

In The Cattle Markets

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Beef Demand is Critical to Understand, Appreciate, and Regularly Assess...

As usual, last Friday's cattle on feed report estimates are being closely examined. The report estimates may be deemed as slightly bearish as placements were higher than expected while marketings came in lower than anticipated. As I reviewed related material online, this particular comment caught my attention: "If supply is down why is the live market so poor? Has the demand gone down also?"¹

Given this comment, I want to take the opportunity to highlight a recently released beef demand study I was fortunate to be part of. The study was funded by the Cattlemen's Beef Board and sought to identify beef demand drivers worthy of top priority in industry efforts to build future beef demand domestically.²

Key take-away points from this study include:

- To leverage limited resources, the industry should place top priority on areas that both impact demand and are practically feasible to be influenced by collective investment.
- Price, Product Quality, Nutrition, Health, Food Safety, Social Aspects, and Sustainability Aspects are each broad factors that influence beef demand.
- Food safety and product quality are factors that both have significant impact on aggregate demand and are considered feasible for the industry to influence.
- Consumer beef demand affects profitability of all participants in the industry.
- All industry participants have a role in building and enhancing beef demand.

As suggested by the inquiring comment noted above, both supply and demand factors influence prices realized throughout the supply chain from seedstock produces to retail operators. Unfortunately the definition and role of beef demand is often confusing leading to misunderstanding of critically important economic concepts. I encourage readers to take note of the important findings of this study and to make use of the associated resources that include multiple illustrations of what beef demand is (and what it is not). Long-term industry profitability is substantially influenced by the ability of industry leaders and every contributing participant to maintain and build their understanding of beef demand.

¹ This quote was submitted to:

<http://www.meatingplace.com/Industry/News/Details/42958?loginSuccess>

² The entire study and associated materials is available at:

<http://www.beefboard.org/evaluation/130612demanddeterminantstudy.asp>

The Markets

Cattle prices last week were mixed depending on the region and weight class examined. The 5-area fed cattle price for the week was \$120.93 while Nebraska yearlings traded at \$141.20. Corn prices were also up for the week trading at \$7.33 in Omaha.

<i>Data Source: USDA-AMS Market News</i>		Week of 6/21/13	Week of 6/14/13	Week of 6/22/12
5-Area Fed Steer	all grades, live weight, \$/cwt	\$120.93	\$120.78	\$116.51
	all grades, dressed weight, \$/cwt	\$193.77	\$194.83	\$187.69
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$199.82	\$201.62	\$197.46
	Choice-Select Spread, \$/cwt	\$14.78	\$17.61	\$17.07
700-800 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$145.50	\$132.50	--
	Nebraska 7-market average, \$/cwt	\$141.20	\$142.07	\$155.31
	Oklahoma 8-market average, \$/cwt	\$138.57	\$136.39	\$151.40
500-600 lb. Feeder Steer Price	Montana 3-market average, \$/cwt	\$168.00	\$162.93	--
	Nebraska 7-market average, \$/cwt	\$172.46	\$156.28	\$167.54
	Oklahoma 8-market average, \$/cwt	\$156.54	\$152.13	\$168.44
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$7.33	\$7.11	\$6.23
	DDGS Price, Nebraska, \$/ton	\$225.10	\$224.50	\$223.30
	MWDGS Price, Nebraska, \$/ton	\$117.00	\$122.50	\$114.60