

# **BEEF PRODUCERS INFORMATION SEMINAR**

in cooperation with the Flint Hills Beef Fest  
Anderson Building, Lyon County Fairgrounds Emporia, Kansas

## ***Cattle & Beef Outlook***

***Friday, August 18, 2017***

**Glynn Tonsor**  
**Dept. of Agricultural Economics,**  
**Kansas State University**



# Overarching Beef Industry Economic Outlook

- Supplies
  - Expansion continues, but has moderated
- Demand
  - Mixed signals
    - Role of export demand has become clear

# Overarching Beef Industry Economic Outlook

## BEEF

How the Trans-Pacific Partnership will benefit U.S. beef

The benefits of the Trans-Pacific Partnership for U.S. beef are mainly in Japan, Vietnam.

By Joe Schuele | Nov 02, 2015



## Beef Labels

Cattle Groups Sue USDA Over Country-of-Origin Labeling

Victoria G. Myers, Progressive Farmer Senior Editor  
6/26/2017 | 12:30 PM CDT



## NAFTA Benefits Beef Trade Across U.S.-Canada Border

By Wyatt Bechtel (/users/wbechtel) May 23, 2017 | 7:39 pm EDT



## Market Highlights: Should JBS Scandal Concern Cattlemen?

By Andrew P. Griffith, University of Tennessee June 12, 2017 | 11:01 am EDT

CNNMoney (London)

## U.S. bans imports of Brazilian beef over safety concerns

by Ivana Kottasová @ivanakottasova

June 30, 2017: 5:07 AM ET

Recommend 4.5K



# Overarching Beef Industry Economic Outlook

**The New York Times** | <https://nyti.ms/2uLdlDw>

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**BUSINESS DAY**

## ABC's 'Pink Slime' Report Tied to \$177 Million in Settlement Costs

By CHRISTINE HAUSER AUG. 10, 2017

**The New York Times** | <https://nyti.ms/2vyuK1Z>

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**ASIA PACIFIC**

## North Korea Says It Will Wait 'a Little More' Before Acting on Guam Threat

查看简体中文版

查看繁體中文版

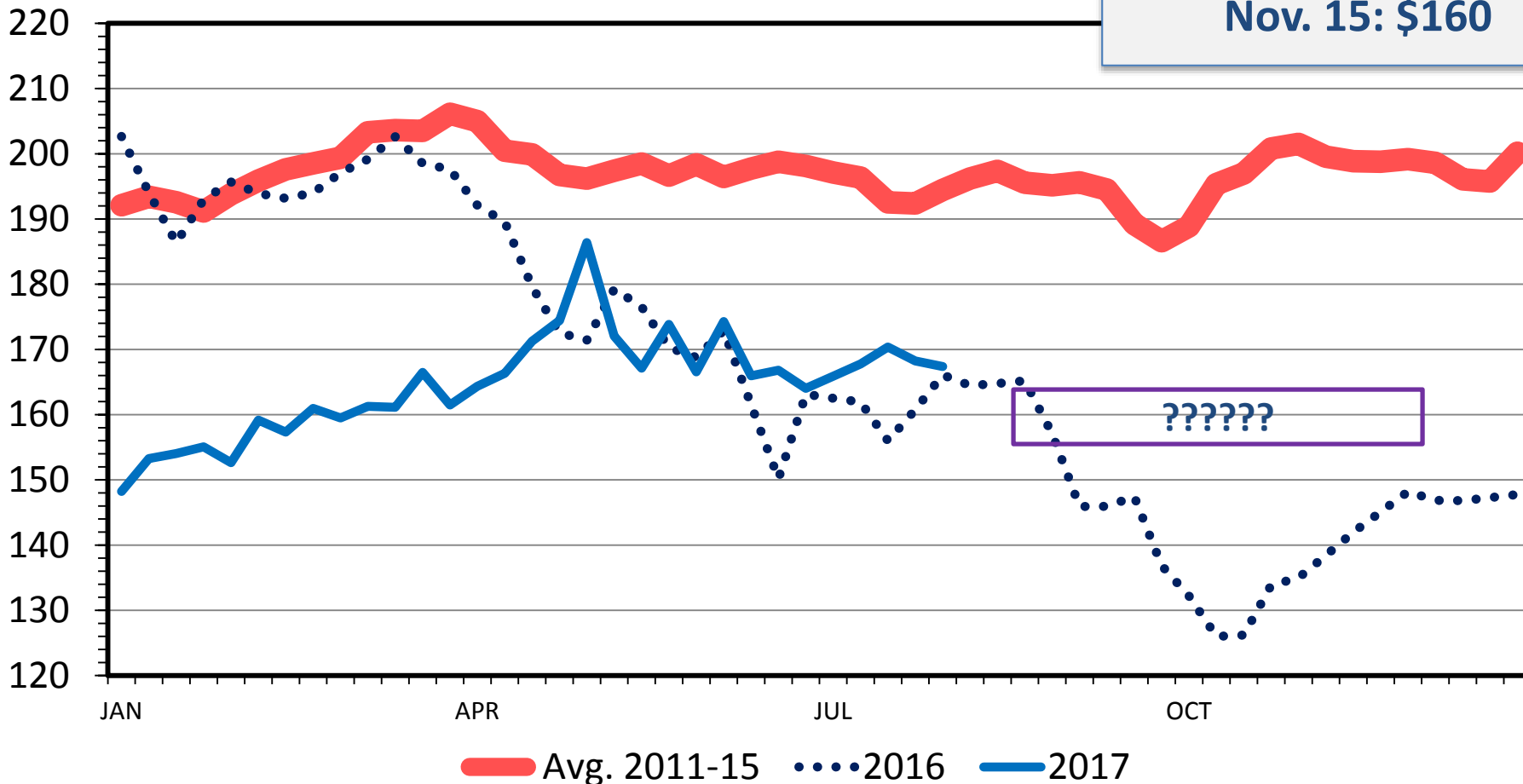
By CHOE SANG-HUN AUG. 15, 2017

**Beef Basis, Salina KS**  
**Projections (as of 8/16):**  
**Sept. 13: \$164**  
**Oct. 11: \$160**  
**Nov. 15: \$160**

# MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

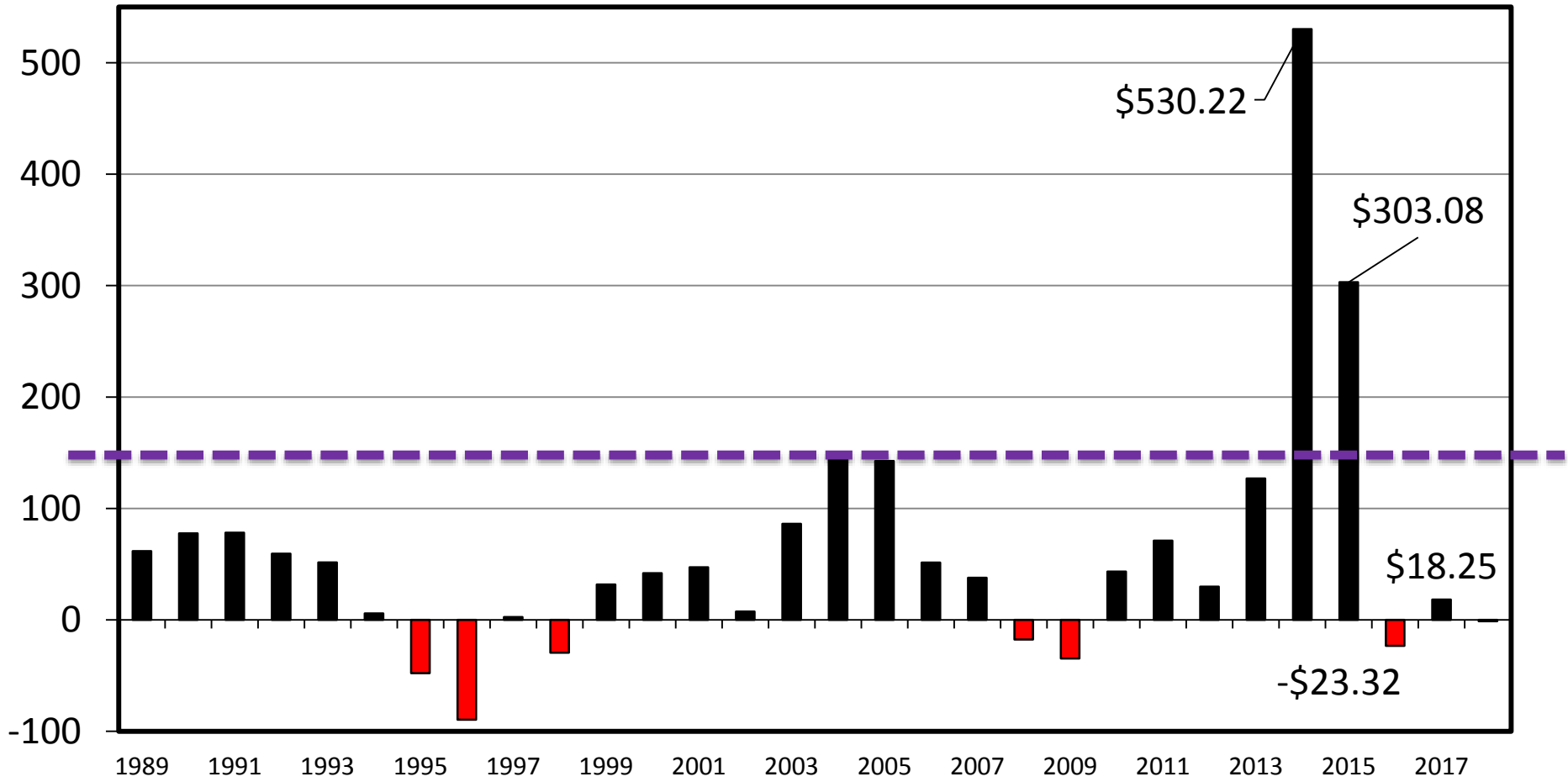
\$ Per Cwt.



# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



Data Source: USDA & LMIC, Compiled by LMIC

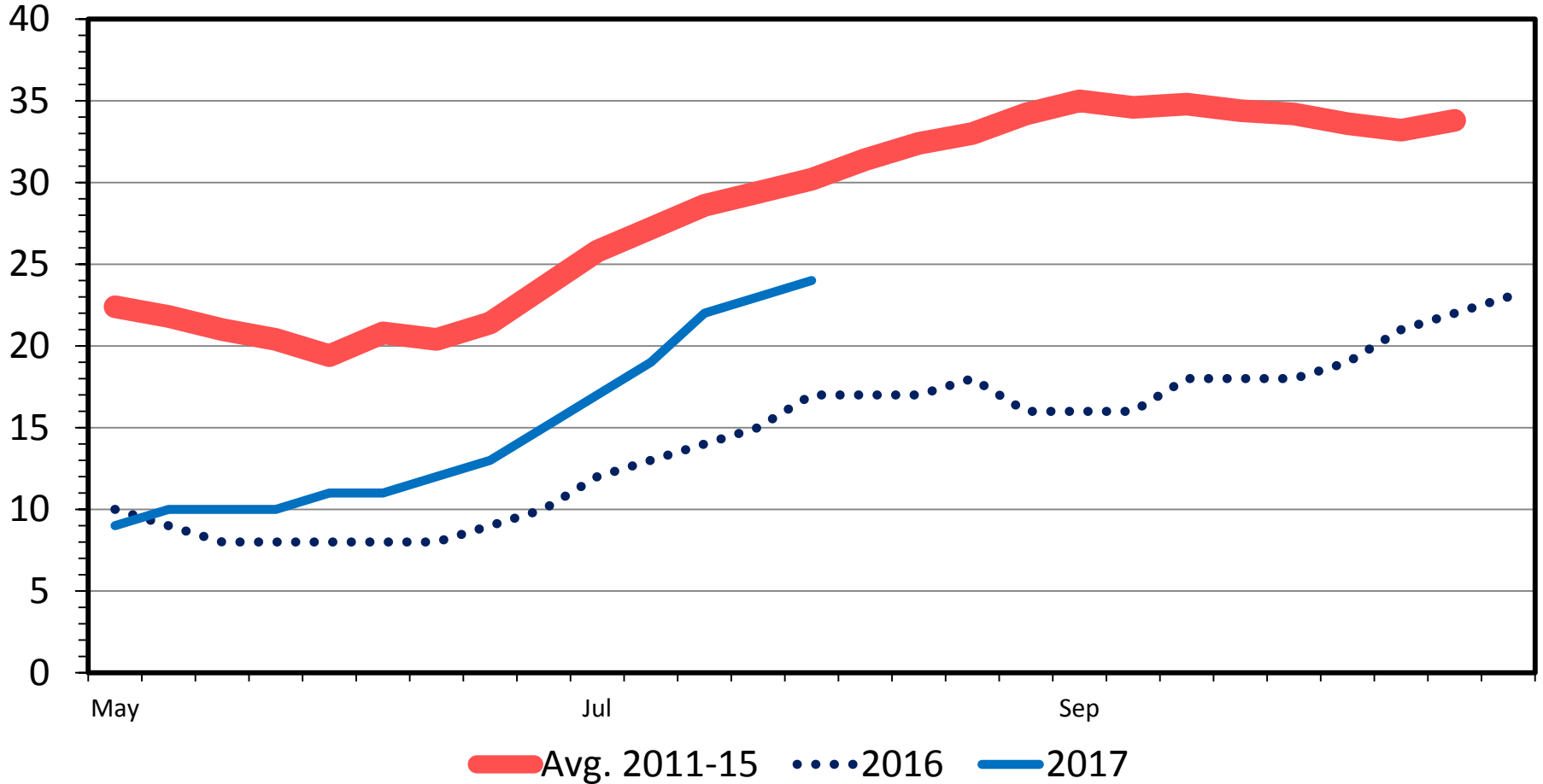
Livestock Marketing Information Center

C-P-66  
08/13/17

# US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

Percent



Data Source: USDA-NASS, Compiled & Analysis by LMIC

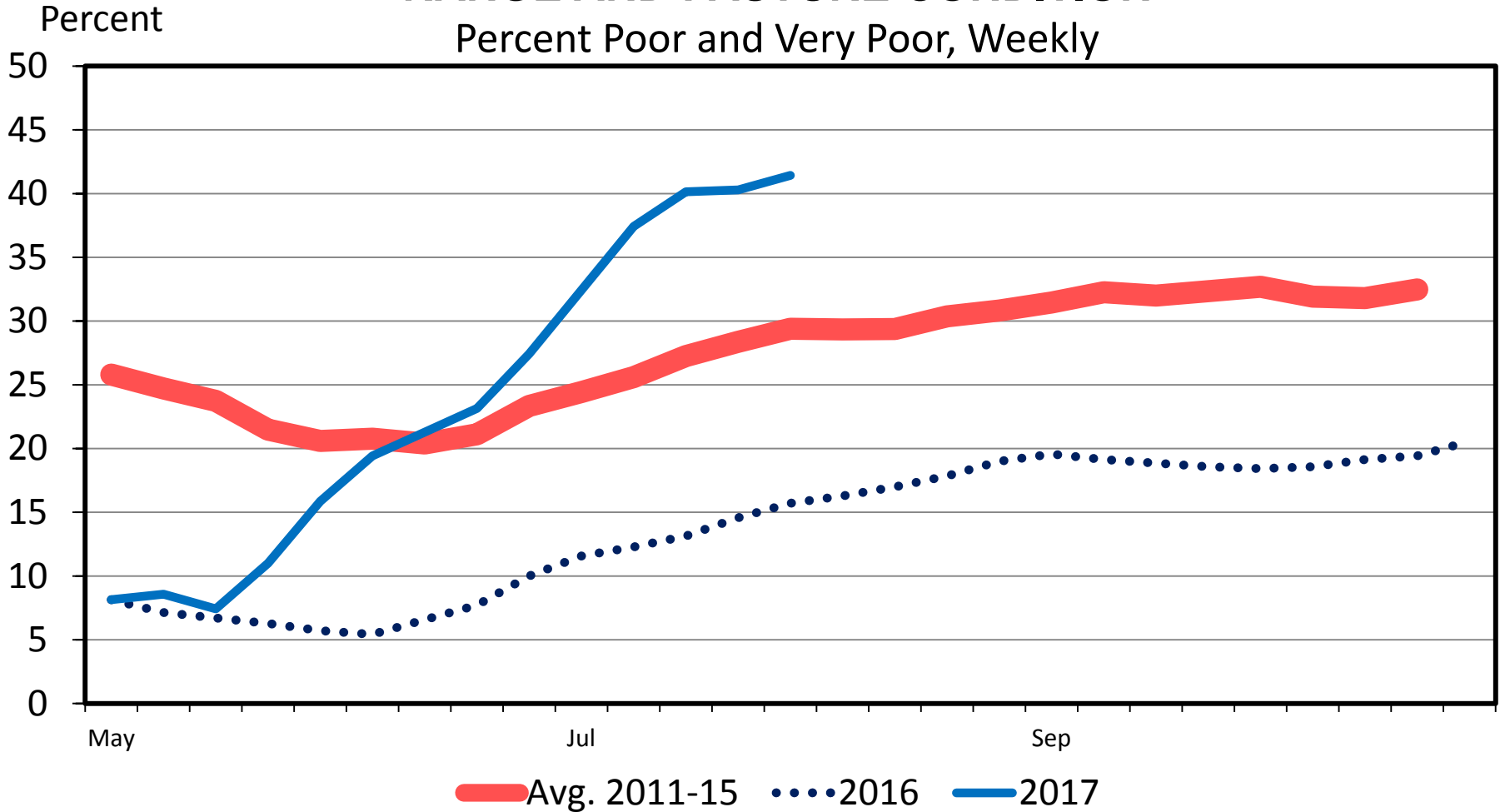
Livestock Marketing Information Center

G-NP-30

08/08/17

# GREAT PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Data Source: USDA-NASS, Compiled & Analysis by LMIC

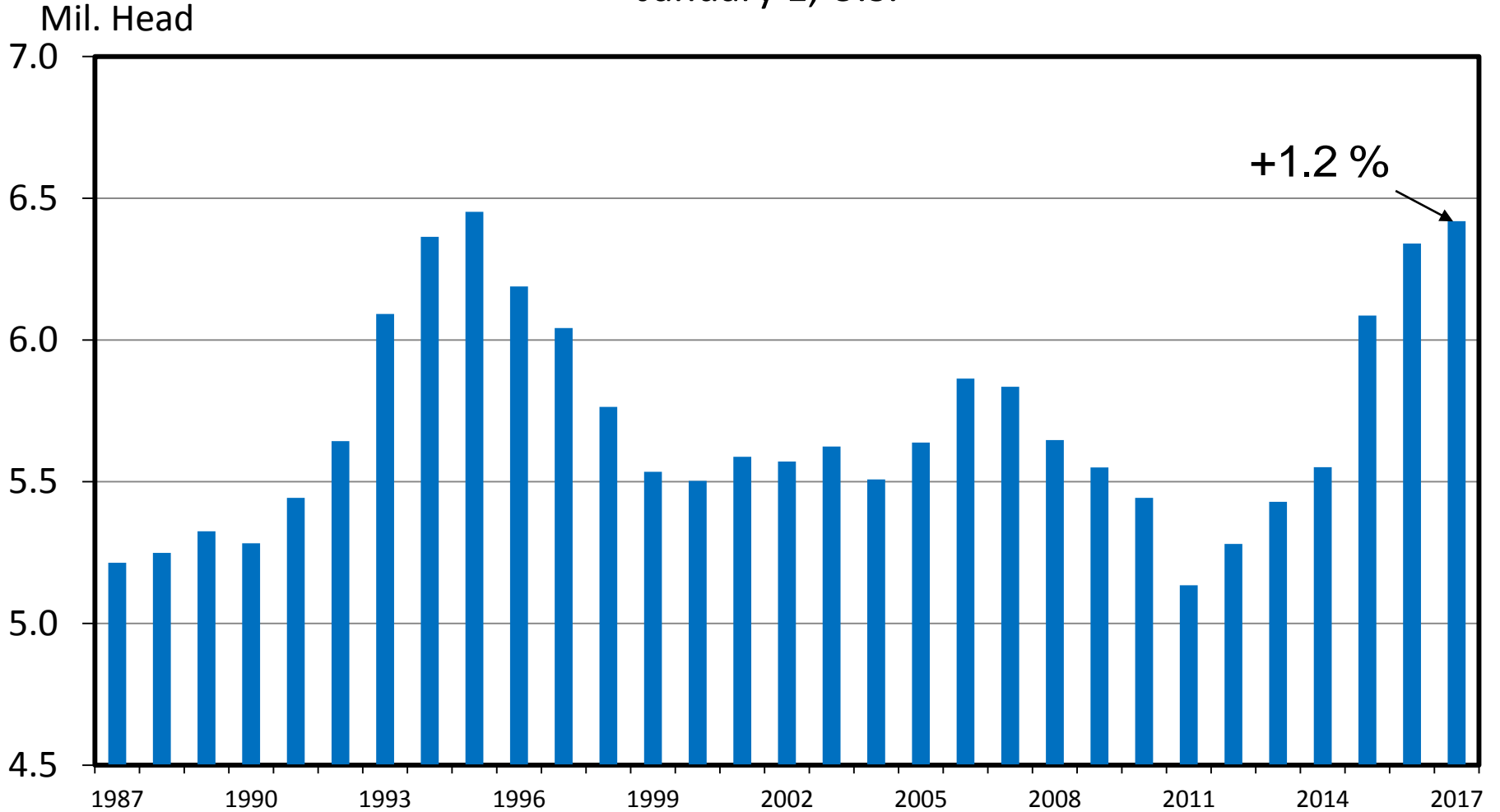
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G-NP-32  
08/08/17



# HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



+1.2%

Data Source: USDA-NASS

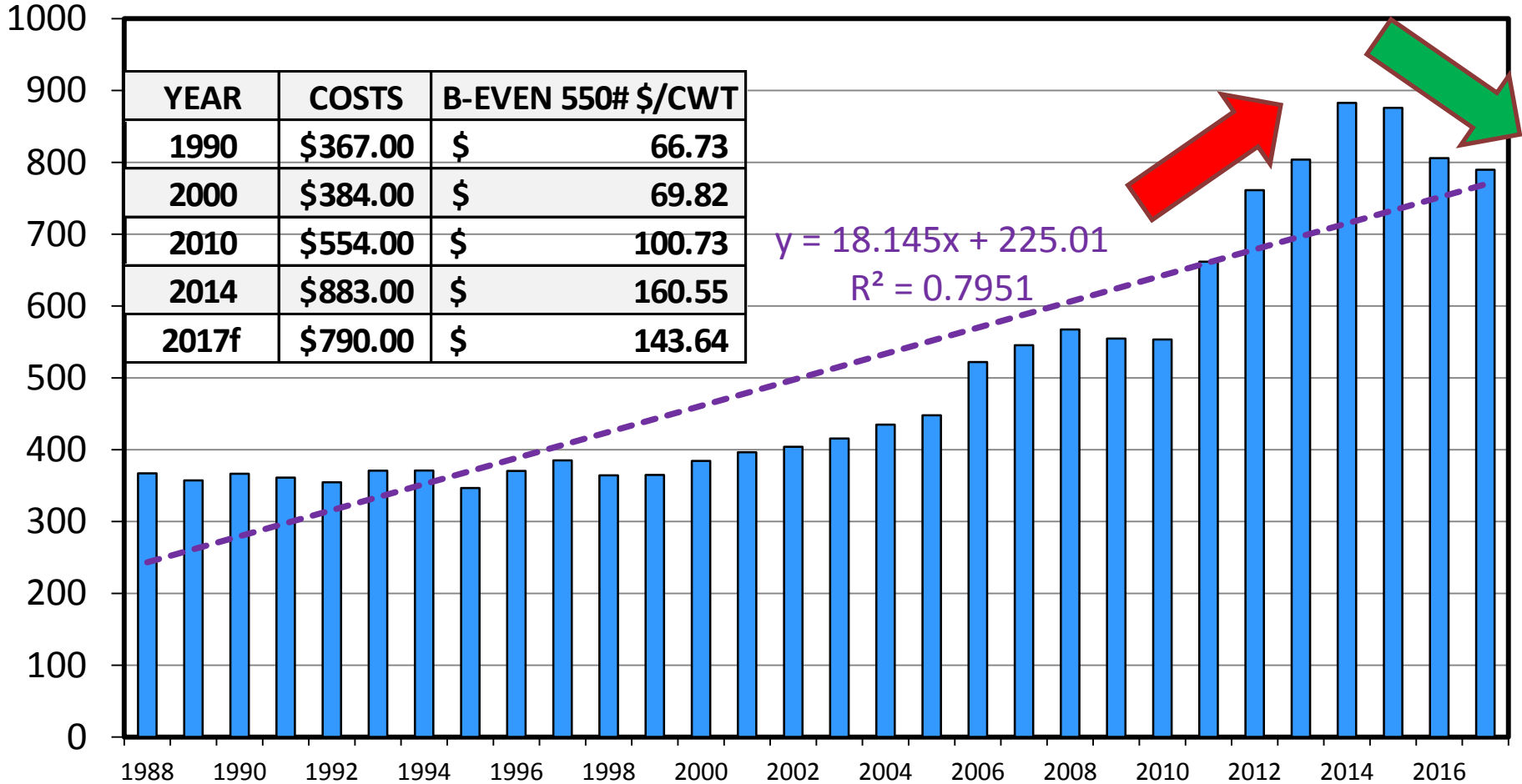
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C-N-38  
08/13/17

# ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual

\$ Per Cow



Data Source: USDA & LMIC, Compiled by LMIC

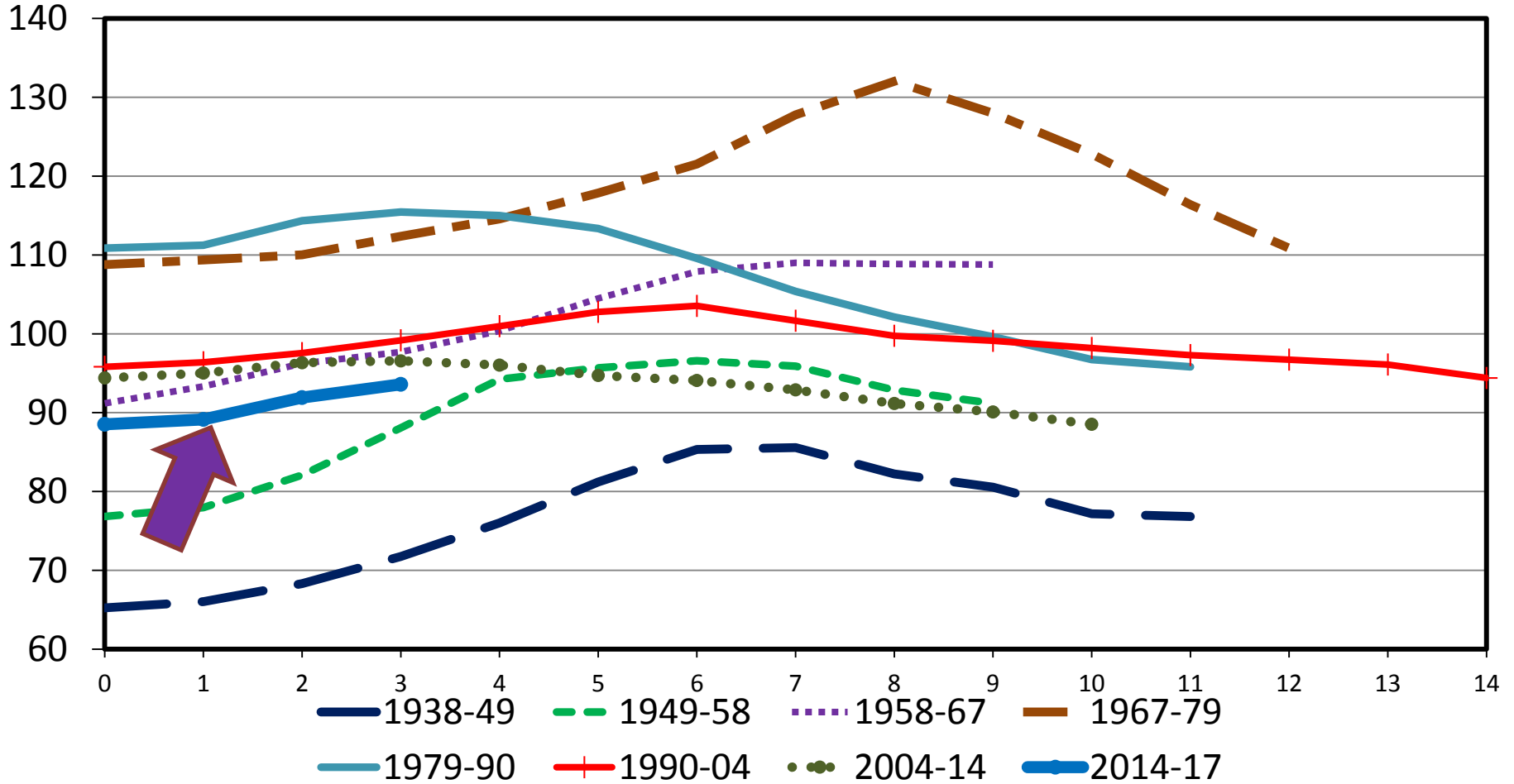
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08/13/17

# TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center

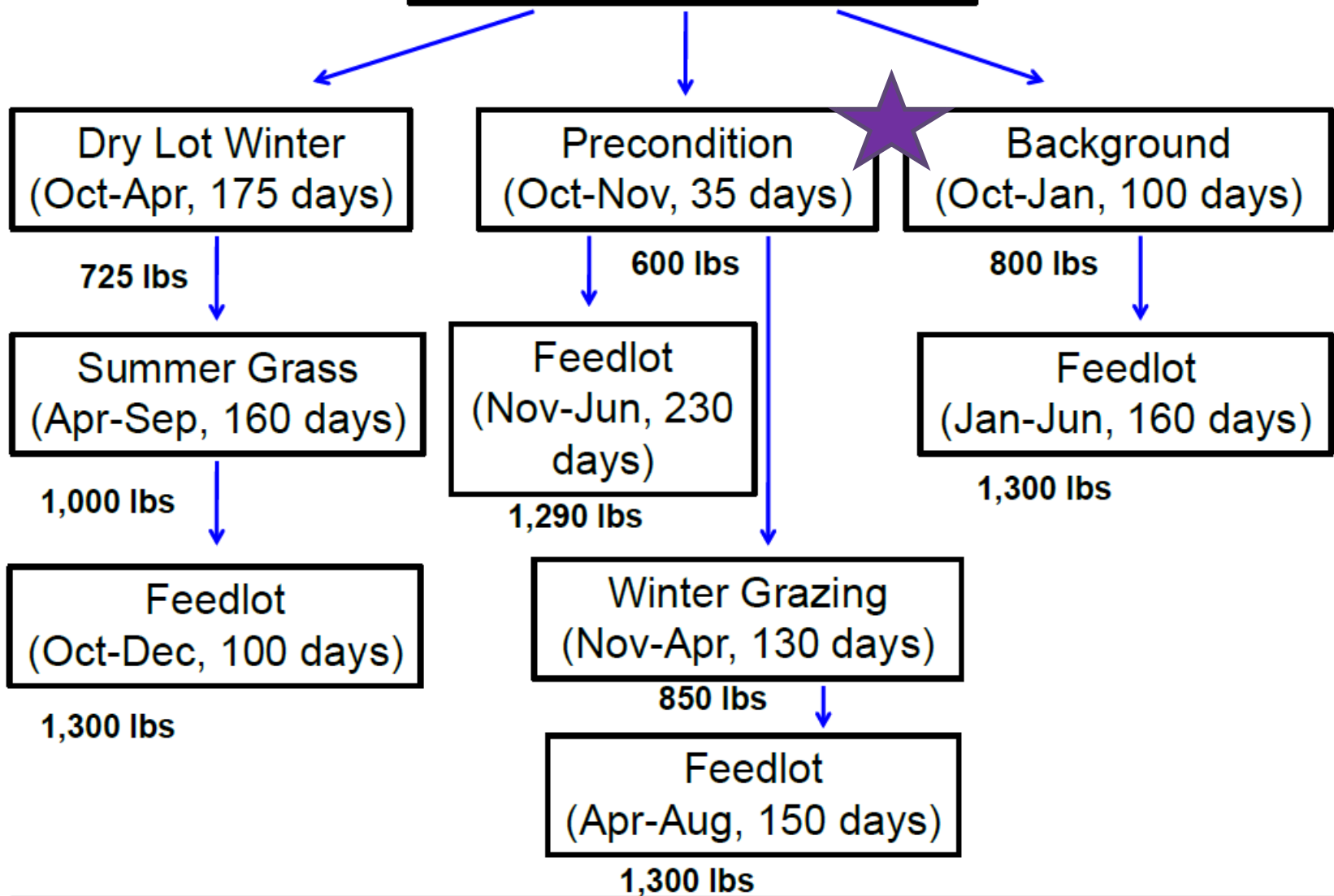
C-N-40  
08/13/17

# Feeder Cattle Price Protection Considerations (as of 8/16/17)

- Salina, KS 8/16/17 situation :
  - Sell 550 lb calves on 9/13/17 (\$160)
- Considering price protection on Sept. sale
  - Or for buyer, consider protection for future sale
  - ***USE: K-State Feeder Cattle Risk Mgmt Tool.xlsx***

<http://www.agmanager.info/k-state-feeder-cattle-risk-management-tool>

# Fall Weaned 550# Calf

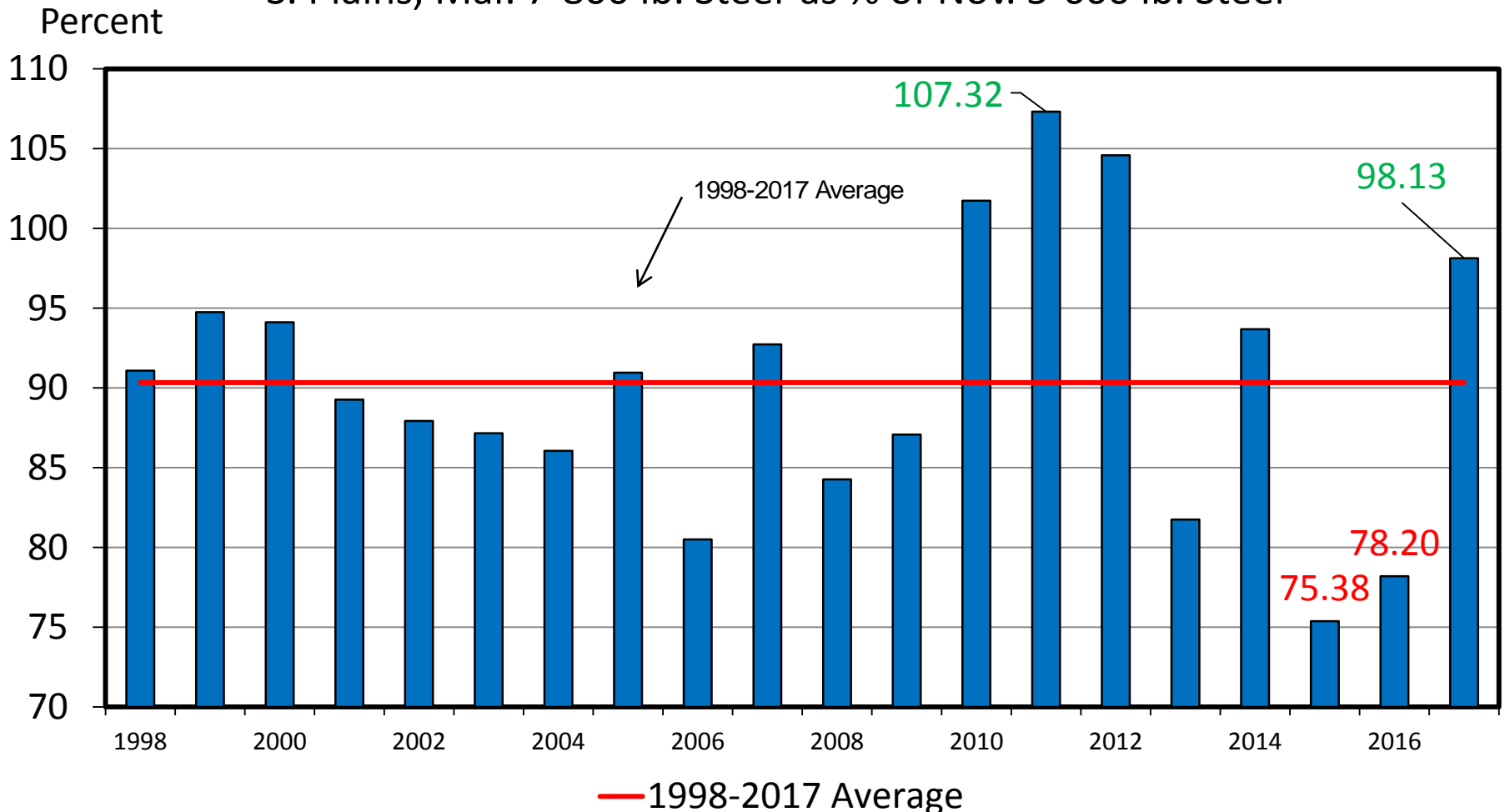


# Economic Outlook Overview: Stockers

## *Historical Margin Perspective*

### **BUY/SELL MARGINS**

S. Plains, Mar. 7-800 lb. Steer as % of Nov. 5-600 lb. Steer



Data Source: USDA-AMS, Compiled and Analysis by LMIC

Livestock Marketing Information Center

C-P-60  
08/13/17

# Economic Outlook Overview: Stockers

## *Forward-Looking Margin Perspective*

<http://www.beefbasis.com/VOG.aspx>

- Salina, KS 8/16/17 situation:

### PRE-CONDITIONING

- Buy 550 lb steer on 10/11/17 (\$160)
- Sell 750 lb steer on 11/15/17 (\$154) {1.4 ADG}
  - VOG: \$89/cwt (w/o any extra pre-conditioned premium)

### BACKGROUNDING

- Buy 550 lb steer on 10/11/17 (\$160)
- Sell 800 lb steer on 1/31/18 (\$137) {2.21 ADG}
  - VOG: \$87/cwt
    - If COG=\$65/cwt then Exp Profit = \$55/hd

# Economic Outlook Overview: Feedlots

- 2017
  - Jan-July very strong
  - BUT**
  - Q4 declined fast



# Historical and Projected Kansas Feedlot Net Returns (as of 8/11/17')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

**June 17': +\$263/steer**

**Table 1. Projected Values for Finishing Steers in Kansas Feedyards\***

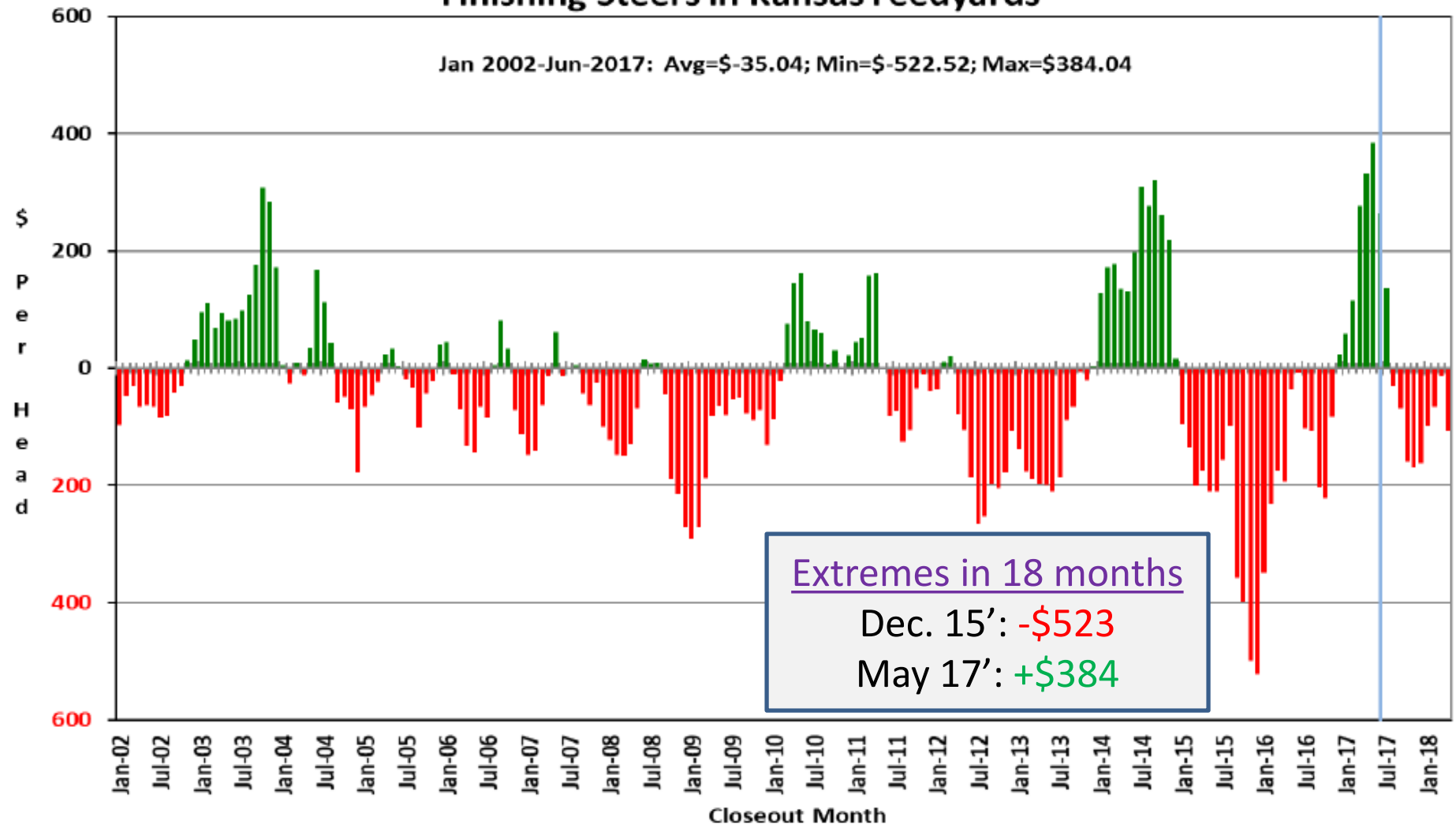
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Fed Futures	Fed Basis	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jul-17	135.60	77.74	118.80	115.15	3.65	127.57	102.06	108.99	144.00
Aug-17	-30.75	77.74	108.95	107.40	1.55	130.08	72.01	111.19	126.41
Sep-17	-68.91	77.76	108.76	107.40	1.36	136.06	65.62	113.75	127.60
Oct-17	-160.15	80.08	109.72	109.32	0.39	145.79	50.93	121.34	126.47
Nov-17	-168.77	81.24	110.56	109.32	1.23	149.12	52.06	122.70	128.31
Dec-17	-162.86	81.36	112.25	111.18	1.07	151.19	52.82	124.06	131.04
Jan-18	-98.40	84.55	113.68	111.18	2.51	143.15	67.03	120.86	130.98
Feb-18	-66.65	84.44	113.49	112.07	1.41	139.47	72.62	118.40	131.08
Mar-18	-13.31	82.80	115.78	112.07	3.70	139.38	80.51	116.77	137.65
Apr-18	-107.10	84.19	109.29	106.63	2.66	138.96	64.67	117.52	124.71

**Representative Barometer for Trends in Profitability**

# Historical and Projected Kansas Feedlot Net Returns (as of 8/11/17')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

**Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards**

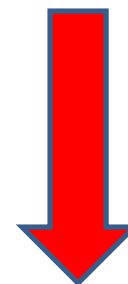


# Quarterly Forecasts (LMIC: 8/13/17)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2016						
I	7,184	3.1	826.5	1.7	5,938	4.8
II	7,631	5.6	810.9	0.1	6,187	5.7
III	7,845	7.6	824.9	-0.9	6,472	6.6
IV	7,919	9.0	836.6	-0.5	6,625	8.4
<b>Year</b>	<b>30,578</b>	<b>6.4</b>	<b>824.8</b>	<b>0.1</b>	<b>25,221</b>	<b>6.4</b>
2017						
I	7,711	7.3	817.0	-1.1	6,300	6.1
II	8,074	5.8	793.2	-2.2	6,404	3.5
III	8,115	3.4	818.1	-0.8	6,639	2.6
IV	8,151	2.9	833.1	-0.4	6,791	2.5
<b>Year</b>	<b>32,051</b>	<b>4.8</b>	<b>815.4</b>	<b>-1.1</b>	<b>26,134</b>	<b>3.6</b>
2018						
I	7,993	3.7	821.5	0.5	6,566	4.2
II	8,291	2.7	807.9	1.8	6,698	4.6
III	8,393	3.4	824.6	0.8	6,921	4.2
IV	8,386	2.9	837.5	0.5	7,023	3.4
<b>Year</b>	<b>33,063</b>	<b>3.2</b>	<b>822.9</b>	<b>0.9</b>	<b>27,208</b>	<b>4.1</b>

## Quarterly Forecasts (LMIC: 8/13/17)

Year Quarter	Live Sltr. Steer Price	% Chg. from	Feeder Steer Price	
	5-Mkt Avg	Year Ago	7-800#	5-600#
<b>2016</b>				
I	135	-17.0	160	196
II	128	-19.2	149	174
III	113	-21.5	144	157
IV	108	-15.7	129	138
<b>Year</b>	<b>121</b>	<b>-18.4</b>	<b>146</b>	<b>166</b>
<b>2017</b>				
I	123	-8.8	133	157
II	133	4.0	149	170
III	117-118	3.8	150-152	164-166
IV	117-119	9.6	137-140	148-153
<b>Year</b>	<b>122-124</b>	<b>1.8</b>	<b>142-144</b>	<b>159-163</b>
<b>2018</b>				
I	118-121	-2.8	138-142	152-158
II	120-124	-8.1	135-140	155-162
III	112-117	-2.6	130-137	148-156
IV	113-119	-1.7	126-134	141-150
<b>Year</b>	<b>116-120</b>	<b>-4.1</b>	<b>133-137</b>	<b>150-156</b>



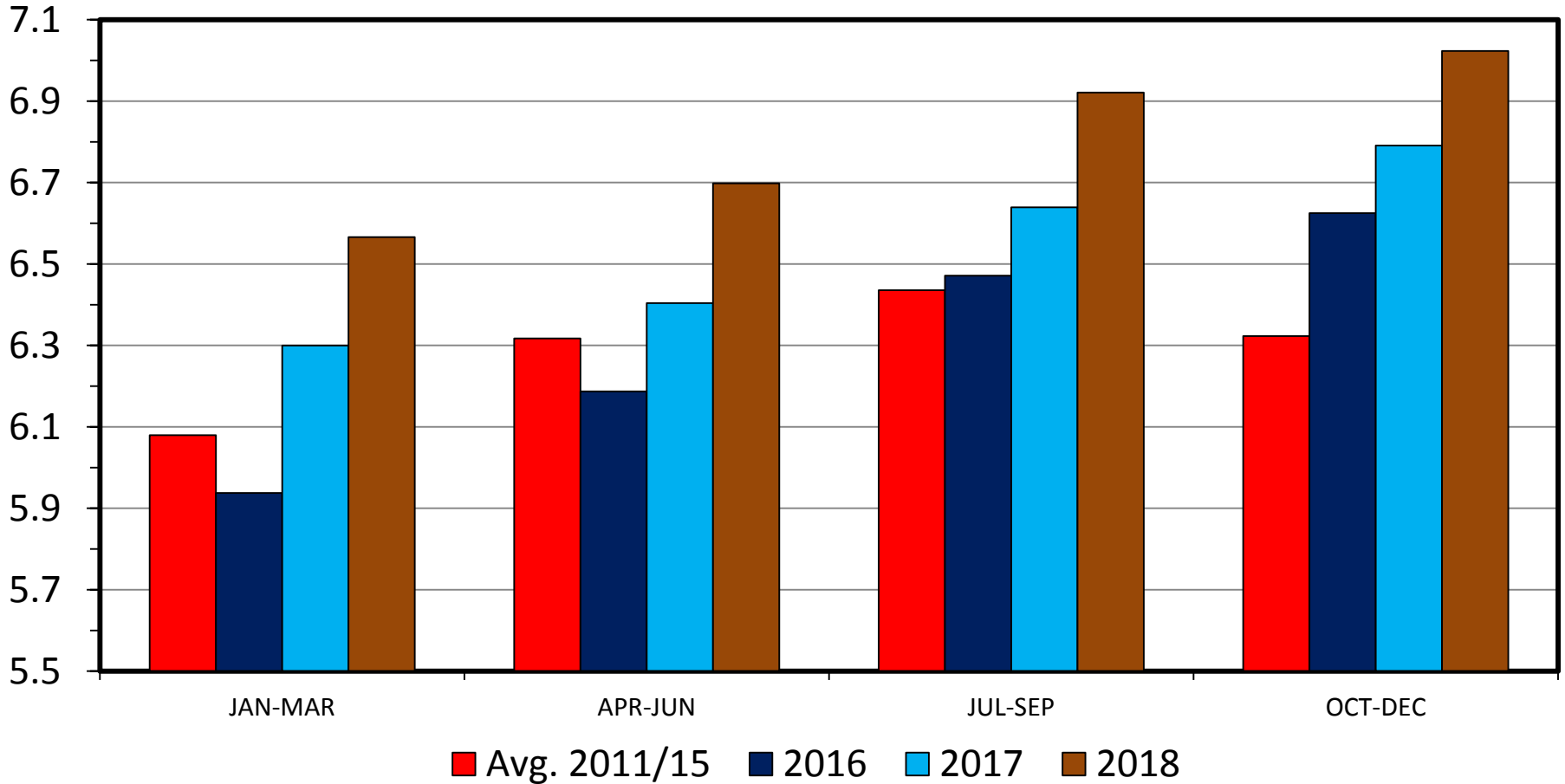
CME LC + ~\$1.50 & FC + ~\$3.00 over 8/13-8/15

# Meat Supplies & Trade

# COMMERCIAL BEEF PRODUCTION

## US, Quarterly

Bil. Pounds



Data Source: USDA-NASS, Forecasts by LMIC

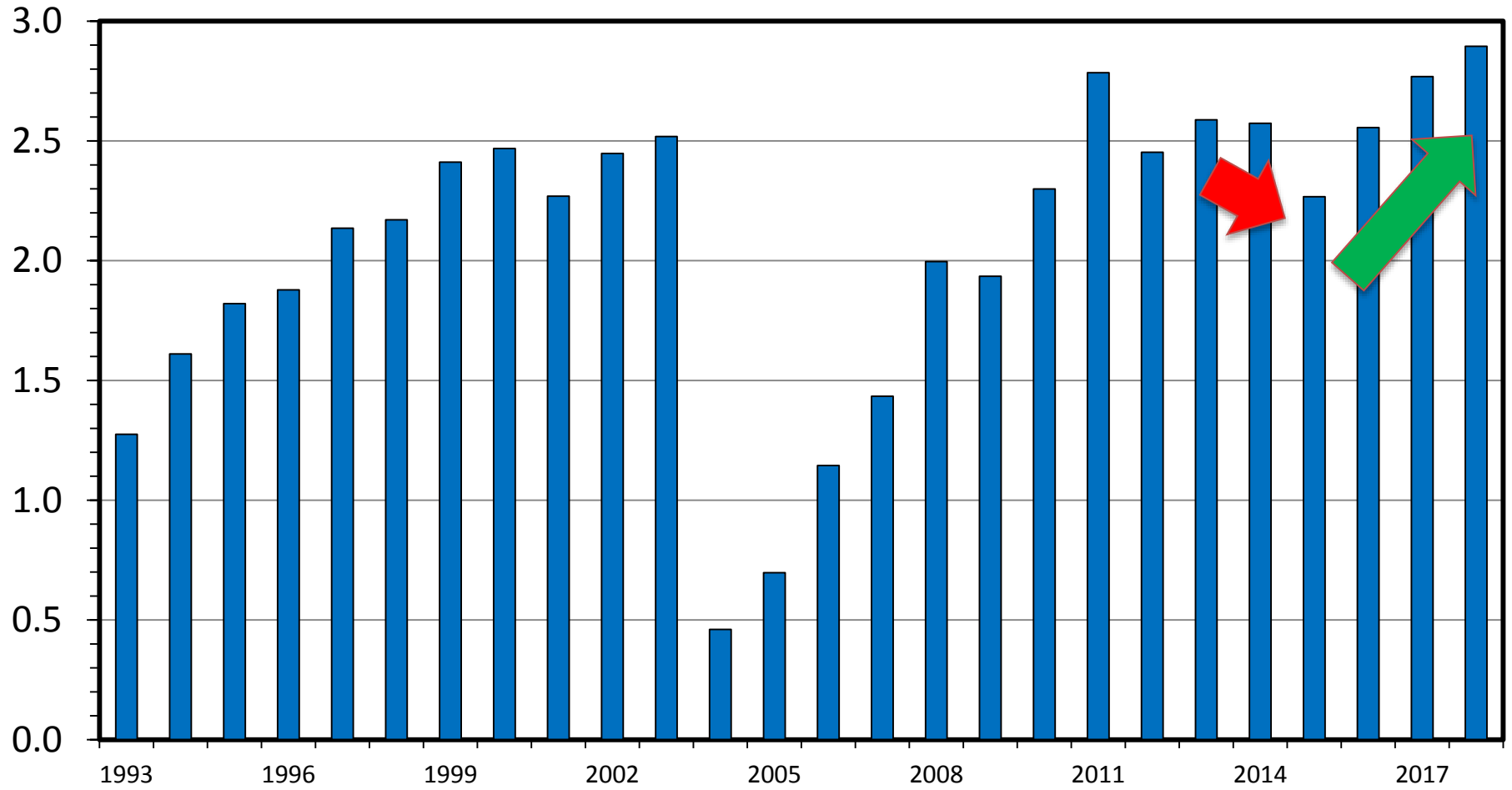
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M-S-01  
08/10/17

# US BEEF AND VEAL EXPORTS

Carcass Weight, Annual

Bil. Pounds



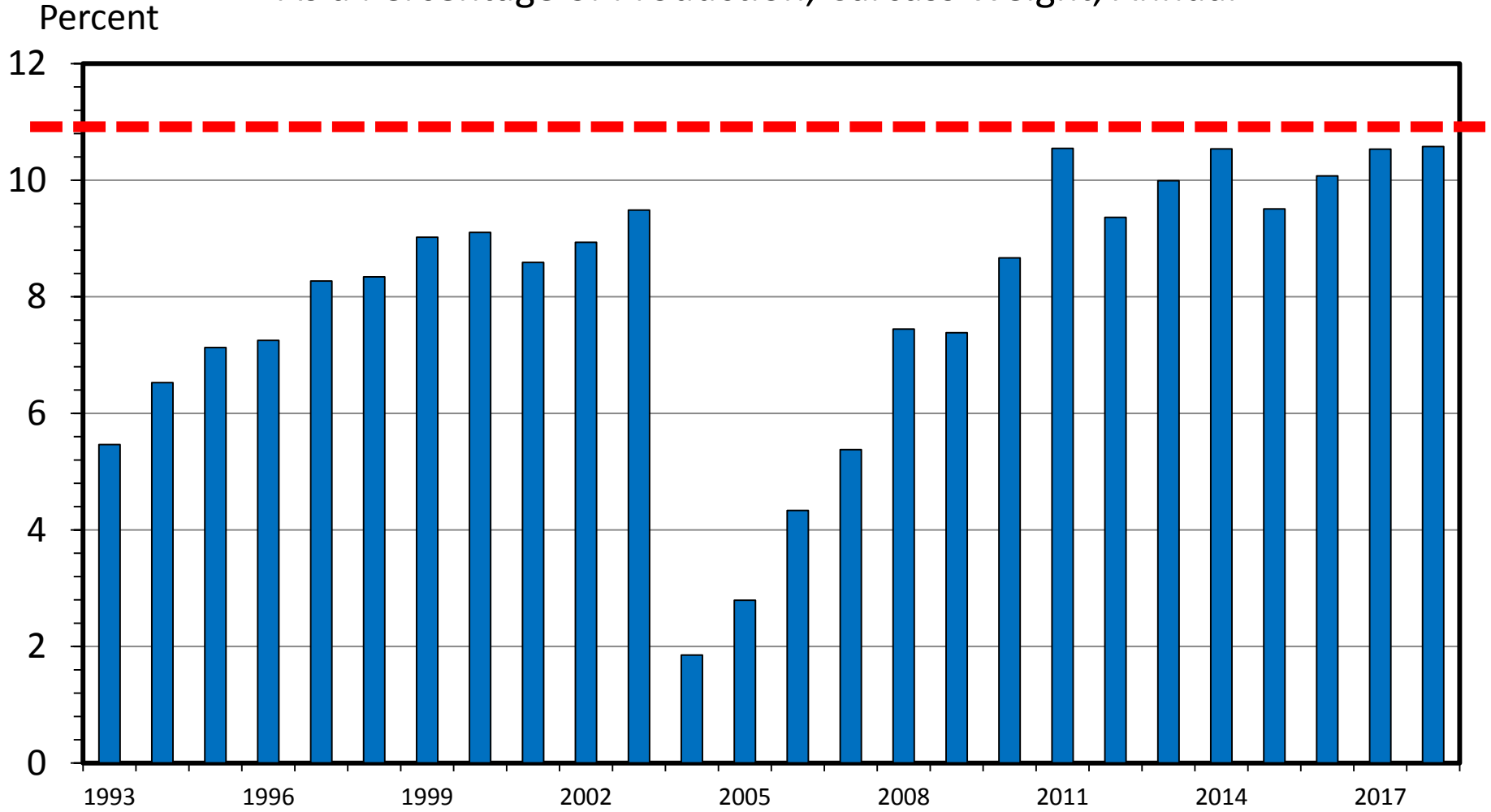
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

Livestock Marketing Information Center

I-N-06  
08/10/17

# US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



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

Livestock Marketing Information Center

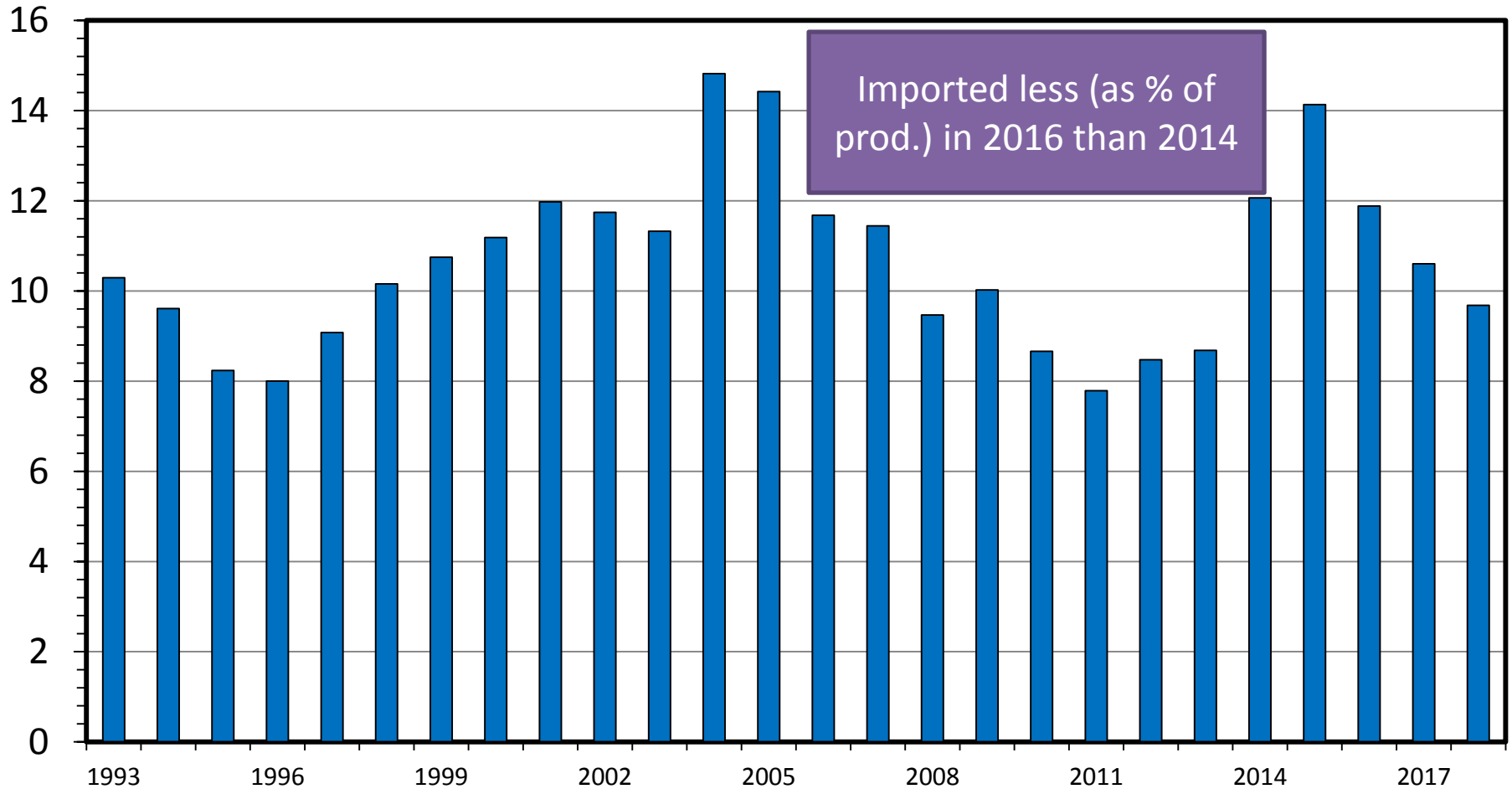
I-N-07  
08/10/17



# US BEEF AND VEAL IMPORTS

As a Percentage of Production, Carcass Weight, Annual

Percent



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

Livestock Marketing Information Center

I-N-08  
08/10/17

# USDA Long-Term projections

**Feb. 2017** release (<http://www.usda.gov/oce/commodity/projections/>)

Table 17. Per capita meat consumption, retail weight

Item		2016	2017	2018	2019	2020	2026
		<i>Pounds</i>					
Beef		55.4	56.6	57.9	57.1	56.8	56.0
Pork		49.9	51.0	50.0	50.3	50.4	51.4
Total red meat		106.6	108.8	109.0	108.5	108.4	108.4
Broilers		89.6	90.4	88.3	88.5	89.0	89.5
Total poultry		107.7	108.7	106.7	107.0	107.5	108.0
Red meat & poultry		214.3	217.5	215.7	215.5	215.8	216.5
	Yr-O-Yr % Ch.		1.5%	-0.8%	-0.1%	0.1%	0.0%

Projections INCLUDE growing export forecasts...

# USDA Long-Term projections

**Feb. 2017** release (<http://www.usda.gov/oce/commodity/projections/>)

Table 18. Beef long-term projections

Item	Units	2016	2017	2018	2019	2020	2026
Commercial production	Mil. lbs.	25,055	26,160	27,143	26,853	26,844	27,742
Change from previous year	Percent	5.7	4.4	3.8	-1.1	0.0	0.8
Total production	Mil. lbs.	25,119	26,224	27,207	26,917	26,908	27,806
Imports	Mil. lbs.	3,011	2,680	2,748	2,820	2,854	2,994
Total supply	Mil. lbs.	28,813	29,604	30,555	30,297	30,322	31,360
Exports	Mil. lbs.	2,459	2,630	2,747	2,639	2,621	2,857
Change from previous year			<b>7.0%</b>	<b>4.4%</b>	-3.9%	-0.7%	0.4%
Total consumption	Mil. lbs.	25,654	26,374	27,248	27,098	27,141	27,943
Per capita, retail weight	Pounds	55.4	56.6	57.9	57.1	56.8	56.0
Prices:							
Beef cattle, farm	\$/cwt	119.47	<b>105.87</b>	<b>117.57</b>	118.15	114.88	104.16
Calves, farm	\$/cwt	171.85	<b>165.24</b>	<b>172.03</b>	169.23	156.15	138.81
Steers, 5-area	\$/cwt	119.94	<b>106.25</b>	<b>117.99</b>	118.57	115.28	104.52
Feeder steers, Oklahoma City	\$/cwt	144.25	<b>139.00</b>	<b>144.71</b>	142.36	131.36	116.77
Cattle inventory	1,000 head	91,988	93,300	93,700	94,200	94,600	95,450
Beef cow inventory	1,000 head	30,331	<b>30,944</b>	<b>30,616</b>	31,121	31,328	<b>31,246</b>

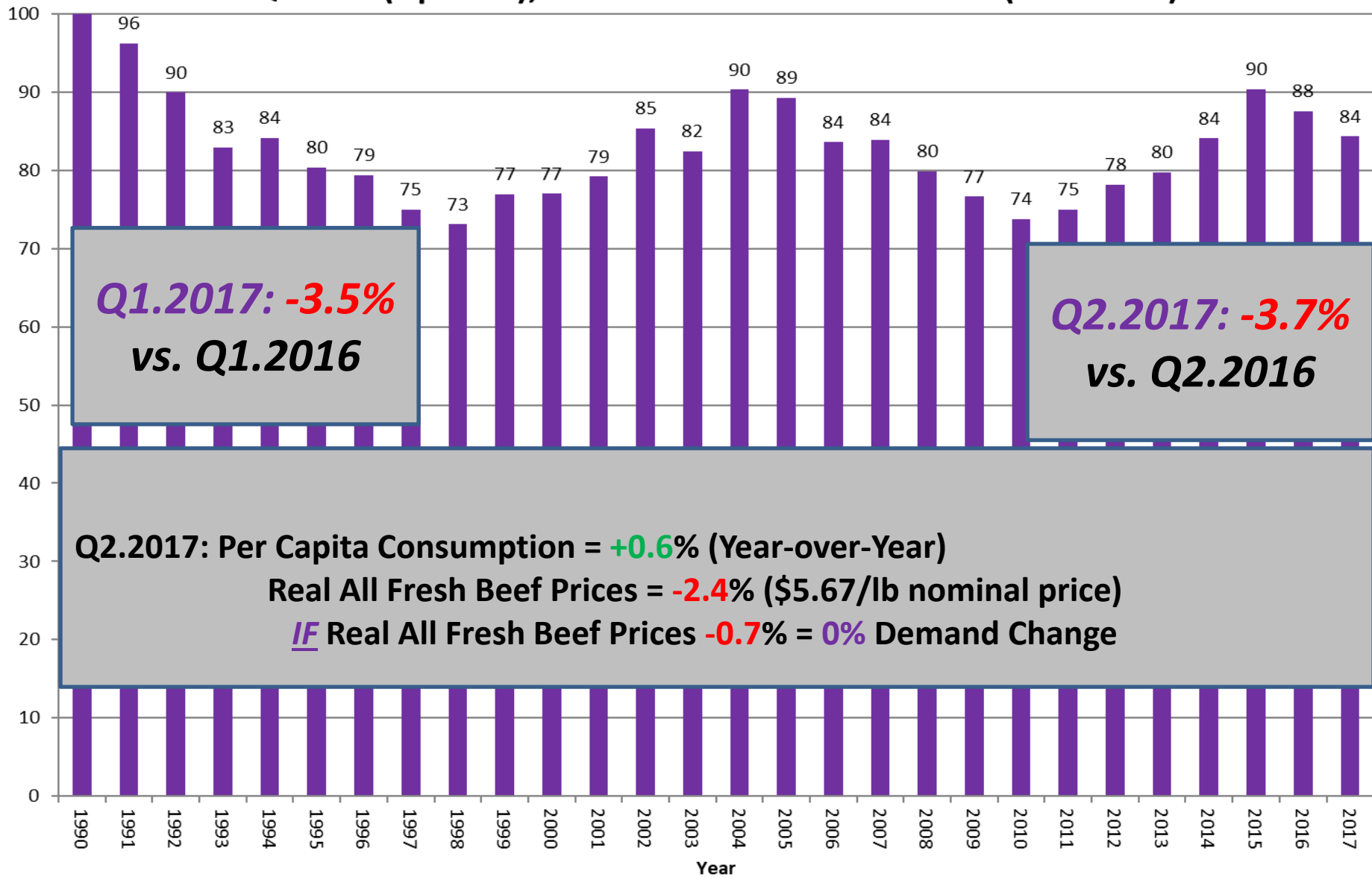
# USDA Long-Term projections

**Feb. 2017** release (<http://www.usda.gov/oce/commodity/projections/>)

Table 36. Beef trade long-term projections

	2016	2017	2018	2019	2020	2026
	<i>Exports, thousand metric tons, carcass weight</i>					
Exporters						
Australia	1,385	1,325	1,384	1,419	1,439	1,572
New Zealand	580	550	527	514	524	562
India	1,850	1,925	2,017	2,077	2,155	2,497
European Union <sup>1</sup>	330	350	344	344	344	346
Argentina	210	235	231	227	224	200
Brazil	1,850	1,950	2,019	2,144	2,204	2,646
Other Latin America	861	856	590	670	754	783
Canada	430	445	441	442	441	435
<b>United States</b>	<b>1,115</b>	<b>1,193</b>	<b>1,246</b>	<b>1,197</b>	<b>1,189</b>	<b>1,296</b>
		7%	4%	-4%	-1%	0%
Major exporters	9,083	9,278	9,287	9,534	9,779	10,947
		2%	0%	3%	3%	2%

## 2nd Quarter (Apr-Jun), All Fresh Beef Demand Index (1990=100)



**Q1.2017: -3.5%**  
**vs. Q1.2016**

**Q2.2017: -3.7%**  
**vs. Q2.2016**

**Q2.2017: Per Capita Consumption = +0.6% (Year-over-Year)**  
**Real All Fresh Beef Prices = -2.4% (\$5.67/lb nominal price)**  
IF Real All Fresh Beef Prices -0.7% = 0% Demand Change

Source: Glynn T. Tonsor, Kansas State University, July 2017

<http://agmanager.info/livestock-meat/meat-demand>

# **Assessing Beef Demand Determinants**

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**Glynn T. Tonsor, Ted C. Schroeder, and Jayson L. Lusk**

**Interim Research Project Update**

**Cattlemen's Beef Board**

**July 12, 2017**

**Presentation at 2017 Cattle Industry Summer Business Meeting**

**Denver, CO**

# Wrap-Up

- Broad 2017-2018 Profitability Outlook

- Cow-calf:

- Converging toward Long-Term Levels
- 2017/18 Better than Expected

- Stocker:

- \$ at stake has moderated
- Margins vary widely across situations

- Feedlot:

- Early 2017 offered notable equity recovery
- Aug. 2017 forward present challenges

More information available at:



This presentation will be available in PDF format at:

<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

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