

MARKET SNAPSHOT

Cattle

June 28, 2023

Executive summary

AgWest Farm Credit's 12-month outlook for cattle suggests profitable returns for cow-calf producers and slightly profitable returns for cattle feeders. Cow-calf producers will benefit from record cattle prices and improving pasture conditions. Cattle feeders will benefit from higher cattle prices, but profits will be challenged by elevated feed costs and inflation.

Industry drivers

Cold spring increased calf losses

A long, cold spring complicated calving and delayed when producers could turn cows onto pasture. In Montana and Oregon, the cold weather caused increased death loss as some calving areas experienced up to 4% death losses (typically 2%). The cooler temperatures delayed producers in Idaho, Montana and Oregon from turning their cattle onto spring pasture. In turn, producers relied more heavily on hay stocks, depleting their reserves, and most will need to purchase hay before winter. Cattle producers that purchase hay will benefit from decreasing hay prices (see the [Hay Snapshot](#)).

Record cattle prices

Favorable cattle prices and strong demand for beef are creating a promising year for western cattle ranchers. Since the beginning of 2023, producers have benefited from favorable cattle prices. The price increase is largely driven by several consecutive years of drought in major cattle-producing areas which forced ranchers to cull cattle and resulted in a declining national cattle herd. Favorable cull cow values have encouraged producers in areas with subpar pasture conditions to cull and the likely effect is the national herd rebuilding will not start until 2024. This creates opportunities for western growers who will benefit from the improving pasture conditions, strong prices and solid beef demand.

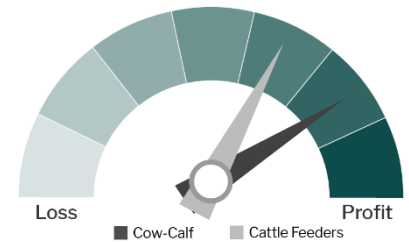
Prices will mitigate beef availability challenges

Decreasing beef production and continued demand have supported strong beef prices. Beef production fell 4.2% year over year because of slowing slaughter rates (3% lower than 2022) and lower carcass weights (down 15.7 lbs. compared to June 2022). Retail ground beef prices in the first three months of 2023 have averaged \$0.15 per lb. higher than Q1 2022 (up \$0.88 per lb. from the 5-year average). Despite price increases, consumer demand has remained steady with few incidents of the substitution effect (switching to cheaper cuts of meat or alternate protein sources). As consumer demand reached a seasonal peak in late May, higher prices masked issues with beef availability.

Proposed changes to BLM grazing permits

The Bureau of Land Management (BLM) has proposed a new public lands rule that could increase competition for permits and potentially price ranchers out of using BLM land for livestock. Current BLM policy specifies permits are to be for grazing purposes only. The proposed change would allow conservation as an additional use for these permits. BLM manages 18,000 grazing permits on 155 million acres, with most grazing acres located in the western U.S. These permits provide affordable rangeland for ranchers, and grazing permits are issued in a bidding system. If the proposed change occurs producers could face more competition and risk being outbid.

12-Month Profitability Outlook



Supreme Court upholds Prop 12

The Supreme Court's 5-4 ruling upholding California's Proposition 12 could have a significant impact on the cattle industry by creating individual state laws that dictate cattle production standards (even if they do not align with industry recommendations). Proposition 12 creates minimum space requirements for egg-laying hens, veal calves and breeding pigs sold in California and prohibits the sale of meat and eggs produced in other states that do not meet these standards. For beef, Proposition 12 requires that cattle be raised in pastures with at least 43 square feet of space per animal, more than double the current industry standard. Implementing these standards could cause increases to cattle producers' operational costs. Moreover, the industry is concerned the law will inspire other states to create their own state-specific production rules, driving up ranchers' expenses and making it more difficult to sell beef in multiple states.

Profitability

AgWest producers will benefit from strong cull cow values and record cow-calf prices. Northwest pasture conditions (while delayed because of snowpack) have been stronger due to improvements in moisture. At the same time, Southern Plains producers will face the worst pasture conditions in the nation, and in turn, cull more cows. Tighter beef supplies and strong demand will allow producers that have retained and grown their herds to benefit from strong cow-calf returns through 2025.

Cattle feeder margins have remained strong despite headwinds from elevated production costs. On June 20, 2023, cattle feeder profits reached nearly \$440 per head and cattle feeders' margins are projected to finish the year with an annual average return of over \$150 per head, up 4% year over year. Strong demand despite high prices has been a key driver of cattle industry optimism; however, if beef demand declines it would also curb cattle feeders' margins. Even with looming concerns of a global slowdown in late 2023, analysts predict beef demand will remain strong. Reductions in corn and feed prices have helped to drive up early feeder cattle prices. Cattle feeders should benefit from strong prices and consumer demand.

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Additional information

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Beef Magazine

<https://www.beefmagazine.com>

Cattle Fax

www.cattlefax.com

Livestock Marketing Information Center

<https://www.lmic.info/>

USDA Economic Research Service

www.ers.usda.gov

Western Livestock Journal

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