Beef Cattle Situation and Outlook

R. Curt Lacy
Extension Livestock Economist
The University of Georgia
2008 AAEA & ACCI Joint Annual Meeting

Overview

☐ Current Situation
☐ Remainder of 2008/early 2009
☐ 2009 and beyond
☐ Other Issues
CURRENT SITUATION

Beef Situation

- Demand has been pretty decent.
- Big run before July 4, decline since then.
- Is the high in??

BOXED BEEF CUTOUT VALUE
Choice 600-900 Lbs. Carcass, Weekly

Dr. Curt Lacy
Extension Economist-Livestock
229-386-3512, clacy@uga.edu
Beef Cattle Situation & Outlook

July 28, 2008

Dr. Curt Lacy
Extension Economist-Livestock
229-386-3512, clacy@uga.edu

Favorable beef prices
Tight feeder cattle supplies
High corn prices

Feeder Cattle Situation –
A Tale of 2 Weights

Smaller cattle supplies have tended to support calf and feeder prices somewhat...
High feed prices have had a much more significant impact on calf prices than feeders.
Beef Cattle Situation & Outlook

2008/2009 OUTLOOK

CATTLE ON FEED
US Total, Monthly

Livestock Marketing Information Center
Data Source: USDA/NASS

Dr. Curt Lacy
Extension Economist-Livestock
229-386-3512, clacy@uga.edu
Even though cattle supplies may be tight, pork and poultry are not!

Projected Meat Supplies
Q3 2008-Q4 2009

- 2008 and 2009 will likely be record years
- Beef production will be down in 2009
- Q4 2008 and Q2 2009 could be problematic
Projections for Remainder of 2008 and Early 2009

- **Choice Boxed Beef**
  - Decline back to around $150-$155
  - Q3-Q4 could see $140-$145
  - Rebound in spring of 2009 approach earlier 2008 levels

- **Choice-Select Spread**
  - More instrument grading = more Choice beef
  - Look for CSS to remain narrow
  - May approach 0 late fall/winter

---

### Live Cattle (5 Area)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Live Cattle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-2008</td>
<td>$90-$95</td>
</tr>
<tr>
<td>Q4-2008</td>
<td>$85-$93</td>
</tr>
<tr>
<td>Q1-2009</td>
<td>$93-$99</td>
</tr>
<tr>
<td>Q2-2009</td>
<td>$100-$107</td>
</tr>
</tbody>
</table>
# Beef Cattle Situation & Outlook

**Dr. Curt Lacy**  
Extension Economist-Livestock  
229-386-3512, clacy@uga.edu

---

## Projections for Remainder of 2008 and Early 2009

<table>
<thead>
<tr>
<th>Quarter</th>
<th>400-500# Steers*</th>
<th>700-800# Steers*</th>
<th>Live Cattle (5 Area)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-2008</td>
<td>$99-$105</td>
<td>$92-$98</td>
<td>$90-$95</td>
</tr>
<tr>
<td>Q4-2008</td>
<td>$90-$98</td>
<td>$85-$93</td>
<td>$85-$93</td>
</tr>
<tr>
<td>Q1-2009</td>
<td>$100-$110</td>
<td>$85-$95</td>
<td>$93-99</td>
</tr>
<tr>
<td>Q2-2009</td>
<td>$105-$120</td>
<td>$95-$103</td>
<td>$100-$107</td>
</tr>
</tbody>
</table>

*Basis Southeastern U.S

---

## Projections for Remainder of 2008 and Early 2009

<table>
<thead>
<tr>
<th>Quarter</th>
<th>400-500# Steers*</th>
<th>700-800# Steers*</th>
<th>Live Cattle (5 Area)</th>
<th>Cull Cows* 85-90%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-2008</td>
<td>$99-$105</td>
<td>$92-$98</td>
<td>$90-$95</td>
<td>$52-$58</td>
</tr>
<tr>
<td>Q4-2008</td>
<td>$90-$98</td>
<td>$85-$93</td>
<td>$85-$93</td>
<td>$42-$48</td>
</tr>
<tr>
<td>Q1-2009</td>
<td>$100-$110</td>
<td>$85-$95</td>
<td>$93-99</td>
<td>$46-$54</td>
</tr>
<tr>
<td>Q2-2009</td>
<td>$105-$120</td>
<td>$95-$103</td>
<td>$100-$107</td>
<td>$52-$60</td>
</tr>
</tbody>
</table>

*Basis Southeastern U.S
2008/2009 Summary

- Improved economy will help beef demand.
- Larger total meat supplies in Q3 and Q4 could be troublesome.
- Corn crop (prices) vs. Live Cattle prices will continue to drive the train for feeder cattle prices.

LONGER-TERM OUTLOOK
Beef Cattle Situation & Outlook

BEEF COWS THAT HAVE CALVED
JANUARY 1, 2008
(1000 Head)

Alaska 5.9
Hawaii 82.7
US Total 32553

Livestock Marketing Information Center
Data Source: USDA/NASS

CHANGE IN BEEF COW NUMBERS
JANUARY 1, 2007 TO JANUARY 1, 2008
(1000 Head)

Alaska -1
Hawaii -3
US Total -339

Livestock Marketing Information Center
Data Source: USDA/NASS

Dr. Curt Lacy
Extension Economist-Livestock
229-386-3512, clacy@uga.edu
Beef Cattle Situation & Outlook

JULY 1 BEEF COW INVENTORY
U.S., Annual

Points to a January 1, 2009 number lower than January 1, 2008

Livestock Marketing Information Center
Data Source: USDA/NASS

Dr. Curt Lacy
Extension Economist-Livestock
229-386-3512, clacy@uga.edu
Smaller Calf Crop Means Fewer Supplies

Livestock Marketing Information Center
Data Source: USDA/NASS

Incentives to Expand Beef Herd
Beef Cattle Situation & Outlook

Supply Issues
- Weather
- Higher input costs
- Less available land

Fertilizer Prices
1997-2008 (and 2009)

Dr. Curt Lacy
Extension Economist-Livestock
229-386-3512, clacy@uga.edu
Fuel Prices
1997-2008

Impact of Fuel & Fertilizer Prices on Cost of Production
Projected Prices 2009 and Beyond

![Projected Prices Chart](chart.png)

Other Issues

- Southeast
  - More reliant on fertilizer
  - Wider basis
  - Increasing land values
- Increasing demand for beef from alternative production systems
  - Natural
  - Organic
  - Grass-fed
- Increasing demand for locally produced foods
- Animal welfare
- MCOOL/NAIS

Source: USDA, LMIC and UGA

Dr. Curt Lacy
Extension Economist-Livestock
229-386-3512, clacy@uga.edu
Summary & Implications

- **Remainder of 2008/Early 2009**
  - Beef and cattle prices should remain fairly stable for the rest of the year.
  - Economy and competing meat supplies/prices will drive beef prices.
  - Beef and corn prices will drive feeder calf prices.

- **2009 and Beyond**
  - Barring a total economic collapse, cattle prices will have to increase in the next few years to encourage herd expansion.
  - An improving world economy means increased demand for beef and other proteins.
  - Producers can look for stable to improving prices for the next 2-4 years.
  - Slaughter cattle and corn prices will determine prices for weaned calves and feeders.