

**GENERAL SESSION III
*Livestock Outlook***

Glynn Tonsor, Kansas State University

Dr. Glynn T. Tonsor joined the Dept. of Agricultural Economics at Kansas State University in March 2010 as an Assistant Professor. He obtained his Ph.D. from KSU in 2006 and was an Assistant Professor in the Dept. of Agricultural, Food, and Resource Economics at Michigan State University from May 2006 to March 2010. Glynn's current efforts are primarily devoted to a range of integrated research and extension activities with particular focus on the cattle/beef and swine/pork industries. He has broad interests and experiences which span issues throughout the meat supply chain. Through both applied research and first-hand knowledge with livestock production, Glynn has expertise in topics including animal identification and traceability, animal welfare and handling, food safety, and price risk management and analysis. Glynn's research on a host of livestock economic issues has resulted in 19 published journal articles and over 50 other publications.

Abstract/Summary

Overall profitability in the livestock sector has been notably stronger in 2010 than in recent years. Underlying this improvement is reduced supplies and output price adjustments reflecting recent increases in costs of production. Domestic and export demand appear to be diverging at times posing new dilemmas for the industry. Tonsor will summarize this current supply/demand situation, draw implications for livestock and meat markets, and outline a series of broader issues that he sees as possibly shaping the livestock and meat marketplace.

Livestock & Meat Market Outlook

[Glynn Tonsor](#)

Dept. of Agricultural Economics
Kansas State University

*Risk & Profit Conference
August 20, 2010*

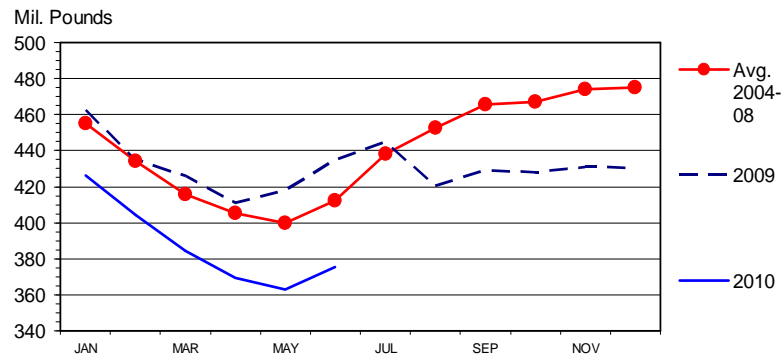
1

OVERVIEW

- SUPPLY:
 - Historically tight supplies
 - Shrinking cow herd, low cold storage stocks,...
- DEMAND:
 - Export demand has been strong
 - Domestic demand more volatile & worrisome
- Macroeconomic pressures & “social pressure” increasing in influence...

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BEEF IN COLD STORAGE
End of the Month

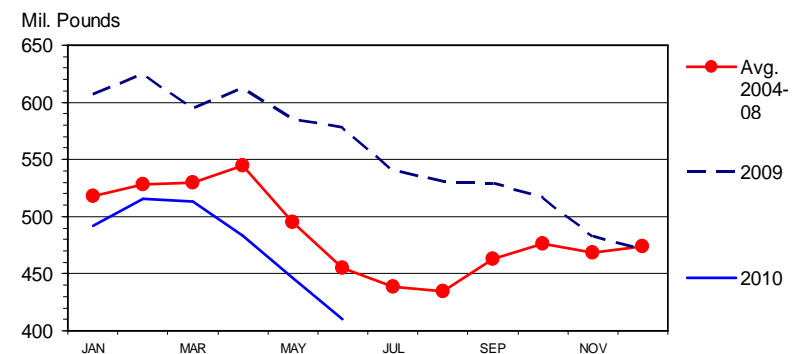


Livestock Marketing Information Center
Data Source: USDA/NASS

M-S-09
07/22/10

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PORK IN COLD STORAGE
Frozen and Cured, End of the Month

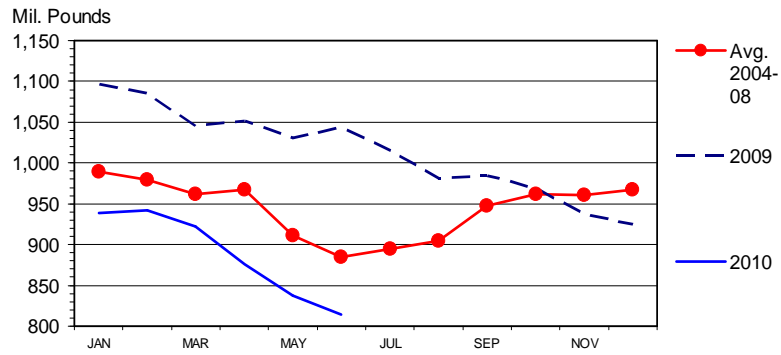


Livestock Marketing Information Center
Data Source: USDA/NASS

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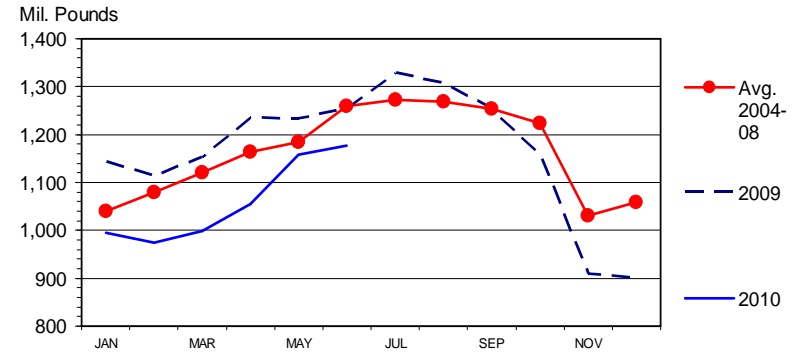
TOTAL RED MEAT IN COLD STORAGE End of the Month



Livestock Marketing Information Center
Data Source: USDA/NASS

M-S-11
07/22/10

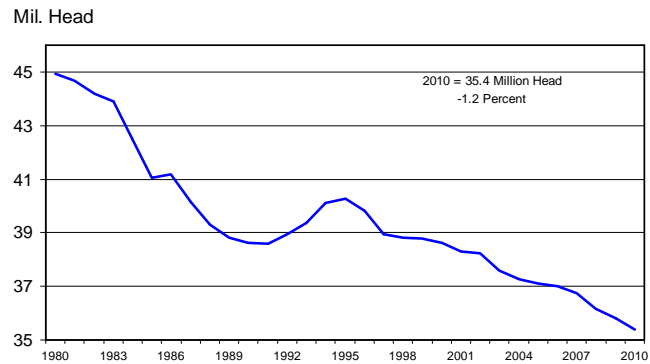
TOTAL POULTRY IN COLD STORAGE End of the Month



Livestock Marketing Information Center
Data Source: USDA/NASS

P-S-03
07/22/10

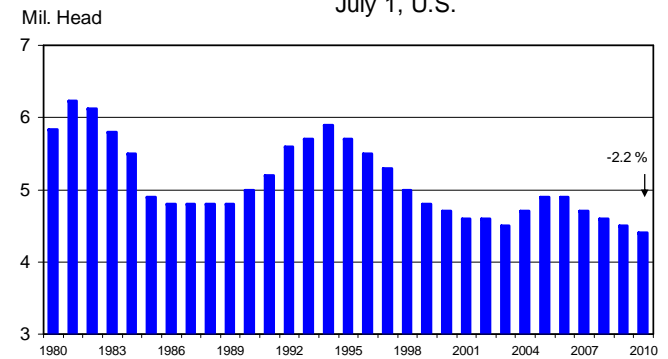
CALF CROP July 1 Estimates, U.S., Annual



Livestock Marketing Information Center
Data Source: USDA/NASS

C-N-18B
07/23/10

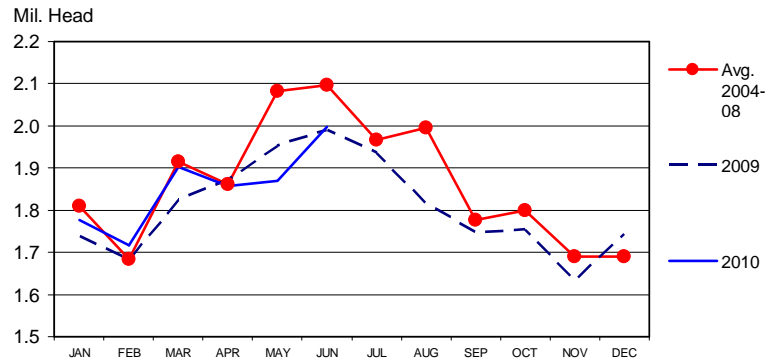
HEIFERS HELD AS BEEF COW REPLACEMENTS July 1, U.S.



Livestock Marketing Information Center
Data Source: USDA/NASS

C-N-37
07/23/10

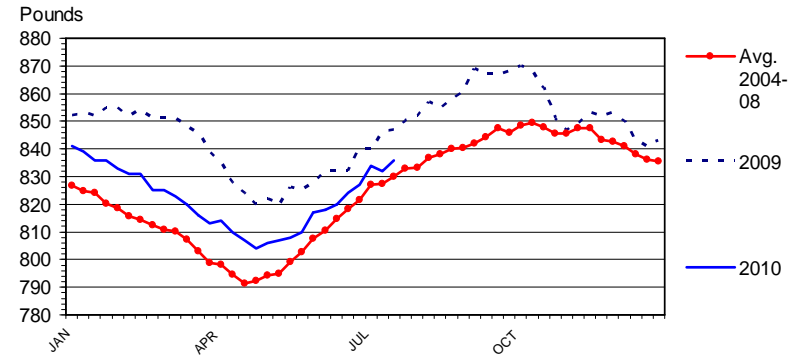
FED CATTLE MARKETINGS US Total, Monthly



Livestock Marketing Information Center
Data Source: USDA/NASS

C-M-11
07/23/10

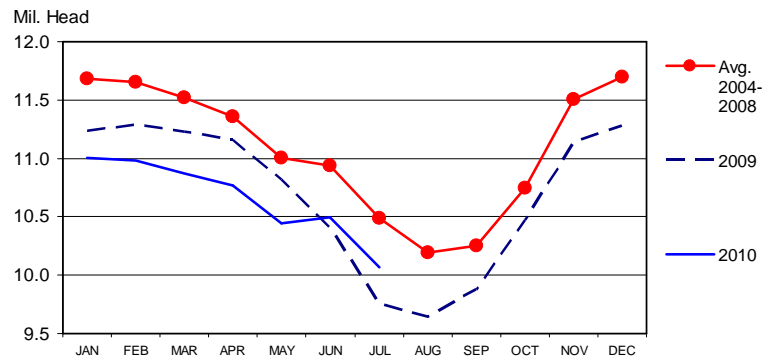
STEER DRESSED WEIGHT Federally Inspected, Weekly



Data Source: USDA-NASS, Compiled by LMIC

C-S-18
08/06/10

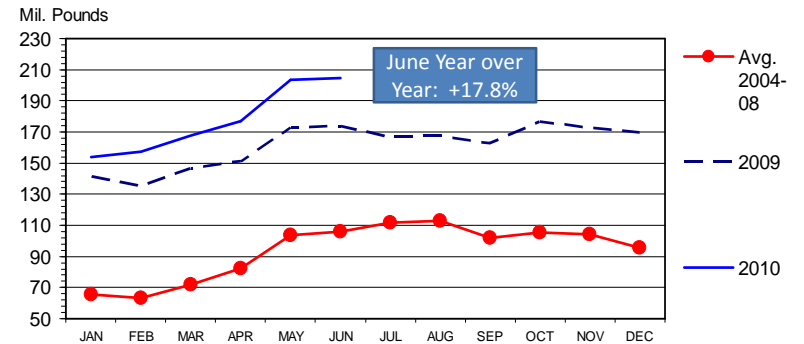
CATTLE ON FEED US Total, Monthly



Livestock Marketing Information Center
Data Source: USDA/NASS

C-N-10
07/23/10

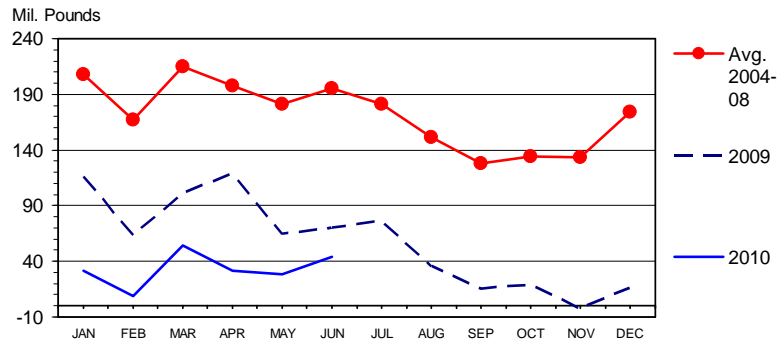
U S BEEF AND VEAL EXPORTS Carcass Weight, Monthly



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

I-N-16
08/13/10

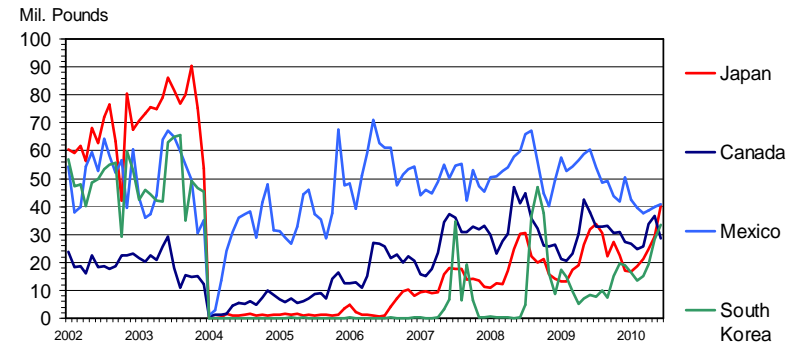
U S NET BEEF IMPORTS Carcass Weight, Monthly



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

I-N-31
08/13/10

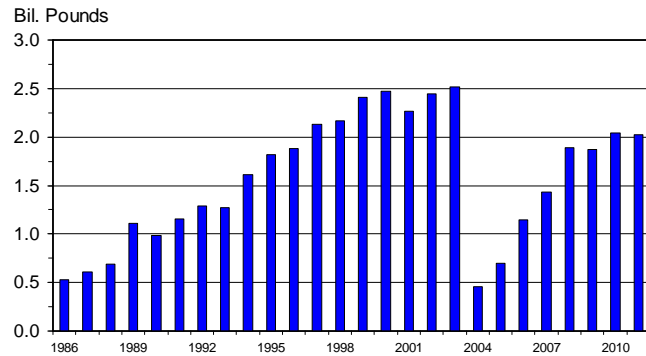
U S BEEF EXPORTS TO MAJOR MARKETS Carcass Weight, Monthly



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

I-N-35
08/13/10

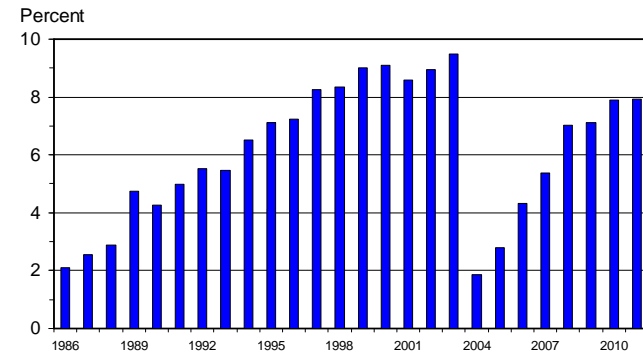
U S BEEF AND VEAL EXPORTS Carcass Weight, Annual



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

I-N-06
06/19/10

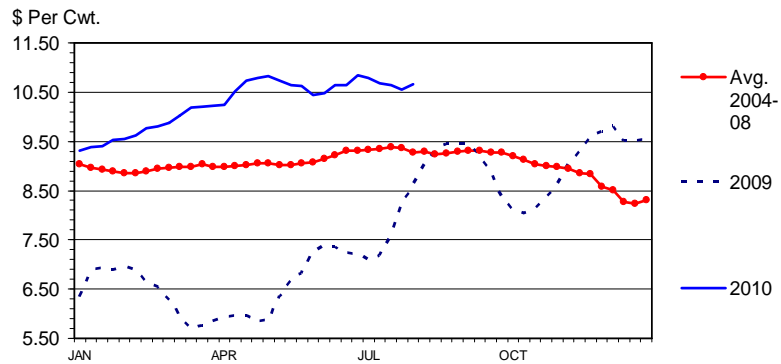
U S BEEF AND VEAL EXPORTS As a Percentage of Production, Carcass Weight, Annual



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

I-N-07
06/19/10

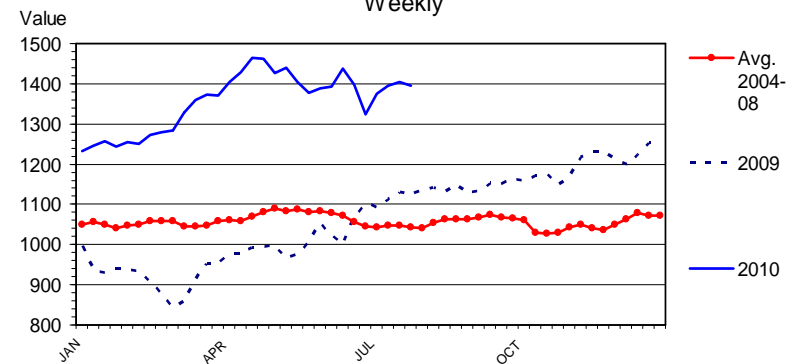
STEER HIDE AND OFFAL VALUE Live Animal Basis, Weekly



Data Source: USDA-AMS, Compiled by LMIC

C-P-39
08/09/10

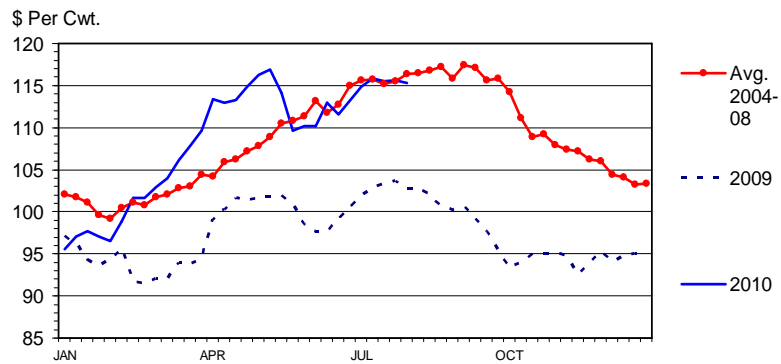
NATIONAL RESTAURANT NEWS STOCK MARKET INDEX Weekly



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

08/02/10

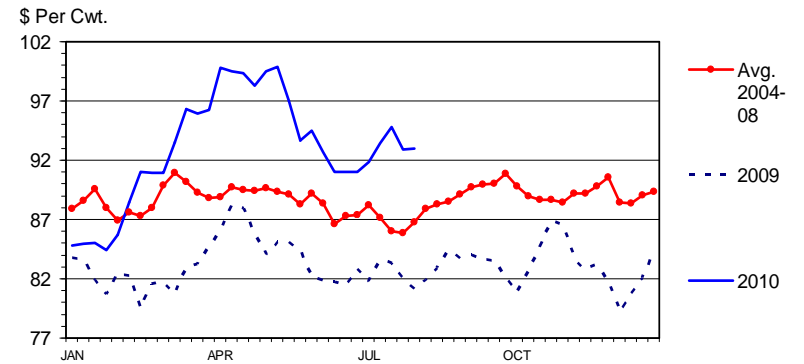
MED. & LRG. #1 FEEDER STEER PRICES 700-800 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS, Compiled by LMIC

C-P-49
08/09/10

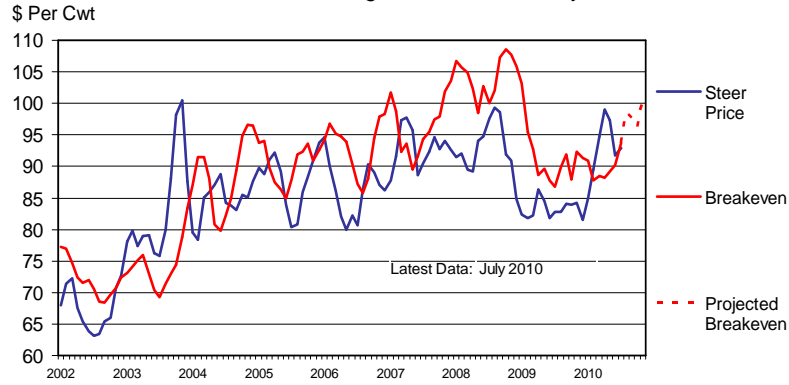
SLAUGHTER STEER PRICES 5 Market Weighted Average, Weekly



Data Source: USDA-AMS, Compiled by LMIC

CHOICE STEER PRICE vs BREAKEVEN

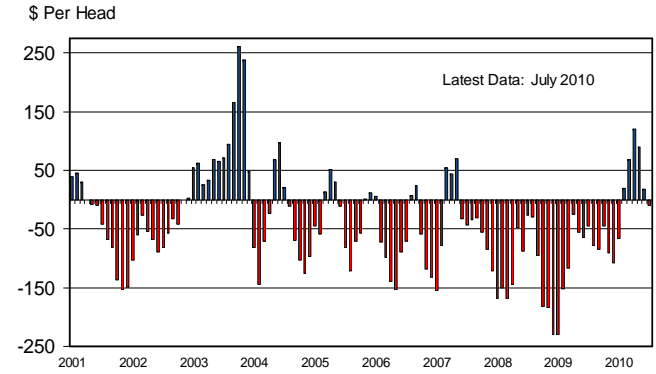
Cattle Feeding, S. Plains, Monthly



C-P-21
08/09/10

AVERAGE RETURNS TO CATTLE FEEDERS

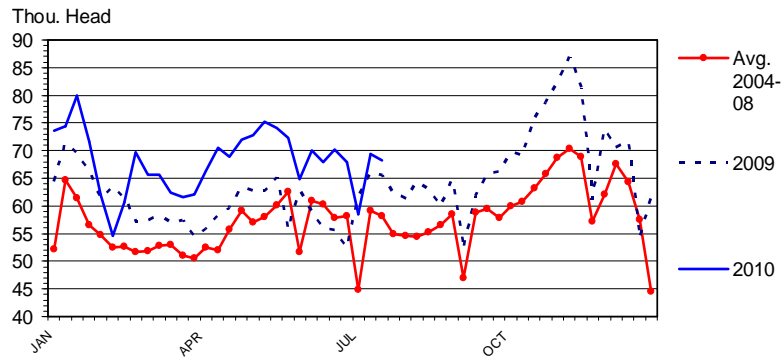
Feeding 725 Lb. Steers, S. Plains, Monthly



C-P-22
08/09/10

BEEF COW SLAUGHTER

Federally Inspected, Weekly

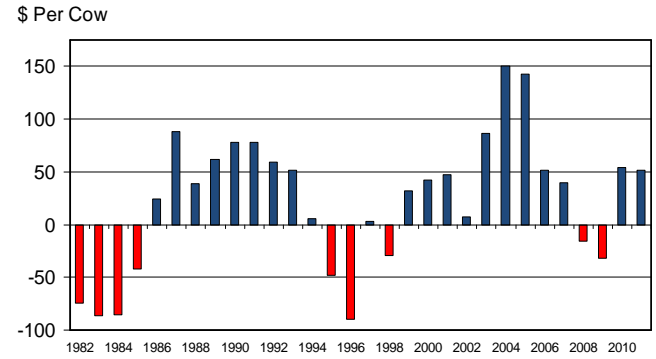


Data Source: USDA-NASS, Compiled by LMIC

C-S-34
08/06/10

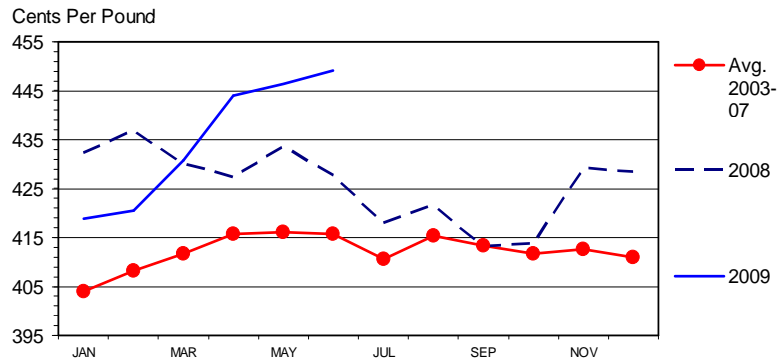
ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



C-P-66
08/05/10

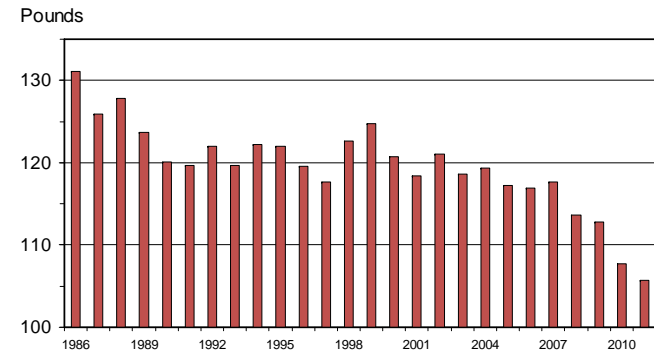
RETAIL BEEF PRICE Choice, Monthly



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

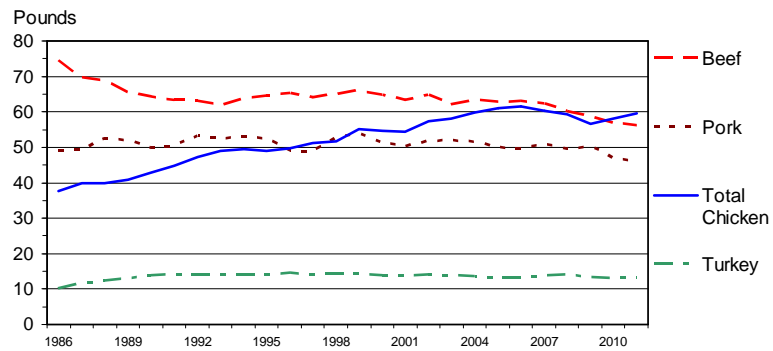
M-P-09
07/16/10

U S TOTAL RED MEAT CONSUMPTION Per Capita, Retail Weight, Annual



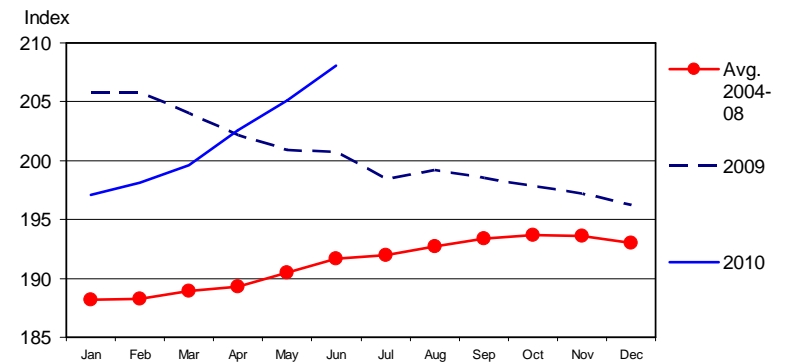
M-C-02
06/21/10

U S RED MEAT & POULTRY CONSUMPTION Per Capita, Boneless Weight, Annual



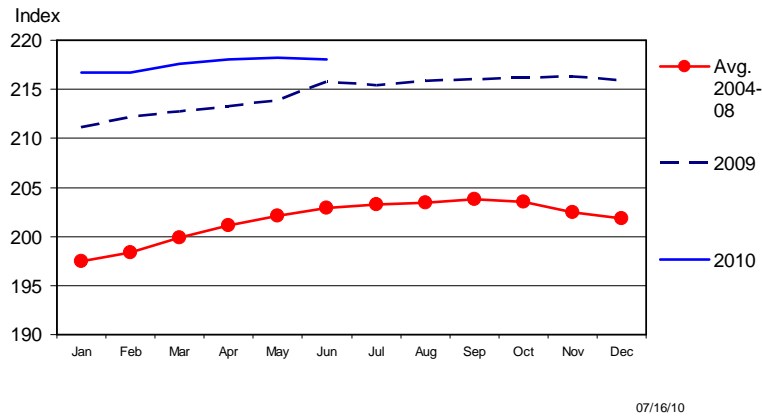
M-C-18
06/21/10

CPI - MEATS 1982-1984 Base, Monthly



07/16/10

CONSUMER PRICE INDEX - ALL ITEMS
1982-1984 Base, Monthly



Futures Price Forecasts
(as of 8/16/2010)

Live Cattle

- Aug: 95.03
- Oct: 96.15
- Dec: 98.33
- Feb (11'): 99.65
- Apr (11'): 100.75
- Jun (11'): 97.75
- Aug (11'): 97.58

Feeder Cattle

- Aug: 112.53
- Sep: 112.33
- Oct: 112.55
- Nov: 112.80
- Jan (11'): 112.25
- Mar (11'): 112.00
- Apr (11'): 112.00

QUARTERLY CATTLE & BEEF FORECASTS
(LMIC: 8/16/2010)

Year Quarter	Comm'l Slaughter (1,000 Head)	% Chg. from Year Ago	Average Dressed Weight (Lbs.)	% Chg. from Year Ago	Comm'l Beef Production (Mil. Lbs.)	% Chg. from Year Ago
2010						
I	8,167.50	2.40	765.34	-2.30	6,250.90	0.05
II	8,683.10	0.93	754.19	-1.71	6,548.70	-0.80
III	8,419.70	-1.16	786.73	0.18	6,624.00	-0.98
IV	7,988.75	-3.06	793.12	1.71	6,336.00	-1.40
Year	33,259.05	-0.24	774.51	-0.56	25,759.60	-0.79
2011						
I	7,927.58	-2.94	785.23	2.60	6,225.00	-0.41
II	8,314.50	-4.25	770.22	2.13	6,404.00	-2.21
III	8,264.08	-1.85	794.89	1.04	6,569.00	-0.83
IV	7,656.49	-4.16	798.55	0.69	6,114.08	-3.50
Year	32,162.64	-3.30	787.00	1.61	25,312.08	-1.74

QUARTERLY CATTLE & BEEF FORECASTS
(LMIC: 8/16/2010)

Year Quarter	Per Capita Consumption (Retail Wt.)	% Chg. from Year Ago	Live Sltr. Steer Price 5-Mkt Avg (\$/Cwt.)	% Chg. from Year Ago	Feeder Steer Price Southern Plains 7-800# 5-600# (\$/Cwt.)
2010					
I	14.59	-4.60	89.44	8.84	100.88 116.23
II	15.33	-2.33	96.33	14.04	113.04 127.77
III	15.17	-2.56	90-92	9.57	110-113 123-126
IV	14.63	-0.65	91-94	11.06	103-108 117-122
Year	59.72	-2.54	91-93	10.51	106-109 119-125
2011					
I	14.41	-1.24	89-94	2.30	99-107 118-127
II	15.02	-2.05	94-99	0.18	105-115 123-133
III	15.01	-1.00	89-95	1.10	108-119 124-135
IV	14.18	-3.08	92-100	3.78	104-114 119-128
Year	58.78	-1.58	91-97	2.17	105-113 121-131

Looking Beyond Today's Ps & Qs

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Additional demand drivers 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...
 - 1999(1)-2008(4) pork {poultry} media index increased by 181% {253%} = 2.65% {5.01%} pork {poultry} demand reduction...
- Differentiation of niche products = stigmatizing conventional products?
- Perceived safety beyond FSIS recalls
 - traceability and identification (in)ability sends signals
 - calls for antibiotic bans, etc.

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Global Comparative Advantage Assessment Needed

- State of ID & Traceability
 - Current & future roles in trade negotiations
- Different food safety regulations
 - i.e., “test and hold” not globally implemented

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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

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

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

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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]

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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

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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>)

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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/database/default.asp#Cattle and Beef Databases>
 - 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>
- BeefBasis.com (<http://www.beefbasis.com/>)

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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>)

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