

Cattle Prices and Profitability in 2019

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As the livestock economist for Extension at the University of Tennessee, opportunities to forecast cattle prices are never in short supply. Thus, there is always a demand for high quality and accurate cattle price projections. The primary problem is with the supply side, and the problem is that the price forecast changes from one day to the next and even more so from week-to-week or month-to-month.

Given that this article is often written a couple of weeks before it is published, any and all cattle price projections may be of little use by the time it reaches the mailbox or the inbox. However, cattle prices are not the only factor impacting profitability. It may also be beneficial to discuss the 2019 University of Tennessee Extension beef cattle budget and expected costs.

Given the variability and seasonal trends of cattle prices throughout the year, it is necessary to supply an expected annual average cattle price based on given heifer, steer and slaughter cow weights. Based on the 2019 budget, slaughter cows (1,200 pounds) are expected to average \$50 per hundredweight, while 550 pounds steers and 520 heifers are expected to average \$145 and \$130 per hundredweight respectively. Assuming the calving rate is 90 percent and a 2 percent death loss for cows and calves then the expected revenue per cow exposed to the bull is \$623 per cow. Revenue will vary based on weight of animals when sold and the time of year those animals are sold.

Total projected variable expenses in the 2019 cow-calf budget are \$556 per cow not including labor and land costs which would leave a producer with a return to variable expenses of \$67 per cow. The primary costs are pasture and hay which are estimated at \$241 and \$168 per cow respectively. Veterinary and medicine costs as well as salt and mineral costs are each estimated at \$32 per cow while supplemental feed, interest, and marketing costs make up the remaining variable expenses. It is likely the addition of land rent and labor costs would result in a negative return to variable expenses for most operations.

Fixed expenses such as depreciation, interest, insurance, taxes, and repairs on equipment, buildings, and machinery also need to be considered. However, most producers do not consider costs such as depreciation and interest if they do not experience out of pocket costs in a year. Fixed expenses are highly variable across operations as are variable expenses. Given the 2019 budget estimation, fixed expenses for a 50 cow herd are estimated at \$342 per cow resulting in a total cost per cow of \$898 resulting in an economic loss of \$275 per head.

The costs assumed in the budget are not likely to fit any operation perfectly, but they do provide a starting point. An operation's cost structure has a greater influence on differences in profitability among producers than do prices received. This means producers should be evaluating methods of trimming costs that do not negatively impact production and thus revenue or trimming costs that have a greater cost saving benefit than the revenue reduction from the practice. For readers who would like to customize a budget, please visit the following website where the Excel version can be downloaded and edited <https://ag.tennessee.edu/arec/Pages/budgets.aspx>.

2019 Price Projections: Using 500 to 600 pound steers in Tennessee, the first quarter will likely have the highest quarterly average price with prices ranging from \$150 to \$162 per hundredweight with prices slowly increasing throughout the quarter. The second quarter price range projection is from \$147 to \$157 per hundredweight with prices slowly softening after April. Prices will come under increased pressure in the third quarter with prices ranging from \$142 to \$152 with September prices showing a willingness to collapse. Prices in the fourth quarter will continue to struggle in October and November before finding a slight toe hold in December.

Yearling cattle prices are expected to start 2019 off on the soft side which is how they finished 2018. Yearling cattle prices (750-850 lb) are expected to find footing though and be stable throughout

the year with the strongest prices in the third quarter (\$144 to \$154). Prices on either side of the third quarter are expected to be lower, but large price swings are not expected. As a final thought, when all is said and done, a lot more is said than done!