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In The Cattle Markets

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Exports and Domestic Beef Disappearance

The latest trade data released last week showed that the impressive export totals continued through the month of September. Total beef and veal exports were 13.95 percent higher in September 2017 than in September 2016. Year-to-date available, total exports are up 14.46 percent over the first nine months of 2016. In total pounds, exports are up about 263 million pounds YTD over last year.

The largest increase was again in exports to Japan. U.S. beef exports to Japan were up nearly 40 percent over September of last year. Japan imported 85 million pounds of U.S. beef in September. On the year, exports to Japan are up 29 percent over 2016 levels. Exports to Canada and Mexico both grew about 8 percent over September 2016. Exports to mainland China totaled a little over one million pounds in September which made China the 15 largest importer of U.S. beef for the month.

The continued increase in beef exports is taking some of the beef that would have otherwise ended up on the U.S. market out of the country. With beef production increasing, generally either domestic consumption has to increase, exports have to increase, or a combination of the two. In 2017, a combination of the two has been the answer. Larger than expected export totals have kept the beef disappearance per person in the U.S. from increasing by as much as the increase in beef production would suggest.

Domestic disappearance is a measure of how much beef is used on the domestic market. It accounts for production, beginning and ending stocks, imports, and exports. If we assume that 2017 export totals will end up at the current YTD rate of 14.5 percent higher than 2016, that would suggest exports will be 371 million pounds higher this year than last year on a carcass weight basis. If this occurs, not only would 2017 be the year with the largest export totals on record, it would also represent the largest annual pounds increase since 2011. How does this impact disappearance? Without the 14.5 percent increase in exports this year, domestic disappearance would be a half pound greater for *every person* in the U.S. on a retail weight basis. Looking ahead, forecasting exports for 2018 and beyond has important implications for price projections. Will stronger than expected export growth continue into the new year? If it does, it would continue to partially temper the impact of growing production on domestic beef disappearance.

The Markets

Fed cattle prices ended last week slightly lower than the week prior. Fed prices were about \$20/cwt higher than the same week last year. The choice cutout value strengthened to the highest level since the second week of July. This was the ninth consecutive week of increased choice cutout value. Live cattle futures prices have fallen back from the highs reached during the rally over the past few weeks.

<i>Data Source: USDA-AMS Market News</i>		Week of 11/10/17	Week of 11/3/17	Week of 11/11/16
5-Area Fed Steer	all grades, live weight, \$/cwt	\$122.71	\$123.53	\$103.70
	all grades, dressed weight, \$/cwt	\$191.62	\$191.99	\$162.15
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$212.59	\$206.83	\$185.47
	Choice-Select Spread, \$/cwt	\$15.74	\$13.33	\$15.26
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$159.83	\$163.46	\$117.94
	Nebraska 7-market, \$/cwt	\$164.41	\$169.24	\$130.81
	Oklahoma 8-market, \$/cwt	\$164.47	\$163.29	\$125.66
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$176.58	\$173.46	\$135.12
	Nebraska 7-market, \$/cwt	\$183.43	\$184.82	\$140.65
	Oklahoma 8-market, \$/cwt	\$170.76	\$166.82	\$136.94
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.04	\$3.16	\$2.96
	DDGS, Nebraska, \$/ton	\$125.50	\$122.60	\$105.63