

BEEF-CATTLE OUTLOOK

Dr. GLYNN T. TONSOR

EMAIL: gtonsor@ksu.edu

Twitter: @TonsorGlynn

<https://www.agmanager.info/events/risk-and-profit-conference>

2021 RISK & PROFIT CONFERENCE
Markets and Management

August 19-20, 2021
IN-PERSON-\$225/\$175
(Also includes online access)

August 23-27, 2021
ONLINE - \$50
(Live breakout sessions and general session recordings)

Questions: Rich Llewelyn - rvi@ksu.edu

Details

- Live, in-person meeting on August 19-20, 2021, with 4 general sessions / 7 breakout sessions.
- Registration for in-person meeting includes access to online sessions the following week and recordings. Register for 2 days or 1 day.
- Two live online breakout sessions daily from 12:00—1:30 pm, on August 23-27.
- Online registration includes live online sessions during August 23-27, plus recordings of the general sessions from in-person meeting.

Quarterly Forecasts (LMIC: 8/10/21)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2020						
I	8,402	5.9	824.9	2.1	6,931	8.1
II	7,399	-13.7	818.9	3.0	6,059	-11.1
III	8,542	0.0	833.0	2.8	7,115	2.8
IV	8,443	-0.7	837.2	1.7	7,069	1.0
Year	32,786	-2.3	828.8	2.4	27,174	0.1
2021						
I	8,274	-1.5	833.4	1.0	6,895	-0.5
II	8,502	14.9	818.3	-0.1	6,957	14.8
III	8,284	-3.0	820.5	-1.5	6,797	-4.5
IV	8,126	-3.8	829.8	-0.9	6,743	-4.6
Year	33,185	1.2	825.4	-0.4	27,392	0.8
2022						
I	8,100	-2.1	835.7	0.3	6,769	-1.8
II	8,247	-3.0	823.0	0.6	6,787	-2.4
III	8,050	-2.8	825.8	0.6	6,647	-2.2
IV	7,948	-2.2	834.5	0.6	6,632	-1.6
Year	32,345	-2.5	829.7	0.5	26,836	-2.0

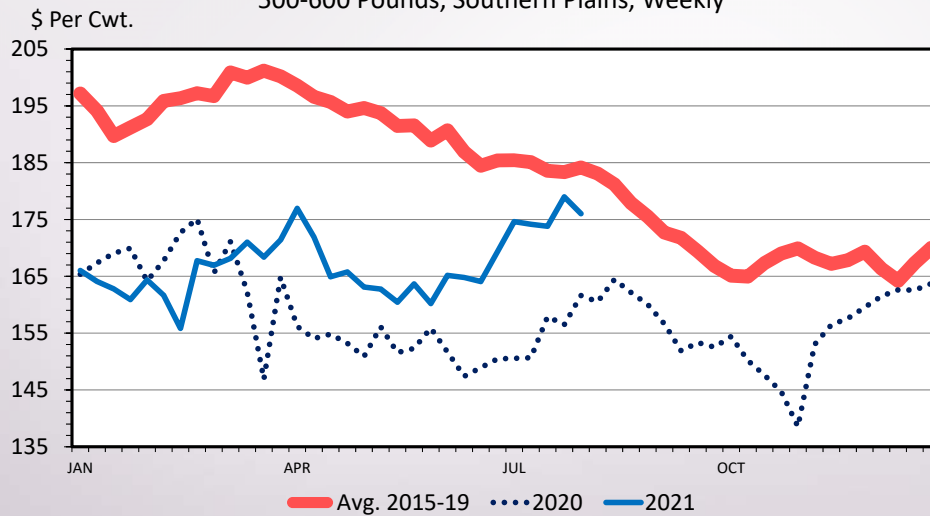
Data Source: Livestock Marketing Information Center

Quarterly Forecasts: Cattle (LMIC: 8/10/21)

Year Quarter	Live Sltr. Steer Price 5-Mkt Avg	% Chg. from Year Ago	Feeder Steer Price Southern Plains	
			7-800#	5-600#
2020				
I	118.32	-5.5	138.90	166.38
II	105.79	-10.9	129.45	152.55
III	102	-3.4	142	157
IV	108	-5.8	138	155
Year	109	-6.7	137	158
2021				
I	112.98	-4.5	136.65	164.83
II	120.76	13.9	142.02	165.42
III	119-120	17.5	150-151	169-170
IV	124-126	15.5	153-155	167-169
Year	119-120	10.1	145-146	167-168
2022				
I	125-130	12.8	147-152	165-170
II	128-133	8.1	150-155	167-173
III	120-130	4.6	155-165	175-185
IV	124-134	3.2	153-163	174-184
Year	125-130	6.7	153-158	172-177

Data Source: Livestock Marketing Information Center

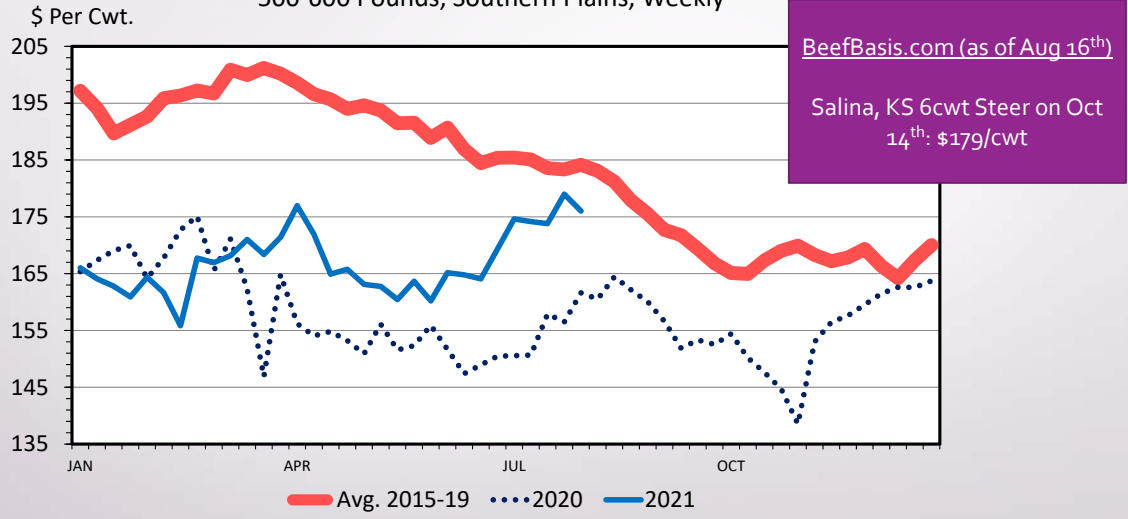
MED. & LRG. #1 STEER CALF PRICES 500-600 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-54
08/09/21

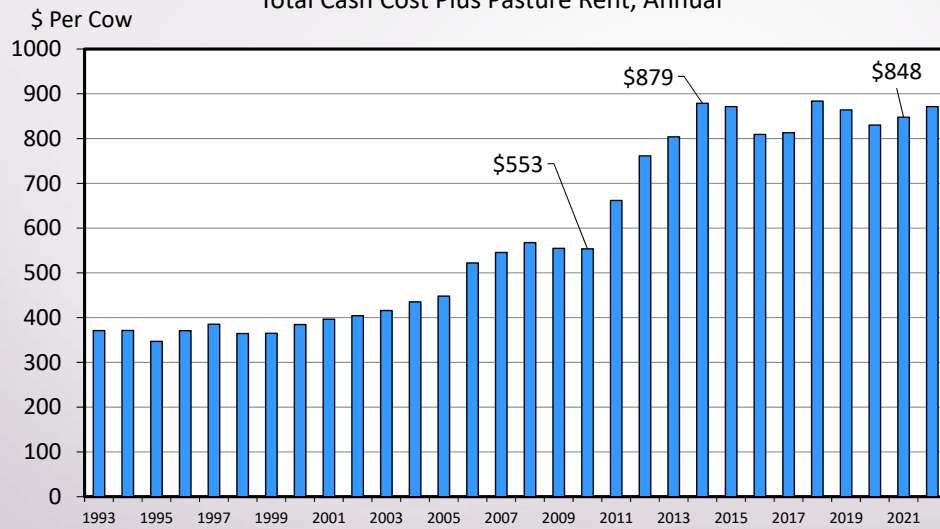
MED. & LRG. #1 STEER CALF PRICES 500-600 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-54
08/09/21

ESTIMATED AVERAGE COW CALF COSTS Total Cash Cost Plus Pasture Rent, Annual

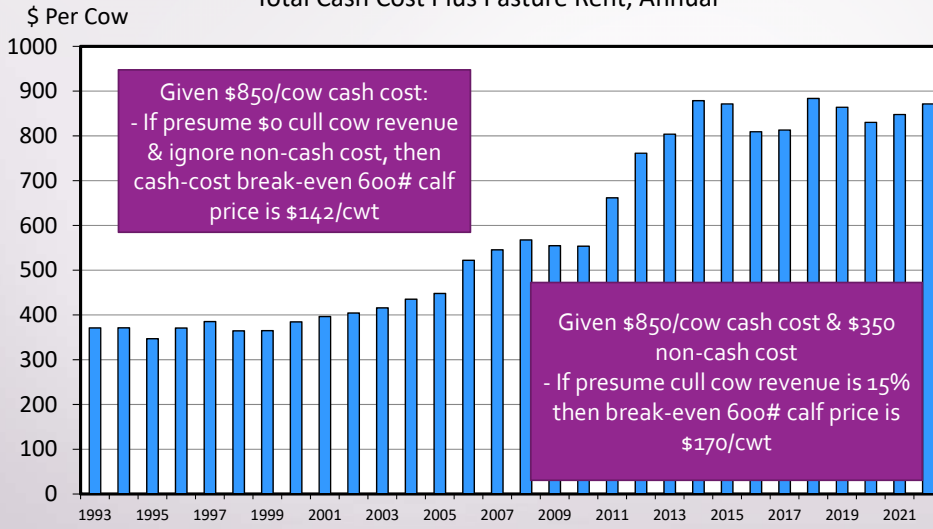


Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

07/27/21

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual

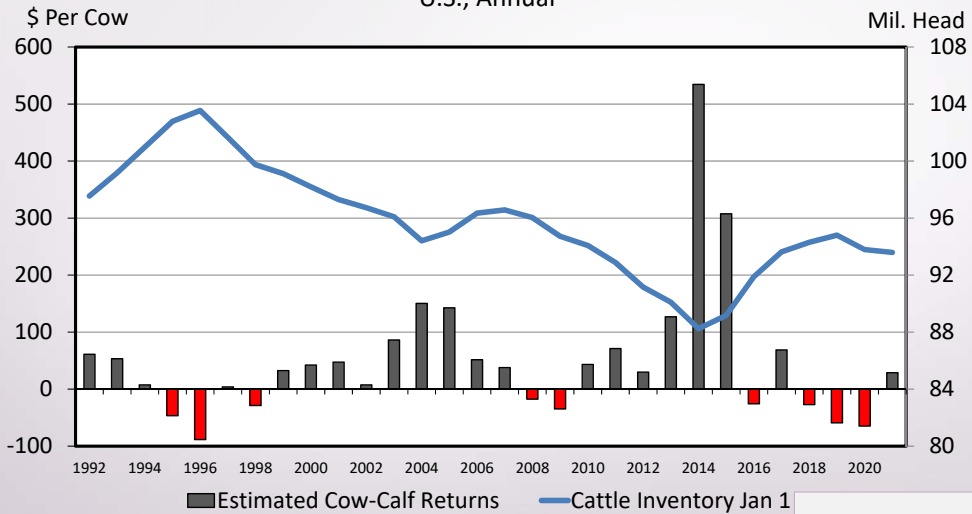


Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

07/27/21

COW CALF RETURNS AND CATTLE INVENTORY

U.S., Annual



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

2019: **-\$59**
2020: **-\$65 (w/o CFAP \$)**
2021: **+\$29**

Want Feeder Cattle Price, Basis, & VOG Projections? Use BeefBasis.com

Salina Market, as of 8/16

10/14/2021 Sell @ Weaning @ 600 lbs

- **Expected Cash Price: \$178/cwt**

- **Could delay sale until Dec. 13th @ 708 lbs (1.8 lbs/day)**
 - = \$155/hd higher expected revenue...

Want Feeder Cattle Price, Basis, & VOG Projections? Use BeefBasis.com

Stocker Value of Gain – Stocker [?] Learn more about this tool.

Stocker Calf Value of Gain Projections									
Average Daily Gain, lbs. [?] 1.8		Earliest Out (sell) Date [?] 10/14/2021		Sex [?] Steer		Value of Gain [?]		Total	
State [?]	Location [?]	Date [?]	Earliest Out (sell) Weight [?]	Expected Price, \$/cwt [?]	Value Per Head, \$/cwt [?]	VOG, \$/Head	VOG Per Cwt, \$/cwt [?]	Cumulative Value gained, \$/Head [?]	
Kansas	Farmers and Ranchers Livestock Commission - Salina	10/14/21	600	177.72	1066.32	0	--	--	
KS	Farmers and Ranchers Livestock Commission - Salina	10/29/21	627	177.05	1110.11	43.79	1.62	43.79	
KS	Farmers and Ranchers Livestock Commission - Salina	11/13/21	654	174.82	1143.33	33.22	1.23	77.01	
KS	Farmers and Ranchers Livestock Commission - Salina	11/28/21	681	173.24	1179.8	36.47	1.35	113.48	
KS	Farmers and Ranchers Livestock Commission - Salina	12/13/21	708	172.45	1220.95	41.15	1.52	154.63	
KS	Farmers and Ranchers Livestock Commission - Salina	12/28/21	735	170.92	1256.28	35.33	1.31	189.96	
KS	Farmers and Ranchers Livestock Commission - Salina	1/12/22	762	169.09	1288.48	32.2	1.19	222.16	

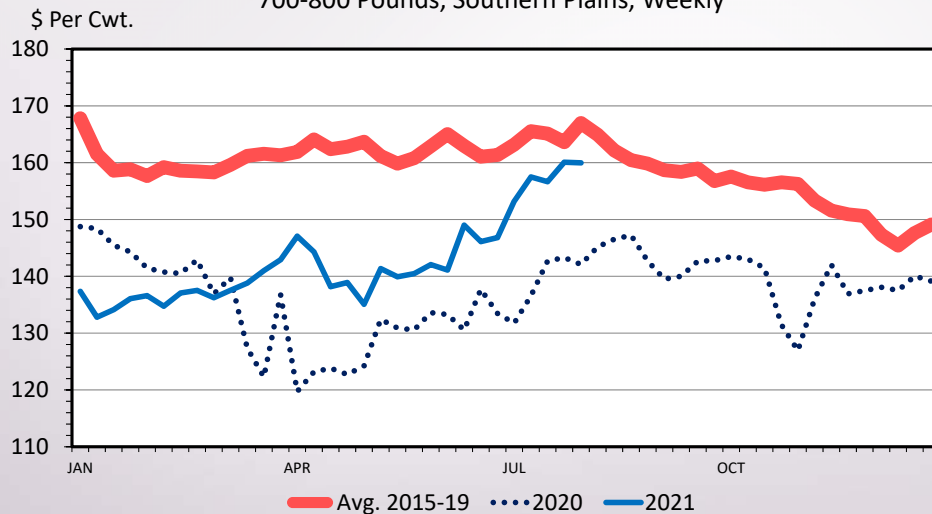
KSU-Feeder Cattle Risk Management Tool

<https://www.agmanager.info/k-state-feeder-cattle-risk-management-tool>



Always good to reassess your situation
e.g. changes in LRP make that more attractive to some...

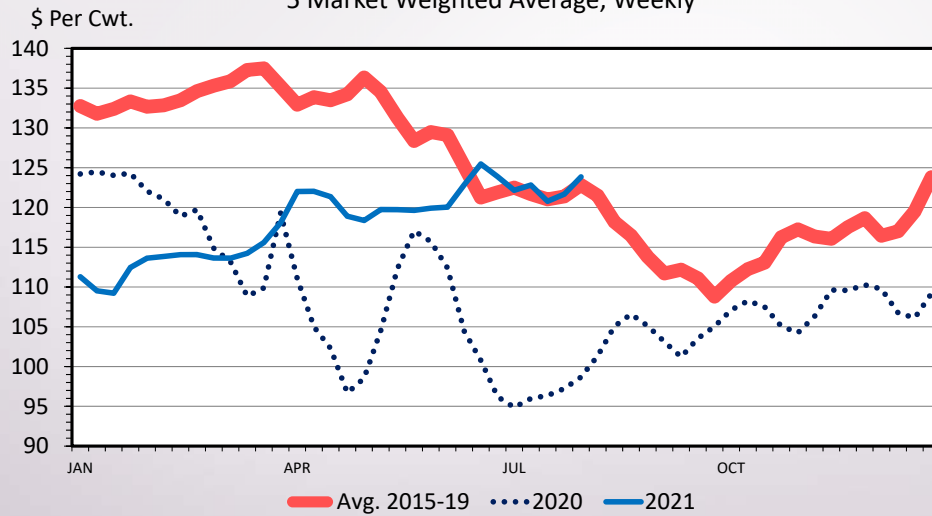
MED. & LRG. #1 FEEDER STEER PRICES 700-800 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-49
08/09/21

SLAUGHTER STEER PRICES 5 Market Weighted Average, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

08/09/21

Historical and Projected Kansas Feedlot Net Returns (as of 8/12/21')

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

June 21': **+\$12/steer**

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
Jul-21	-36.41	106.97	119.70	121.31	-1.62	133.68	101.72	122.20	128.91
Aug-21	82.12	111.22	129.71	128.50	1.21	132.41	123.71	124.10	142.59
Sep-21	12.29	111.94	128.70	128.50	0.20	138.30	113.87	127.84	139.85
Oct-21	74.56	111.59	134.76	133.95	0.81	140.60	123.84	129.64	149.38
Nov-21	75.72	110.23	134.41	133.95	0.46	141.85	122.11	129.22	151.06
Dec-21	112.18	109.68	139.03	138.15	0.88	145.19	127.66	131.44	158.34
Jan-22	38.38	108.14	138.05	138.15	-0.10	153.32	114.28	135.43	157.88
Feb-22	-19.22	109.30	141.45	141.13	0.32	163.27	106.07	142.76	161.05
Mar-22	39.73	110.85	143.43	141.13	2.31	162.99	117.00	140.60	168.22
Apr-22	-15.87	109.20	139.65	135.75	3.90	164.17	106.69	140.79	162.09

Representative Barometer for Trends in Profitability

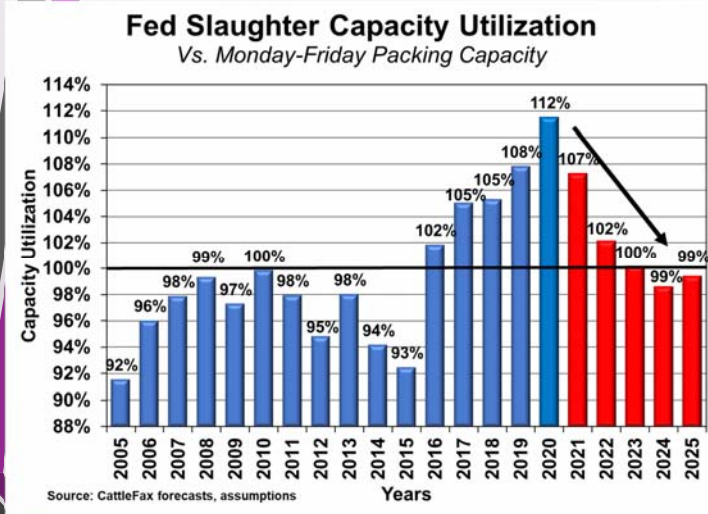
LOTS OF INDUSTRY ISSUES – LETS TAKE 3...

- Fed Cattle Inventory & Packing Capacity
- Price Discovery & Price Levels
- LMR

Packing Capacity vs Fed Cattle Inventories

1. See 3/24/21 KS House Ag. Committee Hearing
 - <https://www.youtube.com/watch?v=FcktRbRbi1I&t=1037s>
2. See 6/23/21 U.S. Senate Committee on Ag., Nutrition, & Forestry Hearing
 - <https://www.agriculture.senate.gov/hearings/examining-markets-transparency-and-prices-from-cattle-producer-to-consumer>
 - this remains a key relationship in the industry

Ongoing Evolution....

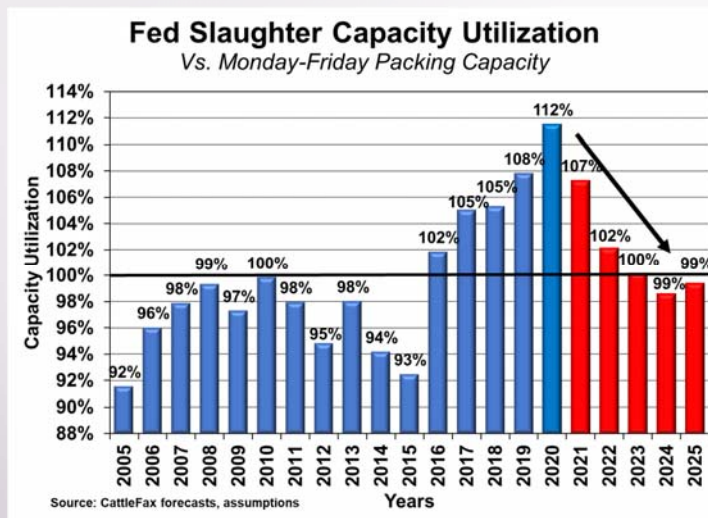


“Too many cattle relative to capacity”
- Wider beef-cattle \$ difference

“Too much capacity relative to cattle”
- Narrower beef-cattle \$ difference

Source: CattleFax’s December 2020 Long-Term Outlook; Text box points added by Tonsor

Ongoing Evolution....

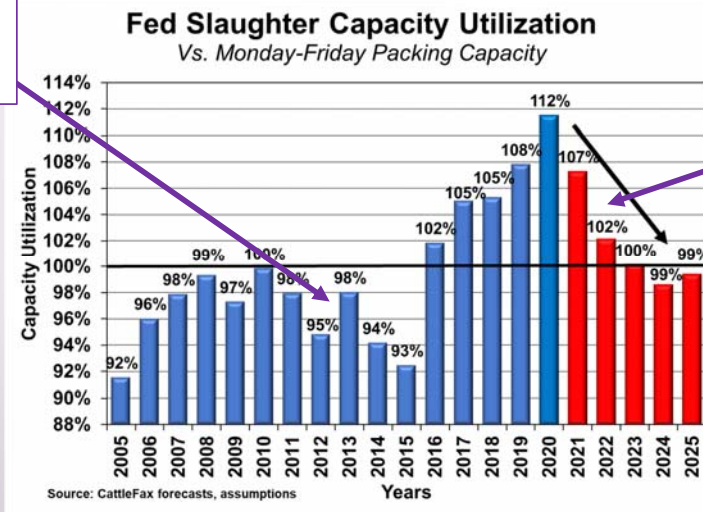


Also note PHYSICAL Capacity is NOT OPERATIONAL Capacity

Source: CattleFax’s December 2020 Long-Term Outlook; Text box points added by Tonsor

Ongoing Evolution....

2013 Cargill Closed Plainview, TX Plant (~4,500 hd/day)

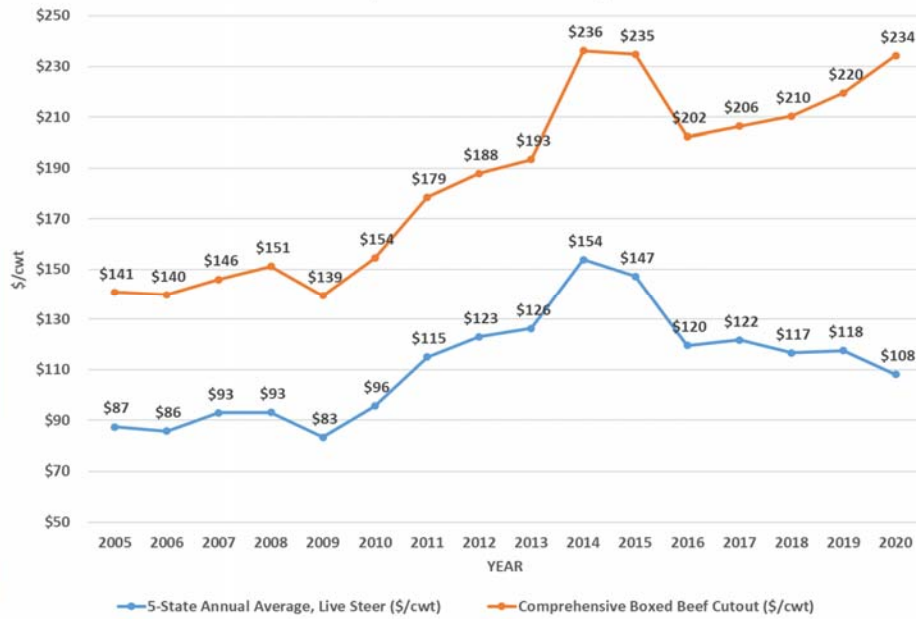


Lower FI Slaughter
 2020 = 32.8 mil
 2021 = 32.6 mil
 2022 = 32.0 mil

- Added (?) Slaughter Capacity**
- Tama, IA 2nd shift, up to 2,500 hd/day
 - Jerome, ID new plant 500 hd/day
 - North Platte, NE new plant 1,500/hd/day
 - Many other announcements

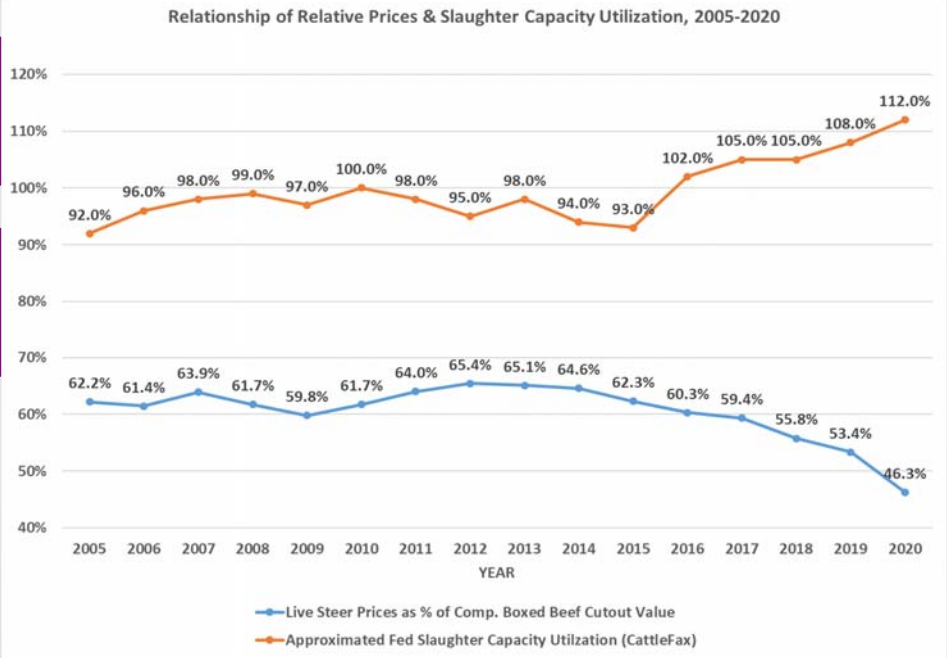
Source: CattleFax's December 2020 Long-Term Outlook; Text box points added by Tonsor

Live Steer & Comp. Boxed Beef Cutout Values, 2005-2020



Correlation of Slaughter Capacity Utilization & Relative Prices (Live Steer vs Comp. Boxed Beef) = **-0.86**

Also note this strong correlation makes no adjustment for cost changes (e.g. COVID PPE etc.)



Relationship of Relative Prices & Slaughter Capacity Utilization, 2005-2020

2005-2020 Simple Average: Live Steer Prices are 60.5% of Comp. Boxed Beef Price

Applied Economic Perspectives and Policy / Early View

Featured Article | Free Access

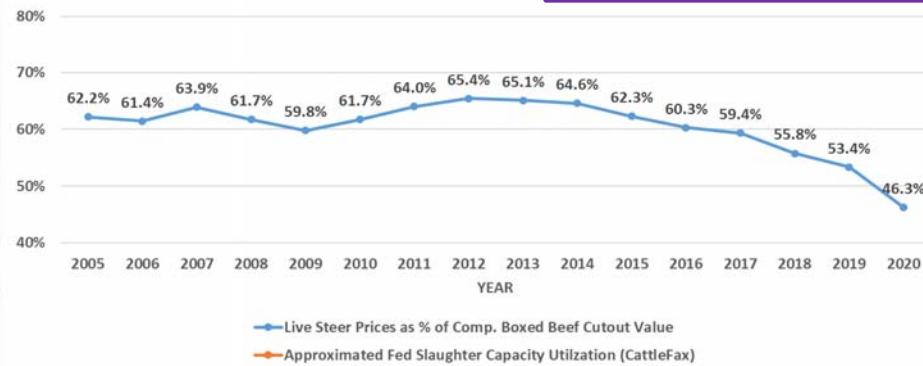
Beef and Pork Marketing Margins and Price Spreads during COVID-19

Jayson L. Lusk, Glynn T. Tonsor, Lee L. Schulz

First published: 02 October 2020

<https://doi.org/10.1002/aapp.13101>

Rules of Thumb
63% Hot Carcass Yield
61% Cold Carcass Yield
(2% Loss/Shrink)

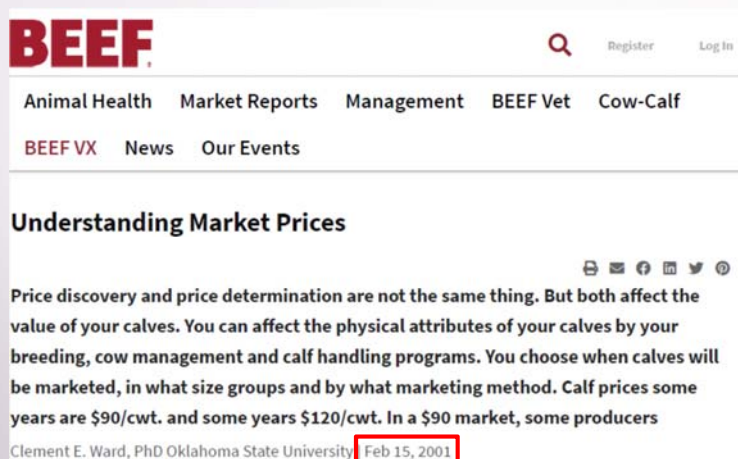


Price Discovery vs Price Level

- Jargon-free distinction:
 - Price Discovery: process of buyers & sellers arriving at a transaction price
 - Price Levels: determined market price reflects interaction of broad supply & demand forces

Price Discovery vs Price Level

- “Confusion” & “Increased Interest” correlates with periods of lower farm prices

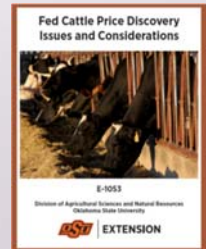


The screenshot shows the top portion of a BEEF magazine article. The BEEF logo is in the top left, with navigation links for Animal Health, Market Reports, Management, BEEF Vet, and Cow-Calf. Below these are links for BEEF VX, News, and Our Events. The article title is "Understanding Market Prices". The text begins with "Price discovery and price determination are not the same thing. But both affect the value of your calves. You can affect the physical attributes of your calves by your breeding, cow management and calf handling programs. You choose when calves will be marketed, in what size groups and by what marketing method. Calf prices some years are \$90/cwt. and some years \$120/cwt. In a \$90 market, some producers". The author is identified as Clement E. Ward, PhD Oklahoma State University, with a date of Feb 15, 2001.

https://www.beefmagazine.com/mag/beef_understanding_market_prices

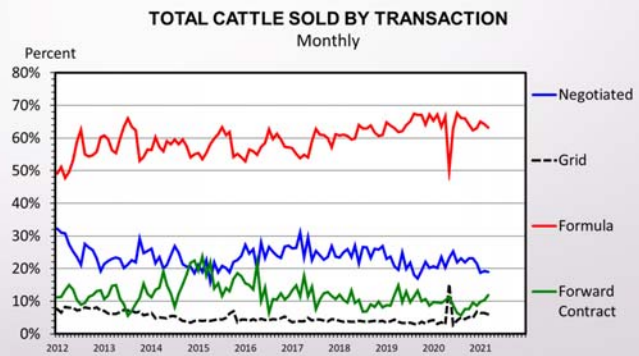
Price Discovery vs Price Level

- Improved price DISCOVERY will not by itself change overall price LEVELS
 - Not just GT's opinion
 - Derrell Peel, David Anderson, John Anderson, Chris Bastian, Scott Brown, Steve Koontz, & Josh Maples in 2021 <https://extension.okstate.edu/fact-sheets/print-publications/e/fed-cattle-price-discovery-issues-and-considerations-e-1053.pdf>



Price Discovery vs Price Level

- MANY sound economic reasons fed cattle marketing practices have evolved
 - Most of decline in % negotiated BEFORE 2012...



Source: Livestock Marketing Information Center & USDA-AMS

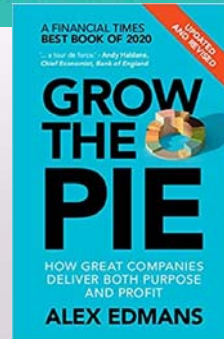
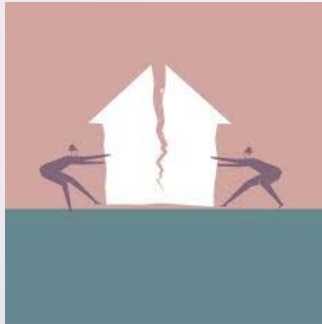
Livestock Mandatory Reporting

- Sept. 30th deadline for reauthorization following 1-year extension in 2020
- Packer – USDA – Public
 - Reporting vs. Printing/Publishing
 - Calls for transparency need to appreciate related details!
- LMR has evolved notably over past 20 years
 - August 21' USDA AMS added two reports to “enhance price transparency”
 - [National Daily Direct Formula Base Cattle](#)
 - [National Weekly Cattle Net Price Distribution](#)

What is the U.S. beef-cattle industry's future?



What is the U.S. beef-cattle industry's future?



More information available at:



This presentation will be available in PDF format at:

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

Host of additional industry resources are cross-linked as well

Role of International Trade Is Complex & Often Misunderstood...

Kansas State University Department Of Agricultural Economics Extension Publication

05/20/2020

Overview of US Beef Production, Export, Import and Domestic Consumption Trends: 2003-2019

Glynn Tonsor (gtonsor@ksu.edu) Kansas State University Department of Agricultural Economics

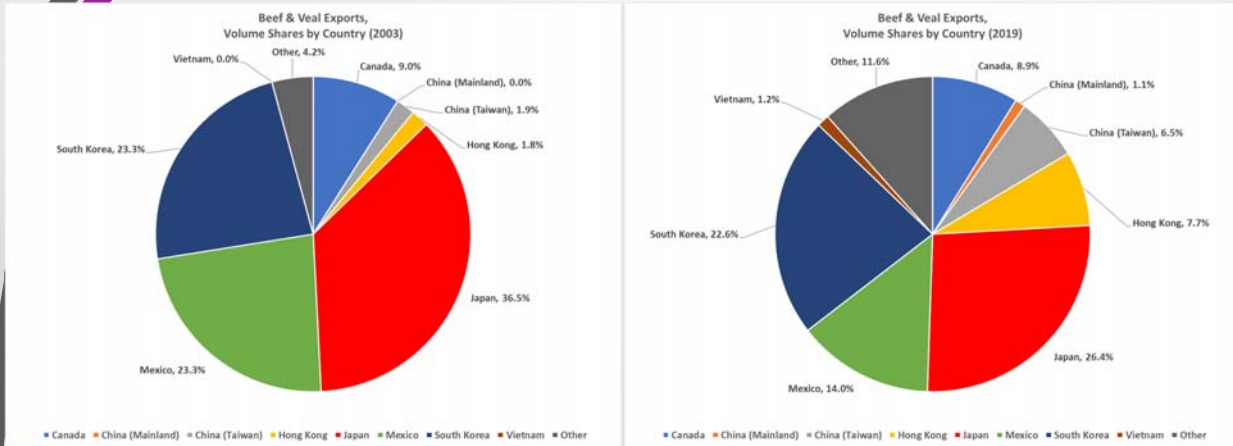
<https://www.agmanager.info/livestock-meat/marketing-extension-bulletins/trade-and-demand/overview-us-beef-production-export>

Role of International Trade Is Complex & Often Misunderstood...

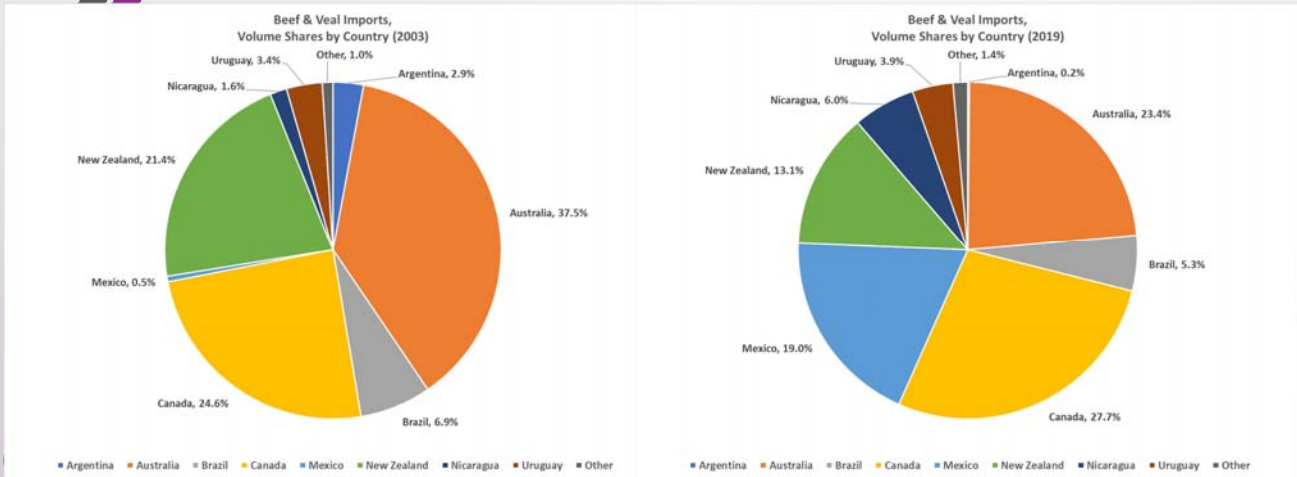
2003	2019	2019 vs 2003
Total US Beef Production = 26.34 bil lbs	Total US Beef Production = 27.23 bil lbs	3.4%
Beef Exports = 2.52 bil lbs	Beef Exports = 3.02 bil lbs	19.8%
Beef Imports = 3.01 bil lbs	Beef Imports = 3.06 bil lbs	1.7%
Total Domestic Beef Disappearance = 27.00 bil lbs	Total Domestic Beef Disappearance = 27.28 bil lbs	1.0%
US Population = 290 million	US Population = 328 million	13.1%
Domestic Per Capita Beef of 65.03 lbs	Domestic Per Capita Beef of 57.97 lbs	-10.9%
9.56% of Total US Beef Production was Exported	11.10% of Total US Beef Production was Exported	16.1%
11.13% of Total US Beef Disappearance was Imports	11.21% of Total US Beef Disappearance was Imports	0.7%

<https://www.agmanager.info/livestock-meat/marketing-extension-bulletins/trade-and-demand/overview-us-beef-production-export>

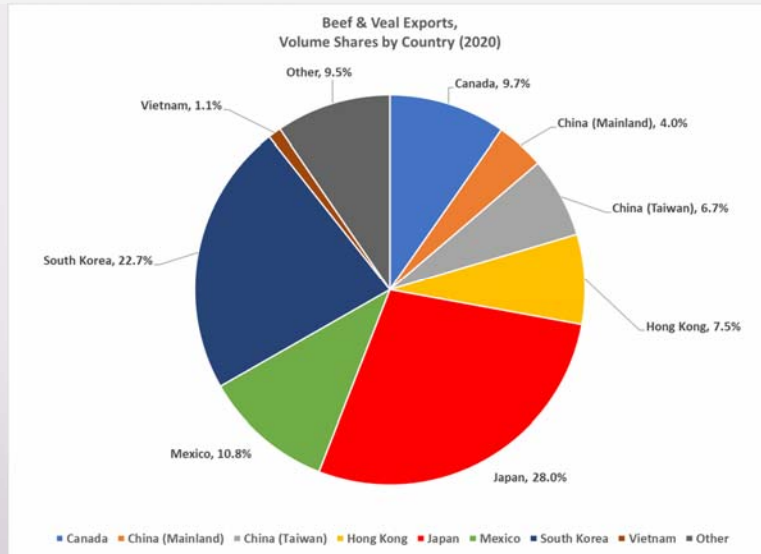
2003 & 2019 Beef & Veal Exports, Volume Shares by Country



2003 & 2019 Beef & Veal Imports, Volume Shares by Country

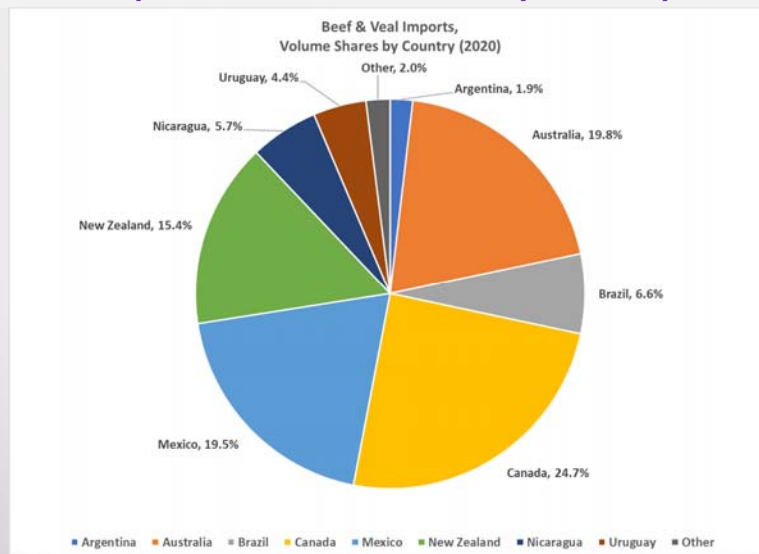


2020 Beef & Veal Exports, Volume Shares by Country



2020
2.96 billion
pounds exported

2020 Beef & Veal Imports, Volume Shares by Country



2020
3.34 billion
pounds imported