

GENERAL SESSION IV
Livestock Market Situation and Outlook

Glynn Tonsor, Kansas State University

Glynn Tonsor is a Professor in the Department of Agricultural Economics at Kansas State University (KSU). Glynn grew up on a farrow-to-finish swine farm in Monroe City, Missouri. Tonsor obtained a B.S. from Missouri State University and Ph.D. from KSU. He was a faculty member at Michigan State University from May 2006 to March 2010 when he joined the KSU faculty.

Tonsor has broad interests and experiences which span issues throughout the meat supply chain. Through active research, engaged outreach with industry, and first-hand knowledge with livestock production, Glynn has economic expertise in an array of topics of importance to Kansas, U.S. and global stakeholders. These topics include animal identification and traceability, animal well-being and welfare, commodity market analysis, consumer demand, food safety, meat labeling policies, producer perceptions and preferences, risk management, and technology acceptance. Glynn's integrated research and extension program has resulted in multiple journal article publications and numerous outreach contributions.

Glynn and his wife, Shauna, live in Saint George, Kansas with their children Ethan, Levi, and Aubree.

Abstract/Summary

This session will include a broad market outlook update for the beef-cattle industry with a focus on the status of herd expansion, profitability/margins in each sector, and beef demand strength. The session will include time for informal exchange of thoughts on broader economic issues facing the entire livestock and meat industry – so bring your questions!

Risk & Profit
CONFERENCE



K-State Dept. of Agricultural Economics
August 18-19, 2016
K-State Alumni Center
Manhattan, KS

The Farm Financial Situation
Navigating a Struggling Ag Economy
K-STATE
Research and Extension

Livestock Industry Outlook Overview

Glynn Tonsor
Dept. of Agricultural Economics
Kansas State University

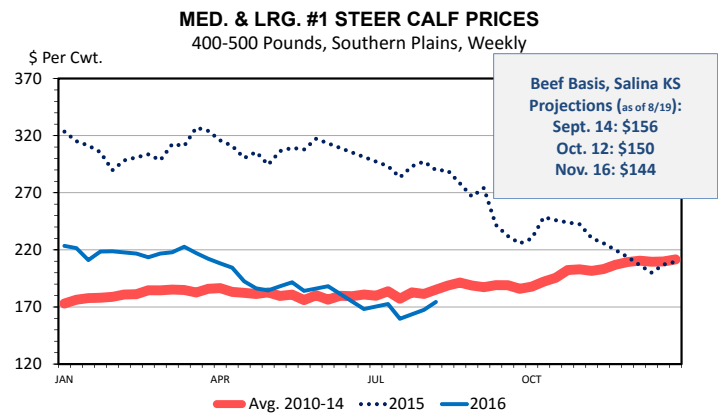


Overarching Beef Industry Economic Outlook

- Supplies
 - Expansion well underway
 - Competing meat supplies growing
- Demand
 - Confusing & slowing
 - Far less certain, understood, & appreciated than supply...

Overarching Beef Industry Economic Outlook

BREXIT	IMPORTS FROM BRAZIL	JULY JOBS: +255k	DEC CORN: -\$1.15/bu Since mid-June
CATTLE MARKETS "BROKEN"	CME LC CONTRACTS CHANGING	NO JULY CATTLE INVENTORY REPORT	

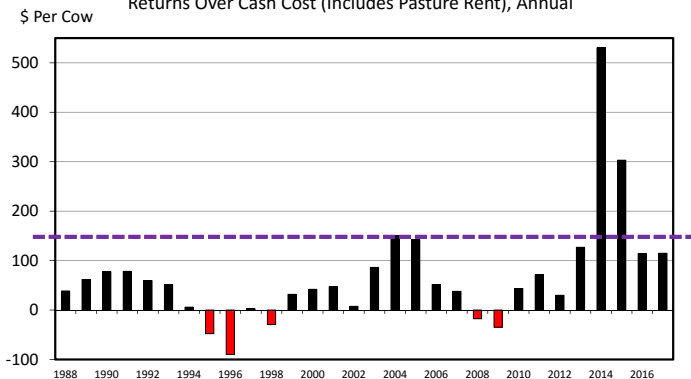


Data Source: USDA-AMS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

C-P-49A
08/15/16

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

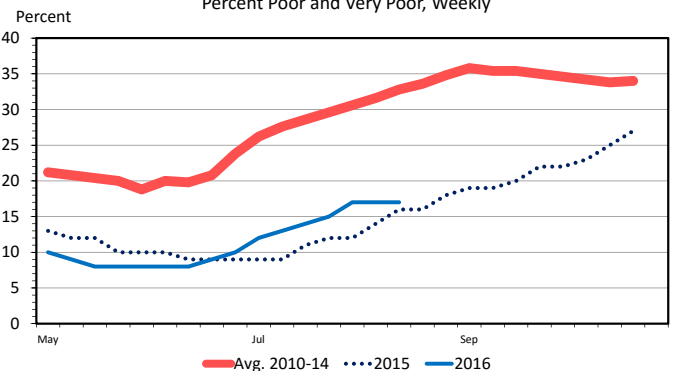


Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

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08/02/16

US RANGE AND PASTURE CONDITION

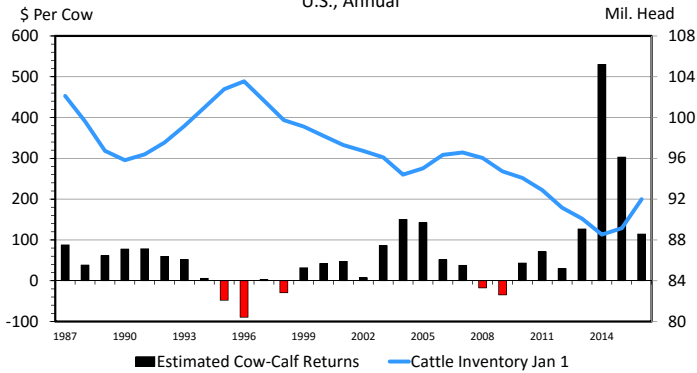
Percent Poor and Very Poor, Weekly



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

G-NP-30
08/16/16

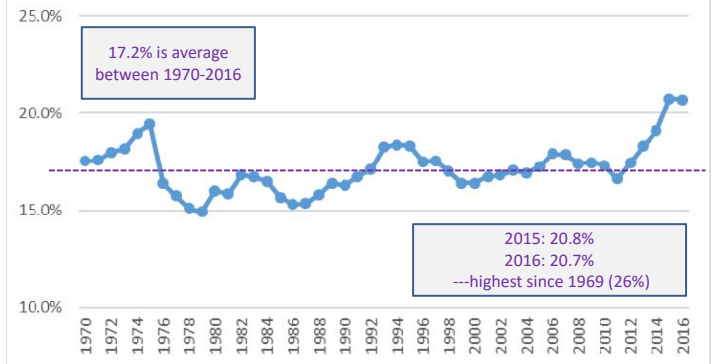
COW-CALF RETURNS AND CATTLE INVENTORY



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

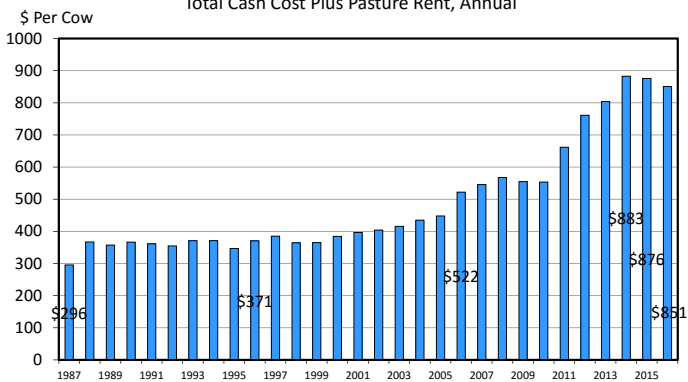
C-P-67
08/02/16

Heifer Retention as % of Total Beef Cows



Data Source: USDA-NASS
Livestock Marketing Information Center

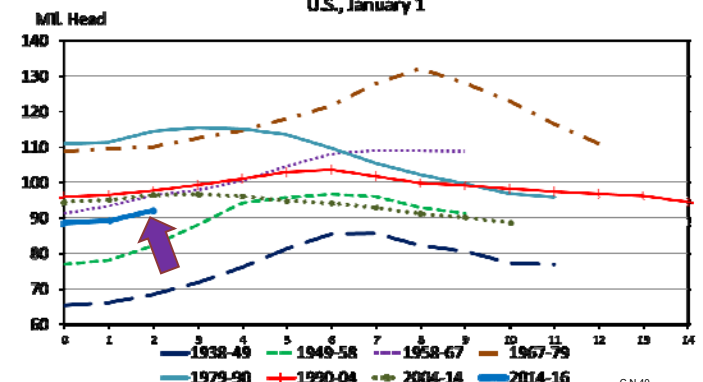
ESTIMATED AVERAGE COW CALF COSTS



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

08/02/16

TOTAL CATTLE INVENTORY BY CYCLE



Data Source: USDA-NASS
Livestock Marketing Information Center

CN-40
02/01/16

Feeder Cattle Price Hedging Considerations (as of 8/19/16)

- Salina, KS 8/19/16 situation :
 - Sell 550 lb calves on 9/14/16 (\$156)
- Considering price protection on Sep sale
 - Or for stocker, consider protection for buy in Sep
 - **USE: K-State Feeder Cattle Risk Mgmt Tool.xls**

<http://www.agmanager.info/k-state-feeder-cattle-risk-management-tool>

Economic Outlook Overview: Stockers

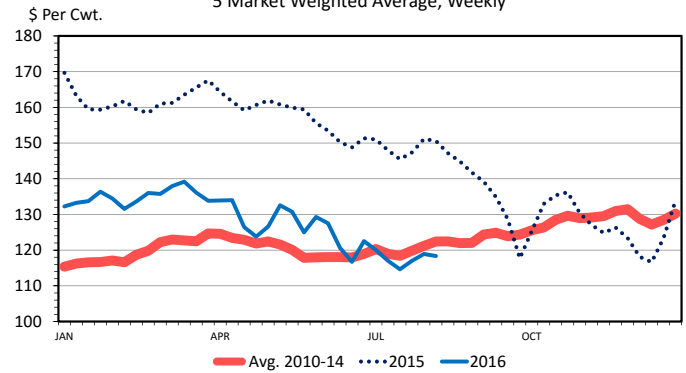
<http://www.beefbasis.com/VOG.aspx>

- Salina, KS 8/8/16 situation:
 - Buy 550 lb steer on 09/14/16 (\$160)
 - Sell 750 lb steer on 12/14/16 (\$134) {2.17 ADG}
 - **VOG: \$61/cwt**
 - Buy 550 lb steer on 11/16/16 (\$148)
 - Sell 800 lb steer on 3/15/17 (\$128) {2.08 ADG}
 - **VOG: \$85/cwt**
 - If COG=\$65/cwt then Exp Profit = \$50/hd

Economic Outlook Overview: Feedlots

- 2016 has been rough, but better than 2015

SLAUGHTER STEER PRICES 5 Market Weighted Average, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

08/15/16

Historical and Projected Kansas Feedlot Net Returns (as of 8/8/16')

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

June 16': -\$8/steer

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
Jul-16	-135.31	80.06	117.50	154.62	56.85	126.82	139.06
Aug-16	-112.04	77.83	115.85	151.89	59.00	123.54	138.92
Sep-16	-96.01	77.38	115.58	148.79	61.13	122.08	137.97
Oct-16	-48.67	77.97	115.35	145.87	70.35	118.61	140.17
Nov-16	-28.49	79.27	115.88	142.96	74.74	117.79	139.65
Dec-16	-34.14	80.03	115.71	140.71	74.29	118.01	136.85
Jan-17	-21.71	80.90	117.25	142.18	77.31	118.73	139.67
Feb-17	-21.38	79.17	115.43	141.39	75.69	116.89	138.85
Mar-17	13.86	78.89	117.08	138.04	81.27	116.13	139.63
Apr-17	-69.70	78.43	109.49	136.81	66.46	114.43	128.39

Representative Barometer for Trends in Profitability

Historical and Projected Kansas Feedlot Net Returns (as of 8/8/16')

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

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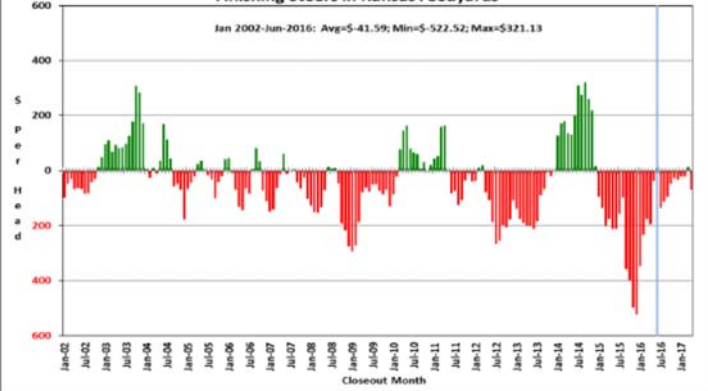
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Aug-16	-112.04	77.83	115.85	151.89	59.00	123.54	138.92
Sep-16	-96.01	77.38	115.58	148.79	61.13	122.08	137.97
Oct-16	-48.67	77.97	115.35	145.87	70.35	118.61	140.17
Nov-16	-28.49	79.27	115.88	142.96	74.74	117.79	139.65
Dec-16	-34.14	80.03	115.71	140.71	74.29	118.01	136.85
Jan-17	-21.71	80.90	117.25	142.18	77.31	118.73	139.67
Feb-17	-21.38	79.17	115.43	141.39	75.69	116.89	138.85
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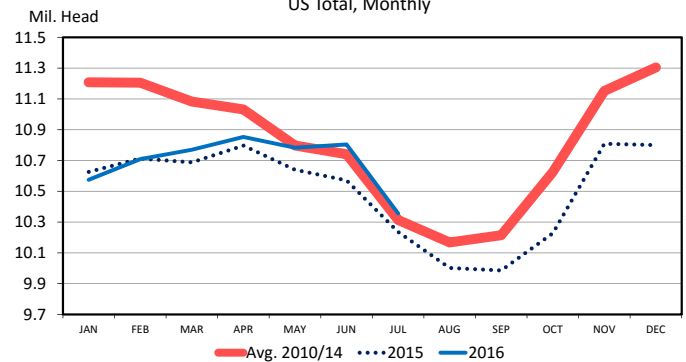
Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards



Pre-8/20 COF Report Estimates:

On Feed Aug 1: +1.3% {+0.4% to +2.0%}

CATTLE ON FEED US Total, Monthly

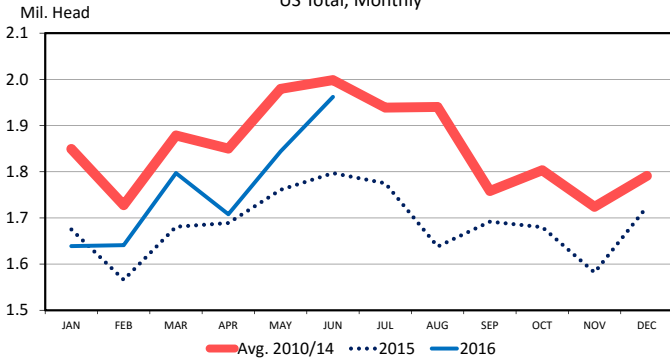


Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-10
07/22/16

Pre-8/20 COF Report Estimates:
Marketed in July: -0.7% {-1.5% to +0.5%}

FED CATTLE MARKETINGS
US Total, Monthly

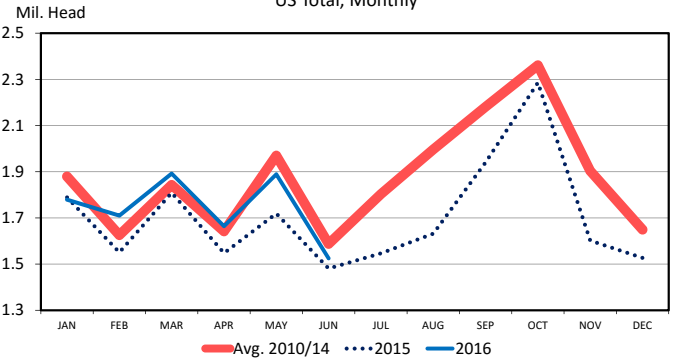


Data Source: USDA-NASS
Livestock Marketing Information Center

C-M-11
07/22/16

Pre-8/20 COF Report Estimates:
Placed in July: -0.4% {-5.0% to +4.2%}

FEEDLOT PLACEMENTS
US Total, Monthly



Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-08
07/22/16

Quarterly Forecasts (LMIC: 8/2/16)

Year	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2015						
I	6,969	-5.5	812.9	2.2	5,665	-3.5
II	7,229	-7.8	810.1	2.7	5,856	-5.3
III	7,291	-4.5	832.3	2.8	6,068	-1.8
IV	7,263	-0.9	841.1	2.3	6,109	1.5
Year	28,752	-4.7	824.2	2.5	23,698	-2.3
2016						
I	7,181	3.0	826.5	1.7	5,935	4.8
II	7,629	5.5	810.9	0.1	6,187	5.6
III	7,634	4.7	827.6	-0.6	6,318	4.1
IV	7,443	2.5	834.6	-0.8	6,212	1.7
Year	29,886	3.9	824.8	0.1	24,651	4.0
2017						
I	7,524	4.8	829.3	0.3	6,240	5.1
II	7,944	4.1	814.6	0.4	6,471	4.6
III	7,825	2.5	831.4	0.5	6,506	3.0
IV	7,788	4.6	837.4	0.3	6,522	5.0
Year	31,081	4.0	828.1	0.4	25,739	4.4

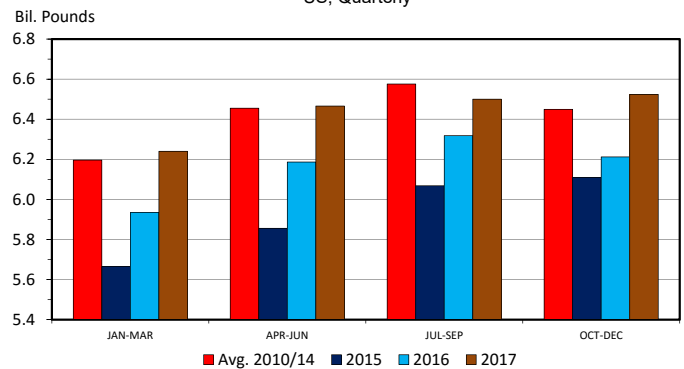
Quarterly Forecasts (LMIC: 8/2/16)

Year	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	134.81	-17.0	160.06	195.73
II	127.68	-19.2	149.22	173.86
III	121-123	-15.4	145-148	172-176
IV	122-125	-3.3	145-149	172-178
Year	126-128	-14.3	149-152	178-181
2017				
I	123-127	-7.3	145-150	174-181
II	122-127	-2.5	147-153	176-183
III	118-124	-0.8	144-151	173-181
IV	119-126	-0.8	142-150	171-180
Year	121-125	-3.1	145-151	174-181

LC & FC Contracts Down ~\$3/cwt since 8/2

Trade & Meat Supplies

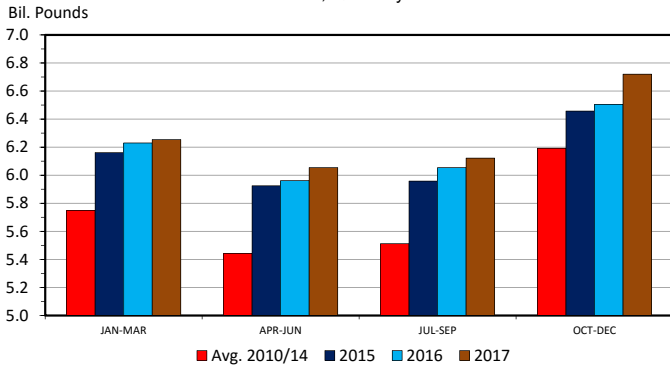
COMMERCIAL BEEF PRODUCTION
US, Quarterly



Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

M-S-01
07/30/16

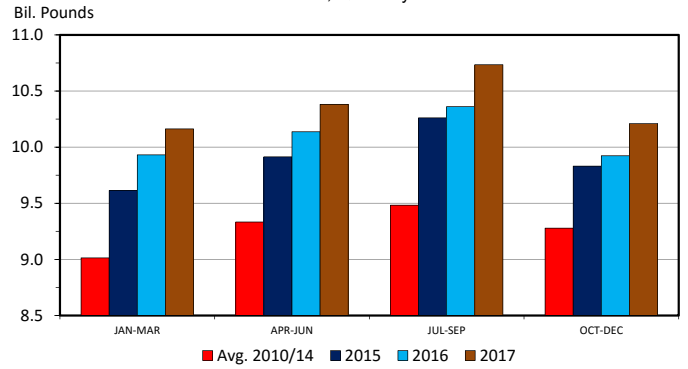
COMMERCIAL PORK PRODUCTION US, Quarterly



Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

M-S-06
07/30/16

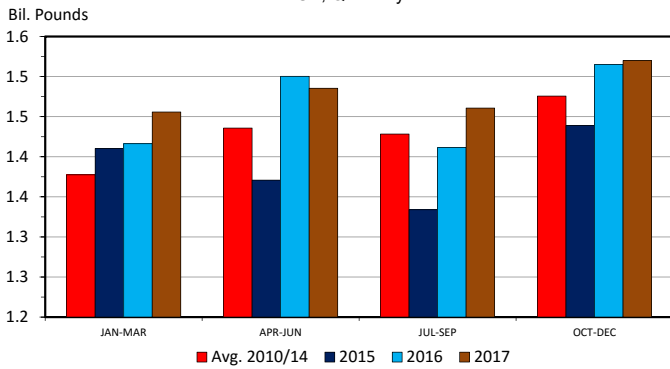
RTC BROILER PRODUCTION US, Quarterly



Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

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07/30/16

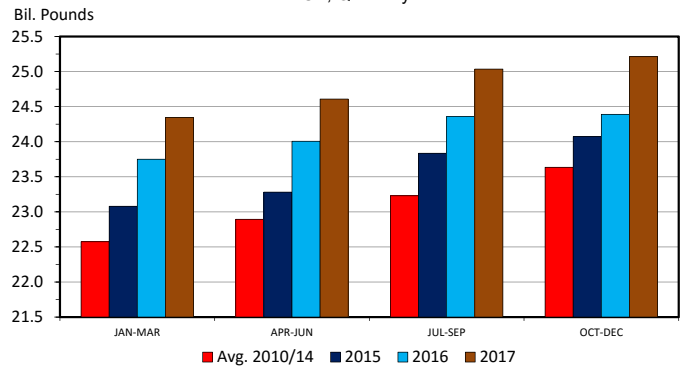
RTC TURKEY PRODUCTION US, Quarterly



Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

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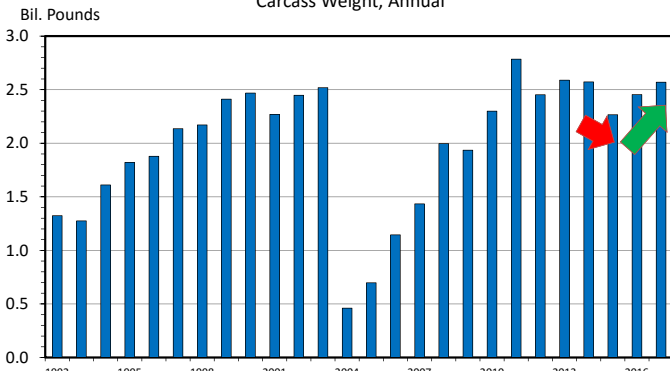
TOTAL RED MEAT & POULTRY PRODUCTION US, Quarterly



Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

M-S-31
07/30/16

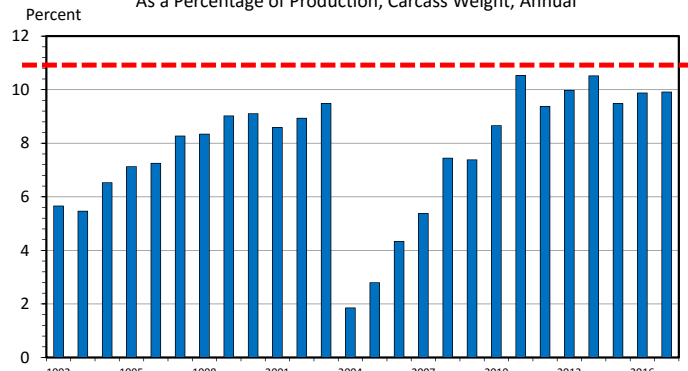
US BEEF AND VEAL EXPORTS Carcass Weight, Annual



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

I-N-06
07/30/16

US BEEF AND VEAL EXPORTS As a Percentage of Production, Carcass Weight, Annual

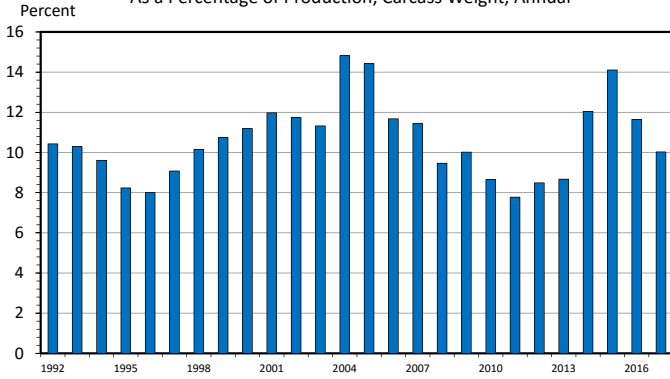


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-07
07/30/16

US BEEF AND VEAL IMPORTS

As a Percentage of Production, Carcass Weight, Annual

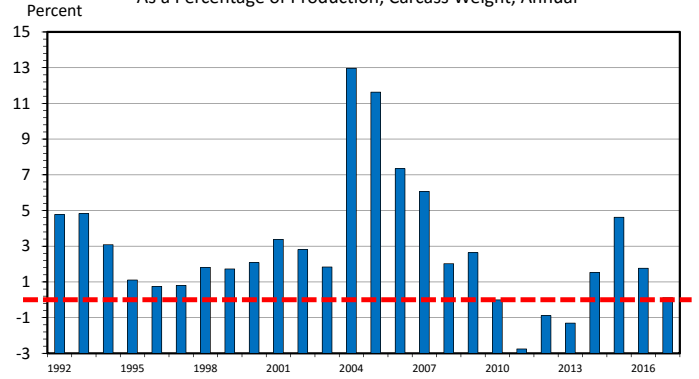


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

LN-08
07/30/16

US BEEF AND VEAL NET IMPORTS

As a Percentage of Production, Carcass Weight, Annual

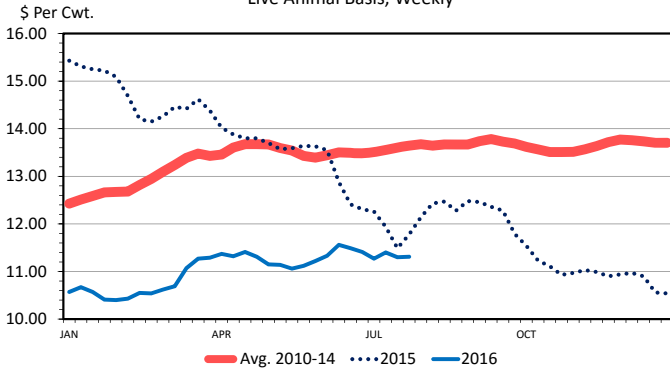


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

LN-11
07/30/16

STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-39
08/01/16

USDA Long-Term projections

Nov. 2015 pre-report release (<http://www.usda.gov/oce/commodity/projections/index.htm>)

Item	Recent		Next 5 Years					10 Years Out
	2014	2015	2016	2017	2018	2019	2020	2025
Beef	54.1	54.4	55.3	55.2	55.6	56.1	56.3	56.8
Pork	46.4	49.5	49.7	50.1	50.5	50.8	50.9	51.1
Total red meat	101.7	105.2	106.1	106.5	107.2	108.0	108.3	108.9
Broilers	83.3	89.1	89.6	89.5	89.8	90.2	90.7	91.5
Turkeys	15.7	15.8	16.2	16.7	17.0	17.1	17.2	17.3
Total poultry	100.3	106.1	107.1	107.5	108.1	108.7	109.3	110.3
Red meat & poultry	202.1	211.2	213.2	214.0	215.3	216.7	217.6	219.2

PC Red Meat & Poultry	
1995	207.5
2000	216.2
2005	221.2
2010	208.9
2014	201.9

lowest since 1990

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USDA Long-Term projections

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Pork	46.4	49.5	49.7	50.1	50.5	50.8	50.9	51.1
Total red meat	101.7	105.2	106.1	106.5	107.2	108.0	108.3	108.9
Broilers	83.3	89.1	89.6	89.5	89.8	90.2	90.7	91.5
Turkeys	15.7	15.8	16.2	16.7	17.0	17.1	17.2	17.3
Total poultry	100.3	106.1	107.1	107.5	108.1	108.7	109.3	110.3
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Projections INCLUDE growing export forecasts...

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USDA Long-Term projections

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Item	Units	Recent		Next 5 Years					10 Years Out
		2014	2015	2016	2017	2018	2019	2020	2025
Total production	Mil. lbs.	24,320	23,780	24,914	25,295	25,761	26,296	26,684	28,057
Imports	Mil. lbs.	2,947	3,432	3,045	2,950	2,975	3,000	3,050	3,300
Total supply	Mil. lbs.	27,851	27,803	28,559	28,805	29,296	29,856	30,294	31,917
Exports	Mil. lbs.	2,573	2,223	2,425	2,500	2,650	2,800	2,925	3,400
Total consumption	Mil. lbs.	24,687	24,980	25,574	25,745	26,086	26,496	26,809	27,957
Per capita, retail weight	Pounds	54.1	54.4	55.3	55.2	55.6	56.1	56.3	56.8
Change from previous year	Percent	-3.8	0.5	1.6	-0.1	0.6	0.9	0.5	0.0

2025 vs 2015 Exports

> +53% in Volume
> 12% (2025) vs. 9% (2015) of Production

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USDA Long-Term projections

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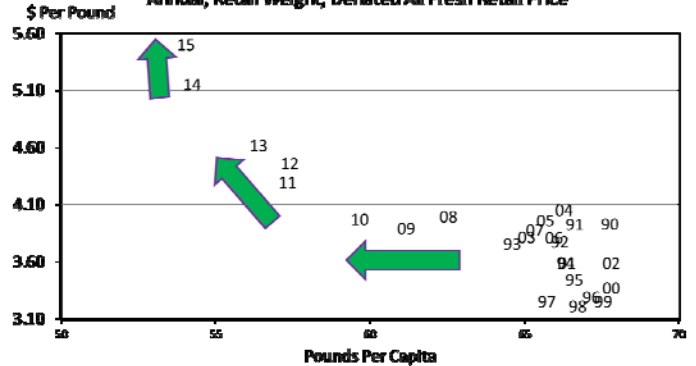
Beef long-term projections		Recent	Next 5 Years					10 Years Out	
Item	Units	2014	2015	2016	2017	2018	2019	2020	2025
Prices:									
Beef cattle, farm	\$/cwt	152.83	149.01	141.58	136.49	132.89	130.59	126.55	121.49
Calves, farm	\$/cwt	254.58	271.83	268.86	222.39	207.48	198.81	189.92	183.95
Steers, 5-area	\$/cwt	154.56	149.19	141.75	136.65	133.05	130.75	126.70	121.63
Feeder steers, Oklahoma City	\$/cwt	202.82	207.12	205.00	169.57	158.20	151.59	144.81	140.26
Feed price ratio:									
Beef cattle-com	Ratio	34.3	40.3	38.8	37.9	36.4	35.3	34.2	32.4
Cattle inventory									
1,000 head		88,526	89,800	92,900	95,200	95,700	96,200	96,600	97,400
Beef cow inventory	1,000 head	29,086	29,675	30,382	30,800	31,300	31,800	32,200	33,200
Total cow inventory	1,000 head	38,293	39,000	39,800	40,102	40,802	41,102	41,502	42,547

Note: Cwt = hundredweight.

2025 @ 33.2 million beef cows
 ➤ +14% from 2014
 ➤ Would be largest herd since 2001

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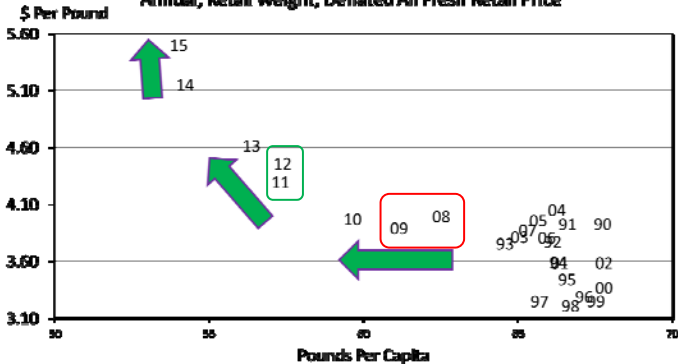
BEEF PRICE-QUANTITY RELATIONSHIP



Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled and Analysis by LMIC
 Livestock Marketing Information Center

C-P-65A
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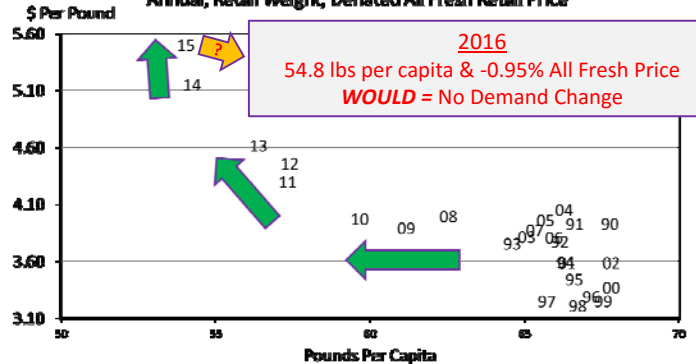
BEEF PRICE-QUANTITY RELATIONSHIP



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BEEF PRICE-QUANTITY RELATIONSHIP

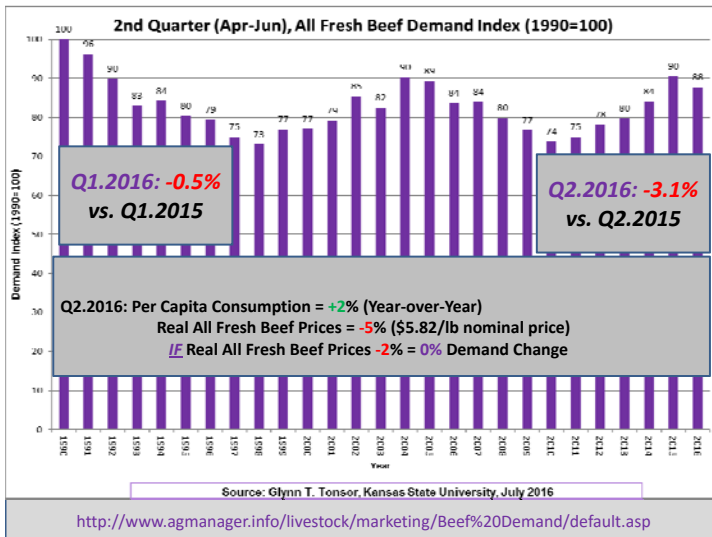


Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled and Analysis by LMIC
 Livestock Marketing Information Center

C-P-65A
 03/25/16

Wrap-Up

- Broad 2016-2017 Profitability Outlook
 - Cow-calf: Converging toward Long-Term Levels
 - Stocker: Tough; Varies widely across situations
 - Feedlot: Ongoing struggle; worst behind us (I think)



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Wrap-Up

- Industry past tipping point on tight supplies

–Demand’s role will become clearer

http://www.agmanager.info/livestock/marketing/Beef%20Demand/BeefDemand_08-28-15.pdf

- Identifying & acting upon comparative advantage will increasingly be key to profit!

More information available at:



This presentation will be available in PDF format at:
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