

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

Chinese Demand Important for Cattle, Corn and Soybean Prices

Cattle, hog, corn and soybean prices have all increased substantially from last year's pandemic-affected levels.

As we write this column in mid-December, fed cattle prices are at \$140 per hundredweight (cwt.), and April and December 2022 live-cattle futures prices are over \$140. Calf prices are averaging \$30 per cwt. higher than last year.

Fed-cattle prices are being bolstered by record beef export demand, especially to China. USDA is projecting record-high 2021 beef exports at 3.455 billion pounds (lb.), up 17% from 2020, and 9% higher than the previous annual record of 3.16 billion lb. set in 2018.

The signing of the Chinese Phase One trade agreement in January 2020 has helped buoy exports. Beef exports to China set records for each month in 2021, with an all-time monthly record set in August at 59 million lb.

Prior to 2020, China purchased very little beef from the United States, but now China has moved up to our third-best customer behind Japan and South Korea.

Due to the importance of corn and soybean meal prices for cattle prices, that is the focus for the rest of this column. Remember the adage, "for every 10-cent-per-bushel change in corn prices, there's a change in calf

prices \$1 per cwt. in the opposite direction." Many of the following comments were provided by Frayne Olson, North Dakota State University extension crop economist/marketing specialist.

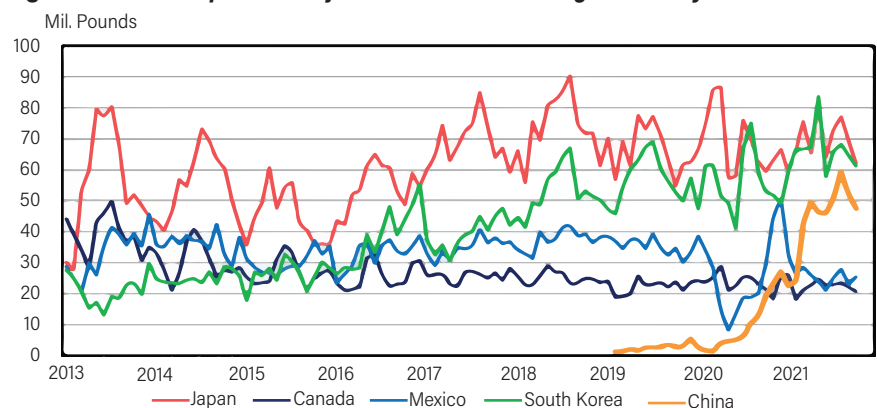
Strong U.S. export sales for corn and soybeans have been helping to support futures market prices and local basis levels for the past year. Near record-high hog prices in China and efforts to rebuild their hog herd after the African swine fever (ASF) outbreak have been the driving force behind this strong import demand for feed ingredients. However, a slowing Chinese economy and lower domestic hog prices are changing the outlook for Chinese imports of corn and soybeans.

Three significant things stand out on the U.S. and Chinese meat production chart. First, the relative size of Chinese pork production was 4.5 times larger than U.S. pork production before ASF in 2018. Second is the dramatic reduction in pork slaughter from 2019 and 2020 due to ASF. The reduction in Chinese pork production from 2018 to 2020 is approximately 1.35 times larger than total 2020 U.S. pork production levels.

Finally, while the Chinese pork herd is rebuilding, the forecast for 2022 is still well below the pre-ASF levels. This is due to a combination of a slowing economy and lingering ASF outbreaks.

The smaller pork production

Figure 1: US Beef Exports to Major Markets Carcass Weight, Monthly



Source: USDA ERS and FAS

levels are being reflected in lower forecasted Chinese soybean and corn imports. Chinese imports of soybeans have stabilized in the past two years, and corn imports are projected to be slightly below the record levels seen in the 2020-2021 marketing year.

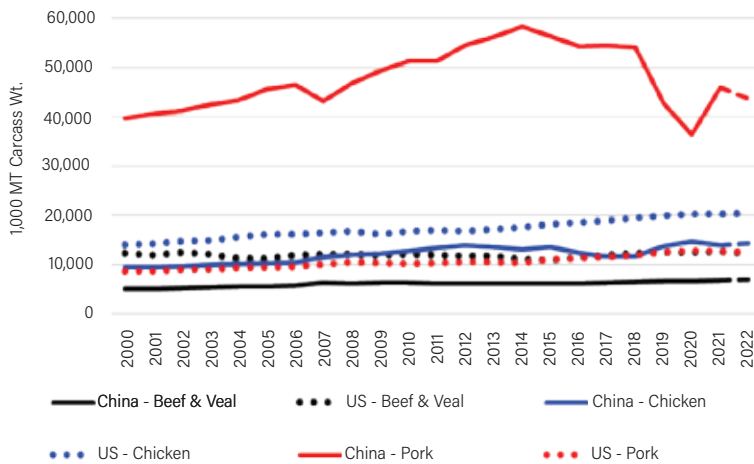
Given record soybean production in both the United States and Brazil, near-record corn production in the United States, and projections for record 2022 corn production in Brazil, competition for exports into China are expected to be intense. In addition, high ocean freight rates are increasing the cost of corn and soybeans delivered to Chinese ports.

March 2022 soybean futures are

trading about \$13 per bushel, with March 2022 corn futures around \$6 per bushel. These futures market prices already have included the information regarding Chinese hog production and expected U.S. and Brazilian production levels.

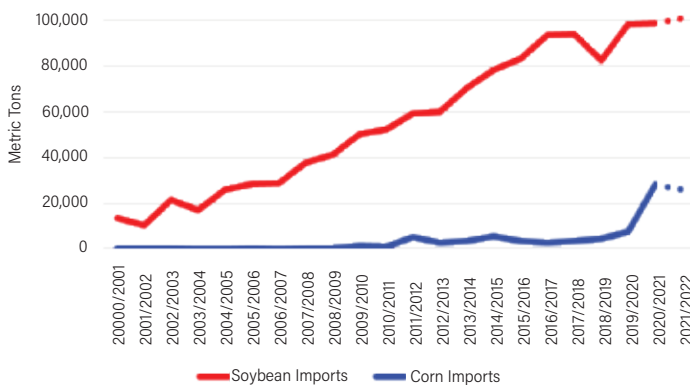
There is also a small risk premium built into the futures market prices because the size of the Brazilian crop is still unknown. Significant price increases are unlikely unless there are dramatic reductions in Brazilian soybean or corn yields, political tensions between China and Brazil restrict trade, or Chinese meat production expands more rapidly than expected. 

Figure 2: US & Chinese Meat Production



Source: USDA World Agricultural Supply and Demand Estimates

Figure 3: Chinese Soybean & Corn Imports



Source: USDA World Agricultural Supply and Demand Estimates

BoPat Farms

27th Annual Bulls & More Sale

March 5, 2022
12:30 p.m. • Bradford, TN



BoPat Cavalry 0131

Sire: T/D Cavalry 761
MGS: Basin Resolve 31U1



BoPat Deborah 806

Sire: Baldrige Bronc
MGS: AAR Ten X 7008 SA
Has a 11/16/21 bull calf by T/D Jackpot 955. Will sell bred to T/D Double Vision 9714.

*Selling 45 Angus Bulls
35 Registered Angus Females*

BoPat Farms

140 Milan Hwy
Bradford, TN 38316
Larry Patterson • 731-420-2697
Peyton Pruet • 731-988-8470
e-mail: bopat@tennesseetel.net