

Both supply and demand dimensions interact in a marketplace to determine price. Here we will largely abstract from the domestic demand and focus on beef production and disappearance compared to cash fed cattle price. To begin we will take an annual view, and then we look at how the first quarter of this year is evolving. To simplify the story, the gleaned data are:

1) Commercial beef production as reported by USDA's National Agricultural Statistics Service.

2) Per capita beef disappearance (sometimes referred to as consumption), a calculated number by USDA-WAOB and ERS. The calculation takes beef carcass weight data on production - exports + imports and adjusts for frozen stocks. Then that annual or quarterly number is converted to an estimated retail weight equivalent (quantity as presented at a typical grocery store). That "supply" is then divided all that by U.S. population.

3) Per capita total red meat and poultry disappearance (calculated in the same manner as beef).

4) Fed steer cash market prices are reported by USDA-AMS, Market News (5-market average).

In Table 1, the annual data are given. For 2017 and 2018 the forecasts are by the Livestock Marketing Information Center (LMIC). Note USDA has not yet provided formal WASDE forecasts for 2018. In 2016, U.S. beef production was the largest since 2011 and increased by about 1 billion pounds year-over-year. Per capita beef disappearance in the domestic market increased by 1.4 pounds compared to 2015's and was the largest since 2013. Last year, per person domestic total red meat and poultry disappearance was up about 3 pounds year-over-year and the most since 2008. Fed cattle prices in 2016 were the lowest since 2011 (note that prices are not adjusted for inflation). The general economic fact that higher supply in a market lowered prices held true in 2016. Again, as a reminder we have glossed over some important aspects of consumer demand, packer margins, etc.

Turning to a first quarter perspective, see Table 2. Some estimates are required, as at the time of this writing USDA had not released January's official data for imports or exports and monthly weighted average fed cattle prices were only available for January; so as in Table 1, the LMIC 2017 projections are used.

Before we get to 2017, it is useful to review the first quarter of 2016. Last year fed steer prices were under pressure compared to 2015's due to more beef production, which rather directly translated into more beef per person (disappearance), and also faced more tonnage of pork and poultry as implied by total red

TABLE 1
U.S. Annual Beef Production, Per Capita Disappearance, and Price

	Commercial Beef Production	Per Capita Beef Disappearance	Per Capita Total Meat & Poultry Disappearance	Fed Steer Price Five Market Weighted Average
Year	Bill. Pounds	Pounds	Pounds	\$ Per Cwt
2010	26.3	59.6	208.9	95.67
2011	26.2	57.3	204.5	114.94
2012	25.9	57.4	202.2	122.97
2013	25.7	56.4	203.6	126.33
2014	24.3	54.2	201.4	153.84
2015	23.7	54.1	210.9	147.19
2016	25.2	55.5	214.0	119.58
2017	26.2	56.2	216.8	
2018	27.0	57.0	217.2	

Data Source: USDA-NASS, WAOB, ERS, and AMS; Forecasts (2017 and 2018) by LMIC

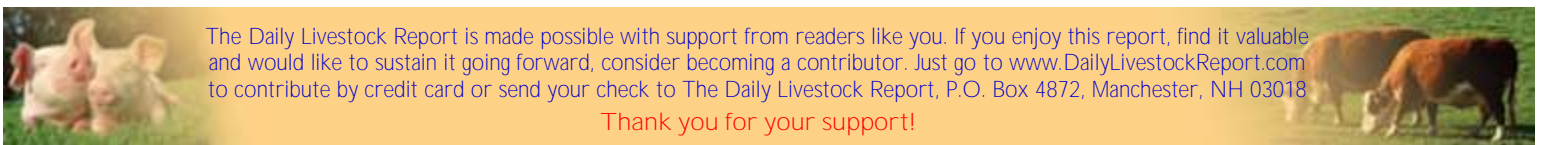
TABLE 2
U.S. First Quarter Beef Production, Per Capita Disappearance, and Price

	Commercial Beef Production	Per Capita Beef Disappearance	Per Capita Total Meat & Poultry Disappearance	Fed Steer Price Five Market Weighted Average
Year	Bill. Pounds	Pounds	Pounds	\$ Per Cwt
2010	6.48	14.6	50.7	95.67
2011	6.41	14.1	51.2	114.94
2012	6.28	14.0	49.3	122.97
2013	6.17	13.7	49.5	126.33
2014	5.87	13.1	48.5	153.84
2015	5.66	13.1	50.8	147.19
2016	5.93	13.6	52.9	119.58
2017	6.24	13.6	52.9	119.99

Data Source: USDA-NASS, WAOB, ERS, and AMS; Projected (2017) by LMIC
Note: Price for First Quarter of 2017 is just January's

meat and poultry disappearance.

For 2017's first quarter, we highlight changes compared to 2016 levels. U.S. beef production is projected to rise just over 5% compared to 2016's. However, on a per capita basis disappearance is projected to be about unchanged year-over-year for both beef and total red meat and poultry. What that indicates is the role of international trade. The major change from 2016 is a projected increase in exports and reduction in imports, a secondary factor is the growing U.S. population. So, even though U.S. beef production will clearly increase for the first quarter of 2017 versus '16, fed cattle prices are very similar.



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