

UNDERSTANDING LIVESTOCK AND MEAT MARKET NEWS

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Texas livestock and meat businesses should be one of the most informed industries in the country. Information about livestock receipts, inventories, prices, range conditions, outlook, future trading, and even meat sales are available through the efforts of the U. S. Department of Agriculture, the Texas Department of Agriculture and Texas A&M University's Agricultural Extension Service.

The principal source of most information is governmental agencies, particularly the Federal-State Livestock Market News Service. Market receipts and prices are reported from important markets across the nation and are teletyped through a network of market news offices.

This livestock market news information in Texas is consolidated into one publication, the *Texas Livestock Market News*, issued by the Texas Department of Agriculture, Austin. It contains price and volume data from the larger State markets and receipt and price information from several important national markets.

A unique feature of the *Texas Livestock Market News* is an interpretive column on the market situation and other important areas relating to livestock and meat marketing. This column, "Market Comments," is written by the Extension livestock marketing specialist in the Department of Agricultural Economics and Sociology at Texas A&M University.

This written report and information provided radio and television by the market news services gives Texas livestock producers and meat industry representatives live animal market reports from almost every important livestock market in the country. In addition, data on range sales are reported for certain areas of the country, as well as slaughter figures, futures market trading and livestock-product prices, such as wool, mohair and hides.

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Wholesale meat price reports are available on sale of carcasses, primal, and hotel restaurant and institutional cuts at major slaughtering centers across the nation. In Texas the wholesale meat trade is reported in the Fort Worth-Dallas area, San Antonio and Houston.

Terms Used Important

The first step to a better understanding of livestock market news reports is a review of the more common terms used in the reports.

Supply refers to the quantity available for the current day's market and includes the day's receipts, plus carry-over from the previous day. The terms "larger" or "smaller" indicate the supply, if approximate figures are not available. When significant information is known, data such as class, grade and weight selections are given.

Demand is the desire to possess a commodity, coupled with the willingness and ability to buy. When buyers seek supplies more urgently than normal, the demand is referred to as "good." In the opposite situation, demand is referred to as "poor."

Trading activity is the relative pace at which sales are being made. If sales are moving more rapidly than normal, the market is quoted as "trading active." If sales are normal for the particular market, the report will read "trading moderately active." When "trading slow" is reported, sales are slower than normal for that particular market.

Clearance indicates how well supplies are taken from the market. "Complete" clearance means all offerings have been sold. "Incomplete" clearance is measured numerically in head or in the supply of number unsold at the close of trading.

Price is reported by all livestock market news reports in dollars and cents per hundredweight paid for a specific grade and weight selection.

Price trend reports the direction prices are moving in relation to prices paid in the previous trading

season. Trend will be described as: "higher" (prices are measurably greater than the previous reporting period); "strong" (a definite, but not measurable, leaning toward a proposed price change); "steady" (prices have not changed from previous period); "weak" (a definite, but not measurable, leaning toward lower price levels); "lower" (sales prices measurably lower than the previous trading period).

Additional Information

Supplementing this market news information are data collected by the Texas Crop and Livestock Reporting Service which gives livestock numbers, cattle on feed, numbers marketed from feedlots, inventory counts on farms and ranches and prices received by farmers and ranchers for such stock. In addition to these government reports, private reporting agencies from auctions, livestock dealers, commission agencies and the famous *National Provisioner* magazine's "yellow sheet" supply still more information on prices and volumes of livestock and meat sales.

The Texas Agricultural Extension Service provides several publications designed to provide a better understanding of market news reports. Some of these are: *Effects of Grades, Weights, Buyers on Beef Carcass Prices*, L-607; *How Much Did You Get For Wool?*, MP-721; *Livestock Marketing Handbook*, MP-494; *Marketing Wool for More Profit*, MP-838; *Meat Inspection and Grading in Texas*, L-585; *What's the Best Way to Buy Beef?*, Fact Sheet, L-701. "Texas Livestock Market Comments," a newsletter of the livestock marketing specialists, "Market Comments," column in the *Texas Livestock Market News*, and numerous radio, television films, and magazine articles further emphasize proper use and interpretation of available market information.

Use Sometimes Haphazard

Interpretation of market news information and, consequently, the use of it in marketing decisions is unfortunately quite haphazard. For example, a typical situation that frequently occurs is that a rancher sent four East Texas type "Okie" steer calves to the local auction market. Each calf weighed about 375 pounds. These calves were held on grass, as long as grazing was available. Probably, the first real market information used to judge value of these calves was received by the rancher when bidding started in the sales ring. This is, however, much too late for market information to be of value to the rancher in marketing decisions. The decisions and choices have been made already.

The rancher may have read last night's or last week's paper, therefore, having an idea of how much his calves will bring on the market. But does

he really know? How good is the rancher's estimate of the worth of these calves, based only on the information he read?

The answer depends on how he interpreted the price quotations in the paper, and how much detail was given on the trading action. If the paper did contain a good complete market write-up or if he referred to the *Texas Livestock Market News*, certain types of information were obtained. He may have learned from the report that the range for 250 to 500 pound USDA Choice feeder steer calves at the Fort Worth Stockyards was \$25 to \$35 per hundredweight last Thursday.

Equipped with this information, the rancher either has a fairly good or an inflated idea of his calves' value. The over-inflated value idea may cause disappointment with the price he receives at the local market. The following are some reasons he might have thought the calves would bring a higher price:

Price trends were ignored. Even if the market price trend is downward, the typical producer usually assumes prices will hold up long enough for him to sell his calves.

Market distance and transportation ignored. Although the Fort Worth or Sealy market may be 200 miles from the ranch, no adjustments for transportation or shrinkage are considered in comparing prices.

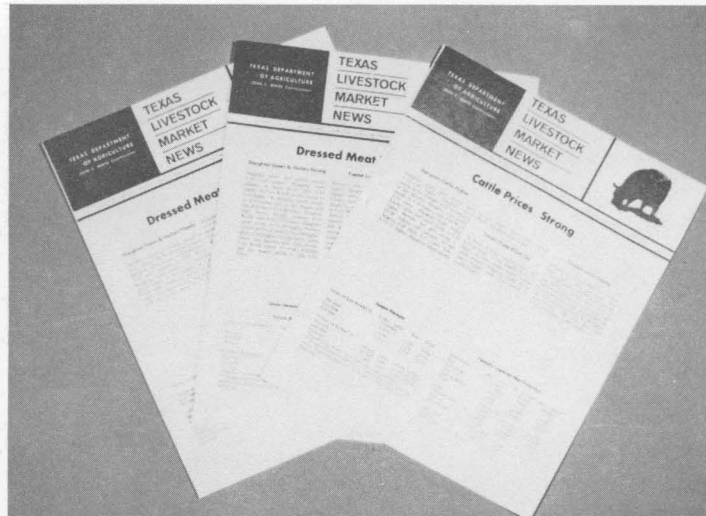
Over-estimating grade. The rancher probably always tends to over-estimate the grade of his calves. Pride of ownership often makes one a little less objective when grading. This also affects the pricing of animals within a grade. Generally, higher within-grade quality animals reflect the higher prices within the quoted ranges.

Weights ignored. The weight range of animals itself normally can explain a large proportion of the price spread in one particular grade. Usually, the higher prices of a quoted range represent the lighter-weight animals of that group.

Thus the cattleman who misinterprets price information available to him is not only disappointed at the price he gets for his calves, but it frequently leaves him questioning seriously the "fairness" of the market.

Factors to Consider

Many market factors cause price variations and make market news information difficult to interpret. Proper interpretation requires an awareness of difficulties and problems involved in reporting market news and the complexities of the price quotations.



The big public stockyard has usually been a good place to test the market. A sufficient volume of livestock and livestock buyers allows supply and demand forces to work effectively in determining a price level. But conditions have changed and frequently the current volume at the big, terminal markets is small and represents only specific types of animals.

The rancher, who shipped calves to the local auction market, may not have considered the possibility that the terminal market price was based upon only 25 or 50 head of calves, while that local auction market may draw 2,000 head of these same type calves on a single sales day. Prices at these two markets can vary widely. Carefully interpret the prices reported from different markets. Take the time to read all information relating to volume traded and types sold.

Extremely important in any market report is the official animal grade. At the reporting market, animals are classified by a professional grader, the official *Market News* representative from the U. S. Department of Agriculture. To effectively estimate the grade of his stock, the rancher should be as familiar with federal grade specifications for the livestock grades he handles, as the official grader. For example, how many ranchers know the official USDA grades for feeder calves changed in September 1964? Adjustments were substantial and even grade names were altered.

Probably the most important pitfall in examining a market news report is the fascination for only one factor—price. Other factors as important as prices are often disregarded. Price per pound for steer means nothing, without knowledge of the weight, grade, class and selling conditions. With the new cutability grades, also important in estimating value is Yield grade.

Take something as simple as shrinkage. The feeder steer, weighing 550 pounds, when sold at \$25 per hundredweight with a 6 percent shrinkage, really brought \$23.50 per hundredweight. In total dollars, that means a difference of \$8.25 for the calf with or without shrinkage. Details, such as the amount of shrinkage and selling conditions, must be considered in any evaluation of value.

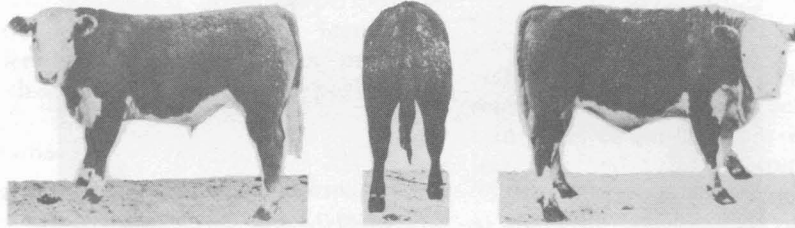
Be selective and critical in your examination of available data. If animals of the exact weight, grade, type or yield which are of interest to you are not quoted in a market report, visit or write the market news reporter to find out why. Such information may only be in the more detailed, published reports issued directly.

Do not overlook the possibility of personal prejudices or desires entering into these markets. Discrimination against certain breeds, weights, grades and even certain colors of animals is real. Unfortunately, it may be some time before this type of information can be put into a report. Personal conversations with market newsmen, however, can shed considerable light on these factors. In the meantime, research efforts by colleges and the USDA are being intensified to help distinguish the various factors which influence prices. Attempts will be made to adjust the current market reports to include this new material.

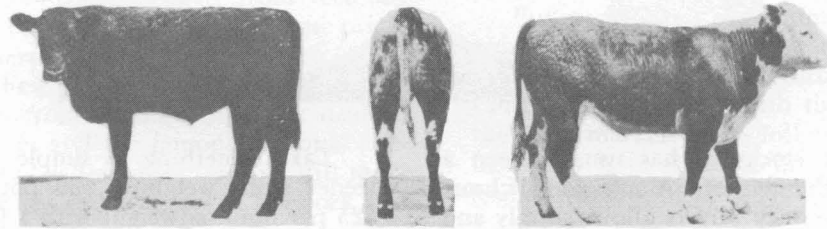
The livestock industry of today, and especially that of tomorrow, is and will be market-oriented. What the consumer wants and demands will determine the types of livestock raised and slaughtered. Market information serves as the wholesaler's, packer's, feeder's and livestock producer's *only unbiased chain of information from this consumer*. It is this price knowledge that keeps the livestock and meat business a highly competitive industry.

FEEDER STEERS

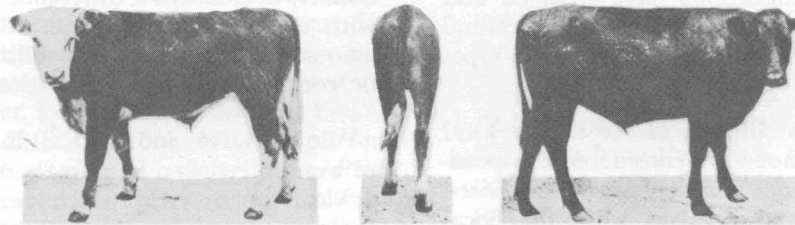
U.S. GRADES



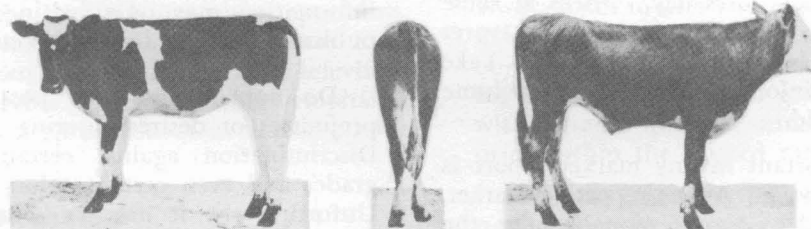
PRIME



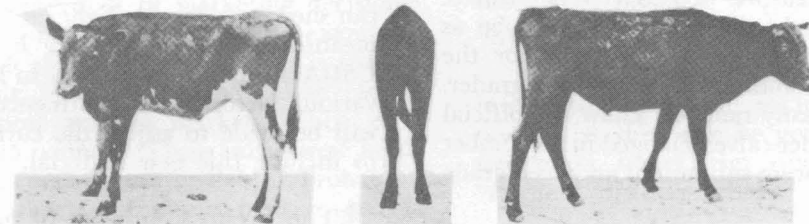
CHOICE



GOOD



STANDARD



UTILITY

UNITED STATES DEPARTMENT OF AGRICULTURE
CONSUMER AND MARKETING SERVICE

LIVESTOCK DIVISION

WASHINGTON, D. C.