

# ***U.S. Beef Cattle Industry Outlook & Global Perspectives***

## **Kazakhstan Livestock Group**

**Sponsored by USAID/CNFA/Kansas Department of Agriculture**

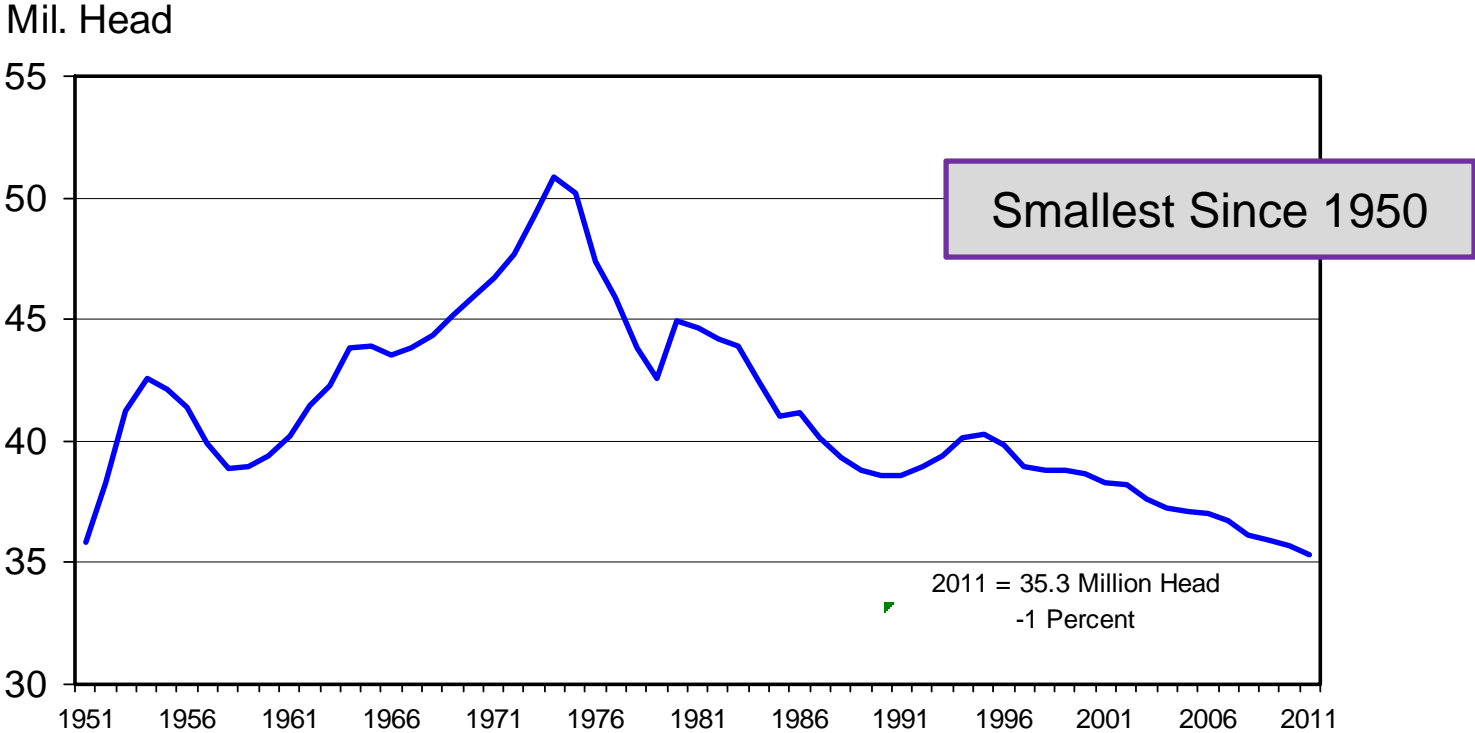
**Glynn Tonsor  
Dept. of Agricultural Economics  
Kansas State University**

**September 20, 2012**



# CALF CROP

## U.S., Annual



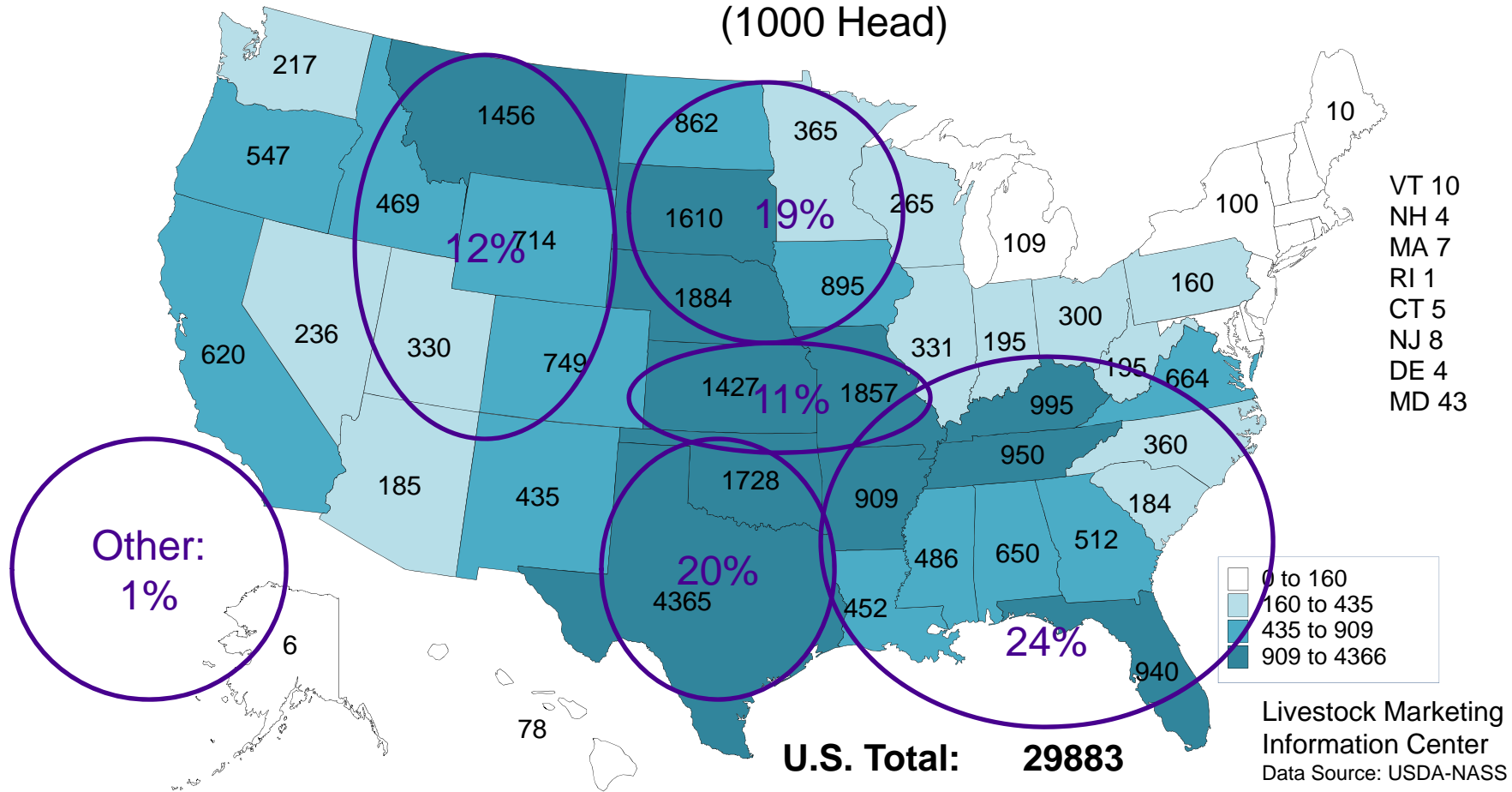
Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-18A  
01/29/12

TX/OK: Smallest %  
Since 1972

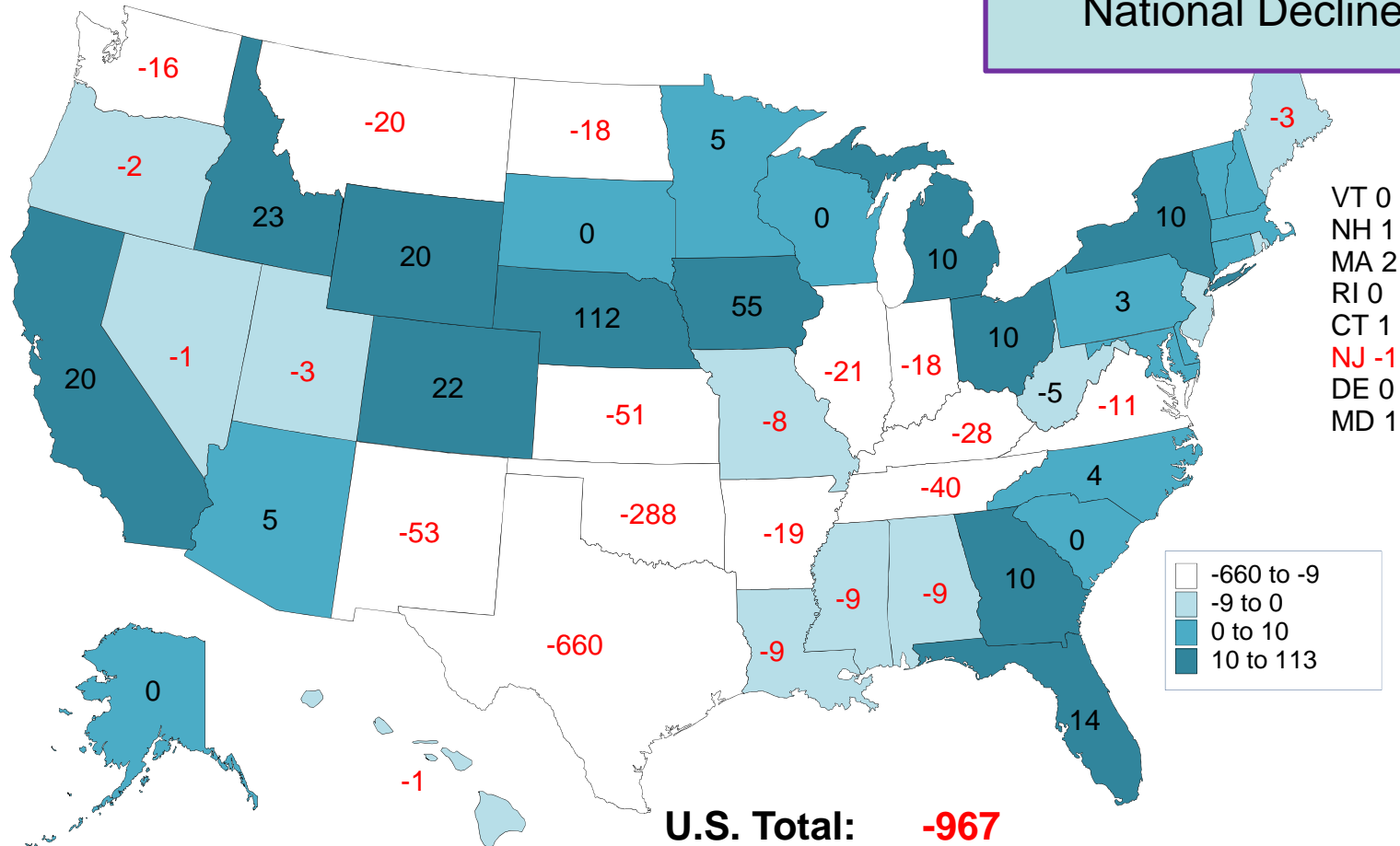
## BEEF COWS THAT CALVED JANUARY 1, 2012 (1000 Head)



National Herd:  
**- 3.1%** (vs. 2011)  
 Smallest since 1962

## CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2011 TO JANUARY 2012 (1000 Head)

OK + TX = 98.1% of  
 National Decline



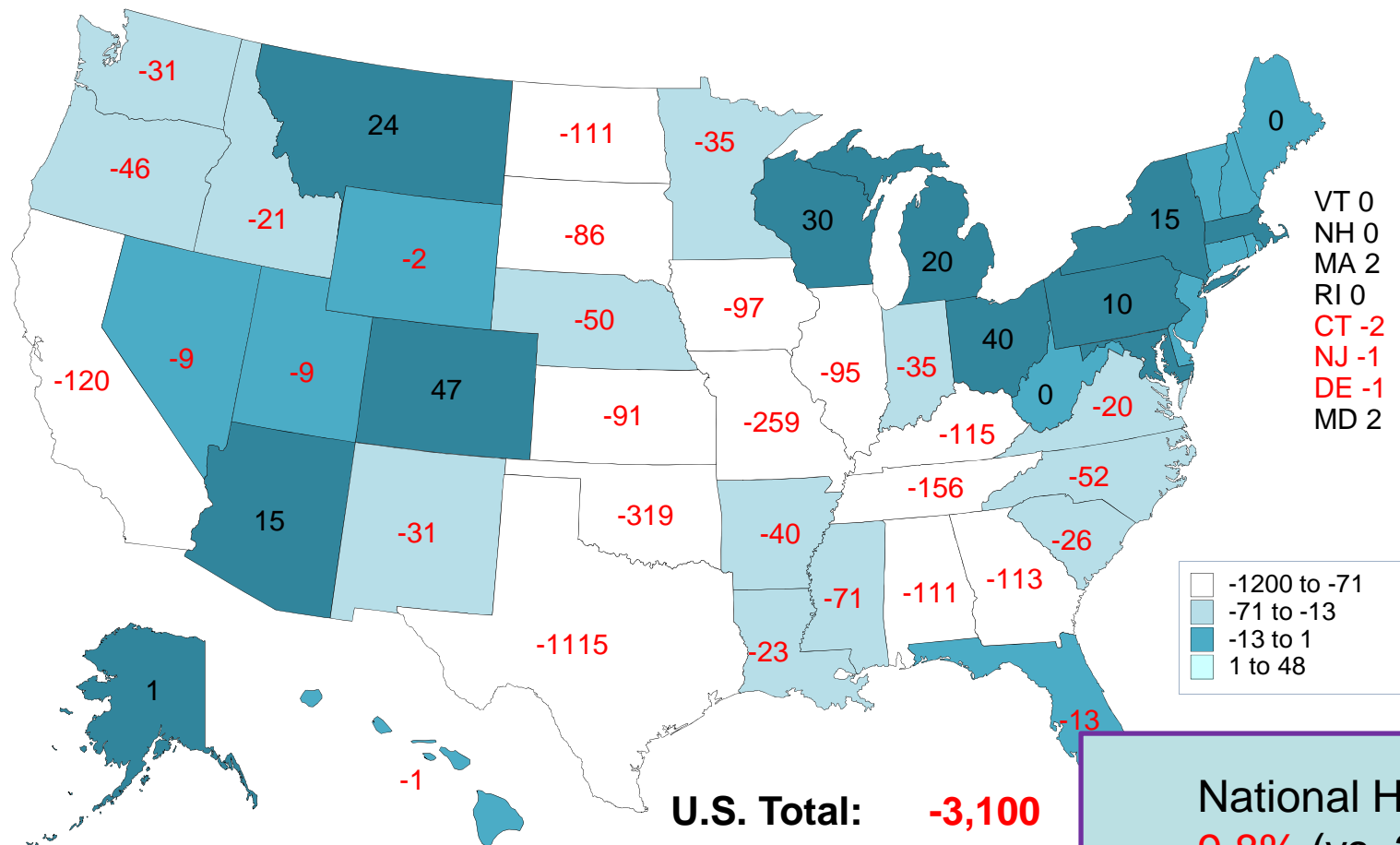
Livestock Marketing Information Center  
 Data Source: USDA-NASS

01/27/12



OK + TX = 46.2%  
of National Decline

## CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2002 TO JANUARY 2012 (1000 Head)



National Herd:  
- 9.8% (vs. 2002)

Livestock Marketing Information Center  
Data Source: USDA-NASS



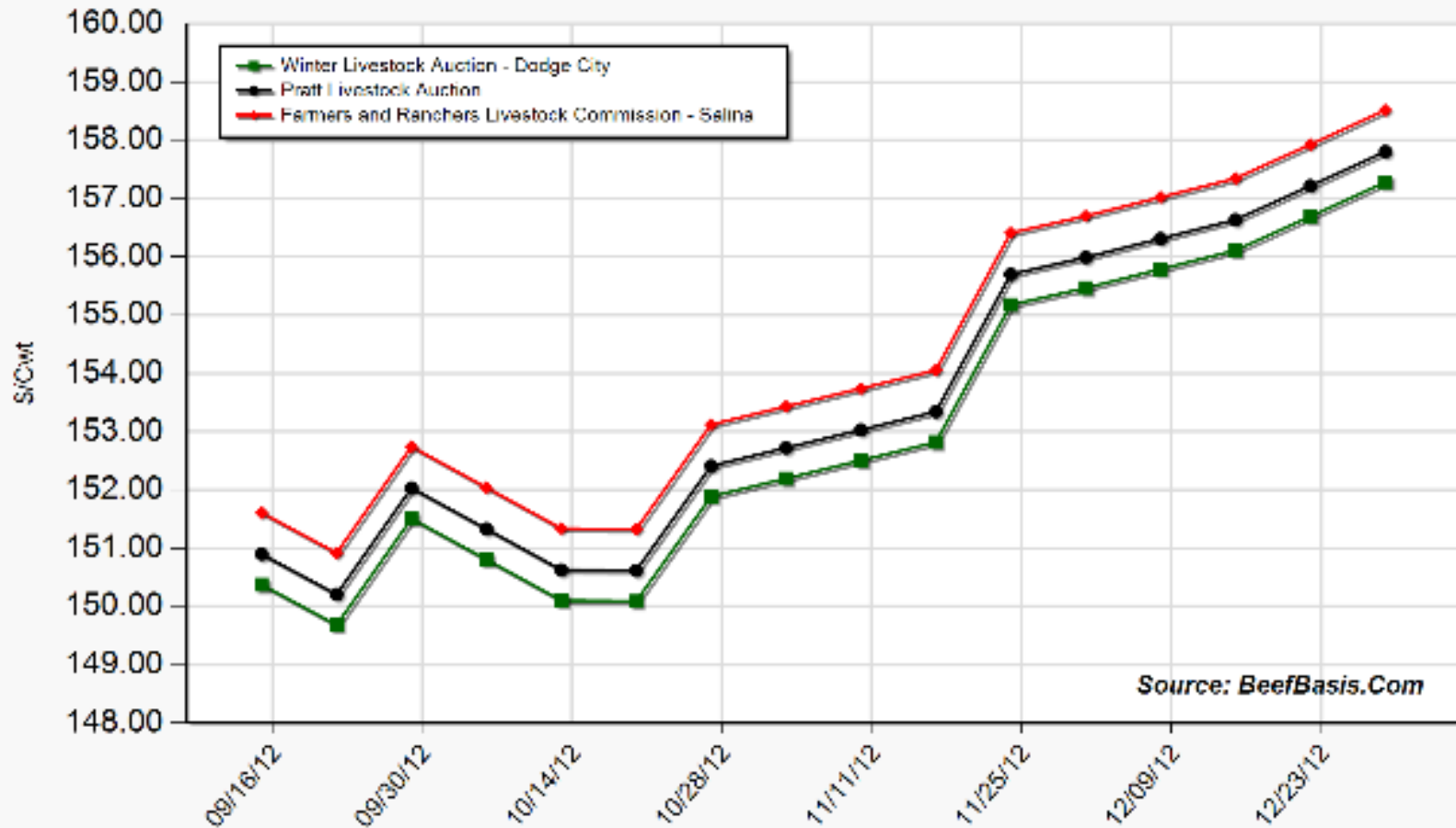
# Economic Outlook Overview: Cow-Calf Sector

- Strong calf price pullback w/l 2012
  - National vs. regional drought magnified cattle market impact compared to 2011
- *Eventually*: return as beneficiary of tight supplies and probable expanded heifer retention...
- Returns over cash costs
  - 2012 estimates have fell \$100/cow
  - Will 2015 now be “the peak return year” ???
    - Widening between top 1/3 and bottom 1/3 of producers?
      - Cost management critical; even more so in period of drought response....



As of: 9/20/12

Projected Price for 550 Lb Steer at Selected Kansas Auctions



Source: BeefBasis.Com



Agricultural Economics  
Kansas State University

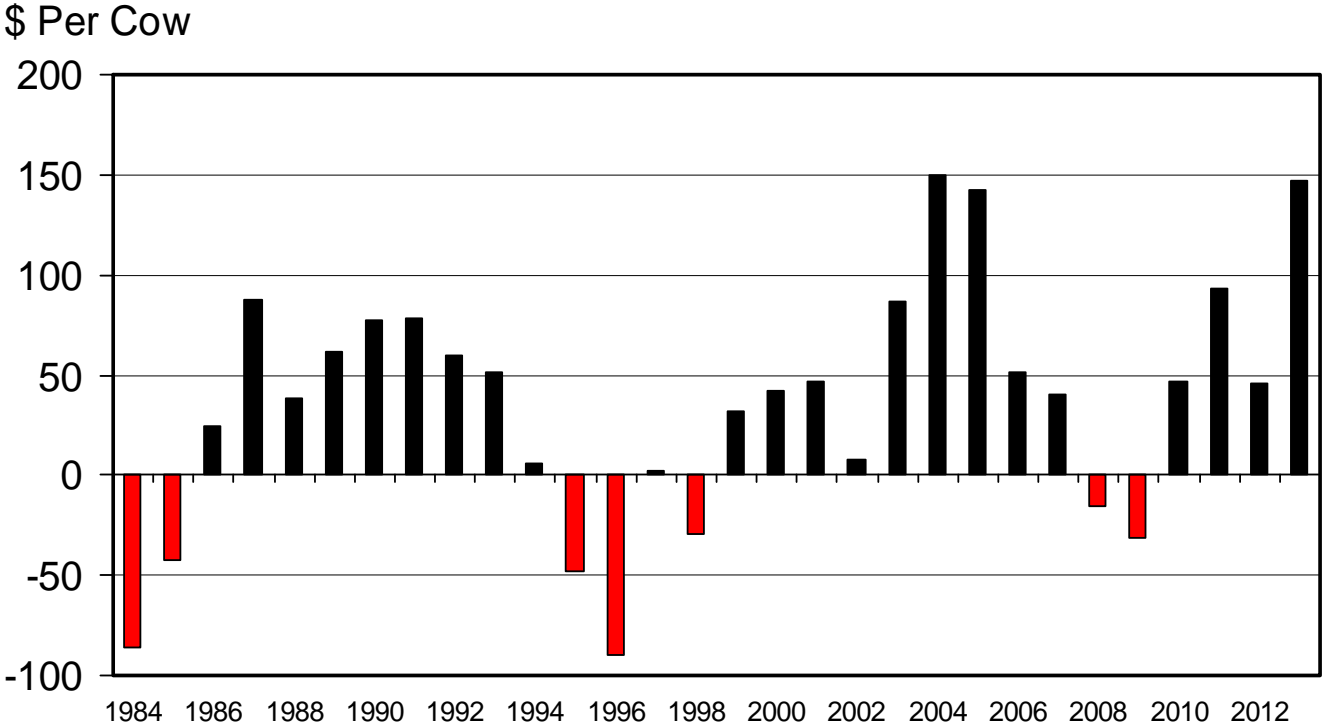
<http://www.agmanager.info/livestock/marketing/graphs/cattle/prices/default.asp>

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# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



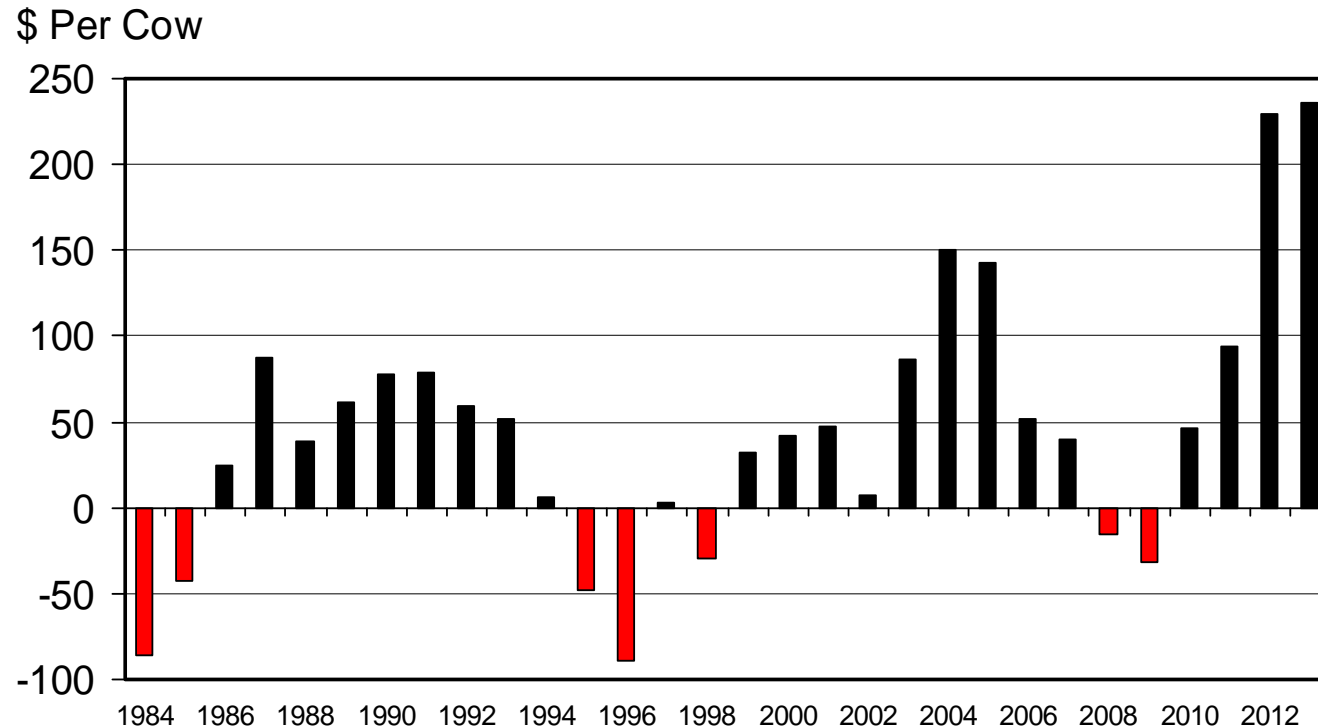
C-P-66  
08/09/12

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



Livestock Marketing Information Center

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

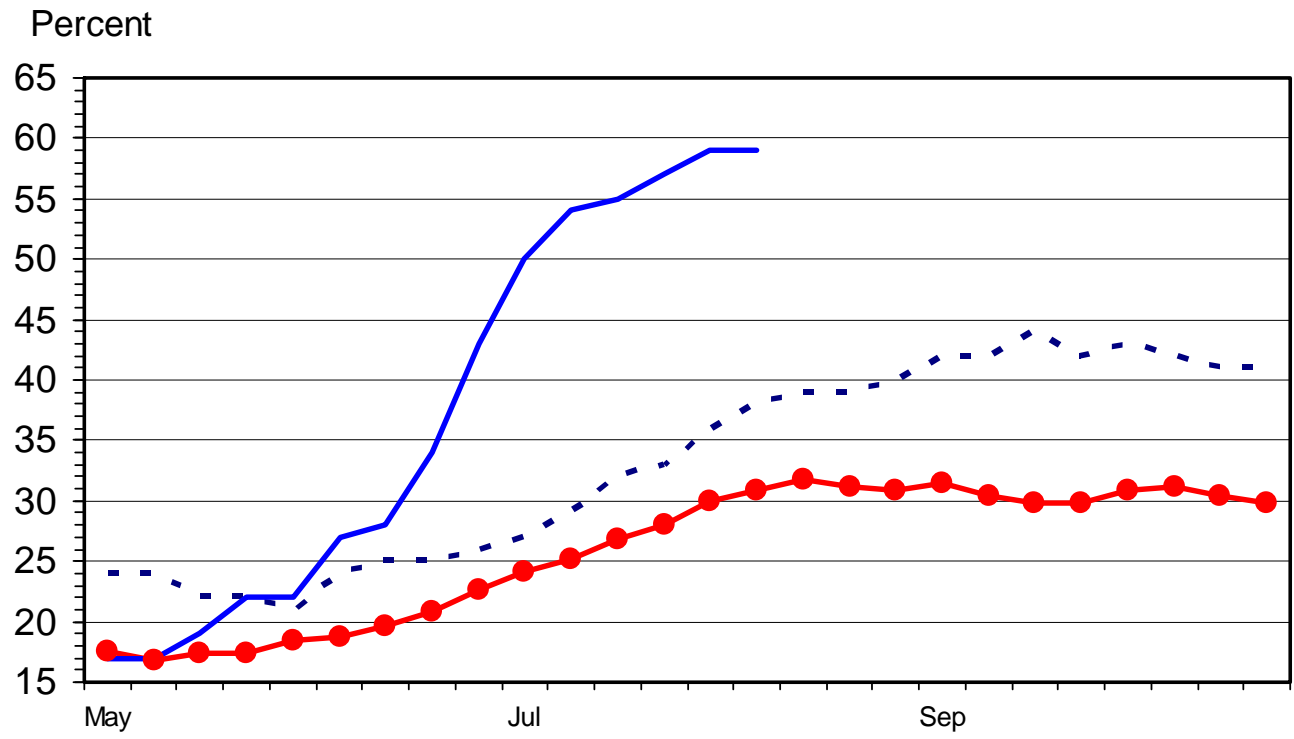
C-P-66  
03/21/12

# US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

Beef Cows in states with 40% Poor to Very Poor		
Last year	Cows	% of Total
07/31/11	12363	40.18%
08/07/11	12865	41.82%
08/14/11	13596	44.19%
This Year		
07/29/12	22809	76.54%
08/05/12	22731	76.28%
08/12/12	23030	77.28%

**8/15/10:  
5.1% of Cows**



—●— Avg. 2006-2010  
- - - 2011  
— 2012

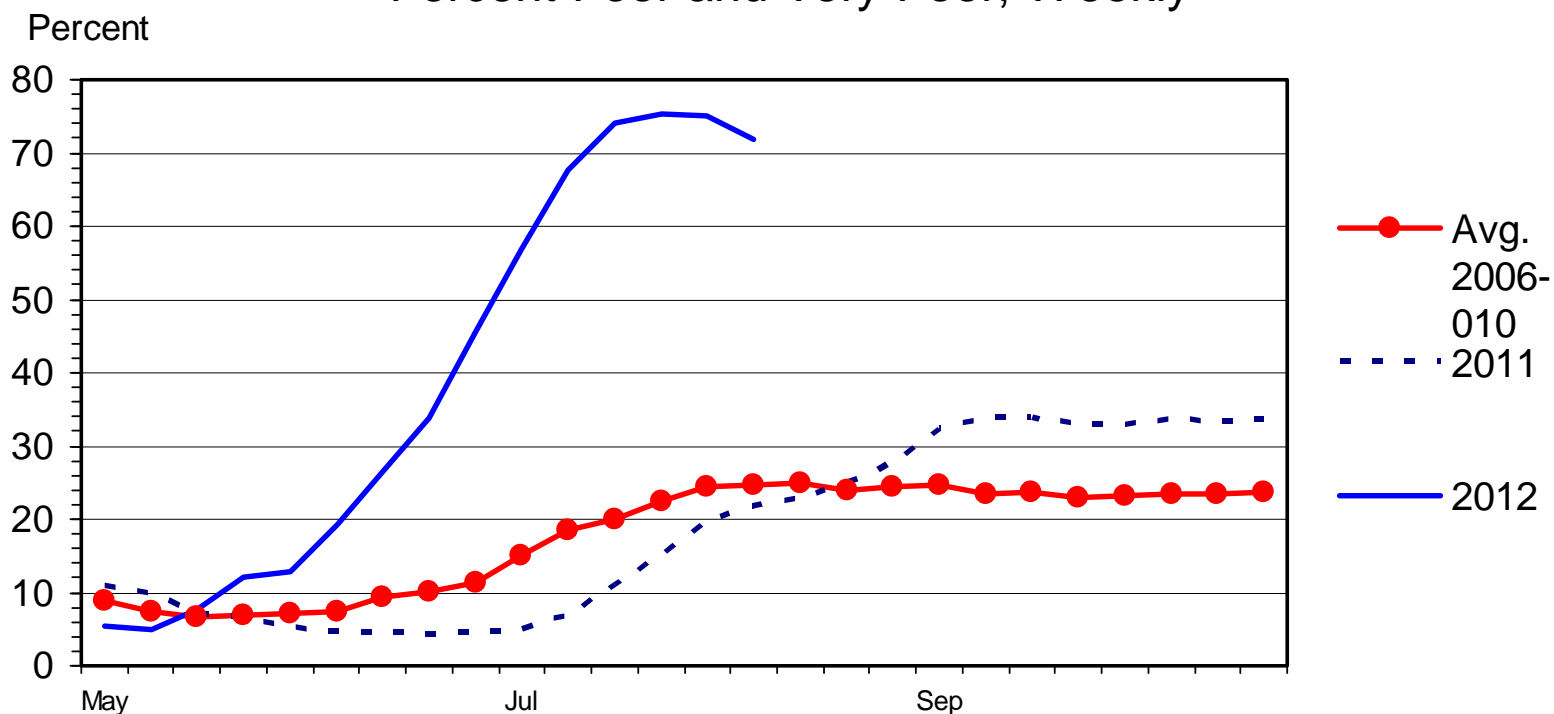
Livestock Marketing Information Center  
 Data Source: USDA-NASS, Compiled & Analysis by LMIC

G-NP-30  
 08/13/12

IL, IN, IA, MI, MN,  
MO, OH, & WI  
14.5% of Cows  
(2012)

## CORNBELT REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-34  
08/13/12

Livestock Marketing Information Center

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

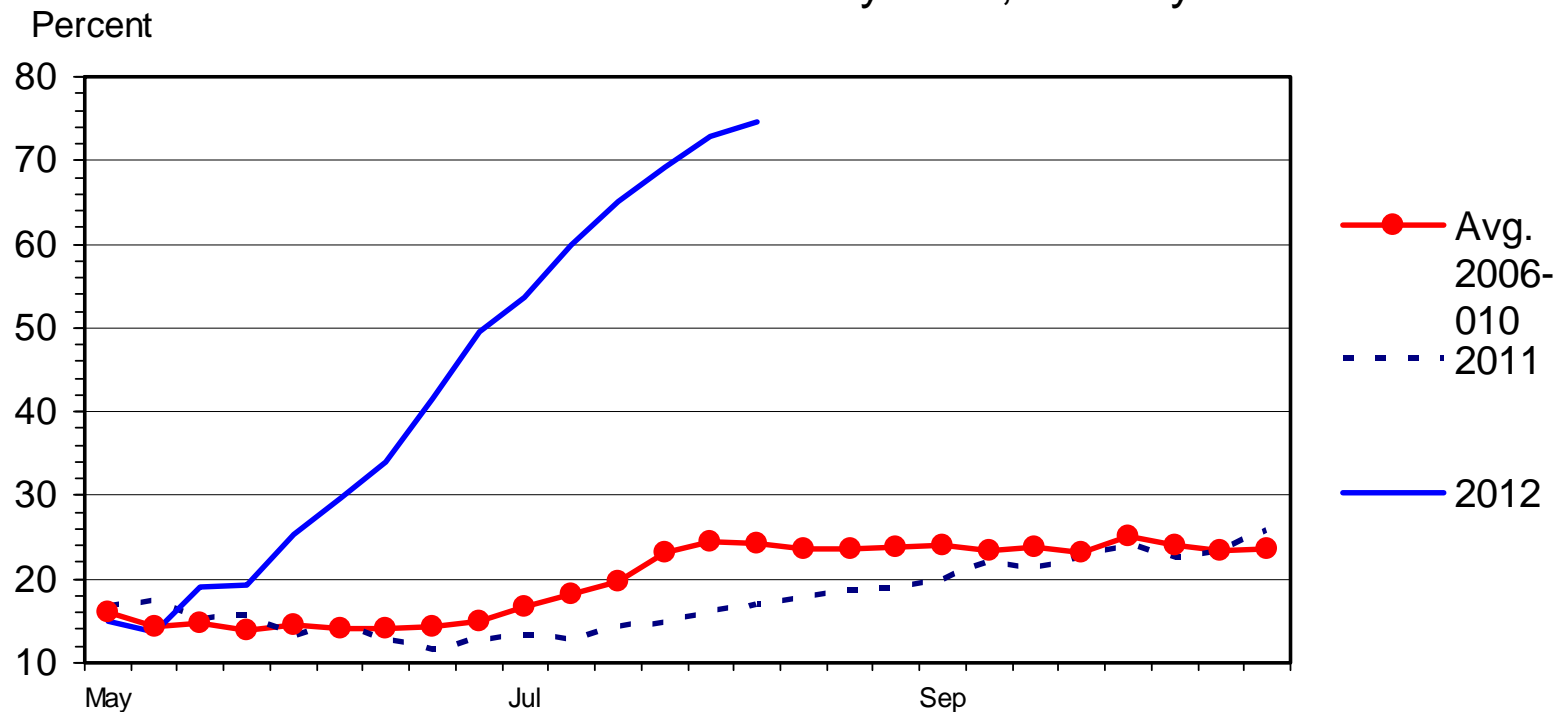
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CO, KS, MT, NE, ND,  
SD, & WY  
29.2% of Cows  
(2012)

## GREAT PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-32  
08/13/12

Livestock Marketing Information Center

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

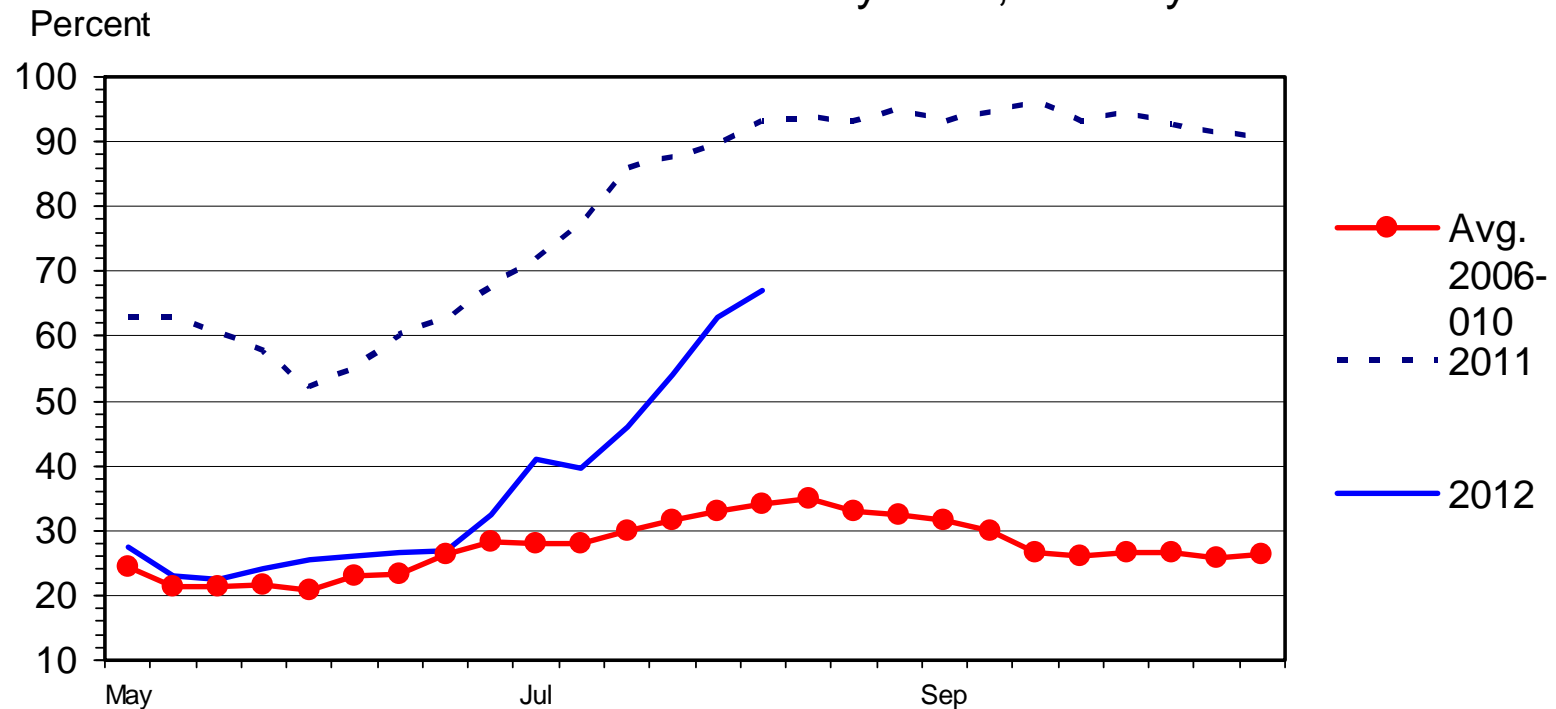
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OK & TX  
20.4% of Cows  
(2012)

## SOUTHERN PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-33  
08/13/12

Livestock Marketing Information Center

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

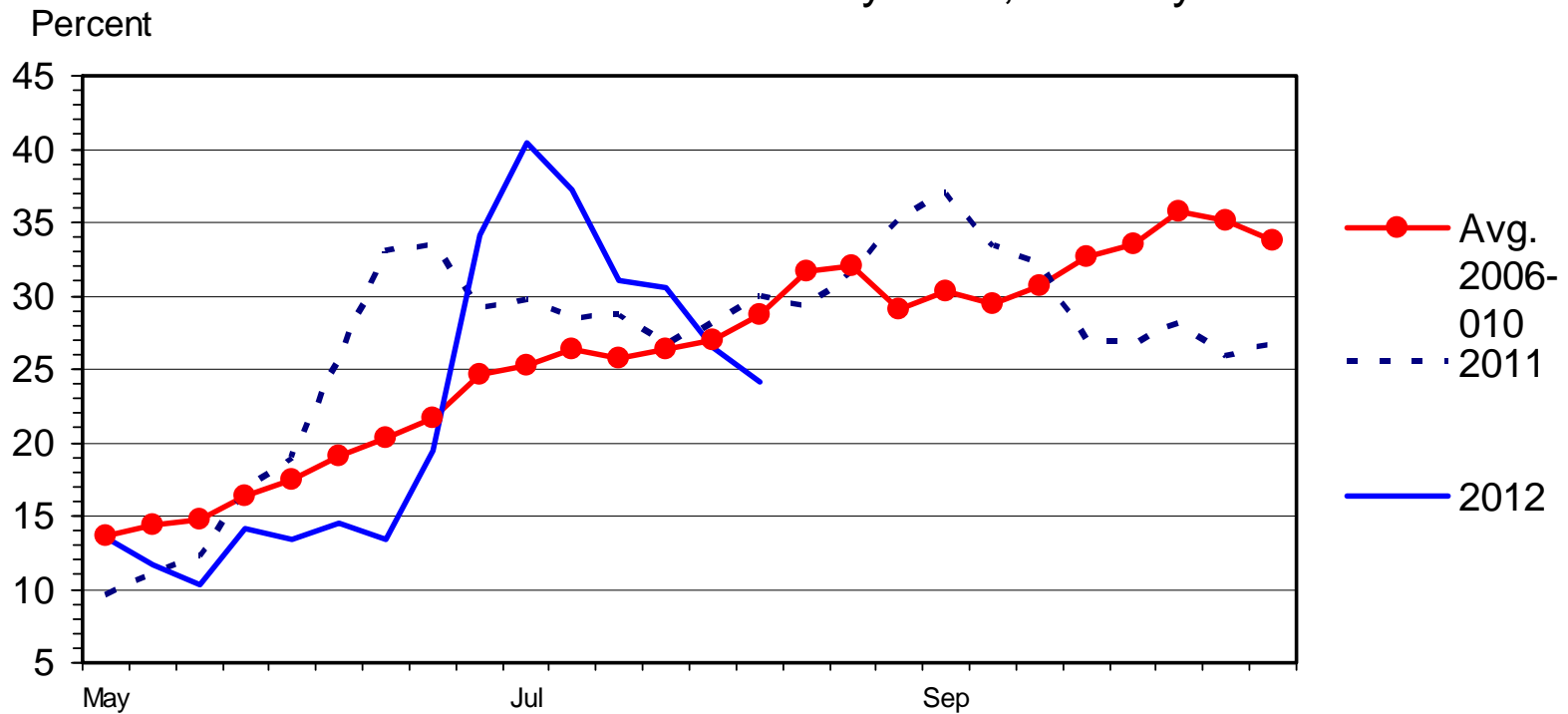
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AL, AR, FL, GA, KY,  
 LA, MS, NC, SC, TN,  
 VA, & WV  
 24.5% of Cows (2012)

## SOUTHEAST REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-36  
 08/13/12

Livestock Marketing Information Center

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



# July 1 Cattle Inventory Report

- Report was eliminated and then reinstated for 2012; future is unknown ...
- Downsizing of herd continues (yr-on-yr changes)
  - Beef cows: -3% (900,000 hd)
  - Beef heifer replacements: 0% (was +1.4% in Jan.)
  - 2012 calf crop estimate: -2.3% (800,000 hd)
  - Feeder supplies outside feedlots: -3.2% (1.18 mil. Hd)

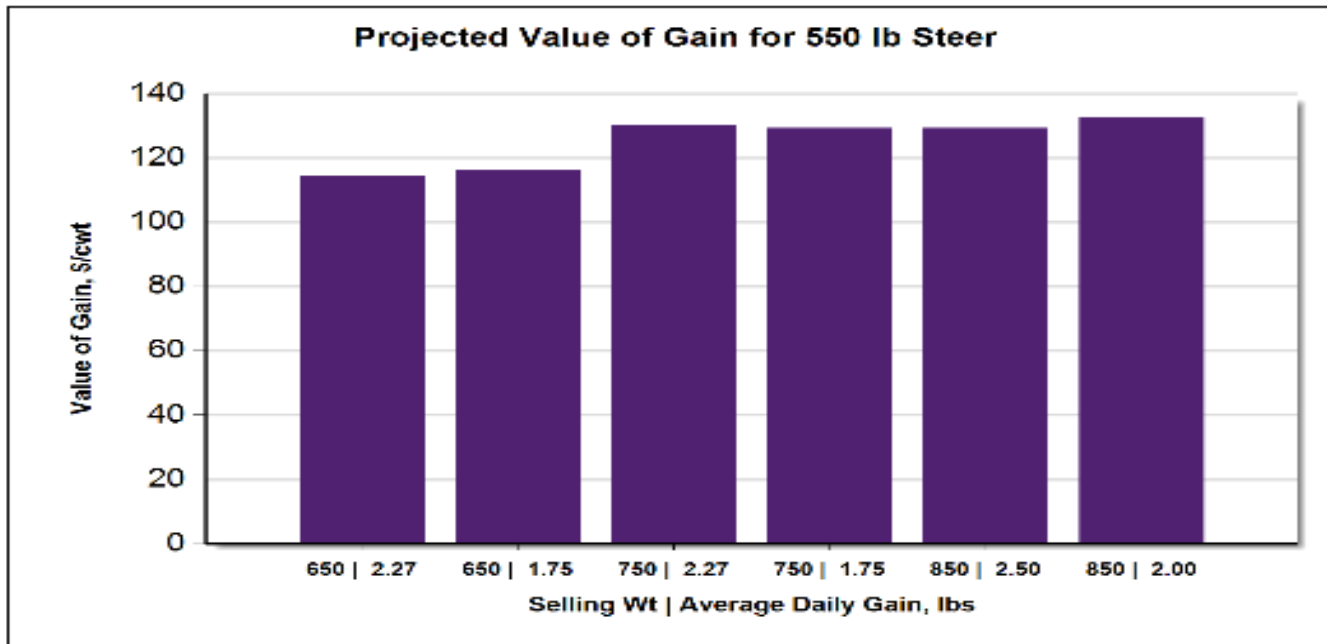


# Economic Outlook Overview : Stockers

- Margins have improved by fall in calf prices
  - During drought, weak basis improved projected margins...
  - Recent increase in calf prices squeezing margins...
- Of course, not everyone has the necessary feedstuffs to successfully engage this fall/winter
  - Increased VOG = increased rewards for management
  - Pockets of “excess silage” resources = opportunity...







Projected Value of Gain					
Beginning Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, \$/cwt
550	650	10/29/2012	100	2.27	\$114.62
550	650	11/11/2012	100	1.75	\$116.31
550	750	12/12/2012	200	2.27	\$130.02
550	750	01/07/2013	200	1.75	\$129.23
550	850	01/13/2013	300	2.50	\$129.31
550	850	02/12/2013	300	2.00	\$132.45

Note: Projections derived for the Salina, KS market using BeefBasis.com  
 Related information is available at: BeefBasis.com

9/15/2012



<http://www.agmanager.info/livestock/marketing/graphs/cattle/prices/VOG.asp>

# Economic Outlook Overview: Feedlots

- Excess capacity concerns remain...
  - Drought improves this initially, makes it worse over coming years...
  - Mexican supplies may be drying up also...
- Forecasted losses persist...
  - Current closeouts are at historically high losses...
  - Elevated cost of gain



# Historical and Projected Kansas Feedlot Net Returns (as of 9/6/12')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

**Table 1. Projected Values for Finishing Steers in Kansas Feedyards\***

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Aug-12	-238.35	106.68	120.31	154.97	63.38	137.55	126.35
Sep-12	-174.94	109.23	125.16	153.02	76.58	137.84	132.28
Oct-12	-127.50	110.68	128.75	153.17	87.65	137.96	137.82
Nov-12	-70.47	112.92	129.50	147.09	100.76	134.53	138.50
Dec-12	14.00	115.78	132.06	139.89	118.19	131.01	141.72
Jan-13	-18.30	120.52	131.36	138.88	117.34	132.71	136.53

**Representative Barometer for Trends in Profitability**

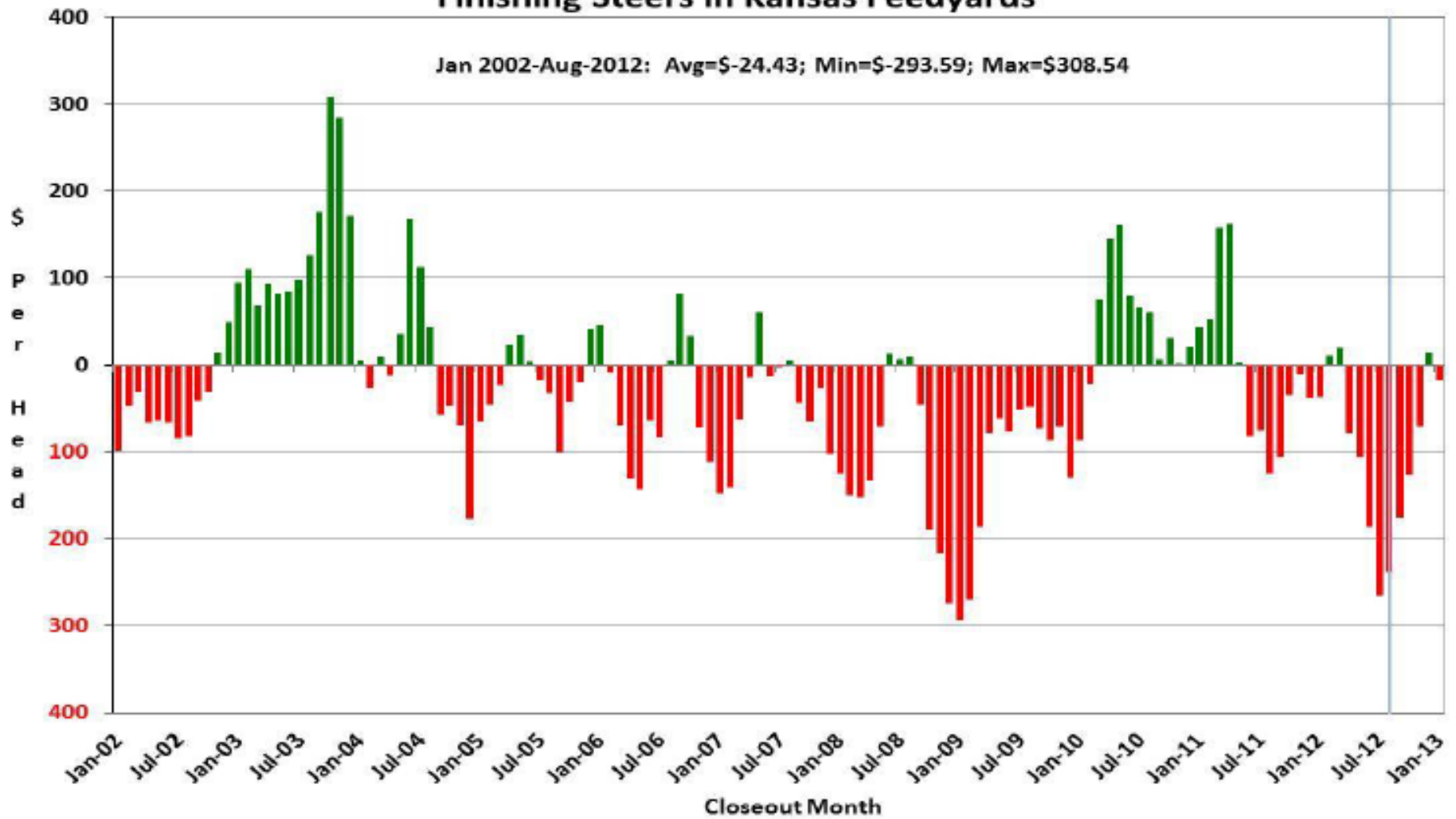
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# Historical and Projected Kansas Feedlot Net Returns (as of 9/6/12')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

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



# QUARTERLY FORECASTS (LMIC: 8/10/12)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
<b>2011</b>						
I	8,314	1.8	770.9	0.7%	6,410	2.6
II	8,640	-0.5	759.2	0.7%	6,559	0.2
III	8,738	-0.2	770.9	-0.3%	6,736	-0.5
IV	8,395	-3.0	773.1	-0.8%	6,490	-3.7
<b>Year</b>	<b>34,087</b>	<b>-0.5</b>	<b>768.5</b>	<b>0.1%</b>	<b>26,195</b>	<b>-0.4</b>
<b>2012</b>						
I	8,027	-3.5	782.7	1.5%	6,283	-2.0
II	8,311	-3.8	779.1	2.6%	6,475	-1.3
III	8,344	-4.5	787.2	2.1%	6,568	-2.5
IV	8,292	-1.2	784.0	1.4%	6,501	0.2
<b>Year</b>	<b>32,974</b>	<b>-3.3</b>	<b>783.2</b>	<b>1.9%</b>	<b>25,826</b>	<b>-1.4</b>
<b>2013</b>						
I	7,747	-3.5	783.7	0.1%	6,071	-3.4
II	7,985	-3.9	778.8	0.0%	6,219	-4.0
III	8,130	-2.6	792.9	0.7%	6,446	-1.9
IV	7,801	-5.9	793.1	1.2%	6,187	-4.8
<b>Year</b>	<b>31,663</b>	<b>-4.0</b>	<b>787.1</b>	<b>0.5%</b>	<b>24,923</b>	<b>-3.5</b>
<b>2014</b>						
I	7,321	-5.5	792.5	1.1%	5,802	-4.4
II	7,570	-5.2	785.6	0.9%	5,947	-4.4
III	7,709	-5.2	802.0	1.2%	6,183	-4.1
IV	7,321	-6.2	802.2	1.1%	5,873	-5.1
<b>Year</b>	<b>29,921</b>	<b>-5.5</b>	<b>795.6</b>	<b>1.1%</b>	<b>23,805</b>	<b>-4.5</b>



# QUARTERLY FORECASTS (LMIC: 8/10/12)

Year Quarter	Live Sltr. Steer Price	% Chg. from	Feeder Steer Price Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
<b>2011</b>				
I	110.12	23.1	129.06	150.07
II	112.79	17.1	132.03	148.61
III	114.05	19.5	135.93	141.69
IV	121.99	21.7	143.15	153.11
<b>Year</b>	<b>114.74</b>	<b>20.3</b>	<b>135.04</b>	<b>148.37</b>
<b>2012</b>				
I	125.29	13.8	154.25	182.41
II	120.91	7.2	152.65	178.65
III	118-119	3.9	138-141	141-144
IV	122-124	0.8	137-140	140-145
<b>Year</b>	<b>121-123</b>	<b>6.3</b>	<b>144-148</b>	<b>159-164</b>
<b>2013</b>				
I	125-128	1.0	137-141	147-152
II	126-130	5.9	141-147	154-160
III	124-129	6.8	145-152	158-165
IV	126-132	4.9	146-153	158-166
<b>Year</b>	<b>126-129</b>	<b>4.5</b>	<b>143-147</b>	<b>155-160</b>
<b>2014</b>				
I	130-137	5.5	152-160	172-181
II	132-140	6.3	155-165	175-187
III	130-139	6.3	156-167	171-184
IV	132-142	6.2	154-166	168-183
<b>Year</b>	<b>132-138</b>	<b>5.9</b>	<b>156-163</b>	<b>174-181</b>



# Economic Outlook Overview :

## Beef Demand

- Meat prices rising w/i basket of purchases...
- Domestic demand has surprised analysts...
- Export success “tempered” but prospects remain bullish...
- Discussion on demand “getting complicated”
  - Growing interest in “how my food is produced”
    - Animal welfare, food safety, antibiotics, hormone use, local, organic, traceability...
  - LFTB (lean finely textured beef) discussion...
  - Customer vs. consumer distinction importance...



Yuck...

Beats eating  
GMO. Reduces  
animal slaughter.  
Solves world  
hunger. Looks  
promising.

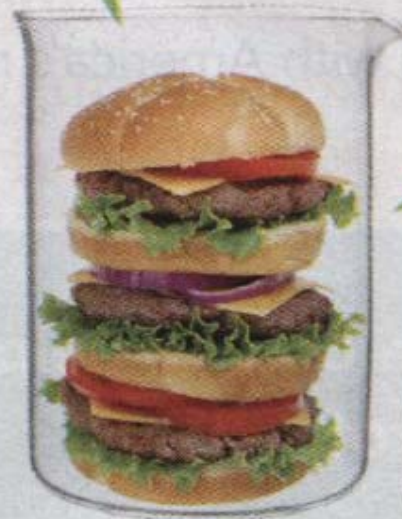
Your  
move,  
Taco  
Bell!

Americans  
have been proven  
to eat anything that  
comes in a nice  
package with  
the right  
marketing.

## SOCIAL MEDIA

# Man-Made Meat

A TIME.com piece on the world's first lab-grown burger, to be served in 2012, got our Google+ followers so riled up that they maxed out the site's 500-comment limit, with many answering our question, Would you eat test-tube meat?



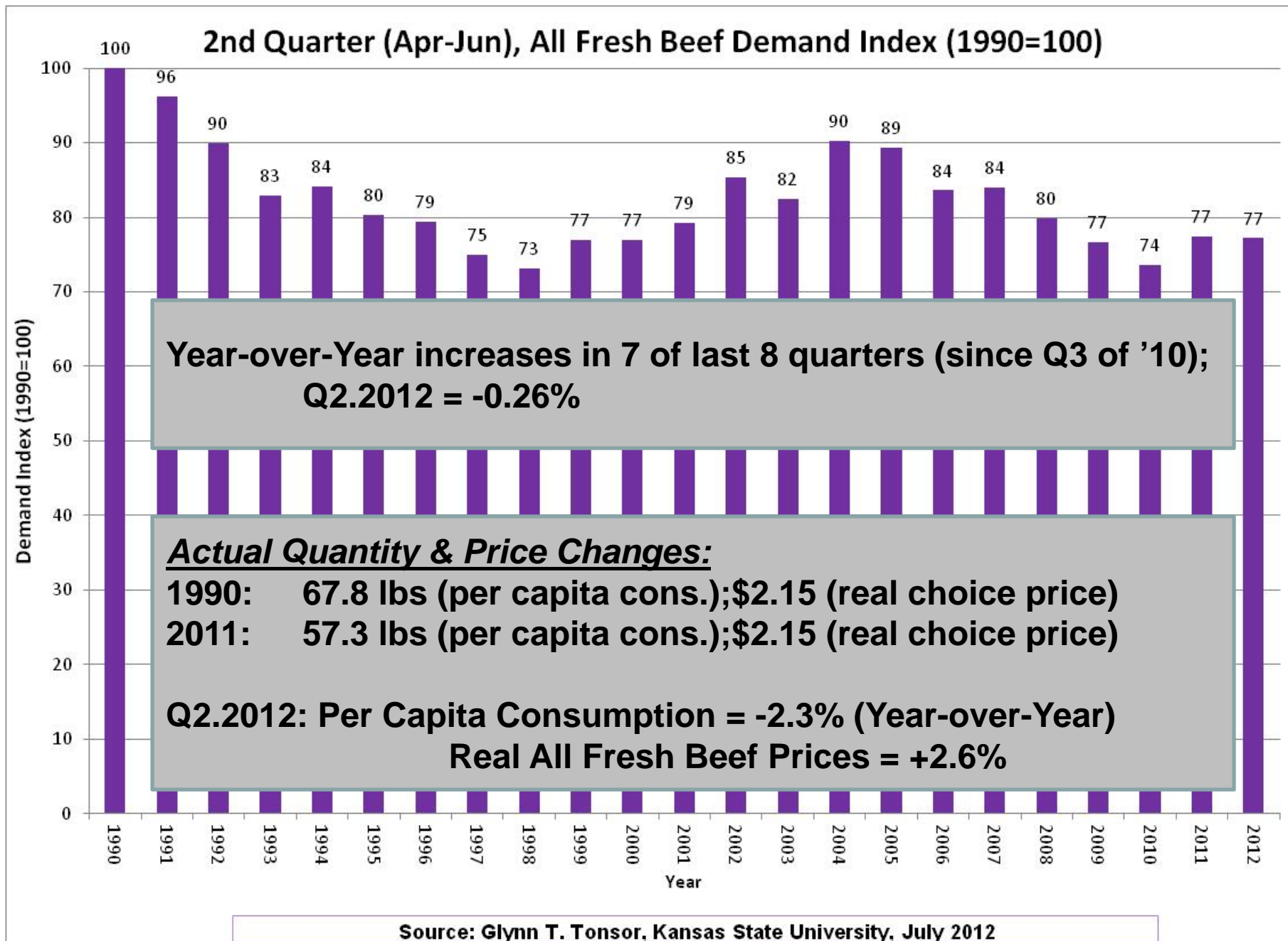
Comments, clockwise from left: Brontae Hunter, Miss M, Gian Robinson, Phil DiNuzzo

Source: March 12, 2012 TIME magazine

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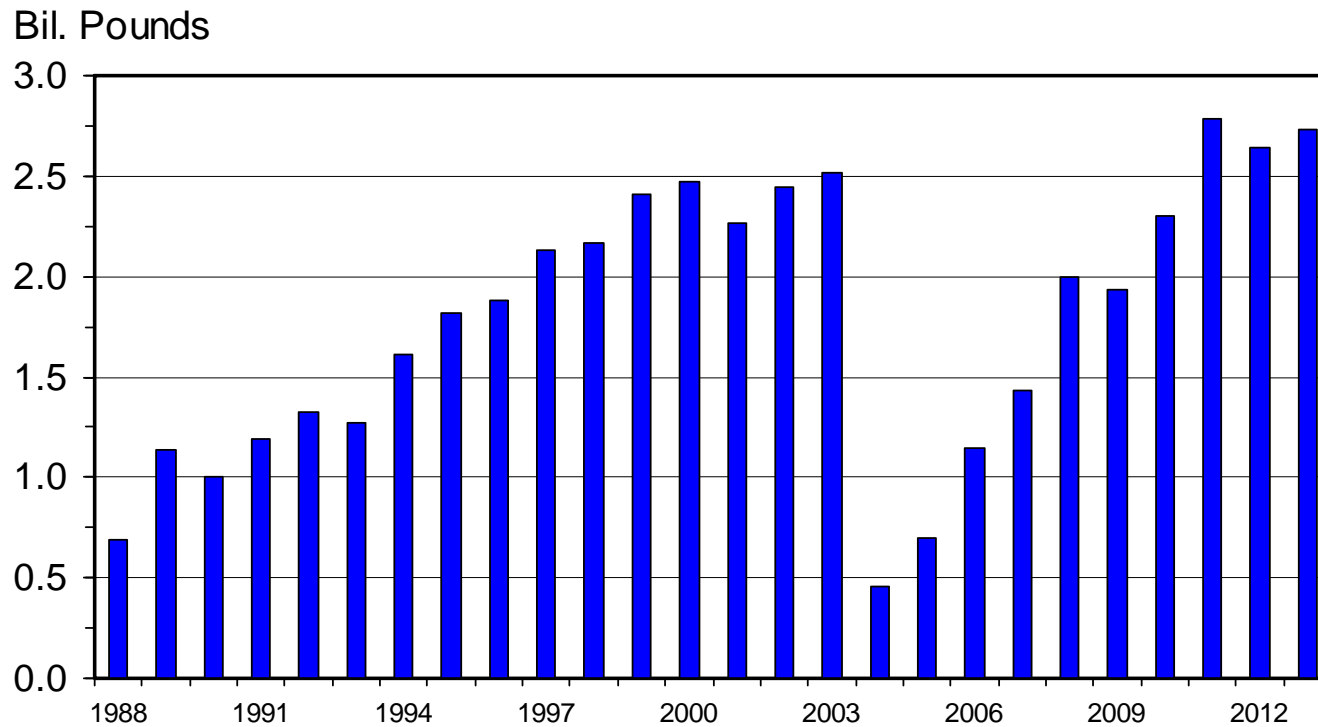






# U S BEEF AND VEAL EXPORTS

## Carcass Weight, Annual



Livestock Marketing Information Center

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

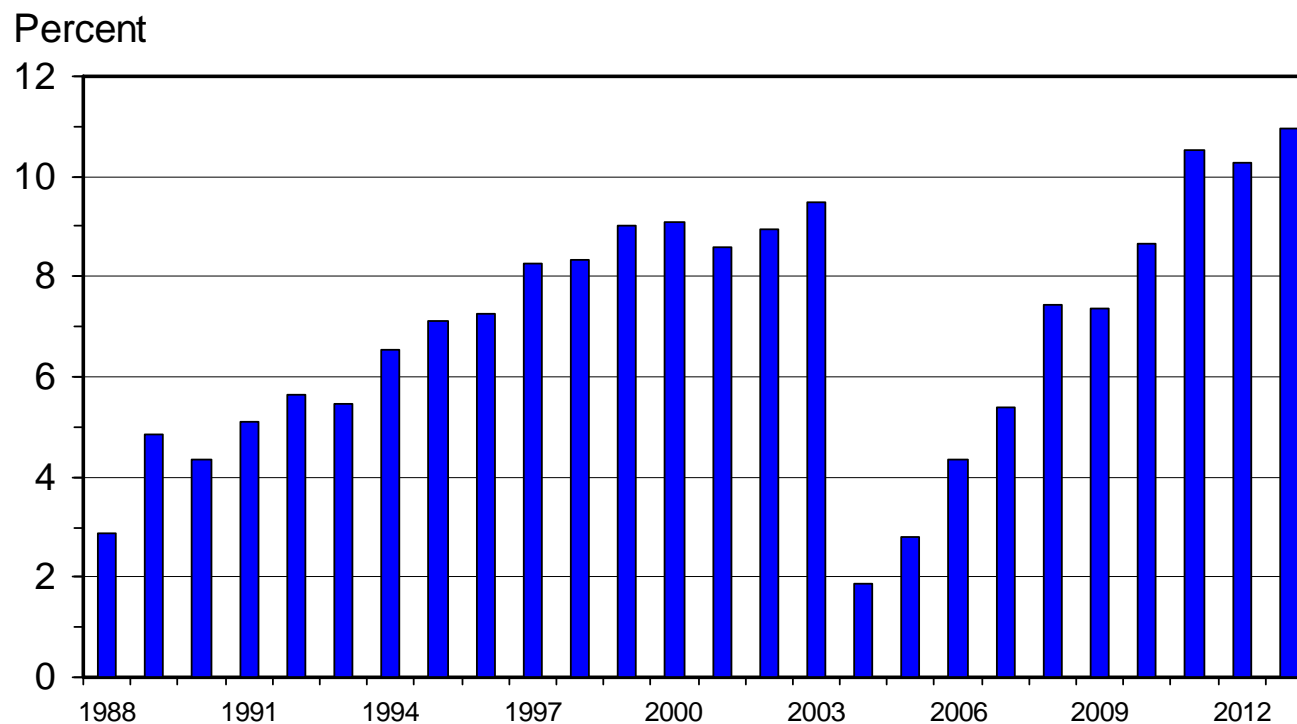
I-N-06  
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# U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



Livestock Marketing Information Center

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

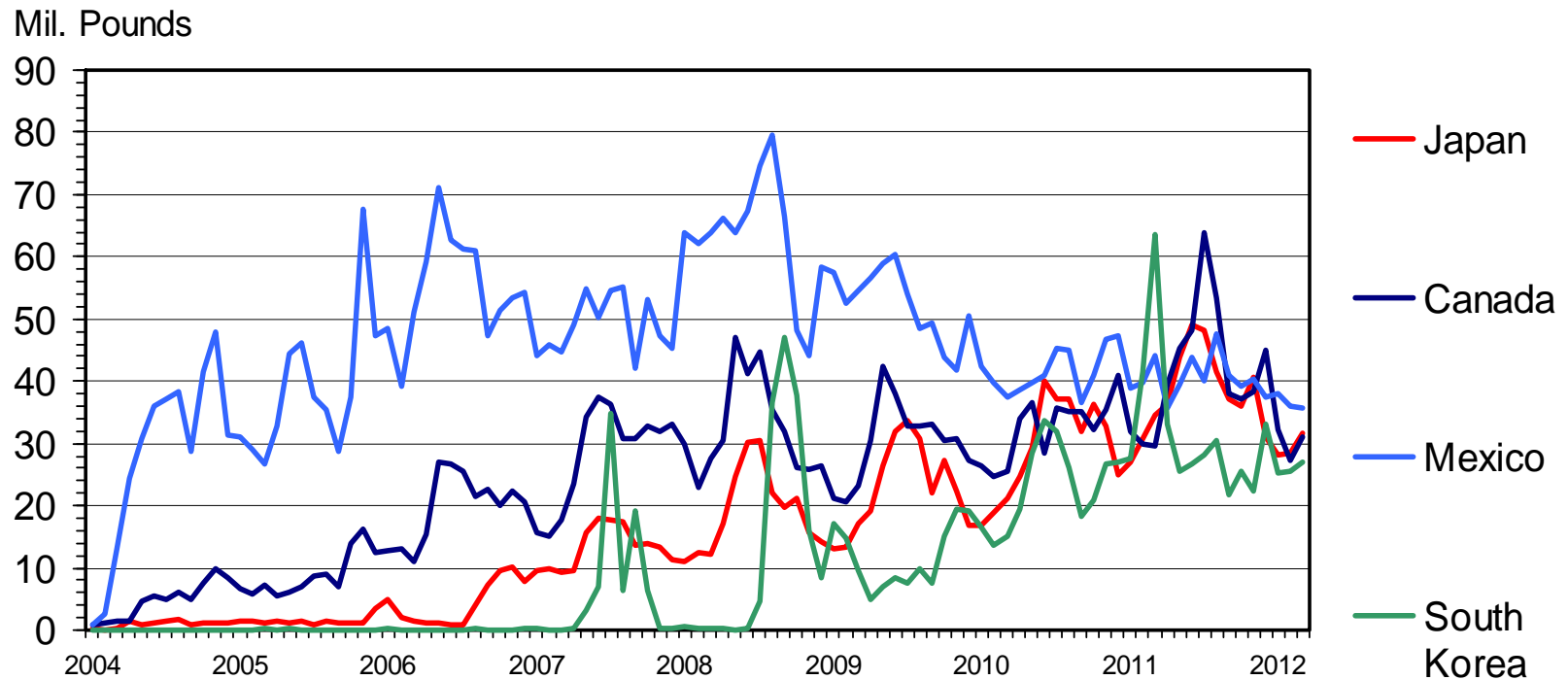
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# U S BEEF EXPORTS TO MAJOR MARKETS

## Carcass Weight, Monthly



Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

I-N-35  
05/11/12



# USDA's longer-term projections (as of Feb. 2012) ...

<http://www.ers.usda.gov/Publications/OCE121/>

- **U.S. beef cow inventory:**
  - 29.8 million in 2012
  - 34.5 million in 2021 (+/- 1997 levels)
- **U.S. domestic per capita red meat & poultry consumption:**
  - 221 lbs in 2004-2007 (**Beef=65.7 lbs**; Pork=50.4 lbs; Poultry=103.8 lbs)
  - 198 lbs in 2013 (**Beef=51.3 lbs**; Pork=46.3 lbs; Poultry=98.5 lbs)
  - 213 lbs in 2021 (**Beef=58.7 lbs**; Pork=47.2 lbs; Poultry=105.8 lbs)
- **U.S. beef exports:**
  - 2.30 billion lbs in 2010
  - 2.77 billion lbs in 2011
  - 3.16 billion lbs in 2021



# USDA's longer-term projections (as of Feb. 2012) ...

<http://www.ers.usda.gov/Publications/OCE121/>

- **“Developing World” Changes**
  - Increasing global \$, pop., & per capita meat cons.
  - **Africa & Middle East (4.4% GDP/yr)**
    - **Arguably the least understood growth market...**
  - **Latin America (4.2% GDP/yr)**
    - **Growing producer & consumer...**
  - **China (8.0% GDP/yr)**
    - **Canada has access but US does not ...**
  - **South Korea (3.7% GDP/yr – but 10x per capita inc. of China)**
    - **US has access but Canada does not...**



# USDA's longer-term projections (as of Feb. 2012) ...

<http://www.ers.usda.gov/Publications/OCE121/>

- **“Developed World” Changes**
  - Declining global economic prevalence, populations, & per capita meat consumption
  - **US/Canada (2.5% GDP/yr)**
    - Different dependence on domestic consumption...
  - **Japan (1.0% GDP/yr):**
    - Major meat importer currently but will exporters care less going forward?
  - **Europe (1.9% GDP/yr):**
    - Will influential role as “food thought leader” persist?



# USDA's longer-term projections (as of Feb. 2012) ...

<http://www.ers.usda.gov/Publications/OCE121/>

	2011	2021	2021 to 2011 Growth	
<b>Importers: thousand metric tons, carcass weight</b>				
Japan	805	900	11.7%	95
South Korea	460	617	34.0%	157
Taiwan	125	159	27.0%	34
Philippines	145	179	23.1%	34
Other Asia	782	1,256	60.5%	473
European Union 1/	370	359	-2.9%	(11)
Russia	1,050	1,034	-1.5%	(16)
Other Europe	68	77	13.1%	9
Egypt	270	340	26.0%	70
Other N. Africa & M. East	892	1,311	47.0%	419
Mexico	296	599	102.5%	303
Canada	275	289	5.2%	14
United States	920	1,504	63.5%	584
Major importers	6,459	8,623	33.5%	2,164





# USDA's longer-term projections (as of Feb. 2012) ...

<http://www.ers.usda.gov/Publications/OCE121/>

	2011	2021	2021 to 2011 Growth	
<b>Exporters: thousand metric tons, carcass weight</b>				
Australia	1,250	1,347	7.8%	97
New Zealand	501	550	9.7%	49
Asia	1,182	2,031	71.8%	849
European Union 1/	475	418	-12.0%	(57)
Argentina	260	320	23.0%	60
Brazil	1,325	1,971	48.8%	646
Canada	415	413	-0.5%	(2)
United States	1,254	1,432	14.1%	177
Major exporters	6,662	8,481	27.3%	1,819



# Critical issues for discussion

- Global beef demand growth & restrictions from domestic industry heterogeneity must be watched...
  - Comparative position of US beef globally is debatable...
- Growth of cow-herd vs. # of operations
  - Will traits of those who expand be more aligned with changing consumer requirements???
- How does regionally varying cow-calf expansion influence industry excess capacity resolution?



More information available at:



This presentation is available in PDF format at:

<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

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# K-State Decision Aides: Cattle Price Oriented

(<http://www.agmanager.info/Tools/default.asp>)

- Expectations on Future Cash Prices
  - <http://www.beefbasis.com/>
- Examine Feeder Cattle Risk Management Alternatives
  - *“K-State Feeder Cattle Risk Management Tool”*
- Project Premium/Discount of Calf/Steer Attributes
  - *“K-State Feeder Cattle Price Analyzer”*
- Stocker Breakeven Selling/Purchasing Prices
  - *“Cattle Breakeven Selling and Purchase Prices”*



# Other K-State Decision Aides

(<http://www.agmanager.info/Tools/default.asp>)

- NPV of Beef Replacements
  - *“KSU-Beef Replacements”*
- Beef Cow Lease Agreements
  - *“KSU-CowLease”*
- Determining Flint Hills Pasture Rents
  - *“KSU-Graze.xls”*



# webinars



TONSOR

WEBINAR

## Beef-Cattle Economics

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## Beef-Cattle Economics webinar series

Series of quarterly webinars on beef-cattle markets and other industry-related issues.

**2012 schedule (all webinars begin at 1:30 CST)**

February 7

May 1

August 7

November 6

For details about specific topics and registering for webinars see additional information on [AgManager.info](http://AgManager.info) AND <http://www.meatingplace.com/Industry/Webinars>

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