Current Economic Climate of the Cattle Business

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Breedlove Professor of Agribusiness and Extension Livestock Marketing Specialist
Oklahoma State University

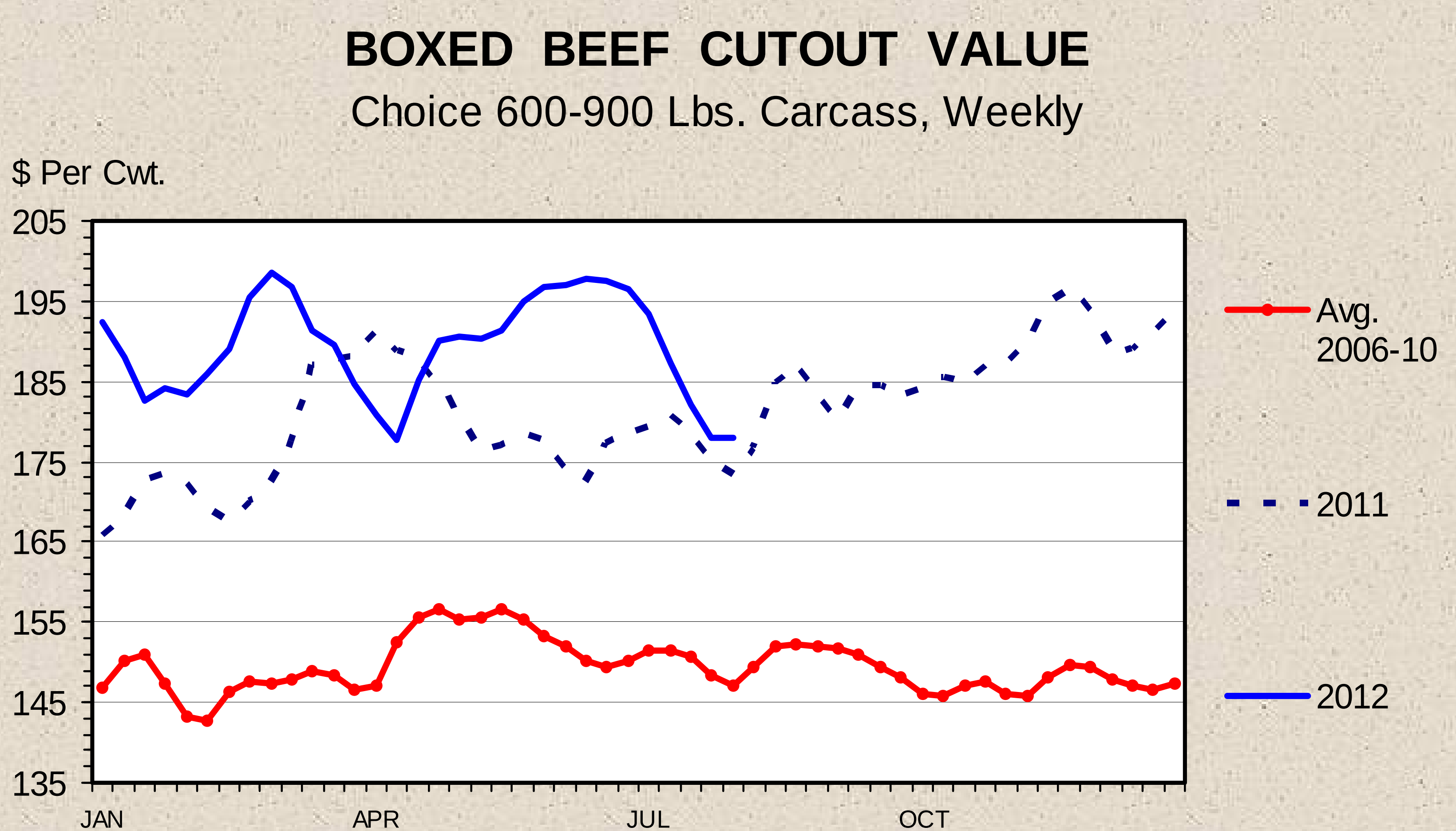
AGRICULTURE

Current Market Situation

- Global
- U.S. Economy
- Agriculture
- Cattle Industry

Major Beef Market Factors

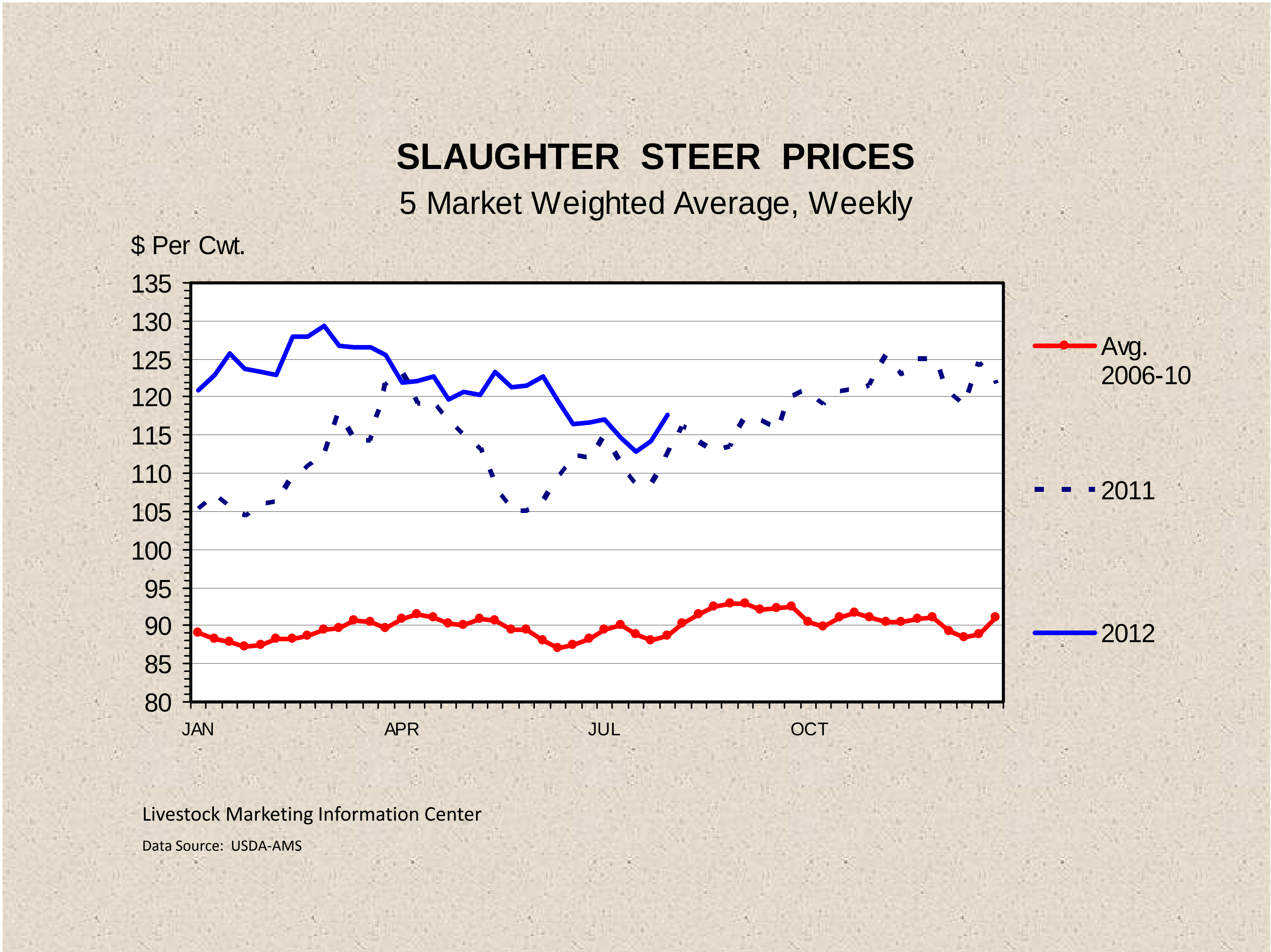
- Cattle Inventory and Beef Production
- Beef Demand
- International Trade
- Feed and Input Markets
- Forage Conditions

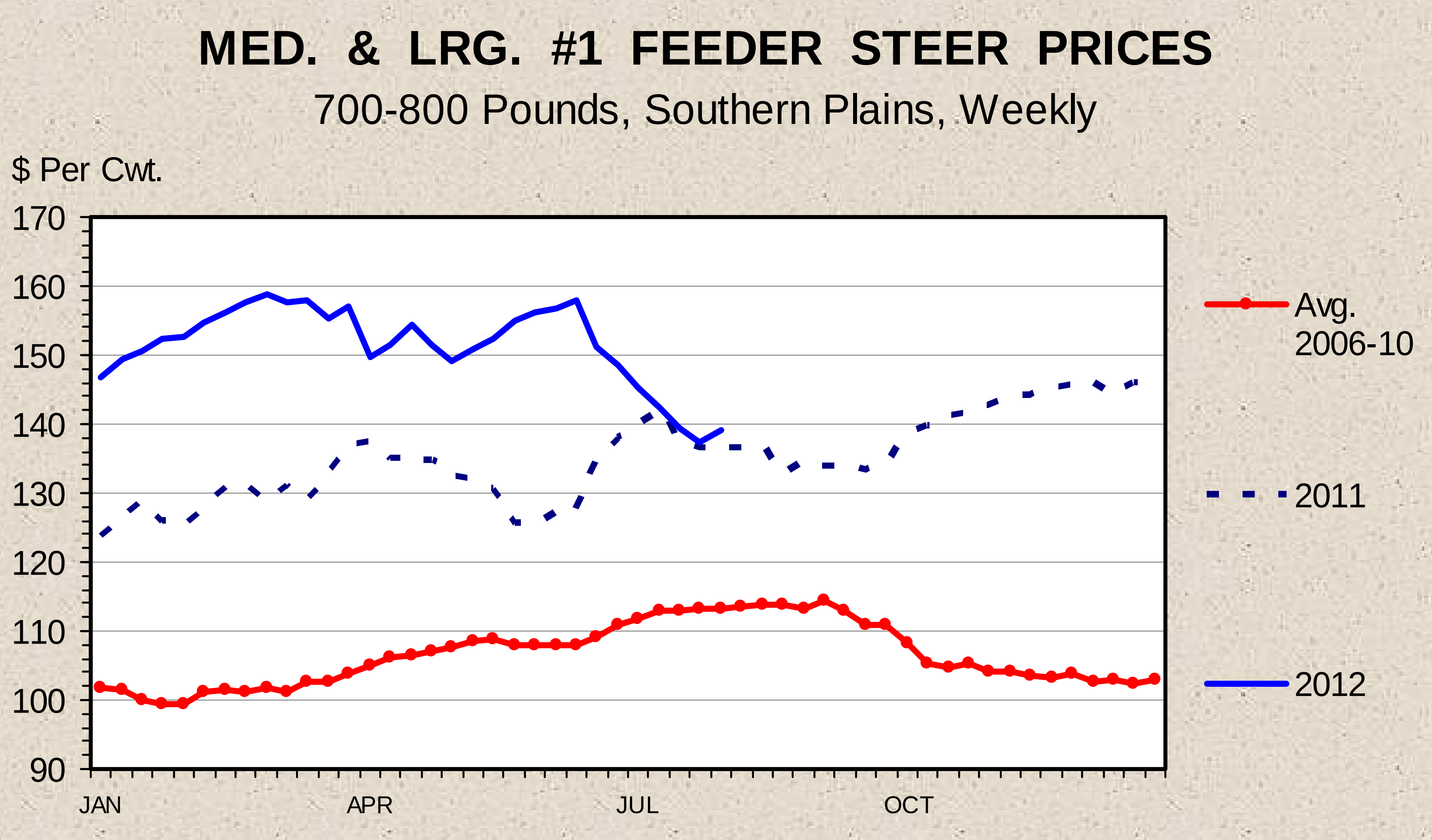


C-P-62
08/06/12

Livestock Marketing Information Center

Data Source: USDA-AMS


SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly
$ Per Cwt.
135
130
125
120
115
110
105
100
95
90
85
80
JAN
APR
JUL
OCT
Avg. 2006-10
2011
2012
Livestock Marketing Information Center
Data Source: USDA-AMS



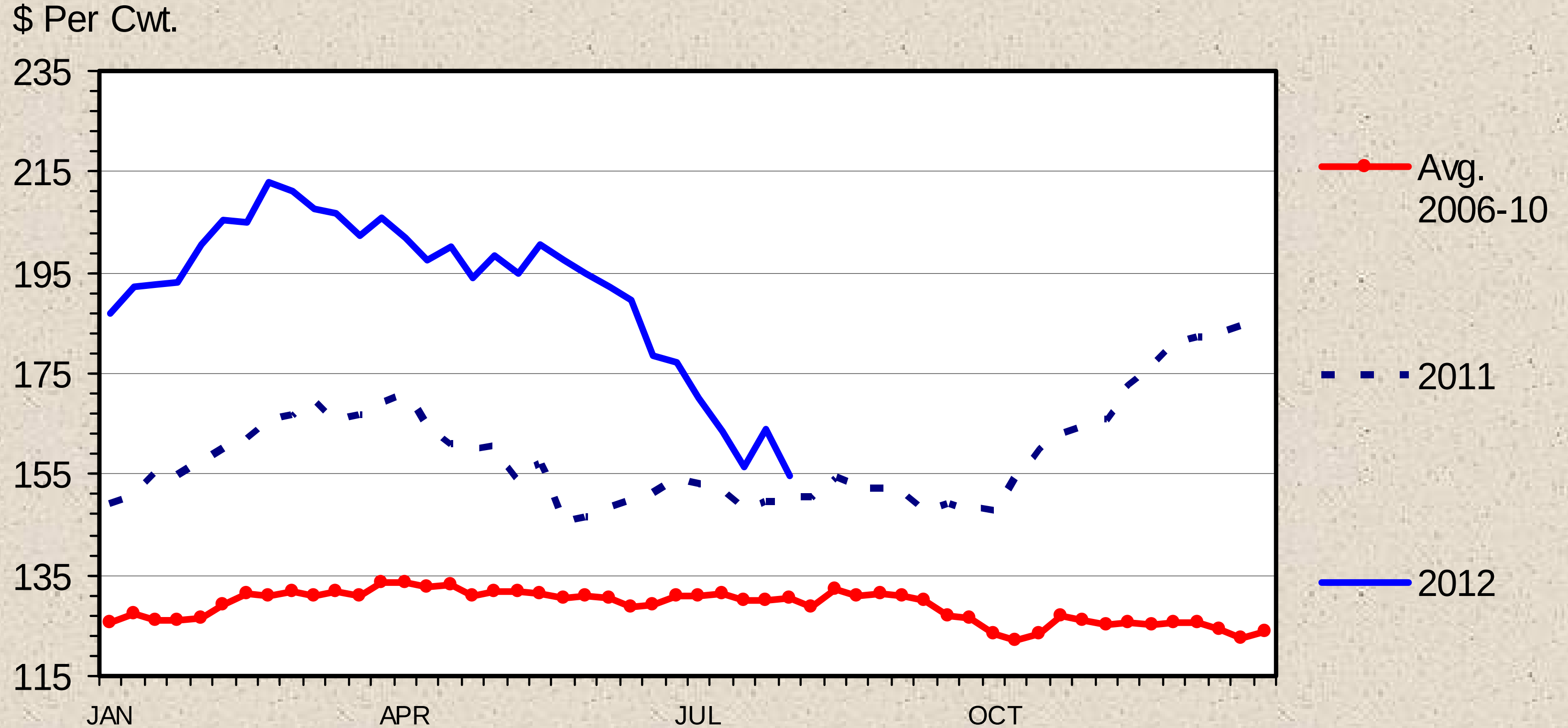
C-P-49
08/06/12

Livestock Marketing Information Center

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

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



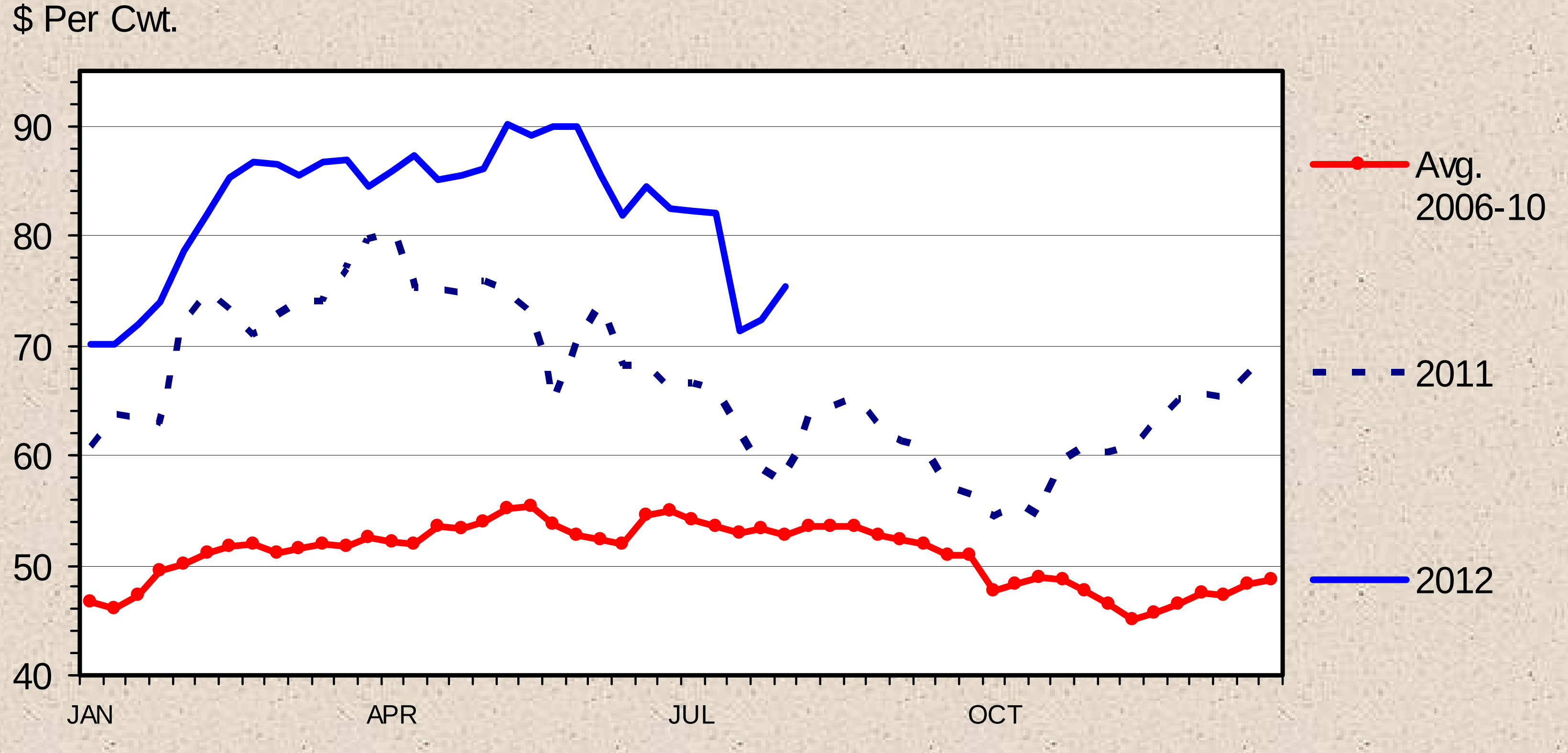
C-P-49A
08/06/12

Livestock Marketing Information Center

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

SLAUGHTER COW PRICES

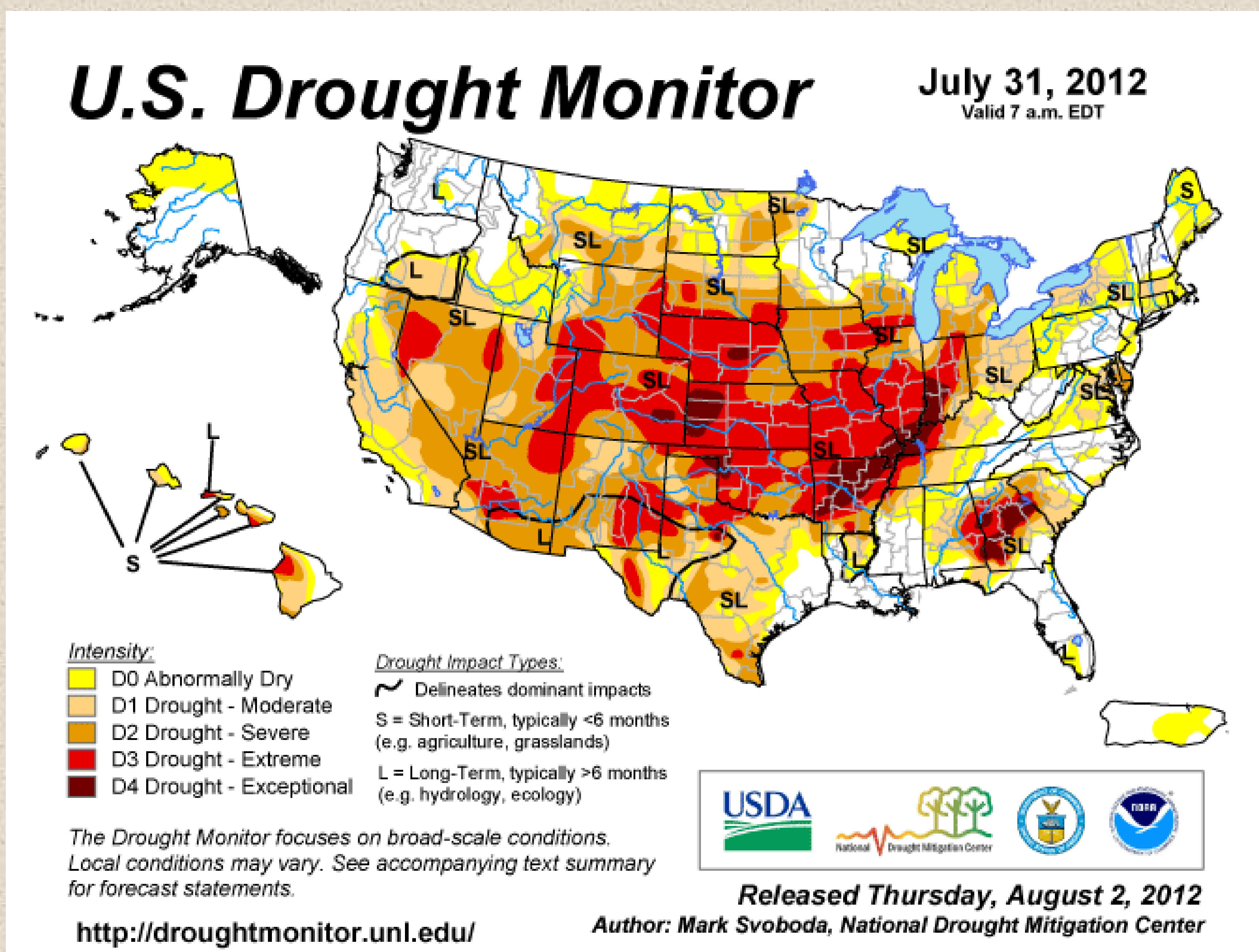
Southern Plains, 85-90% Lean, Weekly



C-P-35
08/06/12

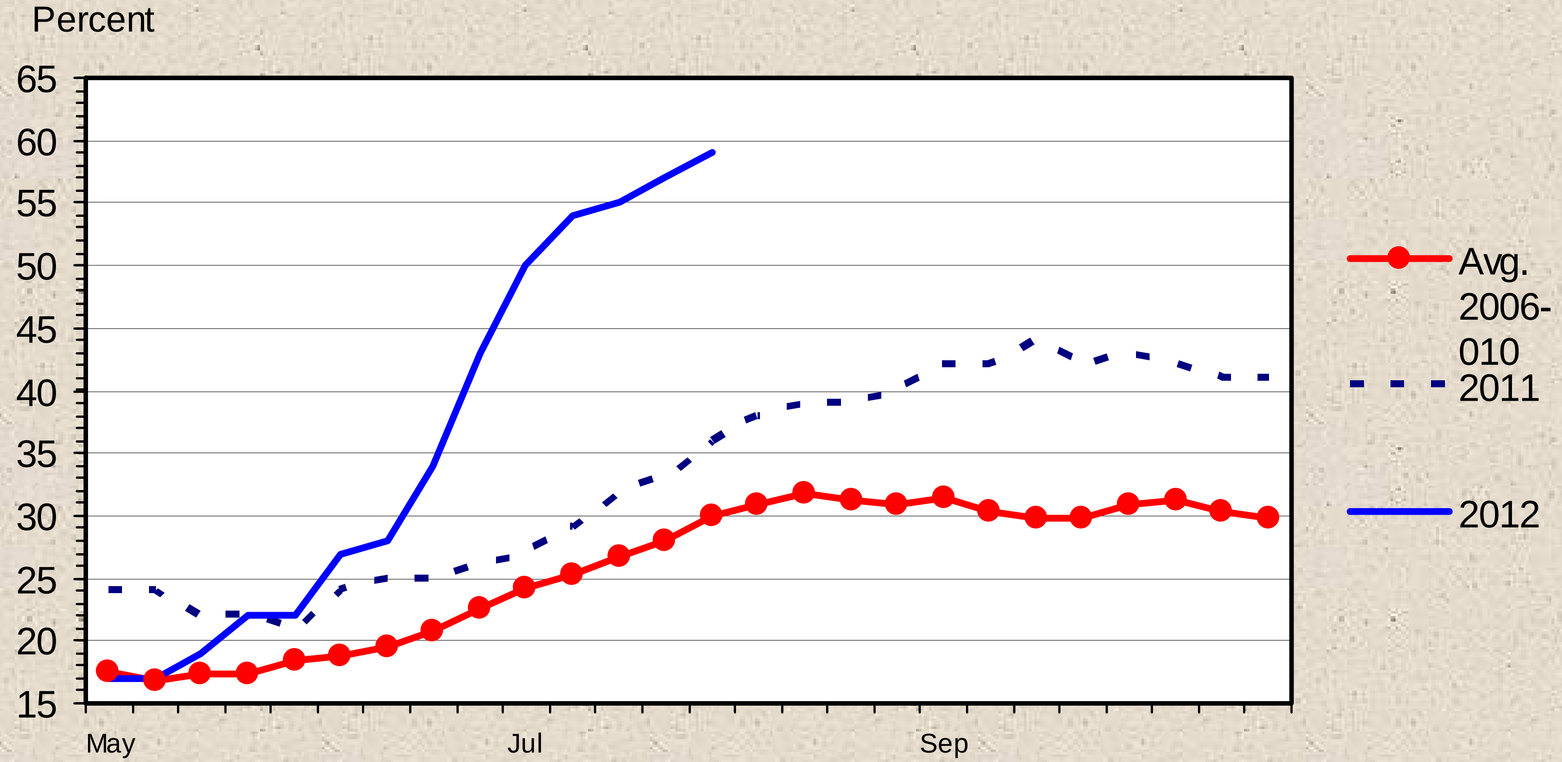
Livestock Marketing Information Center

Data Source: USDA-AMS


U.S. Drought Monitor
July 31, 2012
Valid 7 a.m. EDT
Intensity:
D0 Abnormally Dry
D1 Drought - Moderate
D2 Drought - Severe
D3 Drought - Extreme
D4 Drought - Exceptional
Drought Impact Types:
Delineates dominant impacts
S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
L = Long-Term, typically >6 months (e.g. hydrology, ecology)
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.
http://droughtmonitor.unl.edu/
USDA
National Drought Mitigation Center
Released Thursday, August 2, 2012
Author: Mark Svoboda, National Drought Mitigation Center

US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

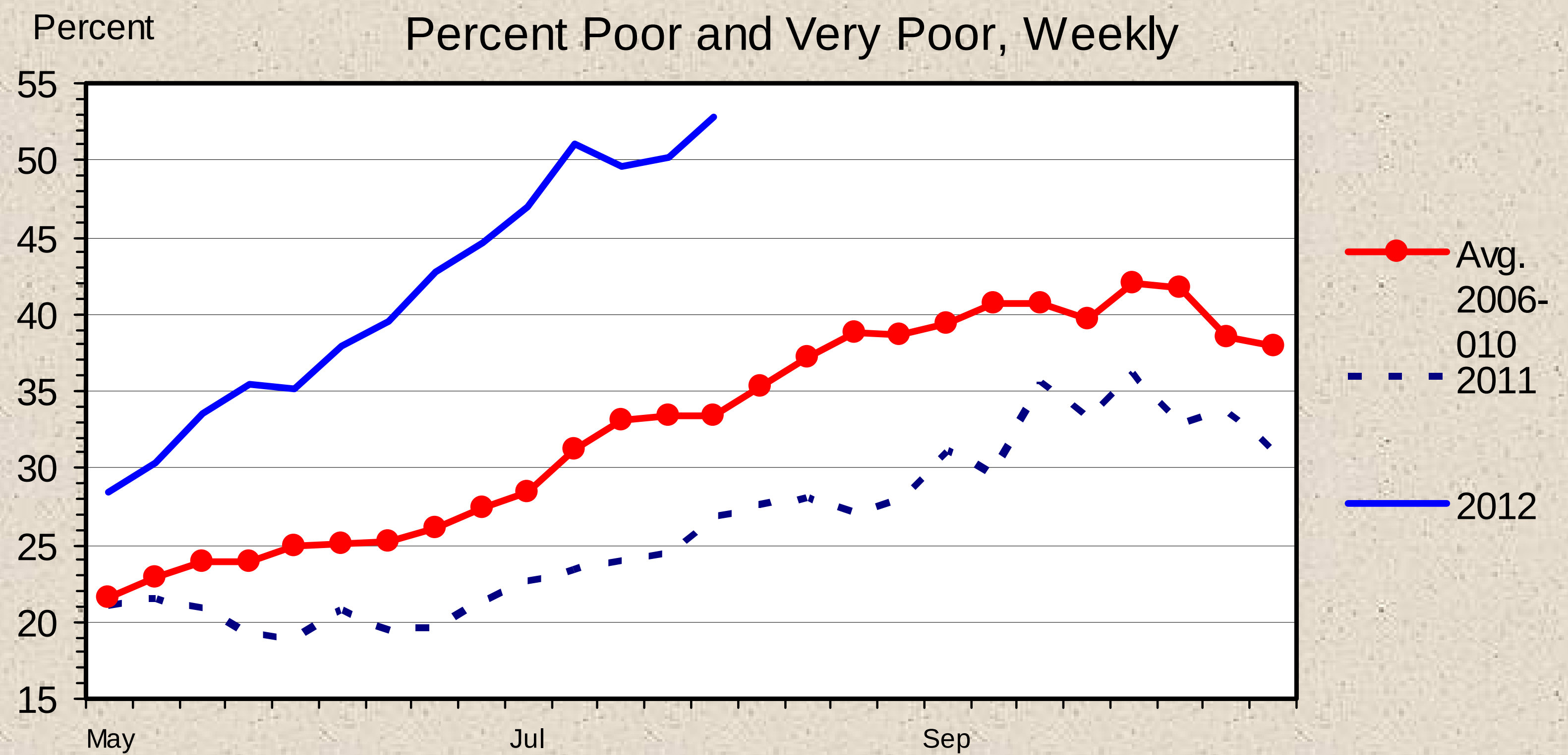


G-NP-30
08/06/12

Livestock Marketing Information Center

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

WESTERN REGION
RANGE AND PASTURE CONDITION



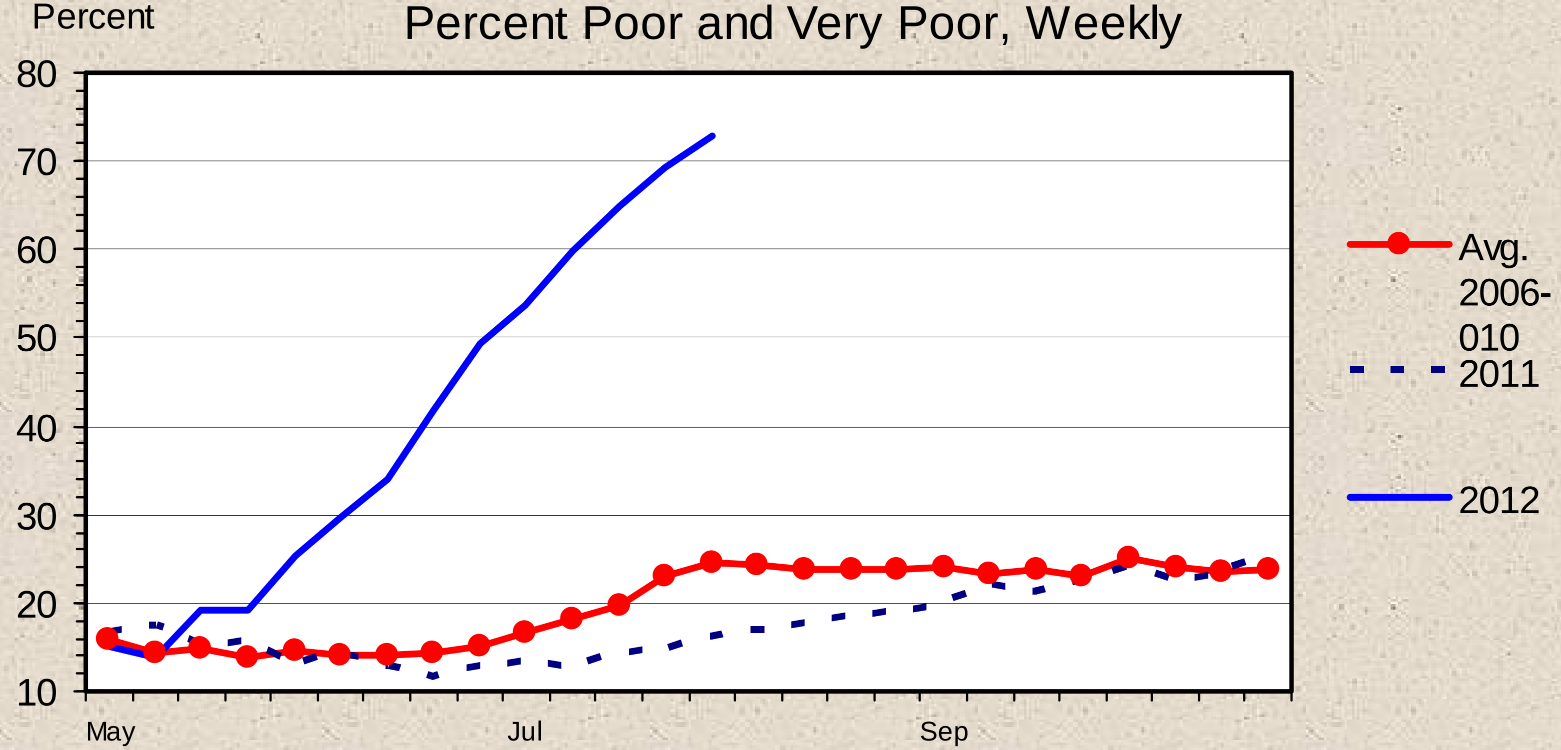
G-NP-31
08/06/12

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

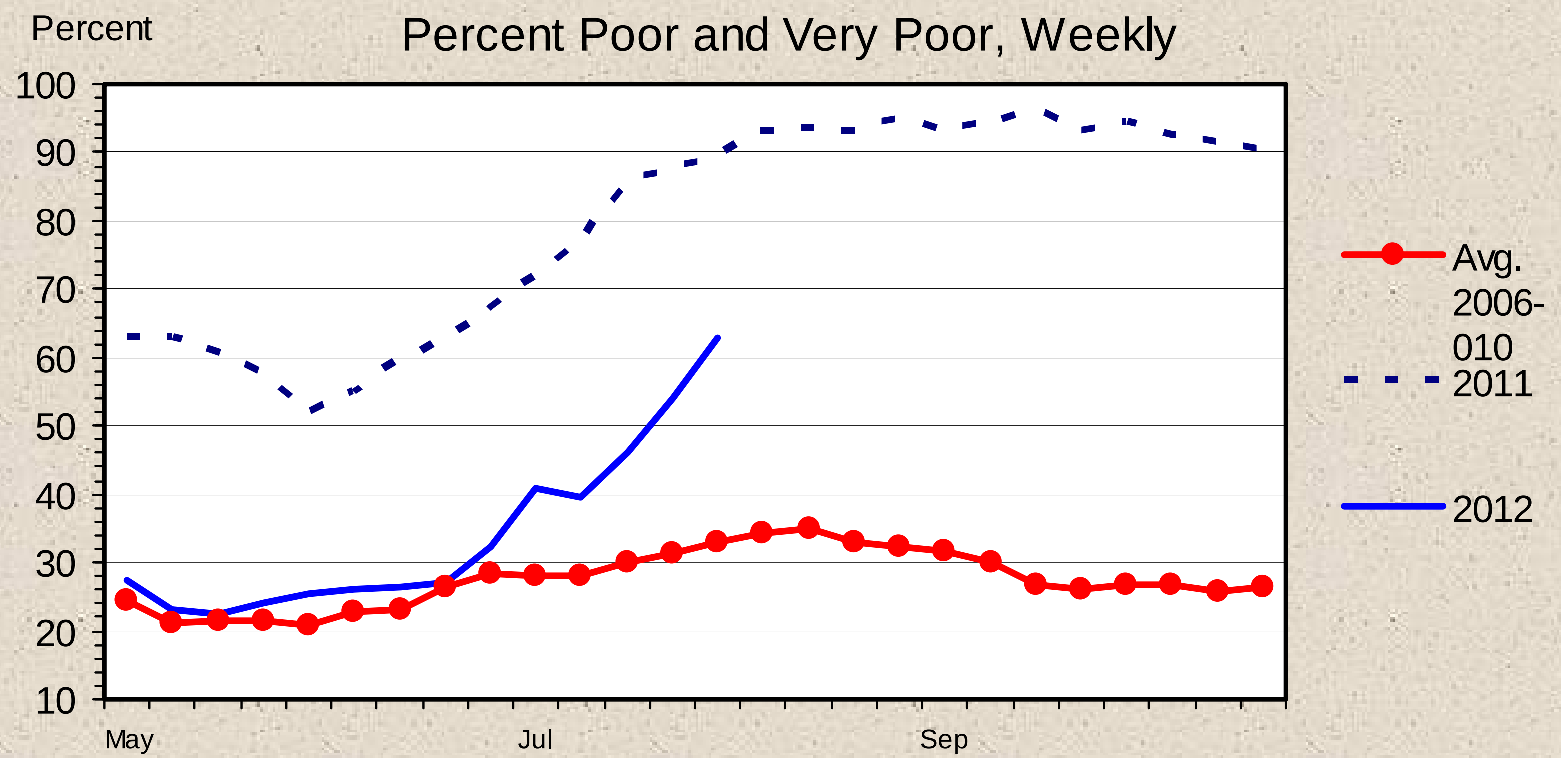


G-NP-32
08/06/12

Livestock Marketing Information Center

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

SOUTHERN PLAINS REGION
RANGE AND PASTURE CONDITION

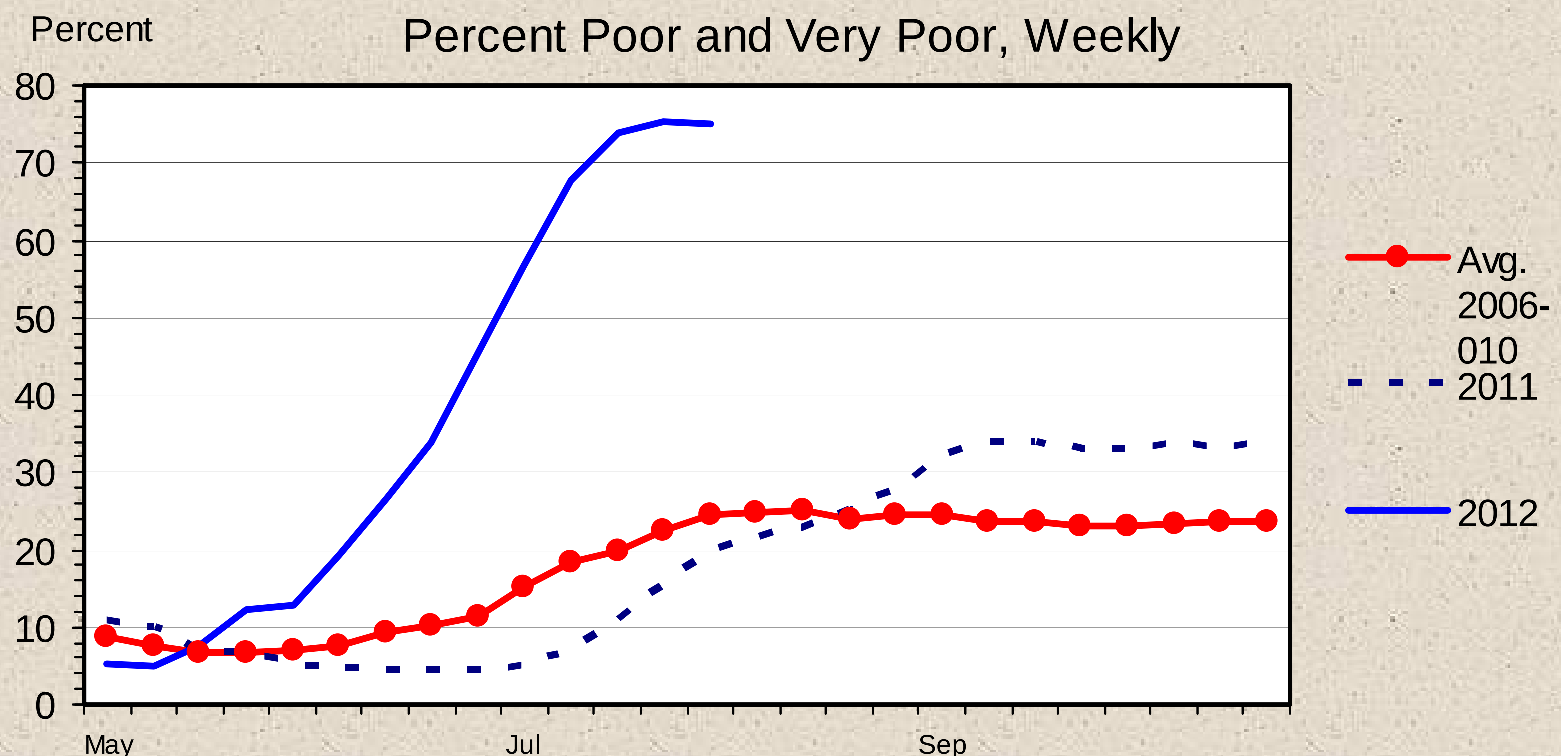


G-NP-33
08/06/12

Livestock Marketing Information Center

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

CORNBELT REGION
RANGE AND PASTURE CONDITION



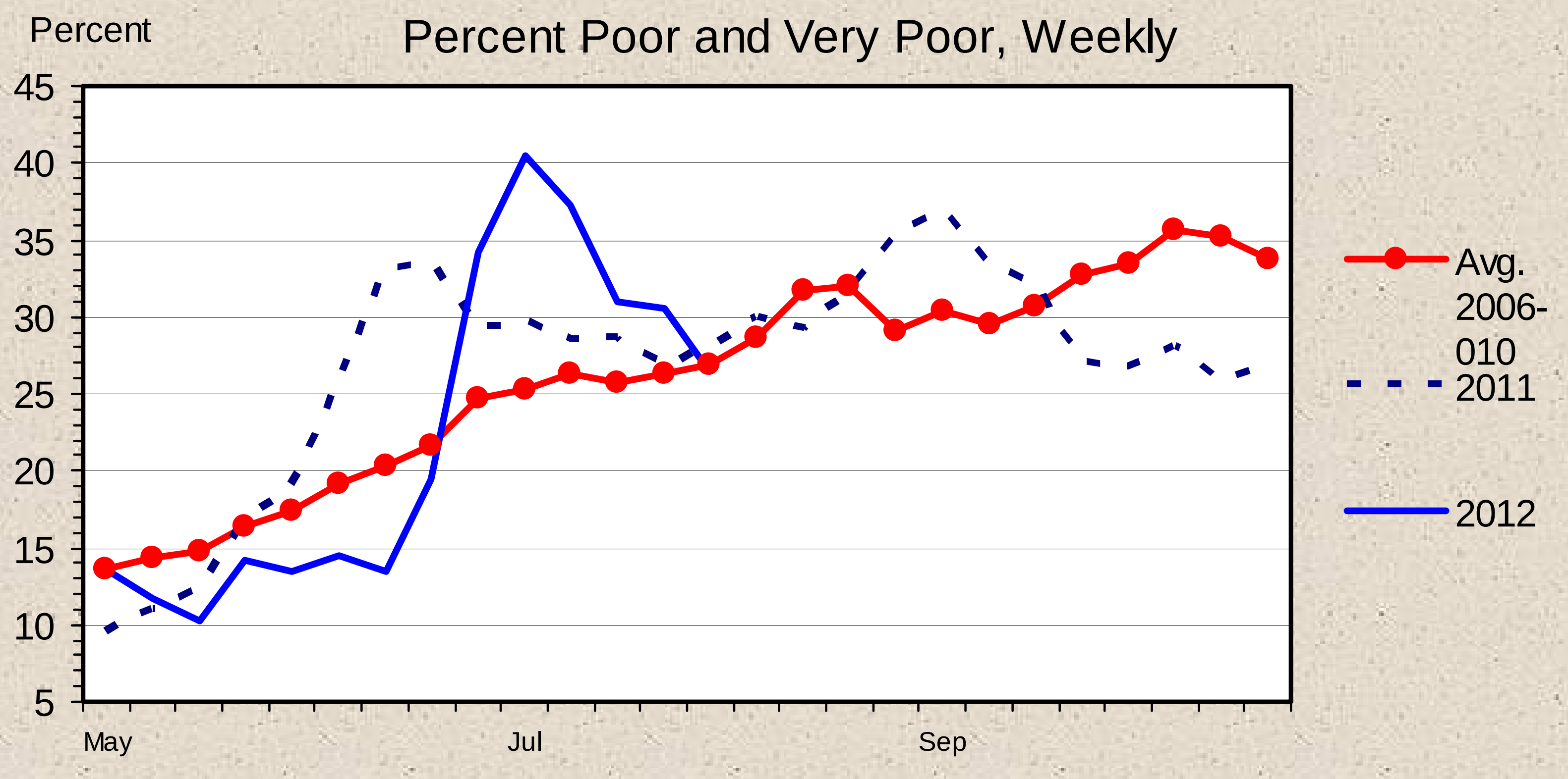
G-NP-34
08/06/12

Livestock Marketing Information Center

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

SOUTHEAST REGION
RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

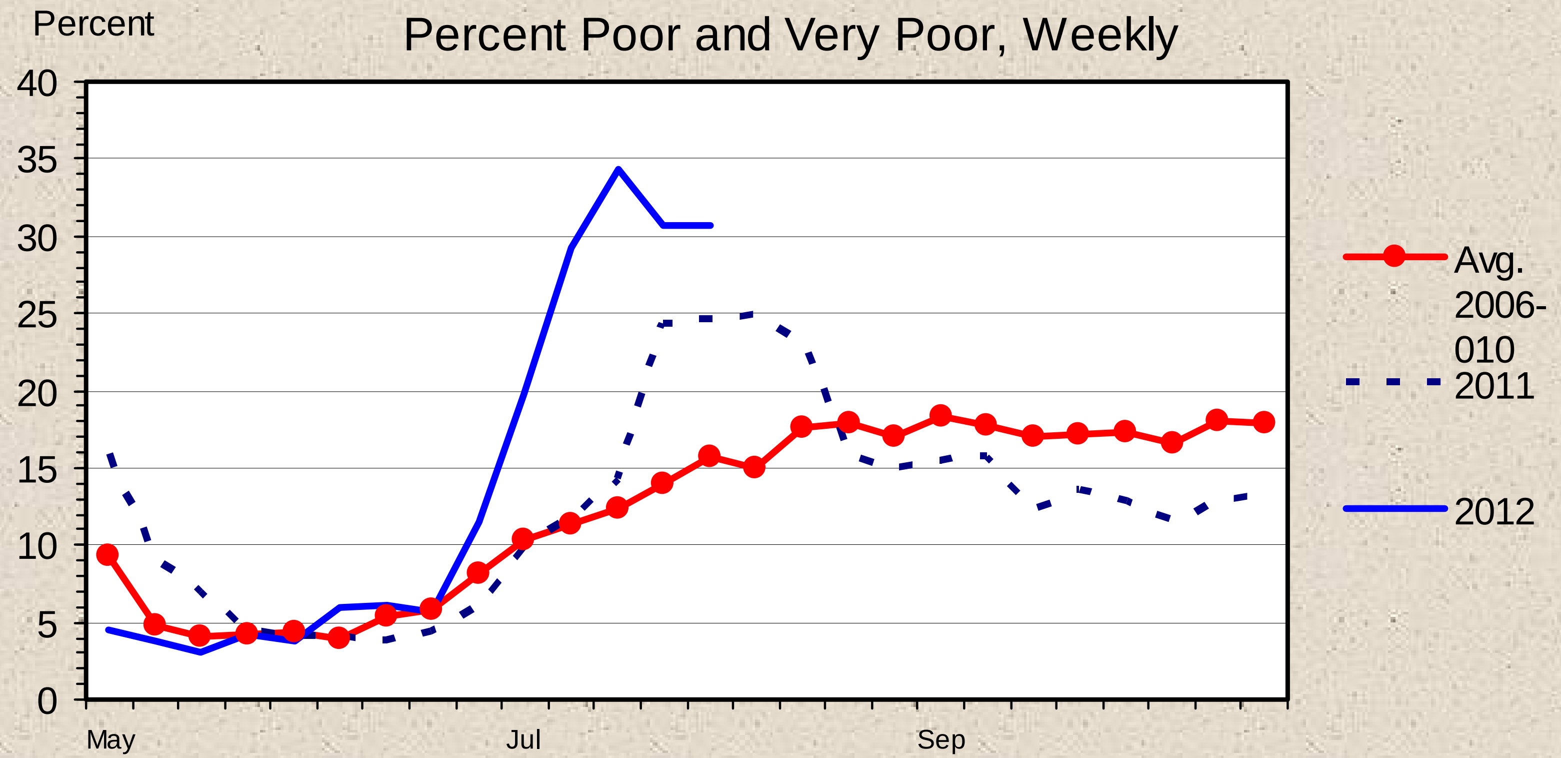


G-NP-36
08/06/12

Livestock Marketing Information Center

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

NORTHEAST REGION
RANGE AND PASTURE CONDITION



G-NP-35
08/06/12

Livestock Marketing Information Center

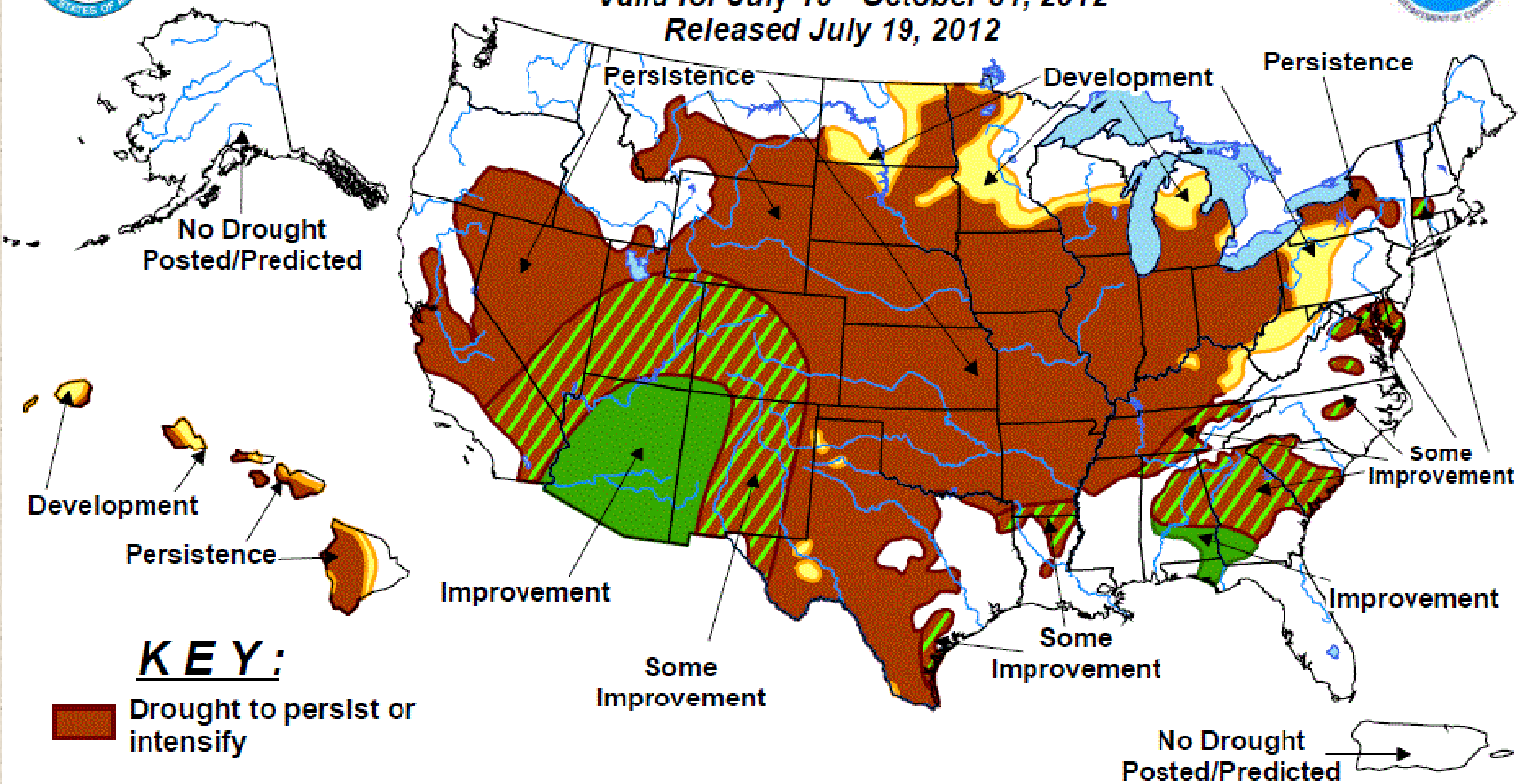
Data Source: USDA-NASS, Compiled & Analysis by LMIC

U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period

Valid for July 19 - October 31, 2012

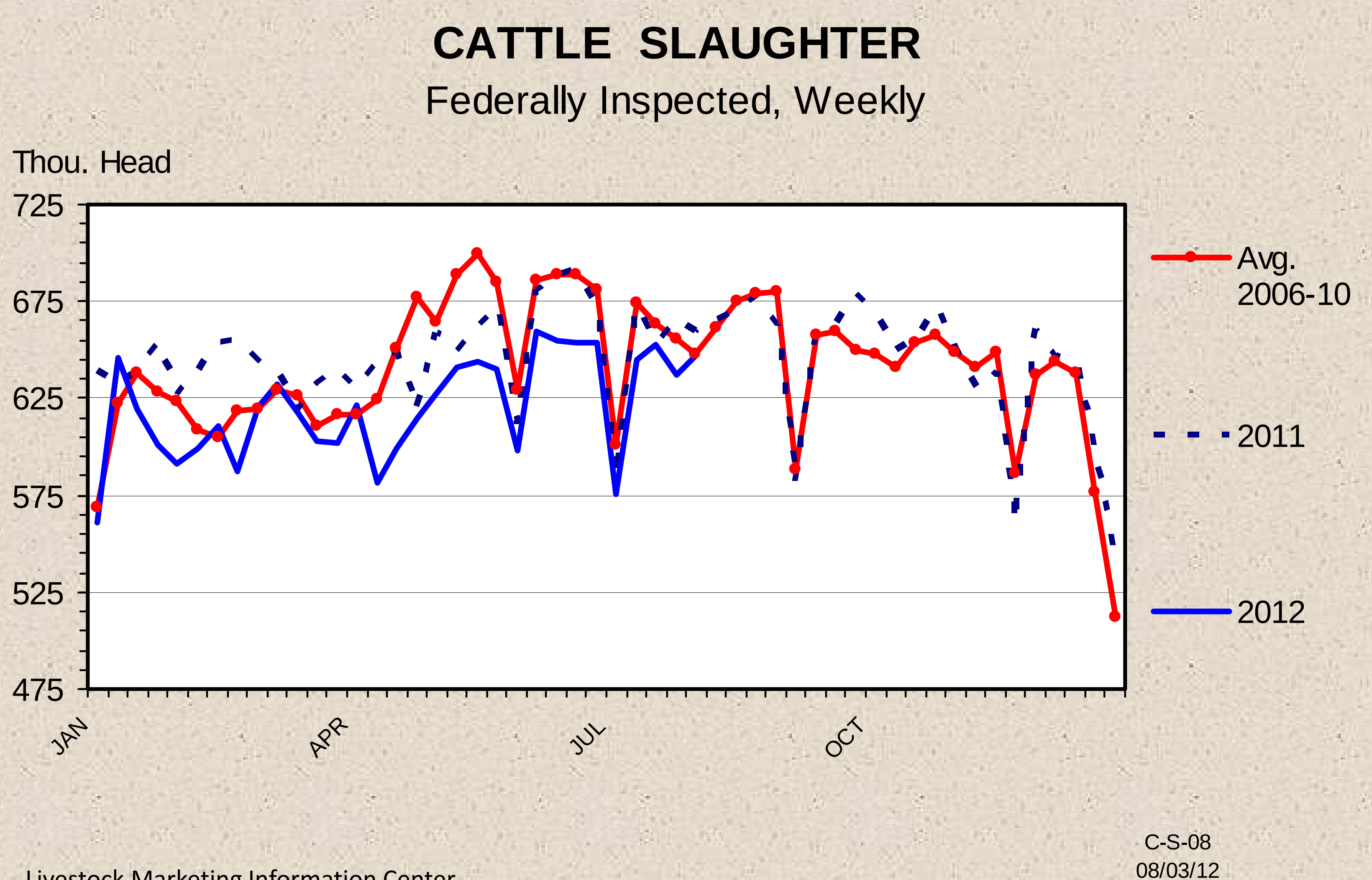
Released July 19, 2012



KEY:

- Drought to persist or intensify
- Drought ongoing, some improvement
- Drought likely to improve, impacts ease
- 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.

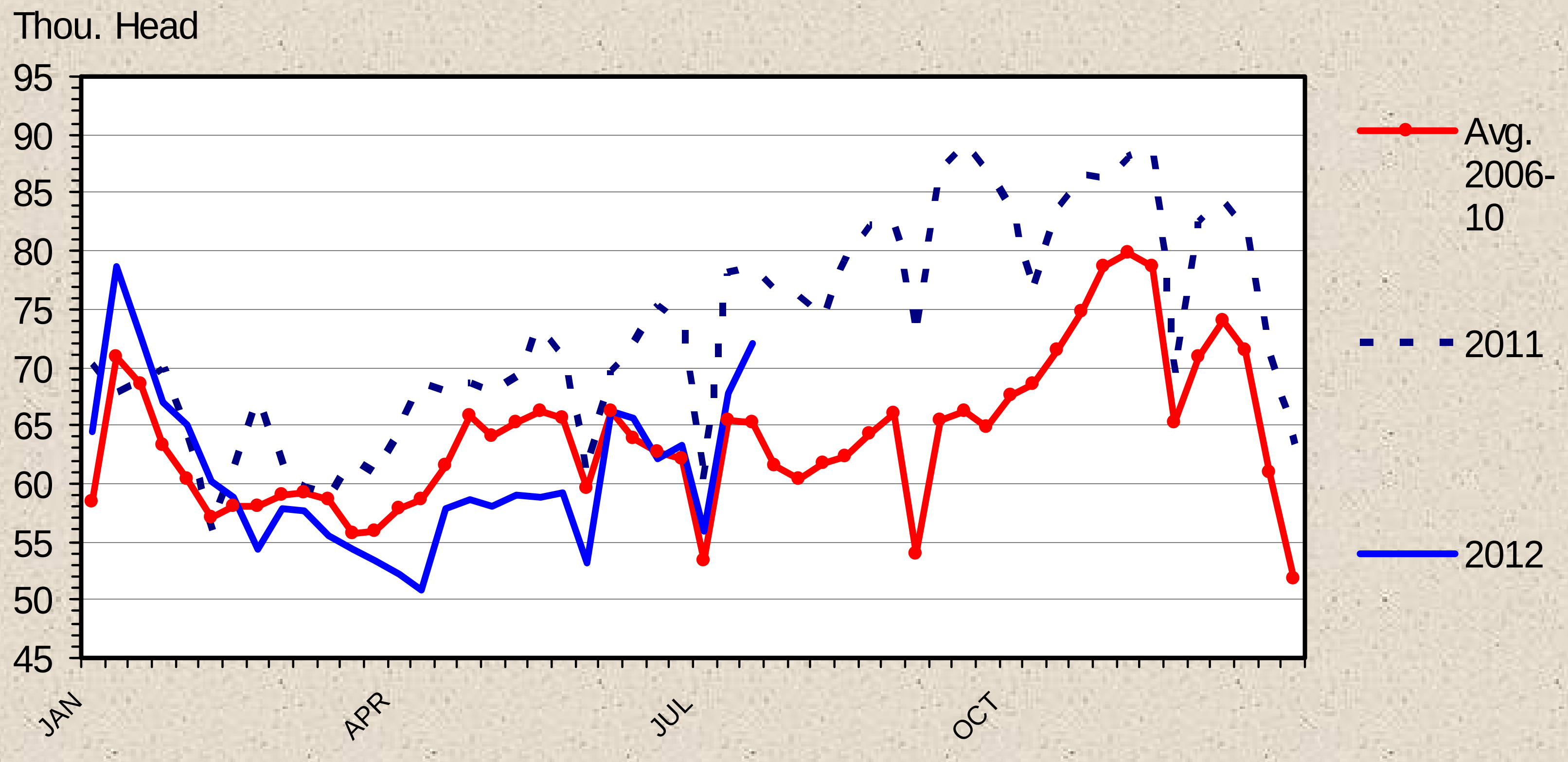


Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

BEEF COW SLAUGHTER

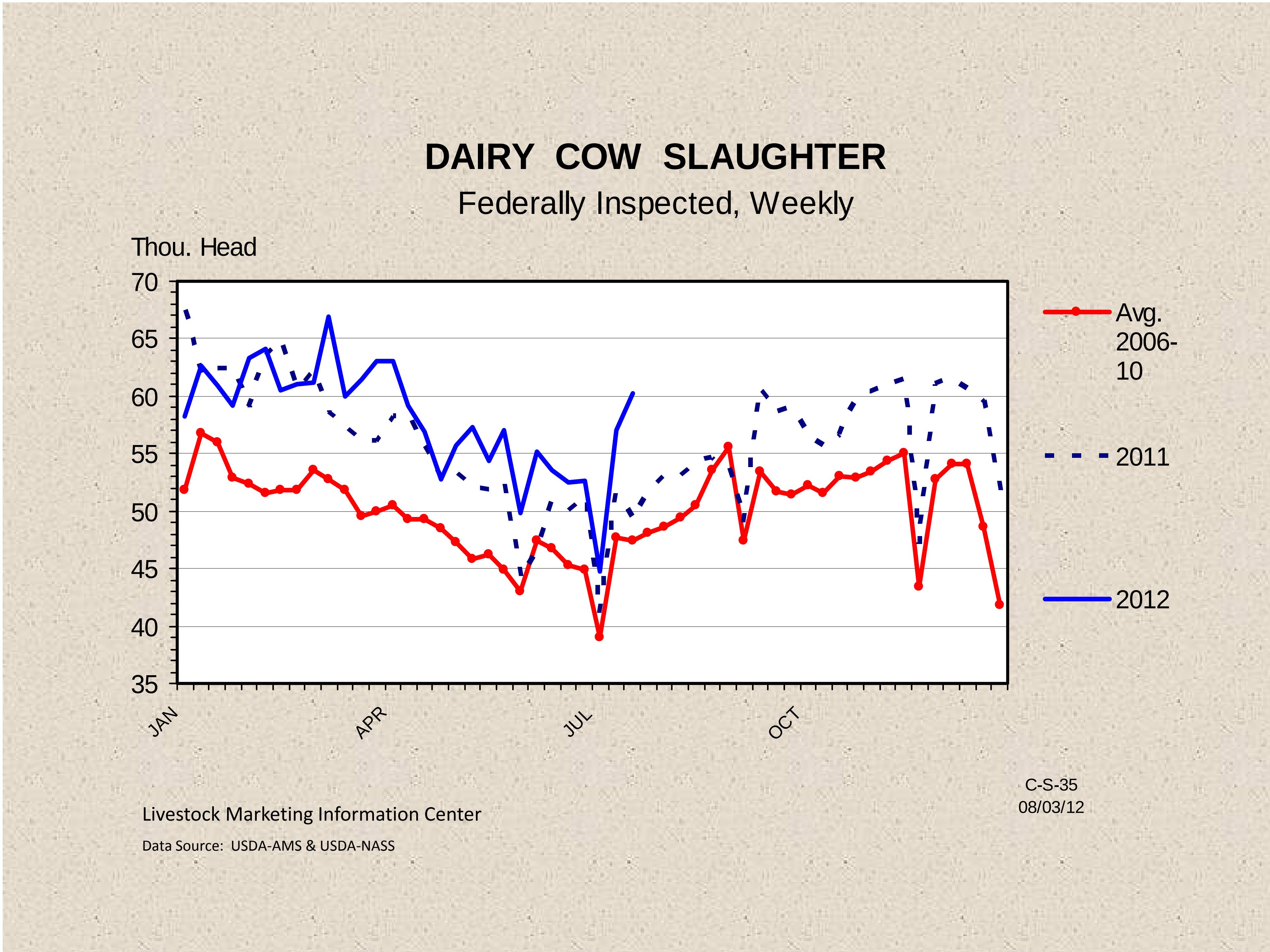
Federally Inspected, Weekly



C-S-34
08/03/12

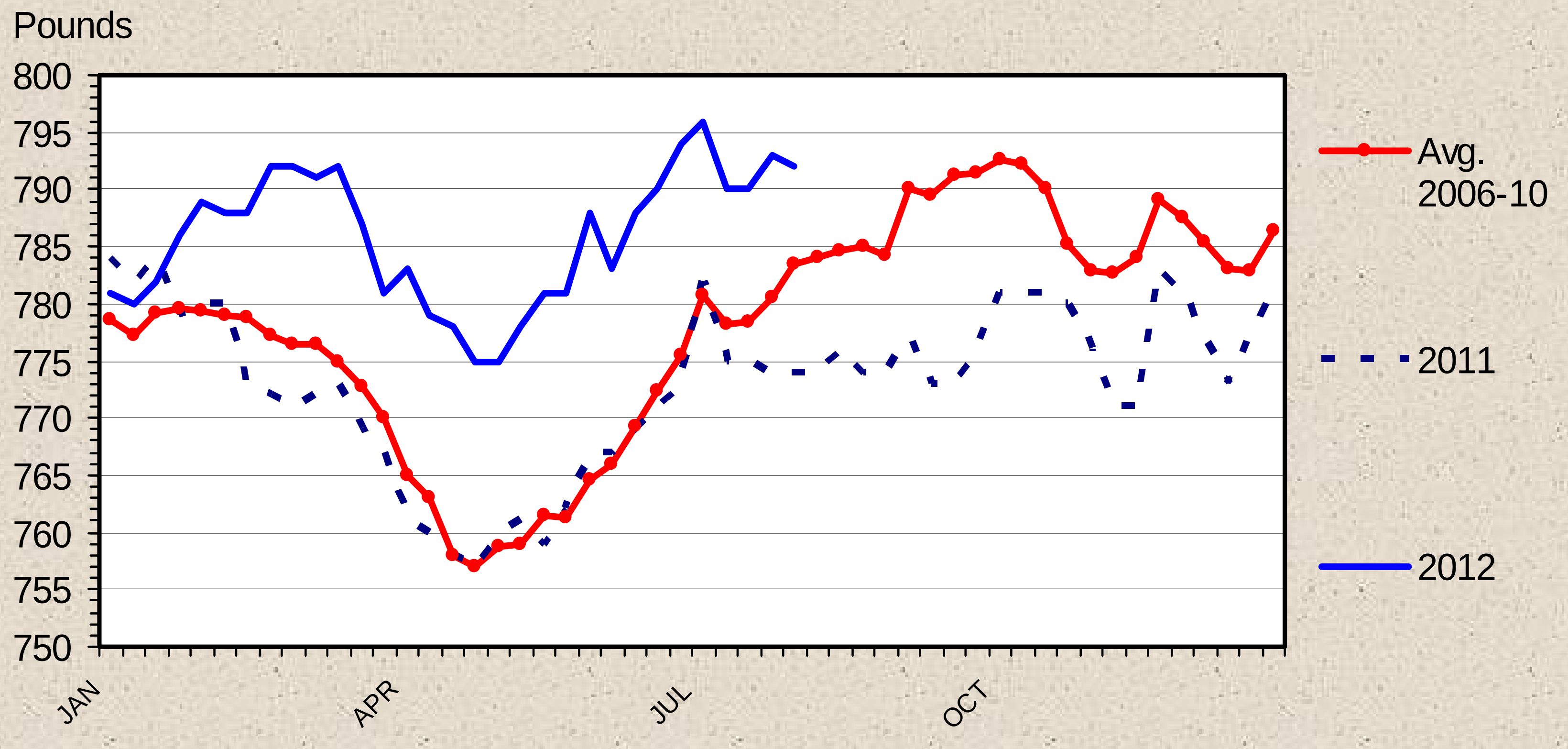
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS


DAIRY COW SLAUGHTER
Federally Inspected, Weekly
Thou. Head
70
65
60
55
50
45
40
35
JAN
APR
JUL
OCT
Avg. 2006-10
2011
2012
C-S-35
08/03/12
Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS

CATTLE DRESSED WEIGHT

Federally Inspected, Weekly



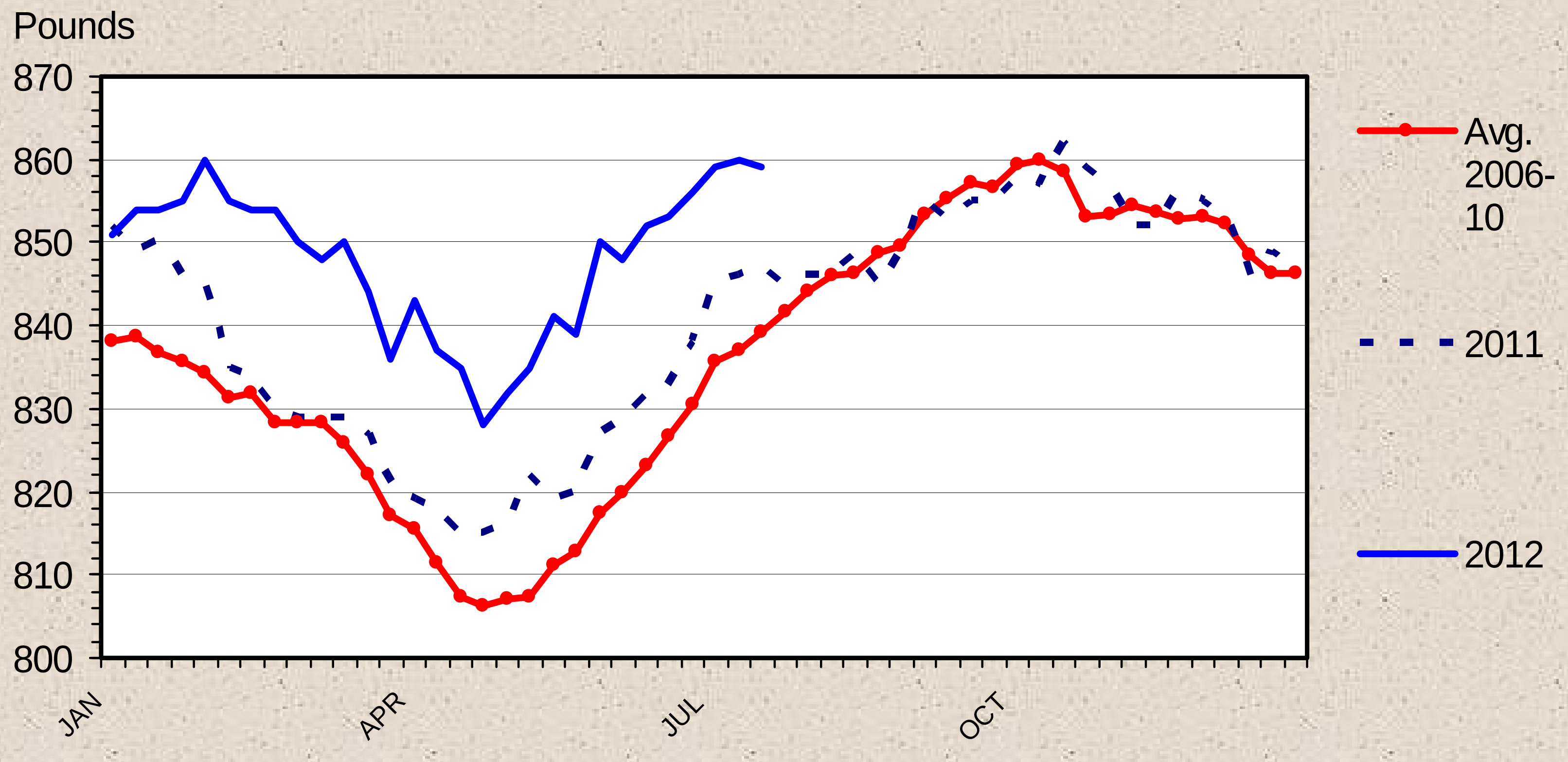
C-S-18A
08/03/12

Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

STEER DRESSED WEIGHT

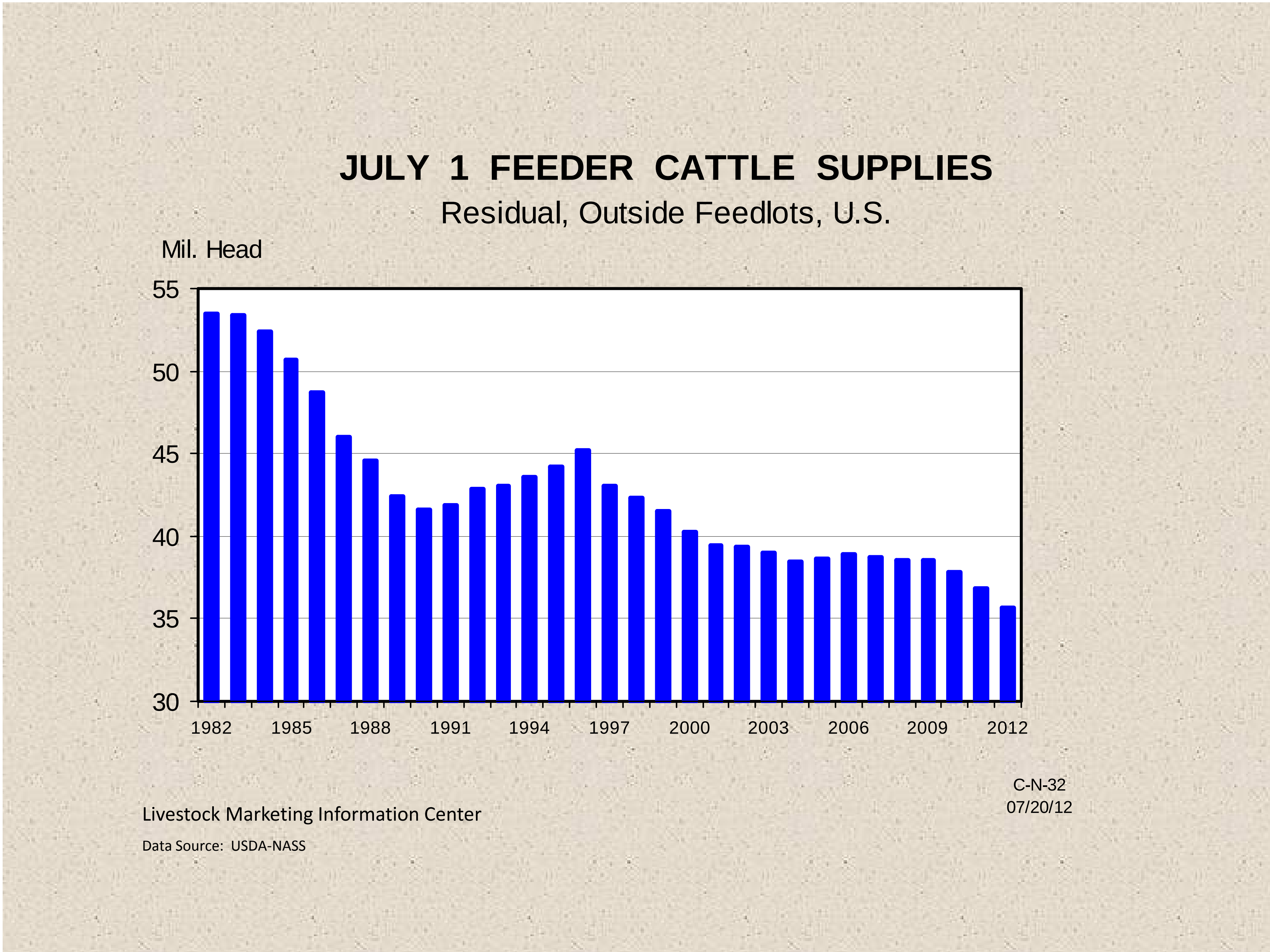
Federally Inspected, Weekly



C-S-18
08/03/12

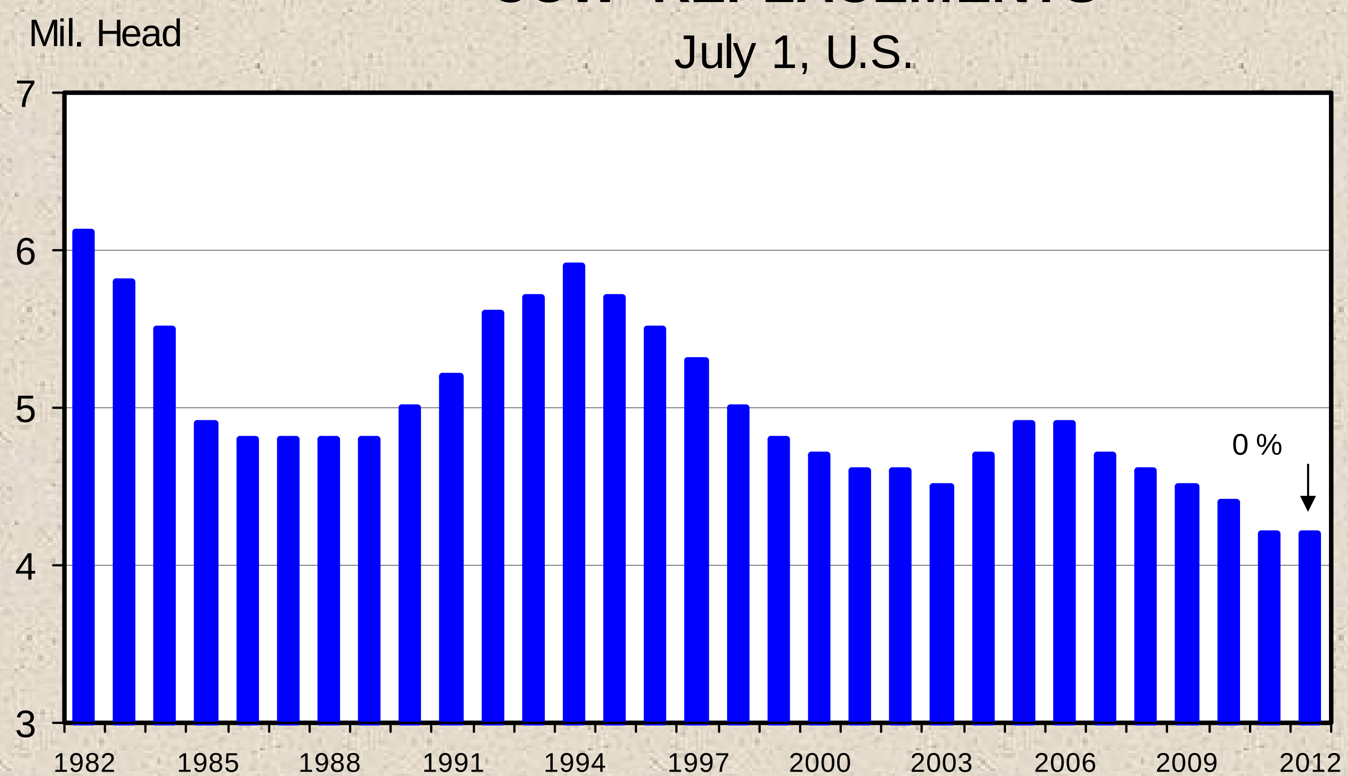
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS


JULY 1 FEEDER CATTLE SUPPLIES
Residual, Outside Feedlots, U.S.
Mil. Head
55
50
45
40
35
30
1982
1985
1988
1991
1994
1997
2000
2003
2006
2009
2012
C-N-32
07/20/12
Livestock Marketing Information Center
Data Source: USDA-NASS

HEIFERS HELD AS BEEF COW REPLACEMENTS

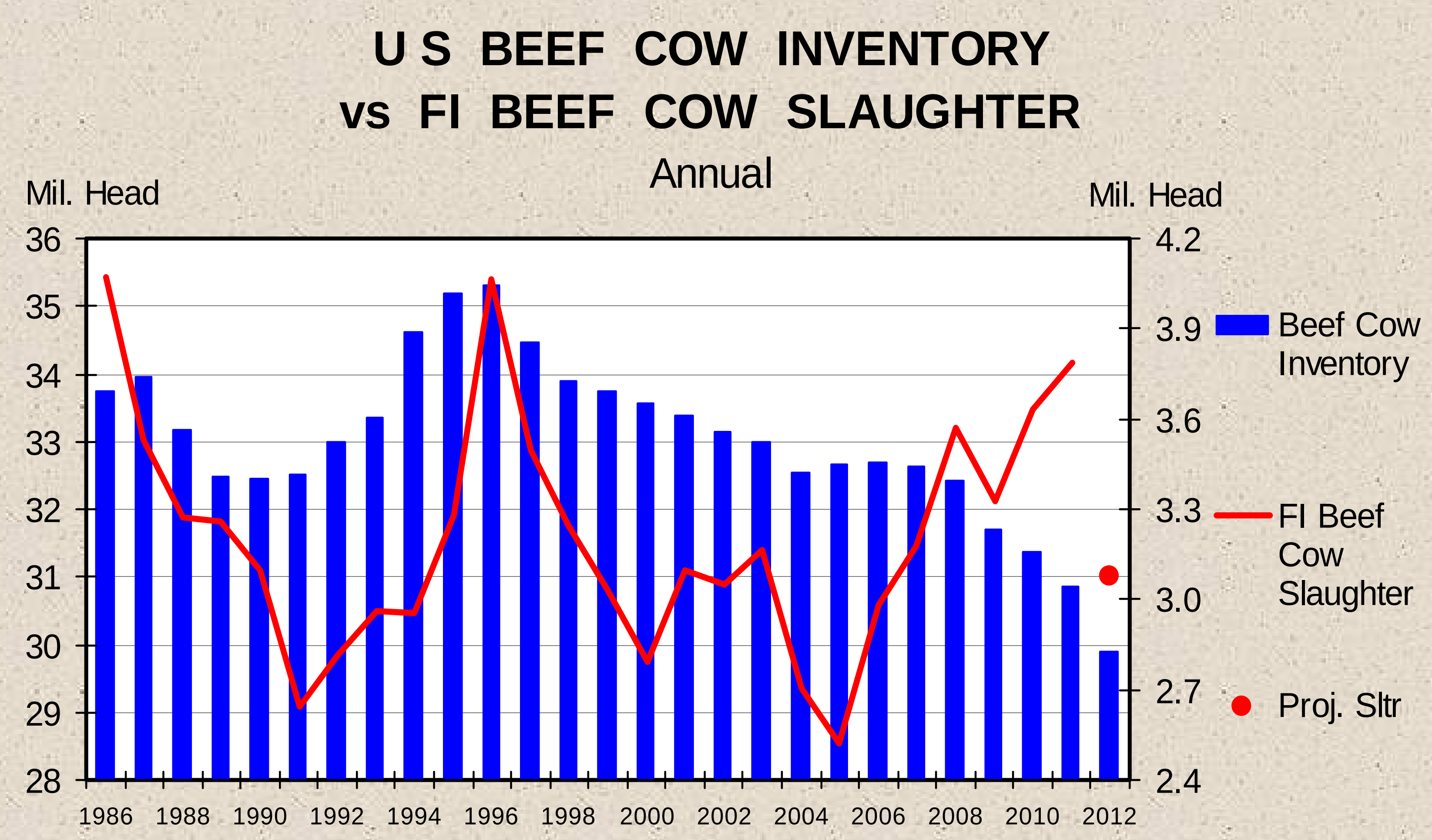
July 1, U.S.



C-N-37
07/20/12

Livestock Marketing Information Center

Data Source: USDA-NASS



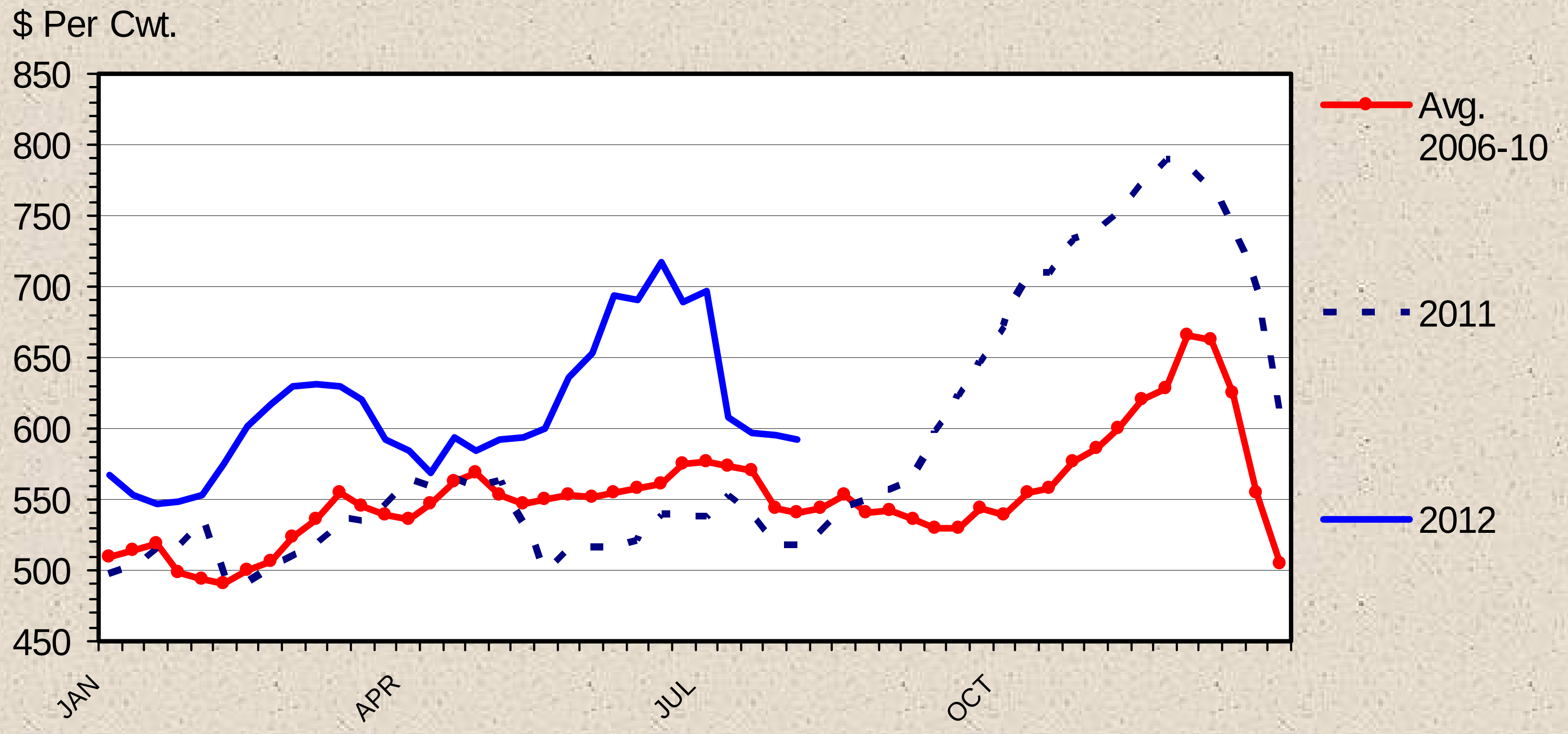
C-S-28
01/28/11

Livestock Marketing Information Center

Data Source: USDA-NASS

WHOLESALE BEEF RIBEYE PRICES

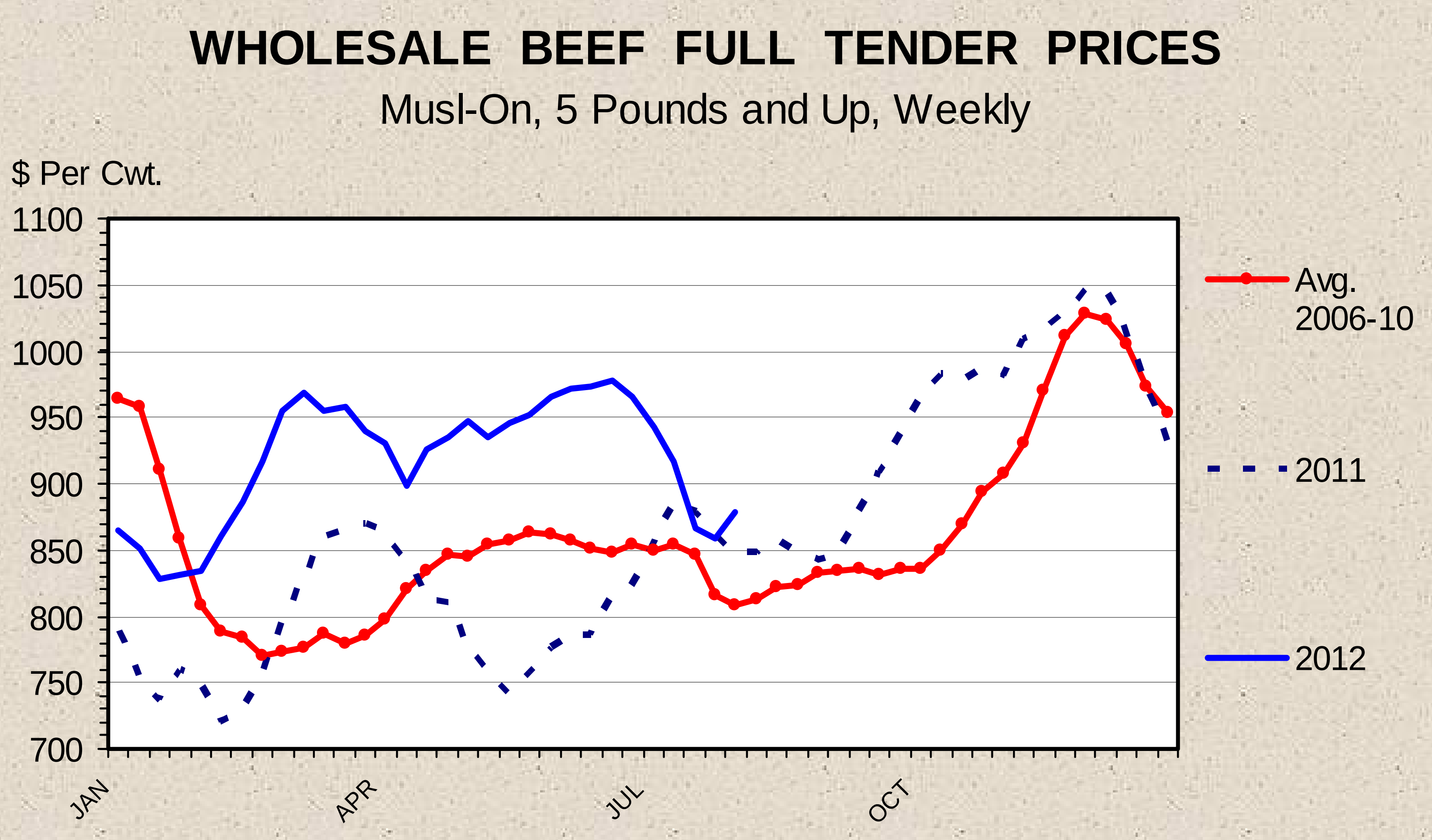
Boneless, Light, Weekly



M-P-21
08/06/12

Livestock Marketing Information Center

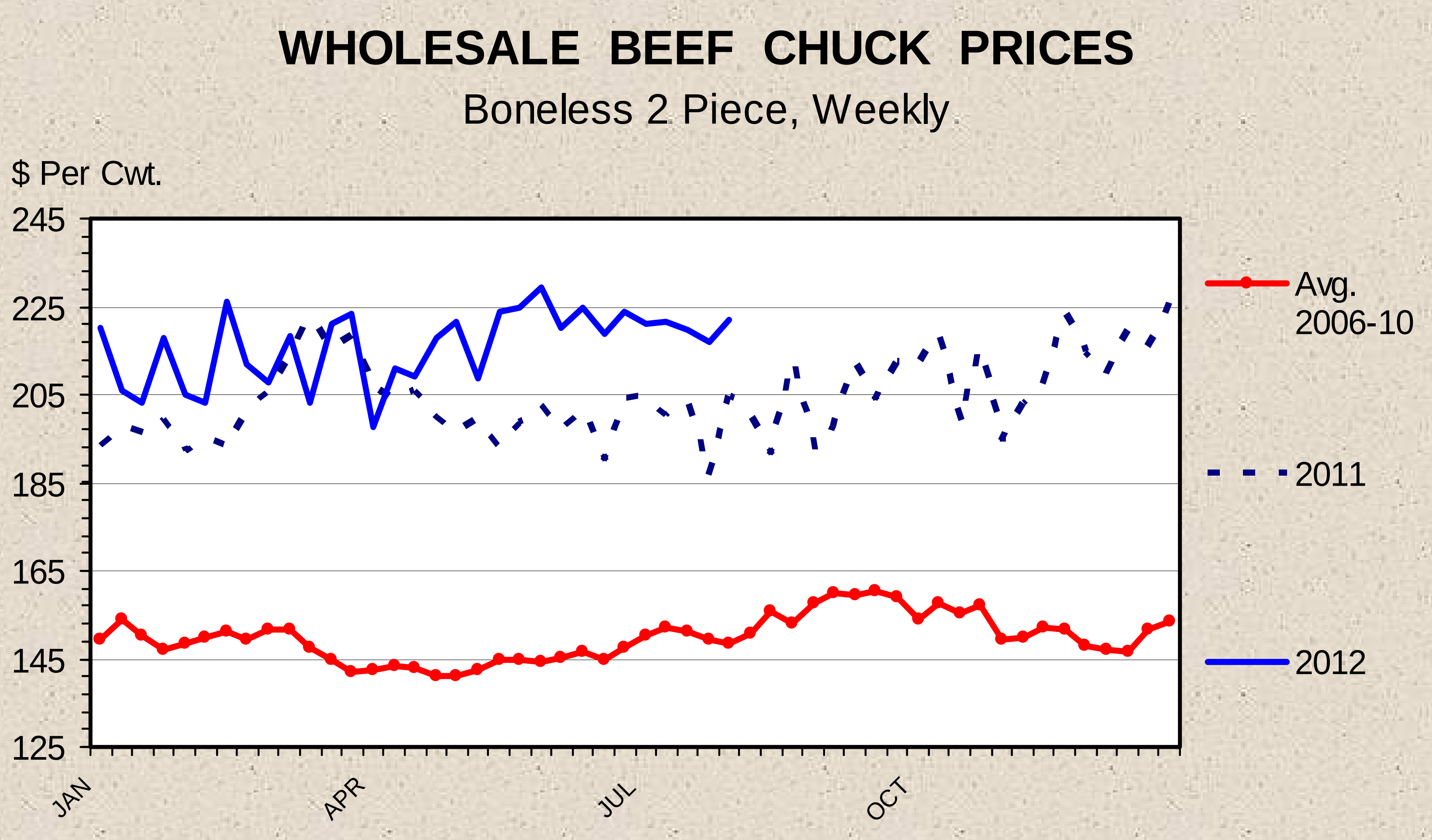
Data Source: USDA-AMS



M-P-23
08/06/12

Livestock Marketing Information Center

Data Source: USDA-AMS



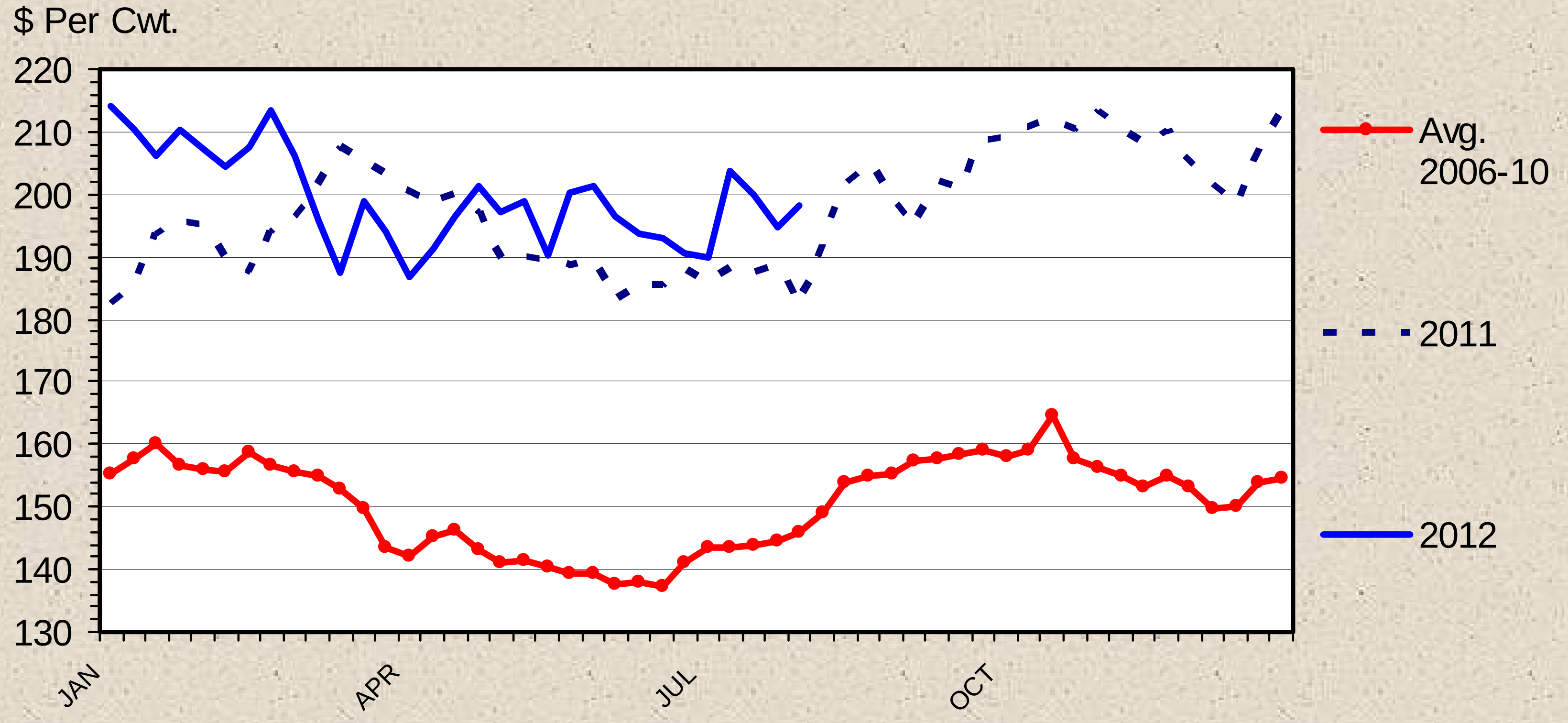
Livestock Marketing Information Center

Data Source: USDA-AMS

08/06/12

WHOLESALE BEEF BOTTOM ROUND PRICES

18-33 Pounds, Weekly



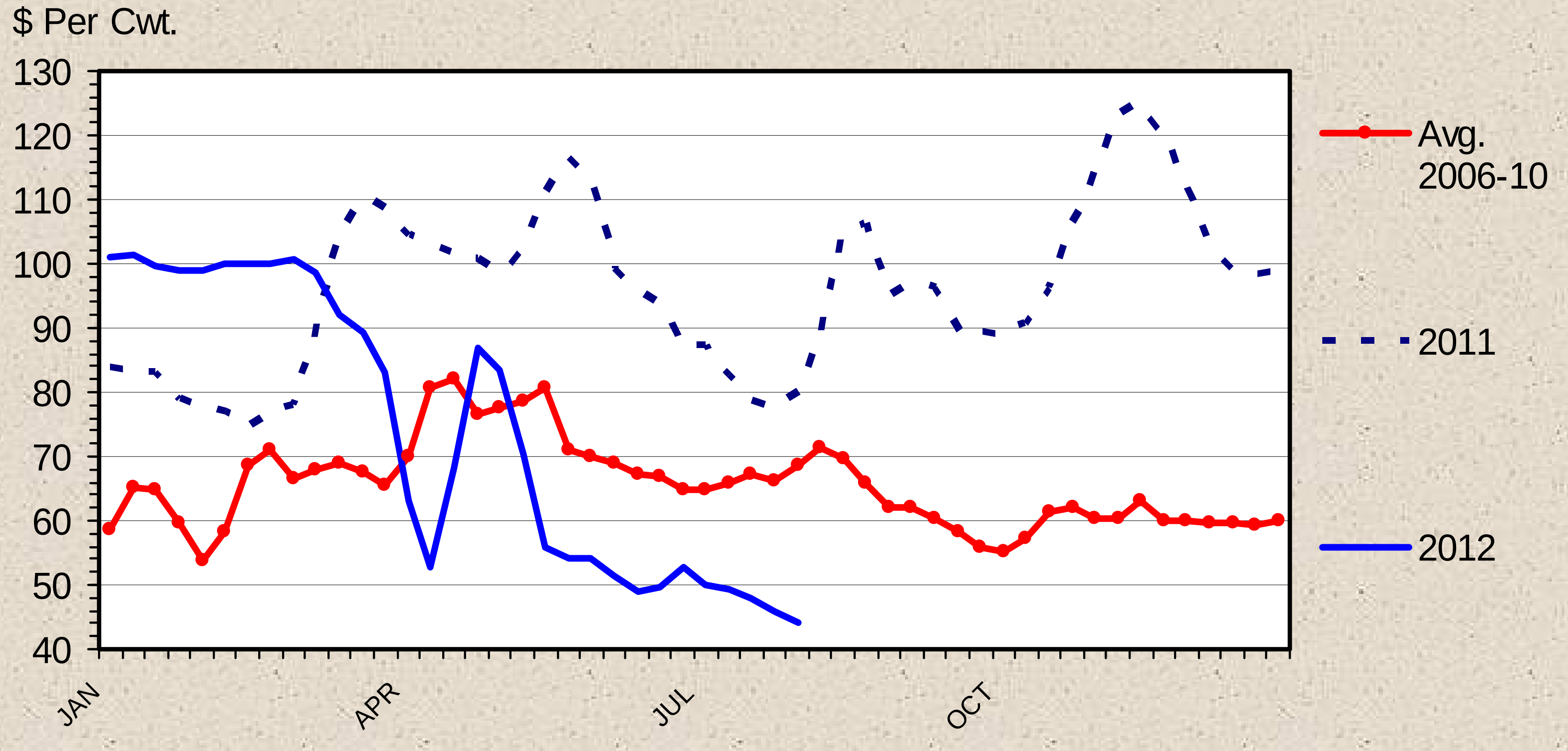
M-P-22
08/06/12

Livestock Marketing Information Center

Data Source: USDA-AMS

WHOLESALE BONELESS BEEF PRICES

Fresh, 50% Lean, Weekly



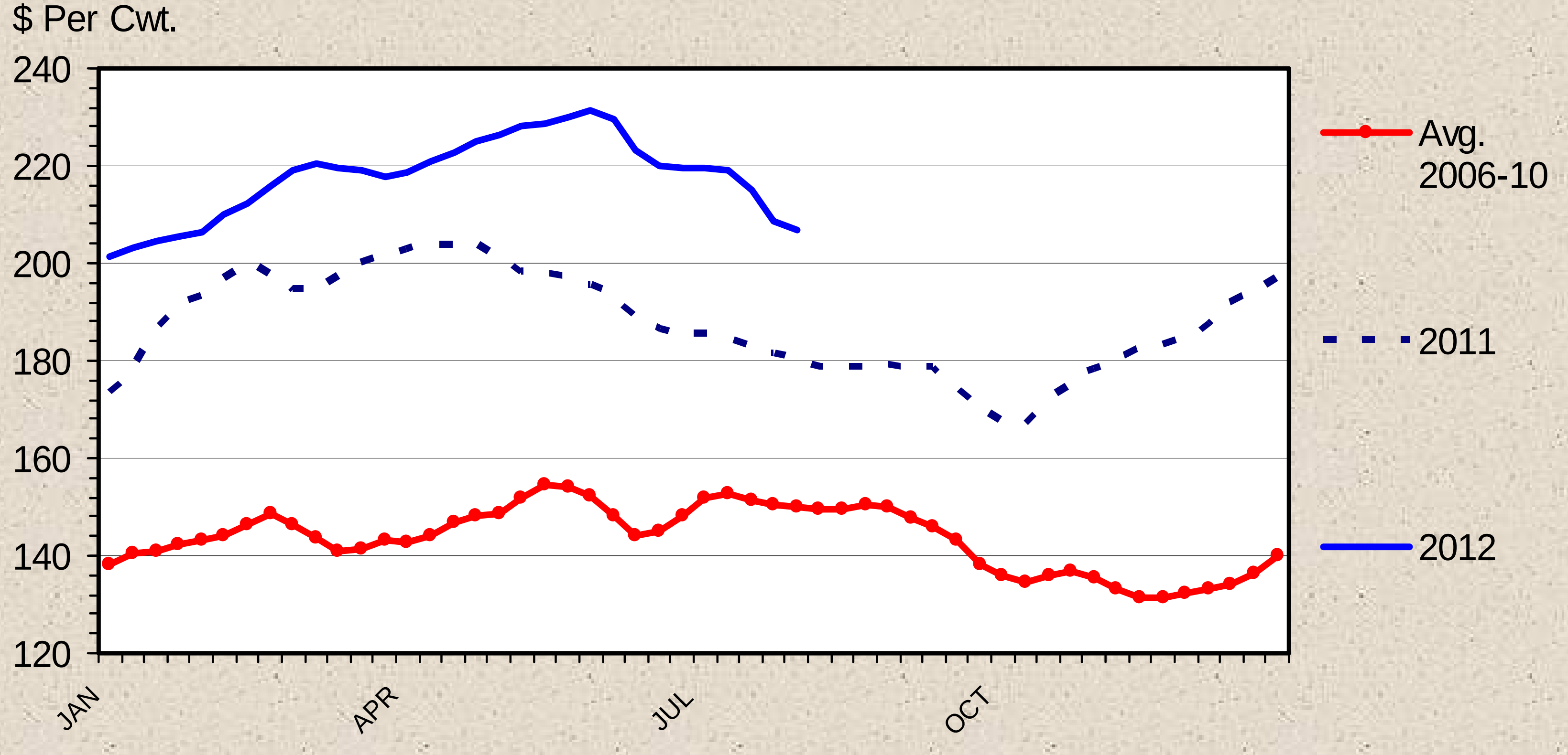
M-P-25
08/06/12

Livestock Marketing Information Center

Data Source: USDA-AMS

WHOLESALE BONELESS BEEF PRICES

Fresh, 90% Lean, Weekly



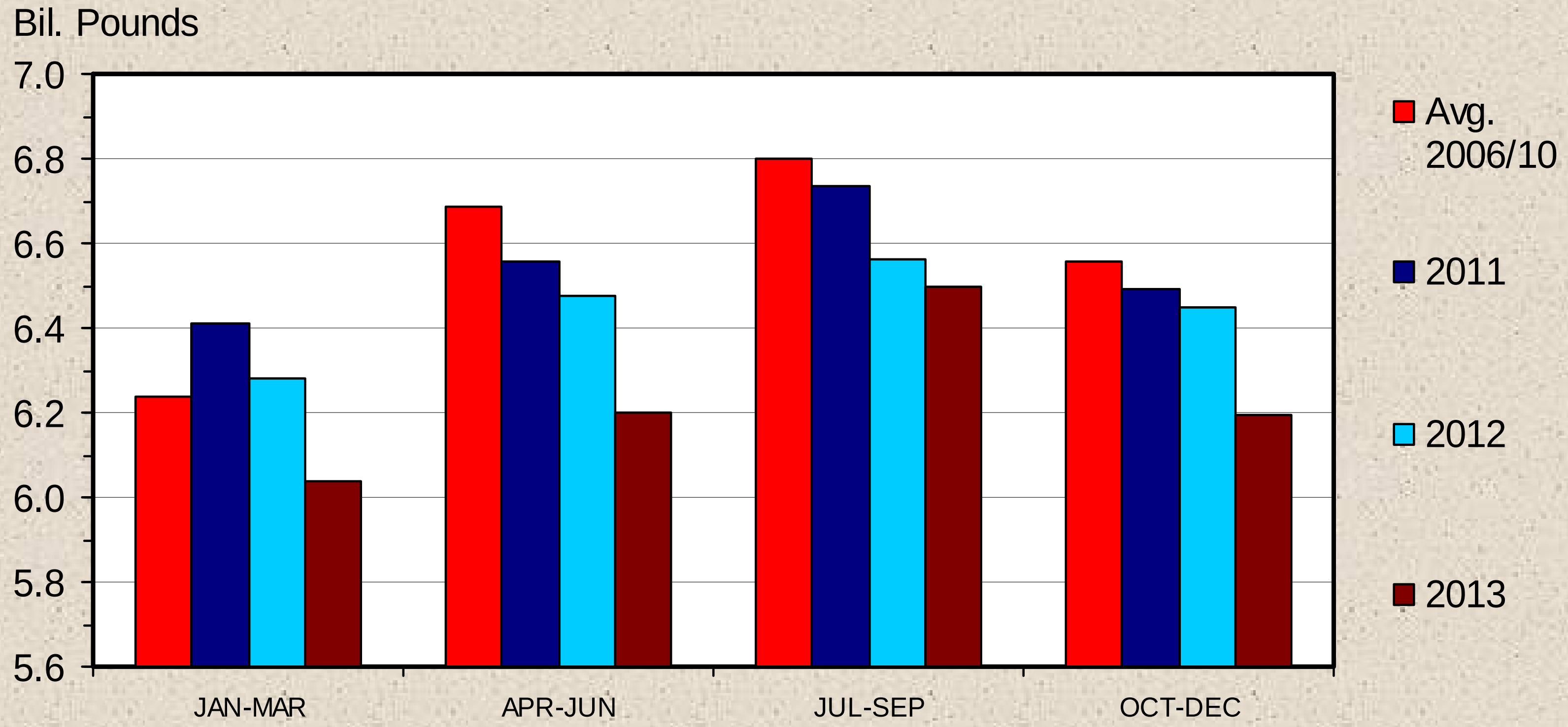
M-P-24
08/06/12

Livestock Marketing Information Center

Data Source: USDA-AMS

COMMERCIAL BEEF PRODUCTION

Quarterly



M-S-01
07/25/12

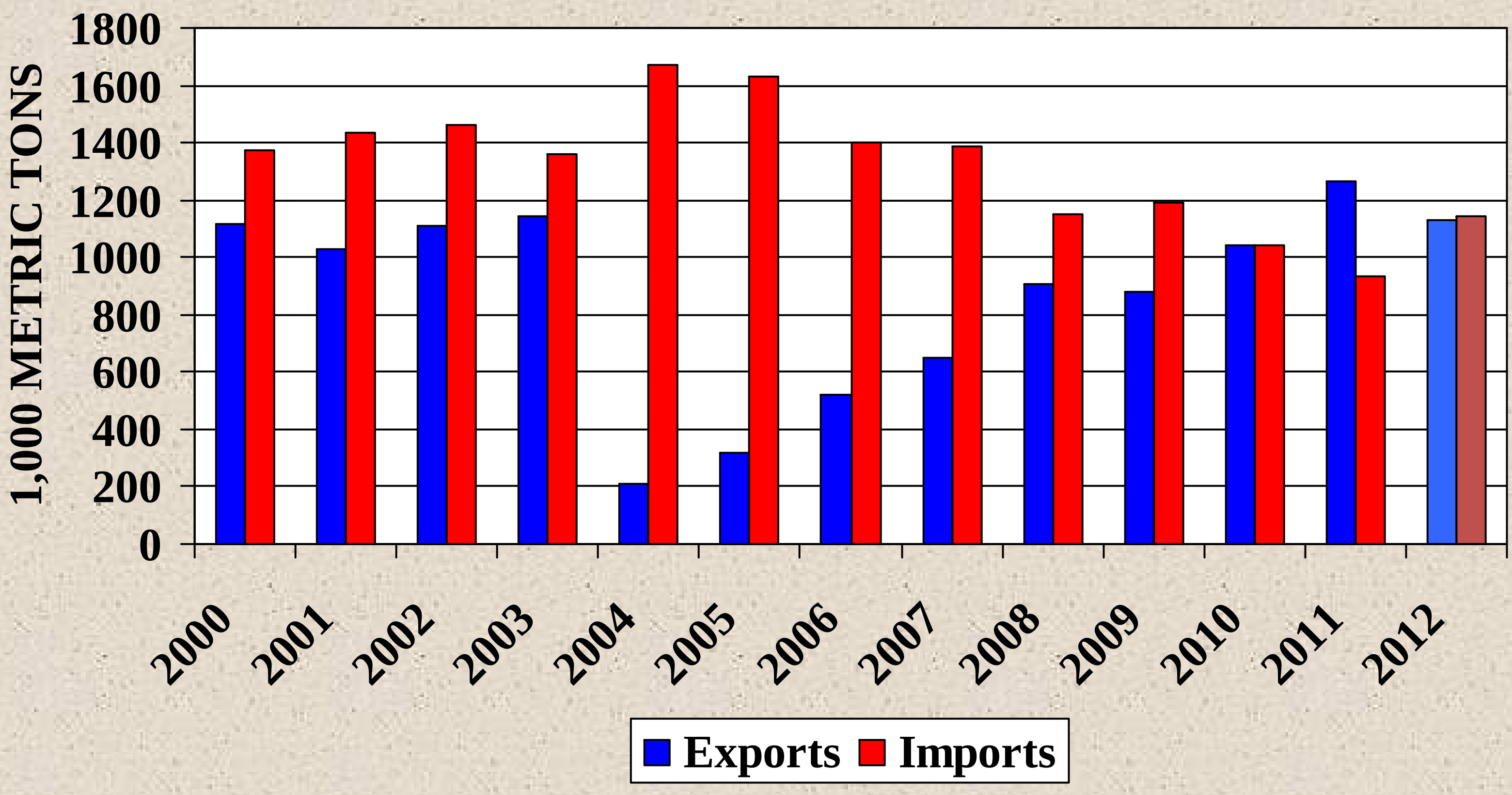
Livestock Marketing Information Center

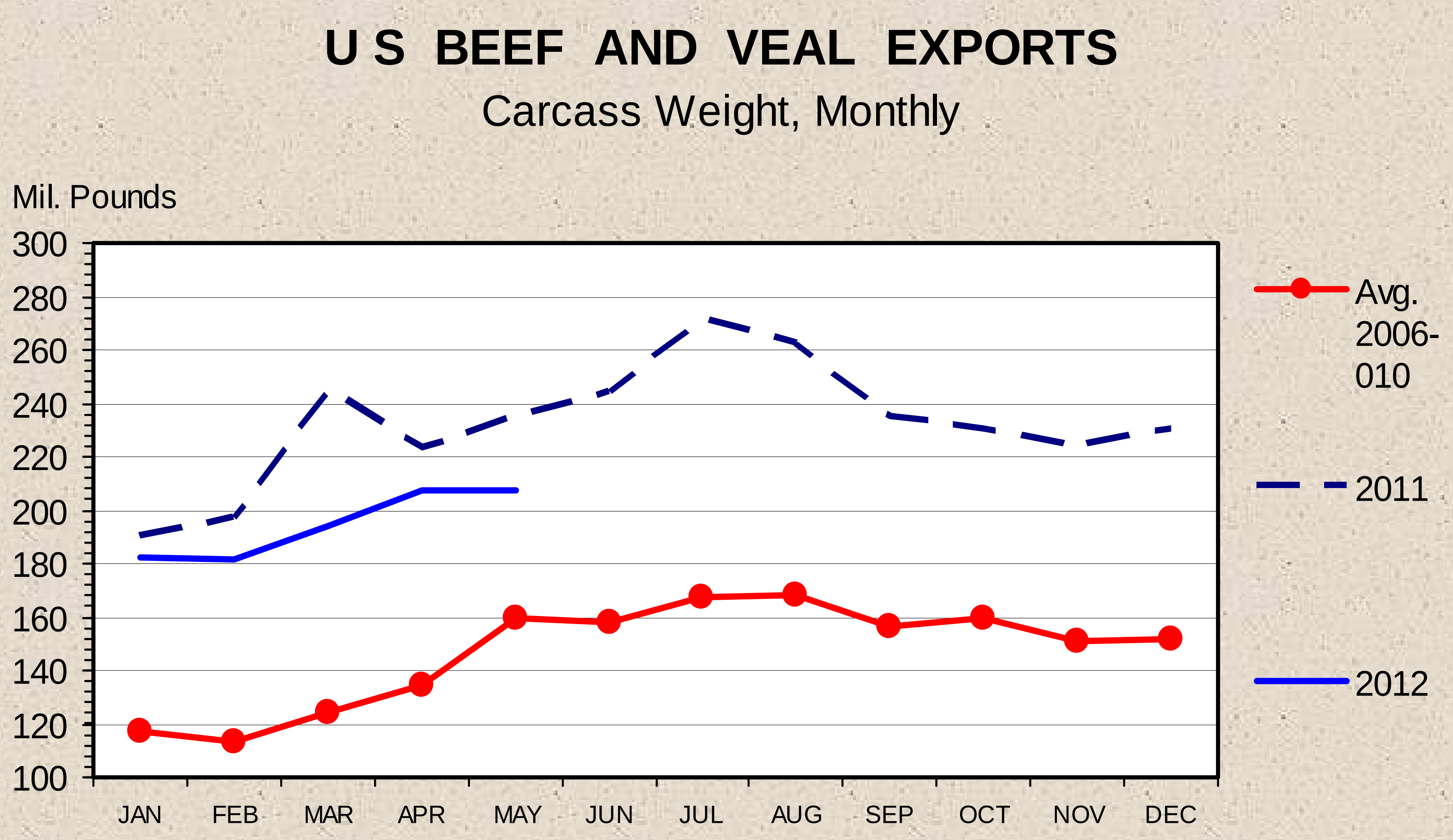
Data Source: USDA-NASS, Compiled & Analysis by LMIC

Total Meat Supplies Down Slightly in 2012

	2011	2012
• Beef	↓0.4%	↓1.6%
• Pork	↑1.5%	↑1.4%
• Broilers	↑1.1%	↓1.1%
• Total Meat	↑0.9%	↓0.5%

United States: Beef Trade





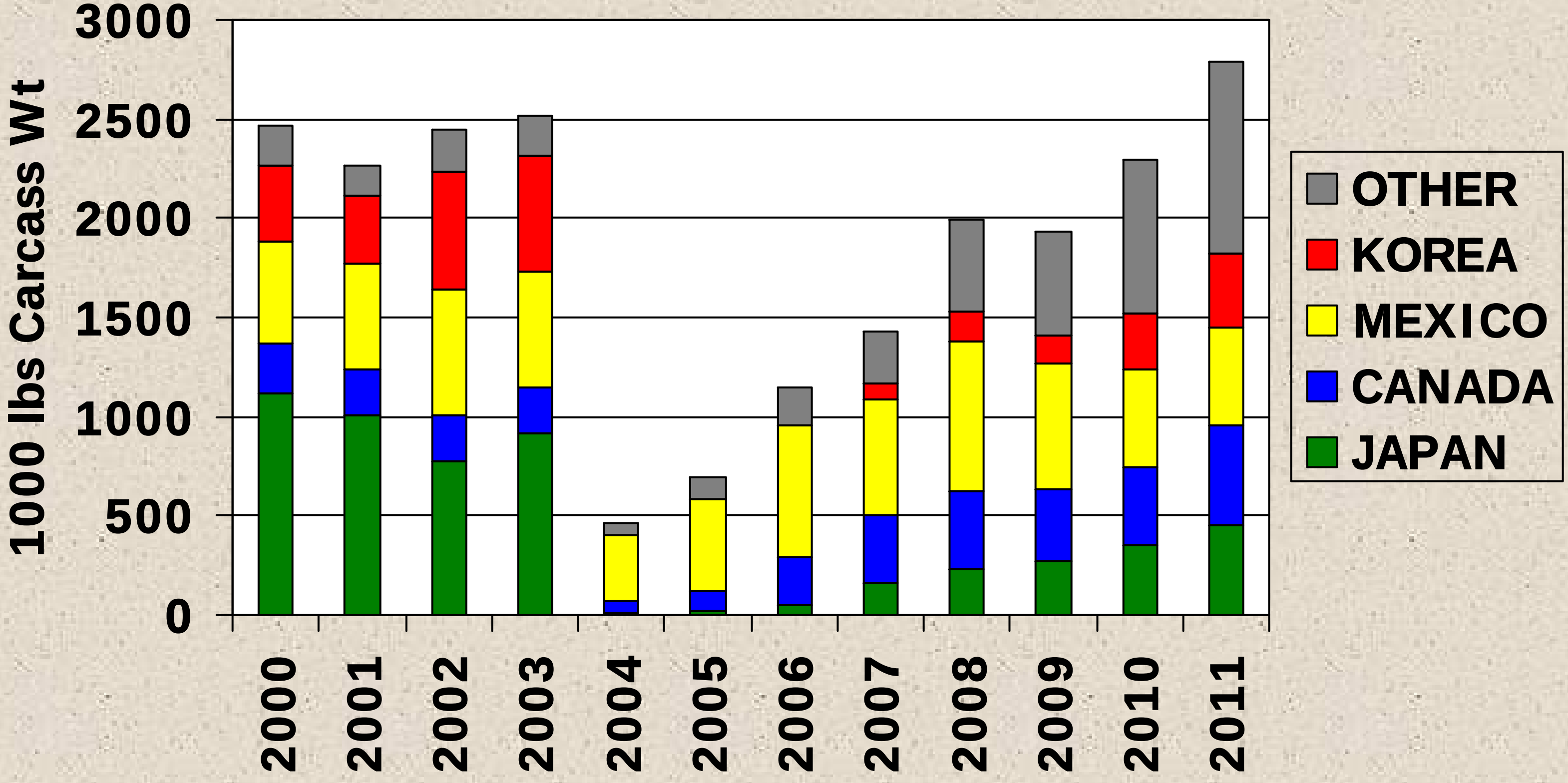
I-N-16
06/11/12

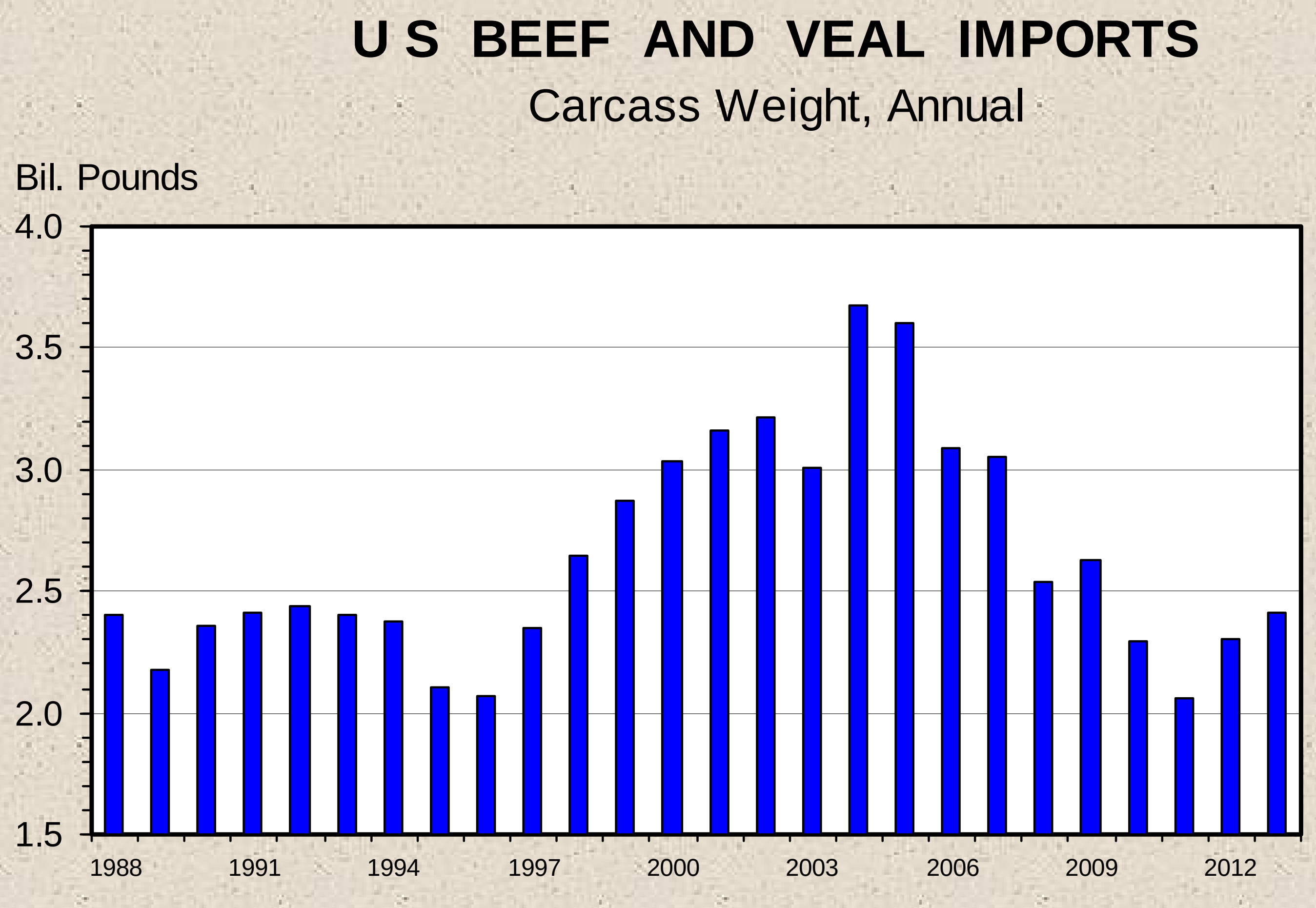
Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

U.S. Beef Exports

Major Markets

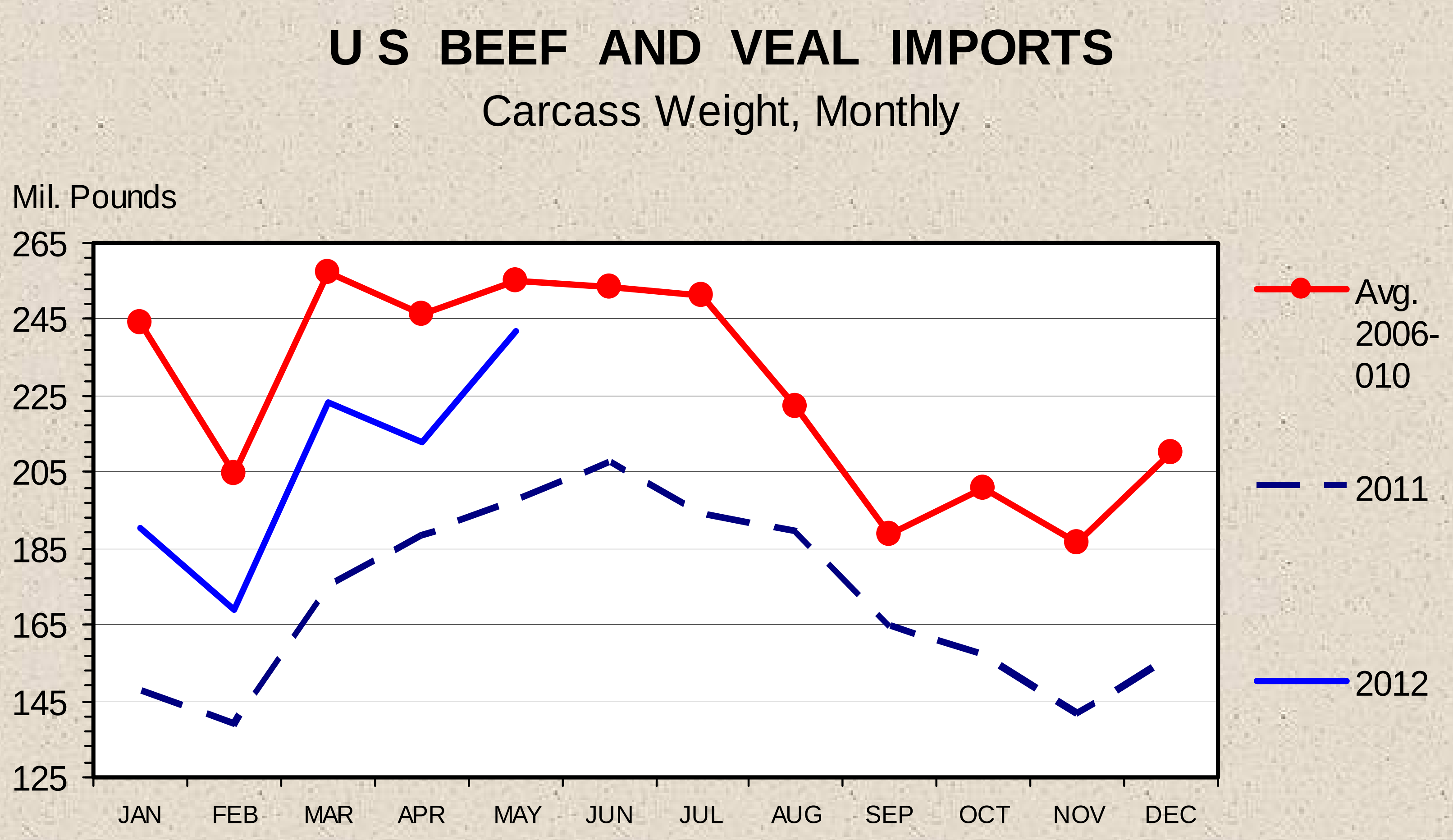




I-N-12
05/11/12

Livestock Marketing Information Center

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



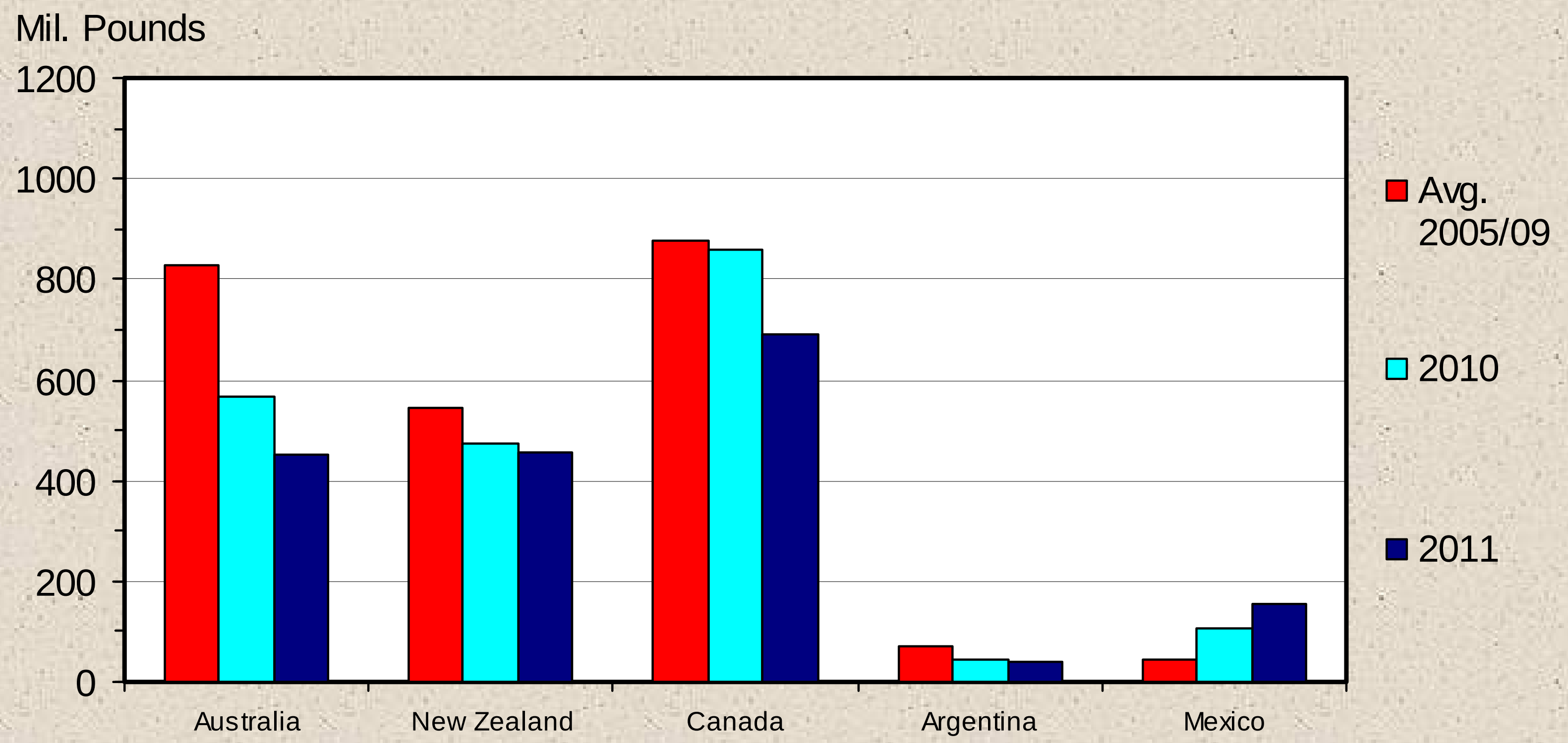
I-N-15
06/11/12

Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

MAJOR U S BEEF IMPORT SOURCES

Carcass Weight, Annual

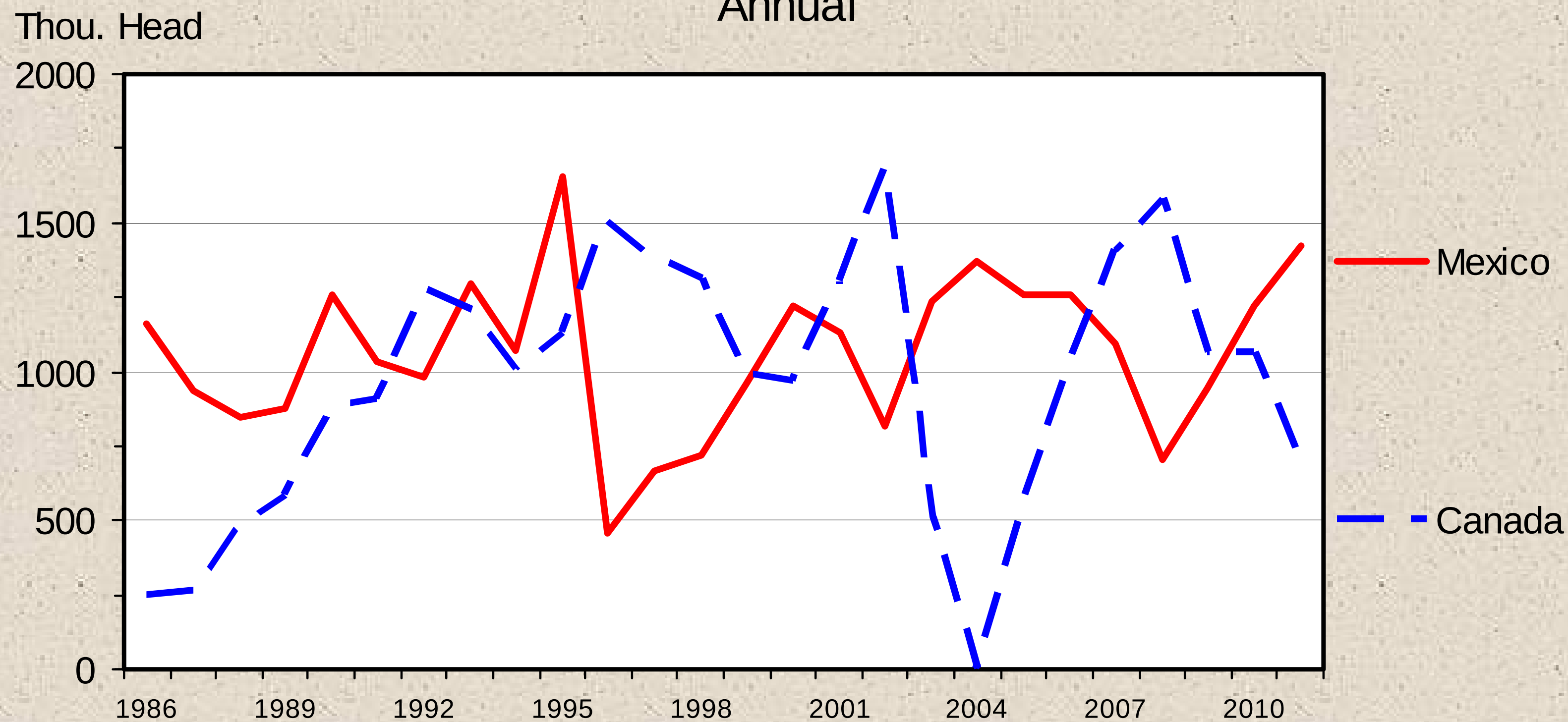


Livestock Marketing Information Center

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

CATTLE IMPORTS FROM CANADA AND MEXICO

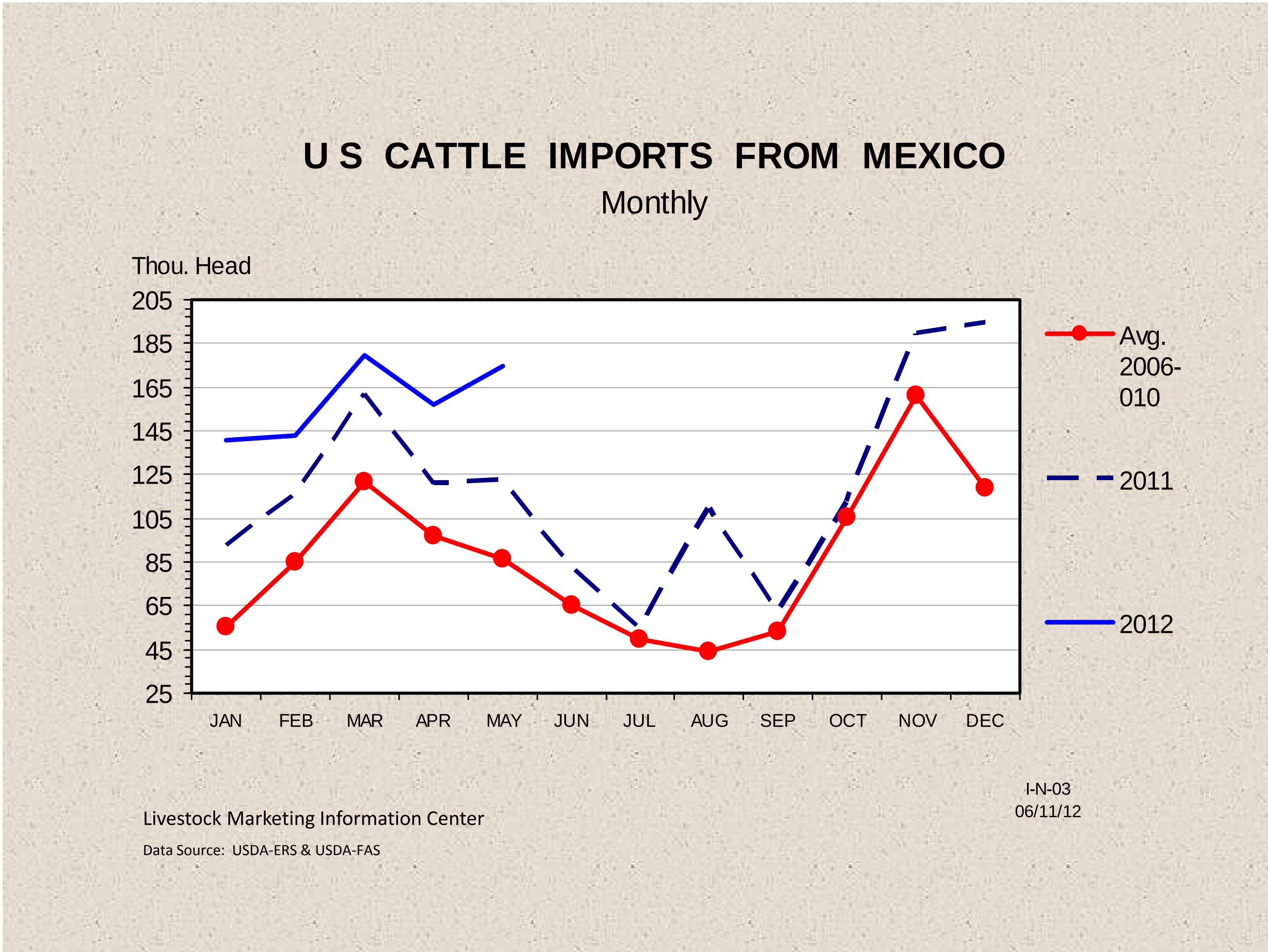
Annual



I-N-13
05/11/12

Livestock Marketing Information Center

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

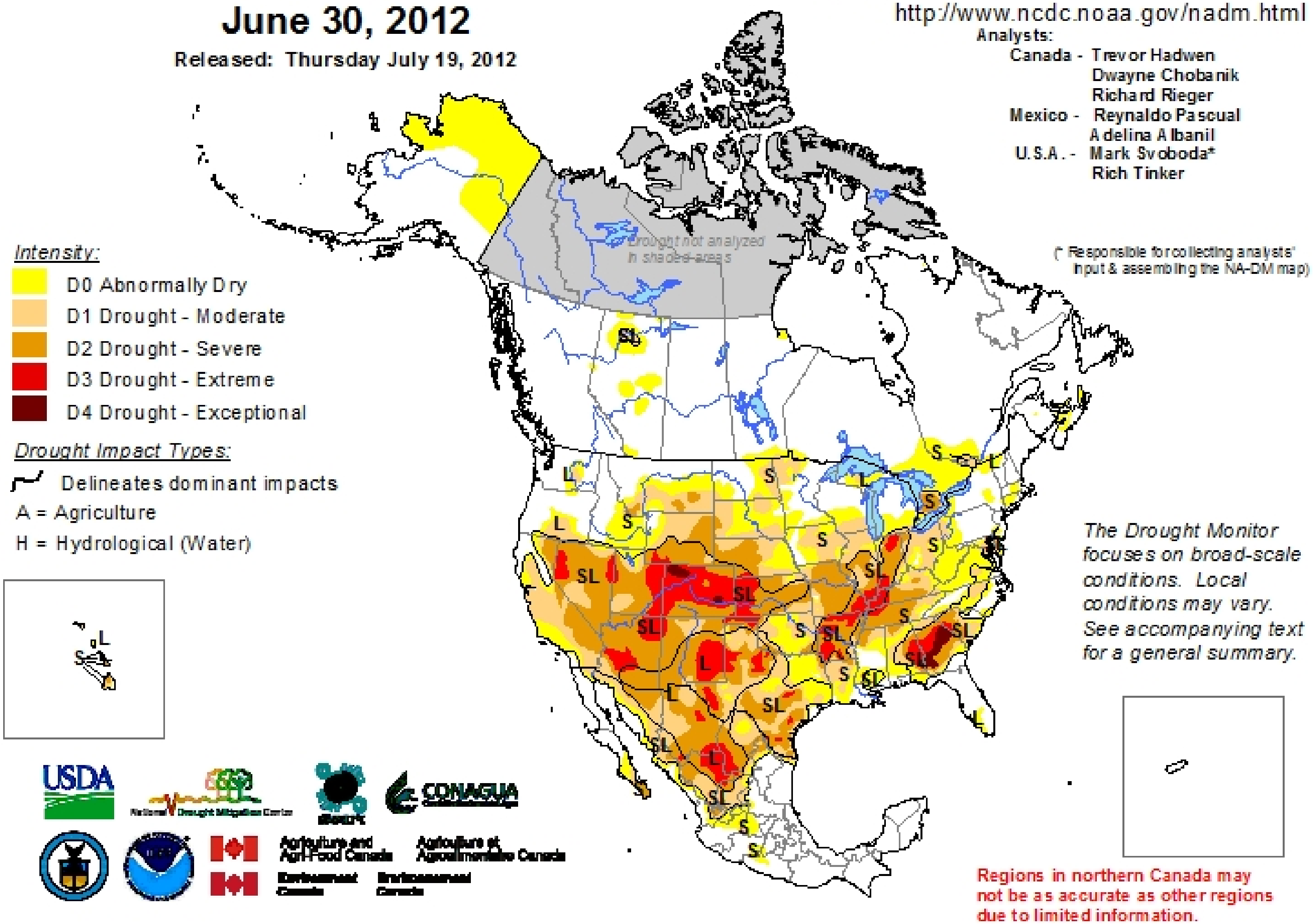

U S CATTLE IMPORTS FROM MEXICO
Monthly
Thou. Head
205
185
165
145
125
105
85
65
45
25
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Avg. 2006-010
2011
2012
I-N-03
06/11/12
Livestock Marketing Information Center
Data Source: USDA-ERS & USDA-FAS

North American Drought Monitor

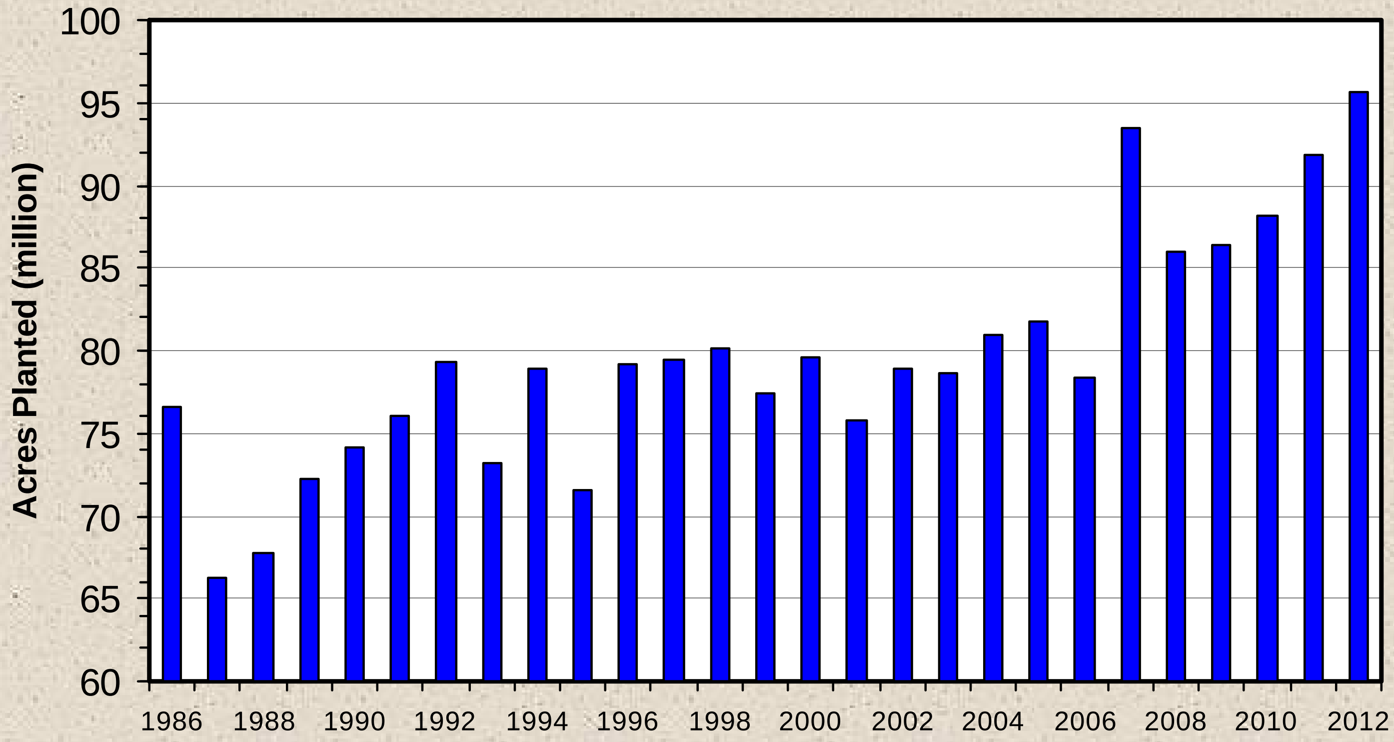
June 30, 2012

Released: Thursday July 19, 2012

http://www.ncdc.noaa.gov/nadm.html



CORN ACREAGE

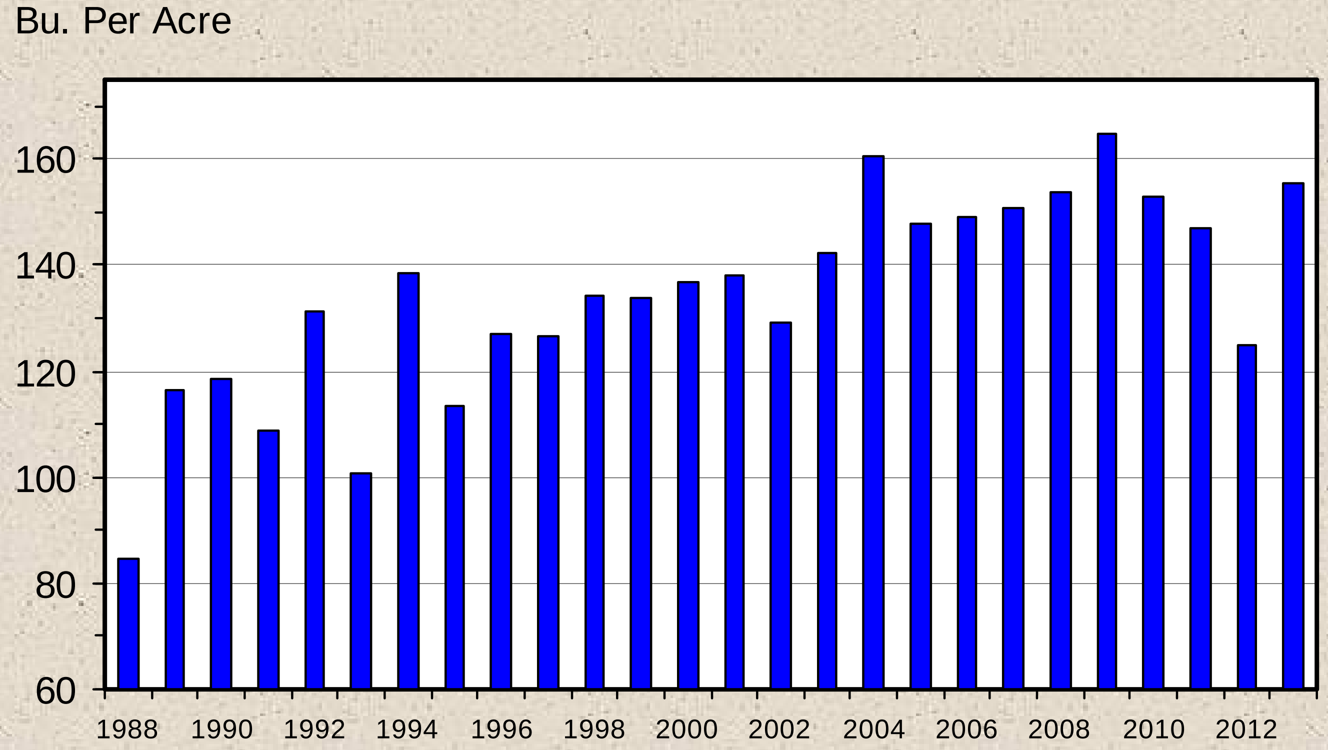


Livestock Marketing Information Center

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

NATIONAL AVERAGE CORN YIELD

Crop Year



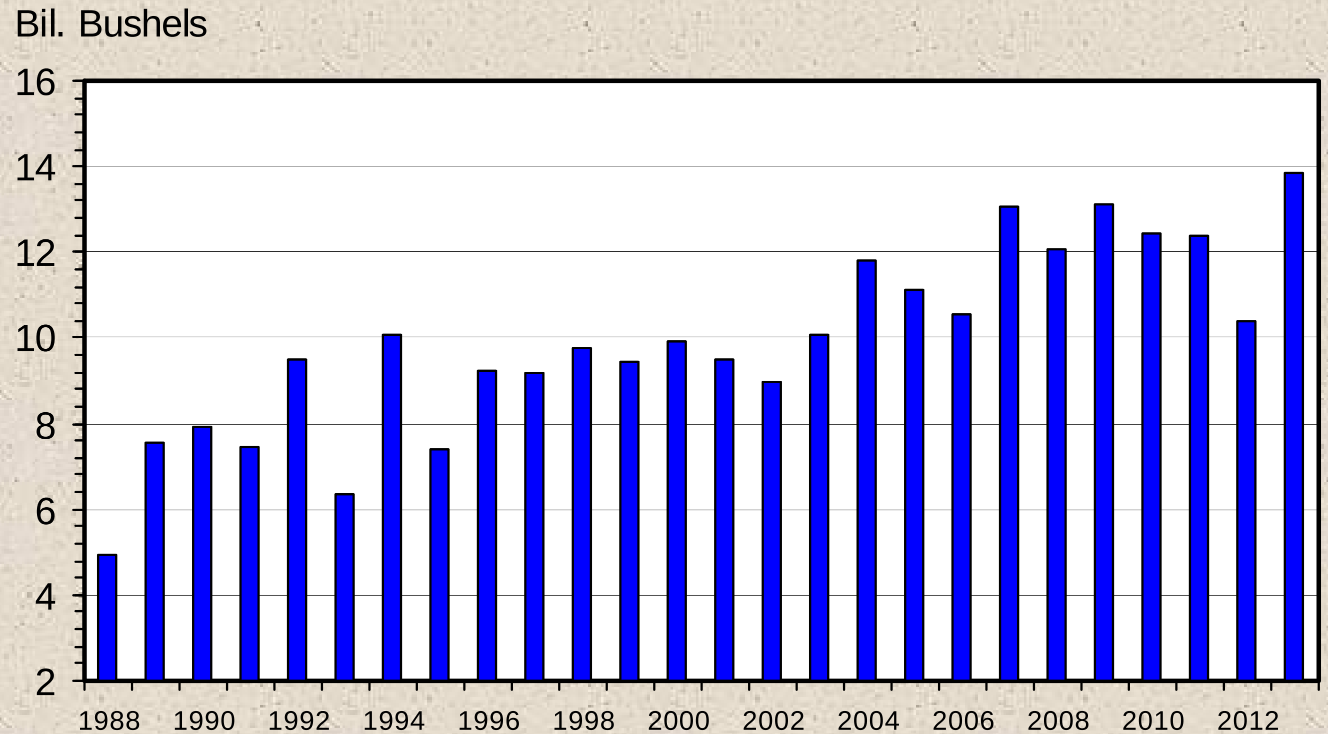
G-NP-04
08/06/12

Livestock Marketing Information Center

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

U S ANNUAL CORN PRODUCTION

Crop Year



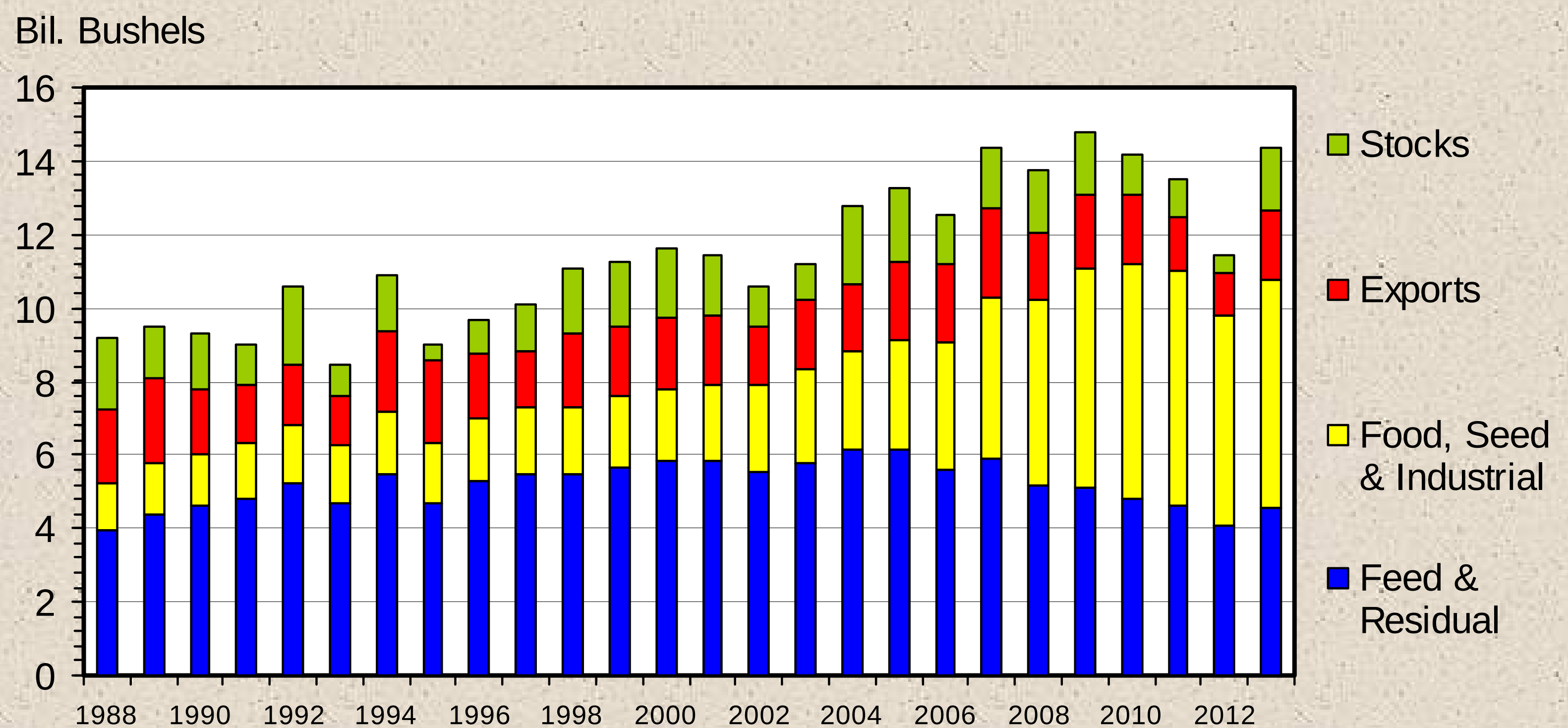
G-NP-07
08/06/12

Livestock Marketing Information Center

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

U.S. CORN DISAPPEARANCE AND STOCKS

Crop Year



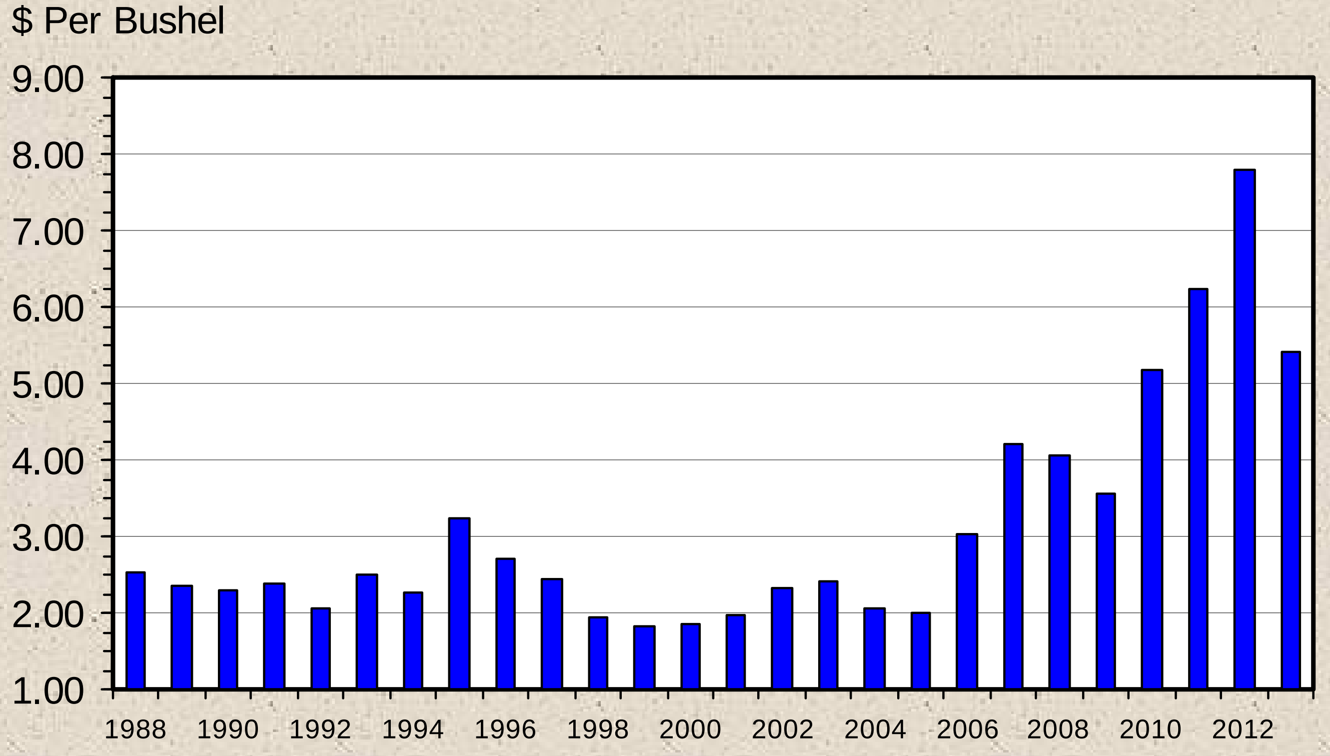
G-NP-12
08/06/12

Livestock Marketing Information Center

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

NATIONAL AVERAGE CORN PRICE

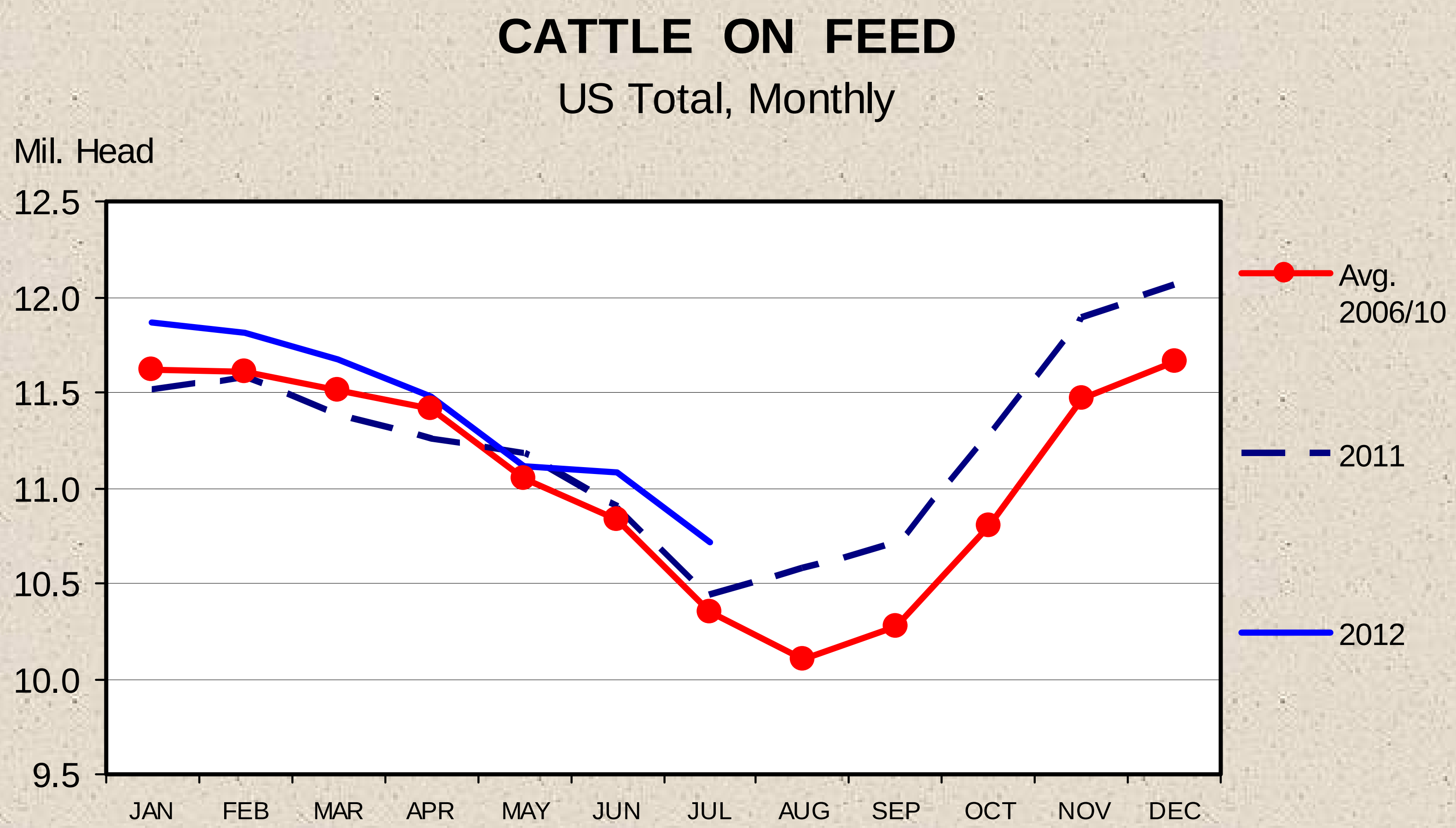
Crop Year, Received by Farmers



G-NP-03
08/06/12

Livestock Marketing Information Center

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



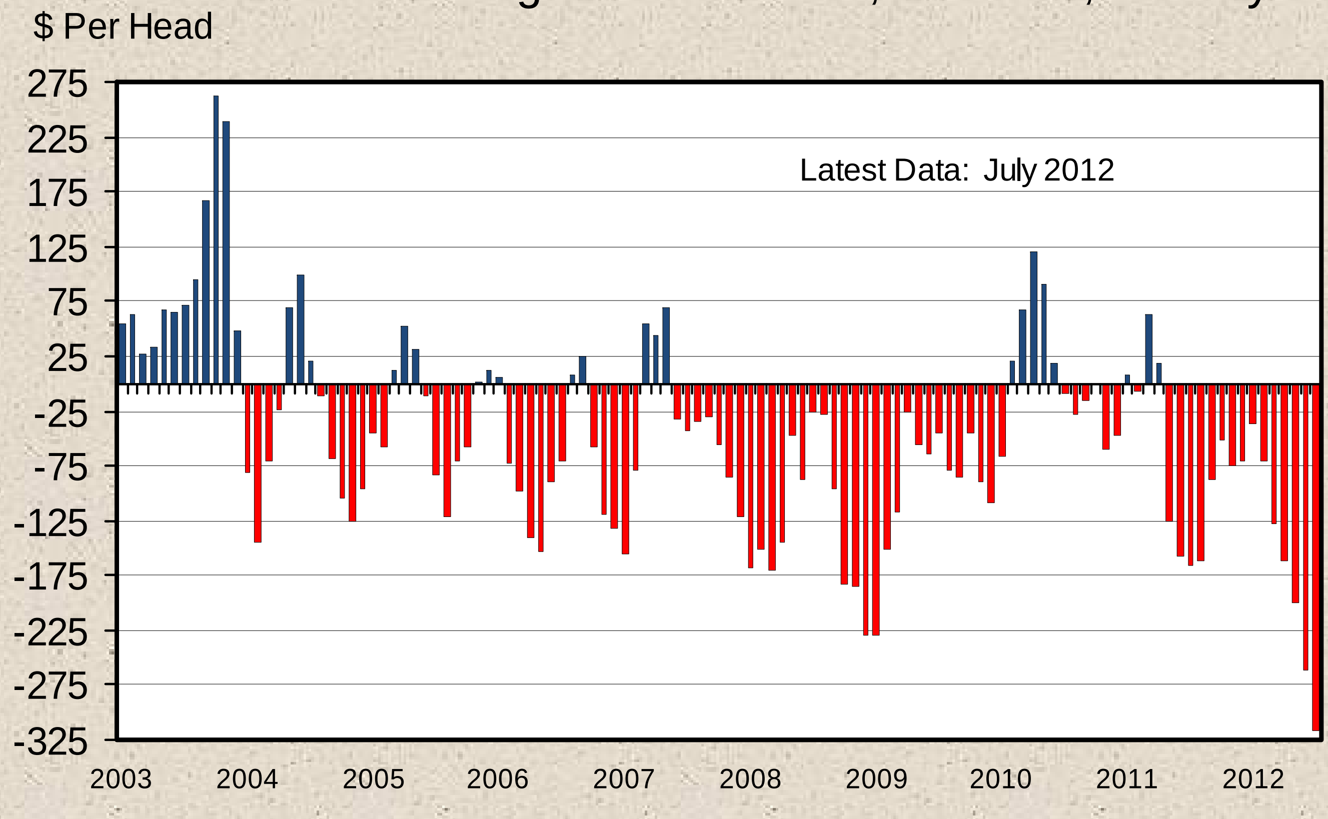
C-N-10
07/20/12

Livestock Marketing Information Center

Data Source: USDA-NASS

AVERAGE RETURNS TO CATTLE FEEDERS

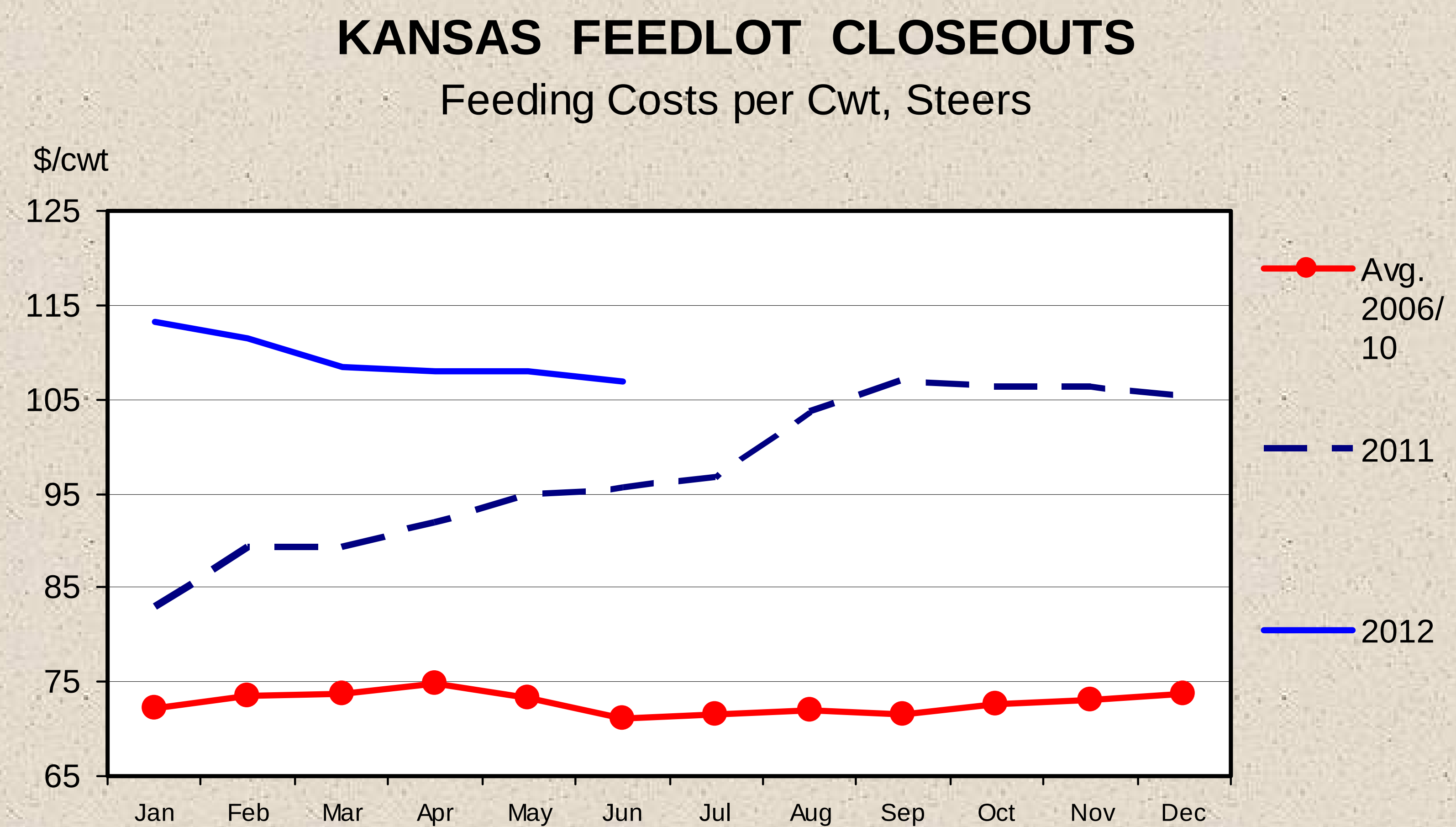
Feeding 725 Lb. Steers, S. Plains, Monthly



C-P-22
08/01/12

Livestock Marketing Information Center

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

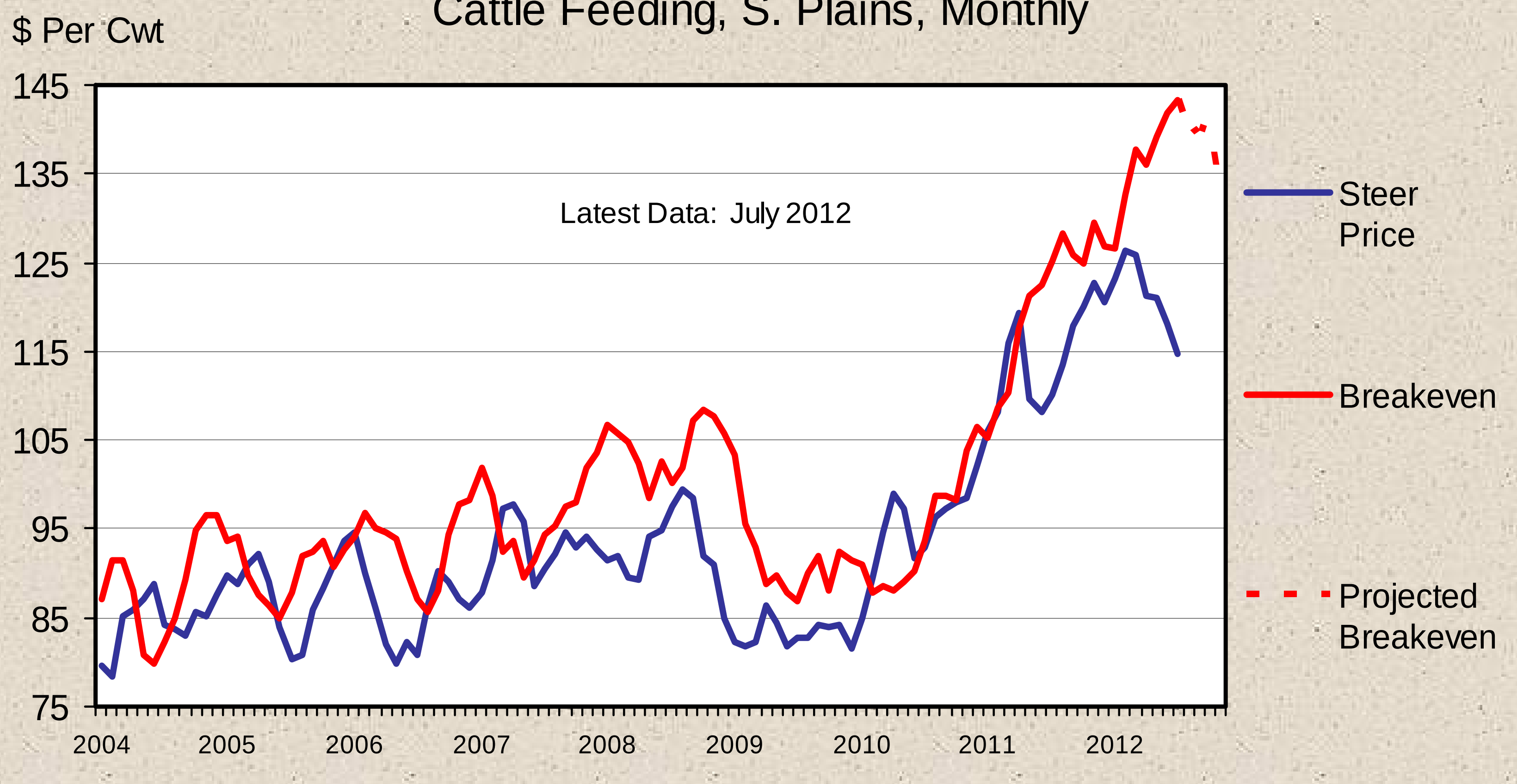


07/31/12

Data Source: KSU Focus on Feedlots, Compiled by LMIC

CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly



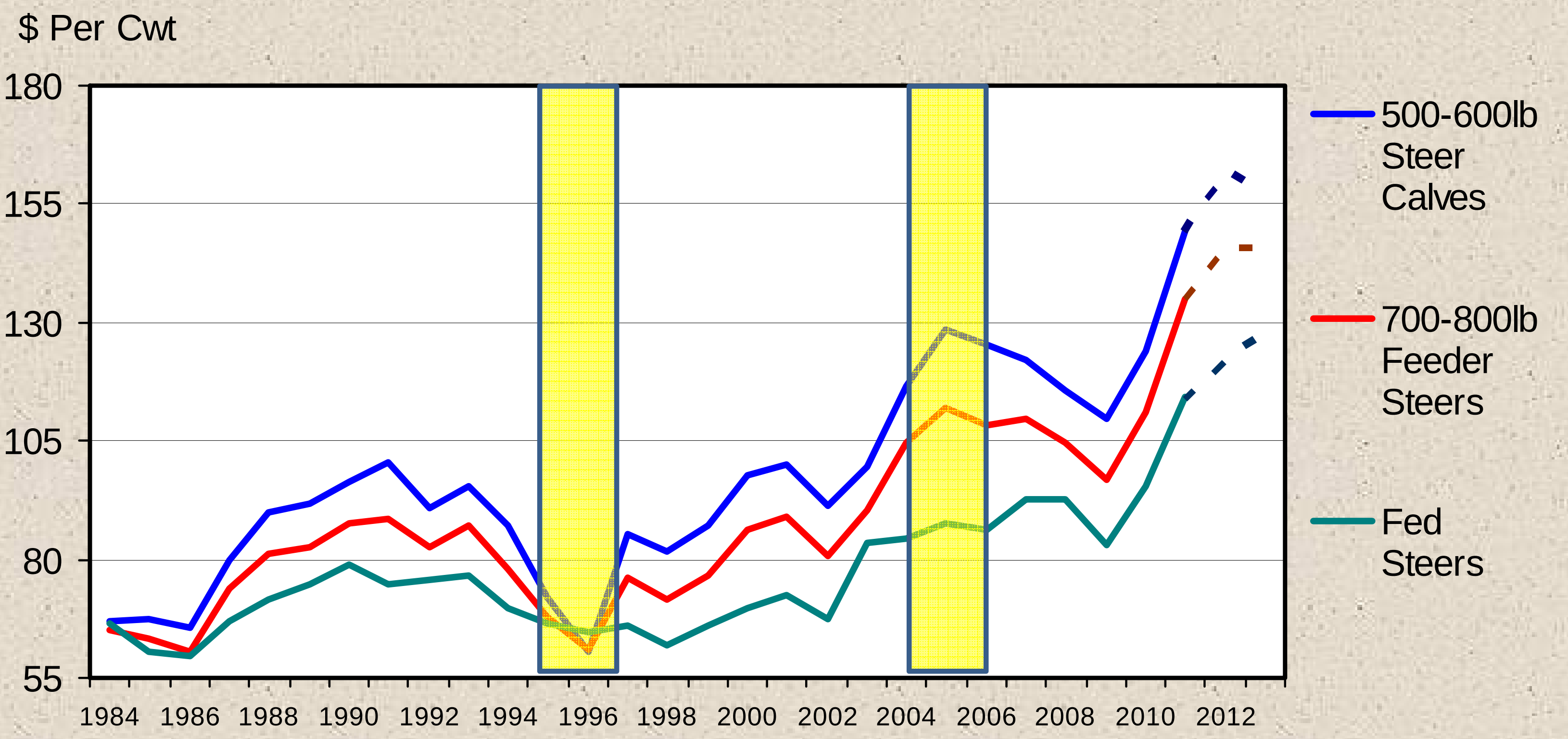
C-P-21
08/01/12

Livestock Marketing Information Center

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

ANNUAL AVERAGE CATTLE PRICES

Southern Plains



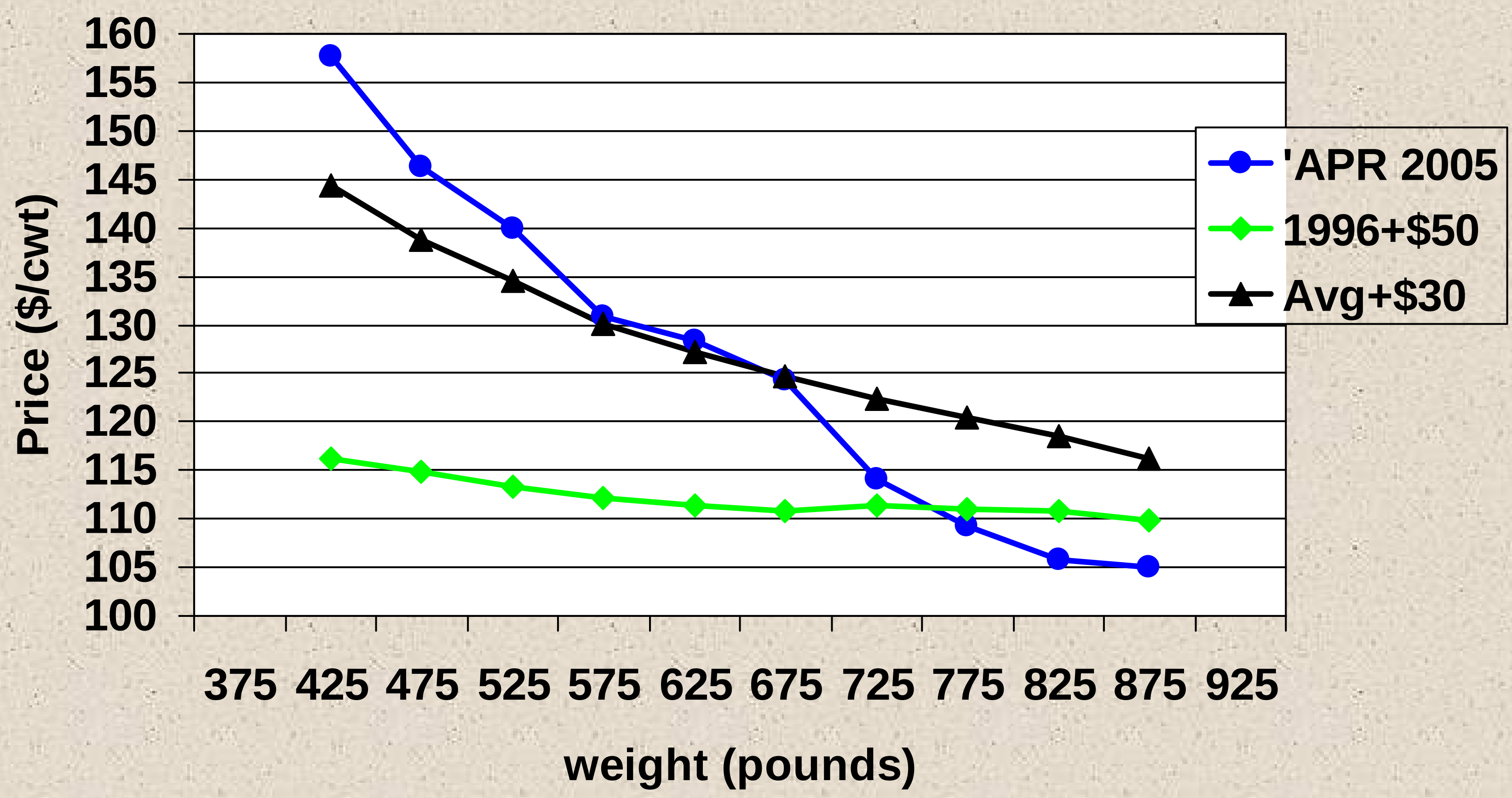
C-P-06
08/03/12

Livestock Marketing Information Center

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

Price-Weight Relationship

Medium/Large No. 1 Steers



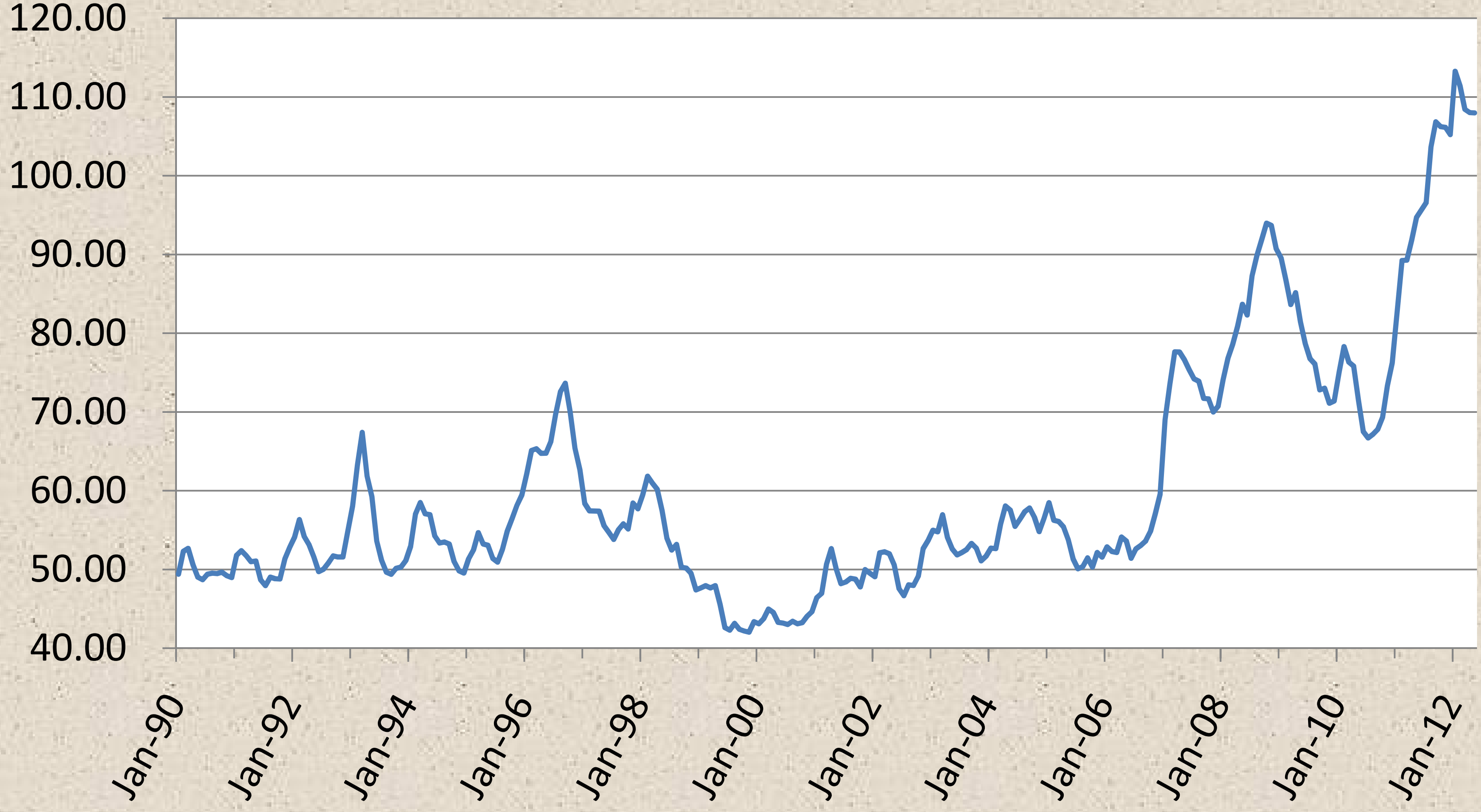
Stocker Value of Gain,

Average Weekly, 1992-2006

		Weeks									
Weight Gain	Beg. Weight	12	15	16	17	18	19	20	22	23	24
200 lbs	ADG>>	2.38		1.79		1.58		1.43			
	475	0.559		0.568		0.572		0.576			
	525	0.571		0.581		0.586		0.587			
	575	0.583		0.593		0.596		0.598			
	625	0.579		0.590		0.592		0.592			
250 lbs	ADG>>		2.38		2.10		1.88			1.55	
	475		0.571		0.575		0.577			0.579	
	525		0.573		0.578		0.579			0.581	
	575		0.582		0.587		0.587			0.588	
300 lbs	ADG>>					2.38		2.14	1.95		1.55
	475					0.571		0.573	0.574		0.575
	525					0.573		0.575	0.575		0.576

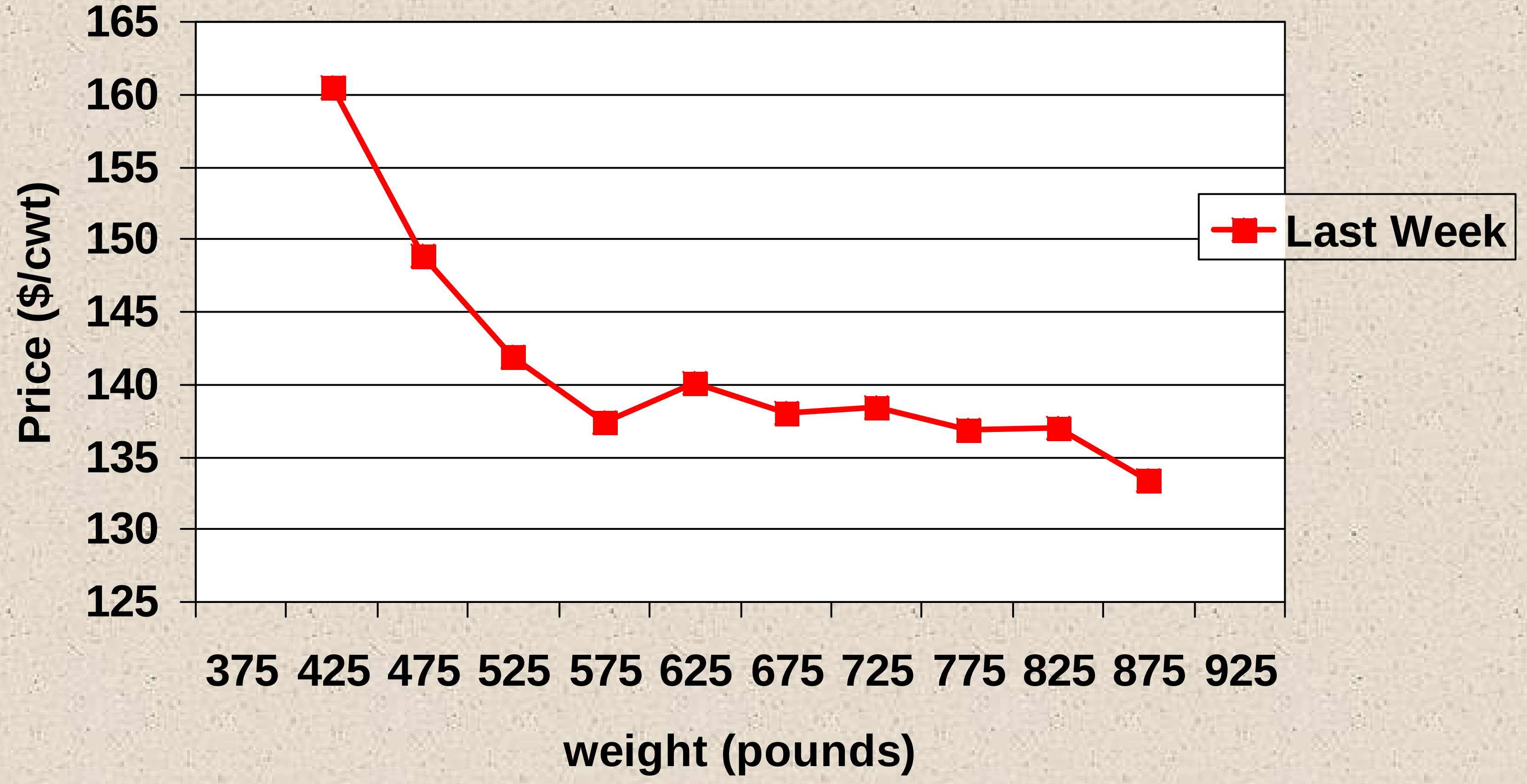
Feedlot Cost of Gain

Kansas, $/cwt.



Price-Weight Relationship

Medium/Large No. 1 Steers, OKC



Steer Price, Total Value and Value of Gain
Aug 2012, Oklahoma 7-Market Ave.

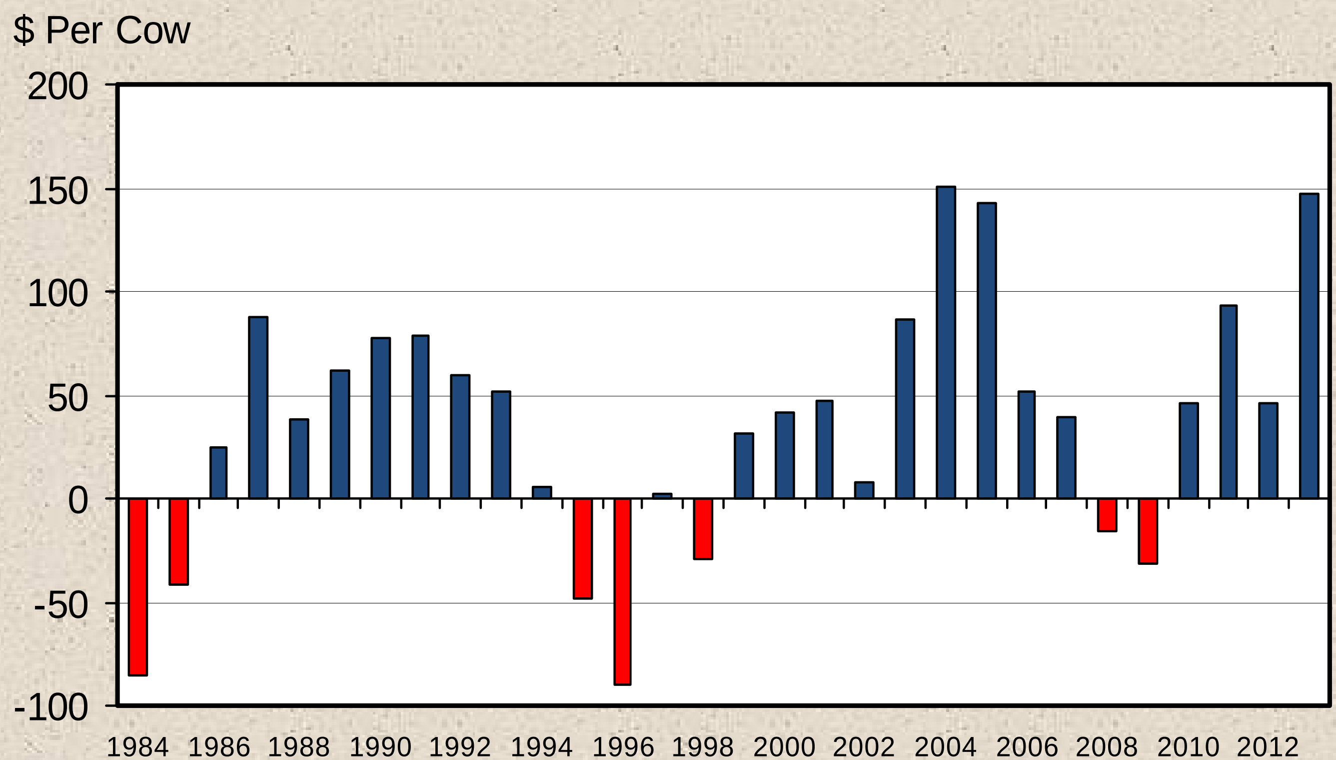
Weight (lbs)	Average Price ($/cwt.)	Total Value ($/head)	Value of Gain 425 lb. Beg. Weight ($/lb.)	Value of Gain 525 lb. Beg. Weight ($/lb.)	Value of Gain 625 lb. Beg. Weight ($/lb.)
425	160.48	682.04			
475	148.91	707.32			
525	141.91	745.03			
575	137.39	789.99	0.72		
625	140.09	875.56	0.97		
675	138.03	931.70	1.00	1.24	
725	138.46	1003.84	1.07	1.29	
775	136.93	1061.21	1.08	1.30	1.24
825	136.96	1129.92	1.12	1.28	1.27
875	133.39	1167.16	1.08	1.21	1.17

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

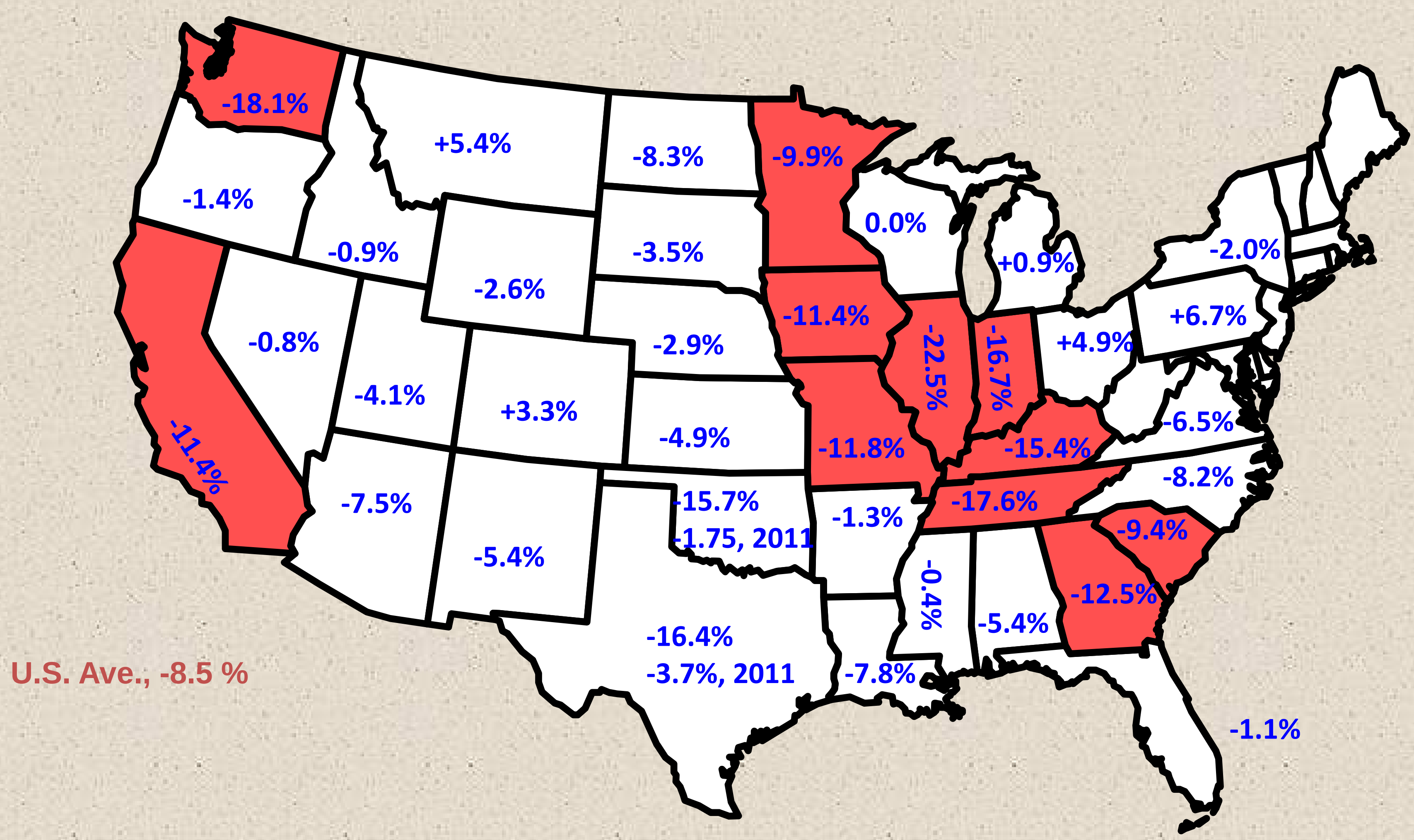


C-P-66
08/02/12

Livestock Marketing Information Center

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

Change in Beef Cow Inventory, January 1, 2007-2012



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!

Cow-Calf Corner

The Weekly Email Newsletter

From OSU Animal Science and Agricultural Economics

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OKLAHOMA STATE UNIVERSITY EXTENSION