

Emerging Issues in Agricultural Lending
June 5, 2015

CATTLE HERD EXPANSION

Ron Plain

**D. Howard Doane Professor
Agricultural Economics**

UNIVERSITY OF MISSOURI
 **Extension**



HERD SIZE

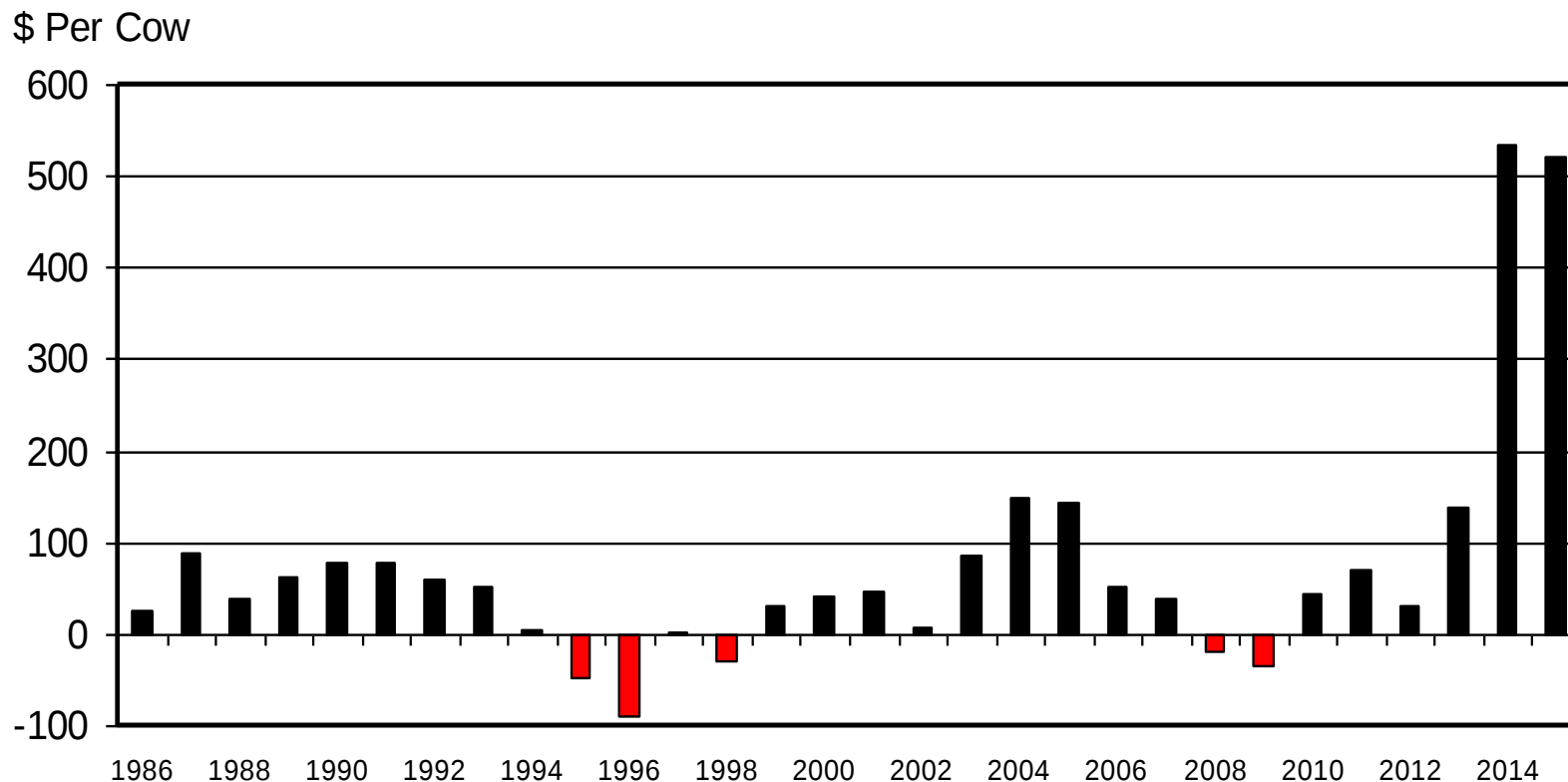
The cattle herd also responds to profitability, just not as quickly.





ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

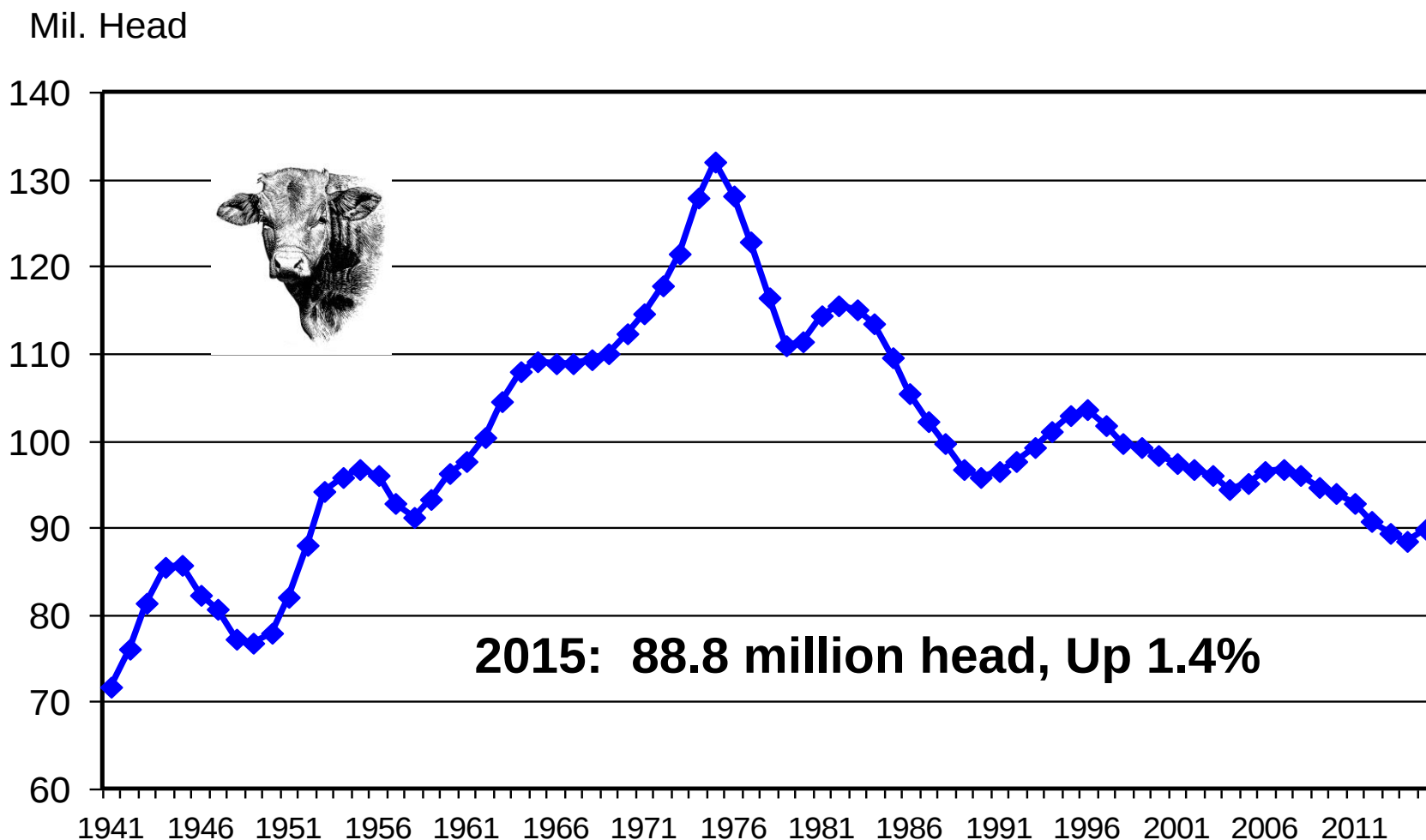


Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC



U.S. CATTLE INVENTORY, JANUARY 1



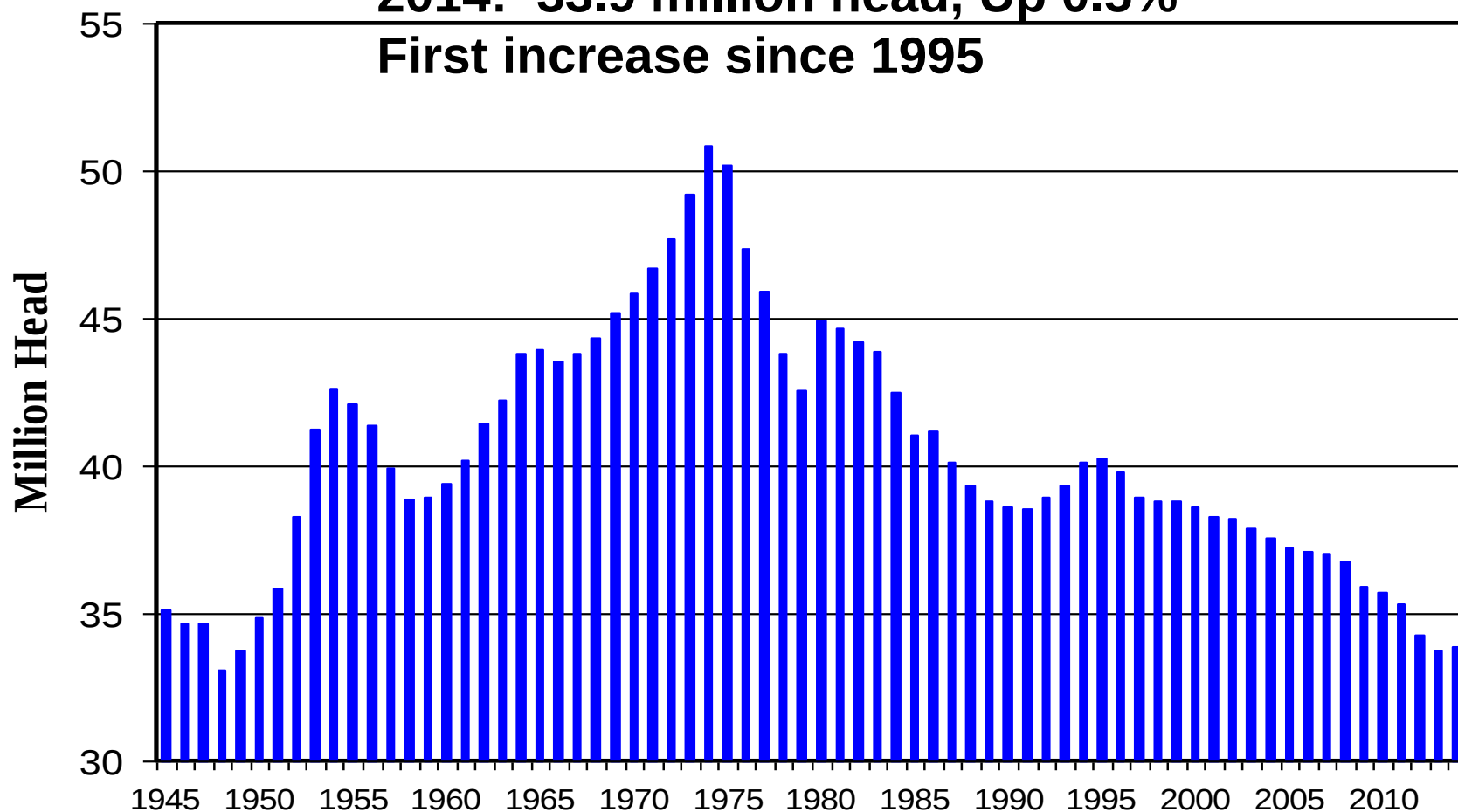
Source: USDA/NASS





U.S. CALF CROP, 1945-2014

2014: 33.9 million head, Up 0.5%
First increase since 1995

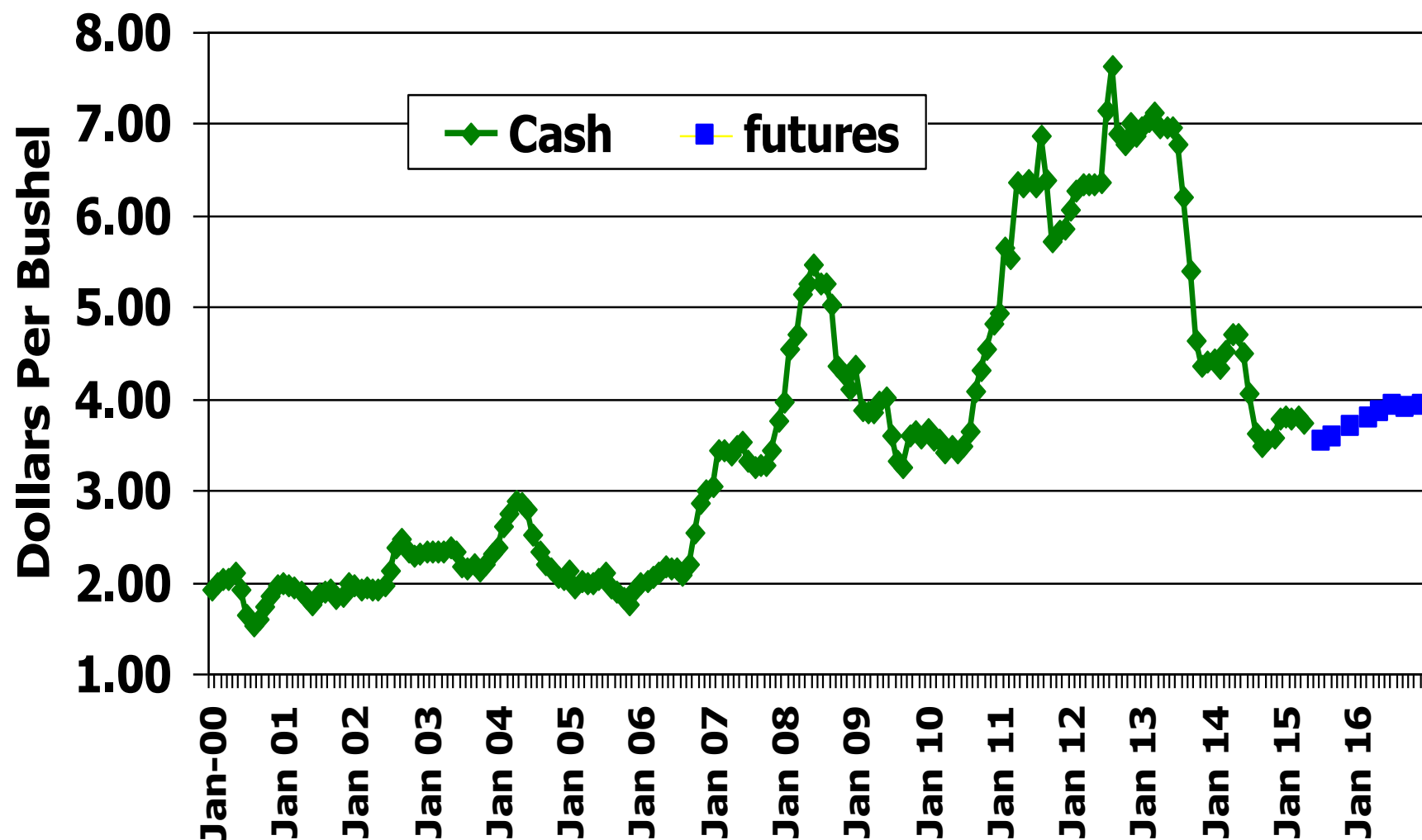


Source: USDA/NASS





U.S. MONTHLY AVERAGE CORN PRICE

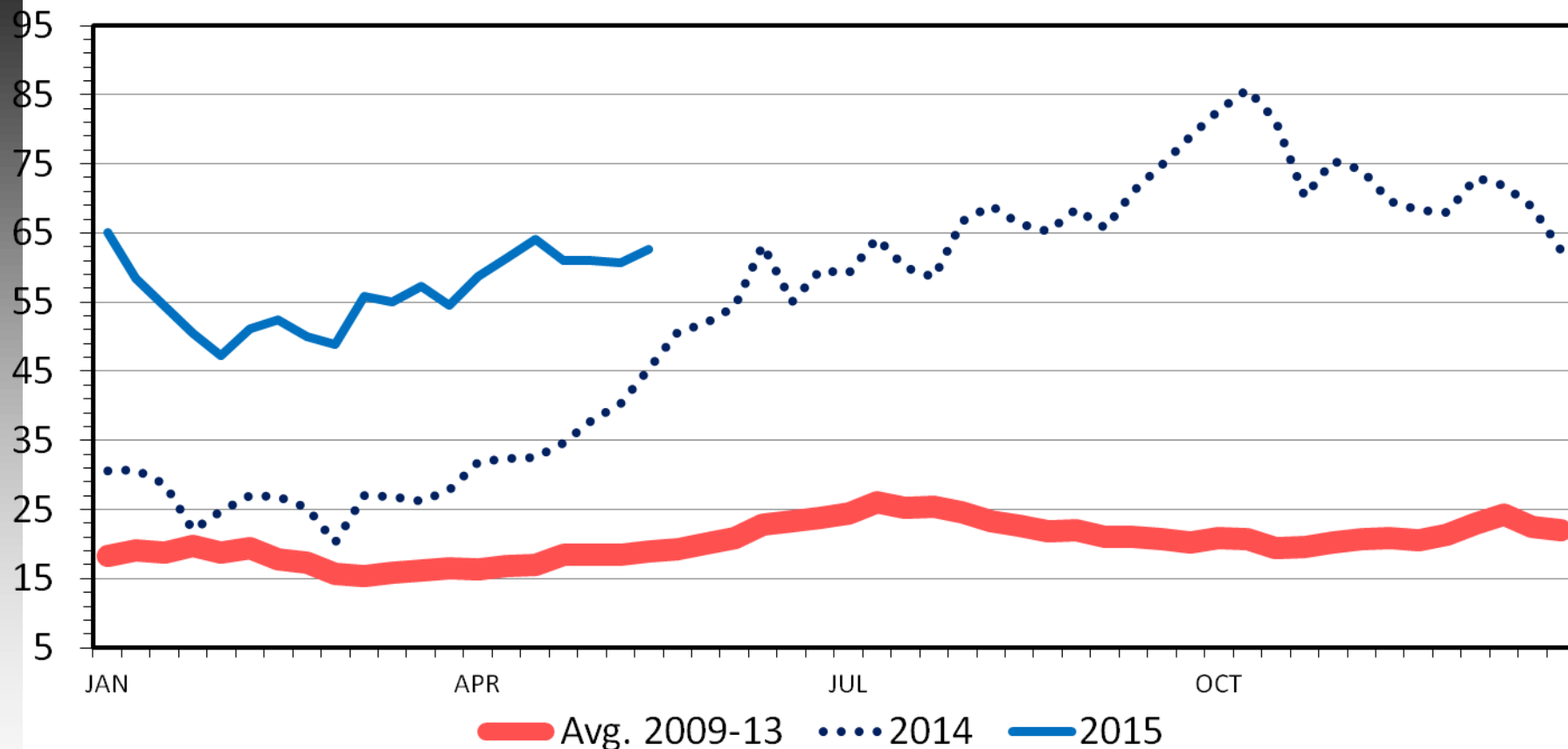




FEEDER STEER vs FED STEER PRICES

700-800 Lbs. Minus Slaughter Steer, S. Plains, Weekly

\$ Per Cwt.

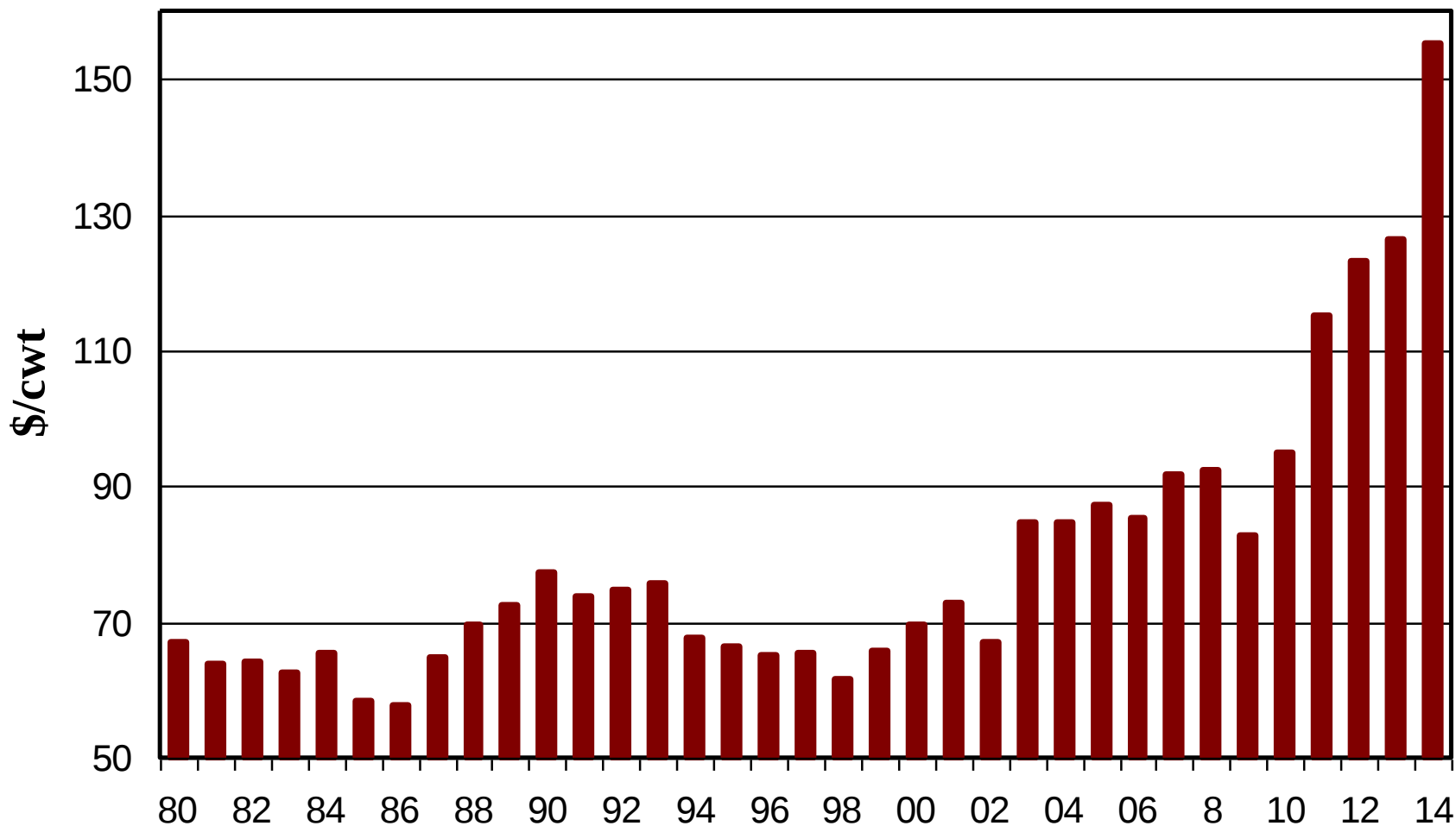


CATTLE PRICES



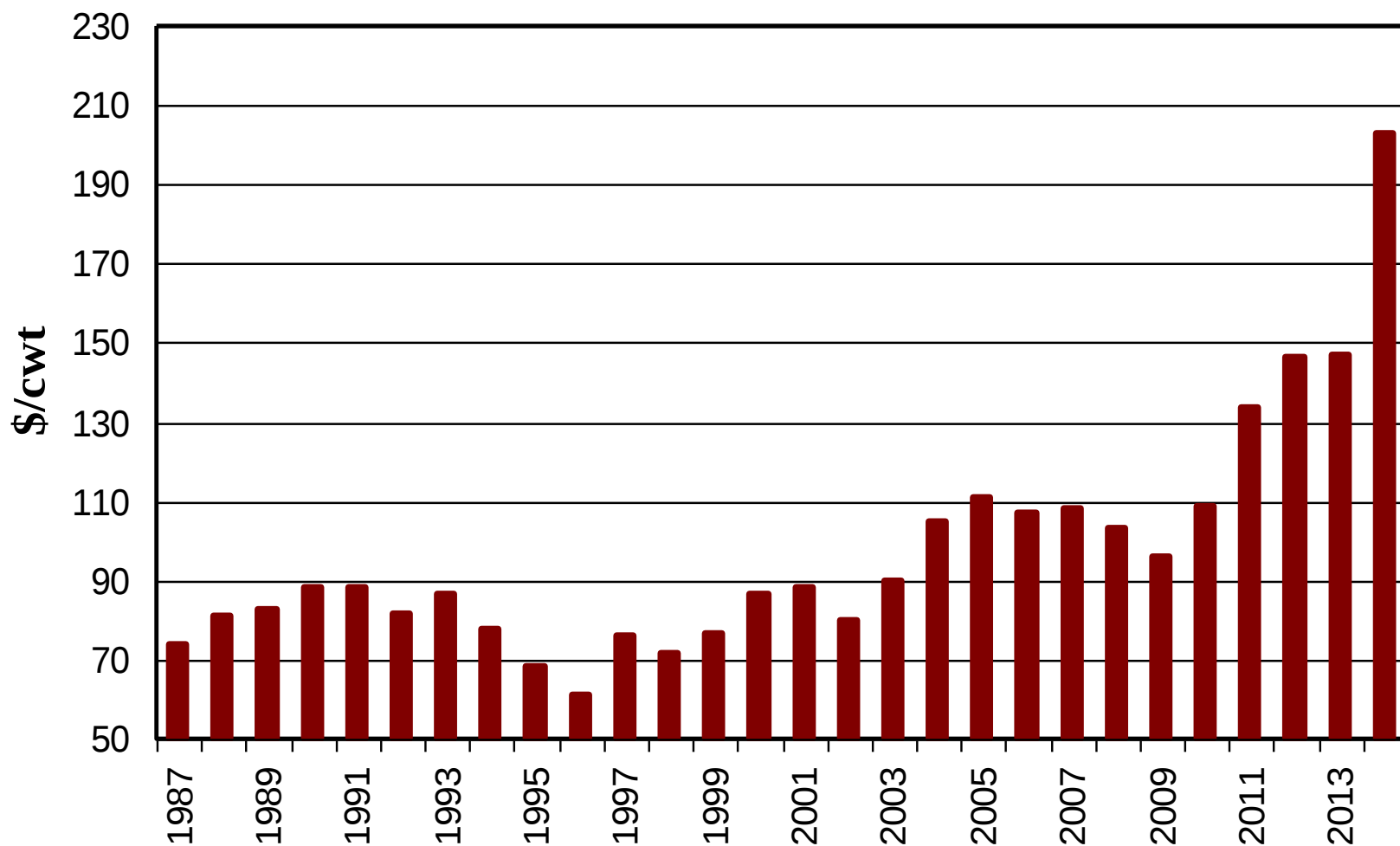


CHOICE 1100-1300 LB. STEERS, YIELD GRADE 2-4, NEBRASKA DIRECT



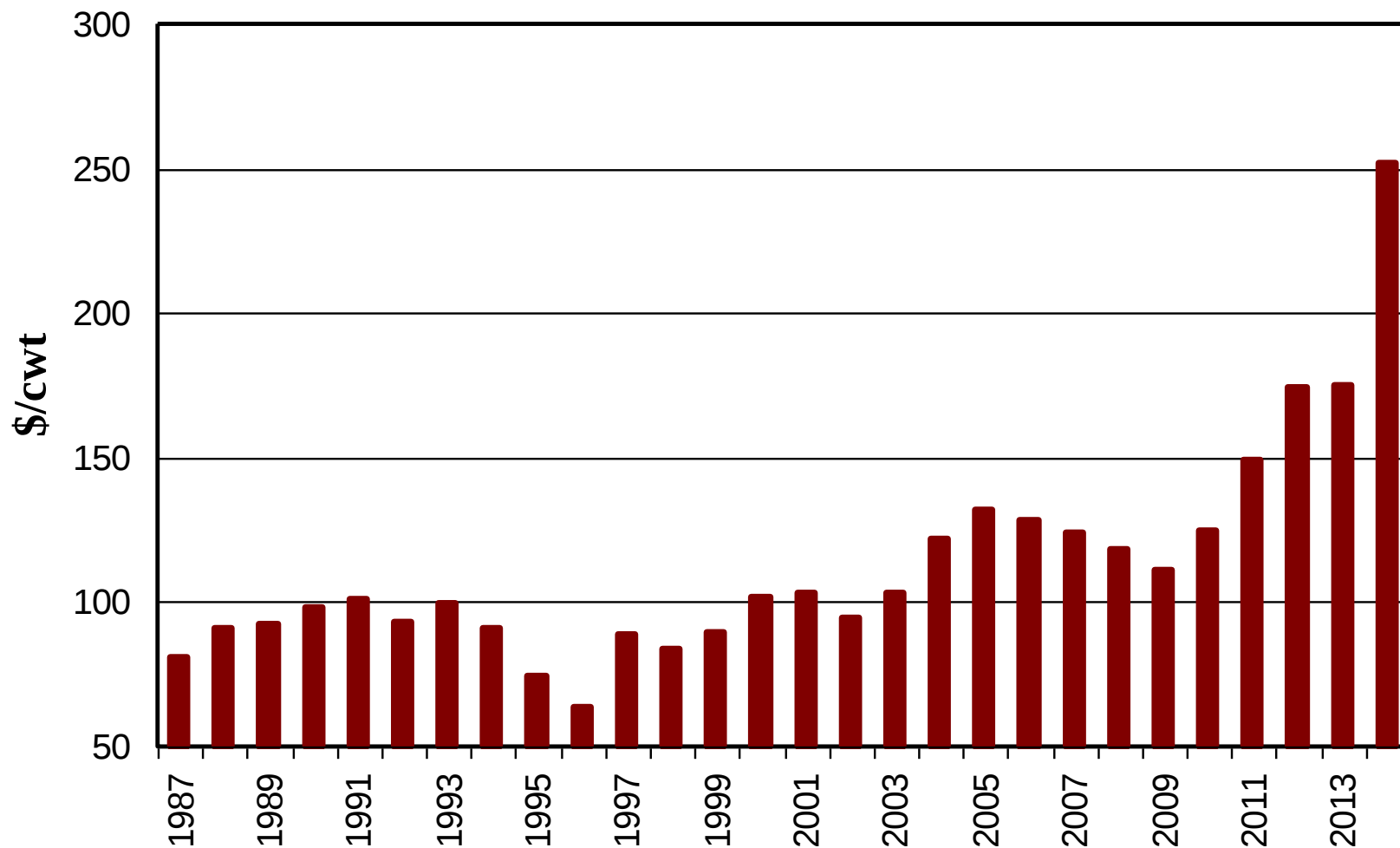


750-800 LB. STEERS, MEDIUM & LARGE #1, OKLAHOMA CITY

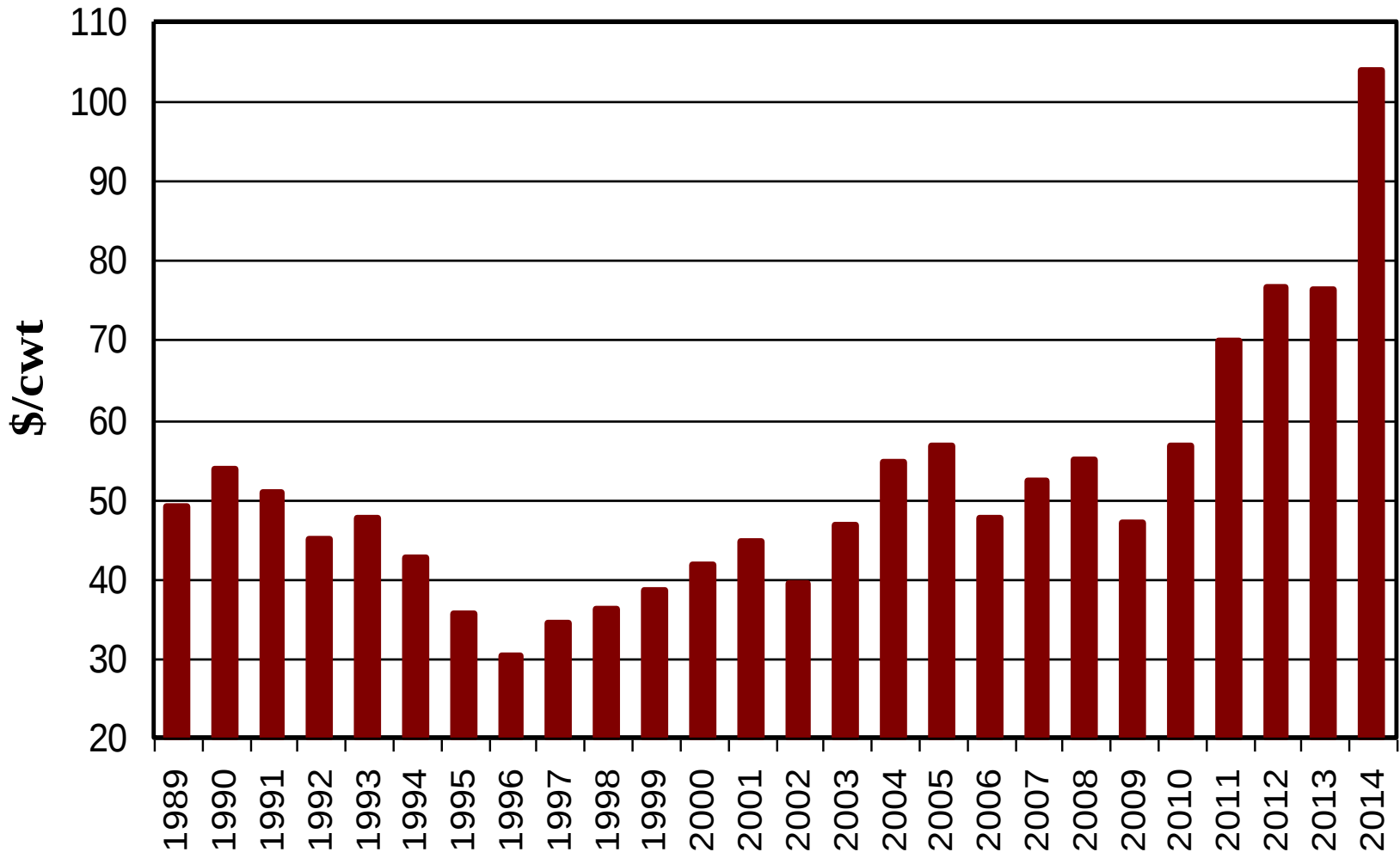




500-550 LB. STEERS, MEDIUM & LARGE #1, OKLAHOMA CITY



SLAUGHTER COWS – BONING UTILITY, SIOUX FALLS





PRICE CYCLES

The surest cure for high prices is high prices.





JANUARY 2015 CATTLE INVENTORY

	% of Year Ago
All Cattle & Calves	101.4
Beef Cows	102.1
Dairy Cows	101.1
Beef Replace. Heifers	104.1
Dairy Replace. Heifers	101.5
Other Heifers	99.8
Steers 500 lbs & up	100.7
Calves under 500 lbs	100.9





JANUARY 2015 CATTLE INVENTORY

	% of Year Ago
Steers 500 lbs & up	100.7
Other heifers	99.8
Calves under 500 lbs	100.9
Combined	100.5





JANUARY 2015 CATTLE INVENTORY

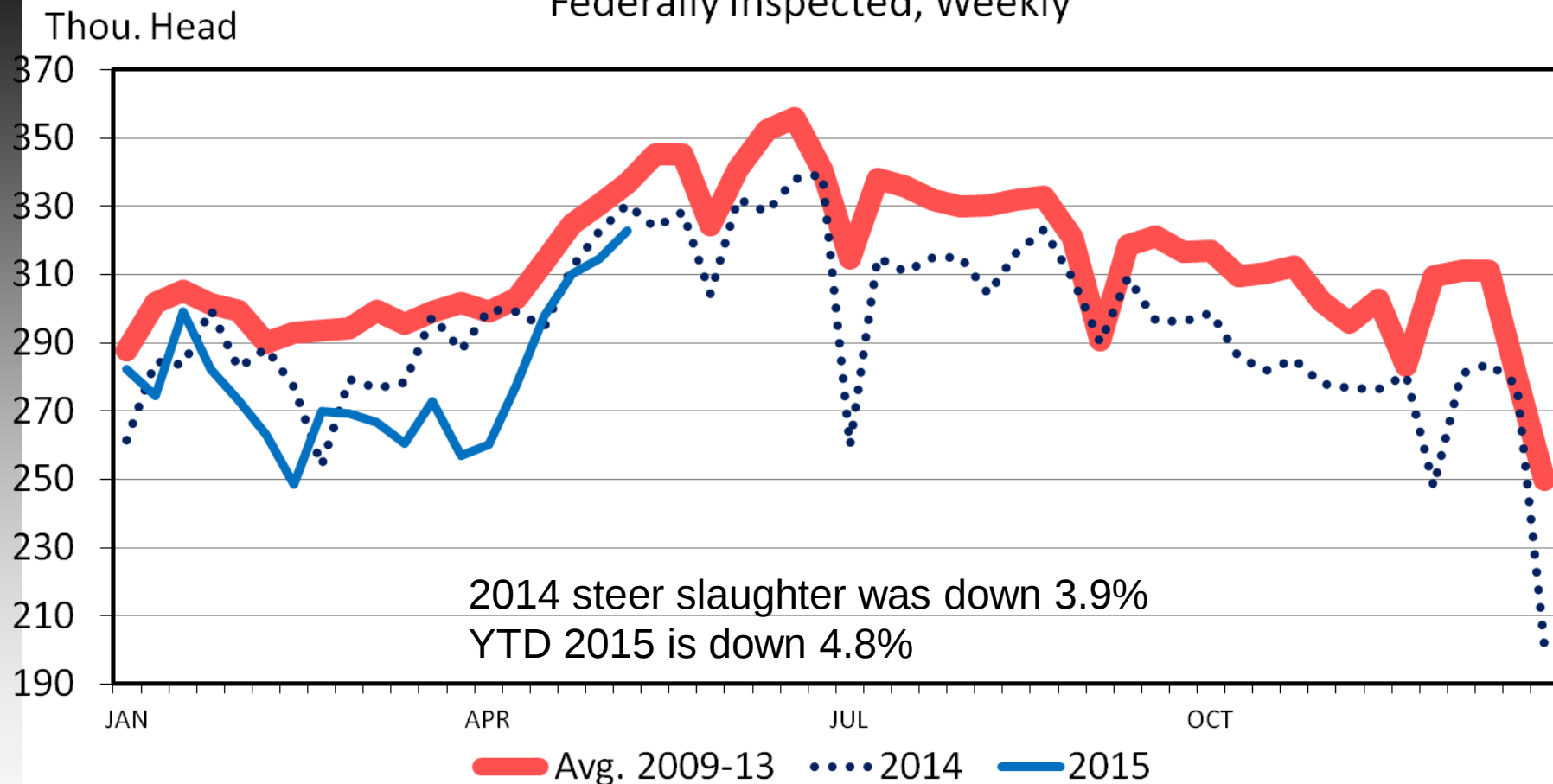
	% of year ago
Beef cows	102.1
Beef heifers to calve	107.3
Dairy cows	101.1
Dairy heifers to calve	101.0
Combined	102.2





STEER SLAUGHTER

Federally Inspected, Weekly

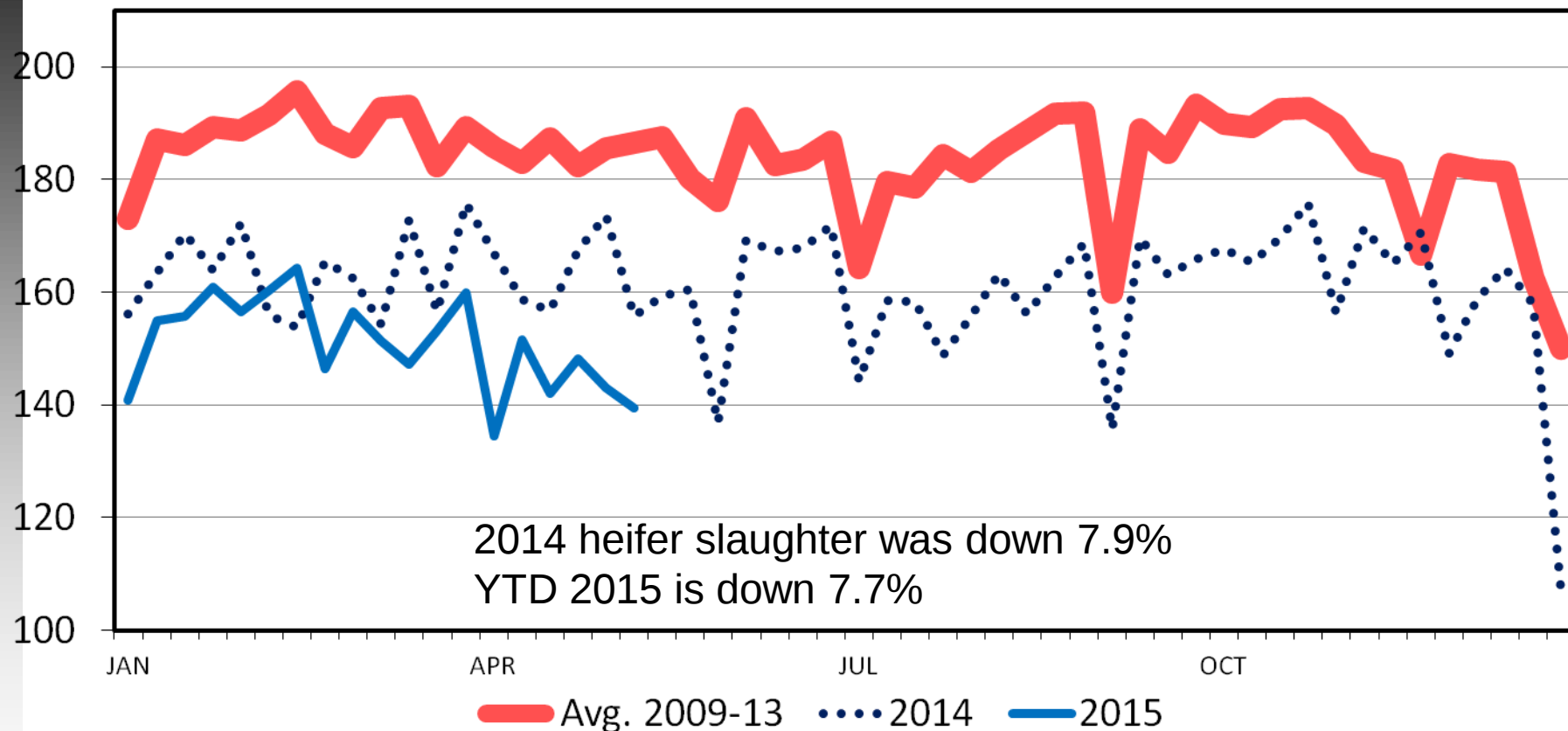




HEIFER SLAUGHTER

Federally Inspected, Weekly

Thou. Head





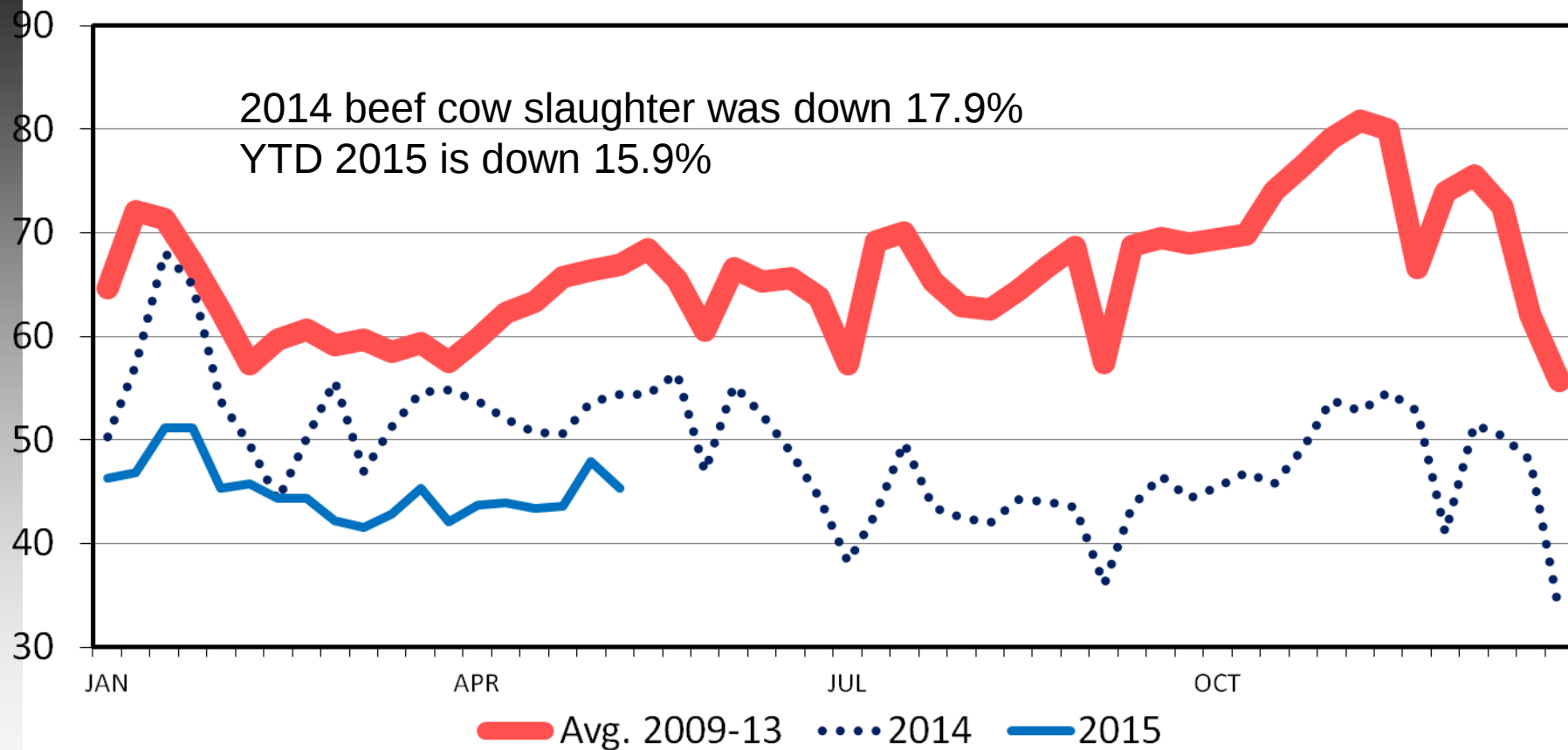
BEEF COW SLAUGHTER

Federally Inspected, Weekly

Thou. Head

2014 beef cow slaughter was down 17.9%

YTD 2015 is down 15.9%

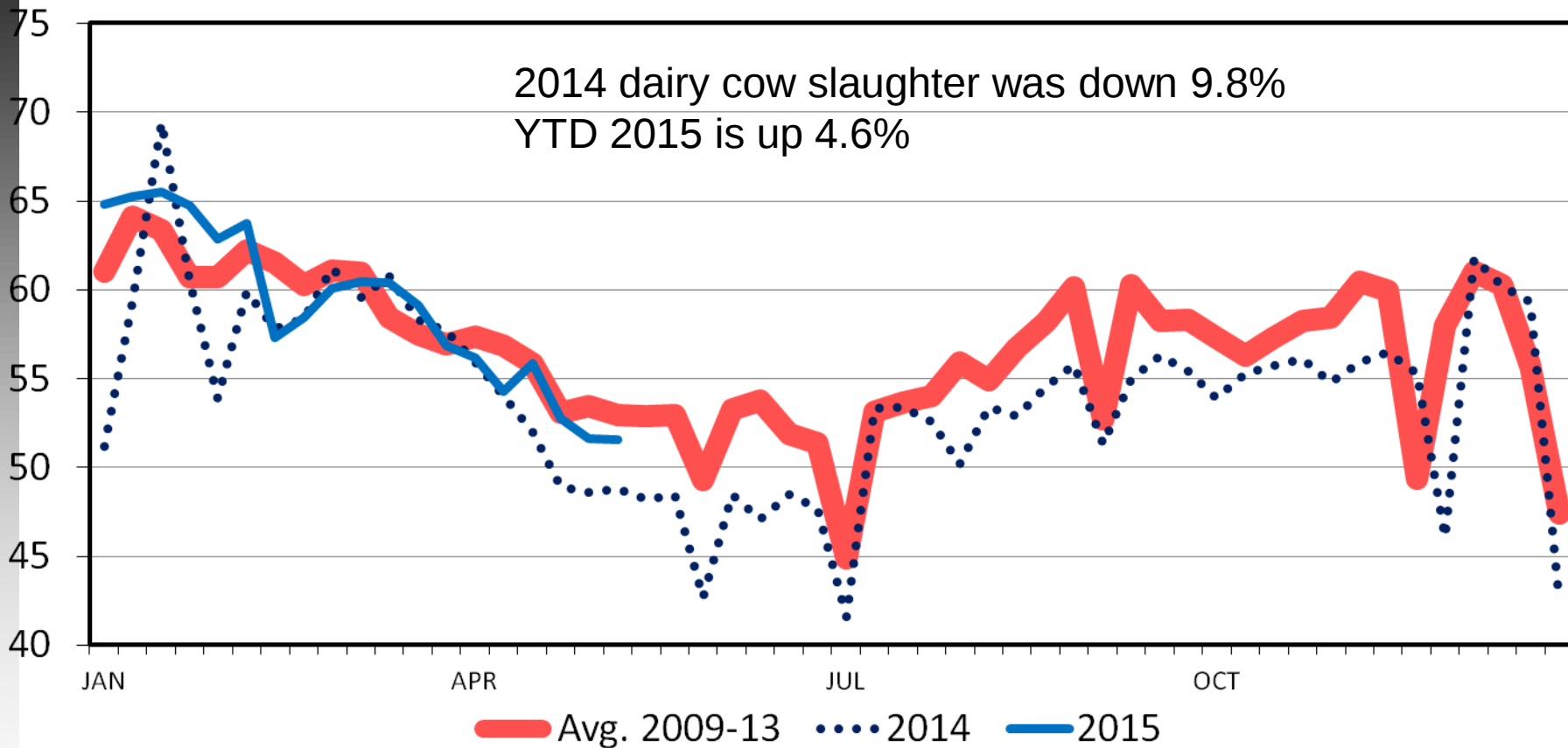




DAIRY COW SLAUGHTER

Federally Inspected, Weekly

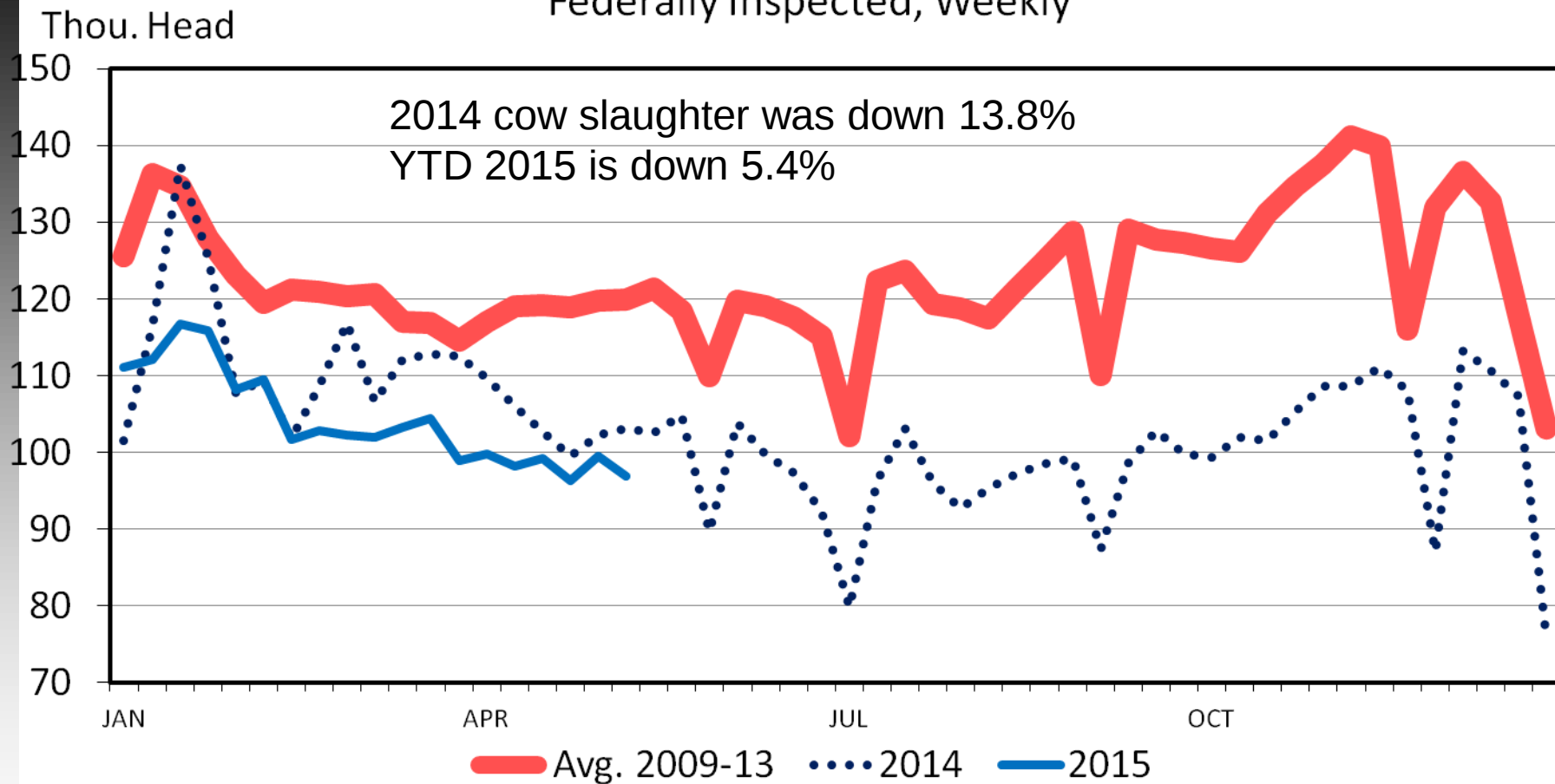
Thou. Head





TOTAL COW SLAUGHTER

Federally Inspected, Weekly





PRICE CYCLES

2014 female slaughter was down 10.3%; male slaughter was down 3.8%

YTD 2015 female slaughter is down 6.8%; male down 5.2%

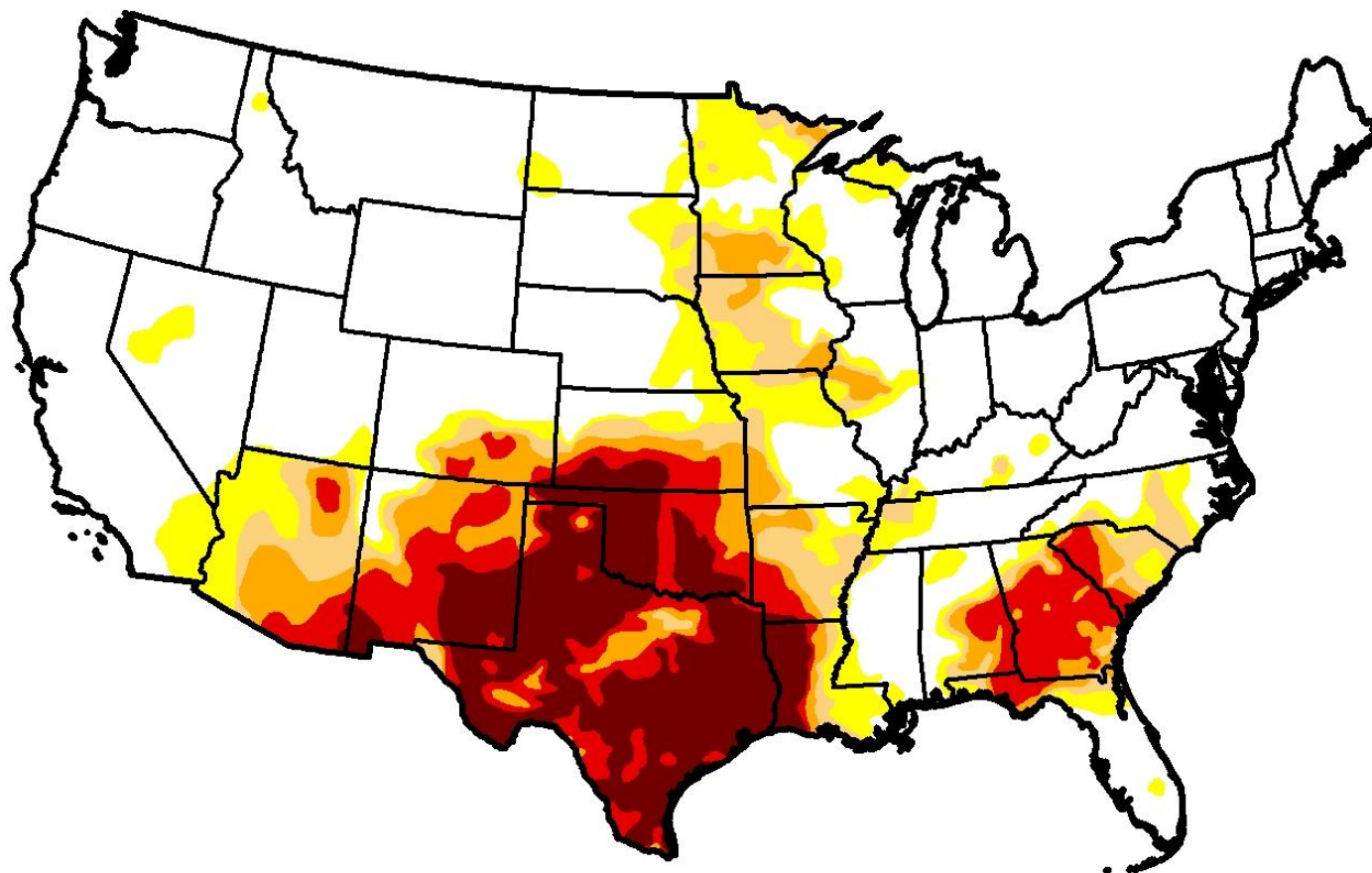


WEATHER





U.S. Drought Monitor, October 18, 2011



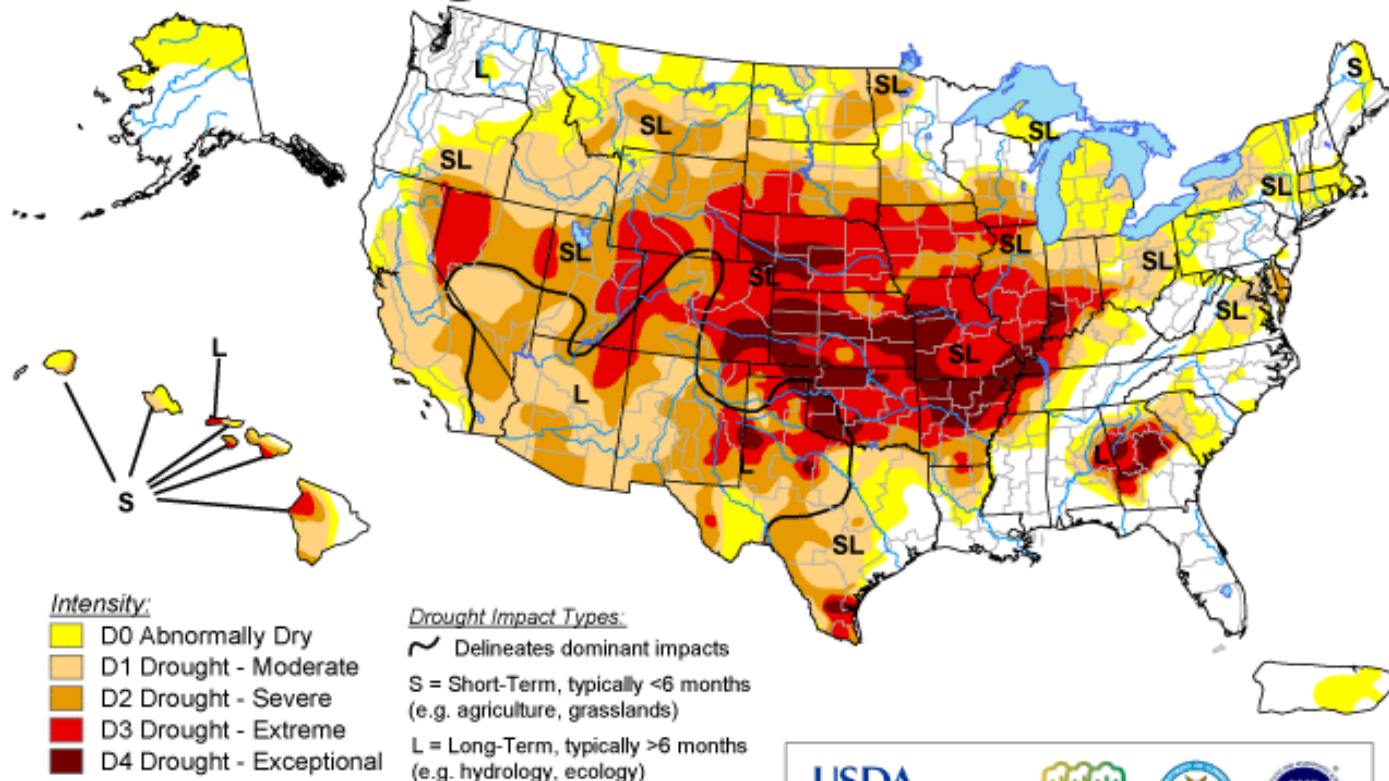
The darker the color, the more severe the drought



U.S. Drought Monitor

August 28, 2012

Valid 7 a.m. EDT



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://droughtmonitor.unl.edu/>

Released Thursday, August 30, 2012

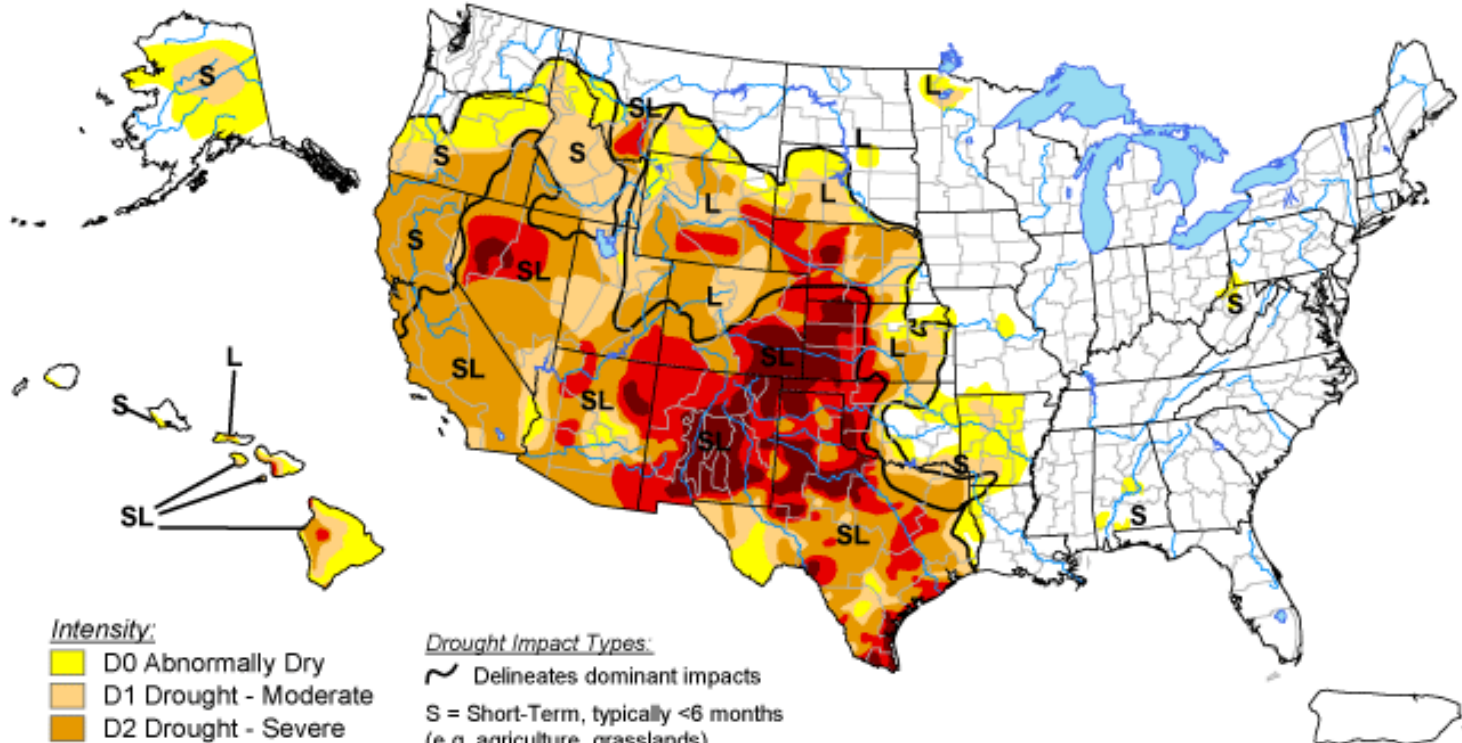
Author: Brian Fuchs, National Drought Mitigation Center

The darker the color, the more severe the drought



U.S. Drought Monitor

July 9, 2013
Valid 7 a.m. EDT



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

- Delineates dominant impacts
- S = Short-Term, typically <6 months
(e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months
(e.g. hydrology, ecology)

*The Drought Monitor focuses on broad-scale conditions.
Local conditions may vary. See accompanying text summary
for forecast statements.*

<http://droughtmonitor.unl.edu/>



Released Thursday, July 11, 2013

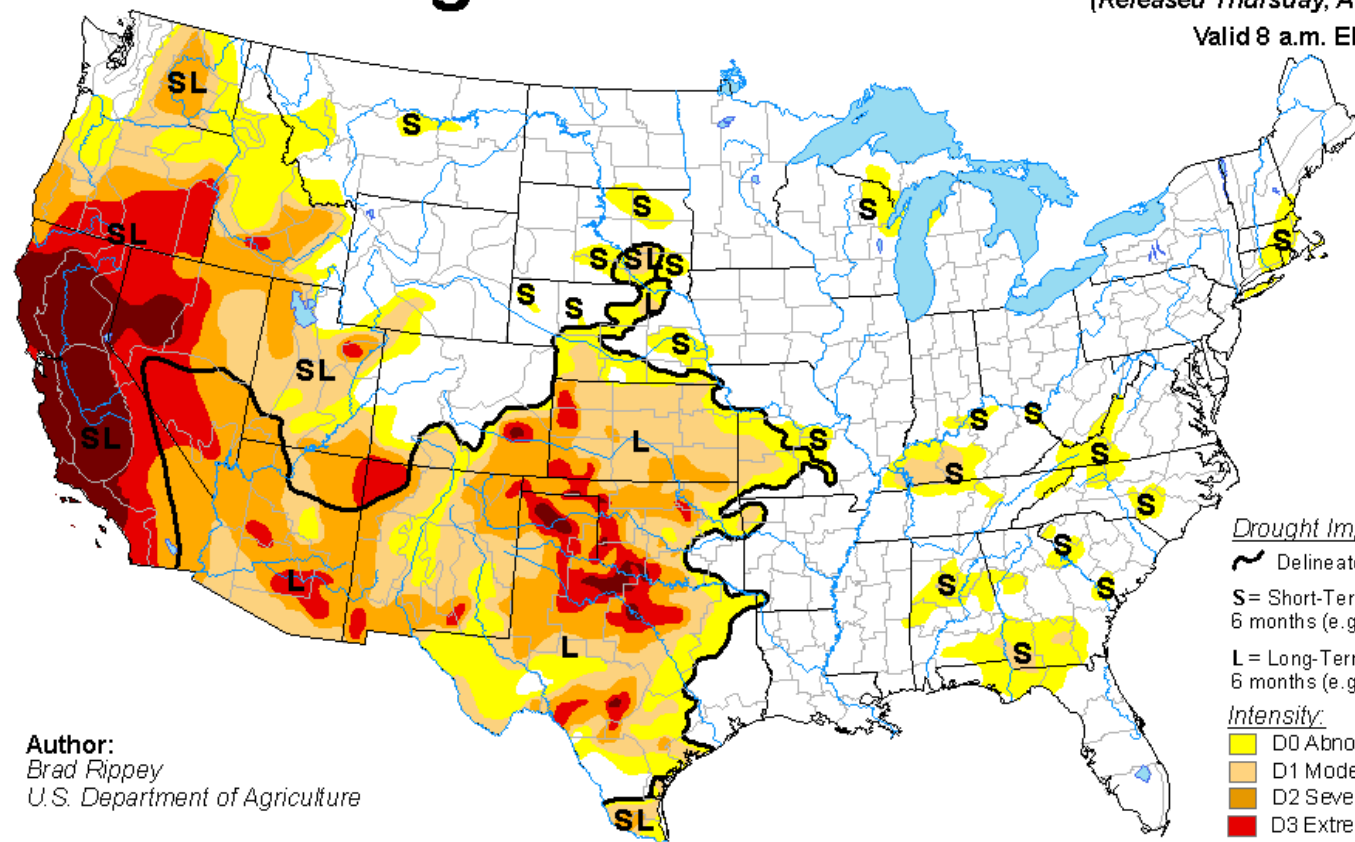
Author: Matthew Rosencrans, NOAA/NWS/NCEP/CPC

The darker the color, the more severe the drought



U.S. Drought Monitor

August 5, 2014
(Released Thursday, Aug. 7, 2014)
Valid 8 a.m. EDT



Author:
Brad Rippey
U.S. Department of Agriculture

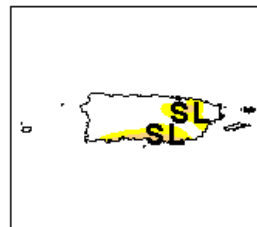
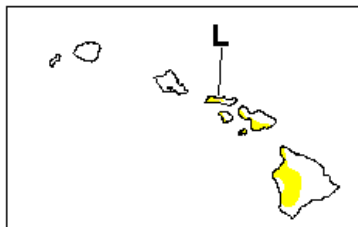
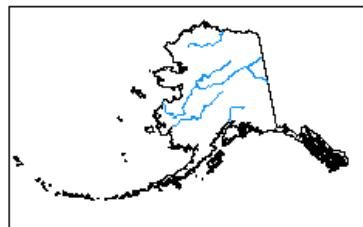
Drought Impact Types:

- ~ 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:

- Yellow: D0 Abnormally Dry
- Light Orange: D1 Moderate Drought
- Orange: D2 Severe Drought
- Red: D3 Extreme Drought
- Dark Red: D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



<http://droughtmonitor.unl.edu/>

The darker the color, the more severe the drought

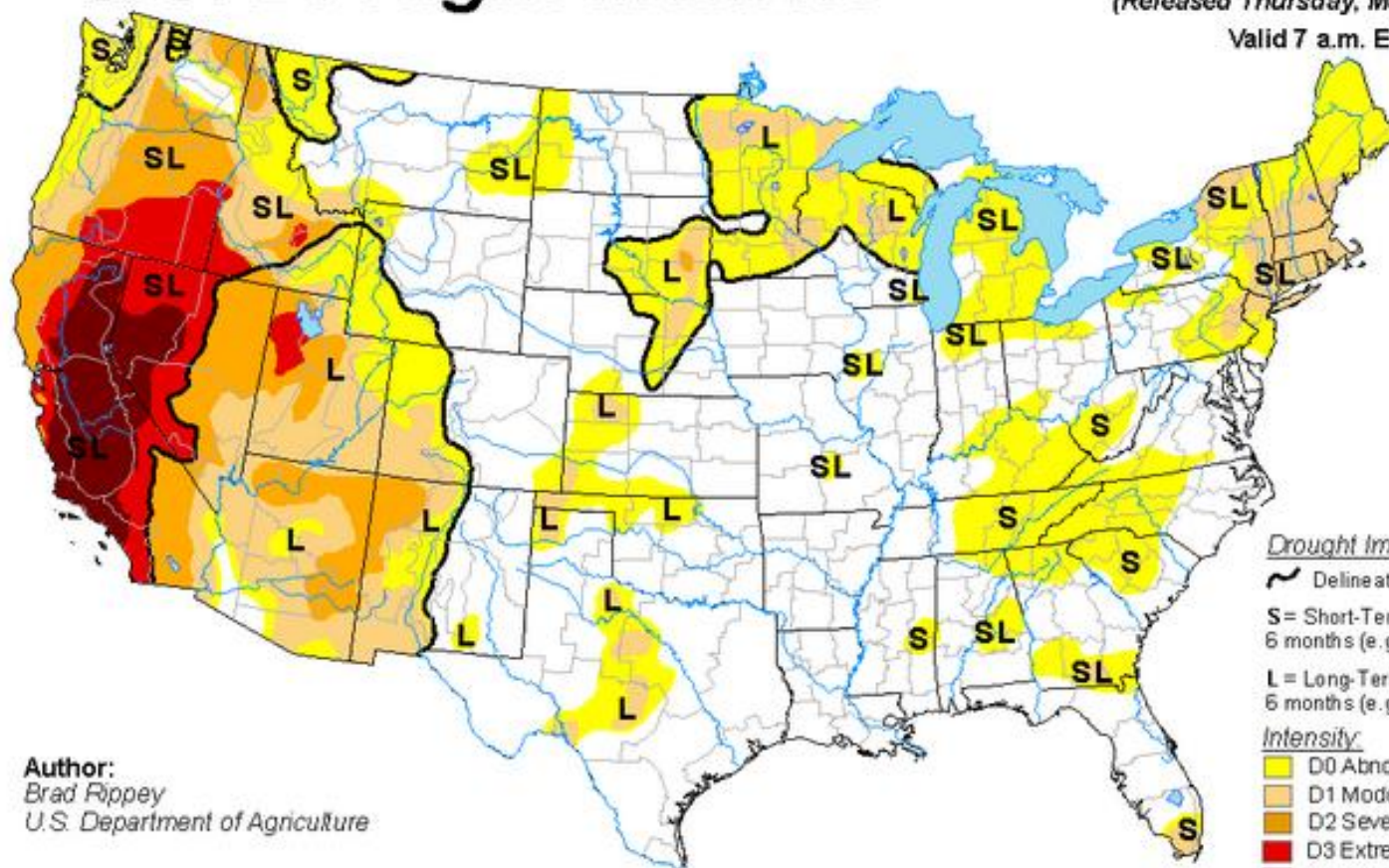


U.S. Drought Monitor

May 26, 2015

(Released Thursday, May. 28, 2015)

Valid 7 a.m. EST



Author:
Brad Rippey
U.S. Department of Agriculture

Drought Impact Types:

~ Delineates dominant impacts

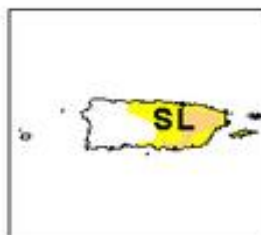
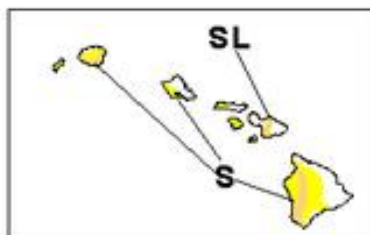
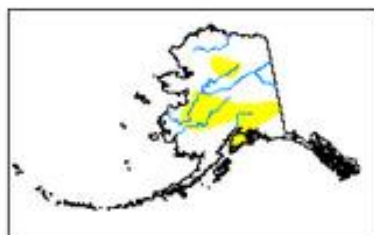
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)

L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



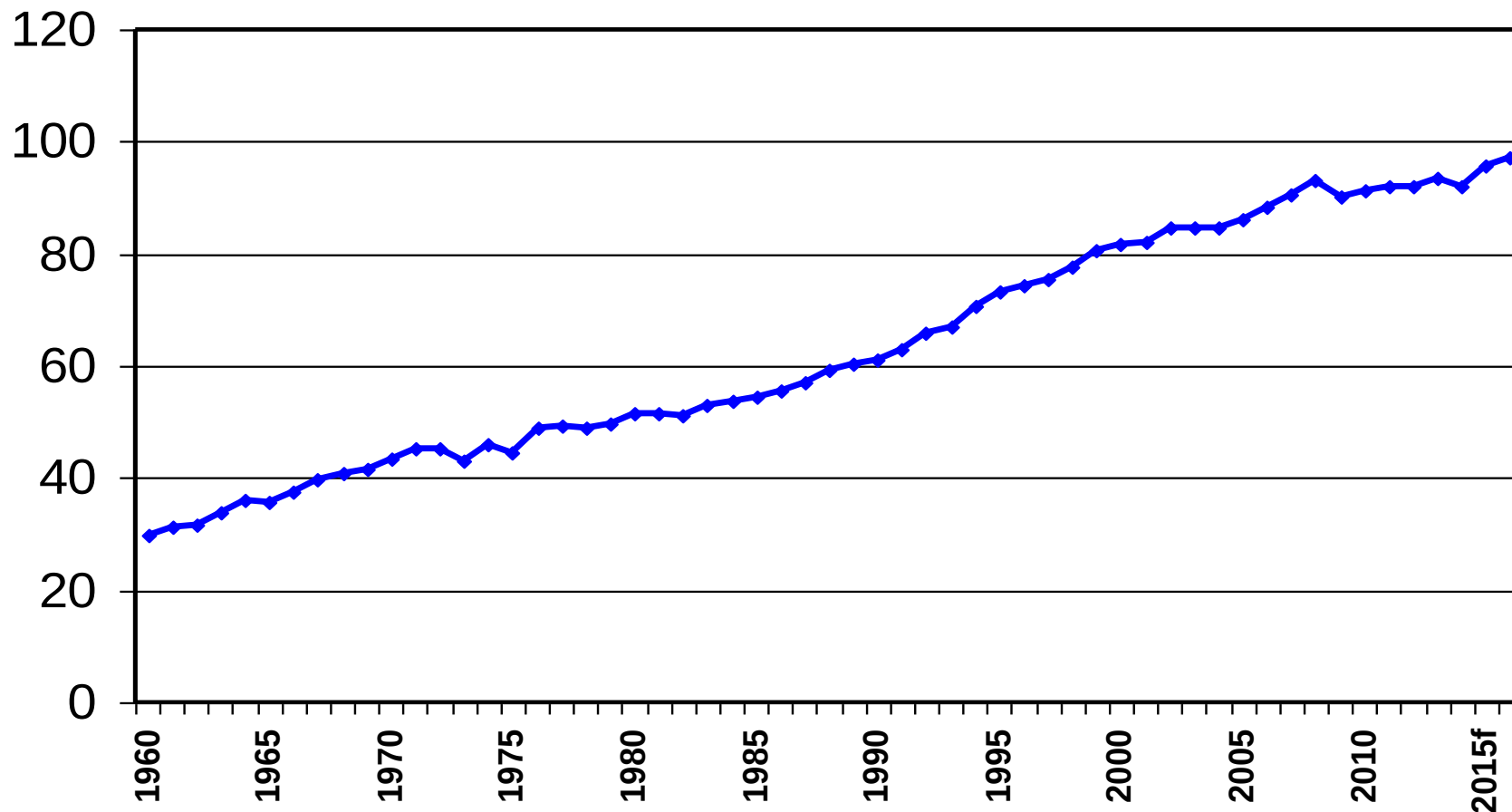
<http://droughtmonitor.unl.edu/>





U.S. MEAT PRODUCTION

Billion Pounds

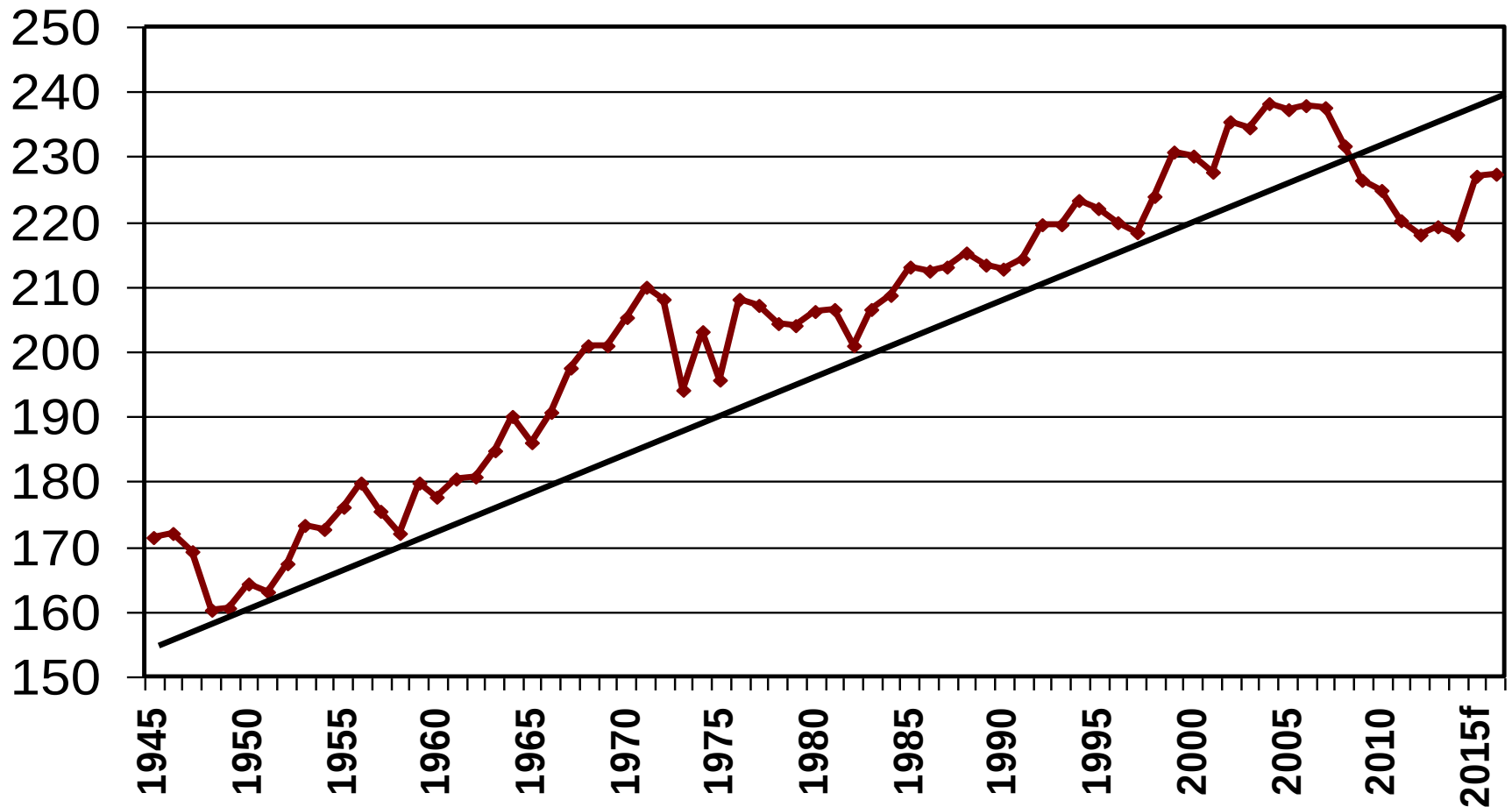


Source: USDA/ERS



U.S. PER CAPITA MEAT CONSUMPTION

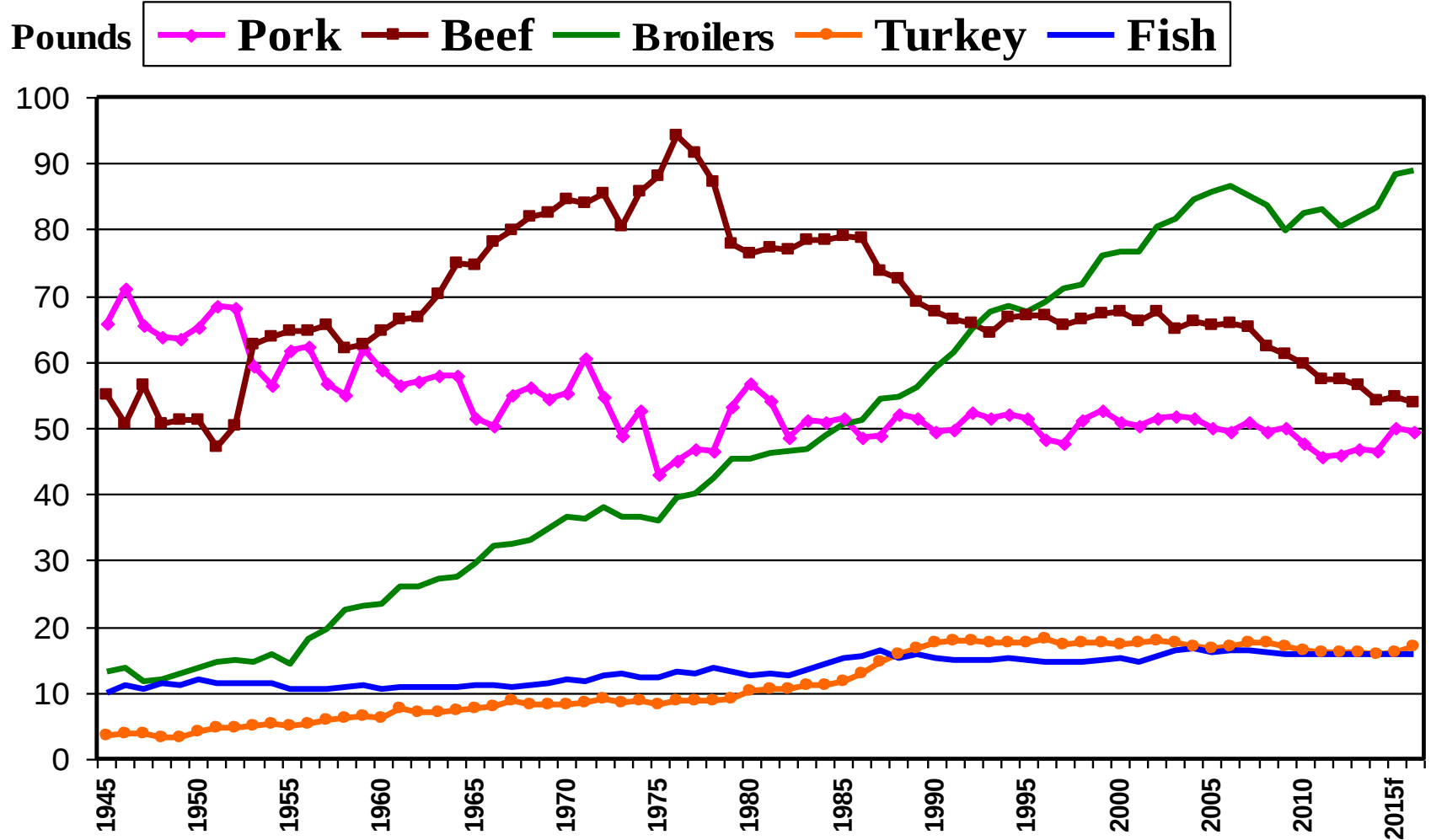
Pounds



Source: USDA/ERS



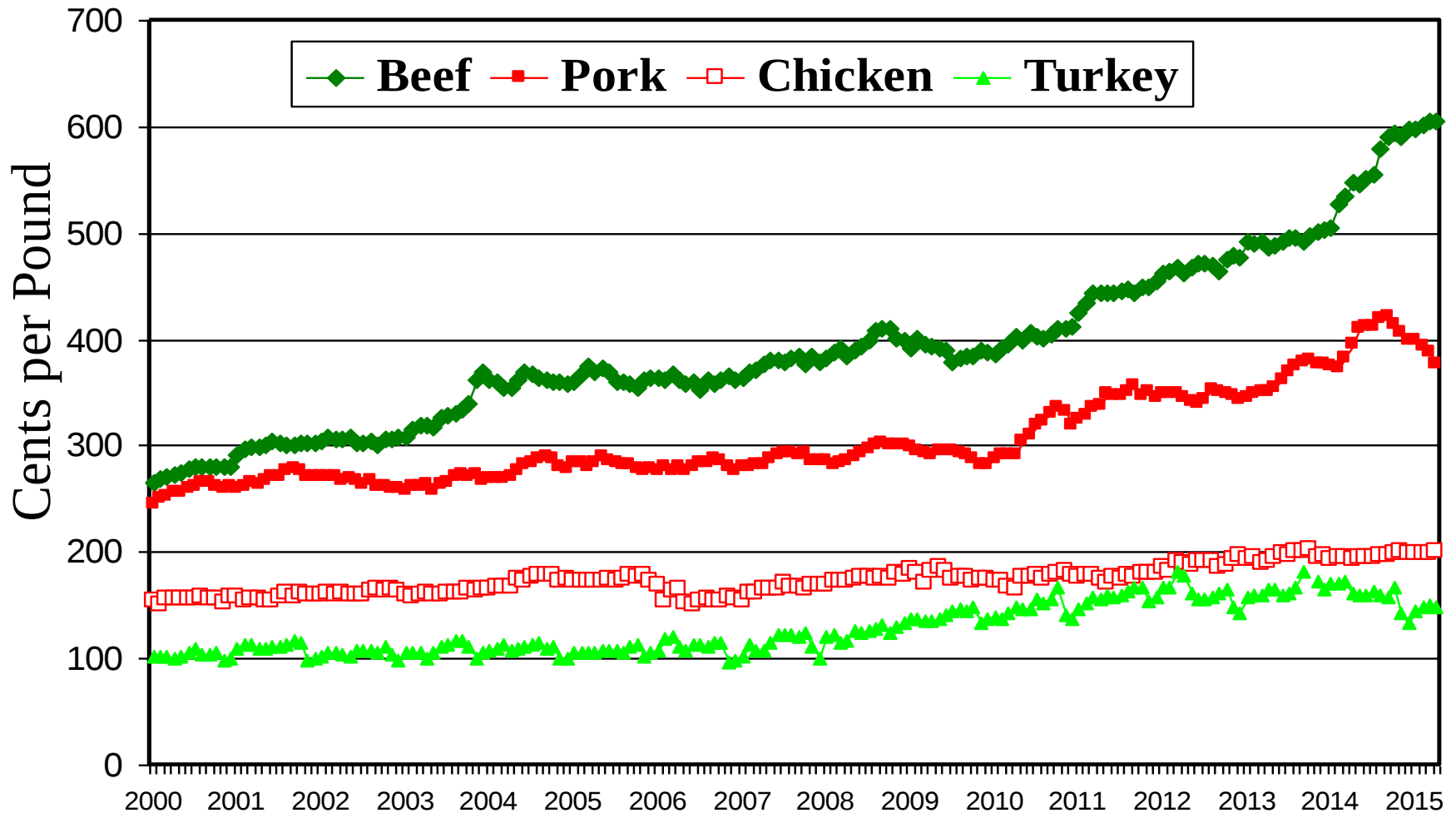
U.S. PER CAPITA MEAT CONSUMPTION



Source: USDA/ERS



RETAIL MEAT PRICES, MONTHLY



Source: USDA/ERS



MEAT DEMAND

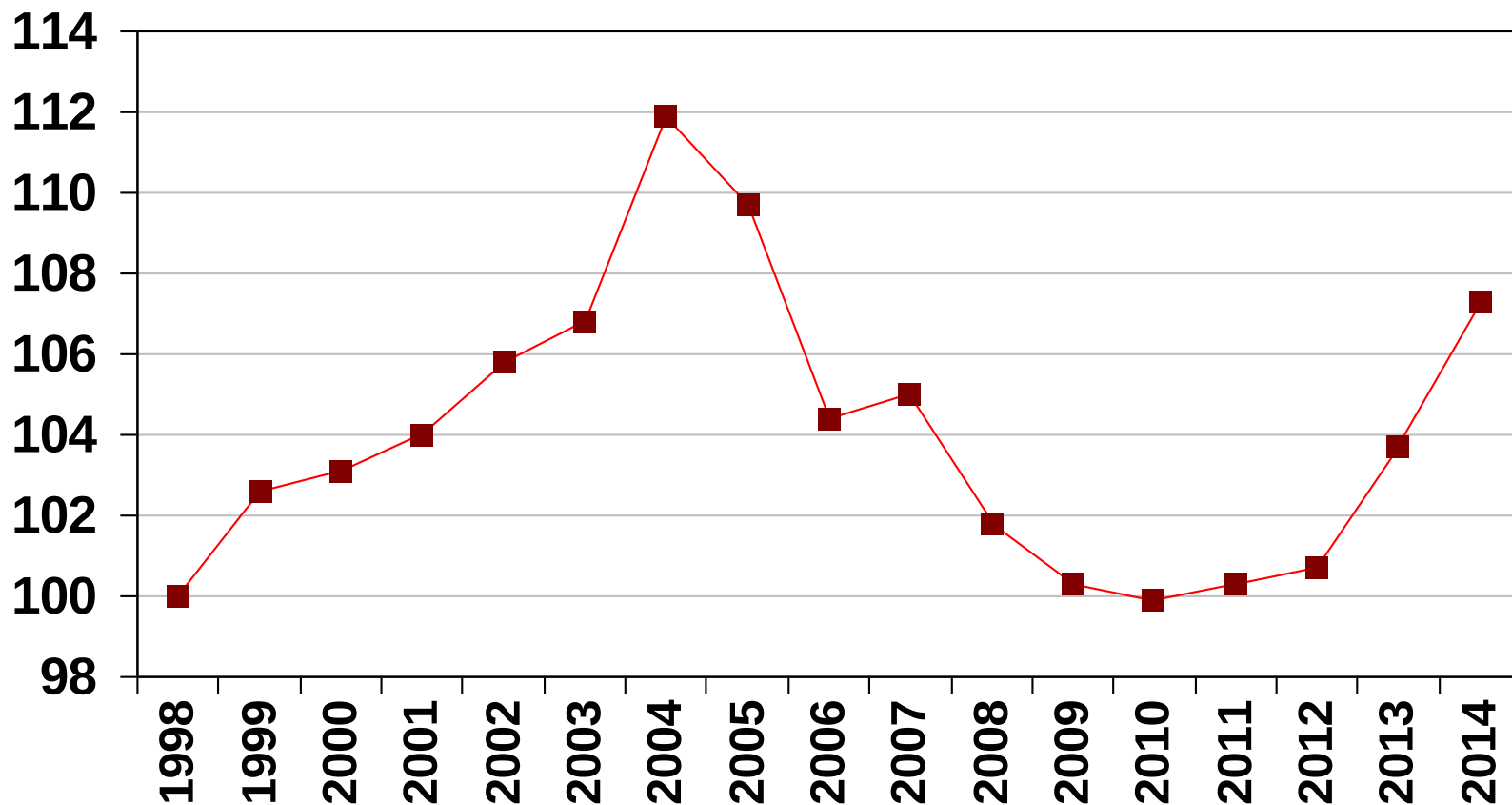




INDEX OF RETAIL MEAT DEMAND

BASE ELASTICITY = - 0.75

1998 = 100



Source: Ron Plain, MU

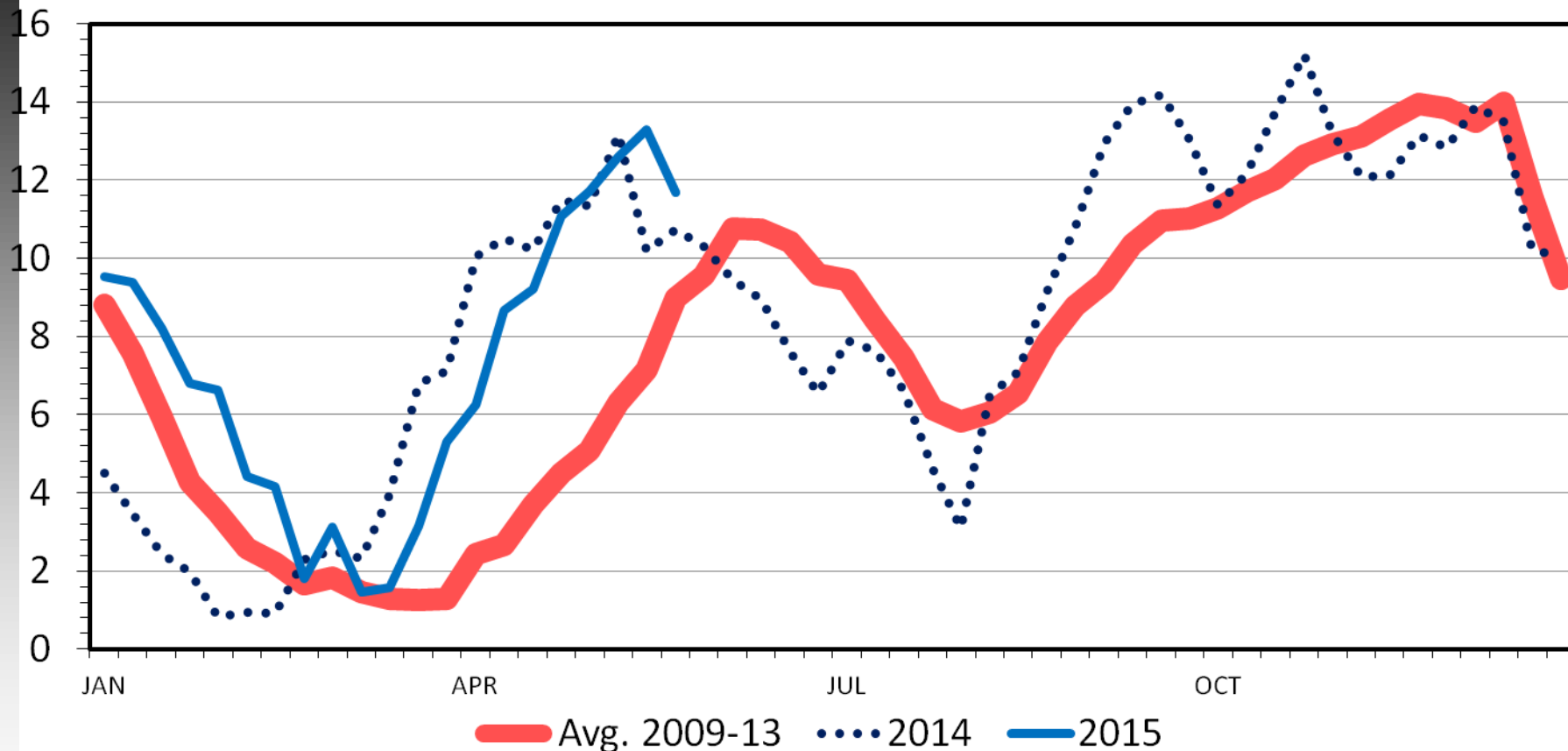




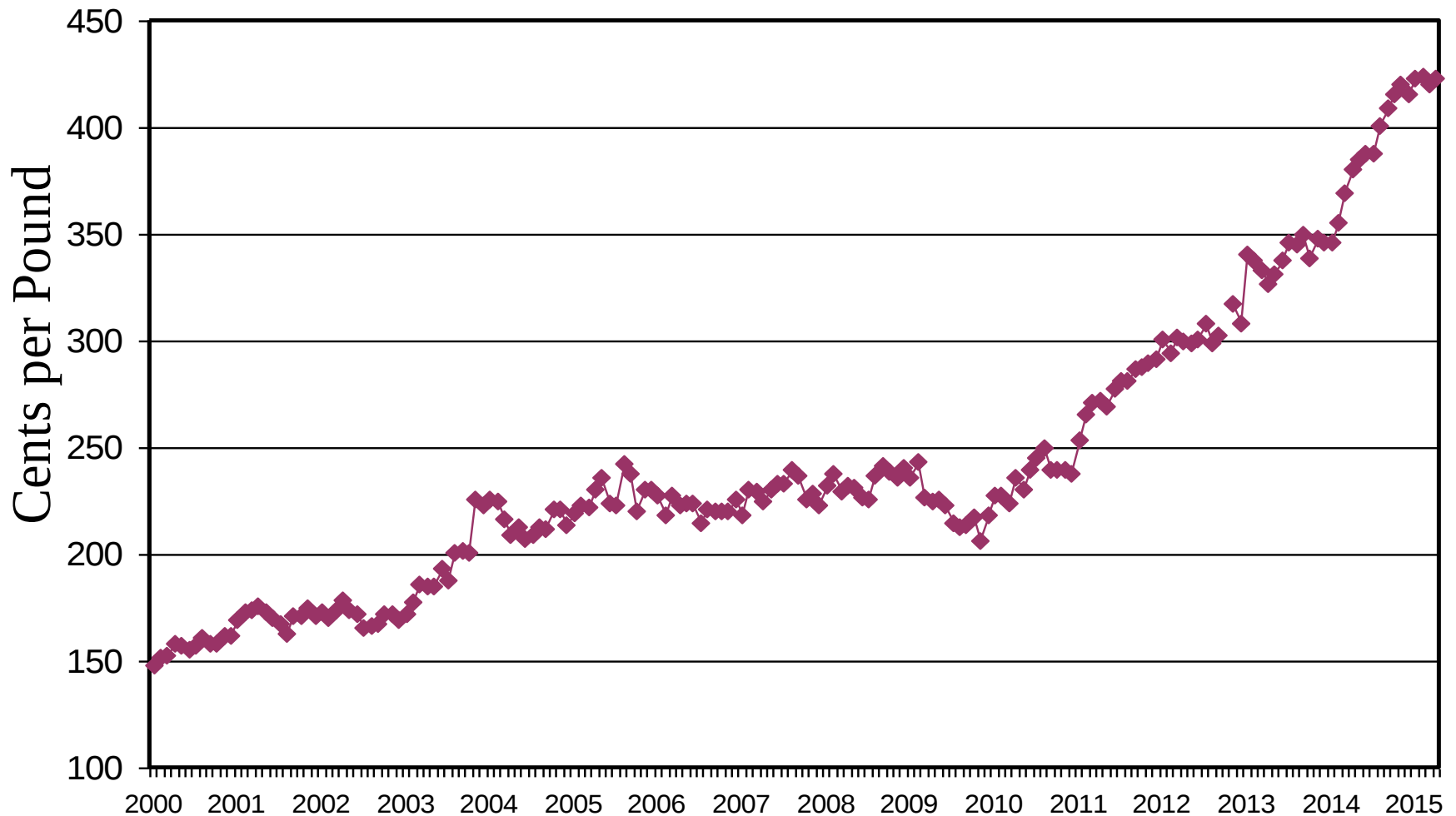
CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly

\$ Per Cwt.



RETAIL GROUND BEEF PRICE, MONTHLY

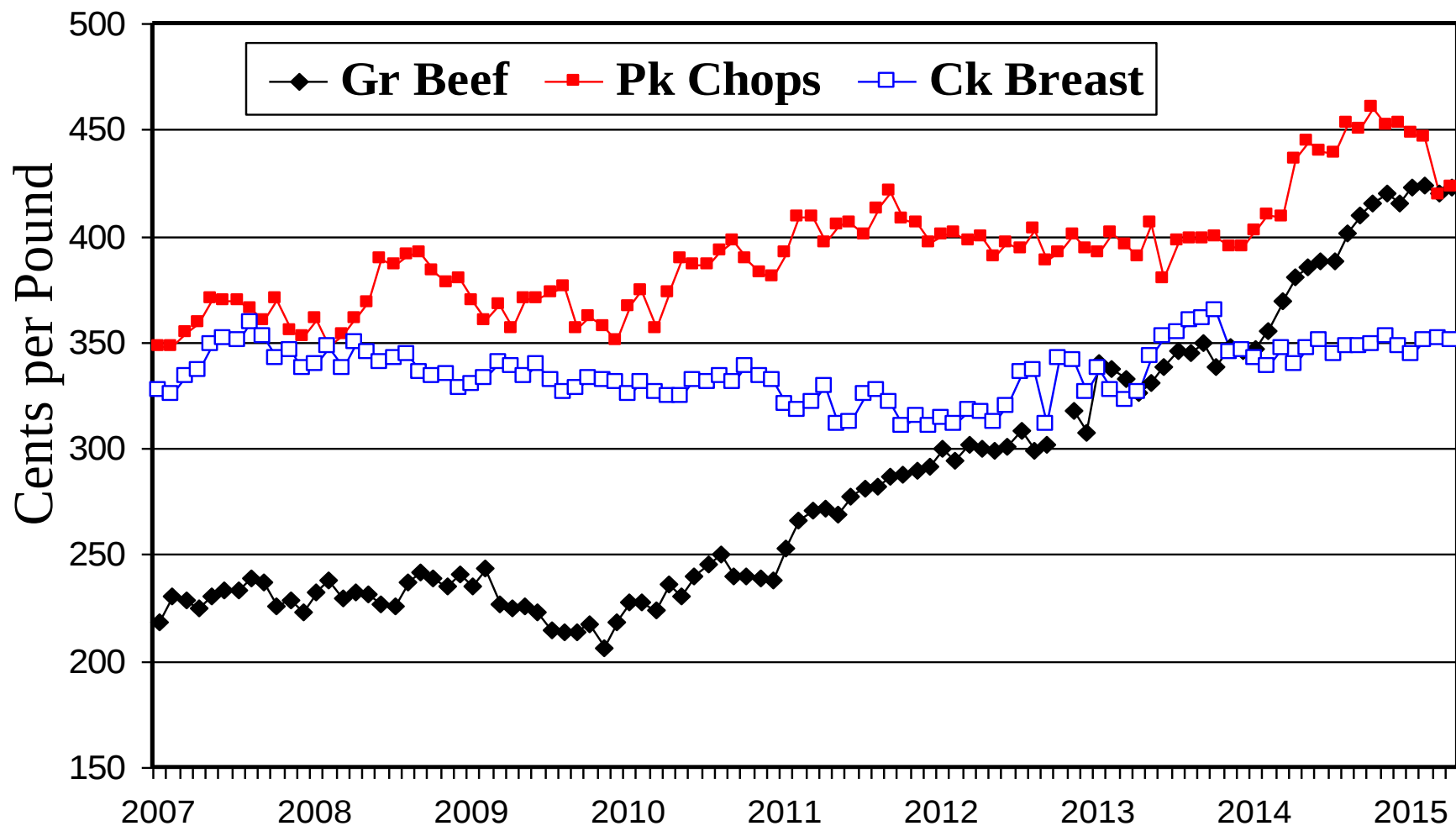


Source: USDA/ERS





RETAIL MEAT PRICES, MONTHLY



Source: USDA/ERS

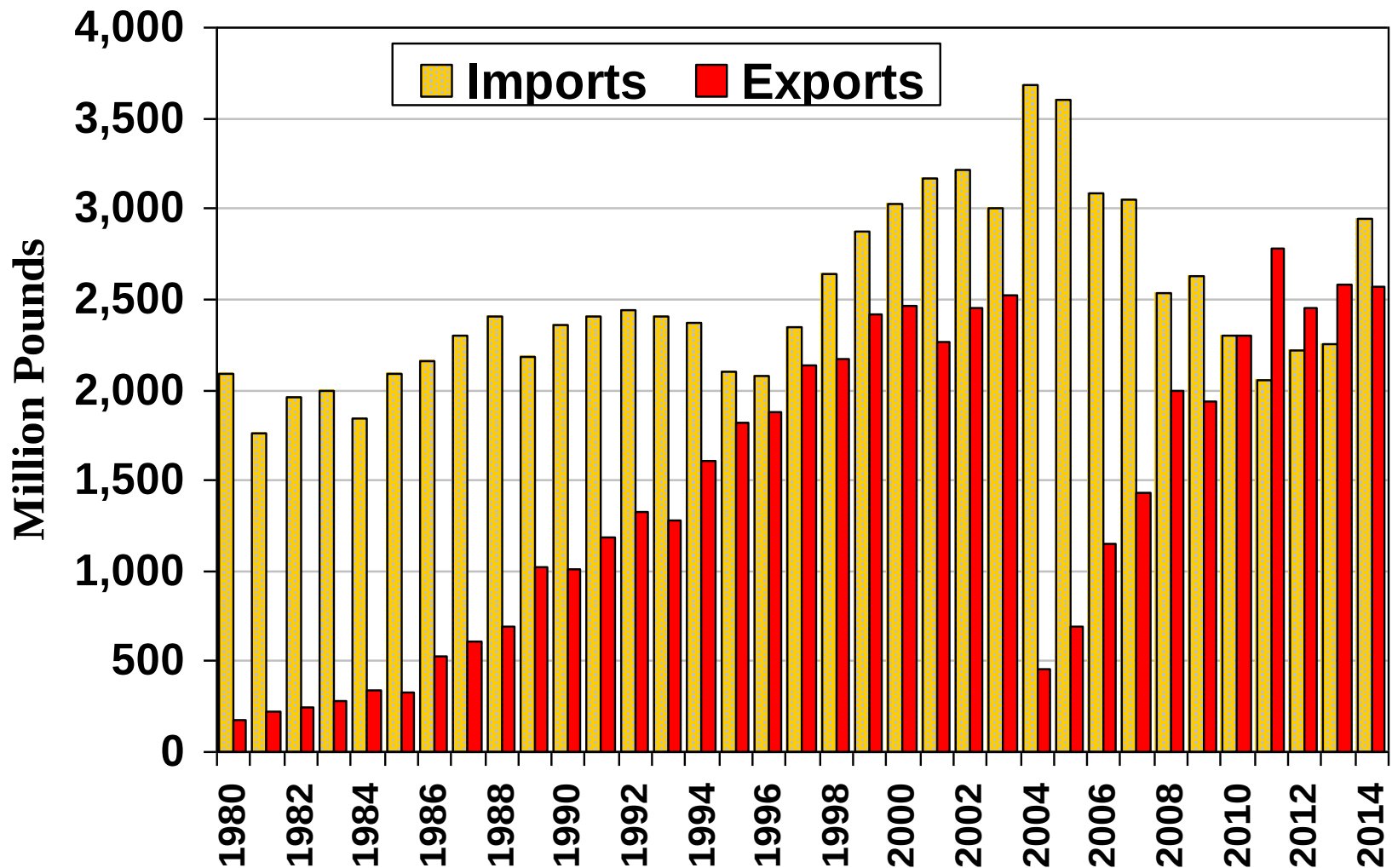




BEEF TRADE



U.S. BEEF IMPORTS & EXPORTS

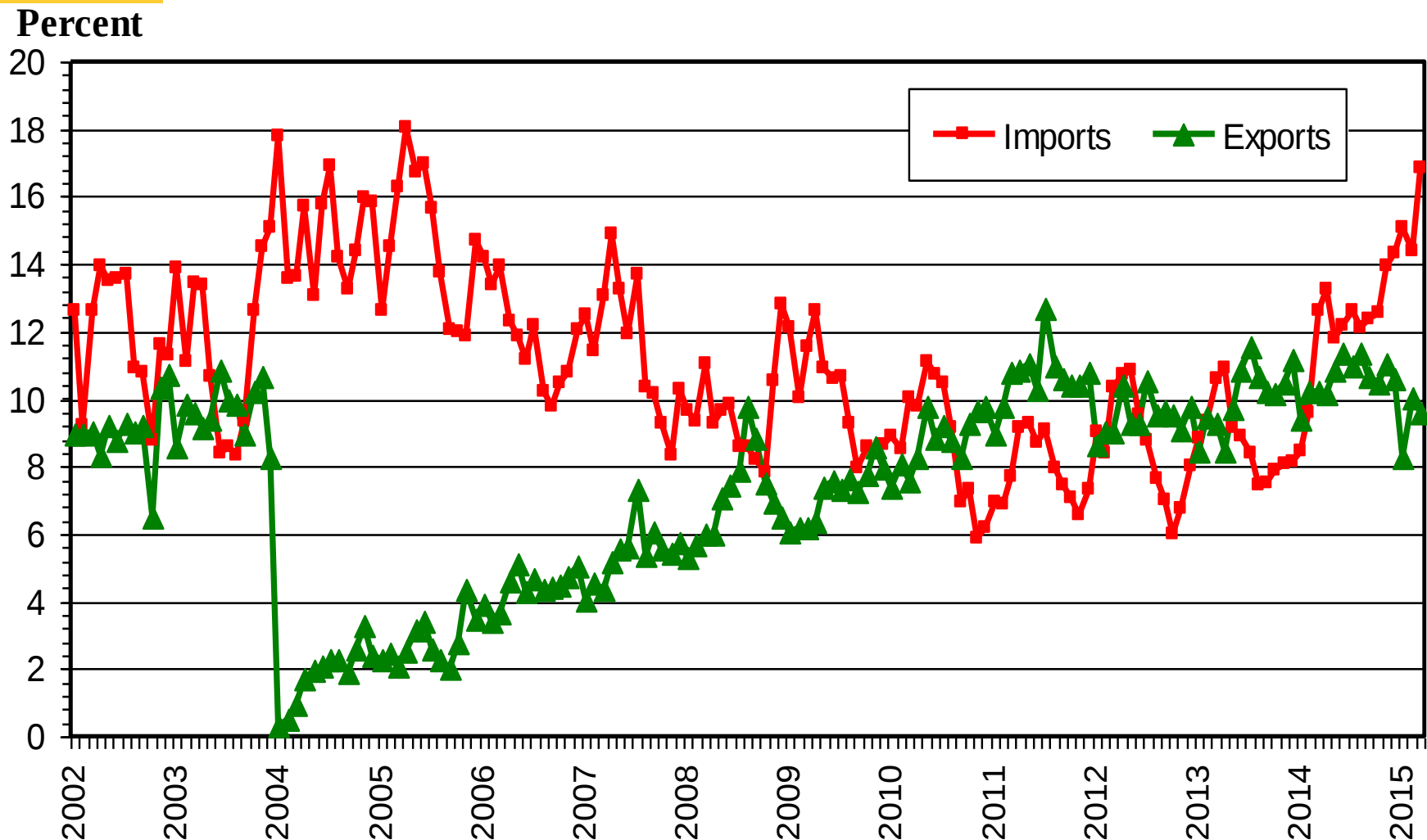


Source: USDA/ERS





U.S. BEEF IMPORTS & EXPORTS, AS % OF PRODUCTION, MONTHLY



Source: USDA/ERS

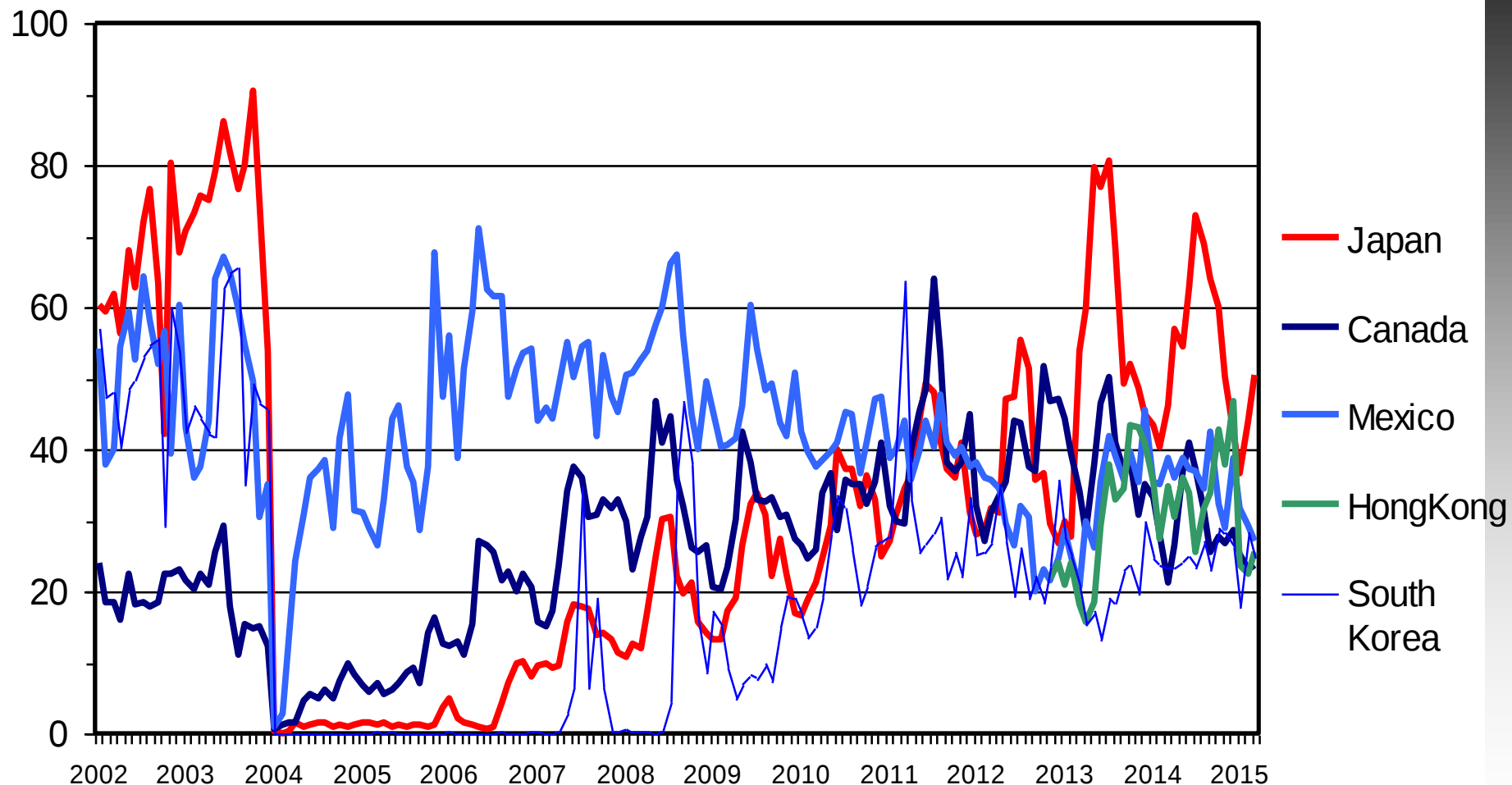




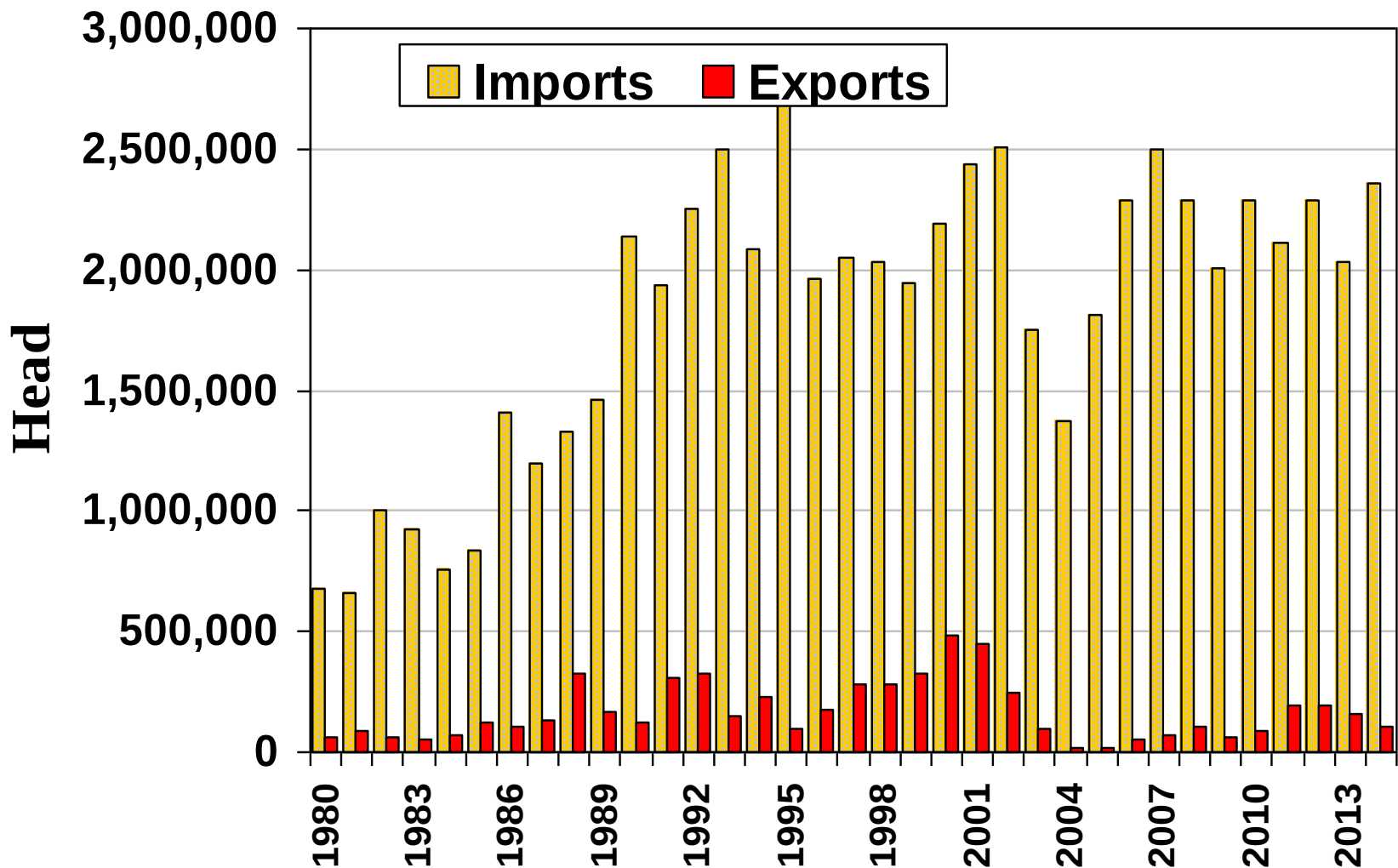
U.S. Beef Exports to Major Markets, 2002-2015

Mil. Pounds

Carcass Weight, Monthly



U.S. CATTLE IMPORTS & EXPORTS



Source: USDA/ERS

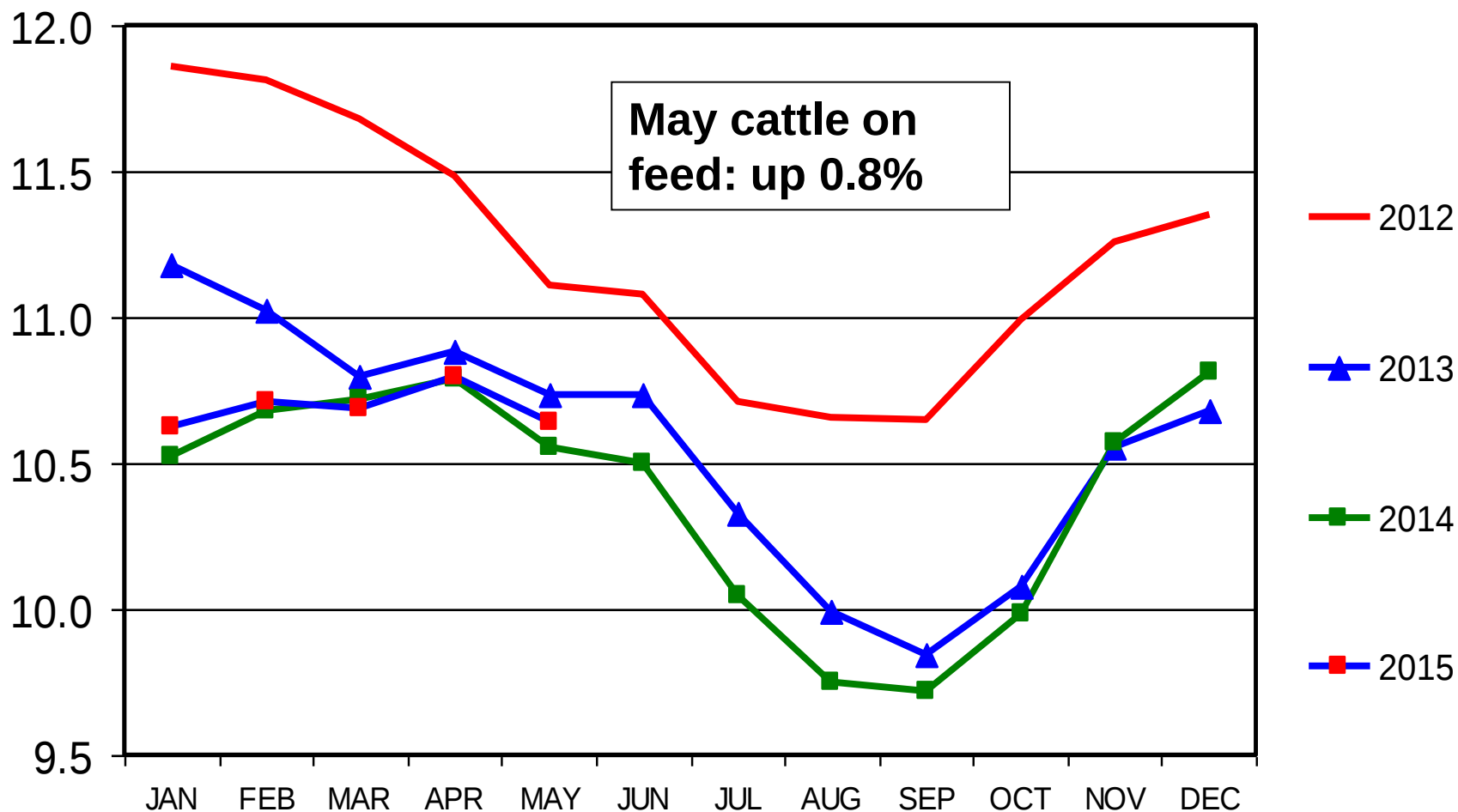




CATTLE ON FEED

Large U.S. Feedlots, Monthly

Mil. Head

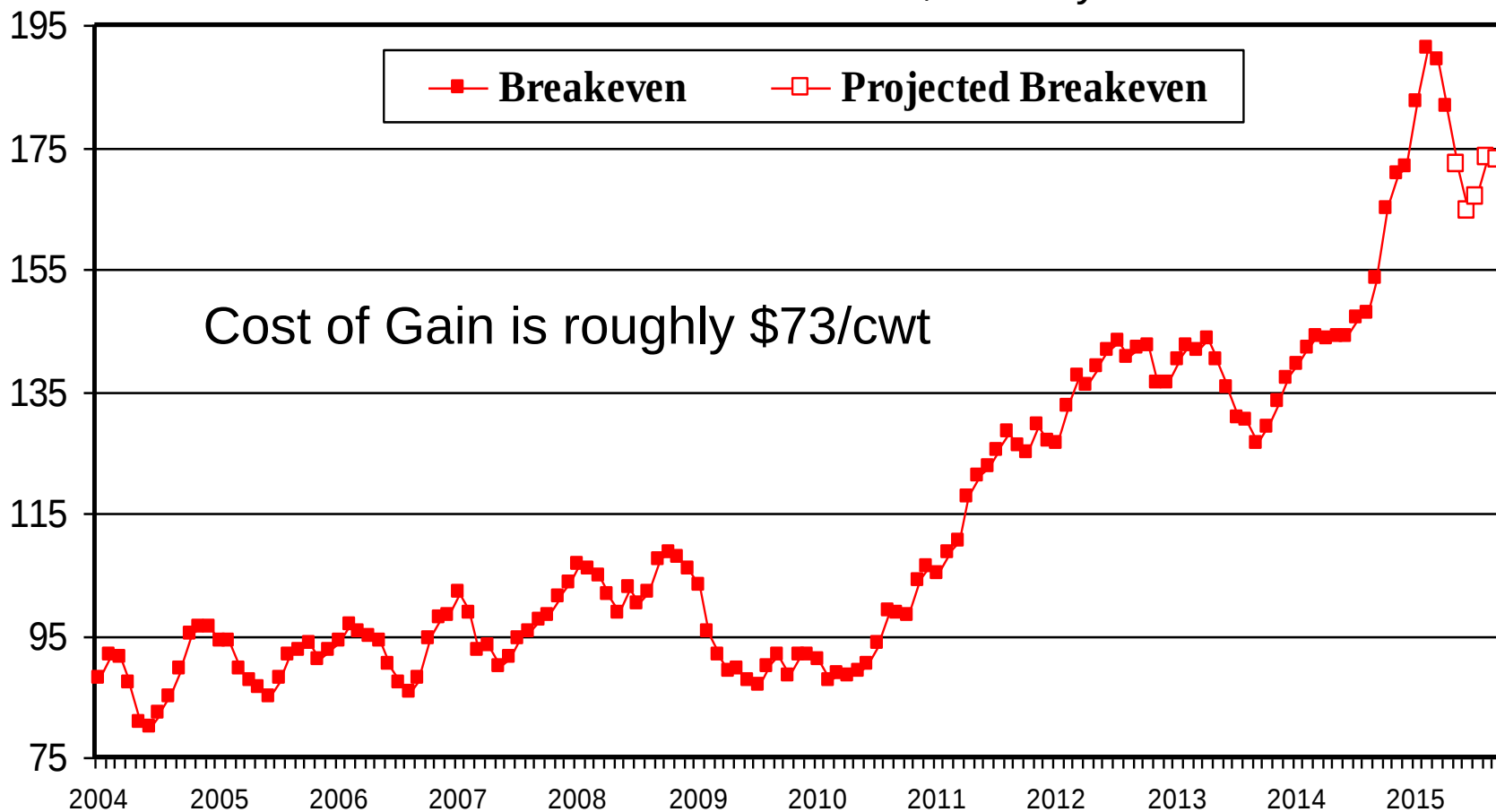




Choice Steer Breakeven Price

S. Plains Cattle Feedlots, Monthly

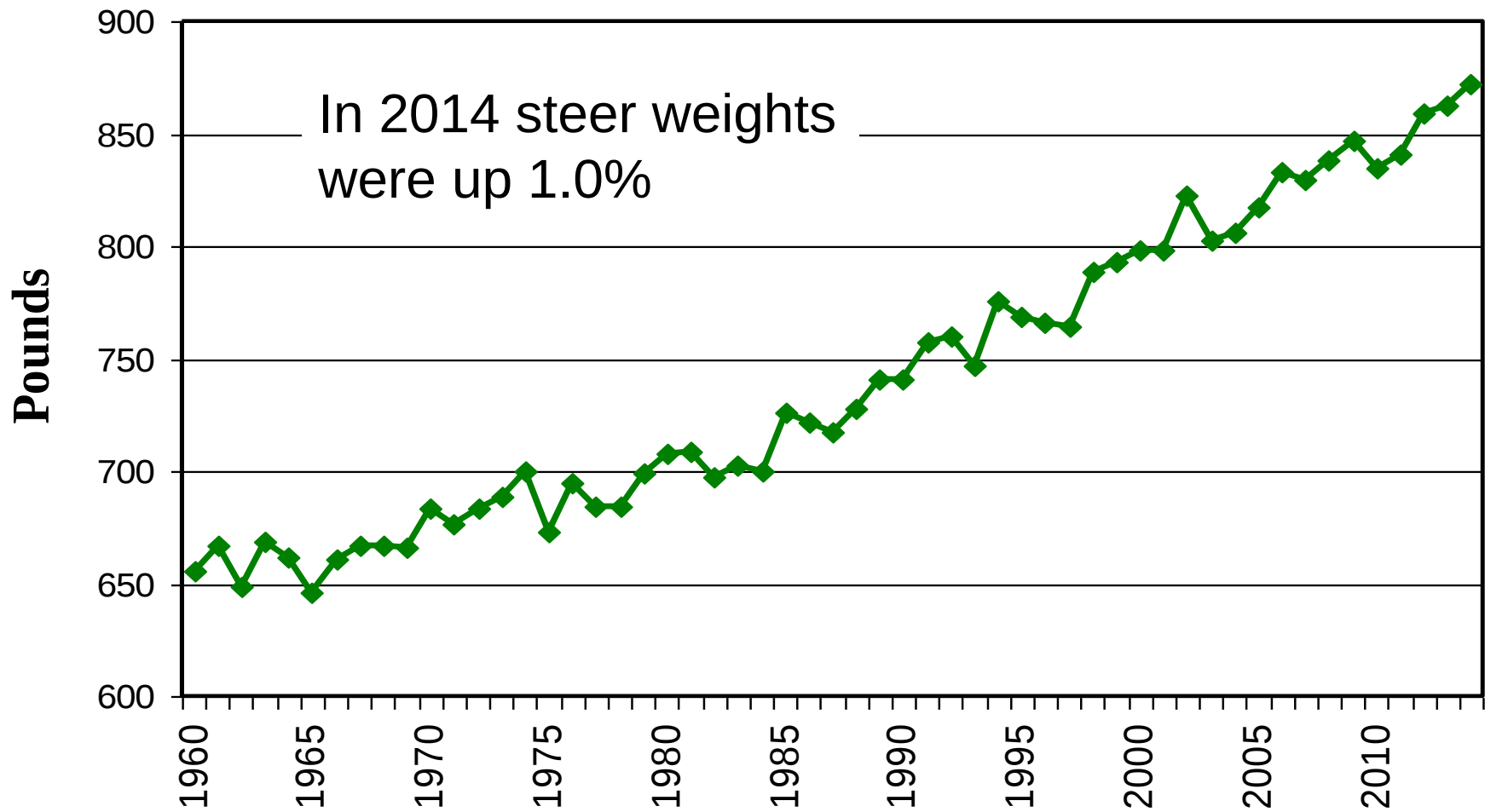
\$ Per Cwt



Source: LMIC



Steer Dressed Weights, 1960-2014



Source: USDA/ERS

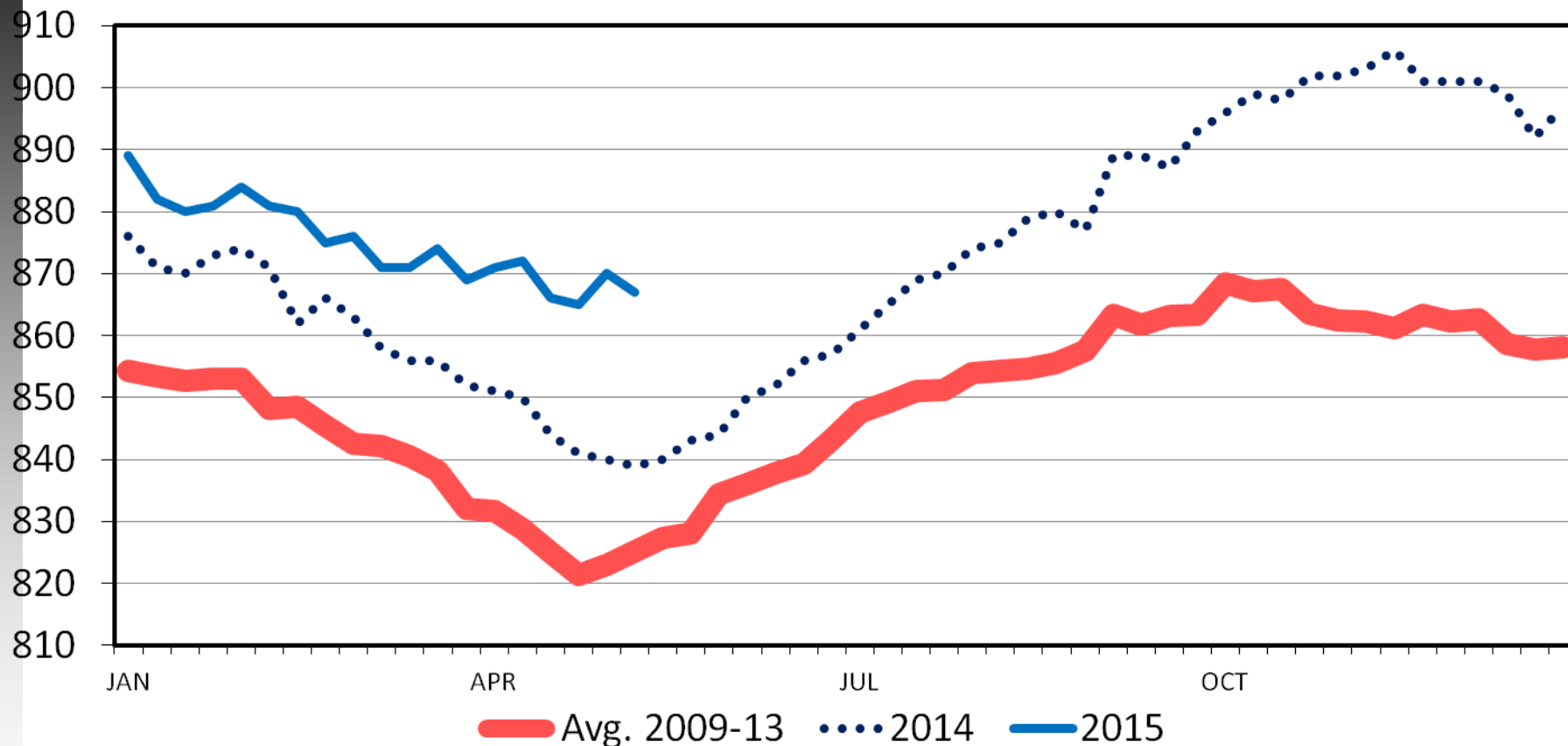




STEER DRESSED WEIGHT

Federally Inspected, Weekly

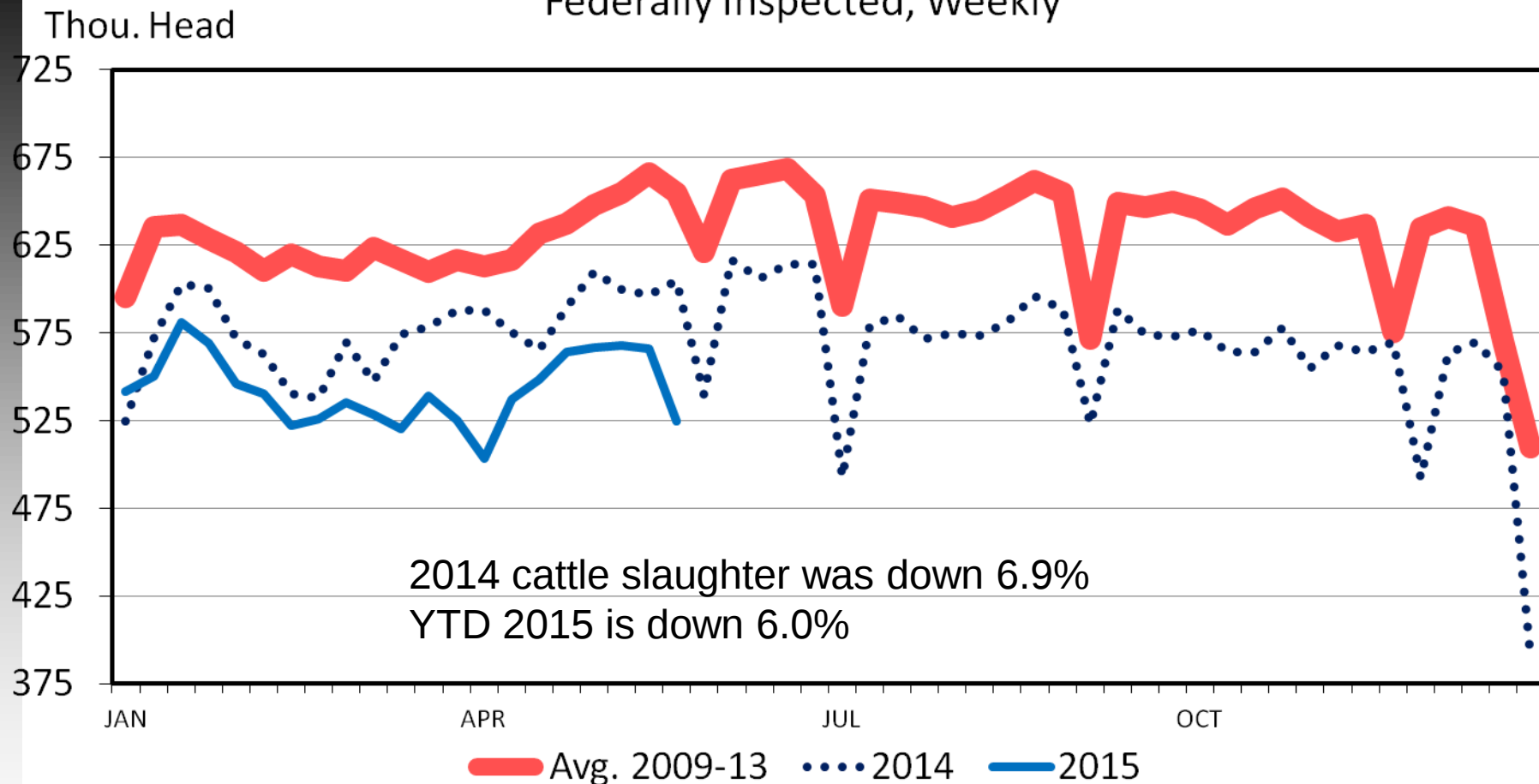
Pounds





CATTLE SLAUGHTER

Federally Inspected, Weekly

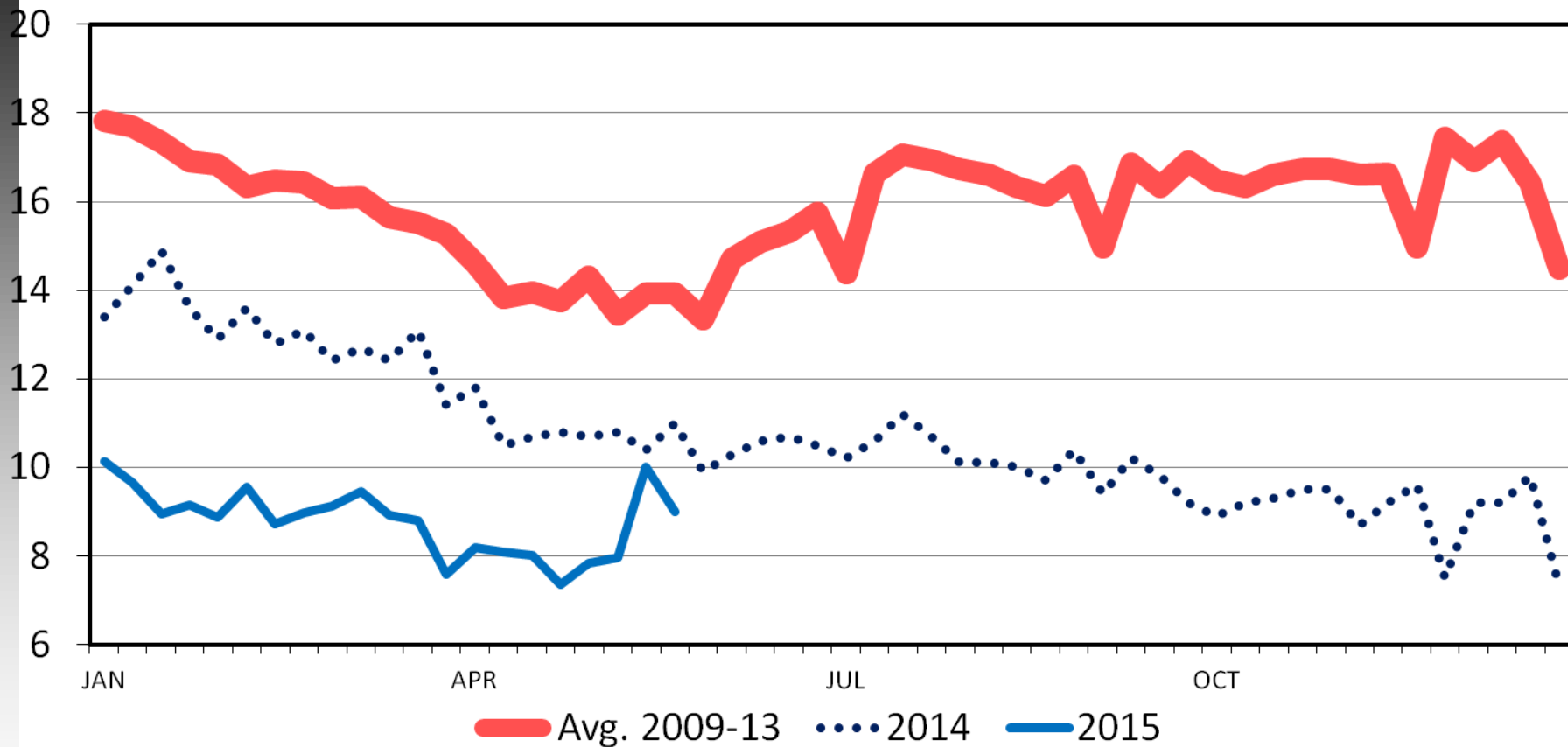




CALF SLAUGHTER

Federally Inspected, Weekly

Thou. Head





RETAIL PRICE OF CHOICE BEEF, MONTHLY



Source: USDA/ERS



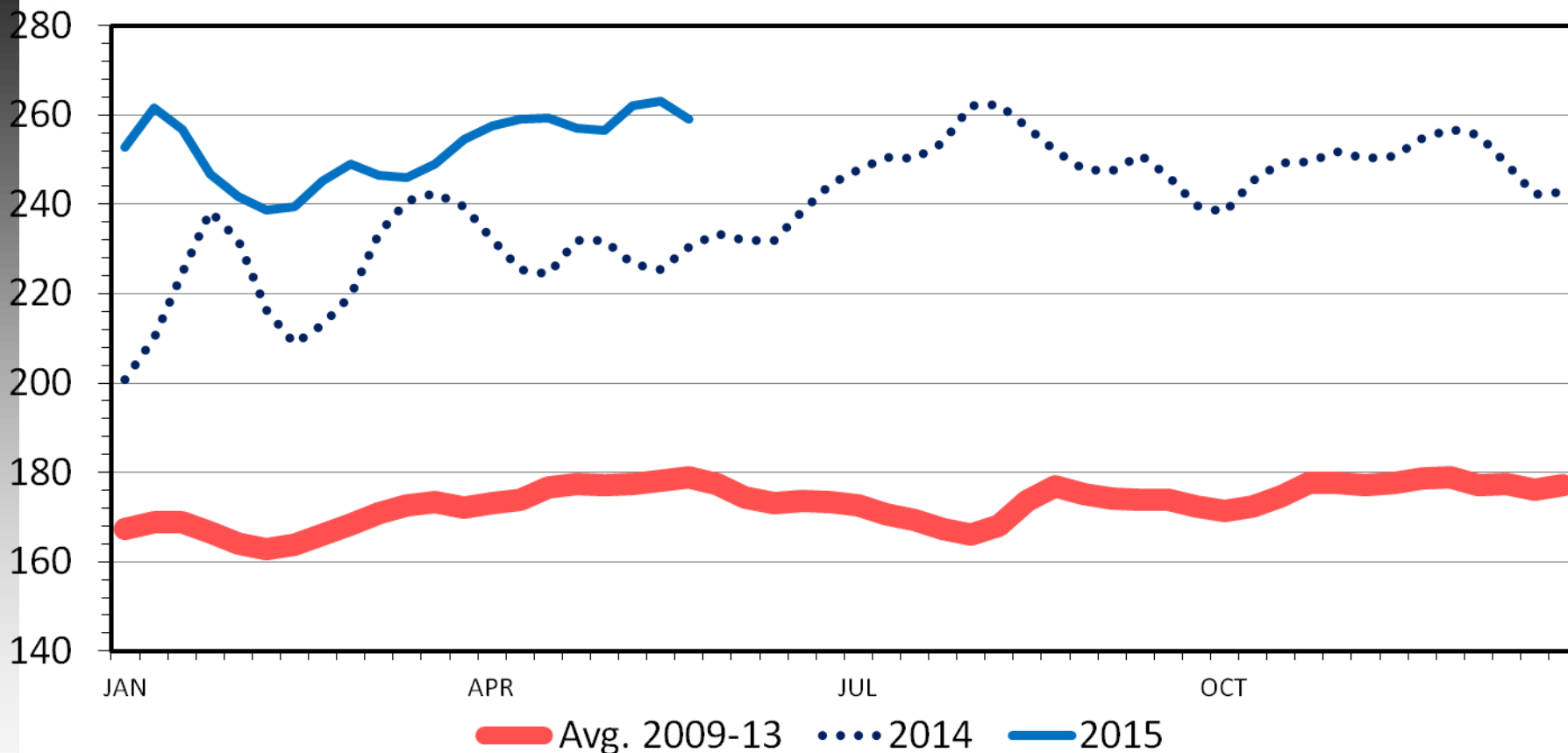




BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-62
06/01/15

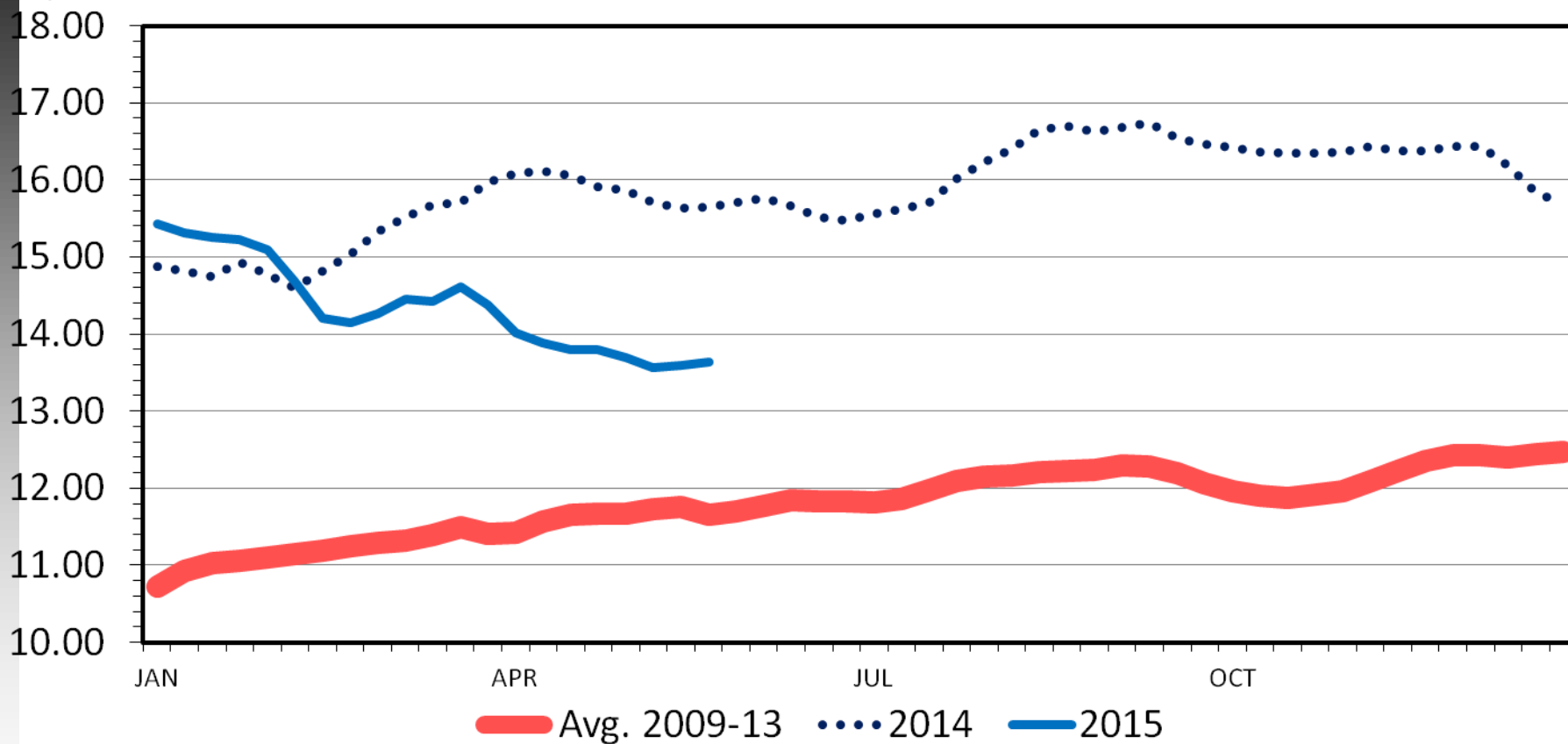




STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

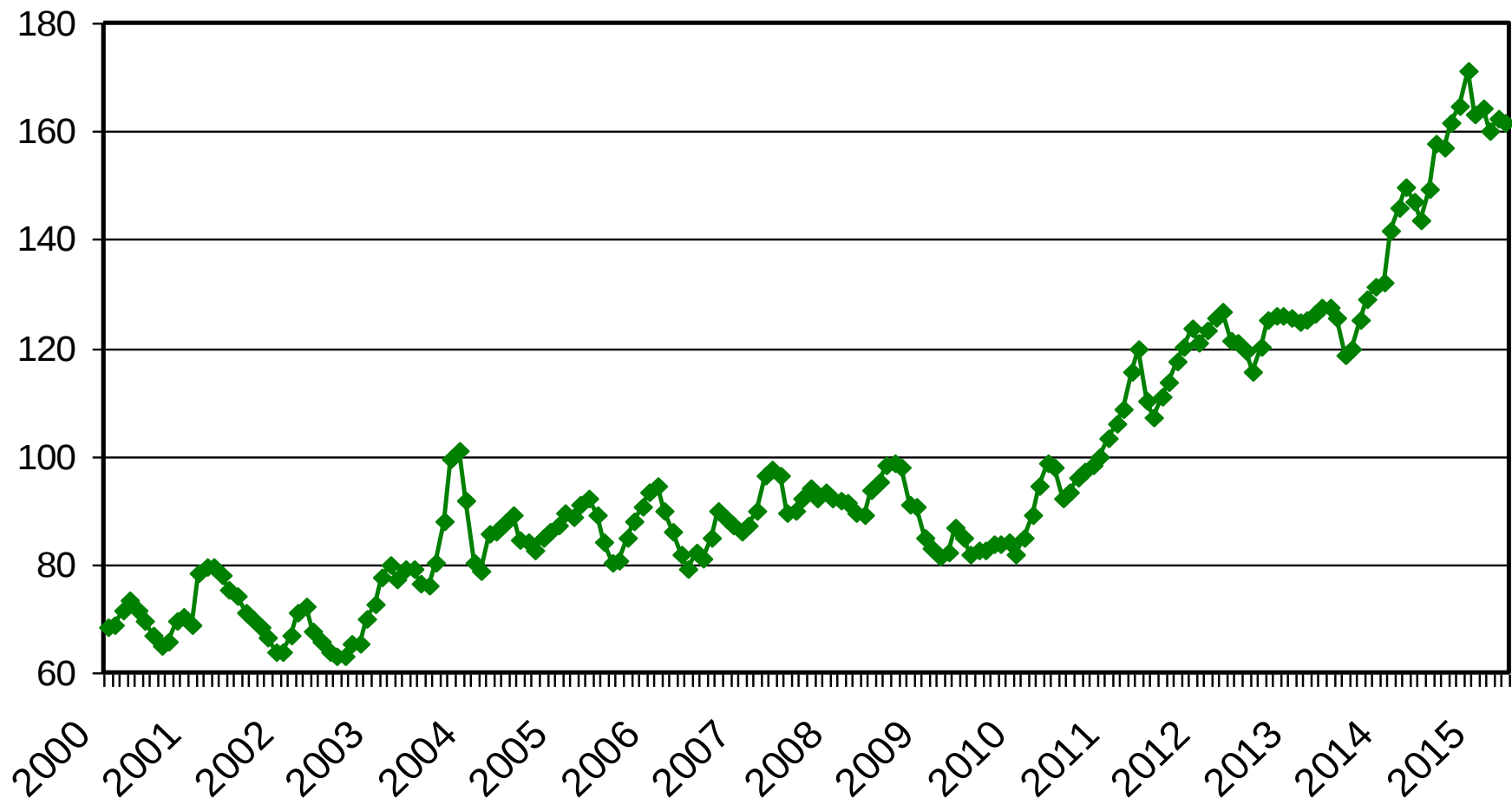
Livestock Marketing Information Center

C-P-39
06/01/15



Slaughter Steer Price, 5 Area, monthly, 2000-2015

\$ Per Cwt



Source: USDA/ERS



5 Market Weighted Average, Weekly

This line chart displays monthly average temperatures in degrees Fahrenheit for the years 2014 and 2015, alongside the long-term average for 2009-2013. The y-axis represents temperature in degrees Fahrenheit, ranging from 85 to 185 in increments of 10. The x-axis shows the months from January to December, with labels for JAN, APR, JUL, and OCT. The 2009-2013 average is shown as a thick red line, which remains relatively stable, fluctuating between approximately 100°F and 110°F. The 2014 data is represented by a dotted blue line, showing a more variable pattern with a peak in late summer/early fall reaching about 170°F. The 2015 data is shown as a solid blue line, which is only plotted for the first half of the year (January to June), starting at approximately 168°F and ending at about 158°F.

Month	Avg. 2009-13 (°F)	2014 (°F)	2015 (°F)
JAN	100	135	168
FEB	100	140	160
MAR	102	145	158
APR	105	148	165
MAY	108	145	158
JUN	105	140	155
JUL	102	152	-
AUG	100	160	-
SEP	105	155	-
OCT	108	165	-
NOV	110	170	-
DEC	112	160	-

06/01/15



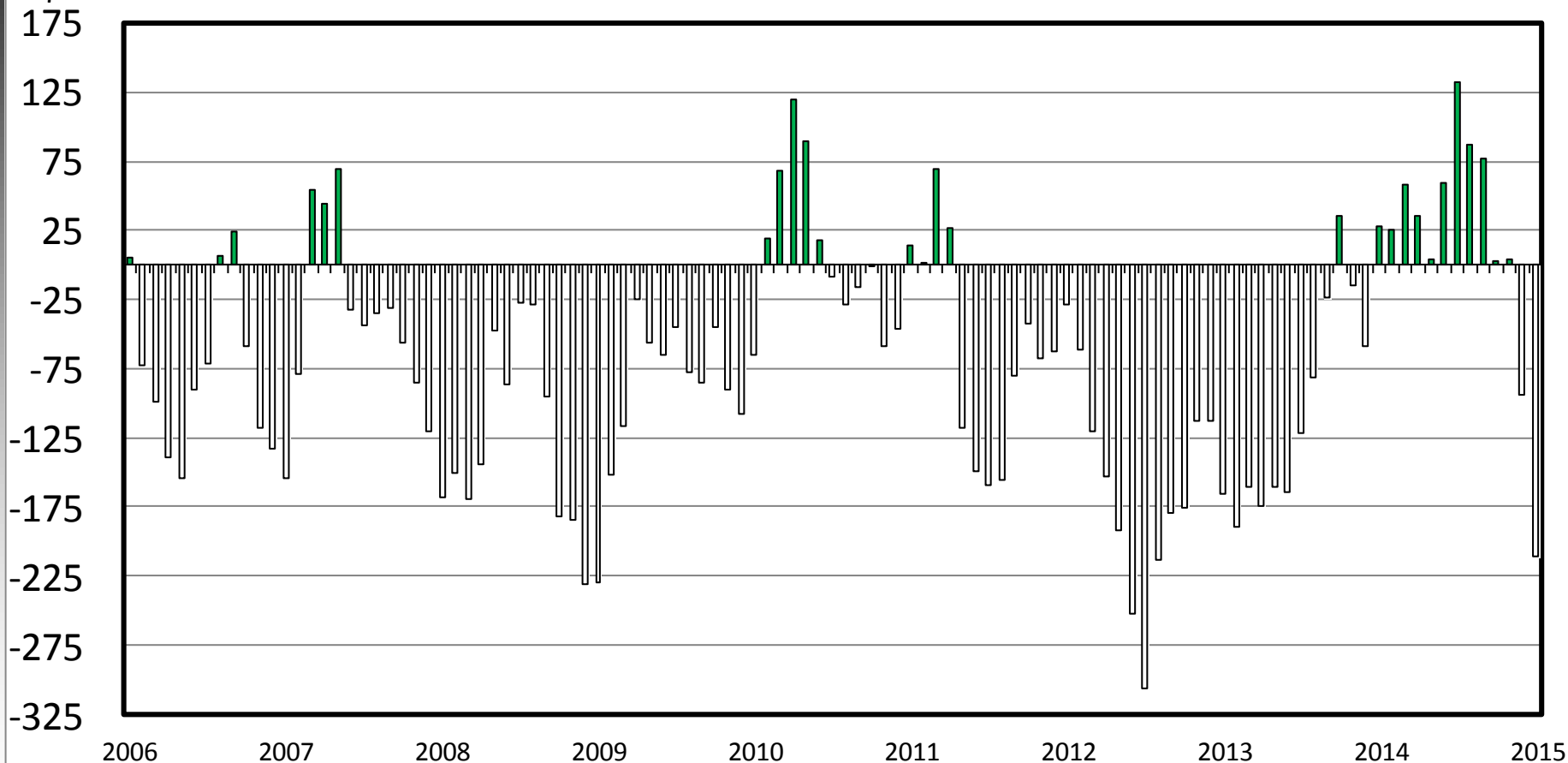


AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers. S. Plains, Monthly

Latest Data: January 2015

\$ Per 1000 lbs



Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

Livestock Marketing Information Center

C-P-22
01/16/15

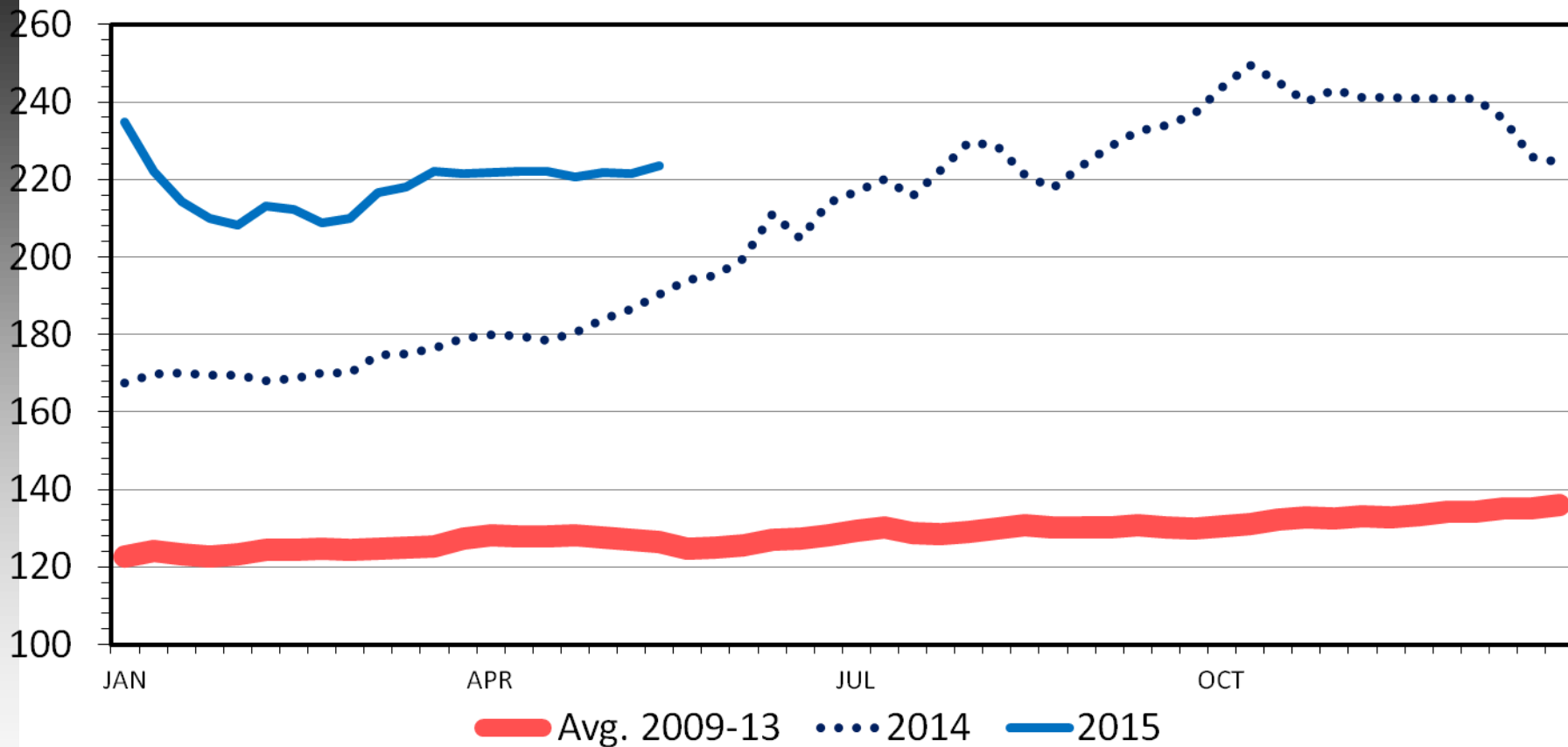




MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.

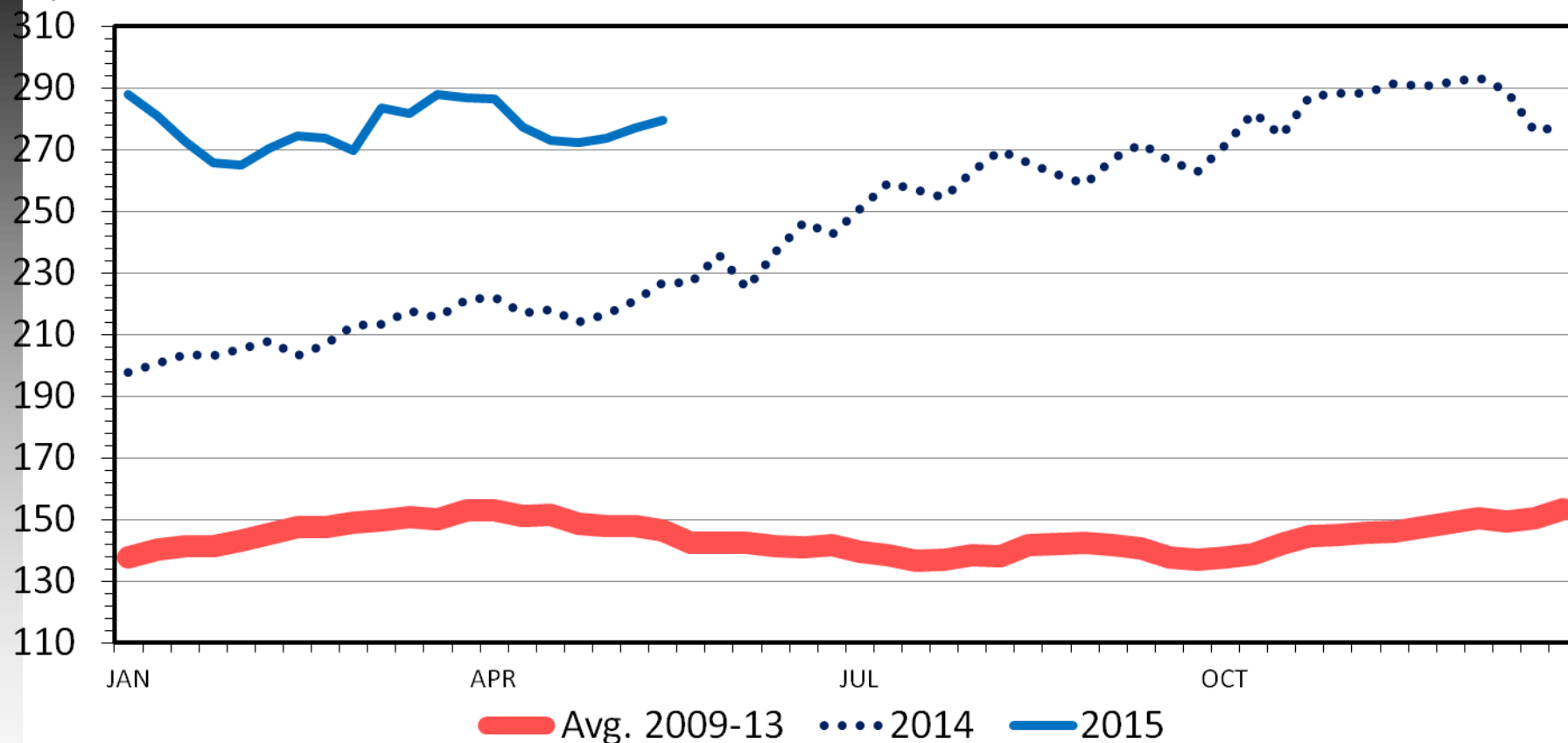




MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.

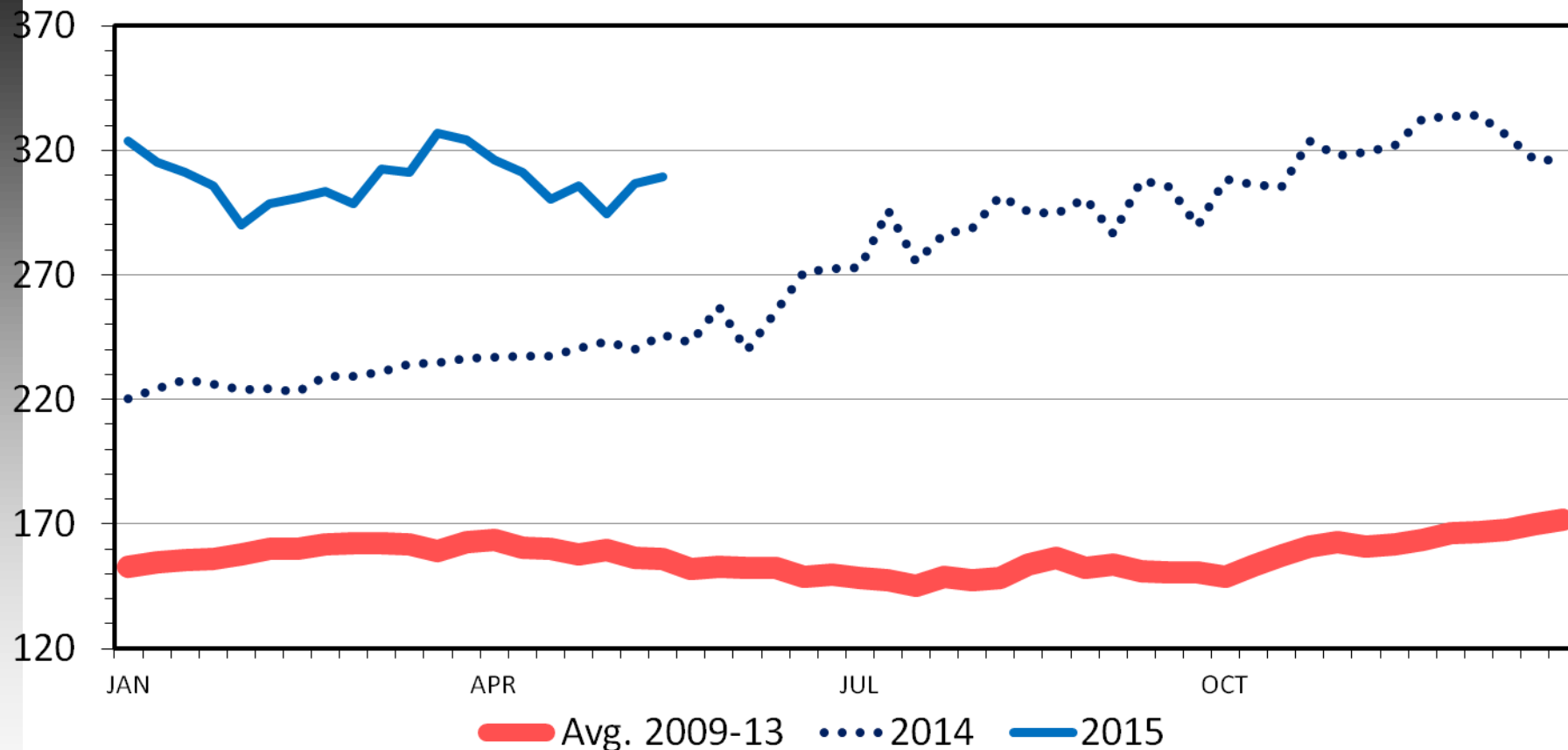




MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

\$ Per Cwt.

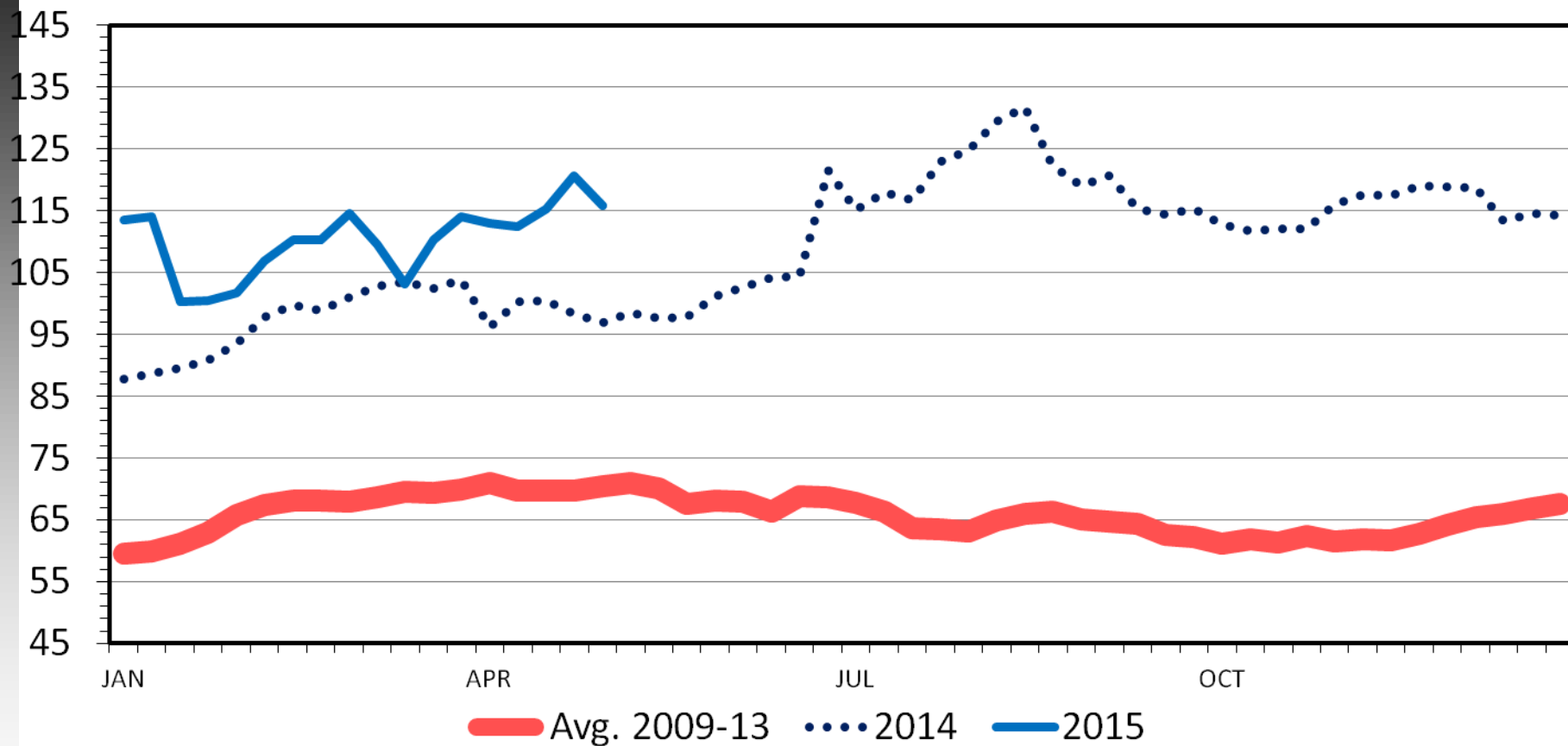




SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-35
06/01/15



5 Market Weighted Average, Weekly

This line chart displays monthly average temperatures in degrees Fahrenheit for the years 2014 and 2015, alongside the long-term average from 2009 to 2013. The y-axis represents temperature in degrees Fahrenheit, ranging from 85 to 185 in increments of 10. The x-axis shows the months from January to December, with labels for JAN, APR, JUL, and OCT. The 2014 data is shown as a dotted blue line, the 2015 data as a solid blue line, and the 2009-2013 average as a thick red line. The 2015 data is only plotted for the first half of the year (January to June).

Month	Avg. 2009-13 (°F)	2014 (°F)	2015 (°F)
JAN	100	135	168
FEB	99	138	162
MAR	100	142	158
APR	102	145	162
MAY	103	148	158
JUN	101	145	155
JUL	100	152	-
AUG	99	155	-
SEP	101	152	-
OCT	102	158	-
NOV	103	162	-
DEC	105	158	-

06/01/15



U.S. COMMERCIAL BEEF PRODUCTION

MILLION POUNDS



	2013	2014	2015	-----% Change-----	
				13-14	14-15
Qtr 1	6,172	5,868	5,664	- 4.9%	- 3.5%
Qtr 2	6,516	6,184	6,265*	- 5.1%	+1.3%
Qtr 3	6,609	6,179	6,230*	- 6.5%	+0.8%
Qtr 4	6,423	6,021	6,115*	- 6.3%	+1.6%
Year	25,720	24,252	24,274*	- 5.7%	+0.1%

***forecast**





5 AREA SLAUGHTER STEER PRICES

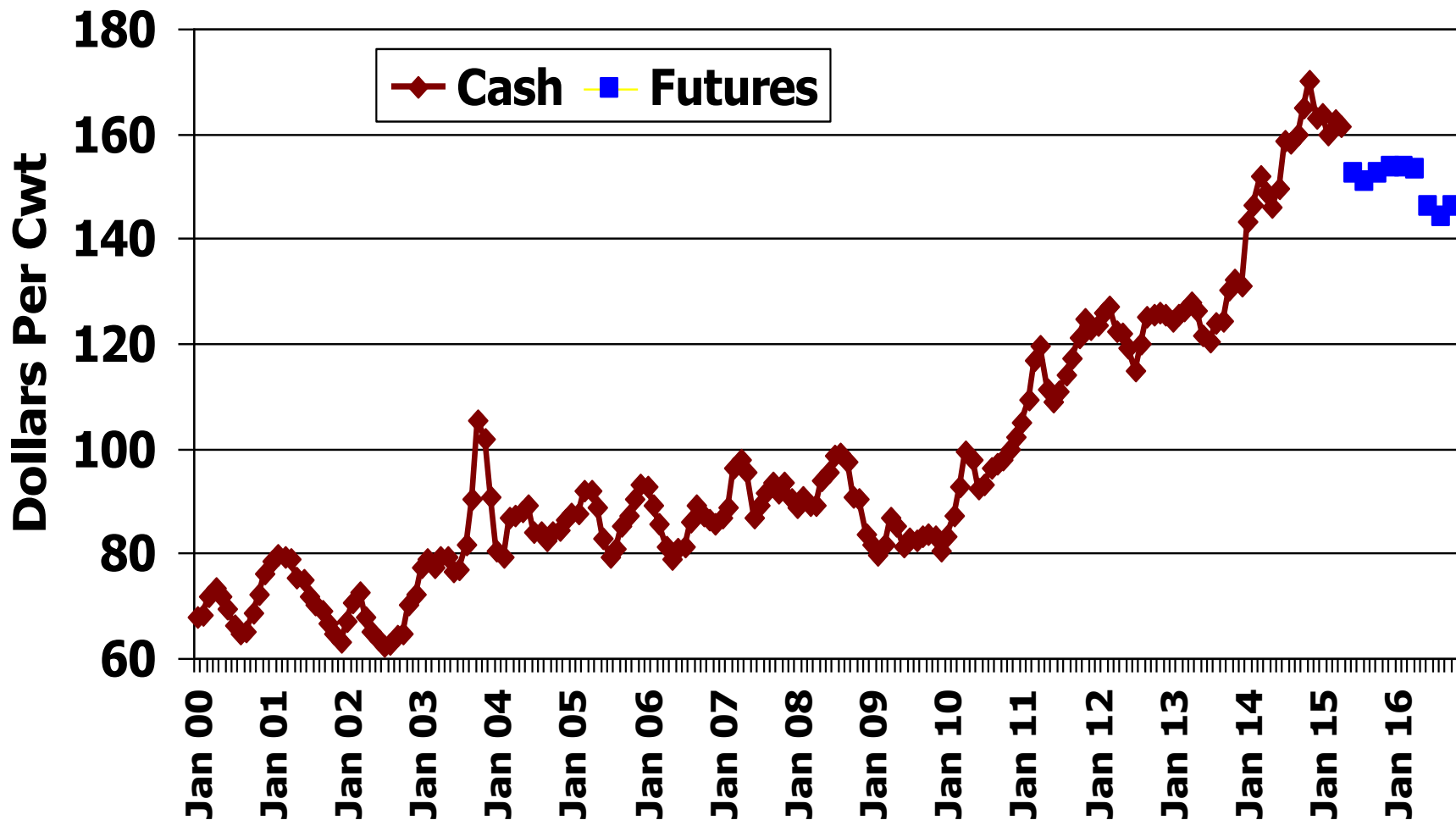
CHOICE STEERS PER LIVE HUNDREDWEIGHT

	2012	2013	2014	2015
Qtr 1	\$125.29	\$125.52	\$146.34	\$162.43
Qtr 2	\$121.91	\$124.95	\$147.82	\$160-164*
Qtr 3	\$119.69	\$122.30	\$158.49	\$157-167*
Qtr 4	\$125.54	\$130.77	\$165.60	\$156-170*
Year	\$122.86	\$125.89	\$154.56	\$159-166*

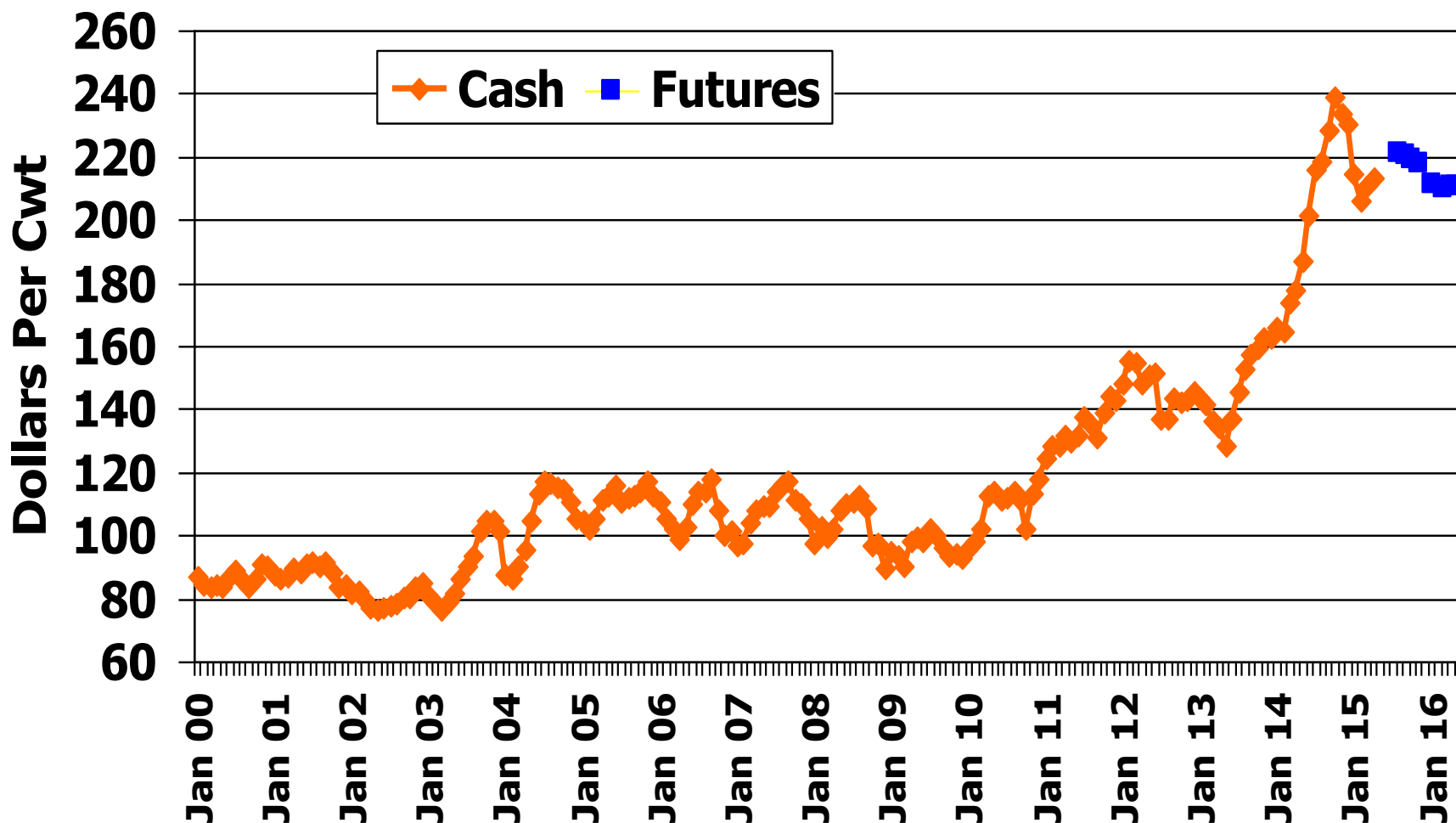
***forecast**



NEBRASKA SLAUGHTER STEER PRICE, MONTHLY AVERAGE 2000-2015



OKC 750-800# FEEDER STEER PRICE, MONTHLY AVERAGE 2000-2015





Any Questions?

