

Where's The Beef???

Ruminating On The Cattle Cycle

Gary Brester

Dept. of Agricultural Economics and Economics
Montana State University

2012 Animal Nutrition Conference



Bozeman, MT

April 17, 2012



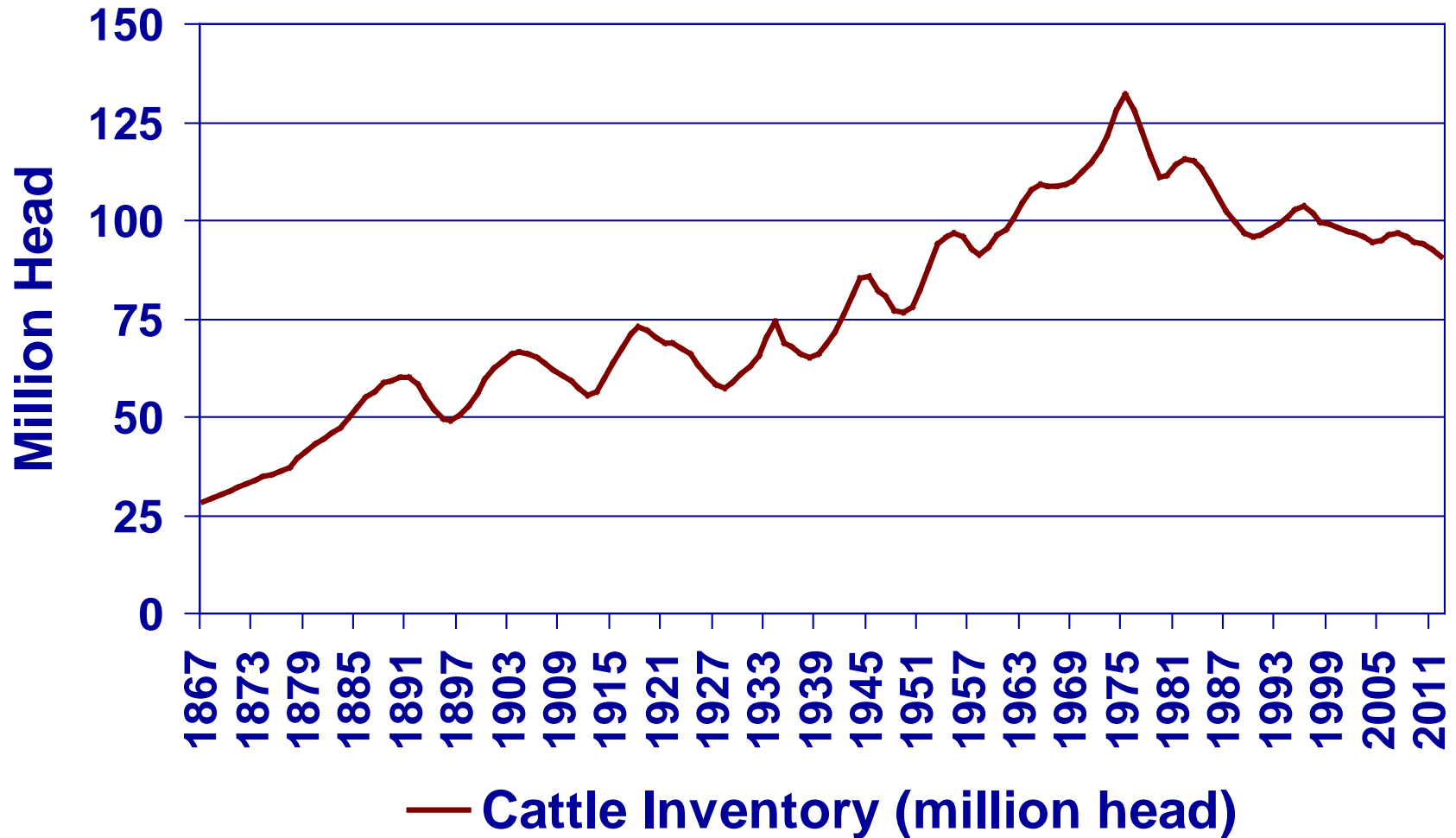
OUTLINE

- 1. History**
- 2. Current Situation**
- 3. Hypotheses**
- 4. Research Strategy**
- 5. Comments**

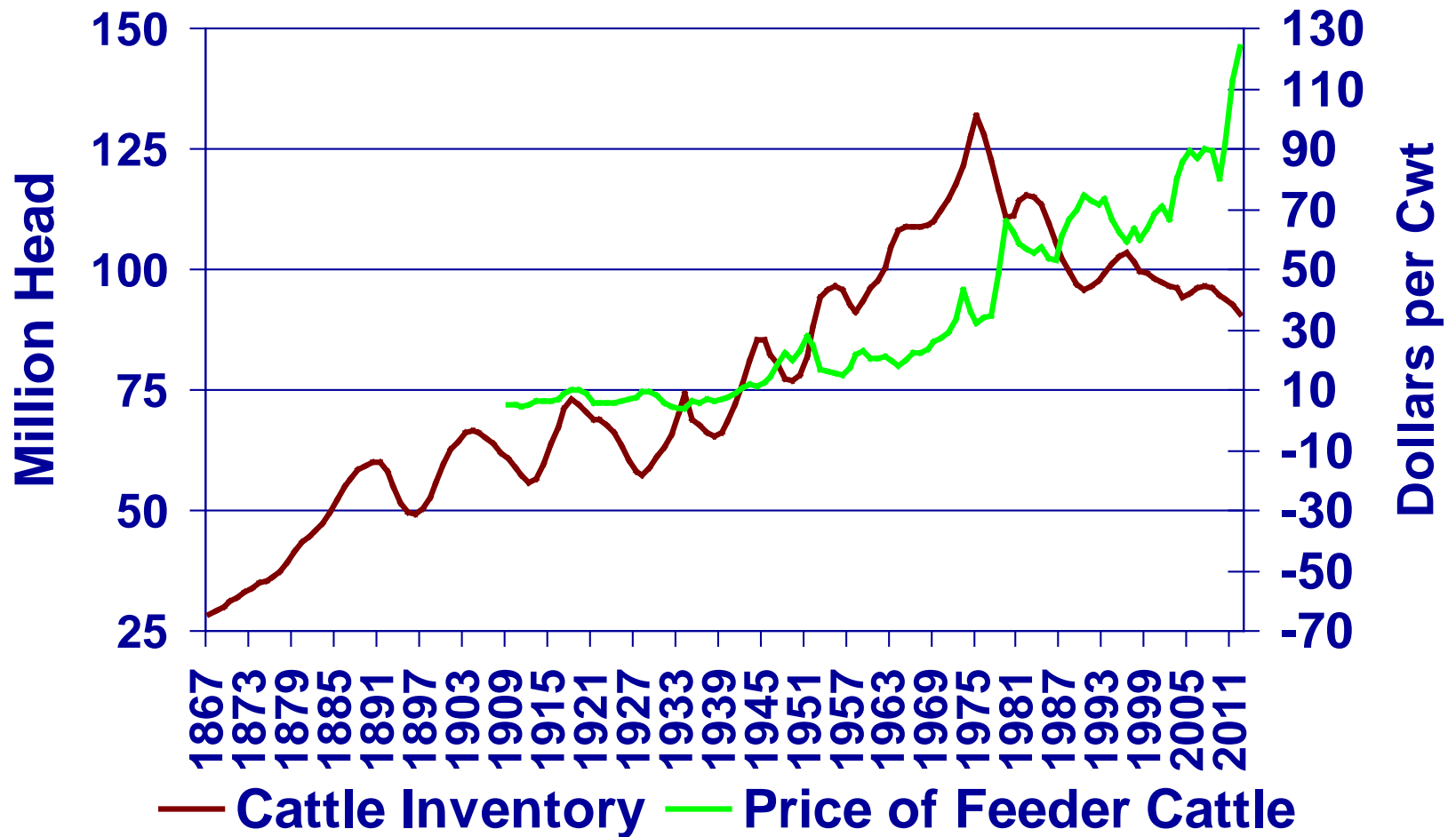
OUTLINE

- 1. History**
- 2. Current Situation**
- 3. Hypotheses**
- 4. Research Strategy**
- 5. Comments**

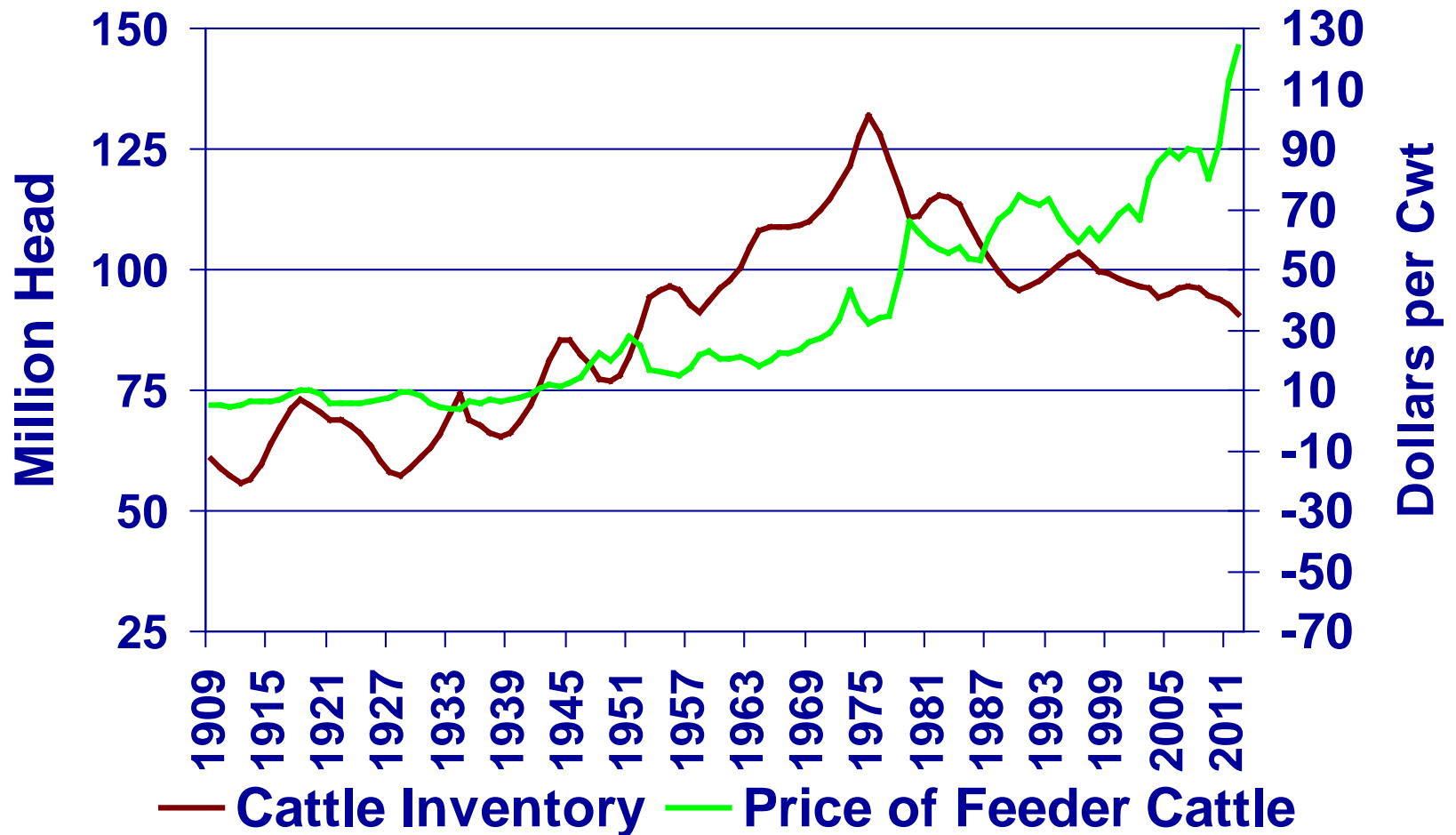
U.S. Cattle Inventory (January 1)



U.S. Cattle Inventory (January 1)

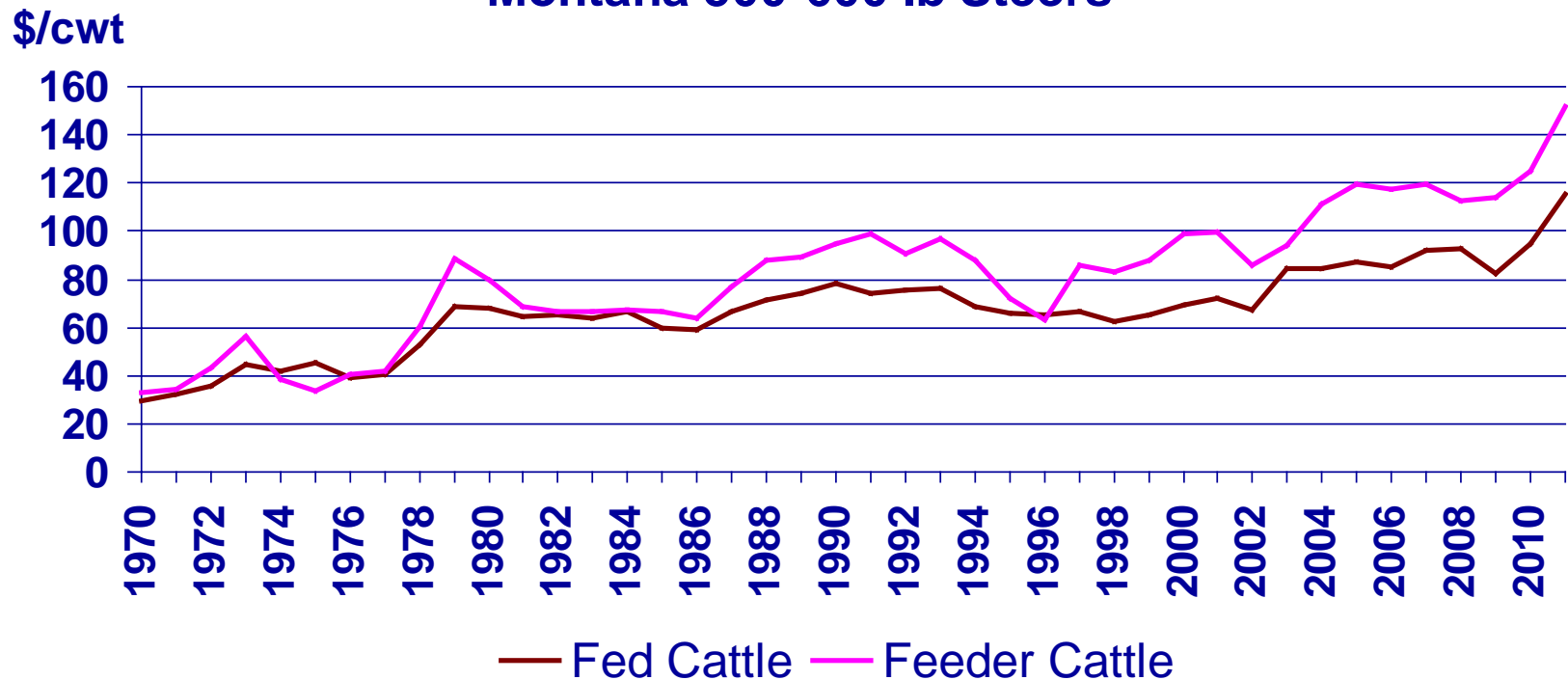


U.S. Cattle Inventory (January 1)

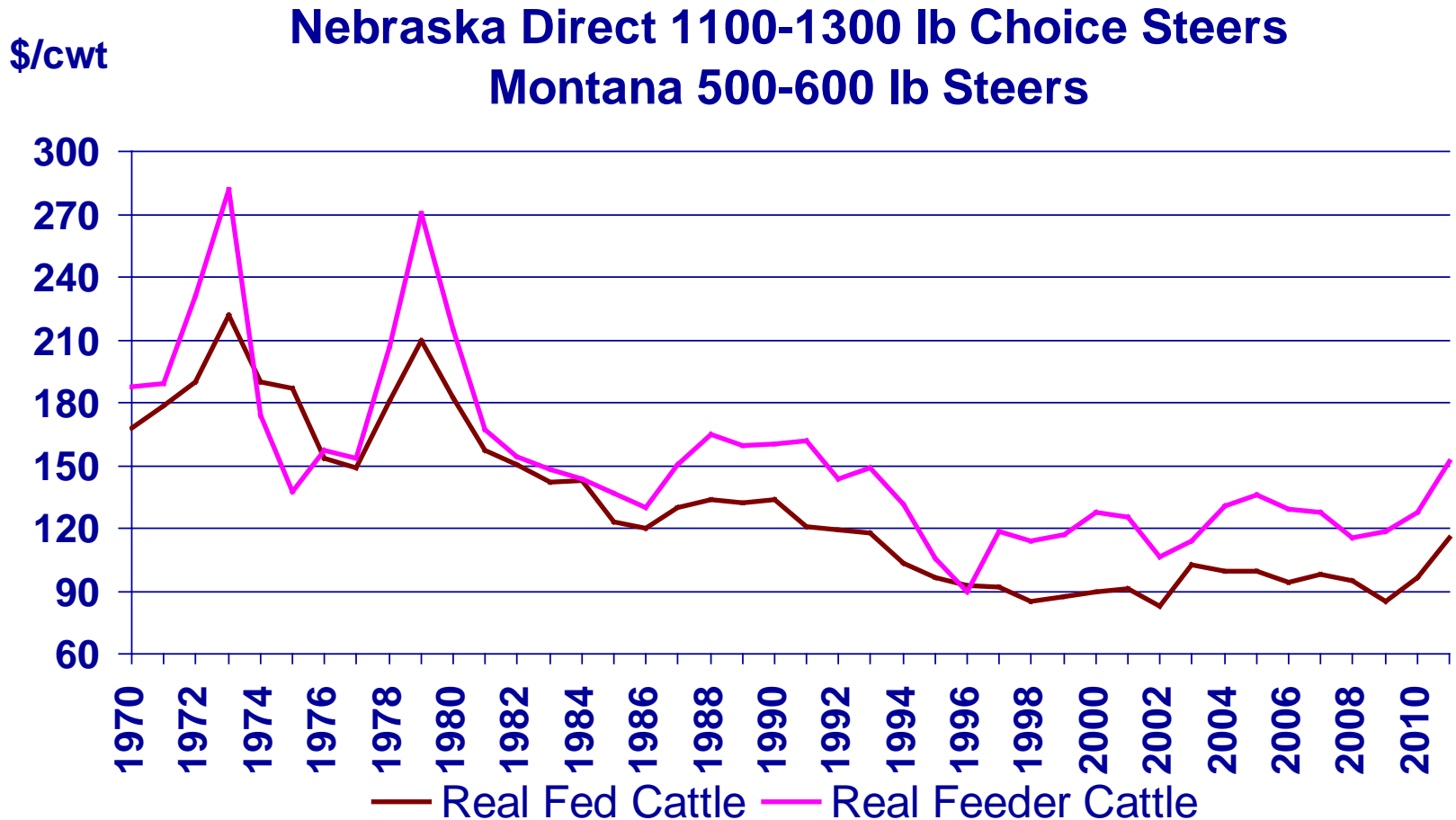


Nominal Fed And Feeder Cattle Prices

Nebraska Direct 1100-1300 lb Choice Steers
Montana 500-600 lb Steers



Real Fed And Feeder Cattle Prices

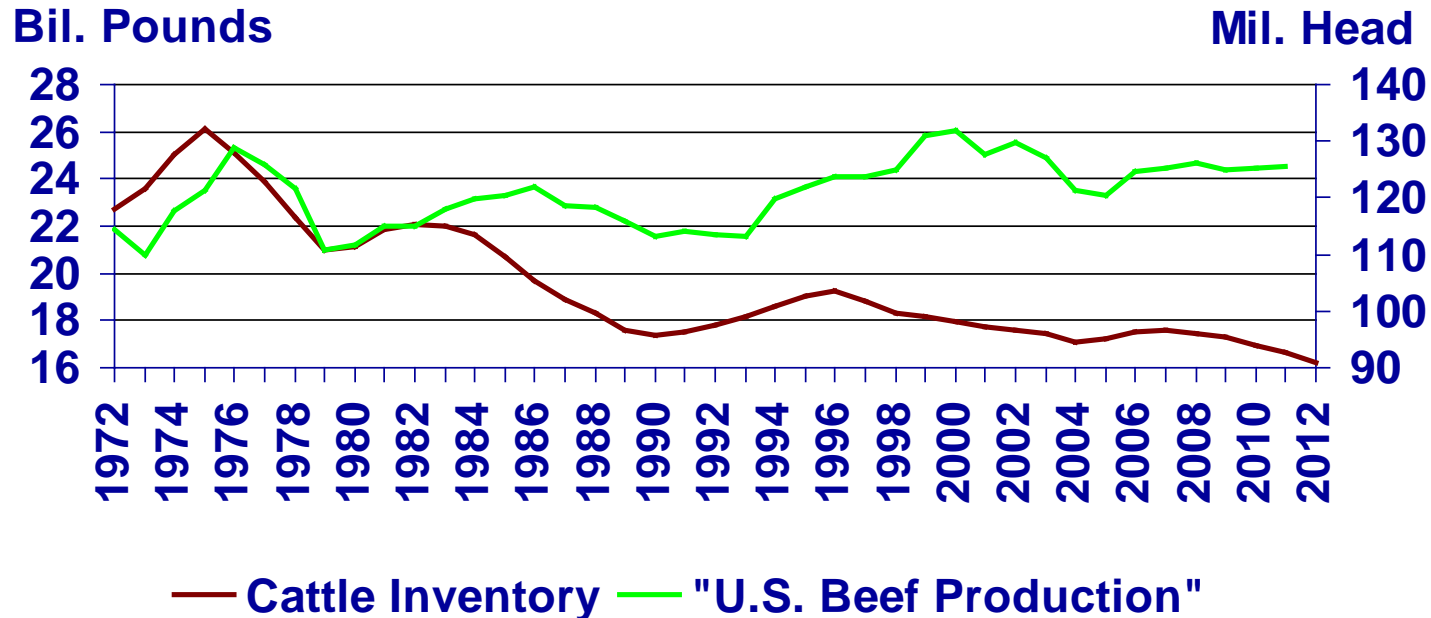


Source: Livestock Marketing Information Center (2011=100)

OUTLINE

1. History
2. **Current Situation**
3. Hypotheses
4. Research Strategy
5. Comments

“US Beef Production” vs. Cattle Inventory (January 1)



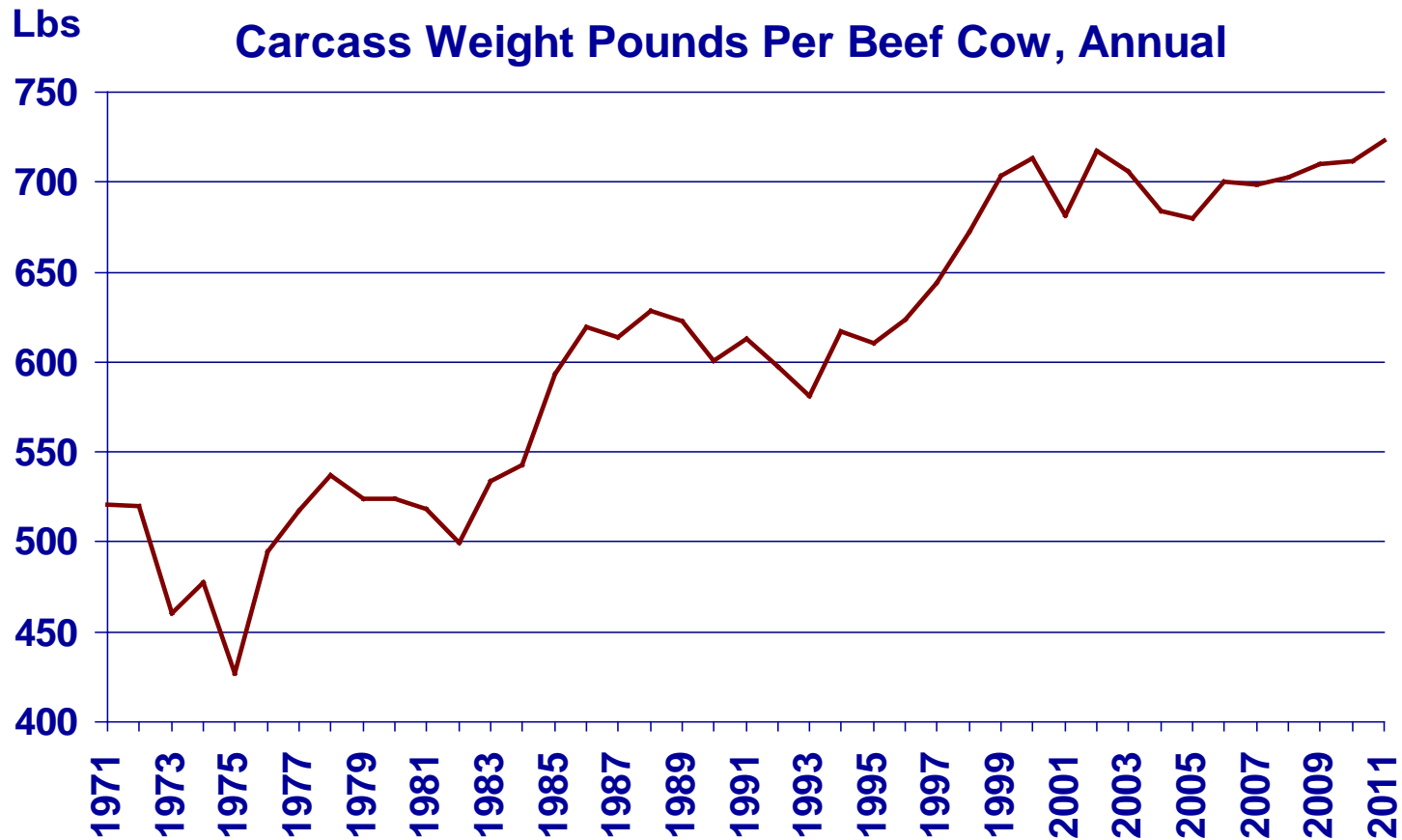
2012 January 1 Inventory equals 90.77 million head

(decline from 2011 inventory of 92.68 million head)

(2011 calf crop is lowest since 1950)

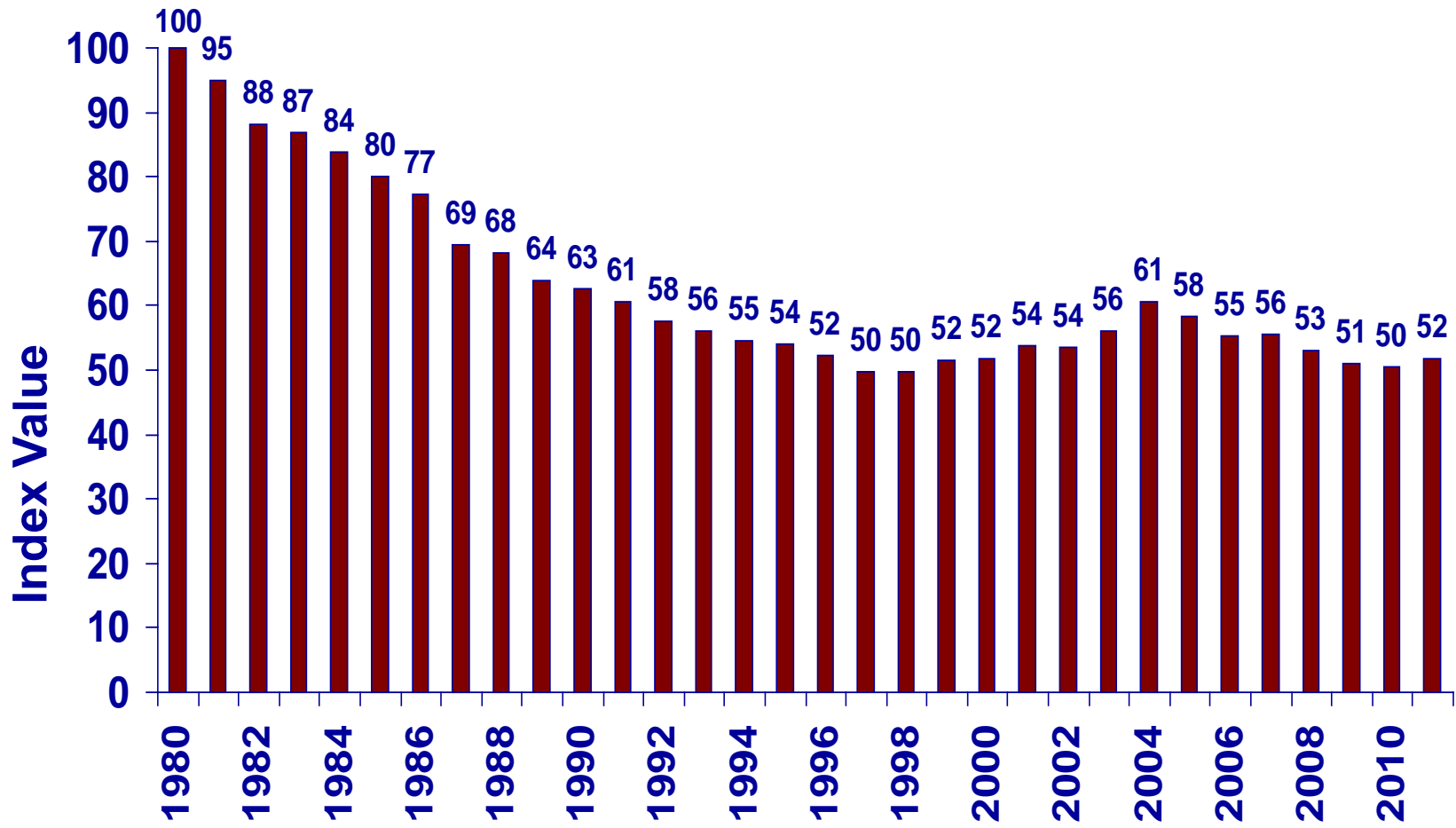
Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

Productivity of U.S. Beef Cow Breeding Herd



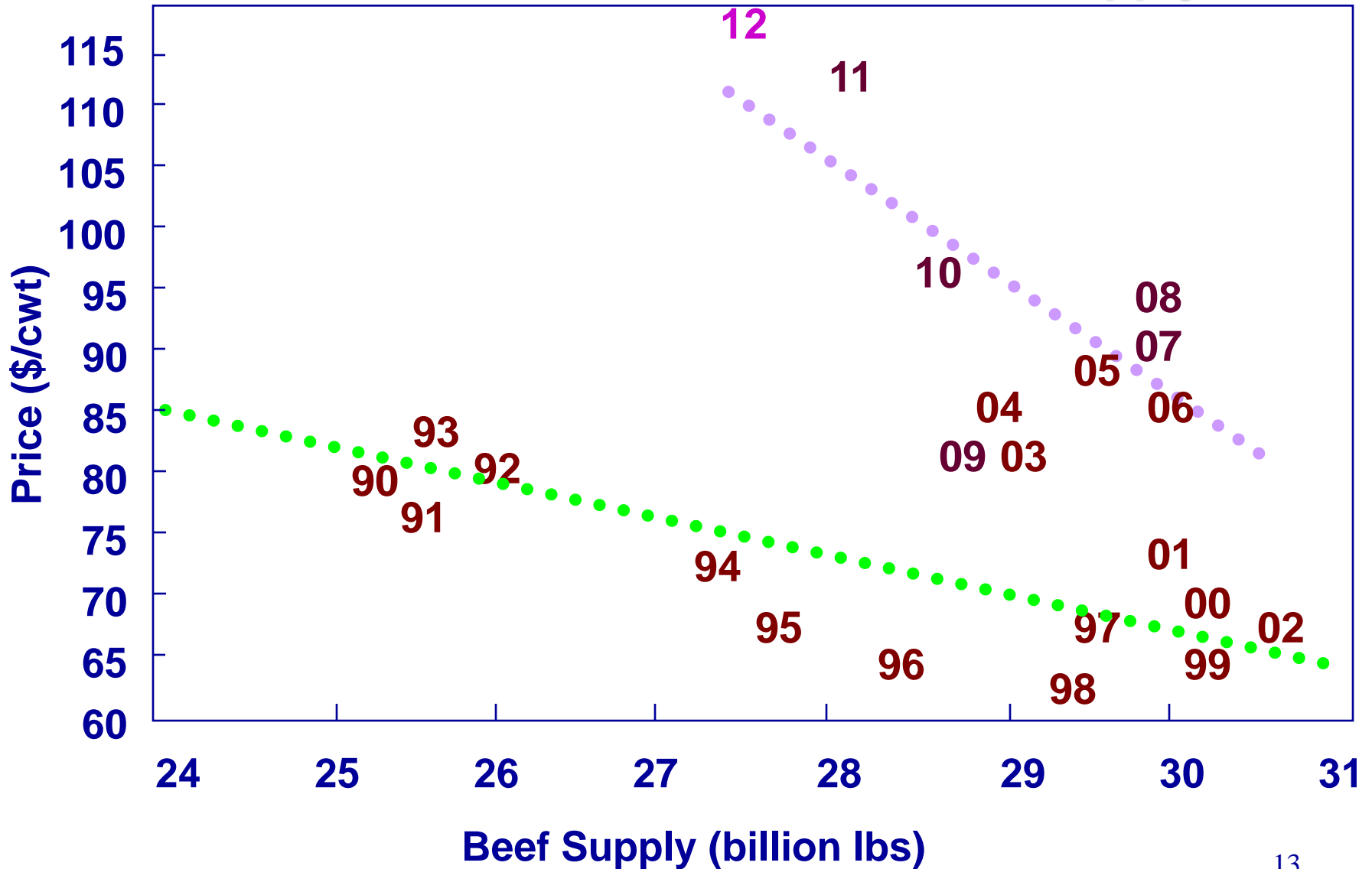
U.S. Demand for Beef

Choice Retail Beef Demand Index (1980=100)



Demand for Fed Cattle

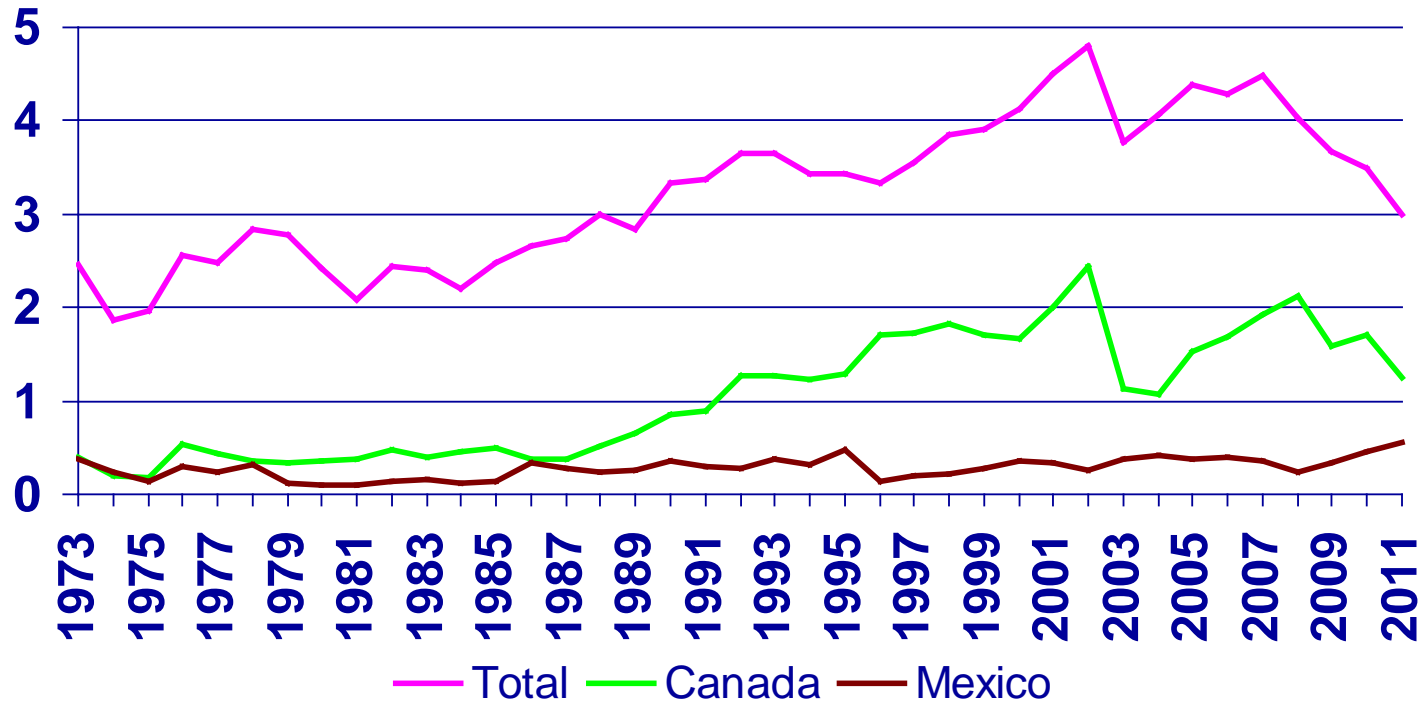
U.S. Fed Steer Price vs. U.S. Beef Supply



U.S. Beef, Veal and Live Animal Imports

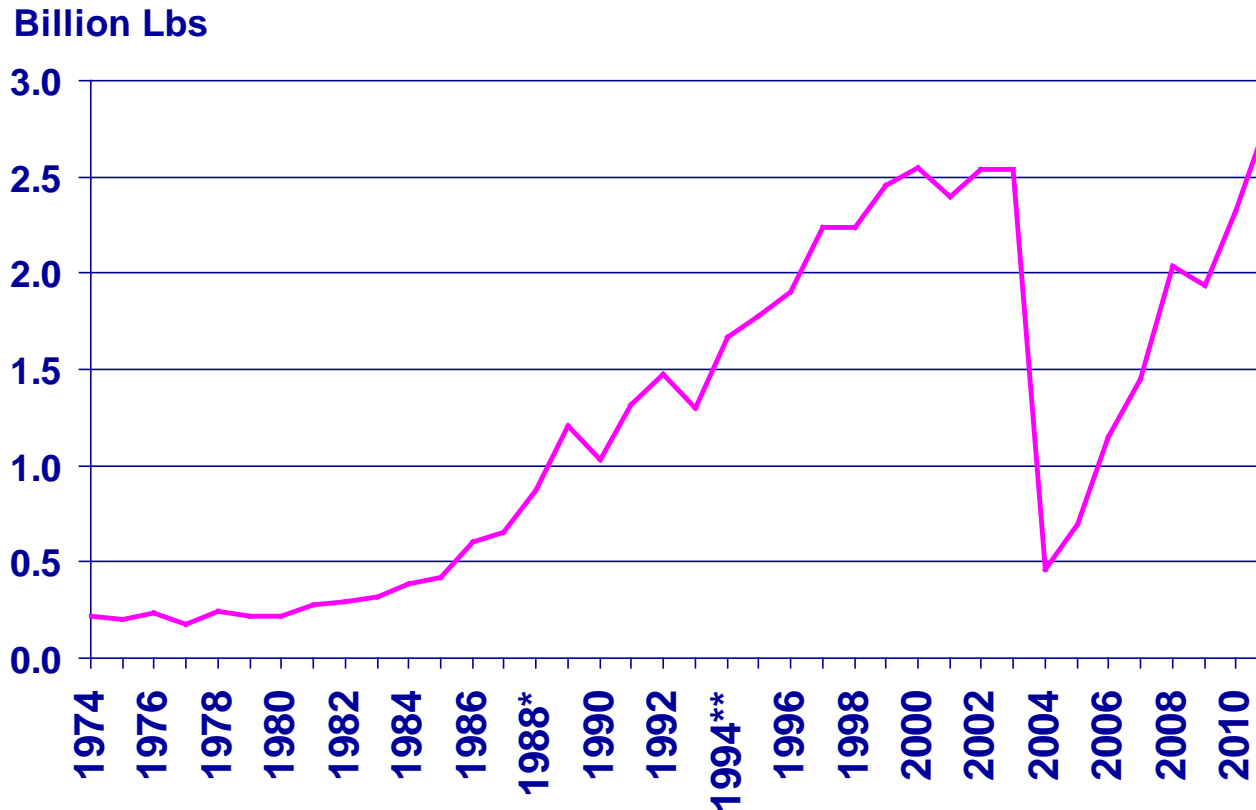
Annual, Billion Lbs, Carcass Weight Basis

Billion Lbs



U.S. Beef, Veal and Live Animal Exports

Annual, Billion Lbs, Carcass Weight Basis

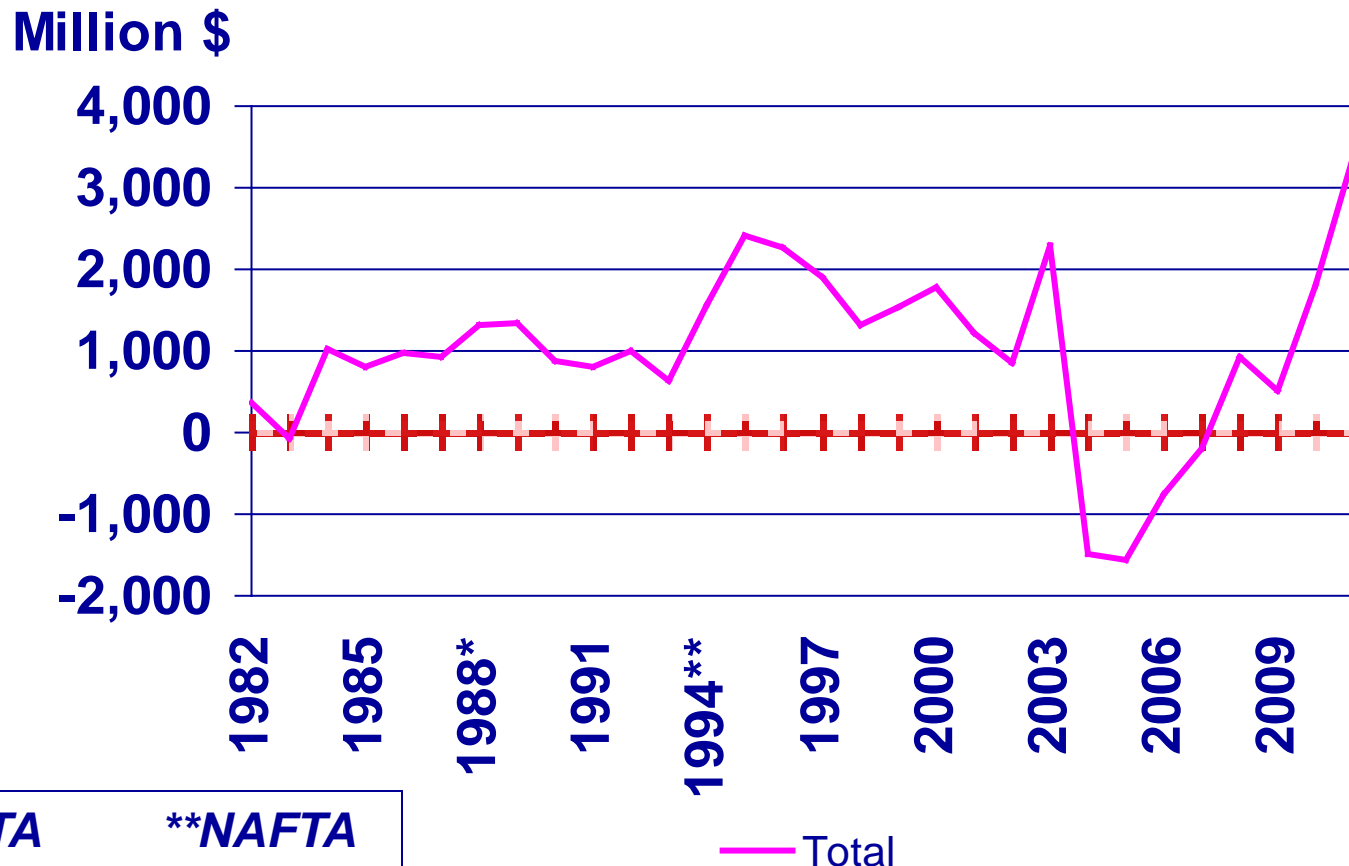


*CUSTA

**NAFTA

— Total

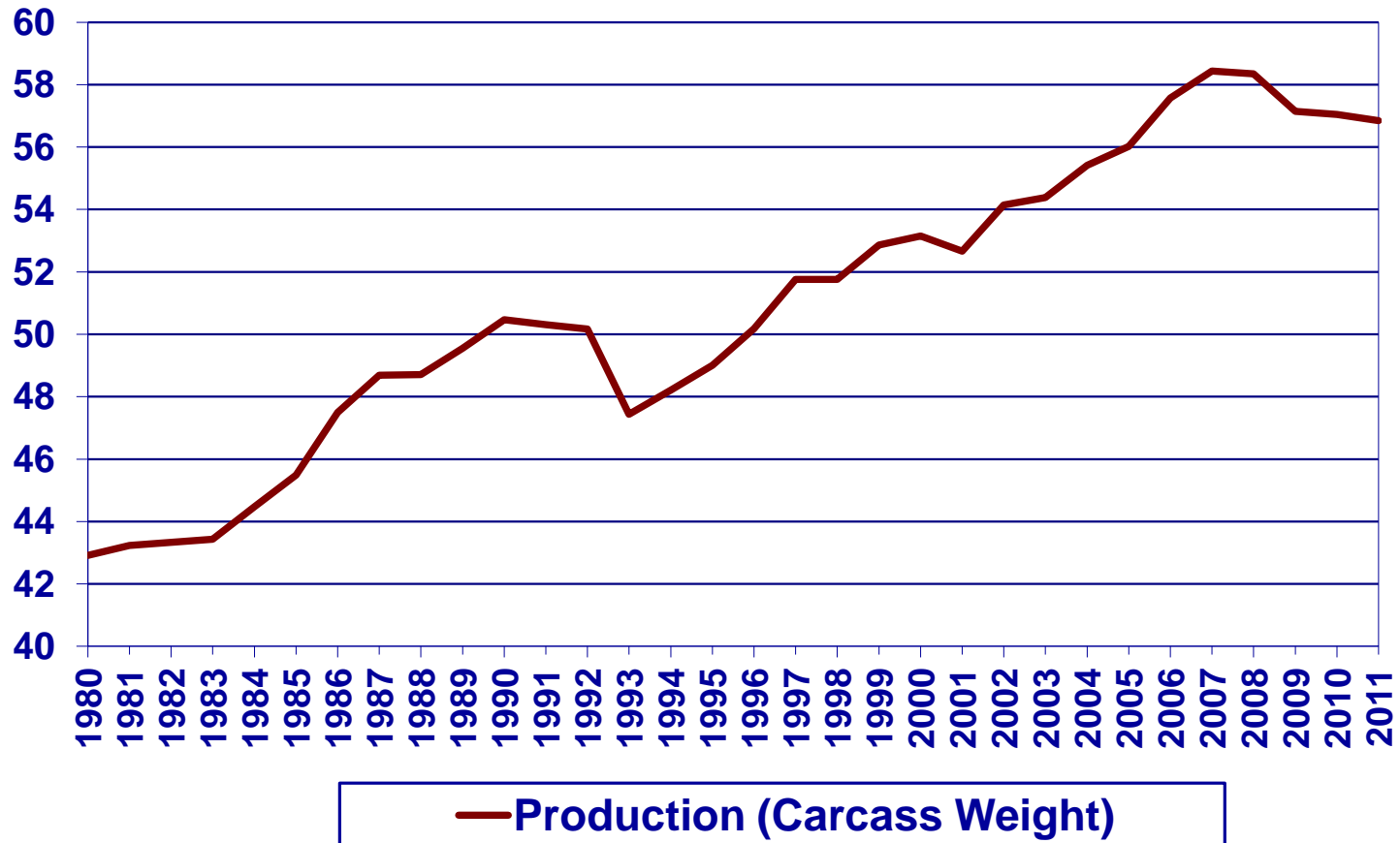
Value of U.S. Beef, Veal and Live Animal, By-Product Net Imports/Exports



Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

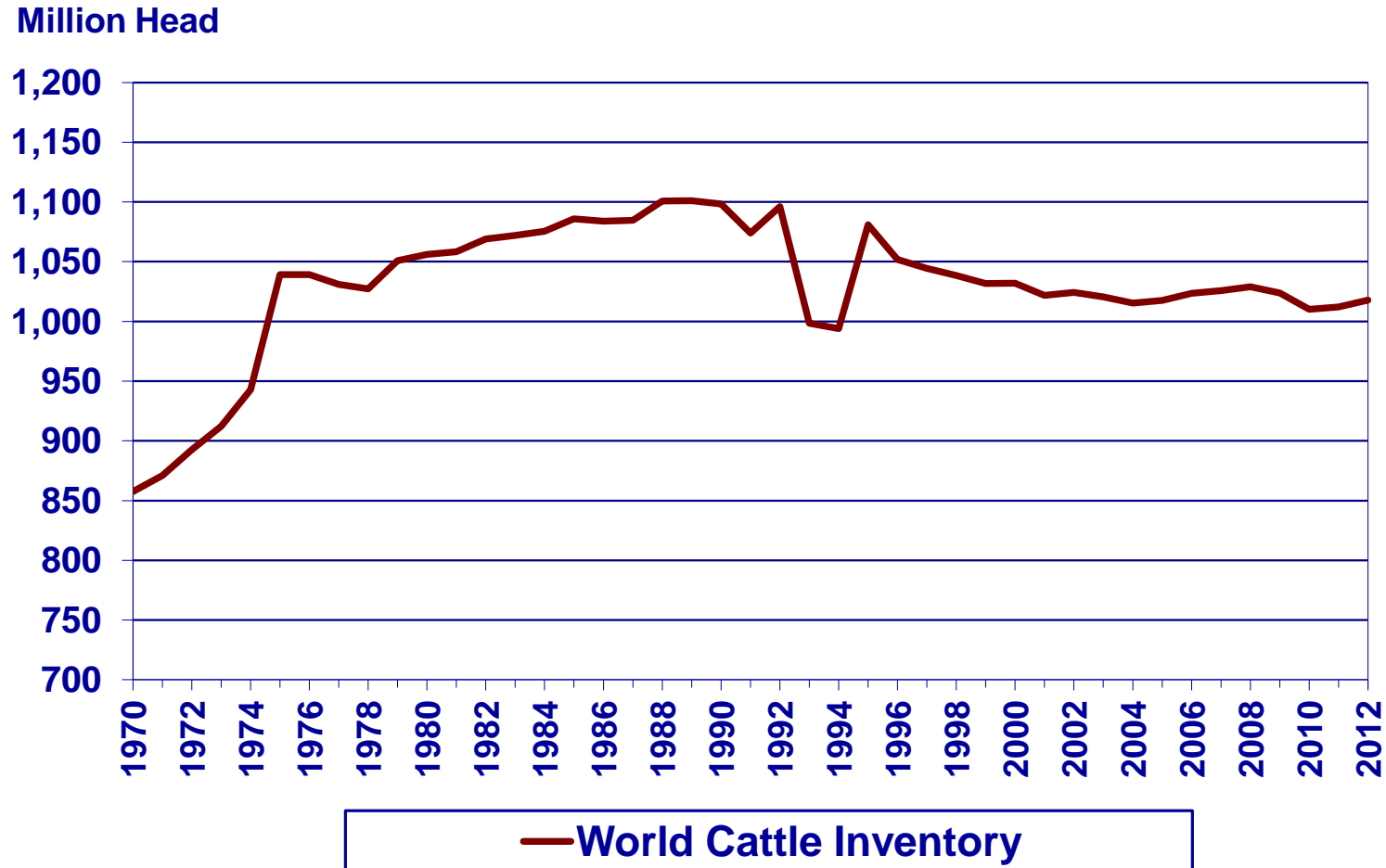
World Beef Production

Million Metric Tons



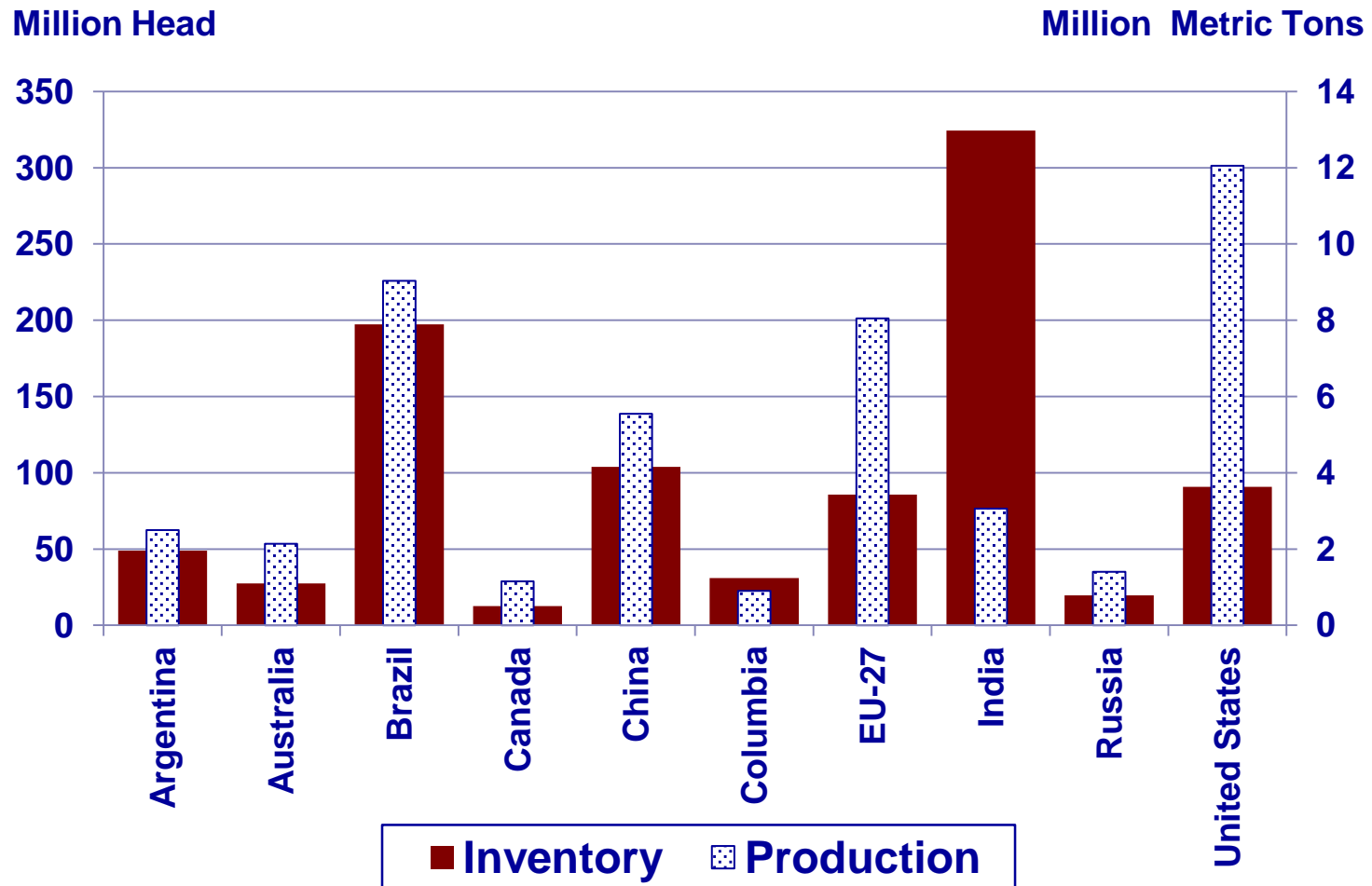
Source: Foreign Agricultural Service

World Cattle Inventories



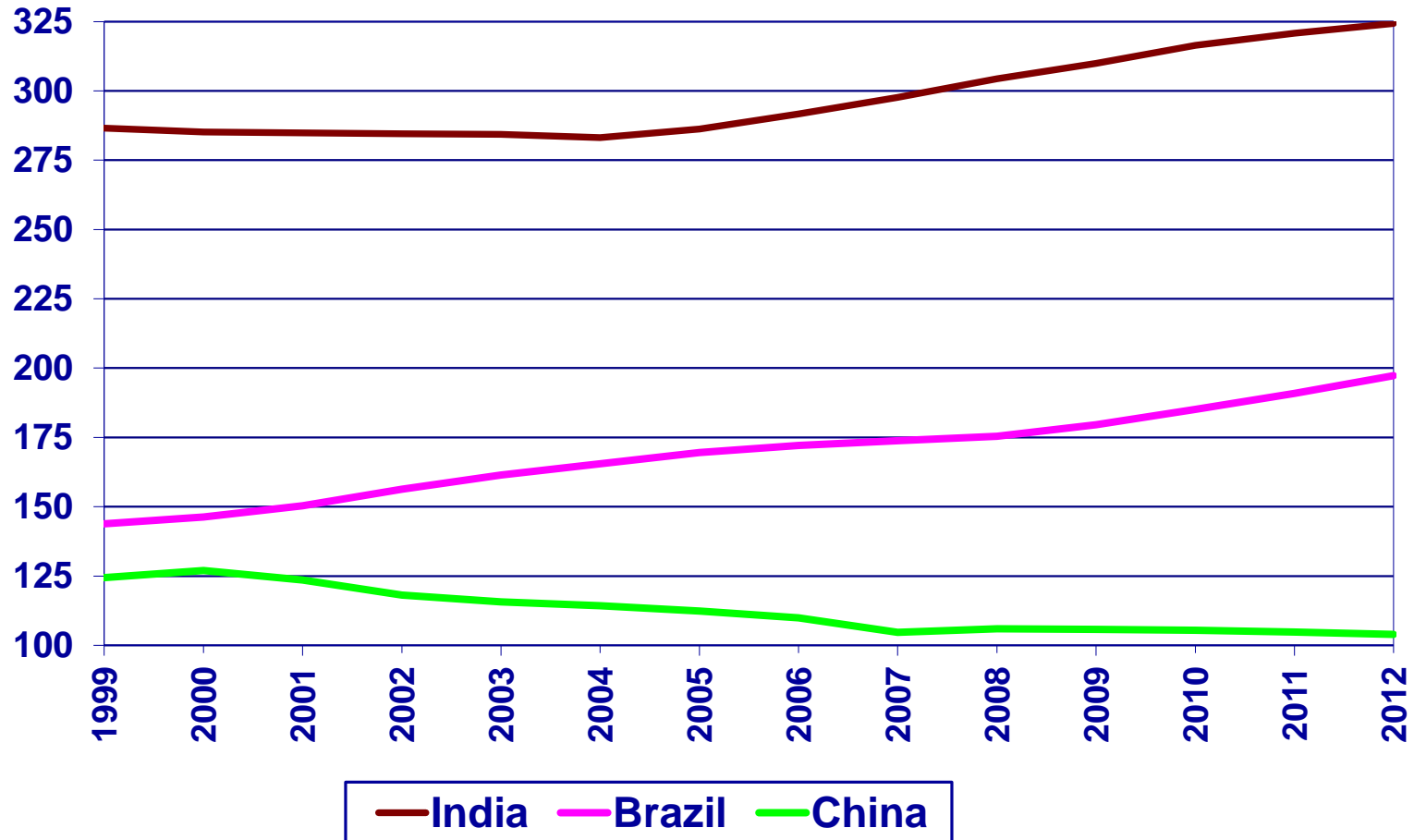
Source: Foreign Agricultural Service

World Cattle Inventory and Beef Production



India, Brazil, China Cattle Inventories

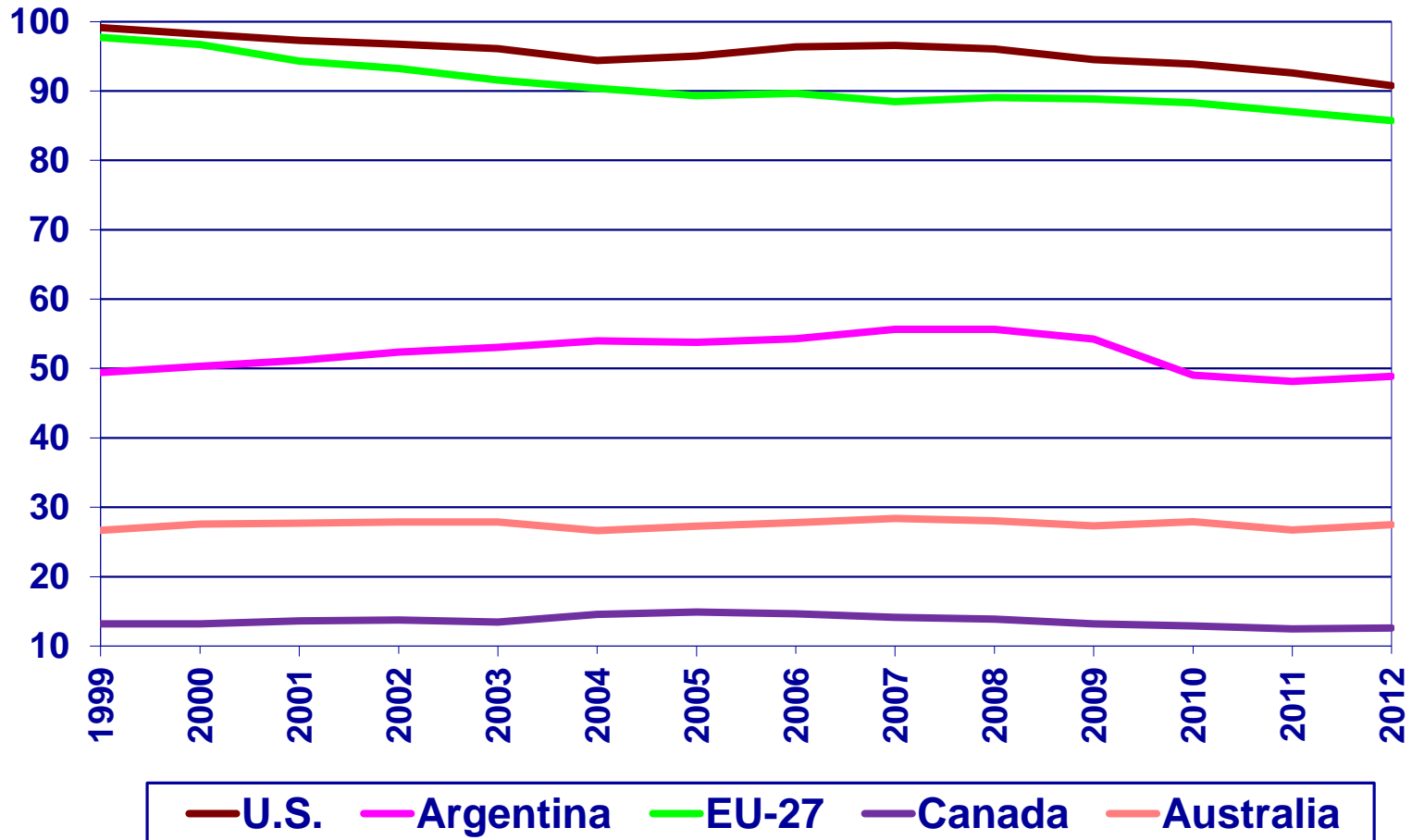
Million Head



Source: Foreign Agricultural Service

U.S., Argentina, Australia, EU-27, Canada Inventories

Million Head



Source: Foreign Agricultural Service

OUTLINE

1. History
2. Current Situation
3. Hypotheses
4. Research Strategy
5. Comments

Weather Related

1. Over the past 15 years, drought has occurred in the
 - a. West
 - b. Southeast
 - c. Southern Plains
2. Recent high hay prices

Structure of Cattle Production

- 1. Hog cycles no longer exist**
 - a. Vertically coordinated production processes reduces entry and exit**
- 2. Have alliances, vertical coordination, contracting caused the same result in the cattle industry?**

Technological Change

- 1. Labor has become more expensive for all of production agriculture (and elsewhere)**
- 2. Technological change has allowed crop producers to substitute capital for labor**
 - a. Wider**
 - b. GPS**
 - c. Contract hire**
- 3. Technological change has not helped cattle producers to the same extent**

Crop Insurance

- 1. Livestock have been used to reduce risk through income diversification**
- 2. Widely available and heavily subsidized crop insurance provides a less expensive way to do the same**
 - a. Much less labor intensive**
 - b. Age profiles**

Grazing Limitations

- 1. Reductions in public grazing access?**
- 2. Reductions in private grazing access?**
- 3. Larger cows need more grass**

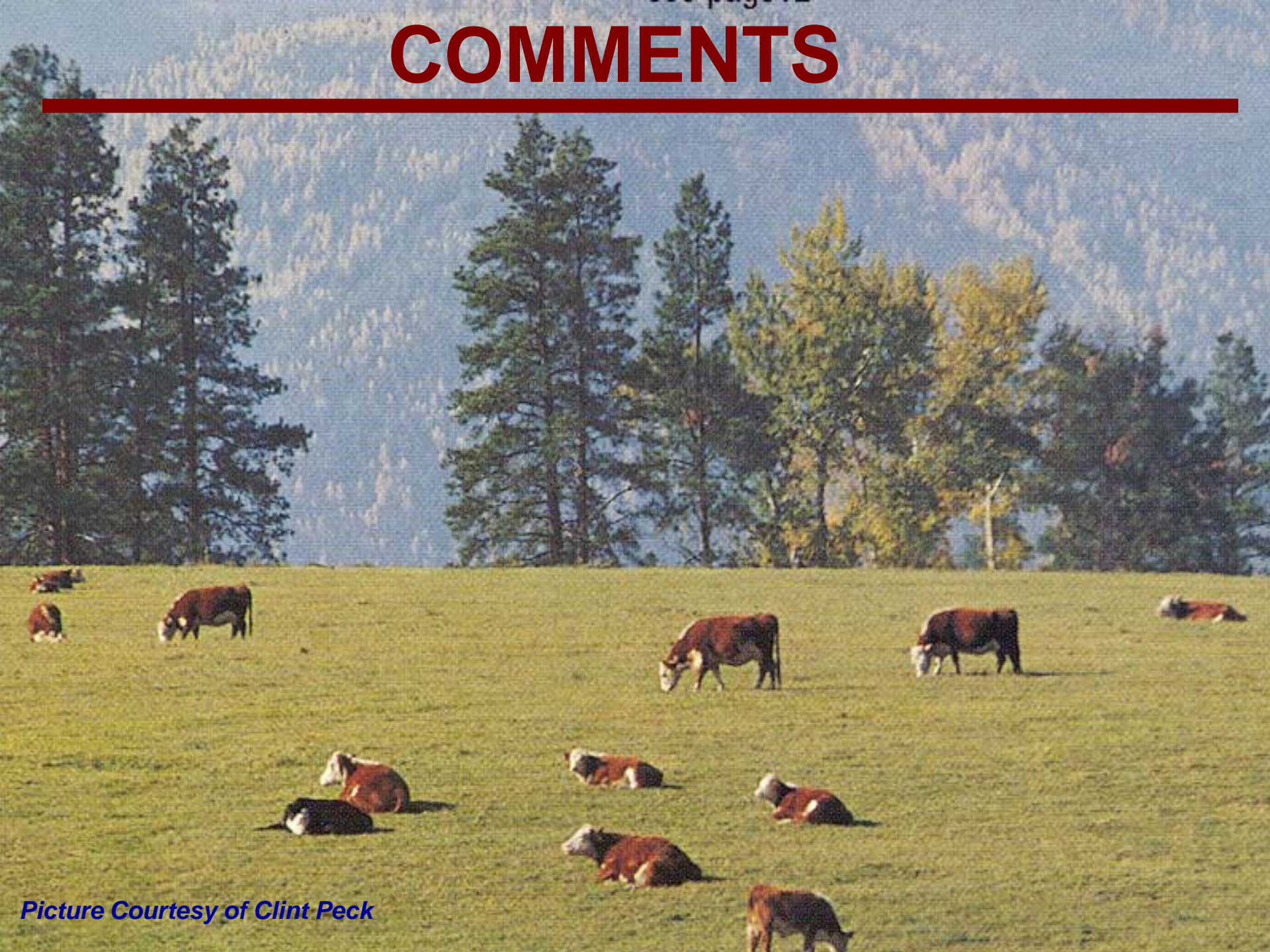
OUTLINE

1. History
2. Current Situation
3. Hypotheses
4. Research Strategy
5. Comments

Research Strategy

- 1. Consider changes in herd sizes**
- 2. Evaluate changes by state**
- 3. Incorporate purchases of crop insurance**
- 4. Consider labor costs**
- 5. Range conditions over time**
- 6. Public grazing AUMs**

COMMENTS



Picture Courtesy of Clint Peck