2016 Beef Cattle Market Outlook

Outline

• Recap Feeder Calf Markets from 2010 through 2015
• July 1\textsuperscript{st} U.S. Cattle Inventory Numbers
• Supply of Meat Proteins
• Value of the U.S. Dollar
• Feeder Cattle Futures Market
• Florida 550 \textit{lb}. Feeder Steers
January 2010 - January 2016
U.S. Weekly Avg. 550 lb. Feeder Steers

Chris Prevatt, UF/IFAS Range Cattle Research & Education Center
U.S. Weekly *Avg.* Feeder Steer Prices, 550 lbs.

Chris Prevatt, UF/IFAS Range Cattle Research & Education Center
July 2015 to Dec. 2015
% change: -38%
$/cwt. change: -$106/cwt.
$/head change: -$583/head

Chris Prevatt, UF/IFAS Range Cattle Research & Education Center
January 2000 - January 2016
U.S. Weekly Avg. 550 lb. Feeder Steers

$/cwt.

Chris Prevatt, UF/IFAS Range Cattle Research & Education Center
Some of the Factors Affecting Beef Cattle Prices in 2016

• Feedstuff Prices
• Interest Rates, Energy Prices
• Adverse Weather (Forage Conditions)
• Strength/Weakness of the U.S. & Global Economies
• Expansion of the U.S. Cattle Herd
• Competing Supplies of Meat Proteins
  • U.S. Broiler and Pork Production
• Monetary Exchange Rates (Value of the U.S. Dollar)
The increased supplies of beef and competing meats will likely limit beef prices during 2016.
U.S. Beef, Broiler, and Pork Production
Percentage Change From 2010 For 2011-2016
(2015 and 2016 are USDA projections)
Percent Change in U.S. Cattle Inventory, July 1, 2015

- Beef Cows: 2.5%
- Milk Cows: 6.5%
- Beef Cow Repl.: 2.4%
- Milk Cow Repl.: -1.4%
- Other Hfrs: 500+ lbs: 2.9%
- Steers 500+ lbs: 0.0%
- Bulls 500+ lbs: 2.3%
- Calves <500 lbs: 1.2%
- Calf Crop: 2.0%
- FECOF: -3.0%
The 2015 U.S. calf crop was estimated to be 34.3 million, up 400,000 head (1.2%) over 2014.

U.S. Net Beef Supply is the amount of beef that is consumed in U.S. markets.
U.S. Drought Monitor

January 19, 2016
(Released Thursday, Jan. 21, 2016)
Valid 7 a.m. EST

Author:
Mark Svoboda
National Drought Mitigation Center

Drought Impact Types:
- Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

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. Drought Monitor
## Southeast

**January 19, 2016**  
(Released Thursday, Jan. 21, 2016)  
Valid 7 a.m. EST

<table>
<thead>
<tr>
<th>Drought Conditions (Percent Area)</th>
<th>None</th>
<th>D0-D4</th>
<th>D1-D4</th>
<th>D2-D4</th>
<th>D3-D4</th>
<th>D4</th>
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<tbody>
<tr>
<td><strong>Current</strong></td>
<td>95.01</td>
<td>4.99</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Last Week</strong></td>
<td>94.04</td>
<td>5.96</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td><strong>3 Months Ago</strong></td>
<td>76.85</td>
<td>23.15</td>
<td>8.29</td>
<td>0.29</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td><strong>Start of Calendar Year</strong></td>
<td>95.00</td>
<td>5.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td><strong>Start of Water Year</strong></td>
<td>53.44</td>
<td>46.56</td>
<td>11.73</td>
<td>1.74</td>
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<tr>
<td><strong>One Year Ago</strong></td>
<td>84.71</td>
<td>15.29</td>
<td>0.67</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### Intensity:
- **D0 Abnormally Dry**
- **D1 Moderate Drought**
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National Drought Mitigation Center

[http://droughtmonitor.unl.edu/](http://droughtmonitor.unl.edu/)
If the U.S. dollar trades stronger against the currencies of our trading partners, expect less U.S. beef exports to these countries and more beef imports.
The Change in the 2015 Feeder Calf Market

• Why did feeder prices decline so abruptly?

1) U.S. Fed Cattle Prices Declined due to:
   A) Weaker Export Demand Due to Weaker Foreign Economies
   B) A Stronger U.S. Dollar which decreases the buying power of other currencies
   C) Heavier beef carcasses which led to more beef supplies

2) A substantial increase in competing U.S. meat supplies which lowered pork, poultry, and beef prices
The Change in the 2015 Feeder Calf Market

- Are we going to get the ~ $600/head back?
  - Probably not anytime soon unless there is a significant increase in beef demand and/or decrease in beef supplies.
2016 Cattle Price Expectations

What are our Feeder Calf Price Expectations for 2016?

• CME Feeder Cattle Futures Contracts
• Seasonal Price Trends
2016 CME Feeder Cattle Futures Prices

$/cwt.

January: $159
March: $154
April: $154
May: $154
August: $156
September: $154
October: $151
November: $145
Avg. 2016 Price: $154
August 2016 Feeder Cattle Futures Prices (CME)

- 3-Year Average
- 2015
- 2016

$/cwt.
August 2016 Feeder Cattle Futures Prices (CME)

$/cwt.

- $195
- $190
- $185
- $180
- $175
- $170
- $165
- $160
- $155
- $150
- $145

8/28/2015
9/4/2015
9/11/2015
9/18/2015
9/25/2015
10/2/2015
10/9/2015
10/16/2015
10/23/2015
10/30/2015
11/6/2015
11/13/2015
11/20/2015
11/27/2015
12/4/2015
12/11/2015
12/18/2015
12/25/2015
1/1/2016
1/8/2016
1/15/2016
Projected 2016 Florida Feeder Steer Cash Prices, 550 lbs.
Figure 3. Expected Cash Price for August 2016, 550 lb. Feeder Calves, Med. & Lg., #1 & #2, Florida, Based on August 2016 Feeder Cattle Futures Prices (CME)

$/cwt.


Expected Cash Price³
Figure 4. Expected Cash Price for August 2016, 550 lb. Feeder Calves, Med. & Lg., #1 & #2, Florida, Based on August 2016 Feeder Cattle Futures Prices (CME)


Breakeven Price¹ –– Price Objective² • Expected Cash Price³
January 2010 - January 2016
U.S. Weekly Avg. 550 lb. Feeder Steers

Chris Prevatt, UF/IFAS Range Cattle Research & Education Center
Summary

• Herd expansion will likely continue as long as beef producers are profitable and have the land, labor, capital, feed, and forages resources to expand.

• As herd expansion continues the transition to cyclically lower cattle prices will likely continue until prices approach the cost of production.
Summary

• As changes occur in the U.S. and foreign economies, the 2016 U.S. Beef Cattle Market has the potential for some big price swings.

• Lower U.S. cattle prices for feeder calves, feeder cattle, and fed cattle are expected during 2016 due to expected increases in beef production and competing meat production.
Summary

U.S. cattle producers will need to search for ways to lower their unit cost of production (what it costs to produce a pound of beef) and ways to enhance market prices received in order to achieve higher levels of profits in 2016.
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For up to date information on:
• Beef cattle outlooks
• Marketing
• Production information
Thank you
Have a profitable 2016!

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