

# STOCKMANSHIP STEWARDSHIP

2019  
REGIONAL  
TOUR COMING  
NEAR YOU!

SEPTEMBER 20-21  
MANHATTAN, KS

**EDUCATION**  
FOR YOU AND YOUR BOTTOM LINE



## *Beef Cattle Market Outlook*

Glynn T. Tonsor

Dept. of Ag. Economics, Kansas State Univ.

[gtonsor@ksu.edu](mailto:gtonsor@ksu.edu)

Twitter: @TonsorGlynn



**AgManager**  
.info

# Overarching Beef Industry Economic Outlook

- Supplies
  - Commercial Beef Production Up, Increases Moderating
    - +3.8% in 2017, +2.6% in 2018, +1.2% in 2019, +1.0% in 2020

# Overarching Beef Industry Economic Outlook

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  - Commercial Beef Production Up, Increases Moderating
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- Demand
  - Key to supporting prices

# Overarching Beef Industry Economic Outlook

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- Demand
  - Key to supporting prices

## Consider Price Changes (vs. prior year)

- 5-mkt Live avg: 2017 (+1%), 2018 (-4%), 2019f (0%)
- 7-800# SP: 2017 (+2%), 2018 (+1%), 2019f (-4%)
- 5-600# SP: 2017 (0%), 2018 (+3%), 2019f (-4%)

# All-Fresh Beef Retail Demand Index

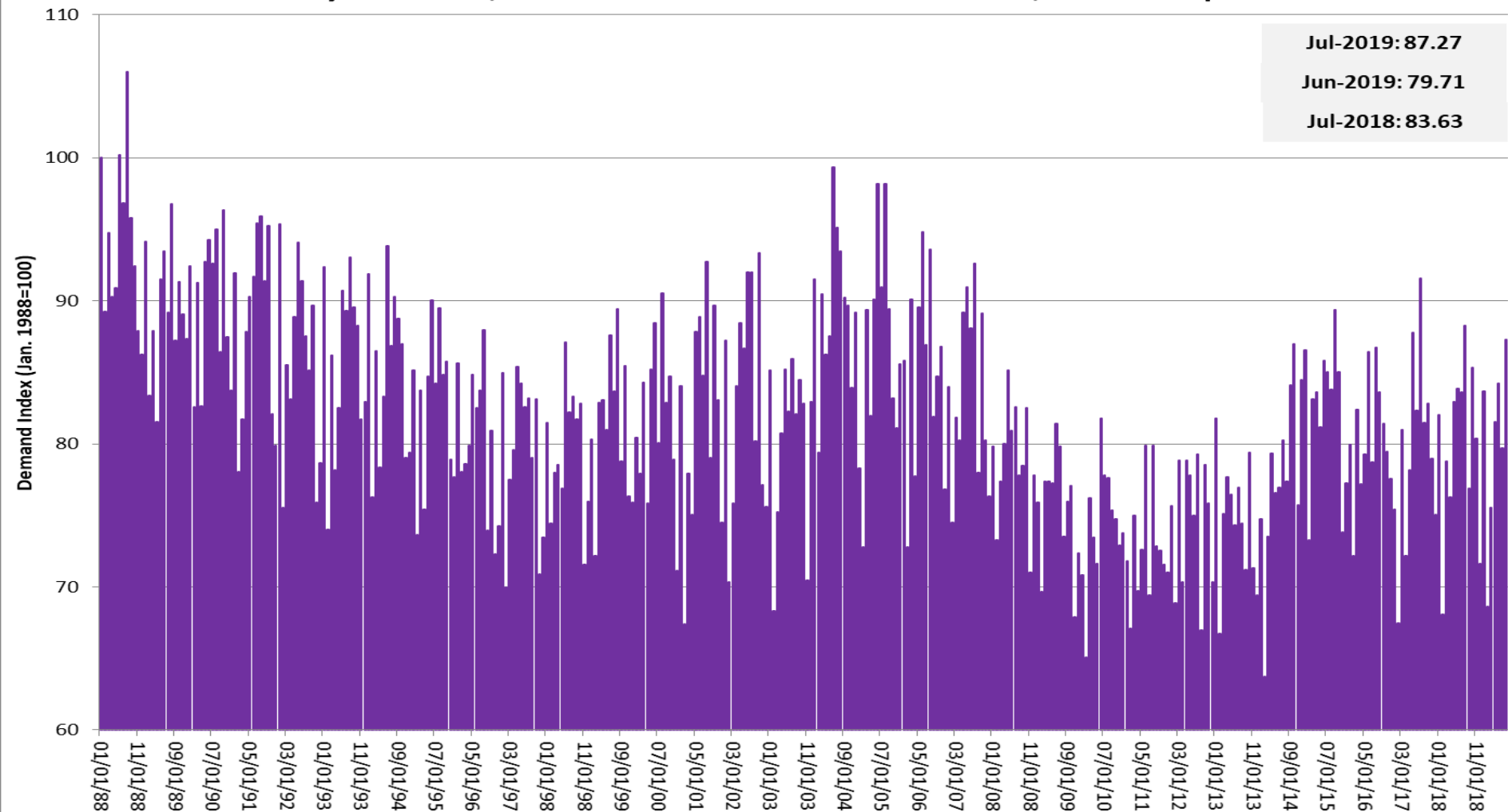
(Monthly, Jan 1988=100)

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

Jul-2019: 87.27

Jun-2019: 79.71

Jul-2018: 83.63



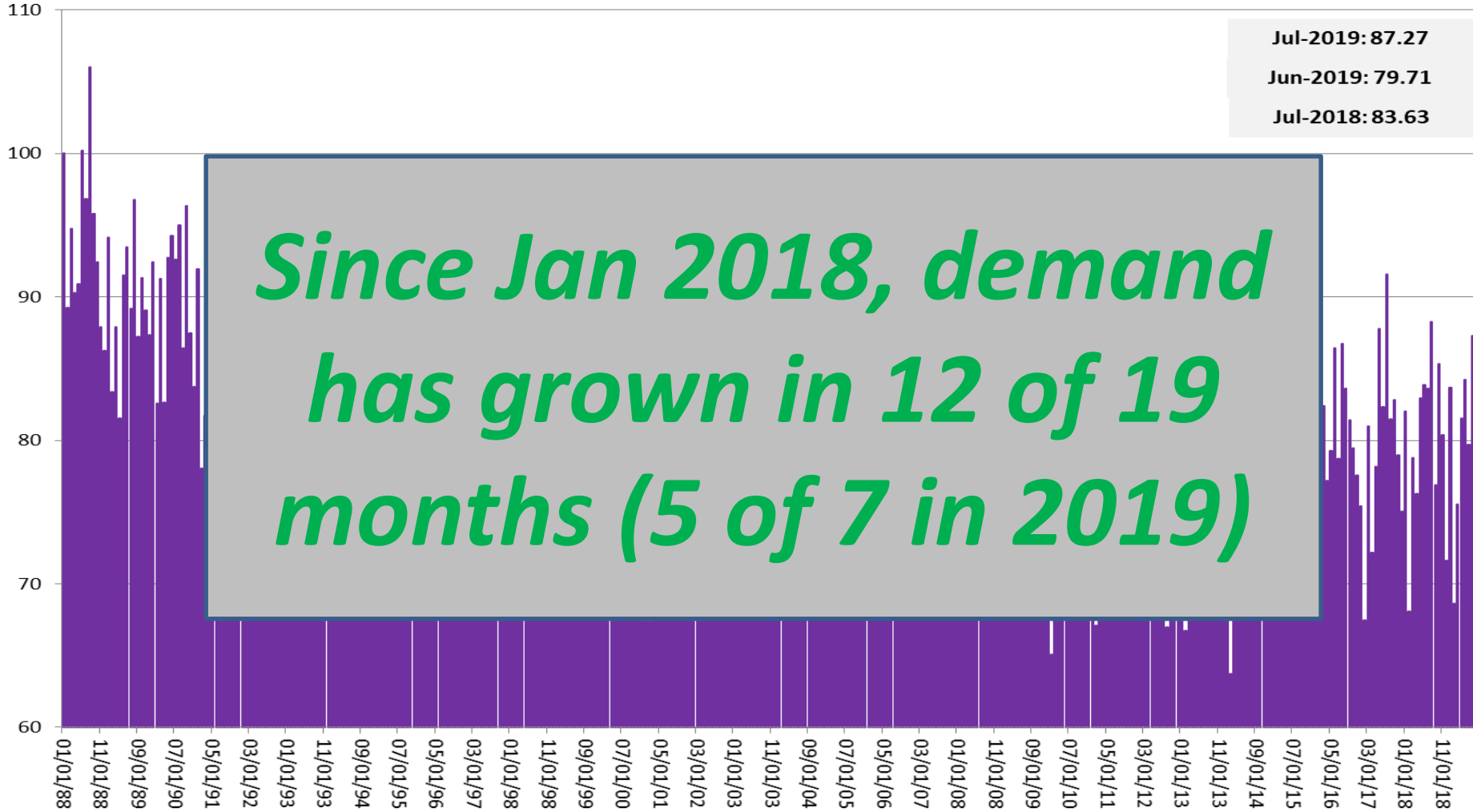
Source: Glynn T. Tonsor, Kansas State University

<http://agmanager.info/livestock-meat/meat-demand>

# All-Fresh Beef Retail Demand Index

(Monthly, Jan 1988=100)

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

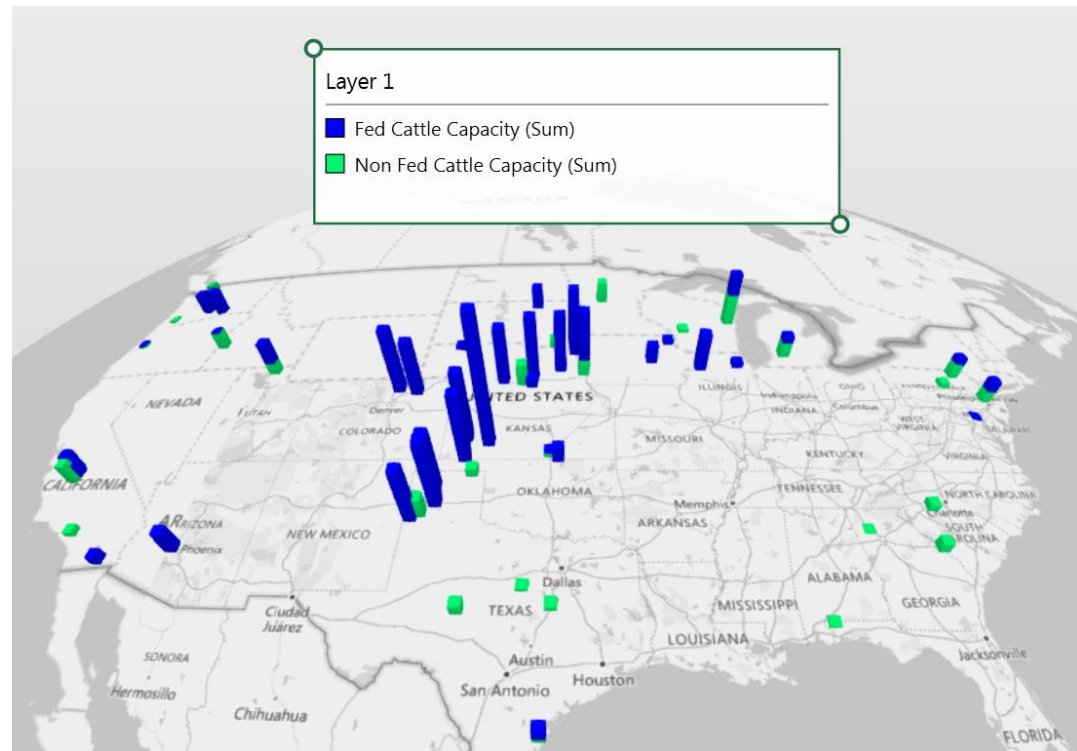


Source: Glynn T. Tonsor, Kansas State University

<http://agmanager.info/livestock-meat/meat-demand>

# Holcomb-Tyson Plant Fire

- Date: August 9th
- Processing Capacity Involved: 6k/day
  - ~5% of US Capacity (~24% of KS Capacity)
- Processor Map



# Holcomb-Tyson Plant Fire

- Price Impact on Cattle

- Expected:

- Derived Demand Decline = Cattle Price Decline

- Realized:

- CME limit down 1<sup>st</sup> two days
    - LC Cash down \$5-\$7 1<sup>st</sup> week; FC Cash down ~\$10



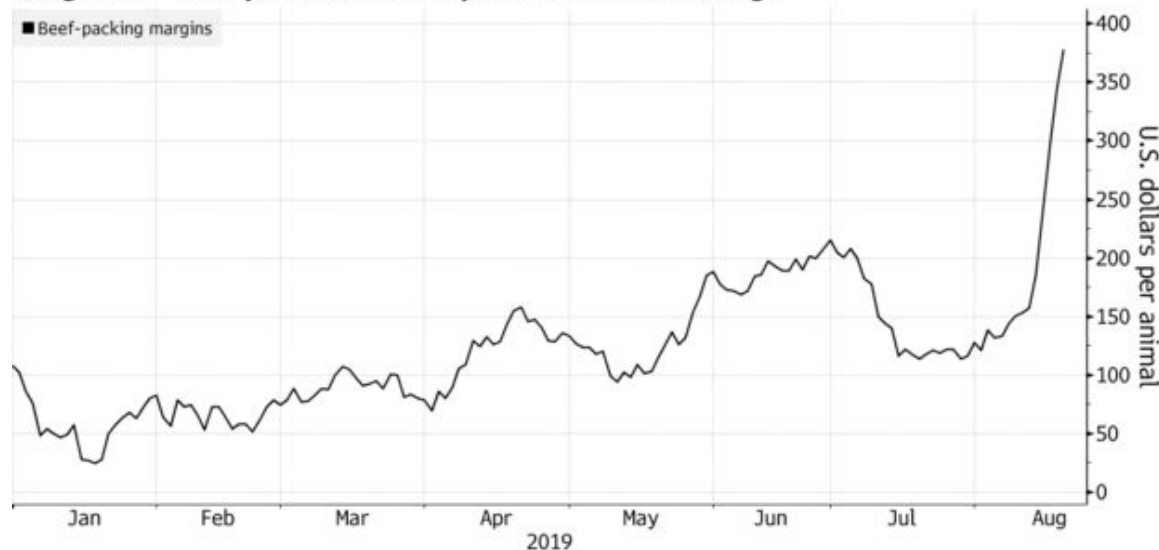


# Holcomb-Tyson Plant Fire

- Price Impact on Beef
  - Expected:
    - Processing Cost Up = Beef Price Increase
  - Realized:
    - Two largest daily cutout price increases on-record (post-MPR)

## Packer Win

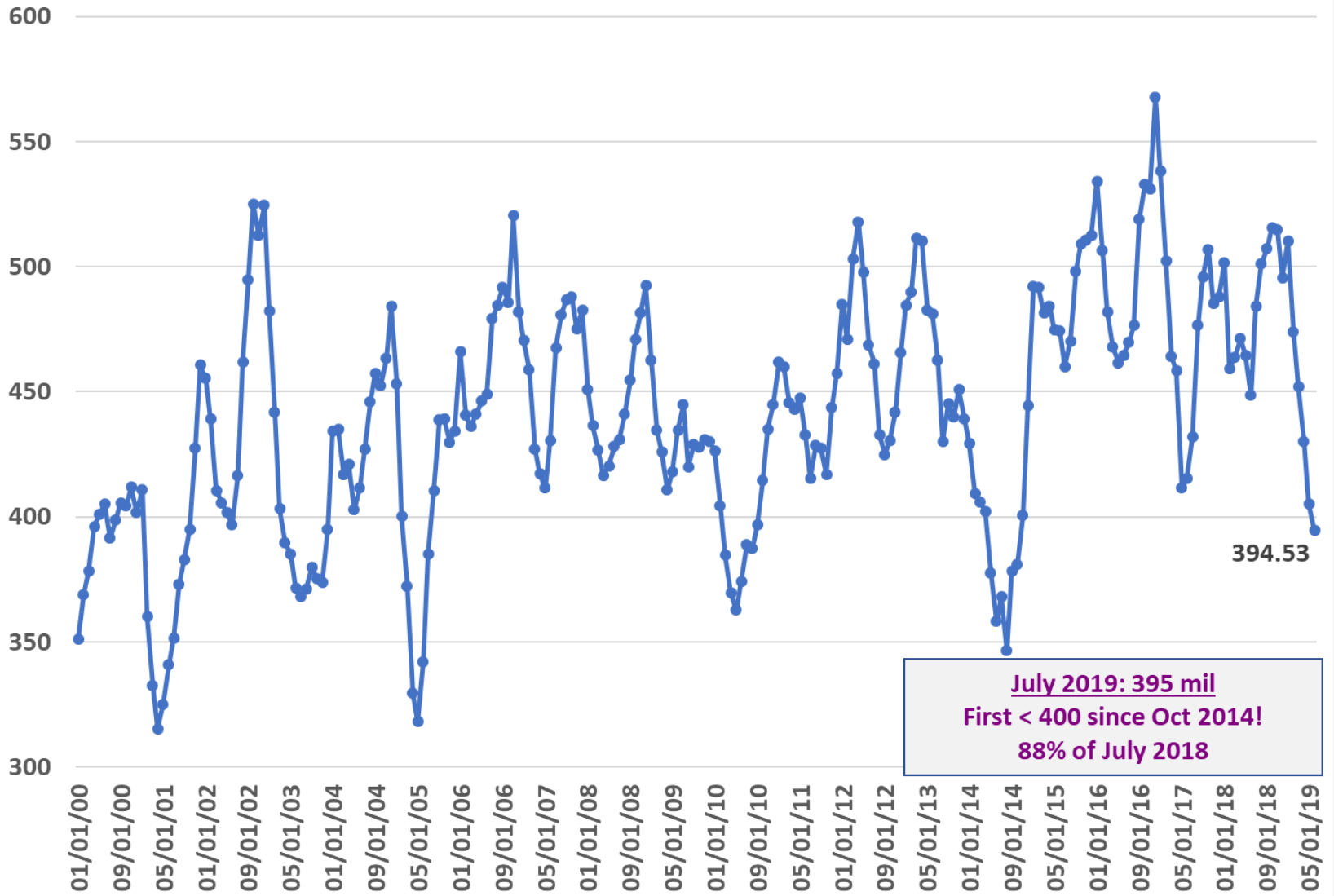
Margins for beef packers have expanded to a record high



Source: HedgersEdge

# Holcomb-Tyson Plant Fire

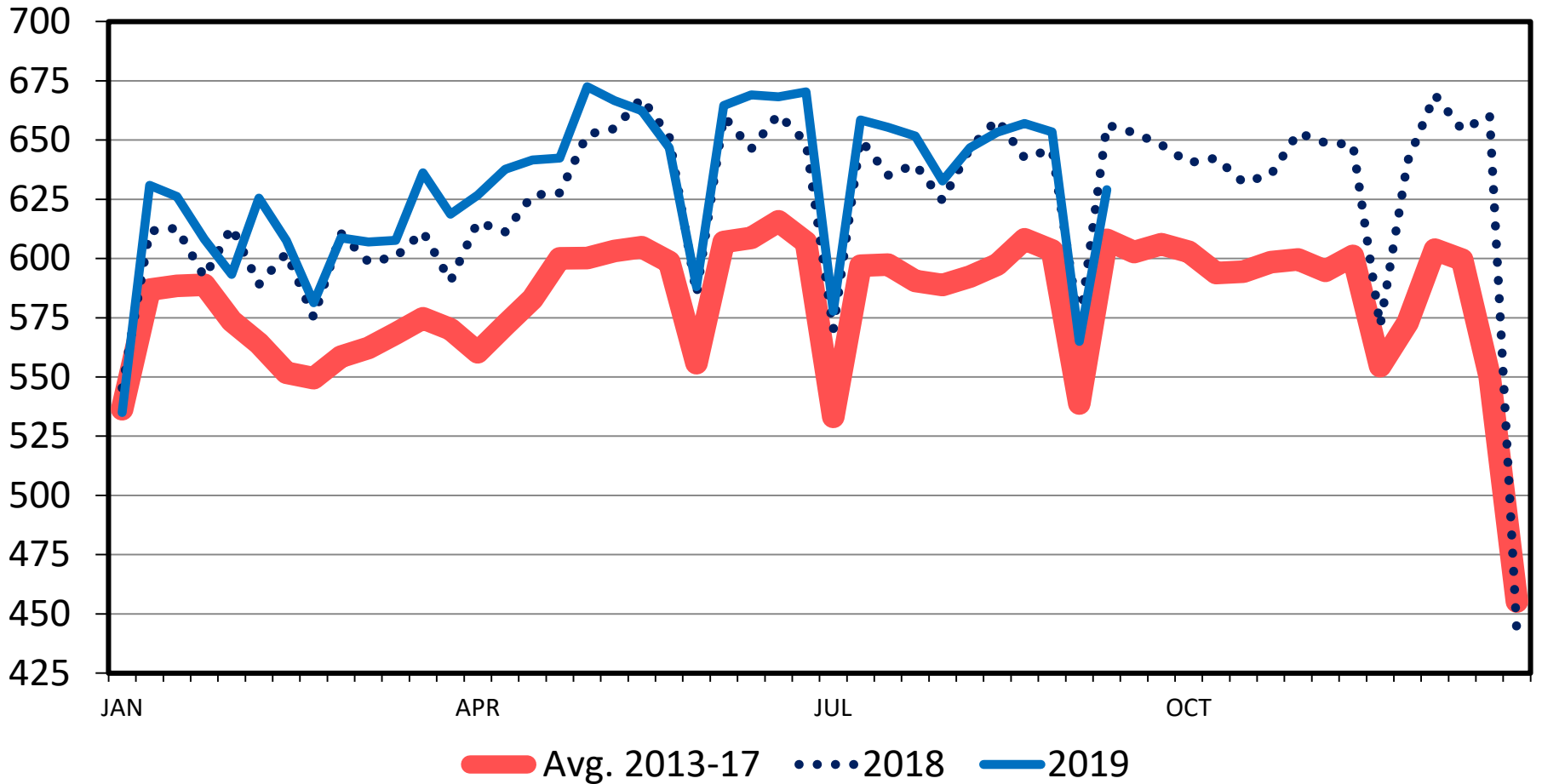
Beef Cold Storage Stocks (Mil lbs), Jan 2000-July 2019



# CATTLE SLAUGHTER

## Federally Inspected, Weekly

Thou. Head



Data Source: USDA-AMS & USDA-NASS

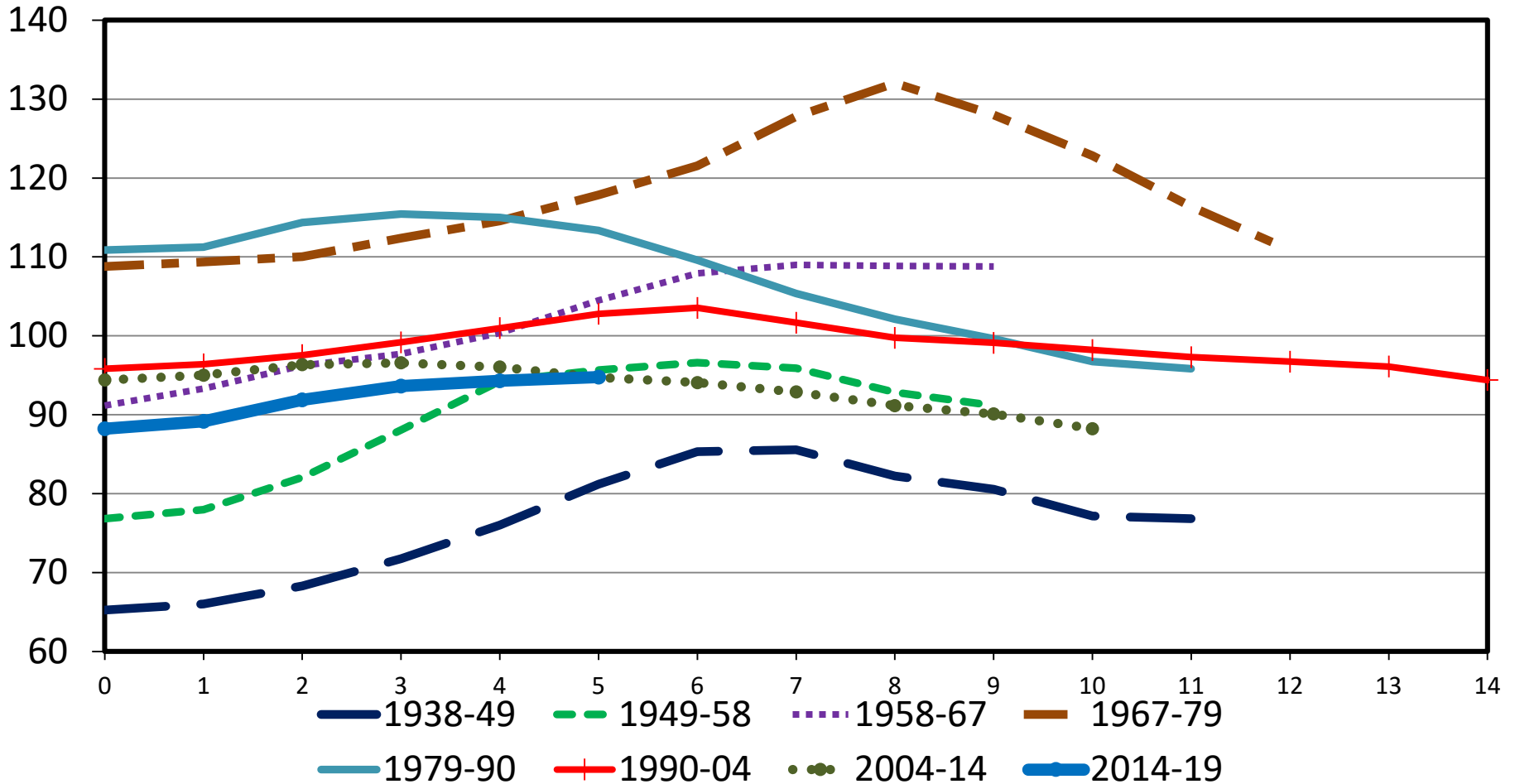
Livestock Marketing Information Center

C-S-08  
09/13/19

# TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center

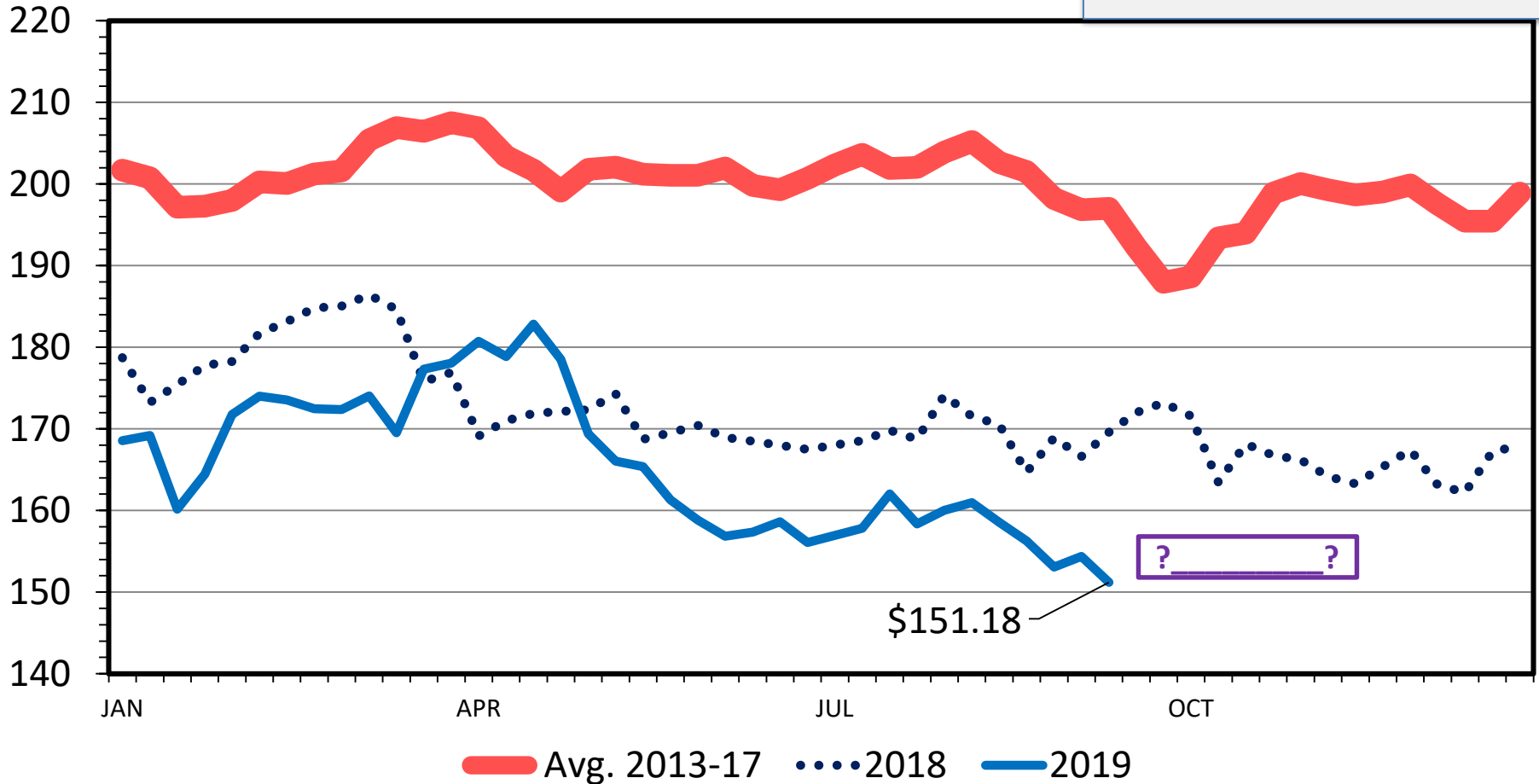
C-N-40  
07/19/19

**BeefBasis.com, Salina,  
KS 2019 Projections  
(as of 9/20/19):  
Oct. 16: \$157**

# MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.

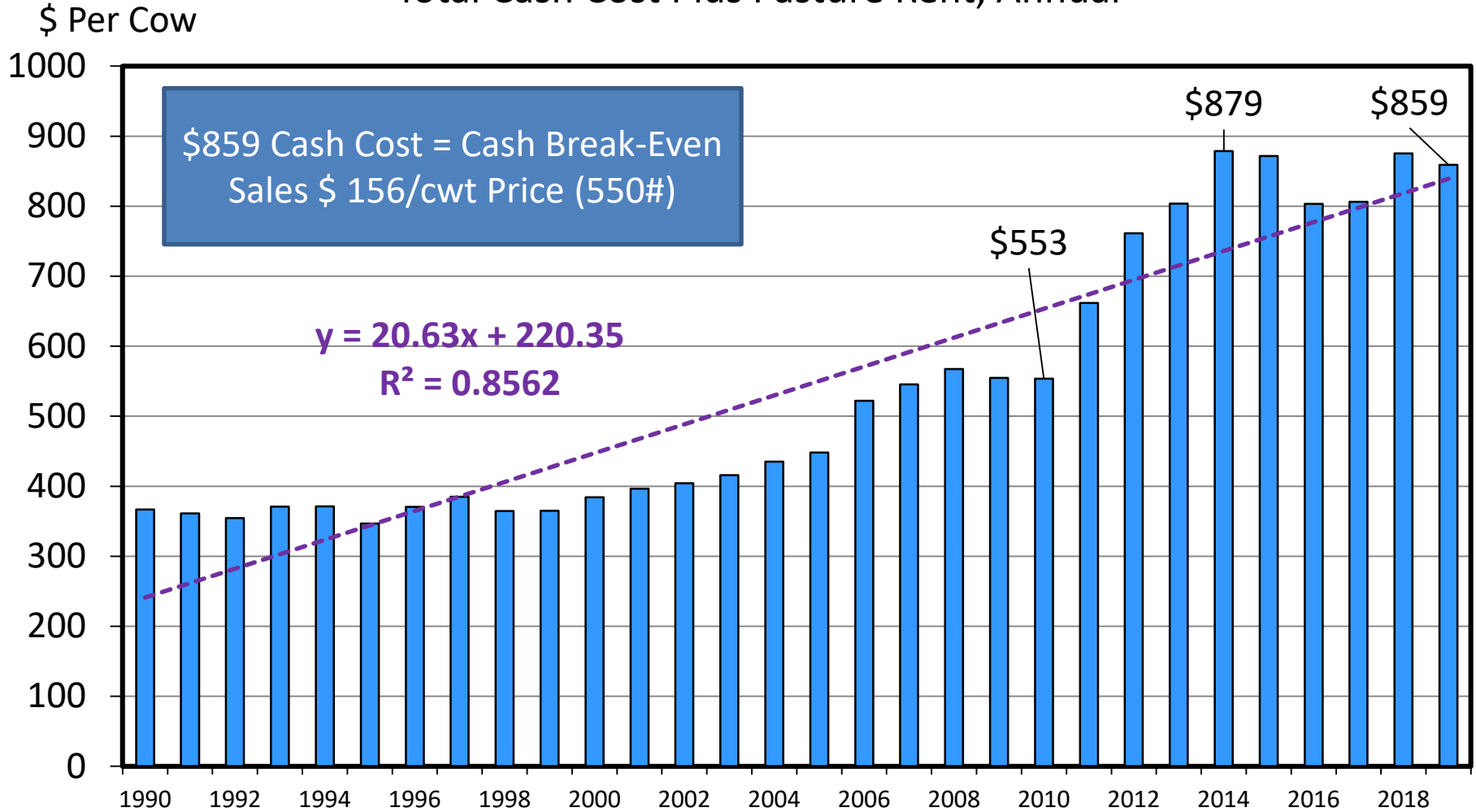


Data Source: USDA-AMS

Livestock Marketing Information Center

# ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

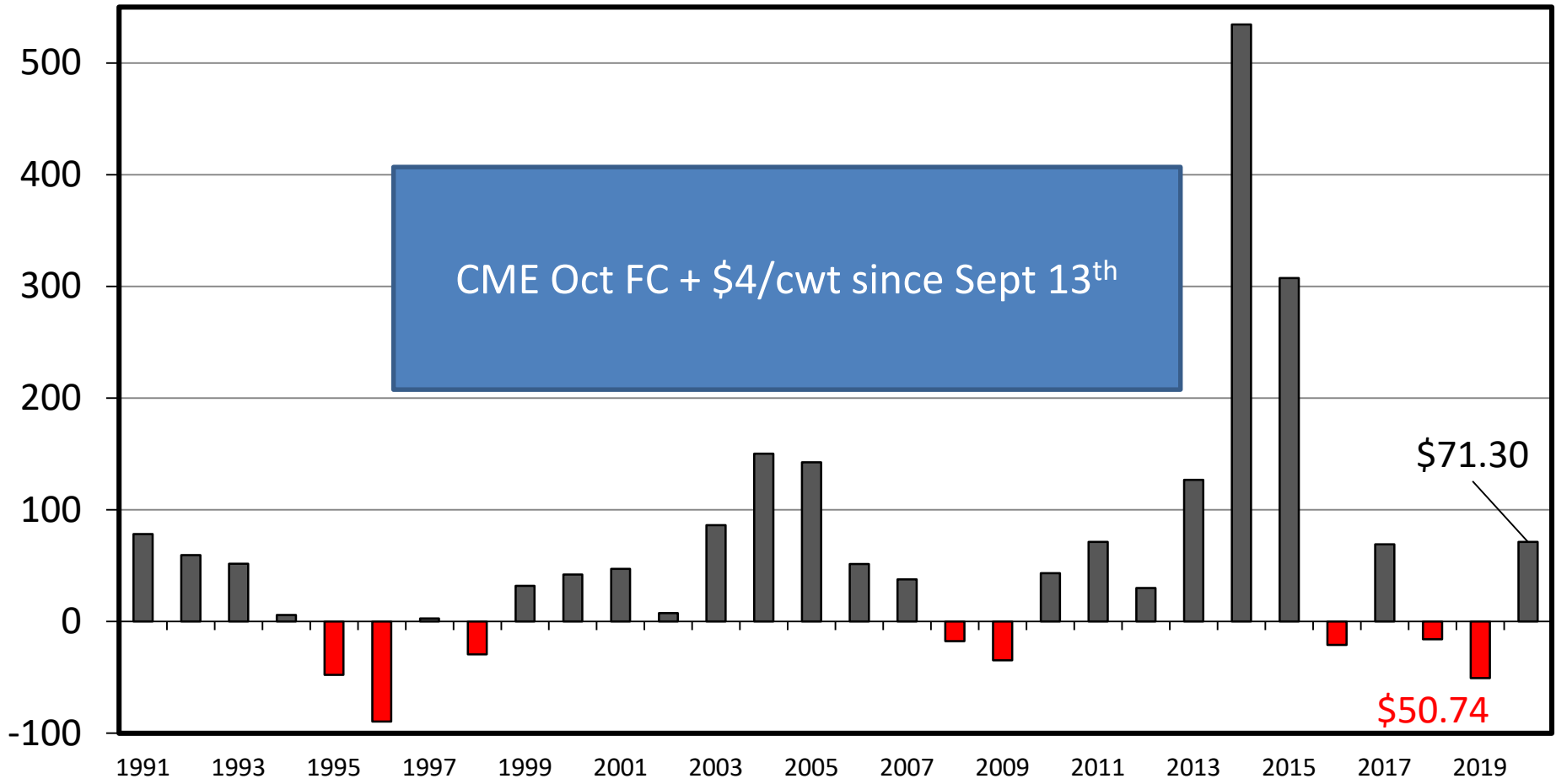
Livestock Marketing Information Center

06/06/19

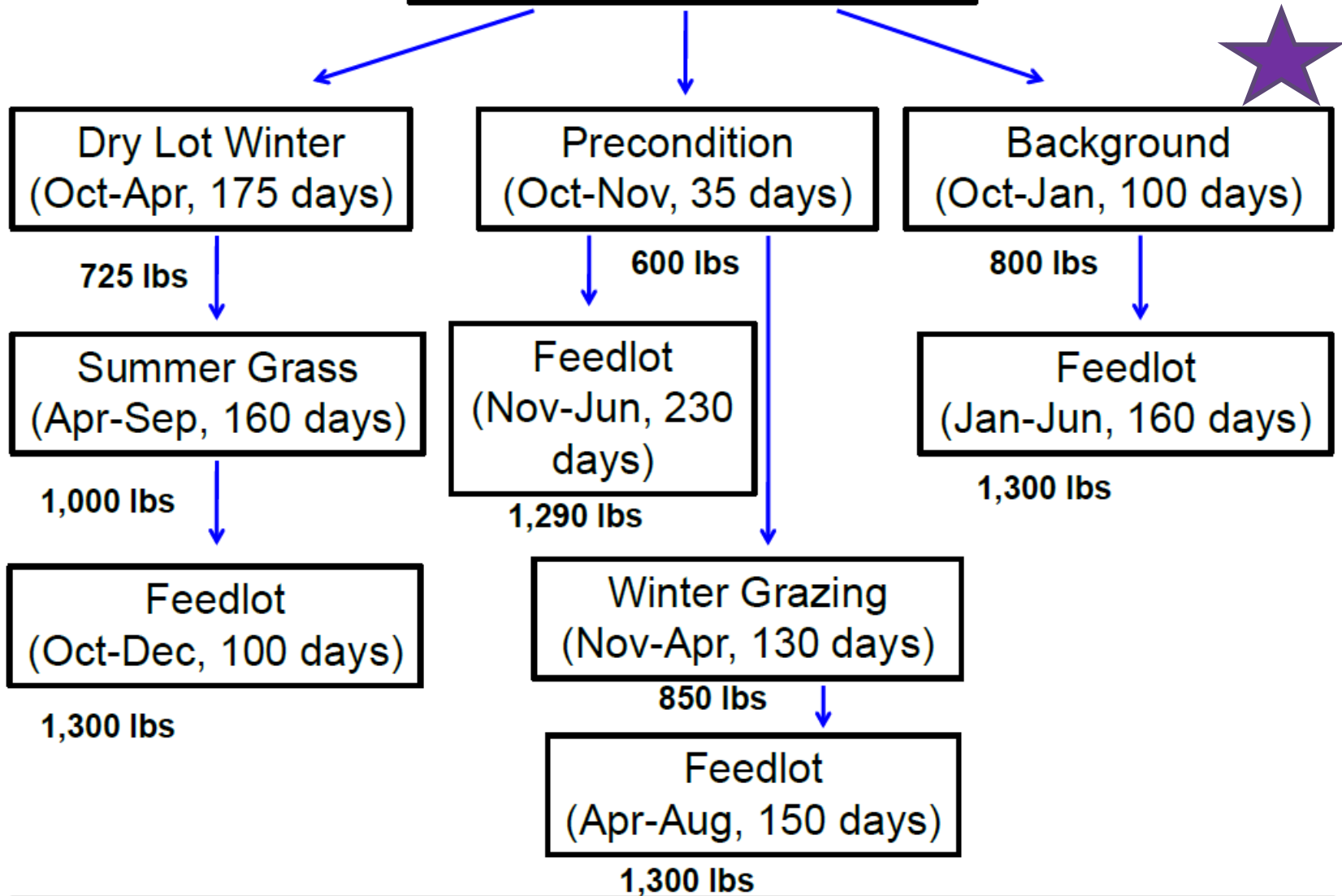
# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



# Fall Weaned 550# Calf





# Economic Outlook Overview: Post Weaning

## *Forward-Looking Margin Perspective*

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

- Salina, KS 9/20/19 Backgrounding situation:
  - Buy/Retain 550 lb steer on 10/16/19 (\$157)
  - Sell 750 lb steer on 1/15/20 (\$137) {2.2 ADG}
  - VOG: \$82/cwt
    - Compare to COG & Assess “stomach” for volatility

# USDA LRP Changes July 1

(<https://www.rma.usda.gov/News-Room/Press/Press-Releases/2019-News/USDA-Announces-Enhancements-to-Livestock-and-Dairy-Insurance-Programs>)

4/29/2019

USDA Announces Enhancements to Livestock and Dairy Insurance Programs | RMA



United States Department of Agriculture

## News Release

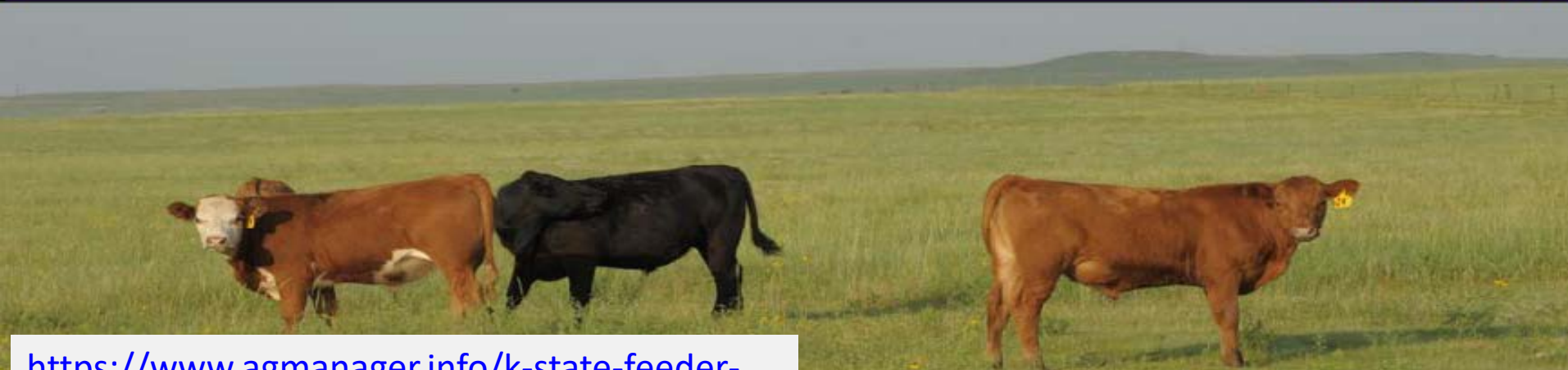
# USDA Announces Enhancements to Livestock and Dairy Insurance Programs

## *KSU-Feeder Cattle Risk Management Tool*

An Excel spreadsheet for evaluating feeder cattle risk management strategies



Version- 4.24.2019



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



United States Department of Agriculture

<https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>

**Farm Service Agency**

**LIP**

# Livestock Indemnity Program

**FACT SHEET**

July 2019

The Agriculture Improvement Act of 2018 (the 2018 Farm Bill) authorized the Livestock Indemnity Program (LIP) to provide benefits to eligible livestock owners or contract growers for livestock deaths in excess of normal mortality caused by eligible loss conditions, including eligible adverse weather, eligible disease and attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators. In addition, LIP provides assistance to eligible livestock owners that must sell livestock at a reduced price because of an injury from an eligible loss condition.



United States Department of Agriculture

<https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>

## Farm Service Agency

### LIP

# Livestock Indemnity Program

FACT SHEET

July 2019

DATE OF LIVESTOCK DEATH AND/OR INJURY	FINAL DATE TO FILE NOTICE OF LOSS	FINAL DATE TO SUBMIT AN APPLICATION FOR PAYMENT
Calendar year 2019 and all subsequent years	30 calendar days of when the loss is first apparent	60 days after the calendar year in which the eligible loss condition occurred

“Yes, Republic County, Kansas has about 110 Notice of Losses filed for 2019 LIP – compared to last year with zero Notice of Losses filed under LIP. The majority of the Notice of Losses were filed due to the extreme cold, there are a few losses due to blizzard as well,” said Sarah Heeger, County Executive Director/Republic County FSA in Belleville, Kansas.

# Economic Outlook Overview: Feedlots

- 2019 remains rough

# Historical and Projected Kansas Feedlot Net Returns (as of 9/13/19')

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

**July 19': -\$77/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
Aug-19	-184.99	88.84	106.97	104.55	2.41	141.45	58.91	120.17	117.83
Sep-19	-339.70	89.69	98.44	98.07	0.36	143.01	33.21	122.41	101.37
Oct-19	-263.99	89.11	105.82	104.38	1.45	148.98	47.15	124.48	115.40
Nov-19	-223.43	90.83	106.45	104.38	2.08	144.23	56.96	121.95	115.66
Dec-19	-69.68	91.25	112.60	111.10	1.50	135.60	80.55	117.45	126.70
Jan-20	-99.60	91.86	112.42	111.10	1.32	139.20	76.46	119.50	126.08
Feb-20	-93.64	97.68	115.86	115.05	0.81	138.13	82.23	122.59	126.19
Mar-20	-28.89	97.16	119.07	115.05	4.02	136.14	92.27	121.22	132.30
Apr-20	-81.02	93.19	111.15	107.95	3.20	133.23	80.02	117.15	122.21
May-20	9.91	91.53	116.55	107.95	8.60	133.18	93.08	115.82	134.55

**Representative Barometer for Trends in Profitability**

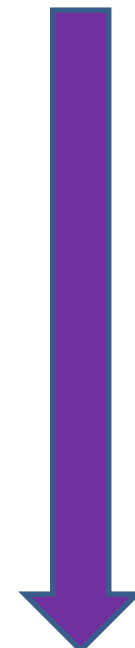
# Quarterly Forecasts (LMIC: 7/28/19)

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>2018</b>						
I	7,878	2.1	820.9	0.5	6,466	2.6
II	8,426	4.3	798.2	0.6	6,726	5.0
III	8,361	1.3	815.5	-0.1	6,819	1.2
IV	8,341	2.4	822.7	-0.6	6,862	1.8
<b>Year</b>	<b>33,005</b>	<b>2.5</b>	<b>814.2</b>	<b>0.1</b>	<b>26,872</b>	<b>2.6</b>
<b>2019</b>						
I	7,934	0.7	808.4	-1.5	6,414	-0.8
II	8,573	1.7	794.8	-0.4	6,814	1.3
III	8,599	2.8	817.2	0.2	7,027	3.1
IV	8,355	0.2	829.0	0.8	6,926	0.9
<b>Year</b>	<b>33,461</b>	<b>1.4</b>	<b>812.3</b>	<b>-0.2</b>	<b>27,182</b>	<b>1.2</b>
<b>2020</b>						
I	7,996	0.8	818.1	1.2	6,542	2.0
II	8,489	-1.0	808.9	1.8	6,867	0.8
III	8,480	-1.4	831.8	1.8	7,054	0.4
IV	8,247	-1.3	847.8	2.3	6,992	0.9
<b>Year</b>	<b>33,212</b>	<b>-0.7</b>	<b>826.6</b>	<b>1.8</b>	<b>27,453</b>	<b>1.0</b>

# Quarterly Forecasts (LMIC: 7/28/19)

CME Since July 28:  
LC down ~\$6  
FC down ~\$3

Quarter	Live Sltr.	% Chg. from Year Ago	Feeder Steer Price	
	Steer Price		Southern Plains	
	5-Mkt Avg		7-800#	5-600#
<b>2018</b>				
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
<b>Year</b>	<b>117</b>	<b>-3.7</b>	<b>150</b>	<b>171</b>
<b>2019</b>				
I	125.27	-0.1	142.87	171.41
II	118.79	1.5	143.23	167.22
III	110-112	0.2	143-146	156-160
IV	114-117	0.2	143-147	156-161
<b>Year</b>	<b>117-118</b>	<b>0.3</b>	<b>143-145</b>	<b>163-166</b>
<b>2020</b>				
I	122-126	-1.0	140-145	160-167
II	118-123	1.4	143-149	161-169
III	106-112	-1.8	144-151	163-172
IV	113-120	0.9	146-154	163-174
<b>Year</b>	<b>116-119</b>	<b>0.0</b>	<b>144-149</b>	<b>163-169</b>



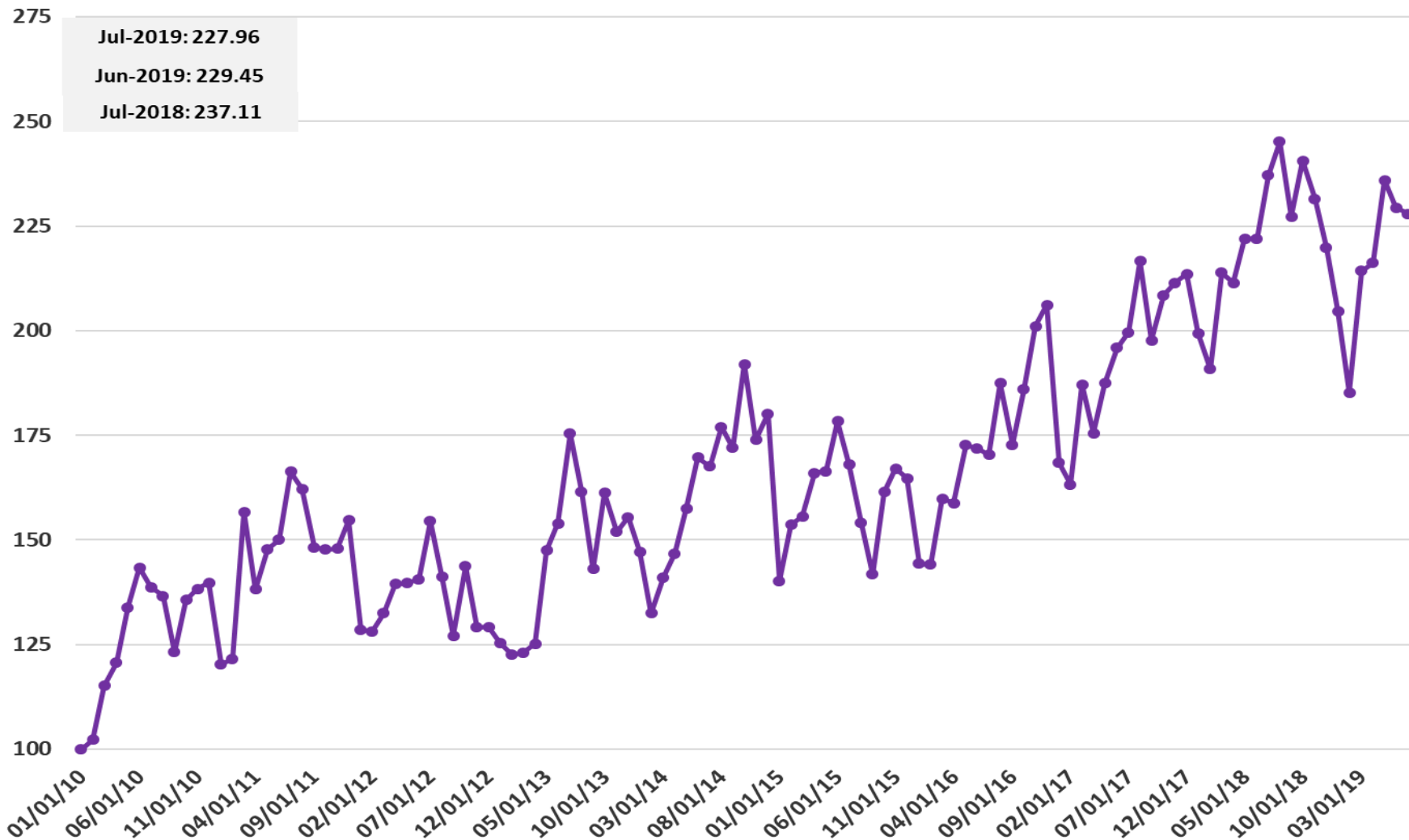


# Trade & Total Meat Context Update

# U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

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



# U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

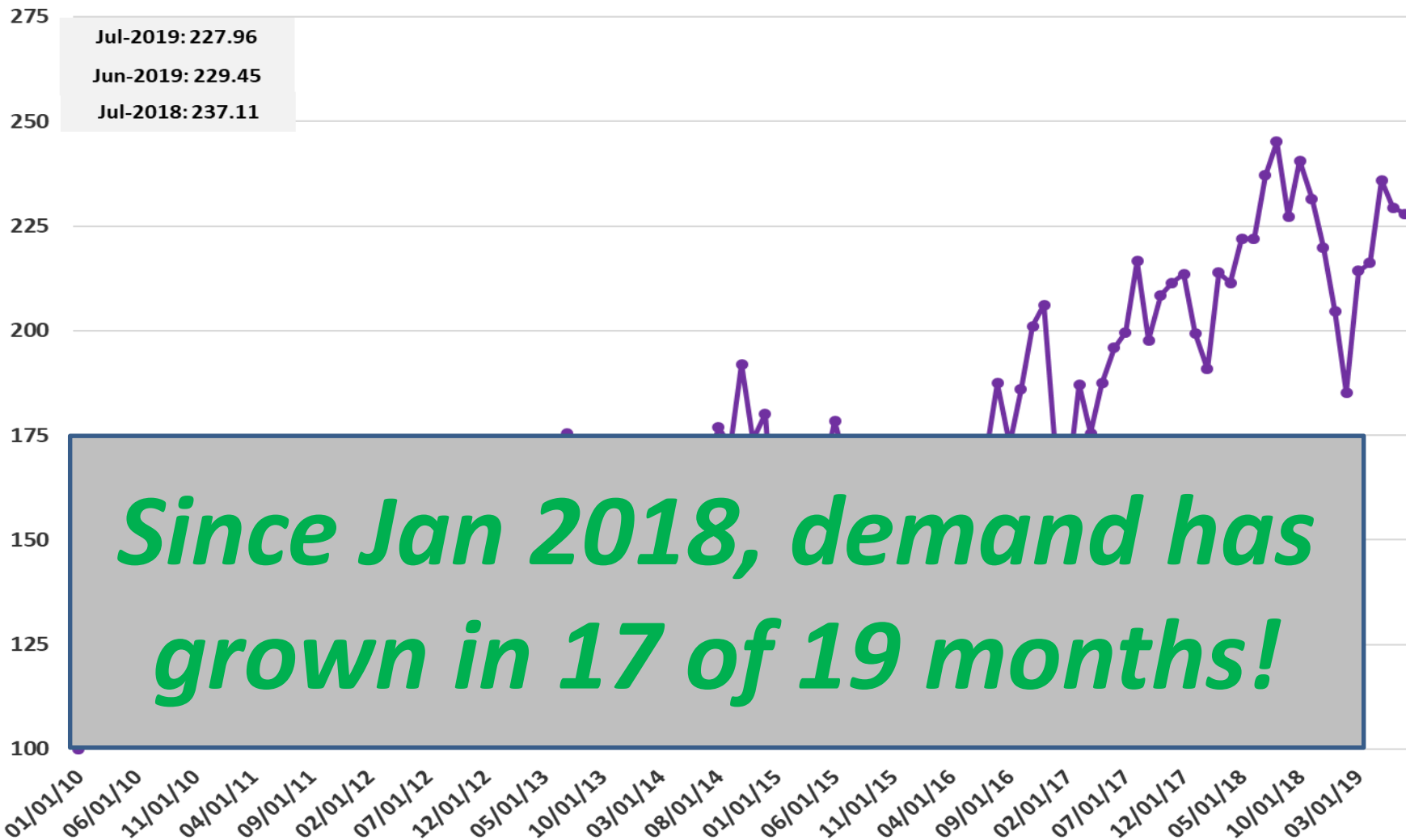
Monthly U.S. Beef, Export Demand Index, Jan. 2010 (base) - present



# U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

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



# USDA Long-Term projections

3/13/19 report (<http://www.usda.gov/oce/commodity/projections/>), October 2018 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.

Projections INCLUDE export maintenance & growth

# Additional Fodder for Thought...

## ❖ *When/will the ASF-Asia "export boost" occur?*

8/23/2019

FAO ASF situation update - African Swine Fever (ASF) - FAO Emergency Prevention System for Animal Health (EMPRES-AH)



Click to enlarge - Source: China: MARA, Viet Nam: WAHIS & media information, Other: WAHIS.



# Additional Fodder for Thought...

## ❖ *What is role of “alternative proteins” in future of U.S. livestock?*

BUSINESS NEWS

AUGUST 19, 2019 / 1:13 PM / 3 DAYS AGO



REUTERS

## Plant-based meat alternatives crowd U.S. grocery stores

1. Beyond Meat (Whole Foods, Kroger, Albertsons)
2. Impossible Foods (July 31<sup>st</sup> FDA approval to sell in grocery stores)
3. Nestle (Awesome Burger in Germany, US plans for fall 2019)
4. Tyson Foods (Vegetarian-Mixed Protein lines; nuggets in already)
5. Smithfield Foods (Plant-based burgers – Kroger, Sprouts, Target)

# Outlook Wrap-Up

- Broad Profitability Outlook

- Supply side factors are “well established”

- Herd size plateau (?)

- 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?**



More information available at:



This presentation will be available in PDF format at:

<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

Glynn T. Tonsor

Professor

Dept. of Agricultural Economics

Kansas State University

Email: [gtonsor@ksu.edu](mailto:gtonsor@ksu.edu)

Twitter: @TonsorGlynn

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AgManager.info website is a comprehensive source of information, analysis, and decision-making tools for agricultural producers, agribusinesses, and others. The site serves as a clearinghouse for applied outreach information emanating from the Department of Agricultural Economics at Kansas State University. It was created by combining departmental and faculty sites as well as creating new features exclusive to the AgManager.info site. The goal of this coordination is to improve the organization of web-based material and allow greater access for agricultural producers and other clientele.



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[http://www.agmanager.info/about/  
contact-agmanagerinfo](http://www.agmanager.info/about/contact-agmanagerinfo)



# Overview of National Carcass Premiums & Discounts (Simple Averages, \$/cwt)

Sept 16, 2019

Prime +\$17.10

Select -\$22.31

CAB: +\$3.67

NHTC: +\$20.88

Dairy: -\$2.67

>30 mo: -\$17.46

Sept 17, 2018

Prime +\$12.17

Select -\$9.00

CAB: +\$3.60

NHTC: +\$19.88

Dairy: -\$2.67

> 30 mo: -\$16.08

Sept 18, 2017

Prime +\$13.68

Select -\$3.80

CAB: +\$3.13

NHTC: +\$18.63

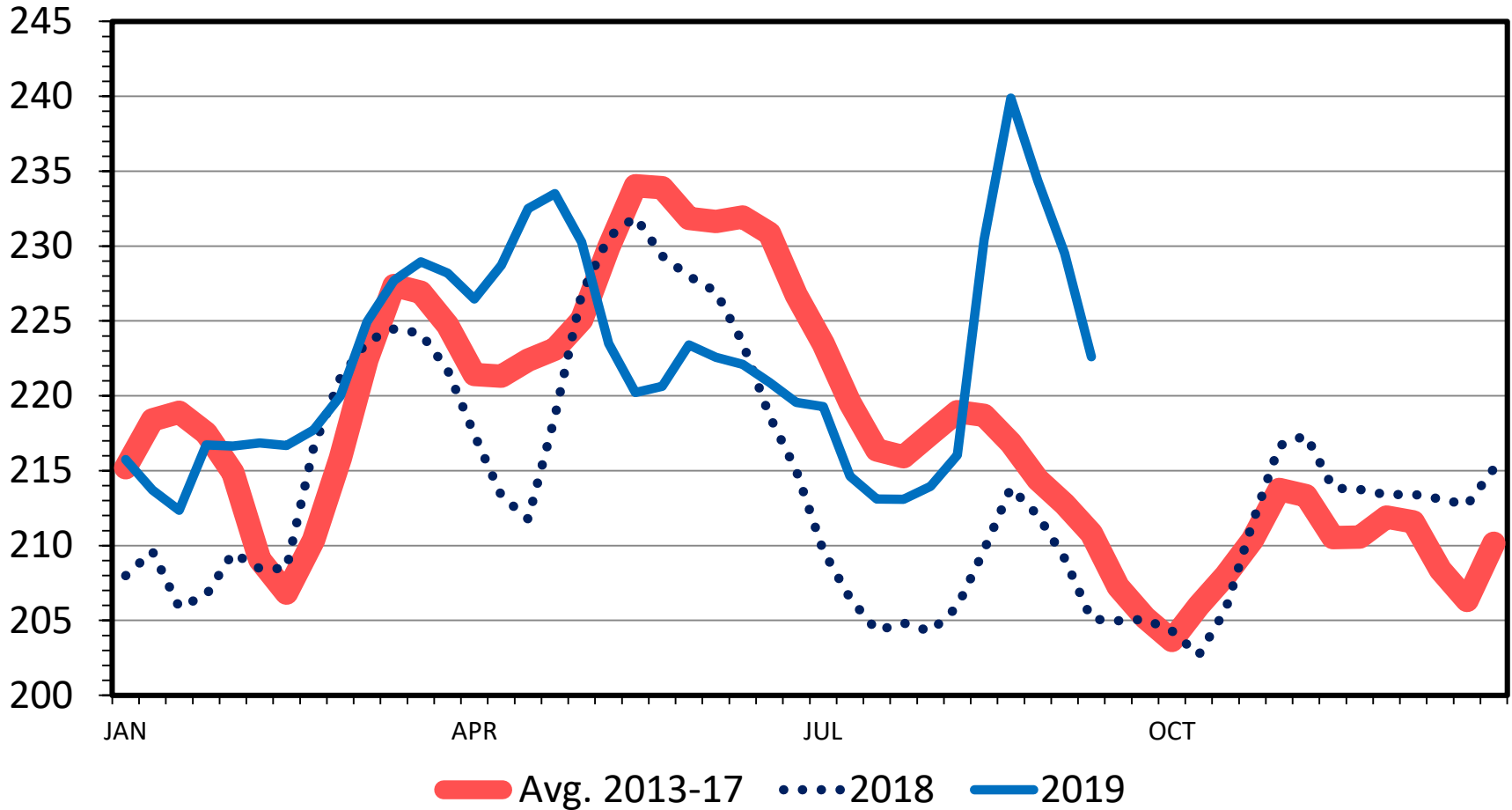
Dairy: -\$2.86

> 30 mo: -\$16.00

# BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Negotiated, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

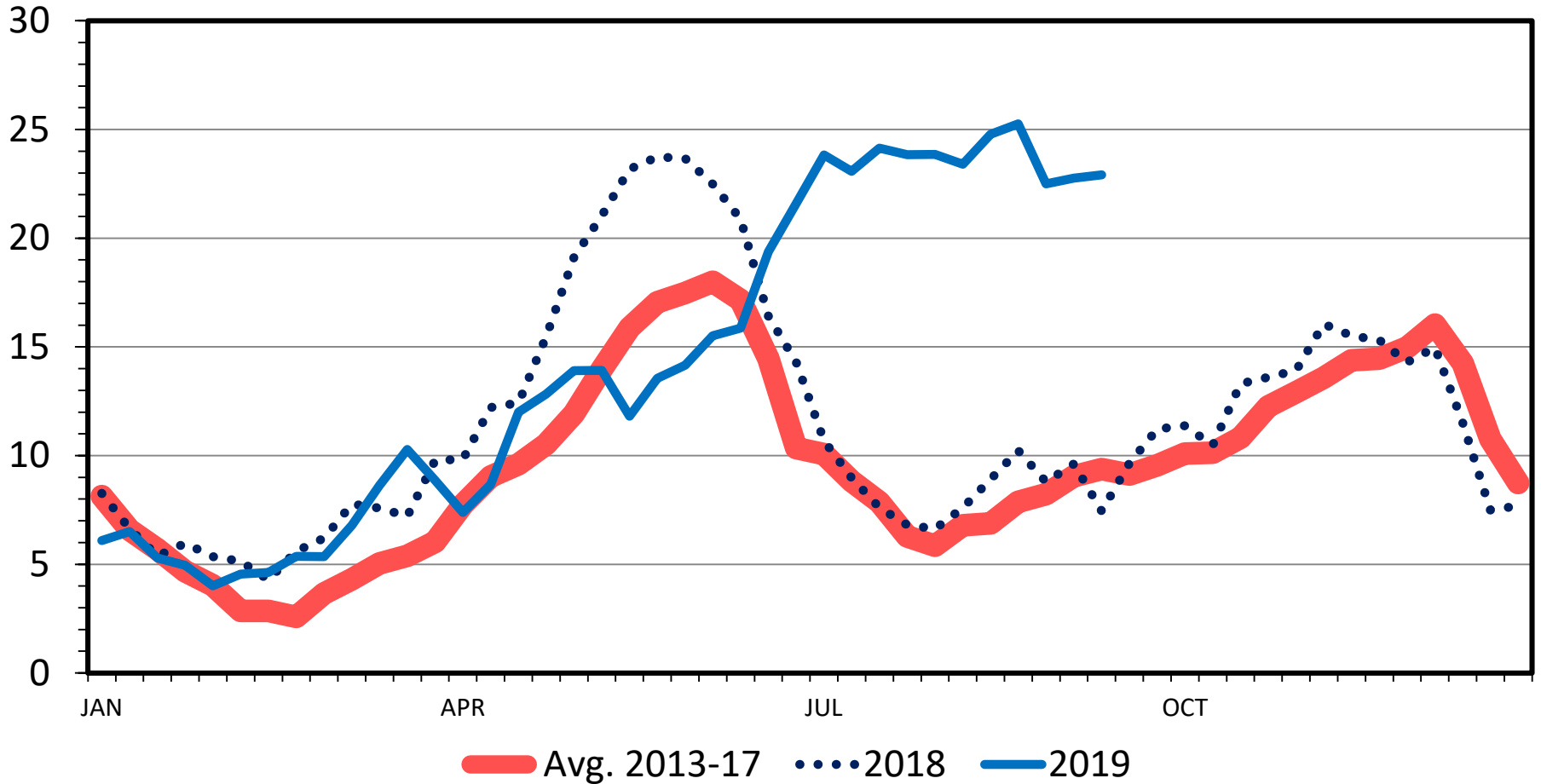
Livestock Marketing Information Center

C-P-62  
09/16/19

# CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Negotiated, Weekly

\$ Per Cwt.



Data Source: USDA-AMS, Compiled by LMIC

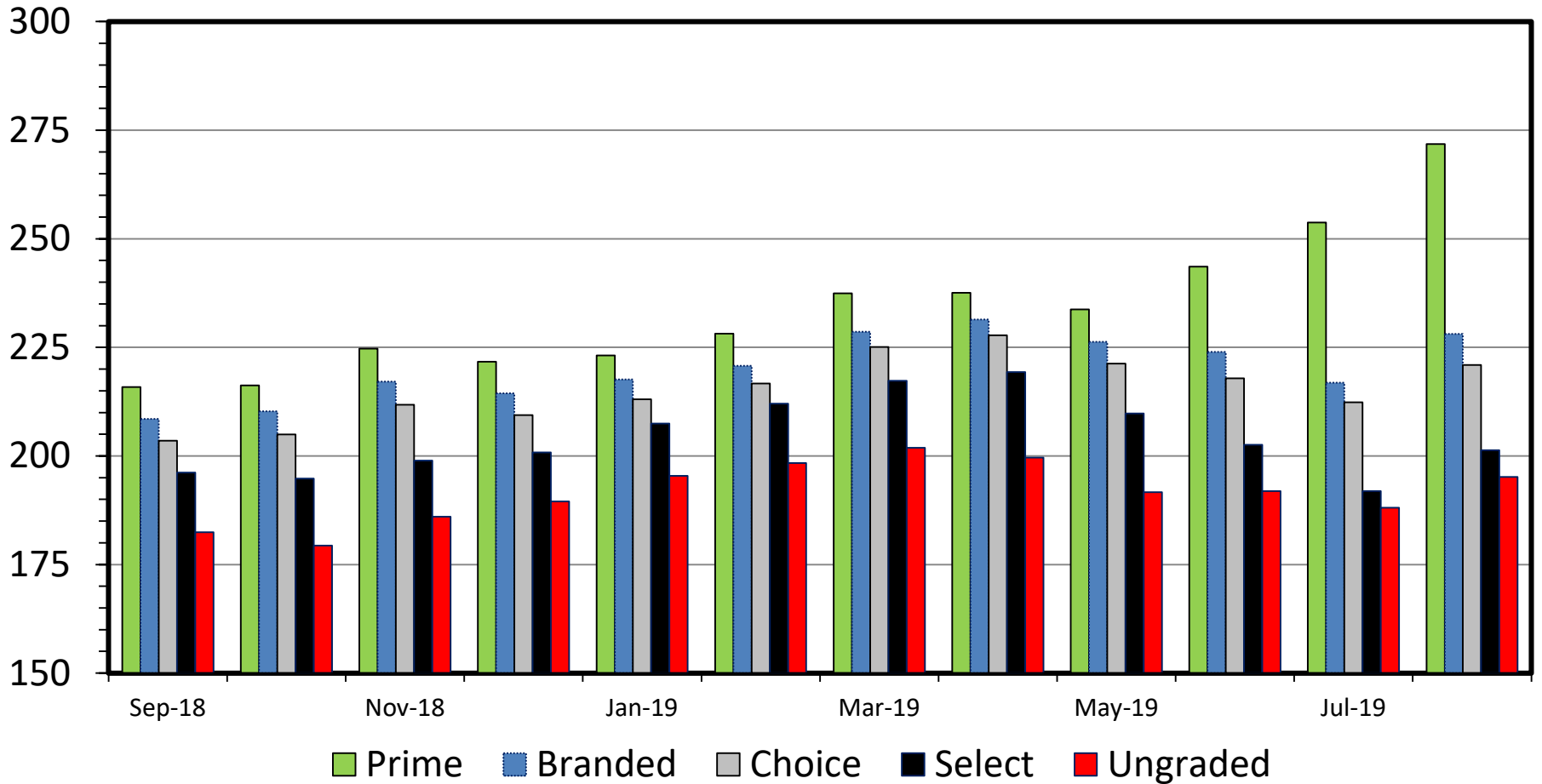
Livestock Marketing Information Center

C-P-68  
09/16/19

# CUTOUT VALUE

Monthly

\$/Cwt



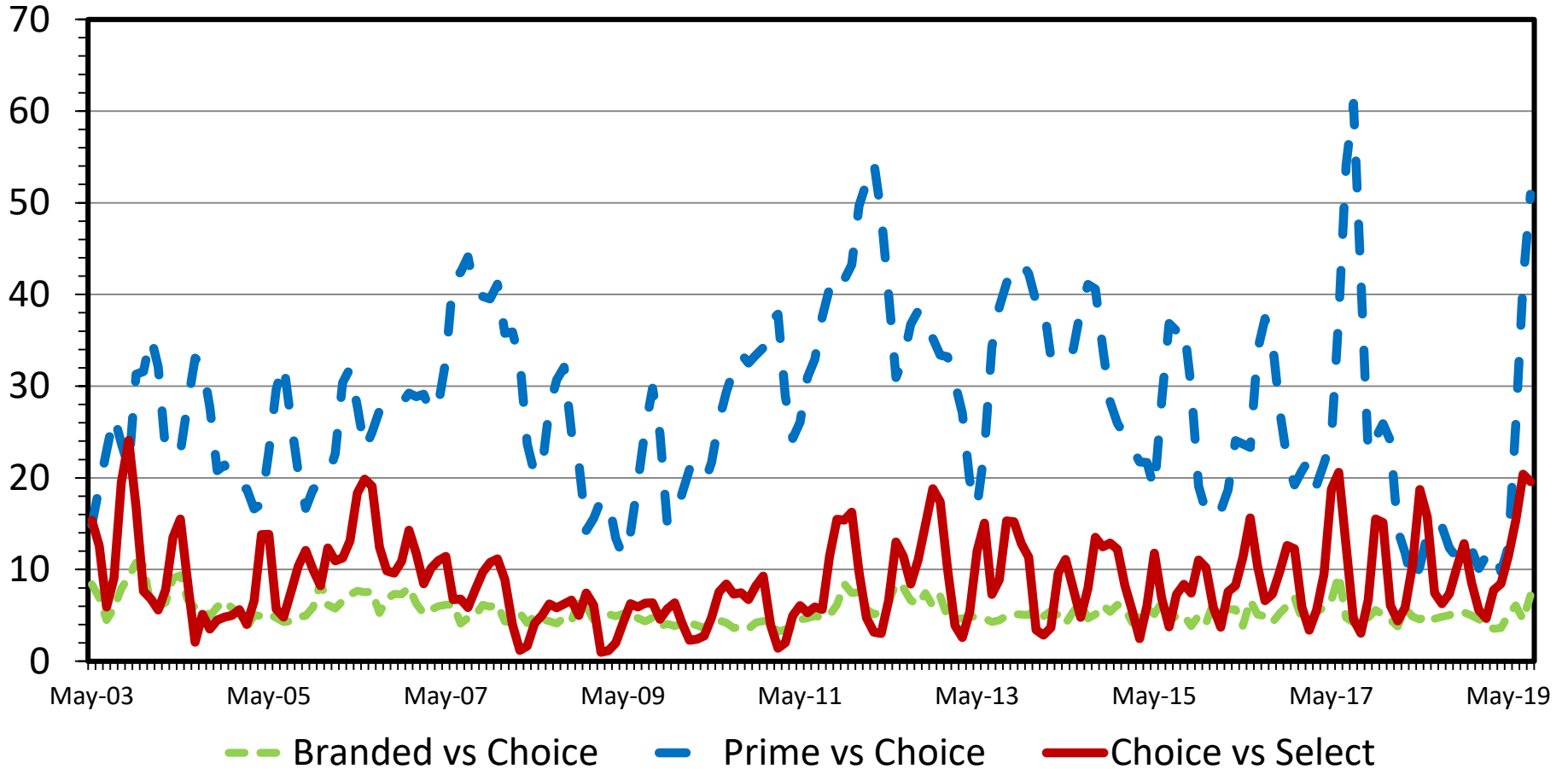
Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center

# CUTOUT VALUE COMPARISON

Monthly

\$/Cwt



Data Source: USDA-AMS, Compiled by LMIC

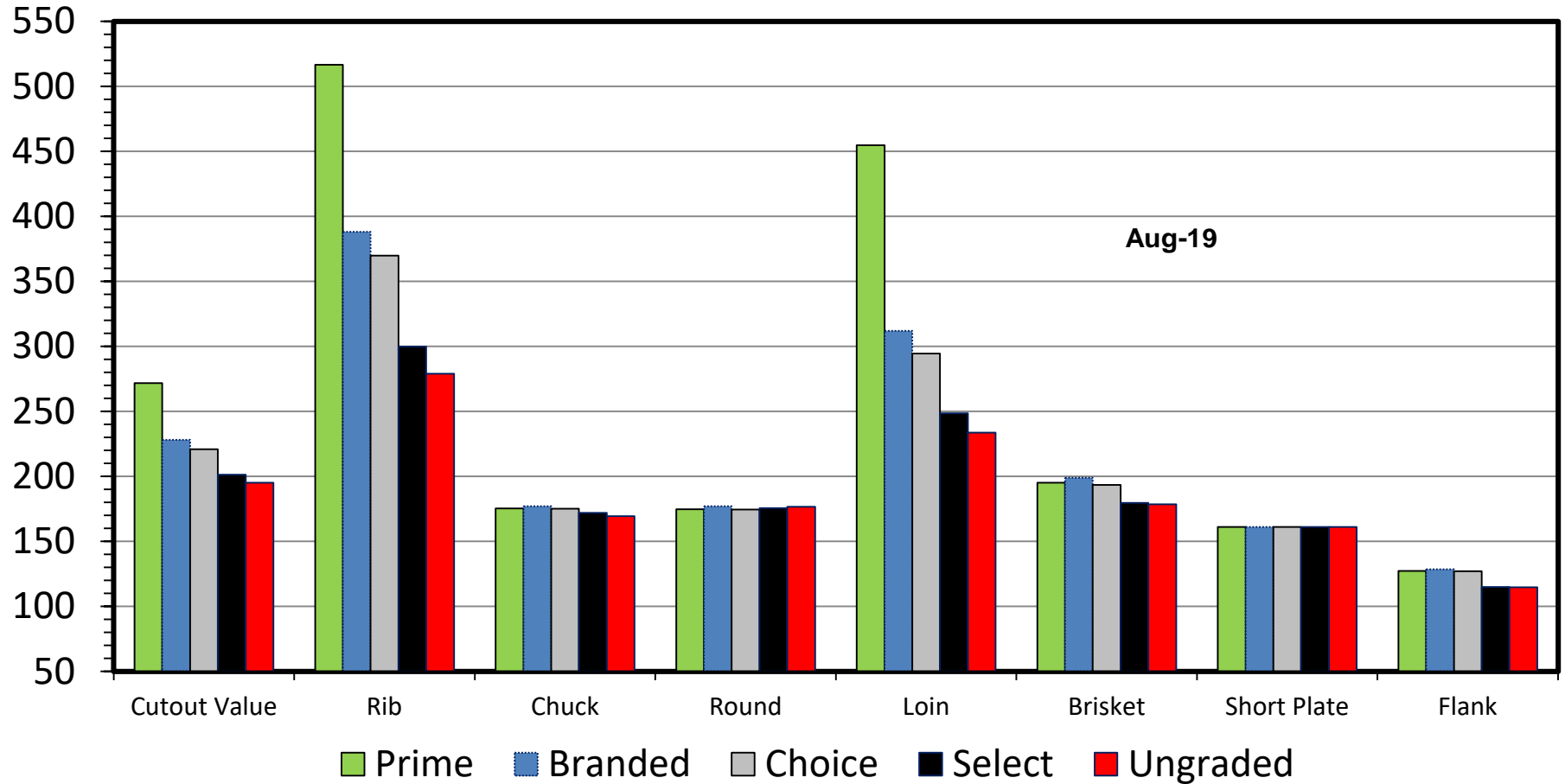
Livestock Marketing Information Center



# CURRENT PRIMAL VALUE

Monthly

\$/Cwt



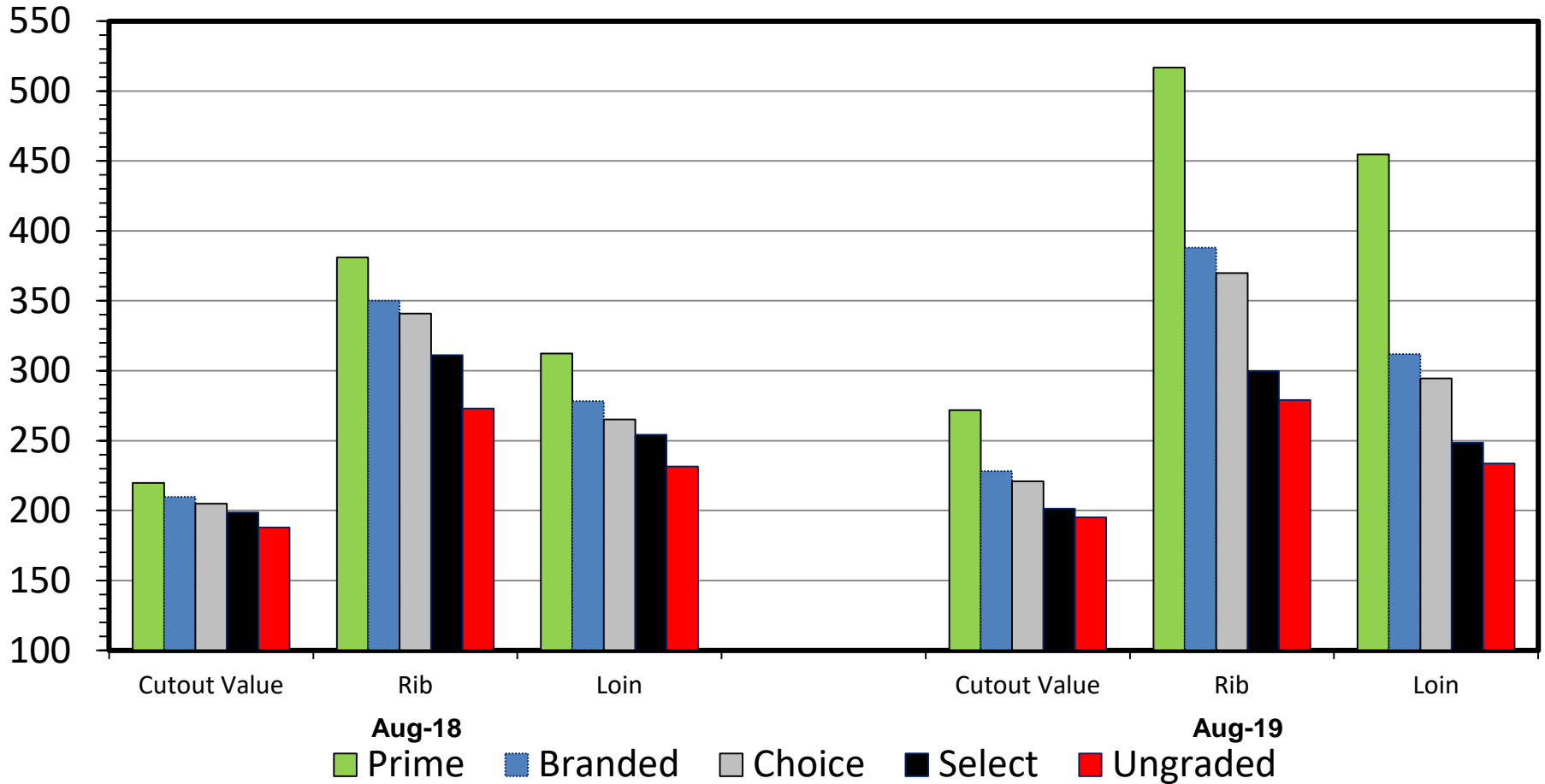
Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center

# PRIMAL VALUE

Monthly

\$/Cwt



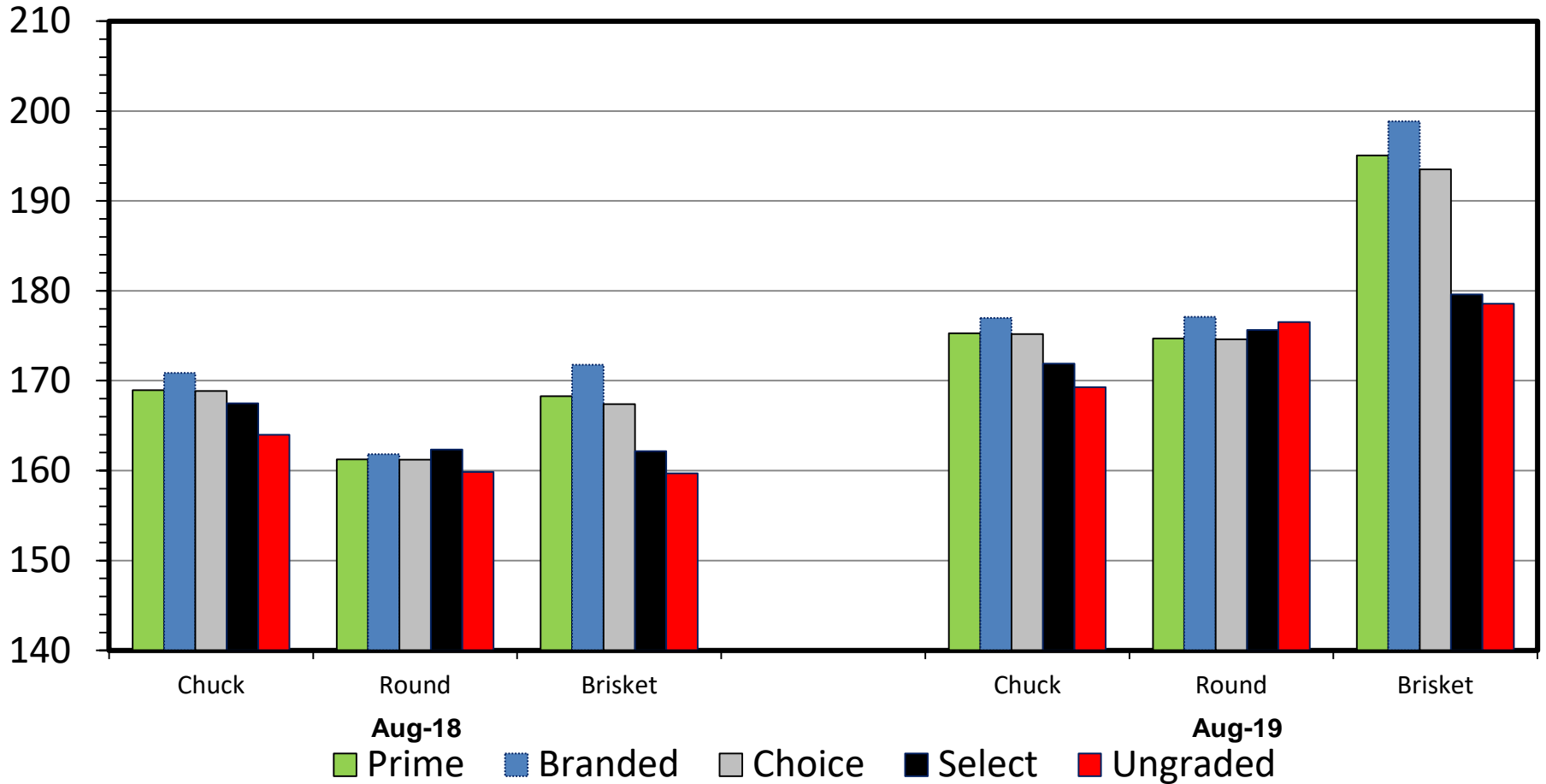
Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center

# PRIMAL VALUE

Monthly

\$/Cwt



Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center