

A Pleasant Surprise

LMIC analyst called the late fall cattle market a welcome surprise and encouraged cattlemen to spend the money wisely.

by **KINDRA GORDON**, field editor

“We’re pleasantly surprised with this stronger calf market compared to

where we were a year ago,” said



Looking to the future, Jim Robb shared that the calf crop is still getting bigger and is projected in 2018 to be the largest in a decade.



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Jim Robb, director of the Livestock Marketing Information Center, of calf prices headed into December. While addressing attendees at the 25th biennial Range Beef Cow Symposium hosted in Cheyenne, Wyo., Nov. 28-30, Robb told producers: “I hope you’ll use that money wisely.”

Robb noted that slaughter steer prices were also riding above a year ago. While cattle markets had not reached the highs that were seen from 2011 through 2015, Robb noted that 2017 had been a favorable year for all sectors of the beef industry.

“U.S. packers had their best year in history, so they wanted more cattle to kill,” he observed. “The markets pulled animals through the feedlot. Usually we are trying to push them through.”

This “market pull” scenario has occurred only twice in his career, the senior economist noted. “This is the only time it has lasted this long.”

As to the factors that helped the market remain robust, Robb pointed

CattleFax economist shares tips for managing risk

Managing risk is different than getting the best price, and a good risk manager recognizes that difference. That was the message CattleFax economist Ethan Oberst impressed upon attendees at the 2017 Range Beef Cow Symposium Nov. 29 in Cheyenne, Wyo.

He encouraged producers to get their risk management tools in order as the cattle cycle prepares to change.

“High prices are behind us,” he noted. “Profitability has peaked. Margins will narrow, but remain positive [for a time], but that’s going to change.”

Oberst’s No. 1 recommendation for managing risk was to calculate and know your breakeven.

“If you don’t know your breakeven, I can’t help you with risk management,” he told producers.

Additionally, he emphasized knowing animal inventory, and suggested that cow-calf operations especially look at grazing some yearlings, which allows for stocking flexibility depending on changes in markets or available forage.

to the retail sector featuring beef as an item to draw customers in and buy. He noted that with so many consumers now buying products online, retail grocers have recognized their fresh meatcase is a major leverage point.

He shared a story from major national grocery chain buyers who commented: "We're surprised when we feature beef how it brings people in."

"Be thankful you are that industry," Robb told producers.

Robb credited the continuing growth in beef export markets, as well as domestic demand holding together, as additional factors that helped bolster the positive calf and steer market prices.

Looking to the future, Robb shared that the calf crop is still getting bigger and is projected in 2018 to be the largest in a decade. He called herd expansion during the last couple years "unprecedented" and projected 28 billion pounds (lb.) of beef would be produced in the United States in 2018.

Some projections peg it at 30 billion lb., he pointed out. "I don't see that."

With that said, in the next couple years expansion is expected to continue, but the rate of growth is expected to slow down. Robb called beef's future expansion pace "manageable" from a supply-and-demand standpoint, but said the concern will be the additional production and supply of pork and poultry.

"The biggest risk in the marketplace is the sheer volume of protein," he stated. "There's going to be more [meat] out there, and the question will be, are we going to be able to swim our way through it?"

In offering an outlook on market prices, Robb said he anticipates that with the abundant supply over the next two years

cattle prices will trend lower. However, by 2020 and 2021 he expects they may be stronger again.


Prepare and plan for the changing markets to mitigate risk, he advised. "Be prepared to swim upstream. As soon as the market turns, you've got to plan better."

"The markets are changing and segmenting. Don't lose sight of that," he

said in closing. "Cost of production is important, but do not give up quality."



Editor's Note: This summary was written as part of Angus Media's coverage of the 2017 Range Beef Cow Symposium. Online coverage, including summaries of the sessions, proceedings, visuals and audio, is available online at www.rangebeefcow.com.



203AN01429 • REG: 17612134 • DOB: 1/29/2013


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CED	BW	WW	YW	RADG	YH	SC	Doe	HP	CEM
13	-2	64	114	.25	.6	.50	9	10.0	10

Milk	MW	MH	SEN	CW	Marb	RE	Fat	\$W	\$B
22	8	.2	-6.11	42	.72	.33	.019	65.48	139.61

*As of 1/5/2018



551AN01469 • REG: 18159093 • DOB: 2/19/2015

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16	-1.4	74	128	.17	.5	.50	22	9.7	15


Milk	MW	MH	SEN	CW	Marb	RE	Fat	\$W	\$B
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15	-2.8	56	105	.14	-.2	.80	25	16.5	14

Milk	MW	MH	SEN	CW	Marb	RE	Fat	\$W	\$B
24	29	.1	-5.98	43	.28	.59	.048	61.41	104.47

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CED	BW	WW	YW	RADG	YH	SC	Doe	HP	CEM
11	-.2	69	118	.16	-.2	1.20	20	15.1	4

Milk	MW	MH	SEN	CW	Marb	RE	Fat	\$W	\$B
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With regard to marketing, Oberst said knowing the seasonal market trends is one relatively easy way to employ risk management and capitalize on price upswings. As examples, he shared data that showed in marketing 550-pound (lb.) calves the seasonal price trend indicates it may be more advantageous to market them via summer video auction as opposed to the cash market. Whereas, 850-lb. calves garnered similar prices on video and cash market, making either option viable.

The market for cull cows, Oberst shared, is "one of the most consistent seasonal price markets there is." March through May or June present the highs, while October and November have the lows.

"Holding cull cows until spring can return \$60 per head on average," he added. "Managing risk on cull cows is one of the easiest ways to add money back to the operation."

As additional risk-management tools, Oberst cited retaining ownership, using basis contracts, hedging and livestock risk protection (LRP) insurance. Learn more about the risk management services offered by CattleFax at <https://www.cattlefax.com/>.

Beef Export Update

USMEF's Greg Hanes says demand for U.S. beef is expanding in foreign markets.

Story & photo
by **TROY SMITH**, field editor

“Keep making more beef. We’re going to need it for growing export markets.”

Greg Hanes delivered that entreaty to cattlemen attending Range Beef Cow Symposium XXV, hosted Nov. 28-30 in Cheyenne, Wyo. Hanes, the assistant vice president of international marketing for the U.S. Meat Export Federation (USMEF), provided an update on international trade, emphasizing the significance of U.S. beef exports.

“You all should think about beef exports, because you all are global suppliers,” stated Hanes, reminding the audience that 96% of beef consumers reside outside the United States.

Hanes explained how USMEF maintains offices in 20 locations around the world, working in more than 90 countries, first to gain access to foreign markets and then to promote export sales of U.S. product. Promotion efforts include showing how beef can fit these various countries’ cultures, tastes and cooking styles. Foreign consumers are responding, largely due to U.S. beef quality.

Hanes said the value of U.S. beef

exports should top \$7 billion in 2017. That represents 7.5% growth compared to the previous year and continued growth of 4% to 5% are expected next year. Hanes listed Japan, Mexico, Korea, Canada and China (including Hong Kong) as the top five export markets.

Singling out Japan, Hanes said purchases by that important market grew 22% so far this year, even without benefit of the Trans-Pacific Partnership trade agreement. Total U.S. beef exports to Japan are close to surpassing Australia, despite higher tariffs than those levied on beef from Japan’s long-favored trading partner. For chilled beef, the United States has already gained a 52% share of the Japanese market.

According to Hanes, the North American Free Trade Agreement (NAFTA) has been important to U.S. producers, aiding sales of beef to both Mexico and Canada. Exports to those countries represent 30% of all beef exports



Greg Hanes said the North American Free Trade Agreement (NAFTA) has been important to U.S. producers, aiding sales of beef to both Mexico and Canada. Exports to those countries represent 30% of all beef exports and about 3% of all beef produced in the United States.

however, prices are higher in that market due to the production requirements. As more “China-eligible” beef is produced in the United States, prices should continue to decline, resulting in increased exports.

Explaining the impact of U.S. beef exports, Hanes said much of the export volume includes rounds, skirts and variety meats — cuts that bring a premium over their relatively low value in the domestic market. That contributes to added carcass value.


“If you remember only one number today,” stated Hanes, “it should be that exports add \$277 per head to the value of cattle fed in the U.S.”

and about 3% of all beef produced in the United States.

Noting the huge potential for beef exports to China, Hanes said access to that market came with certain restrictions against beef produced with growth promotants. Thus, growth of sales to China has been challenging. Chinese consumers want quality U.S. beef;

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Benchmark for Improvement

National Beef Quality Audit tracks continuous improvement within industry.

by **KINDRA GORDON**, field editor

What if you were losing \$458 per head due to quality defects on a beef carcass?

That was a real scenario for the beef industry, according to data gathered in

the early 1990s. It was also the impetus for initiating the National Beef Quality Audit (NBQA), which began in 1991 and has been conducted every five years since.

The most recent audit was conducted in 2016 with data collected on steers and heifers, as well as market (cull) cows and bulls. Oklahoma State University Animal Scientist Deb VanOverbeke, who was involved in collecting and analyzing data for the 2016 NBQA, was on hand at the 2017 Range Beef Cow Symposium in Cheyenne, Wyo., Nov. 28-30 to share the results.



“We have 25 years of history to tell us where we’ve been and how far we’ve come,” she said of the audit’s importance to the industry.

She explained that the audit process includes three phases: face-to-face interviews with industry stakeholders, in-plant data collection, and strategy workshops to prioritize quality improvement areas to focus on for the next five years. In total, the NBQA was able to capture data and information representing 92% of all U.S. beef harvested, 55% of U.S. retail beef markets, and about 25% of foodservice sectors.

Full findings of the audit results are available at <https://www.bqa.org/national-beef-quality-audit>. Some of the key takeaways revealed by the NBQA include:

- Use of branded-beef programs has increased.
- Consistency in size [of boxed beef] is important.
- Food safety is of top importance.
- Eating satisfaction is equated to customer satisfaction, with tenderness and flavor being drivers.
- Traceability has different meanings across different sectors. Some equate it to food safety, some to marketing and others to animal health.

VanOverbeke noted that the NBQA revealed bruise severity and injection-site lesions have seen huge decreases in the past 25 years, with improvements made even in the past five years. The “lost opportunities” on a steer or heifer carcass today is estimated to be about \$49 per head, with most of that due to losses from quality grade, yield grade or hot carcass weight.

Looking to the next five years and beyond, VanOverbeke noted that implementation of Beef Quality Assurance (BQA) practices must

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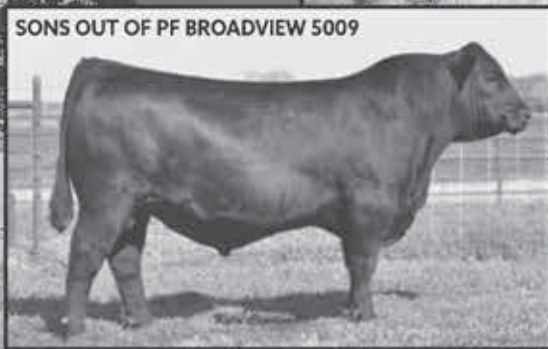
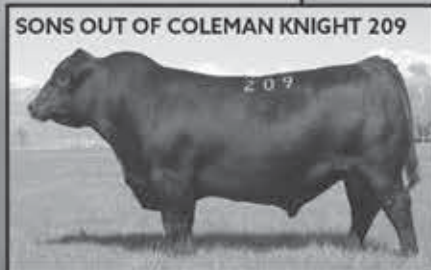
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Oklahoma State University Animal Scientist Deb VanOverbeke explained that the audit process includes three phases: face-to-face interviews with industry stakeholders, in-plant data collection, and strategy workshops to prioritize quality improvement areas to focus on for the next five years.

continue to be championed and adopted within the beef industry. Additionally, better communication of BQA principles to packers, retailers, foodservice and further-processing entities could improve marketing and public perceptions, she suggested.

“Doing one thing 1% better does make a huge improvement over time.”

— Deb VanOverbeke

In closing, VanOverbeke challenged the audience to find ways to continue to improve.

“Doing one thing 1% better does make a huge improvement over time,” she noted. She pointed to the dramatic decrease in injection-site lesions during the past two decades as one success story from striving to improve.

She asked the audience to consider the scenario of spending \$1 to prevent a quality defect vs. spending \$10 to fix a defect at manufacturing vs. spending \$1 to fix a defect for a customer.

Thus, VanOverbeke encouraged each sector in the beef industry to ask themselves: “Is there one thing you could do differently to create a higher-value product for the next guy down the road — and ultimately [for] the consumer?”

Read more details about the 2016 NBQA findings in these *Angus Journal* articles:

- “State of the Beef Industry,” by Kasey Brown, October 2017
- “Room to Improve,” by Laura Conaway, November 2017
- “Cull Cattle Report Card,” by Kindra Gordon, November 2017



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