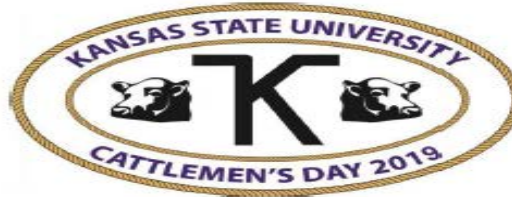


CATTLEMEN'S DAY 2019

106th ANNUAL

Kansas State University
Agricultural Experiment Station
Cooperative Extension Service



Animal Sciences and Industry
Weber Hall
Manhattan, Kansas

Friday, March 1, 2019

Beef Cattle Market Outlook & Economic Issues Surrounding Alternative Proteins

Glynn T. Tonsor

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Overarching Beef Industry Economic Outlook

➤ Supplies

– Commercial Beef Prod.
Up, Increases
Moderating

- +6.4% in 2016
- +3.8% in 2017
- +2.6% in 2018

- +1.6% in 2019 (?)
- +0.8% in 2020 (?)



Overarching Beef Industry Economic Outlook

➤ Supplies

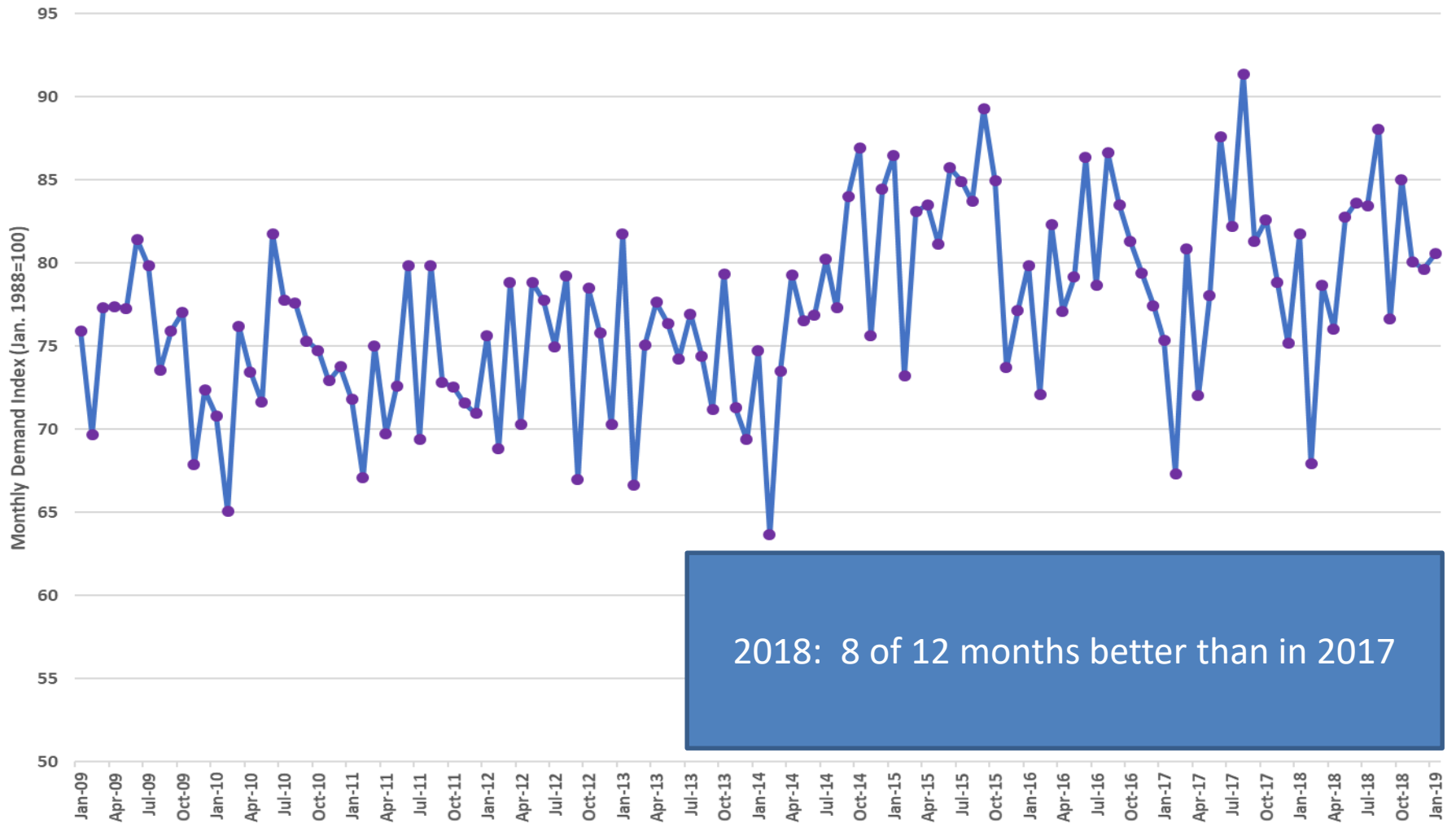
- Commercial Beef Production Up, Increases Moderating

➤ Demand

- **Key to surprising prices in 2018**

Domestic Retail Beef Demand

Beef (All Fresh) Demand Index



2018: 8 of 12 months better than in 2017

Beef Demand Overview

*Glynn T. Tonsor
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*Committee Leadership Summit
Denver, CO
December 11, 2018*

<https://www.agmanager.info/beef-demand-overview>

2018 Exports were stellar!

- USMEF, 2018 (estimated) vs. 2017:
 - **U.S. exports +15% in value** (~ \$8.3 Billion)
 - U.S. export growth: Korea, Japan, & Taiwan
- Global trade value +9%
 - China accounts for 80% of global beef trade growth
 - Dominated by South America & Australia (U.S. ~2% share)

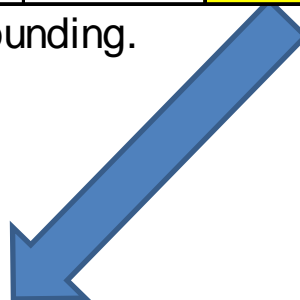
USDA Long-Term projections

3/13/19 (?) report (<http://www.usda.gov/oce/commodity/projections/>)

Per capita meat consumption, retail weight				
Item	2018	2019	2020	2028
Beef	57.2	58.8	59.7	58.4
Pork	50.8	53.1	53.4	54.3
Total red meat	109.3	113.2	114.4	114.0
Broilers	92.4	93.4	93.7	94.3
Turkeys	16.2	16.4	16.2	15.5
Total poultry	110.0	111.1	111.2	111.2
Red meat & poultry	219.3	224.3	225.6	225.2

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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Projections INCLUDE export maintenance & growth

Jan. Cattle Inventory Report

✓ #s consistent with pre-report estimates

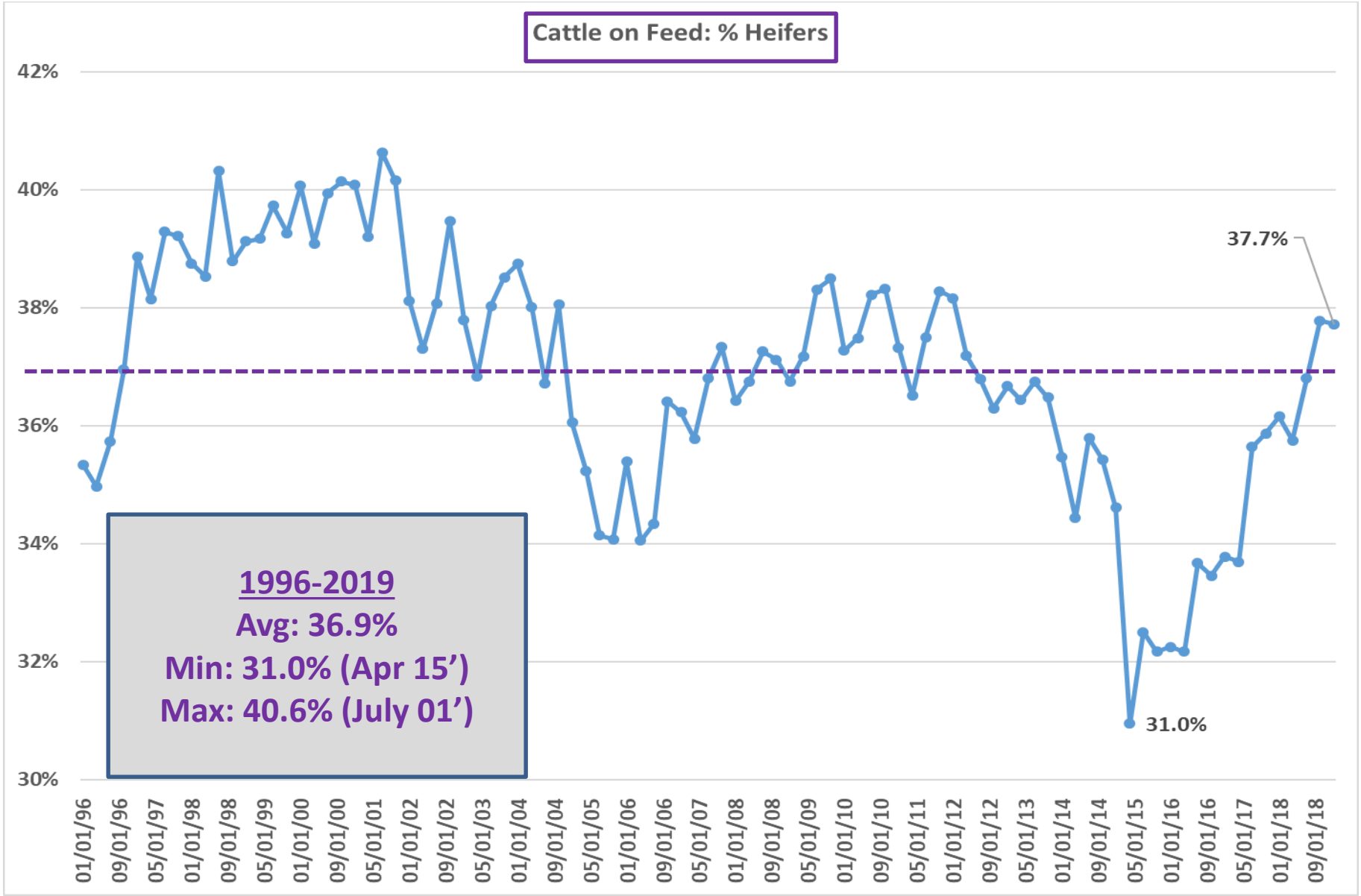
➤ Herd Expansion ending?

➤ -3% Heifer Retention (flat in KS)

➤ Yet supply growth continues

➤ +2% Beef Cows; +2% Calf Crop

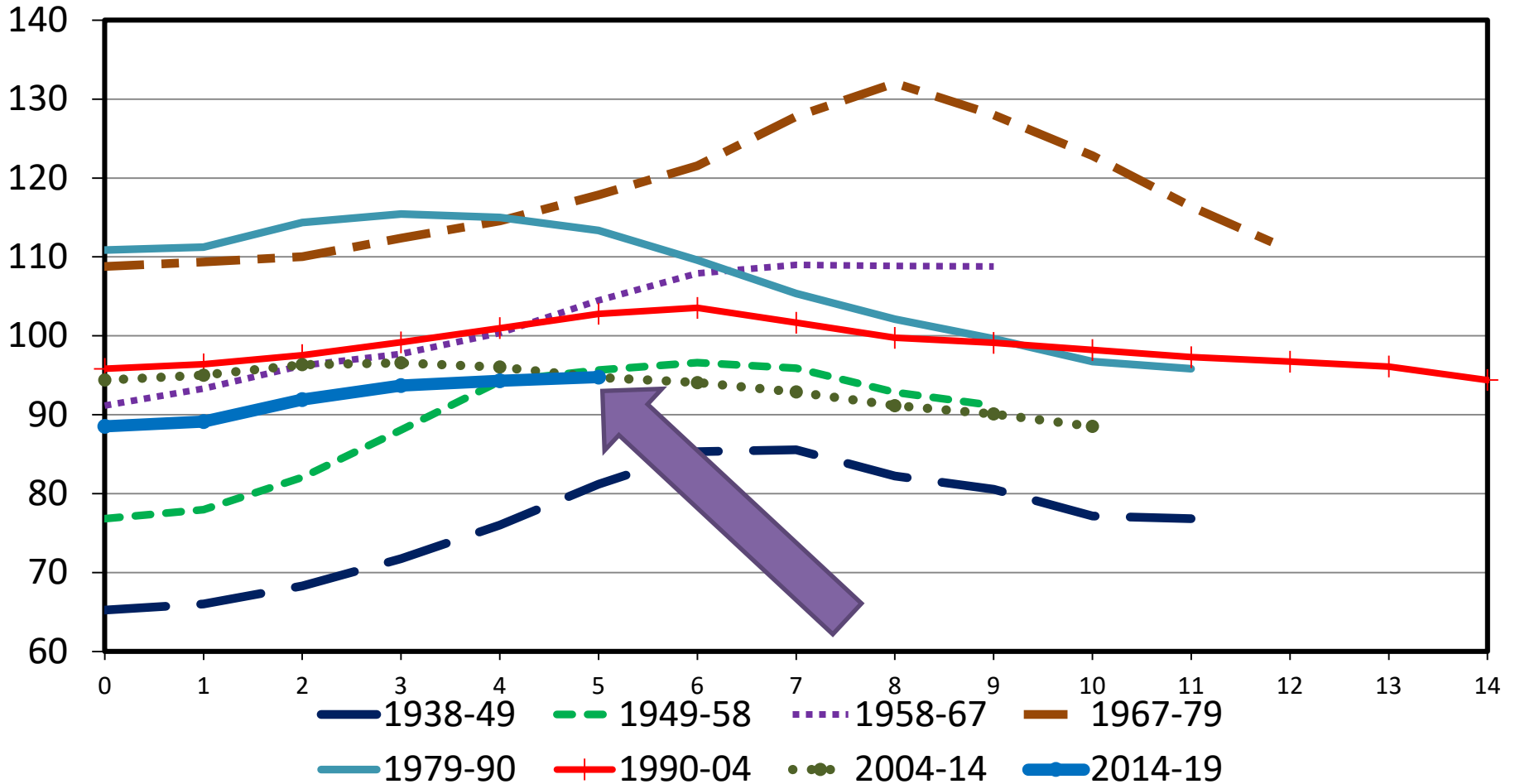
Herd Expansion Over?



TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center

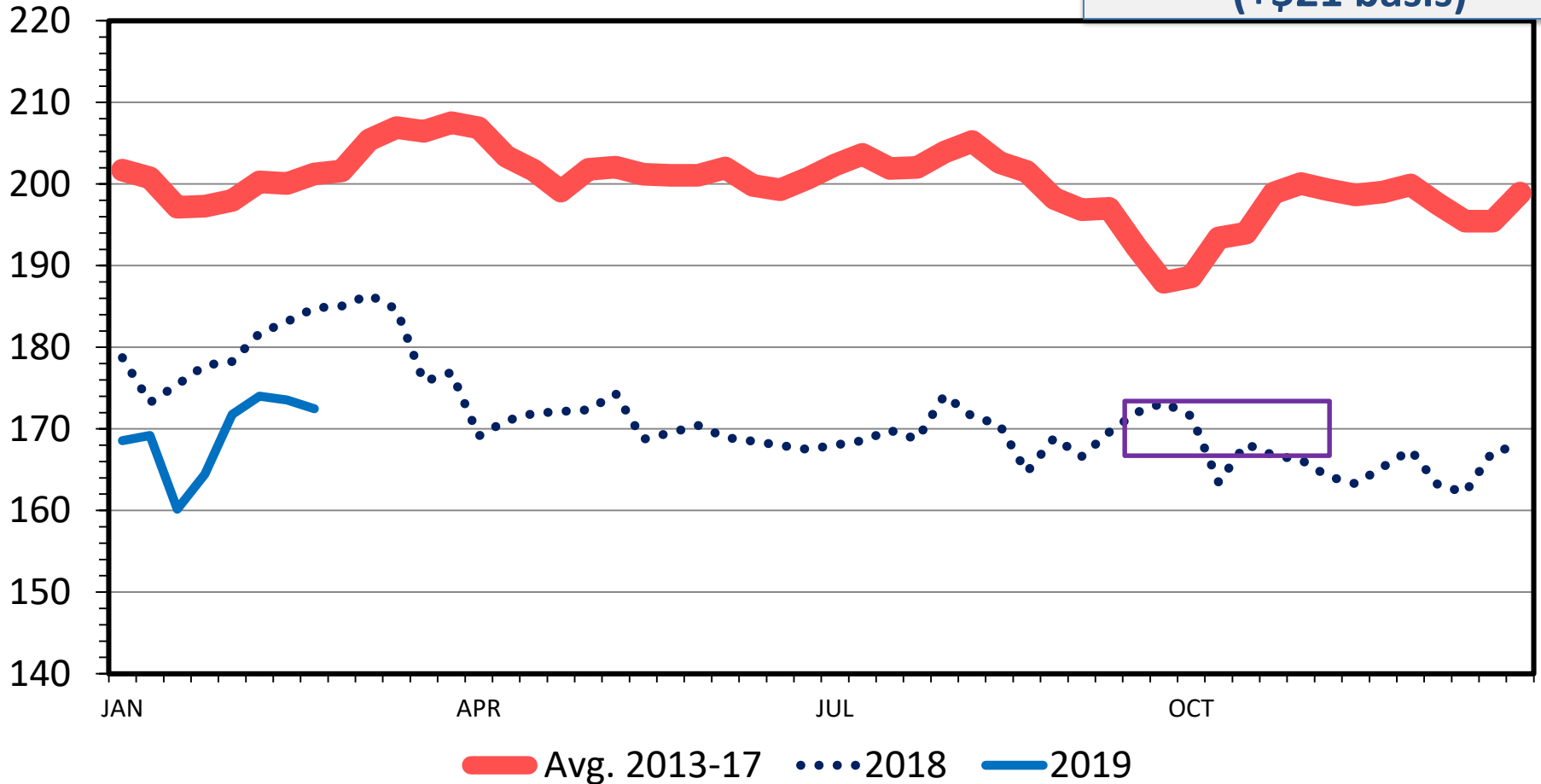
C-N-40
02/28/19

**BeefBasis.com, Salina,
KS 2019 Projections
(as of 2/28/19):
Oct. 16: \$173
(+\$21 basis)**

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



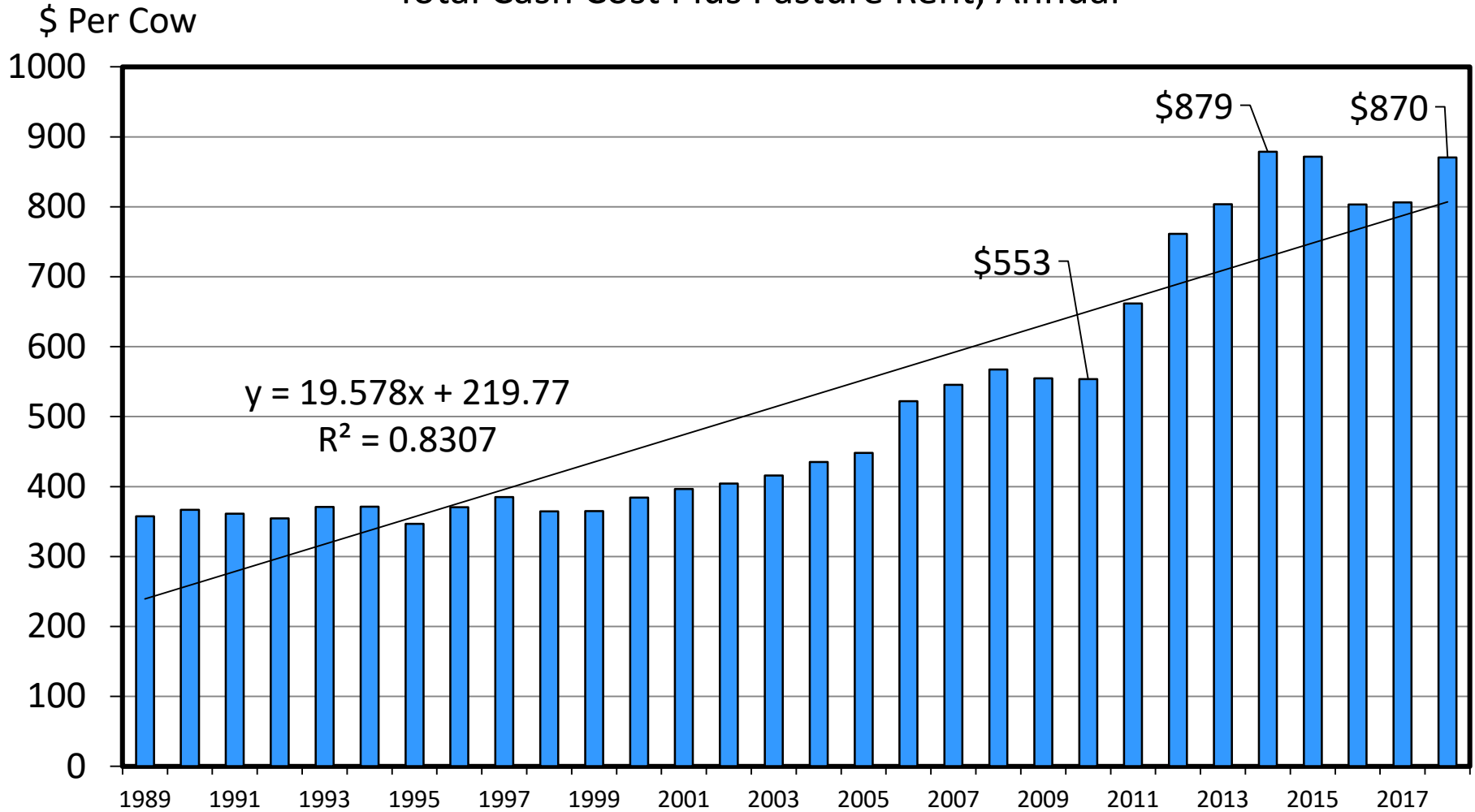
Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
02/25/19

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

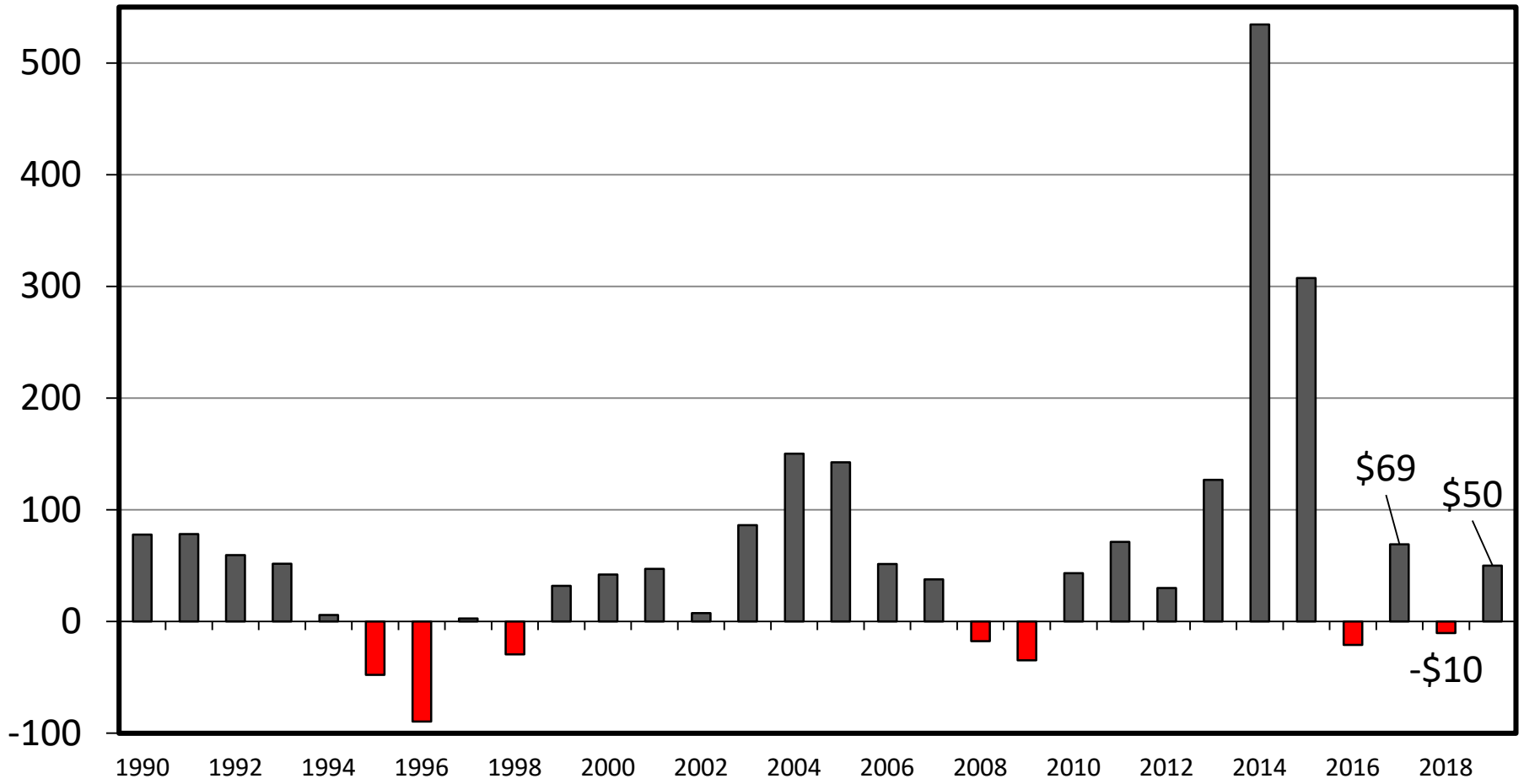
Livestock Marketing Information Center

12/18/18

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



BeefBasis.com, Salina, KS
2019 Projections
(as of 2/28/19):
Oct. 16: \$173

Fall Weaned 550# Calf

Dry Lot Winter
(Oct-Apr, 175 days)

725 lbs

★ Summer Grass
(Apr-Sep, 160 days)

1,000 lbs

Feedlot
(Oct-Dec, 100 days)

1,300 lbs

Precondition
(Oct-Nov, 35 days)

600 lbs

Feedlot
(Nov-Jun, 230 days)

1,290 lbs

Winter Grazing
(Nov-Apr, 130 days)

850 lbs

Feedlot
(Apr-Aug, 150 days)

1,300 lbs

Background
(Oct-Jan, 100 days)

800 lbs

Feedlot
(Jan-Jun, 160 days)

1,300 lbs

Economic Outlook Overview: Stockers

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

- Salina, KS 2/28/19 Summer Grass, ~160 DOF:
 - Buy 700 lb steer on 4/17/19 (\$157)
 - Sell 950 lb steer on 9/04/19 (\$145) {ADG 1.8}
 - VOG: \$110/cwt (\$276/head)
 - Compare to your COG;
 - Consider price hedging?

Economic Outlook Overview: Stockers

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

- Salina, KS 2/28/19 Summer Grass, ~160 DOF:
 - Buy 700 lb steer on 4/17/19 (\$157)
 - Sell 875 lb steer on 9/04/19 (\$147) {ADG 1.25}
 - VOG: \$109/cwt (\$190/head)
 - \$85/hd lower VOG

Economic Outlook Overview: Feedlots

Historical and Projected Kansas Feedlot Net Returns (as of 2/11/19')

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

Dec 18': +\$18/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
Jan-19	-2.34	84.55	123.38	125.31	-1.93	150.65	84.17	123.55	150.36
Feb-19	74.69	86.03	130.03	128.30	1.73	152.13	98.00	124.70	161.73
Mar-19	117.39	85.14	132.67	128.30	4.37	153.56	103.67	124.17	169.27
Apr-19	-41.02	86.27	122.27	118.38	3.89	154.21	79.71	125.26	148.70
May-19	39.09	85.71	127.23	118.38	8.85	148.20	92.50	124.43	152.96
Jun-19	-28.58	84.80	118.51	114.80	3.71	146.89	80.31	120.55	143.13
Jul-19	0.30	83.50	117.70	114.80	2.90	141.39	83.55	117.68	141.43
Aug-19	-25.51	84.49	118.07	116.30	1.77	144.47	80.42	119.87	141.26
Sep-19	-103.34	85.98	116.81	116.30	0.51	148.26	68.91	123.99	135.86
Oct-19	-59.95	86.91	120.52	118.85	1.67	150.35	77.29	124.71	142.95

Representative Barometer for Trends in Profitability

Quarterly Forecasts (LMIC: 2/8/19)

		% Chg.	Average	% Chg.	Comm'l	% Chg.
Year	Comm'l	from	Dressed	from	Beef	from
Quarter	Slaughter	Year Ago	Weight	Year Ago	Production	Year Ago
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	8,363	1.3	815.5	-0.1	6,820	1.3
IV	8,332	2.3	823.2	-0.6	6,859	1.7
Year	32,996	2.5	814.3	0.1	26,867	2.6
2019						
I	7,929	0.7	815.2	-0.7	6,464	0.0
II	8,514	1.1	805.0	0.9	6,854	1.9
III	8,555	2.3	824.4	1.1	7,053	3.4
IV	8,345	0.2	830.1	0.8	6,927	1.0
Year	33,343	1.1	818.7	0.5	27,298	1.6
2020						
I	8,065	1.7	824.6	1.2	6,651	2.9
II	8,515	0.0	811.2	0.8	6,908	0.8
III	8,502	-0.6	829.2	0.6	7,050	0.0
IV	8,301	-0.5	833.4	0.4	6,918	-0.1
Year	33,383	0.1	824.5	0.7	27,525	0.8

Quarterly Forecasts (LMIC: 2/8/19)

	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2018				
I	125.60	2.1	148.73	180.01
II	116.72	-12.1	144.52	170.11
III	111	-1.7	156	170
IV	115	-2.4	151	166
Year	117	-3.7	150	171
2019				
I	123-124	-1.7	142-145	167-171
II	118-120	2.0	143-148	170-176
III	109-112	-0.3	145-151	167-175
IV	115-119	1.5	146-154	164-173
Year	116-119	0.3	144-150	167-174
2020				
I	119-124	-1.6	144-153	167-177
II	117-124	1.3	145-156	172-184
III	110-118	3.2	146-158	169-183
IV	114-123	1.3	145-158	165-180
Year	117-121	1.3	147-154	170-179

Outlook Wrap-Up

- Broad Profitability Outlook
 - Supply side factors are “well established”
 - Demand factors are key and uncertain
 - What will be beef (and meat broadly) export situation?
 - When will next U.S. recession occur?

Outlook Wrap-Up

- Broad Profitability Outlook

- Supply side factors are “well established”

- Demand factors are key and uncertain

- What will be beef (and meat broadly) export situation?

- When will next U.S. recession occur?

- **Will favorability of high-protein diet (and cattle’s role) persist?**

***Where Do New,
Alternative Protein
Items Fit?***

New, Alternative Protein Items

Tonsor's two main points:

1) World needs & wants more protein!

➤ Bitter-sweet dilemma?

➤ Demand growth certainly good YET new protein sources will arise

✓ GT: There is “room” for BOTH conventional & new protein items

New, Alternative Protein Items

Tonsor's two main points:

- 2) MUCH MORE economic research is needed
 - ✓ Largely “working blind” currently

New, Alternative, Protein Items

Key Economic Unknowns:

1. What demographics describe new product buyers?
2. What latent perceptions underlie purchase decision?
3. What proportion become repeated (vs. one-time novel) buyers?
4. How own- & cross-price sensitive are buyers?

❑ **Bottom-line**: *we need research based answers to understand current and future conventional meat substitution effects!*



Challenges in Agriculture's Producer-Public Interface: Perspectives of an Economist

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Dept. of Agricultural Economics, Kansas State University

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Twitter: @TonsorGlynn

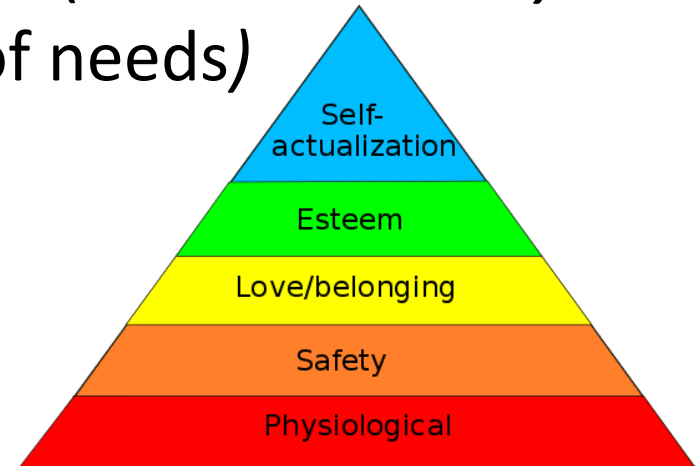


This material is based upon work that is partially supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, under award number 2015-69004-23273. Any opinions,

<https://www.agmanager.info/challenges-agriculture%E2%80%99s-producer-public-interface-perspectives-economist>

Everything is in the Eye (and point in time) of the Beholder

- Over time:
 - Relative view on problems change (food *availability* vs. food *type* – Maslow's hierarchy of needs)



- Scientific ability & Public acceptance change
 - Consumers & Producers change views

Everything is in the Eye (and point in time) of the Beholder

- Over time:
 - Relative view on problems change (food *availability* vs. food *type* – Maslow's hierarchy of needs)
 - Scientific ability & Public acceptance change
 - Consumers & Producers change views
- Challenges arise & are addressed all the time

Consider how much phones have changed...



Sources: <http://imgkid.com/old-rotary-phone.shtml> <http://www.gizmag.com/mobile-phone-40-year-anniversary-photos/25677/> <http://www.cellphonereviews.com/who-invented-the-cell-phone/> <http://science.howstuffworks.com/innovation/inventions/who-invented-the-cell-phone.htm>

Consider how much MORE phones WILL change...



BEEF.



Agriculture or labriculture: Where does your meat come from?

A multiple ingredient substitute approximating the taste of the real thing might help lapsed meat eaters to come back to the real, much better tasting and more nutrient dense thing.

Chuck Jolley | Feb 25, 2019

Main Question:

Will desire for fewer ingredients drive “labriculture” consumers to “the real thing” ?

GT's Bottom-Line Suggestion

1. Recognize demand's critical & dynamic role
2. Appreciate actual demand drivers
3. Be willing to adjust if & when prudent

More information available at:



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

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