



# Market Advisor

► by **Tim Petry**, livestock marketing economist, NDSU Extension service

## Will 2011 cattle price records be broken in 2012?

*There is an old saying that records were made to be broken, and that certainly was the case for the beef cattle industry in 2011. So, what records were set and what can we expect for 2012?*

### 2011 records

All market classes of beef cattle set record annual price highs in 2011 and may be poised to do so again in 2012. Setting annual-record price highs is not new for fed cattle and cull cows and bulls. Record highs were recorded in each of the last five years with the exception of 2009. On the other hand, setting an annual record high in 2011 for feeder cattle and calves was a big accomplishment.

It was especially important for the beef seedstock sector, because high calf prices and profitability in the cow-calf sector quickly translate to higher breeding bull and replacement female prices. The last annual record high in feeder cattle and calf prices was 2005, before the increasing use of corn for ethanol caused corn prices to surge higher and dampened feeder-cattle prices.

Smaller supplies of cattle and beef in 2011, along with a robust — also record-setting — beef export market were the main drivers of cattle and beef prices. Record-high prices for most competing meats, with chicken being the exception; record-high beef byproduct values; and some improvement in the domestic economy also helped fuel prices higher.

The record-setting U.S. beef export market increased more than 20% in volume compared to last year and was 8% better than 2003, the previous record year before the discovery of bovine spongiform encephalopathy (BSE) in the United States.

Mexico, Canada, Japan and South Korea were our top customers, with the last three increasing purchases by more than 30%. Faster economic growth in other countries and a relatively weak U.S. dollar were reasons for both increased exports and reduced imports. Beef imports in 2011 were down more than 10% from the previous year. Canada, Australia and New Zealand are the biggest suppliers of beef to the United States,

and each reduced beef cattle herds in the last several years, similar to the United States.

### 2012 records?

The question on most people's minds in the beef industry is: Can new price records be set again in 2012? Based on supply and demand fundamentals, record prices are possible and may even be probable. From a supply standpoint, U.S. beef production will likely decline about 4% in 2012, but will depend on how drought in the Southern Plains, and possibly other areas, affects beef cow slaughter. A smaller beef cow herd will result in a smaller calf crop and shorter feeder cattle supplies, which will be supportive to prices.

On the demand side, a continued strong beef export market is expected in 2012, as other economies continue to grow at faster rates than the U.S. economy. The recent trade agreement with South Korea, some progress in talks with Japan on easing the 20-month age restriction on beef imports from the United States, and lower world beef production are all positive signs.

Although the U.S. economy continues to struggle, there have been positive signs of improvement. Record-high retail beef prices in 2011 will likely occur again in 2012, which will funnel down to fed cattle, feeder cattle, cull cows and bulls.

The record-high prices have again created optimism in the industry, and seedstock and cow-calf producers are in the best position to take advantage of higher prices. High-quality 600- to 800-pound (lb.) replacement heifers are, in some cases, bringing higher prices than steer mates at Northern Plains' auction markets. Bred heifer and cow prices are \$500-\$600 higher than last year, and strong bull sales are recording \$500-\$1,000 higher averages than last year.



**Editor's Note:** *Tim Petry is a livestock marketing economist at NDSU Extension Service.*

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