

Beef Cattle Market Outlook Synthesis



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Overarching Beef Industry Economic Outlook

➤ Supplies

– Commercial Beef Prod.
Up, Increases
Moderating

- +6.4% in 2016
- +3.8% in 2017
- +2.6% in 2018

- +1.3% in 2019 (?)
- +0.6% in 2020 (?)



Overarching Beef Industry Economic Outlook

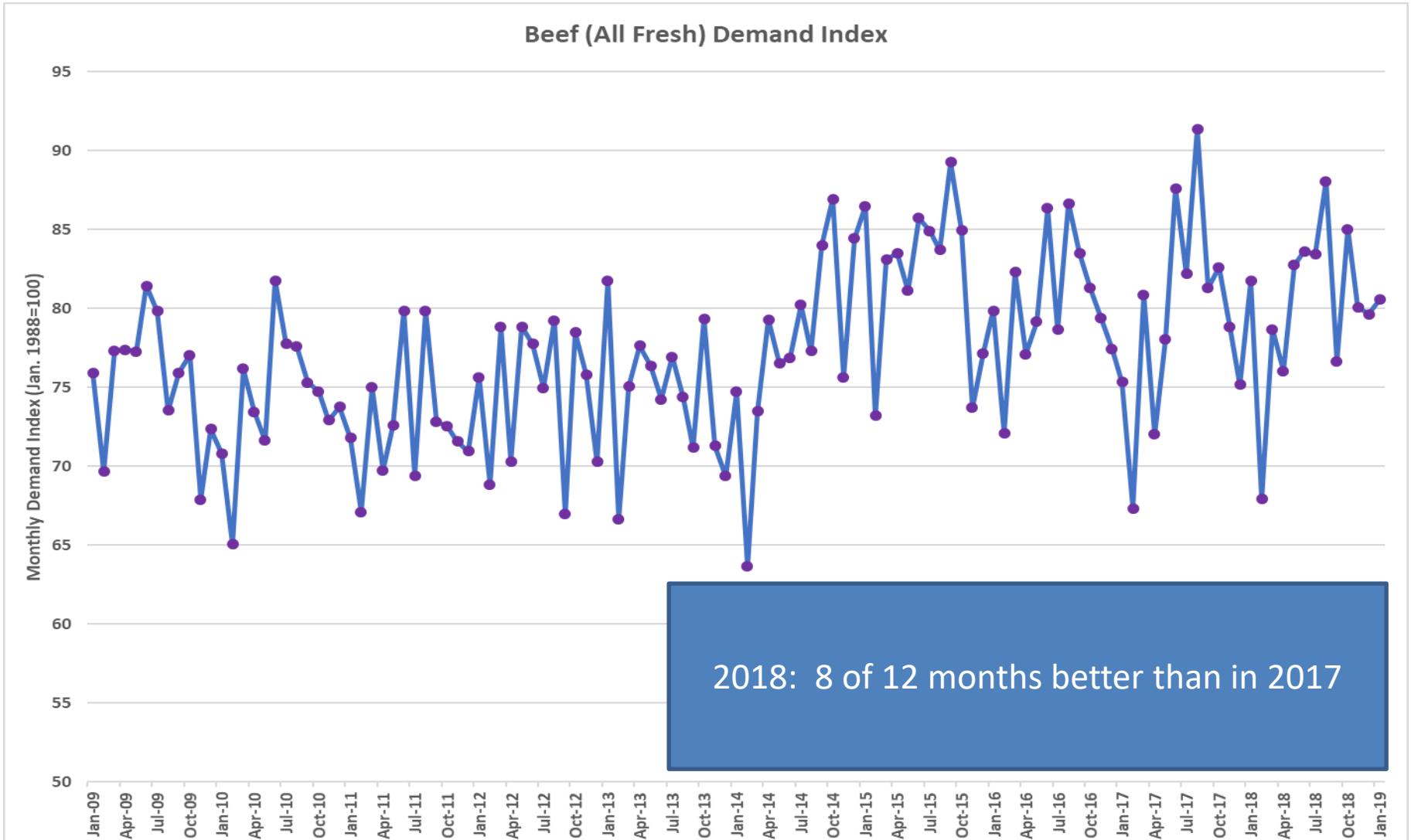
➤ Supplies

- Commercial Beef Production Up, Increases Moderating

➤ Demand

- **Key to surprising prices in 2018**

Domestic Retail Beef Demand



2018: 8 of 12 months better than in 2017

Source: USDA, LMIC, & Glynn T. Tonsor, K-State Research & Extension

Beef Demand Overview

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Committee Leadership Summit
Denver, CO
December 11, 2018

<https://www.agmanager.info/beef-demand-overview>

2018 Exports were stellar!

- USMEF, 2018 (estimated) vs. 2017:
 - **U.S. exports +15% in value** (~ \$8.3 Billion)
 - ❑ U.S. export growth: Korea, Japan, & Taiwan
- Global trade value +9%
 - China accounts for 80% of global beef trade growth
 - ❑ Dominated by South America & Australia (U.S. ~2% share)

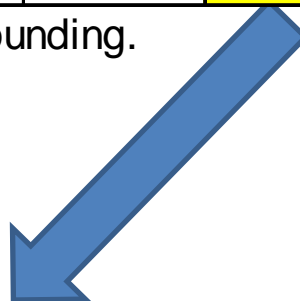
USDA Long-Term projections

3/13/19 report (<http://www.usda.gov/oce/commodity/projections/>), October 2018 Projections

Per capita meat consumption, retail weight				
Item	2018	2019	2020	2028
Beef	57.2	58.8	59.7	58.4
Pork	50.8	53.1	53.4	54.3
Total red meat	109.3	113.2	114.4	114.0
Broilers	92.4	93.4	93.7	94.3
Turkeys	16.2	16.4	16.2	15.5
Total poultry	110.0	111.1	111.2	111.2
Red meat & poultry	219.3	224.3	225.6	225.2

Note: Totals may not add due to rounding.

Year	Total Red Meat & Poultry
1995	205.4
2000	214.4
2005	219.7
2010	207.5
2014	200.1



USDA Long-Term projections

3/13/19 report (<http://www.usda.gov/oce/commodity/projections/>), October 2018 Projections

Per capita meat consumption, retail weight				
Item	2018	2019	2020	2028
Beef	57.2	58.8	59.7	58.4
Pork	50.8	53.1	53.4	54.3
Total red meat	109.3	113.2	114.4	114.0
Broilers	92.4	93.4	93.7	94.3
Turkeys	16.2	16.4	16.2	15.5
Total poultry	110.0	111.1	111.2	111.2
Red meat & poultry	219.3	224.3	225.6	225.2

Note: Totals may not add due to rounding.

Projections INCLUDE export maintenance & growth



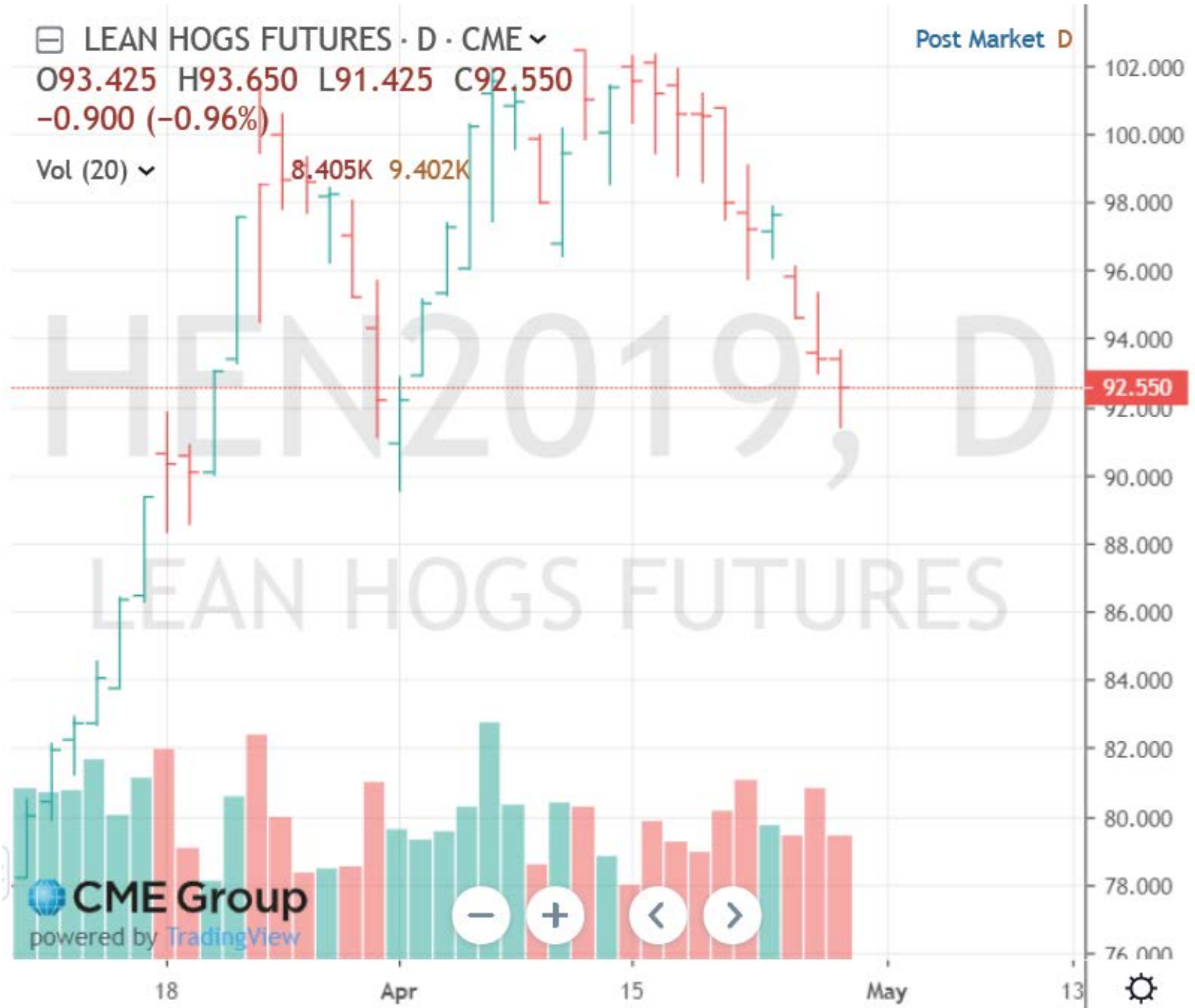
LEAN HOGS FUTURES · D · CME ▾

Post Market D

O93.425 H93.650 L91.425 C92.550
-0.900 (-0.96%)

Vol (20) ▾

8.405K 9.402K



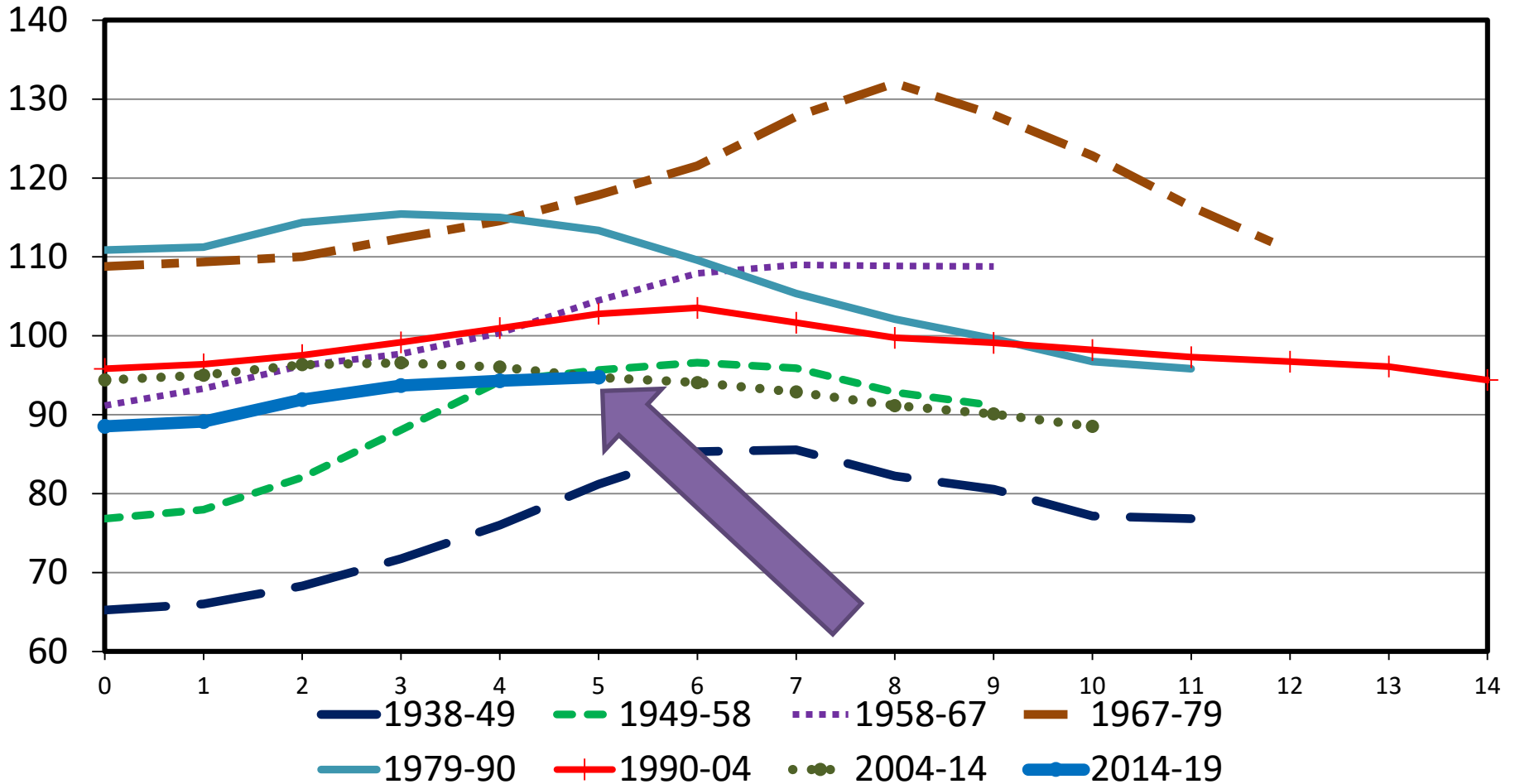
CME Group
powered by TradingView



TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center

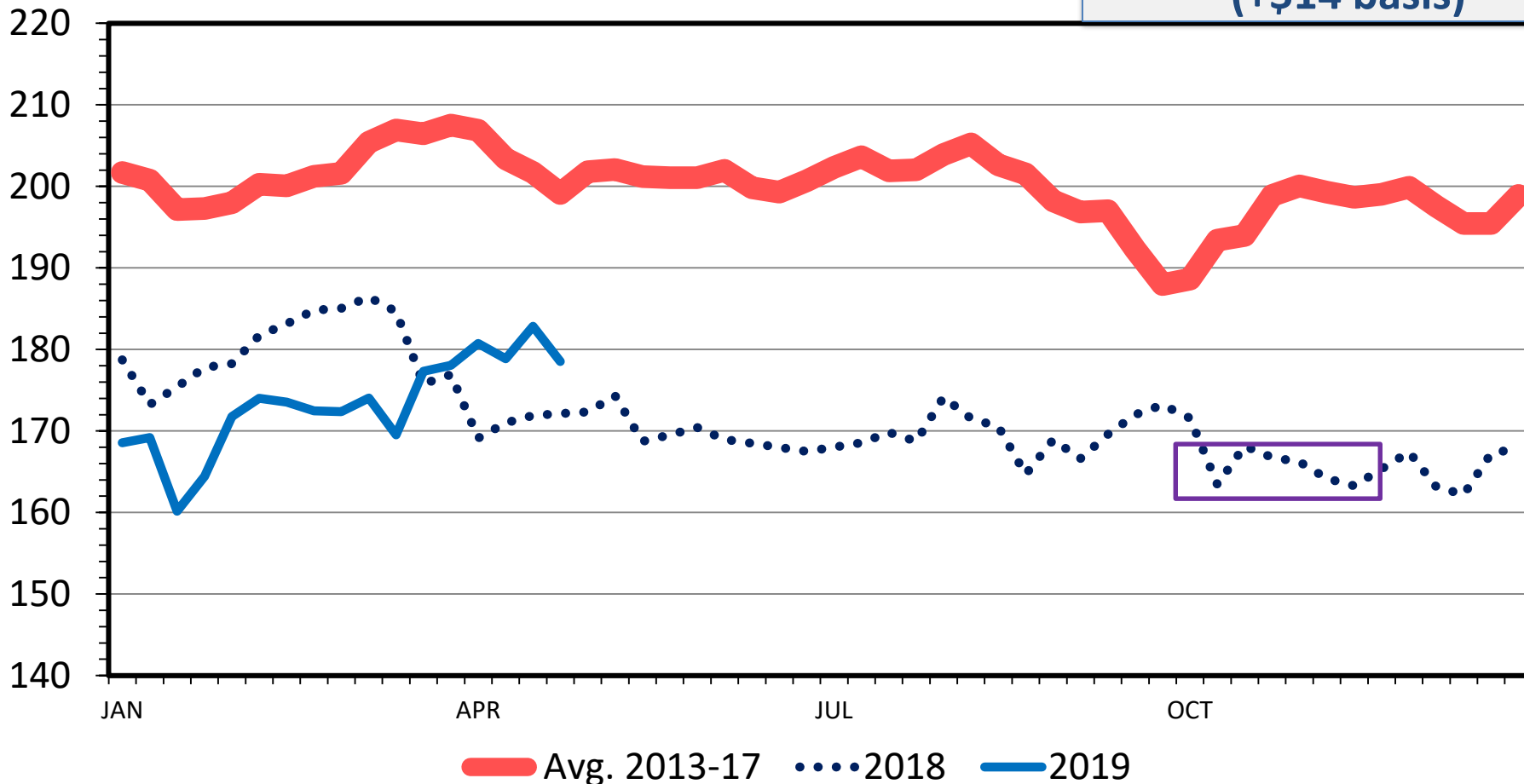
C-N-40
02/28/19

**BeefBasis.com, Joplin,
MO 2019 Projections
(as of 5/1/19):
Oct. 16: \$165
(+\$14 basis)**

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



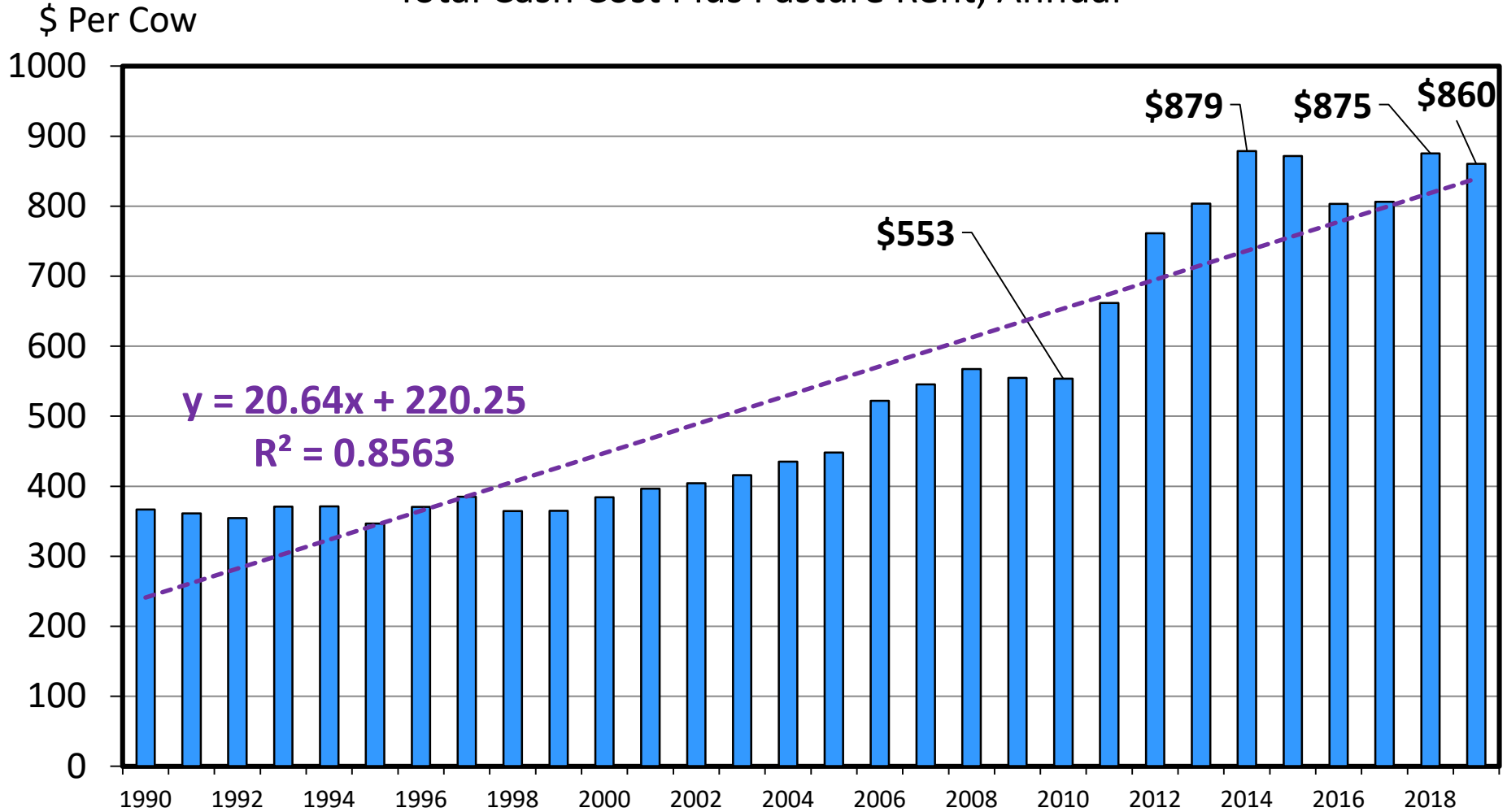
Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
04/29/19

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

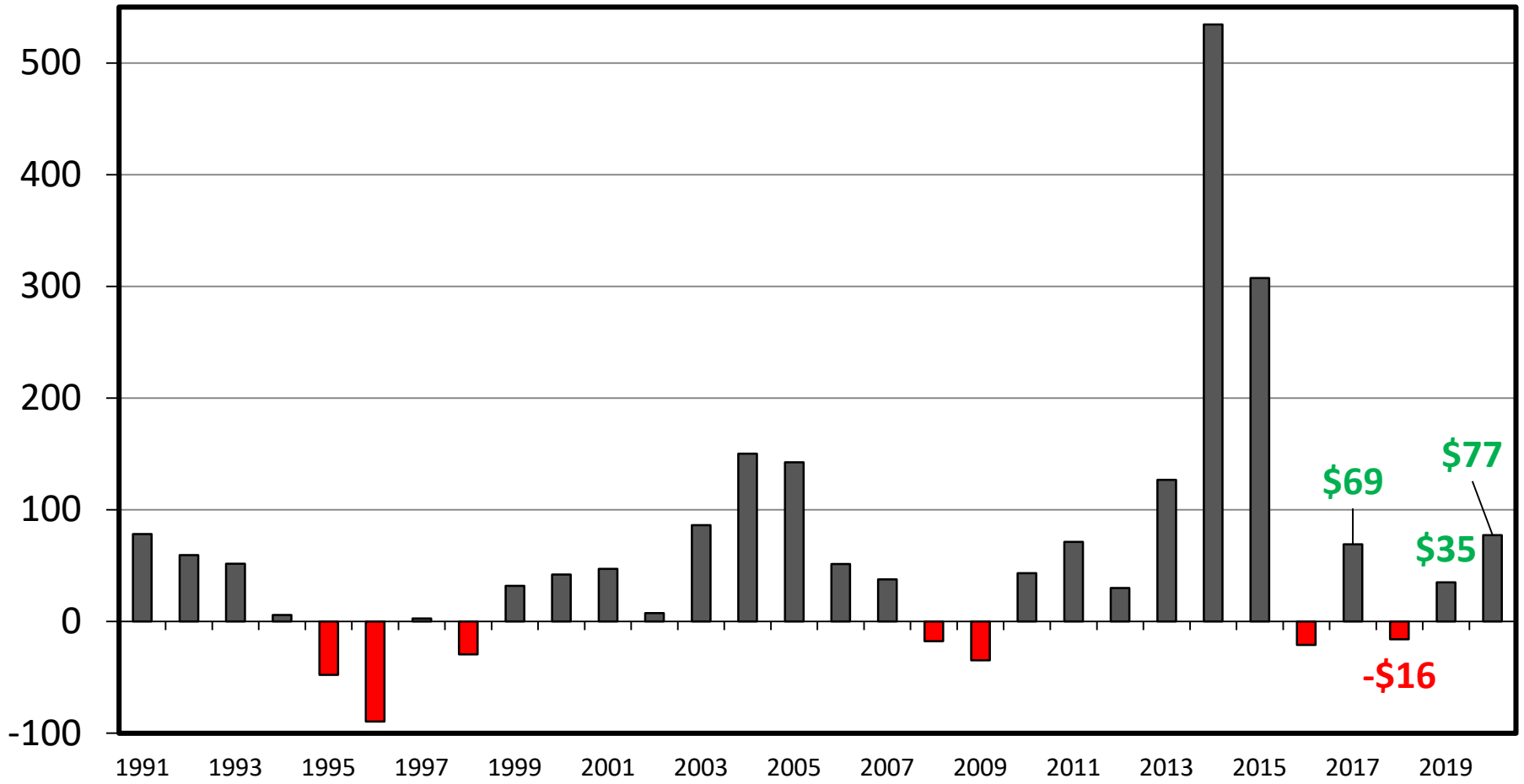
Livestock Marketing Information Center

04/19/19

ESTIMATED AVERAGE COW CALF RETURNS

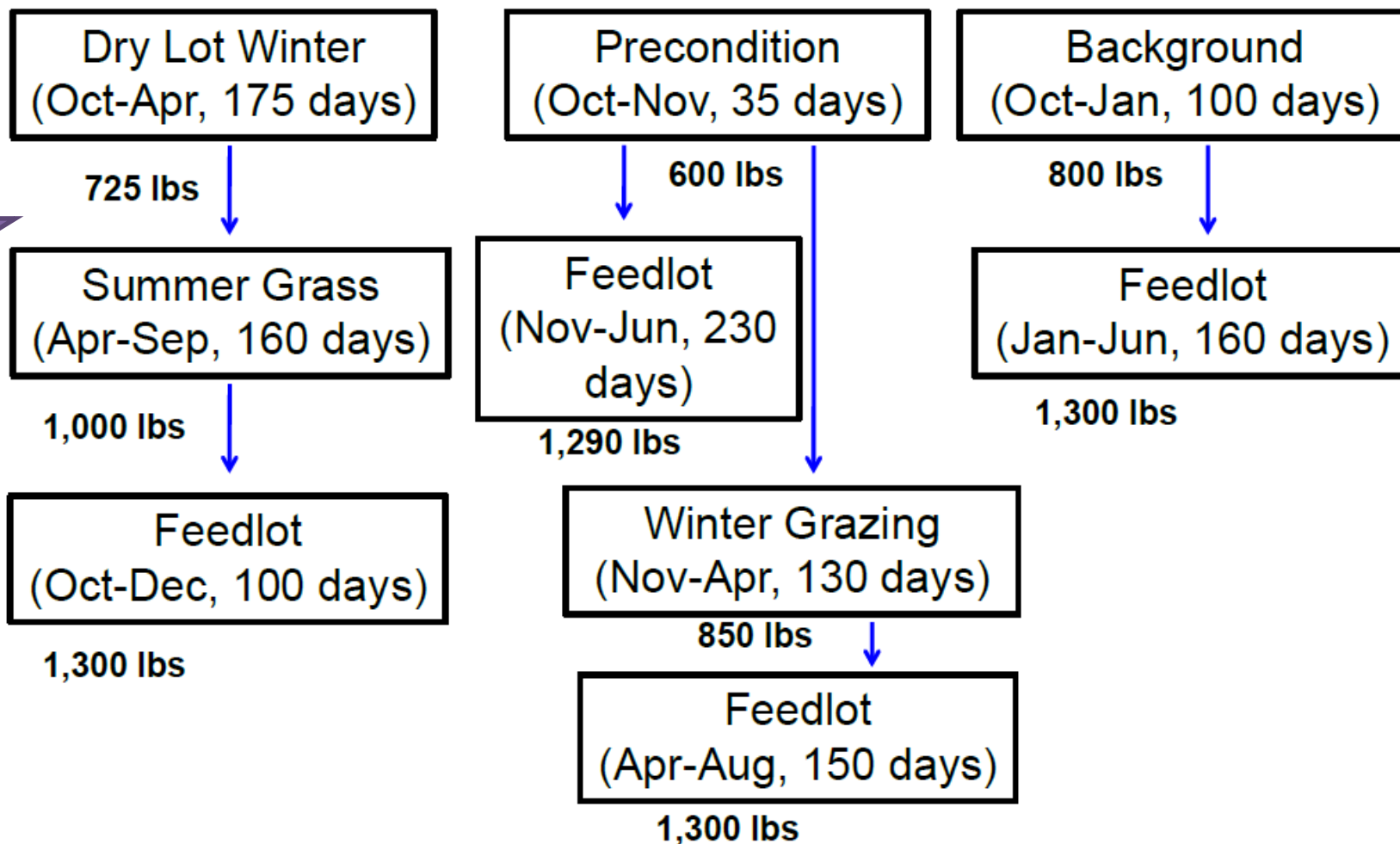
Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



BeefBasis.com, Joplin,
MO 2019 Projections
(as of 5/1/19):
Oct. 16: \$165

Fall Weaned 550# Calf



CattleFax | THE
DECIDING
FACTOR

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

Production Chart: <http://www.beefusa.org/CMDocs/BeefUSA/resources/CC2011-Cattle-Fax-All-Slides.pdf>

Economic Outlook Overview: Stockers

<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>

- Joplin, MO 5/1/19 Summer Grass:
 - Buy 700 lb steer on 5/2/19 (\$148)
 - Sell 950 lb steer on 9/02/19 (\$136) {ADG 2.0}
 - VOG: \$101/cwt (\$259/head)
 - Compare to your COG

Economic Outlook Overview: Stockers

<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>

- Joplin, MO 5/1/19 Summer Grass:
 - Buy 700 lb steer on 5/2/19 (\$148)
 - Sell 850 lb steer on 8/05/19 (\$140) {ADG 1.6}
 - VOG: \$99/cwt (\$148/head)
\$111/hd lower VOG

Economic Outlook Overview: Feedlots

Historical and Projected Kansas Feedlot Net Returns (as of 4/8/19')

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

Feb 18': -\$23/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
Mar-19	33.26	86.86	127.57	128.22	-0.65	153.69	92.15	125.16	158.14
Apr-19	-29.51	88.36	124.22	120.58	3.65	154.22	83.59	126.38	150.26
May-19	55.92	87.77	129.28	120.58	8.71	147.87	97.60	125.27	154.67
Jun-19	-1.43	86.82	121.39	117.73	3.67	146.54	86.59	121.50	146.35
Jul-19	21.04	85.61	120.59	117.73	2.87	141.75	89.12	119.06	144.48
Aug-19	12.54	86.24	120.27	118.68	1.59	141.65	88.28	119.38	143.22
Sep-19	-59.99	86.73	119.02	118.68	0.34	146.00	76.69	123.21	138.81
Oct-19	-47.44	87.96	123.82	122.55	1.27	153.30	80.24	127.15	147.45
Nov-19	-49.75	90.47	124.41	122.55	1.86	153.43	82.68	127.83	147.31
Dec-19	-66.36	91.84	126.18	124.78	1.41	157.68	81.40	130.79	149.45

Representative Barometer for Trends in Profitability

Quarterly Forecasts (LMIC: 4/28/19)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2018						
I	7,877	2.1	820.8	0.5	6,465	2.6
II	8,424	4.3	798.2	0.6	6,724	4.9
III	8,363	1.3	815.5	-0.1	6,820	1.3
IV	8,337	2.4	822.7	-0.6	6,859	1.7
Year	33,000	2.5	814.2	0.1	26,867	2.6
2019						
I	7,933	0.7	808.4	-1.5	6,413	-0.8
II	8,530	1.3	800.3	0.3	6,827	1.5
III	8,556	2.3	824.2	1.1	7,052	3.4
IV	8,344	0.1	829.7	0.8	6,923	0.9
Year	33,363	1.1	815.7	0.2	27,215	1.3
2020						
I	8,001	0.9	819.5	1.4	6,557	2.2
II	8,496	-0.4	807.7	0.9	6,862	0.5
III	8,502	-0.6	829.0	0.6	7,049	-0.1
IV	8,300	-0.5	832.8	0.4	6,912	-0.2
Year	33,299	-0.2	822.2	0.8	27,380	0.6

Quarterly Forecasts (LMIC: 4/28/19)

Year Quarter	Live Sltr.	% Chg.	Feeder Steer Price	
	Steer Price	from	Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
2018				
I	125.60	2.1	148.73	180.01
II	116.72	-12.1	144.52	170.11
III	111	-1.7	156	170
IV	115	-2.4	151	166
Year	117	-3.7	150	171
2019				
I	125.27	-0.1	142.87	171.41
II	118-120	2.0	145-148	176-180
III	112-115	2.4	149-154	170-176
IV	116-120	2.3	147-154	167-175
Year	117-121	1.6	146-150	171-176
2020				
I	123-128	0.2	145-154	171-181
II	118-125	2.1	146-157	173-185
III	111-119	1.3	147-159	170-184
IV	115-124	1.3	146-159	166-181
Year	117-124	1.3	148-155	172-181

Outlook Wrap-Up

- Broad Profitability Outlook
 - Supply side factors are “well established”
 - Demand factors are key and uncertain
 - What will be beef (and meat broadly) export situation?
 - When will next U.S. recession occur?

USDA LRP Changes July 1

(<https://www.rma.usda.gov/News-Room/Press/Press-Releases/2019-News/USDA-Announces-Enhancements-to-Livestock-and-Dairy-Insurance-Programs>)

4/29/2019

USDA Announces Enhancements to Livestock and Dairy Insurance Programs | RMA



United States Department of Agriculture

News Release

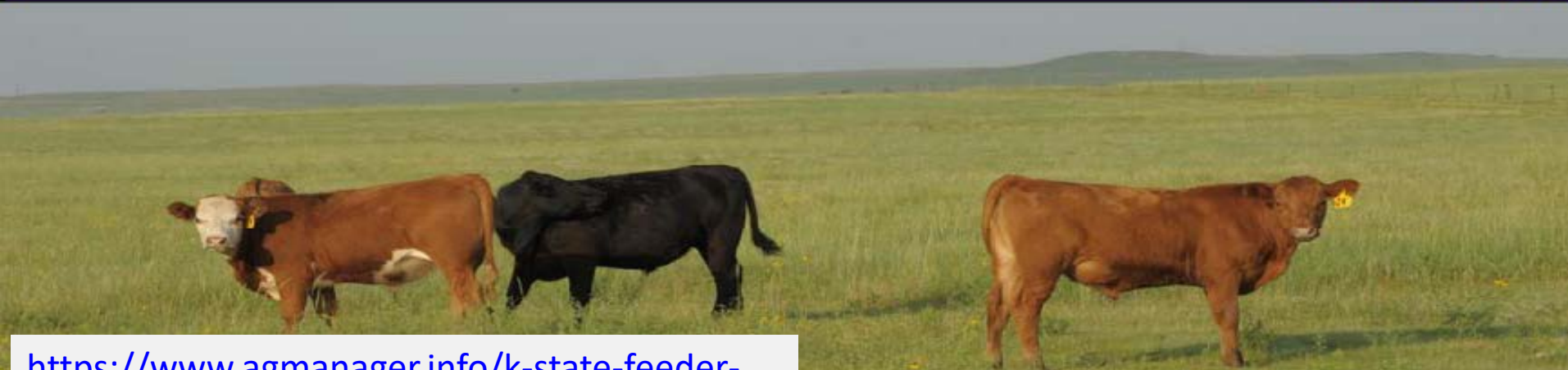
USDA Announces Enhancements to Livestock and Dairy Insurance Programs

KSU-Feeder Cattle Risk Management Tool



An Excel spreadsheet for evaluating feeder cattle risk management strategies

Version- 4.24.2019



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

More information available at:



This presentation will be available in PDF format at:
<http://www.agmanager.info/contributors/tonsor>

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