

Market Advisor: Outlook for 2012

by
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CattleFax economist Mike Miller offered highlights from the 2012 Annual Outlook and Strategies Meeting to participants of the 22nd Range Beef

Cow Symposium in Mitchell, Neb., Dec. 1. He said that, overall, the markets show a pretty friendly scenario for beef producers, especially with international demand.

Miller mentioned that the national beef cow inventory has declined, and he

projected 30.2 million head in January 2012, which is down 165,000 from the previous year. He also projected that the number would continue to decline into 2013, and noted that replacement heifers were especially low in beef cattle. On a brighter note, though, he predicted that

International demand has many opportunities, despite low cow herd number.

30 million should be the low point, and there should be growth in future years.

Despite the lower cattle inventory, prices have been on a record high. Almost everyone has been pleasantly surprised at increased prices in 2011 in all aspects of the beef industry.

“We do think we’re going to be able to hold on to those gains,” said Miller, “in fact, even extend those gains for the next couple of years.”

He mentioned that the average cow-calf profit is trending up, as incomes and costs have both risen. Would \$200-\$400 per head profit be enough of an incentive to start expanding?

With some work, yes, he posited, this profitability can help expand the beef cow number and the national cow herd.

Good prices don’t come without risks, though. There has been — and will continue to be — much volatility in the beef industry. He said that 2011 has seen more volatility than any time in history, with beef and corn prices changing almost weekly. He urged producers to manage their margins, and don’t guess on the market — plan for volatility and risk in the upcoming year.

With strong prices that are foreseeable for many years, profits depend on producers’ abilities to be disciplined and to manage increasing risk, he warned. “Remember, increasing prices don’t equal increased profits.”

A large opportunity for the beef industry lies abroad, Miller said, explaining that exports increased by 23.2% from 2010 to 2011. He said he anticipates another 10.4% increase in 2012. The beef industry has enjoyed the growth, but still doesn’t have full access to all markets, which means there is more opportunity for export expansion.

“Long-term, if you think about our industry’s place in the global beef market, we’re still the leader,” Miller concluded. “Even though we’ve seen our overall supplies decline, we are going to be in a position, at some point here in the next several years, to stabilize the overall size of the beef cow herd and grow.

“There are a lot of bullish things going on outside the United States from a demand standpoint that we still believe we are going to be able to capitalize on in the next five, 10, 15 years.”



Editor’s Note: This article is part of Angus Productions Inc.’s event coverage of Range Beef Cow Symposium XXII. For additional coverage, visit www.rangebeefcow.com.