Highlights

Change from 1 year ago as of January 1, 2013

- The U.S. cattle and calves inventory decreased to a total of 89.3 million head, down about 1.5 million head (-1.6 percent) from a year ago.
  - The new cattle cycle, which began January 2004, exhibited modest growth for 3 years and began its decline in January 2008.
  - The inventory of cattle and calves for this cattle cycle is tracking below the previous cattle cycle inventory levels (1990-2004).

- The number of cows and heifers that have calved decreased to a total of 38.5 million head, down about 872,000 head (-2.2 percent) from a year ago.

- The inventory of heifers 500 pounds and over decreased to a total of 19.1 million head, down about 209,000 head (-1.1 percent) from a year ago.
  - The inventory of heifers 500 pounds and over held for beef cow replacements increased to a total of 5.4 million head, up about 99,000 head (1.9 percent) from a year ago.
  - Milk cow replacements decreased to a total of 4.6 million head, down about 71,000 head (-1.5 percent) from a year ago.
  - The inventory of “other heifers” 500 pounds and over decreased to a total of 9.2 million head, down about 237,000 head (-2.5 percent) from a year ago.

- The 2012 U.S. calf crop was estimated to be 34.3 million head, a decrease of 1,034,000 head (-2.9 percent) from a year ago.

- The January 2013 number of feeder cattle outside of feedlots (FCOF) was estimated to be 25.5 million head, an increase of 185,000 head (+0.7 percent) from a year ago.
Expected Outlook

- 2013 U.S. beef production is expected to decrease to a total of 25.6 billion pounds, down about 0.31 billion pounds (-1.2 percent) from a year ago.

- 2014 U.S. beef production is expected to decrease to a total of 24.2 billion pounds, down about 1.4 billion pounds (-5.7 percent) from 2013.

- Net beef supply (domestic beef production plus beef imports minus beef exports) during 2013 is expected to decrease to 25.5 billion pounds, down 0.2 billion pounds (-0.7 percent) from last year. The 2013 decrease is the result of a decrease in domestic beef production (-0.31 billion pounds or -1.2 percent), an increase in beef imports (0.08 billion pounds or 3.6 percent), and a decrease in beef exports (-0.05 billion pounds or -1.9 percent). Beef and veal imports are expected to be about 2.3 billion pounds during 2013. Beef and veal exports are expected to be about 2.4 billion pounds during 2013. Thus, a beef trade surplus of about 0.1 billion pounds is expected to be realized during 2013.

- Net beef supply during 2014 is expected to decrease to a total of 24.5 billion pounds, down 1.0 billion pounds (-3.9 percent) from 2013. The 2014 decrease is the result of a decrease in domestic production (-1.4 billion pounds or -5.7%), an increase in beef imports (0.34 billion pounds or 14.9%), and a decrease in beef exports (-0.11 billion pounds or -4.5%). Beef and veal imports are expected to be about 2.6 billion pounds, while beef and veal exports are expected to be about 2.3 billion pounds during 2014. Thus, a beef trade deficit of about -0.34 billion pounds is expected to be realized during 2014.

- U.S. beef exports during 2013 and 2014 are expected to provide significant support to U.S. cattle prices. Quantities of U.S. beef exports during 2014 are expected to decline slightly (-0.11 billion pounds or -4.5%) due to higher beef prices and exchange rate adjustments. However, the value of U.S. beef exports is expected to increase due to the higher beef prices. Exports during 2014 and beyond are expected to be supported by population growth and a rising middle class among countries that are our trading partners. Any increase or decrease in the levels of U.S. exports of beef and/or competing meats (pork and poultry) will have a significant impact on U.S. domestic beef prices.

- Competing pork and poultry production during 2013 are expected to show increases compared to a year ago. Pork production during 2013 is expected to show an increase of 0.14 billion pounds (0.6 percent) and broiler production is expected to increase by about 0.77 billion pounds (2.1 percent). Pork and broiler production are expected to total 23.4 and 37.8 billion pounds during 2013, respectively. Total U.S. beef, pork, and broiler production is expected to increase to a total of 86.8 billion pounds, an increase of about 0.6 billion pounds (0.7 percent) from 2012.

- Pork and poultry production during 2014 are expected to show increases compared with 2013. Pork production during 2014 is expected to show an increase of 0.74 billion pounds (3.2 percent) and broiler production is expected to show an increase of
0.94 billion pounds (2.5 percent). Pork and broiler production are expected total 24.2 and 38.8 billion pounds during 2014, respectively. Total U.S. beef, pork, and broiler production is expected to increase to a total of 87 billion pounds, an increase of 0.23 billion pounds (0.3 percent) from 2013.

### Beef Supply Situation

U.S. cattle farmers are continuing to decrease their inventory of cattle and calves (Figures 1 and 2). The major factors responsible for causing cattle inventory declines include a combination of high production costs (feed, fertilizer, fuel, labor, land rents, etc.), lower levels of profitability for many farmers, larger levels of competing meats, and alternative uses of land (pasture acreage moving into grain production and/or conservation programs and other non-farm uses such as recreation and rural non-farm development) and weather. Thus, given the current lackluster level of profits and immense uncertainty in the U.S. general economy, cattle farmers will likely continue to liquidate cattle numbers until profitability can be achieved at a level commensurate with the level of risk incurred and more stable economic conditions are realized.

In the January 1, 2013 Cattle Report, cattle farmers told USDA they had about 863,000 fewer beef cows that had calved (-2.9 percent) than a year ago. Beef cow numbers were 29.3 million head. Dairy cow numbers were basically unchanged from a year ago at 9.2 million head. Beef cow replacements were up 99,000 head from a year ago at 5.4 million head (1.9 percent). Dairy cow replacements at 4.6 million head were down 71,000 head (-1.5 percent) from a year ago. A net decrease in total cows (-872,000 head of beef and dairy cows) and a net increase in total replacements of 28,000 head (+99,000 head of beef replacements and -71,000 head of dairy replacements) at the beginning of 2013 suggests that herd liquidation will continue during 2013. The January 1, 2014 inventory of total cows will likely be smaller also. Too few replacements heifers are being retained to expand the cow inventories.

![Figure 1. U. S. Cattle Inventory, January 1, 2013](image-url)
A smaller inventory of cattle and calves and smaller calf crop during 2012 will limit beef production during 2013 to a level of about 25.6 billion pounds (-1.2 percent from a year ago). USDA projects U.S. beef production during 2014 to be about 24.2 billion pounds (-5.7 percent from a year ago). This level of beef production will be influenced by any adjustments in average carcass weights and the level of feeder and live cattle imports (from Canada and Mexico).

As shown in Figure 2, there were decreases in inventory estimates compared with one-year-ago for all categories except beef replacement heifers (1.9 percent) and FCOF-feeder cattle outside of feedlots (0.7 percent). The 1.9 percent increase in beef replacement heifers represents an increase of 99,000 head as of January 1, 2013 compared to a year earlier, while the -2.9 percent in beef cow inventory represents a decrease of approximately 863,000 beef cows. Thus, the increase in beef replacement heifers is not sufficient to cause an increase in the beef cow inventory on January 1, 2014. The increase of 0.7 percent in feeder cattle outside of feedlots (FCOF) was an increase of approximately 185,000 head and may be largely attributed to extremely high feeding costs in feedlots.

![Figure 2. Percent Change in U.S. Cattle Inventory From A Year Ago, January 2013](image)

**Feed and Forage Conditions**

The 2013 growing season of the major corn growing regions started with a late planting schedule due to wet weather. Acreage planted was estimated at 97.4 million acres. Industry expectations were for a 14+ billion bushel corn crop. However, wet and dry weather impacted growing conditions and caused yield levels to be variable in most of the major grain growing areas. The majority of the crop experienced average growing conditions most of the season. Additionally, hot weather during late August and early September is expected to slightly decrease yields in some areas. Current harvest weather conditions appear adequate in most areas for harvest although it will be later than normal. USDA’s current corn and
soybean production forecasts (WASDE, Sept. 12th) are 13.8 billion bushels and 3.1 billion bushels, respectively, for 2013. If these production levels are realized corn production will be about 3.1 billion bushels larger than a year ago (28.4 percent) and soybean production will be about 0.1 billion bushels larger than a year ago (4.4 percent).

2013 corn and soybean futures prices have fluctuated widely since opening due to the vagaries of the weather and forecasted larger crops projected for this year. December 2013 corn futures reached a high of $6.70 per bushel before dropping to a low of $4.50 per bushel. December 2013 corn futures is currently trading at $4.52 per bushel (CME Group, 9/18/13). November 2013 soybean futures reached a low of $11.40 per bushel and increased to a high of $14.10 per bushel. November 2013 soybean futures are currently trading at $13.42 per bushel. Corn and soybean prices are expected to move lower in 2013 due with the potential of increased supplies worldwide. Therefore, livestock farmers should seriously consider taking steps to procure their feed purchases during the 2013 crop harvest.

The tight stocks to use ratios of U.S. soybeans will keep market analysts monitoring the sizes of crops in Europe, Asia, and South America. Soybean prices are high and should encourage additional production. Favorable weather and growing conditions will be extremely important to reduce the pressure on soybean stocks to use ratios.

Another factor that can certainly affect feed prices and feeder calf and feeder cattle prices is the level of export demand for corn and soybeans. Any major changes in world export demand for these commodities and/or their by-products could significantly move market prices. Economic growth in several Asian countries has begun to slow down. Additionally, the strength of the U.S. dollar is certain to influence the world export demand (a weak U.S. dollar improves U.S. grain export demand).

Fortunately, pasture and range conditions have been better over many of the cow-calf states this year. The pasture and range conditions as of September 15th rated as poor or very poor was 37 percent of the U.S. acreage in pasture and rangeland. While this level is not low, it is a significant reduction compared to last year (37 vs. 56 a year-ago) and is close to the long-run average. These improved pasture and forage conditions coupled with lower feed prices and higher cattle prices may result in more heifers being retained and fewer mature animals being culled in 2013 and 2014. Due to the drought during the last three years a higher number of beef and dairy cows were sent to slaughter which should result in a younger cowherd on farms. The current weather forecast for the Southeast is for the 2014 winter to be colder and drier than normal and the summer to be hotter than normal with near-normal rainfall. If cattle market prices improve this weather should support herd expansion efforts.

Total 2013 U.S. hay production is expected to be larger than a year ago. USDA’s Crop Production Report (9/12/13) estimated total hay production at about 140 million tons. That is up 20 million tons (16.7 percent) from last year. Average yield is expected to increase and acreage harvested is expected to increase marginally for hay production. Average yield is expected to increase from 2.13 to 2.47 tons per acre (16 percent). Harvested acreage is estimated to be up marginally at +357,000 acres (0.63 percent) from 2012. However, higher inputs costs will contribute to continued high hay prices. Therefore, alternative winter forages and feedstuffs will be in much demand this winter as cattlemen seek to feed their cow herds and stocker cattle.

**Beef Demand and Trade**

U.S. beef demand has felt some challenges since the recession of 2008 due to high unemployment, rising prices, and tightening consumer grocery budgets. Domestic beef
demand is expected to be further tested during 2014 as consumers continue to experience rising prices for most goods and services. If consumer disposable income does not rise proportionally, shopping habits and choices will shift as prices rise forcing consumers to substitute and/or reduce the bundle of goods and services they consume. The U.S. economy during 2014 is expected to grow GDP between 2-3 percent. GDP growth above and below this level with enhance or adversely impact domestic beef demand.

Per capita consumption of beef is expected to decline during 2013 and 2014. Beef production during 2013 is expected to be 25.6 billion pounds, down 0.3 billion pounds or -1.2 percent from a year-ago. 2013 beef imports are estimated to be 2.3 billion pounds or up about 70 million pounds (3.6 percent) from 2012. 2013 beef exports are expected to be 2.4 billion pounds, down about 47 million pounds (-1.9 percent) compared with 2012. The combination of lower domestic beef production, a modest increase in imports, and slightly lower exports is expected to decrease domestic net beef supply marginally in 2013 (-188 million pounds, -0.7 percent). Domestic disappearance will result in beef per capita consumption to around 56.7 pounds per person in 2013. Per capita consumption for 2014 is estimated to be about 54.0 pounds per person. Also, as the U.S. population increases in the future, per capita beef consumption will likely be lower unless one of more of the following situations occur: U.S. beef production increases, U.S. beef imports increase, and/or U.S. beef exports decrease.

The average retail beef price for 2012 was $5.02 per pound. Monthly average retail beef prices during the first eight months of 2013 averaged $5.29 cents ($0.29 higher than a year ago). The quantity of beef clearing the market is estimated to be 188 million pounds less during 2013. The 2013 average retail beef price is expected to average between 5-6 percent higher than 2012. The 2014 average retail beef price is expected to average between 6-8 percent higher than 2013. Any unexpected changes in the growth of the U.S. economy, unemployment, and rising costs of other goods and services could test beef demand and these increases in retail beef prices.

Additionally, it is very important that the U.S. continues to sustain and grow beef export markets. These export markets could be worth $5 to $10 per hundredweight on the value of fed slaughter cattle. Growth in beef export markets will also help to moderate the price impacts of any weaknesses in U.S. broiler and pork exports.

**Competing Meats**

Broiler and pork production are expected to show increases in 2014 compared with 2013, while beef production is expected to incur a significant decrease (see Figure 3). Beef production in 2014 is expected to decrease about 1.4 billion pounds (-5.7 percent). Broiler production is expected to increase about 0.9 billion pounds (2.5 percent). Pork production is expected to increase about 0.7 billion pounds (3.2 percent) during 2014 compared with 2013. Collectively, U.S. meat production of these three species is expected to show a slight increase in 2014 (231 million pounds, 0.27%).
Any changes in these production levels or export levels of pork and broilers could have a significant effect on U.S. beef prices. Additionally, any further increases in feedstuff prices will likely alter these 2014 production projections. A watchful eye on the production and export levels of competing meats and feed prices will help identify potential changes in beef prices.

2014 Beef Price Outlook

The 2014 cattle market, though currently strongly supported by demand and supply fundamentals, will continue to operate with a great deal of uncertainty. Cattle farmers should understand that several other factors including growth of the U.S. economy, changes in domestic beef demand, supplies of broilers and pork, meat export and import sales (beef, broilers, and pork), feedstuff prices, energy prices, interest rates, monetary exchange rates, adverse weather impacts (the length, extent, and severity of the droughts, floods, extreme temperatures, etc.) and other factors (food safety, international disturbances, etc.) could enhance or adversely impact cattle market prices. The cattle markets will likely experience some volatile movements with abrupt changes in any of these factors and/or combinations of factors.

The 2012-2014 U.S. net beef supply estimates are shown in Table 1. U.S. net beef supply is domestic beef production plus beef imports minus beef exports. The net beef supply is the amount of beef that is consumed in U.S. markets. The 2013 U.S. net beef supply is expected to show a slight decrease of about 188 million pounds (-0.73 percent) compared with 2012. The 2014 U.S. net beef supply is expected to show a decline by 1.0 billion pounds (-3.9 percent) compared with 2013.
Table 1. U.S. Net Beef Supply (Billion Pounds), 2012-2014.

<table>
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<tr>
<th>Item</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>U.S. Domestic Beef Production</td>
<td>25.9</td>
<td>25.6</td>
<td>24.2</td>
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<tr>
<td>U.S. Beef &amp; Veal Imports</td>
<td>2.2</td>
<td>2.3</td>
<td>2.6</td>
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<tr>
<td>U.S. Beef &amp; Veal Exports</td>
<td>2.5</td>
<td>2.4</td>
<td>2.3</td>
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<tr>
<td>U.S. Net Beef Supply1</td>
<td>25.7</td>
<td>25.5</td>
<td>24.5</td>
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1Columns may not sum exactly due to rounding. 2013 and 2014 values are USDA estimates.

Minor changes in future U.S. beef import and/or export levels (due to beef demand, food safety, exchange rates, politics, regulations, etc.) can significantly change the U.S. net beef supply, and consequently, domestic beef prices. Additionally, the strength of the U.S. dollar will have a major influence on the levels of U.S. beef exports and imports during 2014. If U.S. dollar trades stronger against currencies of our trading partners, expect less beef exports to these countries and perhaps more lean beef imports.

U.S. net broiler and pork supplies are expected to be larger during 2014 as compared with 2013 estimates. 2014 U.S. net broiler supply is expected to increase 0.8 billion pounds (2.8 percent) and net pork supply is expected to increase 0.5 billion pounds (2.8 percent). U.S. net beef supply is expected to decline 1.0 billion pounds (-3.9 percent). However, 2014 total net beef, broilers, and pork supply is expected to increase 0.37 billion pounds (0.5 percent) compared with 2013.

Supplies of beef, broilers, and pork are expected to respond quickly to any future changes in market prices. Any significant changes in domestic demand and/or foreign demand of these three competing meats could cause major movements in beef prices. Each industry is very capable of significantly altering production levels, particularly pork and poultry.

Given the above projections regarding the 2014 U.S. net beef supply, beef cattle price projections were estimated for 2013. Beef cattle price projections were estimated by quarter for choice slaughter steers (5-area basis), feeder steers, 750#, (Alabama basis), feeder steer calves, 550#, (Alabama basis), and cutter cows (Alabama basis), as shown in Table 2. These prices represent the range over which the particular class of cattle would average for the indicated quarter. For example, Choice slaughter steers of the 5-area direct trade during the first quarter of 2014 are expected to average between $127 and $133 per hundredweight. The highest average prices for slaughter steers, 750# feeder steers, and 550# feeder calves are expected during either the third or fourth quarter of 2014. The lowest average prices for feeder calves and feeder cattle are expected during the first quarter of 2014.
Table 2. Estimated average cattle market prices by quarter, 2014.

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<tbody>
<tr>
<td>Choice slaughter steers, 5-Area, $/cwt.</td>
<td>$127-$133</td>
<td>$127-$133</td>
<td>$125-$130</td>
<td>$127-$133</td>
<td>$127-$133</td>
</tr>
<tr>
<td>Fdr. Steers, 750#, Alabama, $/cwt.</td>
<td>$142-$147</td>
<td>$143-$148</td>
<td>$145-$150</td>
<td>$145-$150</td>
<td>$143-$149</td>
</tr>
<tr>
<td>Boning utility cows, Alabama, $/cwt.</td>
<td>$80-$84</td>
<td>$82-$86</td>
<td>$80-$84</td>
<td>$79-$83</td>
<td>$80-$85</td>
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The projected average cattle market prices presented in Table 2 are based on the assumptions that steady U.S. domestic economic growth and a gradual increase in herd expansion will be realized over time. If these basic assumptions are not correct, significant adjustments in market prices may be realized.

For 2014, choice slaughter steers (5-area direct basis) are forecast to post an annual average price in the upper $120s or lower $130s per hundredweight. Alabama feeder steers (750#) are expected to average between $143 and $149 per hundredweight, Alabama feeder steer calves (550#) between $155 and $160 per hundredweight, and Alabama breaking utility cows between $80 and $85 per hundredweight. Breeding heifer, cow, and bull prices are expected to show significant increases as the demand for herd replacements gain in importance.

Factors to watch in 2014 include the growth of the U.S. economy, high levels of unemployment, level of consumer confidence, political gridlock and chaos at all levels of government, an upcoming U.S. congressional election, and various and sundry other issues (increasing the debt level, reduced spending, capped spending, balancing the budget, repealing or not repealing health care, stimulus funding, quantitative easing, immigration, free trade agreements, financial weakness/recession where ever, etc.). There is little wonder why future economic uncertainty is fresh in the minds of many U.S. citizens. The decisions made on these issues are believed to have an overwhelming affect on business and consumer spending and our future prosperity.

2014 cattle market prices should remain fundamentally strong and average 5-8 percent higher than 2013. As should be expected, the 2014 cattle market has the potential for some big price swings. Abrupt changes in the levels of the factors mentioned above could add much volatility to 2014 cattle market prices. Cattle farmers will need to search for ways to lower their unit cost of production (what it costs to produce a pound of beef) and ways to enhance market prices in order to achieve and enhance profitability during 2014.