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## In The Cattle Markets

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### 2017 Review and Market Questions for 2018

We covered a lot of ground in the cattle industry in 2017. It was a year that, on average, exceeded most expectations in terms of cattle prices. The market showed impressive strength in the face of larger supplies. About 1.3 million more calves hit the ground in 2017 than in 2016. The number of cattle on feed was 8.1 percent higher on December 1, 2017 than at the same time in 2016, and the number of cattle slaughtered in 2017 was about 5 percent higher than in 2016. Despite all of these increases, 2017 average annual prices were near or above 2016 levels for live cattle and feeder cattle. Higher than expected prices in 2017 was certainly a positive sign for the cattle industry as we grapple with the impacts of herd expansion.

Beef trade was a big storyline for 2017 due to trade negotiations (or talks of renegotiation) with our biggest trading partners, larger beef exports, and market access to China. Combined, Japan, South Korea, Canada, and Mexico account for about 70 percent of the U.S. beef export market. We began 2017 talking about the Trans-Pacific Partnership (TPP). This was the trade deal that would have gradually decreased tariffs on U.S. beef entering Japan, our leading U.S. export market. U.S. participation in TPP fell apart due to larger political reasons and the U.S. remains at a tariff disadvantage for sending beef to Japan. There have also been discussions of renegotiating the trade agreement the U.S. has with South Korea, our second largest beef export market. With regards to Canada and Mexico, NAFTA renegotiations are ongoing and continue to add a layer of uncertainty to the markets. Despite the presence of trade discussions, our export markets flourished in 2017 and were up over 14 percent year-over-year through October 1. We also gained access to mainland China in June 2017 for the first time since 2003. Export totals to China have been modest as the market adjusts to the additional requirements for beef qualified for shipment to China – but the long-run impact for the ability to send U.S. beef to China is very positive.

Now is also a good time to discuss a few questions that will be important to markets in 2018. While there are many factors to watch, I want to point to three in particular. The first is “What is the state of herd expansion?” We’ll get a good measure of this when the annual USDA January 1 Cattle Inventory report is released on January 31<sup>st</sup>. I anticipate that expansion has continued, but not as rapidly as in the past few years. The second question is “Will U.S. beef exports continue to increase at a rapid pace?” Our export markets are a primary reason for stronger than expected prices in 2017. With even more supplies coming in 2018, can export markets exceed expectations again in 2018? The third question is “How will expansion of total meat production impact beef?” While beef production is increasing, chicken and pork production are also expanding. This has set the stage for 2018 to be largest total meat

consumption year of the past decade. How will this increased production get sorted out at the grocery meat case by consumers?

If one thing is for sure, it is that 2018 will bring surprises just like every year. Here's to hoping those surprises will be good for cattle producers. Happy New Year!

## The Markets

Market reports for last week were limited due to the holidays. The boxed beef cutout value was a few dollars higher than last week and very near the value during the same week in 2016. Though not reported last week, feeder prices finished 2017 at significantly higher levels than in 2016.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 12/29/17</b>	<b>Week of 12/22/17</b>	<b>Week of 12/30/16</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$122.84	\$119.97	\$117.44
	all grades, dressed weight, \$/cwt	\$194.50	\$190.32	\$188.86
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$202.35	\$200.14	\$201.79
	Choice-Select Spread, \$/cwt	\$11.06	\$14.22	\$9.01
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$156.50	\$162.84	\$140.18
	Oklahoma 8-market, \$/cwt	--	\$149.89	--
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$174.56	\$182.15	\$151.94
	Oklahoma 8-market, \$/cwt	--	\$169.14	--
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.28	\$3.26	\$3.24
	DDGS, Nebraska, \$/ton	\$153.50	\$150.50	\$110.00