

Livestock & Meat Market Outlook

Glynn Tonsor

**Dept. of Agricultural Economics
Kansas State University**

***Beef Stocker Field Day
September 30, 2010***



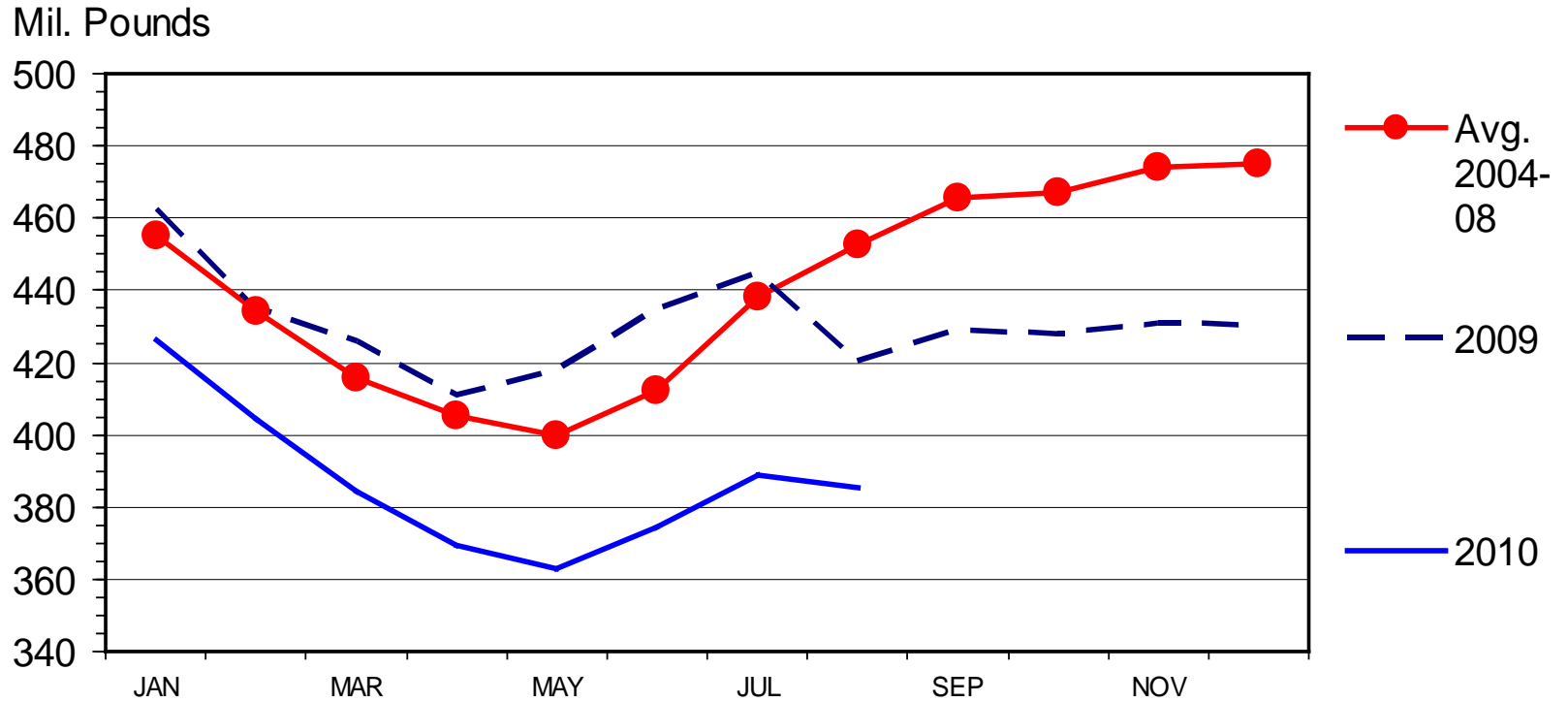
OVERVIEW

- **SUPPLY:**
 - Historically tight supplies
 - Shrinking cow herd, low cold storage stocks,...
- **DEMAND:**
 - Export demand has been strong
 - Domestic demand more volatile & worrisome
- **FEEDS:**
 - Excellent pastures; volatile grain prices



BEEF IN COLD STORAGE

End of the Month



Livestock Marketing Information Center

Data Source: USDA/NASS

M-S-09
09/22/10



What is driving cow herd dynamics?

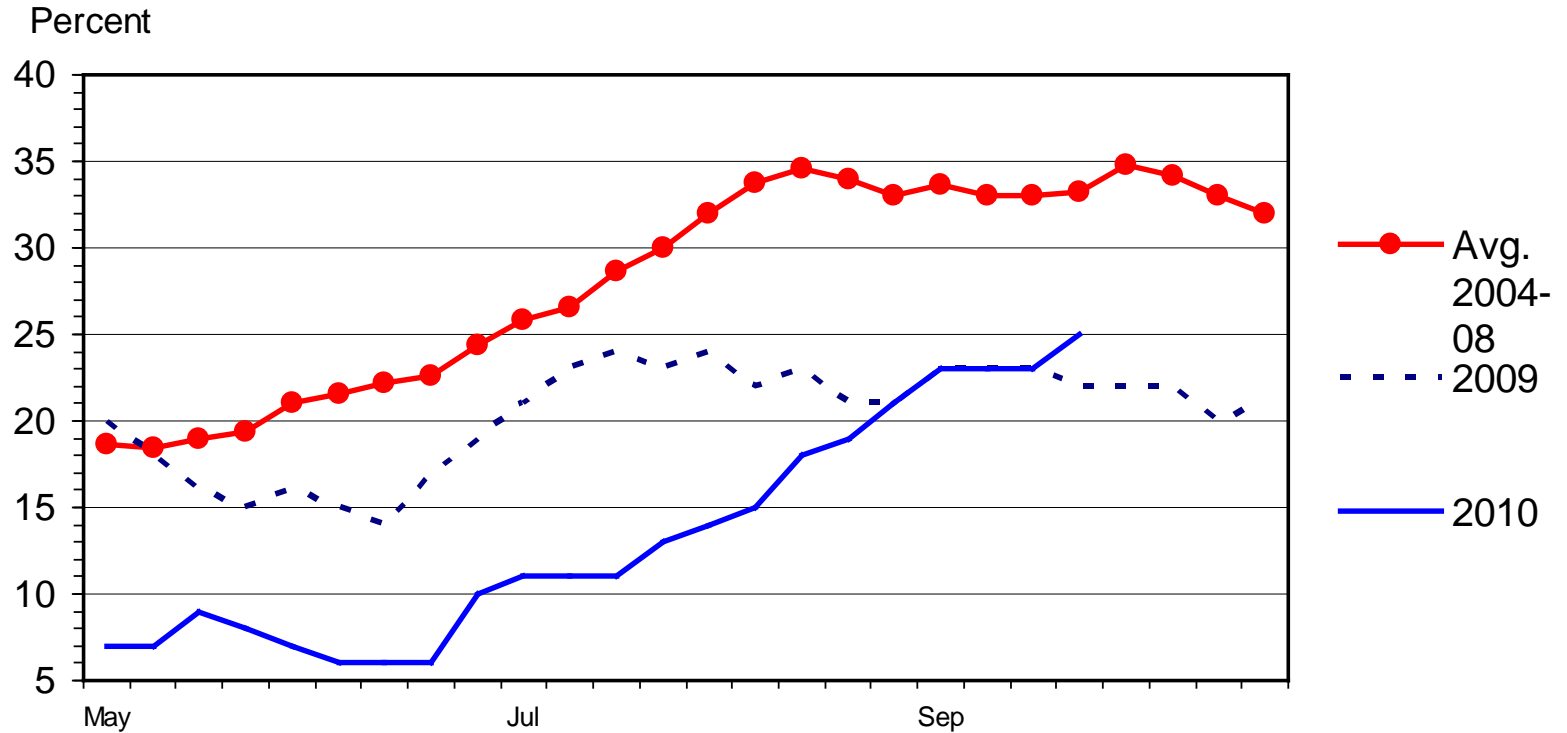
- Excellent Pasture Conditions &
- Expected Profits = EXPANSION (typically)

- Are cow-calf producers cash strapped???
- Is the age of operators at hand and retirement decisions at play???



US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Livestock Marketing Information Center

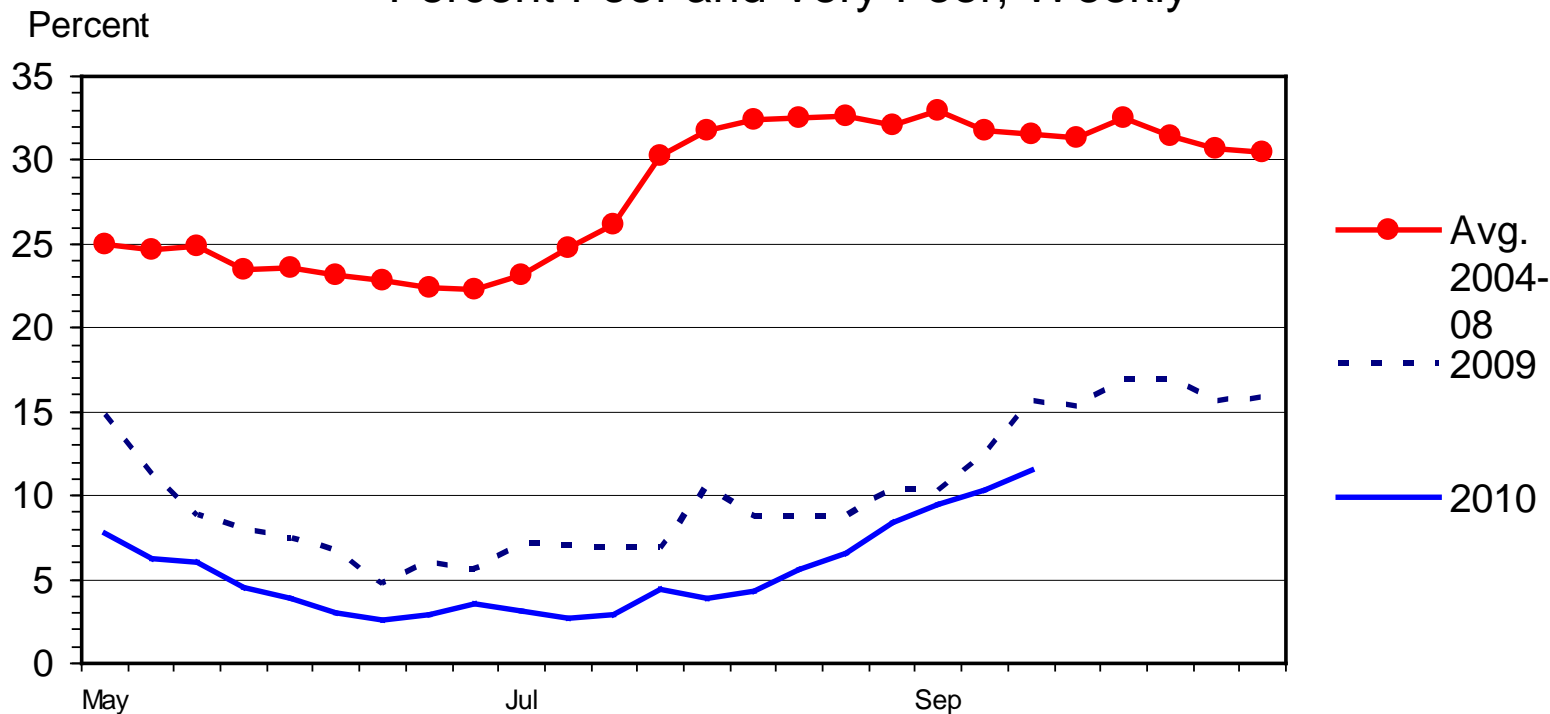
Data Source: USDA/NASS

G-NP-30
09/27/10



GREAT PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Livestock Marketing Information Center

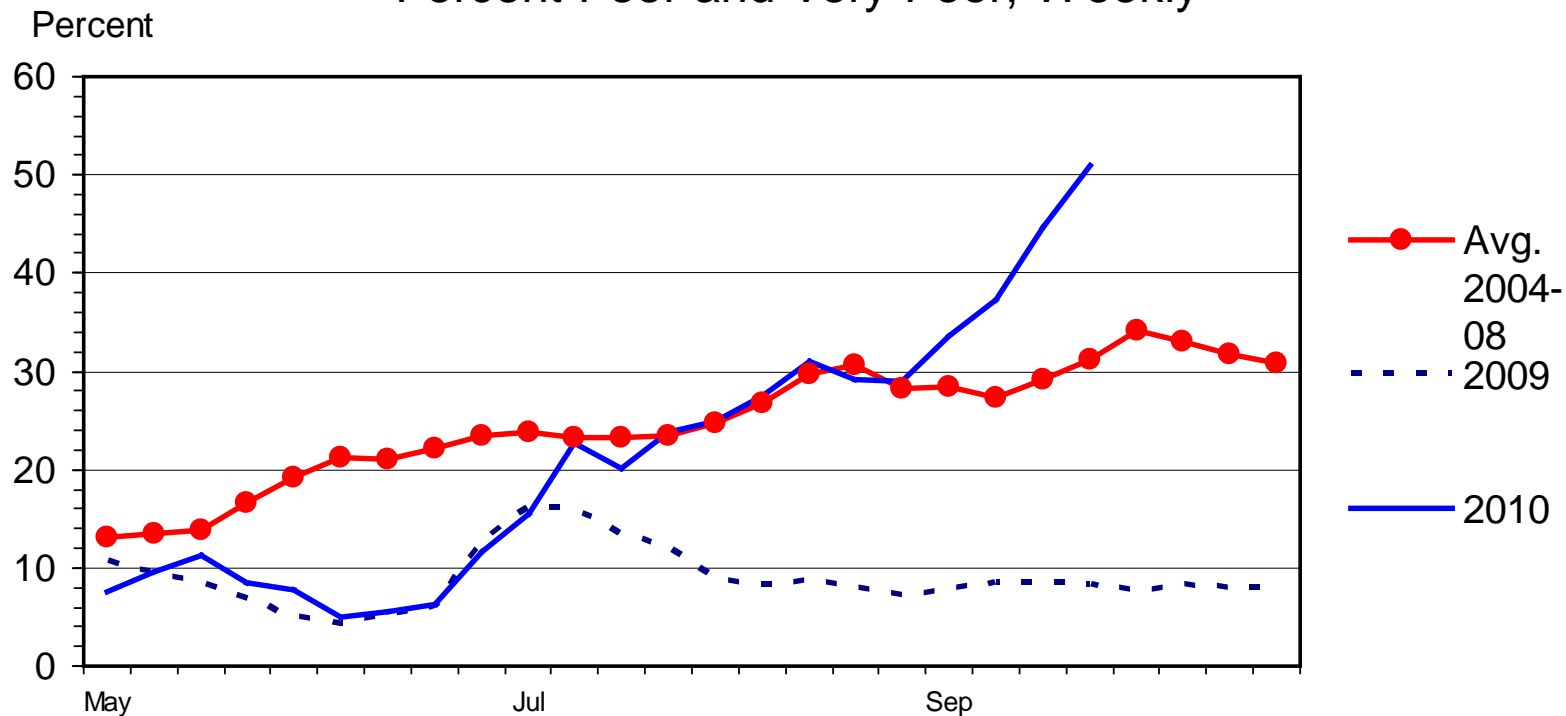
Data Source: USDA/NASS

G-NP-32
09/20/10



SOUTHEAST REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Livestock Marketing Information Center

Data Source: USDA/NASS

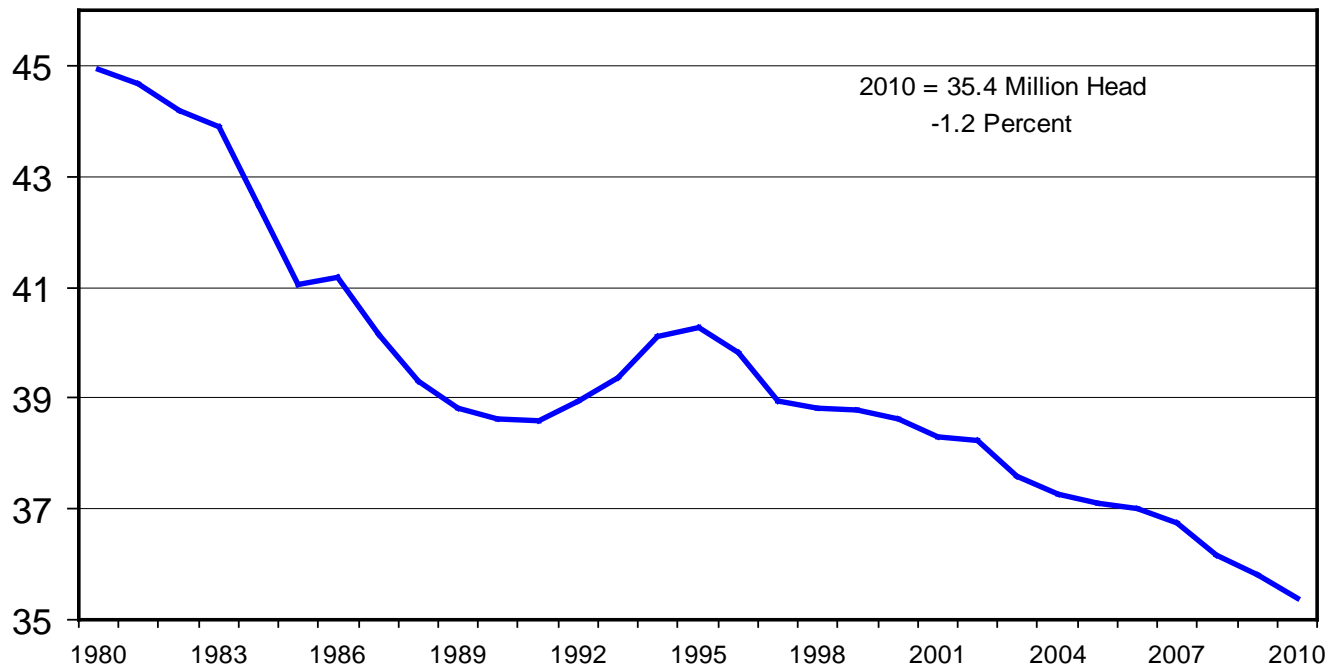
G-NP-36
09/27/10



CALF CROP

July 1 Estimates, U.S., Annual

Mil. Head



Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-18B

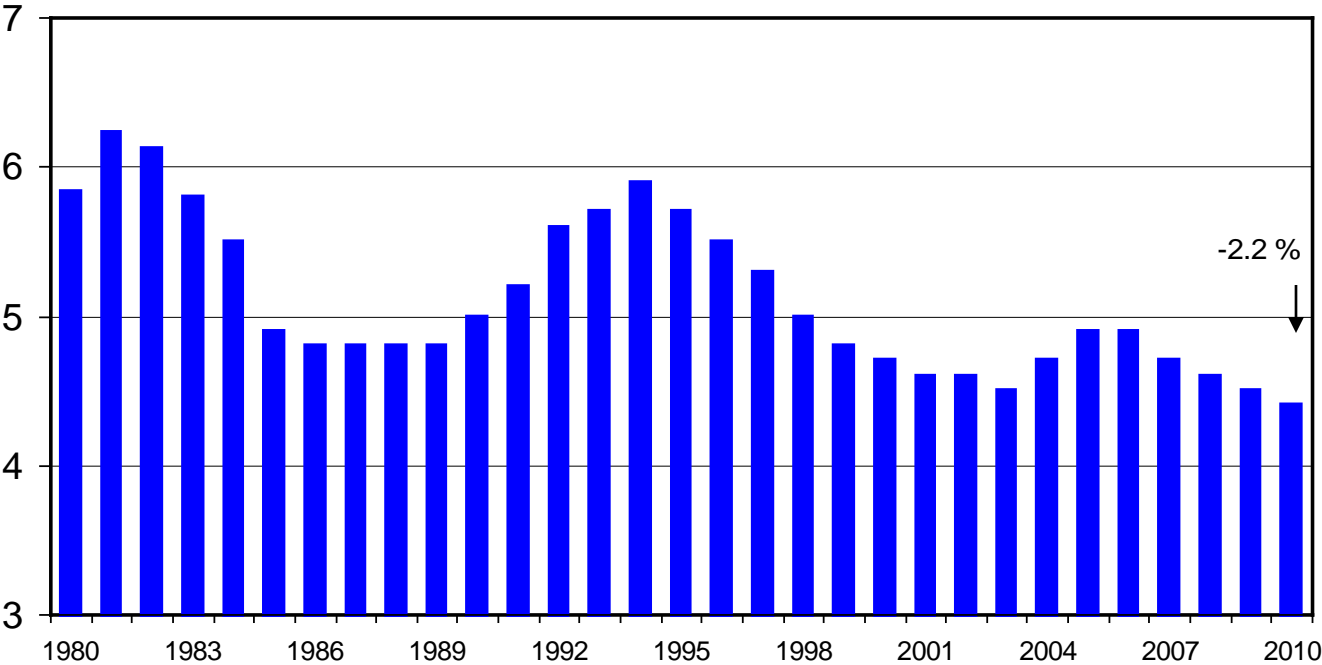
07/23/10



HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Mil. Head



Livestock Marketing Information Center

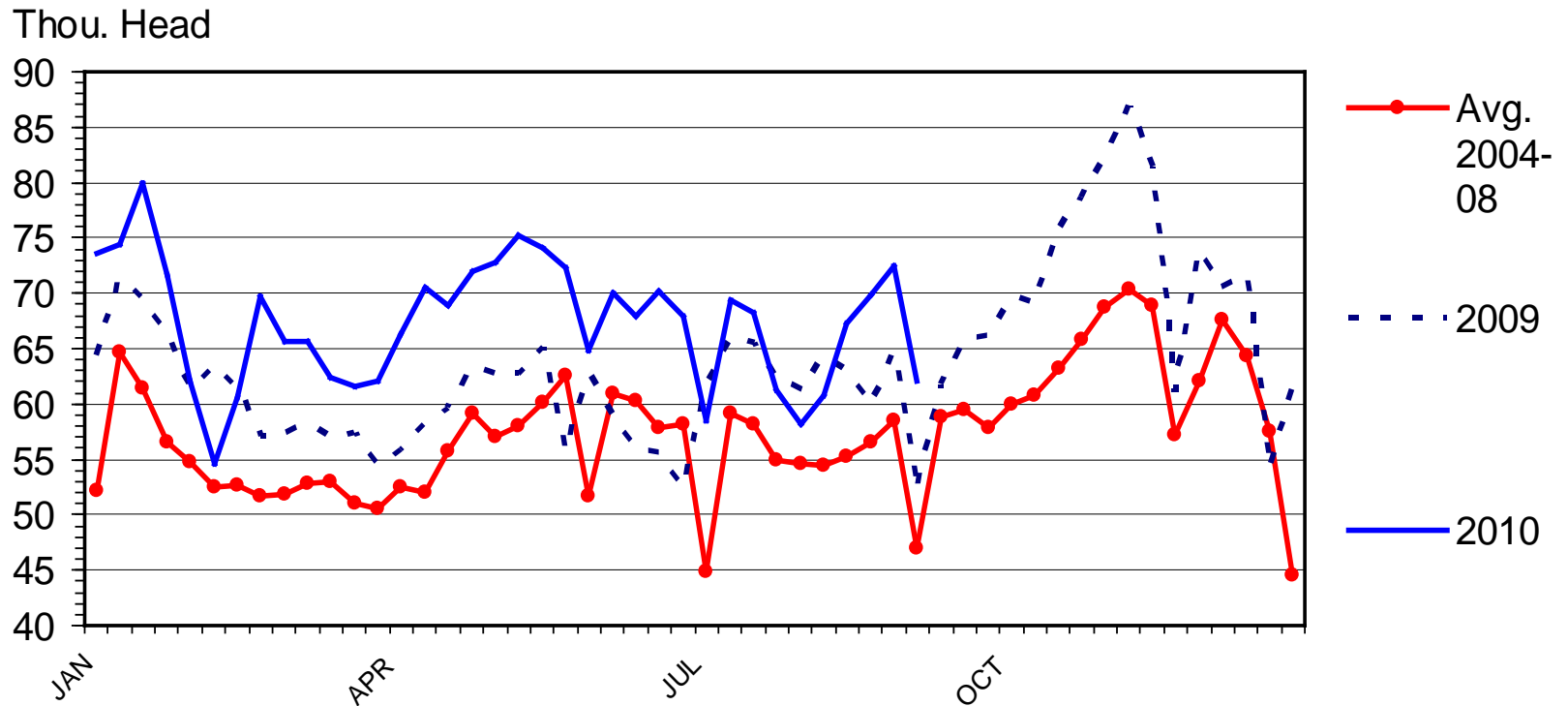
Data Source: USDA/NASS

C-N-37
07/23/10



BEEF COW SLAUGHTER

Federally Inspected, Weekly



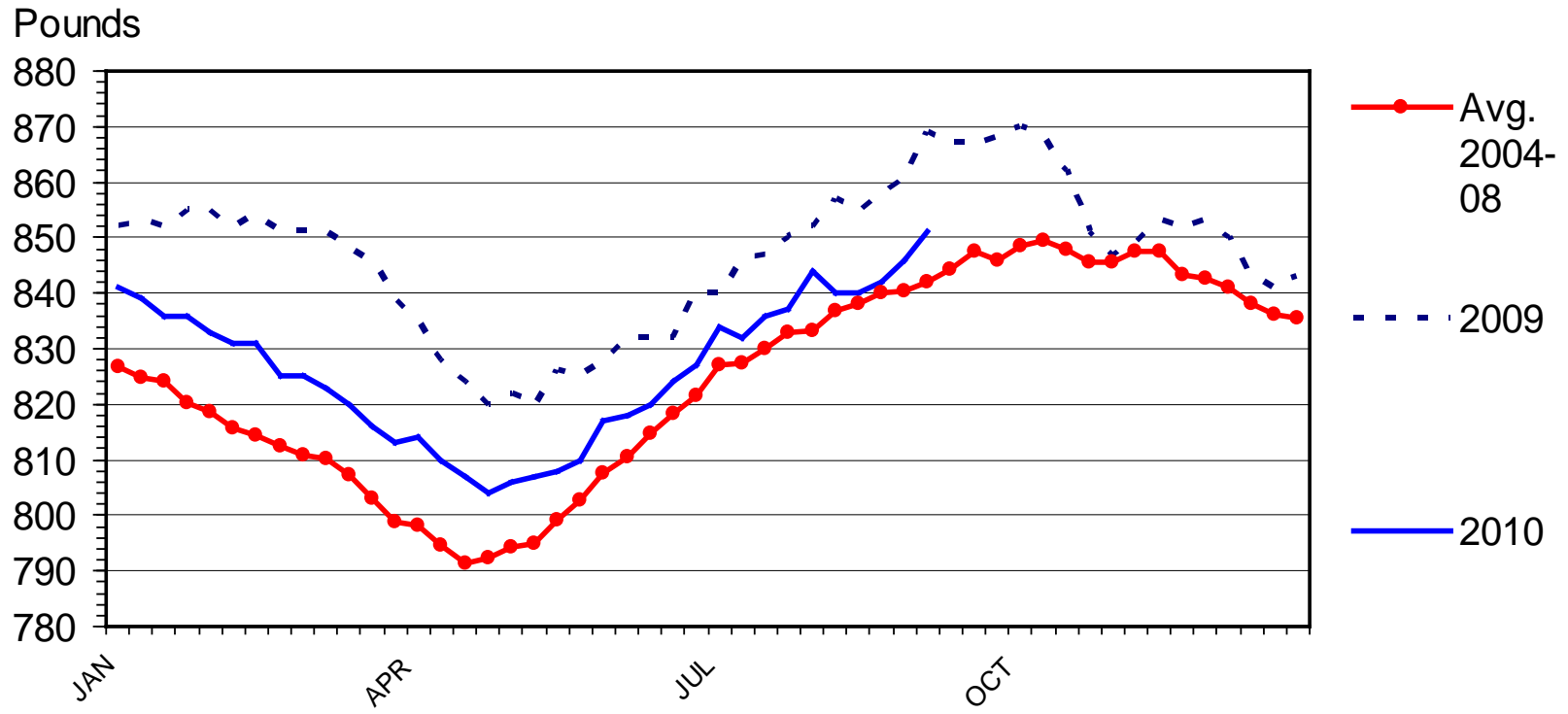
Data Source: USDA-NASS, Compiled by LMIC

C-S-34
09/24/10



STEER DRESSED WEIGHT

Federally Inspected, Weekly

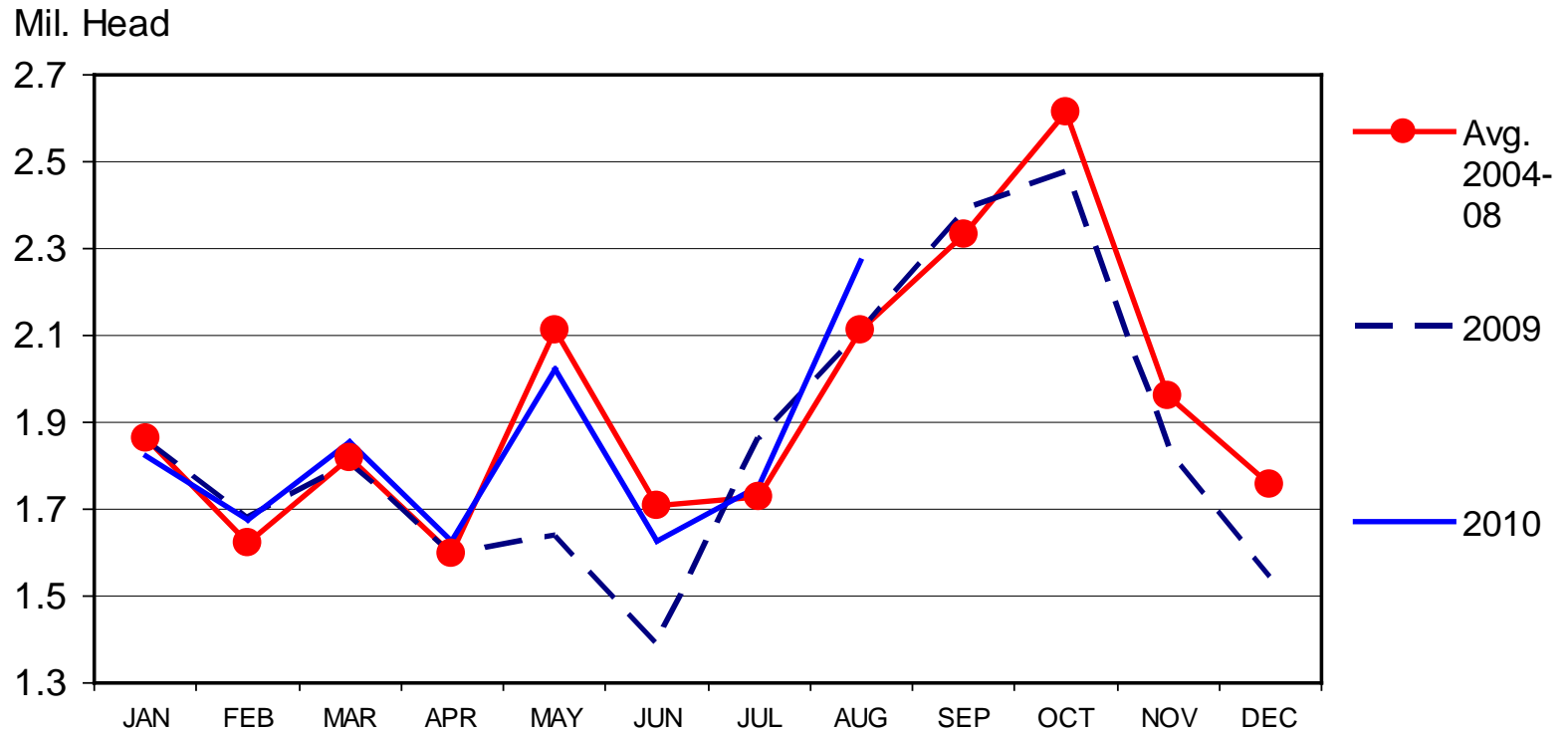


Data Source: USDA-NASS, Compiled by LMIC

C-S-18
09/24/10

FEEDLOT PLACEMENTS

US Total, Monthly



Livestock Marketing Information Center

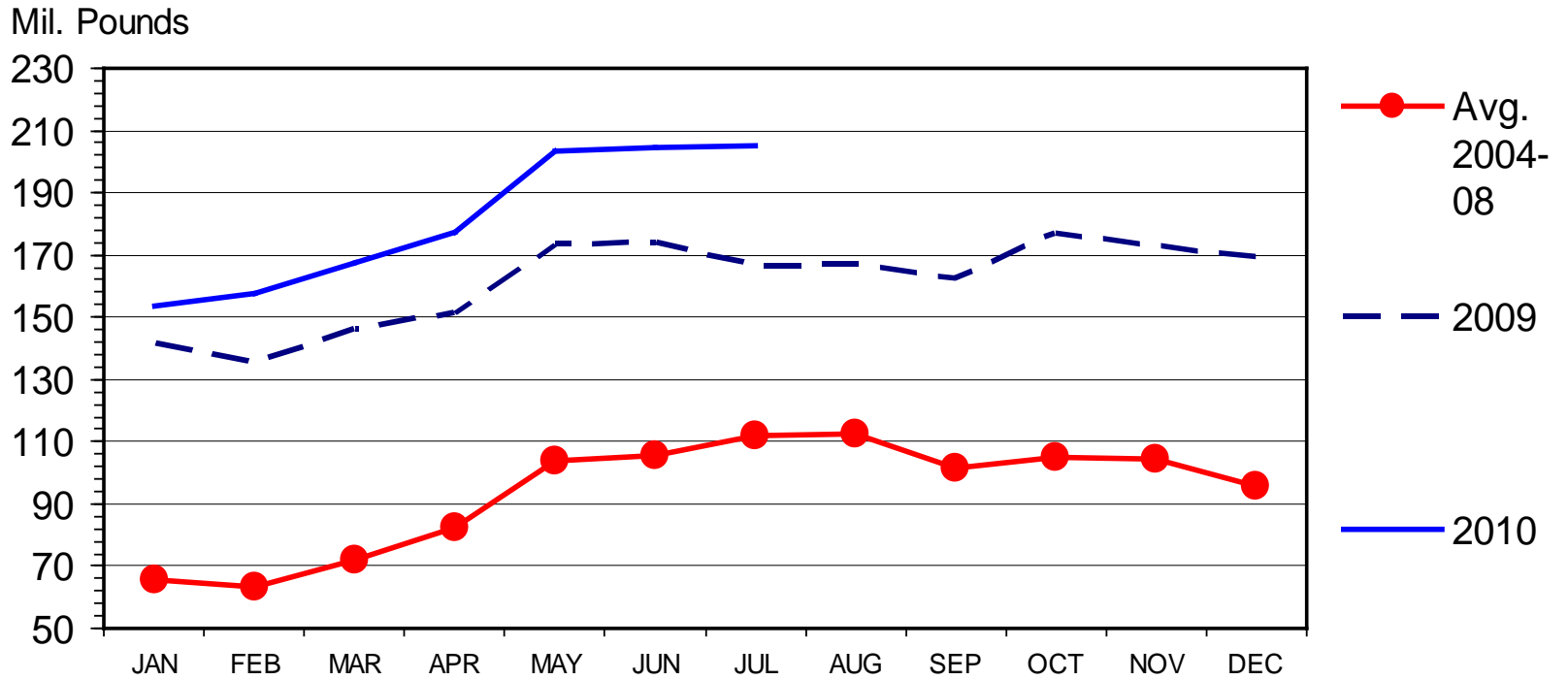
Data Source: USDA/NASS

C-N-08
09/17/10



U S BEEF AND VEAL EXPORTS

Carcass Weight, Monthly



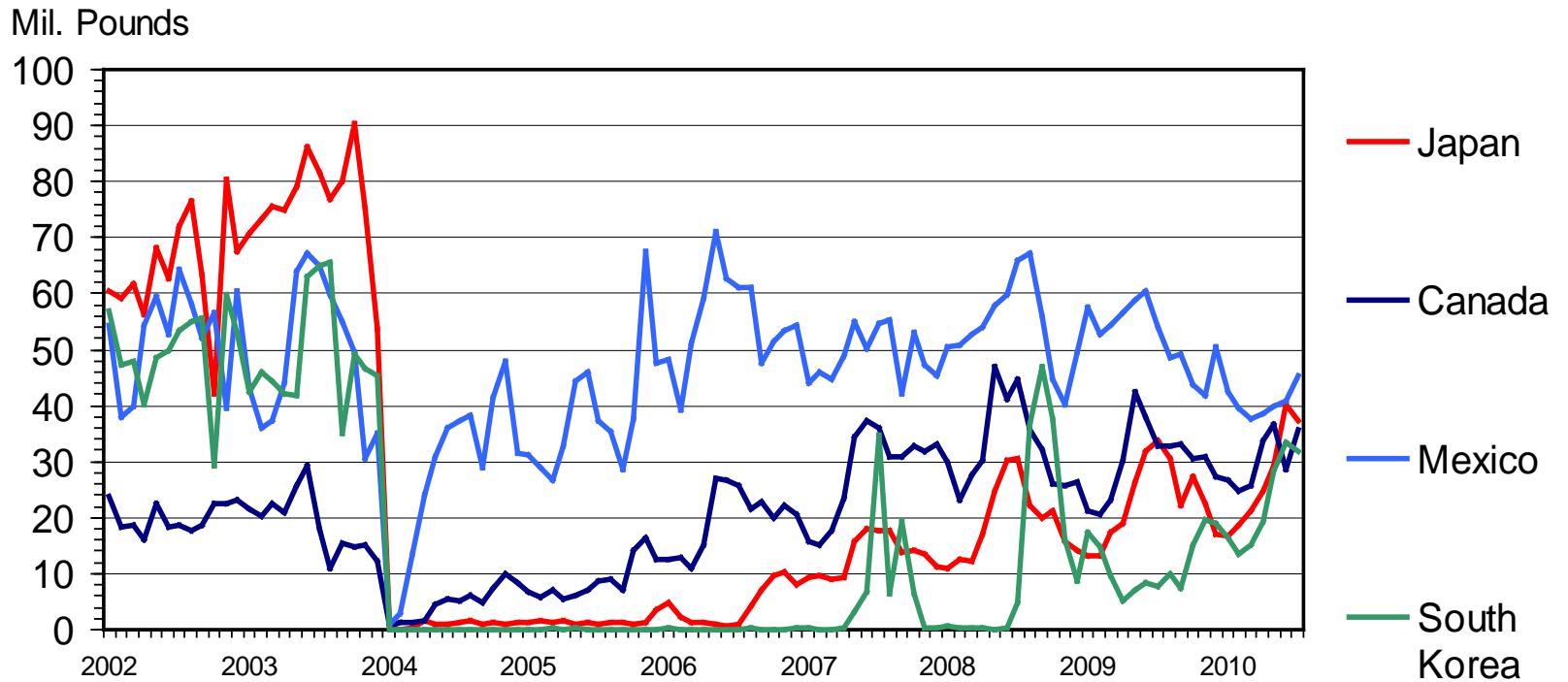
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

I-N-16
09/10/10



U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



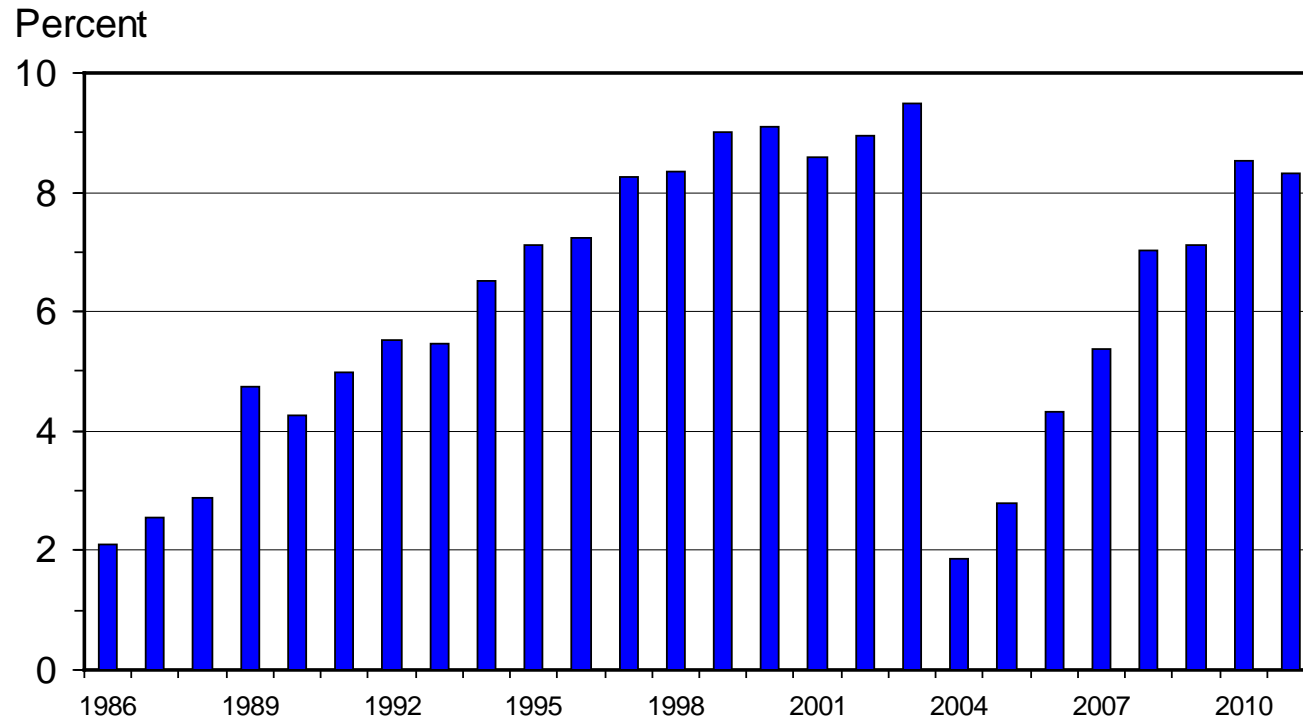
Data Source: USDA-ERS & USDA-FAS, Compiled by LMIC

I-N-35
09/10/10



U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



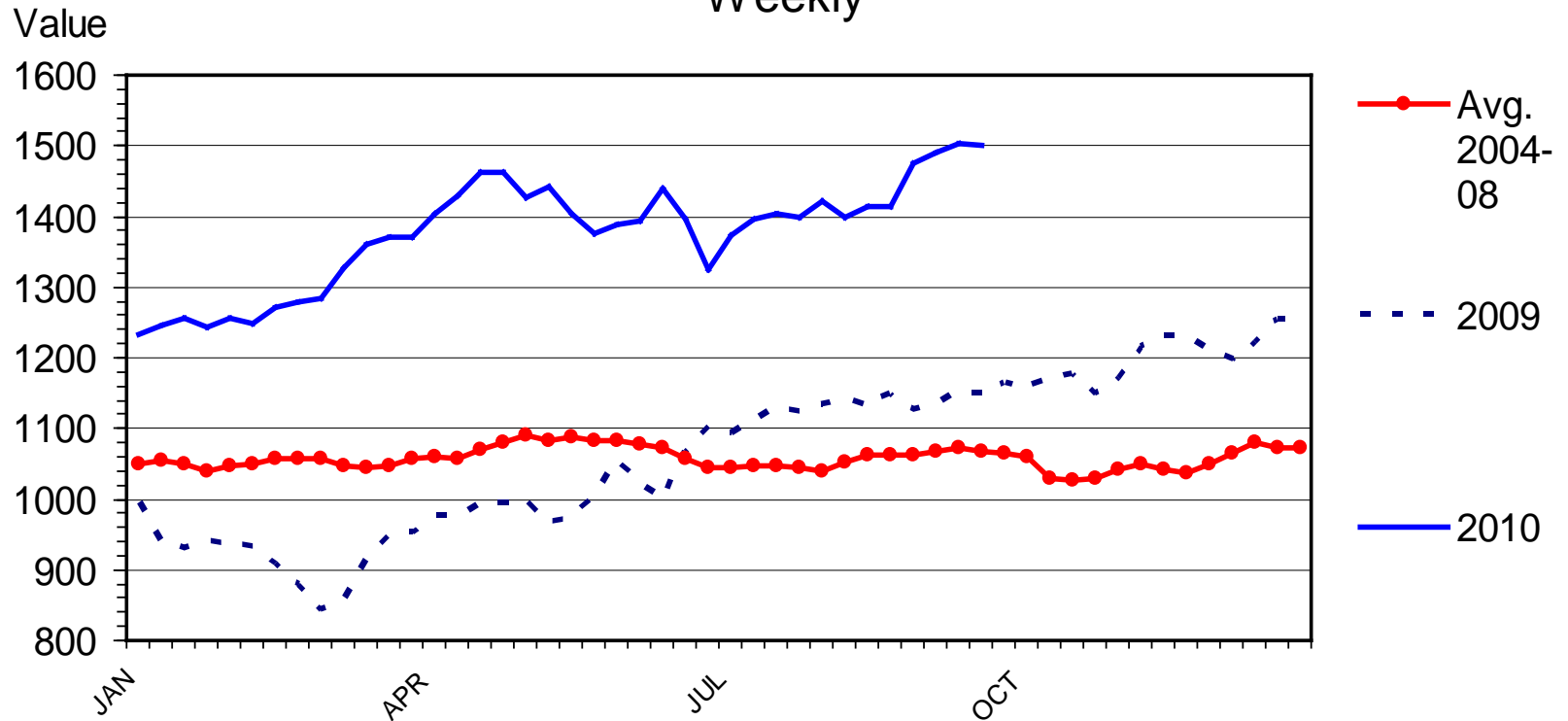
Data Source: USDA-ERS & FAS; Compiled & Forecasts by LMIC

I-N-07
09/24/10



NATIONAL RESTAURANT NEWS STOCK MARKET INDEX

Weekly

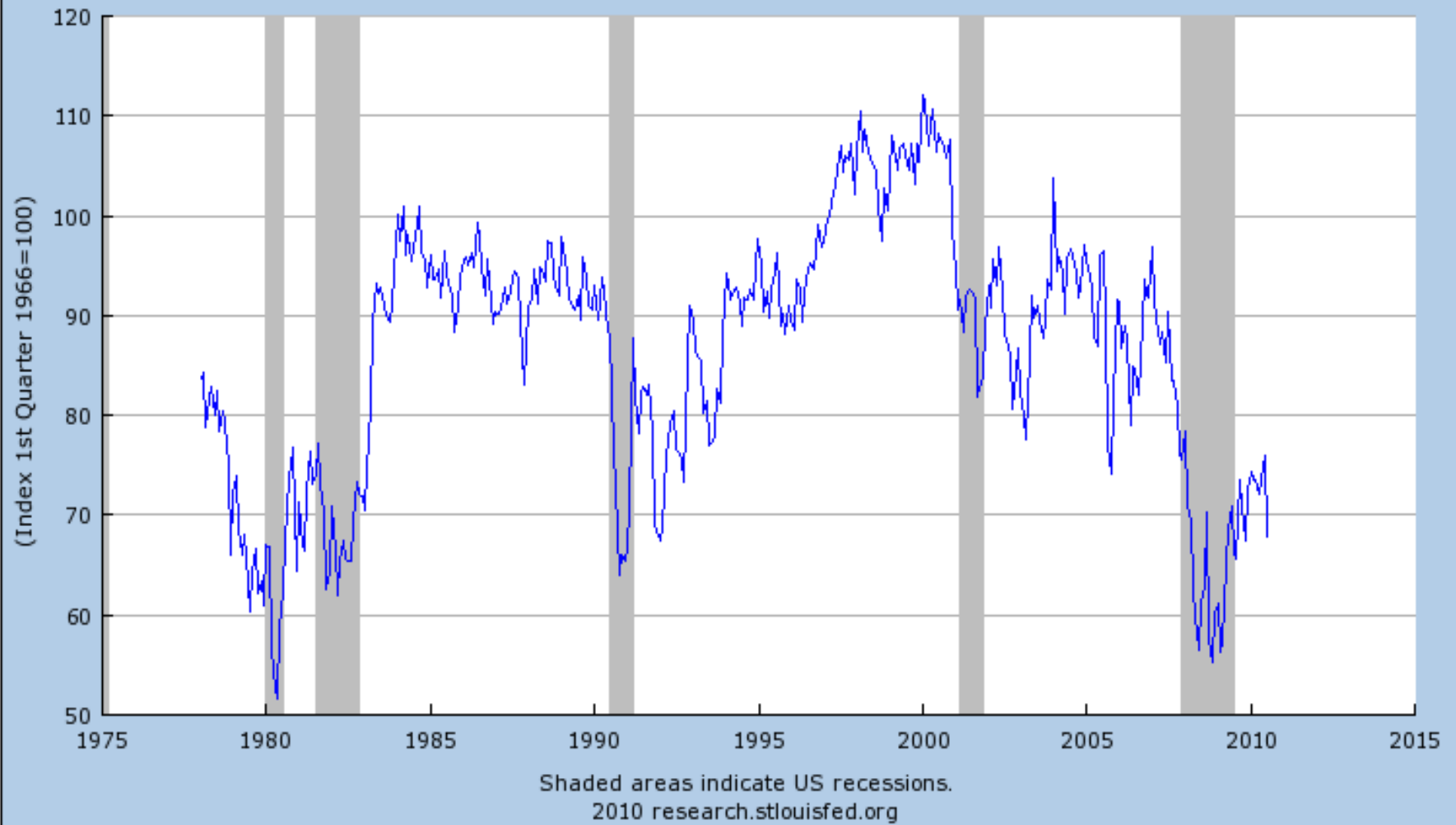


Data Source: National Restaurant News; Compiled & Weekly Analysis by LMIC

09/27/10



University of Michigan: Consumer Sentiment (UMCSENT)
Source: Survey Research Center: University of Michigan

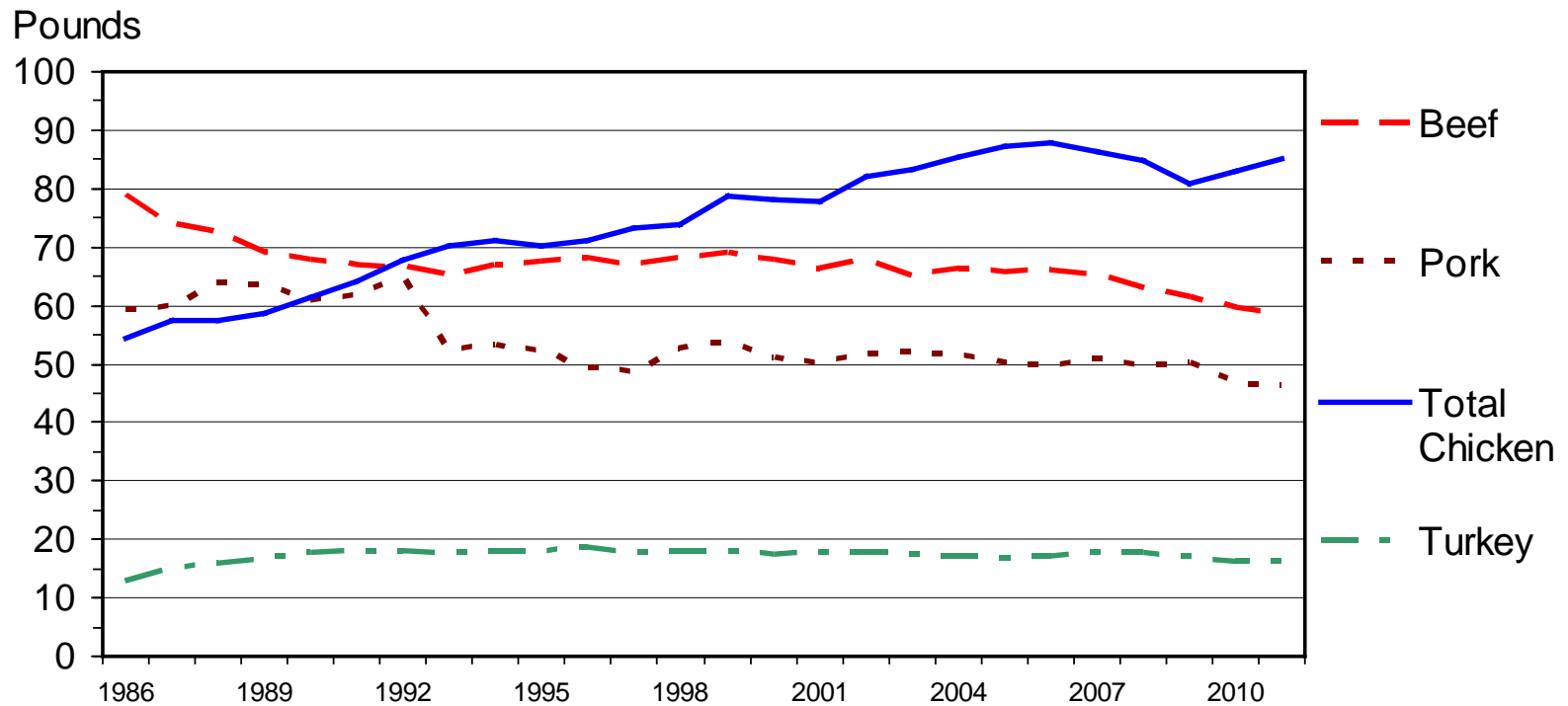


Source: Fed. Reserve Bank, St. Louis <http://research.stlouisfed.org/fred2/graph/?id=UMCSENT#>



U S RED MEAT & POULTRY CONSUMPTION

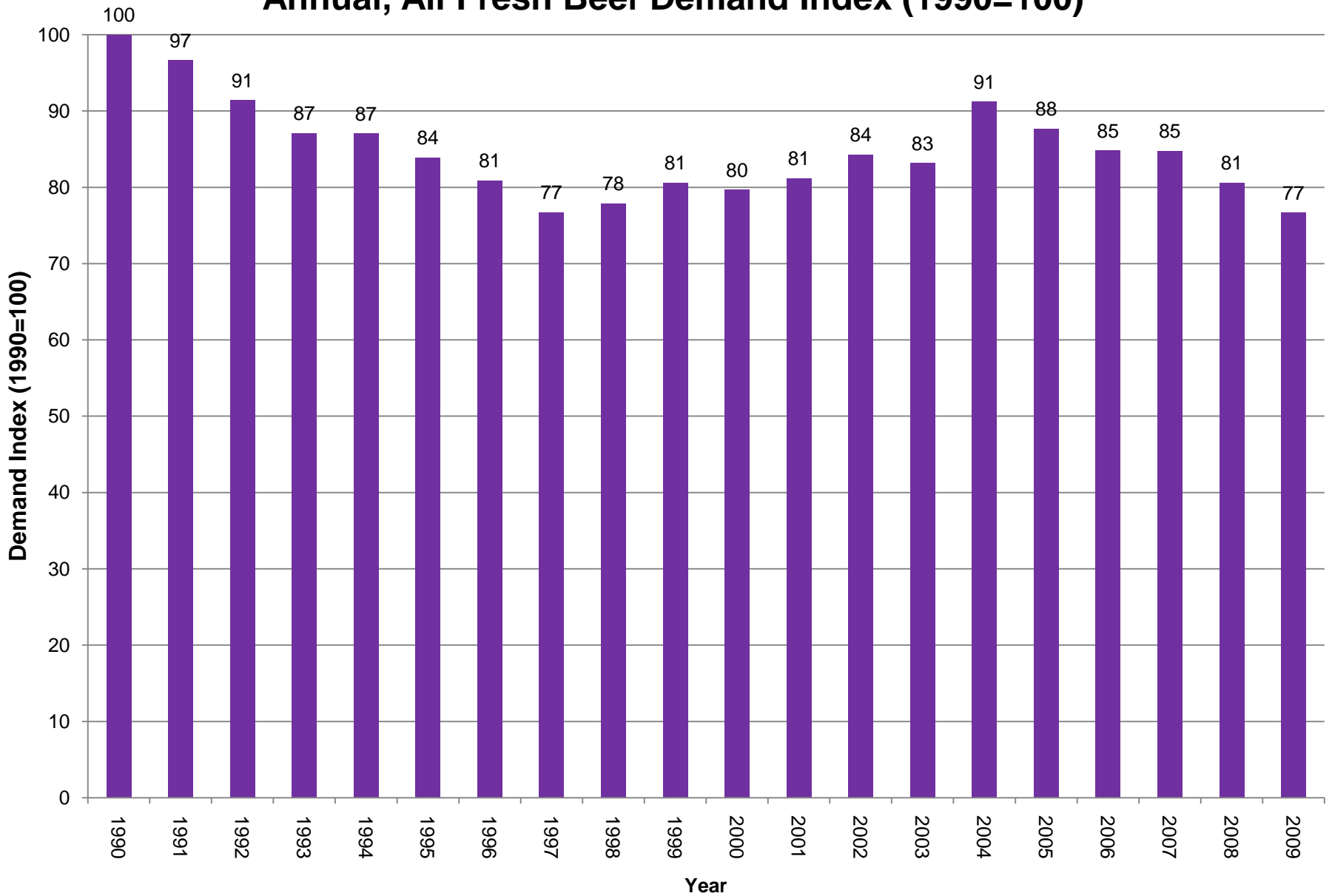
Per Capita, Retail Weight, Annual



M-C-10
09/24/10



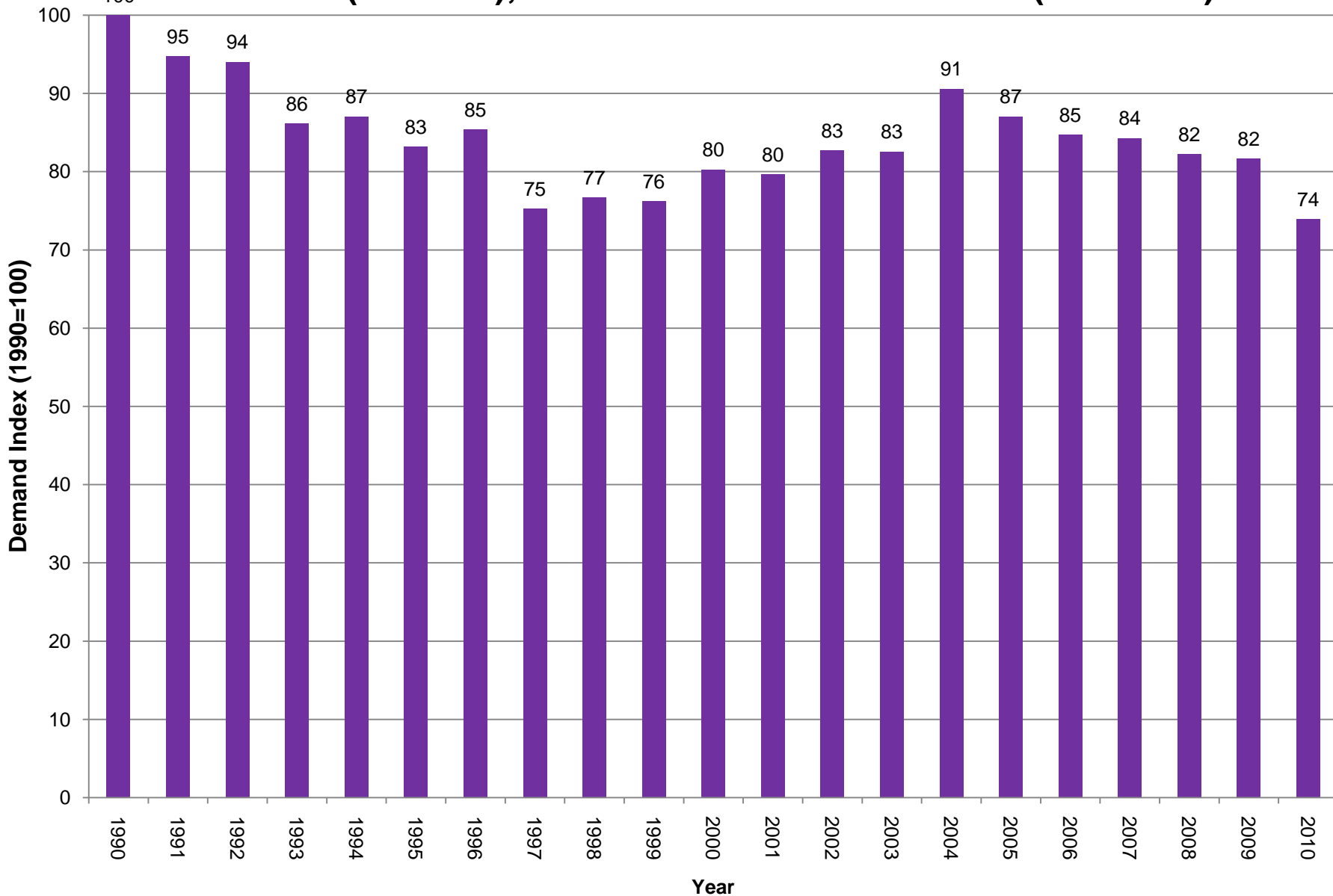
Annual, All Fresh Beef Demand Index (1990=100)



Source: Glynn T. Tonsor, Kansas State University, Sept. 2010



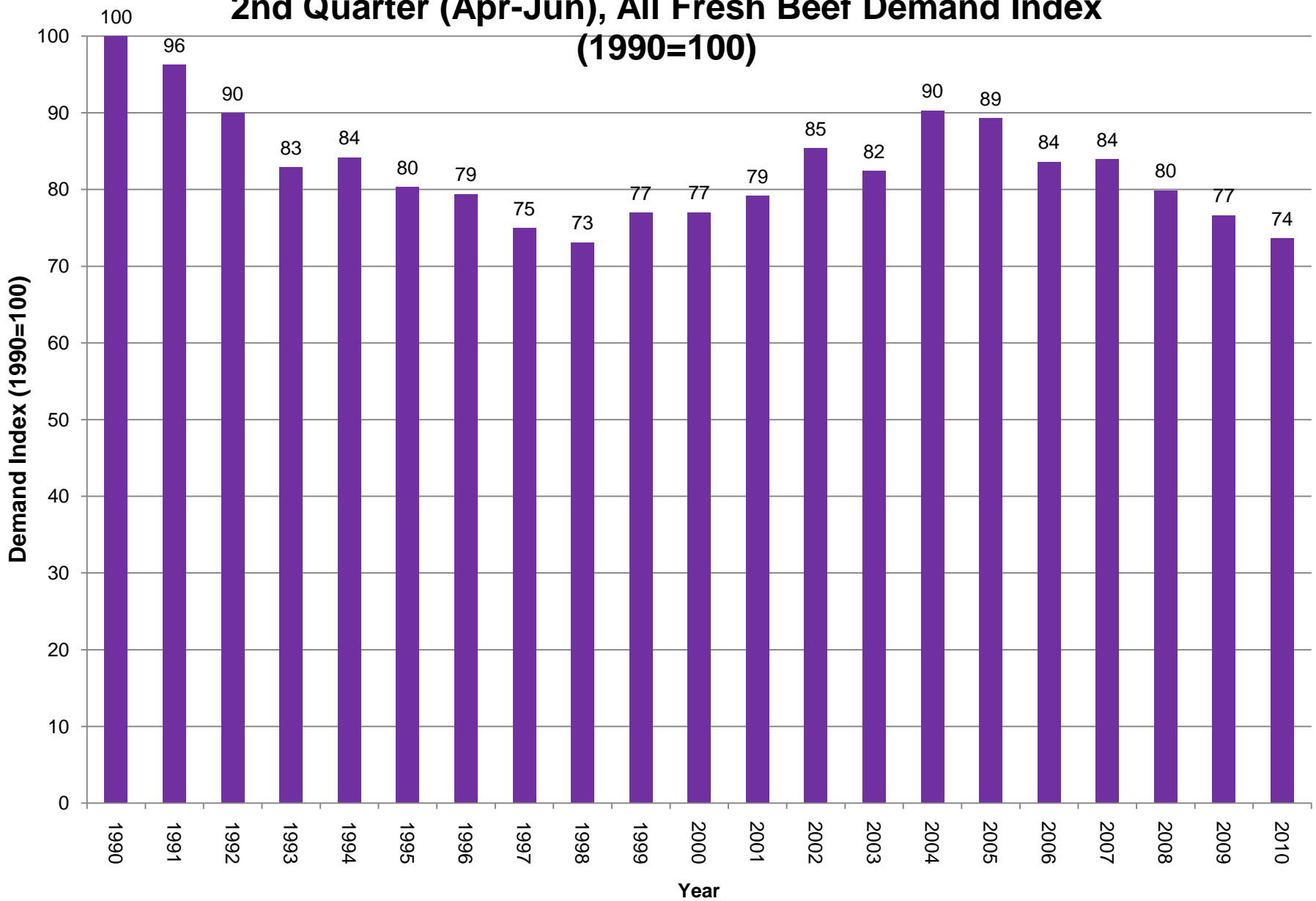
1st Quarter (Jan-Mar), All Fresh Beef Demand Index (1990=100)



Source: Glynn T. Tonsor, Kansas State University, Sept. 2010



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

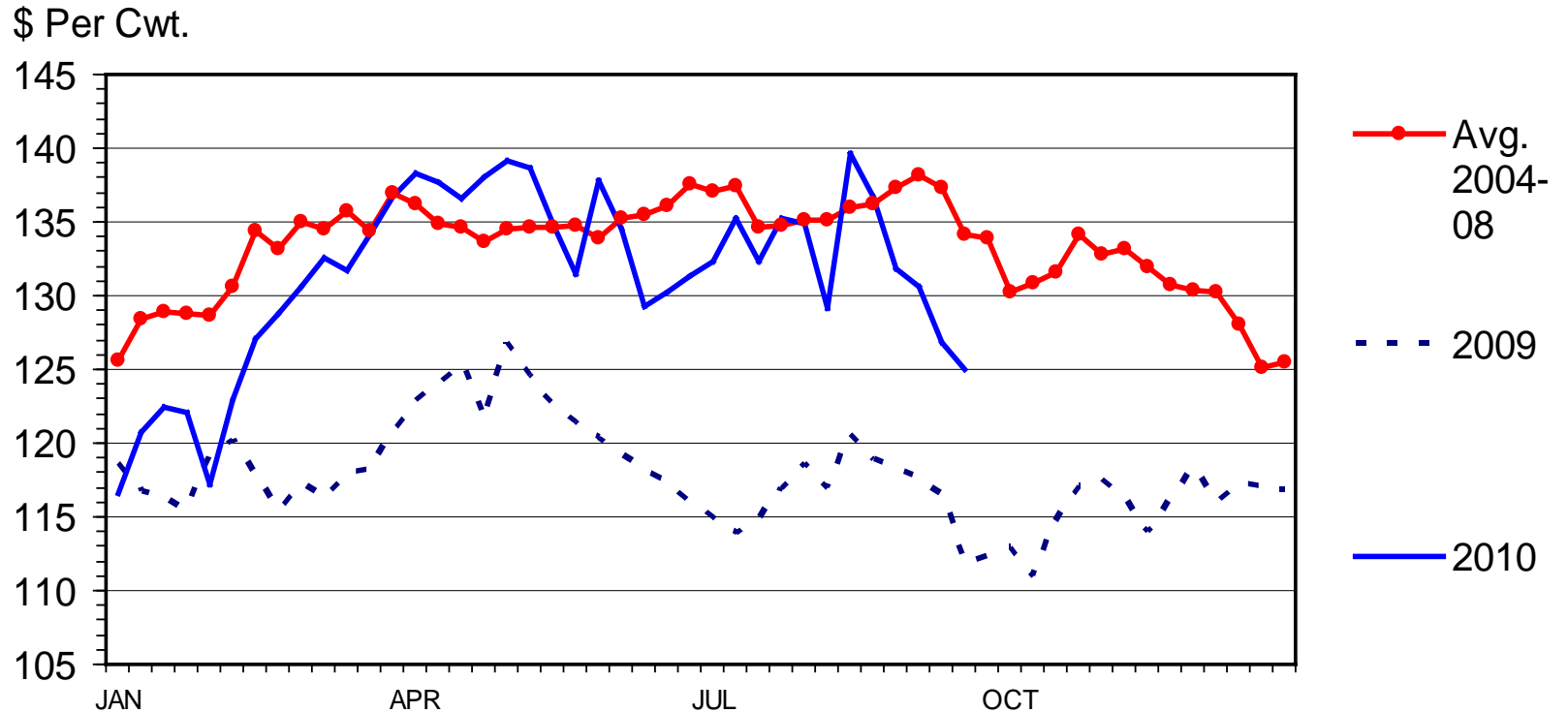


Source: Glynn T. Tonsor, Kansas State University, Sept. 2010



MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



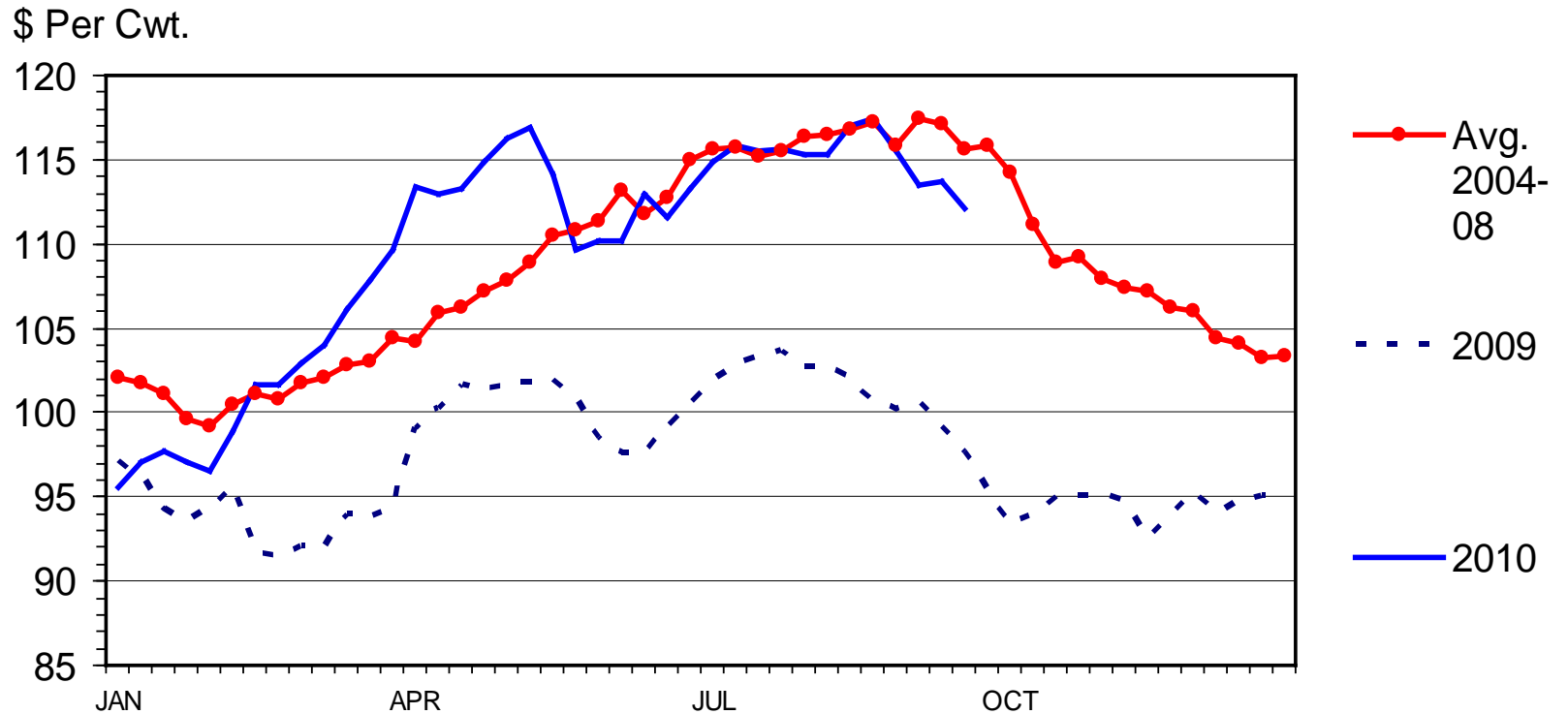
Data Source: USDA-AMS, Compiled by LMIC

C-P-49A
09/27/10



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



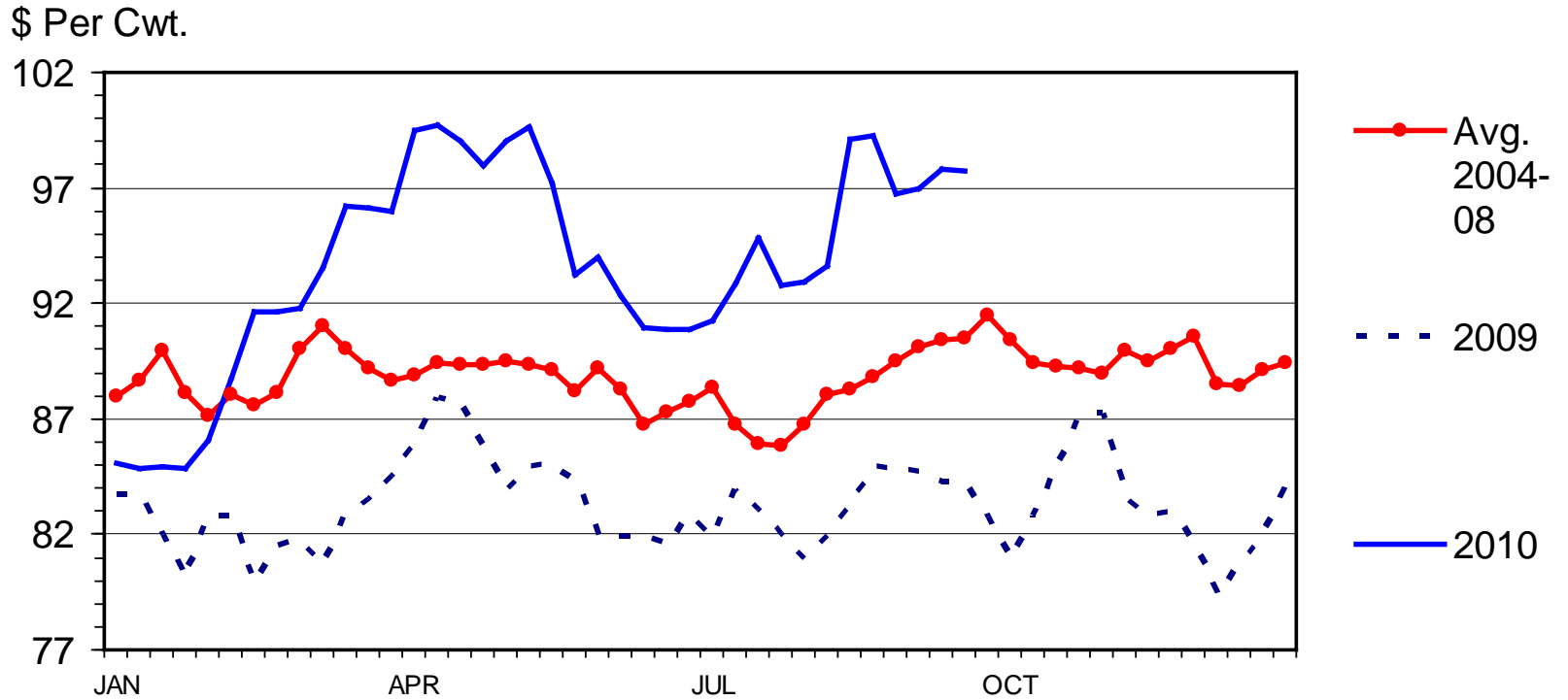
Data Source: USDA-AMS, Compiled by LMIC

C-P-49
09/27/10



SLAUGHTER STEER PRICES

Southern Plains, Weekly



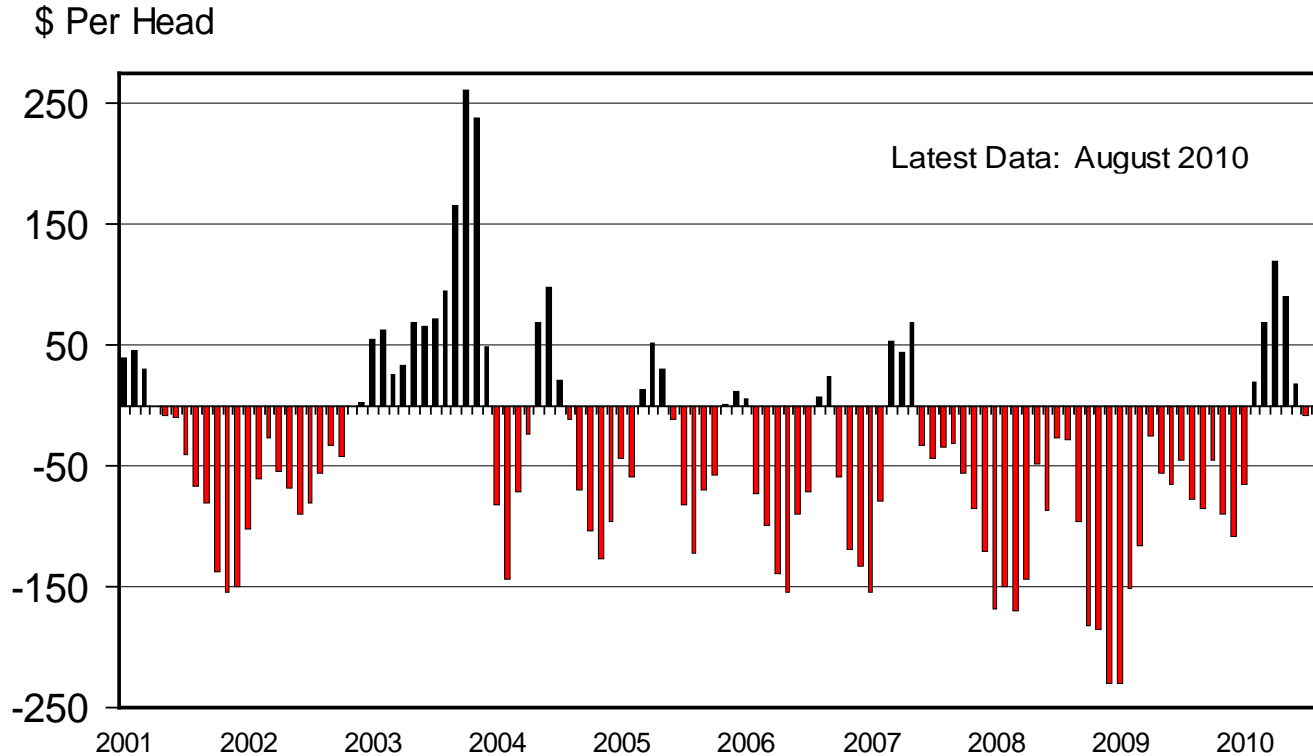
Data Source: USDA-AMS, Compiled by LMIC

C-P-52
09/27/10



AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly



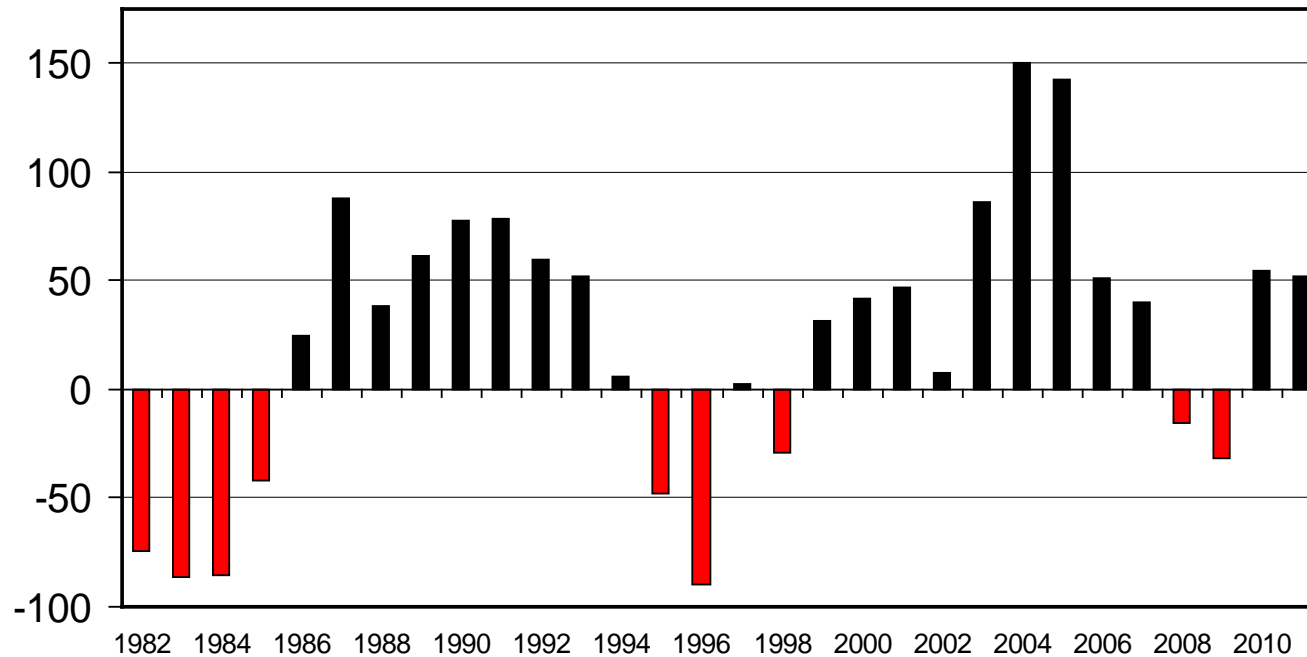
C-P-22
09/17/10



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow

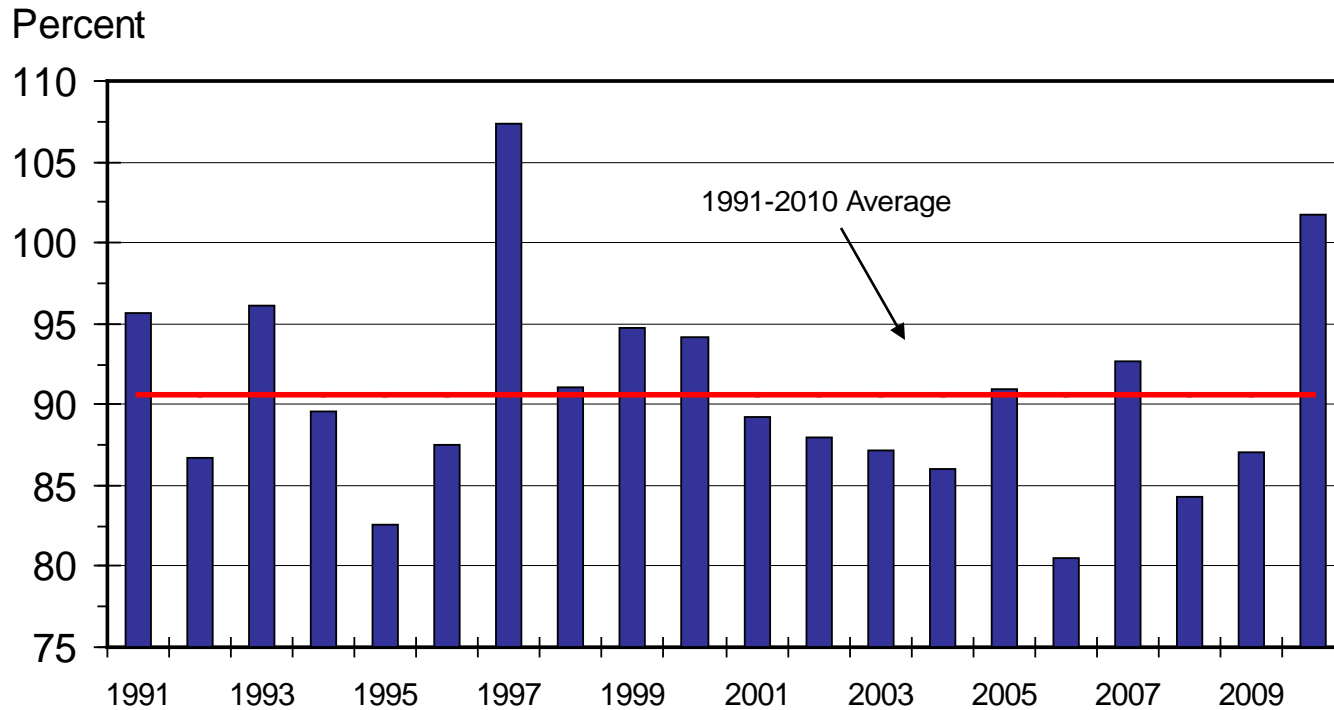


C-P-66
08/30/10



BUY/SELL MARGINS

S. Plains, Mar. 7-800 lb. Steer as % of Nov. 5-600 lb. Steer

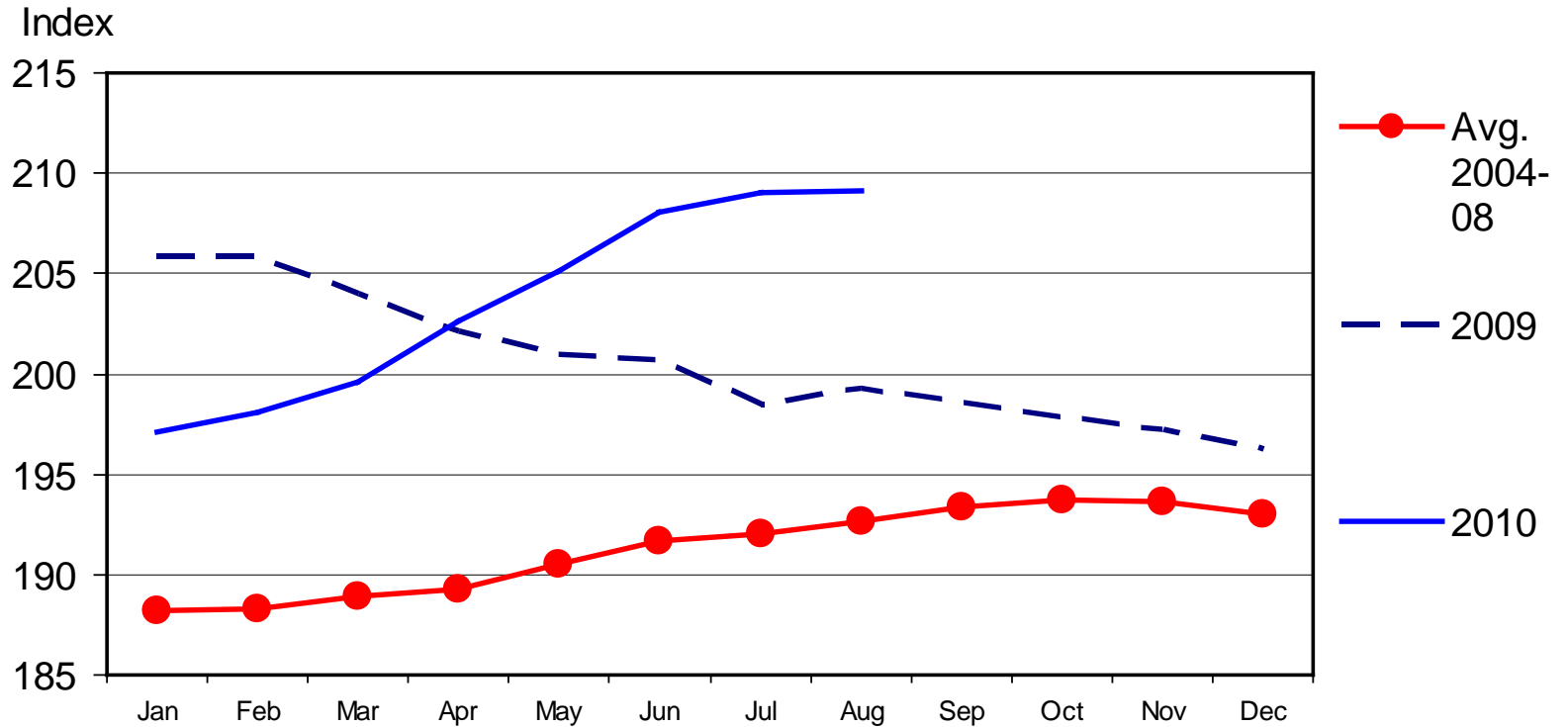


C-P-60
08/30/10



CPI - MEATS

1982-1984 Base, Monthly



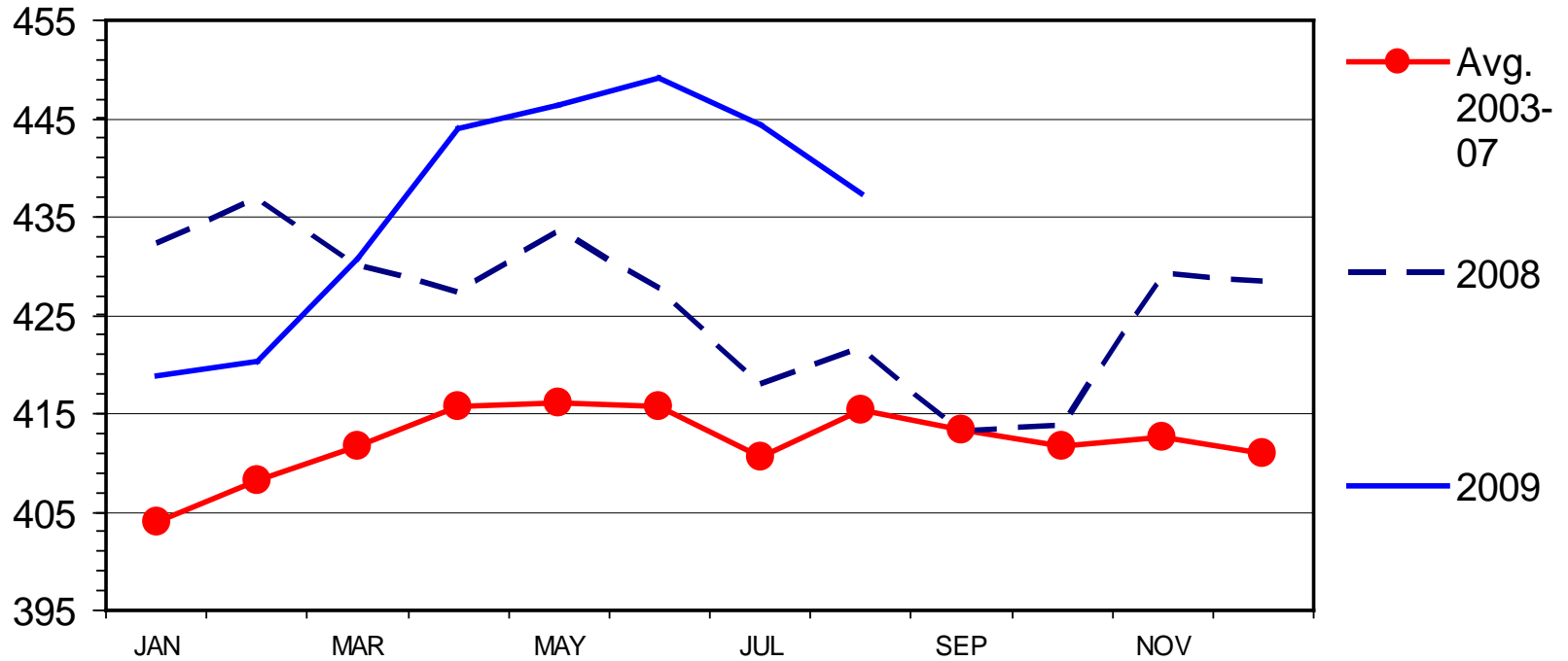
09/17/10



RETAIL BEEF PRICE

Choice, Monthly

Cents Per Pound



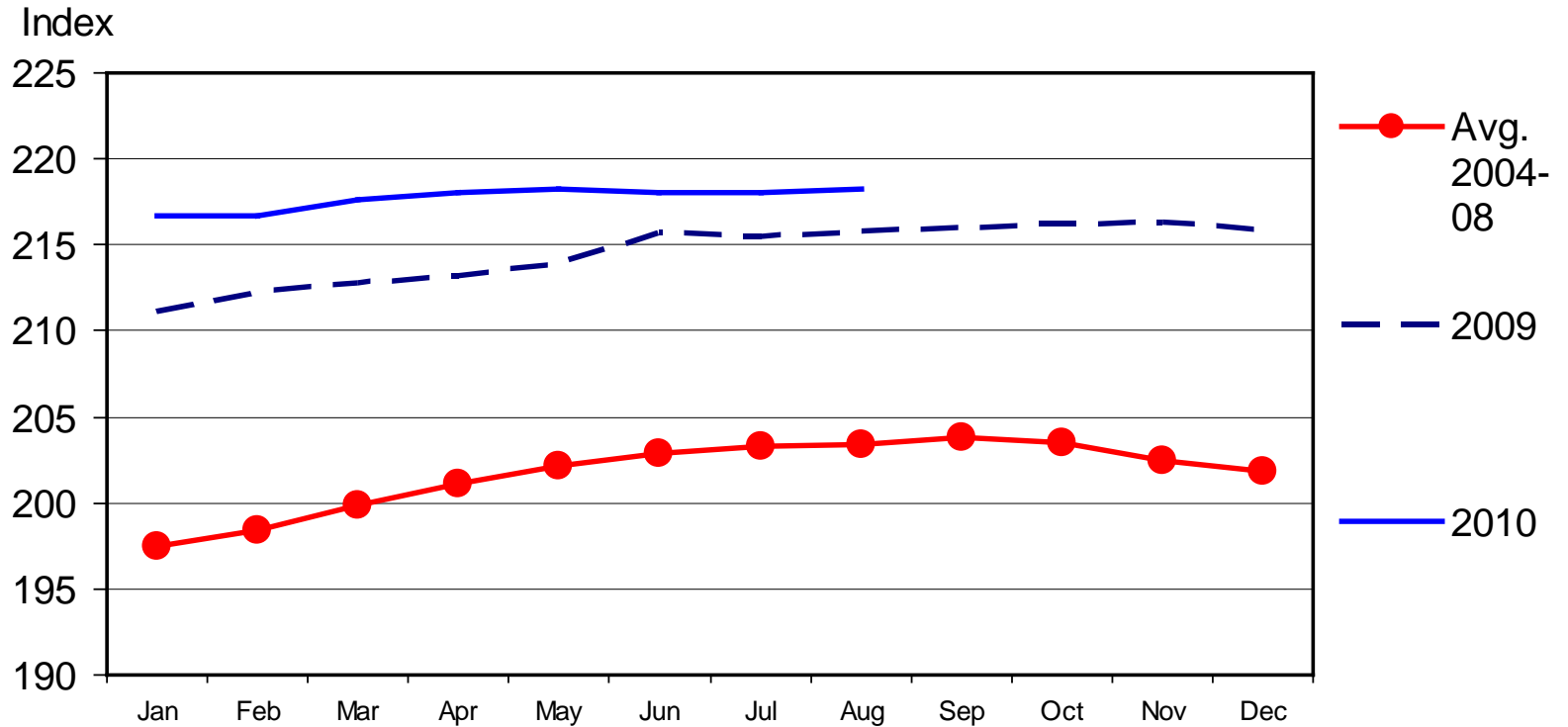
Data Source: BLS & USDA-ERS, Compiled by LMIC

M-P-09
09/17/10



CONSUMER PRICE INDEX - ALL ITEMS

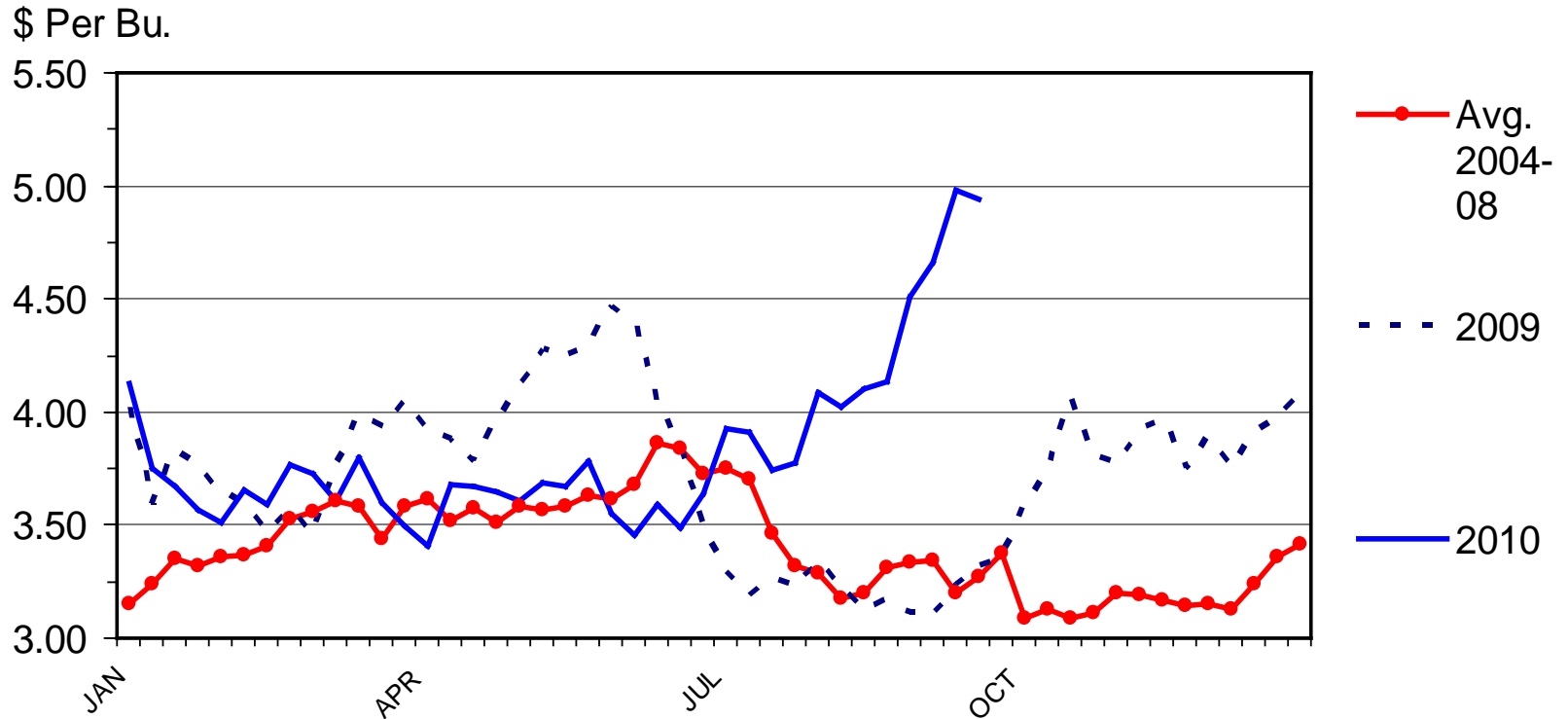
1982-1984 Base, Monthly



09/17/10

SOUTHERN PLAINS CORN PRICES

Weekly



Data Source: USDA-AMS, Compiled by LMIC

G-P-04
09/23/10



Futures Prices (9/29 – mid day)

Live Cattle

- Oct: 96.50
- Dec: 98.43
- Feb (11'): 100.33
- Apr (11'): 101.83
- Jun (11'): 98.78

Feeder Cattle

- Sep: 109.60
- Oct: 109.90
- Nov: 110.13
- Jan (11'): 110.93
- Mar (11'): 110.88

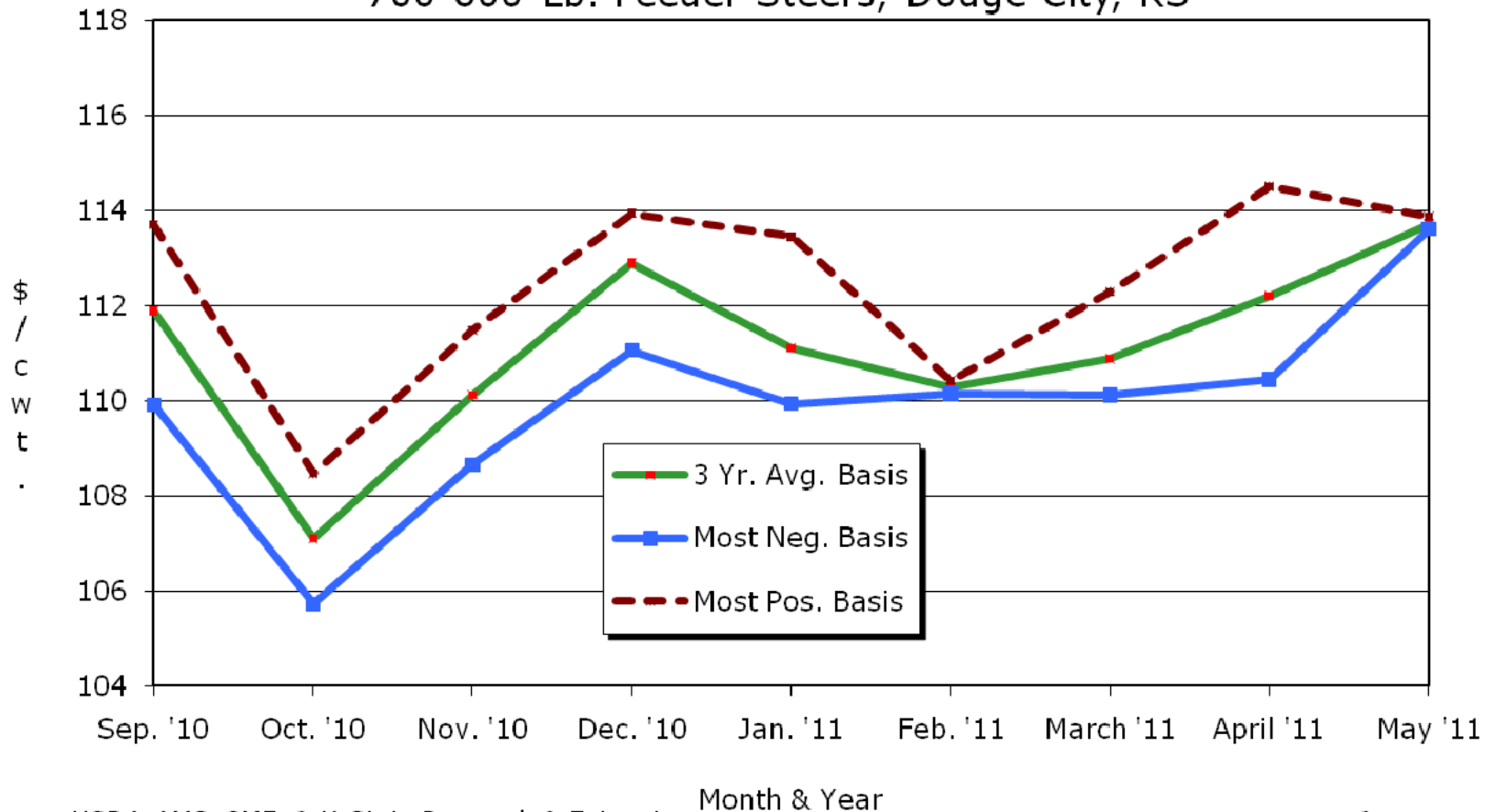
Basis Adjust:

SEE: <http://www.agmanager.info/livestock/marketing/>
& <http://www.beefbasis.com/>



Kansas Feeder Steer Price Forecasts

Mid-Month Futures Based Price Forecasts
700-800 Lb. Feeder Steers, Dodge City, KS



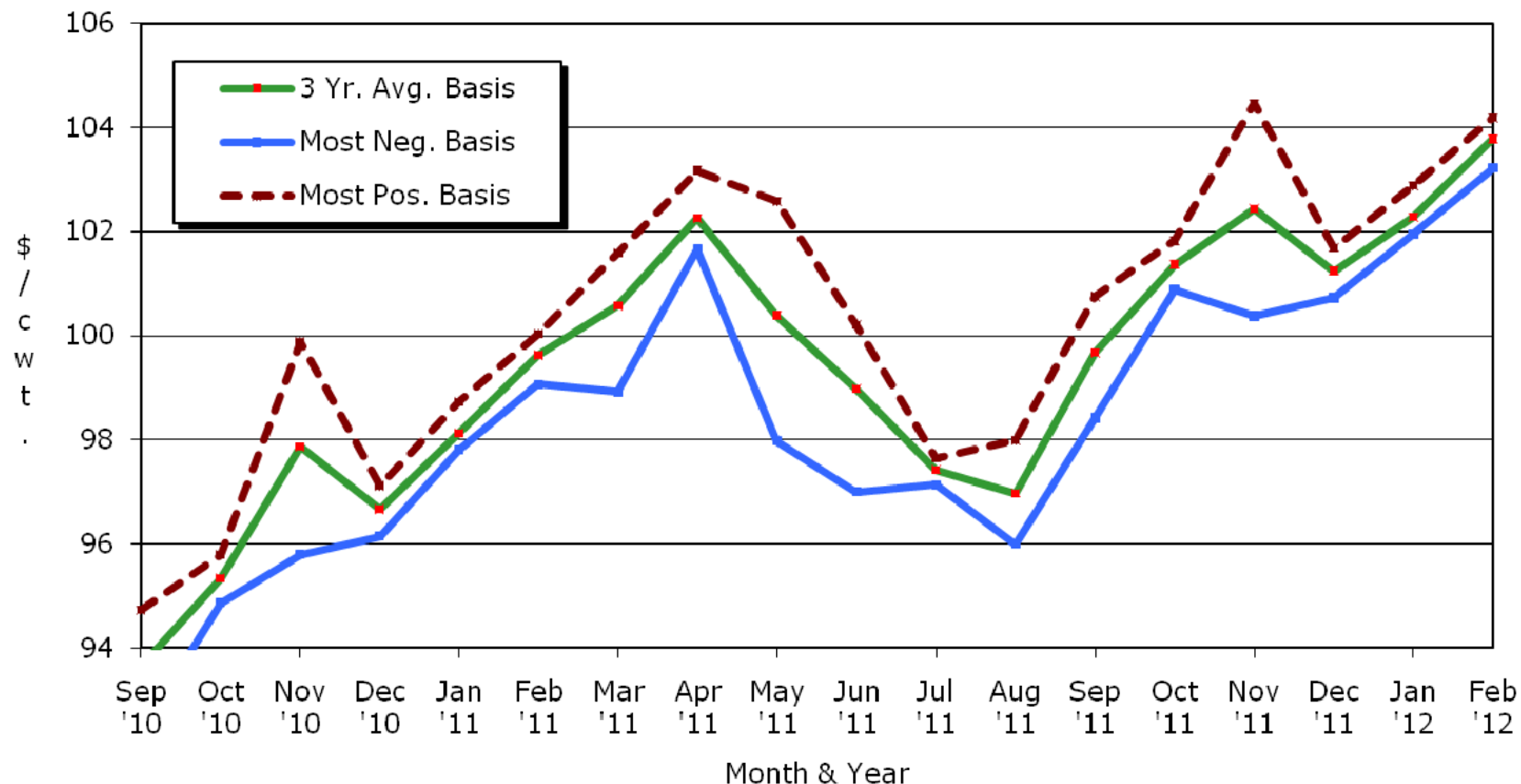
Source: USDA-AMS, CME, & K-State Research & Extension
Forecasts = 9.27.10 Futures Price + Basis Estimates

KSU Dept. of Ag Econ
www.agmanager.info



Kansas Slaughter Steer Price Forecasts

Mid-Month Futures Based Price Forecasts



Source: USDA-AMS, CME, & K-State Ag. Economics
Based on 9.27.10 CME Live Cattle settlement prices

KSU Dept. of Ag Econ
www.agmanager.info



QUARTERLY CATTLE & BEEF FORECASTS (LMIC: 9/28)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2010						
I	8,167.50	2.40	765.34	(2.30)	6,250.90	0.05
II	8,683.00	0.93	754.20	(1.71)	6,548.70	(0.80)
III	8,943.42	4.99	753.29	(4.08)	6,737.00	0.71
IV	8,176.58	(0.78)	779.42	(0.05)	6,373.00	(0.83)
Year	33,970.50	1.90	762.71	(2.07)	25,909.60	(0.21)
2011						
I	8,046.60	(1.48)	778.47	1.72	6,264.00	0.21
II	8,347.36	(3.87)	764.07	1.31	6,378.00	(2.61)
III	8,490.37	(5.07)	780.65	3.63	6,628.00	(1.62)
IV	7,813.93	(4.44)	783.86	0.57	6,125.00	(3.89)
Year	32,698.26	(3.75)	776.65	1.83	25,395.00	(1.99)
2012						
I	7,877.51	(2.10)	786.16	0.99	6,193.00	(1.13)
II	7,939.83	(4.88)	770.67	0.86	6,119.00	(4.06)
III	8,100.96	(4.59)	788.55	1.01	6,388.00	(3.62)
IV	7,626.19	(2.40)	789.91	0.77	6,024.00	(1.65)
Year	31,544.49	(3.53)	783.78	0.92	24,724.00	(2.64)



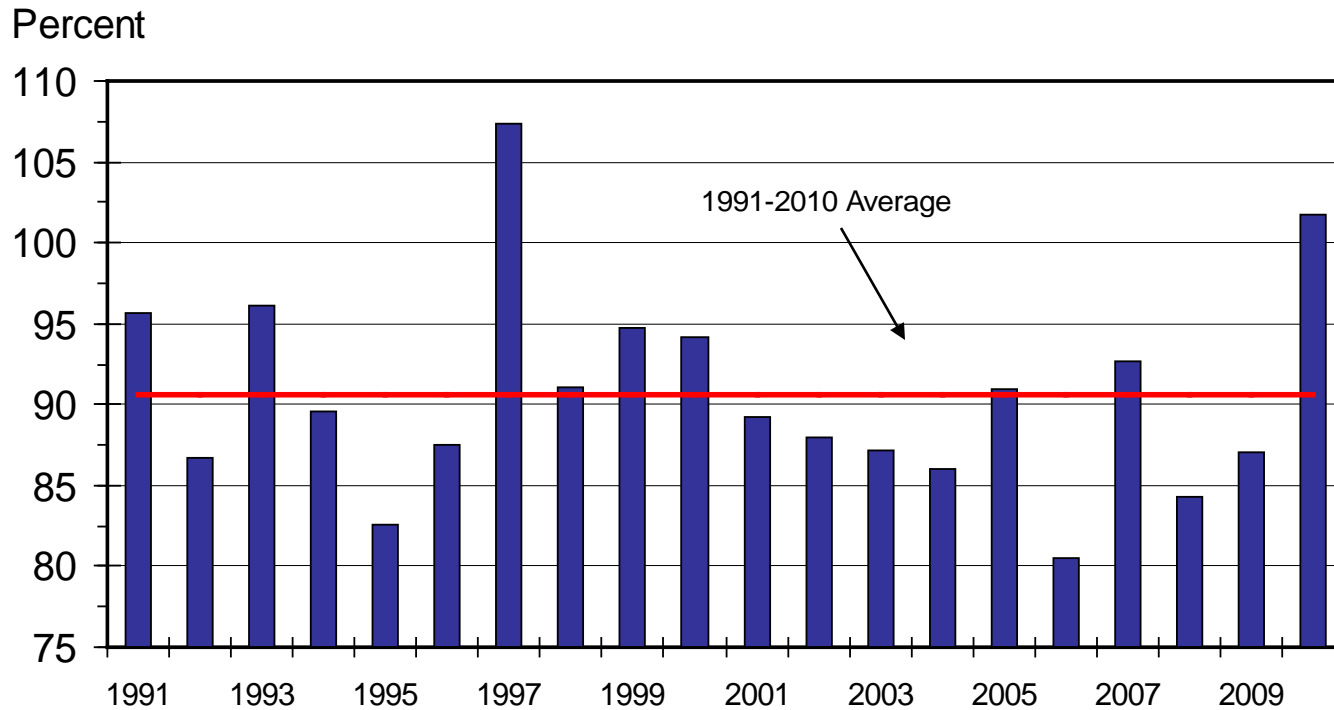
QUARTERLY CATTLE & BEEF FORECASTS (LMIC: 9/28)

	Live Sltr.	% Chg.	Feeder Steer Price		
Year	Steer Price	from	Southern Plains		
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#	
2010					
I	89.44	8.84	100.88	116.23	
II	96.33	14.04	113.04	127.77	
III	94-96	14.38	115.14	124.44	
IV	94-97	14.66	103-107	112-116	
Year	93-95	12.92	107-110	119-123	
2011					
I	93-97	6.21	99-104	113-119	
II	96-101	2.25	104-111	116-125	
III	94-99	1.58	108-116	117-127	
IV	95-101	2.62	104-113	113-124	
Year	94-98	2.13	104-111	115-123	
2012					
I	94-101	2.63	102-112	115-127	
II	97-105	2.54	107-118	117-130	
III	94-102	1.55	109-120	118-132	
IV	94-104	1.02	105-118	113-128	
Year	96-101	2.60	108-115	118-127	



BUY/SELL MARGINS

S. Plains, Mar. 7-800 lb. Steer as % of Nov. 5-600 lb. Steer



C-P-60
08/30/10



BUY/SELL MARGINS

9/27 Dodge City, KS Situation:

- Basis (\$9) adj. futures for 500-550 lbs in November: \$119
- Basis (\$0) adj. futures for 700-750 lbs in March: \$110
- = 92% ratio (Sale/Purchase Price)



Breakeven Selling Price Worksheet

Purchase weight (lbs)	500
Purchase price (\$/cwt)	\$119.00
Average Daily Gain (pay-to-pay)	2.00
Feeding cost of gain (\$/cwt)	\$65.00
Interest rate on feeder and feeding cost of gain	8.00%
Percent death loss*	1.50%
Costs per head (trucking, etc.)**	\$12.00
Desired profit per head	\$0.00

* Enter ONLY if death loss is NOT included in feeding cost of gain, otherwise enter zero.

** Do not enter any costs included in feeding cost of gain.



Kevin Dhuyvetter's "Buy-Sell" spreadsheet tool

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

<u>Selling Weight</u> ¹	<u>Purchase Price</u>						
	\$113.00	\$115.00	\$117.00	\$119.00	\$121.00	\$123.00	\$125.00
	Breakeven Selling Price ²						
600	108.75	110.46	112.17	113.89	115.60	117.31	119.02
650	105.94	107.53	109.12	110.71	112.29	113.88	115.47
700	103.56	105.04	106.52	108.01	109.49	110.97	112.45
750	101.52	102.91	104.30	105.69	107.08	108.47	109.86
800	99.75	101.06	102.37	103.68	105.00	106.31	107.62
850	98.22	99.46	100.70	101.94	103.18	104.42	105.66
900	96.87	98.05	99.23	100.40	101.58	102.76	103.94

¹ Enter the minimum selling (pay) weight you want to consider.

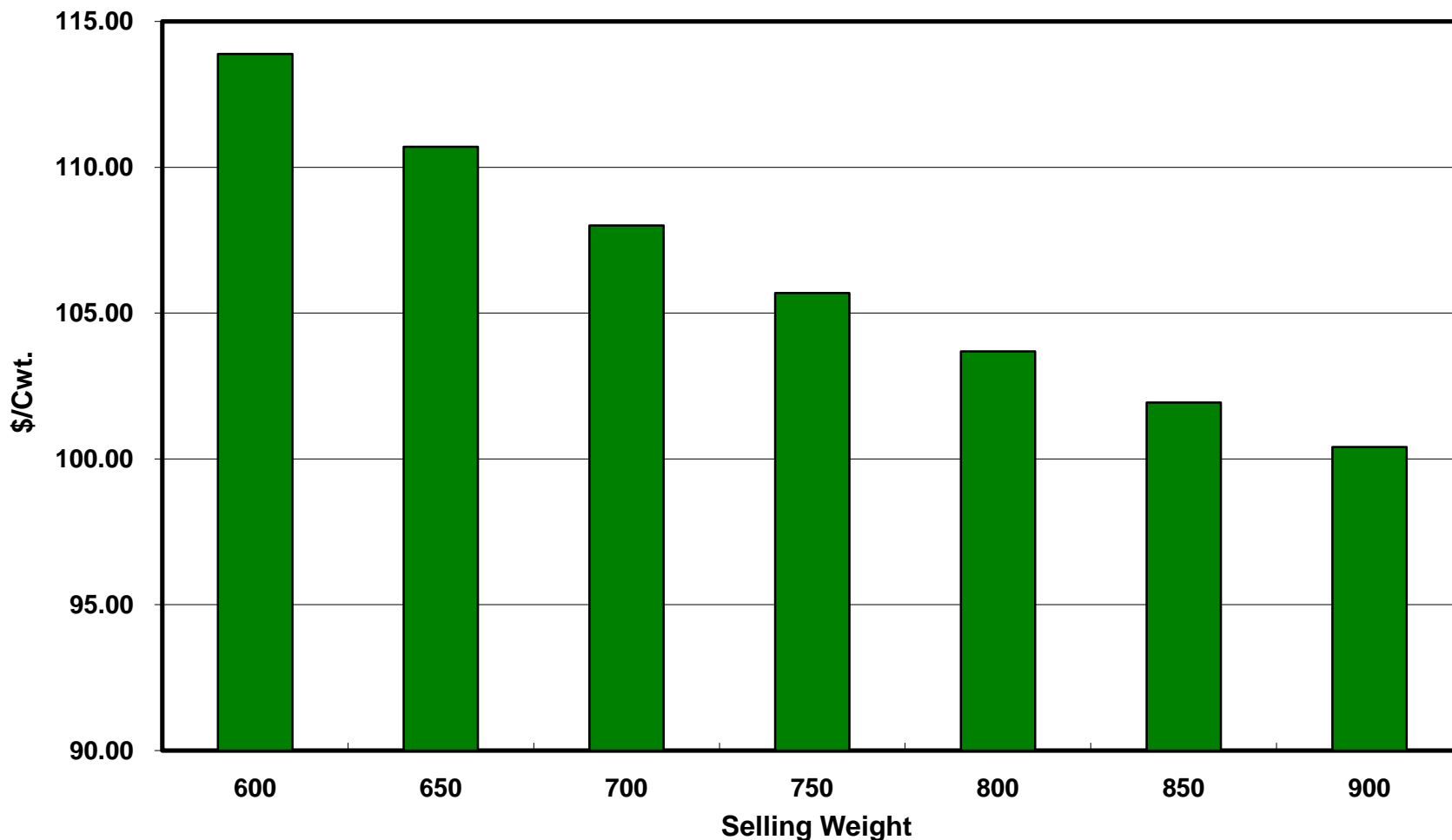
² Based on a feeding cost of gain of \$65/cwt.

Expected Sales Price: \$110/cwt ;

Expected Return (750 lbs) of +/- \$4.50/cwt; +/- \$34/head



Breakeven Selling Price



Summary

- Duration of supply situation:
 - Cow herd liquidation continuing in face of excellent pasture conditions & exp. profit...
 - 2011 hog expansion MAY be tempered w/ recent feed cost escalation
- Duration of demand situation:
 - Domestic concerns may persist
 - Export growth vital both in short run & long run
- Stocker Placements this Fall:
 - May be profitable – but competition over calves may grow diminishing expected profits...



*Looking Beyond Today's
Ps & Qs*



Additional Demand Drivers/Issues in need of Evaluation:

- Animal welfare
 - “social pressures” are here to stay ...
 - beef/cattle are not immune:
 - Recent analysis suggests meat expenditures reallocate to non-meat in response to increasing media attention...
- Differentiation of niche products = stigmatizing conventional products?
- Convenience
 - Strong driver of beef demand reductions (08’ Beef Board study)
 - Today’s twenty-somethings are particularly looking for quick & easy meals that are low cost
 - Unemployment for adults under 30 was 19.5% in 2nd quarter of 2010
 - These habits may persist and shape lifetime consumption habits...



Global Comparative Advantage Assessment is Needed

- State of National Animal ID & Traceability
 - Current & future roles in trade negotiations:
 - South Korea: has 12/2010 rule of all imported meat being traceable...
 - Canada: national program facilitating age verification...



Impacts of New/Potential Policy on Markets is Needed

- Multiple regulation discussions:
 - “fair market” proposed rules / “anti-competition” listening sessions ...



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



Notable AgManager Resources

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

- Weekly commentary & newsletters
- Current & historical price information
- Risk management/forecasting tools



Weekly Email Distribution of AgManager Updates

- <http://listserv.ksu.edu/web?SUBED1=AGMANAGERUPDATE&A=1>

OR email your request to:

- Rich Llewelyn
[rllewely@AGECON.KSU.EDU]



Regular Newsletters & Commentary

- KSU Radio Interview

- (<http://www.agmanager.info/livestock/marketing/outlook/newsletters/default.asp>)
- OR (<http://www.ksre.k-state.edu/news/DesktopDefault.aspx?tabid=66>)
- Weekly, released on Mondays
(Tonsor, Mark, Peel, LMIC)

- “In the Cattle Markets”

- (<http://www.lmic.info/memberspublic/InTheCattleMarket/CattleMktsframe.html>)
- Weekly (Mark, Feuz, Petry, Riley/Anderson)

- Recent Cattle Finishing Returns

- (<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>);
- monthly updates based on *Focus on Feedlots* newsletter



Regular “Situation Update” Commentary: LMIC

- “Chart of the Week”
 - (<http://www.lmic.info/index.shtml>)
- “Weekly Price & Production Summary”
 - (<http://www.lmic.info/priprod/pandp.html>)
- “Quick Market Reports”
 - (<http://www.lmic.info/quick/quickdr.html>)



Current Price & Basis Information

- Futures Markets

- (<http://www.cmegroup.com/trading/commodities/>) OR
(<http://www.agmanager.info/livestock/marketing/futures/default.asp>)
- LC, FC, LH & C, SB, S, W

- Cash Markets

- [http://www.agmanager.info/livestock/marketing/graphs/default.asp#Price Charts](http://www.agmanager.info/livestock/marketing/graphs/default.asp#Price%20Charts)
- [http://www.agmanager.info/livestock/marketing/database/default.asp#Cattle and Beef Databases](http://www.agmanager.info/livestock/marketing/database/default.asp#Cattle%20and%20Beef%20Databases)
 - Dodge City, Pratt, & Salina 700-800 lb steer; KS Direct Slaughter steer prices

- Basis (Cash - Futures) Information

- [http://www.agmanager.info/livestock/marketing/graphs/default.asp#Basis Charts](http://www.agmanager.info/livestock/marketing/graphs/default.asp#Basis%20Charts)
- BeefBasis.com (<http://www.beefbasis.com/>)



Risk Management and Return Forecasting Tools Available:

- Feeder Cattle Sales Risk Management Tool,
 - Compare expected sales prices of alternative FC marketing strategies
 - (<http://www.agmanager.info/livestock/marketing/LRP/default.asp>)
- Feedlot Profitability Tool: NAIBER's Feeding Risk Analyzer
 - Forecasts feedlot returns and variability in returns for future placements
 - (<http://www.naiber.org/cattleriskanalyzer/>)
- BeefBasis.com
 - Decision support for hedging feeder cattle (output for cow-calf; input for feedlots)
 - (<http://www.beefbasis.com/Home/tabid/53/Default.aspx>)

