

# Beef Cattle Market Outlook and Strategies

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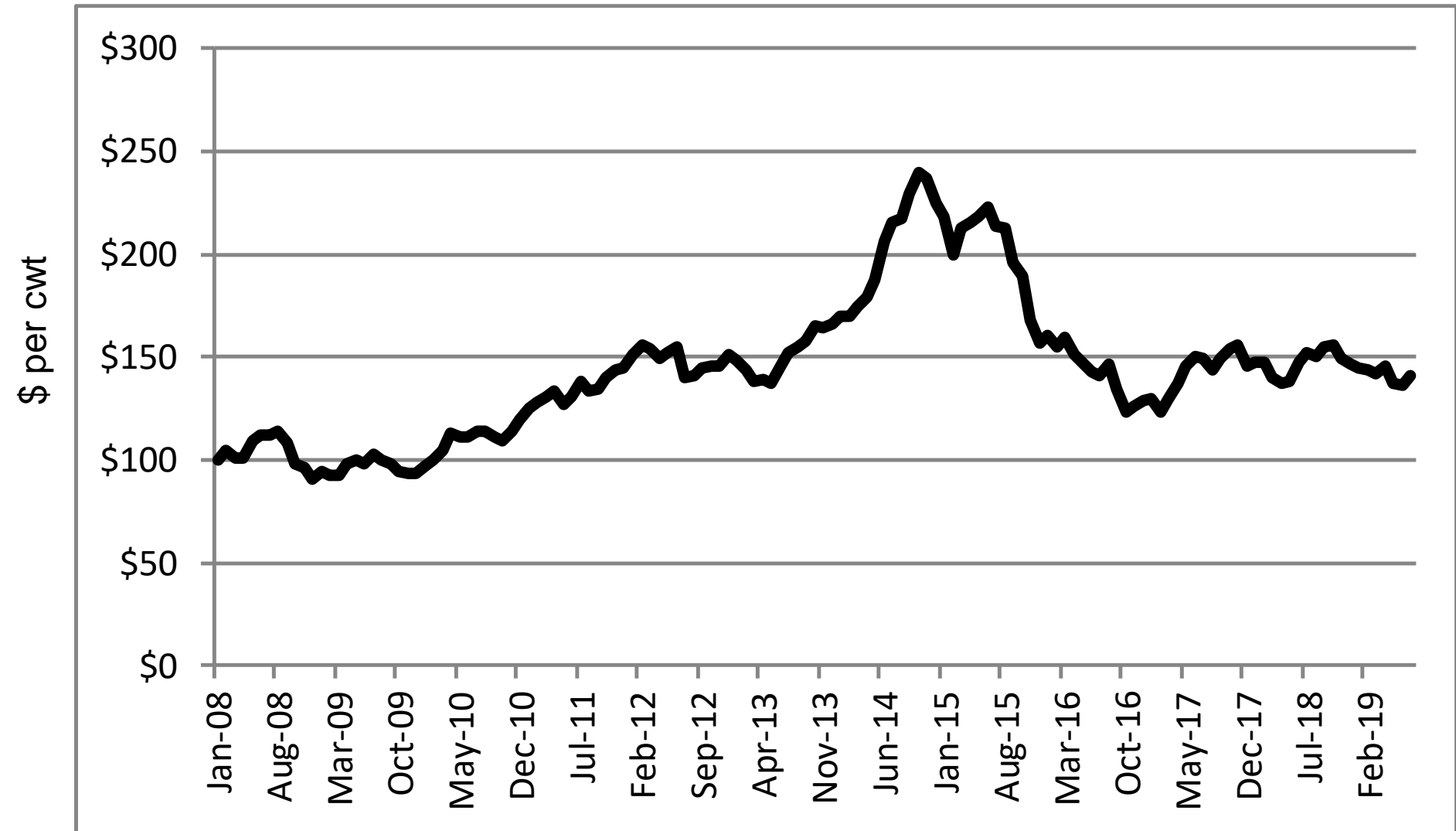


# Thoughts on Market

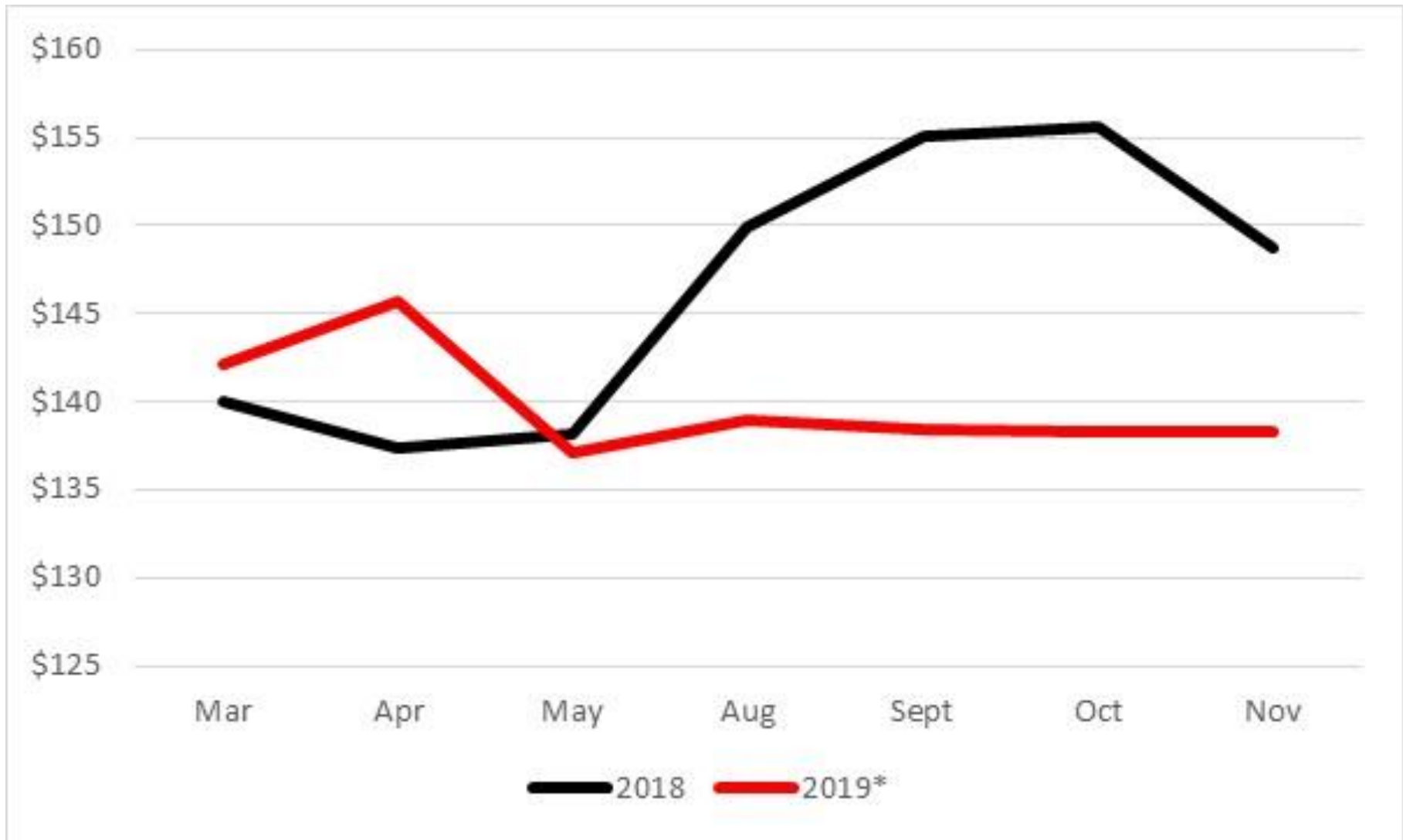
- Hard to justify summer slip in the market
  - Is this market that much weaker than last years?
- Market fundamentals
  - Flooding issues / slowing gains – overreaction, ASF, stable cow numbers, solid macroeconomy, trade issues, corn crop, non-meat competition
- I expected futures to have support this fall
- Then the Tyson fire...



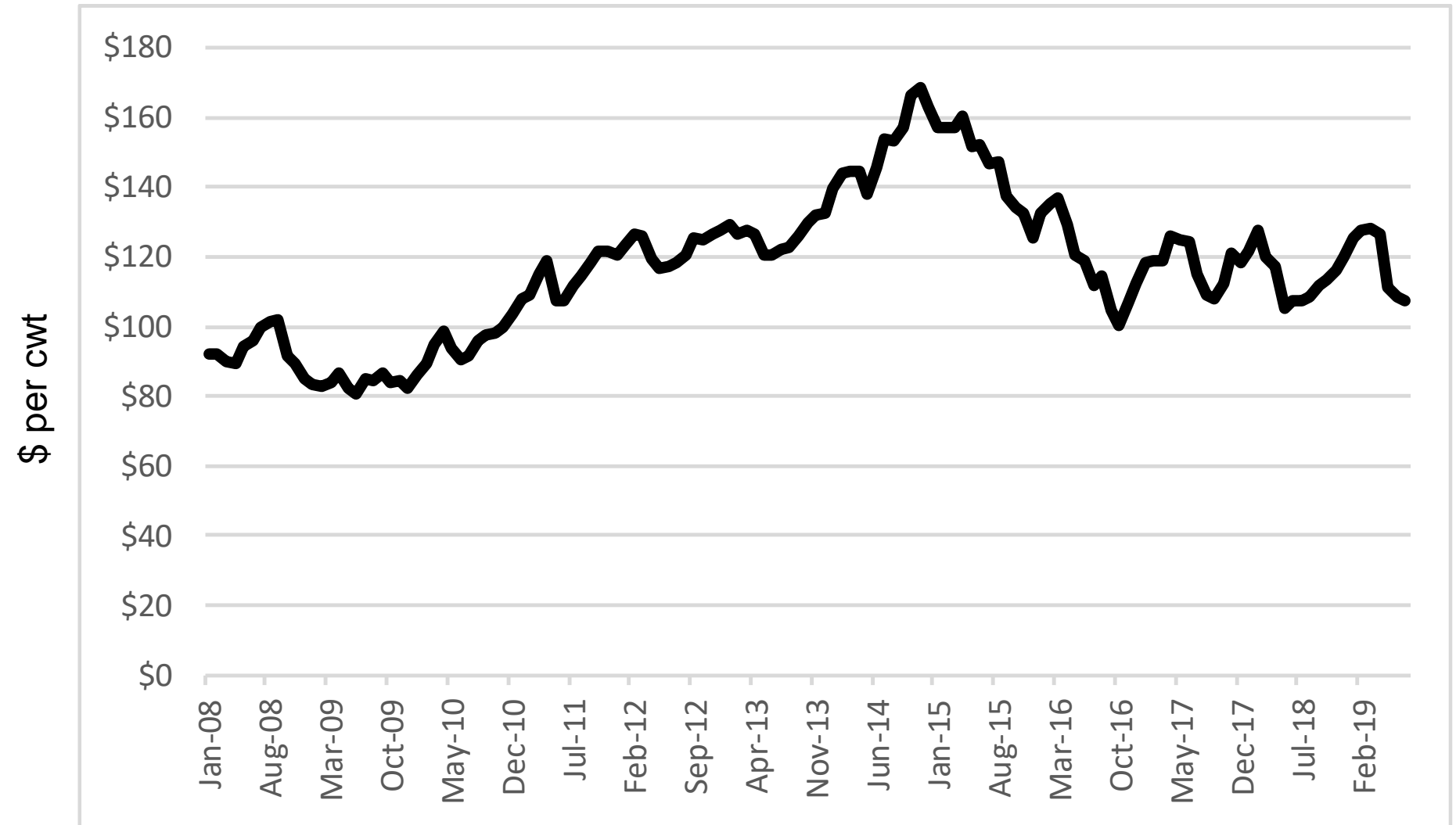
# Nearby CME® Feeder Cattle Futures



# CME© Feeder Futures (Pre-Tyson Fire)

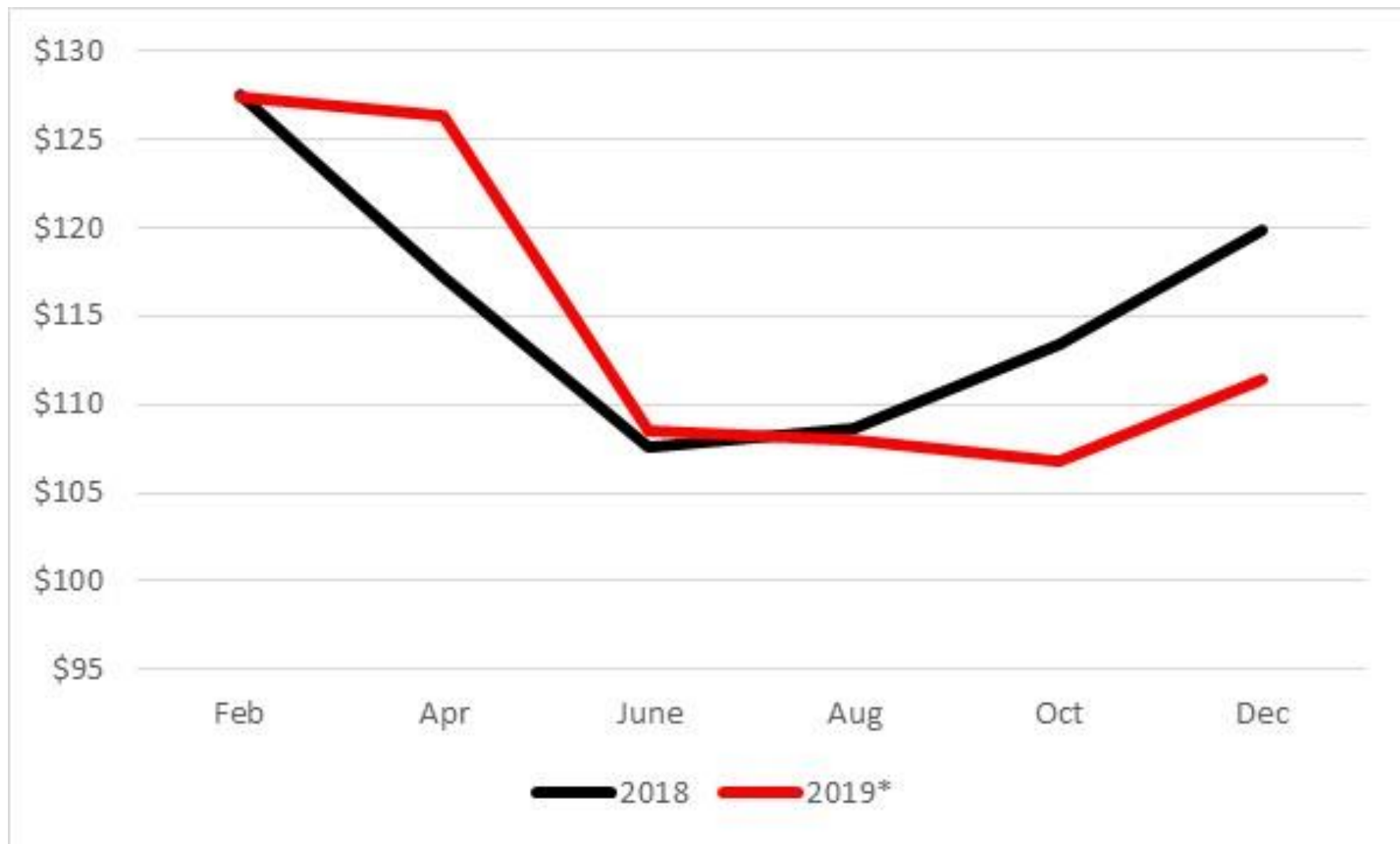


# Nearby CME® Live Cattle Futures



# CME© Live Futures

(Pre-Tyson fire)



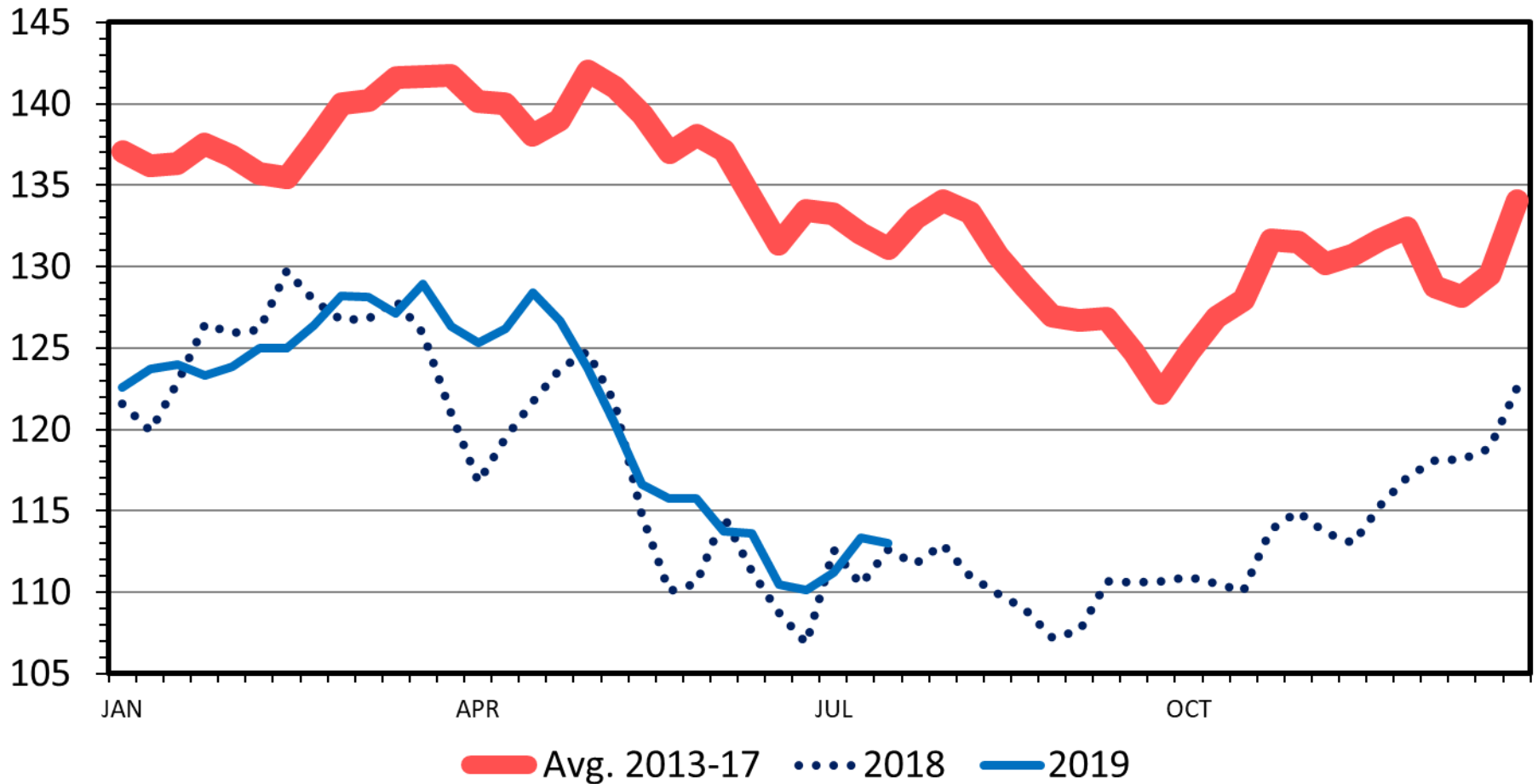
# Since the Tyson Fire...

- Nearby futures hit hard
  - 2 limits on lives (\$7.50), feeders down \$11
- Plant accounted for 4.5-5% of fed cattle slaughter (Koontz)
  - \$7-9 price impact in short run
- Impact should get smaller over time and be smaller on feeders
- Brings up questions about capacity

# SLAUGHTER STEER PRICES

## 5 Market Weighted Average, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

Livestock Marketing Information Center

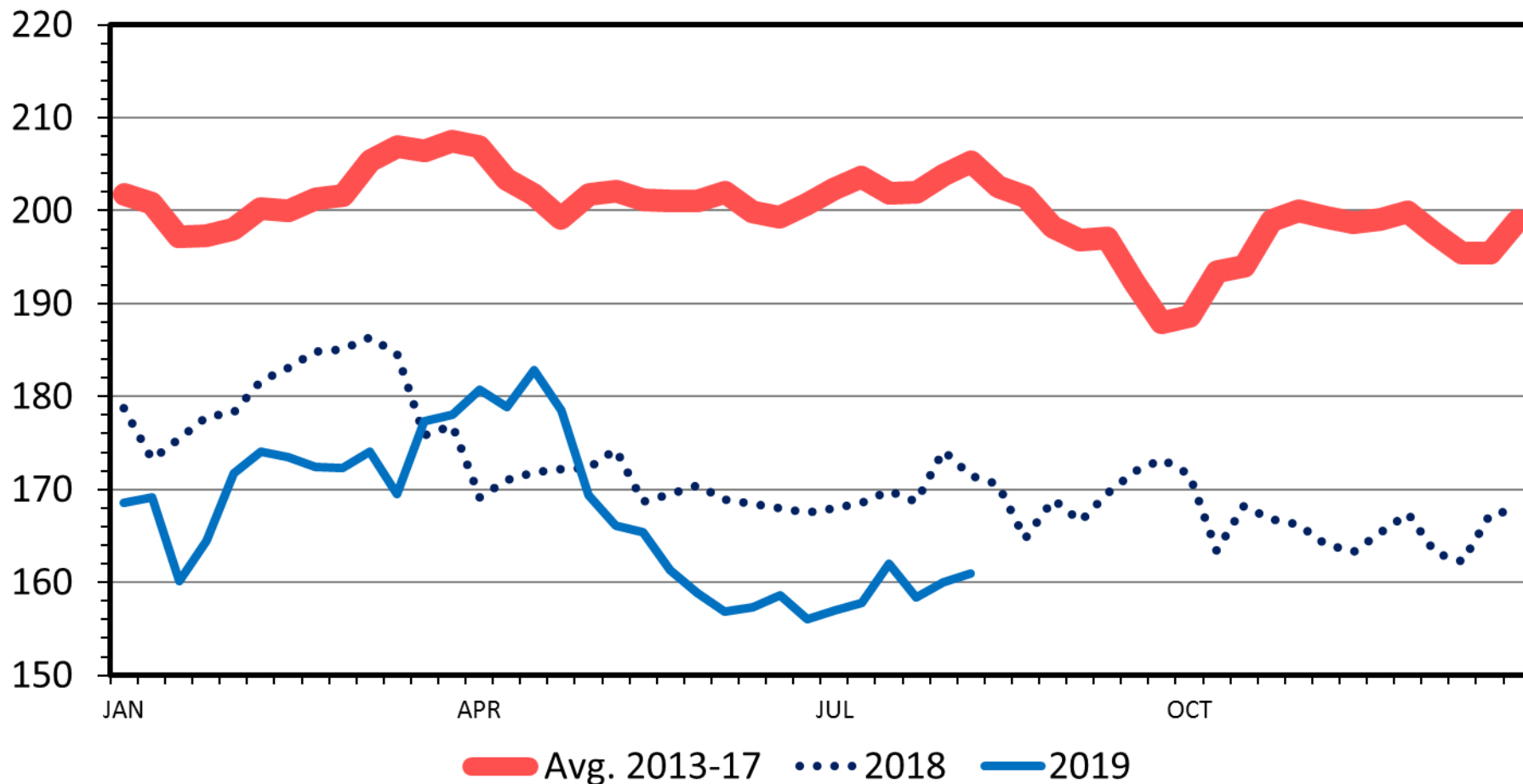
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# MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



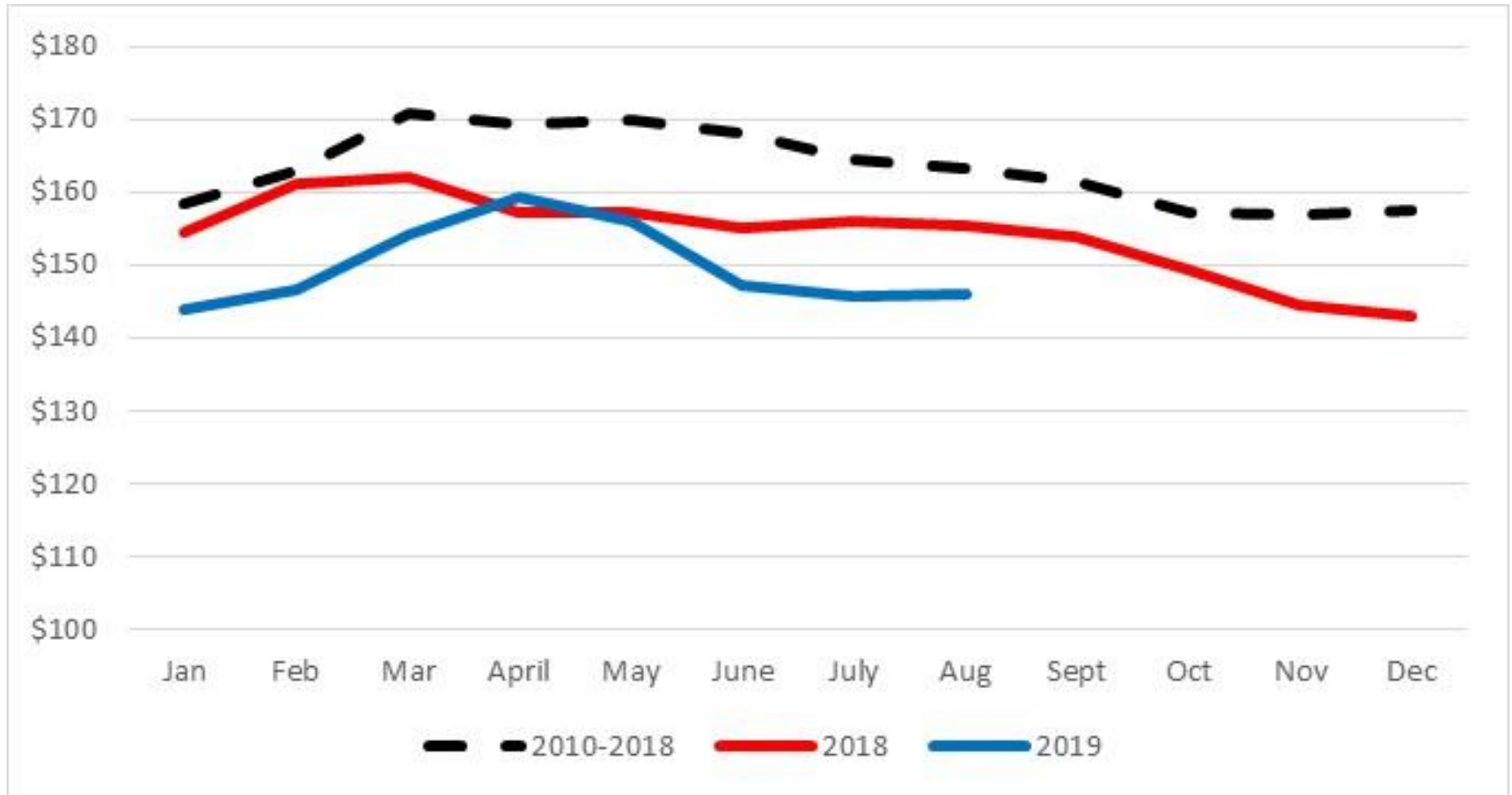
Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54  
08/12/19

# KY Feeder Steers M/L #1-2

## 550# Steers (\$ per cwt)

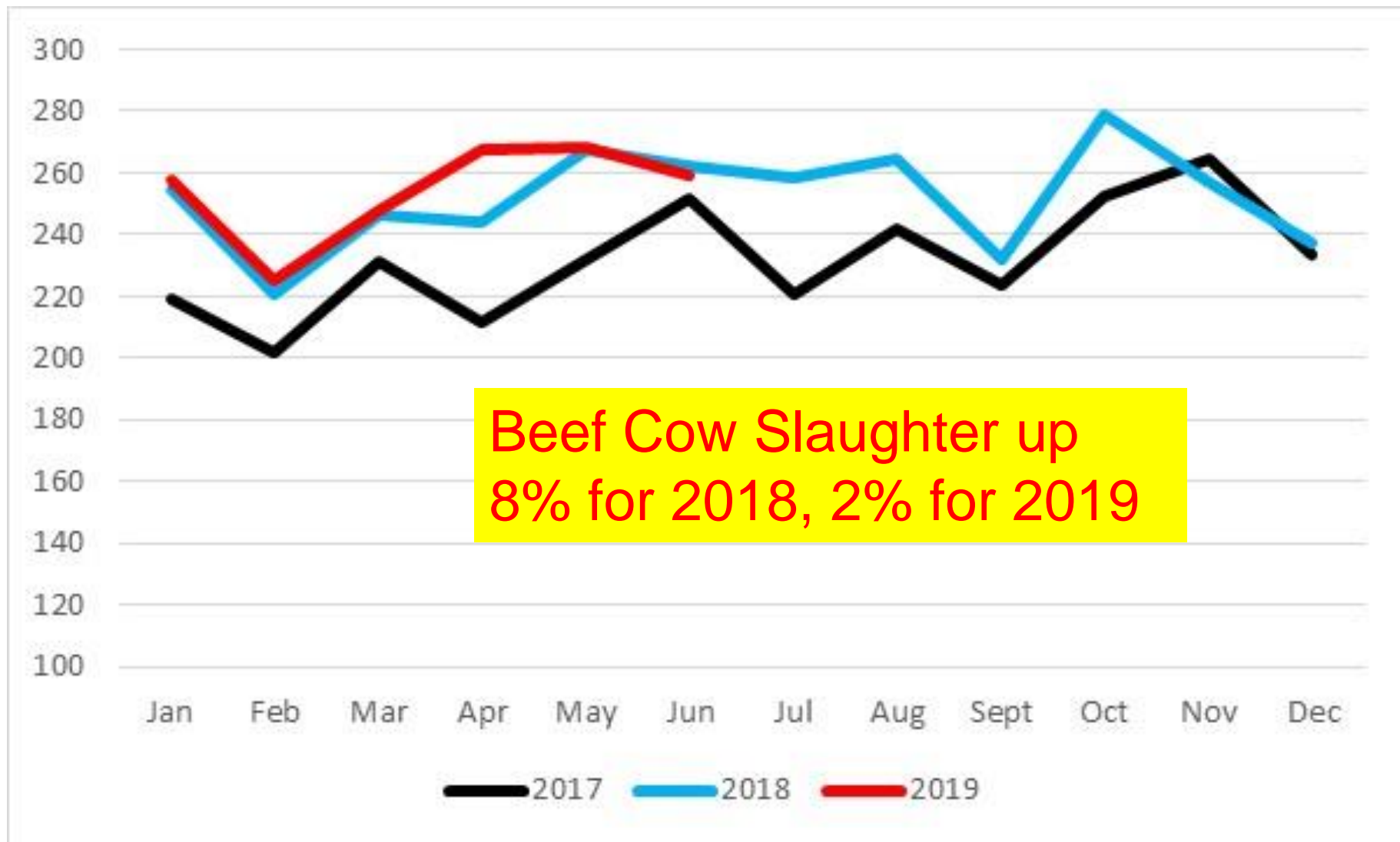


Source: USDA-AMS, LMIC, and author calculations





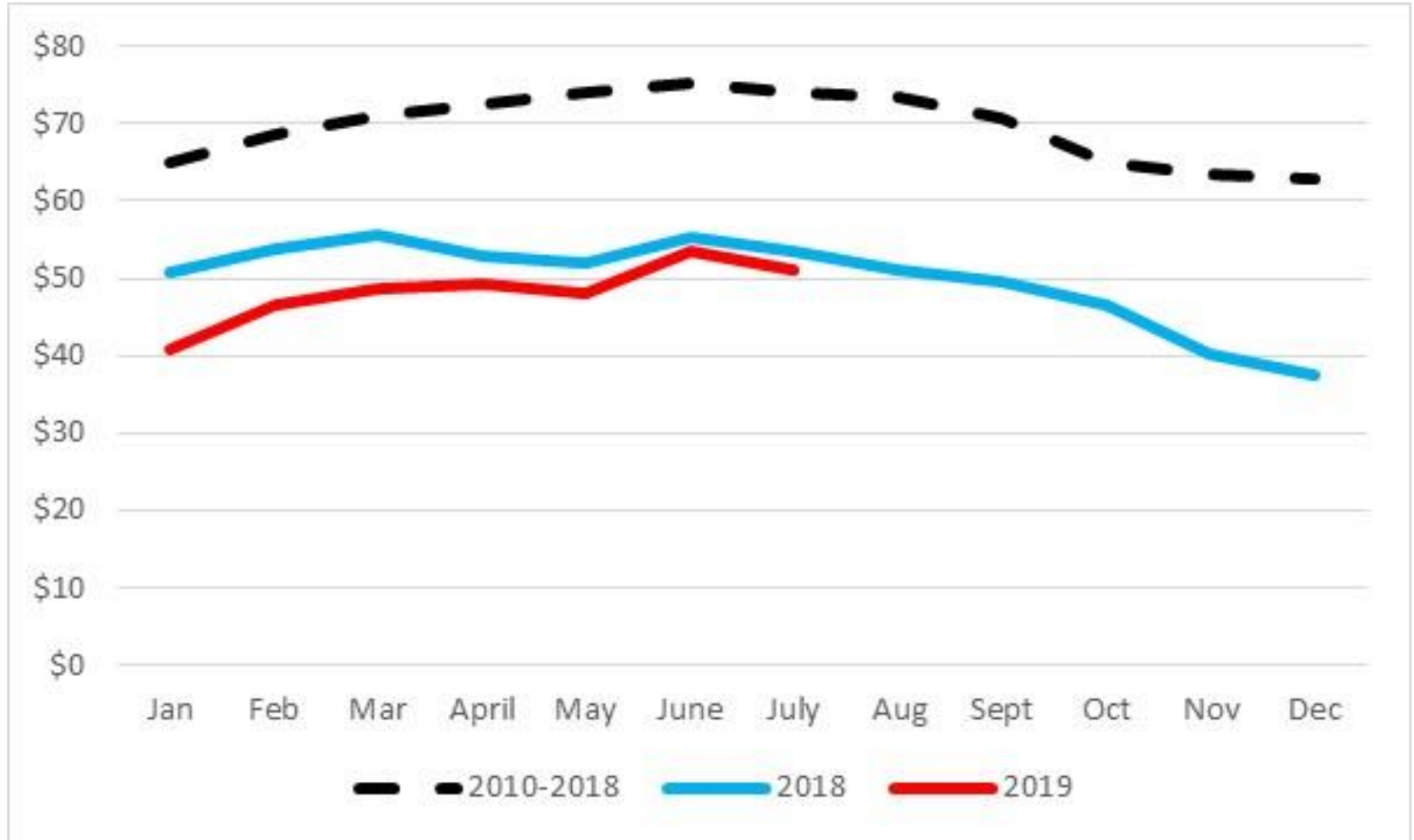
# Beef Cow Slaughter (1,00 head)





# KY Cull Cow Prices

## Boning 80-85% (\$ per cwt)

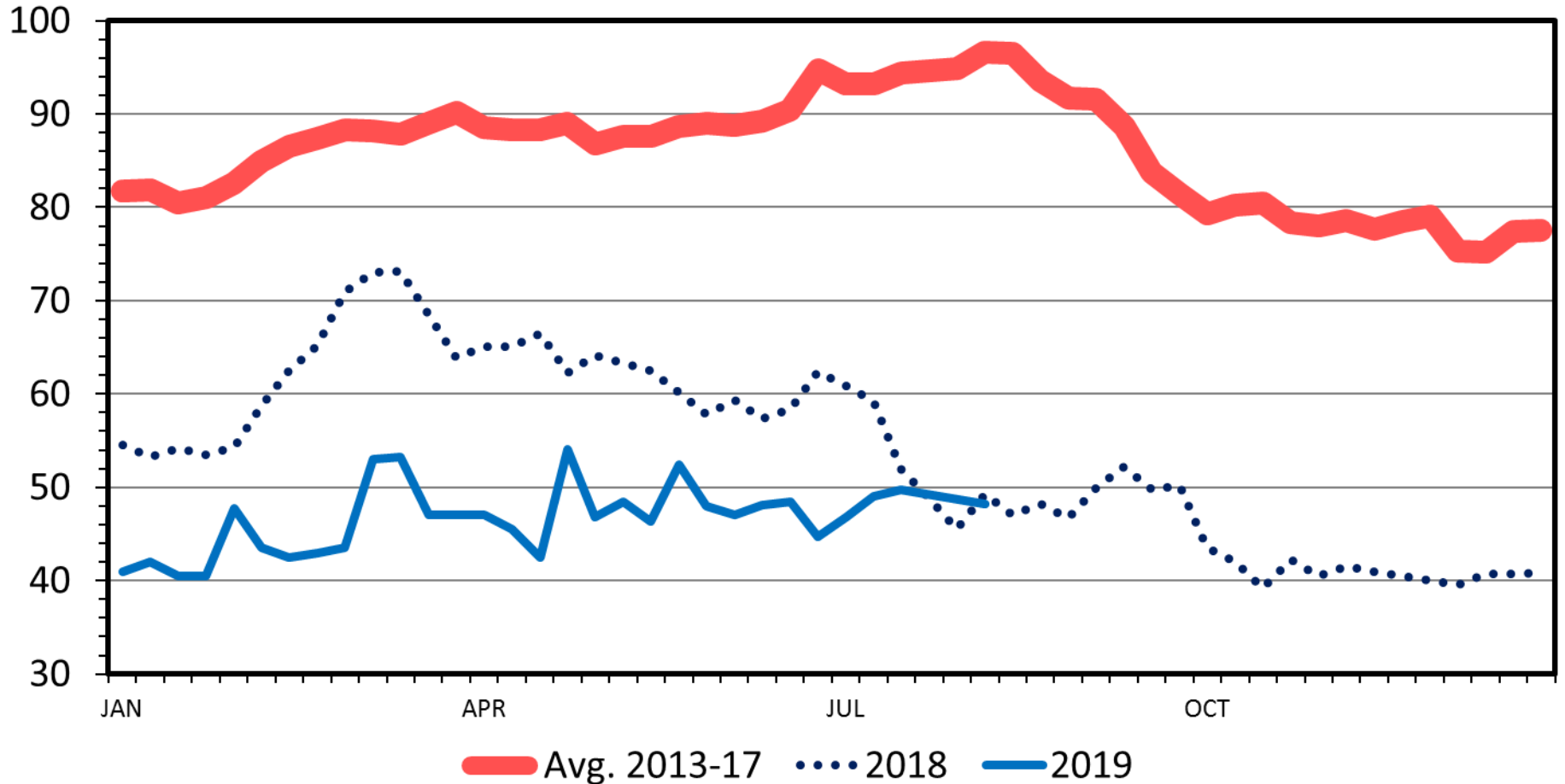


Source: USDA-AMS, LMIC, and author calculations

# SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-35  
08/12/19

# US Beef Exports to Selected Countries (2017 vs 2018)

	<b>2017 (1,000 lbs)</b>	<b>2018 (1,000 lbs)</b>	<b>Change from 17' to 18'</b>	<b>% of US Beef Production</b>
Japan	826,004	880,665	+ 7%	3.3%
South Korea	472,729	638,186	+35%	2.4%
Mexico	419,349	448,796	+7%	1.7%
Hong Kong	335,705	307,270	-1%	1.1%
Canada	309,138	299,880	-3%	1.1%
Total Exports (includes others)	2,859,687	3,155,370	+10%	11.7%

Source: USDA-ERS, Livestock Marketing Information Center, and author calculations

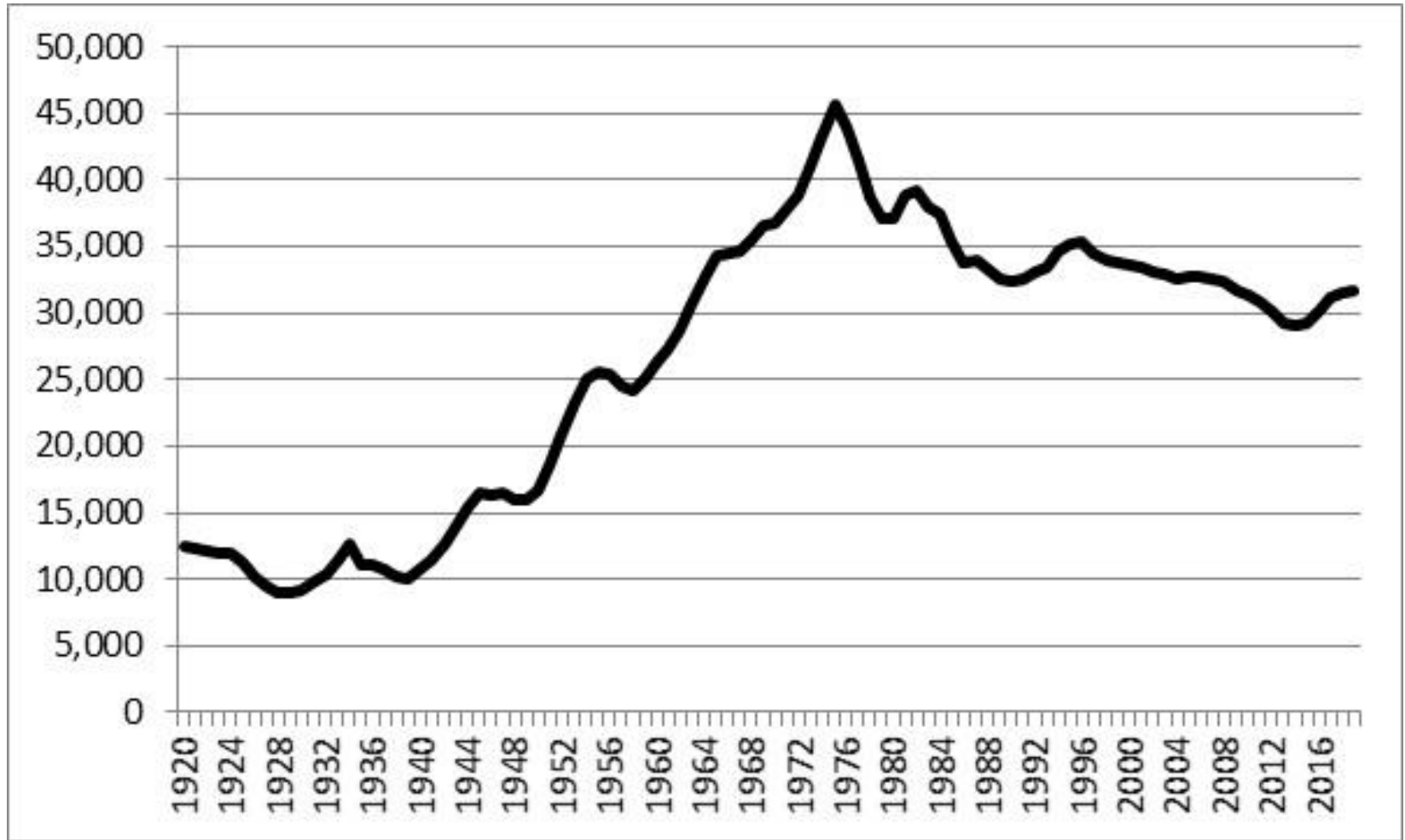
# 2019 Exports by Country

Destination	Change Through June 2019
Canada	-15%
Japan	-6%
Mexico	+3%
South Korea	+12%
Total Exports	-3%



# US Beef Cow Inventory

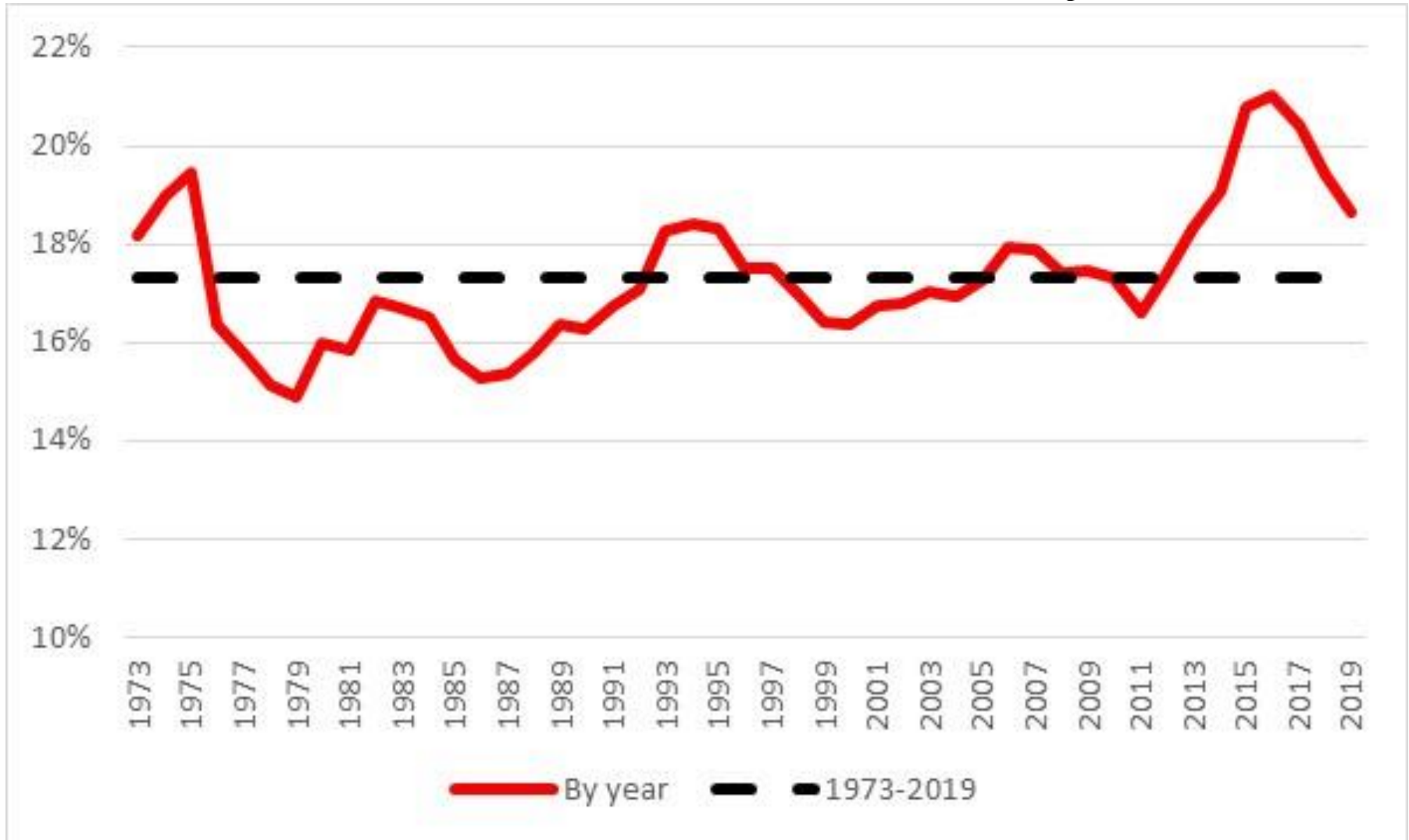
## 1920 to 2019



Data Source: USDA-NASS

Livestock Marketing Information Center

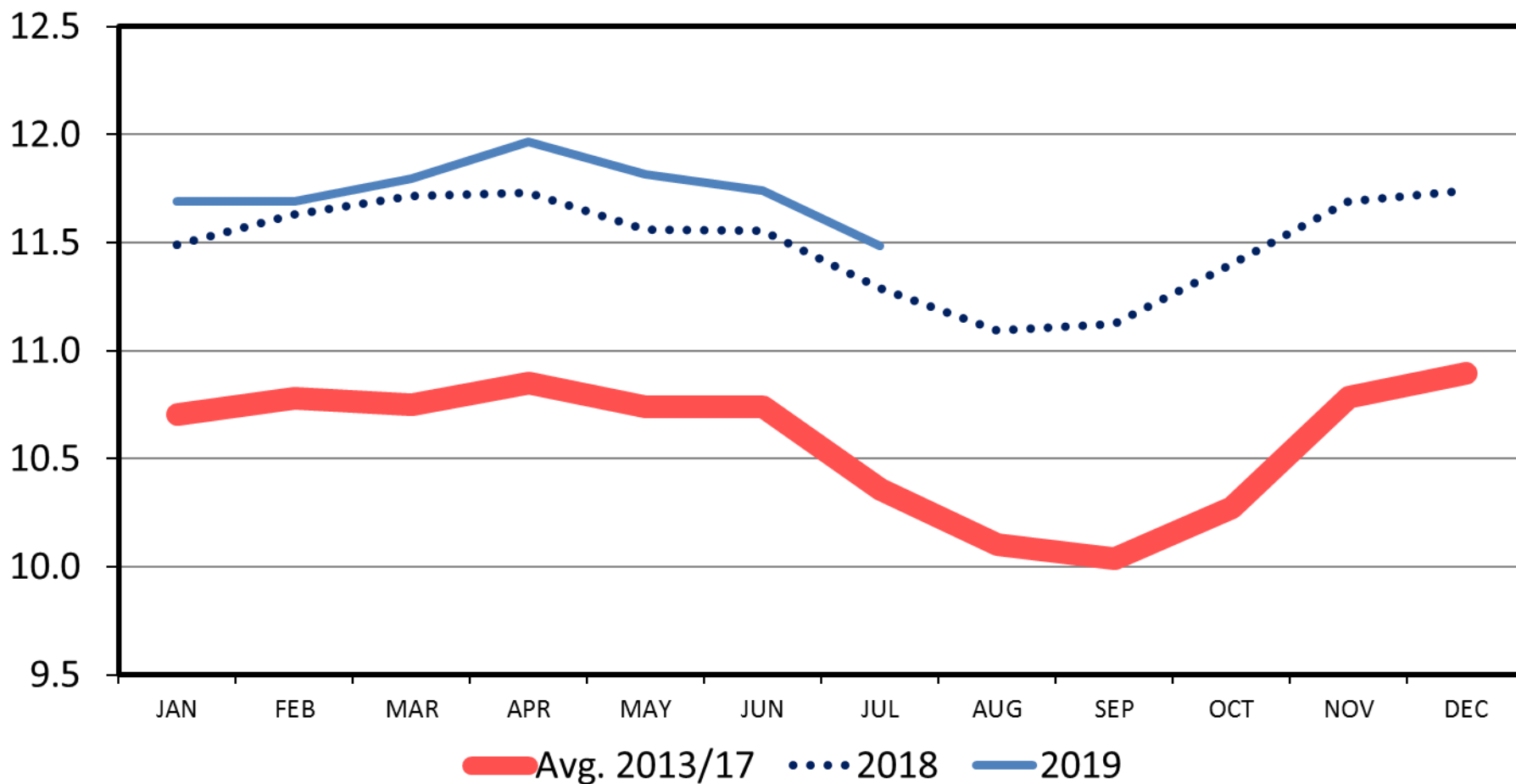
# Jan Heifer Retention as % of Beef Cow Inventory



# CATTLE ON FEED

US Total, Monthly

Mil. Head



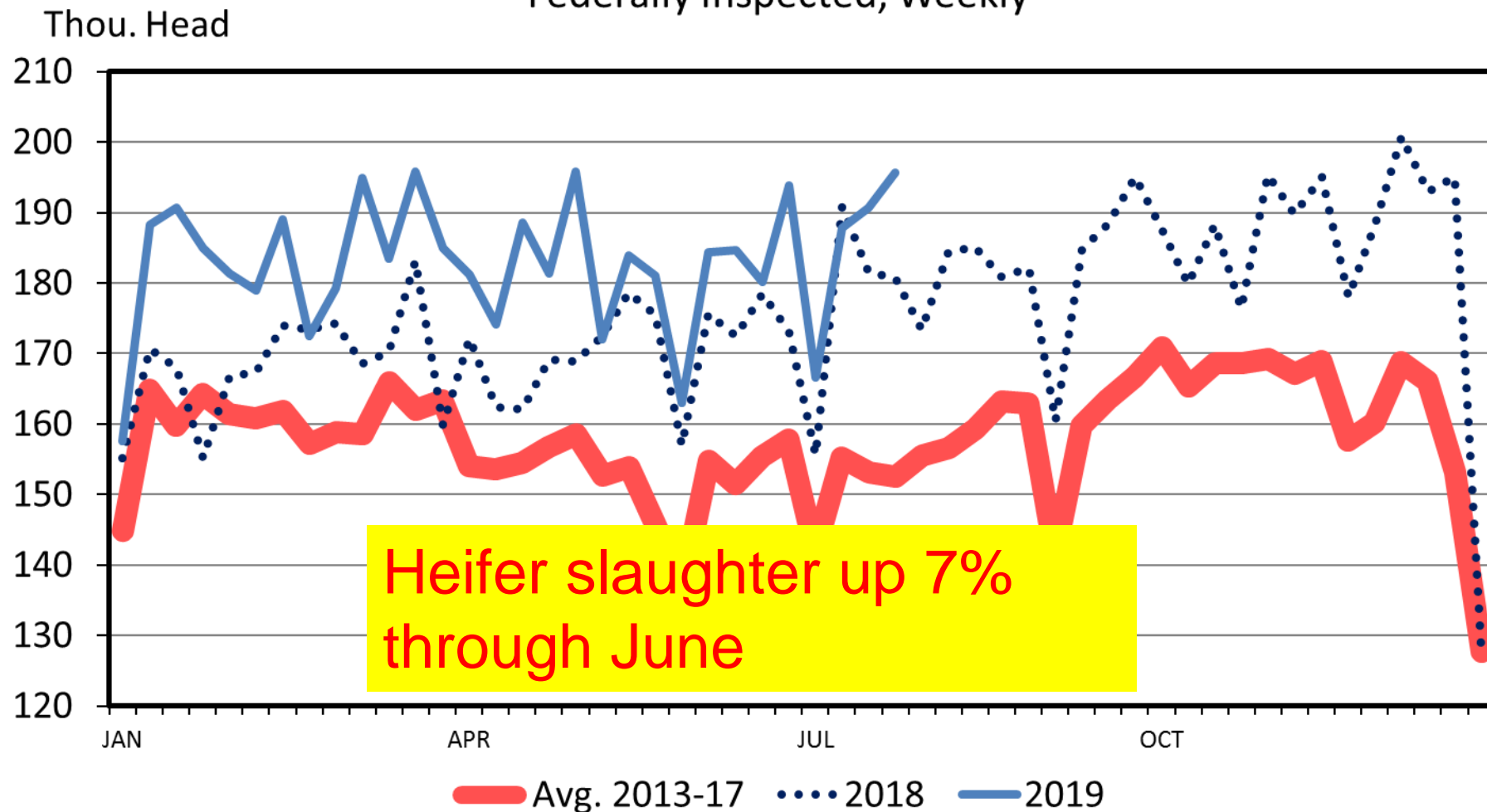
Data Source: USDA-NASS

Livestock Marketing Information Center

C-N-10  
07/19/19

# HEIFER SLAUGHTER

Federally Inspected, Weekly



# Assumptions Behind Predictions

- Tyson fire impacts markets into the fall
- 2020 Beef cow herd is less than 0.5% larger than 2019
- 2020 on-feed numbers flat, but production increases on female slaughter (1%?)
- Competing meats: Pork +3%, poultry +1%
  - I see “per caps” going up
- Macroeconomy hits some bumps\*

# Market Expectations

	Fall 2019	Spring 2020	Fall 2020
550 lb Steer S. Plains	\$150-\$155	\$160-\$170	\$150-\$160
550 lb Steer Kentucky	\$135-\$140	\$150-\$160	\$135-\$140
750 lb Steer S. Plains	\$145-\$150	\$145-\$155	\$140-\$150
Choice Steer 5-Area	\$102-\$108	\$115-\$125	\$110-\$120

# Cow-Calf Thoughts

- Avoid complacency due to calf prices
  - Weaning, steers, etc.
  - \$25-\$50 per cow makes big difference now
- Use culling as a tool
  - Open cows, late calvers, poor performers, etc.
  - Mature cow size vs. weaning weight
- Heifer development cost is low this year
  - Target a solid cow-herd in a few years!

# Thoughts for Margin Operations

- Profit was on the table this spring
  - This fall could be very ugly!
- What percent of total costs are “sunk” at placement?
  - Should that percentage be priced at that time?
- Backgrounders can be opportunistic
  - Harder for feedlots are stocker operators
- Look for placement windows and strike



# Contact Information

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