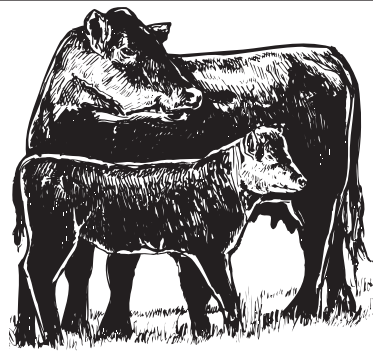


# Beef cattle prices continue surge



Tight supplies and strong demand propelled fed cattle values into another record-breaking week Feb. 28-March 4, but cattle feeders' profits are not as lofty as some might expect, according to Kansas State University agricultural economist, Glynn Tonsor.

Average prices for cattle in U.S. feedlots hit \$112 to \$113 per hundredweight (cwt) March 2 - a \$1 to \$2 increase over the previous week's record-setting prices, according to the U.S. Department of Agriculture. That was \$19 to \$20 per cwt higher than the average price of about \$93 a year ago and about \$25 per cwt higher than the five-year average (2005-2009).

"Fed cattle prices are expected to generally increase throughout this year, but profits won't necessarily rise or set historic records because of higher corn and feeder cattle prices," said Tonsor, who spoke at K-State's Cattlemen's Day in Manhattan March 4.

Based on CME live cattle fu-

tures, Tonsor said second quarter prices are expected to average about \$115 per cwt, third quarter expectations are around \$117, and fourth quarter prices are projected to average \$119 per cwt.

With regard to beef supplies, Tonsor, who is a livestock marketing specialist with K-State Research and Extension, noted that many cow-calf producers will likely continue to respond to high prices by selling off cows. The shrinking cow herd ensures beef supplies will continue to tighten for months to come.

"That part of the support in (cattle) prices will not change for at least another 18 months as 2013 appears to be the earliest that will change in a national, aggregate sense," he said.

Tonsor said despite the historically high prices feed yards are paying for cattle, some are willing to run at a loss as long as they cover their variable expenses. Both feed yards and slaughter plants

have an over-capacity situation right now, which is helping boost light-weight steer prices beyond some break-even calculations, he added.

Cattle prices also are being boosted by strong demand from U.S. as well as overseas buyers.

"Exports were strong in 2010 and there is every current indication that will continue throughout this year," the economist said, adding that the weak U.S. dollar, compared with other currencies, has benefitted the export scenario.

In addition, the U.S. is importing less beef than it has in recent years, he added, noting that beef and veal imports in 2010 were below the previous year's number and below the most recent five-year average.

USDA data illustrates the supply picture

The USDA on Jan. 28 estimated the total number of cattle and calves in the United States as of Jan. 1, 2011, at 92.6 million head, 1 percent below 93.9 million on Jan. 1, 2010. That was the lowest Jan. 1 inventory of all cattle and calves since the 91.2 million on hand in 1958.

In the same report, the number of all cows and heifers that have calved, was pegged at 40.0 million, down 1 percent from the 40.5 million on Jan. 1, 2010. Beef cows were tabbed at 30.9 million, down 2 percent from a year earlier. Milk cows were reported at 9.1 million head, up 1 percent from Jan. 1, 2010.

In addition, all heifers 500 pounds and over, were estimated at 19.5 million, down 1 percent and beef replacement heifers were reported at 5.2 million head, down 5 percent from a year earlier.

The number of steers weighing 500 pounds and over as of Jan. 1, 2011 were down 1 percent at 16.4 million head and calves under 500 pounds were down 3 percent at 14.5 million.

The USDA report estimated the 2010 calf crop at 35.7 million head, down 1 percent from 2009 and the smallest calf crop since the 34.9 million born during 1950. Calves born during the first half of 2010 were estimated at 25.9 million, down 1 percent from 2009.

Grain prices and other factors play a prominent role in cattle markets

Volatile grain prices are playing a role in cattle producers' reluctance to expand herds, Tonsor said.

"New crop December corn futures have traded up to \$6.20 (per bushel) in recent weeks and with any threat to this summer's corn crop we could trade at least at those levels or higher," said Dan O'Brien, K-State extension agricultural economist. "We're on the razor's edge in our projected ending stocks for the 2010-2011 marketing year and current projections from USDA are for the tight supply to continue into the next marketing year."

When conditions are profitable and are projected to stay that way in cattle production, it typically

means producers expand their herds, Tonsor said. A current, possibly short-lived oddity about the current situation is that producers have been enticed to sell at the higher-than-usual prices rather than retain cattle for future expansion.

That might lead one to wonder, Tonsor said, if cow-calf producers are strapped for cash or if the average age of producers and possible retirement plans are coming into play. Furthermore Tonsor asks, "Is heightened uncertainty at play? If \$50-per-head expected profit used to normally trigger expansion, what does it take today?"

He outlined a host of other issues producers should watch beyond today's immediate supply and demand situation, including animal welfare issues: "Social pressures are here to stay. Oprah's

recent show talked more about animal welfare than food safety and cattle are not immune." He referred to a recent segment on the Oprah Winfrey Show that dealt with animal welfare issues.

Tonsor cited recent studies suggesting that meat expenditures reallocate to non-meat purchases in response to increasing media attention to the topic of animal welfare.

Other areas to be mindful of include the comparative state of national animal identity and traceability programs with other global meat exporters and associated implications on current and future trade negotiations.

## Regulations on Farmers passes by voice vote in Agriculture committee

Congressman Tim Huelskamp, a member of the House Committee on Agriculture, announced his co-sponsorship of H.R. 872, the Reducing Regulatory Burdens Act of 2011. H.R. 872 addresses the permitting process for farmers who wish to use pesticides. It passed by voice vote in the Agriculture Committee on Wednesday.

"H.R. 872 will ensure farmers will not have to acquire unnecessary and duplicative permits," Congressman Huelskamp said. "I am proud to cosponsor this bill, which addresses the EPA's regulatory barricades impeding the affairs of farmers in my district."

"I am troubled by what has become a trend: the Environmental Protection Agency inserting itself into the affairs of the agriculture community. We have to put a stop to its regulatory overreach. Prosperity is impossible when red tape and paperwork overly consume the time and attention of farmers."

H.R. 872 would amend the Federal Insecticide, Fungicide and Rodenticide Act and the Clean Water Act to clarify that Clean Water Act permits are not needed when a pesticide is applied in accordance with the Federal Insecticide, Fungicide and Rodenticide Act approved label. The proposed legislation would reaffirm the purpose of Federal Insecticide, Fungicide and Rodenticide Act, and as a result, pesticides applied to or near water, in accordance with the Federal Insecticide, Fungicide and Rodenticide Act label, would not be considered a pollutant and would therefore not require a National Pollutant Discharge Elimination System permit.

## Ag Leadership program accepting applications through April 15

The Kansas Agriculture and Rural Leadership program will accept applications through April 15 from state residents interested in participating in Kansas Agriculture and Rural Leadership's 2011-13 Class XI. This is the 20th Anniversary Class of the Kansas Agriculture and Rural Leadership Program.

The two-year program includes three study tours, as well as nine winter, 48-hour seminars at sites across the state, said Kansas Agriculture and Rural Leadership director Jack Lindquist. The program schedules its two national seminars and a "capstone" international tour for November-March - generally known as production agriculture's "off season" in Kansas.

"Kansas Agriculture and Rural Leadership alumni and current class members both have gone out of their way to tell me that the 50-day commitment (over two years) is much more

than just well worth the investment. It's needed in today's changing and competitive environment," he said.

Adrian Coberly, farm producer and Kansas Agriculture and Rural Leadership Class X member from Gove County recently spoke of the "wow" factor of the Kansas Agriculture and Rural Leadership Program.

"The Kansas Agriculture and Rural Leadership class seminar experience guarantees that you will take home at least one (if not more) gem of an idea or piece of knowledge. And you will have the opportunity to network with some very sharp people," he said.

Class XI will begin its training in August with a weekend retreat. To be considered for that class, applicants must submit a completed profile form. The form is on the Web at <http://www.KansasAgricultureandRuralLeadershipprogram.com/> or available at the Kansas Agriculture and Rural Leadership

office at 785-532-6300.

The new 30-member class will be announced on June 1 after going through a selection process.

The criteria for eligibility are leadership experience and a devotion to Kansas agriculture and rural communities, Lindquist said. "Dedication to a more positive future is the key to being selected," he said.

Tuition for the not-for-profit training program is \$1,500 per year or a total of \$3,000. Kansas Agriculture and Rural Leadership donors pay the remainder of the expenses, nearly \$14,000 per person.

Lindquist said more details about what the curriculum will include and/or how to become a Kansas Agriculture and Rural Leadership supporter are available at <http://www.KansasAgricultureandRuralLeadershipprogram.com/> or calling 785-532-6300.

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