

BEEF BUSINESS

by Julie Mais, editor

In this month's "Beef Business," we present the pilot Cattle Contracts Library by the USDA and a beef demand report.

USDA Launches Pilot Cattle Contracts Library

The USDA launched its pilot Cattle Contracts Library Jan. 31, on the Agricultural Marketing Service (AMS) Cattle Contract Library webpage (www.ams.usda.gov/market-news/livestock-poultry-grain/cattle-contracts-library).

The *Consolidated Appropriations Act of 2022* directed USDA to create a pilot library to increase market transparency for cattle producers. This pilot library will provide new disclosure to the industry and public regarding the key terms, conditions and volumes under which cattle are contracted, bringing light to practices in what is now the largest part of the cattle market.

This will empower cattle producers to negotiate better terms, more carefully monitor risks relating to marketing preferences and pricing practices, and ultimately take better advantage of market opportunities to produce cattle the market demands.

The library will have the same look and feel as the working library model developed and shared with stakeholders last year, but will now be populated with information from active contracts. Packers that slaughtered an average of no less than 5% of the number of fed cattle slaughtered nationally during the

immediately preceding five calendar years were required to submit this information to AMS, as outlined in a final rule published Dec. 7, 2022, and that became effective on Jan. 6, 2023.

The initial release of the library will allow users to browse a range of terms and information contained in active contracts used for the purchase of fed cattle. In addition to active contracts in use, the library will provide information on terms most commonly used in cattle contracts, such as base price determination, base price adjustments and selling basis options; contract specifications for such things as quality, yield, breed, weight, delivery, financing, profit/risk-sharing and more (where present in a contract); and the full range of premiums and discounts used in final price determination.

Upcoming enhancements to the library will display information on the number of head of cattle moving through current contracts defined by contract base price source, including the actual numbers for the prior month and estimates for the current month. Additionally, volume information by contract specification for quality, breed, weight, source-verified and others will provide users with information about how often each specification is used. During

the term of the pilot, AMS expects to further enhance transparency through additional reports and features as they are developed, subject to confidentiality.

With the library, producers will be able to see a much more complete picture of marketing practices and trends, including upcoming volumes. This transparency will empower producers to take advantage of new economic opportunities, improve their marketing strategies, and manage risks relating to contractual terms including pricing references on which they rely.

Source: USDA

Demand for Beef Remains Strong Among Inflation Woes, New Report Shows

According to the newly released "Today's Beef Consumer" report from the National Cattlemen's Beef Association (NCBA), a contractor to the Beef Checkoff, demand for beef continues to remain strong. The compilation of research from 2022 shows that despite various challenges faced by the industry, consumers have repeatedly stated they will continue purchasing beef, both in retail and foodservice settings.

Consumer demand for beef remains strong overall. More than two-thirds of consumers reportedly

eat beef on a weekly basis, or more. Inflation is certainly top of mind and more than three-quarters of consumers, 78%, report noticing an increase in the price of food whether at retail or foodservice.

Beef however has experienced far lower levels of inflation when compared to other proteins in the “food at home” category.

During the pandemic consumers were forced to cook at home, and many have continued to do so, as it has become a popular way to make a dollar stretch and combat inflation. Analysis for the Today’s Beef Consumer report found 76% of meals are now cooked at home and 94% of consumers who are cooking more at


home say they will continue to do so. In 2022 fresh ground beef accounted for 50% of volume of beef sales.

It is no surprise beef sales at foodservice declined sharply in 2020 and 2021. In 2022, sales in both dollars and volume rebounded to surpass the pre-pandemic level of 2019.

Another pandemic trend that seems to be here to stay is online shopping, both at retail and foodservice. Sixty-four percent of consumers say they are ordering groceries online, with 44% of consumers including fresh beef in those grocery orders. When it comes to foodservice, online ordering has become overwhelmingly popular.

Eighty percent of consumers say they order meals online, and 70% use online ordering for burgers.

Fresh meat and beef substitutes continue to represent a small percentage of the market. When it comes to protein sources, consumers consistently rank beef as a top source of protein.

To view the entire study, visit www.BeefResearch.org. 

Source: Beef Checkoff



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Sawyer
A&B Cattle, LLC

44718 873rd Rd.
Bassett, Nebraska
Office 402.684.2371
Becky Sawyer & Family
Adam Sawyer 402.760.2623

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