

**12. Tackling Big Issues in the U.S. Cattle Industry: An Interactive 'Clicker Session'**

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*Glynn T. Tonsor joined the Dept. of Agricultural Economics at Kansas State University in March 2010 as an Assistant Professor. He obtained his Ph.D. from KSU in 2006 and was an Assistant Professor in the Dept. of Agricultural, Food, and Resource Economics at Michigan State University from May 2006 to March 2010. Glynn's current efforts are primarily devoted to a range of integrated research and extension activities with particular focus on the cattle/beef and swine/pork industries. He has broad interests and experiences which span issues throughout the meat supply chain. Through both applied research and first-hand knowledge with livestock production, Glynn has expertise in topics including animal identification and traceability, animal welfare and handling, food safety, and price risk management and analysis.*

**Abstract/Summary**

*This session will facilitate an open exchange of thoughts and visions on issues facing the U.S. cattle industry. Interaction will be coordinated by attendees using clickers (audience response devices) to indicate their insights into issues including beef demand strength, impact of animal welfare discussions, prospects for domestic herd expansion, etc. The audience's view will be compared with Dr. Tonsor's in an "on the fly" fashion providing a unique opportunity for interested attendees.*

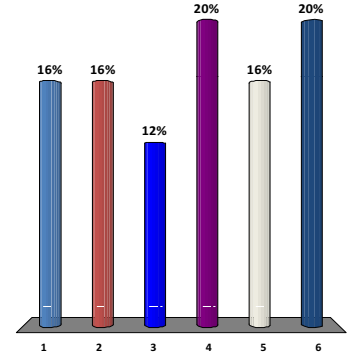


*Tackling Big Issues  
in the U.S. Beef-  
Cattle Industry: An  
Interactive 'Clicker'  
Session*

Glynn Tonsor,  
Kansas State University

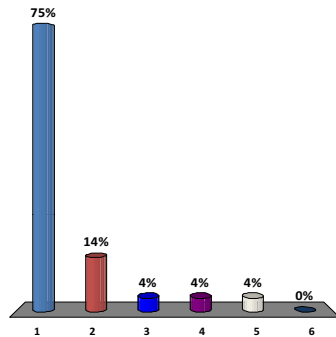
How many football games will **K-State** win this coming football season?

1. Less than 4
2. 4 or 5
3. 6 or 7
4. 8 or 9
5. 10 or 11
6. 12



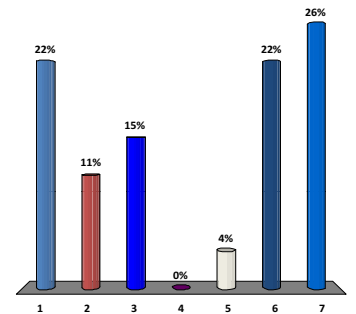
How many football games will **Kansas** win this coming football season?

1. Less than 4
2. 4 or 5
3. 6 or 7
4. 8 or 9
5. 10 or 11
6. 12



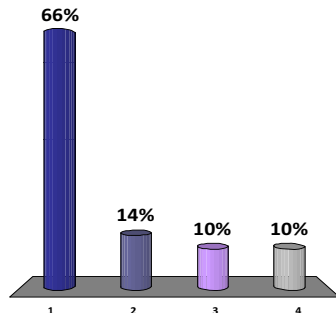
What best describes the U.S. beef-cattle industry segment you are most involved in?

1. Cow-calf operator
2. Stocker/backgrounder
3. Feedlot
4. Processor
5. Input Supplier
6. Ag Lender
7. Other



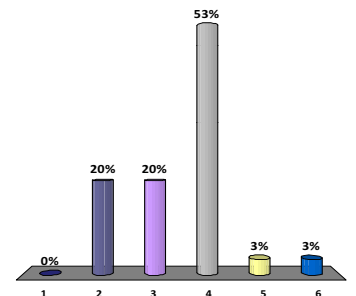
What best describes your sentiment regarding the long run economic prospects of the U.S. beef-cattle industry?

1. I'm optimistic
2. I'm neutral
3. I'm pessimistic
4. I have no clear sentiment



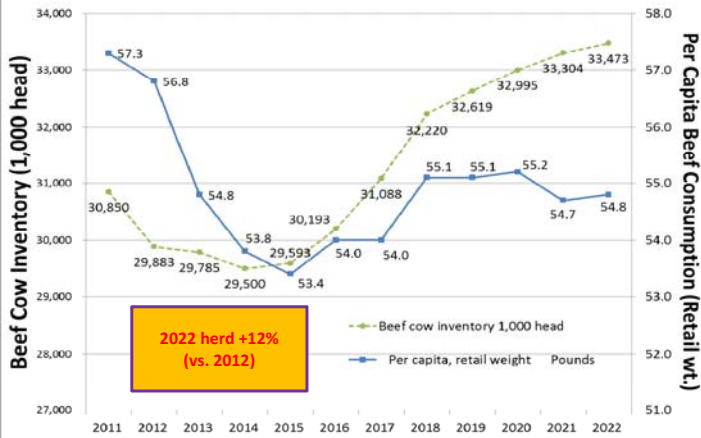
In 2022, how many beef cows will there be in the national U.S. herd?

1. Less than 20 million
2. 21-25 million
3. 26-30 million
4. 31-35 million
5. 36-40 million
6. Over 40 million



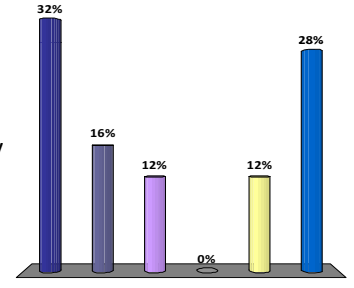
**Longer-term projections (as of Feb. 2013)**  
<http://www.usda.gov/oce/commodity/projections/index.htm>

2021 Projection 1.1 million less than Feb. 12'



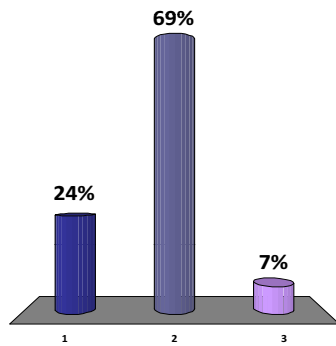
What factor do you think most restricts current investment in the U.S. beef-cattle industry?

1. Input price volatility
2. Output price volatility
3. Regulatory uncertainty
4. Tax policy uncertainty
5. Global growth uncertainty
6. Other



What do you think most influences profitability for cow-calf operations?

1. Revenue received
2. Production costs
3. Other



**Table 1. Beef Cow-calf Enterprise Returns over Total Costs, 2008-2012 (minimum of three years)\***

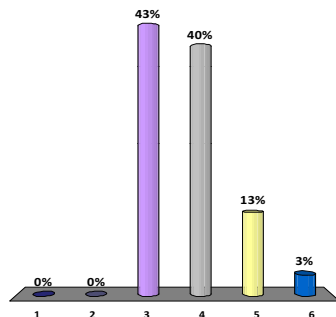
	All Farms	Profit Category			Difference between High 1/3 and Low 1/3	
		High 1/3 Head / \$	Mid 1/3 Head / \$	Low 1/3 Head / \$	Absolute	%
Number of Farms	99	33	33	33		
Labor allocated to livestock, %	36.3	40.5	37.7	30.6		
Number of Cows in Herd	137	172	152	87	85	98%
Number of Calves Sold	125	156	139	79	77	97%
Calves Sold per Cow in Herd	0.908	0.904	0.914	0.907	0.00	0%
Weight of Calves Sold	586	600	579	579	22	4%
Calf Sales Price / cwt	\$116.39	\$115.76	\$117.49	\$115.93	-\$0.17	0%
<b>Gross Income</b>	<b>\$635.43</b>	<b>\$670.50</b>	<b>\$653.11</b>	<b>\$582.69</b>	<b>\$87.82</b>	<b>15%</b>
Feed	\$395.36	\$344.51	\$398.91	\$442.67	-\$98.16	-22%
Interest	\$127.74	\$111.52	\$127.70	\$144.01	-\$32.49	-23%
Vet Medicine / Drugs	\$20.96	\$18.27	\$23.55	\$21.05	-\$2.79	-13%
Livestock Marketing / Breeding	\$16.81	\$13.41	\$19.28	\$17.75	-\$4.34	-24%
Depreciation	\$42.15	\$24.55	\$42.44	\$59.44	-\$34.90	-59%
Machinery	\$83.97	\$57.88	\$83.85	\$110.19	-\$52.31	-47%
Labor	\$127.03	\$109.29	\$109.14	\$162.67	-\$53.38	-33%
Other	\$39.14	\$27.92	\$36.31	\$53.17	-\$25.25	-47%
<b>Total Cost</b>	<b>\$853.16</b>	<b>\$707.34</b>	<b>\$841.18</b>	<b>\$1,010.95</b>	<b>-\$303.61</b>	<b>-30%</b>
<b>Net Return to Management</b>	<b>-\$217.72</b>	<b>-\$36.83</b>	<b>-\$188.08</b>	<b>-\$428.26</b>	<b>\$391.43</b>	

\* Sorted by Net Return to Management (Returns over Total Costs) per Cow

Available at: <http://www.agmanager.info/livestock/budgets/production/default.asp#Beef Cattle>

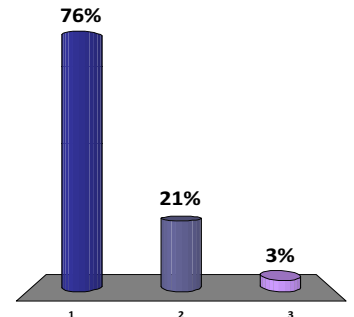
How much "excess capacity" currently exists in the U.S. feedlot industry?

1. None
2. 1-10%
3. 11-20%
4. 21-30%
5. Over 30%
6. I have no clue



Do you think "southern" feedyards are more likely to close or have lower utilization going forward?

1. Yes
2. No
3. I have no clue

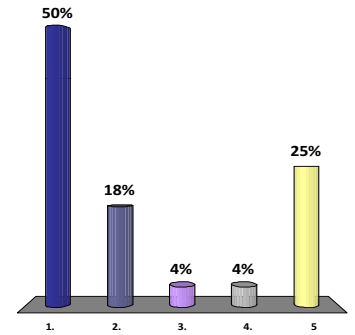


## Regionally varied feedlot excess capacity resolution?

- Are “southern” yards more likely to close or have lower utilization?
  - Less DGS availability?
  - Less aligned with “attempted” U.S. heifer expansion?
  - More reliant on Mexican feeder supplies?
  - Older facilities?

In 2012, how many feeders were available for feedlot placement for each animal already on feed?

1. 1.43
2. 2.43
3. 3.43
4. 4.43
5. I have no clue

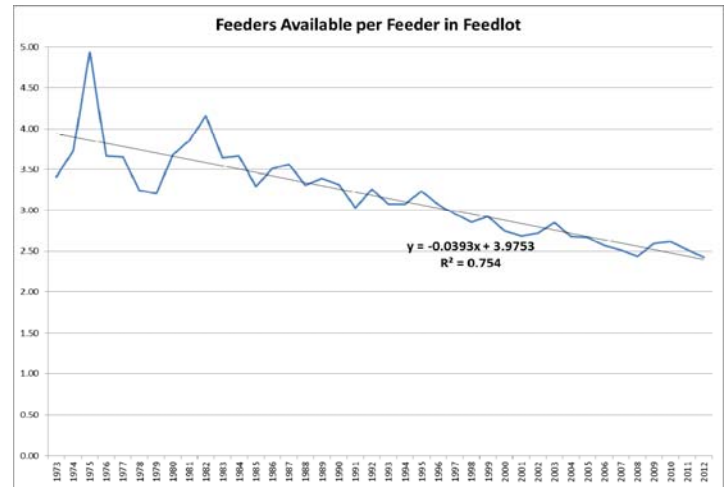


## Feeder Cattle Supply Overview

	1970s	1980s	1990s	2000s	2010s	1973	2012	2012 vs. 1973
<b>Cows &amp; Heifers that have Calved</b> 1000 Head	52,431	46,681	43,397	41,922	39,948	52,553	39,387	-13,166
<b>Calf Crop</b> 1000 Head	47,208	42,068	39,226	37,298	35,096	49,194	34,279	-14,915
<b>All Cattle &amp; Calves</b> 1000 Head	122,156	108,284	99,676	96,121	92,444	121,539	90,769	-30,770
<b>January 1, All Cattle On Feed</b> 1000 Head	13,053	11,686	12,755	14,118	13,926	14,432	14,121	-311
<b>Feedlot Inventory/Total Cattle Inventory</b>	10.69%	10.79%	12.80%	14.69%	15.06%	11.87%	15.56%	3.68%
<b>Feedlot Inventory/Calf Crop</b>	27.65%	27.78%	32.52%	37.85%	39.68%	29.34%	41.20%	11.86%
<b>Feeders Available per Feeder in Feedlot</b>	3.62	3.60	3.08	2.64	2.52	3.41	2.43	-0.98

Source: USDA NASS Jan. 1 data; Tonsor tabulations

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Source: USDA NASS Jan. 1 data; Tonsor tabulations

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<b>Number of Lots</b>	2000	2005	2010	2012	2012 vs 2000
Capacity, # hd					
<1000	95,000	86,000	75,000	73,000	-22,000
1000-1999	804	855	790	740	-64
2000-3999	500	547	560	570	70
4000-7999	335	349	335	345	10
8000-15999	194	185	180	170	-24
16000-23999	82	78	85	88	6
24000-31999	60	58	55	55	-5
32000-49999	64	70	71	66	2
>50000	52	56	64	66	14
SUM	97,091	88,198	77,140	75,100	-21,991
SUM (>1,000 hd)	2,091	2,198	2,140	2,100	9

Source: USDA NASS data; Tonsor tabulations

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<b>Percent of Marketings</b>	2000	2005	2010	2012	2012 vs 2000
Capacity, # hd					
<1000	14.2%	14.0%	15.4%	11.4%	-2.8%
1000-1999	3.2%	3.1%	3.0%	2.8%	-0.5%
2000-3999	4.6%	5.1%	5.4%	5.2%	0.6%
4000-7999	7.6%	6.9%	6.7%	7.3%	-0.4%
8000-15999	11.1%	10.1%	9.5%	9.3%	-1.8%
16000-23999	9.4%	8.4%	7.8%	8.7%	-0.7%
24000-31999	10.0%	9.3%	7.9%	7.5%	-2.5%
32000-49999	15.3%	17.2%	15.7%	15.0%	-0.2%
>50000	24.5%	25.8%	28.6%	32.7%	8.3%
SUM	100.0%	100.0%	100.0%	100.0%	0.0%
SUM (>1,000 hd)	85.8%	86.0%	84.6%	88.6%	2.8%

Source: USDA NASS data; Tonsor tabulations

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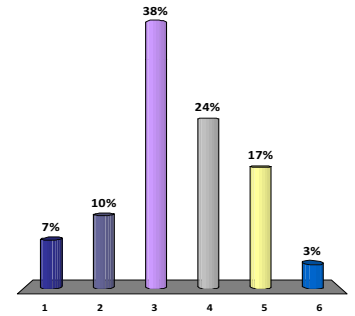
Capacity, DOF, Turns/Year	2000	2005	2010	2012	2012 vs 2000
Capacity of >1,000 hd Yards (mil hd)	16.50	16.60	16.80	16.90	0.40
DOF (steers) per KS FOF Survey	141.50	151.58	148.83	152.08	10.58
Implied turns/year	2.58	2.41	2.45	2.40	-0.18

Source: USDA NASS and FOF data; Tonsor tabulations

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In 2022, what portion of U.S. beef production do you think will be exported?

1. Less than 5%
2. 6-10%
3. 11-15%
4. 16-20%
5. Over 20%
6. I have no clue



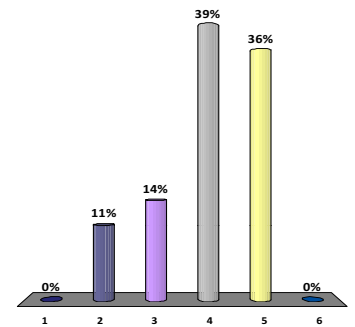
### USDA's longer-term projections (as of Feb. 2013) ...

<http://www.ers.usda.gov/Publications/OCE121/>

- **U.S. beef cow inventory:**
  - 29.9 million in 2012
  - 33.5 million in 2022 (+/- 1993 levels)
- **U.S. domestic per capita red meat & poultry consumption:**
  - 221 lbs in 2004-2007 (Beef=65.7 lbs; Pork=50.4 lbs; Poultry=103.8 lbs)
  - 197 lbs in 2013 (Beef=54.8 lbs; Pork=45.0 lbs; Poultry=96.4 lbs)
  - 209 lbs in 2022 (Beef=54.8 lbs; Pork=48.1 lbs; Poultry=104.6 lbs)
- **U.S. beef exports:**
  - 2.47 billion lbs in 2012
  - 3.27 billion lbs in 2022
    - 32% increase from 2012 levels; would be 11% of forecasted production

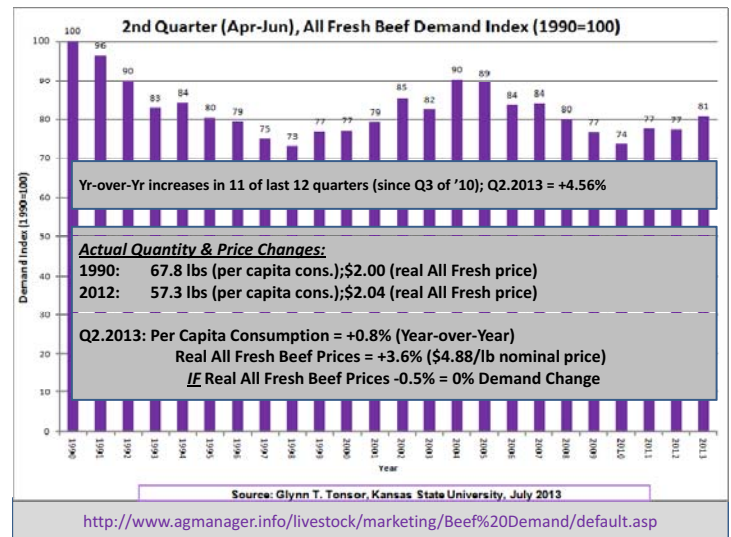
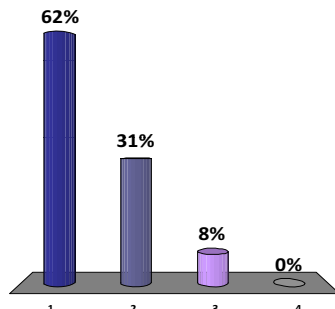
In 2022, what portion of U.S. beef production being exported would be "best for the industry?"

1. Less than 5%
2. 6-10%
3. 11-15%
4. 16-20%
5. Over 20%
6. I have no clue



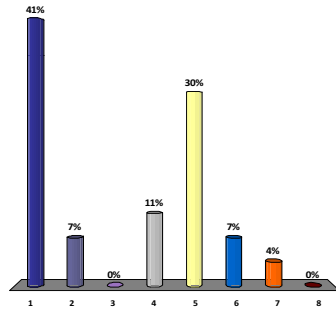
How does domestic beef demand currently compare to 2012?

1. Demand has increased
2. Demand has decreased
3. Demand has not changed
4. I have no clue



What broad beef demand determinant do you think should be of top priority in domestic beef demand enhancement strategies and national investments?

1. Food Safety
2. Health
3. Nutrition
4. Price
5. Product Quality
6. Social Aspects
7. Sustainability
8. I have no clue



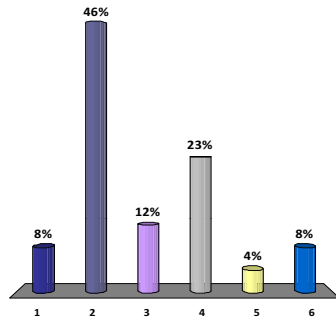
## 2013 Beef Demand Study

- Prioritizing Broad Demand Determinants
  - Most important to focus on:
    - Food Safety (impactful & feasible to be influenced)
    - Product Quality (impactful & feasible to be influenced)
    - Price (impactful yet less feasible to be influenced)
  - Secondary importance to focus on:
    - Nutrition (middle ranking in impact and feasibility)
    - Health (middle ranking in impact and feasibility)
  - Less important to focus on:
    - Sustainability (lower ranking on both impact and feasibility)
    - Social Aspects (lower ranking on both impact and feasibility)

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

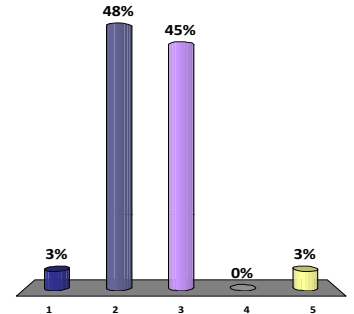
What portion of U.S. fed cattle do you believe will be produced with use of beta-agonists in January of 2014?

1. 0%
2. 1-25%
3. 26-50%
4. 51-75%
5. 76-100%
6. I have no clue



When an Extension specialist makes an "outlook" presentation what is the most common source of data used?

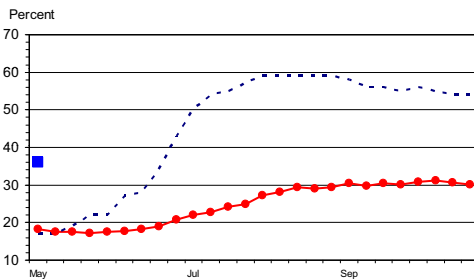
1. The Ext. specialist
2. Livestock Marketing Info. Center (LMIC)
3. USDA (NASS, ERS, AMS..)
4. Other
5. I have no clue



Example of 2 USDA reports (Crop Progress; Cattle Inventory) being jointly used to inform...

### US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



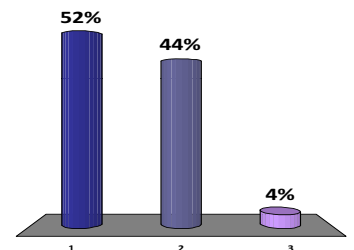
Beef Cows in states with 40% Poor to Very Poor		
Last year	Cows	% of Total
10/23/11	14862	48.31%
10/30/11	14185	46.11%
05/06/12	6161	20.03%
This Year		
10/21/12	21009	70.50%
10/28/12	21009	70.50%
05/06/13	15674	52.60%

Livestock Marketing Information Center  
Data Source: USDA-NASS, Compiled & Analysis by LMIC

G-NP-30  
05/06/13

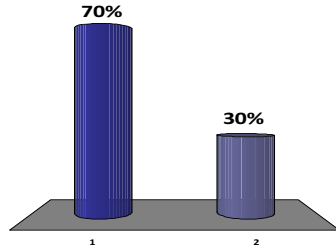
If a new policy increases the total costs for an industry, without enhancing demand for its products, can an industry gain market share from the policy being implemented?

1. Yes
2. No
3. I have no clue



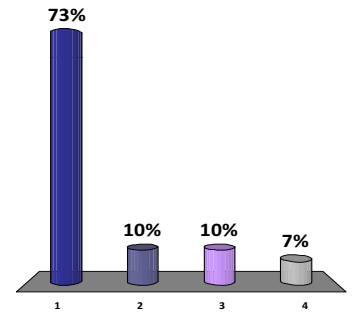
Have you identified the comparative advantage your operation holds?

- 1. Yes
- 2. No



What best describes your sentiment regarding the long run economic prospects of the U.S. beef-cattle industry?

- 1. I'm optimistic
- 2. I'm neutral
- 3. I'm pessimistic
- 4. I have no clear sentiment



Questions, thoughts, and suggestions are welcome...

This presentation is available in PDF format at:  
<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

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