



Beef-Cattle Market Outlook

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Dept. of Agricultural Economics, Kansas State University

April 20, 2017



“Interesting Times” in the Beef Industry

**TRADE w/
BRAZIL**

**TPP/TTIP &
US Election**

In China Beef Trade, U.S. Gain May
Mean Australia Pain

**Re-emergence of
MCOOL?**

**Cease of Georgia Dock Price/
MPR Discussions**

**Q4-2016 Hog Slaughter
Capacity**

**CME LC
CONTRACT
CHANGES**

**CME FC
INDEX
CHANGES**

**CATTLE
MARKETS
“BROKEN”**



Overarching Beef Industry Economic Outlook

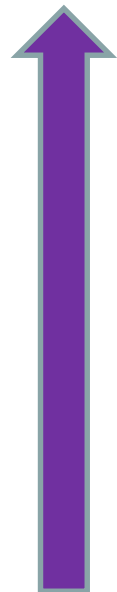
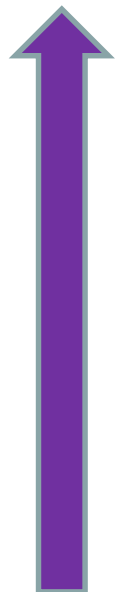
- Supplies
 - Growing meat supplies +
Some trade “challenges” = more lbs at home
 - Herd expansion stopped?
- Demand
 - Widely missed factor in industry profits
 - Weaker since Q4.2015



LMIC Beef Production and Price Quarterly Forecasts (4/14/17)

Sources: Livestock Slaughter - USDA/NASS; Steer Prices - USDA/AMS Livestock Market News; Projections and Forecasts by LMIC

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	7,181	3.0	826.5	1.7	5,935	4.8
II	7,629	5.5	810.9	0.1	6,187	5.6
III	7,840	7.5	825.0	-0.9	6,468	6.6
IV	7,916	9.0	836.6	-0.5	6,623	8.4
Year	30,565	6.3	824.8	0.1	25,212	6.4
2017						
I	7,707	7.3	817.2	-1.1	6,298	6.1
II	7,987	4.7	811.9	0.1	6,485	4.8
III	8,049	2.7	828.6	0.4	6,670	3.1
IV	8,099	2.3	838.3	0.2	6,789	2.5
Year	31,842	4.2	824.1	-0.1	26,242	4.1
2018						
I	7,928	2.9	821.5	0.5	6,513	3.4
II	8,178	2.4	815.7	0.5	6,671	2.9
III	8,266	2.7	832.7	0.5	6,883	3.2
IV	8,324	2.8	841.5	0.4	7,004	3.2
Year	32,696	2.7	828.0	0.5	27,071	3.2



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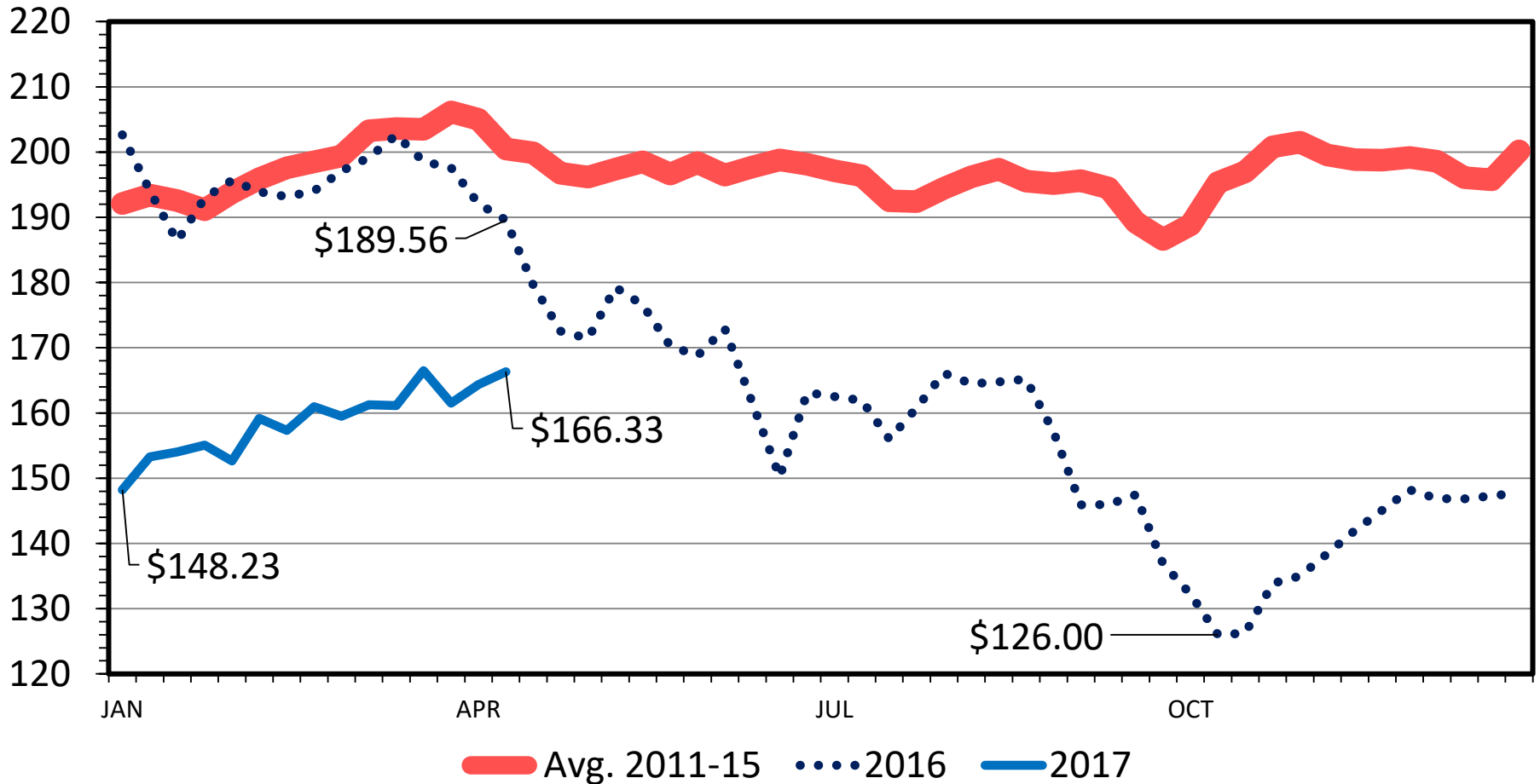
Year Quarter	Live Sltr.	% Chg. from Year Ago	Feeder Steer Price	
	Steer Price 5-Mkt Avg		Southern Plains	
			7-800#	5-600#
2016				
I	135	-17.0	160	196
II	128	-19.2	149	174
III	113	-21.5	144	157
IV	108	-15.7	129	138
Year	121	-18.4	146	166
2017				
I	123	-8.8	133	157
II	116-119	-8.0	130-134	147-152
III	107-111	-3.7	128-134	140-146
IV	107-112	1.7	126-133	134-141
Year	113-116	-5.3	129-134	144-150
2018				
I	110-116	-8.1	124-132	137-148
II	109-116	-4.3	127-136	139-151
III	103-111	-1.8	123-133	134-147
IV	104-113	-0.9	122-133	130-144
Year	108-112	-3.9	126-132	137-145

\$5 - \$10
“pessimistic” vs.
CME

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

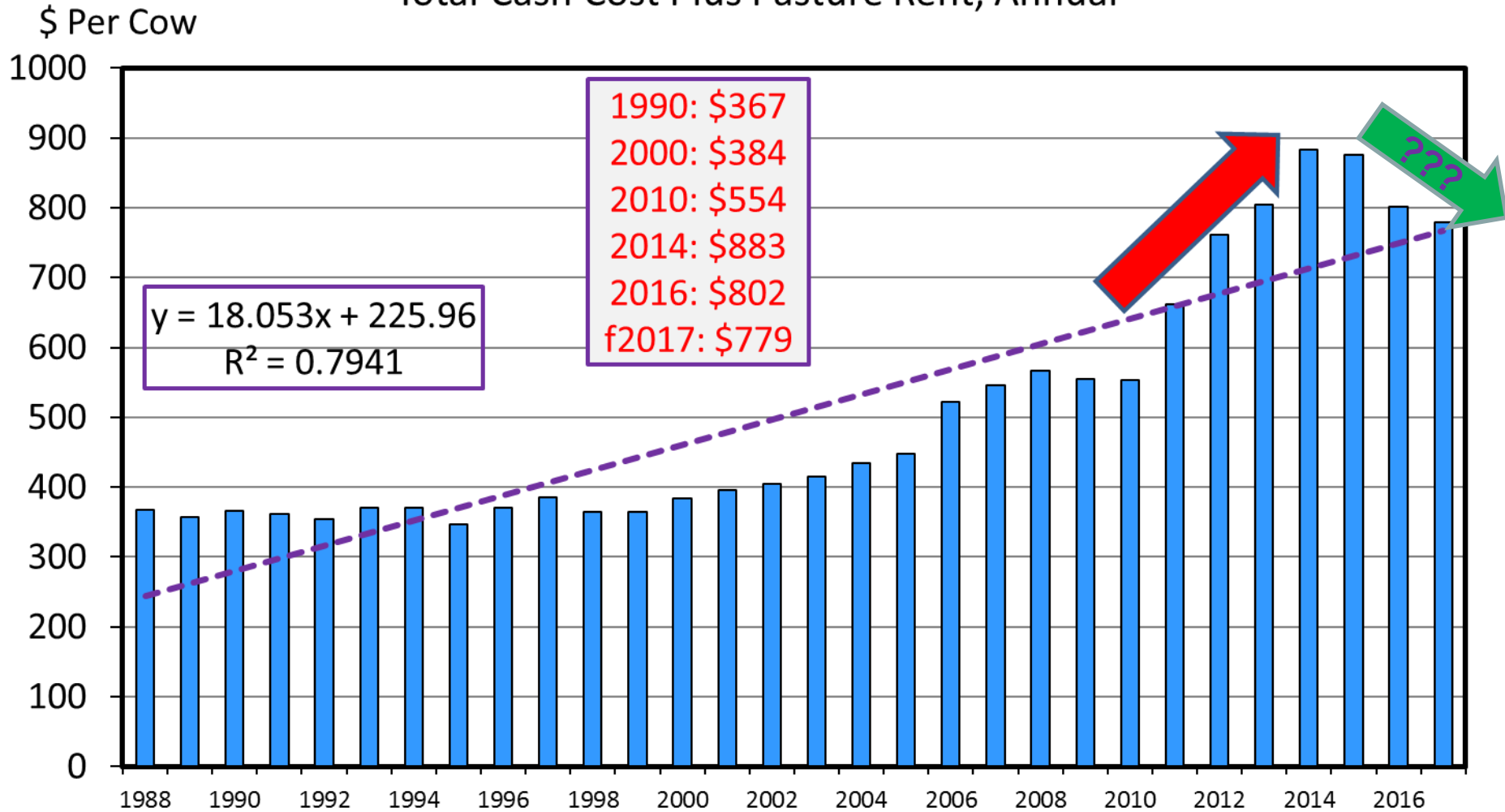
Livestock Marketing Information Center

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ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

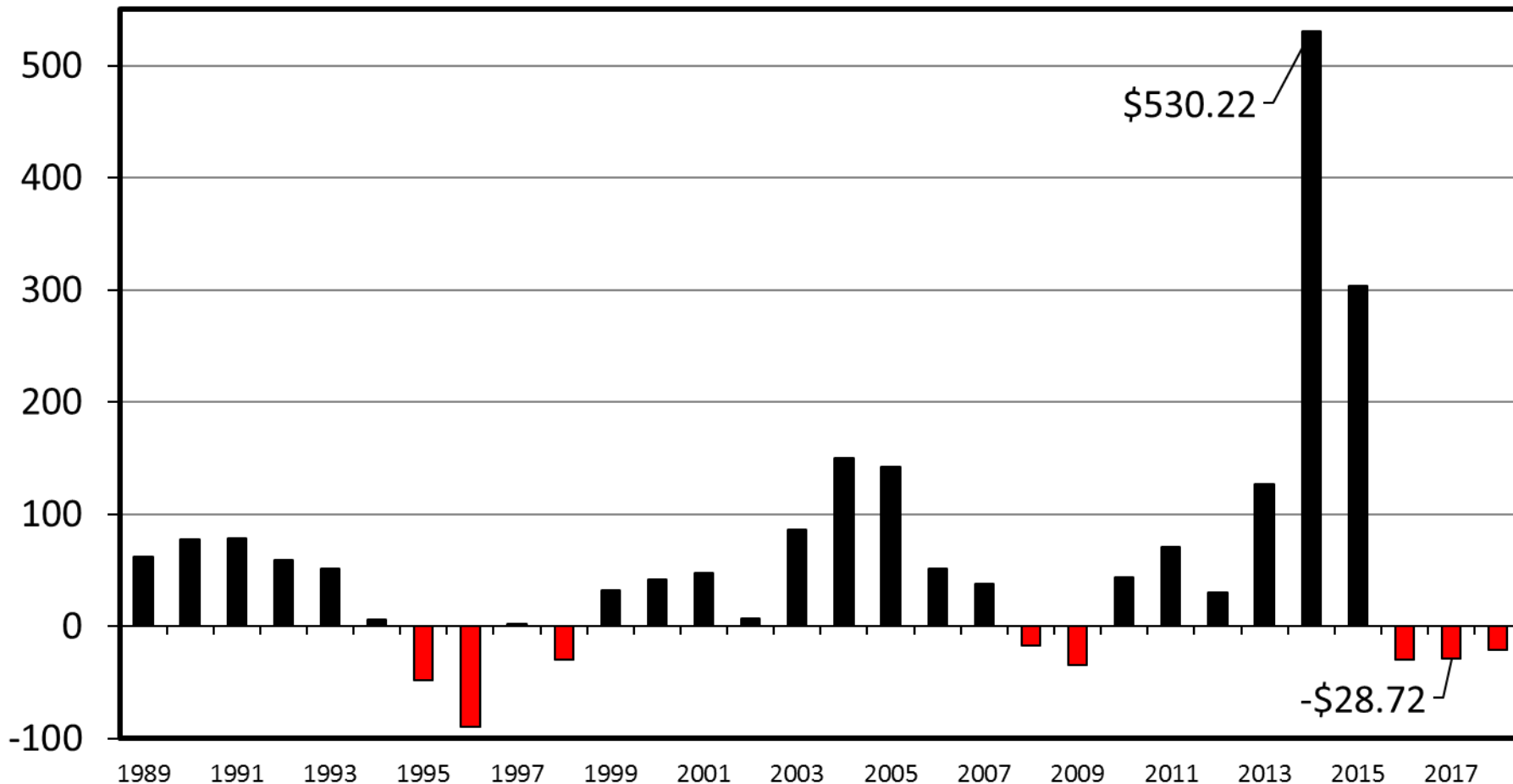
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ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



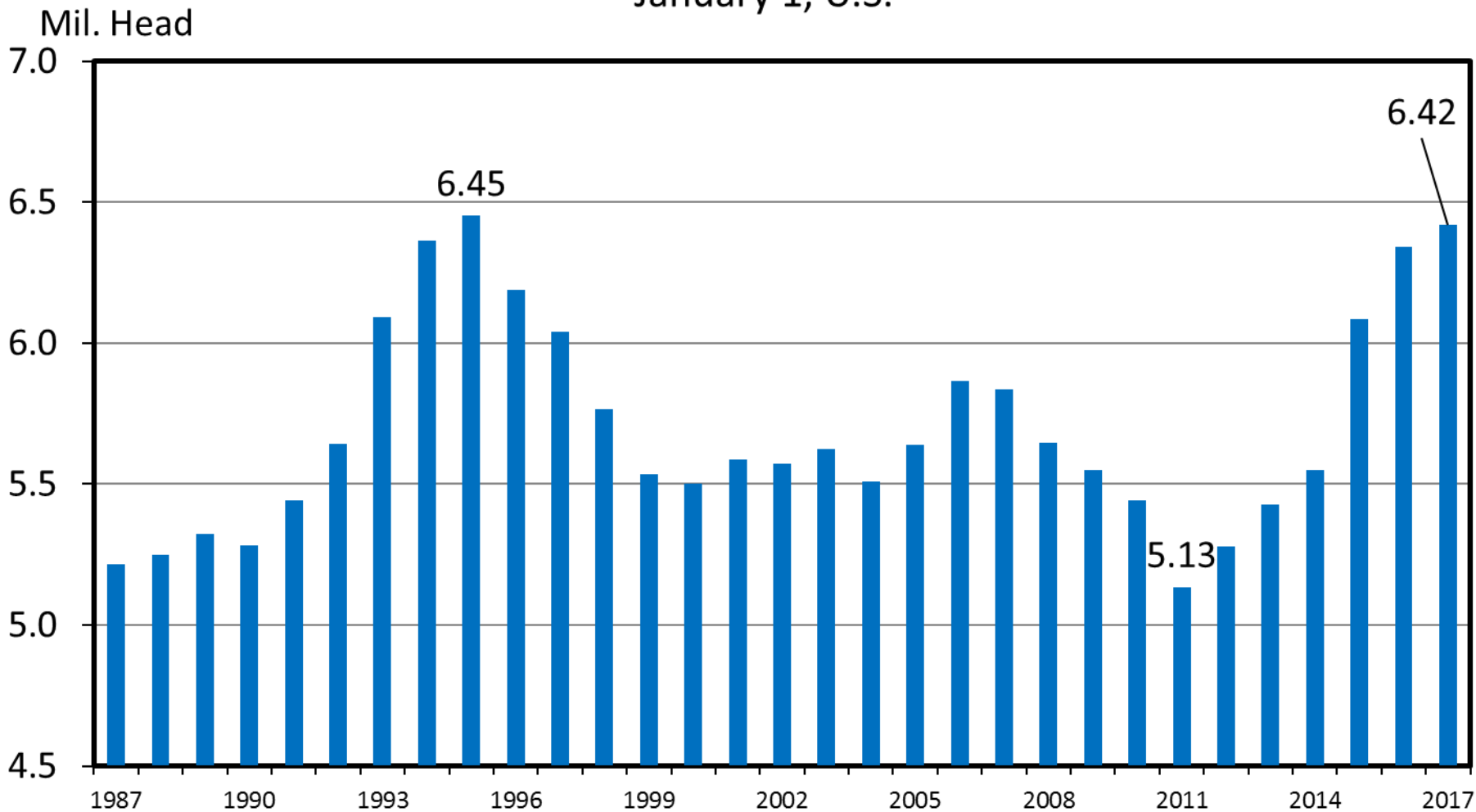
Data Source: USDA & LMIC, Compiled by LMIC

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HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



Data Source: USDA-NASS

Livestock Marketing Information Center

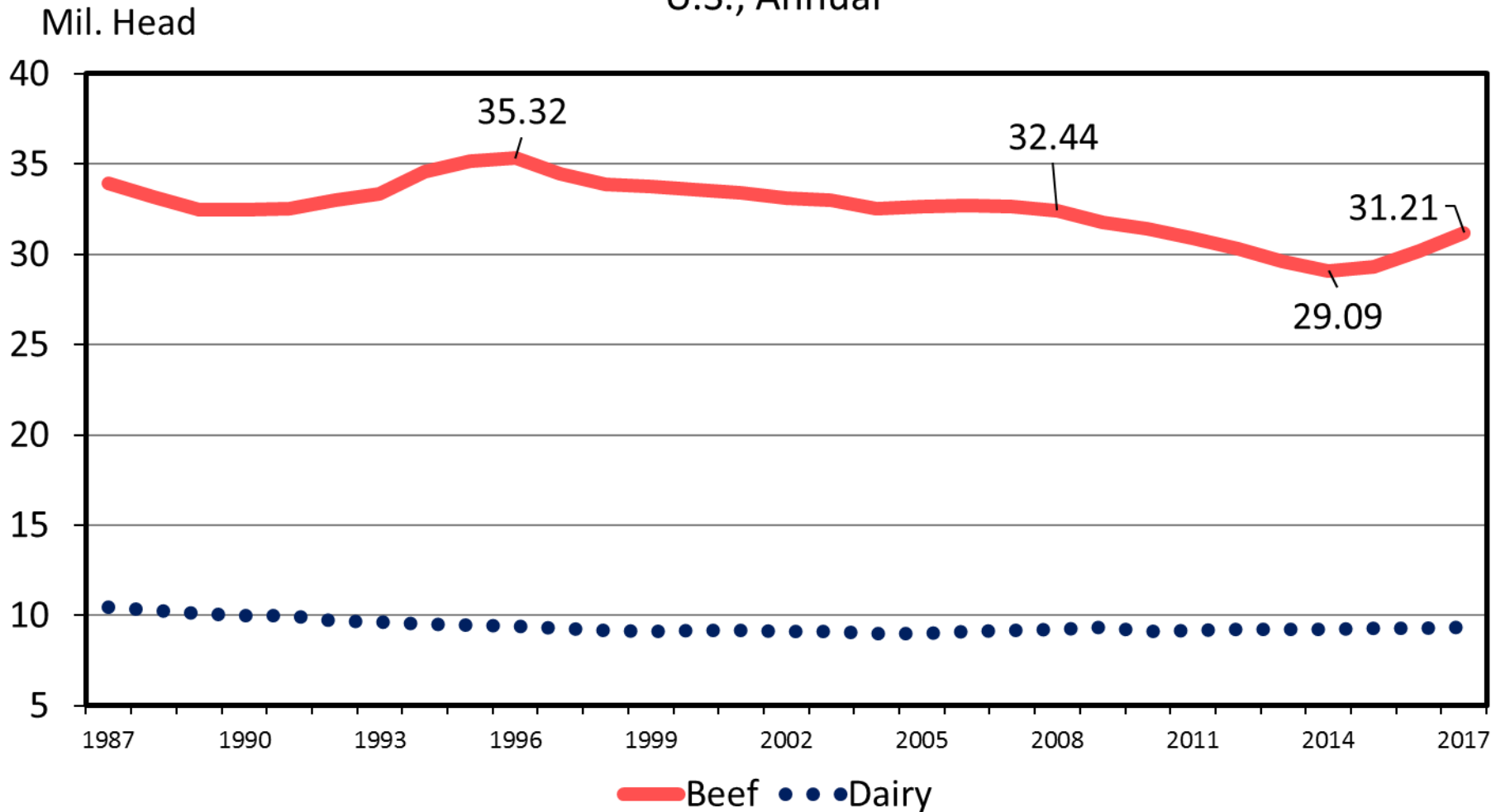
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02/03/17



JANUARY 1 COW INVENTORY

U.S., Annual



Data Source: USDA-NASS

Livestock Marketing Information Center

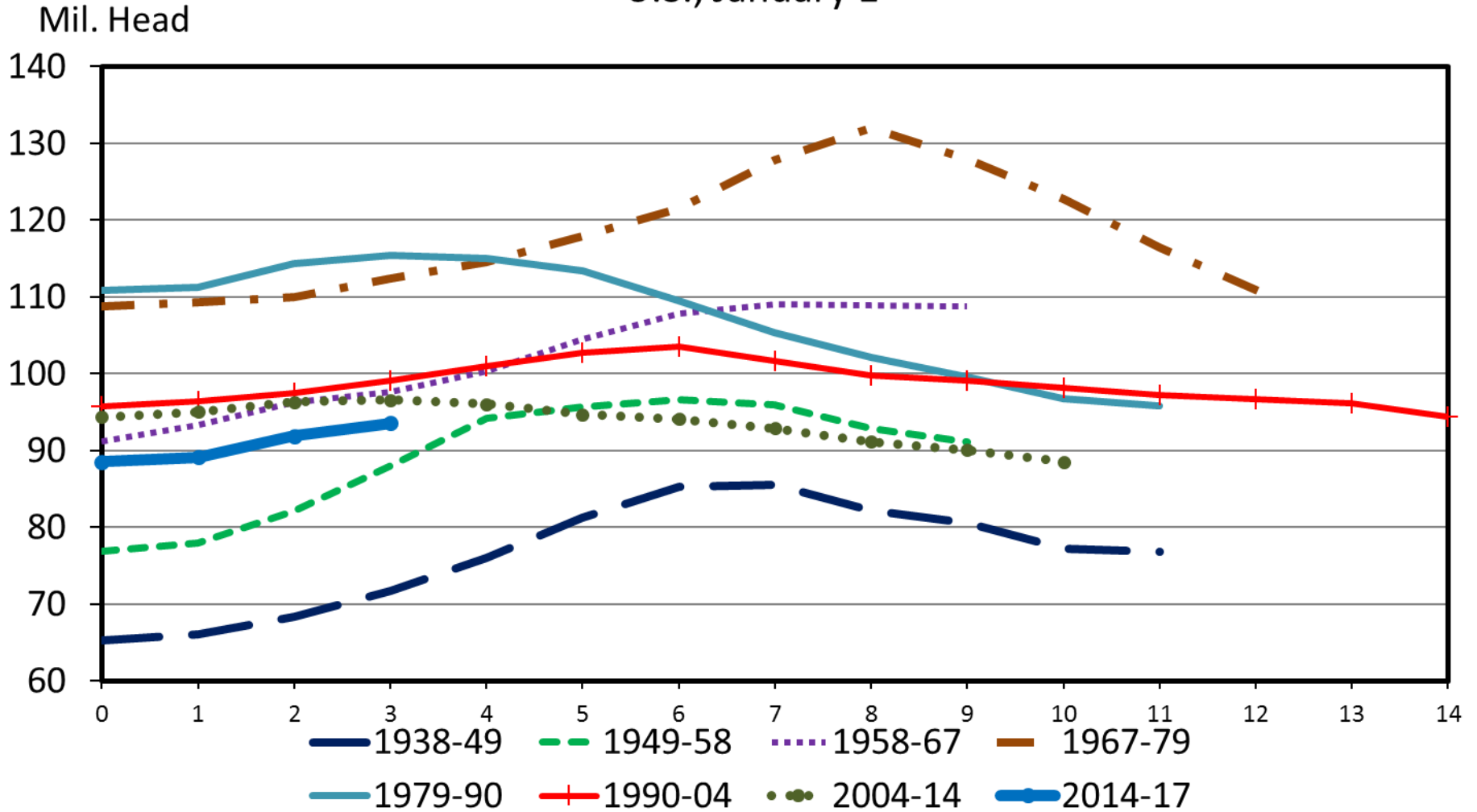
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02/03/17



TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



Data Source: USDA-NASS

Livestock Marketing Information Center

C-N-40
02/03/17



Differences Between High-, Medium-, and Low-Profit Cow-Calf Producers: An Analysis of 2011-2015 Kansas Farm Management Association Cow-Calf Enterprise

Dustin L. Pendell (dpendell@ksu.edu) and Kevin L. Herbel (kherbel@ksu.edu)

Kansas State University Department of Agricultural Economics – November 2016

http://www.agmanager.info/sites/default/files/pdf/DifferencesBetweenHighMediumLowProfitCow-CalfProducers_2011-2015.pdf



Variability of Cow-Calf Returns

- Variability over 41 Years
 - Avg Returns Over Total Cost: -\$91/cow
 - Low of -\$306 & High of +\$226
- Substantial Variability ACROSS Producers at a Time



Variability of Cow-Calf Returns

Table 1. Beef Cow-Calf Enterprise Returns over Total Costs, 2011-2015 (minimum of 3 years)*

	All Farms	Profit Category			Difference between High 1/3 and Low 1/3	
		High 1/3 Head / \$	Mid 1/3 Head / \$	Low 1/3 Head / \$	Absolute	%
Number of Farms	72	24	24	24		
Labor allocated to livestock, %	33.7	39.9	29.7	31.5	8	27%
Number of Cows in Herd	140	200	120	101	99	98%
Number of Calves Sold	128	184	111	91	93	103%
Calves Sold per Cow in Herd	0.916	0.919	0.926	0.897	0.02	2%
Weight of Calves Sold, lbs.	618	642	619	594	48	8%
Calf Sales Price / Cwt	\$167.22	\$166.39	\$164.51	\$170.75	-\$4.36	-3%
Gross Income	\$1,005.67	\$1,049.70	\$1,008.67	\$958.64	\$91.06	9%
Feed	\$369.31	\$279.89	\$378.70	\$449.33	-\$169.44	-38%
Pasture	\$164.33	\$170.88	\$164.82	\$157.28	\$13.60	9%
Interest	\$149.09	\$142.96	\$151.16	\$153.16	-\$10.21	-7%
Vet Medicine / Drugs	\$28.40	\$23.63	\$29.61	\$31.97	-\$8.34	-26%
Livestock Marketing / Breeding	\$19.15	\$10.52	\$23.41	\$23.53	-\$13.02	-55%
Depreciation	\$57.89	\$44.25	\$56.54	\$72.88	-\$28.63	-39%
Machinery	\$96.39	\$86.38	\$93.75	\$109.05	-\$22.66	-21%
Labor	\$172.28	\$152.55	\$161.36	\$202.93	-\$50.38	-25%
Other	\$48.65	\$43.15	\$41.30	\$61.50	-\$18.34	-30%
Total Cost	\$1,105.49	\$954.20	\$1,100.65	\$1,261.63	-\$307.43	-24%
Net Return to Management	-\$99.83	\$95.50	-\$91.98	-\$302.99	\$398.49	

*Sorted by Net Returns over Total Costs per Cow

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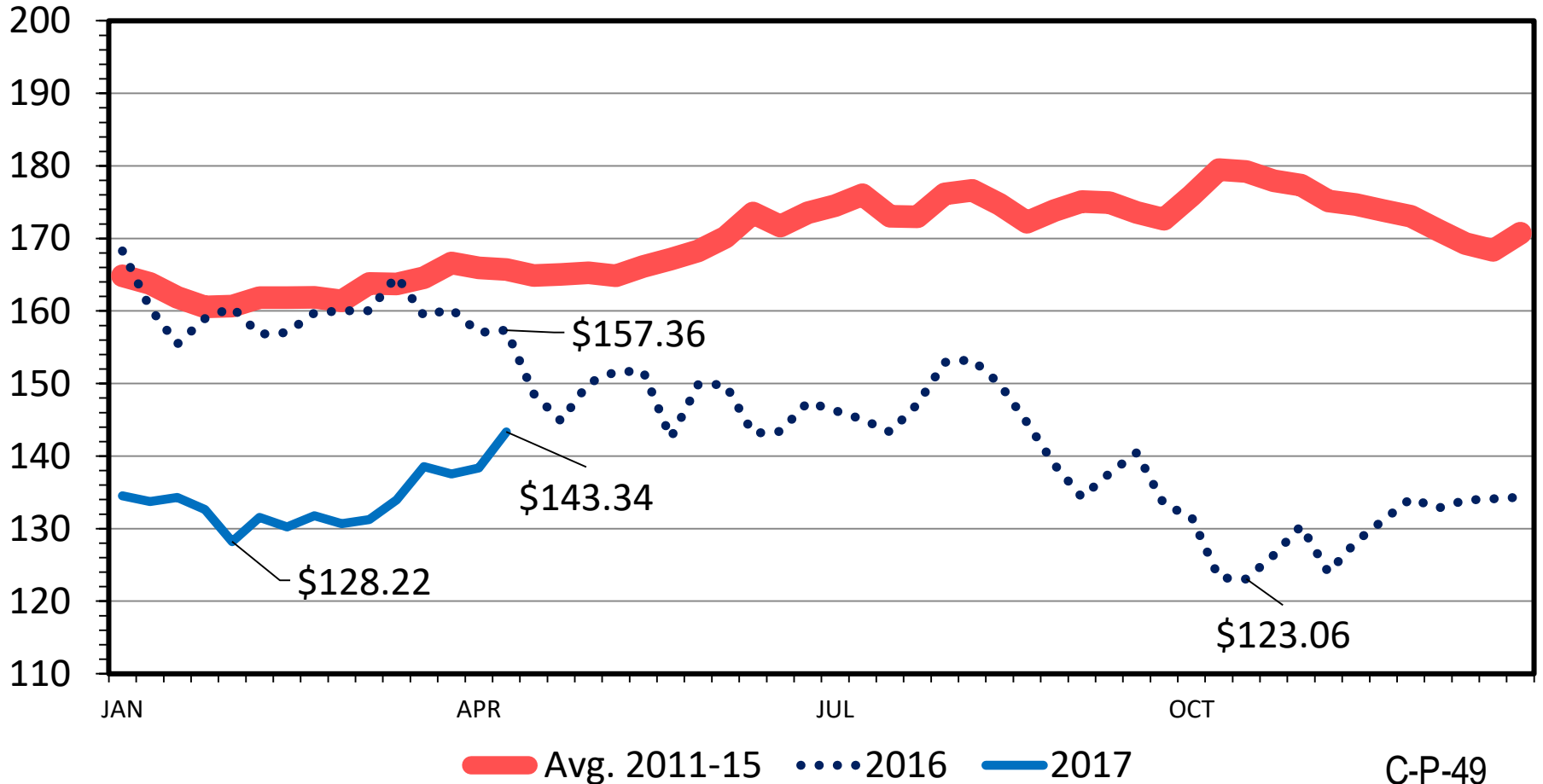
Economic Outlook Overview: Stockers



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.



C-P-49

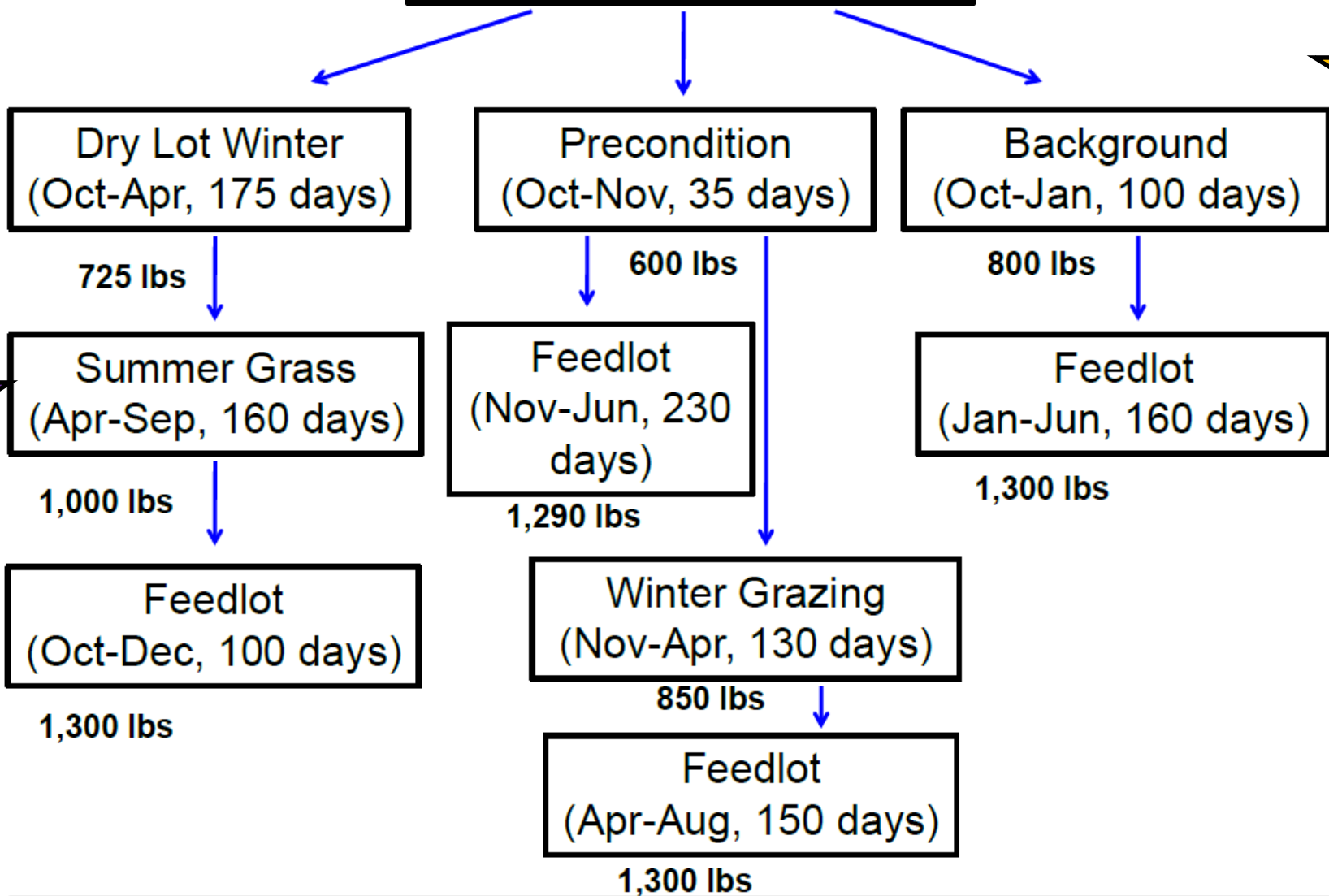
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Data Source: USDA-AMS

Livestock Marketing Information Center



Fall Weaned 550# Calf



Economic Outlook Overview: Stockers

- Salina, KS 4/19/17 situation

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

- Buy 700 lb steer on 4/26/17 (\$142.60)
- Sell 900 lb steer on 9/6/17 (\$135.28) {1.5 ADG}
 - VOG: \$110/cwt
- Buy 550 lb steer on 10/11/17 (\$151.31)
- Sell 725 lb steer on 1/17/18 (\$133.33) {1.8 ADG}
 - VOG: \$77/cwt



Economic Outlook Overview: Feedlots

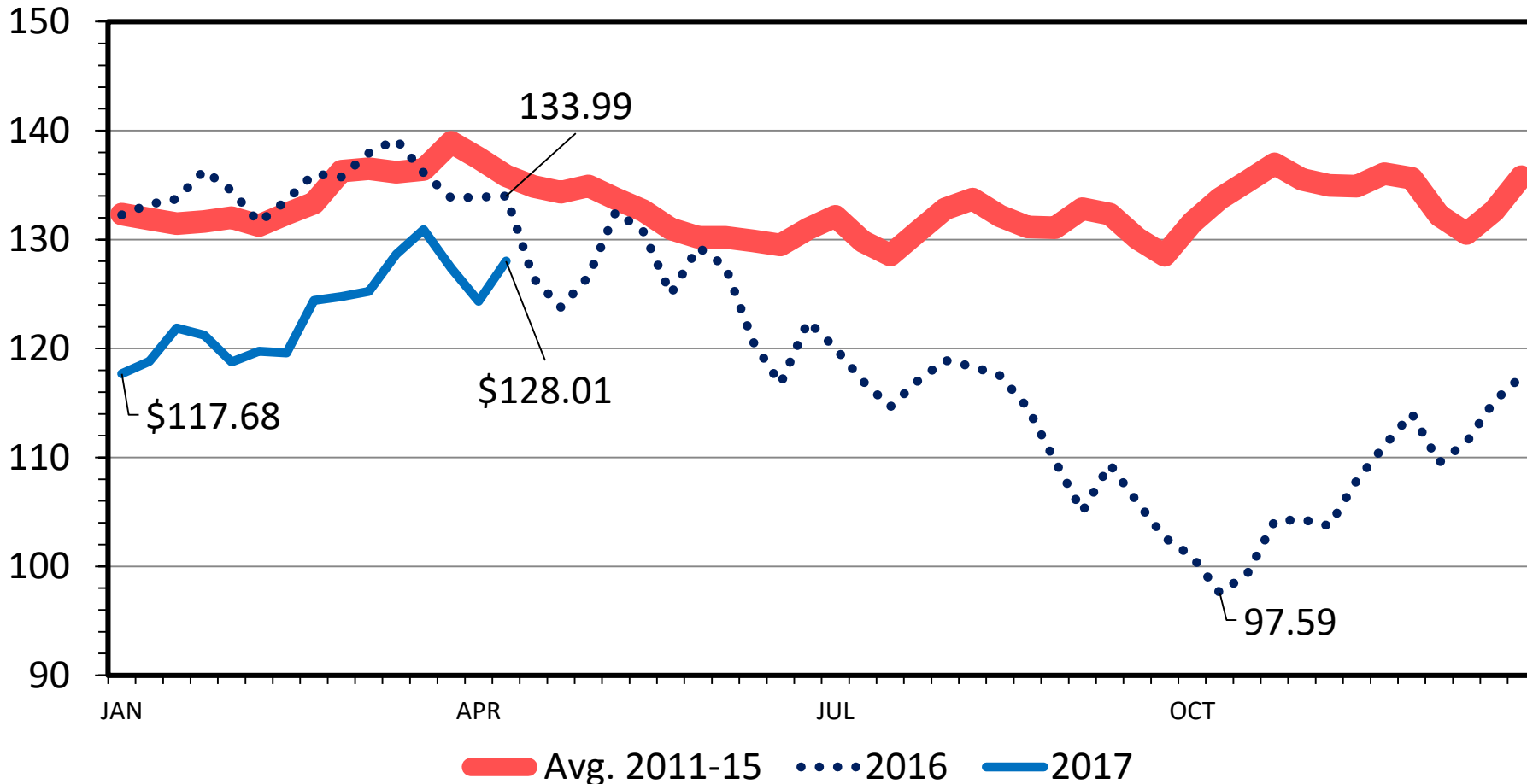
- 2016 remained tough
 - 2017 showing improvement
- Structural concerns persist:
 - Slowed Herd Growth



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

Livestock Marketing Information Center

04/17/17

Economic Outlook Overview: Feedlots

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-17	247.89	74.22	127.26	118.66	8.60	129.87	119.11	109.56	159.10
Apr-17	103.88	74.37	115.82	113.70	2.12	128.50	93.22	108.17	141.37
May-17	143.46	74.58	120.27	113.70	6.57	131.11	100.42	109.76	148.82
Jun-17	24.03	74.52	112.52	109.85	2.67	132.96	78.82	110.77	135.91
Jul-17	62.35	76.85	112.68	109.85	2.83	126.06	88.22	108.21	133.42
Aug-17	-6.61	79.34	110.88	109.33	1.55	128.39	78.08	111.35	127.62
Sep-17	-37.10	79.52	110.68	109.33	1.36	132.97	72.83	113.34	128.58
Oct-17	-70.03	81.03	110.52	110.15	0.37	134.83	68.11	115.54	126.64
Nov-17	-47.22	81.26	111.38	110.15	1.23	134.97	73.02	114.74	129.31
Dec-17	-50.43	81.26	111.34	110.28	1.07	135.16	72.33	114.95	129.12

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



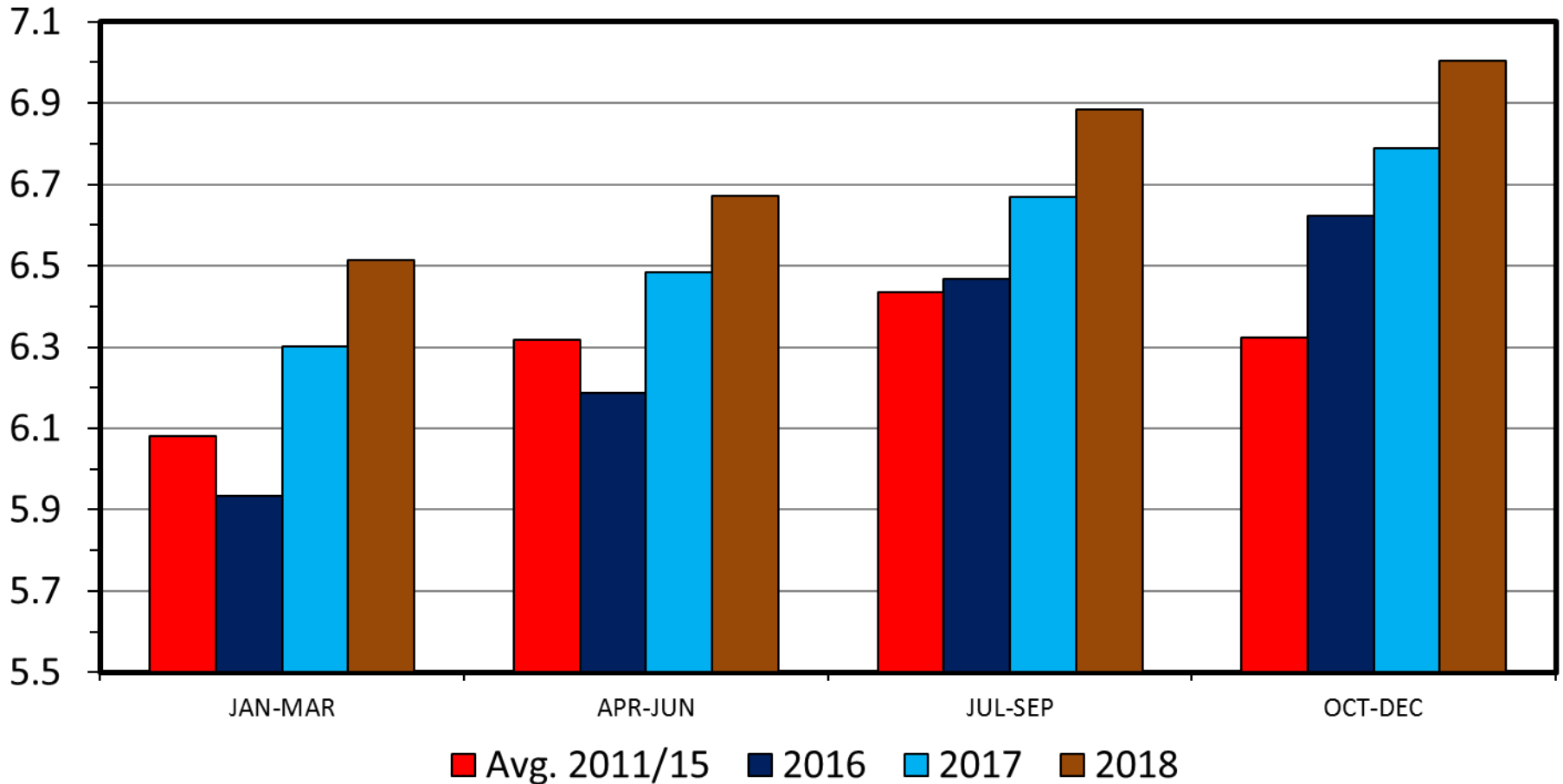
Trade & Meat Supplies



COMMERCIAL BEEF PRODUCTION

US, Quarterly

Bil. Pounds



■ Avg. 2011/15 ■ 2016 ■ 2017 ■ 2018

Data Source: USDA-NASS, Forecasts by LMIC

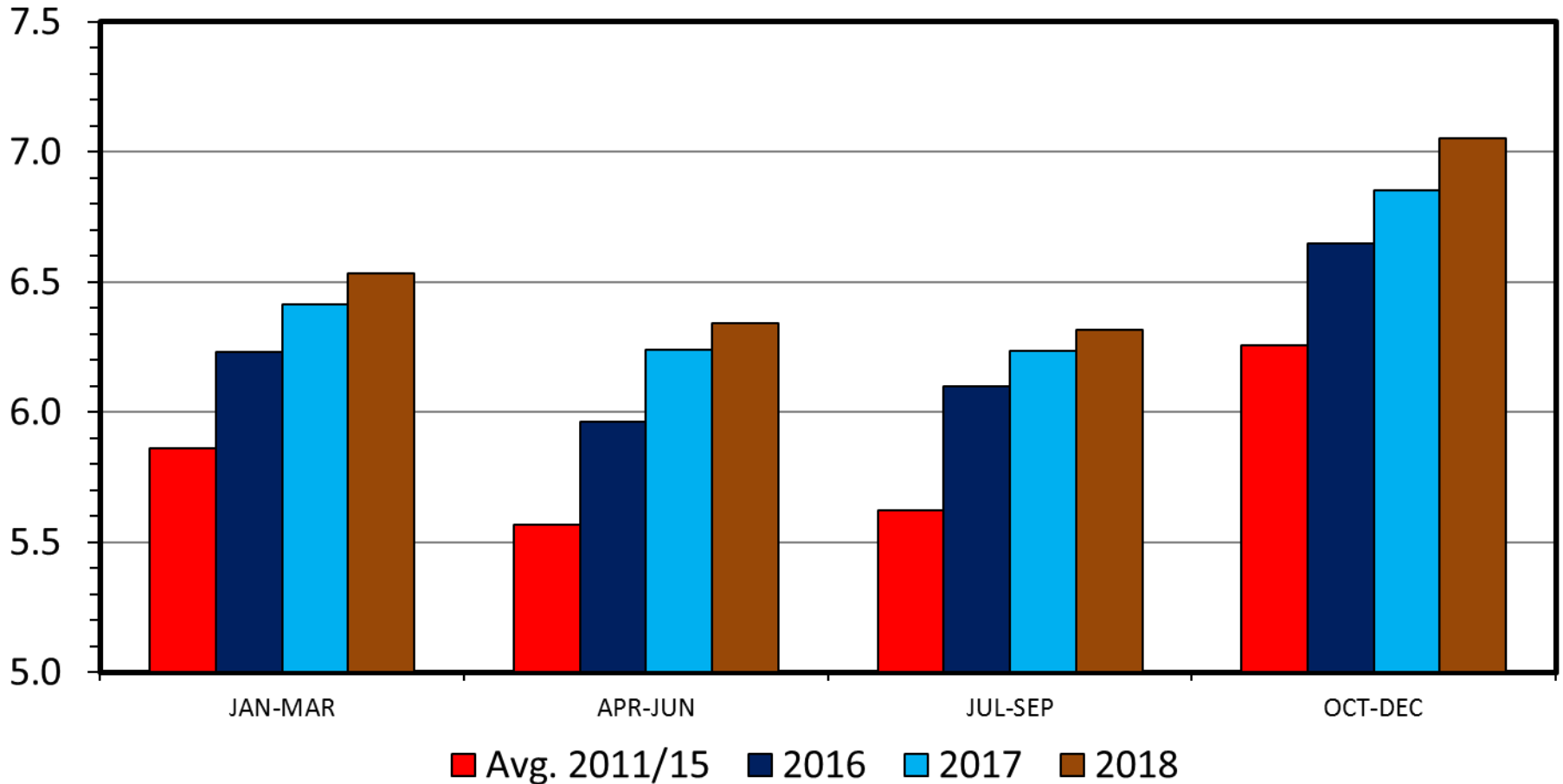
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COMMERCIAL PORK PRODUCTION

US, Quarterly

Bil. Pounds



■ Avg. 2011/15 ■ 2016 ■ 2017 ■ 2018

Data Source: USDA-NASS, Forecasts by LMIC

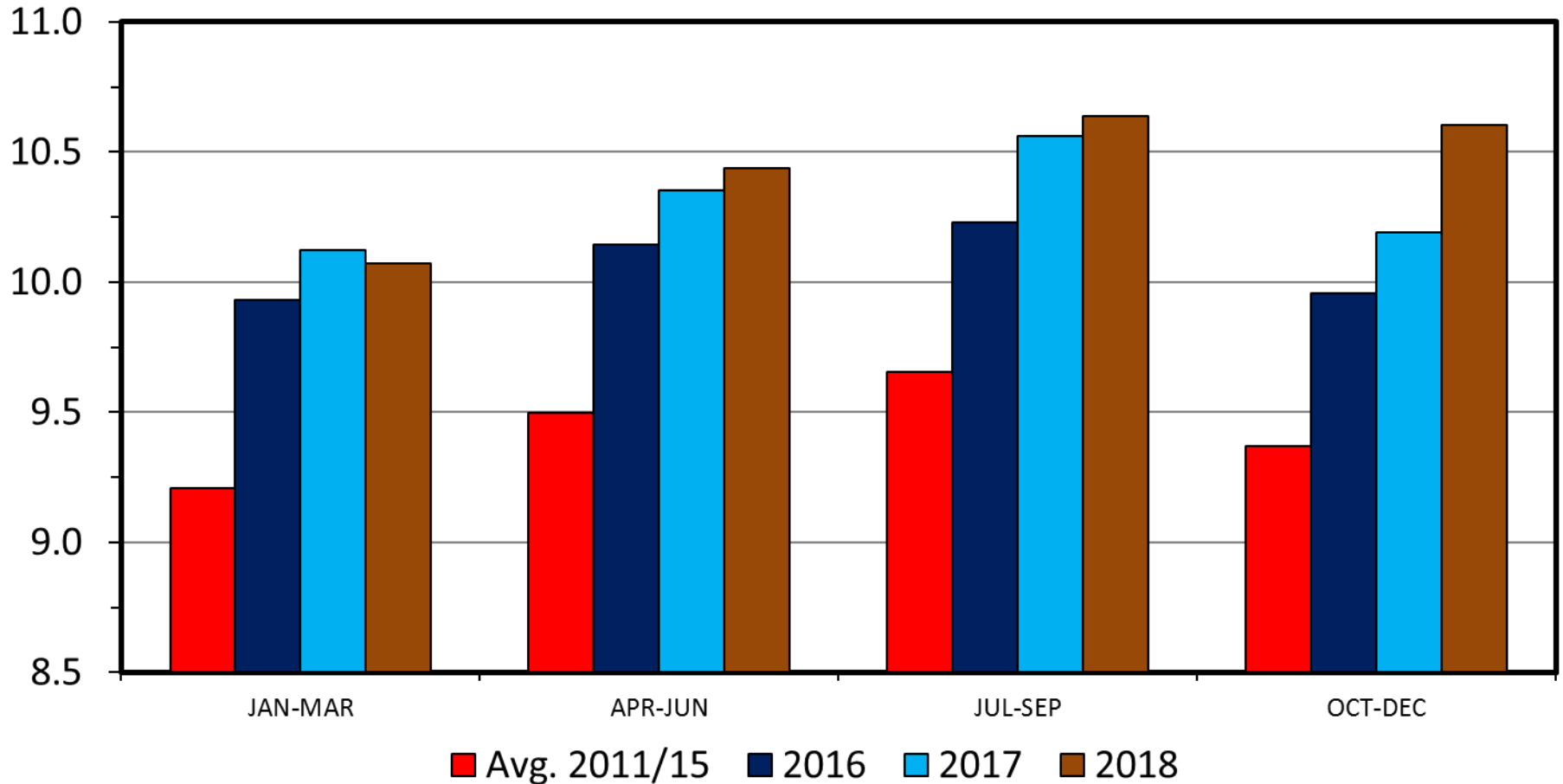
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RTC BROILER PRODUCTION

US, Quarterly

Bil. Pounds



■ Avg. 2011/15 ■ 2016 ■ 2017 ■ 2018

Data Source: USDA-NASS, Forecasts by LMIC

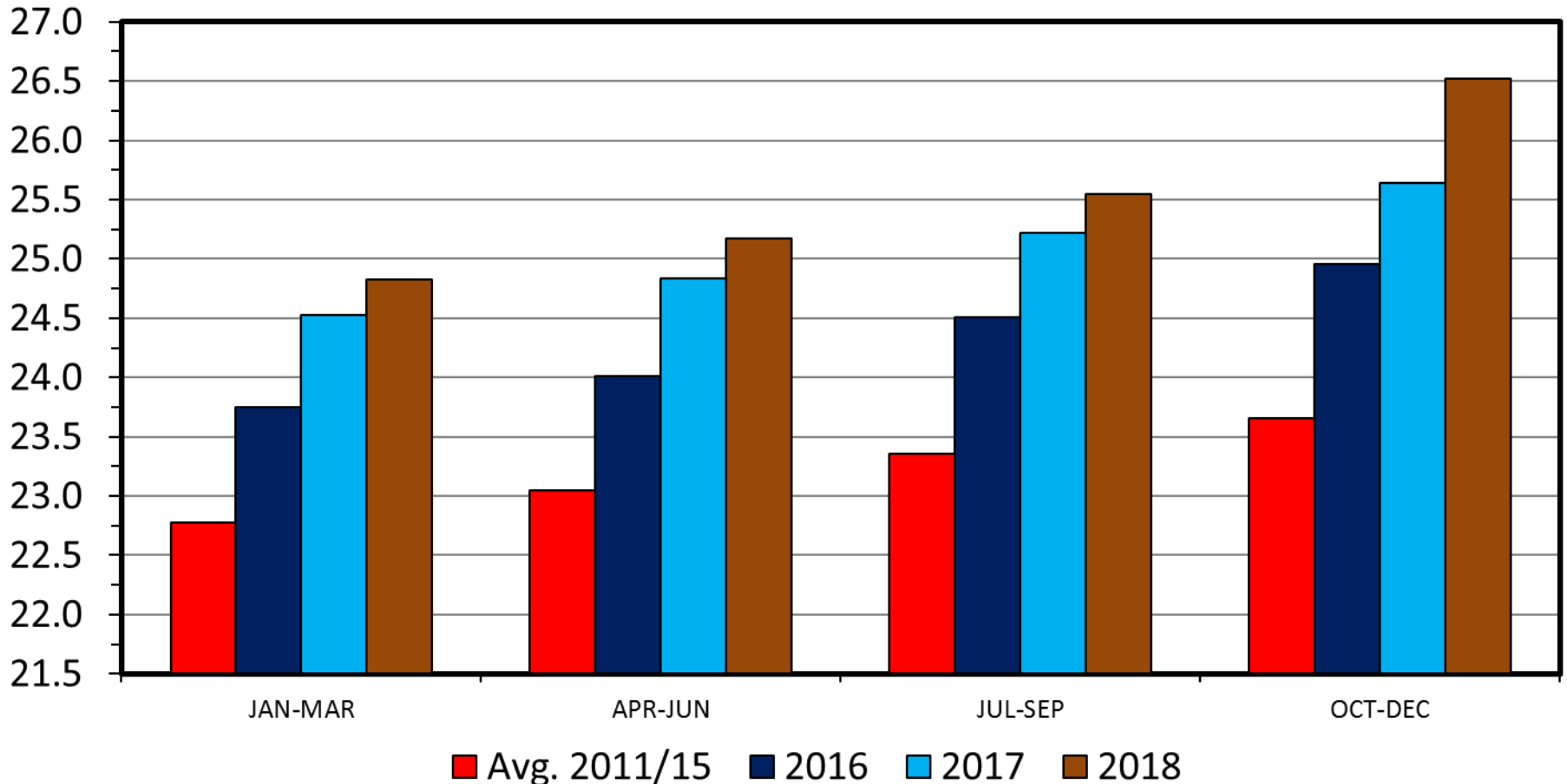
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TOTAL RED MEAT & POULTRY PRODUCTION

US, Quarterly

Bil. Pounds



■ Avg. 2011/15 ■ 2016 ■ 2017 ■ 2018

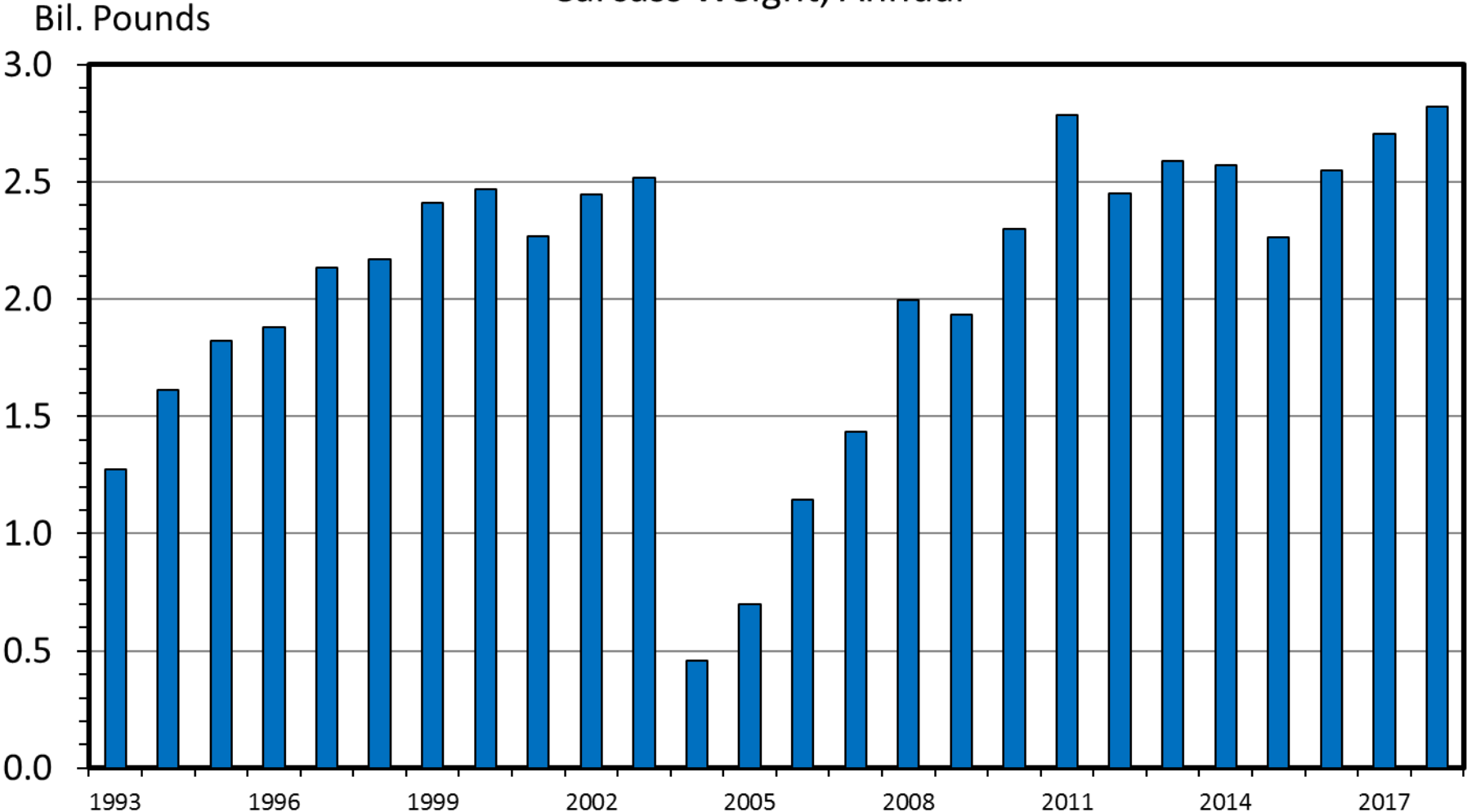
Data Source: USDA-NASS, Forecasts by LMIC

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US BEEF AND VEAL EXPORTS

Carcass Weight, Annual



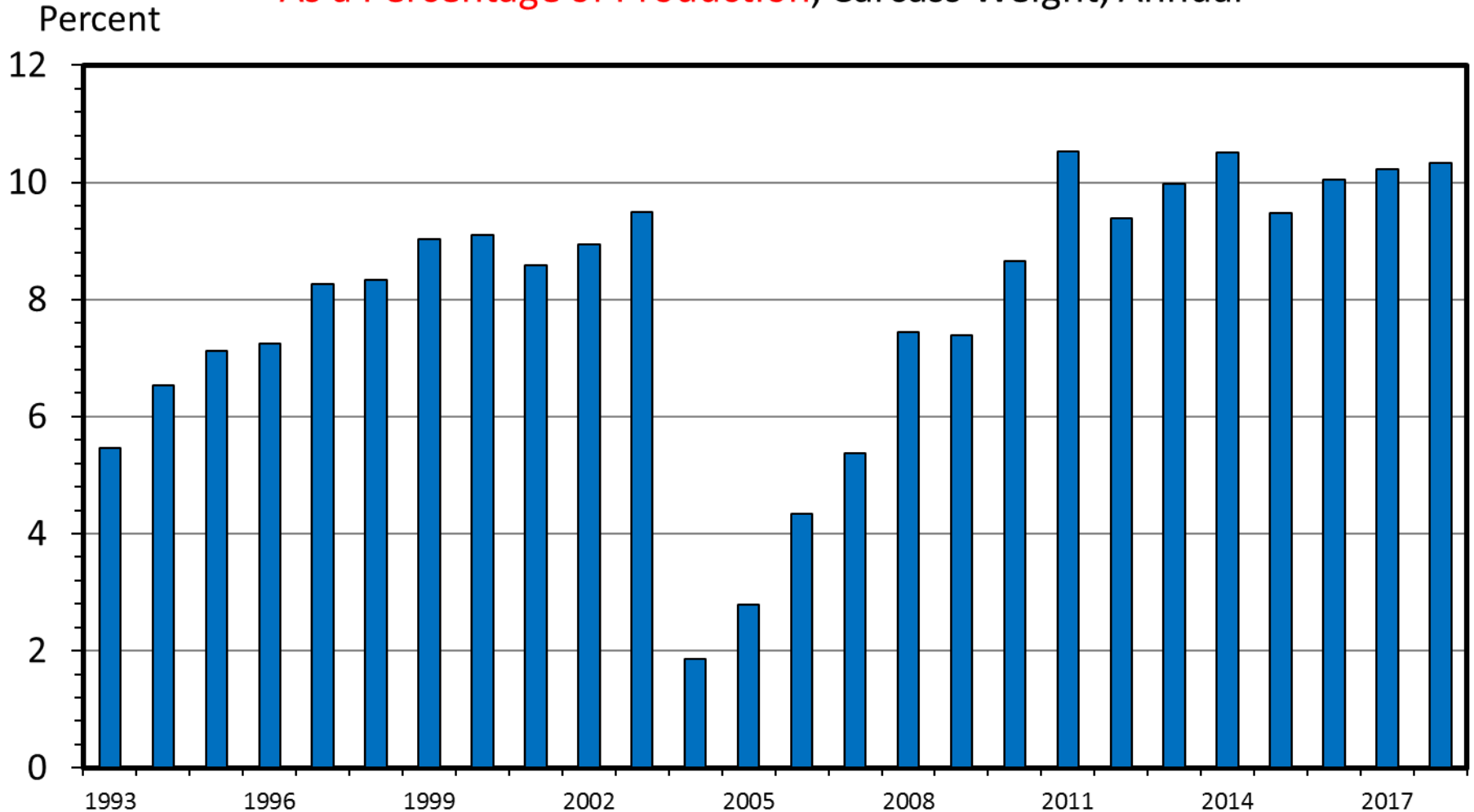
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

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US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



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

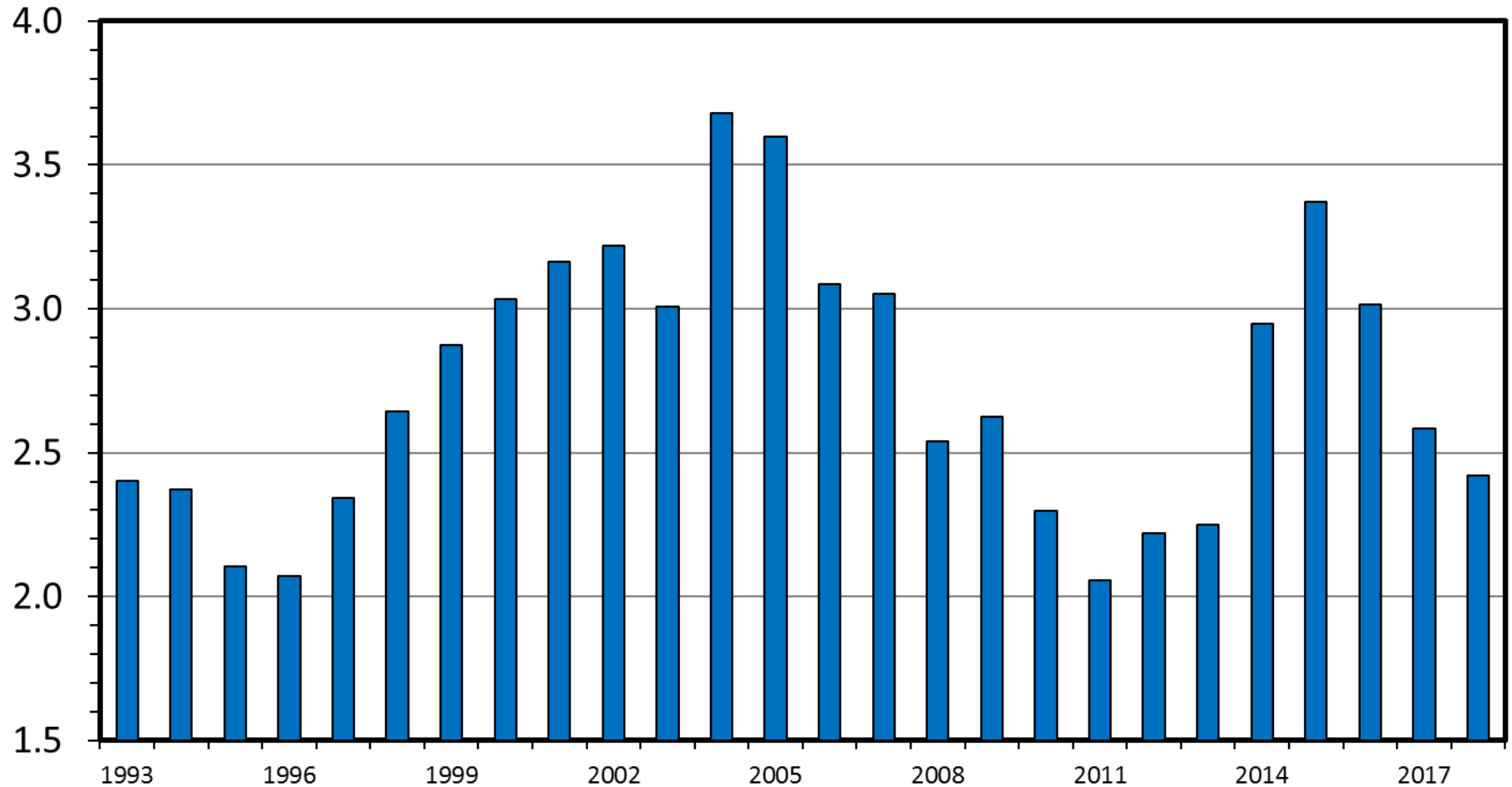
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US BEEF AND VEAL IMPORTS

Carcass Weight, Annual

Bil. Pounds



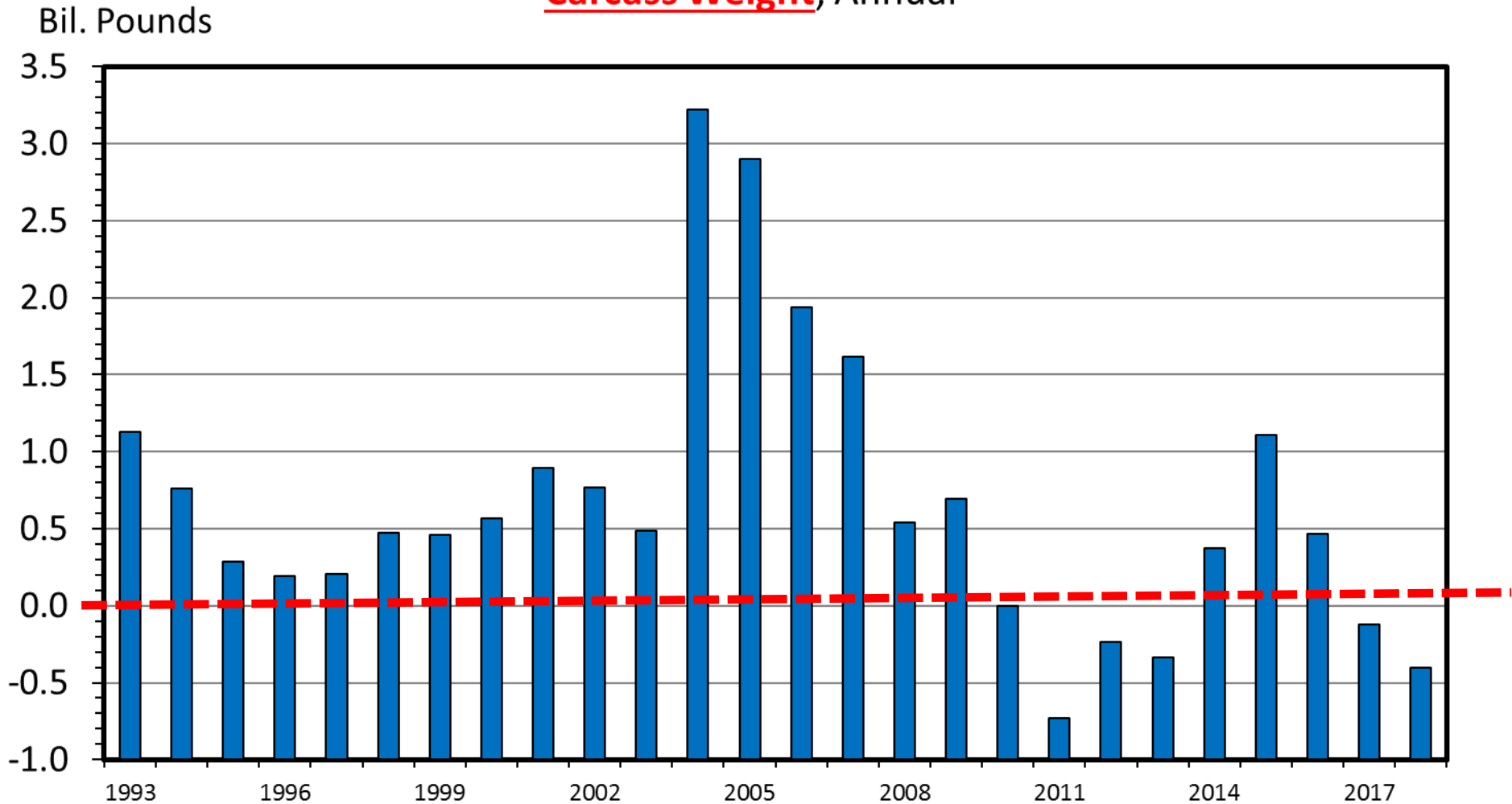
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

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US BEEF AND VEAL NET IMPORTS

Carcass Weight, Annual

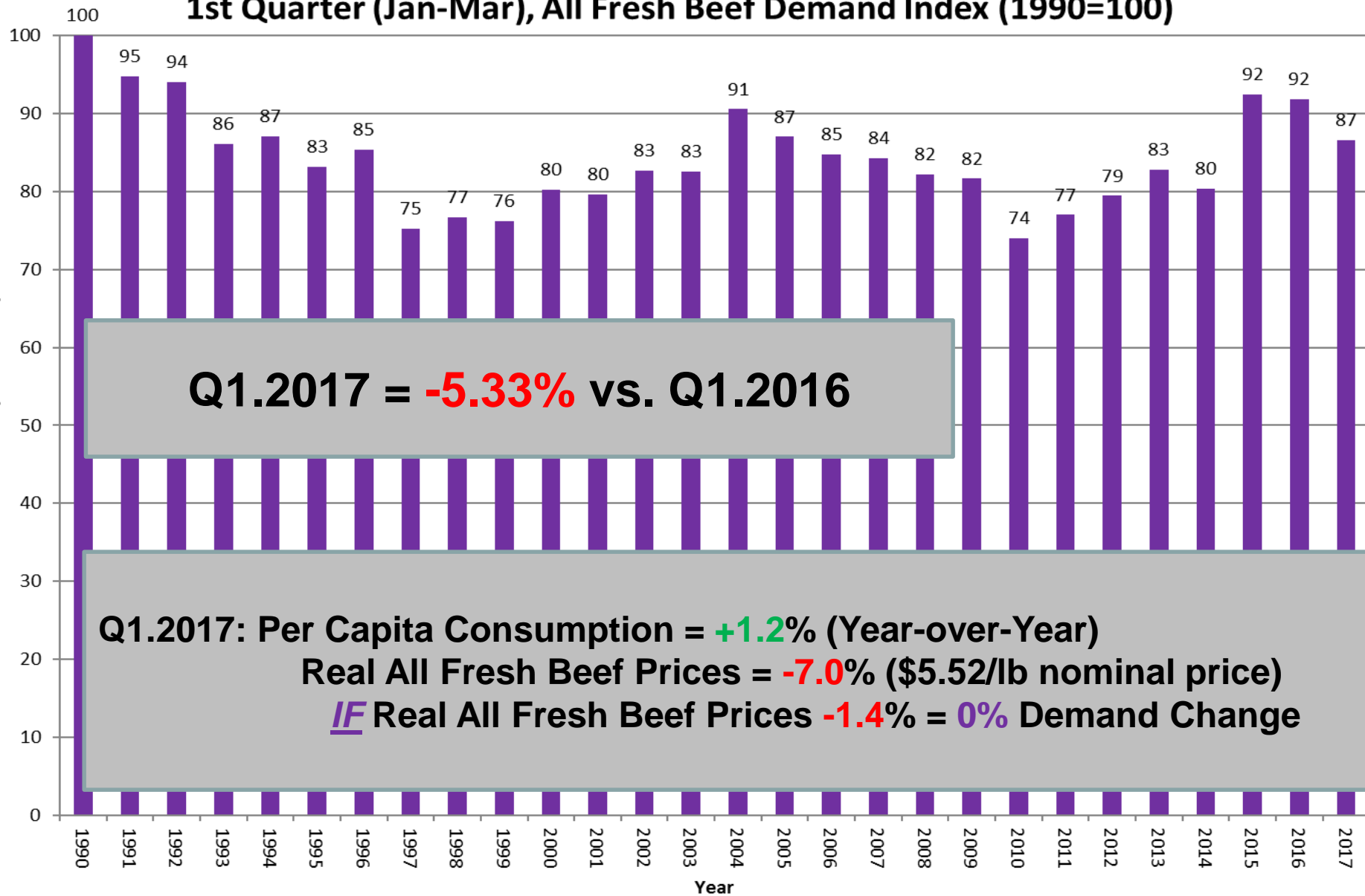


Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

Livestock Marketing Information Center



1st Quarter (Jan-Mar), All Fresh Beef Demand Index (1990=100)



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

New Beef Demand Indices

<http://www.beefboard.org/producer/170221Beef-Demand-Landing-Page.asp>

[2016 Executive Summary](#)

[2016 Full Report](#)

[A Regional Case Study](#)

[K-State University radio interview with](#)

[Glynn Tonsor](#)

[Beef Checkoff Press Release](#)

Additional Downloads

[Glynn Tonsor Audio:](#)

Why new beef demand indices?

[Tonsor Audio:](#)

The difference between supply and demand

[Tonsor Audio:](#)

He explains what the research found

[Tonsor Audio:](#)

How the beef industry can use this research



Wrap-Up

- Broad 2014 vs 2016 Comparison
 - 2014
 - Tight Meat Supplies & Strong Red Meat Demand
 - **BOTH** Supportive of prices
 - 2016
 - Expanding Meat Supplies & Weaker Red Meat Demand
 - **BOTH** Pressure prices



Wrap-Up

- Broad Profitability Outlook
 - Cow-calf: Converging toward Long-Term Levels
 - Do you know your break-even #s???
 - Stocker: Opportunity varies widely across situations
 - Feedlot: Worst behind us (I think)



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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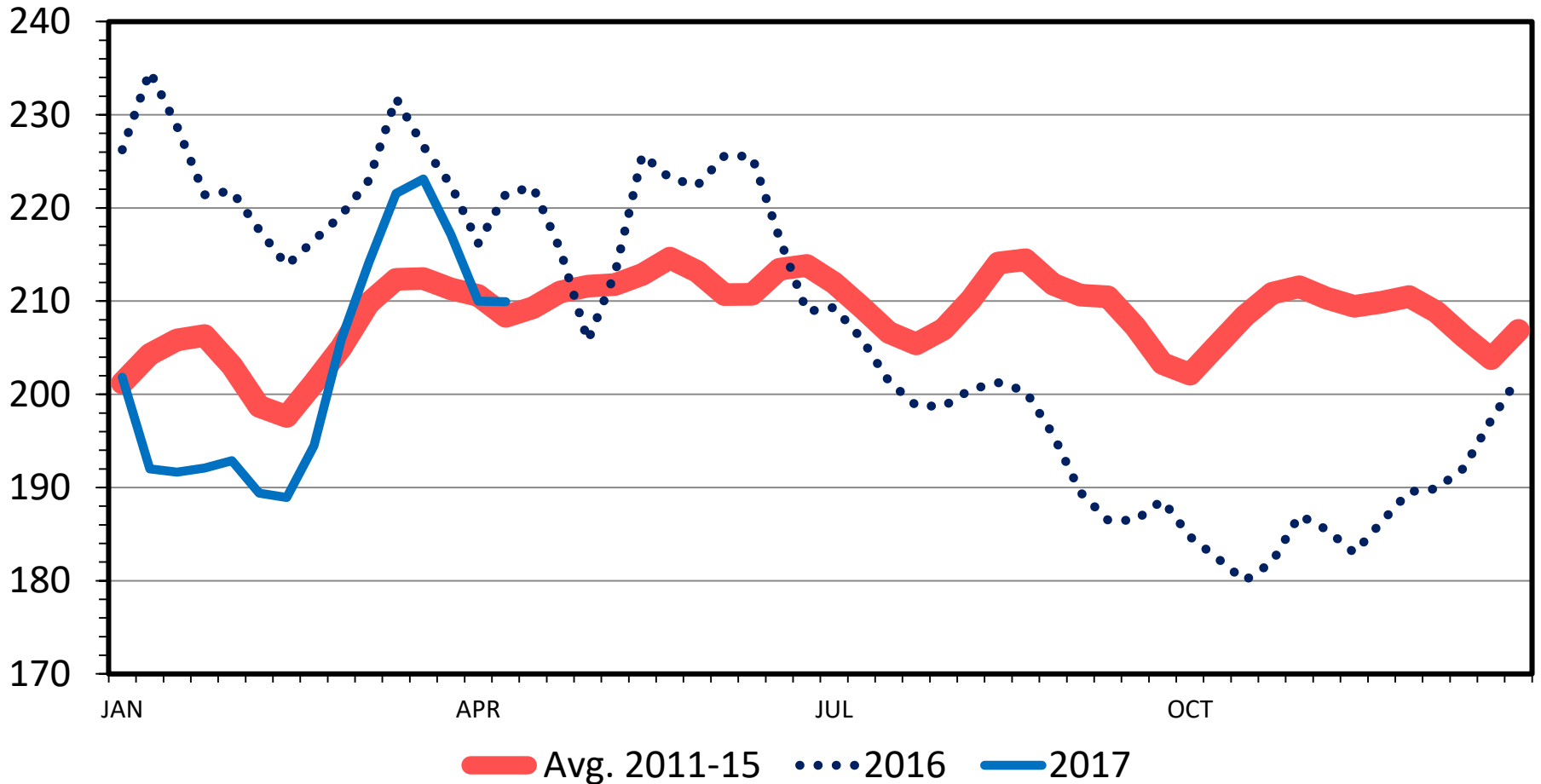
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.info



BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

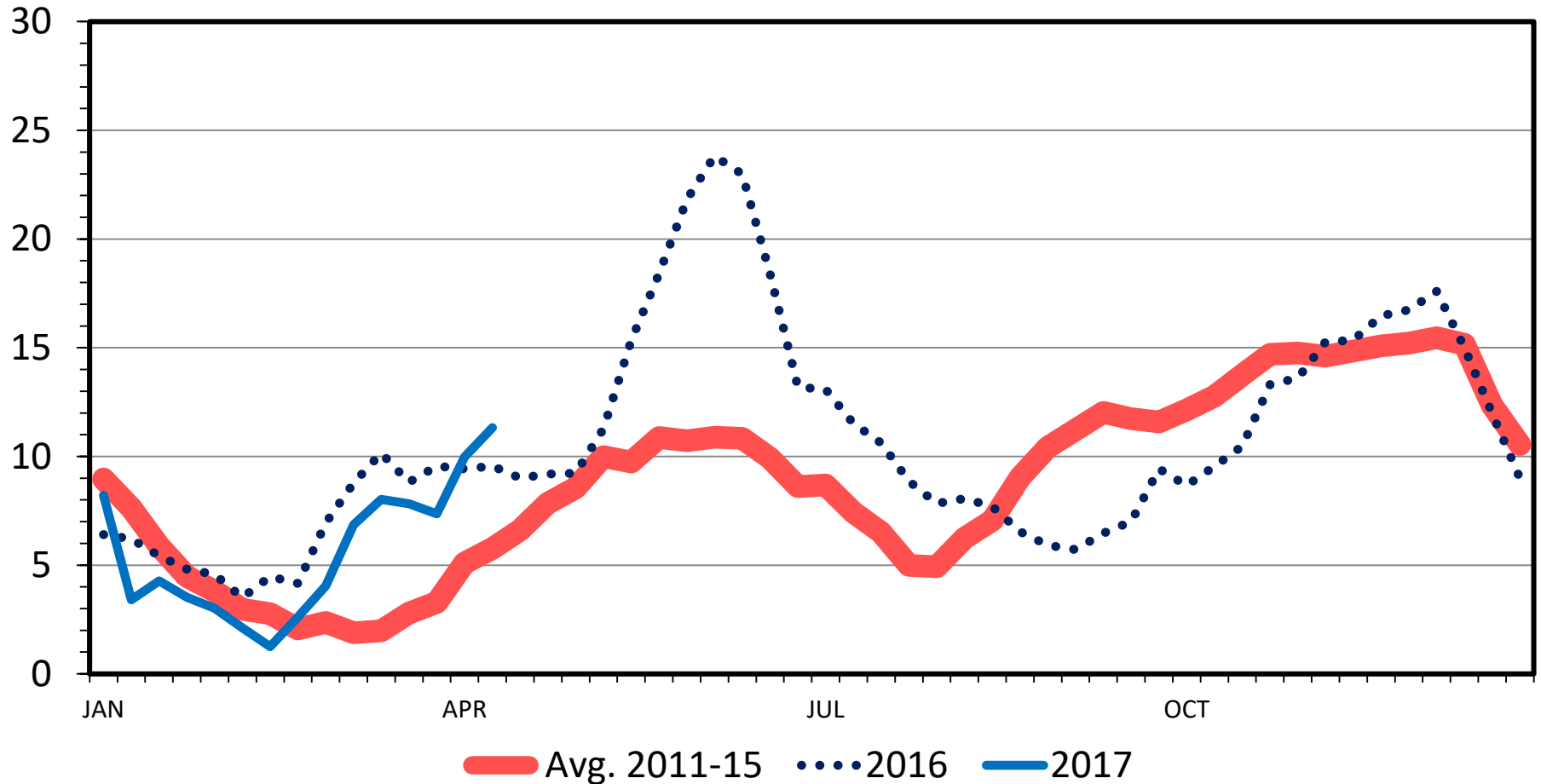
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CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly

\$ Per Cwt.



— Avg. 2011-15 2016 — 2017

Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center

KANSAS STATE UNIVERSITY

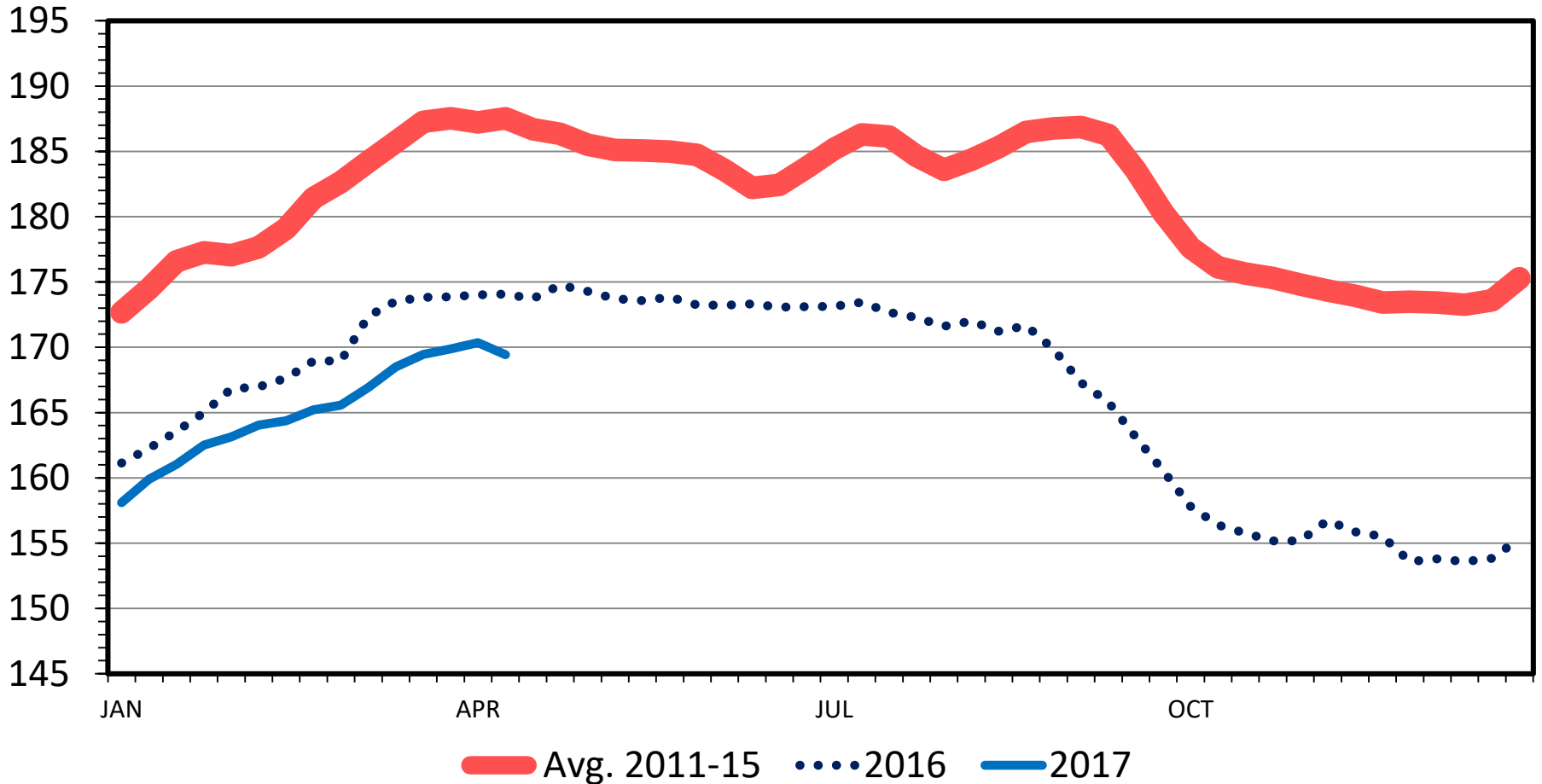


C-P-68
04/17/17

BOXED COW-BEEF CUTOUT VALUE

Cutter Cow, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

Livestock Marketing Information Center

