

2018 Extension Outlook Conference
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***Beef Industry Outlook &
Trade Insights***

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Overarching Beef Industry Economic Outlook

- Supplies
 - Commercial Beef Production Up, Increases Moderating
 - +6.4% in 2016, +3.8% in 2017, +4.2% in 2018, +1.4% in 2019

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 - Key to surprising prices in late 2017 & early 2018

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- Demand
 - Key to surprising prices in late 2017 & early 2018
 - Q4.17: Production +2%; Fed Prices +9% & Calf Prices +23%
 - Q1.18: Production +3%; Fed Prices +2% & Calf Prices +14%
 - Q2.18: Production +5%; Fed Prices -12% & Calf Prices -0%
 - Exports are key & ongoing arena of uncertainty

All-Fresh Beef Retail Demand Index

(Quarterly, Price-Index Approach, 1990=100)

Q2.2018: +0.4%

vs. Q2.2017

Demand is **NOT** Per Capita Consumption

2013 Beef Demand Determinants Study



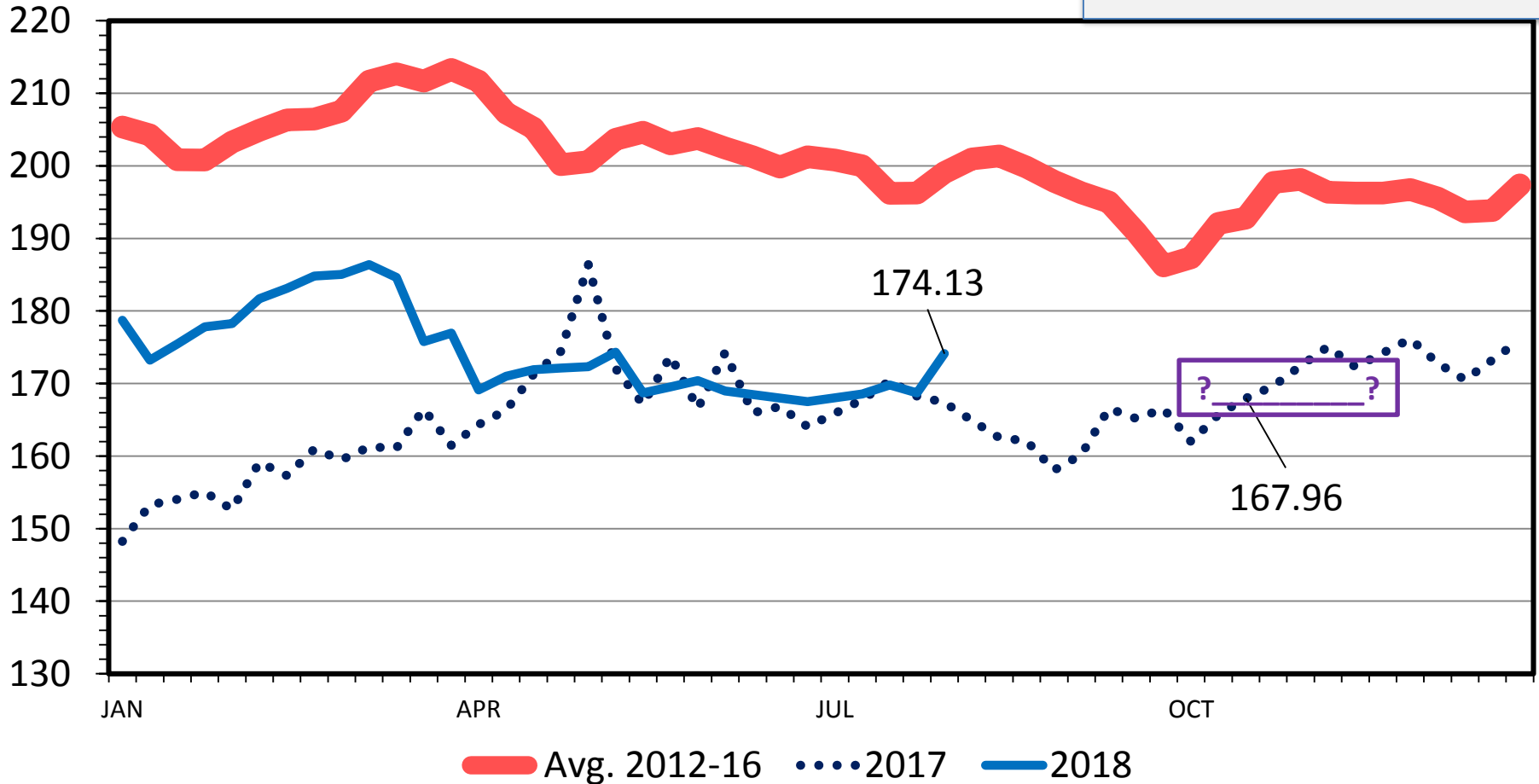
[http://www.beefboard.org/evaluation/
130612demanddeterminantstudy.asp](http://www.beefboard.org/evaluation/130612demanddeterminantstudy.asp)

**BeefBasis.com, Salina,
KS 2018 Projections
(as of 8/10/18):
Oct. 17: \$170**

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



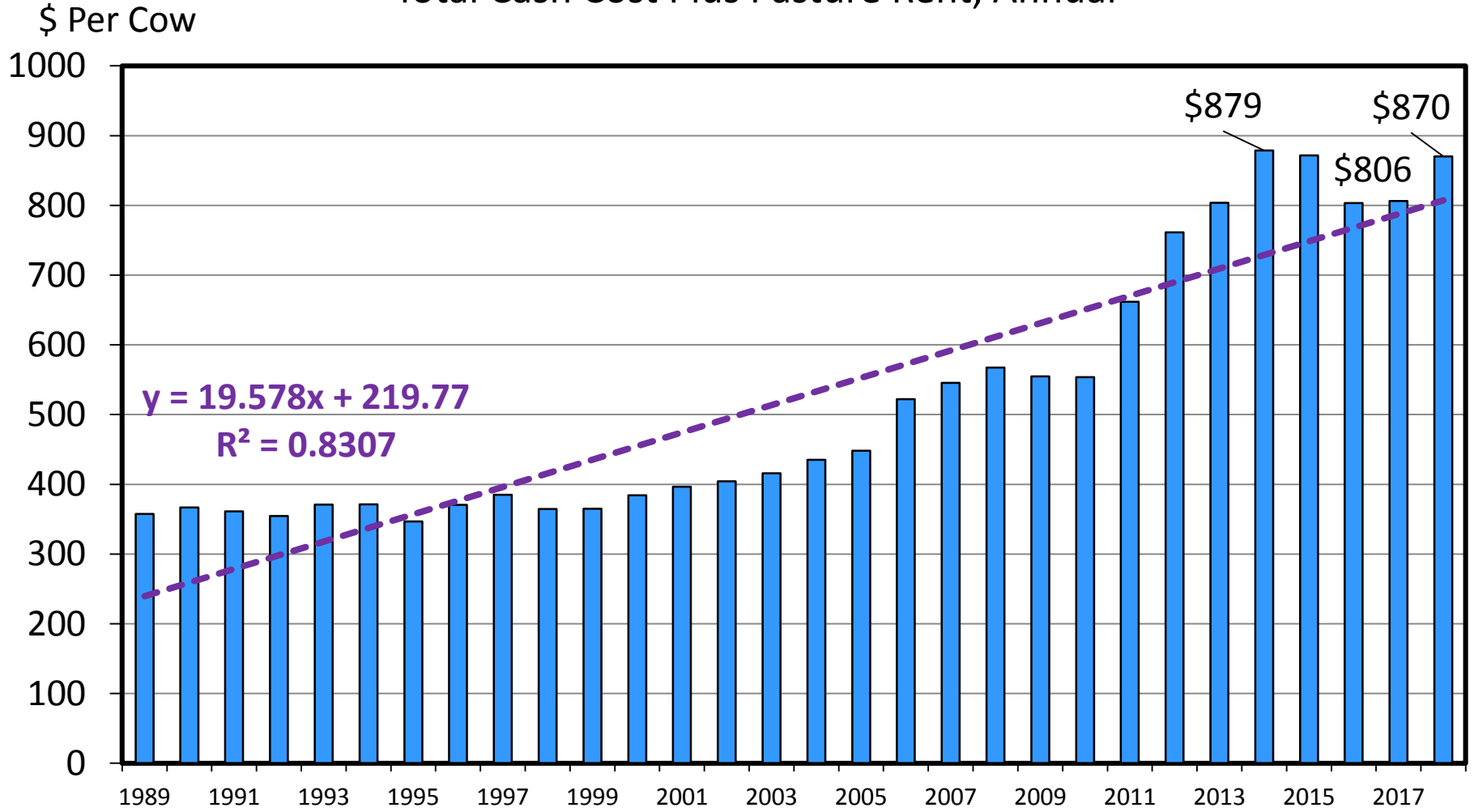
Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
08/06/18

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

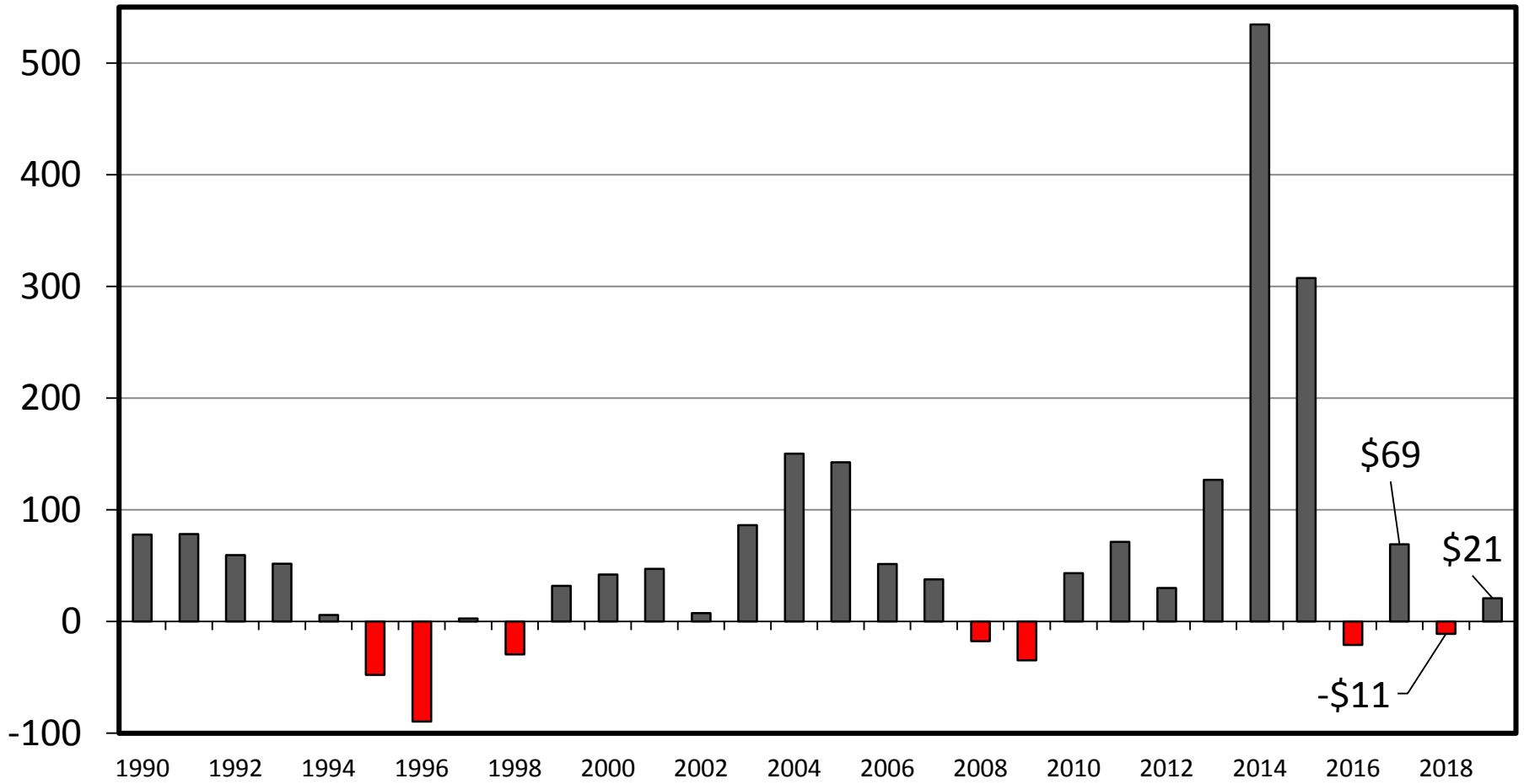
Livestock Marketing Information Center

07/05/18

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow

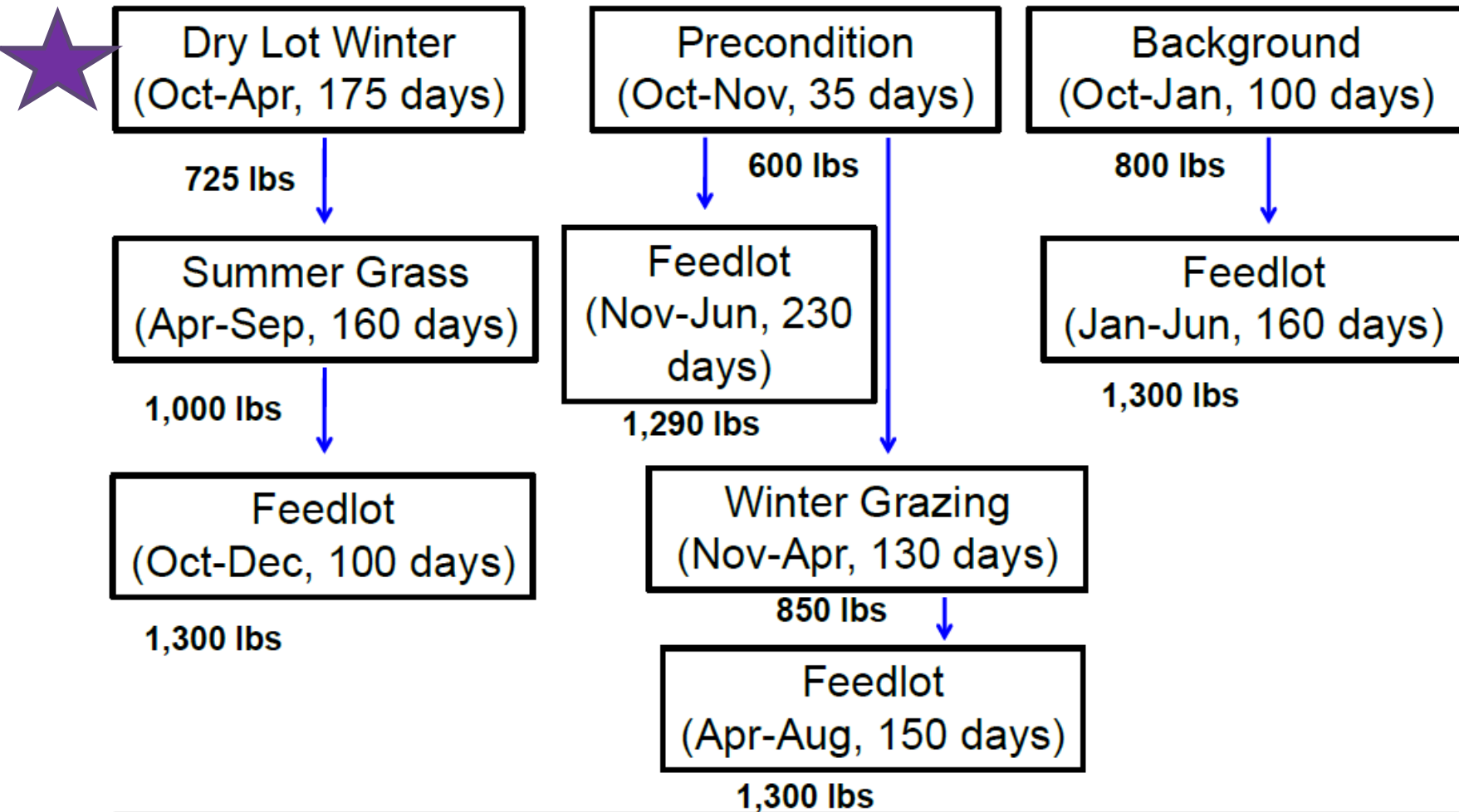


Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66
07/05/18

Fall Weaned 550# Calf



Economic Outlook Overview: Post Weaning *Forward-Looking Margin Perspective*

<http://www.beefbasis.com/VOG.aspx>

- Salina, KS 8/10/18 Dry-Lot Wintering situation:
 - Buy/Retain 550 lb steer on 10/17/18 (\$170)
 - Sell 750 lb steer on 4/17/19 (\$154) {1.1 ADG}
 - VOG: \$109/cwt
 - *Drought Monitor will dictate feasibility locally...*
 - *High market-implied value = hedging opp???*

Economic Outlook Overview: Feedlots

- 2017 was better than anticipated
- 2018 has been rougher
 - Q3-Q4 return prospects have improved

Historical and Projected Kansas Feedlot Net Returns (as of 8/10/18')

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

June 18': -\$186/steer

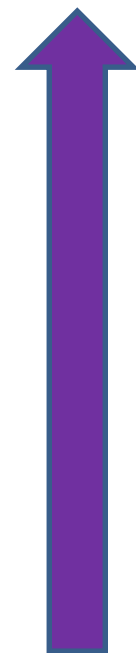
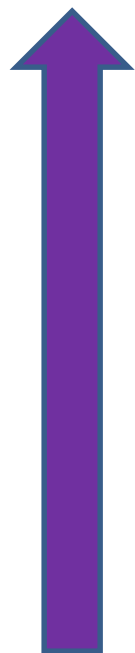
Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Fed Futures	Fed Basis	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jul-18	-109.31	82.95	112.09	107.13	4.96	147.28	65.27	120.03	132.87
Aug-18	-105.09	82.24	110.84	109.40	1.44	147.15	66.01	118.41	132.97
Sep-18	-112.01	83.54	109.84	109.40	0.44	143.83	66.29	117.76	129.20
Oct-18	-38.81	83.87	114.05	113.35	0.70	136.91	77.22	116.76	132.34
Nov-18	-17.75	83.20	114.27	113.35	0.92	140.52	80.56	115.49	138.25
Dec-18	-10.21	83.94	118.18	116.45	1.73	146.47	82.41	118.89	145.14
Jan-19	-55.20	84.40	118.35	116.45	1.90	150.90	75.92	122.23	143.78
Feb-19	-52.45	85.06	119.13	117.85	1.28	152.37	77.01	122.87	145.38
Mar-19	9.91	83.75	121.62	117.85	3.77	151.39	85.25	120.90	152.76
Apr-19	-63.41	84.46	115.13	111.85	3.28	147.80	74.66	119.74	139.09

Representative Barometer for Trends in Profitability

Quarterly Forecasts (LMIC: 7/24/18)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2017						
I	7,714	7.4	817.0	-1.1	6,303	6.2
II	8,076	5.8	793.3	-2.2	6,407	3.5
III	8,254	5.2	816.0	-1.1	6,736	4.1
IV	8,145	2.9	827.8	-1.1	6,742	1.8
Year	32,189	5.3	813.5	-1.4	26,187	3.8
2018						
I	7,877	2.1	820.8	0.5	6,465	2.6
II	8,424	4.3	798.2	0.6	6,724	4.9
III	8,598	4.2	823.3	0.9	7,079	5.1
IV	8,416	3.3	835.4	0.9	7,031	4.3
Year	33,315	3.5	819.4	0.7	27,298	4.2
2019						
I	7,861	-0.2	826.2	0.7	6,495	0.5
II	8,483	0.7	808.1	1.2	6,855	2.0
III	8,692	1.1	831.5	1.0	7,228	2.1
IV	8,447	0.4	840.0	0.6	7,095	0.9
Year	33,483	0.5	826.5	0.9	27,673	1.4



Quarterly Forecasts (LMIC: 7/24/18)

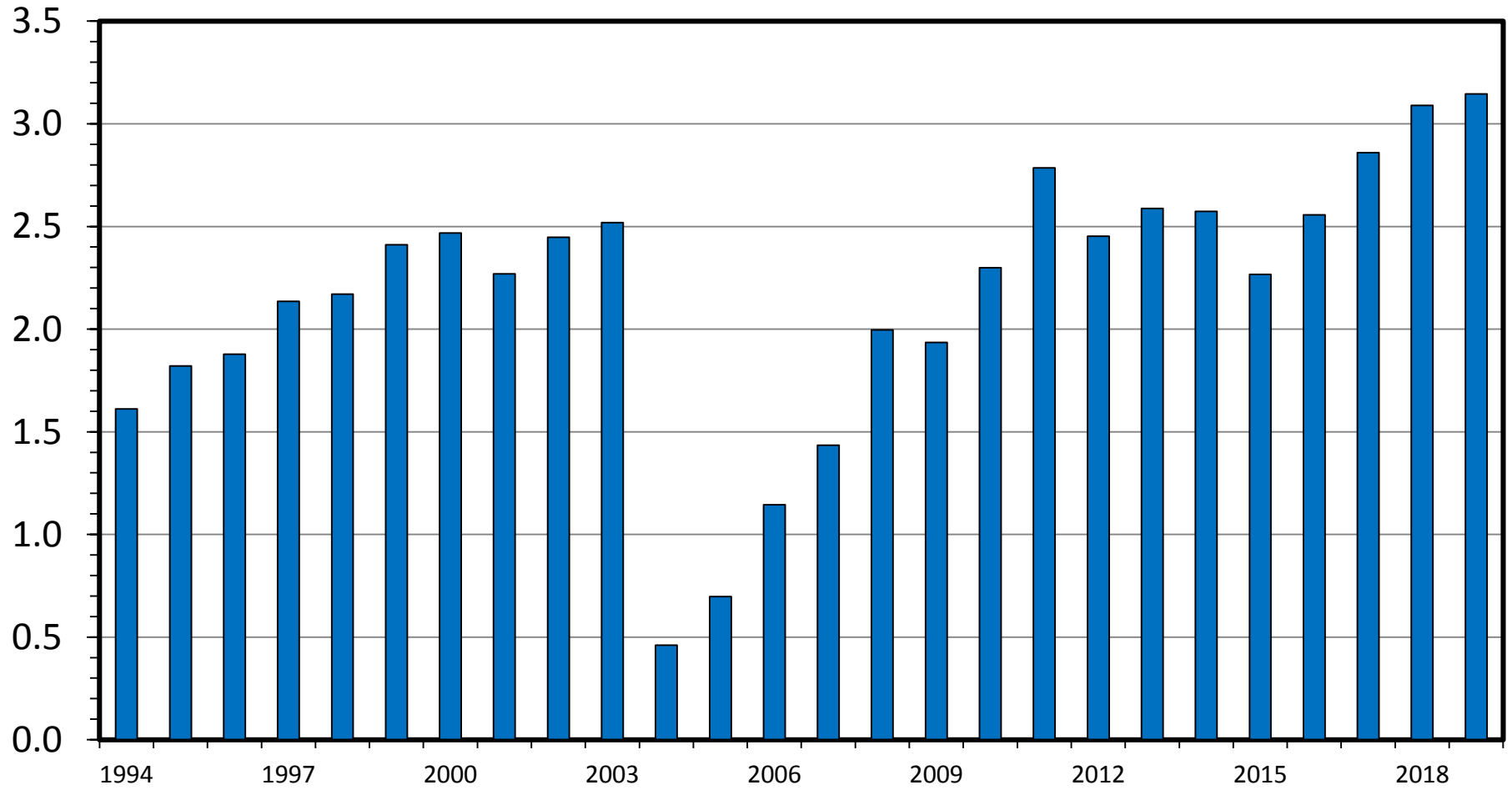
Year Quarter	Live Sltr.	% Chg. from	Feeder Steer Price	
	Steer Price		Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
2017				
I	122.96	-8.8	132.88	157.38
II	132.76	4.0	149.30	170.49
III	112	-0.6	153	165
IV	118	9.1	157	171
Year	122	0.5	148	166
2018				
I	125.61	2.1	148.73	180.01
II	116.72	-11.9	144.52	170.11
III	108-110	-3.1	144-147	164-168
IV	112-115	-3.7	144-148	160-165
Year	115-117	-4.5	144-148	167-172
2019				
I	118-123	-4.1	143-148	165-171
II	115-120	0.7	143-150	168-175
III	106-112	0.0	139-147	163-171
IV	109-116	-0.9	139-148	159-168
Year	113-117	-0.9	142-147	164-170

Trade Context Update

US BEEF AND VEAL EXPORTS

Carcass Weight, Annual

Bil. Pounds



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

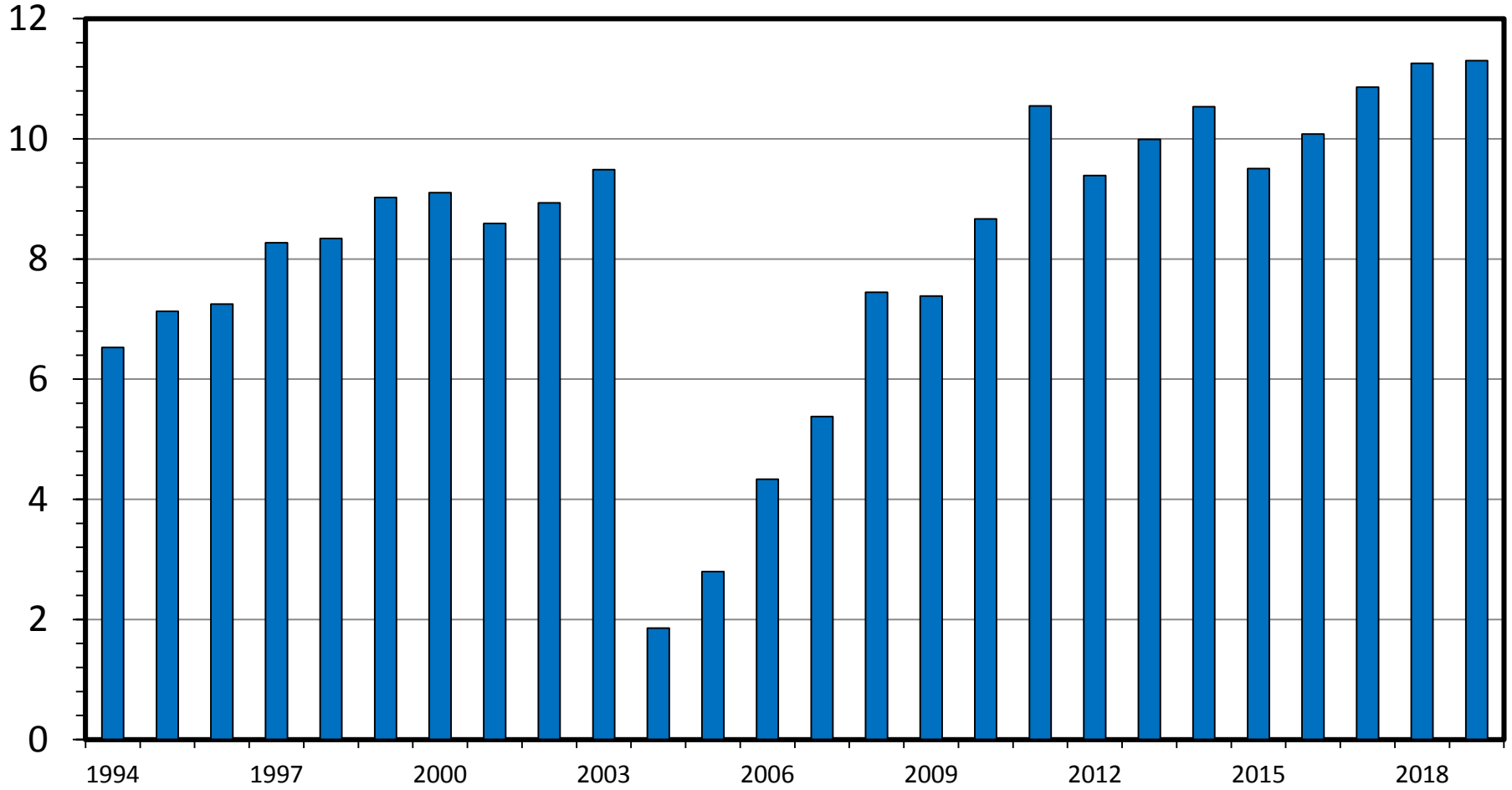
Livestock Marketing Information Center

I-N-06
07/10/18

US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual

Percent



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

I-N-07
07/10/18

Livestock Marketing Information Center

USDA Long-Term projections

Feb. 2018 report (<http://www.usda.gov/oce/commodity/projections/>)

Per capita meat consumption, retail weight							
Item	2016	2017	2018	2019	2020	2027	
Beef	55.6	57.3	59.2	60.9	60.9	59.0	
Pork	50.1	50.4	52.1	52.2	51.9	52.0	
Total red meat	107.0	109.0	112.6	114.4	114.1	112.2	
Broilers	89.8	91.0	91.8	91.6	92.4	92.2	
Total poultry	107.6	108.8	109.6	109.2	109.9	109.3	
Red meat & poultry	214.6	217.8	222.2	223.6	224.0	221.5	
Note: Totals may not add due to rounding.							

USDA Long-Term projections

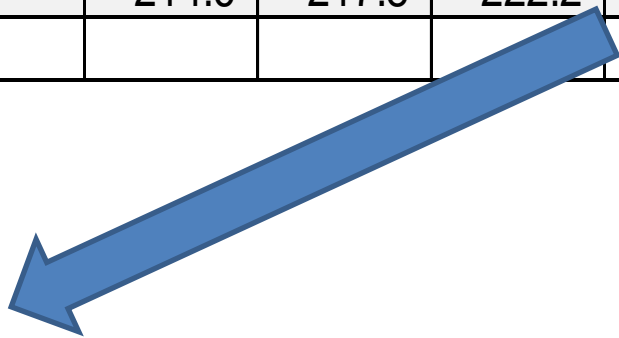
Feb. 2018 report (<http://www.usda.gov/oce/commodity/projections/>)

2019 would be highest for beef since 2009

Per capita meat consumption, retail weight							
Item	2016	2017	2018	2019	2020	2027	
Beef	55.6	57.3	59.2	60.9	60.9	59.0	
Pork	50.1	50.4	52.1	52.2	51.9	52.0	
Total red meat	107.0	109.0	112.6	114.4	114.1	112.2	
Broilers	89.8	91.0	91.8	91.6	92.4	92.2	
Total poultry	107.6	108.8	109.6	109.2	109.9	109.3	
Red meat & poultry	214.6	217.8	222.2	223.6	224.0	221.5	

Note: Totals may not add due to rounding.

Year	Total Red Meat & Poultry
1995	205.4
2000	214.4
2005	219.7
2010	207.5
2014	200.1



USDA Long-Term projections

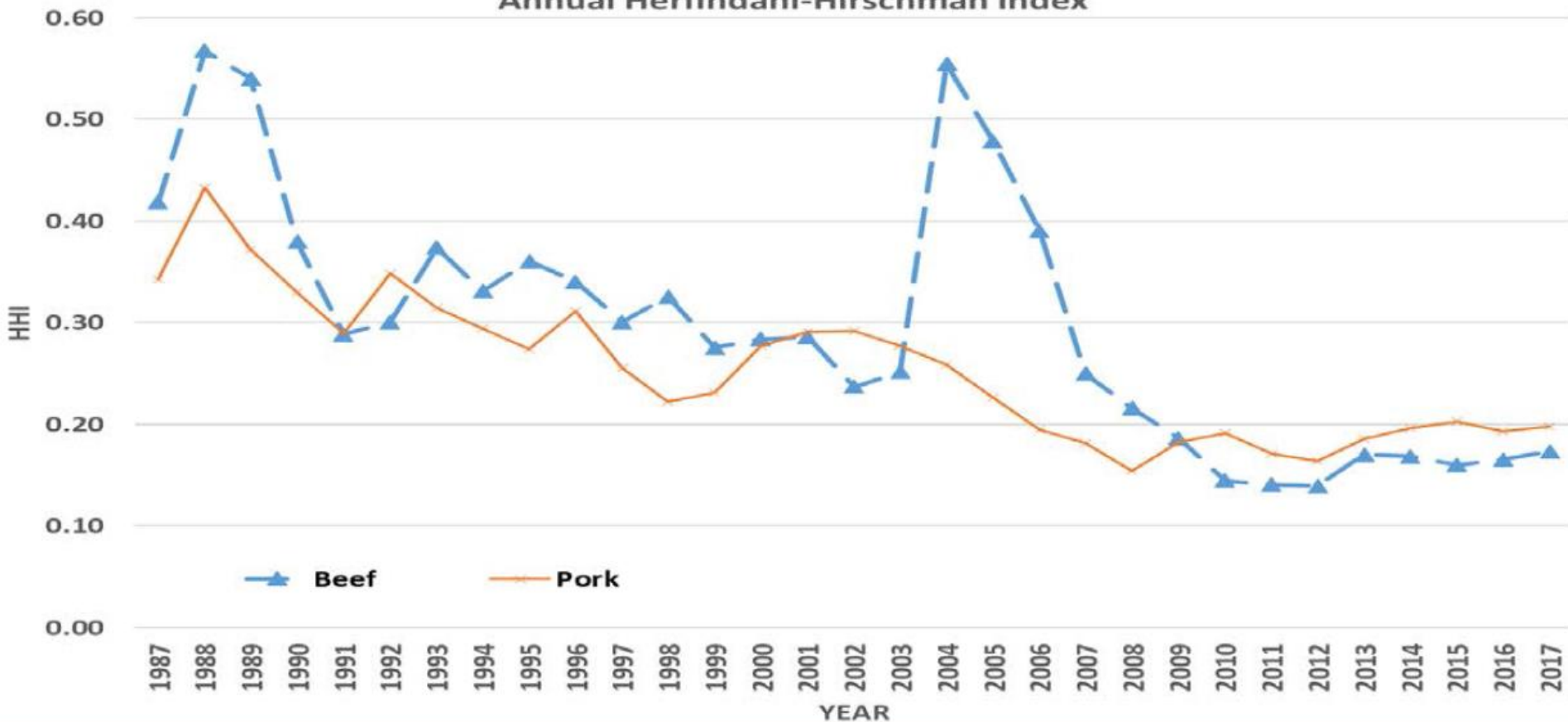
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Per capita meat consumption, retail weight							
Item	2016	2017	2018	2019	2020	2027	
Beef	55.6	57.3	59.2	60.9	60.9	59.0	
Pork	50.1	50.4	52.1	52.2	51.9	52.0	
Total red meat	107.0	109.0	112.6	114.4	114.1	112.2	
Broilers	89.8	91.0	91.8	91.6	92.4	92.2	
Total poultry	107.6	108.8	109.6	109.2	109.9	109.3	
Red meat & poultry	214.6	217.8	222.2	223.6	224.0	221.5	
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Projections INCLUDE trade dependency...

Concentration of U.S. Red Meat Exports

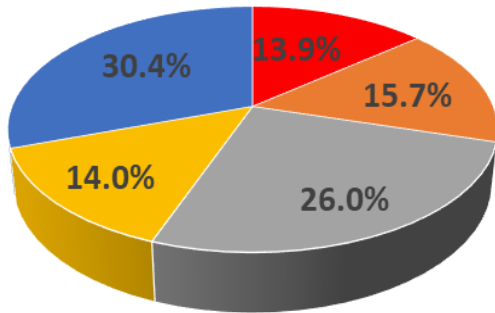
U.S. Beef and Pork Exports (Volume-Based), Annual Herfindahl-Hirschman Index



Source: USDA ERS & USDA FAS Data, Tonsor Calculations

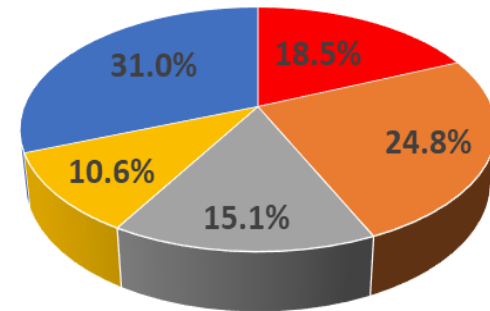
U.S. Beef Export Portfolio (by vol.)

U.S. Beef Export Portfolio, Average Annual Shares: 2013-2017



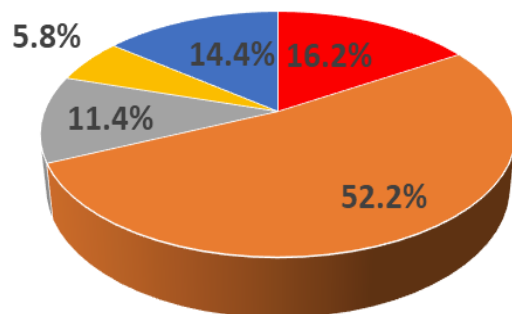
■ Canada ■ Mexico ■ Japan ■ South Korea ■ Other

U.S. Beef Export Portfolio, Average Annual Shares: 2008-2012



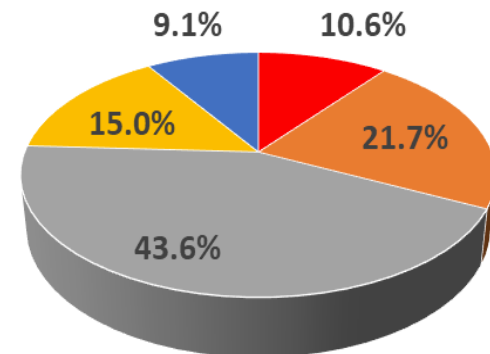
■ Canada ■ Mexico ■ Japan ■ South Korea ■ Other

U.S. Beef Export Portfolio, Average Annual Shares: 2003-2007



■ Canada ■ Mexico ■ Japan ■ South Korea ■ Other

U.S. Beef Export Portfolio, Average Annual Shares: 1998-2002



■ Canada ■ Mexico ■ Japan ■ South Korea ■ Other

Food for Thought...

- ❖ Why do we BOTH import & export large volumes of beef?
 - Will this always be the case?
- ❖ What are pros & cons of becoming more export reliant?
- ❖ Should U.S. further invest in development of export markets?
 - Should a loss-leader approach be adopted to form grain-finished preferences?
- ❖ How does increasing exports help me as a producer?

Wrap-Up

- Broad 2018-2019 Profitability Outlook
 - Cow-calf:
 - Converging toward Long-Term Levels
 - Situation Better than Expected, Hope Demand's Role is Recognized!
 - Stocker:
 - Margins vary widely across situations
 - Drought/feasibility impact likely substantial
 - Feedlot:
 - 2017 offered notable equity recovery
 - Q3-Q4 2018 has improved
 - Challenges may grow (weights, demand, & trade...)

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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