

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

Will Cattle Prices Reach Record-High Levels?

U.S. meat production in 2022 hit new highs.

Total U.S. meat production at 107.4 billion pounds (lb.) was record high in 2022. That included record-high beef production at 28.4 billion pounds (lb.) and record chicken production at 46 billion lb. Pork production was not a record high but still relatively high at 27.1 billion lb.

Record-high meat production usually means lower prices, unless domestic and export demand are strong enough to offset the large supply. Even with COVID-19 (the worst pandemic in our lifetime), the Russian invasion of Ukraine, supply-chain issues, high energy prices, inflation and a myriad of other factors, meat demand has been stronger than expected.

Interestingly — in spite of record U.S. meat production and the other negative factors mentioned — hog, chicken and turkey prices reached record weekly high levels during 2022. Additionally, lamb prices were record high in 2021. Still, cattle prices have not yet reached the record levels that were set in 2014.

Domestic beef demand has been good, retail beef prices in 2022 were high at the same time as per capita beef consumption increased. This indicates a robust demand,

and beef exports were record high in 2022 both on a volume and value basis. Exports were especially strong to Japan, South Korea and China.

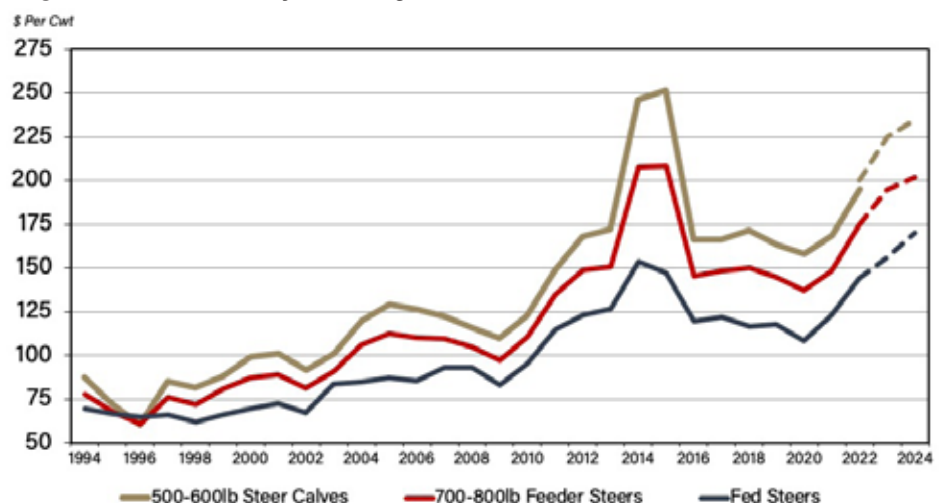
Yet drought the last couple years in much of the U.S. beef cattle-producing area has at least temporarily negatively affected cattle prices. However, in the longer term, drought-related factors will support cattle prices, which may challenge the 2014 record highs.

The drought area has been steadily expanding, with USDA recently reporting 75% of the beef cow herd in a drought-affected area. Forced liquidation resulted in beef cow slaughter climbing more than 12% last year.

Heifer slaughter in 2022 increased 5% over last year, as fewer beef replacement heifers were retained due to drought. The USDA National Agricultural Statistics Service (NASS) reported the number of beef replacements Jan. 1, 2022, down 3.3% year over year and the lowest number since 2014. With worsening drought conditions, the July 1 number of U.S. beef replacement heifers was the lowest on record dating back to 1973.

The U.S. beef cow herd has declined for four straight years. The upcoming NASS Jan. 1, 2023, cattle inventory report will be released January 31. It will likely show beef cow numbers near the 29 million head that occurred at the previous

Figure 1: US Cattle Price Cycle, Average Annual Cattle Prices



cyclical low in 2014 when cattle prices were record-high.

Lower cattle numbers have supported cyclical increasing cattle prices, and expected declining beef production in 2023 and subsequent years will also be supportive.

Fed cattle prices increased steadily in 2022 and averaged \$20 per hundredweight (cwt.) higher than last year. Current prices near \$160 per cwt. are the highest since May 2015. The previous record annual fed cattle price was in 2014 when prices averaged \$153.84 per cwt. USDA is projecting a 2023 annual price of \$155.50 per cwt., which would set a new record high. The six 2023 live

cattle futures market contract prices average \$158 per cwt.

The two most influential factors that affect calf and feeder cattle prices are fed cattle prices, especially futures market prices in the month when feeder cattle will finish in the feedlot, and corn prices.

There is an opposite relationship between corn prices and feeder cattle prices. Other things equal, a 10-cent-per-bu. change in corn prices will result in a \$1-per-cwt. change in feeder cattle prices in the opposite direction. U.S. corn prices averaged \$4 per bushel (bu.) in 2014 but were \$7 per bu. in 2022.

So, even though feeder cattle prices

increased cyclically in 2022 and are expected to continue increasing the next several years due to shorter supplies, record-high prices may take longer to occur than for fed cattle.

It is anyone's guess what corn prices will be next year and beyond, let alone what other unknown factors may come along.

Record calf and feeder cattle prices are probable in the next several years, but the exact timing is difficult due to uncertainty surrounding when significant improvement in drought conditions will occur. **AJ**

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BW	WW	YW	Milk
+5.6	+89	+142	+30



HILLTOP GUARANTEE 70K
 AAA: 20498435 BD: 1-30-22 Adj. WW: 819/106
 Sire: Crawford Guarantee 9137

BW	WW	YW	Milk
+0.7	+80	+147	+41



HILLTOP RESILIENT 38K
 AAA: 20498492 BD: 1-24-22 Adj. WW: 796/119
 Sire: Sitz Resilient 10208

BW	WW	YW	Milk
+4.0	+101	+173	+30



HILLTOP MR ANGUS 76K
 AAA: 20498436 BD: 2/8/22 Adj. WW: 857/111
 Sire: Grabers Mr Angus 9080

BW	WW	YW	Milk
+2.1	+83	+142	+39