

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

2015 has been a memorable year so far for the entire meat and livestock industry. The combination of changing meat and livestock supplies, animal health developments, adverse export market changes, and ongoing domestic meat demand strength have underpinned market developments and prospects for upcoming months. 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 upcoming profitability. 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!



Livestock Industry Outlook Overview

Glynn Tonsor
Dept. of Agricultural Economics
Kansas State University

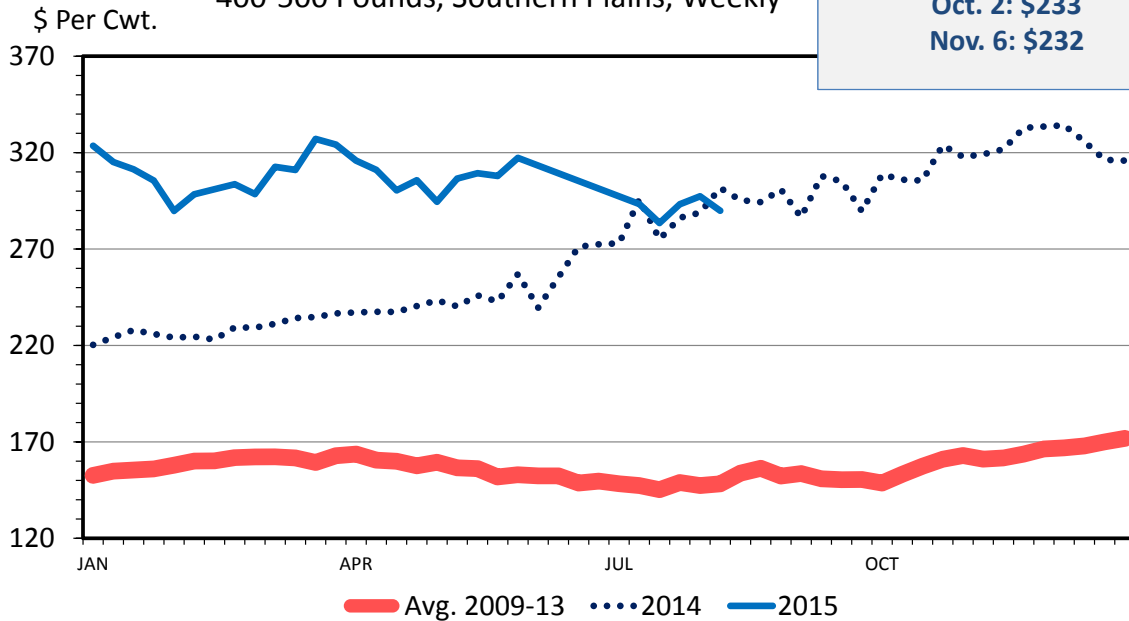


Overarching Beef Industry Economic Outlook

- Supplies
 - Historically tight; but expansion well underway
 - Competing meat supplies growing; context needed...
- Demand
 - Confusing yet positive; Q2.2015 continued trend
 - Far less certain, understood, & appreciated than supply...
- Combined
 - Heartburn or excitement depending on perspective...

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

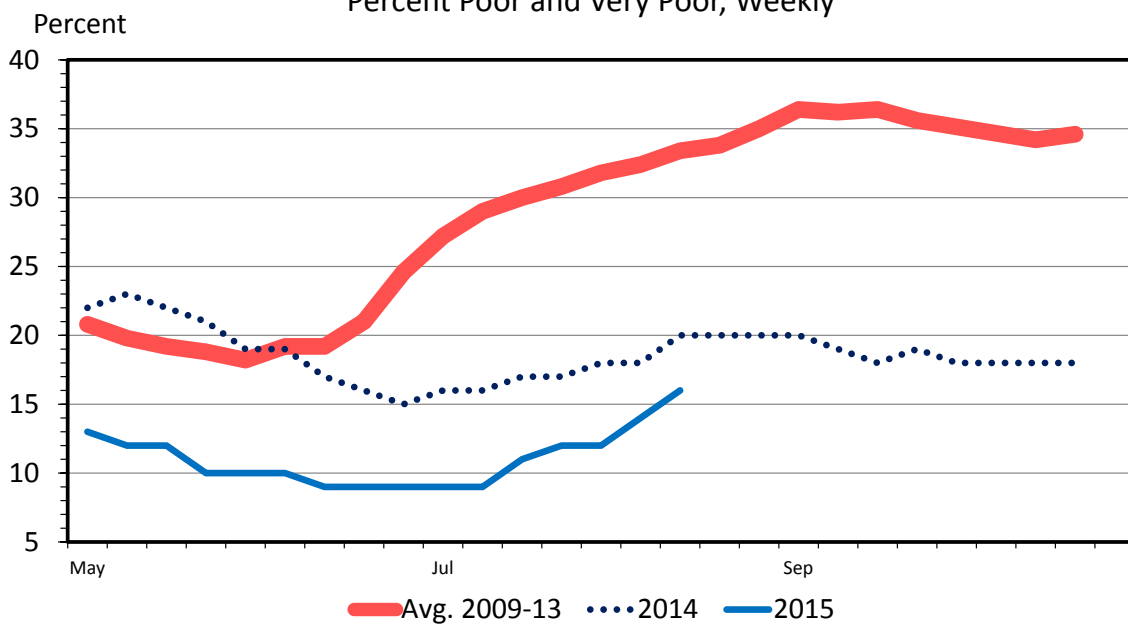


Data Source: USDA-AMS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

C-P-49A
08/17/15

US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

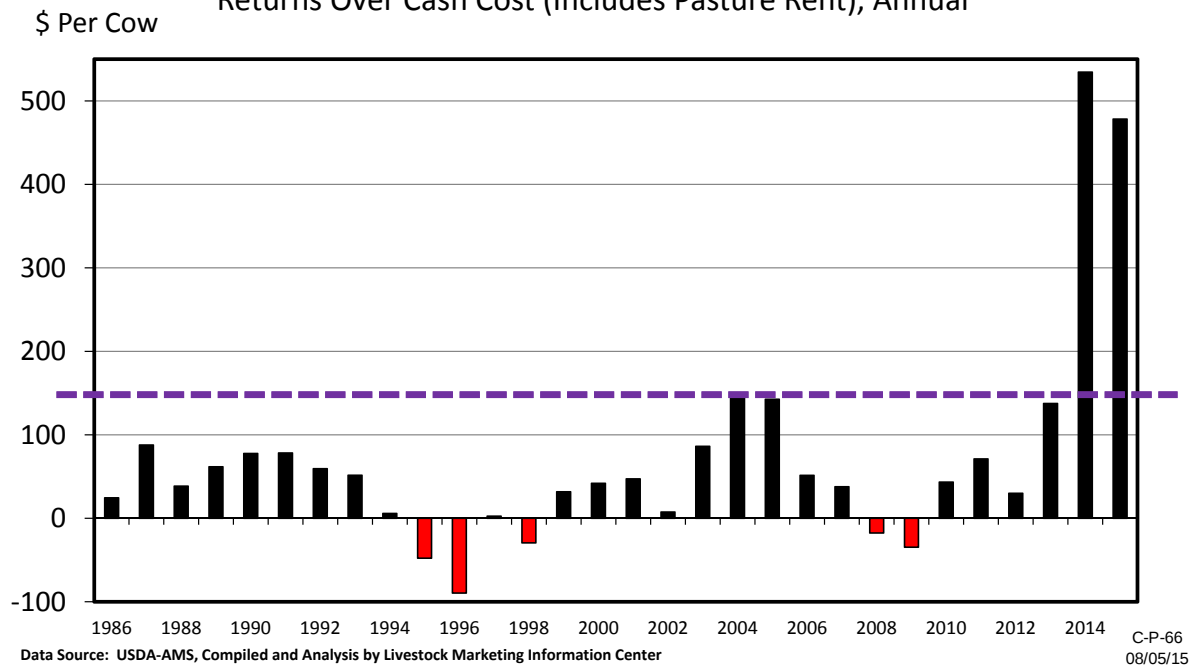


Data Source: USDA-NASS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

G-NP-30
08/17/15

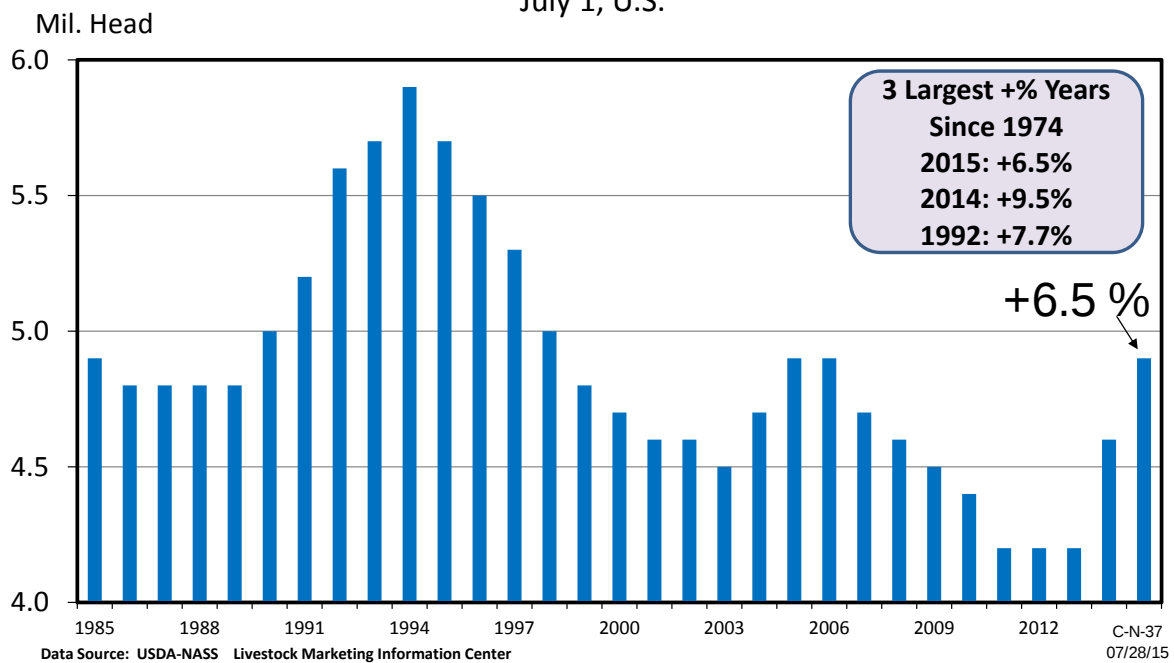
ESTIMATED AVERAGE COW CALF RETURNS

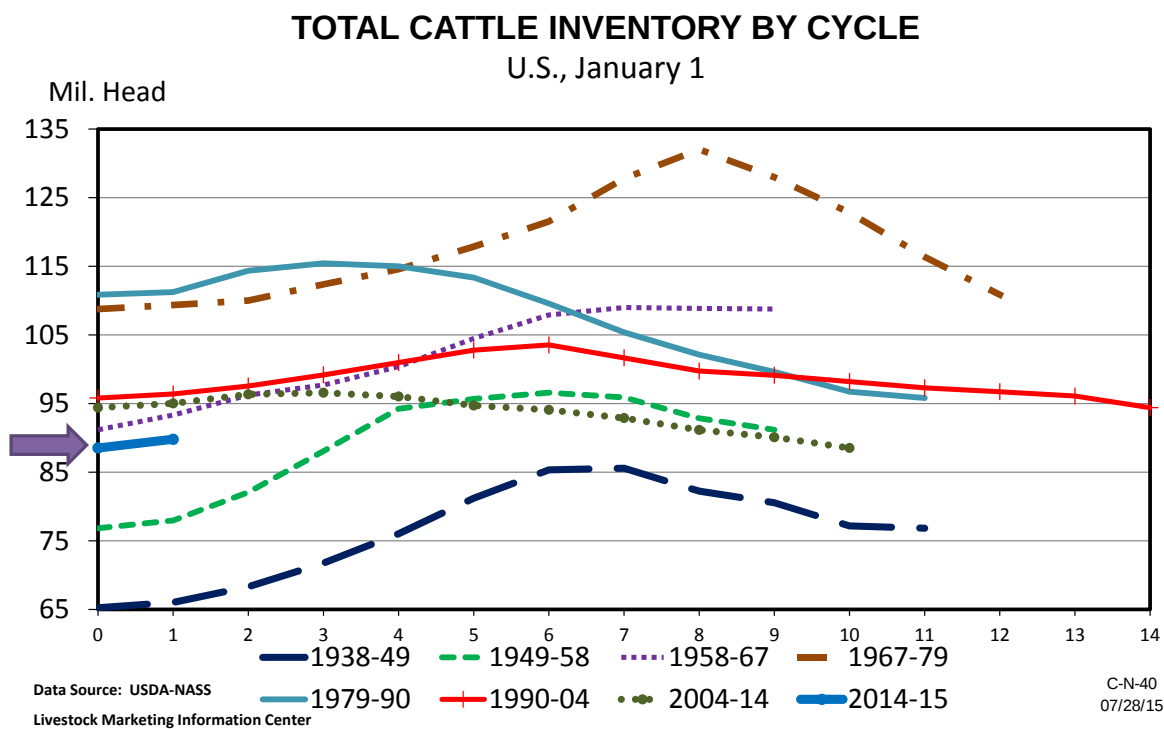
Returns Over Cash Cost (Includes Pasture Rent), Annual



HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.





Feeder Cattle Price Hedging Considerations (as of 8/20/15)

- Salina, KS 8/20/15 situation :
 - Sell 550 lb calves on 9/16/15 (\$222)
- Considering price protection on Sep sale
 - Or for stocker, consider protection for buy in Sep
 - **USE: FeederCattleRiskMgmtTool.xlsx**

<http://www.agmanager.info/Tools/default.asp#LIVESTOCK>

Economic Outlook Overview: Stockers

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

- Salina, KS 8/20/15 situation:
 - Buy 550 lb steer on 09/16/15 (\$222)
 - Sell 750 lb steer on 12/16/15 (\$191) {2.17 ADG}
 - VOG: \$104/cwt
 - IF COG \$80/cwt THEN Exp. Profit = +/- \$50/hd
 - Note Total Cost > \$1,300/hd = low % ROI

Economic Outlook Overview: Feedlots

- 2015 has been rough
- Structural concerns persist:
 - Excess capacity
 - Heifer Retention, Plant Closures, MCOOL, ...

Historical and Projected Kansas Feedlot Net Returns (as of 8/7/15')

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

June 15': -\$210/steer

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

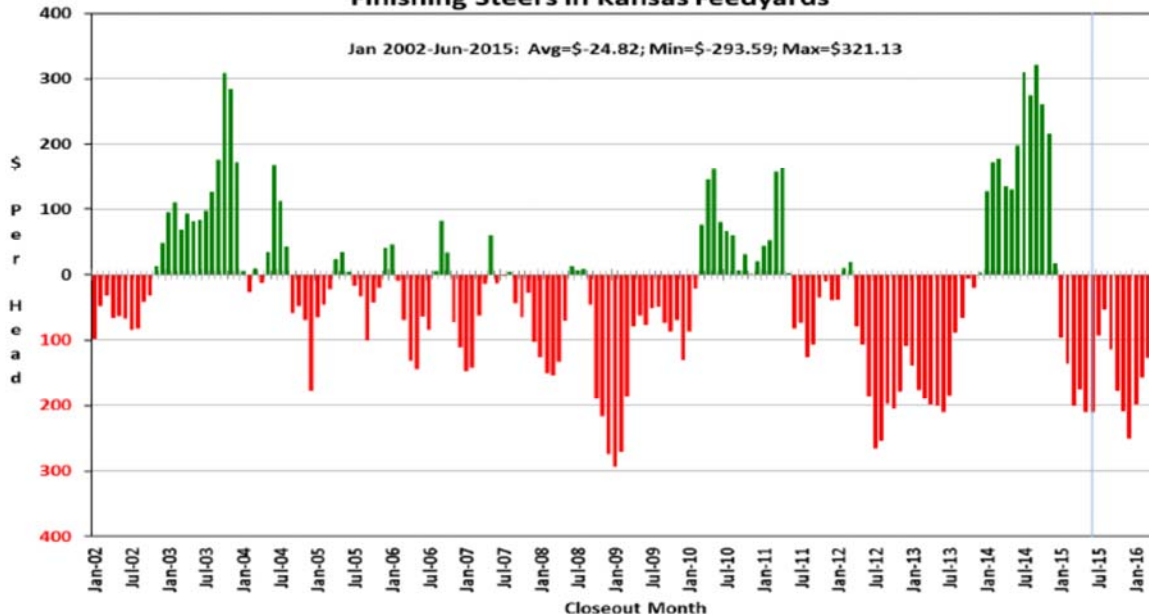
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jul-15	-92.96	82.98	149.25	206.86	67.60	155.89	195.19
Aug-15	-53.41	82.90	149.10	202.30	74.22	152.86	195.65
Sep-15	-114.66	83.48	148.81	209.48	65.03	156.87	195.15
Oct-15	-176.89	85.90	151.48	215.77	56.48	163.82	194.50
Nov-15	-209.00	86.36	151.04	219.05	51.26	165.79	193.63
Dec-15	-250.05	88.20	150.12	217.95	45.49	167.55	188.50
Jan-16	-198.23	89.56	151.31	210.90	54.17	165.33	187.67
Feb-16	-156.09	90.63	150.12	208.23	64.29	161.23	189.00
Mar-16	-126.14	89.79	151.33	204.26	67.25	160.46	188.91
Apr-16	-156.02	88.18	143.92	201.06	61.99	155.14	181.41

Representative Barometer for Trends in Profitability

Historical and Projected Kansas Feedlot Net Returns (as of 8/7/15')

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

Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards

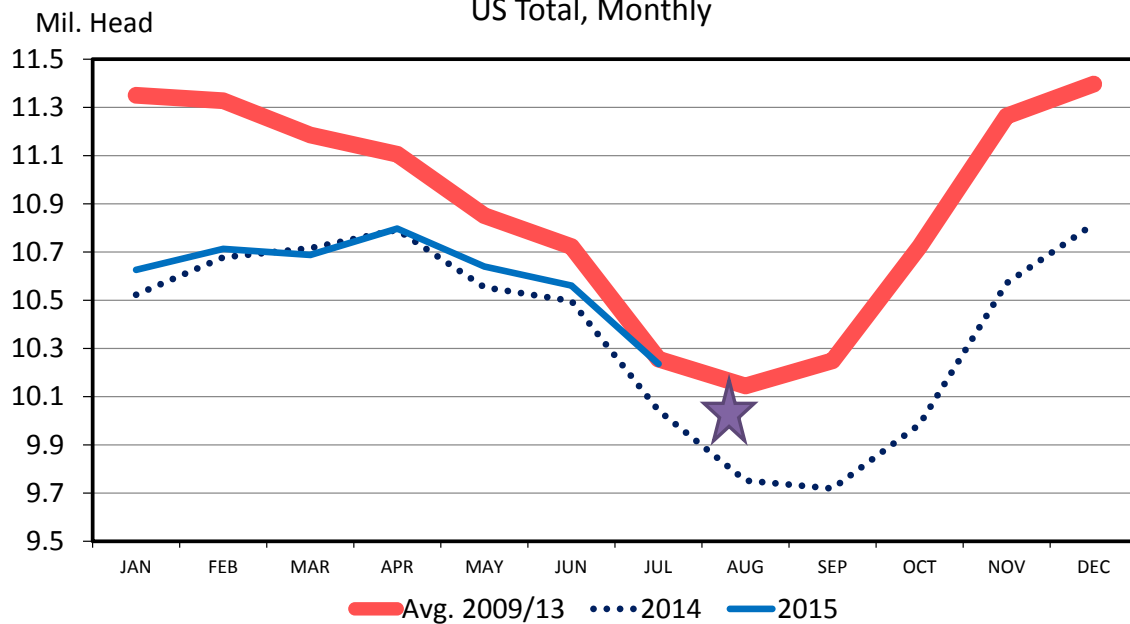


Pre-8/21 COF Report Estimates:

On Feed Aug 1: +2.6% {+1.6% to +3.5%}

CATTLE ON FEED

US Total, Monthly



Data Source: USDA-NASS
Livestock Marketing Information Center

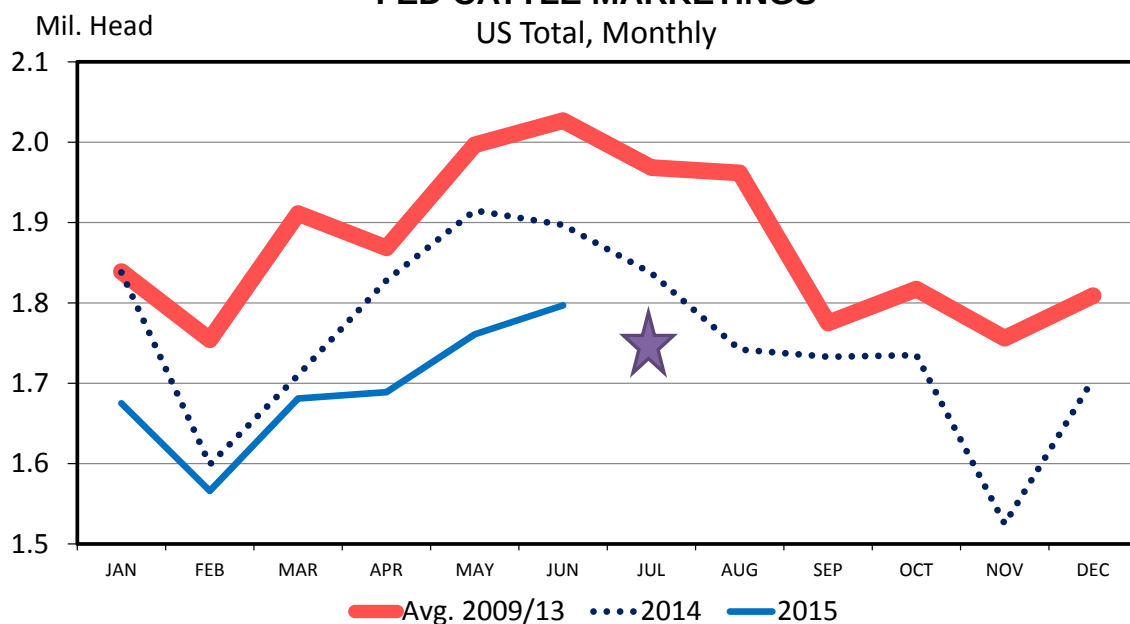
C-N-10
07/24/15

Pre-8/21 COF Report Estimates:

Marketed in July: -3.0% {-7.6% to -2.1%}

FED CATTLE MARKETINGS

US Total, Monthly



Data Source: USDA-NASS
Livestock Marketing Information Center

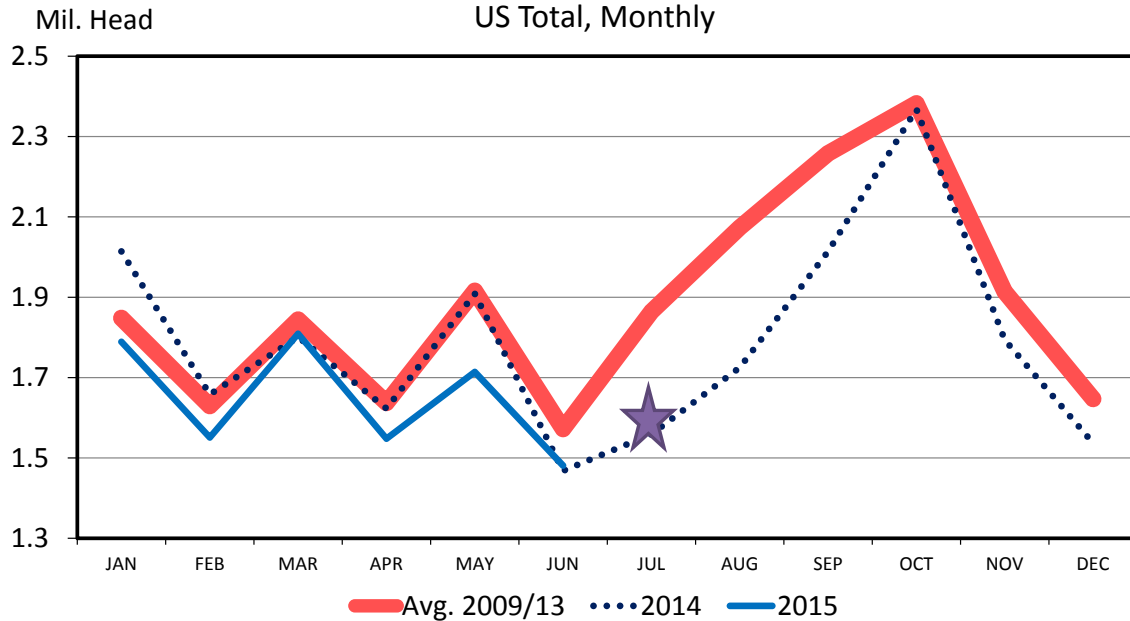
C-M-11
07/24/15

Pre-8/21 COF Report Estimates:

Placed in July: +0.9% {-4.9% to +5.2%}

FEEDLOT PLACEMENTS

US Total, Monthly



Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-08
07/24/15

Quarterly Forecasts (LMIC: 8/17/15)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2014						
I	7,374	-5.2	795.7	0.3	5,868	-5.0
II	7,837	-5.9	789.0	0.9	6,184	-5.1
III	7,632	-8.3	809.6	1.9	6,179	-6.5
IV	7,326	-8.8	821.8	2.8	6,021	-6.3
Year	30,170	-7.1	803.8	1.5	24,252	-5.7
2015						
I	6,967	-5.5	813.0	2.2	5,664	-3.5
II	7,227	-7.8	810.1	2.7	5,855	-5.3
III	7,470	-2.1	824.6	1.9	6,160	-0.3
IV	7,375	0.7	826.2	0.5	6,093	1.2
Year	29,039	-3.7	818.6	1.8	23,772	-2.0
2016						
I	7,116	2.1	822.4	1.2	5,852	3.3
II	7,389	2.2	813.2	0.4	6,009	2.6
III	7,667	2.6	831.0	0.8	6,371	3.4
IV	7,468	1.3	830.6	0.5	6,203	1.8
Year	29,640	2.1	824.4	0.7	24,435	2.8

Quarterly Forecasts (LMIC: 8/17/15)

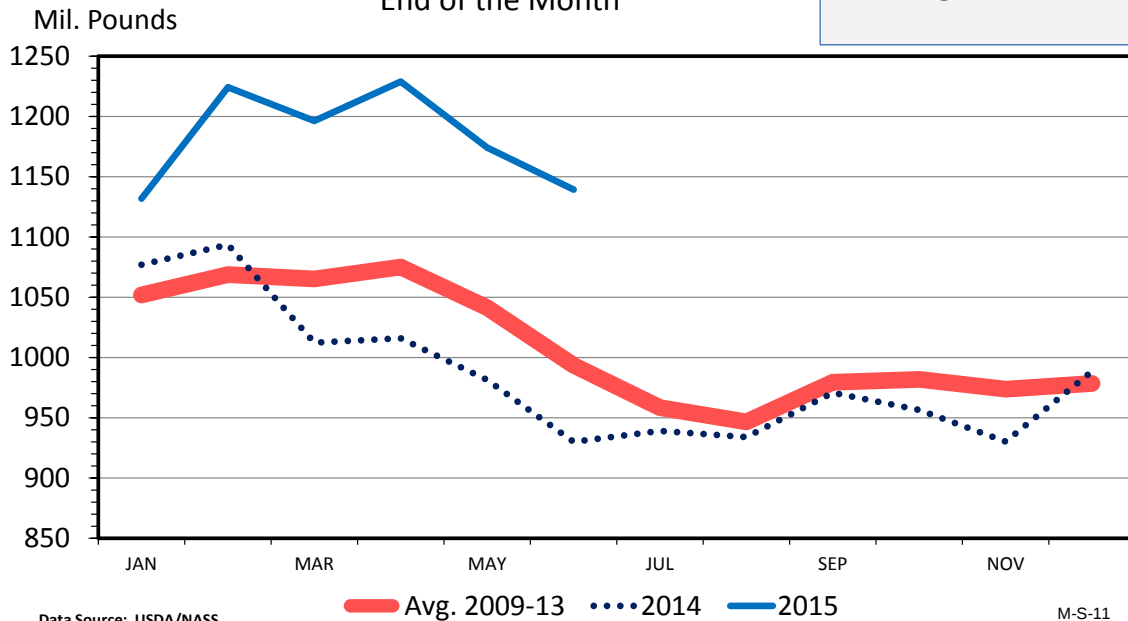
	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2014				
I	146.34	16.6	171.77	209.30
II	147.82	18.3	193.16	227.67
III	158.49	29.6	225.93	263.14
IV	165.59	26.6	239.81	285.63
Year	154.56	22.8	207.67	246.44
2015				
I	162.43	11.0	215.87	276.14
II	158.11	7.0	225.29	279.32
III	149-151	-5.4	220-222	254-258
IV	153-156	-6.7	207-211	251-256
Year	156-157	1.3	217-219	264-268
2016				
I	154-158	-4.0	205-211	260-267
II	152-157	-2.3	208-215	262-268
III	147-153	0.0	202-210	253-262
IV	151-158	0.0	198-207	247-258
Year	153-155	-1.6	205-209	257-262

Trade & Meat Supplies
Maintain Context

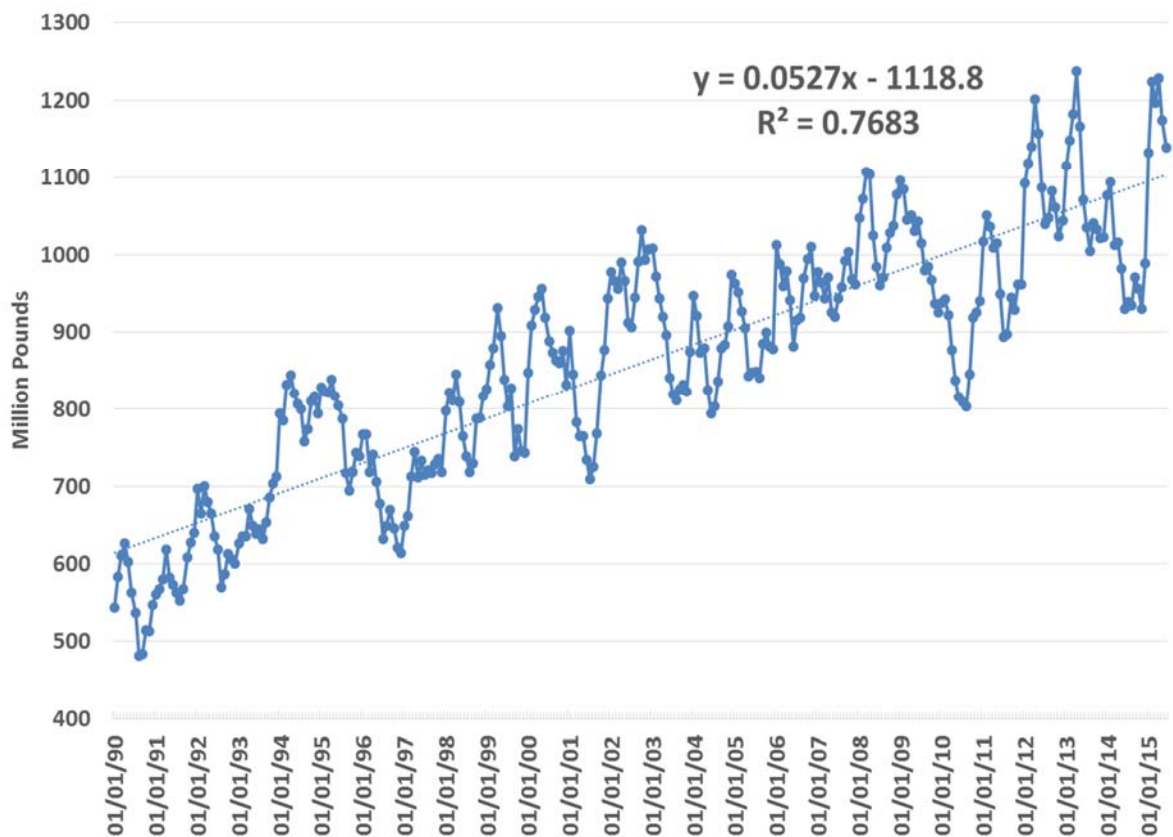
TOTAL RED MEAT IN COLD STORAGE

End of the Month

Expanding Production +
High USD + Q1 West Coast
Logistics + AI...

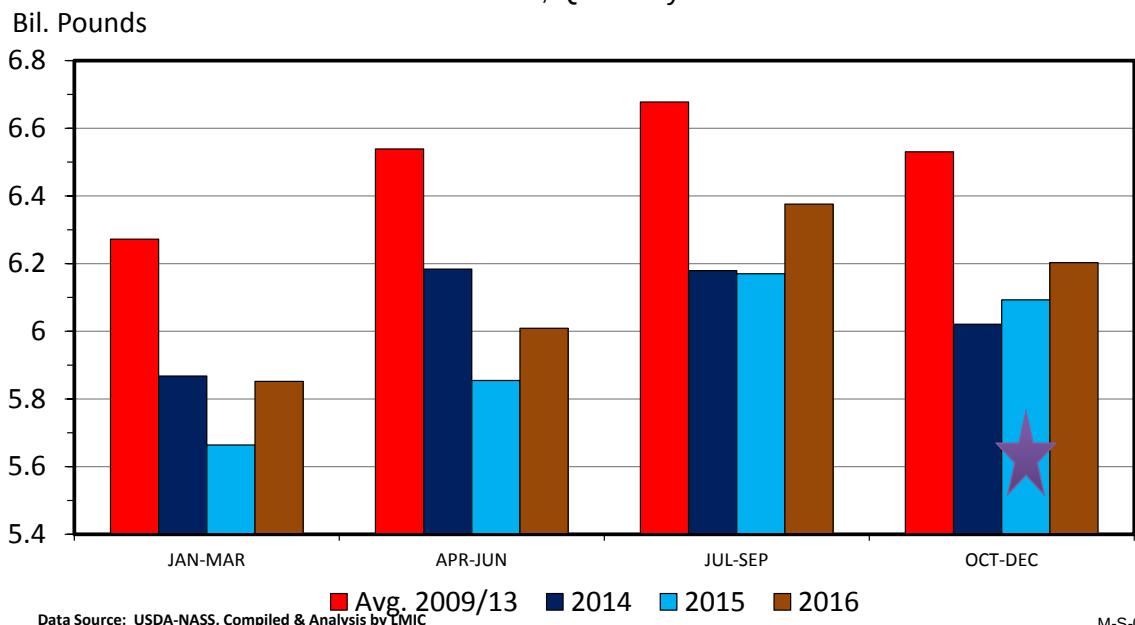


Total Red Meat in Cold Storage (End of Month)



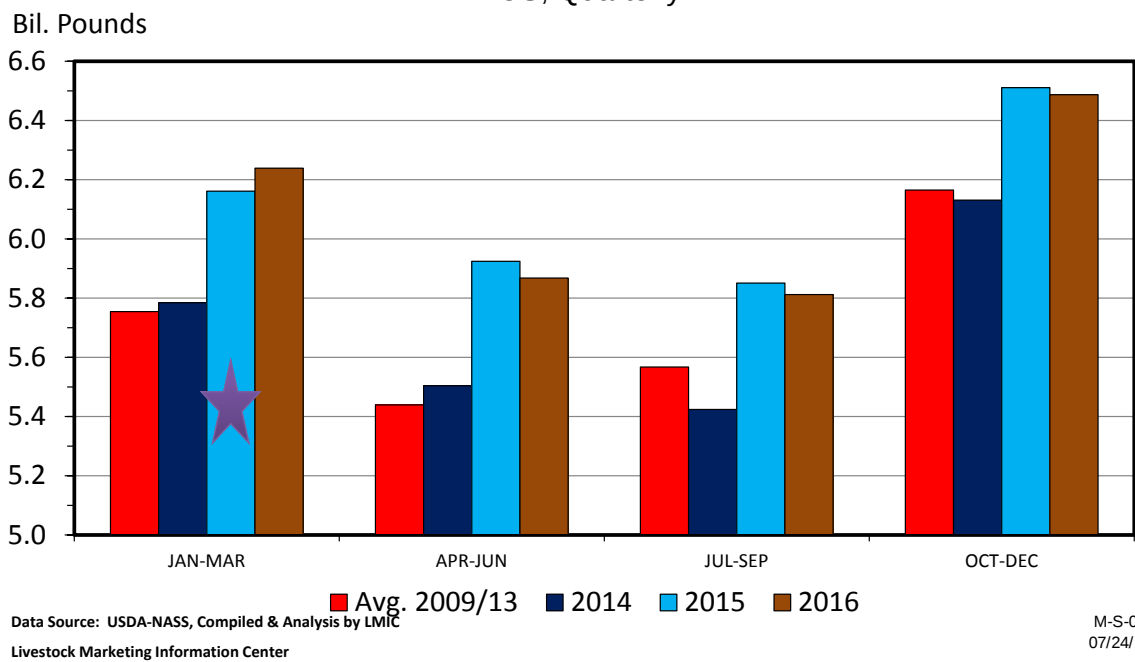
COMMERCIAL BEEF PRODUCTION

US, Quarterly



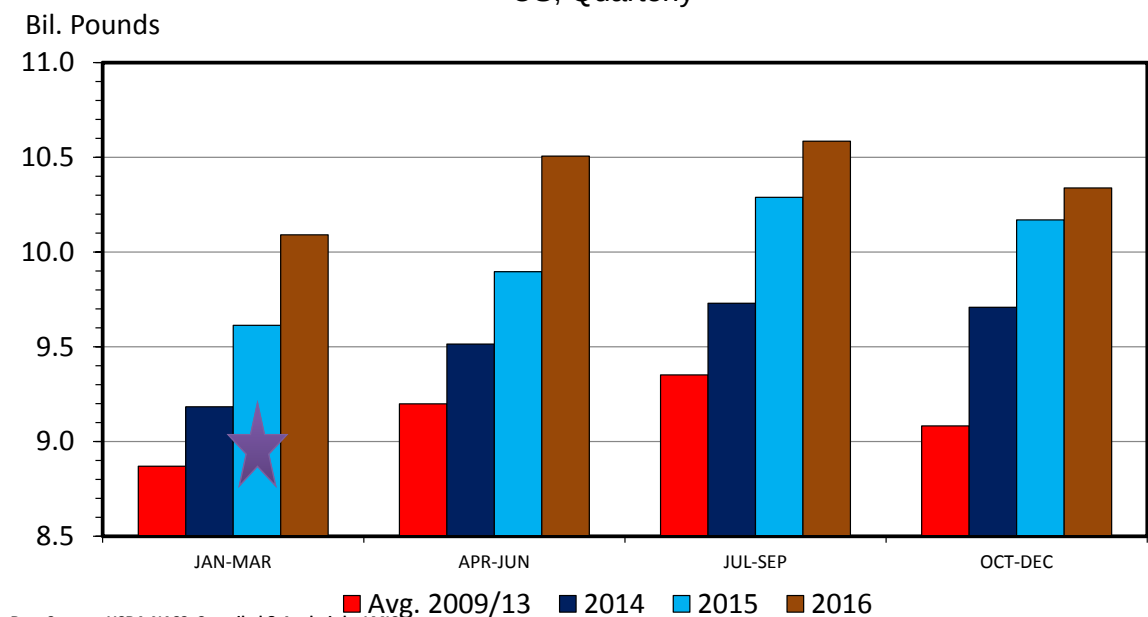
COMMERCIAL PORK PRODUCTION

US, Quarterly



RTC BROILER PRODUCTION

US, Quarterly

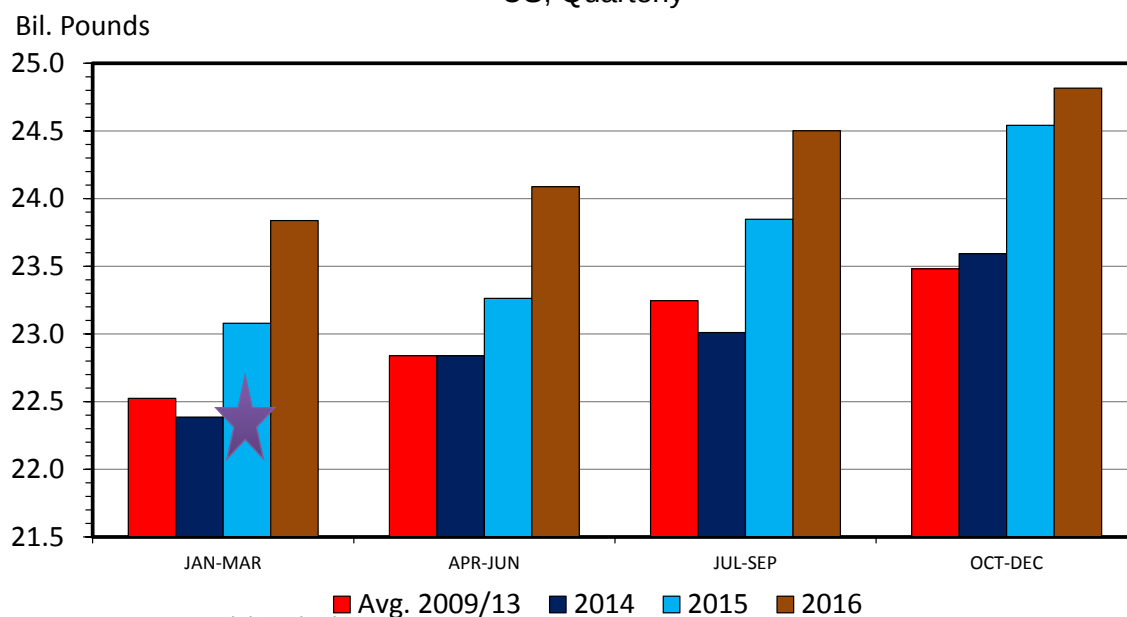


Data Source: USDA-NASS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

M-S-30
07/24/15

TOTAL RED MEAT & POULTRY PRODUCTION

US, Quarterly

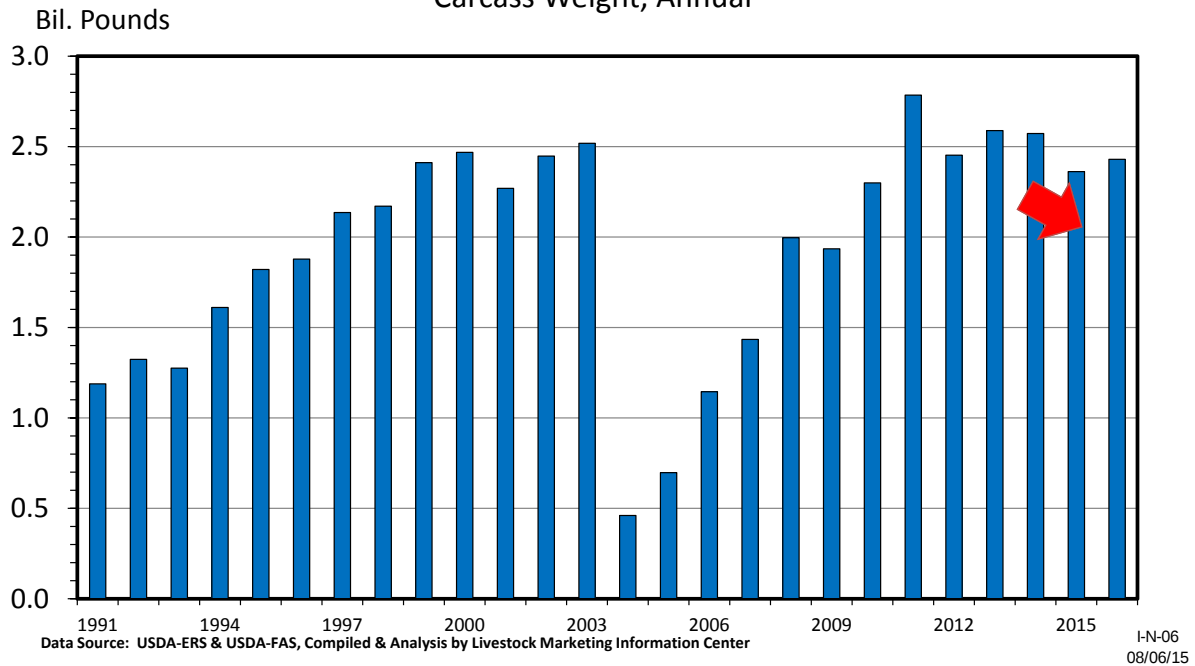


Data Source: USDA-NASS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

M-S-31
07/24/15

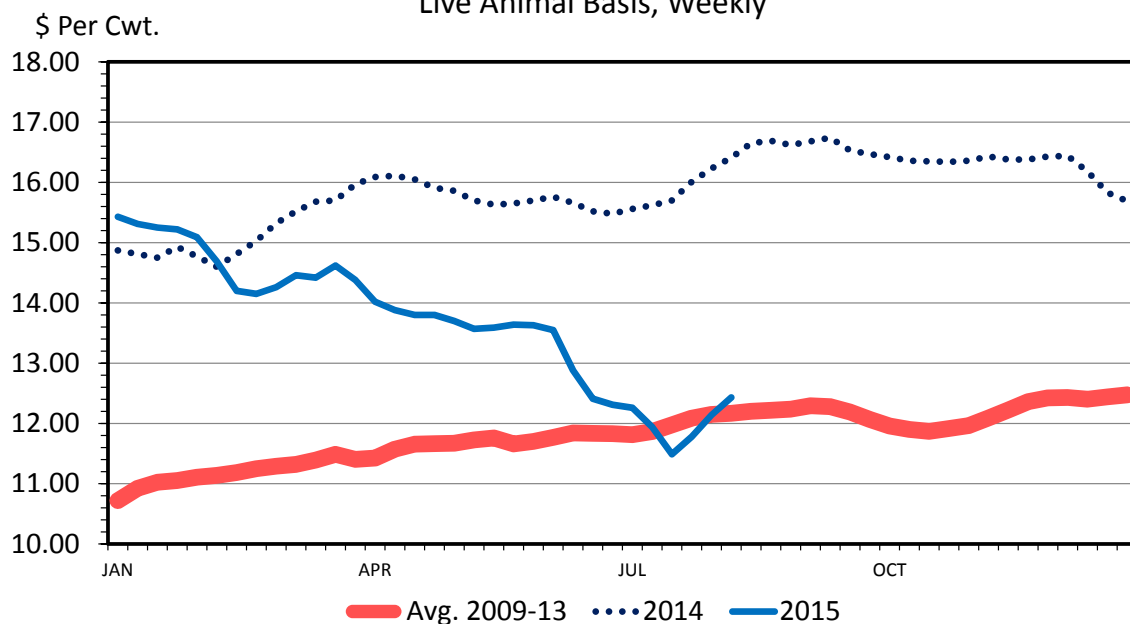
US BEEF AND VEAL EXPORTS

Carcass Weight, Annual



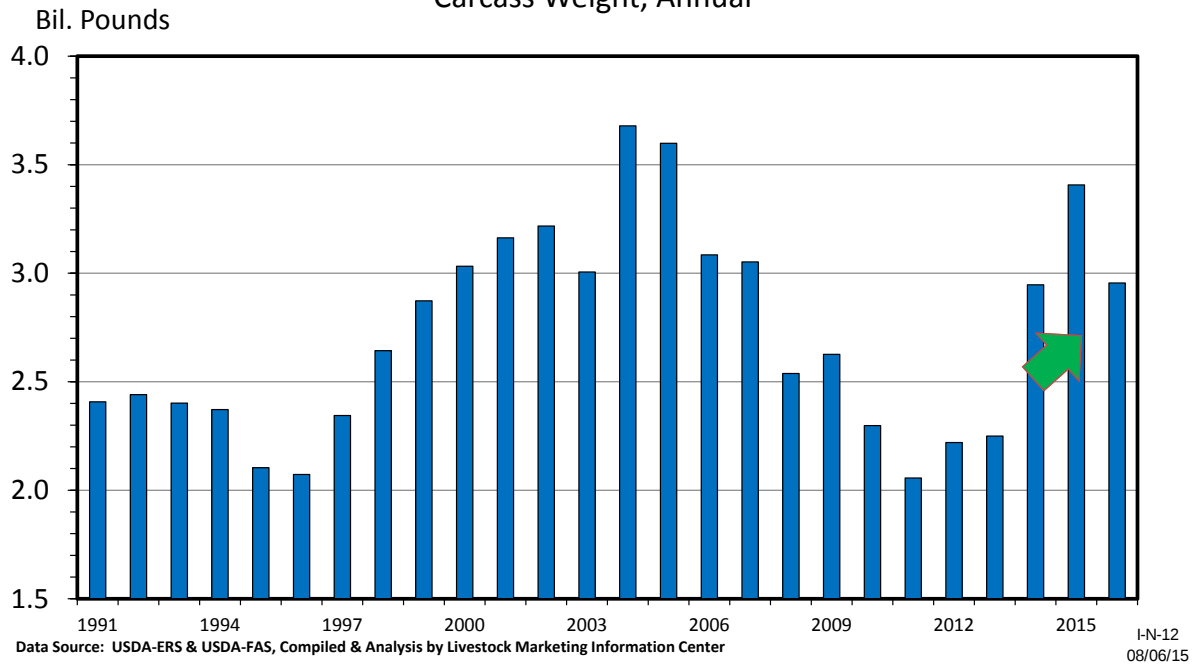
STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly



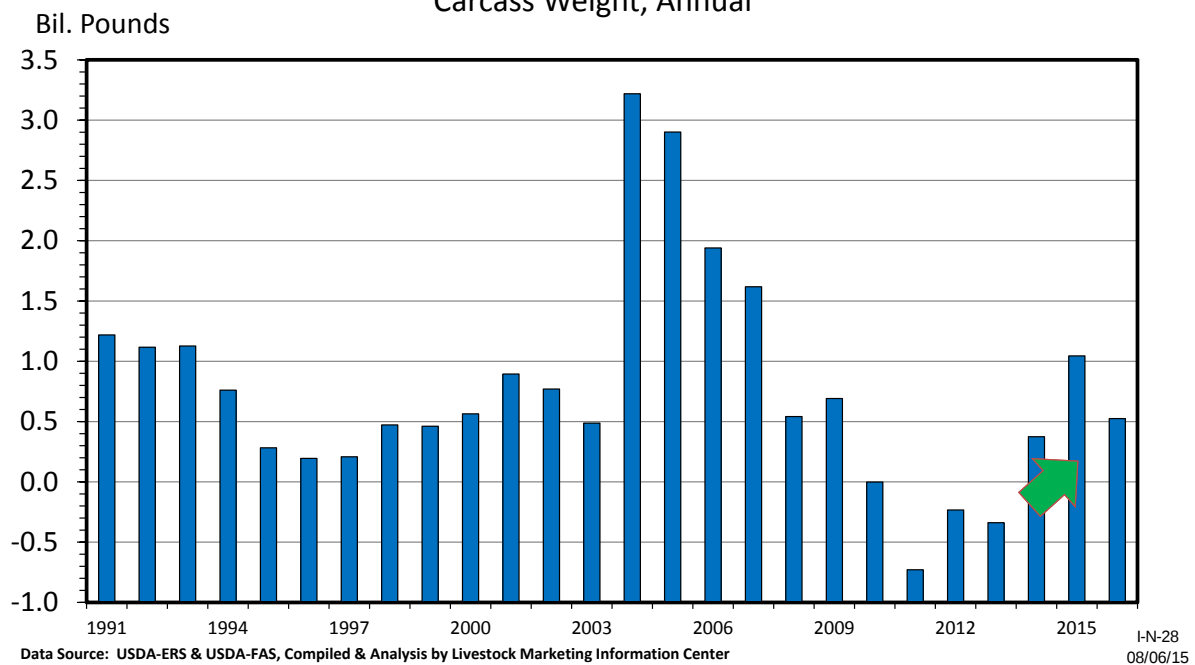
US BEEF AND VEAL IMPORTS

Carcass Weight, Annual



US BEEF AND VEAL NET IMPORTS

Carcass Weight, Annual



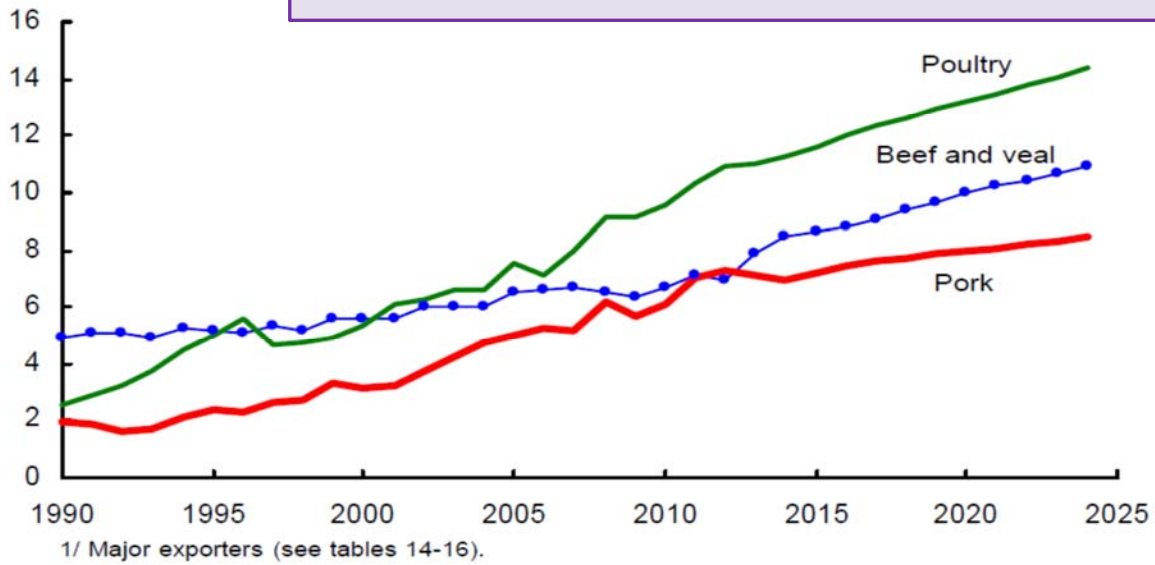
USDA Long-Term projections (2015-2024)

Feb. 11, 2015 report (<http://www.usda.gov/oce/commodity/projections/index.htm>)

Meat exports 1/

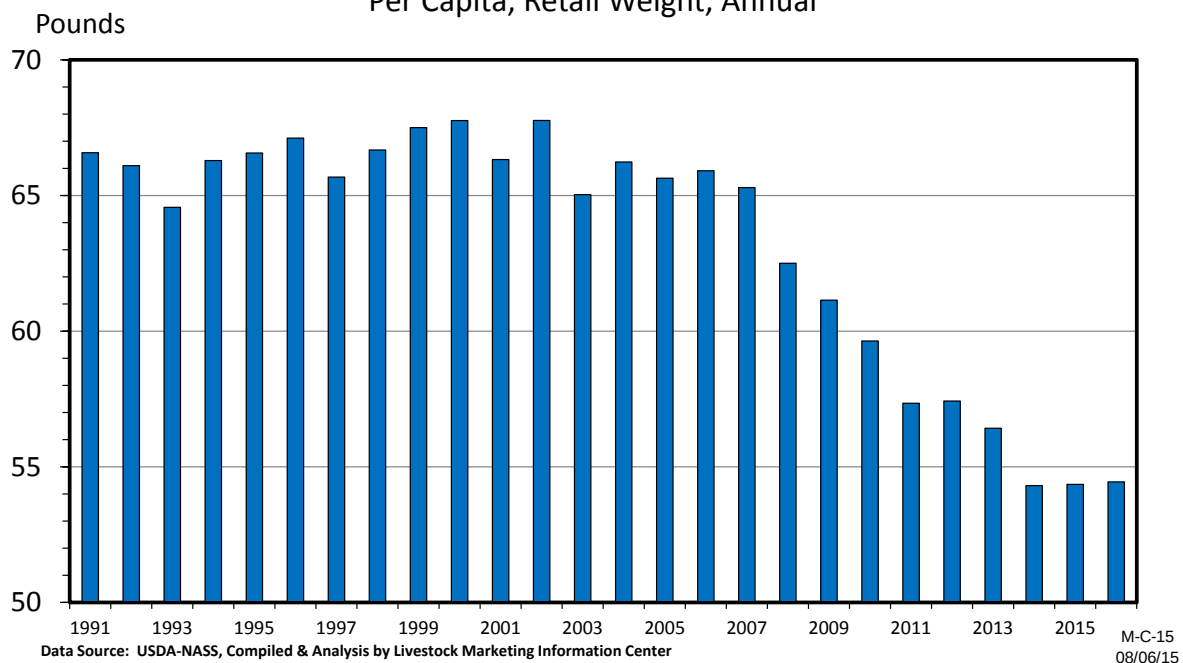
Million metric tons

Export growth rates: +2.7% beef, +1.6% pork, & +2.2% poultry.



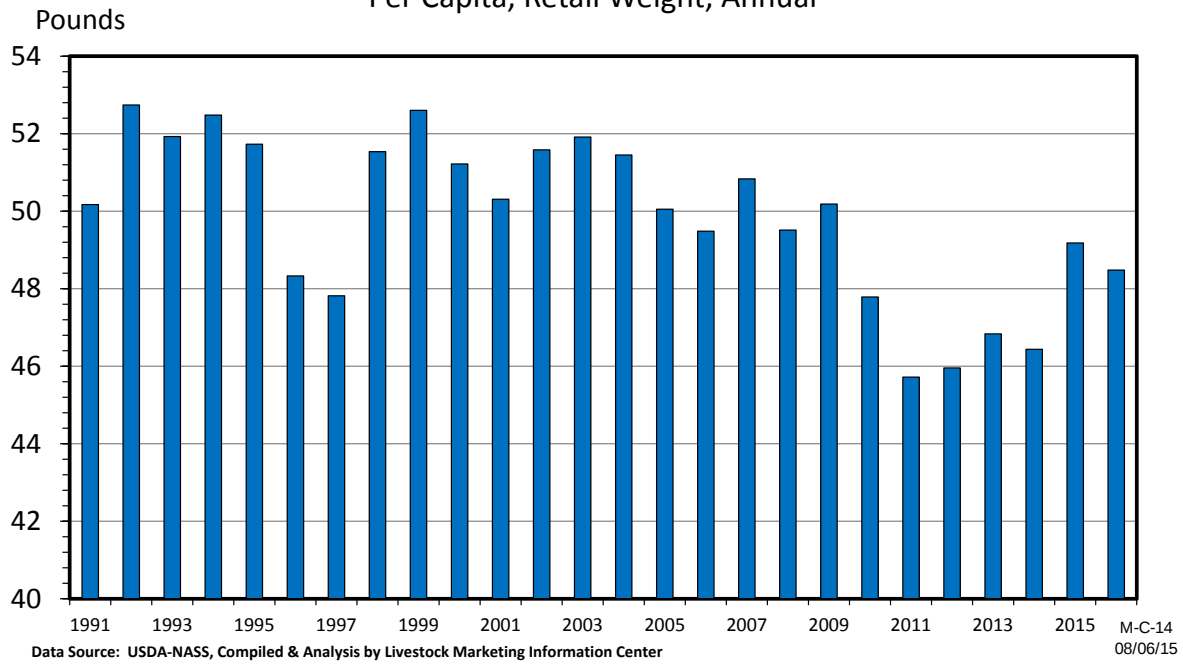
29

US BEEF CONSUMPTION Per Capita, Retail Weight, Annual



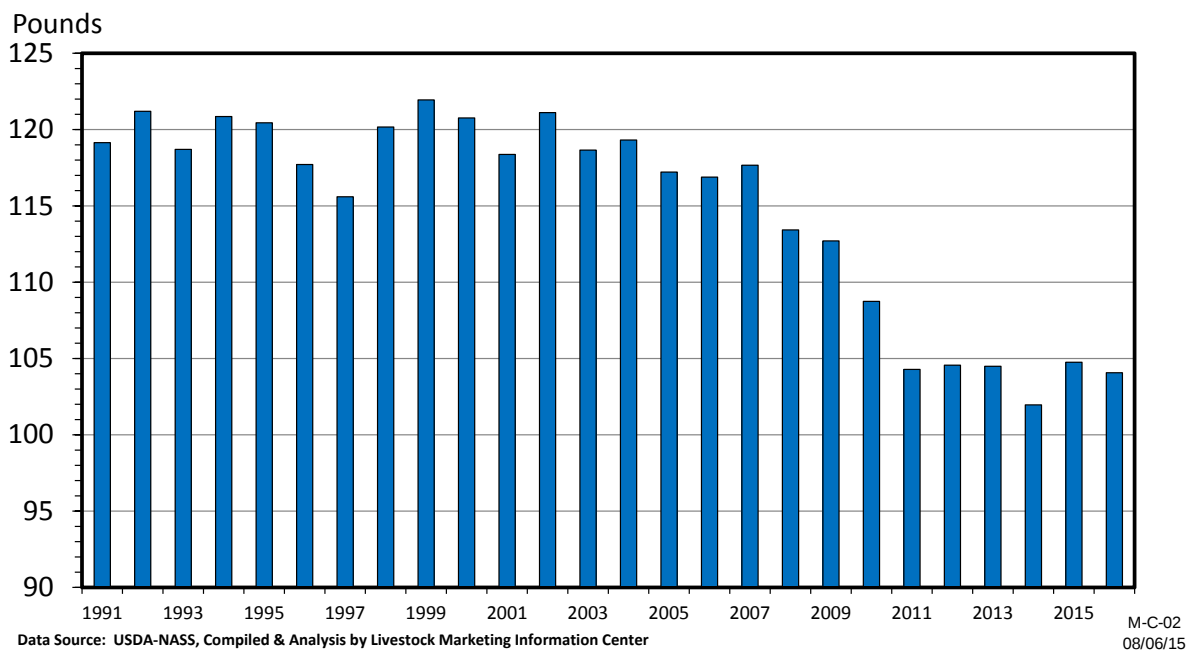
US PORK CONSUMPTION

Per Capita, Retail Weight, Annual



US TOTAL RED MEAT CONSUMPTION

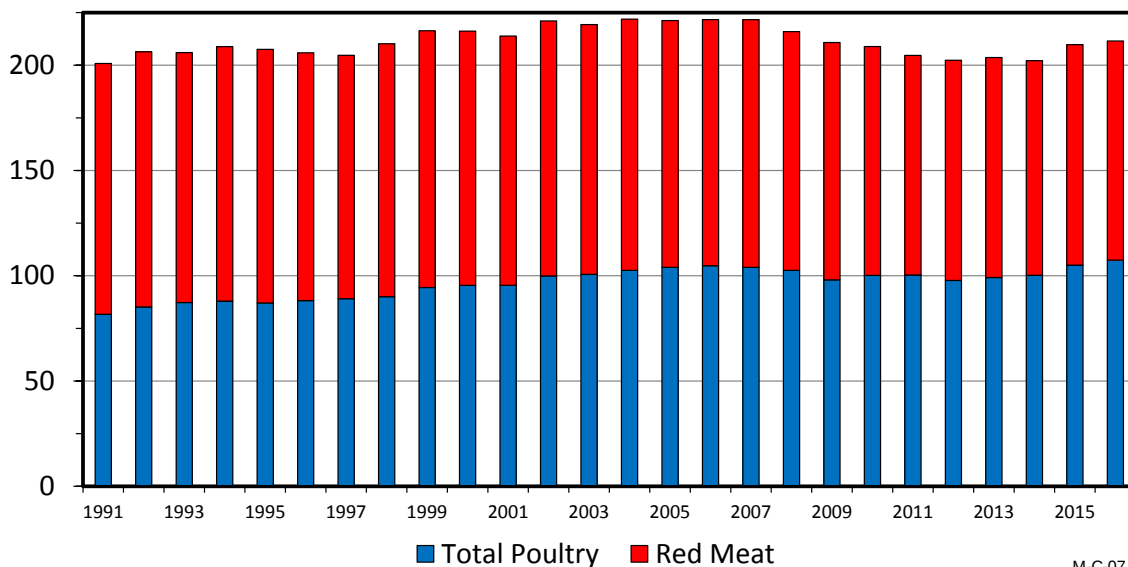
Per Capita, Retail Weight, Annual



US RED MEAT & POULTRY CONSUMPTION

Per Capita, Retail Weight, Annual

Pounds



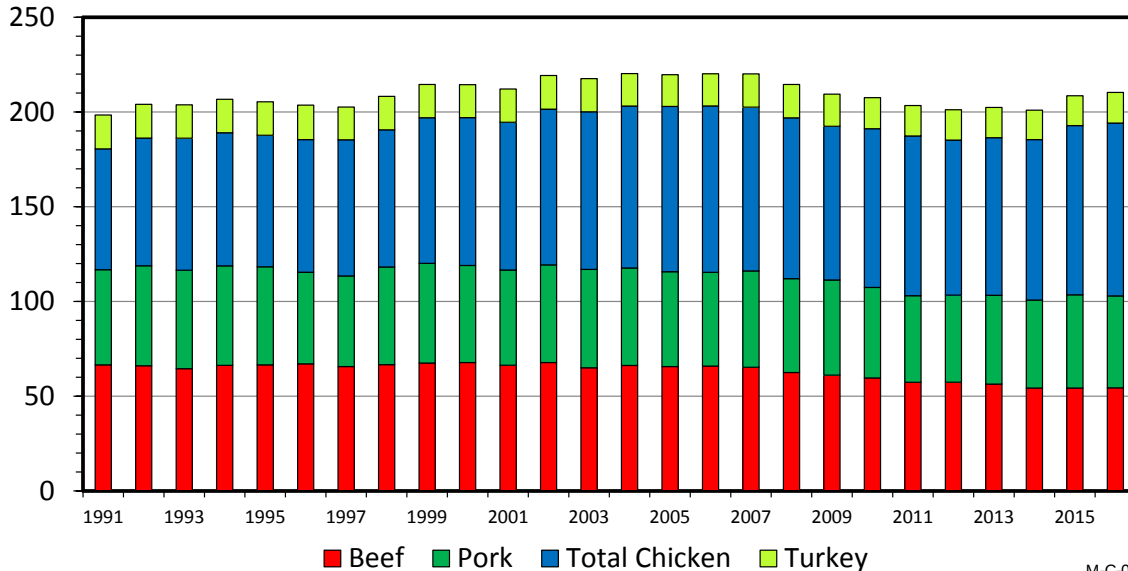
Data Source: USDA-NASS, Compiled & Analysis by Livestock Marketing Information Center

M-C-07
08/06/15

US RED MEAT & POULTRY CONSUMPTION

Per Capita, Retail Weight, Annual

Pounds

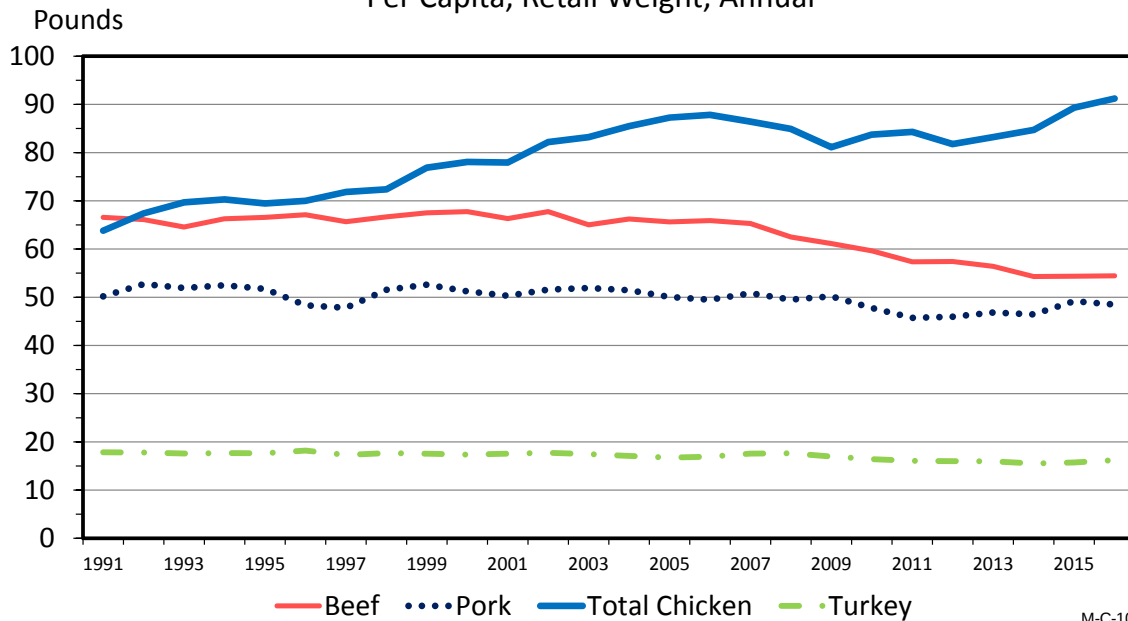


Data Source: USDA-NASS, Compiled & Analysis by Livestock Marketing Information Center

M-C-01
08/06/15

US RED MEAT & POULTRY CONSUMPTION

Per Capita, Retail Weight, Annual

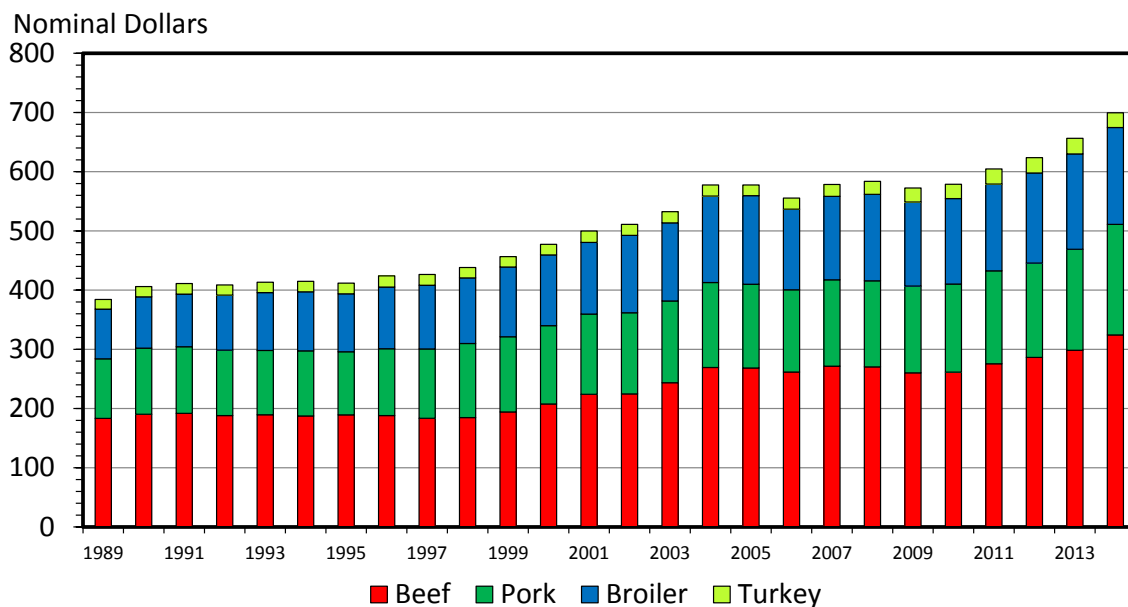


Data Source: USDA-NASS, Compiled & Analysis by Livestock Marketing Information Center

M-C-10
08/06/15

US EXPENDITURES FOR MEAT & POULTRY

Per Capita, By Type of Meat, Annual

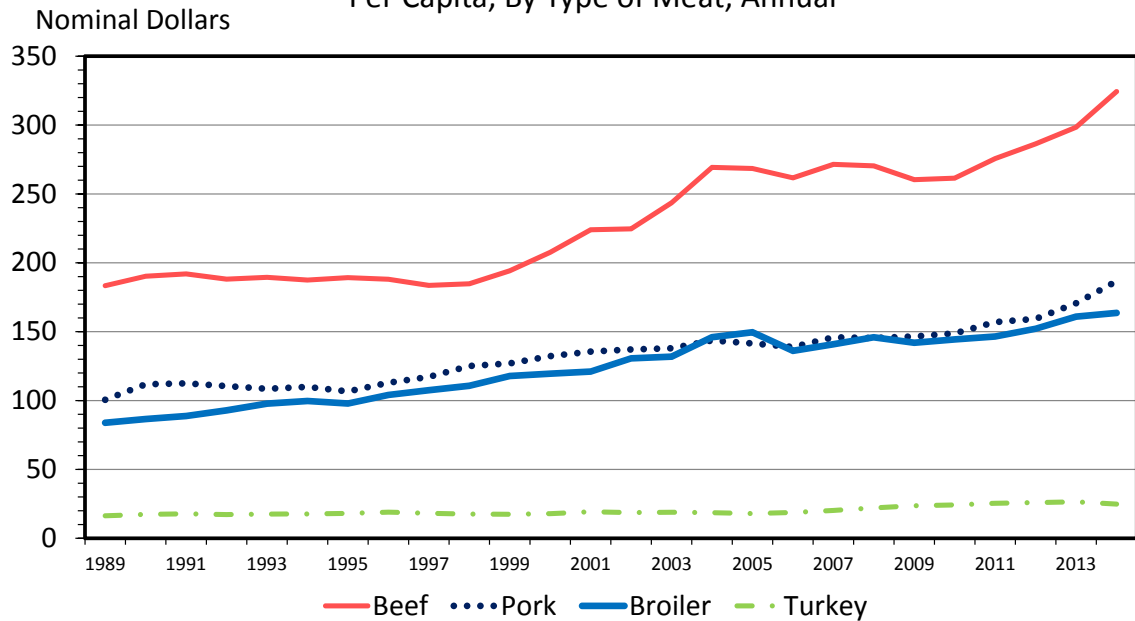


Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled & Analysis by Livestock Marketing Information Center

M-C-16A
08/06/15

US EXPENDITURES FOR MEAT & POULTRY

Per Capita, By Type of Meat, Annual

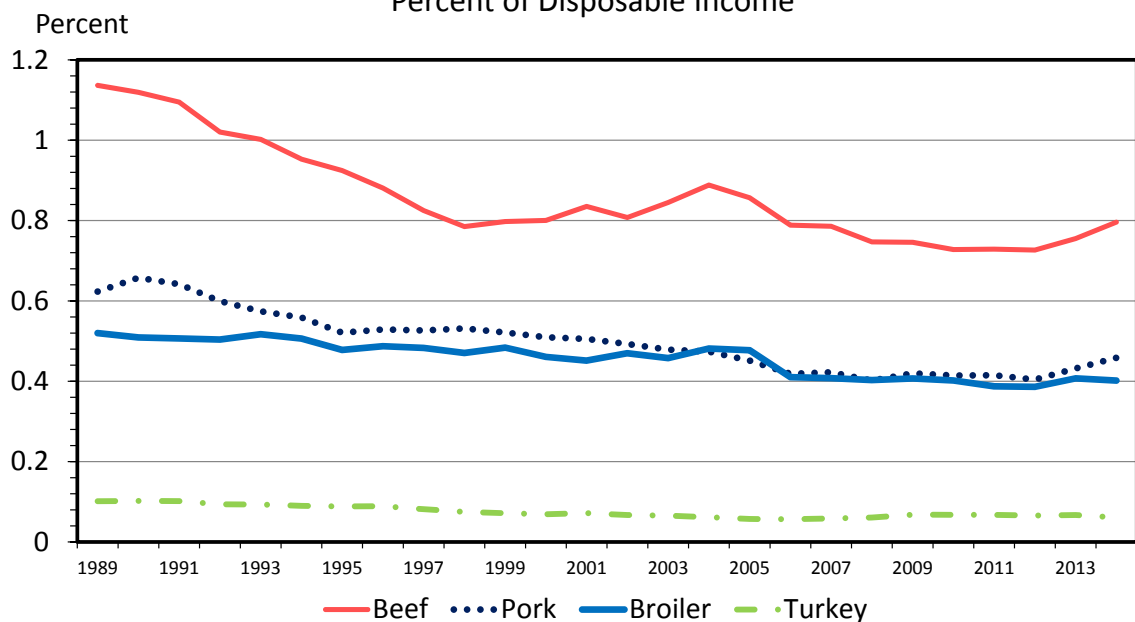


Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled & Analysis by Livestock Marketing Information Center

M-C-16B
08/06/15

US EXPENDITURES FOR MEAT & POULTRY

Percent of Disposable Income

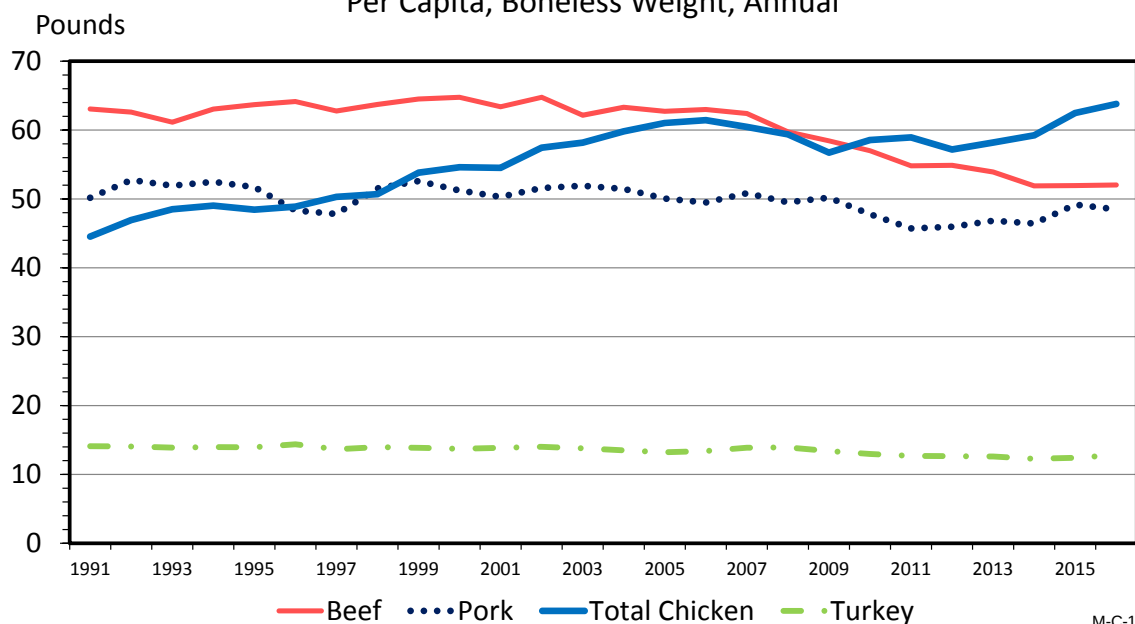


Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled & Analysis by Livestock Marketing Information Center

M-C-16
08/06/15

US RED MEAT & POULTRY CONSUMPTION

Per Capita, Boneless Weight, Annual



Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled & Analysis by Livestock Marketing Information Center

M-C-18
08/06/15

USDA Long-Term projections (2015-2024)

Feb. 11, 2015 report (<http://www.usda.gov/oce/commodity/projections/index.htm>)

	Recent		NEXT 5 YEARS					10 Yrs Out
Per capita meat consumption, retail weight								
Item	2013	2014	2015	2016	2017	2018	2019	2024
Pounds								
Beef	56.3	54.6	52.2	49.4	48.5	49.1	49.8	52.4
Pork	46.8	45.3	46.6	48.5	48.8	49.1	49.3	49.5
Total red meat	104.4	101.1	99.9	99.0	98.4	99.3	100.1	102.9
Broilers	81.9	83.4	85.4	86.7	88.1	89.2	90.2	93.1
Turkeys	16.0	15.7	15.8	16.2	16.5	16.7	16.8	17.3
Total poultry	99.2	100.3	102.5	104.2	106.0	107.3	108.4	111.9
Red meat & poultry	203.6	201.4	202.3	203.2	204.4	206.5	208.5	214.8

USDA Long-Term projections (2015-2024)

Feb. 11, 2015 report (<http://www.usda.gov/oce/commodity/projections/index.htm>)

Recent NEXT 5 YEARS 10 Yrs Out

Per capita meat consumption, retail weight

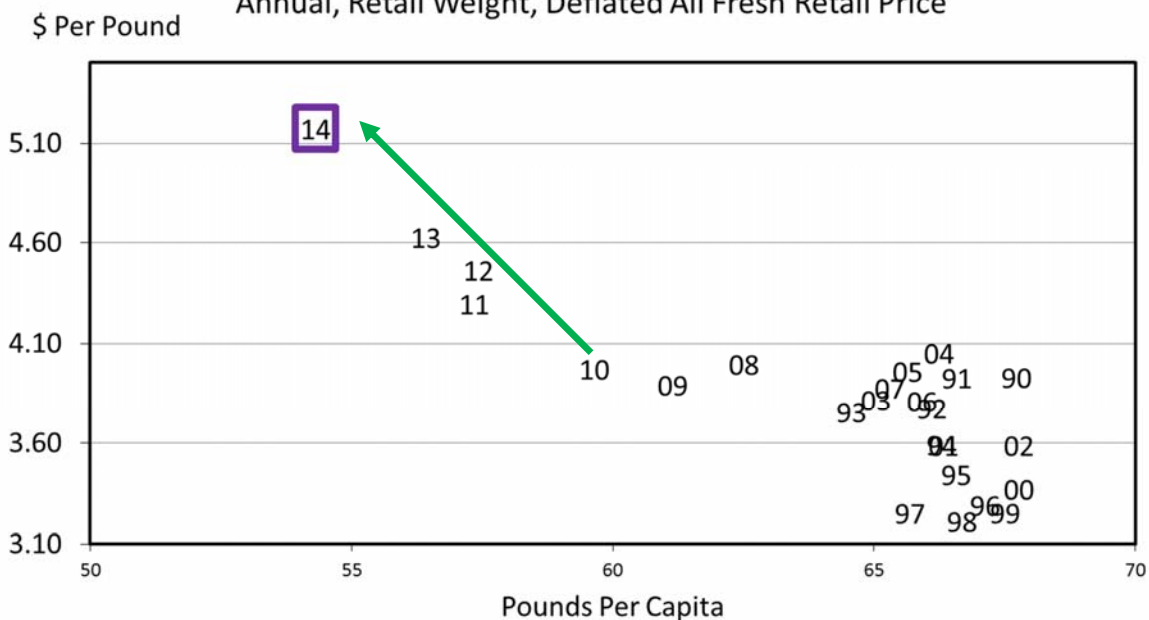
	Red Meat	Poultry	Total
1995	120	87	208
2008	113	103	216
2013	104	99	204
2014	102	100	202
2015	105	105	210
2024	103	112	215

2024 (215 lbs) < 2008 (216 lbs)

41

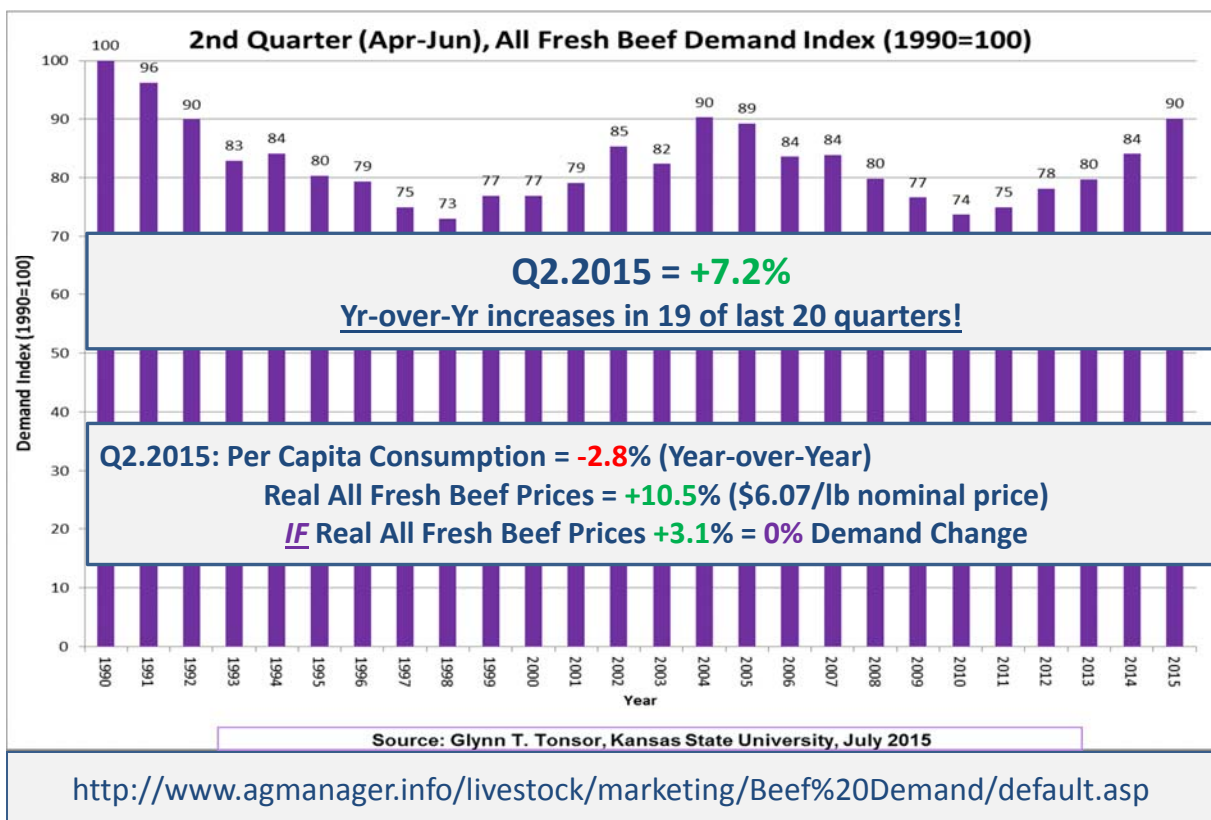
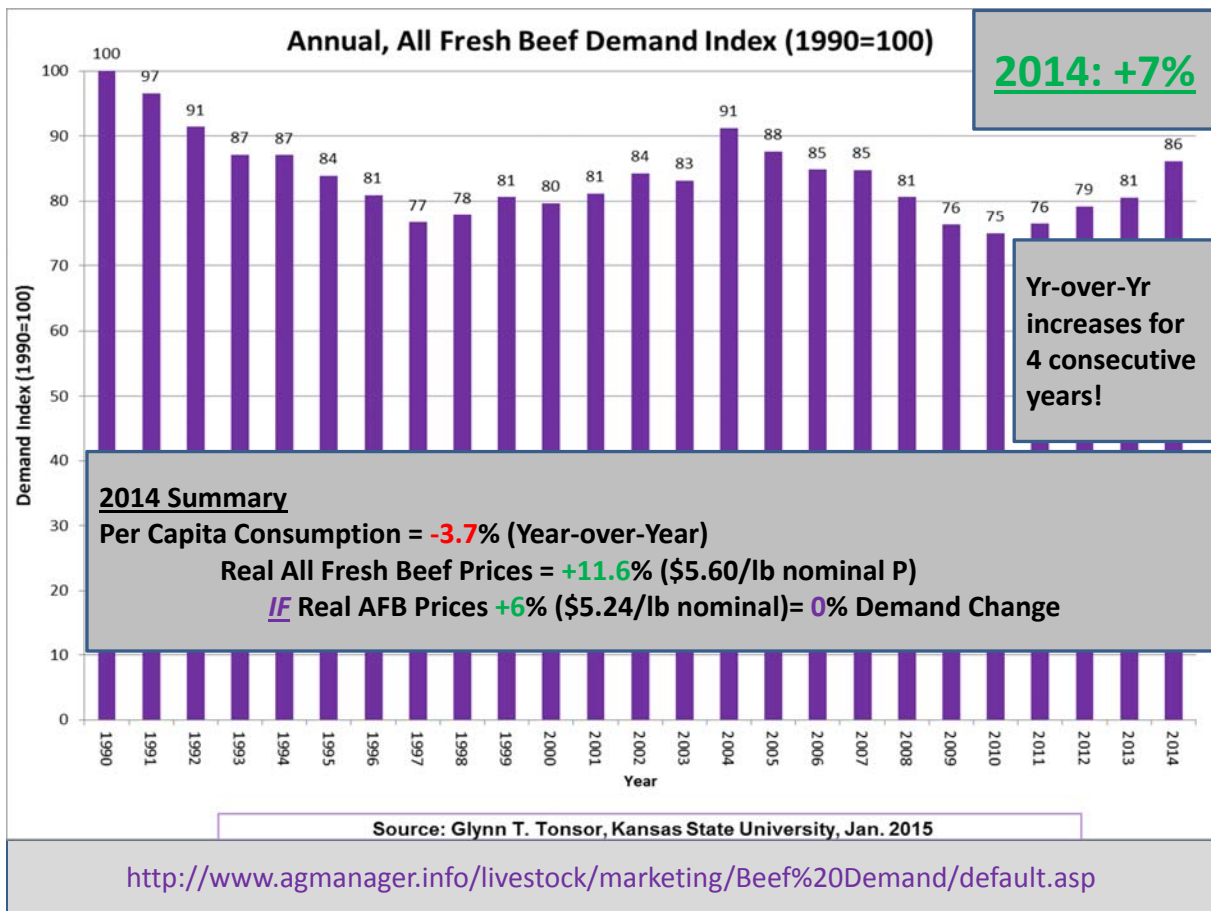
BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price



Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled and Analysis by LMIC
Livestock Marketing Information Center

C-P-65A
03/04/15



Take-Home Summary Points

- Industry at tipping point on role of tight supplies
- **Demand's role will become clearer going forward**
- Identifying & acting upon comparative advantage will increasingly be key!

Issues We Could Discuss...

- Physical Capacity/Infrastructure
- Regional shifts in production
- Avian Influenza & PEDv
- Mandatory Country of Origin Labeling
- Persistence of 2015 Export “constraints”
- Public acceptance of new food technology
 - And many more.....

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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