



# TRENDS

A CATTLE-FAX PUBLICATION FOR COW CALF PRODUCERS

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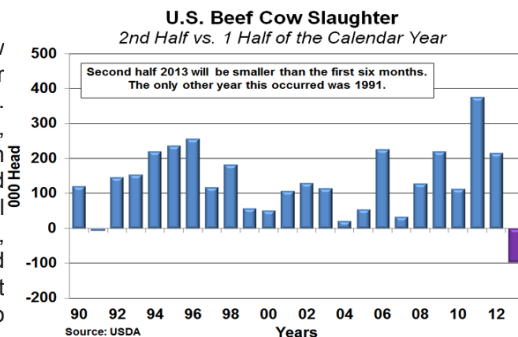
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## Beef Cow Slaughter – Tale of Two Halves

**S**imply looking at annual beef cow slaughter does not paint a clear picture of how drastically U.S. cowherd inventory is changing. Currently, beef cow slaughter is on pace to be down 250,000 cows (-7 percent) in 2013 compared to last year. Beef cow slaughter in 2013 will be 10.8 percent of the beef cow inventory, which is high enough to suggest the herd will be smaller on January 1. However, first half 2013 beef cow slaughter compared to second half shows a transition has occurred.

Producers typically cull cows in the fall. Therefore, beef cow slaughter in the second half of the year is almost always larger than the first half. This year will buck that seasonal. Beef cow slaughter in second half 2013 is on pace to be about 100,000 head smaller than first half 2013. This has only happened one year since 1980. That was in 1991. The beef cowherd was at the last major turning point for expansion in 1991, and the beef cow inventory increased from near 32 million beef cows to above 35 million by 1996. The 2013 beef cowherd also appears to be reaching a significant turning point from major liquidation to stabilization that is on the verge of expansion.

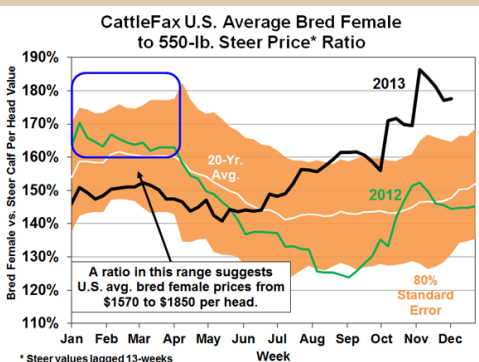


## When Are Bred Females Too Expensive?

**D**rought literally squelched any chances to discuss beef cowherd expansion in the United States over the last 10 years. However, there seems to be industry consensus that U.S. beef cowherd growth in 2014 is environmentally possible. That begs to question the economic factors of expansion. CattleFax expects bred female prices to be \$1,550 per head in 2014. In areas with active expansion, the price could reach beyond \$2,000 for above-average quality bred females during peak winter demand.

That investment is enough to make most cow-calf producers pause, but it is likely a historically reasonable price expectation based on fall 2013 calf sales. Over the last 20 years, the average first quarter female price is around 1.6 times the per-head steer calf value from the preceding fourth quarter. Fourth quarter 550-pound U.S. steer prices will average around \$180/cwt. An average ratio suggests first quarter 2014 female prices average \$1570 per head.

Notice November bred females were around 1.8 times the value of August steer calves in the accompanying graph. That is significantly higher than what can be expected 80 percent of the time over the last 20 years. Assuming this trend continues, first quarter 2014 bred female prices could average more than \$1,850/head. Only bred female buyers can dictate what is expensive for their operations, but current prices are already beyond historical norms on a U.S. basis. Expect robust premiums to continue in the bred female market throughout first quarter 2014.



### — WATCH LIST —

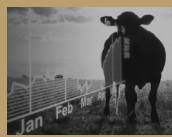
#### CattleFax Webinar for Cow-Calf Producers

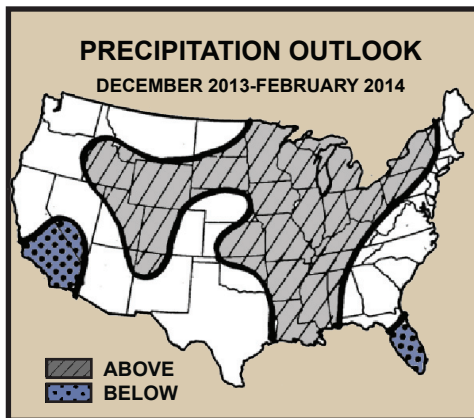
Cattle producers can attend the Trends+ webinar at 5:30 p.m. MT, Wednesday, January 22, 2013. The one-hour webinar will provide producers and industry leaders with an outlook on the 2014 markets. Attendees will gain a better understanding of developing macroeconomic issues that will change the way the cattle and beef companies operate – including beef cowherd expansion, cheaper feedstuffs, energy market price changes, and feedyard and packing segment overcapacity.

The CattleFax team will share its analysis and perspective on how these factors will influence cattle producers in the upcoming year:

- U.S. livestock and feedstuff production scenarios and expectations
- Profit opportunities and risk management strategies
- Forecasts for the 2014 prices in the calf, feeder cattle, fed cattle and beef markets

The Trends+ webinar is designed to inform cattle producers about current market realities and provide producers with the information to assist in making intelligent marketing decisions. To participate in the seminar and access program details, producers and industry leaders simply need to register online at [www.cattlefax.com/meetings.aspx](http://www.cattlefax.com/meetings.aspx).

MARKET PRICES			
	Current	Change vs Month Ago	Change vs Year Ago
(\$/cwt, U.S. avg)			
550# Steers	184.39	1.58	22.76
750# Steers	163.63	(0.79)	20.04
Fed Steer	132.01	(0.17)	8.30
Ut/Comm Cows	81.00	1.64	11.78
Omaha Corn	4.15	(0.07)	(3.47)
USDA Hay Forage	135.00	(6.00)	(9.00)



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## TRENDS

# Markets

**Calves** — The calf market continues the trend higher, which started this fall. The trend from year end into early next year is typically higher due to more weaned calves in the mix and buyers who are financially motivated to procure inventory before the next year. Calf buyers are increasingly fearful of a declining supply and price increase as calf orders continue to pour in rather than waiting until spring. The calf market has little risk of getting cheaper. Many sellers have opted to take the profits the market is offering and are electing to defer the income until after January 1. Calf owners will stay in the pilot seat into the New Year.

**Feeders** — The volume of feeder weight cattle is relatively slim. In fact, the sales mix is so void of true yearlings it is difficult establishing a true market test. Numbers will increase in January as weaned and backgrounded calves will add volume in the 650-to-850 weight category. The feeder cattle market is on solid footing, with futures prices currently in the mid-to-upper \$160s. Risk to the low \$160s is about as far as the market could press. Pricing will depend on the month the cattle are placed against in the fed market and the deferred live cattle futures levels during that time.

**Females** — The cull cow market has increased modestly over the past month on tighter supplies. Slaughter cow values will increase into the spring, with Utility cow prices expected to approach or exceed \$90/cwt. The new year will also see peak seasonal demand — and prices — for spring-bred females. Prices are expected to see modest increases in January and February. Bred heifer and young cow prices — depending on location, type and quality — continue to run from \$1,650 to \$2,400 per head on the bulk of offerings.

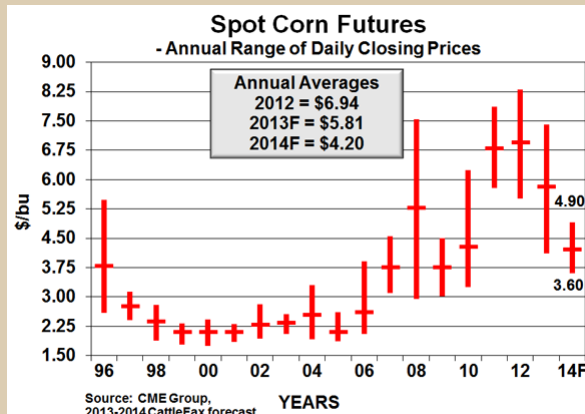
**Corn** — The next key USDA report will be released January 10. It will include a revised U.S. corn production estimate and the first quarterly grain stocks report of the 2013-2014 market year. Stocks-to-use levels for the 2013-2014 market year are expected to range from 14 to 16 percent into early 2014, which is expected to support spot corn futures prices in the \$4.15 to \$4.25/bu. range and provide resistance around \$4.75 to \$4.90.

**Winter Grazing** — Regional differences vary widely in the data. Oklahoma and Kansas wheat conditions continue to improve, while Texas has deteriorated. Southeastern rye pasture is in relatively good condition as moisture remains adequate. Winter grazing in the West, particularly in California, is abysmal. The drought conditions in the West are liable to send cattle to sale barns before the normal May marketing period.

# Impact of Cheaper Corn in 2014

Corn prices have trended lower from the record highs realized in summer 2012 and the long-term trend is expected to remain in place through 2014. U.S. corn supplies have recovered and are expected to be record large for the 2013-2014 corn marketing year. Current expectations are for supplies to build relative to demand again for the 2014-2015 market year, pressing spot corn prices below \$4/bu. during second half 2014.

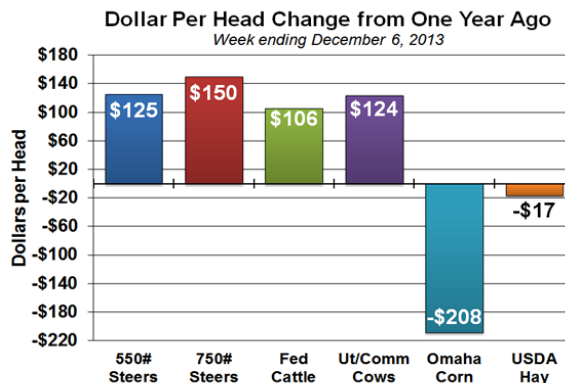
For the beef cattle industry, cheaper corn prices coupled with declining forage prices are expected to support stabilization of the beef cowherd over the next year. Cow/calf producers are poised to benefit from record-high 2014 calf prices along with improved weather and forage conditions, especially across the Northern Plains, Southern Plains and Southeast where approximately three-quarters of the beef cowherd resides. These key changes are expected to reduce cow slaughter levels and increase heifer retention, but with the long production cycle for cattle, increased beef production levels remain in the distant future. As a result, the calf crop is expected to be utilized at a much faster pace amid cheaper costs of gain in the feedyard. From a stocker operator's position, procuring light cattle ahead of the peak demand from green grass-fever will be crucial as feedlot costs of gain become much more competitive with forage costs of gain than they have been in several years.



## Chart of the Month

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