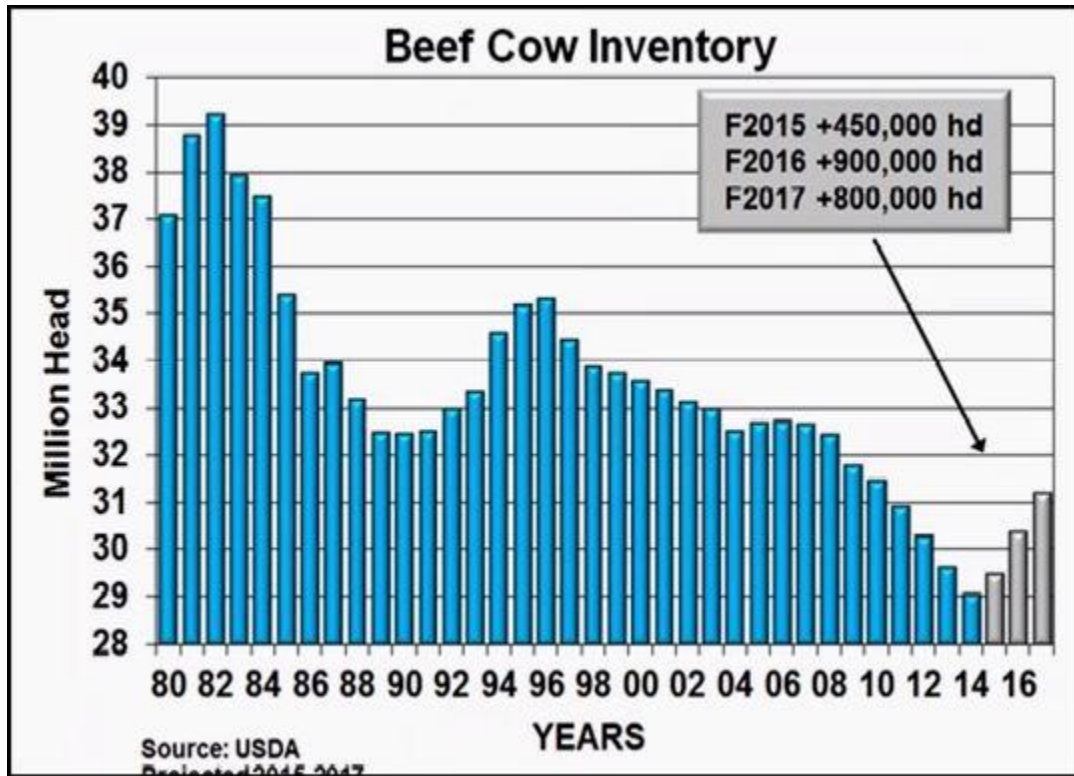


What is next for the Cattle Market?

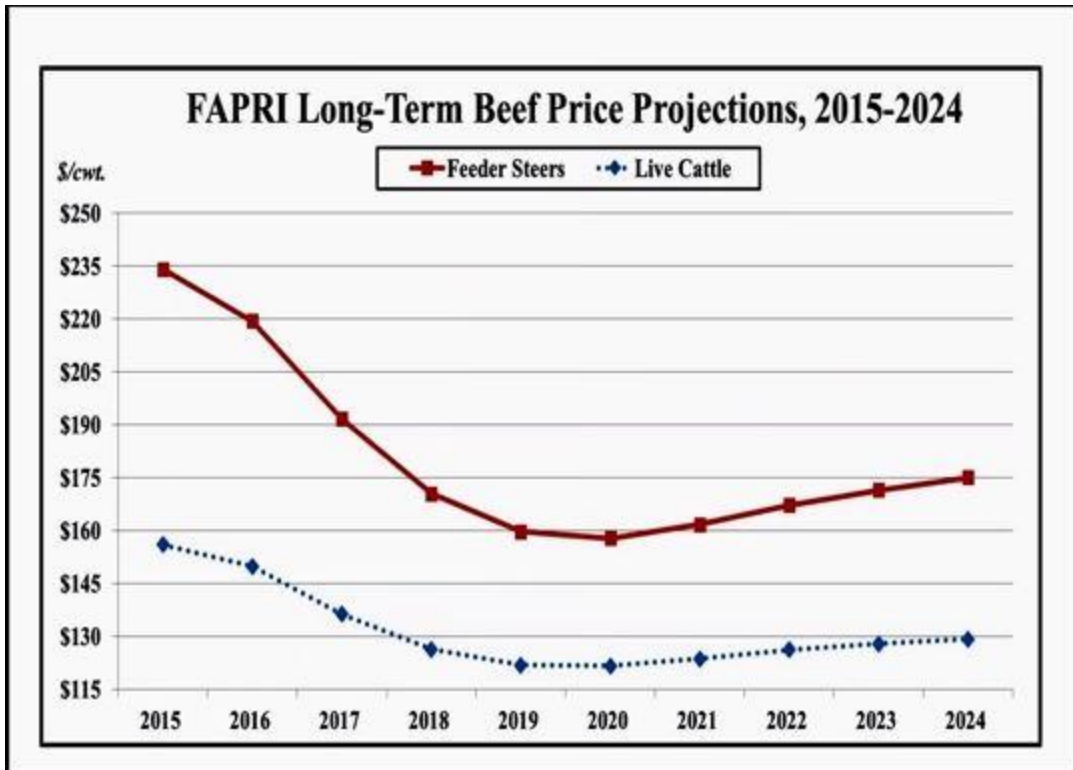
Anyone that has sold a calf or cull cow in the last two years should have noticed how well the cattle market doing. Cow-calf producers have experienced a huge increase in prices since 2010. Blended feeder calf prices have ballooned from \$1.15/lb in 2010 to \$2.55/lb in 2015. The main driver pushing cattle prices higher is the total U.S. cattle inventory. In 2007, corn and soybean prices pushed feed prices to high levels leading producers to start lowering their herd numbers, but the larger problem was caused by weather. Drought conditions in many parts of the country led to a large sell off of cattle. The Southeast alone reported 118,000 fewer head in 2013, and, in 2014, the total herd size of the United States had shrunk by 10% since 2007. Basic economic principals can explain this phenomenon. If consumers still demand beef and the supply of cattle is reduced, those remaining cattle will be worth more.

So, this leads to the question; what is next for the cattle market? After attending college and studying agricultural economics, I feel confident answering this question. It depends. Before you stop reading, let me explain. The U.S. herd has entered into an expansion period, but it is not a fast expansion. Feeders are still demanding calves, so while the herd is expanding, the pressure on cow-calf producers to sell high priced calves is strong. One important statistic is from January to June, heifer slaughter was 11% lower. This suggest cattle producers are retaining more heifers to grow their herd, so in the short run, the amount calves headed to the feedlot will be lower, but in the long run, we should expect an increase in the herd size. As long as the supply of cattle heading to the feedlots is low, cow calf producers should expect high prices. In 2015, we should see stable cattle prices without a large decline. However, the USDA is expecting growth in U.S herd over the next three years, so we should see prices begin to decline in 2016 as the national herd size increases. Beef demand is another factor that could influence prices. Some analysts worried beef producers could be pricing themselves out of the market, but that doesn't seem to

be the case. Beef demand has remained stable even with record prices.



How low will the prices go? Projections from the Food and Agricultural Policy Research Institute (FAPRI) projects that U.S. average prices will bottom out in 2020 around \$1.60/lb for feeder steers and \$1.20/lb for live cattle. USDA projection show the bottom in 2022 at \$1.80/lb for feeder steers and \$1.55/lb for live cattle. The trend indicates a trough in the market will occur somewhere between 2020 and 2022. I do have to note, these projections are not set in stone and will change as time moves forward, but I do believe we have experienced the peak of the cattle prices in 2014 and 2015 unless something drastic happens.



What can you do in the meantime? Cattle producers are price takers and usually have little influence on prices. So, take the high prices while you can and make some needed repairs or upgrades to your operation's assets. Also, take some time to analyze your costs and correct inefficiencies while you have some extra income to cover the cost. Chris Prevatt, Livestock Economist at the Range Cattle REC in Ona has prepared a cow-calf budget to help with this process. Also, he has created a YouTube page with videos of his webinar series that cover topics from his long-run price projections, marketing options, and a guide to his budget.

Cow-Calf Budget: <http://rcrec-ona.ifas.ufl.edu/Economics/index.shtml>

YouTube Page: <https://www.youtube.com/channel/UC2XtFHvOmtAG48jCJgAcVKA>