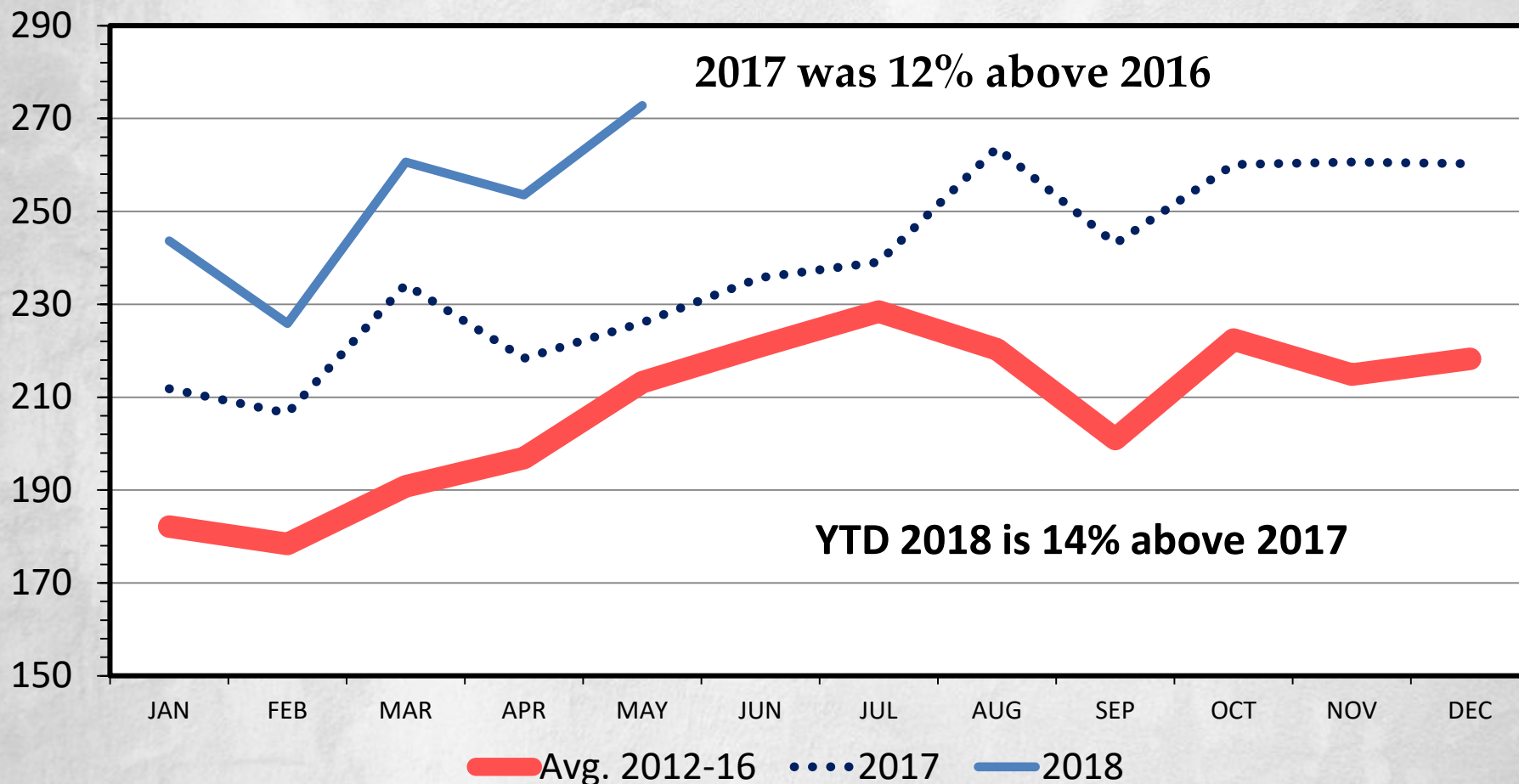


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US BEEF AND VEAL EXPORTS

Carcass Weight, Monthly

Mil. Pounds



Data Source: USDA-ERS & USDA-FAS

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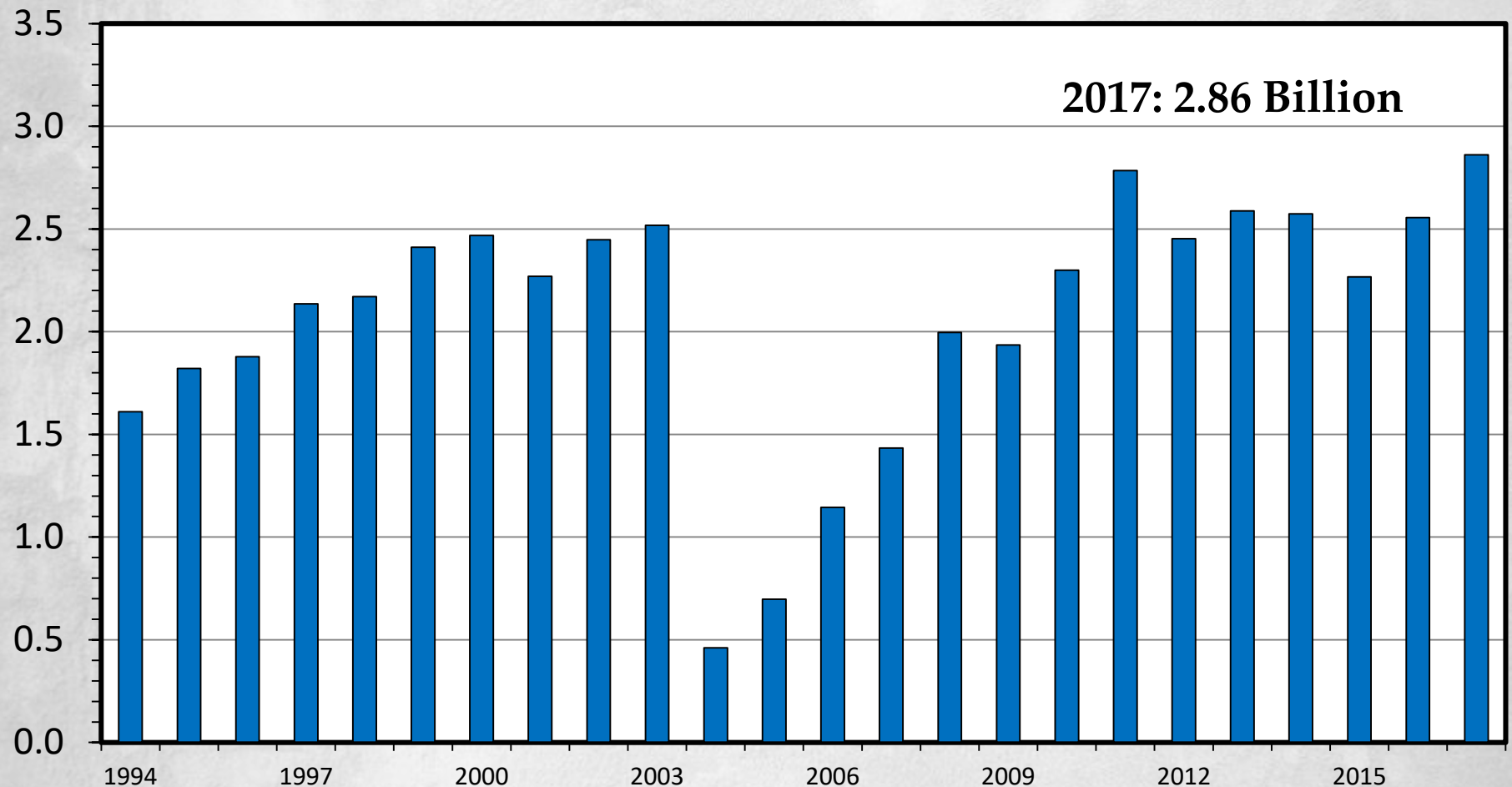


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US BEEF AND VEAL EXPORTS

Carcass Weight, Annual

Bil. Pounds



Data Source: USDA-ERS & USDA-FAS



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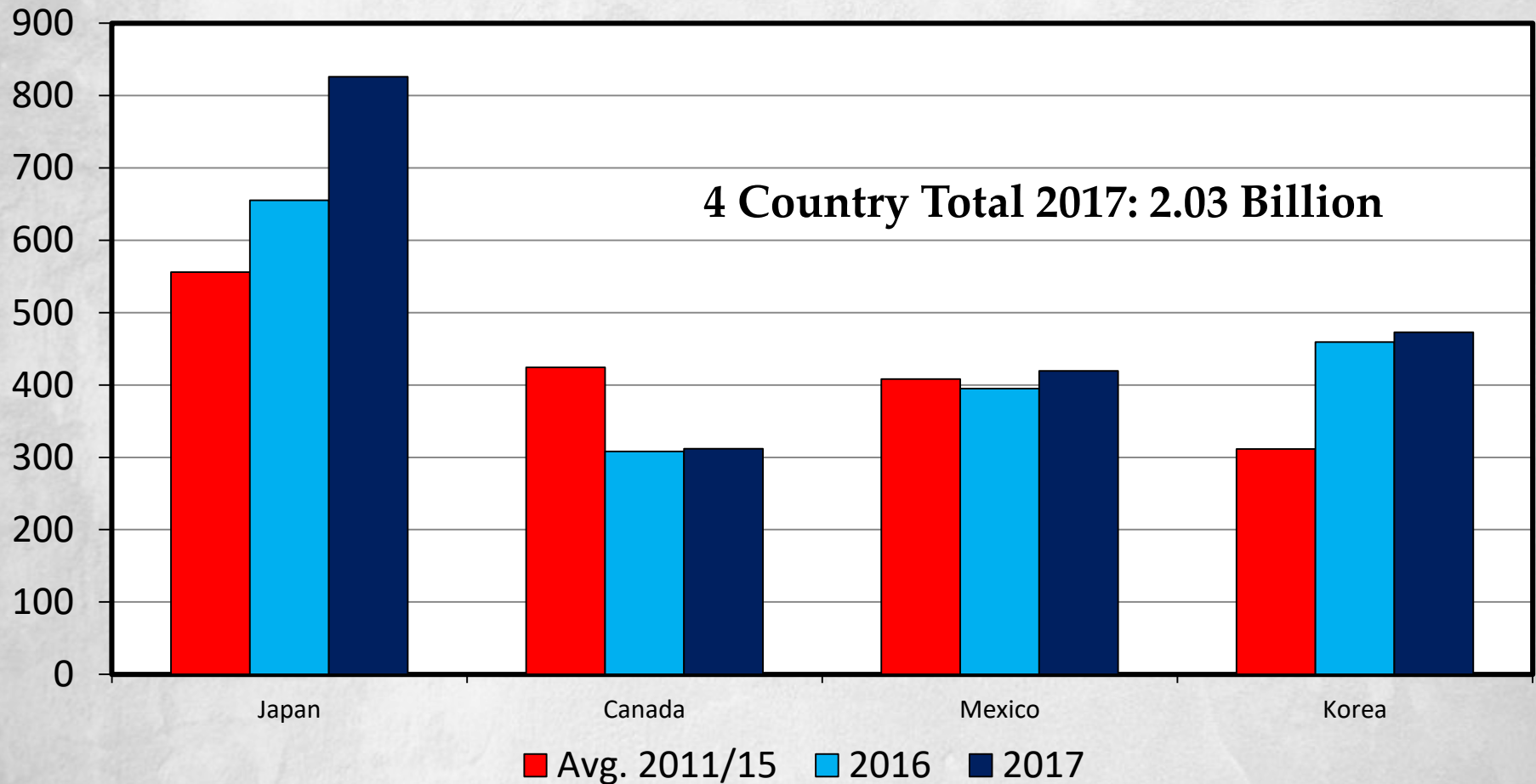
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UN-06
02/07/18

MAJOR US BEEF EXPORT MARKETS

Carcass Weight, Annual

Mil. Pounds



Data Source: USDA ERS & USDA FAS Compiled by

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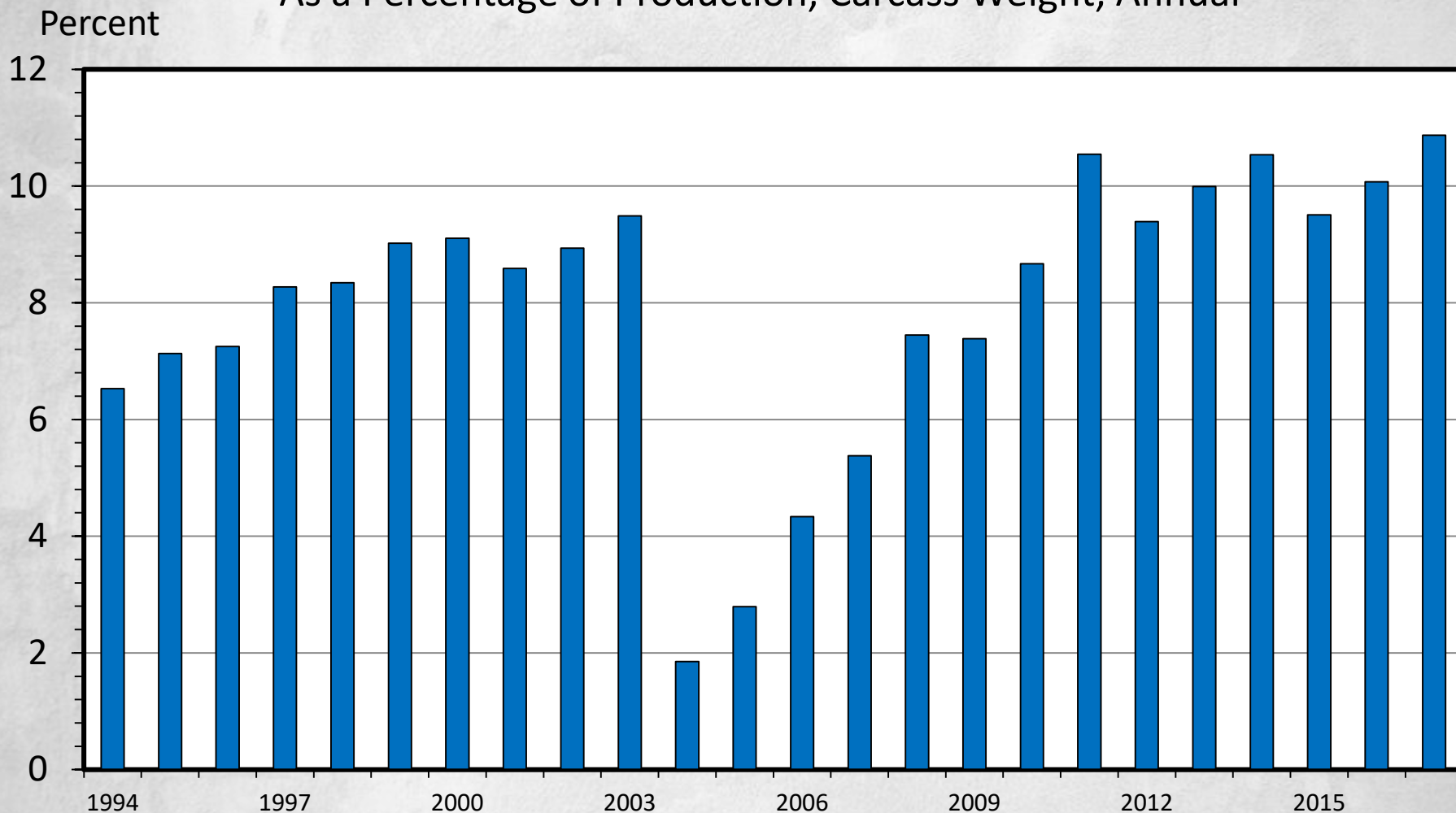


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US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



Data Source: USDA-ERS & USDA-FAS



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The Demand Story

- **Strong International Demand is supporting U.S. cattle prices in 2018**
- Can the sharp increases continue?
- Forecasts this time last year were for 3% growth – we hit 12%
- Plenty of outside uncertainty
- **The demand-side pressure is positive on prices**



Forecasts



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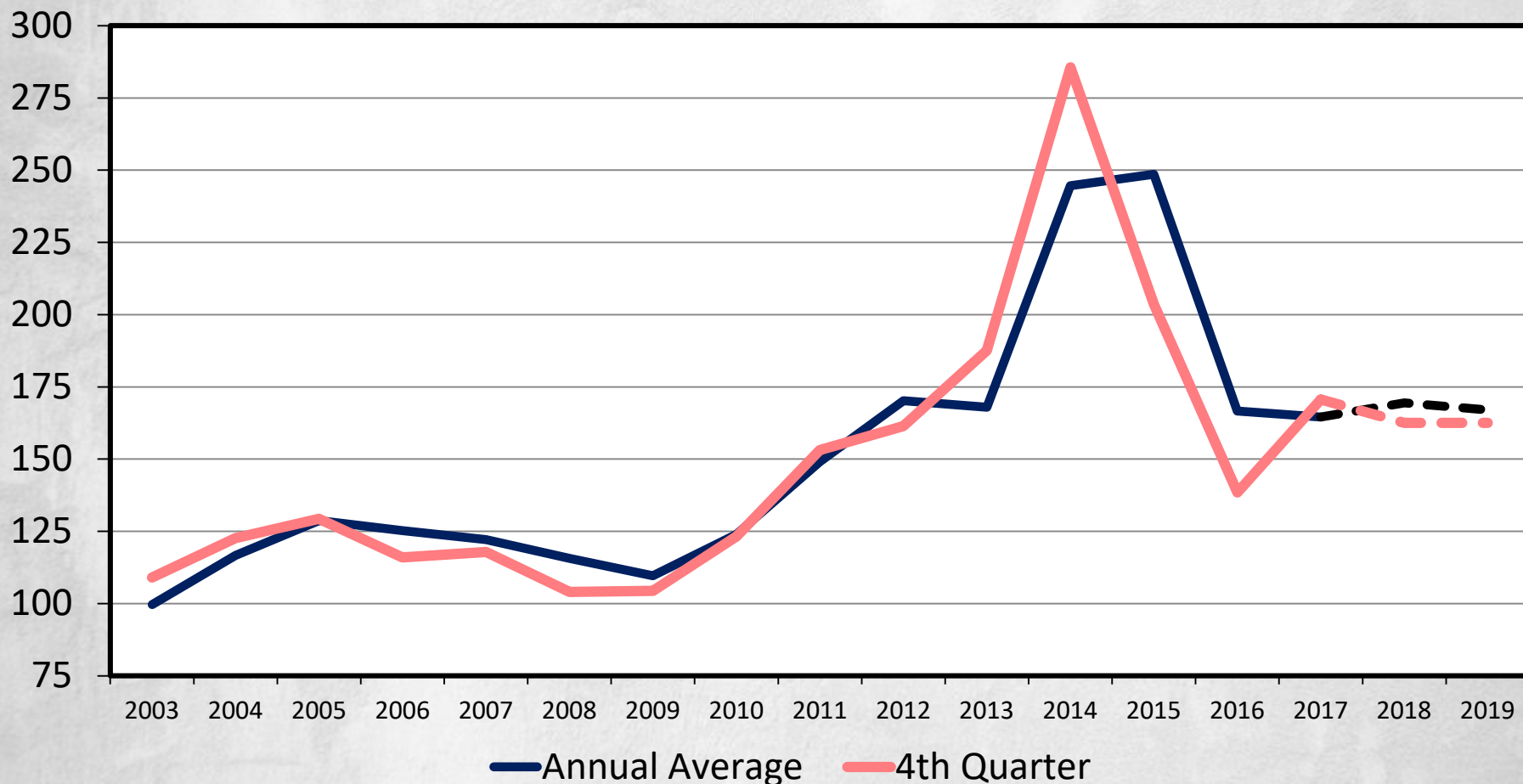


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AVERAGE CALF PRICES

500-600lb Steer Calves, Southern Plains

\$ Per Cwt



Data Source: USDA-AMS

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Conclusions

- We're in a demand-driven environment
- Domestic and International demand are supporting prices despite supply
- Larger beef supplies in 2019
- Supply pressure on prices in 2019, but 2020 could bring some relief
- Plenty of uncertainty from outside



Thank you!

Questions?

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