

20th ANNUAL
**BEEF STOCKER
FIELD DAY**

SEPTEMBER 19, 2019
KSU Beef Stocker Unit
Manhattan, Kansas

Beef Cattle Market Outlook

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AgManager
.info

Overarching Beef Industry Economic Outlook

- Supplies
 - Commercial Beef Production Up, Increases Moderating
 - +3.8% in 2017, +2.6% in 2018, +1.2% in 2019, +1.0% in 2020

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 - Key to supporting prices

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Consider Price Changes (vs. prior year)

- 5-mkt Live avg: 2017 (+1%), 2018 (-4%), 2019f (0%)
- 7-800# SP: 2017 (+2%), 2018 (+1%), 2019f (-4%)
- 5-600# SP: 2017 (0%), 2018 (+3%), 2019f (-4%)

All-Fresh Beef Retail Demand Index

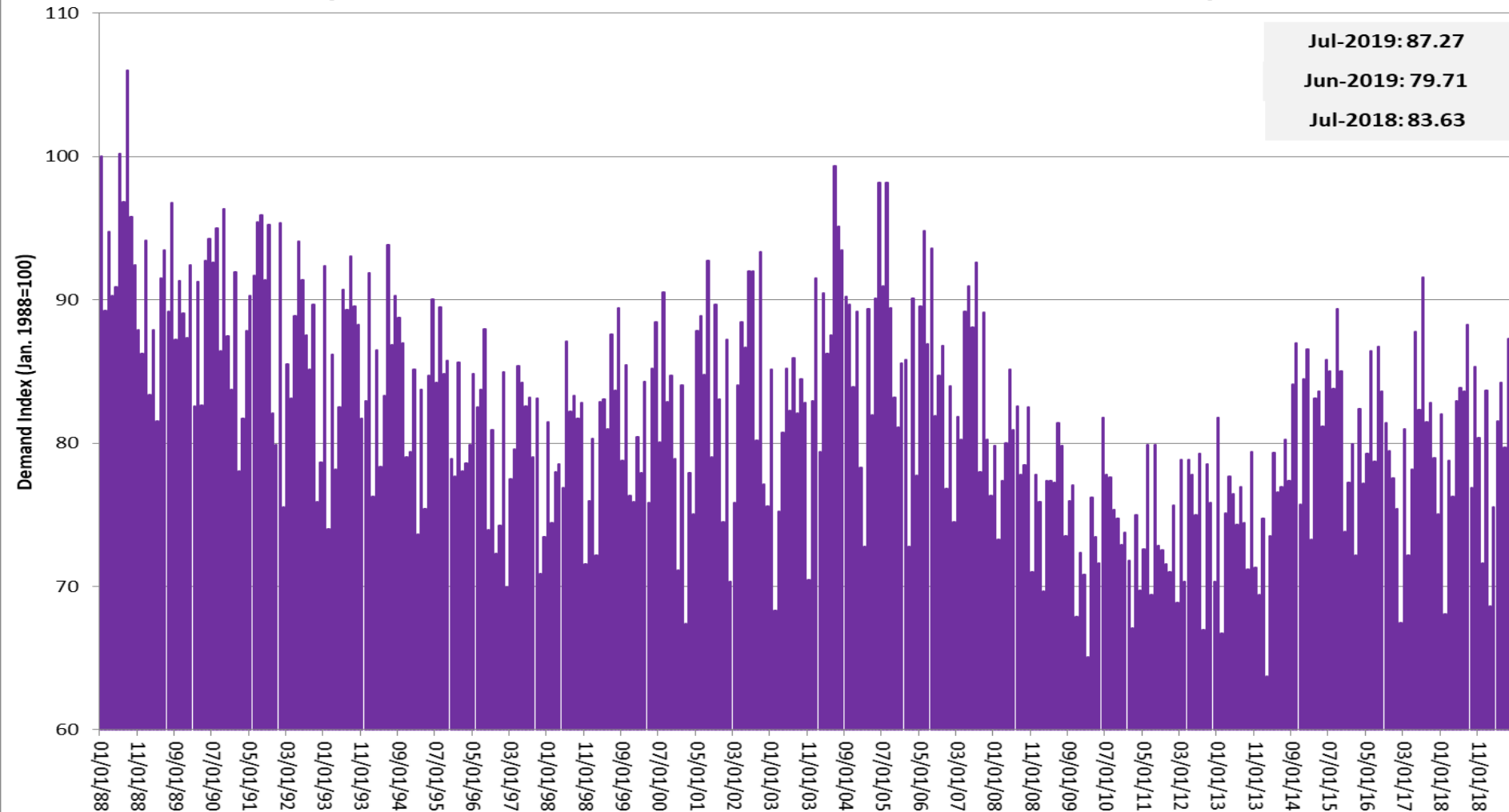
(Monthly, Jan 1988=100)

Monthly Domestic, All-Fresh Retail Beef Demand Index, Jan. 1988-present

Jul-2019: 87.27

Jun-2019: 79.71

Jul-2018: 83.63



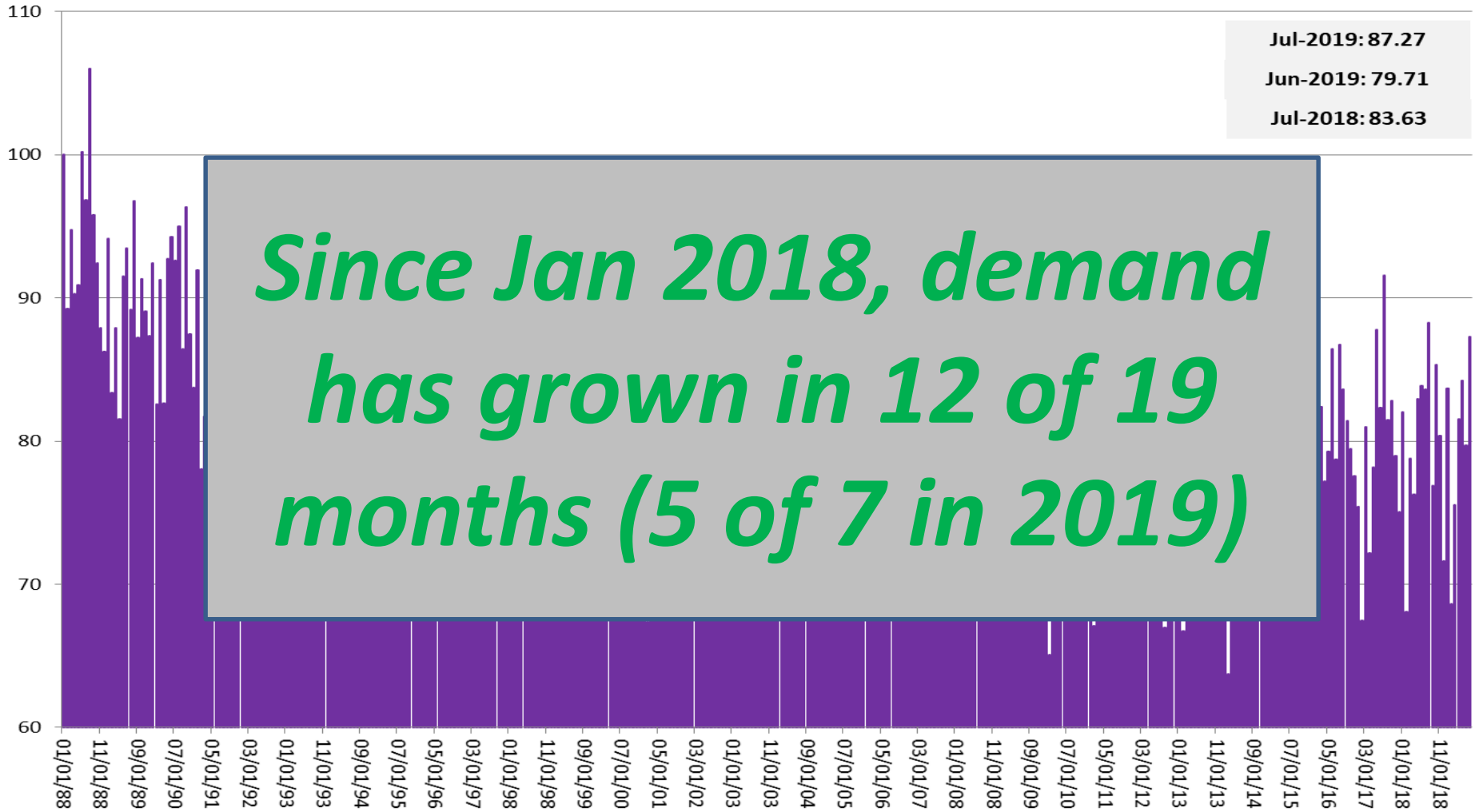
Source: Glynn T. Tonsor, Kansas State University

<http://agmanager.info/livestock-meat/meat-demand>

All-Fresh Beef Retail Demand Index

(Monthly, Jan 1988=100)

Monthly Domestic, All-Fresh Retail Beef Demand Index, Jan. 1988-present

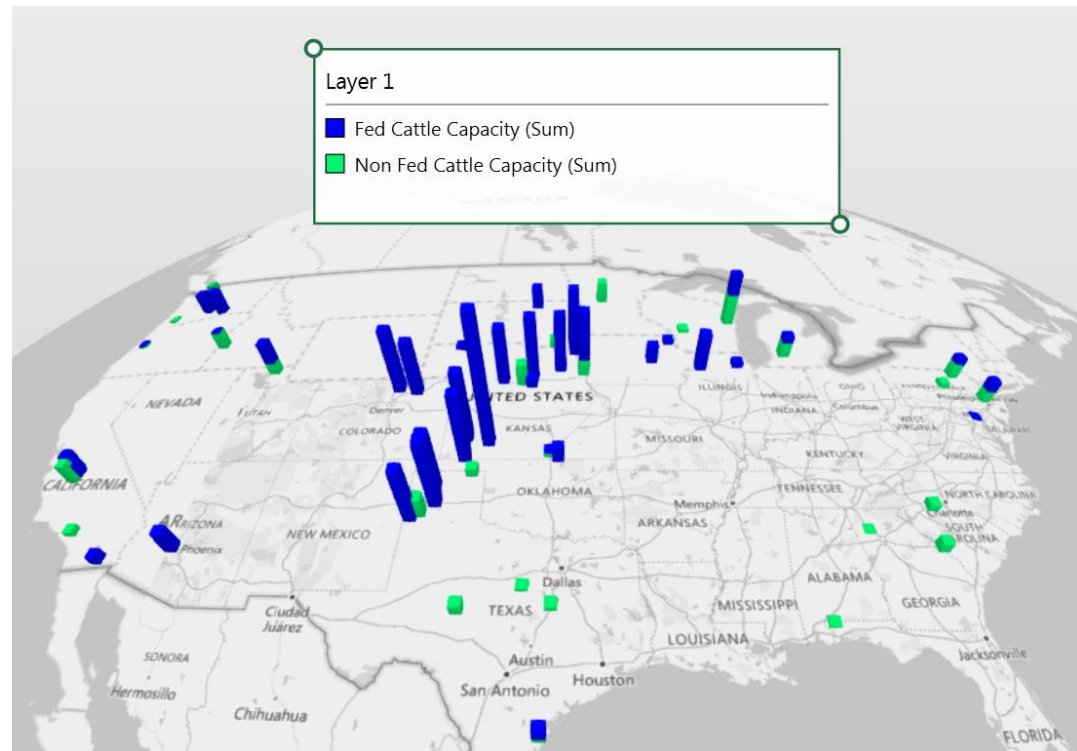


Source: Glynn T. Tonsor, Kansas State University

<http://agmanager.info/livestock-meat/meat-demand>

Holcomb-Tyson Plant Fire

- Date: August 9th
- Processing Capacity Involved: 6k/day
 - ~5% of US Capacity (~24% of KS Capacity)
- Processor Map



Holcomb-Tyson Plant Fire

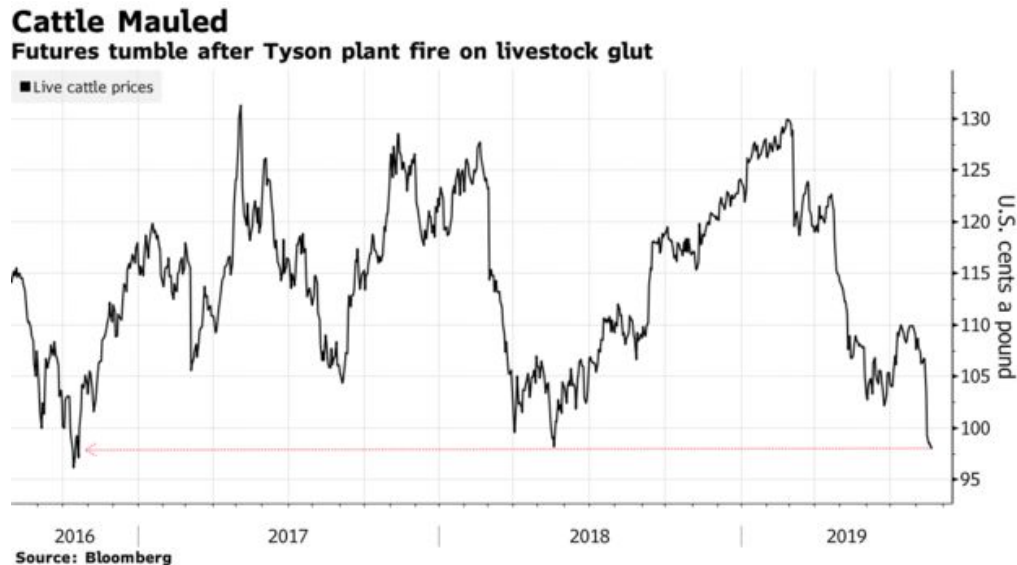
- Price Impact on Cattle

- Expected:

- Derived Demand Decline = Cattle Price Decline

- Realized:

- CME limit down 1st two days
 - LC Cash down \$5-\$7 1st week; FC Cash down ~\$10



Holcomb-Tyson Plant Fire

- Price Impact on Beef

- Expected:

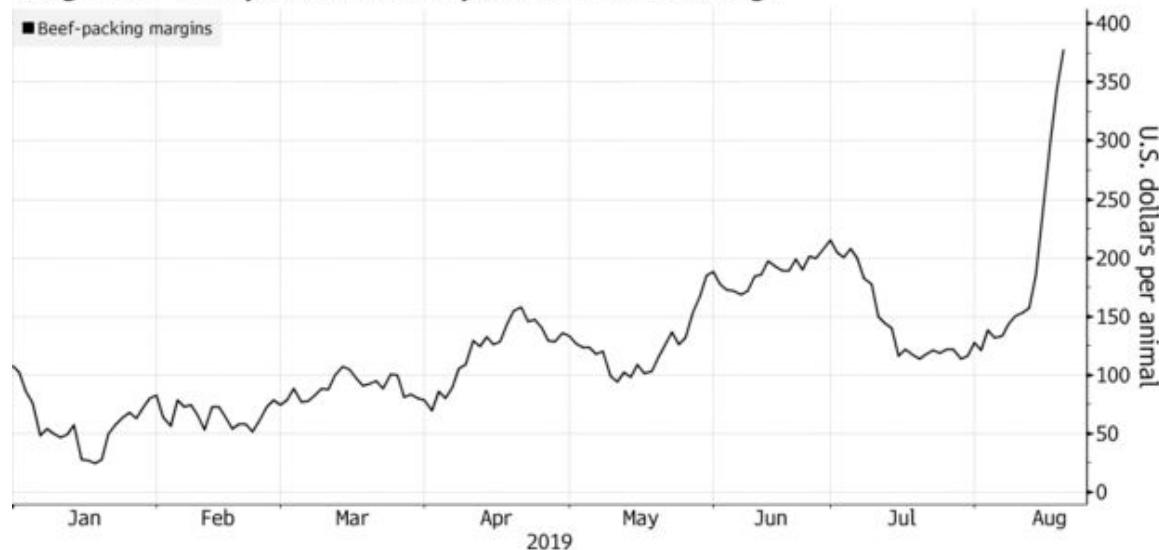
- Processing Cost Up = Beef Price Increase

- Realized:

- Two largest daily cutout price increases on-record (post-MPR)

Packer Win

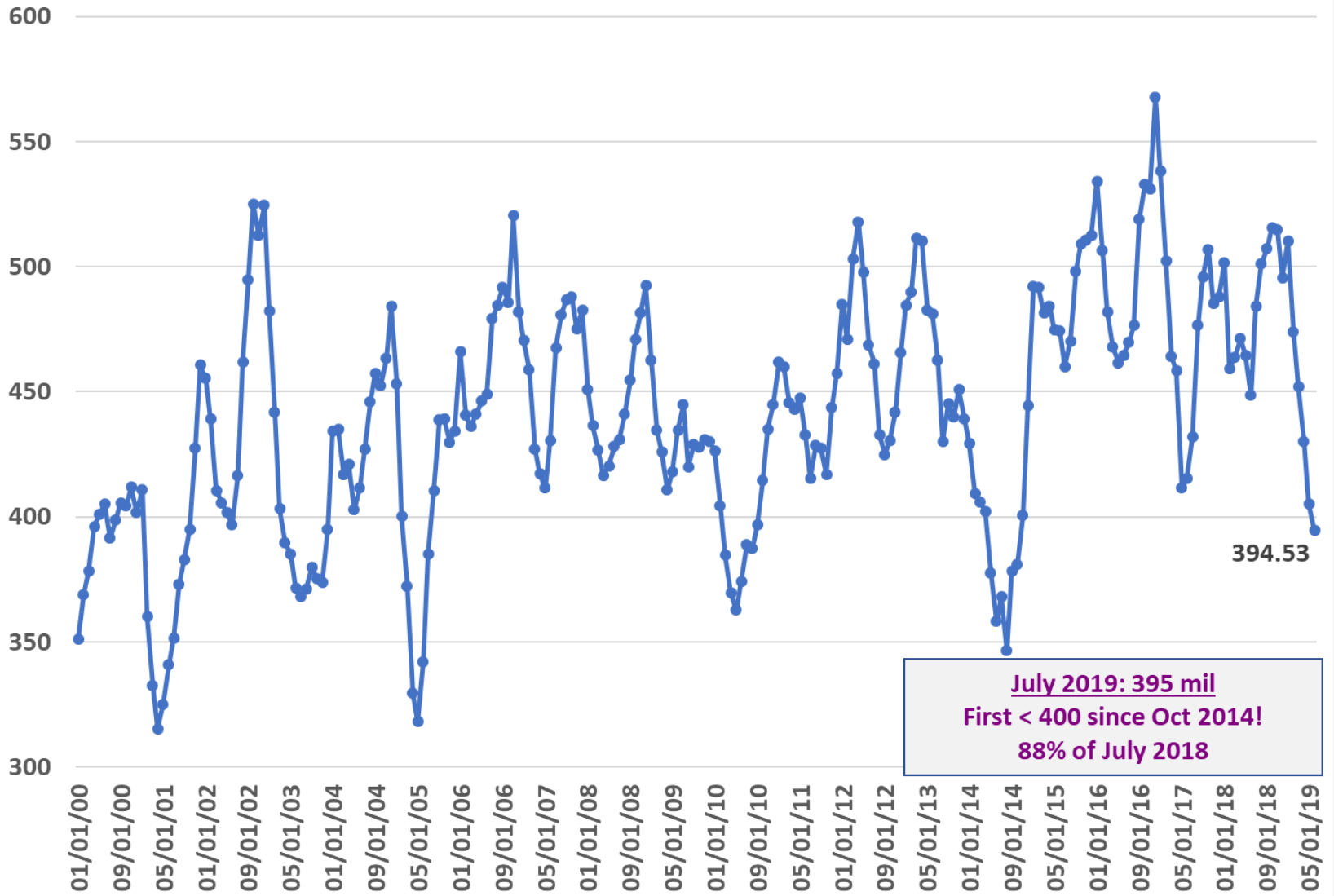
Margins for beef packers have expanded to a record high



Source: HedgersEdge

Holcomb-Tyson Plant Fire

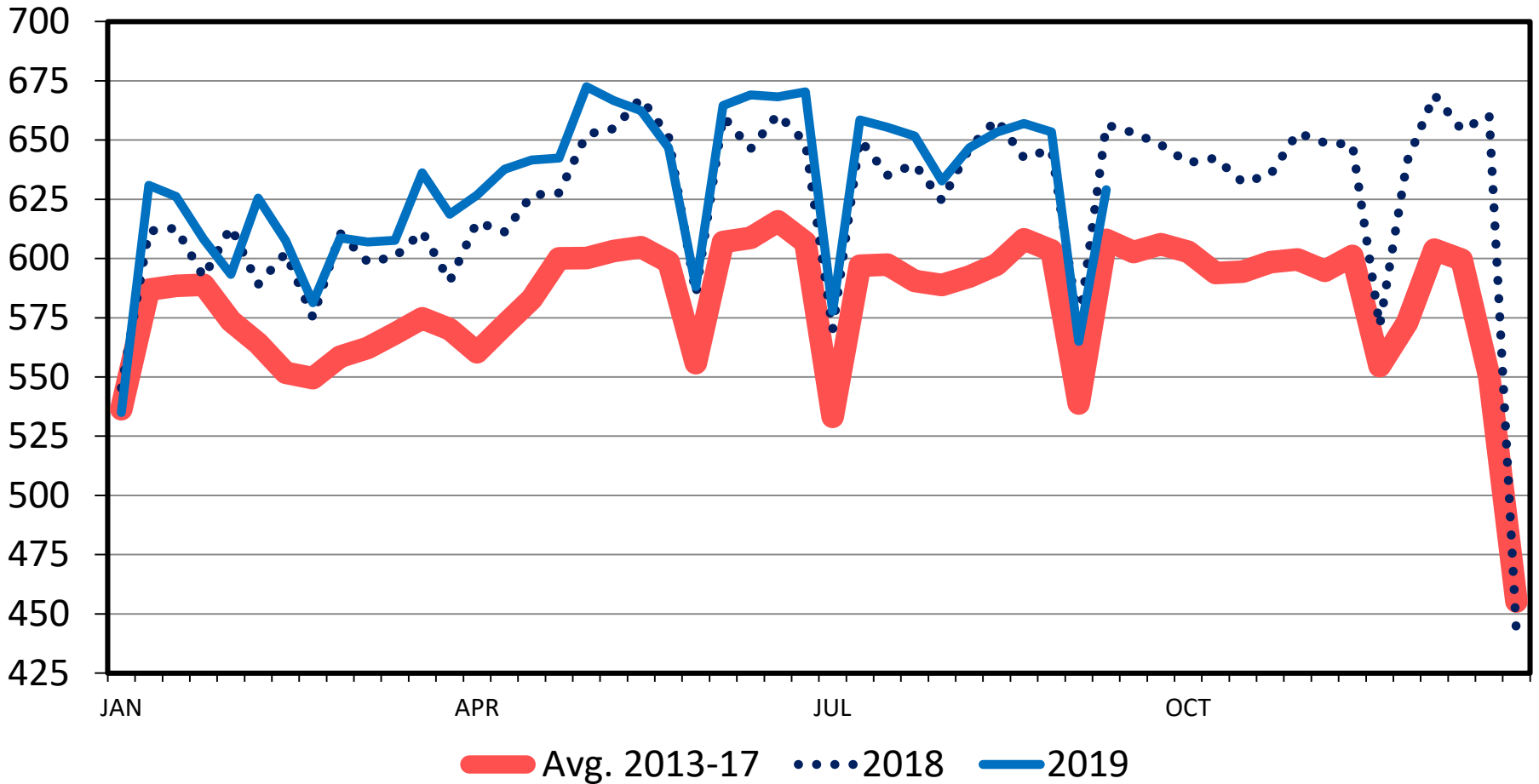
Beef Cold Storage Stocks (Mil lbs), Jan 2000-July 2019



CATTLE SLAUGHTER

Federally Inspected, Weekly

Thou. Head



Data Source: USDA-AMS & USDA-NASS

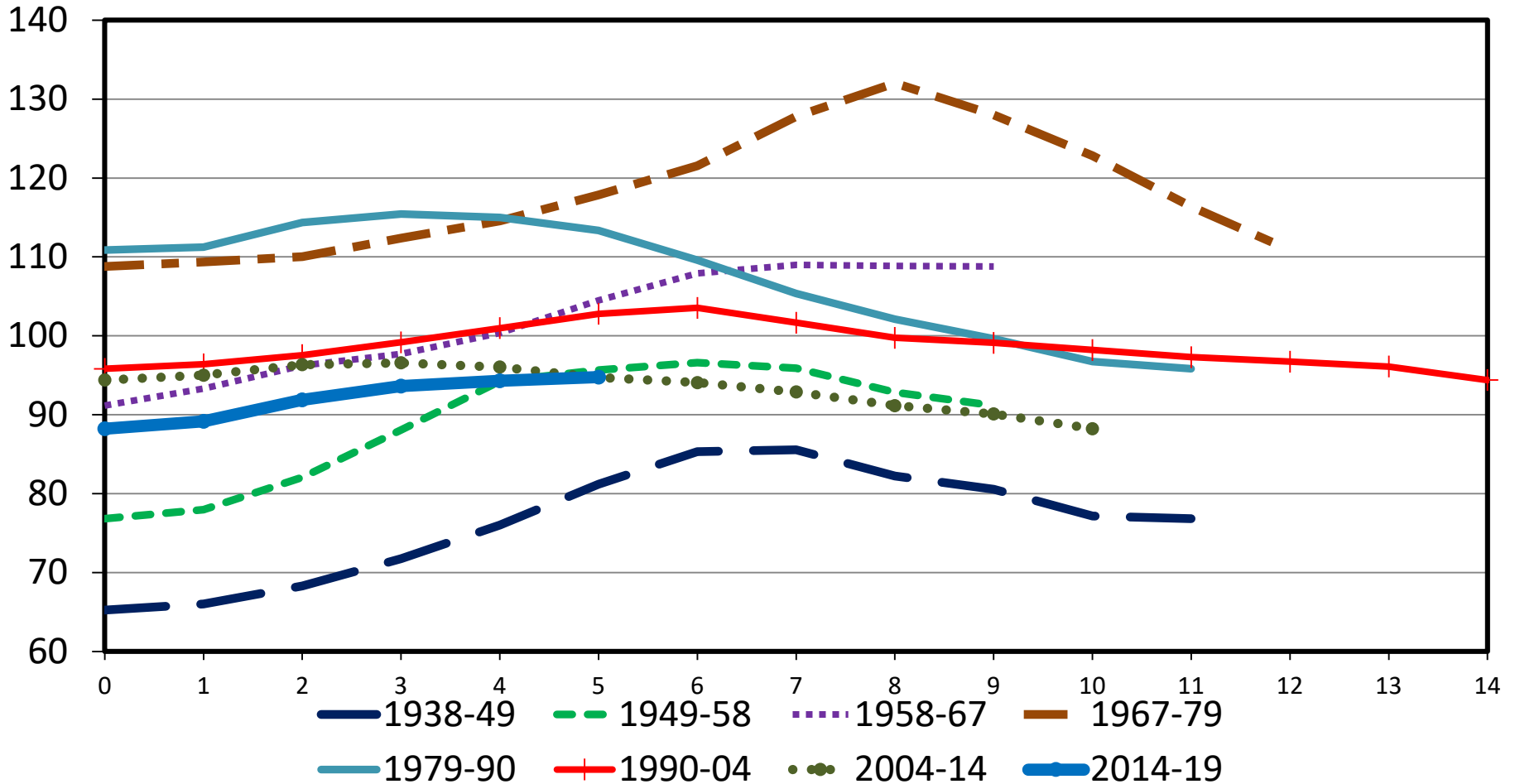
Livestock Marketing Information Center

C-S-08
09/13/19

TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center

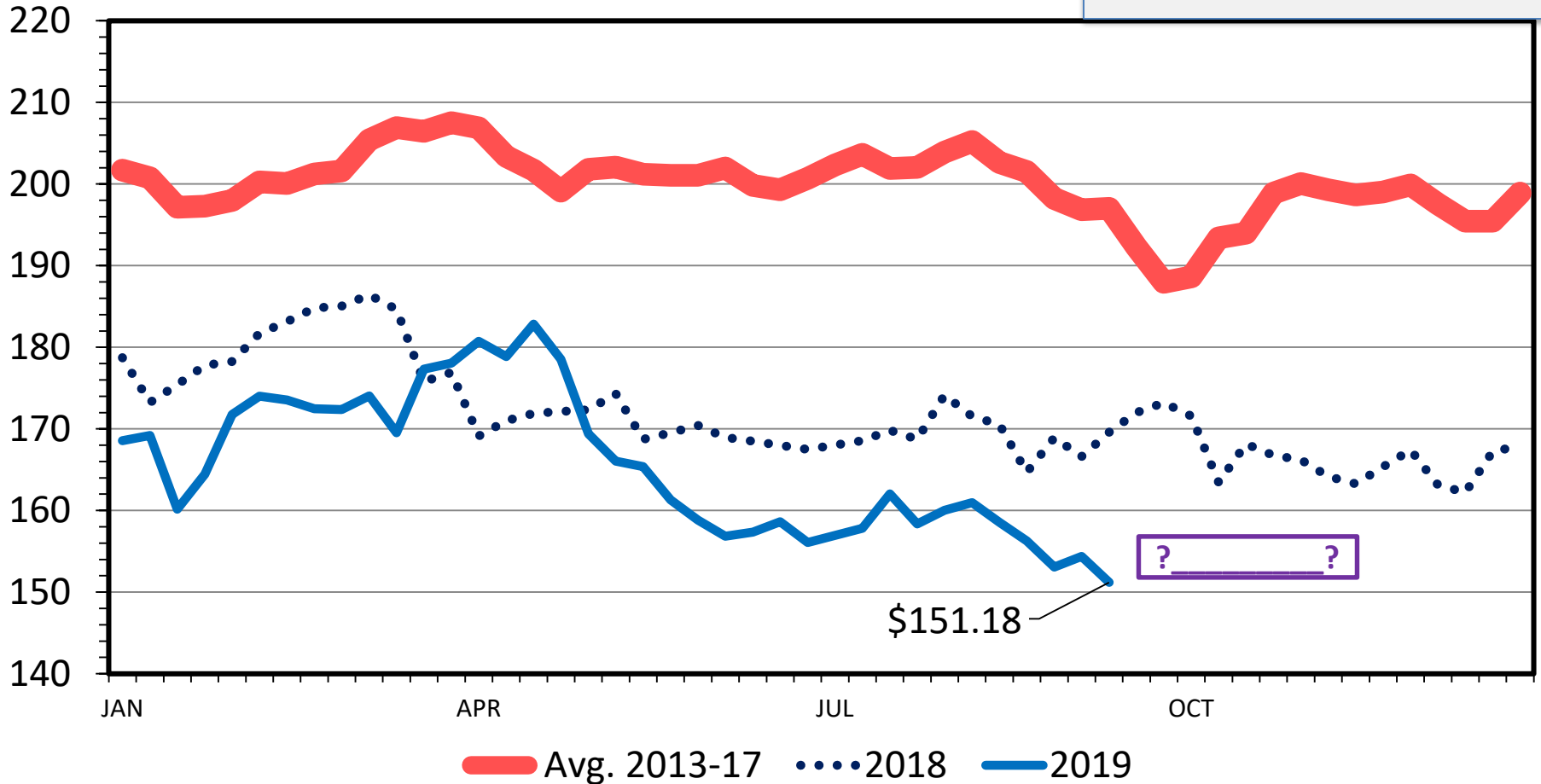
C-N-40
07/19/19

**BeefBasis.com, Salina,
KS 2019 Projections
(as of 9/18/19):
Oct. 16: \$156**

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.

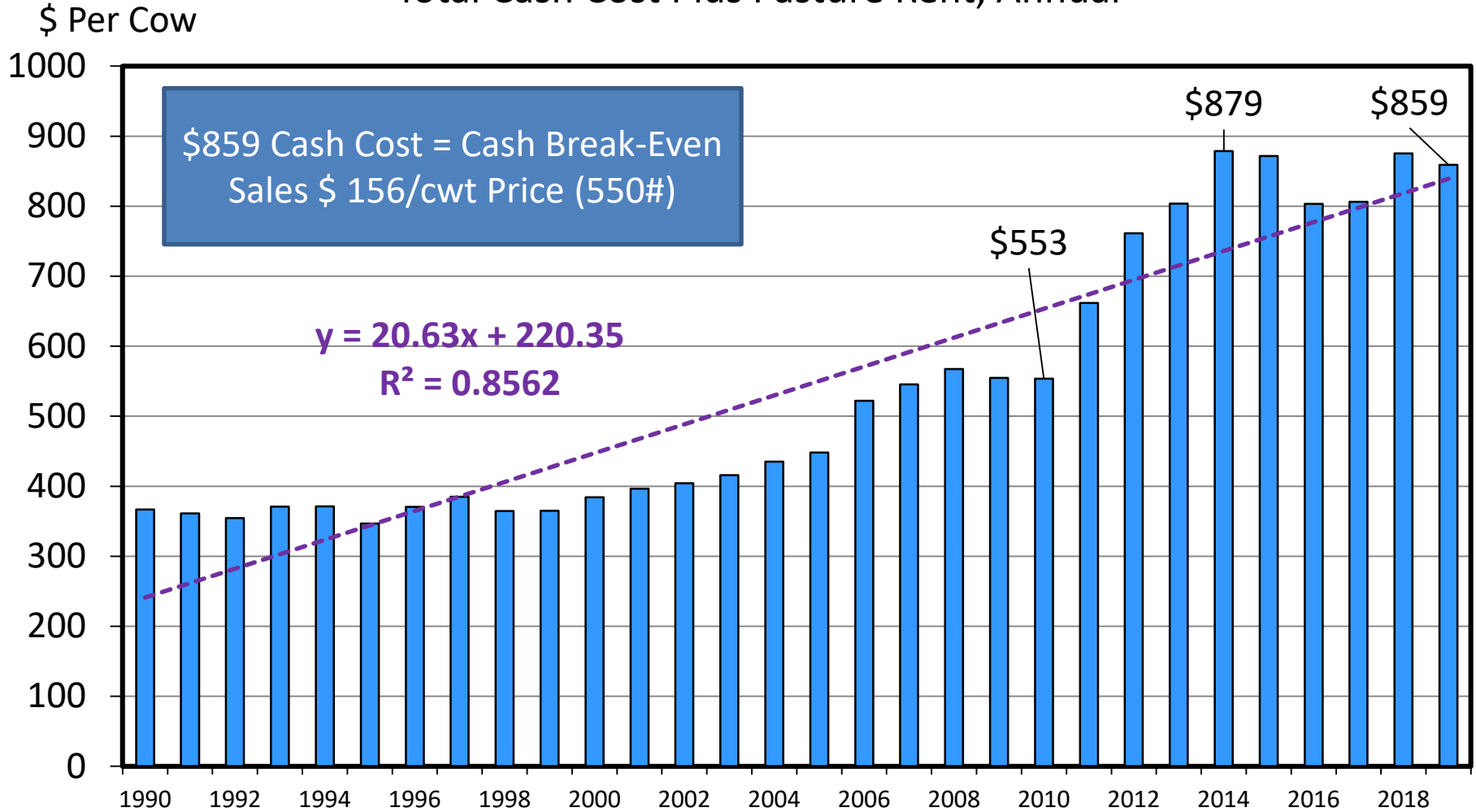


Data Source: USDA-AMS

Livestock Marketing Information Center

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC

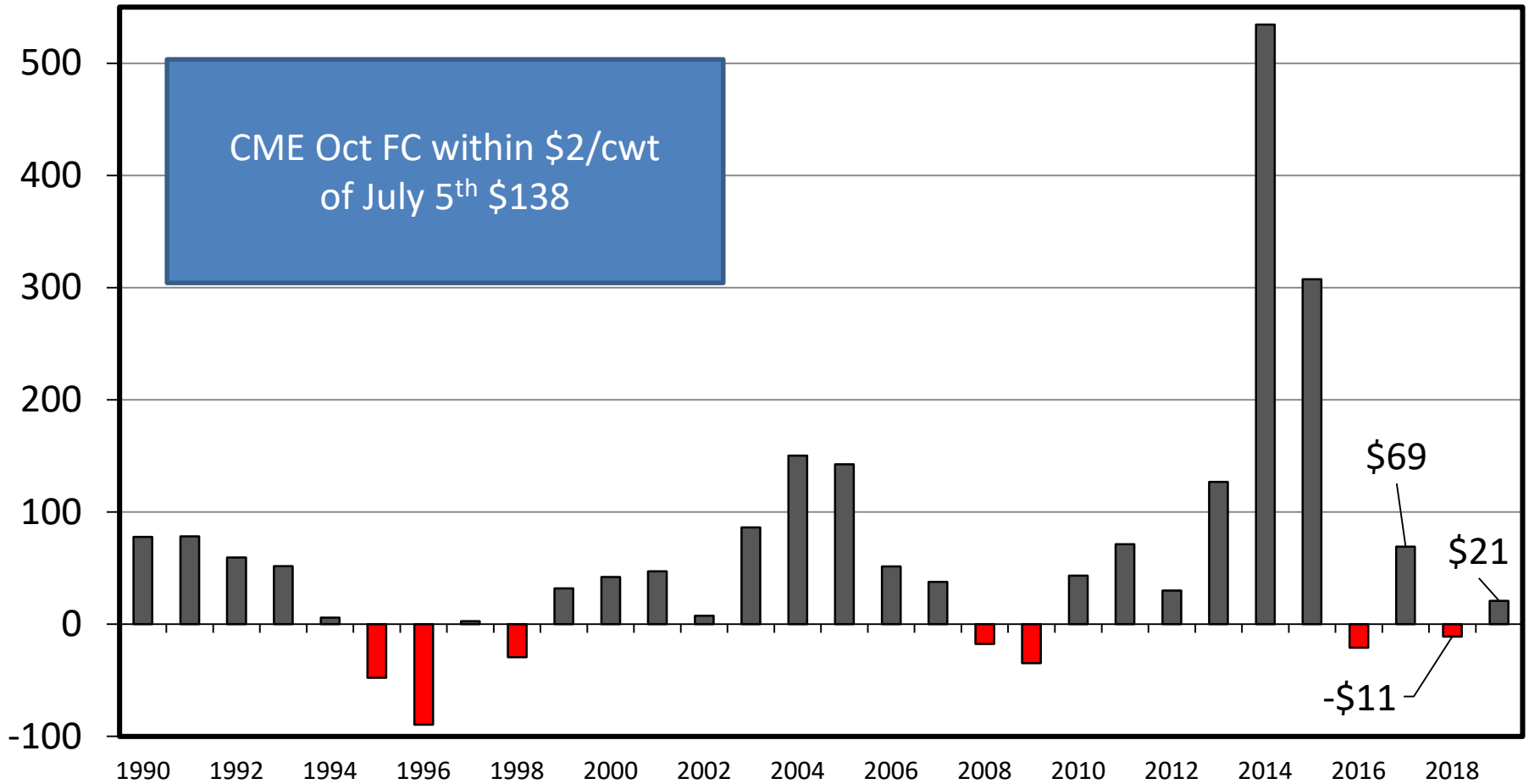
Livestock Marketing Information Center

06/06/19

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow

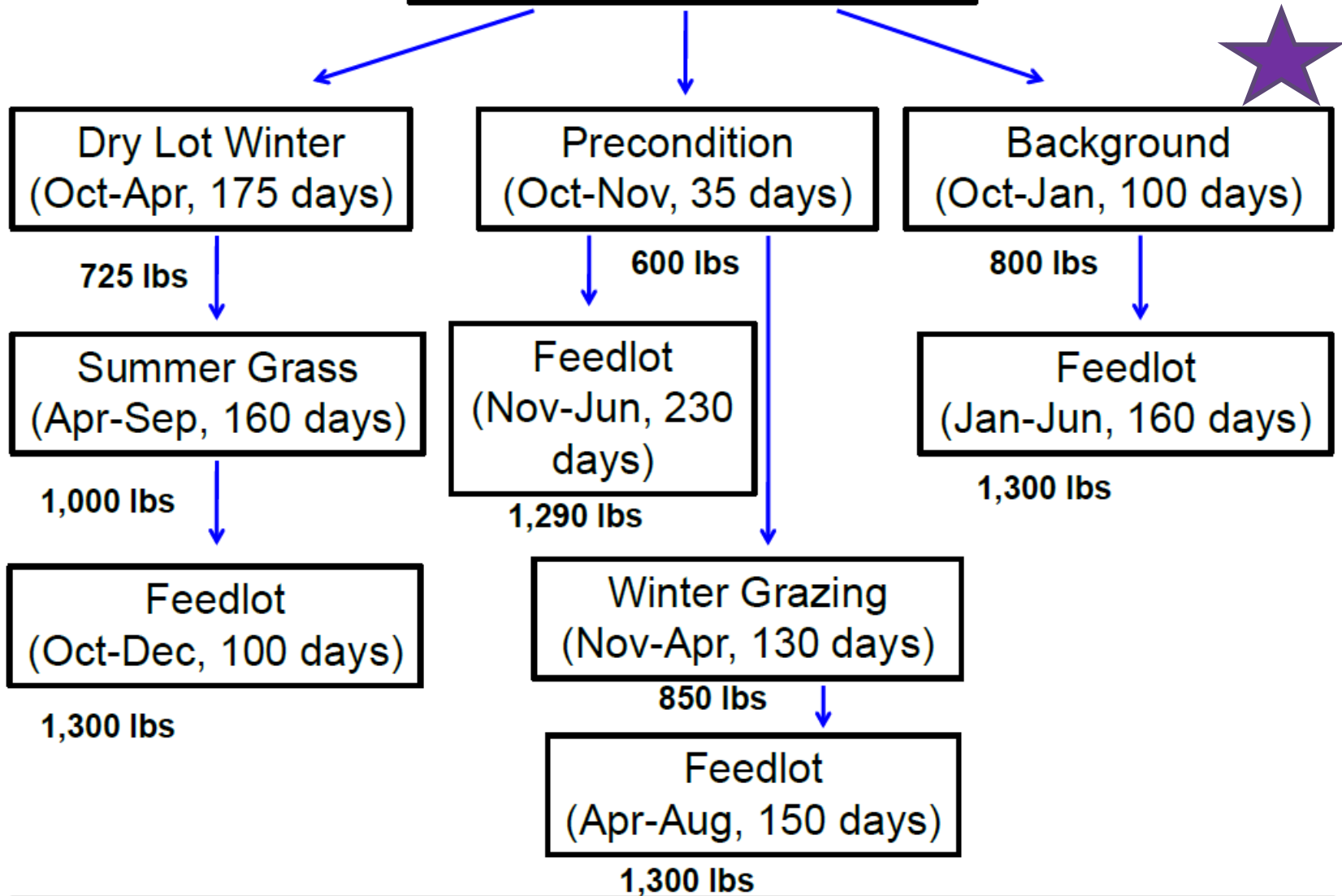


Data Source: USDA & LMIC, Compiled by LMIC

Livestock Marketing Information Center

C-P-66
07/05/18

Fall Weaned 550# Calf



Economic Outlook Overview: Post Weaning

Forward-Looking Margin Perspective

<http://www.beefbasis.com/VOG.aspx>

- Salina, KS 9/18/19 Backgrounding situation:
 - Buy/Retain 550 lb steer on 10/16/19 (\$156)
 - Sell 750 lb steer on 1/15/20 (\$136) {2.2 ADG}
 - VOG: \$80/cwt
 - Compare to COG & Assess “stomach” for volatility

USDA LRP Changes July 1

<https://www.rma.usda.gov/News-Room/Press/Press-Releases/2019-News/USDA-Announces-Enhancements-to-Livestock-and-Dairy-Insurance-Programs>

4/29/2019

USDA Announces Enhancements to Livestock and Dairy Insurance Programs | RMA



United States Department of Agriculture

News Release

USDA Announces Enhancements to Livestock and Dairy Insurance Programs

KSU-Feeder Cattle Risk Management Tool



An Excel spreadsheet for evaluating feeder cattle risk management strategies

Version- 4.24.2019



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



United States Department of Agriculture

<https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>

Farm Service Agency

LIP

Livestock Indemnity Program

FACT SHEET

July 2019

The Agriculture Improvement Act of 2018 (the 2018 Farm Bill) authorized the Livestock Indemnity Program (LIP) to provide benefits to eligible livestock owners or contract growers for livestock deaths in excess of normal mortality caused by eligible loss conditions, including eligible adverse weather, eligible disease and attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators. In addition, LIP provides assistance to eligible livestock owners that must sell livestock at a reduced price because of an injury from an eligible loss condition.



United States Department of Agriculture

<https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>

Farm Service Agency

LIP

Livestock Indemnity Program

FACT SHEET

July 2019

DATE OF LIVESTOCK DEATH AND/OR INJURY	FINAL DATE TO FILE NOTICE OF LOSS	FINAL DATE TO SUBMIT AN APPLICATION FOR PAYMENT
Calendar year 2019 and all subsequent years	30 calendar days of when the loss is first apparent	60 days after the calendar year in which the eligible loss condition occurred

“Yes, Republic County, Kansas has about 110 Notice of Losses filed for 2019 LIP – compared to last year with zero Notice of Losses filed under LIP. The majority of the Notice of Losses were filed due to the extreme cold, there are a few losses due to blizzard as well,” said Sarah Heeger, County Executive Director/Republic County FSA in Belleville, Kansas.

Economic Outlook Overview: Feedlots

- 2019 remains rough

Historical and Projected Kansas Feedlot Net Returns (as of 9/13/19')

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

July 19': -\$77/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
Aug-19	-184.99	88.84	106.97	104.55	2.41	141.45	58.91	120.17	117.83
Sep-19	-339.70	89.69	98.44	98.07	0.36	143.01	33.21	122.41	101.37
Oct-19	-263.99	89.11	105.82	104.38	1.45	148.98	47.15	124.48	115.40
Nov-19	-223.43	90.83	106.45	104.38	2.08	144.23	56.96	121.95	115.66
Dec-19	-69.68	91.25	112.60	111.10	1.50	135.60	80.55	117.45	126.70
Jan-20	-99.60	91.86	112.42	111.10	1.32	139.20	76.46	119.50	126.08
Feb-20	-93.64	97.68	115.86	115.05	0.81	138.13	82.23	122.59	126.19
Mar-20	-28.89	97.16	119.07	115.05	4.02	136.14	92.27	121.22	132.30
Apr-20	-81.02	93.19	111.15	107.95	3.20	133.23	80.02	117.15	122.21
May-20	9.91	91.53	116.55	107.95	8.60	133.18	93.08	115.82	134.55

Representative Barometer for Trends in Profitability

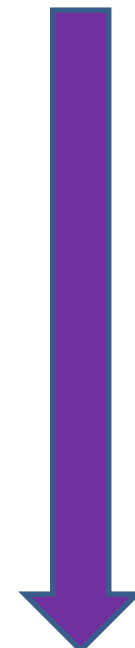
Quarterly Forecasts (LMIC: 7/28/19)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2018						
I	7,878	2.1	820.9	0.5	6,466	2.6
II	8,426	4.3	798.2	0.6	6,726	5.0
III	8,361	1.3	815.5	-0.1	6,819	1.2
IV	8,341	2.4	822.7	-0.6	6,862	1.8
Year	33,005	2.5	814.2	0.1	26,872	2.6
2019						
I	7,934	0.7	808.4	-1.5	6,414	-0.8
II	8,573	1.7	794.8	-0.4	6,814	1.3
III	8,599	2.8	817.2	0.2	7,027	3.1
IV	8,355	0.2	829.0	0.8	6,926	0.9
Year	33,461	1.4	812.3	-0.2	27,182	1.2
2020						
I	7,996	0.8	818.1	1.2	6,542	2.0
II	8,489	-1.0	808.9	1.8	6,867	0.8
III	8,480	-1.4	831.8	1.8	7,054	0.4
IV	8,247	-1.3	847.8	2.3	6,992	0.9
Year	33,212	-0.7	826.6	1.8	27,453	1.0

Quarterly Forecasts (LMIC: 7/28/19)

CME Since July 28:
LC down ~\$7
FC down ~\$4

Quarter	Live Sltr.	% Chg. from Year Ago	Feeder Steer Price	
	Steer Price		Southern Plains	
	5-Mkt Avg		7-800#	5-600#
2018				
I	125.60	2.1	148.73	180.01
II	116.72	-12.1	144.52	170.11
III	111	-1.7	156	170
IV	115	-2.4	151	166
Year	117	-3.7	150	171
2019				
I	125.27	-0.1	142.87	171.41
II	118.79	1.5	143.23	167.22
III	110-112	0.2	143-146	156-160
IV	114-117	0.2	143-147	156-161
Year	117-118	0.3	143-145	163-166
2020				
I	122-126	-1.0	140-145	160-167
II	118-123	1.4	143-149	161-169
III	106-112	-1.8	144-151	163-172
IV	113-120	0.9	146-154	163-174
Year	116-119	0.0	144-149	163-169

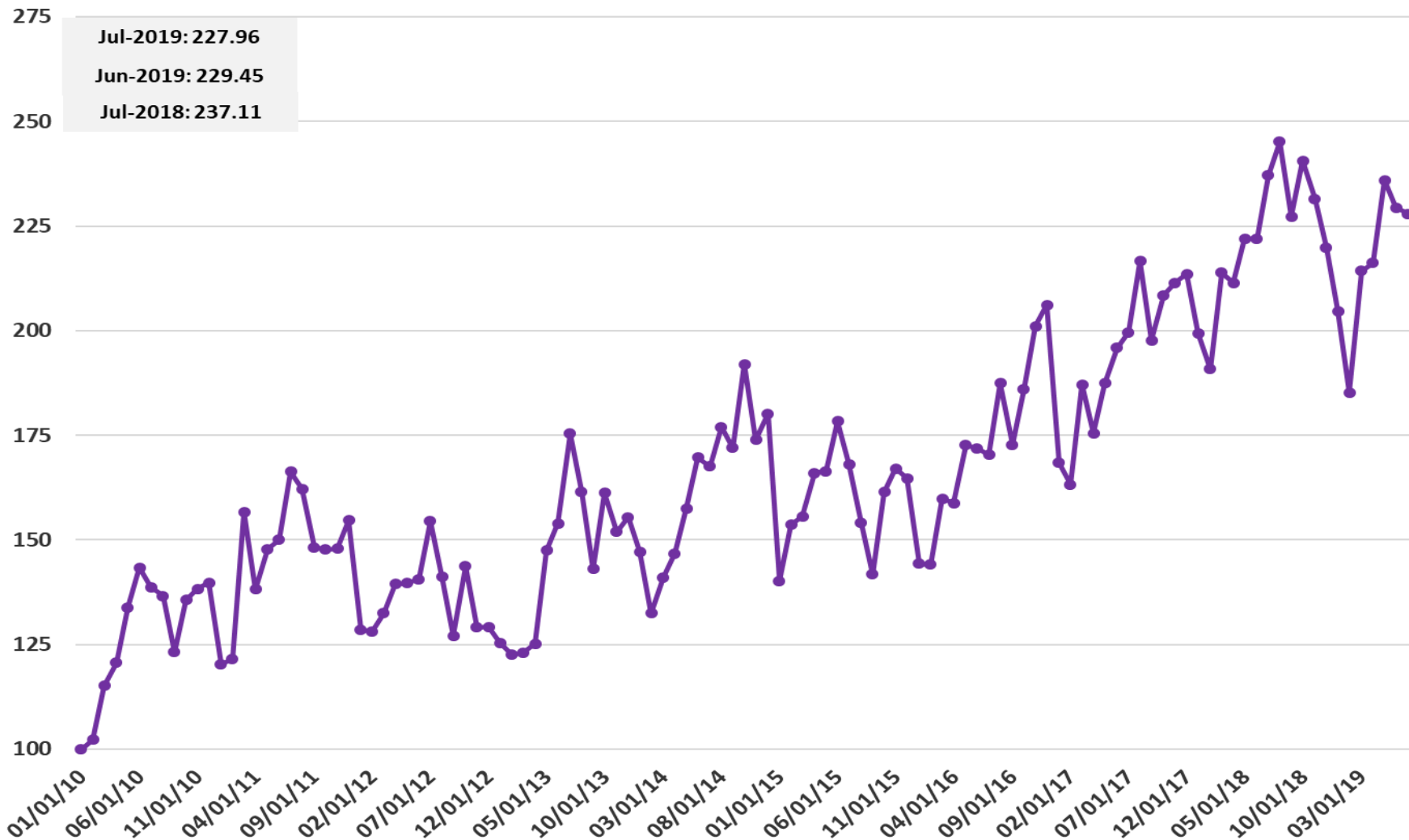


Trade & Total Meat Context Update

U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

Monthly U.S. Beef, Export Demand Index, Jan. 2010 (base) - present



U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

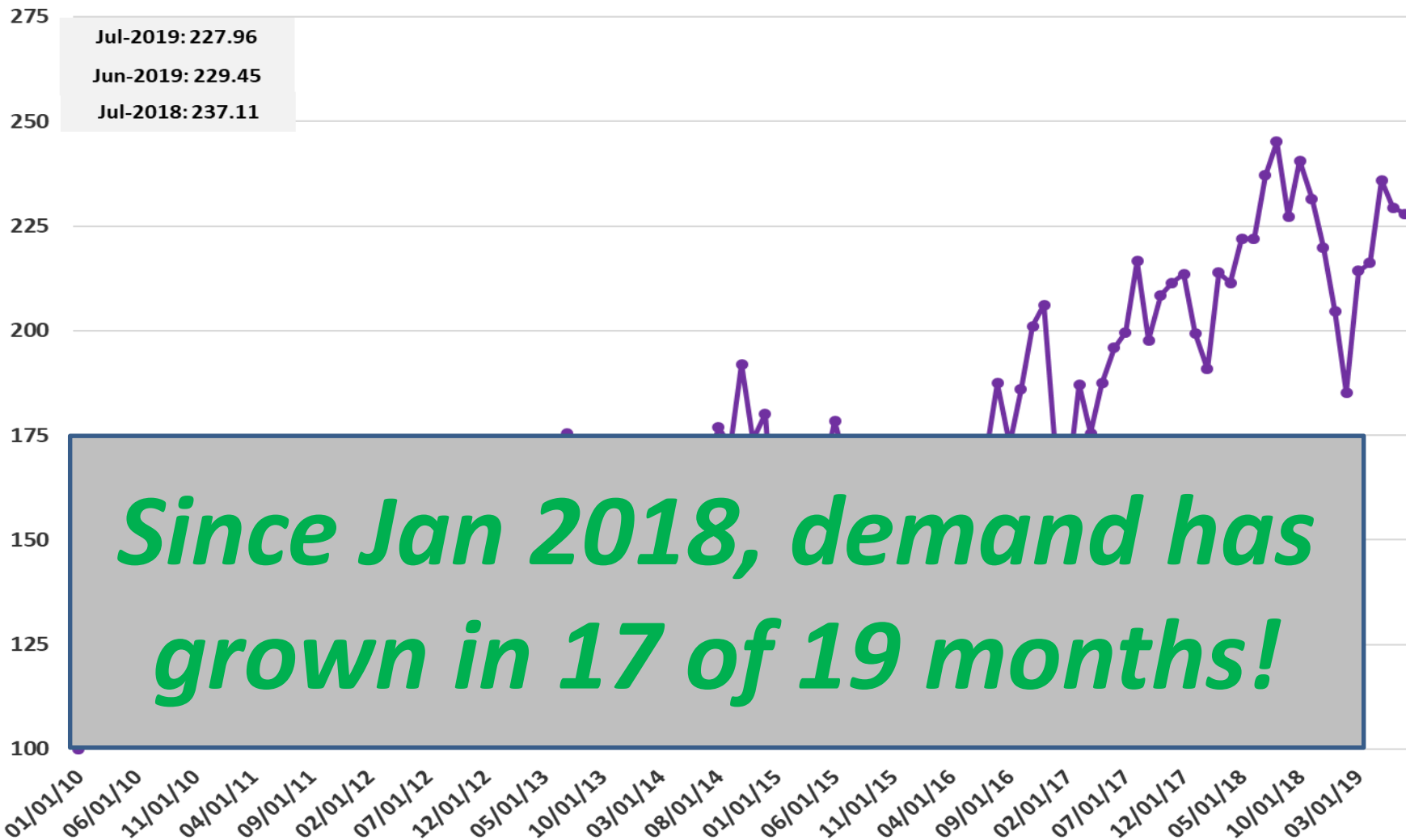
Monthly U.S. Beef, Export Demand Index, Jan. 2010 (base) - present



U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

Monthly U.S. Beef, Export Demand Index, Jan. 2010 (base) - present



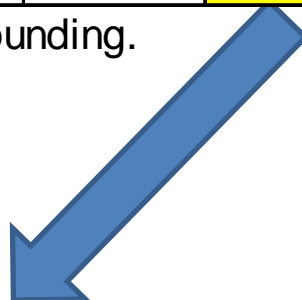
USDA Long-Term projections

3/13/19 report (<http://www.usda.gov/oce/commodity/projections/>), October 2018 Projections

Per capita meat consumption, retail weight				
Item	2018	2019	2020	2028
Beef	57.2	58.8	59.7	58.4
Pork	50.8	53.1	53.4	54.3
Total red meat	109.3	113.2	114.4	114.0
Broilers	92.4	93.4	93.7	94.3
Turkeys	16.2	16.4	16.2	15.5
Total poultry	110.0	111.1	111.2	111.2
Red meat & poultry	219.3	224.3	225.6	225.2

Note: Totals may not add due to rounding.

Year	Total Red Meat & Poultry
1995	205.4
2000	214.4
2005	219.7
2010	207.5
2014	200.1



Additional Fodder for Thought...

❖ *When/will the ASF-Asia "export boost" occur?*

8/23/2019

FAO ASF situation update - African Swine Fever (ASF) - FAO Emergency Prevention System for Animal Health (EMPRES-AH)



Click to enlarge - Source: China: MARA, Viet Nam: WAHIS & media information, Other: WAHIS.



Additional Fodder for Thought...

❖ *What is role of “alternative proteins” in future of U.S. livestock?*

BUSINESS NEWS

AUGUST 19, 2019 / 1:13 PM / 3 DAYS AGO



REUTERS

Plant-based meat alternatives crowd U.S. grocery stores

1. Beyond Meat (Whole Foods, Kroger, Albertsons)
2. Impossible Foods (July 31st FDA approval to sell in grocery stores)
3. Nestle (Awesome Burger in Germany, US plans for fall 2019)
4. Tyson Foods (Vegetarian-Mixed Protein lines; nuggets in already)
5. Smithfield Foods (Plant-based burgers – Kroger, Sprouts, Target)

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❖ *What is role of “alternative proteins” in future of U.S. livestock?*

BUSINESS NEWS

AUGUST 19, 2019 / 1:13 PM / 3 DAYS AGO



REUTERS

Plant-based meat alternatives crowd U.S. grocery stores

& IMO:

Role in Food Service is even greater...

Outlook Wrap-Up

- Broad Profitability Outlook

- Supply side factors are “well established”

- Herd size plateau (?)

- Demand factors are key and uncertain

- What will be beef (and meat broadly) export situation?

- When will next U.S. recession occur?

- **Will favorability of high-protein diet (and cattle’s role) persist?**

More information available at:



This presentation will be available in PDF format at:

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

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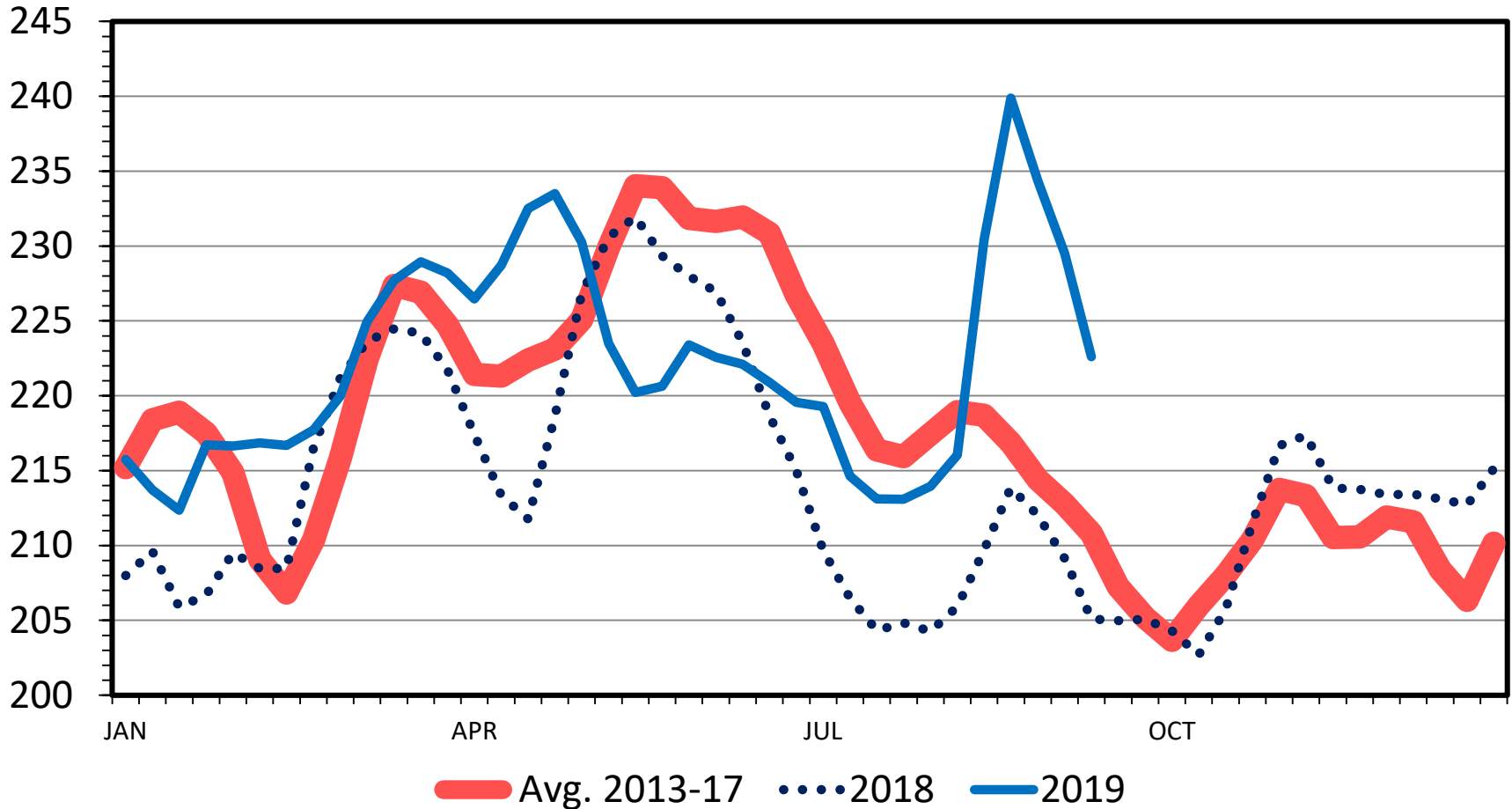
[http://www.agmanager.info/about/
contact-agmanagerinfo](http://www.agmanager.info/about/contact-agmanagerinfo)



BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Negotiated, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

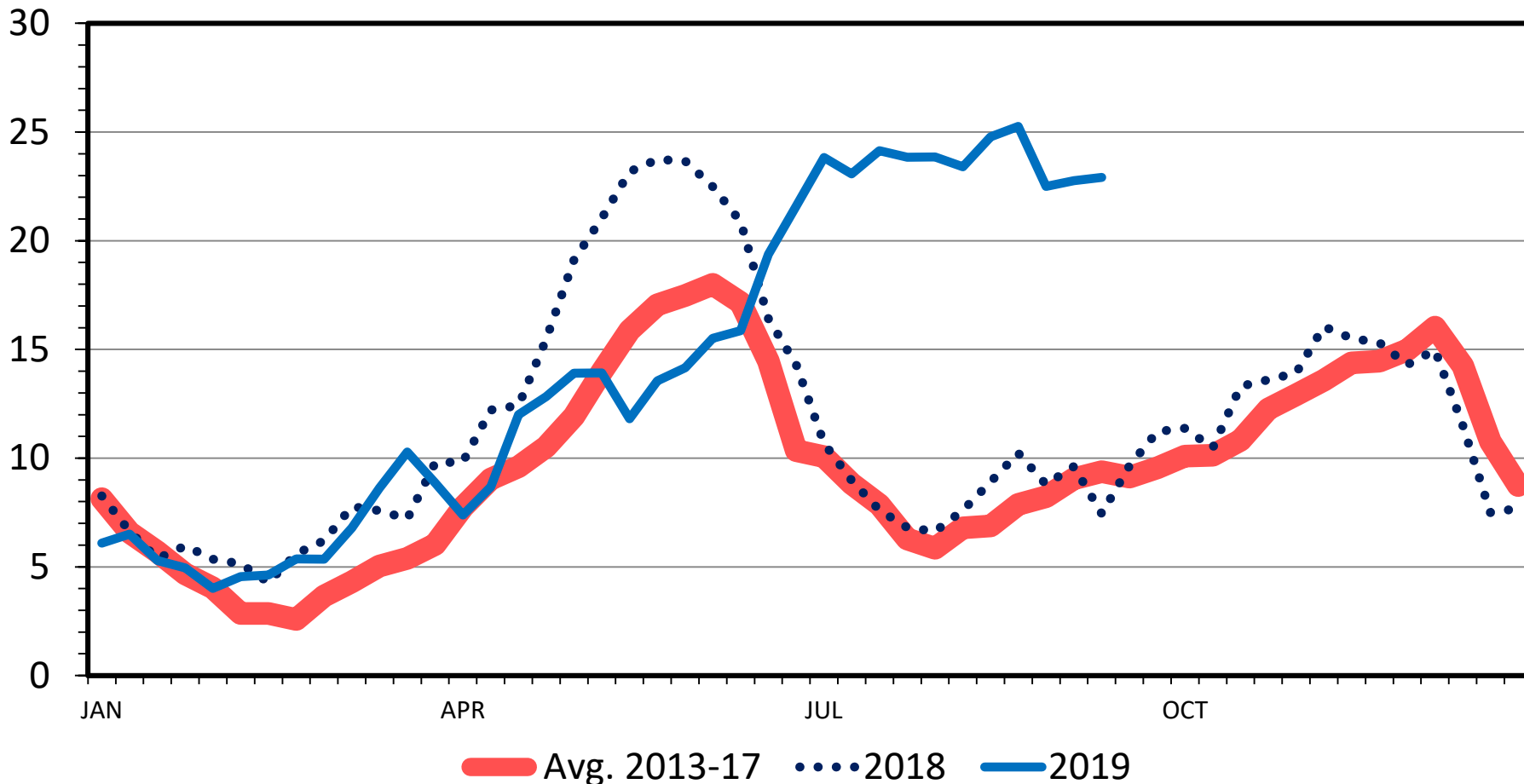
Livestock Marketing Information Center

C-P-62
09/16/19

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Negotiated, Weekly

\$ Per Cwt.



Data Source: USDA-AMS, Compiled by LMIC

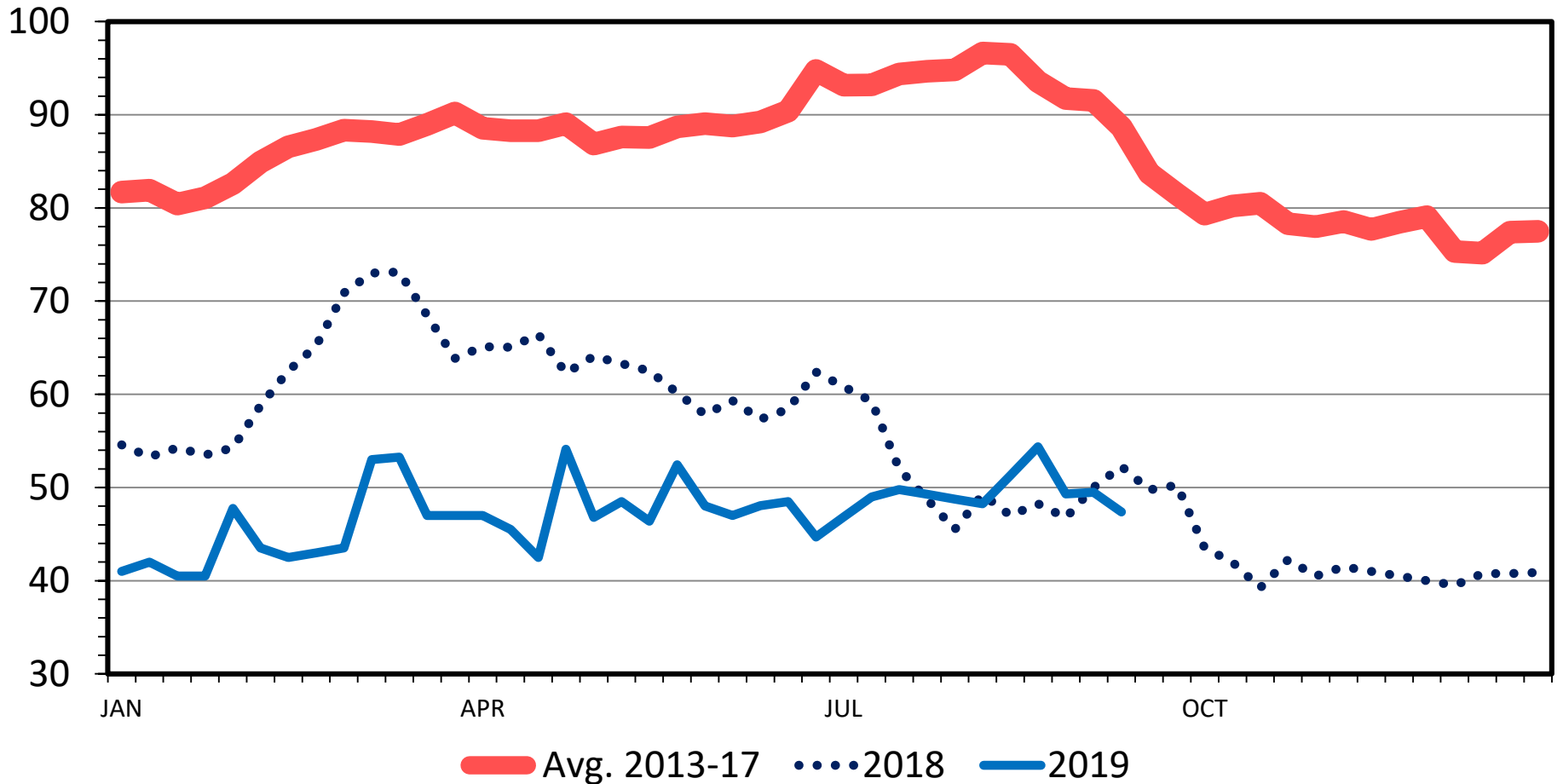
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C-P-68
09/16/19

SLAUGHTER COW PRICES

Southern Plains Auction, 85-90% Lean, Weekly

\$ Per Cwt.

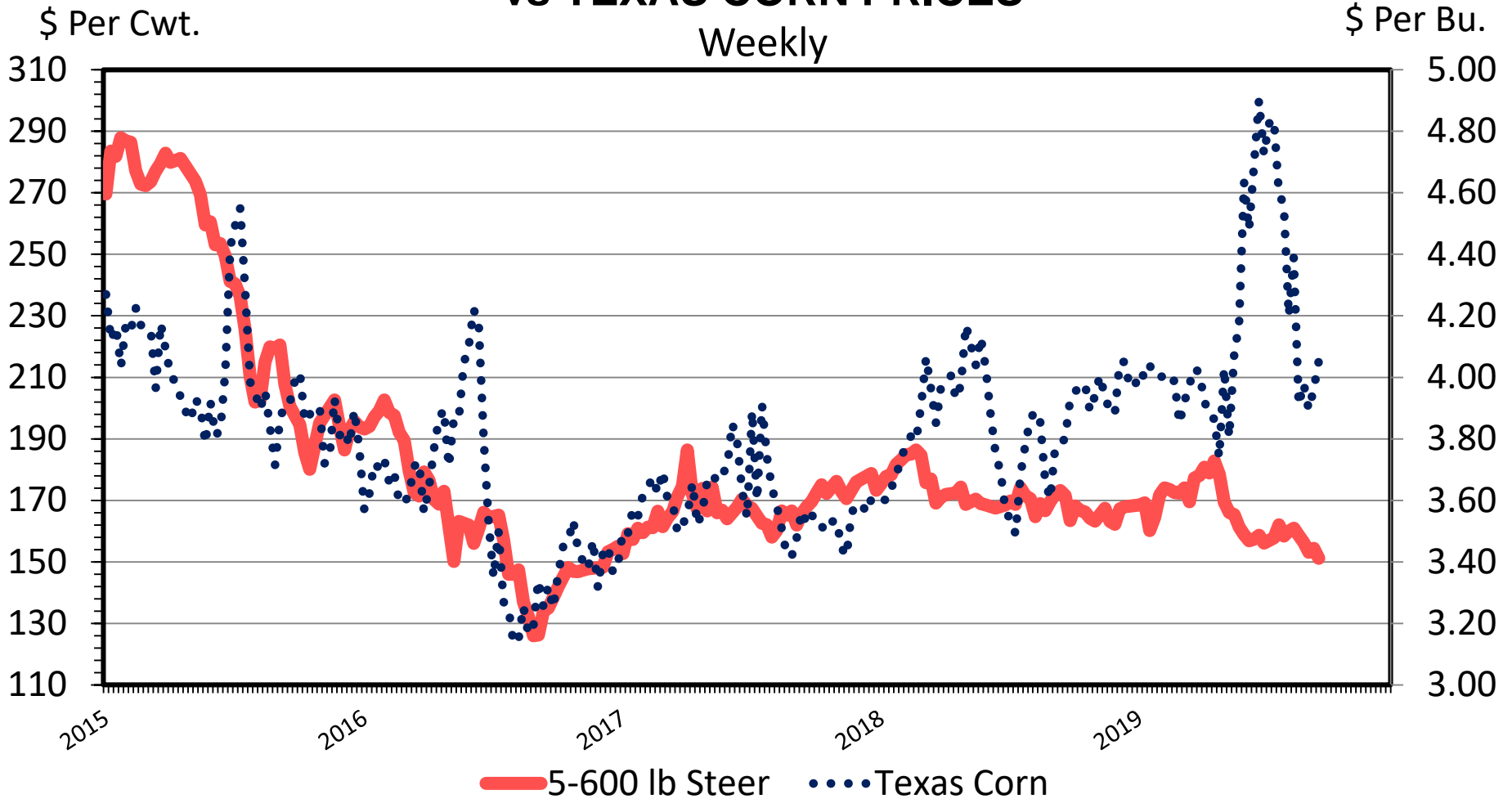


Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-35
09/16/19

SOUTHERN PLAINS CALF PRICES vs TEXAS CORN PRICES



Data Source: USDA-AMS, Compiled by LMIC

09/16/19

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