



Market Advisor

► by **Tim Petry**, NDSU Extension Service

Can record cattle prices continue?

For the third year in a row (2010, 2011, 2012), prices for all market classes of beef cattle set all-time record annual highs in the United States. Are record highs possible again in 2013 and even 2014? The short answer to that is yes, but remember that prices for each market class have different seasonal patterns, so at times 2013 prices for some market classes (feeder calves in particular) will likely be below last year.

Market factors

Furthermore, there are many fundamental factors that affect prices, and some are unexpected. For example, in 2012 the lean, finely textured beef (LFTB) media event, another case of bovine spongiform encephalopathy (BSE) in a U.S. cow, and the worst drought in the Corn Belt since 1988 all surfaced.

Smaller supplies of beef, competing meats and number of cattle will be supportive to prices in 2013. USDA is projecting beef production to decline 5% in 2013, and all red meat and poultry supplies to be down 2.6%. Due to drought in the Southern Plains in 2011 and more widespread U.S. drought in 2012, the beef cow herd will likely be down 1%-2% in 2013 and result in a correspondingly smaller calf crop.

Besides the smaller calf crop, two additional factors will contribute to lower

trending U.S. supplies of feeder cattle and cattle slaughter. There likely will be fewer feeder-cattle imports in 2013 (especially from Mexico) and increased retention of heifers and cows for breeding purposes (assuming more normal moisture conditions).

Live-cattle futures are currently indicating another record year for fed-cattle prices. Strong hide and offal values and beef export values will be supportive to fed-cattle prices, but the U.S. economy continues to struggle and will need to improve in 2013 to support fed-cattle prices at the projected futures-market price levels.

Cow prices were record high throughout 2012 and will likely continue to be record high, especially if normal moisture prevails

Smaller supplies of beef, competing meats and number of cattle will be supportive to prices in 2013.

and beef cow slaughter declines. A cyclical build-up in the beef cow herd could cause lower cow beef production for several years. Plus, the demand for 90% lean boneless beef is expected to stay strong as U.S. consumers have a big appetite for hamburger.

Steer calf prices ended 2012 near the previous year's record levels. However, prices will likely not be as high as last year early in 2013 due to the drought that continues to

plague much of the country. Should the drought subside and spring and early summer grazing conditions improve significantly, calf prices could challenge last year's levels by April or May. Fall 2013 calf prices are dependent on corn prices. A good corn crop and lower corn prices would support calf prices at higher levels. Another poor

corn crop and higher corn prices could cause lower calf prices than we had the last two years.

Both calf and feeder-cattle prices are expected to be extremely volatile in 2013 due to the expectation of record volatility in corn prices. There likely will be enough corn acres planted in 2013 to produce a 15-billion-bushel (bu.) corn crop with good growing conditions, but another drought year could result in an even smaller crop than the 10.7 billion bu. produced in 2012.

That wide range in production potential could lead to corn prices from less than \$5 per bu. to more than \$9 in the fall. So, as news of the potential size of the corn crop materializes, prices will adjust accordingly and relatively quickly. Remember back to mid-June 2012 when November feeder-cattle futures prices were \$164 per hundredweight (cwt.) and December corn futures prices were \$5.25 per bu. One month later, corn futures had climbed to \$8 due to the drought, and feeder-cattle futures had declined to \$140.

Tim Petry
E-MAIL: Tim.Petry@ndsu.edu

Editor's Note: *Tim Petry is a livestock marketing economist at NDSU Extension Service and the NDSU Agribusiness and Applied Economics Department.*

Complete Coverage of the
2013 Cattle Industry Convention

4cattlemen.com

Hosted by *Angus Journal* • Shauna Hermel, Editor
3201 Frederick Ave. • Saint Joseph, MO 64506
816-383-5270 • shermel@angusjournal.com