

2019 KOMA Beef Cattle Conference

From grass to cash

January 24, 2019

10:30 am registration · 11:00 am program starts

Community Building—SEK Education Center Greenbush (947 W. 47 Hwy. Girard, KS)



Beef Cattle Market Outlook

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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

- +1.8% in 2019 (?)

- +0.8% in 2020 (?)



Overarching Beef Industry Economic Outlook

➤ Supplies

- Commercial Beef Production Up, Increases Moderating

➤ Demand

- **Key to surprising prices in 2018**



Overarching Beef Industry Economic Outlook

- Feeder Cattle Demand

Illustration: 2018 vs 2017

- Commercial Beef
Production +2.6%
- Yearling Prices +1.2%
- Calf Prices +3.2%
- ❖ *Exports are key & yet
ongoing arena of
uncertainty*

Demand is **NOT** Per Capita Consumption

2013 Beef Demand Determinants Study



<http://www.beefboard.org/evaluation/130612demanddeterminantstudy.asp>

Assessing Beef Demand Determinants

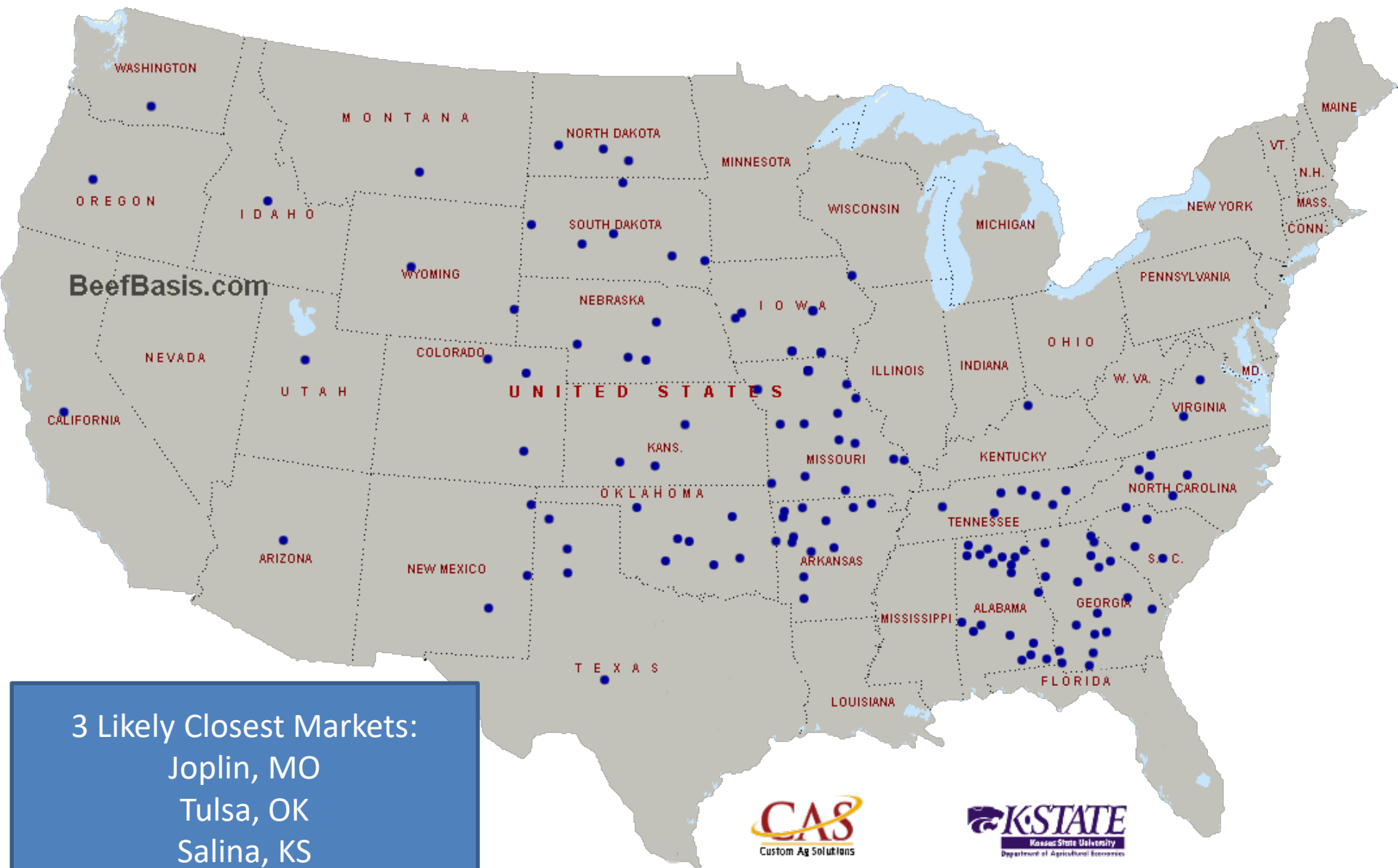
Glynn T. Tonsor, Jayson L. Lusk, and Ted C. Schroeder

Checkoff Program Update
February 1, 2018

Presentation at 2018 Cattle Industry Convention
Phoenix, AZ

Full Project Report

<https://www.beefboard.org/news/180131Tonsor-beef-demand-print.asp>



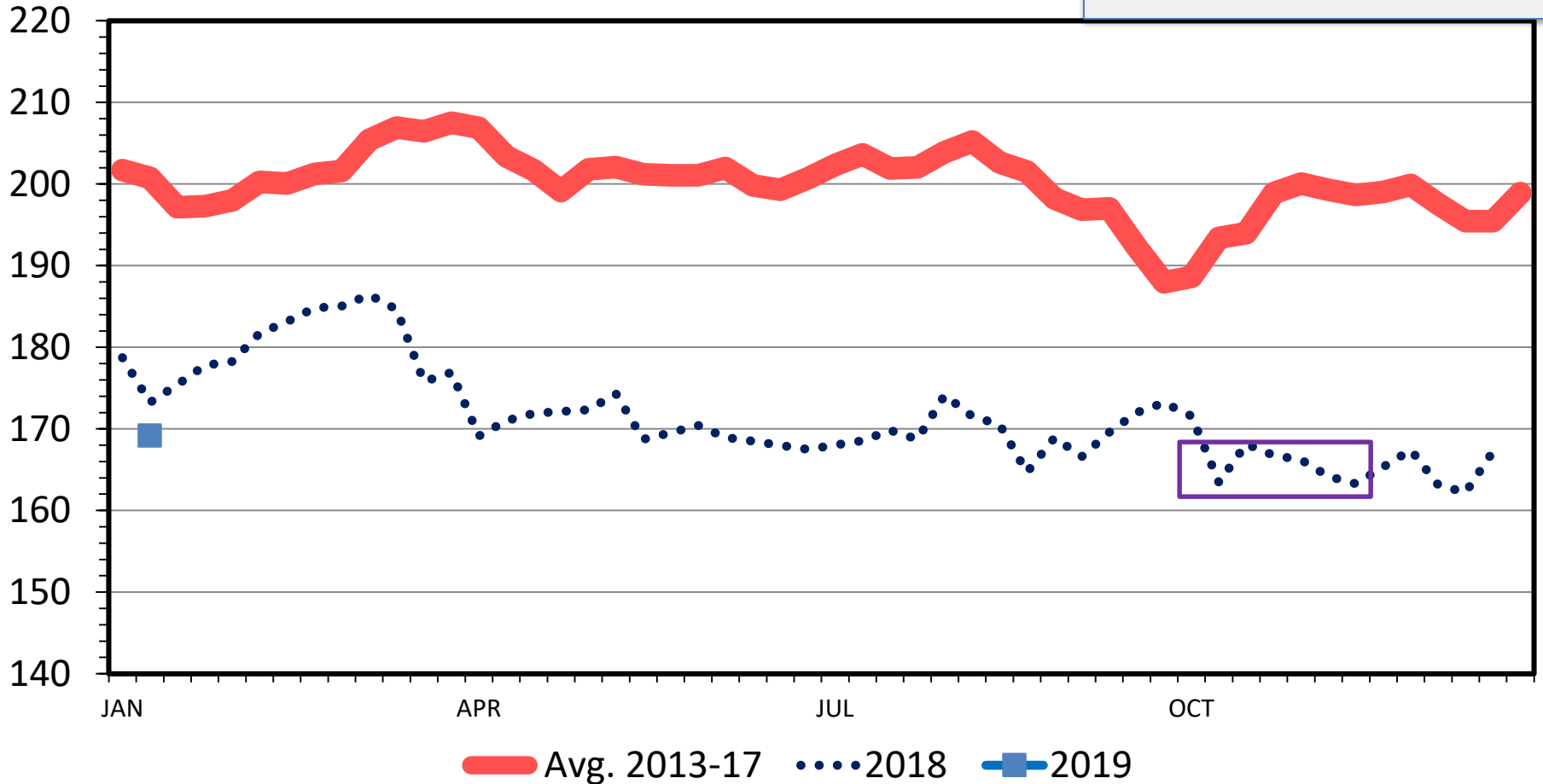
<http://www.beefbasis.com/>

**BeefBasis.com, Joplin,
MO 2019 Projections
(as of 1/21/19):
Oct. 10: \$164**

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



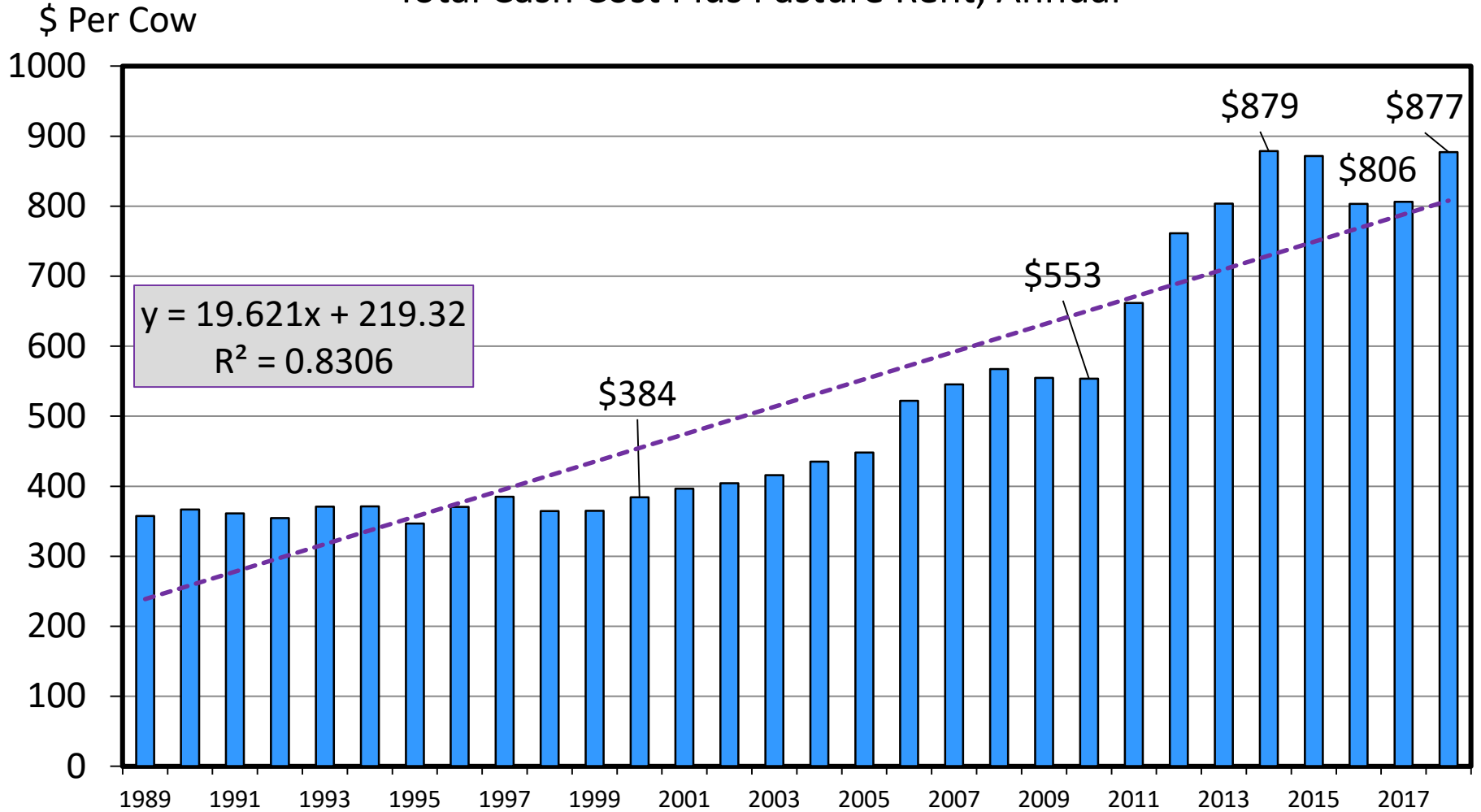
Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
01/14/19

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

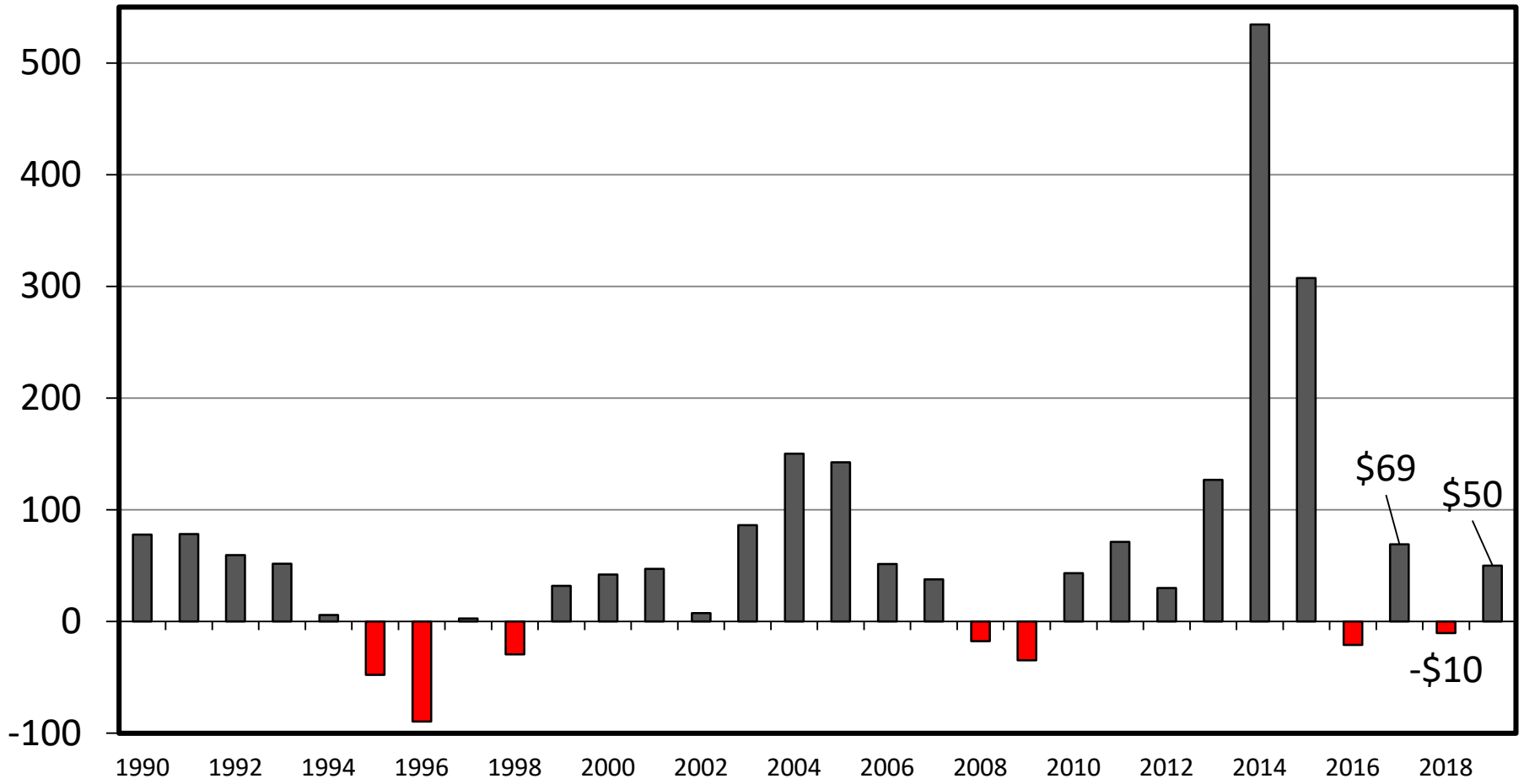
Livestock Marketing Information Center

08/18/18

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



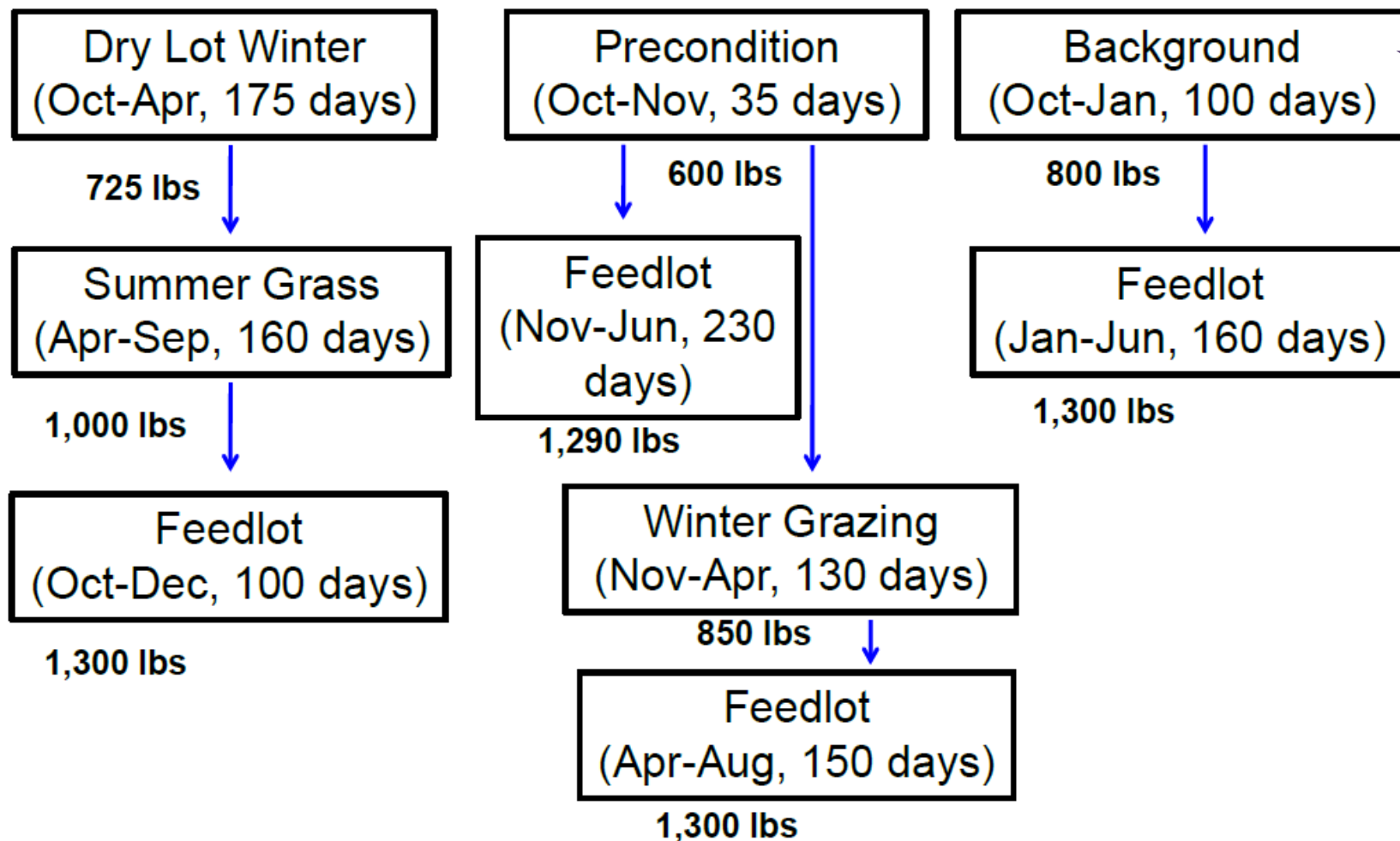
Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66
12/18/18

BeefBasis.com, Joplin,
MO 2019 Projections
(as of 1/21/19):
Oct. 10: \$164

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 1/21/19 Background, ~100 DOF:
 - Buy 550 lb steer on 10/10/19 (\$164)
 - Sell 800 lb steer on 01/08/20 (\$138) {ADG 2.75}
 - VOG: \$81/cwt (\$202/head)

Economic Outlook Overview: Stockers

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

- Joplin, MO 1/21/19 Background, ~100 DOF:
 - Buy 550 lb steer on 10/10/19 (\$164)
 - Sell 700 lb steer on 01/08/20 (\$148) {ADG 1.65}
 - VOG: \$88/cwt (\$133/head)

Economic Outlook Overview: Feedlots

Historical and Projected Kansas Feedlot Net Returns (as of 1/11/19')

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

Nov 18': +\$35/steer

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

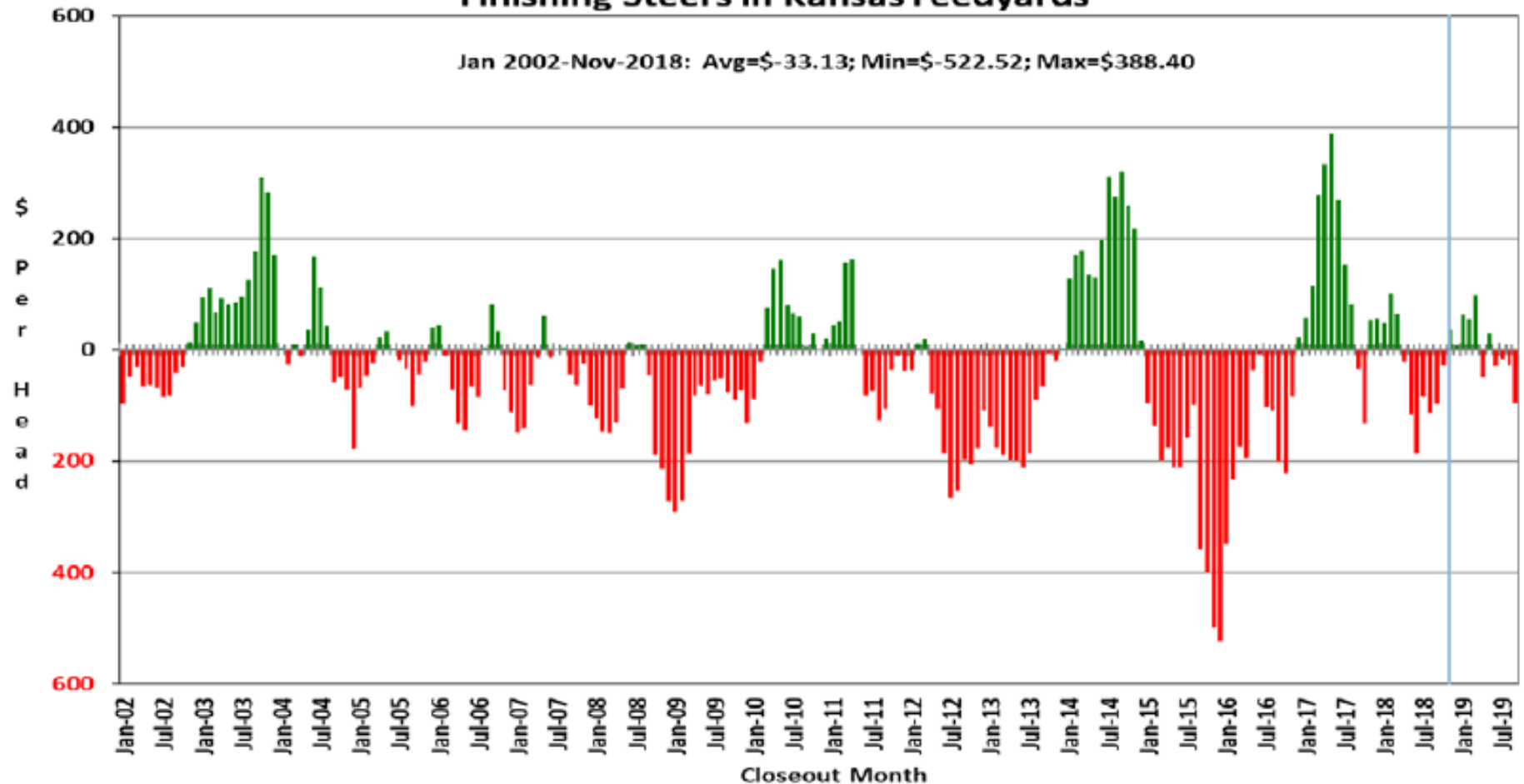
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Fed Futures	Fed Basis	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Dec-18	6.89	83.77	119.96	119.83	0.13	145.90	84.83	119.48	146.78
Jan-19	63.67	84.13	127.71	124.97	2.74	150.68	94.31	123.24	158.66
Feb-19	54.53	85.54	128.23	126.38	1.85	152.17	94.24	124.34	159.20
Mar-19	98.44	84.69	130.90	126.38	4.53	153.59	100.14	123.77	166.82
Apr-19	-48.96	85.94	121.30	117.20	4.10	154.21	78.16	124.87	147.60
May-19	30.10	85.42	126.18	117.20	8.98	148.20	90.60	124.03	151.89
Jun-19	-29.48	84.57	118.04	114.28	3.77	146.90	79.99	120.15	143.00
Jul-19	-15.66	83.57	117.23	114.28	2.95	142.91	81.02	118.36	140.87
Aug-19	-28.22	84.49	118.01	116.13	1.88	145.11	80.02	119.99	141.53
Sep-19	-95.94	85.92	116.75	116.13	0.62	147.78	70.20	123.42	136.19

Representative Barometer for Trends in Profitability

Historical and Projected Kansas Feedlot Net Returns (as of 1/11/19')

(<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: 1/3/19)

		% Chg.	Average	% Chg.	Comm'l	% Chg.
Year	Comm'l	from	Dressed	from	Beef	from
Quarter	Slaughter	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	8,326	2.2	823.7	-0.5	6,858	1.7
Year	32,990	2.5	814.4	0.1	26,867	2.6
2019						
I	7,925	0.6	822.4	0.2	6,517	0.8
II	8,504	0.9	807.7	1.2	6,869	2.2
III	8,541	2.1	824.9	1.2	7,046	3.3
IV	8,354	0.3	829.6	0.7	6,931	1.1
Year	33,324	1.0	821.1	0.8	27,363	1.8
2020						
I	8,086	2.0	826.4	0.5	6,683	2.5
II	8,515	0.1	812.3	0.6	6,917	0.7
III	8,492	-0.6	829.5	0.6	7,044	0.0
IV	8,320	-0.4	833.6	0.5	6,936	0.1
Year	33,413	0.3	825.4	0.5	27,579	0.8

Quarterly Forecasts (LMIC: 1/3/19)

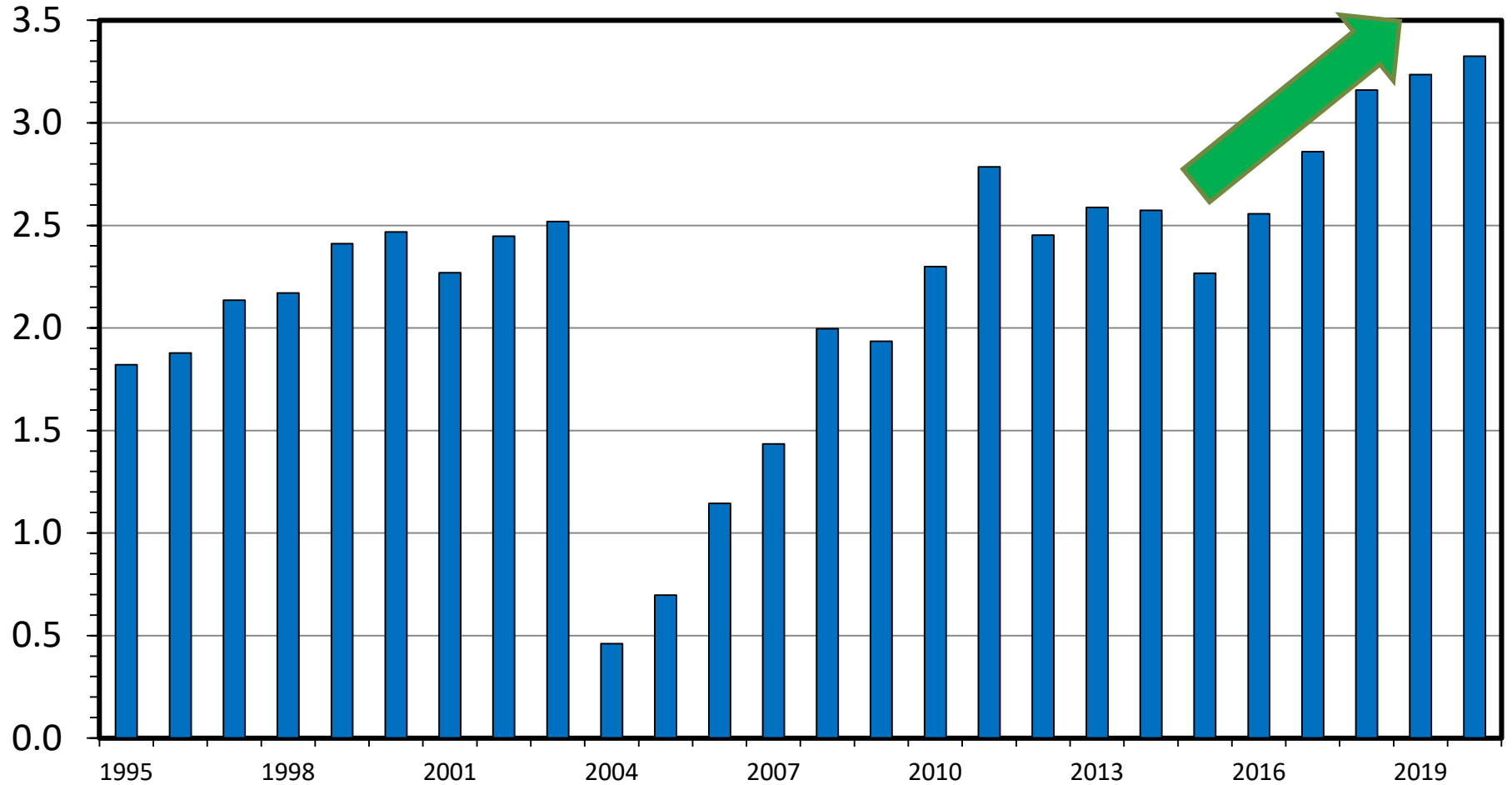
	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2018				
I	125.60	2.1	148.73	180.01
II	116.72	-12.1	144.52	170.11
III	111	-1.7	156	170
IV	115	-2.4	151	166
Year	117	-3.7	150	171
2019				
I	121-123	-2.9	144-147	168-172
II	117-120	1.5	144-149	170-176
III	108-112	-0.7	145-151	167-175
IV	114-119	1.0	146-154	164-173
Year	115-119	-0.1	145-150	167-174
2020				
I	118-124	-0.8	144-153	167-177
II	116-124	1.3	145-156	172-184
III	109-118	3.2	146-158	169-183
IV	113-123	1.3	145-158	165-180
Year	116-120	0.9	147-154	170-179

Trade Context Update

US BEEF AND VEAL EXPORTS

Carcass Weight, Annual

Bil. Pounds



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

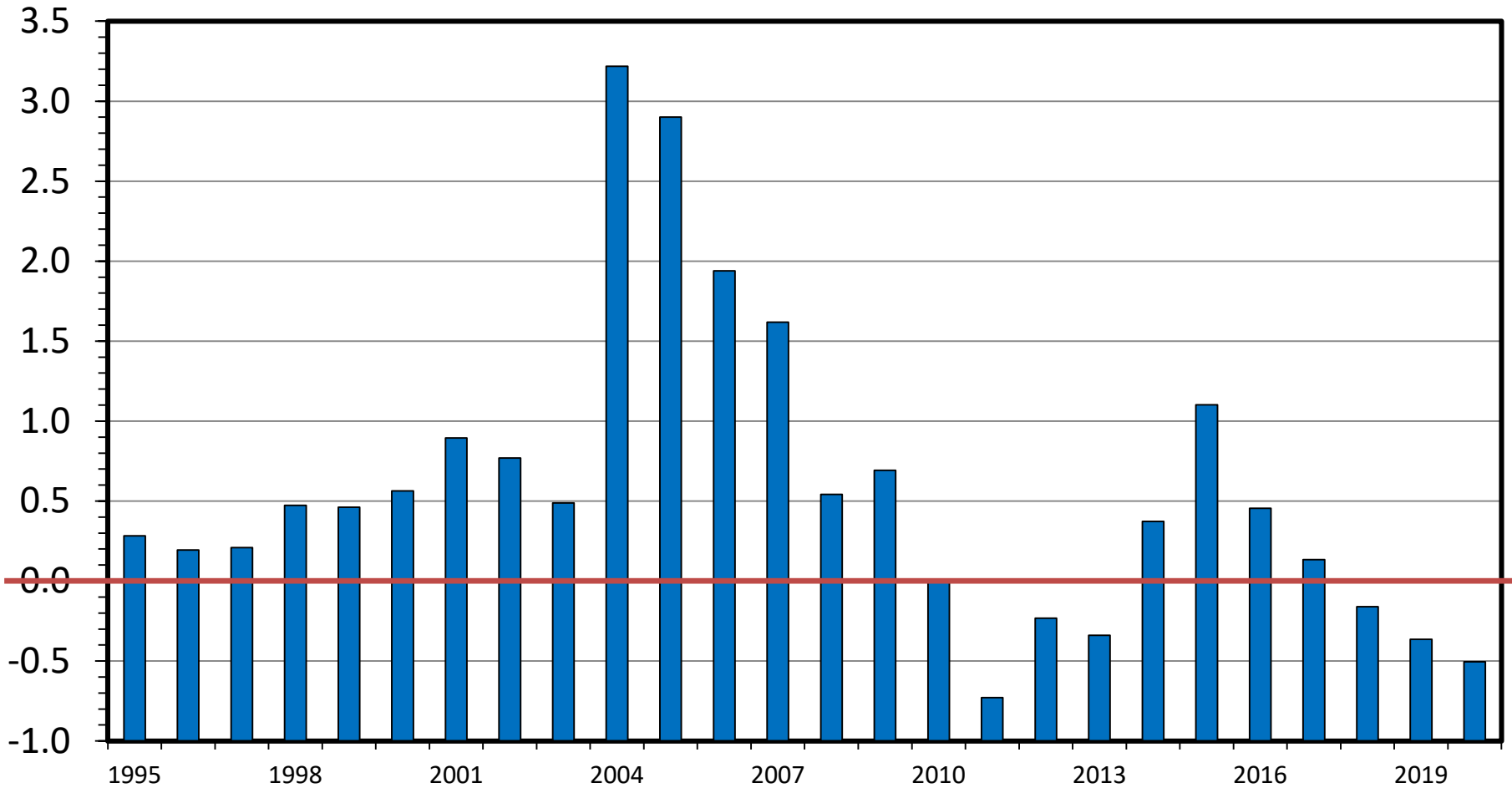
Livestock Marketing Information Center

I-N-06
11/27/18

US BEEF AND VEAL NET IMPORTS

Carcass Weight, Annual

Bil. Pounds



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

Livestock Marketing Information Center

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11/27/18

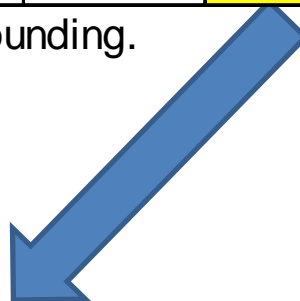
USDA Long-Term projections

Feb. (?) 2019 report (<http://www.usda.gov/oce/commodity/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



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Projections INCLUDE export maintenance & growth

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?

Stocker Research of Note: Producer Expectations in Cattle Buying

- If potential buyers view available cattle superior to their best personal experience:
 - Producers will NOT pay premium for higher-ADG cattle
 - *Producers have to “see it to believe it” before they will pay-up for high-quality cattle*

Stocker Research of Note: Producer Expectations in Cattle Buying

- Implications
 - Helps explain “similar cattle” having differing prices in different markets
 - *Sellers of high-performing cattle need to find markets comprised of buyers with corresponding experience*

More information available at:



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

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