Current Economic Climate of the Cattle Business

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Oklahoma State University
Current Market Situation

• Global
• U.S. Economy
• Agriculture
• Cattle Industry
Major Beef Market Factors

• Cattle Inventory and Beef Production
• Beef Demand
• International Trade
• Feed and Input Markets
• Forage Conditions
MED. & LRG. #1 STEER CALF PRICES
400-500 Pounds, Southern Plains, Weekly

$ Per Cwt.

235
215
195
175
155
135
115

JAN
APR
JUL
OCT

Avg.
2006-10

2011

2012

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

C-P-49A
08/06/12
SLAUGHTER COW PRICES
Southern Plains, 85-90% Lean, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS
US RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
WESTERN REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
GREAT PLAINS REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
CORNBELT REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Percent

Avg.
2006-2011
2012

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
SOUTHEAST REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
NORTHEAST REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC

G-NP-35
08/06/12
U.S. Seasonal Drought Outlook
Drought Tendency During the Valid Period
Valid for July 19 - October 31, 2012
Released July 19, 2012

Key:
- Brown: Drought to persist or intensify
- Orange with black lines: Drought ongoing, some improvement
- Green: Drought likely to improve, impacts ease
- Yellow: Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.
CATTLE SLAUGHTER
Federally Inspected, Weekly

Thou. Head
725
675
625
575
525
475
JAN  APR  JUL  OCT

 Avg.  2006-10

 2011

 2012

Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS

C-S-08
08/03/12
DAIRY COW SLAUGHTER
Federally Inspected, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS

C-S-35
08/03/12
CATTLE DRESSED WEIGHT
Federally Inspected, Weekly

Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS
JULY 1 FEEDER CATTLE SUPPLIES
Residual, Outside Feedlots, U.S.

Livestock Marketing Information Center
Data Source: USDA-NASS
HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Livestock Marketing Information Center

Data Source: USDA-NASS
Livestock Marketing Information Center

Data Source: USDA-NASS
WHOLESALE BEEF RIBEYE PRICES
Boneless, Light, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS

M-P-21
08/06/12
WHOLESALE BEEF FULL TENDER PRICES
Musl-On, 5 Pounds and Up, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS

M-P-23
08/06/12
WHOLESALE BEEF CHUCK PRICES
Boneless 2 Piece, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS
WHOLESALE BEEF BOTTOM ROUND PRICES
18-33 Pounds, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS
WHOLESALE BONELESS BEEF PRICES
Fresh, 50% Lean, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS

M-P-25
08/06/12
WHOLESALE BONELESS BEEF PRICES
Fresh, 90% Lean, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS

M-P-24
08/06/12
COMMERCIAL BEEF PRODUCTION
Quarterly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC

M-S-01
07/25/12
Total Meat Supplies Down Slightly in 2012

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>↓0.4%</td>
<td>↓1.6%</td>
</tr>
<tr>
<td>Pork</td>
<td>↑1.5%</td>
<td>↑1.4%</td>
</tr>
<tr>
<td>Broilers</td>
<td>↑1.1%</td>
<td>↓1.1%</td>
</tr>
<tr>
<td>Total Meat</td>
<td>↑0.9%</td>
<td>↓0.5%</td>
</tr>
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</table>
United States: Beef Trade

The graph shows the flow of beef trade from 2000 to 2012, distinguishing between exports (blue bars) and imports (red bars). The y-axis represents the number of metric tons in 1,000s, and the x-axis represents the years from 2000 to 2012. The data indicates fluctuations in both exports and imports over the period, with peaks and troughs occurring in various years.
Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS
U S BEEF AND VEAL IMPORTS

Carcass Weight, Annual

Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
MAJOR U.S. BEEF IMPORT SOURCES
Carcass Weight, Annual

Livestock Marketing Information Center
Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
CATTLE IMPORTS FROM CANADA AND MEXICO

Annual

Thou. Head


Mexico

Canada

Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC

I-N-13

05/11/12
North American Drought Monitor

June 30, 2012

Released: Thursday July 19, 2012

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

Drought Impact Types:
- L = Delineates dominant impacts
- A = Agriculture
- H = Hydrological (Water)

Analysts:
Canada - Trevor Hadwen
Dwayne Chobanik
Richard Rieger
Mexico - Reynaldo Pascual
A delina A Ibanil
U.S.A. - Mark Svoboda*
Rich Tinker

* Responsible for collecting analysts' input & assembling the NA-DM map

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

Regions in northern Canada may not be as accurate as other regions due to limited information.

http://www.ncdc.noaa.gov/nadm.html
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
NATIONAL AVERAGE CORN YIELD
Crop Year

Bu. Per Acre


Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Forecasts by LMIC
US ANNUAL CORN PRODUCTION

Crop Year

Bil. Bushels

Livestock Marketing Information Center

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

G-NP-07
08/06/12
U.S. CORN DISAPPEARANCE AND STOCKS
Crop Year

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Forecasts by LMIC

G-NP-12
08/06/12
NATIONAL AVERAGE CORN PRICE
Crop Year, Received by Farmers

$ Per Bushel

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Forecasts by LMIC
CATTLE ON FEED
US Total, Monthly

Mil. Head

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

Avg. 2006/10

2011

2012

Livestock Marketing Information Center
Data Source: USDA-NASS

C-N-10
07/20/12
AVERAGE RETURNS TO CATTLE FEEDERS
Feeding 725 Lb. Steers, S. Plains, Monthly

$ Per Head

Latest Data: July 2012

Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-22
08/01/12
KANSAS FEEDLOT CLOSEOUTS
Feeding Costs per Cwt, Steers

Data Source: KSU Focus on Feedlots, Compiled by LMIC
ANNUAL AVERAGE CATTLE PRICES
Southern Plains

$ Per Cwt

180
155
130
105
80
55


500-600lb
Steer
Calves

700-800lb
Feeder
Steers

Fed
Steers

Livestock Marketing Information Center
Data Source: USDA-AMS, Compiled & Analysis by LMIC
Price-Weight Relationship
Medium/Large No. 1 Steers

<table>
<thead>
<tr>
<th>Weight (pounds)</th>
<th>Price ($/cwt)</th>
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<tbody>
<tr>
<td>375</td>
<td>160</td>
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<tr>
<td>425</td>
<td>155</td>
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<tr>
<td>475</td>
<td>150</td>
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<tr>
<td>525</td>
<td>145</td>
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<tr>
<td>575</td>
<td>140</td>
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<td>625</td>
<td>135</td>
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<td>675</td>
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<td>725</td>
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<td>775</td>
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<td>875</td>
<td>110</td>
</tr>
<tr>
<td>925</td>
<td>105</td>
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- 'APR 2005
- 1996+$50
- Avg+$30
# Stocker Value of Gain, Average Weekly, 1992-2006

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<thead>
<tr>
<th>Weight Gain</th>
<th>Beg. Weight</th>
<th>Weeks</th>
<th></th>
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<td>12</td>
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<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td>22</td>
<td>23</td>
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<tr>
<td>200 lbs</td>
<td>ADG&gt;&gt;</td>
<td>2.38</td>
<td>1.79</td>
<td>1.58</td>
<td>1.43</td>
<td></td>
<td></td>
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<tr>
<td>475</td>
<td>0.559</td>
<td>0.568</td>
<td>0.572</td>
<td>0.576</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>525</td>
<td>0.571</td>
<td>0.581</td>
<td>0.586</td>
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<td>575</td>
<td>0.583</td>
<td>0.593</td>
<td>0.596</td>
<td>0.598</td>
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<tr>
<td>625</td>
<td>0.579</td>
<td>0.590</td>
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<td>250 lbs</td>
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<td>2.10</td>
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<tr>
<td>475</td>
<td>0.571</td>
<td>0.575</td>
<td>0.577</td>
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<tr>
<td>525</td>
<td>0.573</td>
<td>0.578</td>
<td>0.579</td>
<td>0.581</td>
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<td>575</td>
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<tr>
<td>300 lbs</td>
<td>ADG&gt;&gt;</td>
<td>2.38</td>
<td>2.14</td>
<td>1.95</td>
<td>1.55</td>
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<tr>
<td>475</td>
<td>0.571</td>
<td>0.573</td>
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<tr>
<td>525</td>
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<td></td>
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</table>
Feedlot Cost of Gain
Kansas, $/cwt.
Price-Weight Relationship
Medium/Large No. 1 Steers, OKC

![Graph showing the price-weight relationship for Medium/Large No. 1 Steers, OKC. The graph plots price per hundredweight ($/cwt) against weight in pounds (pounds). The line graph indicates a downward trend as weight increases.]
Steer Price, Total Value and Value of Gain
Aug 2012, Oklahoma 7-Market Ave.

<table>
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<td>160.48</td>
<td>682.04</td>
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<tr>
<td>475</td>
<td>148.91</td>
<td>707.32</td>
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<tr>
<td>525</td>
<td>141.91</td>
<td>745.03</td>
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<tr>
<td>575</td>
<td>137.39</td>
<td>789.99</td>
<td>0.72</td>
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<tr>
<td>625</td>
<td>140.09</td>
<td>875.56</td>
<td>0.97</td>
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<tr>
<td>675</td>
<td>138.03</td>
<td>931.70</td>
<td>1.00</td>
<td>1.24</td>
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<tr>
<td>725</td>
<td>138.46</td>
<td>1003.84</td>
<td>1.07</td>
<td>1.29</td>
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<tr>
<td>775</td>
<td>136.93</td>
<td>1061.21</td>
<td>1.08</td>
<td>1.30</td>
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<td>825</td>
<td>136.96</td>
<td>1129.92</td>
<td>1.12</td>
<td>1.28</td>
<td>1.27</td>
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<tr>
<td>875</td>
<td>133.39</td>
<td>1167.16</td>
<td>1.08</td>
<td>1.21</td>
<td>1.17</td>
</tr>
</tbody>
</table>
Stocker Example: August 6, 2012

• Buy 575 lb. steer, OKC @ $137.39 = $789.99/hd

• Hedge Nov Feeders @ $142.50 +$0.50 basis = $1108.25 (775 lbs.)

• Gross Margin = $318.26/hd

• Value of Gain = $318.26/200 = $1.59/lb.
ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual

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

C-P-66
08/02/12
Final Thoughts

• Limited Cattle Numbers/Long Rebuilding Period
• Beef Demand is Key
• Global Market Potential
• Increased Forage Value
  – Cow-Calf Production
  – Stocker/Backgrounding (Retained Ownership)
• Industry Structural Change
  – Decreased Grain/Increased Forage Emphasis
  – Regional Changes
  – Infrastructure Adjustments
THANK YOU!
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From OSU Animal Science and Agricultural Economics

Send Email to
derrell.peel@okstate.edu