

Cattle Cycle, Calf Numbers & Market Outlook

Dairy Beef for Profit
August 6-7, 2013



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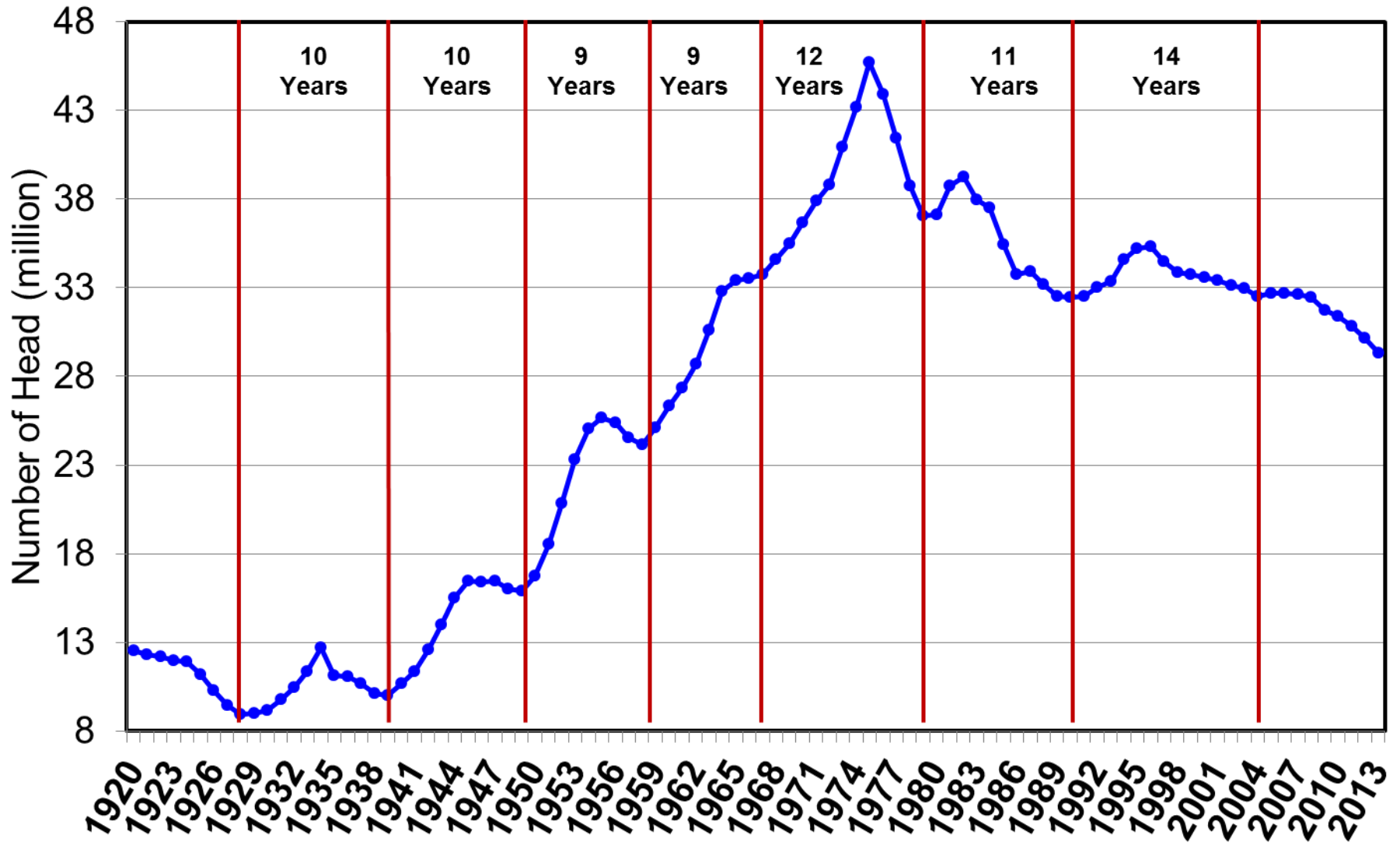
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Cow-Calf Sector Expansion?

- Jan 1, 2013 inventory of beef cows and heifers (29.3 mil hd) that calved **-2.9%** (lowest since 1962)
 - Multi-year trend in reduced supplies
- National herd expansion: Yes/No?, Where?, Who?
 - Beef replacement females (5.4 mil hd) **+1.9%** more than last year
 - Misleading: larger than '11 & '12, but no other year since 1990
 - Has recent drought, higher crop prices, and demand to shift pasture to crops extended liquidation?
- Role of “cattle cycle” is less pronounced today
 - Factors beyond “base fundamentals” rising in importance

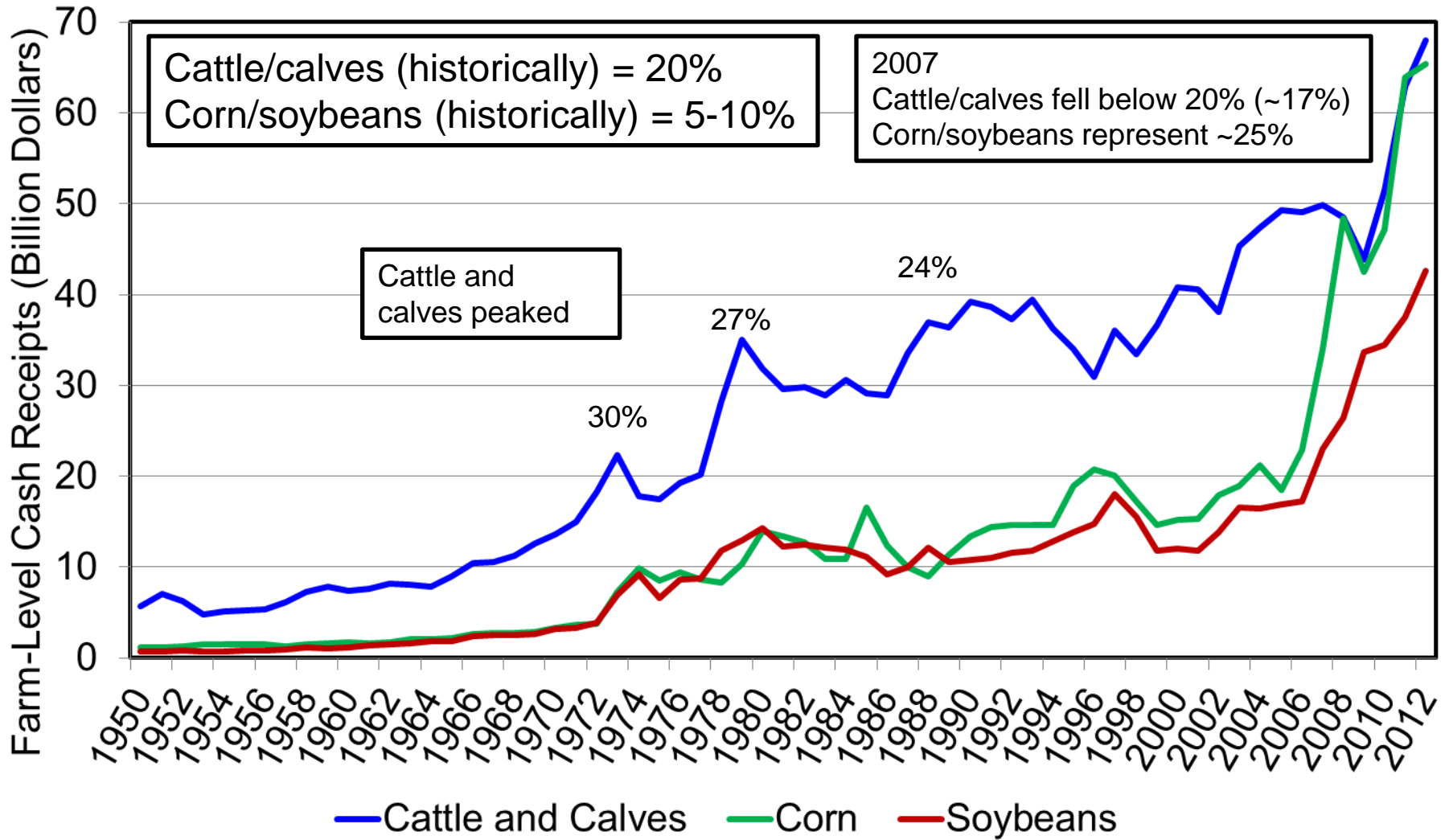
January 1 U.S. Beef Cow Inventory



Source: USDA/NASS

Farm-Level Cash Receipts

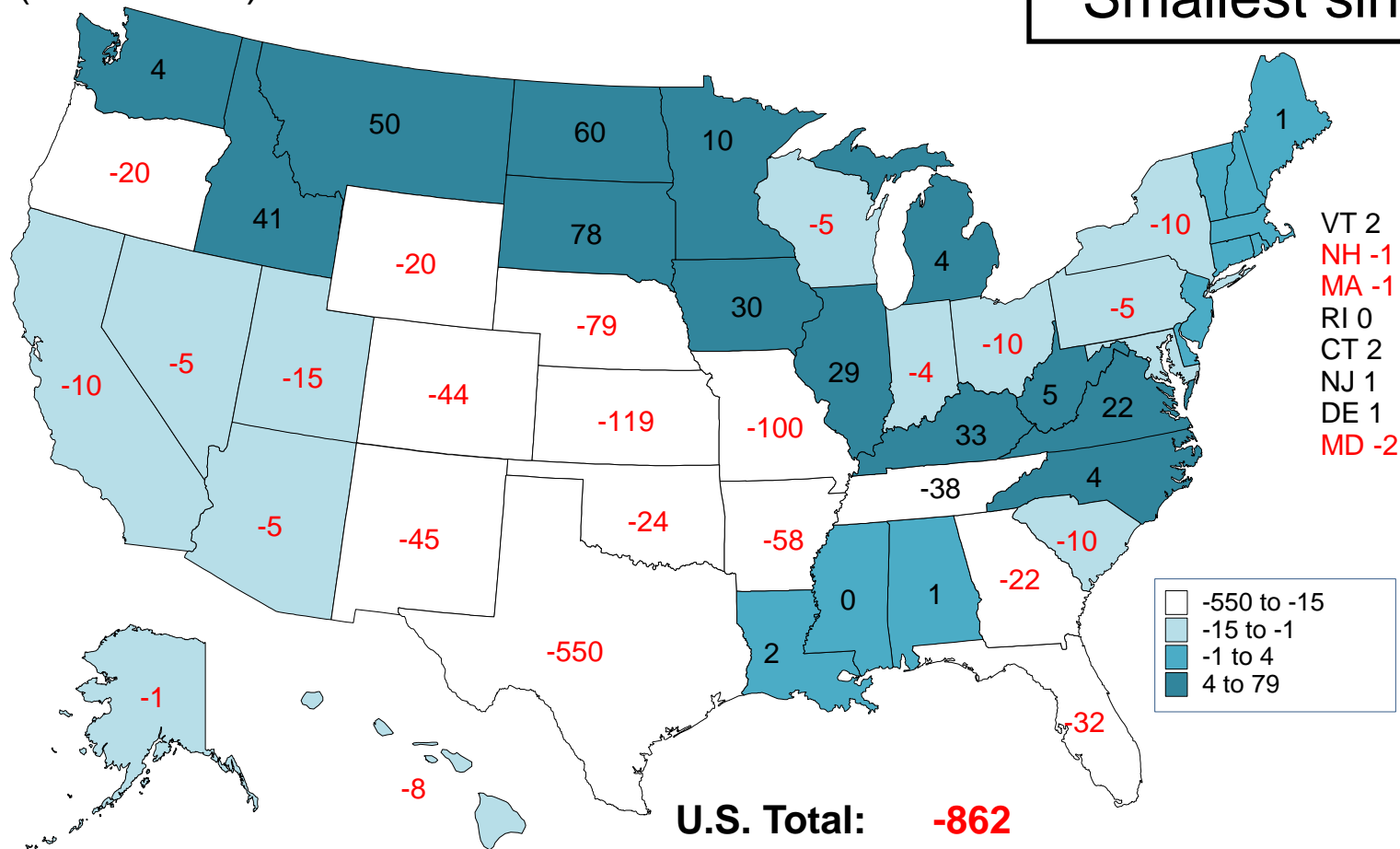
U.S., Annual



CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2012 TO JANUARY 2013

(1000 Head)

National Herd:
-2.9% (vs. 2012)
 Smallest since 1962

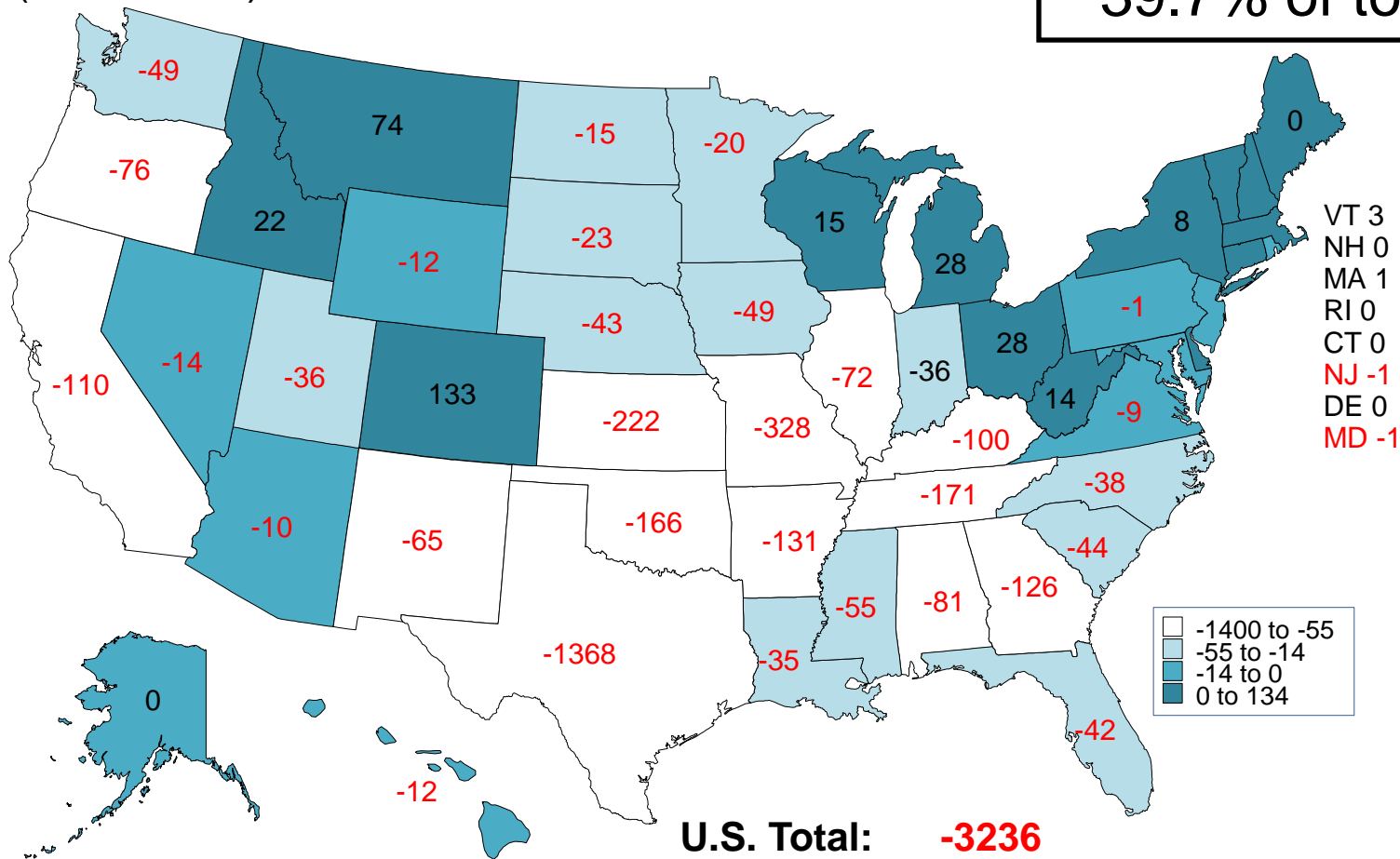


Livestock Marketing Information Center
 Data Source: USDA-NASS

02/04/13

CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2003 TO JANUARY 2013 (1000 Head)

10-Year Change:
-11.2% fewer cows
39.7% of total in TX



Livestock Marketing Information Center
 Data Source: USDA-NASS

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2013 YTD Slaughter

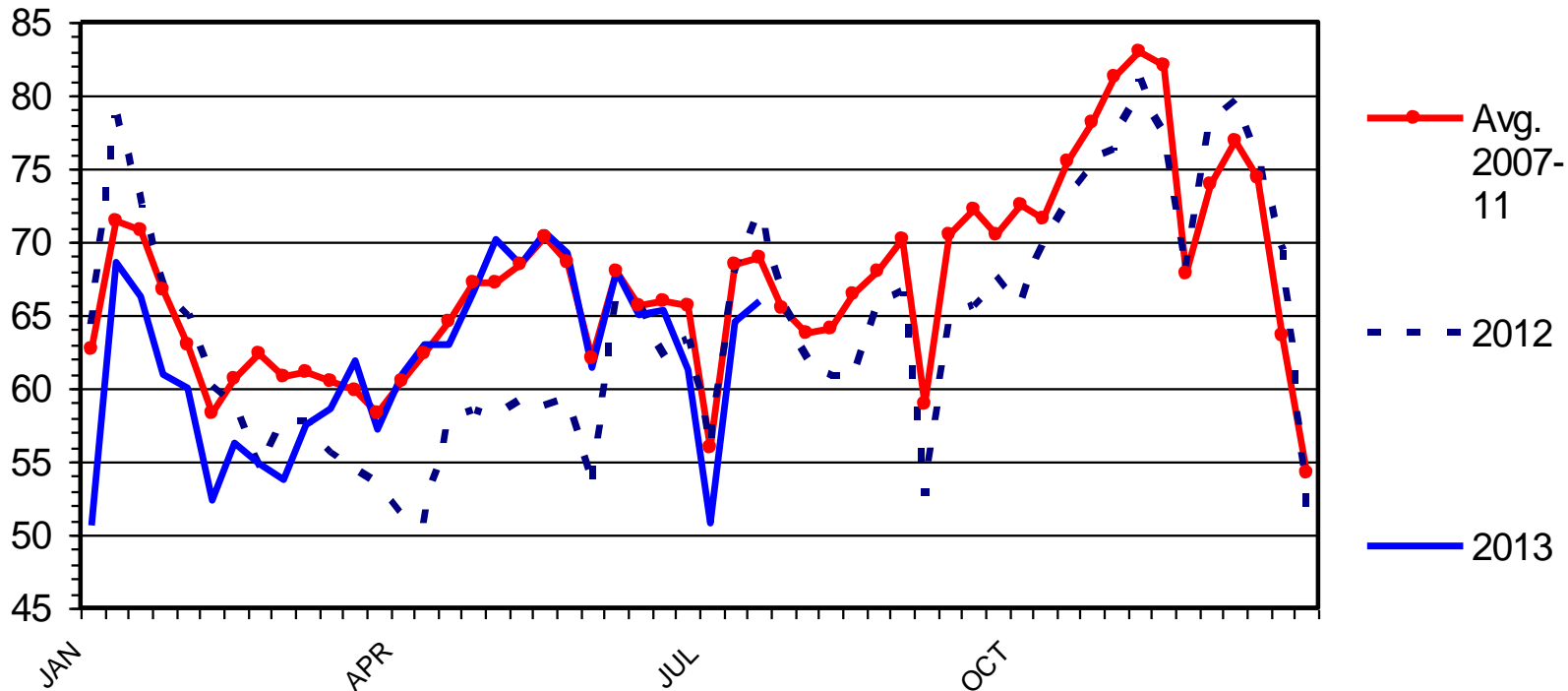
+1.9% (vs. 2012)

-3.9% (vs. 2007-11)

BEEF COW SLAUGHTER

Federally Inspected, Weekly

Thou. Head



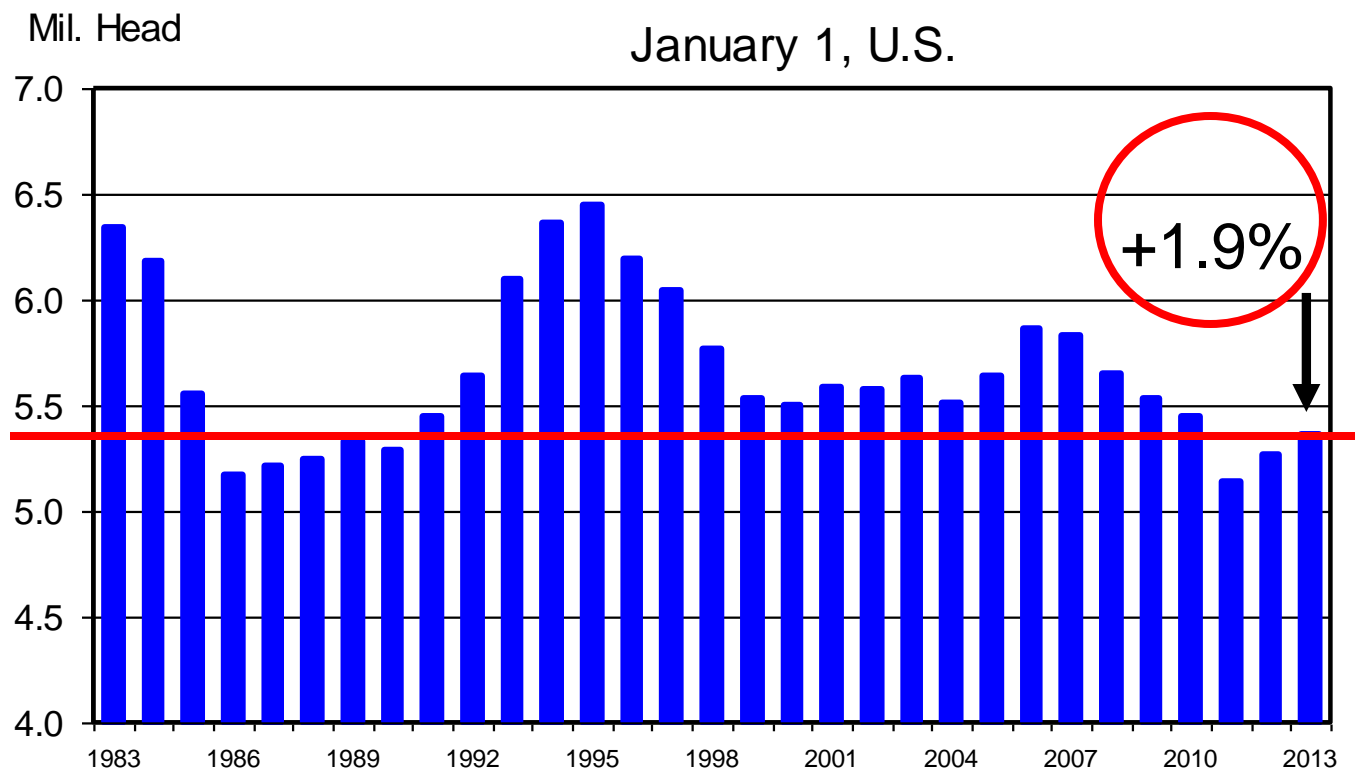
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

C-S-34
08/02/13

HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-38
02/01/13

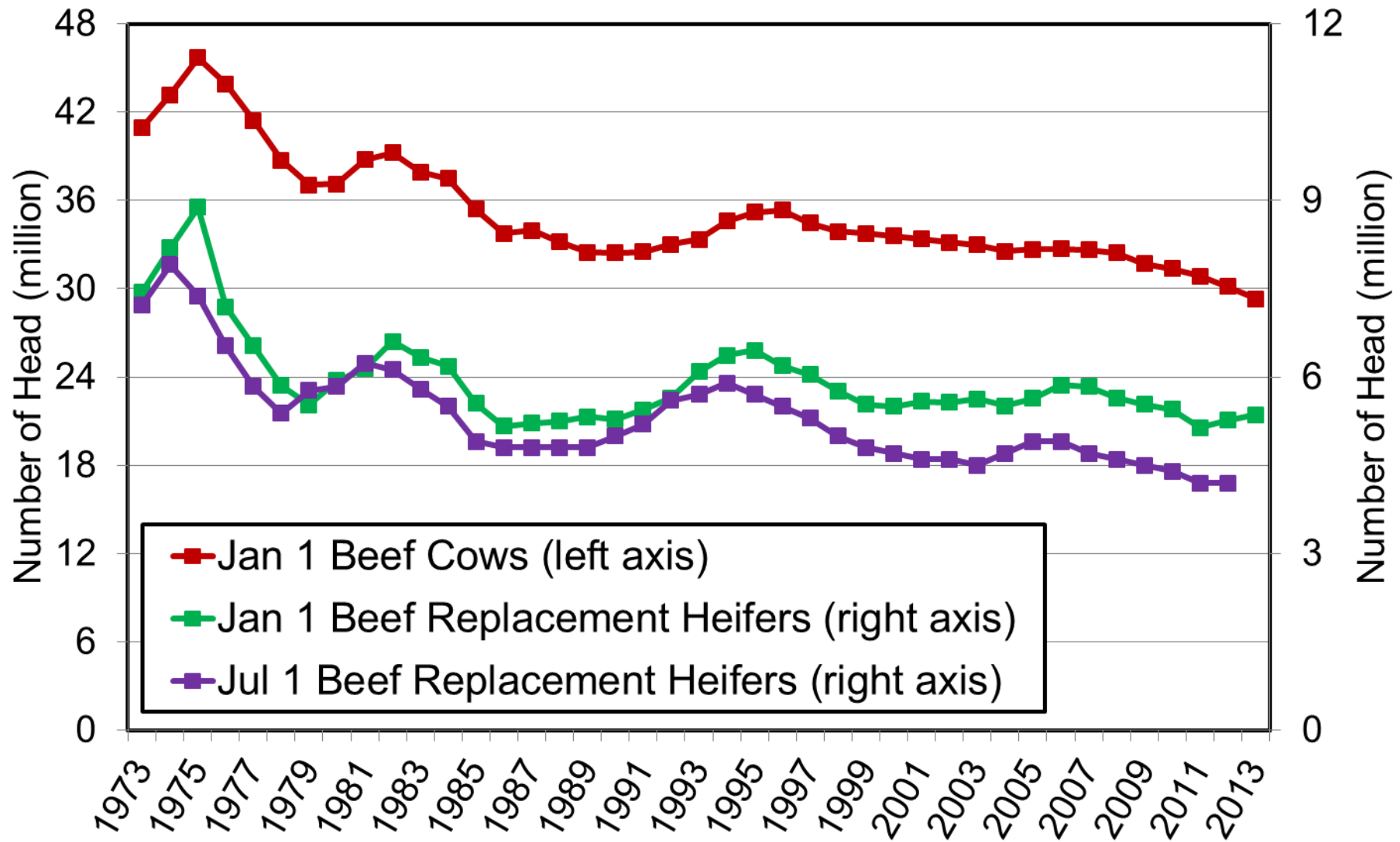
Largest Decreases:

OK: -40,000 (-12.5%)
 NE: -35,000 (-9.1%)
 CO: -25,000 (-16.1%)
 KS: -20,000 (-8.0%)
 AZ: -13,000 (-37.1%)

Largest Increases:

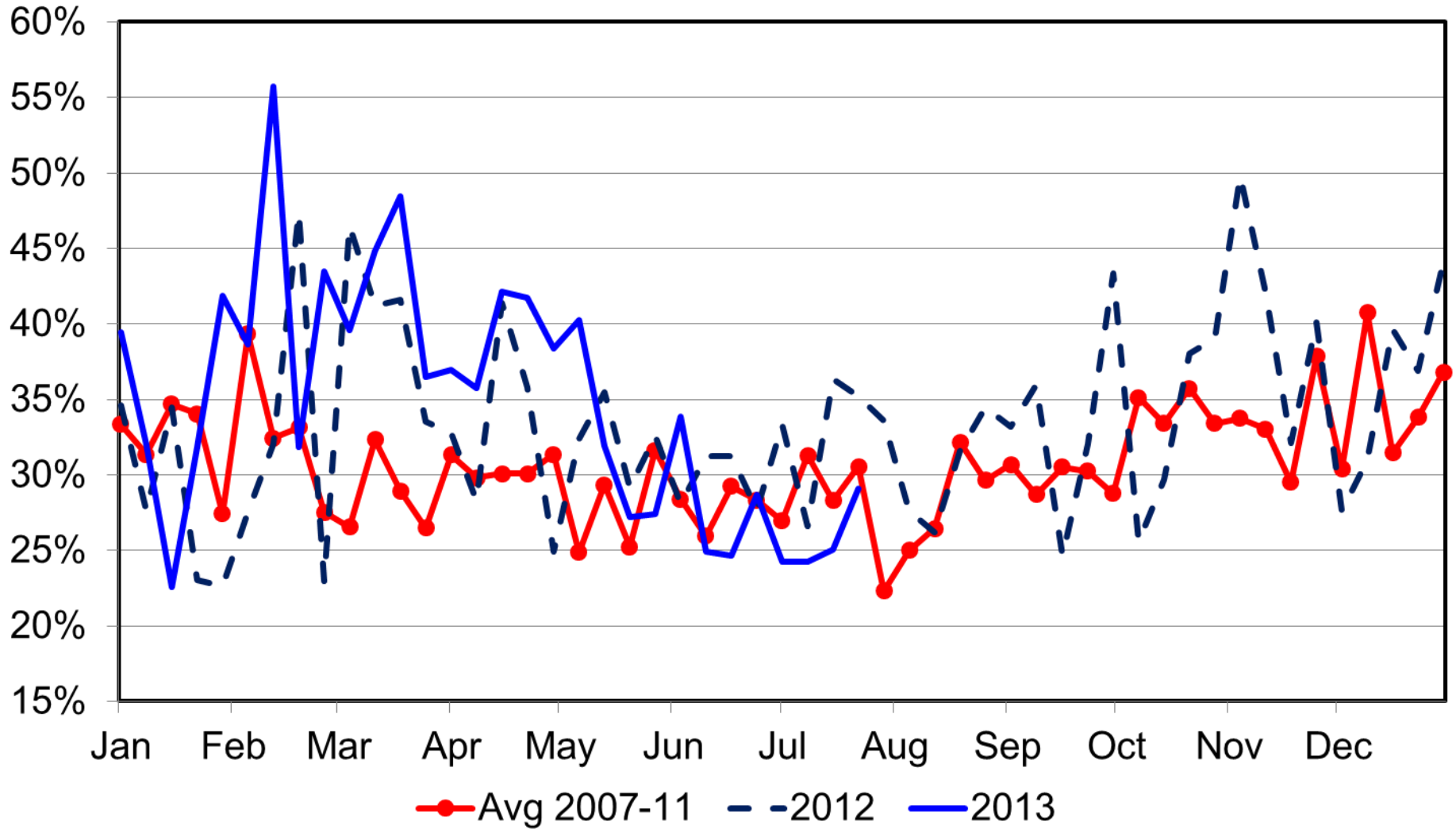
TX: +50,000 (+9.1%)
 ID: +30,000 (+33.3%)
 VA: +29,000 (+30.5%)
 ND: +24,000 (+13.1%)
 MT: +20,000 (+4.8%)
 ... IA: +10,000 (+7.1%)

U.S. Beef Cows & Beef Replacement Heifers



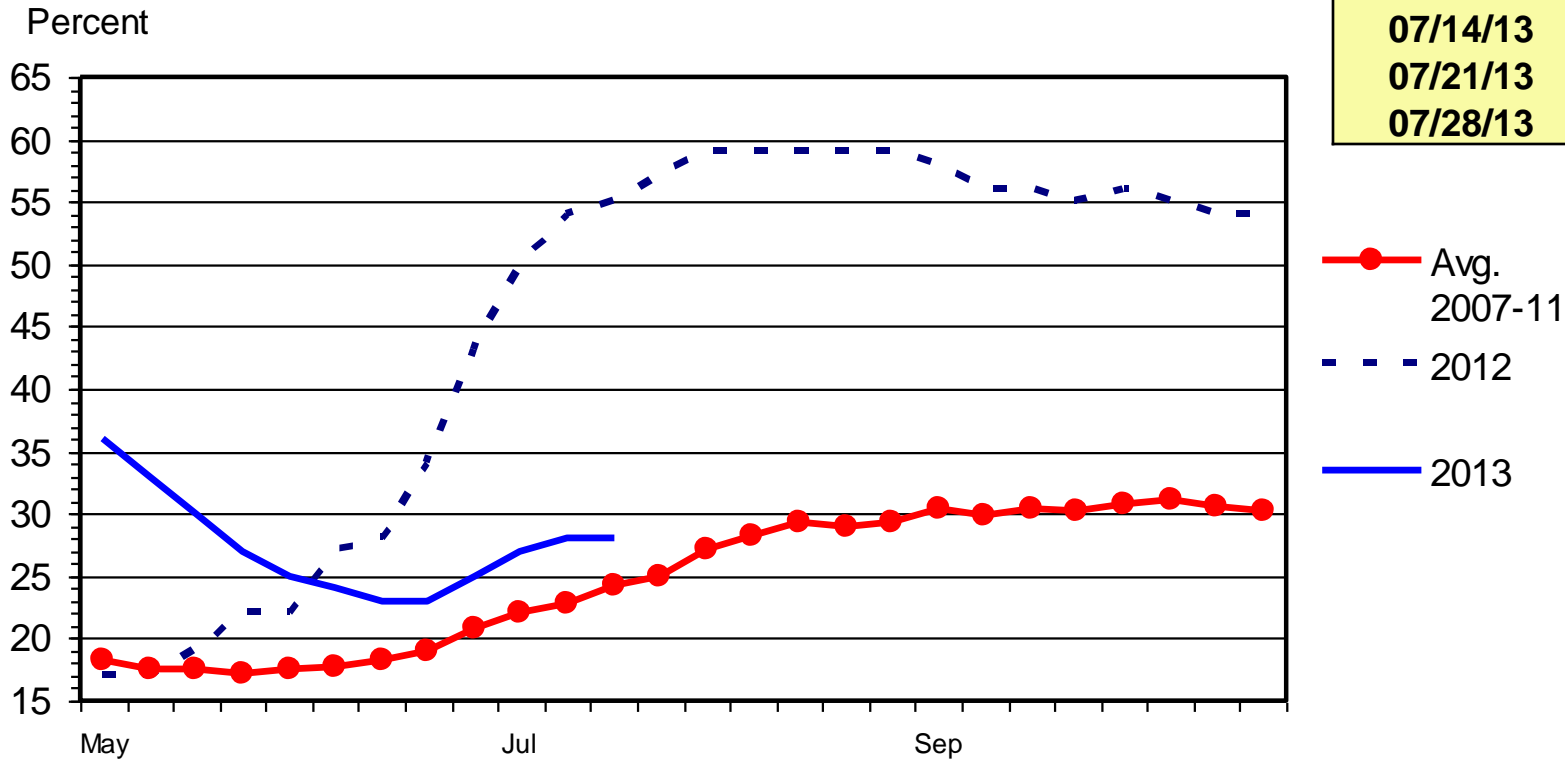
Source: USDA/NASS, tabulations by Lee Schulz
 Ag Decision Maker
 Department of Economics

Heifer Slaughter as Percent of Total Steer & Heifer Slaughter Iowa/So Minnesota, Weekly



US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Beef Cows in States with 40% Poor to Very Poor		
Last year	Cows	% of Total
07/15/12	22,165	73.70%
07/22/12	23,084	76.75%
07/29/12	23,084	76.75%
This Year		
07/14/13	7,464	25.54%
07/21/13	8,158	27.92%
07/28/13	10,490	35.90%

G-NP-30
07/22/13

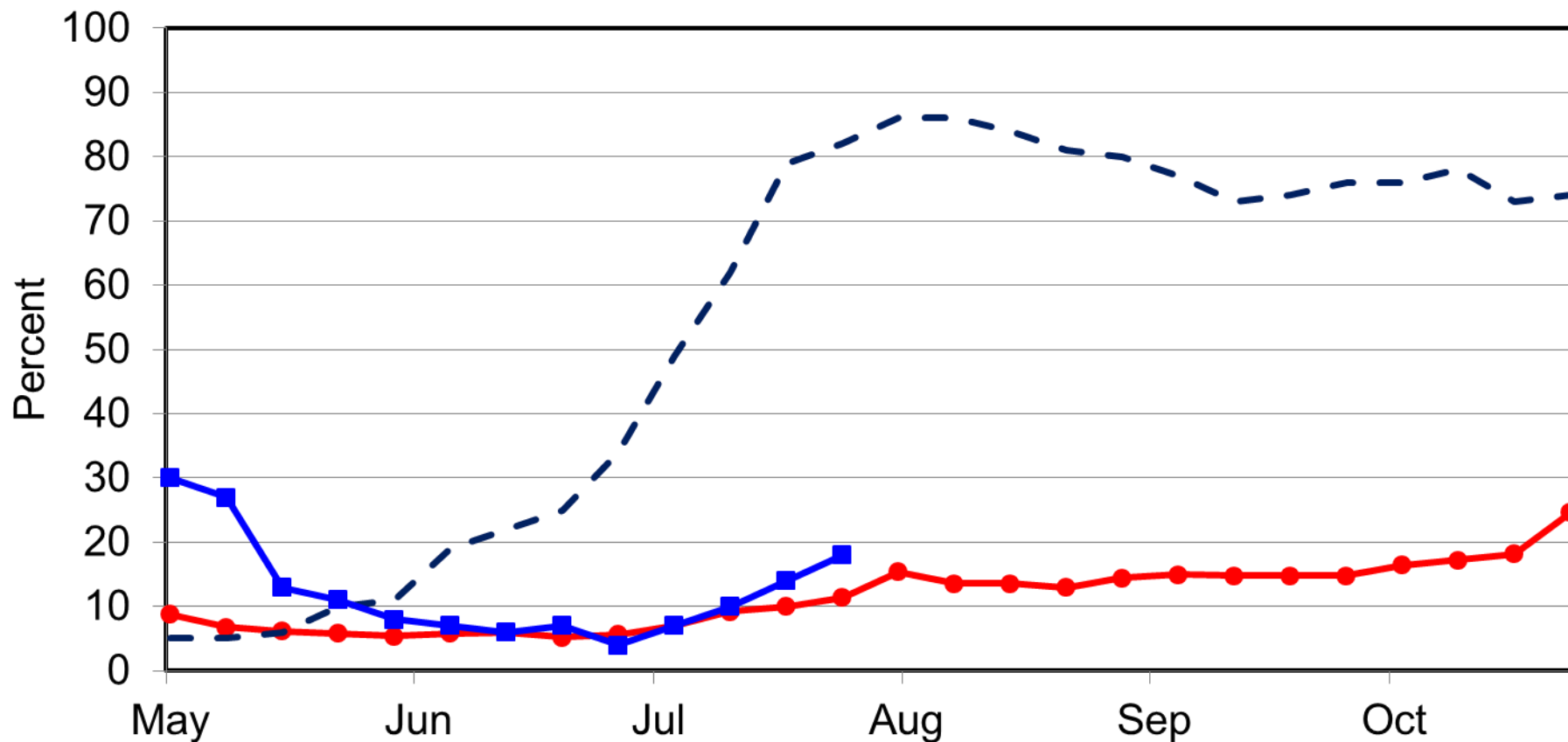
Livestock Marketing Information Center

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

Iowa Range and Pasture Condition

Percent Poor and Very Poor, Weekly

—●— Avg 2007-11 - - - 2012 -■- 2013



Livestock Marketing Information Center

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

C-S-34
08/02/13

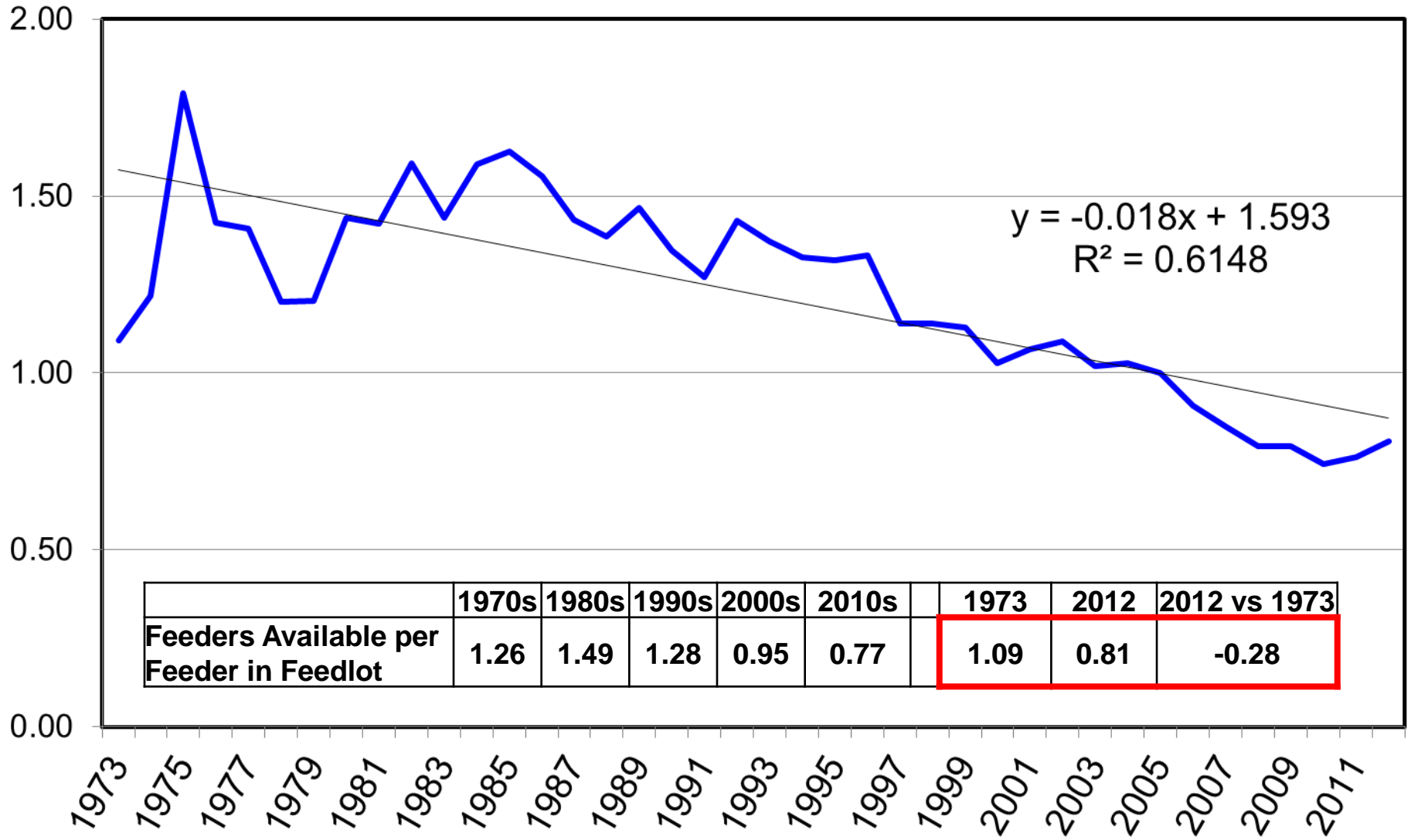
U.S. Feeder Cattle Supply Overview

	1970s	1980s	1990s	2000s	2010s	1973	2012	2012 vs 1973
Cows & Heifers that have Calved	52,431	46,682	43,397	41,922	39,948	52,553	39,387	-13,166
1,000 Head								
Calf Crop	47,208	42,068	39,226	37,298	35,092	49,194	34,279	-14,915
1,000 Head								
All Cattle & Calves	122,156	108,284	99,676	96,121	92,444	121,539	90,769	-30,771
1,000 Head								
January 1, All Cattle on Feed	13,053	11,686	12,755	14,118	13,926	14,432	14,121	-311
1,000 Head								
Feedlot Inventory/Total Cattle Inventory	10.7%	10.8%	12.8%	14.7%	15.1%	11.9%	15.6%	3.7%
Feedlot Inventory/Calf Crop	27.7%	27.8%	32.5%	37.9%	39.7%	29.3%	41.2%	11.9%
Feeders Available per Feeder in Feedlot	3.62	3.60	3.08	2.64	2.52	3.41	2.43	-0.98

Iowa Feeder Cattle Supply Overview

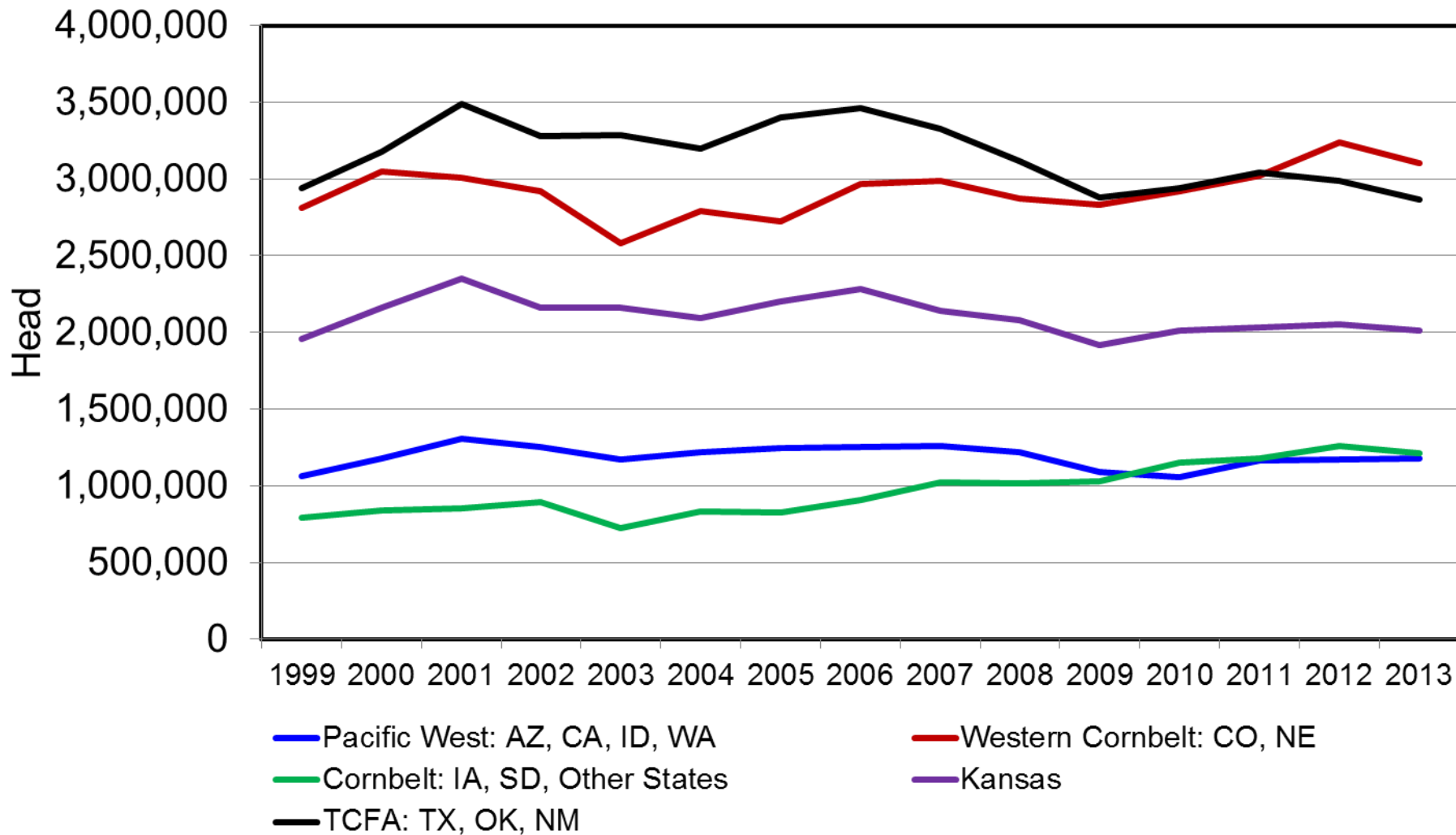
	1970s	1980s	1990s	2000s	2010s	1973	2012	2012 vs 1973
Cows & Heifers that have Calved	2,222	1,759	1,326	1,192	1,083	2,262	1,100	-1,162
1,000 Head								
Calf Crop	2,100	1,606	1,216	1,088	1,037	2,100	1,050	-1,050
1,000 Head								
All Cattle & Calves	7,588	5,680	4,075	3,710	3,883	7,770	3,900	-3,870
1,000 Head								
January 1, All Cattle on Feed	1,664	1,079	953	1,149	1,347	1,922	1,300	-622
1,000 Head								
Feedlot Inventory/Total Cattle Inventory	21.9%	19.0%	23.4%	31.0%	34.7%	24.7%	33.3%	8.6%
Feedlot Inventory/Calf Crop	79.2%	67.2%	78.4%	105.6%	129.9%	91.5%	123.8%	32.3%
Feeders Available per Feeder in Feedlot	1.26	1.49	1.28	0.95	0.77	1.09	0.81	-0.28

IA Feeders Available per Feeder in Feedlot



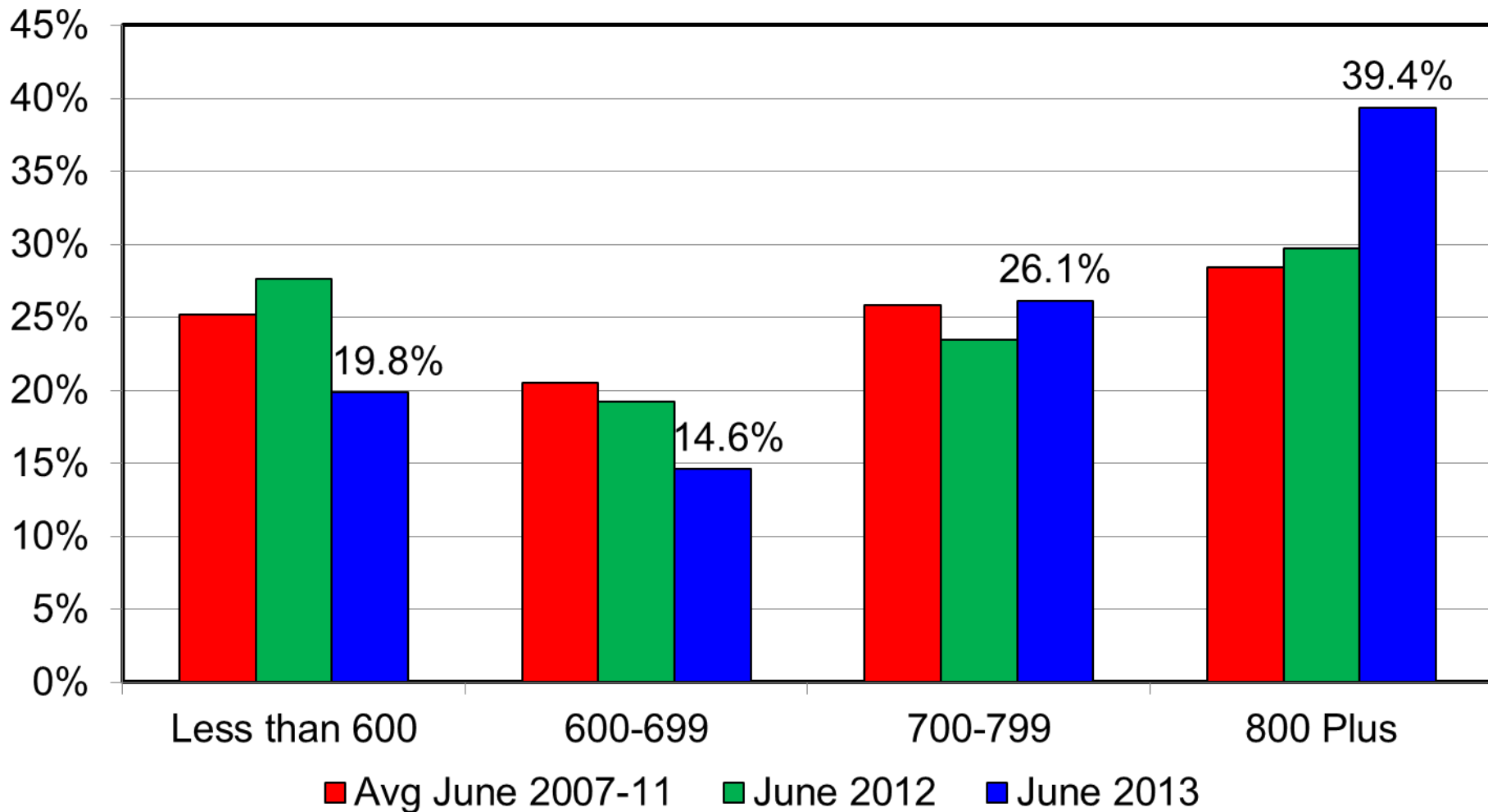
July 1 Cattle on Feed by Region

1,000+ Head Capacity



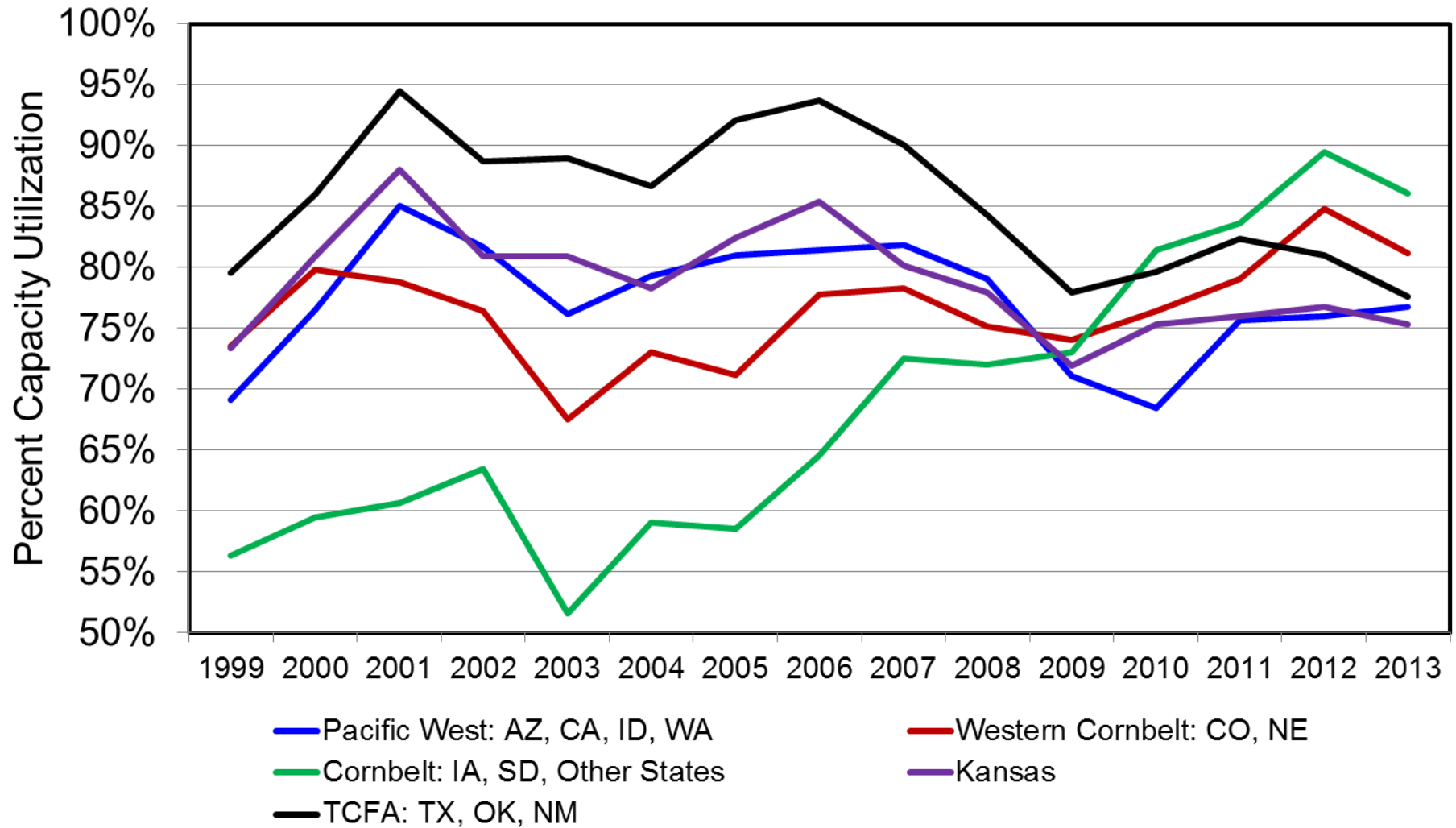
Cattle Placed on Feed During June by Weight Group Feedlots

Weight Group as % of Total Placements
1,000+ Capacity Feedlots



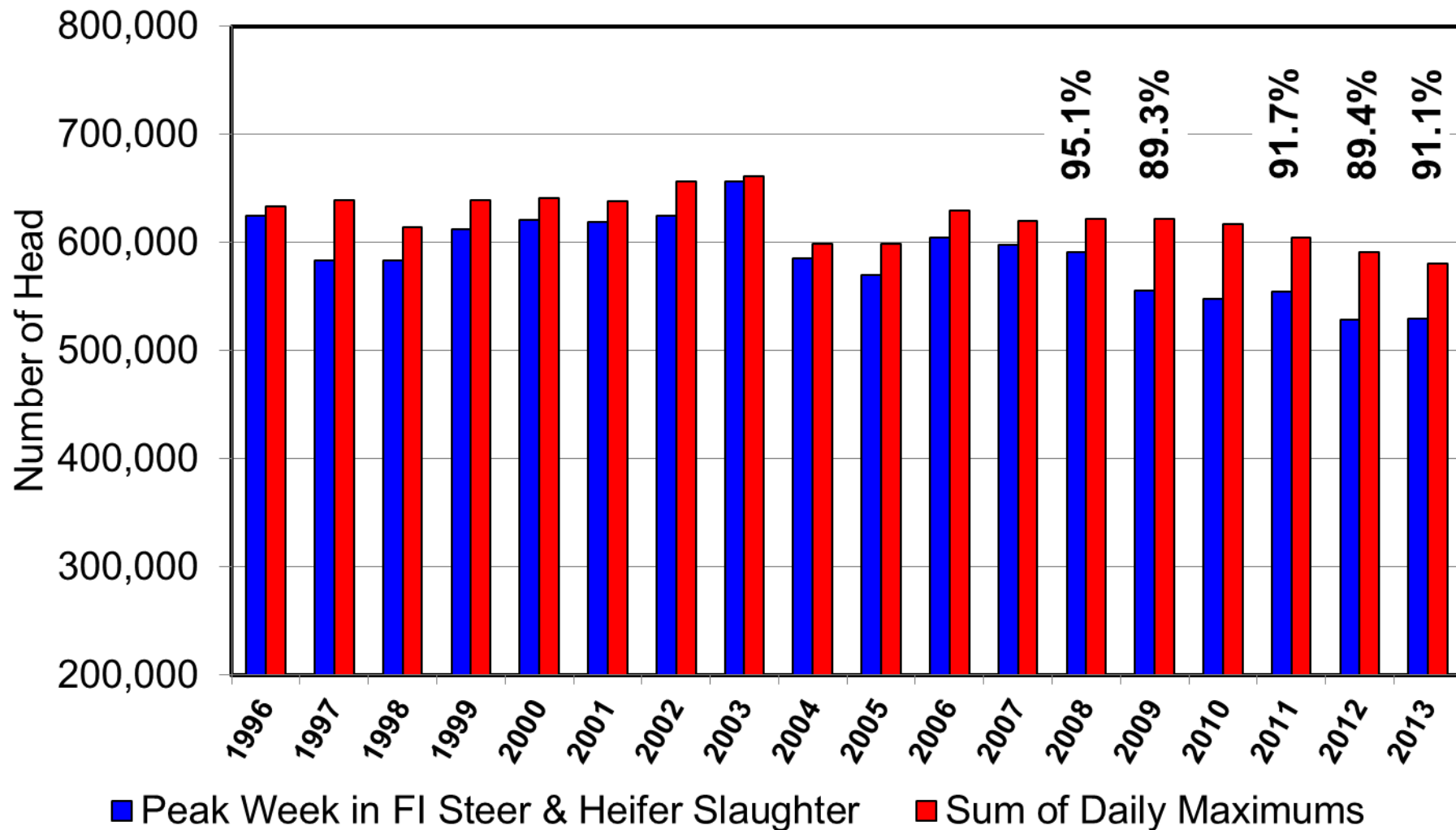
July 1 COF Capacity Utilization by Region

1,000+ Head Capacity



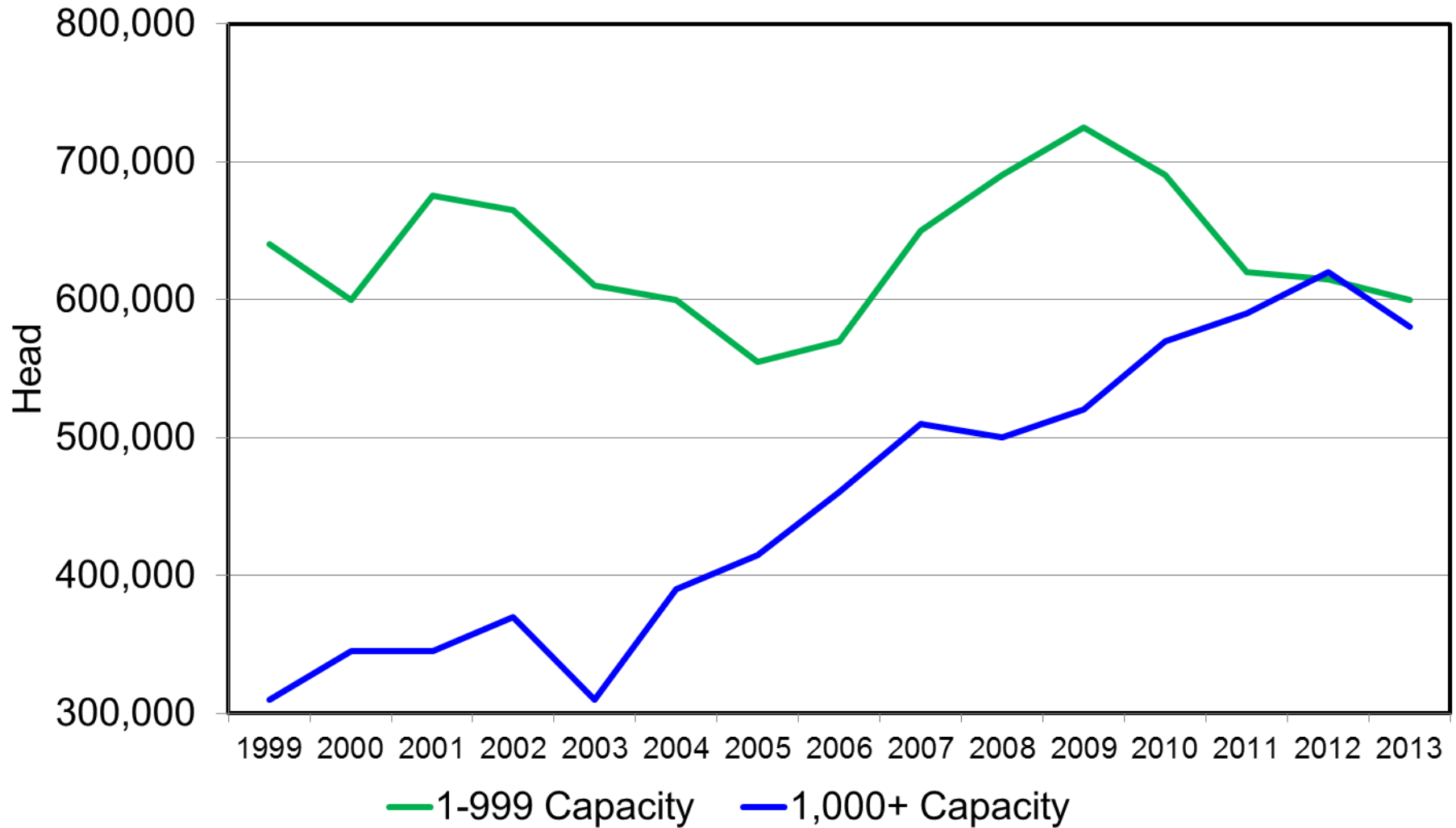
Weekly FI Steer & Heifer Slaughter Capacity

1994 to YTD 2013



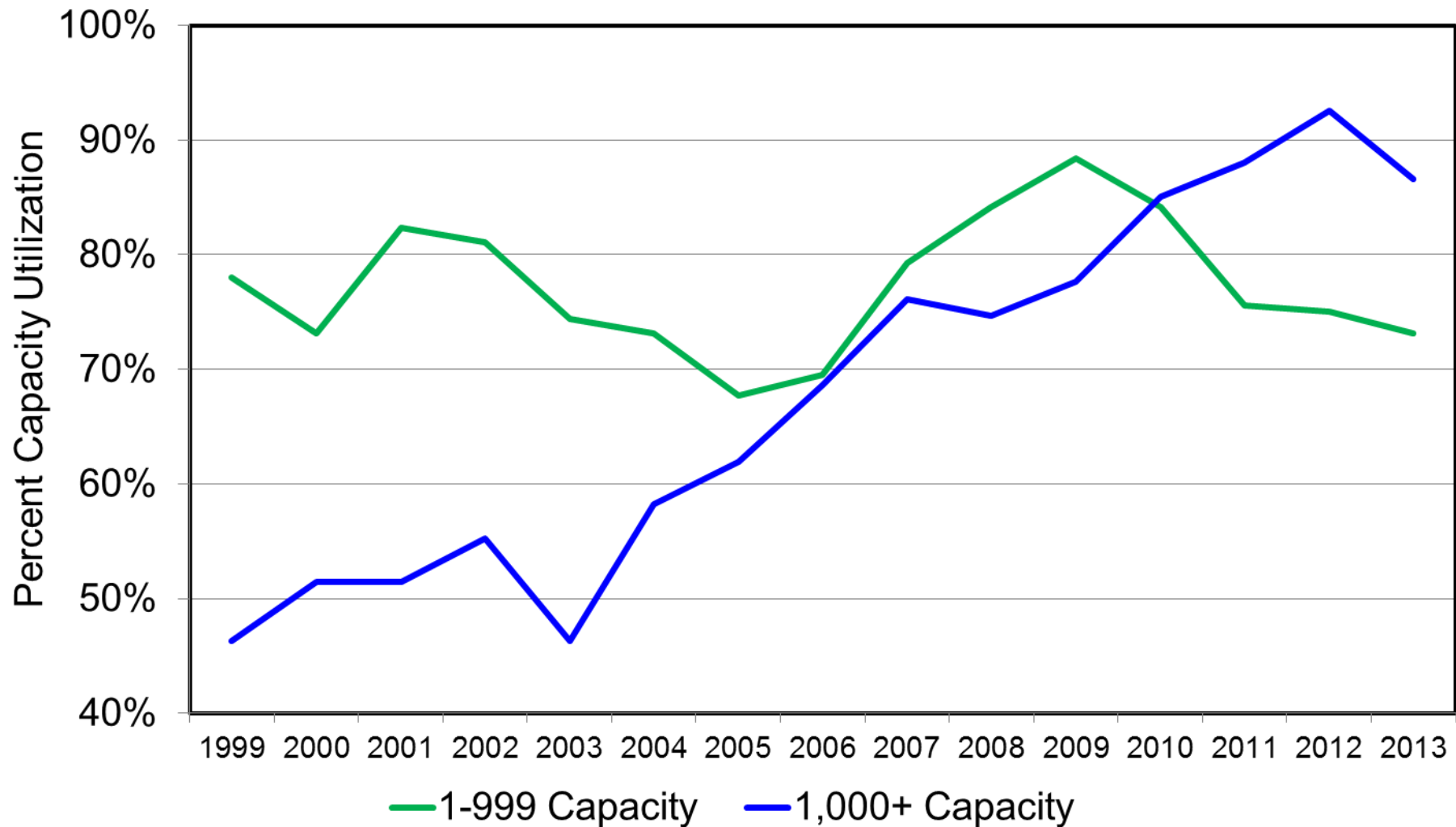
July 1 Cattle on Feed in Iowa

1-999 and 1,000+ Head Capacity



July 1 COF Capacity Utilization in Iowa

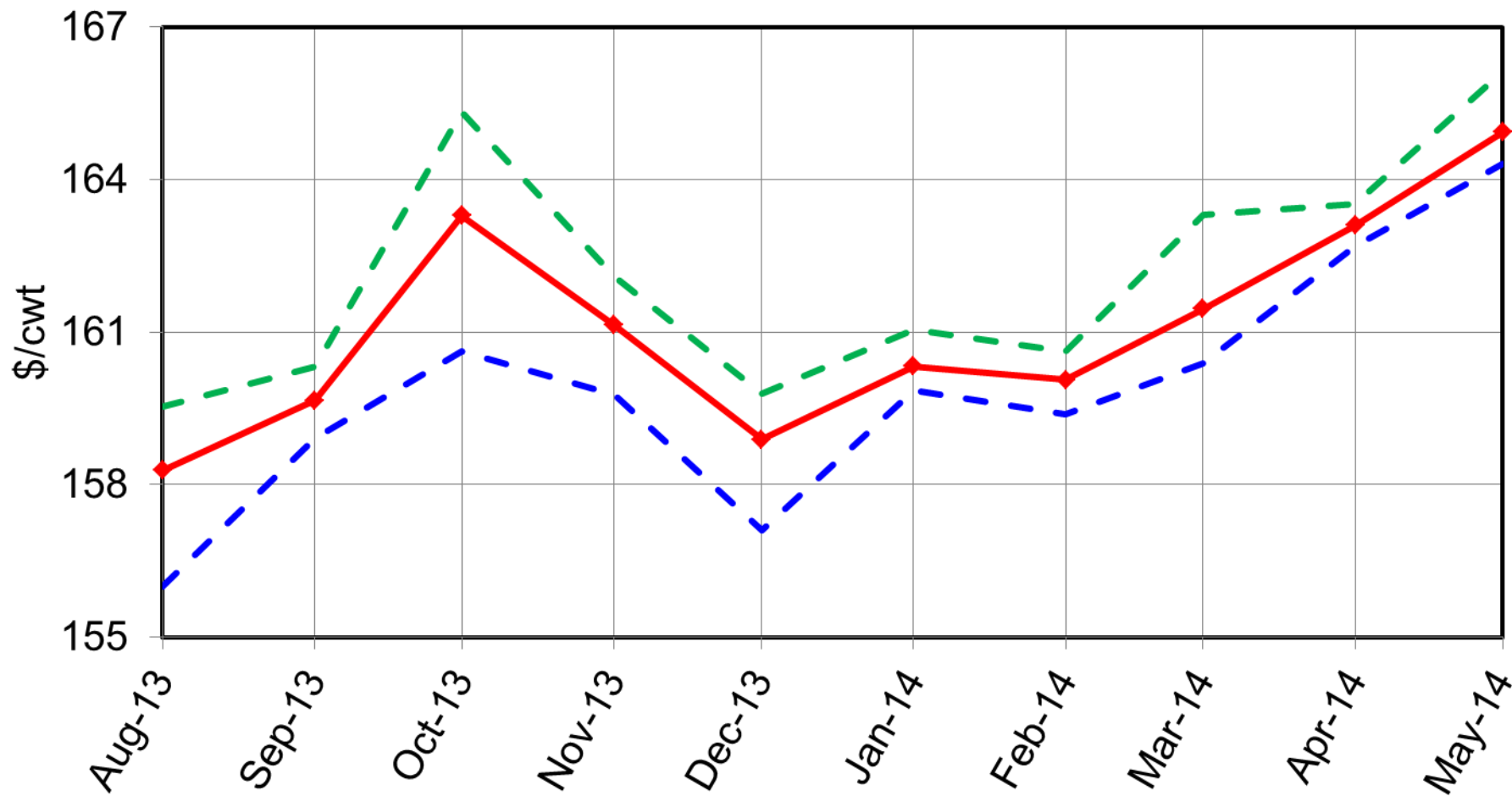
1-999 and 1,000+ Head Capacity



Iowa Feeder Steer Price Forecast, 700-800lb

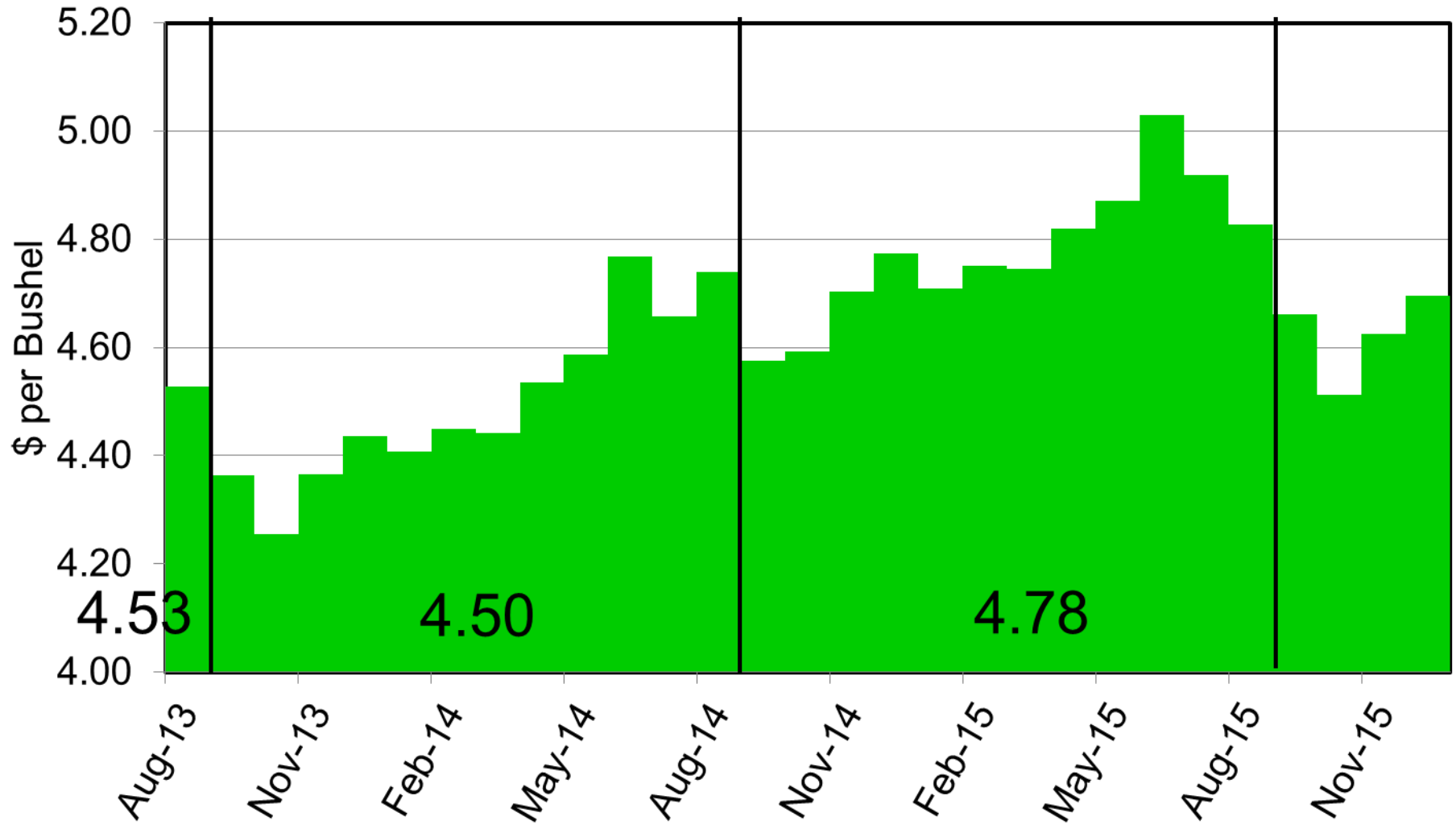
CME Futures Based, August 5, 2013

—◆— 3 Yr Avg Basis - - - Most Neg Basis - - - Most Pos Basis



Corn Price Forecasts

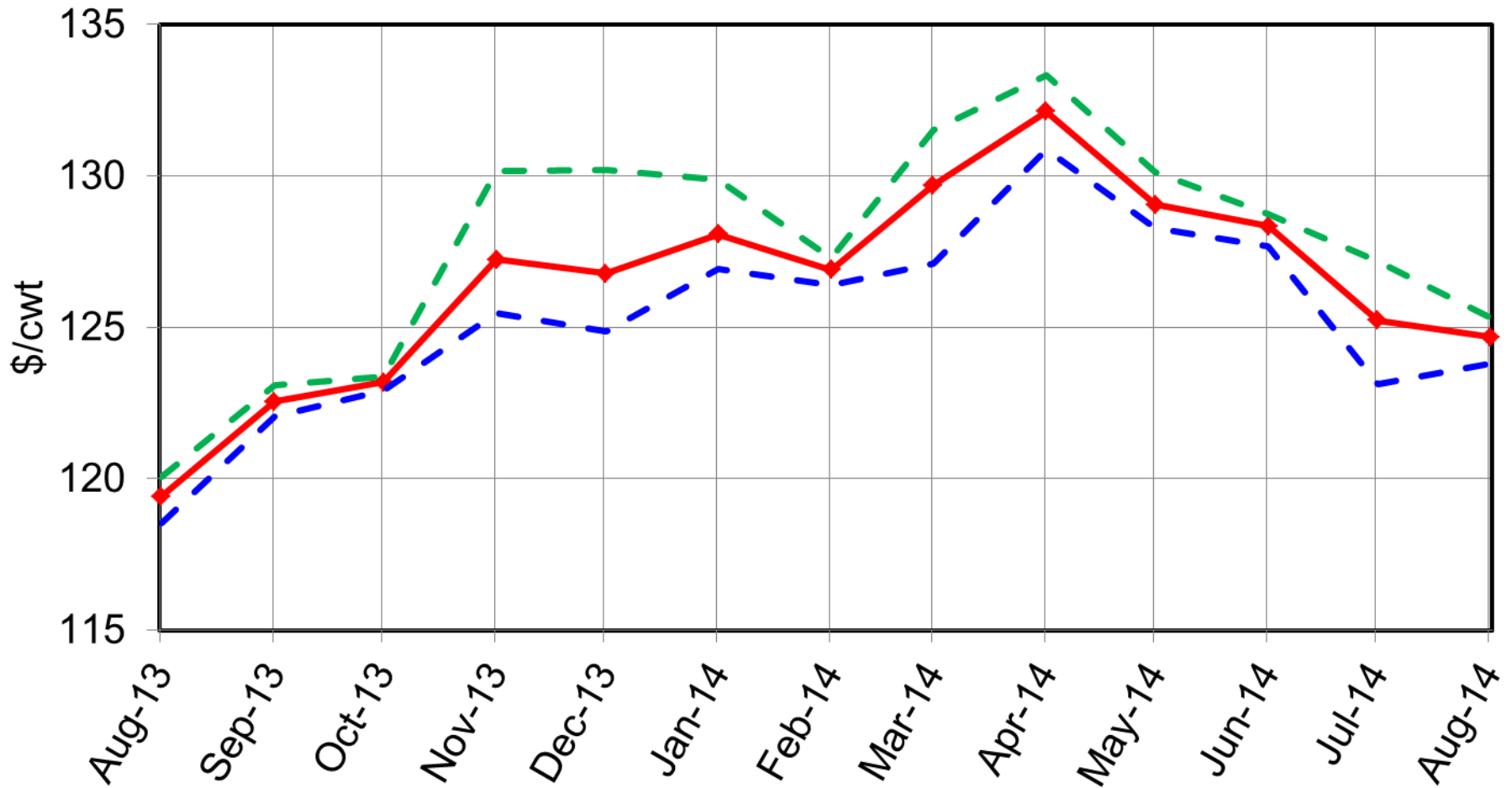
Projected with North Central Iowa Basis Adjusted Futures



Iowa/So Minnesota Live Steer Price Forecasts

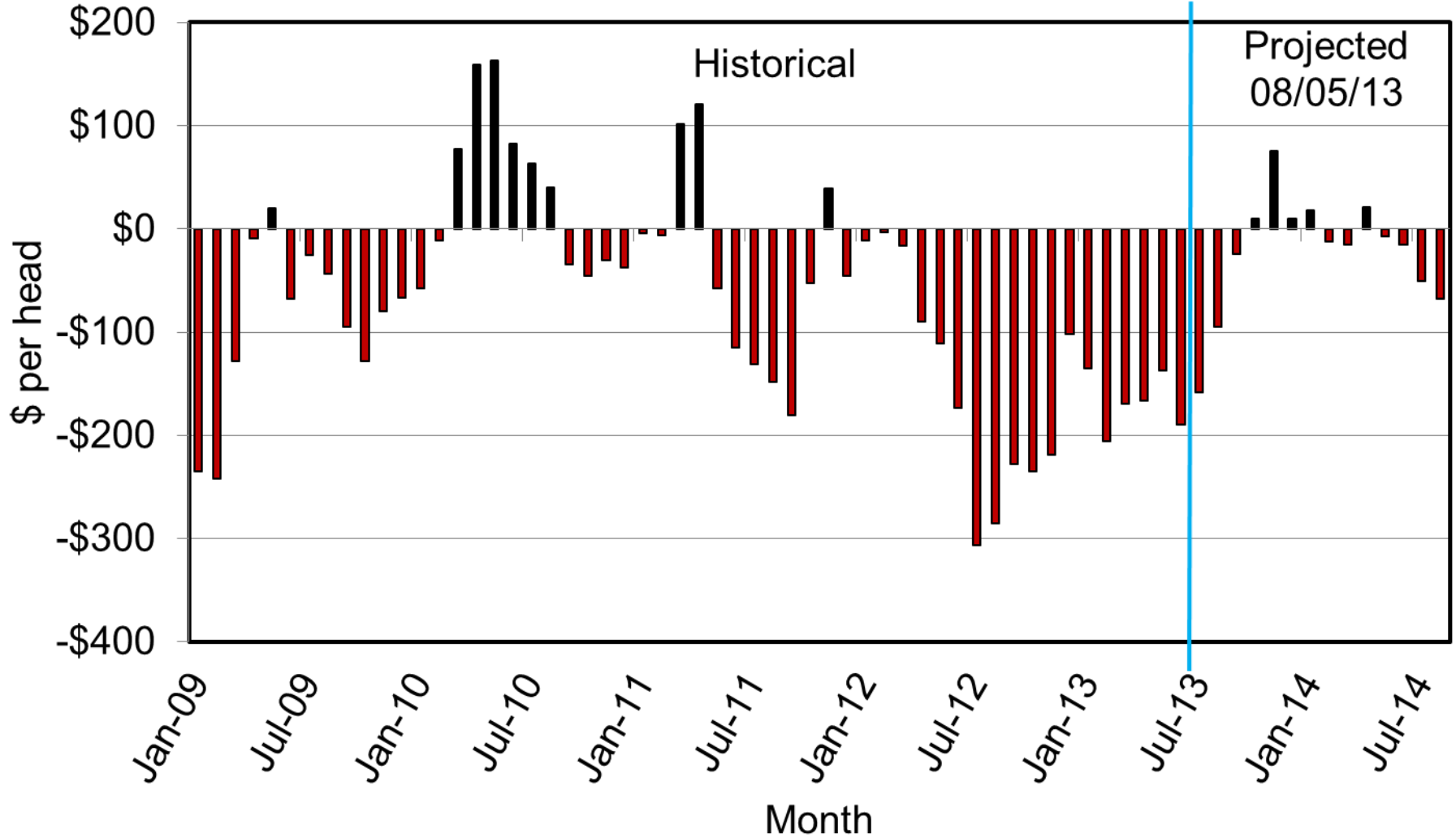
CME Futures Based, August 5, 2013

—◆— 3 Yr Avg Basis - - - Most Neg Basis - - - Most Pos Basis



Estimated Returns to Finishing Yearling Steers, Iowa

Historical and Projected with Basis Adjusted Futures



Source: Lee Schulz, Iowa State University

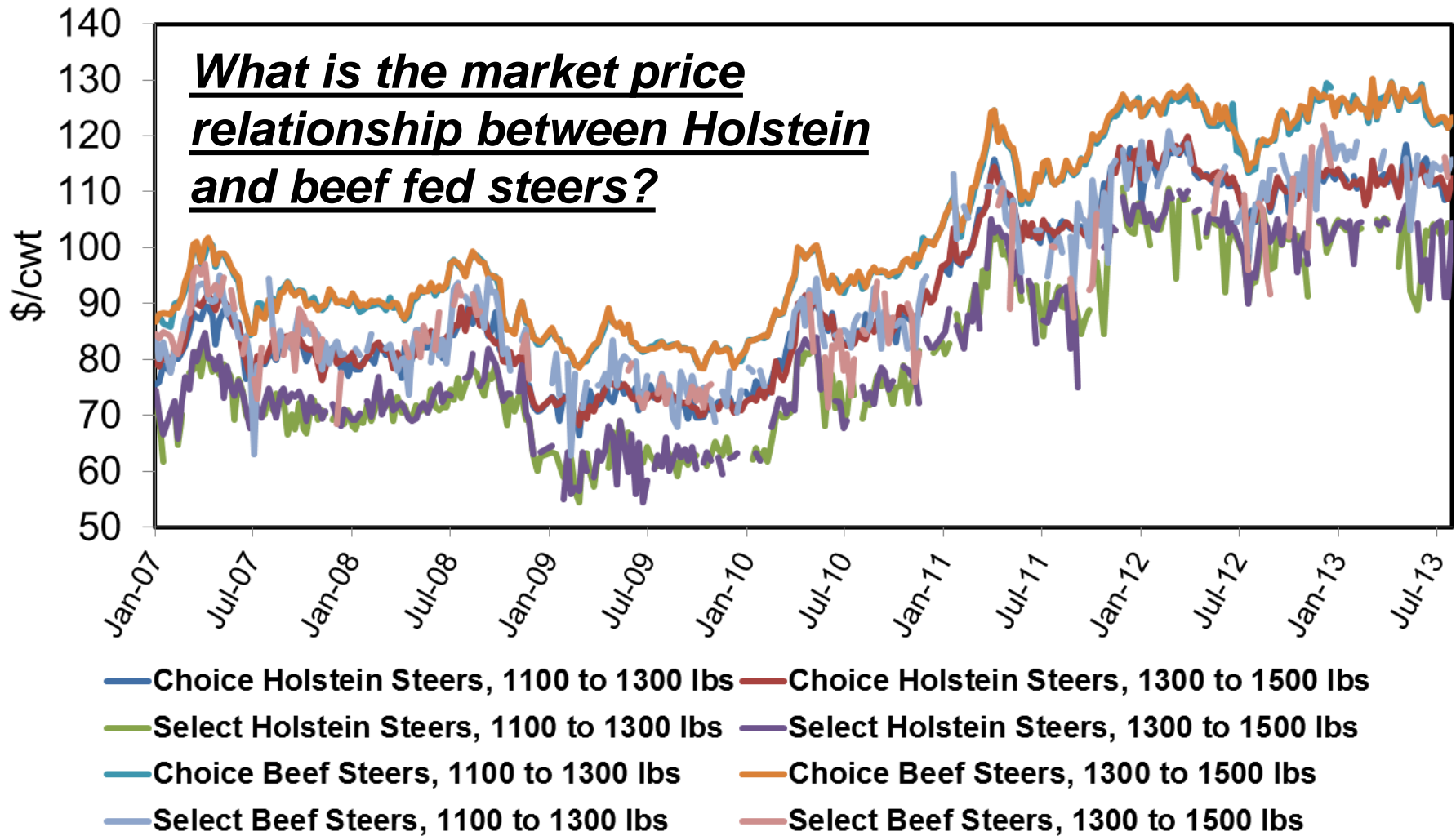
Quarterly Forecasts (LMIC:08/05/2013)

Year Quarter	Commercial Slaughter (1,000 hd)	Change from Year Ago (%)	Average Dressed Weight (lbs)	Change from Year Ago (%)	Commercial Beef Production (mil lbs)	Change from Year Ago (%)
2012						
I	8,026	-3.5	783	1.5	6,282	-2.0
II	8,309	-3.8	779	2.6	6,473	-1.3
III	8,333	-4.6	790	2.5	6,586	-2.2
IV	8,283	-1.3	794	2.6	6,572	1.3
Year	32,951	-3.3	786	2.3	25,913	-1.1
2013						
I	7,779	-3.1	793	1.4	6,172	-1.7
II	8,325	0.2	783	0.5	6,517	0.7
III	8,096	-2.8	797	0.8	6,452	-2.0
IV	7,662	-7.5	799	0.7	6,120	-6.9
Year	31,862	-3.3	793	0.8	25,261	-2.5
2014						
I	7,221	-7.2	802	1.1	5,793	-6.1
II	7,749	-6.9	791	1.1	6,130	-5.9
III	7,549	-6.8	805	1.0	6,077	-5.8
IV	7,151	-6.7	806	0.9	5,763	-5.8
Year	29,670	-6.9	801	1.0	23,763	-5.9



Iowa Holstein and Beef Breed Steer Prices

Weekly



Iowa Holstein-Beef Steer Price Spread by Year, \$/cwt, 2007-2012¹

Holstein - Beef Breed	2007	2008	2009	2010	2011	2012
Choice, 1100 to 1300 lbs	-9.98	-9.45	-9.84	-9.52	-9.34	-11.40
Choice, 1300 to 1500 lbs	-8.95	-9.67	-9.71	-9.92	-9.79	-11.27
Select , 1100 to 1300 lbs	-12.53	-12.56	-12.90	-12.39	-12.27	-11.47
Select, 1300 to 1500 lbs	-11.93	-11.21	-12.59	-8.24	-5.71	-4.73

Data source: USDA/AMS; weekly weighted average prices; Dunlap, Sheldon, and Tama Iowa.

¹ Holstein steers - Choice 2-3 and Select 2-3; Beef Steers - Choice 2-4 and Select 2-3.

Iowa Holstein-Beef Breed Steer Price Spread by Month, \$/cwt, 2007-2012¹

	Holstein Steer - Beef Breed Steer			
	Choice		Select	
	1100 - 1300	1300 - 1500	1100 - 1300	1300 - 1500
January ²	-10.02	-9.90	-14.42	-12.78
February ²	-9.66	-9.61	-13.51	-13.20
March ²	-8.66	-9.51	-11.62	-14.32
April ²	-10.31	-10.32	-10.51	-11.65
May ²	-11.19	-10.95	-12.20	-10.59
June ²	-9.67	-10.08	-11.34	-10.29
July ²	-10.76	-10.41	-10.90	-8.94
August ²	-8.97	-8.93	-11.29	-10.53
September	-10.01	-10.05	-13.30	-8.29
October	-9.75	-9.52	-12.97	-10.25
November	-9.28	-10.23	-8.41	-7.21
December	-11.18	-10.87	-11.63	-11.35

Data source: USDA/AMS; weekly weighted average prices; Dunlap, Sheldon, and Tama Iowa.

¹ Holstein steers - Choice 2-3 and Select 2-3; Beef Steers - Choice 2-4 and Select 2-3.

² 2013 data included: 01/05/13 through 08/3/13.

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Ag Cycles

The following series of papers is titled "Ag Cycles." Agricultural production and prices have always been cyclical. The influence of weather on production is one factor. The tendency of individuals to react rather than anticipate market signals also contributes to boom and bust periods. The length of the cycle differs with the commodity, and the weather and cyclical prices in one commodity will influence cyclical behavior in another market.

This collection of papers is an analysis of the current state of Iowa agriculture from the crop, livestock, and land market perspective. It examines the question of price levels and price risk going forward. It also includes a recent analysis and papers from the Federal Reserve Bank of Kansas City, which examines previous agricultural cycles and how they played out through borrower's behavior. Combined, this analysis provides lessons from the past and milestones as potential guides to the future.

This analysis is not intended to be a forecast of annual prices in the coming months or years. Nor is it predicting gloom and doom for agriculture. Rather, it is intended to help put current economic conditions into a historic context, better understand the factors that will influence prices and margins in the future, and help you prepare for whatever direction the market turns.

- [Introduction](#)
- [A Crop Marketing Perspective](#)
- [Livestock Market Assessment and Long Term Prospective](#)
- [Land Values](#)
- [What Futures Markets Project](#)
- [Agricultural Debt](#)

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<http://www.iowabeefcenter.org/>

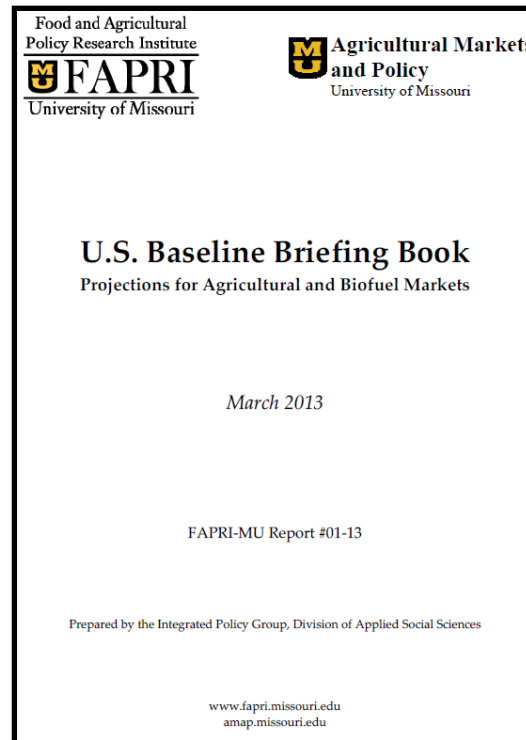
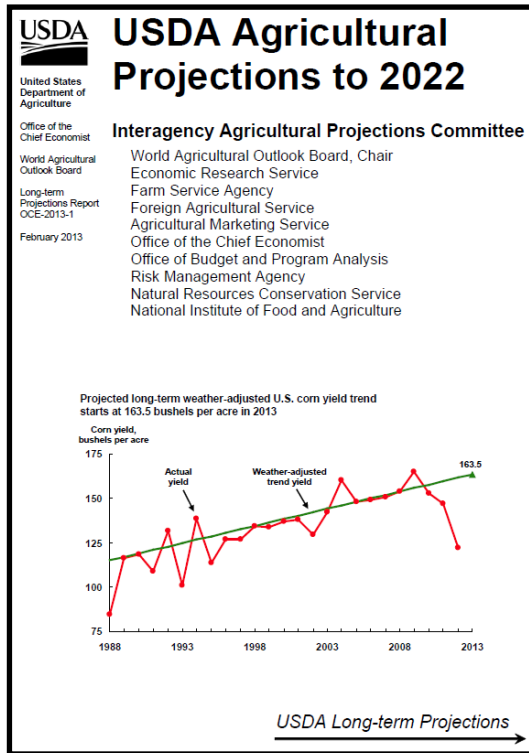
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Projections



Iowa projections extrapolated from US 10-year projections

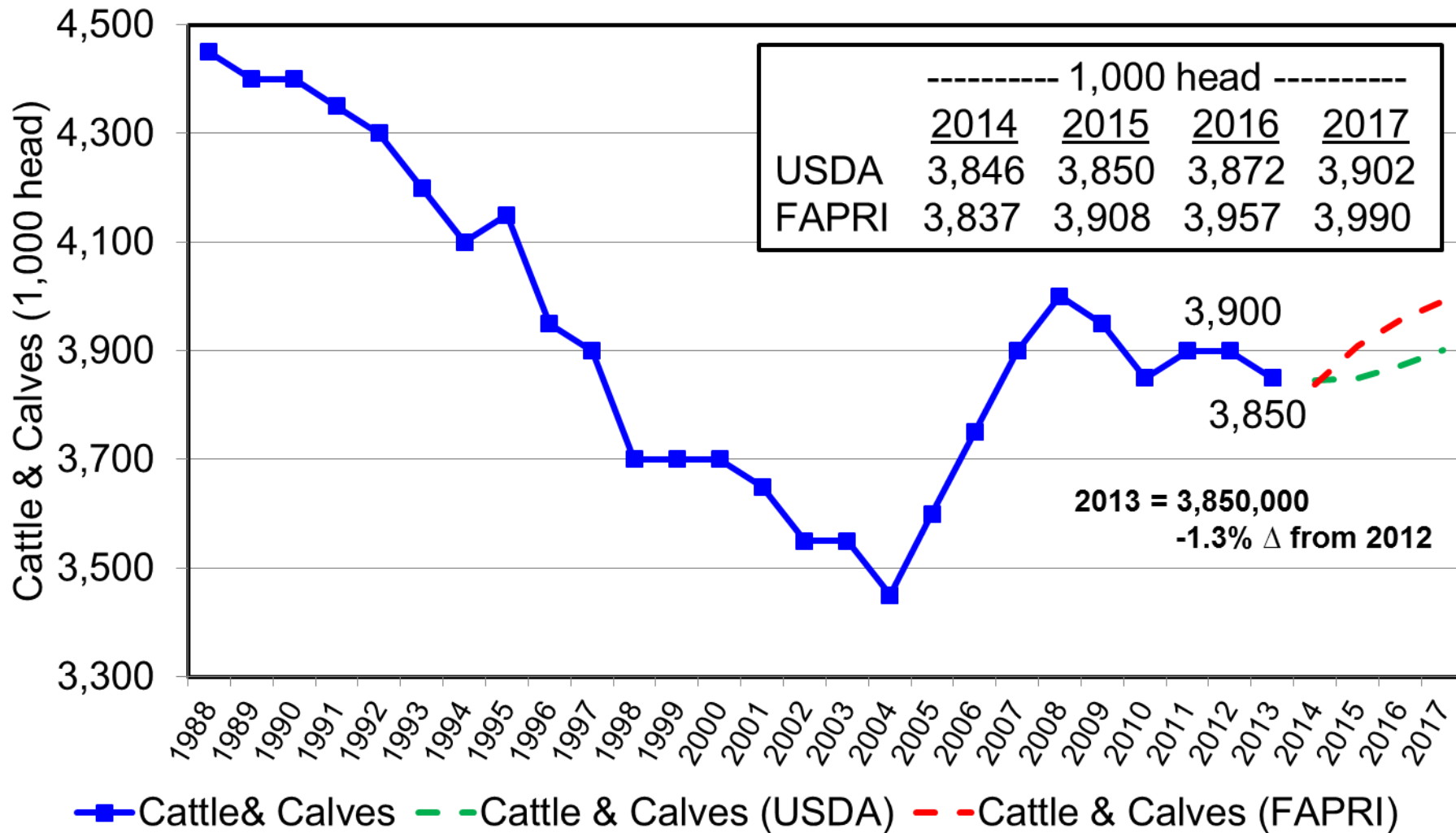
Projections assume Iowa share of U.S. inventory remains the same throughout the projection period as the last reported USDA/NASS estimate

FAPRI: http://www.fapri.missouri.edu/outreach/publications/2013/FAPRI_MU_Report_01_13.pdf

USDA: <http://www.ers.usda.gov/publications/oce-usda-agricultural-projections/oce131.aspx#.Uegv-m0pi72>

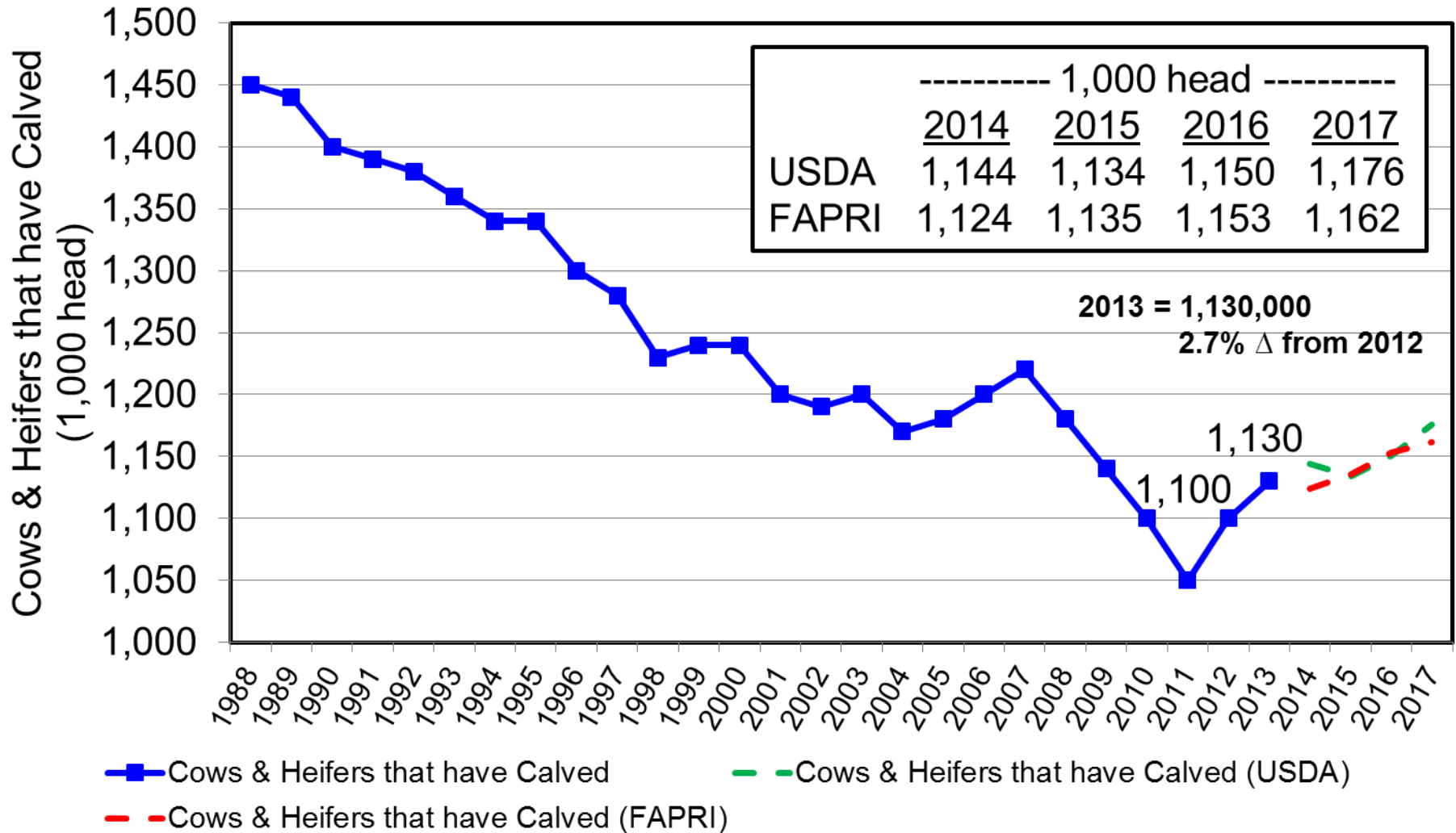
Iowa Cattle & Calves

January 1



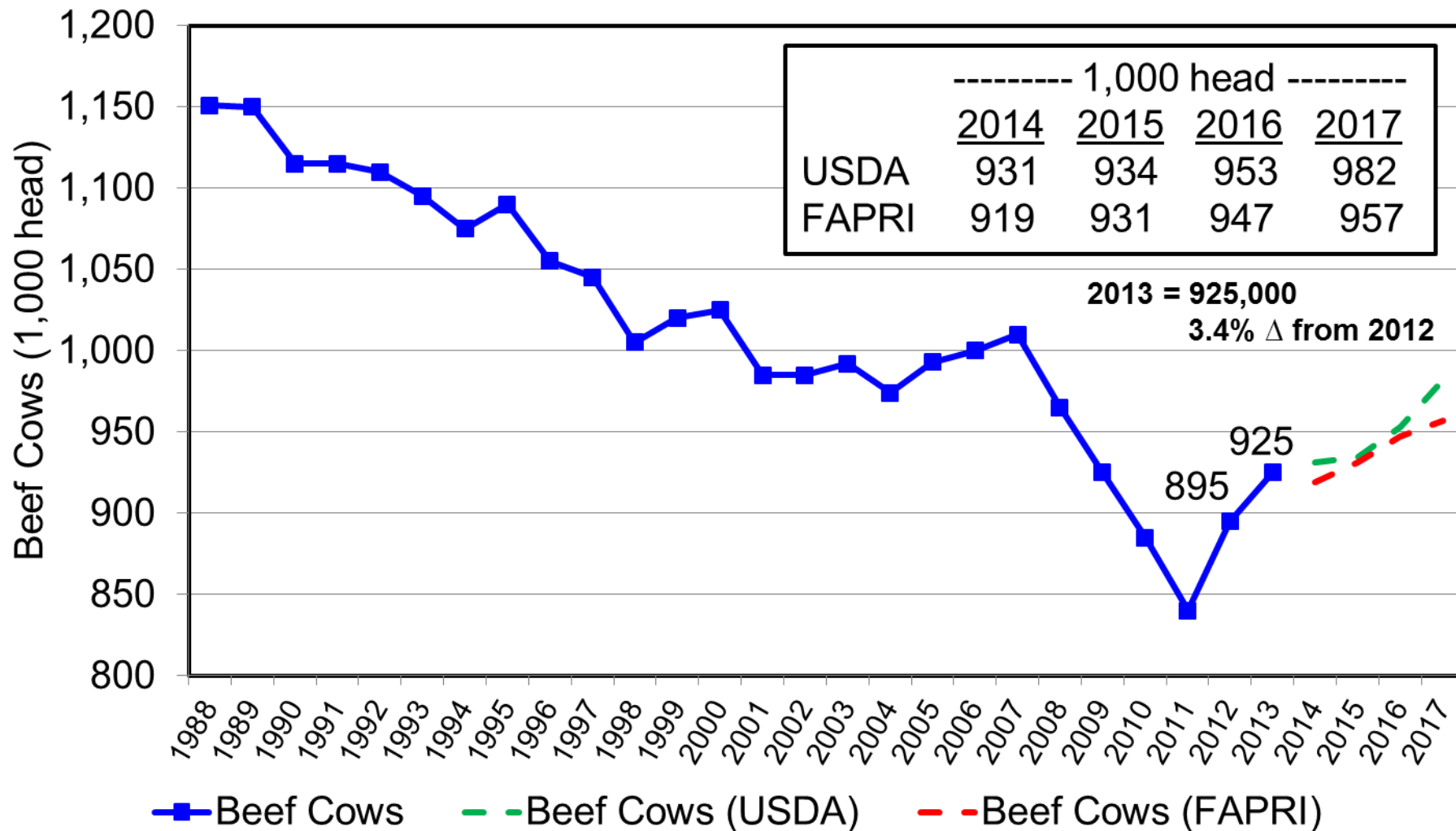
Iowa Cows & Heifers that have Calved

January 1



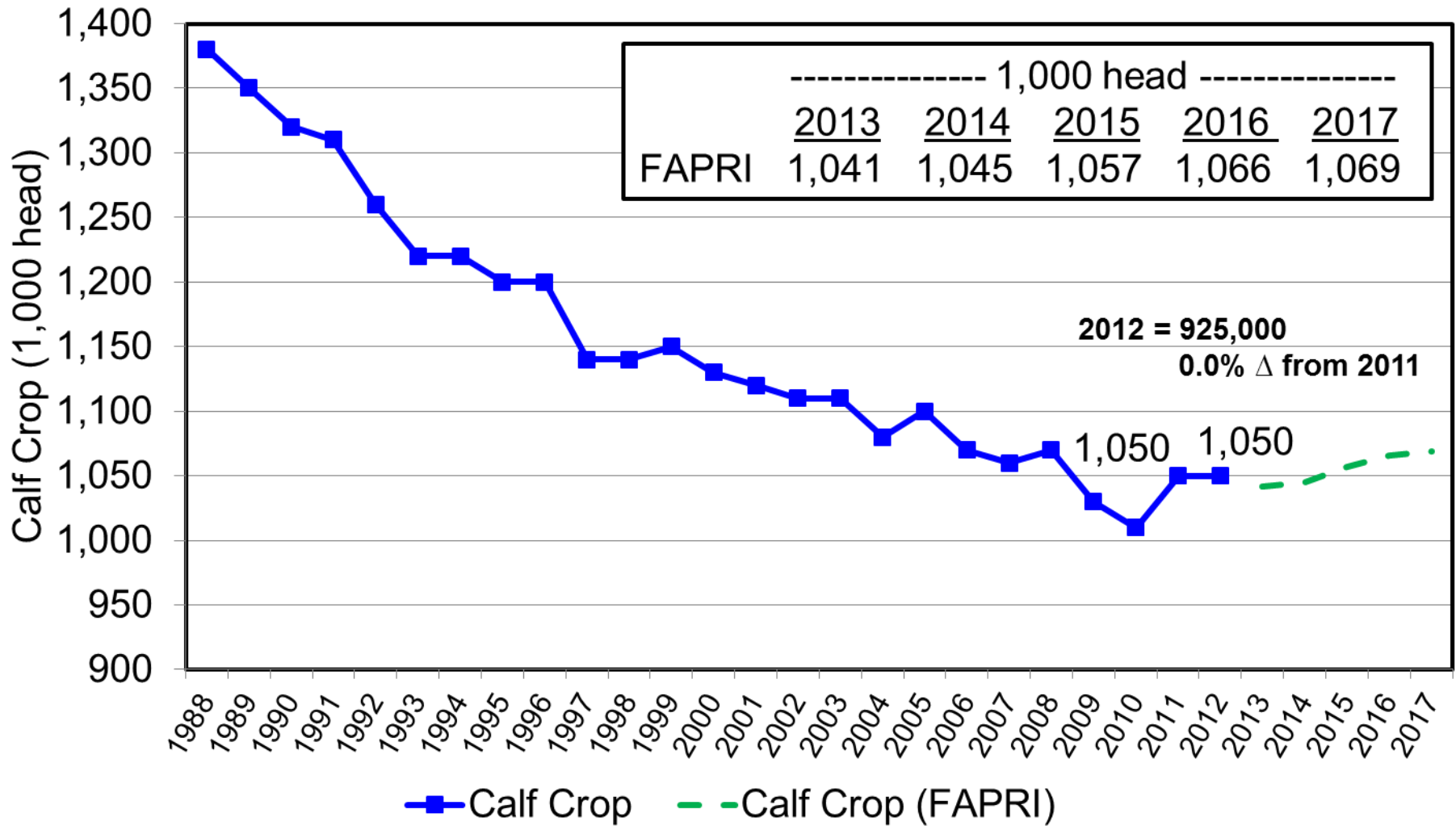
Iowa Beef Cows

January 1



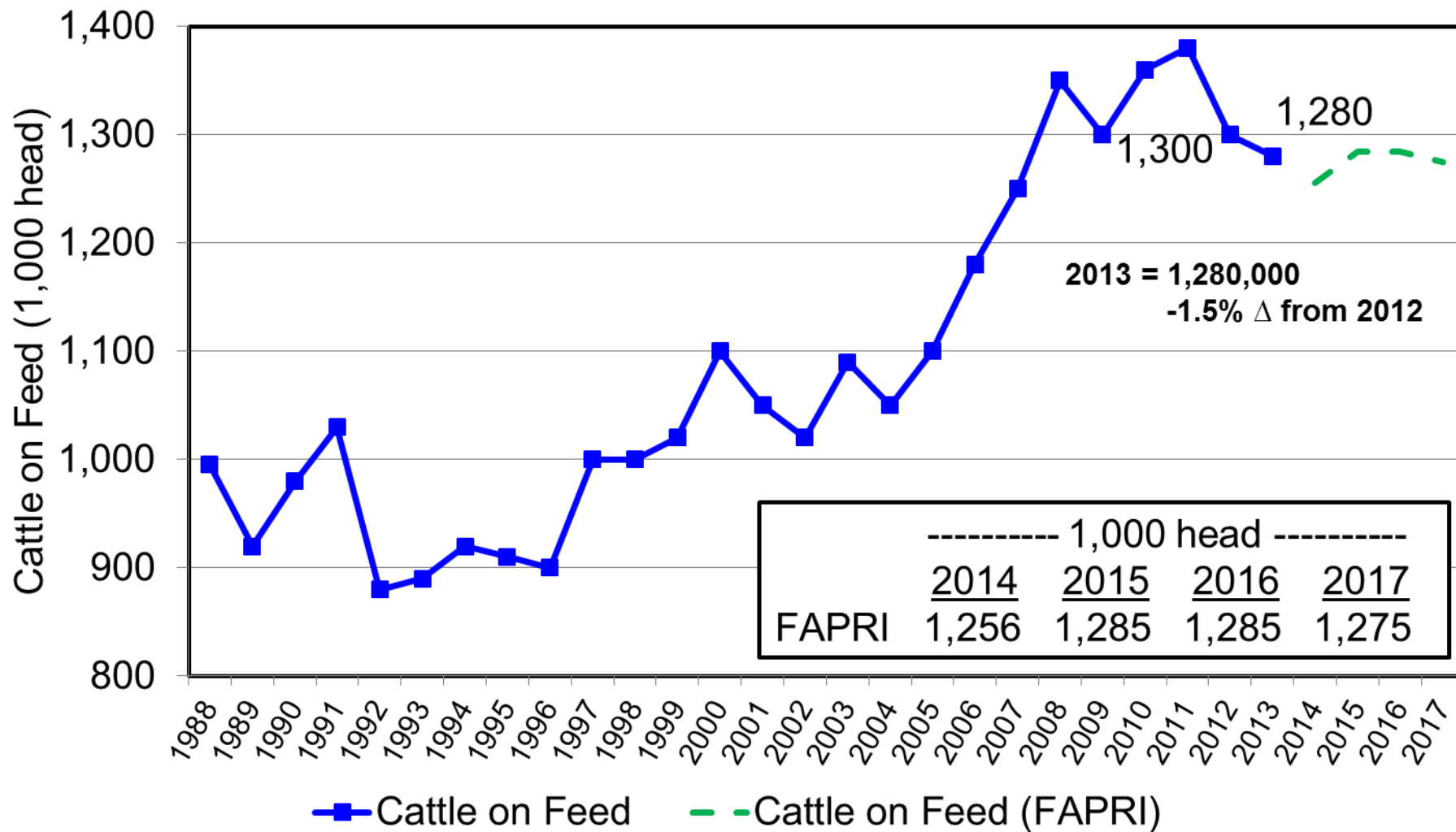
Iowa Calf Crop

January 1



Iowa Cattle on Feed

January 1



Iowa Fed Cattle Marketings

January 1

