Cattle Situation and Outlook

January 2011

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Livestock Economist
www.ag.ndsu.edu/livestockeconomics
In The Cattle Markets
November 8, 2010

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Northern Plains Calf Markets

The fall calf marketing season started a little later than normal in the Northern Plains, but is now ramping up. Good pasture and range conditions, plenty of crop aftermath grazing, and ideal fall weather for harvesting late maturing crops limited fall calf marketing. So, unlike the relatively poor pasture conditions and short hay supplies in the Southeastern U.S. that John Michael Riley reported in the “In The Cattle Markets” column last week; the Northern Plains is in very good shape. Hay prices reported by NASS, USDA are lower in North Dakota than in any other state.

A rain and snow storm in parts of the Dakotas and Montana on October 25-27 further limited movement of calves to market, but put producers in the mood to start weaning and marketing. Last week (Nov. 1-6) saw the biggest runs of calves at Northern Plains’ auction barns for the season. This week should be another big week for marketing calves.

Calf prices in the Northern Plains have generally been declining seasonally the last couple of months as corn prices have surged. But prices have averaged about $15 per hundredweight above the last two year’s depressed levels. A wide range in prices for the same weight and grade of calves at the same auction market is being reported due to the many factors that affect calf value. North Dakota auctions last week reported a $12 to $13 per cwt. range in prices as typical for a 50 pound weight range in steer prices. Some “value added” calves were reported to bring $15 to $16 per cwt. more than the lowest priced calves in the weight range. A 575 pound steer calf that brings $12/cwt. more returns an additional $69 per head. So, producers are encouraged to contact their market soon for tips on marketing and management practices that can help bring the highest possible prices.

Several Northern Plains auctions reported contra seasonally higher calf prices in the last couple of weeks, just as the heavy runs started. There are several reasons for that. Higher corn prices have caused the spread between the lighter weight calves and the heavier feeder cattle to narrow as feedlots prefer to purchase weight. That has created an opportunity for backgrounding programs that can utilize cheaper forages, co-products, silage, and alternative feed grains such as feed barley in rations. With the ample supply of these in the Northern Plains, the demand for calves to background has picked up.

Another interesting recent development is the renewed interest in Northern Plains’ calves from Canadian feedlots. For the first time since 2003, there are reports of U.S. feeder calves heading north into Canada. Feed barley prices in the Northern Plains and Canada have not increased as much as corn prices. I have been traveling to producer meetings with Dr. Frayne Olson, NDSU Extension crops economist. When giving the crop price outlook he has been mentioning the above average amounts of wheat and field peas in Canada that have suffered from adverse weather conditions and are feed grade. These will also cheapen rations for the Canadian livestock feeding sector. For the week ending November 5, the average price of 501-600 lb. steer prices on a $U.S. basis at cattle auctions in Saskatchewan was reported at $132.09/cwt. compared to across the border in Montana at $123.59. So the cheaper cost of gain there is evident and shows why there may be interest in Northern Plains’ calves.
Bear Demand VS Bull Supply
National Restaurant Association’s Restaurant Index
Values Greater than 100 = Expansion; Values Less than 100 = Contraction

U.S. Meat Trade
Percent Change, 2010 from 2009
Jan-Nov
Livestock Price and Production Patterns

1. Seasonal
2. Cycle
3. Long term
4. Unexpected
Livestock Marketing Information Center
Data Source: USDA/NASS

HEIFERS HELD AS BEEF COW REPLACEMENTS
July 1, U.S.

JULY 1 FEEDER CATTLE SUPPLIES
Residual, Outside Feedlots, U.S.

-2.2%
-3%

Mil. Head

07/23/10
C-N-37
C-N-32
U.S. Total Cow Herd & Beef Production

- Beef Production
- Cow Herd

Smallest cow herd since 1949; 176% growth in beef production

Source: USDA
Is the Cattle Cycle Dead?

When will beef cow slaughter decline?
When will beef herd rebuilding start?
Cattle Price Outlook or LOOK OUT!
Corn Prices – New Plateau!

OMAHA CORN PRICES
Weekly

Corn Prices
– New Plateau!

Data Source: USDA-AMS, Compiled by LMIC
2010 Corn Prices

- Omaha
- Southern Plains
- Hunter
MED. & LRG. #1 FEEDER STEER PRICES
750-800 Pounds, Dakotas, Weekly
MED. & LRG. #1 FEEDER STEER PRICES
750-800 Pounds, Dakotas, Weekly

Livestock Marketing Information Center
North Dakota Weekly Auction Summary - For the week ending Jan 21, 2011

Receipts: 9,831         Last Week 13,705        Last Year 16,527

Combined results of 4 auctions this week: Kist, Napoleon, Stockmen’s and West Fargo.

Compared to last week’s larger receipt numbers feeder steers 500-800 lbs 3.00 to 7.00 higher; over 800 lbs steady. Feeder heifers 400-700 lbs mostly 4.00 to 6.00 higher; 700-800 lbs 1.00 to 3.00 higher. All other weights lacked comparable sales for trending purposes. The action at the auction barns remains very good for most calves offered. Buyers remain very active in their pursuit of feeder cattle. The corn and live cattle futures continue their positive outlooks.

<table>
<thead>
<tr>
<th>Head</th>
<th>Wt Range</th>
<th>Avg Wt</th>
<th>Price Range</th>
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### Feeder Heifers Medium and Large 1

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<th>Head</th>
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</table>
U.S. Monthly Retail and Food Sales

Source: U.S. Census Bureau
SLAUGHTER COW PRICES
85-90% Lean, Weekly

$ Per Cwt.

Data Source: USDA-AMS, Compiled by LMIC

C-P-35
01/05/09
Price Risk Management Tools

• Cash forward contract
• Video and internet auctions
• CME futures
• CME options
• Livestock Risk Protection (LRP)
• Livestock Gross Margin (LGM)
• Which one or combination fits your marketing plan?
A Pot of Gold for the Next Several Years

Questions?