

Livestock & Meat Market Outlook

Glynn Tonsor

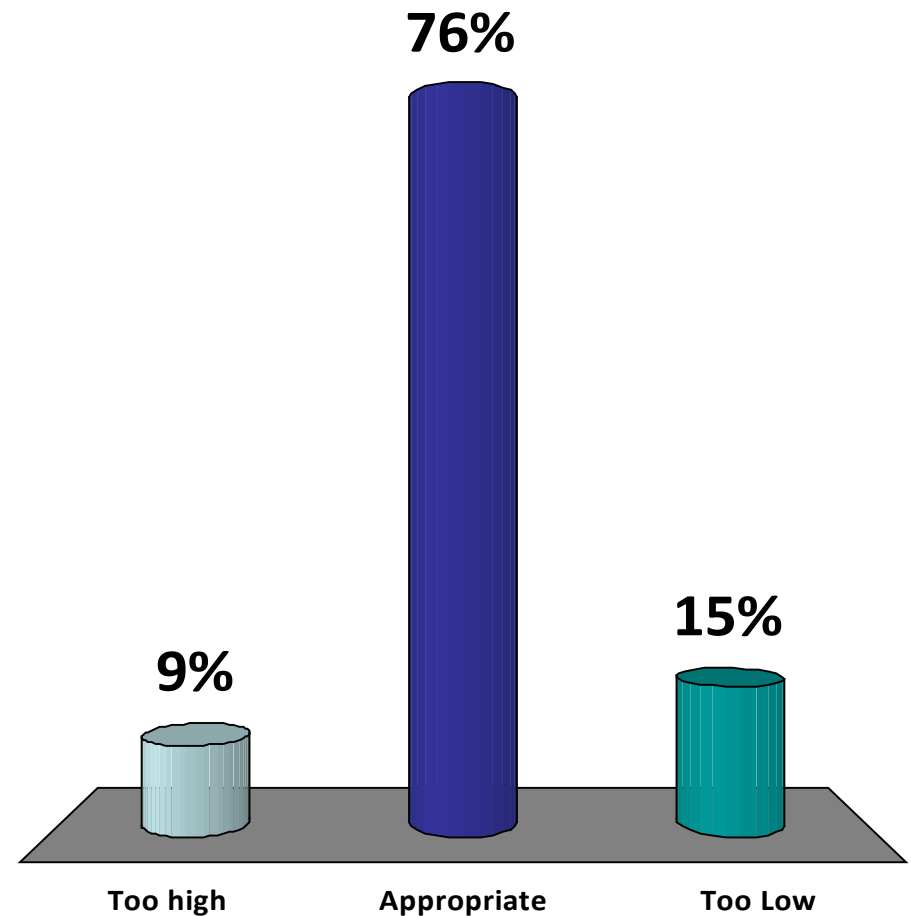
**Dept. of Agricultural Economics
Kansas State University**

***Ag Profitability Conference
Pratt, KS (February 2, 2011)***



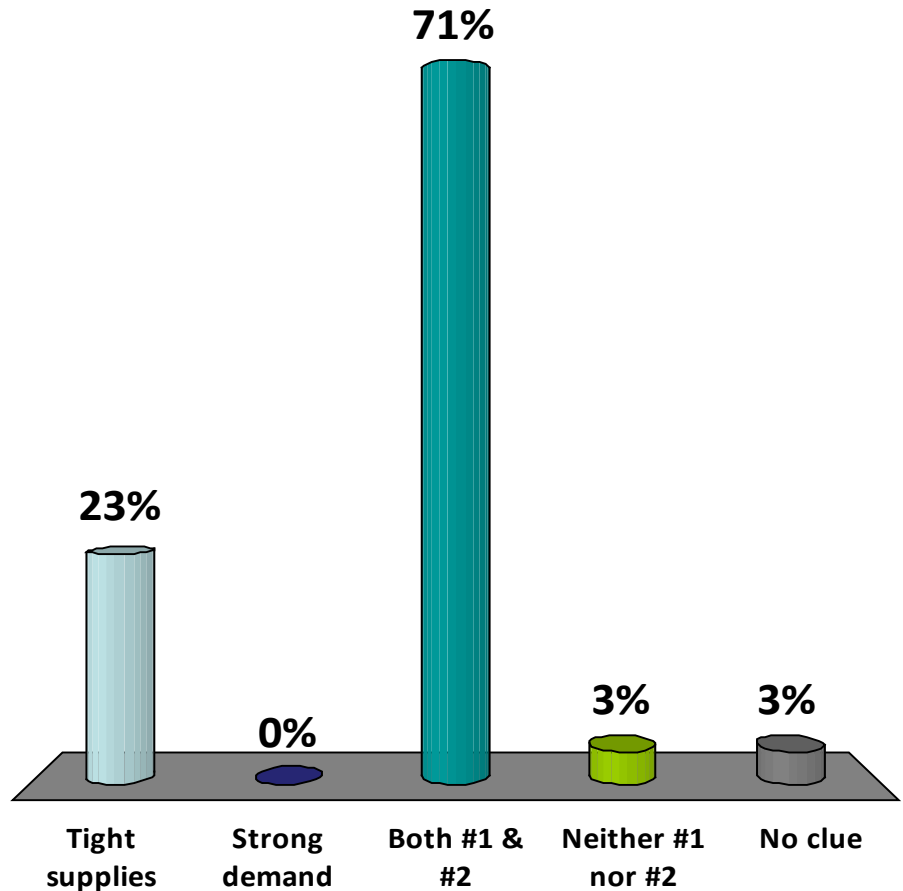
What best describes your sentiment regarding the current cattle marketplace?

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"



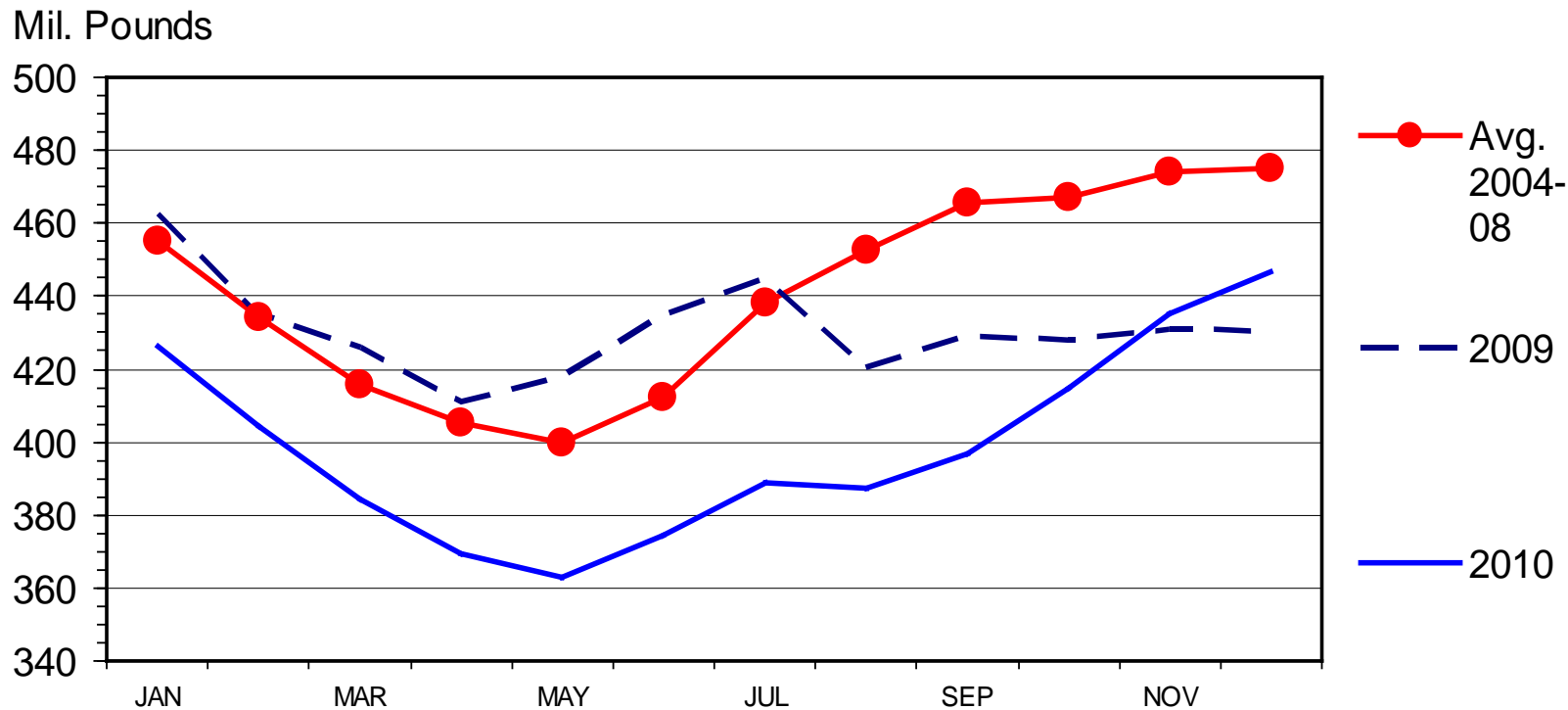
OVERVIEW

- 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



Livestock Marketing Information Center

Data Source: USDA-NASS

M-S-09
01/21/11



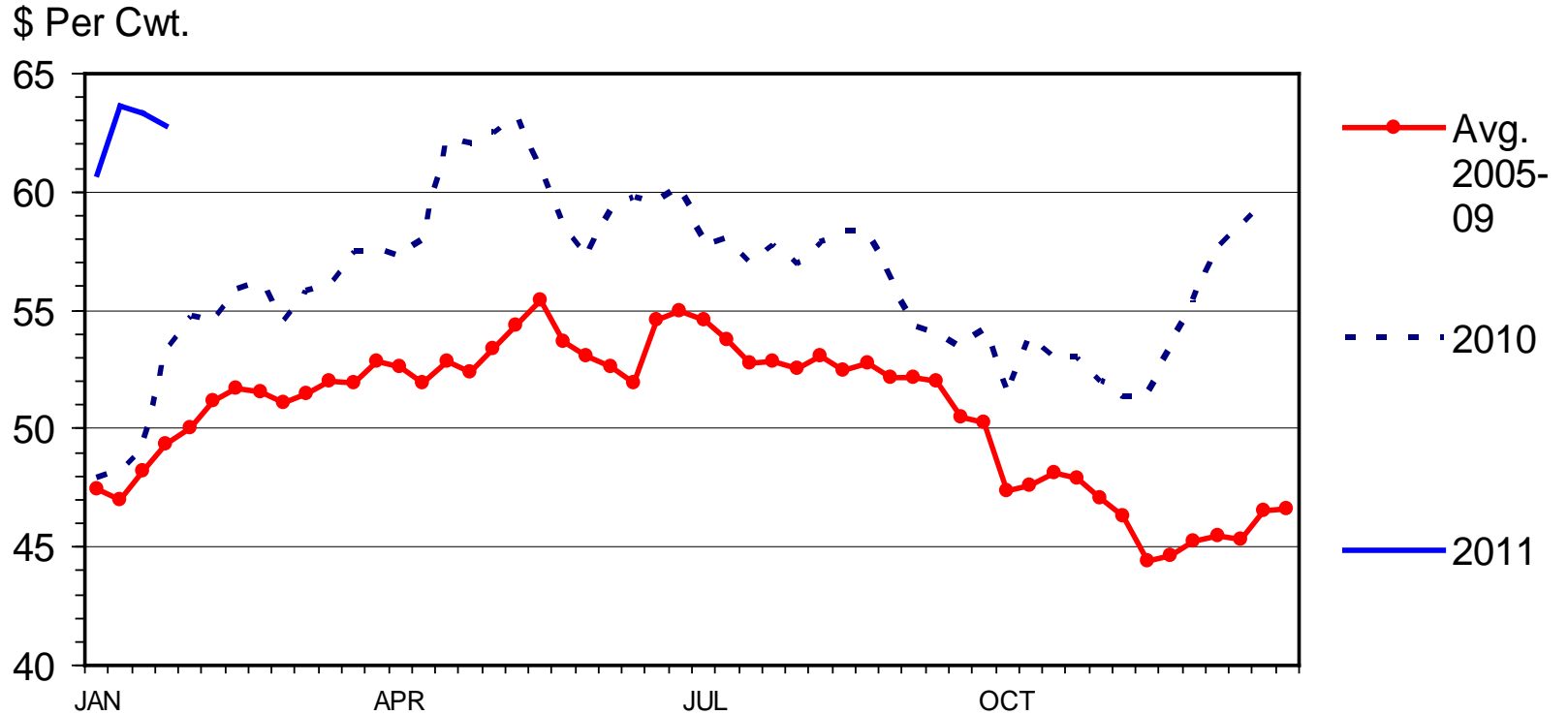
Cow herd dynamics

- 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

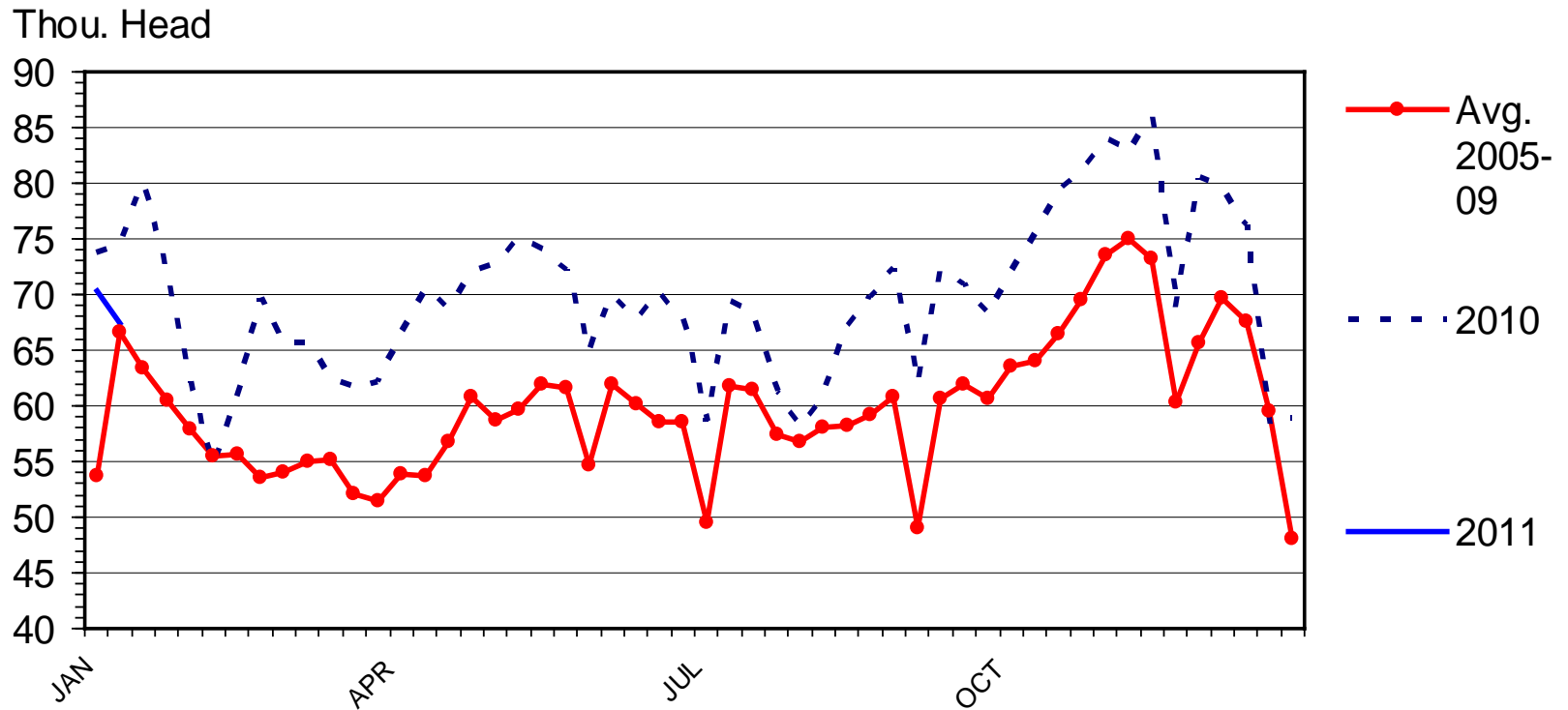
Data Source: USDA-AMS

C-P-35
01/31/11



BEEF COW SLAUGHTER

Federally Inspected, Weekly



Livestock Marketing Information Center

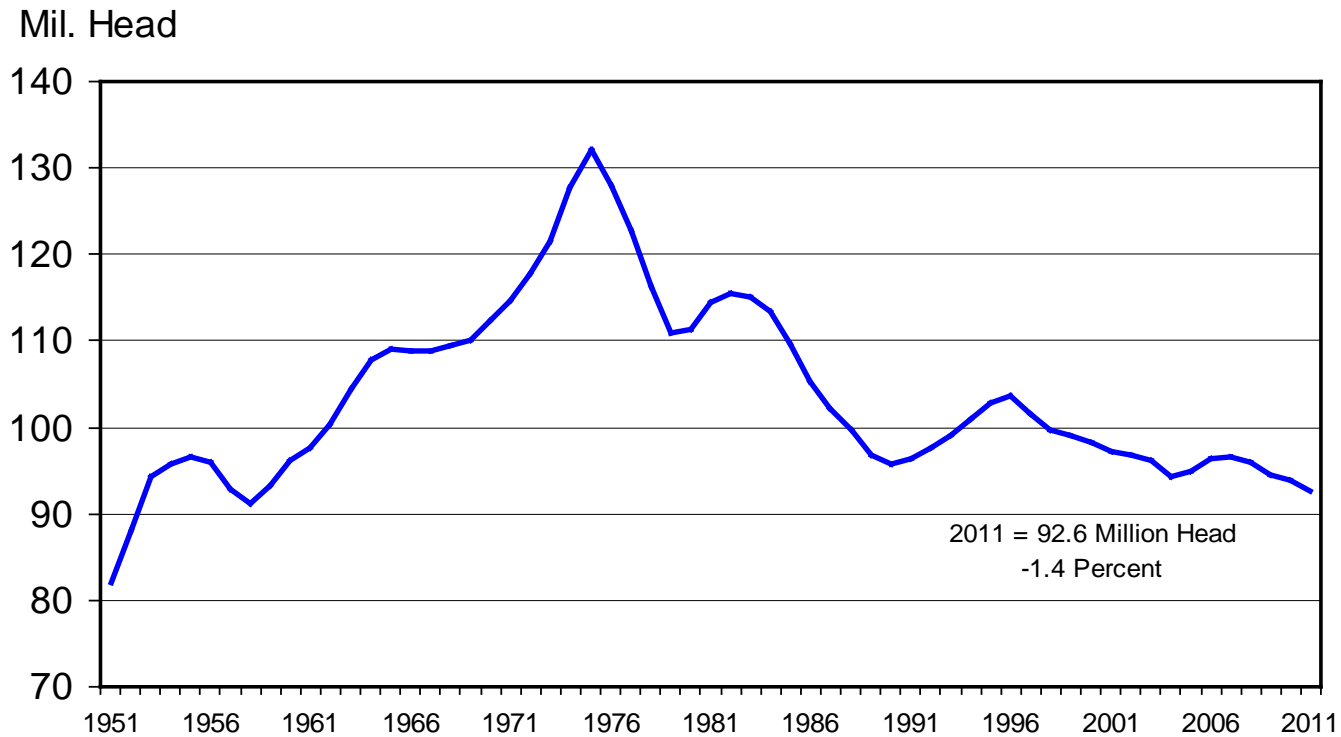
Data Source: USDA-AMS & USDA-NASS

C-S-34
01/28/11



JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual



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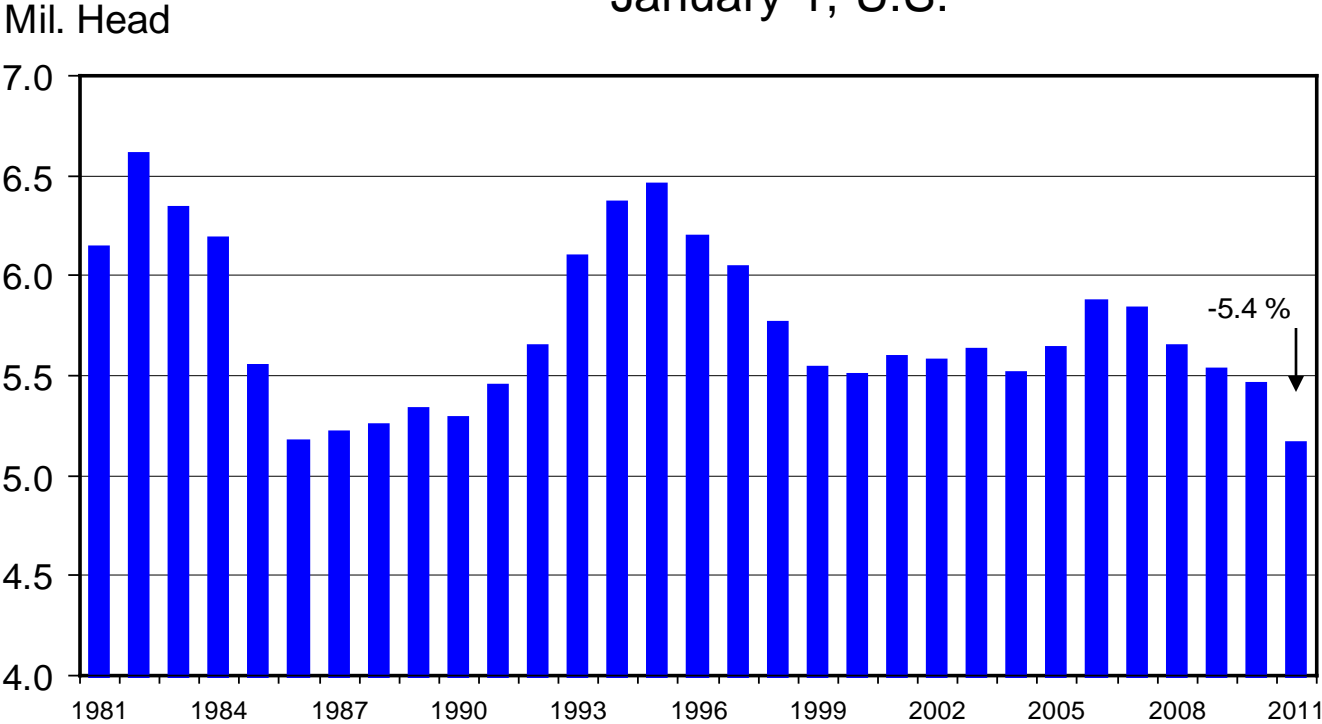
Data Source: USDA-NASS

C-N-01
01/28/11



HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



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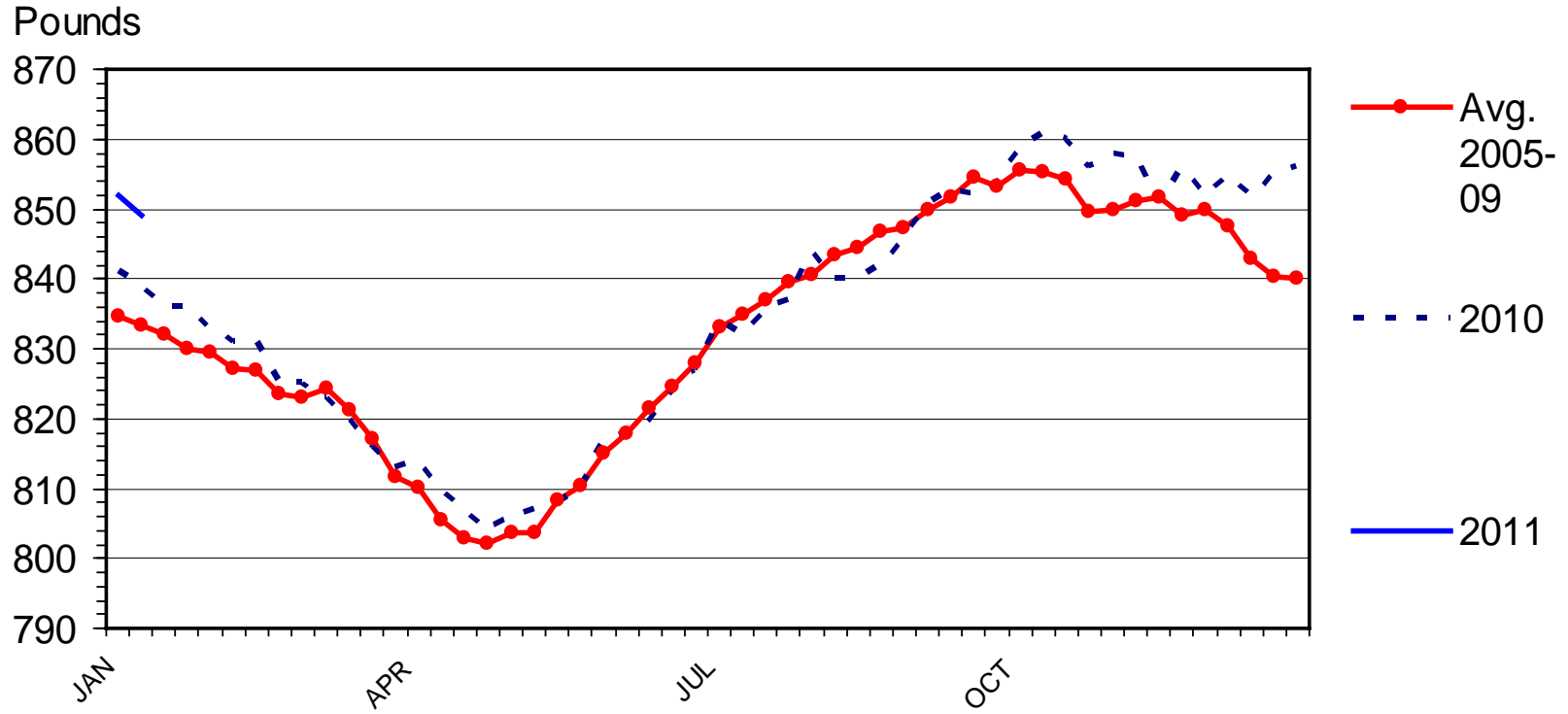
Data Source: USDA-NASS

C-N-38
01/28/11



STEER DRESSED WEIGHT

Federally Inspected, Weekly



Livestock Marketing Information Center

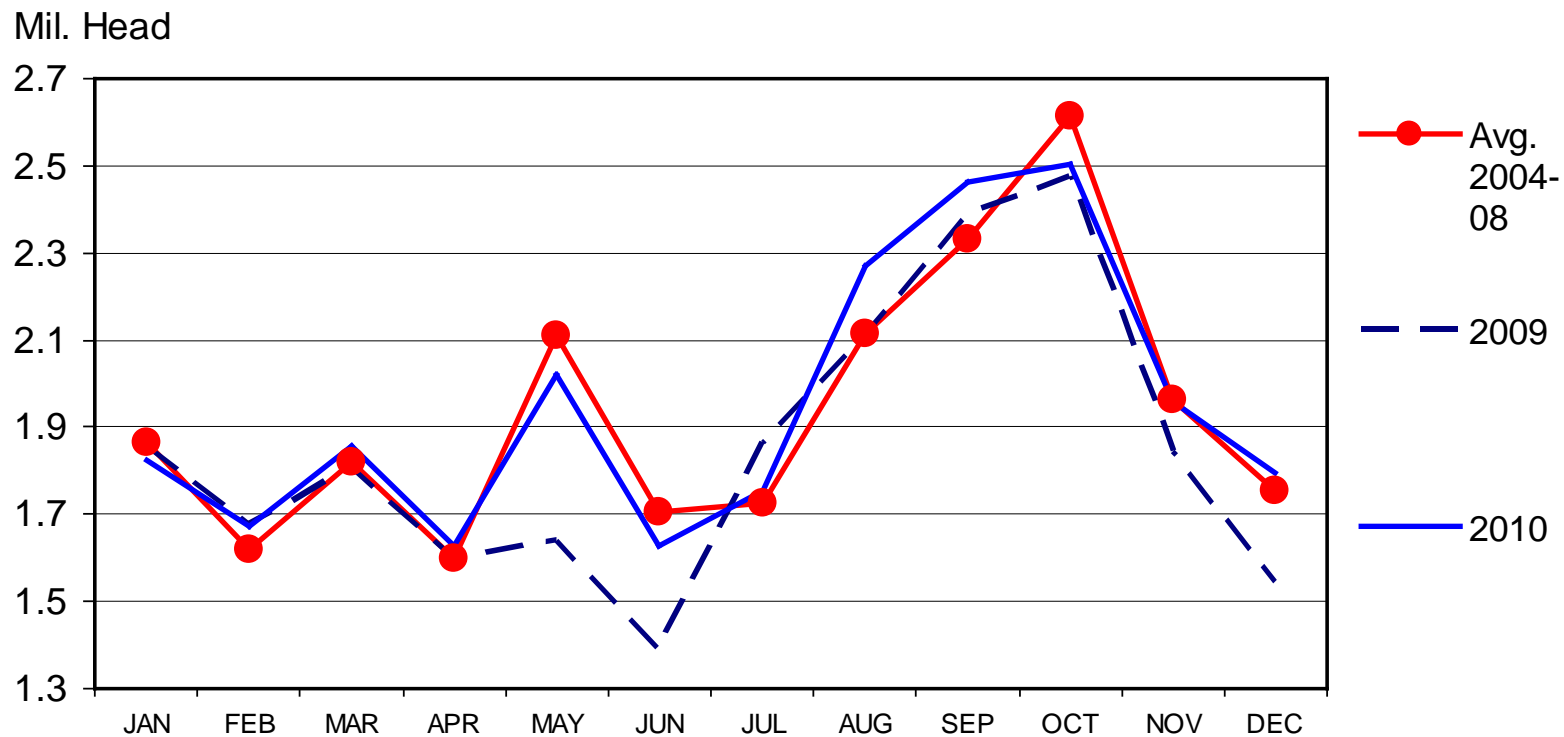
Data Source: USDA-AMS & USDA-NASS

C-S-18
01/28/11



FEEDLOT PLACEMENTS

US Total, Monthly



Livestock Marketing Information Center

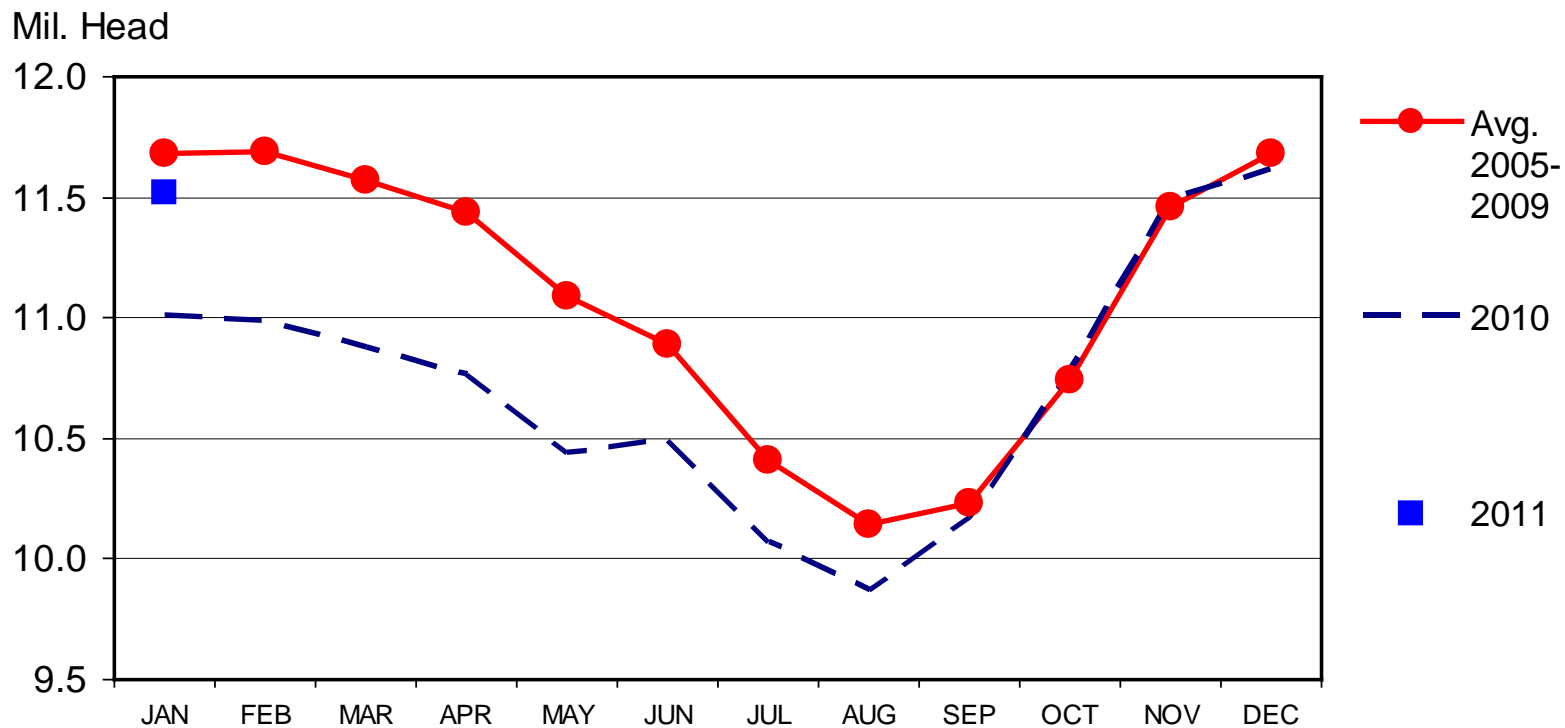
Data Source: USDA-NASS

C-N-08
01/21/11



CATTLE ON FEED

US Total, Monthly



Livestock Marketing Information Center

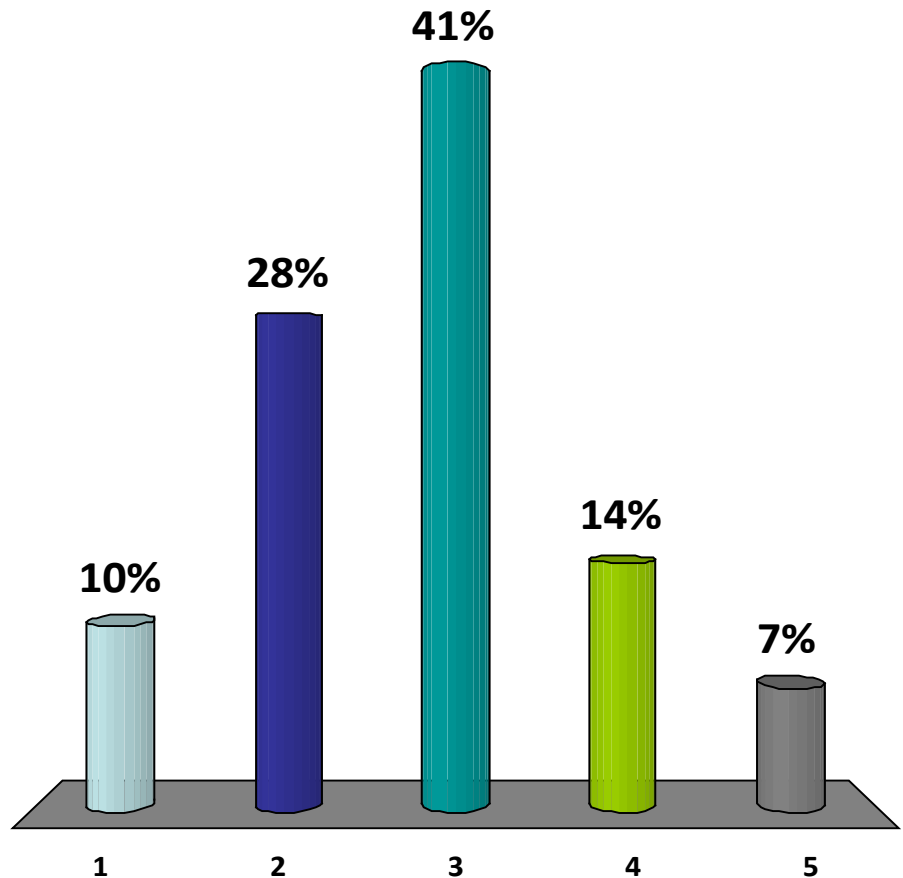
Data Source: USDA-NASS

C-N-10
01/21/11



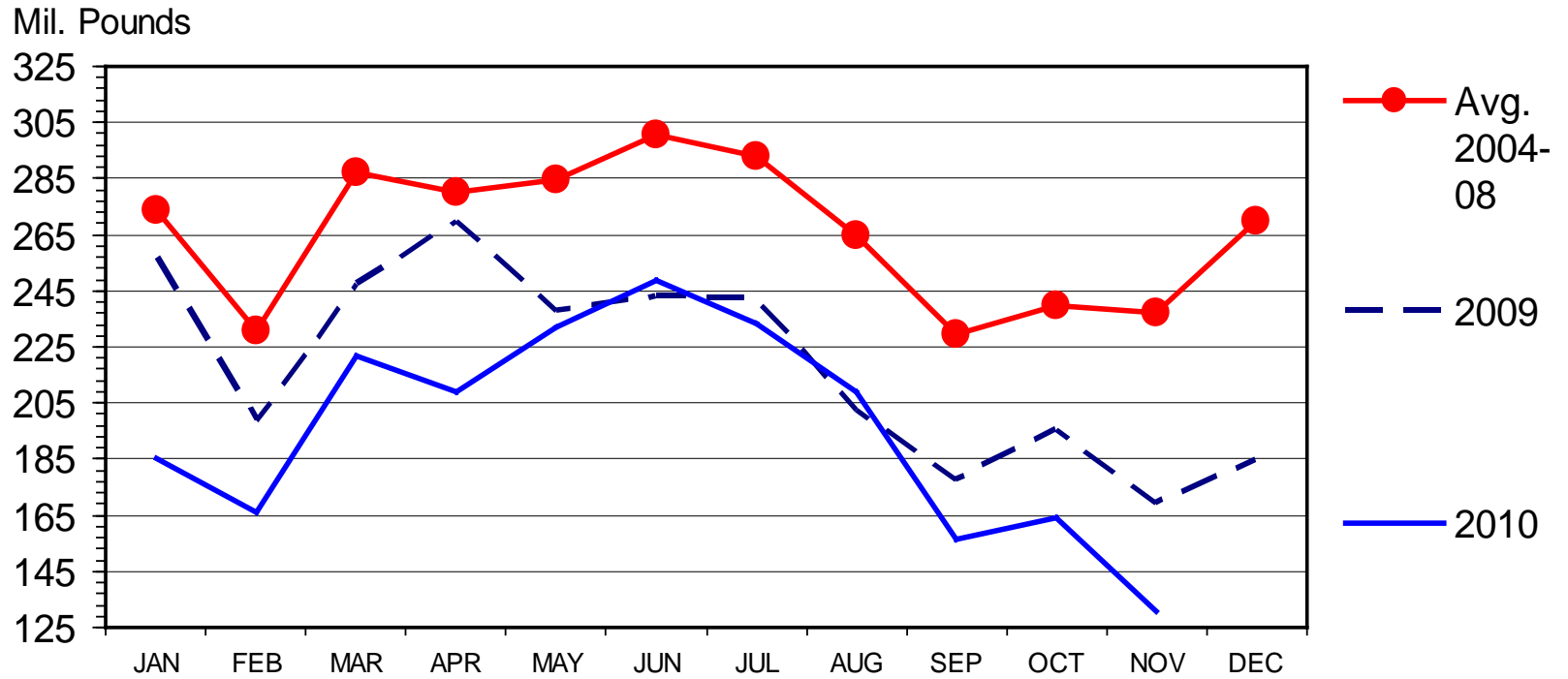
What statement is most accurate regarding current U.S. beef exports?

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

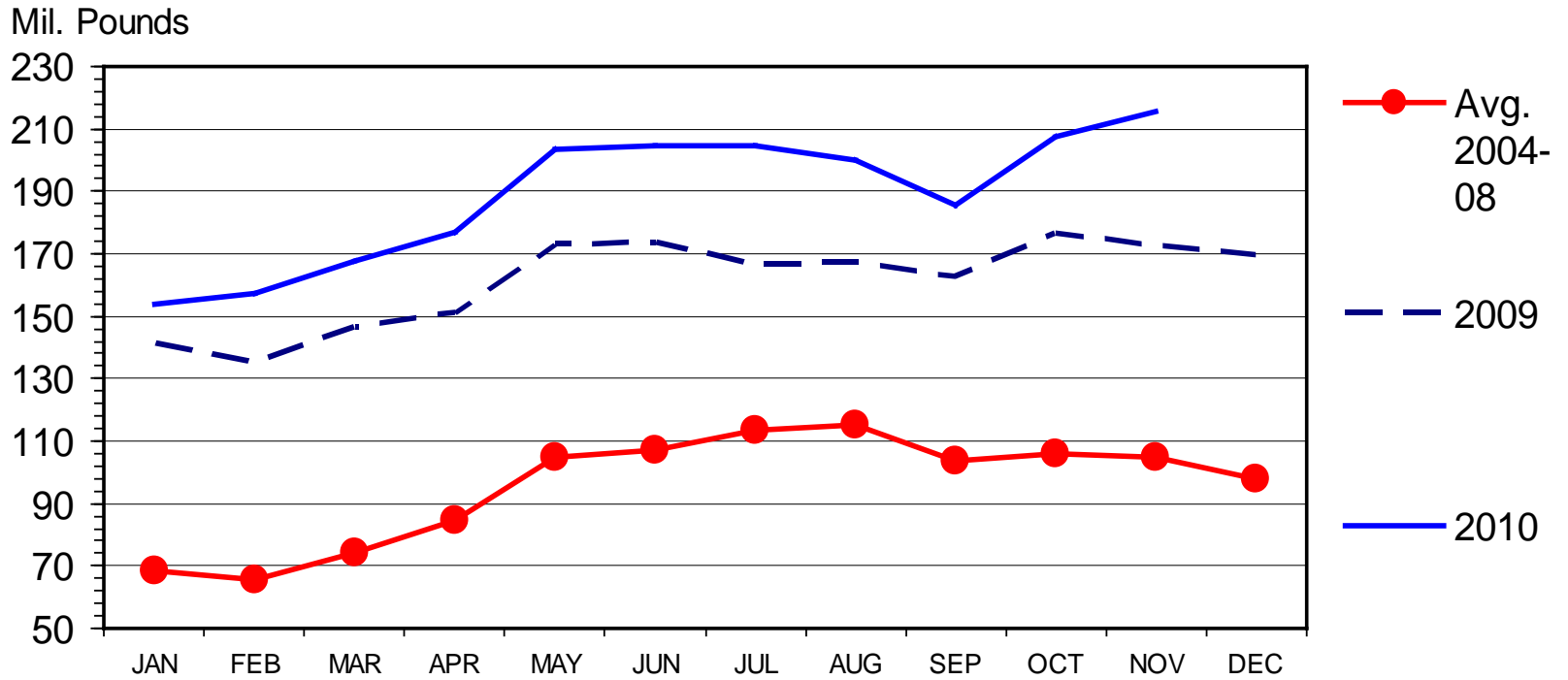
Data Source: USDA-ERS & USDA-FAS

I-N-15
01/14/11



U S BEEF AND VEAL EXPORTS

Carcass Weight, Monthly



Livestock Marketing Information Center

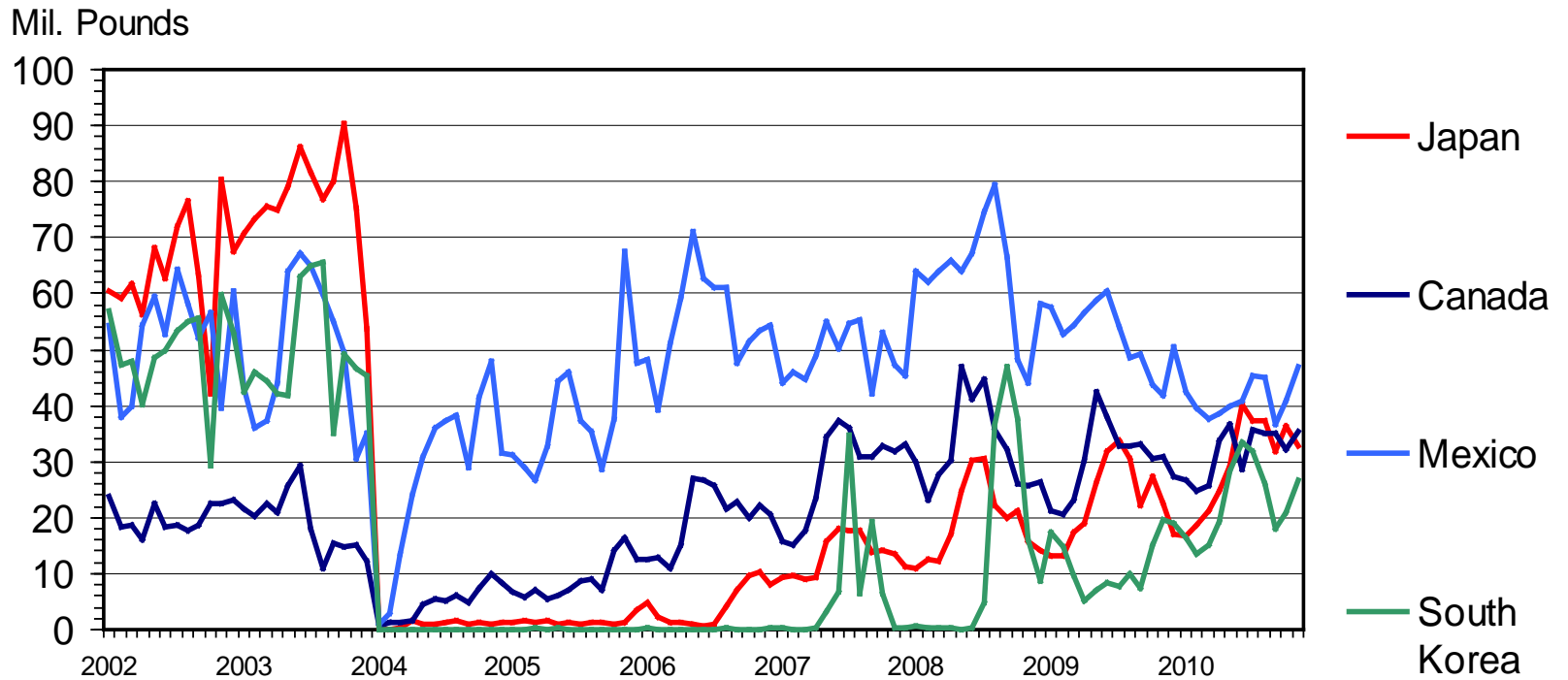
Data Source: USDA-ERS & USDA-FAS

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

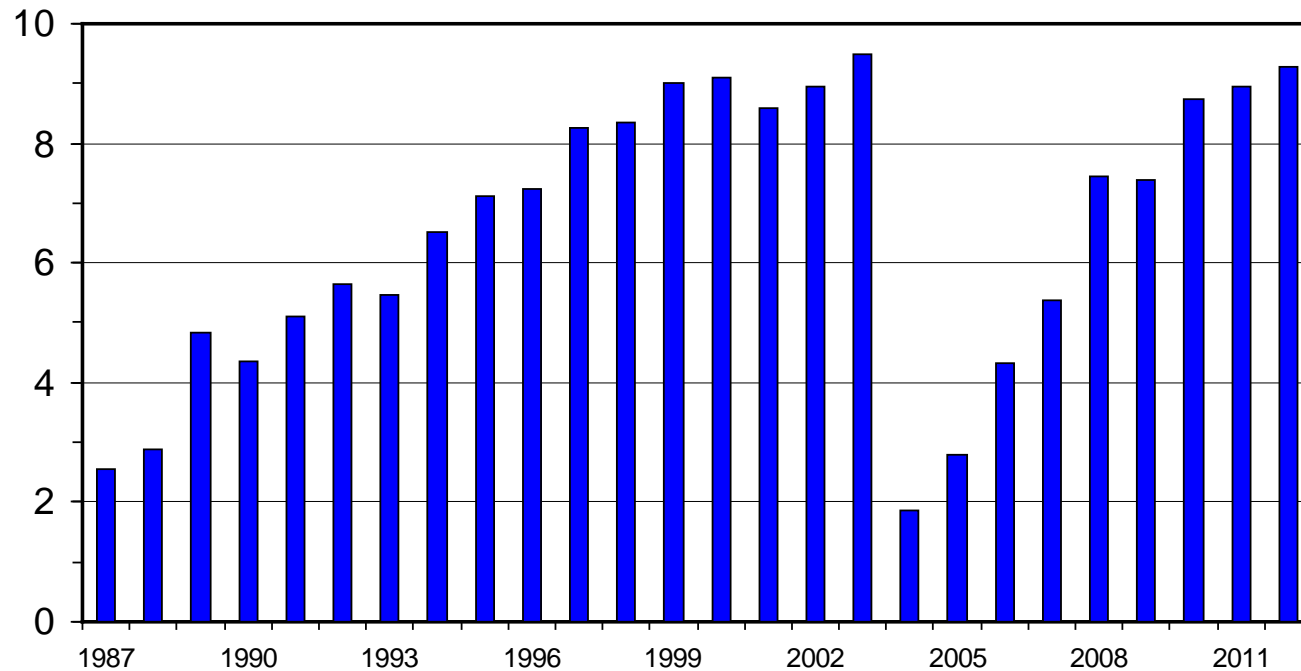
I-N-35
01/14/11



U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual

Percent



Livestock Marketing Information Center

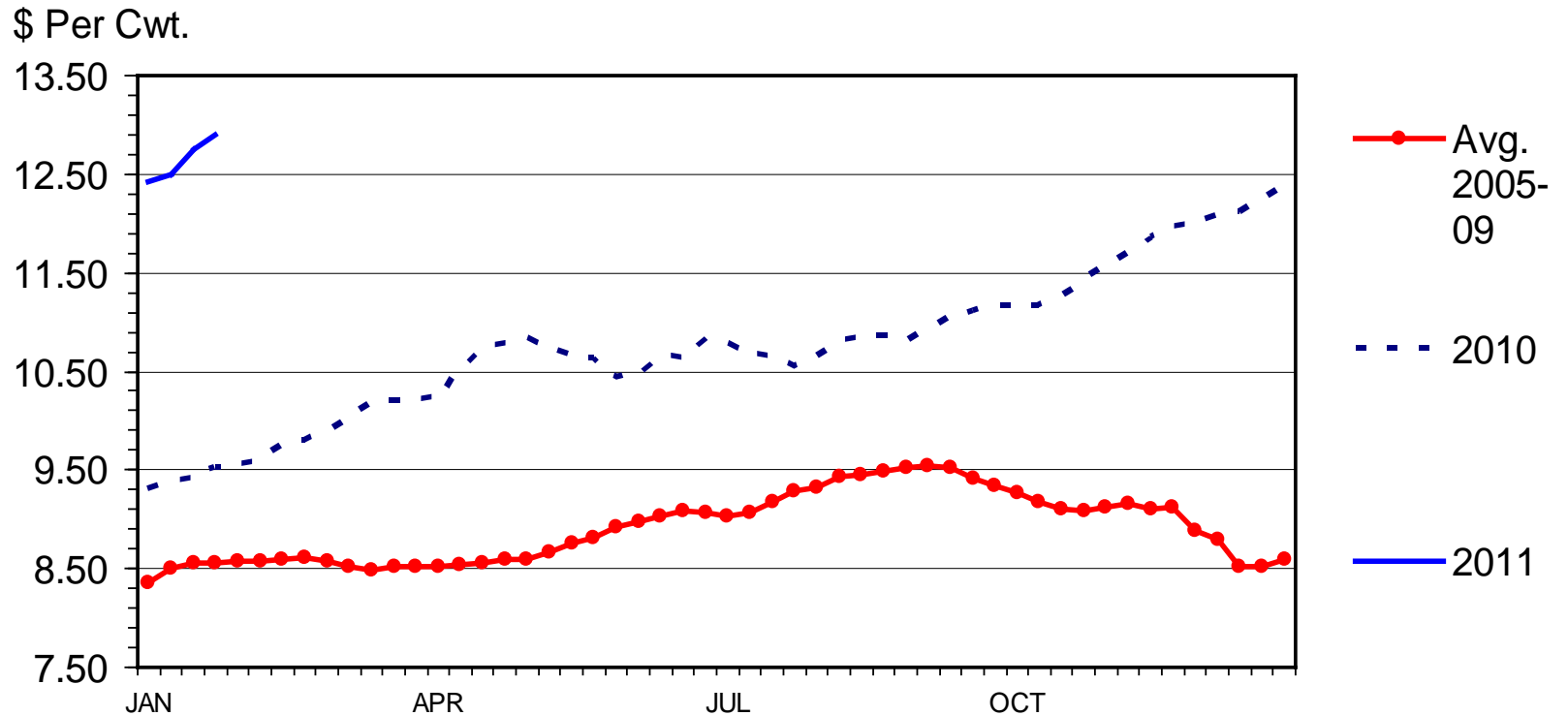
Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC

I-N-07
01/04/11



STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly



Livestock Marketing Information Center

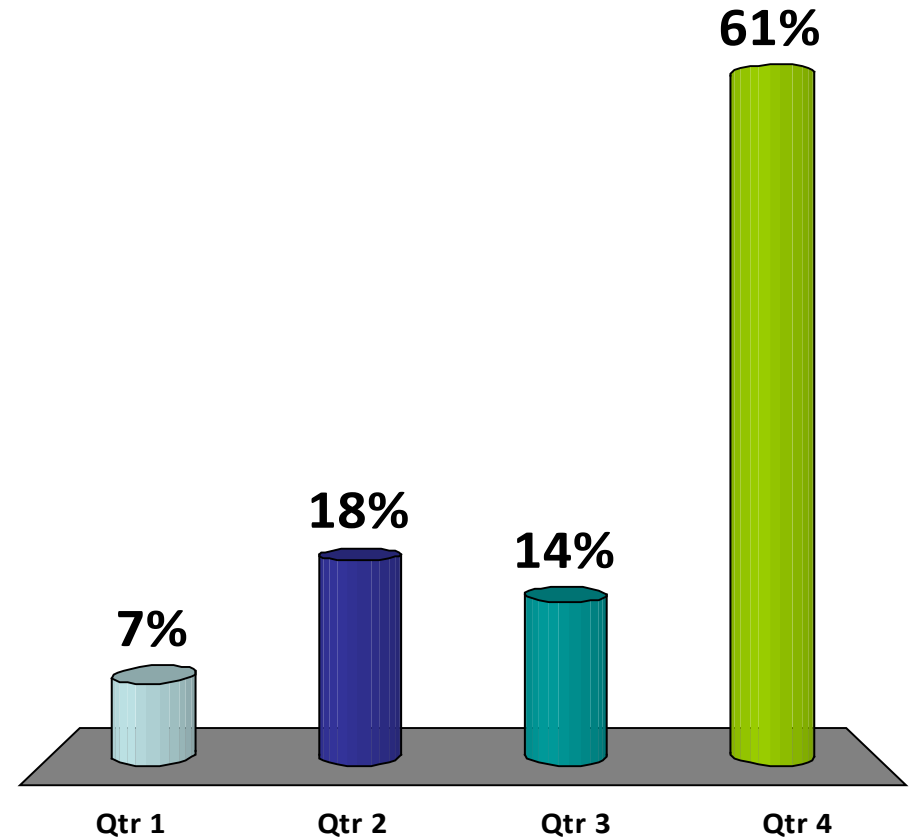
Data Source: USDA-AMS

C-P-39
01/31/11



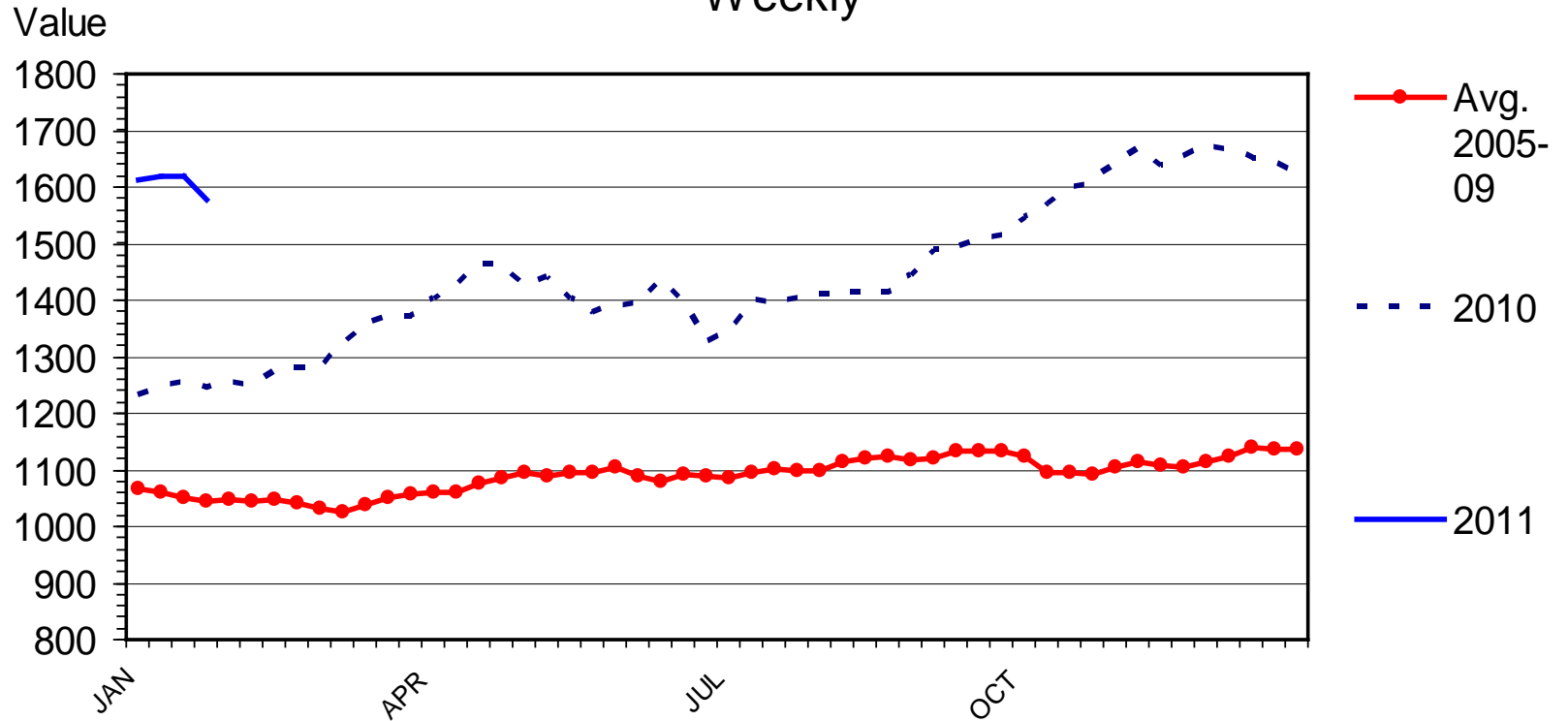
What quarter of 2010 had the strongest beef demand (relative to previous year)?

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



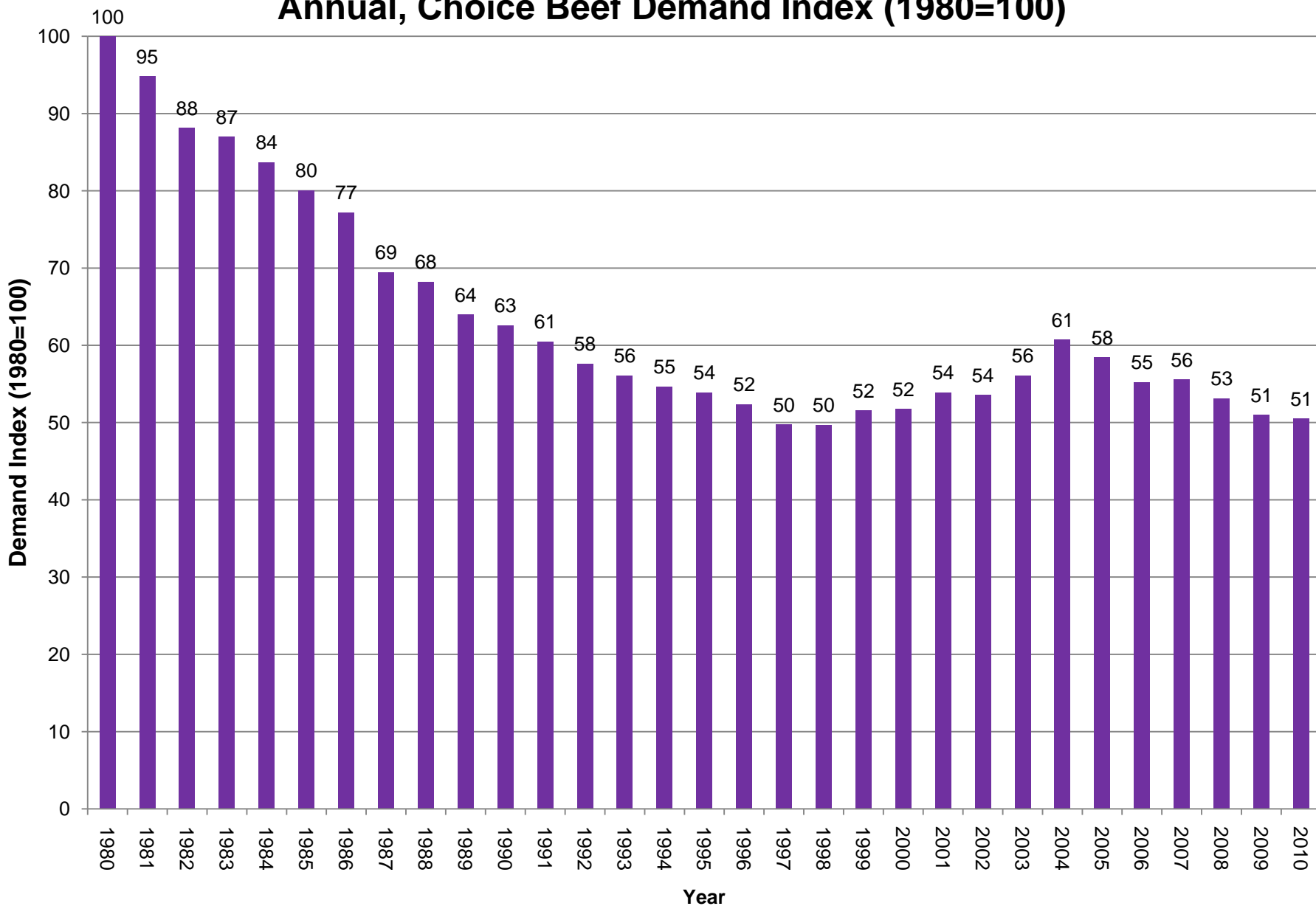
Livestock Marketing Information Center

01/31/11

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



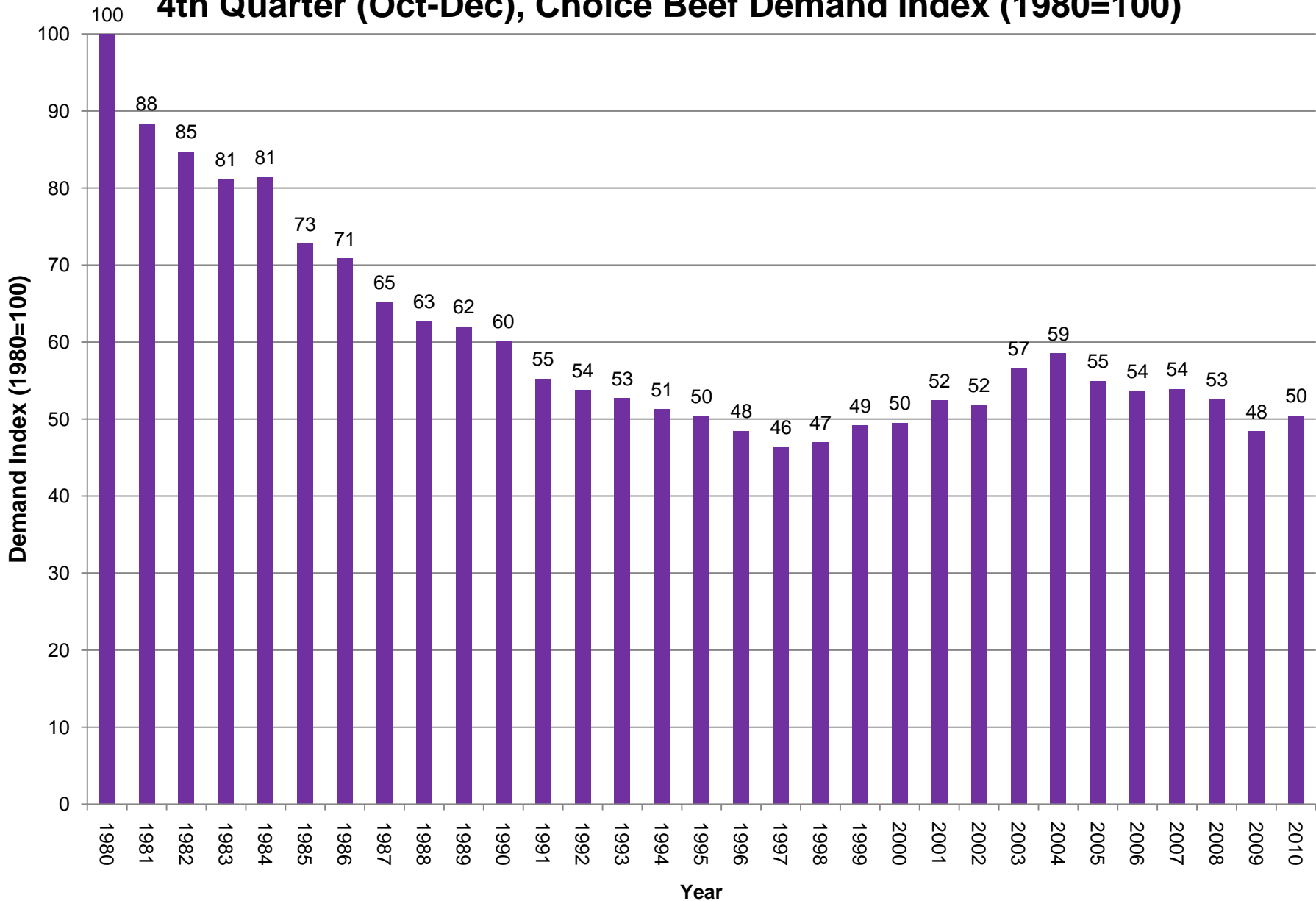
Annual, Choice Beef Demand Index (1980=100)



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



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

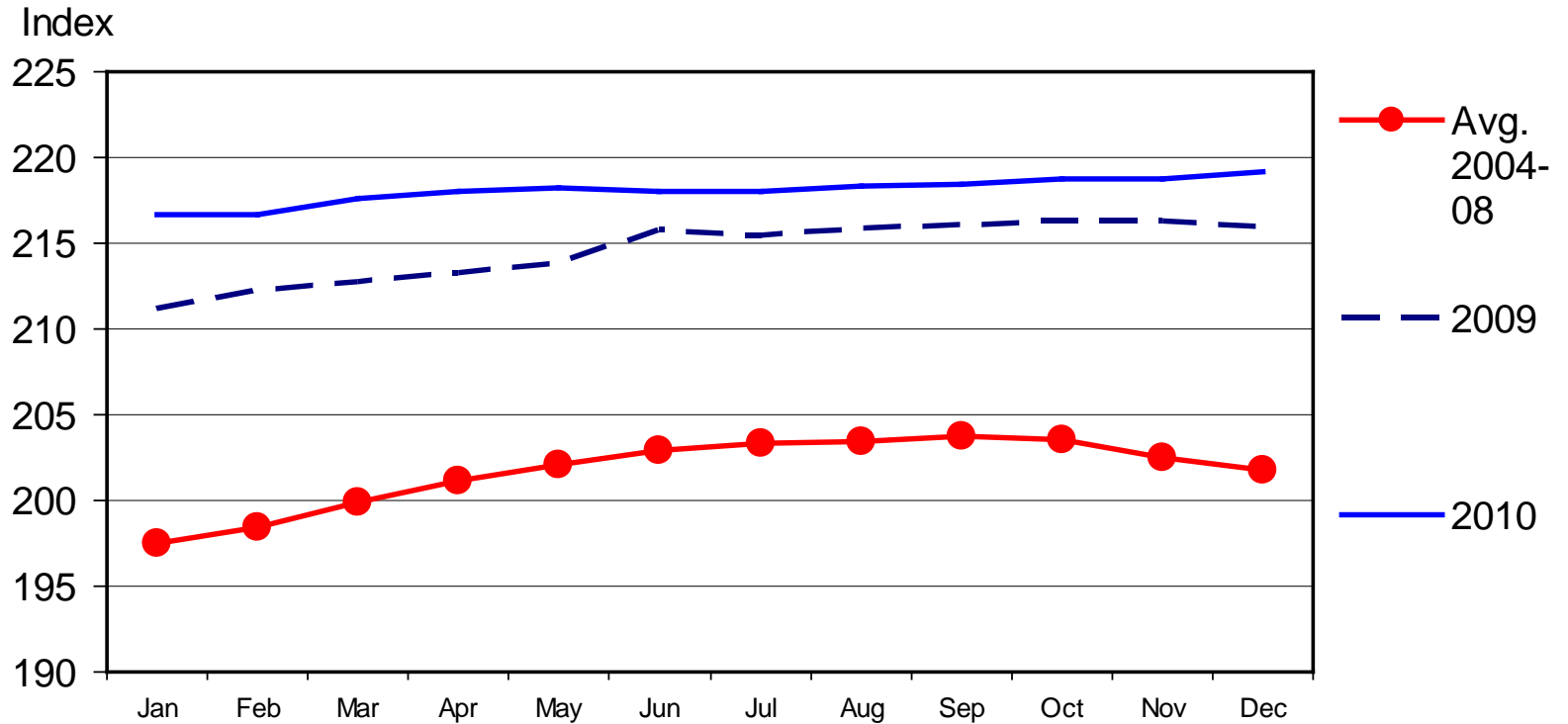


Source: Glynn T. Tonsor, Kansas State University, Jan. 2011



CONSUMER PRICE INDEX - ALL ITEMS

1982-1984 Base, Monthly



Livestock Marketing Information Center

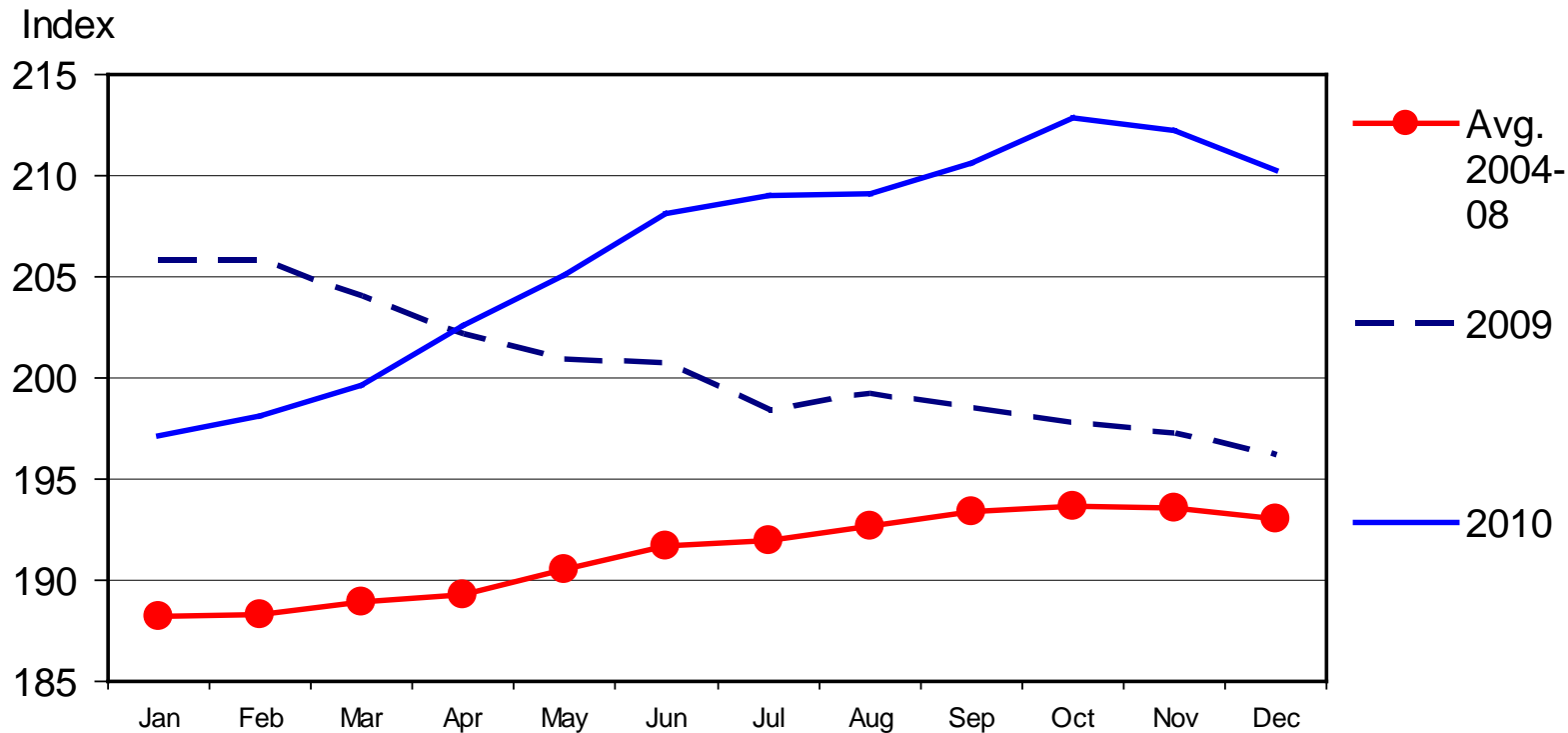
01/14/11

Data Source: Bureau of Labor Statistics



CPI - MEATS

1982-1984 Base, Monthly



Livestock Marketing Information Center

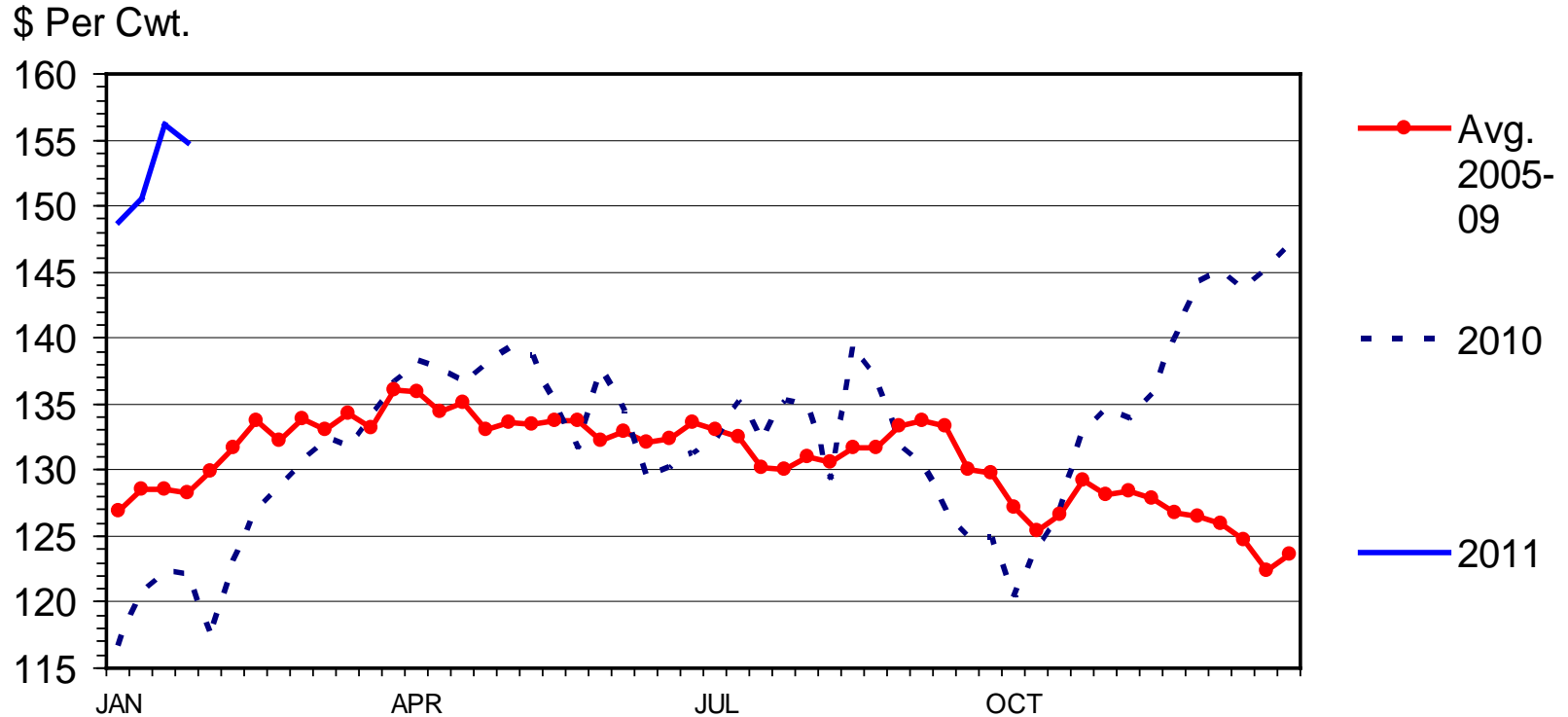
01/14/11

Data Source: Bureau of Labor Statistics



MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

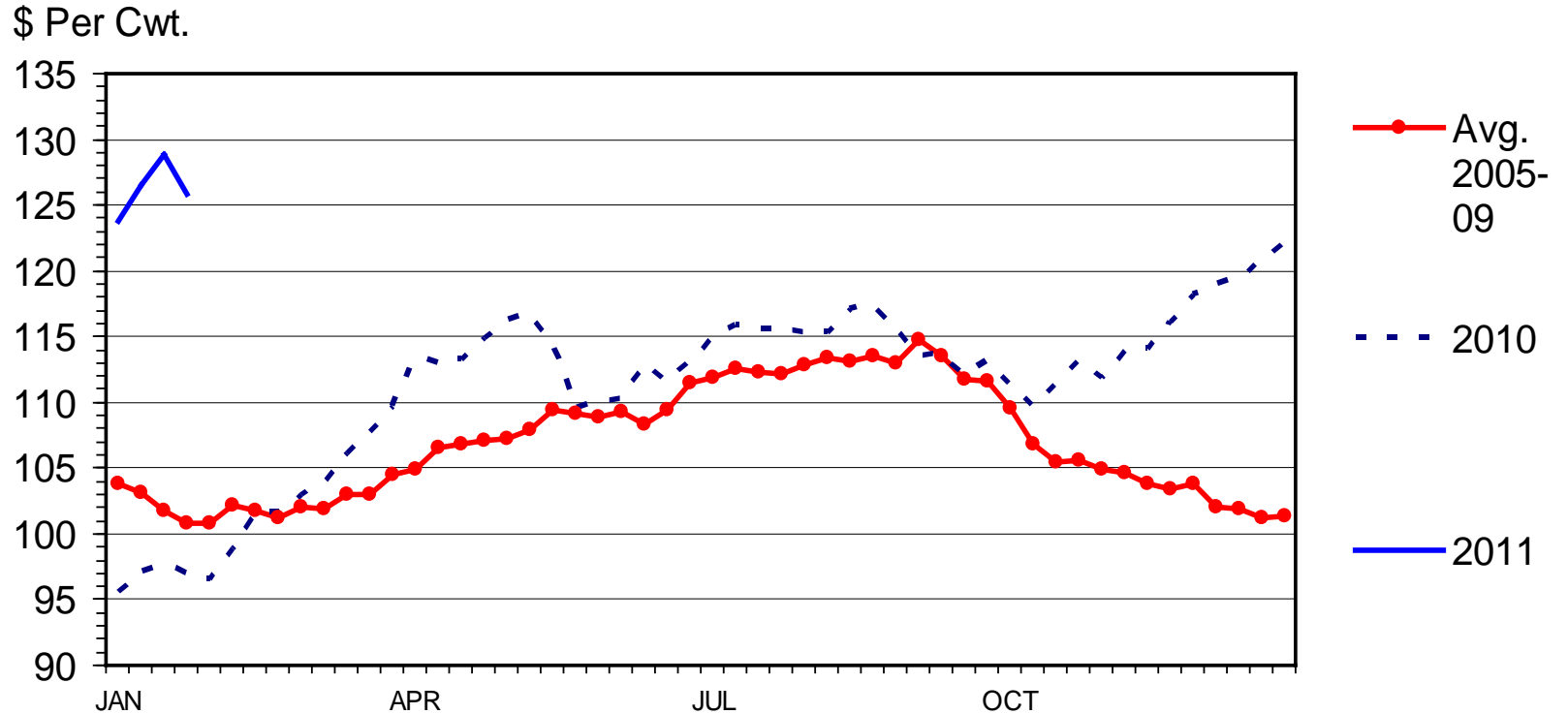
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49A
01/31/11



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

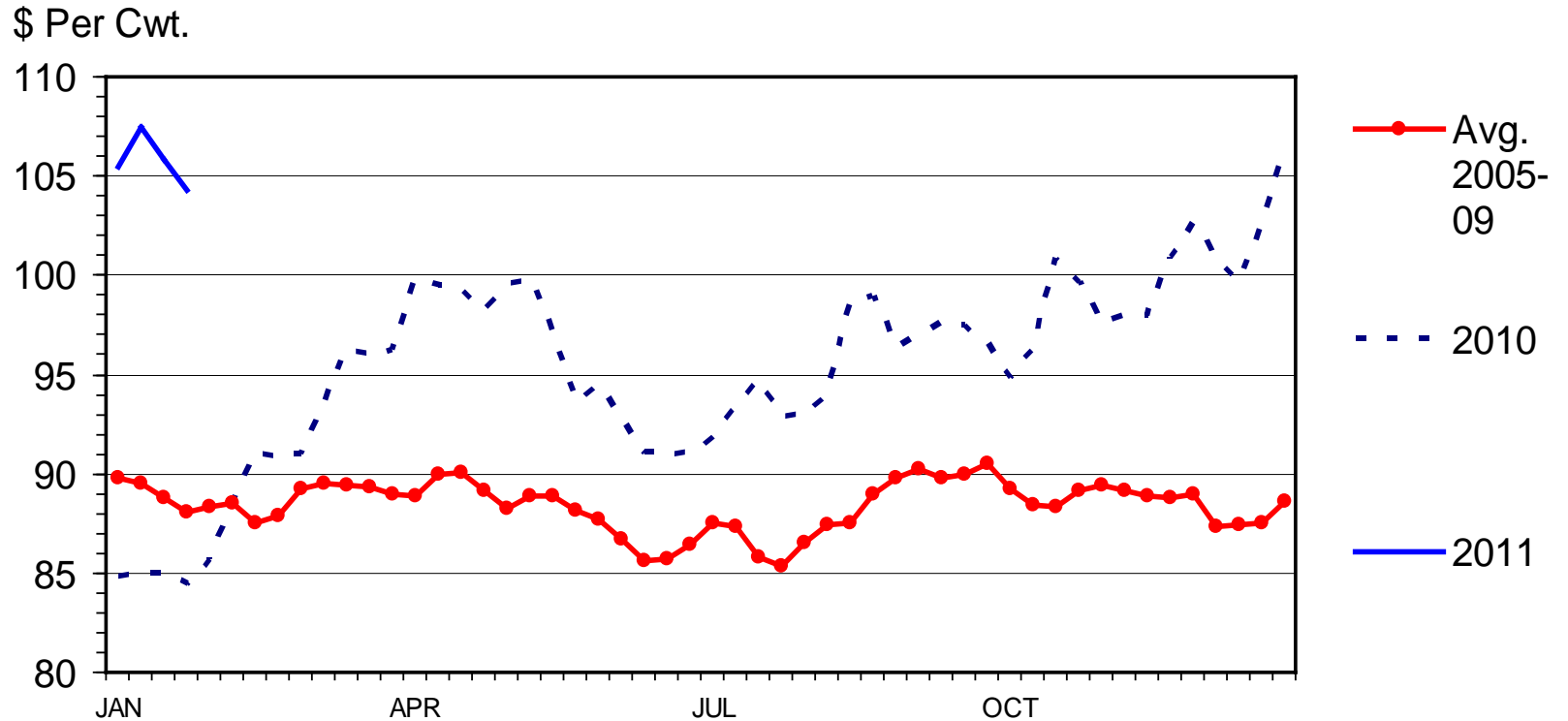
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49
01/31/11



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



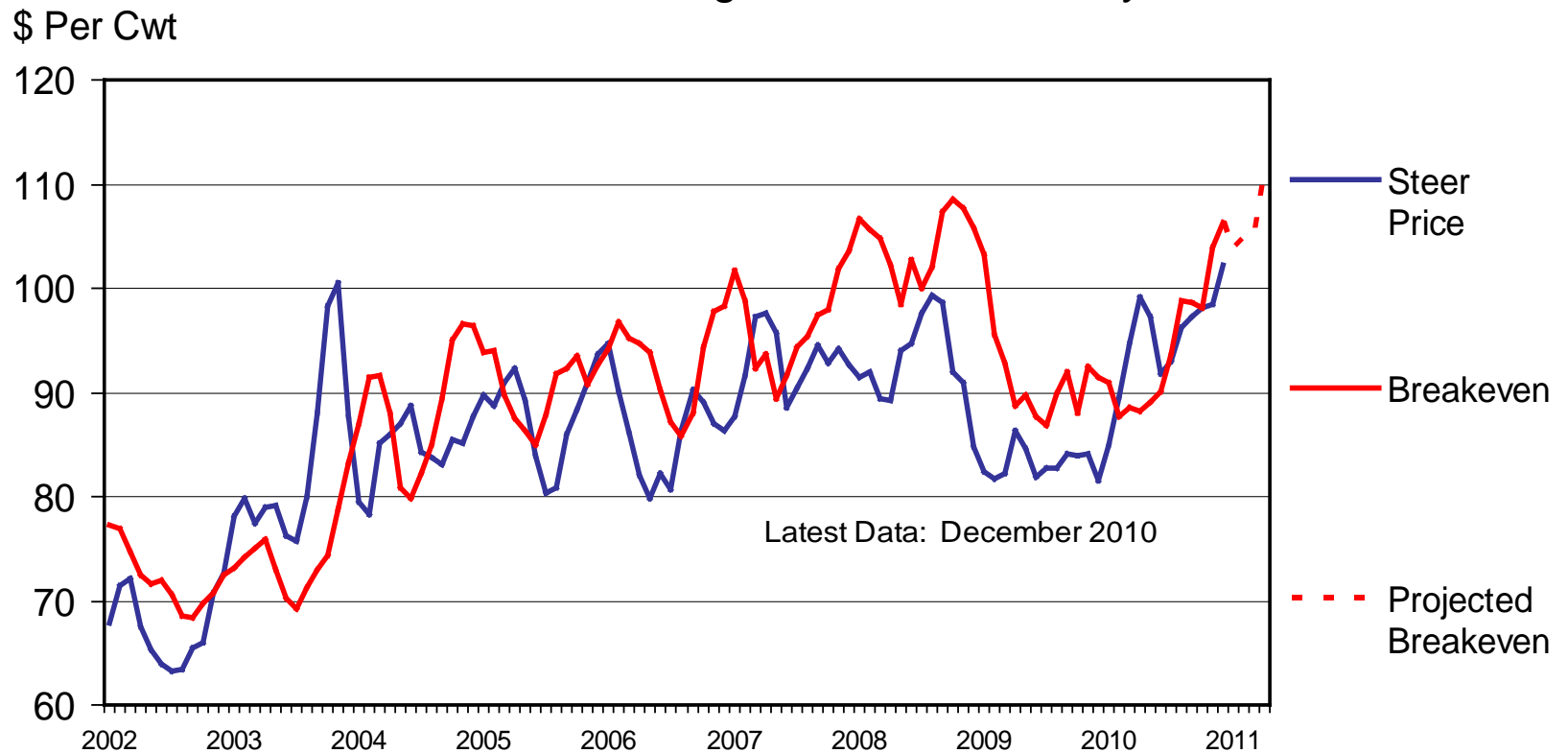
Livestock Marketing Information Center

Data Source: USDA-AMS



CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly



Livestock Marketing Information Center

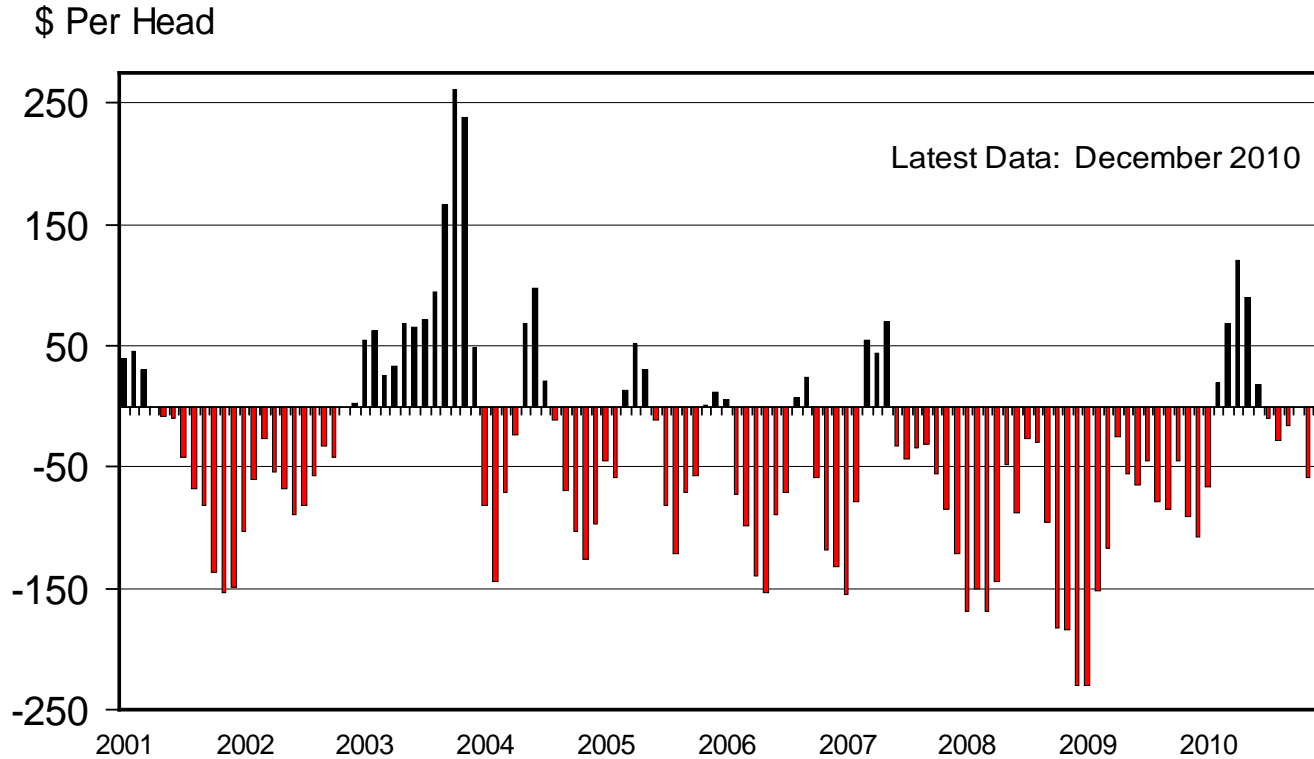
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-21
01/05/11



AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly



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

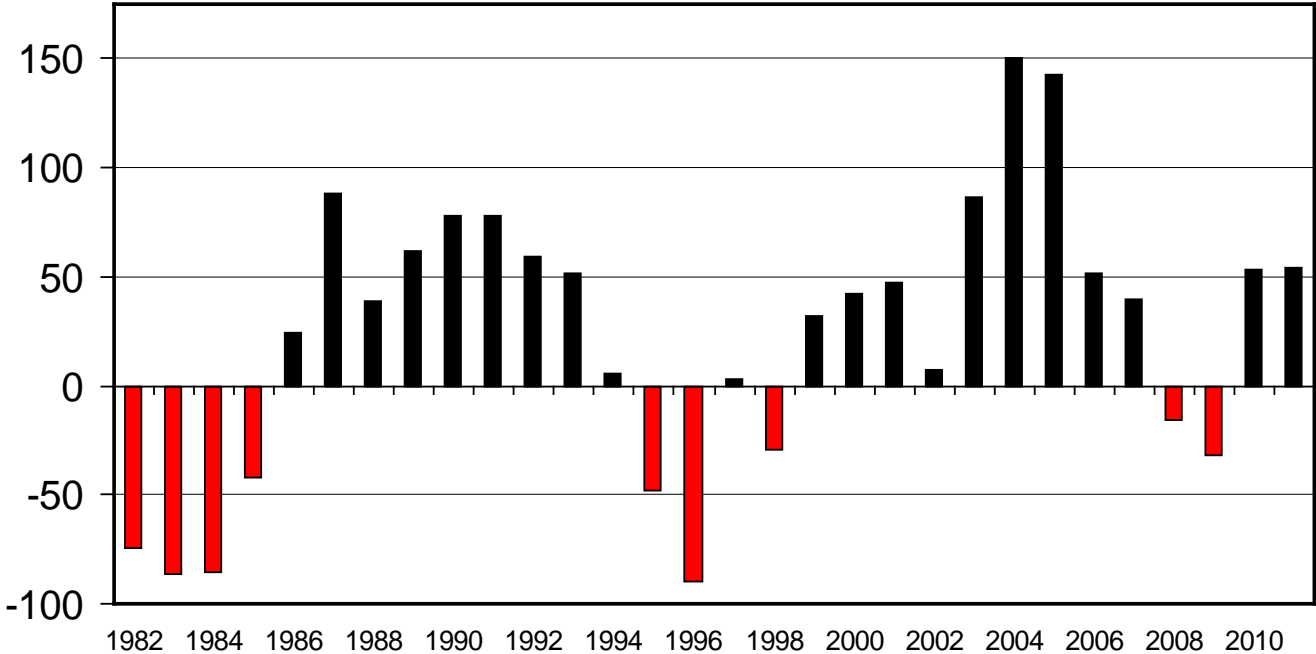
C-P-22
01/05/11



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

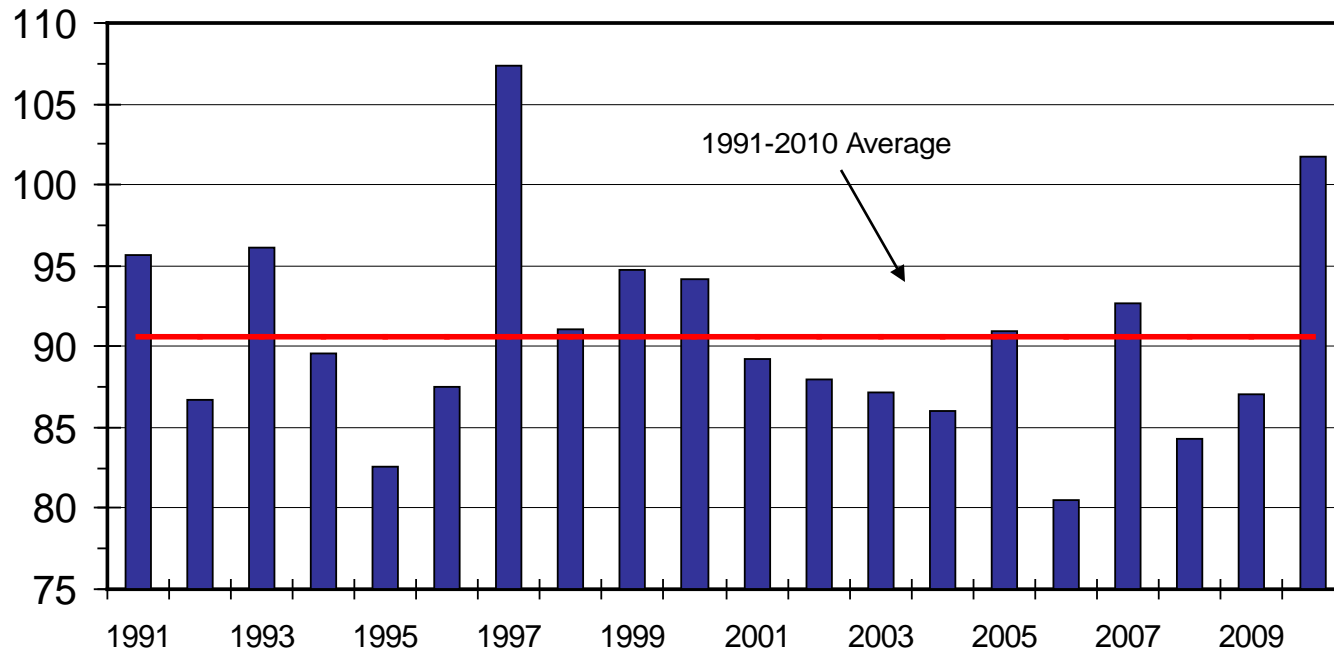
C-P-66
01/08/11



BUY/SELL MARGINS

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

Percent



Livestock Marketing Information Center

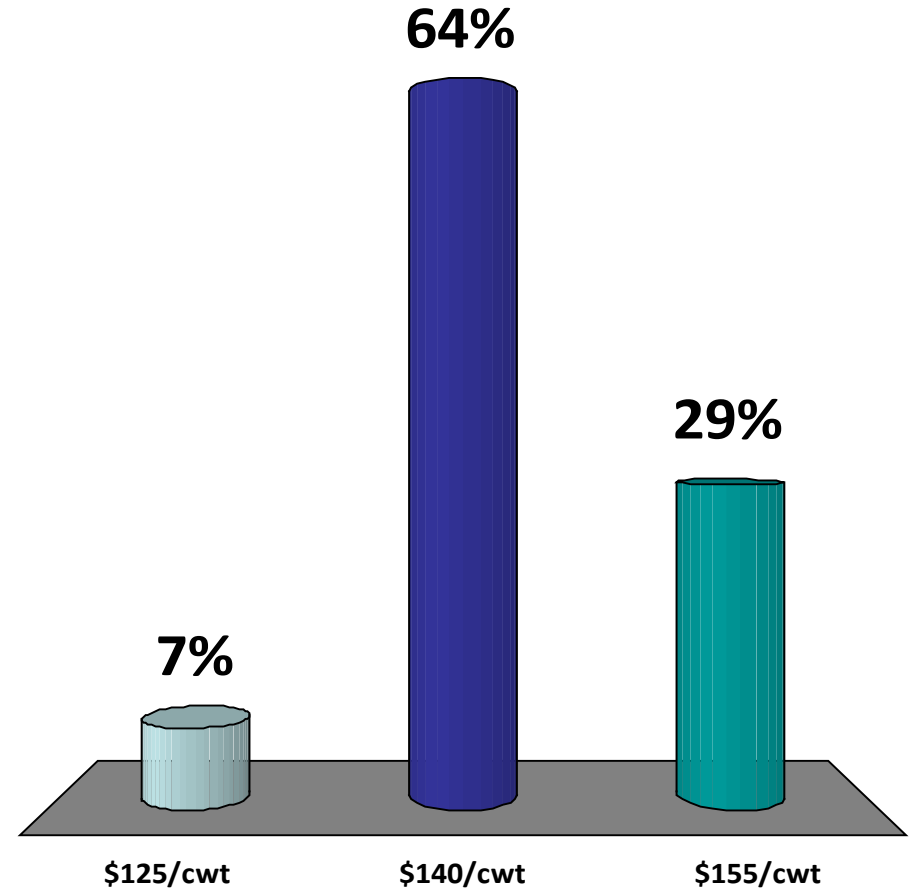
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-60
01/08/11

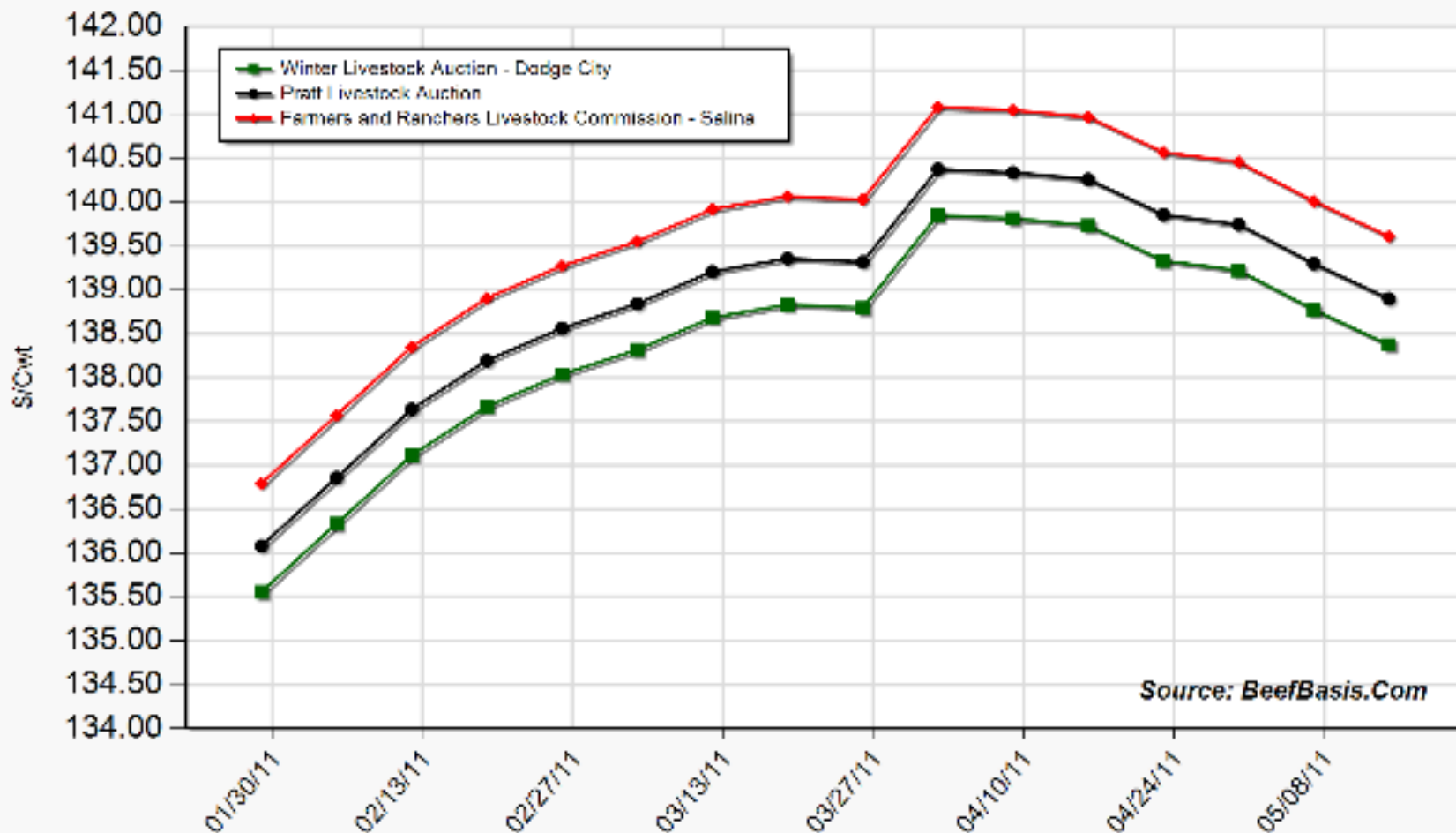


The futures market implied (basis adjusted) price for 550 lb steers in Pratt in April 2011 is:

1. \$125/cwt
2. \$140/cwt
3. \$155/cwt

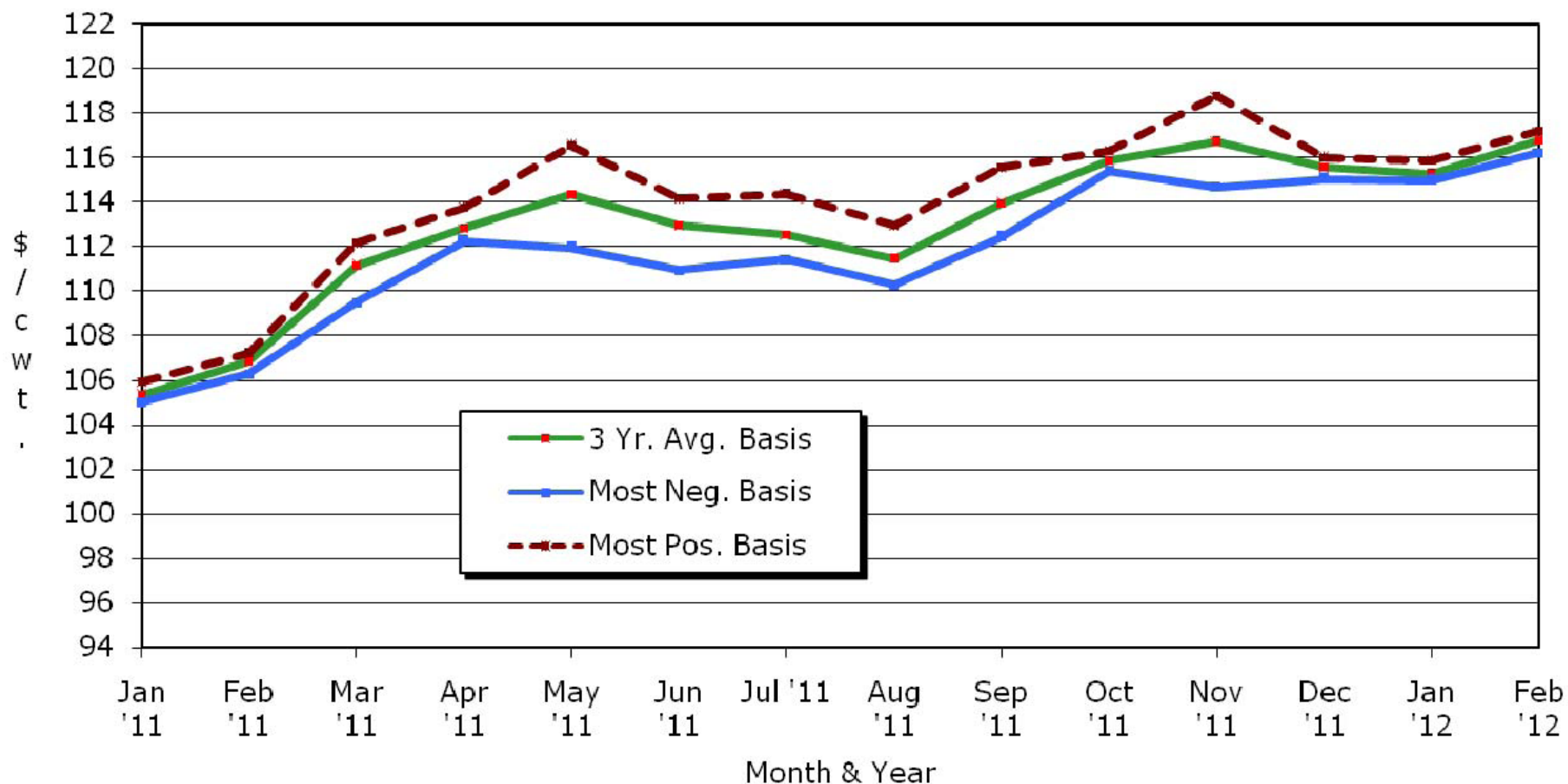


Projected Price for 550 LB Steer at Selected Kansas Auctions



Kansas Slaughter Steer Price Forecasts

Mid-Month Futures Based Price Forecasts



Source: USDA-AMS, CME, & K-State Ag. Economics
Based on 1.28.11 CME Live Cattle settlement prices

KSU Dept. of Ag Econ
www.agmanager.info

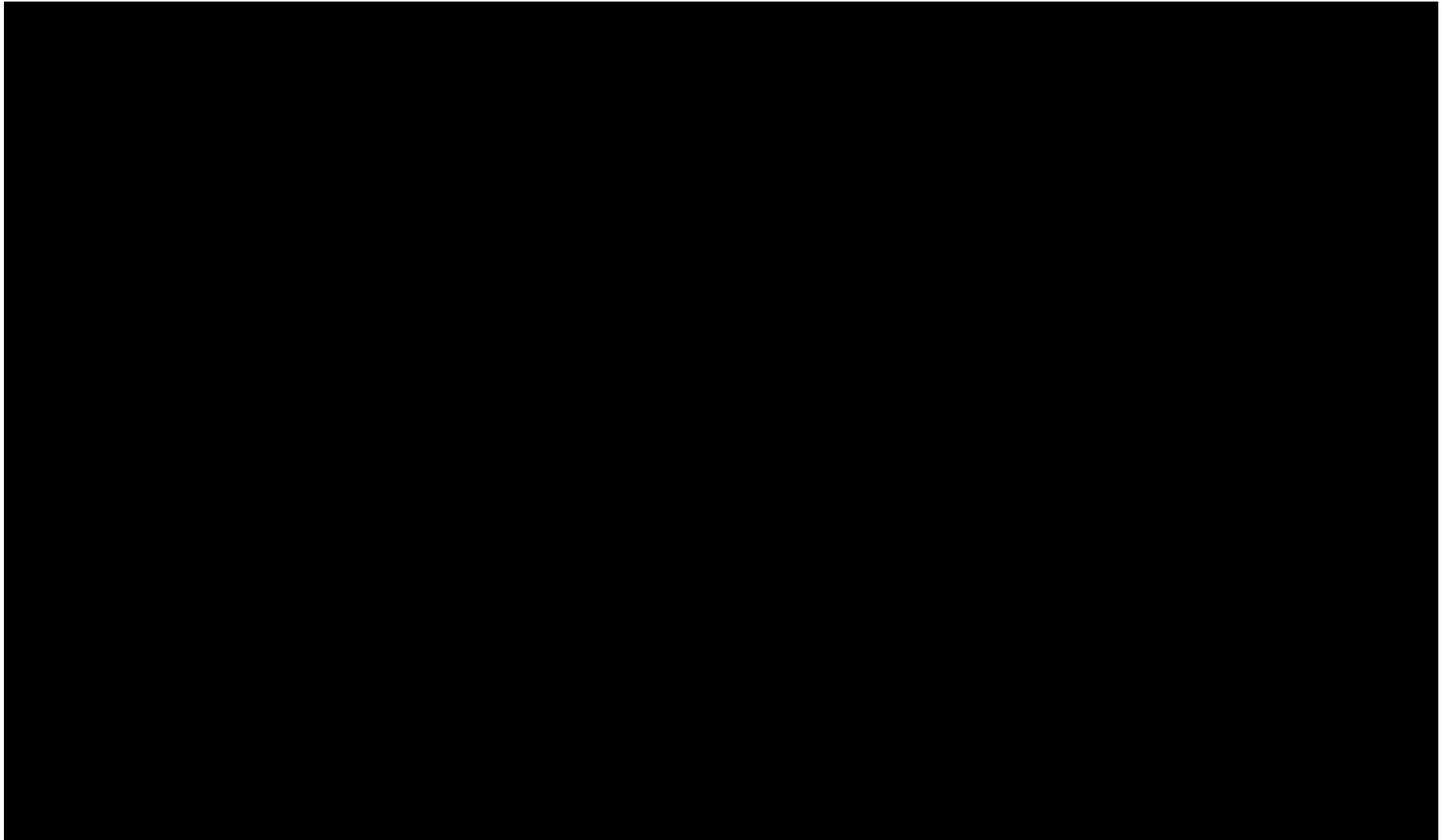


QUARTERLY FORECASTS (LMIC: 1/31/11')

Year Quarter	Comm'l Slaughter (1,000 Head)	% Chg. from Year Ago	Average Dressed Weight (Lbs.)	% Chg. from Year Ago	Comm'l Beef Production (Mil. Lbs.)	% 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	8,665	5.1	778	-0.2	6,743	4.9
Year	34,270	2.8	768	-1.4	26,313	1.3
2011						
I ^c	8,200	0.4	777	1.5	6,371	1.9
II	8,423	-3.0	764	1.3	6,436	-1.7
III	8,480	-3.1	782	1.1	6,631	-2.1
IV	8,139	-6.1	784	0.8	6,385	-5.3
Year	33,242	-3.0	777	1.2	25,823	-1.9
2012						
I	7,949	-3.1	785	1.1	6,242	-2.0
II	8,035	-4.6	771	0.9	6,193	-3.8
III	8,116	-4.3	791	1.2	6,422	-3.2
IV	7,927	-2.6	791	0.8	6,268	-1.8
Year	32,027	-3.7	784	1.0	25,125	-2.7



QUARTERLY FORECASTS (LMIC: 1/31/11')



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...



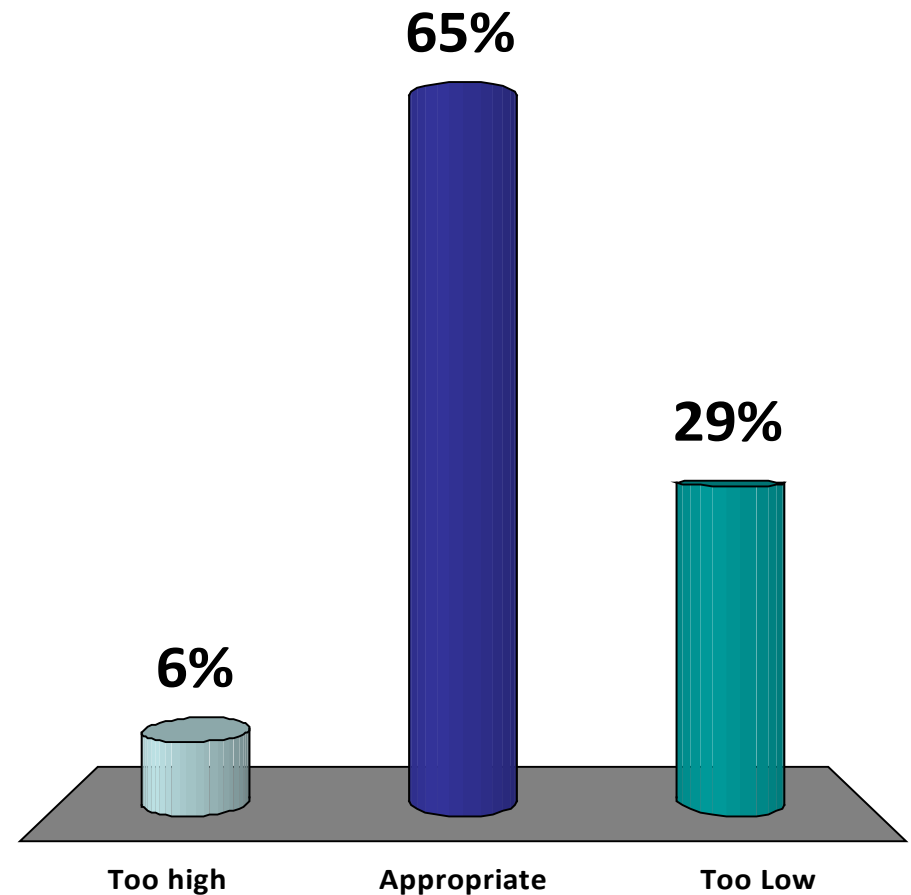
Impacts of New/Potential Policy on Markets is Needed

- 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



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>)

