

Range Beef Cow Symposium XX

Dec. 11-13, 2007 • Larimer County Fairgrounds and Events Complex, Fort Collins, Colo.

Market Changes Bring Market Opportunity

by Barb Baylor Anderson

FORT COLLINS, Colo. (Dec. 14, 2007)—More opportunity exists in the cattle industry today than ever, in large part due to changes in the supply and demand fundamentals of the cattle market and outside forces. Randy Blach, executive vice president of Cattle-Fax, says in order to be successful, the industry needs to embrace the globalization of the marketplace and learn how to thrive in it.

“This is not a supply-driven market. It is a market that will impact everyone in the cattle system,” he told attendees of Thursday’s (Dec. 13) sessions on markets and marketing at the 2007 Range Beef Cow Symposium in Fort Collins, Colo. “This is a tremendous opportunity for beef producers, but we have to have access to these international markets. It is a much different ballgame with globalization and higher corn prices, and not the same business that we grew up with.”

Blach noted world beef production is growing, but the lion’s share of the growth is happening in places like Brazil, China, Argentina and Uruguay.

“We need to understand what it takes to be part of that market and to be a viable industry in the future. We need to export more of our beef production,” he says. “That

means getting back the markets we lost in 2003, Korea and Japan, and adding China. Those markets would add \$85 per head to what producers receive today.”

The weakest dollar in U.S. history also makes U.S. beef more attractive overseas.

“As the dollar weakens, corn and wheat prices go up and there is more international buying power from places with more wealth, like in China and India,” he said. “At the same time, we can’t build a strong U.S. economy on a weak dollar. We are likely to continue to see slowdowns in our economy, which will impact our business.”

Blach said despite profitability within the cow-calf sector for the last decade, herd expansion is not occurring.

“We have record-high feed prices,” he explained. “Cow-calf costs are up 20% to 25% over the last three years. It is going to cost more to produce calves every year, and I see no change in that on the horizon.”

In addition, growth within the herd has been limited by drought, higher land values, growing ethanol production, alternative land uses, urban sprawl and more.

Blach acknowledged that even with a stable herd size, U.S. beef production is rising to meet demand. “We are producing

more beef from fewer cows. Production will increase 1.5% to 2% next year, even though the size of the factory hasn’t changed. Carcass weights will be up 15 to 20 pounds,” he said. “We were fortunate that fed cattle, retail and wholesale prices were higher this year.”

For the next 12 months, Blach predicted, fed prices may average in the \$92-\$94 range, calves in the \$117-\$120 range and feeders at \$105-\$106.

“Producers in the West and Southeast will have to be more efficient to stay competitive with the Central U.S.,” he concluded.

“Stockers and the cow-calf sector are profitable, but cattle feeders and packers are in the red. Globalization is here, and we need to figure out how to participate.”

The cooperative extension services and animal science departments of Colorado State University, South Dakota State University, the University of Wyoming and the University of Nebraska hosted the Range Beef Cow Symposium XX at the Larimer County Fairgrounds and Events Complex Dec. 11-13.

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Editor’s Note: Additional coverage of the symposium is available at www.rangebeefcow.com. API coverage of Range Beef Cow Symposium XX is made available for distribution to all media via an agreement with the Range Beef Cow Symposium Committee and API. Headquartered in Saint Joseph, Mo., API publishes the Angus Journal and the Angus Beef Bulletin, as well as providing online coverage of events and topics pertinent to cattlemen.