

# ***Cattle Market Outlook for 2021 and Beyond***

*Chris Prevatt*

*Beef Cattle and Forage Economics*

*UF/IFAS Range Cattle REC*

# *Sorting through this years Challenges*

- ~~Expect the Unexpected.~~ Everything is on the Table.
- Survive.
  - Develop a Written Plan.
  - Maintain Cash Flow.
- U.S. Consumer Beef Demand Remains Strong...
  - Yet, the U.S. lost 110,000 restaurants in 2020.... that's a lot of restaurants that aren't selling Beef anymore...

# *January 2021 Cattle Inventory Report*

- U.S. Beef Production and Cattle Numbers are now beginning to **TIGHTEN.**
- Inventory numbers confirm that herd expansion for the current U.S. cattle cycle has ended.
  - Peaked in 2019 @ 94.8 million head

# ***January 2021 Cattle Inventory Report***

- Total U.S. Cattle Inventory: 93.6 million head (0.2% below a year ago)
- Total U.S. Beef Cow Inventory: 31.2 million head (0.6% below a year ago)
  - Florida: 25,000 Beef Cows Higher
- U.S. Beef Replacement Heifers: 5.8 million head (0.1% above a year ago)
- U.S. Beef Heifers Expected the Calve: 3.5 million head (1% above a year ago)

# *January 2021 Cattle Inventory Report*

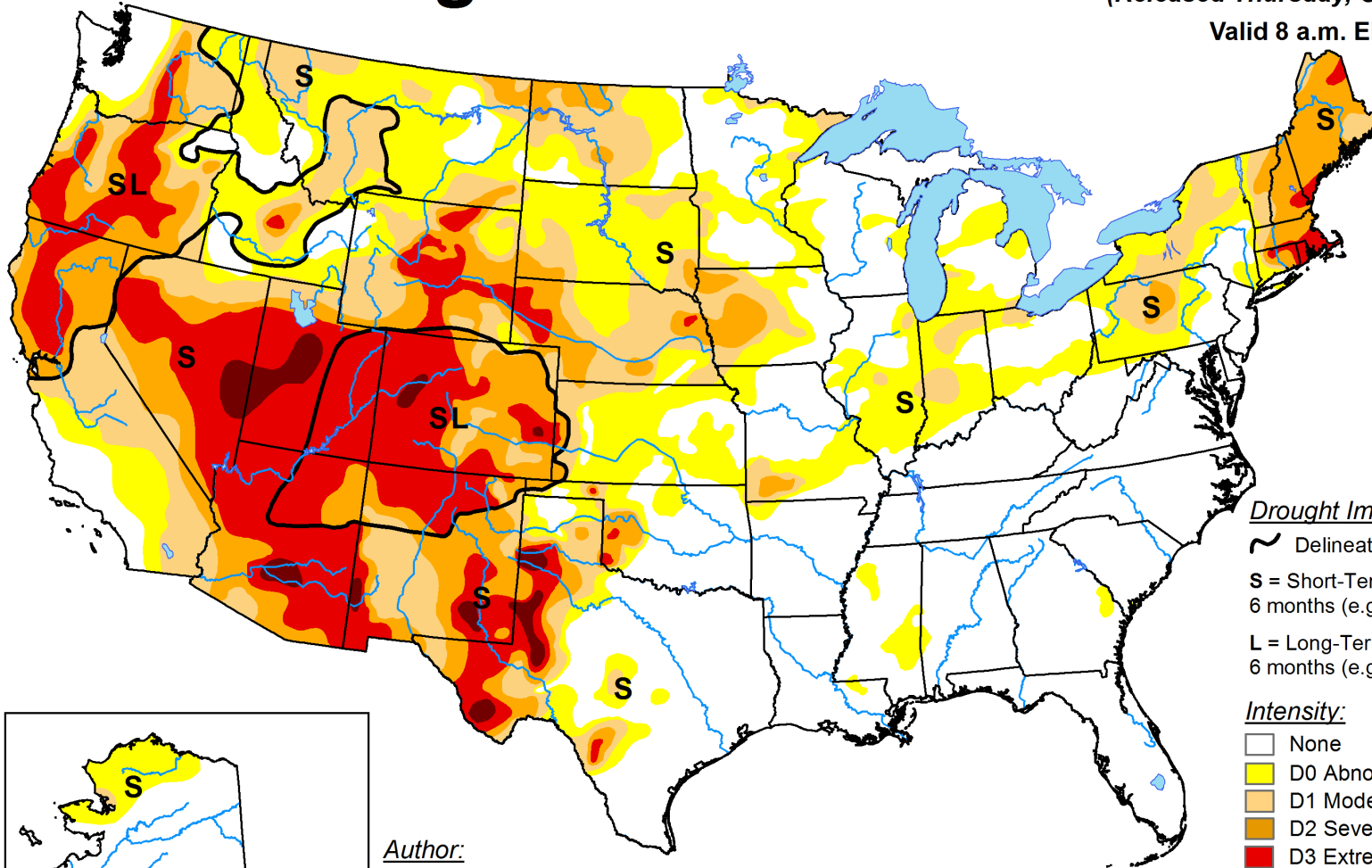
- Did Not Produce Much insight/evidence of any significant level of Herd Liquidation.
- The 2020 calf crop was reported at 35.1 million head, down 1.3% from a year ago.
  - This is a supportive indicator for cattle prices moving forward
  - Long-term, market prices will determine the trajectory for the cowherd.
- Assuming slaughter weights moderate from last year's extreme (due to higher feed costs), smaller U.S. calf crops point towards lower levels of beef production in the future.

# U.S. Drought Monitor

September 29, 2020

(Released Thursday, Oct. 1, 2020)

Valid 8 a.m. EDT



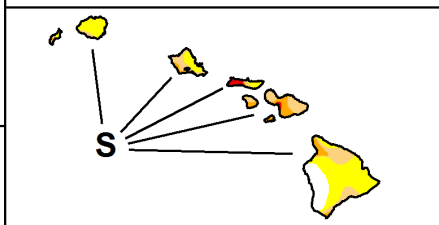
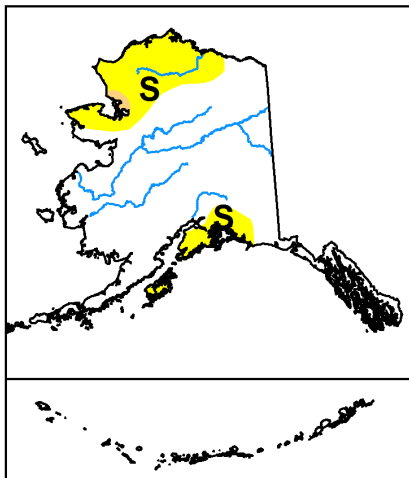
**Drought Impact Types:**

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

**Intensity:**

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

**Author:**  
Brad Rippey  
U.S. Department of Agriculture



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

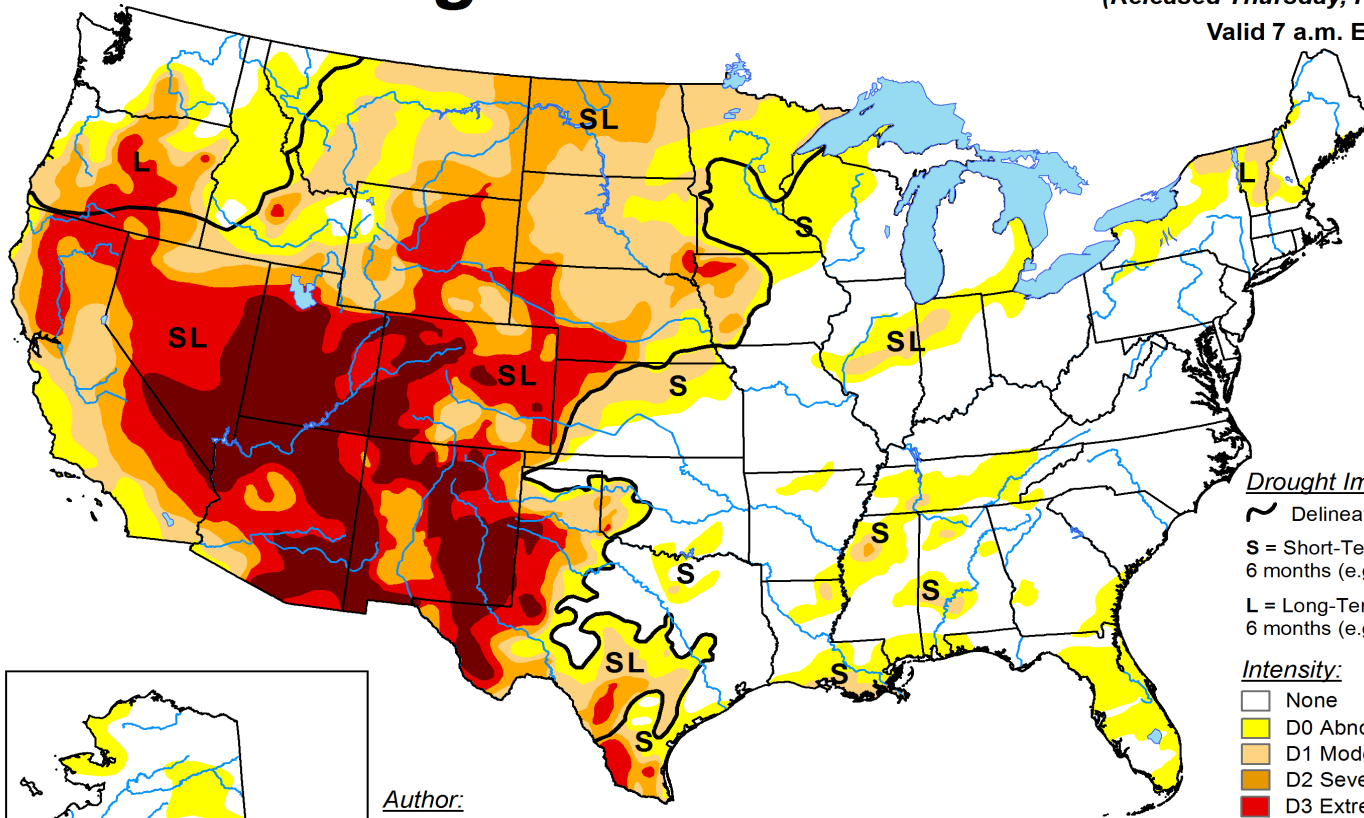


[droughtmonitor.unl.edu](https://droughtmonitor.unl.edu)

# Severity of the Drought in the Western United States

## U.S. Drought Monitor

February 2, 2021  
(Released Thursday, Feb. 4, 2021)  
Valid 7 a.m. EST



### Drought Impact Types:

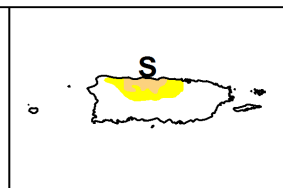
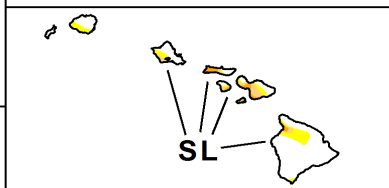
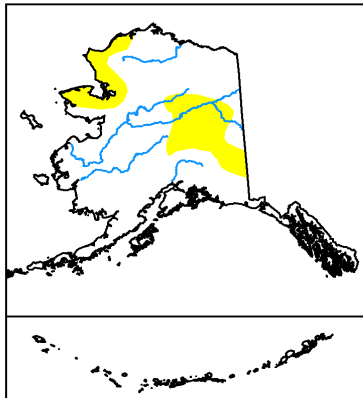
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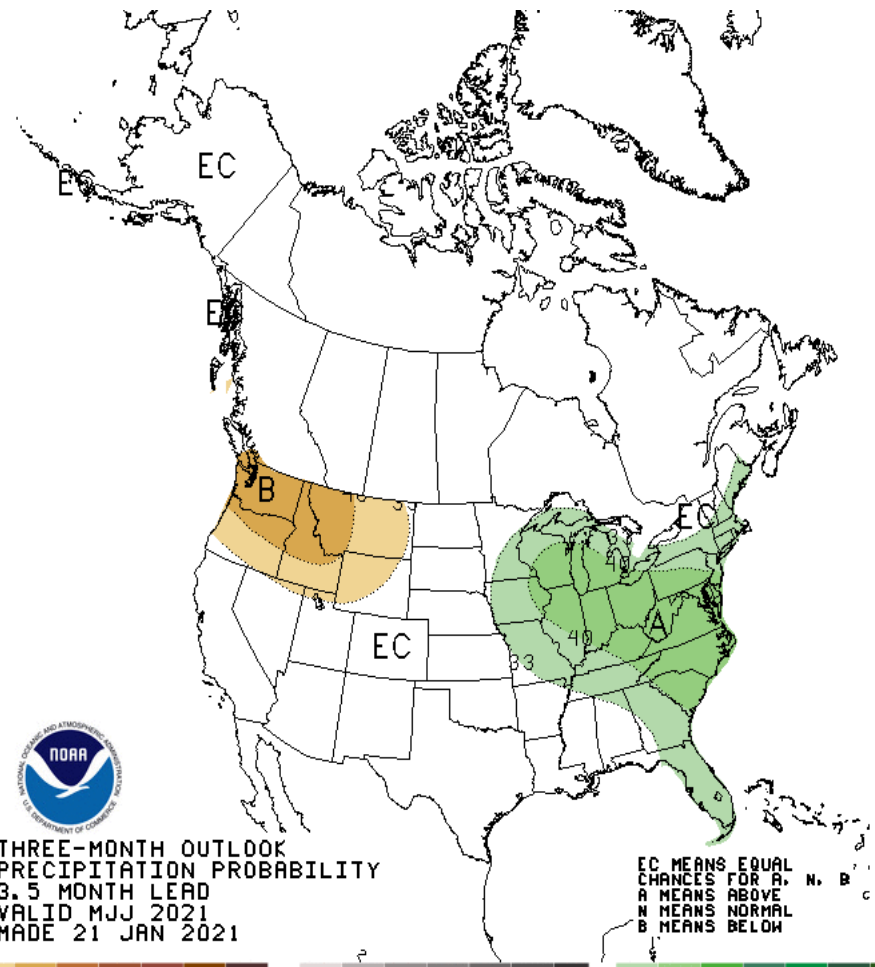
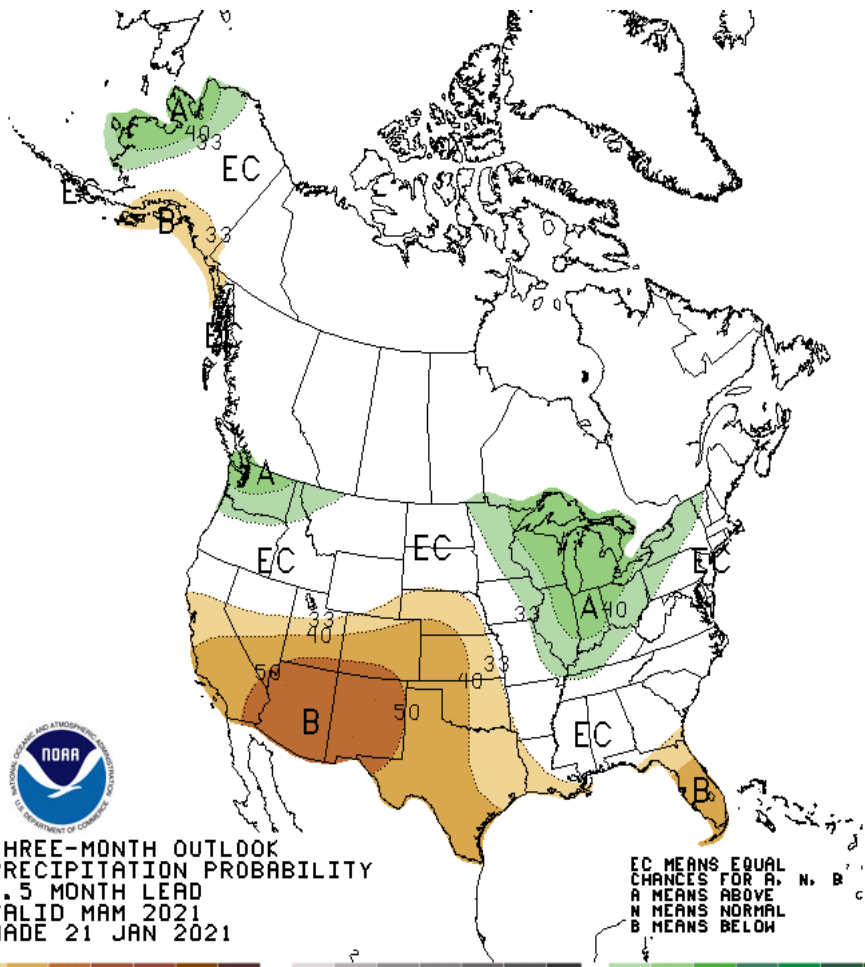
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[droughtmonitor.unl.edu](https://droughtmonitor.unl.edu)

Drought will likely influence liquidation decisions in the Western United States.



2021  
(March – May)  
HOTTER Everywhere  
and DRIER...

2021  
(May – July)  
HOTTER Everywhere



# *Feeders and Packers*

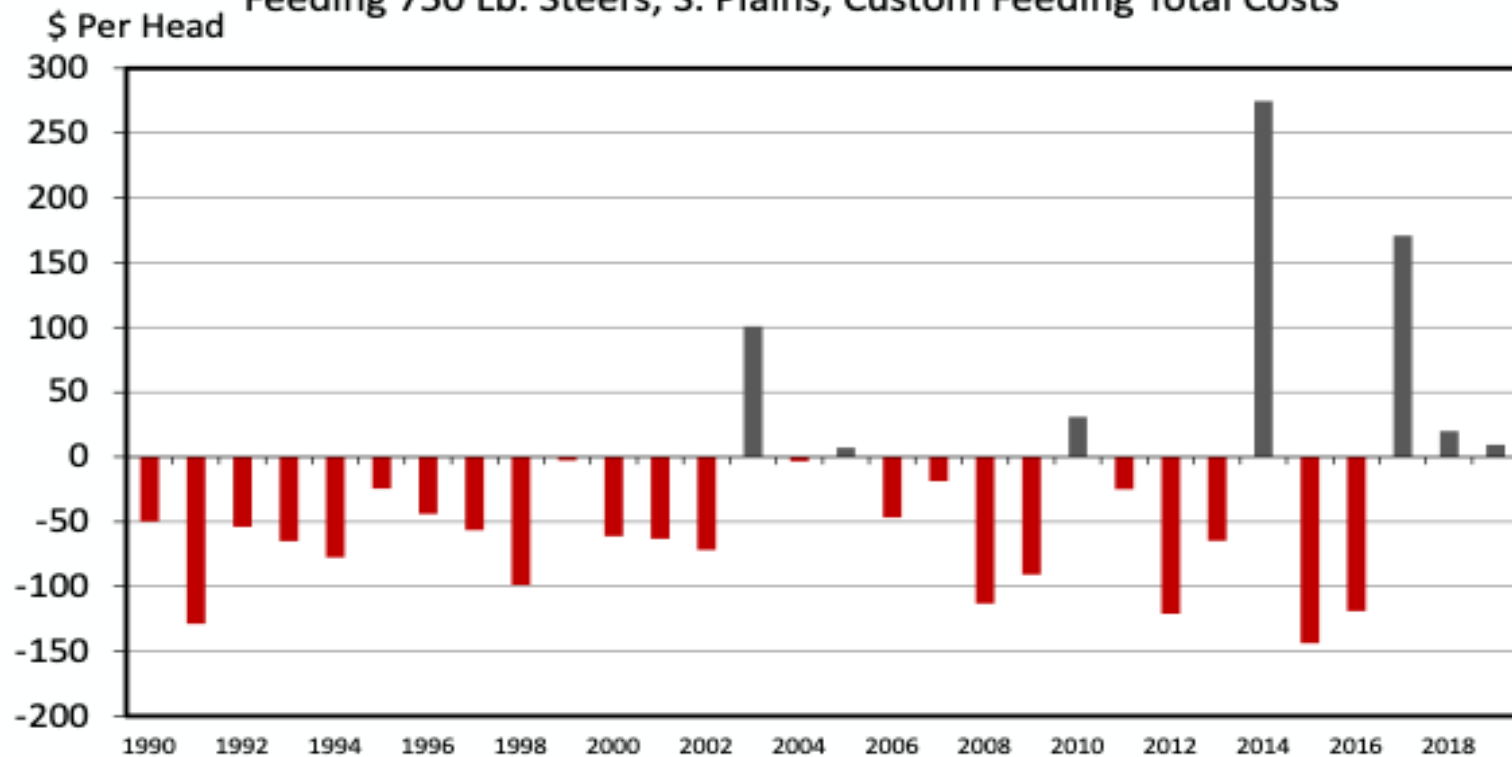
- COF ~ same number as last year (up 0.3%)
  - But at elevated carcass weights
- Same Amount of FCOF as last year (down 0.2%)
- Live Cattle Need More than the Seasonal Price Increase
- Box Beef Prices - Been Steady, Now Rising
- Packer Margins Comfortable
  - Little reason for Packers to have to bid up for inventory, supply plentiful.

# Cattle Feeders Continue to *Bleed*

*SOMEONE, SOMEWHERE IS GETTING TIRED OF BETTIN' ON THE COME*



**AVERAGE ANNUAL RETURNS TO CATTLE FEEDERS**  
Feeding 750 Lb. Steers, S. Plains, Custom Feeding Total Costs



Data Source: USDA-AMS, Analysis and Forecasts by LMIC  
Livestock Marketing Information Center

C-P-10  
11/09/20

# Corn and Other Feedstuffs

**\*Change Calculated from the First Week of August\***

- **Corn:** It's relatively Cheap... but has moved higher the last two months

**Not Cheap Anymore, 74% Higher**

- **Grain Sorghum:** Moving Higher (last two months significant movement higher)

**Now, 113% Higher**

- **Soybean Meal:** Moving Higher

**Now, 53% Higher**

- **DDG's:** Steady

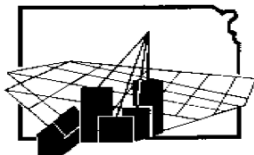
**Now, 93% Higher**

# Corn and Other Feedstuffs

## Southwest Alabama (Delivered)

- Corn: \$4.65/bu., **\$6.50/bu.**
- Gin Trash: \$35/ton, **\$40/ton**
- Whole Cottonseed: \$190/ton, **\$270/ton**
- Soyhull (Pelleted): \$185/ton, **\$220/ton**
- Corn Gluten (Pelleted): \$170/ton, **\$230/ton**





**Kansas Feedlot Performance and Feed Cost Summary\***  
Justin Waggoner, Extension Beef Systems Specialist, Kansas State University

**December , 2020 Closeout Information**

Sex	No	In Weight	Final Weight	Avg. Days on Feed	Avg. Daily Gain	Feed/Gain (Dry Basis)	% Death Loss	Avg. Cost of Gain/Cwt.	Projected Cost of Gain Current Month's Placed Cattle
Steers	22110	832	1478	166 (138 - 182)	3.83 (3.55 - 4.15)	6.08 (5.53 - 6.57)	1.20	\$77.92 \$71.37 - \$86.58	\$97.50 \$95.00 - \$100.00
Heifers	15496	751	1294	158 (143 - 178)	3.41 (3.07 - 3.87)	6.28 (5.69 - 6.86)	1.40	\$83.94 \$75.02 - \$93.63	\$101.50 \$100.00 - \$103.00

Current Feed Inventory Costs: Mid-January, 2021	Range	No. Yards
Corn	\$4.72 /bu	5
Ground Alfalfa Hay	\$137.81 /ton	5

\*Appreciation is expressed to these Kansas Feedyards: Brookover Ranch Feed Yard, Deseret Cattle Feeders, Hoxie Feedyard, HyPlains Feed Yard, Kearny County Feeders, Poky Feeders, Pratt Feeders, and Supreme Cattle Feeders.

\*\*Closeout figures are the means of individual feedyard monthly averages and include feed, yardage, processing, medication, death loss and usually sold FOB the feedlot with a 4% pencil shrink. Interest charges normally are not included.

K-State, County Extension Councils, Extension Districts, and U.S. Department of Agriculture Cooperating. All educational programs and materials available without discrimination on the basis of race, color, religion, national origin, sex, age or disability.

**December Feedlot Cost of Gain:** Moving forward, every kernel that is consumed must now be replaced by another at a significantly higher price.

Steers: \$0.78  
Heifers: \$0.84

## ***Southern Plains Feedlots***

<b><i>Corn Price \$/bushel</i></b>	<b><i>Feedlot Cost of Gain \$/lb.</i></b>
\$3.50	\$0.73
\$4.00	\$0.80
\$4.50	\$0.87
\$4.75	\$0.90
\$5.00	\$0.93
\$5.25	\$0.96
\$5.50	\$1.00
\$5.75	\$1.03

***Source: Derrell Peel, Oklahoma State Univeristy***

# *Cattle Feeders Continue to **Bleed***

**High Feed Costs  
High Feeder Cattle Prices  
Low Fat Cattle Prices**

**WON'T WORK.**

**One or more of these factors  
will eventually change abruptly.**

**The Easiest Way for the Cattle Feeders to Fix this:**

***Is To Pay Less for Feeder Cattle***

# The Ball is in the Consumers Court

















- Consumer demand for U.S. Beef will determine if Packers bring more inventory to the Grocery store shelf.
- For Live Cattle Prices to increase in the near term, consumer must demand more beef at higher prices.
- Will consumers balk at higher prices?





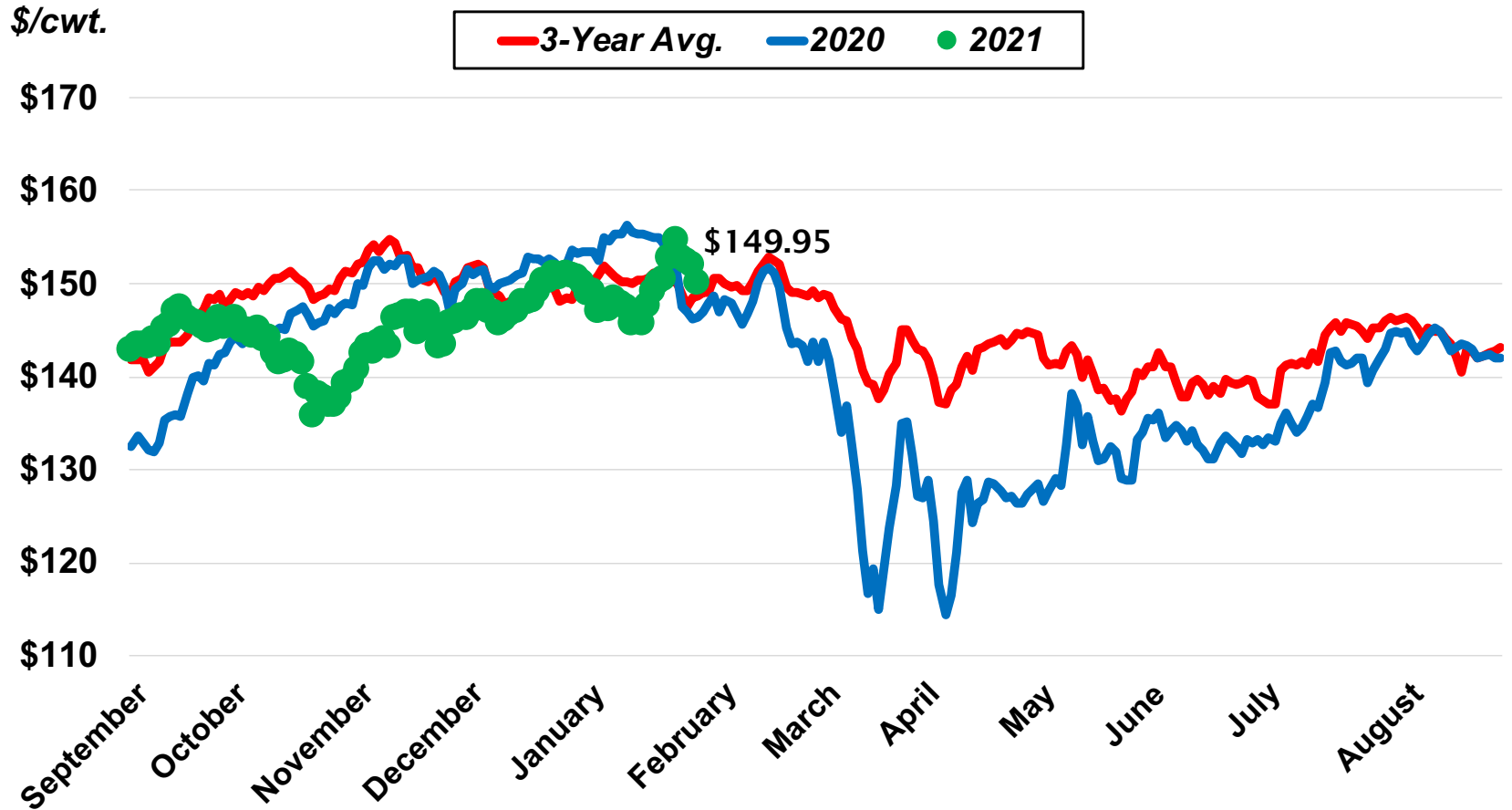
# CME Feeder Cattle Futures

- Futures Traders are Bull'ish on Feeders
- Premium on Future Contract Months.
  - Lock in Optimism in Futures?
  - Don't always anticipate the cash market to trade up to Futures.
  - Sometimes Futures will erode the premium and trade down to Cash.

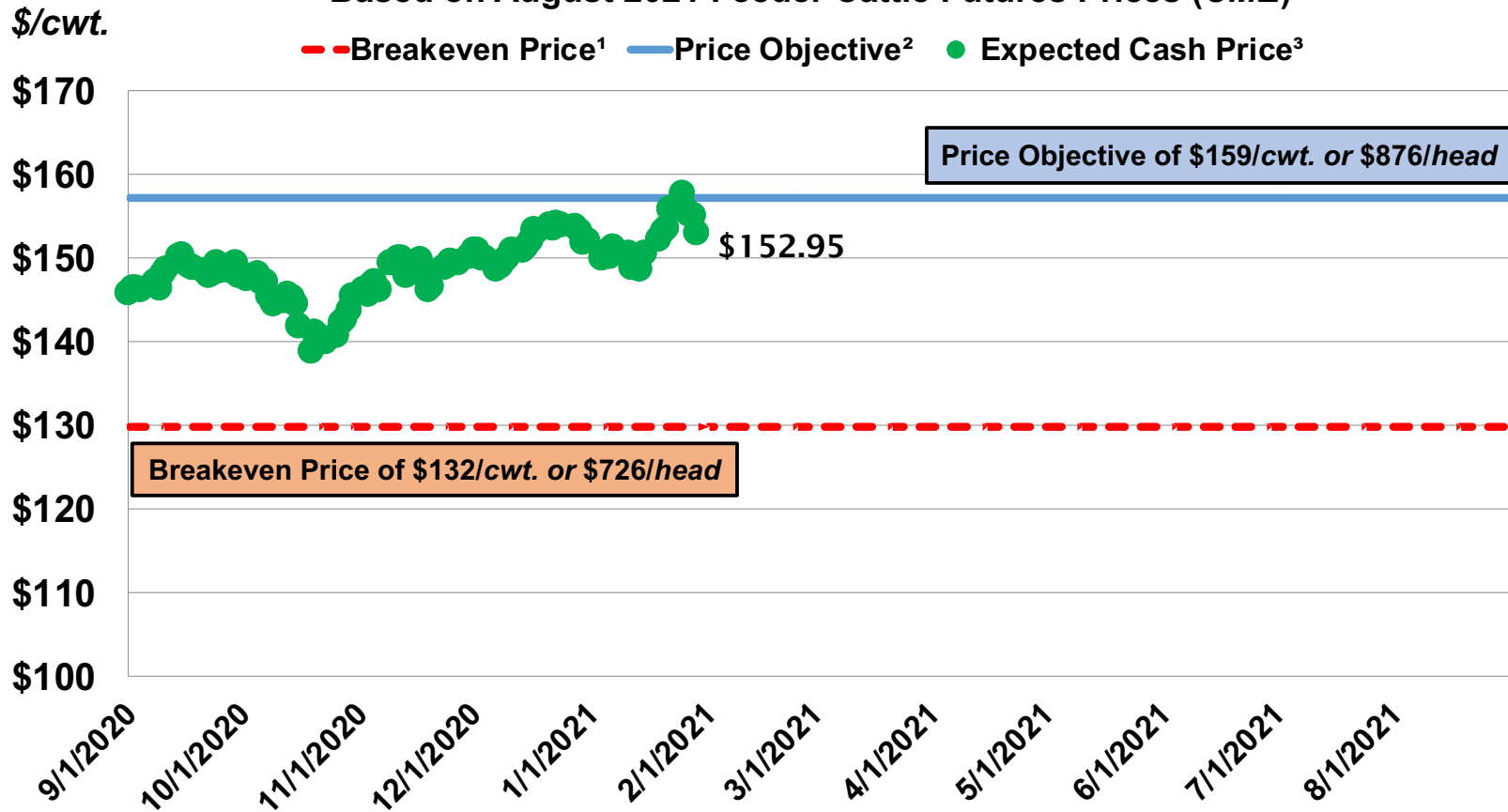
MONTH	OPTIONS	CHARTS	LAST	CHANGE	PRIOR SETTLE
MAR 2021			138.500	+1.050	137.450
APR 2021			142.850	+1.375	141.475
MAY 2021			144.625	+1.050	143.575
AUG 2021			152.300	+0.900	151.400
SEP 2021			153.550	+1.125	152.425
OCT 2021			154.025	+1.075	152.950
NOV 2021			154.200	+1.250	152.950
JAN 2022			-	-	150.375

Legend:  Options  Price Chart

Figure 1. August Feeder Cattle Futures Prices (CME)



**Figure 2. Feeder Calf Price Watch for August 2021**  
 550 lb. Feeder Calves, Med. & Lg., #1 & #2, Florida  
 Based on August 2021 Feeder Cattle Futures Prices (CME)



# At Some Point, Have a Plan for Inflation

“With inflation running persistently below 2%, we will aim to achieve inflation moderately above 2% for some time so that inflation average is 2% over time and longer-term inflation expectations remain well-anchored at 2%.”

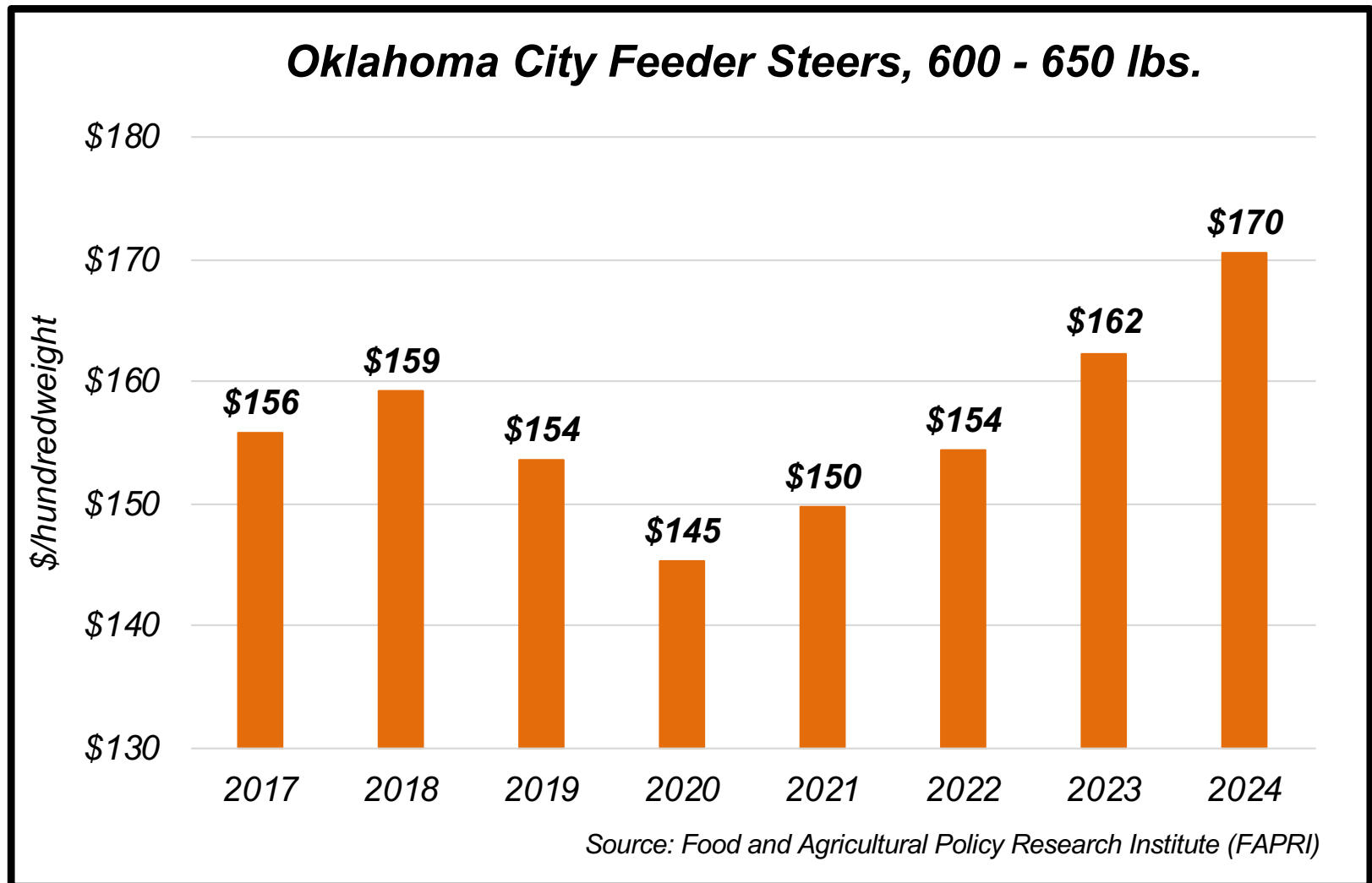
- Federal Reserve

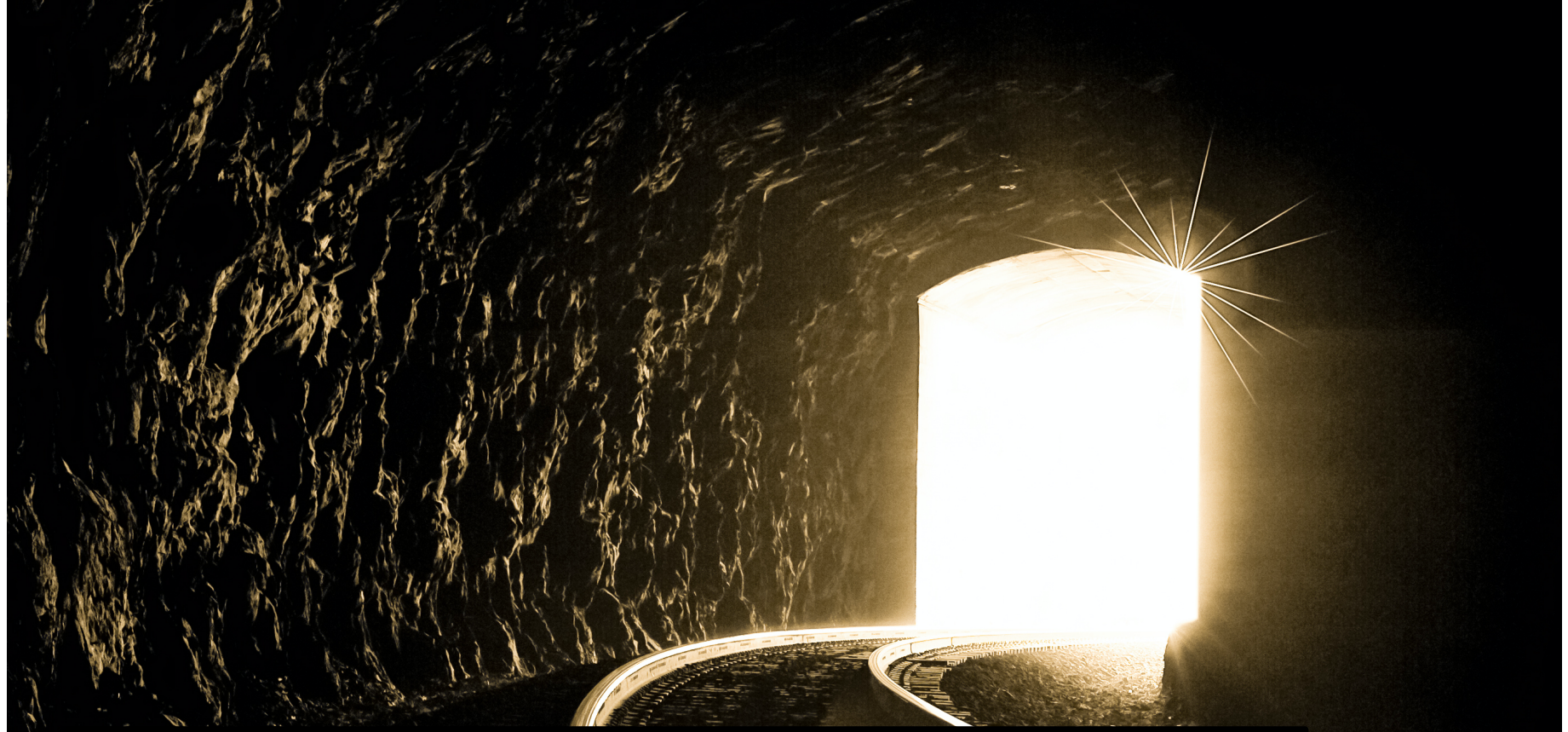
At that point, it will be critical for producers to consider the needs of your business moving forward.

- Feed
- Land Rent
- Animal Inventory
- Labor
- Interest Rates

Planning ahead will impact your bottom line.

# So, if you are looking for some optimism. The future looks better than the present...





*There is a light at the end of the Tunnel...*

*We need to consider that the Light at the End of the Tunnel could be either an exit or a train headed right for us...*

*Given the extreme volatile environment that we have faced since the pandemic began in 2020, anything is possible. Everything is on the table.*

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