



# Market Advisor

by **TIM PETRY**, North Dakota State University Extension Service

## Records made to be broken

Several record highs were set during 2017 in the U.S. livestock meat industry, with even more record highs likely to occur in 2018.

U.S. pork, broiler (chicken) and total meat production were all record-high in 2017. That was the first time annual total meat production exceeded 100 billion pounds (lb.). Those three categories are all likely to reach record-high levels again in 2018.

U.S. beef production will likely follow suit in 2018, with record-high production ranging from 27.5 billion lb. to 27.75 billion lb. projected by the Livestock Marketing Information Project and USDA. The previous record-high beef production, at 27.1 billion lb., occurred in 2002. So, there will likely be record amounts of meat to consume in 2018.

Increasing supplies of meat usually result in lower livestock prices unless, of course, demand increases. In 2017, beef production increased about 3.8% vs. the previous year, with pork production up 2.7%, broiler production

climbing 2.2% and total meat production increasing about 2.6%. In spite of those increases in production, annual average prices for fed cattle, hogs and broilers all increased compared to 2016.

The average annual price for 5-area slaughter steer, as reported by the USDA Agricultural Marketing Service (AMS), increased slightly from \$120.85 per hundredweight (cwt.) in 2016 to \$121.52 in 2017. Feeder-cattle and calf prices were also fueled by the higher fed-cattle prices.

### Strong demand

Stronger demand in 2017 came from a strengthening U.S. economy, which bolstered consumer incomes and reduced unemployment levels. That supported spending on meat both at home and at restaurants. Probably even more important was that foreign meat demand was better than earlier expected. Continuing with the “setting records” theme, U.S. beef exports were record-high in 2017, surpassing the



previous record set in 2011.

The export market is becoming more and more important for cattle prices in the United States. After a difficult beef export year in 2015 due to several factors, beef exports were up about 13% in 2016, followed by another 13% ramp

up in beef exports in 2017. Exports were actually up about 20% the first four months of 2017. That was one of the reasons for the cattle price rally into May 2017, which helped fuel the higher annual average cattle prices in 2017.

U.S. beef exports in 2017 were

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was reached in November 2017.

In early July, the European Union and Japan signed an Economic Partner Agreement, which gives favorable access for European beef to Japan. The United States is currently discussing provisions of the North American Free Trade Agreement (NAFTA) with Mexico and Canada. There is at least a rumor that the administration may want to

discuss provisions of the Korea-U.S. Free Trade Agreement (KORUS). It is vitally important to the U.S. beef industry that the United States has positive outcomes with trade agreements so record beef exports along with robust exports of competing meats can continue.

USDA is projecting beef exports to increase 3.8% in 2018, with accompanying increases of almost 5%

in pork and 2% in broiler exports. Of course, that assumes no disruptions due to failed trade agreements or other trade-restricting developments.




**Editor's Note:** *Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.*

especially strong to the major beef export customers. Exports to Japan were up about 27%. Japan is the largest U.S. beef customer and accounts for nearly 30% of total exports. Second largest is South Korea, increasing volume of purchases by 6% and representing 17% of the market. Mexico claims third place up 7% for the year and accounting for 15% total. An 11% increase in beef exports to Hong Kong brought it up to tie with Canada for fourth place with each accounting for about 11% of the market. Those five important markets were responsible for about 83% of total beef exports from the United States in 2017.


**Stronger demand in 2017 came from a strengthening U.S. economy, which bolstered consumer incomes and reduced unemployment levels.**

A noteworthy issue for the beef industry to watch in 2018 is that the United States has some form of ongoing trade negotiations with four of these important countries. Bilateral trade talks are expected to begin with Japan since the United States withdrew from the Trans-Pacific Partnership (TPP). Japan, Canada, Mexico and Australia — a major beef export competitor — are all part of TPP, which now is called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership after a partial agreement




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