

2021 Agricultural Outlook Forum

Building on Innovation: A Pathway to Resilience

BEEF-CATTLE

INDUSTRY & MARKET SITUATION

FEBRUARY 18, 2021 (RECORDED JAN 26TH)

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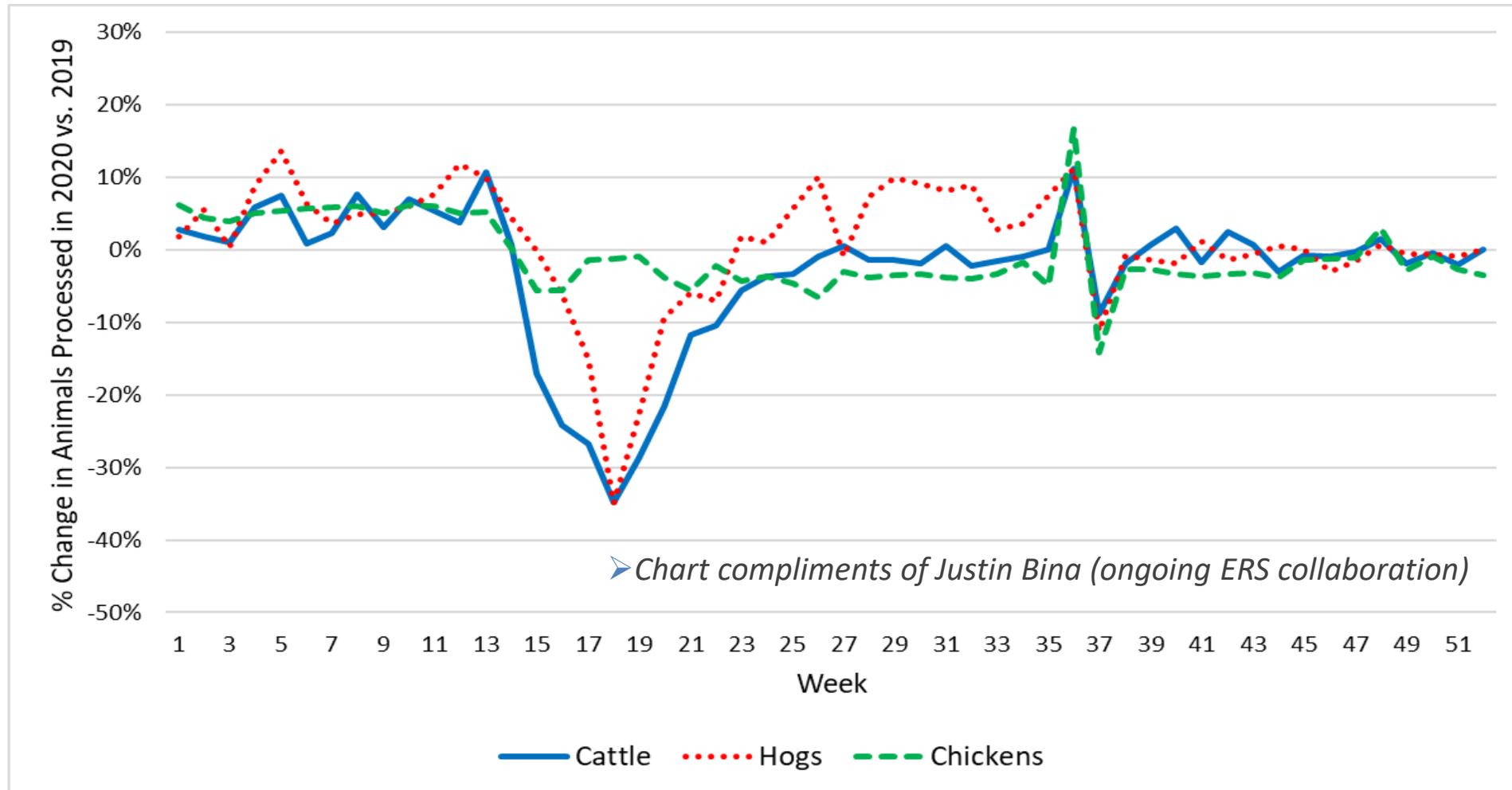


<https://www.usda.gov/oce/ag-outlook-forum/aof-program>

Outline (Days Needed vs ~18 Minutes!)

1. 2020 Market & Events Cliff-Notes Summary
2. 2021 Outlook
3. Key Challenges – Introductory Listing

Once in a lifetime “bottleneck” experience...



Animal-to-Meat Bottleneck in April-May 2020

Society-Wide Calls: *Where's my Meat?*

TIME

COVID-19 Meat Shortages Could Last for Months. Here's What to Know Before Your Next Grocery Shopping Trip

<https://time.com/5830178/meat-shortages-coronavirus/>

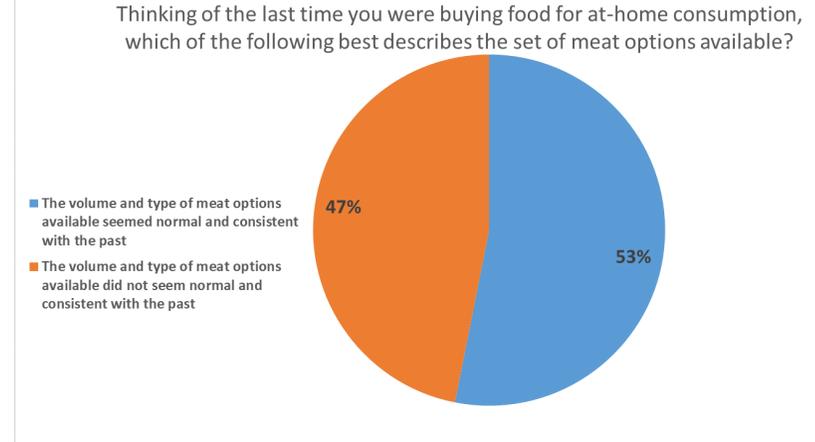
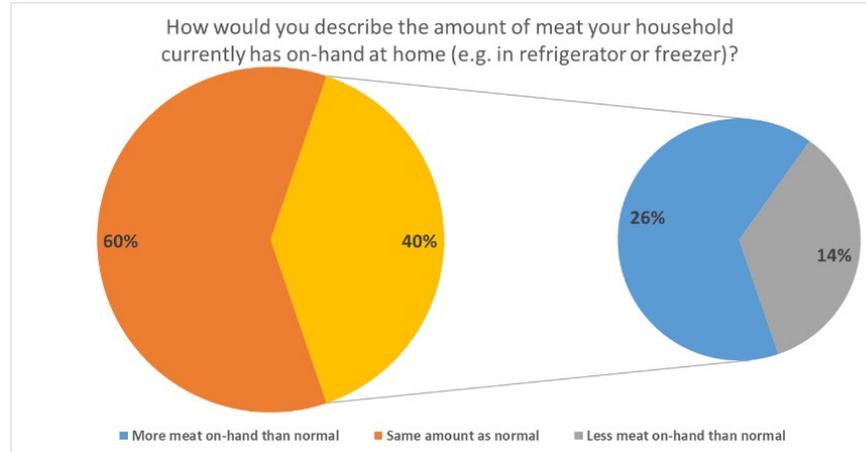


Meat shortages as virus forces plants to close

The effects of the coronavirus pandemic continue to ripple through the food industry. Dean Reynolds reports.

MAY 5, 2020

<https://www.cbsnews.com/video/meat-shortages-as-virus-forces-plants-to-close/>



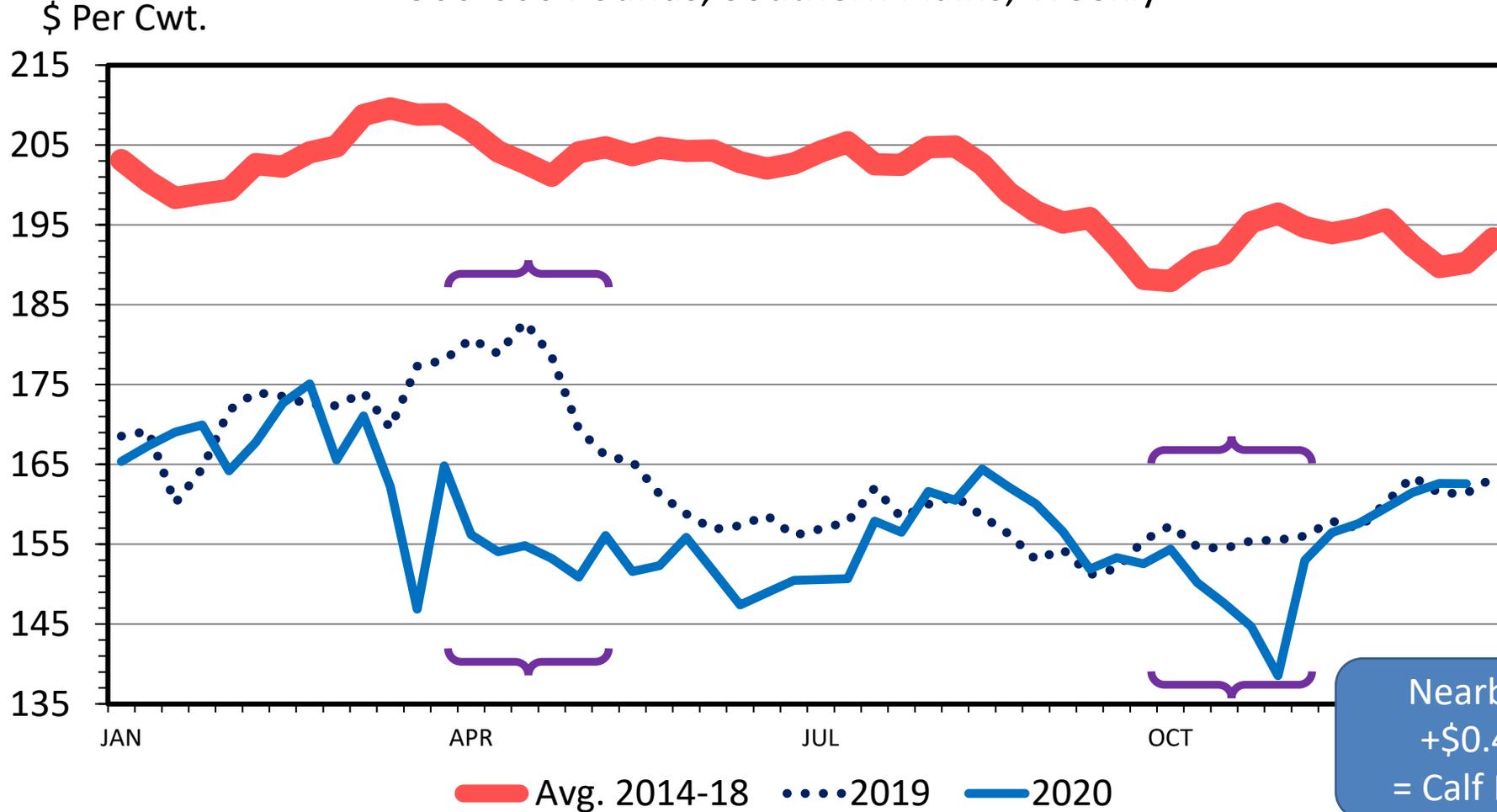
Data Source: USDA-AMS

Livestock Marketing Information Center

C-P-54
01/11/21

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

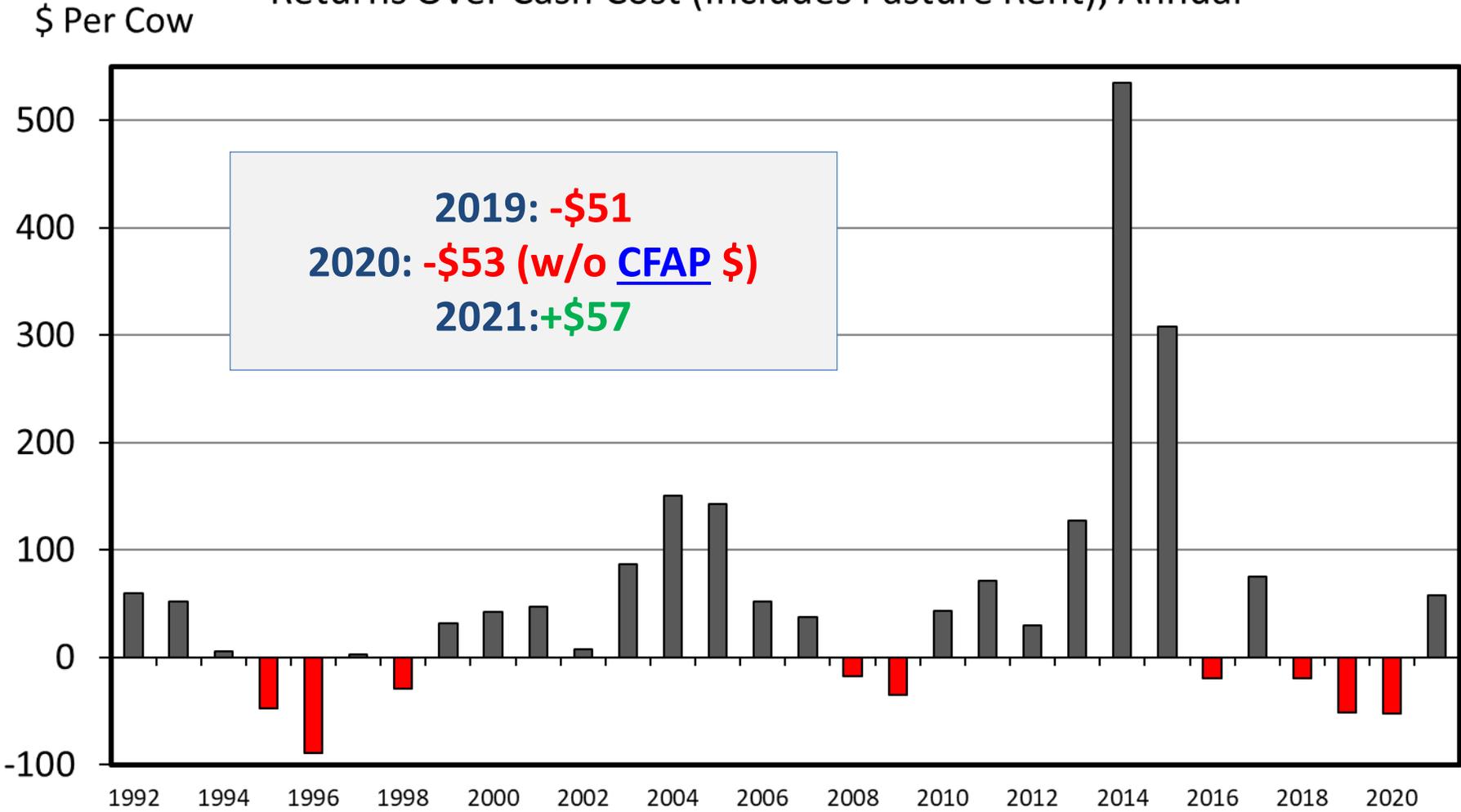


Nearby CME Corn:
+\$0.40/bu in Oct
= Calf Price Pressure

Processing bottleneck =
cattle price pressure

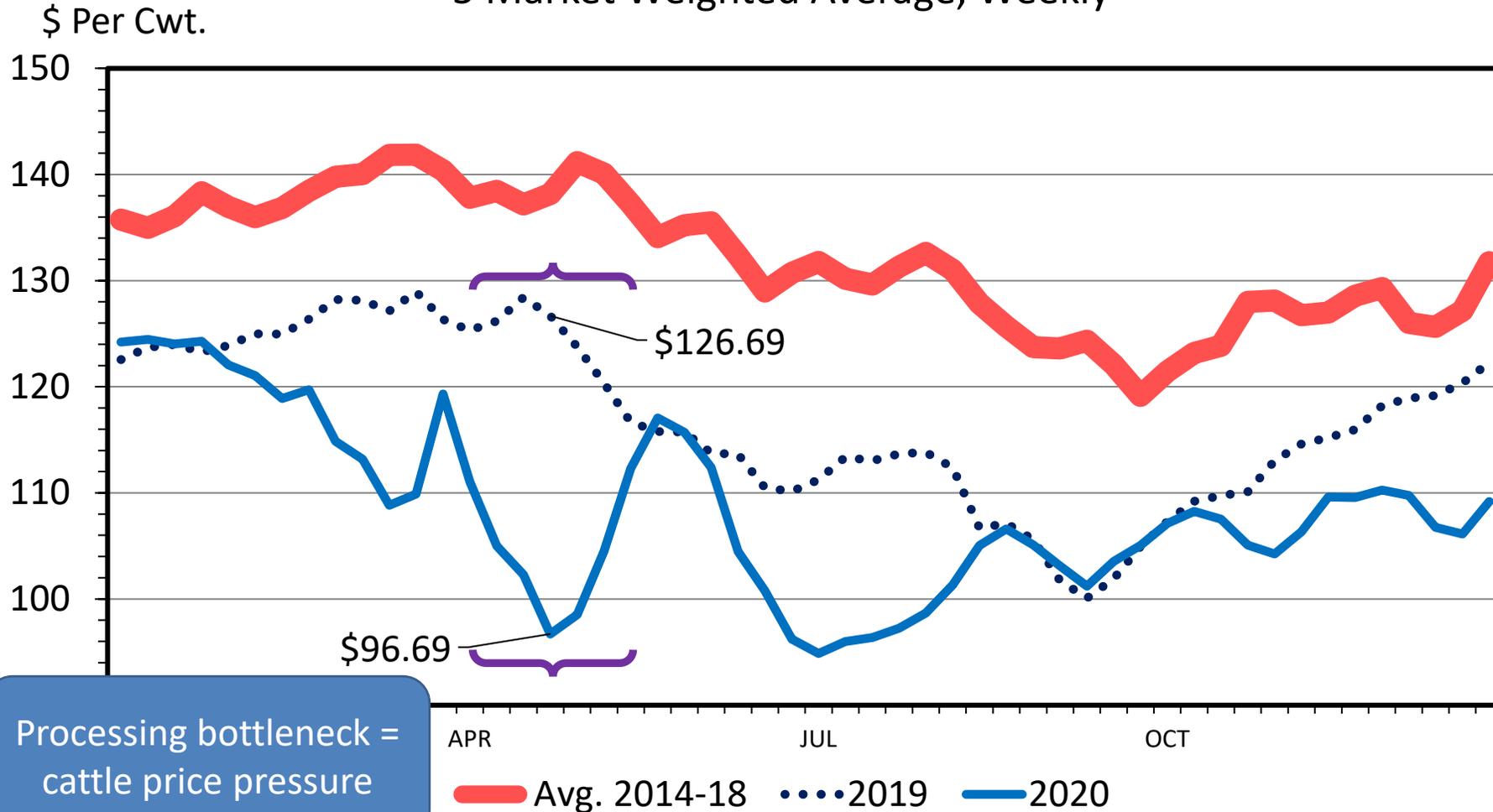
ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



SLAUGHTER STEER PRICES

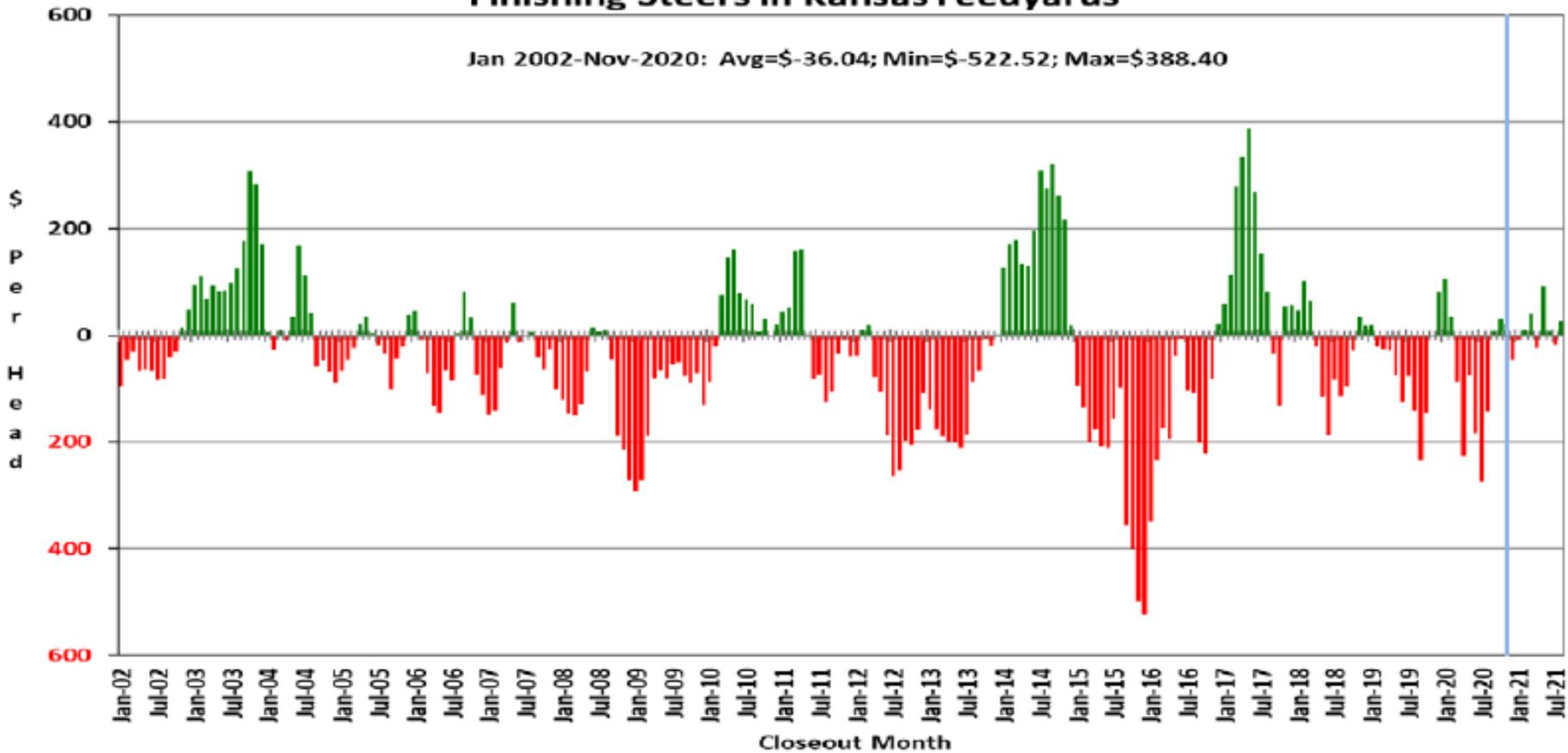
5 Market Weighted Average, Weekly



Historical and Projected Kansas Feedlot Net Returns (as of 1/10/21')

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

Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards



2021 Outlook

Quarterly Forecasts (LMIC: 1/7/21)

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	8,399	5.9	825.0	2.1	6,929	8.0
II	7,393	-13.8	818.9	3.0	6,054	-11.2
III	8,535	-0.1	833.0	2.8	7,110	2.7
IV	8,439	-0.8	836.6	1.6	7,061	0.9
Year	32,766	-2.4	828.7	2.4	27,155	0.0
2021						
I	8,229	-2.0	822.0	-0.4	6,763	-2.4
II	8,071	9.2	808.0	-1.4	6,518	7.7
III	8,268	-3.1	822.0	-1.3	6,794	-4.4
IV	8,104	-4.0	836.0	-0.1	6,775	-4.1
Year	32,671	-0.3	822.0	-0.8	26,850	-1.1
2022						
I	8,144	-1.0	826.0	0.6	6,730	-0.5
II	7,940	-1.6	810.0	0.3	6,435	-1.3
III	8,077	-2.3	826.0	0.6	6,676	-1.7
IV	7,914	-2.3	841.0	0.6	6,654	-1.8
Year	32,075	-1.8	826.0	0.5	26,494	-1.3

Quarterly Forecasts: Cattle (LMIC: 1/7/21)

Year Quarter	Live Sltr.	% Chg.	Feeder Steer Price	
	Steer Price	from	Southern Plains	
	5-Mkt Avg	Year Ago	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	-5.6	138	155
Year	109	-6.7	137	158
2021				
I	111-116	-4.1	136-139	159-163
II	114-120	10.6	138-142	164-168
III	111-118	12.5	145-155	162-172
IV	115-123	10.0	149-159	164-174
Year	114-119	7.4	144-147	163-167
2022				
I	115-125	5.7	144-154	167-177
II	120-130	6.8	147-157	169-179
III	118-128	7.4	154-164	171-181
IV	122-132	6.7	156-166	174-184
Year	119-129	6.4	150-160	170-180

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

Salina Market, as of 1/24

10/13/2021 Sell @ Weaning @ 600 lbs

- **Expected Cash Price: \$169/cwt**

The screenshot shows the BeefBasis.com website interface. At the top, there are navigation links for HOME, ANALYTICS, DATA, MAPS, and ABOUT. A central banner asks, "Don't have a BeefBasis Account?" and provides a link to sign up for a free account to access the Lot Management Dashboard.

Price Forecasting [Learn more about this tool.](#)

The screenshot shows the "Price Forecasting" calculator form with the following fields and values:

- 1. Sell Date: 2021-10-13
- 2. State: Kansas; Location: Farmers and Ranchers Livestock
- 3. Sex: Steer; Frame: Lg & Med/Lg; Muscling: 1-2
- 4. Weight: 600 lbs; Head: 80 head
- 5. Feeder Cattle Futures Price: \$ 147.725 /cwt; Corn Futures Price: \$ 4.1225 /bu

A "Run Calculator" button is located at the bottom right of the form.

KEY CHALLENGES & HOT TOPICS

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>

[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/aepp.13101>

Impacts of COVID-19 and Price Transmission in U.S. Meat Markets*

A. Ford Ramsey
Assistant Professor
Agricultural and Applied Economics
Virginia Tech

Barry K. Goodwin
William Neal Reynolds Professor
Agricultural and Resource Economics
North Carolina State University

William F. Hahn
Economic Research Service
United States Department of Agriculture

Matthew T. Holt
Professor and Head
Agricultural and Applied Economics
Virginia Tech



➤ “...We also illustrate potential contributions of plant size, industrial concentration, plant shutdowns, and policy actions to this phenomenon. **These results motivate investigation into supply chains, operating procedures, and labor relations within the meatpacking industry.**”

➤ “...Moreover, we document how margin measurements are critically sensitive to the selection of data and information utilized. **Finally, we conclude with some discussion around policy proposals that would pit industry concentration against industry coordination and economies of scale.**”

➤ “...Early COVID-19 related shocks appear to be transitory with prices returning to expected levels at a pace consistent with the speed of transmission prior to the pandemic. **This well-function market process suggests a degree of resilience in U.S. meat supply chains.**”

Negotiated Fed Cattle Trade: Dynamic, Politicized, Research Ongoing

Fed Cattle Price Discovery Issues and Considerations



E-1053

Division of Agricultural Sciences and Natural Resources
Oklahoma State University



Derrell S. Peel, Chair
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University of Missouri

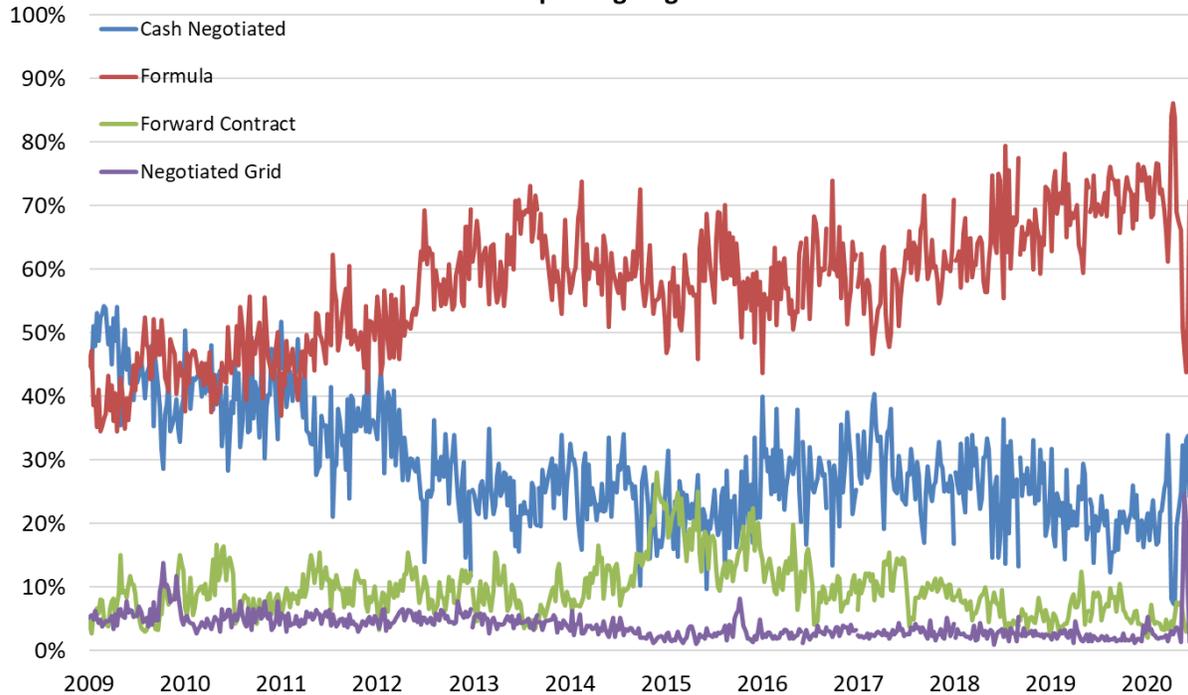
Stephen R. Koontz
Professor and Extension Livestock Marketing Specialist
Colorado State University

Josh Maples
Assistant Professor and Extension Livestock Marketing Specialist
Mississippi State University

➤ “The massive and unprecedented shocks that have buffeted the cattle and beef industry since August 2019 have resulted in understandable anger and frustration among cattle producers. It also has revived many long-standing concerns about price discovery, competition and potential impacts of market concentration. **Specifically, there is much industry interest surrounding the volume of negotiated fed cattle trade.** The industry is currently considering proposals that will dramatically alter the future of the industry. **Some proposals would take the industry away from the free-market philosophy that has guided the industry throughout its history to this point.**”

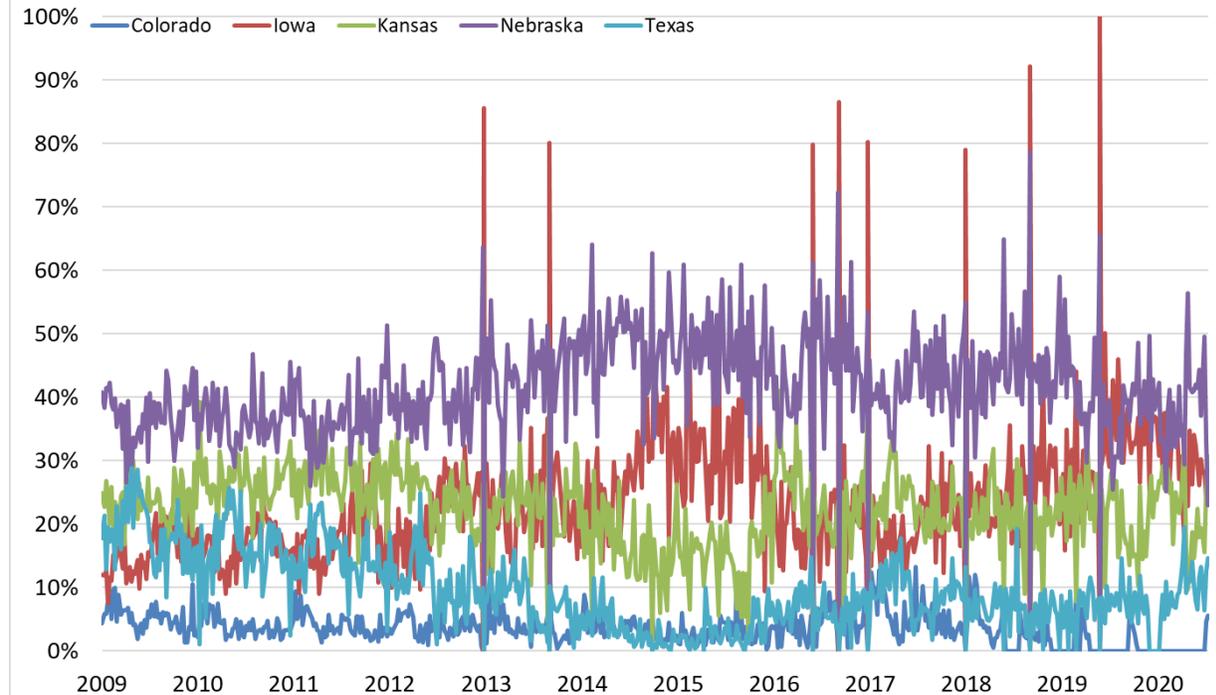
Negotiated Fed Cattle Trade: Dynamic, Politicized, Research Ongoing

Percentage of Weekly Live Cattle Marketed by Transaction Types in Five Major Reporting Regions



Data Source: USDA AMS Livestock Mandatory Reporting Data Mart
 Numbers are all live and dressed head reported in a given week for each transaction type.
 Negotiated Grid was not tracked prior to mid-2008.

Share of the Negotiated Cash Market of the Five Major Reporting Regions



Data Source: USDA AMS Livestock Mandatory Reporting Data Mart
 Numbers are all live and dressed head reported in a given week for each transaction type.
 Negotiated Grid was not tracked prior to mid-2008.



Charts compliments of Brian Coffey & Ted Schroeder (ongoing OCE-supported collaboration)



Agricultural Economics

Negotiated Fed Cattle Trade: Dynamic, Politicized, Research Ongoing

Adding Weight to a Thinning Live Cattle Market

BY

GARY W. BRESTER
KOLE SWANSER
BRETT CROSBY

STAFF PAPER 2020-1

<https://ageconsearch.umn.edu/record/305569/?ln=en>

➤ “...We show that live cattle futures market prices could be used as a base in formulas and would be less restrictive in meeting specific cattle procurement percentages.”

Market Data & Information Ongoing Evolution: Industry Reporting & USDA Printing

1. Congress passed “Livestock Mandatory Reporting Act of 1999”
2. USDA AMS implemented LMR on April 2, 2001
3. LMR Act must be reauthorized every 5 years (was slated to expire Sept. 30, 2020) ...

Feasibility Assessment of Reporting Negotiated Slaughter Cattle

Purchases in Separate Delivery Window Categories

Ted C. Schroeder

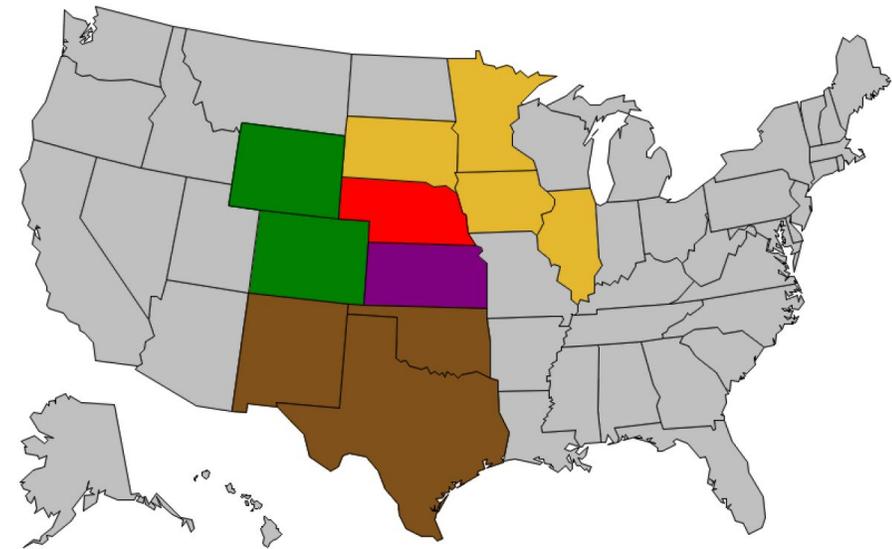
Lee L. Schulz

and

Glynn T. Tonsor¹

<https://www.ams.usda.gov/sites/default/files/media/FinalReportNegotiated5AreaCattleStudy.pdf>

Recommended Alignment



Other Important Items – Insufficient Time Today

1. Role of International Trade

2020 Per Capita Beef Consumption: +0.6%!

Q1: +5.5%

Q2: -8.3%

Q3: +6.8%

Q4: -1.4%

*Trade continues smoothing role:
(compare Domestic Production &
Domestic PC Cons by quarter)*

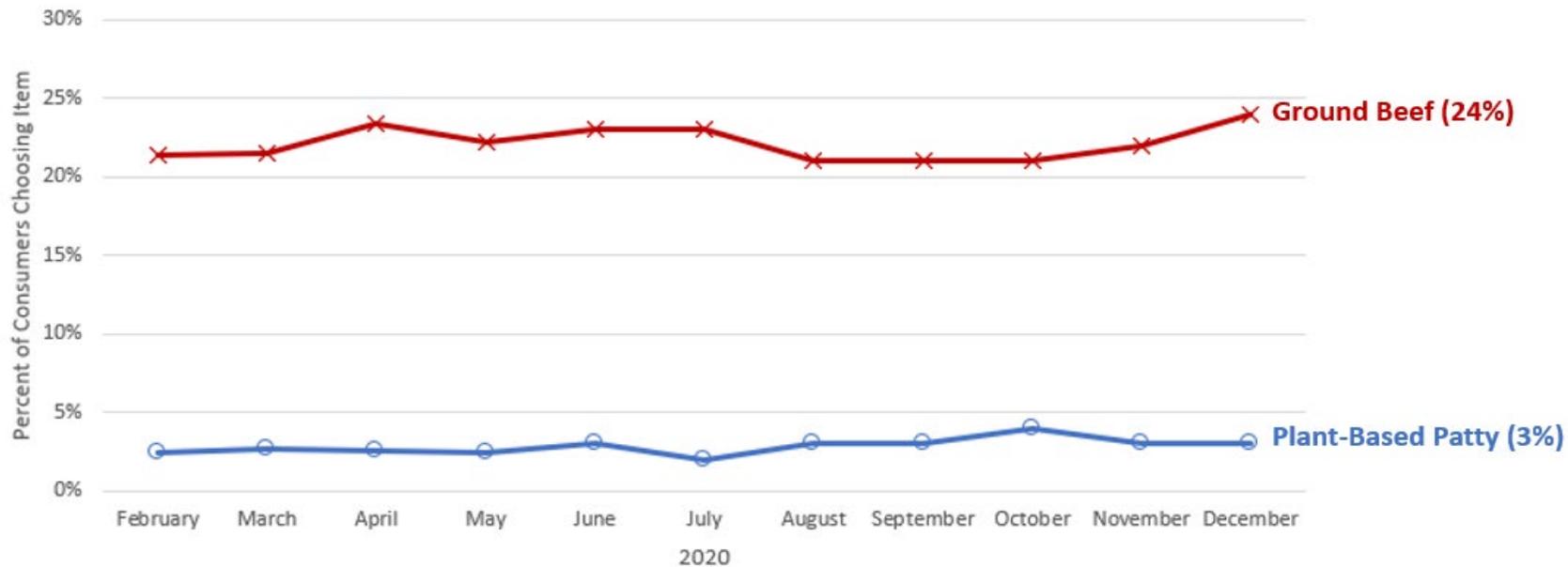
<https://www.agmanager.info/livestock-meat/marketing-extension-bulletins/trade-and-demand/overview-us-beef-production-export>



Other Important Items – Insufficient Time Today

1. Role of International Trade
2. Impact of Plant-Based, Alternative Proteins

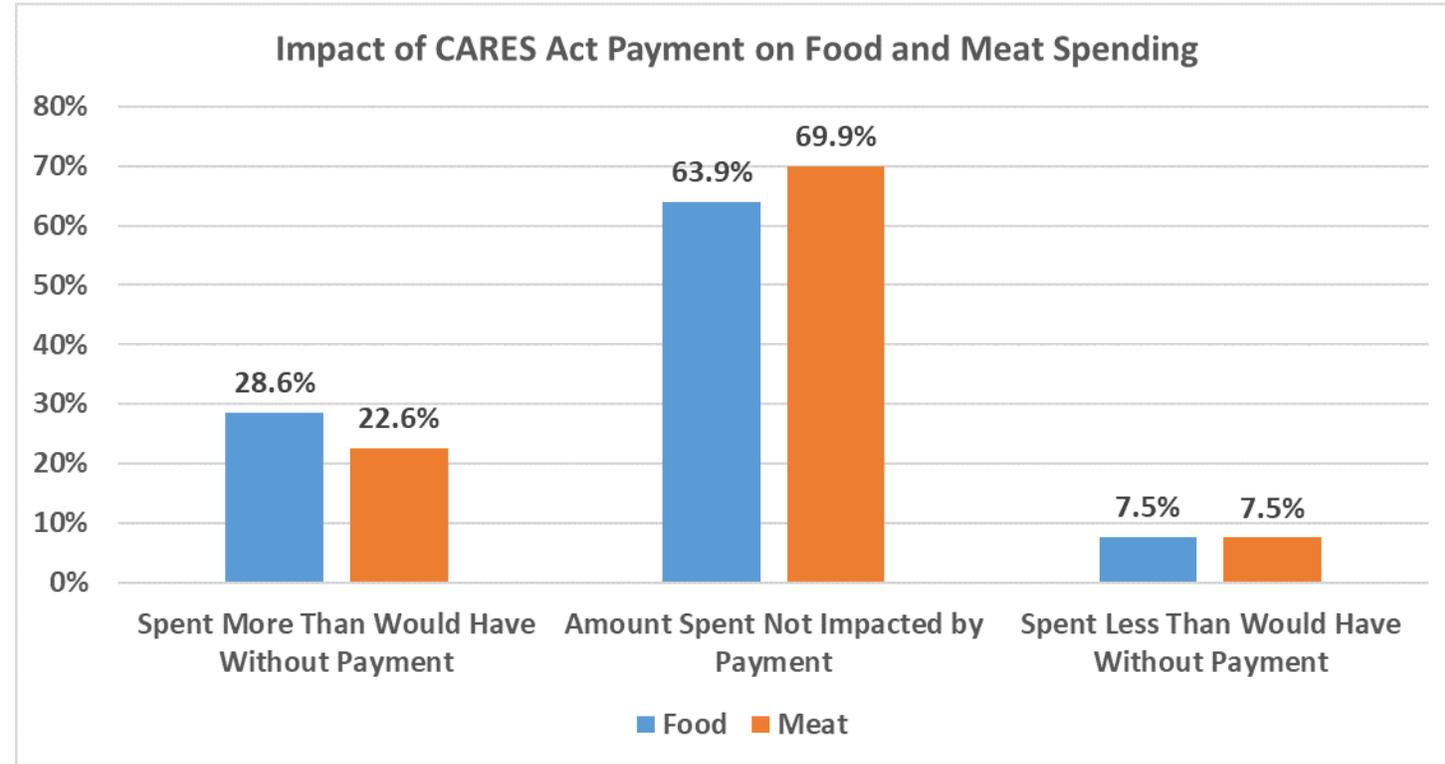
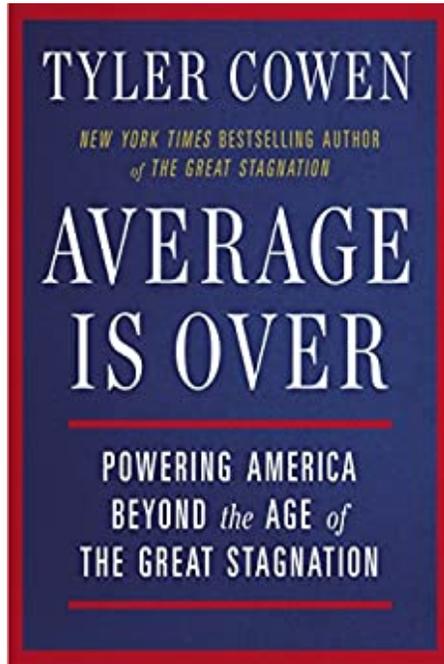
Meat Demand Monitor Insights



<http://jaysonlusk.com/blog/2021/1/11/trends-in-demand-for-plant-based-meat>

Other Important Items – Insufficient Time Today

1. Role of International Trade
2. Impact of Plant-Based, Alternative Proteins
3. “K-Shaped” Economy & Meat Demand



<https://www.agmanager.info/livestock-meat/meat-demand/monthly-meat-demand-monitor-survey-data/meat-demand-monitor-august-2020>

Take-Home Summary Points

Traditional Factors

- Supply: Herd likely has plateaued, GT expects small beef cow # decline
- Demand:
 - Domestic Retail: Been stronger than GT projected (that's great!)
 - Domestic Food Service: Been hammered & continues to evolve
- Export importance must be appreciated

Take-Home Summary Points

LOTS of “Non-Traditional” Factors

- Nearly all of us underestimated COVID-19 impacts
- Calls for “change” are prevalent & GT hopes for data-driven assessment
- GT long been concerned about society-wide populism & inner-industry fighting
 - ✓ GT desire: focus on growing the pie over gaining share of today’s pie

2021 Agricultural Outlook Forum

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The Economist

Today

Weekly edition

Menu

International

Feb 15th 2020 edition



Shonagh Rae

International

Jul 23rd 2016 edition >

Stress

What makes us stronger

New research shows that even severe stress can have an upside



Daniel Stolle

A deadly disease disrupts

The new coronavirus could have a lasting impact on global supply chains

Multinationals have failed to take seriously the risk of disruption



More information available at:



This presentation will be available in PDF format at:

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

Host of additional industry resources are cross-linked as well