

CATTLEMEN'S DAY 2016

103rd ANNUAL

Kansas State University
Agricultural Experiment Station
Cooperative Extension Service



Animal Sciences & Industry
Weber Hall
Manhattan, Kansas

Cattle Industry Economic Outlook

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Overarching Beef Industry Economic Outlook

- Supplies
 - Historically tight
 - Herd expansion well underway
- Demand
 - Been positive 2010-2015
 - Concerns grown since ~September 2015



LMIC Beef Production and Price Quarterly Forecasts (2/12/16)

Sources: Livestock Slaughter - USDA/NASS; Steer Prices - USDA/AMS Livestock Market News; Projections and Forecasts by LMIC

		% Chg.	Average	% Chg.	Comm'l	% Chg.
Year	Comm'l	from	Dressed	from	Beef	from
Quarter	Slaughter	Year Ago	Weight	Year Ago	Production	Year Ago
2015						
I	6,967	-5.5	813.0	2.2	5,664	-3.5
II	7,227	-7.8	810.1	2.7	5,855	-5.3
III	7,288	-4.5	832.4	2.8	6,066	-1.8
IV	7,257	-0.9	841.2	2.4	6,105	1.4
Year	28,739	-4.7	824.3	2.5	23,690	-2.3
2016						
I	7,091	1.8	823.6	1.3	5,840	3.1
II	7,287	0.8	813.8	0.5	5,930	1.3
III	7,559	3.7	835.6	0.4	6,316	4.1
IV	7,460	2.8	840.2	-0.1	6,268	2.7
Year	29,397	2.3	828.5	0.5	24,354	2.8
2017						
I	7,404	4.4	829.8	0.8	6,144	5.2
II	7,600	4.3	818.3	0.6	6,219	4.9
III	7,774	2.8	839.1	0.4	6,523	3.3
IV	7,797	4.5	842.5	0.3	6,569	4.8
Year	30,575	4.0	832.5	0.5	25,455	4.5



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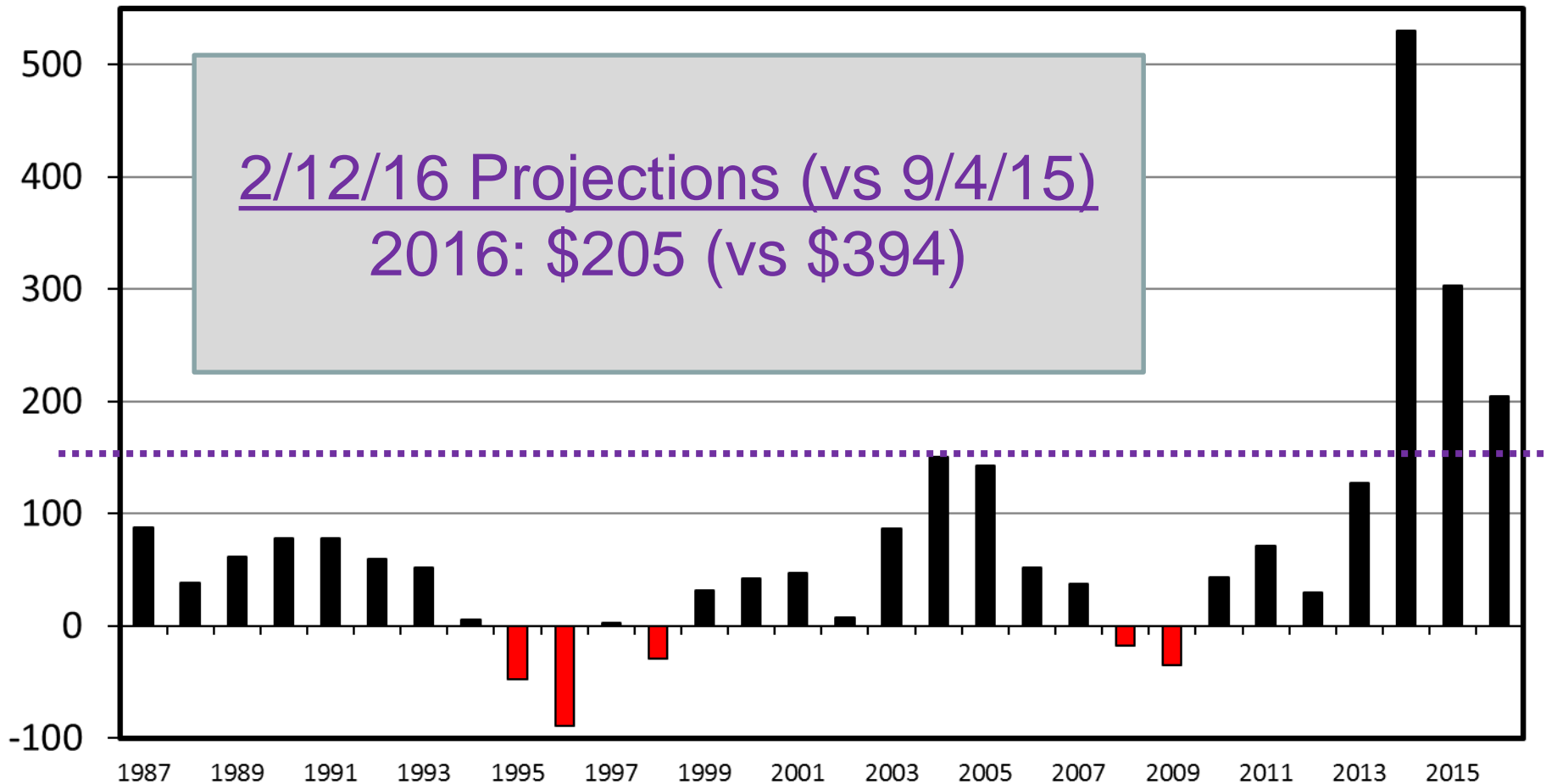
Year Quarter	Live Sltr. Steer Price 5-Mkt Avg	% Chg. from Year Ago	Feeder Steer Price Southern Plains	
			7-800#	5-600#
2015				
I	162.43	11.0	215.87	276.14
II	158.11	7.0	225.29	279.32
III	144.22	-9.0	214.38	246.04
IV	127.72	-22.9	177.29	203.51
Year	148.12	-4.2	208.21	251.25
2016				
I	136-137	-16.0	161-163	195-197
II	138-140	-12.1	165-169	197-202
III	132-135	-7.4	160-165	196-203
IV	131-135	4.1	158-165	189-198
Year	134-137	-8.5	161-165	194-200
2017				
I	131-136	-2.2	158-166	191-201
II	133-140	-1.8	159-168	192-204
III	127-134	-2.2	155-165	187-200
IV	127-135	-1.5	152-163	181-195
Year	130-136	-1.8	157-165	190-198



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



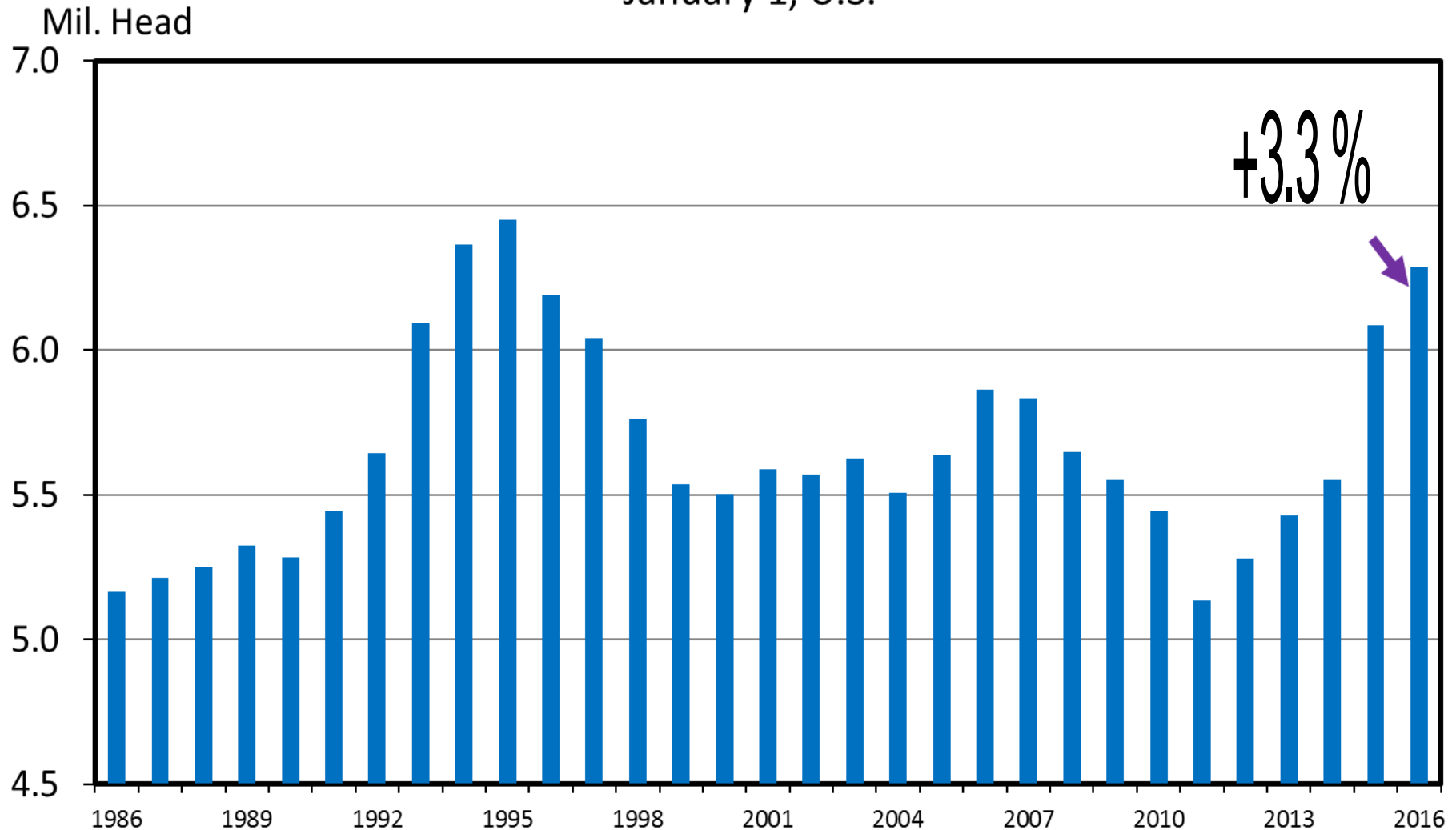
Data Source: USDA-AMS, Compiled and Analysis by LMIC

Livestock Marketing Information Center



HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

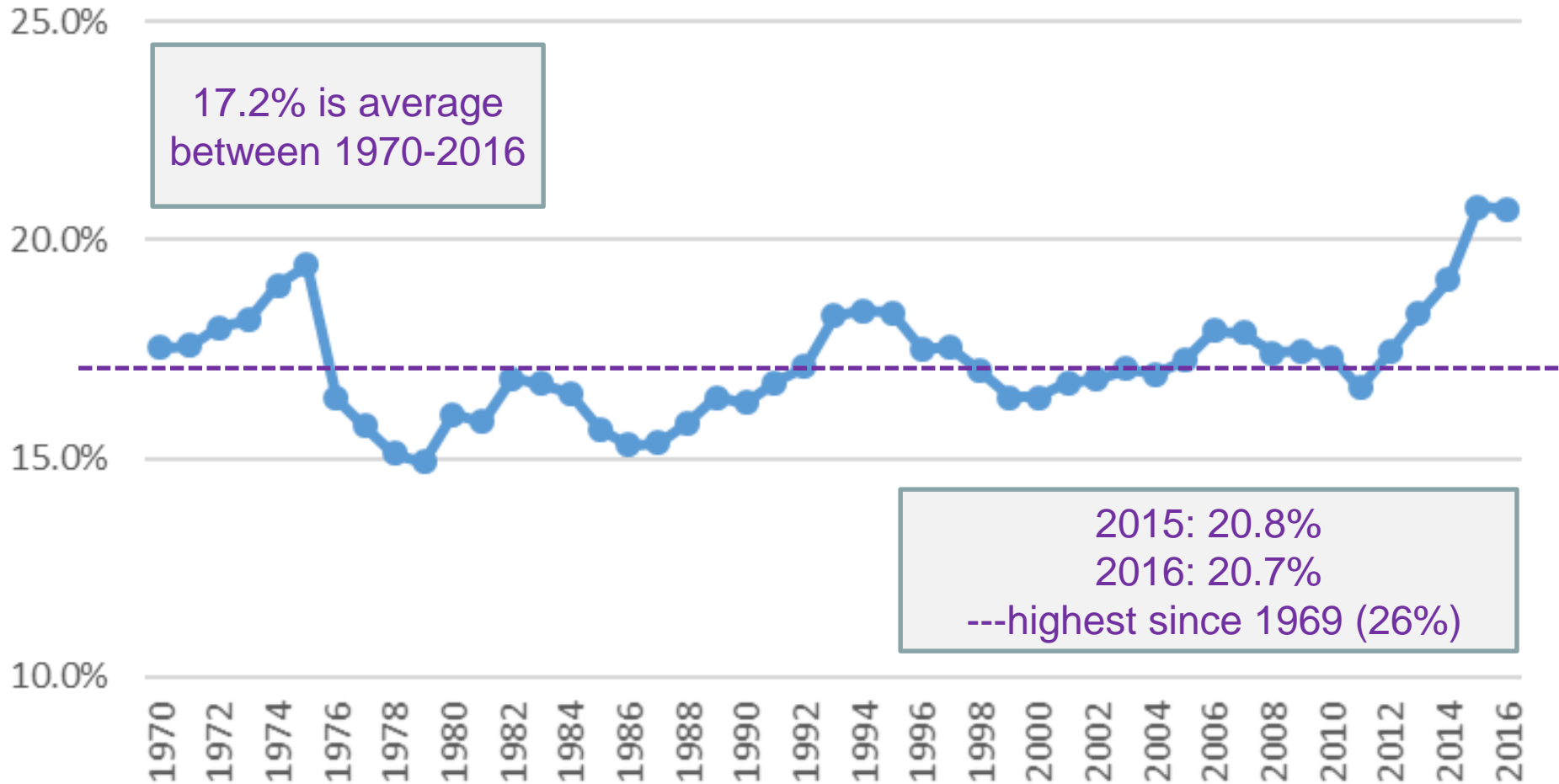


Data Source: USDA-NASS
Livestock Marketing Information Center



Heifer Retention as % of Total Beef Cows

17.2% is average
between 1970-2016



Data Source: USDA-NASS

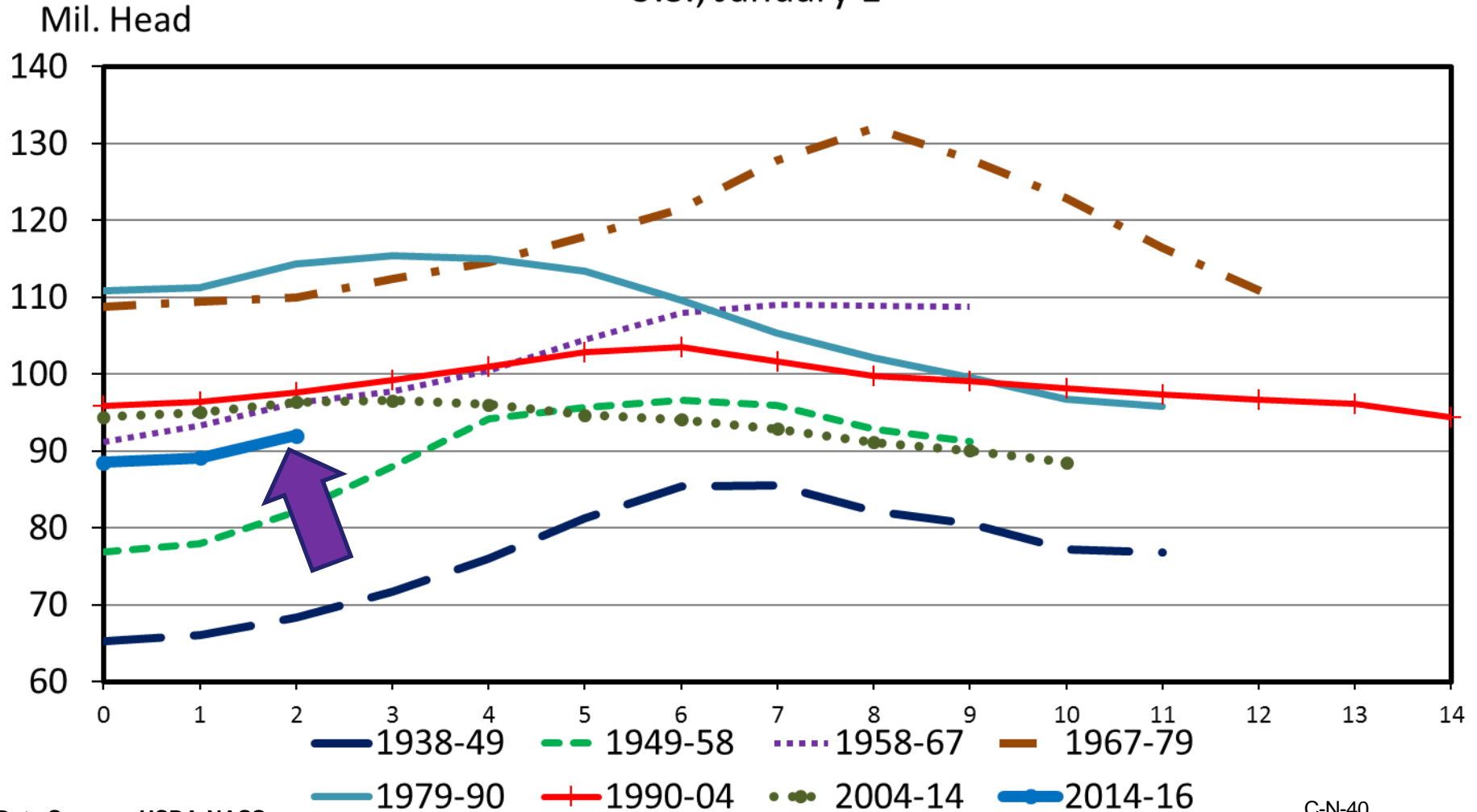
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TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



Data Source: USDA-NASS

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Economic Outlook Overview: Stockers

- Salina, KS 3/4/16 situation

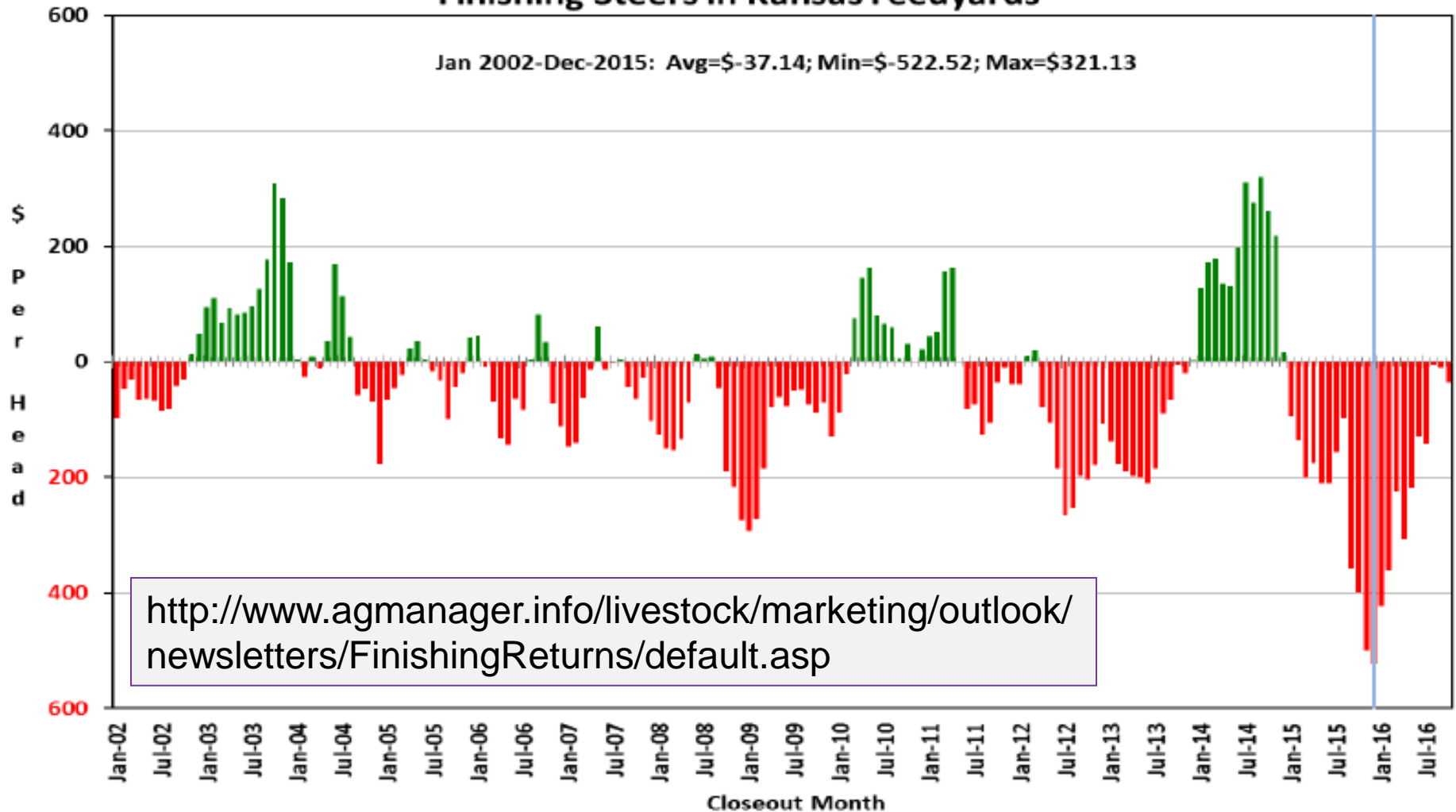
(<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>):

- Buy 700 lb steer on 3/9/16 (\$158.79)
- Sell 750 lb steer on 4/6/16 (\$153.99) {1.72 ADG}
 - VOG: \$86.86/cwt
- Buy 550 lb steer on 9/14/16 (\$167.64)
- Sell 750 lb steer on 12/21/16 (\$139.50) {2.02 ADG}
 - VOG: \$62.13/cwt
 - *Improves to \$75/cwt (\$91/cwt) if delay purchase to Oct. (Nov.)*

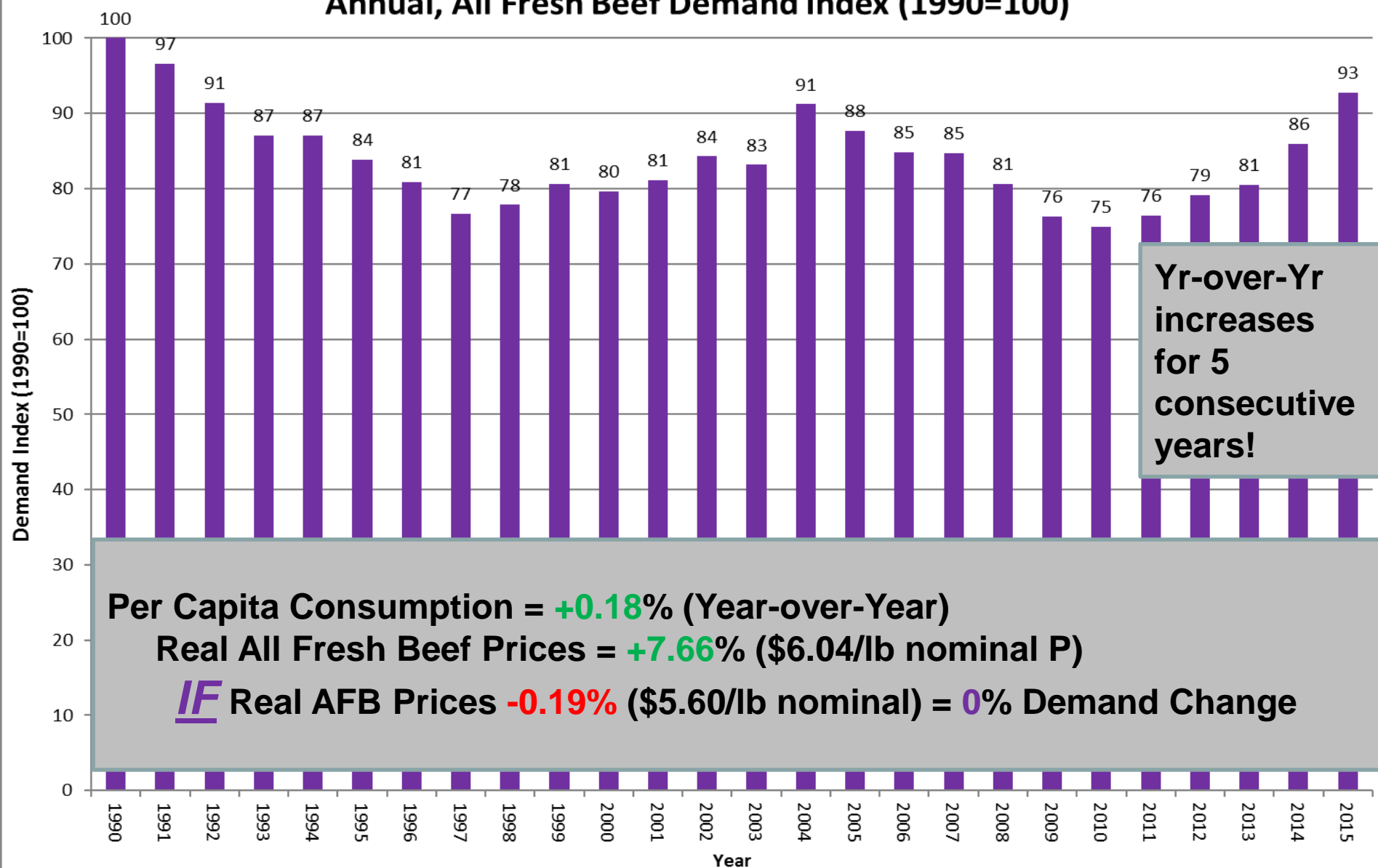


Economic Outlook Overview: Feedlots

Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards



Annual, All Fresh Beef Demand Index (1990=100)

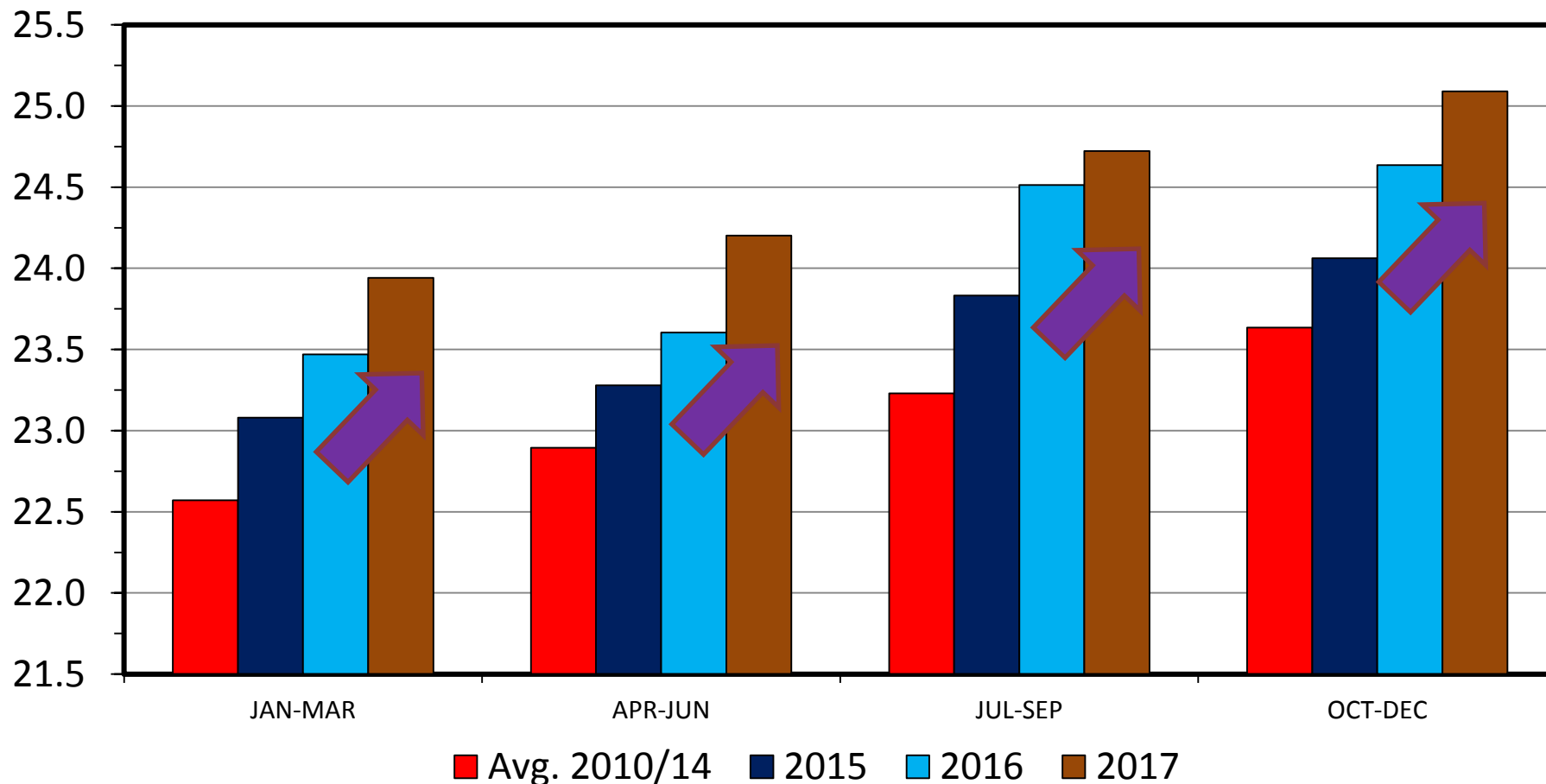


Source: Glynn T. Tonsor, Kansas State University, Jan. 2016

TOTAL RED MEAT & POULTRY PRODUCTION

US, Quarterly

Bil. Pounds



Data Source: USDA-NASS, Forecasts by LMIC

Livestock Marketing Information Center

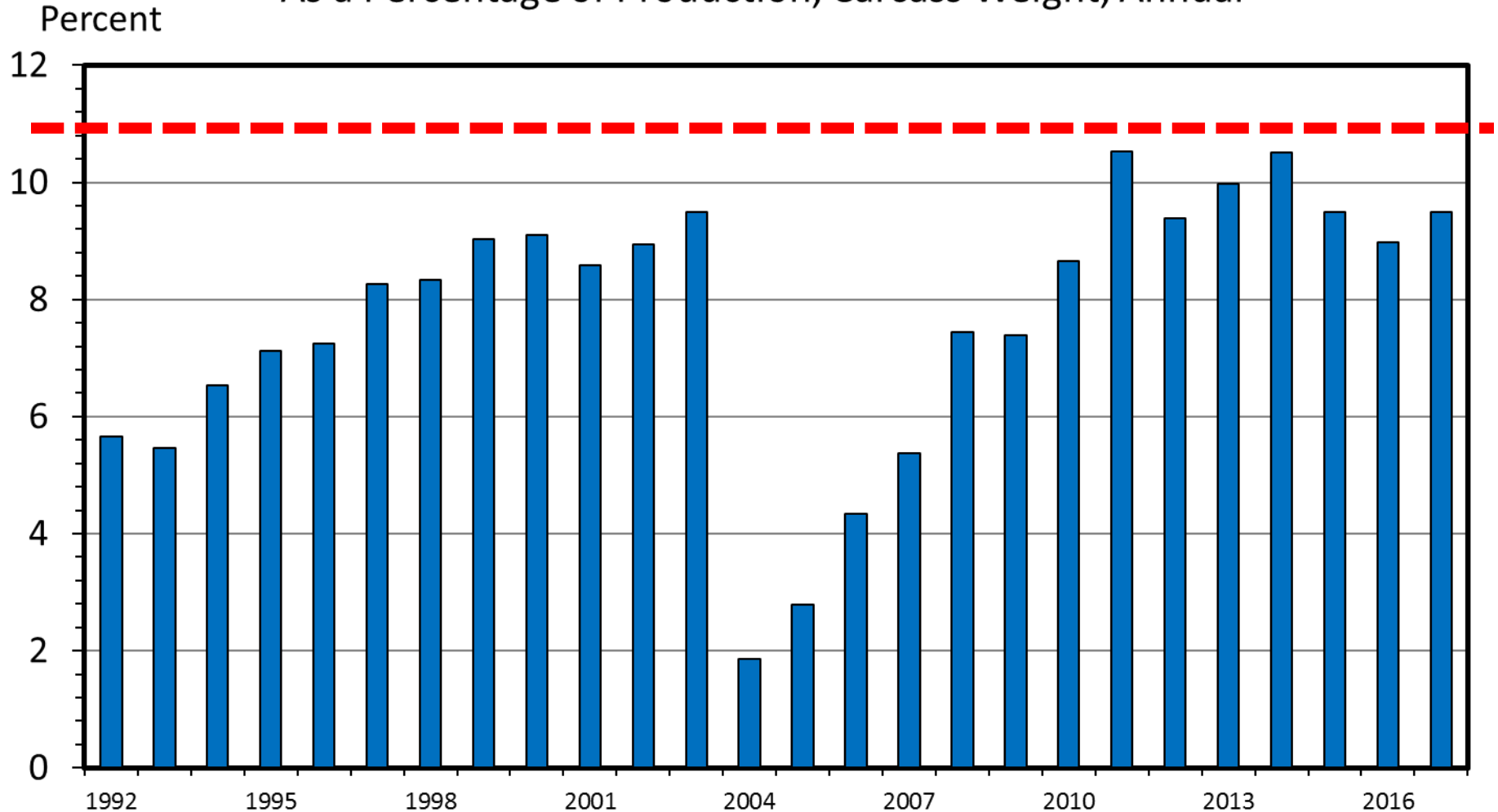
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US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



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

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02/09/16

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Wrap-Up

- Broad 2016 Profitability Outlook
 - Cow-calf: Strong (but far from 2014-2015)
 - Stocker: Varies widely within year
 - Feedlot: Ongoing struggle; worst behind us?

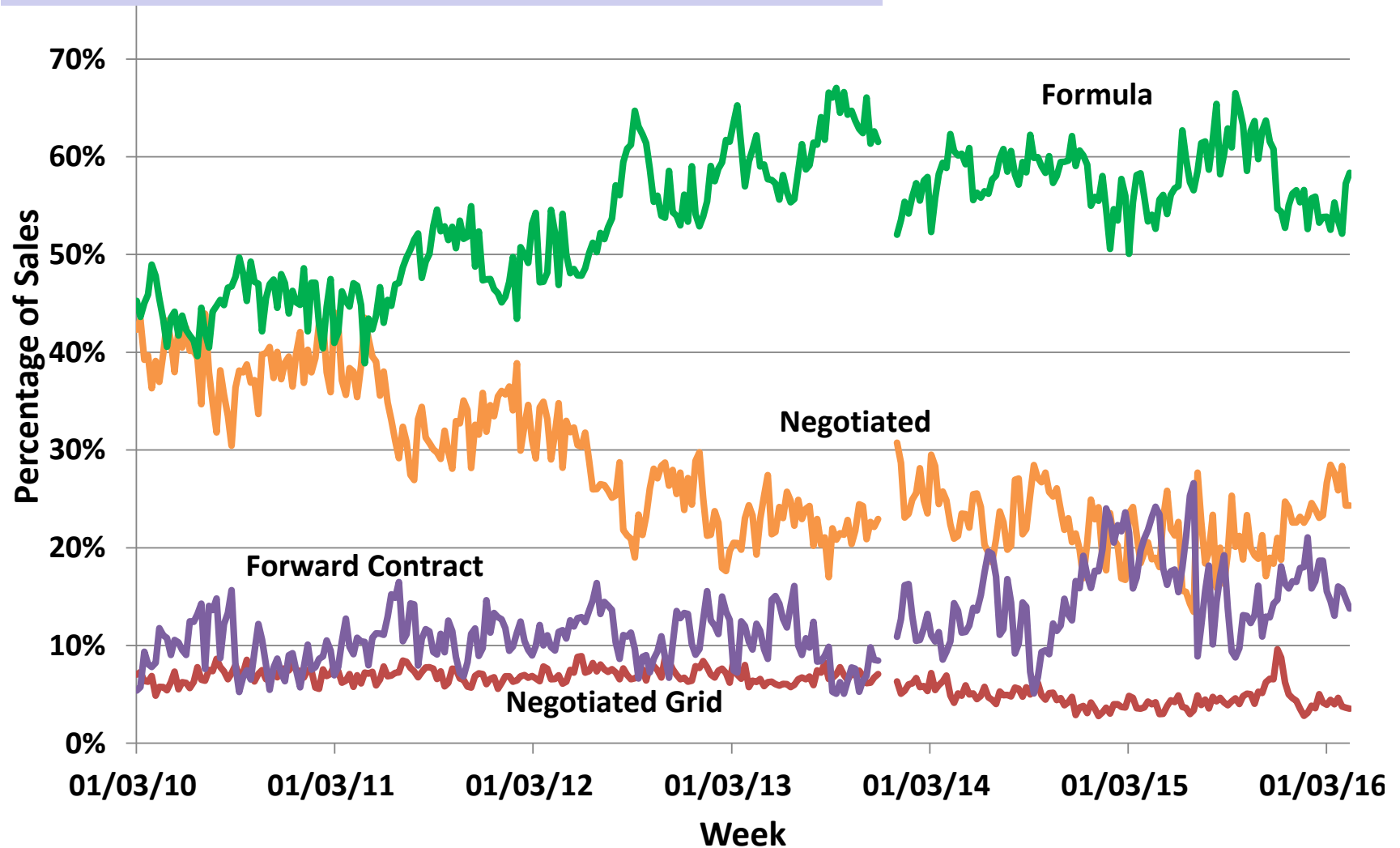


Fed Cattle Price Discovery Update



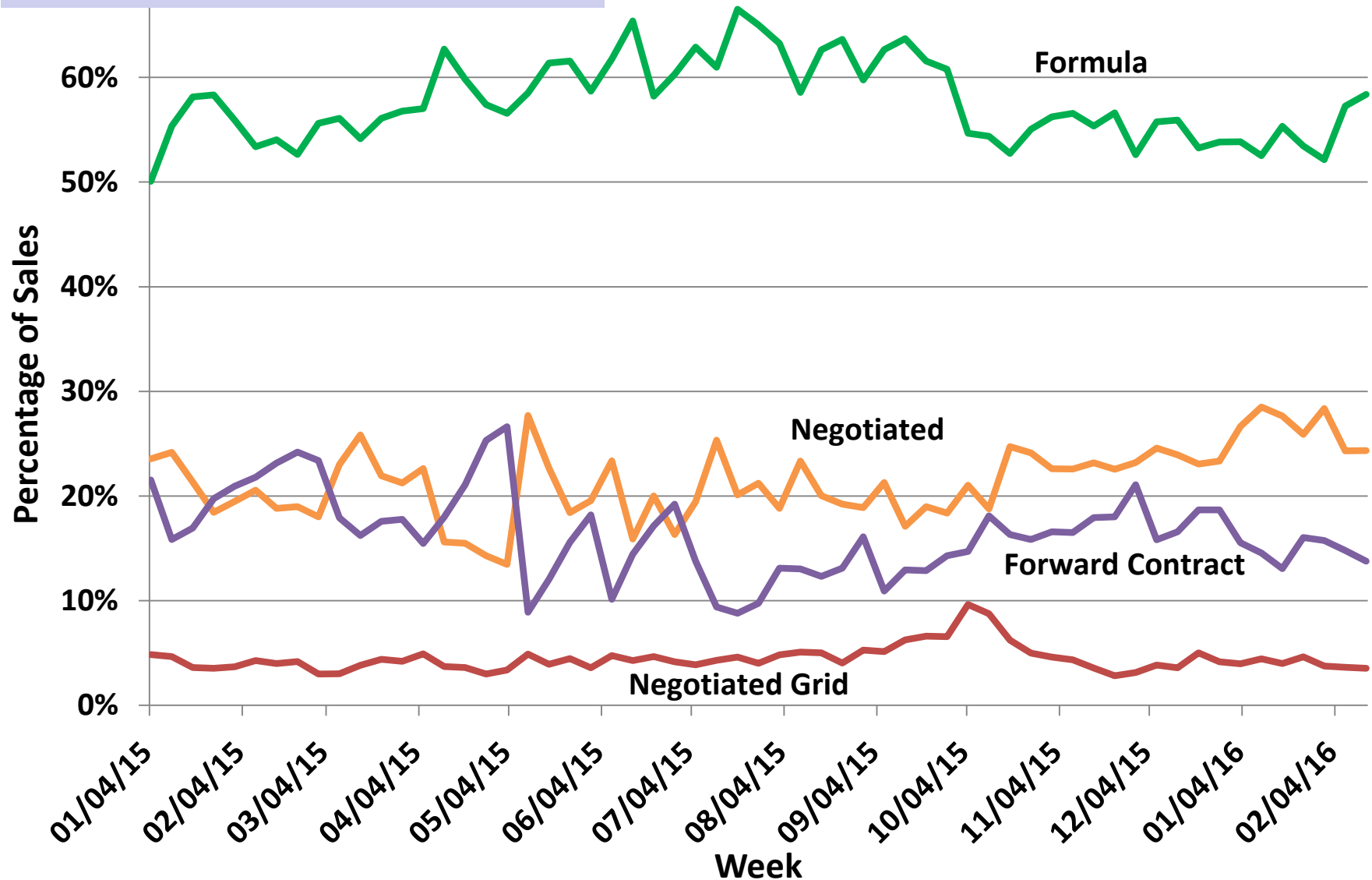
Ways Fed Cattle are Priced, Weekly 2010-Feb 2016

Formula trade increased, Negotiated declined

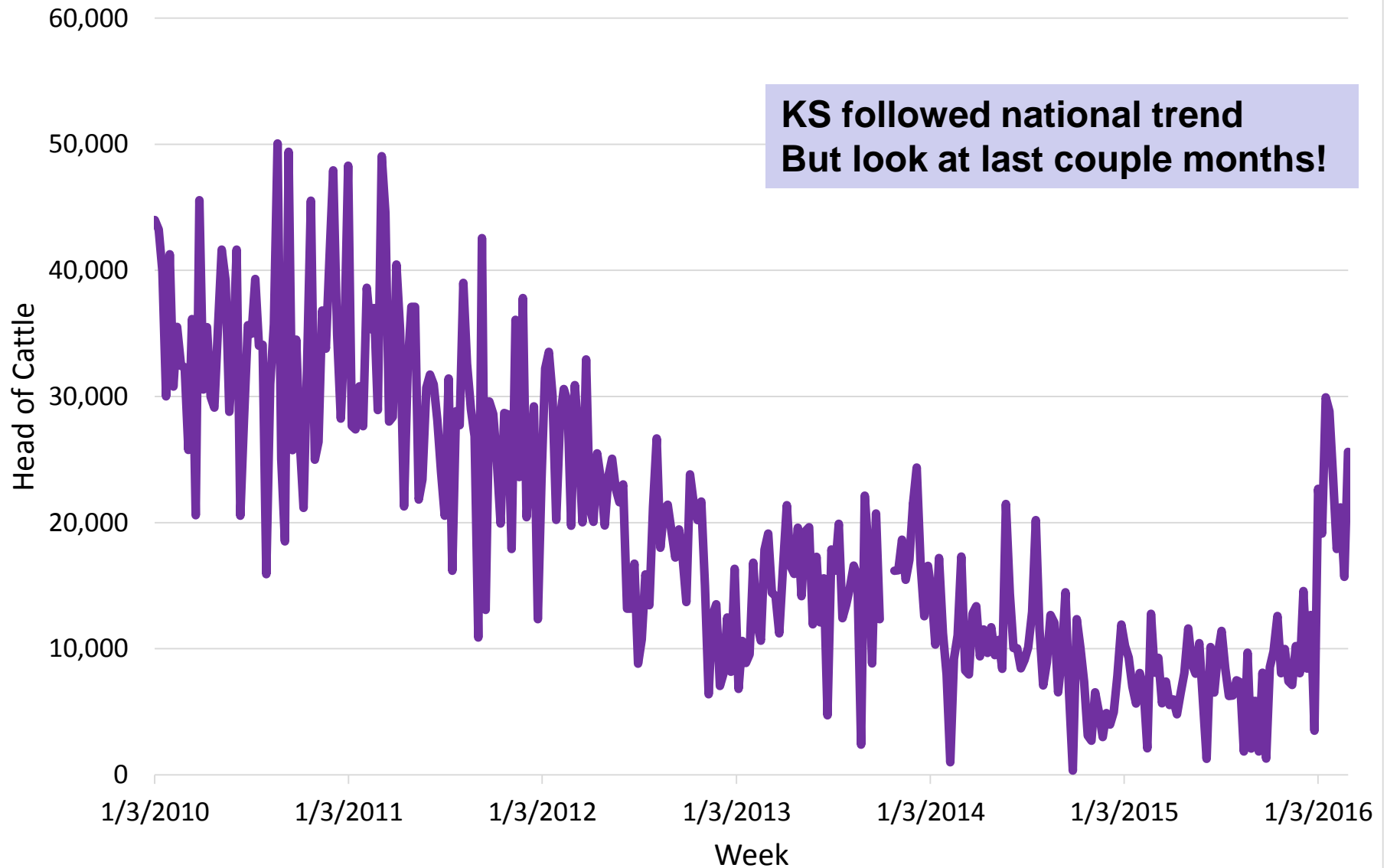


Ways Fed Cattle are Priced, Weekly 2015-Feb 2016

But, they've stabilized past year

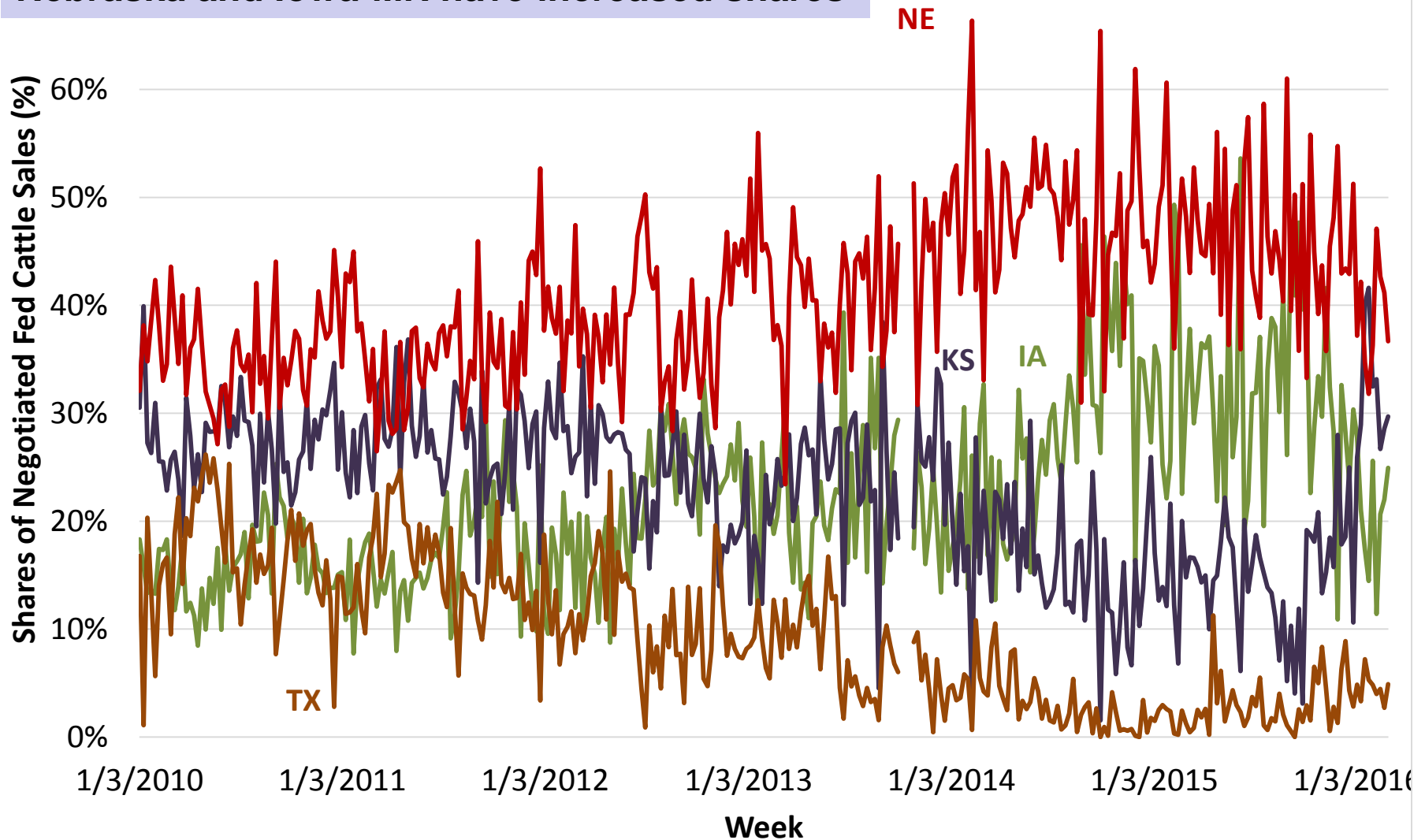


Weekly Number of Fed Cattle Sold in Kansas Negotiated Market, 2010-Feb 2016

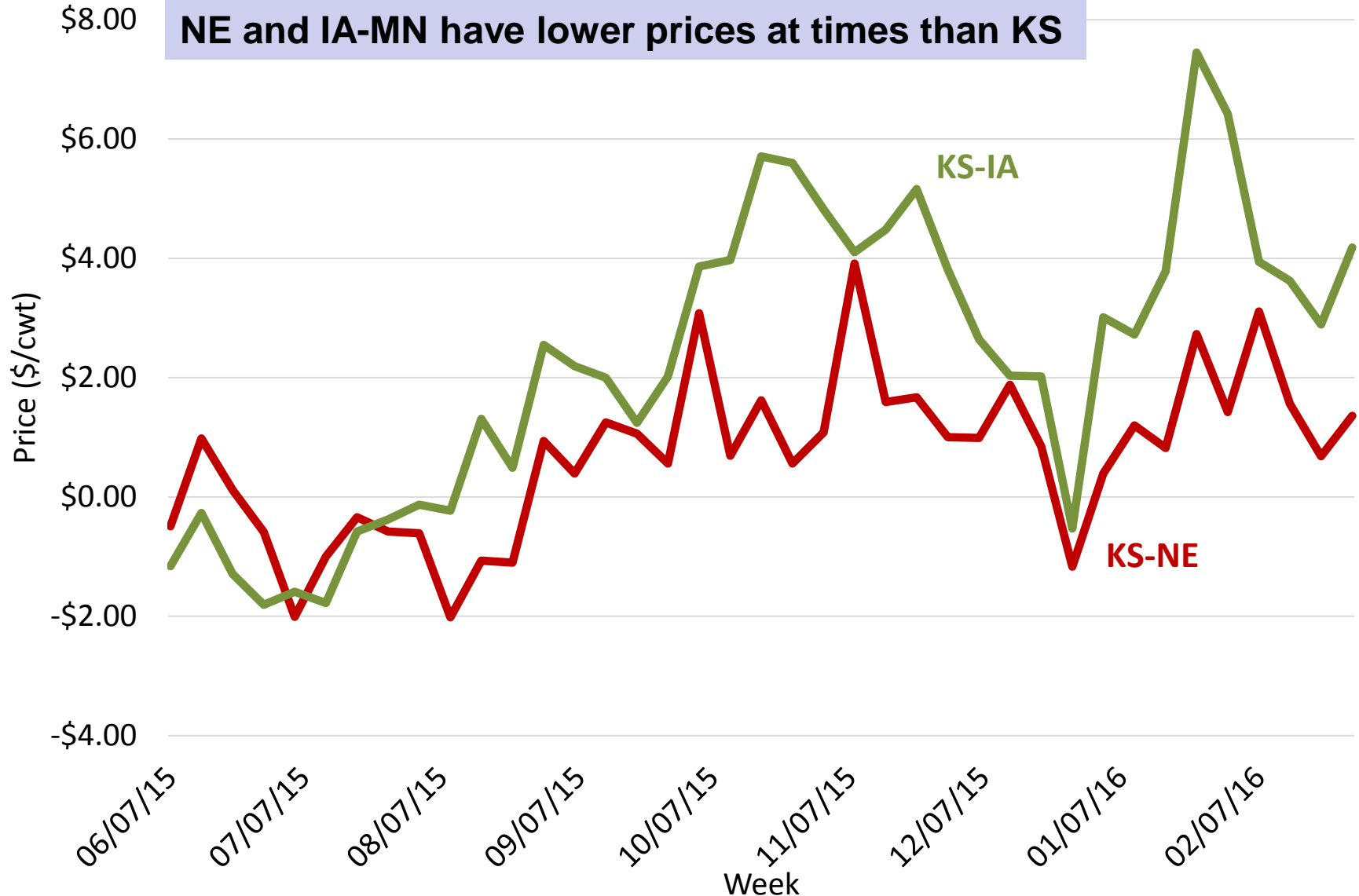


Weekly Shares of 5 Region Negotiated Dressed and Live Fed Cattle, NE, IA, KS, TX, 2010-Feb 2016

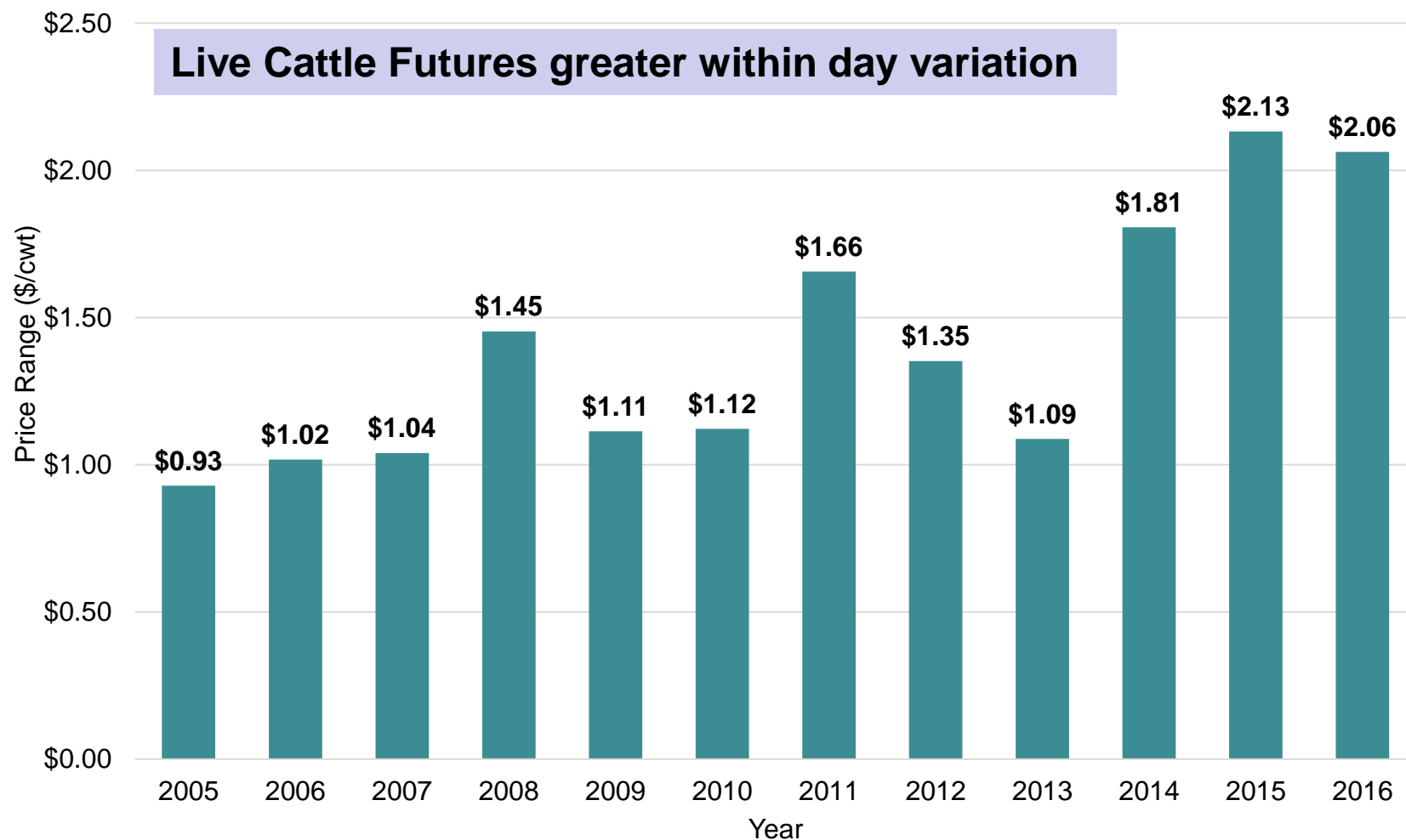
Nebraska and Iowa-MN have increased shares



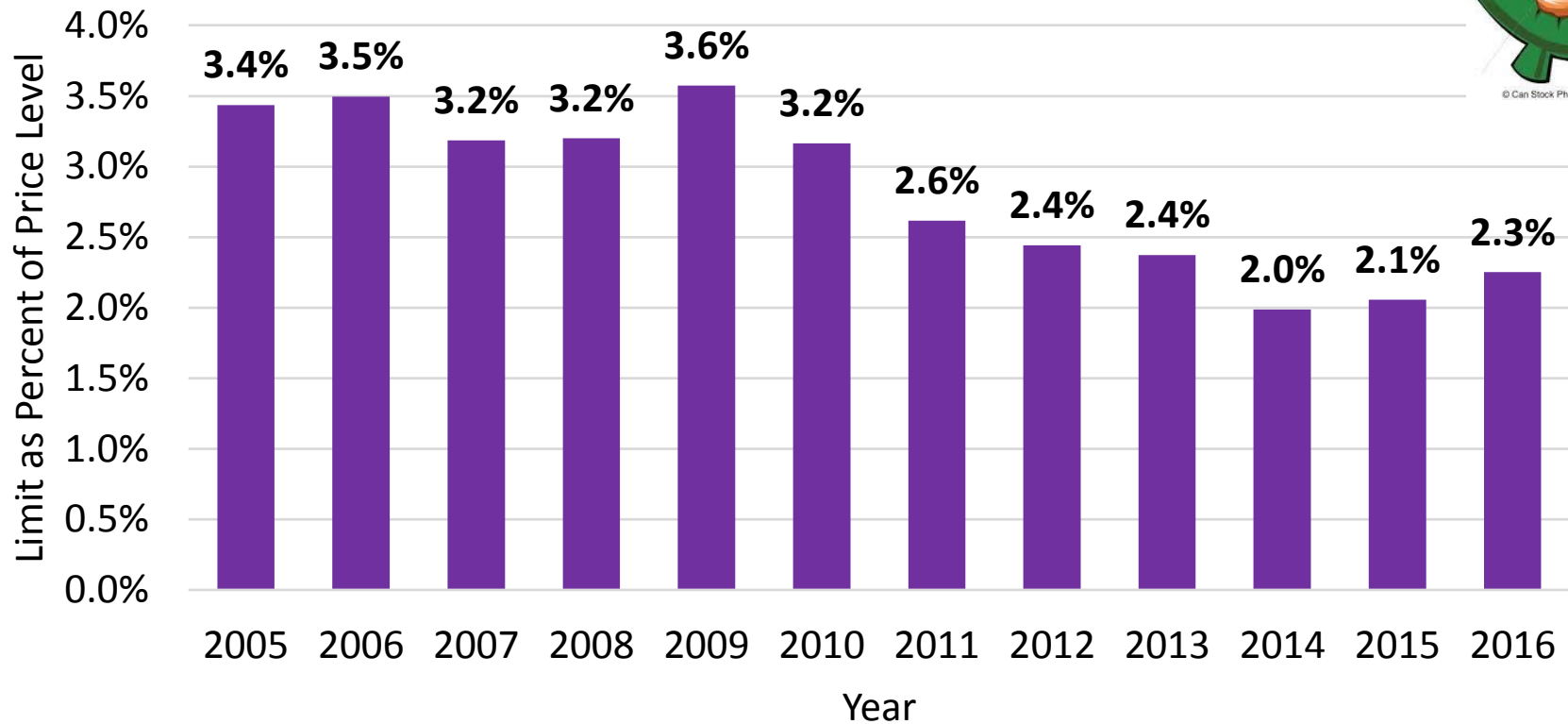
Kansas Fed Steer Price minus Nebraska and Iowa-MN Prices Weekly June 2015-Feb 2016



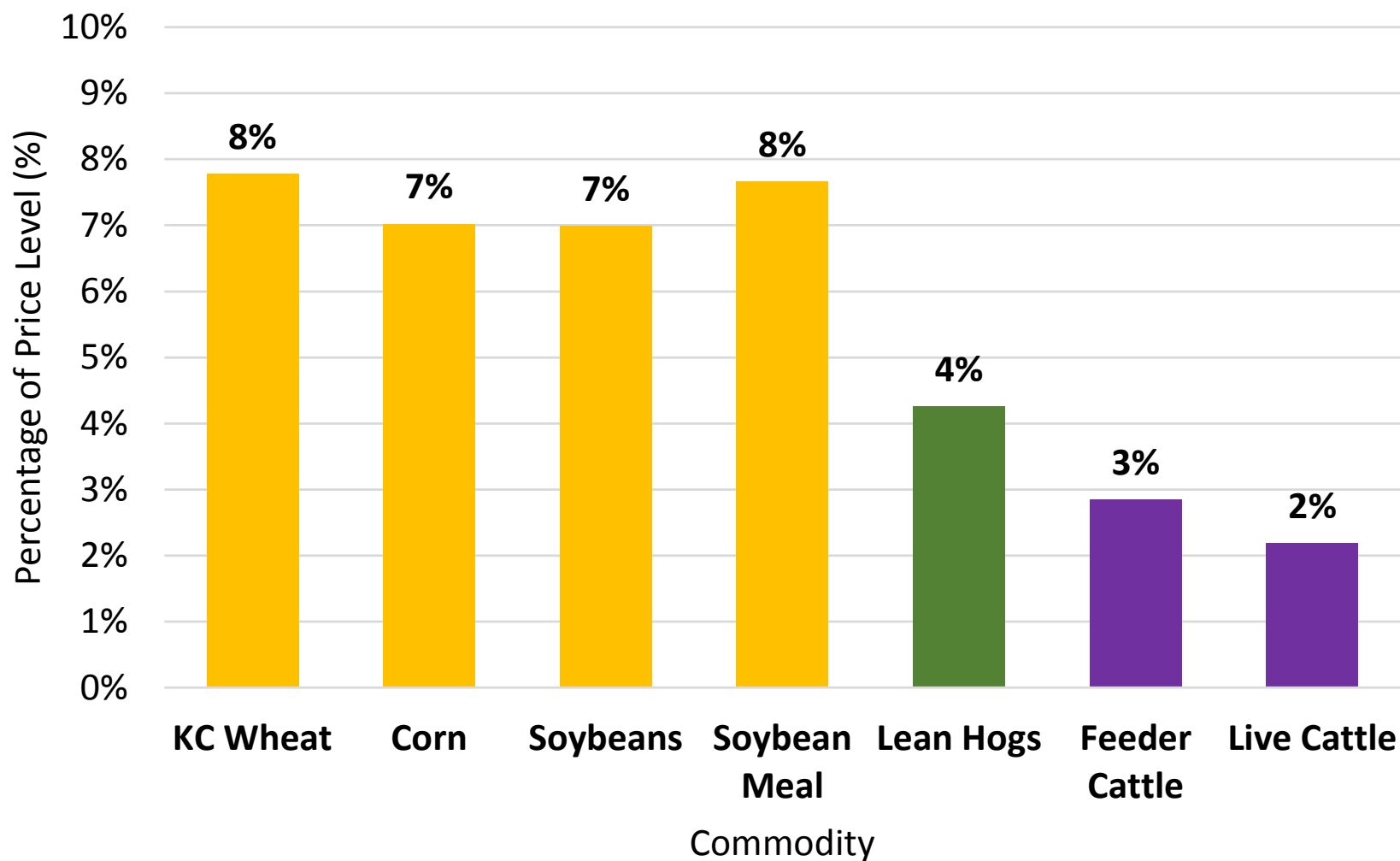
Nearby Live Cattle Futures Average Daily Price Range, 2005-2016



Limit on Daily Live Cattle Futures as Percentage of Average Price, 2005-2016



Selected Futures Limits as % of Recent Prices



Where are we going?

What's been done

- Shortened trading hours 8:30-1:05
- Added messaging policy restrictions
- Allowed heifer delivery (1050-1350 lbs)

What's in discussion circles

- Expanding trading price limits
- Delivery differentials
- Batch trades
- Holding trades for a second
- Instituting trading halts

Are the issues cash, futures, both?

- Electronic cash fed cattle market



More information available at:



This presentation will be available in PDF format at:
<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

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