

Livestock & Meat Market Outlook

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Kansas State University**

***5 State Beef Conference
August 31 – September 2, 2010***



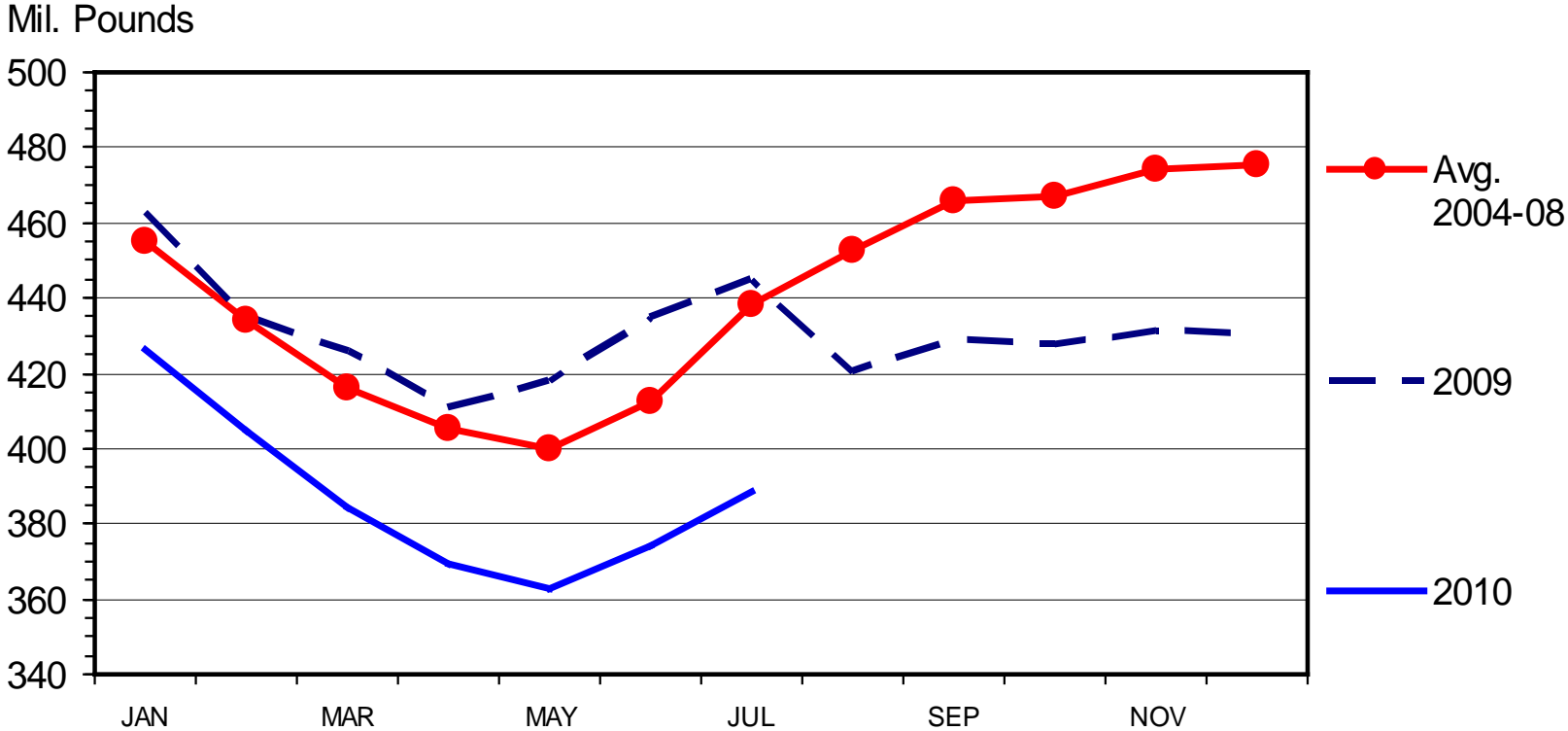
OVERVIEW

- SUPPLY:
 - Historically tight supplies
 - Shrinking cow herd, low cold storage stocks,...
- DEMAND:
 - Export demand has been strong
 - Domestic demand more volatile & worrisome
- Macroeconomic pressures, “social pressure”, & risk/fear of various policies increasing in influence throughout the meat complex ...



BEEF IN COLD STORAGE

End of the Month



Livestock Marketing Information Center
Data Source: USDA/NASS

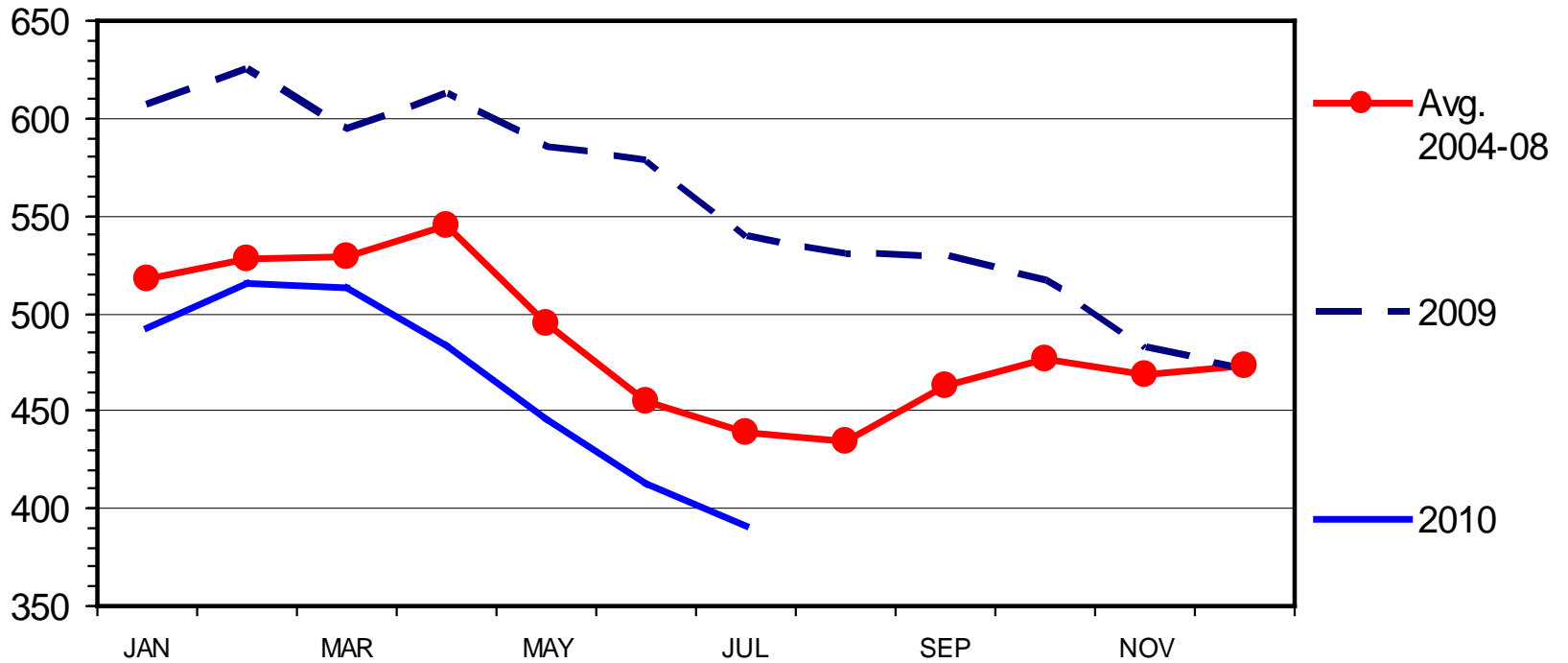
M-S-09
08/20/10



PORK IN COLD STORAGE

Frozen and Cured, End of the Month

Mil. Pounds



Livestock Marketing Information Center

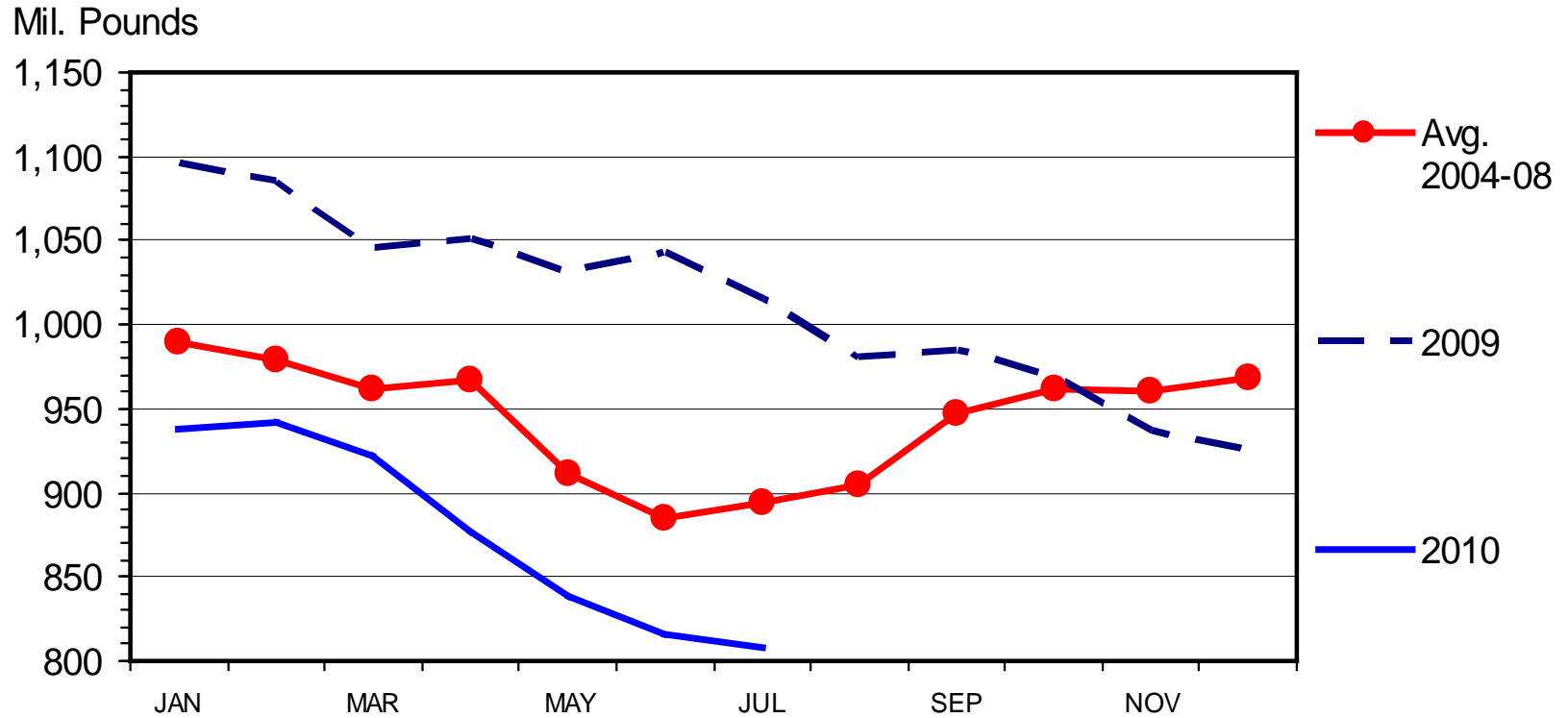
Data Source: USDA/NASS

M-S-10
08/20/10



TOTAL RED MEAT IN COLD STORAGE

End of the Month



Livestock Marketing Information Center

Data Source: USDA/NASS

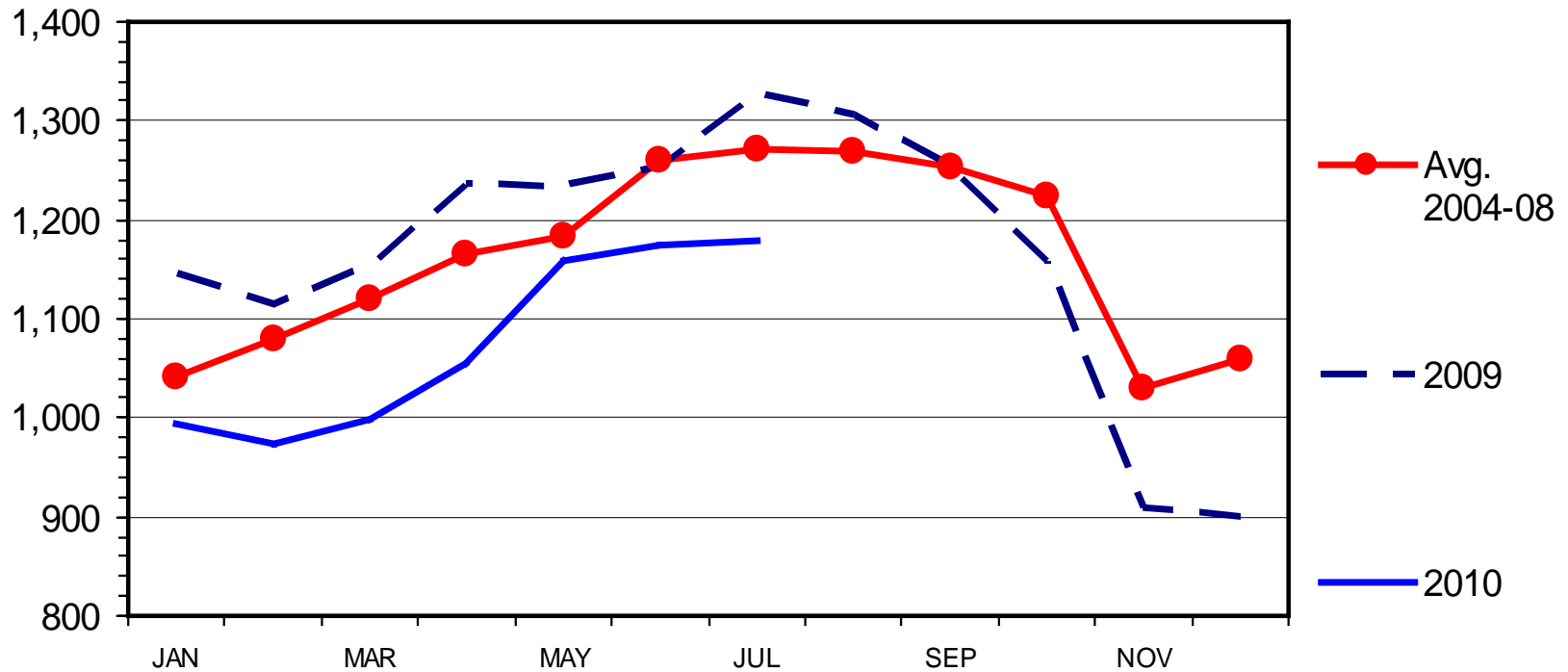
M-S-11
08/20/10



TOTAL POULTRY IN COLD STORAGE

End of the Month

Mil. Pounds



Livestock Marketing Information Center

Data Source: USDA/NASS

P-S-03
08/20/10



What is driving cow herd dynamics?

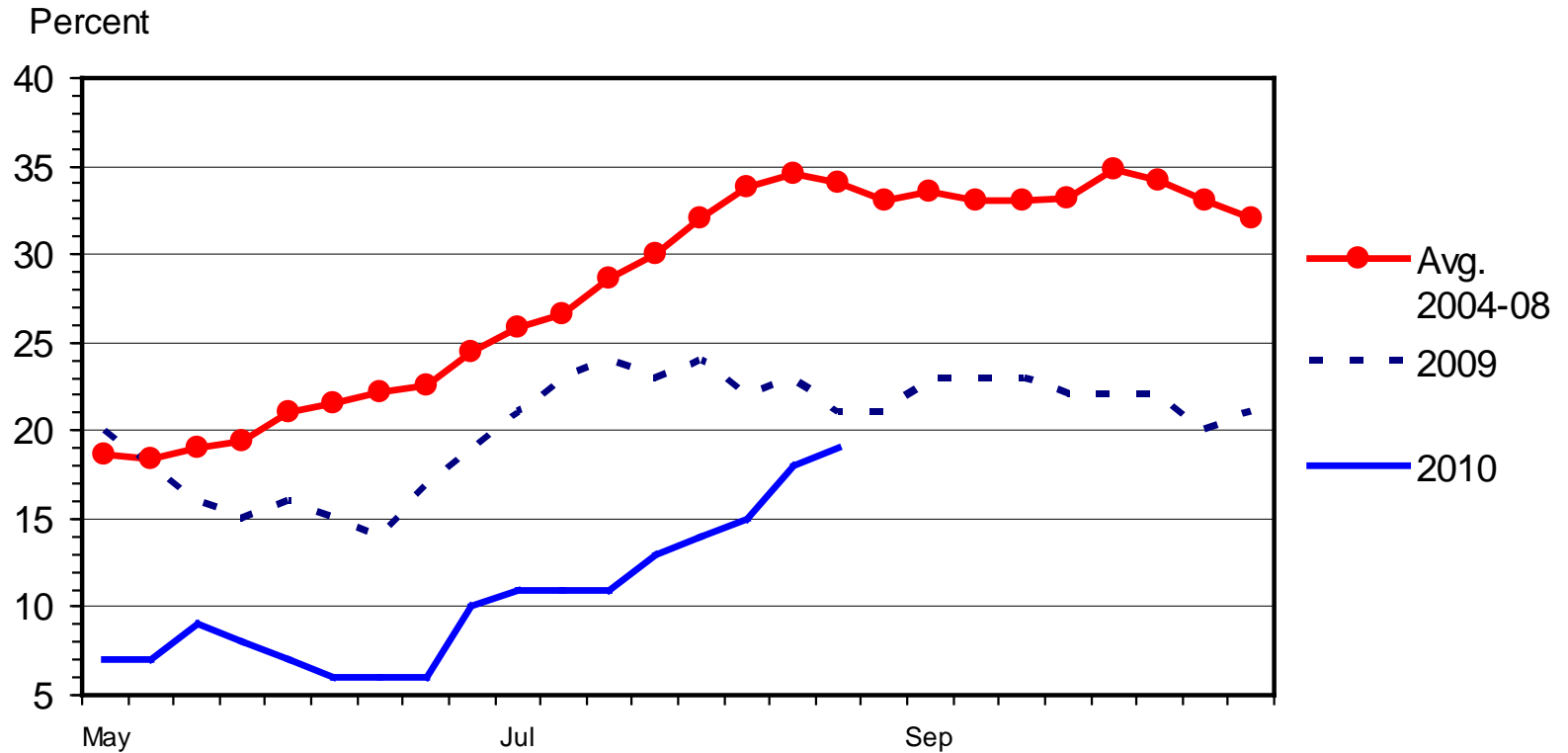
- Excellent Pasture Conditions &
- Expected Profits = EXPANSION (typically)

- Are cow-calf producers cash strapped???
- Is the age of operators at hand and retirement decisions at play???



US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Livestock Marketing Information Center

Data Source: USDA/NASS

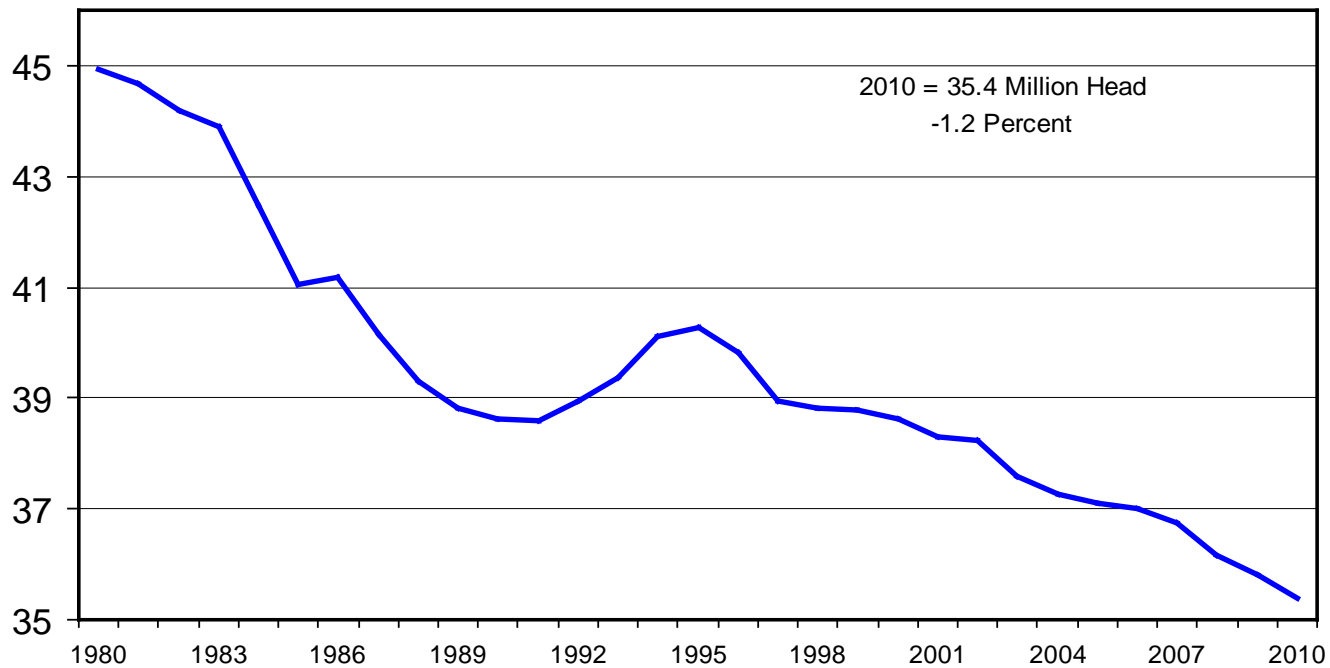
G-NP-30
08/23/10



CALF CROP

July 1 Estimates, U.S., Annual

Mil. Head



Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-18B

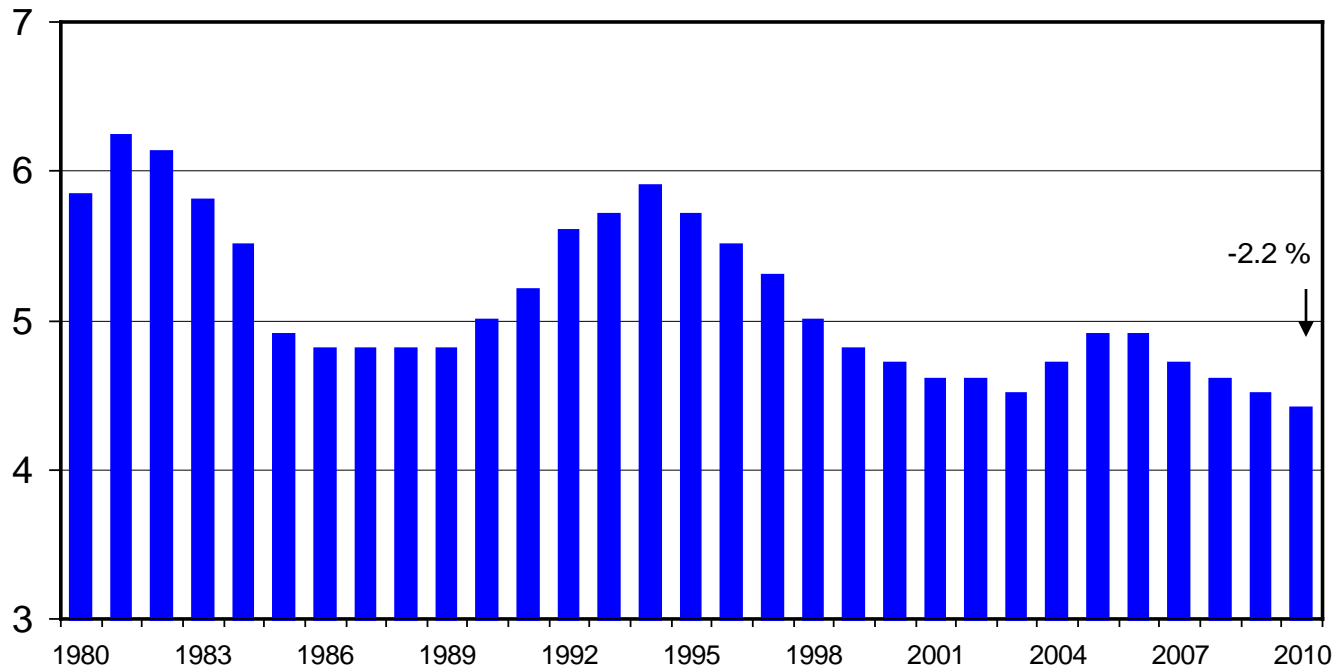
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HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Mil. Head



Livestock Marketing Information Center

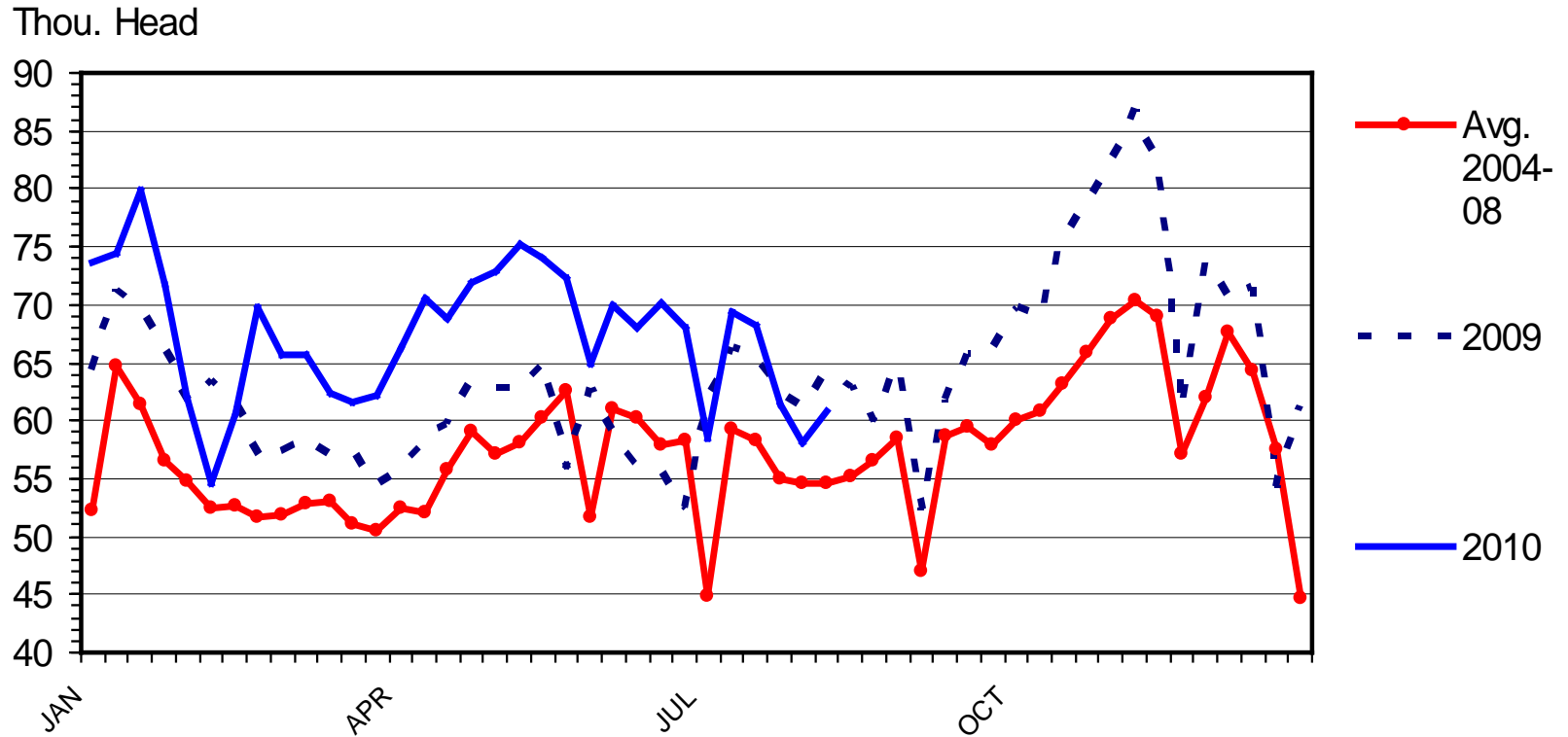
Data Source: USDA/NASS

C-N-37
07/23/10



BEEF COW SLAUGHTER

Federally Inspected, Weekly



Data Source: USDA-NASS, Compiled by LMIC

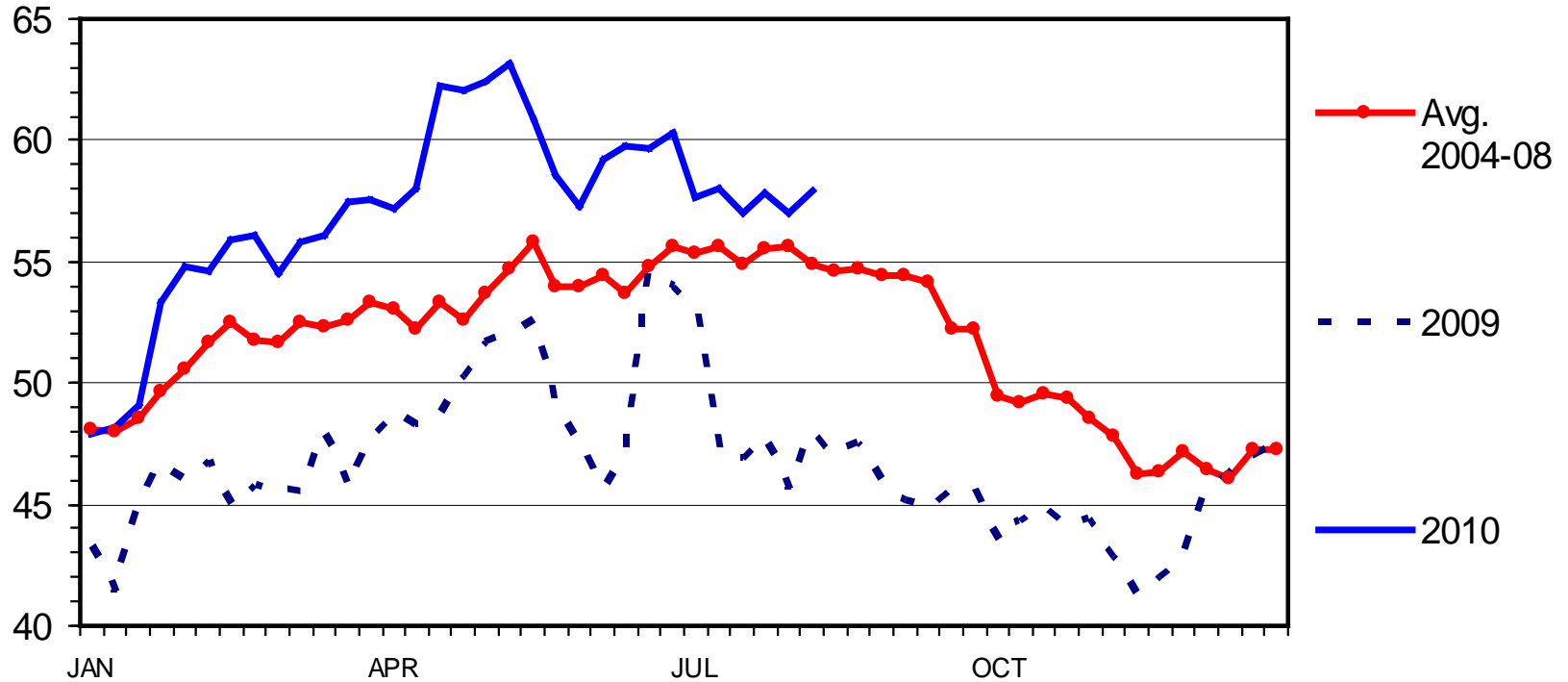
C-S-34
08/27/10



SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



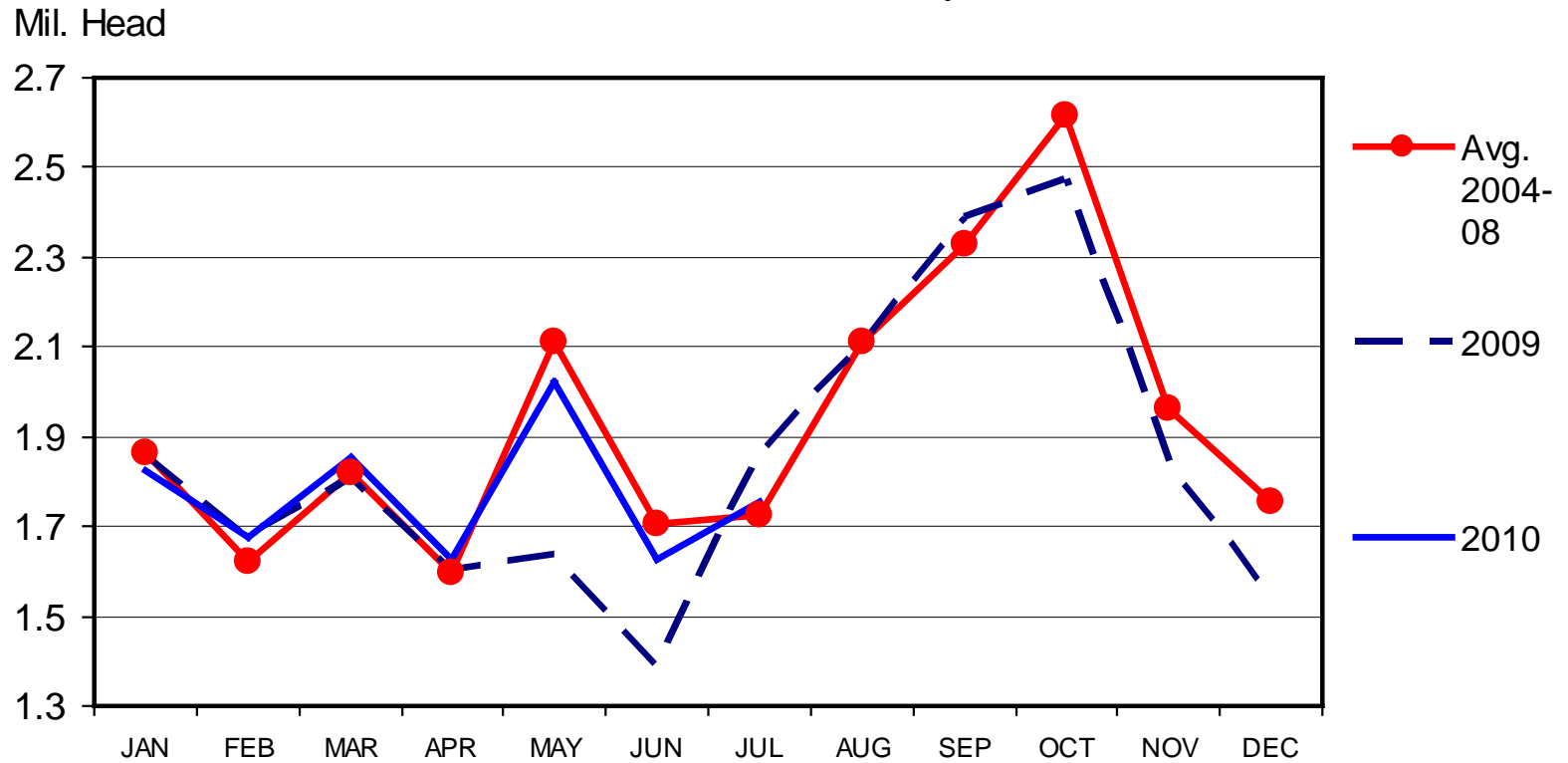
Data Source: USDA-AMS, Compiled by LMIC

C-P-35
08/26/10



FEEDLOT PLACEMENTS

US Total, Monthly



Livestock Marketing Information Center

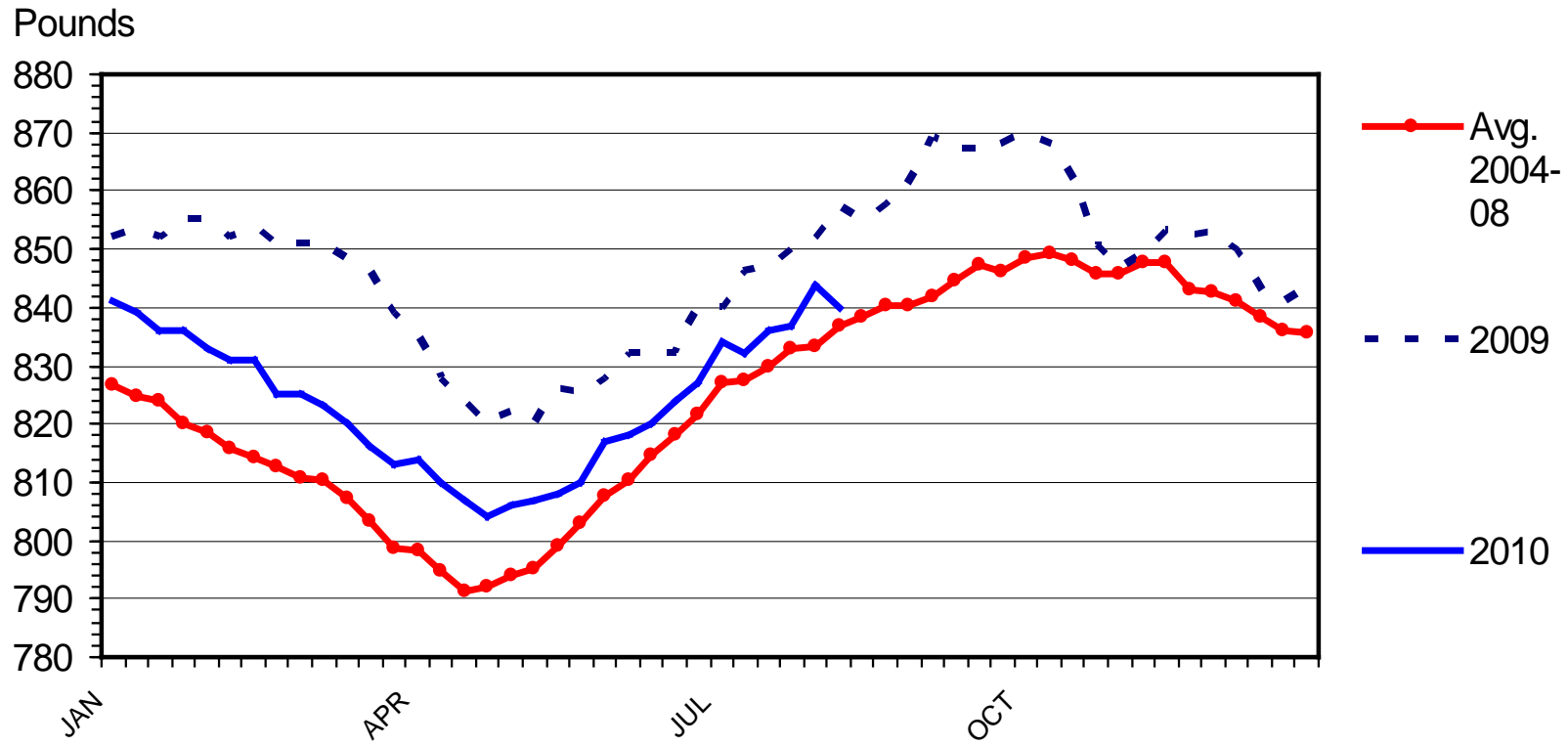
Data Source: USDA/NASS

C-N-08
08/20/10



STEER DRESSED WEIGHT

Federally Inspected, Weekly

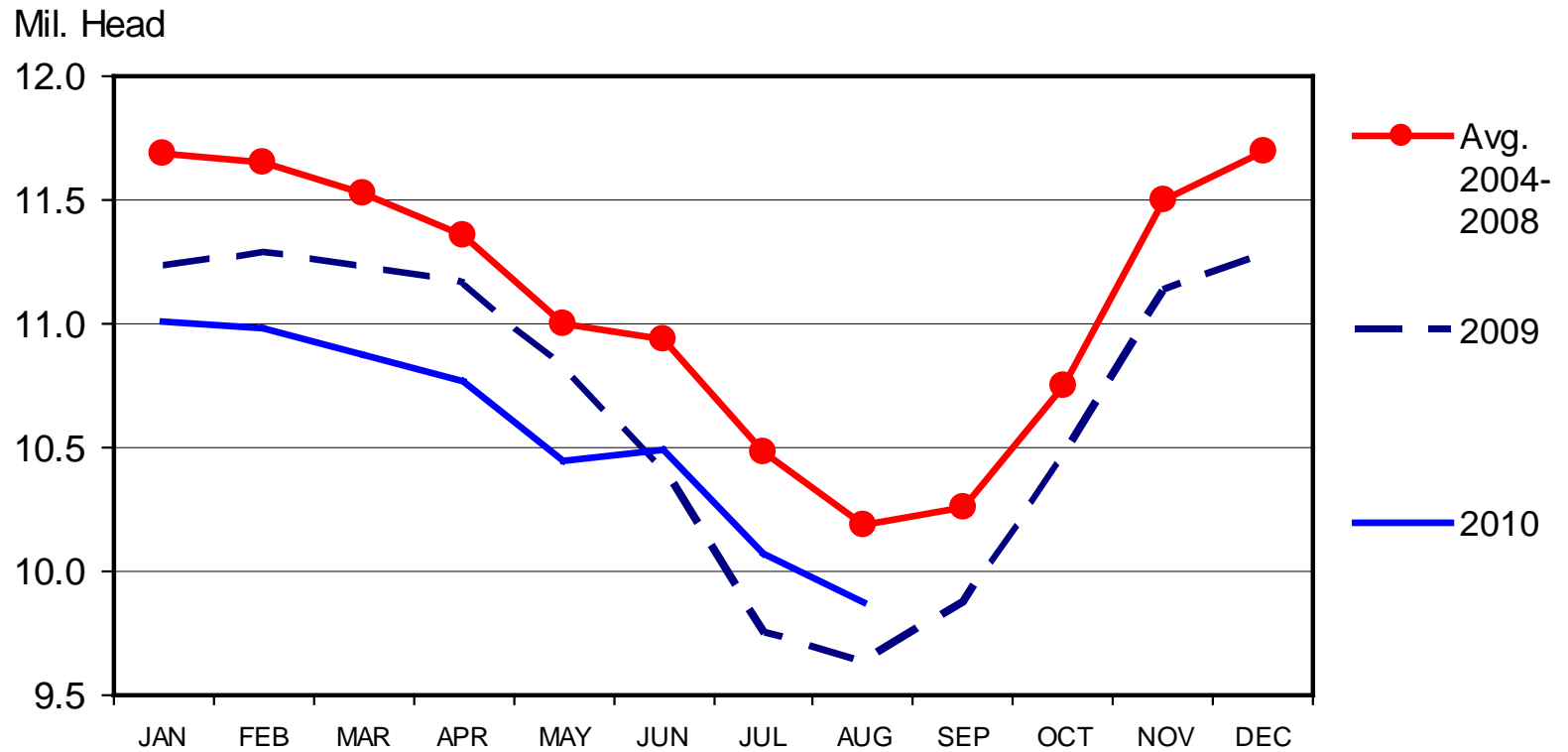


Data Source: USDA-NASS, Compiled by LMIC

C-S-18
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CATTLE ON FEED

US Total, Monthly



Livestock Marketing Information Center

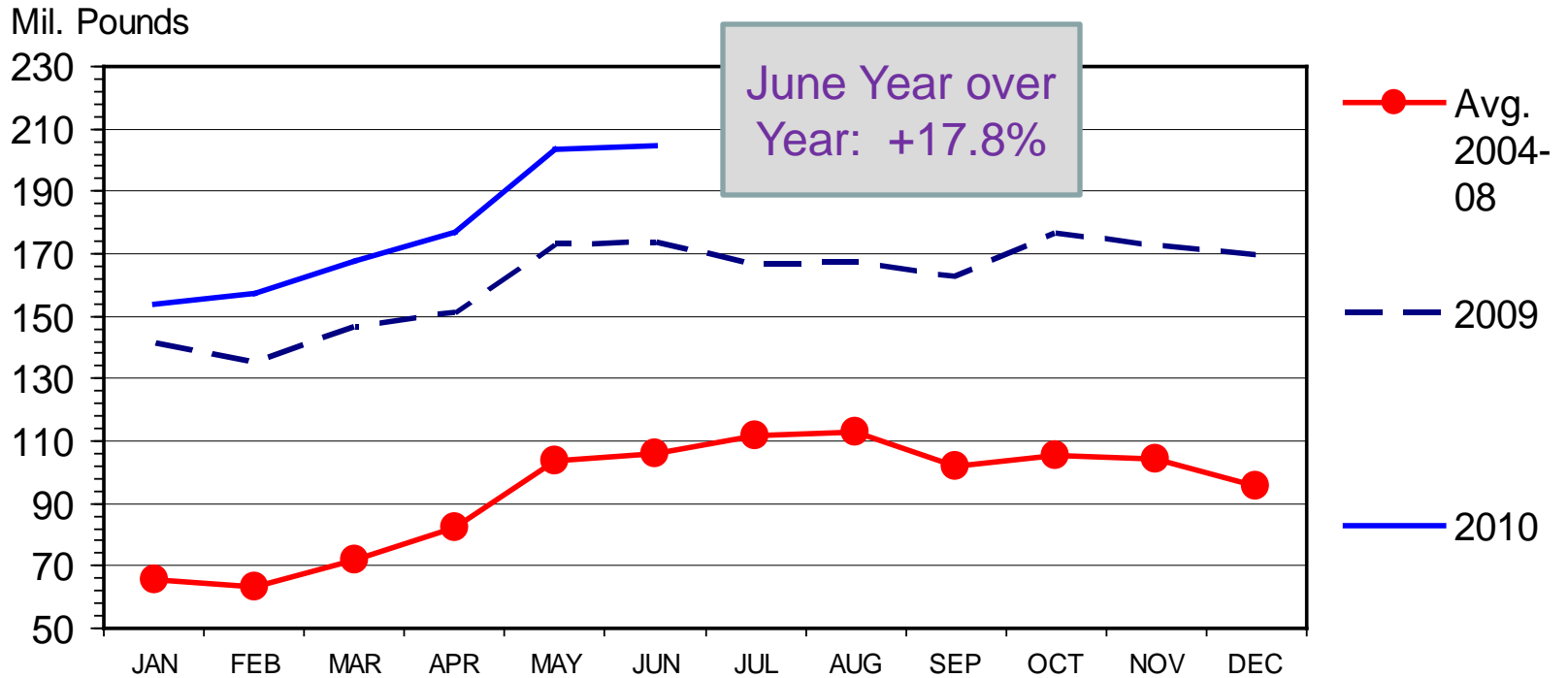
Data Source: USDA/NASS

C-N-10
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U S BEEF AND VEAL EXPORTS

Carcass Weight, Monthly



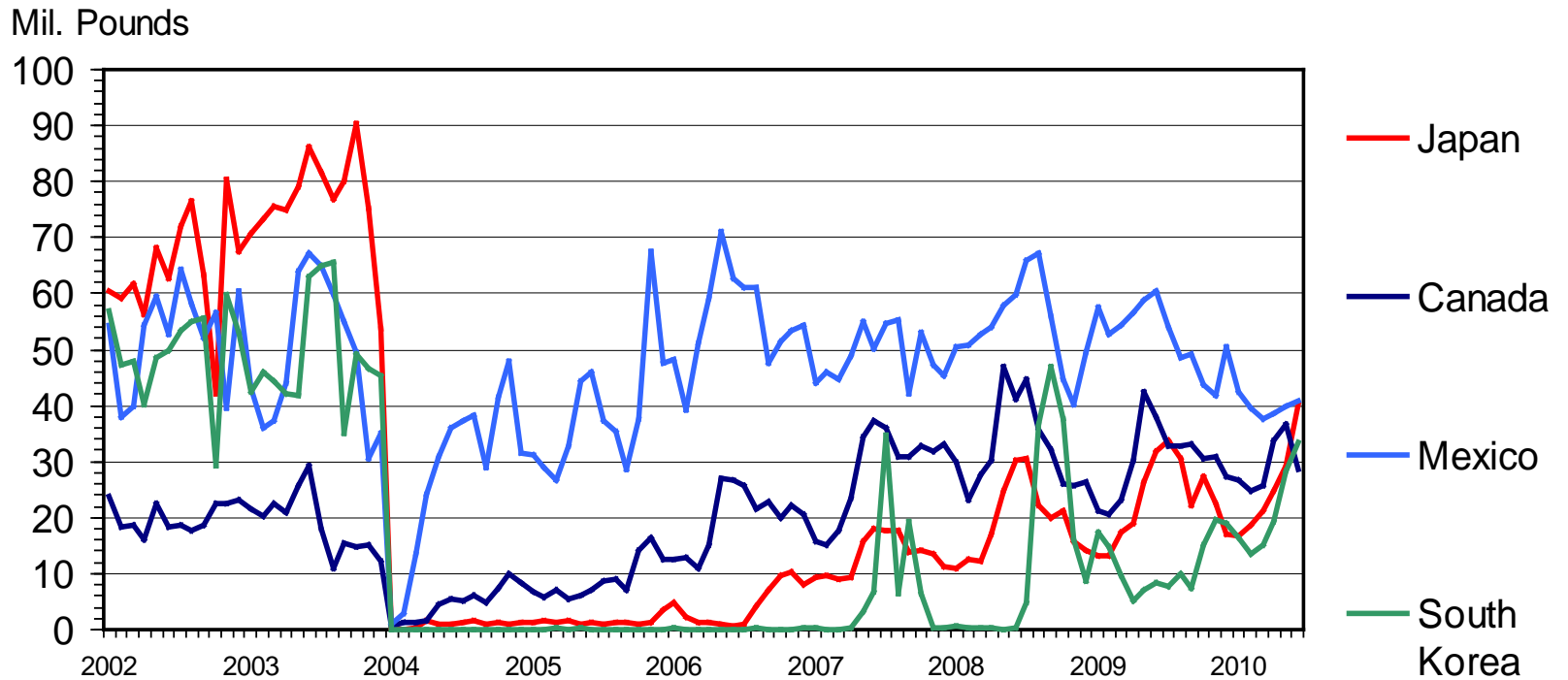
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

I-N-16
08/13/10



U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



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

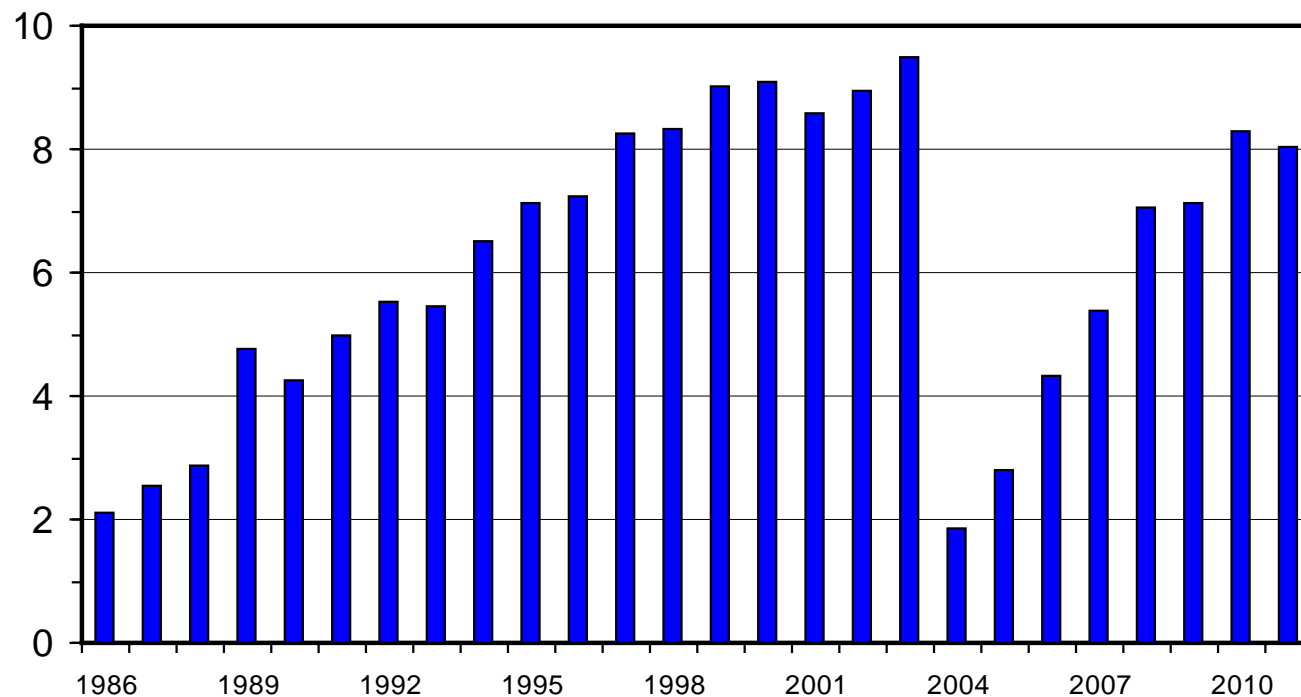
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U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual

Percent

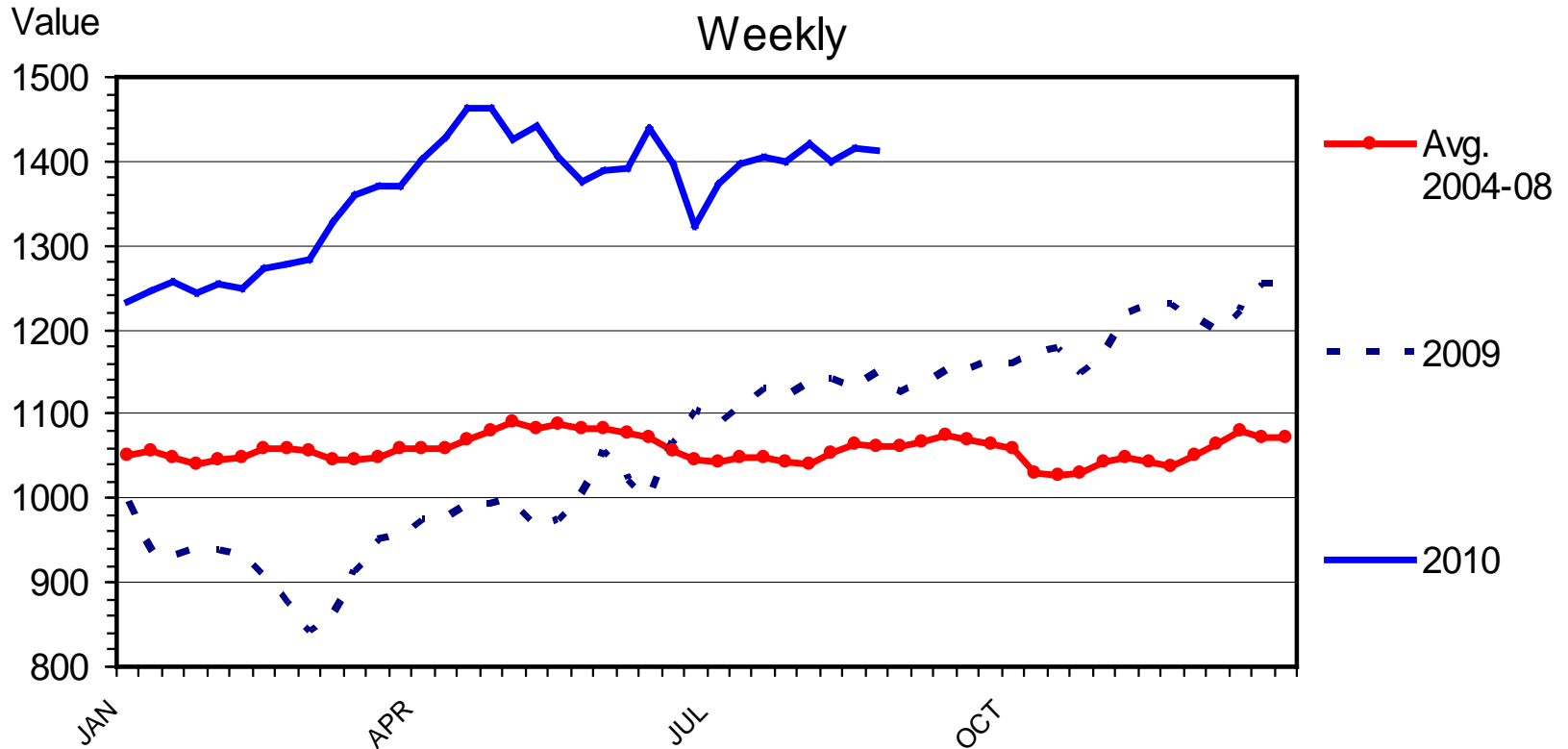


Data Source: USDA-ERS & FAS; Compiled & Forecasts by LMIC

I-N-07
08/27/10



NATIONAL RESTAURANT NEWS STOCK MARKET INDEX

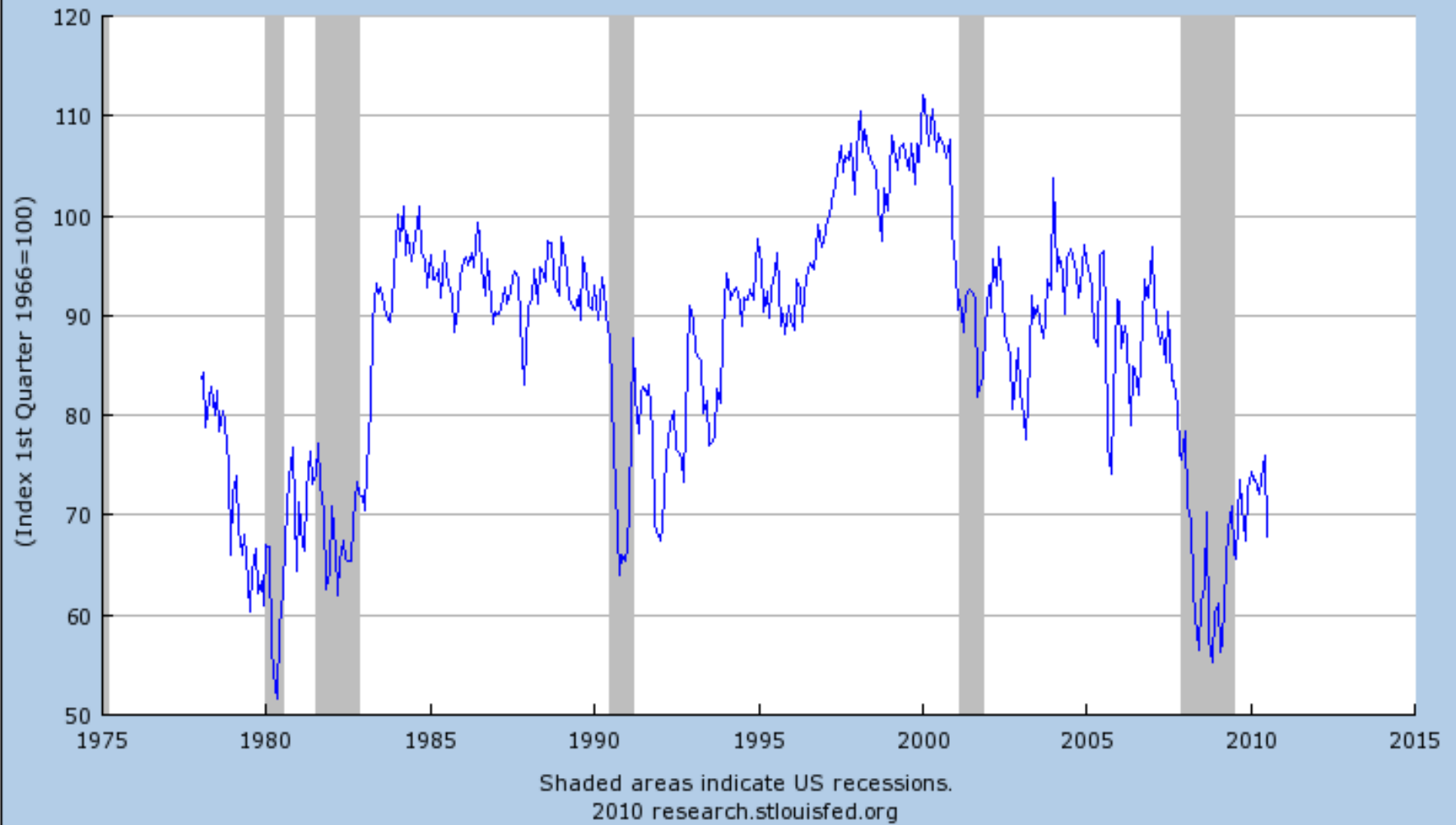


Data Source: National Restaurant News; Compiled & Weekly Analysis by LMIC

08/27/10



University of Michigan: Consumer Sentiment (UMCSENT)
Source: Survey Research Center: University of Michigan

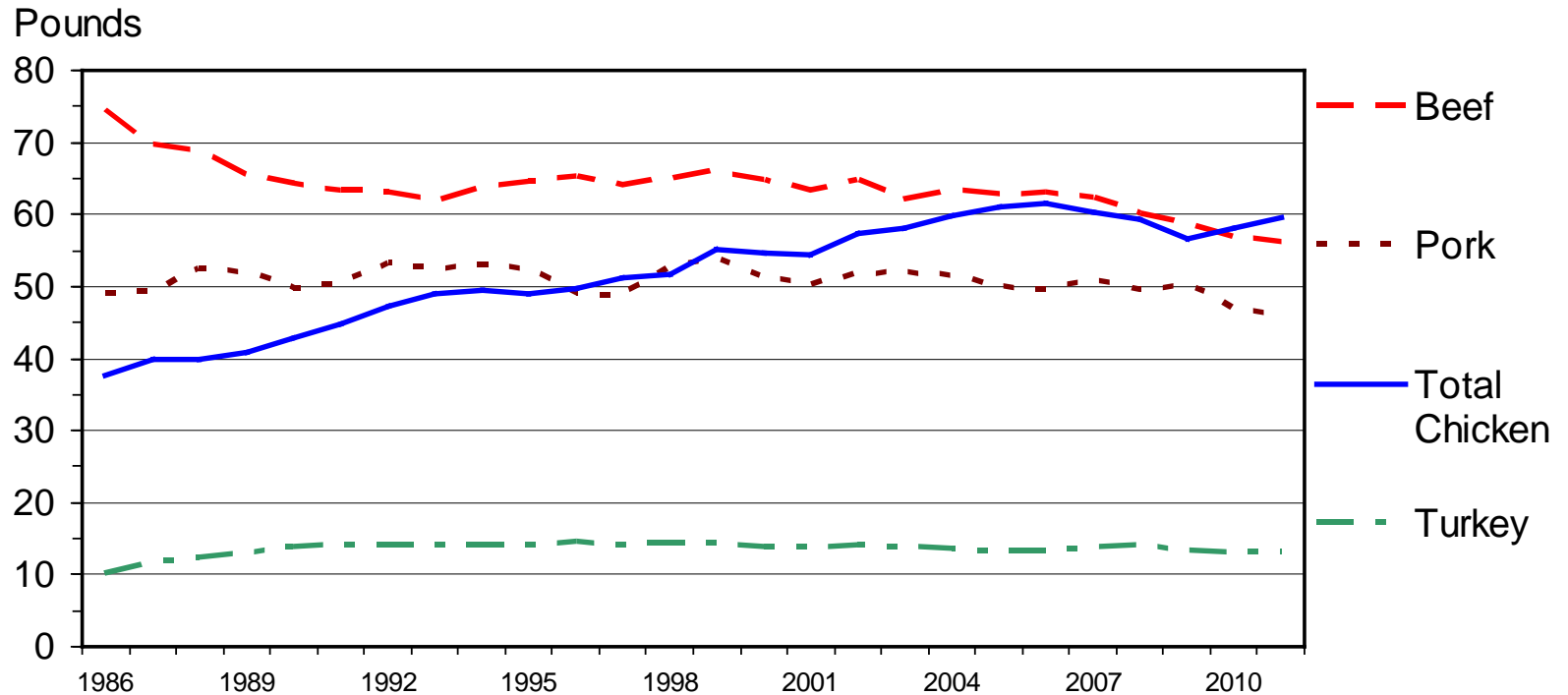


Source: Fed. Reserve Bank, St. Louis <http://research.stlouisfed.org/fred2/graph/?id=UMCSENT#>



U S RED MEAT & POULTRY CONSUMPTION

Per Capita, Boneless Weight, Annual



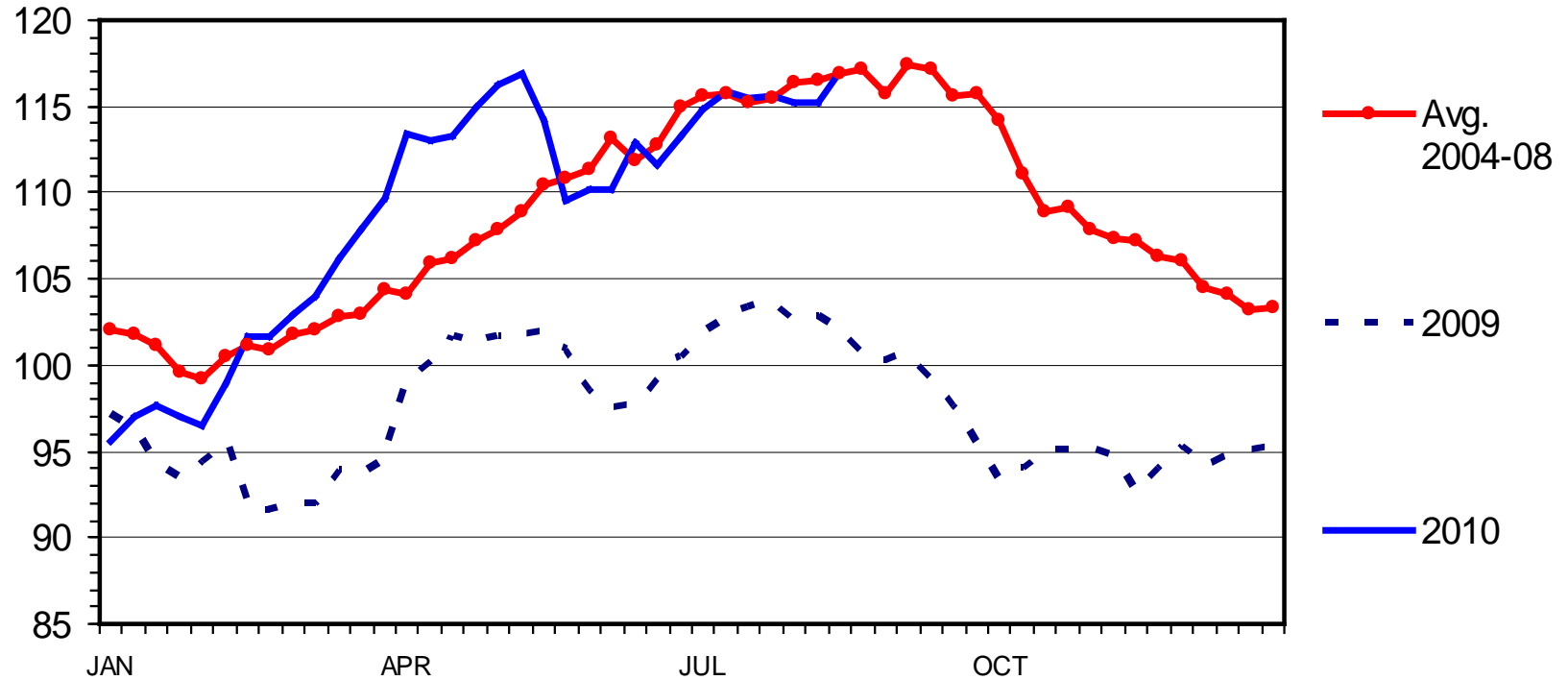
M-C-18
06/21/10



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Data Source: USDA-AMS, Compiled by LMIC

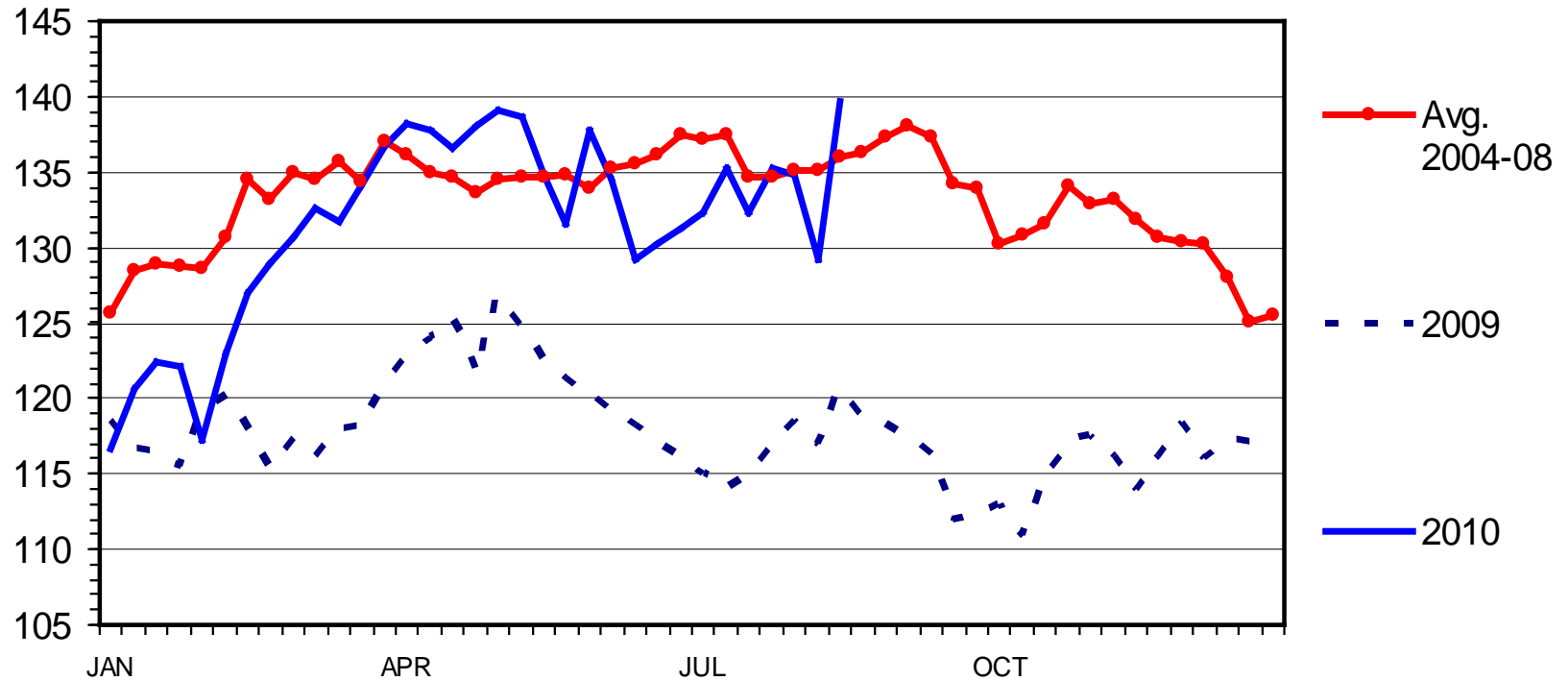
C-P-49
08/26/10



MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Data Source: USDA-AMS, Compiled by LMIC

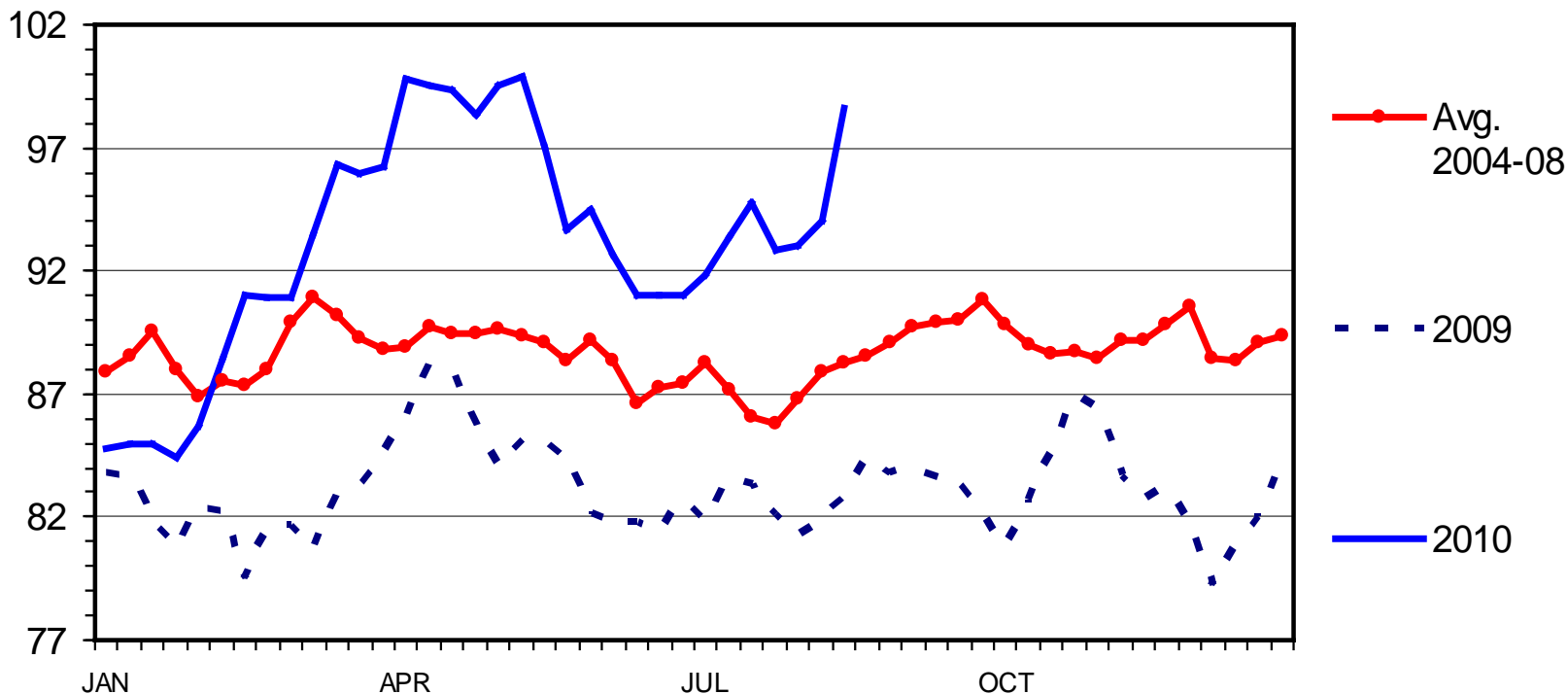
C-P-49A
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SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.

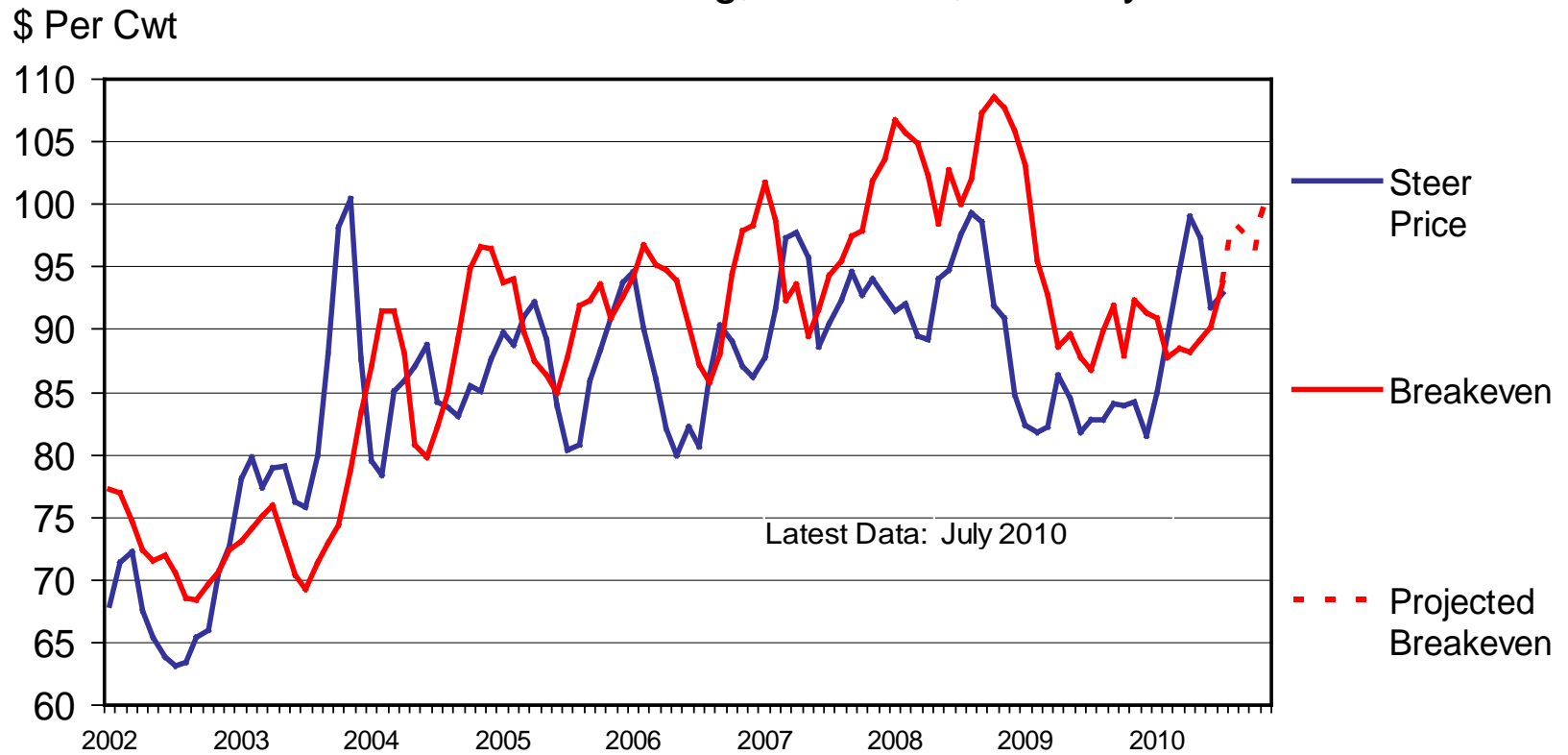


Data Source: USDA-AMS, Compiled by LMIC



CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly

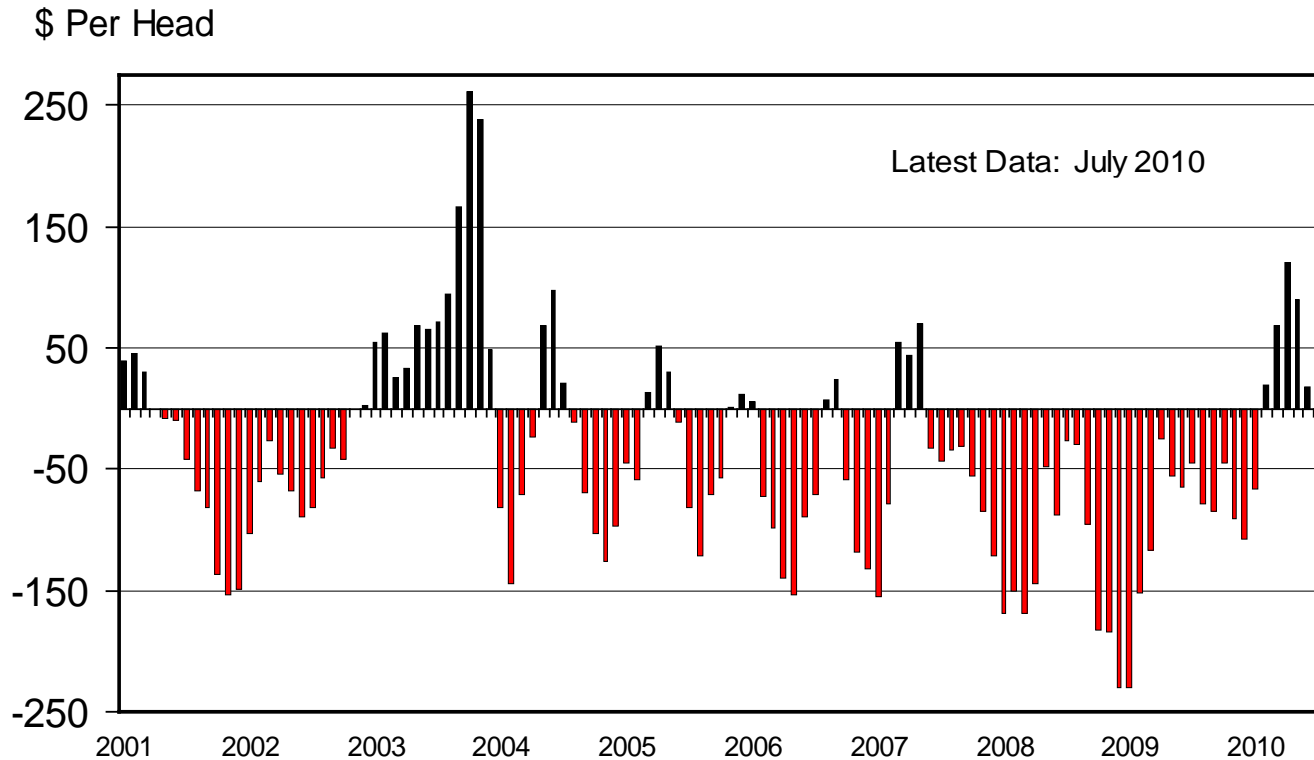


C-P-21
08/09/10



AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly



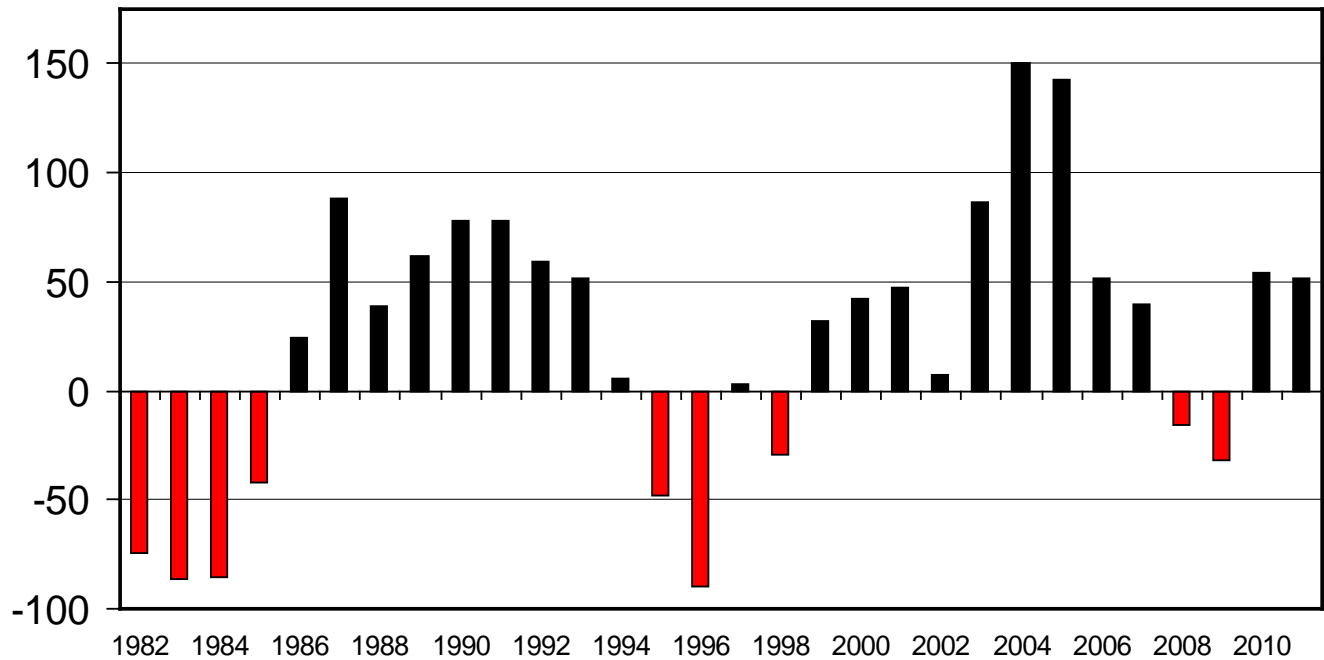
C-P-22
08/09/10



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



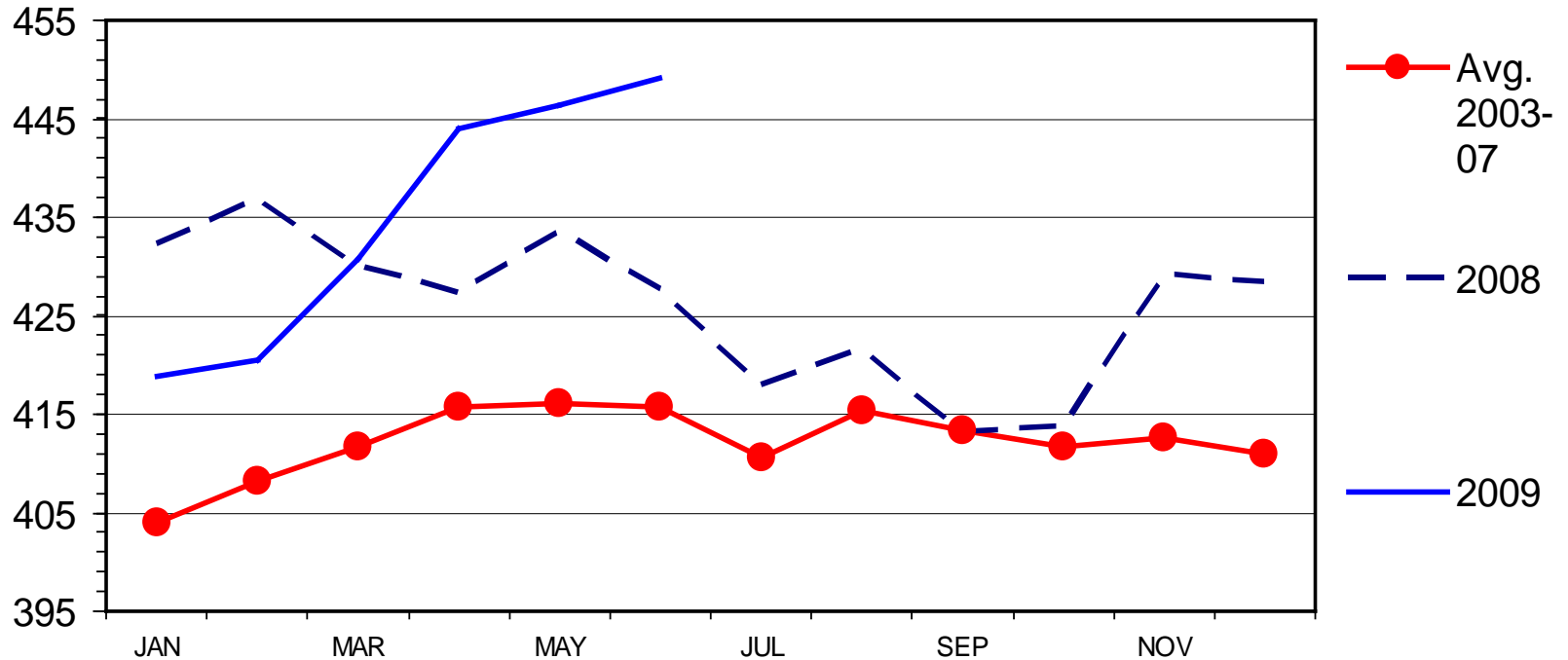
C-P-66
08/05/10



RETAIL BEEF PRICE

Choice, Monthly

Cents Per Pound



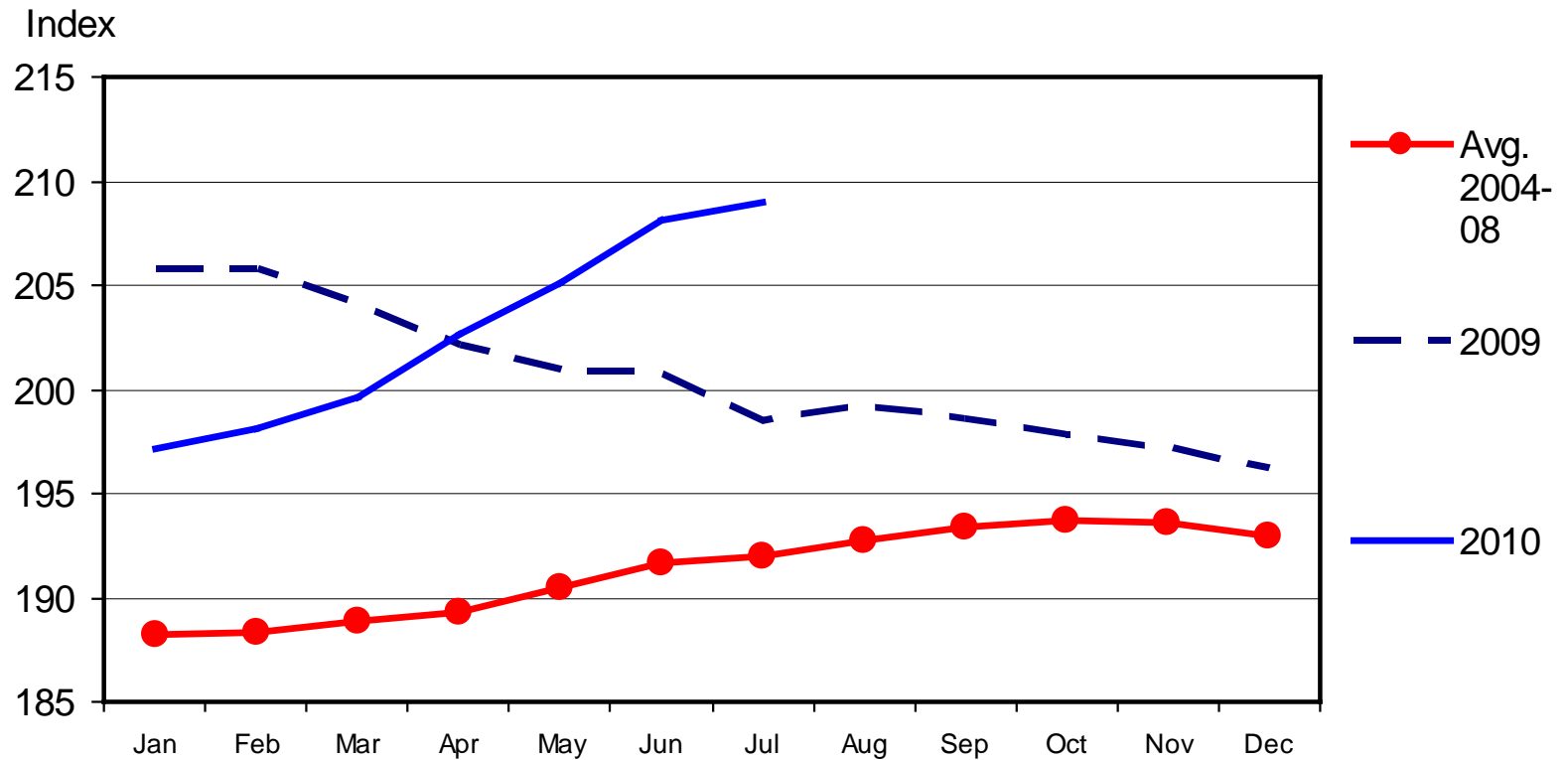
Data Source: BLS & USDA-ERS, Compiled by LMIC

M-P-09
07/16/10



CPI - MEATS

1982-1984 Base, Monthly

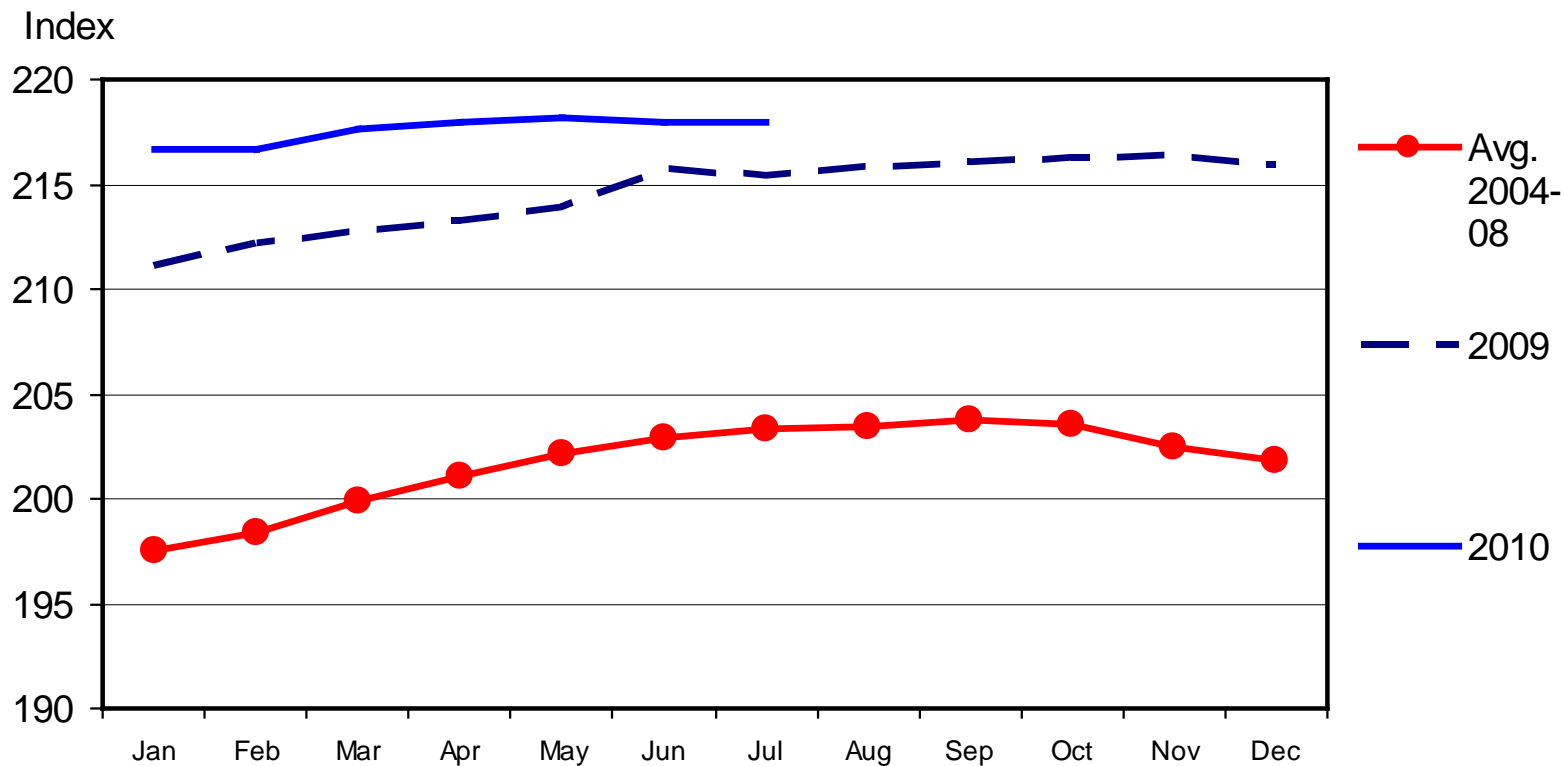


08/19/10



CONSUMER PRICE INDEX - ALL ITEMS

1982-1984 Base, Monthly



08/19/10



Futures Prices (8/29)

Live Cattle

- Oct: 98.28
- Dec: 100.73
- Feb (11'): 101.38
- Apr (11'): 102.80
- Jun (11'): 99.32

Feeder Cattle

- Sep: 115.88
- Oct: 116.88
- Nov: 117.10
- Jan (11'): 116.05
- Mar (11'): 115.23

Basis Adjust:

SEE: <http://www.agmanager.info/livestock/marketing/>
& <http://www.beefbasis.com/>



QUARTERLY CATTLE & BEEF FORECASTS (LMIC: 8/16)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
	(1,000 Head)		(Lbs.)		(Mil. Lbs.)	
2010						
I	8,167.50	2.40	765.34	-2.30	6,250.90	0.05
II	8,683.10	0.93	754.19	-1.71	6,548.70	-0.80
III	8,419.70	-1.16	786.73	0.18	6,624.00	-0.98
IV	7,988.75	-3.06	793.12	1.71	6,336.00	-1.40
Year	33,259.05	-0.24	774.51	-0.56	25,759.60	-0.79
2011						
I	7,927.58	-2.94	785.23	2.60	6,225.00	-0.41
II	8,314.50	-4.25	770.22	2.13	6,404.00	-2.21
III	8,264.08	-1.85	794.89	1.04	6,569.00	-0.83
IV	7,656.49	-4.16	798.55	0.69	6,114.08	-3.50
Year	32,162.64	-3.30	787.00	1.61	25,312.08	-1.74



QUARTERLY CATTLE & BEEF FORECASTS (LMIC: 8/16)

Year Quarter	Per Capita Consumption (Retail Wt.)	% Chg. from Year Ago	Live Sltr. Steer Price 5-Mkt Avg (\$/Cwt.)	% Chg. from Year Ago	Feeder Steer Price Southern Plains 7-800# 5-600# (\$/Cwt.)
2010					
I	14.59	-4.60	89.44	8.84	100.88 116.23
II	15.33	-2.33	96.33	14.04	113.04 127.77
III	15.17	-2.56	90-92	9.57	110-113 123-126
IV	14.63	-0.65	91-94	11.06	103-108 117-122
Year	59.72	-2.54	91-93	10.51	106-109 119-125
2011					
I	14.41	-1.24	89-94	2.30	99-107 118-127
II	15.02	-2.05	94-99	0.18	105-115 123-133
III	15.01	-1.00	89-95	1.10	108-119 124-135
IV	14.18	-3.08	92-100	3.78	104-114 119-128
Year	58.78	-1.58	91-97	2.17	105-113 121-131



USDA CATTLE & BEEF FORECASTS (8/19)

	Beef Prod (mil lbs)	Beef per capita disappearance (lbs)	5-Area Choice Steers (\$/cwt)	Ok. City Feeder Steers (\$/cwt)	Beef exports (mil lbs)
2010					
I	6,251	14.60	89.44	98.73	478
II	6,549	15.10	96.33	112.65	585
III	6,605	15.20	94 - 96	108 - 110	580
IV	6,240	14.20	92 - 98	105 - 111	550
Year	25,645	59.10	93 - 95	106 - 109	2,193
2011					
I	5,990	14.10	93 - 101	101 - 109	480
II	6,380	14.90	96 - 104	106 - 114	540
III					
IV					
Year	25,135	58.10	95 - 102	105 - 112	2,070



Summary

- Duration of supply situation:
 - Cow herd liquidation continuing in face of excellent pasture conditions & exp. profit...
 - 2011 hog expansion MAY be tempered w/ recent feed cost escalation
- Duration of demand situation:
 - Domestic concerns may persist
 - Export growth vital both in short run & long run



*Looking Beyond Today's
Ps & Qs*



Additional Demand Drivers/Issues in need of Evaluation:

- Animal welfare
 - “social pressures” are here to stay ...
 - beef/cattle are not immune:
 - Recent analysis suggests meat expenditures reallocate to non-meat in response to increasing media attention...
- Differentiation of niche products = stigmatizing conventional products?
- Convenience
 - Strong driver of beef demand reductions (08’ Beef Board study)
 - Today’s twenty-somethings are particularly looking for quick & easy meals that are low cost
 - Unemployment for adults under 30 was 19.5% in 2nd quarter of 2010
 - These habits may persist and shape lifetime consumption habits...



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...



Impacts of New/Potential Policy on Markets is Needed

- Multiple regulation discussions:
 - i.e., “test and hold” not globally implemented
 - will egg recall = more meat f.s. regs?
 - “fair market” proposed rules / “anti-competition” listening sessions ...



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>)

