14. The U.S. Beef Industry in 20 Years

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Glynn Tonsor is an Associate Professor in the Department of Agricultural Economics at Kansas State University (KSU). Glynn grew up on a farrow-to-finish swine farm in Monroe City, Missouri. Tonsor obtained a B.S. from Missouri State University and Ph.D. from KSU. He was a faculty member at Michigan State University from May 2006 to March 2010 when he joined the KSU faculty.

Tonsor has broad interests and experiences which span issues throughout the meat supply chain. Through active research, engaged outreach with industry, and first-hand knowledge with livestock production, Glynn has economic expertise in an array of topics of importance to Kansas, U.S. and global stakeholders. These topics include animal identification and traceability, animal well-being and welfare, commodity market analysis, consumer demand, food safety, meat labeling policies, producer perceptions and preferences, risk management, and technology acceptance. Glynn's integrated research and extension program has resulted in multiple journal article publications and numerous outreach contributions.

Glynn and his wife, Shauna, live in Saint George, Kansas with their children Ethan, Levi, and Aubree.

Abstract/Summary

This session will start with a broad summary of key comparative advantages of the U.S. beef industry and core upcoming economic opportunities. Conclusions will be drawn regarding key challenges that must be overcome in seizing these opportunities and advancing the industry over the next 20 years. The overall session will be designed as interactive with a focus on audience participation and engagement.

Slide 1

Risk & Profit
CONFERENCE

K-State Dept. of Agricultural Economics
August 18-19, 2016
K-State Alumni Center
Manhattan, KS

The Farm Financial Situation
Navigating a Struggling Ag Economy
K·STATE
Research and Extension

The U.S. Beef Industry in 20 Years

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Slide 2

Comparative Advantages

- World trust & places premium on U.S. beef

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Slide 3

Comparative Advantages

- World trust & places premium on U.S. beef

- Grain-finished production

- Sound & effective infrastructure
  - Feed grain base, processing, safety, transportation
  - Genetics & meat quality expertise
  - Research discovery & outreach education

- Property rights encourage investment

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Slide 4

Comparative DISadvantages

- Not lowest $/lb producer
  - Research funding declining

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Slide 5

Comparative DISadvantages

- Not lowest $/lb producer
  - Research funding declining

- Partially effective communication, coordination, and signaling

- Fragmented support of increased
  - traceability systems
  - focus on current and future beef demand

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Slide 6

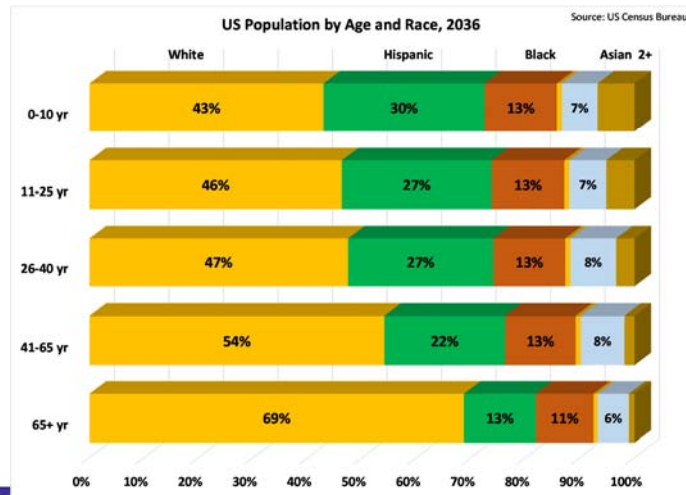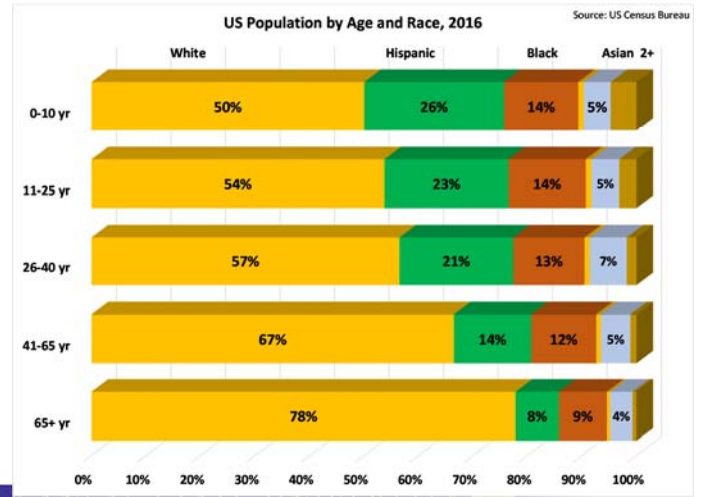## Key Opportunities & Challenges

- Refining domestic consumer efforts

- Expanding foreign consumer focus

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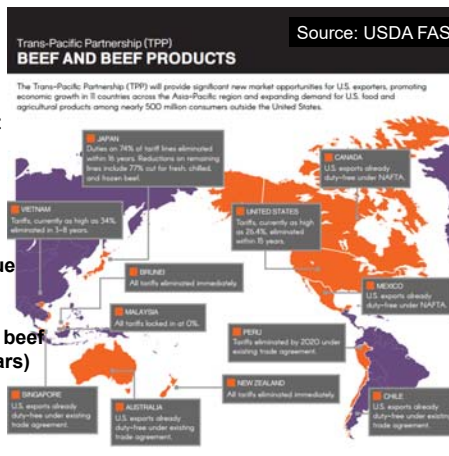
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Domestic Consumers

- Continue to leverage size, wealth, and historic reliance on domestic consumers

- Key questions
  - Cultural mix and diverse food preferences
  - Ongoing shift from FAH to FAFH
  - Preparation time and cooking knowledge
  - Ground beef's share of total beef volume
    - Are "really big steaks" good or bad???

US Population by Age and Race, 2016 — Source: US Census Bureau

Age	White	Hispanic	Black	Asian 2+
0-10 yr	50%	26%	14%	5%
11-25 yr	54%	23%	14%	5%
26-40 yr	57%	21%	13%	7%
41-65 yr	67%	14%	12%	5%
65+ yr	78%	8%	9%	4%

US Population by Age and Race, 2036 — Source: US Census Bureau

Age	White	Hispanic	Black	Asian 2+
0-10 yr	43%	30%	13%	7%
11-25 yr	46%	27%	13%	7%
26-40 yr	47%	27%	13%	8%
41-65 yr	54%	22%	13%	8%
65+ yr	69%	13%	11%	6%

Exports

- Arena of expected population and income growth = meat demand growth

- Key questions/issues
  - Identify "wealthiest top 10%" as target markets
  - TPP & TTIP trade deals
  - Support to increase exports AND imports?
  - Global competitor adjustments
    - Mexico's expanding infrastructure, Brazil's move into grain-finishing, Ongoing India (buffalo meat) expansion

- **12 countries**
- **830 million people**
- **Largest trade agreement**
- **7 of 30 richest countries**
- **37% World Beef Imports**
- **54% US Beef Export value ($3.4 billion in 2015)**
- **Reduces Japan tariff US beef (38.5% to 9% over 15 years)**

Source: USDA FAS

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Broad Situation Summary

- **Immense opportunity exists**

Broad Situation Summary

- Immense opportunity exists;

BUT

- Internal industry coordination must improve
  - International trade deals
  - National animal ID & traceability
  - Generic advertising
  - MCOOL …

REALLY GRAY CRYSTAL BALL
Forecast for 2036

- Less animals & operations, yet more beef

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  - Growing challenges with "new large" operations

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- Exports as share of production >11%

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- Exports as share of production >11%

- Improved coordination & information flows

Forecast for 2036

- Meat quality signals will expand & diversify

Forecast for 2036

- Meat quality signals will expand & diversify

  - Quality
    - Prime, **Choice**, Select, Standard
      - CAB, Dairy, Dark Cutter…
  - Yield Grade
    - <.1" fat thickness, …, **<.6" (3 score)**,…, >1.2"
  - Weight
    - 4-500 lbs, … , **6-900 lbs**, ... > 1,050 lbs

> Current Signals

Forecast for 2036

- Meat quality signals will expand & diversify
  - Quality
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> Current Signals

- Future Signals?
  - Tenderness, Technology/Production Practice Claims, Source Verification…

Key Question for 2036

Can specialization occur WITHOUT industry fragmentation?

More information available at:

AG MANAGER.INFO
Kansas State Research & Extension
www.agmanager.info

This presentation will be available in PDF format at:

http://www.agmanager.info/about/contributors/individual/tonsor.asp

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AgManager.info website is a comprehensive source of information, analysis, and decision-making tools for agricultural producers, agribusinesses, and others. The site serves as a clearinghouse for applied outreach information emanating from the Department of Agricultural Economics at Kansas State University. It was created by combining departmental and faculty sites as well as creating new features exclusive to the AgManager.info site. The goal of this coordination is to improve the organization of web-based material and allow greater access for agricultural producers and other clientele.

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Slide 2

Quality Premiums/Discounts, 11/1996 - 6/2016 (Base=Choice)

y = 0.0014x - 44.347   R² 0.7769

y = 0.0004x - 13.672   R² 0.6734

y = -0.0001x - 4.3605   R² 0.0031

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