



Industry News - AM Five cattle market factors to watch in 2011

By Rita Jane Gabbett on 12/27/2010

Cattle prices across the board are expected to post year over year increases in 2011, according to Oklahoma State University Extension Livestock Marketing Specialist Derrell Peel.

In an outlook report, Peel predicted cattle prices will likely rise into "uncharted waters" in 2011. He identified five market factors expected to have the biggest impact on market prices.

Beef demand. Projected decreases in beef production in 2011 will pressure wholesale and retail beef prices higher. The ability to pass on the impacts of reduced beef supplies will depend on continued recovery in beef demand. Recessionary weakness continues to limit middle meat demand though signs of recovery were evident at the end of 2010. Increased competing meat supplies, mostly increased poultry production, may temper retail beef prices somewhat.

Herd Expansion...or Not? Limited cattle numbers are expected to result in reduced cattle slaughter in 2011. The magnitude of feeder supply squeezing will depend on the extent of heifer retention in the coming year. Though not yet confirmed by data, there were indications at the end of 2010 of limited heifer retention. The question of herd rebuilding will determine just how tight cattle supplies are in 2011 and also the timetable for potential increases in beef production in coming years.

2011 Crop Conditions. A 2010 corn crop that fell just short of record levels was still short enough to push corn prices sharply higher. Projected crop year ending stocks are at levels that make the feed grain markets extremely sensitive to anticipated grain supplies. Crop markets will likely be especially focused on evolving crop conditions that will have a large impact on overall feed grain price levels as well as increased volatility from the pre-planting period through harvest. Crop prices and volatility will continue to have a big impact on livestock industries in general and in cattle, especially on the feedlot sector.

International Trade. Strong beef exports provided critical support for cattle markets in 2010. Beef exports are expected to increase again in 2011, albeit at a more modest rate of gain. Global demand for beef is expected to continue growing though country specific economic conditions and currency exchange rates will have a large impact on specific trade flows. Beef exports and imports both help the beef industry to improve domestic beef demand by changing the mix of products to better meet the preferences of U.S. beef consumers and increase total value to the industry.

Forage Conditions. Beef industry responses to the twin forces of limited cattle numbers and high feed grain prices depend on forage use. There are continued strong incentives for increased cow-calf production and for forage based stocker production. The quantity and quality of forage will have a big impact on both the level of production and the timing of feeder cattle flows in the coming year. Currently, the La Nina weather pattern is producing dry conditions across much of the Southern Plains and Southeast regions that may impact winter grazing systems. Should dry conditions continue to develop and extend into the growing season, the impact on cow-calf production and summer grazing programs could be very significant. Widespread drought in major

cattle regions could offset producer intentions with respect to possible herd rebuilding.