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## **Industry News - AM**

### **Record numbers for cattle placed on feed**

**By Michael Fielding on 8/22/2011**

USDA's Friday afternoon Cattle on Feed report showed a 22-percent increase in cattle placed on feed in July compared to a year ago as severe droughts continued to push ranchers into culling their herds and heading for a deeper decline of the beef production market. It was the highest placement total for the month of July since the series began in 1996.

Overall, beef cow numbers have dropped five percent since 2007, when feed prices were still moderate, and analysts are predicting that the quantity of beef available to American consumers will continue to decline dramatically for several reasons.

First, high feed prices are forcing the continued liquidation of the cow herd. Cattle ranchers are now caught between selling their cattle and buying feed to sustain their animals. Either way, it's a costly proposition.

"Grain markets remain very dangerous and any further problems with the crop could propel prices even higher," livestock analyst Len Steiner told **Meatingplace**. He anticipates record cattle prices again in 2012. "Current high prices should provide some inducement to producers to add more heifers to the beef cow herd, but the process will be slow, and it will not have much of an impact in 2012 and 2013 due to the long production cycle for bovine animals."

Second, beef exports are up as a result of a weak U.S. dollar. With tighter supplies from South America and very limited growth from Australia and New Zealand, cattle prices are expected to rise. A weaker U.S. dollar in 2012 is expected to increase beef exports while limiting the amount of imported beef.

Finally, drought in the Southwest and Southeast is expected to last through fall. As the nation nears the end of a drought-ridden summer, cooler temperatures in September are expected to raise cattle prices an average \$112 to \$116 in the fourth quarter but spike early in 2012. Some analysts are predicting prices to set records with quarterly averages climbing to \$115 to \$120 and peak seasonal prices in the early spring of 2012 reaching \$125.

"Over the next few weeks if we could get 10 inches of rain, by the time it starts to cool off in September we would have a little bit of grass," Jason Cleere, associate professor and extension beef cattle specialist at Texas A&M University, told **Meatingplace**.

"Climatologists are expecting a more active tropical storm season," said Cleere, who also owns and manages a purebred Shorthorn cattle operation. But with fewer than 45 days of growing season left for warm-season grasses, the outlook isn't good for Texas, where only about 10 inches of precipitation has fallen since last summer. That's one-quarter of the typical amount. "The take-home message is: If you're

going to hold on to your cows you better plan on feeding them from now until April 1."

That's not all. Per-capita beef consumption is down to 78.5 percent in 2012 from 94 percent in 2006.

In its twice-yearly Cattle Inventory report released in July, the USDA showed more beef cows than expected but fewer heifers for beef cow replacement than analysts expected. The USDA report also confirmed the U.S. cattle supply will continue to decline on the next 2-3 years – paving the way for more increases in beef prices.

Meatingplace will be taking a closer look at the dwindling cattle herd and the long-term effects on the health of the industry in our October issue.

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