

## In The Cattle Markets

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### Global Trends to 2024 ...

Cattle industry stakeholders are well-served to consider broader, long-term trends impacting the entire meat protein complex. As the markets turn into the second half of 2015, it is useful to pause and reflect on available reports that provide corresponding projections from various sources. One such source is the *OECD-FAO Agricultural Outlook 2015* which was recently released<sup>1</sup>. This report provides projections to 2024 for major agricultural commodities throughout the world.

The punchline of this report for the meat complex can be succinctly ascertained by highlighting three quotes (all from page 119):

- “The Outlook for the meat market remains largely positive, with feed grain prices set to remain low for the projection period restoring profitability in a sector that had been operating in an environment of particularly high and volatile feed costs over most of the past decade.”
- “Global meat production rose by almost 20% over the last decade, led by growth in poultry and pigmeat (pork). Over the next decade, global meat production will expand at a slower rate, and in 2024 will be 17% higher than the base period (2012-14). Developing countries are projected to account for the vast majority of the total increase through a more intensive use of protein meal in feed rations in the region. Poultry meat will capture more than half of the additional meat produced globally by 2024, compared to the base period.”
- “Growth in meat trade is projected to decelerate compared to the past decade. Globally almost 11% of meat output will be traded. The most significant growth in import demand originates from Asia, which captures the greatest share of additional imports for all meat types. Africa is another fast growing meat importing region albeit from a lower base.”

While entire Ph.D. dissertations could be written on multiple aspects of this report, it is important that today’s industry leaders think about two key questions. The first key question is what is the true comparative advantage of the U.S. beef industry? The answer to this question underlies the position of U.S. beef in the global meat protein complex and will significantly impact the ability of the U.S. to benefit from projected global protein demand growth. The second critical question is for each producer and manager to self-assess and identify their firm’s own comparative advantage. This is essential for individual business prosperity and longevity regardless of where the national industry is positioned globally.

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<sup>1</sup> The full report is available online: [http://www.oecd-ilibrary.org/agriculture-and-food/oecd-fao-agricultural-outlook-2015\\_agr\\_outlook-2015-en](http://www.oecd-ilibrary.org/agriculture-and-food/oecd-fao-agricultural-outlook-2015_agr_outlook-2015-en)

While it is easy to get lost in important day-to-day issues, industry leaders would be well served by periodically pausing to seriously consider both comparative advantage questions.

### The Markets

Cattle prices last week generally increased from prior week levels. The 5-area live fed cattle price for the week was up \$2.56/cwt while Nebraska yearlings traded higher at \$247.25/cwt. Corn prices were up for the week trading at \$4.30/bu in Omaha.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 7/3/15</b>	<b>Week of 6/26/15</b>	<b>Week of 7/4/14</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$151.35	\$148.79	\$157.61
	all grades, dressed weight, \$/cwt	\$240.09	\$237.89	\$249.44
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$252.09	\$254.31	\$247.80
	Choice-Select Spread, \$/cwt	\$3.26	\$5.37	\$7.89
<b>700-800 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$247.25	\$246.88	\$212.89
	Oklahoma 8-market average, \$/cwt	\$230.25	\$230.05	\$216.48
<b>500-600 lb. Feeder Steer</b>	Nebraska 7-market average, \$/cwt	\$305.00	\$302.89	\$262.50
	Oklahoma 8-market average, \$/cwt	\$262.89	\$266.80	\$255.13
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$4.03	\$3.78	\$4.05
	DDGS Price, Nebraska, \$/ton	\$122.63	\$122.30	\$136.88