

# ***Livestock & Meat Market Outlook***

**Glynn Tonsor**

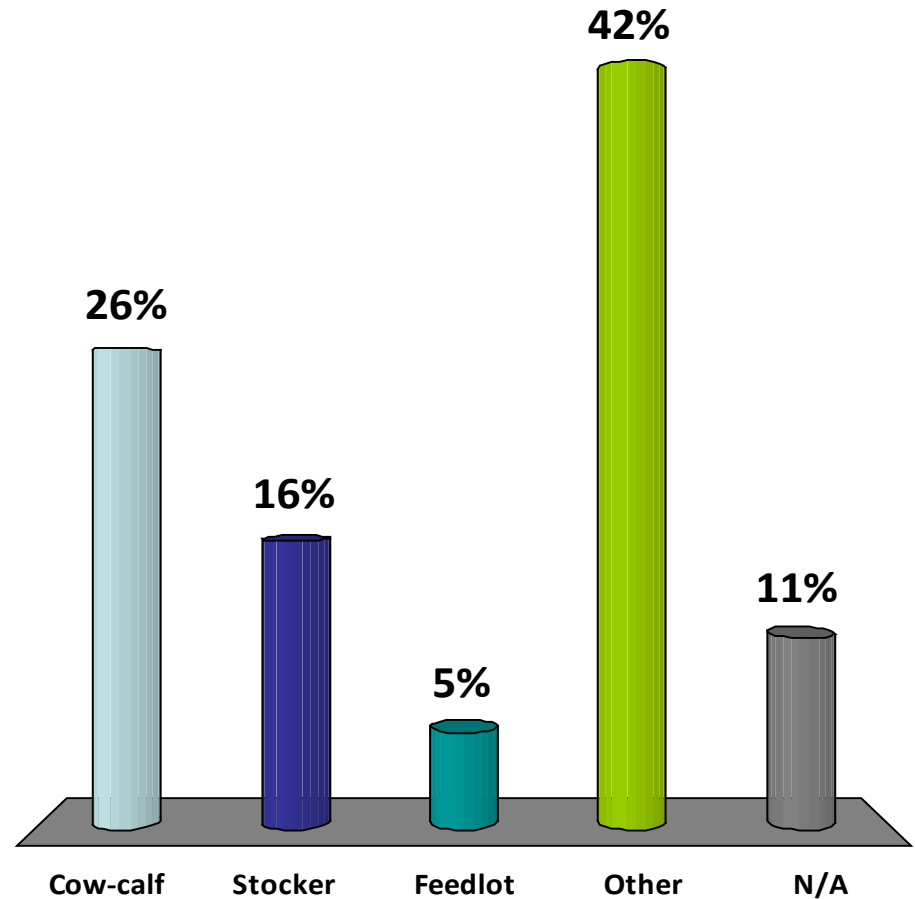
**Dept. of Agricultural Economics  
Kansas State University**

***“Marketing in Uncertain Times” Program  
Colby, KS (February 10, 2011)***



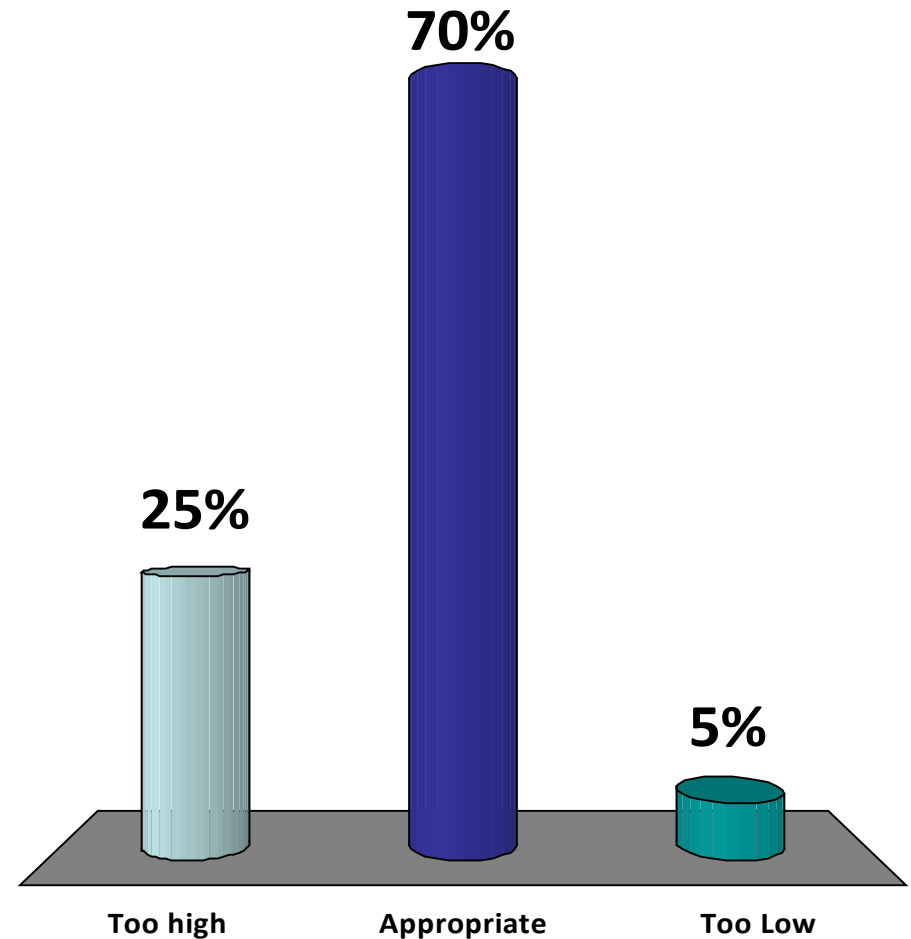
# What best describes your role in the U.S. cattle/beef industry?

1. Cow-calf producer
2. Backgrounder/Stocker
3. Feedlot operator
4. None of the above, but I'm involved
5. Not applicable; not in U.S. cattle/beef industry



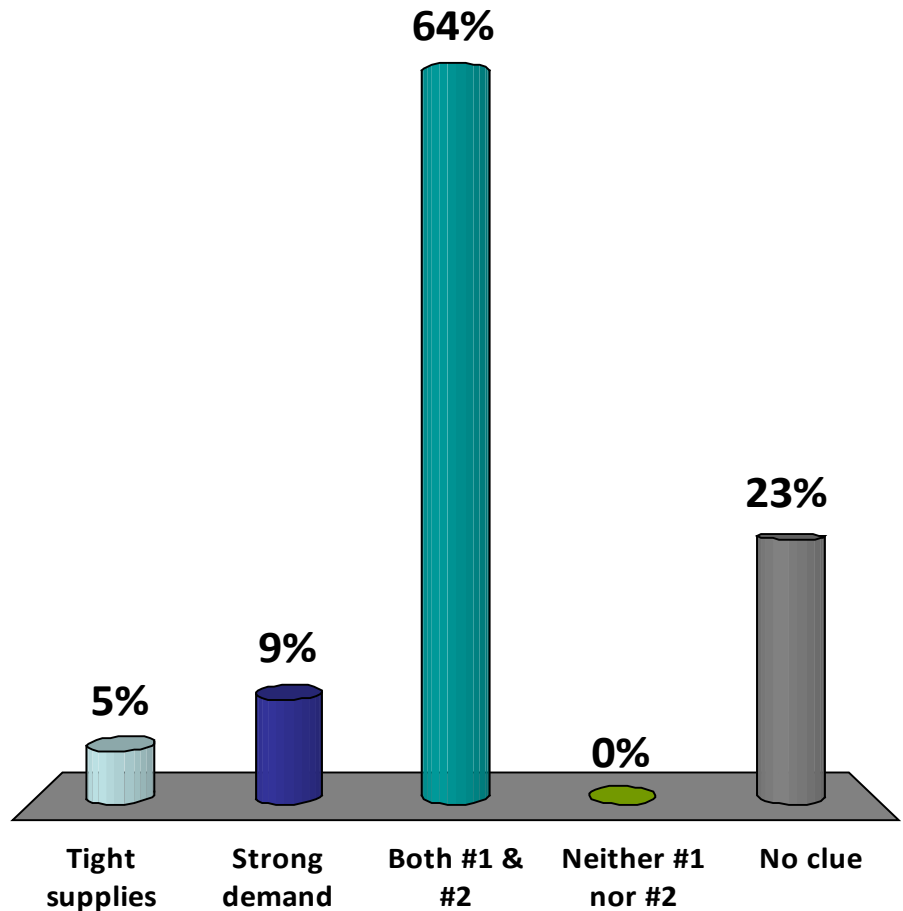
# What best describes your sentiment regarding the current cattle marketplace?

1. Current prices are too high given fundamentals
2. Current prices are appropriate given fundamentals
3. Current prices are too low given fundamentals



# What best describes forces shaping the current cattle marketplace?

1. Tight supplies
2. Strong demand
3. Both #s 1 & 2
4. Neither #1 nor #2
5. "I have no clue"



# OVERVIEW

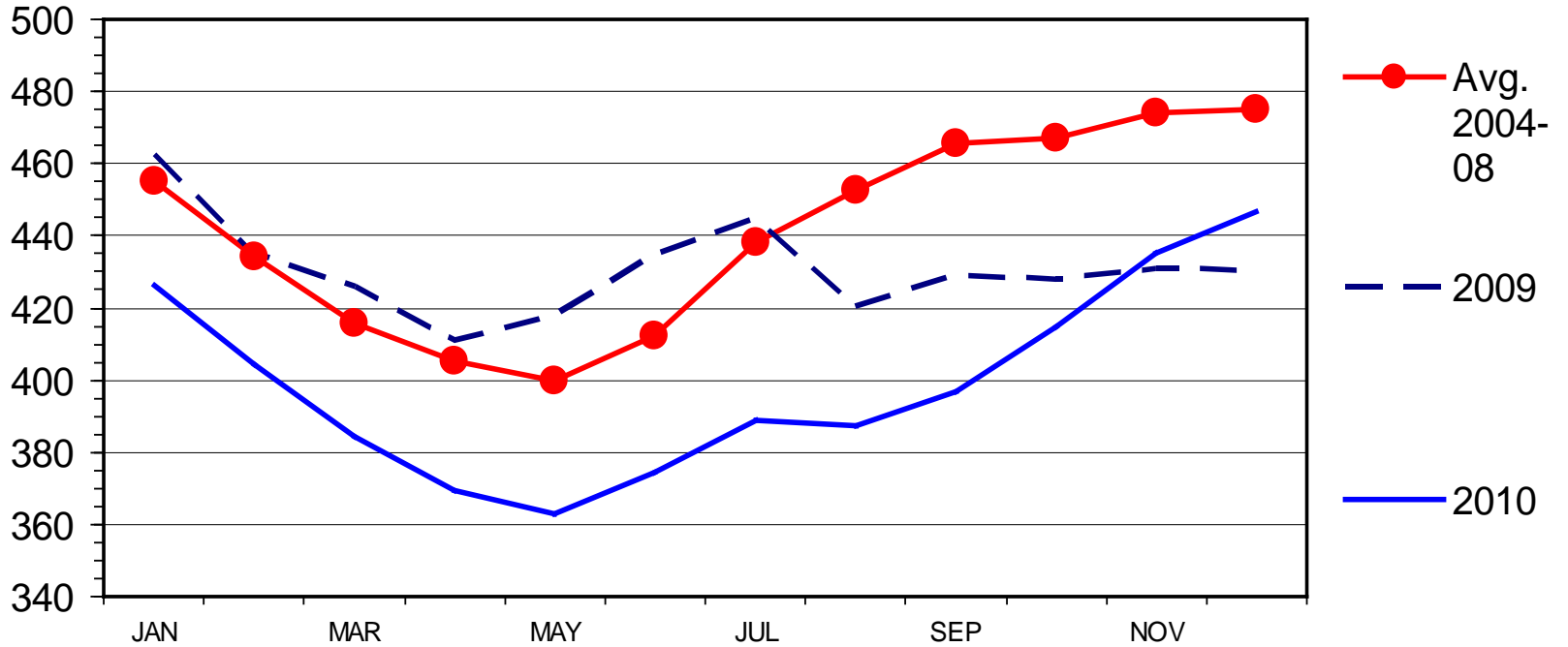
- SUPPLY:
  - Historically tight supplies
    - Shrinking cow herd, expansion uncertainty
- DEMAND:
  - Export demand has been strong
  - Domestic demand strengthened throughout 10'
- FEEDS:
  - Volatile grain prices
  - Growing role of forage & hence stocker segment
- “OTHER” PRESSURES
  - Growing in relevance...



# BEEF IN COLD STORAGE

## End of the Month

Mil. Pounds



Livestock Marketing Information Center

Data Source: USDA-NASS

M-S-09  
01/21/11



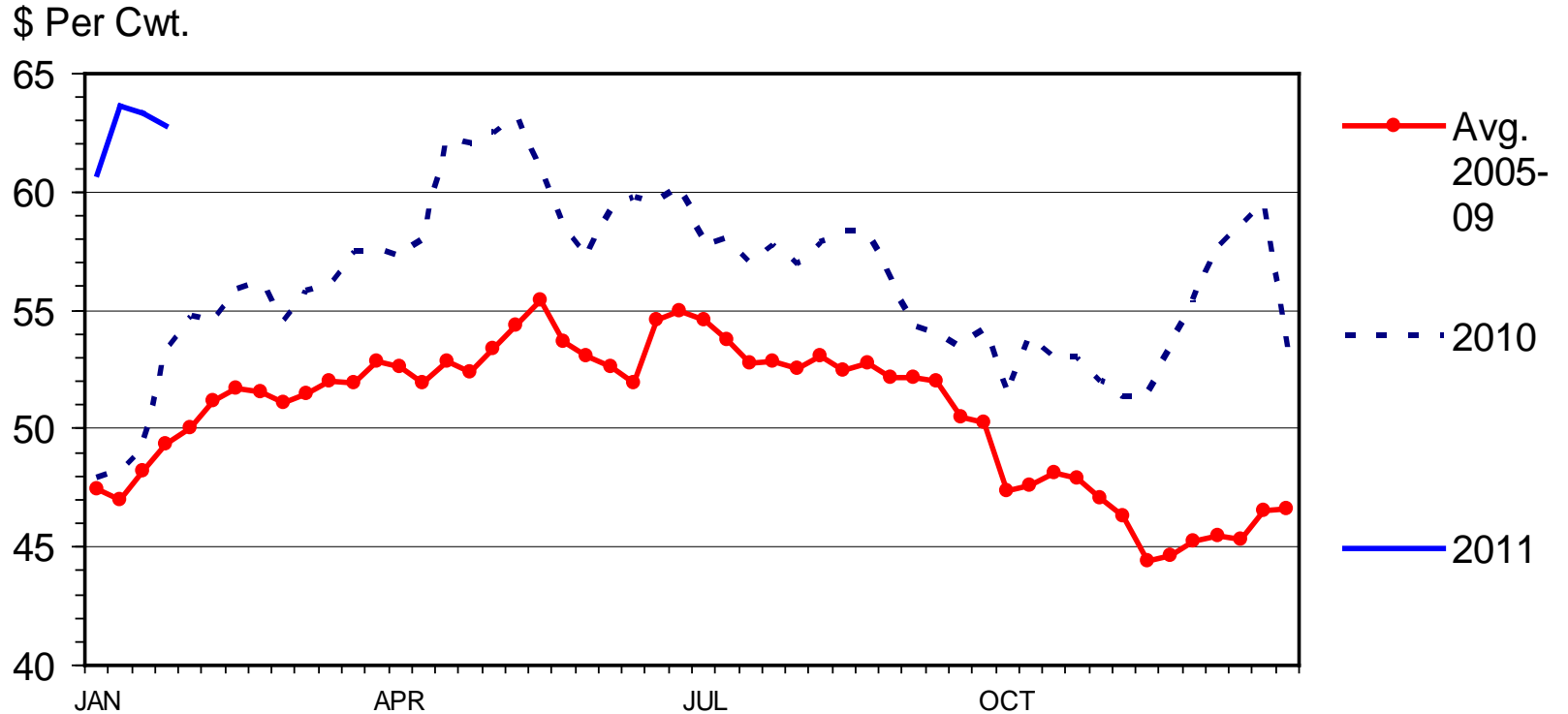
# Cow herd dynamics

- 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?



# SLAUGHTER COW PRICES

## Southern Plains, 85-90% Lean, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS

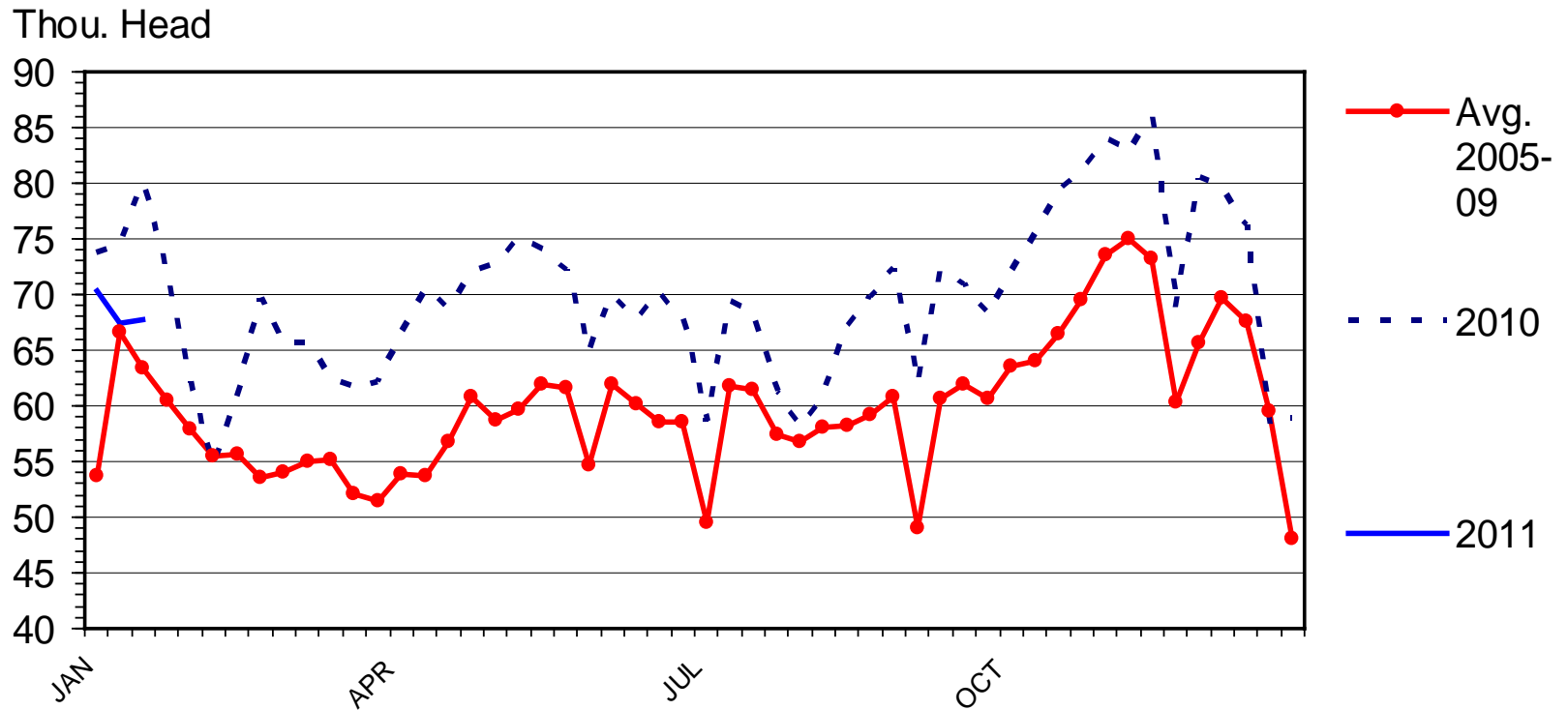
C-P-35  
02/07/11





# BEEF COW SLAUGHTER

## Federally Inspected, Weekly



Livestock Marketing Information Center

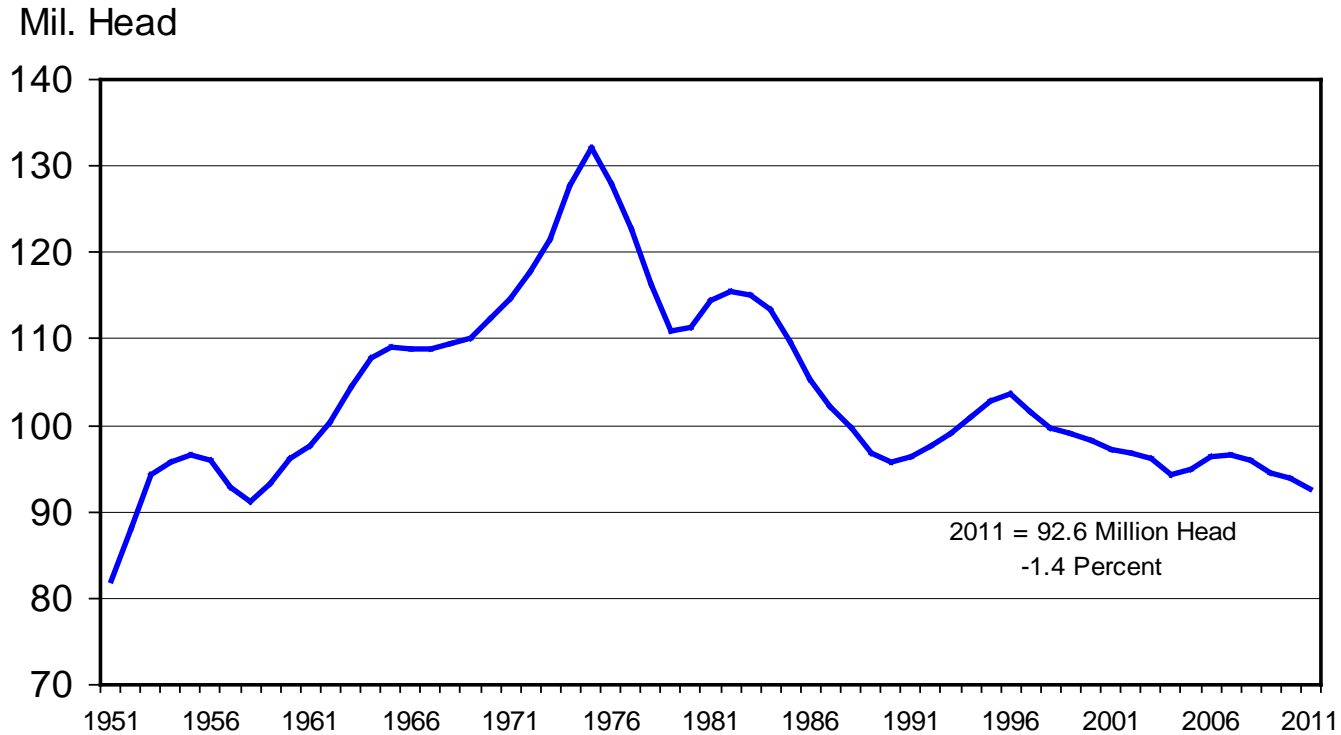
Data Source: USDA-AMS & USDA-NASS

C-S-34  
02/04/11



# JANUARY 1 TOTAL CATTLE INVENTORY

## U.S., Annual



Livestock Marketing Information Center

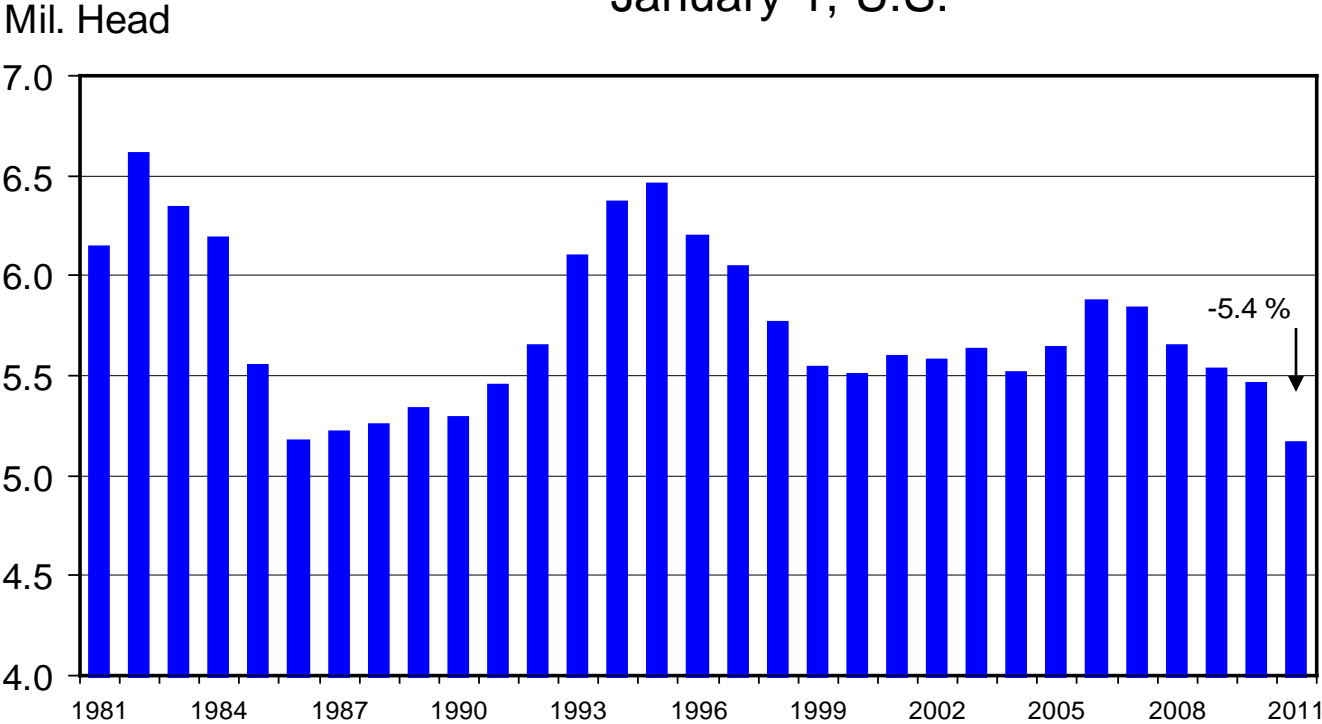
Data Source: USDA-NASS

C-N-01  
01/28/11



# HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



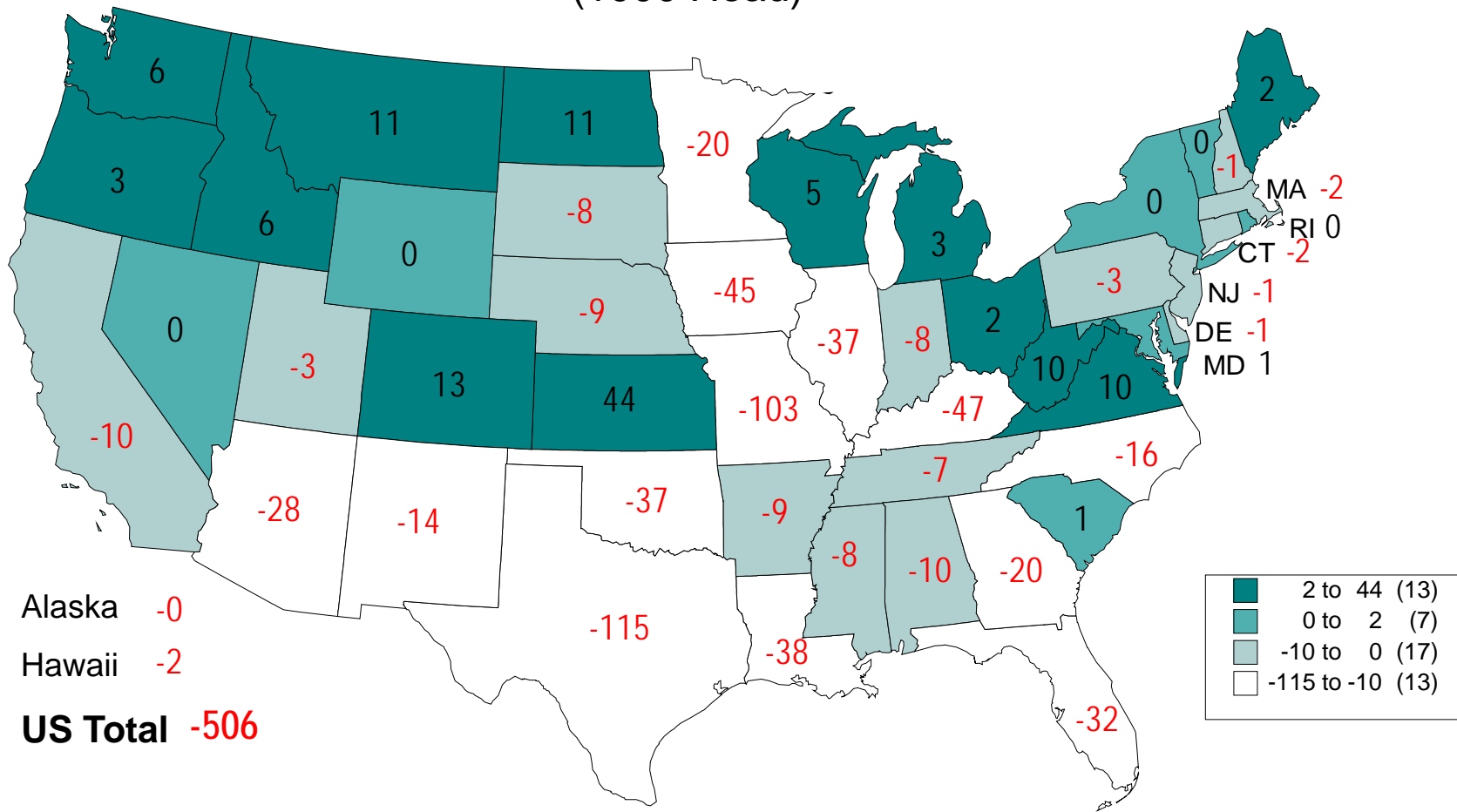
Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-38  
01/28/11



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



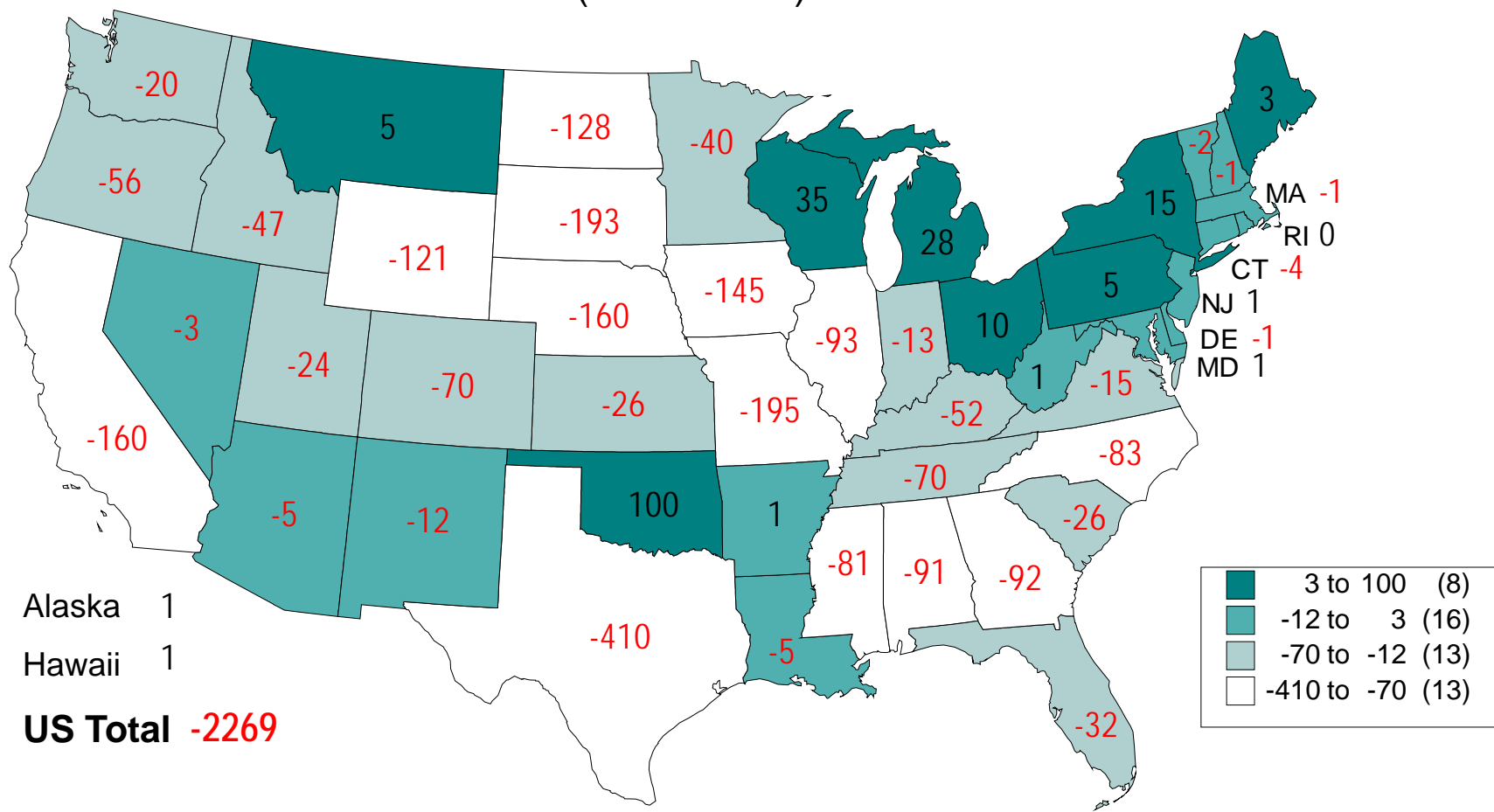
Livestock Marketing Information Center

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

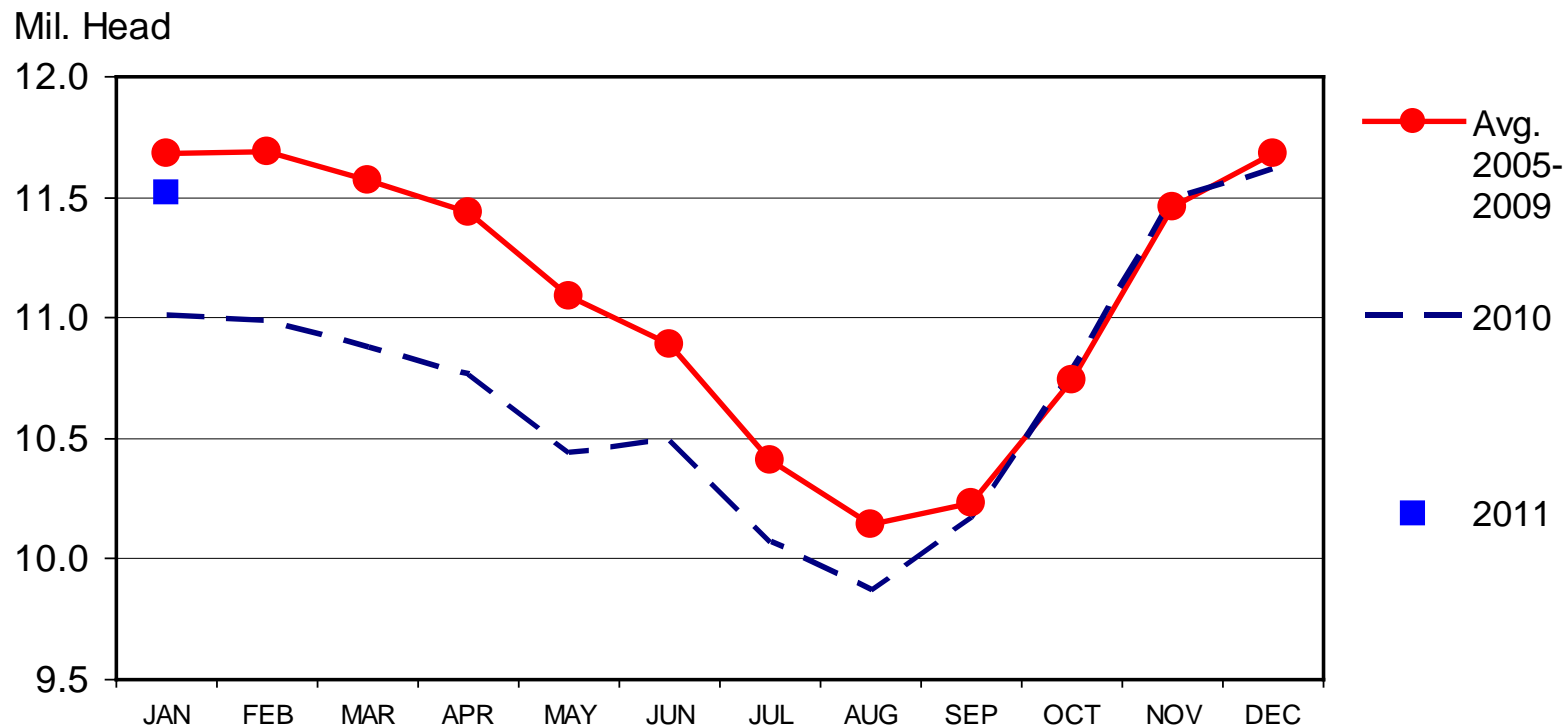
Data Source: USDA/NASS

C-N-29  
01/28/11



# CATTLE ON FEED

## US Total, Monthly



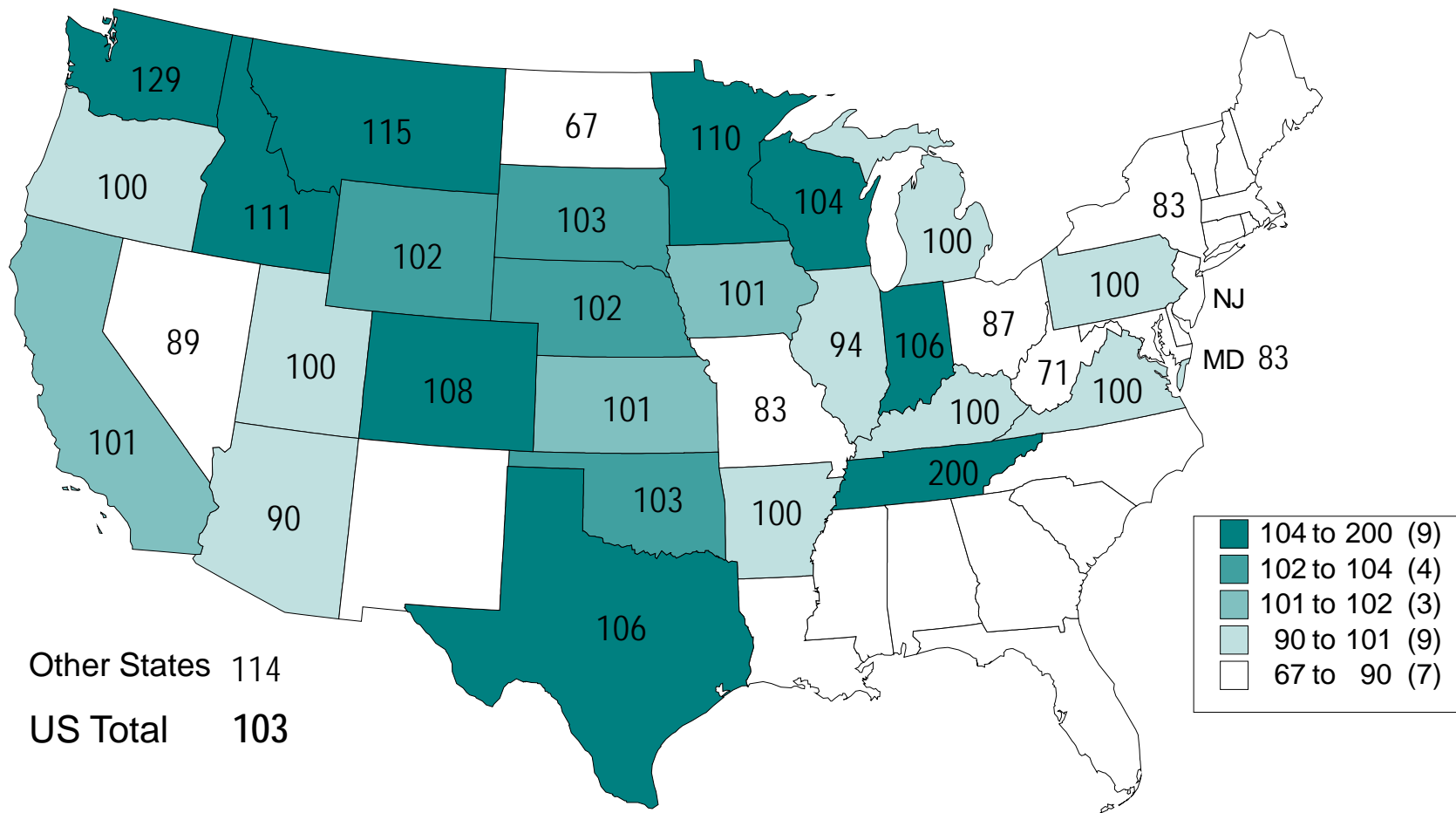
Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-10  
01/21/11



# CATTLE ON FEED JANUARY 1, 2011 AS A % OF 2010



Livestock Marketing Information Center

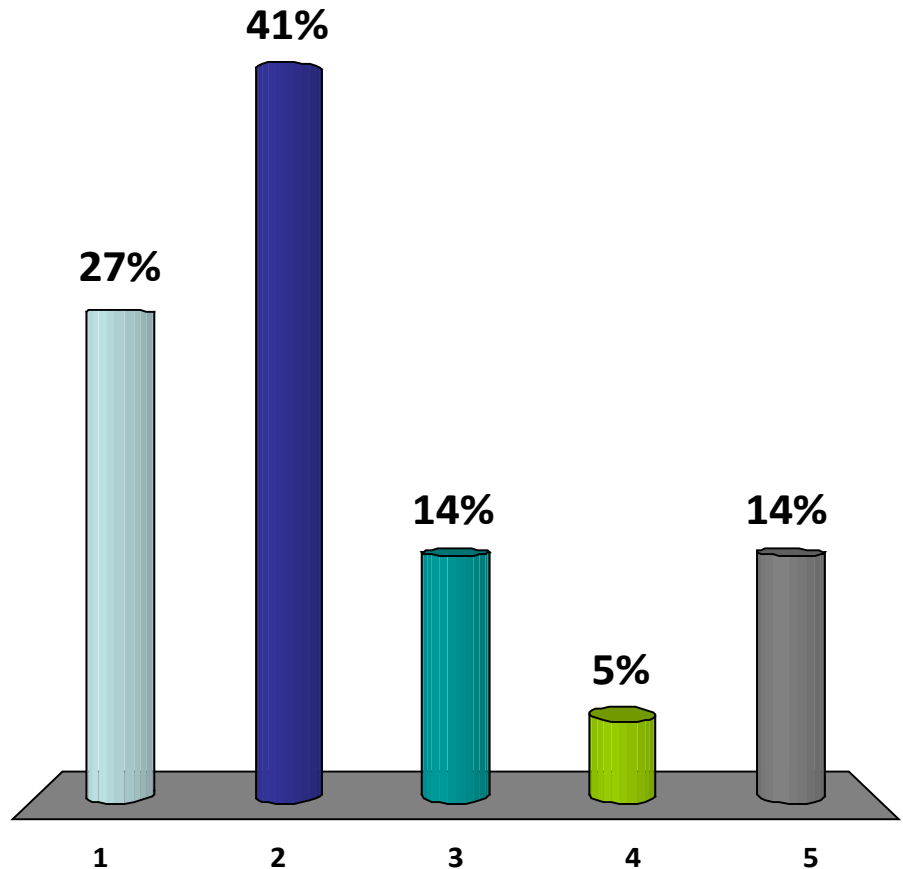
Data Source: USDA/NASS

C-N-25  
01/28/11



# What statement is most accurate regarding current U.S. beef exports?

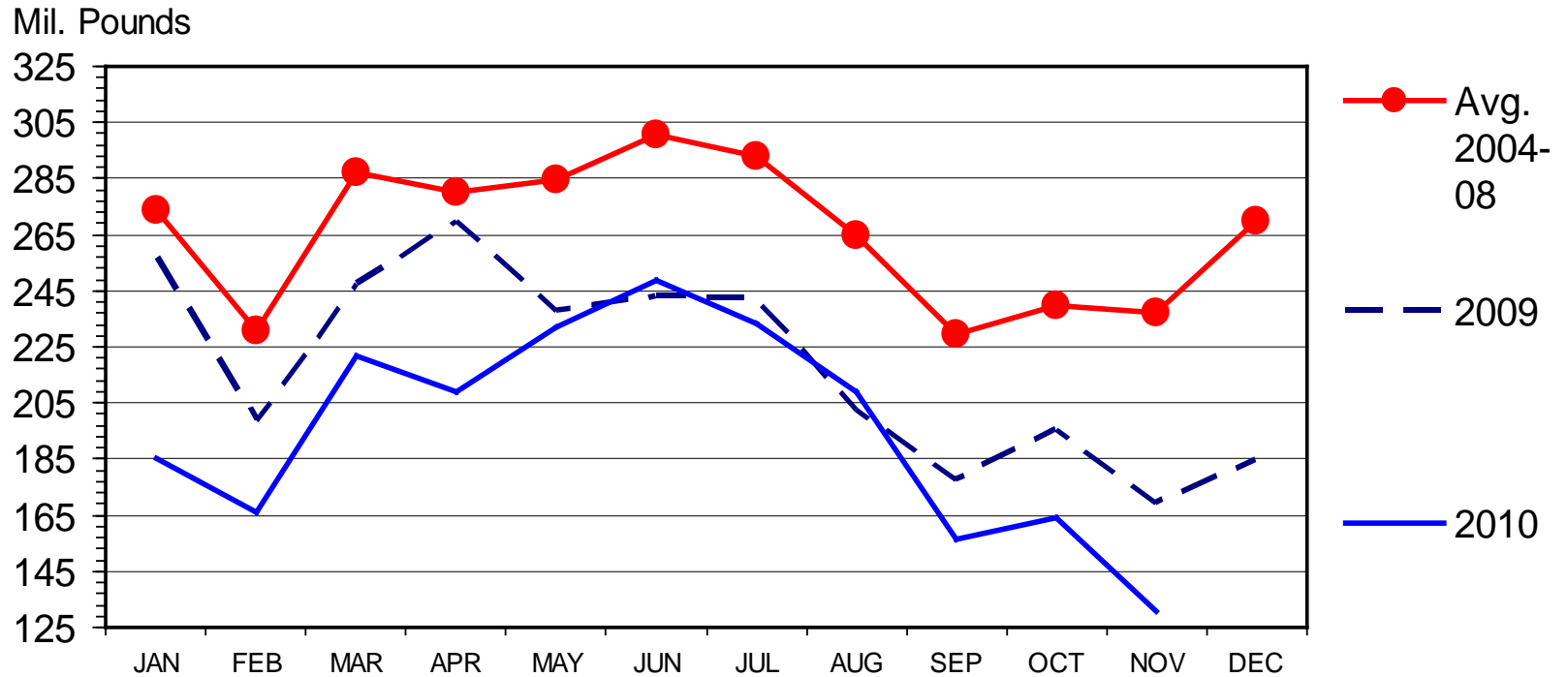
1. Japan is our largest market (volume)
2. We export over 10% of production
3. Hide & offal values exceed \$12/cwt (live animal basis)
4. None of the above
5. "I have no clue"





# U S BEEF AND VEAL IMPORTS

## Carcass Weight, Monthly



Livestock Marketing Information Center

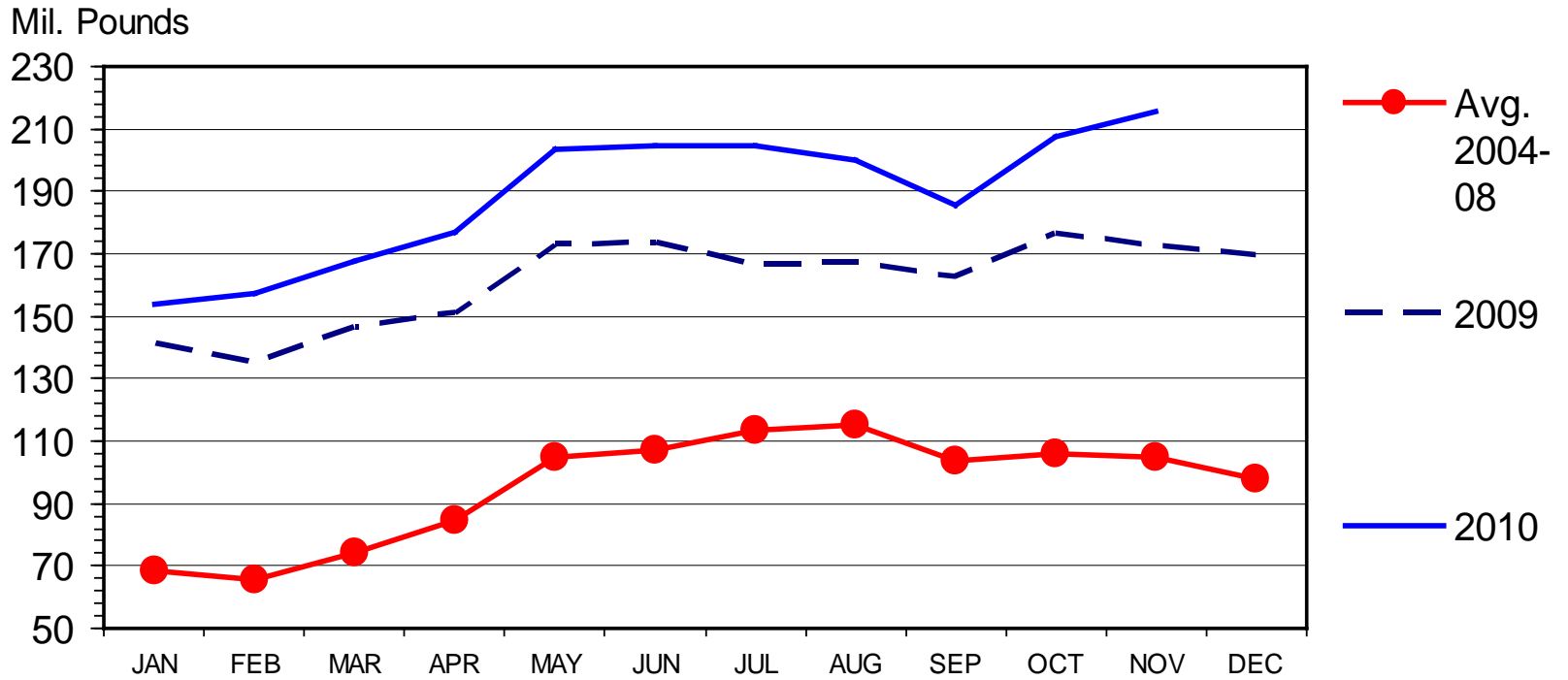
Data Source: USDA-ERS & USDA-FAS

I-N-15  
01/14/11



# U S BEEF AND VEAL EXPORTS

## Carcass Weight, Monthly



Livestock Marketing Information Center

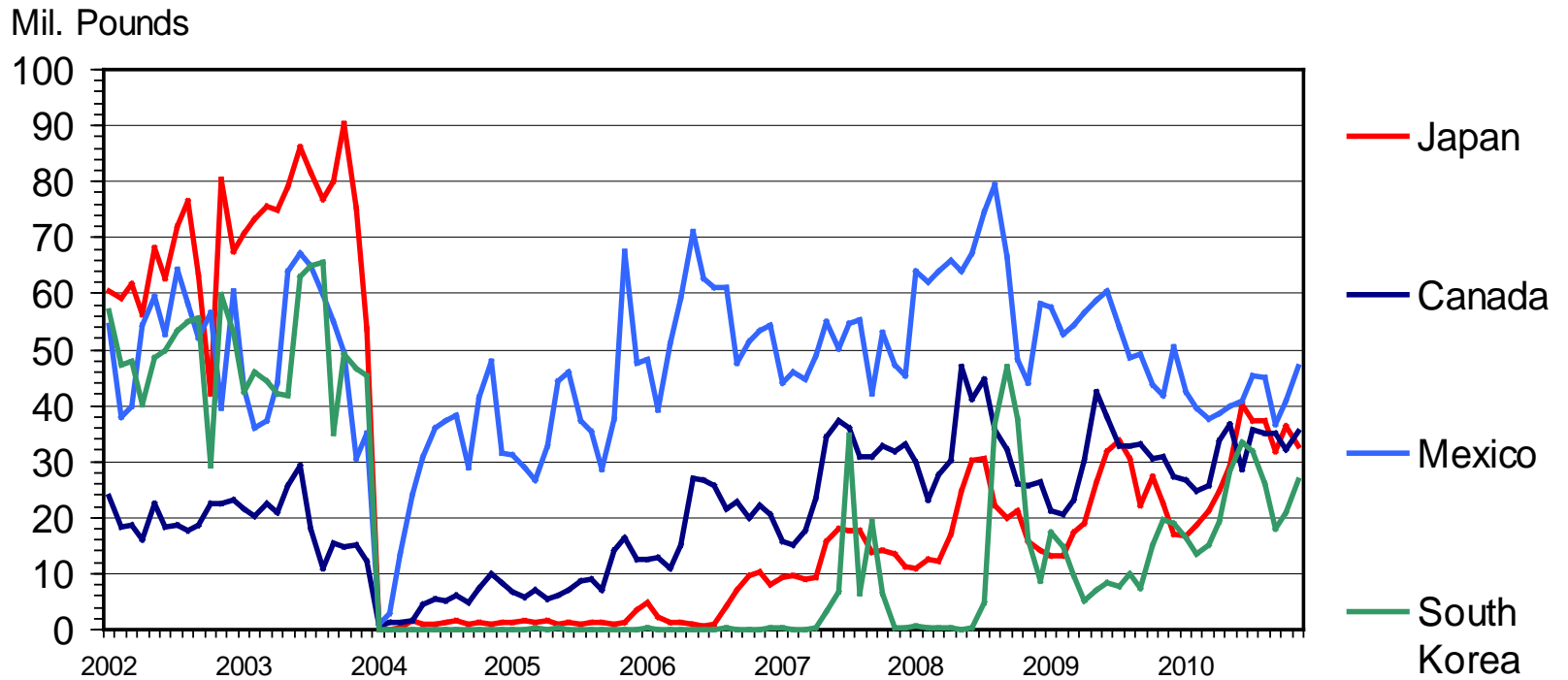
Data Source: USDA-ERS & USDA-FAS

I-N-16  
01/14/11



# U S BEEF EXPORTS TO MAJOR MARKETS

## Carcass Weight, Monthly



Livestock Marketing Information Center

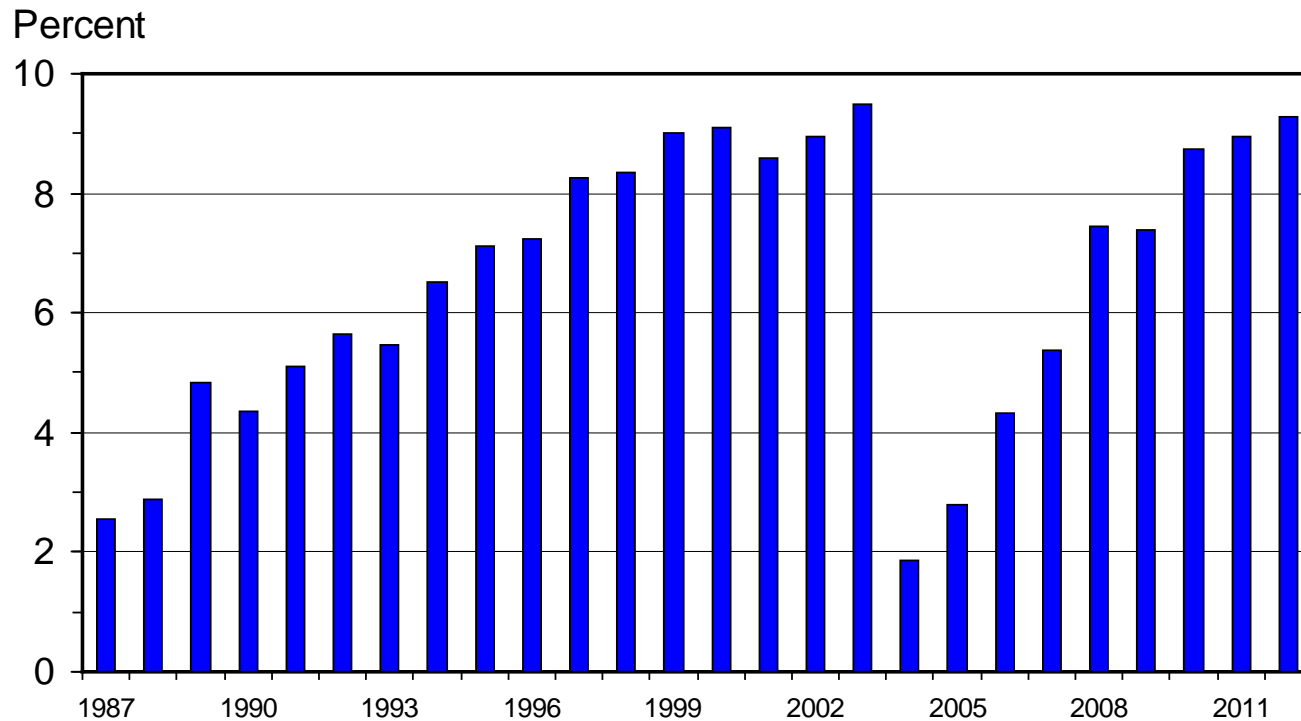
Data Source: USDA-ERS & USDA-FAS

I-N-35  
01/14/11



# U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



Livestock Marketing Information Center

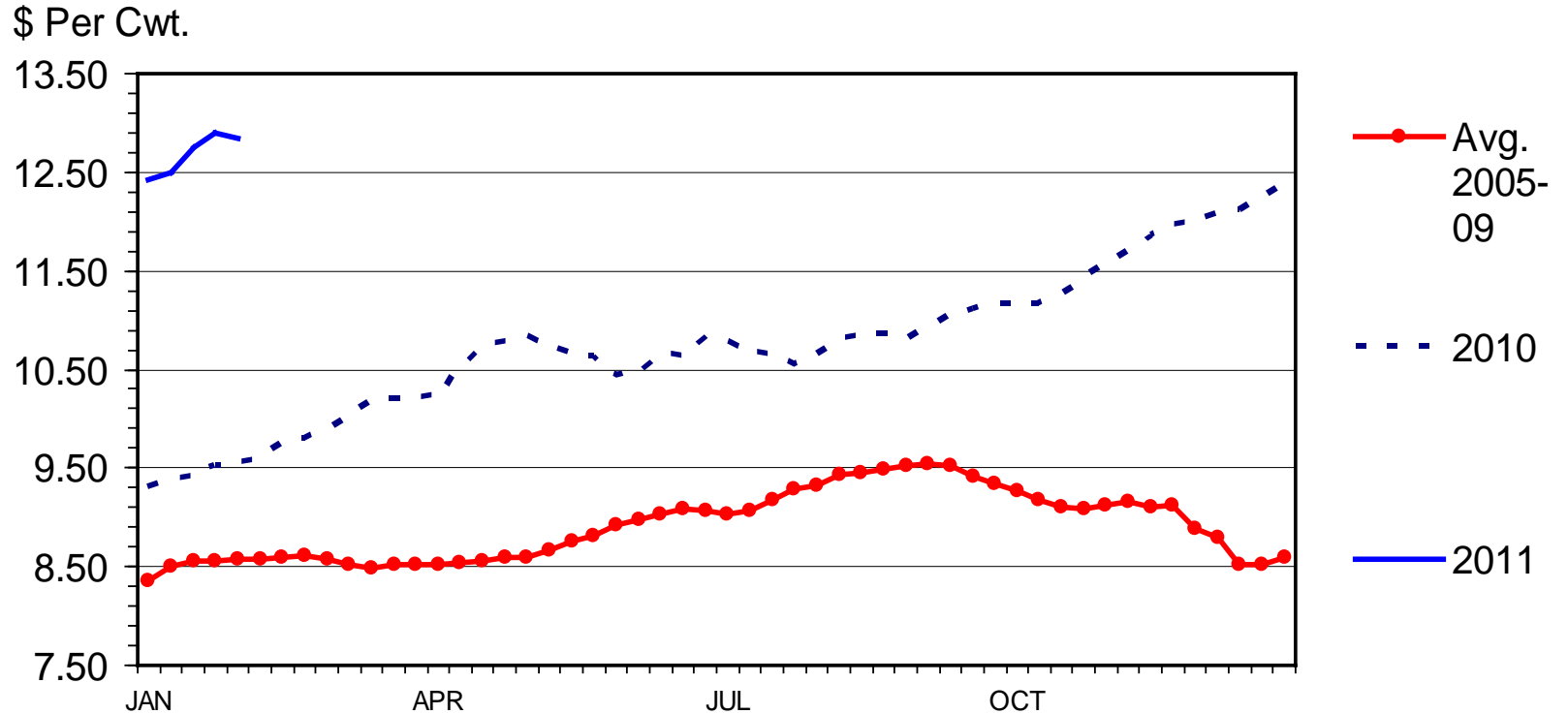
Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC

I-N-07  
01/04/11



# STEER HIDE AND OFFAL VALUE

## Live Animal Basis, Weekly



Livestock Marketing Information Center

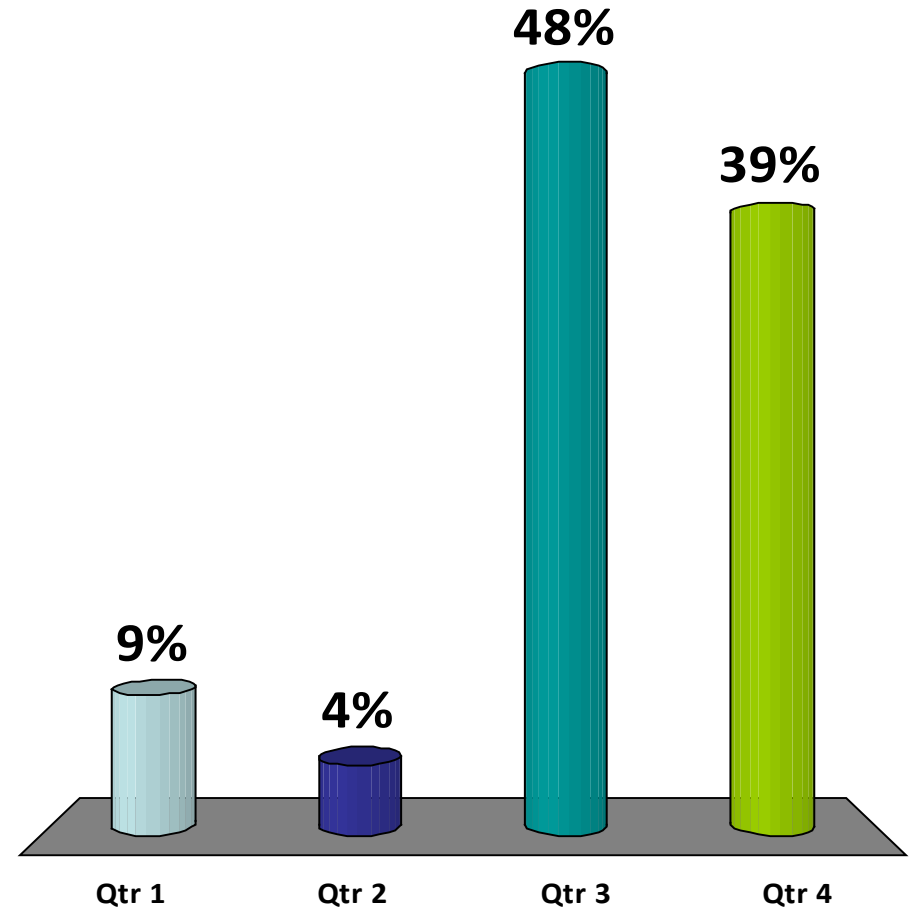
Data Source: USDA-AMS

C-P-39  
02/07/11



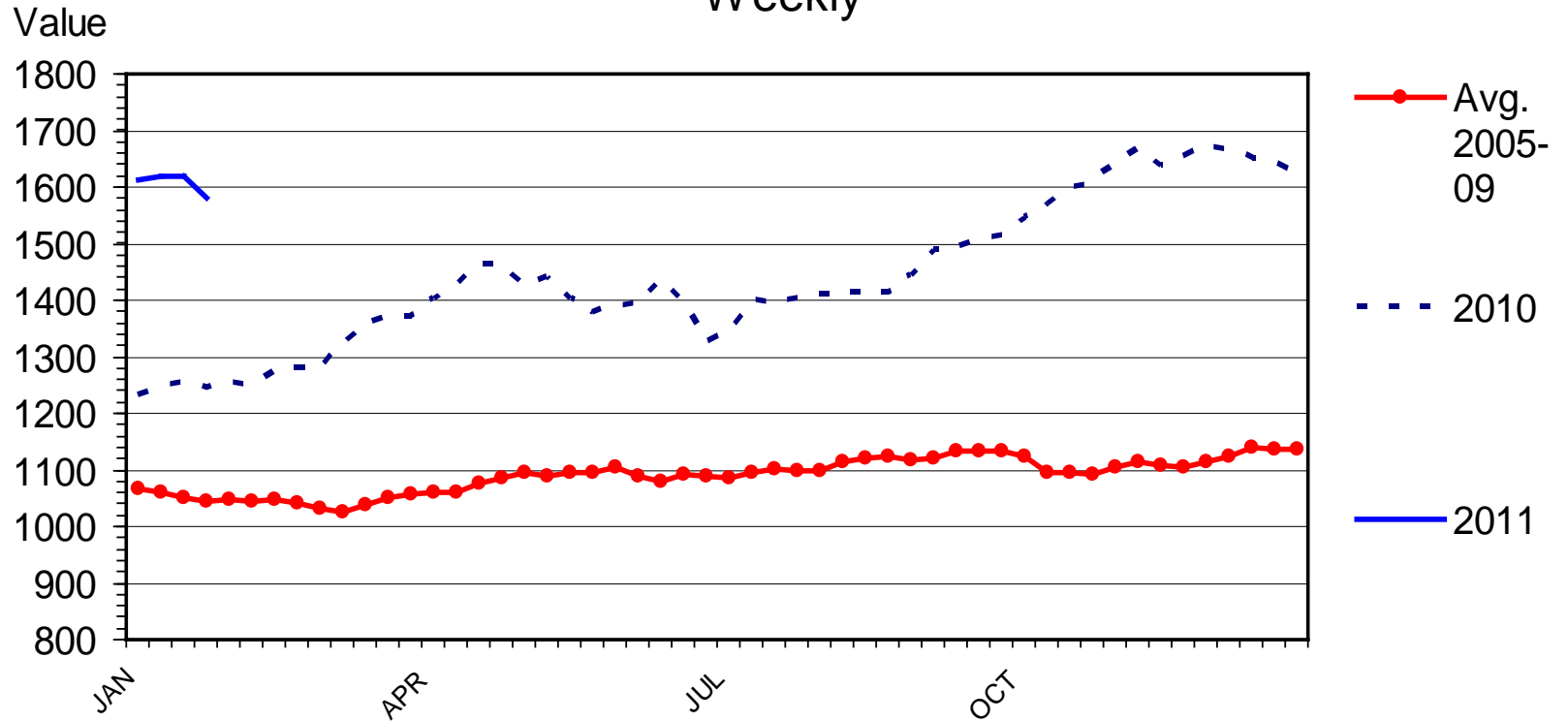
# What quarter of 2010 had the strongest beef demand (relative to previous year)?

1. Qtr 1 (Jan-Mar)
2. Qtr 2 (Apr-Jun)
3. Qtr 3 (Jul-Sep)
4. Qtr 4 (Oct-Dec)



# NATIONAL RESTAURANT NEWS STOCK MARKET INDEX

Weekly



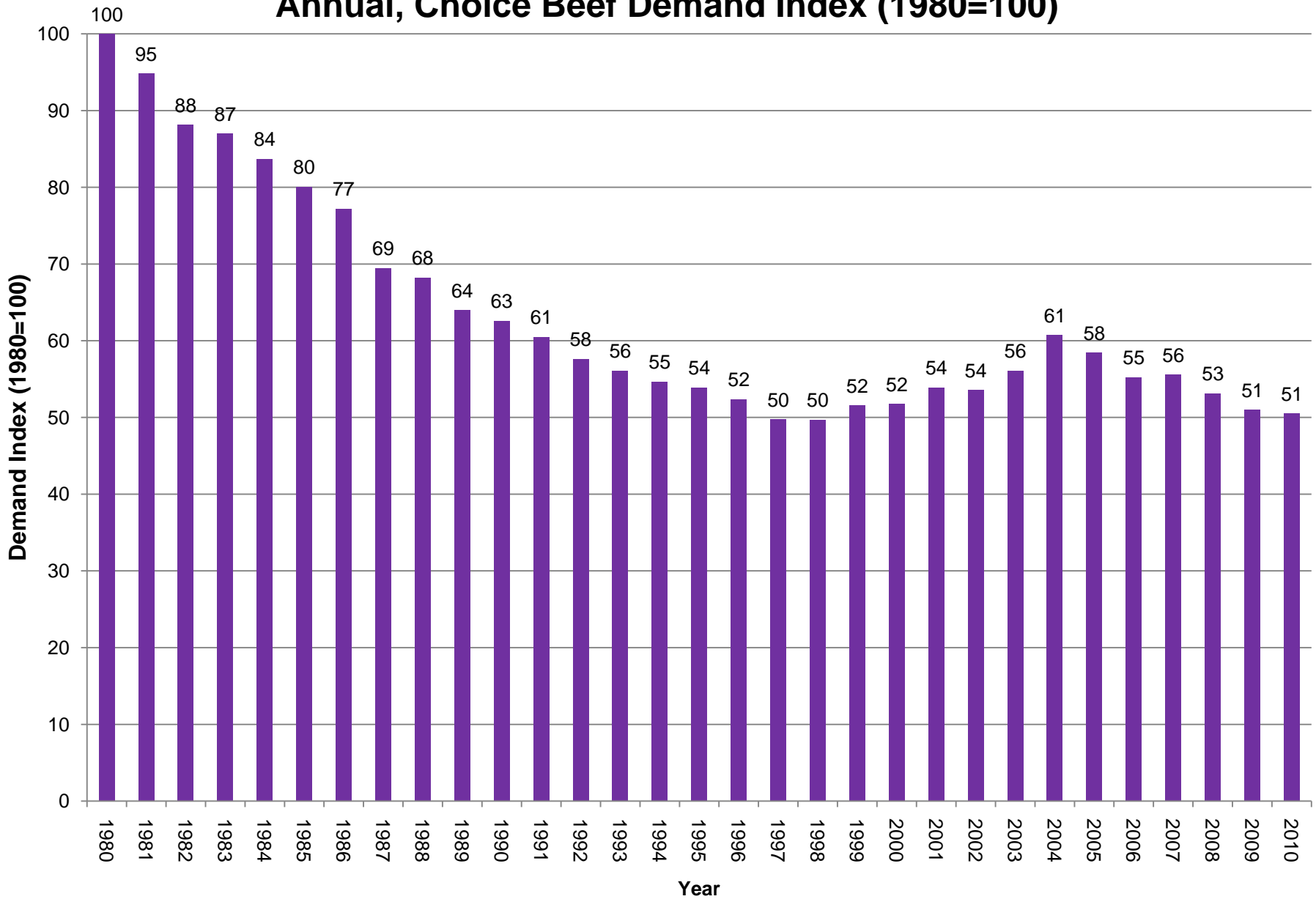
Livestock Marketing Information Center

02/01/11

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



# Annual, Choice Beef Demand Index (1980=100)

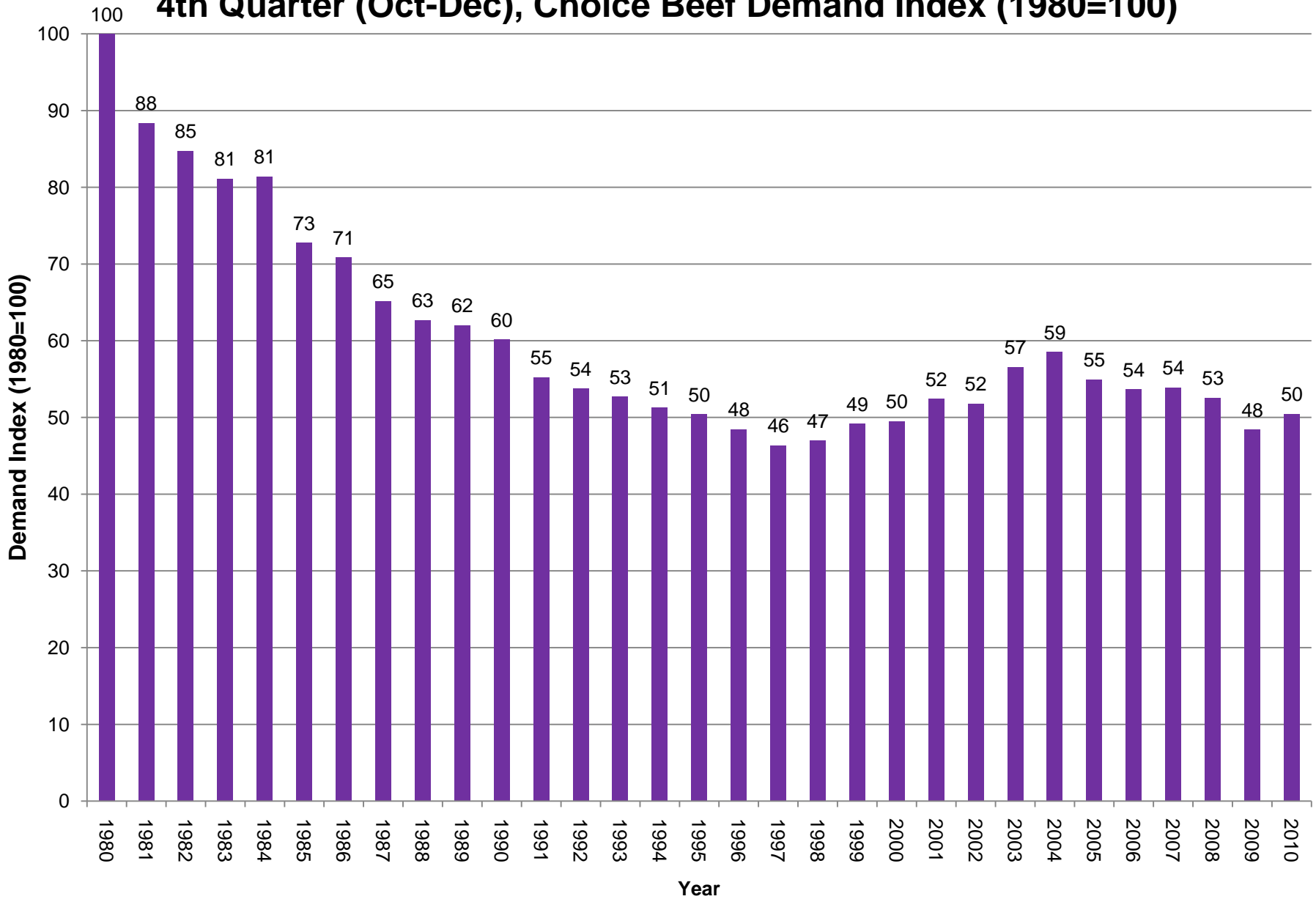


Source: Glynn T. Tonsor, Kansas State University, Jan. 2011





# 4th Quarter (Oct-Dec), Choice Beef Demand Index (1980=100)

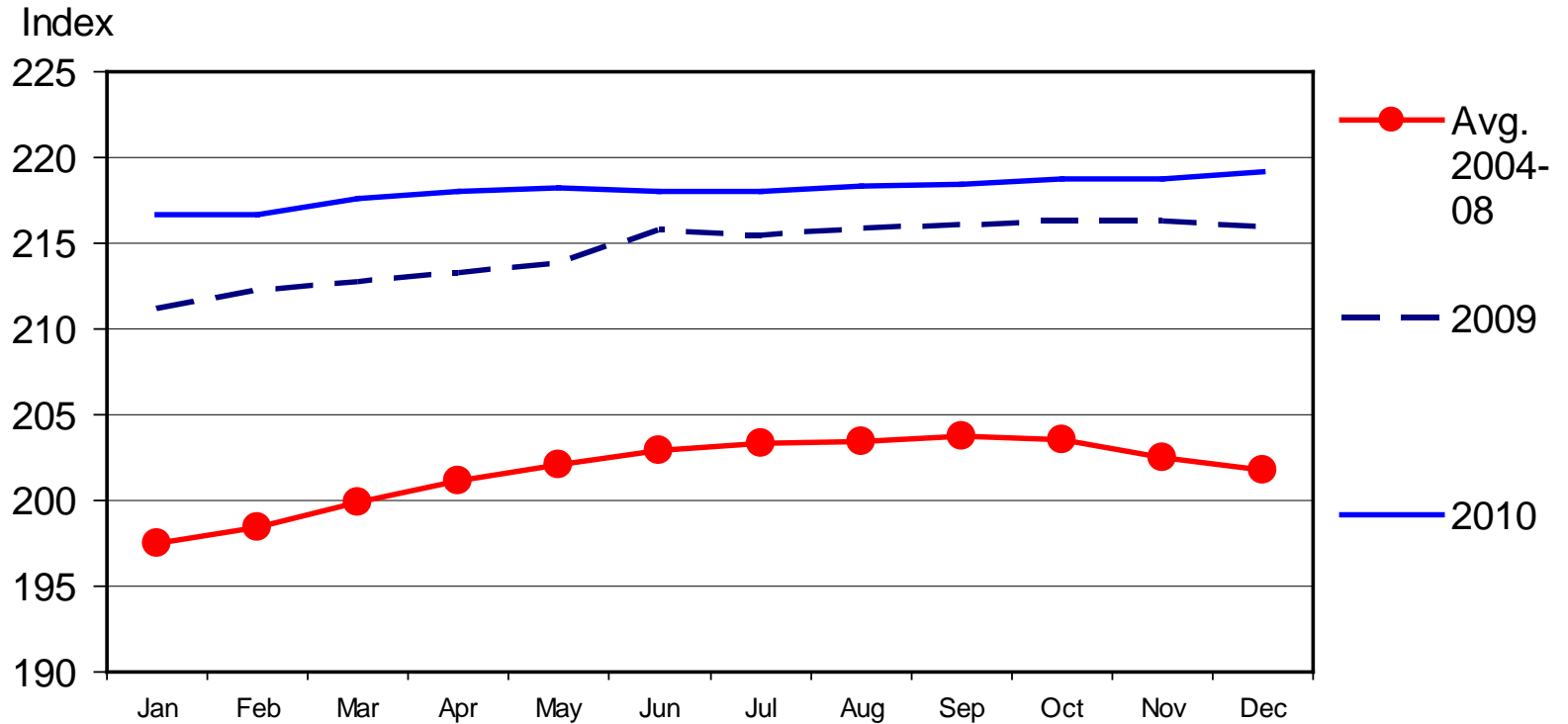


Source: Glynn T. Tonsor, Kansas State University, Jan. 2011



# CONSUMER PRICE INDEX - ALL ITEMS

## 1982-1984 Base, Monthly



Livestock Marketing Information Center

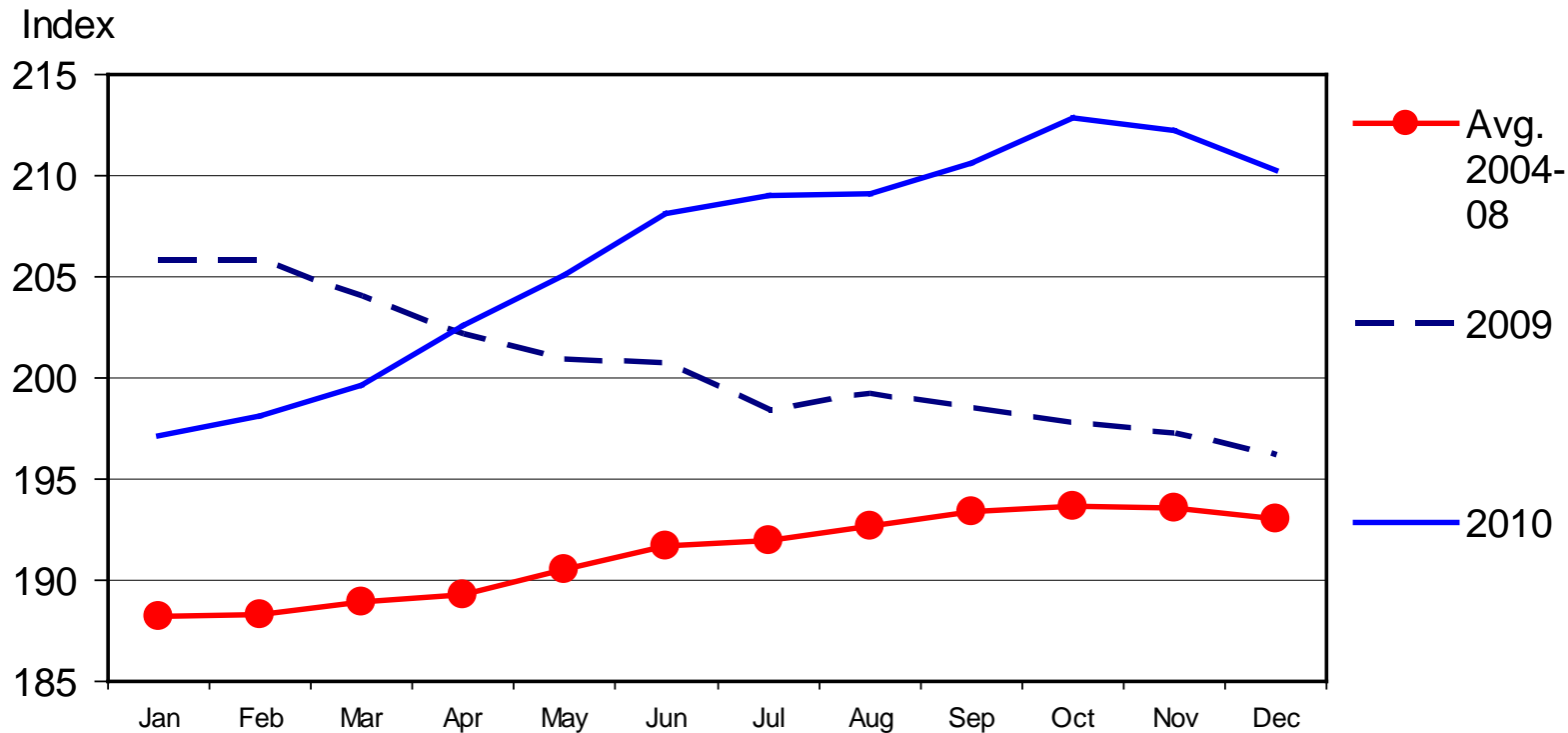
01/14/11

Data Source: Bureau of Labor Statistics



# CPI - MEATS

## 1982-1984 Base, Monthly



Livestock Marketing Information Center

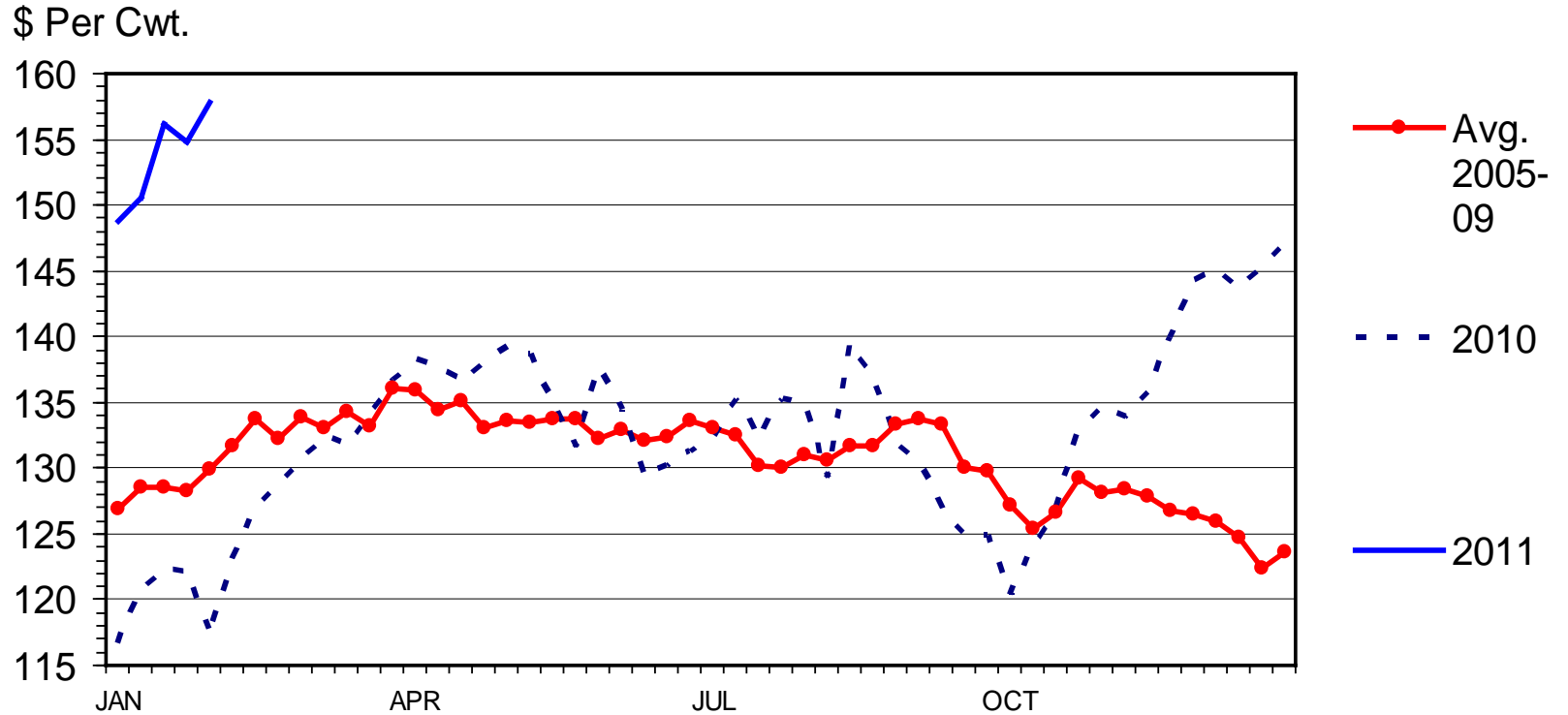
01/14/11

Data Source: Bureau of Labor Statistics



# MED. & LRG. #1 STEER CALF PRICES

## 400-500 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

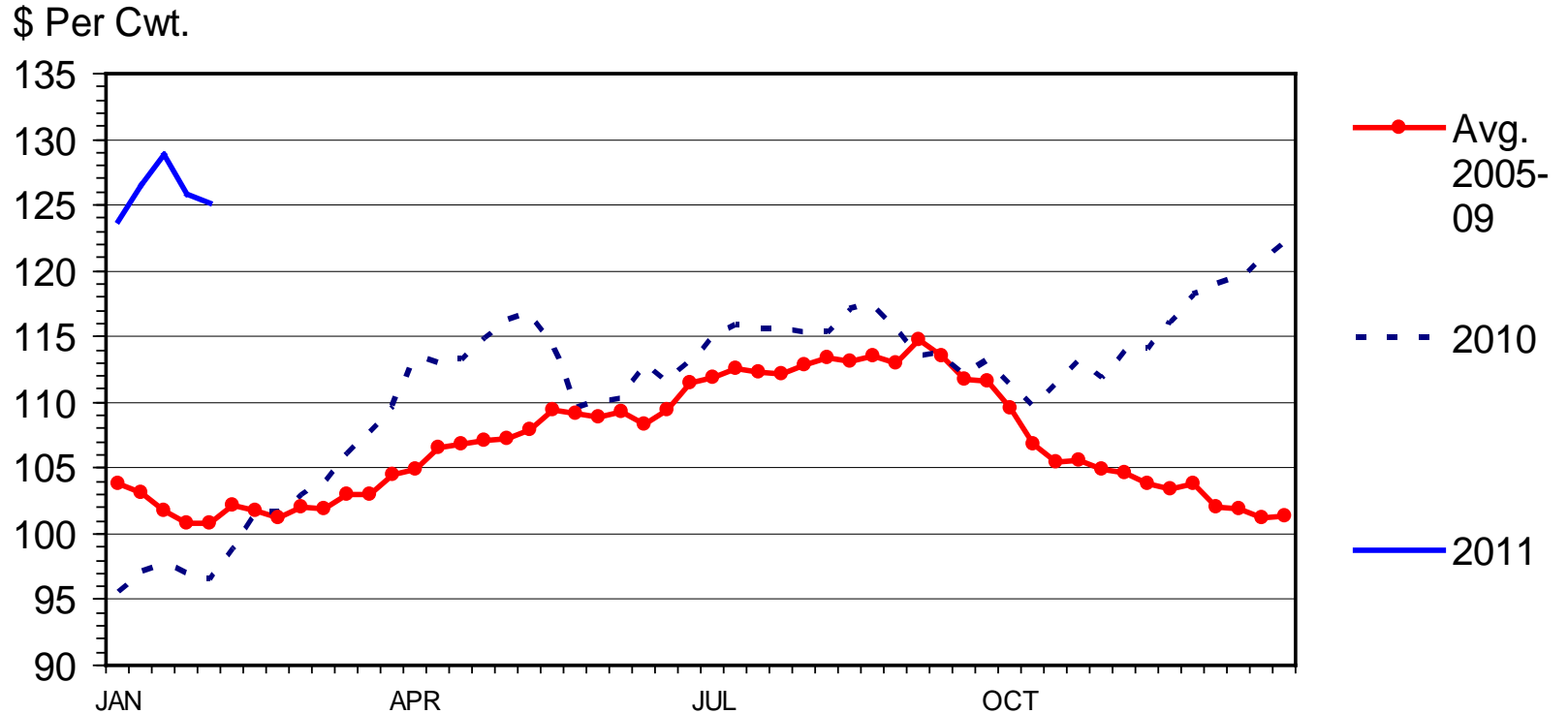
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49A  
02/07/11



# MED. & LRG. #1 FEEDER STEER PRICES

## 700-800 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

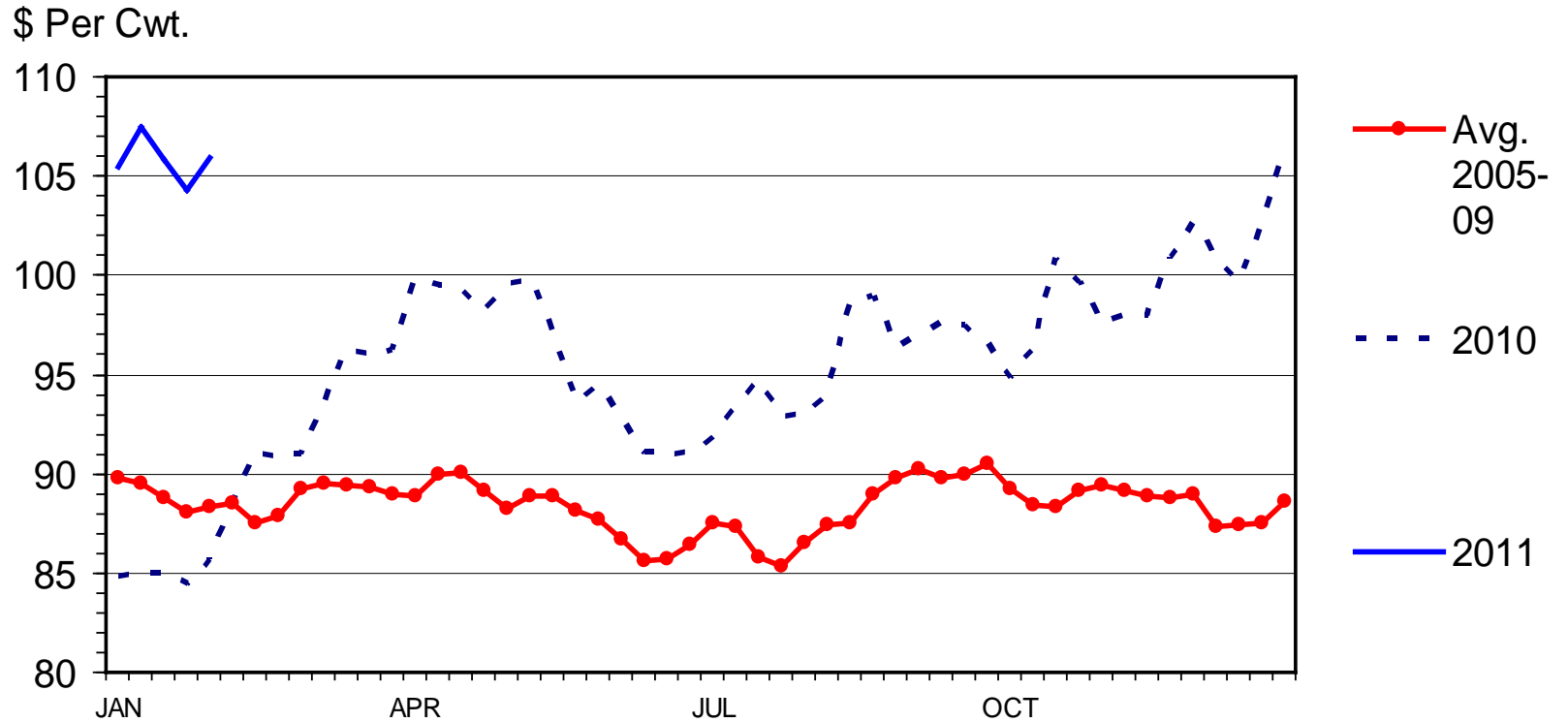
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49  
02/07/11



# SLAUGHTER STEER PRICES

## 5 Market Weighted Average, Weekly



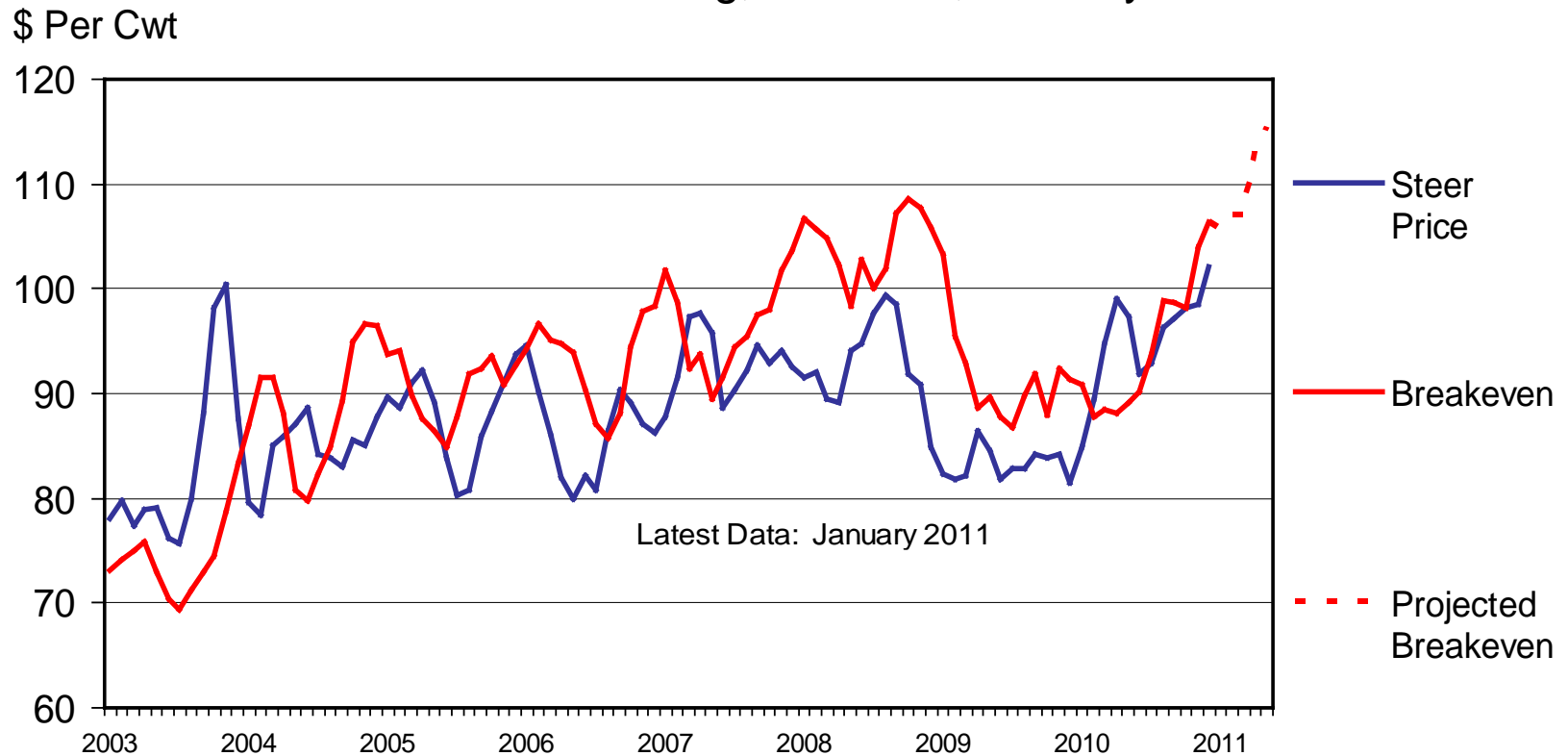
Livestock Marketing Information Center

Data Source: USDA-AMS



# CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly



Livestock Marketing Information Center

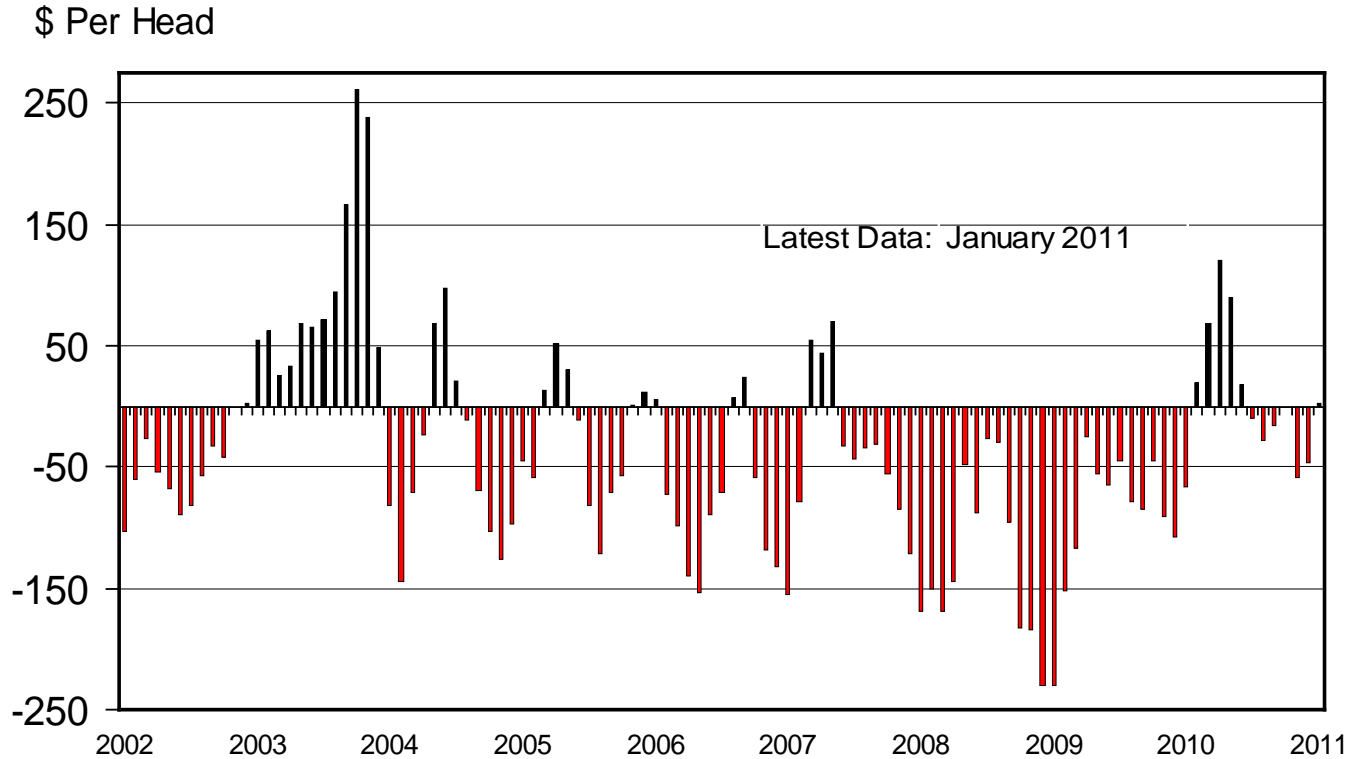
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-21  
02/01/11



# AVERAGE RETURNS TO CATTLE FEEDERS

## Feeding 725 Lb. Steers, S. Plains, Monthly



C-P-22  
02/01/11

Livestock Marketing Information Center

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

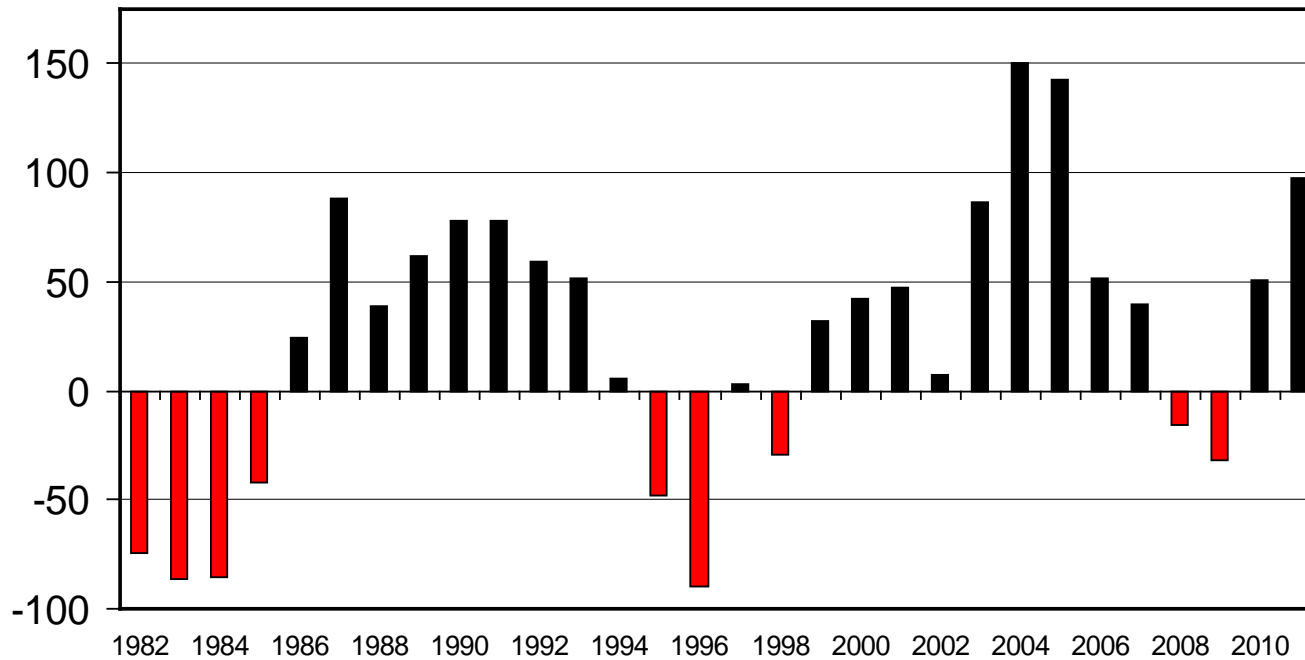




# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



Livestock Marketing Information Center

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

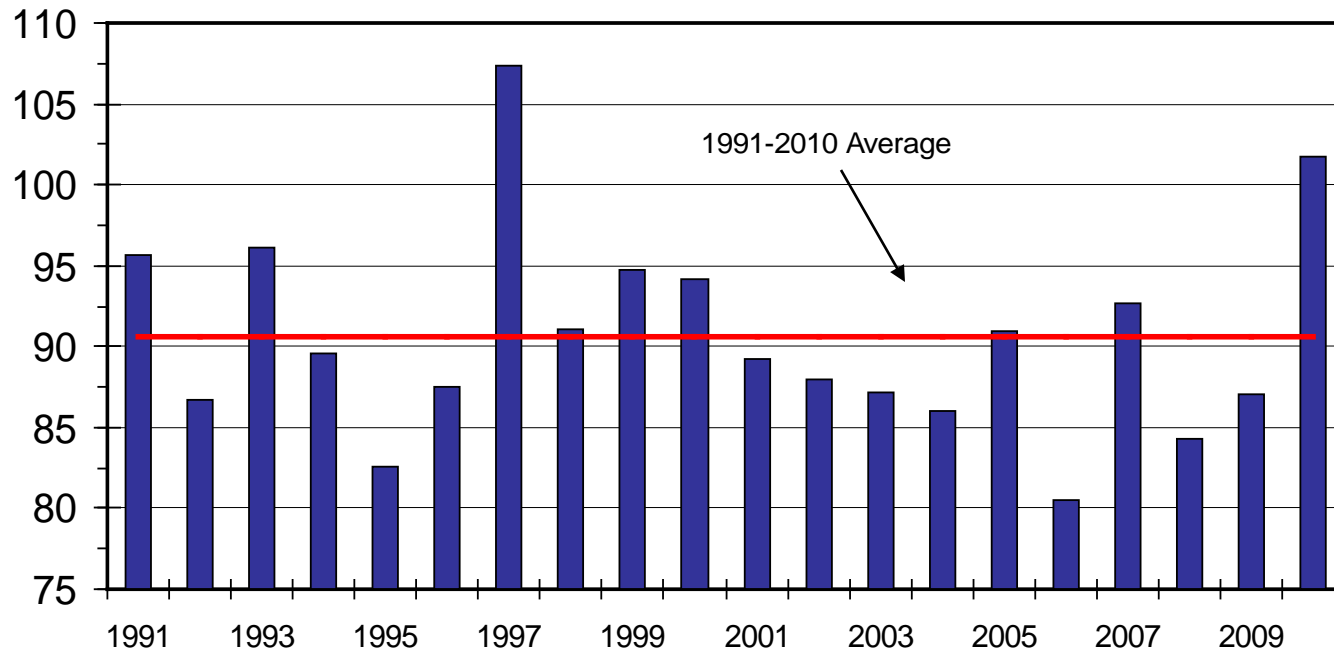
C-P-66  
02/03/11



# BUY/SELL MARGINS

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

Percent



Livestock Marketing Information Center

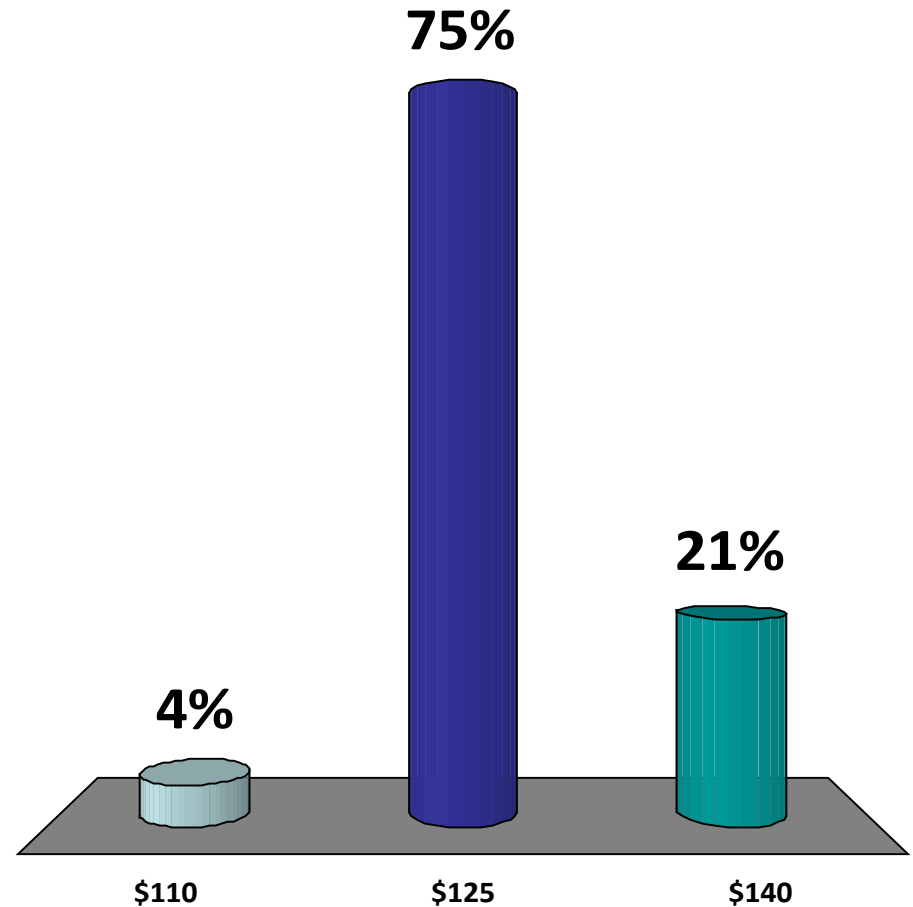
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-60  
01/08/11

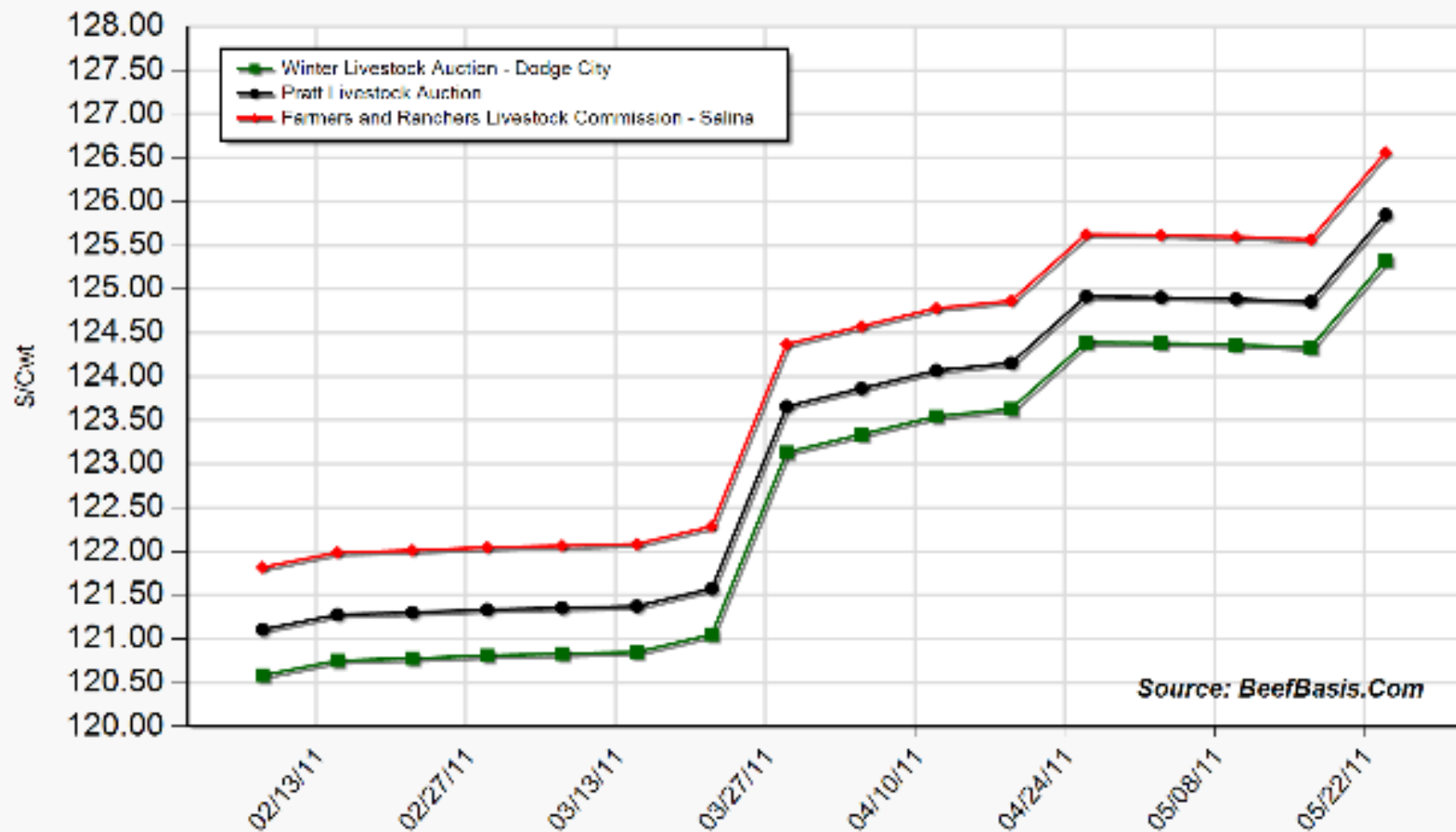


The futures market implied (basis adjusted) price for 750 lb steers in Dodge City in April 2011 is:

1. \$110/cwt
2. \$125/cwt
3. \$140/cwt

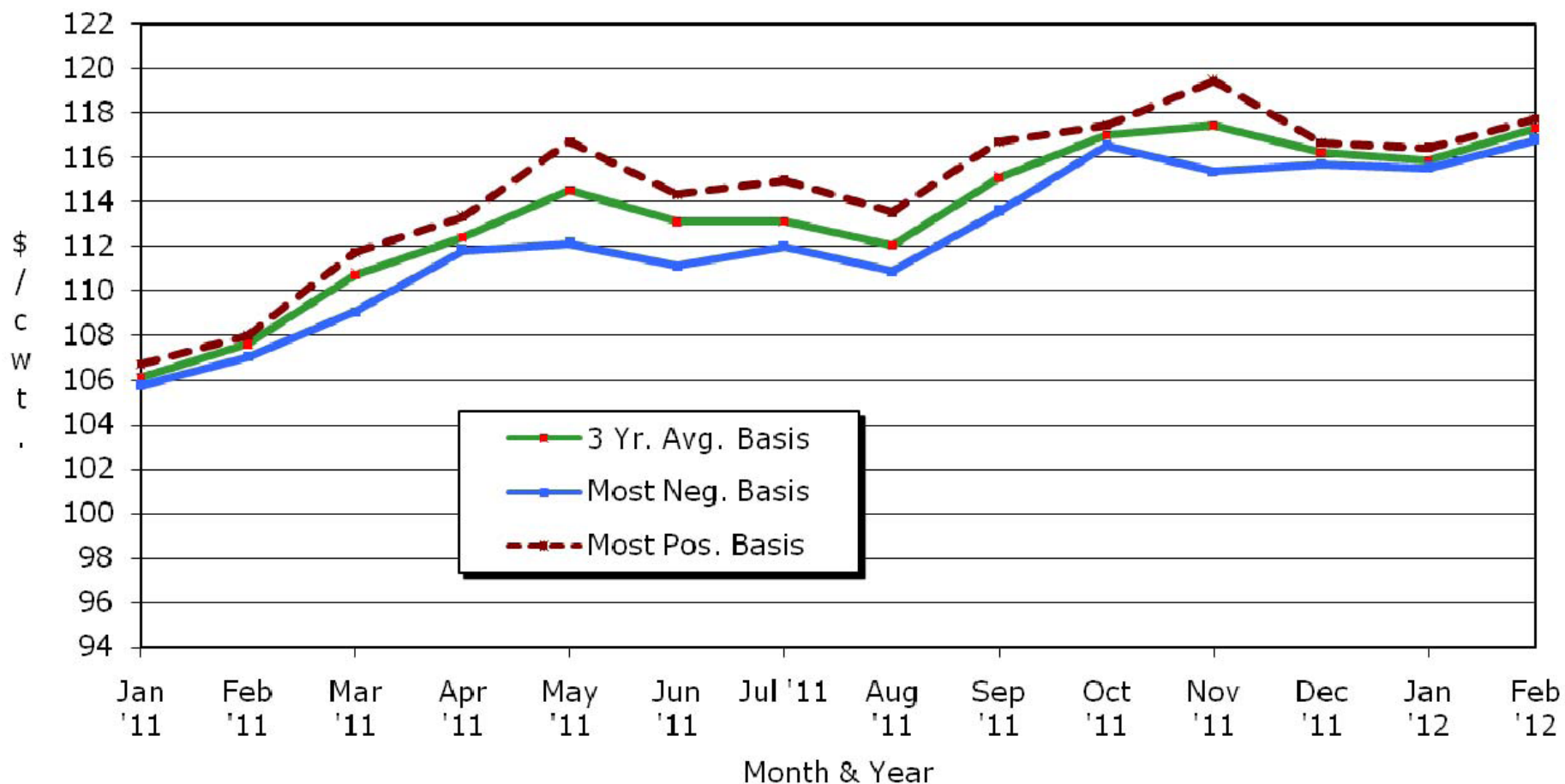


## Projected Price for 750 LB Steer at Selected Kansas Auctions



# Kansas Slaughter Steer Price Forecasts

## Mid-Month Futures Based Price Forecasts



Source: USDA-AMS, CME, & K-State Ag. Economics  
Based on 2.8.11 CME Live Cattle settlement prices

KSU Dept. of Ag Econ  
[www.agmanager.info](http://www.agmanager.info)



# QUARTERLY FORECASTS (LMIC: 2/3/11')

| Year<br>Quarter | Comm'l<br>Slaughter | % Chg.<br>from<br>Year Ago | Average<br>Dressed<br>Weight | % Chg.<br>from<br>Year Ago | Comm'l<br>Beef<br>Production | % Chg.<br>from<br>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                        |
| <b>Year</b>     | <b>34,265</b>       | <b>2.8</b>                 | <b>768</b>                   | <b>-1.4</b>                | <b>26,316</b>                | <b>1.4</b>                 |
| 2011            |                     |                            |                              |                            |                              |                            |
| I               | 8,202               | 0.4                        | 777                          | 1.5                        | 6,372                        | 1.9                        |
| II              | 8,559               | -1.4                       | 765                          | 1.5                        | 6,549                        | 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                       |
| <b>Year</b>     | <b>33,375</b>       | <b>-2.6</b>                | <b>777</b>                   | <b>1.2</b>                 | <b>25,935</b>                | <b>-1.4</b>                |
| 2012            |                     |                            |                              |                            |                              |                            |
| I               | 7,927               | -3.4                       | 785                          | 1.0                        | 6,223                        | -2.3                       |
| II              | 8,156               | -4.7                       | 772                          | 0.8                        | 6,293                        | -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                       |
| <b>Year</b>     | <b>32,086</b>       | <b>-3.9</b>                | <b>785</b>                   | <b>1.0</b>                 | <b>25,176</b>                | <b>-2.9</b>                |



# QUARTERLY FORECASTS (LMIC: 2/3/11')

| Year<br>Quarter | Per Capita<br>Consumption | % Chg.<br>from<br>Year Ago | Live Sltr.<br>Steer Price<br>5-Mkt Avg | % Chg.<br>from<br>Year Ago | Feeder Steer Price<br>Southern Plains |                |  |
|-----------------|---------------------------|----------------------------|--|----------------------------|---------------------------------------|----------------|--|
|                 |                           |                            |  |                            | 7-800#                                | 5-600#         |  |
| 2010            |                           |                            |  |                            |                                       |                |  |
| I               | 14.6                      | -3.9                       | 89.44                                  | 8.8                        | 100.88                                | 116.23         |  |
| II              | 15.1                      | -3.4                       | 96.33                                  | 14.0                       | 113.04                                | 127.77         |  |
| III             | 15.3                      | -2.0                       | 95.47                                  | 15.0                       | 115.12                                | 124.10         |  |
| IV              | 14.7                      | 0.2                        | 100.28                                 | 20.4                       | 114.52                                | 123.26         |  |
| <b>Year</b>     | <b>59.7</b>               | <b>-2.3</b>                | <b>95.38</b>                           | <b>14.7</b>                | <b>110.89</b>                         | <b>122.84</b>  |  |
| 2011            |                           |                            |  |                            |                                       |                |  |
| I               | 14.6                      | 0.1                        | 104-106                                | 17.4                       | 122-125                               | 136-139        |  |
| II              | 15.1                      | -0.2                       | 104-108                                | 10.0                       | 122-127                               | 137-143        |  |
| III             | 14.9                      | -2.6                       | 99-104                                 | 6.3                        | 124-130                               | 137-144        |  |
| IV              | 14.3                      | -3.4                       | 104-110                                | 6.7                        | 118-125                               | 130-140        |  |
| <b>Year</b>     | <b>58.9</b>               | <b>-1.3</b>                | <b>103-107</b>                         | <b>9.9</b>                 | <b>121-127</b>                        | <b>134-142</b> |  |
| 2012            |                           |                            |  |                            |                                       |                |  |
| I               | 14.0                      | -4.4                       | 105-111                                | 2.9                        | 119-129                               | 132-143        |  |
| II              | 14.3                      | -5.0                       | 109-116                                | 6.1                        | 125-135                               | 134-146        |  |
| III             | 14.2                      | -4.1                       | 103-110                                | 4.9                        | 129-139                               | 135-148        |  |
| IV              | 13.8                      | -3.2                       | 107-116                                | 4.2                        | 122-133                               | 130-145        |  |
| <b>Year</b>     | <b>56.8</b>               | <b>-3.7</b>                | <b>106-113</b>                         | <b>4.3</b>                 | <b>125-133</b>                        | <b>134-144</b> |  |



# Summary

- Duration of supply situation:
  - Cow herd liquidation continuing in face of expected profits...
  - 2011 battle over limited feeders may be intense...
- Duration of demand situation:
  - Domestic concerns w/r/t relative meat prices may emerge
  - Export growth vital both in short run & long ru





*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...



# 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...



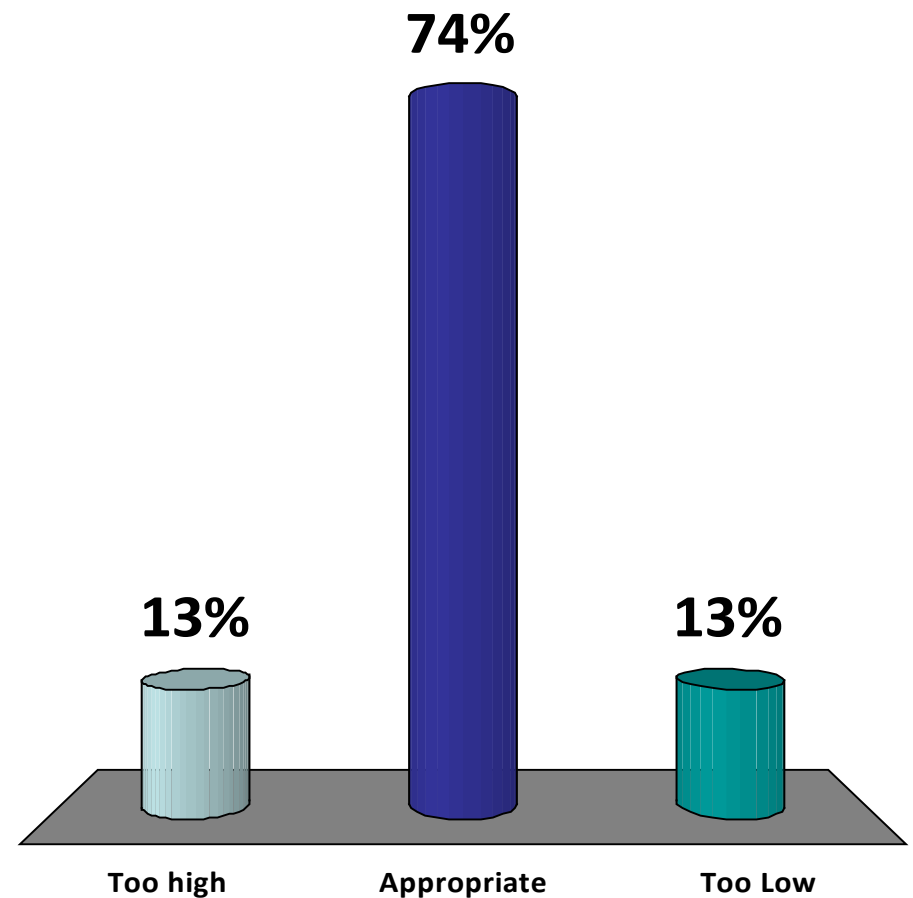
# Impacts of New/Potential Policy on Markets is Needed

- Multiple regulation discussions:
  - “fair market” proposed rules / “anti-competition” listening sessions ...
  - More broadly uncertainty holding back investment throughout supply chain???
- Retail price data accuracy...
  - Farm-retail margin issues
  - BLS data avg. 17% higher than scanner data (15 beef products, April 2008)



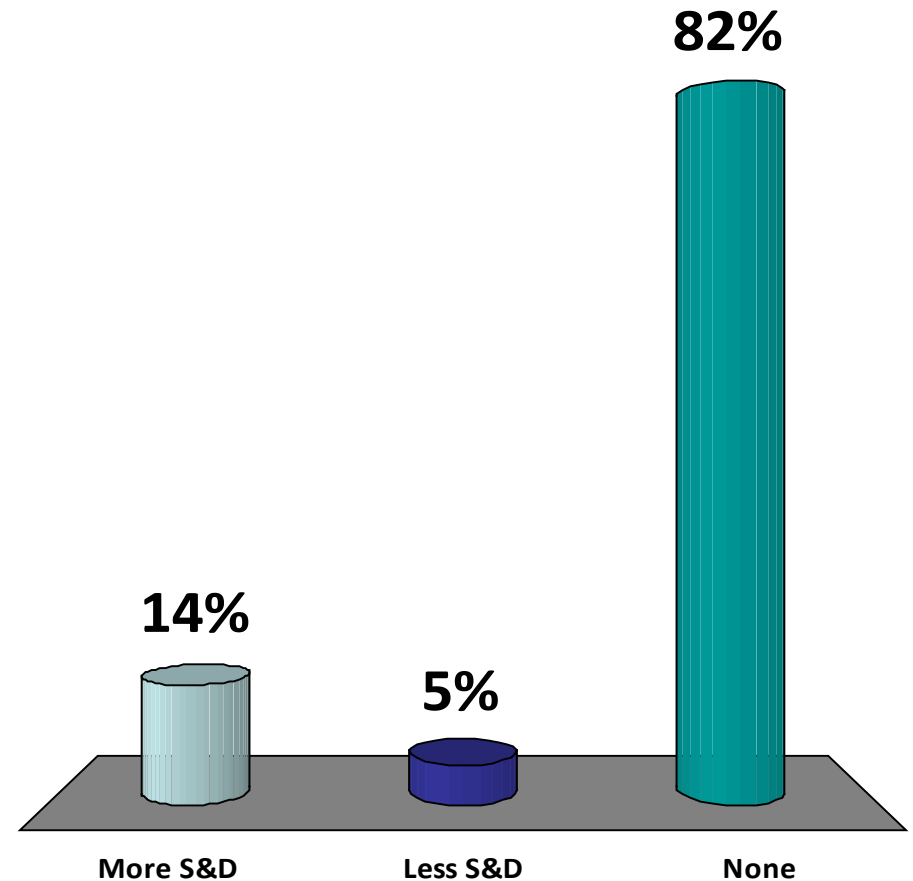
# What best describes your sentiment regarding the current cattle marketplace?

1. Current prices are too high given fundamentals
2. Current prices are appropriate given fundamentals
3. Current prices are too low given fundamentals



# What best describes adjustments you would like to see in my presentation?

1. MORE “current supply & demand oriented discussion”
2. LESS “current supply & demand oriented discussion”
3. No major adjustment desired



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>)

