# TRENDS

A CATTLE-FAX PUBLICATION FOR COW CALF PRODUCERS

Volume 22, Issue 3

Mid-September 2023

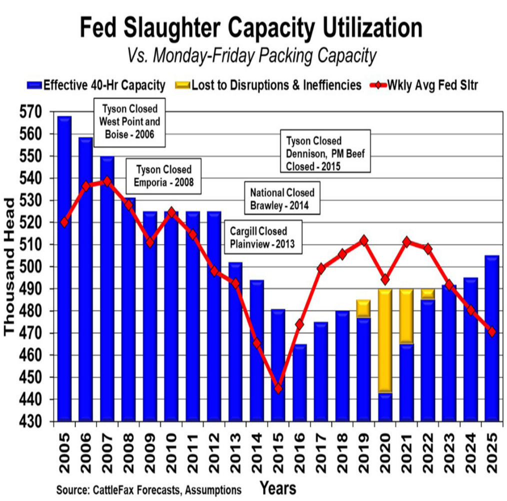


# Notable Differences Compared to Last Cattle Cycle

Collectively, historical cattle cycles and the reason(s) they happen, the ultimate levels the markets go to for both the highs and lows, and the levels they go to for the next one can be used as a guide for future performance. As market forecasters, CattleFax relies heavily on this historical data. At the same time, identifying the differences from previous cycles assists our ability to adjust to current conditions.

The last major upward price movement in the cattle cycle occurred after the significant and widespread drought in 2011 and 2012 triggered substantial cowherd liquidation, which precipitated cattle price increases that began in earnest in about mid-2013 when the production shortfalls caught up with the market. The price increase was rapid into early 2015, as was the descent into the fall of 2016. Today, many are wondering how long the current cycle of higher prices will last, and will they eventually come down just as fast. With the numerous moving parts nothing is ever certain regarding markets, however, there are several data points suggesting the current cycle will last longer than the previous one.

First, it is important to remember the two main reasons cattle cycles occur in the first place. They are either economically driven, environmentally driven, or both, which has been the case for the better part of the past three years. The overall economic situation for cow-calf producers has not been very favorable since 2015.




Understanding some of the circumstances surrounding the last cycle and comparing the differences in the current cycle are key components to price and supply forecasting. The high prices and better moisture conditions in 2014 prompted one of the most rapid expansion rates, on a percentage basis, in history. At the same time the industry was losing packing capacity. From 2006 to 2015 the industry lost seven major packing plants, and the effective 40-hour fed slaughter capacity dwindled from an estimated 570,000 head per week in 2005 to 465,000 in 2016. The packing industry responded to fewer numbers, a lack of margin, and excess capacity.

Significant market challenges eventually presented themselves when the expanding cattle numbers hit the market after losing over 100,000 head of weekly fed cattle slaughter capacity. There were more cattle to slaughter than the industry had hook space for beginning in 2016. It necessitated the packing segment to harvest more cattle during the week and on Saturdays, and the profits were certainly there to incentivize the added hours. However, that loss of cattle producer leverage led to the lower prices and lack of profitability. More fed cattle numbers and a lack of capacity to harvest them resulted in a sustained and continued period of escalating loss of producer leverage each year from 2016 through 2021.

## – WATCH LIST –

## ~Upcoming~

### CattleFax Trends+ Cow-Calf Webinar

A new Trends+Cow-Calf Webinar providing an outlook on the cattle market for the remainder of the 2023 and early 2024 as well as cattle and beef supplies is scheduled for

September 20, 2023 at 5:30 pm MT

### Outlook & Strategies Meeting

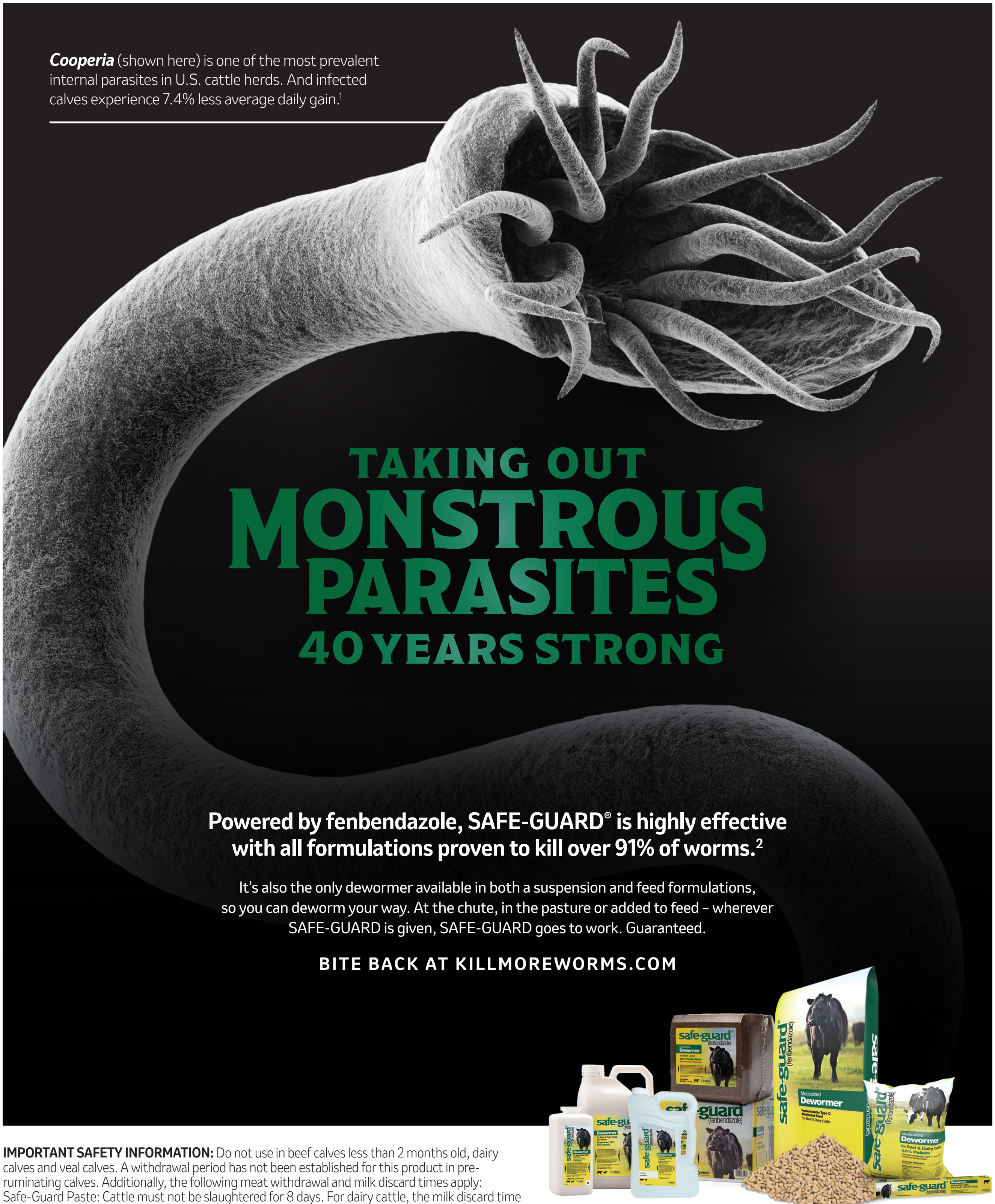
~Registration Now Open~

November 28, 2023

Denver Marriott South, Lone Tree, CO

## MARKET PRICES

| ($/cwt, U.S. avg) | Current | Change vs Month Ago | Change vs Year Ago |
|---|---|---|---|
| 550# Steers | 286.92 | 1.56 | 84.85 |
| 800# Steers | 249.84 | 2.93 | 71.06 |
| Fed Steer | 183.93 | 0.72 | 41.21 |
| Ut/Comm Cows | 110.80 | (1.05) | 24.44 |
| Omaha Corn | 4.75 | (0.61) | (2.70) |
| USDA Hay Forage | 221.00 | (13.00) | (19.00) |




**Choose suspension, paste or one of the formulations your cattle are already used to eating.**

**IMPORTANT SAFETY INFORMATION:** Do not use in beef calves less than 2 months old, dairy calves and veal calves. A withdrawal period has not been established for this product in pre-ruminating calves. Additionally, the following meat withdrawal and milk discard times apply: Safe-Guard Paste: Cattle must not be slaughtered for 8 days. For dairy cattle, the milk discard time is 96 hours. Safe-Guard Suspension: Cattle must not be slaughtered for 8 days. For dairy cattle, the milk discard time is 48 hours. Safe-Guard EnProAl Type C Medicated Block: Cattle must not be slaughtered for 11 days. For use in beef cattle only. Safe-Guard 20% Protein Type C Medicated Block: Cattle must not be slaughtered for 16 days. For use in beef cattle only. Safe-Guard Type A and other medicated feed products (pellets, cubes, free-choice mineral, or free-choice liquid): Cattle must not be slaughtered for 13 days. For dairy cattle, the milk discard time is 60 hours.

[1]Stromberg BE, et al. *Cooperia punctata:* Effect on cattle productivity? *Vet Parasitol*. 2012;183(3-4):284-291.
[2]Merck Animal Health National FECRT Database.

MAHCattle.com • 800-521-5767


MERCK
Animal Health

**safe-guard®** (fenbendazole) **panacur®** (fenbendazole)

# 10% or $65

Rebate when you buy $100 worth of SAFE-GUARD® or PANACUR®

Rebate on SAFE-GUARD® Type B Medicated 1.96% Meal (25 lb. pail only)

**Visit MAHCattle.ACBOffers.com to submit purchases for cash back.**

Scan the QR code using the camera on your smartphone.

**Eligible Products:** Any combination of SAFE-GUARD® or PANACUR® cattle deworming purchases qualify.

**Eligible Recipients:** OneMerck Producer Perks customers and Non-OneMerck Producer customers qualify.

**Rebate Delivery:** Option to receive rebate via Merck Visa® Prepaid Card through mail or virtual e-card.

For purchases eligible January 1, 2023 – June 30, 2023. Must be submitted by July 30, 2023.

## REDEEM ONLINE: MAHCATTLE.ACBOFFERS.COM

### MAIL-IN REBATE INSTRUCTIONS

**Step 1:** Complete the information listed on the right.

**Step 2:** Enclose itemized receipts with appropriate products and prices circled. Important: Keep copies of all materials submitted for your own records.

**Step 3:** Mail this completed form and itemized receipts to:
Merck Animal Health Rebate Offer
PO Box 1919
Memphis, TN 38101

**Step 4:** Submissions must be received by July 30, 2023.

**Terms and Conditions:** The promotion will run from January 1 - June 30, 2023. All submissions must be received by July 30, 2023. An itemized proof of purchase including product name, size and price must be submitted. Not valid with any other offer. This offer is only valid for OneMerck Producer Perks members, as well as non-OneMerck Producer enrollees. OneMerck Producer (other than Perks members), OneMerck Vets, OneMerck Dealers and Champions are not eligible to redeem this offer. For more information regarding this offer, contact your Merck Animal Health representative or your Merck Animal Health authorized distributor representative. Merck Animal Health reserves the right to change or cancel this program at any time without prior notice. The invoice amount, per submission, is capped at $5,000. Multiple submissions per producer are permitted.

Card / Virtual Card is issued by Pathward, N.A., Member FDIC, pursuant to a license from Visa U.S.A. Inc. No cash access or recurring payments. Card can be used everywhere Visa debit cards are accepted. Virtual Card can be used everywhere Visa debit cards are accepted online, or phone/mail orders. Card/Virtual Card valid for up to 6 months; unused funds will forfeit after the valid through date. Terms and conditions apply.

Mail-in redemptions only qualify for physical Merck Visa® Prepaid Cards; prepaid e-cards cannot be redeemed through mail-in submission. Purchases from online pharmacies or other retail outlets not associated with your veterinary clinic are not valid. Merck Animal Health reserves the right to decline submissions for purchases from unauthorized distributors. Rebate must be submitted under a personal name, address, and email and it must match either the billing or shipping information printed on your invoice.

**Contact Information:**

**Name:** ______________________

**Farm/Ranch/Business Name:** ______________________

**Address:** ______________________

**City:** ______________ **State:** ________ **Zip:** ________

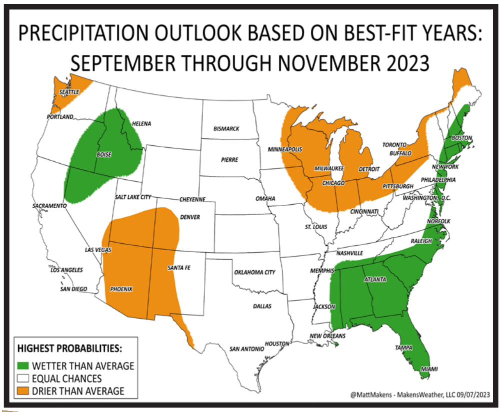
**Phone Number:** ______________________

**Email:** ______________________

By participating in this promotion, you are opting in to communication related to animal health products, programs, and scientific information from Merck Animal Health. You may click the unsubscribe link in your email at any time to opt out.

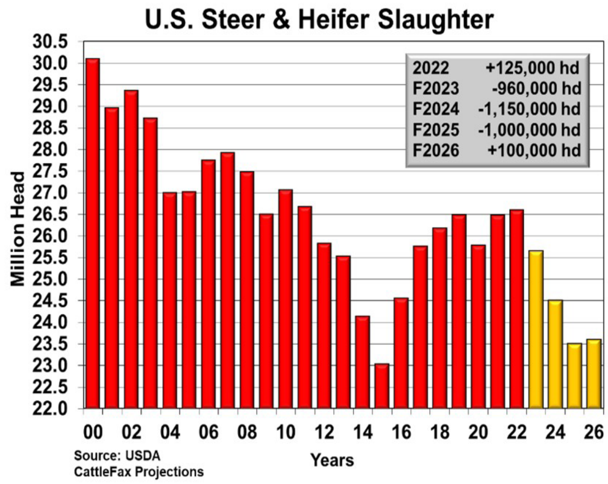

RET-SAFE-GUARD-REBATE-4879 | US-PAN-230100001

MERCK Animal Health




**CattleFax**
9110 East Nichols Avenue, Suite 301
Centennial, CO 80112
1-800-825-7525

# TRENDS




Cattle producer leverage is one major component of the markets moving forward that is more favorable for higher prices to last longer. The industry is not expected to lose packing capacity. In fact, it is expected to modestly increase. Yes, there is always the possibility of a plant being shuttered, but that capacity would likely be offset by new plants coming online.

One other major difference in the current cycle is the overall rate of expansion, which up to this point has not even begun on a national level. Certainly, there is regional expansion occurring in areas with better moisture conditions. However, many states in the center-third of the country, big cow-calf states, have seen a major drought resurgence and remain in cowherd liquidation today. This would lend itself to the belief that this a slower, more methodical expansion in the current cycle, much of it forced by Mother Nature. To add to that, the current money borrowing situation is much different this go round as well. The ability and/or desire of many cow-calf operators to take on considerably more debt at the higher prices and interest rates is expected to also deter the rate of expansion, even if Mother Nature allows.

This will lead to a much more favorable and longer span of a supply reduction of fed cattle. For context, there was a 1.4 million head reduction in fed slaughter from 2013 to 2014, and another 1.1 million head reduction from 2014 to 2015. Two years totaled a 2.5 million head decline. Fed slaughter projections for the current cycle are estimated to be down around 1 million head each year in 2023, 2024 and 2025. The last cycle turned with an initial increase of 1.5 million head in 2016. Currently, 2026 is forecast to see a much more modest increase of only about 100,000 head, but the increase could very well be delayed another year depending on exactly how this expansion unfolds. Regardless, the massive year-over-year increase experienced during the last cycle is expected to be much more subdued this time around.

Yes, beef demand will remain a concern at the higher price levels and will be highly dependent upon the domestic and global economies. Yet beef demand rationing with higher wholesale and retail prices is needed due to the supply reductions over the next several years. Per capita net beef supplies are expected to decline nearly 7 pounds from 2023 through 2026, and below the previous low in 2015. It will be a delicate balancing act how far beef prices can push before pricing out too many consumers that can eventually trade down to a lower priced pork or poultry protein. That said, cattle producers are producing the highest quality beef in history, and beef demand is the best it has been in 30 years. Still, consumer price tolerance will be tested.

In summary, there are three main components that differ from the previous cycle high values in 2014-2015 compared to the current cycle that are expected to give producers another year or two of higher prices.

- The supply situation will remain more positive for a longer period and the slower expansion rate will prevent a massive supply increase, keeping supplies in check and sustaining higher prices for a longer period of time.
- Beef demand has remained resilient thus far, allowing price increases to the consumer. Rationing demand with price will occur as production is expected to decline 2.5 billion pounds over the next several years compared to a 2-billion-pound decline in two years during the last cycle.
- The leverage component of the market is expected to be drastically different and in favor of cattle producers. There is a redistribution of the total dollar value of cattle that will continue to take place and favor cow-calf and stocker producers, while cattle feeders and the packing segment are likely to be the least profitable segments over the next several years.

## *Chart of the Month*