Cattle and Beef Markets: Short and Long Run Challenges and Opportunities

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Major Beef Market Factors

- Cattle Inventory and Beef Production
- Beef Demand
- International Trade
- Feed and Input Markets
- Forage Conditions
BOXED BEEF CUTOUT VALUE
Choice 600-900 Lbs. Carcass, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS

C-P-62
04/08/13
SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS
MED. & LRG. #1 FEEDER STEER PRICES
700-800 Pounds, Billings, Weekly

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

04/01/13
SLAUGHTER COW PRICES
Southern Plains, 85-90% Lean, Weekly

$ Per Cwt.

Avg.
2007-11

2012

2013

Livestock Marketing Information Center
Data Source: USDA-AMS

C-P-35
04/08/13
JANUARY 1 TOTAL CATTLE INVENTORY
U.S., Annual

Livestock Marketing Information Center
Data Source: USDA-NASS

2013 = 89.3 Million Head
-1.6 Percent

C-N-01
02/04/13
JANUARY 1 BEEF COW INVENTORY
U.S., Annual

2013 = 29.3 Million Head
-2.9 Percent

Livestock Marketing Information Center
Data Source: USDA-NASS
JANUARY 1 FEEDER CATTLE SUPPLIES
Residual, Outside Feedlots, U.S.

Livestock Marketing Information Center
Data Source: USDA-NASS

C-N-30
02/04/13
HEIFERS HELD AS BEEF COW REPLACEMENTS
January 1, U.S.

Livestock Marketing Information Center
Data Source: USDA-NASS
Yearling and Cow Slaughter, Annual

Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC
BEEF PRODUCTION
vs. CATTLE INVENTORY
Inventory on January 1, U.S.

Livestock Marketing Information Center
Data Source: USDA-AMS, Compiled & Analysis by LMIC
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/
U.S. Seasonal Drought Outlook
Drought Tendency During the Valid Period
Valid for April 4 - June 30, 2013
Released April 4, 2013

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-NASS, Compiled & Forecasts by LMIC
CATTLE SLAUGHTER
Federally Inspected, Weekly

Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

C-S-08
04/05/13
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS
CHOICE MINUS SELECT BEEF PRICES
Carcass Cutout Value 600-900 Lbs., Weekly

$ Per Cwt.

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

C-P-68
04/08/13
COMMERCIAL BEEF PRODUCTION
Quarterly

Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC
WHOLESALE BEEF FULL TENDER PRICES
MusI-On, 5 Pounds and Up, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS
WHOLESALE BEEF CHUCK PRICES
Boneless 2 Piece, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS

04/01/13
WHOLESALE BEEF BOTTOM ROUND PRICES
18-33 Pounds, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS

M-P-22
04/01/13
WHOLESALE BONELESS BEEF PRICES
Fresh, 90% Lean, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS
WHOLESALE PORK LOIN PRICES
1/4 Inch Trim, 21 Pounds and Down-Light, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS

M-P-28
04/01/13
WHOLESALE PORK BELLY PRICES
Primal Cutout Value, Weekly

$ Per Cwt.

Livestock Marketing Information Center
Data Source: USDA-AMS
WHOLESALE PORK SPARERIB PRICES
Vac. Packed, 3/Bag, 4.25 Pounds and Down, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS

M-P-31
04/01/13
RTC BROILER PRODUCTION
Quarterly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
WHOLESALE CHICKEN BREAST PRICES
Skinless/Boneless, Northeast, Truckload, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS
US BEEF AND VEAL EXPORTS
Carcass Weight, Monthly

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

I-N-16
04/08/13
U.S. Beef Exports
Major Markets

0 500 1000 1500 2000 2500 3000
1000 lbs Carcass Wt


OTHER
KOREA
MEXICO
CANADA
JAPAN
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

I-N-36
03/11/13
United States: Beef Trade
2013-2014 Projected

1,000 METRIC TONS

Exports
Imports

U S BEEF AND VEAL IMPORTS
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

2000

1500

1000

500

0


Mexico

Canada

Livestock Marketing Information Center

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

I-N-13
02/11/13
Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS
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

G-NP-04
03/28/13
US ANNUAL CORN PRODUCTION
Crop Year

Bil. Bushels


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

G-NP-07
03/28/13
CATTLE ON FEED
US Total, Monthly

Livestock Marketing Information Center
Data Source: USDA-NASS

C-N-10
03/22/13
Livestock Marketing Information Center

Data Source: USDA-NASS
CHOICE STEER PRICE vs BREAKEVEN
Cattle Feeding, S. Plains, Monthly

$ Per Cwt

Latest Data: February 2013

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

C-P-21
03/15/13
AVERAGE RETURNS TO CATTLE FEEDERS
Feeding 725 Lb. Steers, S. Plains, Monthly

Latest Data: February 2013

Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC
2013 Cattle Market Expectations

• Cattle and beef prices pushed higher by limited supplies
  – Beef production down by 4.5-5.0%
• Beef demand will limit price increases
• Question is “How much higher?”
• Moderation in feed prices
• Higher cow and heifer prices (if no drought)
  – Breeding cow and heifer demand
Corn Price
Crop year average, 1960-2013

2012, 2013 Projected
Cattle Industry Evolution
1960s-2006

- Built on cheap energy and cheap grain
- Increasingly grain intensive
- Limited stocker role (more calves in feedlots)
- Influence on production systems
  - Animal genetics (carcass weights)
  - Type and use of technology
- Industry infrastructure (location and capacity)
  - Cattle feeding
  - Meat packing
Cost per Pound of TDN, Cents/lb.

Source: Nevil Speer. Based on corn at 88% and hay at 55% TDN
It is often said:

“The Beef Industry Can Survive High Corn Prices Better Than the Pork and Poultry Industries”

• True statement?
• What are the implications for the beef industry?
Feedlot Cost of Gain
Kansas, $/cwt.
KANSAS FEEDLOT CLOSEOUTS
Feeding Costs per Cwt, Steers

Data Source: KSU Focus on Feedlots, Compiled by LMIC
# Corn Price and Estimated Feedlot Cost of Gain

Based on Kansas Feedlot Data

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<th>Estimated Feedlot Cost of Gain $/cwt.</th>
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Permanently Higher Grain Prices is a Game Changer for the Beef Industry

• Change from grain intensive to forage intensive to maintain competitiveness
  – Must emphasize ruminant advantages
  – Enhanced role for stocker production

• Influence on production systems
  – Animal genetics (change animal size?)
  – Type and use of technology?
  – Better forage management
  – New forages?
  – New forage systems?

• Industry infrastructure (location and capacity)
  – Different feeding industry?
  – Regional shifts in cattle feeding, cow-calf and stocker production
Future Forage Use in the U.S.

1) Use more forage
2) Use forage more efficiently
3) Manage forage more efficiently
4) Use different forages
5) Use forages differently
The Industry Faces New Questions

• For the last 4-5 decades:
  – “How can we get cattle to use more grain?”

• For the coming decades:
  – “How can we produce high quality beef using the least amount of grain?”
  – Expanded forage role
Cattle Sector Implications

• Cow-calf
  – Good profit potential; cost management key
  – Rebuilding strategy and costs
  – Producer transition

• Stocker
  – Good value of gain

• Feedlots and packers will continue to struggle
  – Loss of capacity likely

• Production challenges bigger than marketing challenges
The Weekly Email Newsletter
From OSU Animal Science and Agricultural Economics

Send Email to
derrell.peel@okstate.edu
THANK YOU!