MARKET SNAPSHOT
CATTLE

March 31, 2019

Executive Summary
Drivers for the cattle industry include weather, trade-related issues and demand.
- Harsh winter weather negatively impacted calving in the Northwest.
- 2018 U.S. beef exports increased 10 percent from 2017.
- Trade negotiations remain crucial for beef imports and exports.
- Foreign and domestic beef demand favor profitability.

12-Month Profitability Outlook
Northwest FCS’ 12-month outlook suggests slightly profitable results throughout the beef industry with strong domestic and foreign demand. Projected herd growth is flat, which will be a pivotal determinant of prices. Additional winter feed costs could negatively impact profitability across the Northwest.

Northwest Situation
Throughout the Northwest, adverse weather conditions made for a challenging calving season with above-average death loss expected. These conditions could lead to lighter weaning weights for calves this fall. Producers may be eligible to recover up to 75 percent of losses more than “normal” through the Farm Service Agency Livestock Indemnity Program. Cull-cow prices were significantly lower with cattle trading between 30 and 40 cents per pound at the start of the year, so many producers held cull cows through the winter.

Hay inventory in Montana remains adequate due to the slow start of winter, but extreme cold temperatures and snow cover throughout February drove hay demand higher than usual for the month. Early contracts for fall delivery range around $1.75 per pound for 550- to 600-pound calves.

Above average snow fall at low elevations in Washington has forced cattle producers to feed hay through March. As a result, feeder hay inventory is exhausted. The Feb. 8 snowstorm that killed 1,800 dairy cows in the Yakima Valley also drifted in cow/calf producers, hampering early calving season.

Wide weather swings in Oregon made for muddy feedlot conditions. Winter storms hindered calving in the northern part of the state. Looking forward, concerns over pasture availability throughout the state have risen.

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over plans to increase heifer retention. Moisture and snowpack conditions are above average in north central and eastern Oregon, while southeastern Oregon is below average.

Hay inventory in Oregon and Washington was low at the start of winter and inclement weather conditions drove prices as high as $220 per ton for feeder hay. Montana producers have been shipping hay to the Columbia Basin. The 2019 Oregon hay crop is expected to be delayed two weeks due to late winter storms.

Relatively mild and wet conditions in Idaho made for muddy calving, but favorable average daily gains in feedlots. Feeder hay traded at $140 to 150 per ton.

**National Situation**

The weather conditions in most of the feeding regions have shifted from too dry to too wet over the last year. Winter weather and very muddy conditions are impacting feed yard profitability, and weights are coming down.

In Nebraska, the ‘bomb cyclone’ left much of the state drifted with snow or flooding. Early estimates suggest as much as 15 percent of the state’s cattle herd perished in the floods. With 6.8 million head of cattle in Nebraska, losses will likely total more than 1 million cows and calves.

**Global Markets**

USDA reported a 10.3 percent increase in U.S. beef exports in 2018 for a total of 3.16 billion pounds. Exports to Japan, South Korea, Mexico and Taiwan increased while exports to Canada were lower. U.S. beef exports to Japan increased 21 percent from January 2018. Despite increased exports, the U.S. lost 6 percent market share in Japan after stepping away from the Trans-Pacific Partnership agreement. U.S. beef to Japan is subject to a 38.5 percent tariff compared to an 11 percent tariff incurred by TPP countries.

Exports to Hong Kong, the fourth largest export market for U.S. beef, were down in 2018. China has begun importing beef directly to the mainland, avoiding black market trade routes through Hong Kong. As trade agreements are developed and exports of U.S. beef into China increase, exports into Hong Kong will continue to decrease.

Meanwhile, the U.S. is losing its mantle as China is now the top global importer of beef. Growing demand for beef came after African swine fever shifted consumers’ protein preference from pork to beef. USDA is forecasting an increase of 0.5 percent for U.S. beef imports and 21 percent increase for Chinese beef imports in 2019.

Following a dry summer, cattle stations in Northern Queensland, Australia, experienced extreme loss after record rainfall brought on floodwaters that killed upward of 300,000 head of cattle. The devastation did not affect U.S. futures markets.

In November 2018, 17 years after a foot-and-mouth disease outbreak, the ban on U.S. imports of Argentine beef was lifted. In March 2019 the first shipment of Argentine beef landed in the U.S. Argentina beef exports to the U.S. are restricted to a maximum of

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>% of Total (3,155 bil. lbs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1</td>
<td>27.9</td>
</tr>
<tr>
<td>South Korea</td>
<td>2</td>
<td>20.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>3</td>
<td>14.2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>4</td>
<td>9.7</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
<td>9.5</td>
</tr>
<tr>
<td>Taiwan</td>
<td>6</td>
<td>5.9</td>
</tr>
<tr>
<td>Philippines</td>
<td>7</td>
<td>13.1</td>
</tr>
<tr>
<td>Vietnam</td>
<td>8</td>
<td>1.2</td>
</tr>
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</tr>
<tr>
<td>Indonesia</td>
<td>11</td>
<td>0.7</td>
</tr>
<tr>
<td>China (mainland)</td>
<td>12</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Darrell Peel, Oklahoma State University
22,000 tons per year. There is no restriction on the volume of beef the U.S. can export to Argentina.

**Outlook**

Demand is keeping pace with growing beef supplies, though the cowherd expansion cycle is anticipated to end within the next couple years. In 2019, cattle prices remain strong enough for herd growth, but flat to slow expansion is expected as producers are less optimistic.

Good winter precipitation is expected to produce strong hay crops. Corn acreage is up roughly two million acres while wheat acreage is up one million acres. Feed and grain prices are predicted to be stable.

Slaughter rates are expected to remain strong. Cull prices are at risk as the dairy sector is generating more cull cows and dairy/beef crosses. Market forecast is 55 to 60 cents per pound with a projected low of 40 cents per pound for culls.

Trade policy and exchange rates remain critical for the outlook going forward. Vital trade discussions are occurring that may result in increased U.S. market share. In contrast, soured negations will provide headwinds.

**Additional Information**

Northwest FCS Business Management Center
www.northwestfcs.com/Resources/Industry-Insights

Business Insider
www.businessinsider.com

Capital Press (login may be required)
www.capitalpress.com

CattleFax
www.cattlefax.com

CME Group
www.cmegroup.com

Drovers Cattle Network
www.cattlenetwork.com

Livestock Marketing Information Center
http://lmic.info

National Weekly Cattle and Beef Summary

U.S. Drought Portal
www.drought.gov

USDA Agricultural Marketing Service
www.ams.usda.gov

USDA Economic Research Service
www.ers.usda.gov

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