

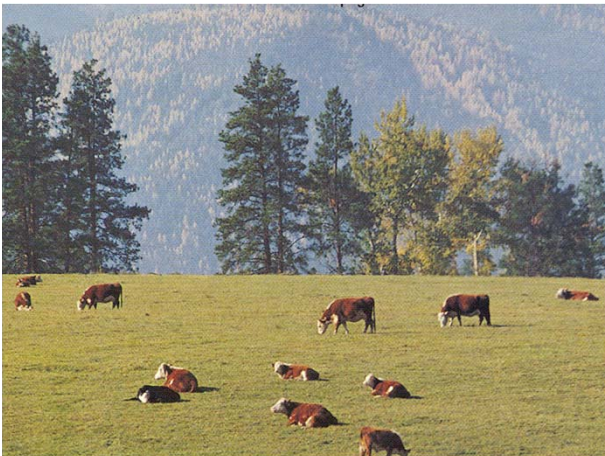
# Cattle Market Situation

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**Gary Brester**

MSU Department of Agricultural Economics and Economics

*Ag in Uncertain Times*



**December 9, 2010**

**Bozeman, MT**



# OUTLINE

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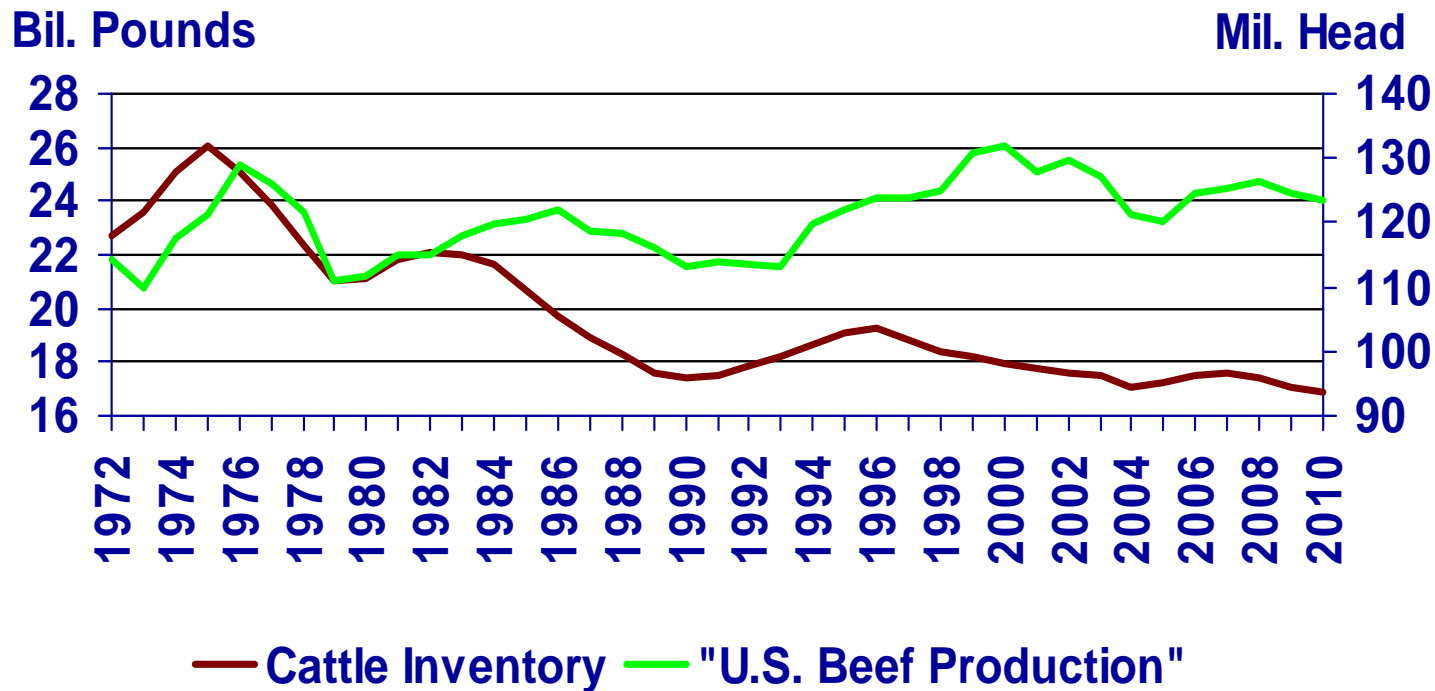
- 1. Cattle Production/Prices**
- 2. Domestic Beef Demand**
- 3. International Trade**
- 4. Price Outlook**
- 5. Price Variability**

# OUTLINE

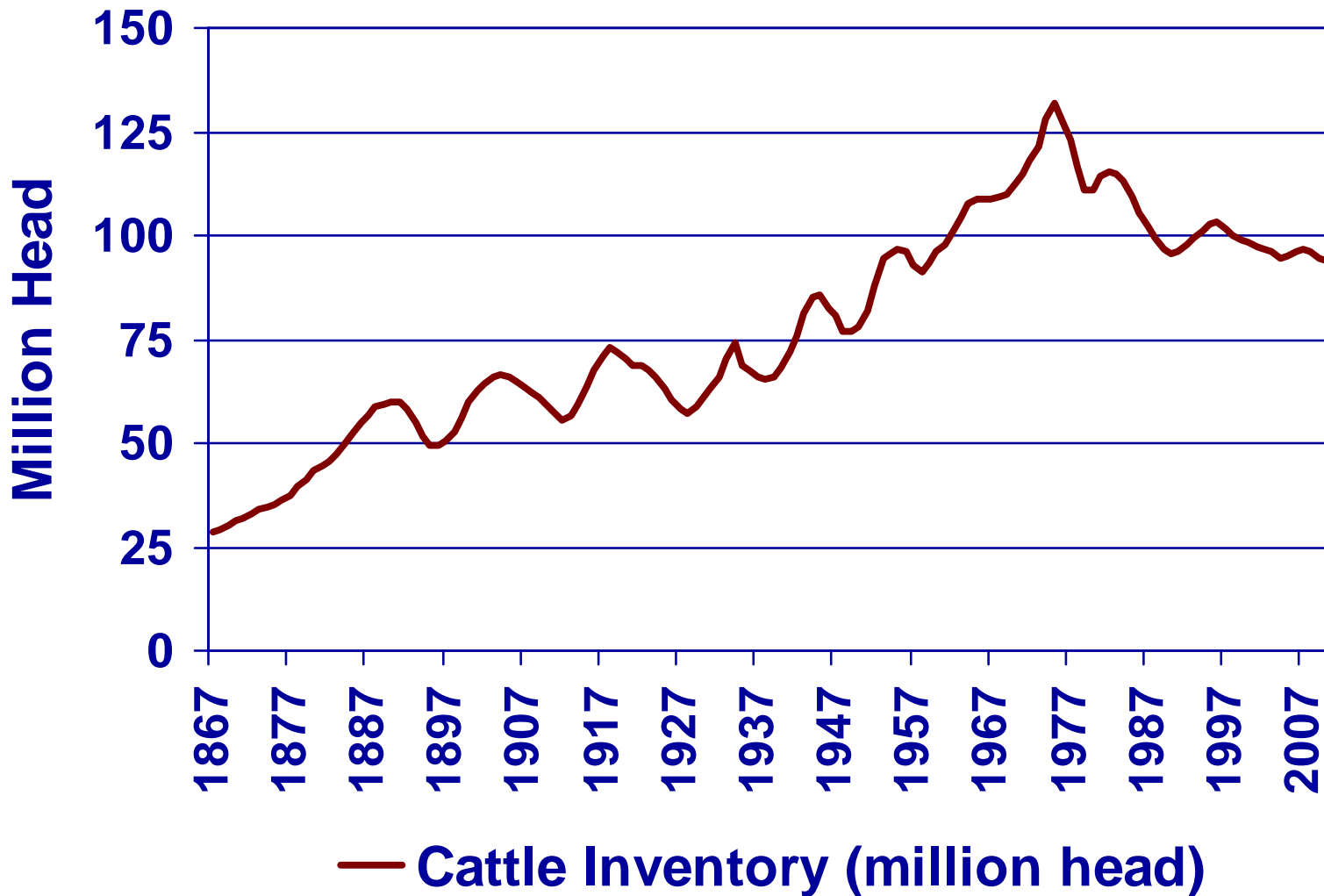
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# “US Beef Production” vs. Cattle Inventory (January 1)

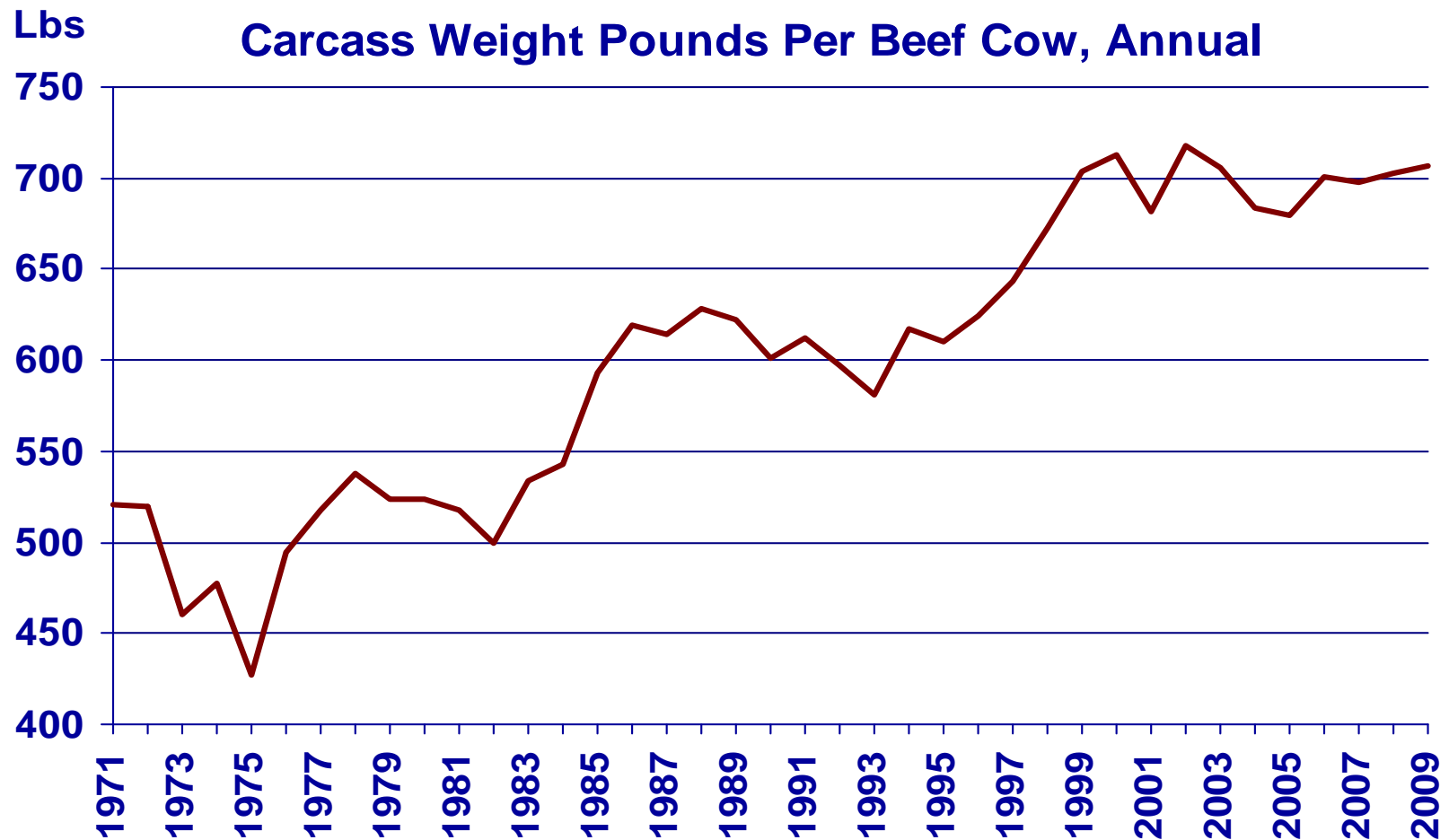


# U.S. Cattle Inventory (January 1)



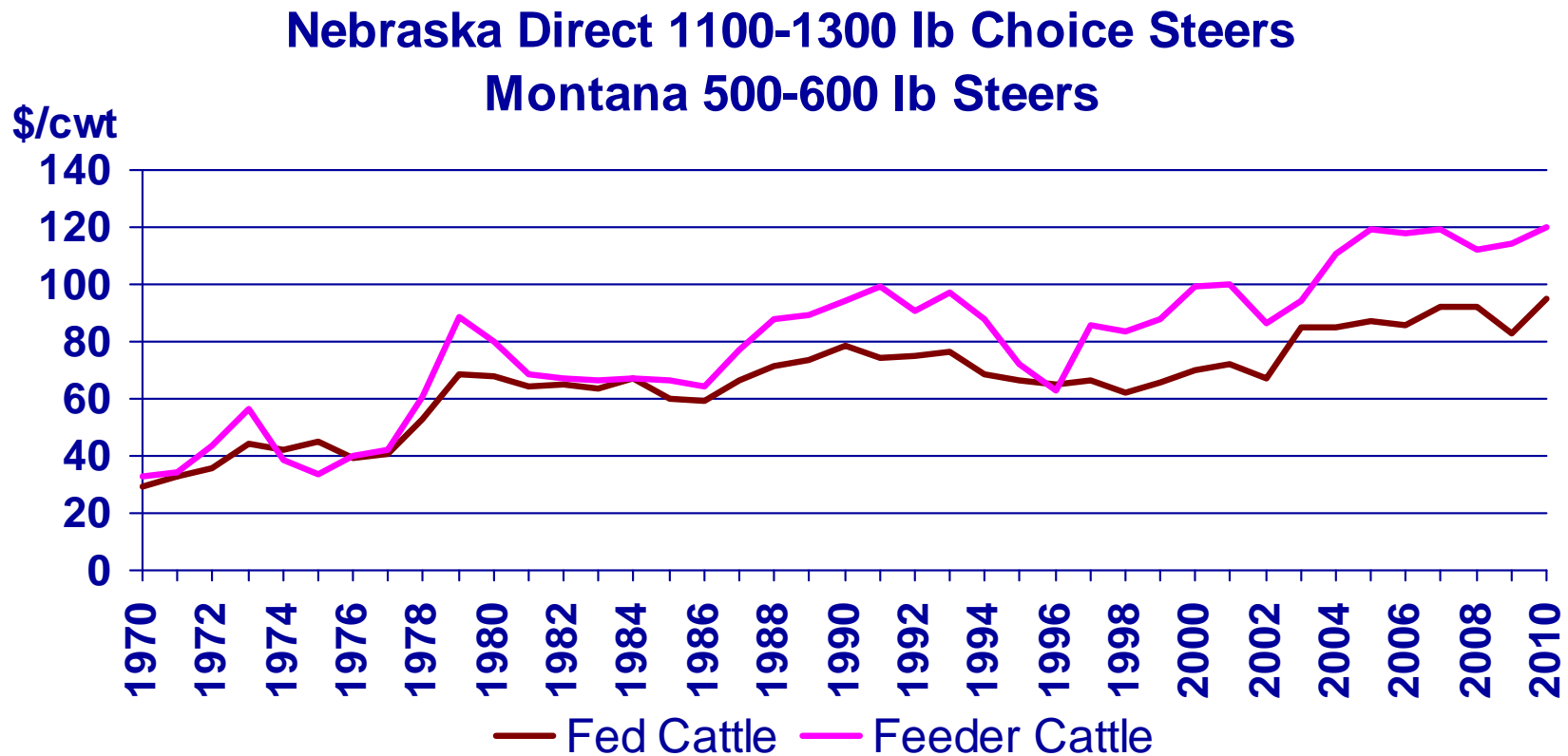
Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

# Productivity of U.S. Beef Cow Breeding Herd

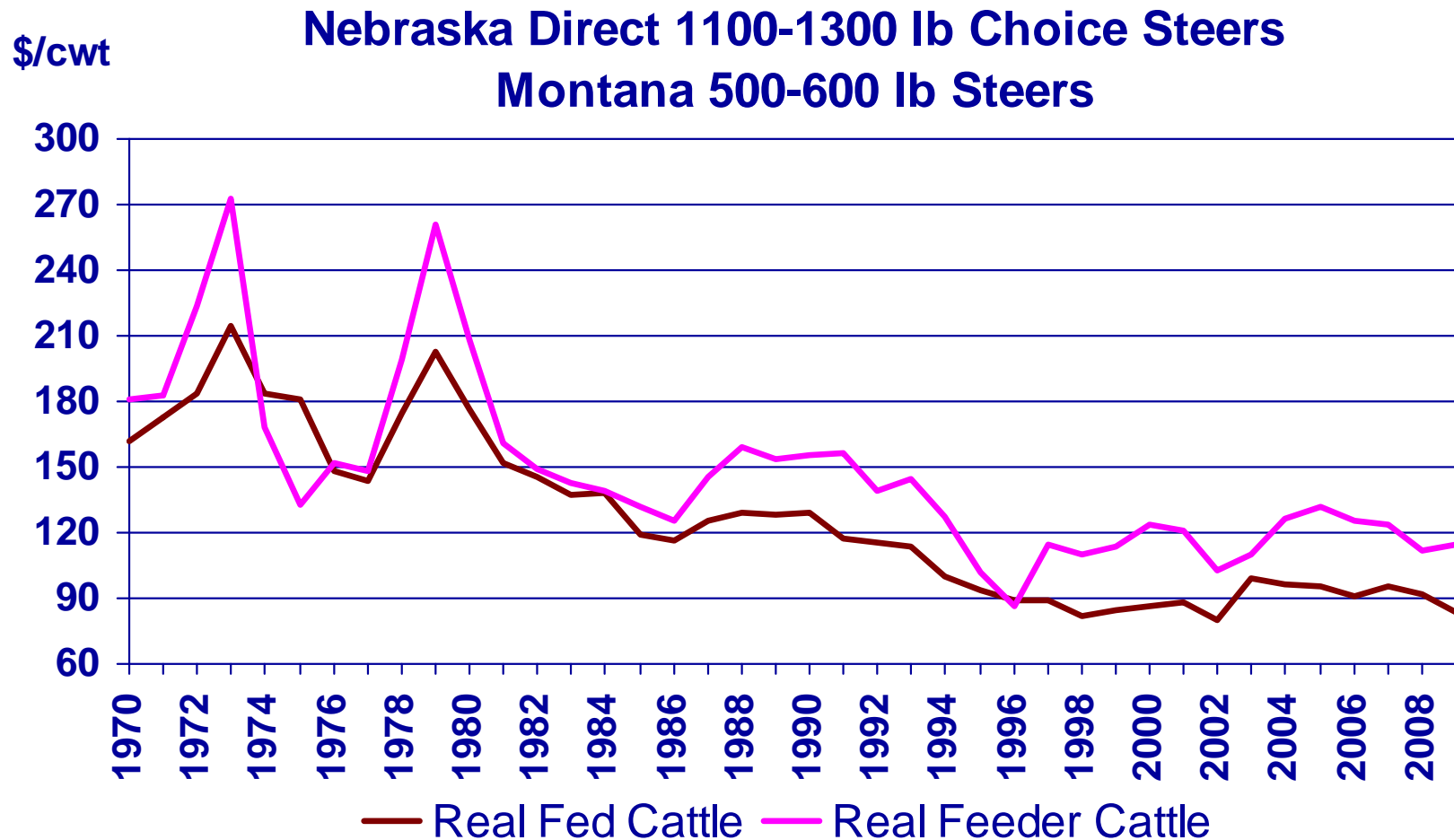


Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

# Nominal Fed And Feeder Cattle Prices



# Real Fed And Feeder Cattle Prices



Source: Livestock Marketing Information Center & Economic Report of the President (2009=100)



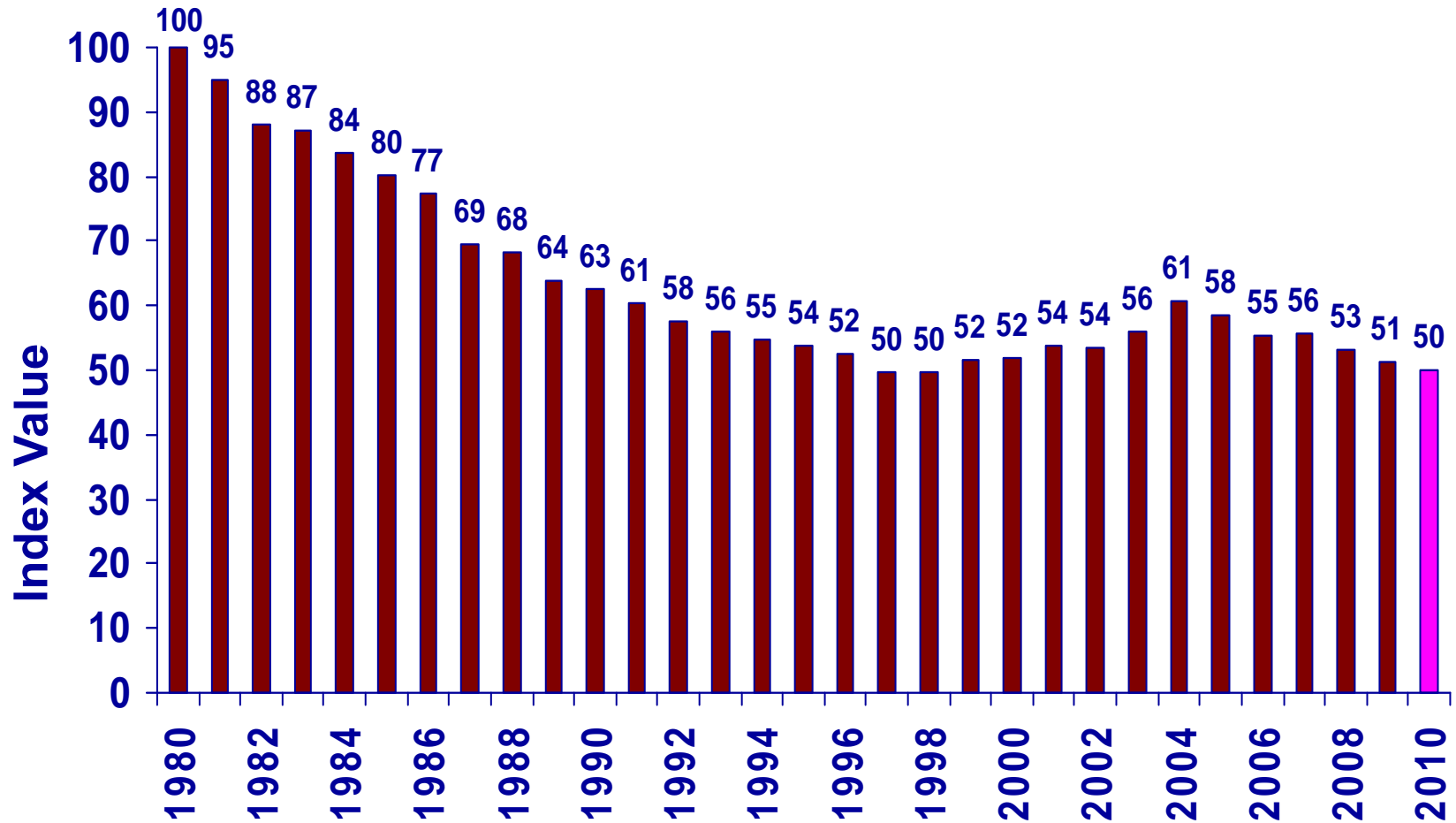
# OUTLINE

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1. **Cattle Production/Prices**
2. **Domestic Beef Demand**
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4. **Price Outlook**
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# U.S. Demand for Beef

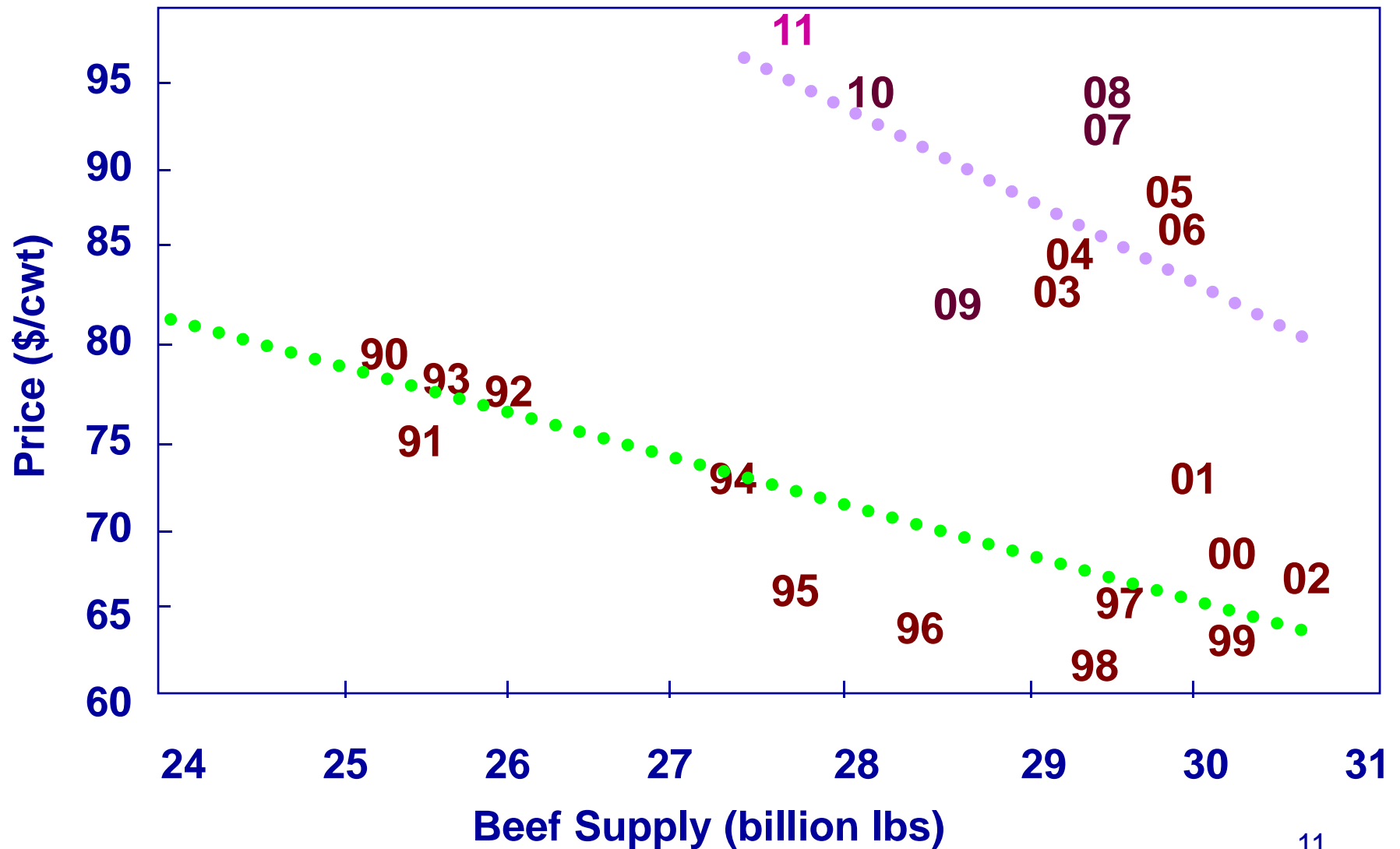
## Choice Retail Beef Demand Index (1980=100)



Source: *Glynn Tonsor, Kansas State University*

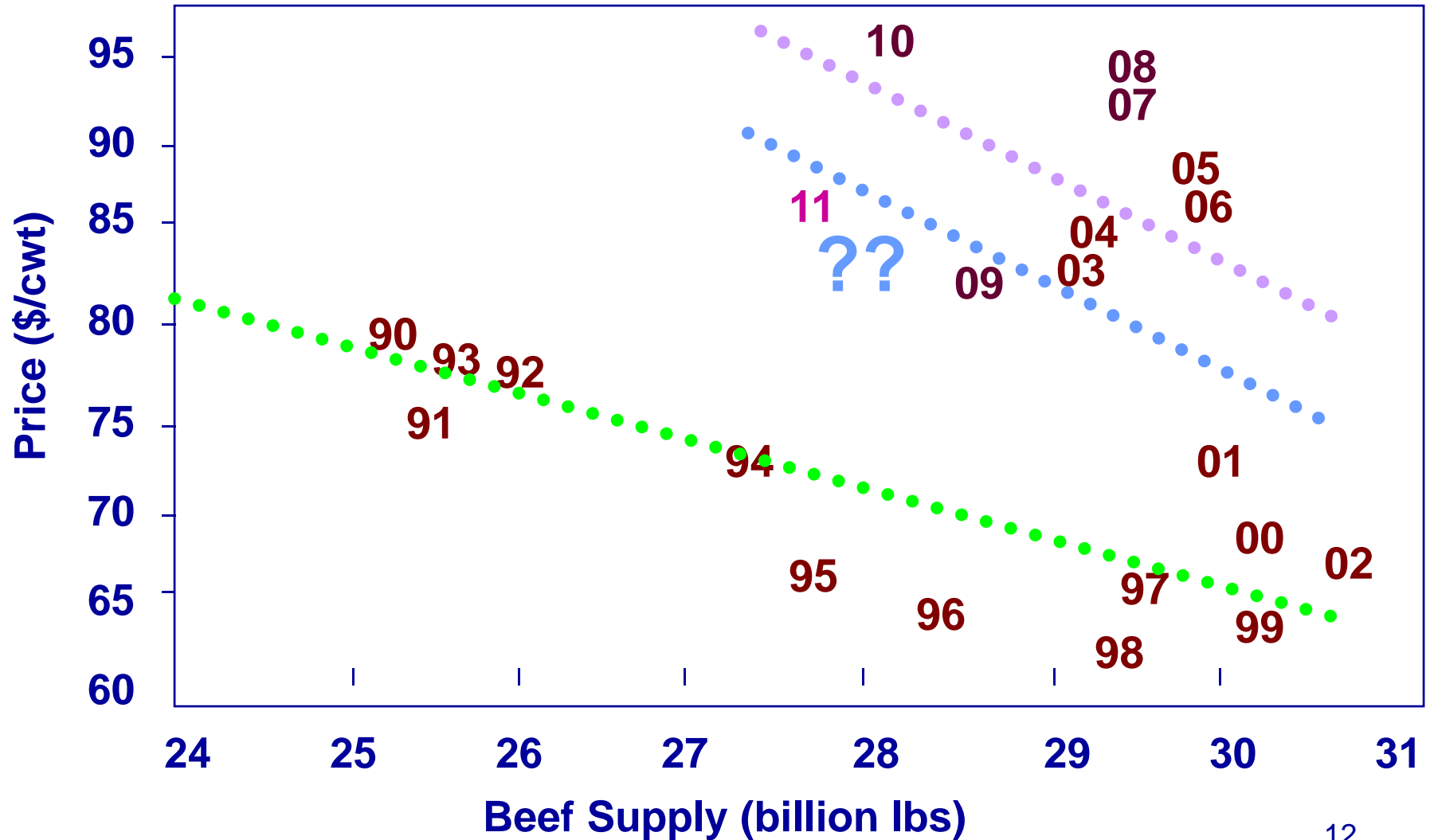
# Demand for Fed Cattle

## *U.S. Fed Steer Price vs. U.S. Beef Supply*



# Demand for Fed Cattle

## *U.S. Fed Steer Price vs. U.S. Beef Supply*



# OUTLINE

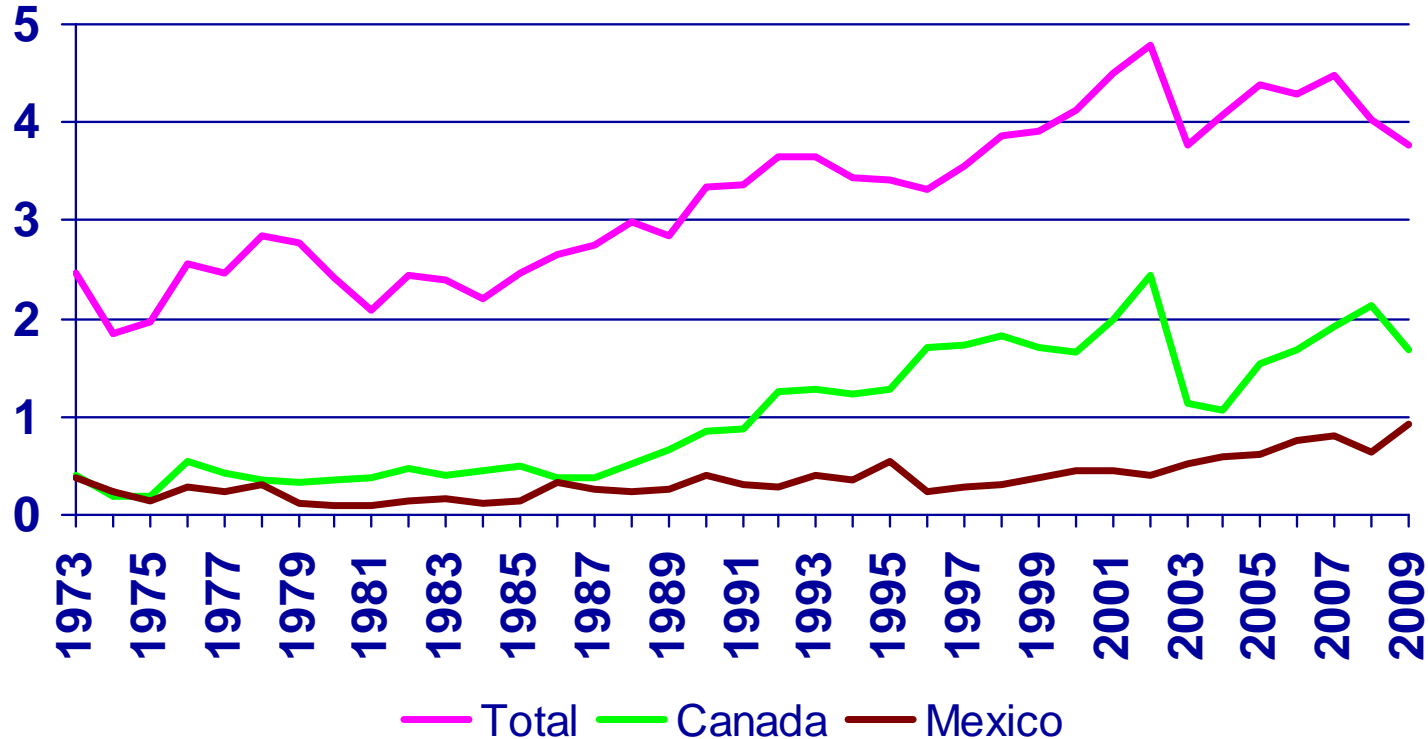
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1. Cattle Production/Prices
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# U.S. Beef, Veal and Live Animal Imports

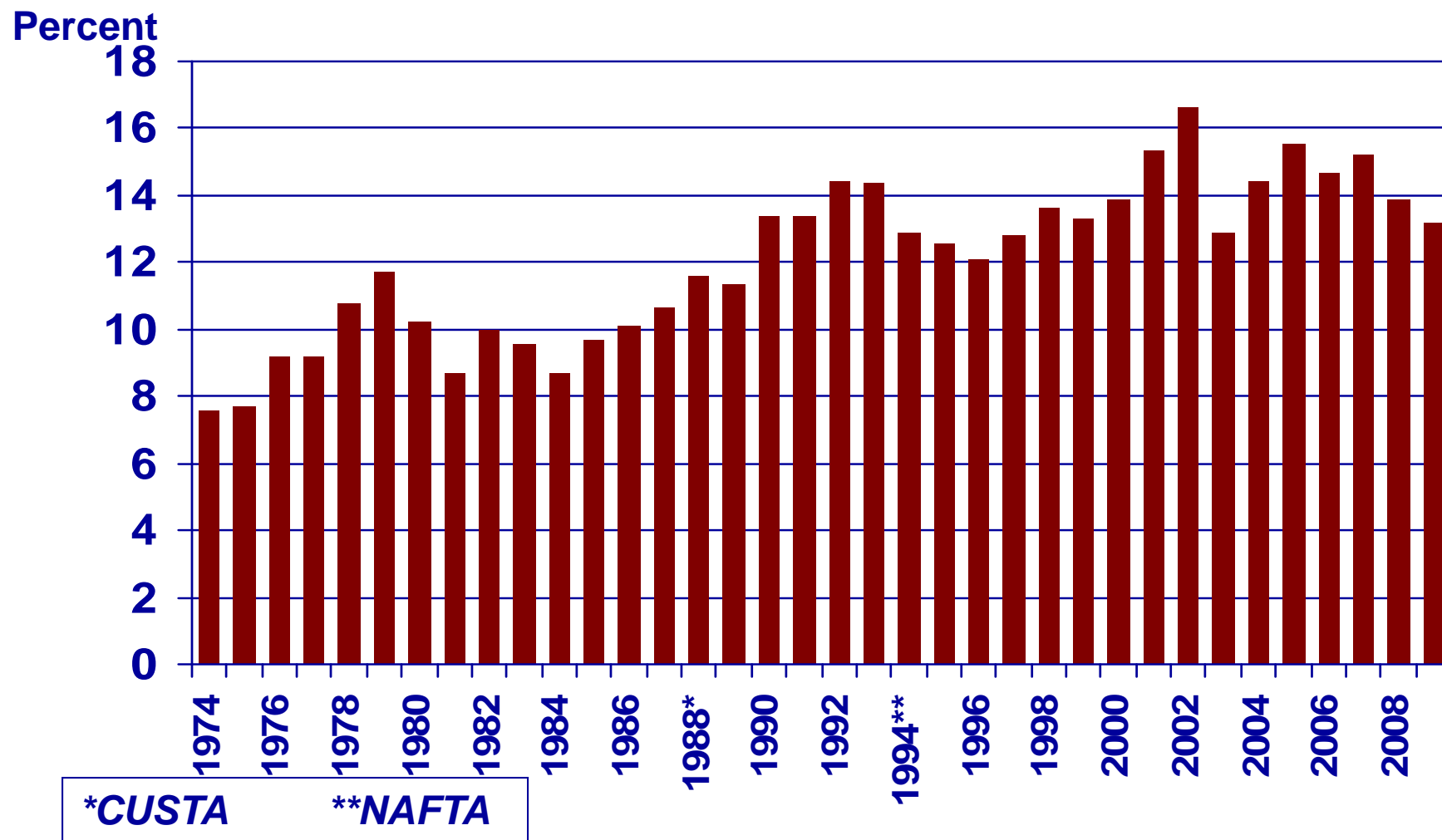
Annual, Billion Lbs, Carcass Weight Basis

Billion Lbs



Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

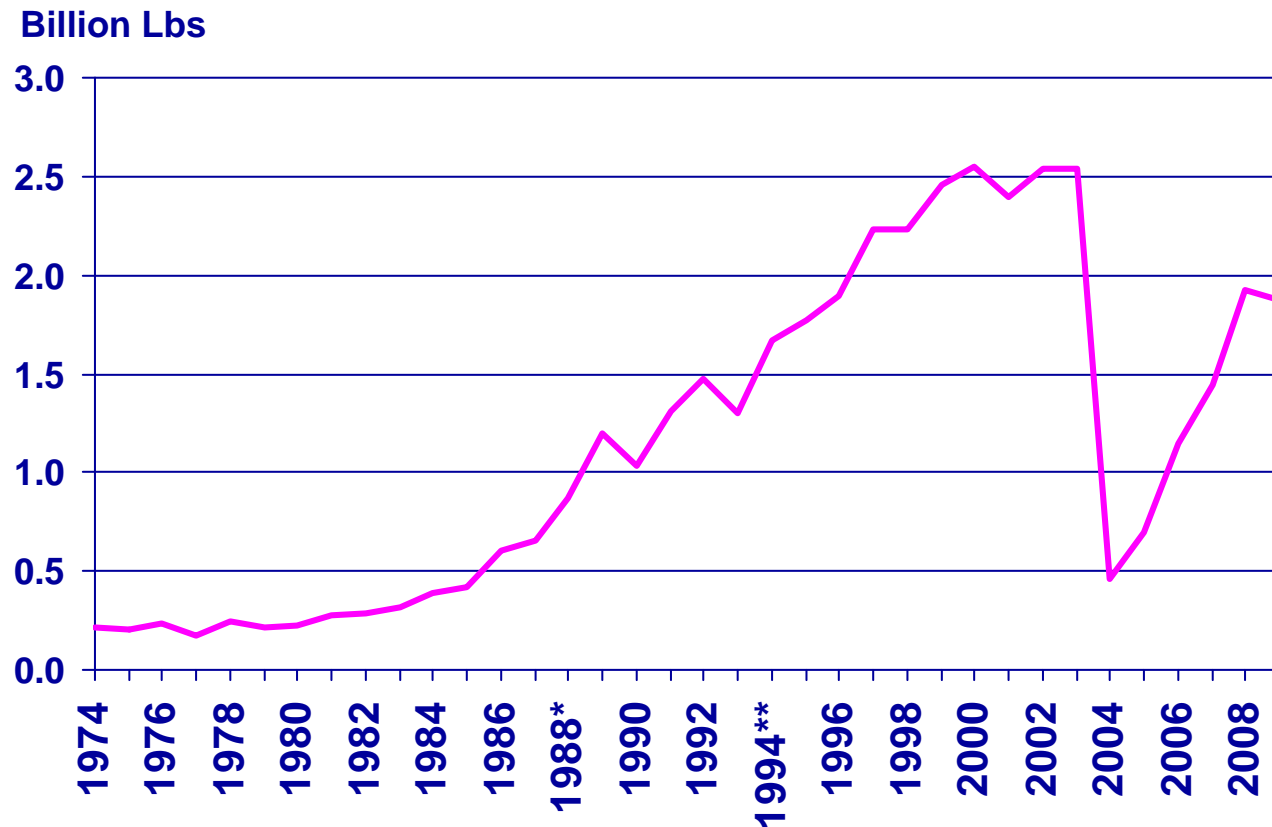
# Beef and Beef From Live Cattle Imports as a Percentage of U.S. Supply



Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

# U.S. Beef, Veal and Live Animal Exports

Annual, Billion Lbs, Carcass Weight Basis



\*CUSTA

\*\*NAFTA

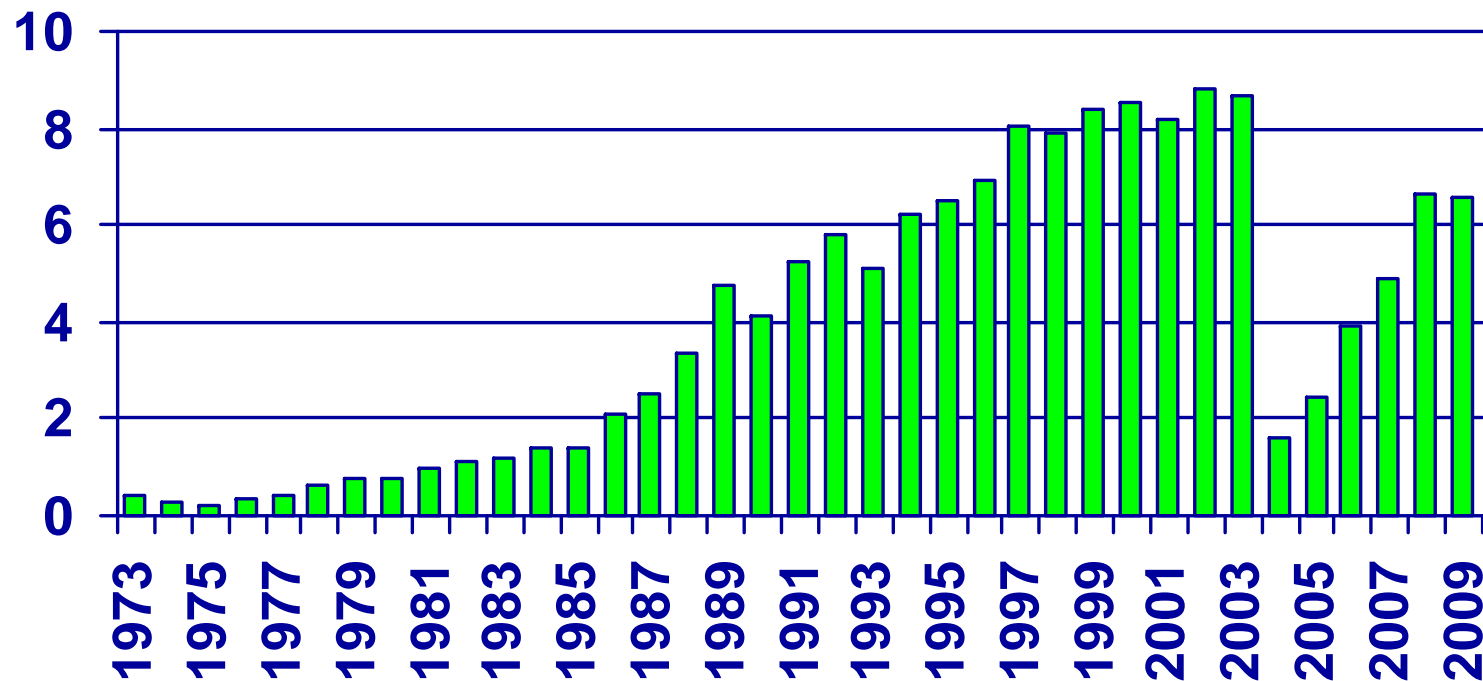
— Total

Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center



# U.S. Beef and Veal Exports As A Percentage of U.S. Beef Supply

Percent

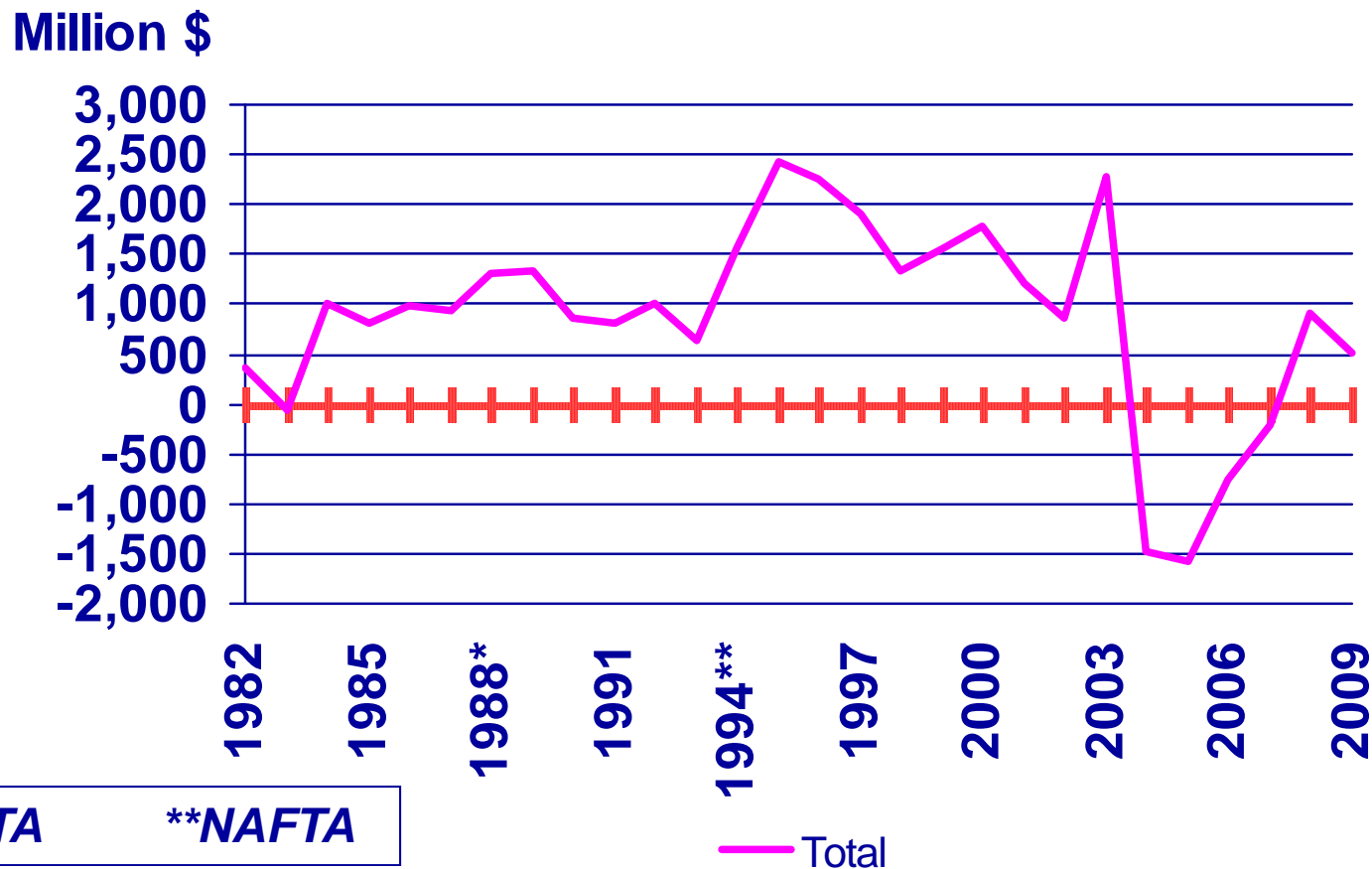


**\*CUSTA**

**\*\*NAFTA**

Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

# Value of U.S. Beef, Veal and Live Animal, By-Product Net Imports/Exports



Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

# OUTLINE

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1. **Cattle Production/Prices**
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# 2011 Cattle Prices

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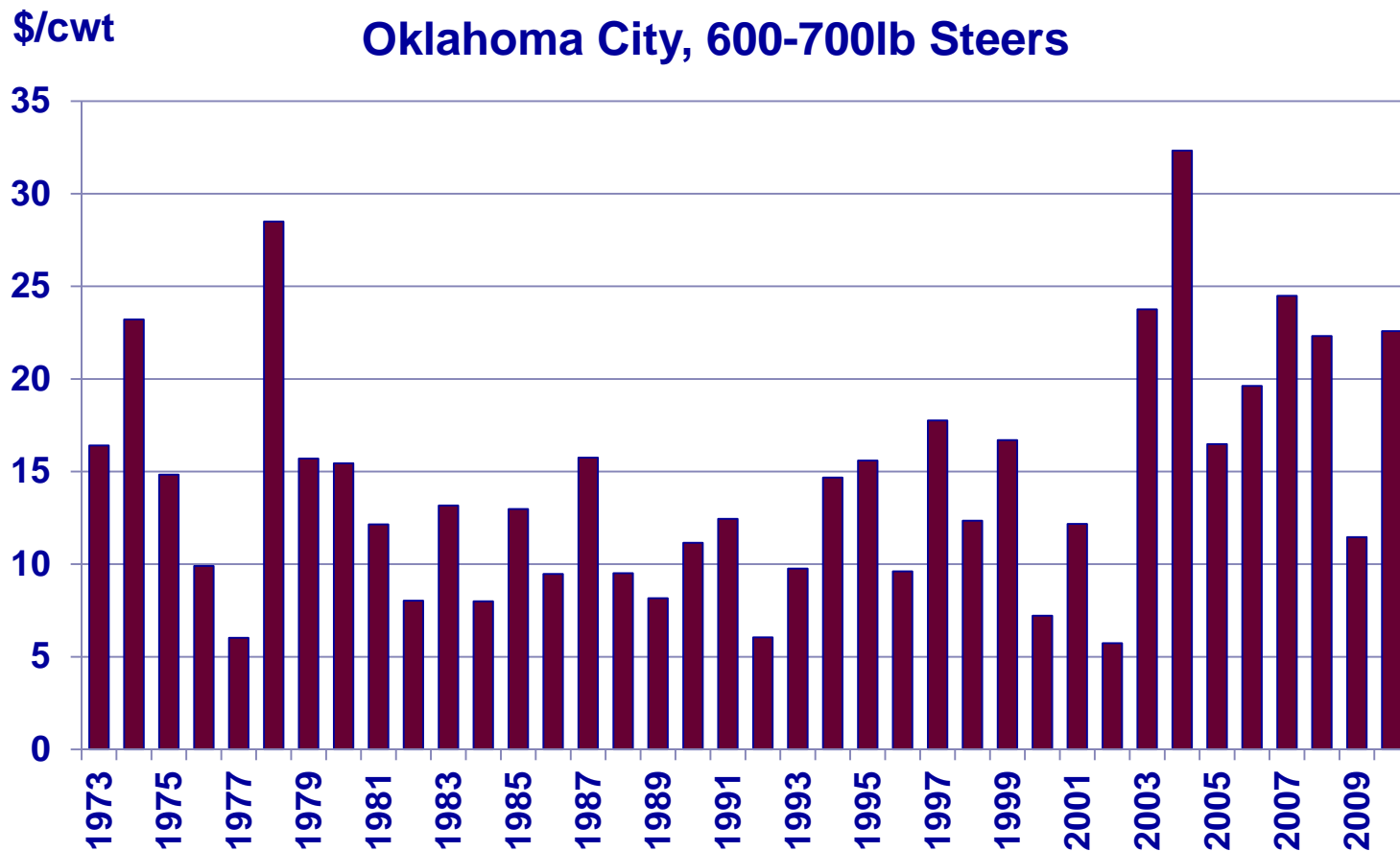
1. **U.S. beef production is forecast to be 2-3% lower in 2011**
  - a. **Exports increased 18% in 2010**
  - b. **Imports declined 5% in 2010**
2. **Economies/beef issues are important**
3. **Domestic/export demand?**
4. **Sept 11 feeder futures \$1.19/lb**
  - a. **Suggests \$1.26/lb for 5-600 lb MT steer calves next Fall (+\$5)**
  - b. **Suggests \$1.16/lb for 6-700 lb (-\$3)**

# OUTLINE

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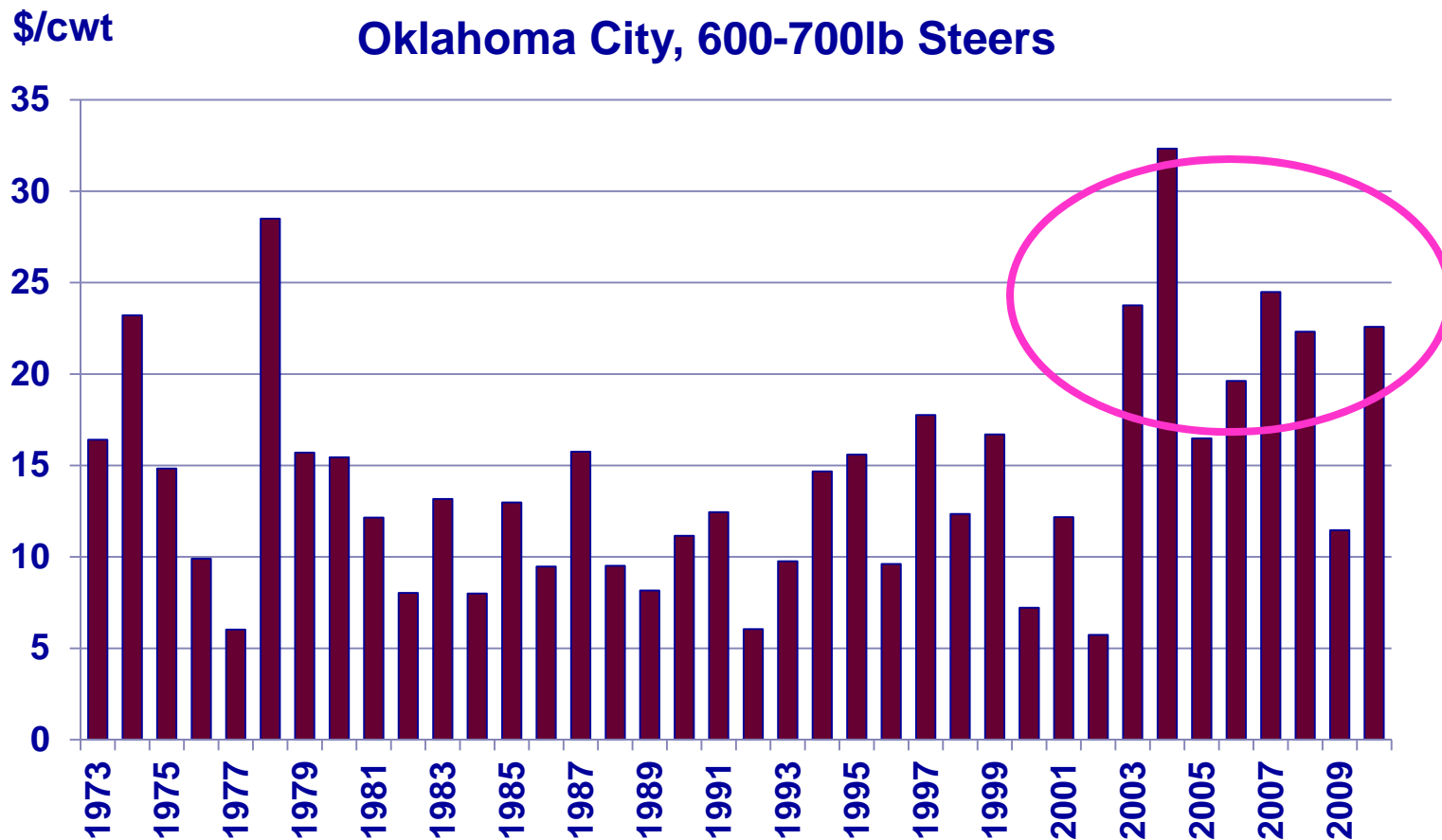
1. **Cattle Production/Prices**
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# Feeder Cattle Cash Price Ranges, 1973-2010



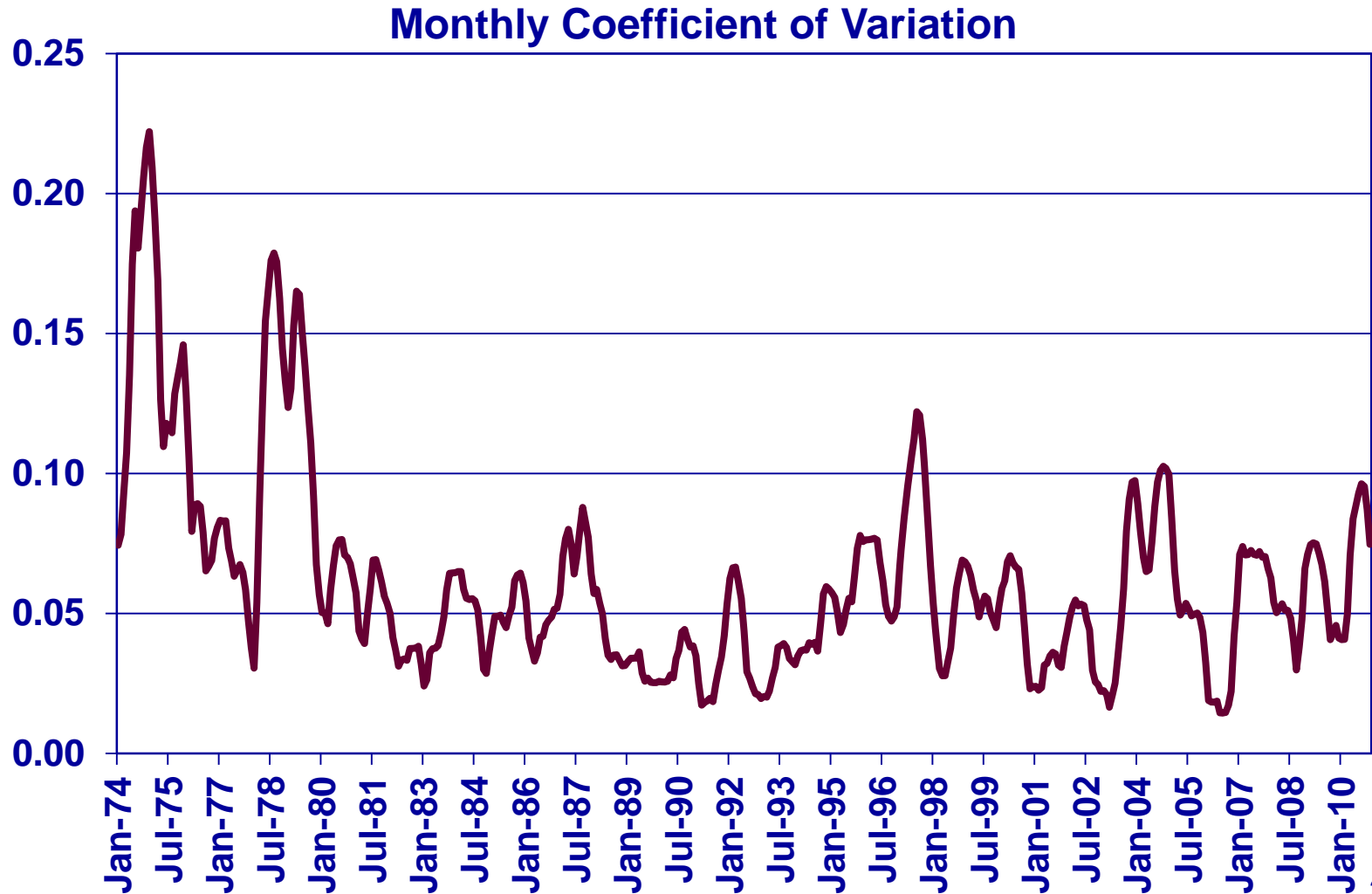
Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

# Feeder Cattle Cash Price Ranges, 1973-2010



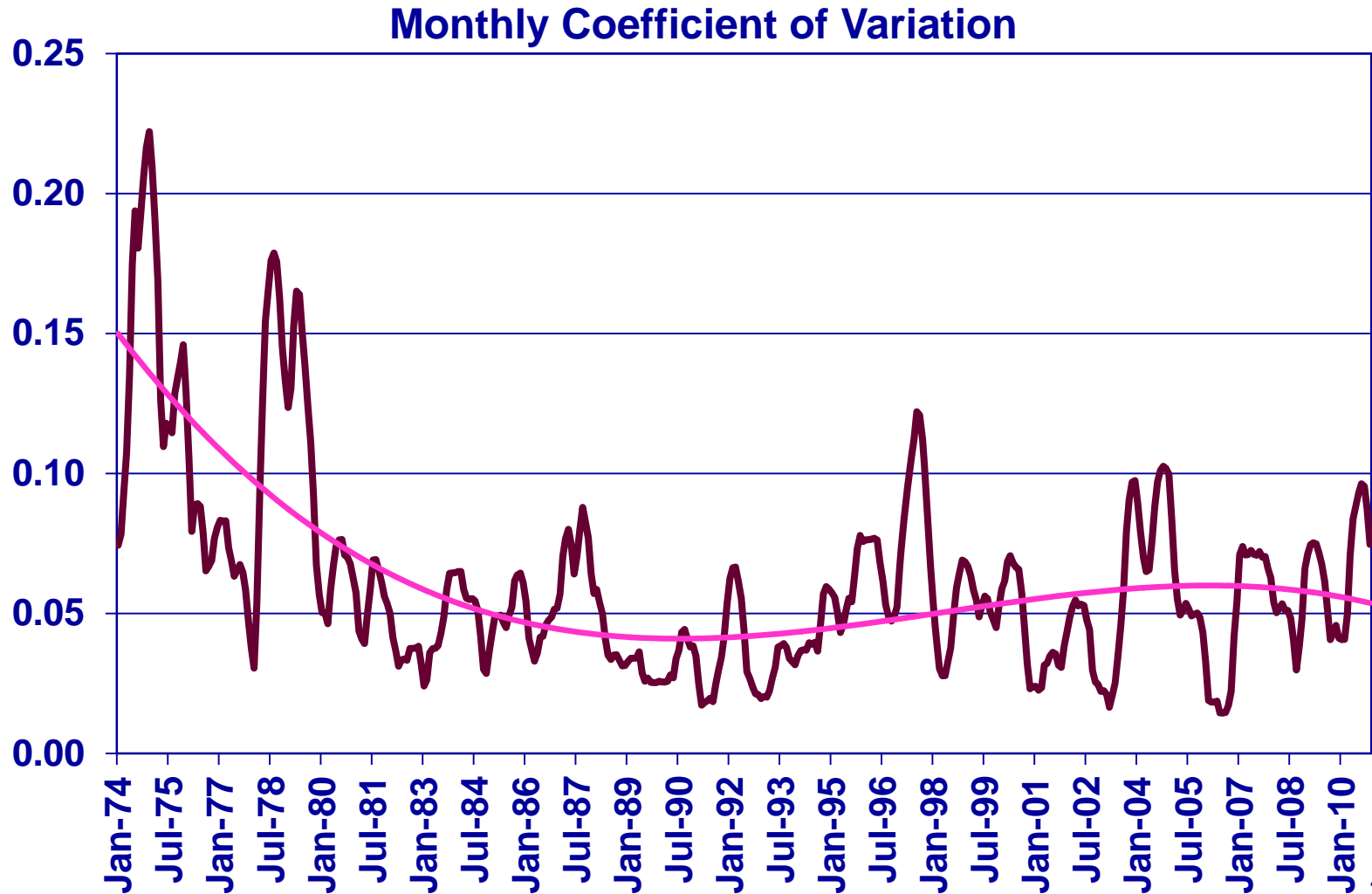
Source: Livestock Marketing Information Center & MSU Agricultural Marketing Policy Center

# Feeder Cattle Cash Price Monthly Variability, 1974-2010

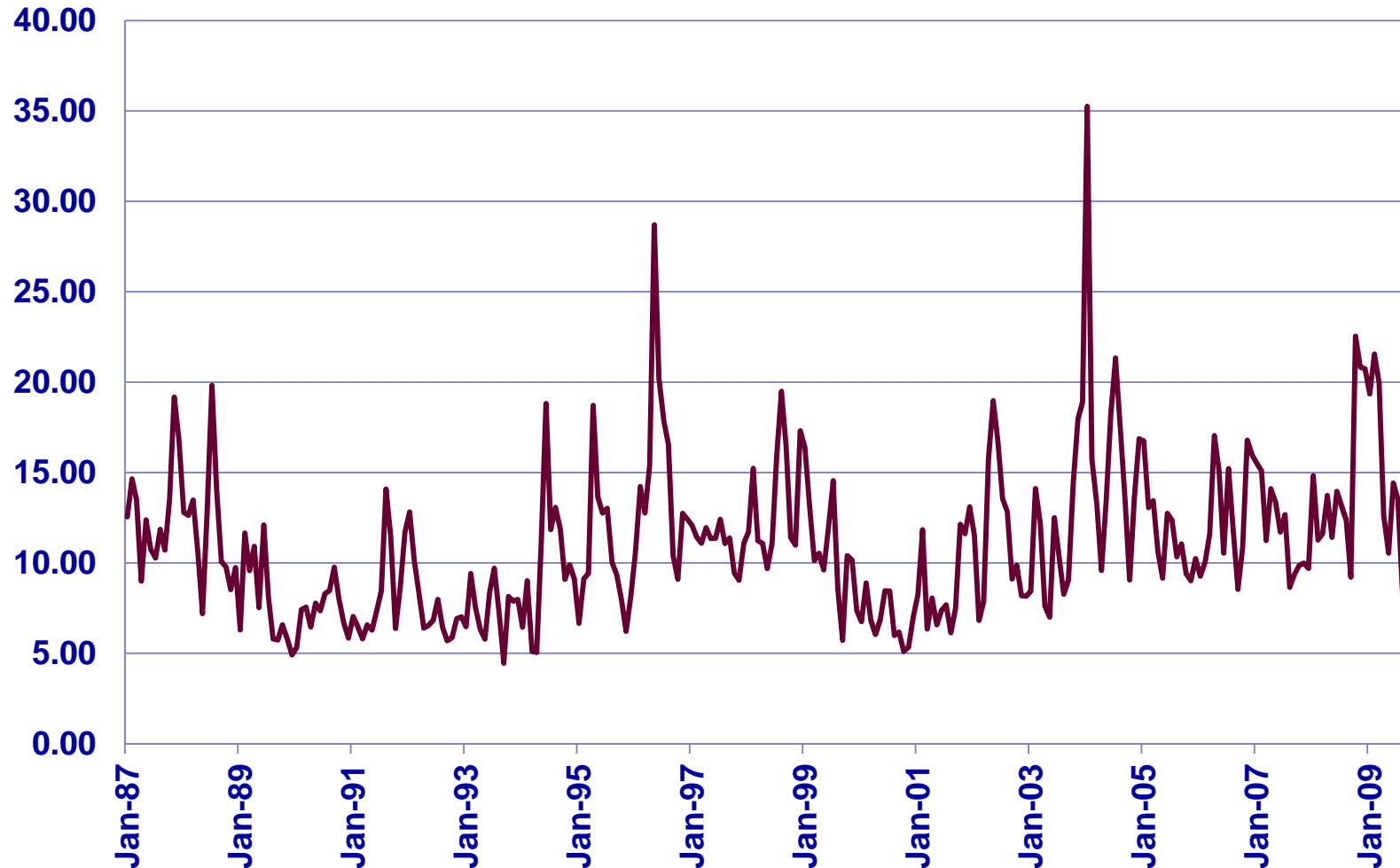




# Feeder Cattle Cash Price Monthly Variability, 1974-2010



# Feeder Cattle Futures Prices Implied Volatility, 1987-2009



# Summary

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- 1. Cattle prices will likely be at historically high levels next year**
- 2. Price variability is a fact of life**
  - a. Although, not much evidence that it is increasing**
- 3. Managing price risk is important for some producers**
- 4. Price management tools exist**
  - a. Contracts (earnest money)**
  - b. Short hedging**
  - c. Put options**
  - d. LRP**



# QUESTIONS?

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*Picture Courtesy of Clint Peck*