

Risk & Profit CONFERENCE



K-State Dept. of Agricultural Economics

August 21-22, 2013

K-State Alumni Center
Manhattan, KS

Congress and Bulls
and Bears, Oh my!

KANSAS STATE
UNIVERSITY
Department of Agricultural Economics

Beef-Cattle Industry Outlook Overview

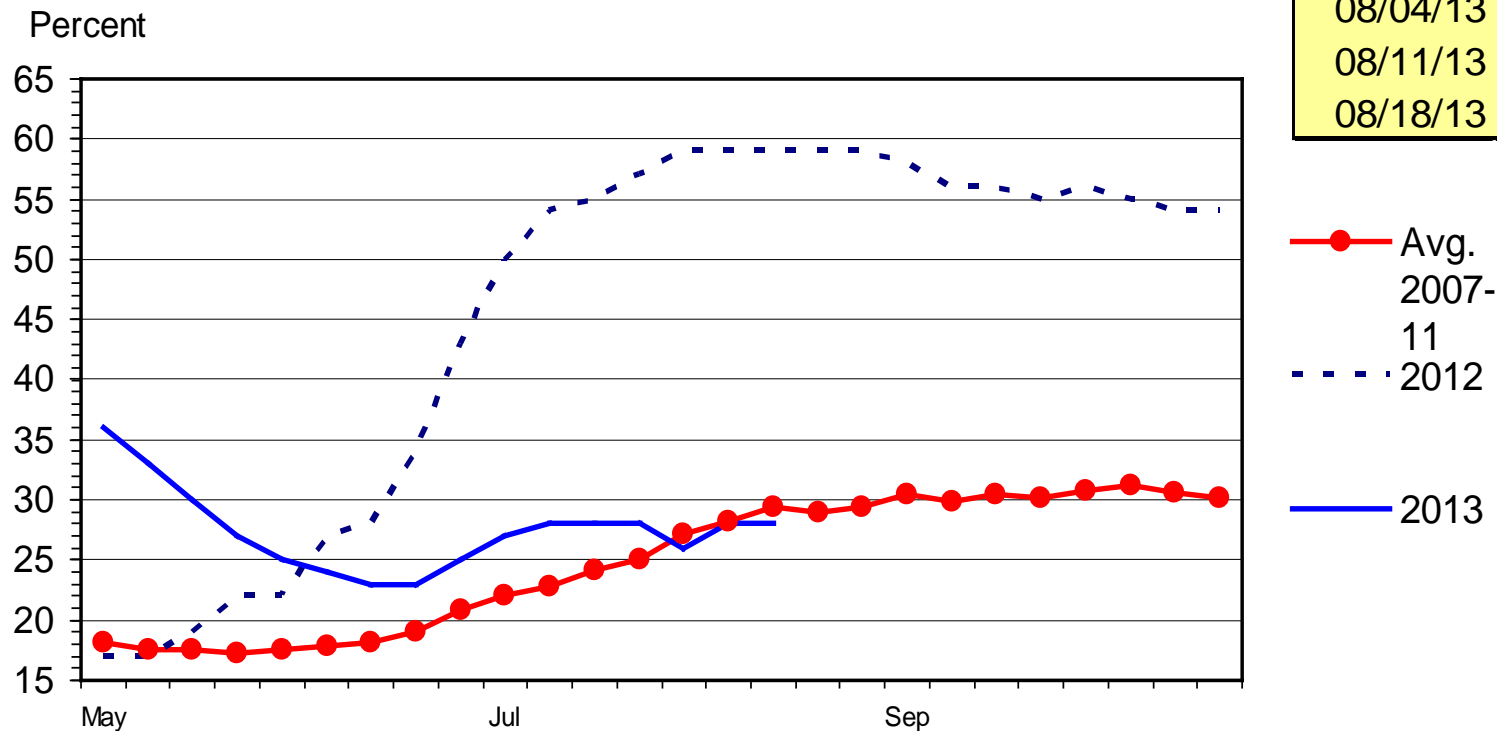
Glynn Tonsor

Overarching Economic Outlook

- Supplies
 - “Certain” Cattle Supplies (hd)
 - Less Certain Beef Supplies (lbs); role of beta-agonists
- Demand
 - Confusing, Recently positive, Work ongoing
- “Misc”
 - Limited excess capacity resolution to-date
 - Ongoing political and regulatory uncertainty drivers...
 - Nationally pasture and feedstuffs situation has improved

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
08/05/12	23006	76.50%
08/12/12	23305	77.49%
08/19/12	23205	77.16%
This Year		
08/04/13	9195	31.47%
08/11/13	7867	26.92%
08/18/13	7867	26.92%

Livestock Marketing Information Center

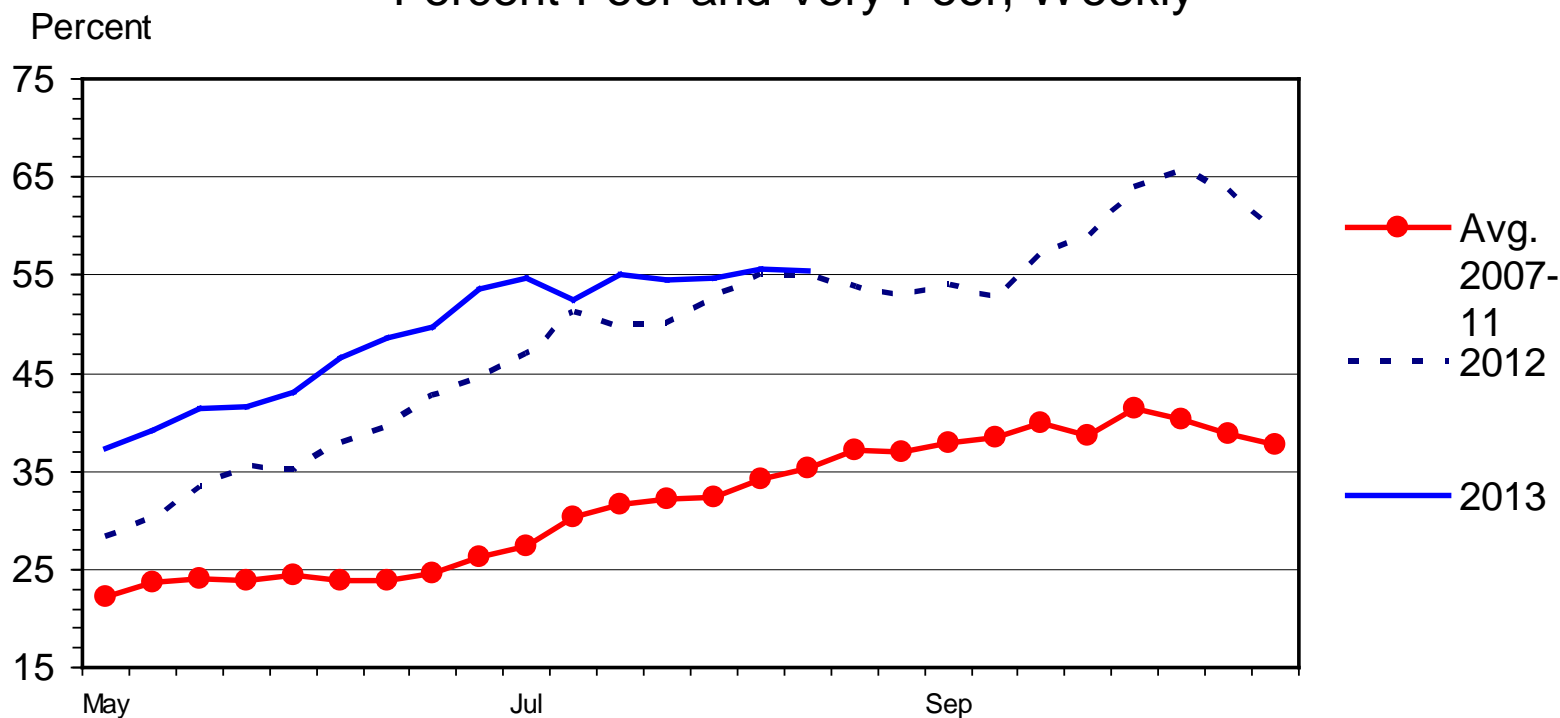
Data Source: USDA-NASS, Compiled & Analysis by LMIC

G-NP-30
08/19/13

(AZ, CA, ID, NV,
NM, OR, UT, WA)
10.2% of Cows

WESTERN REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-31
08/19/13

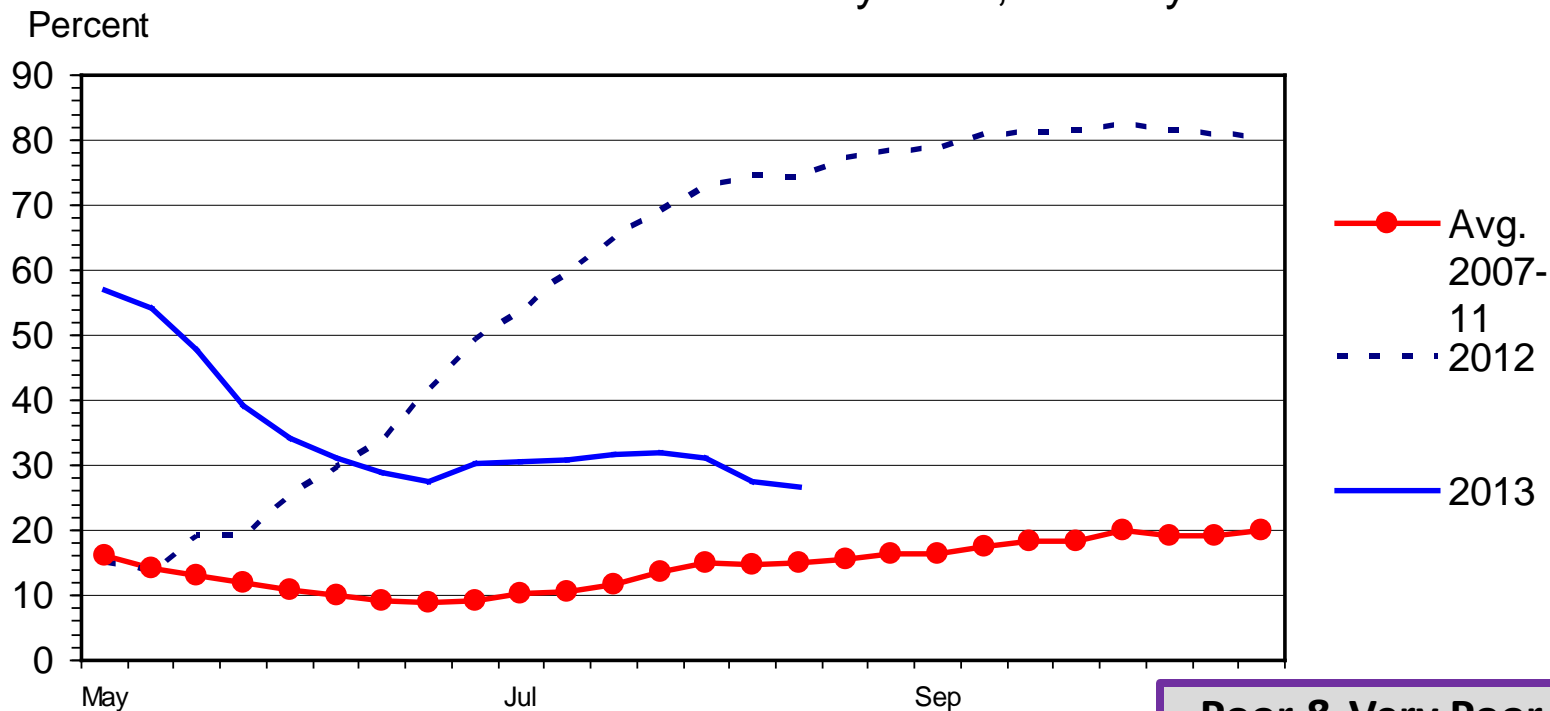
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

(CO, KS, MT, NE,
ND, SD, WY)
29.6% of Cows

GREAT PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



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

G-NP-32
08/19/13

Poor & Very Poor in KS:

8/18/13: 35%

6/16/13: 44%

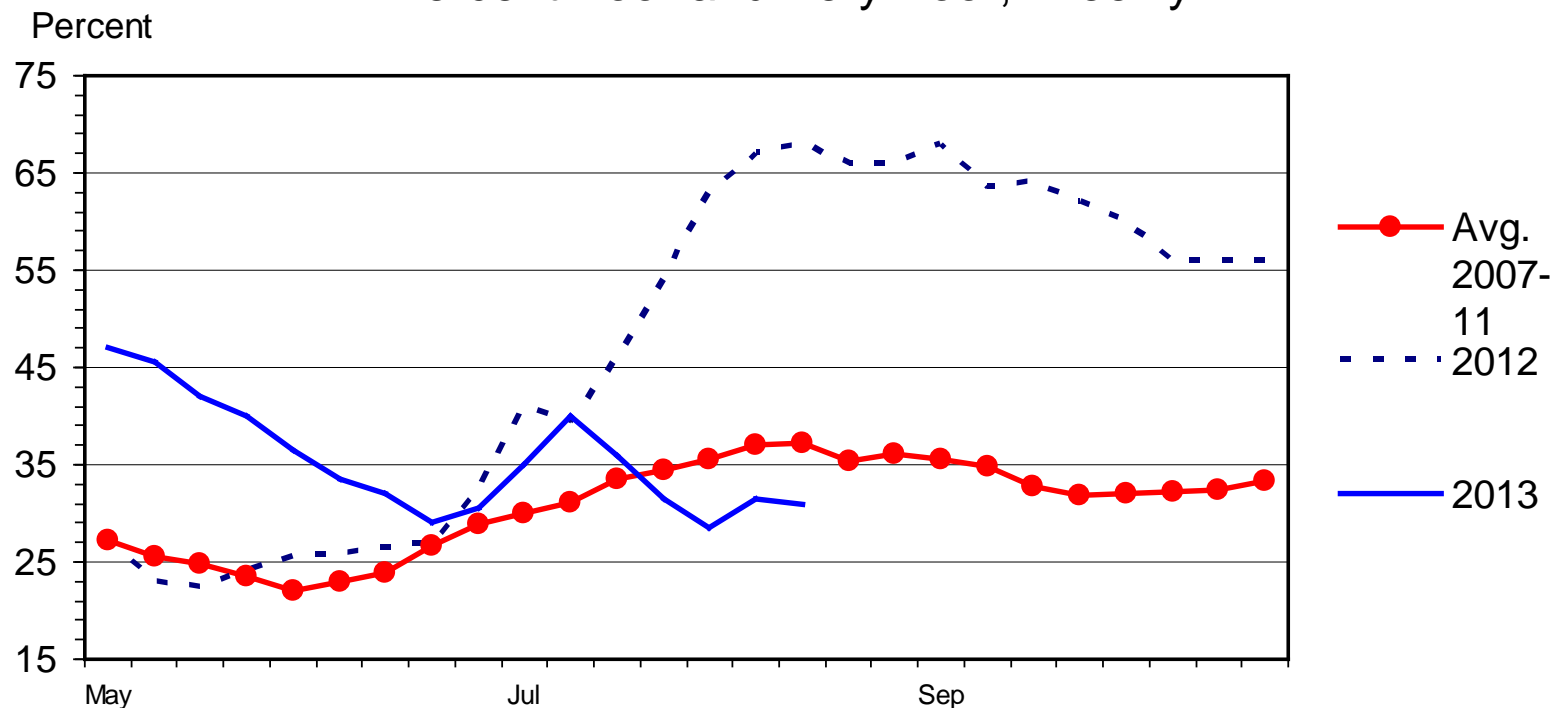
8/19/12: 92%

6/17/12: 48%

(OK, TX)
19.7% of Cows

SOUTHERN PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-33
08/19/13

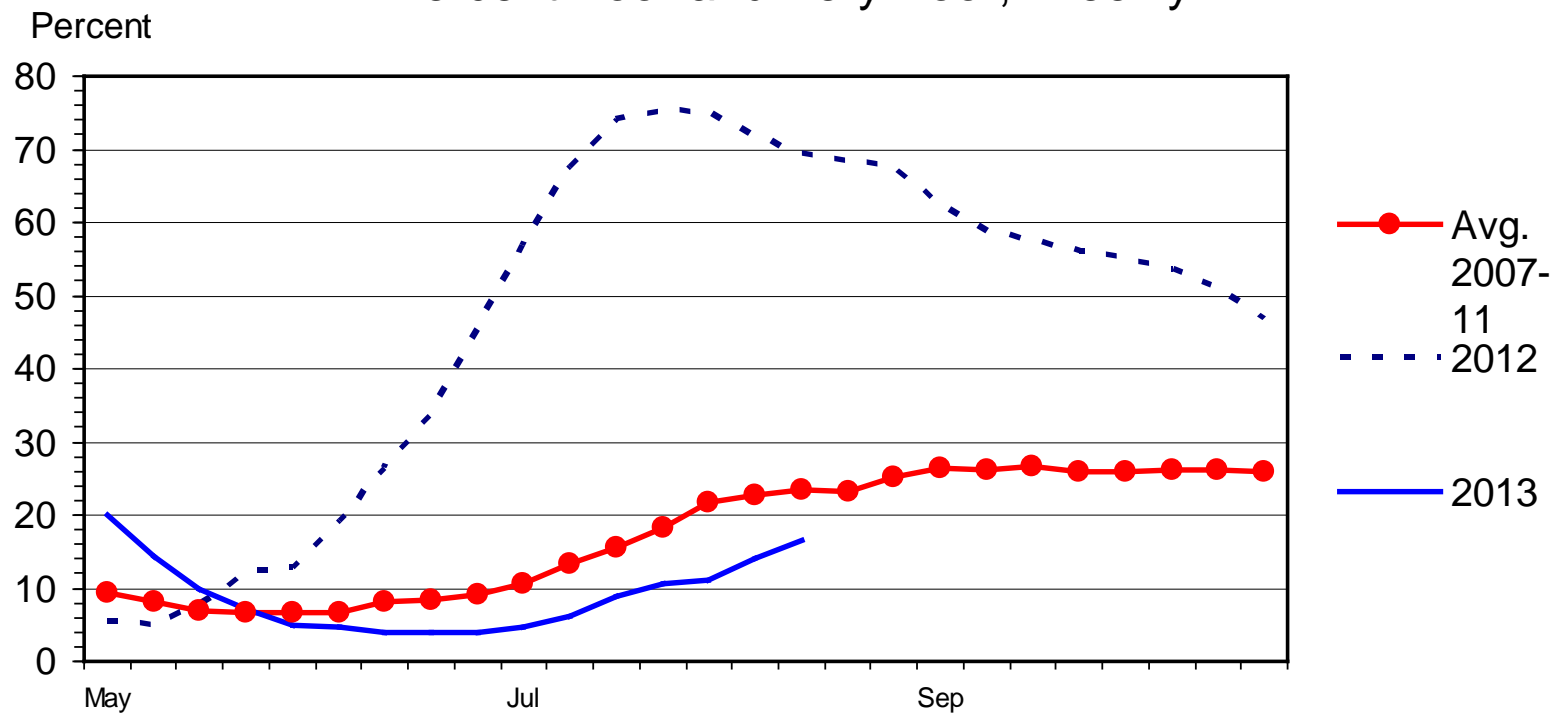
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

(IL, IN, IA, MI, MN,
MO, OH, WI)
14.6% of Cows

CORNBELT REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-34
08/19/13

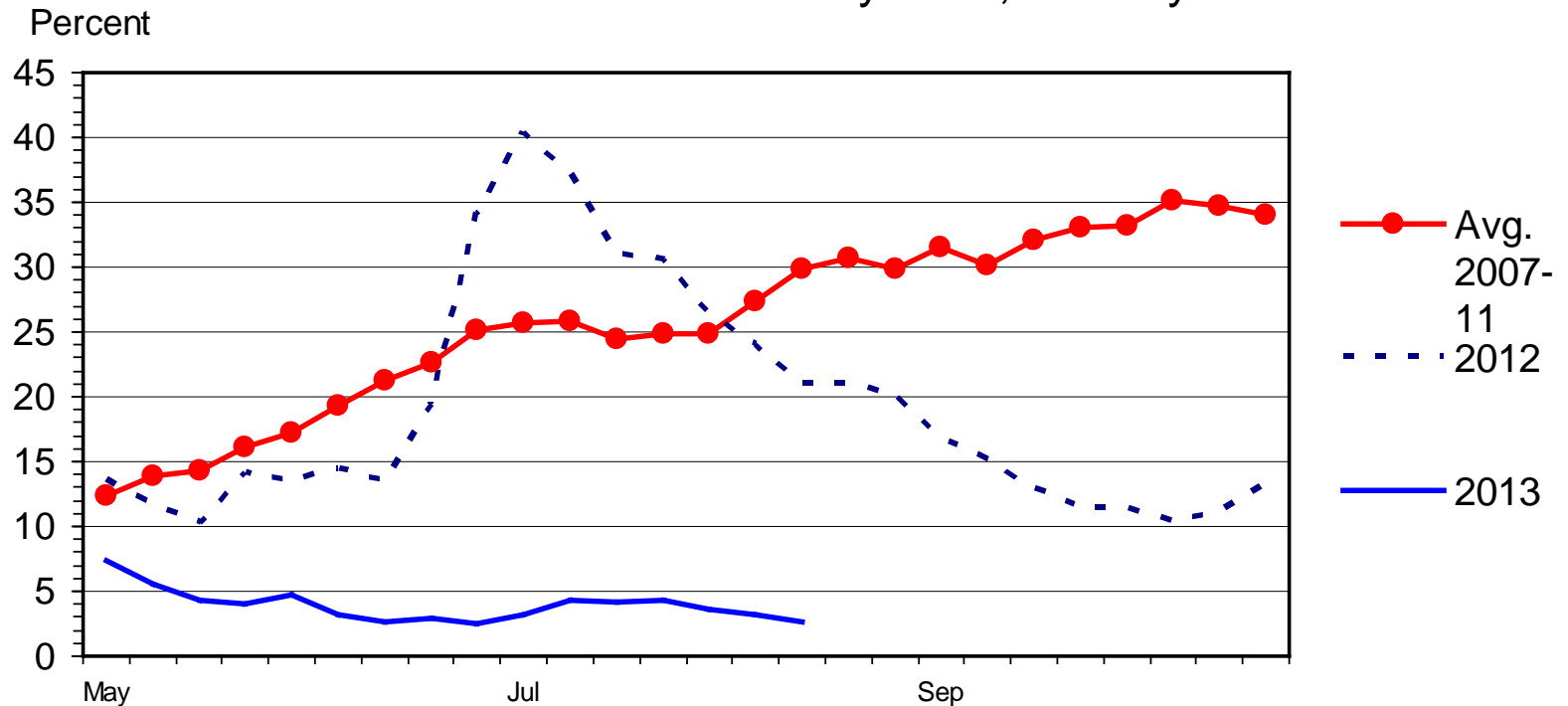
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

(AL, AR, FL, GA, KY,
LA, MS, NC, SC,
TN, VA, WV)
24.7% of Cows

SOUTHEAST REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-36
08/19/13

Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

Economic Outlook Overview :

Cow-Calf

- Improving pastures (nationally), lower forage prices + higher calf prices...
- Are “current improvements” sufficient to trigger expansion?
 - To-date I’d say expansion has NOT been initiated
 - Wait for Jan. 2014 Cattle Inventory Report ...
 - Ad hoc consensus of LMIC members on July 15th

Table 2. Heifers for Beef Cow Replacement (1,000 hd)								
<i>State / Region</i>	<i>1994</i>	<i>2004</i>	<i>2010</i>	<i>2013</i>	<i>1994 (% of US)</i>	<i>2004 (% of US)</i>	<i>2010 (% of US)</i>	<i>2013 (% of US)</i>
TX	980	740	760	600	15.4%	13.4%	13.9%	11.2%
NE	260	280	320	350	4.1%	5.1%	5.9%	6.5%
MO	370	280	280	270	5.8%	5.1%	5.1%	5.0%
OK	345	370	405	280	5.4%	6.7%	7.4%	5.2%
SD	280	290	285	315	4.4%	5.3%	5.2%	5.9%
MT	355	420	340	435	5.6%	7.6%	6.2%	8.1%
KS	280	230	240	230	4.4%	4.2%	4.4%	4.3%
KY	205	160	150	150	3.2%	2.9%	2.8%	2.8%
IA	160	125	130	150	2.5%	2.3%	2.4%	2.8%
ND	190	156	165	207	3.0%	2.8%	3.0%	3.9%
US	6,364	5,508	5,451	5,361				
Great Plains	1,715	1,631	1,615	1,838	26.9%	29.6%	29.6%	34.3%
Southeast	1,596	1,266	1,223	1,140	25.1%	23.0%	22.4%	21.3%
Southern Plains	1,325	1,110	1,165	880	20.8%	20.2%	21.4%	16.4%
Cornbelt	873	777	752	779	13.7%	14.1%	13.8%	14.5%
West	749	630	599	603	11.8%	11.4%	11.0%	11.3%
Northeast	107	94	97	120	1.7%	1.7%	1.8%	2.2%

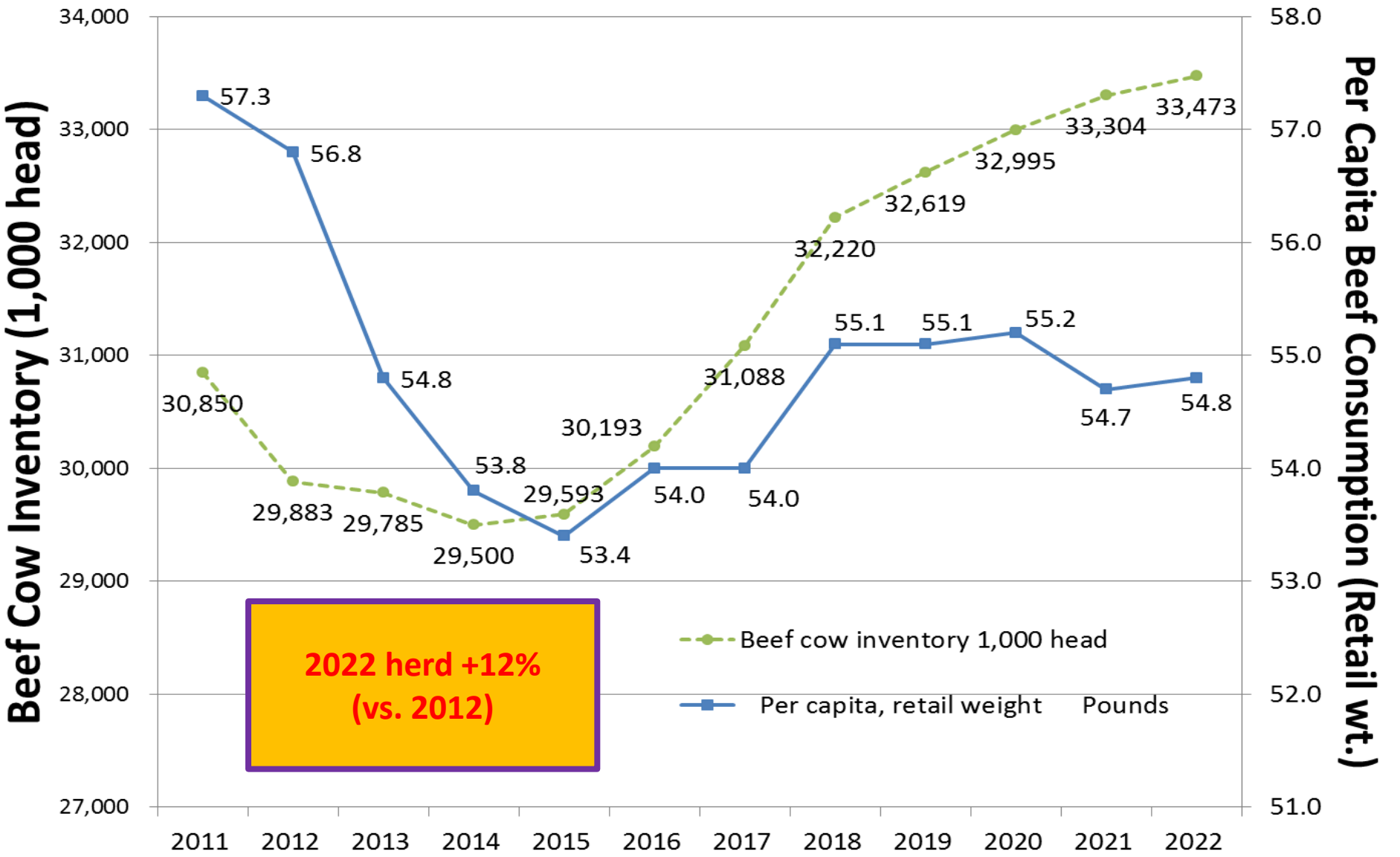
Source: USDA data, compiled by LMIC, modified for presentation by Glynn Tonsor. Regions defined as: *Great Plains* (CO, KS, MT, NE, ND, SD, WY), *Southeast* (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV), *Southern Plains* (OK, TX), *Cornbelt* (IL, IN, IA, MI, MN, MO, OH, WI), and *West* (AK, AZ, CA, HI, ID, NV, NM, OR, UT, WA).

Originally posted in February 4, 2013 *In The Cattle Markets* article.

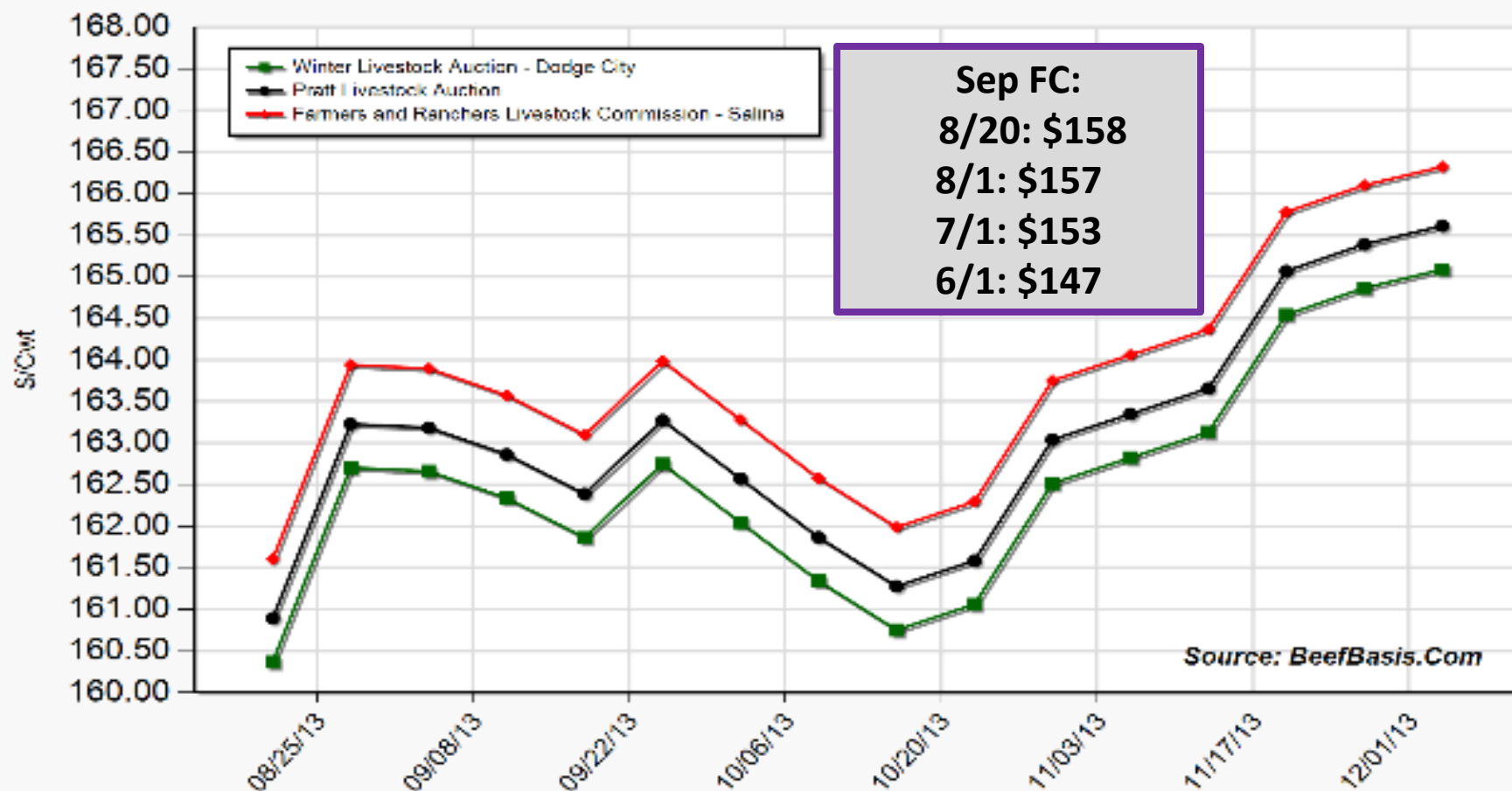
Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

2021 Projection 1.1 million less than Feb. 12'

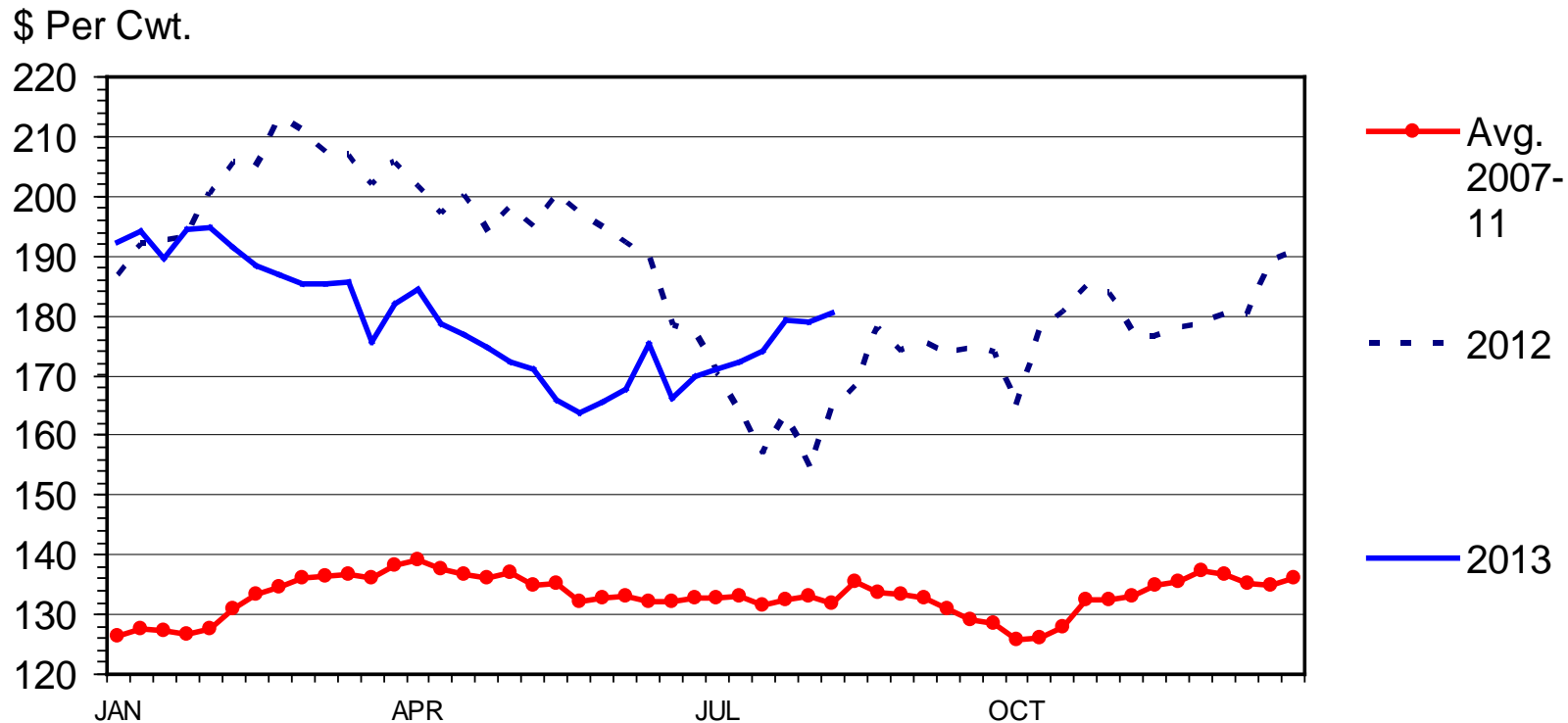


Projected Price for 550 Lb Steer at Selected Kansas Auctions



MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



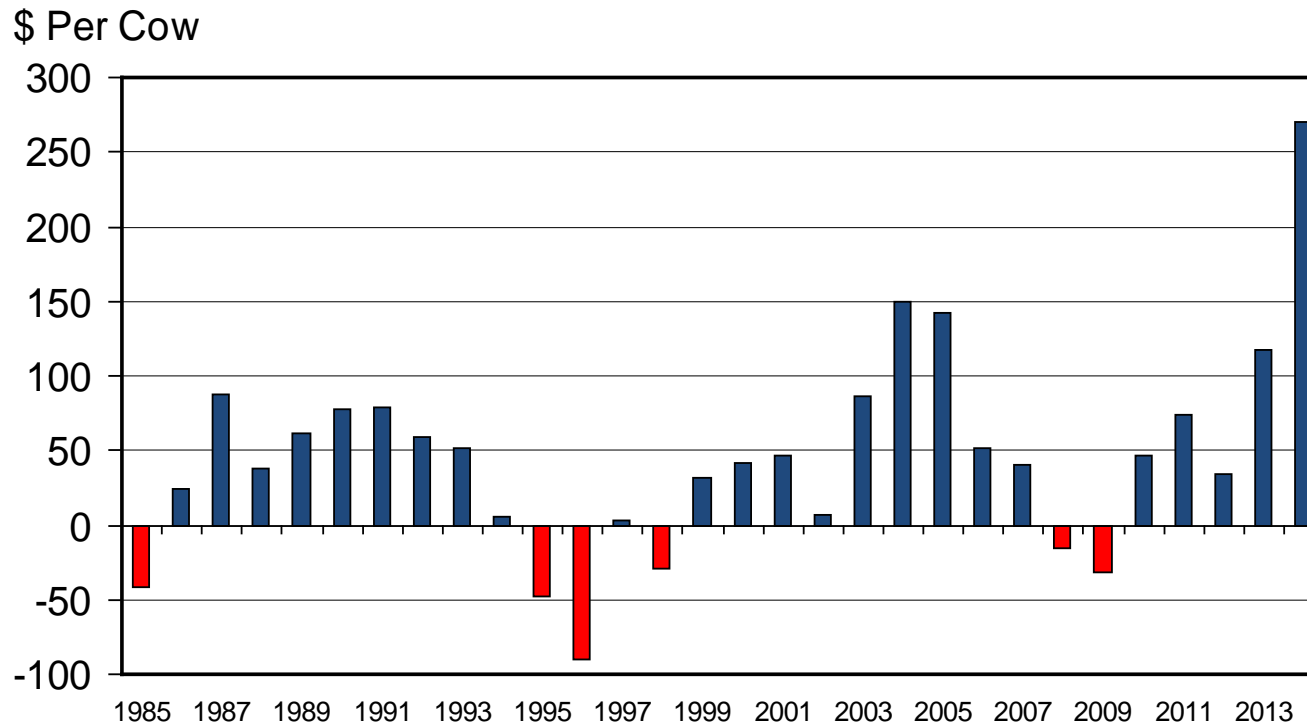
Livestock Marketing Information Center

Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49A
08/05/13

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

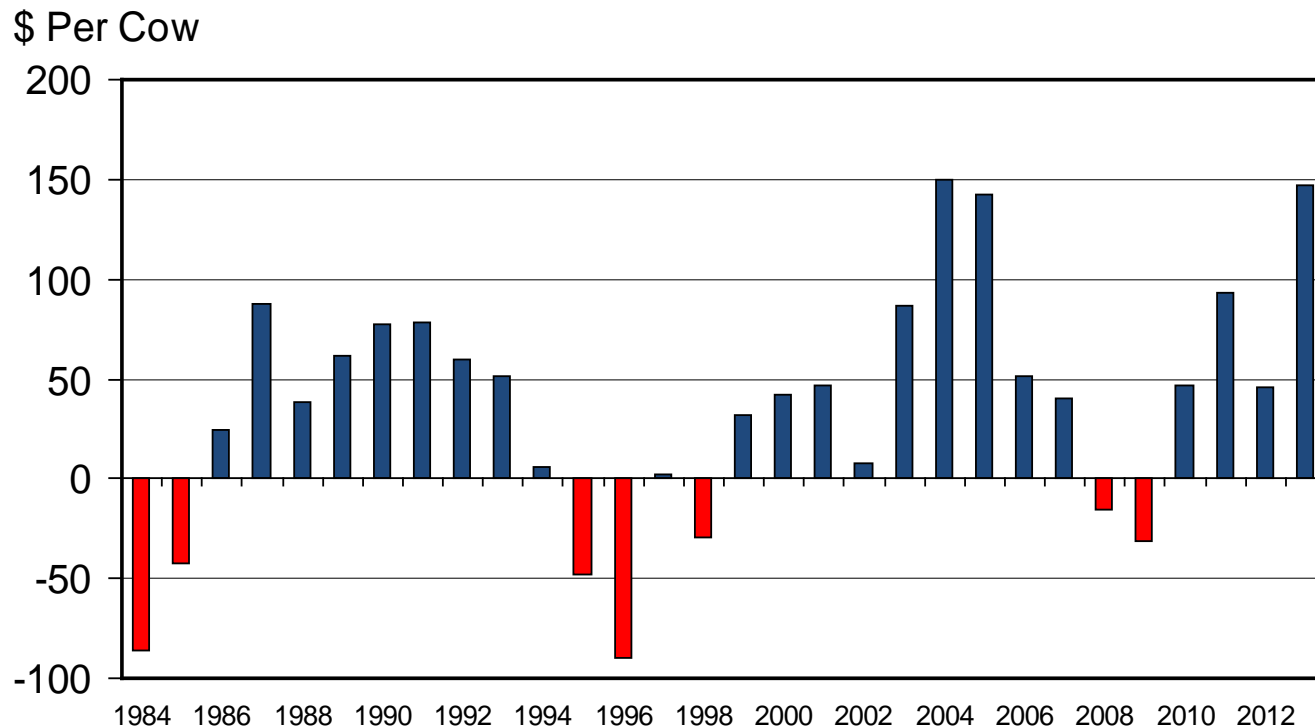
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66

07/31/13

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



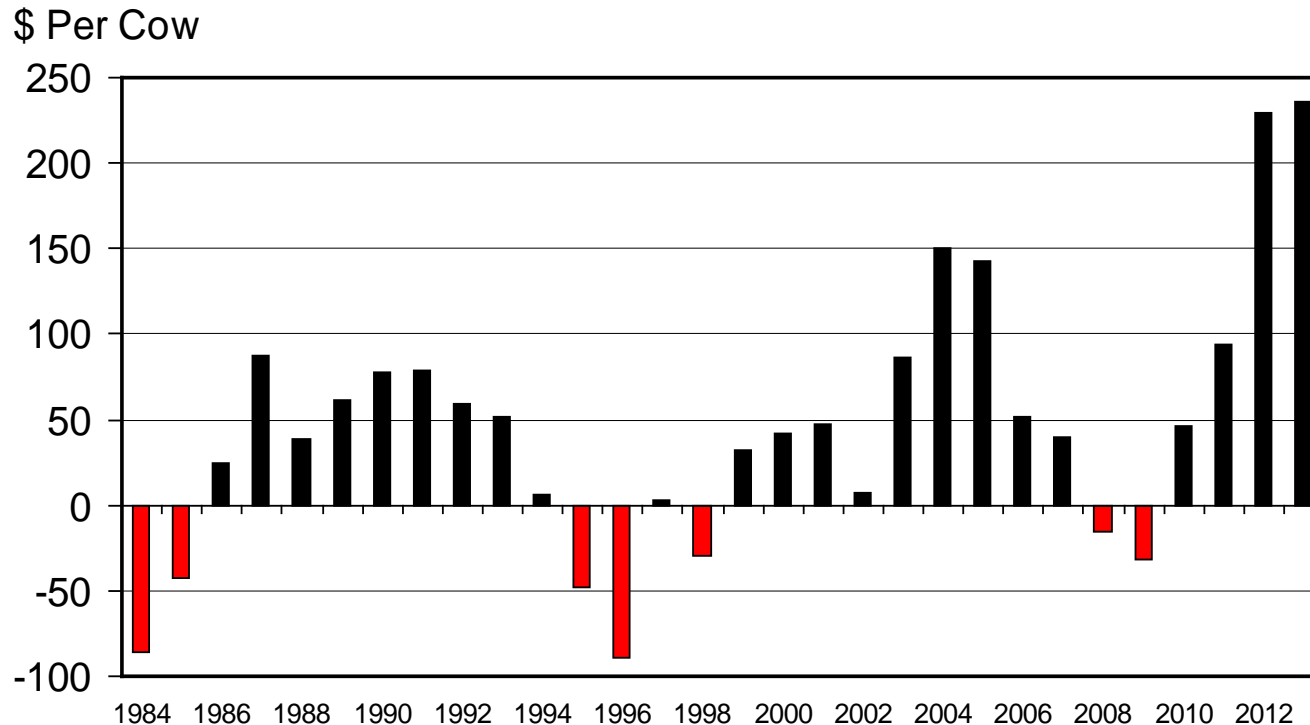
Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66
08/09/12

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

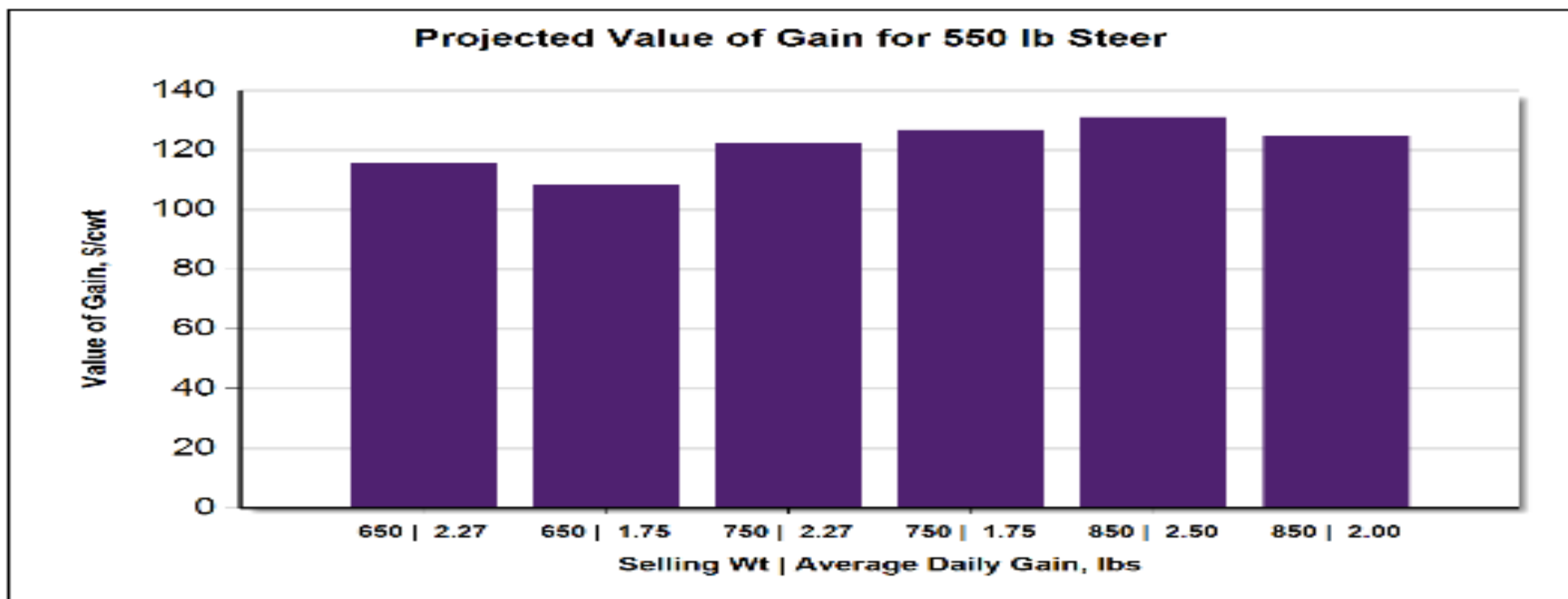
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66
03/21/12

Economic Outlook Overview :

Stockers

- Attractive Values of Gain (VOG) vs. COG
 - For those in many stocker/backgrounding areas ...
- Salina, KS 8/20/13 situation:
 - Buy 550 lb steer on 10/16/13 (\$165.30)
 - Sell 750 lb steer on 1/15/14 (\$154.34) {2.17 ADG}
 - VOG: \$124.21/cwt
 - <http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>



Projected Value of Gain					
Beginning Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, \$/cwt
550	650	10/04/2013	100	2.27	\$115.78
550	650	10/17/2013	100	1.75	\$108.11
550	750	11/17/2013	200	2.27	\$122.47
550	750	12/13/2013	200	1.75	\$126.74
550	850	12/19/2013	300	2.50	\$131.12
550	850	01/18/2014	300	2.00	\$124.66

Note: Projections derived for the Salina, KS market using BeefBasis.com
 Related information is available at: BeefBasis.com

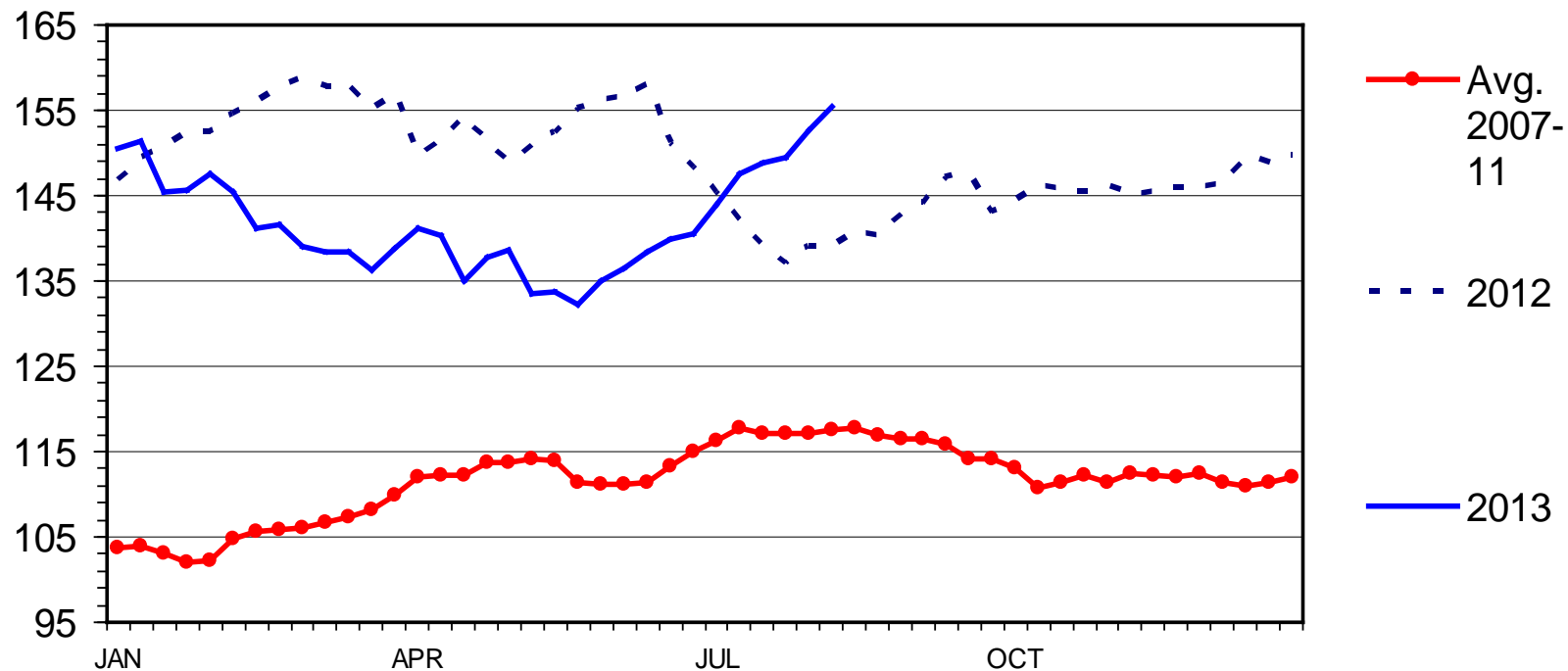
8/21/2013



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49
08/05/13

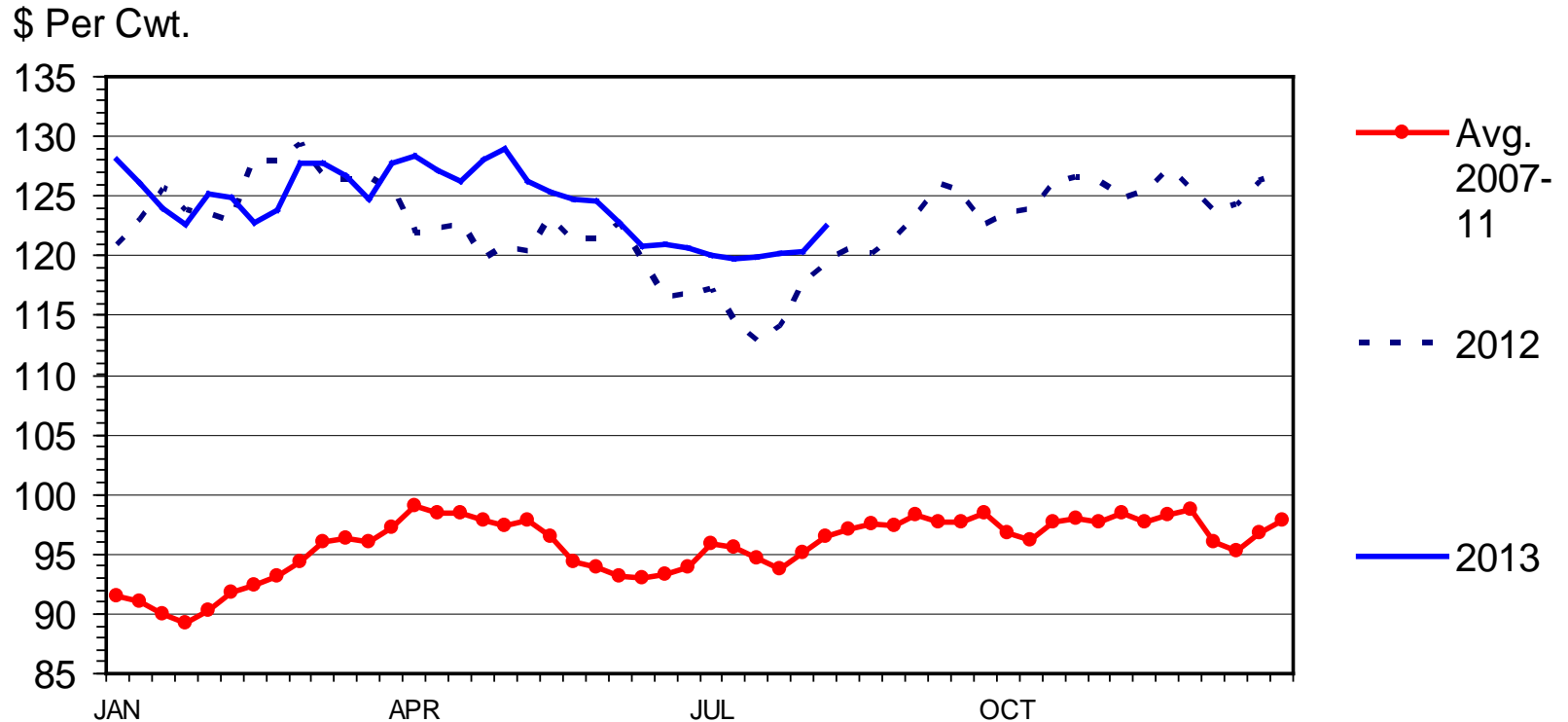
Economic Outlook Overview :

Feedlots

- Excess capacity concerns continue to grow:
 - Heifer Retention (?), MCOOL, *Zilmax*[®] use
 - Feb. 13' ERS projection: 12% herd growth by 2022
- Closeouts have been at historically high losses...
- Temporary “light at end of the tunnel” ???

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



Livestock Marketing Information Center

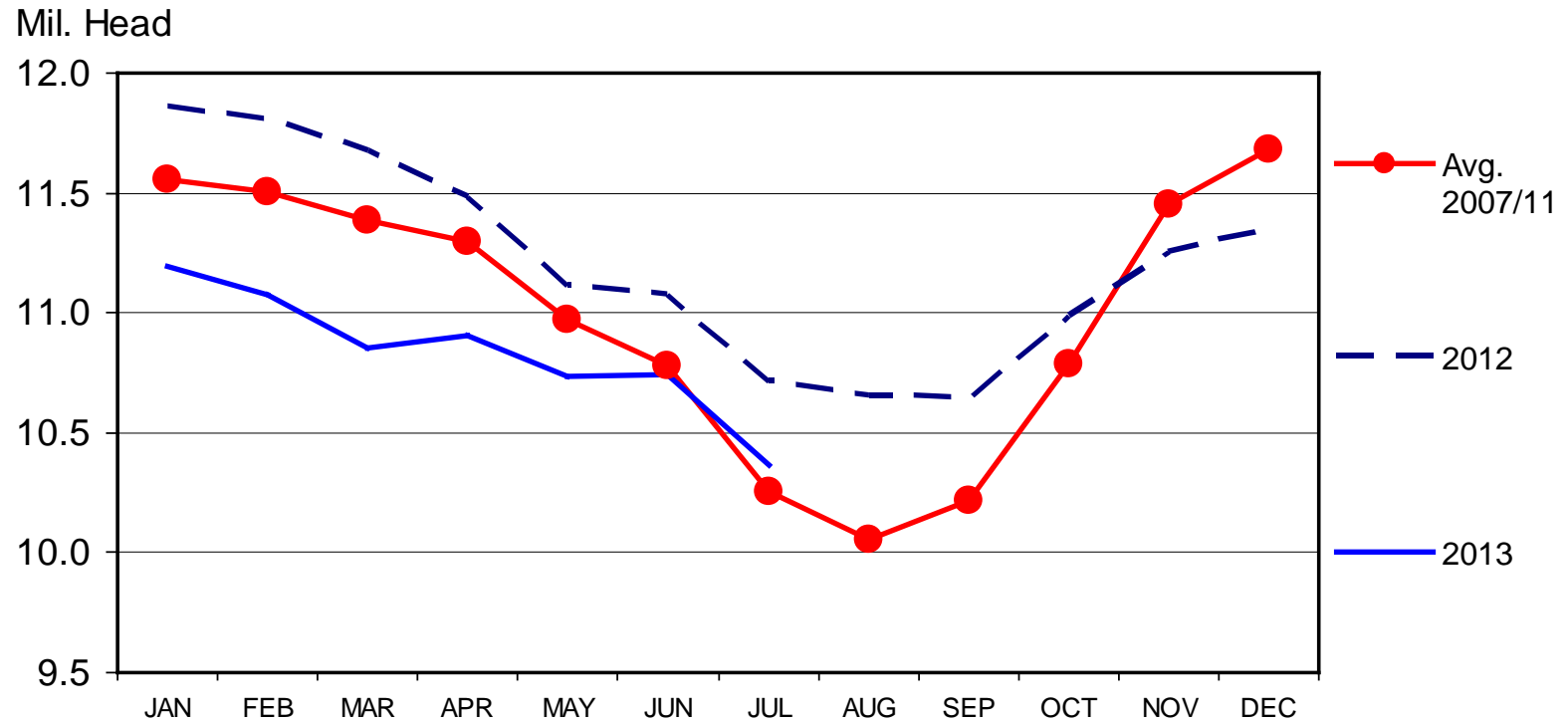
Data Source: USDA-AMS

Pre- 8/23 COF Report Estimates:

On Feed Aug 1 (down 4.2%) {-5.6% to -1.8%}

CATTLE ON FEED

US Total, Monthly



Livestock Marketing Information Center

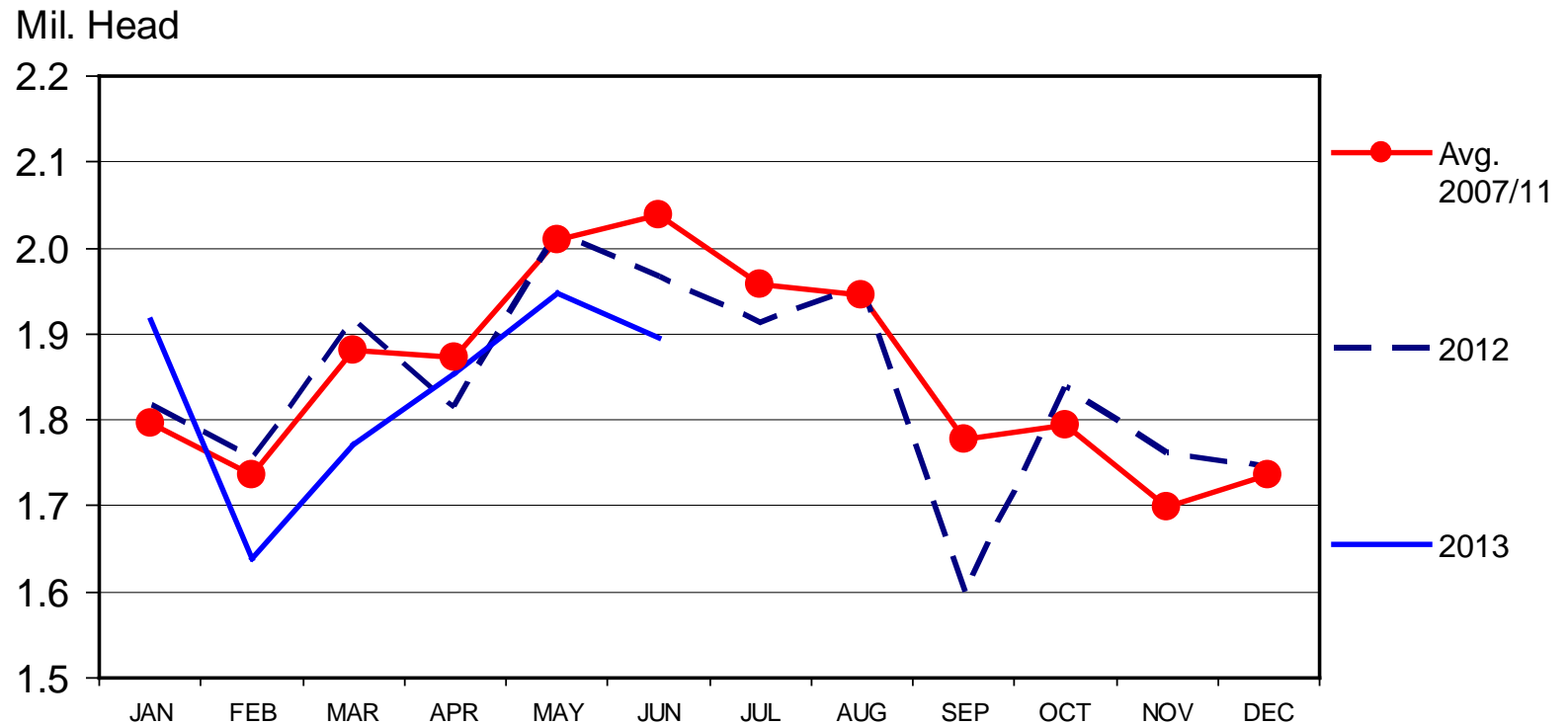
Data Source: USDA-NASS

C-N-10
07/19/13

Pre- 8/23 COF Report Estimates:
Marketed in July (up 4.4%) {+2.5% to +6.1%}

FED CATTLE MARKETINGS

US Total, Monthly



Livestock Marketing Information Center

Data Source: USDA-NASS

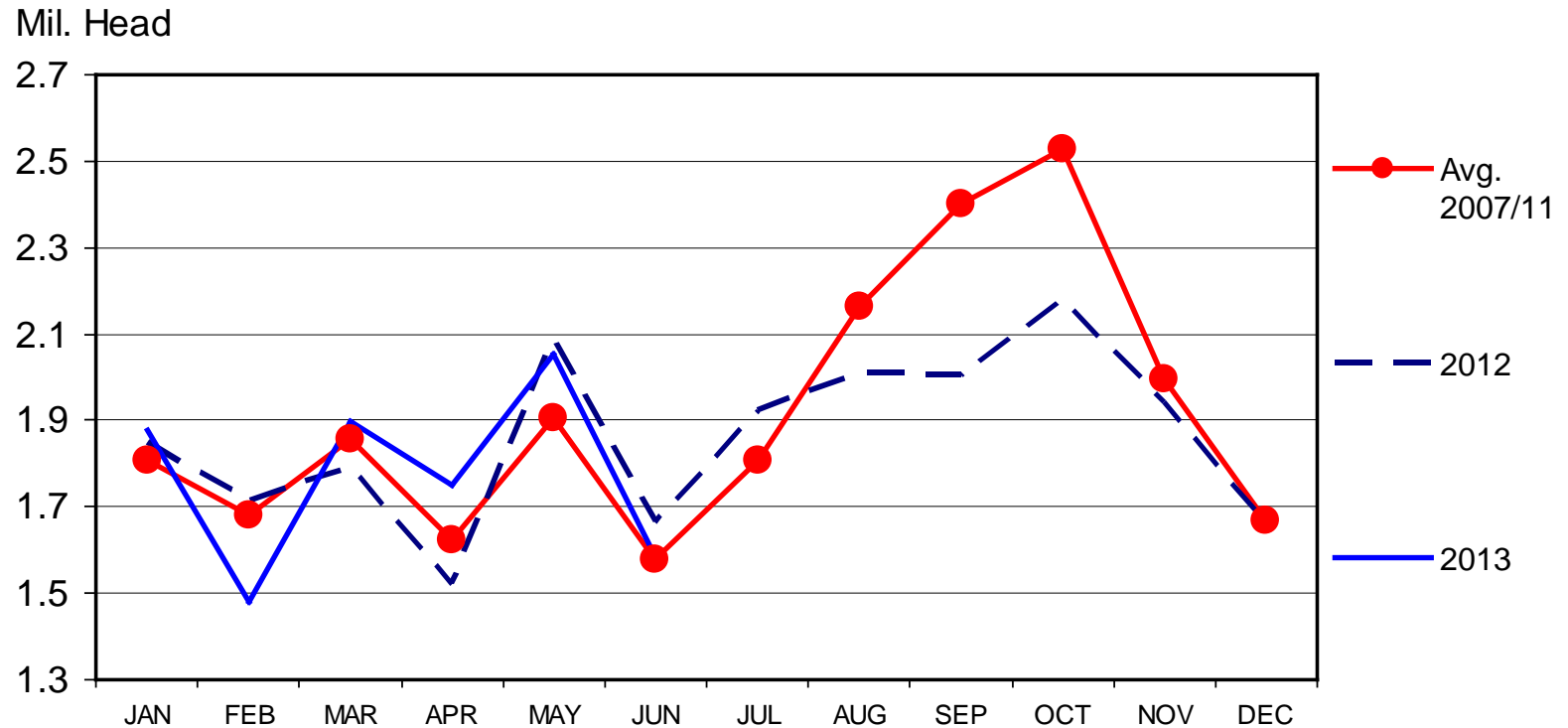
C-M-11
07/19/13

Pre- 8/23 COF Report Estimates:

Placed in July (down 2.5%) *-7.1% to +11.6%*

FEEDLOT PLACEMENTS

US Total, Monthly



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-08
07/19/13

July Feeder Cattle Imports
from Mexico: *-54% Yr-o-Yr*

Historical and Projected Kansas Feedlot Net Returns (as of 8/5/13')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingRet>)

June 13': -\$211/steer

Oct LC:

8/20: \$128.30

8/1: \$124.50

7/1: \$126.25

6/1: \$122.75

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

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jul-13	-158.61	116.31	118.96	137.74	87.88	130.48	118.36
Aug-13	-45.54	119.27	126.30	133.26	110.66	129.55	128.03
Sep-13	-15.22	112.01	126.03	133.18	108.94	127.12	131.48
Oct-13	23.12	107.78	128.87	135.47	112.46	127.22	138.01
Nov-13	0.94	102.50	129.29	142.71	102.68	129.22	142.81
Dec-13	-11.93	97.45	129.41	148.59	95.29	130.25	147.21

Representative Barometer for Trends in Profitability

Zilmax[®] Use

- Beef production direction ‘certain’
 - +/- 29 lbs on steer carcass; 23 lbs for heifers
 - *Zilmax*[®] adds 6-8 lbs more than *Optaflexx*[®]
- Magnitude of impact is very uncertain
 - Ultimately, how does % of fed cattle on *Zilmax*[®], *Optaflexx*[®], Neither change?
 - **How long will these changes last???**
- Feedlots options vary
 - Does this reinforce broader ongoing movements “north” in the feedlot industry?
- August 19, 2013 Daily Livestock Report (DLR w/ CME Group):
 - Approval and proper usage of products is “necessary but not sufficient”...

Quarterly Forecasts (LMIC: 08/12/13)

		% Chg.	Average	% Chg.	Comm'l	% Chg.
Year	Comm'l	from	Dressed	from	Beef	from
Quarter	Slaughter	Year Ago	Weight	Year Ago	Production	Year Ago
2012						
I	8,026	-3.5	782.7	1.5	6,282	-2.0
II	8,309	-3.8	779.0	2.6	6,473	-1.3
III	8,333	-4.6	790.3	2.5	6,586	-2.2
IV	8,283	-1.3	793.5	2.6	6,572	1.3
Year	32,951	-3.3	786.4	2.3	25,913	-1.1
2013						
I	7,779	-3.1	793.4	1.4	6,172	-1.7
II	8,325	0.2	782.8	0.5	6,517	0.7
III	8,112	-2.7	796.1	0.7	6,458	-1.9
IV	7,662	-7.5	798.7	0.7	6,120	-6.9
Year	31,878	-3.3	792.6	0.8	25,267	-2.5
2014						
I	7,221	-7.2	802.2	1.1	5,793	-6.1
II	7,749	-6.9	791.1	1.1	6,130	-5.9
III	7,520	-7.3	804.3	1.0	6,048	-6.3
IV	7,151	-6.7	805.9	0.9	5,763	-5.8
Year	29,641	-7.0	800.7	1.0	23,734	-6.1



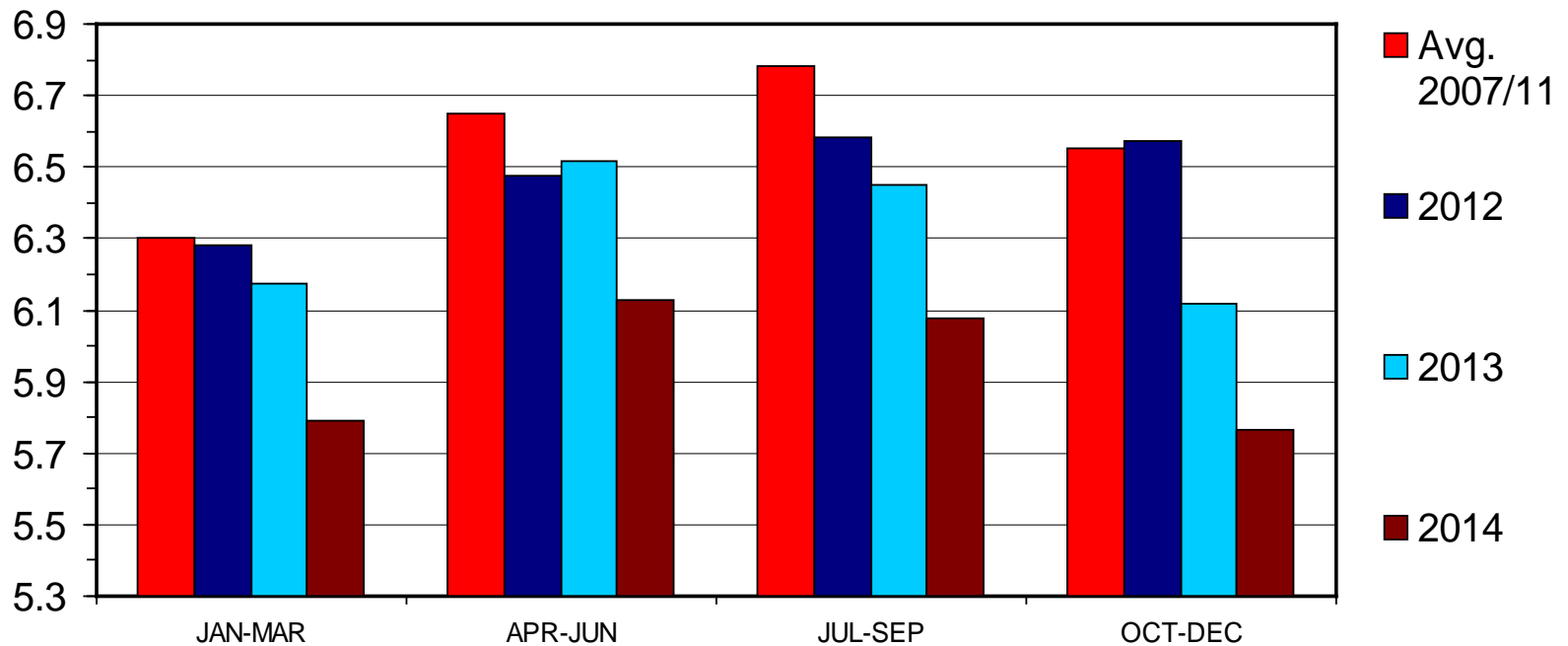
Quarterly Forecasts (LMIC: 08/12/13)

Year Quarter	Live Sltr. Steer Price	% Chg. from	Feeder Steer Price	
	5-Mkt Avg	Year Ago	Southern Plains 7-800#	5-600#
2012				
I	125.30	13.8	154.25	182.41
II	120.91	7.2	152.65	178.65
III	119.69	4.9	141.82	150.57
IV	125.54	2.9	146.50	161.42
Year	122.86	7.1	148.81	168.26
2013				
I	125.51	0.2	142.41	170.13
II	124.95	3.3	137.34	159.71
III	122-123	2.3	147-150	165-168
IV	127-130	2.4	145-149	163-168
Year	125-126	2.1	143-145	164-167
2014				
I	129-133	4.4	148-153	173-180
II	131-136	6.8	152-159	179-188
III	128-134	6.9	155-163	175-186
IV	130-137	3.9	153-162	171-184
Year	130-134	5.2	153-158	177-182

COMMERCIAL BEEF PRODUCTION

Quarterly

Bil. Pounds



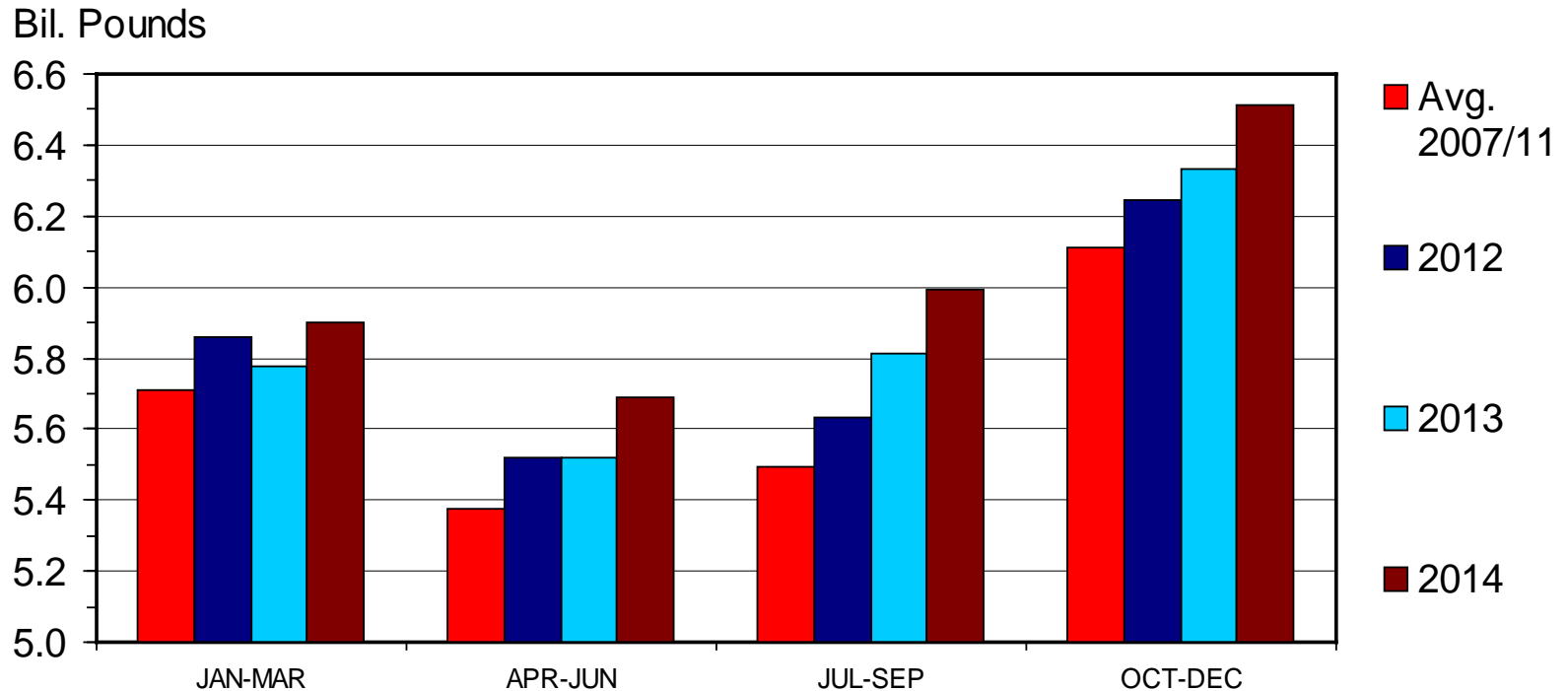
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

M-S-01
08/02/13

COMMERCIAL PORK PRODUCTION

Quarterly



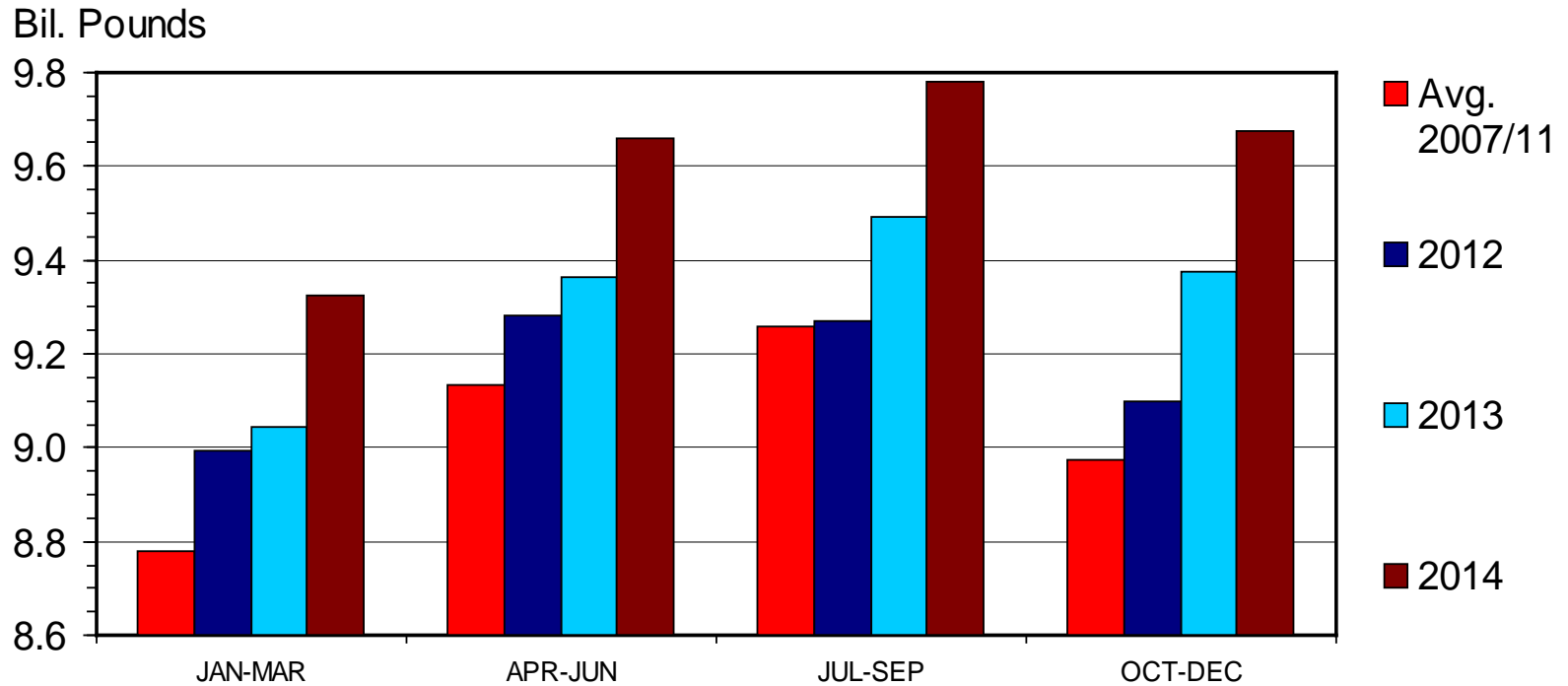
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

M-S-06
08/02/13

RTC BROILER PRODUCTION

Quarterly



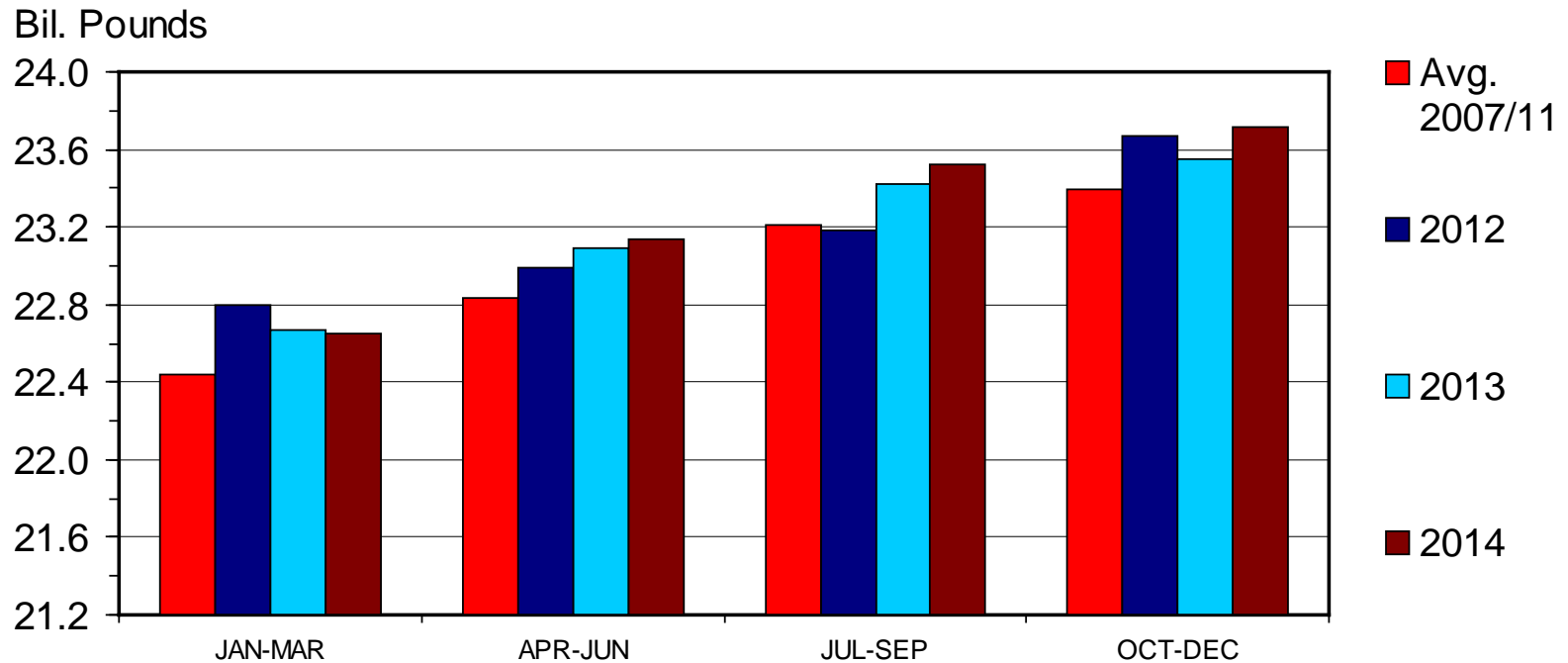
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

M-S-30
08/02/13

TOTAL RED MEAT & POULTRY PRODUCTION

Quarterly



Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Analysis by LMIC

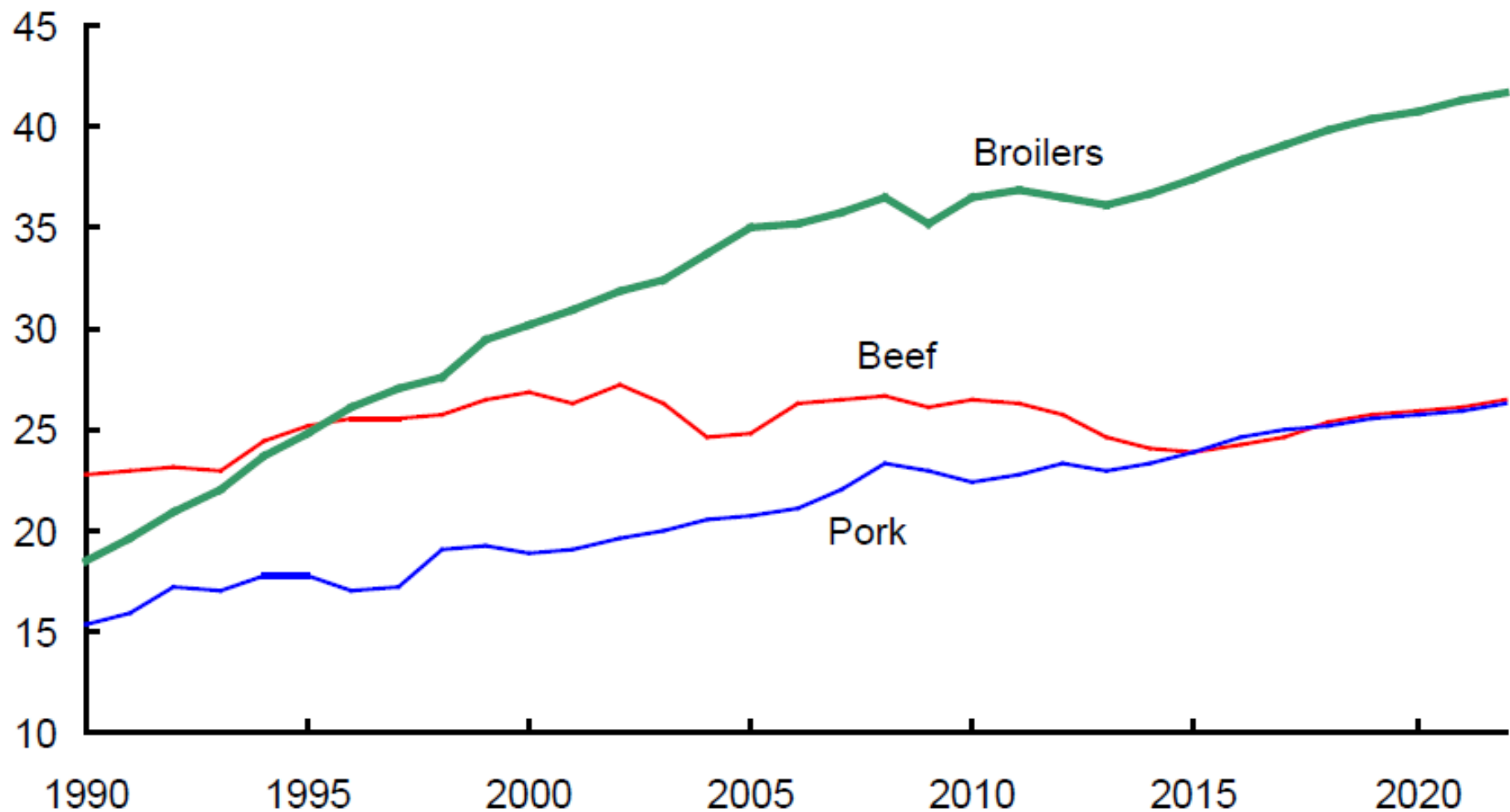
M-S-31
08/02/13

Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

U.S. red meat and poultry production

Billion pounds



Risk & Profit CONFERENCE



K-State Dept. of Agricultural Economics

August 21-22, 2013

**K-State Alumni Center
Manhattan, KS**

*Congress and Bulls
and Bears, Oh my!*

**KANSAS STATE
UNIVERSITY**
Department of Agricultural Economics

Beef Demand: Recent Determinants and Future Drivers

Ted Schroeder

Glynn Tonsor

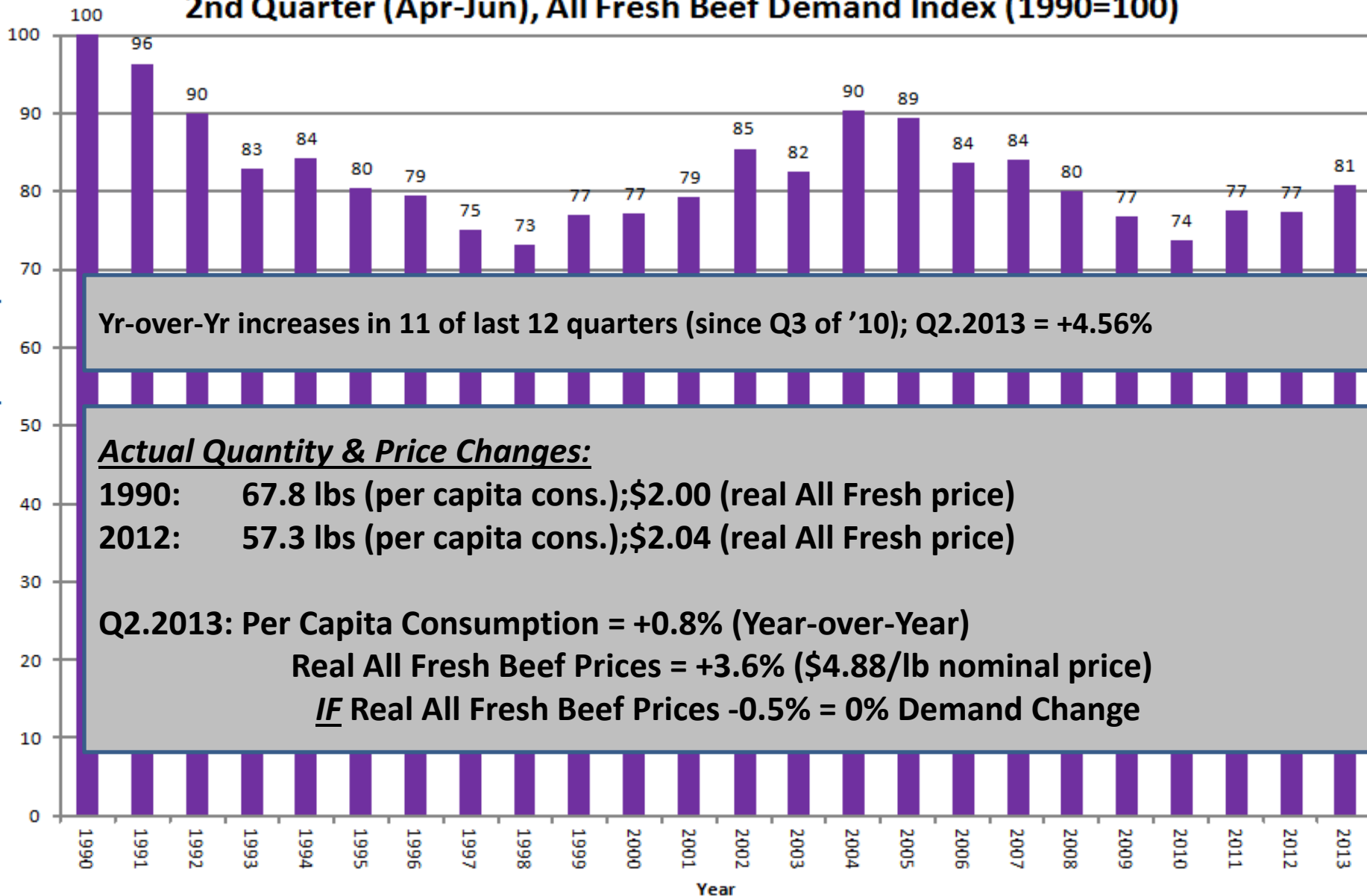
James Mintert

**Research Project completed for the
Cattlemen's Beef Board**

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

2nd Quarter (Apr-Jun), All Fresh Beef Demand Index (1990=100)

Demand Index (1990=100)



Source: Glynn T. Tonsor, Kansas State University, July 2013

Risk & Profit CONFERENCE



K-State Dept. of Agricultural Economics

August 21-22, 2013

**K-State Alumni Center
Manhattan, KS**

*Congress and Bulls
and Bears, Oh my!*

**KANSAS STATE
UNIVERSITY**
Department of Agricultural Economics

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

**Glynn Tonsor,
Kansas State University**

Wrap-up Summary Thoughts

- Opportunity exists in multiple venues
 - Herd expansion pending?
 - Value-added opportunities for sound management
 - Domestic demand strength warrants appreciation
 - Remain bullish on global demand going forward
- Current and Potential Threats also persist
 - Impact of Excess Capacity Resolution Lingers
 - Uncertainty on many fronts restricts investment
 - Several examples of “infighting” within the industry

More information available at:



This presentation is available in PDF format at:

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

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Beef-Cattle Economics webinar series

Series of quarterly webinars on beef-cattle markets and other industry-related issues.

Remaining 2013 schedule (1:30 CST)

November 5

For details about specific topics and registering for webinars see additional information on AgManager.info AND <http://www.meatingplace.com/Industry/Webinars>

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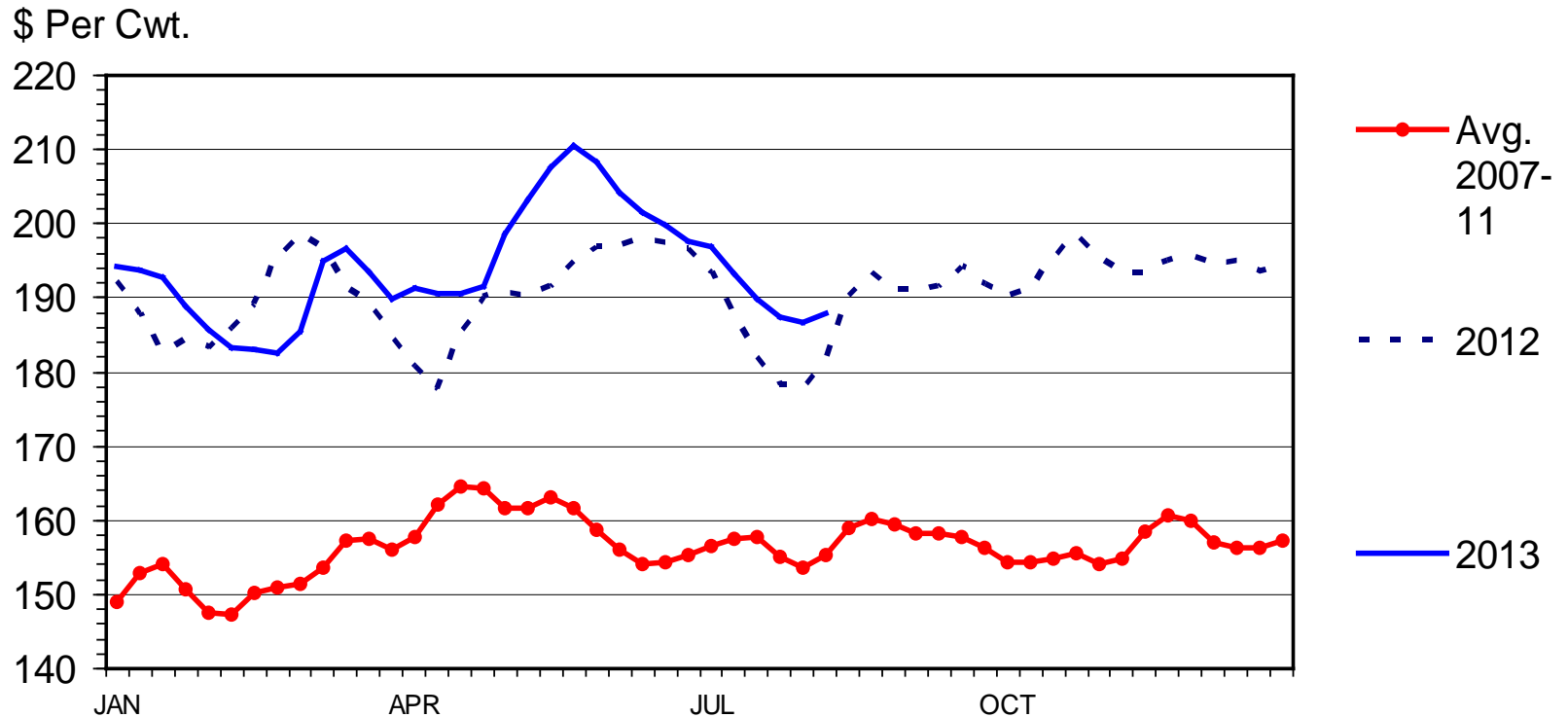
<http://www.AgManager.info/Evaluation/Email.htm>



www.agmanager.info

BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs. Carcass, Weekly



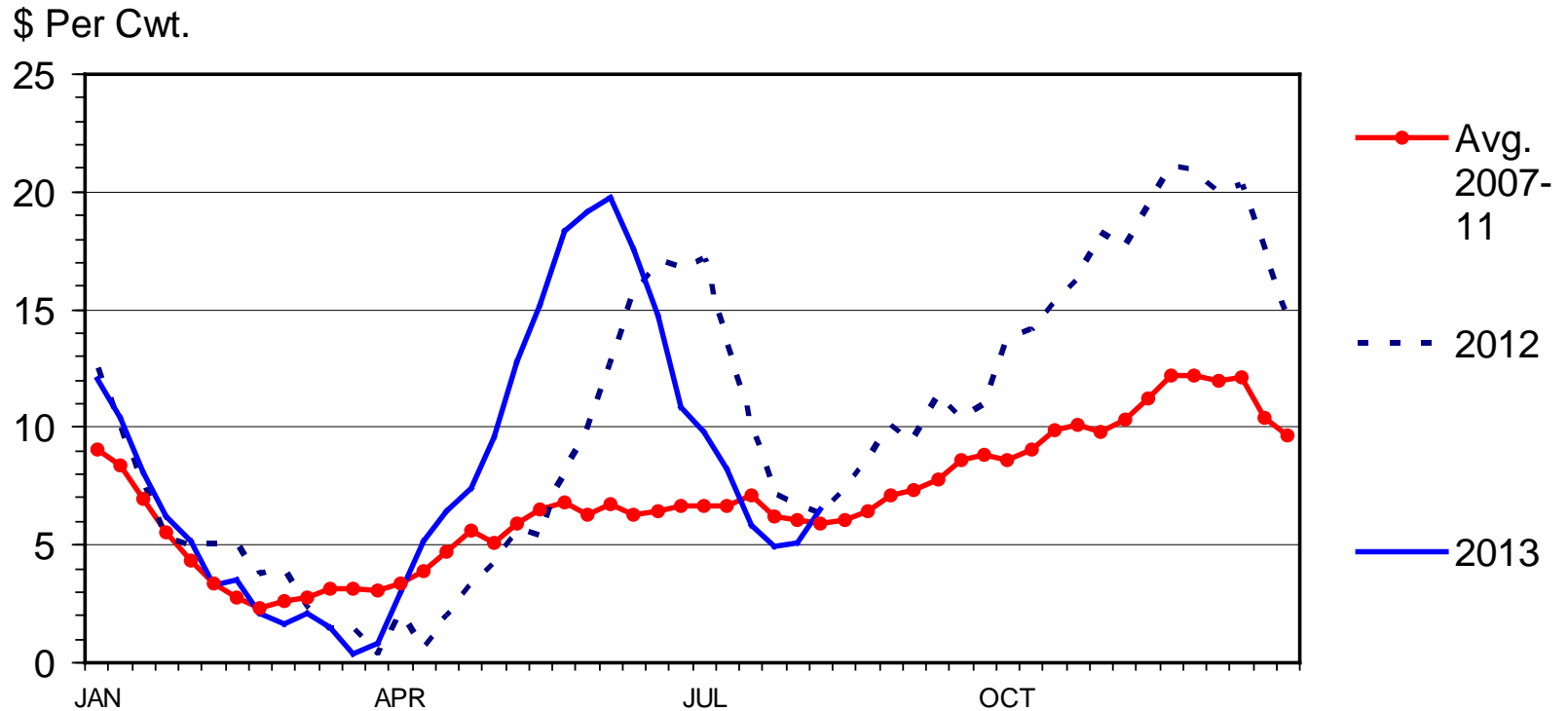
Livestock Marketing Information Center

Data Source: USDA-AMS

C-P-62
08/05/13

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-68
08/05/13