

Brighton McBride

Individual Report Portion 2

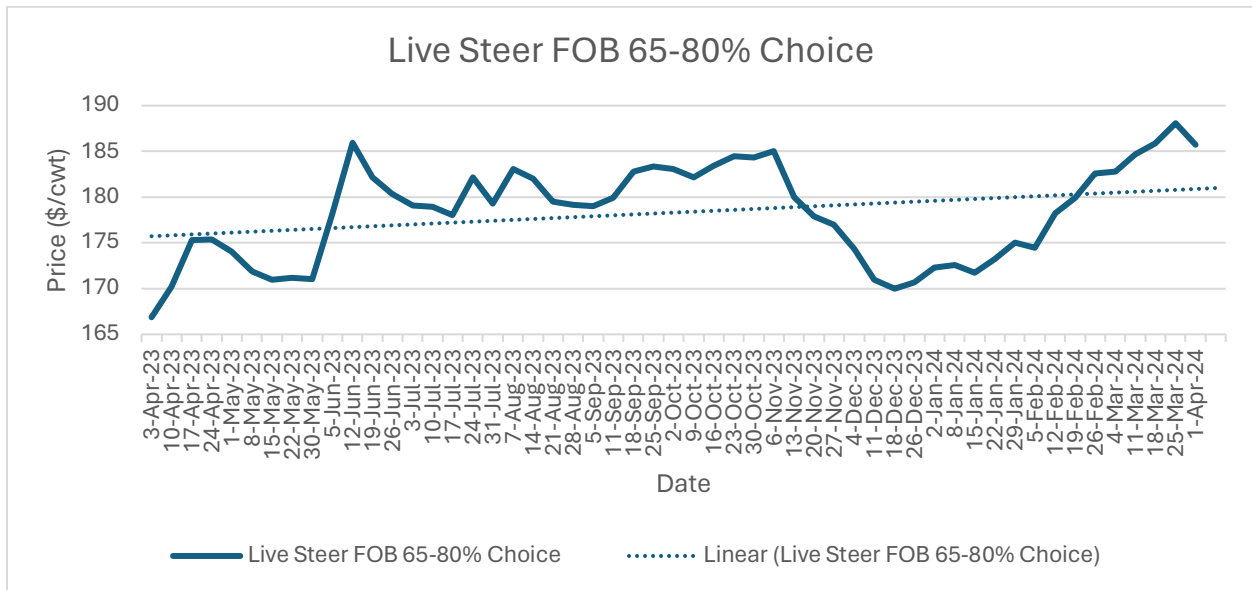
AS 285

10 April 2024

Live Steer FOB 65-80% Choice, Boneless Sirloin Steak

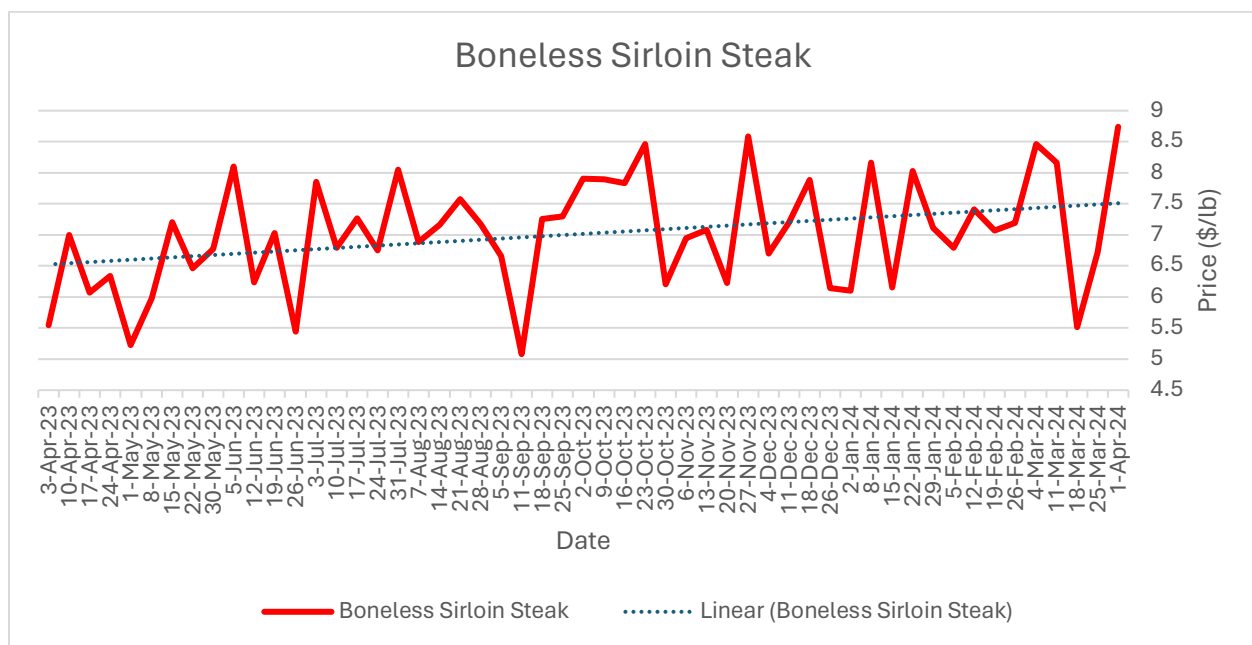
I have been tracking the prices of Live Steers FOB 65-80% Choice as well as Boneless Sirloin Steak prices for the past year from the time frame of April 1, 2024 through April 1, 2023. I used the 5 Area Weekly Weighted Avg Direct Slaughter Cattle report provided by USDA (https://www.ams.usda.gov/mnreports/ams_2477.pdf) as well the National Retail Report- Beef (<https://www.ams.usda.gov/mnreports/lswbftl.pdf>) also provided by USDA. As well as the graphs below, please note the table on page 5.

The live cattle price of Live Steers FOB 65-80% Choice covers all the steers free on board that were purchased through negotiated or cash sales the previous week. The Boneless Sirloin comes from the Sirloin primal, found between the round and short loin primals.



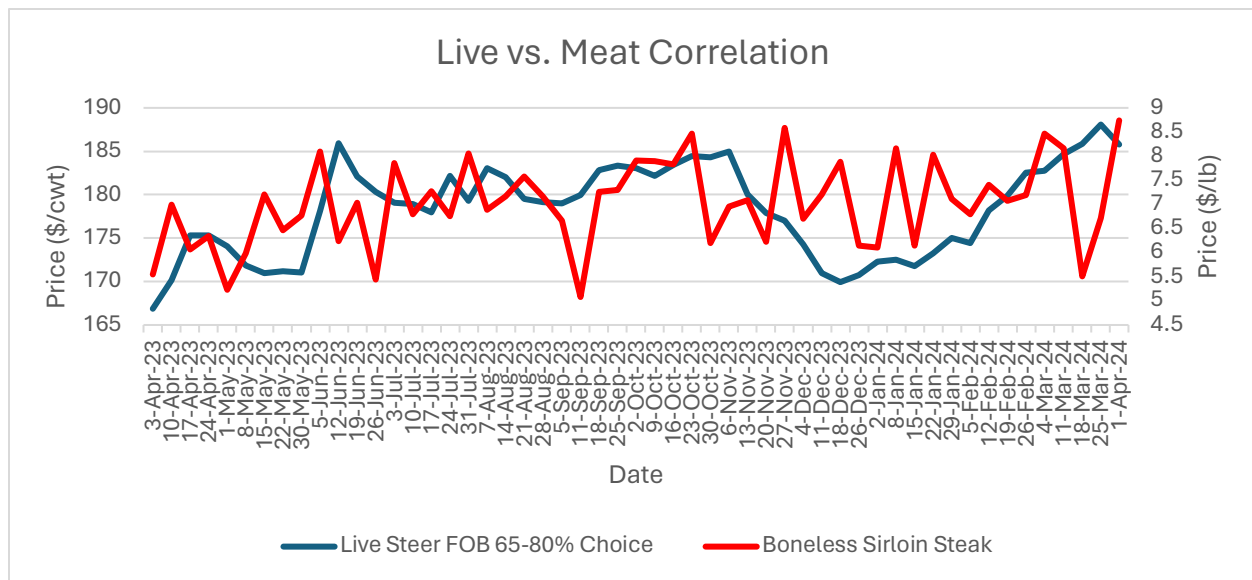
Looking at the graph above, it is evident that there were large changes in the market over the last year. In the spring of 2023, the price spiked over the span of two weeks, dipped back down and then stayed relatively steady until we see a large dip in price in a month span of mid-November to mid-December, 2023. Prices then spike to the highest beef prices we have seen in a while, which are the current prices. This spike in prices can be explained by supply and demand. According to an article titled *Cattle and Beef Prices Hit the Stratosphere*, the reason cattle prices

are so high currently is due to cattle numbers declining over the last few years (Johnston). The decline in herd numbers is related to the droughts we have seen in heavy Plains states. Overall, droughts have declined, but herd numbers have not fully recovered in many places. The article goes on to explain cattle numbers more thoroughly, “The USDA cattle inventory report just released this week confirmed the continued liquidation of cows over the past year. Total cattle numbers were down 2% from one year ago, to 28 million head. Many expect the inventory number to drop again in the coming year. In fact, Randy Blach, the CattleFax CEO, thinks the peak cattle prices of this cycle may come in 2026” (Johnston). The current demand for beef is very high, and supply is fairly low, causing high prices for beef.



When tracking retail cut prices, I found it very fascinating how much the market price changes on a weekly basis. We see dips or spikes of nearly \$3/lb within a week span. In an article published in November 2023, the author focuses on the correlation between retail prices and exports. Exports are a very important part of the beef industry to study when tracking prices. The article titled *U.S. reduces beef exports as cattle herd shrinks, squeezing Tyson Foods* states, “U.S. beef exports are projected to sink 14% this year from 2022 to 3 billion pounds, the lowest since COVID-19 roiled meat processing and international trading in 2020, government data show. In 2024, when USDA expects U.S. production to decline further due to tight cattle supplies, exports are forecast to hit an eight-year low of 2.8 billion pounds” (Polansek). While

the article mentions important statistics about exports, it also mention higher cattle prices influence on domestic shipment margins. They also mention that Tyson has been reducing it's staff and has closed 2 plants. These changes in the company show that Tyson is trying to maximize profits, which explains the high price changes we see throughout the late fall and early winter of 2023 on the graph above.



The graph above shows a very interesting correlation between live and meat prices. The shape of the lines stays similar over many places throughout the year, even crossing over in many cases. It is also clear to see that in June of 2023, September of 2023 and March of 2024 when live prices gradually increase, meat prices drop drastically. Shortly after, the live price drops. The meat market appears to be slightly ahead of the live market given the shapes of the lines studied. There are also trends that can be connected to seasonality related to breeding season, weaning months, grilling season, holidays, etc, which ties directly to supply and demand. For example, the increase in meat price at the beginning of July of 2023 relates to grilling season, especially the fourth of July holiday where many people grill burgers to celebrate.

As stated before, supply and demand have a large influence on prices in this field. Another article to support this claim was written in 2022 projecting for 2023. The article includes a graph that shows the 2016 average compared to the current beef statistics of how many head there are for that given month. The *Heifer and Cow Slaughter* article published in *Cattle Market Notes Weekly* states, "While increased cow and heifer slaughter totals are contributing to higher beef production this year, the longer-run implications are tighter supplies. The higher slaughter

totals imply fewer cows and fewer replacement heifers to produce calves” (Maples). The supply of cattle available and the demand for the retail products drive the market for both live and meat prices.

Another important factor to take into consideration when studying the changes in these prices over a year, are the profitability estimates based on the costs associated with raising these cattle. An article published by the University of Kentucky Department of Agricultural Economics titled *Cow-Calf Profitability Estimates for 2023 and 2024* outlines the current costs associated with cattle, “Total specified expenses per cow are \$584 and revenues per cow are \$1029. Thus, the estimated gross return is \$444 per cow” (Halich). The changes in the costs with the process of raising cattle have a great impact on what the market costs will be. Transportation costs must also be accounted for. The article also mentions the cost that is associated with depreciation of cattle per year. This cost is approximately \$106/cow/year. If producers hold onto their cattle in order to predict the market fluctuating, they run the risk of incurring this depreciation cost. As we discussed in class readings, the change in grain costs in the last few years has greatly impacted beef prices.

In conclusion, the prices I tracked over a year showed how the market changed seasonally, and how live price and retail cut prices changed on their own and in relation to each other. Given the resources examined through my research, I realized how important accounting for all costs is, as well as the impact supply and demand have on the market.

Date	Live Steer FOB 65-80% Choice	Boneless Sirloin Steak
3-Apr-23	166.87	5.55
10-Apr-23	170.18	7
17-Apr-23	175.33	6.07
24-Apr-23	175.34	6.34
1-May-23	174.08	5.23
8-May-23	171.88	5.98
15-May-23	170.94	7.2
22-May-23	171.19	6.46
30-May-23	171.07	6.77
5-Jun-23	178.11	8.1
12-Jun-23	185.96	6.24
19-Jun-23	182.13	7.03
26-Jun-23	180.33	5.44
3-Jul-23	179.08	7.85
10-Jul-23	178.91	6.79
17-Jul-23	178	7.27
24-Jul-23	182.18	6.75
31-Jul-23	179.3	8.05
7-Aug-23	183.07	6.89
14-Aug-23	182.04	7.16
21-Aug-23	179.51	7.58
28-Aug-23	179.18	7.17
5-Sep-23	179.03	6.66
11-Sep-23	179.95	5.08
18-Sep-23	182.81	7.26
25-Sep-23	183.32	7.3
2-Oct-23	183.05	7.91
9-Oct-23	182.17	7.89
16-Oct-23	183.39	7.83
23-Oct-23	184.45	8.46
30-Oct-23	184.34	6.2
6-Nov-23	185	6.95
13-Nov-23	180.02	7.08
20-Nov-23	177.91	6.23
27-Nov-23	176.98	8.59
4-Dec-23	174.32	6.7
11-Dec-23	170.98	7.2
18-Dec-23	169.96	7.88
26-Dec-23	170.72	6.14
2-Jan-24	172.28	6.1
8-Jan-24	172.55	8.16
15-Jan-24	171.76	6.15
22-Jan-24	173.24	8.03
29-Jan-24	175.04	7.11
5-Feb-24	174.46	6.79
12-Feb-24	178.22	7.41
19-Feb-24	179.91	7.07
26-Feb-24	182.56	7.19
4-Mar-24	182.77	8.46
11-Mar-24	184.67	8.16
18-Mar-24	185.85	5.51
25-Mar-24	188.08	6.72
1-Apr-24	185.76	8.74

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