

Market Outlook

Chad Spearman and Tony Clayton discuss cattle markets at home and abroad.

by
KINDRA GORDON, field editor

Transition will be the theme for 2014 said CattleFax's Chad Spearman as he provided a market outlook presentation Dec. 5 to attendees of the Range Beef Cow Symposium in Rapid City, S.D.

"There's a lot of opportunity ahead with cheaper feed costs and improved weather conditions. The beef outlook is optimistic, especially for cow-calf producers," Spearman said in his opening remarks.

He noted that the Southern Plains, Northern Plains and Southeast — three regions where the bulk of the cow herd resides — have all seen improved moisture and forage conditions, which is bolstering optimism for 2014.

Additionally, Spearman said corn prices are expected in the range of \$3.50 to \$5.50 per bushel (bu.) over the next two years — down from the highs of \$7 per bu. a year or two ago.

"We are always one crop away from corn prices going high again," he said, "but the last two years there's been more production of corn around the world, so that should lift supplies" and keep corn prices more moderate.

He added, "This should help cost of gains be around 50¢ to 80¢ per pound (lb.) as opposed to \$1.30 from a year ago. That's a huge deal. Cheaper cost of gain and elevated cattle prices mean good demand for calf prices."

With the optimistic outlook, Spearman says they anticipate herd rebuilding could result in a larger beef inventory by Jan. 1, 2015. Those who have cattle to sell will command premium prices in the year ahead.

Spearman reported that for 2013 fed prices will average near \$126 per hundredweight (cwt.) and are expected to average \$130 for 2014.

Feeder-cattle prices will average \$146 per cwt. for 2013 and are expected to average \$165 for 2014. Calf prices will average near \$168 this year and \$185-\$190 per cwt. for 2014.

While the outlook is extremely positive, Spearman concluded by advising cattlemen to "pay attention."



PHOTOS BY TROY SMITH

"Be plugged in; things can change. There's never 'no risk,'" CattleFax's Chad Spearman cautioned.

"Be plugged in; things can change. There's never 'no risk,'" he cautioned. "Feed costs look like they will be muted, but focus on what's going on with trends in the market, especially seasonally," he emphasized.

Breeding cattle exports

It is a big, changing world, and the export market is reflecting increased demand for livestock, said Tony Clayton, president of Clayton AgriMarketing Inc. He credits the increasing interest to the increasing global population and expanding economies.

"Overseas, when you make more money, you buy better food," said Clayton, who specializes in live exports. His Jefferson City, Mo., company ships live U.S. animals — from beef and dairy cattle to goats and horses — for export about every six days.

Regarding the interest in beef cattle, Clayton said, "International producers want to adopt our genetic systems. When our corn prices were high, theirs were higher. They realized they've got to make animals more efficient and that starts with breeding systems and good genetics."

Asked why these countries would want to import breeding stock as opposed to just buying boxed beef, Clayton explained it is a matter of national security.

"Hungry people are dangerous people," he said. "The elderly leaders in many of these countries know and recognize that from the past, so

regardless of what it costs, they want to be able to raise some of their own food for their countries."

Countries that have been steadily importing dairy and beef cattle include Turkey, Russia, Kazakhstan and Iraq. Clayton anticipates that Mexico will also be a larger importer of beef and dairy cattle in 2014 as it begins to repopulate herds after drought.

Of the obstacles in marketing live animals, Clayton calls disease concerns the biggest. "Disease will influence the market," he said. Foot-and-mouth disease (FMD) is especially a big concern to him. He stated, "In the U.S. we have to keep it out. We've got to do due diligence. If it happens here, we can't export."

Other issues he cited that are concerns included bovine spongiform encephalopathy (BSE), tuberculosis, avian influenza, and two new viruses — porcine epidemic diarrhea (PED) virus in swine and the Schmallenberg virus, which has been discovered in Europe.

"Russia, Egypt, Lebanon are examples of countries who don't want cattle from Europe because of it (Schmallenberg virus). As long as the U.S. can keep it out, we will create export opportunities here," he said.

Clayton is a proponent of animal identification (ID) in the United States. He said, "It is needed to get the U.S. and to keep the U.S. able to export to some of these countries. If we can get our arms around it (animal

Selling a premium beef product to informed

Would you be willing to pay \$24 per pound (lb.) for steak? That's the question Chad Mackay asked producers attending the Range Beef Cow Symposium as it kicked off Dec. 3 in Rapid City, S.D. Despite cold temperatures and snowy weather, about 500 people were in attendance for the first day of the three-day symposium. The biennial event is co-hosted by South Dakota State University, Colorado State University, the University of Wyoming and the University of Nebraska.

Mackay's presentation focused on selling premium beef to consumers. He is president and COO of El Gaucho Hospitality, a family business his father started in 1997 that today consists of five high-end restaurants in Washington and Oregon.

Mackay told producers that selling a 6-oz. steak for \$60-\$70 is his job. From that perspective he said, "If we want to continue to have high beef prices, someone's got to sell it. So, what we — high-end restaurants — do should matter to your business."

Mackay noted that El Gaucho's five restaurants do \$30 million in annual revenues and have 350

employees. Since they started in 1997, they have focused on selling *Certified Angus Beef*® (CAB®) that is dry-aged and cooked using charcoal. In 2001, they moved to CAB Prime with much of their product, and in 2012, they began purchasing Niman Ranch CAB, which is a natural product. They also added Wagyu beef to their menus this year.



El Gaucho COO Chad Mackay encouraged producers to know what kind of end product their cattle produce, to learn more about distribution channels, and to find regional restaurants they might connect with to supply beef.

Mackay said training and education of their staff is integral to getting customers to spend top dollar for a quality steak. New hires at El Gaucho's restaurants spend three weeks in training



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More details available online

Spearman and Clayton spoke Thursday morning at the final session of RBCS XXIII. Visit the Newsroom at www.rangebeefcow.com/2013 to view their PowerPoint and read Clayton's proceedings or listen to his presentation.

The RBCS is a biennial educational

symposium offering practical production management information. It is sponsored by the Cooperative Extension Service and animal science departments of the University of Wyoming, South Dakota State University, Colorado State University and the University of Nebraska.

Comprehensive coverage of the

symposium is available online at www.rangebeefcow.com. Compiled by the *Angus Journal* editorial team, the site is made possible through sponsorship of *LiveAuctions.tv* and the cooperation of the host committee and speakers.



ID), it could take this cattle market to the next level.”

Clayton noted that exports make a huge impact to the economy:

- For every \$1 billion in agricultural goods exported approximately 8,400 jobs are created;

- In 2011, livestock exports increased by 23% over the previous year to \$951 million; and

- In 2012, livestock exports increased by 14%, making the industry a billion dollar industry for the first time.

consumers

before they get tables. Chefs and managers also attend CAB annual conferences and workshops to enhance their industry knowledge. El Gaucho staff attend ranch tours, and the company has hosted events with cattle for staff and the media to further build knowledge about the care that goes into producing premium beef.

In his closing remarks, Mackay shared that he believes “branded beef is here to stay.” He said his ultimate goal would be to source beef from just a few ranches so he could specifically tell his restaurant patrons from which ranches the beef he serves comes.

“They do want to know where it comes from,” he said.

He encouraged producers to know what kind of end product their cattle produce, to learn more about distribution channels, and to find regional restaurants they might connect with to supply beef — and their story.

For more about the El Gaucho restaurants, read this recent article in the *Angus Journal*:
www.angusjournal.com/aj_article.html?cid=9848.

— by **Kindra Gordon**