February 6, 2017

In The Cattle Markets

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Increasing Cattle Exports to Mexico and a Little More in the Inventory Report

For some months there has been talk of cattle feeders receiving bids for fed cattle from Mexican packers. Looking at the trade data indicates that slaughter cattle are moving South from South Texas feeders after many years of no trade. USDA AMS reports weekly cattle imports from and exports to Mexico. U.S. producers commonly export beef cattle breeding stock to Mexico. But no slaughter cattle exports were reported from the week ending December 20, 2003 until the week ending October 1, 2016. Exports ramped up from 40 head during the first week of October to 684 head the week ending December 8, 2016. Through February 2, 2017, 1,494 head of slaughter cattle have been shipped to Mexico. Just over 2,200 head were exported in all of 2016.

Growth in packing capacity in Mexico and a lack of cattle are encouraging export shipments. This growth in exports has also occurred as the peso has devalued sharply against the dollar since early November. The drop in peso value should be a headwind against U.S. exports. The lower peso will also encourage shipping Mexican feeder cattle to the U.S. The changing structure of the market in Mexico – more feeding and packing capacity and increasing beef exports – will be an interesting market phenomenon this year. More buyers bidding for South Texas fed cattle is a positive price development for those feeders.

The beef cow herd, at 31.2 million head, is the largest since 2010 and implies that the nation's herd has fully recovered from the Southern Plains drought. But, cow numbers in Texas have not fully recovered from the drought, regaining only about half of the 1.2 million cows lost during the drought. Texas had 5.14 million beef cows on January 1, 2010, declining to 3.9 million by 2014 and increasing to 4.46 million head in 2017. Much of the nation's herd recovery occurred in other states.

The Southern Agricultural Economics Association held their annual meeting this week in Mobile, AL. There were numerous research papers presented on livestock and meat topics, including long term returns to winter stockers and other production topics, meat trade, and meat demand. You can access the program to see the paper topics at saea.org.

The Markets

Fed cattle prices continue to hold prices around $119 per cwt. While that's down a couple dollars from January highs, they continue to show some strength given the amount of beef and cattle that have moved. Its not uncommon for prices to decline a bit before moving higher in Spring. The Choice beef cutout declined by just over a $1 from the week before while the Select strengthened by $1 to result in the Choice-Select spread to shrink to $1.47 per cwt.

Data Source: USDA-AMS Market News		**Week of 2/3/17**	**Week of 1/27/17**	**Week of 2/5/16**
5-Area Fed Steer	all grades, live weight, $/cwt	$118.76	$121.22	$134.46
	all grades, dressed weight, $/cwt	$189.78	$193.46	$210.29
Boxed Beef	Choice Price, 600-900 lb., $/cwt	$192.88	$192.09	$221.84
	Choice-Select Spread, $/cwt	$3.02	$3.52	$4.58
700-800 lb. Feeder Steer	Montana 3-market, $/cwt	$129.64	$132.04	$158.66
	Nebraska 7-market, $/cwt	$132.78	$137.15	$163.34
	Oklahoma 8-market, $/cwt	$127.29	$132.85	$157.61
500-600 lb. Feeder Steer	Montana 3-market, $/cwt	$149.36	$157.50	$194.39
	Nebraska 7-market, $/cwt	$161.53	$163.70	$201.18
	Oklahoma 8-market, $/cwt	$151.65	$157.20	$189.83
Feed Grains	Corn, Omaha, NE, $/bu (Thursday)	$3.44	$3.41	$3.29
	DDGS, Nebraska, $/ton	$106.50	$107.25	$132.50