



Grain Inspection, Packers & Stockyards Administration

United States Department of Agriculture

Beef-Cattle Industry Outlook

September 11, 2014

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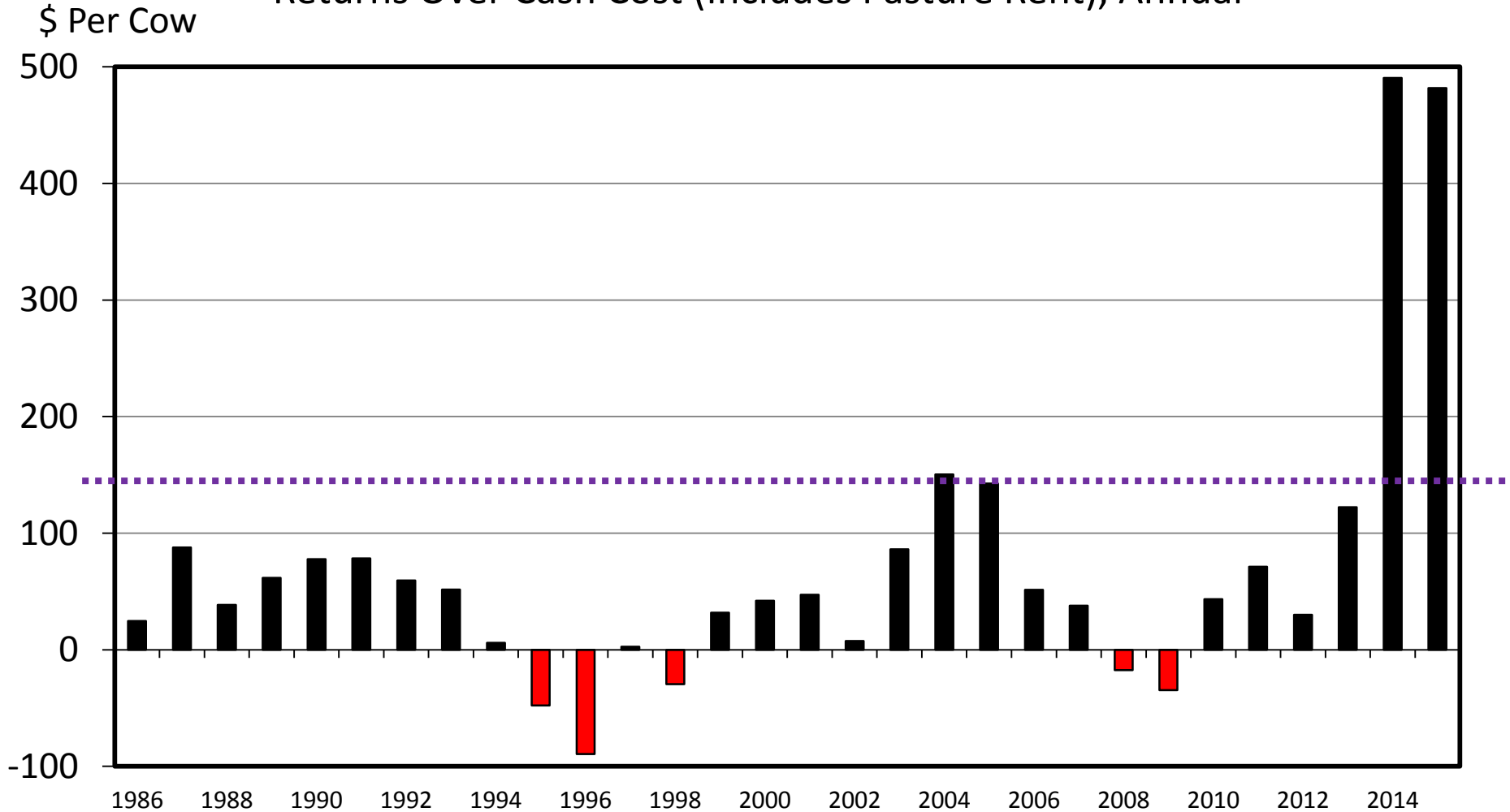


Overarching Beef Industry Economic Outlook

- Supplies
 - Continued pull down, both in # of head & beef lbs
 - Mixed expansion signals
- Demand
 - Confusing yet positive: Q2.2014 best since Q4.2004
 - Reinforced by record setting pork demand
- Combined:
 - “Historic” price levels, excitement, & uncertainty...

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

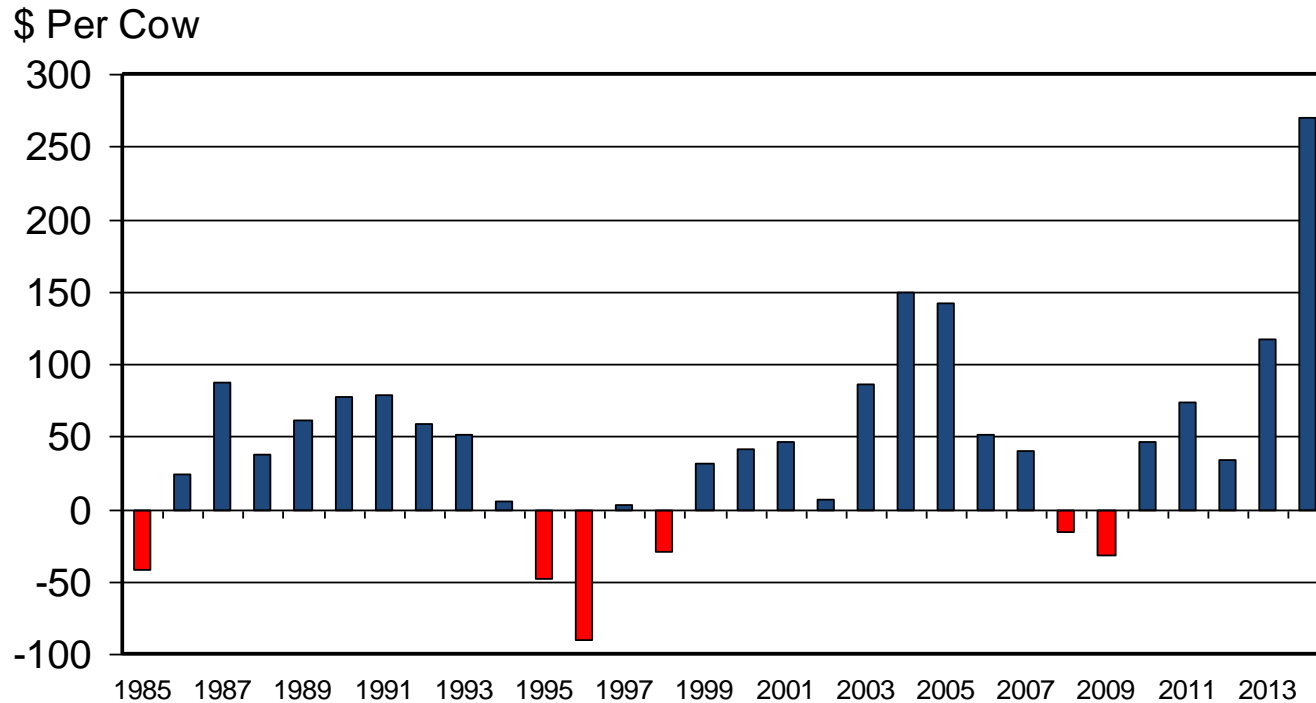


Data Source: USDA-AMS, Compiled and Analysis by LMIC
Livestock Marketing Information Center

C-P-66
09/02/14

What will it take to trigger herd expansion?

ESTIMATED AVERAGE COW CALF RETURNS Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

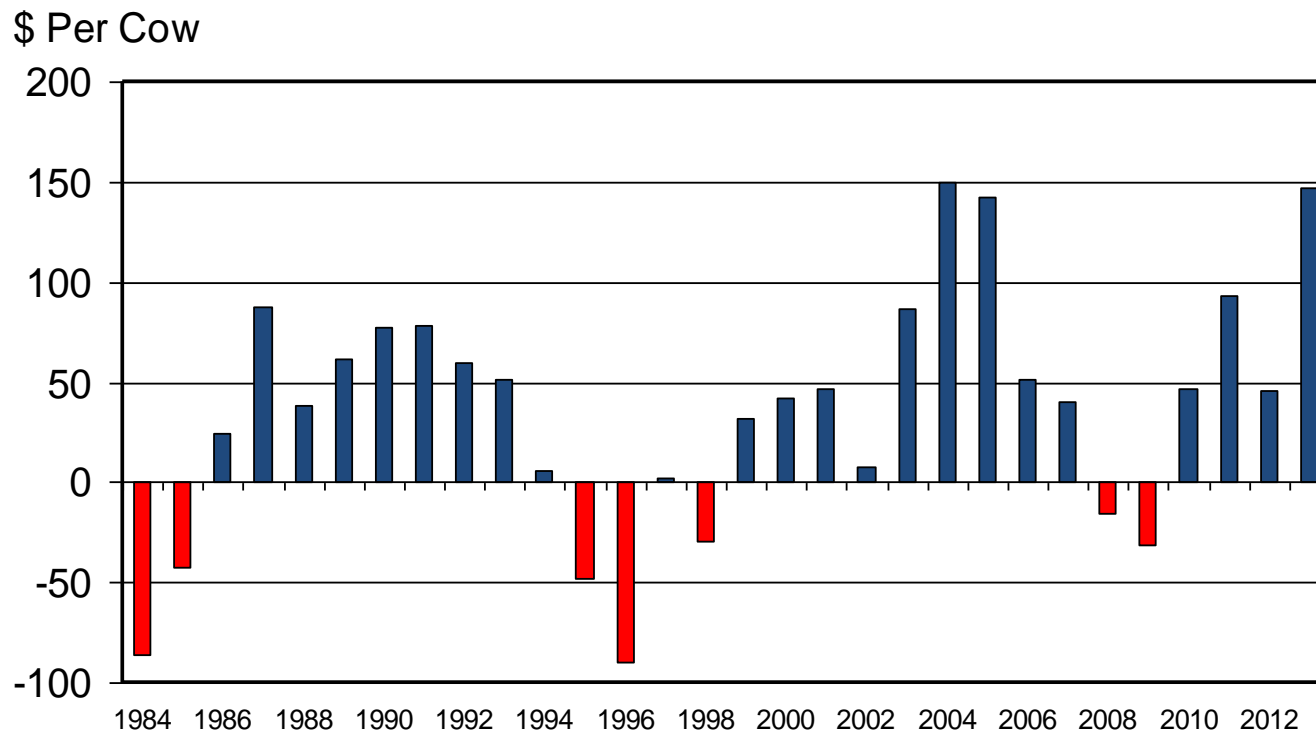
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C-P-66

07/31/13

What will it take to trigger herd expansion?

ESTIMATED AVERAGE COW CALF RETURNS Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

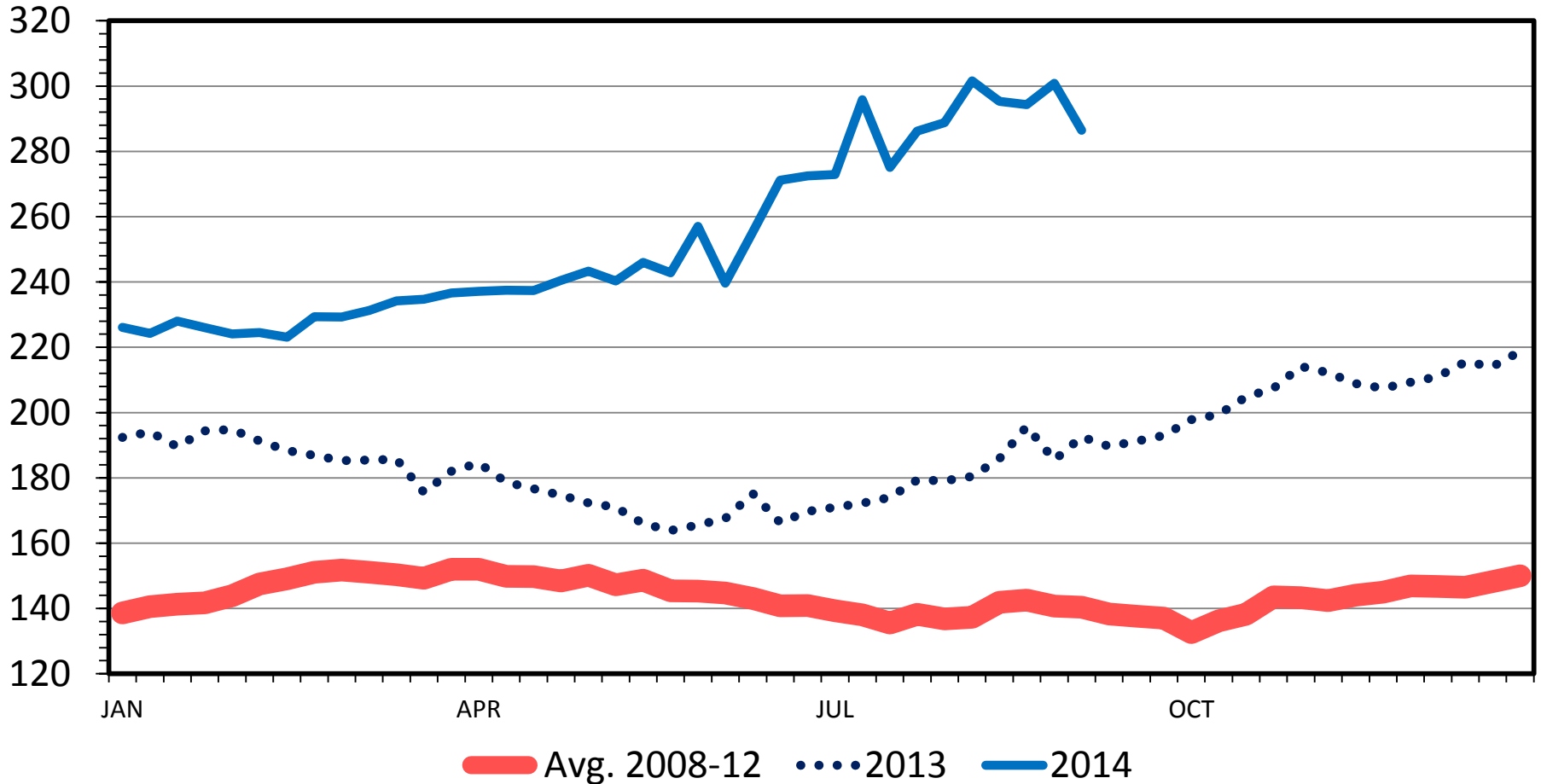
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66
08/09/12

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

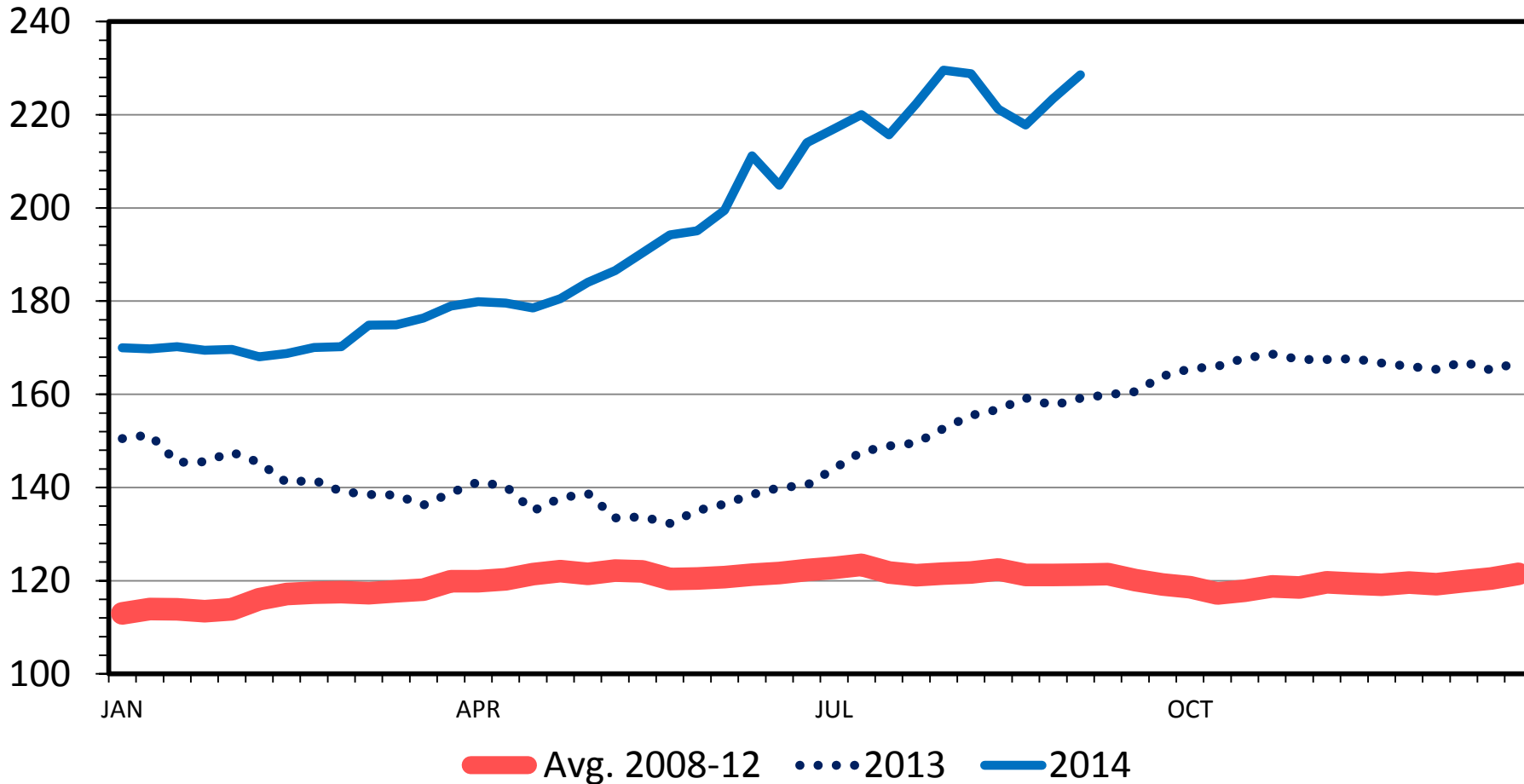
\$ Per Cwt.



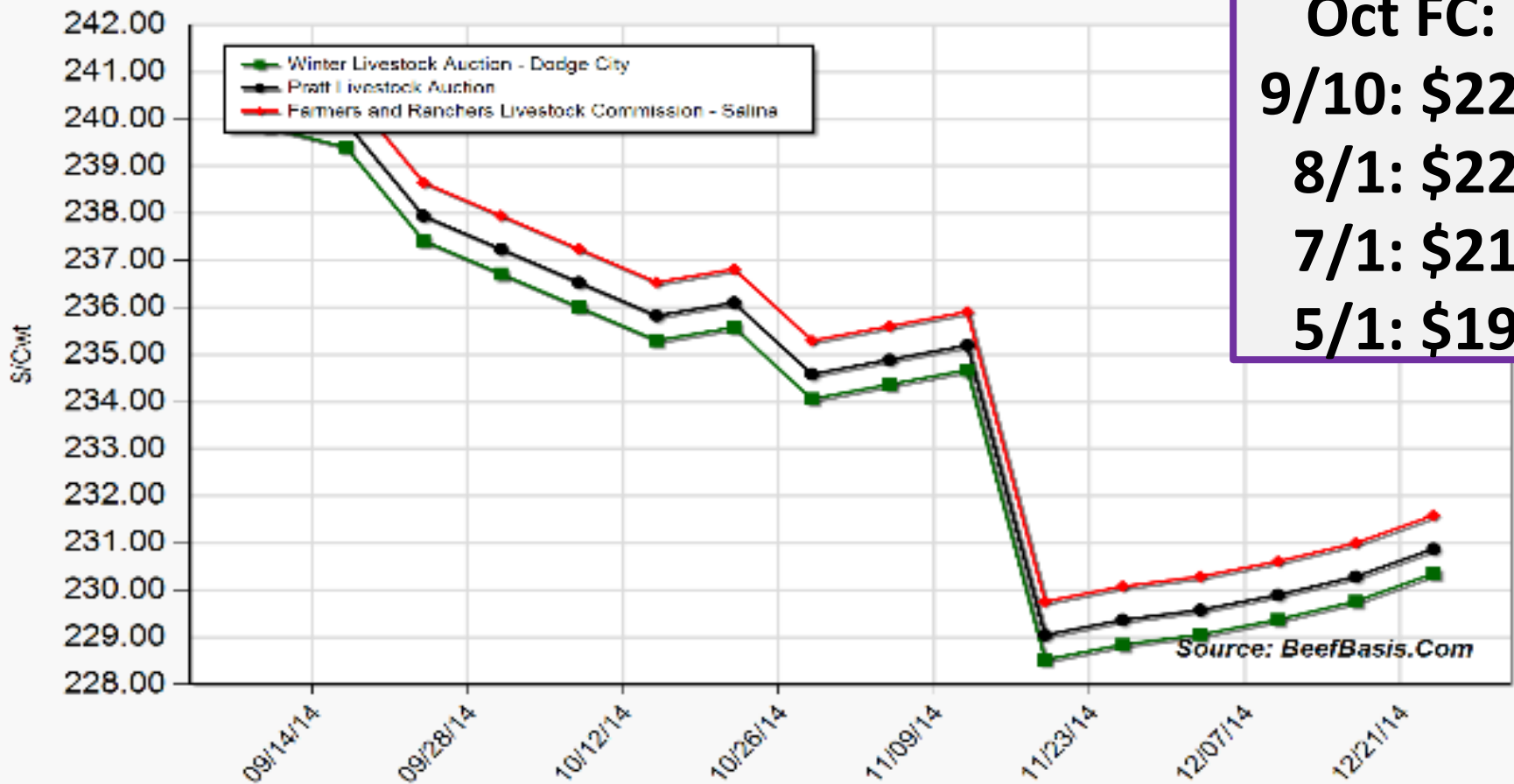
MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Projected Price for 550 Lb Steer at Selected Kansas Auctions



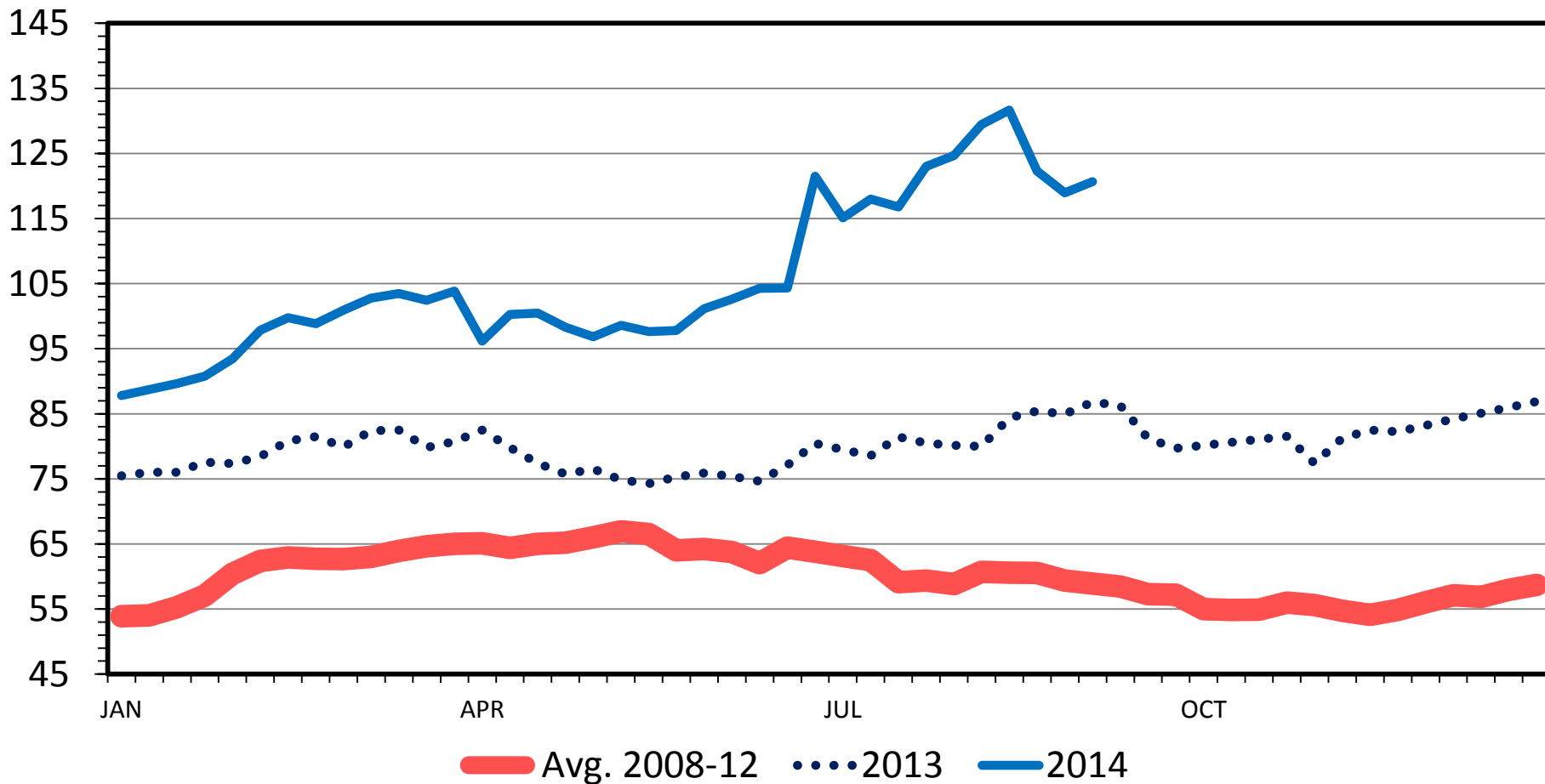
Oct FC:
9/10: \$228
8/1: \$220
7/1: \$215
5/1: \$190

Source: BeefBasis.Com

SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

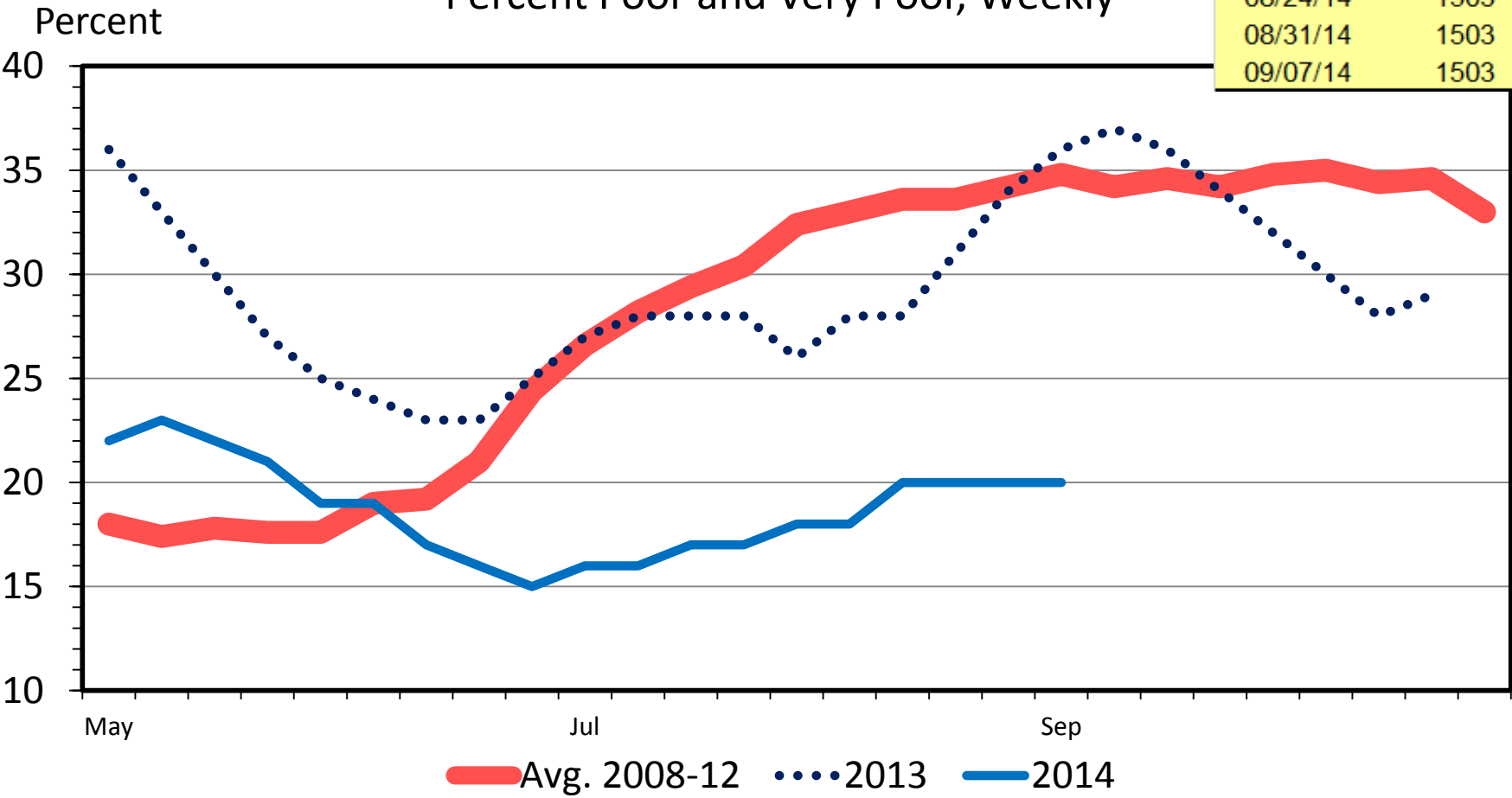
\$ Per Cwt.



Beef Cows in states with 40% Poor to Very Poor		
Last year	Cows	% of Total
08/25/13	9052	30.98%
09/01/13	9427	32.26%
09/08/13	8917	30.51%
This Year		
08/24/14	1503	5.19%
08/31/14	1503	5.19%
09/07/14	1503	5.19%

US RANGE AND PASTURE CONDITION

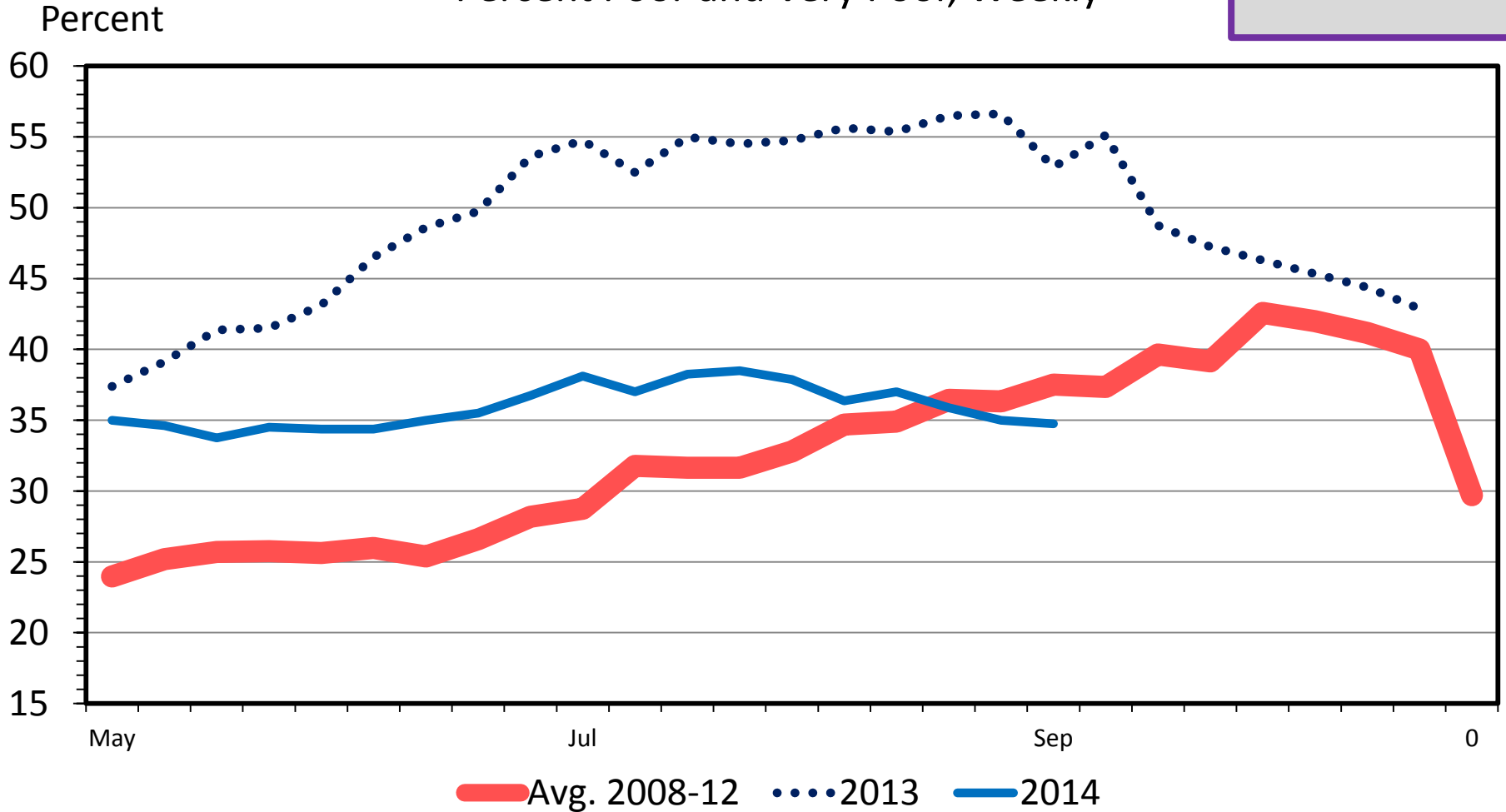
Percent Poor and Very Poor, Weekly



WESTERN REGION RANGE AND PASTURE CONDITIONS

Percent Poor and Very Poor, Weekly

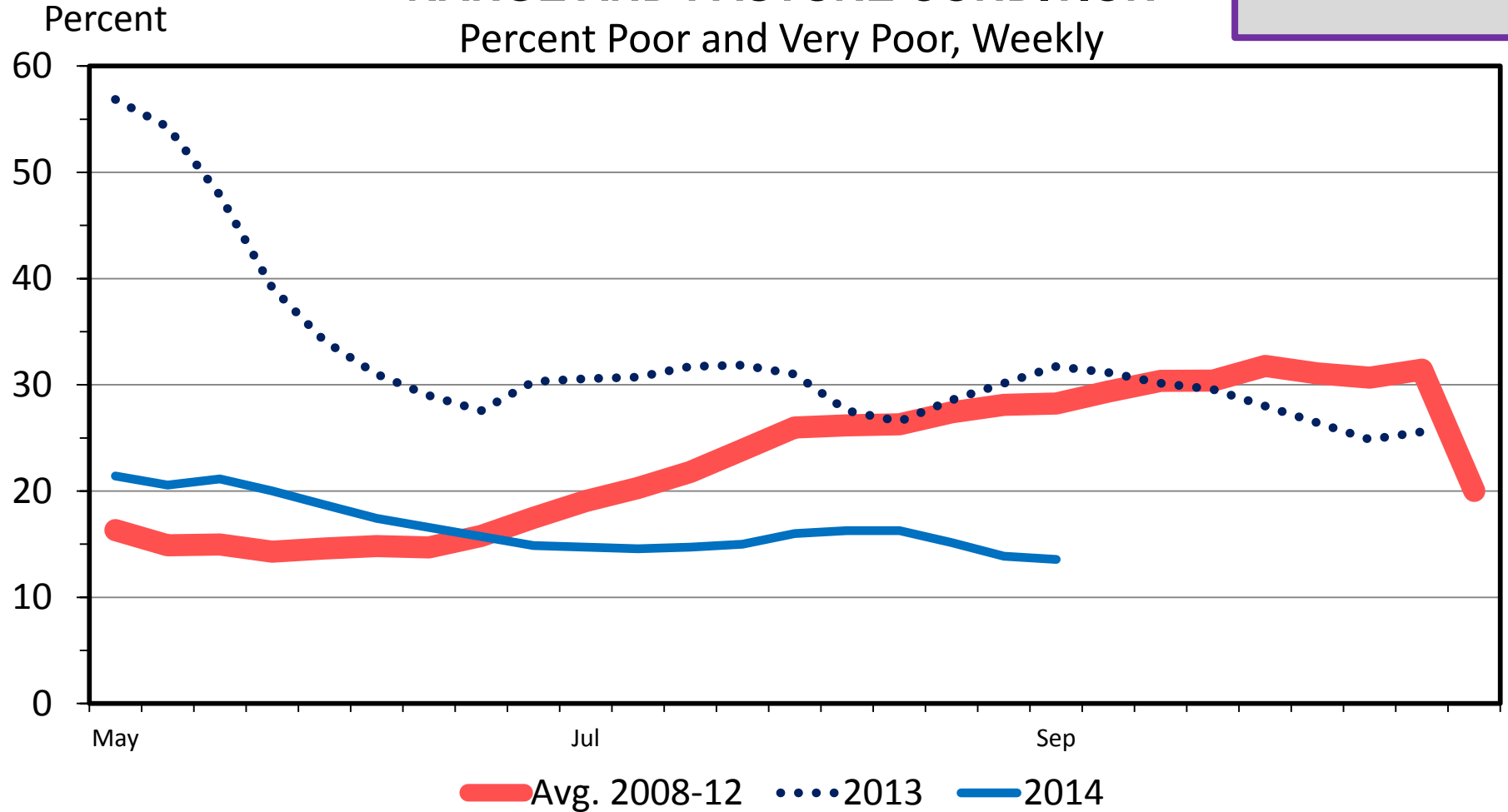
(AZ, CA, ID, NV,
NM, OR, UT, WA)
10.0% of Cows



(CO, KS, MT, NE,
ND, SD, WY)
29.9% of Cows

GREAT PLAINS REGION RANGE AND PASTURE CONDITION

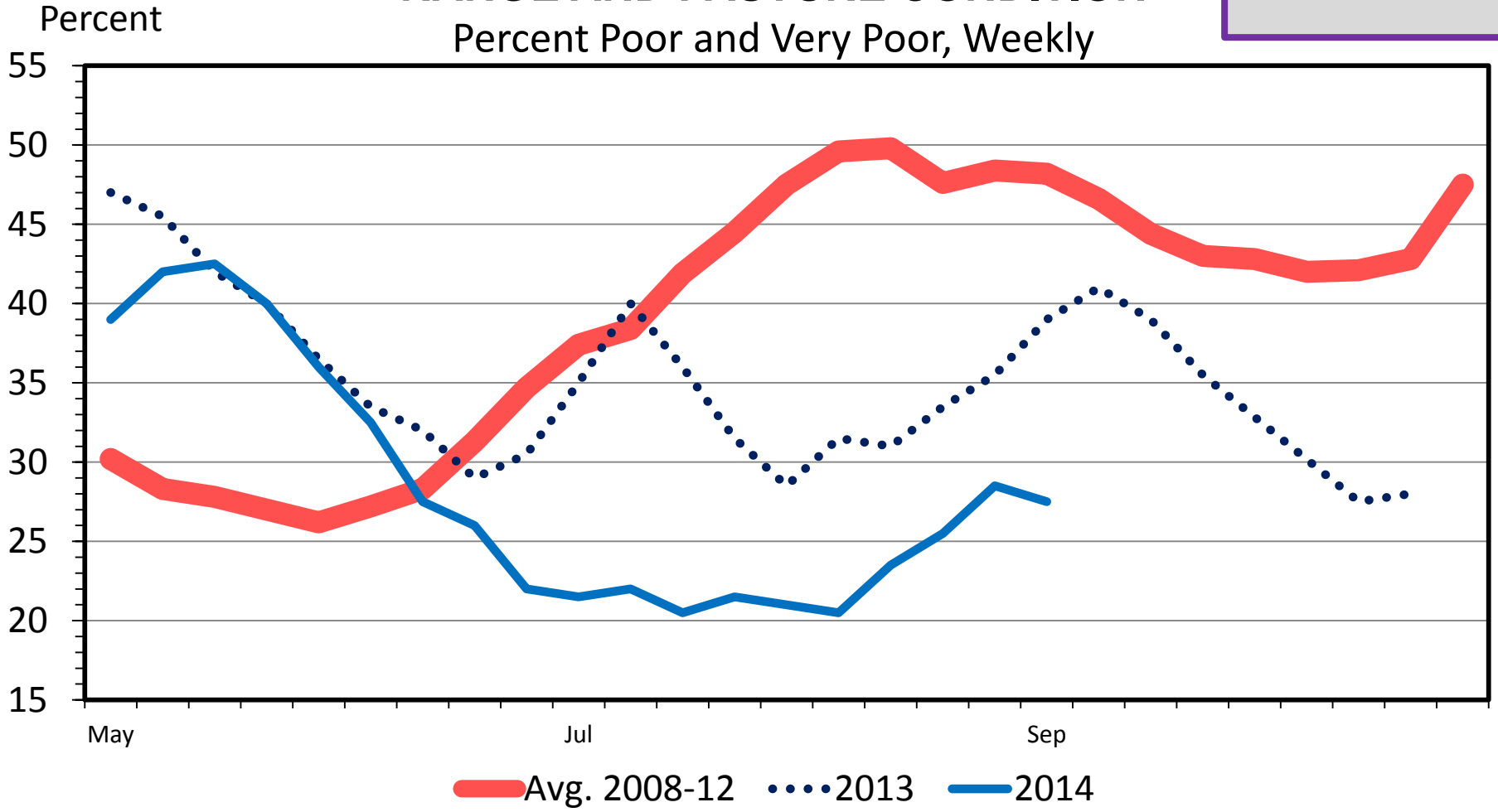
Percent Poor and Very Poor, Weekly



SOUTHERN PLAINS REGION RANGE AND PASTURE CONDITION

(OK, TX)
19.7% of Cows

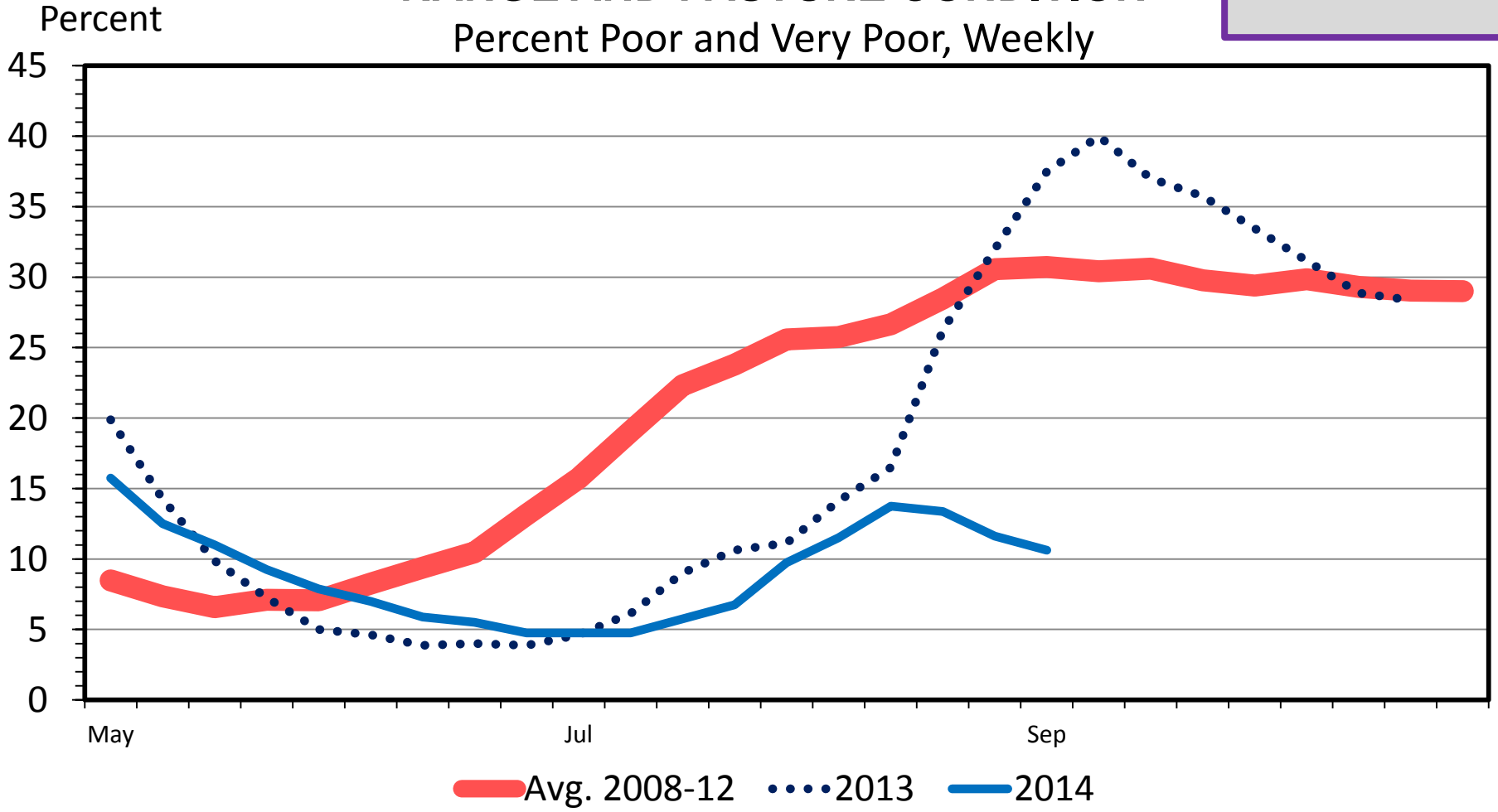
Percent Poor and Very Poor, Weekly



(IL, IN, IA, MI, MN,
MO, OH, WI)
14.7% of Cows

CORNBELT REGION RANGE AND PASTURE CONDITION

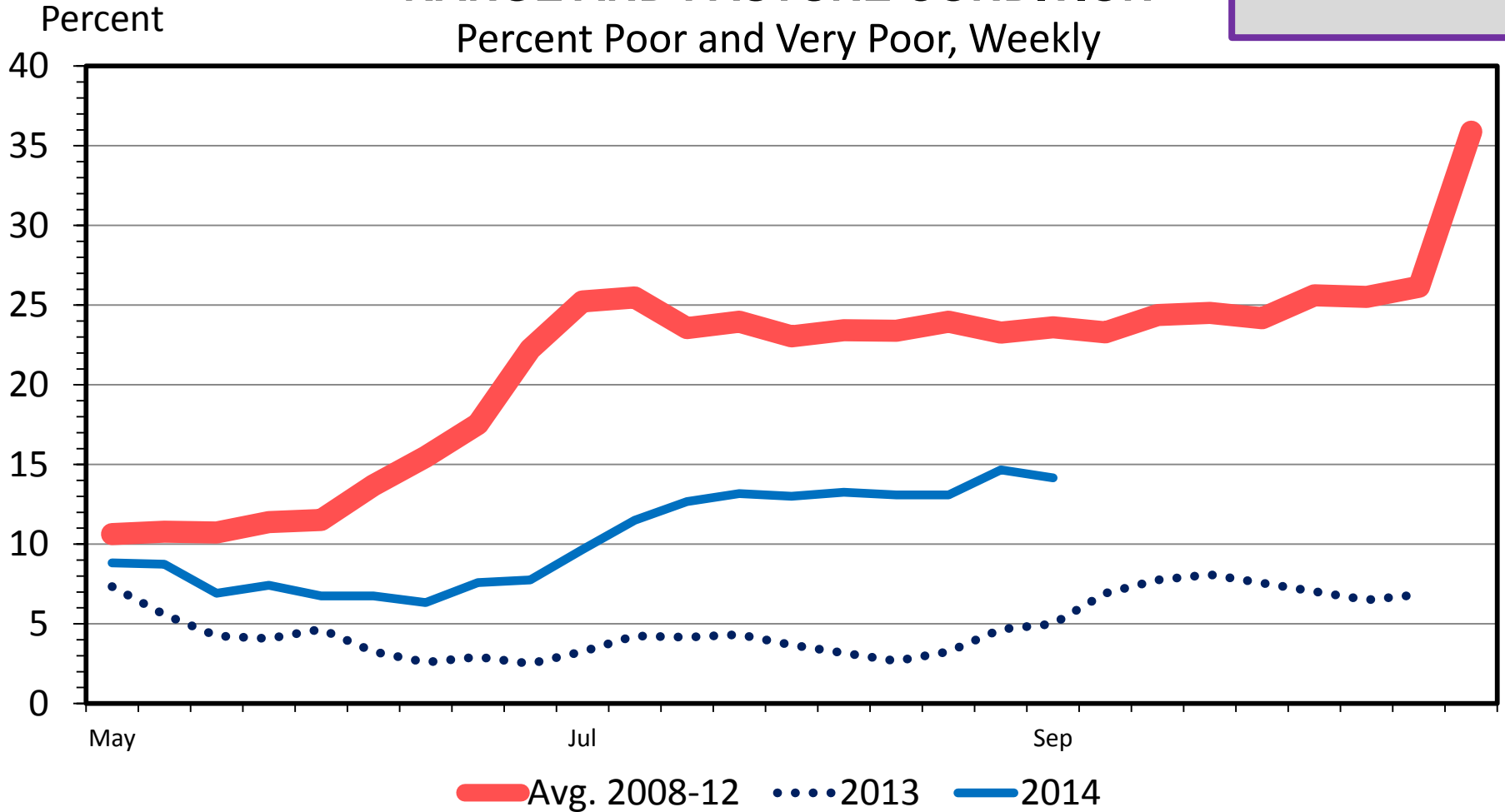
Percent Poor and Very Poor, Weekly



(AL, AR, FL, GA, KY,
LA, MS, NC, SC,
TN, VA, WV)
24.5% of Cows

SOUTHEAST REGION RANGE AND PASTURE CONDITION

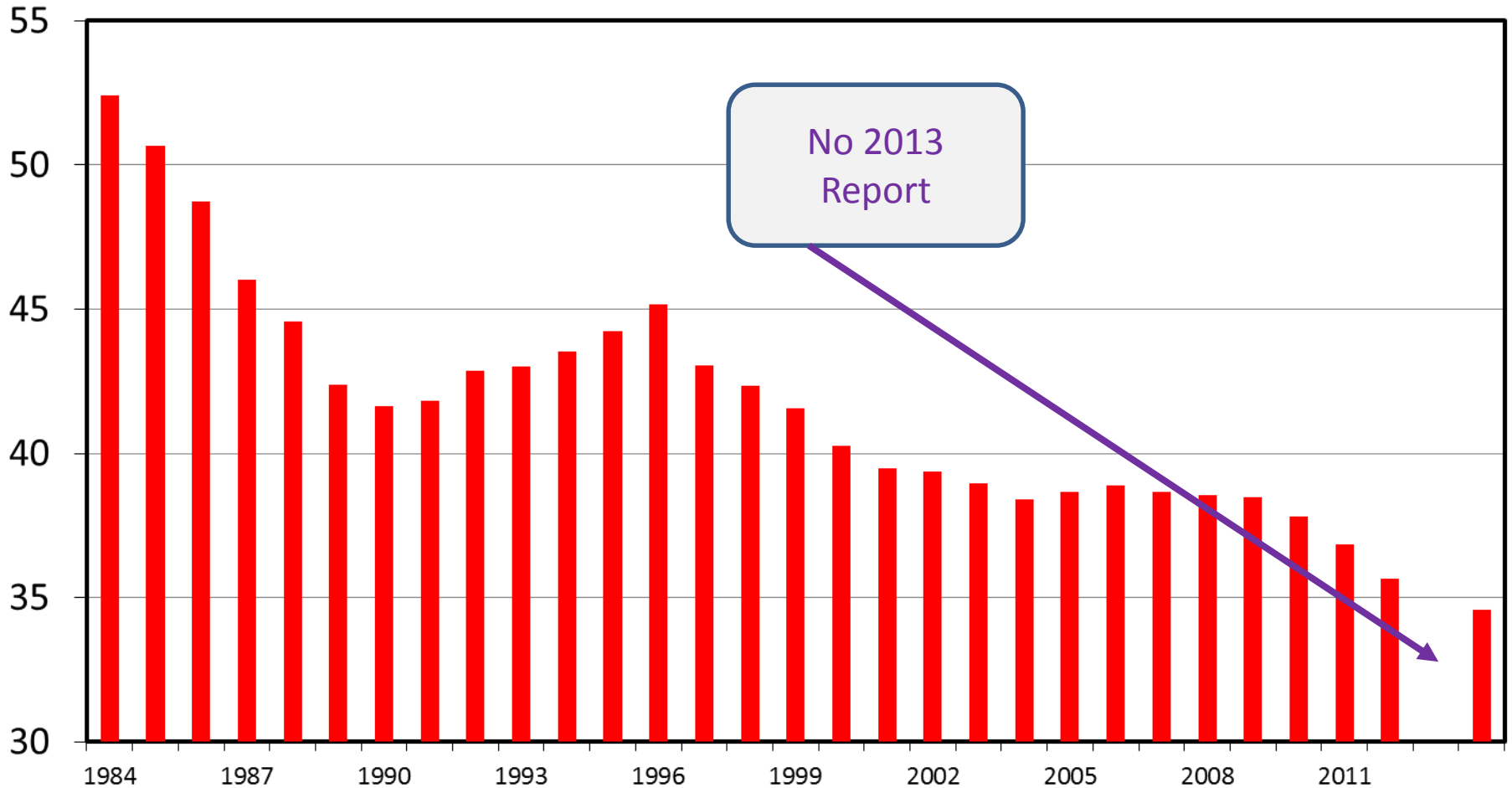
Percent Poor and Very Poor, Weekly



JULY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center

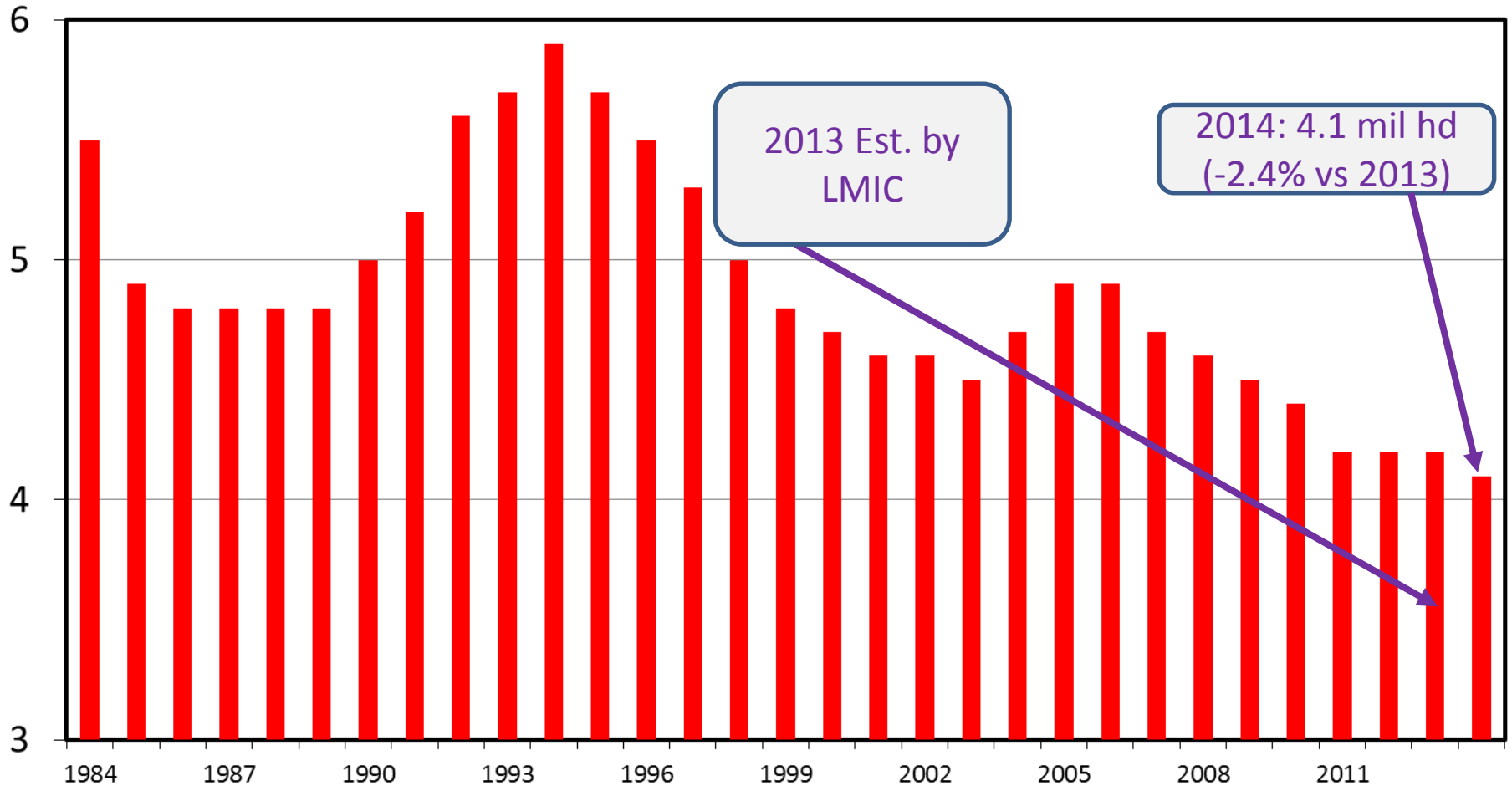
C-N-32

07/28/14

HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Mil. Head



Data Source: USDA-NASS

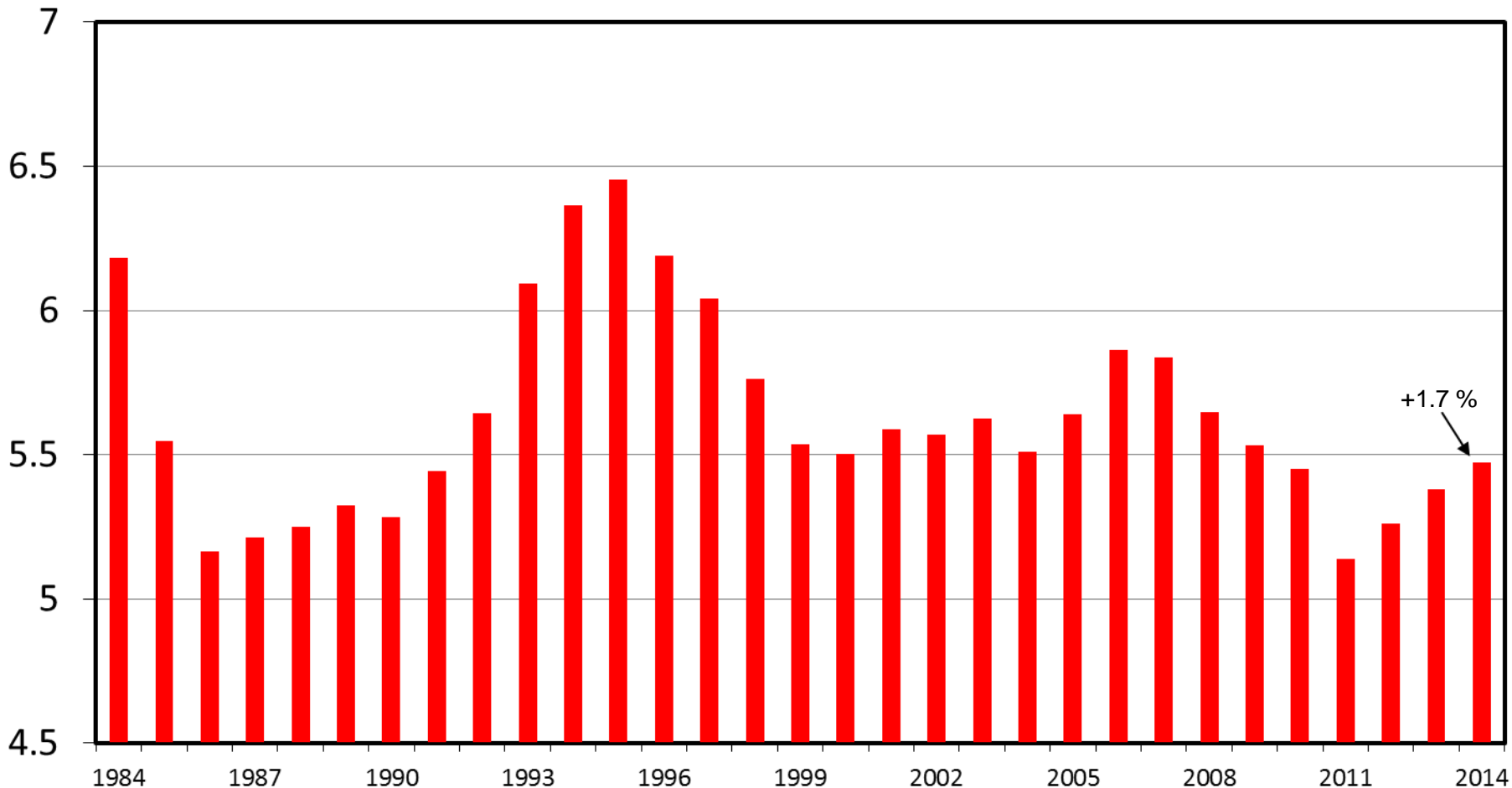
Livestock Marketing Information Center

C-N-37
07/28/14

HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

Mil. Head



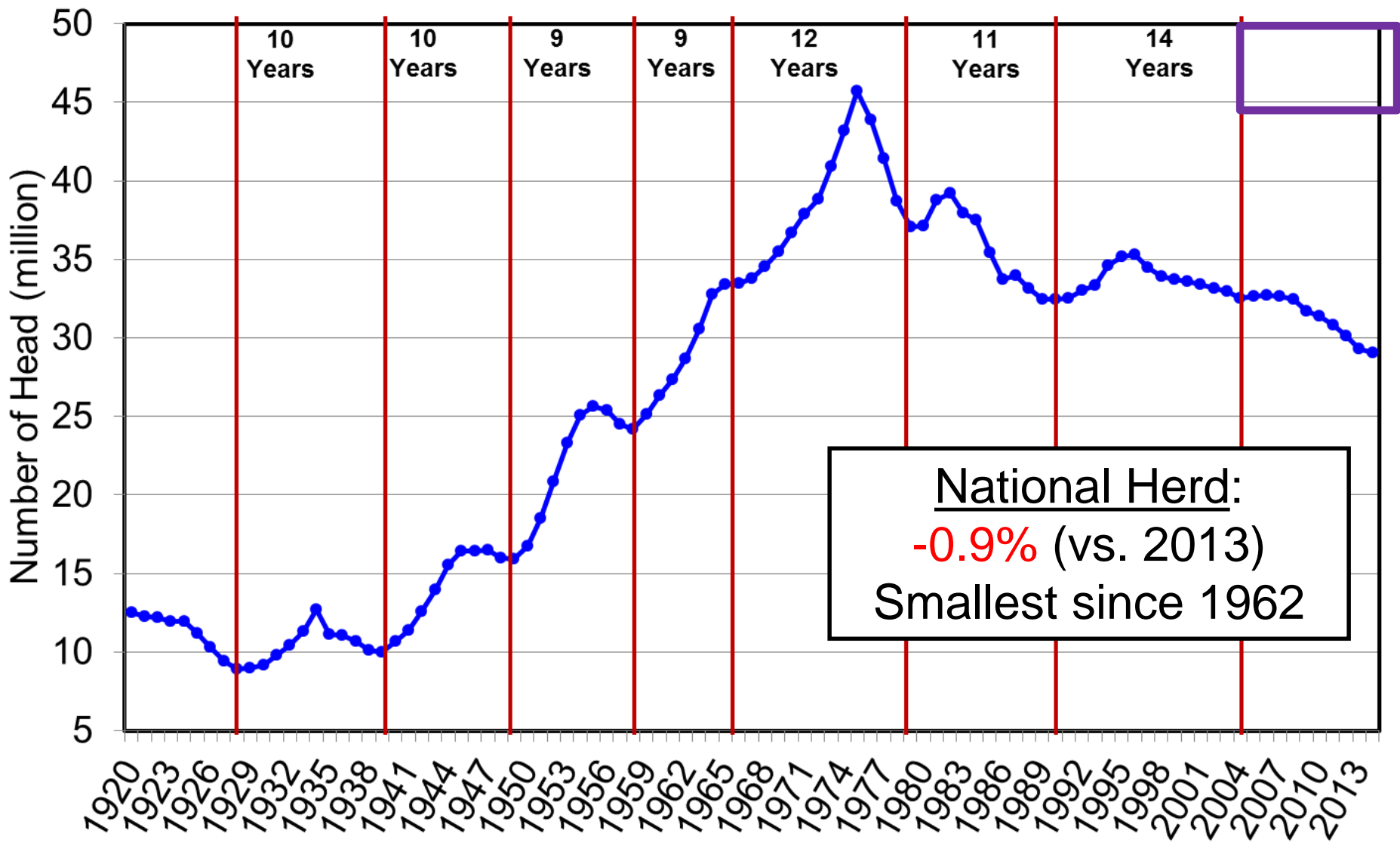
Data Source: USDA-NASS

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C-N-38
07/28/14

Pending Expansion? – How Fast?, How Large?, How Long?...

January 1 U.S. Beef Cow Inventory



How Much Expansion? ERS & FAPRI Herd Projections

<http://www.ers.usda.gov/publications/oc-usda-agricultural-projections.aspx>

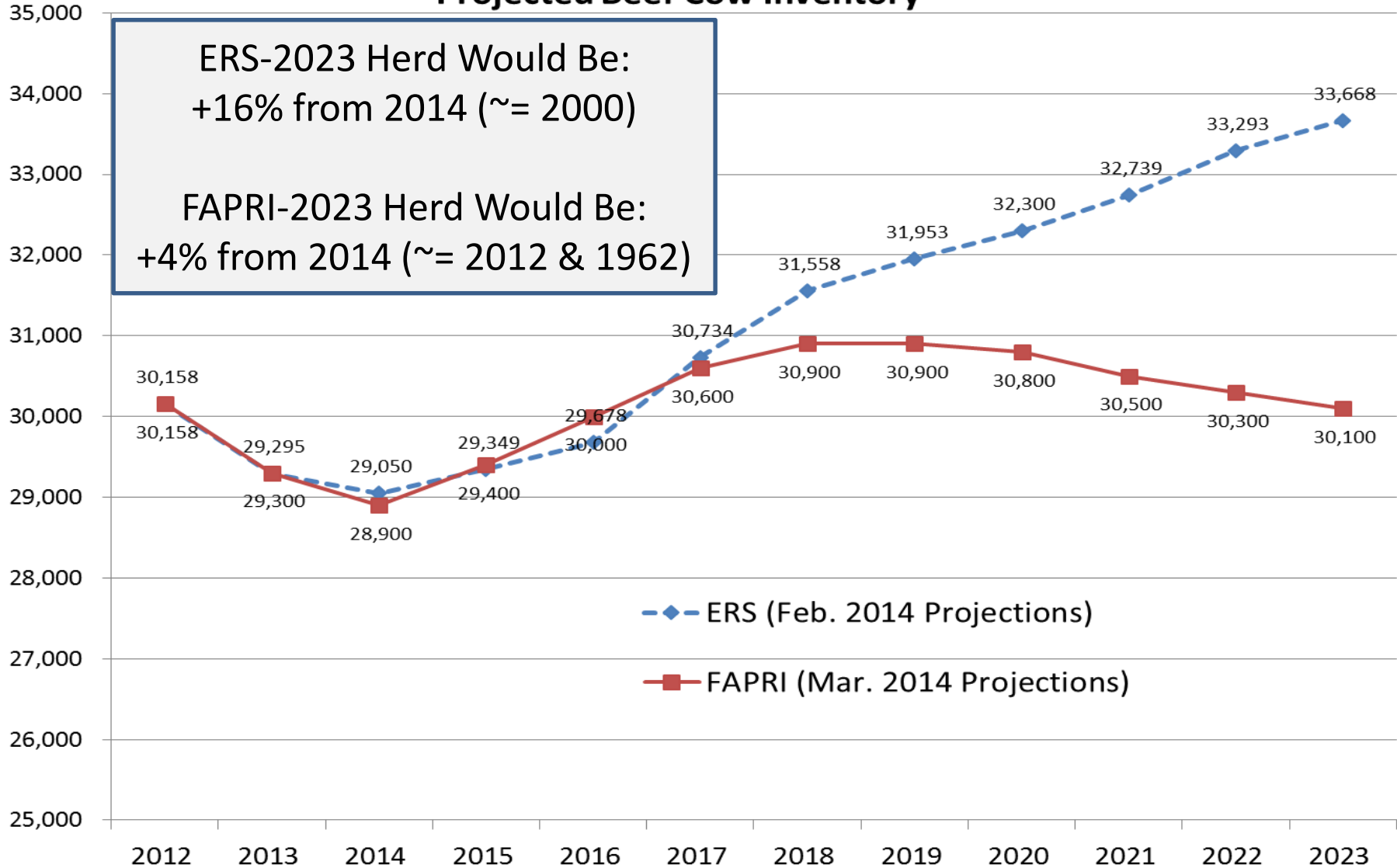
[http://www.fapri.missouri.edu/outreach/publications/2014/FAPRI MU Report 02 14.pdf](http://www.fapri.missouri.edu/outreach/publications/2014/FAPRI_MU_Report_02_14.pdf)

Projected Beef Cow Inventory

ERS-2023 Herd Would Be:
+16% from 2014 (~= 2000)

FAPRI-2023 Herd Would Be:
+4% from 2014 (~= 2012 & 1962)

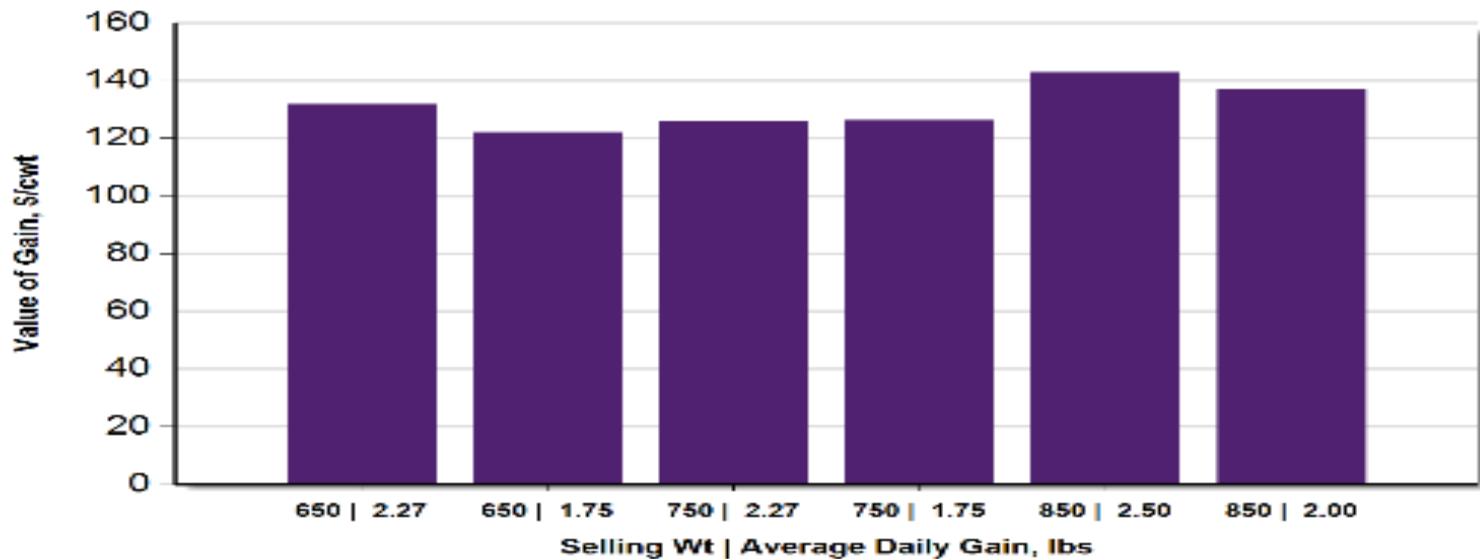
Beef Cow Inventory (1,000 head)



Economic Outlook Overview: Stockers

- Attractive Values of Gain (VOG) vs. COG
 - For those in many stocker/backgrounding areas ...
 - Notably higher VOGs than feedlot COG projections...
- Salina, KS 9/10/14 situation:
 - Buy 550 lb steer on 9/17/14 (\$245.52)
 - Sell 750 lb steer on 12/24/14 (\$214.69) {2.02 ADG}
 - VOG: \$129.88/cwt
 - Sell 850 lb steer on 2/11/15 (\$207.64) {2.03 ADG}
 - VOG: \$138.18/cwt

Projected Value of Gain for 550 lb Steer



Projected Value of Gain

Beginning Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, \$/cwt
550	650	10/24/2014	100	2.27	\$131.74
550	650	11/06/2014	100	1.75	\$121.99
550	750	12/07/2014	200	2.27	\$126.07
550	750	01/02/2015	200	1.75	\$126.29
550	850	01/08/2015	300	2.50	\$142.89
550	850	02/07/2015	300	2.00	\$136.91

Note: Projections derived for the Salina, KS market using BeefBasis.com
 Related information is available at: BeefBasis.com

9/10/2014



Economic Outlook Overview: Feedlots

- 2014 to-date has been MUCH better than 2013
- Fed-cattle break-even prices have risen rapidly...
- Excess capacity concerns persist:
 - Calf Crop, Heifer Retention, Plant Closures, & MCOOL...

Historical and Projected Kansas Feedlot Net Returns (as of 9/10/14')

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

July 14': +\$310/steer (best ever)
(7th straight mo > \$125/steer – first sequence ever)

Oct LC:
9/10: \$160
8/15: \$146
8/1: \$156
5/1: \$140

Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

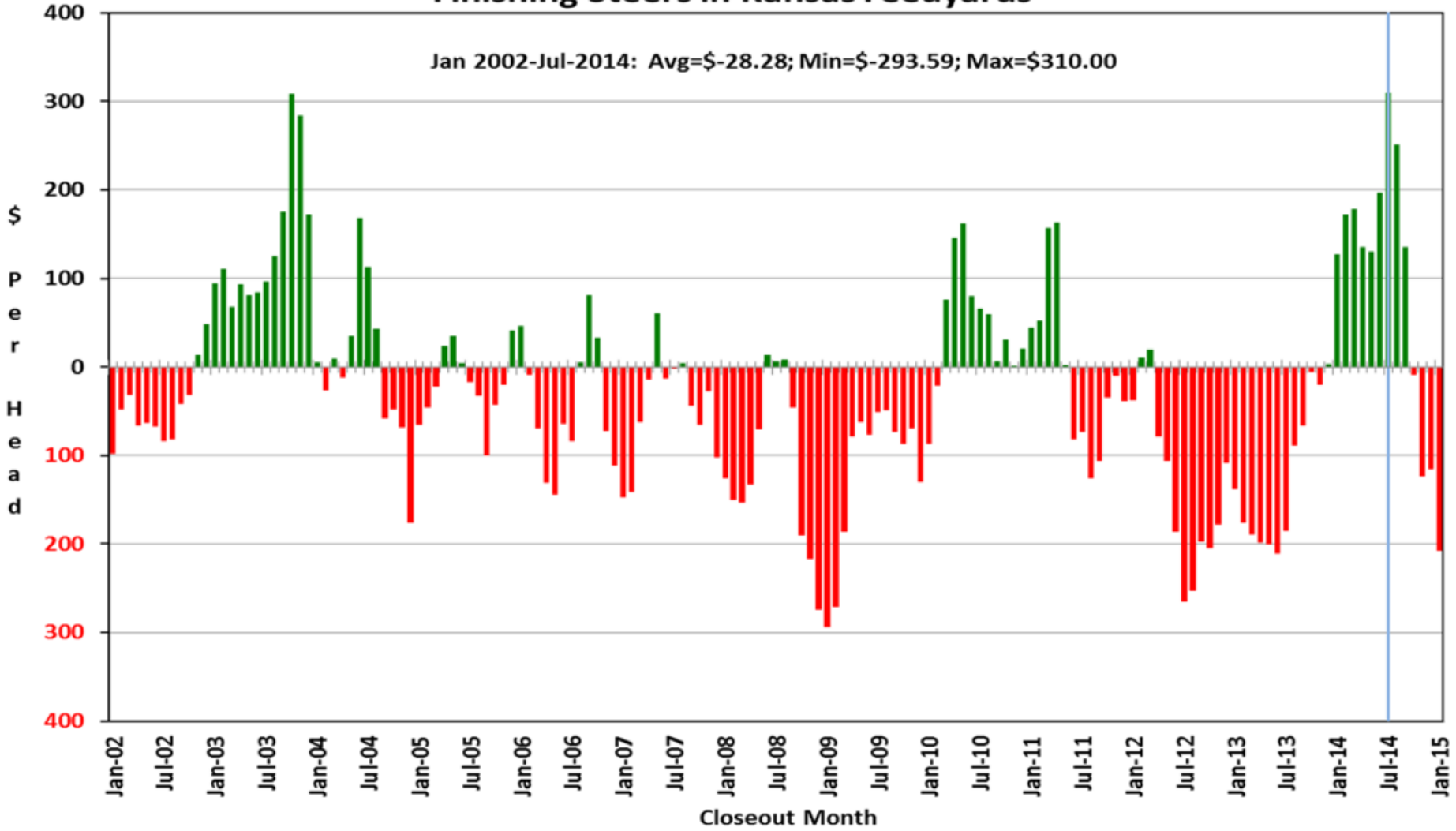
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Aug-14	251.35	88.20	156.35	169.69	131.91	138.81	198.99
Sep-14	135.59	88.97	149.96	173.24	112.14	140.39	189.54
Oct-14	-9.31	88.07	152.64	191.44	86.38	153.29	190.36
Nov-14	-124.17	86.05	153.04	206.84	63.37	161.90	192.32
Dec-14	-115.91	84.97	152.92	211.02	65.89	160.88	197.38
Jan-15	-207.55	83.36	152.84	220.95	47.20	167.55	196.15

Representative Barometer for Trends in Profitability

Historical and Projected Kansas Feedlot Net Returns (as of 9/10/14')

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

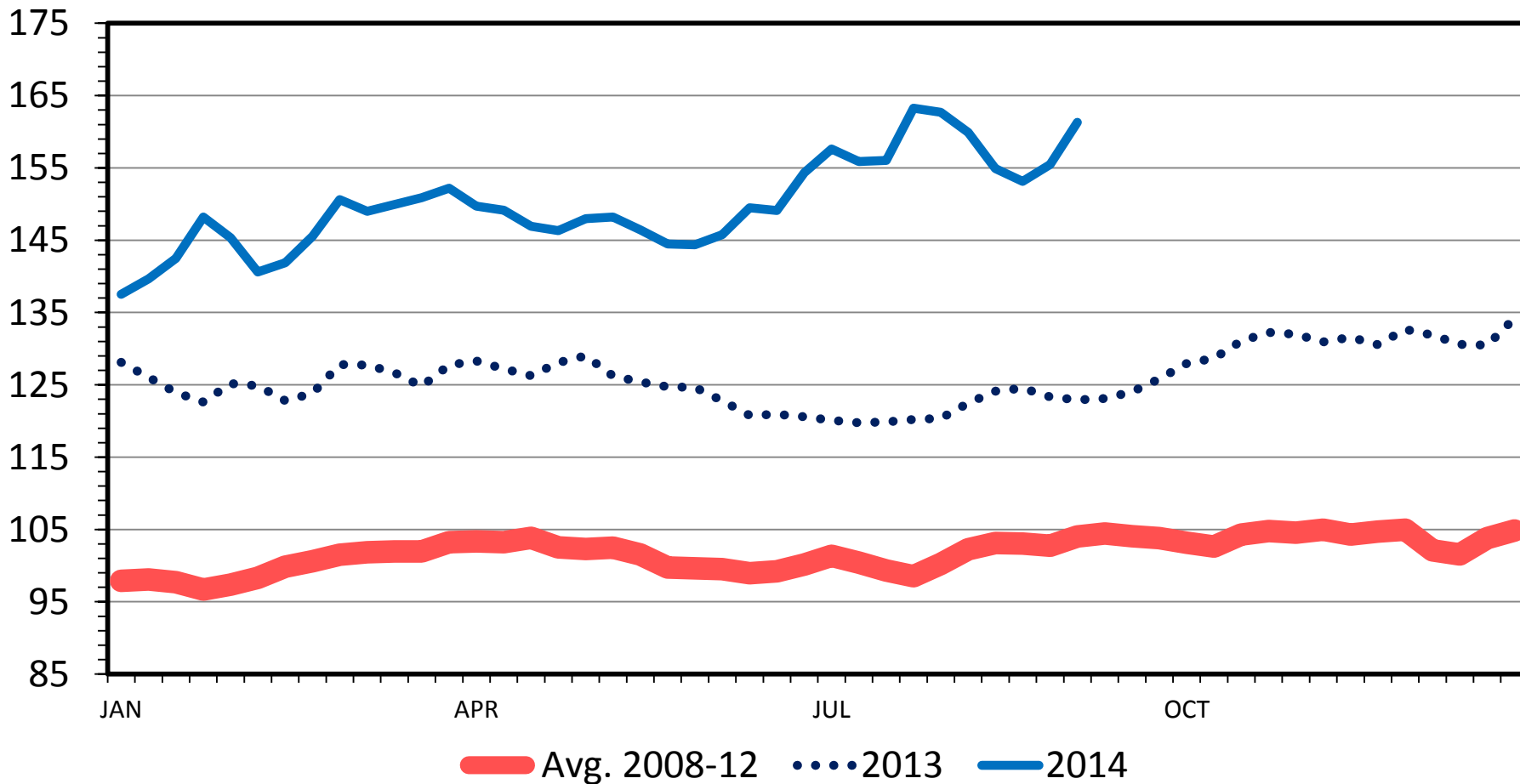
Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



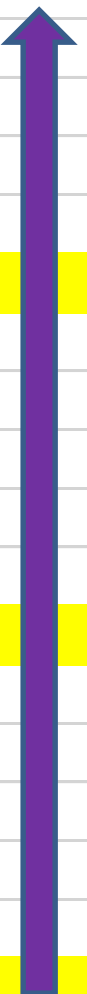
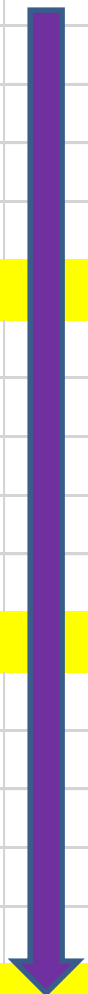
Data Source: USDA-AMS

Livestock Marketing Information Center

09/08/14

Quarterly Forecasts (LMIC: 8/31/14)

		% Chg.	Average	% Chg.	Comm'l	% Chg.
Year	Comm'l	from	Dressed	from	Beef	% Chg.
Quarter	Slaughter	Year Ago	Weight	Year Ago	Production	Year Ago
2014						
I	7,375	-5.2	795.7	0.3	5,868	-5.0
II	7,836	-5.9	789.0	0.9	6,183	-5.1
III	7,685	-7.6	807.4	1.7	6,205	-6.1
IV	7,636	-5.0	807.8	1.0	6,168	-4.0
Year	30,532	-5.9	800.0	1.0	24,425	-5.0
2015						
I	7,137	-3.2	802.4	0.8	5,727	-2.4
II	7,602	-3.0	795.1	0.8	6,044	-2.2
III	7,494	-2.5	812.5	0.6	6,089	-1.9
IV	7,510	-1.7	812.5	0.6	6,102	-1.1
Year	29,743	-2.6	805.6	0.7	23,962	-1.9
2016						
I	7,143	0.1	807.9	0.7	5,771	0.8
II	7,325	-3.6	800.5	0.7	5,864	-3.0
III	7,581	1.2	820.1	0.9	6,217	2.1
IV	7,427	-1.1	819.2	0.8	6,084	-0.3
Year	29,476	-0.9	812.1	0.8	23,936	-0.1



Quarterly Forecasts (LMIC: 8/31/14)

	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2014				
I	146.34	16.6	171.77	209.30
II	147.82	18.3	193.16	227.67
III	155-157	27.6	216-220	257-262
IV	156-159	20.4	211-216	246-252
Year	151-153	20.7	198-200	235-238
2015				
I	156-160	8.0	210-216	249-256
II	156-161	7.2	212-220	254-263
III	154-160	0.6	211-220	250-260
IV	155-162	0.6	206-216	245-256
Year	156-160	3.9	211-217	250-258
2016				
I	156-164	1.3	208-219	251-264
II	157-166	1.9	211-225	255-269
III	154-164	1.3	209-223	250-265
IV	155-166	1.3	204-218	245-261
Year	157-163	1.3	210-219	252-263

Beef Demand

Beef Demand Intro...

- *Critically Important, Yet Often Confused*
 - *Demand strength*
 - *reflects consumer valuation of beef*
 - *underlies total \$ available for the industry*
 - » *drives prices and profitability for all*
 - *“To Fix It You Have to Understand It”*
 - *Wayne Purcell, 1998 (<http://www.naiber.org/Publications/RILP/primer1.pdf>)*
 - *2013 Beef Demand Determinant Study*
 - *<https://www.beefboard.org/evaluation/130612demanddeterminantstudy.asp>*

History, Status, and Future of Beef Demand

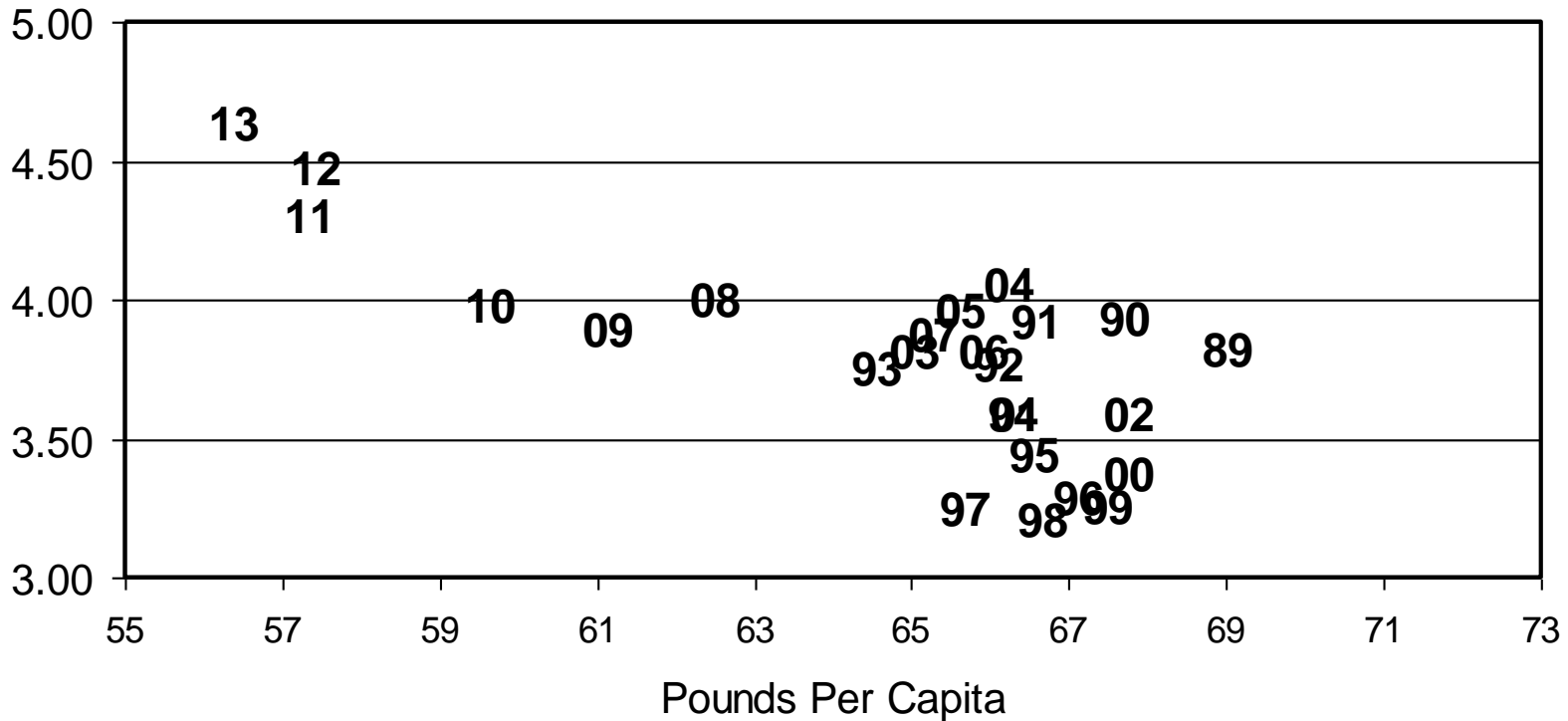
- Past: Multiple decades of decline
- Current: Post recession strength surprising many analysts & producers
- Future: Optimism rational if industry engages

BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price

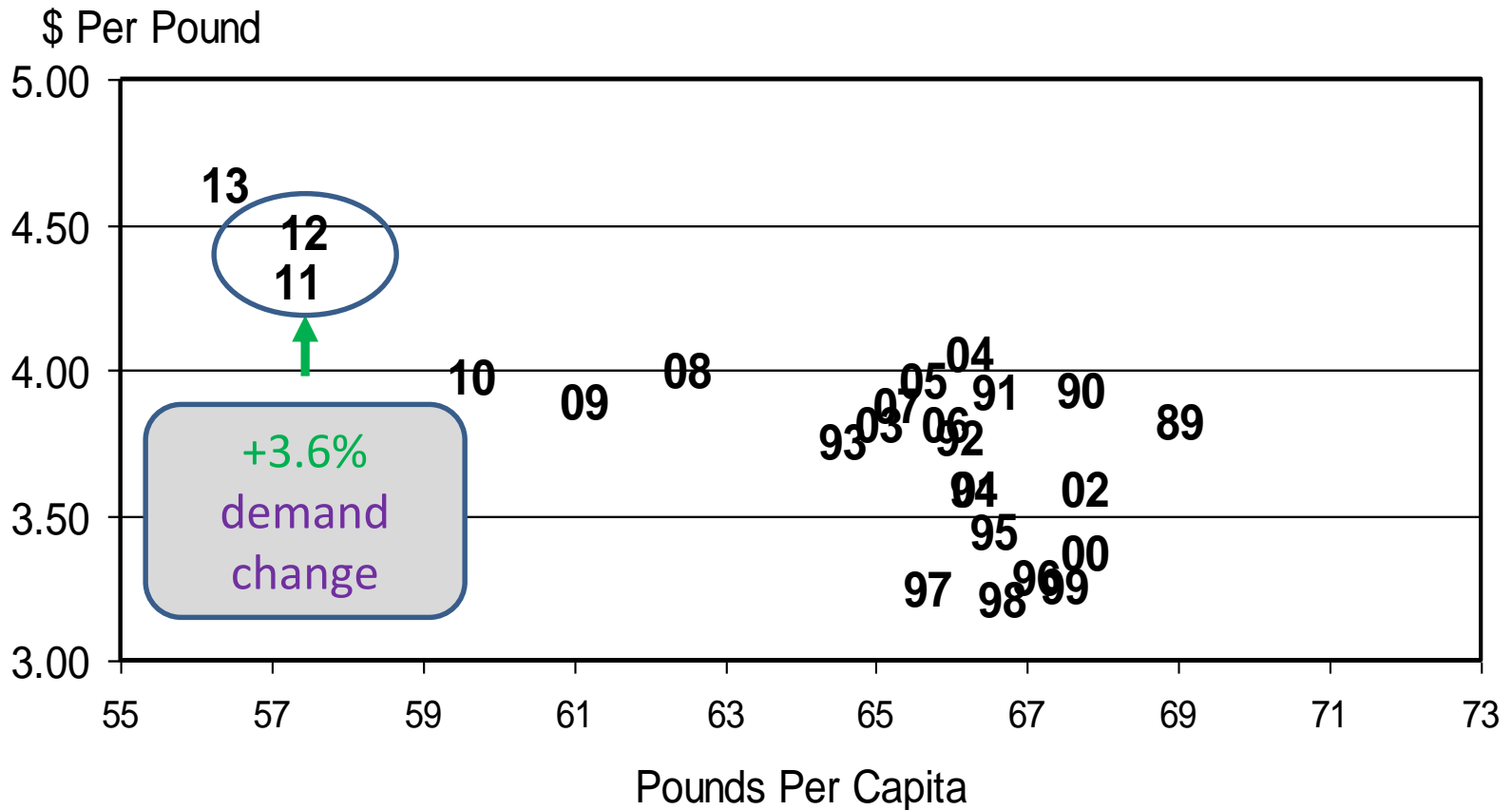
Given ERS forecast (53.0 lbs/capita) in 2014;

No demand change **IF** 2014 All Fresh Retail Price =
 \$5.29/lb (+7.2% from 2013) {\$5.38 thru July}



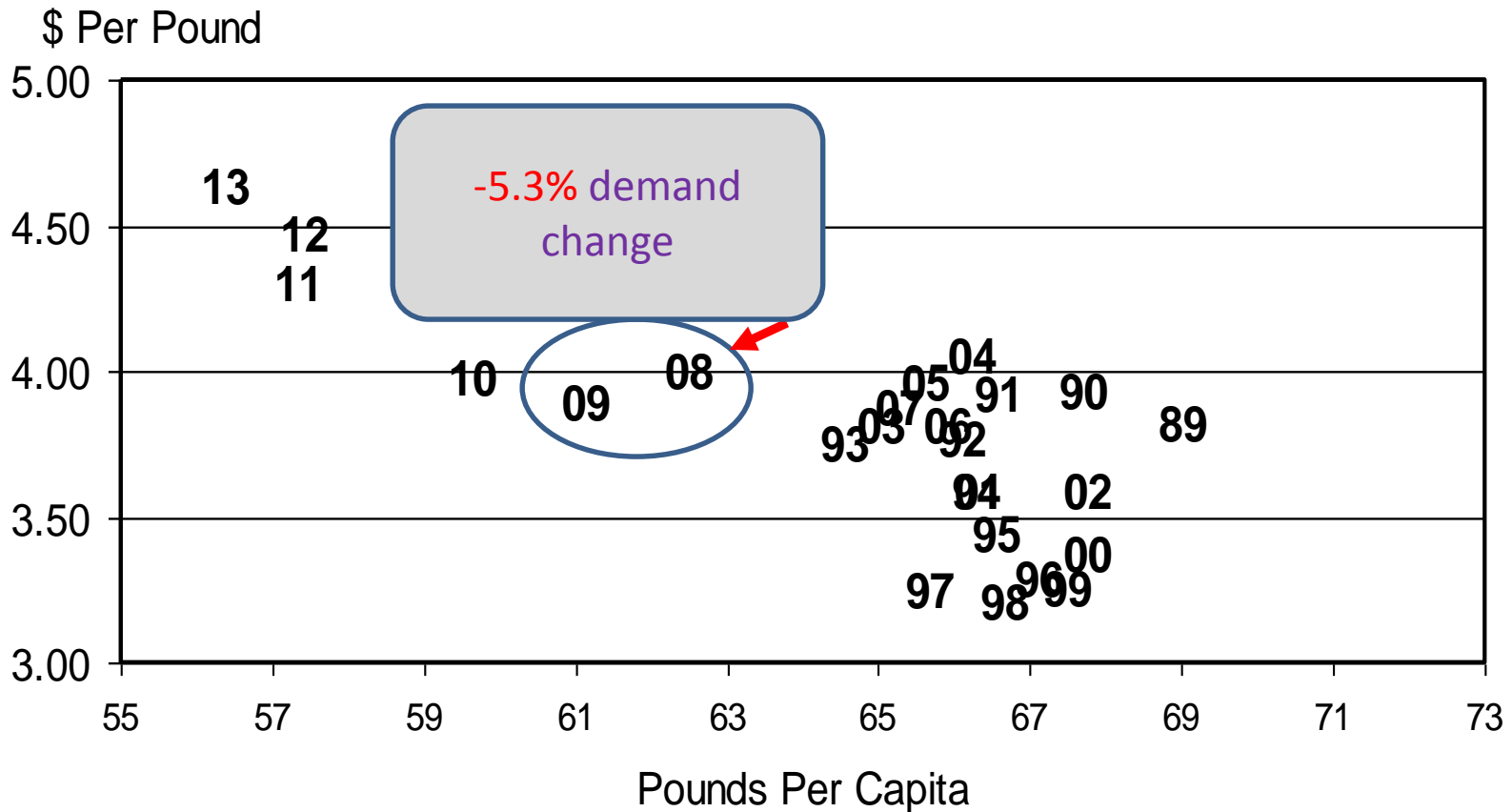
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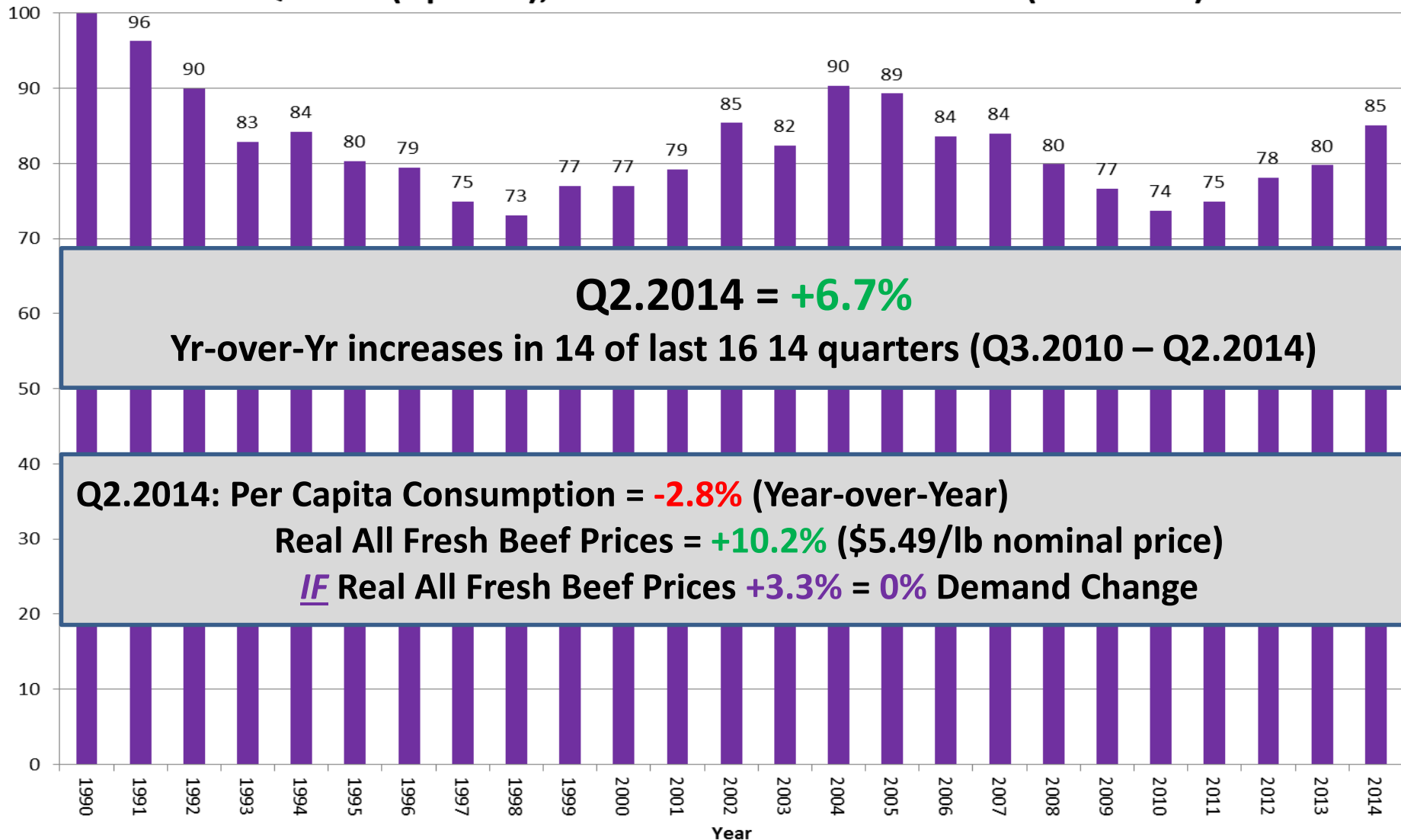


BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price



2nd Quarter (Apr-Jun), All Fresh Beef Demand Index (1990=100)

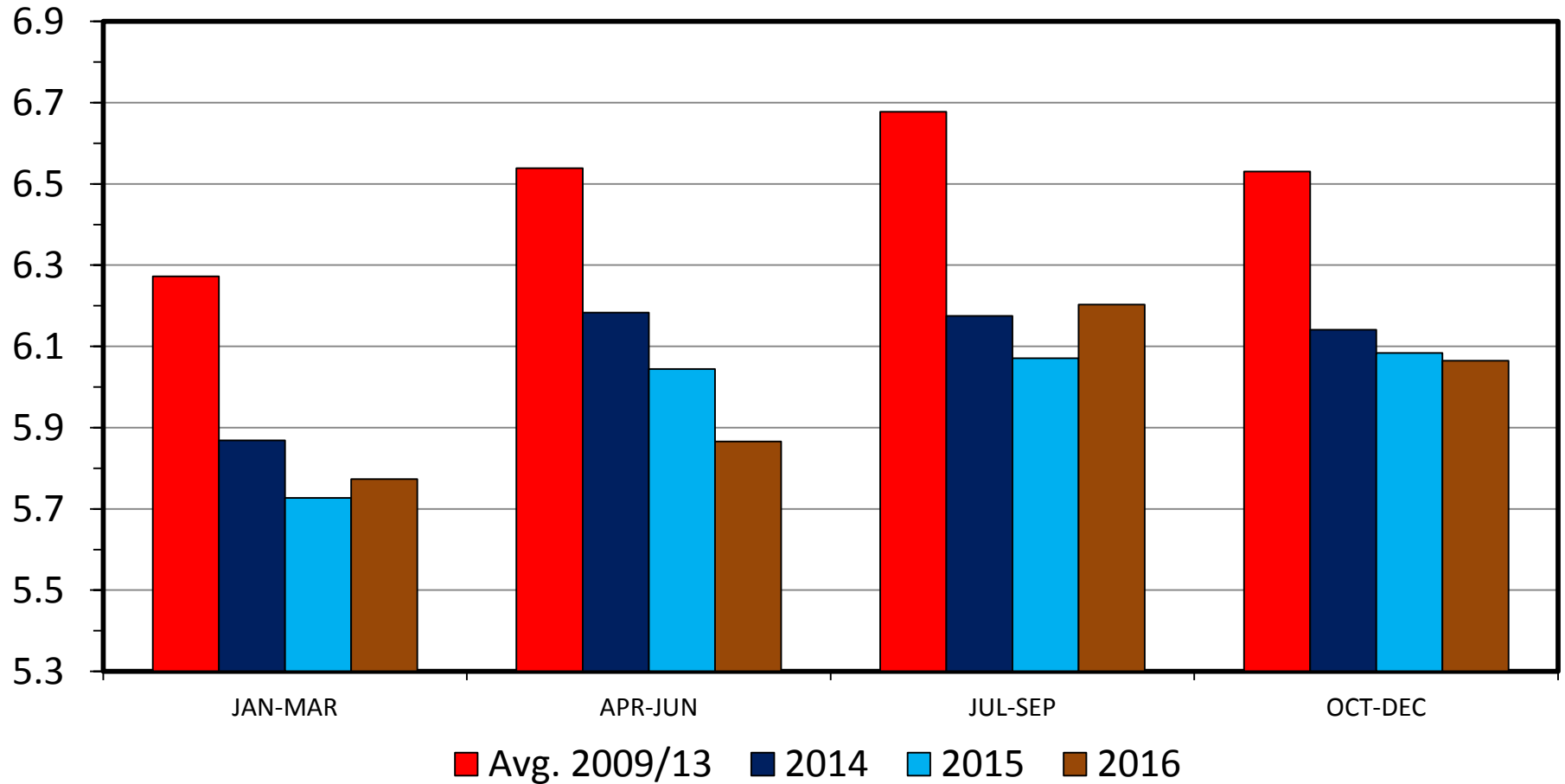


Source: Glynn T. Tonsor, Kansas State University, July 2014

COMMERCIAL BEEF PRODUCTION

Quarterly

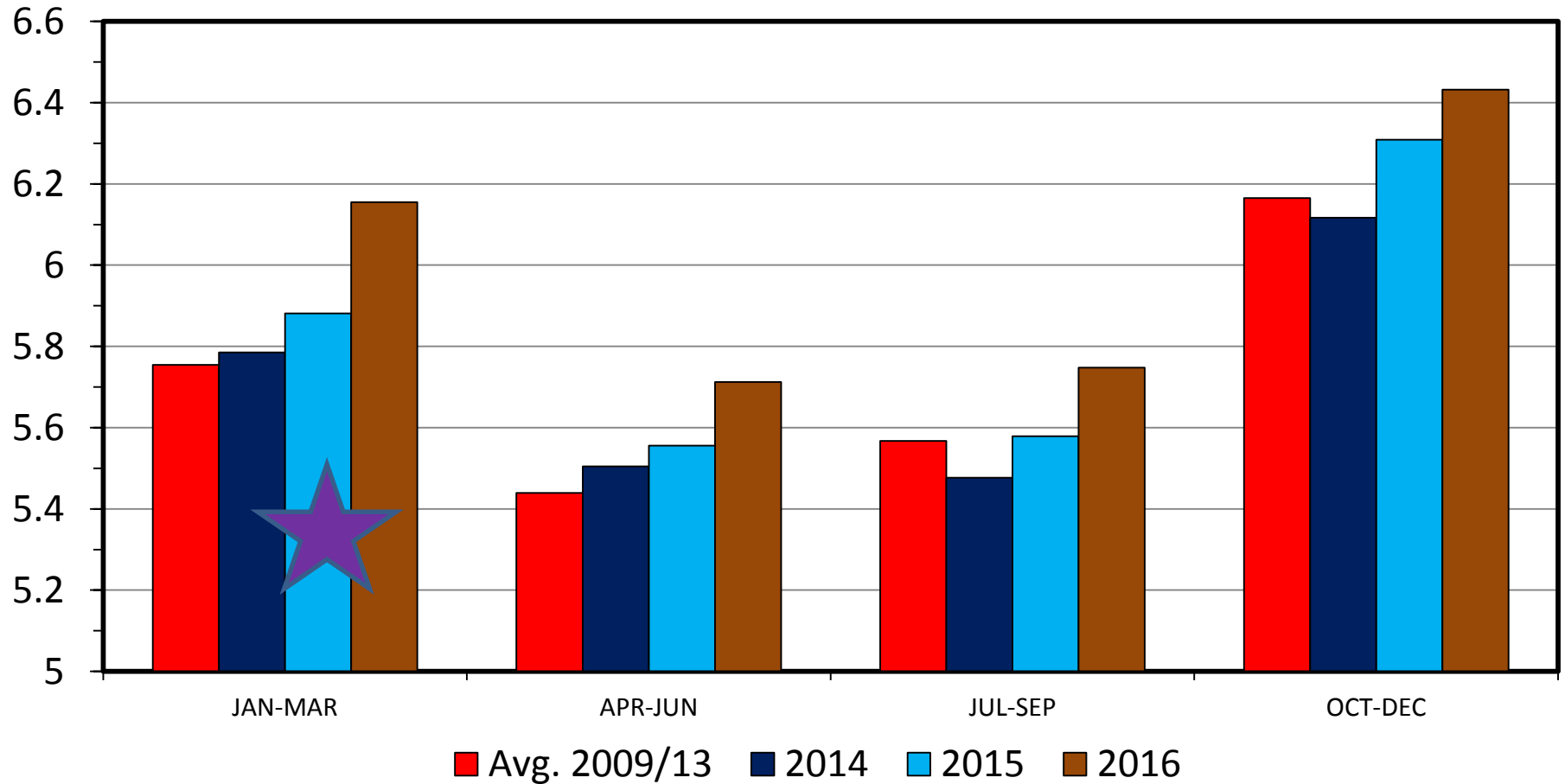
Bil. Pounds



COMMERCIAL PORK PRODUCTION

Quarterly

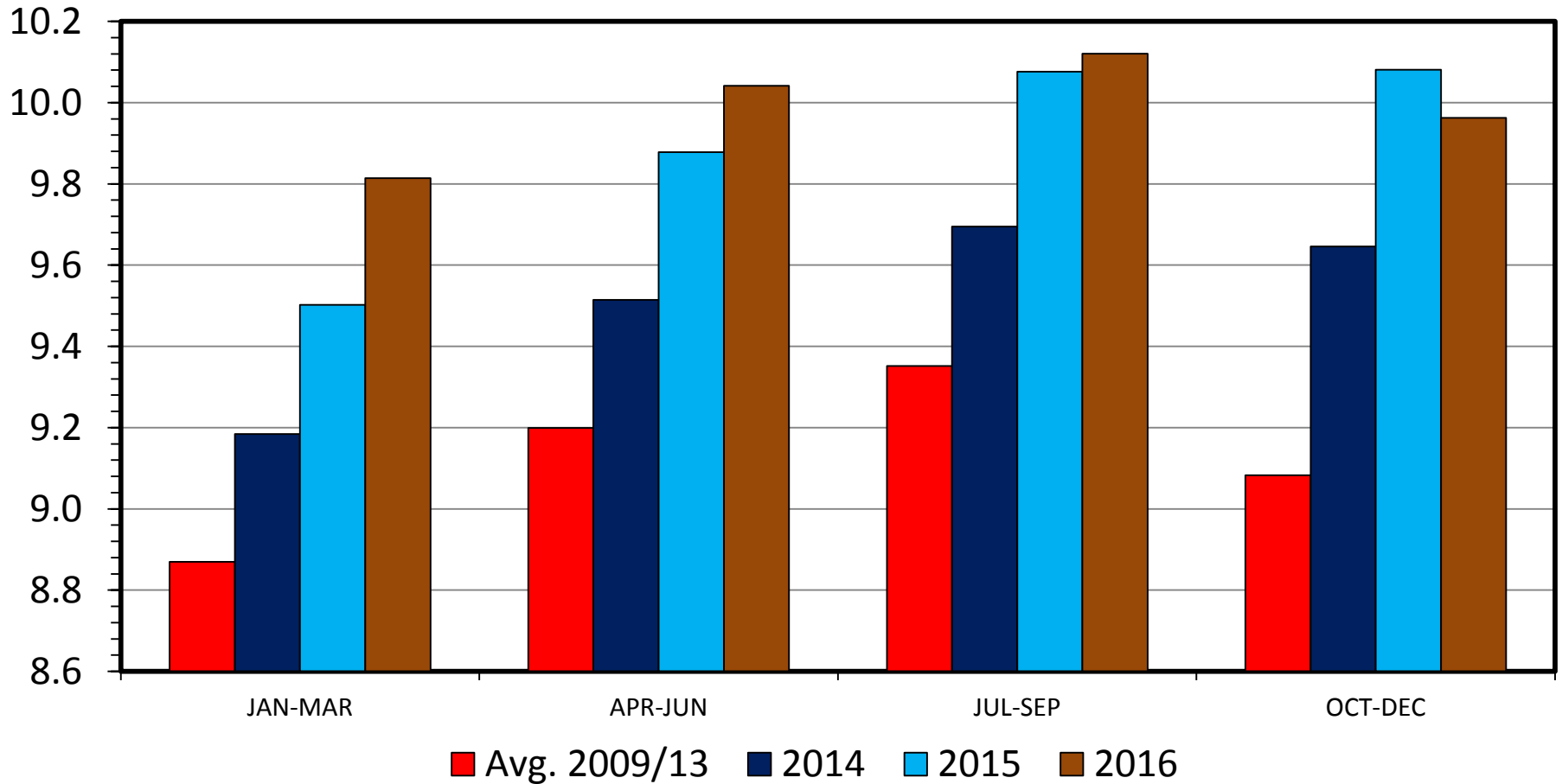
Bil. Pounds



RTC BROILER PRODUCTION

Quarterly

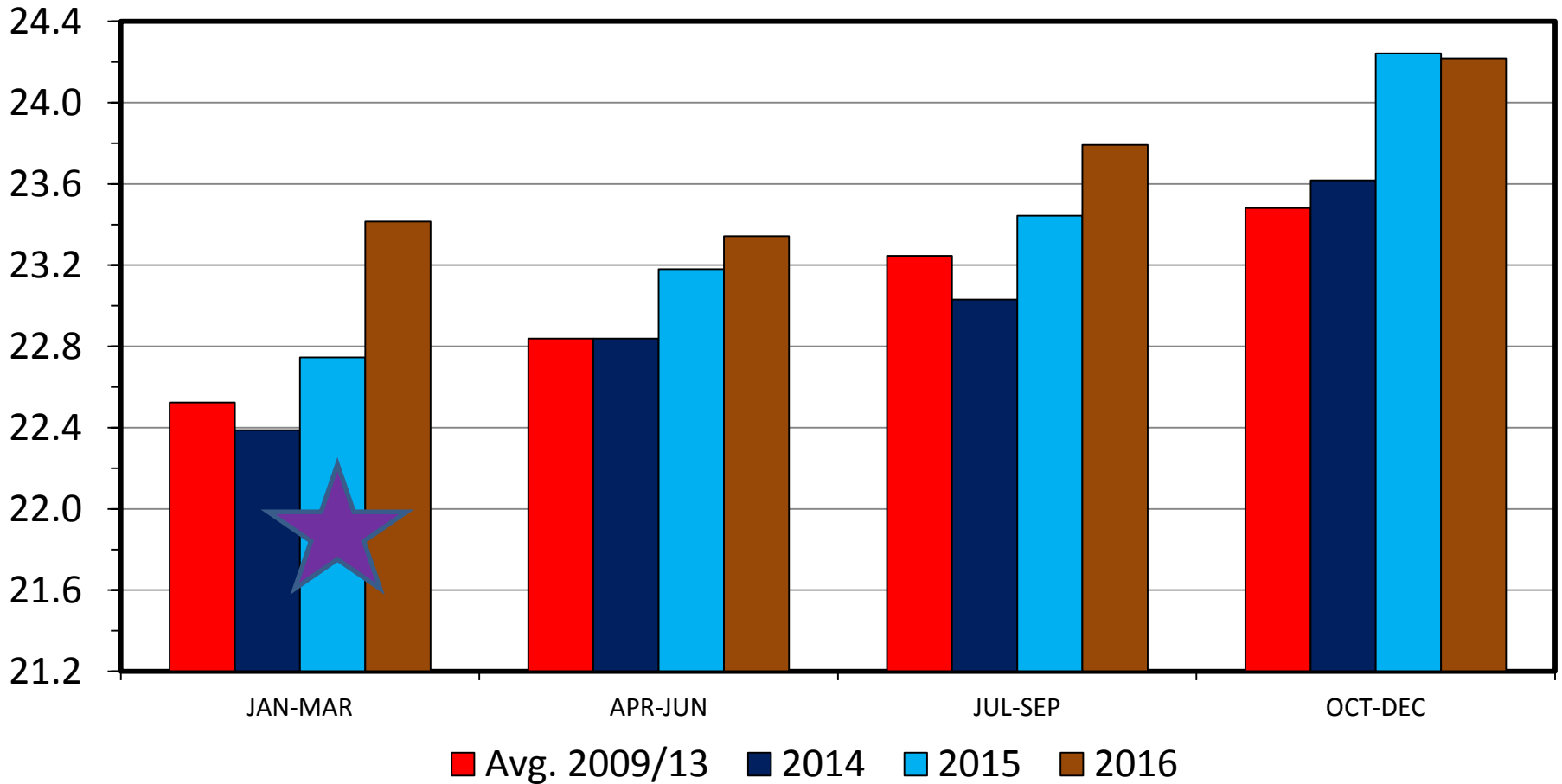
Bil. Pounds



TOTAL RED MEAT & POULTRY PRODUCTION

Quarterly

Bil. Pounds



Take-Home Summary Points

- Tight meat & live animal supplies +
- Strong retail meat demand +
- Sound pastures & mixed expansion signals =
- Record:
 - Prices throughout industry
 - Cow-calf returns
 - Cash at-stake ...

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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