

# Beef and Pork Outlook

Ross Pruitt

Extension Economist - Livestock

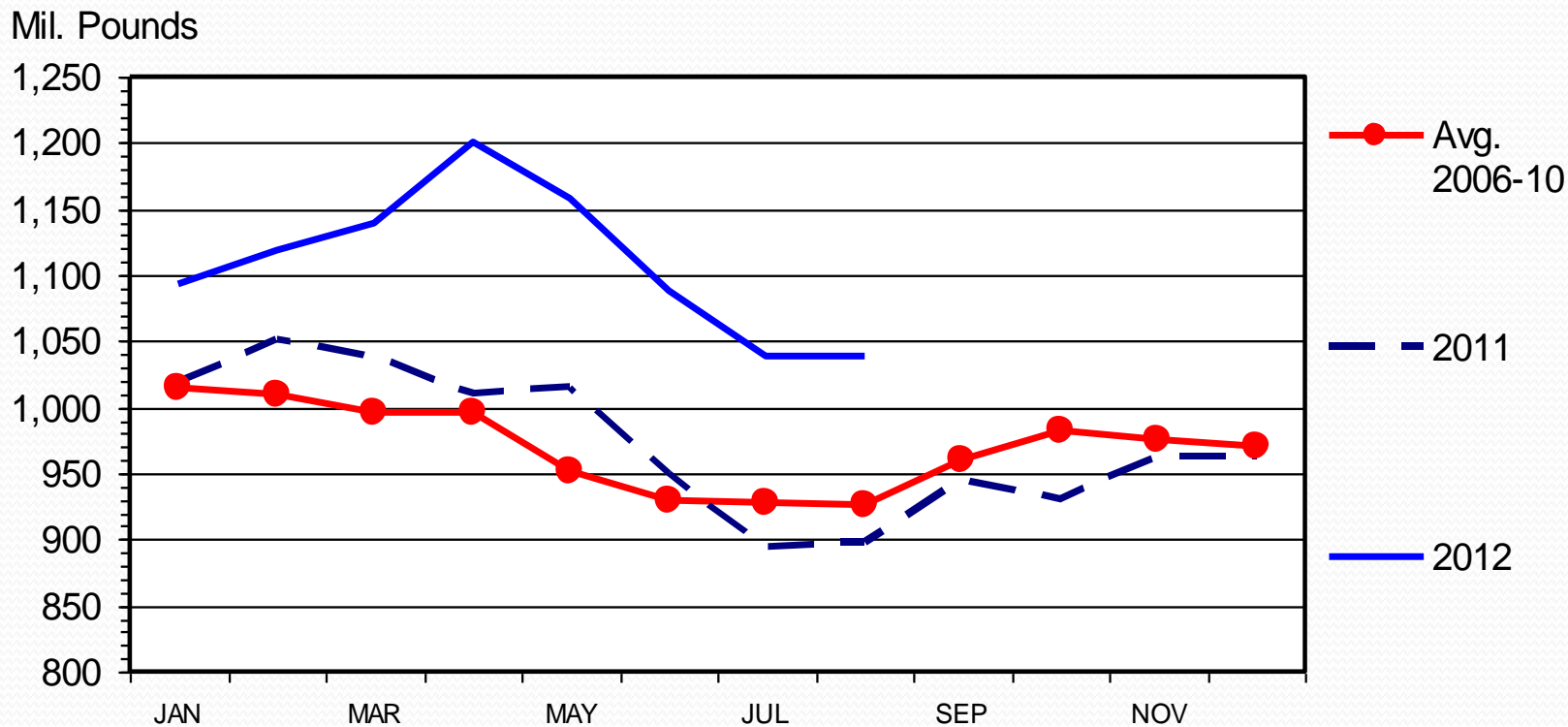


# Overview

- Drought and higher feedstuff costs
- Sluggish economy & demand
  - Retail prices already at or near record levels
- More meat in cold storage than last year

# TOTAL RED MEAT IN COLD STORAGE

## End of the Month



Livestock Marketing Information Center

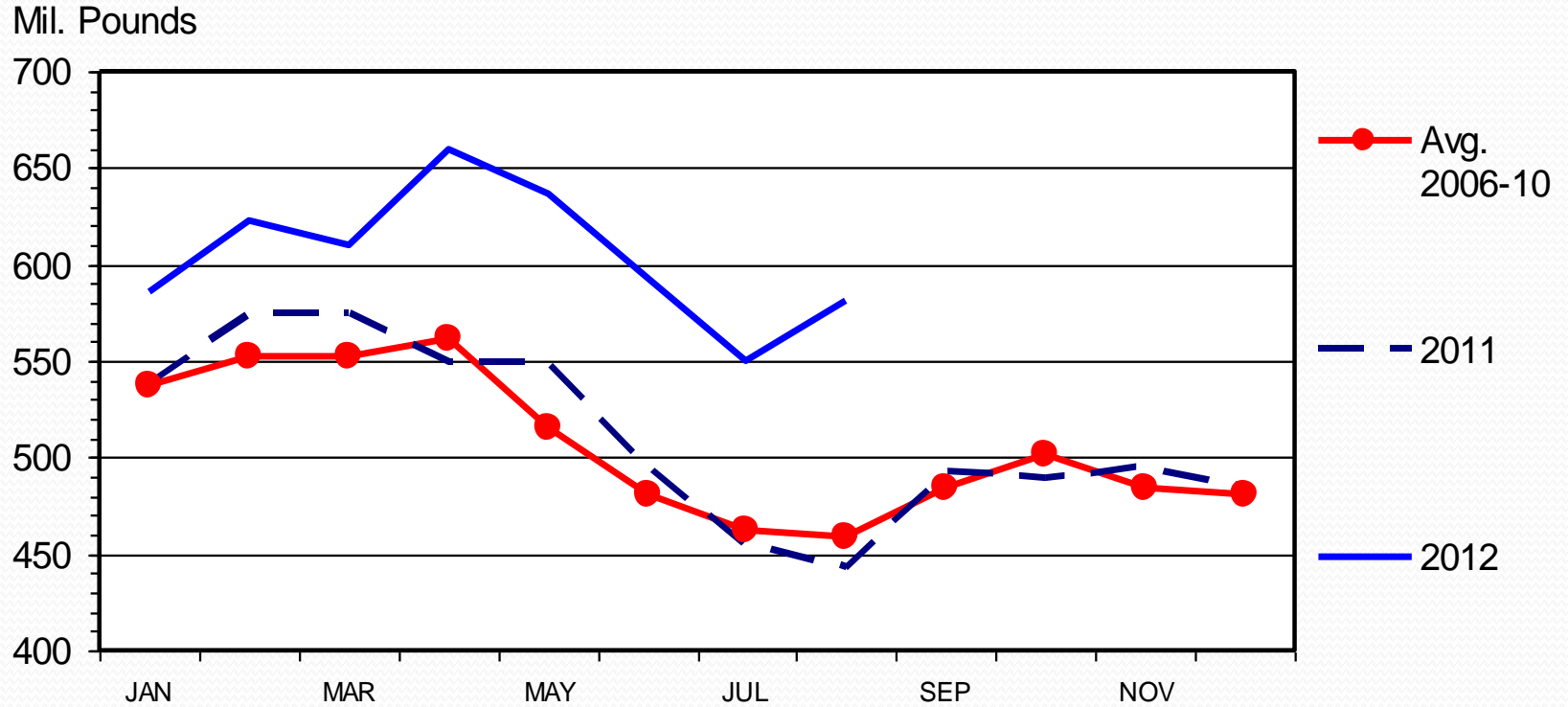
Data Source: USDA/NASS

M-S-11

09/21/12

# PORK IN COLD STORAGE

Frozen and Cured, End of the Month



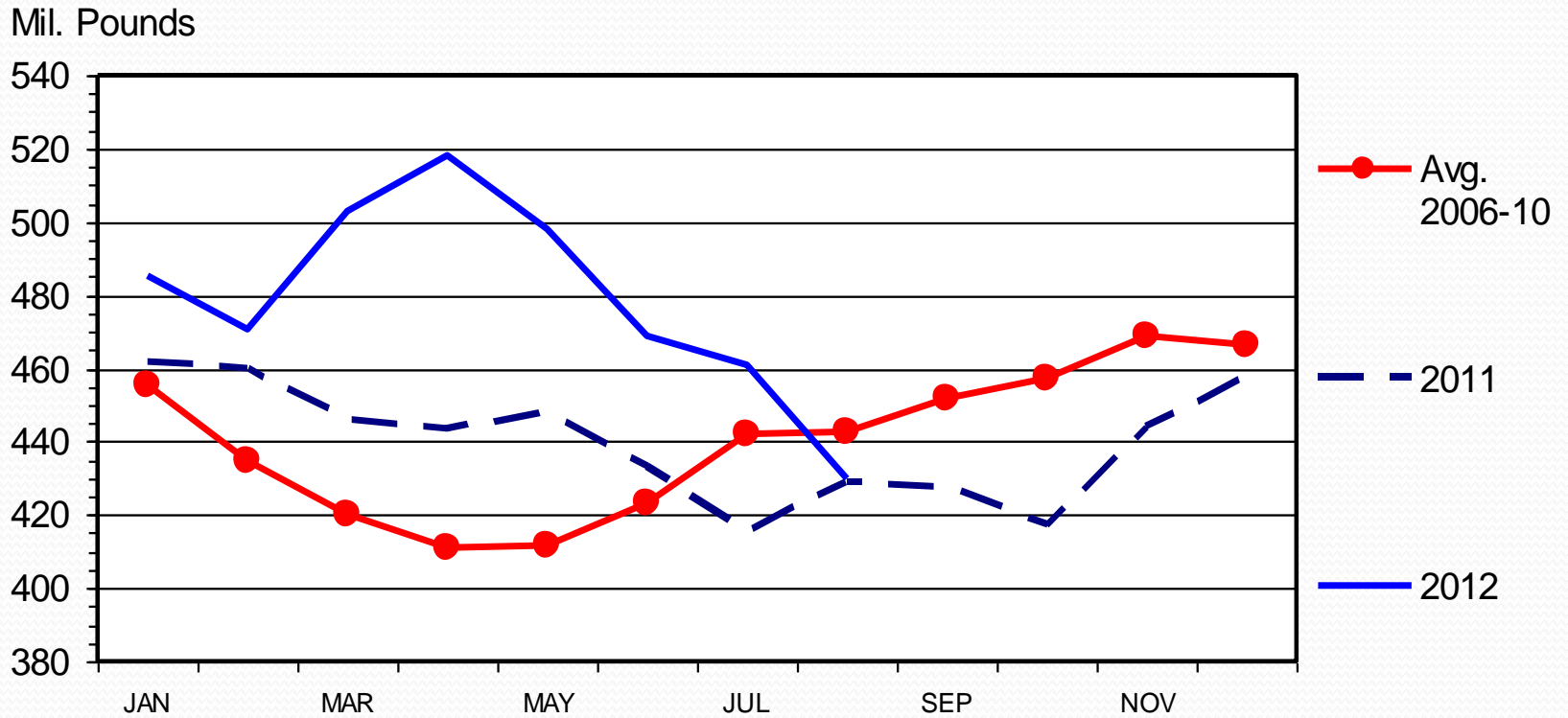
Livestock Marketing Information Center

Data Source: USDA/NASS

M-S-10  
09/21/12

# BEEF IN COLD STORAGE

## End of the Month



Livestock Marketing Information Center

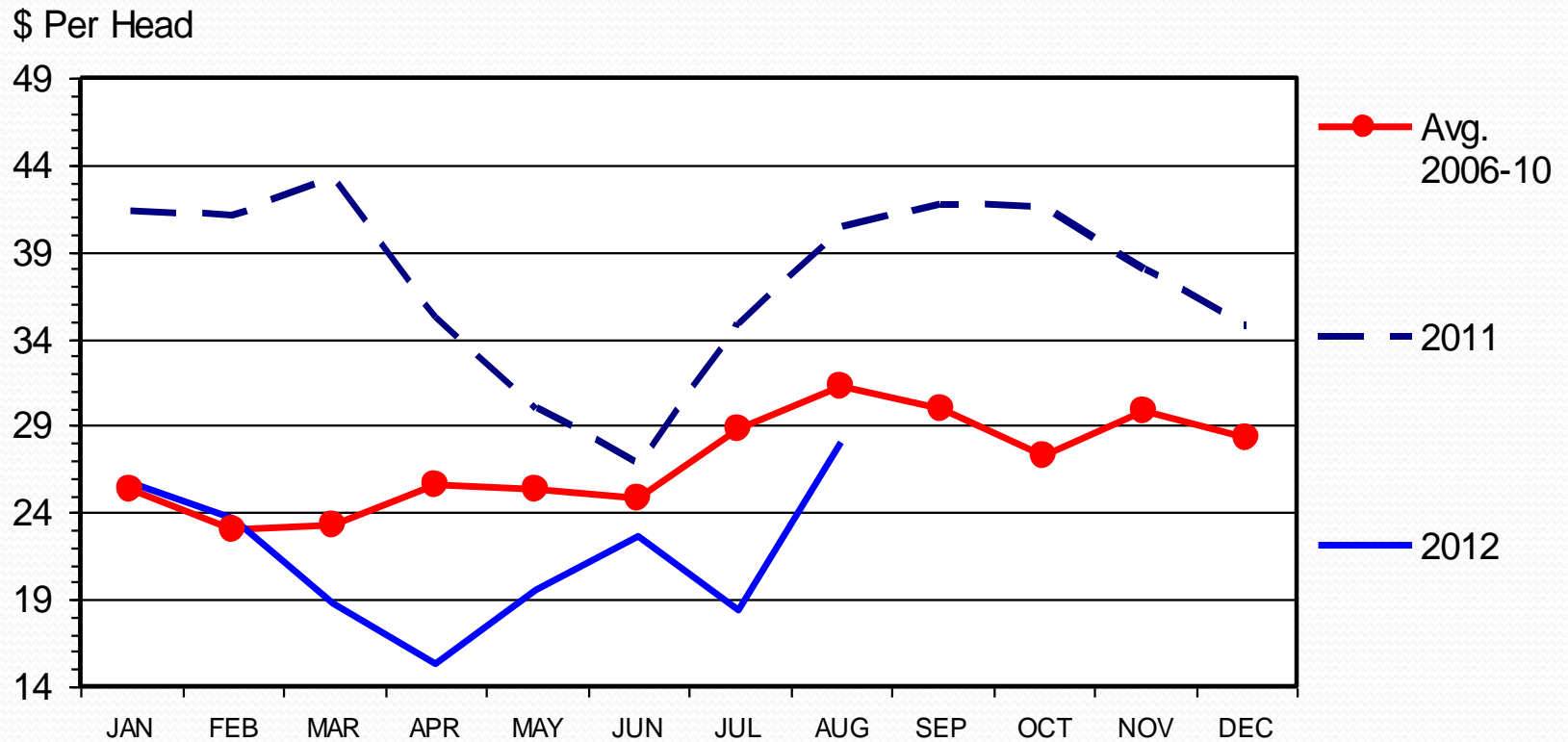
Data Source: USDA/NASS

M-S-09  
09/21/12



# LIVE TO CUTOUT PORK PRICE SPREAD

## Monthly



Livestock Marketing Information Center

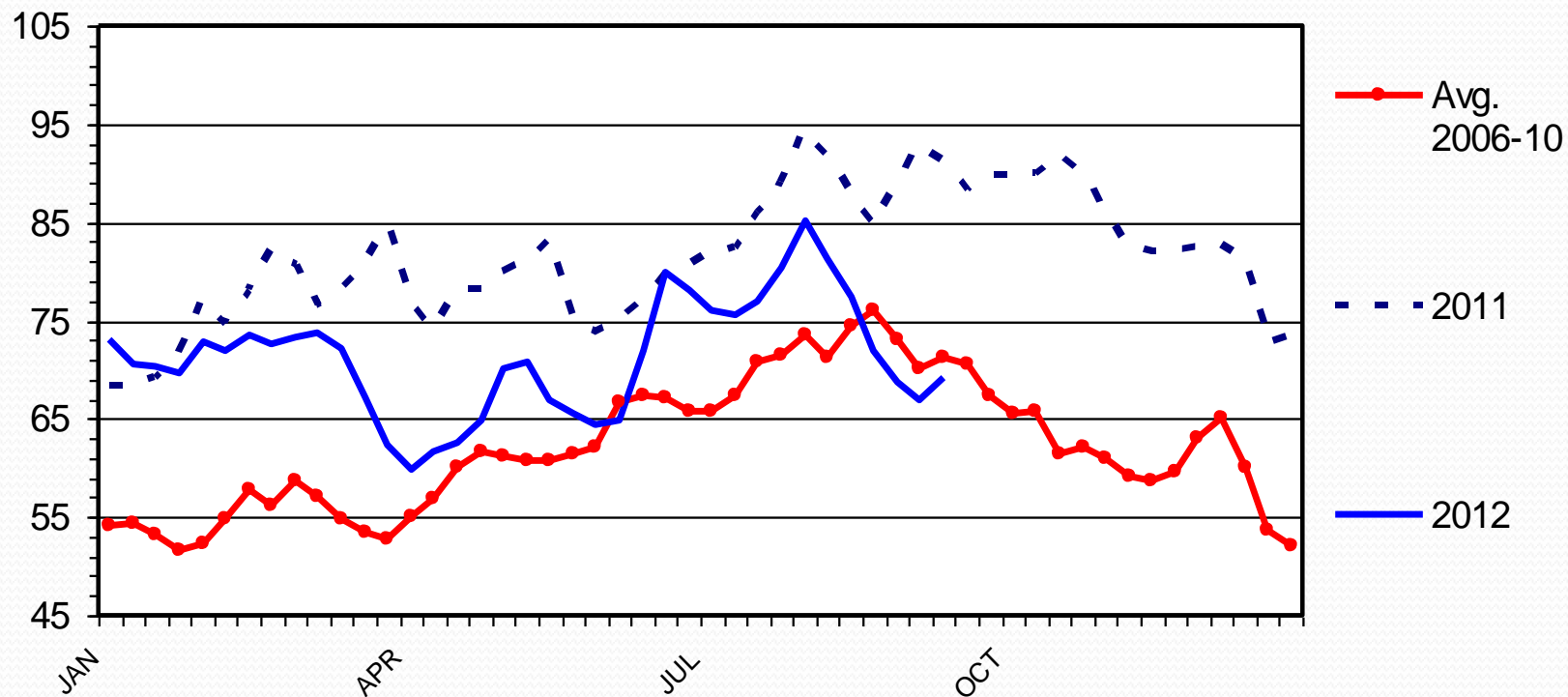
Data Source: USDA-AMS & USDA-ERS, Compiled & Analysis by LMIC

H-P-07  
09/14/12

# WHOLESALE HAM PRICES

Selected, 23-27 Pounds, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS

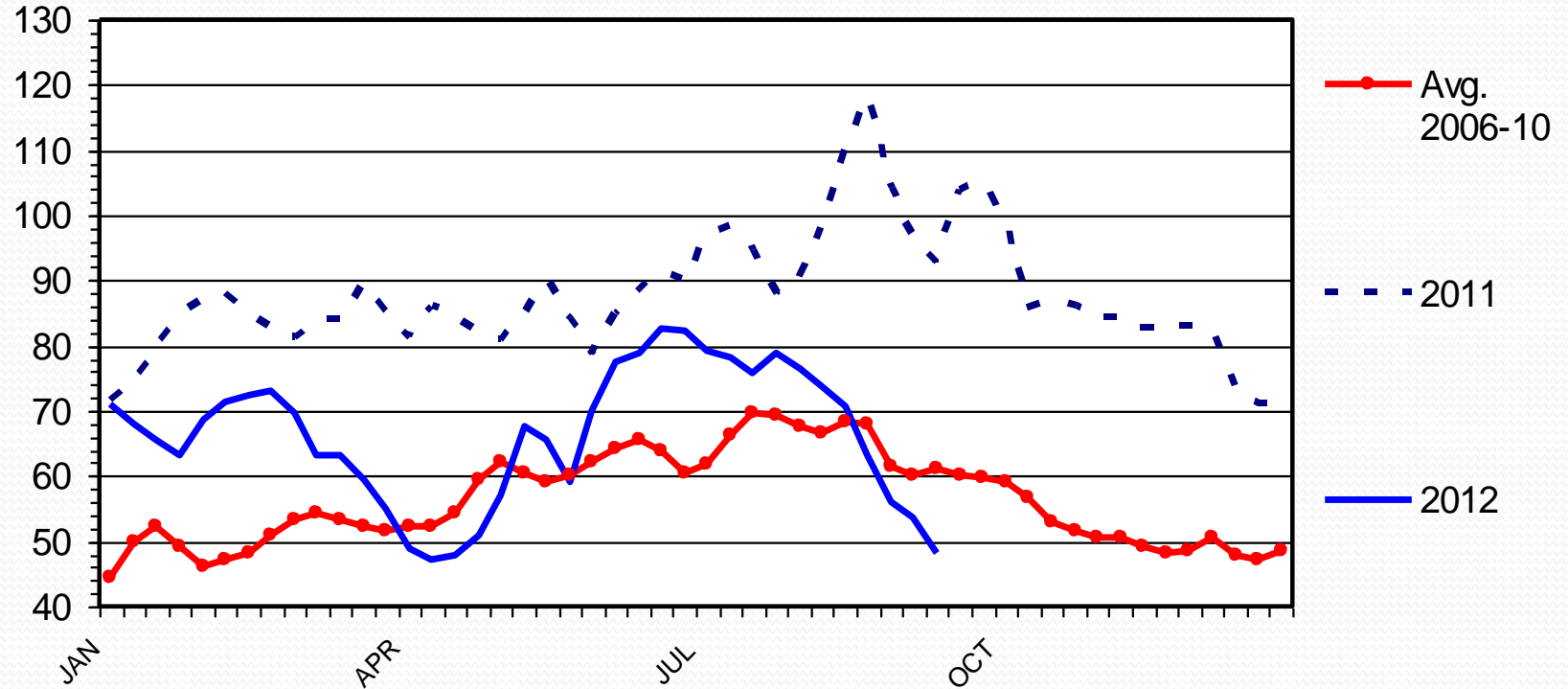
M-P-27  
09/17/12



# WHOLESALE PORK TRIMMING PRICES

Fresh, 72% Lean, Weekly

\$ Per Cwt.



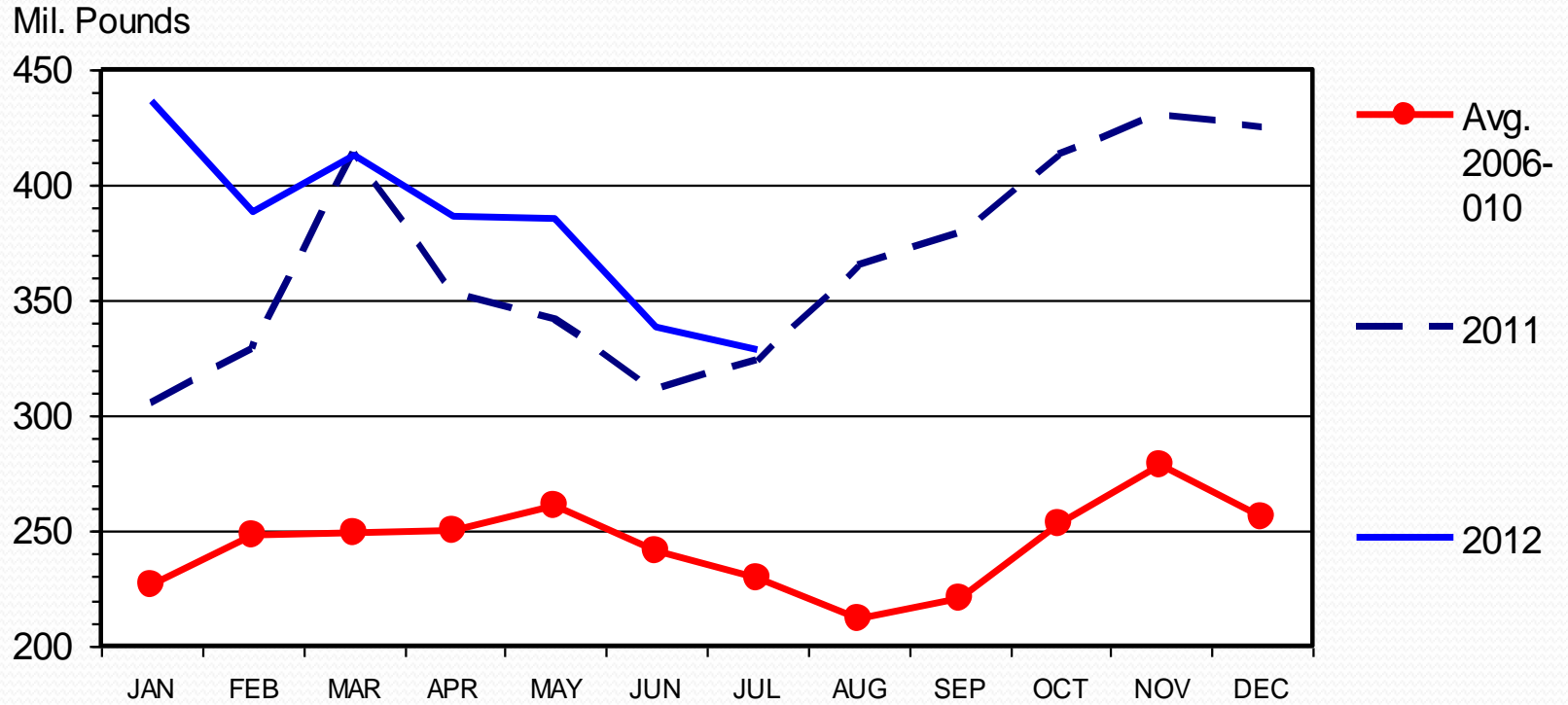
Livestock Marketing Information Center

Data Source: USDA-AMS

M-P-30  
09/17/12

# U S NET PORK EXPORTS

## Carcass Weight, Monthly



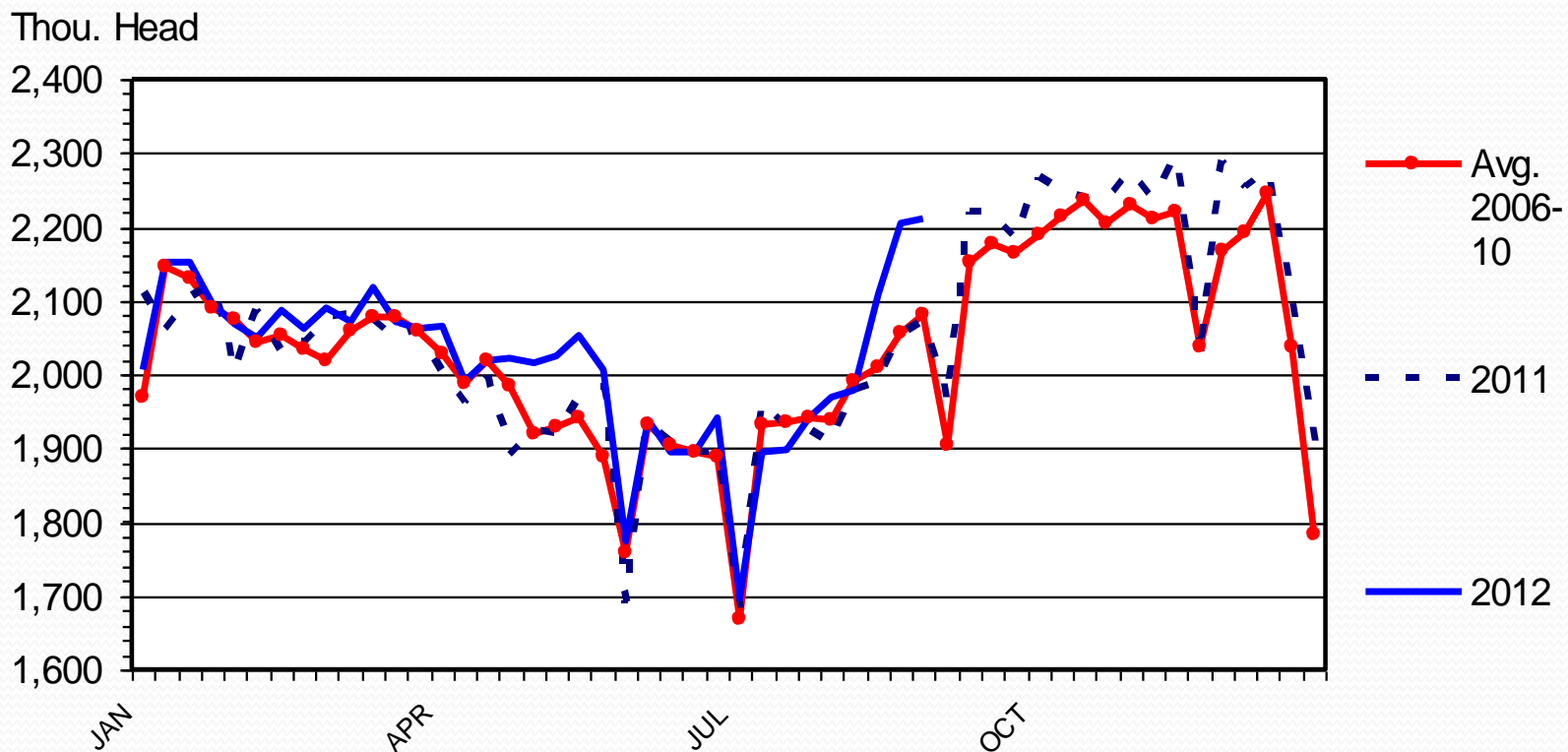
Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC

I-N-32  
09/12/12

# BARROW AND GILT SLAUGHTER

Federally Inspected, Weekly



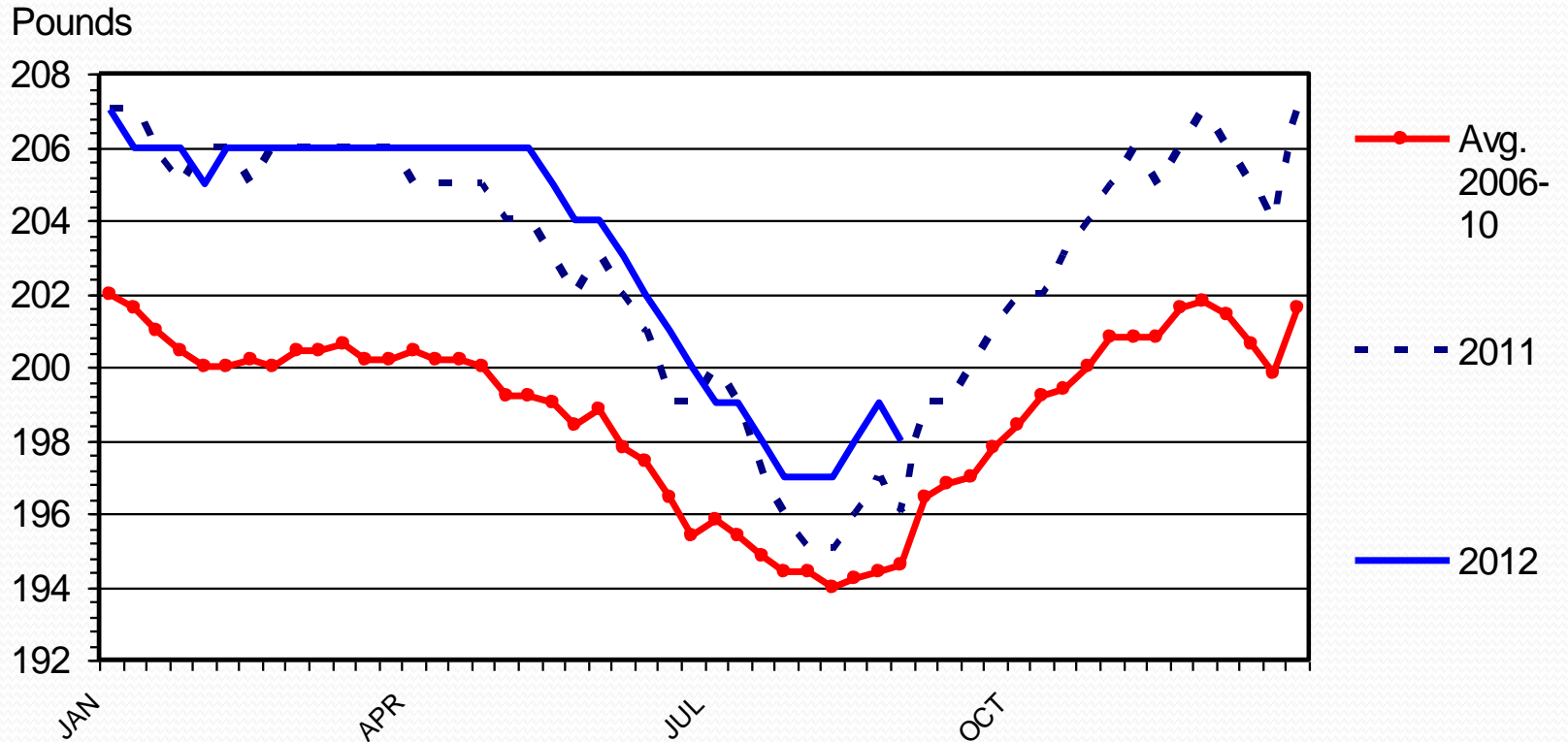
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

H-S-13  
09/14/12

# BARROW AND GILT DRESSED WEIGHT

## Federally Inspected, Weekly



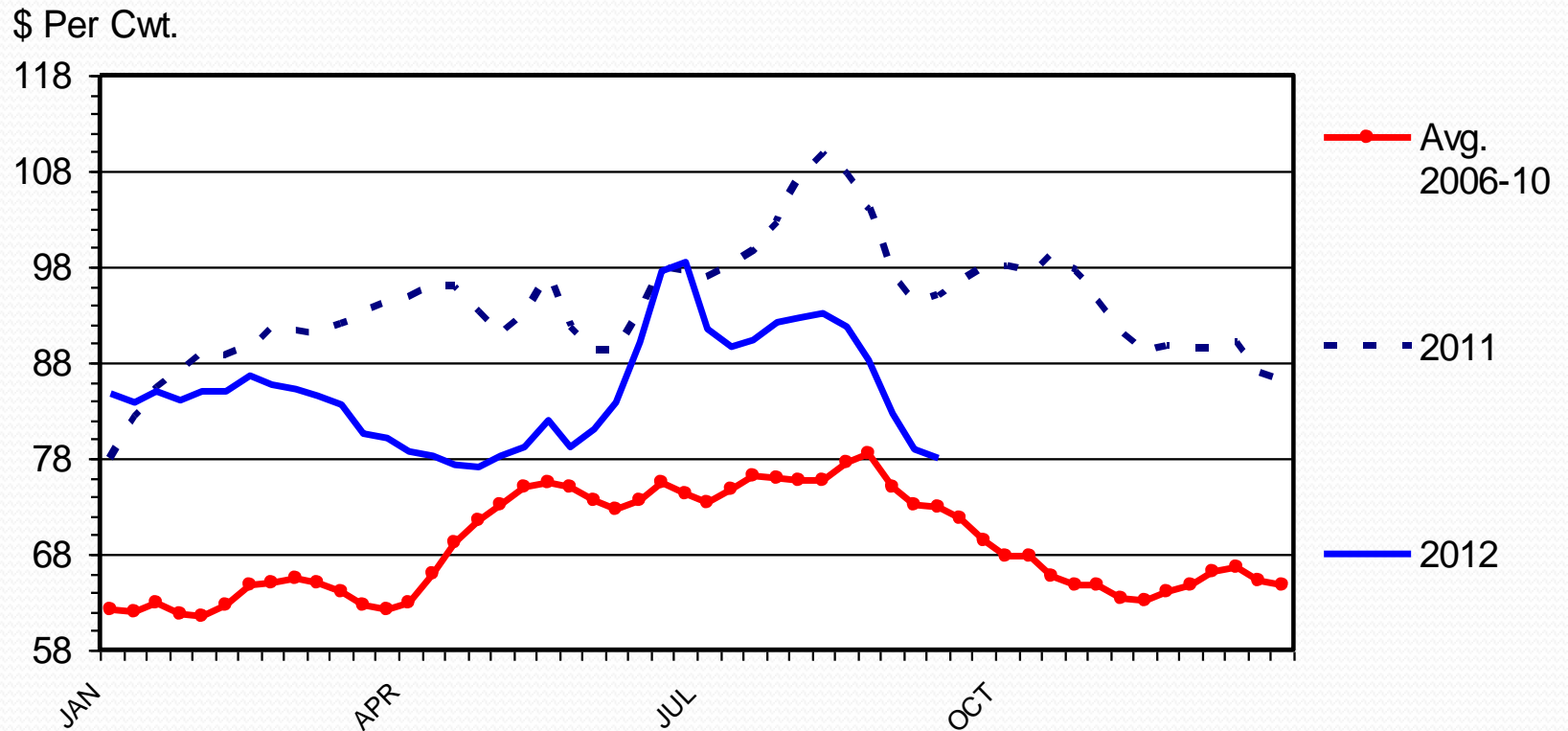
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

H-S-24  
09/14/12

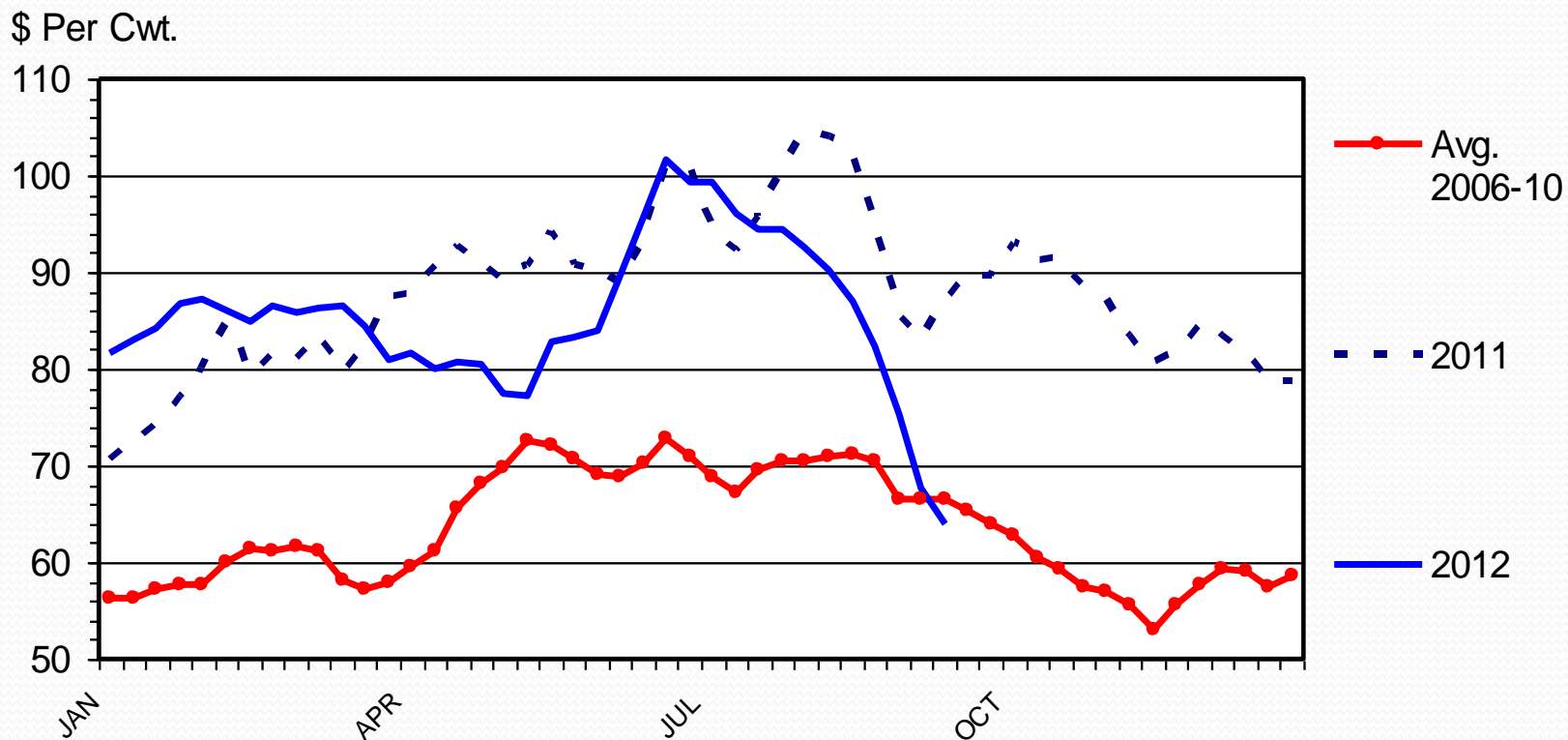
# HOG CUTOUT VALUE

## Weekly



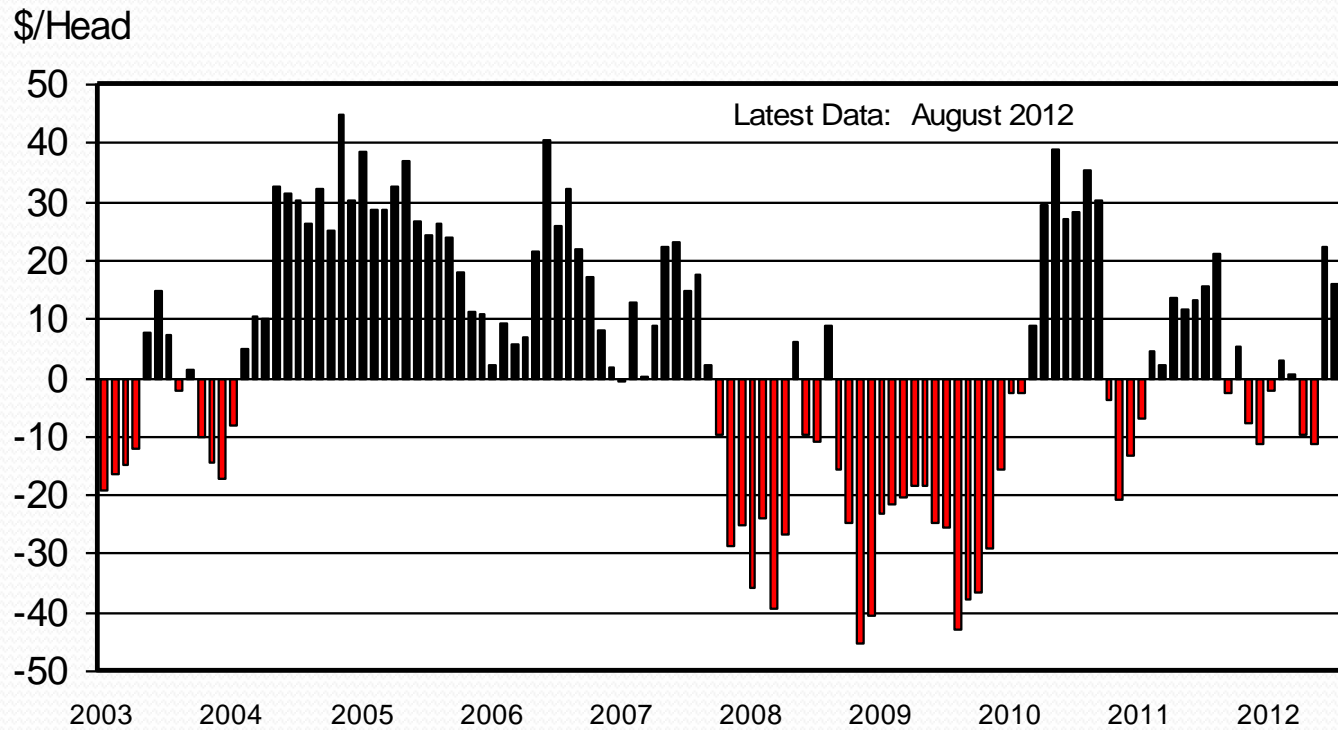
# BARROW AND GILT PRICES

Iowa - So. Minnesota, Carcass Base Price, Weekly



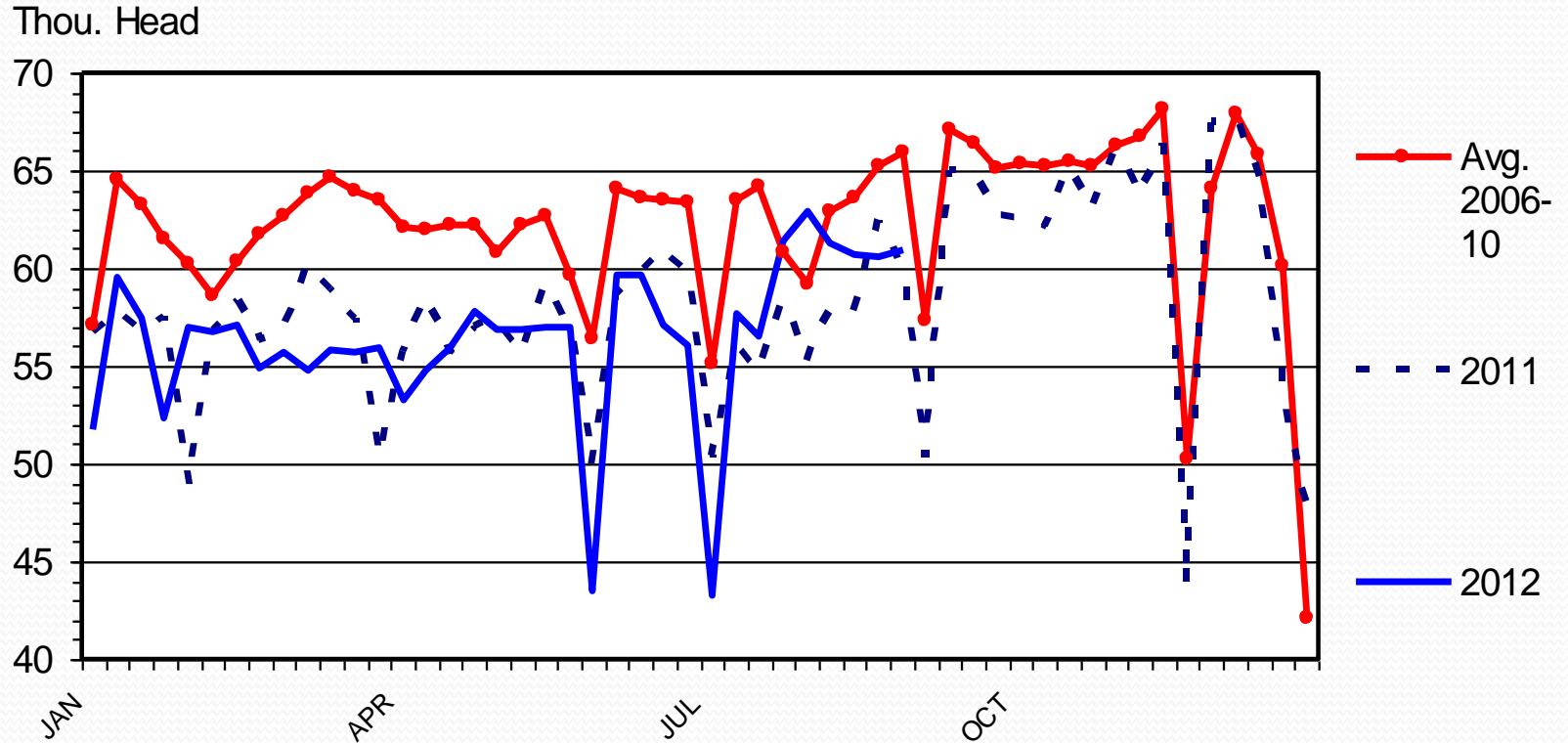
# IOWA MARKET HOG PROFIT

## Farrow/Finish, Monthly



# SOW SLAUGHTER

## Federally Inspected, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

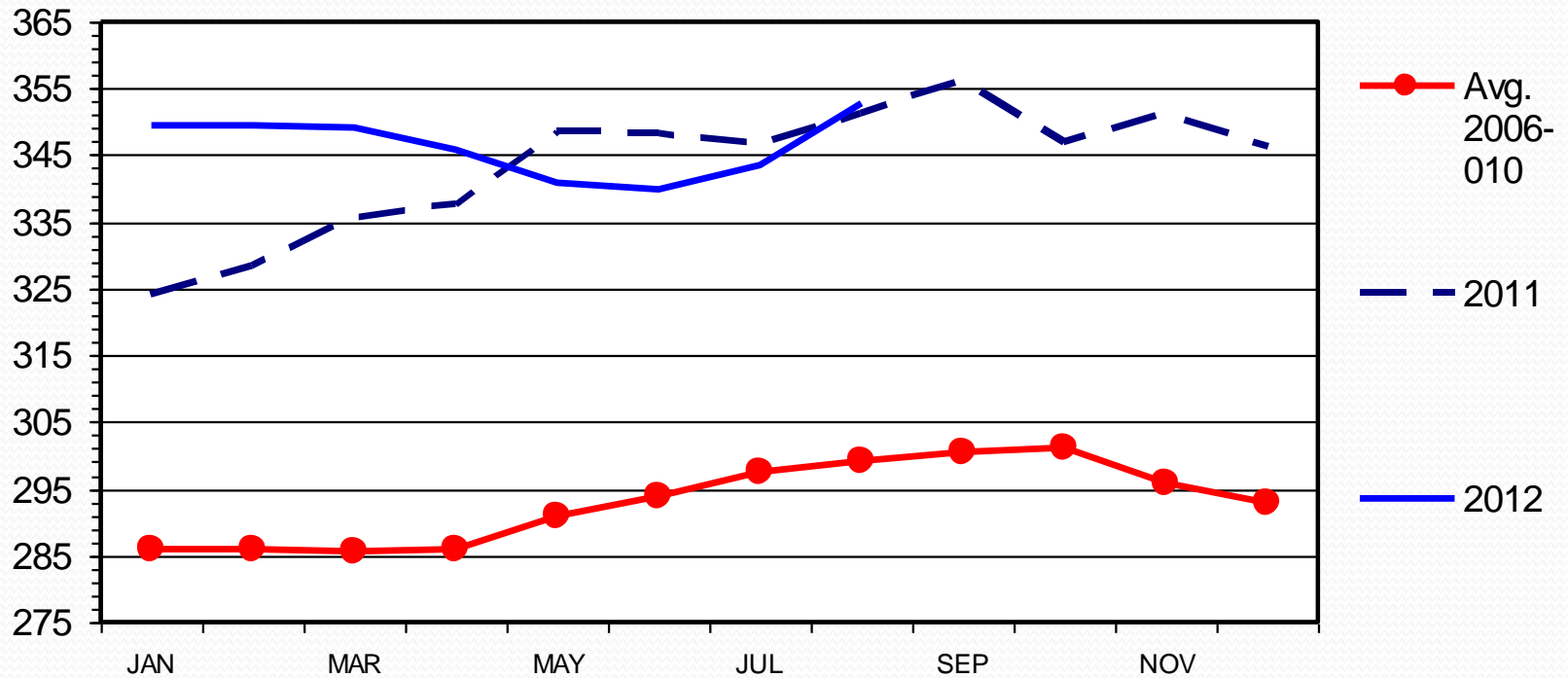
H-S-15  
09/14/12



# RETAIL PORK PRICE

## Monthly

Cents Per Pound

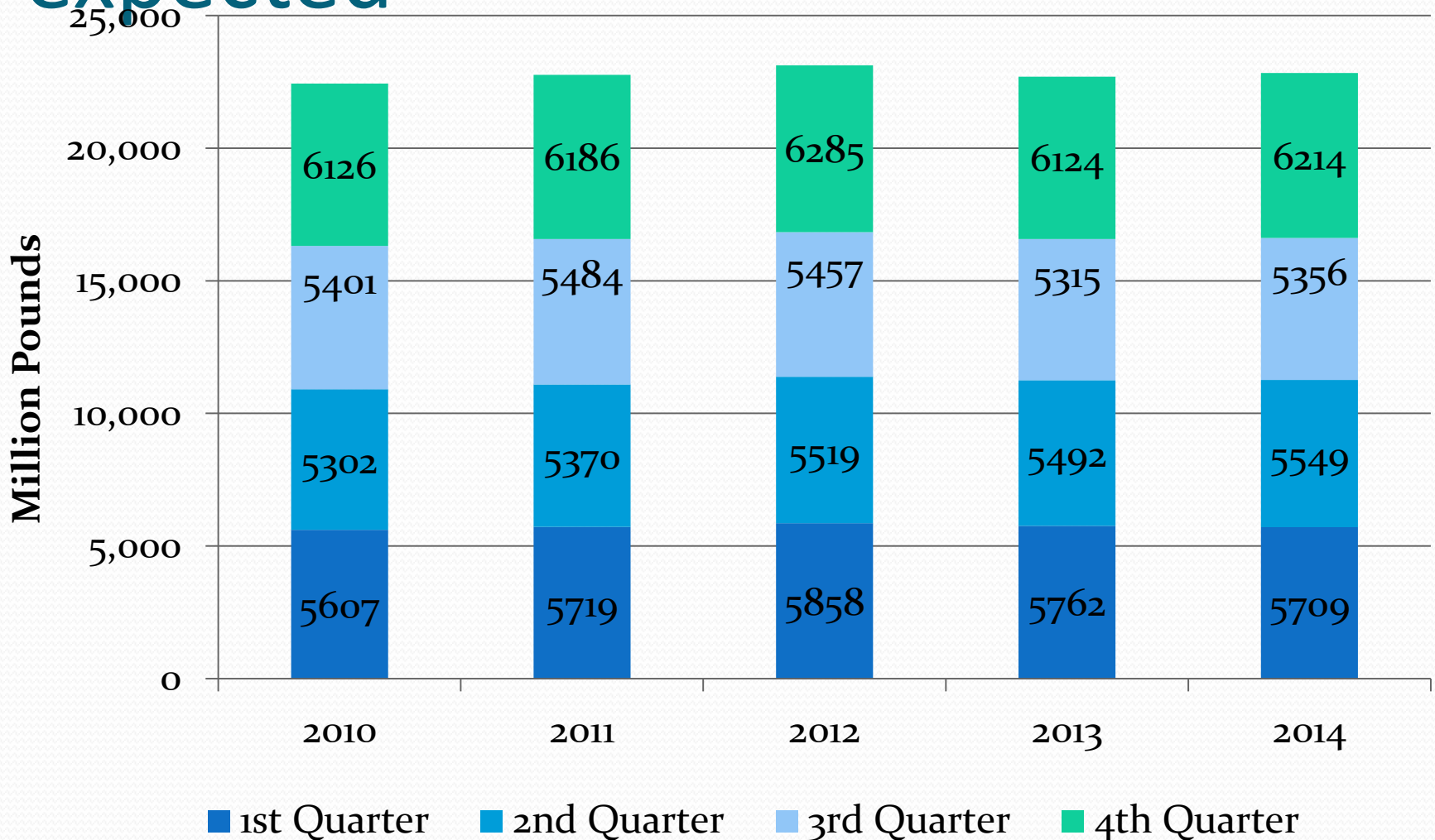


Livestock Marketing Information Center

Data Source: Bureau of Labor Statics & USDA-ERS

M-P-05  
09/14/12

# Small decrease in 2013 production expected



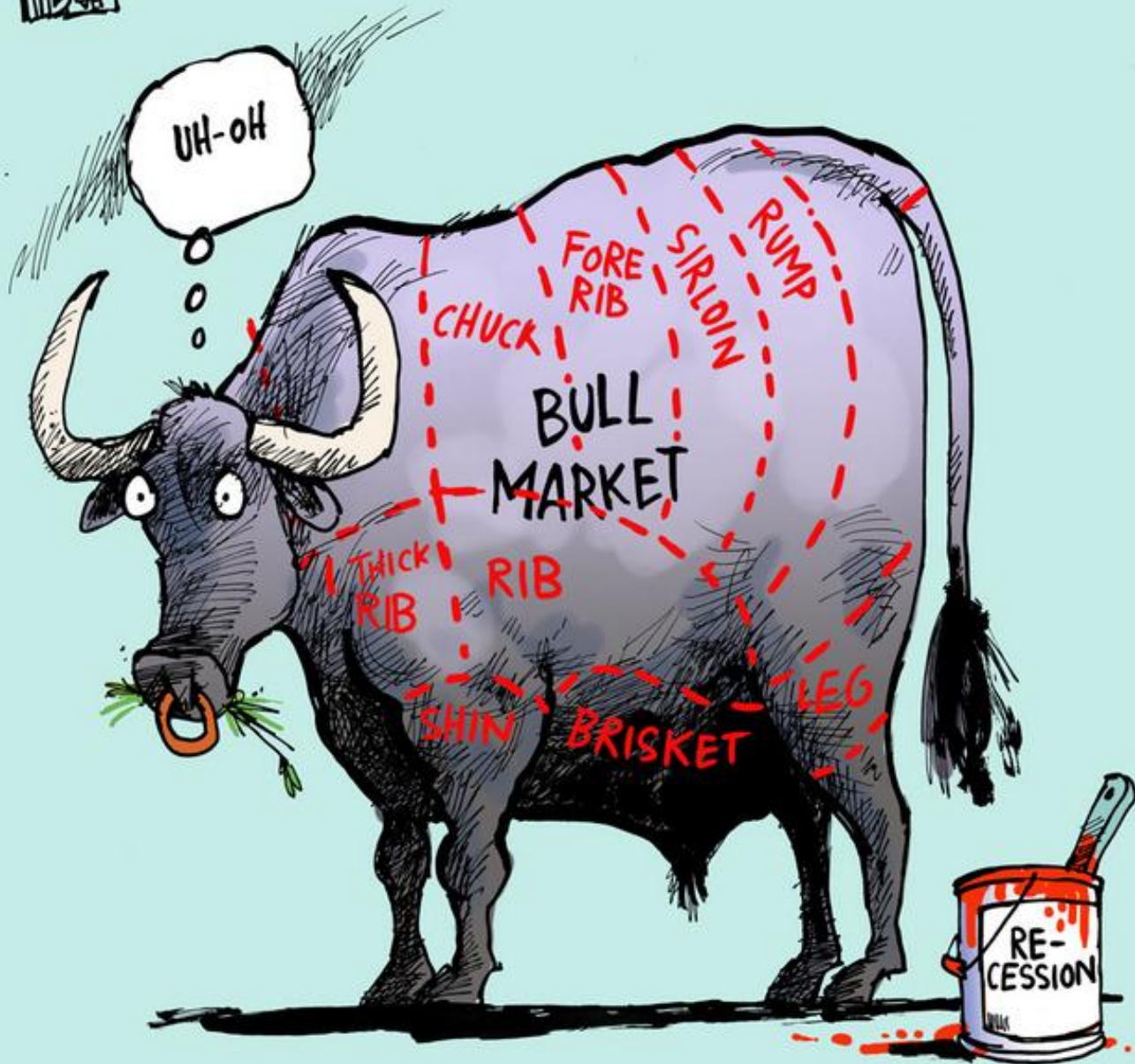
Source: LMIC

# Pork Summary

- \$40-\$50/head losses in 4Q 2012?
- Carcass prices in 4Q 2012 of \$82-87/cwt
  - 2012 average at \$85-88/cwt
  - 2013 average at \$85-91/cwt
- Next summer is looking better
  - Will this slow liquidation?
  - Culling is starting to show year-on-year increases in recent weeks



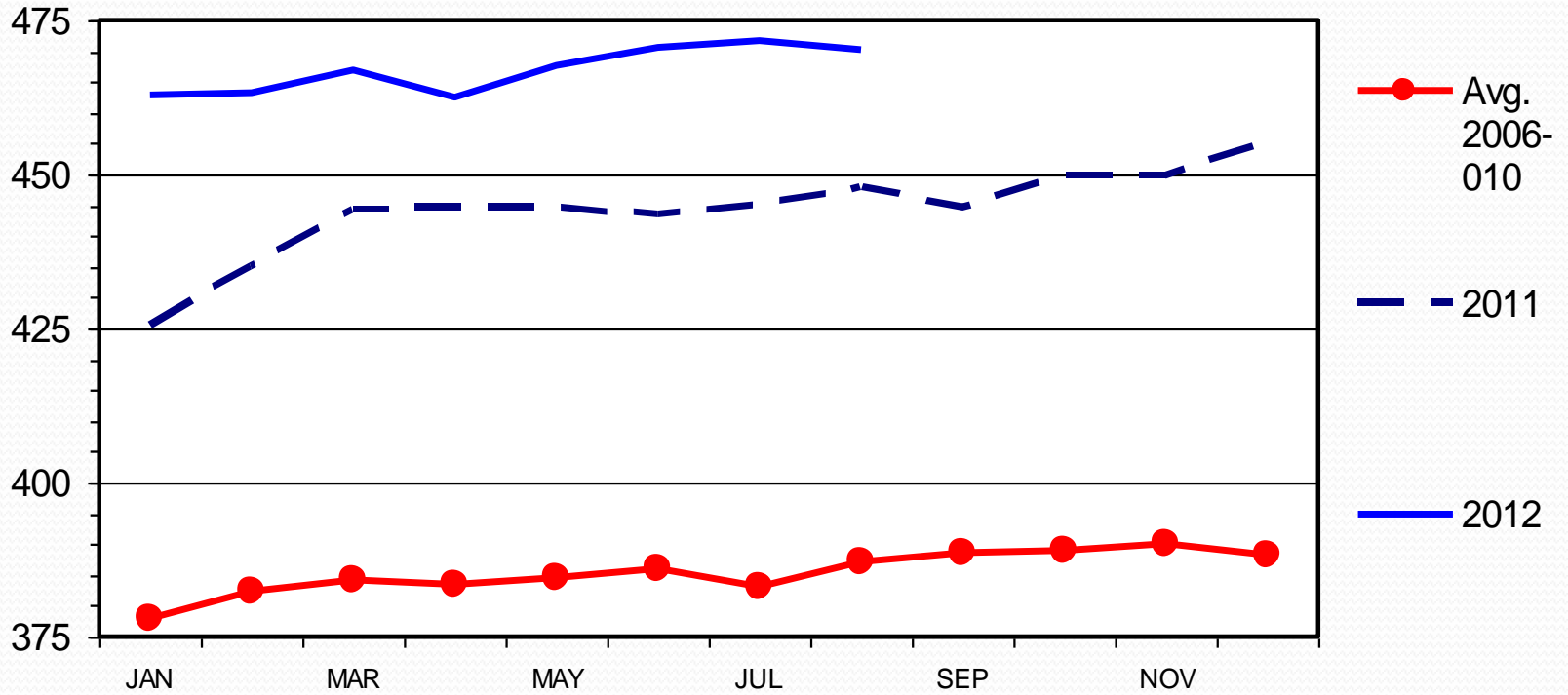
tabtoons@telus.net  
caglecartoons.com



# RETAIL BEEF PRICE

## All Fresh, Monthly

Cents Per Pound



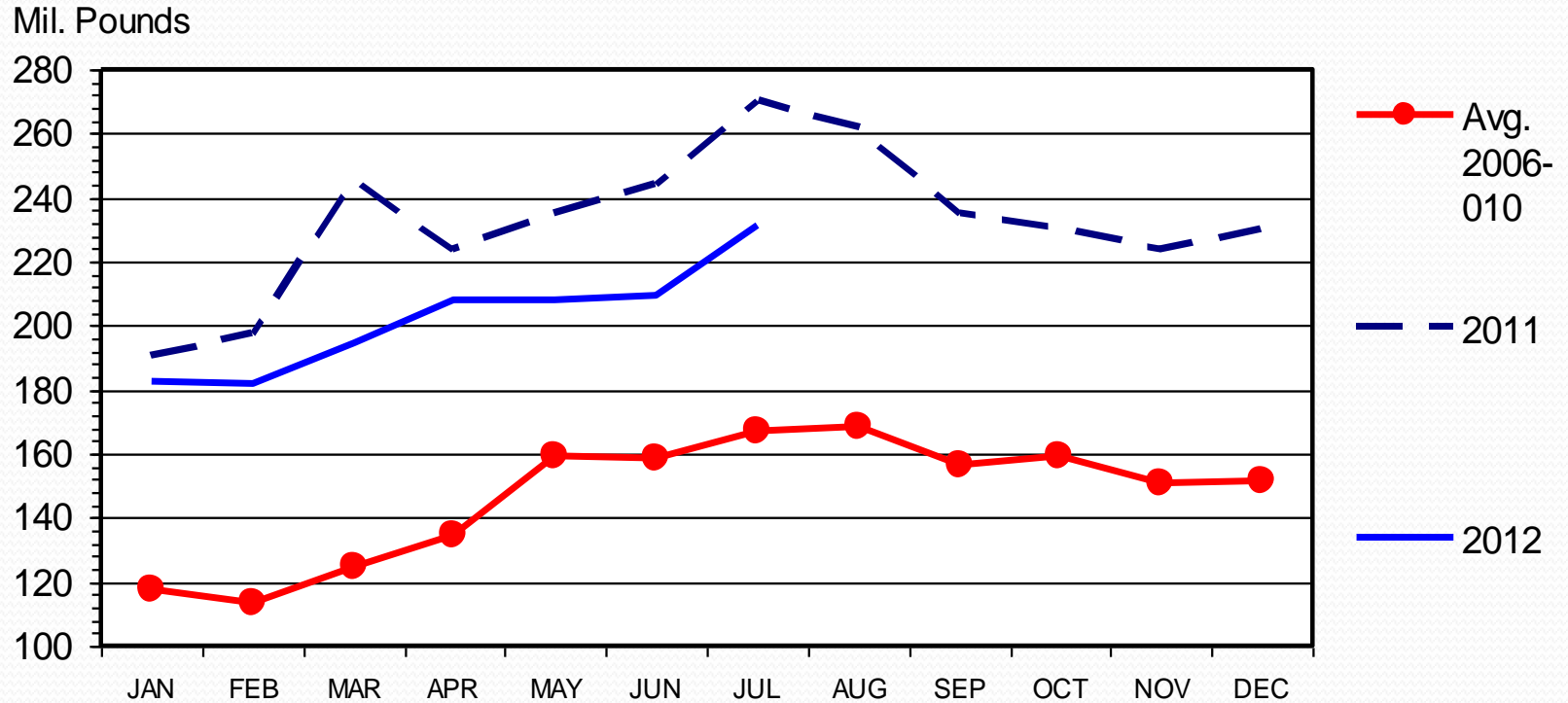
Livestock Marketing Information Center

Data Source: Bureau of Labor Statics & USDA-ERS

M-P-11  
09/14/12

# U S BEEF AND VEAL EXPORTS

## Carcass Weight, Monthly



Livestock Marketing Information Center

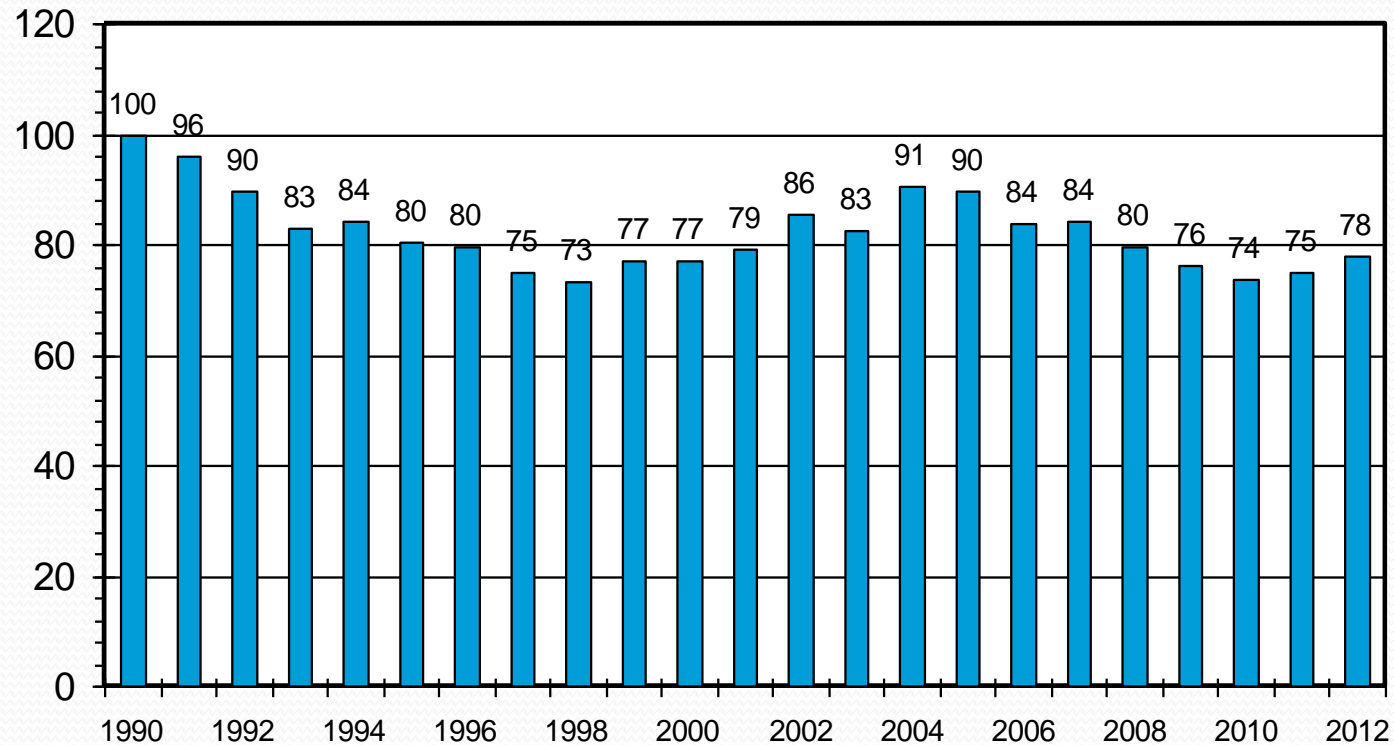
Data Source: USDA-ERS & USDA-FAS

I-N-16  
09/12/12

# RETAIL ALL FRESH BEEF DEMAND INDEX

Second Quarter, Using CPI 1990=100

Index Value



Livestock Marketing Information Center

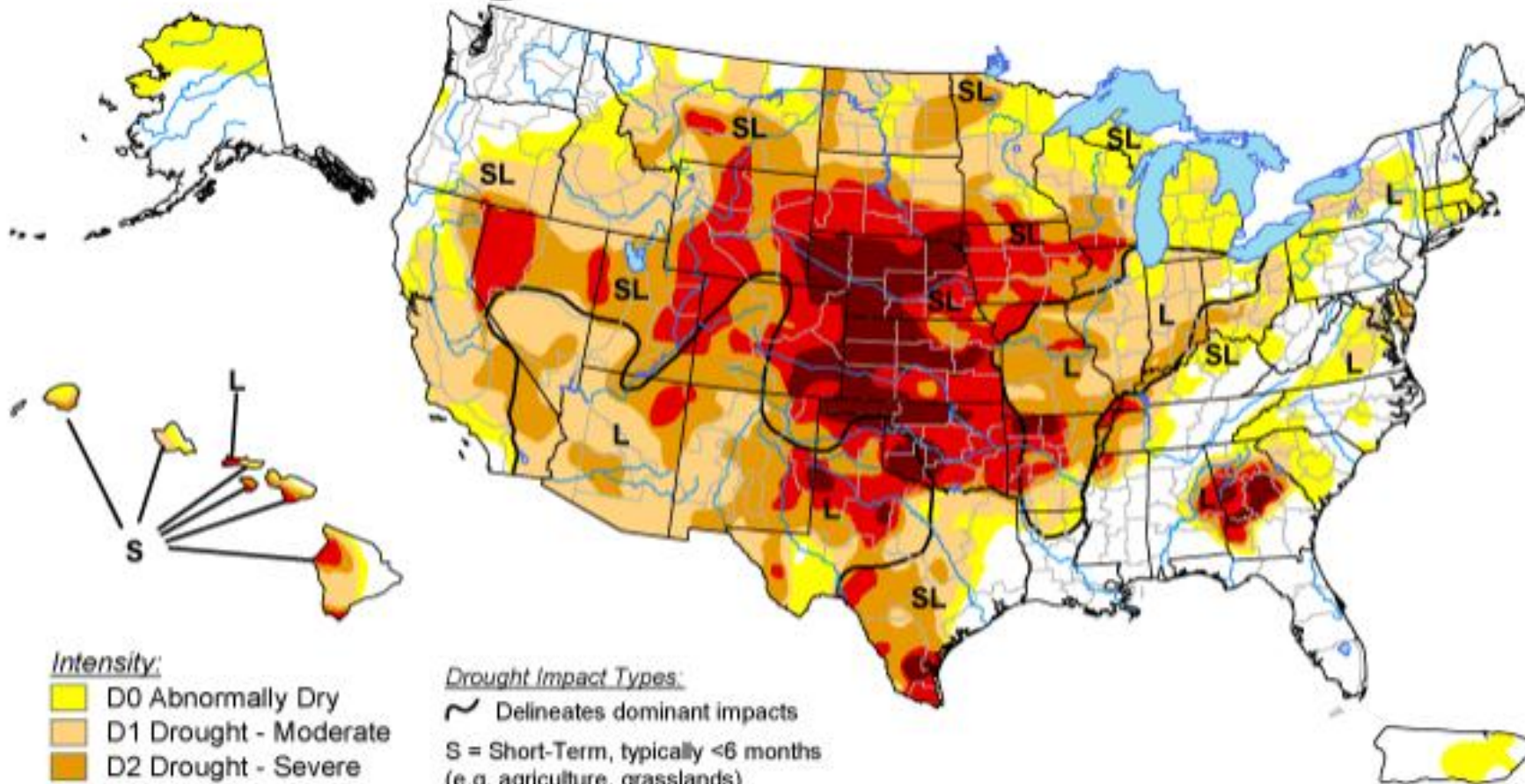
Data Source: Bureau of Labor Statistics, USDA-ERS, Compiled & Analysis by LMIC






# U.S. Drought Monitor

September 18, 2012


Valid 7 a.m. EDT



## Intensity:

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

## Drought Impact Types:

-  Delineates dominant impacts
- S = Short-Term, typically <6 months  
(e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months  
(e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://droughtmonitor.unl.edu/>



Released Thursday, September 20, 2012

Author: David Simeral, Western Regional Climate Center



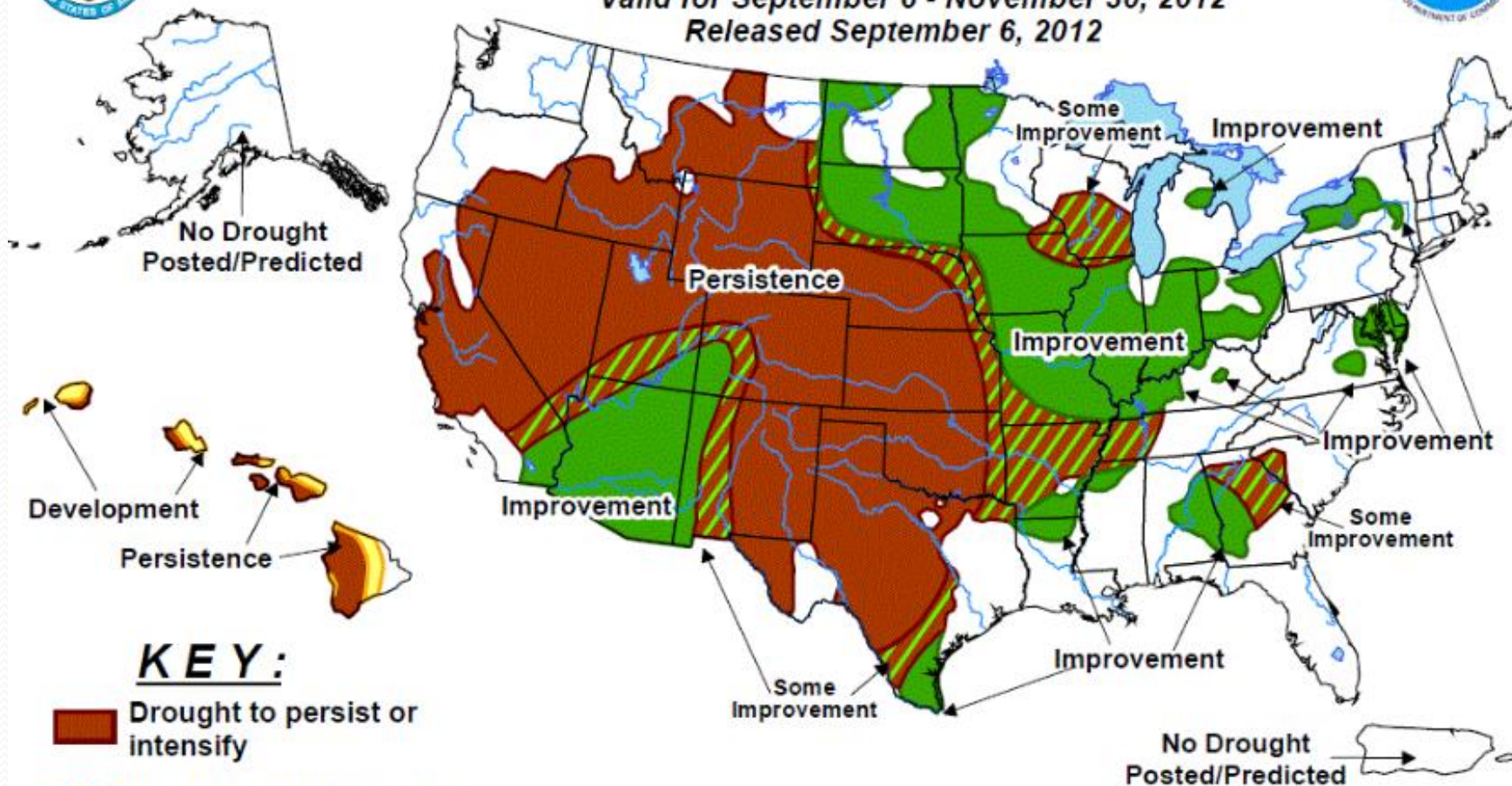


# U.S. Seasonal Drought Outlook

## Drought Tendency During the Valid Period

Valid for September 6 - November 30, 2012

Released September 6, 2012



### KEY:

-  Drought to persist or intensify
-  Drought ongoing, some improvement
-  Drought likely to improve, impacts ease
-  Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.



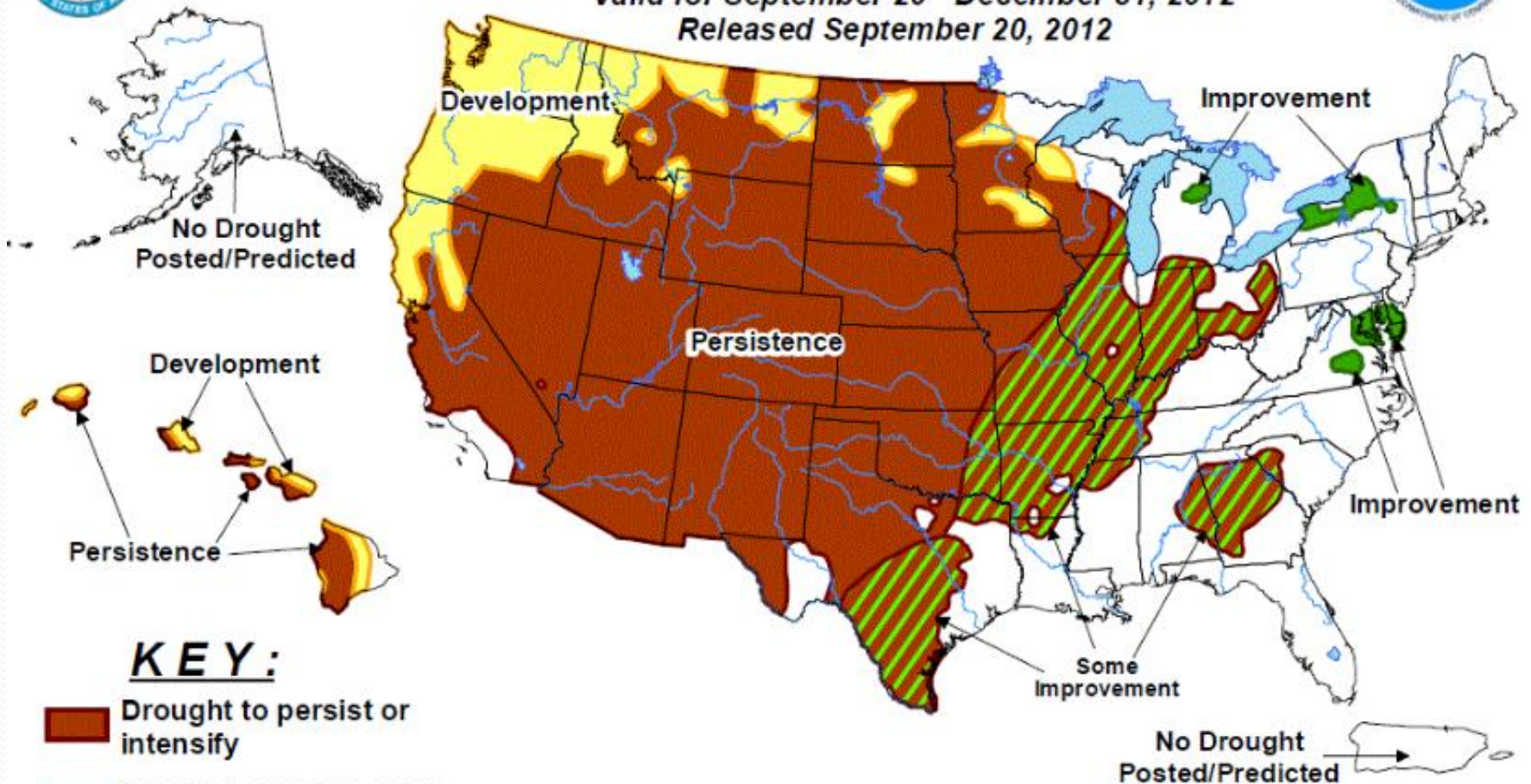
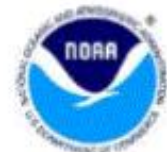


# U.S. Seasonal Drought Outlook

## Drought Tendency During the Valid Period

Valid for September 20 - December 31, 2012

Released September 20, 2012



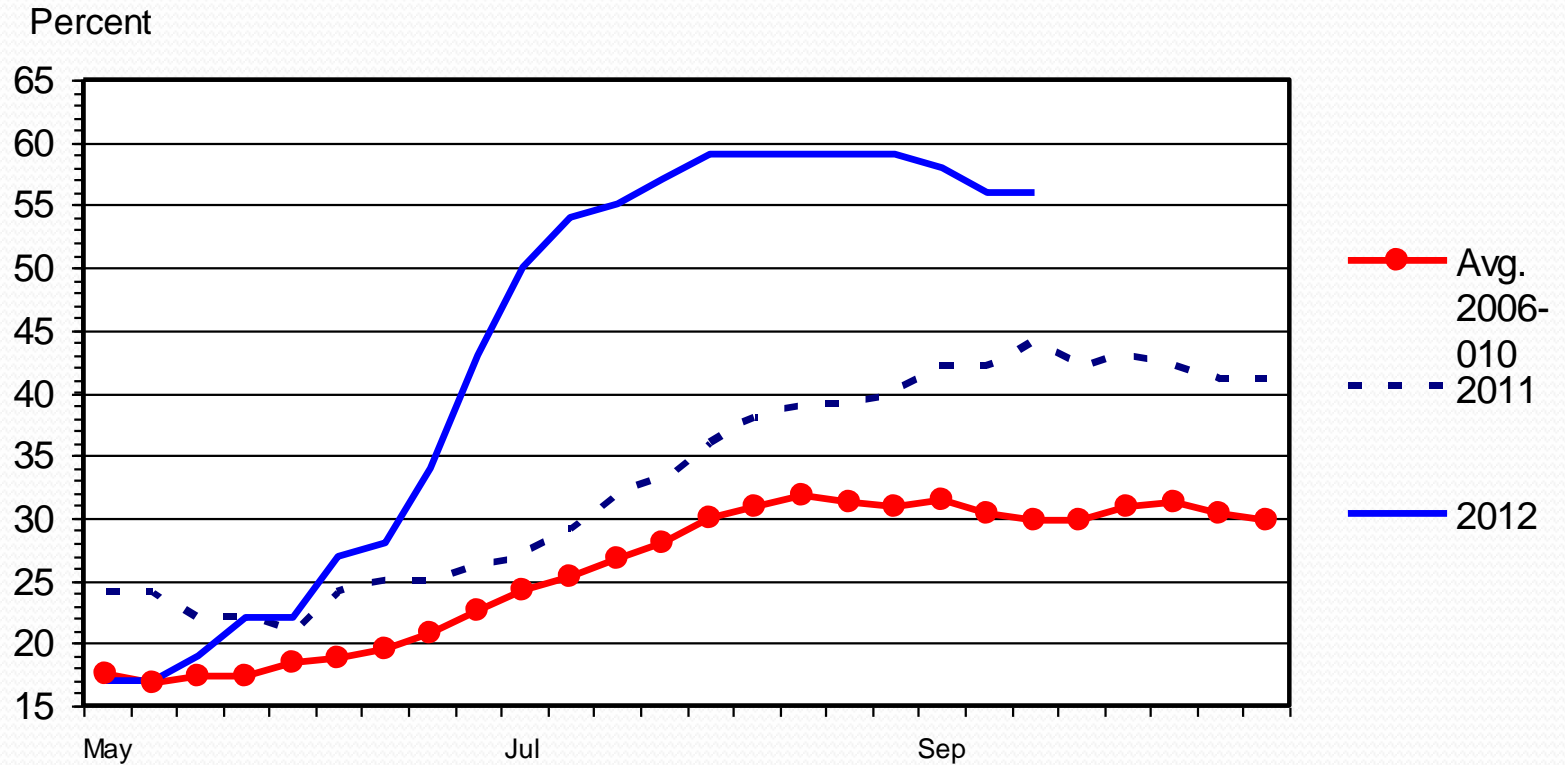
### KEY:

-  Drought to persist or intensify
-  Drought ongoing, some improvement
-  Drought likely to improve, impacts ease
-  Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.

# US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



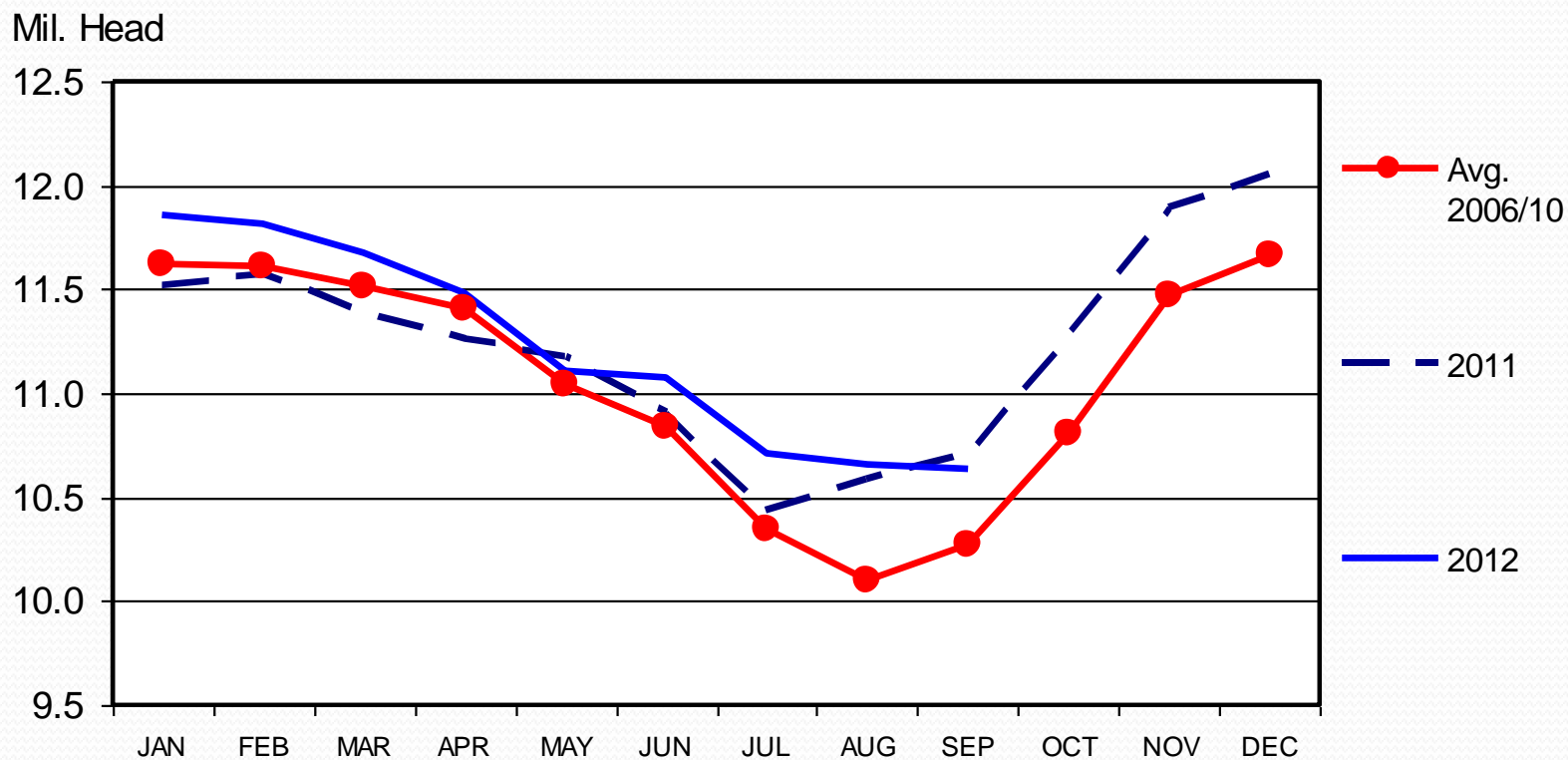
Livestock Marketing Information Center

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

G-NP-30  
09/24/12

# CATTLE ON FEED

## US Total, Monthly



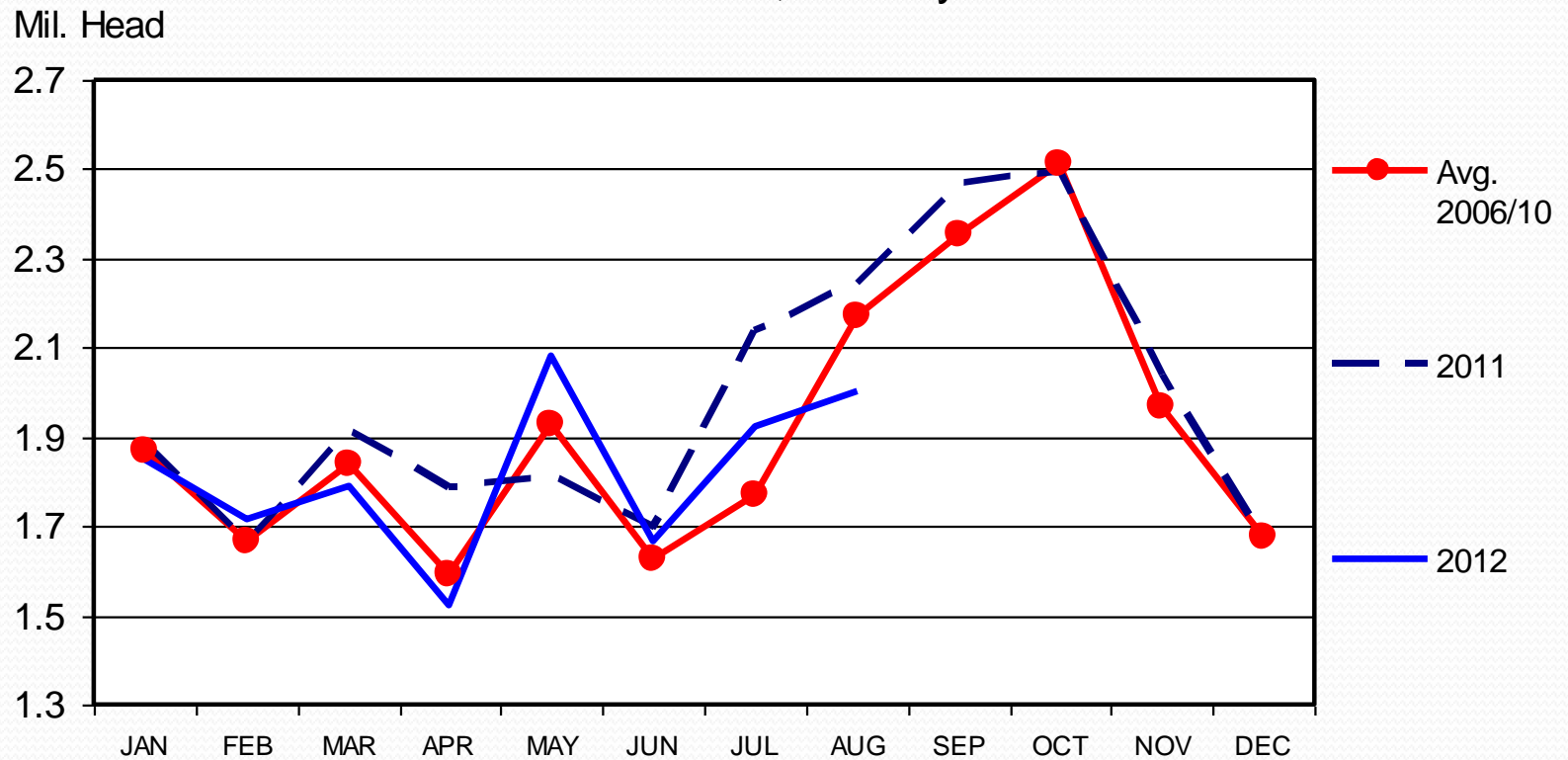
Livestock Marketing Information Center

Data Source: USDA-NASS

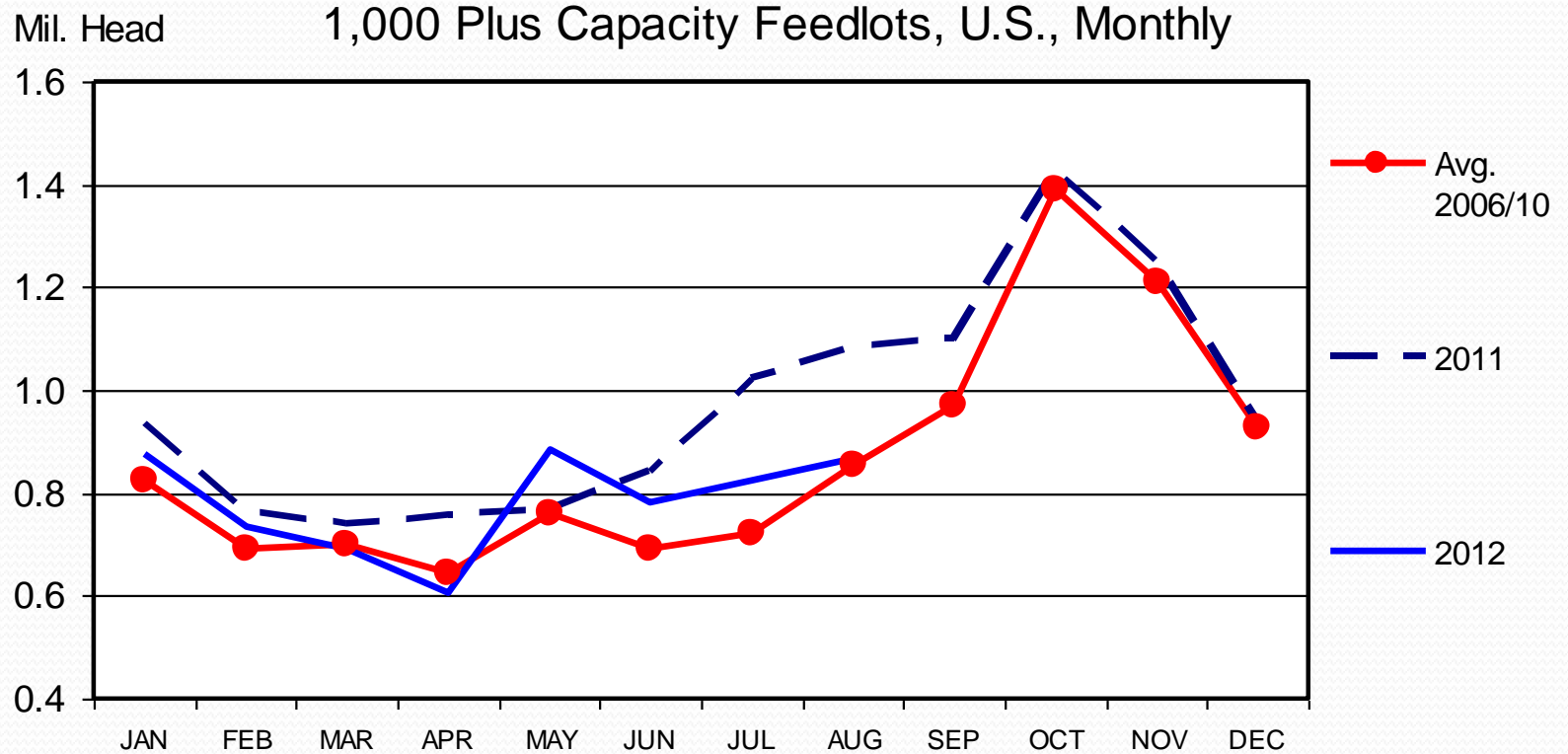
C-N-10  
09/21/12

# FEEDLOT PLACEMENTS

## US Total, Monthly

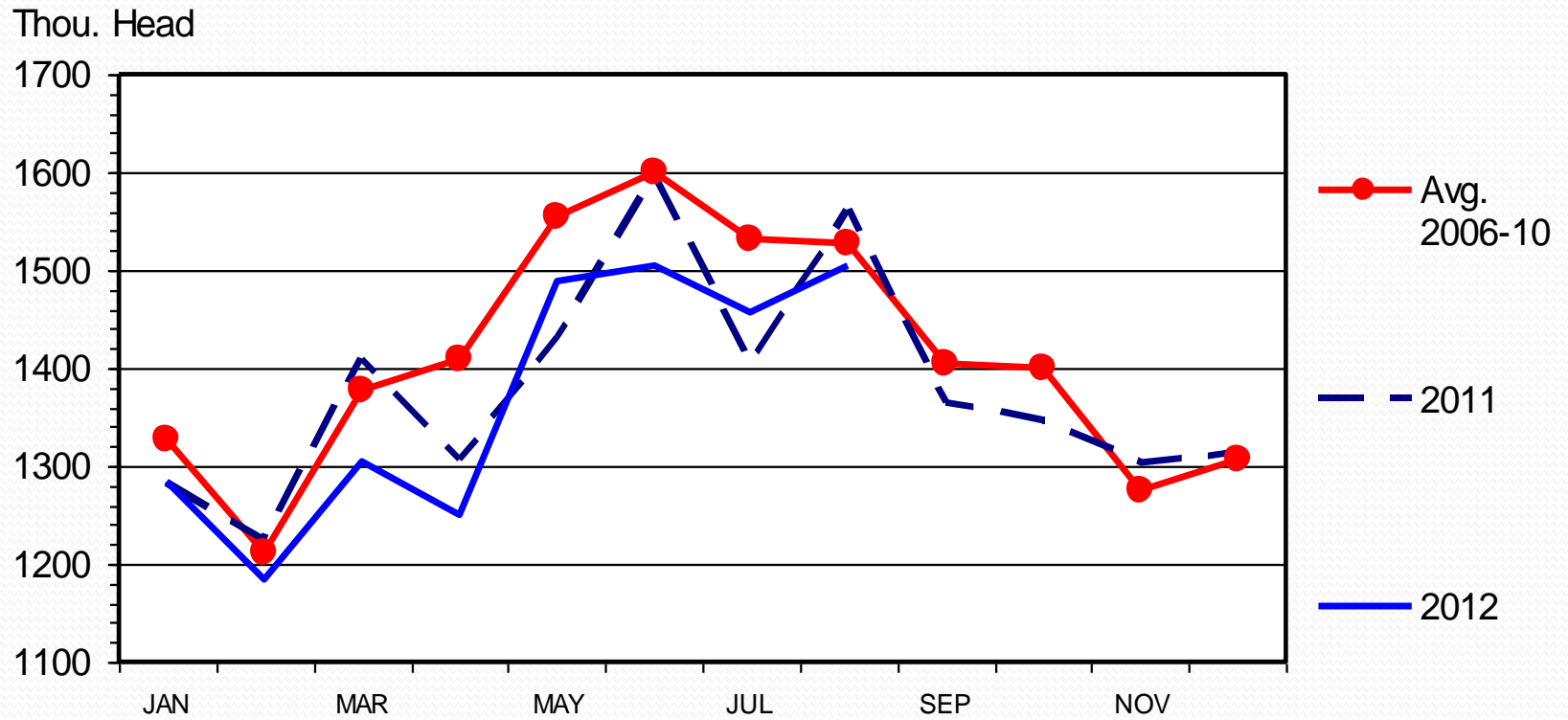


# CATTLE PLACED WEIGHING LESS THAN 700 POUNDS



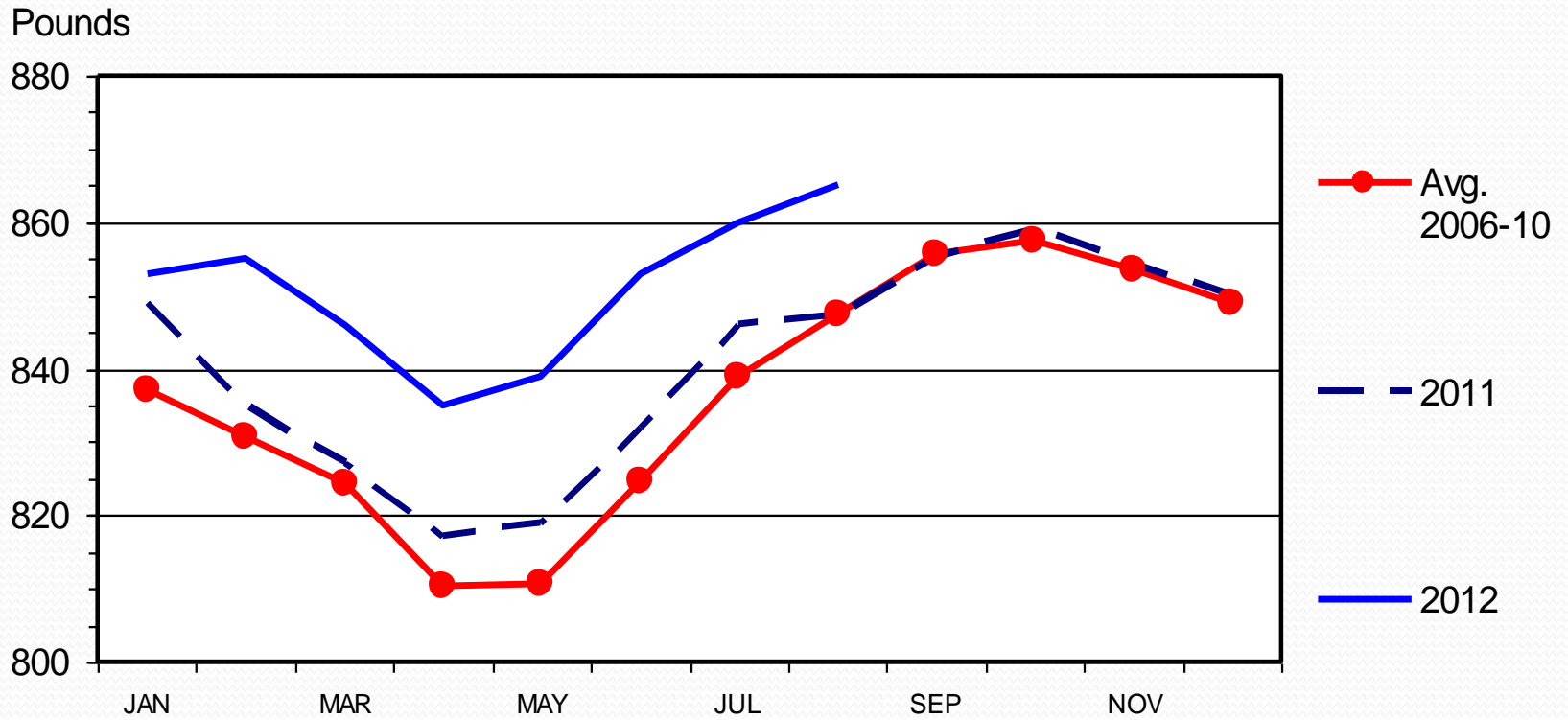
# STEER SLAUGHTER

## Federally Inspected, Monthly



# AVERAGE DRESSED WEIGHT -- STEERS

Federally Inspected, Monthly



Livestock Marketing Information Center

Data Source: USDA-NASS

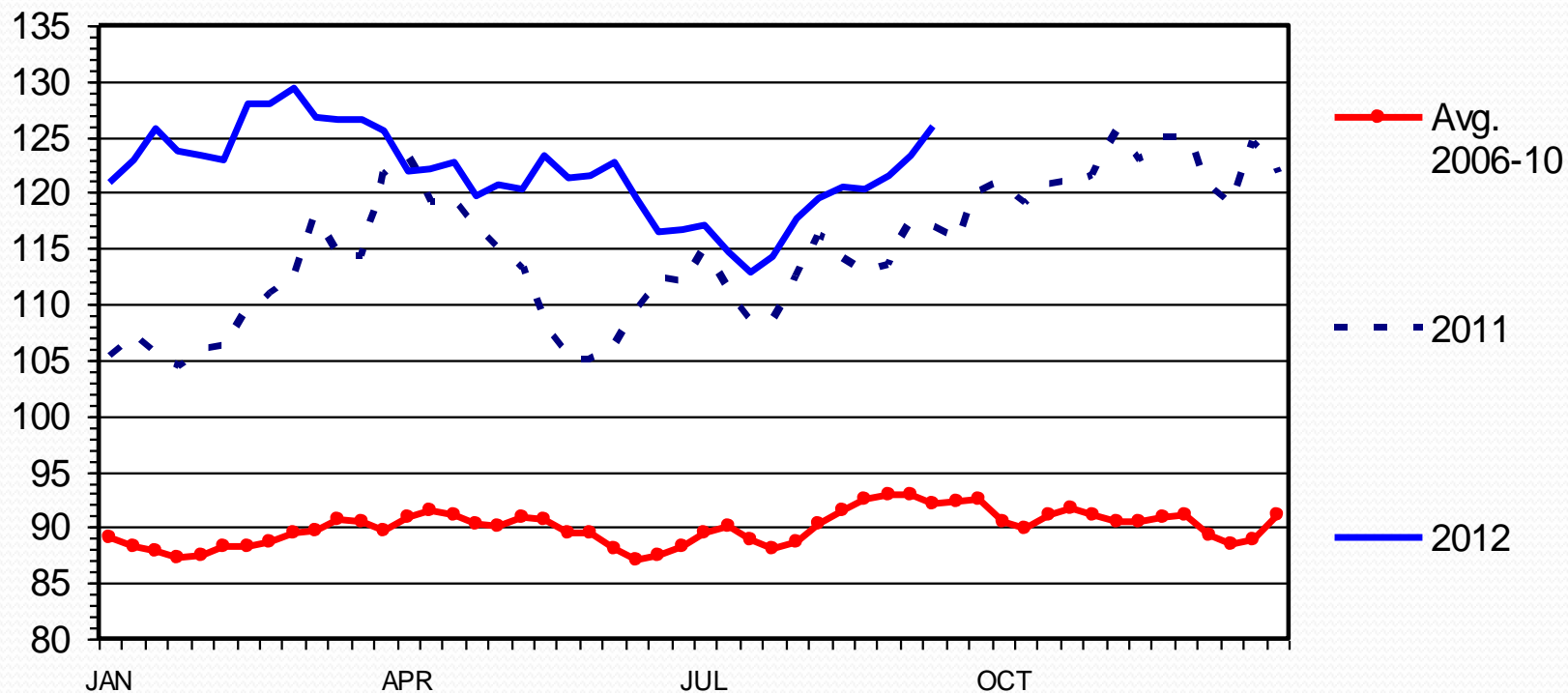
C-S-24D  
09/21/12



# SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.

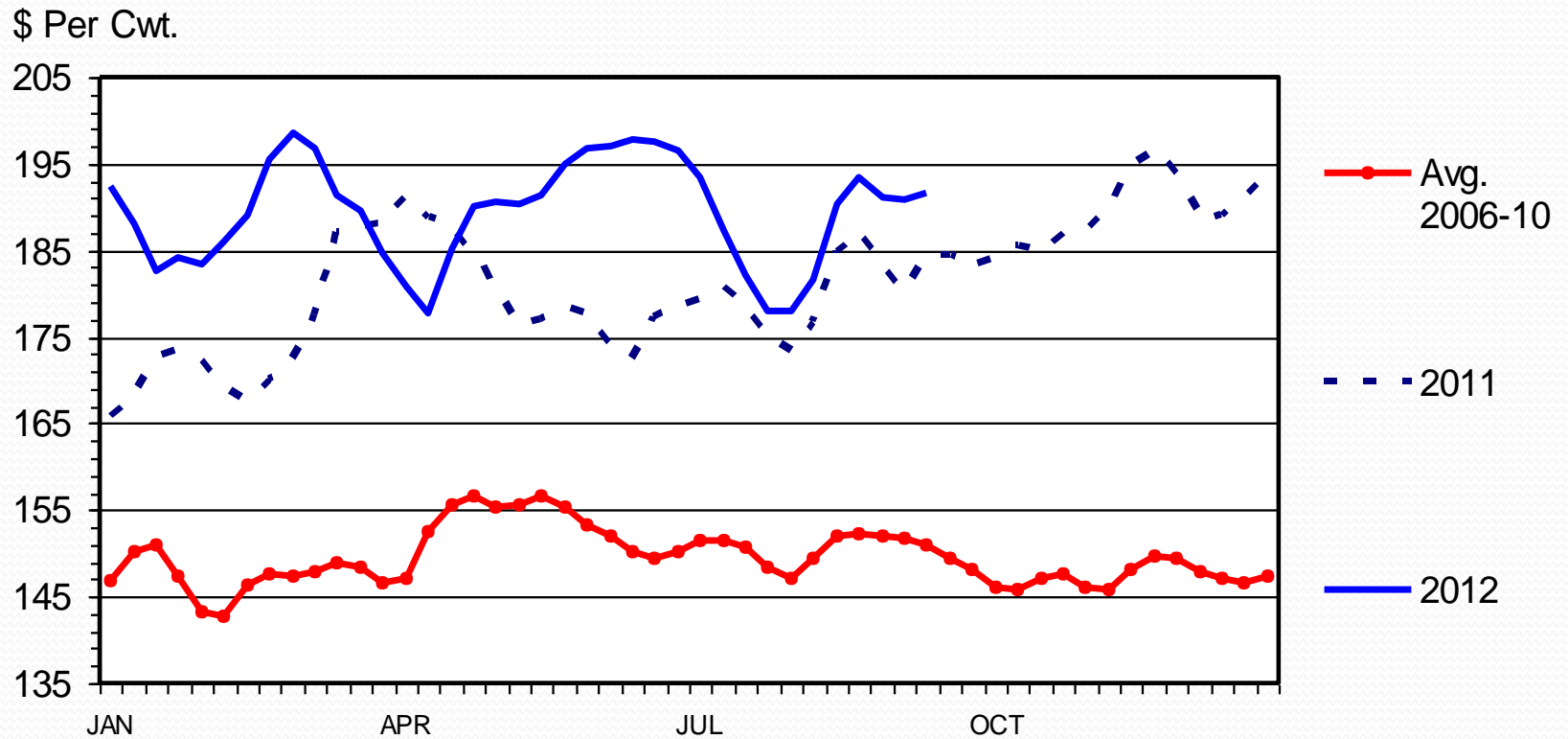


Livestock Marketing Information Center

Data Source: USDA-AMS

# BOXED BEEF CUTOUT VALUE

## Choice 600-900 Lbs. Carcass, Weekly



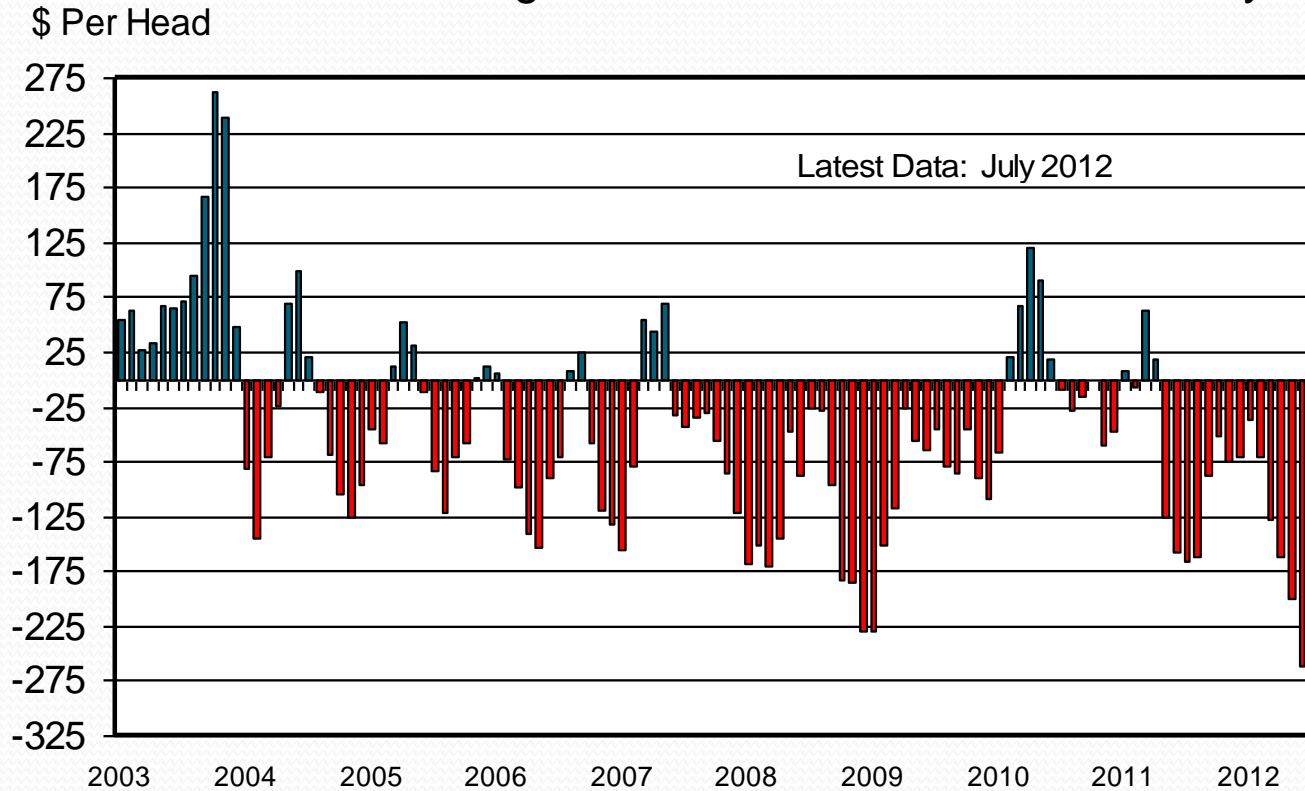
Livestock Marketing Information Center

Data Source: USDA-AMS

C-P-62  
09/17/12

# AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly



C-P-22  
08/16/12

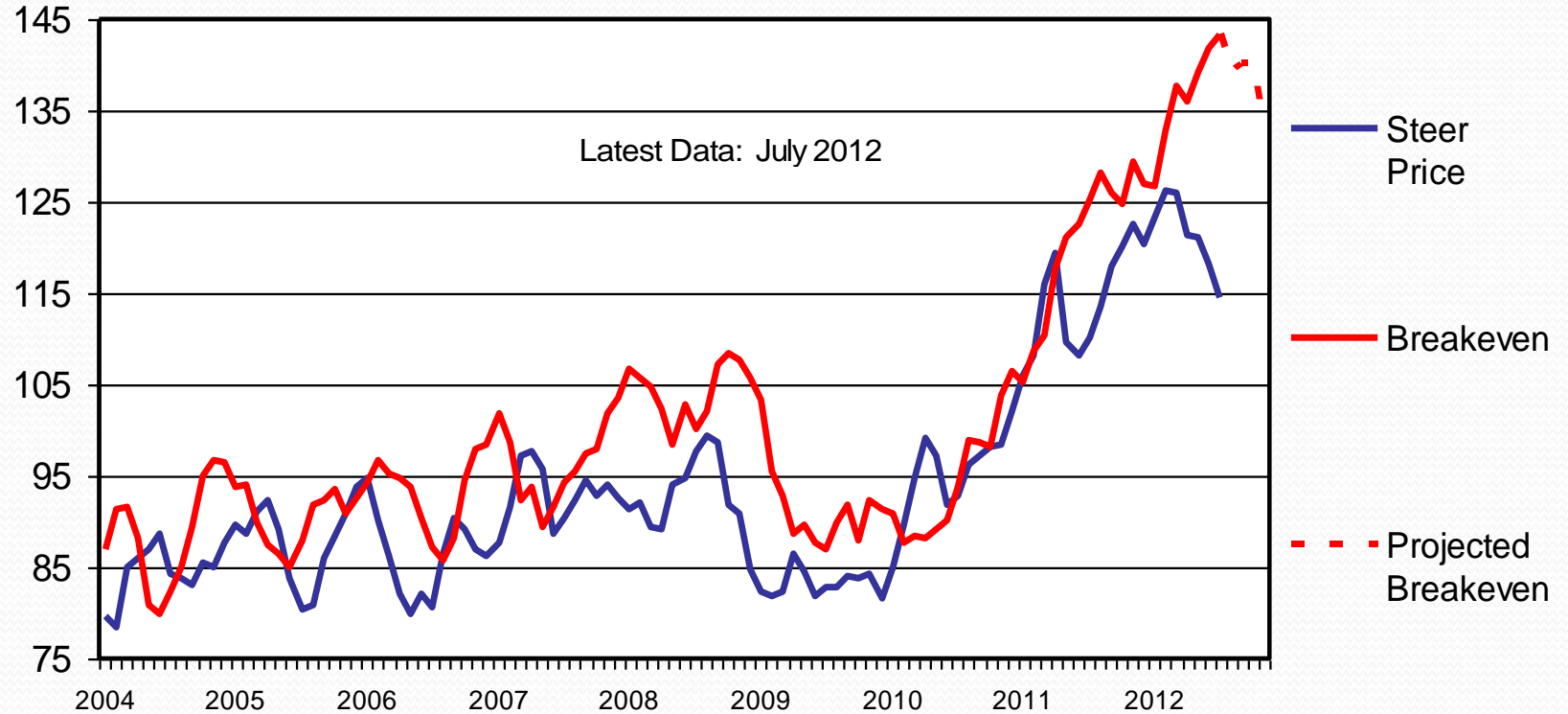
Livestock Marketing Information Center

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

# CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly

\$ Per Cwt



Livestock Marketing Information Center

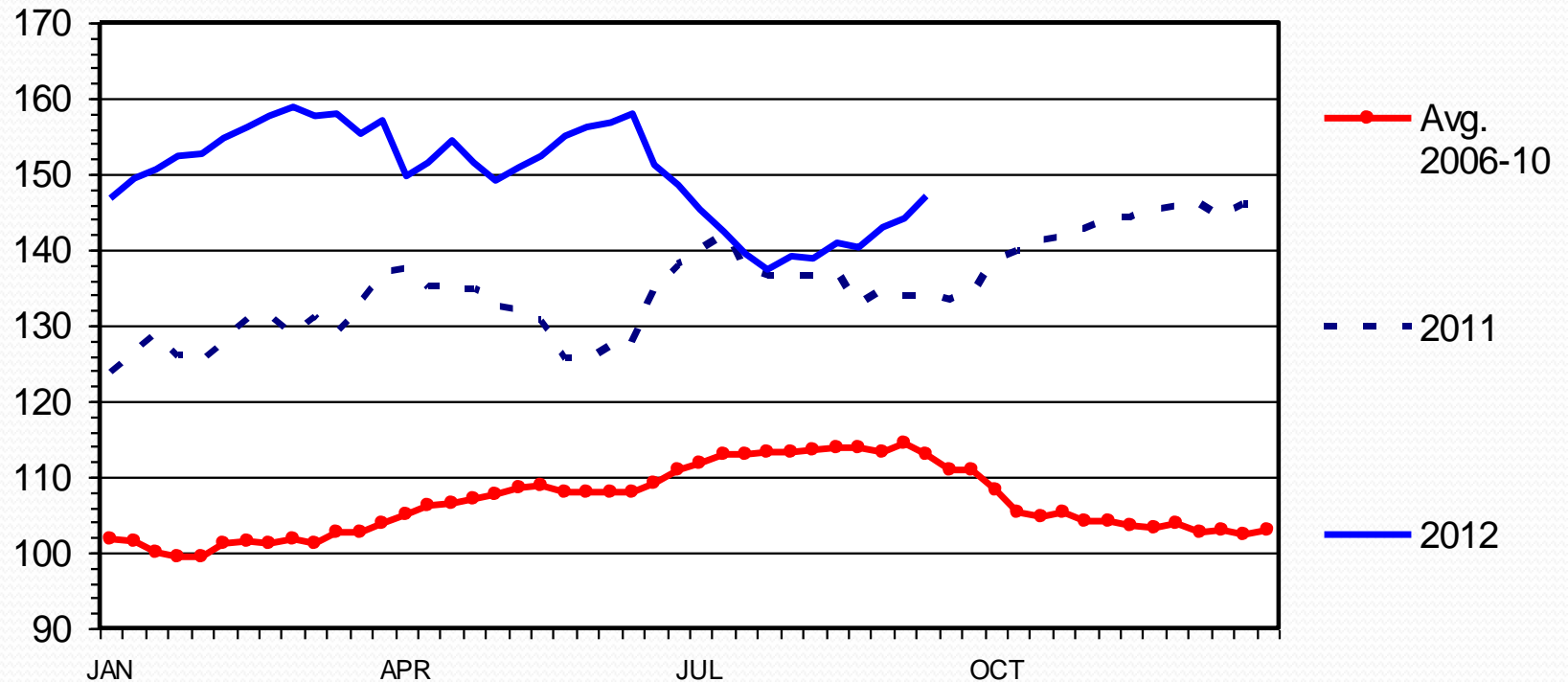
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-21  
08/16/12

# MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.



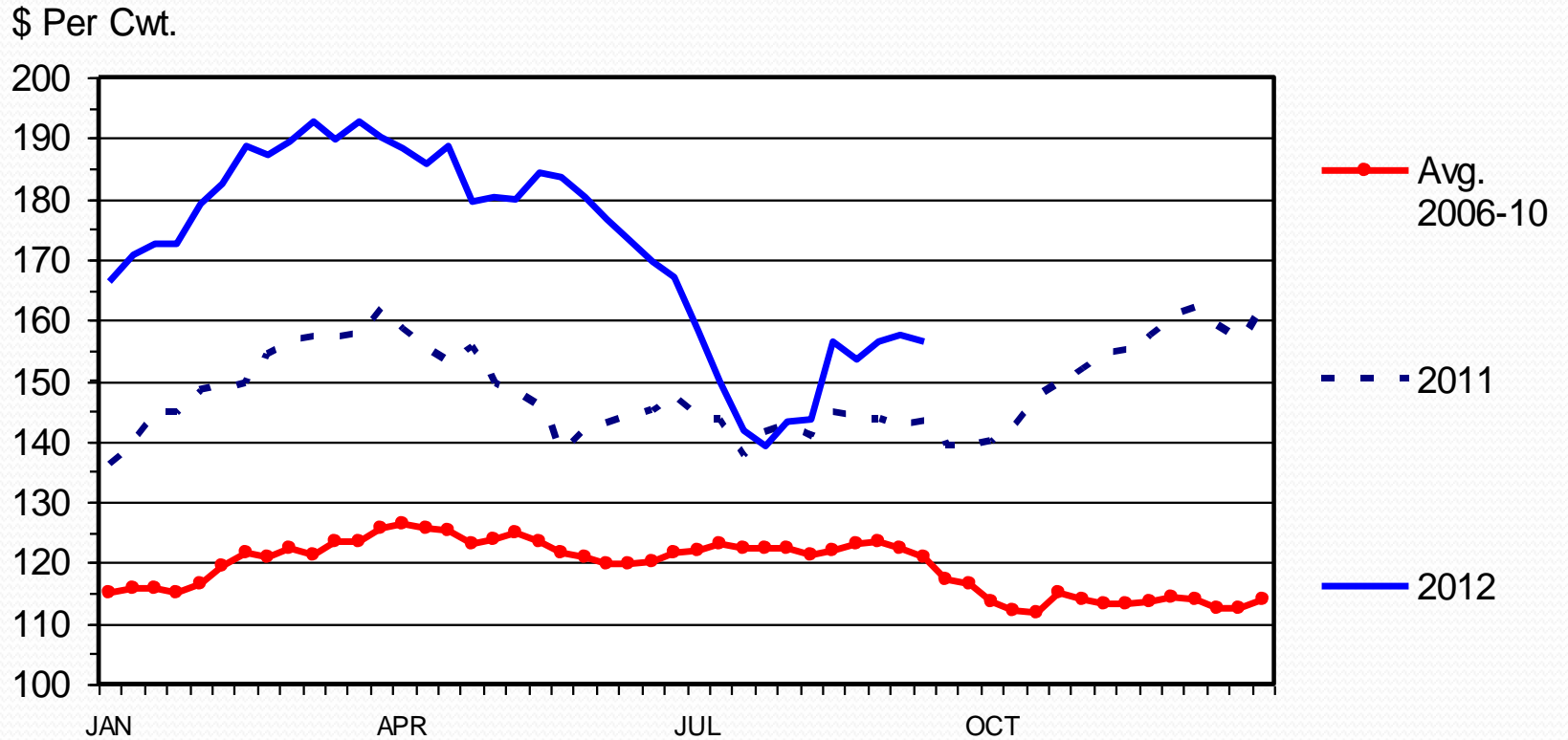
Livestock Marketing Information Center

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

C-P-49  
09/17/12

# MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly



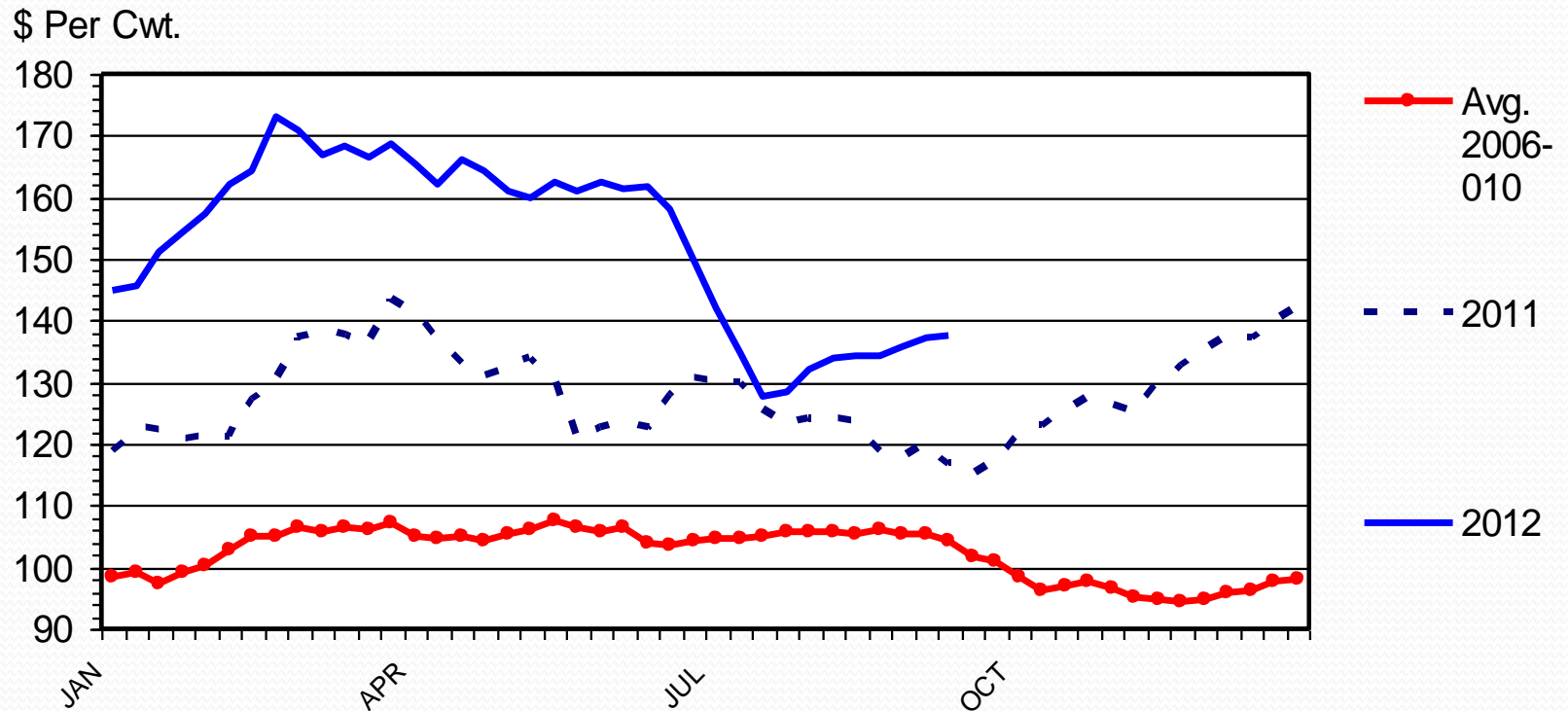
Livestock Marketing Information Center

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

C-P-54  
09/17/12

# MED. & LRG. #1 & 2 STEER CALF PRICES

## 500-600 Pounds, Georgia, Weekly



Livestock Marketing Information Center

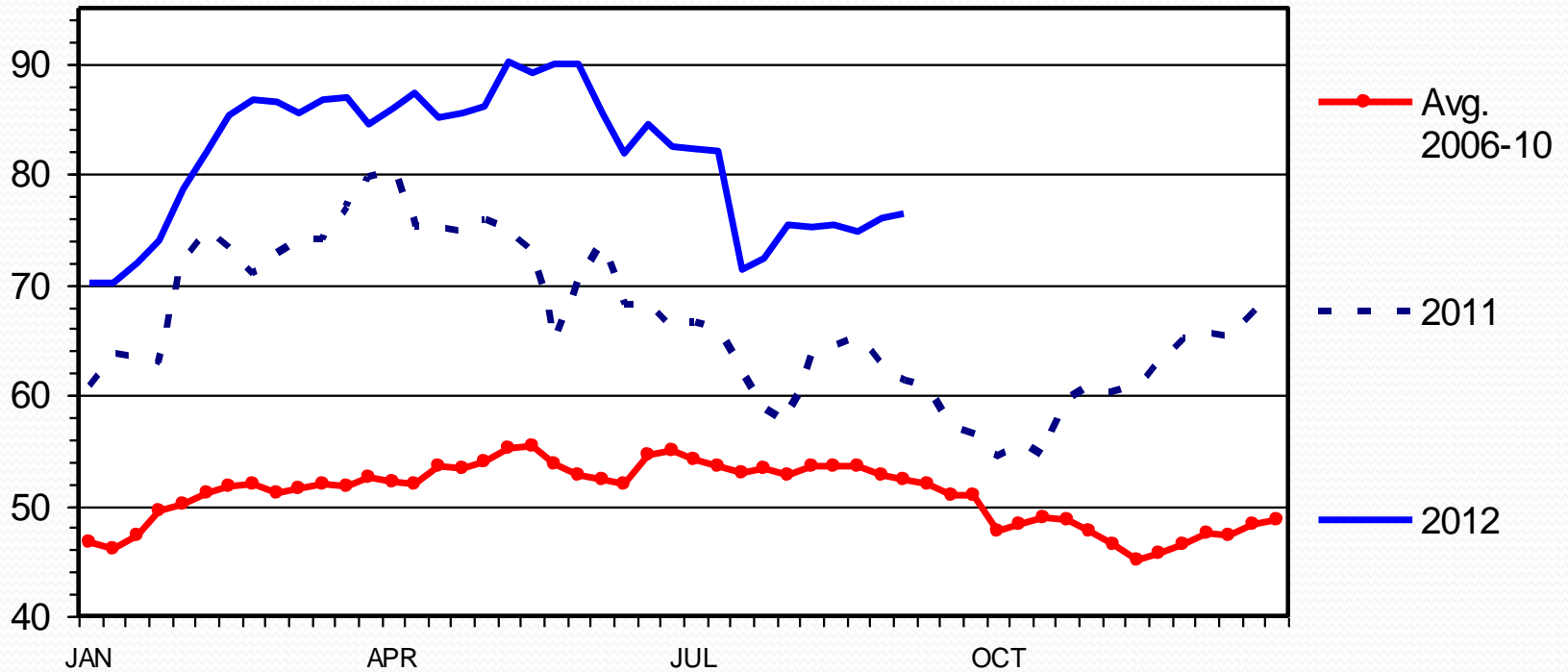
09/17/12

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

# SLAUGHTER COW PRICES

## Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



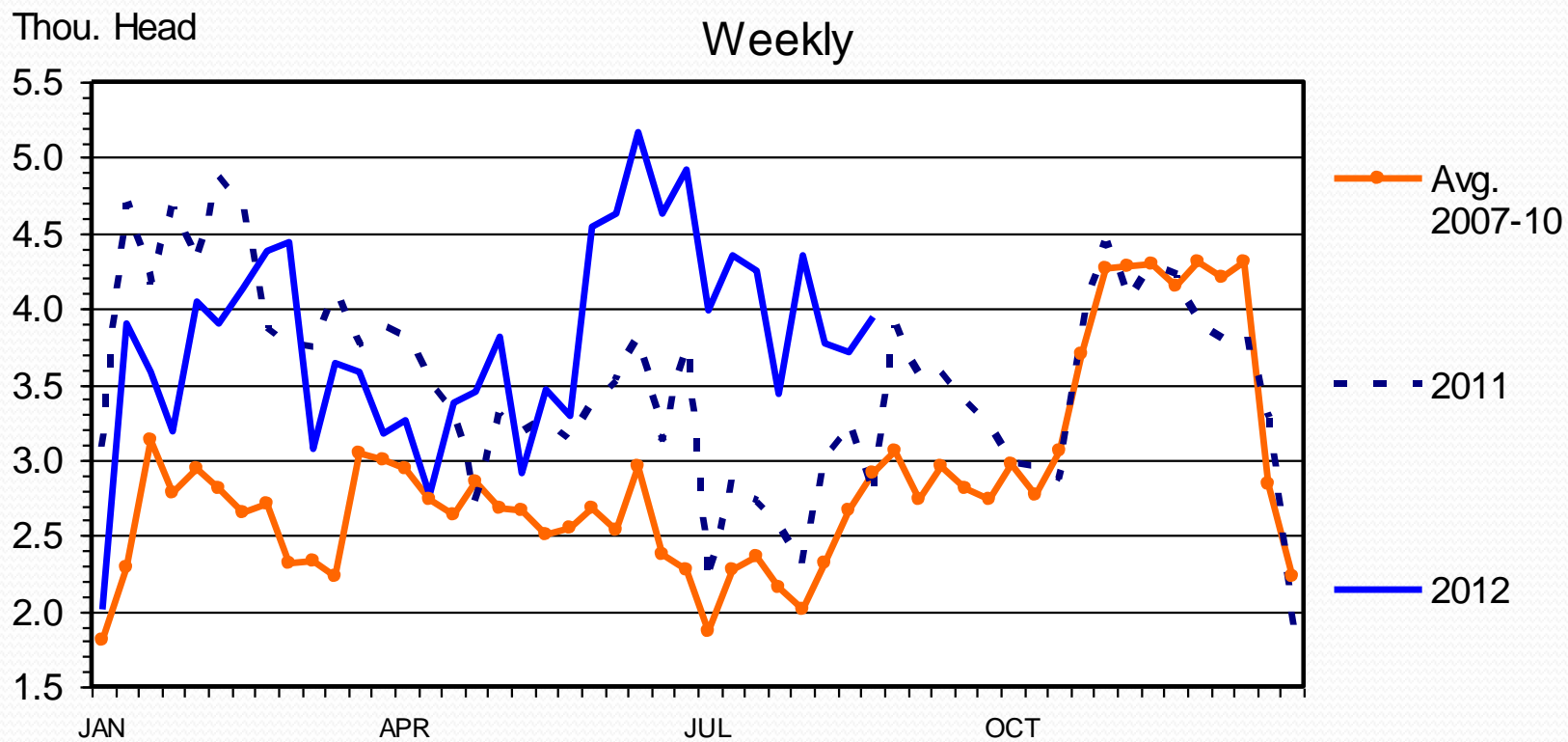
Livestock Marketing Information Center

Data Source: USDA-AMS

C-P-35  
09/17/12



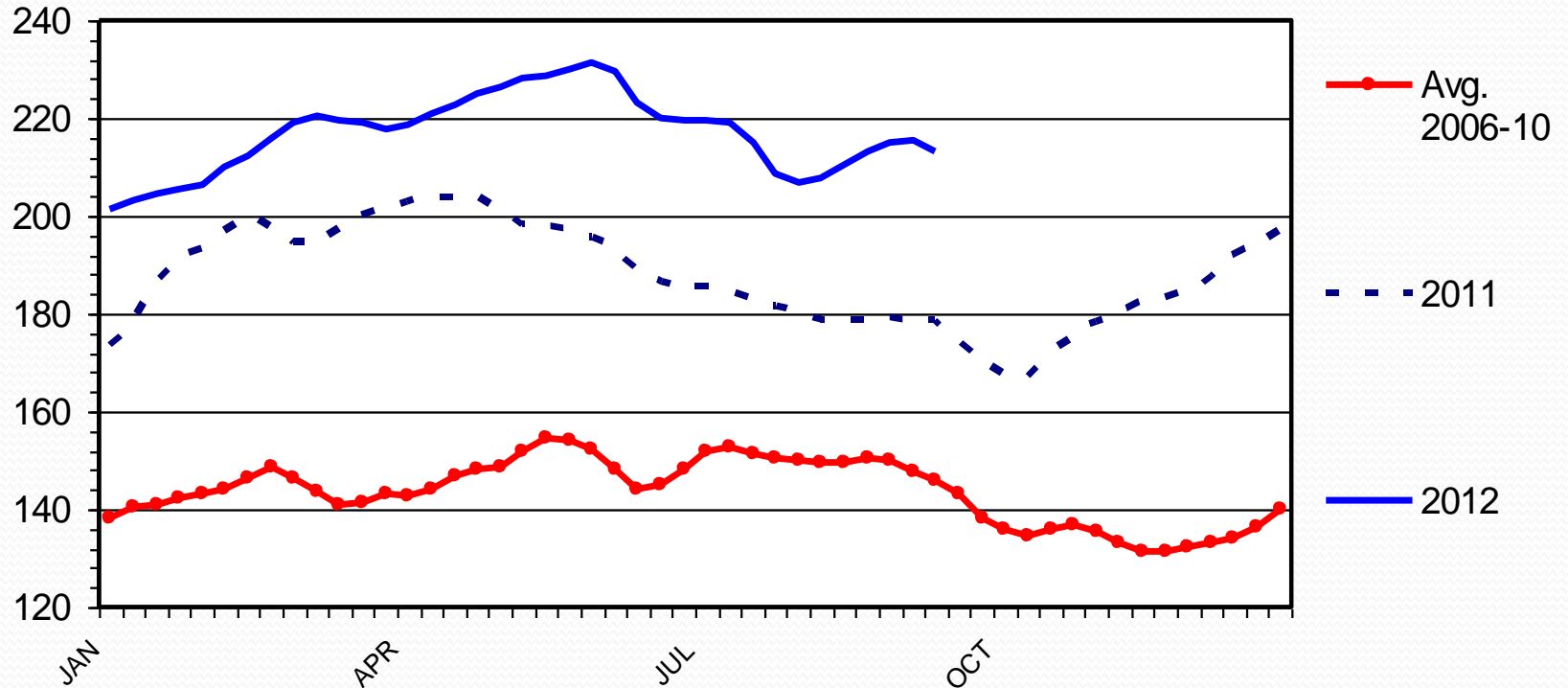
# SLAUGHTER COWS & BULLS IMPORTS FROM CANADA



# WHOLESALE BONELESS BEEF PRICES

Fresh, 90% Lean, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

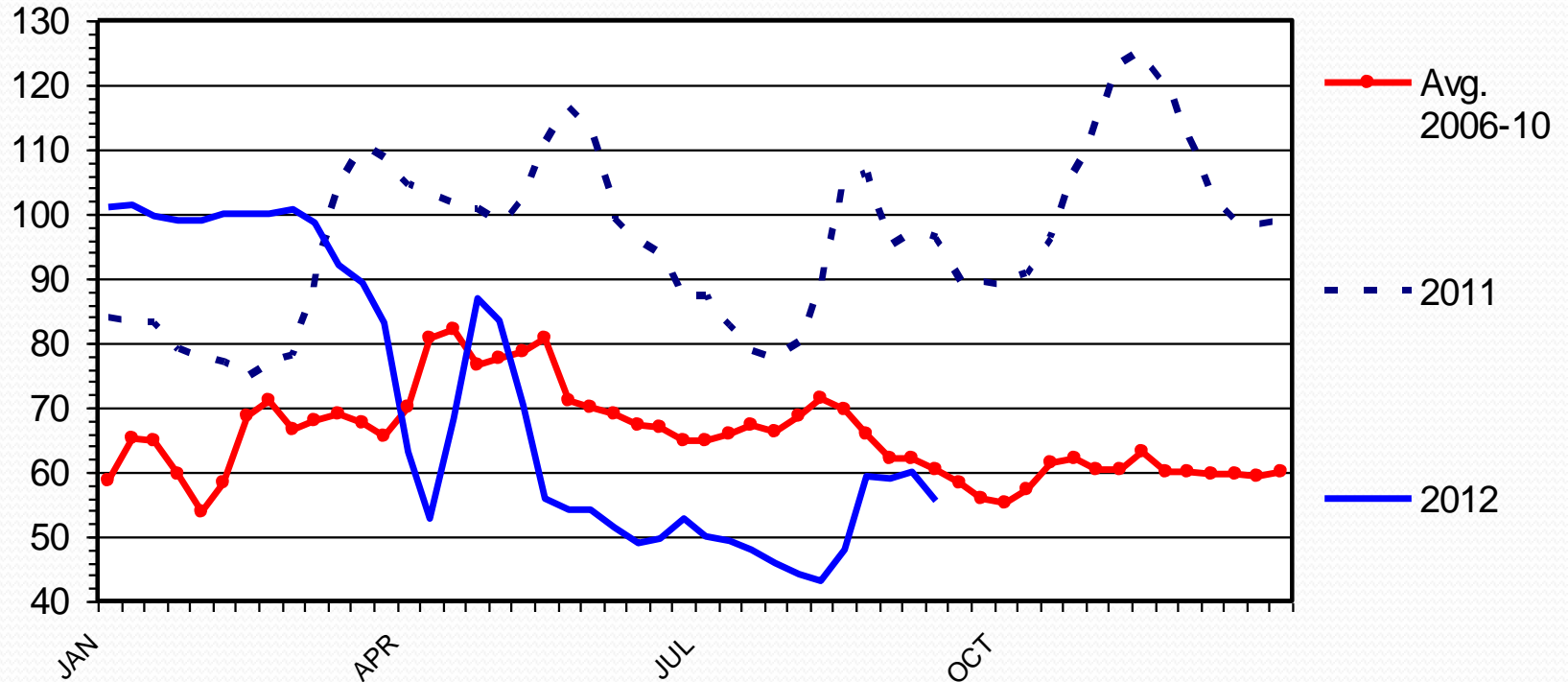
Data Source: USDA-AMS

M-P-24  
09/17/12

# WHOLESALE BONELESS BEEF PRICES

Fresh, 50% Lean, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS

M-P-25  
09/17/12

# LFTB

- Consumer eating patterns unchanged
- Imports of Australian beef 62% higher through July
  - Currency fluctuations present
  - New Zealand 5% higher
- Adjustment process ongoing

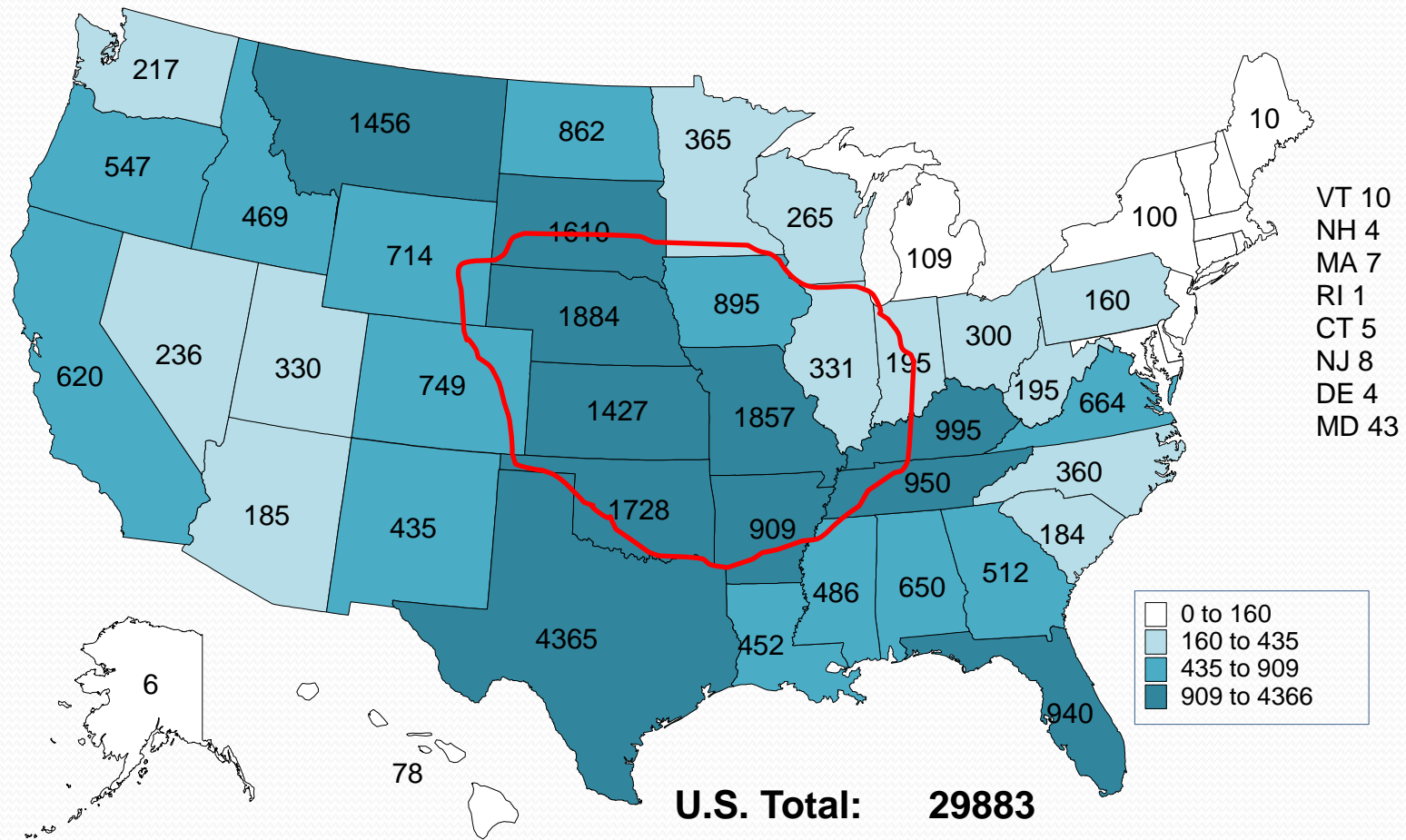


# Longer Term Outlook

# BEEF COWS THAT CALVED

## JANUARY 1, 2012

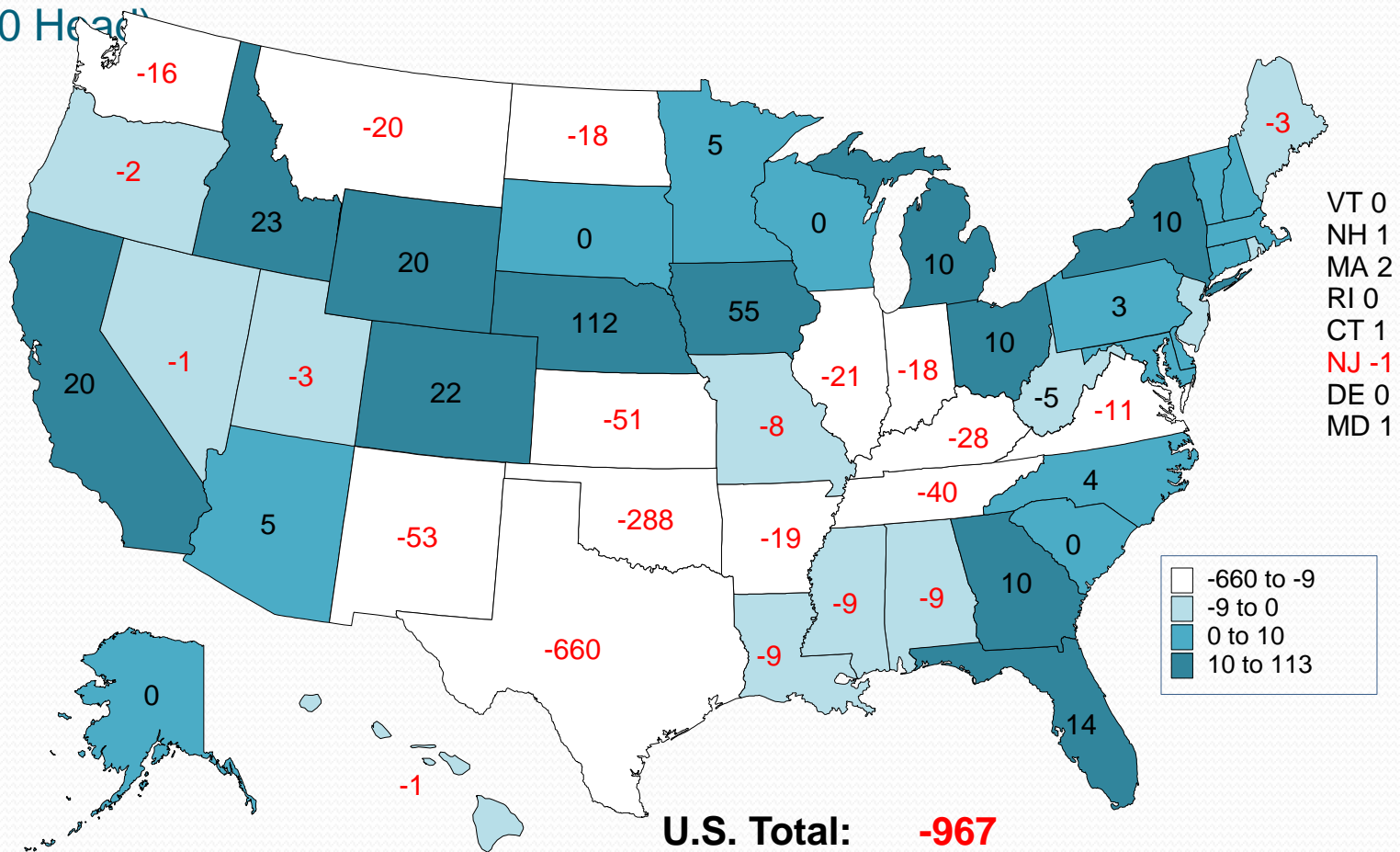
(1000 Head)





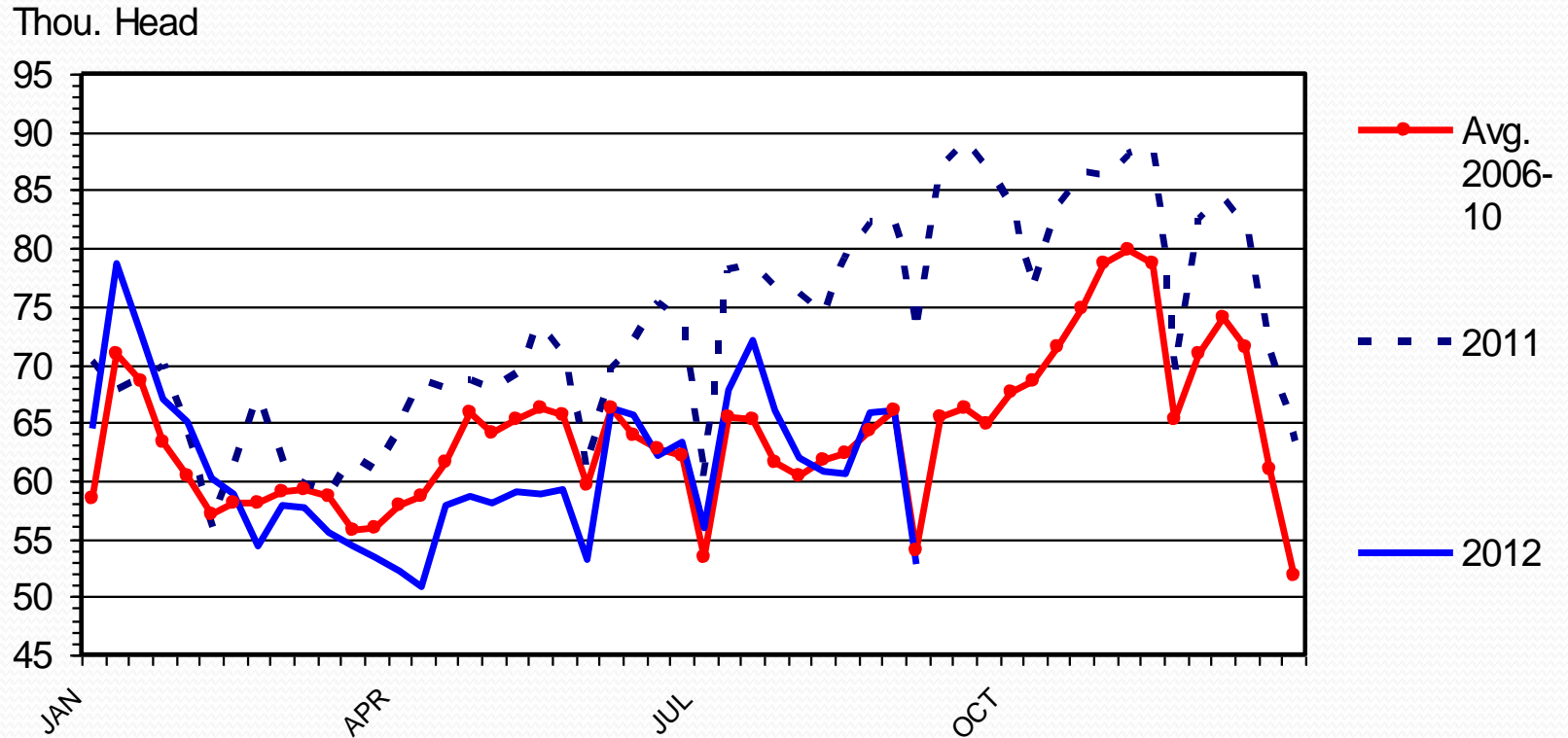
# CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2011 TO JANUARY 2012

(1000 Head)



# BEEF COW SLAUGHTER

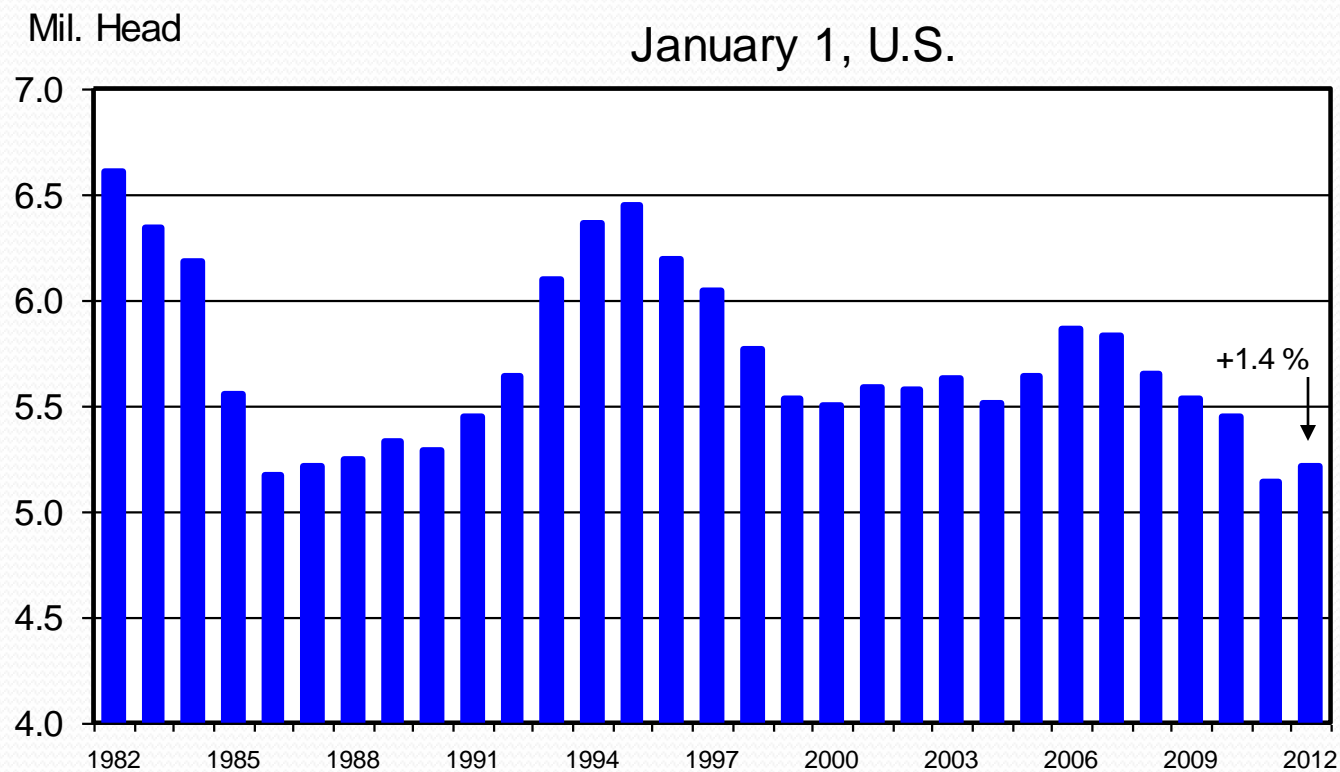
## Federally Inspected, Weekly





# HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



Livestock Marketing Information Center

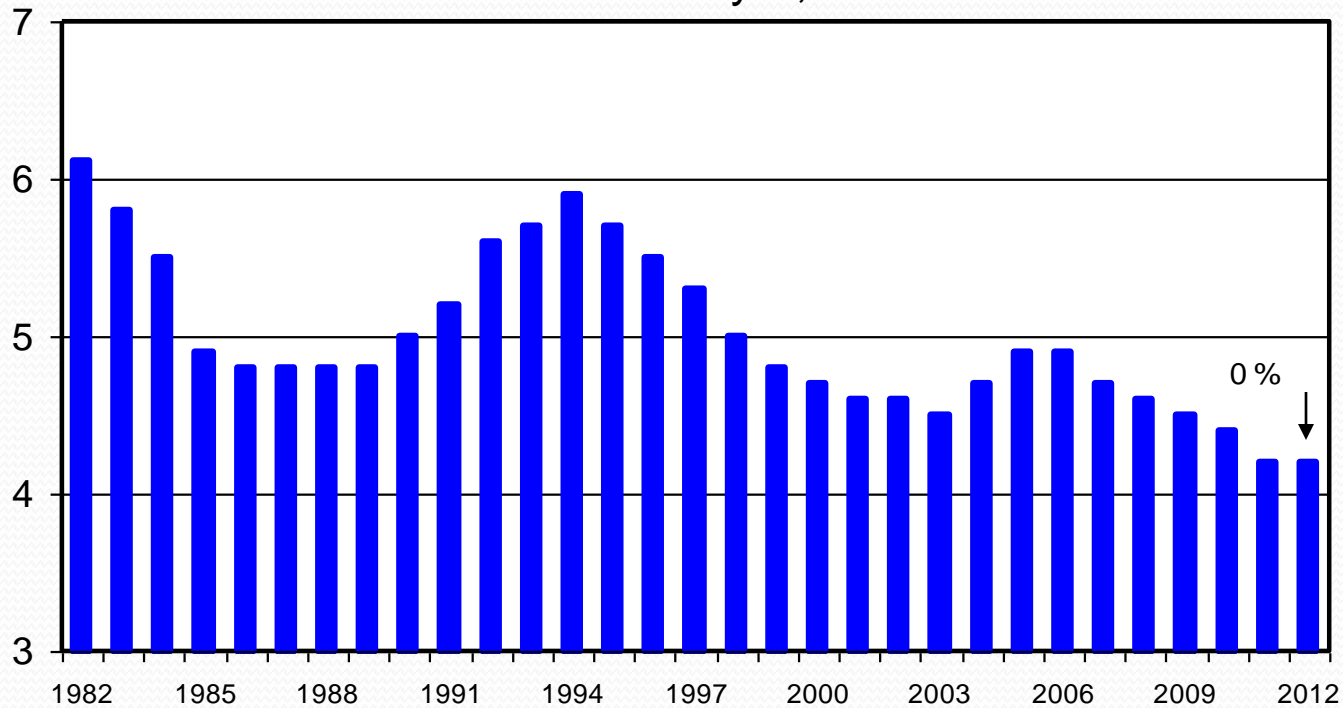
Data Source: USDA-NASS

C-N-38  
07/20/12

# HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Mil. Head



Livestock Marketing Information Center

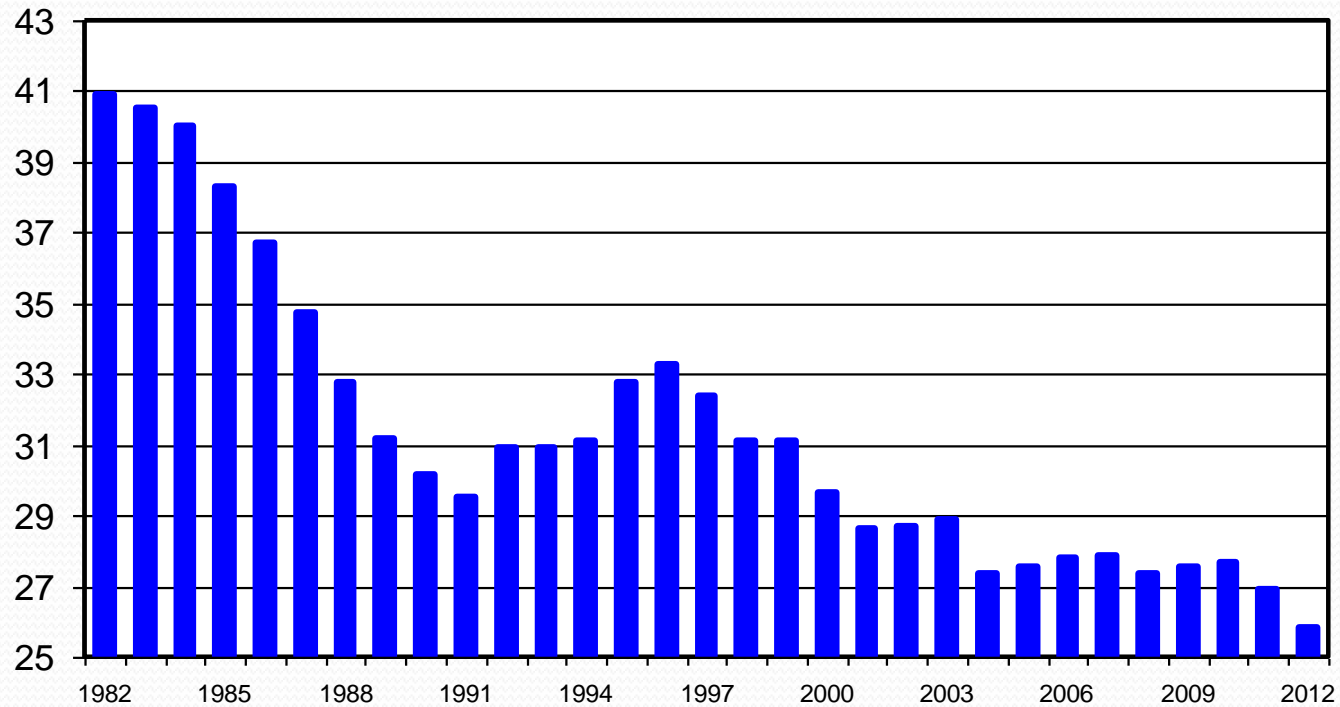
Data Source: USDA-NASS

C-N-37  
07/20/12

# JANUARY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

Mil. Head



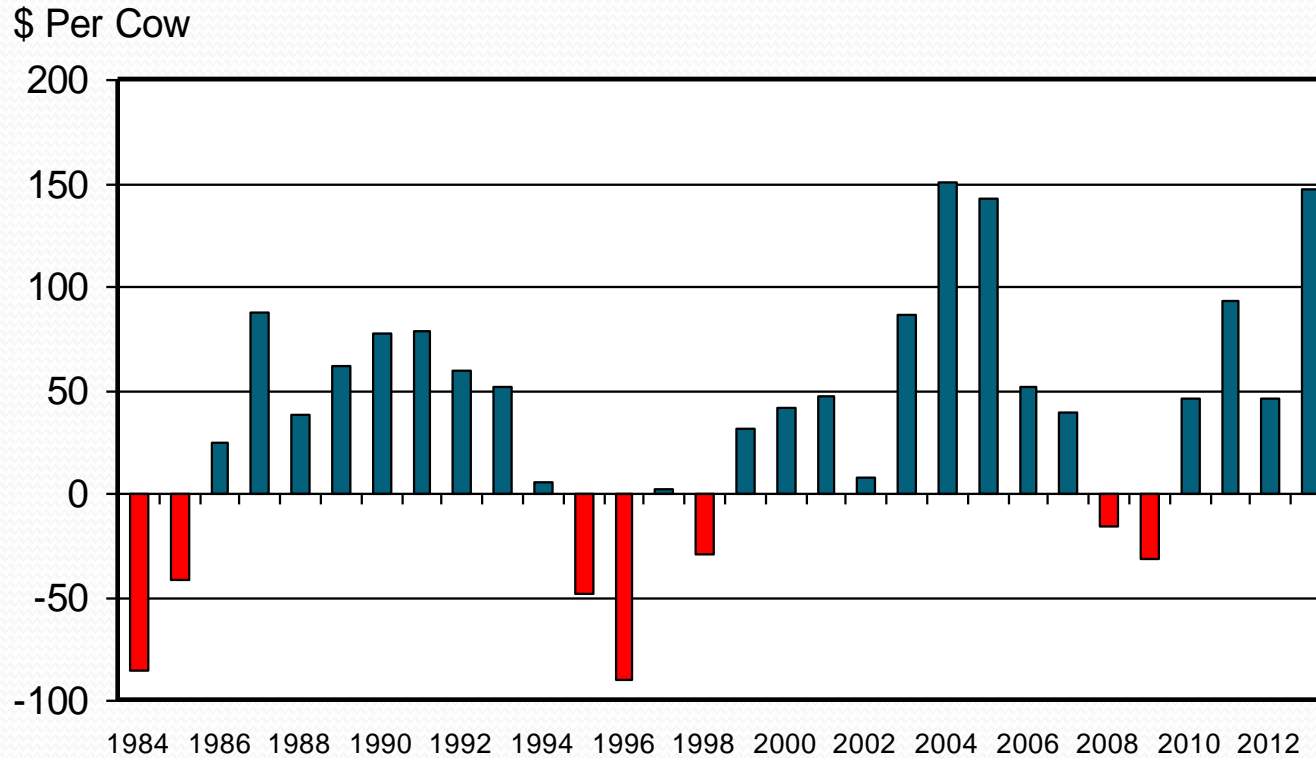
Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-30  
07/20/12

# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



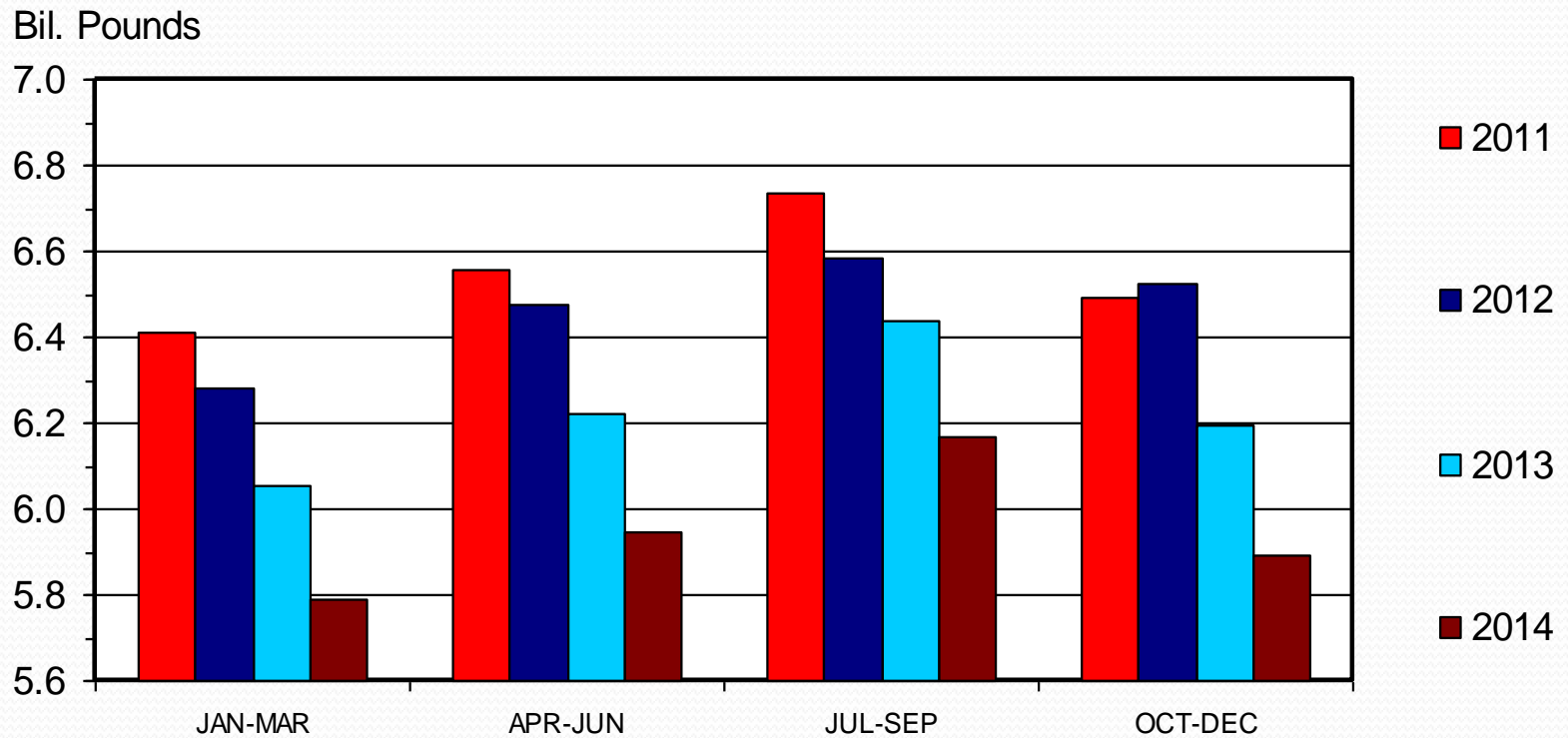
Livestock Marketing Information Center

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

C-P-66  
08/09/12

# COMMERCIAL BEEF PRODUCTION

## Quarterly

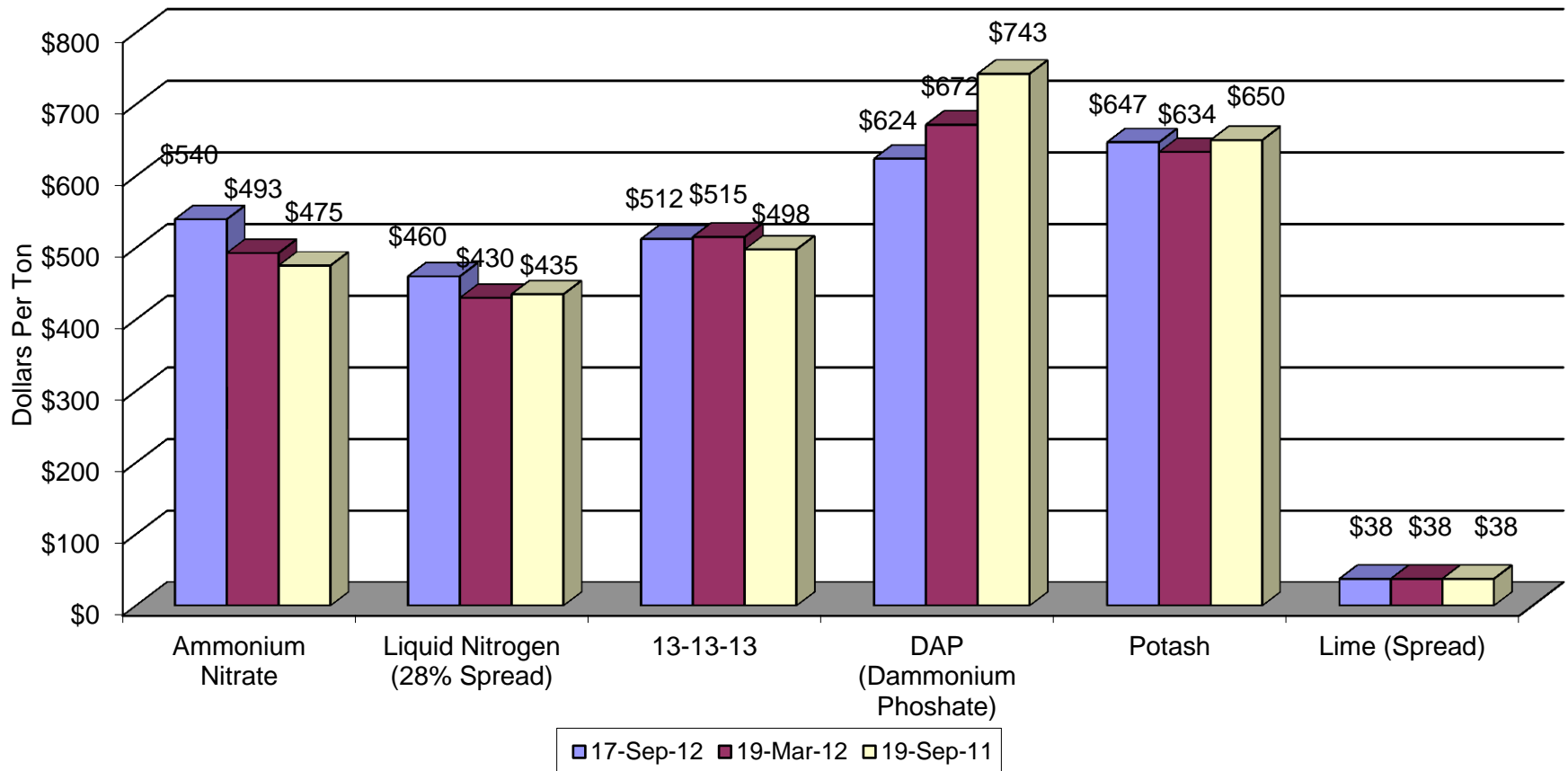


# Strong value of gains

- Value of gains exceeding \$1.20/lb currently
- What program can you build that will capture that value?
- How are you managing price risk?
- How important are fertilizers to your operation?

# Estimated Fertilizer Prices, Southeast US

September 17, 2012



# Projections for Remainder of 2012 and Early 2013

	Fed Cattle	Southern Plains Feeder Steers	Georgia Feeder Steers 700-800#	Southern Plains 500-600# Steers	Georgia Steers 500-600#
Q4-2012	\$123-125	\$137-140		\$146-150	
2012	\$121-123	\$146-147	\$138	\$163-166	\$165
Q1-2013	\$126-129	\$137-141		\$150-155	
Q2-2013	\$127-131	\$141-146		\$156-162	
Q3-2013	\$125-130	\$145-151		\$160-167	
2013	\$127-130	\$143-147	\$142	\$157-162	\$170
2014	\$133-139	\$156-163		\$174-181	

Source: LMIC and Univ. of Georgia



# Meat Summary

- Contraction is likely going to occur into 2014 for the meat complex
- Feeding of livestock will not be cheap
  - Forage is king (where available)
- How high can retail prices go?
  - Food price inflation outpacing general inflation

# Meat Summary

- Dampening of seasonal price declines in 4Q (cattle and hog markets)?
  - If it rains.
- Too expensive to hang on to underperforming females?