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## **In The Cattle Markets**

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### **Dairy Cattle Impact on Beef Supplies**

The dairy cattle sector is a vital contributor to U.S. beef supplies. With fluctuating beef cow inventories over the past decade, the U.S. dairy herd has offered a stable source of both feeder cattle and cull cows to fill beef demand. In 2016 the dairy sector contributed 5.7 billion pounds (22.7%) of beef through cull cows and finished dairy steers and heifers to the U.S. beef supply chain.

The percent contributed by the dairy industry has grown since 2002 when beef from dairy cattle contributed 17.9% of the U.S. beef supplies to 22.7% in 2016. While growth in the amount of beef produced from dairy steers and cull cows has not been steady, it has less variability than beef from native cattle. Over the period of 2002 to 2016, U.S. commercial beef production peaked in 2002 at 27 billion pounds, of which 4.8 billion pounds was from dairy cattle. Beef production in 2016 was 25.2 billion, of which 5.7 billion of those pounds was from dairy cattle.

Finished dairy steers contribute more to U.S. beef supplies than culled dairy cows. Finished dairy steers contributed 2.9 billion pounds (10.8%) of total pounds harvested in 2002 and 3.5 billion pounds (13.8%) in 2016. Continued contributions from dairy steers can be expected with the dairy cowherd surpassing 2015 levels and reaching a new high since 2002. Increased cow numbers lead to more calves and in turn more steers reaching harvest. Cull dairy cows contributed 1.6 billion pounds (5.8%) in 2002 and 1.9 billion pounds (7.5%) in 2016. Dairy heifers provided 349 million pounds (1.3%) of beef in 2002 and 356 million pounds (1.41%) of beef in 2016.

Often overlooked is the amount of prime beef contributed by dairy animals, particularly dairy steers. With 85-90% of dairy animals being Holstein, Holstein steers contribute the largest portion of dairy beef. While traditionally discounted, Holsteins, particularly when managed as calf feds, have the potential for quality and yield premiums. Due to more predictability in feeding and genetics, finished Holsteins, when compared to beef breeds, will produce a larger percentage grading prime or choice. Between 2002 and 2016, Holstein steers have contributed between 32 and 60% (depending on the year) of prime beef harvested in the U.S.

Since 2002 the dairy industry has continued to be vital to beef supply and therefore prices. Dairy steers, heifers, and cull cows provide a significant percentage of the U.S. commercial beef production, and as such have an impact on market prices.

## The Markets

Monday saw large price gains in all weights and markets for cattle. Late last week, there was some sharp cash market support, primarily due to lower temperatures and snowfall in some areas. Cattle futures also surged, with the October live cattle contract closing at its highest level since early June, and January feeder cattle prices posting a new contract high. This week will likely see cash market trade slow and become sluggish after the sharp increase in price last week. Nearby contracts still hold a premium to last week's cash market trades.

Choice beef cutout values increased \$2.42 on strong beef demand. Although frozen beef stocks rose in September, they are still 6% below last year, despite production being 4% higher than last year. Continued competition from alternative proteins and a strong dollar may hamper increases in beef price.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 10/27/17</b>	<b>Week of 10/20/17</b>	<b>Week of 10/28/16</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$116.98	\$110.87	\$104.15
	all grades, dressed weight, \$/cwt	\$181.54	\$174.92	\$163.62
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$201.05	\$198.63	\$182.00
	Choice-Select Spread, \$/cwt	\$8.95	\$8.35	\$13.30
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$156.40	\$159.46	\$120.35
	Nebraska 7-market, \$/cwt	\$166.61	\$168.96	\$133.74
	Oklahoma 8-market, \$/cwt	\$157.33	\$155.15	\$126.17
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$172.54	\$172.39	\$132.78
	Nebraska 7-market, \$/cwt	\$180.53	\$183.58	\$137.07
	Oklahoma 8-market, \$/cwt	\$161.71	\$160.76	\$129.17
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.16	\$3.12	\$3.10
	DDGS, Nebraska, \$/ton	\$122.50	\$117.50	\$108.65