

Cost Of Production Stymies Cow-Calf Operators



**GLENN GRIMES AND
RON PLAIN**
Agricultural Economists,
University of Missouri

outlook

Calculations by the Livestock Marketing Information Center show the 2008 return to cattle feeders were the worst of record going back into the 70s; the losses were about \$130 per head.

These returns are based on all costs of feeding out a 750-pound steer in a commercial feedlot. These losses surpassed the previous worst year (2006) by about \$50 per steer. At the end of 2008, estimated cattle feeding returns had been negative for 19 consecutive months.

Due to the weakening feeder-calf prices and high costs, some cow-calf producers did not cover cash costs of production in late 2008. Some cow-calf operations sold cows for slaughter in order to pay expenses.

Due to these difficult times, producers continued to reduce the cattle herd during 2008. The herd will be reduced more during 2009 and likely to reduce through 2010.

Both pork and poultry production are expected to decline in 2009 from the record levels of 2008. U.S. pork production in the first quarter will be down 2-3 percent based on the December Hogs and Pigs Report. For the year of 2009, pork production is expected to be down about three percent. For 2009, chicken and turkey production is forecast for a three percent annual decline. Year-to-year declines in U.S. poultry production are unusual; the last time it happened was 1975.

These lower competing meat supplies will be positive for beef prices. However, foreign sales of beef and beef by-products are expected to remain stagnant through 2009.

Even with all of the cost problems, fed cattle prices are expected to average in the low 90s for 2009 and returns will be improved from 2008.

Beef and veal exports for January-November were up 33.2 percent from a year earlier. Beef imports for these 11 months were down 20 percent from 12 months earlier.

For January-November of 2007, net beef imports as a percent of production were at 6.3 percent. One year later, the net beef imports were down to 2.1 percent of production.

For November of 2009, beef imports were up 11.1 percent from a year earlier. For November 2009, beef exports were up 12.2 percent from 12 months earlier.

For January-November, live feeder cattle imports from Mexico were down 40.8 percent and up 18.2 percent from Canada. Total live cattle imports for the first 11 months of 2008 were down 7.7 percent from a year earlier.

Feeder cattle prices at Oklahoma City this week were steady to \$1 per cwt lower, and steer and heifer calves were steady to \$3 per cwt lower than a week earlier.

The prices for medium and large frame Number One steers this week at Oklahoma City by weight groups were: 400-500 pounds \$107.25-116 per cwt, 500-600 pounds \$102-114 per cwt, 600-700 pounds \$95.50-111.25 per cwt, 700-800 pounds \$94-98.25 per cwt and 800-1,000 pounds \$88-96.75 per cwt.

Wholesale beef prices finally responded to the tighter supplies. Choice beef prices this Friday morning were up \$6.18 per cwt from a week earlier at \$151.43 per cwt. Select beef prices at \$144.24 per cwt Friday morning were up \$6.65 per cwt from seven days earlier.

The weighted average live fed cattle price for the five-market area through Thursday at \$83.12 was down \$0.85 per cwt from a week earlier. The weighted average carcass negotiated price for the five-market area through Thursday at \$135.30 per cwt was up \$1.68 per cwt from seven days earlier.

Slaughter this week under Federal Inspection was estimated at 608 thousand head, down 6.9 percent from a year earlier. △

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