



Niman Ranch Beef Education Summit
May 2, 2018 Manhattan, KS

Beef Industry Outlook & Beef Demand Insights

Glynn T. Tonsor

Professor, Dept. of Agricultural Economics, Kansas State University

Email: gtonsor@ksu.edu

Twitter: @TonsorGlynn



Overarching Beef Industry Economic Outlook

- Supplies
 - Beef Production Up, Perhaps Moderating?
 - +6.4% in 2016, +3.8% in 2017, +5.0% in 2018, +1.6% in 2019
- Demand
 - Key to surprising prices in 2017
 - Q4: Production +2%; Fed Prices +9% & Calf Prices +23%
 - Exports are key & a growing arena of uncertainty
 - >\$250/hd value since 2014 (USMEF)

Choice Beef Retail Demand Index

(Quarterly, Price-Index Approach, 1990=100)

Q4.2017: +1.6%
vs. Q4.2016

Q1.2018: -1.7%
vs. Q1.2017

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

Demand is **NOT** Per Capita Consumption

2013 Beef Demand Determinants Study



[http://www.beefboard.org/evaluation/
130612demanddeterminantstudy.asp](http://www.beefboard.org/evaluation/130612demanddeterminantstudy.asp)



MARKETING > OUTLOOK

What's The Similarity Between Blue Jeans and Beef Demand?

Beef consumption and beef demand isn't the same thing. Here's an explanation.

Burt Rutherford | Sep 19, 2013

<http://www.beefmagazine.com/beef-demand/what-s-similarity-between-blue-jeans-and-beef-demand>

How Does Domestic Demand Impact Me?

- 1% increase in domestic demand =
 - +2.30% live cattle & +3.50% feeder prices (McKendree et al., 2018)
- Q4.2017 Domestic Demand Index +2% (vs. Q4.2016)
 - Realized Prices:
 - \$118 (live) & \$157 (feeder)
 - Without domestic demand increase, would have been:
 - \$112.57 (live) & \$146.02 (feeder)
 - \$5.43/cwt & \$10.98/cwt price impacts

Assessing Beef Demand Determinants (Jan. 18, 2018)

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

Cattlemen's Beef Board



[https://www.beefboard.org/news/files/FY2018/
Assessing%20Beef%20Demand%20Determinants_FullReport.pdf](https://www.beefboard.org/news/files/FY2018/Assessing%20Beef%20Demand%20Determinants_FullReport.pdf)

Main Unifying Themes / Recommendations

- ❑ Meat prices have become less important while consumer income has become more important
 - Elevates importance of beef quality focus

- ❑ Beef demand has increased or been stable over the past 5 years depending on measurement approach
 - Good news given volume of “negative media”

- ❑ Different methods offer unique insights into beef demand consistent with realities of available data
 - Encourage use of multiple information sources

Main Unifying Themes / Recommendations

- “Hot topics” change notably over time**
 - Impact on beef demand can substantially change**
 - Don’t over-react at expense of loyal beef customers**

- Several drivers of steak and ground beef demand differ**
 - Target marketing by beef product type and household type is encouraged**

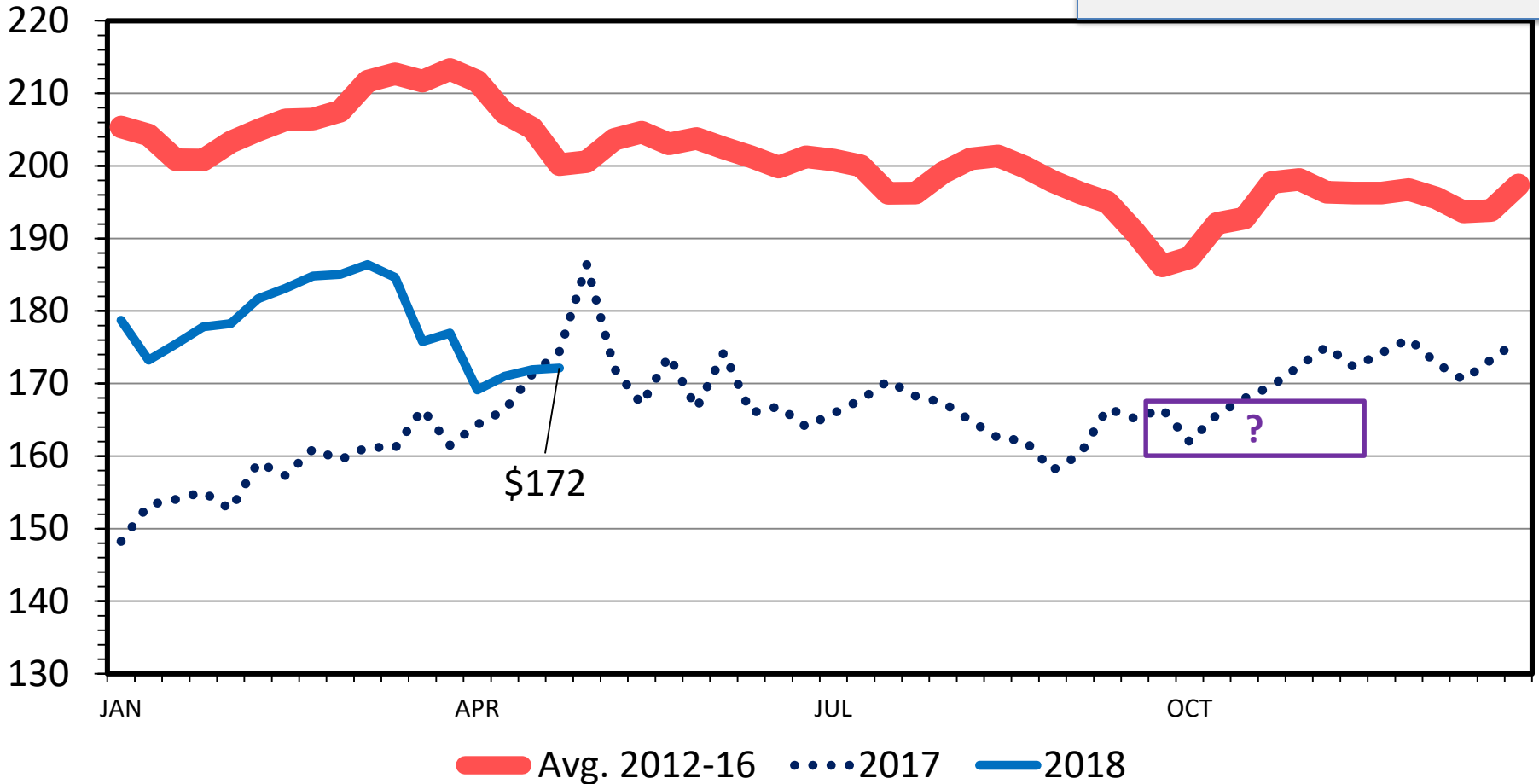
- Examples of demand concepts being confused continue to exist**
 - Ongoing support of education on demand concepts and economic value to producers is encouraged**

BeefBasis.com, Salina,
KS 2018 Projections
(as of 4/30/18):
Oct. 17: \$165

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

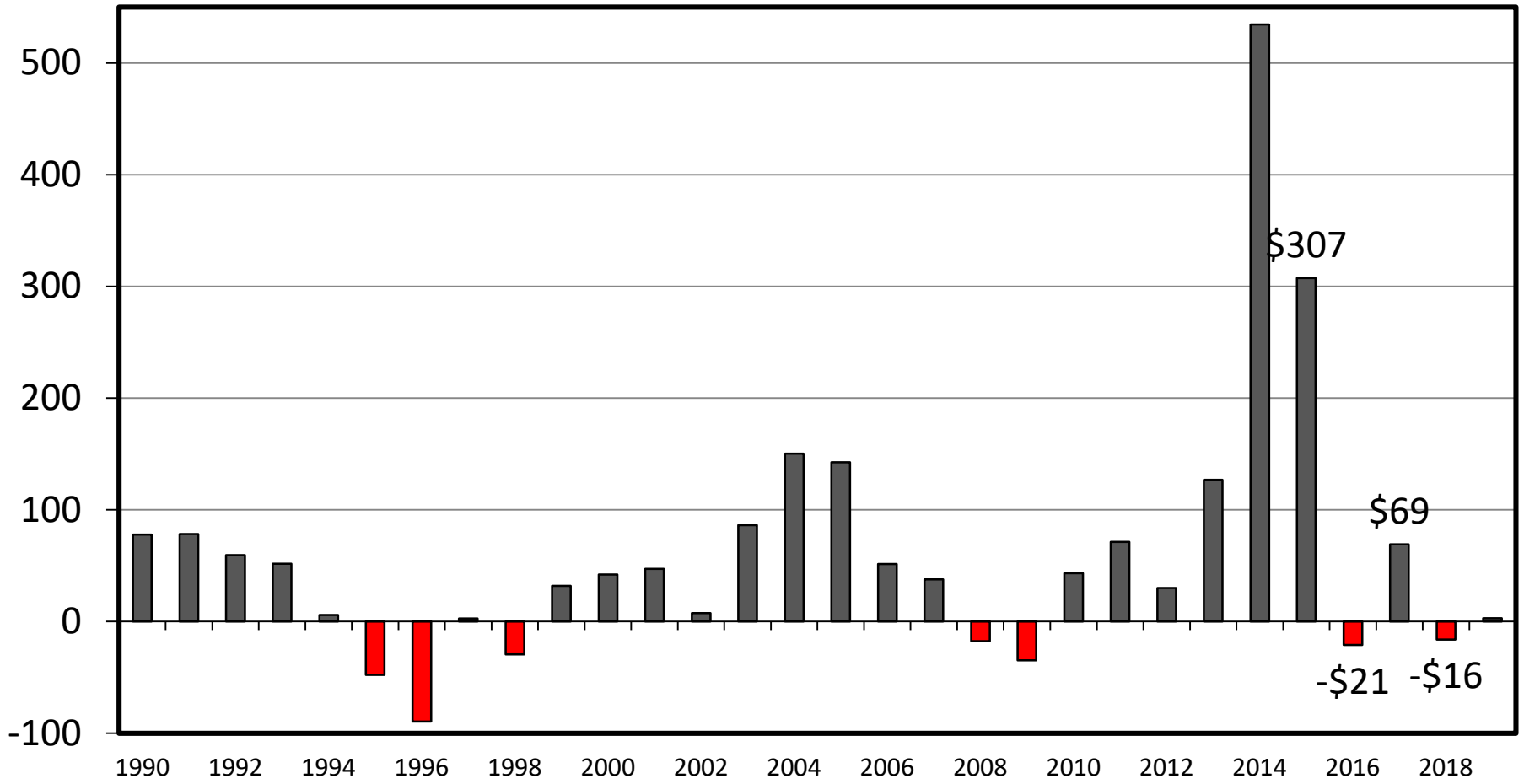
Livestock Marketing Information Center

C-P-54
04/30/18

ESTIMATED AVERAGE COW CALF RETURNS

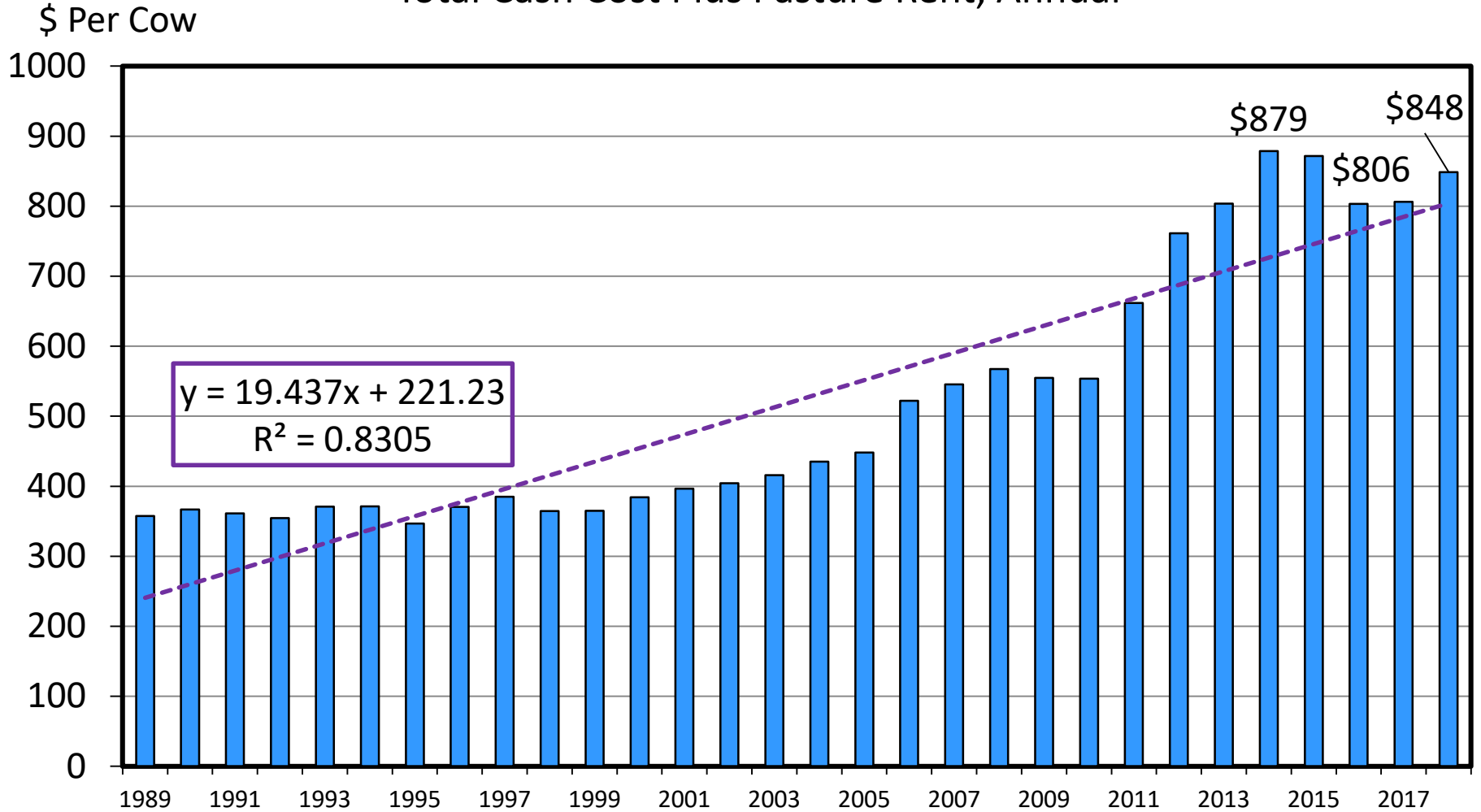
Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual

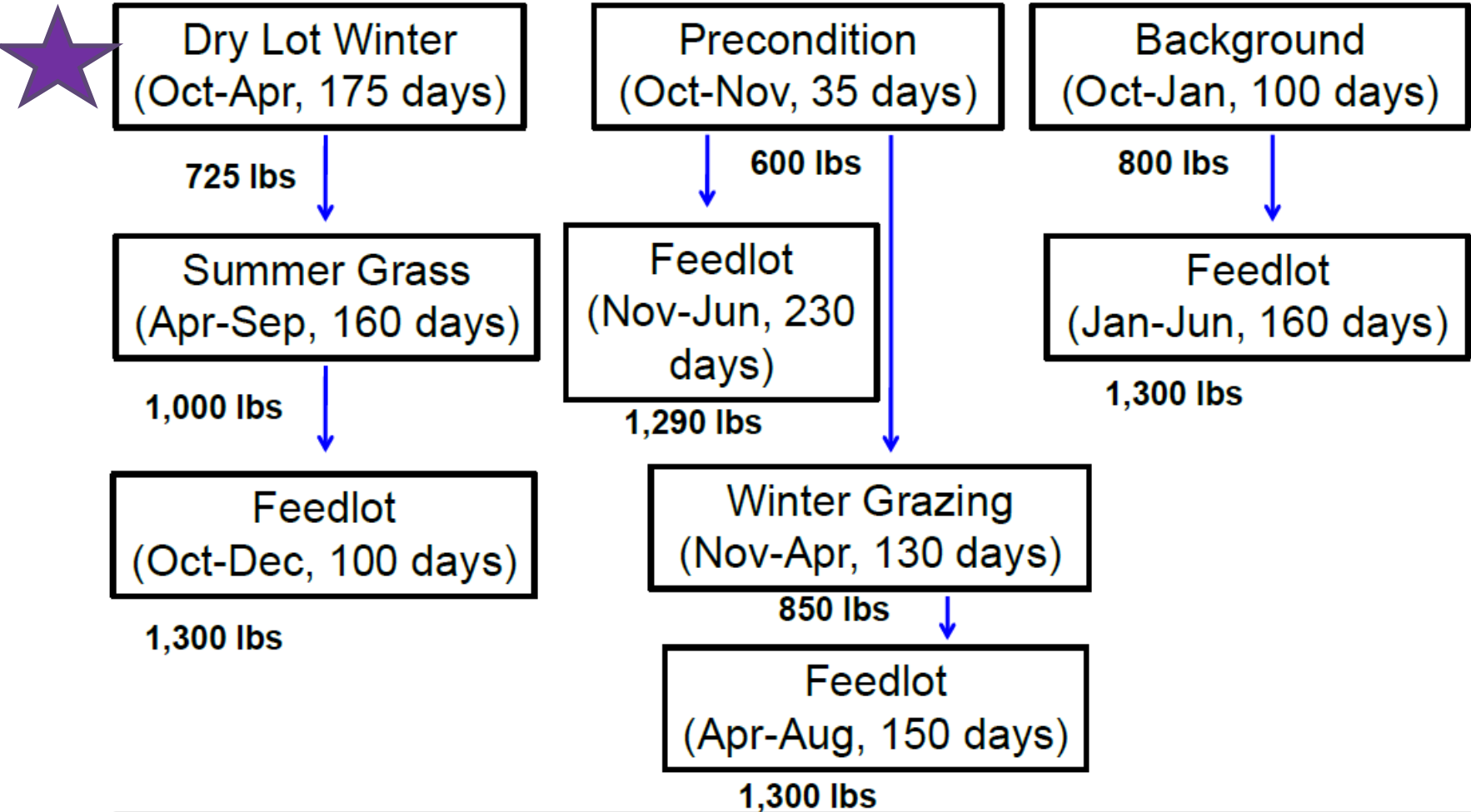


Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

03/30/18

Fall Weaned 550# Calf



Economic Outlook Overview: Post Weaning

Forward-Looking Margin Perspective

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

- Salina, KS 4/30/18 Dry-Lot Wintering situation:
 - Buy/Retain 550 lb steer on 10/17/18 (\$165)
 - Sell 750 lb steer on 4/17/19 (\$143) {1.1 ADG}
 - VOG: \$84/cwt
 - *Drought Monitor may have a say in COG...*

Economic Outlook Overview: Feedlots

- 2017 MUCH better than anticipated
- 2018 projections continue to erode

Historical and Projected Kansas Feedlot Net Returns (as of 4/12/18')

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

Feb. 18': +\$101/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-18	41.54	79.85	125.10	120.05	5.06	153.70	86.55	122.09	159.16
Apr-18	-253.77	80.90	106.53	103.70	2.83	157.83	37.61	125.57	123.85
May-18	-230.14	85.97	111.45	103.70	7.75	158.61	46.74	128.64	128.02
Jun-18	-256.67	84.83	107.93	104.28	3.65	157.25	40.18	127.38	122.79
Jul-18	-191.13	84.42	106.59	104.28	2.31	147.31	53.05	120.67	121.76
Aug-18	-118.93	84.15	110.11	108.53	1.58	146.38	65.46	118.82	130.06
Sep-18	-134.09	86.26	108.98	108.53	0.45	143.30	65.18	118.64	125.46
Oct-18	-143.94	87.15	113.26	112.55	0.71	146.17	61.89	123.55	128.80
Nov-18	-98.28	87.25	113.52	112.55	0.97	146.51	72.30	120.46	133.55
Dec-18	-70.95	88.52	116.51	114.30	2.21	147.40	77.61	121.57	137.96

Representative Barometer for Trends in Profitability

Quarterly Forecasts (LMIC: 4/22/18)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2017						
I	7,714	7.4	817.0	-1.1	6,303	6.2
II	8,076	5.8	793.3	-2.2	6,407	3.5
III	8,254	5.2	816.0	-1.1	6,736	4.1
IV	8,145	2.9	827.8	-1.1	6,742	1.8
Year	32,189	5.3	813.5	-1.4	26,187	3.8
2018						
I	7,877	2.1	820.8	0.5	6,465	2.6
II	8,432	4.4	813.7	2.6	6,861	7.1
III	8,585	4.0	833.2	2.1	7,153	6.2
IV	8,368	2.7	838.5	1.3	7,017	4.1
Year	33,262	3.3	826.7	1.6	27,496	5.0
2019						
I	7,848	-0.4	826.2	0.7	6,484	0.3
II	8,510	0.9	819.0	0.6	6,970	1.6
III	8,782	2.3	838.8	0.7	7,366	3.0
IV	8,433	0.8	842.9	0.5	7,109	1.3
Year	33,573	0.9	831.9	0.6	27,929	1.6

Quarterly Forecasts (LMIC: 4/22/18)

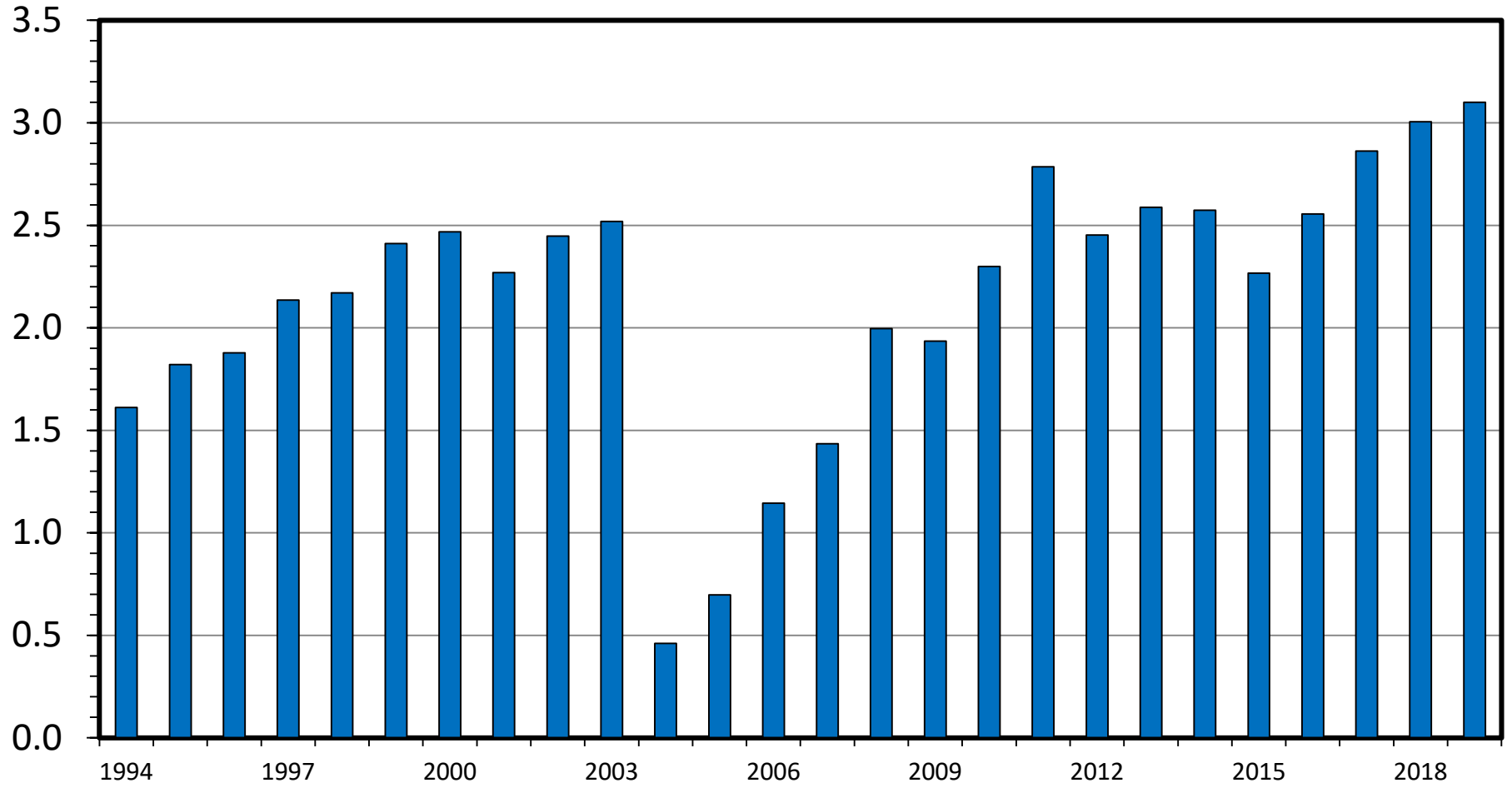
Year Quarter	Live Sltr.	% Chg.	Feeder Steer Price	
	Steer Price	from	Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
2017				
I	122.96	-8.8	132.88	157.38
II	132.76	4.0	149.30	170.49
III	112	-0.6	153	165
IV	118	9.1	157	171
Year	122	0.5	148	166
2018				
I	125.61	2.1	148.73	180.01
II	115-118	-12.2	136-139	165-168
III	104-108	-5.7	135-140	160-165
IV	110-115	-4.6	137-142	153-159
Year	114-116	-5.4	139-143	164-168
2019				
I	118-124	-3.7	138-143	158-165
II	115-122	1.7	137-144	160-168
III	104-112	1.9	133-141	155-164
IV	107-116	-0.9	133-142	150-160
Year	113-117	0.0	136-142	156-164

Trade

US BEEF AND VEAL EXPORTS

Carcass Weight, Annual

Bil. Pounds



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

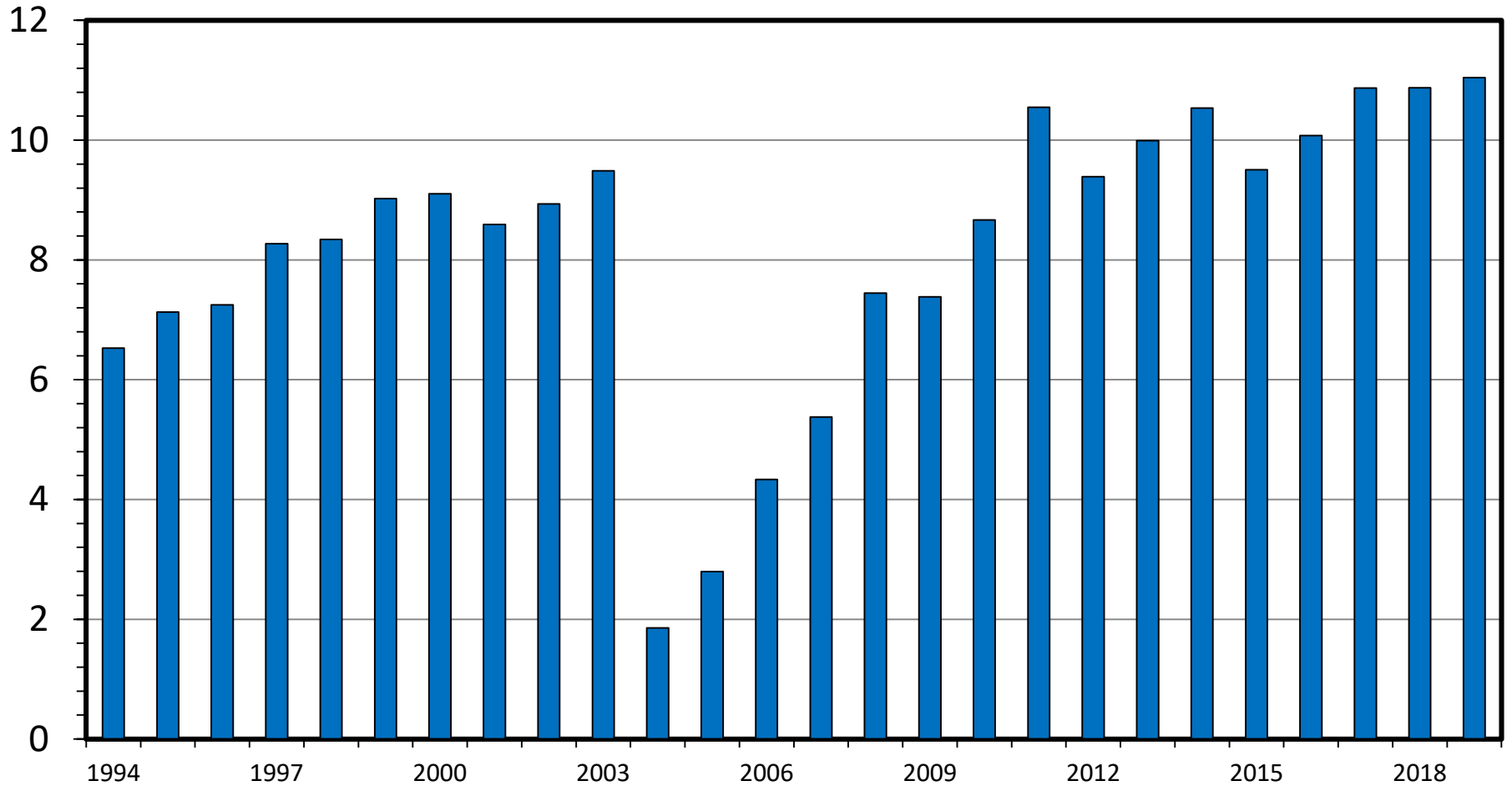
Livestock Marketing Information Center

I-N-06
04/12/18

US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual

Percent



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

Livestock Marketing Information Center

I-N-07
04/12/18

USDA Long-Term projections

Feb. 2018 report (<http://www.usda.gov/oce/commodity/projections/>)

Per capita meat consumption, retail weight							
Item	2016	2017	2018	2019	2020	2027	
Beef	55.6	57.3	59.2	60.9	60.9	59.0	
Pork	50.1	50.4	52.1	52.2	51.9	52.0	
Total red meat	107.0	109.0	112.6	114.4	114.1	112.2	
Broilers	89.8	91.0	91.8	91.6	92.4	92.2	
Total poultry	107.6	108.8	109.6	109.2	109.9	109.3	
Red meat & poultry	214.6	217.8	222.2	223.6	224.0	221.5	
Note: Totals may not add due to rounding.							

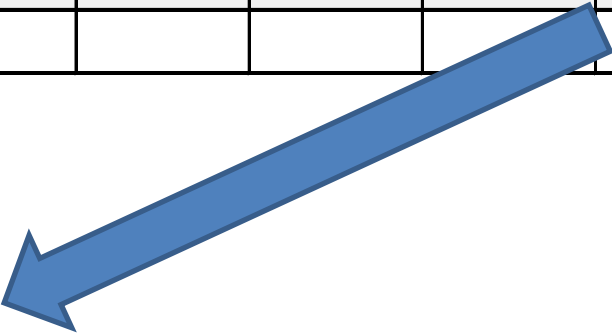
USDA Long-Term projections

Feb. 2018 report (<http://www.usda.gov/oce/commodity/projections/>)

2019 would be highest for beef since 2009

Per capita meat consumption, retail weight							
Item	2016	2017	2018	2019	2020	2027	
Beef	55.6	57.3	59.2	60.9	60.9	59.0	
Pork	50.1	50.4	52.1	52.2	51.9	52.0	
Total red meat	107.0	109.0	112.6	114.4	114.1	112.2	
Broilers	89.8	91.0	91.8	91.6	92.4	92.2	
Total poultry	107.6	108.8	109.6	109.2	109.9	109.3	
Red meat & poultry	214.6	217.8	222.2	223.6	224.0	221.5	

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

Feb. 2018 report (<http://www.usda.gov/oce/commodity/projections/>)

Per capita meat consumption, retail weight							
Item	2016	2017	2018	2019	2020	2027	
Beef	55.6	57.3	59.2	60.9	60.9	59.0	
Pork	50.1	50.4	52.1	52.2	51.9	52.0	
Total red meat	107.0	109.0	112.6	114.4	114.1	112.2	
Broilers	89.8	91.0	91.8	91.6	92.4	92.2	
Total poultry	107.6	108.8	109.6	109.2	109.9	109.3	
Red meat & poultry	214.6	217.8	222.2	223.6	224.0	221.5	
Note: Totals may not add due to rounding.							

Projections INCLUDE trade dependency...

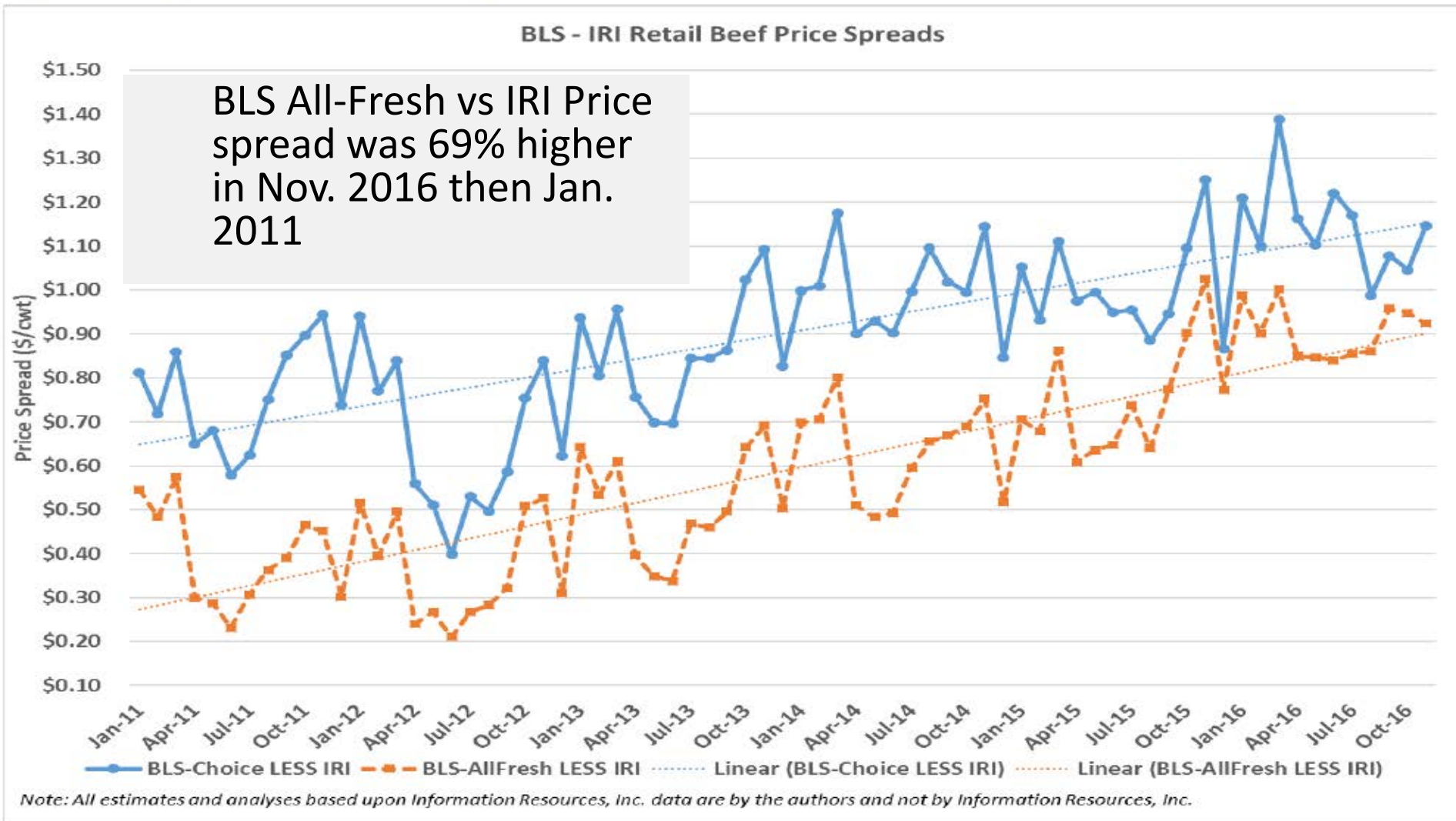
Data Quality

Deeper Look at Data Quality

- Consider example of retail meat prices
 - BLS/ERS monthly prices often used by analysts
 - <https://www.ers.usda.gov/data-products/meat-price-spreads/>
 - Grocery store posted, asking prices based
 - Changes in FAH/FAFH, product featuring, etc. over time...

Deeper Look at Data Quality

Figure 18. Comparison of Retail Price Series Spreads, Jan. 2011 – Nov. 2016



Creating and Assessing Candidate Food Service and Retail Beef Demand Indices

Glynn T. Tonsor & Ted C. Schroeder

FY17 Checkoff Update Session

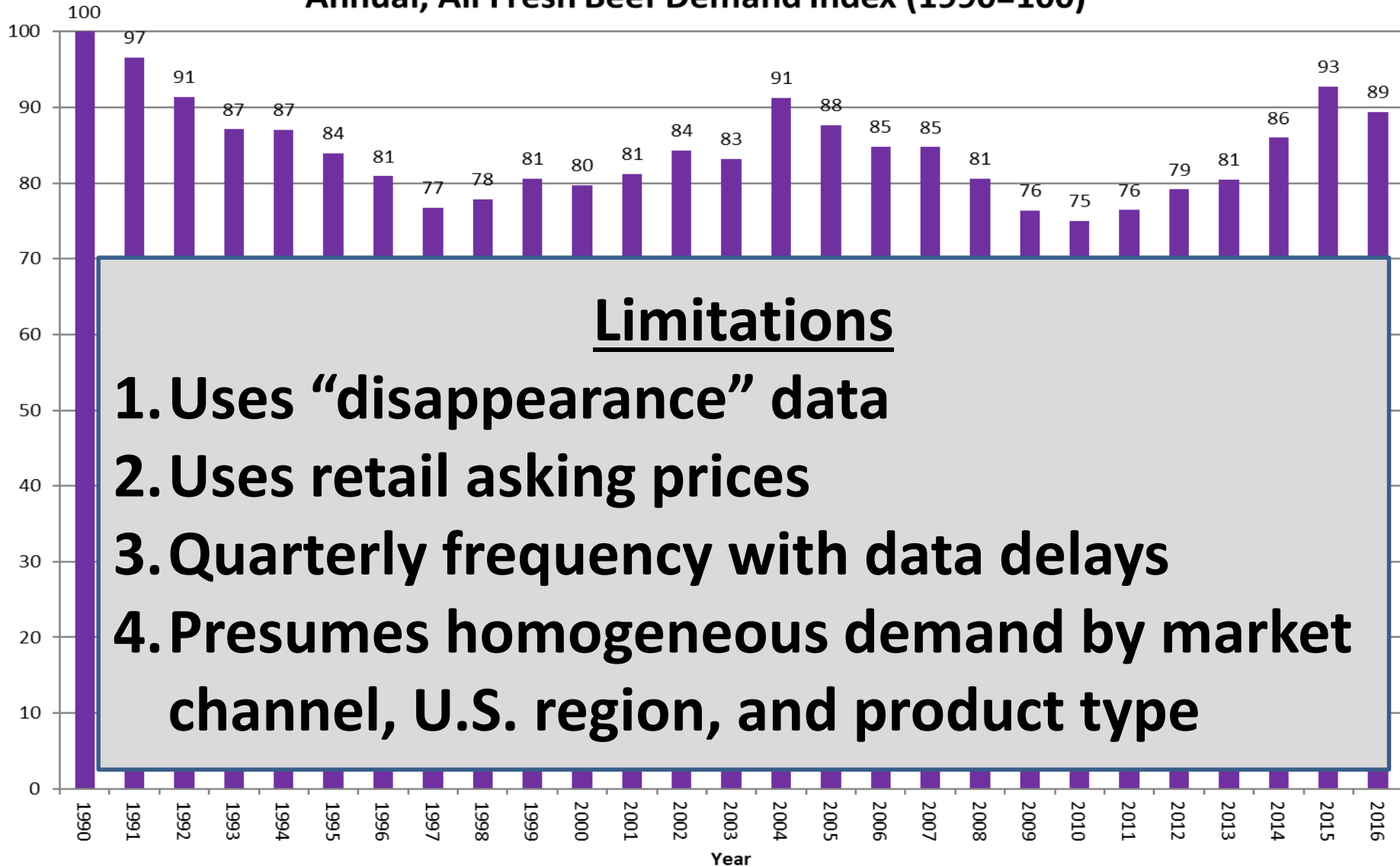
February 2, 2017

Presentation at 2017 National Cattlemen's Beef Association Annual Meeting Nashville, TN

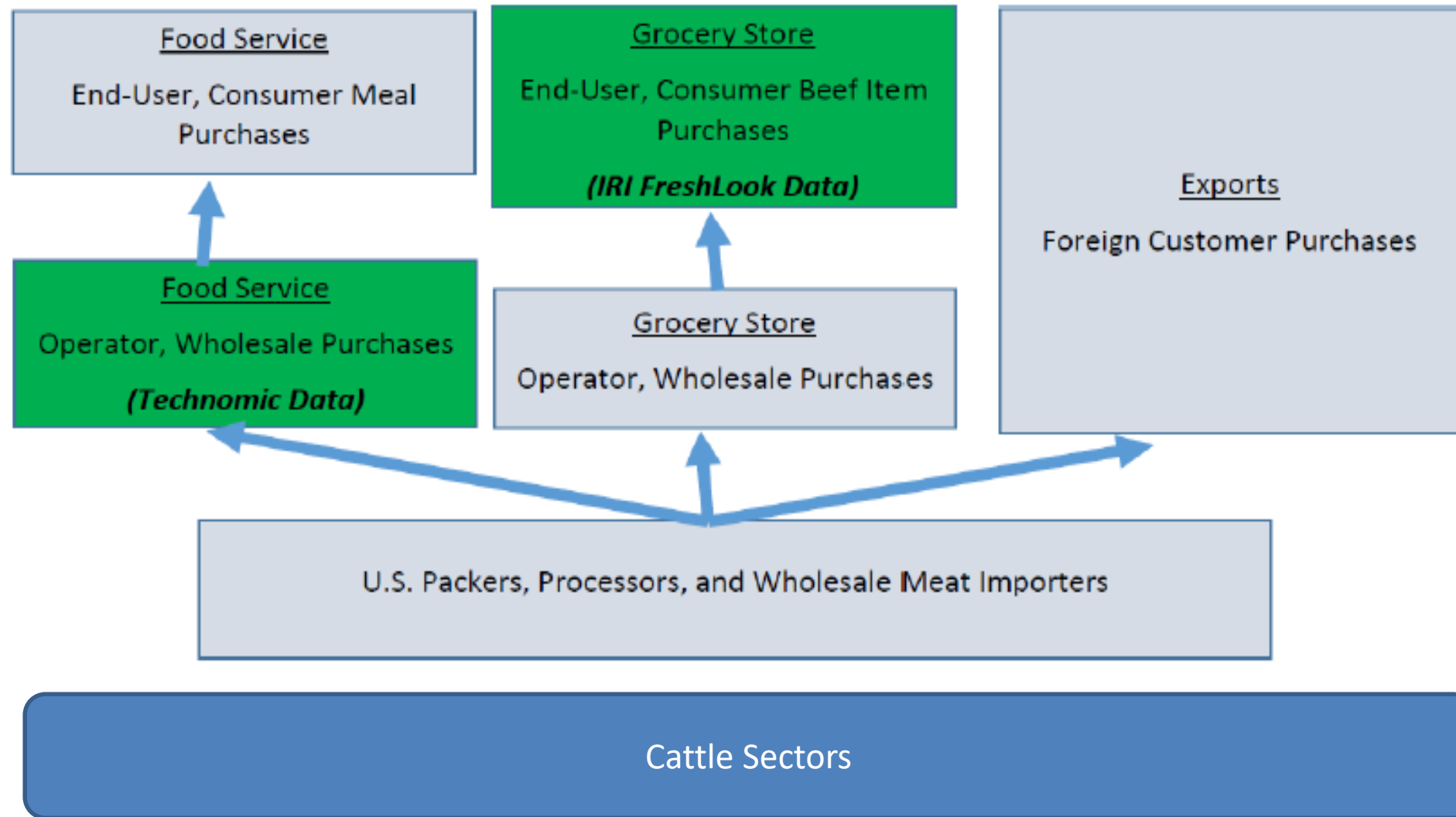
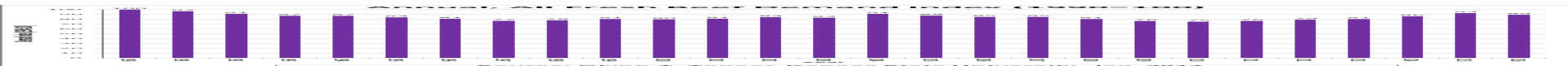


Current Situation

Annual, All Fresh Beef Demand Index (1990=100)



Position of Potential New Indices



Recommendations

- ❑ **Prioritize support for maintaining some Retail indices:**
 - **Class-level, U.S. & Regional Beef Indices**
 - **Category-level, U.S. Indices**
 - ***Ground, Loin, Chuck, and Round***

- ❑ **Do not maintain:**
 - **Category-level, *Rib* & Ground Beef SubCat indices**
 - **Food Service indices**

Final Report:

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

Data Quality Wrap-Up

- Look Deeper
 - Simple Averages Mask Important Variation
- Data Collection Needs to Remain Reasonably Current
 - Diverse changes across Retail, Food Service, & Export
- More Public-Private Data/Info Efforts Needed
 - GT opinion at least...

More information available at:



This presentation will be available in PDF format at:

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

Glynn T. Tonsor

Professor

Dept. of Agricultural Economics

Kansas State University

Email: gtonsor@ksu.edu

Twitter: @TonsorGlynn

Utilize a Wealth of Information Available at AgManager.info

About AgManager.info

AgManager.info website is a comprehensive source of information, analysis, and decision-making tools for agricultural producers, agribusinesses, and others. The site serves as a clearinghouse for applied outreach information emanating from the Department of Agricultural Economics at Kansas State University. It was created by combining departmental and faculty sites as well as creating new features exclusive to the AgManager.info site. The goal of this coordination is to improve the organization of web-based material and allow greater access for agricultural producers and other clientele.



Receive Weekly Email Updates for AgManager.Info:

[http://www.agmanager.info/about/
contact-agmanagerinfo](http://www.agmanager.info/about/contact-agmanagerinfo)

