Economist Jim Robb Looks Ahead:

It's Not Very Good, But It's Not All Bad

*by **Troy Smith,** field editor*

The outlook for calf prices is sobering, according to Livestock Marketing Information Center (LMIC) economist Jim Robb, who spoke at an Oct. 14 meeting of the Nebraska Section Society for Range Management in Gothenburg, Neb. The market-watcher cited recent south-Texas sales of weaned, 450-pound (lb.) calves at $1 per pound — the lowest price reported to date. Robb believes the calf market's bottom is yet to be found. He doesn't foresee significant improvement until after 2018.

That doesn't sound good, but not all of the news is bad. Robb believes beef producers have a few things working in their favor. For example, the U.S. economy is in better shape than rhetoric by presidential candidates or most media talking heads would suggest. Consumers continue to spend money for products they really want.

While per capita consumption of beef is down, Robb reminded the audience that consumption is not indicative of demand. You have to factor in price.

"Consumers are still buying beef and paying more for it than we would expect in this economy," said Robb. "Really, the demand profile is pretty good."

Robb noted that declines in beef exports have hurt the U.S. beef industry, representing a loss last year of $1.4 billion, or about $35 per animal, but he thinks the worst hit to U.S. beef exports is behind us.

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Robb advised against betting on help from sales to China. Long-term, increased access to the Chinese market could be good for U.S. beef producers, but sales won't come quickly or easily. The reasons are mainly political, but Robb expects the Chinese to balk at beef produced from animals fed rations containing the beta-agonist ractopamine.

"I look for China to block beef from animals fed ractopamine and keep turning it away for two to three years," stated Robb.

Turning to a discussion of beef imports to the United States, Robb noted declining imports from Australia, the leading source of manufacturing beef imported to the United States. While increased imports from Brazil are expected, there will be no flood of Brazilian beef to fill the gap. Robb looks for a reduction in total imports of manufacturing beef to be positive for the United States cull cow market.

"I think we're coming to the floor of the cull cow market. We're just not importing as much of that kind of beef," said Robb.

LMIC data indicates that cull cow slaughter tracked higher in the first half of 2016, compared to the previous year, and total cow slaughter is expected to be about 10% higher than in 2015. Robb said cow culling appears to be returning to a more "normal" rate. He also expects a return to the more typical, seasonal price trends, where prices reach lows during a flurry of fall and early-winter cow marketing and then move higher as marketing slows.

"If producers have feed resources to put on economical gain, it could be advantageous to hold cull cows, add weight and sell on a higher market," suggested Robb. "It depends on their cost of gain."

Similarly, calf sellers may want to consider retaining the lightweight end of their calf crops and growing them to heavier weights prior to marketing.

"If you have feed, it could be worth thinking about," added Robb, noting again that success likely hinges on adding weight economically.

Feed costs are down and pasture rents have begun to decline, so Robb sees improved profit potential for stocker and backgrounding operations capable of adding value to calves.

Looking forward, Robb said cow-calf producers are faced with marketing calves against larger supplies than almost anyone expected to see. However, expansion of the national cow herd occurred much more rapidly than expected. As a consequence, Robb looks for cyclically lower calf prices through 2018, but he expects the rate of decline in prices to slow.

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Editor's Note: *Troy Smith is a freelance writer and cattleman from Sargent, Neb.*