“Size Matters"

The Economics of Cattle Weights

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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

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

Source: University of Wisconsin Cooperative Extension
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
Cost of Gain, Steer Price, & Carcass Weights

Dollars per bushel

Week Ending


Choice Steer Price

Cost of Gain

Week Ending


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Cost of Gain, Steer Price, & Carcass Weights

Dollars per bushel

Pounds per head

Cost of Gain (Y1)
Choice Steer Price (Y1)
Carcass Weight (Y2)

Week Ending
9-Jun-07  19-Jul-08  29-Aug-09  9-Oct-10  19-Nov-11  29-Dec-12  8-Feb-14

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Combined Steer & Heifer Carcass Weights

Pounds

1/4/14: 775
2/8/14: 800
3/15/14: 825
4/19/14: 850
5/24/14: 875
6/28/14: 800
8/2/14: 775
9/6/14: 800
10/11/14: 825
11/15/14: 850
12/20/14: 875

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

Thousand head

Cow Herd (Y1)

Beef Production per Cow (Y2)

Pounds per cow

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Per Capita Beef Consumption — Carcass wt.

Pounds (carcass wt.)

1950 = 63.4

2014 = 76.5
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.