

# Beef Cattle Outlook

Dr. Curt Lacy

Extension Economist-Livestock



# Georgia Grazing School

- August 7-8, 2013
- Athens, GA
- [www.georgiaforages.com](http://www.georgiaforages.com)

## Deep South Stocker Conference



- August 8-9, 2013
- Athens, GA
- [www.deepsouthstocker.com](http://www.deepsouthstocker.com)



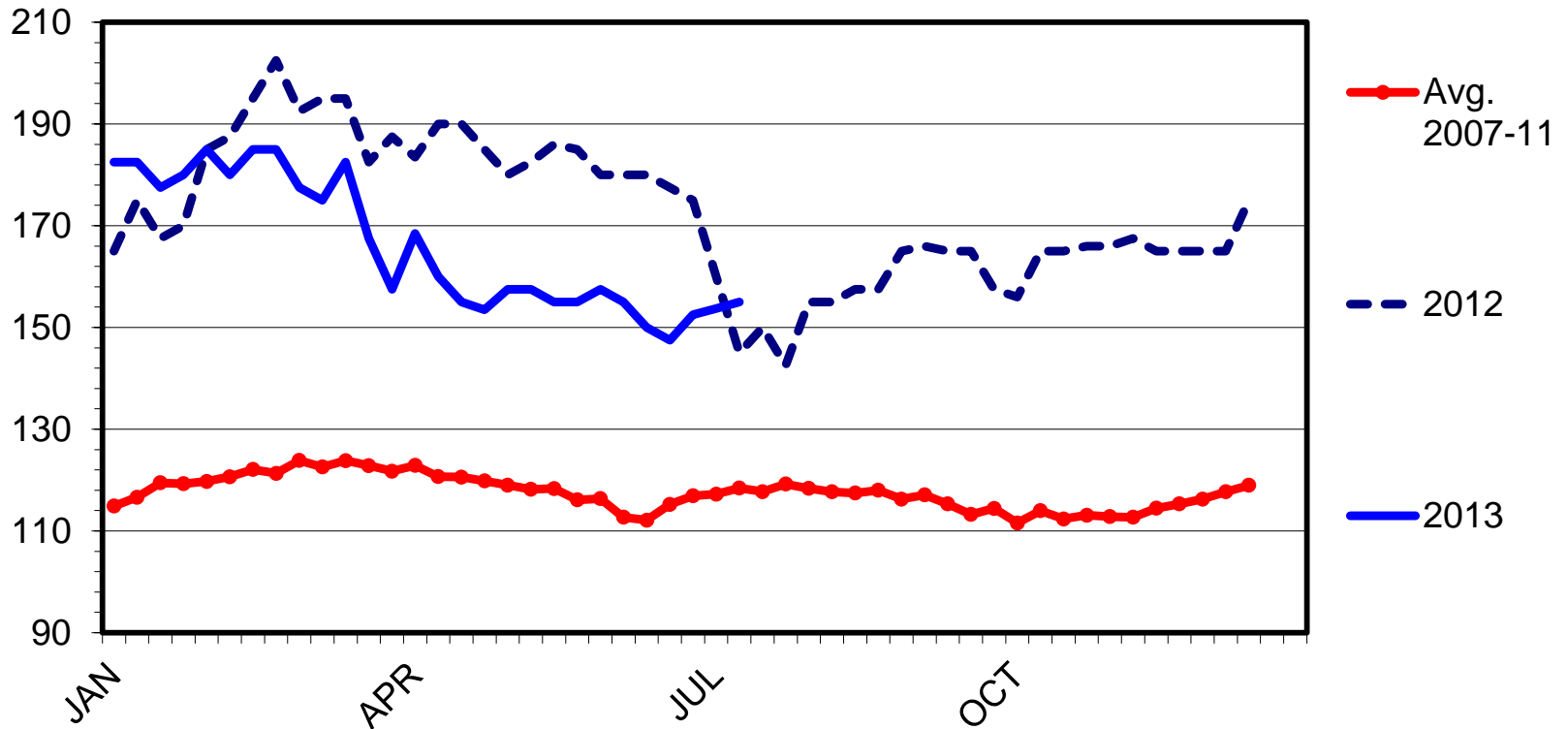


# Current Situation



## MED. & LRG. #1 & 2 STEER CALF PRICES 400-450 pounds, Mississippi, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

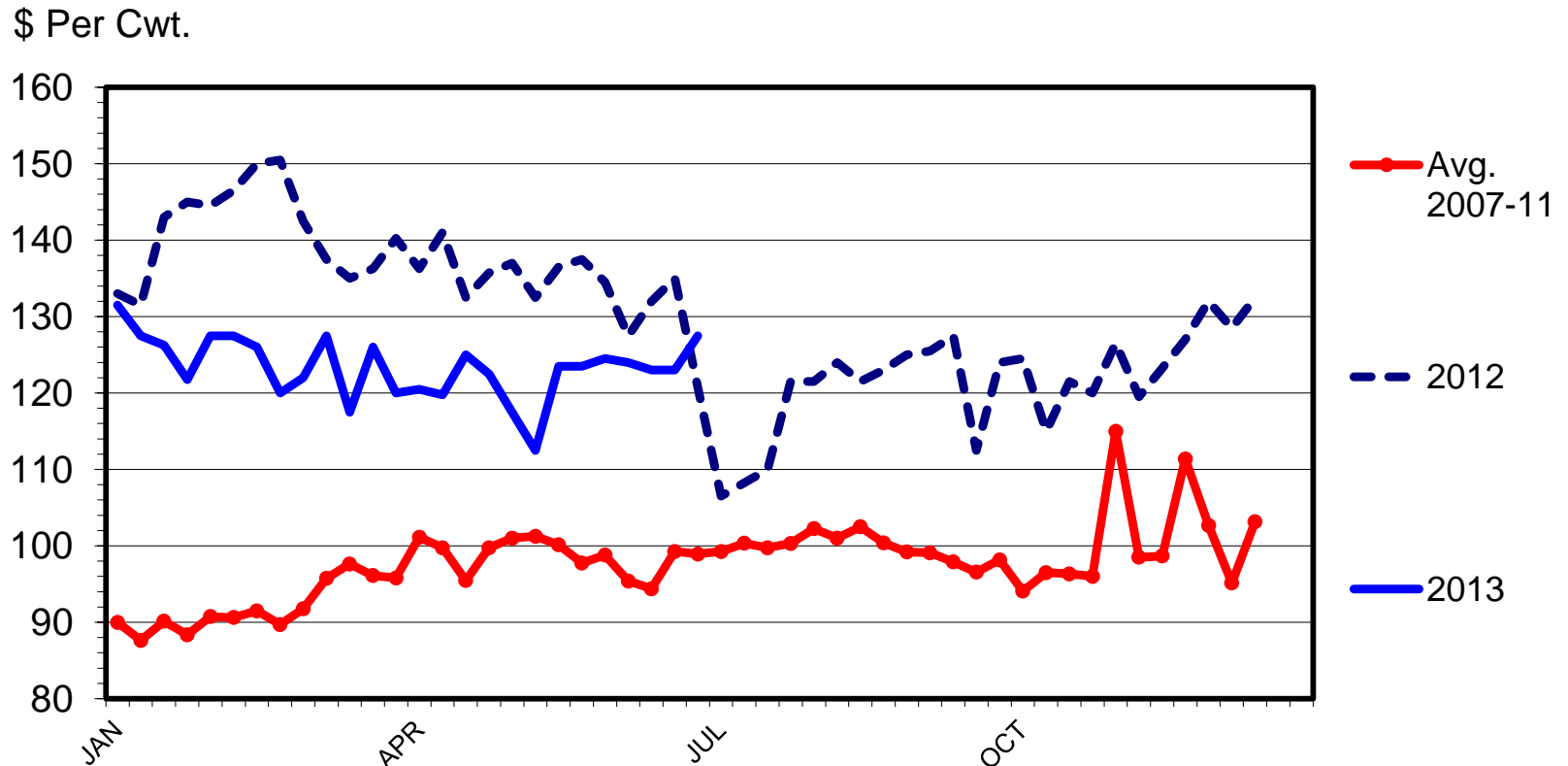
Data Source: USDA-AMS, Compiled by LMIC



04/29/13



## MED. & LRG. #1 & 2 FEEDER STEER PRICES 700-800 Pounds, Mississippi, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS, Compiled by LMIC



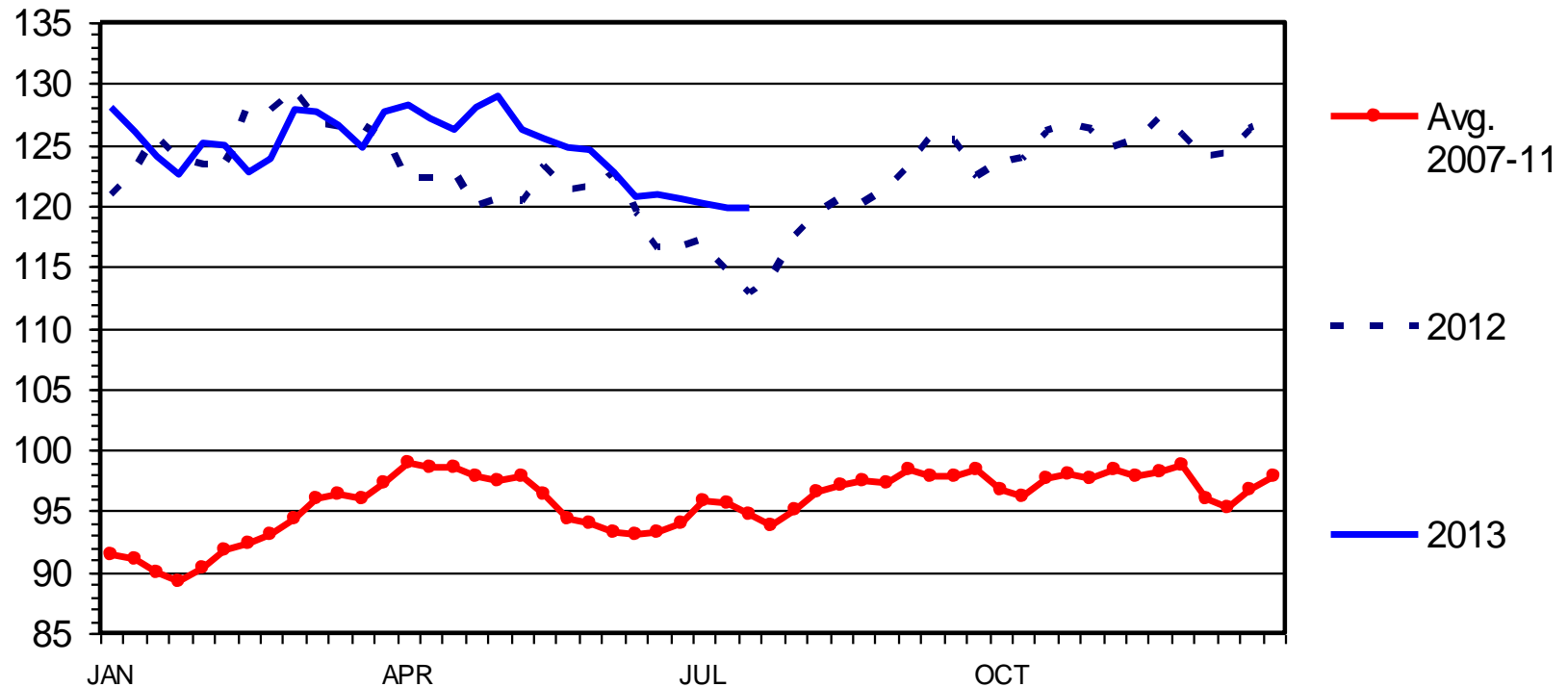
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# SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS





# Factors shaping markets today and into 2014

1. Feed supplies/prices
2. Beef Demand
3. Cattle supplies



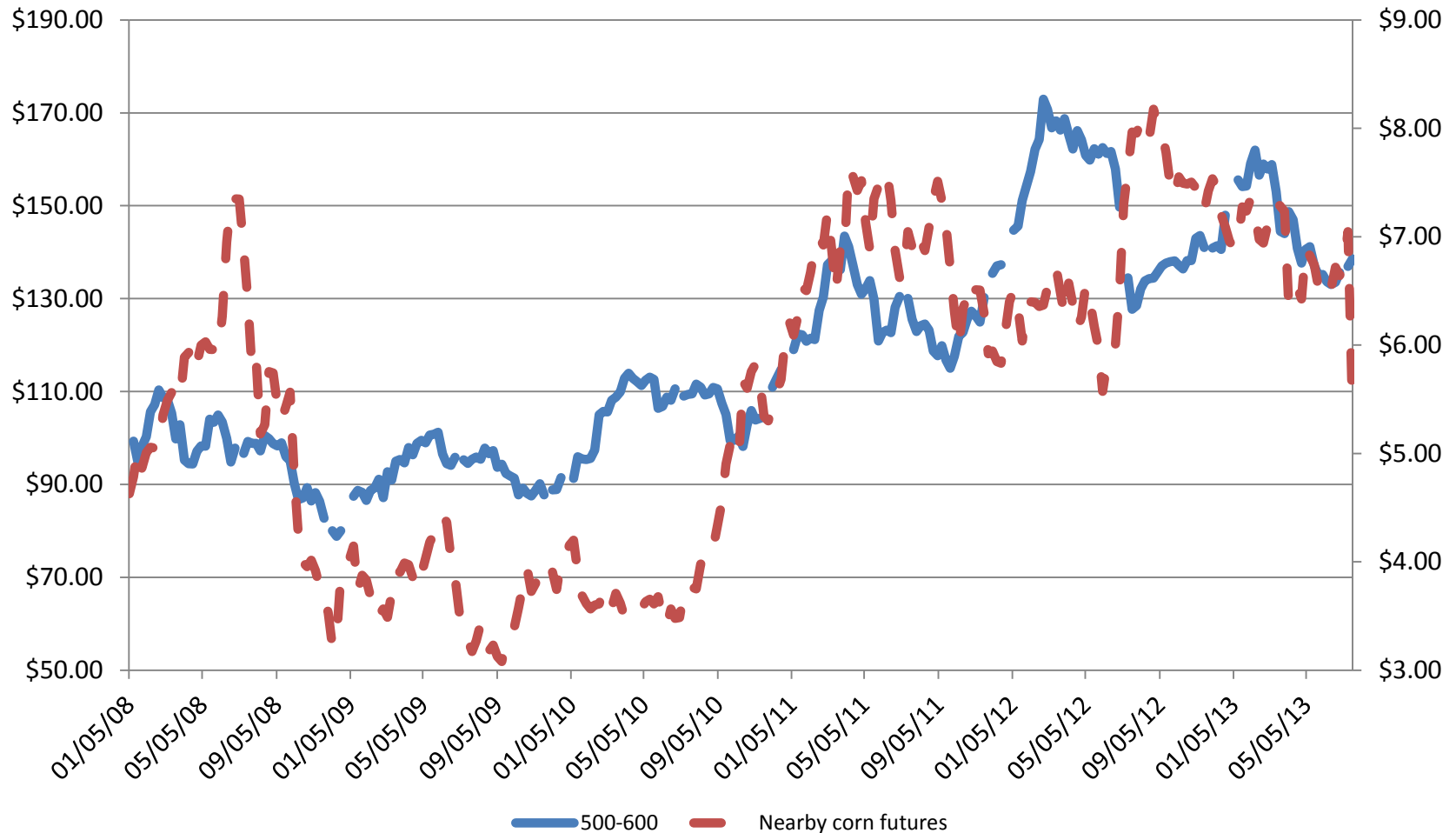


# Feed Supplies



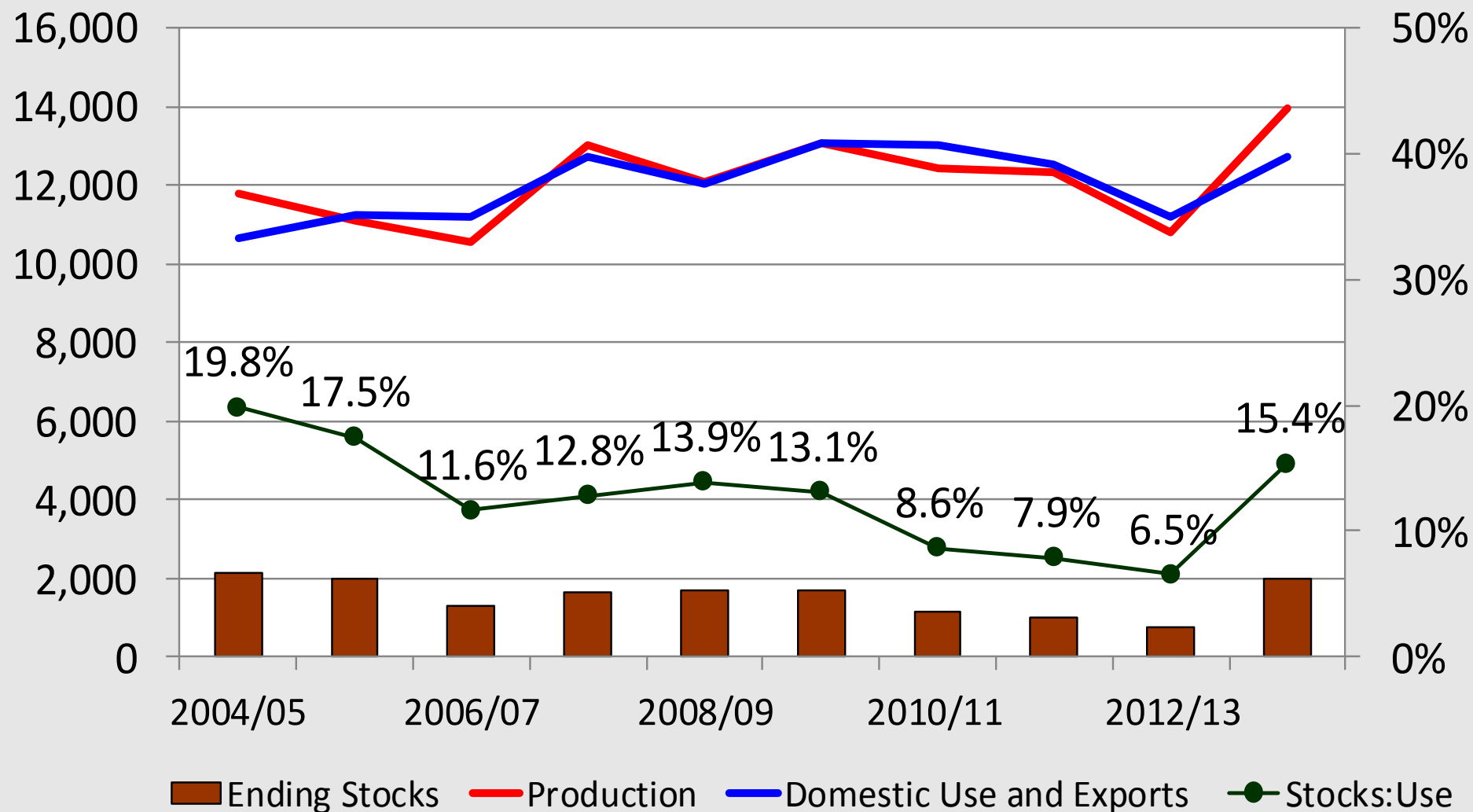


# Relationship between Corn and Cattle Prices



# U.S. Corn Supply and Demand

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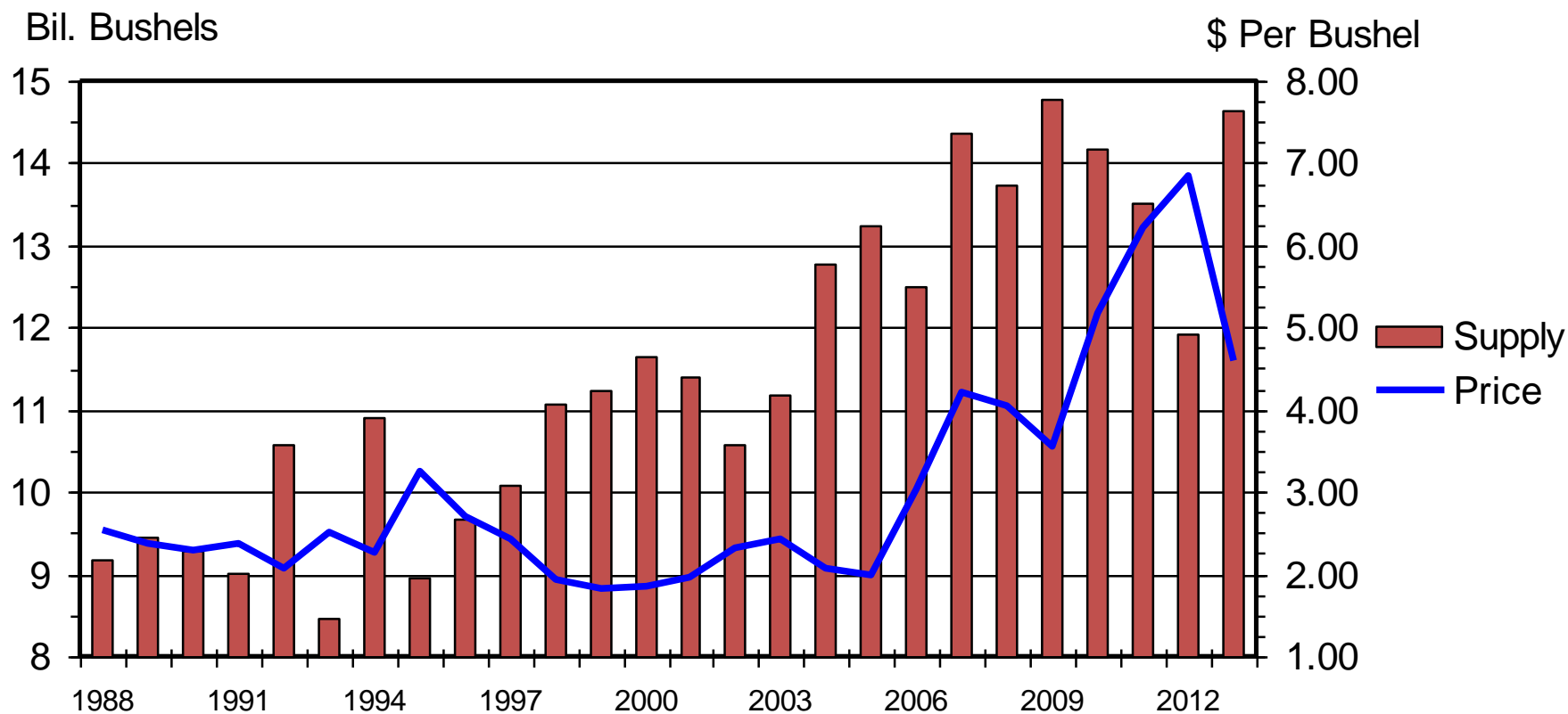


Data Source: USDA, WASDE. Chart prepared by Dr. Nathan Smith, UGA



# U S TOTAL CORN SUPPLY AND PRICE

Crop Year



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



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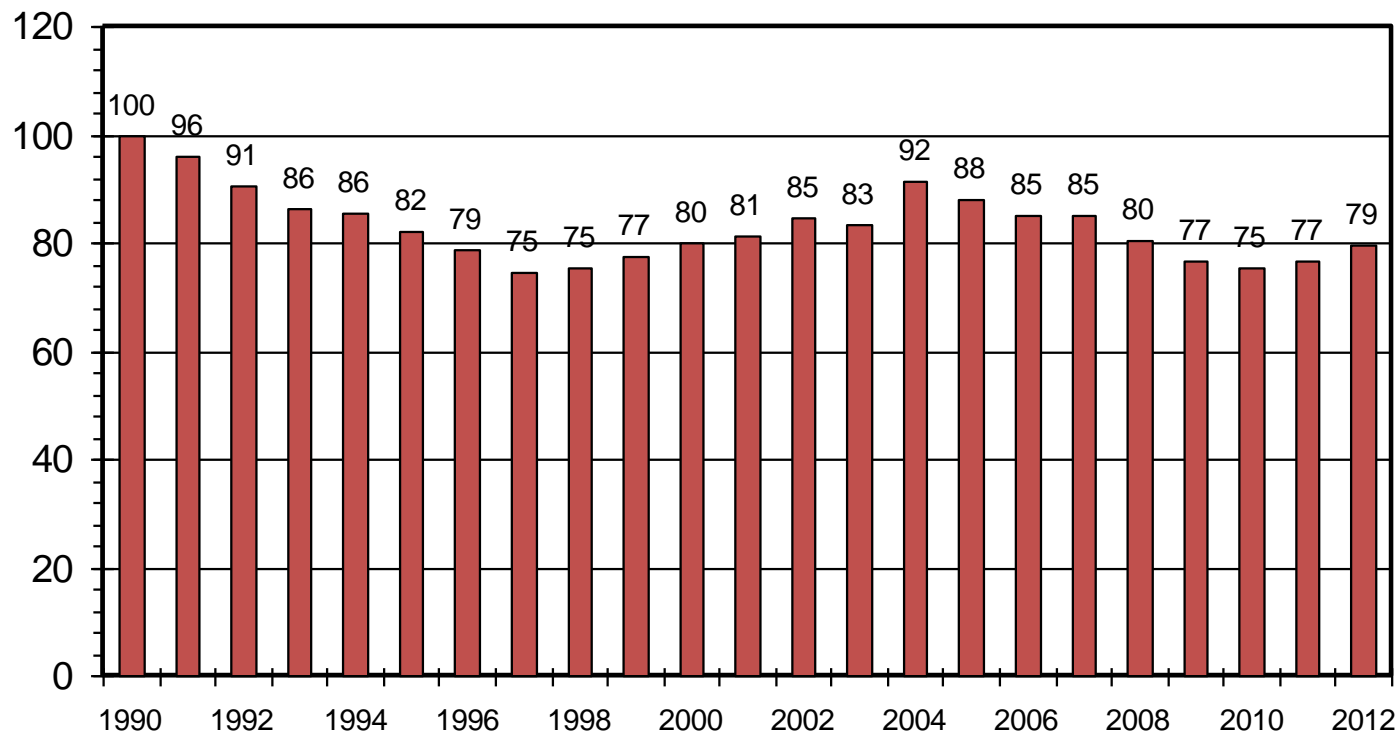




# RETAIL ALL FRESH BEEF DEMAND INDEX

Annual, Using CPI 1990=100

Index Value



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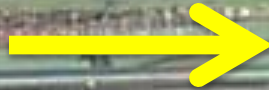
Livestock Marketing Information Center

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

# Beef and Feeder Cattle Demand

## Beef Demand

- Consumers' income
- Prices of competing meats
- Exports



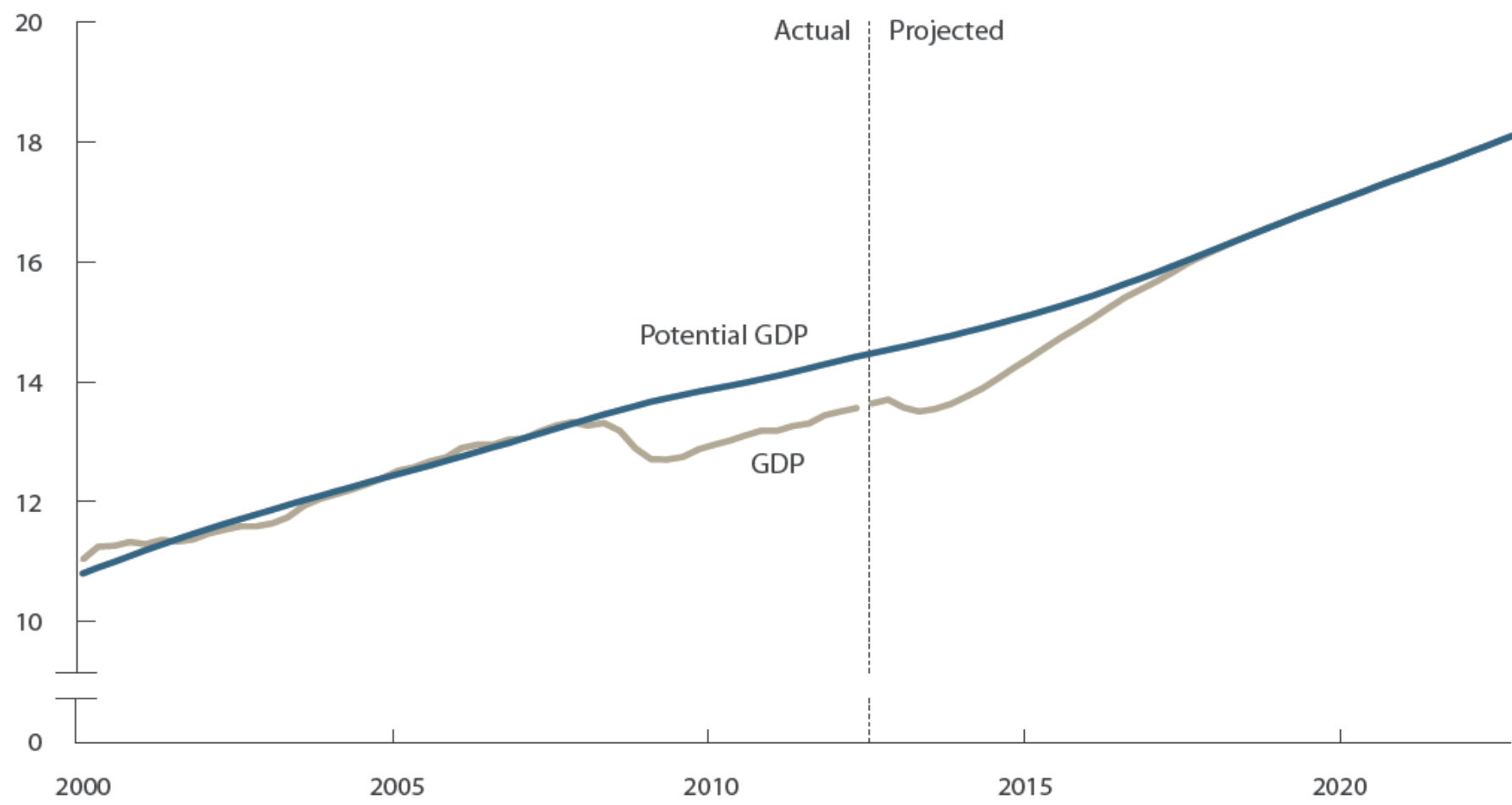
## Feeder Cattle Demand

- Fed cattle profits
  - Price of fed cattle
  - Price of corn
  - Available capital
- Stocker cattle profits
  - Price of feeder cattle
  - Cost of grazing & feed




# GDP and Potential GDP

(Trillions of 2005 dollars)

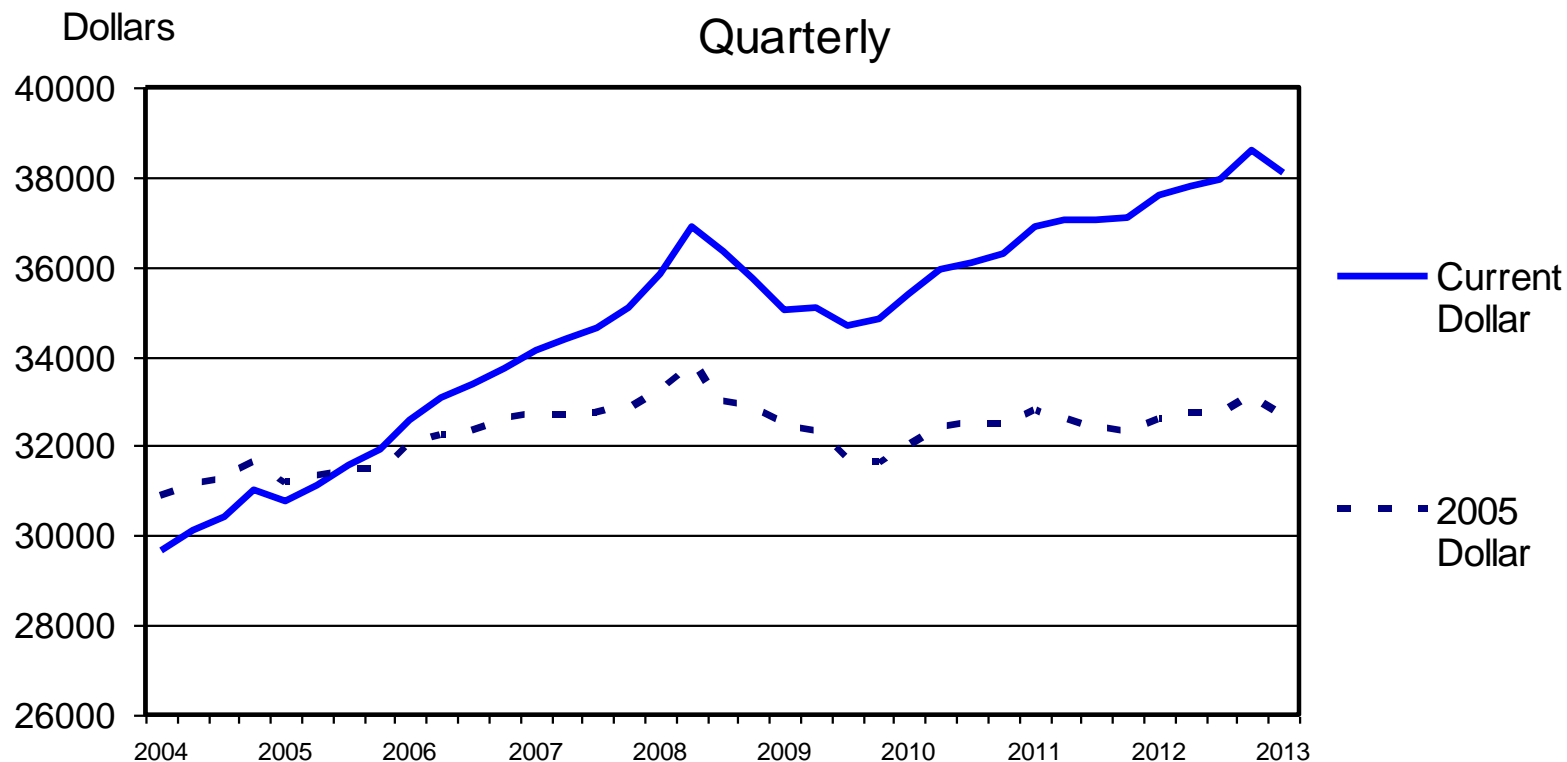


CBO expects that real (inflation-adjusted) GDP will stay below the economy’s potential—a level that corresponds to a high rate of use of labor and capital—until 2018. Potential GDP is projected to grow at an average annual rate of 2.4 percent between 2018 and 2022 and by an average of 2.2 percent for the 2012–2022 projection period. (Actual data include the July 2012 revisions to the national income and product accounts; projected data do not.)



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# PER CAPITA DISPOSABLE PERSONAL INCOME



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Data Source: Bureau of Economic Analysis



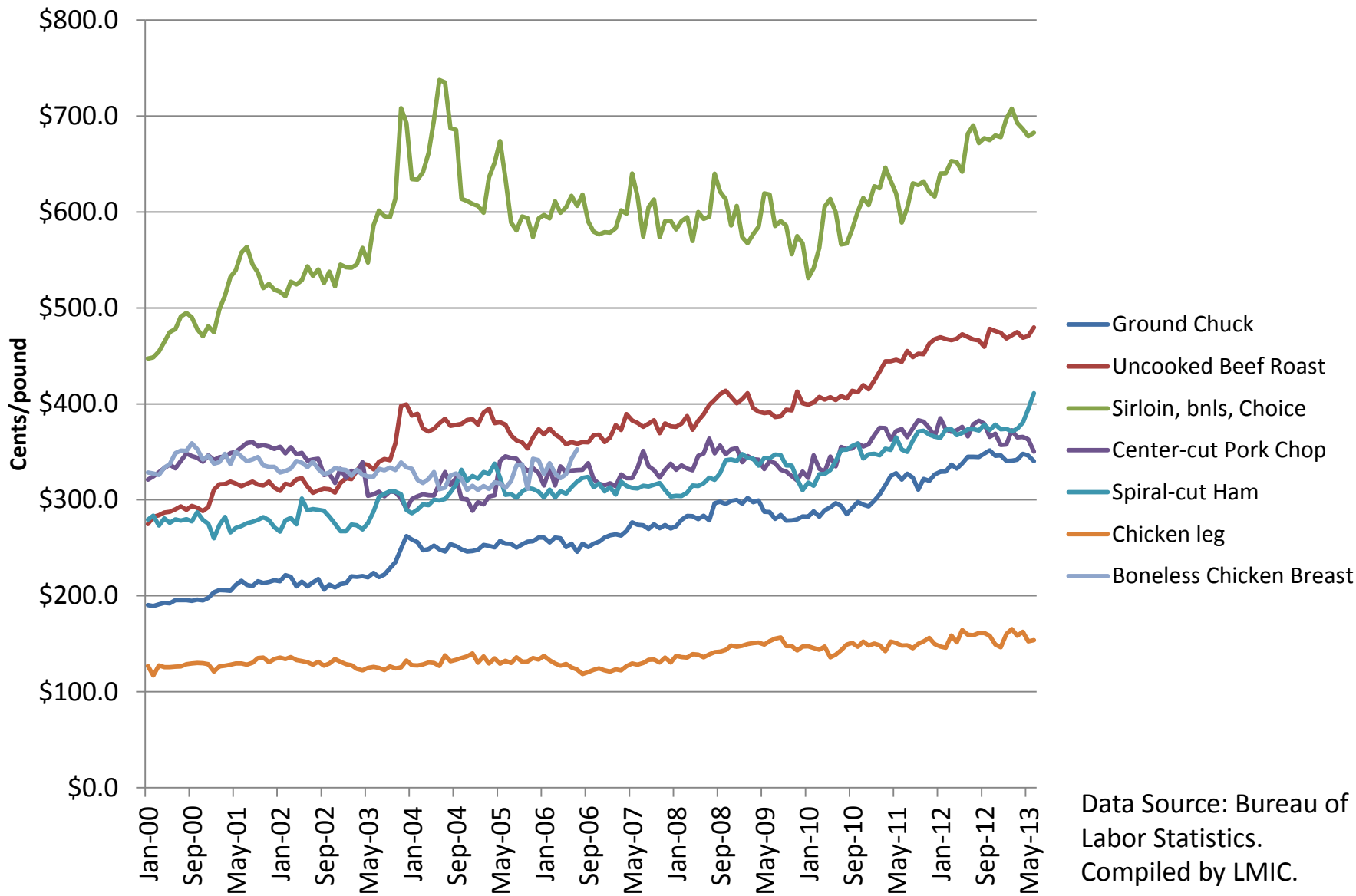
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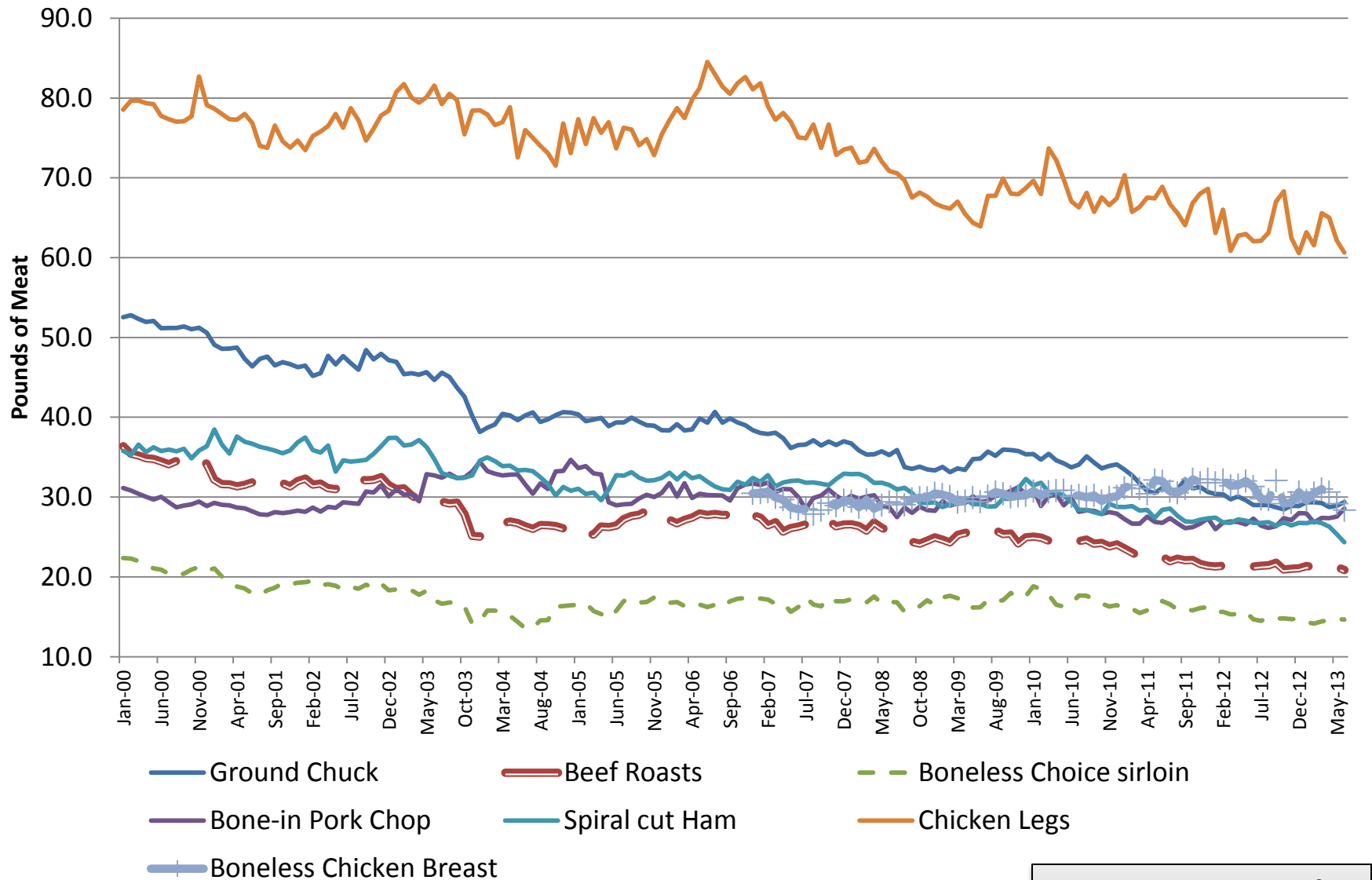
## Monthly Retail Meat Prices 2000-2013



Data Source: Bureau of  
Labor Statistics.  
Compiled by LMIC.



# Pounds of Retail Meat that \$100 Will Purchase

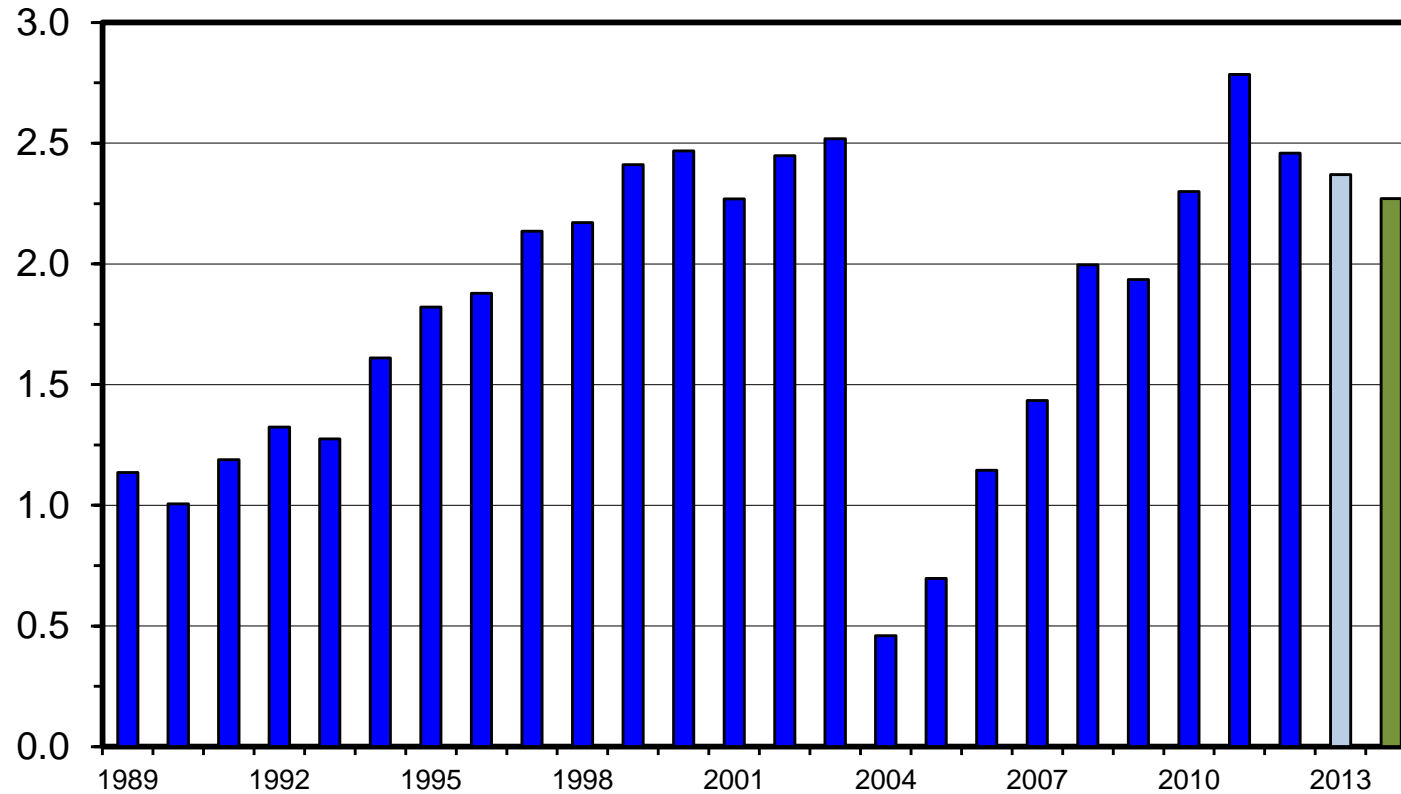


Data Source: Bureau of Labor Statistics.  
Compiled by LMIC.

# U S BEEF AND VEAL EXPORTS

## Carcass Weight, Annual

Bil. Pounds



Livestock Marketing Information Center

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



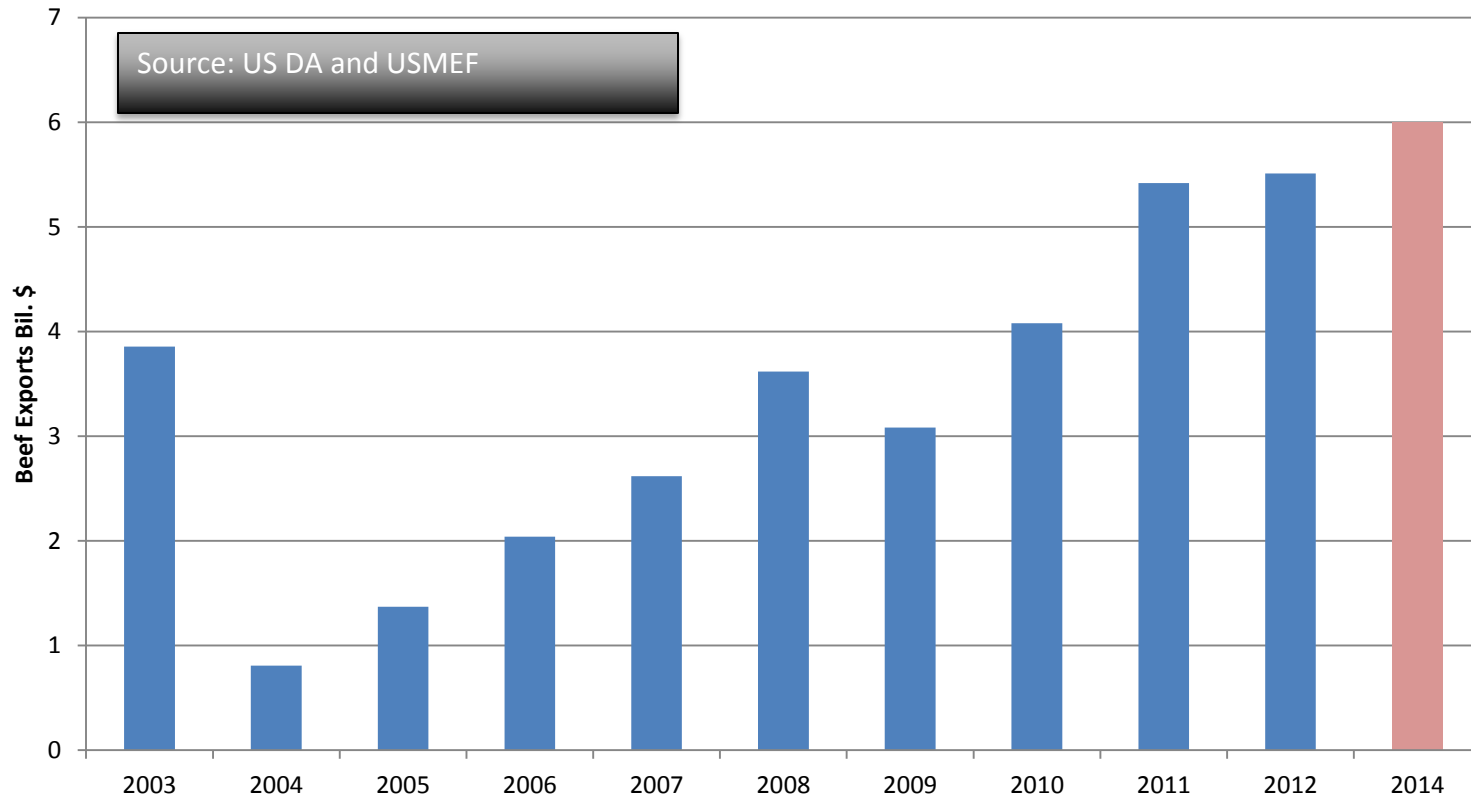
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# US Beef Export Values



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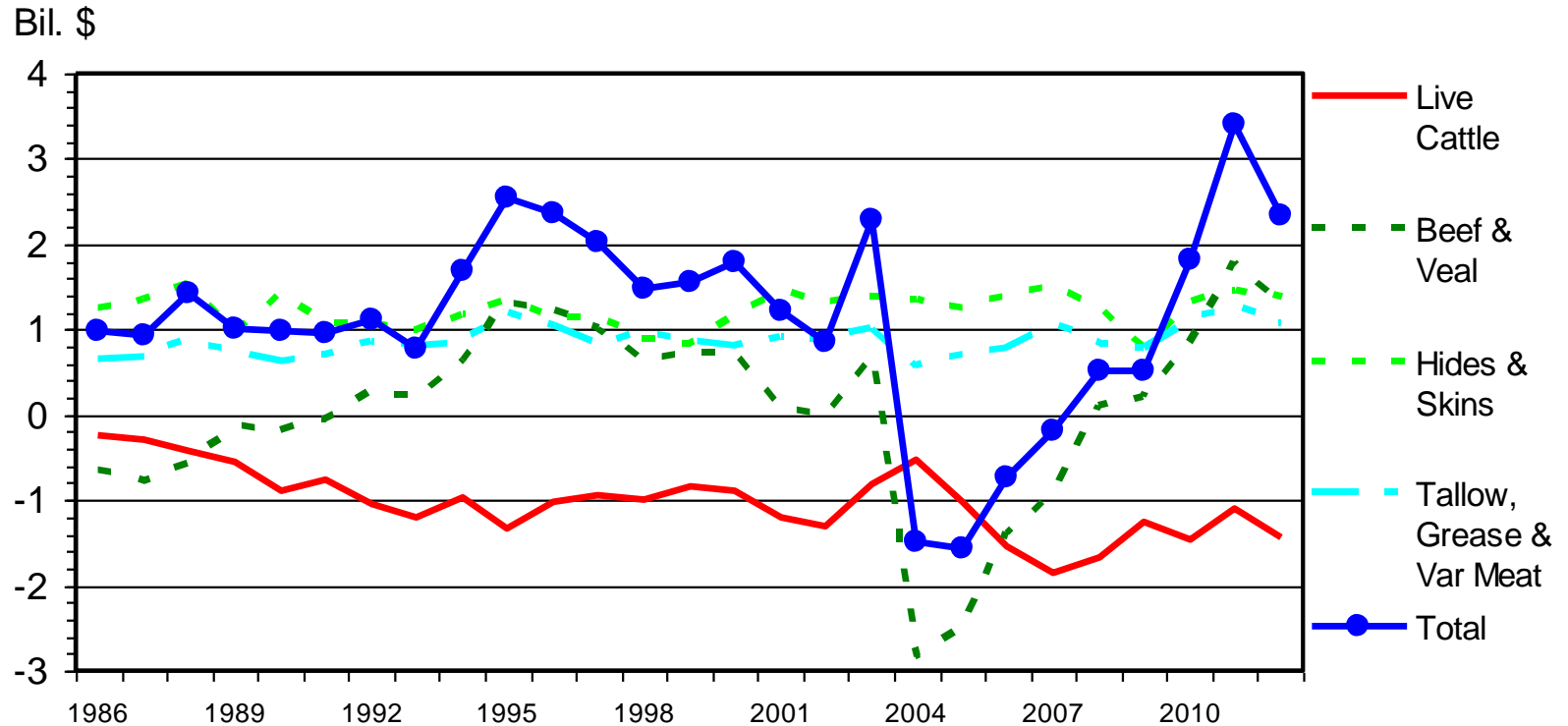
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# U S BEEF INDUSTRY NET EXPORT VALUES

## Annual



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



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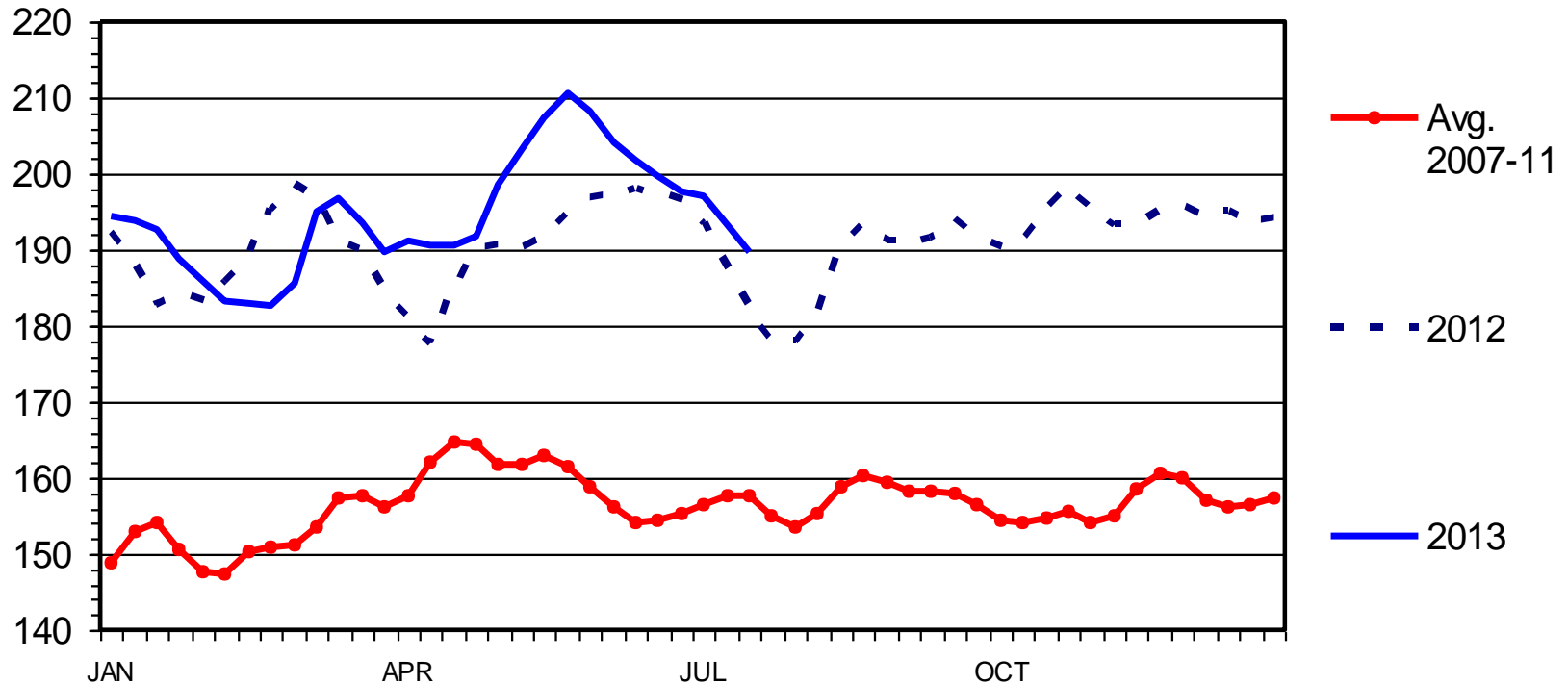
I-N-72  
07/10/13



# BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs. Carcass, Weekly

\$ Per Cwt.



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Data Source: USDA-AMS



C-P-62  
07/22/13



# Beef Demand Summary

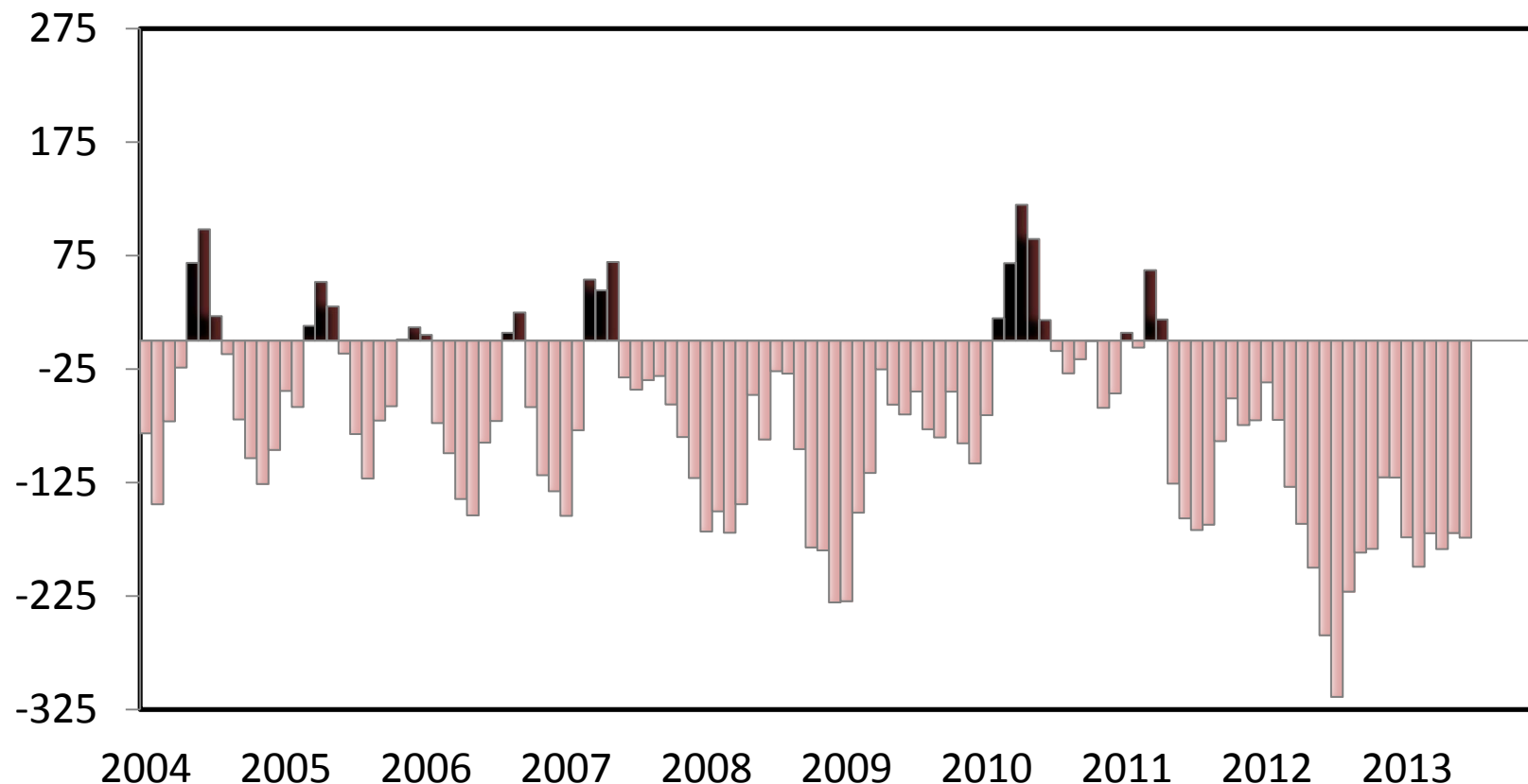
- Domestic demand remains very stable
- It will be a while before consumers' incomes improve appreciably
- International demand remains very strong



# AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly

\$ Per Head



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

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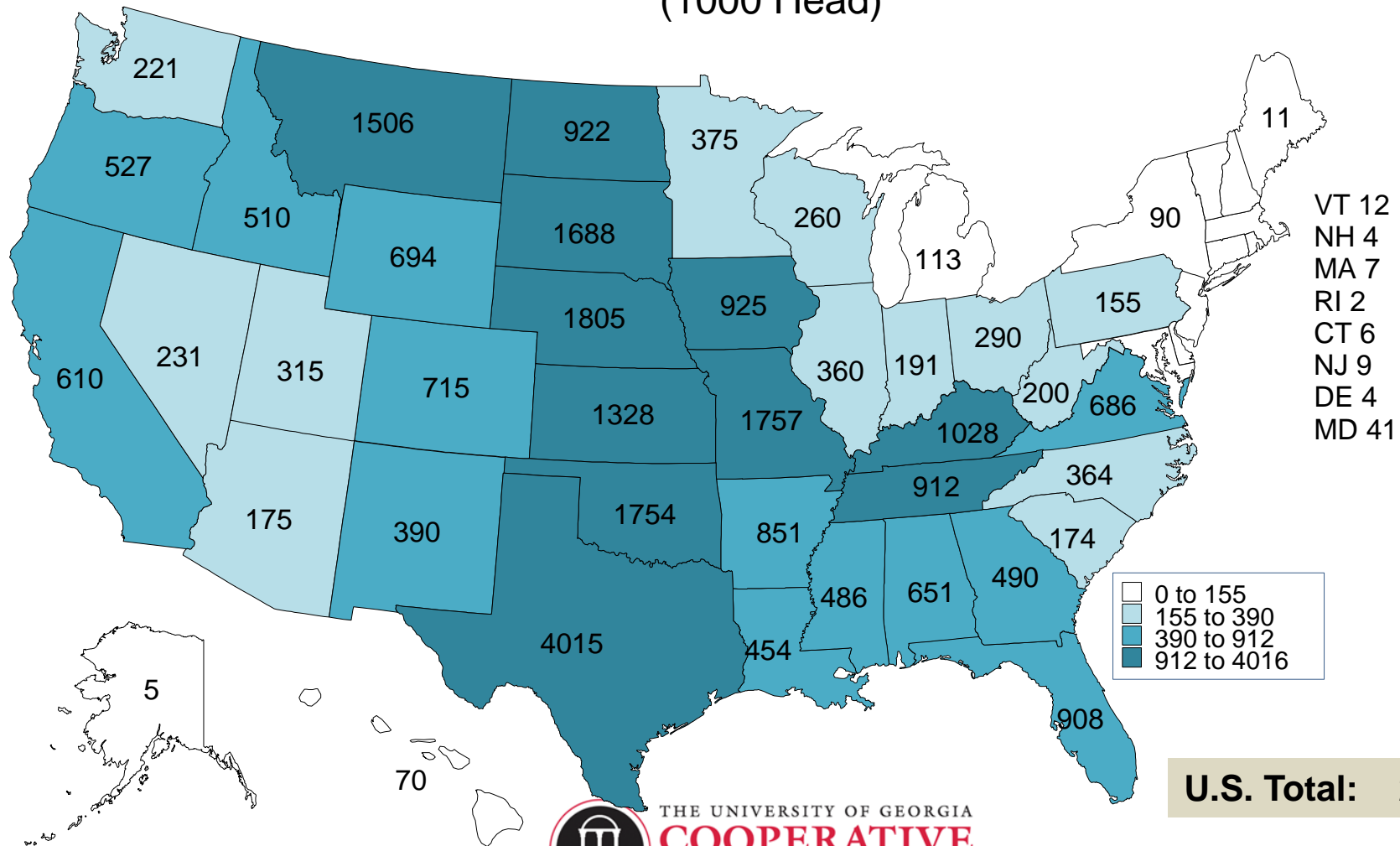
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A photograph of a cattle ranch. In the foreground, there is a field of tall green grass and yellow wildflowers. Several cows are grazing in the field. One cow is brown and stands prominently in the center. To its left, there are two black cows. To its right, there are two more black cows and one brown cow further back. In the background, there is a green hill and a yellow barn. The sky is white.

# **CATTLE AND BEEF SUPPLIES**

# BEEF COWS THAT CALVED JANUARY 1, 2013 (1000 Head)

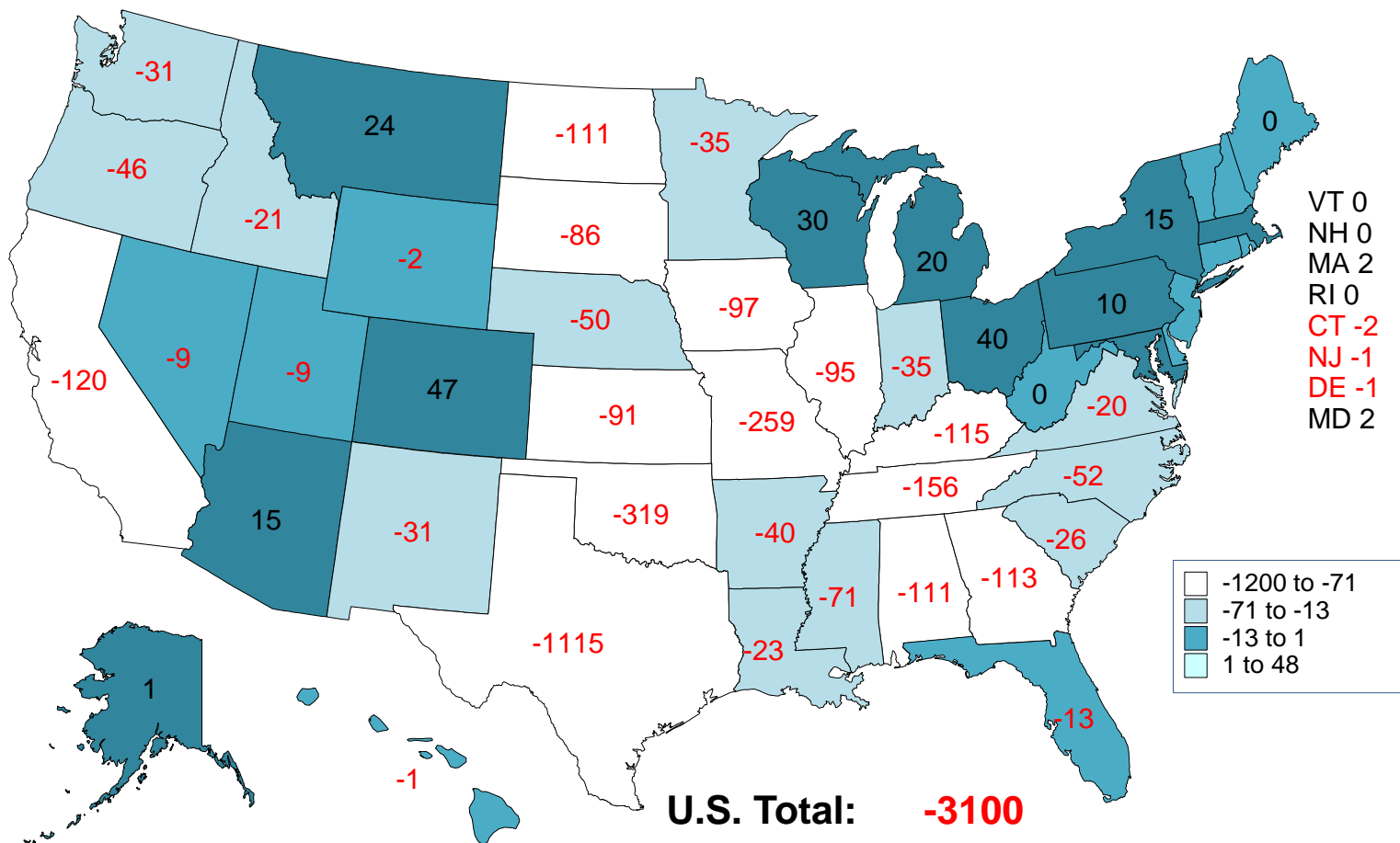


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Data Source: USDA-NASS

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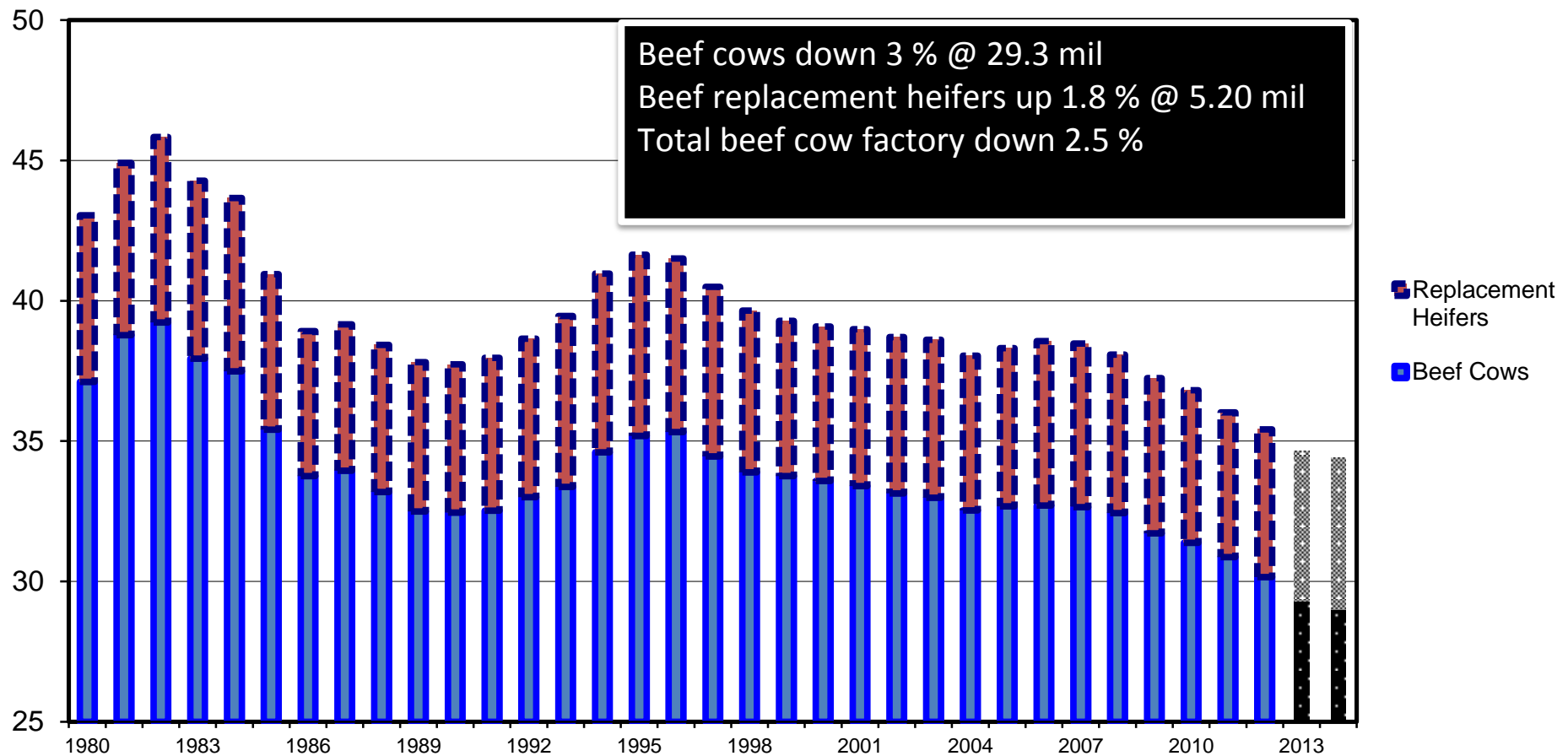
# CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2002 TO JANUARY 2012 (1000 Head)





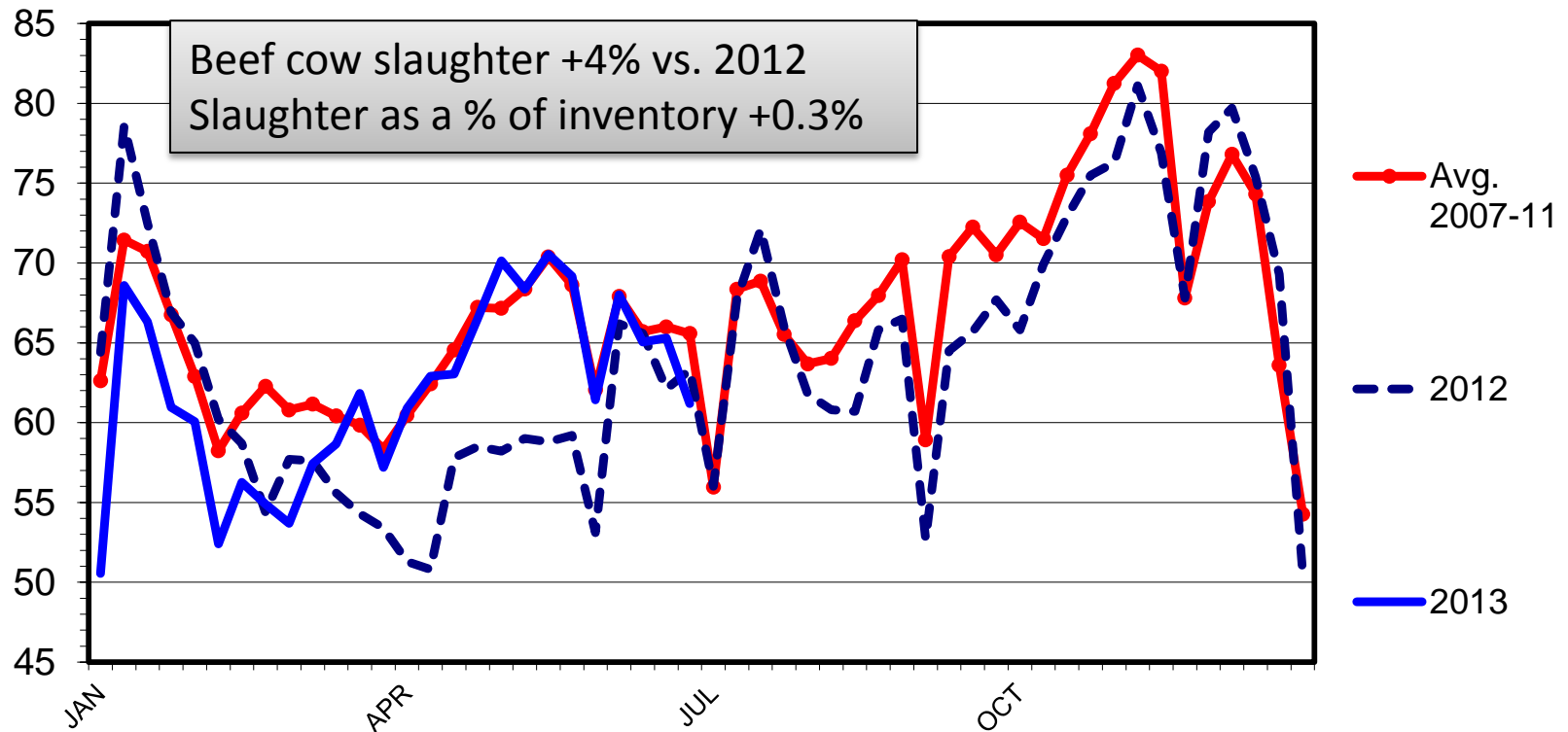
# JANUARY 1 "BEEF COW FACTORY" U.S., Annual

Mil. Head



## BEEF COW SLAUGHTER Federally Inspected, Weekly

Thou. Head



Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS



C-S-34  
 07/12/13



# Meat supplies were virtually unchanged for 2012 but will be up slightly in 2013

Commodity	2012	2013 Projected	2014 Forecast	13 vs 12	14 vs 13
	BILLION POUNDS			PERCENT CHANGE	
Beef	26.00	25.42	24.19	-2.28%	-5.08%
Pork	23.27	23.42	24.15	0.64%	3.02%
<b>Total Red Meat*</b>	<b>49.55</b>	<b>49.12</b>	<b>48.61</b>	<b>-0.88%</b>	<b>-1.05%</b>
Broilers	36.64	37.36	38.43	1.93%	2.78%
<b>Total Poultry**</b>	<b>43.05</b>	<b>43.72</b>	<b>45.14</b>	<b>1.53%</b>	<b>3.15%</b>
<b>Total Red Meat &amp; Poultry</b>	<b>92.60</b>	<b>92.84</b>	<b>93.75</b>	<b>0.26%</b>	<b>0.97%</b>

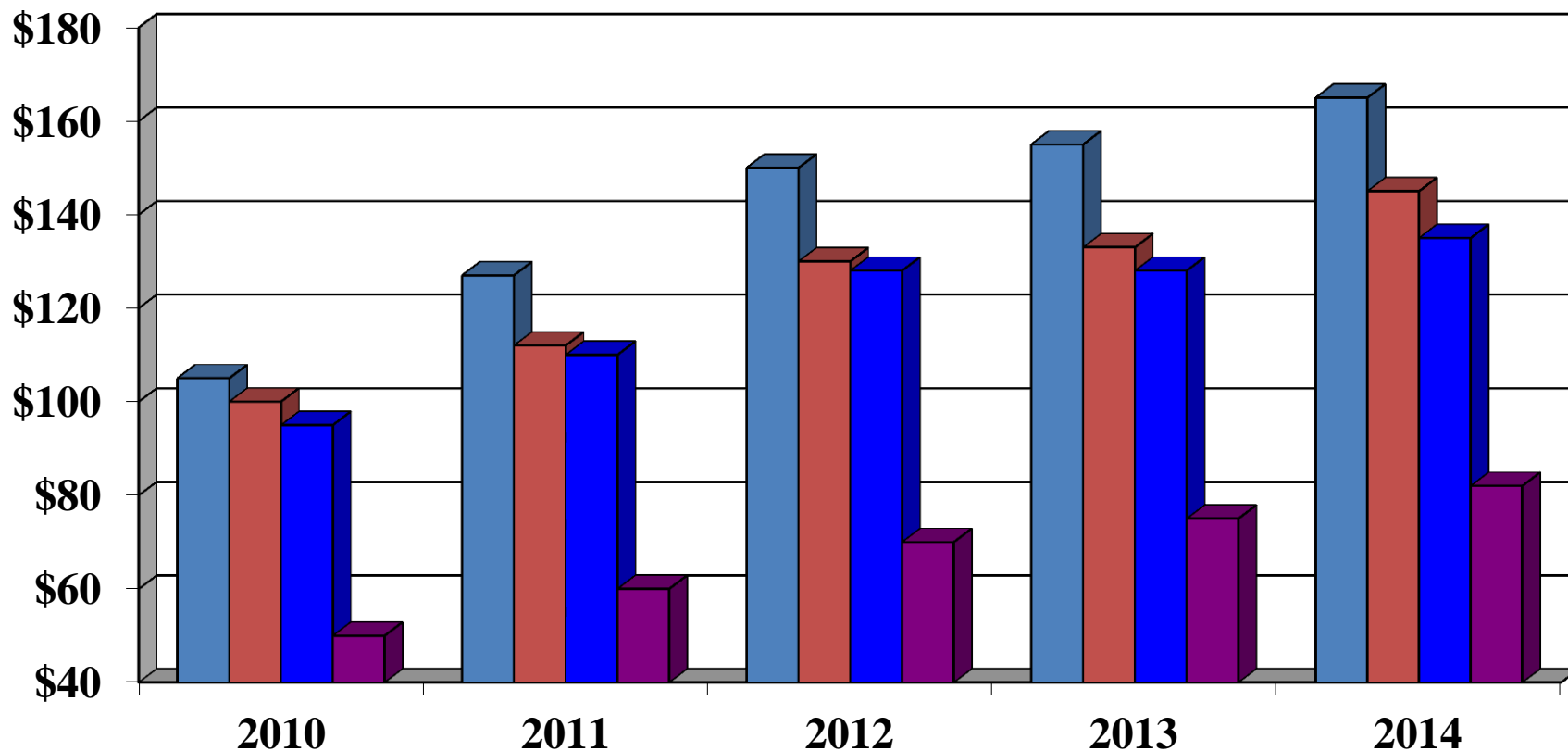
Source: USDA-WASDE, July 2013 Report



# **PRICES, PROJECTIONS, AND OTHER PROGNOSTICATIONS**



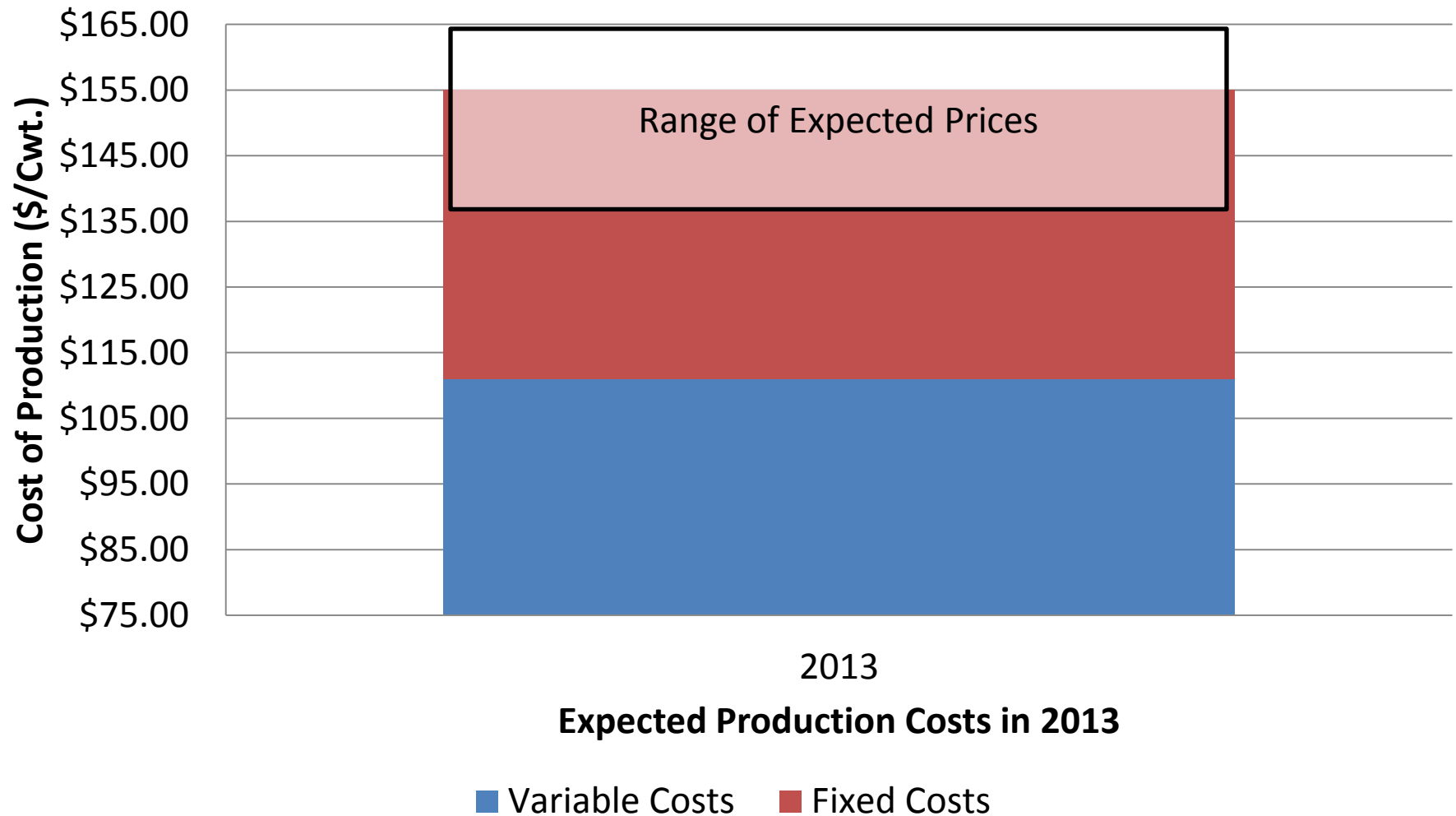
# Projected Prices 2013 and Beyond



Source: USDA, LMIC and UGA

■ SE 500# steer   ■ SE 750# steer   ■ Choice fed steer   ■ SE Slaughter cow

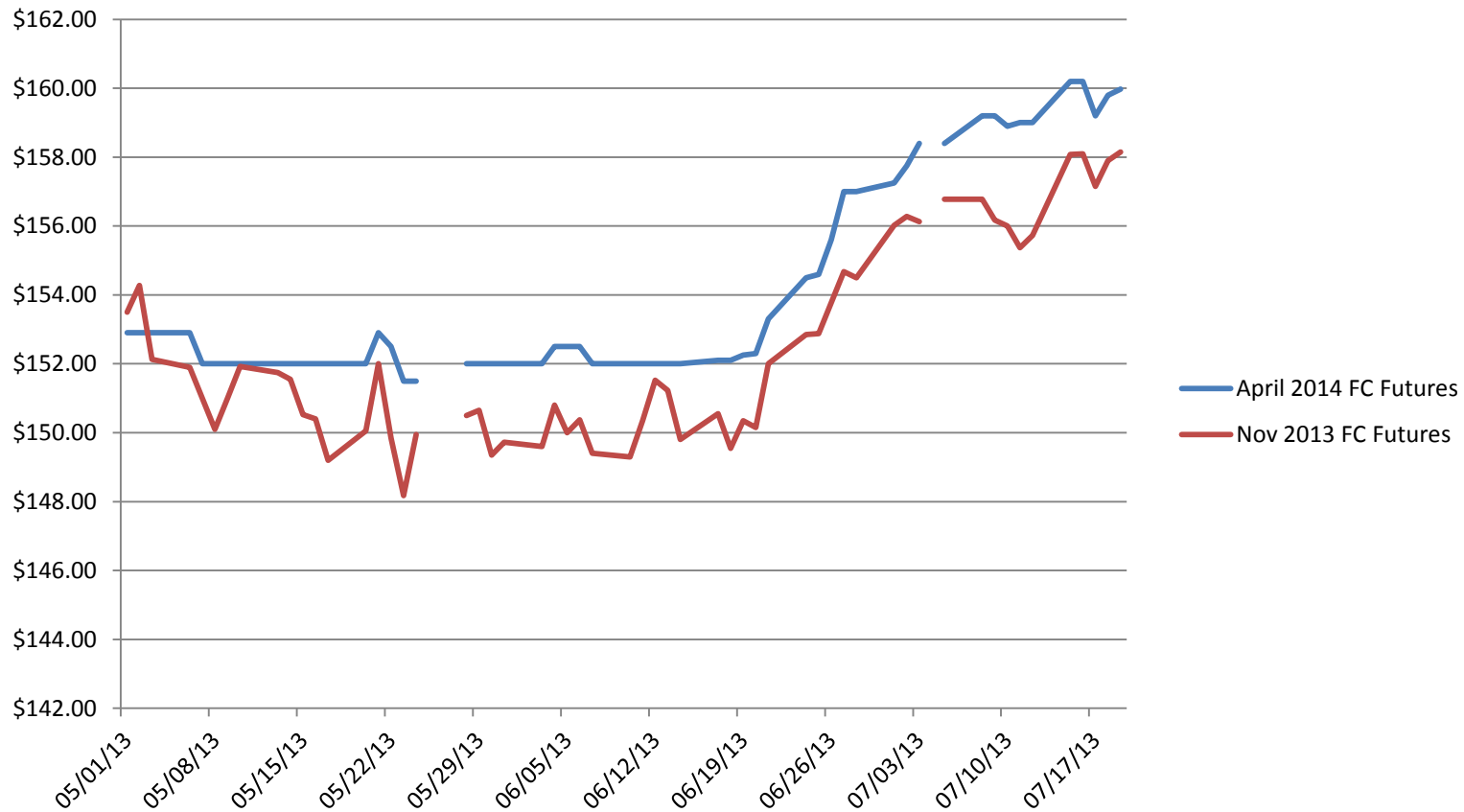
# Cost of production will be higher but should be manageable for most





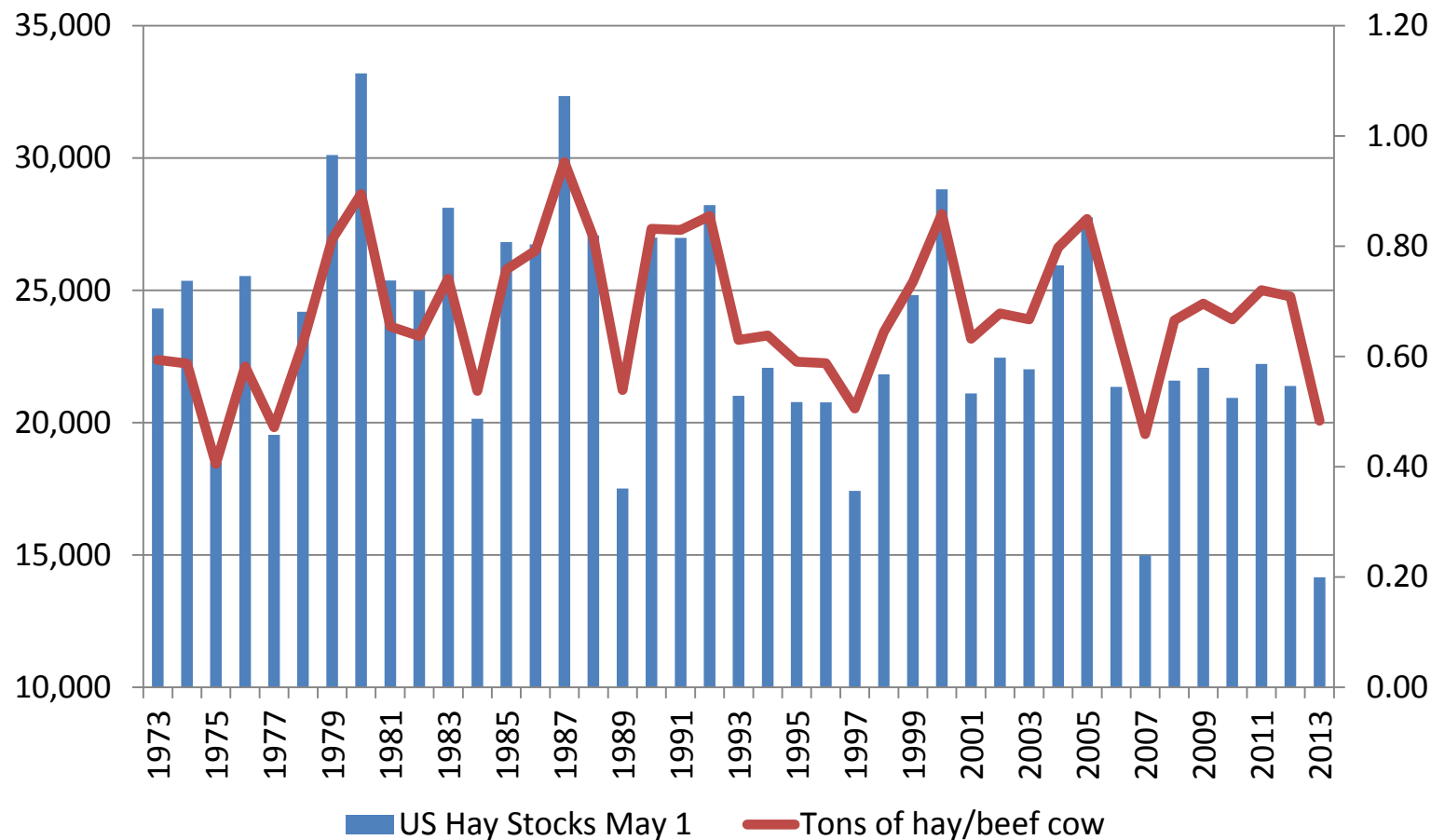
# **MARKETING DECISIONS**

## Feeder Cattle Futures Prices





## May 1 Hay Stocks and Ratio of Hay Stocks to Beef Cows 1973-2013



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Data source: USDA, NASS

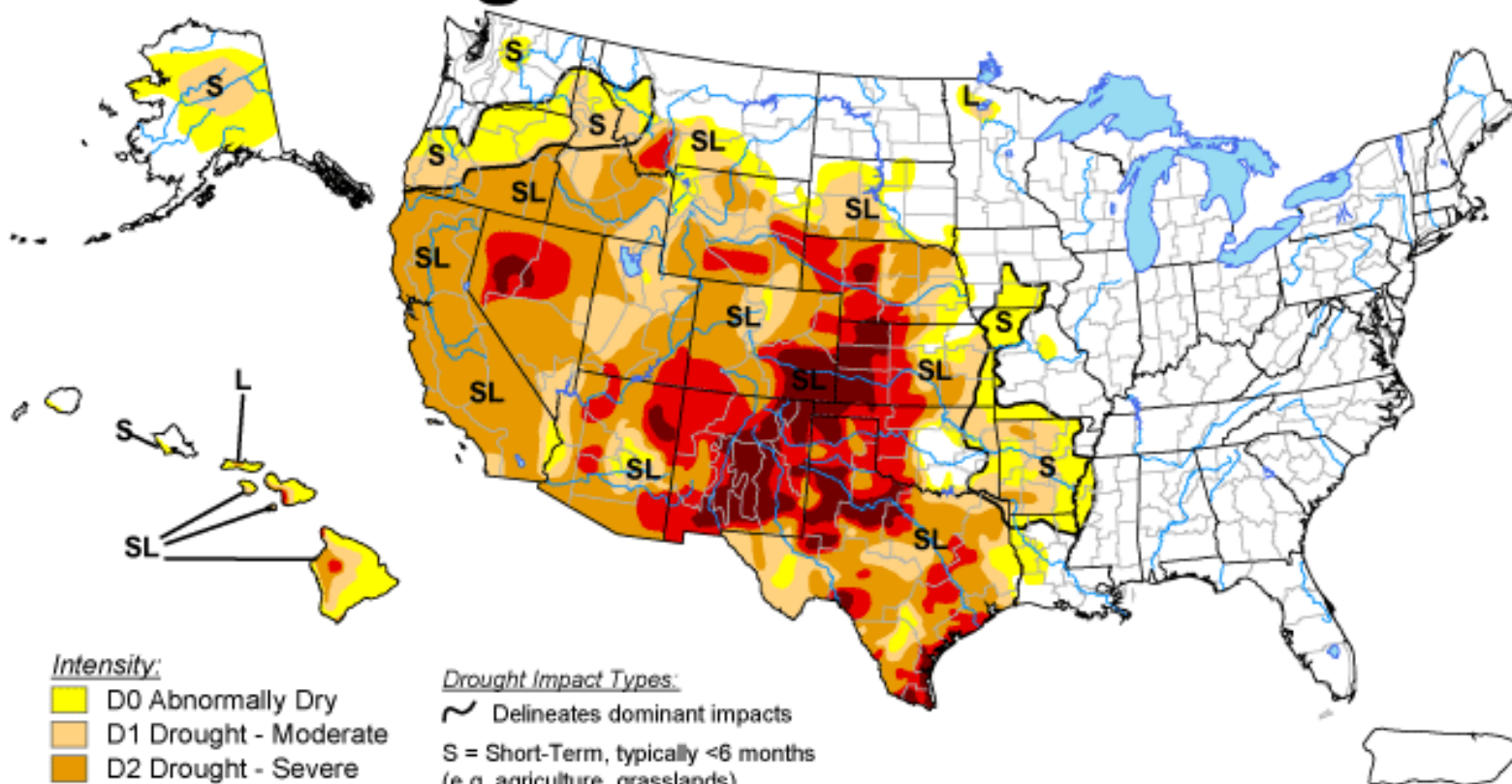
Compiled by LMIC

Chart prepared by Dr. Curt Lacy, UGA

# U.S. Drought Monitor

July 16, 2013

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)

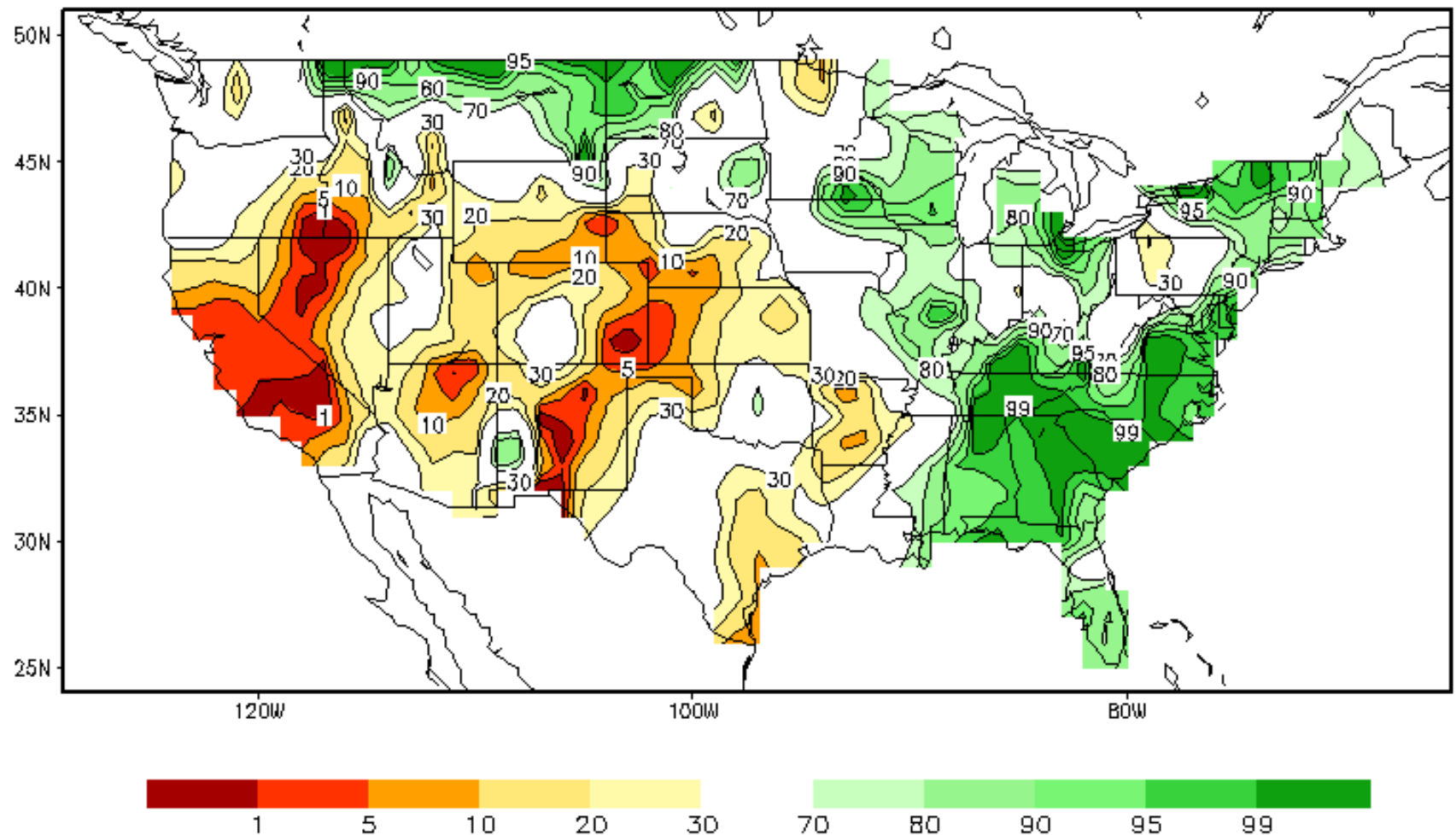
The Drought Monitor focuses on broad-scale conditions.  
Local conditions may vary. See accompanying text summary  
for forecast statements.

<http://droughtmonitor.unl.edu/>



Released Thursday, July 18, 2013  
Author: Richard Heim, NOAA/NESDIS/NCDC

# Calculated Soil Moisture Ranking Percentile JUL 17, 2013



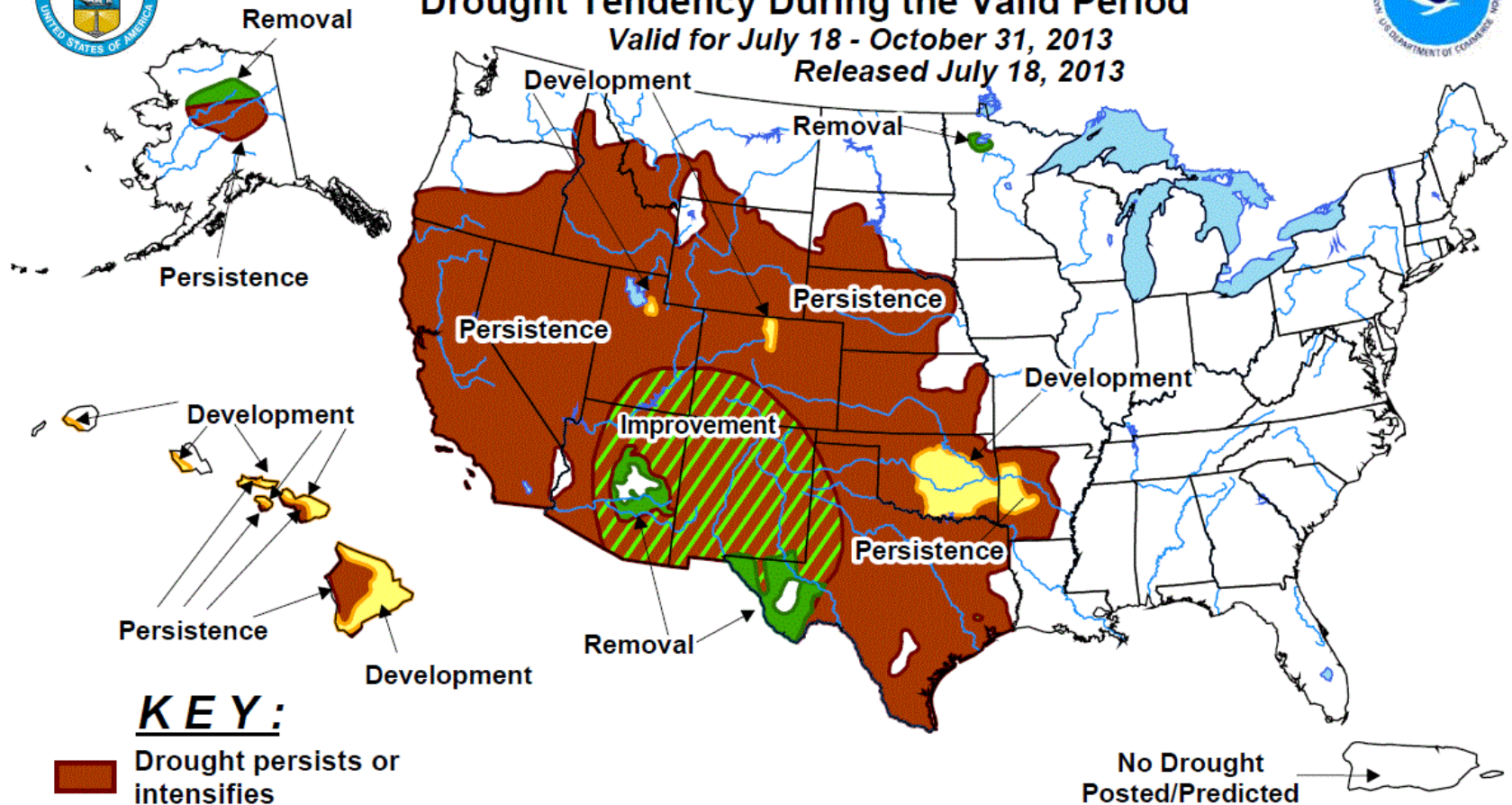


# U.S. Seasonal Drought Outlook





## Drought Tendency During the Valid Period

Valid for July 18 - October 31, 2013

Released July 18, 2013



### KEY:

-  Drought persists or intensifies
-  Drought remains but improves
-  Drought removal likely
-  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 and Brown hatched areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period although drought will remain. The Green areas imply drought removal by the end of the period (D0 or none)



# Price and Marketing Summary

- All current factors point to favorable prices for the fall and into 2014.
- If the 14b corn happens prices could improve in the fall, especially for heavier calves.
- If drought reoccurs in Plains, lighter weight calves could be discounted more than usual.
- In either case, stockering in the SE or retaining ownership this fall may make economic sense.

# Beef Cattle Outlook Summary

Tight Supplies

+Good domestic demand

+Good international demand

= Favorable prices for the foreseeable future

Corn prices

Weather

Domestic demand

International economic situation



# Beef Cattle Outlook

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Extension Economist-Livestock

[www.secattleadvisor.com](http://www.secattleadvisor.com)

