

KSU Southeast Agricultural Research Center
BEEF CATTLE AND FORAGE
CROPS FIELD DAY

Mound Valley Community Center
505 Hickory, Mound Valley, KS

THURSDAY, MAY 4, 2017

Beef-Cattle
Market Outlook

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Overarching Beef Industry Economic Outlook

- Supplies
 - Growing meat supplies
 - Herd expansion stopped?

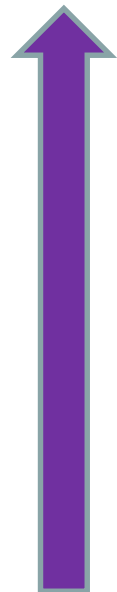
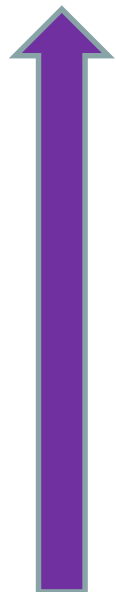
- Demand
 - Widely missed factor in industry profits
 - Weaker Q4.2015 - Q4.2016



LMIC Beef Production and Price Quarterly Forecasts (4/14/17)

Sources: Livestock Slaughter - USDA/NASS; Steer Prices - USDA/AMS Livestock Market News; Projections and Forecasts by LMIC

Year	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
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	7,840	7.5	825.0	-0.9	6,468	6.6
IV	7,916	9.0	836.6	-0.5	6,623	8.4
Year	30,565	6.3	824.8	0.1	25,212	6.4
2017						
I	7,707	7.3	817.2	-1.1	6,298	6.1
II	7,987	4.7	811.9	0.1	6,485	4.8
III	8,049	2.7	828.6	0.4	6,670	3.1
IV	8,099	2.3	838.3	0.2	6,789	2.5
Year	31,842	4.2	824.1	-0.1	26,242	4.1
2018						
I	7,928	2.9	821.5	0.5	6,513	3.4
II	8,178	2.4	815.7	0.5	6,671	2.9
III	8,266	2.7	832.7	0.5	6,883	3.2
IV	8,324	2.8	841.5	0.4	7,004	3.2
Year	32,696	2.7	828.0	0.5	27,071	3.2



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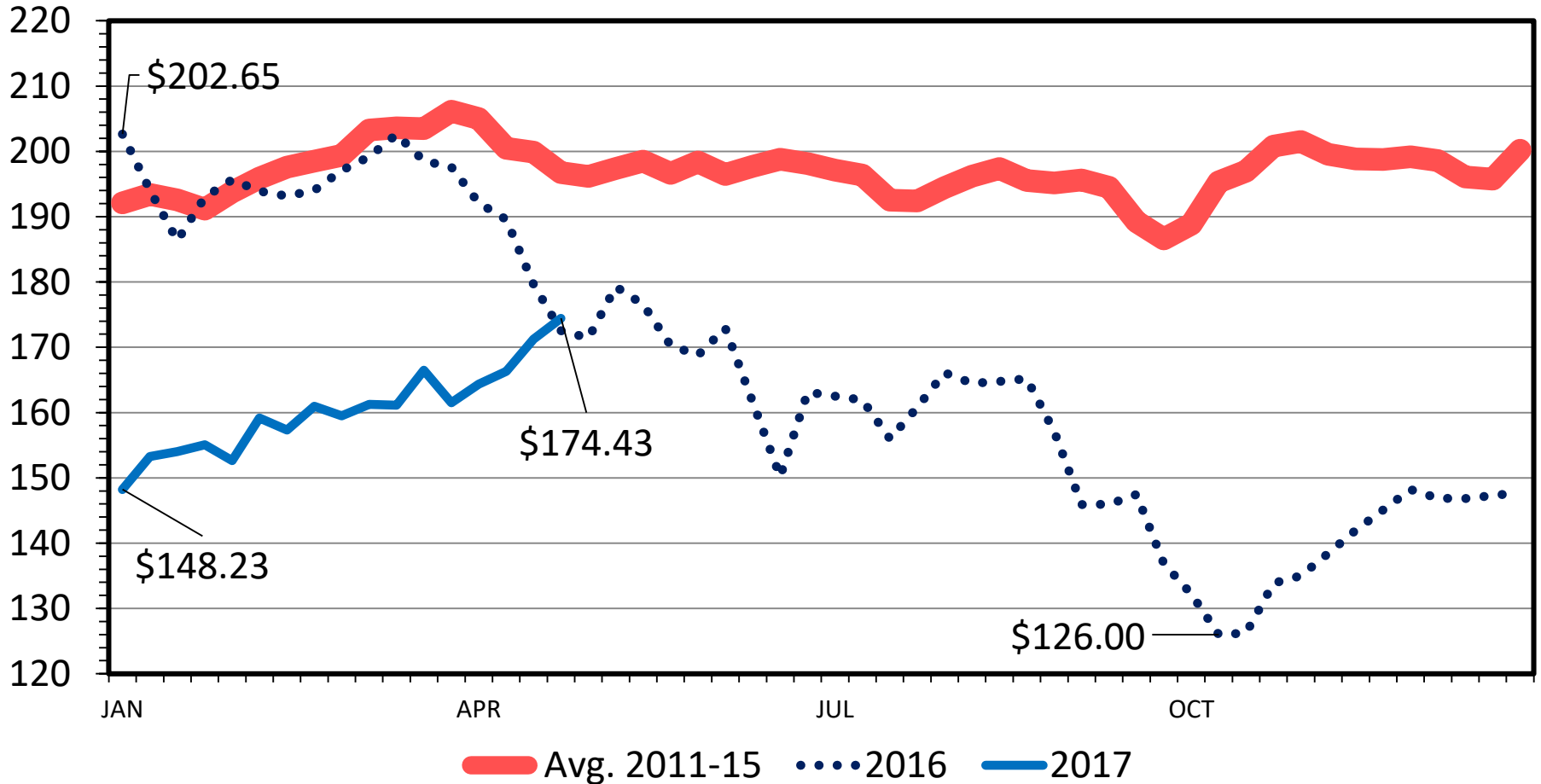
Year Quarter	Live Sltr. Steer Price	% Chg. from Year Ago	Feeder Steer Price Southern Plains	
	5-Mkt Avg		7-800#	5-600#
2016				
I	135	-17.0	160	196
II	128	-19.2	149	174
III	113	-21.5	144	157
IV	108	-15.7	129	138
Year	121	-18.4	146	166
2017				
I	123	-8.8	133	157
II	116-119	-8.0	130-134	147-152
III	107-111	-3.7	128-134	140-146
IV	107-112	1.7	126-133	134-141
Year	113-116	-5.3	129-134	144-150
2018				
I	110-116	-8.1	124-132	137-148
II	109-116	-4.3	127-136	139-151
III	103-111	-1.8	123-133	134-147
IV	104-113	-0.9	122-133	130-144
Year	108-112	-3.9	126-132	137-145

**CME (5/2) up +/-
\$10 (LC) &
\$12 (FC)
since 4/14**

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



— Avg. 2011-15 ••••• 2016 — 2017

Data Source: USDA-AMS

Livestock Marketing Information Center

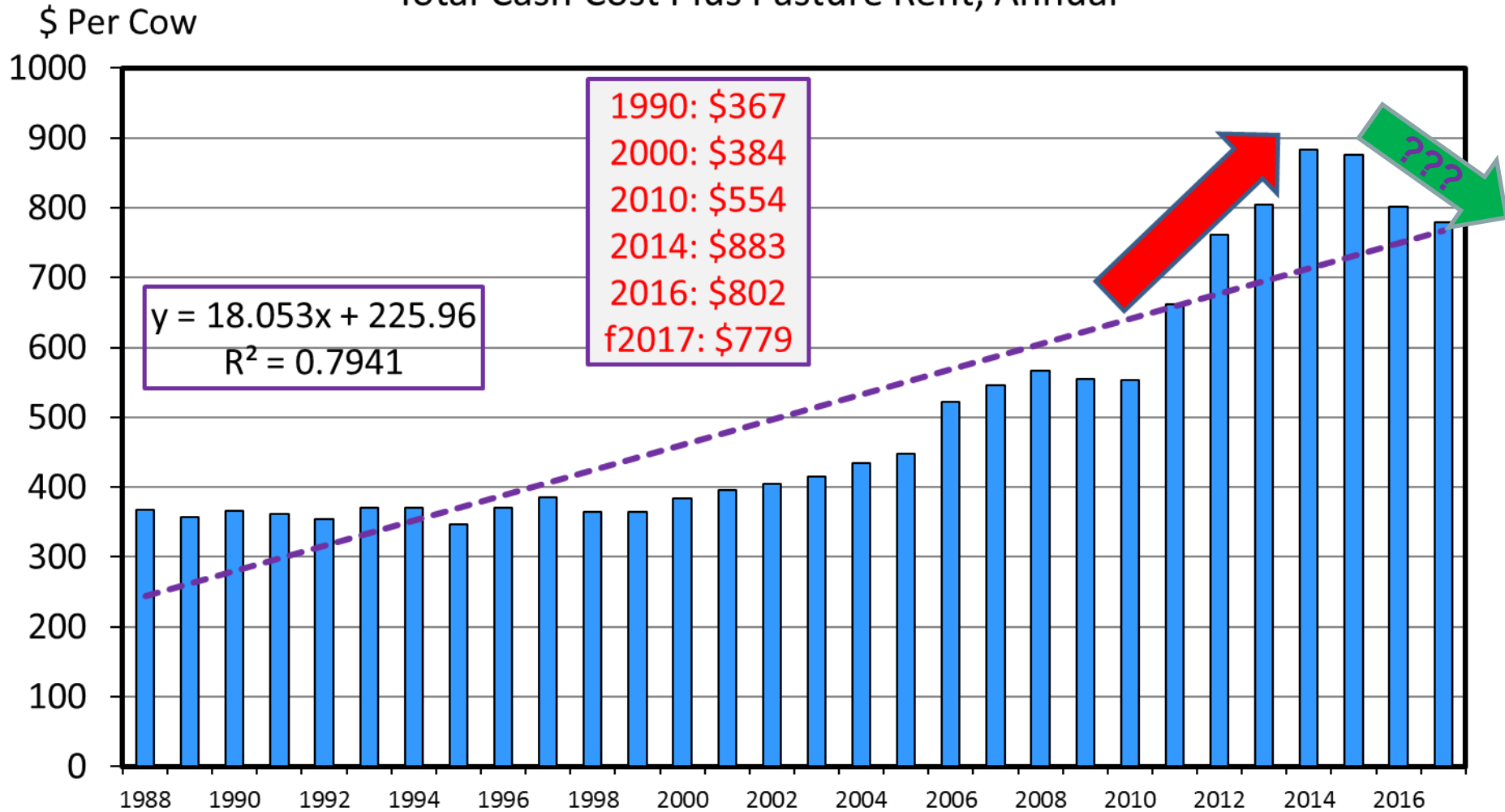
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05/01/17



ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

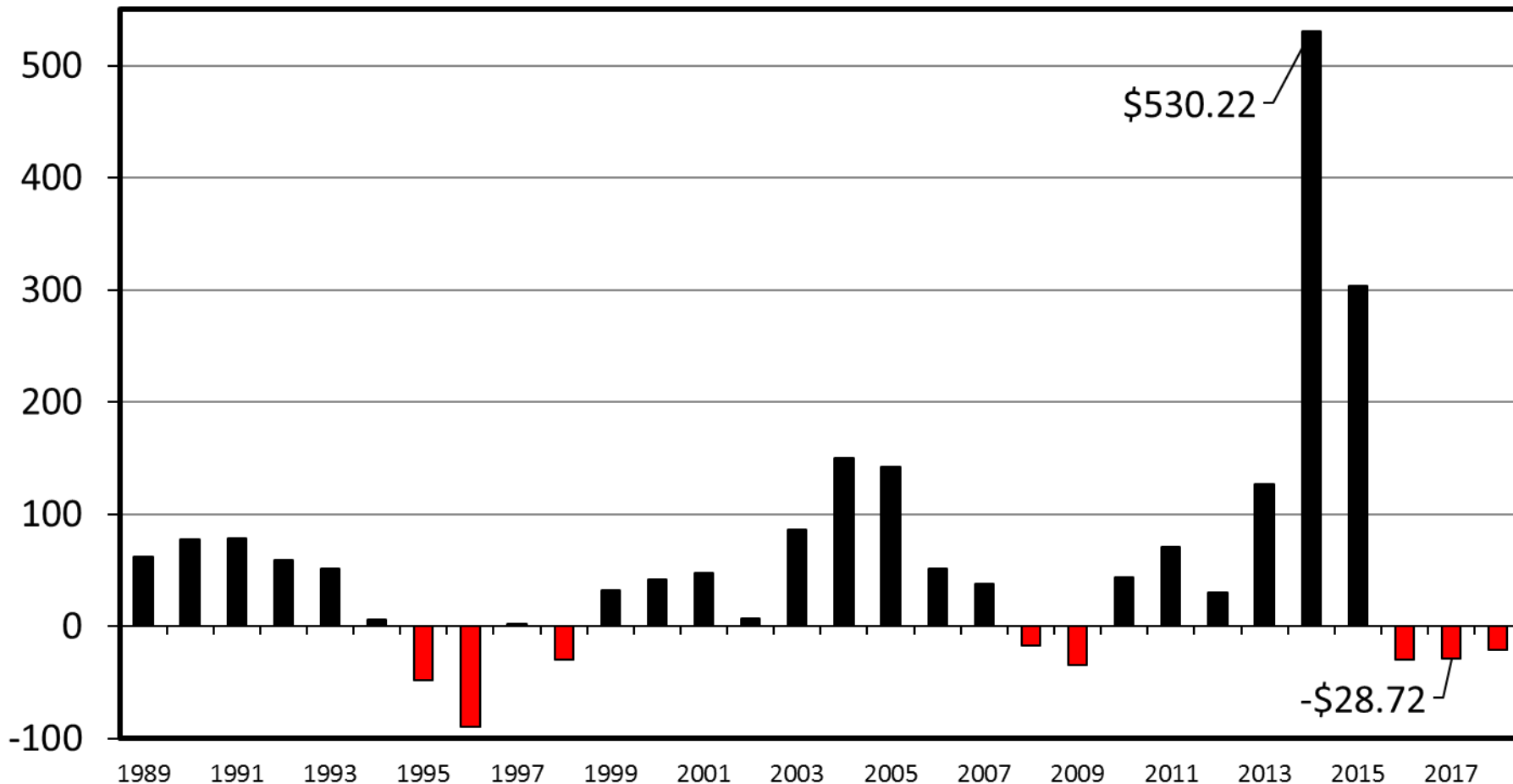
02/05/17



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66

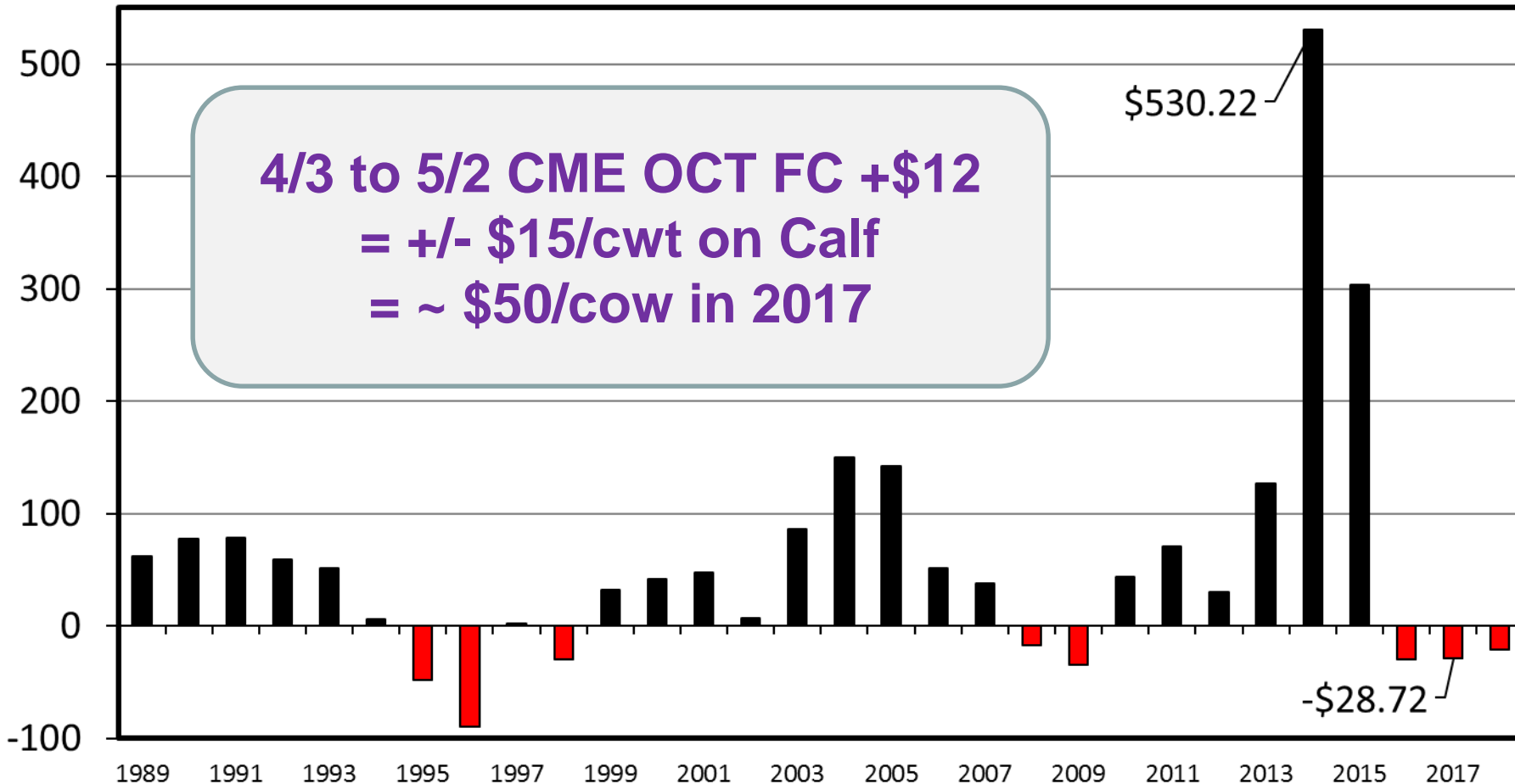
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ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

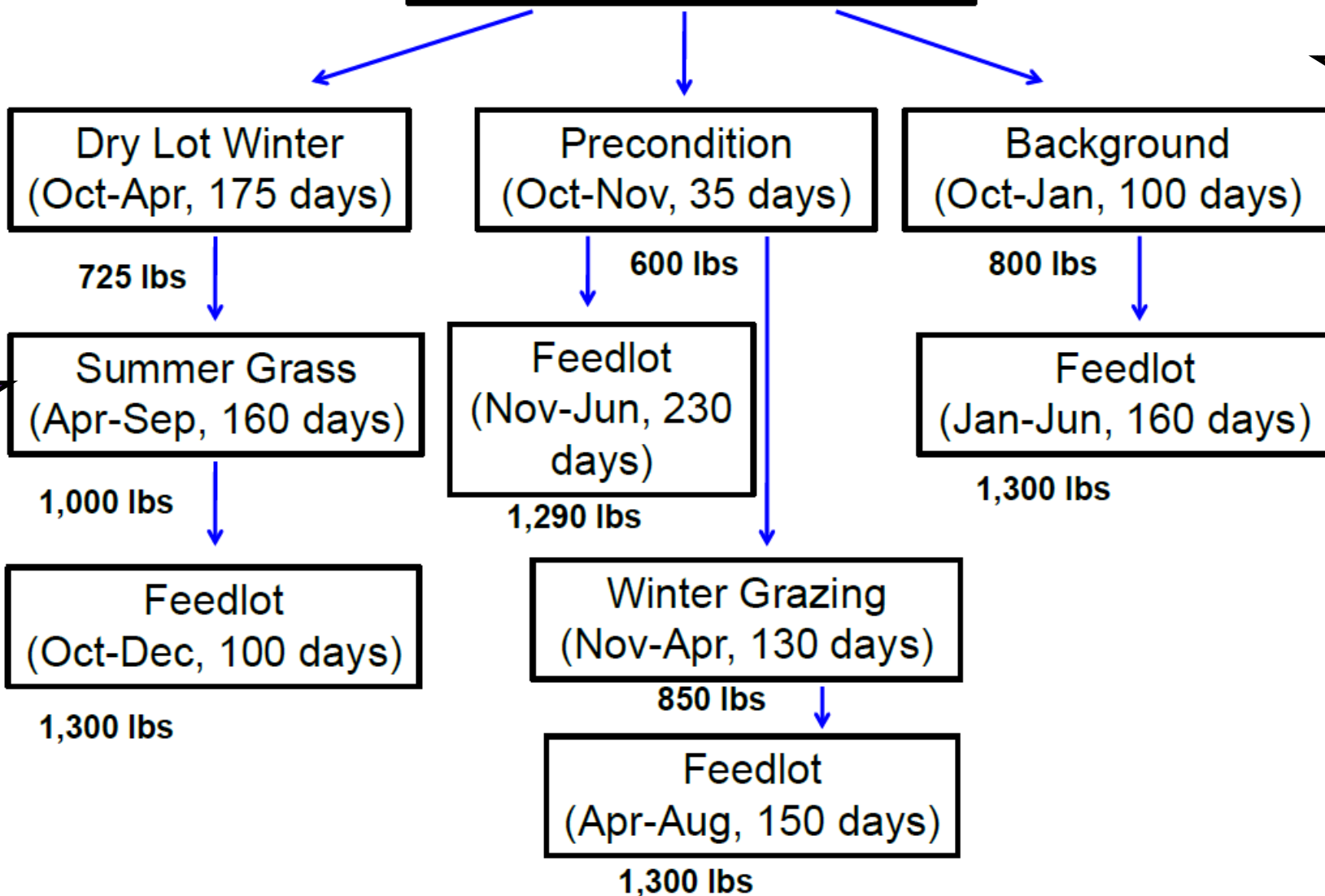
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Economic Outlook Overview: Stockers



Fall Weaned 550# Calf



Economic Outlook Overview: Stockers

- Joplin, MO 5/2/17 situation
(<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>):
 - Buy 700 lb steer on 5/11/17 (\$158)
 - Sell 900 lb steer on 9/7/17 (\$147) {1.67 ADG}
 - VOG: \$110/cwt
 - Buy 550 lb steer on 10/12/17 (\$173)
 - Sell 725 lb steer on 1/18/18 (\$145) {1.8 ADG}
 - VOG: \$59/cwt



Economic Outlook Overview: Feedlots

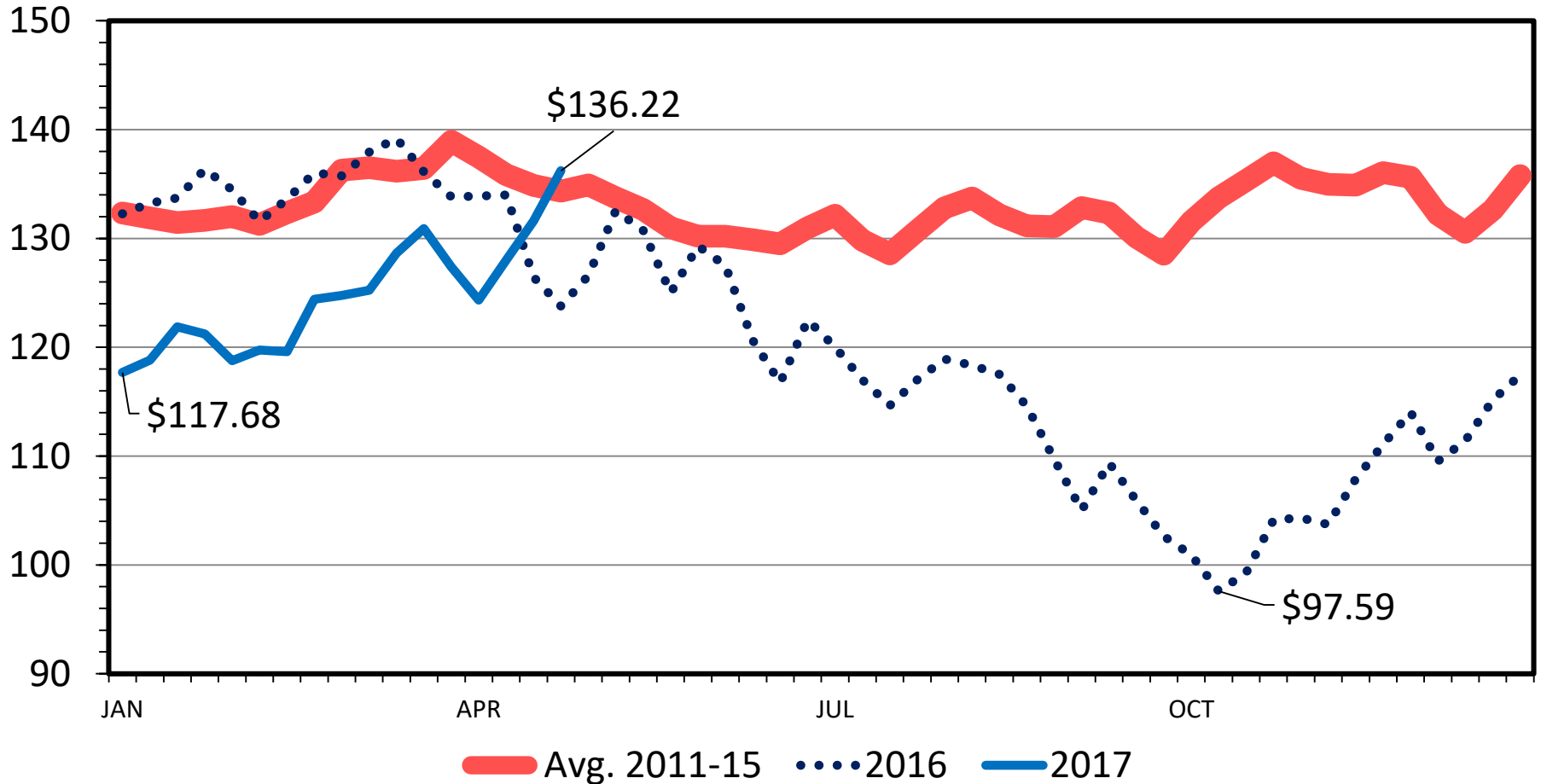
- 2016 remained tough
 - 2017 notable improvement



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



— Avg. 2011-15 2016 — 2017

Data Source: USDA-AMS

Livestock Marketing Information Center

05/01/17



Economic Outlook Overview: Feedlots

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
Mar-17	247.89	74.22	127.26	118.66	8.60	129.87	119.11	109.56	159.10
Apr-17	103.88	74.37	115.82	113.70	2.12	128.50	93.22	108.17	141.37
May-17	143.46	74.58	120.27	113.70	6.57	131.11	100.42	109.76	148.82
Jun-17	24.03	74.52	112.52	109.85	2.67	132.96	78.82	110.77	135.91
Jul-17	62.35	76.85	112.68	109.85	2.83	126.06	88.22	108.21	133.42
Aug-17	-6.61	79.34	110.88	109.33	1.55	128.39	78.08	111.35	127.62
Sep-17	-37.10	79.52	110.68	109.33	1.36	132.97	72.83	113.34	128.58
Oct-17	-70.03	81.03	110.52	110.15	As of 4/11			115.54	126.64
Nov-17	-47.22	81.26	111.38	110.15				114.74	129.31
Dec-17	-50.43	81.26	111.34	110.28				114.95	129.12

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



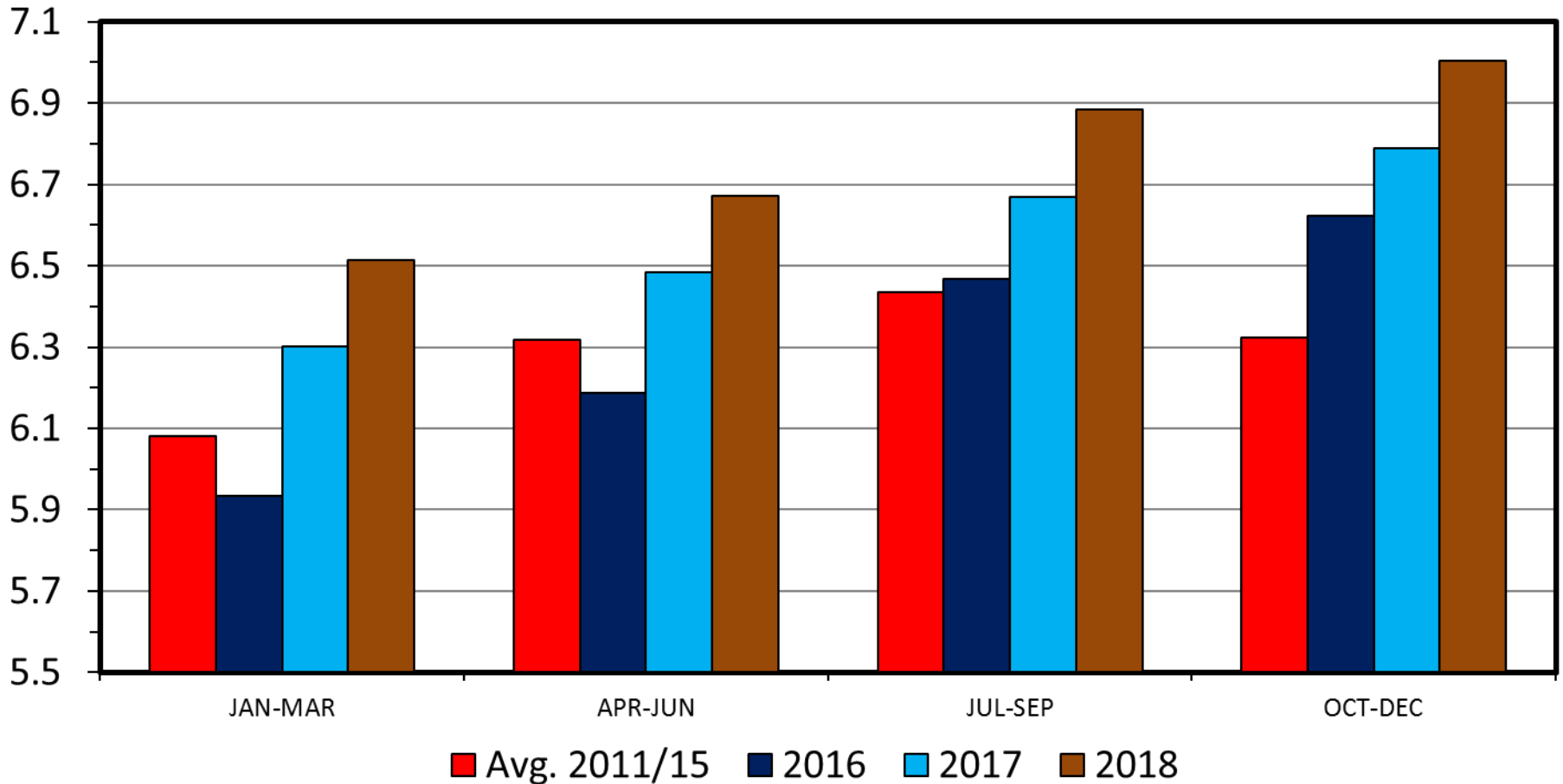
Trade, Meat Supplies, & Beef Demand



COMMERCIAL BEEF PRODUCTION

US, Quarterly

Bil. Pounds



■ Avg. 2011/15 ■ 2016 ■ 2017 ■ 2018

Data Source: USDA-NASS, Forecasts by LMIC

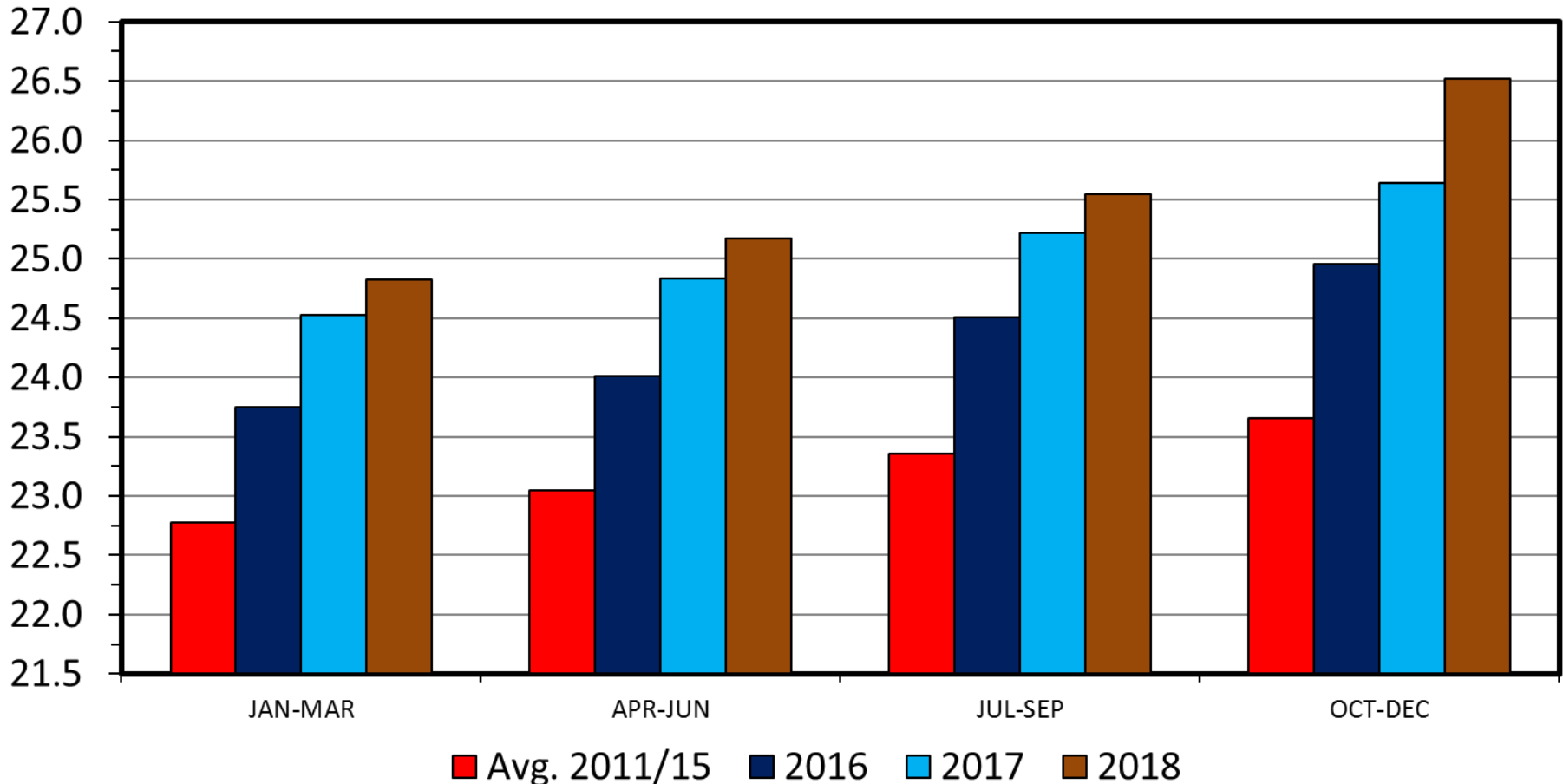
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TOTAL RED MEAT & POULTRY PRODUCTION

US, Quarterly

Bil. Pounds



■ Avg. 2011/15 ■ 2016 ■ 2017 ■ 2018

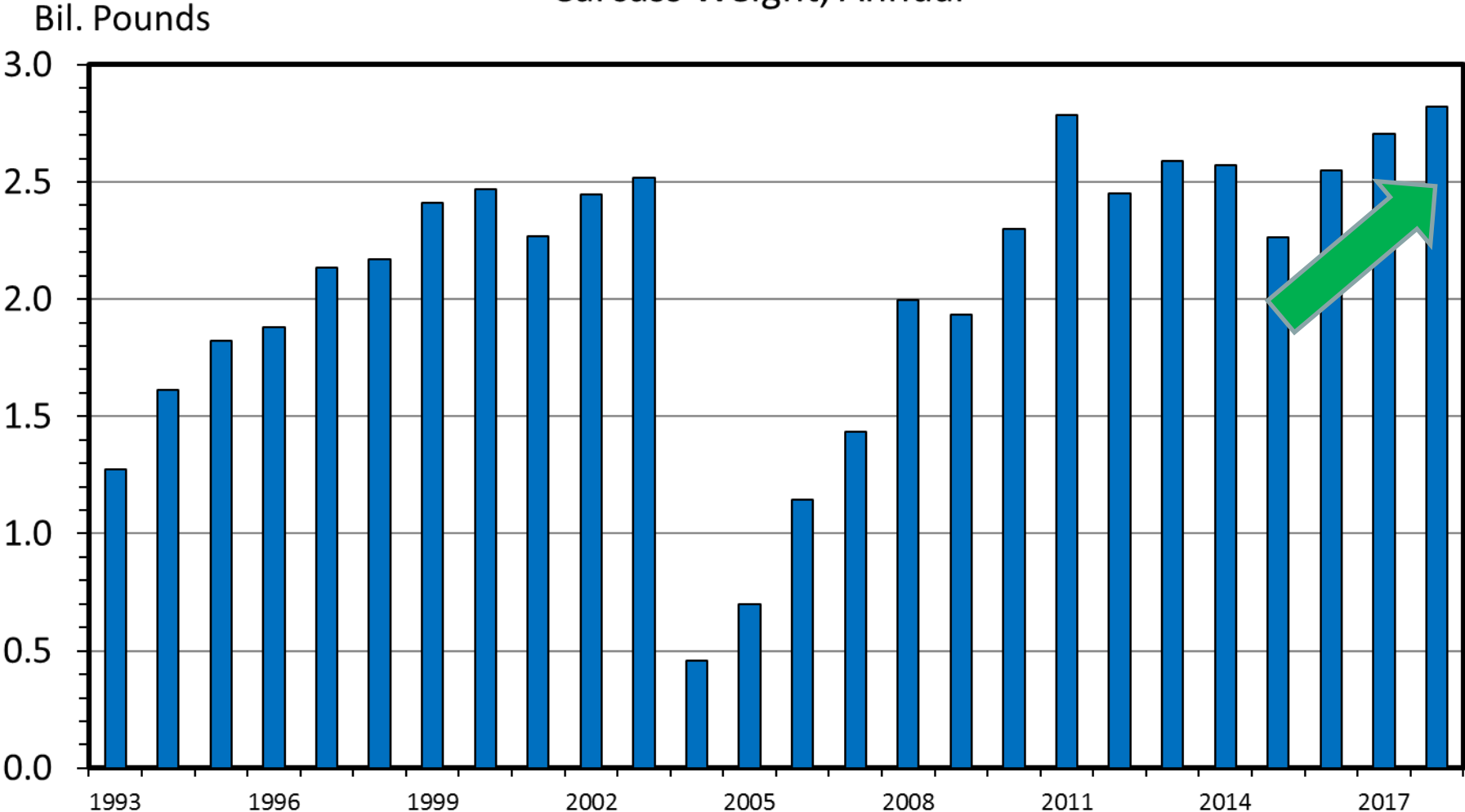
Data Source: USDA-NASS, Forecasts by LMIC

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US BEEF AND VEAL EXPORTS

Carcass Weight, Annual



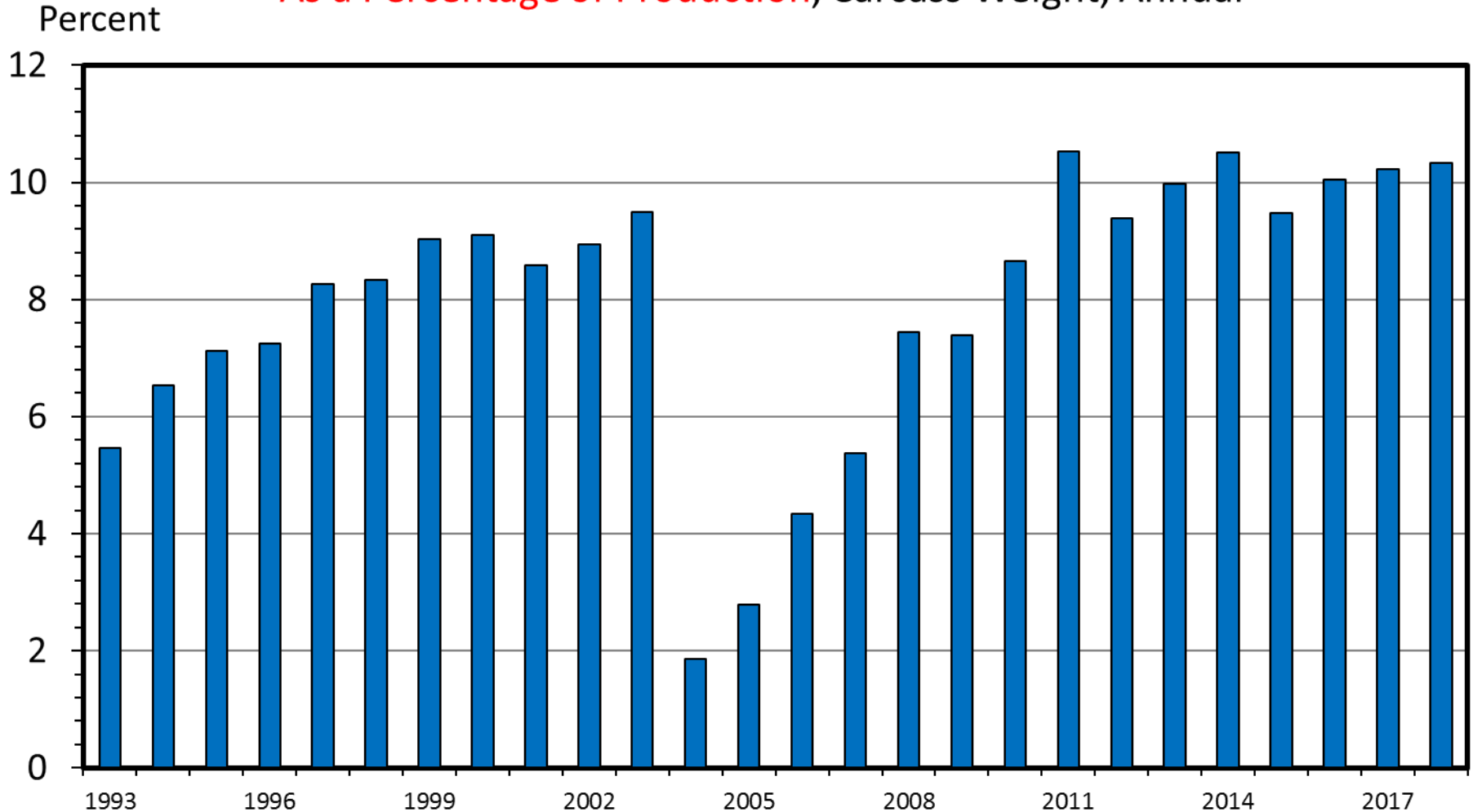
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

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US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

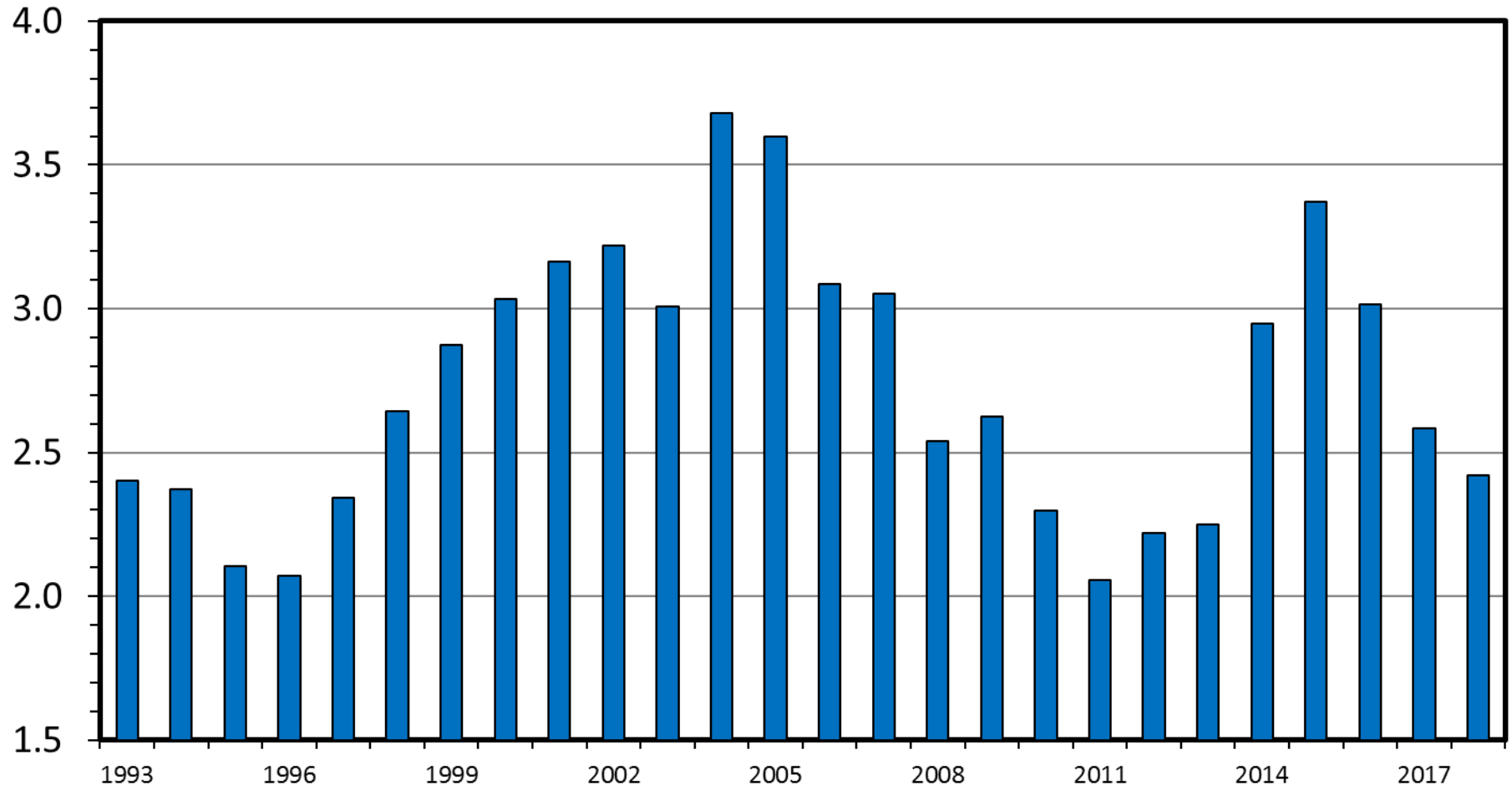
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US BEEF AND VEAL IMPORTS

Carcass Weight, Annual

Bil. Pounds



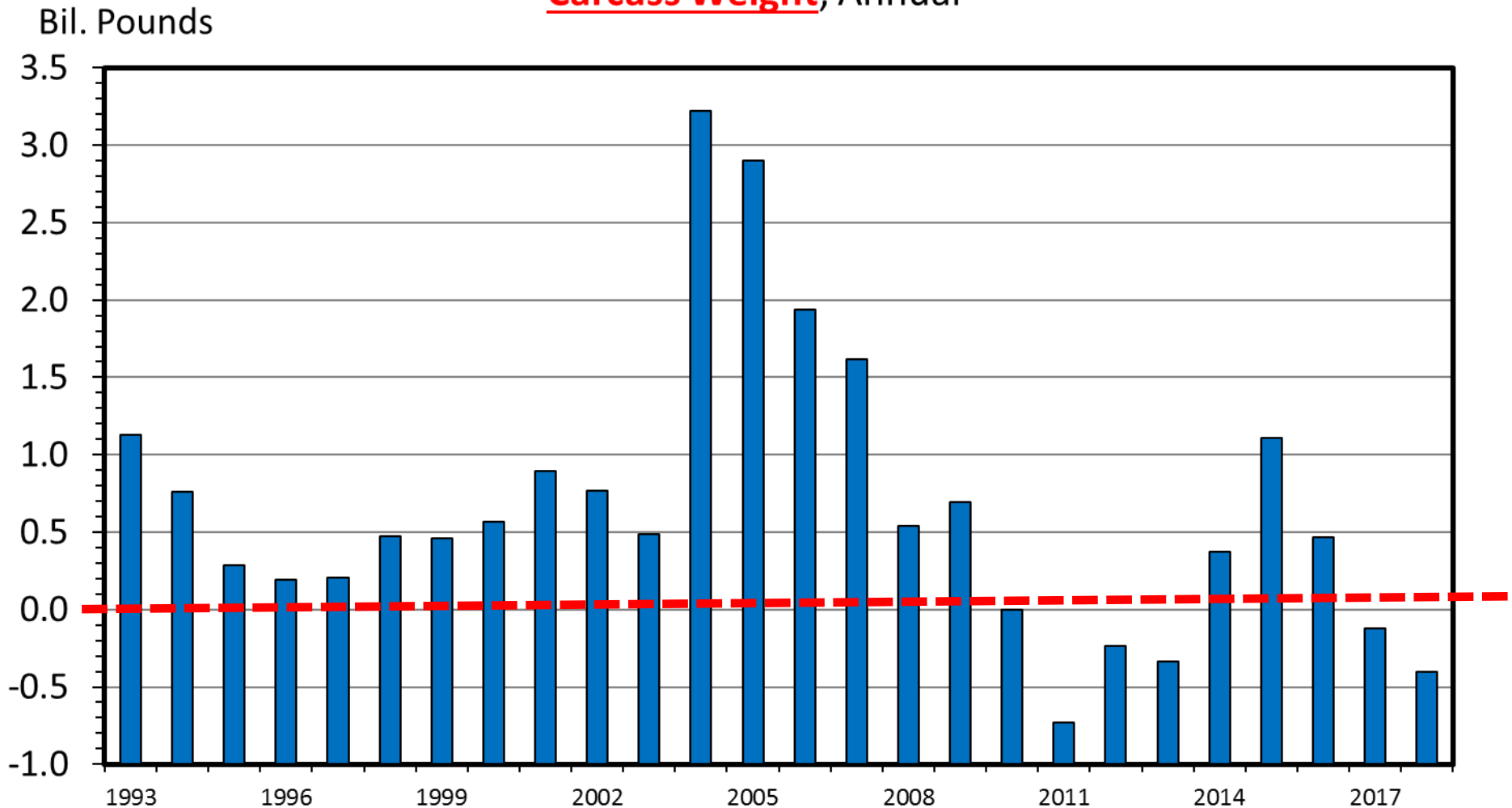
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

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US BEEF AND VEAL NET IMPORTS

Carcass Weight, Annual



Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

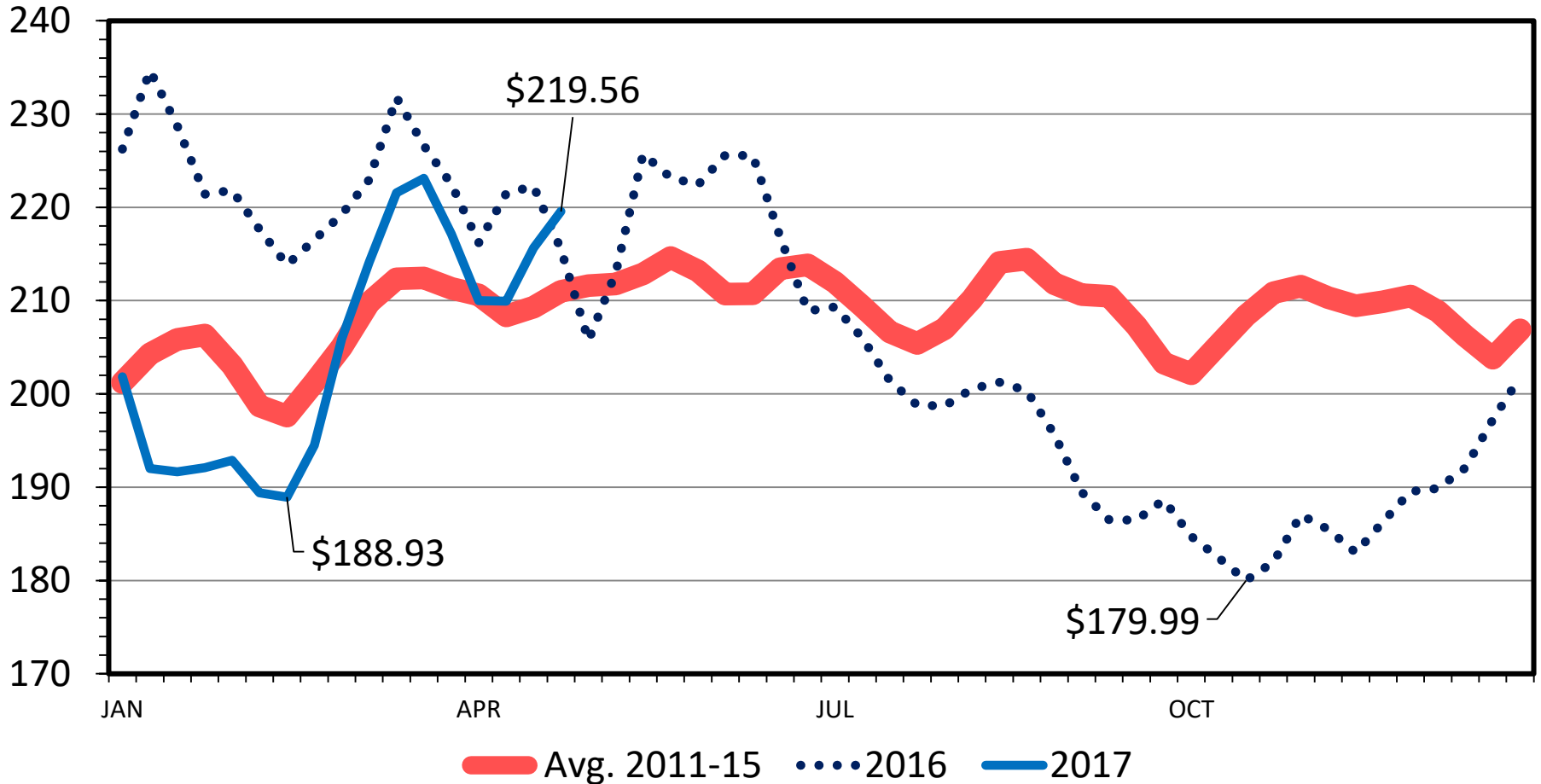
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BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Weekly

\$ Per Cwt.

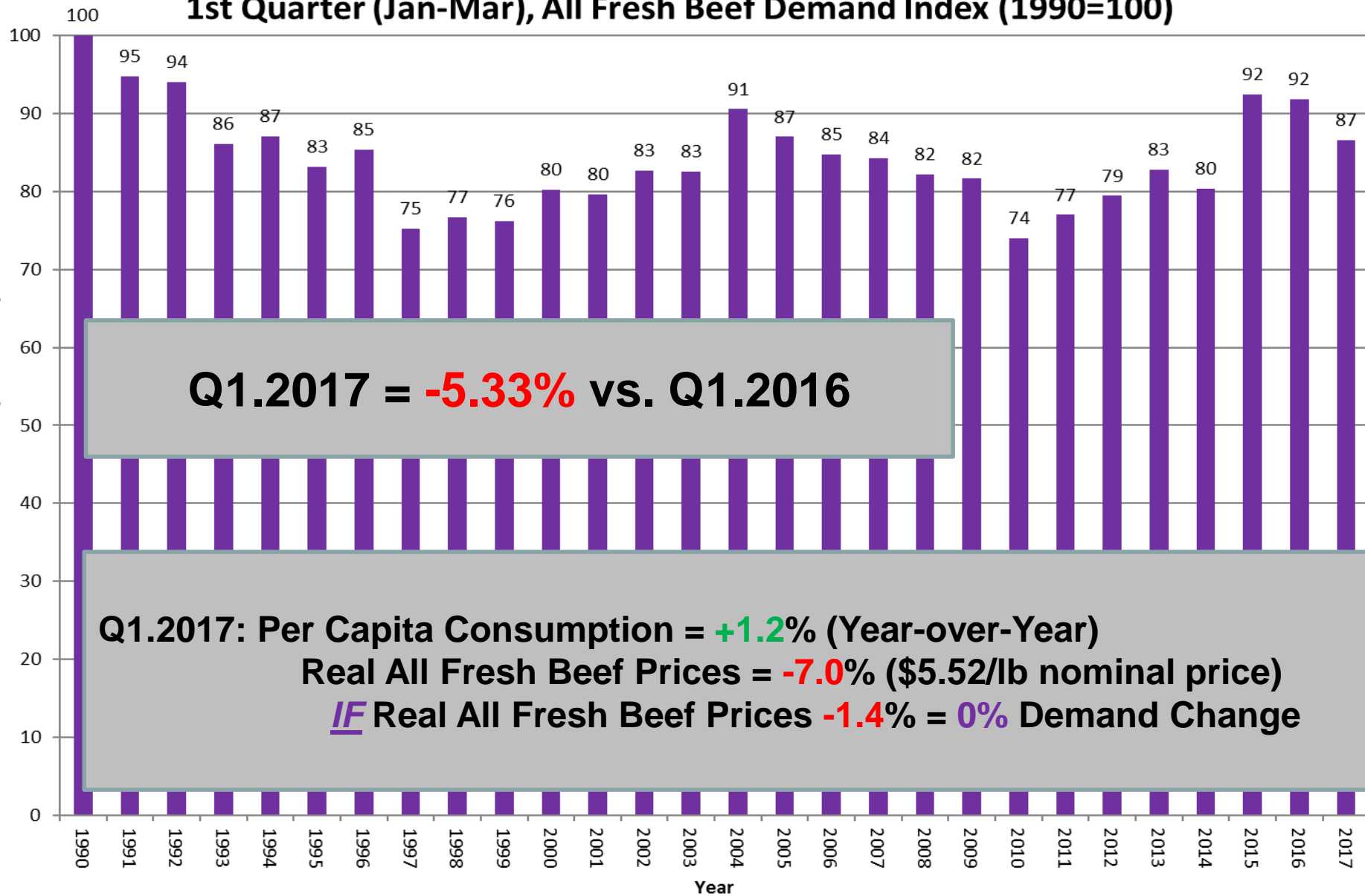


Data Source: USDA-AMS

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1st Quarter (Jan-Mar), All Fresh Beef Demand Index (1990=100)



Q1.2017 = -5.33% vs. Q1.2016

Q1.2017: Per Capita Consumption = +1.2% (Year-over-Year)
Real All Fresh Beef Prices = -7.0% (\$5.52/lb nominal price)
IF **Real All Fresh Beef Prices -1.4% = 0% Demand Change**

Source: Glynn T. Tonsor, Kansas State University, Apr. 2017

New Beef Demand Indices

<http://www.beefboard.org/producer/170221Beef-Demand-Landing-Page.asp>

[2016 Executive Summary](#)

[2016 Full Report](#)

[A Regional Case Study](#)

[K-State University radio interview with](#)

[Glynn Tonsor](#)

[Beef Checkoff Press Release](#)

Additional Downloads

[Glynn Tonsor Audio:](#)

Why new beef demand indices?

[Tonsor Audio:](#)

The difference between supply and demand

[Tonsor Audio:](#)

He explains what the research found

[Tonsor Audio:](#)

How the beef industry can use this research



Wrap-Up

- Broad 2014 vs 2016 Comparison
 - 2014
 - Tight Meat Supplies & Strong Red Meat Demand
 - **BOTH** Supportive of prices
 - 2016
 - Expanding Meat Supplies & Weaker Red Meat Demand
 - **BOTH** Pressure prices



Wrap-Up

- Broad Profitability Outlook
 - Cow-calf: Converging toward Long-Term Levels
 - Do you know your break-even #s???
 - Stocker: Opportunity varies widely across situations
 - Feedlot: Worst behind us (I think)



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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