

Across the County

Given recent historic highs in cattle prices, it shouldn't have been surprising to see values dip somewhat during March, but consumer response to news of lean, finely textured beef in the nation's meat supply hit cattle and beef values harder than many could have anticipated, according to a Kansas State University agricultural economist.

"I think we were due in early March for a pause. The fact that we've had a pullback from historic highs is not really a surprise," said Glynn Tonsor, livestock marketing specialist with K-State Research and Extension.

He noted that CME April fed cattle futures closed at \$118 per hundredweight (cwt) on April 6, down about \$12 from a month earlier. Similarly, April feeder cattle futures closed at \$148, down from \$161 in early March. Cash cattle prices softened similarly, with Kansas fed cattle prices off about \$3 at \$123 to \$124 on April 6.

"But the fed cattle basis is quite strong - stronger than normal," Tonsor noted, with cash cattle trading \$5 to \$6 over futures.

Part of the concern right now, he said, is overall demand for beef. Beef exports have been generally flat compared to last year, as has the dollar index.

"I'm still fundamentally bullish on (beef) exports, but when we look at individual weeks, that's part of the pullback. I'm not going to say we've burst the bubble, but we've pulled back a bit on that bullishness," he said.

Consumer reaction to news in recent weeks that lean, finely textured beef is sometimes added to ground beef shocked the trade, Tonsor said.

"Perception is reality. The consumer dollar drives the vast majority of what goes on and

people make decisions based on perception. These decisions may or may not be consistent with scientific reality," he said.

"One of the things I've found in other studies such as the impact of media attention to animal welfare issues and meat recalls is that total (aggregate) beef demand is typically affected for one to two quarters. That's still multiple weeks or months, but it doesn't persist for five years," he said. "I tend to think consumer demand reaction to this story in this context will also be relatively short lived."

"The part that is less known and what may be a little more costly is what's going to change on the supply side - the cost of doing business," he said. "At the extreme, if we quit using lean, finely textured beef, and I don't expect that will happen, but if we take that away from the toolbox, the cost of business goes up. If we add labeling, that's an added cost, but not as expensive as removing it, and there are a lot of things in between."

"I think the net impact is, the cost of producing ground beef and the cost of beef overall is going up from this, and that probably will have some staying power that goes beyond the negative demand aspects that lasts one or two quarters."

He noted that in March, prices for fresh 90 percent lean boneless beef trimmings dipped about 0.7 percent, but prices for fresh 50 percent lean trimmings (less lean) had fallen 17.6 percent (\$83 per cwt) by March 31 compared to \$101 on March 3. Fresh 50 percent lean prices fell even further the week before Easter, hitting \$63 per cwt.

"The reason I mention this is that fresh 90-percent lean trimmings held up and stayed

relatively flat during March. The less lean product which is typically blended with or subject to lean, finely textured beef, has been hammered," Tonsor said.

"Estimates are that roughly 10 percent of beef on a carcass would fall into the fresh 50 percent lean category and if you use that 10 percent assumption and basically a \$40 per cwt falloff in the value of that product during March, that amounts to essentially a \$4 per cwt value pullback on fed cattle. That explains a decent portion of the pullback on fed cattle prices during March," he said.

"If you go further and recognize there was discussion even before the lean, finely textured beef about heavy cattle weights - we've had better growth than we expected - when we have heavier animals, we tend to have even more than usual fall into that fresh 50 percent lean category," he said. "So at the extreme, if we had 15 percent of pounds falling into that 50 percent category - and I'm probably pressing the point here - if you had that you could probably explain probably a \$6 pullback in fed cattle prices. The truth is, maybe somewhere between the \$3 and \$5 value pullback in fed cattle could be assigned narrowly to the drop in fresh 50 percent lean prices."

Tonsor said he is still analyzing beef demand data for the first quarter of 2012 (January-March), but expects it will show a negative year-over-year picture. He reminded that several analysts over the past few months, before the current discussion, were reminding that the tight supply situation was already known - kind of fixed - so the value of cattle is hinging on demand.

Contact the Cheyenne County Extension office at 332-3171 or cfe@ksu.edu with questions or comments. Till next week - Marty



JUDY PRATT checks her tulips for hail damage from the recent storms.

Times staff photo by Norma Martinez

Recent rains help flowers grow

The recent rain turned all the grass green, helped the budding trees leaf out, and brought out the beautiful color of the tulips and narcissus blooms. Judy Pratt in McDonald was out checking her

tulip garden for hail damage. The hail did not damage any of the flowering plants.

Judy has cared for this garden in Mike Indermuhle's back yard for several years. When the

tulips stop blooming she plants seeds and other plants that keep this garden area in full bloom all summer long.

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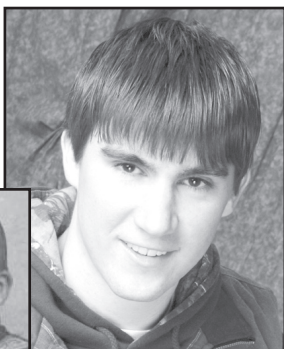
Congratulate Your Graduate

The Saint Francis Herald and Bird City Times are now planning the Senior Graduation Supplement and will be giving parents a chance to put a baby picture in along with a short message from the family for \$20 extra. This feature is optional. Senior pictures will be sponsored by parents, grandparents, individuals and/or businesses for \$40 each or three for \$100. Deadline for baby picture and message is Friday, April 27.

Heath Antholz

I plan to attend Colby Community College and major in farm and ranch management.

Heath, It has been a joy watching you grow up day to day and year to year. We are blessed to have you as our son. You have many roads ahead of you. Remember to hang on to your faith; cling to the verse in Prov. 3:5-6 The Lord will guide you if you let him. Love, Mom and Dad



Parents:
Craig and Jeri Antholz

For more details, contact Tim Burr at the Saint Francis Herald at 785-332-3162

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Harvest Countdown

Coming this June!

Guess the date and time of the first load of wheat brought into one of the local elevators!