MARKETS

Weighty Numbers

Consumer demand helps prices fade record carcass weights.

by ***Wes Ishmael***

Cattle feeders and beef packers continue responding to declining cattle numbers by slowing turnover and production.

For the first four months of the year, the number of cattle on feed longer than 150 days May 1 was the highest in 12 years, according to analysts with USDA's Economic Research Service (ERS) in the June *Livestock, Dairy and Poultry Outlook*.

"According to industry participants, some packers are foregoing typical discounts on cattle above certain weights, further incentivizing feedlots to keep cattle on feed longer, especially as they maintain feedlot capacity utilization in the face of slowing placements," ERS analysts explain. "This additional weight is enabling packers to partially offset the impact of having fewer cattle to process than a year ago, as carcasses are yielding about 4% more product year over year."

Fed cattle carcass weights continue to be record heavy. For the week ending June 15, average dressed steer weights were 35 pounds heavier year over year at 917 pounds, and dressed heifer weights were 27 pounds heavier at 836 pounds, according to ERS data.

"The record weights are largely a function of cattle feeders responding to market economics. These signals included record-high first-quarter feeder cattle costs; first-quarter fed cattle marketings that were projected to be losing nearly $100 before accounting for weather losses; profitable cost-of-gain projections; and very poor pen conditions," explains David Weaber, senior animal protein analyst for Terrain. "Given these factors, it was a better decision to feed the animal than to liquidate inventory and start over with an equally bad or worse projected outcome."

Terrain provides market analysis and forecasting to American AgCredit, Farm Credit Services of America, Frontier Farm Credit and their customers.

For broader perspective, year-to-date estimated total cattle slaughter of 15.6 million head for the week ending June 29 was 729,000 head fewer (-4.5%) than the same time last year. The estimated year-to-date beef production of 13.1 billion pounds was 209.7 million pounds less (-1.6%) year over year.

The ERS left projected beef production for this year basically unchanged in the June *World Agricultural Supply and Demand Estimates*, compared to the previous month, at 26.6 billion pounds, as heavier expected dressed weights mostly offset lower anticipated slaughter.

The forecast beef production for 2025 of 25.4 billion pounds was 245 million pounds more than the previous month's estimate. But next year's production would still be 1.2 billion pounds less (-4.6%) than this year's projected total, according to that forecast.

Record and near-record high prices continue

Resilient consumer beef demand promises to keep cattle prices at or near record-high levels despite more beef production this year than originally anticipated.

ERS raised the expected average five-area direct fed steer price for most of the remainder of the year in the June *World Agricultural Supply and Demand Estimates*.

Compared to the previous month, prices were projected $2 higher in the second quarter at $186 per hundredweight (cwt.), $1 higher in the third quarter at $183, but $1 lower in the fourth quarter at $186. The forecast annual price for this year increased 50¢ to $184.01. ERS also raised the expected first-quarter price and the 2025 annual average price by $1 to $186 and $189, respectively.

Weaber expects fed cattle prices to average between $185 and $190 in the third quarter of this year, and then retest spring highs during the fourth quarter in the low $190s, potentially $200 amid holiday demand.

On the other side of the scale, the ERS left projected feeder steer prices (750-800 pounds, Oklahoma City) unchanged, compared to the previous month in the June *Livestock, Dairy and Poultry Outlook*, except for $1 lower in the second and fourth quarters. Average prices were forecast to be $254 per cwt. in the second quarter, and $263 in the third and fourth quarters. The annual average price estimate was reduced 50¢ to $254.96. Next year's annual average price was projected at $258.50 with the first-quarter price at $247.

"Demand for feeder cattle remains steady, supported in part by improved forage and pasture conditions from a year ago across most of the country (see Weather Shift Ahead, Page 22)," say ERS analysts. "This has enabled cattle to go on grass rather than into feedlots, particularly as feedlots are limiting placements in response to high feeder prices."

Weaber anticipates the CME Feeder Cattle Index to be in the $275-$285 per cwt. range for most of the third quarter and the fourth quarter.

"I expect Oklahoma City 400-500-pound steer calves to average about $360 per cwt., with an approximate range of plus or minus $10, for the third quarter and early fourth quarter, Weaber says. "During November and December, supplies for light calves destined for turnout on small grain pastures will decline further as heifer retention for cow herd expansion begins. This has pushed my November/December forecast for these light steers to $380-$400 per cwt."

Resilient consumer beef demand

Expectations for continued historically strong domestic consumer beef demand were set to pave the way to record-high retail beef prices this summer as production declined, according to Rabobank's *Global Beef Quarterly* for the second quarter.

RaboResearch analysts pointed out the U.S. all-fresh beef retail price in April was record-high at $7.95 per pound and demand was the second highest in the past three decades.

Globally, Rabobank forecast declining beef production in the U.S. and Europe would overshadow anticipated production increases in Australia and Brazil.

"The global cattle market is currently moving at two distinct paces," according to Angus Gidley-Baird, Rabobank senior animal protein analyst. "North American markets are hovering near record highs amid the contraction in local production, while other regions are experiencing more subdued pricing. Europe finds itself in the middle ground, despite a recent uptick in production. These regional disparities are beginning to influence international trade flows, with the U.S. ramping up its import volumes and major Asian markets maintaining steady import levels."

> "The record weights are largely a function of cattle feeders responding to market economics. These signals included record-high first-quarter feeder cattle costs; first-quarter fed cattle marketings that were projected to be losing nearly $100 before accounting for weather losses; profitable cost-of-gain projections; and very poor pen conditions."
>
> **— David Weaber, senior animal protein analyst, Terrain**

U.S. beef exports in April were the largest in 10 months at 111,580 metric tons (mt), according to data released by USDA and compiled by the U.S. Meat Export Federation (USMEF). Export value was 5% more year over year at $898.7 million, which was also the highest level since June of 2023.

Through the first four months of 2024, beef export value increased 5% year over year to $3.38 billion, despite a 3% decline in volume (423,445 mt).

"Mexico continued to shine on the beef side, along with the Caribbean, Central America and the Middle East," according to Dan Halstrom, USMEF president and CEO. "These markets are benefiting from foodservice demand and currency advantages compared to the main Asian markets. The headwinds in Asia remain formidable, but the tourism boom in Japan has helped solidify demand and exports have stabilized this year, despite the continued weakness in the yen and strong competition from Australia. Robust retail and e-commerce demand has helped U.S. chilled beef continue to dominate in Korea and Taiwan."

April beef export value equated to $416.87 per head of fed slaughter, down 6% from a year ago, but the January-April average was still up 5% to $410.25.

USDA's latest quarterly *Outlook for U.S. Agricultural Trade* forecast U.S. beef exports for this year at $9.1 billion. That was $200 million more than the previous quarter's estimate. The increase was based on slightly more volume and firm demand.

Overall U.S. agricultural exports in fiscal year (FY) 2024 were projected at $170.5 billion, unchanged from the February forecast with higher exports of livestock, dairy and ethanol mostly offsetting reductions in grains and feeds, oilseeds, and horticultural products.

For broader perspective, global Gross Domestic Product (GDP) was projected to increase 3.2% in calendar year (CY) 2024, which was slightly higher than the previous forecast.

"Global economic growth continues to increase but at a slow rate, in part due to a stagnation of global trade growth in 2023 and early 2024," according to USDA analysts. "Despite the slow progress, this steady growth marks a continued sign of resilience following the economic turmoil from 2020 through 2022. Nevertheless, several potential barriers to sustained economic growth persist including the war in Ukraine, intensifying conflicts in the Middle East, China's economic uncertainty and shifting weather patterns."

U.S. GDP was forecast 0.6% higher than the previous estimate at 2.7%.

"This growth is buoyed by robust consumer spending notwithstanding factors leading to more subdued growth, such as declines in business inventories, federal government purchases, business investment and investment in residential property," say USDA analysts. **B***A*