

CATTLEMEN'S DAY 2012

99TH ANNUAL

Kansas State University
Agricultural Experiment Station
Cooperative Extension Service



Animal Sciences & Industry
Weber Hall
Manhattan, KS

Beef & Cattle Market Outlook

Friday, March 2, 2012

Glynn Tonsor

Dept. of Agricultural Economics
Kansas State University



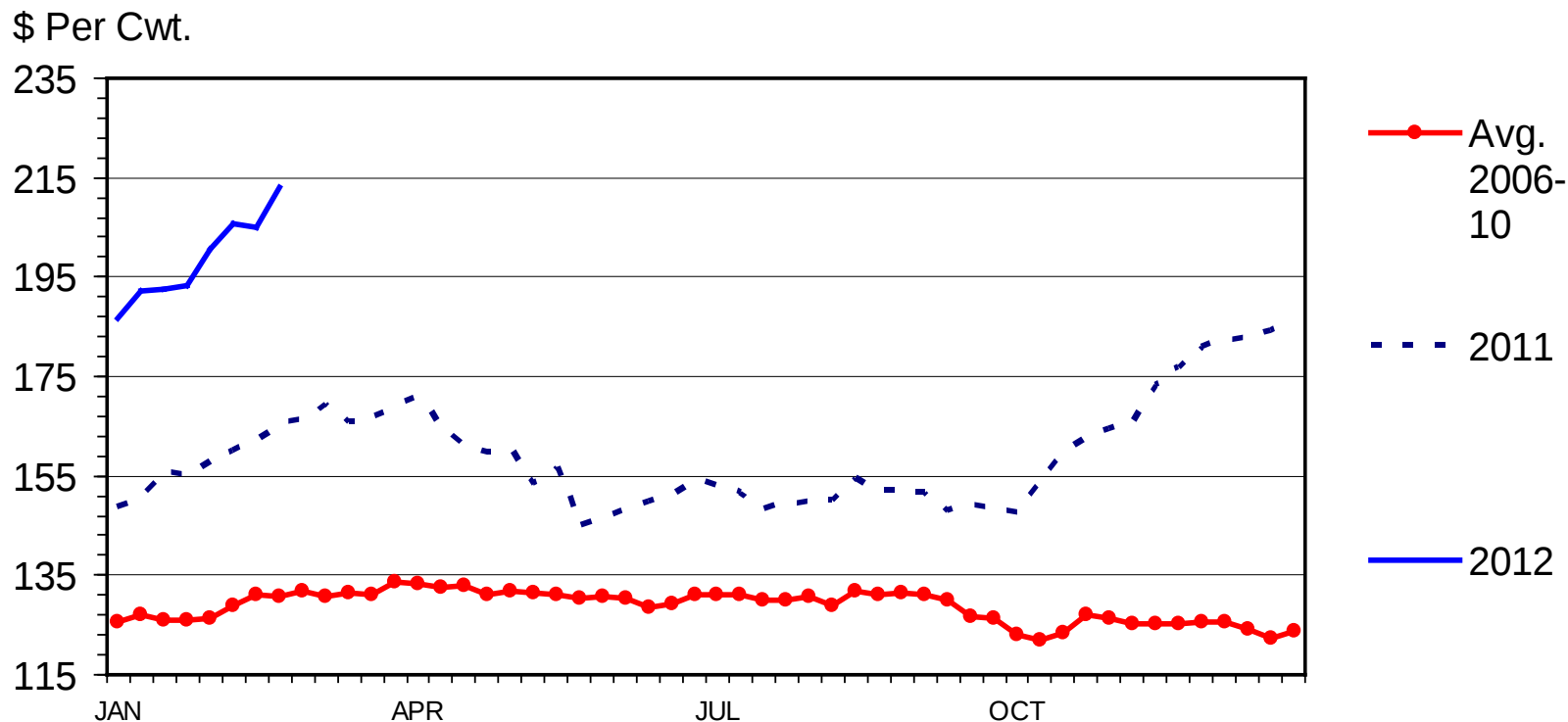
Economic Outlook Overview: Cow-Calf

- Continued beneficiary of tight supplies and expanded heifer retention...
- Returns over cash costs may set historic records
 - 2013 may prove to be “peak return year” ...
 - Will this coincide with record attendance for 100th Annual KSU Cattlemen’s Day???



MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

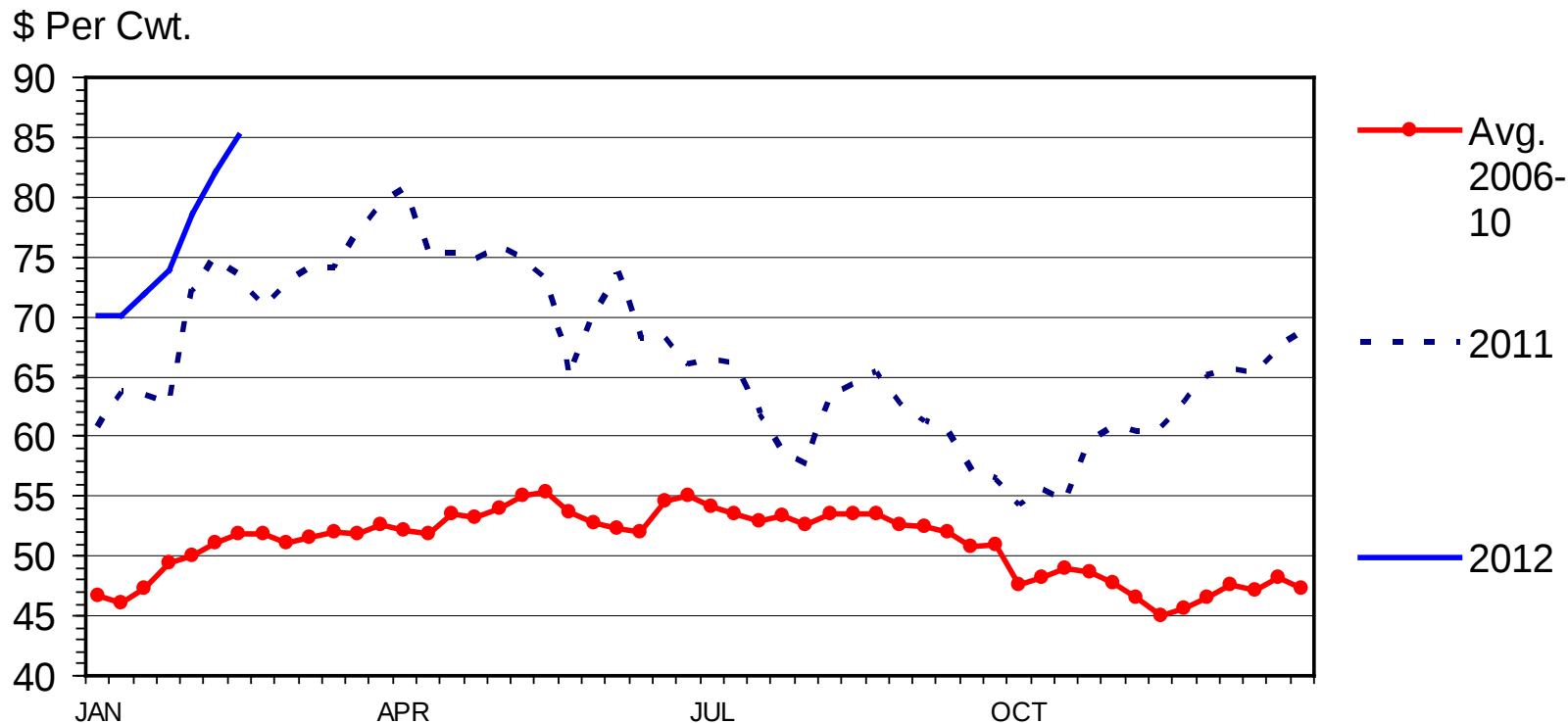
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49A
02/27/12



SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly



Livestock Marketing Information Center

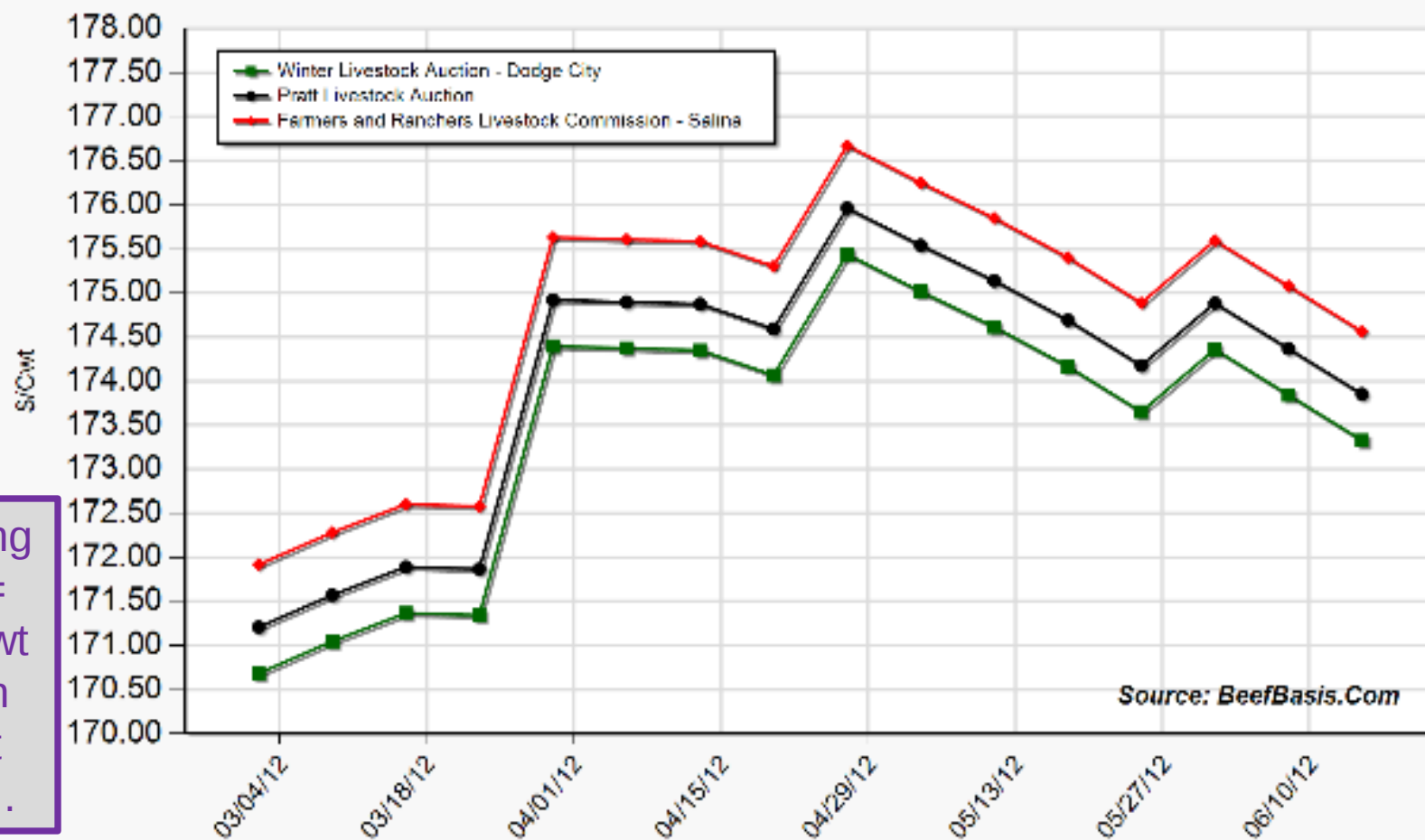
Data Source: USDA-AMS

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02/27/12



As of: 3/2/12

Projected Price for 550 Lb Steer at Selected Kansas Auctions

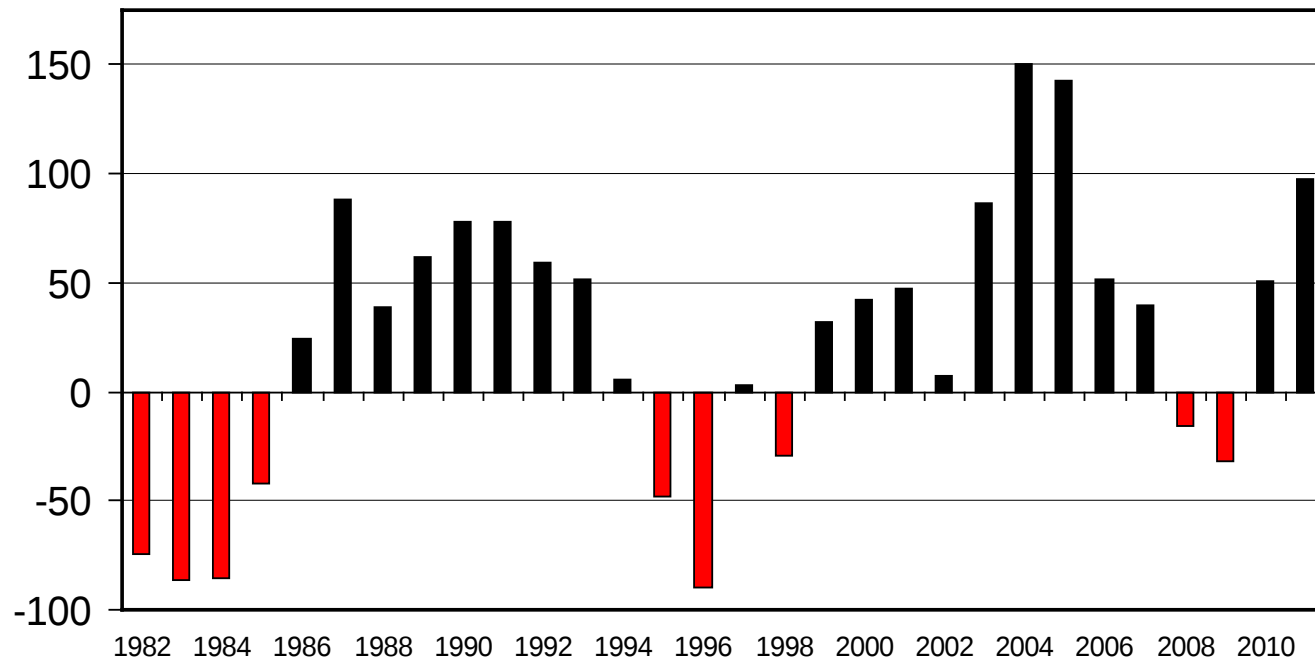


12' Strong
Basis =
+/- \$7/cwt
miss on
current
calves...

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



Livestock Marketing Information Center

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

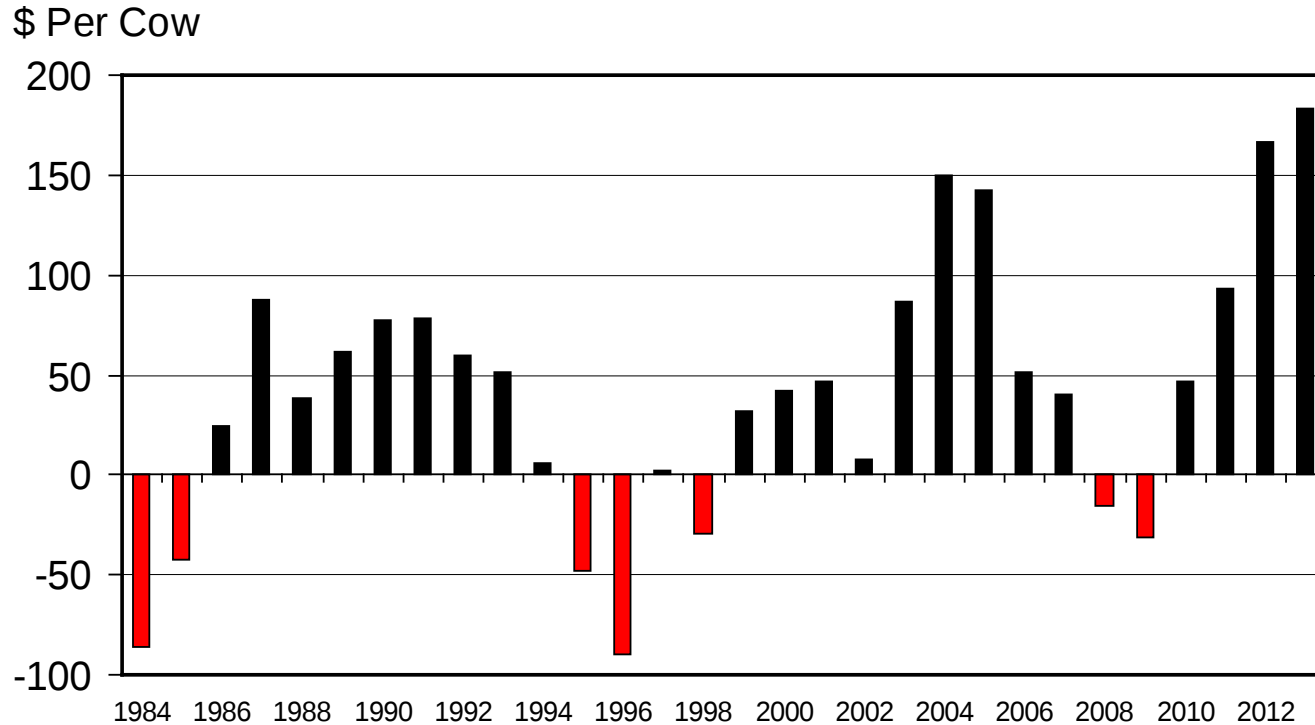
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02/17/11



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

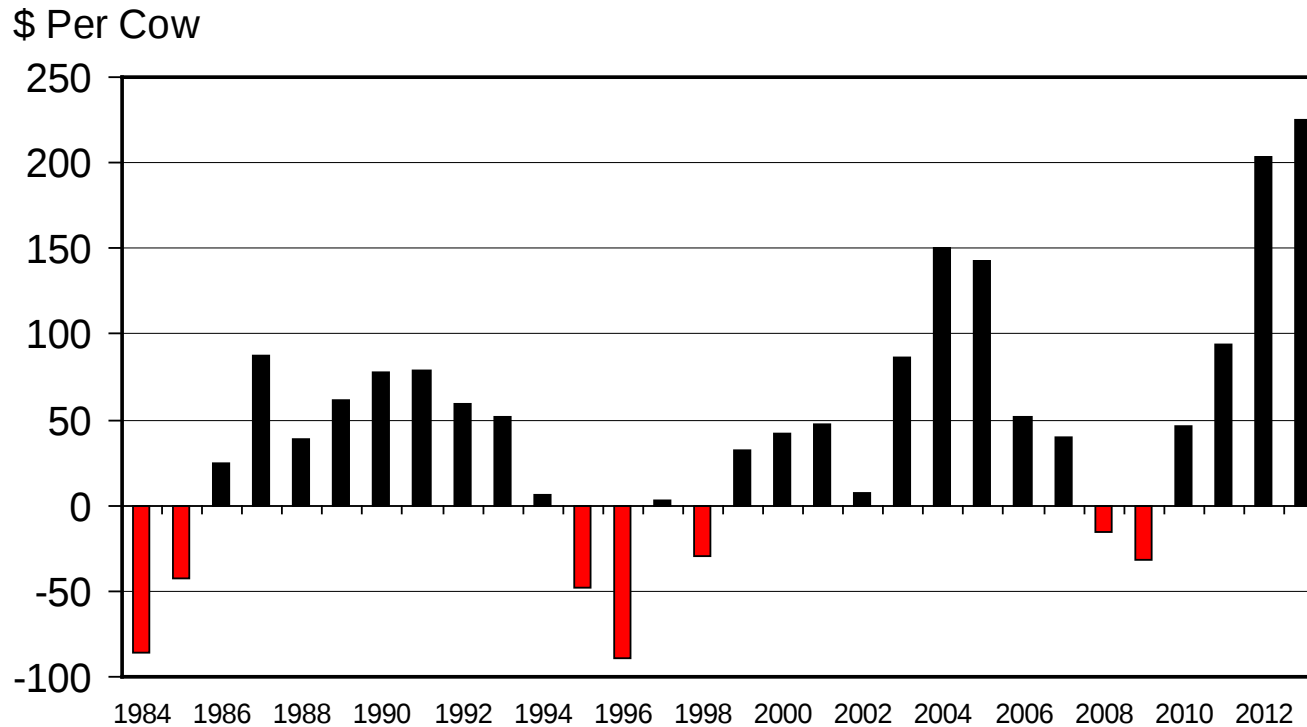
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12/28/11



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

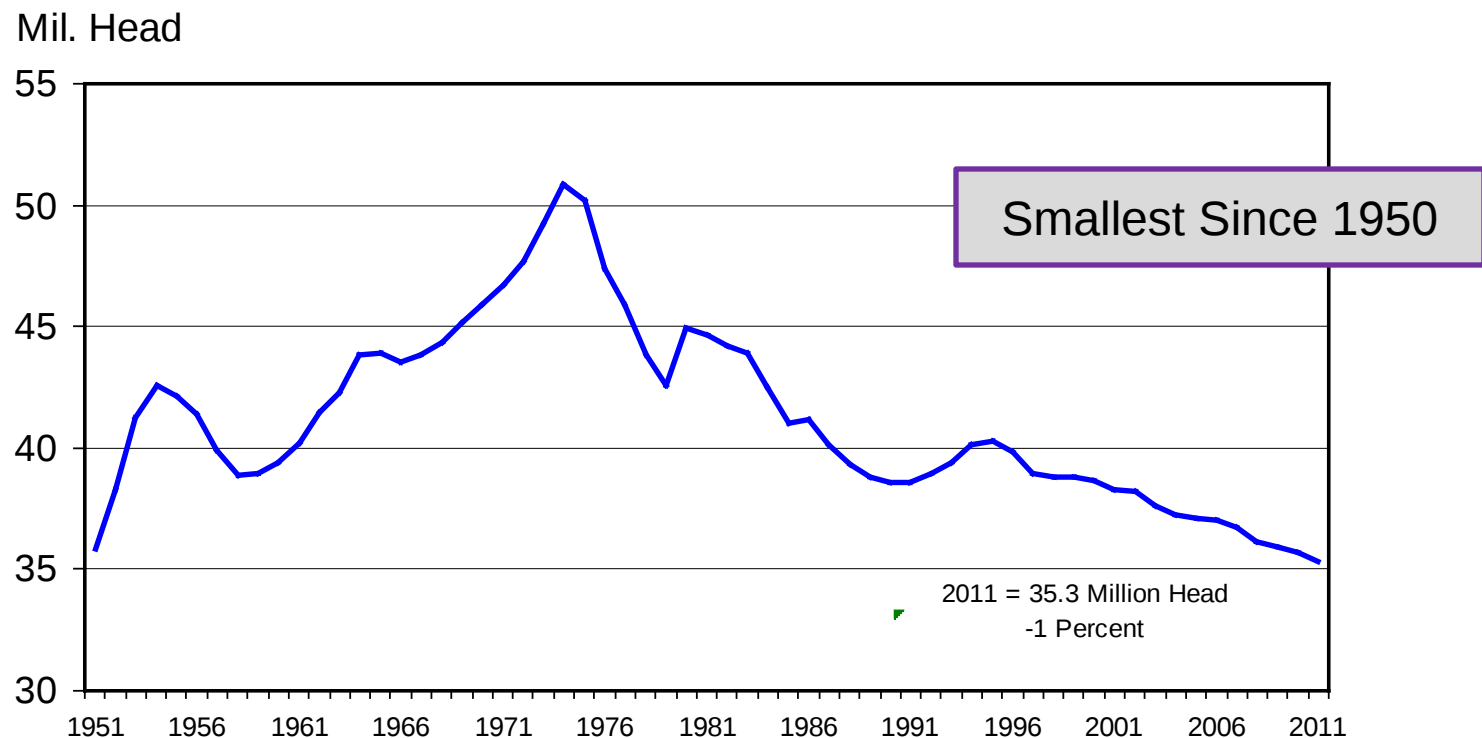
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

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02/17/12



CALF CROP

U.S., Annual



Livestock Marketing Information Center

Data Source: USDA-NASS

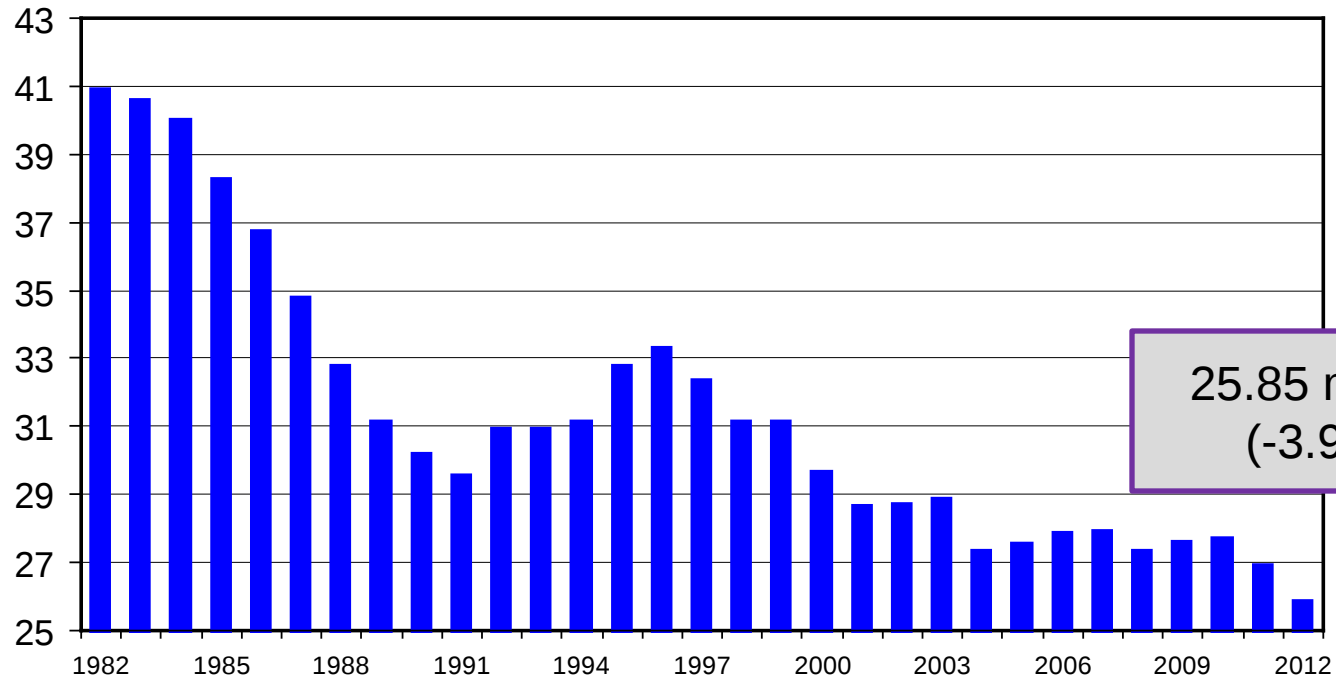
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01/29/12



JANUARY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

Mil. Head



25.85 million
(-3.9%)

Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-30
01/29/12



When will U.S. national herd expand?

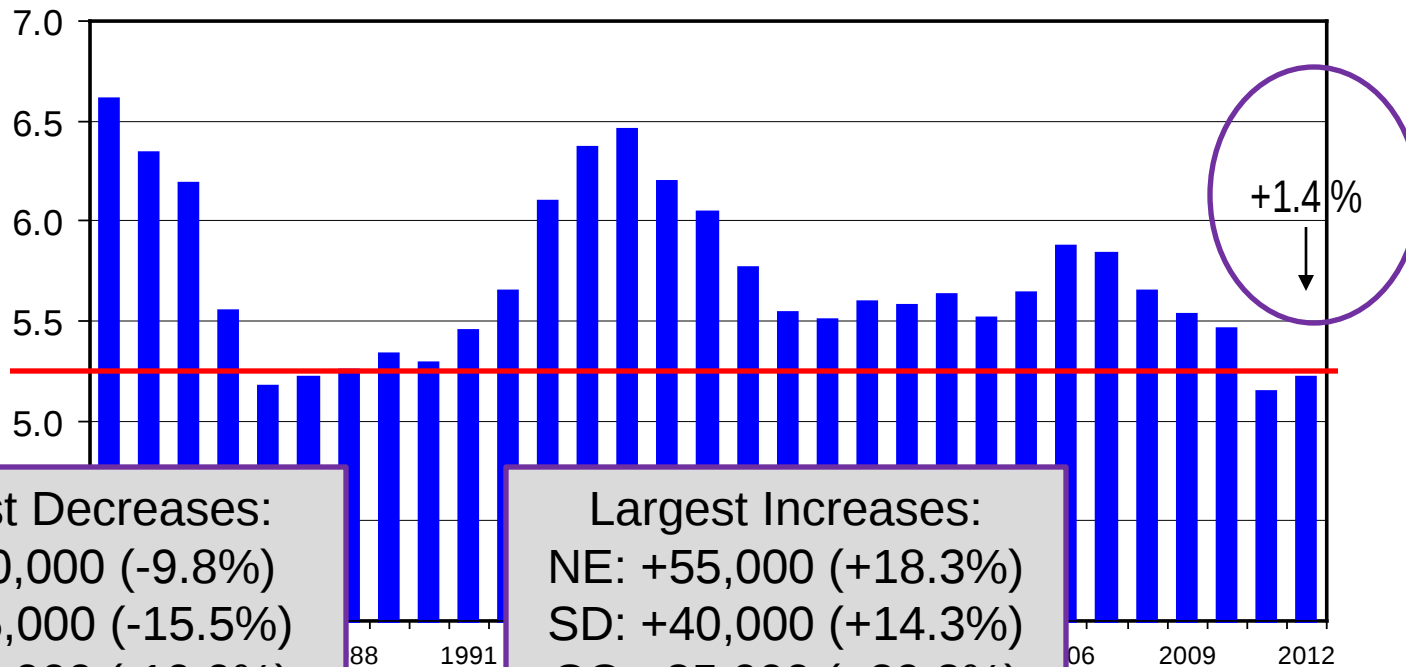
-- by 2014??? -- who & where will expansion occur???

HEIFERS HELD AS BEEF COW REPLACEMENTS

KS: +5,000 (+2.0%)

January 1, U.S.

Mil. Head



Largest Decreases:

TX: -60,000 (-9.8%)
OK: -55,000 (-15.5%)
MO: -30,000 (-10.0%)
AR: -21,000 (-15.4%)
NM: -20,000 (-21.1%)

Largest Increases:

NE: +55,000 (+18.3%)
SD: +40,000 (+14.3%)
CO: +35,000 (+29.2%)
WY: +25,000 (+17.9%)
IA: +20,000 (+16.7%)

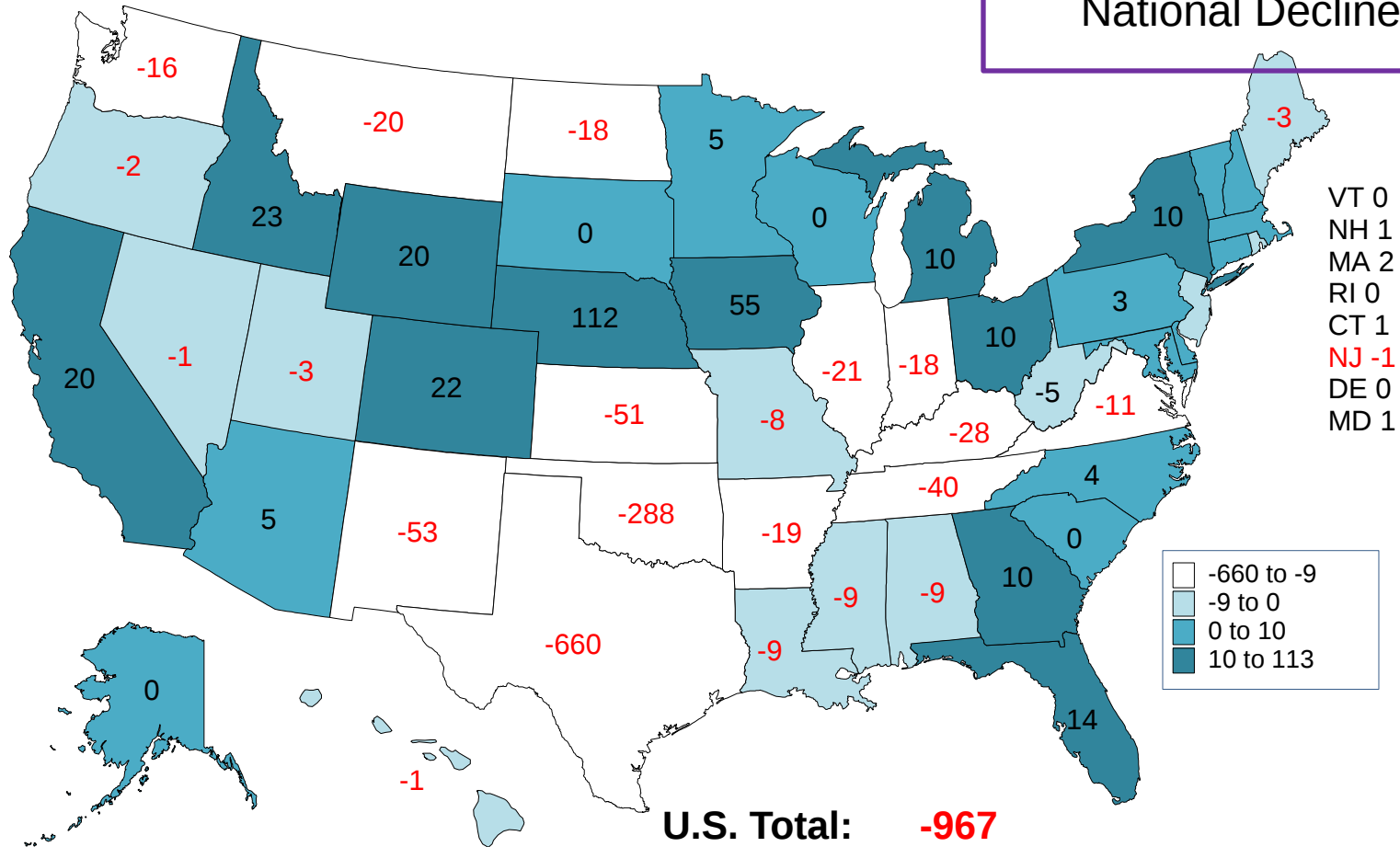
C-N-38
01/29/12

Livestock Marketing Information
Center Data Source: USDA-NASS



CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2011 TO JANUARY 2012 (1000 Head)

OK + TX = 98.1% of
National Decline



BEEF COWS THAT CALVED JANUARY 1, 2012 (1000 Head)

National Herd:
- 3.1% (vs. 2011)
Smallest since 1962

VT 10
NH 4
MA 7
RI 1
CT 5
NJ 8
DE 4
MD 43

Other:
1%

TX/OK: Smallest %
Since 1972

U.S. Total: 29883

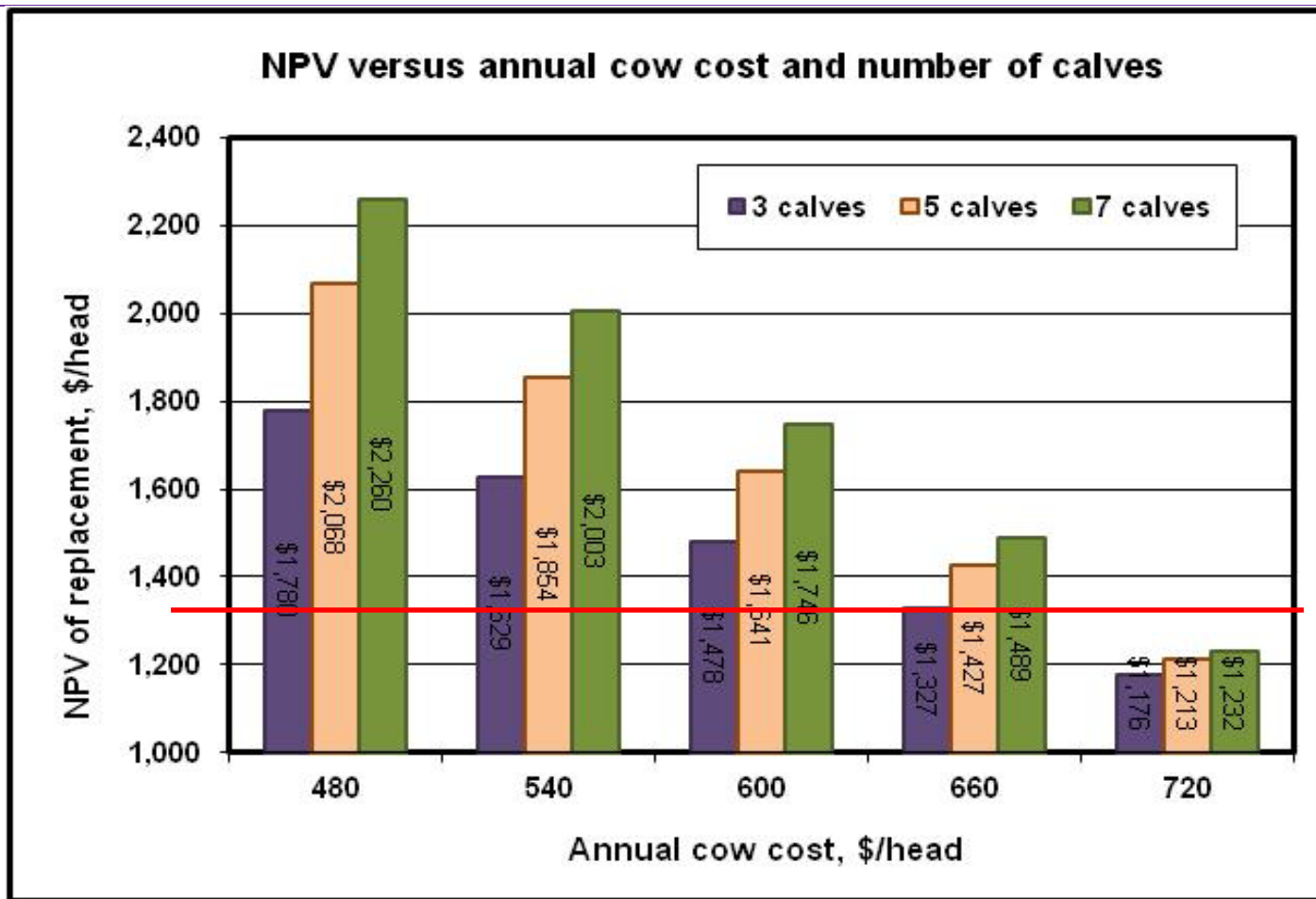
0 to 160
160 to 435
435 to 909
909 to 4366

Livestock Marketing
Information Center
Data Source: USDA-NASS

01/27/12



KSU – Beef Replacement; Excel Spreadsheet Decision Tool
(<http://www.agmanager.info/livestock/budgets/production/default.asp>)



2/23/12'

Dodge City, KS
Auction:
Bred Cows
\$1,100 to
\$1,500

Notable
regional
variation...

Scenario1: FARPI Adjusted \$/cwt (550 lbs calves @ \$158 in 2012 to \$161 in 2021) 6.5% interest/discount rate; 3% calf death loss



Economic Outlook Overview :

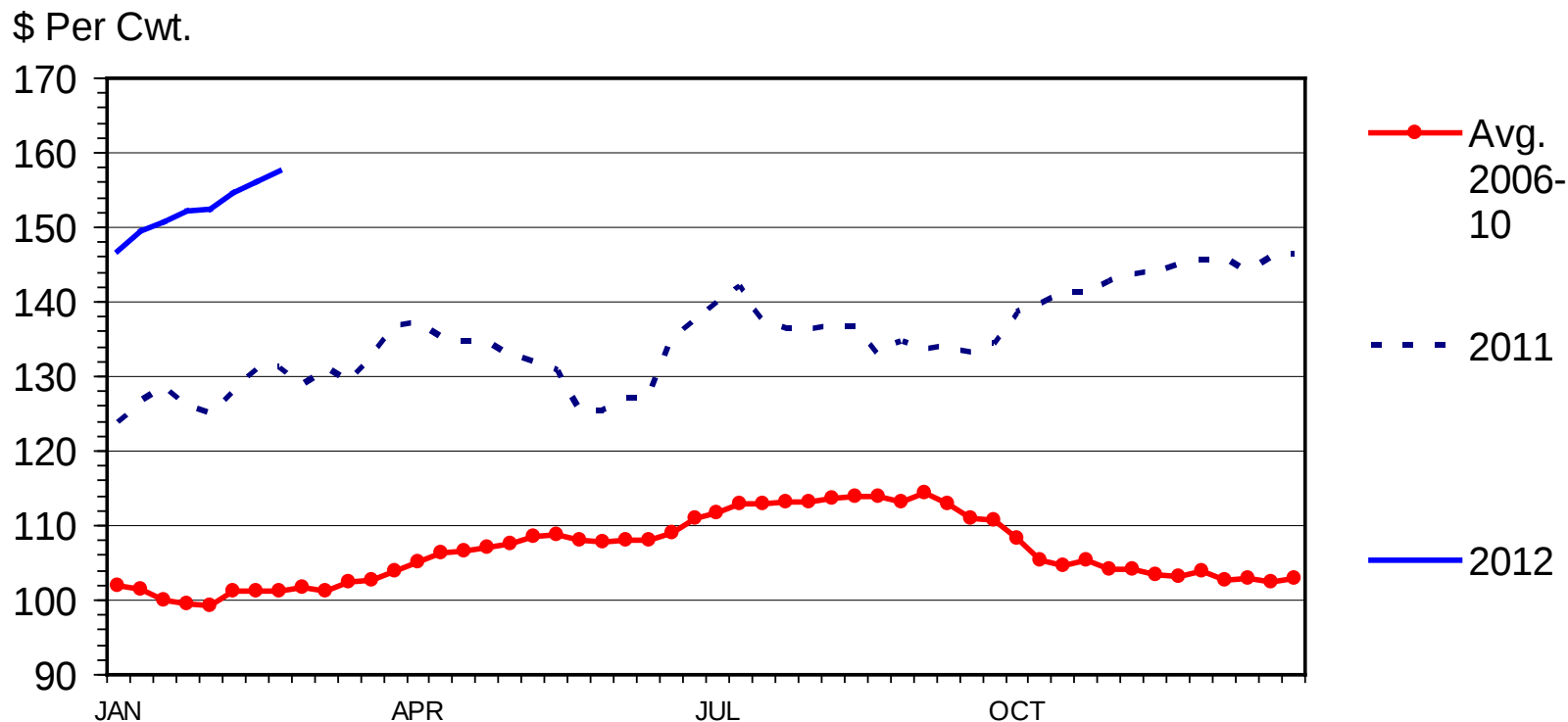
Stockers

- Continued sophistication of this segment
 - “cheap corn days” are unlikely to return
- Expected margins squeezed by run on calves; but have widened since Feb. 20
 - Historically strong basis on calves...
- Accounting and economic profit divergence
 - Value of consumed forage continues to increase...



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

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

C-P-49
02/27/12



“Buy-Sell” spreadsheet tool

(<http://www.agmanager.info/livestock/budgets/production/beef/cattlebuysell.swf>)

3/1/12' Salina, KS Situation:

- BeefBasis.com forecasted price of 750 lb steer June 4, 2012 is \$161.24/cwt
- What is break-even purchase price of a 550 lb steer purchased on March 5, 2012?
 - forecasted price is \$175.39/cwt



“Buy-Sell” spreadsheet tool

(<http://www.agmanager.info/livestock/budgets/production/beef/cattlebuysell.swf>)

	<u>Selling Price</u>						
Purchase Weight ¹	\$155.24	\$157.24	\$159.24	\$161.24	\$163.24	\$165.24	\$167.24
	<u>Breakeven Purchase Price²</u>						
450	188.07	191.25	194.42	197.60	200.78	203.95	207.13
500	179.08	181.95	184.82	187.69	190.56	193.43	196.31
550	171.76	174.39	177.01	179.63	182.25	184.88	187.50
600	165.71	168.13	170.54	172.96	175.37	177.79	180.20
650	160.63	162.87	165.11	167.35	169.59	171.83	174.07
700	156.31	158.40	160.49	162.58	164.67	166.76	168.85
750	N/A	N/A	N/A	N/A	N/A	N/A	N/A

¹ Enter the minimum purchase weight you are willing to consider.

² Based on a feeding cost of gain of \$90/cwt.

Expected Return: +\$8.48/head [2.0 * (\$179.63-\$175.39)]

Feeding COG \$80 = +\$15.14/head Expected Return

Feeding COG \$100 = + \$1.82/head Expected Return

**But “true” expected
purchase price may not
be \$175...**

Economic Outlook Overview :

Feedlots

- Excess capacity and packer margin concerns will remain an issue
- Growing relevance of premiums, by-product values, and diversity across operations...
 - Great weather this winter = strong growth rates
- Probable losses for the year, but markets suggest potential improvement over 2011



Feedlot Capacity – to - Calf Crop Ratio

Assuming: 2011 Calf crop of 35.3 mil. hd

	<i>Capacity (mil. Hd)</i>				
<i>DOF</i>	15.5	16	16.5	17	17.5
138	1.16	1.20	1.24	1.27	1.31
148	1.08	1.12	1.15	1.19	1.22
158	1.01	1.05	1.08	1.11	1.15
168	0.95	0.98	1.02	1.05	1.08

Assuming: 2021 Calf crop of 40.6 mil. hd

	<i>Capacity (mil. Hd)</i>				
<i>DOF</i>	15.5	16	16.5	17	17.5
138	1.01	1.04	1.08	1.11	1.14
148	0.94	0.97	1.00	1.03	1.06
158	0.88	0.91	0.94	0.97	1.00
168	0.83	0.86	0.88	0.91	0.94



Feedlot Operations and Marketings

Feedlots: Less than 1,000 Head Capacity

	Operations	Marketings (mil. hd)	Annual Change in Marketings	% of Total Marketings
2006	86,000	3.64		13.94%
2007	85,000	3.70	1.6%	14.14%
2008	80,000	4.05	9.5%	15.31%
2009	80,000	3.91	-3.5%	15.27%
2010	75,000	4.03	3.1%	15.43%
2011	75,000	3.17	-21.3%	12.31%

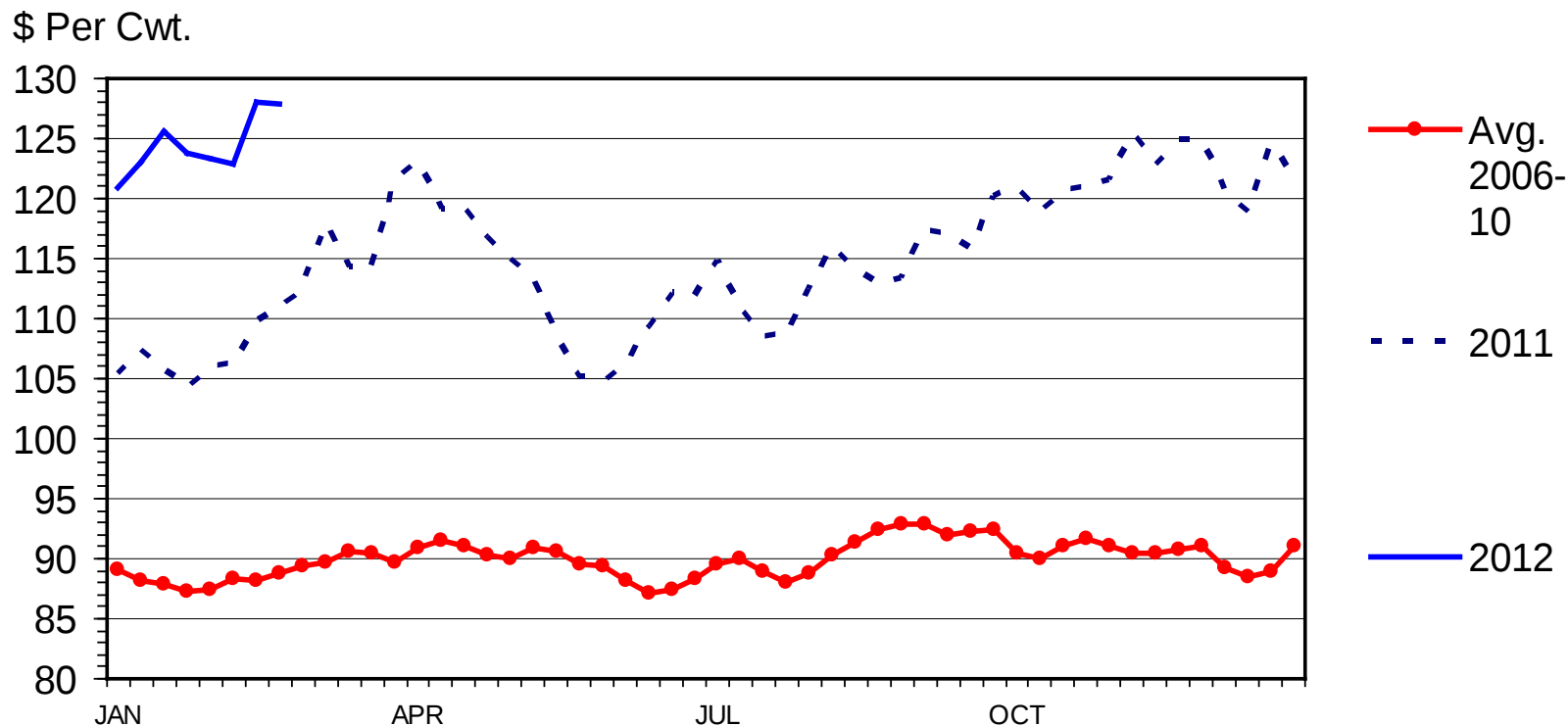
Feedlots: Over 1,000 Head Capacity

	# Operations	Marketings (mil. Hd)	Annual Change in Marketings	% of Total Marketings
2006	2,165	22.48		86.06%
2007	2,160	22.46	-0.1%	85.86%
2008	2,170	22.40	-0.3%	84.69%
2009	2,170	21.69	-3.2%	84.73%
2010	2,140	22.08	1.8%	84.57%
2011	2,120	22.58	2.3%	87.69%



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



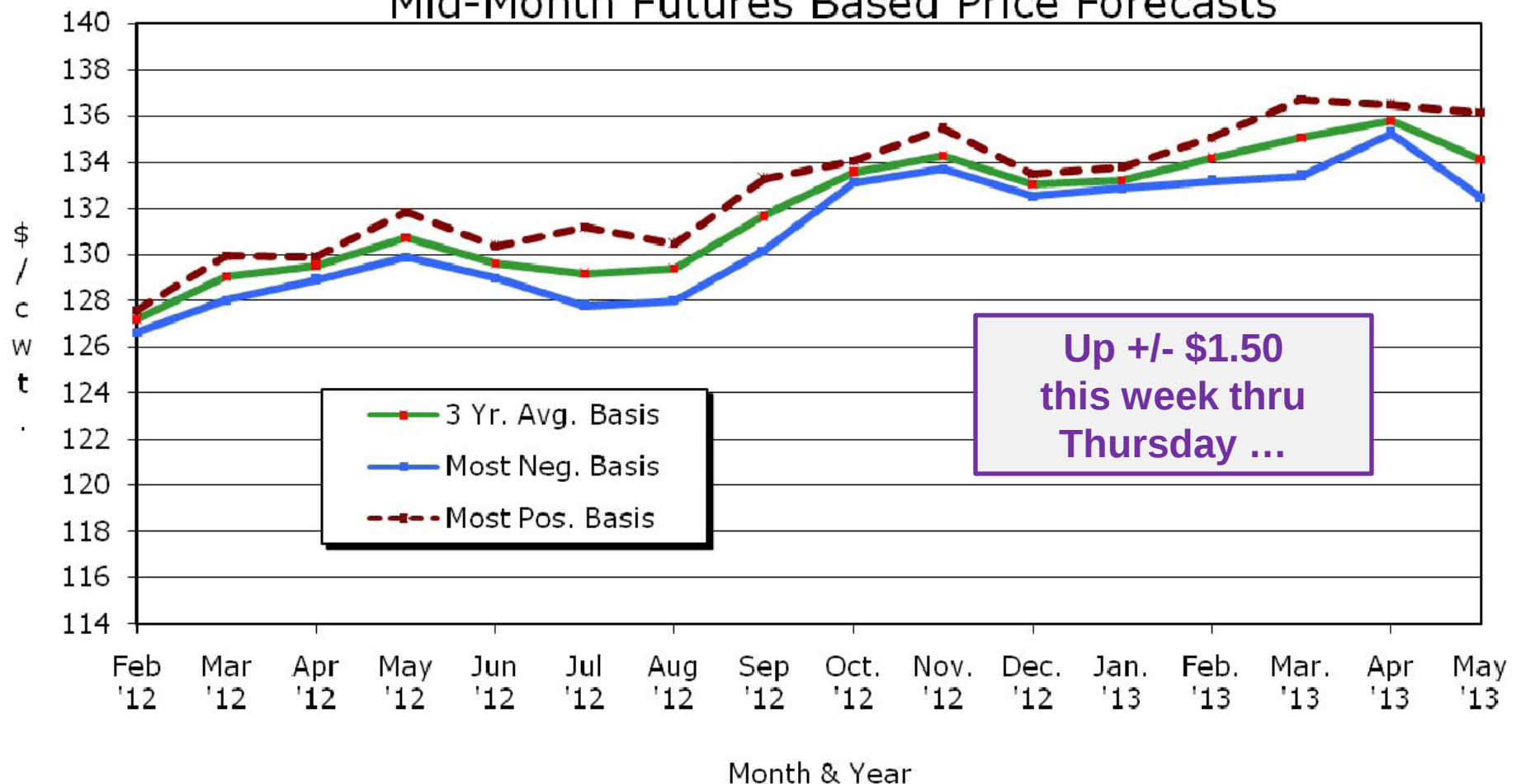
Livestock Marketing Information Center

Data Source: USDA-AMS



Kansas Slaughter Steer Price Forecasts

Mid-Month Futures Based Price Forecasts



Source: USDA-AMS, CME, & K-State Ag. Economics
Based on 2.24.12 CME Live Cattle settlement prices

KSU Dept. of Ag Econ
www.agmanager.info



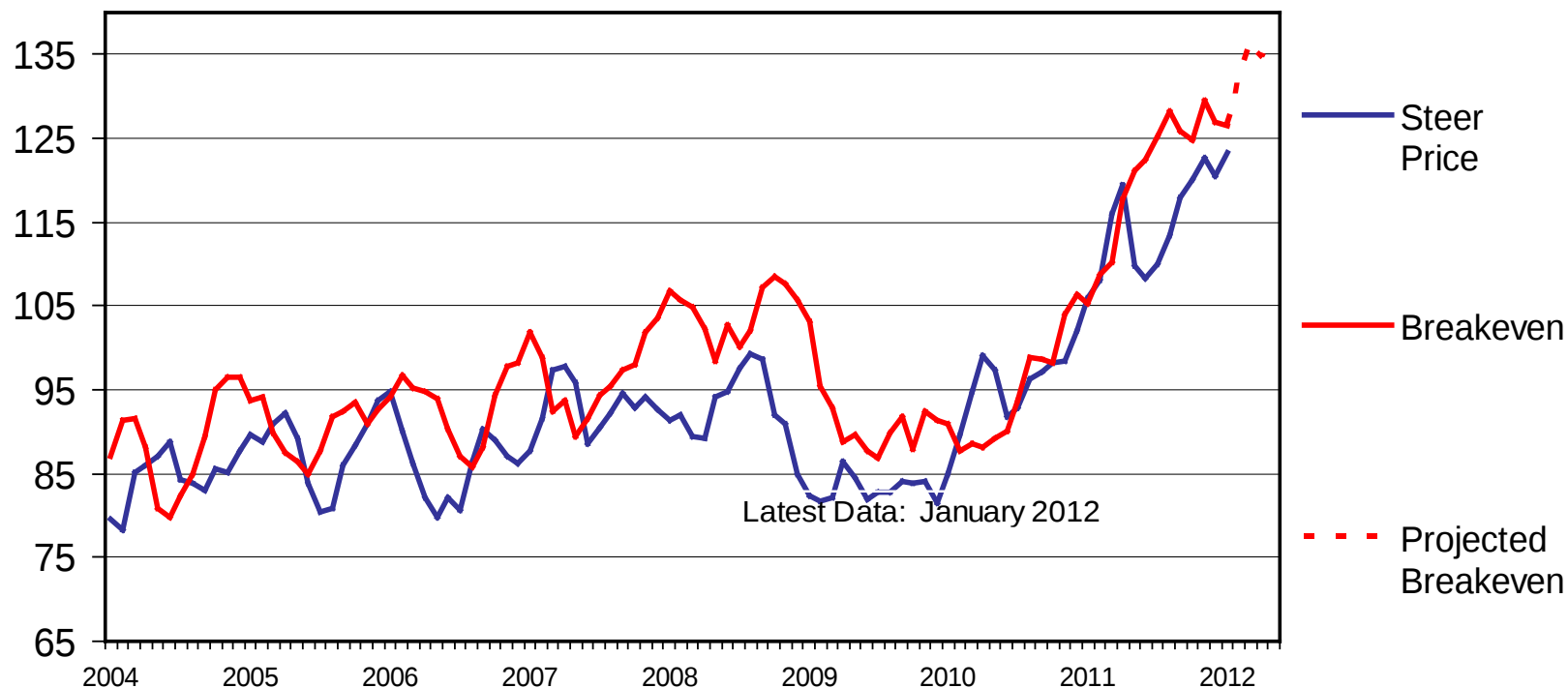
NAIBER (<http://www.naiber.org/>) 3/1/12' Forecasts:

750 lb KS Steer placed on 3/5 & sold at 1,262 lbs on 8/5/12' = ■ \$77/hd;

CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly

\$ Per Cwt



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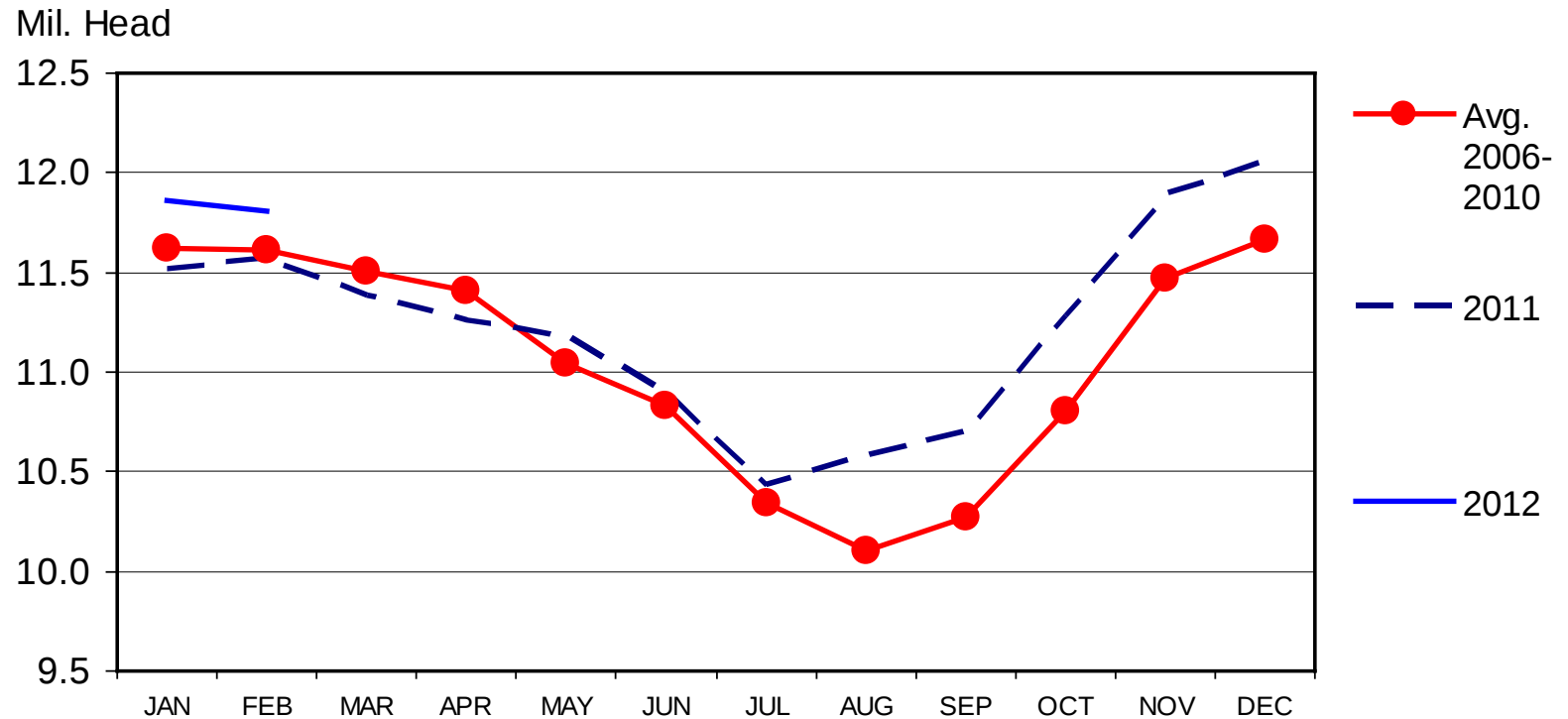
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-21
02/17/12



CATTLE ON FEED

US Total, Monthly



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-10
02/24/12



QUARTERLY FORECASTS (LMIC:2/20/12)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2011						
I	8,317	1.87%	771	0.72%	6411.2	2.61%
II	8,639	-0.47%	759	0.66%	6559	0.19%
III	8,739	-0.14%	771	-0.32%	6737.4	-0.46%
IV	8,397	-2.97%	773	-0.76%	6491.8	-3.70%
Year	34,092	-0.46%	768	0.06%	26199.4	-0.40%
2012						
I	8,095	-2.67%	774	0.40%	6265	-2.28%
II	8,237	-4.65%	766	0.93%	6312	-3.77%
III	8,129	-6.98%	785	1.88%	6385	-5.23%
IV	7,952	-5.30%	787	1.81%	6259	-3.59%
Year	32,413	-4.93%	778	1.25%	25221	-3.73%
2013						
I	7,596	-6.16%	784	1.31%	5956	-4.93%
II	7,820	-5.06%	772	0.74%	6037	-4.36%
III	8,043	-1.06%	794	1.12%	6388	0.05%
IV	7,714	-2.99%	795	0.94%	6129	-2.08%
Year	31,173	-3.83%	786	1.05%	24510	-2.82%



QUARTERLY FORECASTS (LMIC: 2/20/12)

	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2011				
I	110.12	23.11	129.06	150.07
II	112.79	17.08	132.03	148.61
III	114.05	19.47	135.93	141.69
IV	121.99	21.66	143.15	153.11
Year	114.74	20.29	135.04	148.37
2012				
I	124-125	13.06	151-153	174-177
II	126-129	13.05	151-154	173-177
III	123-128	10.04	153-159	171-178
IV	126-131	5.33	152-158	162-170
Year	125-128	10.25	151-157	169-177
2013				
I	128-134	5.22	150-158	166-177
II	131-137	5.10	154-163	171-182
III	126-134	3.59	155-165	169-184
IV	129-138	3.89	153-165	163-178
Year	130-134	4.35	154-162	169-179



Economic Outlook Overview :

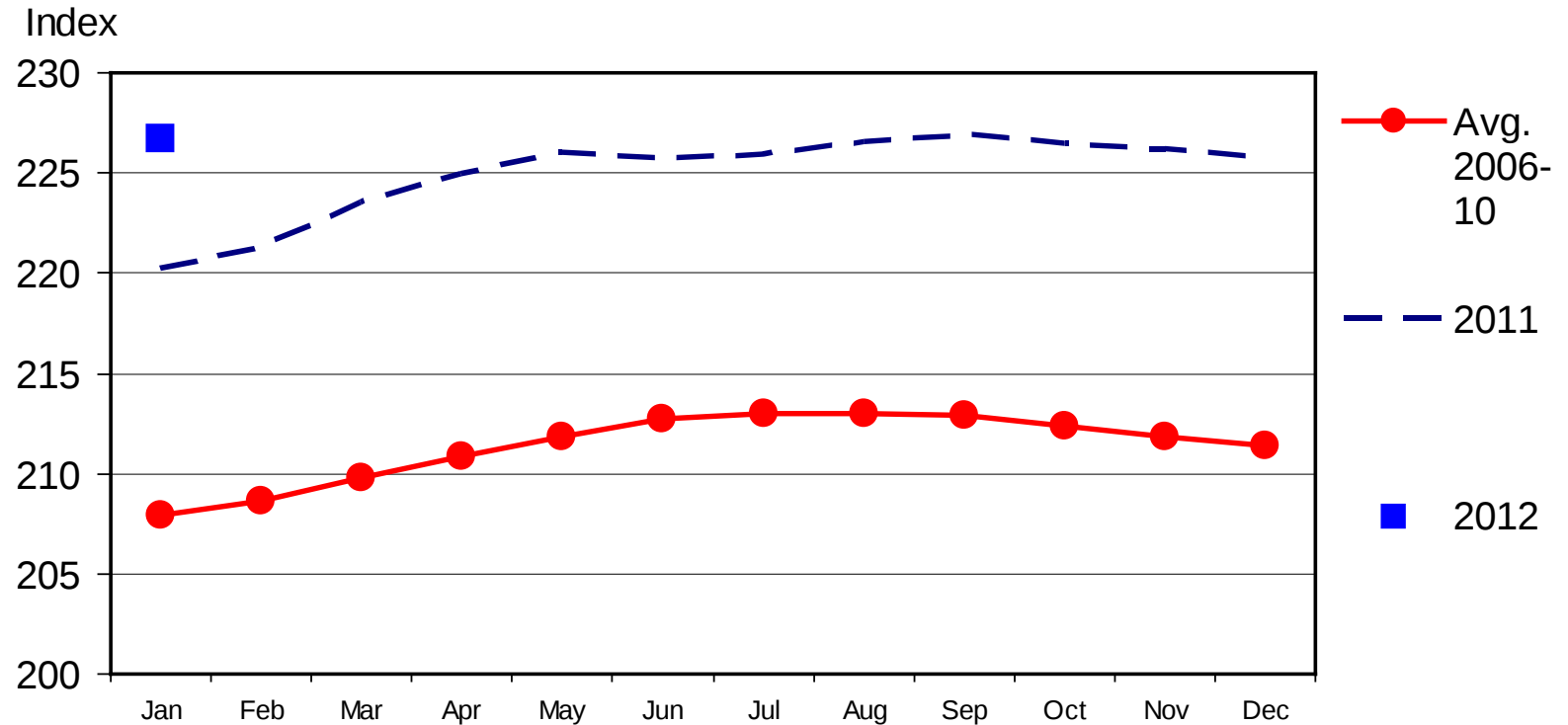
Demand

- Meat prices rising within household basket of purchases...
- Beef demand has surprised analysts...
- Bullish aspects of export success and prospects...



CONSUMER PRICE INDEX - ALL ITEMS

1982-1984 Base, Monthly



Livestock Marketing Information Center

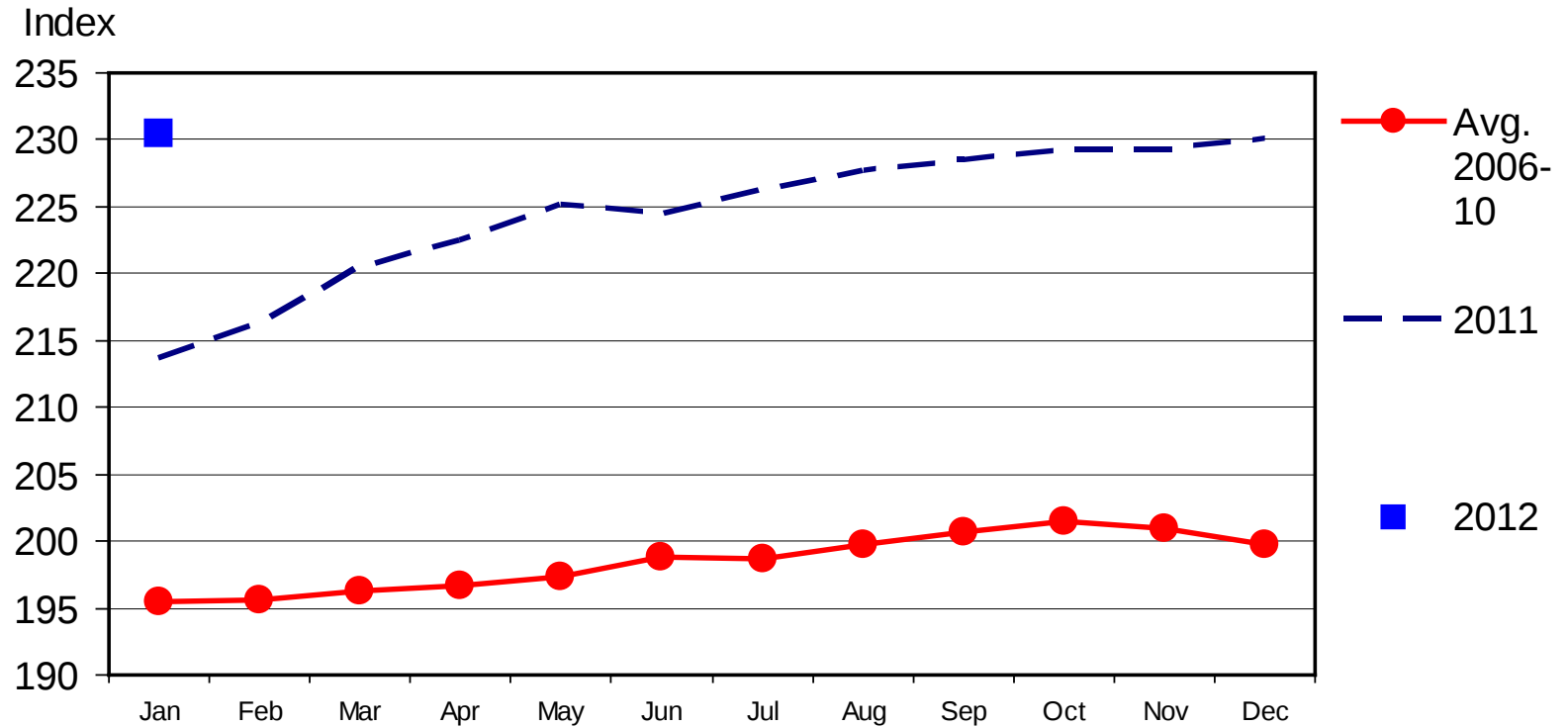
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Data Source: Bureau of Labor Statistics



CPI - MEATS

1982-1984 Base, Monthly



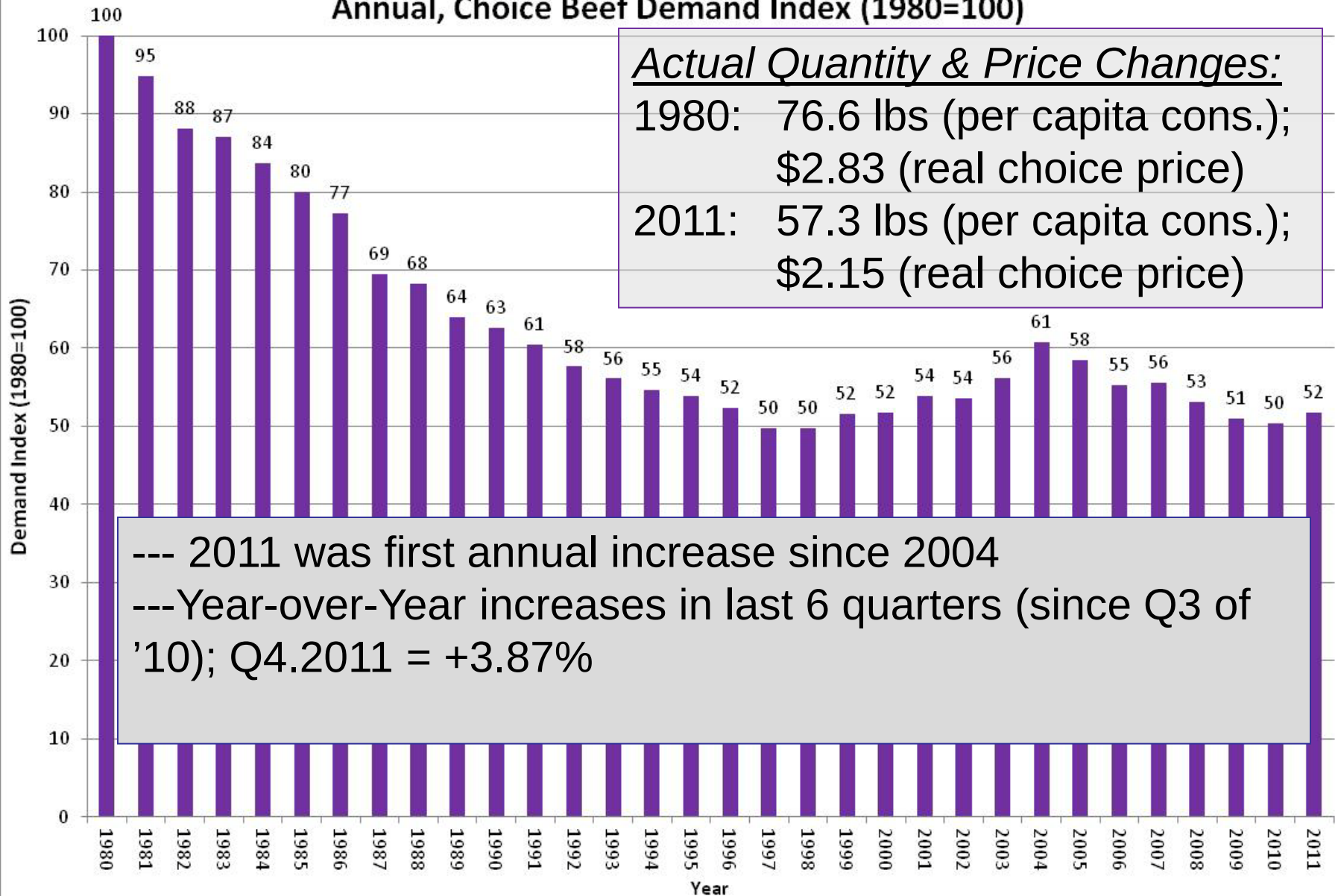
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Data Source: Bureau of Labor Statistics



Annual, Choice Beef Demand Index (1980=100)



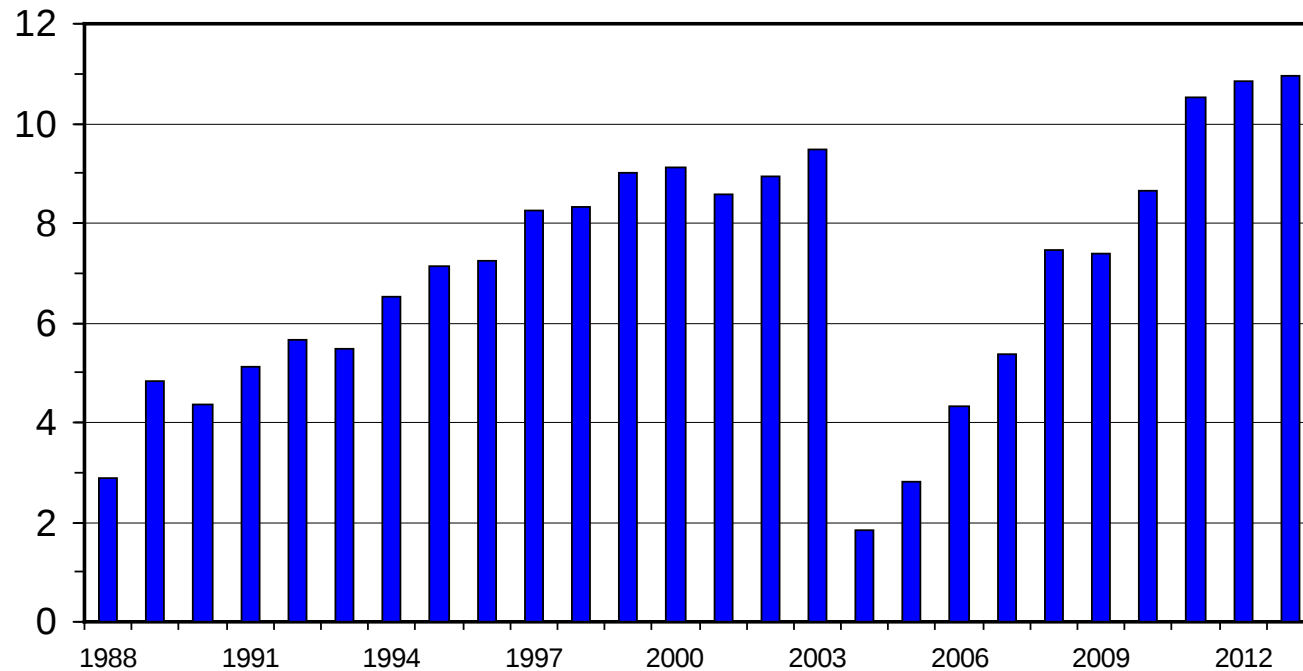
Source: Glynn T. Tonsor, Kansas State University, Jan. 2012



U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual

Percent



Livestock Marketing Information Center

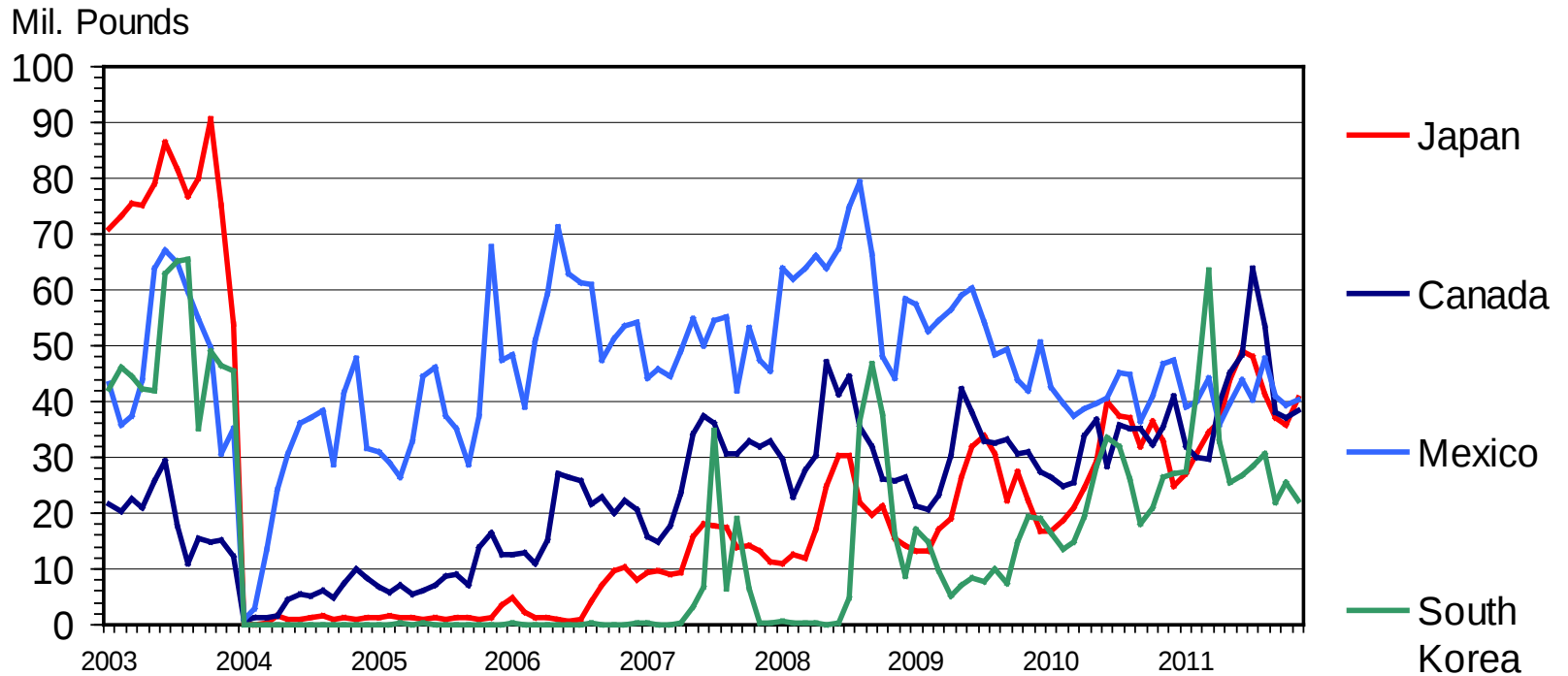
Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC

I-N-07
01/25/12



U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

I-N-35
01/17/12



“Developing” trade discussions are new normal ...

- Japan may start accepting older cattle...
- FTA = reduction of South Korea tariffs
- USMEF – ID/Traceability study == U.S. falling behind
- WTO MCOOL ruling
 - U.S. response (Mar. 23, 2012) unknown...
 - Will Mexico ultimately place tariffs on U.S. pork?



USDA's longer-term projections (as of Feb. 2012) ...

<http://www.ers.usda.gov/Publications/OCE121/>



United States
Department of
Agriculture

Office of the
Chief Economist

World Agricultural
Outlook Board

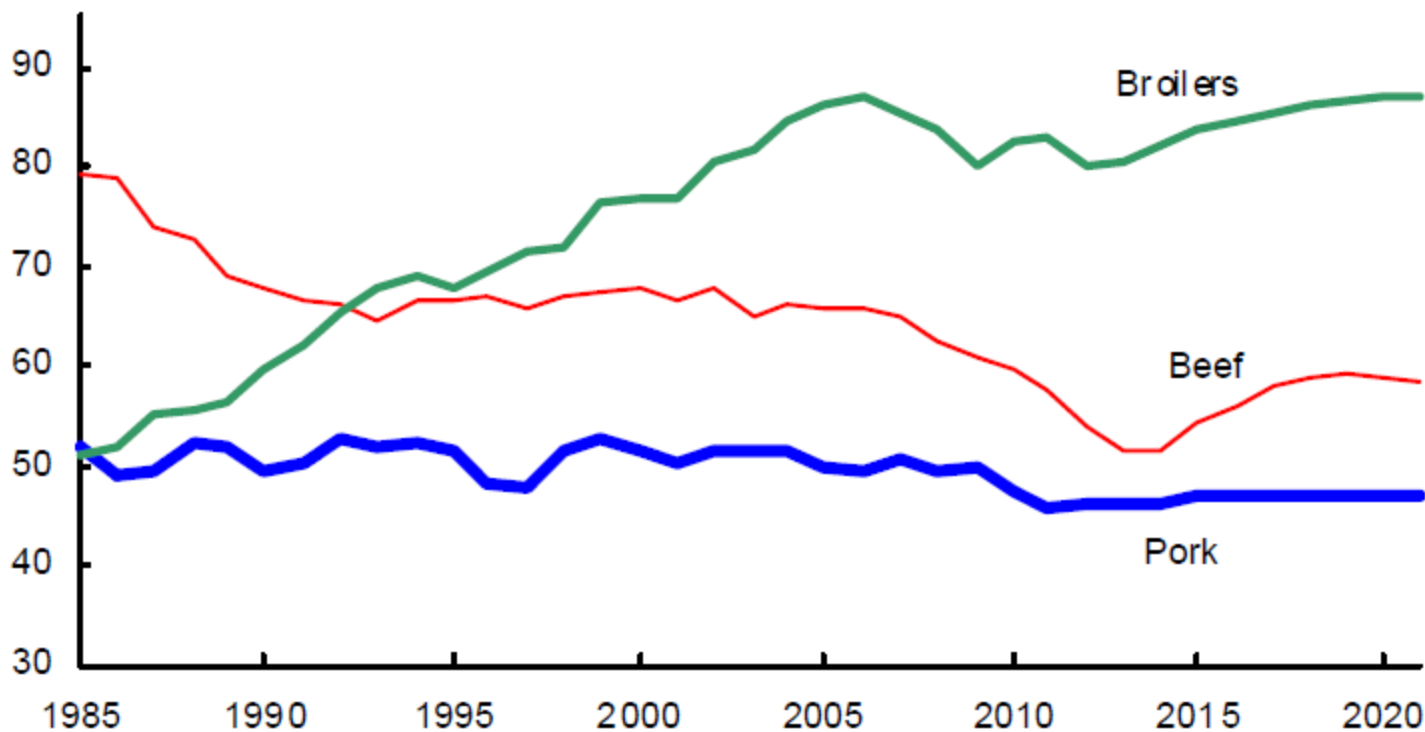
Long-term
Projections Report
OCE-2012-1

February 2012

USDA Agricultural Projections to 2021

U.S. per capita meat consumption

Pounds per capita, retail weight



USDA's longer-term projections (as of Feb. 2012) ...

<http://www.ers.usda.gov/Publications/OCE121/>

- **Beef cow inventory:**
 - 29.8 million in 2012
 - 34.5 million in 2021 (+/- 1997 levels)
- **Domestic per capita red meat and poultry consumption:**
 - 221 lbs in 2004-2007 (**Beef=65.7 lbs**; Pork=50.4 lbs; Poultry=103.8 lbs)
 - 198 lbs in 2013 (**Beef=51.3 lbs**; Pork=46.3 lbs; Poultry=98.5 lbs)
 - 213 lbs in 2021 (**Beef=58.7 lbs**; Pork=47.2 lbs; Poultry=105.8 lbs)
- **Beef exports:**
 - 2.30 billion lbs in 2010
 - 2.77 billion lbs in 2011
 - 3.16 billion lbs in 2021



Is overall uncertainty holding back investment???

- WTO MCOOL ruling
- Animal welfare
- GIPSA “fair market” proposed rules / “anti-competition” listening sessions ...
 - Ultimately little action w/r/t beef cattle industry
 - **BUT** lots of wasted time & energy...
- Environmental regulation concerns persist
- Farm bill and tax code/policy uncertainties...
 - *If cow-calf herd used to expand when Exp.*
Profit=\$100/cow, what trigger is needed today???



More information available at:
AgManager (<http://www.agmanager.info/>)

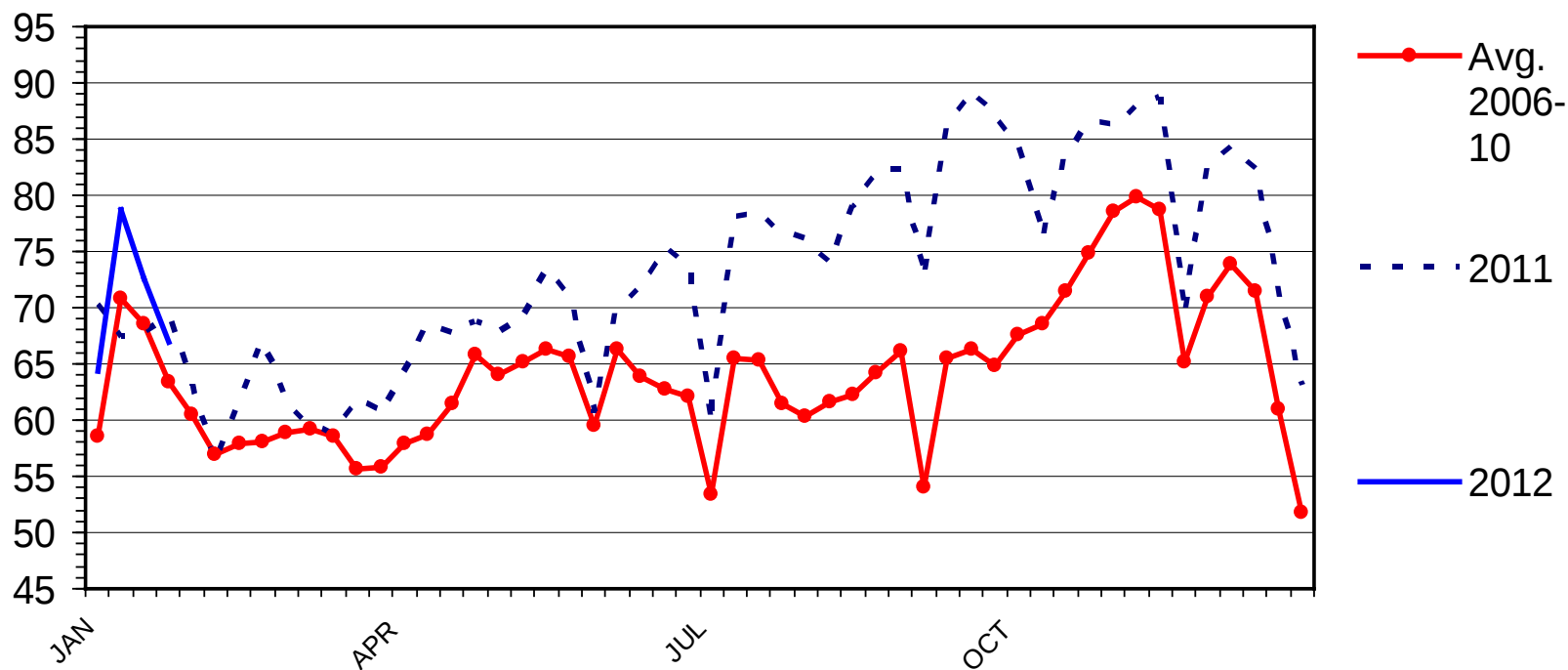
Glynn T. Tonsor
Assistant Professor
Dept. of Agricultural Economics
Kansas State University
gtt@agecon.ksu.edu



BEEF COW SLAUGHTER

Federally Inspected, Weekly

Thou. Head



Livestock Marketing Information Center

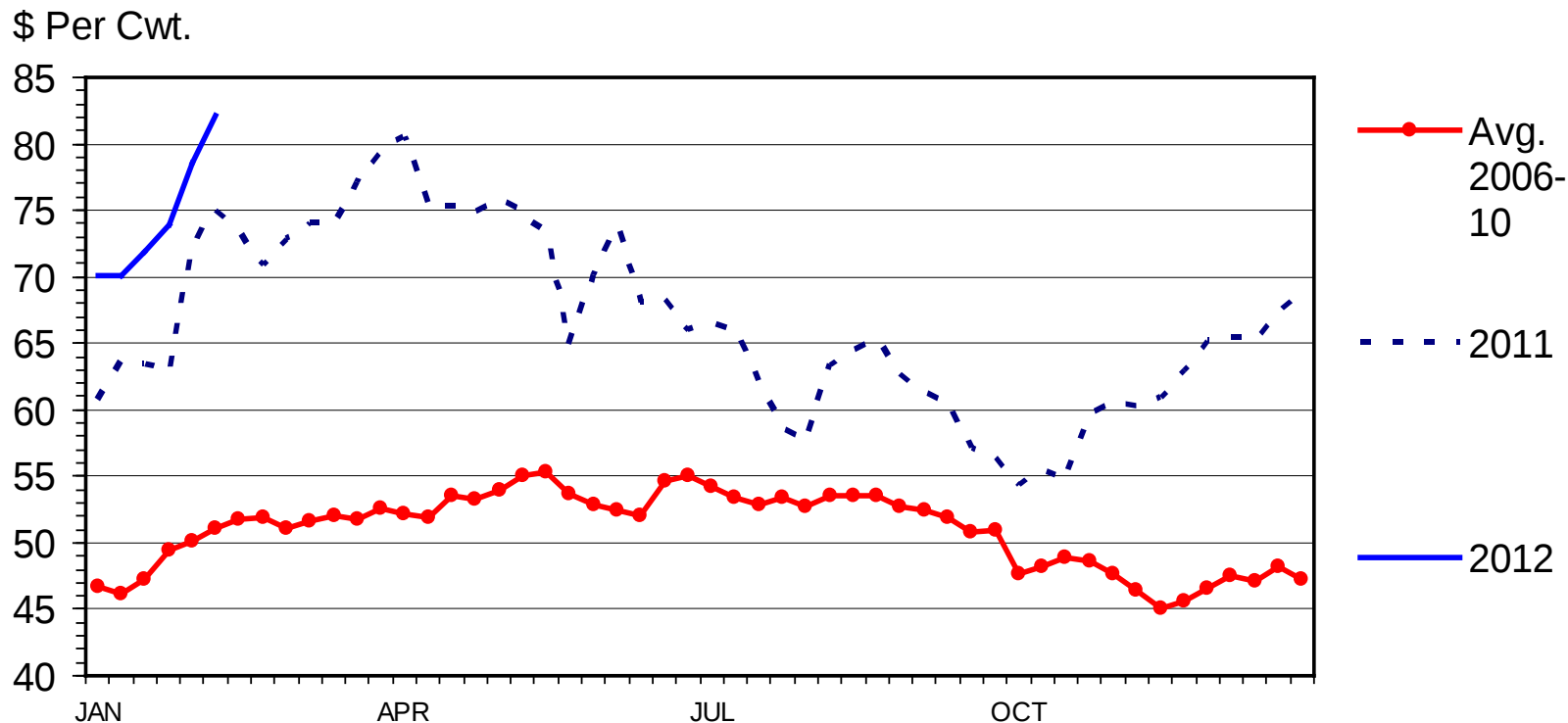
Data Source: USDA-AMS & USDA-NASS

C-S-34
02/10/12



SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly



Livestock Marketing Information Center

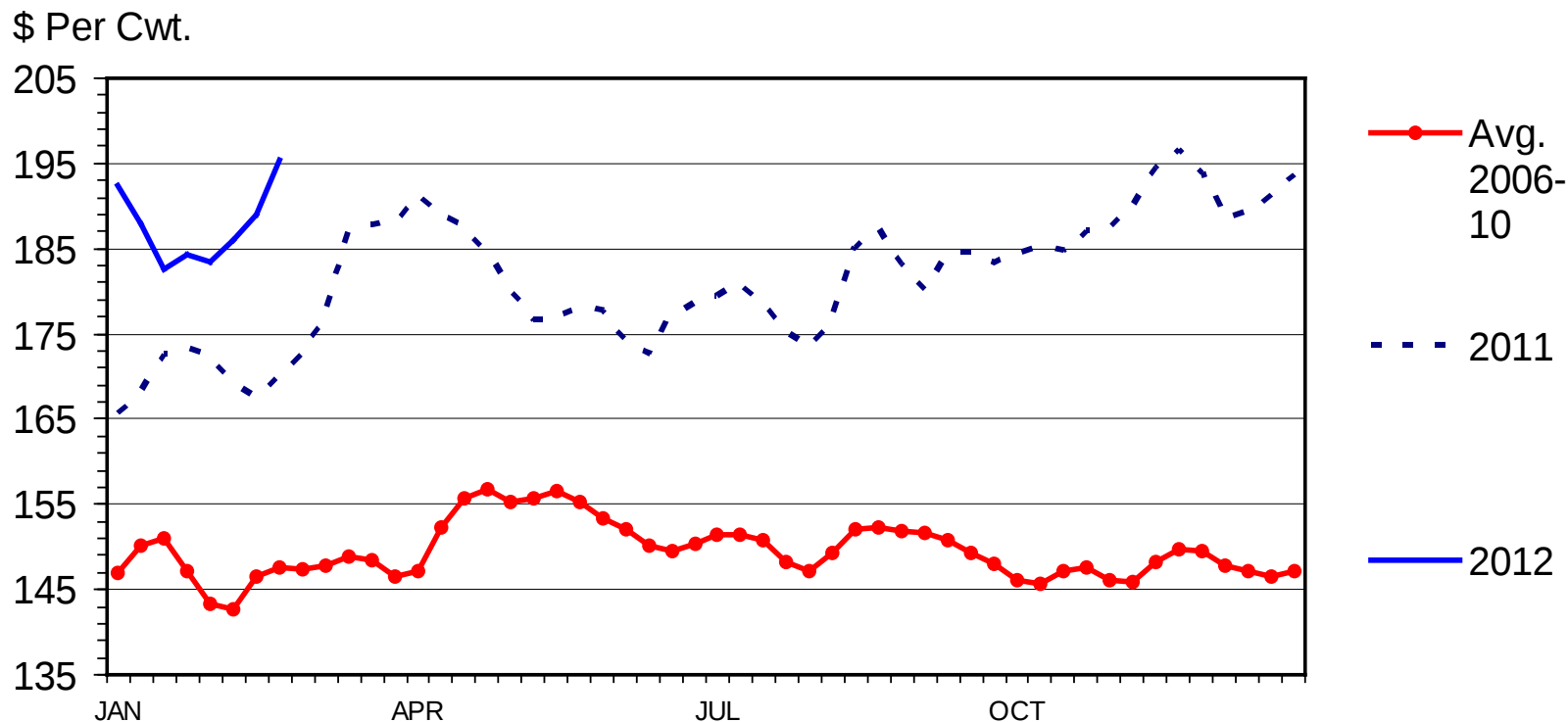
Data Source: USDA-AMS

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02/13/12



BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs. Carcass, Weekly



Livestock Marketing Information Center

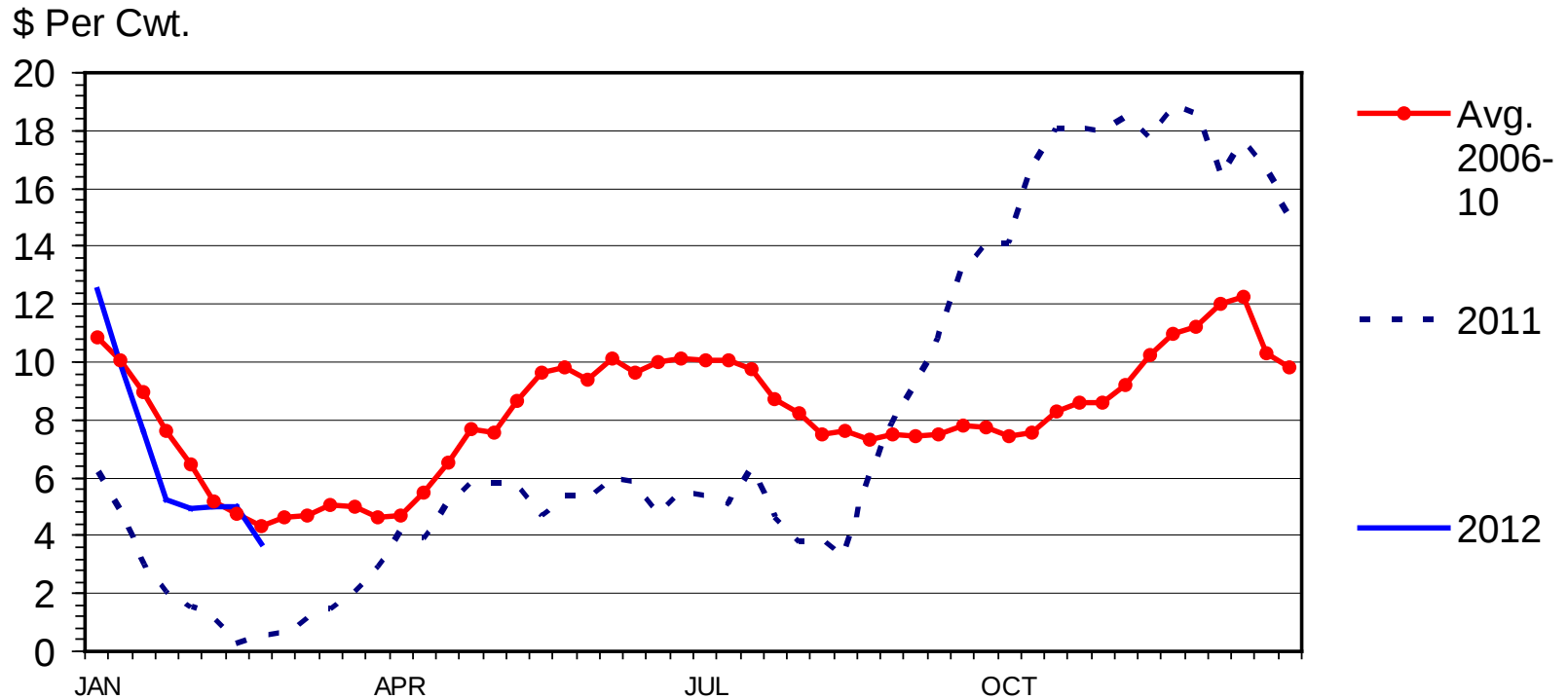
Data Source: USDA-AMS

C-P-62
02/27/12



CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly



Livestock Marketing Information Center

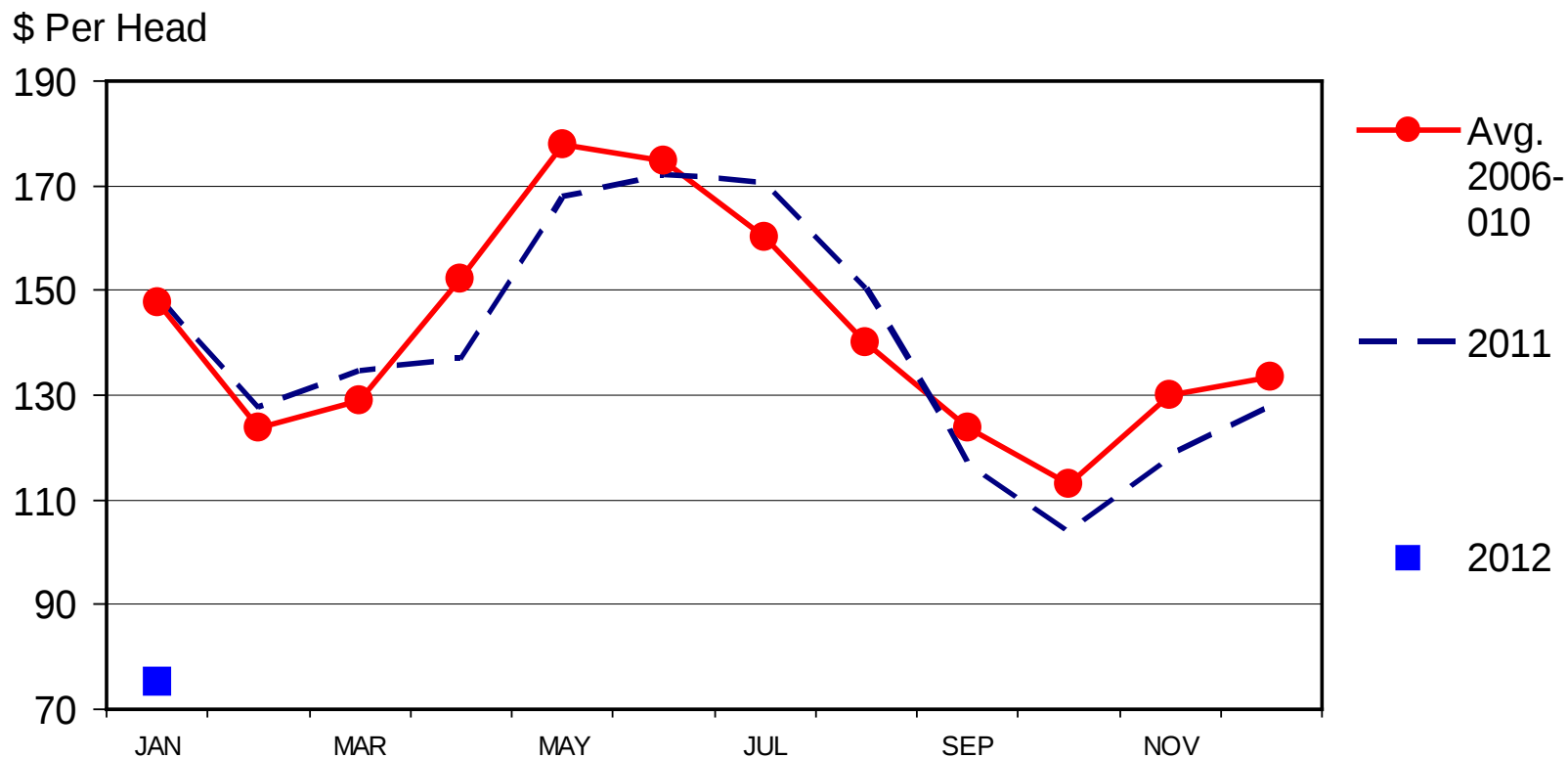
Data Source: USDA-AMS, Compiled & Analysis by LMIC

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02/27/12



LIVE TO CUTOUT BEEF PRICE SPREAD

Monthly



C-P-02
02/17/12

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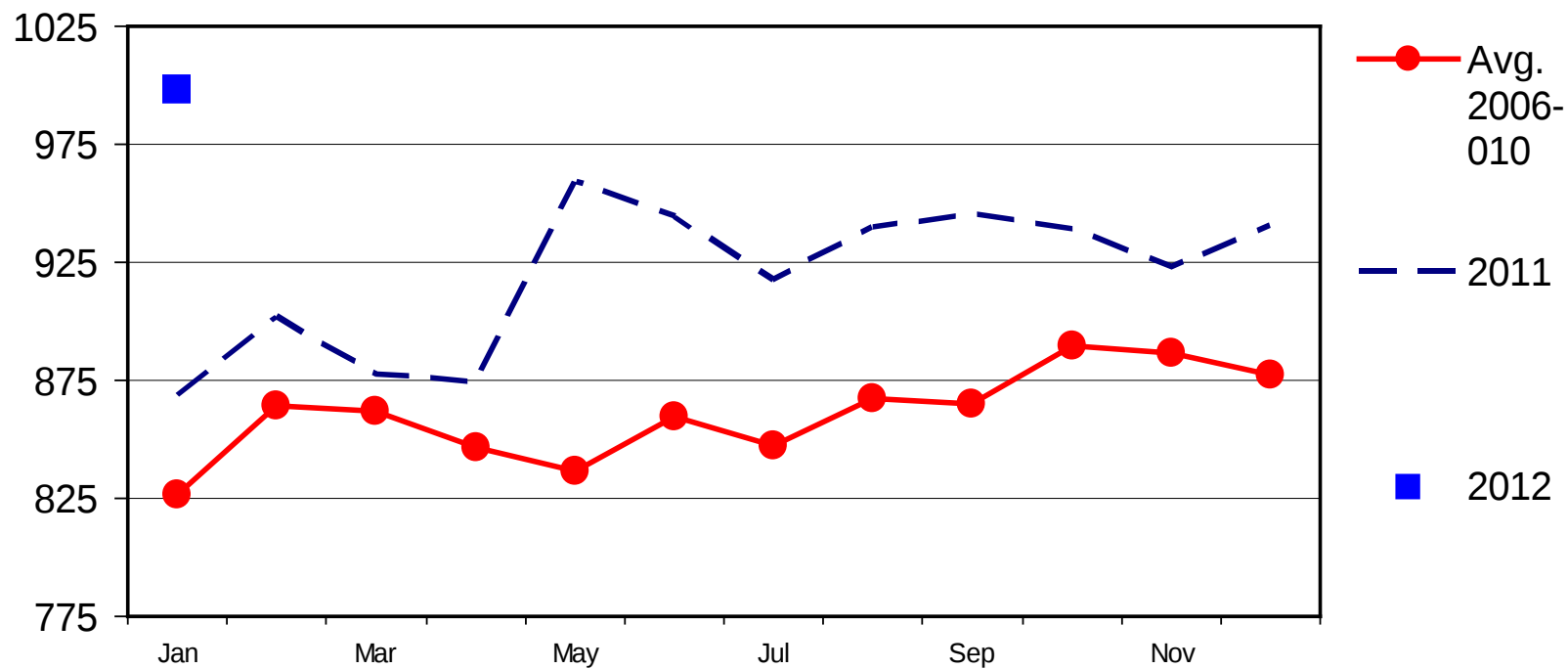
Data Source: USDA-AMS & USDA-ERS, Compiled & Analysis by LMIC



CUTOUT TO RETAIL BEEF PRICE SPREAD

Monthly

\$ Per Head



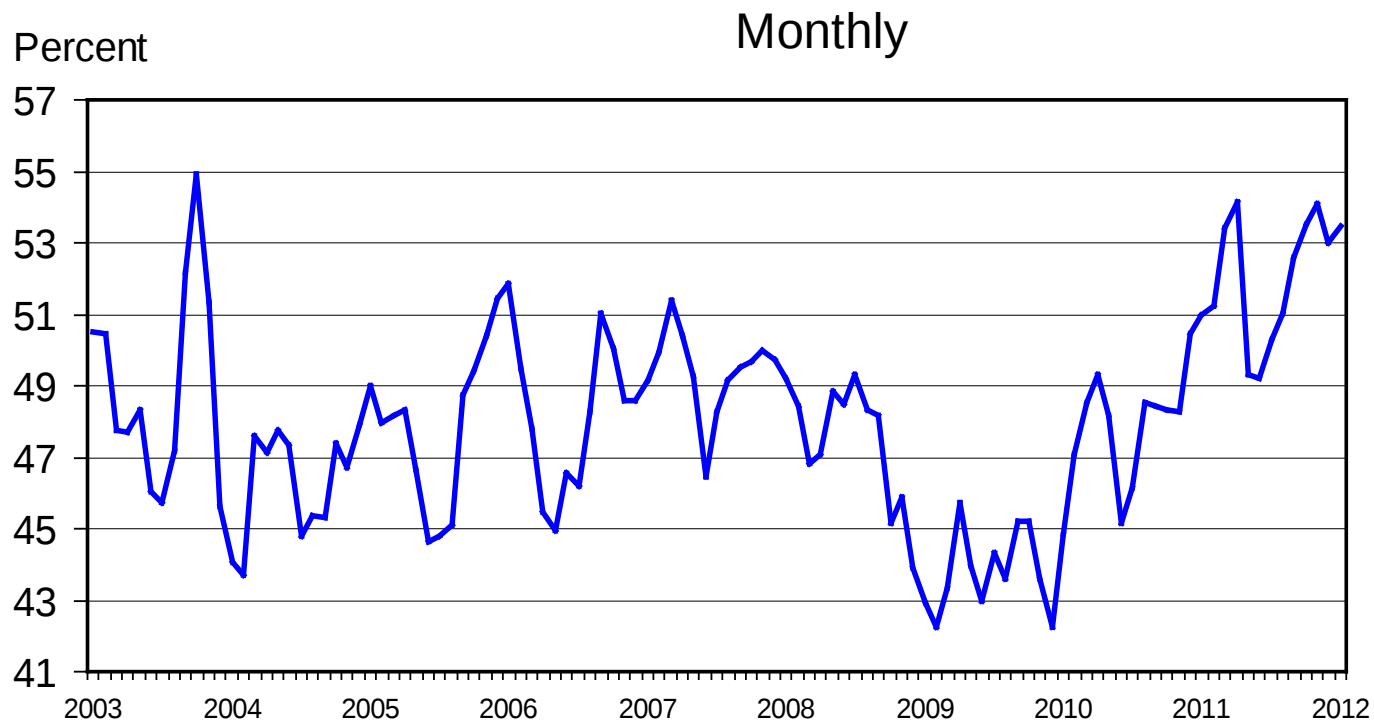
C-P-04
02/17/12

Livestock Marketing Information Center

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



CHOICE STEER VALUE AS A PERCENT OF RETAIL BEEF VALUE



C-P-05
02/17/12

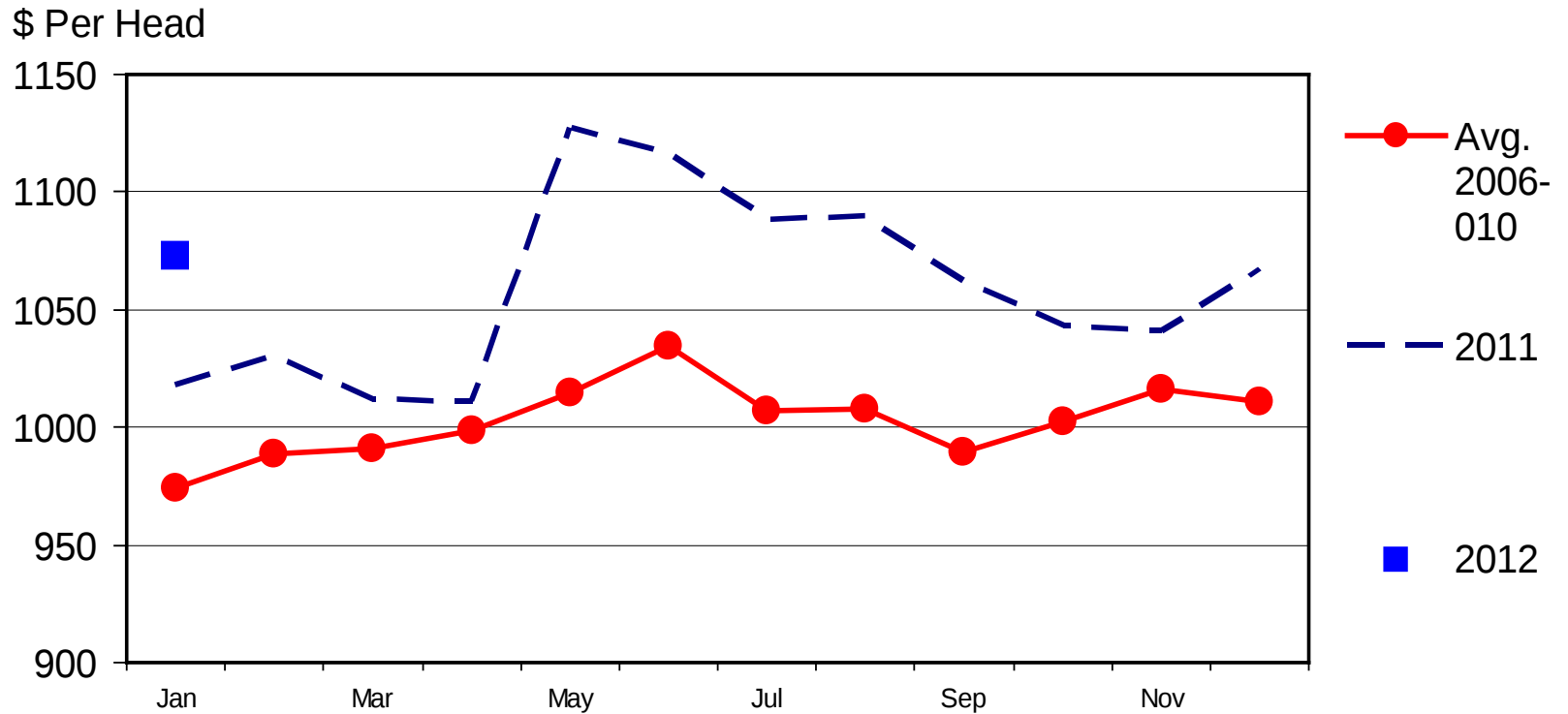
Livestock Marketing Information Center

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



LIVE TO RETAIL BEEF PRICE SPREAD

Monthly



Livestock Marketing Information Center

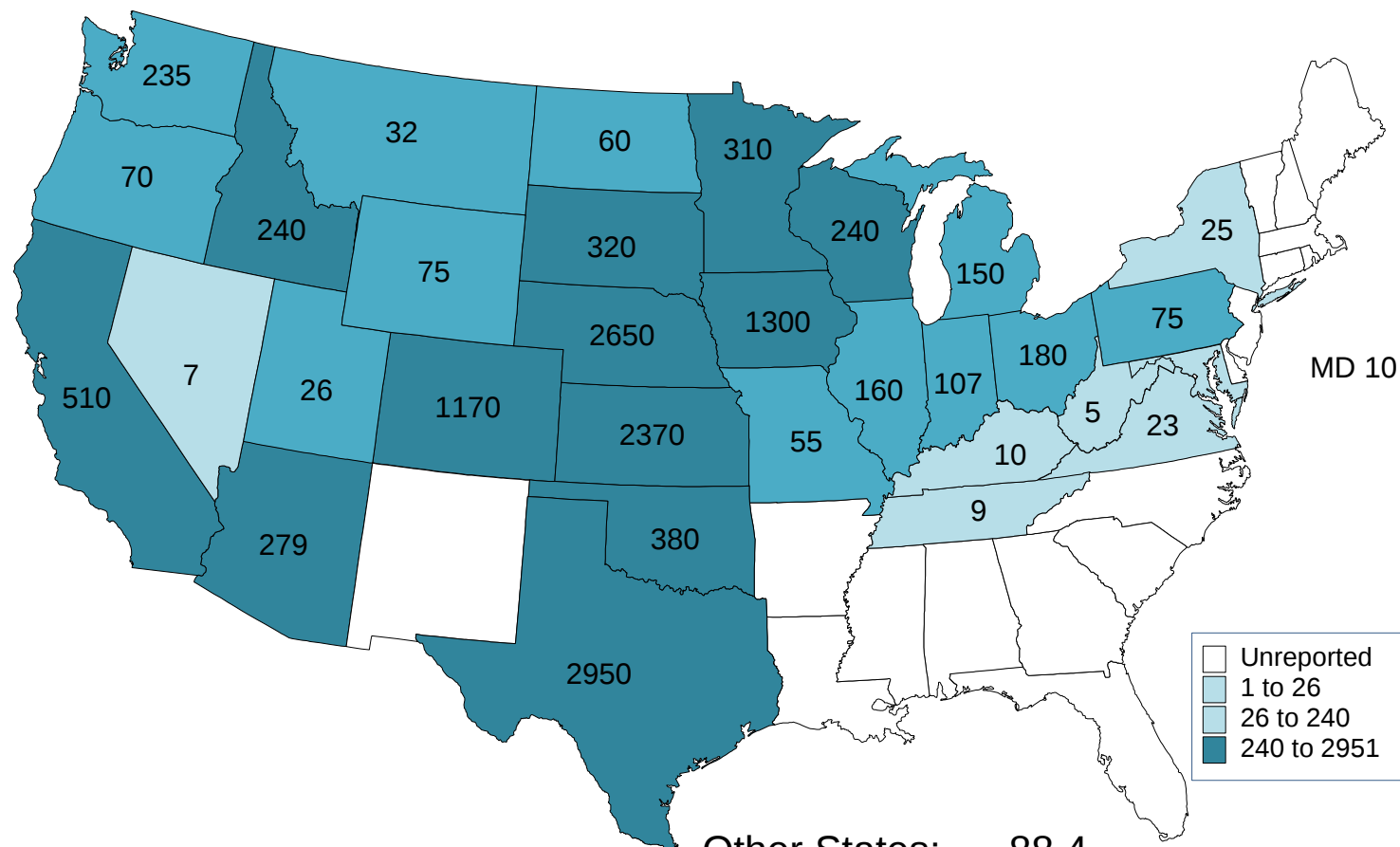
Data Source: USDA-AMS & USDA-ERS, Compiled & Analysis by LMIC

C-P-07
02/17/12



CATTLE ON FEED JANUARY 1, 2012

(1000 Head)



Other States: 88.4
U.S. Total: 14121

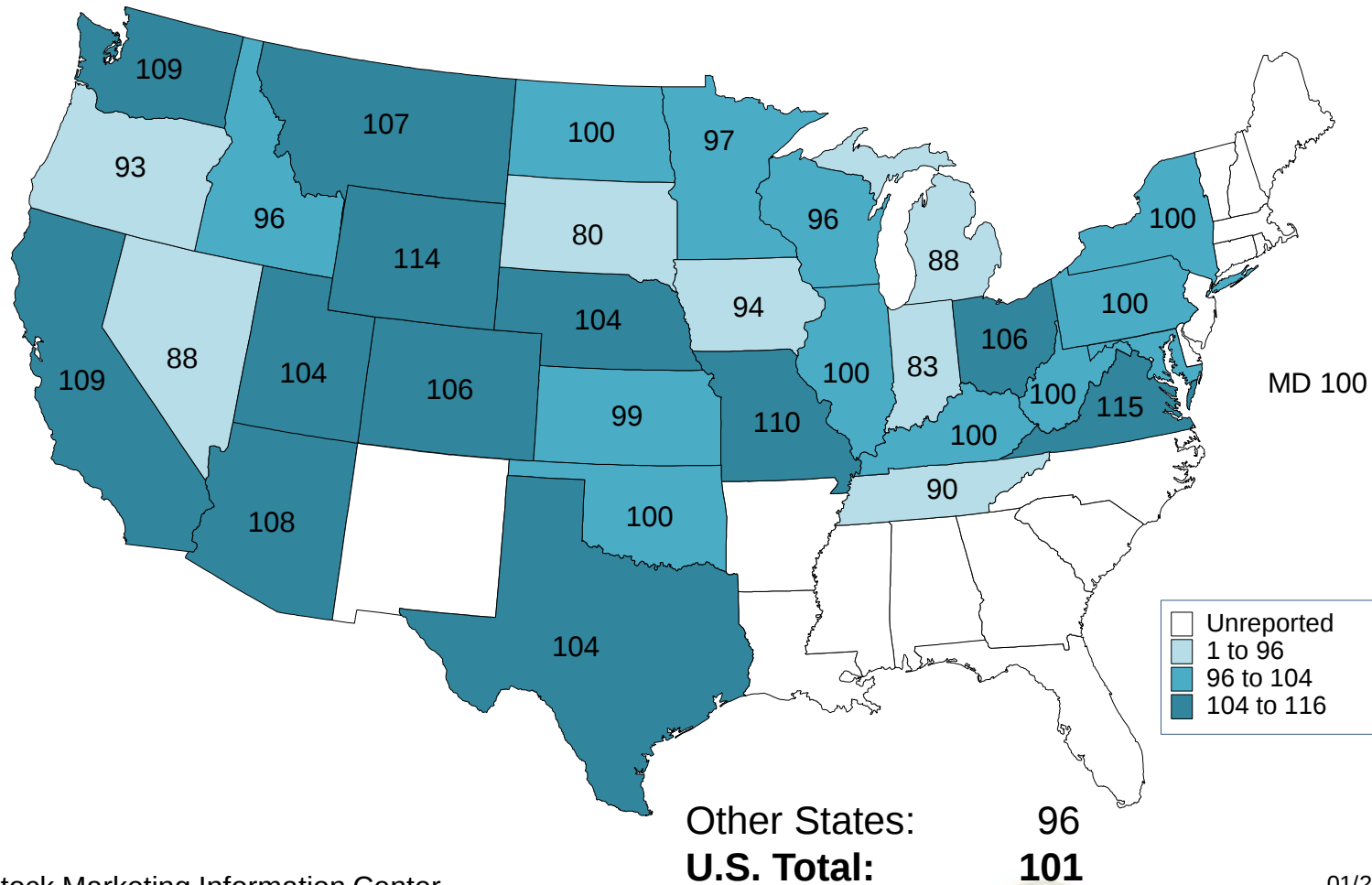
Livestock Marketing Information Center

Data Source: USDA-NASS

01/27/12



CATTLE ON FEED JANUARY 1, 2012 AS A % OF 2011



Livestock Marketing Information Center

Data Source: USDA-NASS

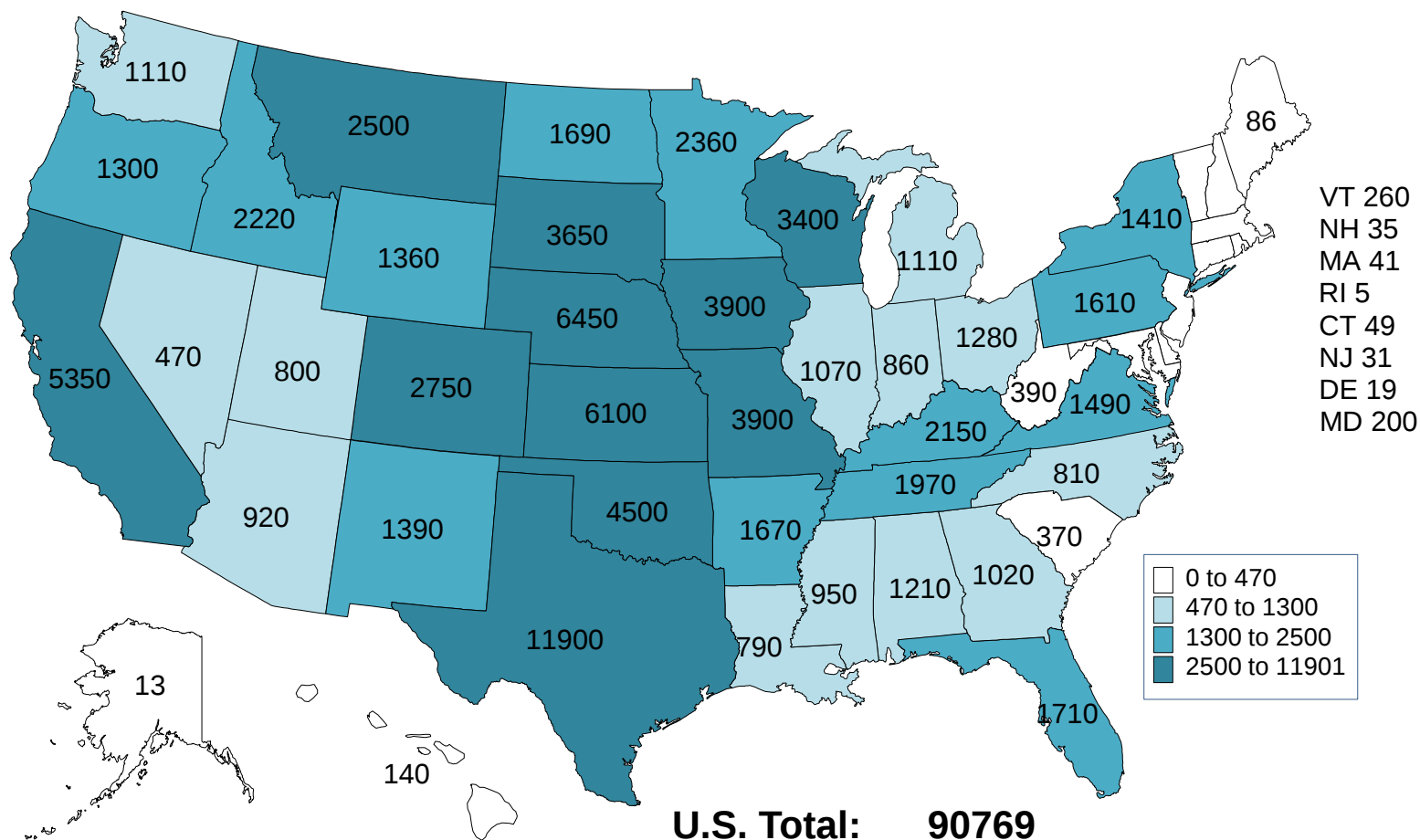
Other States: 96
U.S. Total: 101

01/27/12



TOTAL CATTLE NUMBERS JANUARY 1, 2012

(1000 Head)



CHANGE IN TOTAL CATTLE NUMBERS 2011 - 2012 (1000 Head)

