

Cattle Market And Controversy

Tri County Beef Cattle Merking 2016

Jasper, TX

April 21, 2016

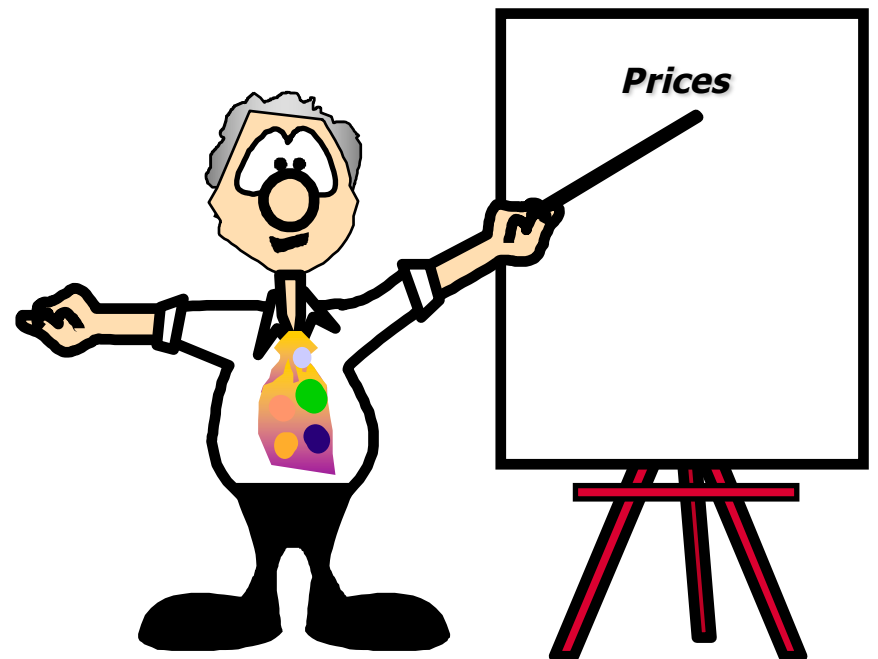
David P. Anderson

Professor and Extension Economist



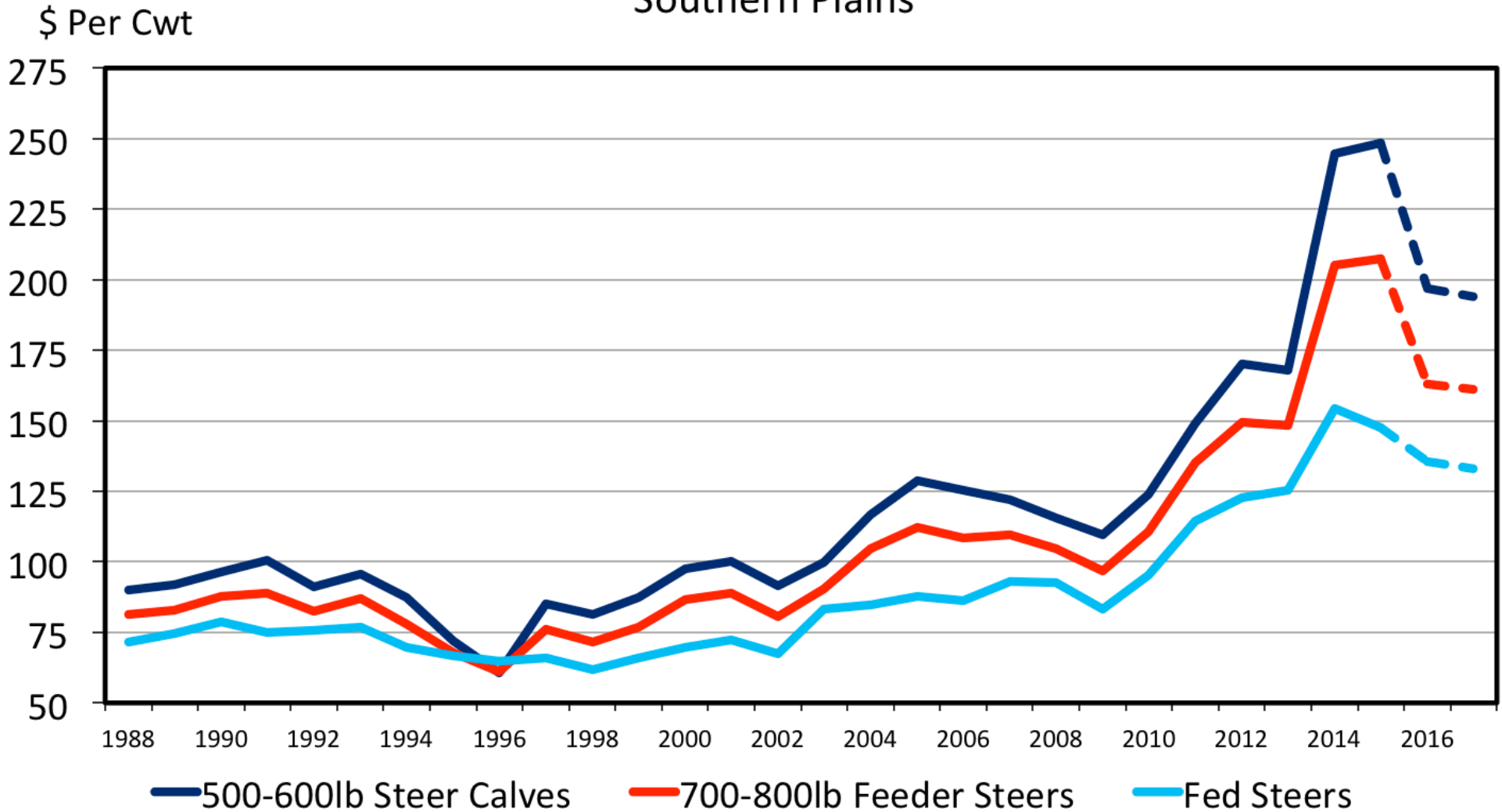
Overview

- Price Correction
- Increasing Beef Supply
- Price Relationships
- Price of Competition



AVERAGE ANNUAL CATTLE PRICES

Southern Plains

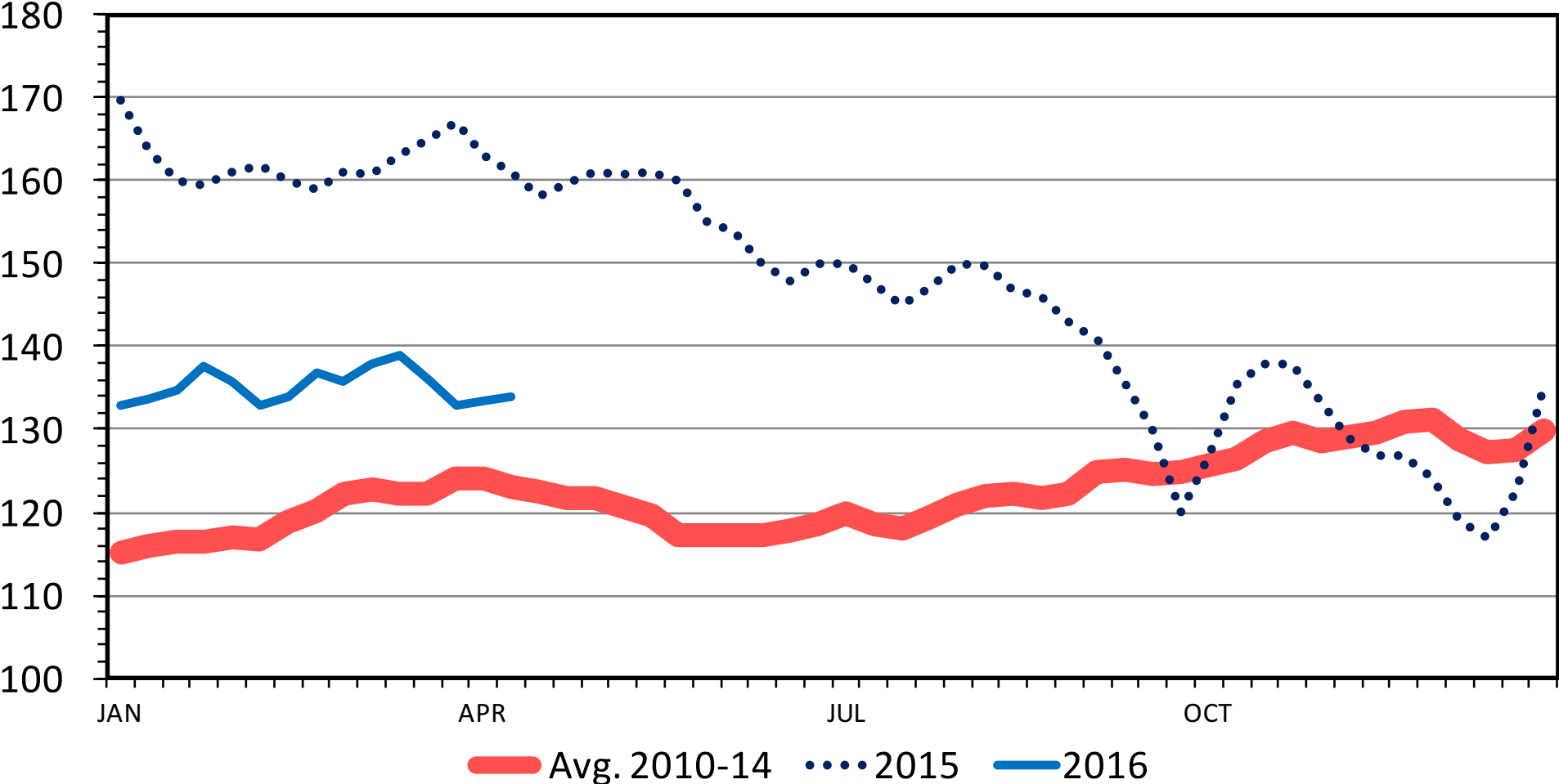


Data Source: USDA-AMS, Compiled and Forecasts by LMIC
Livestock Marketing Information Center

SLAUGHTER STEER PRICES

Southern Plains, Weekly

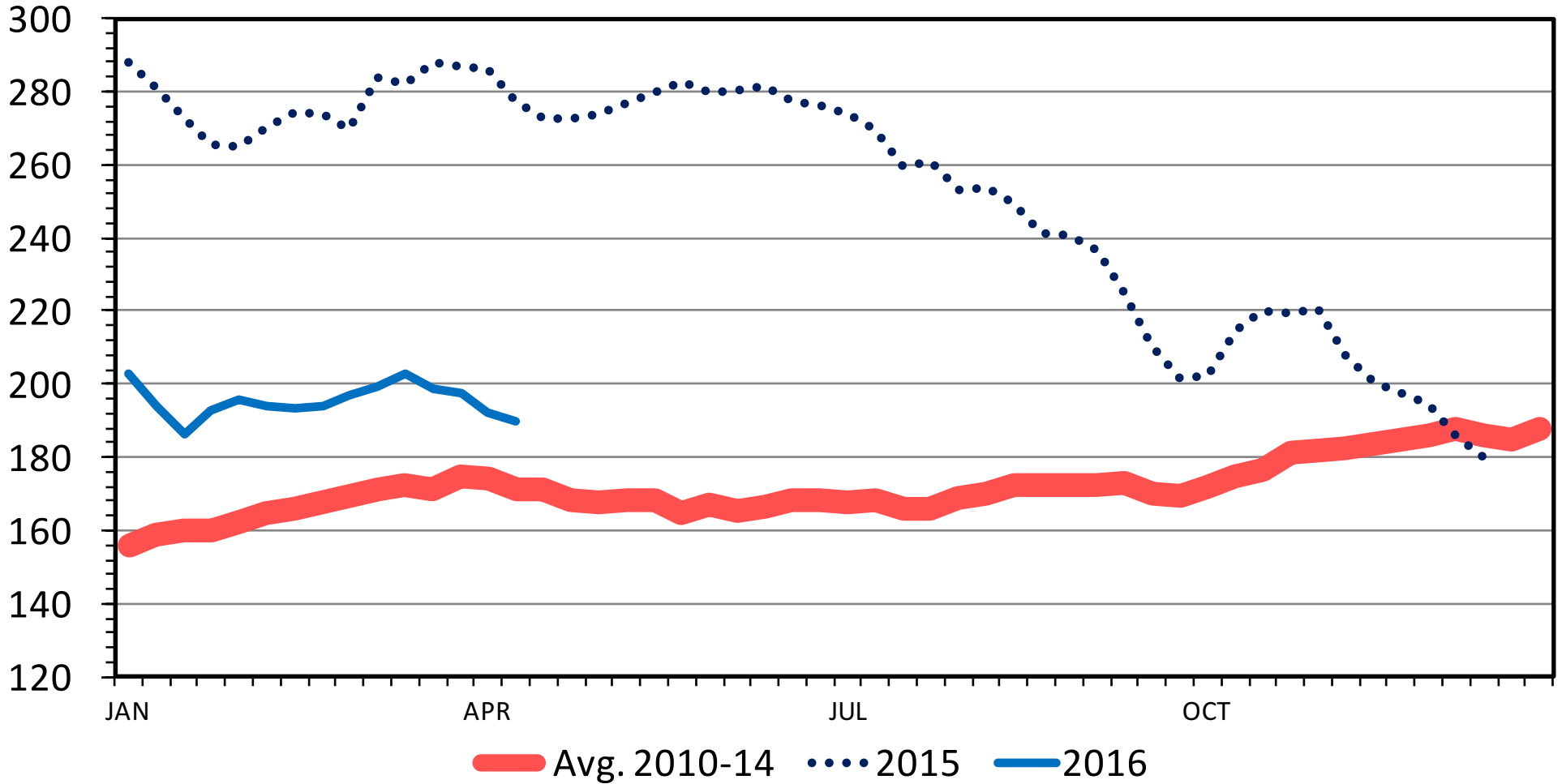
\$ Per Cwt.



MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

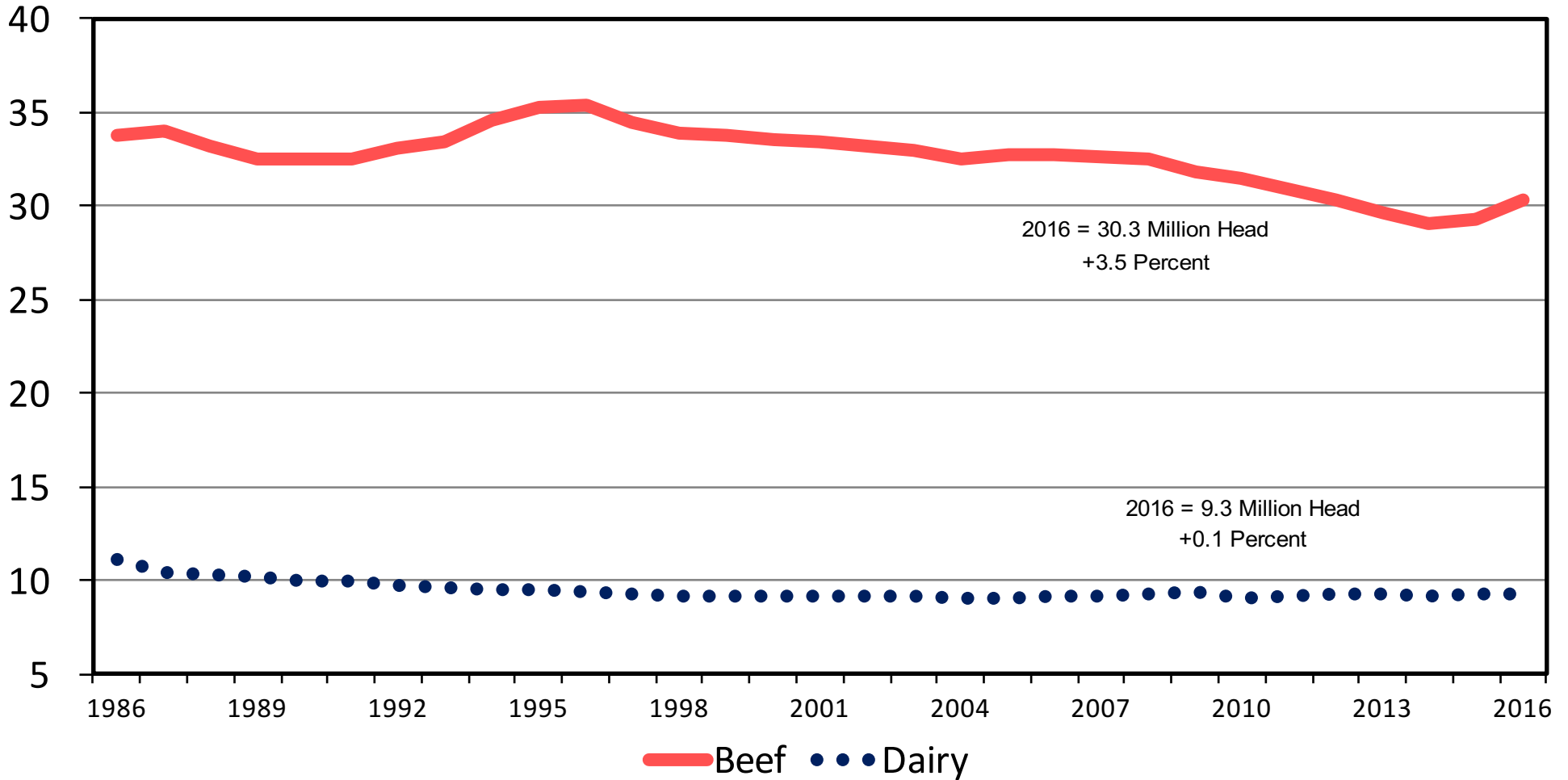
\$ Per Cwt.



JANUARY 1 COW INVENTORY

U.S., Annual

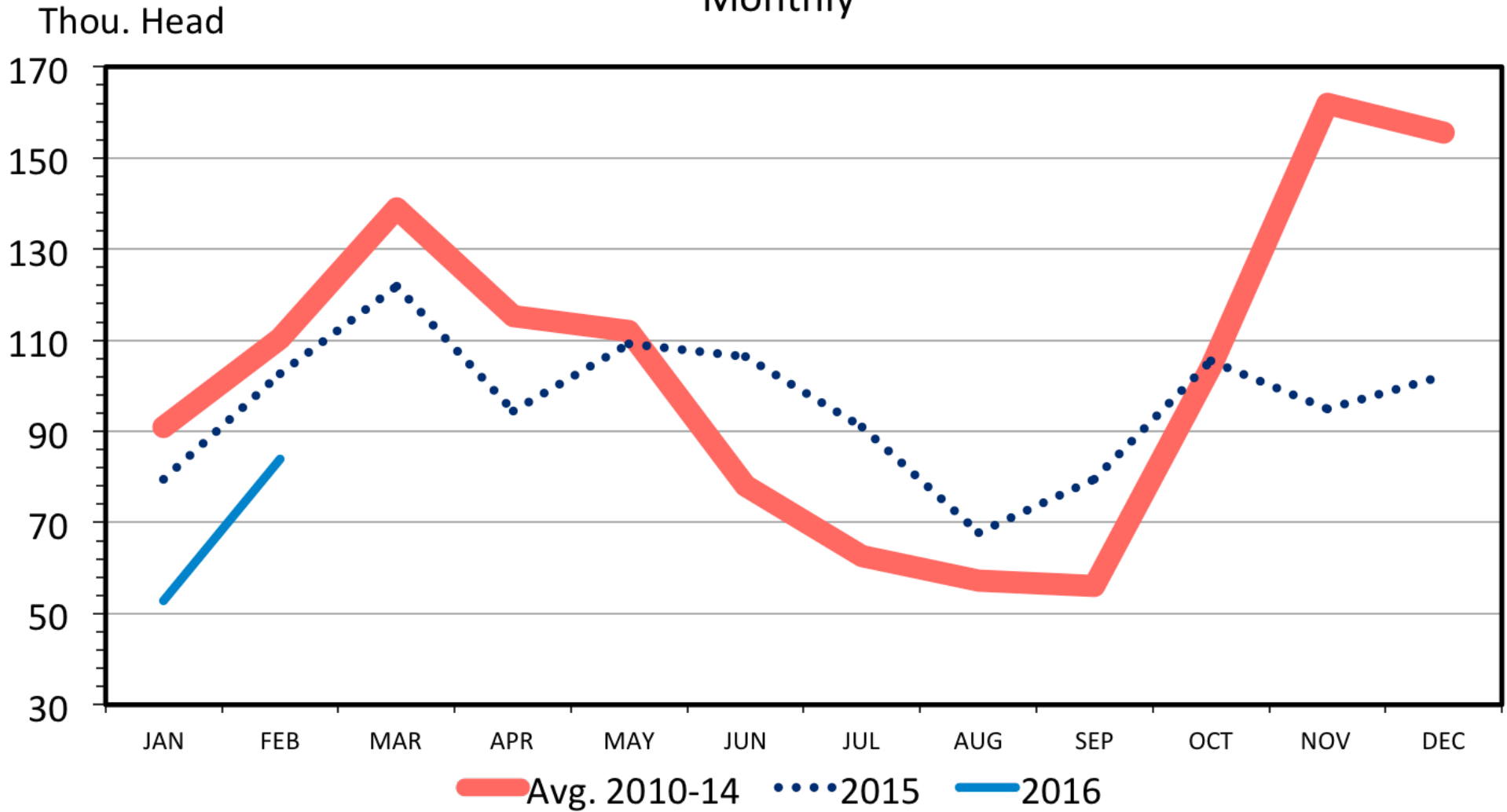
Mil. Head



Data Source: USDA-NASS
Livestock Marketing Information Center

US CATTLE IMPORTS FROM MEXICO

Monthly

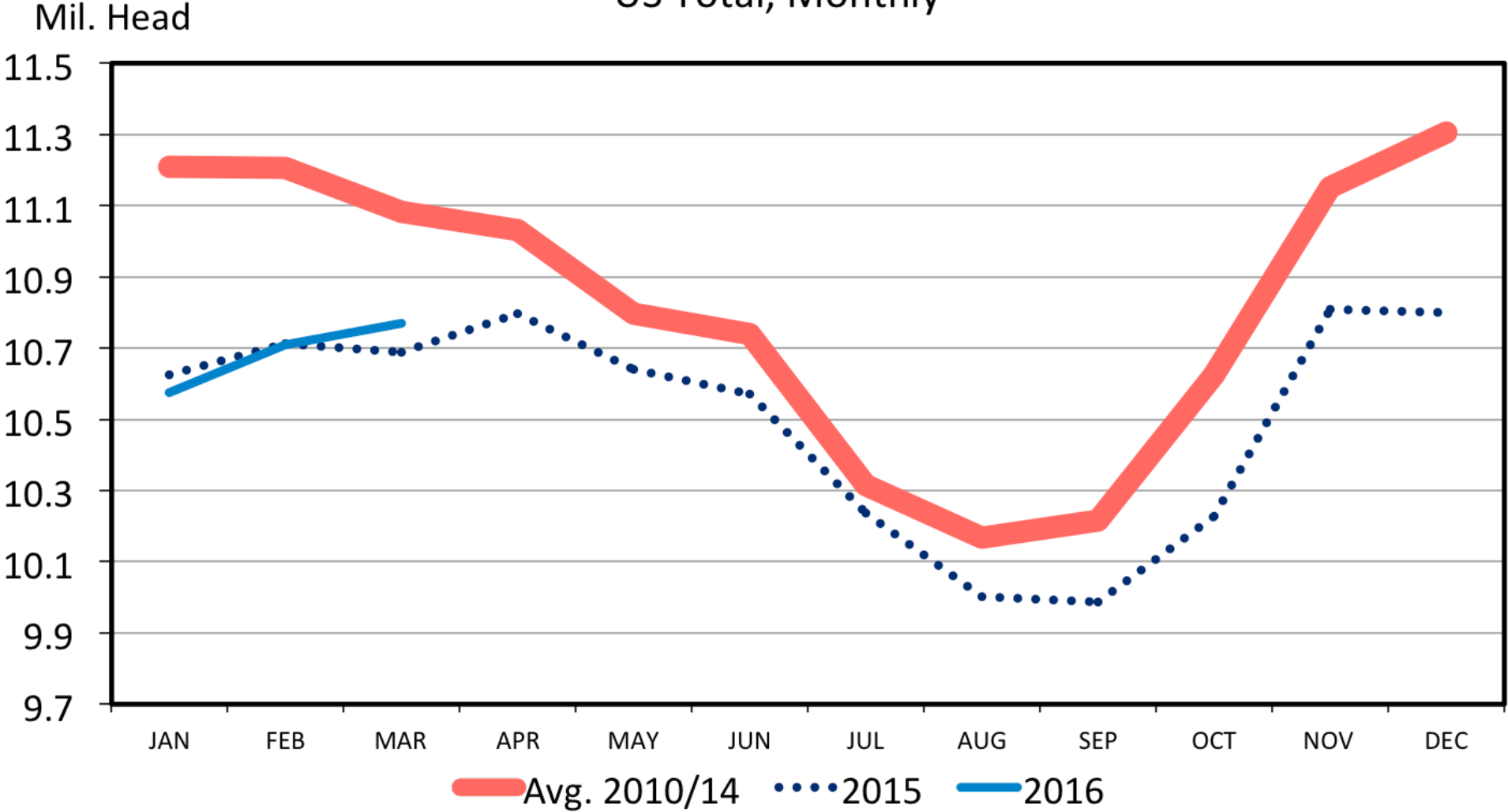


**Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center**

Short Term Supplies

CATTLE ON FEED

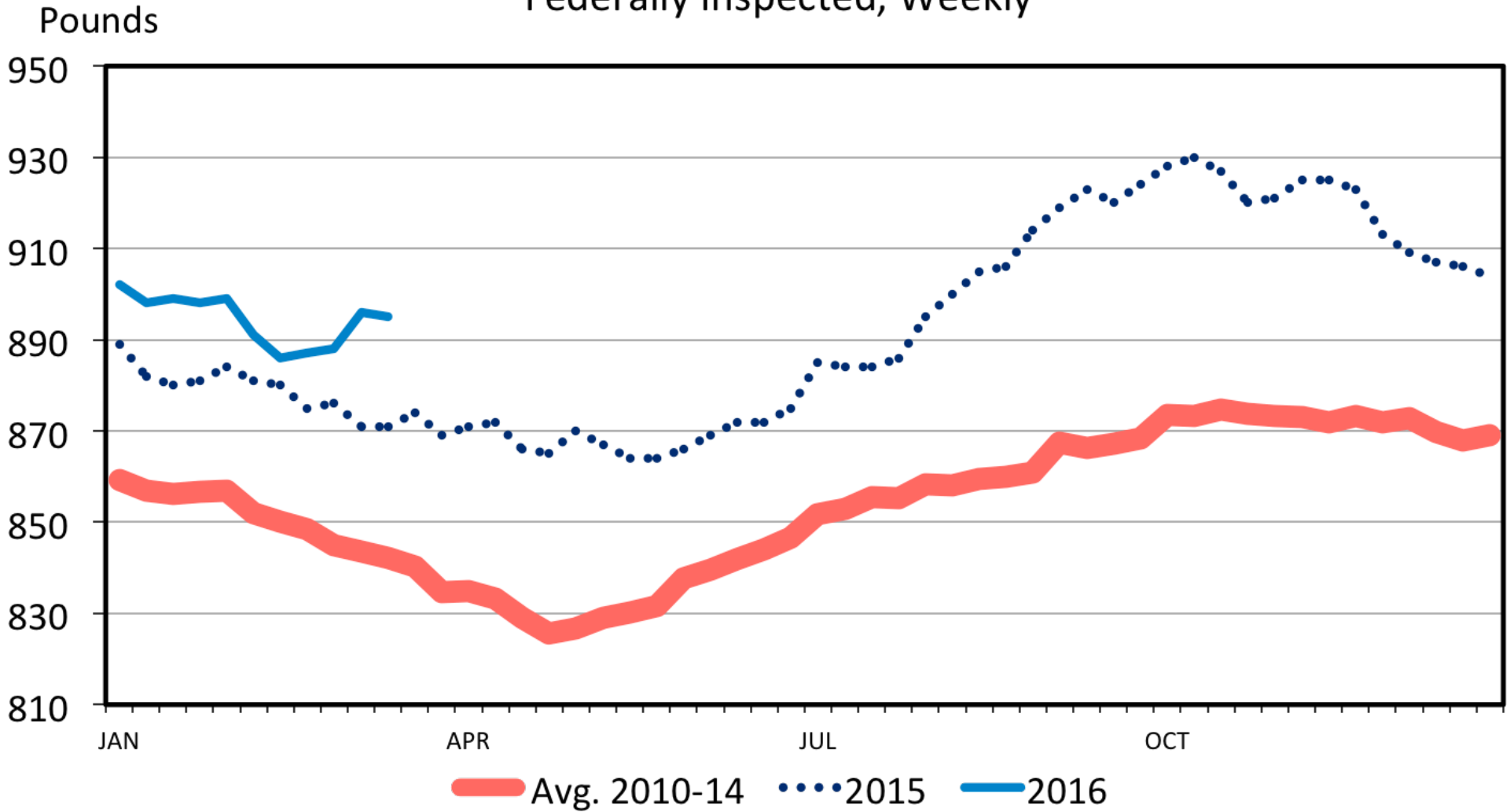
US Total, Monthly



Data Source: USDA-NASS
Livestock Marketing Information Center

STEER DRESSED WEIGHT

Federally Inspected, Weekly

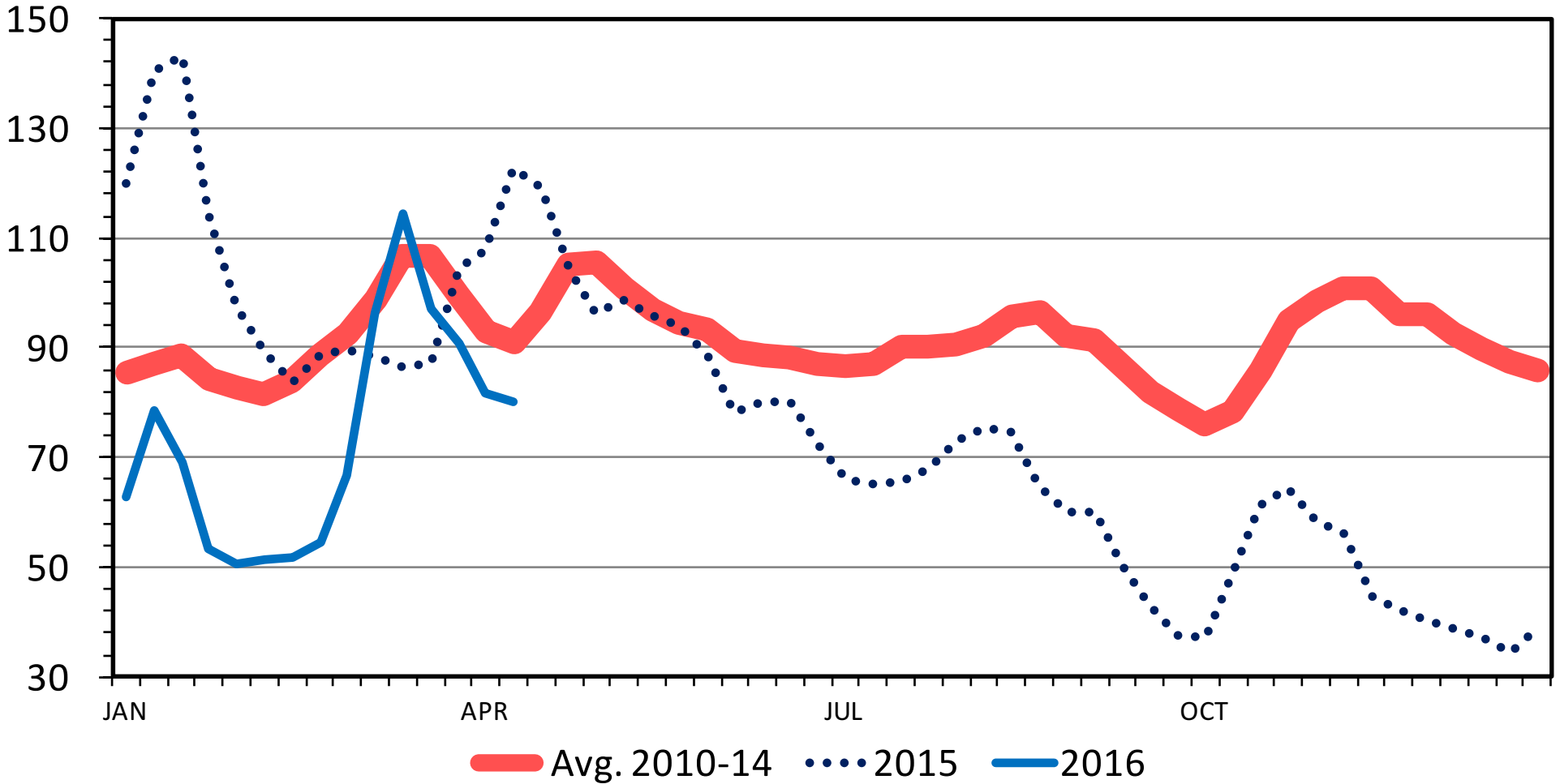


Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

WHOLESALE BONELESS BEEF PRICES

Fresh, 50% Lean, Weekly

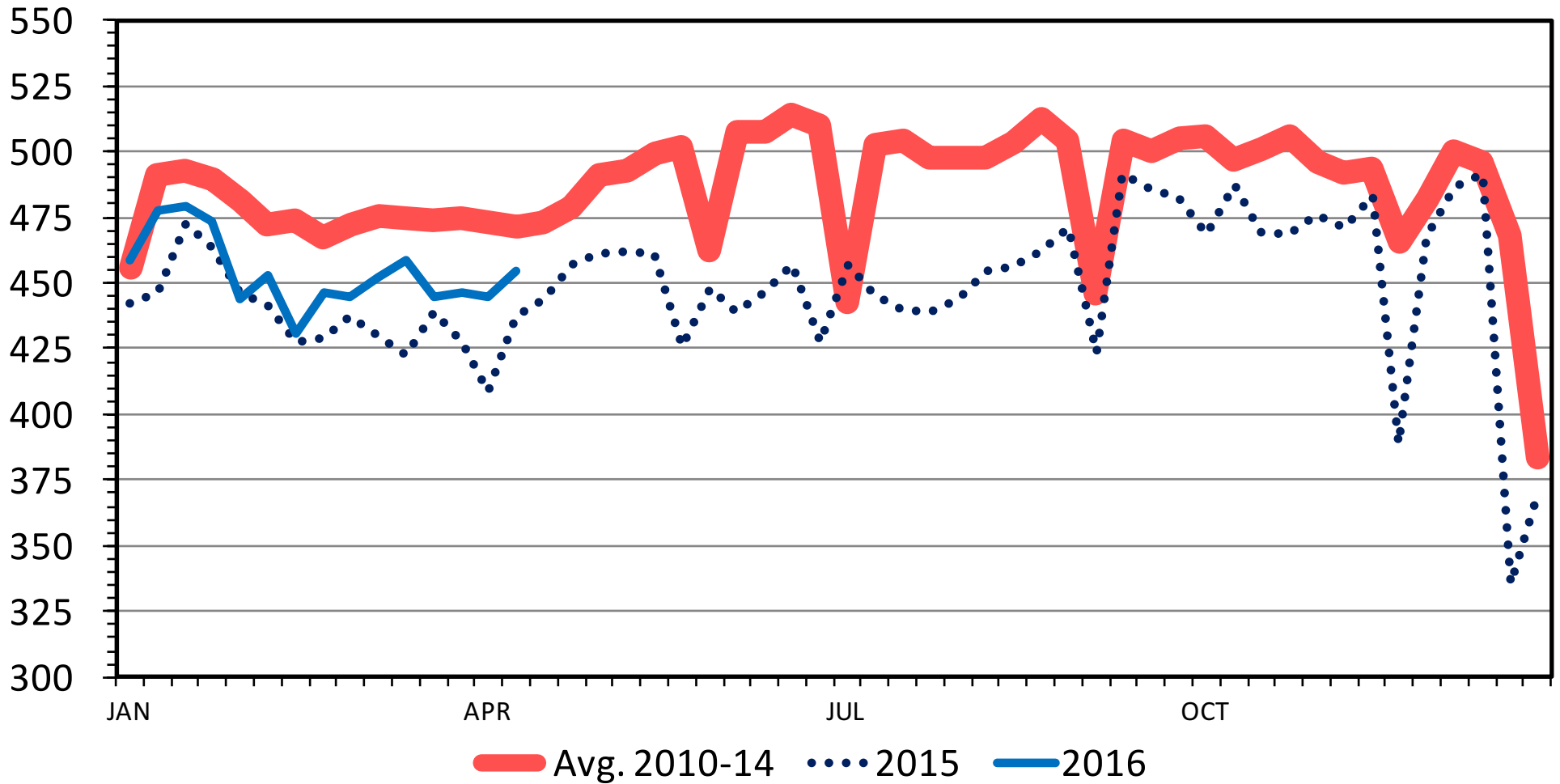
Cents Per Pound



BEEF PRODUCTION

Federally Inspected, Weekly

Mil. Pounds

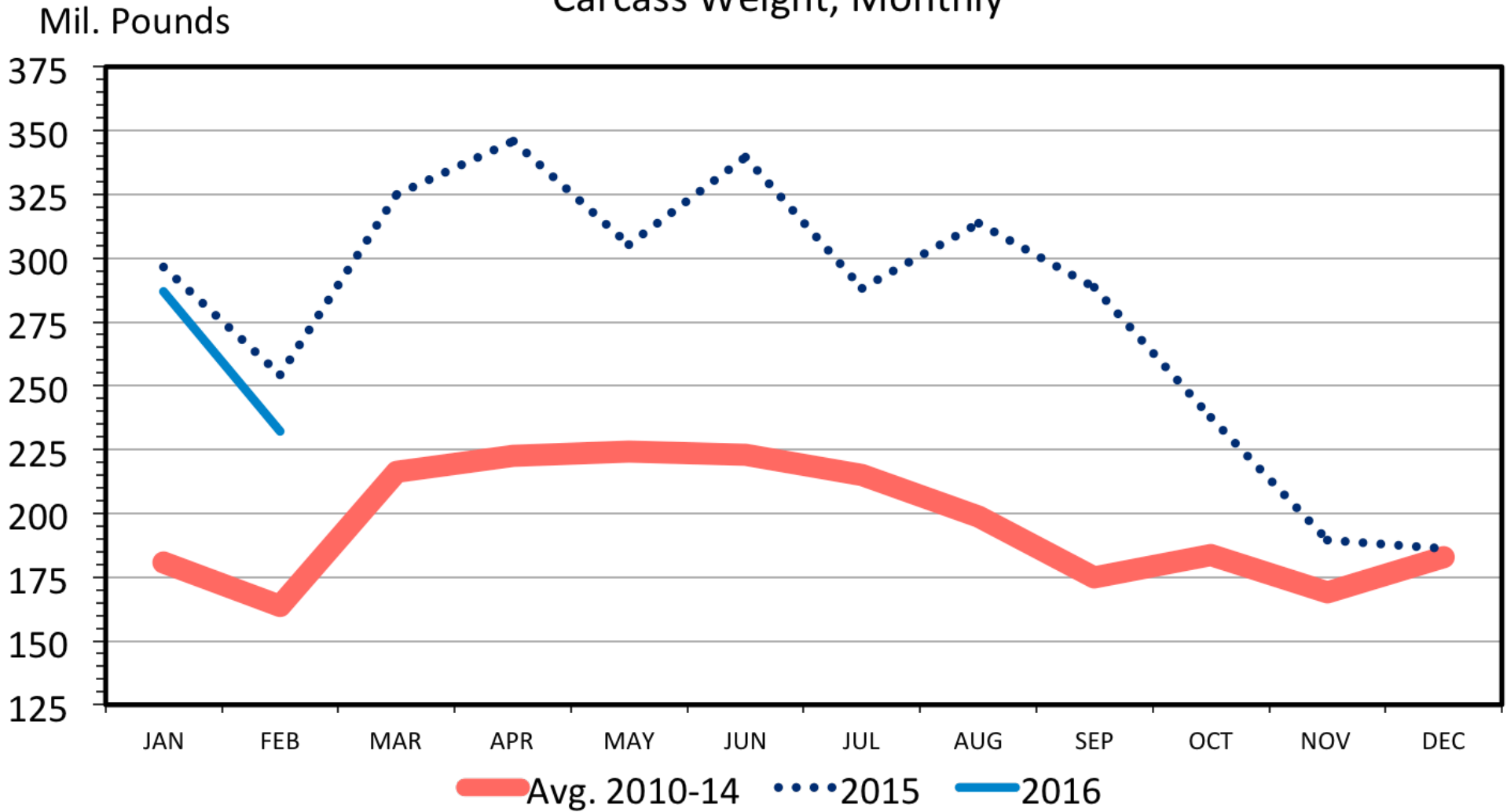


Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

M-S-18
04/18/16

US BEEF AND VEAL IMPORTS

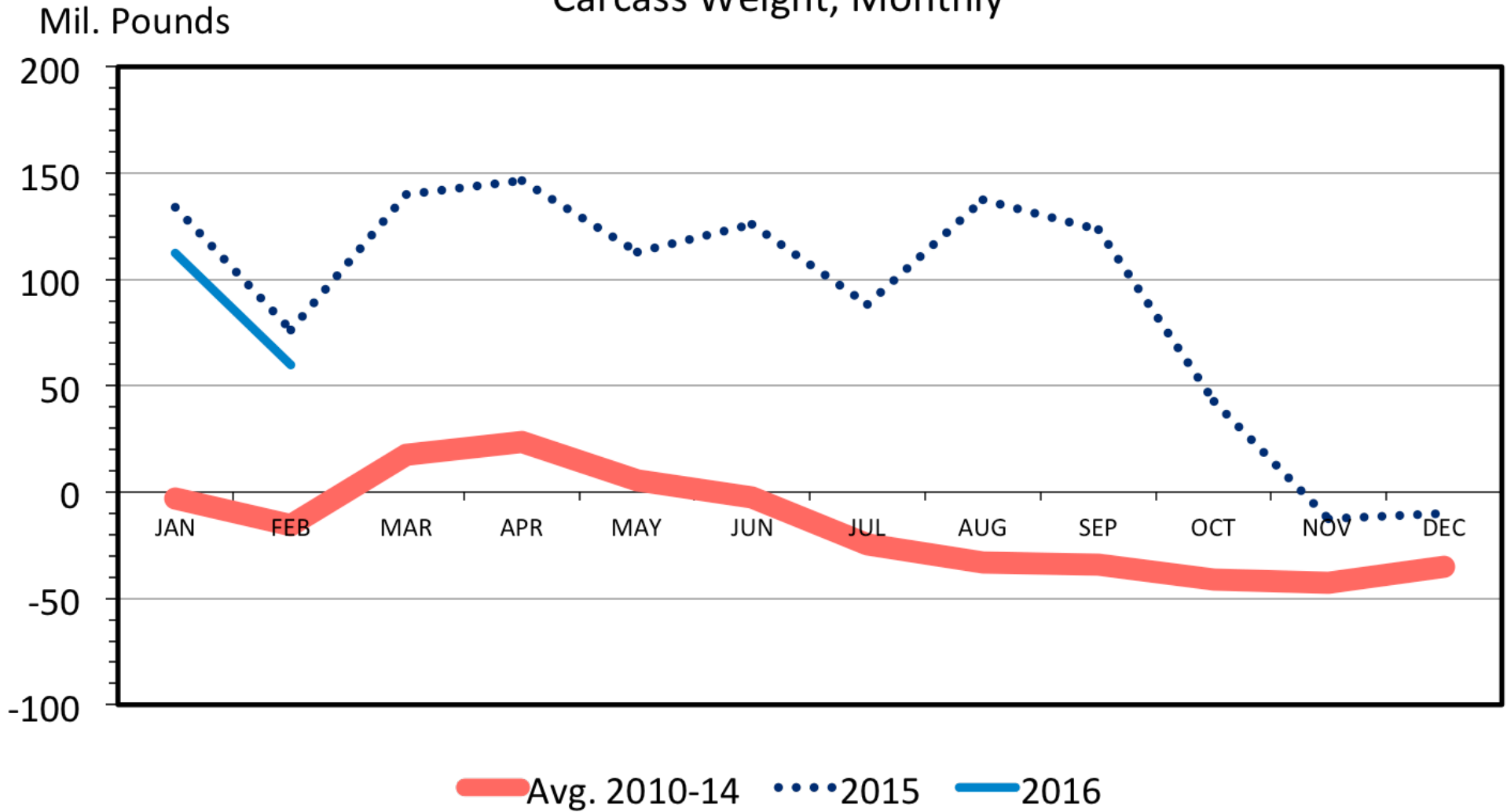
Carcass Weight, Monthly



Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center

US NET BEEF IMPORTS

Carcass Weight, Monthly

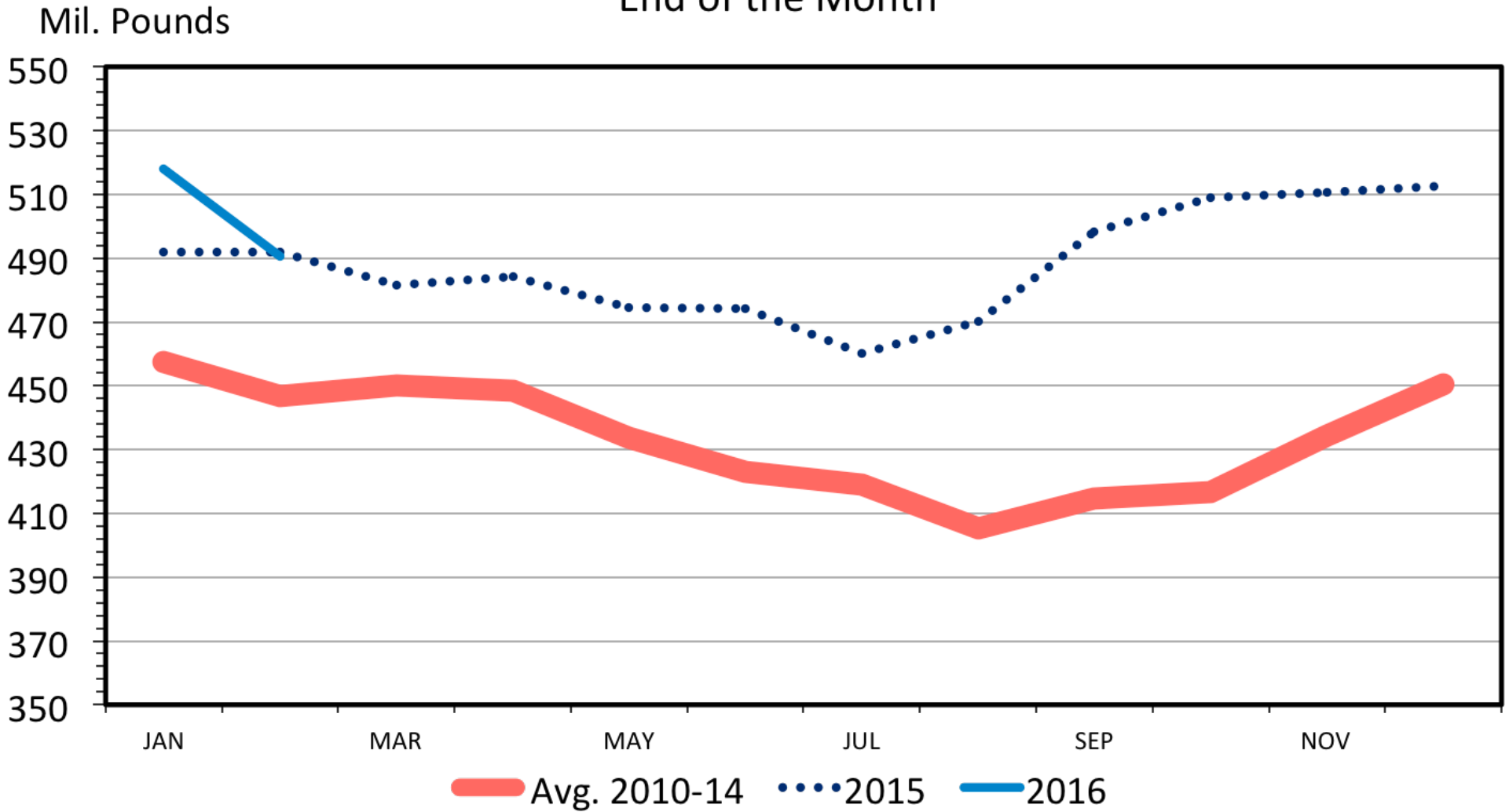


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis
by LMIC

Livestock Marketing Information Center

BEEF IN COLD STORAGE

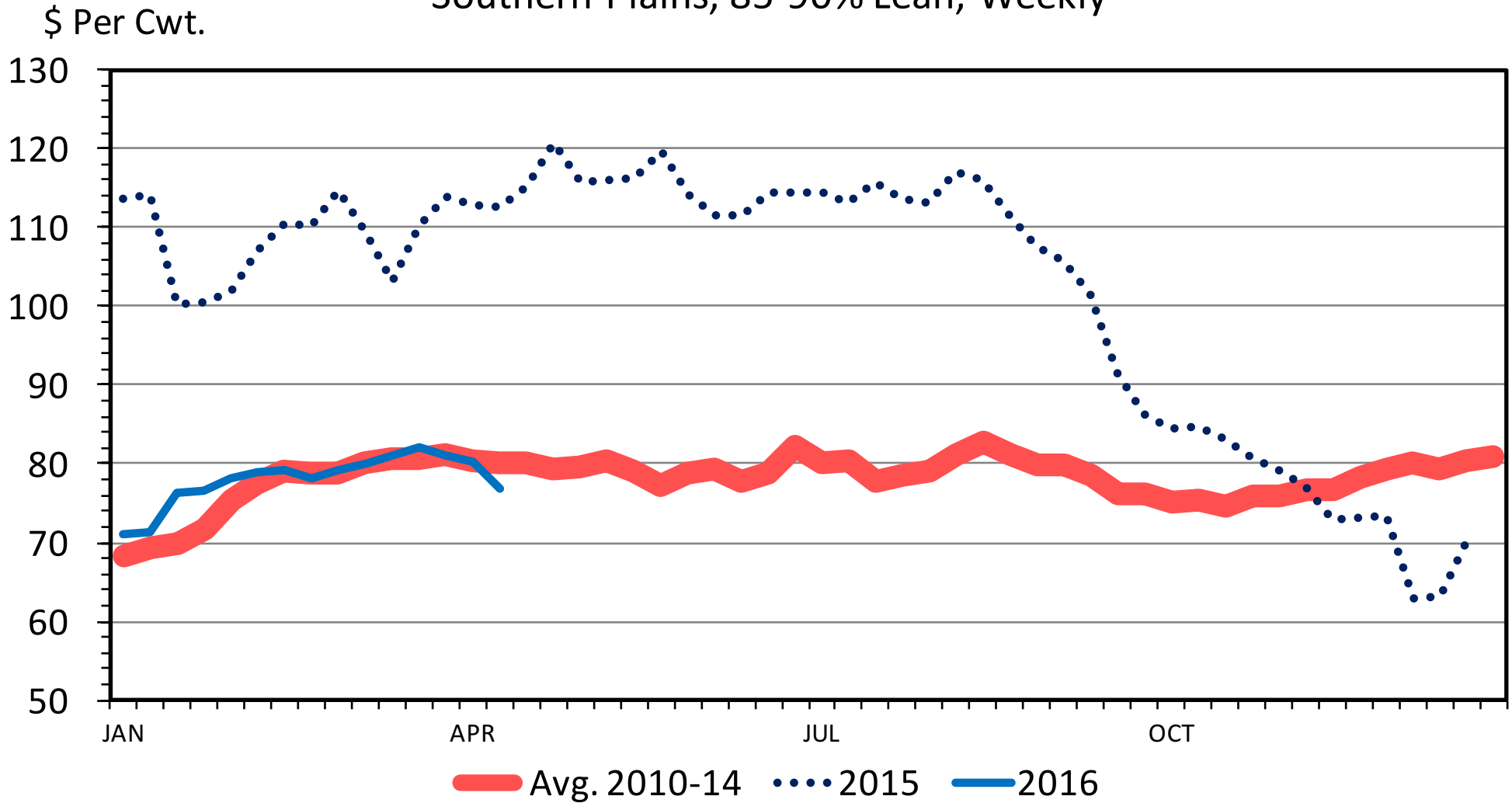
End of the Month



Data Source: USDA/NASS
Livestock Marketing Information Center

SLAUGHTER COW PRICES

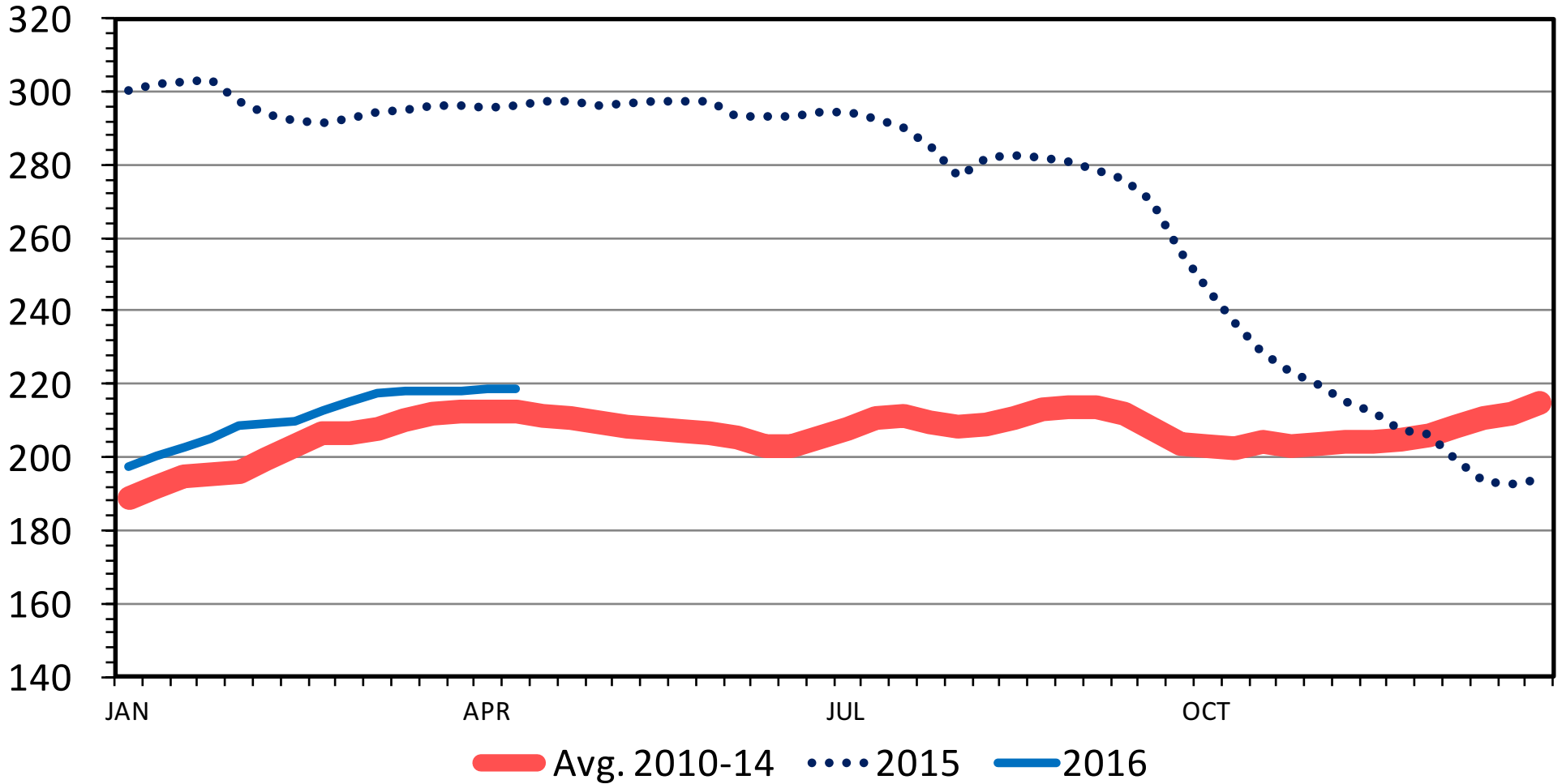
Southern Plains, 85-90% Lean, Weekly



WHOLESALE BONELESS BEEF PRICES

Fresh, 90% Lean, Weekly

Cents Per Pound



Short Term Supply

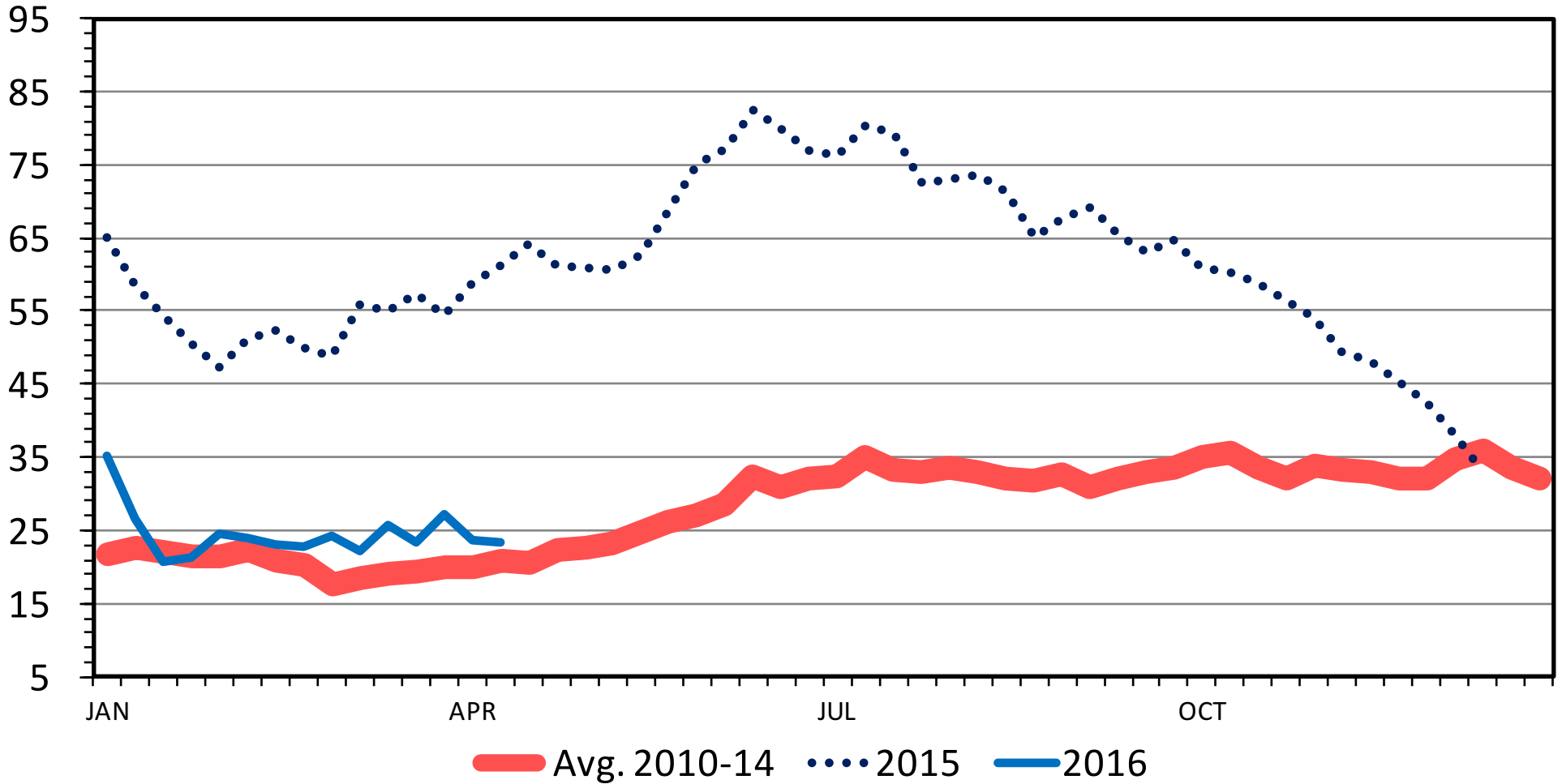
- Sharply Lower Cattle Prices
 - More beef than a year ago
 - Slaughter and weights
 - Increased domestic production
 - More imports, less exports
- Packing Capacity

Price Relationships

FEEDER STEER vs FED STEER PRICES

700-800 Lbs. Minus Slaughter Steer, S. Plains, Weekly

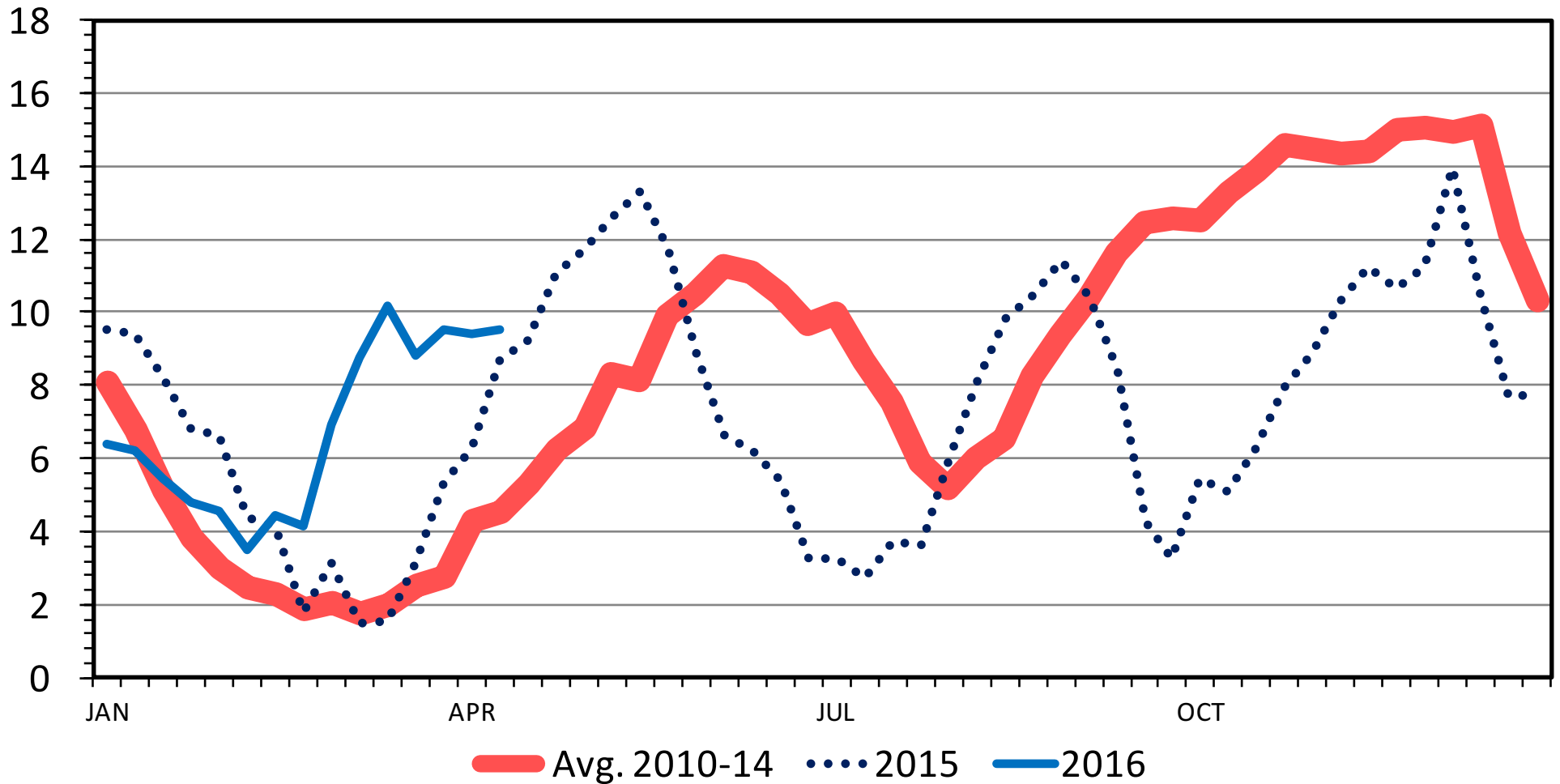
\$ Per Cwt.



CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly

\$ Per Cwt.

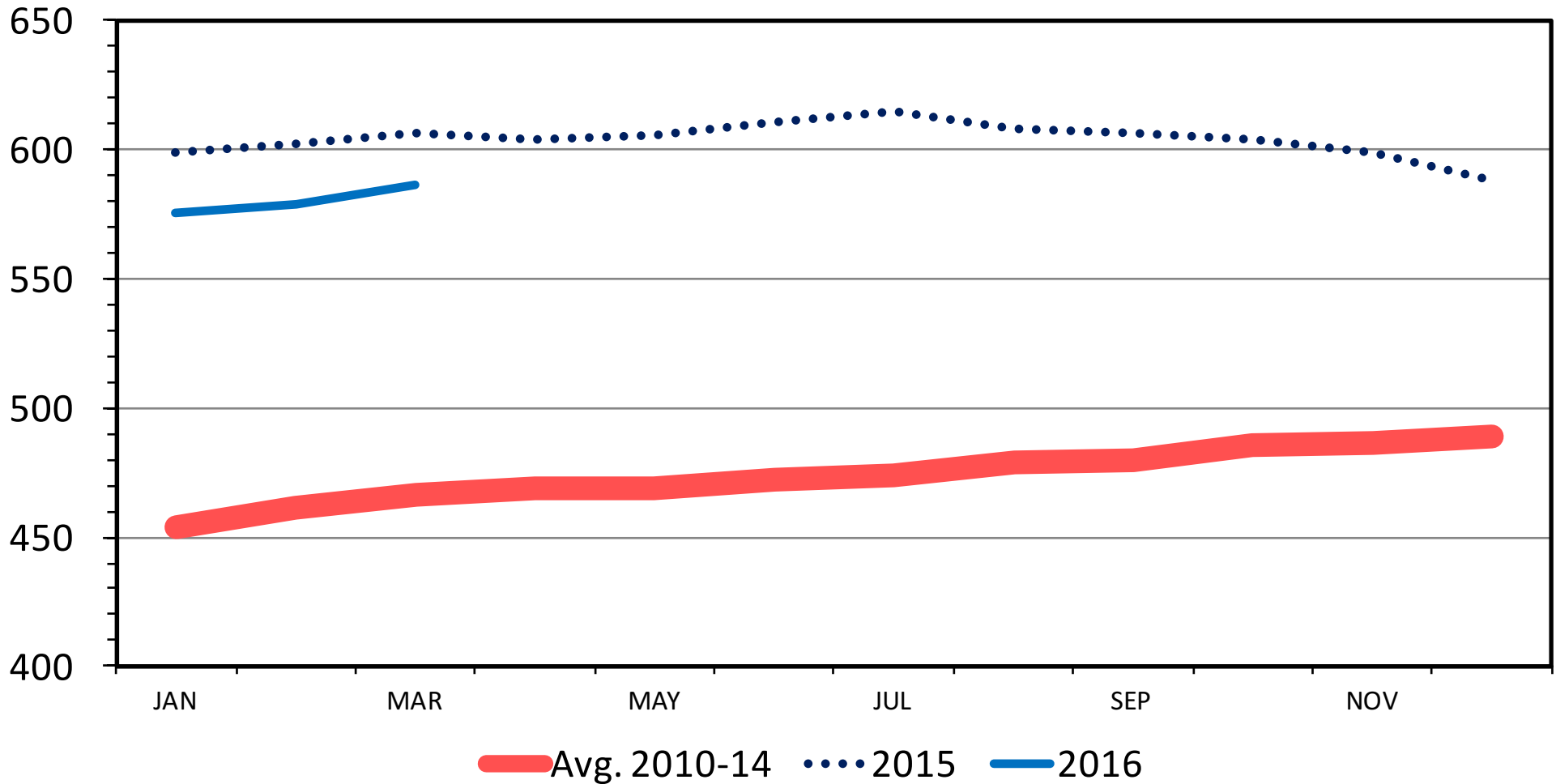


Demand

RETAIL BEEF PRICE

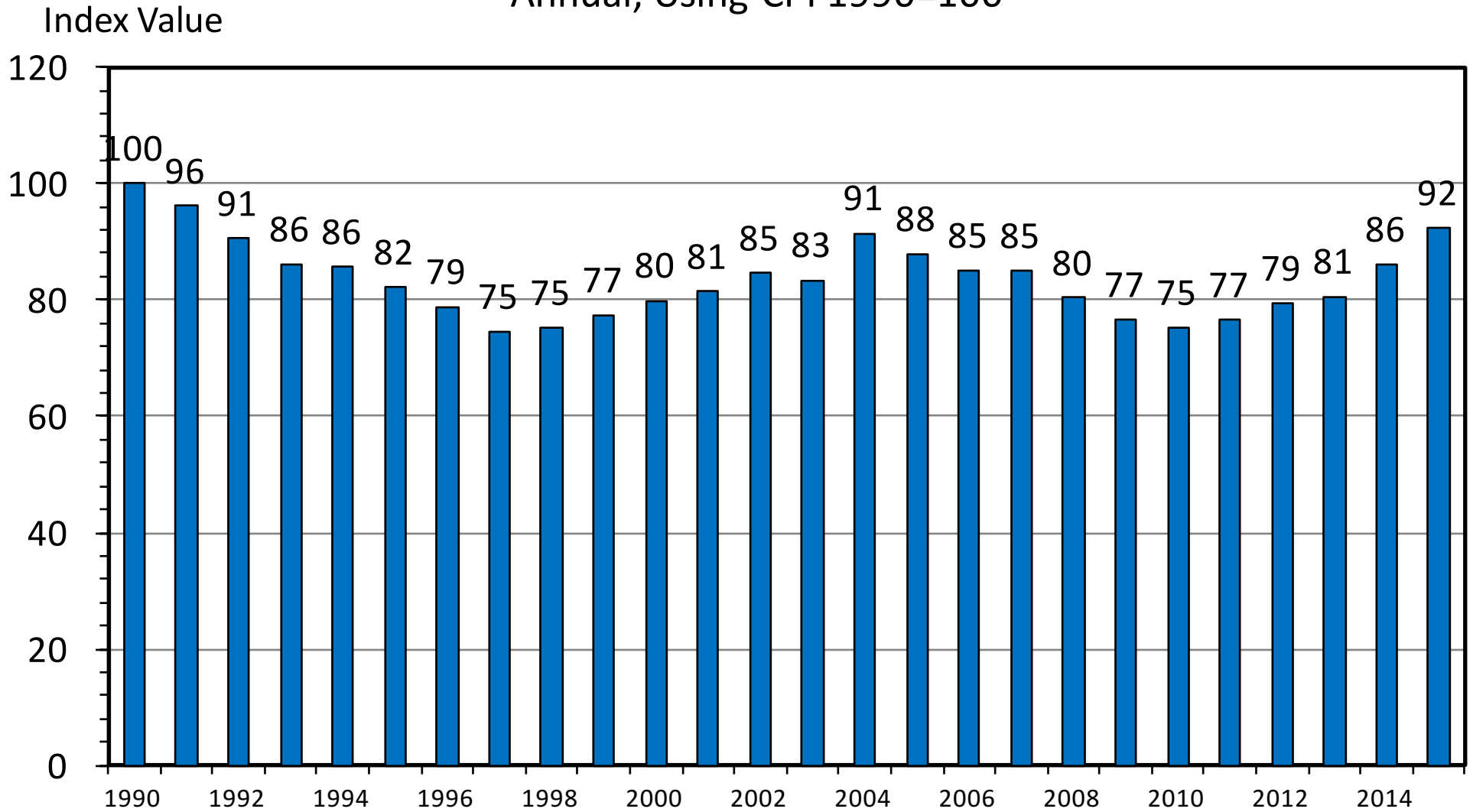
All Fresh, Monthly

Cents Per Pound



RETAIL ALL FRESH BEEF DEMAND INDEX

Annual, Using CPI 1990=100

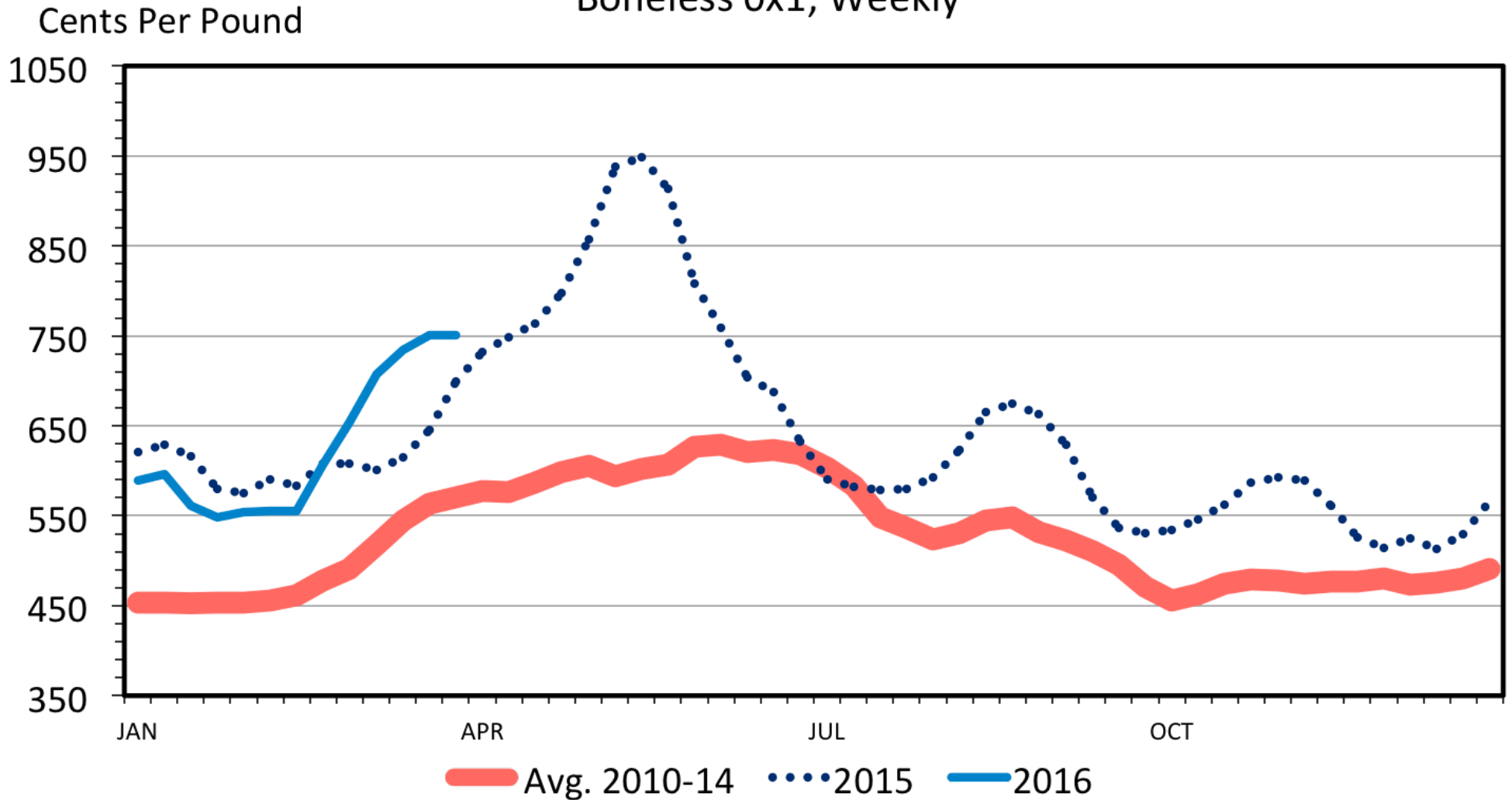


Data Source: Bureau of Labor Statistics, USDA-ERS, Compiled & Analysis by LMIC

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WHOLESALE BEEF LOIN STRIP PRICES

Boneless 0x1, Weekly



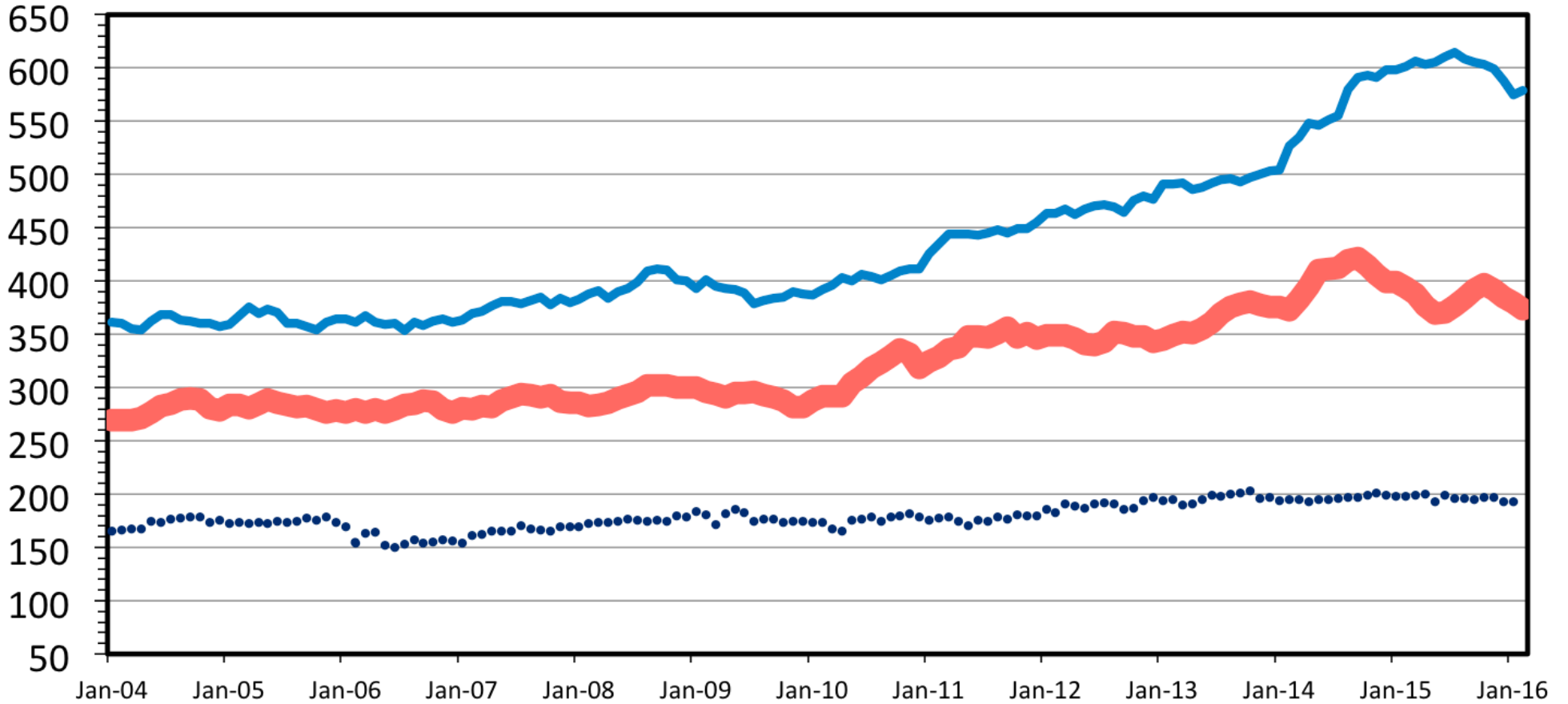
Data Source: USDA-AMS
Livestock Marketing Information Center

Competition

RETAIL PRICE COMPARISON

Monthly

Cents Per Pound



 Pork

 Composite Broiler

 All Fresh Beef

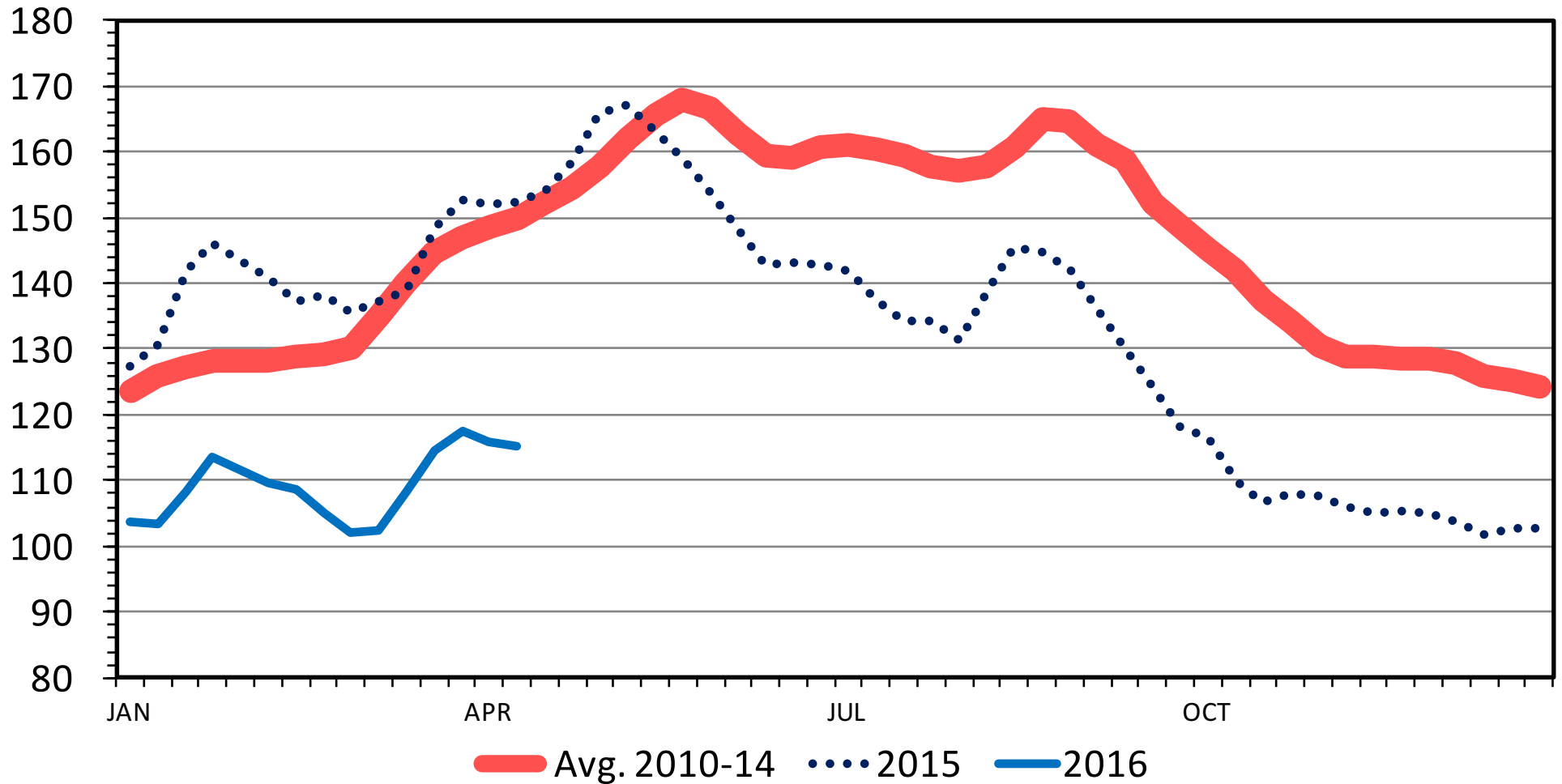
Data Source: Bureau of Labor Statistics & USDA-ERS

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WHOLESALE CHICKEN BREAST PRICES

Skinless/Boneless, Northeast, Truckload, Weekly

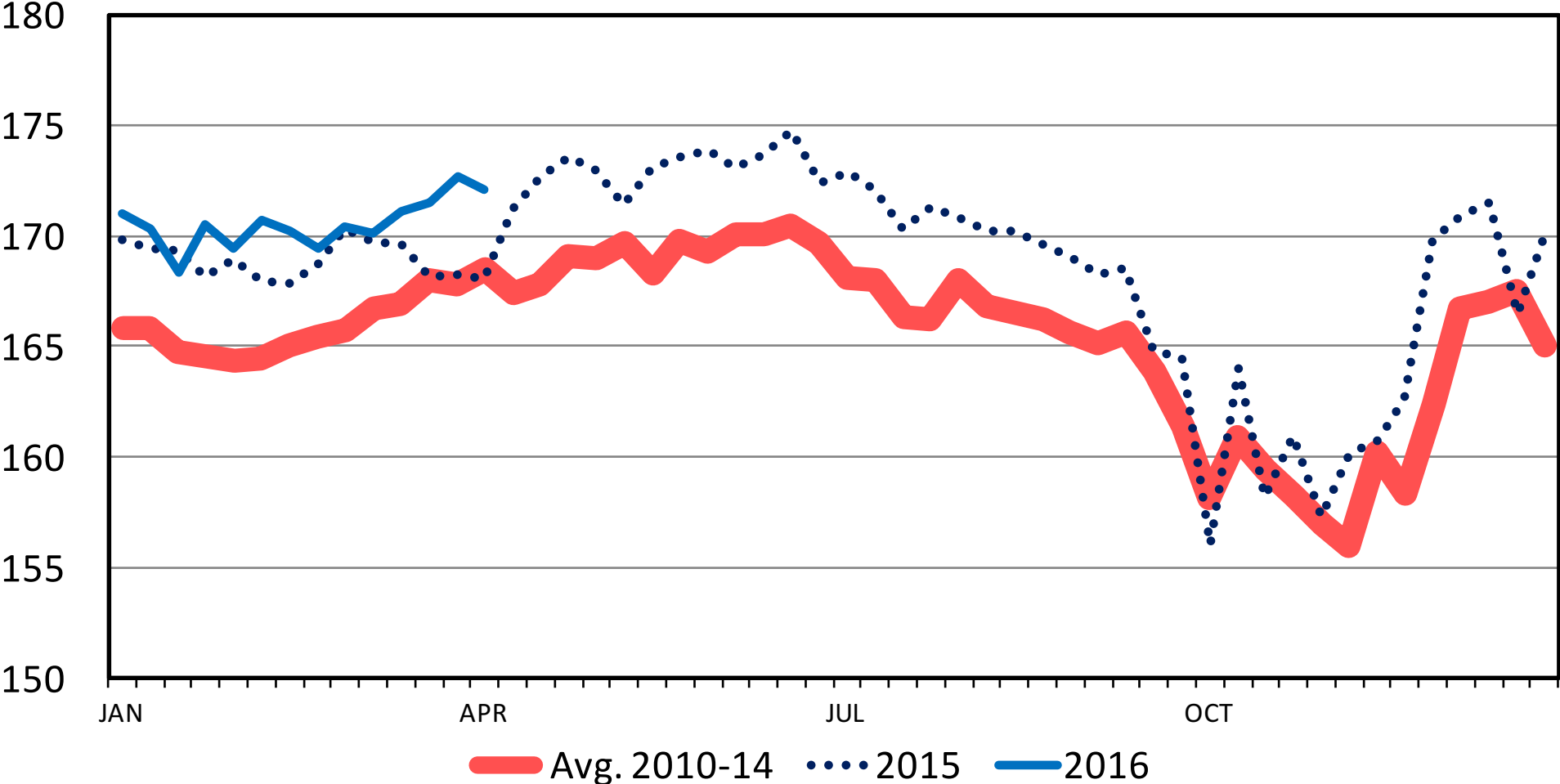
Cents Per Pound



BROILER CHICKS PLACED

Weekly

Mil. Birds



Futures Market Controversy

Futures Market Controversy

- Perception That Market is Broken
 - Volatility
 - Different Prices from “Fundamental Market”
 - HFT
 - Speed
- Concern That No Longer an Effective Risk Management Tool

Futures Market

- Risk Management
- Price Information or Discovery
- Worth in the Future
- Substitute for Current Market
- CME is a For-Profit Company

NCBA Letter to CME

- HFT
 - Contributes to Volatility
 - Many trades, very fast
 - Make money on small movements, lost of volume, many times
- Volatility
 - Has it become a liability?
 - Inability to get in or out

NCBA Letter to CME

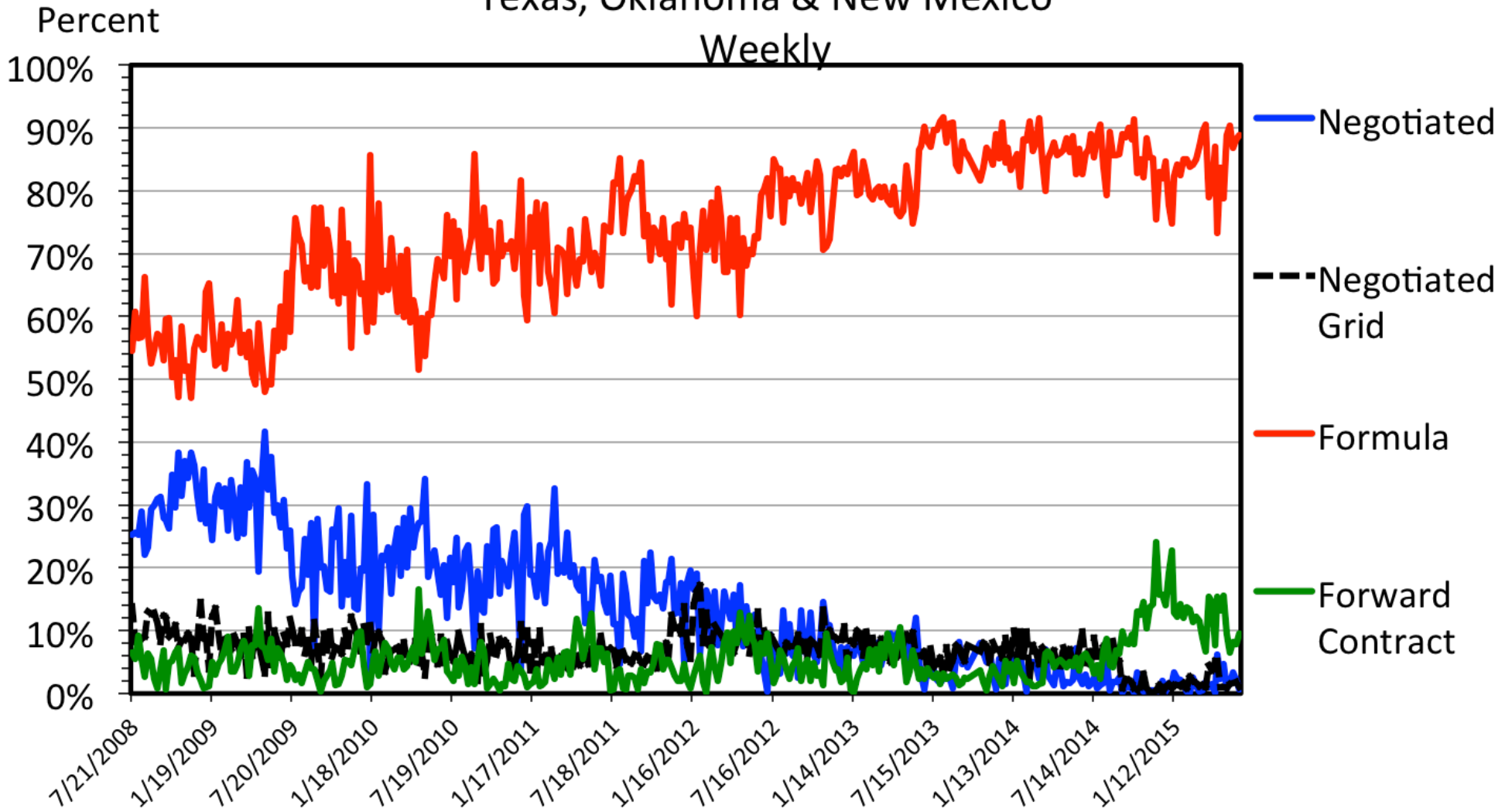
- Latency
 - Suggested a one second delay between trades
 - Increase chance of execution
- Spoofing
 - Submit buy or sell order with intent to immediately cancel it
 - Influence prices
- Audit Trail for Analysis
 - Trades, orders, prices, etc
- Monitoring and Regulation
 - Self regulating business

Relationship to Thin Markets

- Fewer Sales in Cash Market
 - Base for and to settle futures market trades
- Different Issue From Futures Market Issue, but Related
 - Attempt to create an electronic auction for fed cattle
 - Will it work?
 - Potential problems?

STEERS/HEIFERS SOLD BY TRANSACTION

Texas, Oklahoma & New Mexico



Data Source: USDA-AMS

Livestock Marketing Information Center

A Little Research

- Yang, Bessler, and Leatham (2001)
 - Cash and futures are “cointegrated”
 - Non-storable commodity like beef or pork
- Babula and Miljkovic (2015)
 - Pork and futures market prices are close substitutes

Where to From Here?

- Not Clear
- What Steps Will CME Take?
- What Is (Are) the Alternative(s)?
- Volatility is Still Here
 - CME cut trading hours to the old hours

Thank You!

livestock-marketing.tamu.edu

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One Big Thing in Livestock Markets

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