

# **“Size Matters”**

## **The Economics of Cattle Weights**

**USDA Outlook Forum 2014**

**Arlington, VA**

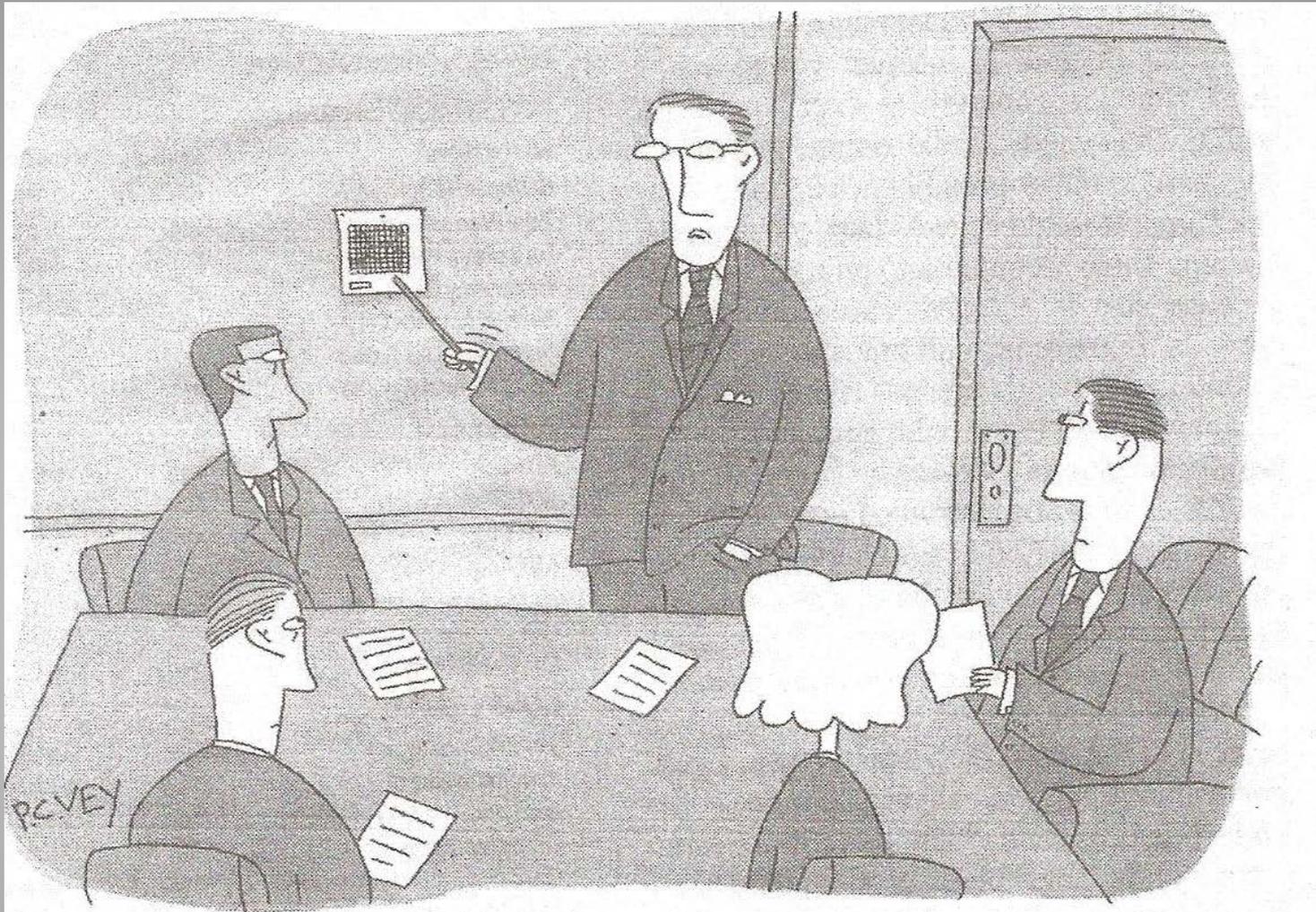
**February 21, 2014**

**John S. Nalivka**

**Sterling Marketing, Inc.**



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*"Today's graphic is insanely small and overly complicated  
just to shield us from the truth a little while longer."*



# Beta Agonists Fed to Cattle

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<u>Item</u>	<u>Optaflex</u> ™ Elanco	<u>Zilmax</u> ™ Merck
Optimal feeding duration	28 – 35 days	20 days
Withdrawal time	None	3 days
Average daily gain	↑ 9 – 21%	↑ 14 – 40%
Feed efficiency	↑ 9 – 21%	↑ 14 – 40%
Dressing percent	Minimal impact	↑ 1 – 2% points
Hot carcass weight	↑ 10 – 20 lbs.	↑ 13 – 28 lbs.



# Will weights decline?

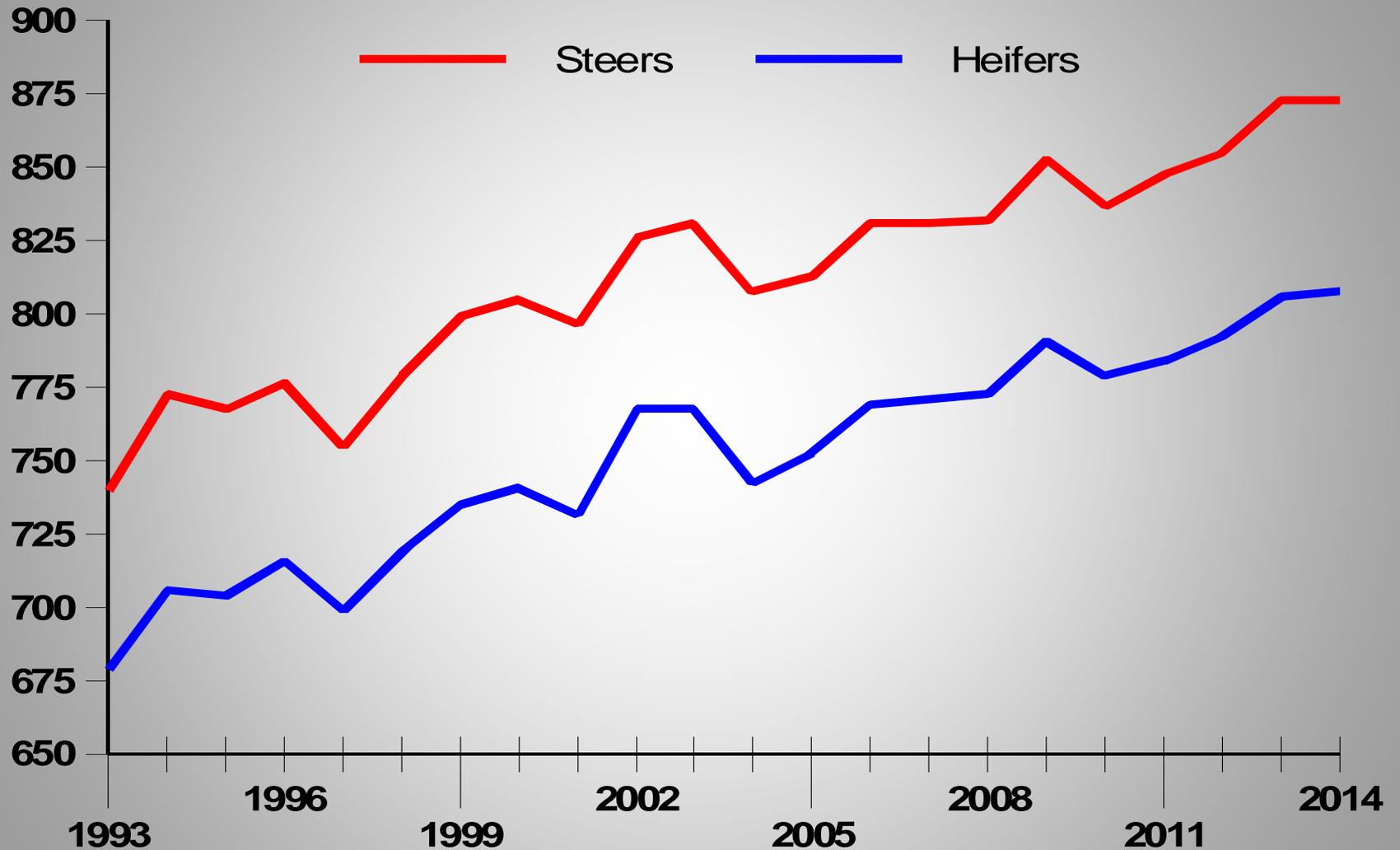
## Key Factors to Consider

- Industry Structure
  - Cattle Cycle
  - Industry Capacity
- Genetics
- Nutrition
- Consumer Demand
- Price / Value Equation
  - Consistent, high quality beef brings the greatest value back to all parties in the supply chain.
- Feedlot and packer economics



# Steer & Heifer Carcass Weights – thru week ending February 1<sup>st</sup>

Pounds per head

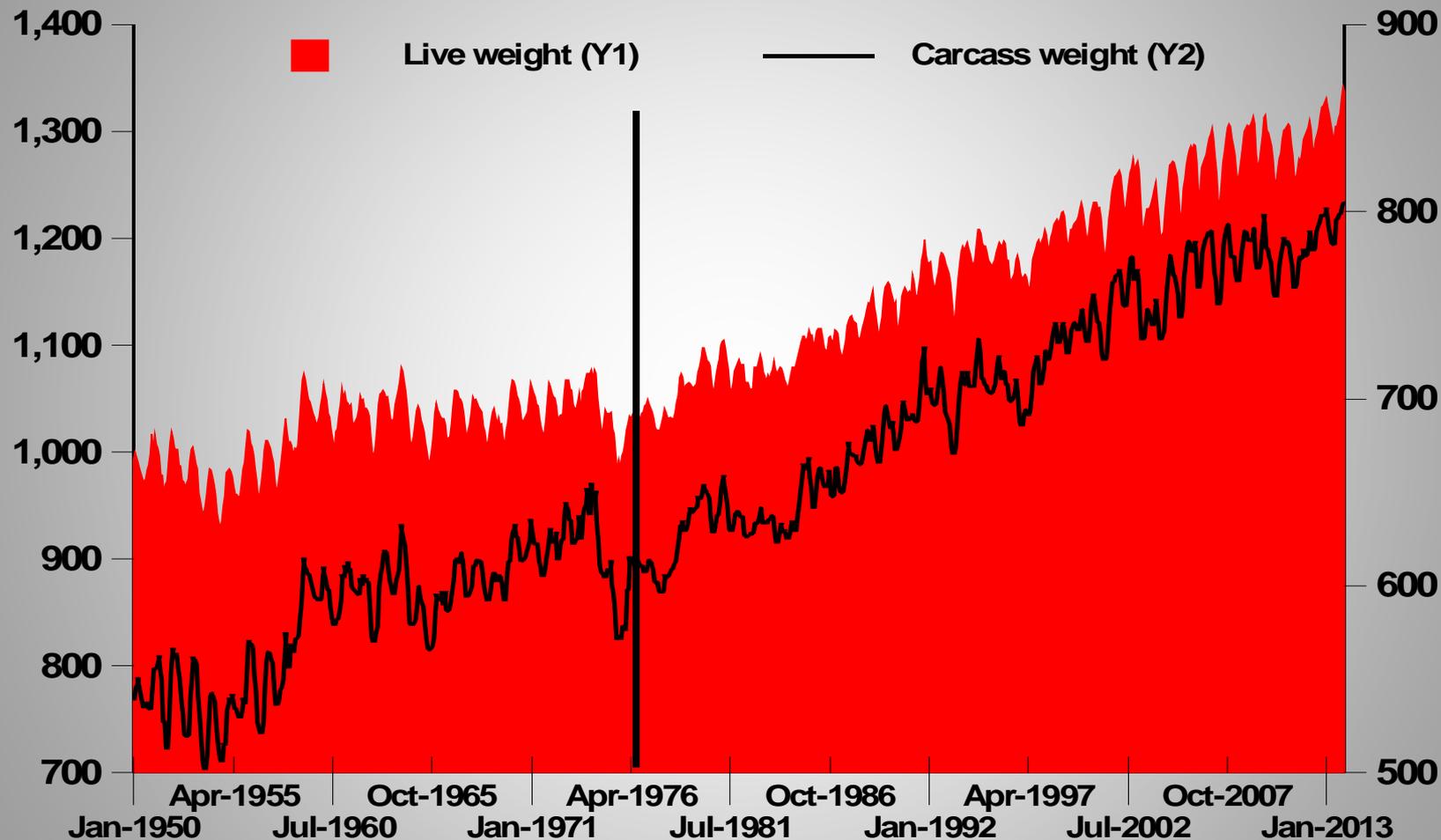


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# Cattle Slaughter & Carcass Weights

Pounds per head

Pounds per head

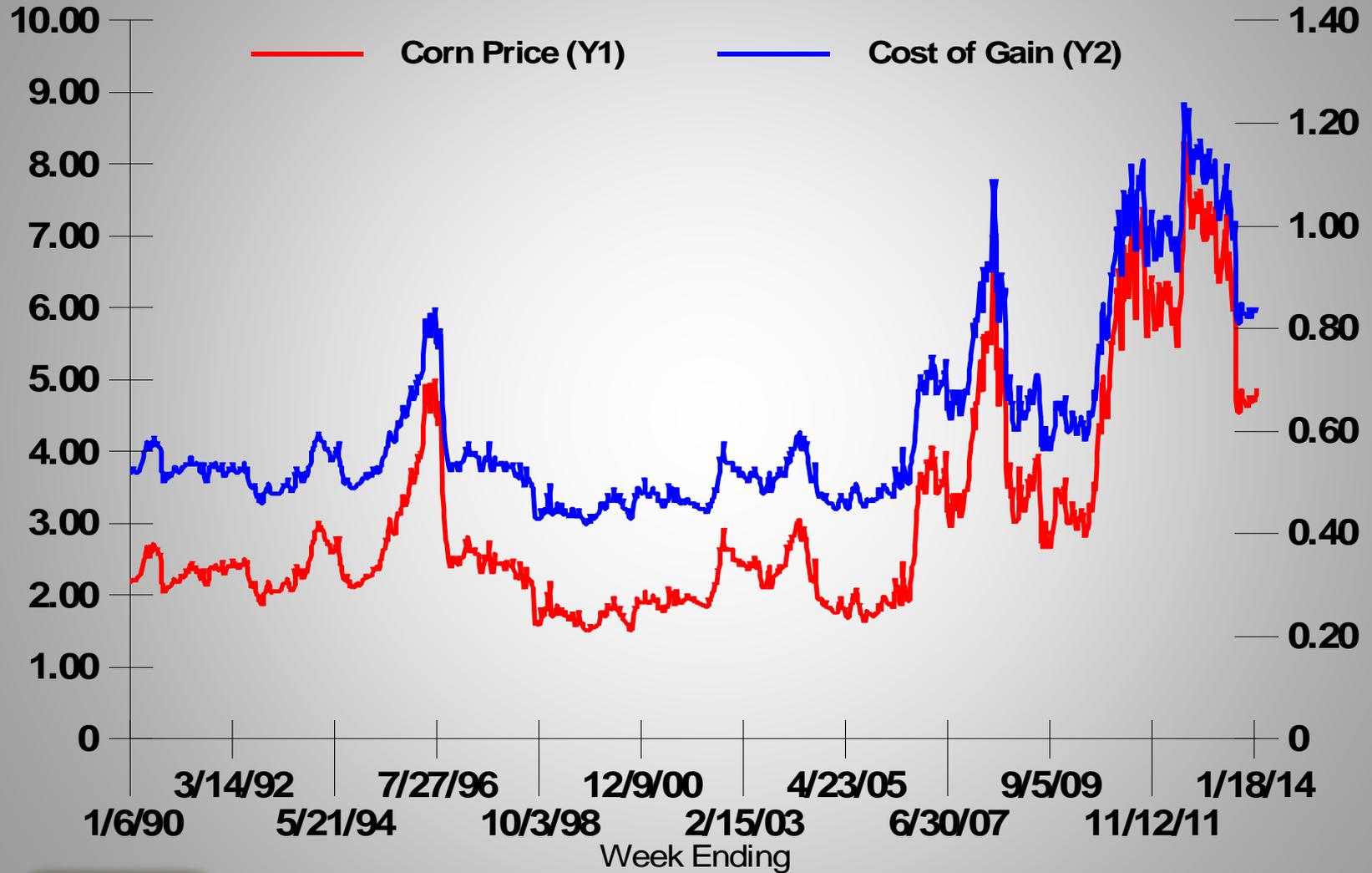


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# Corn Price

Dollars per bushel

Dollars per lb. of gain

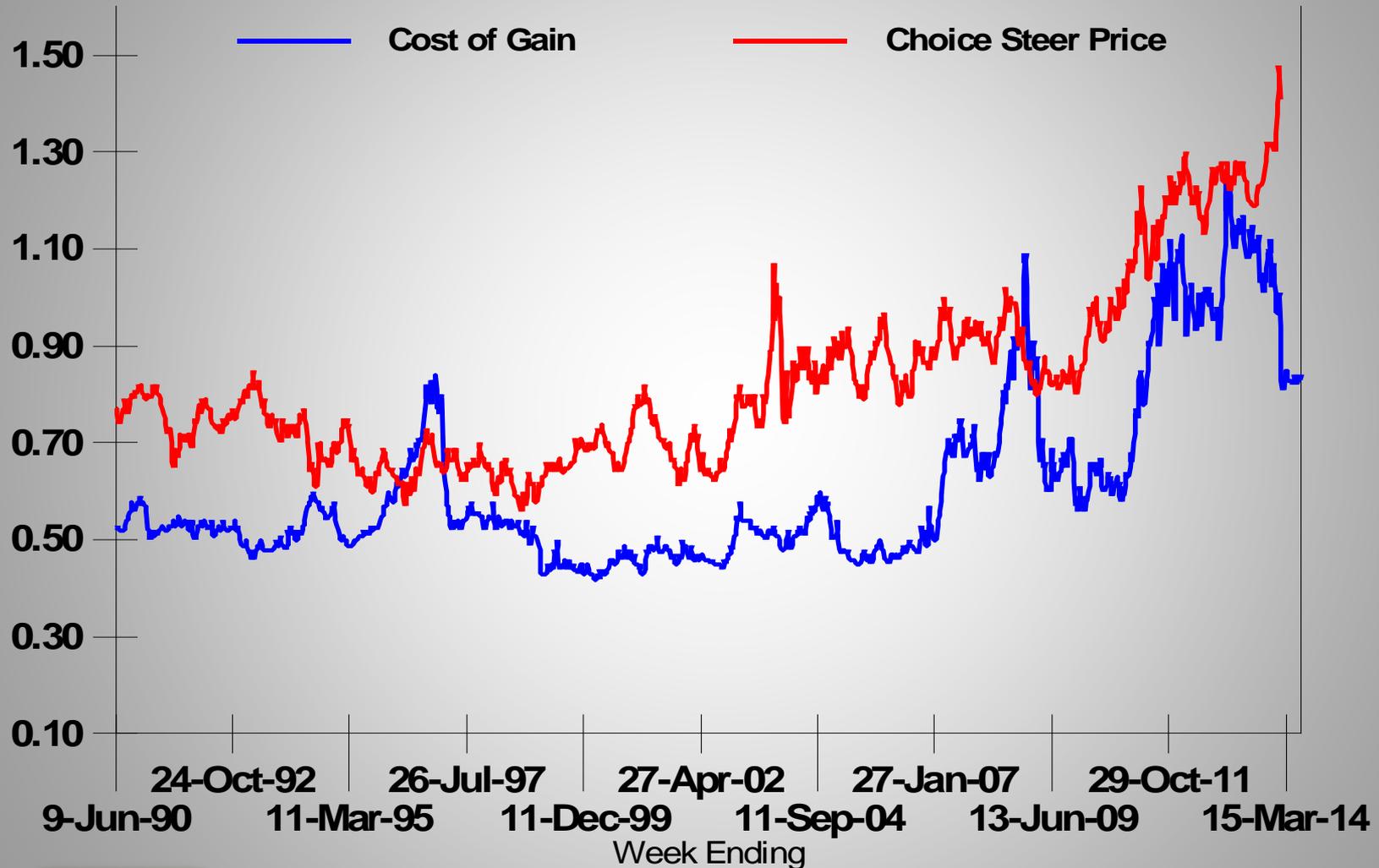


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# Cost of Gain, Steer Price, & Carcass Weights

Dollars per bushel

Pounds per head

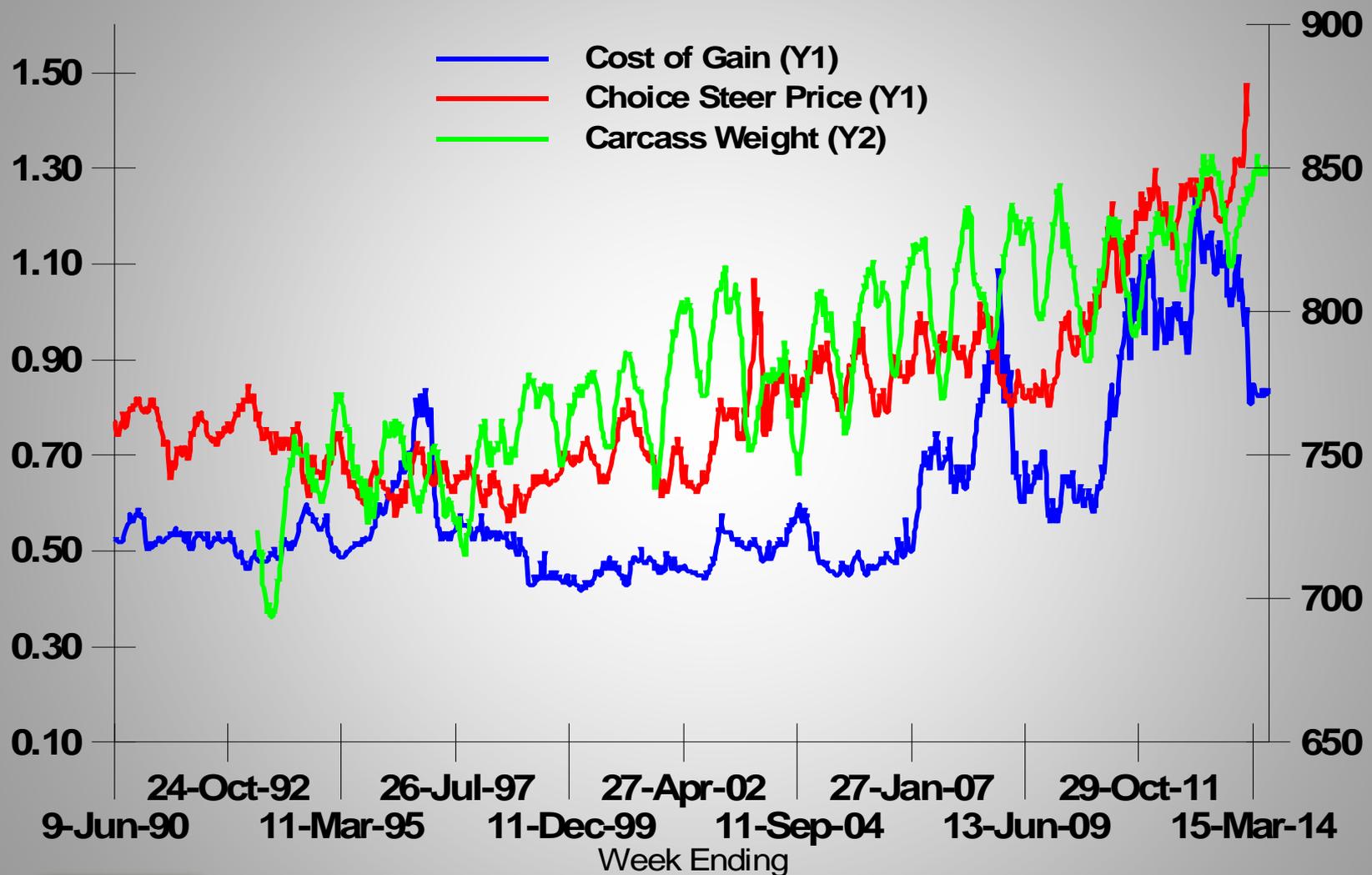


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# Cost of Gain, Steer Price, & Carcass Weights

Dollars per bushel

Pounds per head

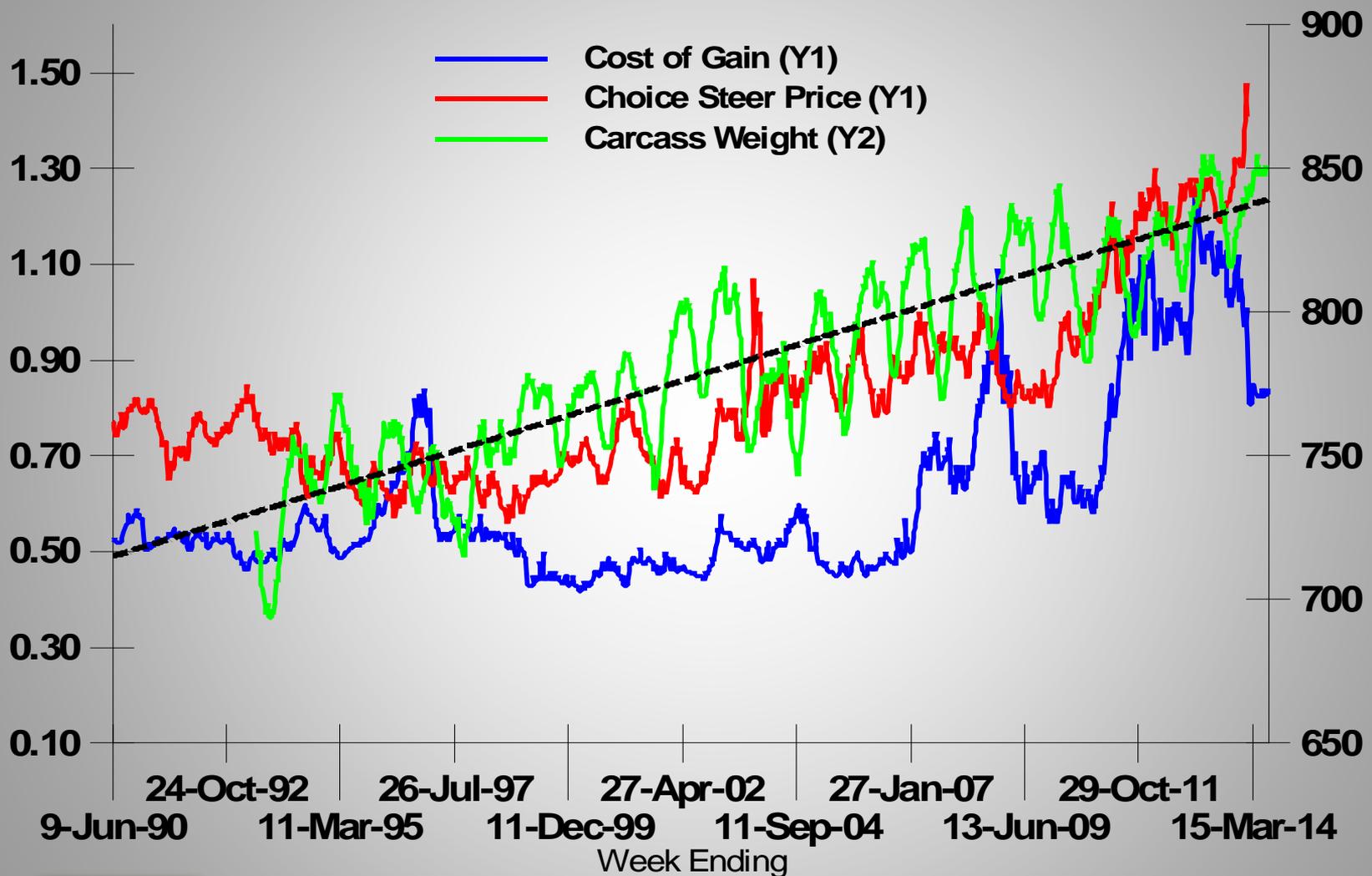


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# Cost of Gain, Steer Price, & Carcass Weights

Dollars per bushel

Pounds per head

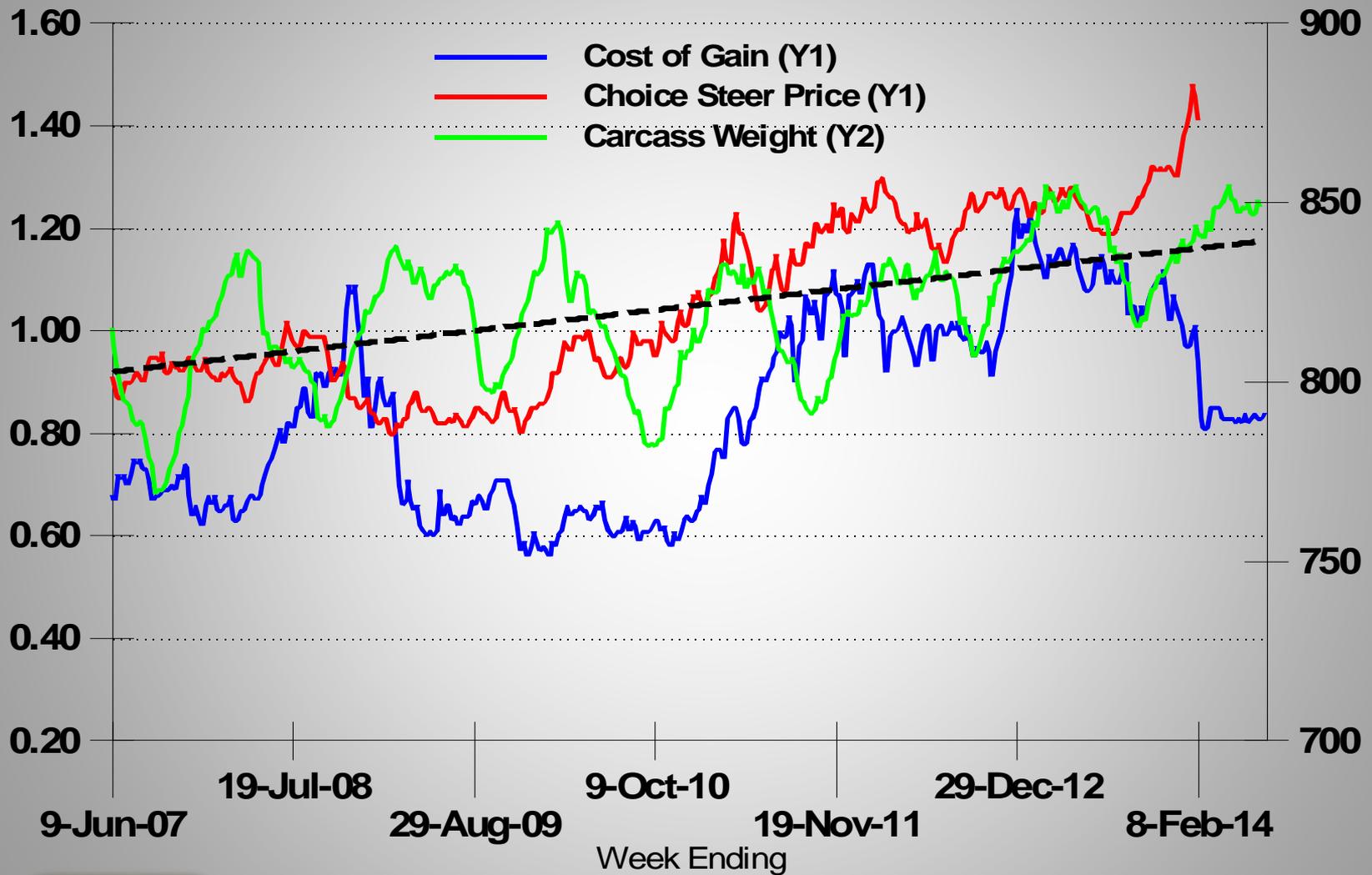


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# Cost of Gain, Steer Price, & Carcass Weights

Dollars per bushel

Pounds per head

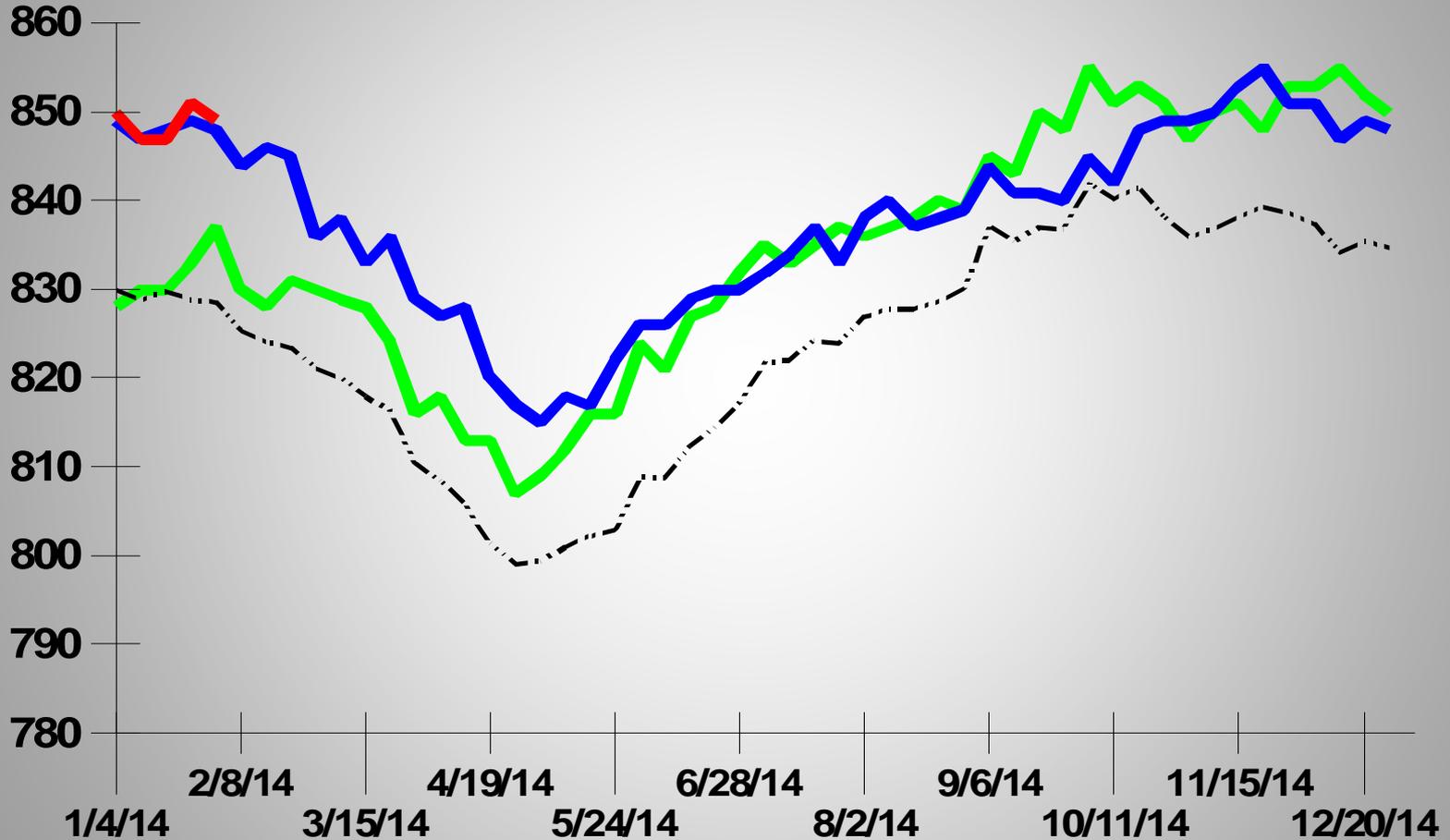


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# Combined Steer & Heifer Carcass Weights

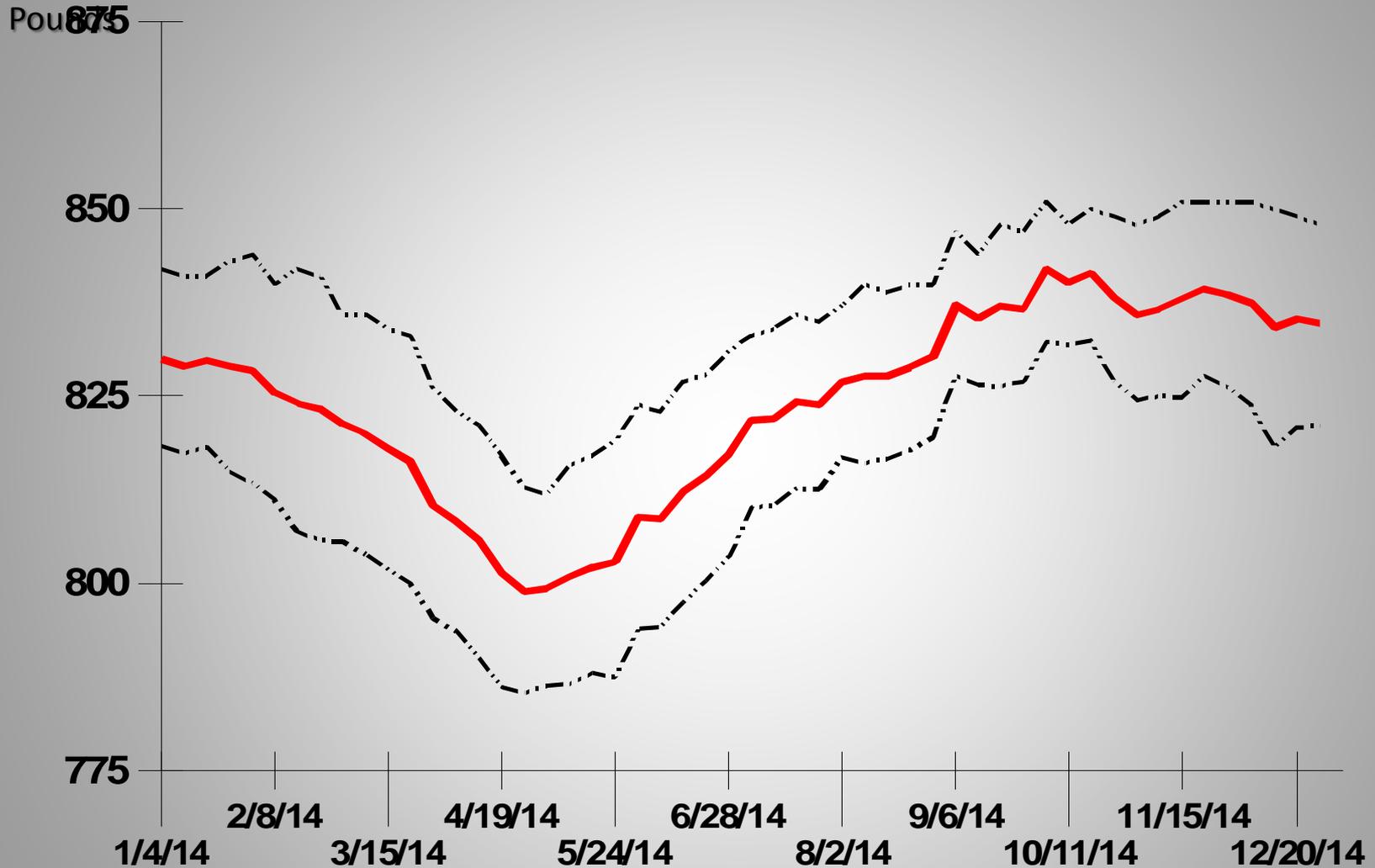
Pounds

2012  
2013  
2014  
2009-2013 Ave.



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# Combined Steer & Heifer Carcass Weights

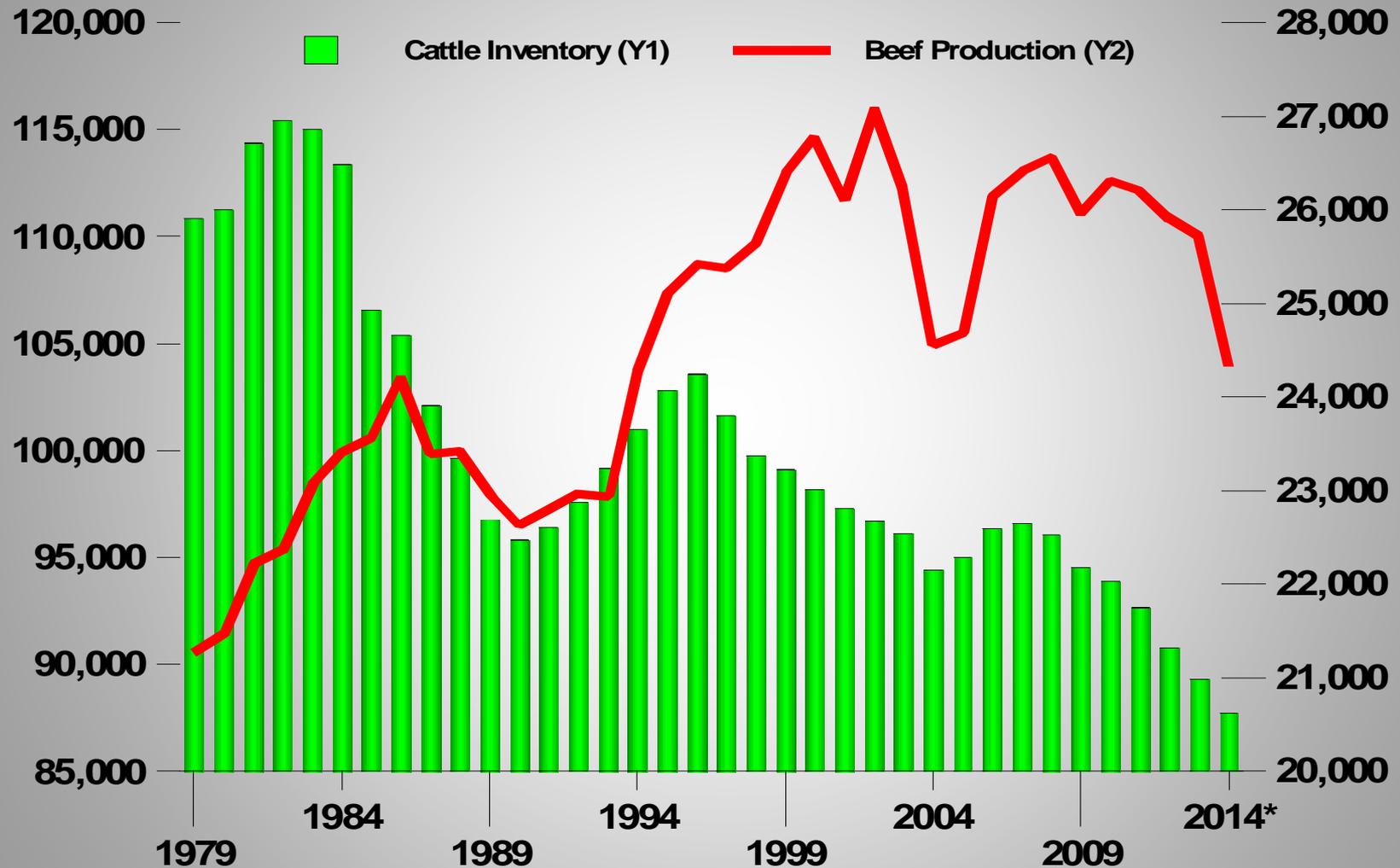


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# U.S. Beef Production Efficiency

Thousand head

Million pounds

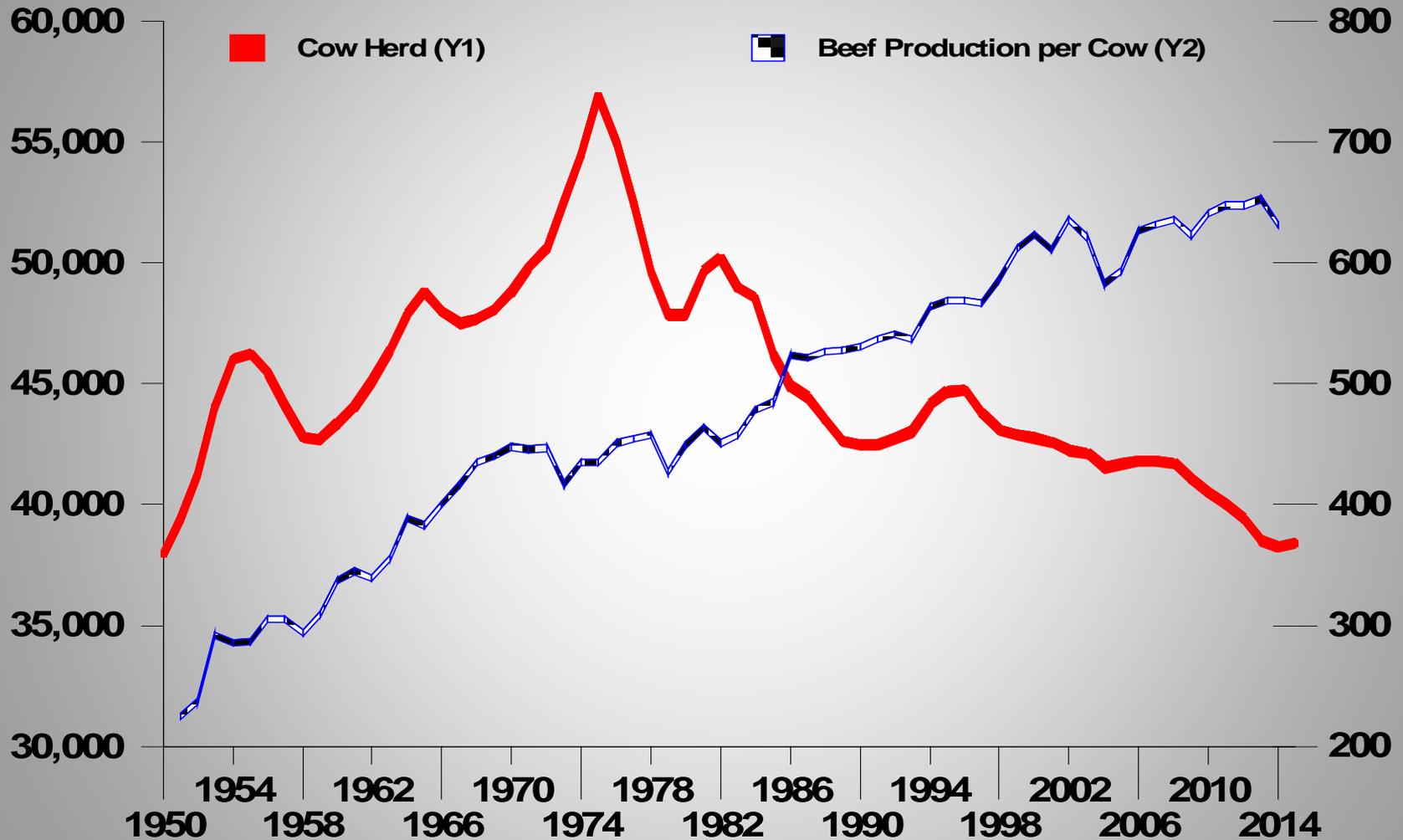


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# The U.S. Cow Herd & Beef Production per Cow

Thousand head

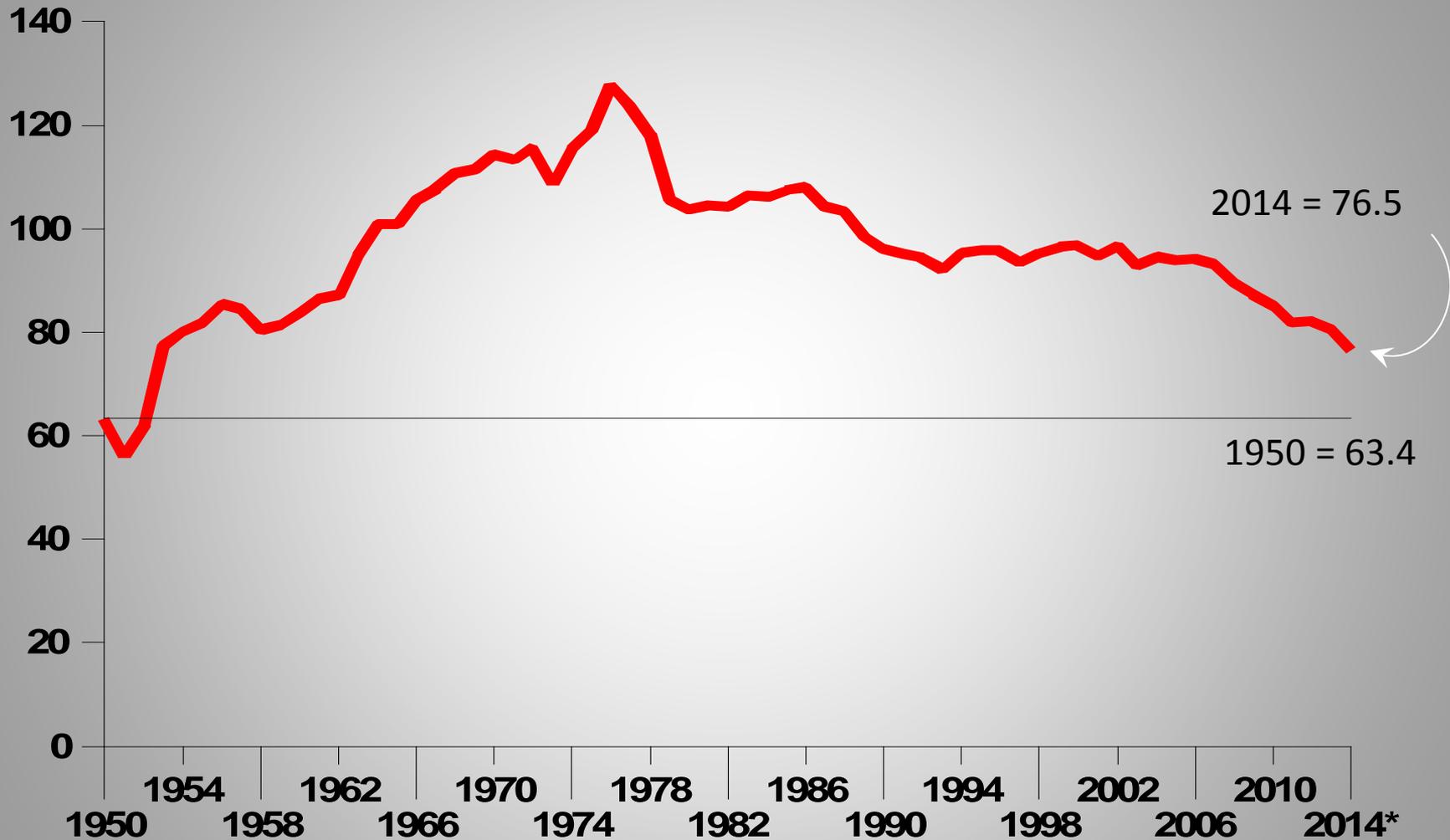
Pounds per cow



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# Per Capita Beef Consumption – Carcass wt.

Pounds (carcass wt.)



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# Summary

- Cattle weights, live and carcass, have risen significantly nearly year over the past 5 decades.
- The predominance of grain finished cattle, coupled with advances in genetic research, nutrition, and management have all contributed to this trend.
- Though the cattle inventory is now the lowest in 60 years, in 2013, the U.S. produced nearly 3X as much beef we did 60 years ago.

# Summary

- In 2013, Merck discontinued sales of Zilmax™ a feed additive which increased carcass weights and feeding efficiency.
- Discontinued feeding of Zilmax™, has not led to a sharp drop in carcass weights as many industry observers expected.
- **Weights will remain relatively high . . . . .**
  - Many feedlots continue to use Optaflex™, another beta agonist,
  - Corn prices (feed costs) have fallen about 30% from a year earlier,
  - Cost of gain are below breakeven prices and the current and expected Choice steer price.