Beef Cattle Outlook and the Economics of Restocking the Herd

Women in Ag Conference
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Outline

- Recap 2013
- Current Situation
- Demand Analysis
- Cow/Calf Industry
- Thoughts on Expansion

2013 Recap

- Drought conditions in U.S improving
- Herd liquidation stabilizing toward end of 2013
- Declining grain and forage prices
- Record high cattle prices
- Increased cow-calf profitability potential
- Poor feedlot and packer margins with some improvement towards end of year
- Excess capacity within feedlot industry
- Record high wholesale and retail prices
- Beef demand domestically & export markets

Photo taken by Troy Waltz
### Quarterly Forecasts (LMIC: 2/3/14)

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<th>% Chg. from Dressed Year Ago</th>
<th>Average Weight (Lbs.)</th>
<th>% Chg. from Beef Year Ago</th>
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### Current Situation

- **Drought Monitor**
- **Range/Pasture Conditions**
- **January 1 Cattle Inventory Report**

**U.S. Drought Monitor**

- [Map of U.S. Drought Monitor](http://droughtmonitor.unl.edu)

*Photo taken by Troy Waltz*
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC

US RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

GREAT PLAINS REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

U.S. Drought Monitor
January 21, 2012

U.S. Drought Monitor
February 18, 2014
No Drought: 10.05%
Abnormally Dry to Moderate: 63.11%
Severe to Extreme Drought: 26.84%

SOUTHEAST REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

CORNBELT REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

SOUTHERN PLAINS REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

WESTERN 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-32
10/31/13
Cattle Inventory Report, January 1, 2014

- All cattle & calves -1.8%, 87.7 mil hd (smallest since 1951)
- NE: -2.4% at 6.15 mil hd
- Beef cow inventory -0.9%, 29.0 mil hd
- NE: -0.4% at 1.797 mil hd
- Beef replacement heifers +1.7%, 5.5 mil hd
- NE: +10.6%, 387 thousand hd
- Calf crop -1.0%, 33.9 mil hd
- NE: -2.3%, 1.68 mil hd
- Cattle & calves on feed for slaughter -5%, 12.7 mil hd
- NE: -3.9% 2.5 mil hd

BEEF COWS THAT CALVED JANUARY 1, 2013
(1000 Head) – U.S. Total: 29,042

CHANGE IN BEEF COWS NUMBERS
JANUARY 1, 2005 TO JANUARY 2014
(1000 Head) - U.S. Total: -3632
Nebraska Beef Industry –
Jan 1 Number of Beef Cows & Heifers

Data Source: USDA NASS

Beef Cows: 1.8 million head
Heifers (21.5% of beef cow herd)

Demand Analysis

- Beef Demand
- Meat Consumption
- Retail Prices
- Export Demand

RETAIL ALL FRESH BEEF DEMAND INDEX
Annual, Using CPI 1990=100

Livestock Marketing Information Center
Data Source: Bureau of Labor Statistics, USDA-ERS. Compiled & Analysis by LMIC.
Retail Beef Prices Relative to Competing Meats

Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

US Beef Exports to Major Markets

Carcass Weight, Monthly

2013 Beef Exports up 5.3%

US Beef and Veal Exports

Carcass Weight, Monthly
Cow-Calf Industry

- Improved pasture conditions, declining input prices, record calf prices
- Possible record returns.
- Thoughts on expansion

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**ESTIMATED AVERAGE COW CALF RETURNS**
Returns Over Cash Cost (Includes Pasture Rent), Annual

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**ALFALFA HAY - MONTHLY AVERAGE PRICE**
Received by Farmers, U.S., Crop Year
**Longer-Term Projections (as of Feb. 2014)**


<table>
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<tr>
<th>Year</th>
<th>Beef Cow Inventory (1,000 Head)</th>
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<td>29,000</td>
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<tr>
<td>2013</td>
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<td>2017</td>
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<td>2018</td>
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<td>31,953</td>
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<td>2022</td>
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<td>2023</td>
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</table>

15% Increase in herd for 2023 compared to 2013

**BEEF COW SLAUGHTER**
Federally Inspected, Weekly

- 2013 Slaughter
  - 6.4% (vs. 2012)
  - 10.7% (vs. 2007-11)

Since September slaughter 17.6% below 2012 and 18.9% below 2007-11 average...

... Period of herd stabilization (with little or no growth) that often occurs in first year of herd expansion???
Expansion???

- Expected potential profits
  - Total costs/cow are also increasing
- Price variability...profit risk
- Political & regulatory uncertainty

Considerations for Expansion

- Considerations beyond 2014
- Rebuilding herd
  - Biological constraints
  - Velocity of restocking
  - Feed costs
  - Cattle prices

Tools

http://westcentral.unl.edu/web/westcentral/agecon3
Summary

- Potential profits in Cow-Calf sector
  - Expansion pending
  - Sound management will be key
- Understand risks

Thank You!

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