

GENERAL SESSION I
Livestock Market Situation and Outlook

Glynn Tonsor, Kansas State University

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

The combination of historically tight livestock supplies, reduced feedstuffs prices, lingering animal health concerns in the swine industry, and stronger than perhaps expected retail and export meat demand have underpinned historically high prices and profit margins for many segments of the broader meat and livestock industry so far in 2014. This session will primarily focus on the U.S. beef and cattle industry and summarize this situation and highlight "big picture factors" that will notably influence profitability in coming months and years. The session will include time for informal exchange of thoughts on broader economic issues facing the entire livestock and meat industry – so bring your questions!

Risk & Profit
CONFERENCE



K-State Dept. of Agricultural Economics
August 21-22, 2014
K-State Alumni Center
Manhattan, KS

Ag Policy: Here,
There, Everywhere
KANSAS STATE
UNIVERSITY
Department of Agricultural Economics

Livestock Industry Outlook Overview

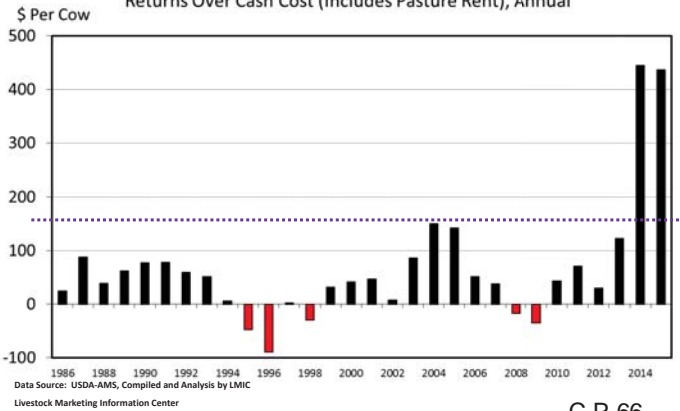
Glynn Tonsor
Dept. of Agricultural Economics
Kansas State University



Overarching Beef Industry Economic Outlook

- Supplies
 - Continued pull down, both in # of head & beef lbs
 - Mixed expansion signals
- Demand
 - Confusing yet positive: Q2.2014 best since Q4.2004
 - Reinforced by record setting pork demand
- Combined:
 - “Historic” price levels, excitement, & uncertainty...

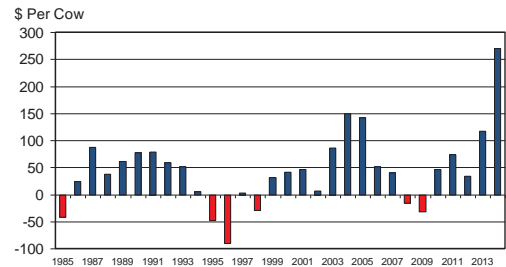
ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual



C-P-66
07/16/14

What will it take to trigger herd expansion?

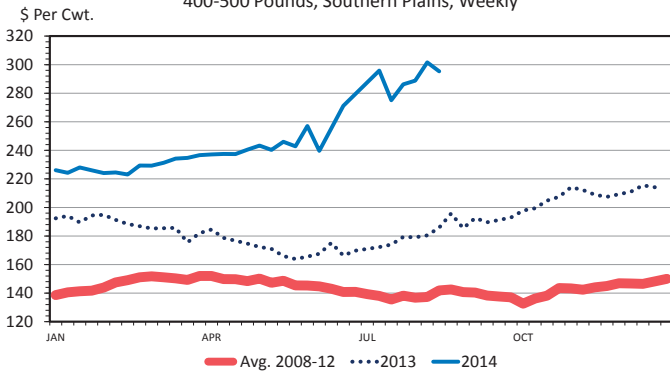
ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual



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

C-P-66
07/31/13

MED. & LRG. #1 STEER CALF PRICES
400-500 Pounds, Southern Plains, Weekly

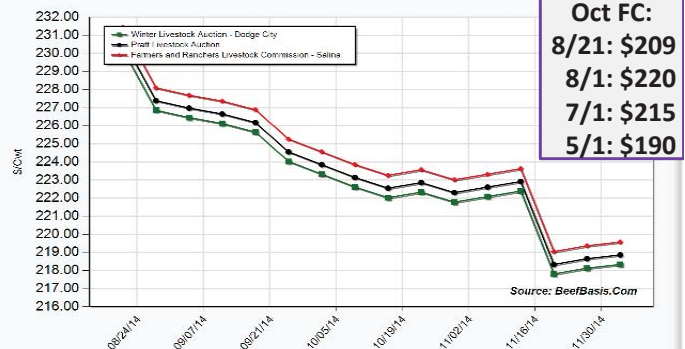


Data Source: USDA-AMS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

C-P-49A
08/18/14

As of: 8/21/14'

Projected Price for 550 Lb Steer at Selected Kansas Auctions

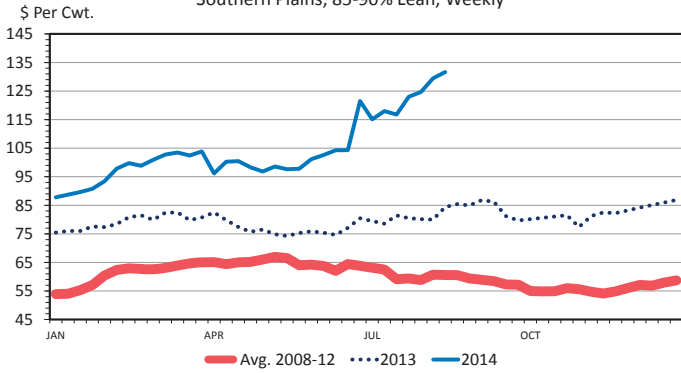


<http://www.agmanager.info/livestock/marketing/graphs/cattle/prices/default.asp>



SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

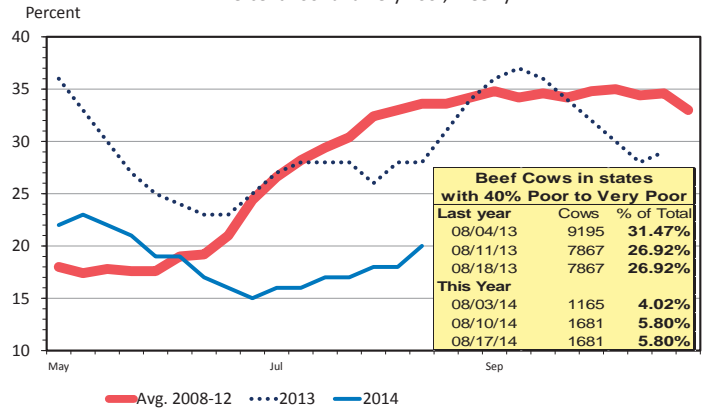


Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-35
08/18/14

US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

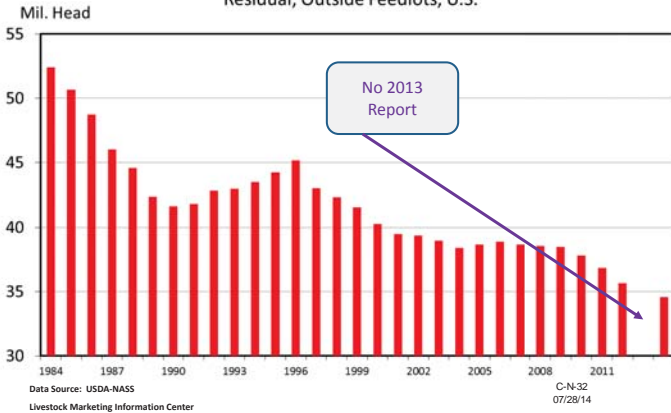


Data Source: USDA-NASS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

G-NP-30
08/18/14

JULY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

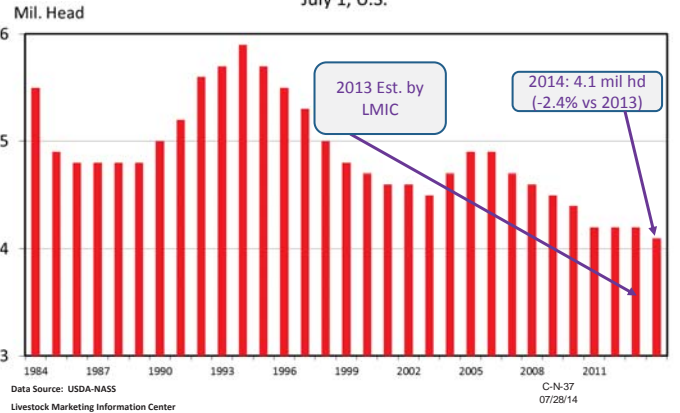


Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-32
07/28/14

HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

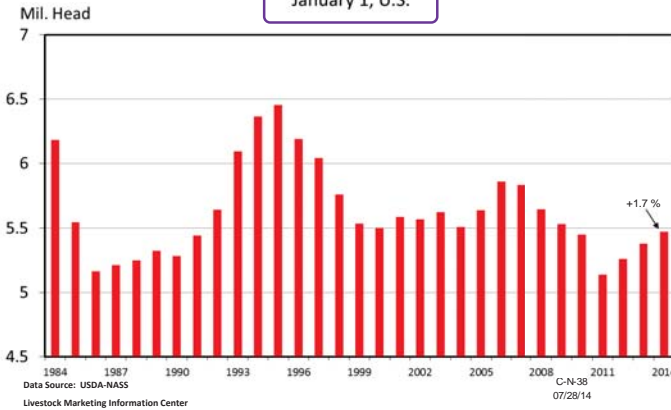


Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-37
07/28/14

HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



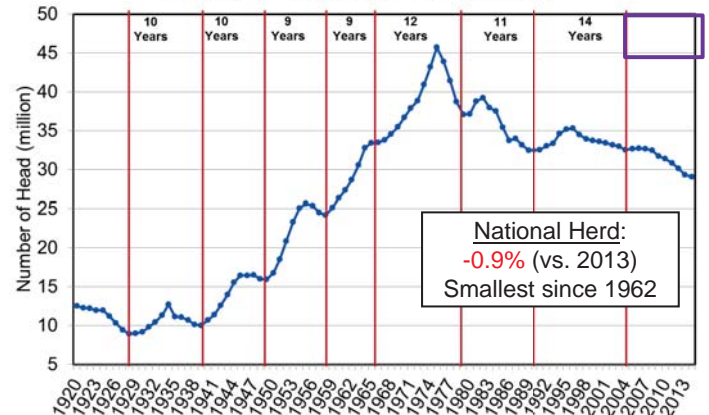
Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-38
07/28/14

Pending Expansion? – How Fast?,
How Large?, How Long?...

Come to Breakout Session!

January 1 U.S. Beef Cow Inventory

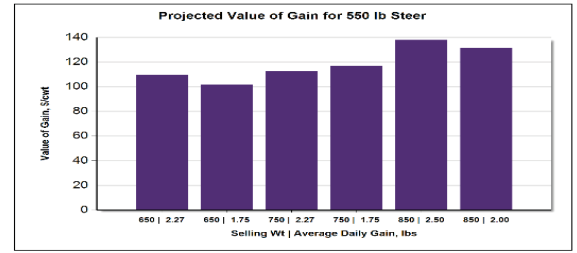


Data Source: USDA/NASS

Economic Outlook Overview: Stockers

- Attractive Values of Gain (VOG) vs. COG
 - For those in many stocker/backgrounding areas ...
 - Notably higher VOGs than feedlot COG projections...
- Salina, KS 8/21/14 situation:
 - Buy 550 lb steer on 9/17/14 (\$227.21)
 - Sell 750 lb steer on 12/24/14 (\$200.29) {2.02 ADG}
 - VOG: \$126.27/cwt
 - Sell 850 lb steer on 2/11/15 (\$194.29) {2.03 ADG}
 - VOG: \$133.95/cwt

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



| Beginning Weight, lbs | Ending Weight, lbs | Date | Weight Gain, lbs/d | ADG, lbs | Value of Gain, \$/cwt |
|-----------------------|--------------------|------------|--------------------|----------|-----------------------|
| 550 | 650 | 10/04/2014 | 100 | 2.27 | \$109.44 |
| 550 | 650 | 10/17/2014 | 100 | 1.75 | \$101.70 |
| 550 | 750 | 11/17/2014 | 200 | 2.27 | \$112.40 |
| 550 | 750 | 12/13/2014 | 200 | 1.75 | \$116.64 |
| 550 | 850 | 12/19/2014 | 300 | 2.50 | \$137.78 |
| 550 | 850 | 01/18/2015 | 300 | 2.00 | \$131.29 |

Note: Projections derived for the Salina, KS market using BeefBasis.com. Related information is available at: BeefBasis.com. 8/21/2014.

<http://www.agmanager.info/livestock/marketing/graphs/cattle/prices/VOG.asp>

Economic Outlook Overview: Feedlots

- 2014 to-date has been MUCH better than 2013
- Fed-cattle break-even prices rising rapidly...
- Excess capacity concerns persist:
 - Calf Crop, Heifer Retention, Plant Closures, & MCOOL...

Historical and Projected Kansas Feedlot Net Return (as of 8/4/14')

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

June 14': +\$197/steer
(6th straight mo > \$125/steer – first sequence EVER)

Oct LC:
8/21: \$145
8/1: \$156
7/1: \$155
5/1: \$140

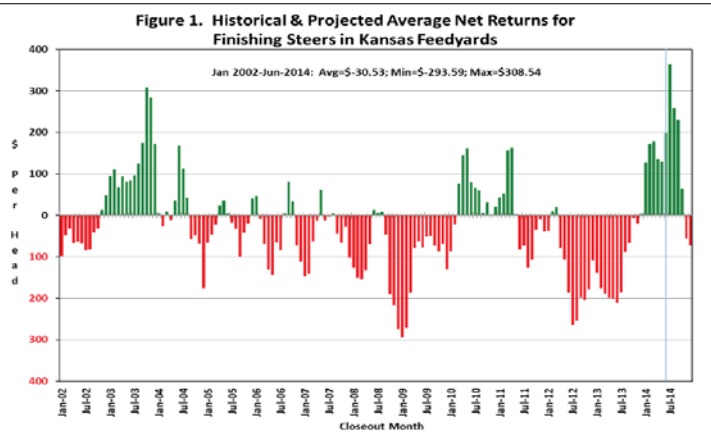
Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

| Closeout Mo-Yr | Net Return | FCOG** | Fed Price | Feeder Price | Breakeven FCOG** | Breakeven Fed Price | Breakeven Feeder Price |
|----------------|------------|--------|-----------|--------------|------------------|---------------------|------------------------|
| Jul-14 | 364.86 | 87.04 | 157.54 | 164.05 | 145.29 | 131.61 | 210.78 |
| Aug-14 | 258.09 | 87.75 | 156.33 | 169.66 | 132.23 | 138.35 | 199.83 |
| Sep-14 | 230.09 | 87.47 | 155.67 | 173.24 | 126.40 | 139.47 | 200.99 |
| Oct-14 | 63.99 | 86.83 | 156.76 | 191.26 | 98.26 | 152.26 | 198.67 |
| Nov-14 | -55.85 | 85.08 | 157.01 | 206.94 | 75.03 | 160.98 | 200.38 |
| Dec-14 | -72.98 | 84.23 | 155.09 | 211.35 | 72.41 | 160.08 | 202.72 |

Representative Barometer for Trends in Profitability

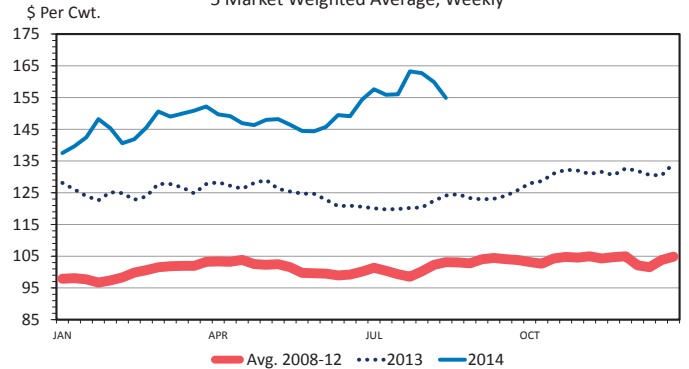
Historical and Projected Kansas Feedlot Net Returns (as of 8/4/14')

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



SLAUGHTER STEER PRICES

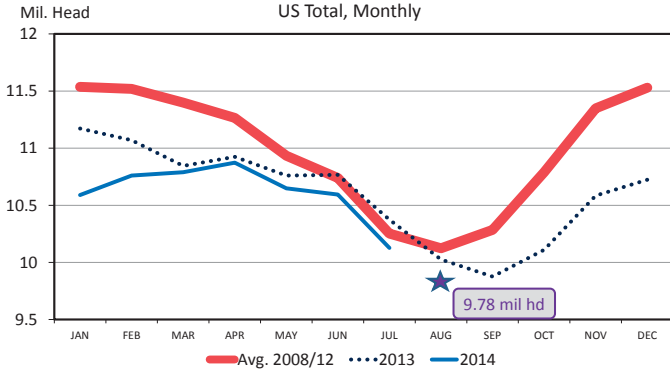
5 Market Weighted Average, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

Pre- 8/22 COF Report Estimates:
On Feed Aug 1: **-2.4%** {-3.1% to -1.7%}

CATTLE ON FEED
US Total, Monthly

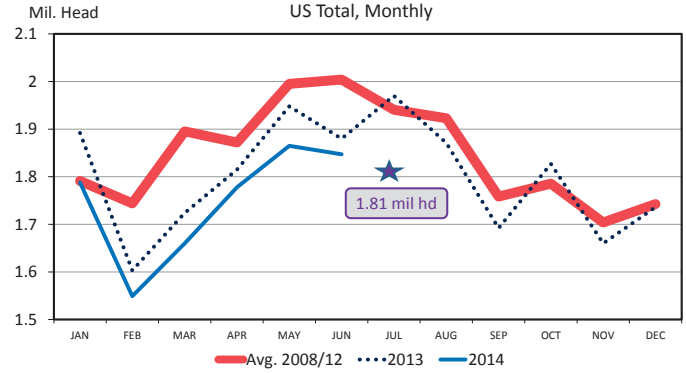


Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-10
07/25/14

Pre- 8/22 COF Report Estimates:
Marketed in July: **-8.3%** {-9.0% to -7.6%}

FED CATTLE MARKETINGS
US Total, Monthly

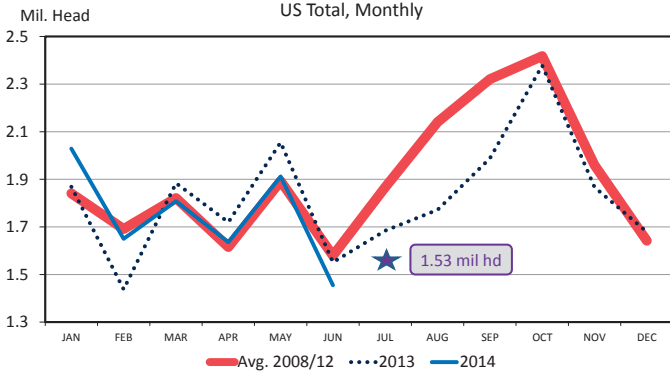


Data Source: USDA-NASS
Livestock Marketing Information Center

C-M-11
07/25/14

Pre- 8/22 COF Report Estimates:
Placed in July: **-9.1%** {-13.7% to -5.0%}

FEEDLOT PLACEMENTS
US Total, Monthly



Data Source: USDA-NASS
Livestock Marketing Information Center

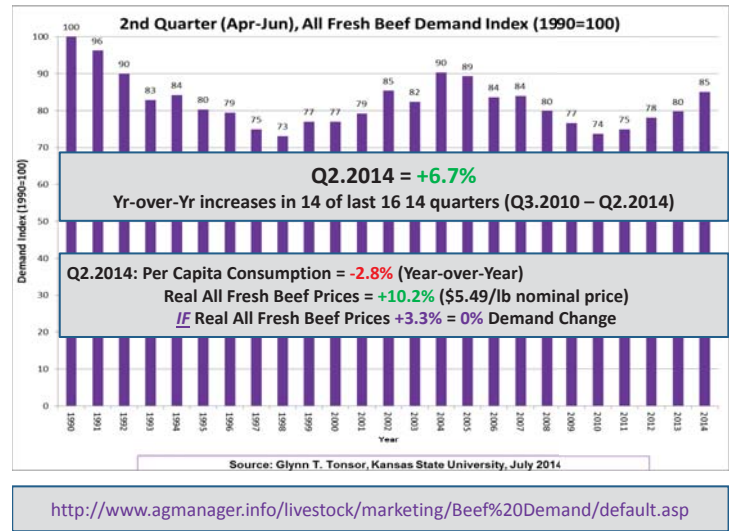
C-N-08
07/25/14

Quarterly Forecasts (LMIC: 8/5/14)

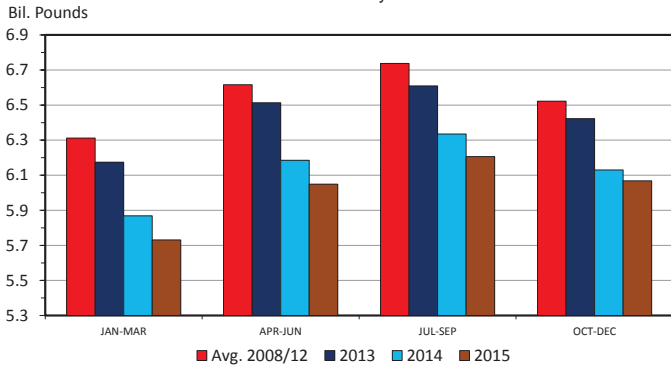
| Year | Comm'l | % Chg. from Year Ago | Average Dressed Weight | % Chg. from Year Ago | Comm'l Beef Production | % Chg. from Year Ago |
|------|--------|----------------------|------------------------|----------------------|------------------------|----------------------|
| 2013 | | | | | | |
| I | 7,781 | -3.1 | 793.5 | 1.4 | 6,175 | -1.7 |
| II | 8,325 | 0.2 | 782.4 | 0.4 | 6,513 | 0.6 |
| III | 8,321 | -0.1 | 794.3 | 0.5 | 6,609 | 0.4 |
| IV | 8,035 | -3.0 | 799.4 | 0.7 | 6,423 | -2.3 |
| Year | 32,462 | -1.5 | 792.3 | 0.7 | 25,720 | -0.7 |
| 2014 | | | | | | |
| I | 7,375 | -5.2 | 795.7 | 0.3 | 5,868 | -5.0 |
| II | 7,836 | -5.9 | 789.0 | 0.9 | 6,183 | -5.1 |
| III | 7,748 | -6.9 | 801.4 | 0.9 | 6,209 | -6.1 |
| IV | 7,629 | -5.1 | 803.5 | 0.5 | 6,130 | -4.6 |
| Year | 30,588 | -5.8 | 797.4 | 0.6 | 24,391 | -5.2 |
| 2015 | | | | | | |
| I | 7,159 | -2.9 | 800.9 | 0.7 | 5,734 | -2.3 |
| II | 7,613 | -2.8 | 793.2 | 0.5 | 6,039 | -2.3 |
| III | 7,543 | -2.6 | 807.1 | 0.7 | 6,088 | -1.9 |
| IV | 7,526 | -1.4 | 806.3 | 0.3 | 6,068 | -1.0 |
| Year | 29,841 | -2.4 | 801.9 | 0.6 | 23,929 | -1.9 |

Quarterly Forecasts (LMIC: 8/5/14)

| Year | Live Sltr. Steer Price 5-Mkt Avg | % Chg. from Year Ago | Feeder Steer Price Southern Plains | |
|------|----------------------------------|----------------------|------------------------------------|---------|
| | | | 7-800# | 5-600# |
| 2013 | | | | |
| I | 125.51 | 0.2 | 142.41 | 170.13 |
| II | 124.95 | 3.3 | 137.34 | 159.71 |
| III | 122.30 | 2.2 | 155.95 | 171.19 |
| IV | 130.77 | 4.2 | 167.04 | 187.56 |
| Year | 125.88 | 2.5 | 150.69 | 172.15 |
| 2014 | | | | |
| I | 146.34 | 16.6 | 171.77 | 209.30 |
| II | 147.82 | 18.3 | 193.16 | 227.67 |
| III | 156-158 | 28.4 | 219-222 | 244-249 |
| IV | 159-161 | 22.4 | 218-222 | 240-246 |
| Year | 152-154 | 21.5 | 200-203 | 229-234 |
| 2015 | | | | |
| I | 158-162 | 9.3 | 217-223 | 245-252 |
| II | 157-162 | 7.9 | 221-229 | 250-259 |
| III | 154-160 | 0.0 | 219-228 | 251-261 |
| IV | 156-163 | -0.3 | 213-224 | 246-258 |
| Year | 157-161 | 3.9 | 221-225 | 250-256 |



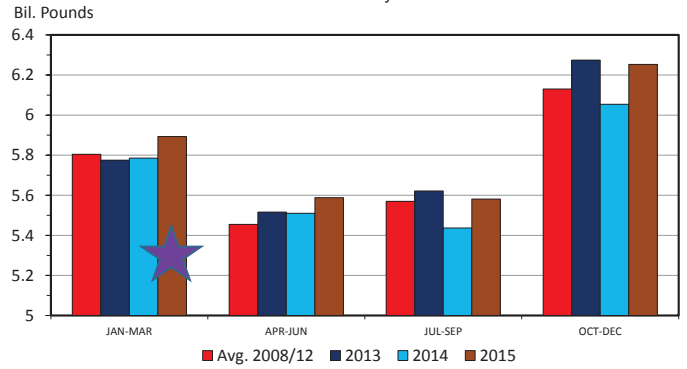
COMMERCIAL BEEF PRODUCTION Quarterly



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

M-S-01
07/16/14

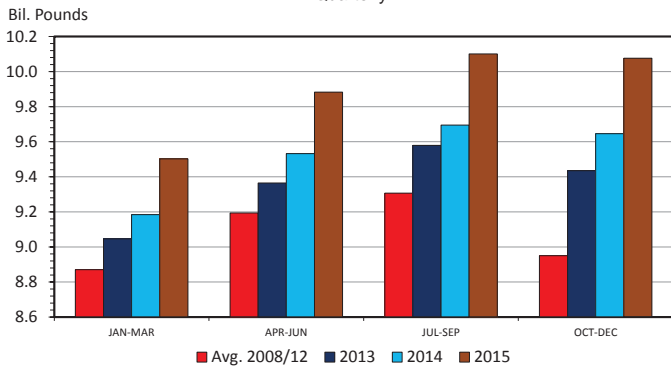
COMMERCIAL PORK PRODUCTION Quarterly



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

M-S-06
07/16/14

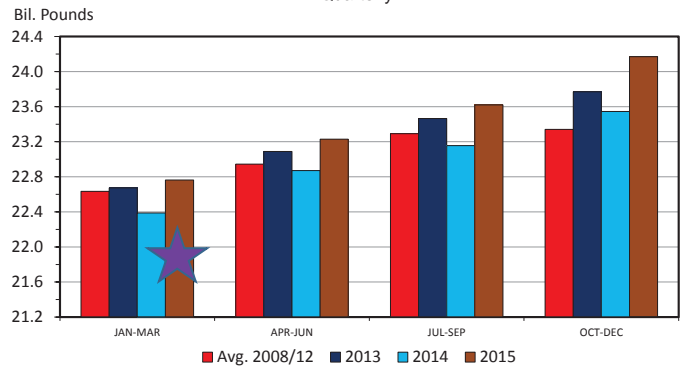
RTC BROILER PRODUCTION Quarterly



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

M-S-30
07/16/14

TOTAL RED MEAT & POULTRY PRODUCTION Quarterly



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

M-S-31
07/16/14

August 2014 WASDE Report

<http://www.usda.gov/oce/commodity/wasde/>

U.S. Quarterly Animal Product Production

| Year and Quarter | Beef | Pork | Red Meat 2/ | Broiler | Turkey | Total Poultry 3/ | Red Meat & Poultry | |
|-----------------------|-----------|-------|----------------|---------|--------|---------------------|-----------------------|-------|
| <i>Million Pounds</i> | | | | | | | | |
| 2013 | III | 6609 | 5622 | 12298 | 9683 | 1440 | 23563 | |
| | IV | 6423 | 6274 | 12764 | 9537 | 1420 | 23844 | |
| | Annual | 25720 | 23187 | 49174 | 37830 | 5805 | 93333 | |
| 2014 | I | 5868 | 5785 | 11716 | 9283 | 1332 | 22455 | |
| | II | 6183 | 5504 | 11754 | 9616 | 1429 | 22933 | |
| | III* | 6445 | 5460 | 11968 | 9825 | 1450 | 23383 | |
| | IV* | 6065 | 6030 | 12158 | 9675 | 1500 | 23463 | |
| | Annual | | | | | | | |
| | Jul Proj. | 24538 | 22760 | 47552 | 38233 | 5717 | 92031 | |
| Aug Proj. | 24561 | 22779 | 47596 | 38399 | 5711 | 92234 | | |
| | | -4.5% | -1.8% | -3.2% | 1.5% | -1.6% | 1.1% | -1.2% |
| 2015 | I* | 5650 | 5655 | 11368 | 9480 | 1400 | 22373 | |
| | II* | 6375 | 5450 | 11887 | 9915 | 1475 | 23417 | |
| | Annual | | | | | | | |
| | Jul Proj. | 24375 | 23240 | 47862 | 39315 | 5925 | 93647 | |
| Aug Proj. | 24325 | 23280 | 47852 | 39345 | 5925 | 93667 | | |
| | | -1.0% | 2.2% | 0.5% | 2.5% | 3.7% | 2.6% | 1.6% |

August 2014 WASDE Report

<http://www.usda.gov/oce/commodity/wasde/>

U.S. Quarterly Prices for Animal Products

| Year and Quarter | Steers 2/ | Barrows and gilts 3/ | Broilers 4/ | |
|------------------|--------------|----------------------------|----------------|---------|
| <i>Dol./cwt</i> | | | | |
| 2013 | III | 122.3 | 70.59 | 93.9 |
| | IV | 130.77 | 61.11 | 92.8 |
| | Annual | 125.89 | 64.05 | 99.7 |
| 2014 | I | 146.34 | 68.69 | 98.4 |
| | II | 147.82 | 85.4 | 113.7 |
| | III* | 153-157 | 85-87 | 102-106 |
| | IV* | 153-163 | 77-81 | 99-105 |
| | Annual | | | |
| | Jul Proj. | 146-150 | 79-81 | 106-108 |
| Aug Proj. | 150-153 | 79-81 | 103-106 | |
| 2015 | I* | 150-162 | 72-78 | 100-108 |
| | II* | 150-162 | 75-81 | 102-110 |
| | Annual | | | |
| | Jul Proj. | 145-157 | 75-81 | 100-108 |
| Aug Proj. | 149-162 | 72-78 | 100-108 | |

Take-Home Summary Points

- Tight meat & live animal supplies +
- Strong retail meat demand +
- Sound pastures & mixed expansion signals =
- Record:
 - Prices throughout industry
 - Cow-calf returns
 - Cash at-stake ...

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
Associate Professor
Dept. of Agricultural Economics
Kansas State University
Email: gtonsor@ksu.edu
Twitter: @TonsorGlynn

36



Beef-Cattle Economics webinar series

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

Remaining 2014 session:
November 11th

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

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

Receive Weekly Email Updates for *AgManager.info*:

Enter Email:

Submit Email

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

