

BEEF-CATTLE SITUATION UPDATE

KS HOUSE AGRICULTURE COMMITTEE

MARCH 24, 2021

DR. GLYNN T. TONSOR

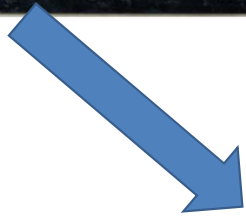
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<https://www.agmanager.info/contributors/tonsor>

GT Introduction



KANSAS STATE
UNIVERSITY

Agricultural Economics

 MICHIGAN STATE UNIVERSITY

College of Agriculture & Natural Resources
Department of Agricultural, Food, and Resource Economics

KANSAS STATE
UNIVERSITY

Agricultural Economics

GT Introduction



Broad Overview – LMIC Forecasts (3/11/21)



LMIC
Livestock Marketing
Information Center

<https://lmic.info/>

1. Cow-Calf

- 2021 5-600# Southern Plains Calf Price (\$/cwt) = \$164-166

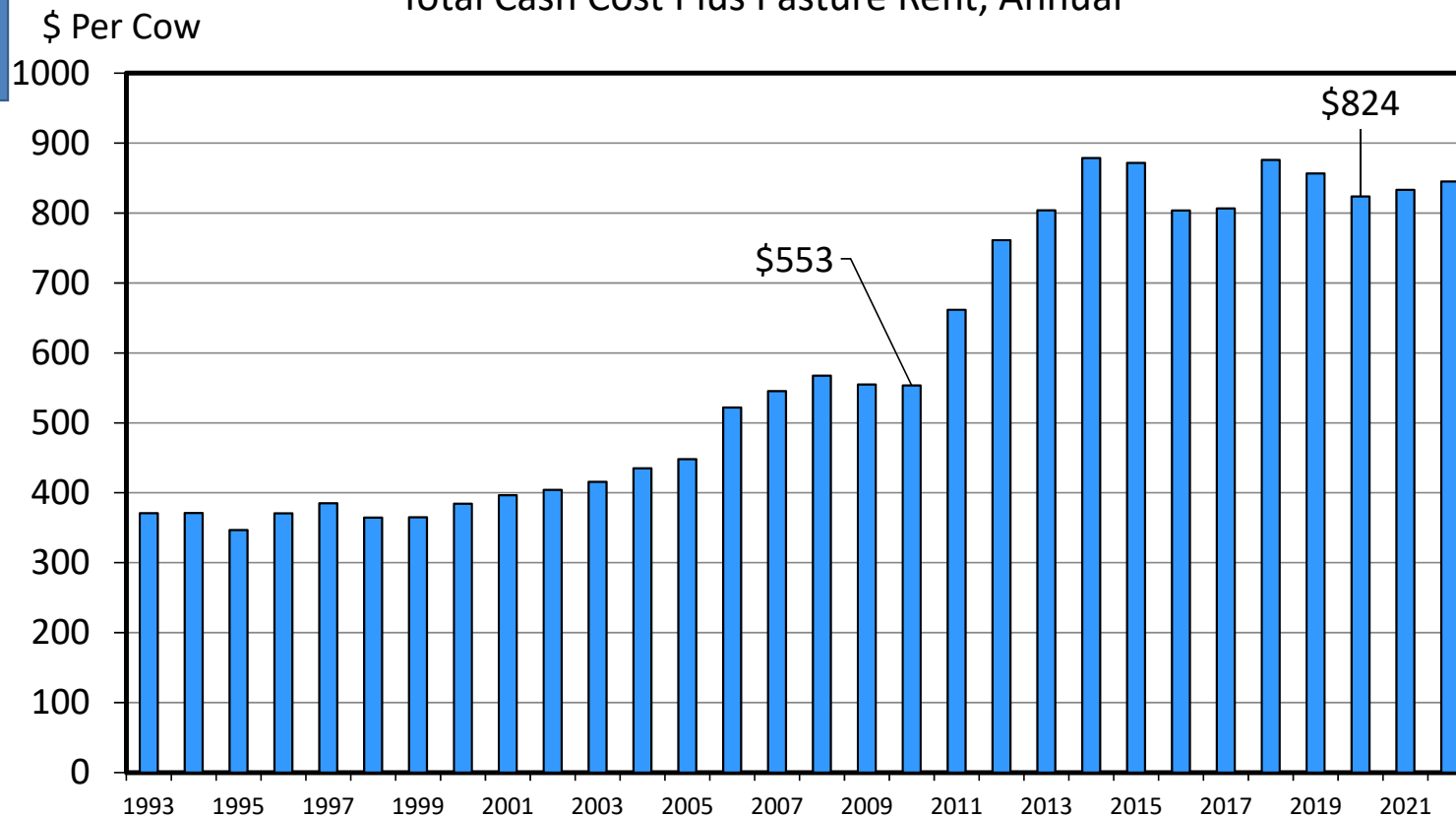
2. Feedlot

- 2021 5-Mkt Steer Price (\$/cwt) = \$114-118

Profit driven by more than just sales prices....

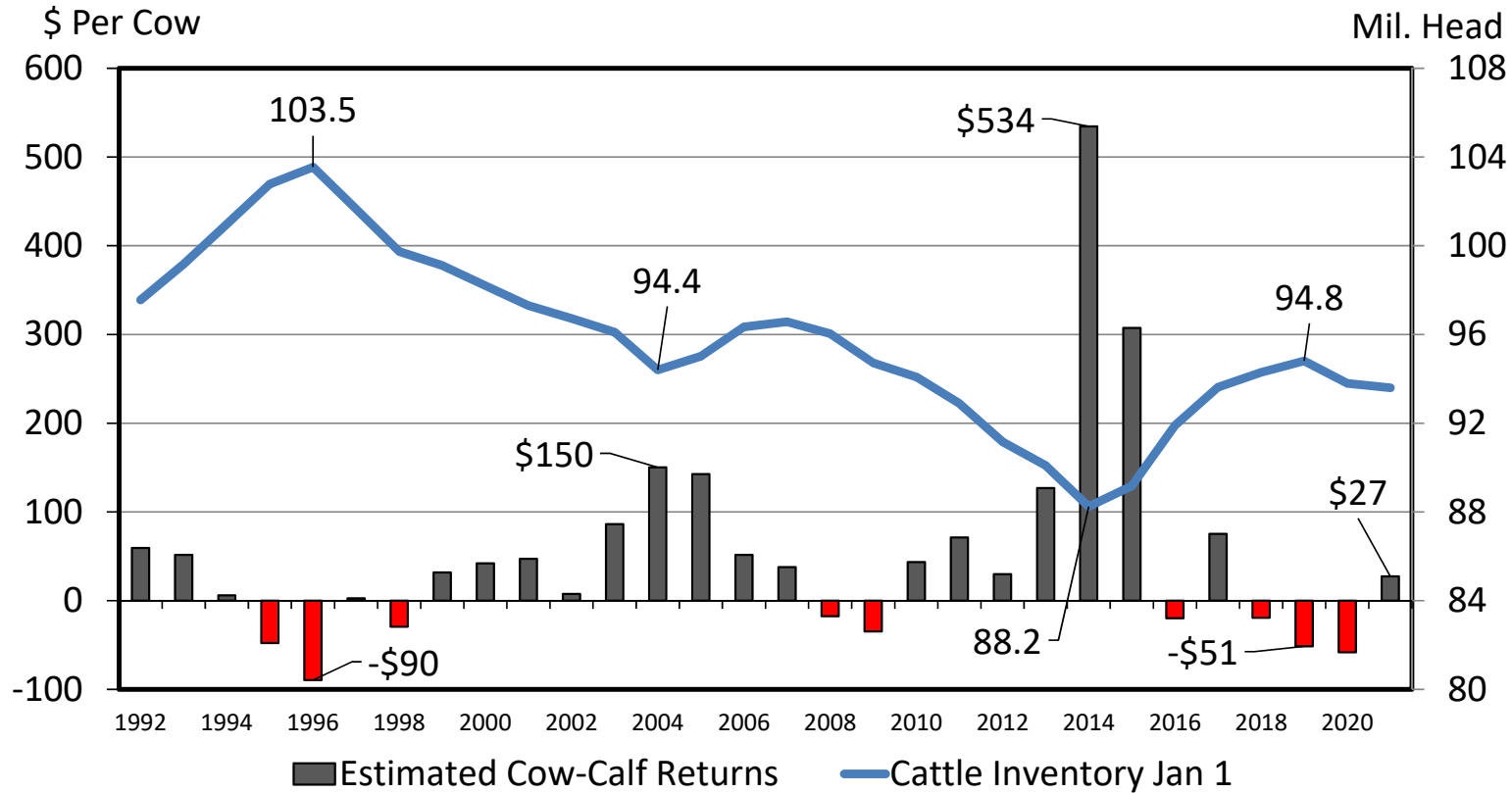
ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



COW CALF RETURNS AND CATTLE INVENTORY

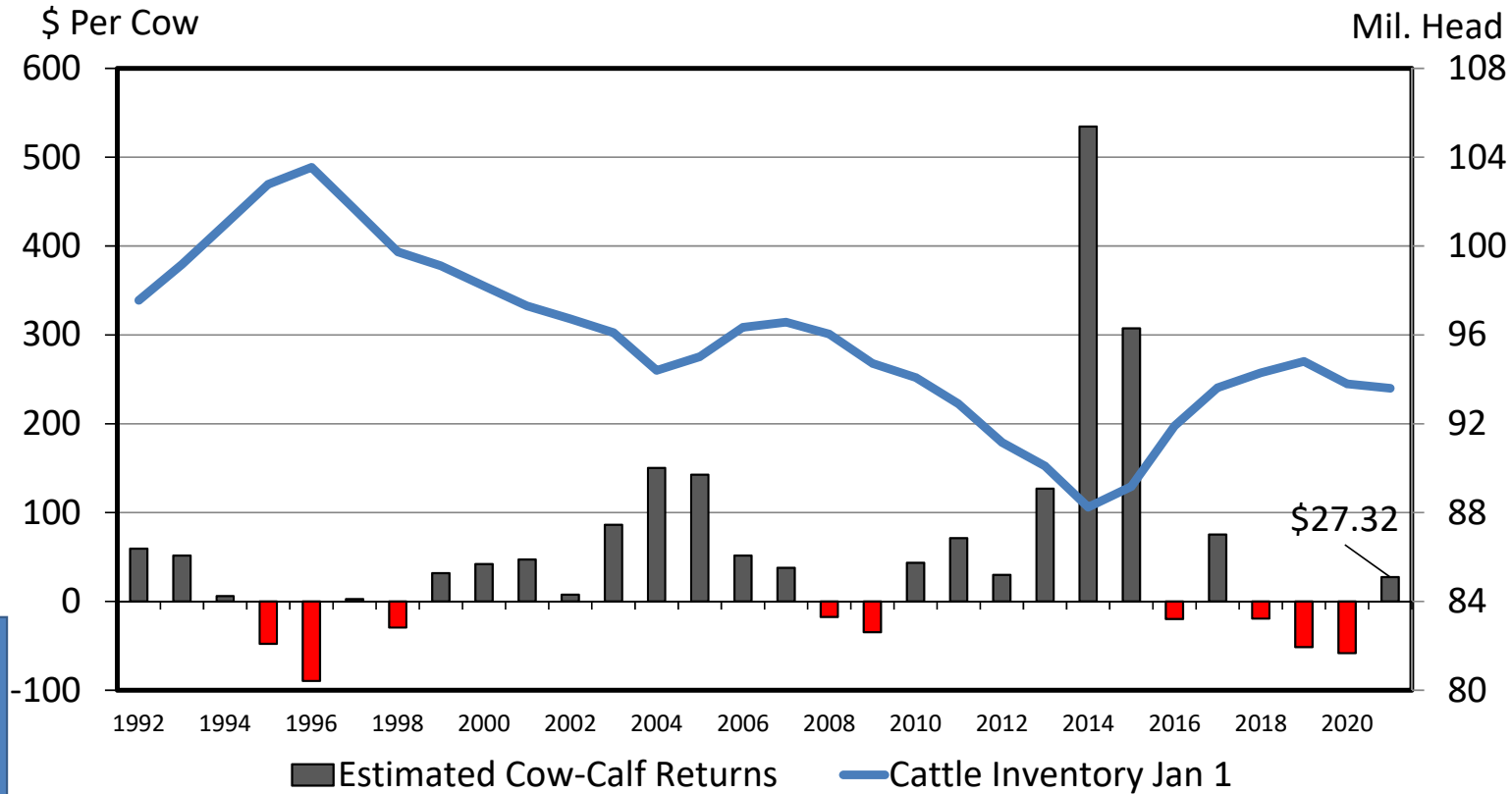
U.S., Annual



2019: -\$51
 2020: -\$53 (w/o CFAP \$)
 2021: +\$27

COW CALF RETURNS AND CATTLE INVENTORY

U.S., Annual



Correlation of Jan. 1 Cattle Inventory & Cow-Calf Returns
 -0.60 (30 years, 1992-2021)
 -0.70 (16 years, 2005-2020)



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



Agricultural Economics

C-P-67
 02/10/21

Historical and Projected Kansas Feedlot Net Returns (as of 3/9/21')

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

Jan 21': **-\$59/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
Feb-21	-80.02	90.20	114.27	115.93	-1.66	141.10	77.97	119.71	131.29
Mar-21	43.46	93.37	123.58	119.75	3.83	139.79	100.08	120.62	145.07
Apr-21	28.64	97.36	123.74	119.60	4.14	139.48	101.78	121.73	143.17
May-21	137.52	98.32	128.54	119.60	8.94	135.58	118.18	119.03	153.84
Jun-21	38.37	100.23	122.09	118.28	3.82	134.80	105.74	119.44	139.91
Jul-21	5.35	100.44	119.39	118.28	1.11	133.69	101.19	119.02	134.38
Aug-21	56.54	99.90	123.39	122.23	1.16	133.60	108.29	119.60	140.51
Sep-21	1.70	99.77	122.37	122.23	0.14	137.83	100.04	122.25	138.04
Oct-21	-90.09	99.05	125.62	124.93	0.69	153.02	84.55	131.70	142.56
Nov-21	-89.43	97.71	125.35	124.93	0.43	155.40	84.00	131.38	144.66



Barometer for Trends in Profitability



Agricultural Economics

Packing Sector COVID Challenges: Dynamic, Politicized, Research Ongoing

RESEARCH ARTICLE

Livestock plants and COVID-19 transmission

Charles A. Taylor, Christopher Boulos, and Douglas Almond

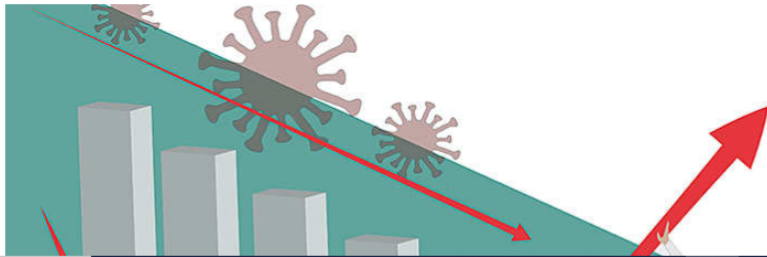
PNAS December 15, 2020 117 (50) 31706-31715; first published November 19, 2020; <https://doi.org/10.1073/pnas.2010115117>

Meat and Poultry Processing | Food Safety | Beef | Expert Commentary

Guest Commentary | Dr. Phil Bass

Meat industry resiliency

The meat industry has bounced back from major challenges and changes before; in the post-COVID-19 world, we should expect a similar outcome.



<https://www.provisioneronline.com/articles/109602-meat-industry-resiliency>



<https://nutrition.tufts.edu/event/2020-06-05/webinar-how-resilient-us-meat-supply-chain-lessons-covid-19>

Applied Economic Perspectives and Policy / Early View

Featured Article | [Free Access](#)

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

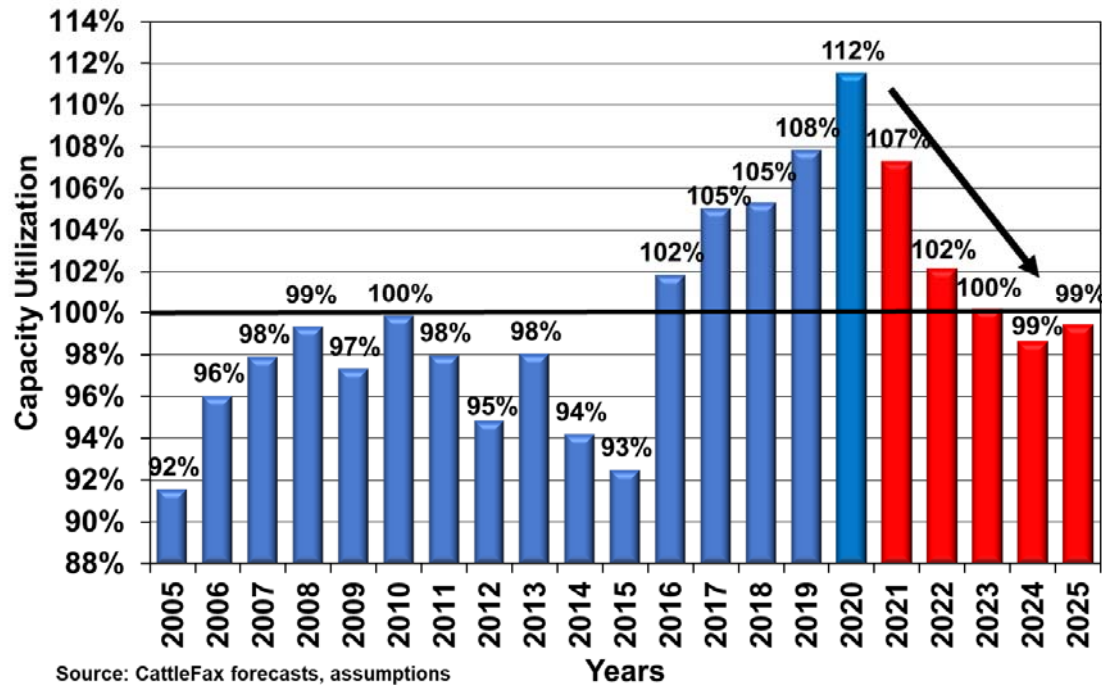
Jayson L. Lusk, Glynn T. Tonsor, Lee L. Schulz

First published: 02 October 2020

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

Ongoing Evolution....

Fed Slaughter Capacity Utilization
Vs. Monday-Friday Packing Capacity



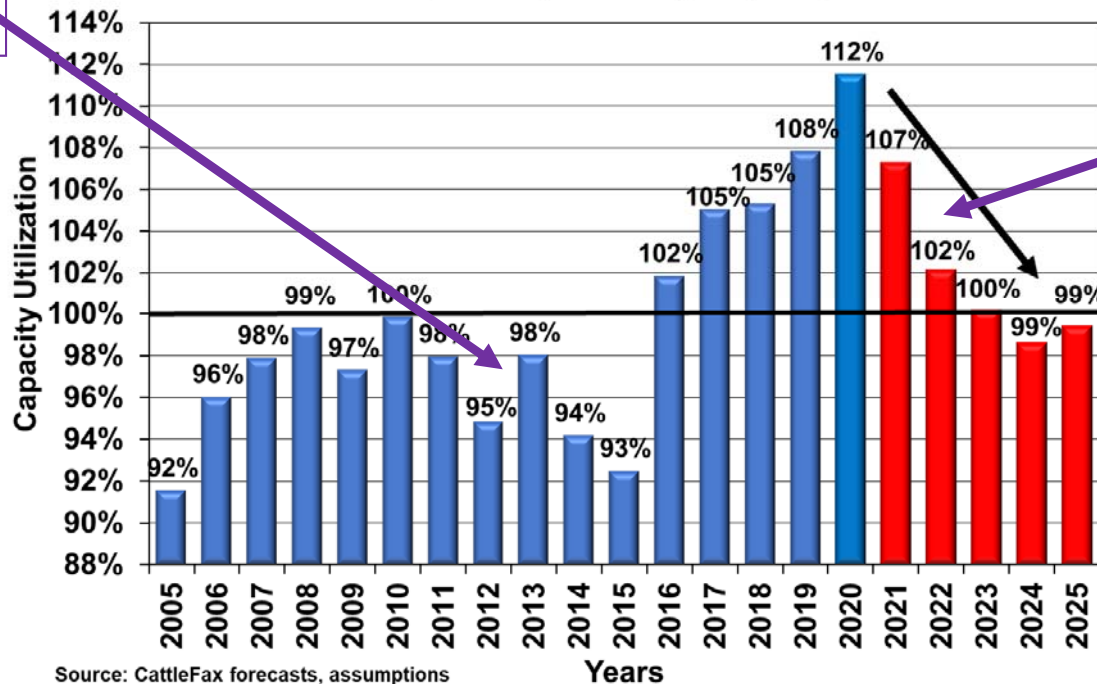
“Too many cattle relative to capacity”

“Too much capacity relative to cattle”

Ongoing Evolution....

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

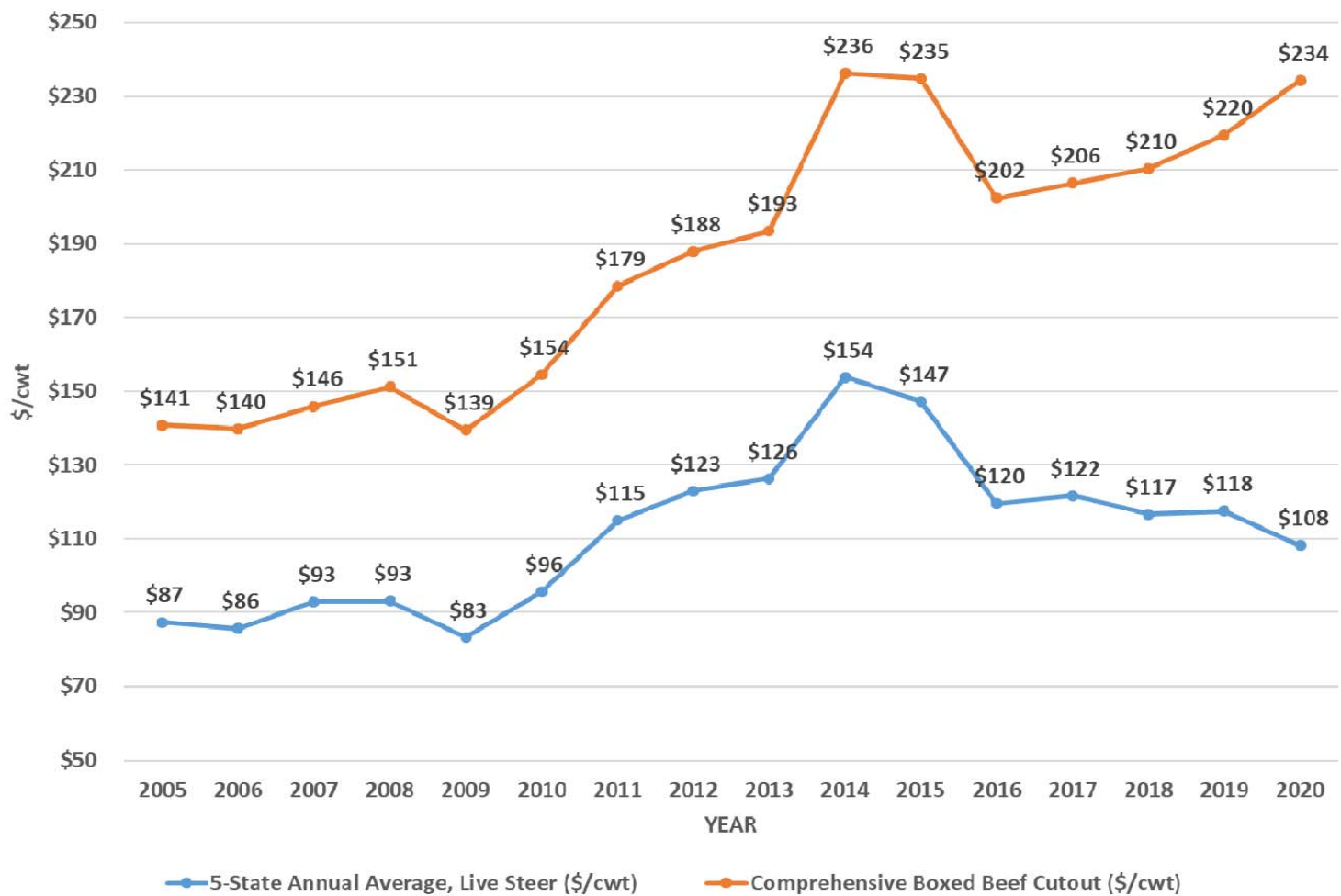
Fed Slaughter Capacity Utilization
Vs. Monday-Friday Packing Capacity



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, smaller announcements

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



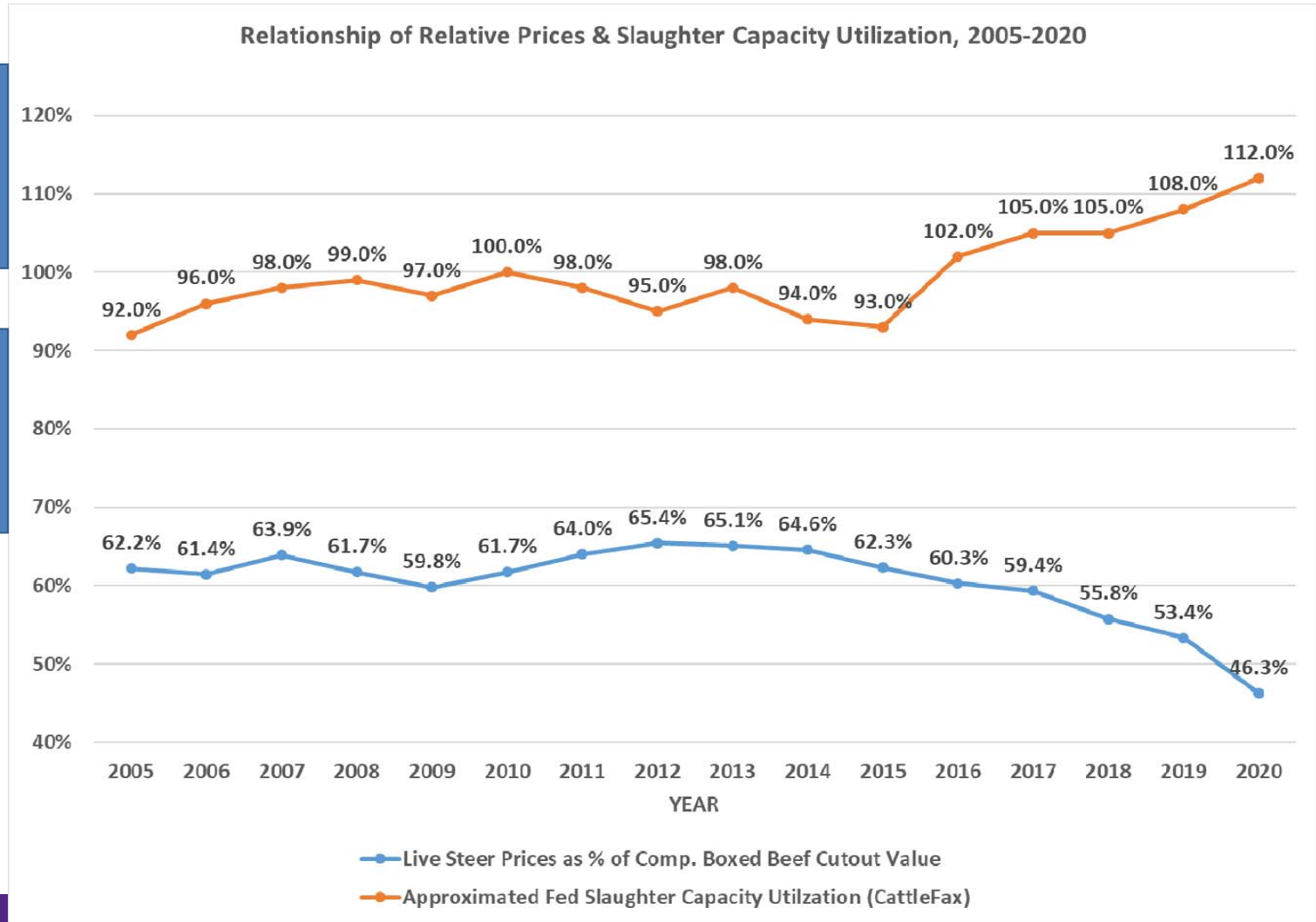
Week ending
March 19, 2021

Comp. Cutout
\$229/cwt

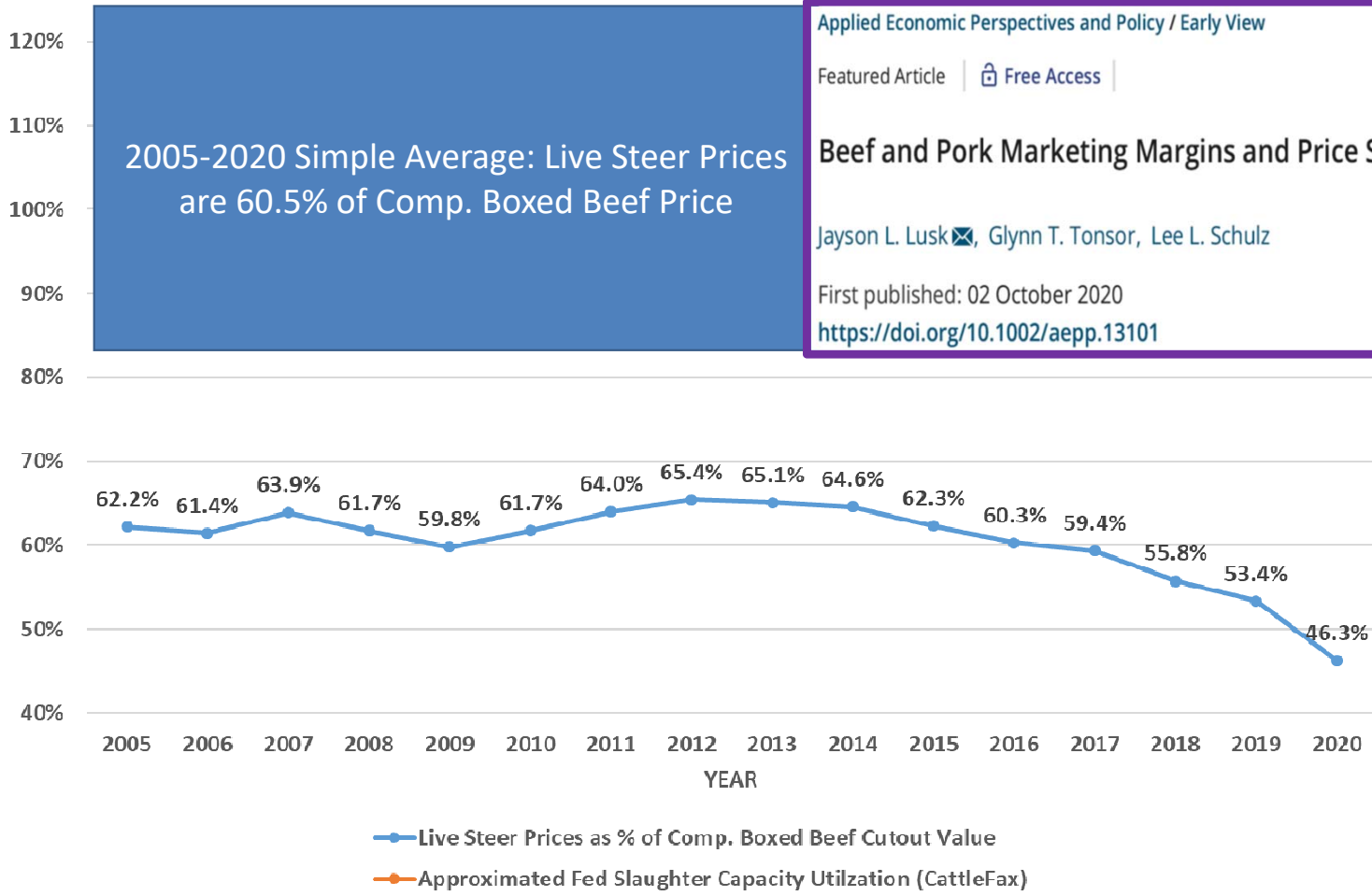
5-Area Live Steer
\$114/cwt

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

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

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

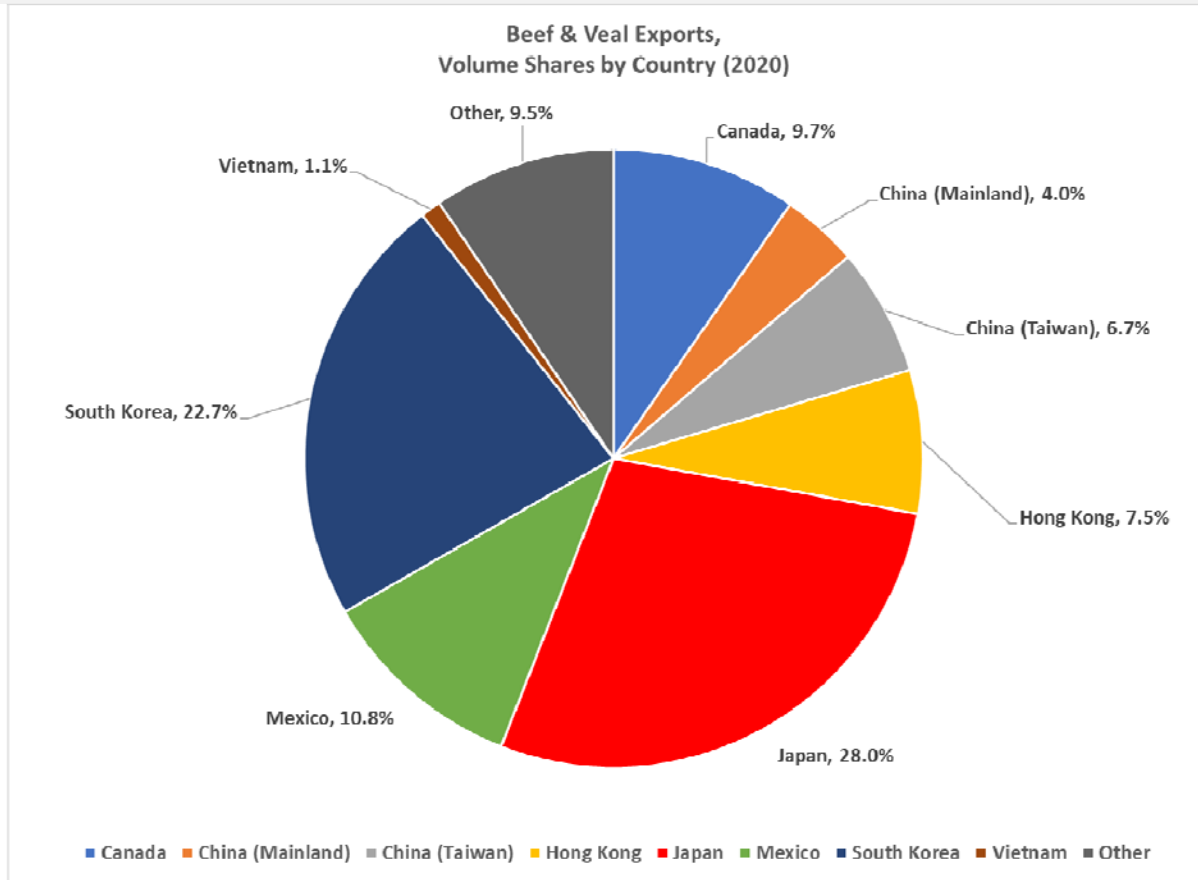
<https://www.agmanager.info/livestock-meat/marketing-extension-bulletins/trade-and-demand/overview-us-beef-production-export>



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%

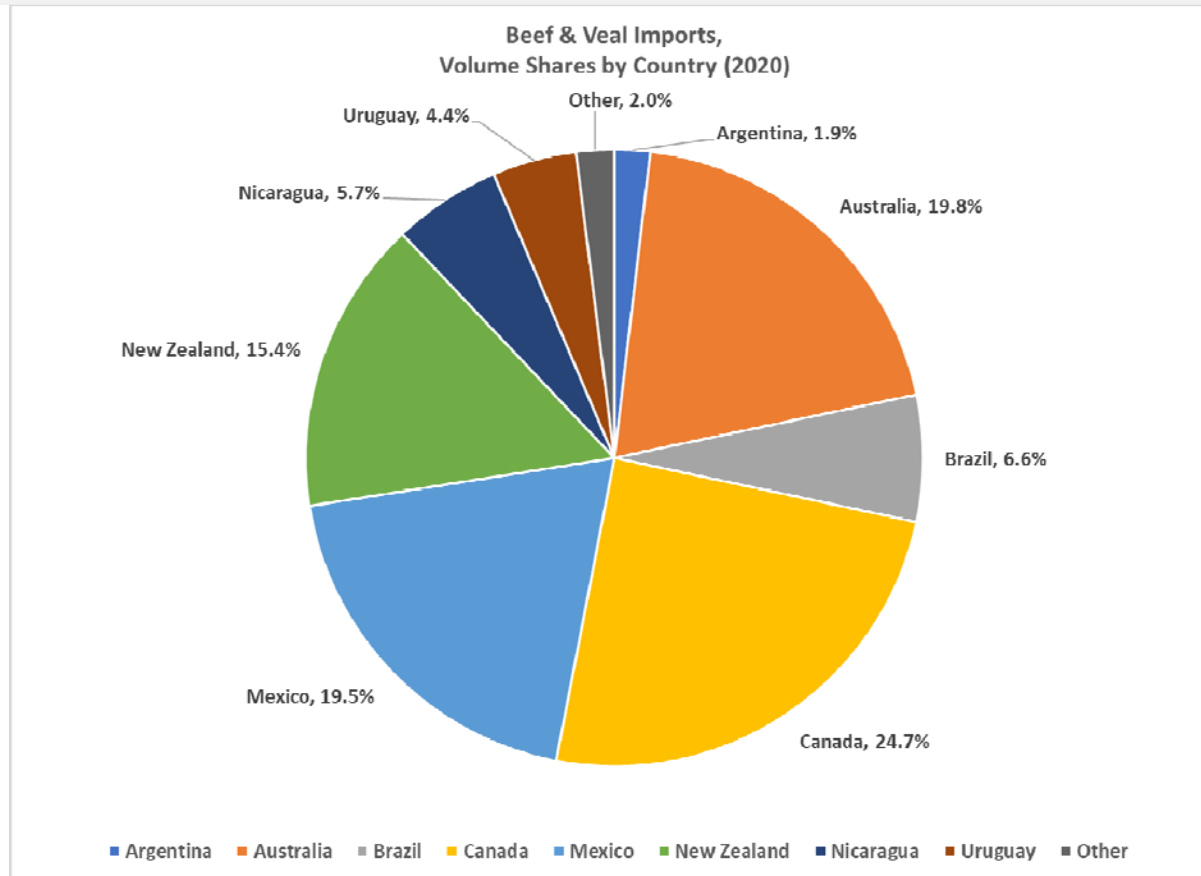
2020 Beef & Veal Exports, Volume Shares by Country



2020

2.96 billion
pounds exported

2020 Beef & Veal Imports, Volume Shares by Country



2020
3.34 billion
pounds imported

Consumer Demand Trends

Watch AgManager for Ongoing Updates

Meat Demand

Meat Demand

- Meat Demand Research Studies
- Monthly Domestic Meat Demand Indices [USDA/BLS Data]
- Monthly Export Meat Demand Indices [USDA/BLS Data]
- Monthly Meat Demand Monitor [Survey Data]
 - Monthly Meat Demand Monitor (Prior Years)

Monthly Meat Demand Monitor, Methods, and Supporting Information

Home / Livestock & Meat / Meat Demand / Monthly Meat Demand Monitor [Survey Data]

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[Projected Feeder Cattle Prices](#)

[Cattle Finishing Returns](#)

[Meat Demand](#)

[Meat Demand Research Studies](#)

[Monthly Domestic Meat Demand Indices \[USDA/BLS Data\]](#)

[Monthly Export Meat Demand Indices \[USDA/BLS Data\]](#)

[Monthly Meat Demand Monitor \[Survey Data\]](#)

[Production Economics](#)

[Marketing Charts](#)

[CLPER Newsletter](#)

Monthly Meat Demand Monitor [Survey Data]

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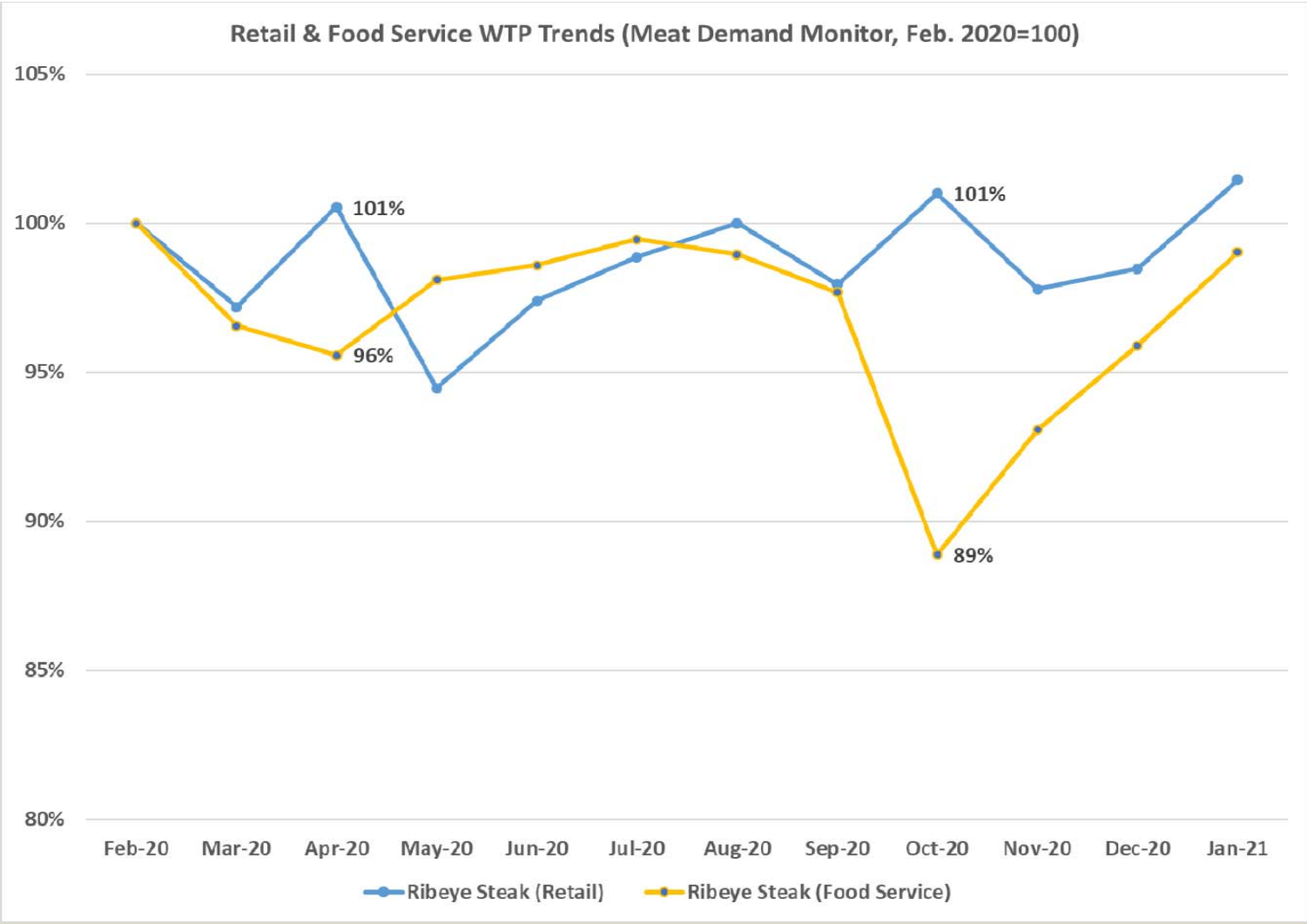


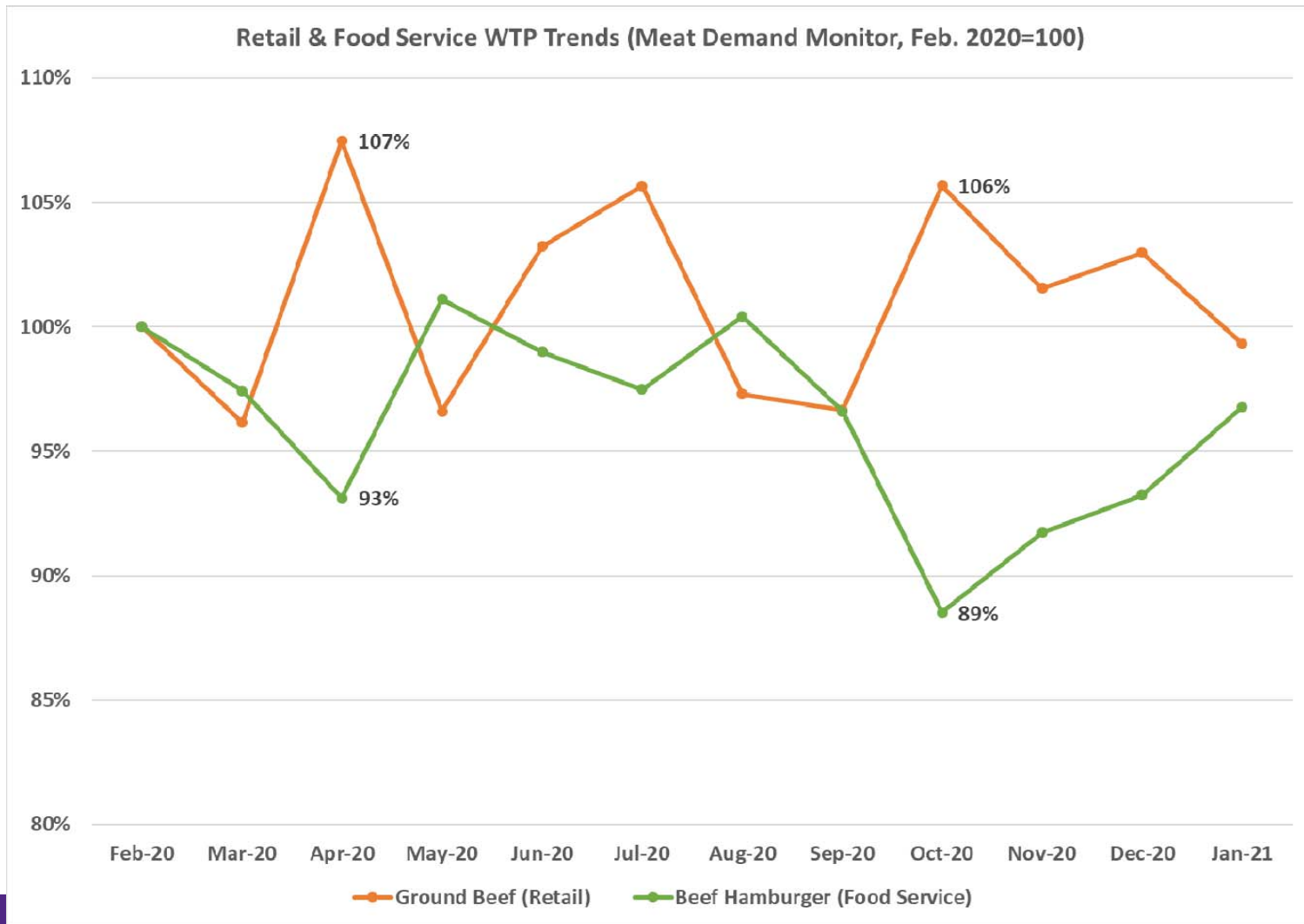
The Meat Demand Monitor (MDM) project is funded in-part by the beef checkoff and the pork checkoff. Monthly reports and supporting documentation are available here.



Monthly Meat Demand Monitor

Title	Author	Date	Downloads
Meat Demand Monitor - January 2021	Tonsor	February 4, 2021	Downloads -
Multi-Month Summary Report: July-December 2020	Tonsor	January 29, 2021	Downloads -
Meat Demand Monitor - December 2020	Tonsor	December 28, 2020	Downloads -
Meat Demand Monitor - November 2020	Tonsor	December 1, 2020	Downloads -
Impact of Coronavirus (COVID19) Vaccine on Food Service	Tonsor Lusk	November 16, 2020	Downloads -
Meat Demand Monitor - October 2020	Tonsor	November 9, 2020	Downloads -
Meat Demand Monitor - September 2020	Tonsor	October 2, 2020	Downloads -
Meat Demand Monitor - August 2020	Tonsor	September 4, 2020	Downloads -





Take-Home Summary Points

- Nearly all of us underestimated COVID-19 impacts
 - GT is amazed at how quickly & strongly the industry adapted
- The entire U.S. meat-livestock industry is constantly evolving
 - GT views that as a good thing
- Calls for “change” are prevalent
 - GT hopes for data-driven assessment
 - See Feb. 18, 2021 USDA Ag. Outlook Forum Talk:
<https://www.agmanager.info/beef-cattle-industry-and-market-situation>



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

