

# Current Look at the U.S. Beef-Cattle Industry: *Let's Look Forward*

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# 2021 AG SUMMIT VIRTUAL SECTORS

[HTTPS://AGRICULTURE.KS.GOV/AGGROWTHSTRATEGY/AG-SUMMIT-2021](https://agriculture.ks.gov/aggrowthstrategy/ag-summit-2021)

“These sessions, held prior to the Ag Summit, will be designed to identify significant action items and the next steps that will be taken **to move forward for growth** in the different sectors of Kansas agriculture. These meetings will be a place where agriculture leaders from across the state can gather to network, collaborate, and engage with farmers, ranchers, agribusiness owners, and industry professionals from throughout all corners of Kansas. Some or all of the sessions will be held in a virtual format.”

# Topics of focus today...

- Overview of Pandemic Shocks
- Evolution in Packing Capacity – Fed Cattle Inventory Relationship
- Price Discovery vs Price Level
- Traceability
- International Trade

❑ ***LOTS OF COMPLEX, IMPORTANT TOPICS WITH EMOTIONS RUNNING HIGH....***

# 3 LARGE COVID-19 SHOCKS

# Monthly Meat Demand Monitor [Survey Data]

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

The Meat Demand Monitor (MDM) project is funded in-part by the beef checkoff and the pork checkoff. Monthly reports and supporting documentation are available here.



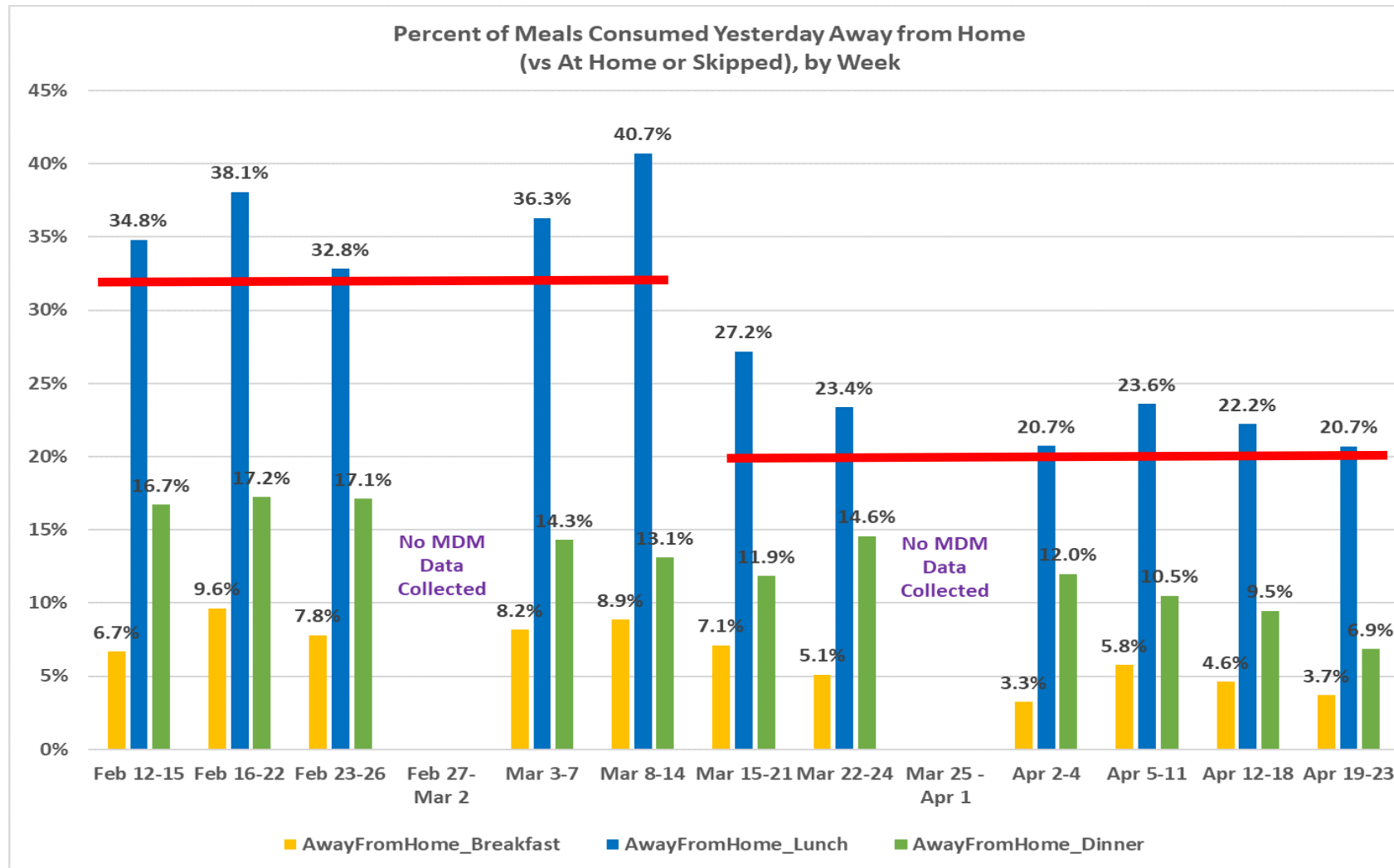
Funded in part by  
the Beef Checkoff.



## Monthly Meat Demand Monitor

Title	Author	Date	Downloads
<a href="/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data/meat-demand-monitor-covid19">Meat Demand Monitor - COVID19 Impact Special Report (/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data/meat-demand-monitor-covid19)</a>	Tonsor (/contributors/tonson)	March 26, 2020	<a href="#">Downloads ▾</a>
<a href="/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data/meat-demand-monitor-march-2020">Meat Demand Monitor - March 2020 (/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data/meat-demand-monitor-march-2020)</a>	Tonsor (/contributors/tonson)	March 26, 2020	<a href="#">Downloads ▾</a>

# SHOCK #1: Shift to At-Home





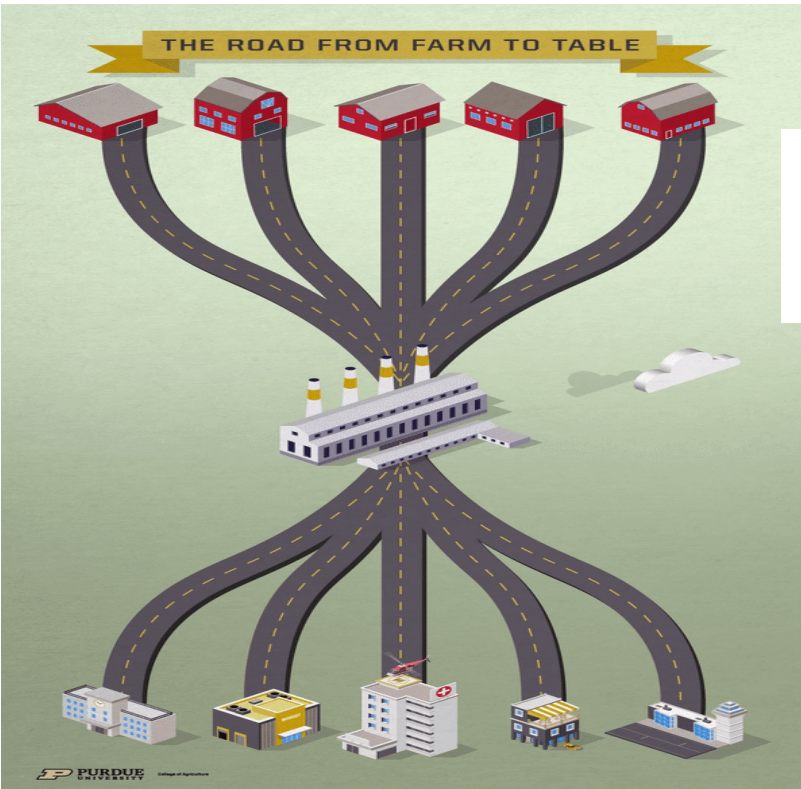
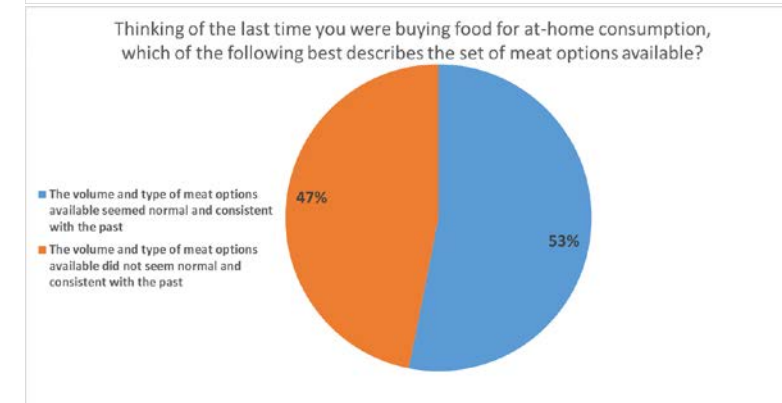
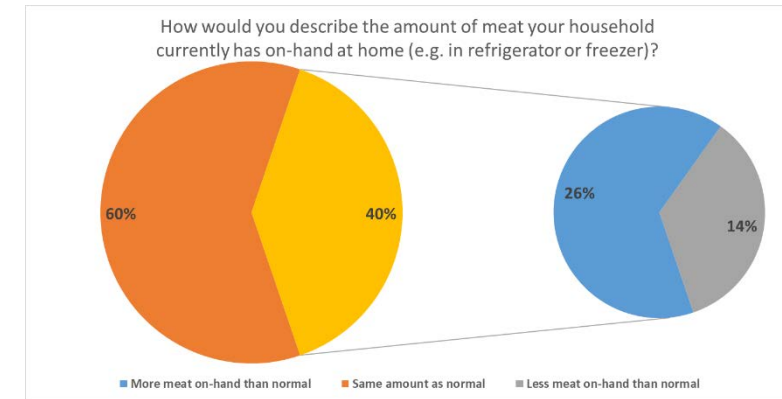
# SHOCK #2:

## Animal-to-Meat Bottleneck in April-May Societal Calls: *Where's my Meat?*

### 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/>



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



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/>

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

# SHOCK #3 Consumer Meat Demand

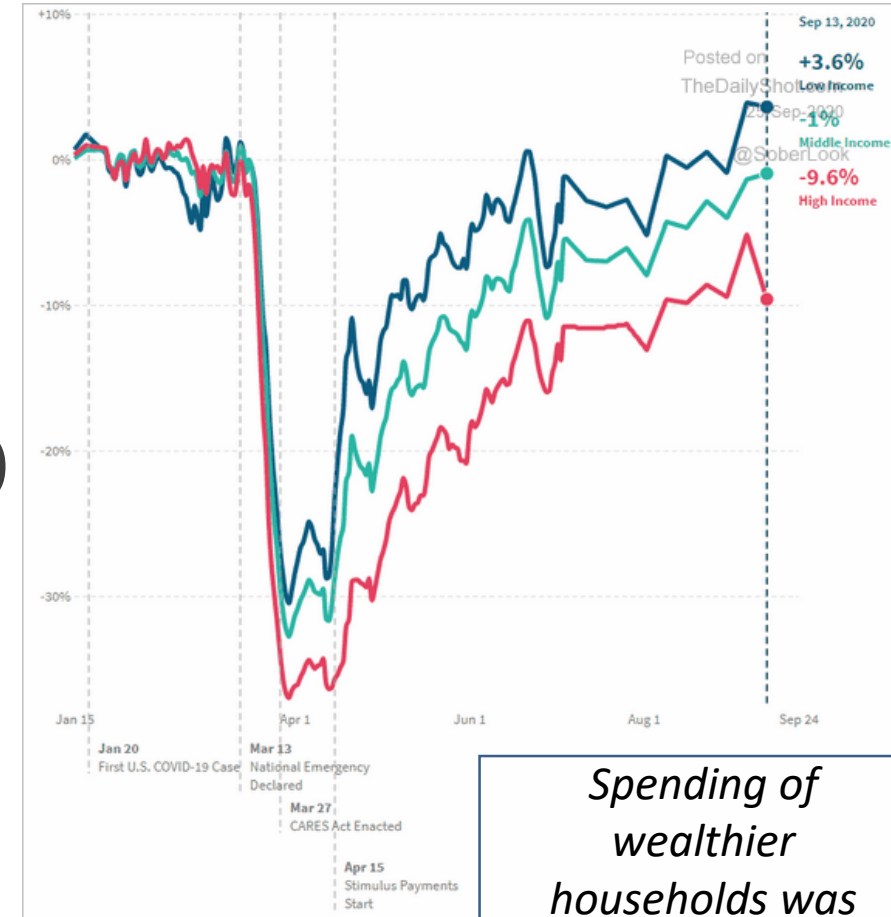
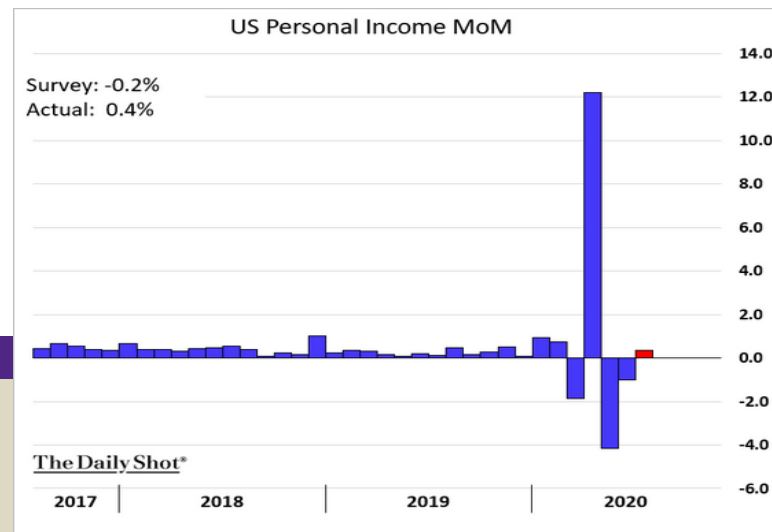
## ■ Recession

➤ Weaker Meat Demand (typically at least)

## ■ Stimulus & Spending

➤ Supports Demand (April incomes were up!)

➤ VERY divergent consumer spending



*Spending of wealthier households was cautious*

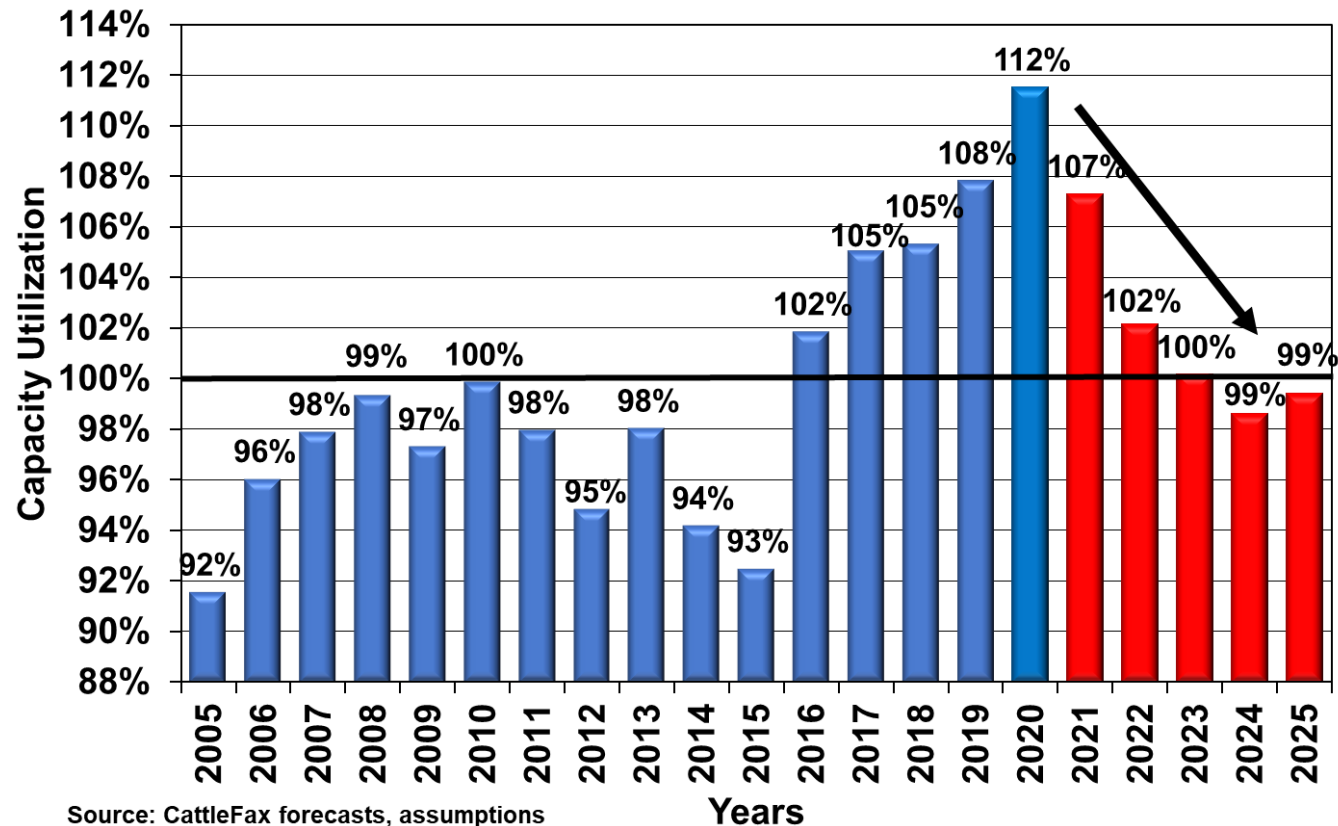


# Packing Capacity vs Fed Cattle Inventories

1. See 3/24/21 KS House Ag. Committee Hearing
  - <https://www.youtube.com/watch?v=FcktRbRbi1I&t=1037s>
2. See 6/23/21 U.S. Senate Committee on Ag., Nutrition, & Forestry Hearing
  - <https://www.agriculture.senate.gov/hearings/examining-markets-transparency-and-prices-from-cattle-producer-to-consumer>
  - **GT:** this is perhaps currently the most important relationship in the industry

# Ongoing Evolution...

## Fed Slaughter Capacity Utilization Vs. Monday-Friday Packing Capacity



Source: CattleFax forecasts, assumptions

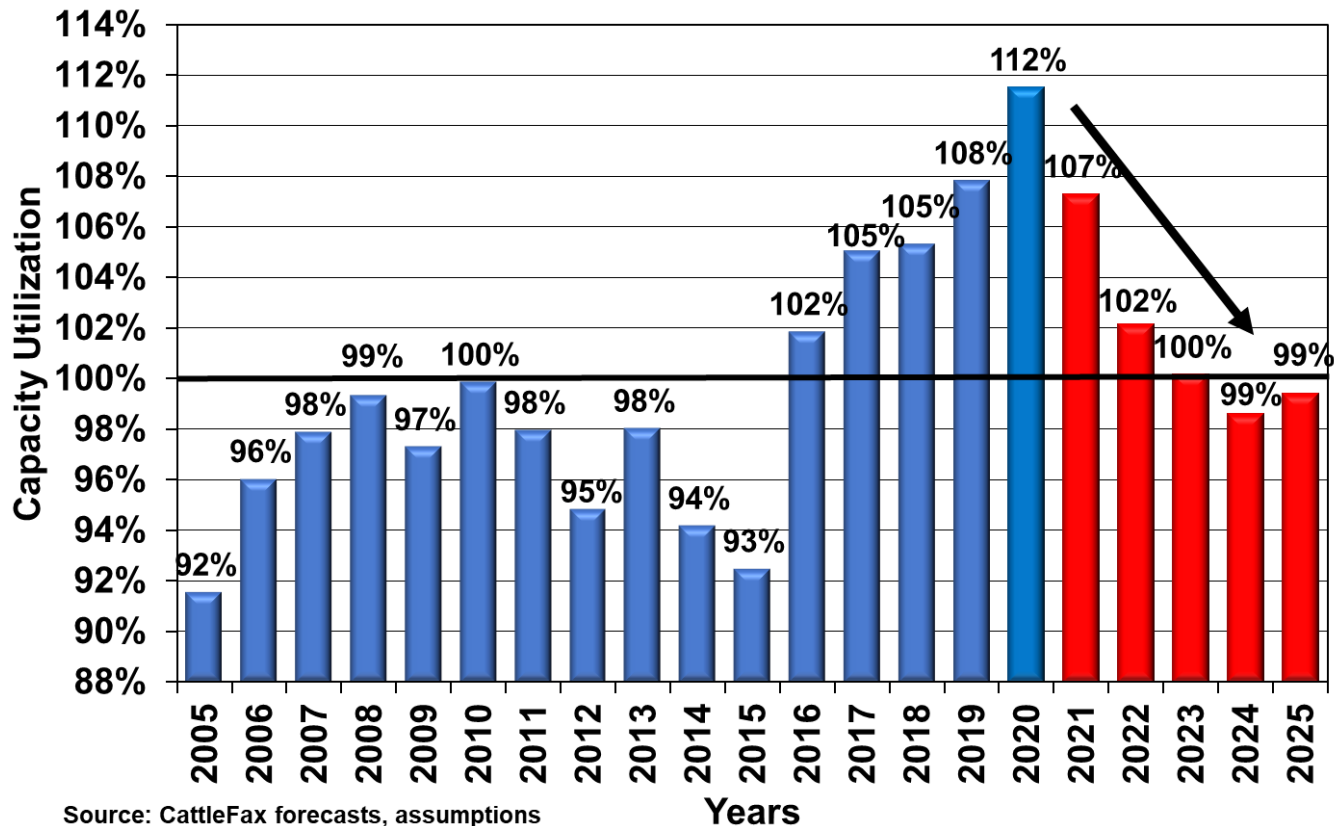
“Too many cattle relative to capacity”  
- Wider beef-cattle \$ difference

“Too much capacity relative to cattle”  
-Narrower beef-cattle \$ difference

Source: CattleFax’s December 2020 Long-Term Outlook; Text box points added by Tonsor

# Ongoing Evolution...

**Fed Slaughter Capacity Utilization**  
*Vs. Monday-Friday Packing Capacity*



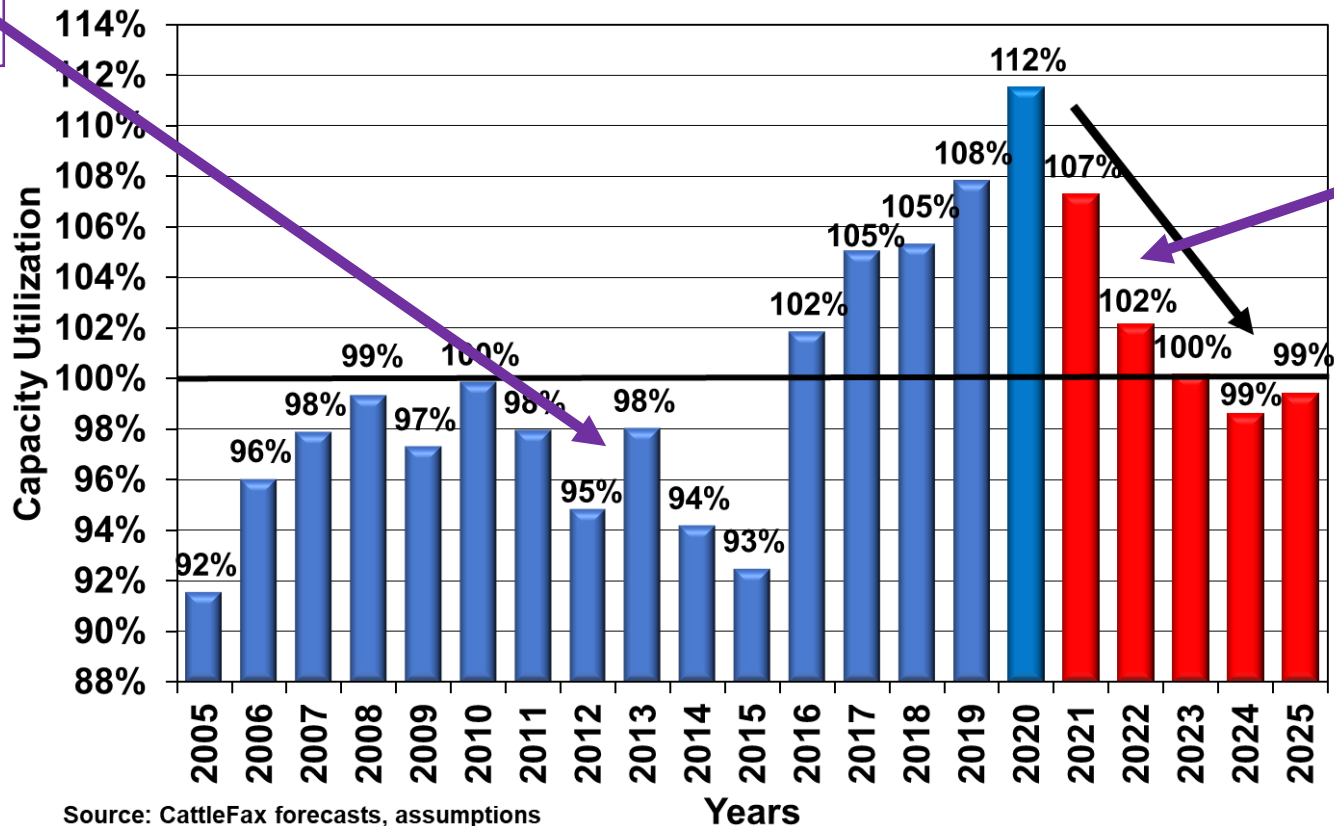
Source: CattleFax forecasts, assumptions

Also note **PHYSICAL Capacity**  
is **NOT**  
**OPERATIONAL Capacity**

# Ongoing Evolution...

2013 Cargill Closed Plainview, TX Plant (~4,500 hd/day)

## Fed Slaughter Capacity Utilization Vs. Monday-Friday Packing Capacity



### Lower FI Slaughter

2020 = 32.8 mil

2021 = 32.6 mil

2022 = 32.0 mil

### Added (?) Slaughter Capacity

- Tama, IA 2<sup>nd</sup> shift, up to 2,500 hd/ day
- Jerome, ID new plant 500 hd/day
- North Platte, NE new plant 1,500/hd/day
- Many other announcements

Source: CattleFax's December 2020 Long-Term Outlook; Text box points added by Tonsor

# Price Discovery vs Price Level

- Jargon-free distinction:
  - Price Discovery: process of buyers & sellers arriving at a transaction price
  - Price Levels: determined market price reflects interaction of broad supply & demand forces

# Price Discovery vs Price Level

- “Confusion” & “Increased Interest” correlates with periods of lower farm prices

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## Understanding Market Prices



Price discovery and price determination are not the same thing. But both affect the value of your calves. You can affect the physical attributes of your calves by your breeding, cow management and calf handling programs. You choose when calves will be marketed, in what size groups and by what marketing method. Calf prices some years are \$90/cwt. and some years \$120/cwt. In a \$90 market, some producers

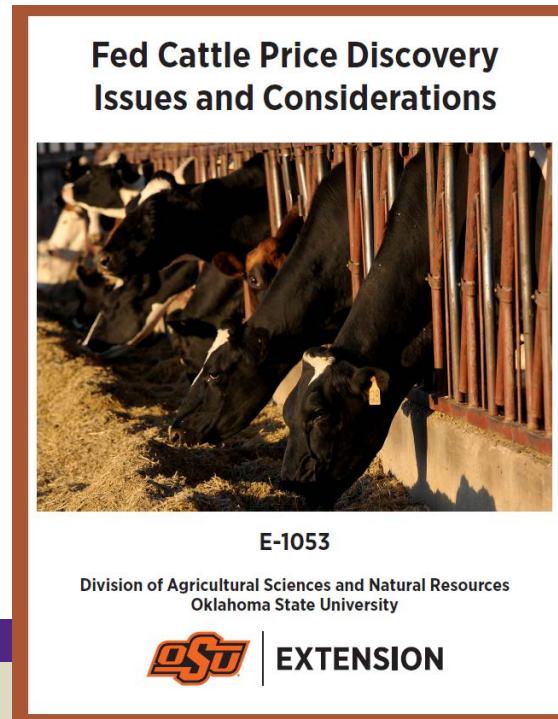
Clement E. Ward, PhD Oklahoma State University Feb 15, 2001

[https://www.beefmagazine.com/mag/beef\\_understanding\\_market\\_prices](https://www.beefmagazine.com/mag/beef_understanding_market_prices)



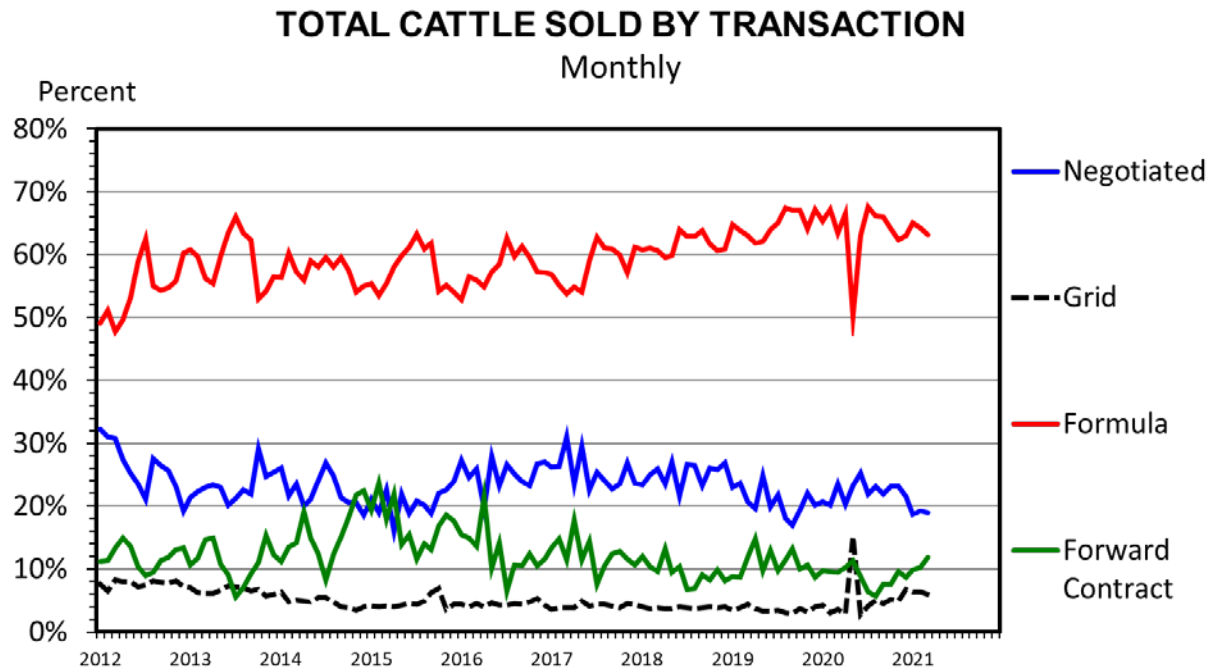
# Price Discovery vs Price Level

- Improved price DISCOVERY will not by itself change overall price LEVELS
  - Not just GT's opinion
    - Derrell Peel, David Anderson, John Anderson, Chris Bastian, Scott Brown, Steve Koontz, & Josh Maples in 2021  
<https://extension.okstate.edu/fact-sheets/print-publications/e/fed-cattle-price-discovery-issues-and-considerations-e-1053.pdf>



# Price Discovery vs Price Level

- MANY sound economic reasons fed cattle marketing practices have evolved
  - Most of decline in % negotiated BEFORE 2012...

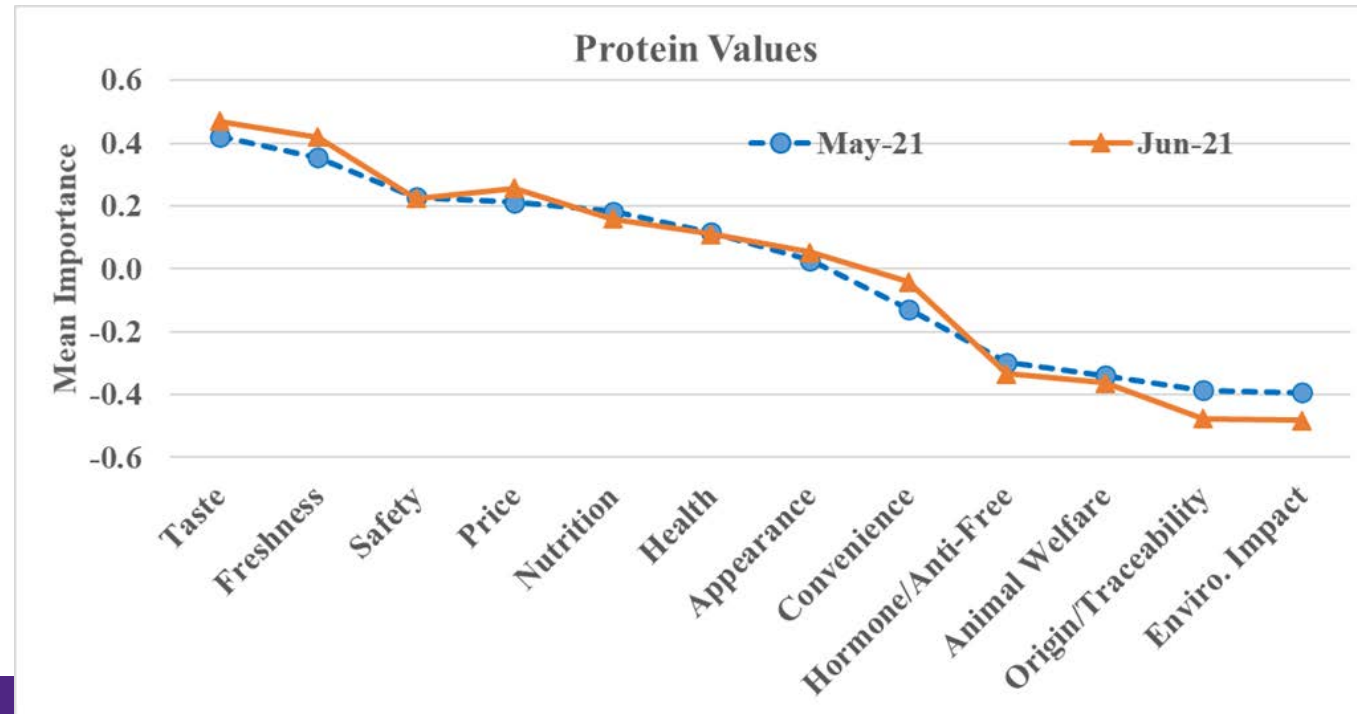


See 6/23/21 U.S. Senate Committee on Ag.,  
Nutrition, & Forestry Hearing

<https://www.agriculture.senate.gov/hearings/examining-markets-transparency-and-prices-from-cattle-producer-to-consumer>

# Traceability

1. Lots of commentary on consumers “wanting to know more”
2. GT agrees, but thinks RELATIVE context is important



# Traceability

1. Livestock traceability must reflect consumer interest AND inner-supply chain motives
2. Voluntary traceability programs operate with an implicit market & cost-share policies may offer an alternative to gov't mandates

EDITOR'S CHOICE

## The market for traceability with applications to U.S. feeder cattle FREE

James Mitchell ✉, Glynn T Tonsor, Lee Schulz

*European Review of Agricultural Economics*, Volume 48, Issue 3, July 2021,  
Pages 447–476, <https://doi.org/10.1093/erae/jbaa027>

**Published:** 17 November 2020 **Article history** ▼

# International Trade

# Role of International Trade Is Complex & Often Misunderstood...

Kansas State University Department Of Agricultural Economics Extension Publication

05/20/2020

## Overview of US Beef Production, Export, Import and Domestic Consumption Trends: 2003-2019

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



# Role of International Trade Is Complex & Often Misunderstood...

2003	2019	2019 vs 2003
Total US Beef Production = 26.34 bil lbs	Total US Beef Production = 27.23 bil lbs	<b>3.4%</b>
Beef Exports = 2.52 bil lbs	Beef Exports = 3.02 bil lbs	<b>19.8%</b>
Beef Imports = 3.01 bil lbs	Beef Imports = 3.06 bil lbs	<b>1.7%</b>
Total Domestic Beef Disappearance = 27.00 bil lbs	Total Domestic Beef Disappearance = 27.28 bil lbs	<b>1.0%</b>
US Population = 290 million	US Population = 328 million	<b>13.1%</b>
Domestic Per Capita Beef of 65.03 lbs	Domestic Per Capita Beef of 57.97 lbs	<b>-10.9%</b>
9.56% of Total US Beef Production was Exported	11.10% of Total US Beef Production was Exported	<b>16.1%</b>
11.13% of Total US Beef Disappearance was Imports	11.21% of Total US Beef Disappearance was Imports	<b>0.7%</b>

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# SUMMARY of GT's Views 4 KS Growth

1. KS has valuable opportunity given presence of all major stages of beef-cattle industry
2. Business-friendly approach required
  - 100% of \$10 versus 10% of \$1,000
3. Forward-looking approach aligned with consumer-demand required
  - Domestic AND Export
  - Domestic Retail vs. Domestic Food Service

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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