

2018 KOMA BEEF CATTLE  
CONFERENCE  
&  
TRADE SHOW



# *Cattle & Beef Outlook*

Wednesday, January 17<sup>th</sup>, 2018

11:30 am

Washington Co. Fairgrounds Dewey,  
Oklahoma

**Glynn Tonsor**  
**Dept. of Agricultural Economics,**  
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In Partnership with



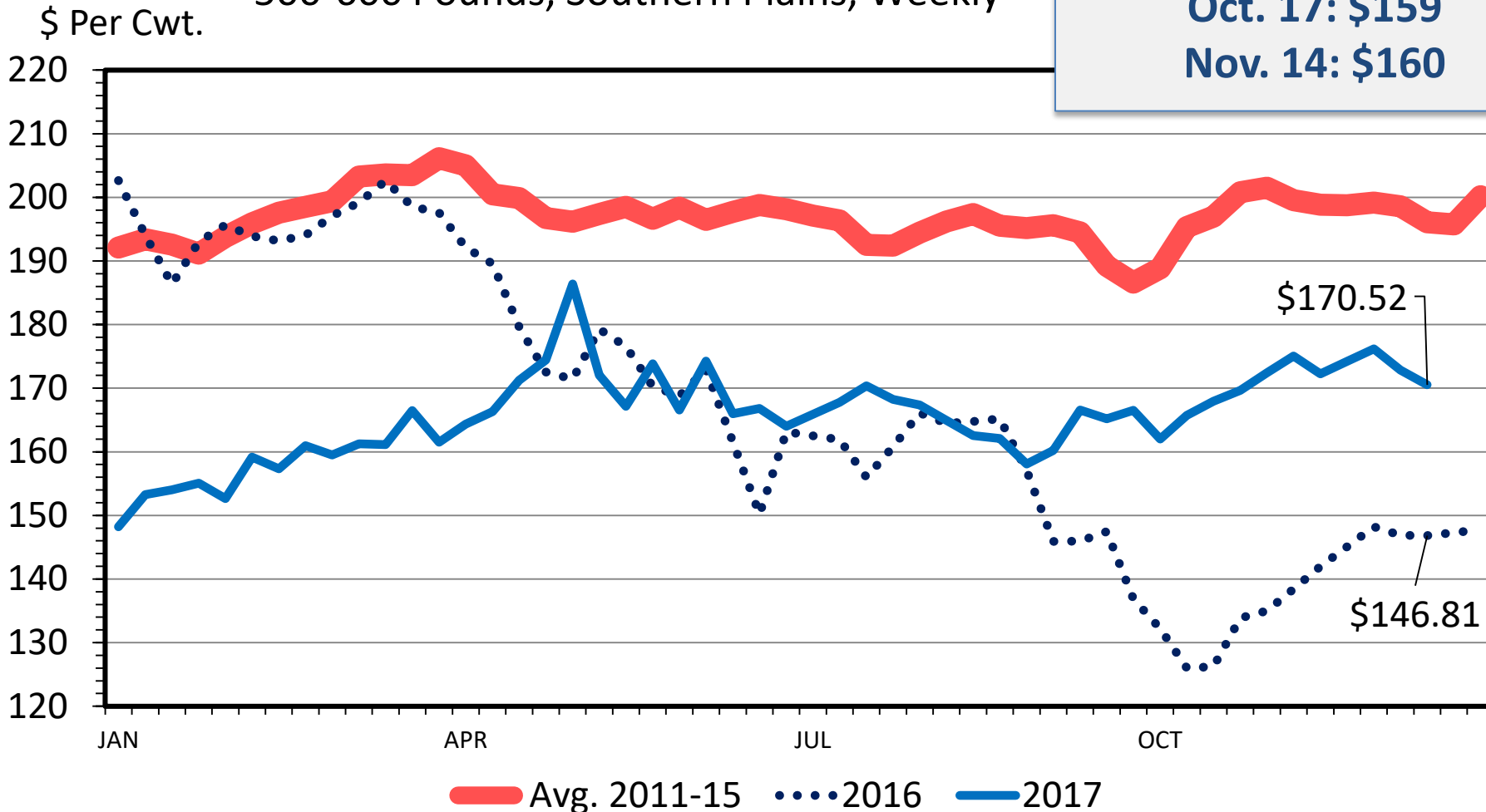
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# Overarching Beef Industry Economic Outlook

- Supplies
  - 2017 Beef Production +3.8%
  - Peak herd size may extend given surprising 17' returns
- Demand
  - Key to surprising margins in 2017, especially Q3/4
  - Trade will continue to be key in 2018

**Beef Basis, Tulsa OK**  
**2018 Projections**  
 (as of 1/16/18):  
**Oct. 17: \$159**  
**Nov. 14: \$160**

**MED. & LRG. #1 STEER CALF PRICES**  
 500-600 Pounds, Southern Plains, Weekly



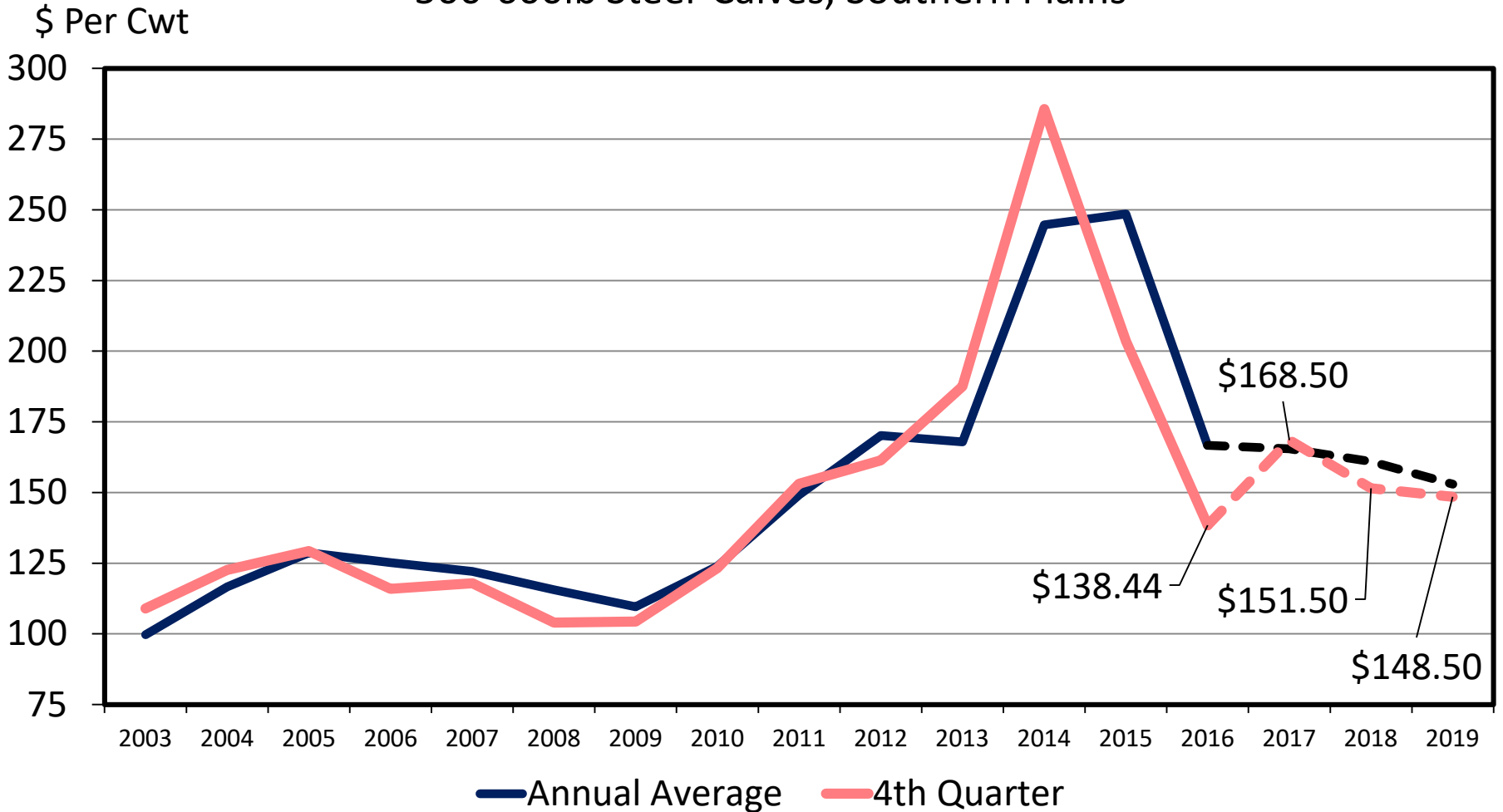
Data Source: USDA-AMS

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C-P-54  
 01/04/18

# AVERAGE CALF PRICES

## 500-600lb Steer Calves, Southern Plains



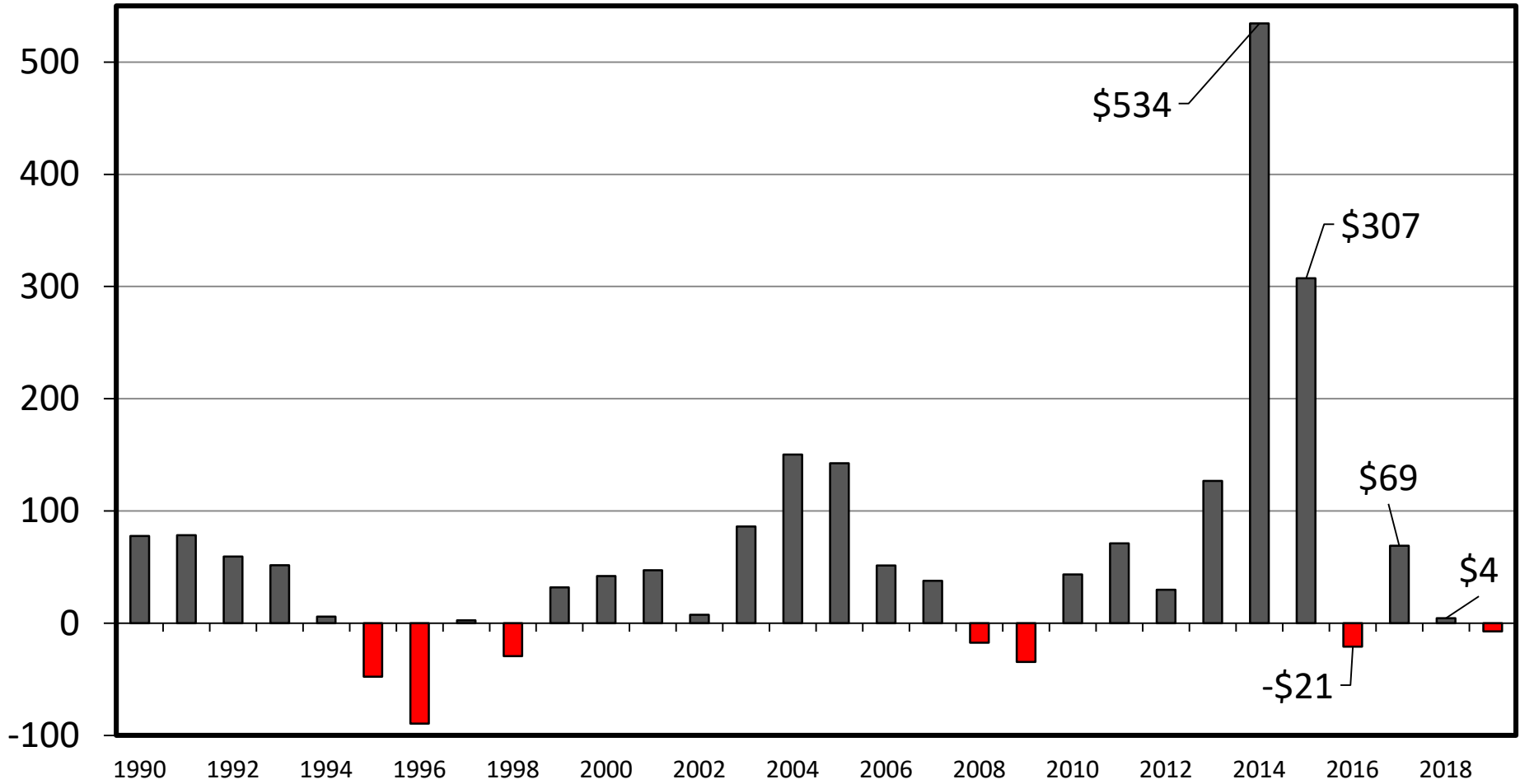
Data Source: USDA-AMS, Compiled and Forecasts by LMIC

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# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



Data Source: USDA & LMIC, Compiled by LMIC

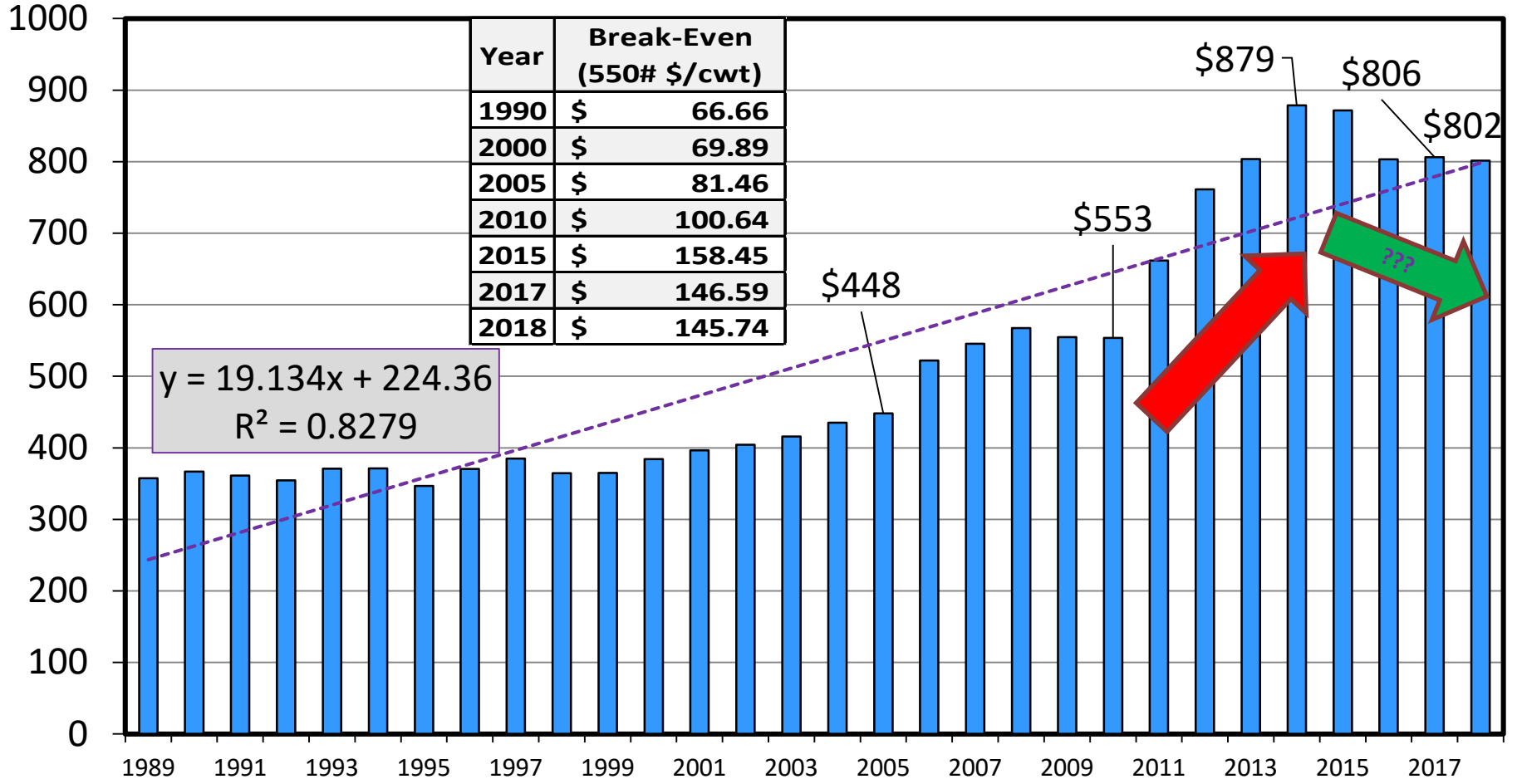
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C-P-66  
12/03/17

# ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual

\$ Per Cow



$y = 19.134x + 224.36$   
 $R^2 = 0.8279$

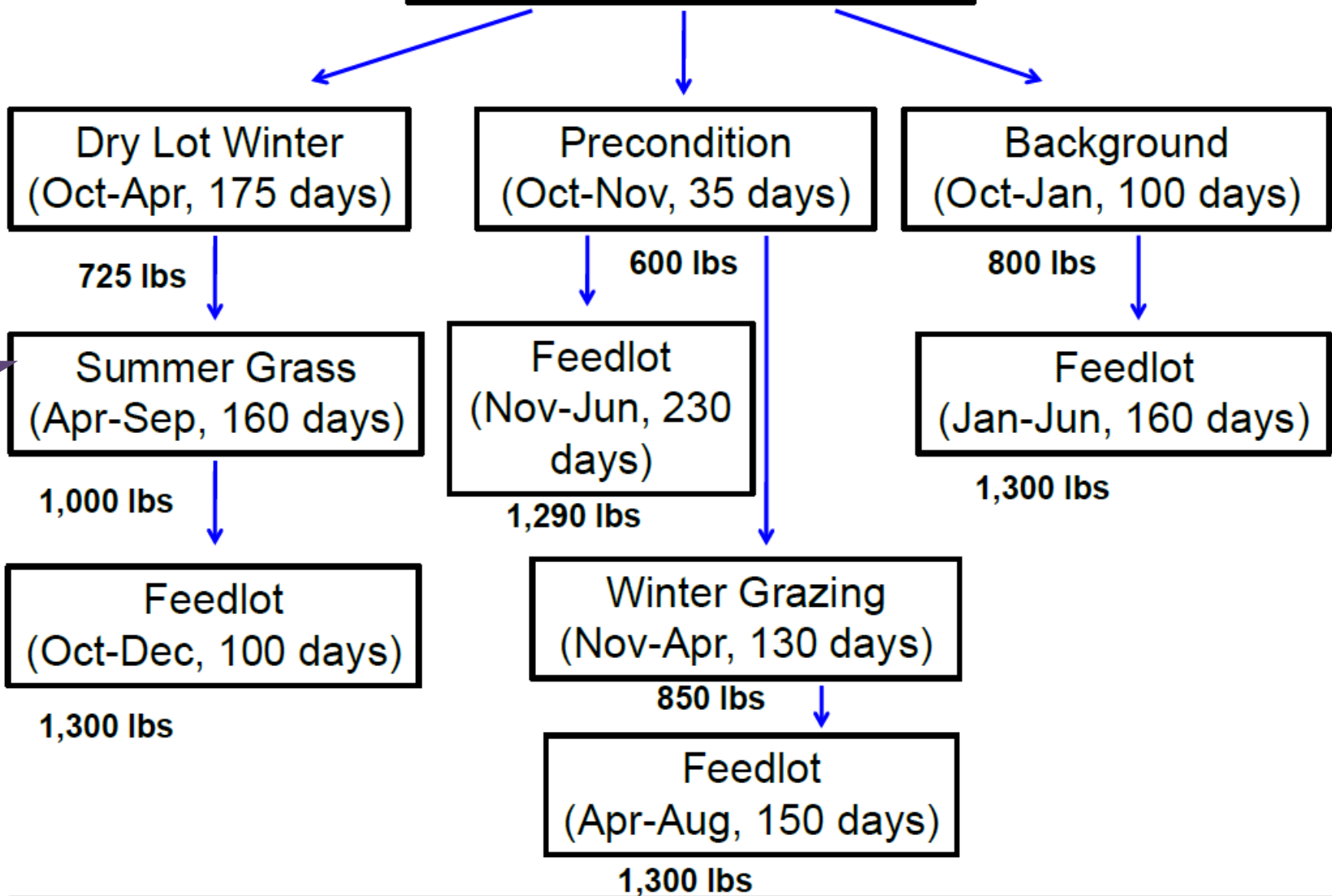
Year	Break-Even (550# \$/cwt)
1990	\$ 66.66
2000	\$ 69.89
2005	\$ 81.46
2010	\$ 100.64
2015	\$ 158.45
2017	\$ 146.59
2018	\$ 145.74

Data Source: USDA & LMIC, Compiled by LMIC

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# Fall Weaned 550# Calf



# Economic Outlook Overview: Post Weaning

## *Forward-Looking Margin Perspective*

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

- Tulsa, OK 1/16/18 situation:

### SUMMER GRASS

- Buy 725 lb steer on 04/04/18 (\$139)
- Sell 1,000 lb steer on 9/05/18 (\$138) {1.8 ADG}
- VOG: \$135/cwt
  - “Flat” price-weight slide stands out



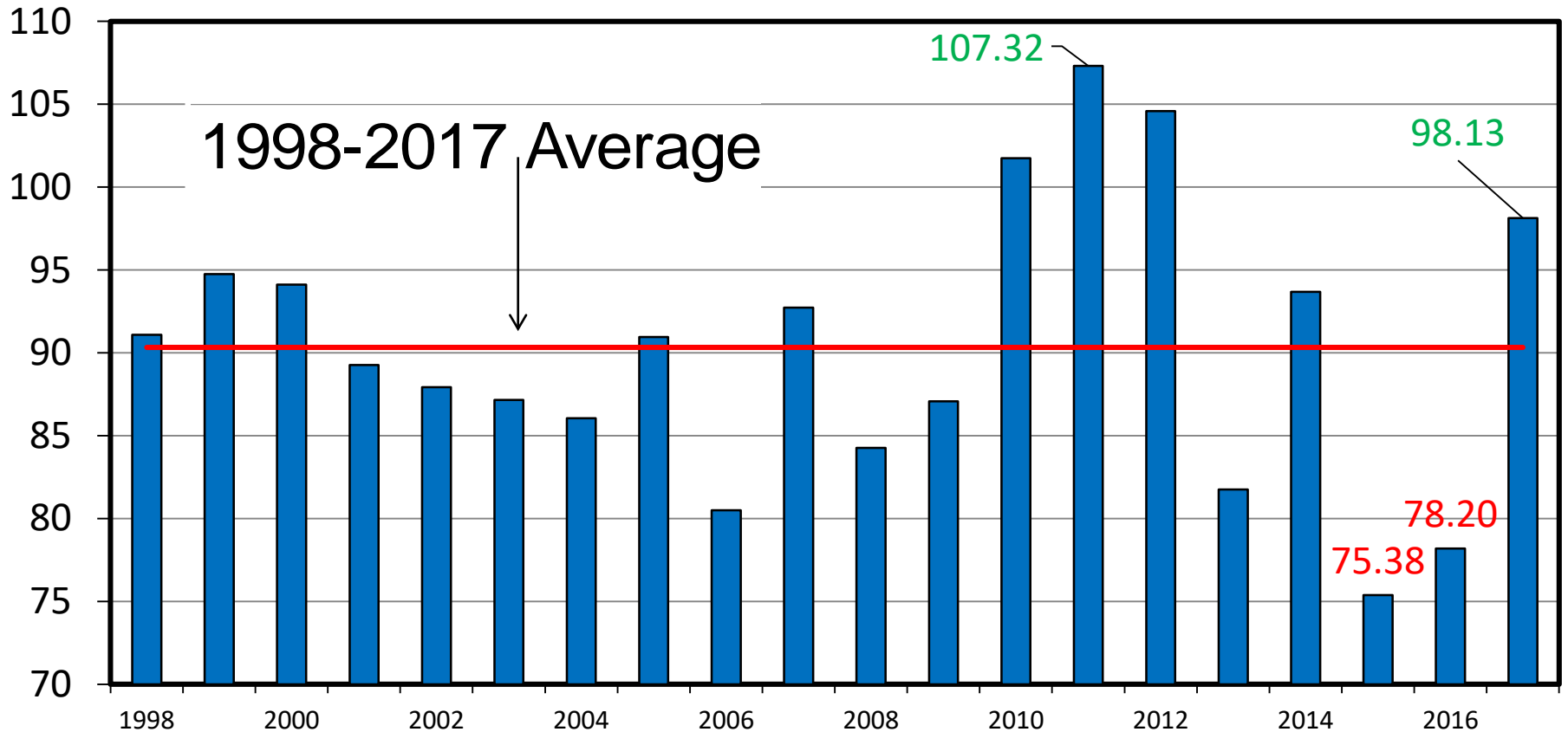
# Economic Outlook Overview: Stockers

## *Historical Margin Perspective*

### **BUY/SELL MARGINS**

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

Percent



— 1998-2017 Average

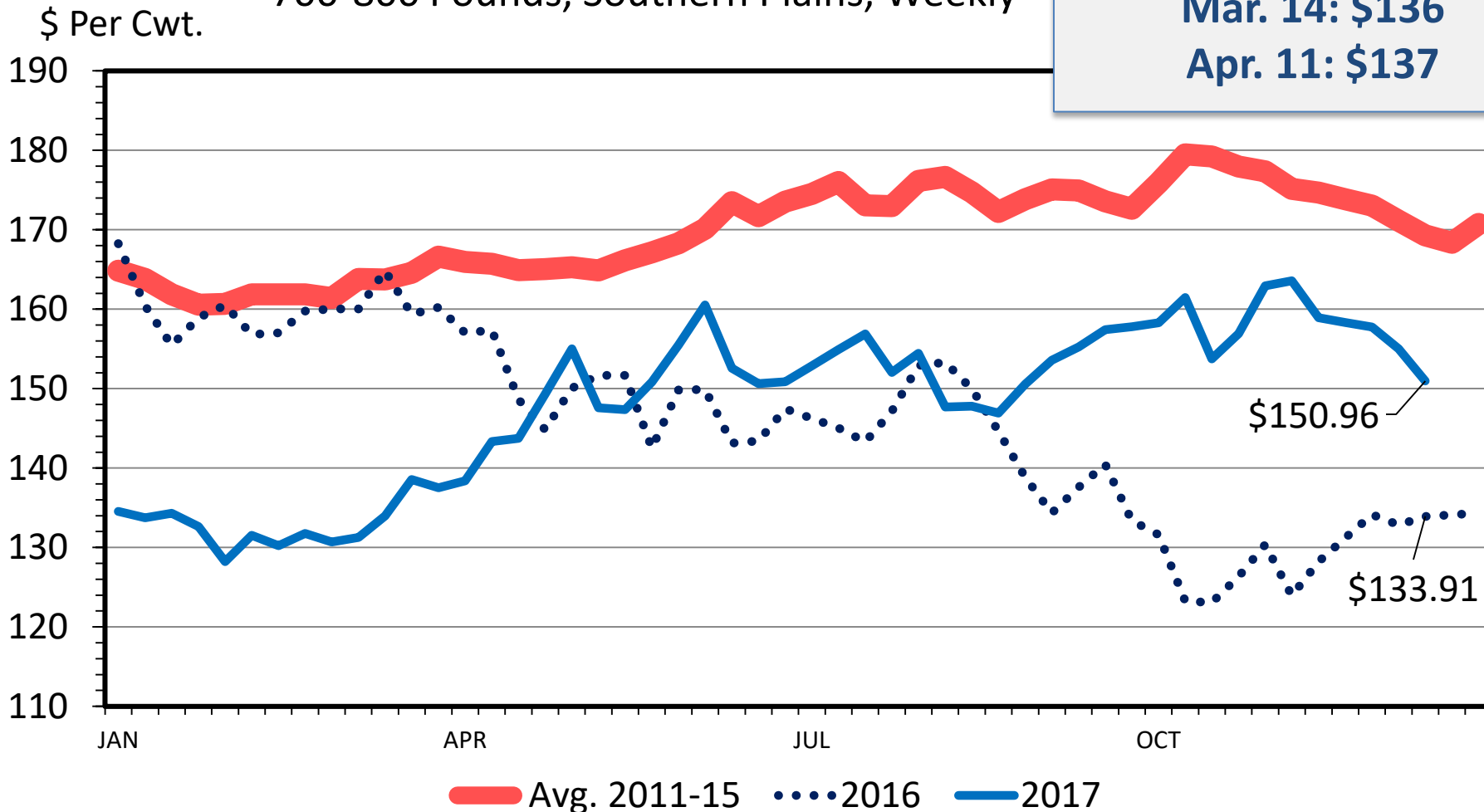
Data Source: USDA-AMS, Compiled and Analysis by LMIC

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C-P-60  
08/13/17

**Beef Basis, Tulsa OK**  
**2018 Projections**  
 (as of 1/16/18):  
**Mar. 14: \$136**  
**Apr. 11: \$137**

**MED. & LRG. #1 FEEDER STEER PRICES**  
 700-800 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-49  
 01/04/18

# Economic Outlook Overview: Feedlots

- Q1-Q3 of 2017 MUCH better than anticipated
- 2018 projections reflect higher placement costs...

# Historical and Projected Kansas Feedlot Net Returns (as of 1/12/18')

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

**Nov. 17': +\$47/steer**

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

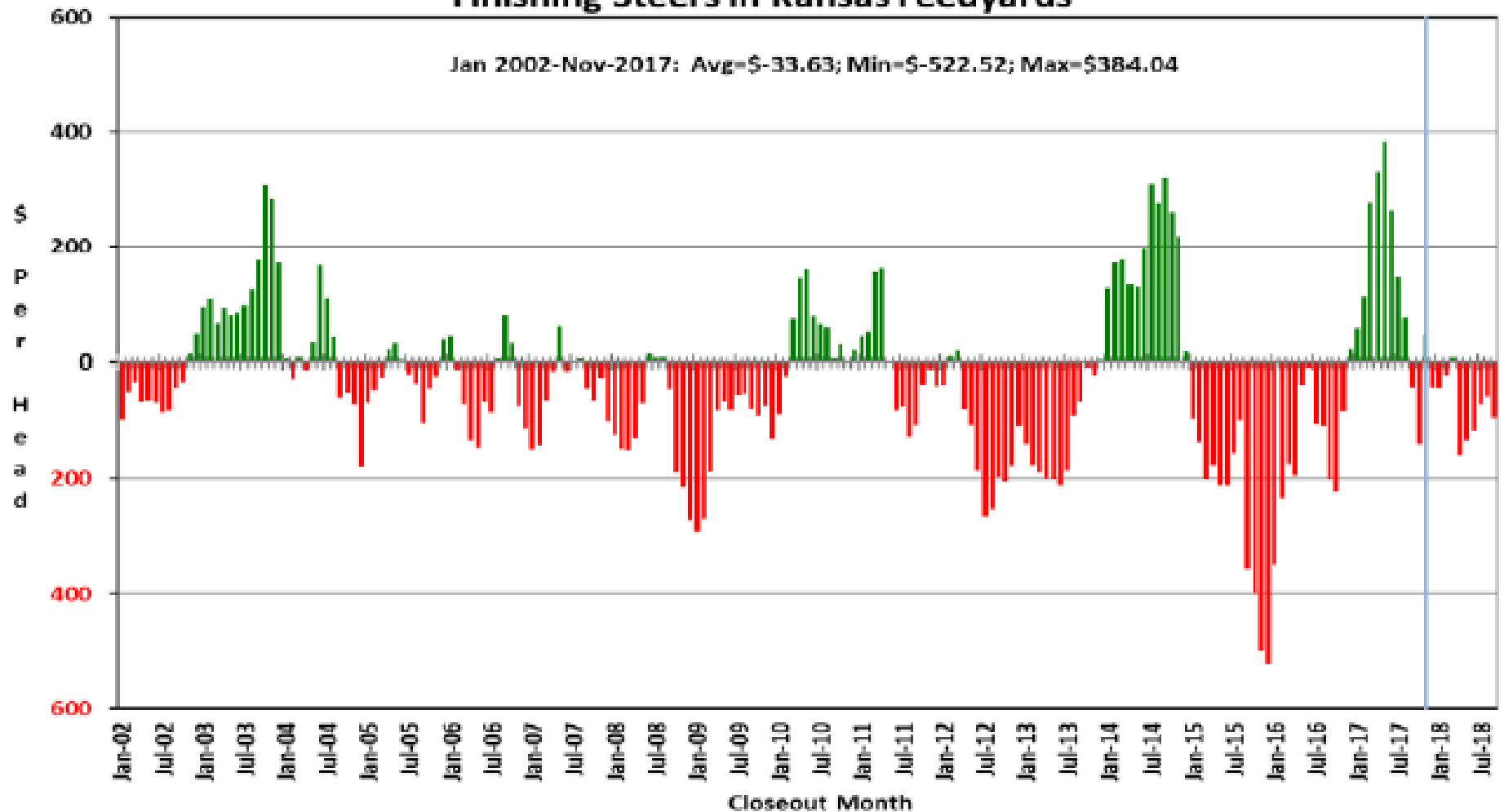
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Fed Futures	Fed Basis	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Dec-17	-40.44	78.90	119.88	118.46	1.42	153.06	72.18	122.79	147.95
Jan-18	-40.98	81.28	119.90	117.38	2.52	151.16	74.43	122.85	145.97
Feb-18	-20.79	80.96	120.86	119.45	1.41	151.05	77.50	122.37	148.37
Mar-18	7.88	79.39	123.11	119.45	3.66	153.83	80.68	122.53	154.87
Apr-18	-159.47	80.45	114.32	111.63	2.70	158.55	52.83	126.37	137.18
May-18	-131.55	84.71	119.34	111.63	7.71	159.48	61.89	129.24	141.99
Jun-18	-117.64	82.86	112.30	109.05	3.25	147.18	61.97	121.30	131.37
Jul-18	-70.16	82.01	111.34	109.05	2.29	141.07	70.30	116.56	131.68
Aug-18	-57.05	81.28	111.68	110.38	1.31	142.58	72.17	115.89	134.75
Sep-18	-93.57	82.71	110.80	110.38	0.43	143.49	67.77	117.60	131.03

**Representative Barometer for Trends in Profitability**

# Historical and Projected Kansas Feedlot Net Returns (as of 1/12/18')

(<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: 1/11/18)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
<b>2017</b>						
I	7,711	7.3	817.0	-1.1	6,300	6.1
II	8,074	5.8	793.2	-2.2	6,404	3.5
III	8,249	5.2	815.9	-1.1	6,731	4.0
IV	8,140	2.8	827.9	-1.0	6,739	1.7
<b>Year</b>	<b>32,174</b>	<b>5.2</b>	<b>813.5</b>	<b>-1.4</b>	<b>26,174</b>	<b>3.8</b>
<b>2018</b>						
I	8,009	3.9	820.8	0.5	6,574	4.4
II	8,424	4.3	807.8	1.8	6,805	6.3
III	8,572	3.9	824.3	1.0	7,066	5.0
IV	8,378	2.9	835.7	0.9	7,001	3.9
<b>Year</b>	<b>33,383</b>	<b>3.8</b>	<b>822.2</b>	<b>1.1</b>	<b>27,447</b>	<b>4.9</b>
<b>2019</b>						
I	8,032	0.3	826.2	0.7	6,636	0.9
II	8,515	1.1	813.6	0.7	6,928	1.8
III	8,797	2.6	830.4	0.7	7,305	3.4
IV	8,450	0.9	842.3	0.8	7,118	1.7
<b>Year</b>	<b>33,794</b>	<b>1.2</b>	<b>828.1</b>	<b>0.7</b>	<b>27,986</b>	<b>2.0</b>

## Quarterly Forecasts (LMIC: 1/11/18)

Year Quarter	Live Sltr.	% Chg.	Feeder Steer Price	
	Steer Price	from	Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
<b>2017</b>				
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
<b>Year</b>	<b>122</b>	<b>0.5</b>	<b>148</b>	<b>166</b>
<b>2018</b>				
I	119-121	-2.4	149-152	164-168
II	121-124	-7.7	145-149	164-169
III	107-111	-3.1	138-143	156-162
IV	110-115	-4.6	135-141	148-155
<b>Year</b>	<b>115-117</b>	<b>-4.5</b>	<b>142-146</b>	<b>158-164</b>
<b>2019</b>				
I	113-119	-3.3	136-143	151-159
II	116-123	-2.4	135-143	152-161
III	106-114	0.9	130-139	148-158
IV	107-116	-0.9	127-137	143-154
<b>Year</b>	<b>112-116</b>	<b>-1.7</b>	<b>133-139</b>	<b>149-157</b>

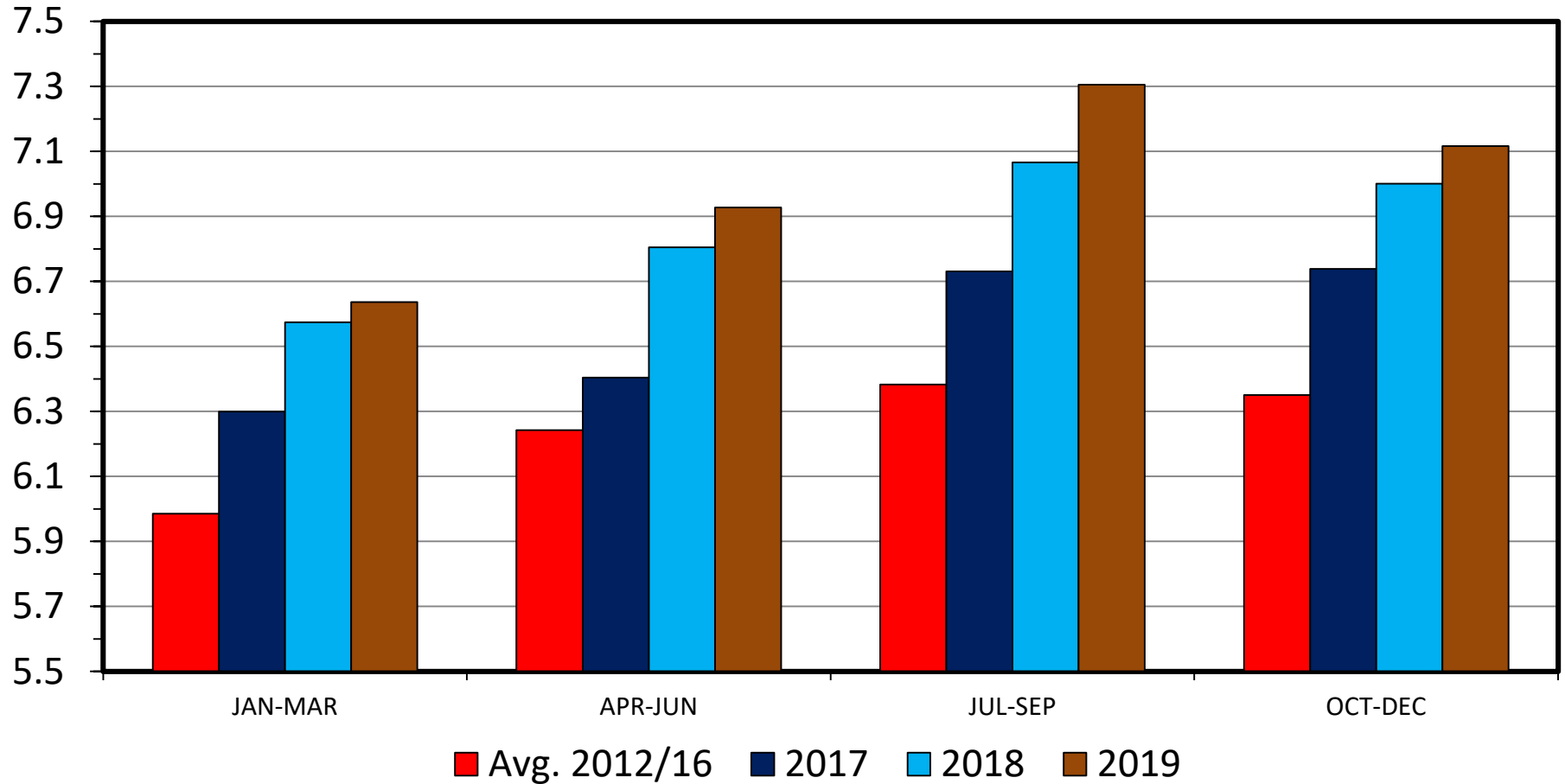
# Meat Supplies & Trade



# COMMERCIAL BEEF PRODUCTION

## US, Quarterly

Bil. Pounds



Data Source: USDA-NASS, Forecasts by LMIC

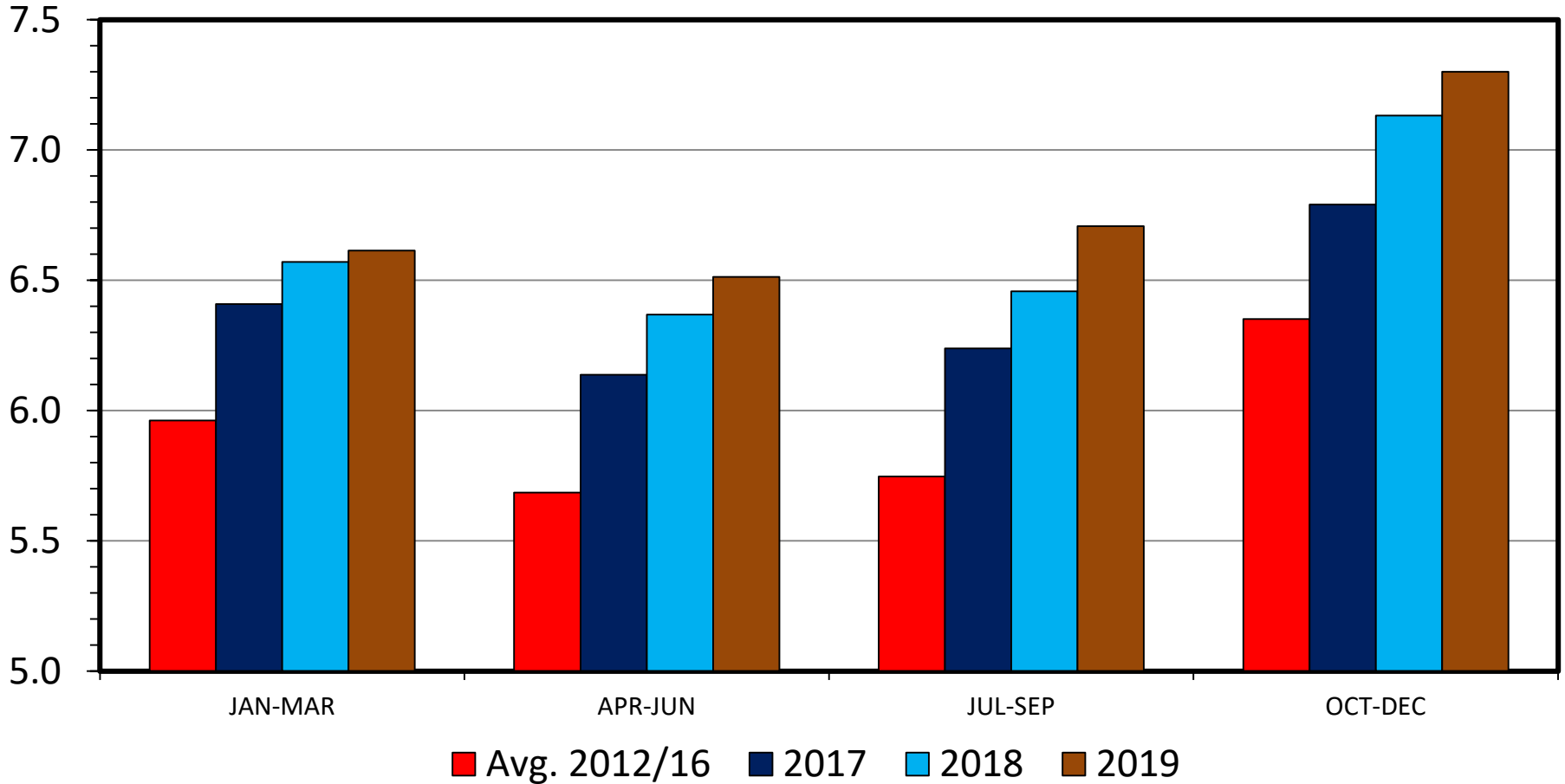
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# COMMERCIAL PORK PRODUCTION

## US, Quarterly

Bil. Pounds



Data Source: USDA-NASS, Forecasts by LMIC

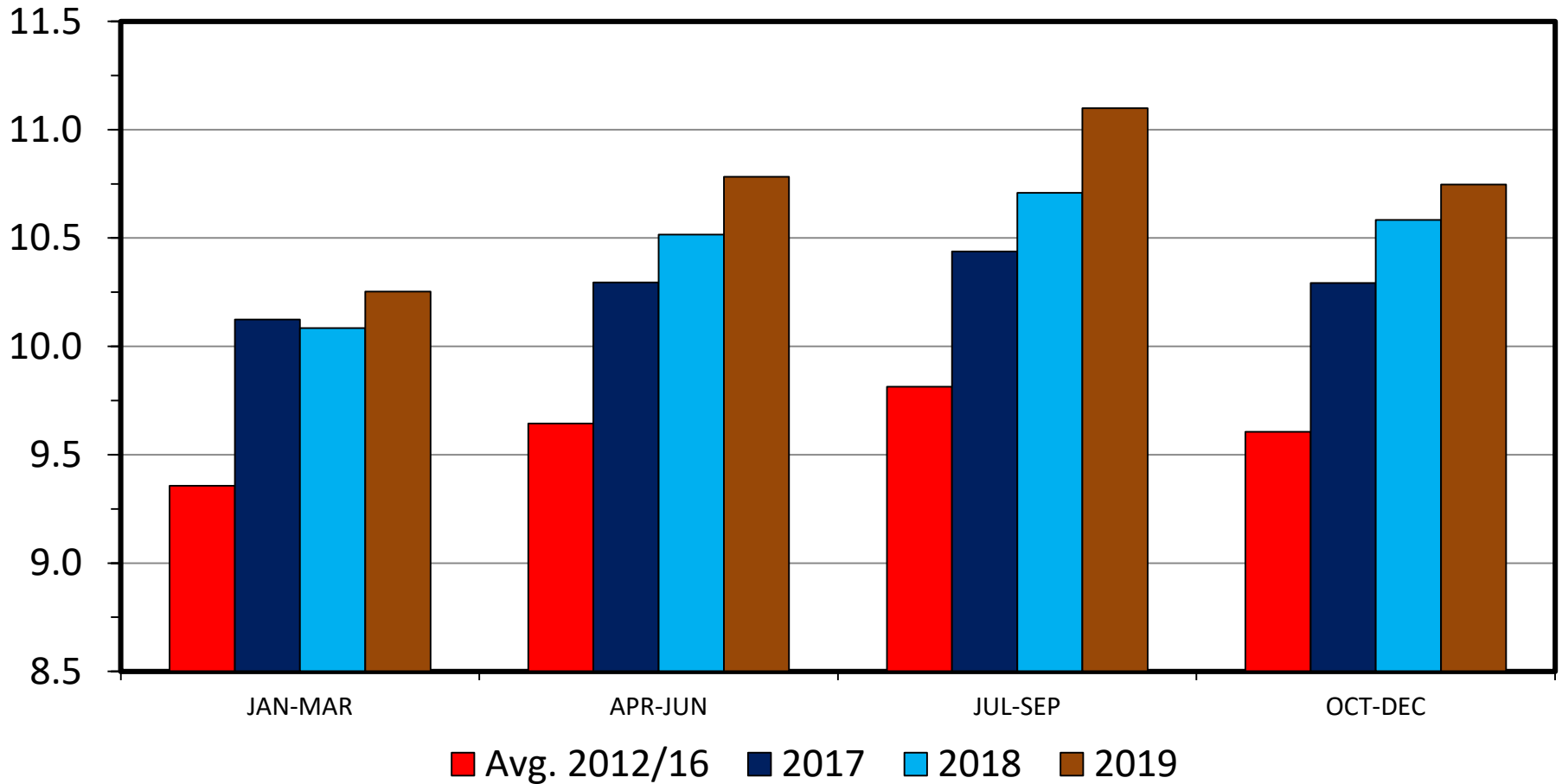
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# RTC BROILER PRODUCTION

## US, Quarterly

Bil. Pounds



Data Source: USDA-NASS, Forecasts by LMIC

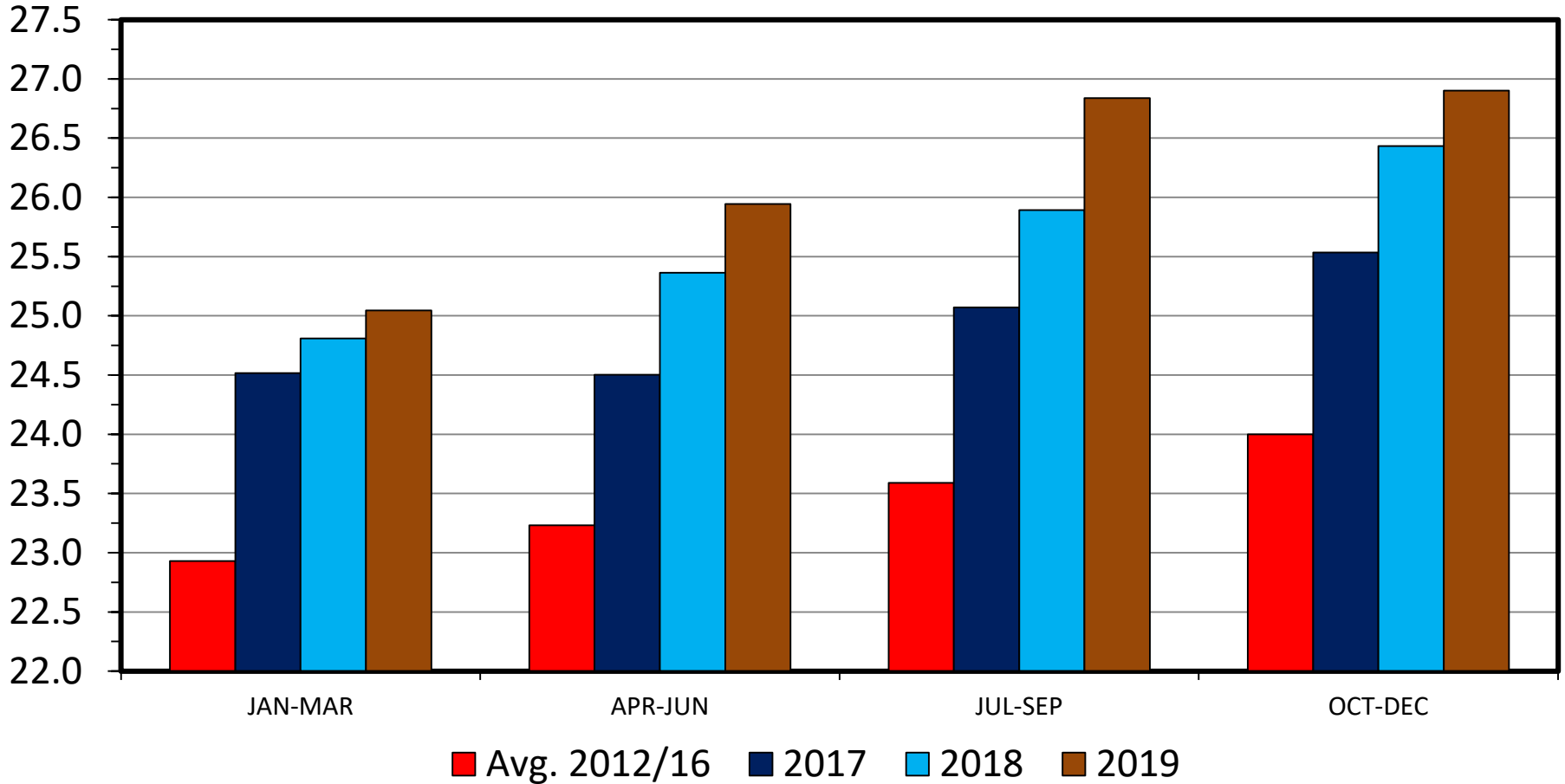
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# TOTAL RED MEAT & POULTRY PRODUCTION

## US, Quarterly

Bil. Pounds



Data Source: USDA-NASS, Forecasts by LMIC

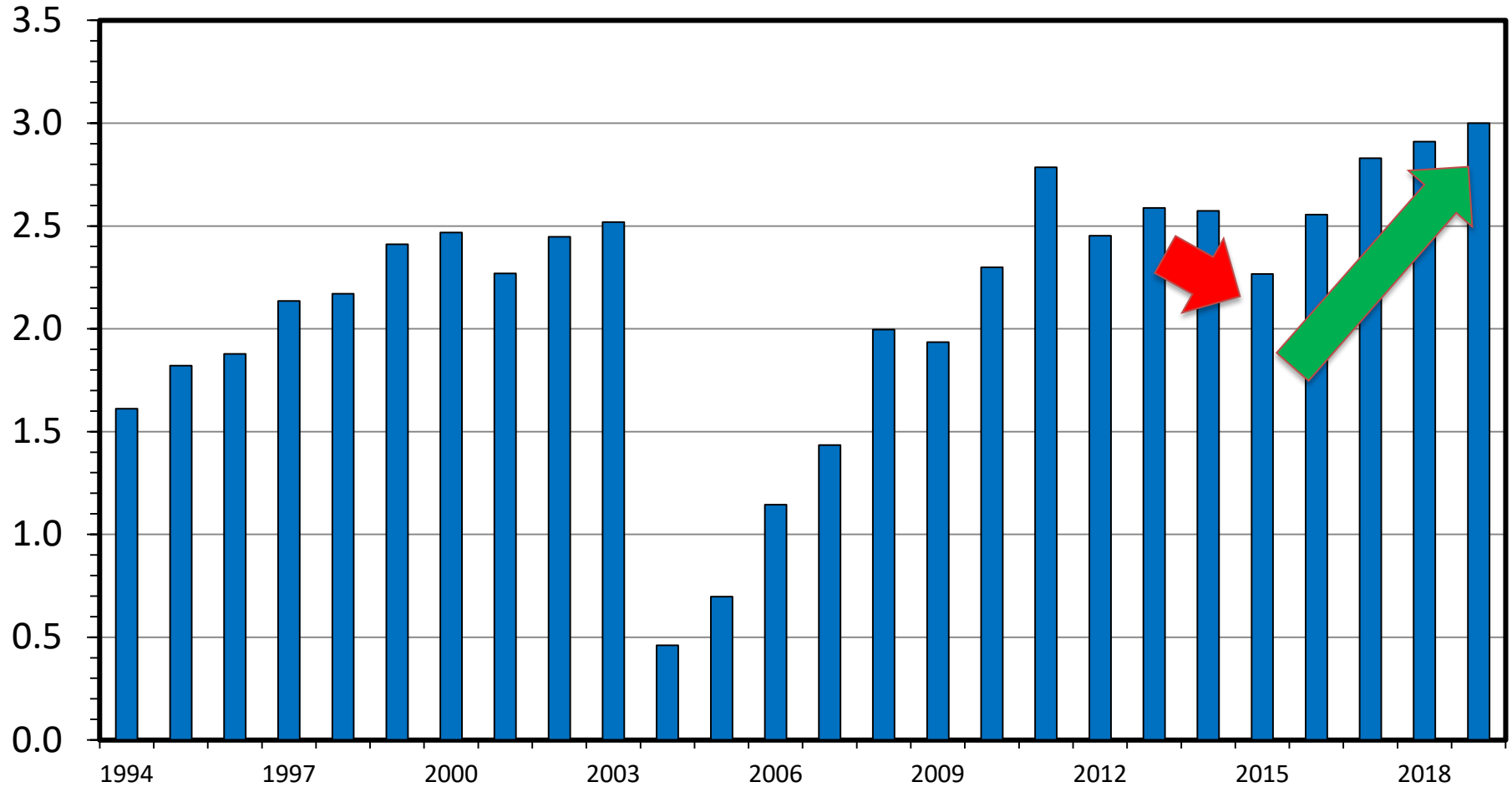
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# US BEEF AND VEAL EXPORTS

Carcass Weight, Annual

Bil. Pounds



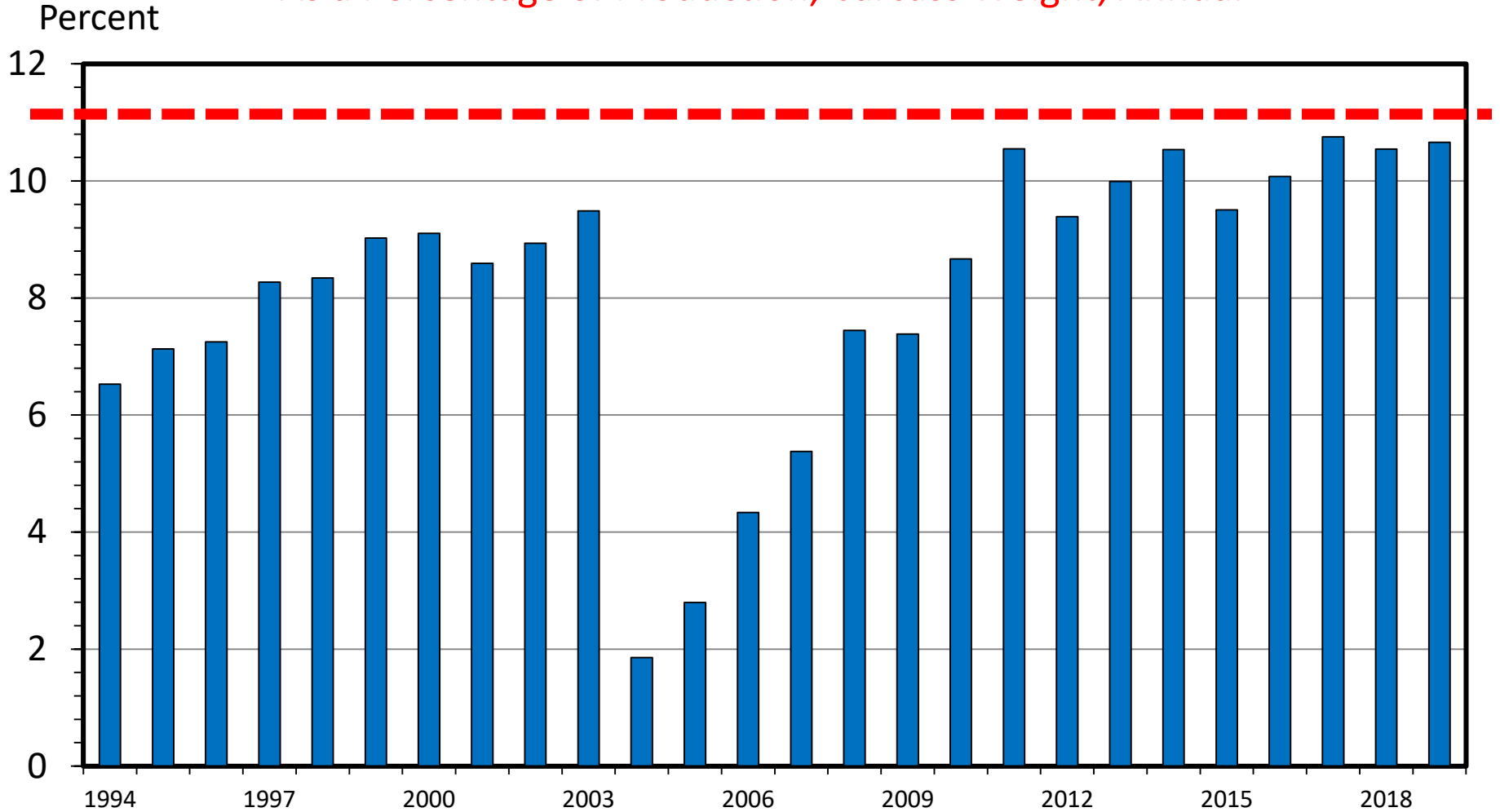
Data Source: USDA-ERS & USDA-FAS, Compiled and Forecasts by LMIC

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I-N-06  
12/30/17

# US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



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

I-N-07  
12/30/17

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# USDA Long-Term projections

Feb. 2018 report, early release estimates (<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

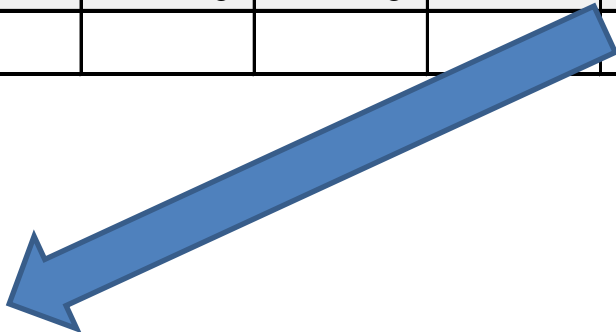
Feb. 2018 report, early release estimates (<http://www.usda.gov/oce/commodity/projections/>)

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

Feb. 2018 report, early release estimates (<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.							

Projections INCLUDE trade dependency...

# USDA Long-Term projections

Feb. 2018 report, early release estimates

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

## Beef long-term projections

Item	Units	2016	2017	2018	2019	2020	2027
Commercial production	Mil. lbs.	25,221	26,400	27,620	28,312	28,644	29,097
Change from previous year	Percent		4.7%	4.6%	2.5%	1.2%	0.6%
Imports	Mil. lbs.	3,015	2,966	3,030	2,920	2,954	3,090
Total supply	Mil. lbs.	28,986	30,190	31,417	32,014	32,225	32,814
			4.2%	4.1%	1.9%	0.7%	0.5%
Exports	Mil. lbs.	2,556	2,855	2,970	2,752	2,734	2,976
			11.7%	4.0%	-7.3%	-0.7%	0.2%
Total consumption	Mil. lbs.	25,673	26,635	27,732	28,702	28,931	29,278
Per capita, retail weight	Pounds	55.6	57.3	59.2	60.9	60.9	59.0
Change from previous year	Percent		3.1%	3.3%	2.9%	0.0%	0.0%

# USDA Long-Term projections

Feb. 2018 report, early release estimates

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

## Beef long-term projections

Item	Units	2016	2017	2018	2019	2020	2027
Prices:							
Beef cattle, farm	\$/cwt	120.08	121.01	116.50	111.24	106.47	96.51
Calves, farm	\$/cwt	165.92	169.16	167.29	154.75	146.52	121.92
Steers, 5-area	\$/cwt	120.86	121.80	117.25	111.96	107.16	97.13
Feeder steers, Oklahoma City	\$/cwt	142.82	145.61	144.00	133.21	126.12	104.94
	Percent		2.0%	-1.1%	-7.5%	-5.3%	-1.4%
Feed price ratio:							
Beef cattle-corn	Ratio	33.3	36.0	36.4	33.7	31.8	27.2
Beef cow inventory	1,000 head	30,166	31,210	31,875	32,225	31,932	31,341
	Percent		3.5%	2.1%	1.1%	-0.9%	0.7%

# Choice Beef Retail Demand Index

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

**Q1.2017: -3.1%**  
**vs. Q1.2016**

**Q2.2017: -0.3%**  
**vs. Q2.2016**

**Q3.2017: +0.8%**  
**vs. Q3.2016**

**Q4.2017: +1.6%**  
**vs. Q4.2016**

# Assessing Beef Demand Determinants

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Glynn T. Tonsor, Ted C. Schroeder, and Jayson L. Lusk

Cattlemen's Beef Board



CATTLE INDUSTRY CONVENTION & NCBA TRADE SHOW  
JANUARY 31-FEBRUARY 2, 2018

# Wrap-Up

- Broad 2018-2019 Profitability Outlook
  - Cow-calf:
    - Converging toward Long-Term Levels
    - 2017 Better than Expected, May Delay Peak Herd Size
  - Stocker:
    - \$ at stake has moderated
    - Margins vary widely across situations but opportunity persist
  - Feedlot:
    - Early 2017 offered notable equity recovery
    - Margins have deteriorated for 2018

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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