

## **Beef and livestock prices in North America: the rally has come to an end**

### **Globally, the overall profitability of beef production unchanged or improved in 2016**

After the rally of North American beef and livestock prices in 2014/2015, price in both countries came down in 2016 along with costs. In the majority of countries in the *agri benchmark* Network overall profitability remained the same or improved slightly compared to the previous year.

This was one of the main conclusions of the *agri benchmark* Beef and Sheep Conference 2017 hosted by the Canfax Research Services (a division of the Canadian Cattlemen Association) in Saskatoon, Saskatchewan, Canada, from June 17-23.

Price developments showed an unusual north/south divide, caused by recent severe southern Hemisphere droughts, macro-economic and currency shifts and policy changes in beef (especially in Argentina) and dairy (in Europe). Domestic beef (as well as most livestock) prices in the Northern Hemisphere decreased up to 10 percent in 2016. Declines of 20 percent in the US and Canada were particularly strong but they remained above the three-year average. In contrast, most countries in the Southern Hemisphere saw price increases, led by Australia with beef prices up about 20 percent. However, when expressed in USD-terms gains have been offset by further depreciation of exchange rates in many countries. In most of the Northern Hemisphere, feed prices remained the same or declined slightly but usually less than 10 percent. In contrast, most Southern Hemisphere countries showed a slight increase of feed costs in the same range, mainly driven by drought conditions.

### **Profits stable or improved but structural change continues**

The result of price and cost developments were constant or slightly improved profits in 2016 in most countries, with the EU farms showing the lowest profitability of all regions. In a separate session, the question was addressed why farms with negative long-term profitability of the beef and sheep enterprises are still there. Brenna Grant, the Canadian host of the conference summarised: “In the short-term, the most plausible answer appears that the opportunity costs (especially for labour) are not considered. Looking longer-term, a number of reasons seem responsible for the persistence of certain enterprises. For example, income from other farm enterprises, off-farm income, subsidies, appreciating land values, lifestyle decisions, and family legacy”. While the pace of structural change is slow, it continues to take place showing that there are always people going out of business if one or more of the above criteria are not met. It can be expected that under the present political conditions and price relations this structural change will continue to take place, especially in countries with relatively small farm sizes.

When it comes to different production systems, cow-calf outdoor systems with no barn for winter feeding appear to have lower costs and higher profitability than systems with winter barn confinement and related feed infrastructure. In the finishing enterprises, no superiority of a particular system can be identified.

## Key factors of success

Another session was aimed at identifying the main drivers of profitability for cow-calf and beef finishing enterprises. Unsurprisingly, management abilities were mentioned the most, as they transfer into a multitude of measurable performance and economic indicators well known to the agriculture community. Measuring the status quo and incremental development through record keeping remains a pre-condition for success. This starts with basics, like weighing animals, using a computer and other existing technologies.

Given the global discussion about the environmental impact of beef production, sustainability remains a key issue. Ruaraidh Petre, executive director of the Global Roundtable for Sustainable Beef, noted “GRSB will create a global platform for data reporting and sharing as well as identify key global metrics and develop methods to track from available data”. Referring to this statement, Ernesto Reyes, *agri benchmark*'s manager international institutions, pointed out that “... with *agri benchmark*'s methods, tools and experiences on measuring practice change and providing evidence on sustainability practices in various farming situations, we are in the position to make a substantial and unique global contribution to these activities.”

All the above and more issues will be covered by the 2017 Beef and Sheep Report which can be ordered from the *agri benchmark* website (<http://www.agribenchmark.org/beef-and-sheep.html>) in the fourth quarter of 2017.

Next year's conference is scheduled to take place in Galway, Ireland in mid-June 2018.

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***agri benchmark*** Beef and Sheep is a global non-profit network of agricultural economists, coordinated by the German Thünen Institute and the non-profit company global networks. Its aim is to generate and disseminate reliable and usable analysis of major trends in global livestock production for decision makers. For more information please visit [www.agribenchmark.org](http://www.agribenchmark.org)