

In The Cattle Markets

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Trade

On March 24, 2022 the US and Japan reached an agreement to increase the three-trigger safeguard mechanism required prior to Japan implementing a higher tariff on US beef. The new three-trigger, as opposed to one, safeguard mechanism will reduce the probability that Japan will impose higher tariffs, thereby limiting access to Japanese markets for US beef producers. Although not signed, the agreement is good news for beef producers as it continues to improve accessibility to valuable markets.

Foreign markets are an essential demand market for beef producers, as well as pork and poultry producers. In 2021, the US exported 925,127 metric tons of chilled and frozen muscle cuts of beef. The US exported 12.3% of total beef and veal production in 2021, up 1.5% over 2020. Global sales of beef and beef products was valued at over \$10 billion in 2021, with Japan being one of the largest exports markets and taking \$2.4 billion in 2021.

Beef trade has been supportive of beef prices. With declining beef production and increased prices, 2022 will likely see a contraction of about 4% year over year in exports. Although exports will be lower, they are still historically high and continue to be a supportive factor for cattle prices. The bigger trade concern currently for cattle is the indirect effects from decreased trade opportunities for poultry due to highly pathogenic avian influenza (HPAI) and the decreased export potential for pork due to lower imports from China.

Unlike the 2014/2015 HPAI outbreak, which resulted in substantially lower exports of US poultry products due to the decrease in supply of poultry productions and the trade restrictions imposed by over 50 countries, the impact on poultry trade thus far has been lower. In 2015, layers accounted for the large majority of lost birds, totaling about 12% of table-laying chicken inventory. Turkeys grown for meat were also largely affected. Losses of broiler chickens were less than 0.01% of their inventory. In 2015, the US saw an almost 14% decline in the export level of broilers and a decline in retail price for broilers of almost 4%. Given the increased supply available in the US and the lower price, US poultry consumption increased by almost 7% in 2015.

Trade data has a two-month delay. As of February 2022, broiler exports were up 1.7%; however, the first case of HPAI was in February. Limitations on exports will be different in 2022 as now only exports from a defined region that pose a risk of spreading the disease can be limited. If HPAI continues to expand though the impact on trade will grow and hence the potential to impact beef prices will continue to increase.

Beef is the highest priced animal protein in the US and given the expected decline in production due to lower number and continued strong trade, we will likely see continued increased in retail beef prices. Additional supplies of poultry or pork on US grocery shelves will put downward pressure on those prices and will eventually transfer to cattle prices.

The Markets

Reports of fighting increasing in eastern Ukraine have spurred May corn to new highs, closing on Friday at \$7.6875, up 33.75 cents for the week. The April 8, 2022 WASDE forecast higher corn for ethanol use, but reduced corn used for feed, thereby keeping ending stocks the same as last month.

The April WASDE forecast beef production higher based on first quarter placement and increased non-fed cattle slaughter. Pork production was lower based on Quarterly Hogs and Pigs report estimated. Broiler production was reduced due to lower expected slaughter in first quarter.

<i>Data Source: USDA-AMS Market News</i>		Week of 4/8/22	Week of 4/1/22	Week of 4/9/21
5-Area Fed Steer	all grades, live weight, \$/cwt	\$138.82	\$139.32	\$122.01
	all grades, dressed weight, \$/cwt	\$222.43	\$222.61	\$195.30
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$270.50	\$266.19	\$266.08
	Choice-Select Spread, \$/cwt	\$9.06	\$7.49	\$9.23
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$155.00	\$169.46	\$140.00
	Nebraska 7-market, \$/cwt	\$169.16	\$168.39	\$155.64
	Oklahoma 8-market, \$/cwt	\$157.62	\$162.09	\$144.87
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	\$195.96	\$205.77	\$177.24
	Nebraska 7-market, \$/cwt	\$206.36	\$201.41	\$183.95
	Oklahoma 8-market, \$/cwt	\$195.02	\$199.50	\$173.40
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$7.66	\$7.46	\$5.79
	DDGS, Nebraska, \$/ton	\$310.00	\$305.00	\$210.00