

GENERAL SESSION III
Livestock 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

Ongoing weather concerns, debates and confusion around beef demand strength, and lingering structural change prospects are significantly influencing the U.S. beef and cattle industry. This session will provide a situational summary and overview of "big picture factors" which will notably influence profitability in coming months and year for the U.S. beef and cattle industry.



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

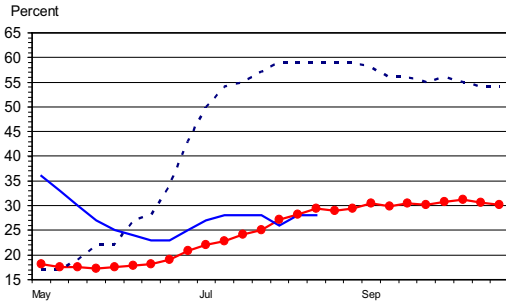
Glynn Tonsor

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



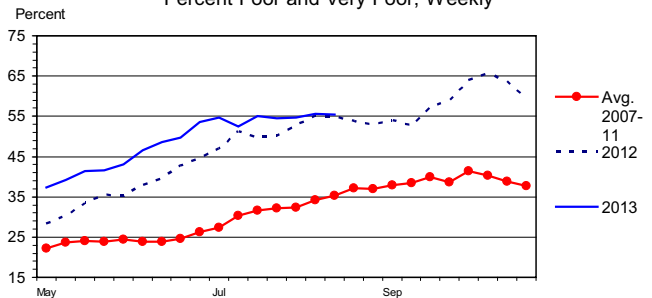
Beef Cows in states with 40% Poor to Very Poor		
Last year	Cows	% of Total
08/05/12	23006	76.50%
08/12/12	23305	77.49%
08/19/12	23205	77.16%
This Year		
08/04/13	9195	31.47%
08/11/13	7867	26.92%
08/18/13	7867	26.92%

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

G-NP-30
08/19/13

WESTERN REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



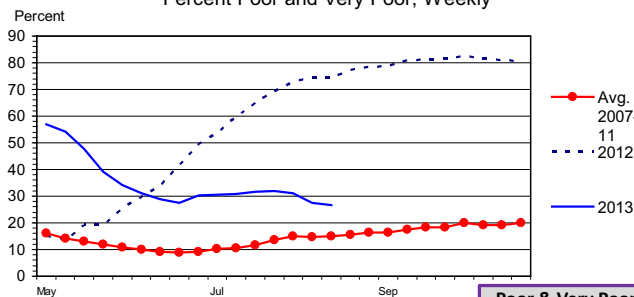
(AZ, CA, ID, NV, NM, OR, UT, WA)
10.2% of Cows

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

G-NP-31
08/19/13

GREAT PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



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

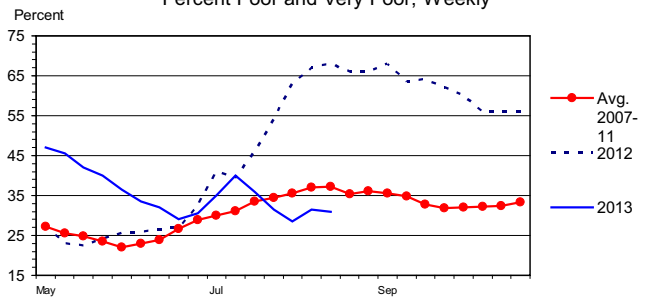
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC

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%

SOUTHERN PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



(OK, TX)
19.7% of Cows

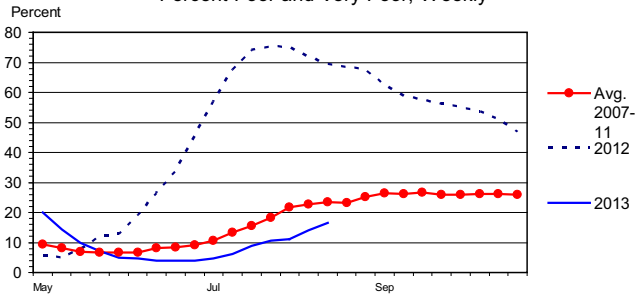
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC

G-NP-33
08/19/13

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

CORNBELT REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



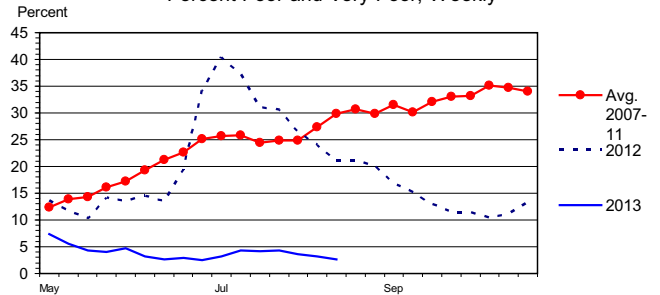
G-NP-34
08/19/13

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)

State / Region	1994	2004	2010	2013	1994 (% of US)	2004 (% of US)	2010 (% of US)	2013 (% of US)
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%

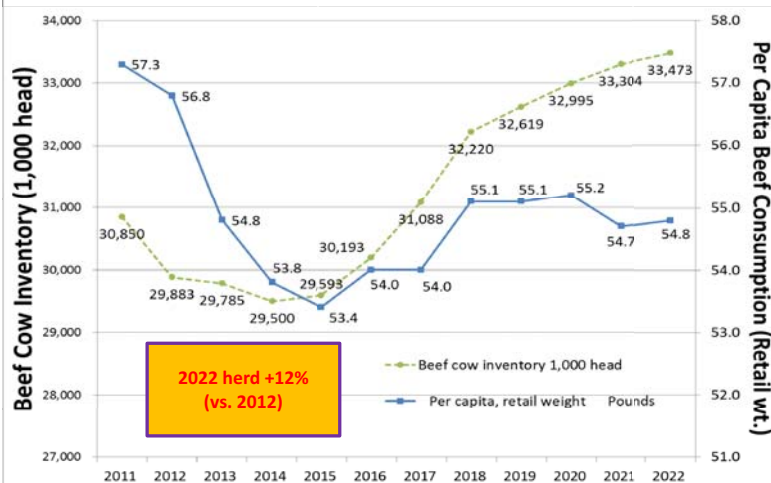
Source: USDA data, compiled by LMIC, modified for presentation by Glynn Tonsor. Regions defined as: *Great Plains* (CO, KS, MT, NE, ND, SD, WY), *Southeast* (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV), *Southern Plains* (OK, TX), *Cornbelt* (IL, IN, IA, MI, MN, MO, OH, WI), and *West* (AK, AZ, CA,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

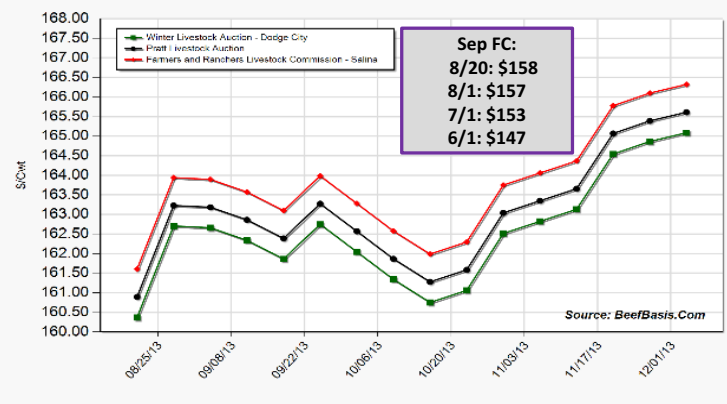
<http://www.usda.gov/oce/commodity/projections/index.htm>

2021 Projection 1.1
million less than Feb.
12'



As of: 8/20/13'

Projected Price for 550 Lb Steer at Selected Kansas Auctions

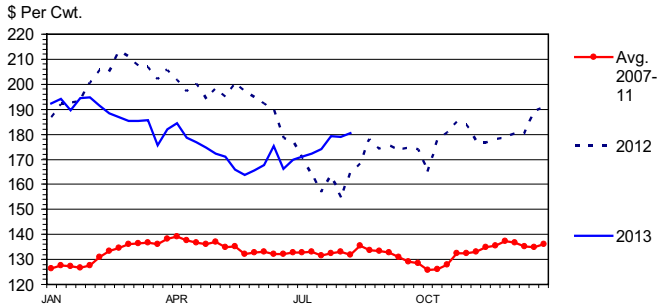


CAS

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

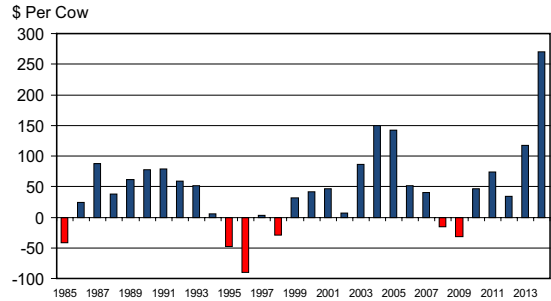
Agricultural Economics
Kansas State University

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

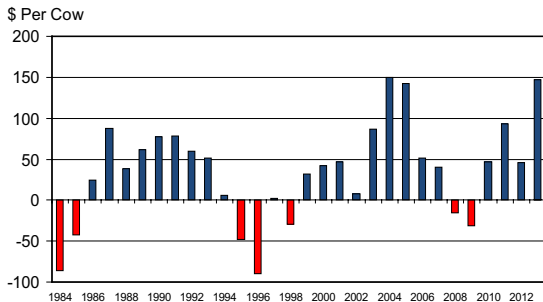
ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual



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

C-P-66
07/31/13

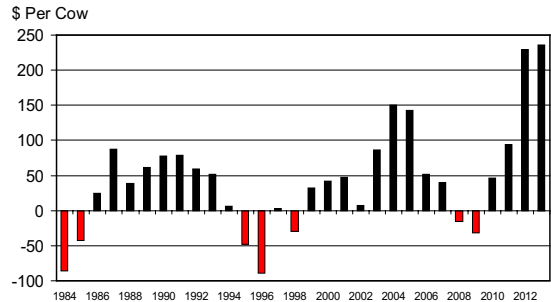
ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual



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

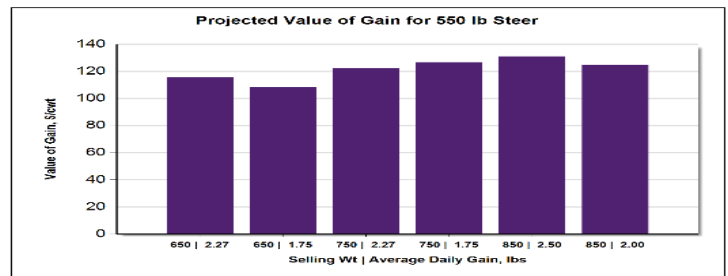


Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66
03/21/12

**Economic Outlook Overview :
Stockers**

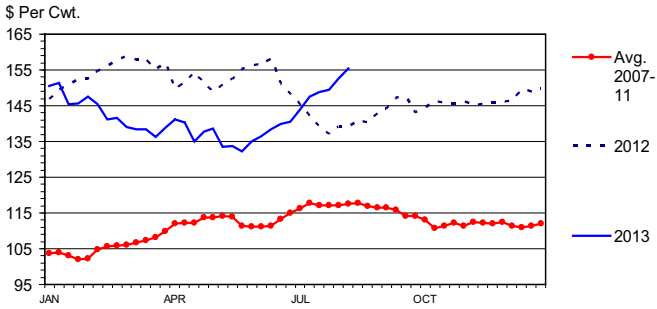
- Attractive Values of Gain (VOG) vs. COG
 - For those in many stocker/backgrounding areas ...
- Salina, KS 8/20/13 situation:
 - Buy 550 lb steer on 10/16/13 (\$165.30)
 - Sell 750 lb steer on 1/15/14 (\$154.34) {2.17 ADG}
 - VOG: \$124.21/cwt
 - <http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>



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
KSTATE CAS

MED. & LRG. #1 FEEDER STEER PRICES
700-800 Pounds, Southern Plains, Weekly



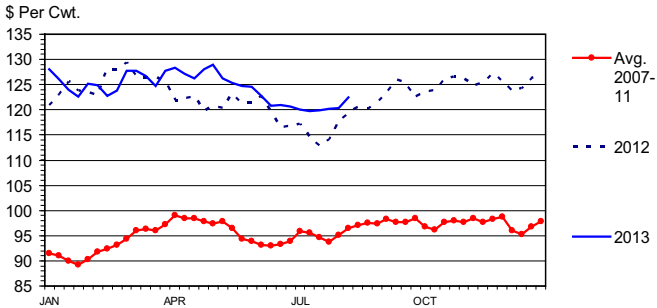
Livestock Marketing Information Center
Data Source: USDA-AMS, Compiled & Analysis by LMIC

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" ???

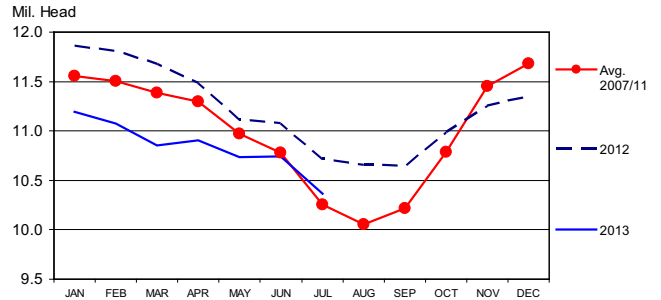
SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly



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

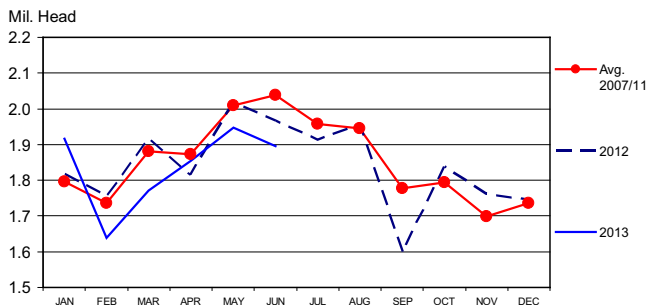


Livestock Marketing Information Center
Data Source: USDA-NASS

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

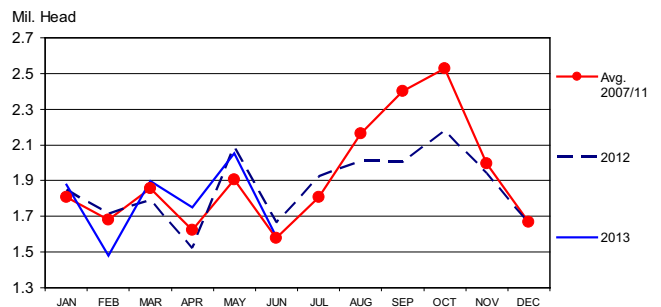


Livestock Marketing Information Center
Data Source: USDA-NASS

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”...

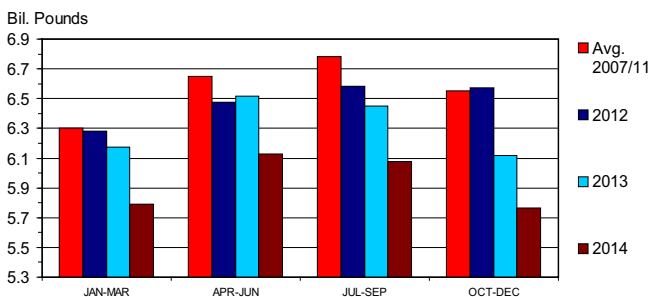
Quarterly Forecasts (LMIC: 08/12/13)

Year	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from 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	32,961	-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	-2.6
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	Live Sitr. Steer Price 5-Mkt Avg	% Chg. from Year Ago	Feeder Steer Price 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

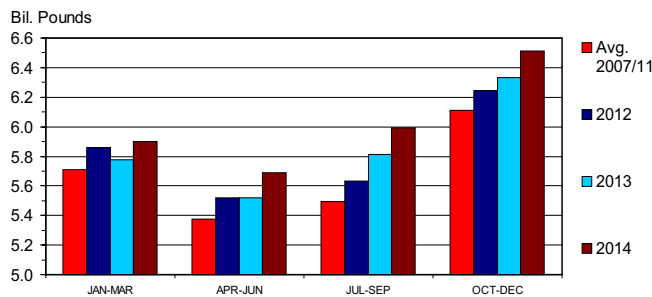
COMMERCIAL BEEF PRODUCTION Quarterly



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

M-S-01
08/02/13

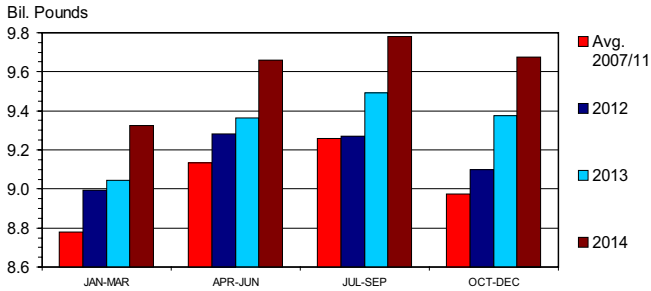
COMMERCIAL PORK PRODUCTION Quarterly



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

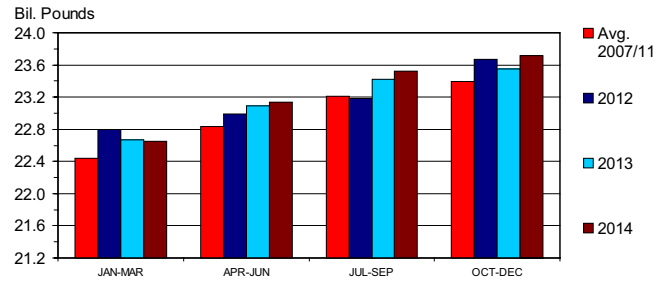
M-S-06
08/02/13

RTC BROILER PRODUCTION Quarterly



Livestock Marketing Information Center
M-S-30
08/02/13
Data Source: USDA-NASS, Compiled & Analysis by LMIC

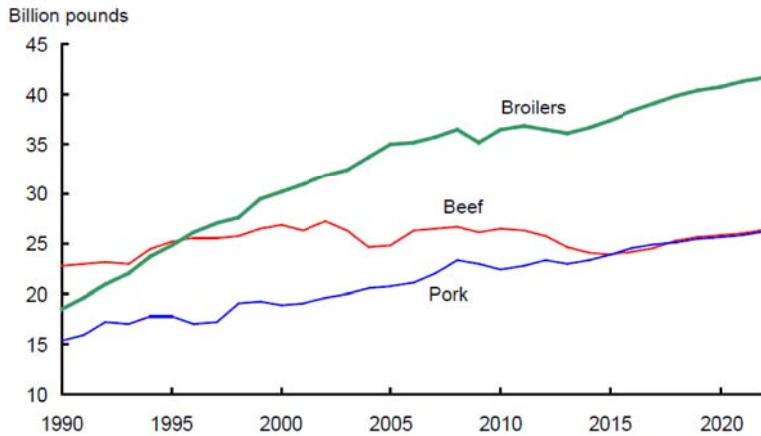
TOTAL RED MEAT & POULTRY PRODUCTION Quarterly



Livestock Marketing Information Center
M-S-31
08/02/13
Data Source: USDA-NASS, Compiled & Analysis by LMIC

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

U.S. red meat and poultry production



Risk & Profit CONFERENCE

K-State Dept. of Agricultural Economics
August 21-22, 2013
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Manhattan, KS

Congress and Bulls
and Bears, Oh my!

KANSAS STATE
UNIVERSITY
Department of Agricultural Economics

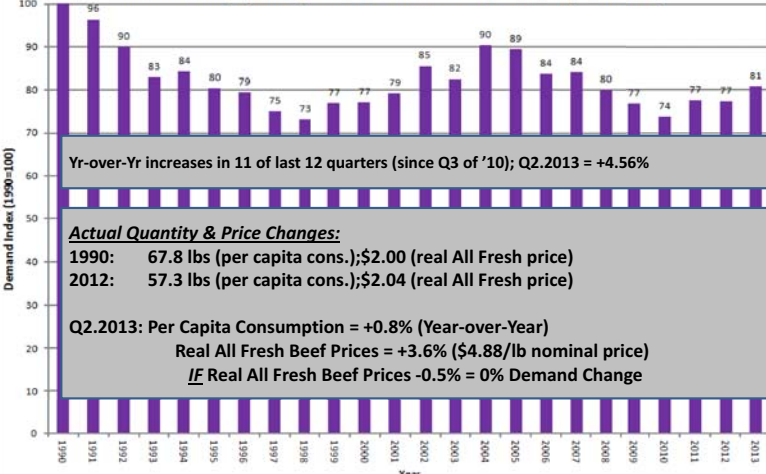
Beef Demand: Recent Determinants and Future Drivers

Ted Schroeder
Glynn Tonsor
James Mintert

Research Project completed for the
Cattlemen's Beef Board

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

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



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

<http://www.agmanager.info/livestock/marketing/Beef%20Demand/default.asp>

Risk & Profit CONFERENCE

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Congress and Bulls
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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

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More information available at:



This presentation is 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
gtt@agecon.ksu.edu

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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](http://www.agmanager.info) AND <http://www.meatingplace.com/Industry/Webinars>

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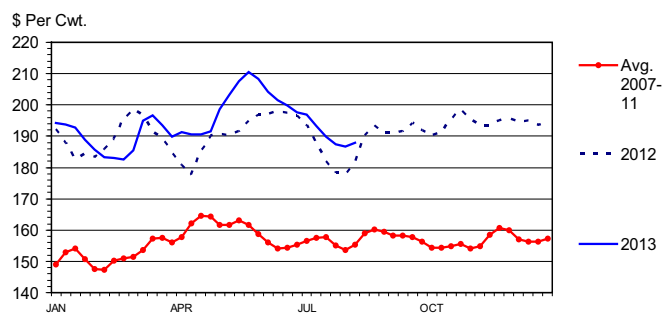
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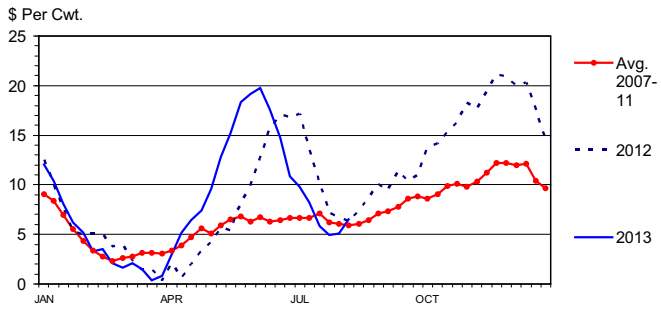
BOXED BEEF CUTOUT VALUE Choice 600-900 Lbs. Carcass, Weekly



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