

Livestock & Meat Market Outlook

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***KSU Cattlemen's Day
March 4, 2011***



OVERVIEW

- SUPPLY:
 - Historically tight supplies
 - Shrinking cow herd, expansion uncertainty
- DEMAND:
 - Export demand has been strong
 - Domestic demand strengthened during 2010
- FEEDS:
 - Volatile & higher grain prices =
Growing role of forage & hence stocker segment
- “OTHER” PRESSURES
 - Growing in relevance...



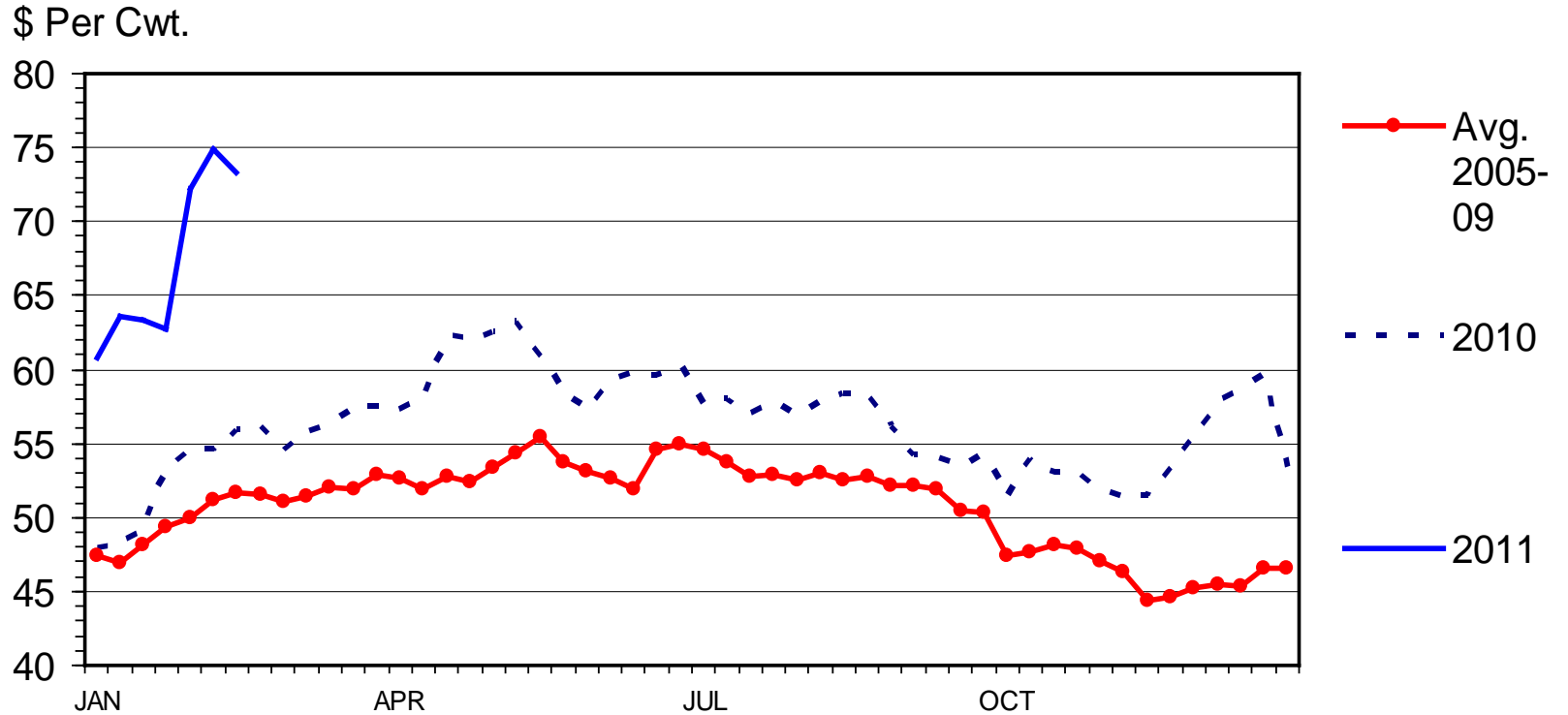
Cow herd dynamics

- Expected Profits, Typically = Expansion
- Producers largely taking current “high” prices & not retaining for future...
 - Are cow-calf producers cash strapped?
 - Is the age of operators at hand and retirement decisions at play?
 - Is “heightened uncertainty” at play?
 - If \$50/head expected profit used to “normally trigger expansion” what does it take today???



SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly



Livestock Marketing Information Center

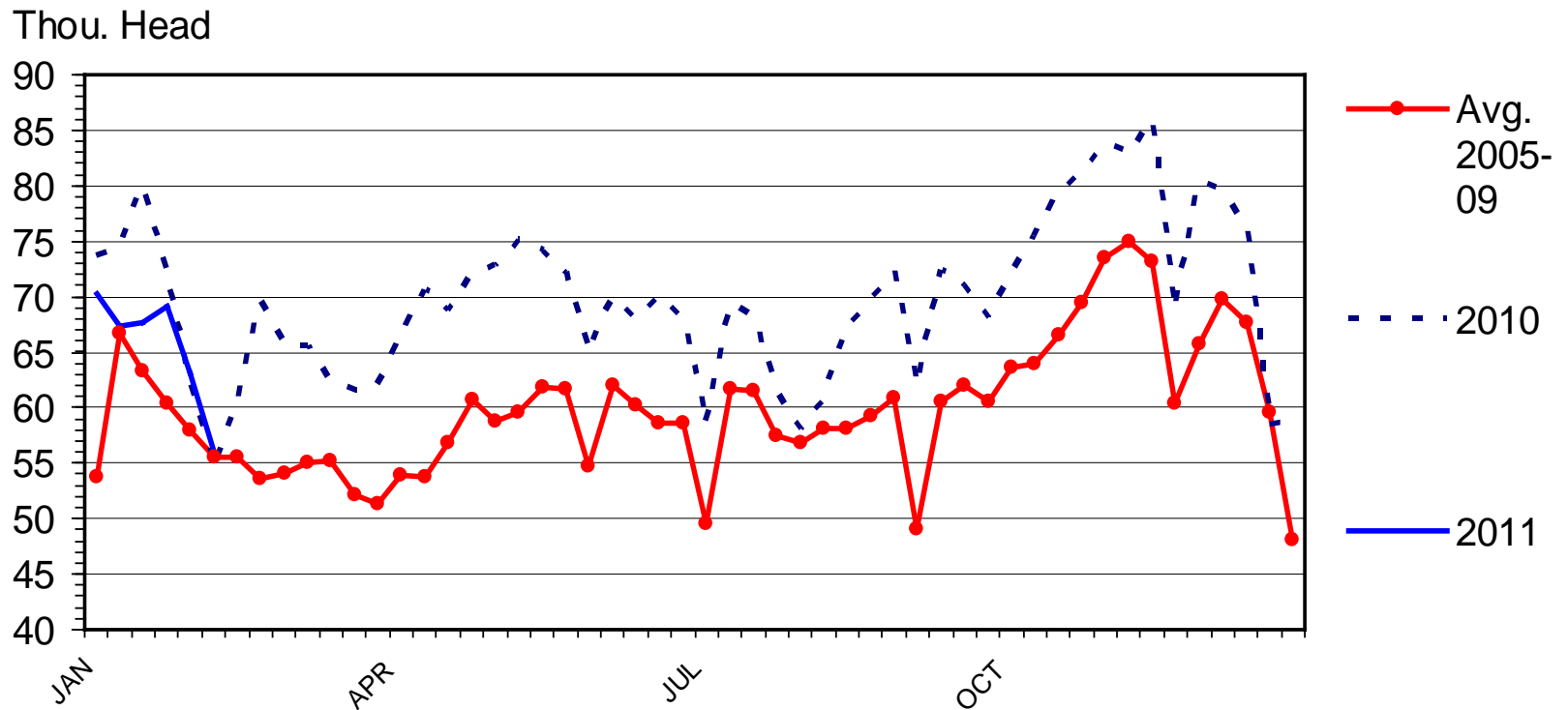
Data Source: USDA-AMS

C-P-35
02/28/11



BEEF COW SLAUGHTER

Federally Inspected, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

C-S-34
02/25/11

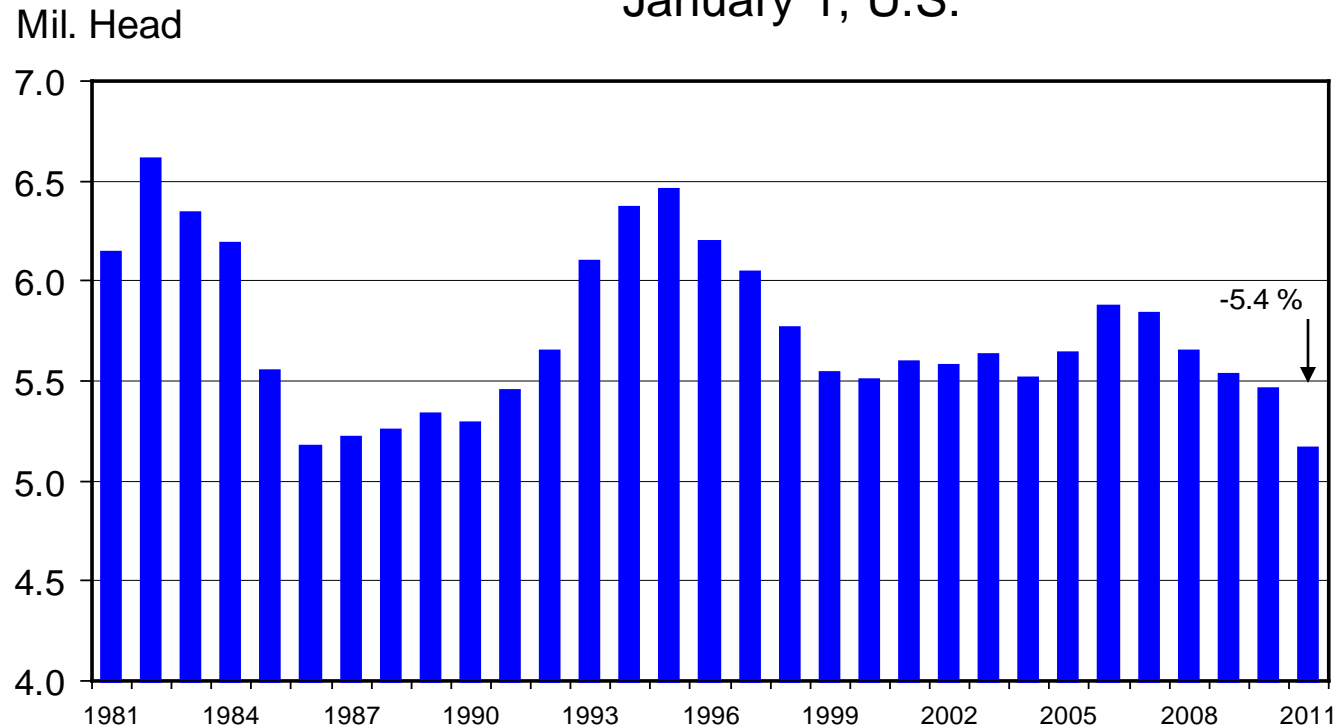


Implication:

Can herd expand prior to 2013???

HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



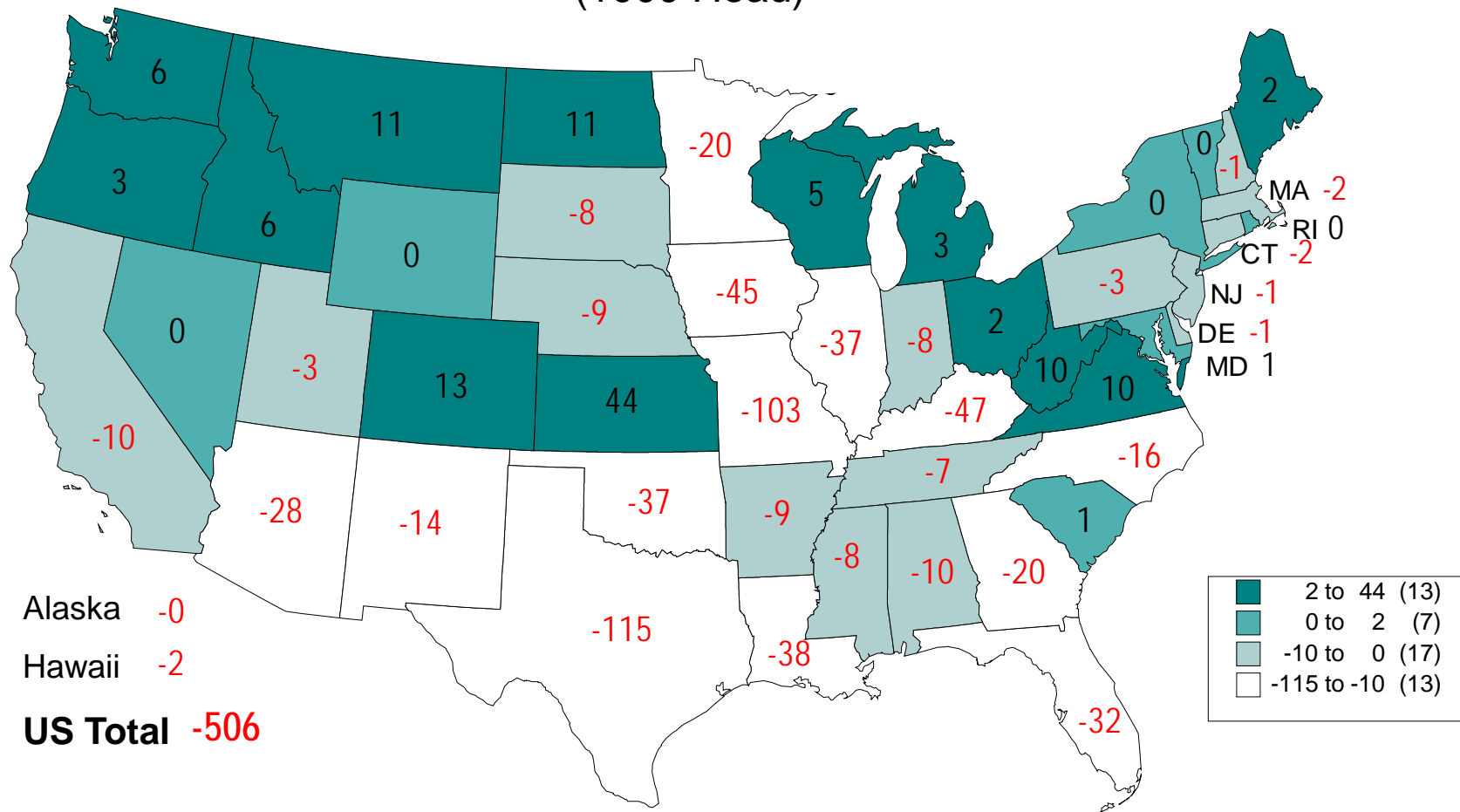
Livestock Marketing Information Center

Data Source: USDA-NASS

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01/28/11



CHANGE IN BEEF COW NUMBERS JANUARY 1, 2010 TO JANUARY 1, 2011 (1000 Head)



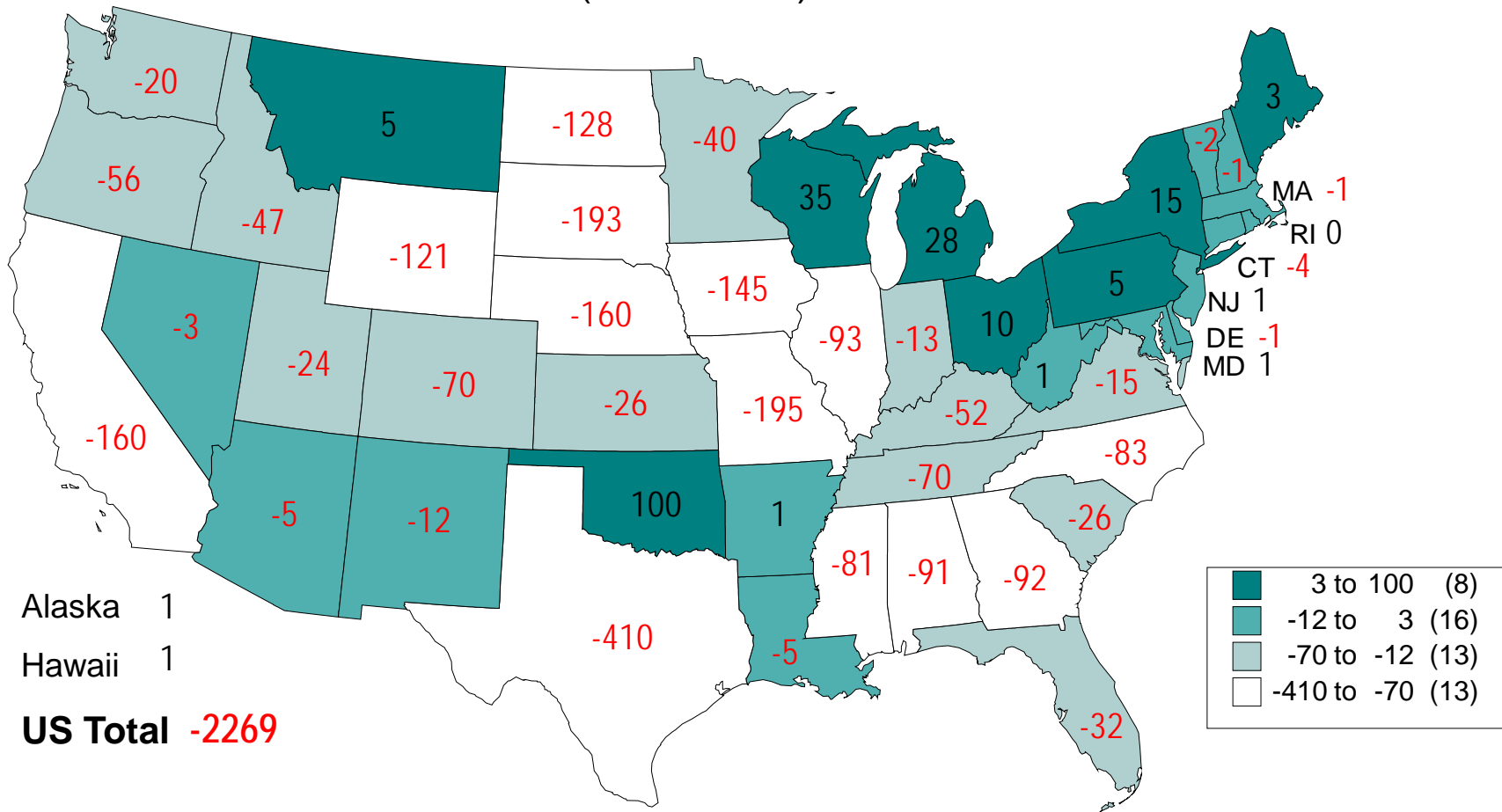
Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-28
01/28/11



CHANGE IN BEEF COW NUMBERS JANUARY 1, 2002 TO JANUARY 1, 2011 (1000 Head)



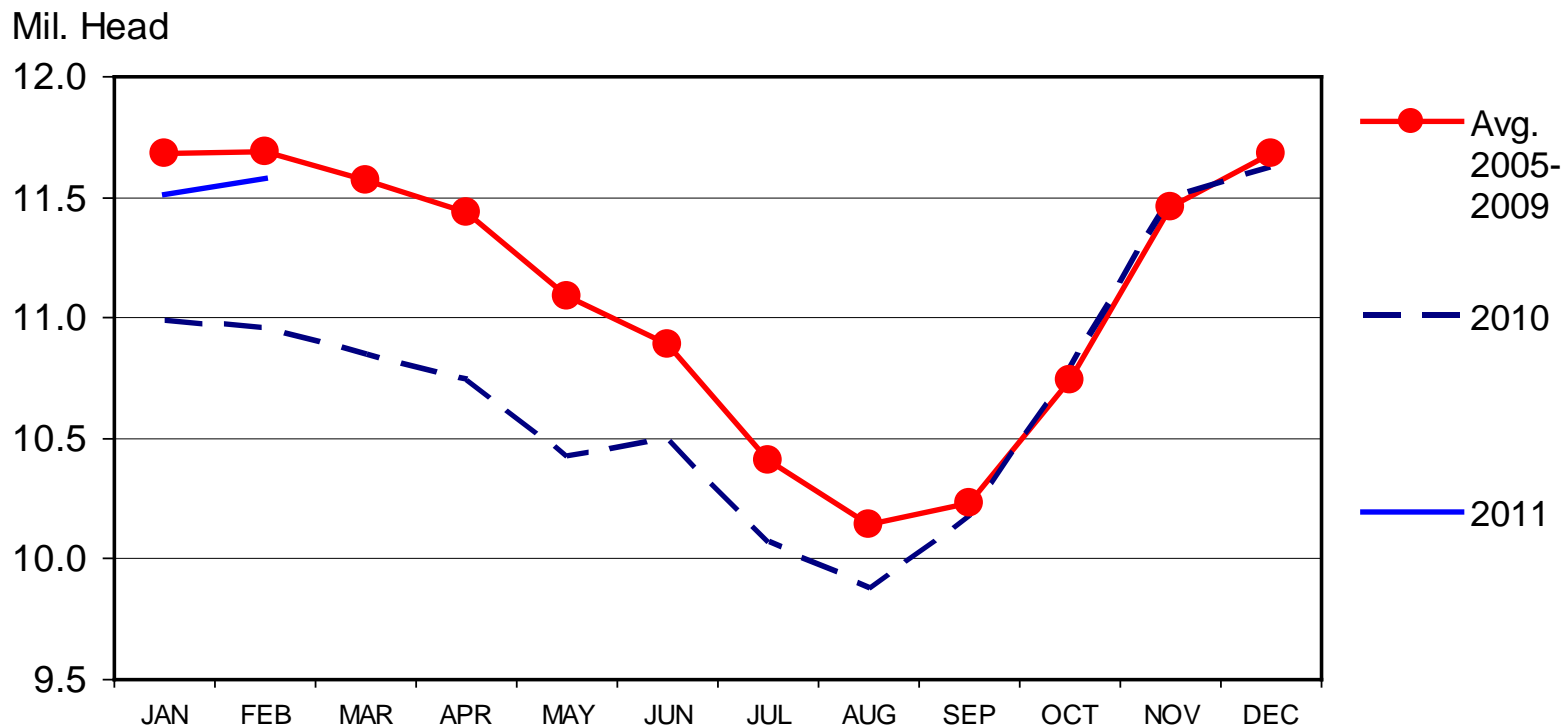
Livestock Marketing Information Center
Data Source: USDA/NASS

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CATTLE ON FEED

US Total, Monthly



Livestock Marketing Information Center

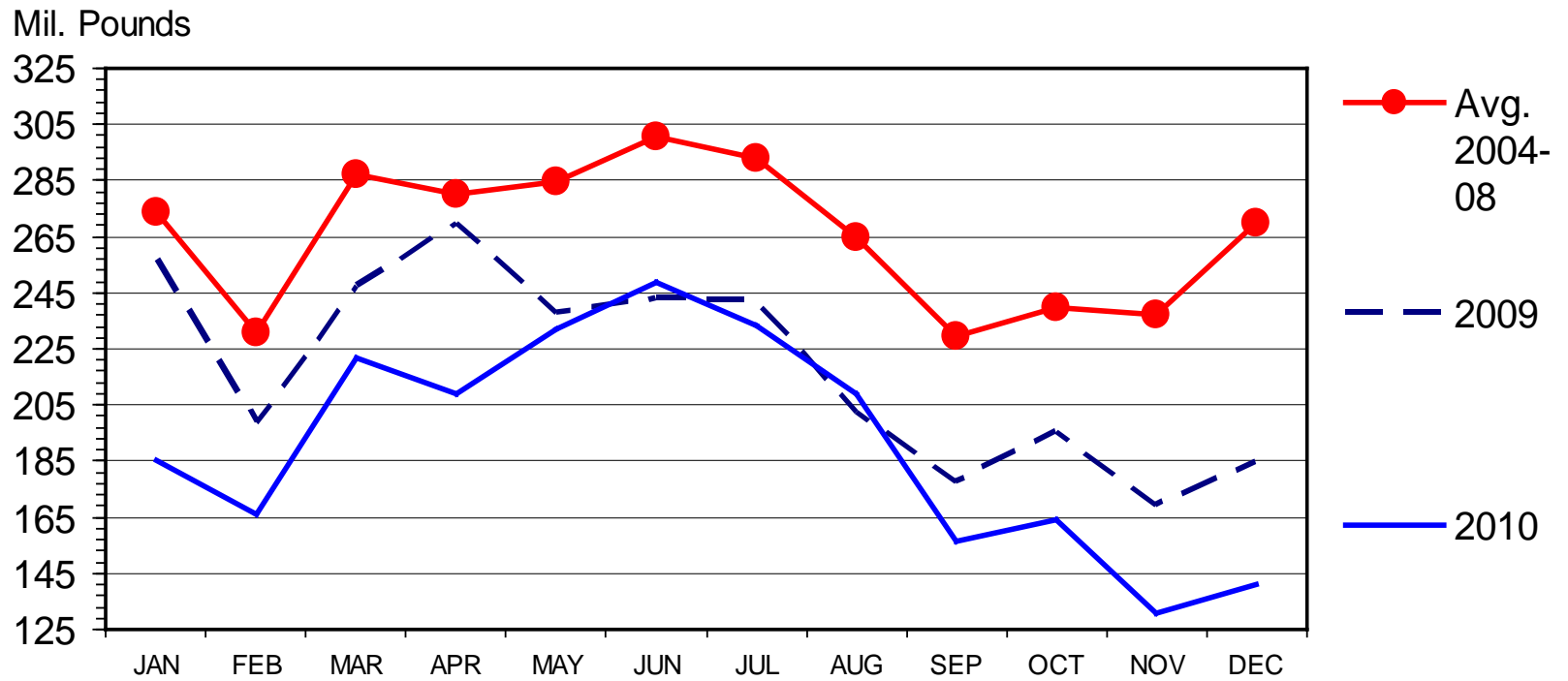
Data Source: USDA-NASS

C-N-10
02/18/11



U S BEEF AND VEAL IMPORTS

Carcass Weight, Monthly



Livestock Marketing Information Center

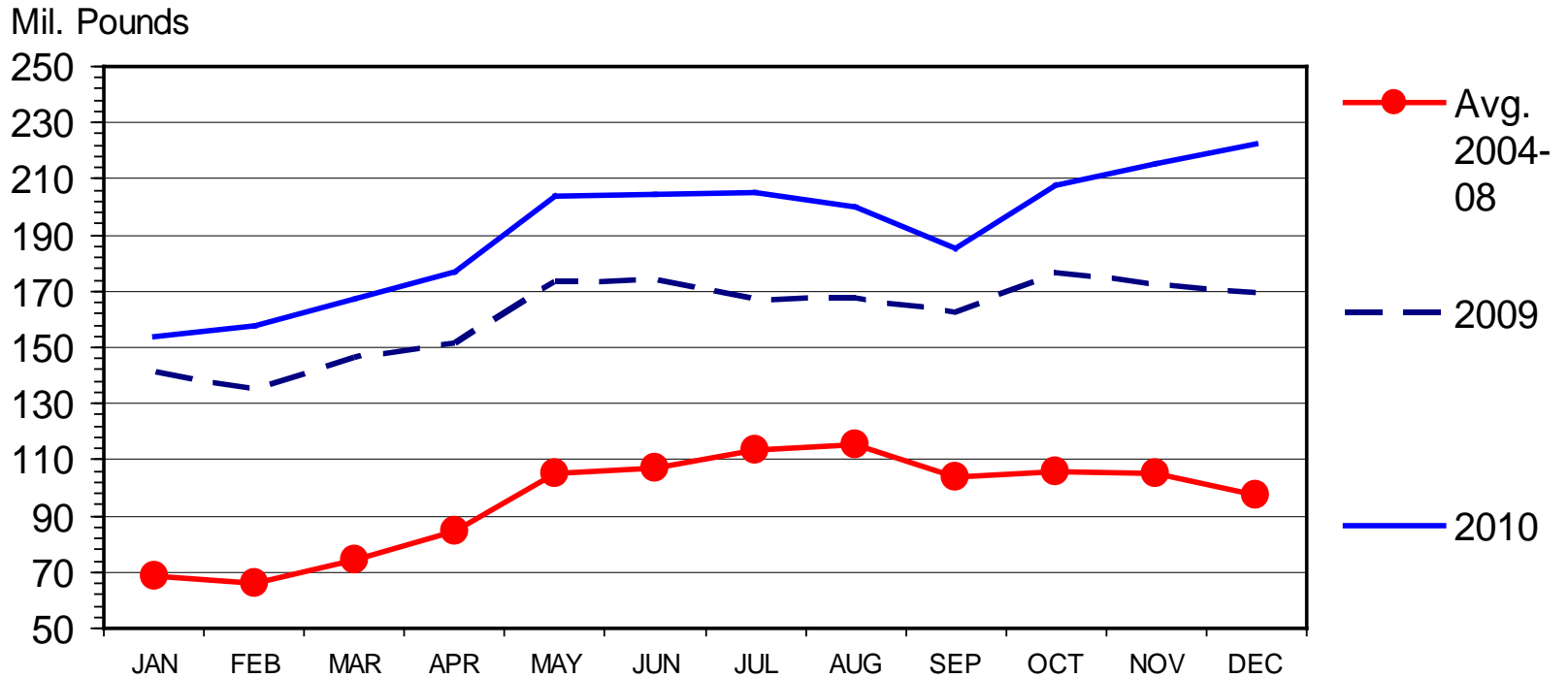
Data Source: USDA-ERS & USDA-FAS

I-N-15
02/14/11



U S BEEF AND VEAL EXPORTS

Carcass Weight, Monthly



Livestock Marketing Information Center

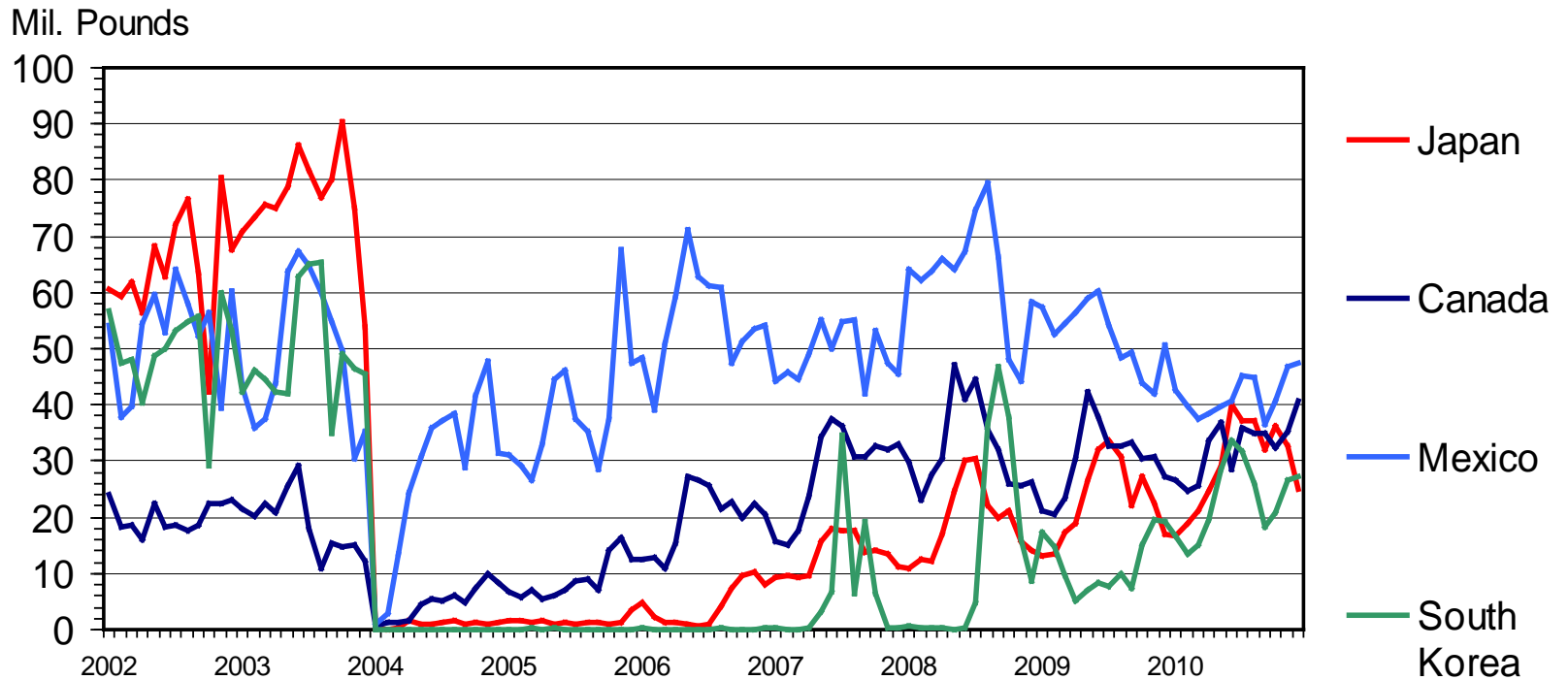
Data Source: USDA-ERS & USDA-FAS

I-N-16
02/14/11



U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



Livestock Marketing Information Center

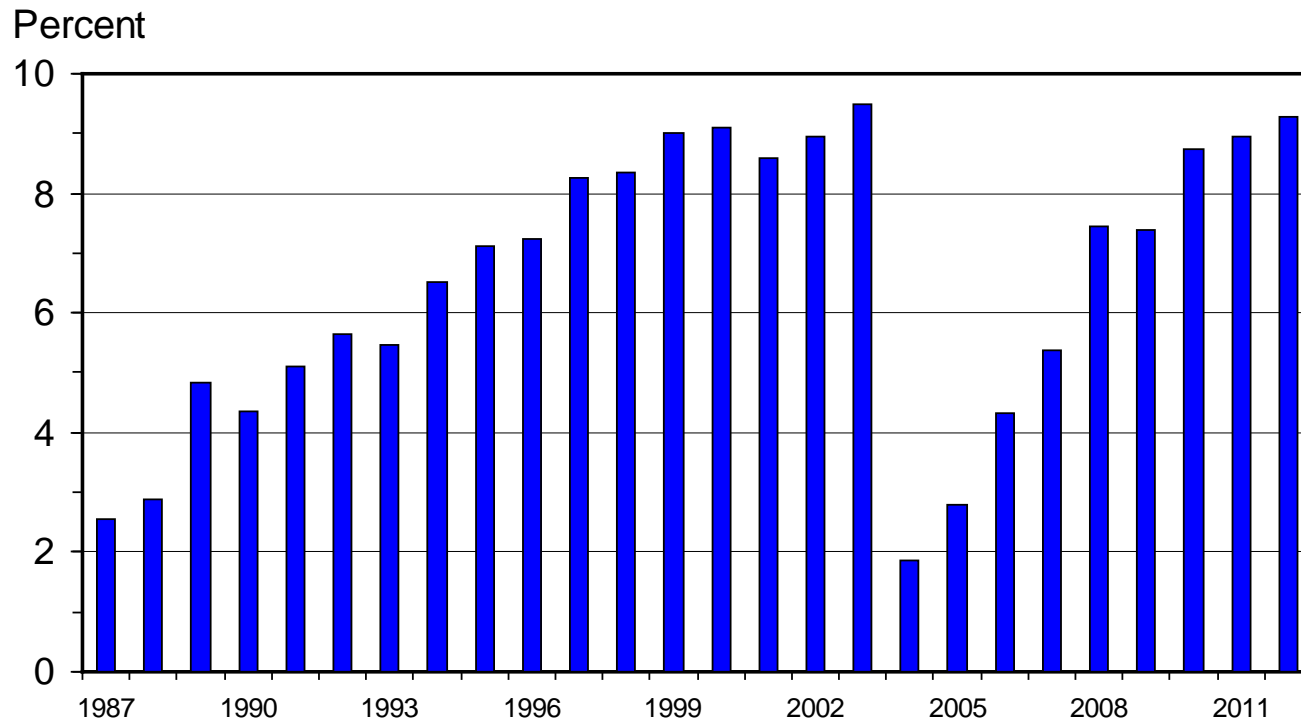
Data Source: USDA-ERS & USDA-FAS

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U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



Livestock Marketing Information Center

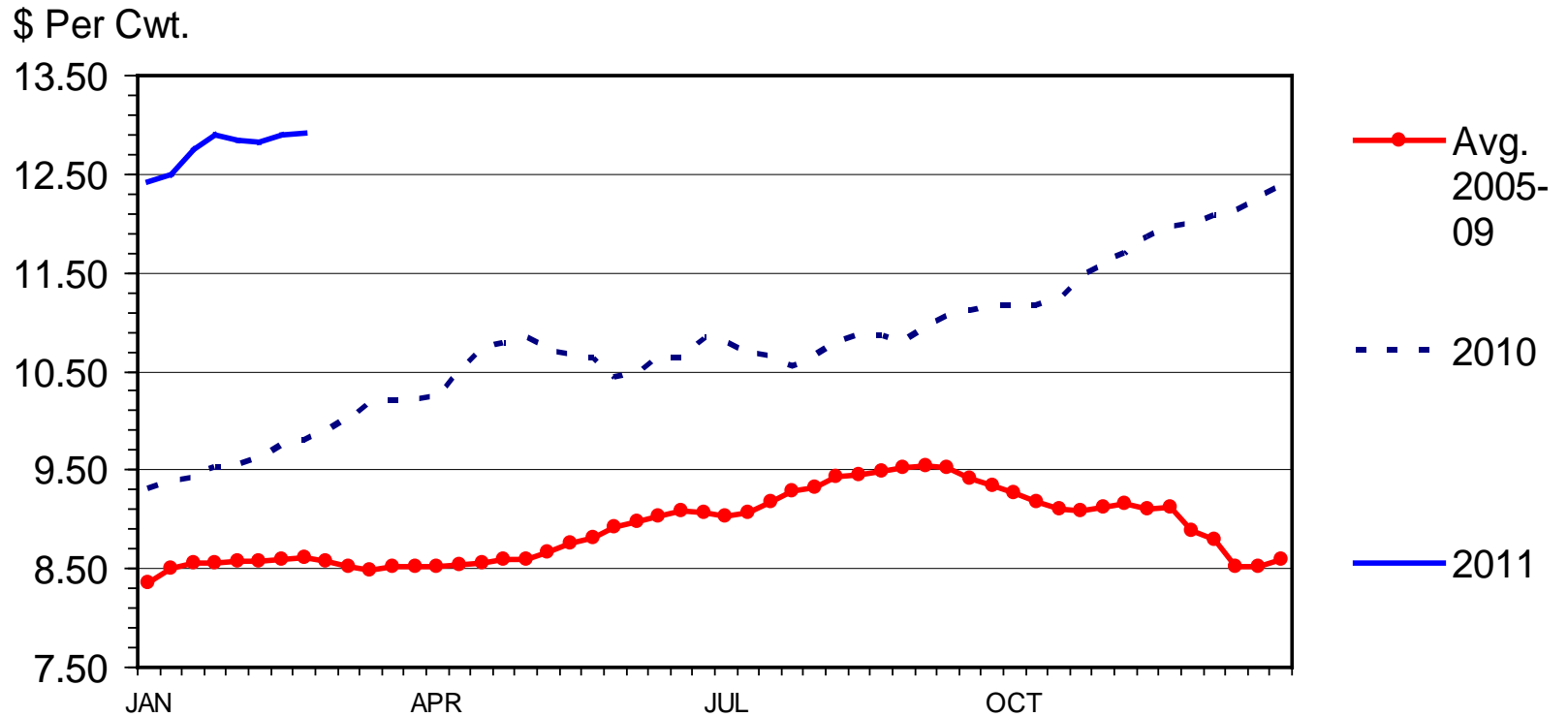
Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC

I-N-07
01/04/11



STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly



Livestock Marketing Information Center

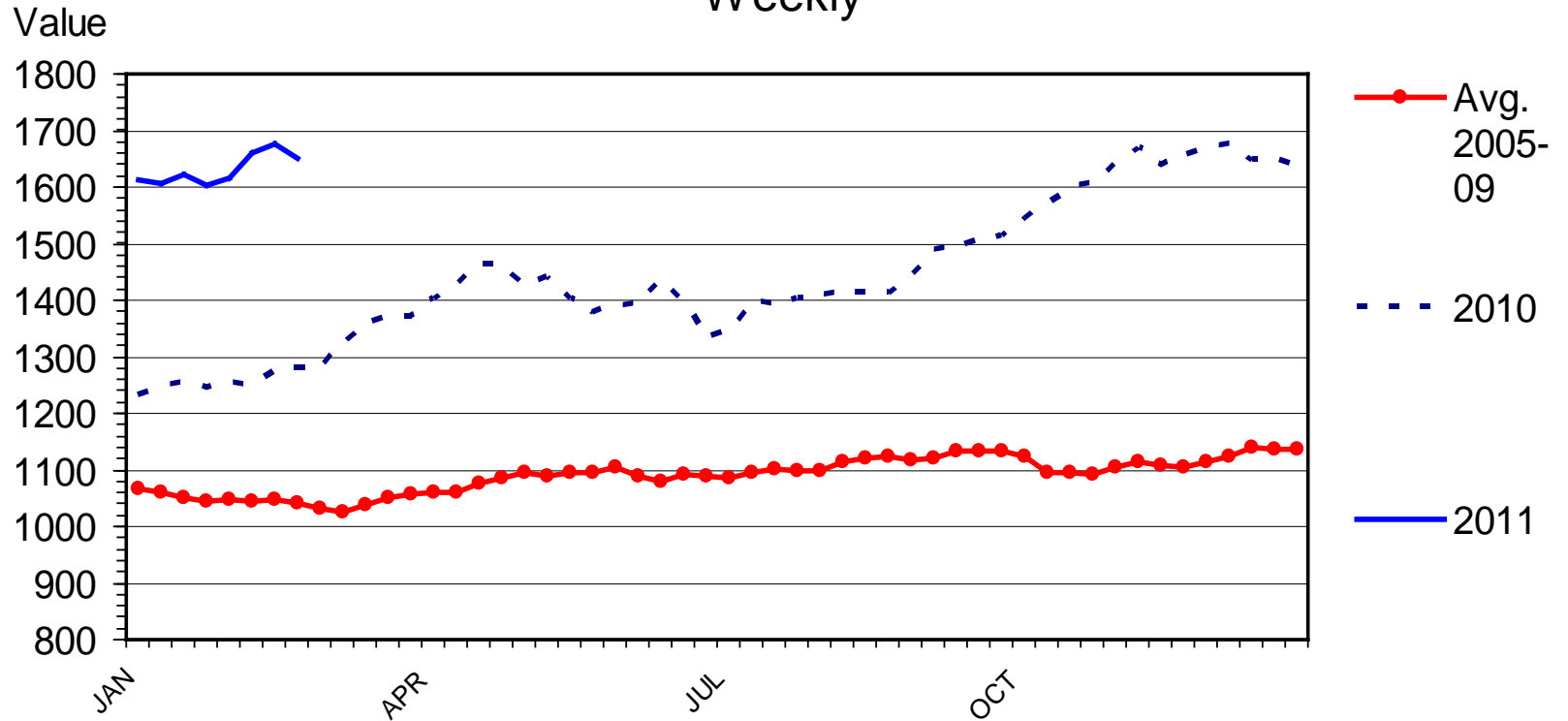
Data Source: USDA-AMS

C-P-39
02/28/11



NATIONAL RESTAURANT NEWS STOCK MARKET INDEX

Weekly



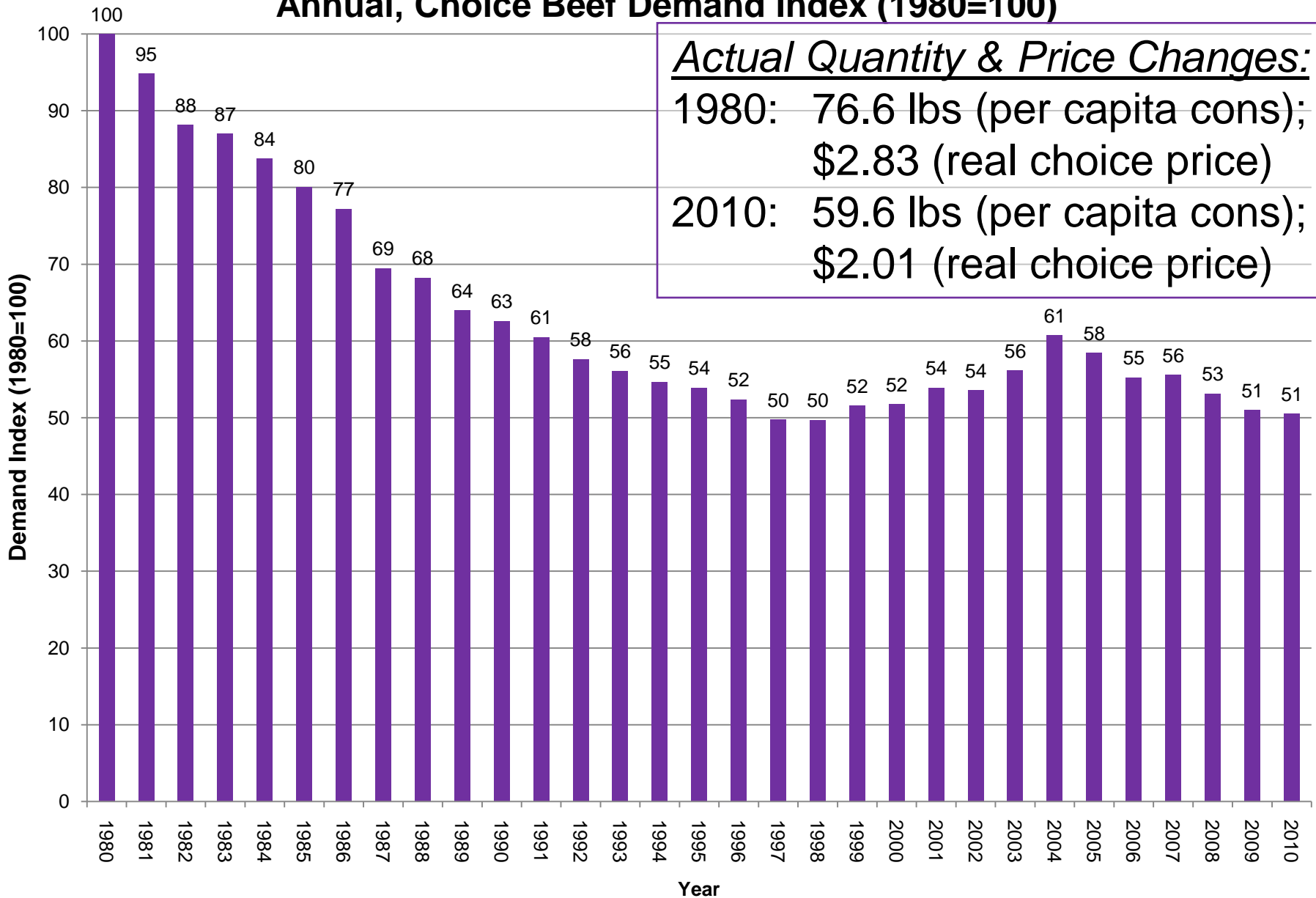
Livestock Marketing Information Center

02/23/11

Data Source: National Restaurant News, Compiled & Analysis by LMIC



Annual, Choice Beef Demand Index (1980=100)



Actual Quantity & Price Changes:

1980: 76.6 lbs (per capita cons);
\$2.83 (real choice price)

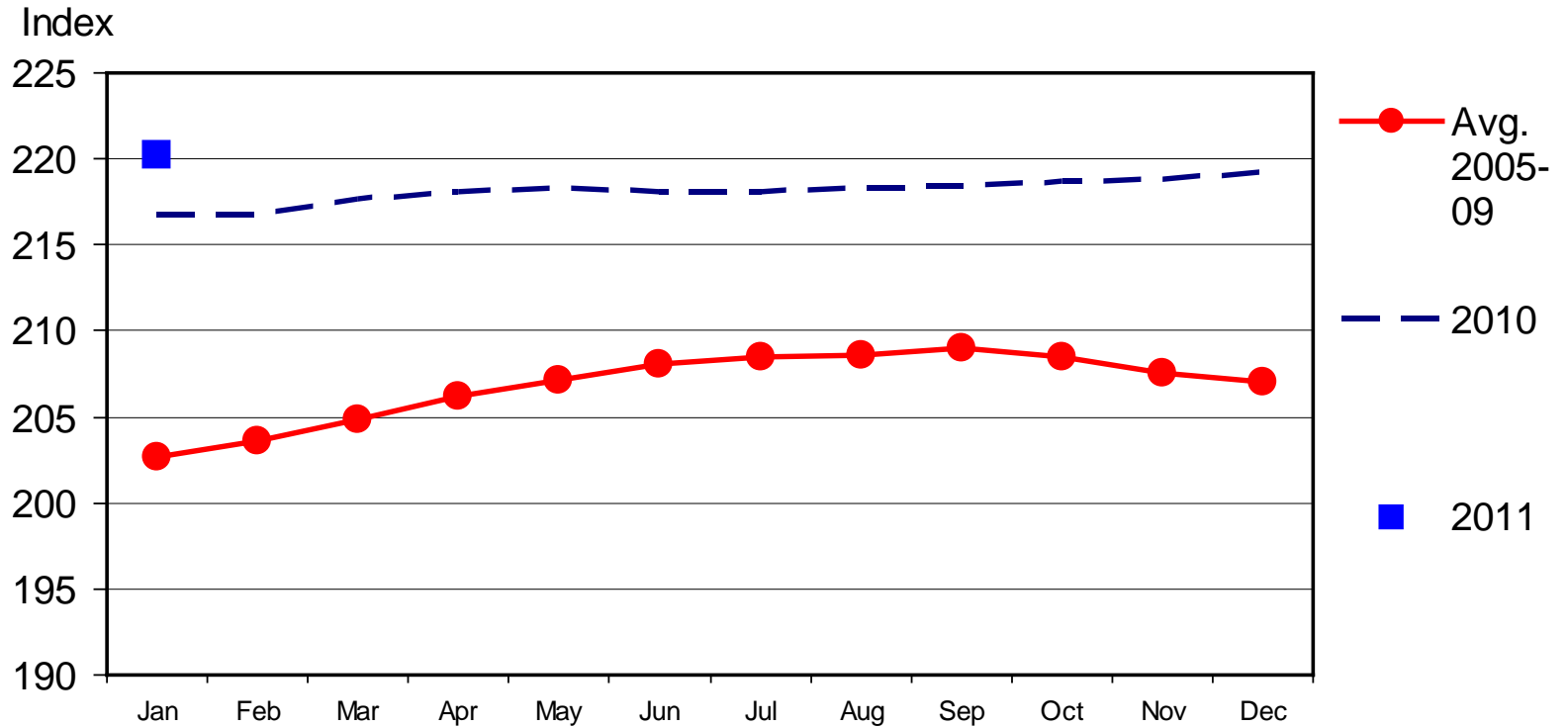
2010: 59.6 lbs (per capita cons);
\$2.01 (real choice price)

Source: Glynn T. Tonsor, Kansas State University, Jan. 2011



CONSUMER PRICE INDEX - ALL ITEMS

1982-1984 Base, Monthly



Livestock Marketing Information Center

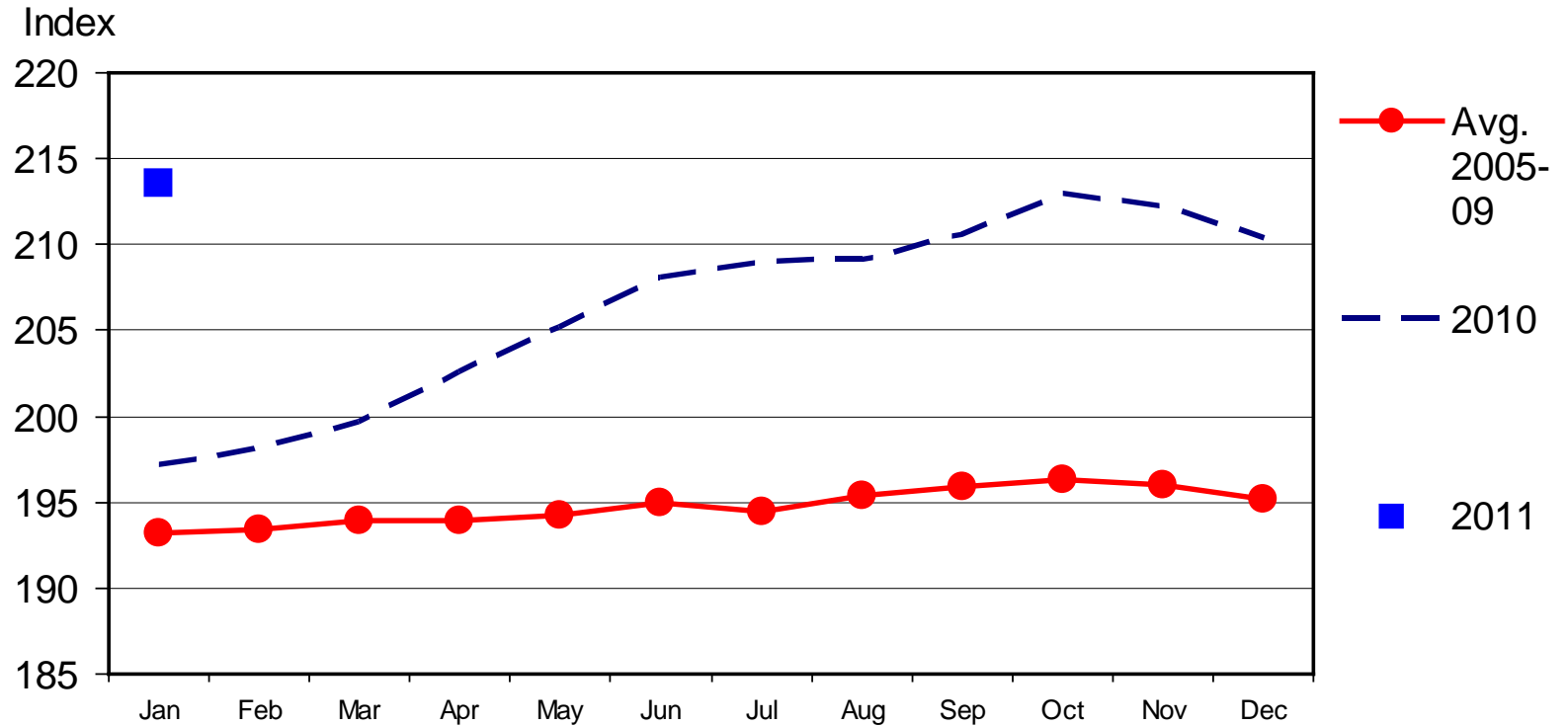
02/17/11

Data Source: Bureau of Labor Statistics



CPI - MEATS

1982-1984 Base, Monthly



Livestock Marketing Information Center

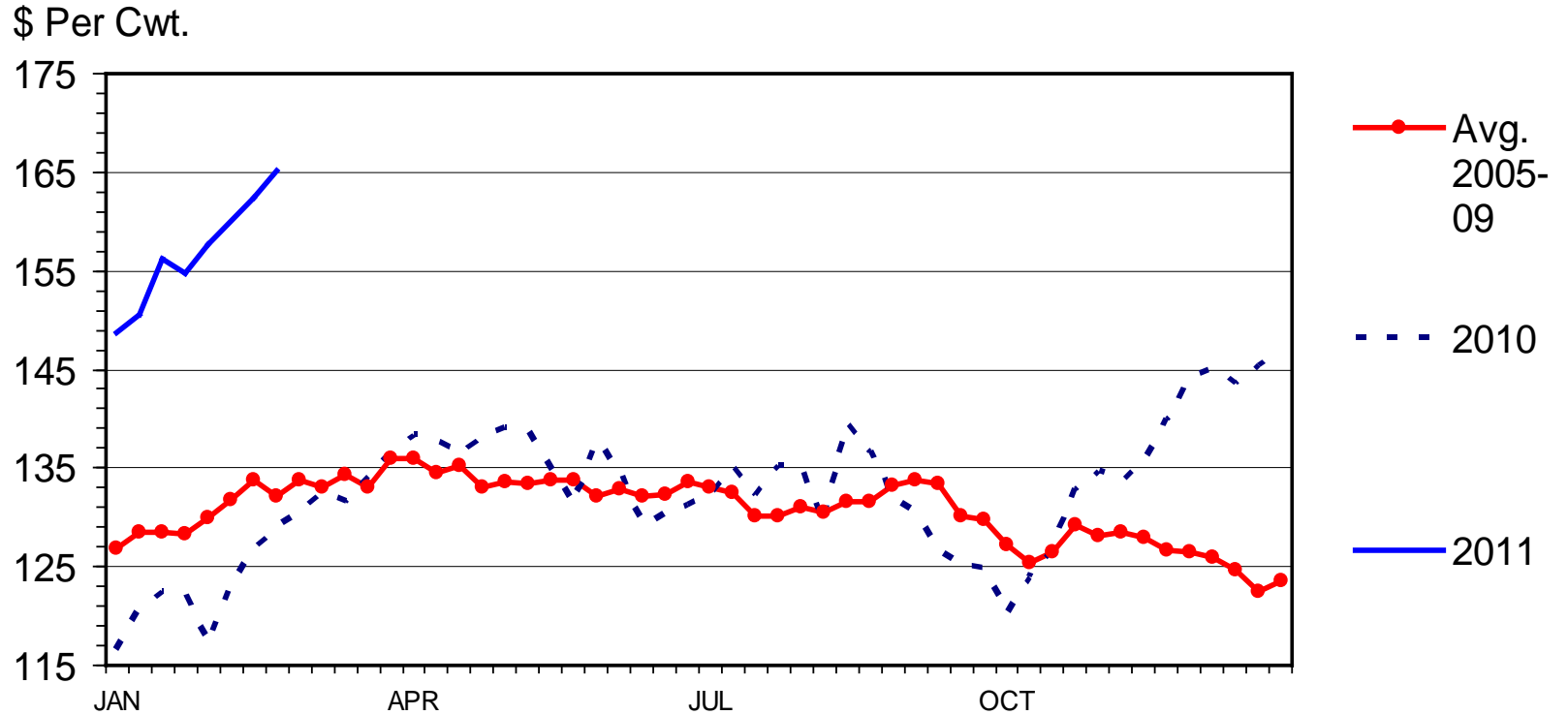
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Data Source: Bureau of Labor Statistics



MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

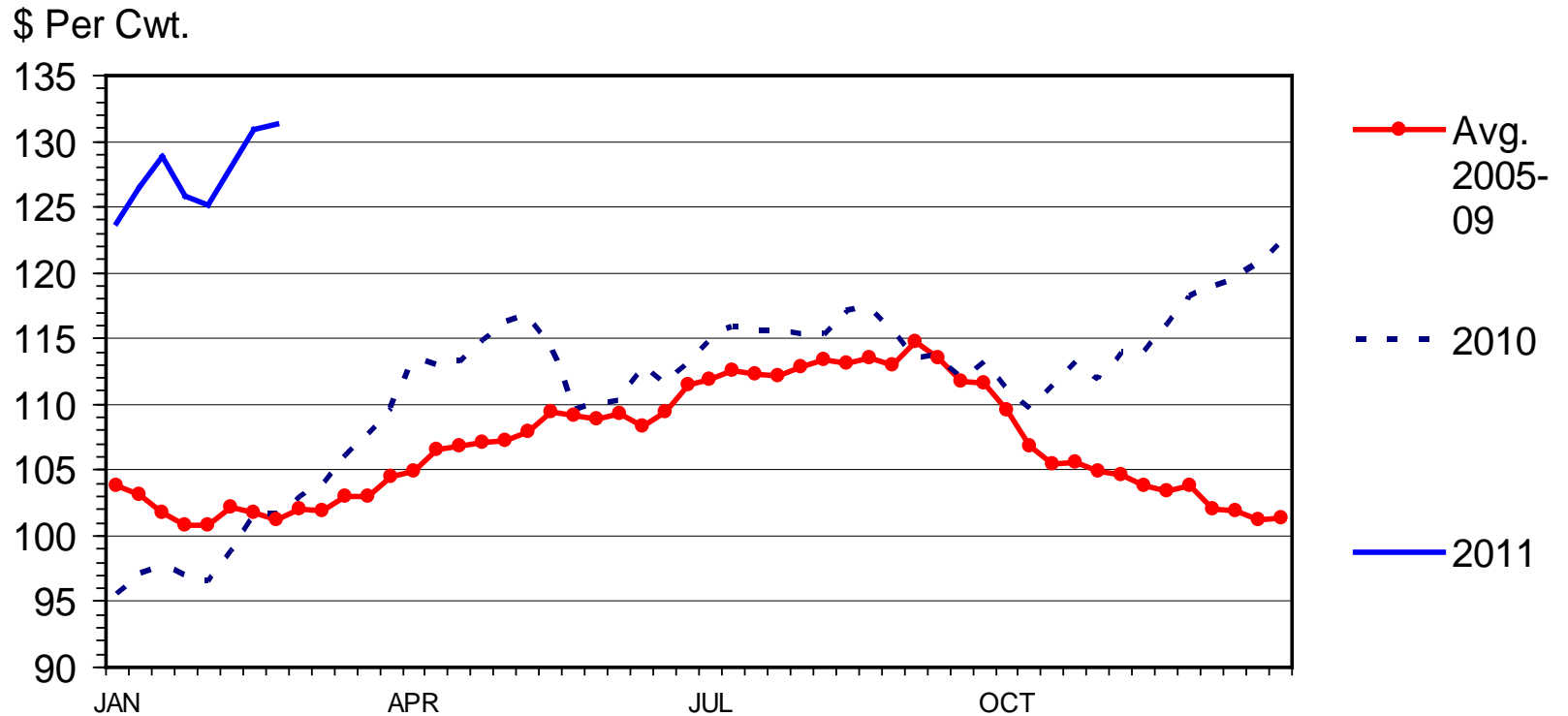
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49A
02/28/11



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

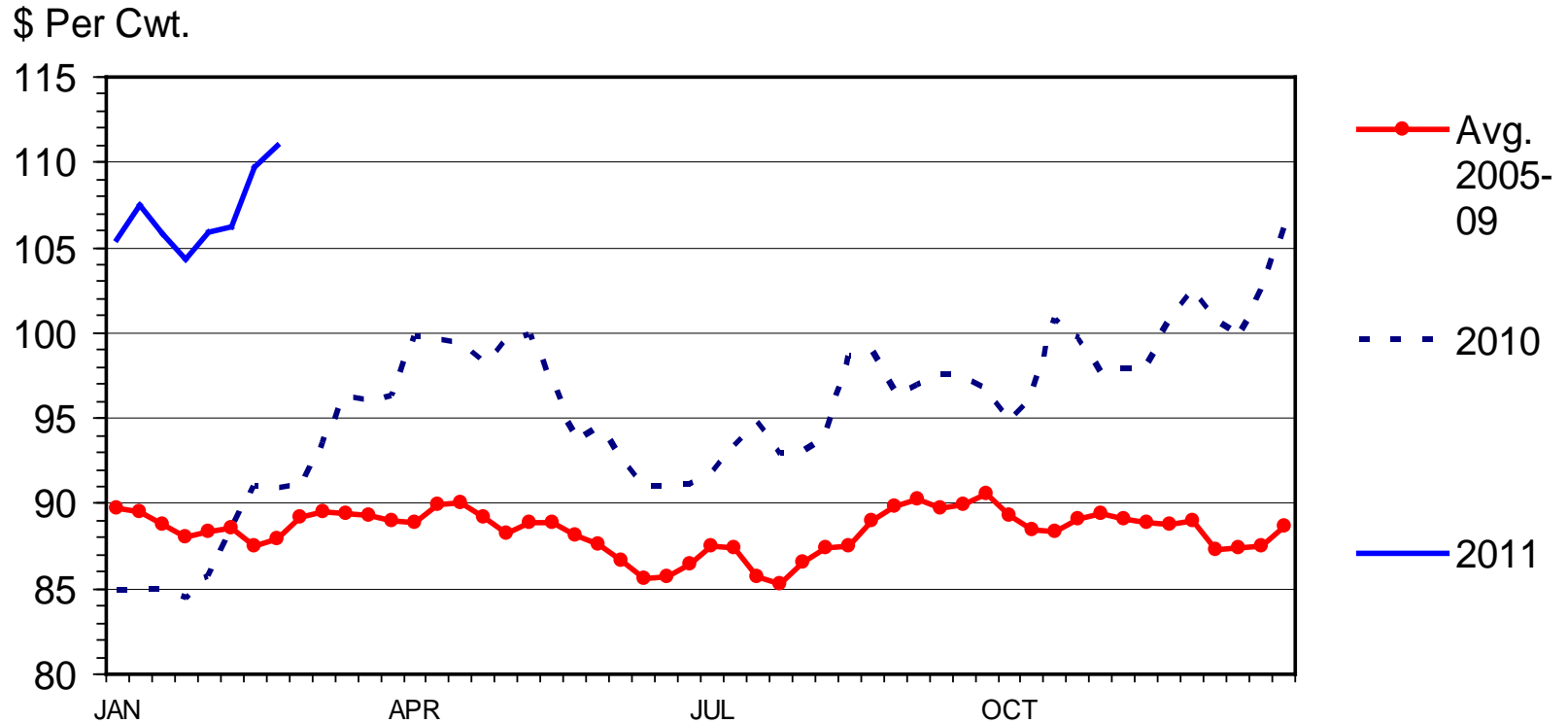
Data Source: USDA-AMS, Compiled & Analysis by LMIC

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02/28/11



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



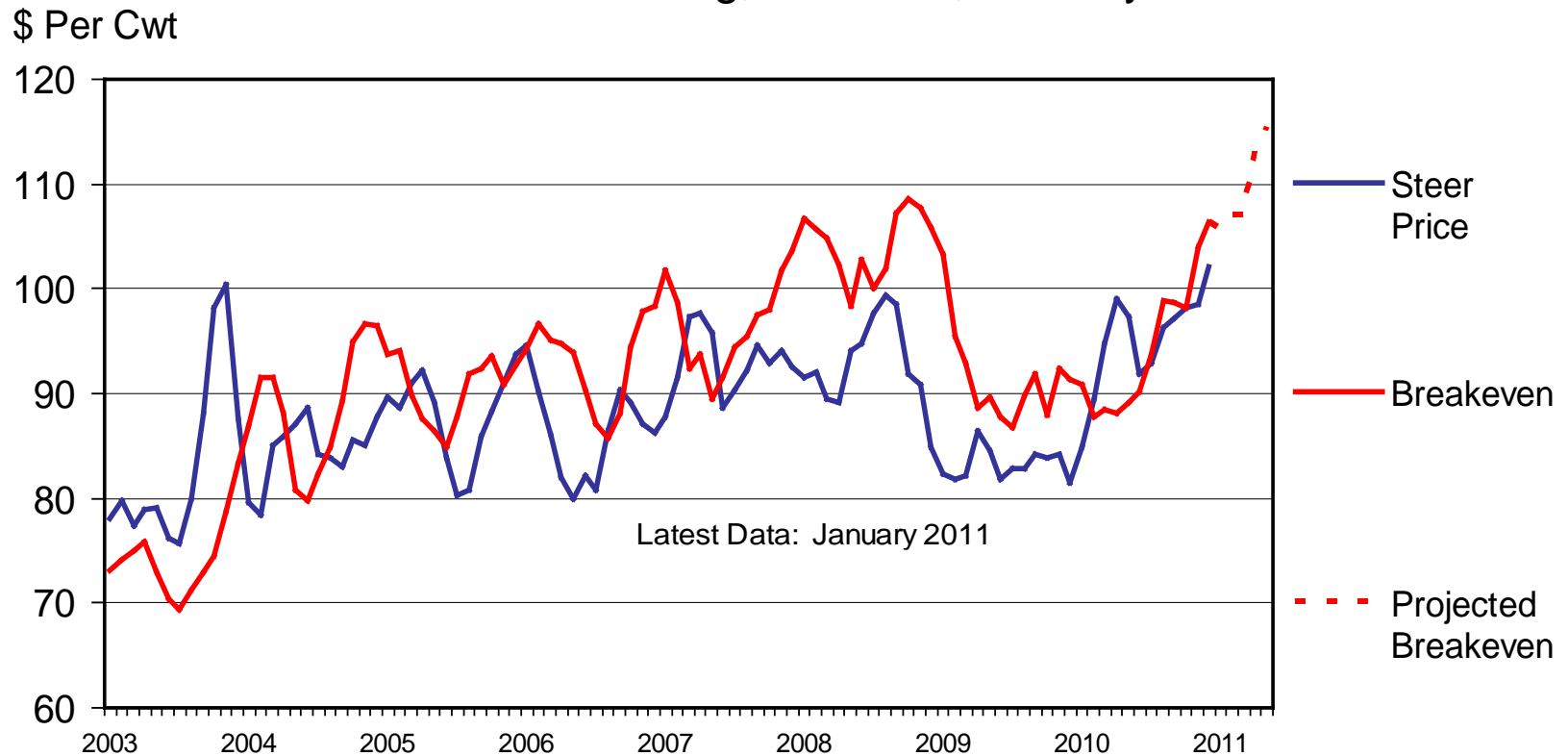
Livestock Marketing Information Center

Data Source: USDA-AMS



CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly



Livestock Marketing Information Center

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

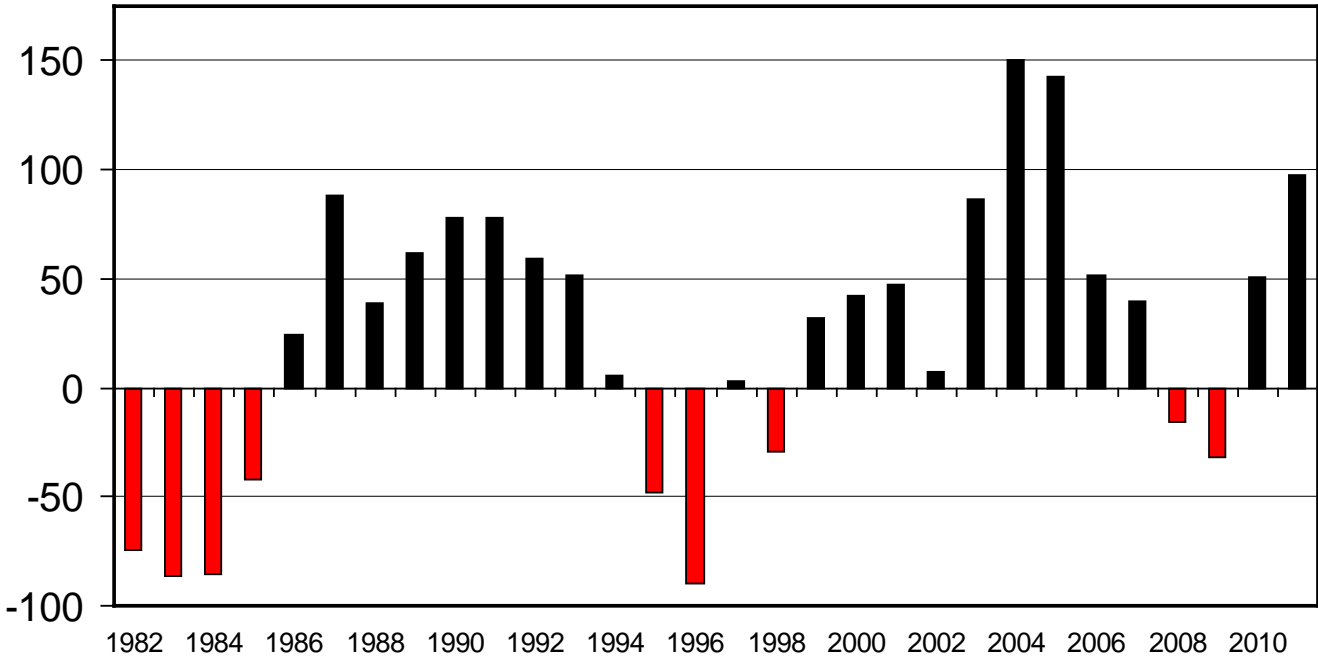
C-P-21
02/01/11



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



Livestock Marketing Information Center

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

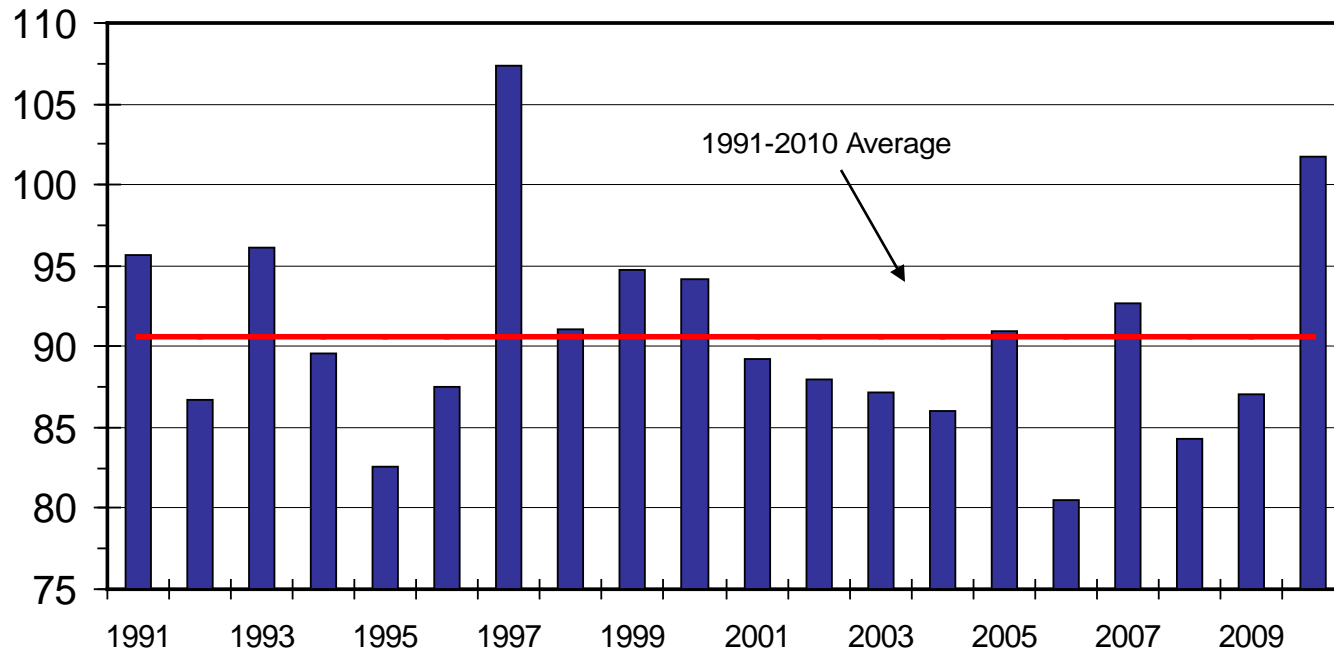
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02/17/11



BUY/SELL MARGINS

S. Plains, Mar. 7-800 lb. Steer as % of Nov. 5-600 lb. Steer

Percent



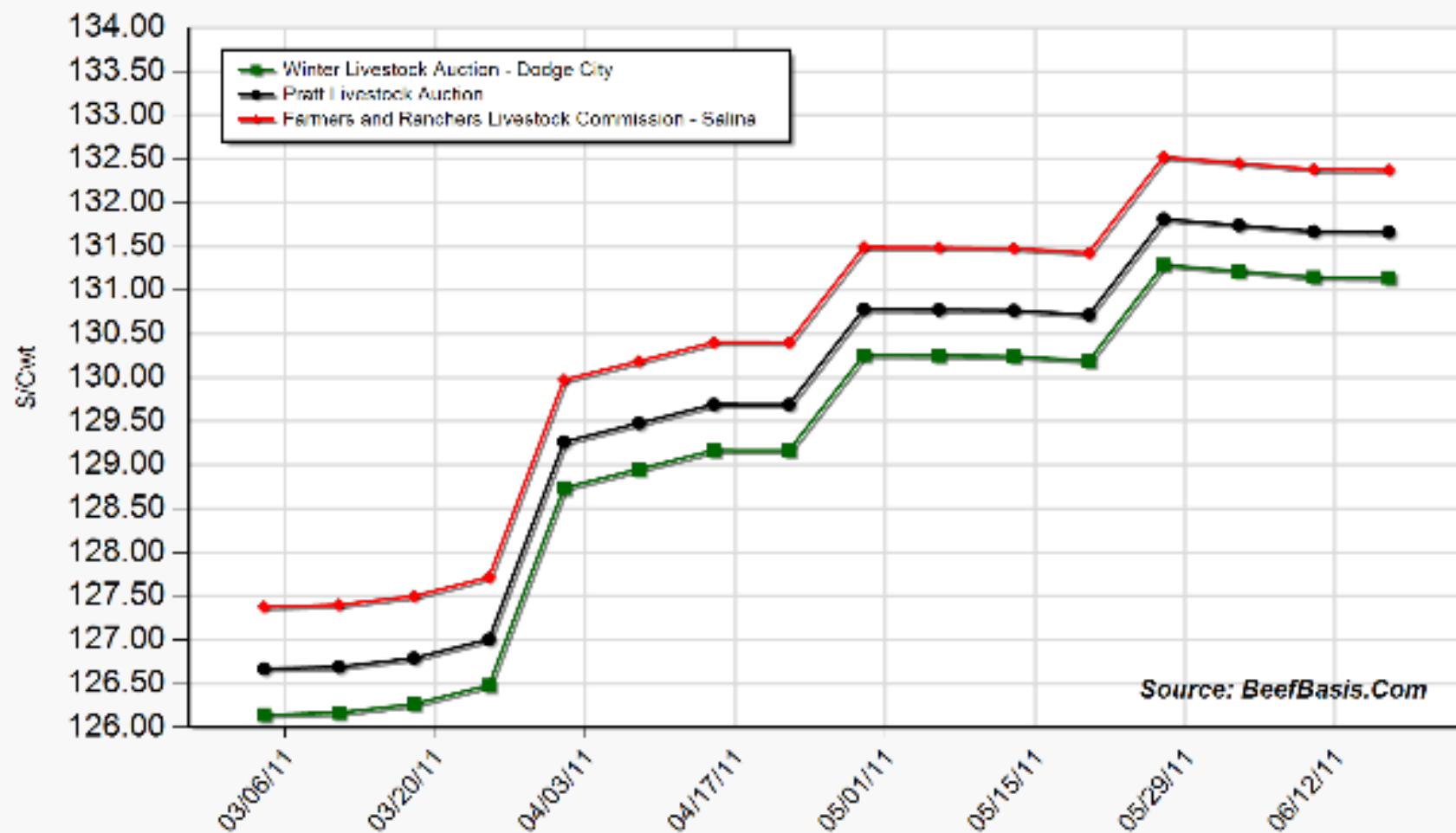
Livestock Marketing Information Center

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

C-P-60
02/17/11

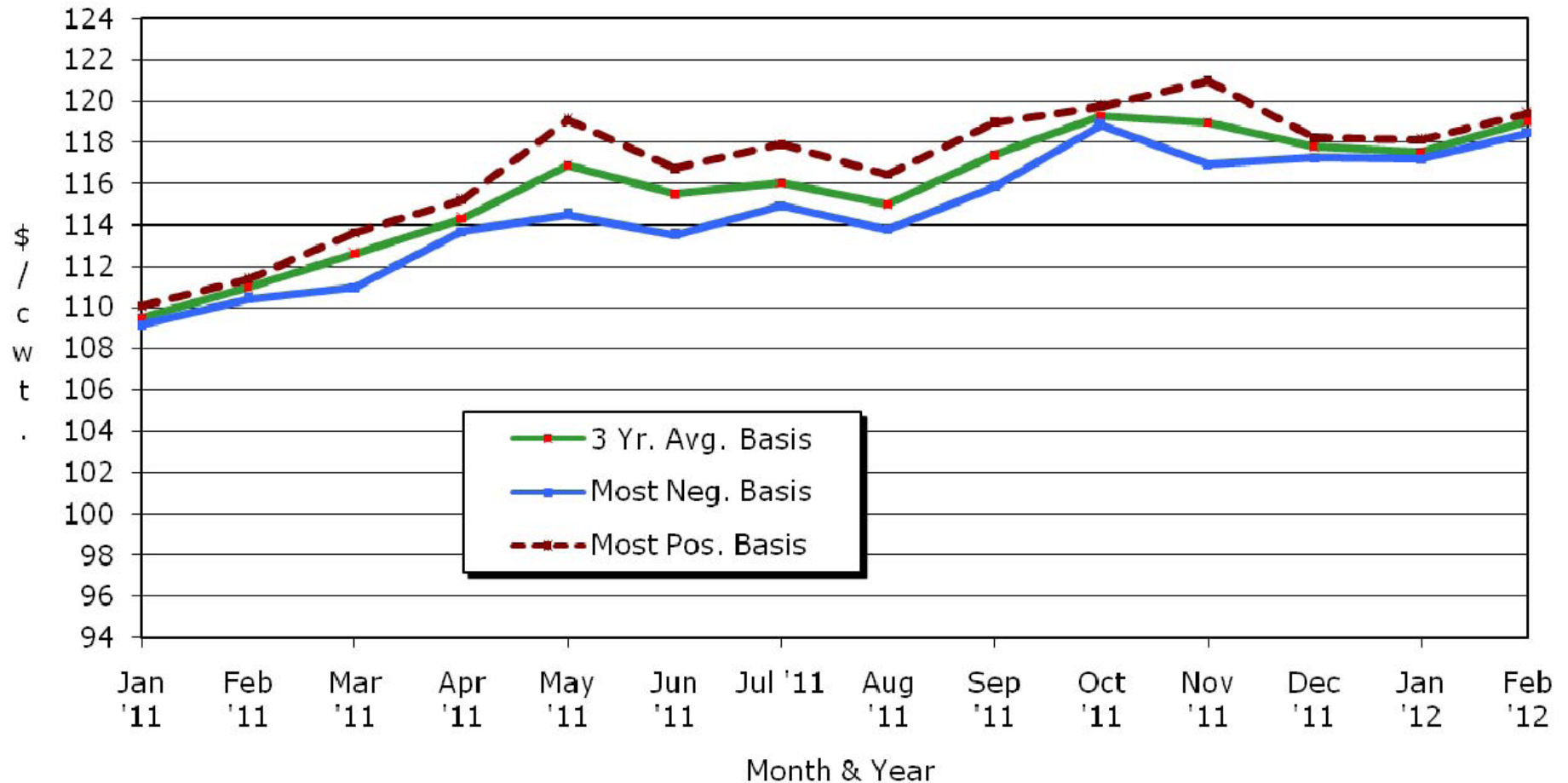


Projected Price for 750 Lb Steer at Selected Kansas Auctions



Kansas Slaughter Steer Price Forecasts

Mid-Month Futures Based Price Forecasts



Source: USDA-AMS, CME, & K-State Ag. Economics
Based on 2.25.11 CME Live Cattle settlement prices

KSU Dept. of Ag Econ
www.agmanager.info



QUARTERLY FORECASTS (LMIC: 3/1/11')

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2010						
I	8,168	2.4	765	-2.3	6,251	0.0
II	8,683	0.9	754	-1.7	6,549	-0.8
III	8,754	2.8	773	-1.5	6,771	1.2
IV	8,660	5.1	779	-0.1	6,746	5.0
Year	34,265	2.8	768	-1.4	26,316	1.4
2011						
I	8,211	0.5	775	1.2	6,361	1.8
II	8,559	-1.4	765	1.4	6,548	0.0
III	8,505	-2.8	782	1.1	6,651	-1.8
IV	8,109	-6.4	785	0.7	6,363	-5.7
Year	33,384	-2.6	777	1.1	25,923	-1.5
2012						
I	7,928	-3.4	783	1.1	6,211	-2.4
II	8,156	-4.7	771	0.8	6,292	-3.9
III	8,135	-4.4	791	1.2	6,437	-3.2
IV	7,868	-3.0	791	0.8	6,223	-2.2
Year	32,087	-3.9	784	1.0	25,163	-2.9



QUARTERLY FORECASTS (LMIC: 3/1/11')

Year Quarter	Live Sltr.	% Chg.	Feeder Steer Price	
	Steer Price 5-Mkt Avg	from Year Ago	Southern Plains 7-800#	5-600#
2010				
I	89.44	8.84	100.88	116.23
II	96.33	14.04	113.04	127.77
III	95.47	14.95	115.12	124.10
IV	100.28	20.39	114.52	123.26
Year	95.38	14.72	110.89	122.84
2011				
I	105-107	18.5	125-127	139-142
II	106-109	11.6	124-128	138-144
III	101-105	7.9	126-132	138-145
IV	105-110	7.2	120-127	131-141
Year	104-108	11.0	123-129	136-144
2012				
I	107-113	3.8	121-130	135-146
II	110-117	5.6	126-136	137-149
III	106-114	6.8	129-139	138-150
IV	108-118	5.1	122-133	132-146
Year	108-115	5.2	125-134	136-147



*Looking Beyond Today's
Ps & Qs*



Long-Run Implications of “New Cost of Production Situation”

- Long run decline in overall meat consumption
- Beef industry changes and consolidation:
 - Growth of stocker segment
 - Reduced farm-feeders (2010 vs 2009)
 - <1,000 hd yards; reduced total capacity by 150,000 hd (5,000 operations exited)
 - >50,000 hd yards; increased total capacity by 370,000 hd (4 more operations)
- Driving “high net farm income” (farm bill discussion...) – crop vs. livestock producers...



“USDA Agricultural Projections to 2020”

<http://www.ers.usda.gov/Publications/OCE111/OCE111.pdf>

- Summary of Changes (lbs per capita):
 - 2018 poultry consumption > (beef + pork)
 - Poultry grows every year from 2011-2020
 - 216 lbs red meat & poultry in 2020 (221 in 04--07’)
 - Beef & pork minimize in 2013 at 55.7 & 45.2

 - What is per capita consumption?
 - How does it differ from demand?



Additional Demand Drivers/Issues in need of Evaluation:

- Animal welfare

- “social pressures” are here to stay ...
 - Oprah’s recent show talked more about AW than food safety...
- beef/cattle are not immune:
 - Recent analysis suggests meat expenditures reallocate to non-meat in response to increasing media attention...



Export Growth & Dependence= Global Comparative Advantage Assessment is Needed

- State of National Animal ID & Traceability
 - Current & future roles in trade negotiations:
 - South Korea: has 12/2010 rule of all imported meat being traceable...
 - Canada: national program facilitating age verification...
 - Industry fragmentation (+/- 10% SAV eligible) vs. united program and engagement...



Impacts of New/Potential Policy on Markets is Needed

- Multiple regulation discussions:
 - “fair market” proposed rules / “anti-competition” listening sessions ...
 - No timetable on USDA’s ben-cost assessment...
 - environmental regulation concerns arguably higher than in other core meat exporting countries...
 - more broadly uncertainty holding back investment throughout supply chain???



More information available at:
AgManager (<http://www.agmanager.info/>)

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Notable AgManager Resources

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

- Weekly commentary & newsletters
- Current & historical price information
- Risk management/forecasting tools



Weekly Email Distribution of AgManager Updates

- <http://listserv.ksu.edu/web?SUBED1=AGMANAGERUPDATE&A=1>

OR email your request to:

- Rich Llewelyn
[rllewely@AGECON.KSU.EDU]



Regular Newsletters & Commentary

- KSU Radio Interview

- (<http://www.agmanager.info/livestock/marketing/outlook/newsletters/default.asp>)
- OR (<http://www.ksre.k-state.edu/news/DesktopDefault.aspx?tabid=66>)
- Weekly, released on Mondays
(Tonsor, Mark, Peel, LMIC)

- “In the Cattle Markets”

- (<http://www.lmic.info/memberspublic/InTheCattleMarket/CattleMktsframe.html>)
- Weekly (Mark, Feuz, Petry, Riley/Anderson)

- Recent Cattle Finishing Returns

- (<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>);
- monthly updates based on *Focus on Feedlots* newsletter



Regular “Situation Update” Commentary: LMIC

- “Chart of the Week”
 - (<http://www.lmic.info/index.shtml>)
- “Weekly Price & Production Summary”
 - (<http://www.lmic.info/priprod/pandp.html>)
- “Quick Market Reports”
 - (<http://www.lmic.info/quick/quickdr.html>)



Current Price & Basis Information

- Futures Markets

- (<http://www.cmegroup.com/trading/commodities/>) OR
(<http://www.agmanager.info/livestock/marketing/futures/default.asp>)
- LC, FC, LH & C, SB, S, W

- Cash Markets

- [http://www.agmanager.info/livestock/marketing/graphs/default.asp#Price Charts](http://www.agmanager.info/livestock/marketing/graphs/default.asp#Price%20Charts)
- [http://www.agmanager.info/livestock/marketing/database/default.asp#Cattle and Beef Databases](http://www.agmanager.info/livestock/marketing/database/default.asp#Cattle%20and%20Beef%20Databases)
 - Dodge City, Pratt, & Salina 700-800 lb steer; KS Direct Slaughter steer prices

- Basis (Cash - Futures) Information

- [http://www.agmanager.info/livestock/marketing/graphs/default.asp#Basis Charts](http://www.agmanager.info/livestock/marketing/graphs/default.asp#Basis%20Charts)
- BeefBasis.com (<http://www.beefbasis.com/>)

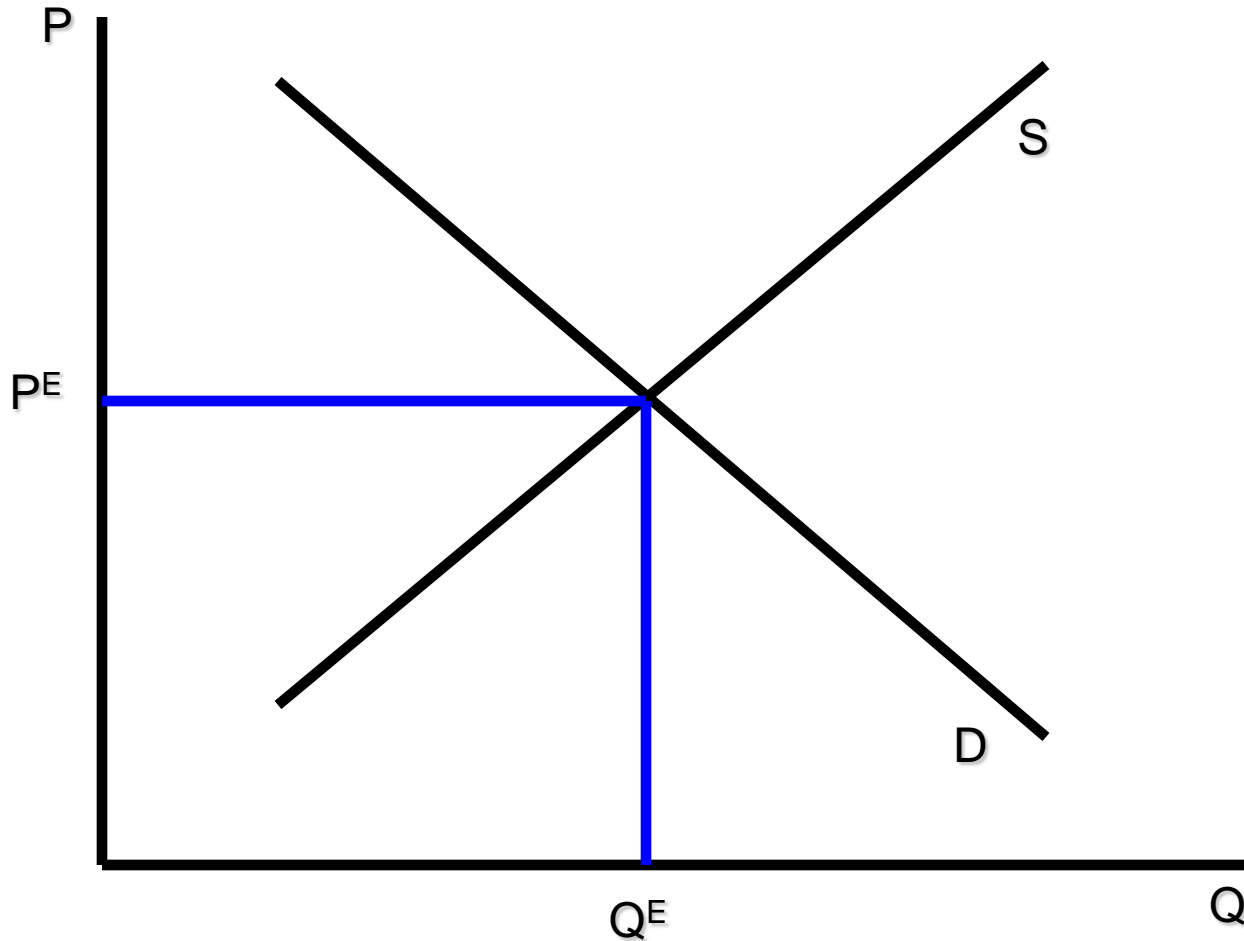


Risk Management and Return Forecasting Tools Available:

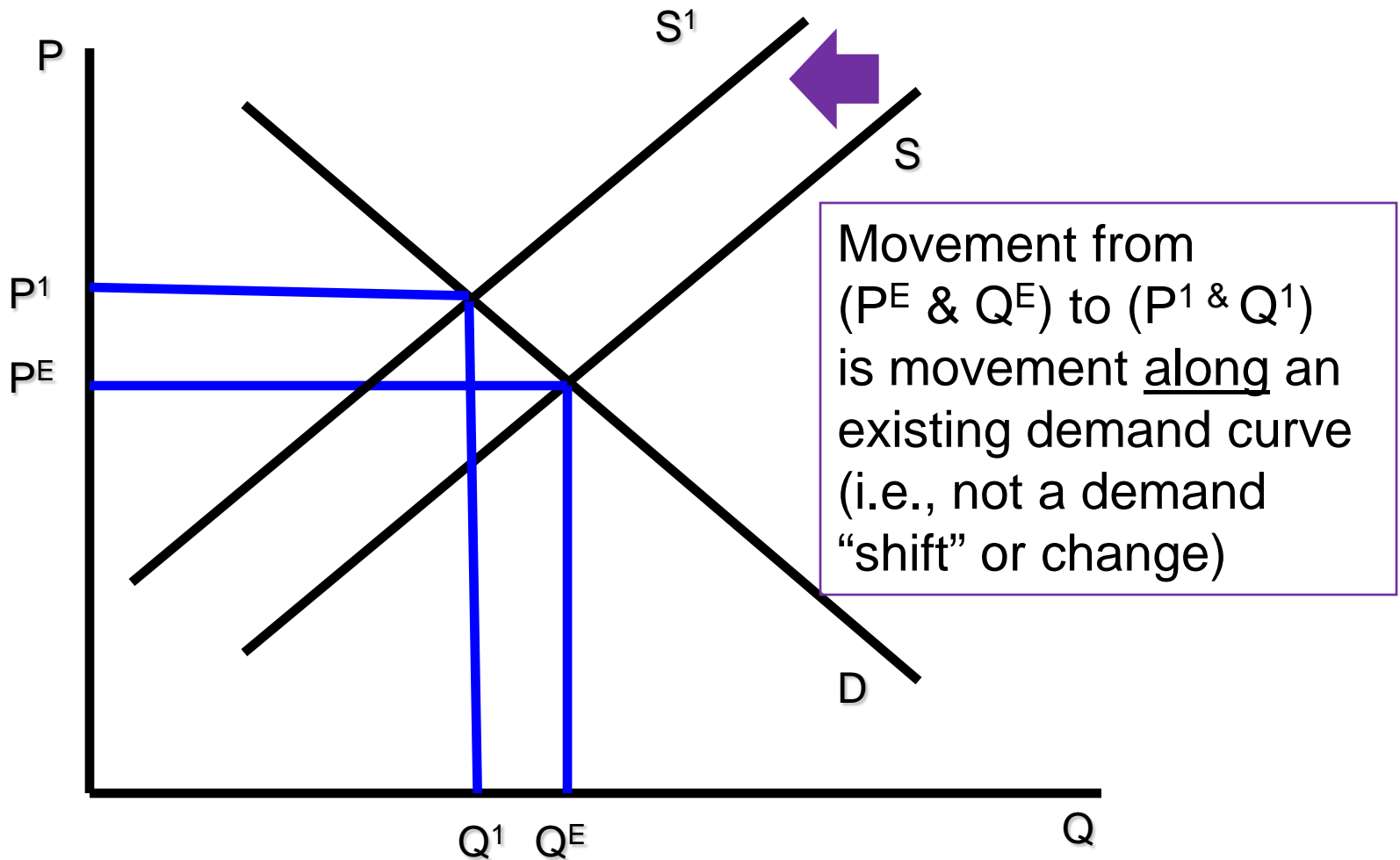
- Feeder Cattle Sales Risk Management Tool,
 - Compare expected sales prices of alternative FC marketing strategies
 - (<http://www.agmanager.info/livestock/marketing/LRP/default.asp>)
- Feedlot Profitability Tool: NAIBER's Feeding Risk Analyzer
 - Forecasts feedlot returns and variability in returns for future placements
 - (<http://www.naiber.org/cattleriskanalyzer/>)
- BeefBasis.com
 - Decision support for hedging feeder cattle (output for cow-calf; input for feedlots)
 - (<http://www.beefbasis.com/Home/tabid/53/Default.aspx>)



Beef Market Equilibrium



Beef Market Equilibrium



Measuring Demand Shifts

