

Beef Cattle Market Outlook

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Overarching Outlook

- Supplies
 - Commercial Beef Production Peaking
 - +3.8% in 2017, +2.6% in 2018, +1.1% in 2019
 - +0.2% in 2020 (?) {-11.2% in Q2.2020}
 - -1.6% in 2021 & -2.1% in 2022 (?)
 - Reflects LMIC forecasts as of 9/15/20

Overarching Outlook

- Demand
 - Key to supporting prices
 - VERY mixed bag of signals currently

Overarching Outlook

Consider Price Changes (vs. prior year)

- 5-mkt Live avg: 2019 (-0.3%), 20' (-7.5%), 21' (+9.7%)
- 7-800# SP: 2019 (-3.5%), 20' (-4.1%), 21' (+7.9%)
- 5-600# SP: 2019 (-4.7%), 20' (-2.7%), 21' (+6.2%)

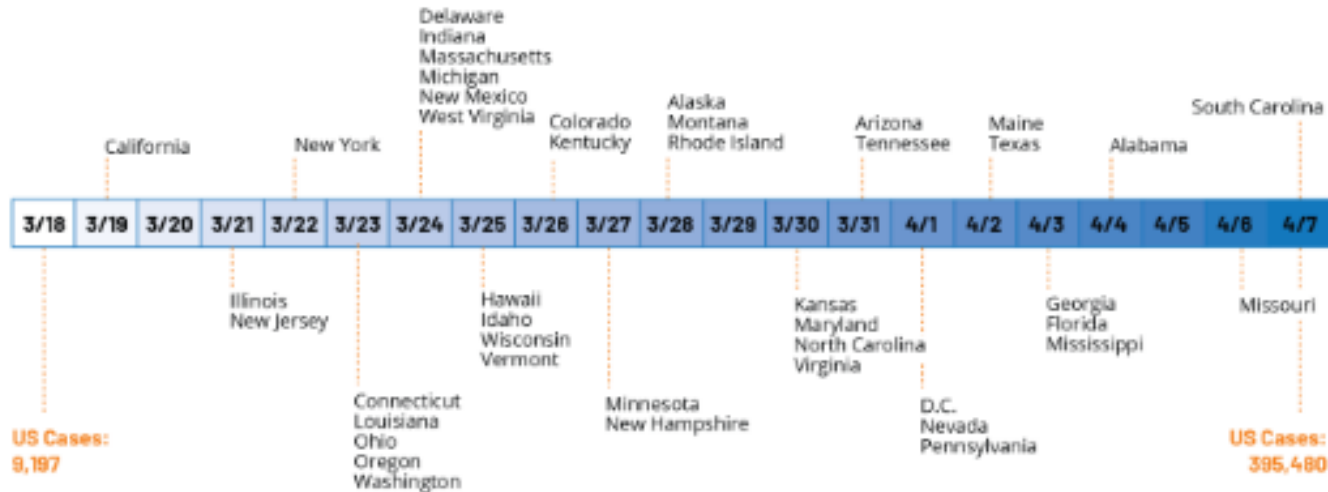
➤ Reflects LMIC forecasts as of 9/15/20

**3 LARGE
&
ONGOING
COVID-19 SHOCKS**

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Stay-at-Home Orders

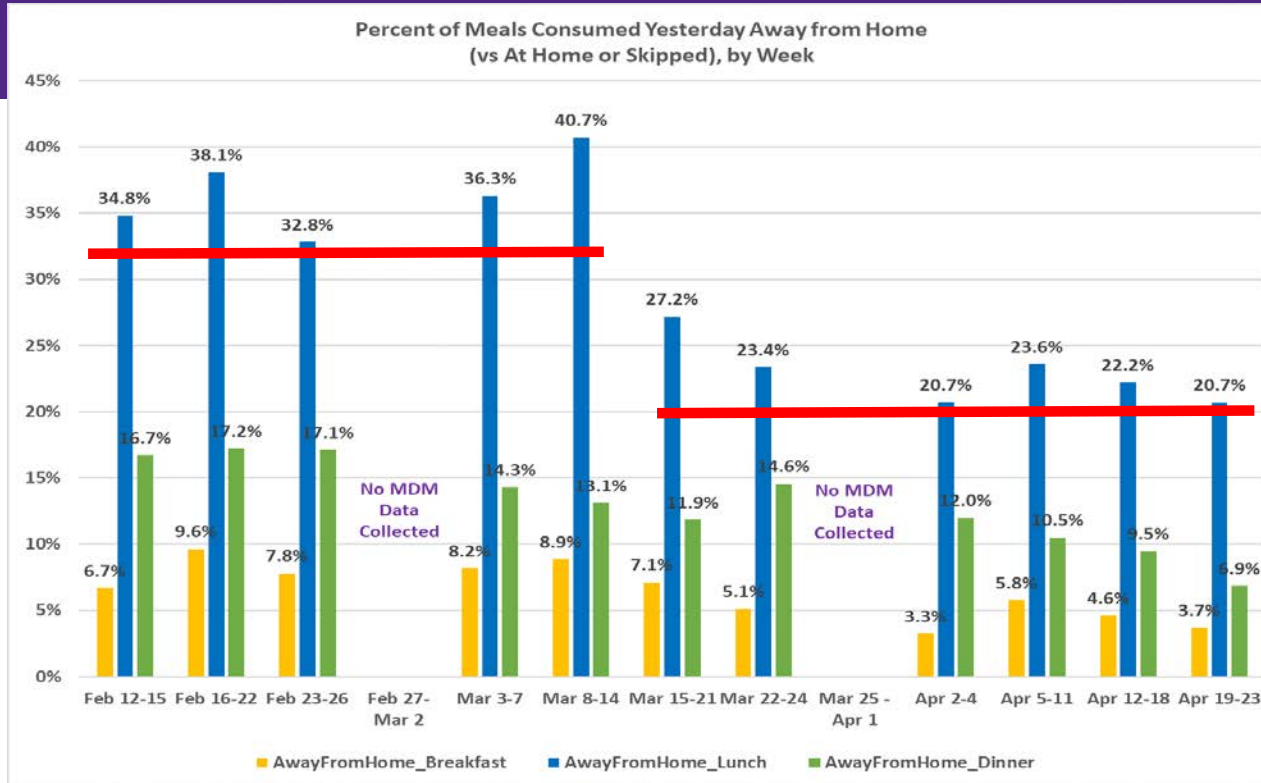
When State Stay-at-Home Orders Due to Coronavirus Went into Effect



SOURCE: KFF, State Data and Policy Actions to Address Coronavirus, <https://www.kff.org/health-costs/issue-brief/state-data-and-policy-actions-to-address-coronavirus/#note-3-10> and state government websites.

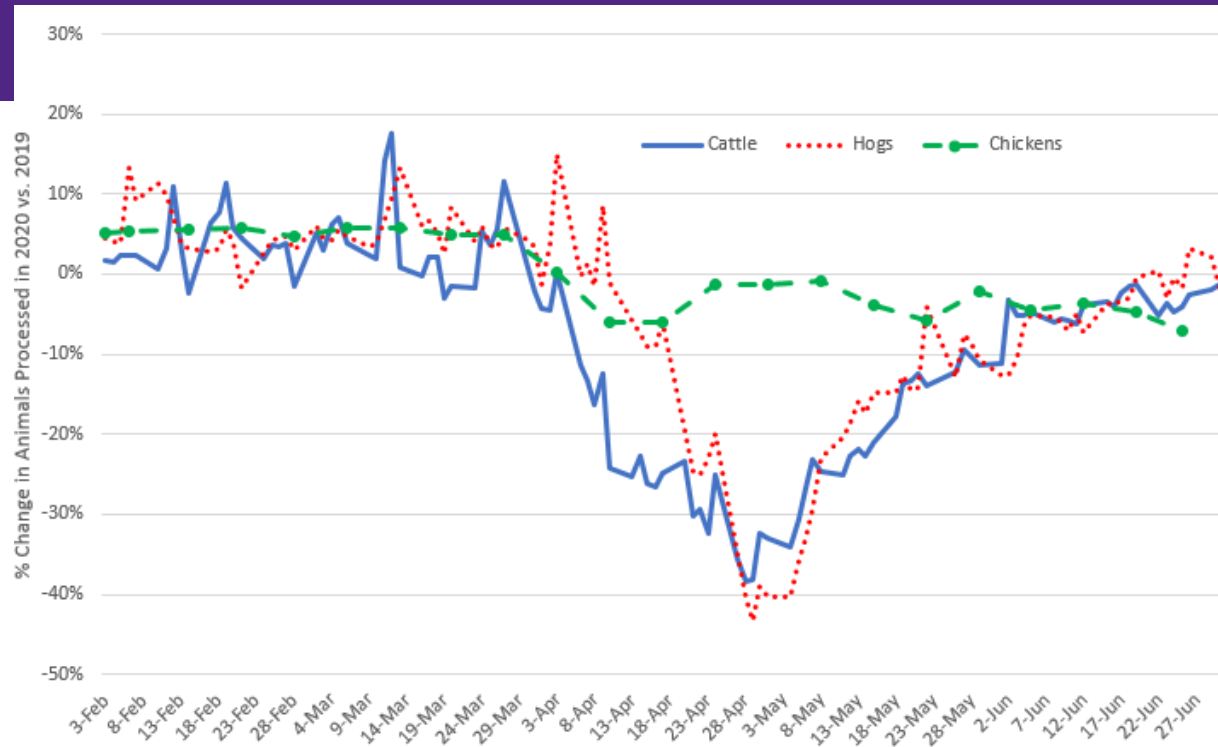


SHOCK #1: Shift to At-Home: Mid-March thru April



<https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data/meat-demand-monitor-coronavirus>

Beef & Pork Packing Challenges Develop



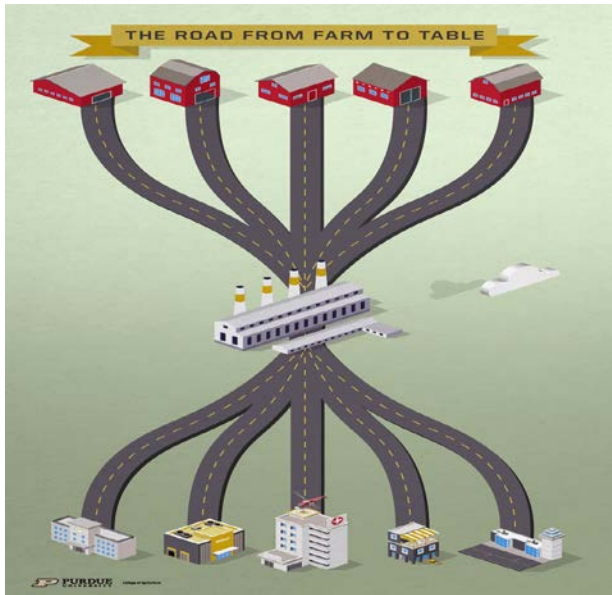
<https://static1.squarespace.com/static/502c267524aca01df475f9ec/t/5f33fb8996534b02af31fa86/1597242250084/Marketing+Margins+during+COVID19+revised+2.pdf>

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Lusk, Tonsor, Schulz
working paper

SHOCK #2:

Animal-to-Meat Bottleneck / Society: *Where's my Meat?*



<https://www.purdue.edu/newsroom/releases/2020/Q2/questions-and-answers-about-the-road-from-farm-to-table.html>

TIME COVID-19 Meat Shortages Could Last for Months. Here's What to Know Before Your Next Grocery Shopping Trip

<https://time.com/5830178/meat-shortages-coronavirus/>



BREAKING NEWS

MEAT SHORTAGES AS VIRUS FORCES PROCESSING PLANTS TO CLOSE

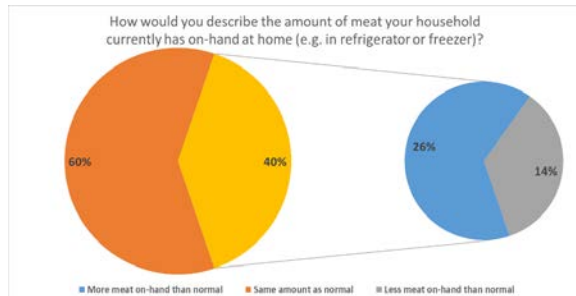
CBS EVENING NEWS WITH NORAH O'DONNELL

Meat shortages as virus forces plants to close

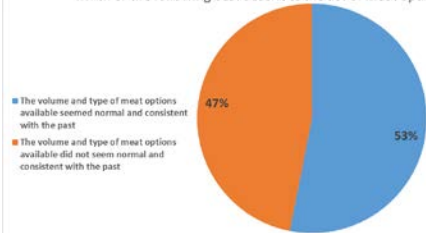
The effects of the coronavirus pandemic continue to ripple through the food industry. Dean Reynolds reports.

MAY 5, 2020

<https://www.cbsnews.com/video/meat-shortages-as-virus-forces-plants-to-close/>



Thinking of the last time you were buying food for at-home consumption, which of the following best describes the set of meat options available?



<https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data/meat-demand-monitor-coronavirus>

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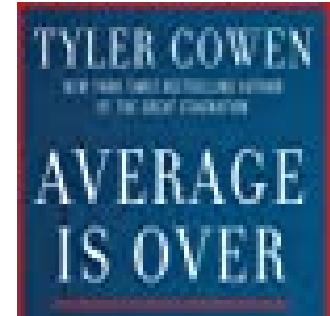
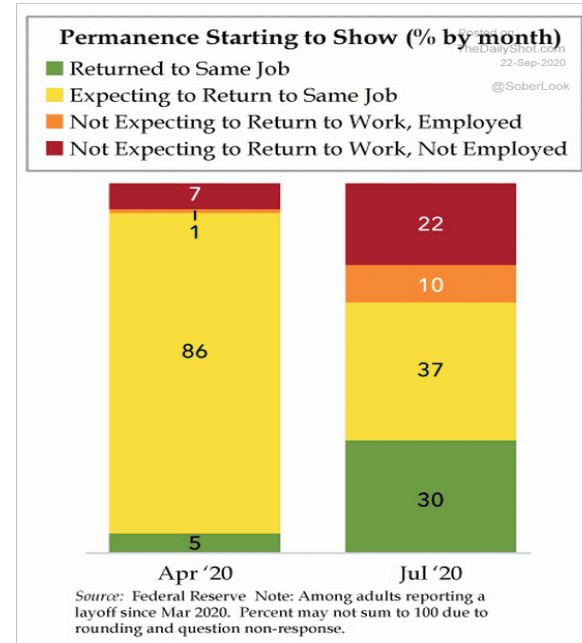
SHOCK #3: Consumer Demand Response

- Recession = Weaker Demand (typically)

More of the layoffs have become permanent

- Stimulus = Supports Demand

- Growing Importance of At-Home Supplies = Mixed Demand Impact

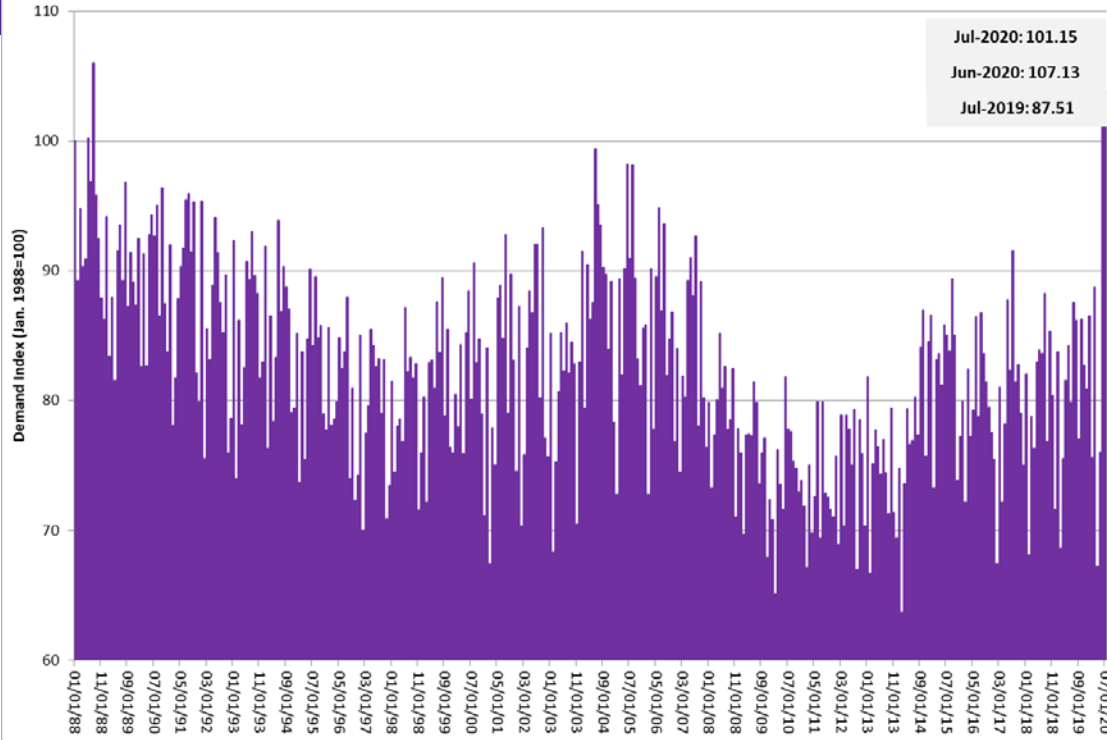


<https://www.amazon.com/Average-Over-Powering-America-Stagnation/dp/0525953736>

Demand Update

Domestic Beef Demand

Monthly Domestic, All-Fresh Retail Beef Demand Index, Jan. 1988-present

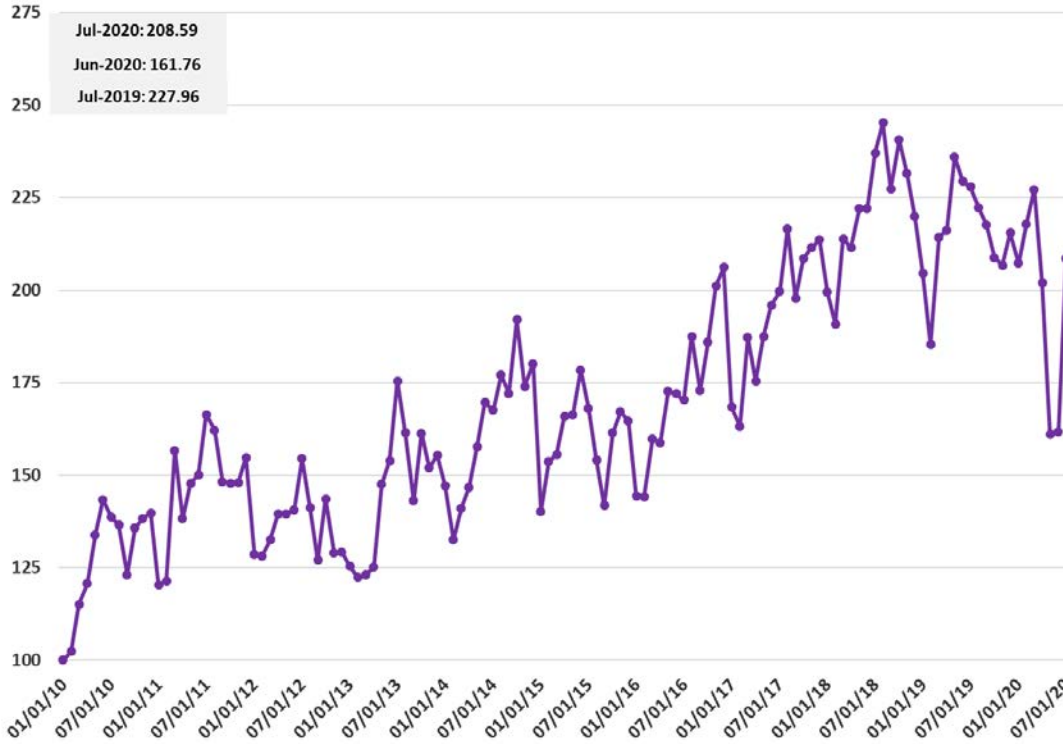


Source: Glynn T. Tonsor, Kansas State University

- ✓ Apr & May: Weaker than 2019 (Restaurant Weakness > Retail Strength?)
- ✓ June: Strong Recovery
- ✓ July: Mixed

Beef Export Demand: Recovery Needed!

Monthly U.S. Beef, Export Demand Index, Jan. 2010 (base) - present



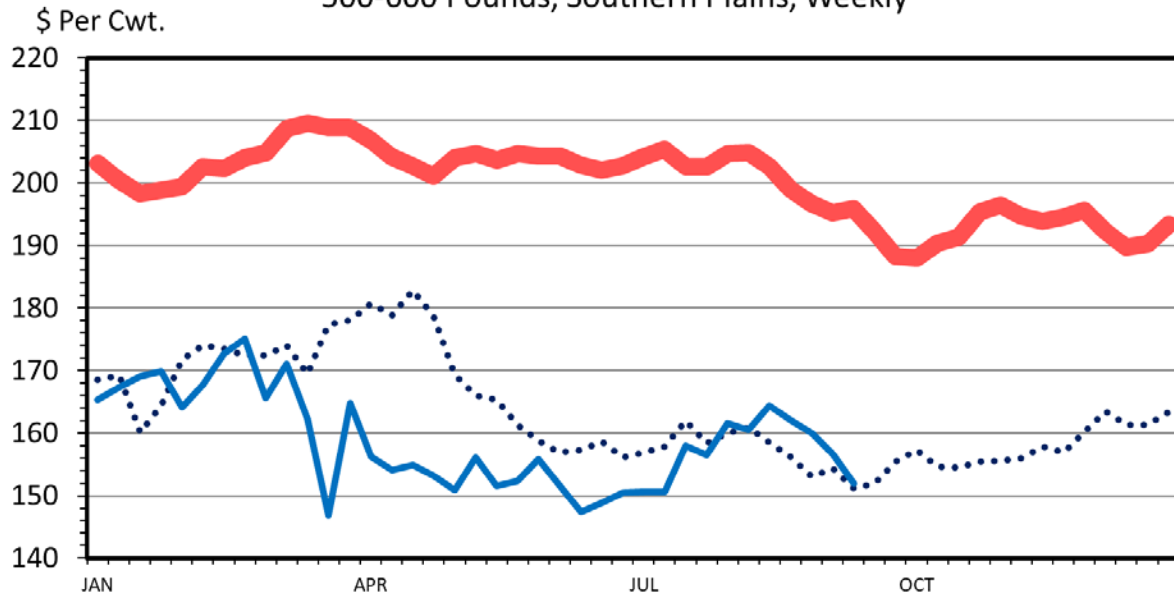
Points of Optimism

- ✓ Weaker USD recently,
- ✓ Stronger Asian econ (?),
- ✓ US FI volume recovery

Cattle Price Outlook

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly



— Avg. 2014-18 2019 — 2020

Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
09/16/19

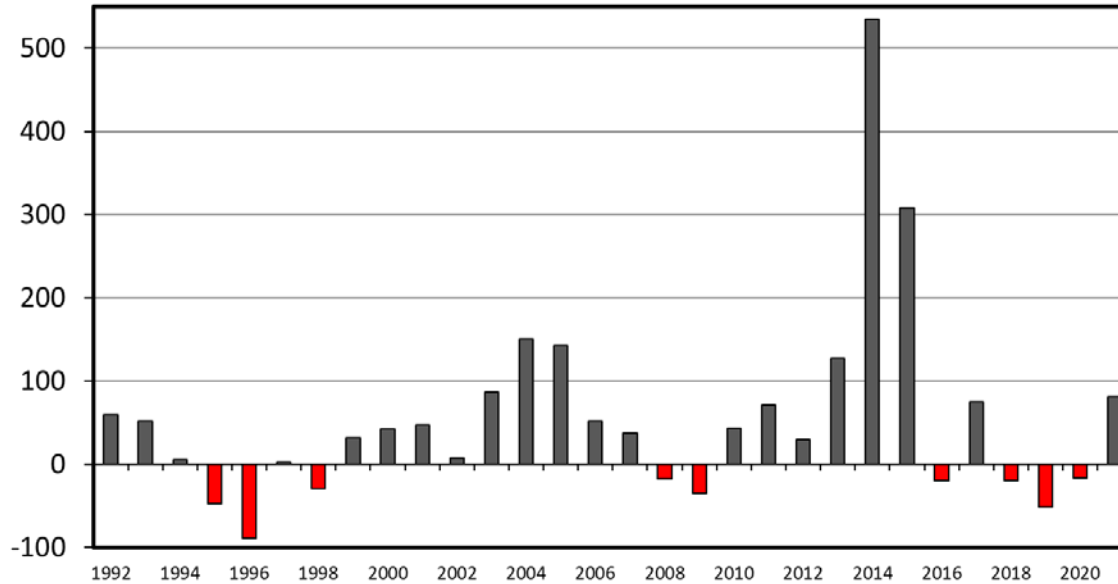
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**BeefBasis.com, Salina,
KS 2020 Projections
(as of 9/21/20):
Oct. 7: \$162**

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



2019: **-\$51**

2020: **-\$17**

2021: **+\$80**

Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66
09/18/20

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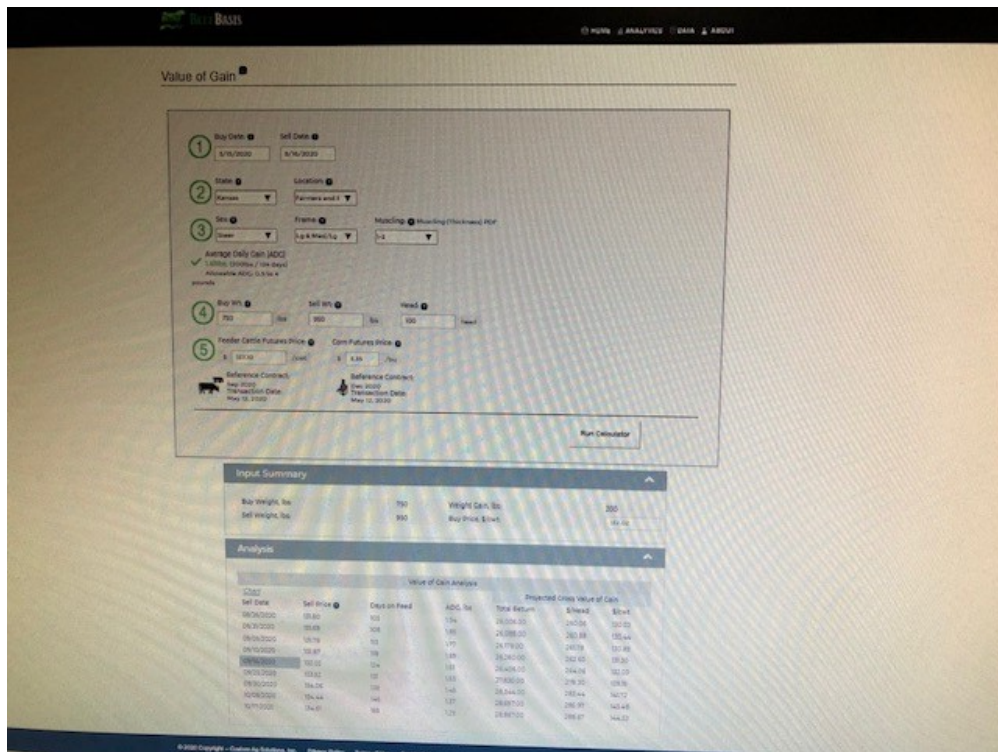
Feeder Cattle Price, Basis, & VOG

Use BeefBasis.com

**Salina FALL CALF Market, as of
September 21st**

10/7 Sell @ 550 lbs

- Expected Cash Price: \$162/cwt**



Feeder Cattle Price, Basis, & VOG Use BeefBasis.com

Value of Gain

1 Buy Date: 8/10/2020 Sell Date: 8/14/2020

2 State: Kansas Location: Farmers and I

3 Sex: Heifer Frame: Up & Well-Up Maturity: 1-2

Average Daily Gain (ADG): 1.8000 (1.8000 lbs / 100 days)

4 Buy Wt: 750 lbs Sell Wt: 900 lbs

5 Feeder Cattle Futures Price: \$ 162.00 Corn Futures Price: \$ 4.50

Reference Contract: New York Transaction Date: May 18, 2020

Reference Contract: New York Transaction Date: May 18, 2020

Run Calculator

Input Summary

Buy Weight, lbs: 750 Weight Gain, lbs: 150
Sell Weight, lbs: 900 Buy Price, \$/cwt: \$162.00

Analysis

		Value of Gain Analysis					
Class	Sell Date	Sell Price	Cross on Feed	ADG, lbs	Total Return	Shewd	\$/cwt
	8/10/2020	162.00	100	1.74	28,006.00	240.00	240.00
	2/29/2020	162.00	100	1.80	24,000.00	240.00	240.00
	8/10/2020	162.00	100	1.77	24,000.00	240.00	240.00
	2/29/2020	162.00	100	1.80	24,000.00	240.00	240.00
	8/10/2020	162.00	100	1.80	24,000.00	240.00	240.00
	2/29/2020	162.00	100	1.80	24,000.00	240.00	240.00
	8/10/2020	162.00	100	1.80	24,000.00	240.00	240.00
	2/29/2020	162.00	100	1.80	24,000.00	240.00	240.00
	8/10/2020	162.00	100	1.80	24,000.00	240.00	240.00
	2/29/2020	162.00	100	1.80	24,000.00	240.00	240.00

Salina BACKGROUND Market, as of September 21st

10/7 Buy/Retain @ 550 lbs

1/13 Sell @ 725 lbs

DOF=98 & ADG=1.8

- **Expected Buy Price: \$162/cwt**
- **Expected Sales Price: \$147/cwt**

➤ **VOG: \$98/cwt (\$171/hd)**

Feeder Cattle Price, Basis, & VOG Use BeefBasis.com

Value of Gain

1 Buy Date: 8/16/2020 Sell Date: 8/16/2020

2 State: Kansas Location: Farmers and I

3 Sex: Steer Frame: Top & Neck Up Weighing: Weighing (Marked) PFR

Average Daily Gain (ADG): 1.878 (200 lbs / 108 days)

4 Buy Wt: 750 lbs Sell Wt: 950 lbs Head: 1 Head

5 Feeder Cattle Futures Price: \$ 151.00 Corn Futures Price: \$ 4.85

Input Summary

Buy Weight, lbs: 750 Weight Gain, lbs: 200
Sell Weight, lbs: 950 Buy Price, \$/cwt: 151.00

Analysis

Value of Gain Analysis						
Date	Buy Price	Cows on Feed	ADG, lbs	Total Return	Projected Gross Value of Cows	
					\$/cwt	\$/hd
8/16/2020	151.00	101	1.78	28,006.00	240.36	24,200.00
2/29/2021	151.00	101	1.88	24,088.00	280.88	23,244.00
8/16/2020	151.00	101	1.87	24,778.00	240.78	23,880.00
8/16/2020	151.00	101	1.88	28,240.00	242.40	23,300.00
2/10/2021	151.00	101	1.88	25,058.00	214.58	22,100.00
8/16/2020	151.00	101	1.88	27,830.00	238.30	21,800.00
2/10/2021	151.00	101	1.88	28,244.00	244.44	21,712.00
2/10/2021	151.00	101	1.87	24,807.00	216.07	21,448.00
2/10/2021	151.00	101	1.78	24,817.00	216.17	21,432.00

Salina SUMMER GRASS Market, as of September 21st

4/7 Buy/Retain @ 725 lbs
9/5 Sell @ 1,000 lbs
DOF=154 & ADG=1.78

- **Expected Buy Price: \$150/cwt**
- **Expected Sales Price: \$137/cwt**
- **VOG: \$104/cwt (\$284/hd)**

Should I Protect Feeder Cattle Sales Price?

KSU-Feeder Cattle Risk Management Tool

An Excel spreadsheet for evaluating feeder cattle risk management strategies



Version- 2.18.2020



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

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Should I Protect Feeder Cattle Sales Price?



United States Department of Agriculture

News Release

USDA Announces Improvements to the Livestock Risk Protection Insurance Program This Summer

WASHINGTON, June 9, 2020 – USDA's Risk Management Agency (RMA) today announced changes to the Livestock Risk Protection (LRP) insurance program for feeder cattle, fed cattle and swine starting this summer with the 2021 crop year. Changes include moving premium due dates to the end of the endorsement period and increasing premium subsidies to assist producers.

"These changes will make these policies more usable and affordable for livestock producers," RMA Administrator Martin Barbre said. "We are working to ensure these improvements can be implemented by July 1 so producers can take advantage of these changes."

Specifically, the changes:

- Allow premiums to be paid at the end of the endorsement period, putting it in line with other policies.
- Increase the premium subsidy for coverage levels above 80 percent. Those with an 80 percent or higher coverage level will get a 5-percentage point subsidy increase.

<https://www.rma.usda.gov/en/News-Room/Press/Press-Releases/2020-News/USDA-Announces-Improvements-to-the-Livestock-Risk-Protection-Insurance-Program-This-Summer>

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KS Feedlot Returns (cash-2-cash), as of September 14, 2020

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
Aug-20	-162.33	80.68	103.99	104.86	-0.87	141.16	57.04	115.02	120.48
Sep-20	20.56	80.01	107.14	106.88	0.27	125.46	82.99	105.73	128.14
Oct-20	101.52	80.84	112.04	111.70	0.34	121.72	96.20	105.20	134.05
Nov-20	56.29	82.22	112.29	111.70	0.59	127.46	90.32	108.60	134.23
Dec-20	68.17	82.51	116.65	115.70	0.95	135.26	91.97	112.19	143.70
Jan-21	38.75	82.84	115.96	115.70	0.26	135.82	88.43	113.40	140.54
Feb-21	33.46	84.71	119.00	117.90	1.10	141.36	89.46	116.78	145.54
Mar-21	55.87	84.62	121.70	117.90	3.80	143.31	92.57	118.00	150.24
Apr-21	-33.11	85.57	115.69	111.60	4.09	143.46	80.85	117.95	139.12
May-21	75.39	84.78	120.46	111.60	8.86	142.16	94.84	115.40	152.33

<https://www.agmanager.info/livestock-meat/cattle-finishing-historical-and-projected-returns/cattle-feeding-returns-september-2020>

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Quarterly Forecasts (LMIC: 9/15/20)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2020						
I	8,399	5.9	825.0	2.1	6,929	8.0
II	7,393	-13.8	818.9	3.0	6,054	-11.2
III	8,509	-0.4	832.2	2.7	7,082	2.3
IV	8,586	1.0	832.5	1.1	7,148	2.1
Year	32,887	-2.0	827.5	2.3	27,212	0.2
2021						
I	7,985	-4.9	830.8	0.7	6,634	-4.3
II	8,102	9.6	816.5	-0.3	6,616	9.3
III	8,105	-4.8	829.3	-0.4	6,721	-5.1
IV	8,092	-5.7	839.8	0.9	6,795	-4.9
Year	32,284	-1.8	829.1	0.2	26,766	-1.6
2022						
I	7,781	-2.6	832.4	0.2	6,477	-2.4
II	7,970	-1.6	813.5	-0.4	6,483	-2.0
III	7,899	-2.5	832.2	0.3	6,574	-2.2
IV	7,896	-2.4	844.5	0.6	6,669	-1.9
Year	31,547	-2.3	830.6	0.2	26,203	-2.1

2020 Per Capita Consumption: -0.5%!

Q1: +5.5%

Q2: -8.3%

Q3: -0.2%

Q4: +1.3%

Trade continues smoothing role: (compare Domestic Prod. & PC Cons by quarter)

Also see:

<https://www.agmanager.info/livestock-meat/marketing-extension-bulletins/trade-and-demand/overview-us-beef-production-export>

Quarterly Forecasts (LMIC: 9/15/20)

Year Quarter	Live Sltr.	% Chg.	Feeder Steer Price	
	Steer Price 5-Mkt Avg	from Year Ago	Southern Plains 7-800#	5-600#
2020				
I	118.32	-5.5	138.90	166.38
II	105.79	-10.9	129.45	152.55
III	101-102	-6.2	141-142	156-157
IV	108-110	-5.1	141-144	156-158
Year	107-109	-7.5	138-140	158-160
2021				
I	113-118	-2.4	140-145	163-168
II	116-122	12.5	142-148	169-175
III	114-121	15.8	151-161	165-175
IV	117-125	11.0	153-163	166-176
Year	117-120	9.7	148-152	167-171
2022				
I	115-125	3.9	145-155	168-178
II	120-130	5.0	148-158	170-180
III	118-128	4.7	155-165	172-182
IV	122-132	5.0	157-167	175-185
Year	119-129	4.6	152-162	175-185



More information available at:



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

Host of additional industry resources are cross-linked as well