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In The Cattle Markets

David P. Anderson, Professor and Extension Economist
Texas A&M AgriLife Extension Service

Trade Continues to Move in the Right Direction

Two interesting trade reports have been released by USDA in the last two weeks. One is the monthly beef trade data. The other is from the Foreign Ag Service and is a bi-annual report on world markets and trade. With all the talk about Brazil and China in the beef news lately it's a good chance to look over trade trends.

Beef imports in August (the latest data) was 16 percent lower than in August 2015. Imports from Australia continue to fall, down 50 percent from August the year before. For the first time in over two years, the US imported more beef from Canada than from Australia. Beef imports from Canada and Mexico continued to increase, year-over-year in August. For the year to date, imports from Canada and Mexico are up 14 and 10 percent, respectively, while imports are down from every other major import source. Year to date imports are 13 percent (312 million pounds) below last year.

Beef exports are about 94 million pounds ahead of last years pace. Exports have picked up some steam late in the year, with August exports up about 30 percent (52 million pounds). Exports have grown to most major markets and are only lower to Canada and Hong Kong. On balance, net imports were only 35 million pounds in August, the smallest since December 2015, when exports exceeded imports.

Beef production is expected to increase in most major producing countries in 2017 by almost 1 million metric tons. Production in Brazil is projected to grow by almost 200,000 metric tons, or 2 percent, in 2017. In comparison, U.S. beef production is expected to increase by about 400,000 metric tons. World beef trade is also expected to increase in 2017. To fuel growing consumption, China is expected to import an additional 125,000 metric tons of beef, for a 15 percent increase.

I am often asked what all this trade stuff really means. Certainly exports have been a growth market for the cattle and beef industry. The net change in 2016 trade compared to 2015 due to the decline in imports and increase in exports has been 405 million pounds less beef on the U.S. market. While beef production is up almost 1 billion pounds though the first 3 quarters of the year, total supplies are only up 628 million pounds. When the growth in exports is included the total available beef on the U.S. market has only grown by about 528 million pounds.

The Markets

The fed cattle market continued to slide into mid-October, as did many stocker and feeder markets. The markets continue to signal much smaller slides from stocker to feeder weight steers compared to a year ago. The market also continues to show the correction in the price

relationship between feeder and fed cattle. Some local Texas auction markets have seen even more significant price breaks compared to more central major auction markets. Those local prices continue to show some potential opportunities for winter grazing. Corn prices increased a little over the week, but remain over 50 cents per bushel below last year. But the fed cattle price decline has continued to more than offset the impact of cheaper feed on the feeder market.

<i>Data Source: USDA-AMS Market News</i>		Week of 10/14/16	Week of 10/7/16	Week of 10/16/15
5-Area Fed Steer	all grades, live weight, \$/cwt	\$97.59	\$100.90	\$132.95
	all grades, dressed weight, \$/cwt	\$153.93	\$159.03	\$204.98
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$182.43	\$184.72	\$209.46
	Choice-Select Spread, \$/cwt	\$9.54	\$8.66	\$5.12
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$113.72	\$113.21	\$192.69
	Nebraska 7-market, \$/cwt	\$126.61	\$135.03	\$197.13
	Oklahoma 8-market, \$/cwt	\$122.21	\$128.87	\$194.16
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$124.52	\$127.32	\$218.89
	Nebraska 7-market, \$/cwt	\$130.03	\$144.29	\$227.46
	Oklahoma 8-market, \$/cwt	\$124.43	\$128.22	\$210.88
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.05	\$3.04	\$3.47
	DDGS, Nebraska, \$/ton	\$110.44	\$112.90	\$115.31