What’s In Store for the 2013 Cattle Markets

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Cattle Trails Cow-calf Conference
Lawton, Oklahoma

U.S. Drought Monitor
January 8, 2013
Valid 7 a.m. EST

http://droughtmonitor.unl.edu/

Released Thursday, January 10, 2013
Author: David Simneral, Western Regional Climate Center
Cattle Situation
Three Points to Make

- Cattle Inventory Numbers
- Drought’s Impact on Corn & Cattle
- Rising Protein Prices

FI All Cow Slaughter

Graph showing the number of cows slaughtered from January to December for the years 2007-11, 2011, and 2012.
**U.S. Beef Cow Inventory**

January 1

Million Head

- 1976: 45
- 1978: 40
- 1980: 35
- 1982: 30
- 1984: 25
- 1986: 20
- 1988: 15
- 1990: 10
- 1992: 5
- 1994: 0

**BEFF COWS THAT HAVE CALVED**

JANUARY 1, 2012

(1000 Head)

- Alaska: 5.5
- Hawaii: 78.1
- U.S. Total: 29,882.9
U.S. Commercial Beef Production
Billion Pounds

Drought’s Impact on Corn Market
We started 2012 thinking....

- Carryover into 2012 – 851 Million Bushels
  - Lowest Since 1997
- Began 2012 PY expecting 15 Billion Bushel Crop.
  - Then, carryover in 2013 would be 1.9 Billion Bushels
- However....

However, Everything Changed!

<table>
<thead>
<tr>
<th>CORN</th>
<th>May</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry In Billion Bus.</td>
<td>0.851</td>
<td>0.989</td>
</tr>
<tr>
<td>Planted Acres Million Acres</td>
<td>95.9</td>
<td>97.2</td>
</tr>
<tr>
<td>Abandonment Percent</td>
<td>7.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Harvested Acres Million Acres</td>
<td>89.1</td>
<td>87.4</td>
</tr>
<tr>
<td>Yield Bus. Per HA</td>
<td>166.0</td>
<td>123.4</td>
</tr>
<tr>
<td>Production Billion Bus.</td>
<td>14.790</td>
<td>10.780</td>
</tr>
<tr>
<td>Imports Billion Bus.</td>
<td>0.015</td>
<td>0.100</td>
</tr>
<tr>
<td>Domestic Use Billion Bus.</td>
<td>11.875</td>
<td>10.317</td>
</tr>
<tr>
<td>Exports Billion Bus.</td>
<td>1.900</td>
<td>0.950</td>
</tr>
<tr>
<td>Carry Out Billion Bus.</td>
<td>1.881</td>
<td>0.602</td>
</tr>
<tr>
<td>Stocks/Use Percent</td>
<td>13.65</td>
<td>5.34</td>
</tr>
</tbody>
</table>

Will USDA allow ES to go less than 500 MB or S/U to go below 5%?
Lower Cow & Calf Inventory and Corn’s Impact on the Cattle Markets

Drought leads to closing of Hays Feeders yard
Lot to close when cattle are liquidated after Jan. 1

By The Associated Press

The Hays Feeders cattle lot will close after all the animals are hauled away sometime early next year, a victim of a two-year drought that caused a small supply of cattle and skyrocketing costs for feed.

The owners of the lot northwest of Hays are hopeful it will reopen after the economy improves, said Jerry Bohn, general manager of Pratt Feeders, which owns Hays Feeders and three other cattle yards in Kansas and Oklahoma. The Hays lot was doing the least amount of business, he said.

“It made more sense for (Hays Feeders) to be mothballed for now,” Bohn said. “The short-term intent is to shut the facility down and hope the economics of the business get better.”
Big Short Term Cattle Issues

- In a period where cattle prices start to rise.
- Corn Increase: Increased Corn Price dropped feeders prices $20/cwt; or $150/head.
- Corn Increase: Increased Corn Price have dropped calf prices $35/cwt; or $193/head.
- Volatility and Risk

750 Lbs Steer Prices

January 2013 = 149.88
March 2013 = 151.45
April 2013 = 153.38
May 2013 = 155.15
August 2013 = 160.18
550 Lbs Steer Prices

May 2013 Feeder Cattle
Rising Protein Prices

Boxed Beef Prices (Choice)
Boxed Beef vs. Live Cattle
January 2011 to Present

Boxed Beef vs. Live Cattle
January 2011 to Present

Boxed Futures

Boxed Futures
Big Long Term Cattle Issues

- Even fewer breeding cows for the future.
- Will prolong significant herd rebuilding until 2015.
- How many corn acres will be planted in 2013; possibly > 100 million acres?
  - Trick Question!
- Beef demand has stayed relatively strong, but we will test how much consumers are willing to pay for beef.

Questions/Comments

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