

The Livestock Marketing Information Center (LMIC) has updated slaughter and cattle forecasts in response to the Cattle Inventory report released last week. One of the larger changes that affects forecasts not only in 2021 but in 2022 is the calf crop revisions and new calf crop data. For a comprehensive overview of the report, refer to the [02/01/2021 DLR](#).

Revisions to the 2019 calf crop were expected, leaving little changed in the commercial slaughter number forecast in 2021 as the 2019 calf crop should be working its way out by the end of the first half of 2021. LMIC is currently forecasting commercial slaughter to be down half a percent in 2021 on the year. Commercial slaughter for 2022 is expected to be down 1.9%.

The calf crop includes dairy calves and is effected by the size of the dairy herd as well retention of breeding stock in both dairy and beef herds. The Cattle inventory number showed cow-calf producers are not expanding, and holding in a steady state. Heifer slaughter is expected to be smaller than it has been in the last two years as producers replace cows. This would return heifer slaughter to a more normal ratio in feedlots, and is not necessarily implying expansion in the beef herd in further years. LMIC's forecasts assume the current contractionary cycle in the beef herd continues in 2021, and that cow-calf returns are not expected to lead to expansion until after 2022. LMIC's forecasts are also assuming cow slaughter will moderate in 2021 and shrink further in 2022. This includes normal herd turnover rates in the dairy herd inventory as well.

Overall, beef production will follow declining commercial slaughter. LMIC is forecasting beef production in 2021 will fall 1.2% from 2020 numbers and 2022 will fall another 1.4%. Dressed weights moved beef production in 2020 higher than slaughter levels would have implied. Those weight gains are expected to stabilize in 2021 and post a year-over-year decline of less than 1%, but still more than 10 pounds over 2019's annual average dressed weights. In 2022, it is assumed gains to dressed weights will follow the historical trend, placing them about half a percent over 2021's annual average.

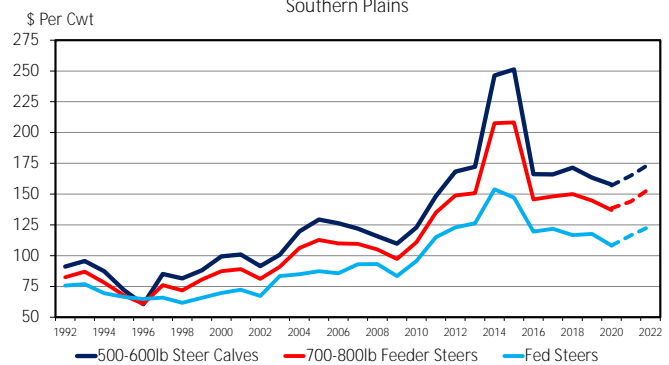
The contraction in cattle supplies is expected to support cattle prices from feeders to feds in the next two years. LMIC is estimating the Live Steer 5-area annual average price will fall between \$114-\$119 per cwt in 2021. The highest quarter likely to be in the 4th quarter, but edging out second quarter prices only slightly. Next year, the annual average price increase in fed cattle is expected to gain another 5-7% over 2021.

Feeder cattle prices are under considerable pressure from feed costs in early 2021. First quarter prices in 2021 are expected to be below 2020, but that future quarters will post gains over the choppy 2020 prices. LMIC has 4th quarter steer calf prices gaining 9% over

2020, and the annual average up about 5% in 2021 over 2020. That trend will continue, 2022 is expected to be up another 6% from 2021. Yearling prices are also expected to gain 5% in 2021 over 2020, and in 2022 those gains could be even better, up closer to 8%. That assumes corn and soybeans will gain acres and return to trend line yields from the crop planted in 2021 and that prices across both feed grains will slip in the 2021-2022 crop year. It's anticipated that feed cost volatility will make calf and yearling prices volatile in 2021.

Outlooks can change, and this year's primary drivers for the cattle industry will focus on drought/feed costs, as well as demand rebounds in the U.S. and abroad.

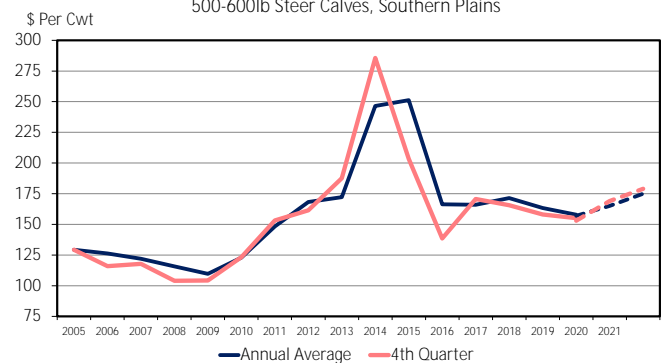
AVERAGE ANNUAL CATTLE PRICES
Southern Plains



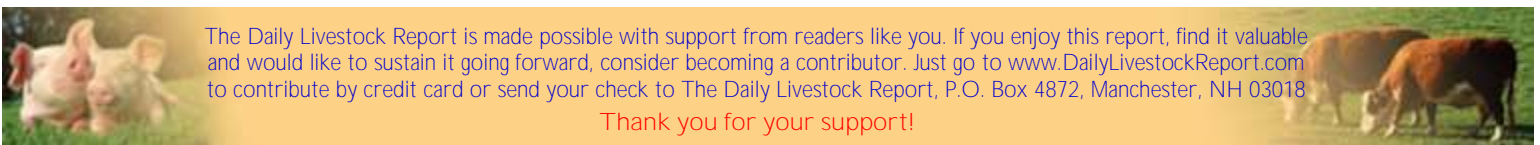
Data Source: USDA-AMS, Compiled and Forecasts by LMIC
Livestock Marketing Information Center

C-P-06
02/03/21

AVERAGE CALF PRICES
500-600lb Steer Calves, Southern Plains



Data Source: USDA-AMS, Compiled and Forecasts by LMIC
Livestock Marketing Information Center



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