

## In The Cattle Markets

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### Synthesizing a Cloudy Crystal Ball for 2013 and Beyond...

As industry stakeholders return to their normal routines following completion of the holiday season it is worth taking a moment to ponder some of the broader factors driving the economic situation facing the U.S. beef industry. The core fundamentals of historically tight beef supplies and the important role of beef demand strength are well established in existing articles. Beyond those important points, here are some broader trends that producers should monitor. Namely, producers are encouraged to expect:

- ... uncertainty “outside” the cattle industry to persist.
  - Topics including weather, federal budget debates, regulations, farm bill details, and a host of other issues beyond the control of individual producers will continue to underpin an environment of higher uncertainty than most producers are used to and likely comfortable with. This elevated uncertainty will result in reduced or delayed investment (e.g. expansion of the national beef cow herd) and decreased desire to “stay the course” by some entities operating in sectors with expanding excess capacity concerns (e.g. feedlots and processors).
- ... the unexpected to become typical.
  - While it is nearly impossible to precisely predict events such as the LFTB controversy producers are encouraged to recognize the trend of the public asking more questions about how their food is produced is likely to continue. In short, the combination of reduced costs incurred when asking questions (i.e. online comments are basically free to post), elevated meat prices (which spurs additional interest by consumers), and increased interest (both by producers and consumers) in new as well as established technologies will lead to ongoing inquiries, debates, and changes similar to those characterizing the LFTB experience in 2012.
- ... changing composition of beef consuming households.
  - As per capita beef supplies hit historically low levels the make-up of households remaining active beef consumers will change. Understanding this not only in aggregate both domestically and globally, but in less aggregated forms across product types will become increasingly important. Ultimately producers need to appreciate that economic value to the industry is dictated by the assessment consumers hold for beef products. Increased recognition of this and expanded interest in “growing the pie together” rather than “increasing my share” is critical.
- ... national policy debates within the industry to continue.
  - The past year involved renewed and continued debates on national issues including animal identification and country of origin labeling. Given the

above noted public interest in food production and the diversity of views and situations characterizing operations in the U.S. beef industry related deliberations are bound to continue.

- ... ongoing prospects of trade deals being passed or adjusted to continue.
  - It is well established that U.S. cattle producers operate in an increasingly global marketplace. The ability of the industry to send its products to the highest value market outlets and the comparative interest in countries worldwide to expand or adjust their meat consumption patterns will progressively influence economic prospects for the U.S. industry going forward.

Ultimately, segments of the industry that are most comfortable with this increasingly complex, uncertain, and dynamic business environment will be those who stay the course, reinvest, and expand their operations. Conversely, those less comfortable will have reduced prominence in the industry going forward. The net impact of this will dictate who remains in the beef producing business and characterize what the industry offers to potential consumers. Overall I remain bullish about the prospects for producers relatively comfortable with this “new environment.” Regardless of your agreement with this, I encourage industry stakeholders to stay attuned to the set of issues highlighted here and wish everyone a healthy, enjoyable, and prosperous 2013.

### The Markets

Cattle prices last week were flat to slightly higher. Fed cattle trade was very limited in volume with traded prices being about \$1 higher at over \$128/cwt on a live weight basis. Continued support from lower corn prices propped up feeder prices. Corn prices were down slightly for the week trading at \$7.17 in Omaha.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 1/4/13</b>	<b>Week of 12/28/12</b>	<b>Week of 1/6/12</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$128.12	\$127.03	\$120.97
	all grades, dressed weight, \$/cwt	\$205.02	\$202.05	\$196.76
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$194.31	\$194.00	\$192.34
	Choice-Select Spread, \$/cwt	\$12.02	\$14.34	\$12.52
<b>700-800 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$143.18	--	\$145.87
	Nebraska 7-market average, \$/cwt	\$154.04	--	\$151.87
	Oklahoma 8-market average, \$/cwt	--	--	\$145.20
<b>500-600 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$169.10	--	\$171.68
	Nebraska 7-market average, \$/cwt	\$176.25	--	\$184.29
	Oklahoma 8-market average, \$/cwt	--	--	\$165.19
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$7.17	\$7.19	\$6.34
	DDGS Price, Nebraska, \$/ton	\$268.44	\$271.83	\$223.75
	MWDGS Price, Nebraska, \$/ton	\$141.00	\$142.42	\$111.50