

# Cow Country Reporter



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## IN THIS ISSUE

News from your CEO

Cattle Prices May Be Near Peak After Hitting 7-Year High, Traders Say

Superlatives Aside, Rebuilding The U.S. Beef Herd A Must

Demand Affected By Media Coverage Of Animal Welfare



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## NEWS FROM YOUR CEO

December is here and with it comes the end of 2010 and all the stress that the Christmas season brings. As we look back over this past year we have been on a real roller coaster ride. The beginning of the year we set records for cold temperatures and wet weather. From Alexandria north some one shut off the moisture from mid-February until mid-summer. Pastures were short of grass, with very little rye grass grazing and hay production was slim to none. From Alexandria south we had early moisture, average to good pastures and able to put up a good amount of hay. Rye grass planting this fall was late getting in but moisture came along and we are only 5-6 weeks late in turning cattle on some grass. Cattle receipts at the sale barns will probably end this year 15-18% higher than last year due mostly to our dry conditions. However, prices were higher than last year (December cow prices \$10.00-12.00 cwt. higher and calf prices \$20.00-22.00 higher) which has helped producers deal with having to sell cattle because of little to no pastures. As if things could not get any worse, budget problems caused the Louisiana Department of Agriculture and Forestry to drop the cattle market reporting program on September 6. One producer told me he sold his heavy calves in August and kept his light calves

to graze. Circumstances caused him to take his calves to the sale after Thanksgiving and he was amazed at how high the market had advanced. Without price discovery in Louisiana we are at a disadvantage. For those that chose to feed their calf crop this year the outlook is good, even with higher corn prices. Calf numbers will be sharply lower in 2011 which should mean higher prices. Producers who are winter grazing stockers, the Feb.-April feeder market looks very promising. Probably the "best buy" today is a heavy bred 5-6 year old replacement cow. When one compares the calf market and the slaughter cow market these cows are 200.00-300.00 under priced. We will be going into a higher market in 2011, so if you need to reduce the age of your cow herd now is the time to act. Slaughter cow prices will remain at these levels and have a real good chance of getting higher in Feb.-March. Buy some good 5-7 year old cows in their prime of production and watch what will happen in 2012. CPL is working really hard to get a cattle market news program restarted. We will be working with other groups to fund this

(Continued on Page 2)

**Don't forget:  
This could be your  
last issue if your dues  
have not been paid.**

## **CATTLE PRICES MAY BE NEAR PEAK AFTER HITTING 7-YEAR HIGH, TRADERS SAY**

By Bruce Blythe, Business Editor, Vance Publishing, Cattle Network

Cattle prices that reached seven-year highs this week may be near a peak as cheaper chicken and pork grabs demand away from increasingly expensive beef prices, trade sources say.

"Panicky" meatpackers bid up cattle prices this week amid concern over tight animal inventories, Chicago futures traders said. Cattle futures rose to the highest levels in more than two years earlier this week. But beef's rapid upswing in recent weeks probably will discourage buyers, especially with production rising, analysts say.

"The market is a little vulnerable to the downside over the next couple of weeks, particularly during the second half of December," said Marty Foreman, an analyst with Doane Advisory Services. "Once holiday beef buying is complete, demand will likely soften a bit and beef prices will ease."

Slaughter-ready steers averaged \$103.60 per hundred pounds yesterday, based on trade in Texas and four other top Plains cattle areas, according to U.S. Department of Agriculture reports. That was the highest single-day price since October 2003, according to the USDA. Cash prices are up about 21 percent from a year ago, reflecting a smaller herd and stronger beef demand.

"Basically, the packer is trying to make sure they have cattle next week," said one CME Group livestock broker, who asked not to be named. "I think they're panicked about next week in Texas. Supplies are tight in Texas and Colorado."

At today's close, February live cattle futures at Chicago-based CME fell 10 cents to the equivalent of \$106.375 per hundredweight, up 1.1 percent over the past two weeks. December cattle rose 7.5 cents to \$103.15.

"What's really important next week is poultry and pork," the CME broker said. "Poultry and pork "have been a little cheaper versus beef. That makes them a better buy."

Choice-grade boxed-beef, the wholesale market benchmark, averaged \$1.6402 a pound earlier today, up 4.3 percent over the past three weeks and up 18 percent from a year ago, according to the USDA. Wholesale pork cutout values averaged 77.89 cents a pound, up 1 percent since mid-November but down from a record 96.74 cents in August.

For next week, "there's a real divergence of opinion" on the direction of beef prices, the CME broker said. "I think it will be steady-firm."

Rising beef prices fueled cattle market strength in recent weeks, Foreman said. But fed cattle supplies are expected to rise above year ago levels in light of heavier late-summer feedlot placements, and beef production in recent weeks was up 6 percent to 7.6 percent, he said.

That's likely to weigh on cattle prices, Foreman said. "Year-over-year increases in beef production are expected to continue through December, barring a winter storm" in the Plains, he said.

From a technical standpoint, the cattle market retains a bullish outlook, said Jim Wyckoff, who analyzes chart patterns.

"Cattle market bulls still have the solid overall near-term technical advantage," Wyckoff said in an e-mail. Wyckoff, who is president of JimWyckoff.com, a market analysis Web site, bases his projections on trend lines, historical highs and lows and other technical indicators.

"There are still no early technical clues to suggest a near-term market top is in place," he said.

Cattle market bulls' next upside objective is pushing February futures above "solid" technical resistance at \$107.50, Wyckoff said. He also pegged resistance at the \$106.80 contract high and at \$107. First support is seen around yesterday's low of \$106.07 and at \$105.55.

The next downside objective for bearish traders is solid technical support at the October high of \$104.52, Wyckoff said.

### **Mark your calendar!**

Acadiana Cattle Producers Field Day  
Saturday, April 9, 2011, 8:00 a.m. - 12:30 p.m.  
Iberia Research Station, Jeanerette

### **NEWS FROM YOUR CEO**

(Continued on Page 2)

valuable program. It would be a great Christmas present for the Louisiana cattle industry. Merry Christmas and Happy New Year! May 2011 keep you safe, healthy and prosperous.

**Dave Foster**

## **SUPERLATIVES ASIDE, REBUILDING THE U S BEEF HERD A MUST**

From: Oklahoma State University Extension

STILLWATER, Okla. – It is a hot topic of discussion in the U.S. cattle industry: How can operations increase or even maintain beef production if the cow herd continues to shrink?

“I suspect that carcass weights will show little or no upward trend in the next decade compared to the last 20 years,” said Derrell Peel, Oklahoma State University Cooperative Extension livestock marketing specialist. “Thus much of the compensation for a declining inventory that was offset by increasing carcass weights in the past will not be available going forward.”

However, a number of factors will affect the ability or inability of the U.S. beef industry to continue current levels of production without rebuilding the herd, which may be getting lost in some of the conversations, even among expert analysts.

“It has been appropriately and correctly noted that some of the superlatives used by myself and others, such as the fact that the current beef cow herd is the smallest since 1963, are relevant only in a broad historical context,” Peel said.

Peel points out that many things have changed, including the fact that the industry is much more efficient and cattle are bigger now, resulting in significantly more pounds of beef produced per cow. In short, it is difficult to assign a particular beef inventory level compared to history.

“A more relevant time period is the last 20 years,” he said. “The beef cow herd in 2010 was about 1 million head smaller at 31.4 million head than it was in 1990, when it was 32.5 million head.”

In the intervening years, the cow herd increased to a cyclical peak of 35.2 million head in 1996 to an apparent cyclical low of 32.9 million head in 2004, before the market shocks since 2007 pushed the herd down to current levels.

Beef production in 2010 is projected at 26.03 billion pounds, 15 percent higher than 1990’s larger beef cow herd, about equal to the level in 1996 at the recent cyclical peak in cattle numbers and within 3 percent of the all-time annual beef production record of 26.8 billion pounds in 2000.

“Beef and cattle trade plays a role as well,” Peel said. “However, the relative importance of beef and cattle trade, in terms of overall production levels, has not changed much in the past 20 years.”

Net beef imports have accounted for roughly 4 percent of total beef production since 1990 and have, in fact, been smaller at roughly 2 percent of total annual production in the last three years. Net live cattle imports have averaged less than 6 percent of total slaughter since 1990 and will be slightly higher than that in 2010.

“While beef and cattle continue to grow in importance in terms of industry value, it does not explain our ability to maintain beef production in the face of declining U.S. cattle inventories,” Peel said. “The fact is that we have culled an average of more than 11 percent of the beef cow herd each of the past three years.”

Beef cow slaughter as a percent of the beef cow inventory has averaged 9.3 percent since 1990. Since 1990, it has only been higher than 11 percent once, in 1996. Measured another way, beef cow slaughter has represented more than 10 percent of total cattle slaughter each of the past three years.

Another rough measure of slaughter intensity in the U.S. beef industry is that total slaughter will represent more than 94 percent of the 2010 calf crop. This value has averaged 88.3 percent since 1990 and the estimate for 2010 is the highest level over the 20-year period.

“The bottom line is that it will not be possible to maintain beef production in coming years if we do not rebuild the cow herd,” Peel said. “It’s also true that we will not be able to rebuild the cow herd without reducing slaughter and beef production for at least a two- or three-year period.”

Prices seem to be approaching levels that will entice cow-calf producers into some level of herd expansion in the next couple of years. Smaller beef production will support higher beef and cattle prices.

“Consumers, who have for the most part not seen any impacts of this situation, will experience higher beef prices in the coming years,” Peel said. “This will provide a critical test of beef demand to see how consumers react to generally higher beef prices.”



## DEMAND AFFECTED BY MEDIA COVERAGE OF ANIMAL WELFARE

KSU release

A study indicates media coverage of animal-welfare issues impacts meat demand, but affects pork and poultry more directly than beef.

The study, which involved a search of U.S. newspapers and magazines from 1982 to 2008, suggests that media attention to animal-welfare issues hasn't directly impacted beef demand but did reduce pork and poultry demand. However, the study found that increased media attention caused "a reallocation of expenditures to nonmeat food rather than reallocating expenditure across competing meat products." A fact sheet and other information is available online at [www.agmanager.info](http://www.agmanager.info); search for publication MF-2951.

"While beef demand was found to not be directly influenced by increased media attention to animal welfare issues, this should not be interpreted as the beef industry being immune," says Glynn Tonsor, a Kansas State University (KSU) Extension ag economist. He and Nicole J. Olynk, Purdue assistant professor of ag economics, conducted the study.

While the study is a first assessment on the topic, Tonsor says much additional research is needed.

"Perhaps most importantly, the changes to estimated consumer demand need to be paired with production cost impacts associated with adjustments in on-farm production practices in order to derive estimates of net economic influences on consumers, livestock producers, and society, in general," Tonsor says. "This study supports this and related evaluations to improve the understanding of how increasing pressure to adjust on-farm practices to reflect societal pressures regarding animal well-being is economically impacting market participants throughout the livestock and meat supply chain."

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