

Beef Demand and Economic Outlook

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Michigan Cattlemen's Assoc. Annual Meeting
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Goals for today

- Do changes in beef demand impact you as a cattle producer?
- Brief outlook discussion
- Q&A



Do changes in consumer preferences impact *YOU* as a cattle producer? If so, how?



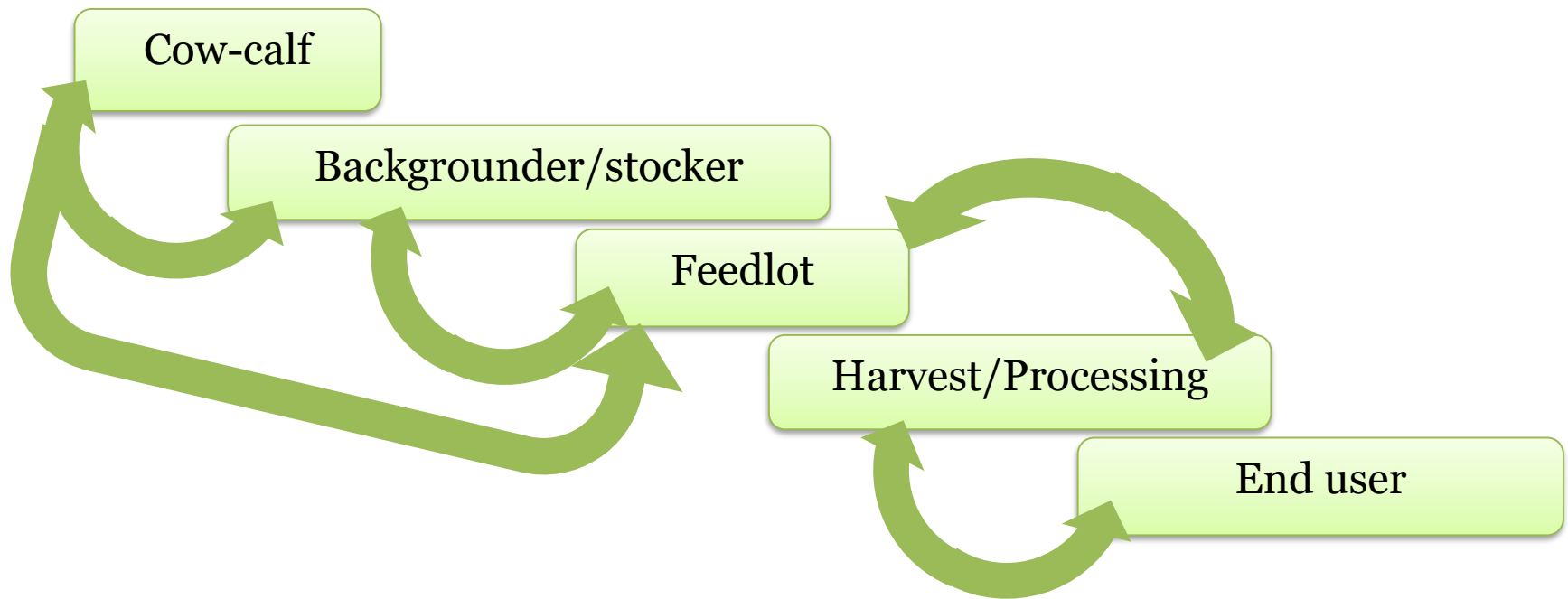
Do changes in foreign consumer preferences impact *YOU* as a cattle producer?

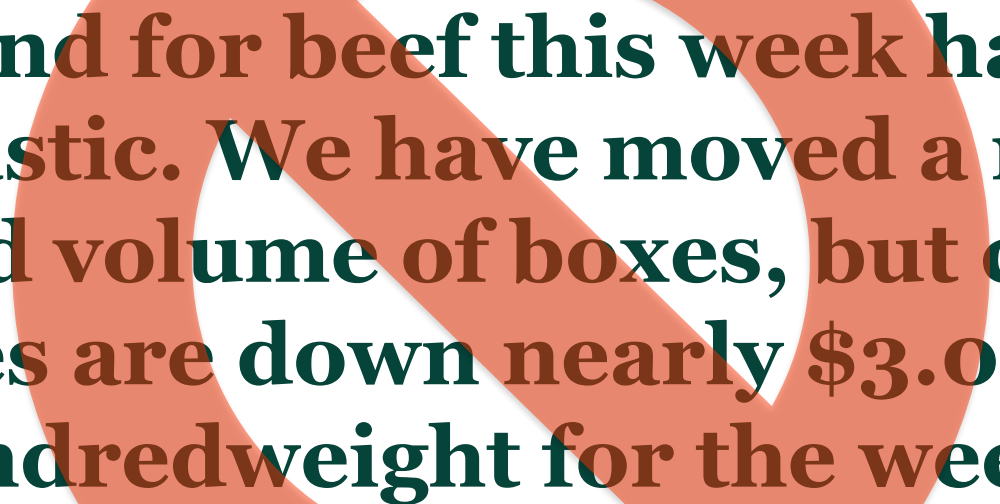


IMAGE SOURCE:

https://www.google.com/url?sa=i&source=images&cd=&cad=rja&uact=8&ved=2ahUKEwjmtNvDz_PfAhWG34MKHVWVCI0QjRx6BAgBEAU&url=https%3A%2F%2Fwww.businessinsider.com%2Fchinas-hema-market-has-two-advantages-over-amazon-go-2018-2&psig=AOvVaw0biVvzMuHWqnEiX0ByZ_kJ&ust=1547773377820520

U.S. Cattle Industry





“Demand for beef this week has been fantastic. We have moved a near-record volume of boxes, but cutout values are down nearly \$3.00 per hundredweight for the week.”

“A Primer on Beef Demand”- Wayne Purcell, 1998
<http://www.naiber.org/Publications/RILP/primer1.pdf>



So what is beef demand?

- *Beef Demand*
 - Schedule of beef quantities consumers would purchase over a range of prices
 - Refers to the “demand curve” economists speak of
- *Quantity of Beef Demanded (AKA “consumption”)*
 - Quantity of beef consumers will purchase at a given price
 - Refers to a point on the demand curve
 - Changes with available supply EVEN IF demand is unchanged



Beef Demand

- Critically important, yet often confused
- Demand strength reflects consumer valuation of beef
 - Underlies total \$ available to the industry
 - Drives prices and profitability for all!



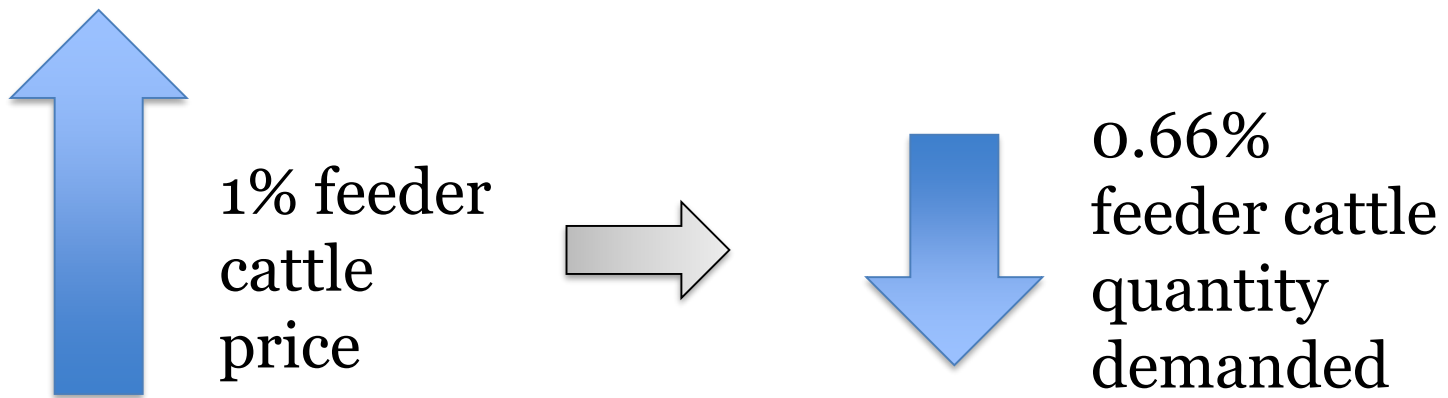
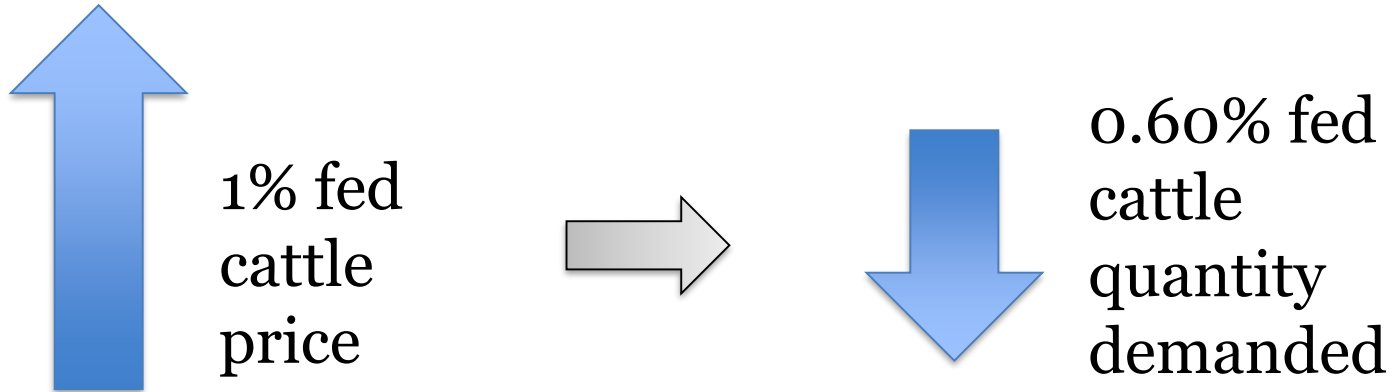
Per capita consumption is **NOT** demand



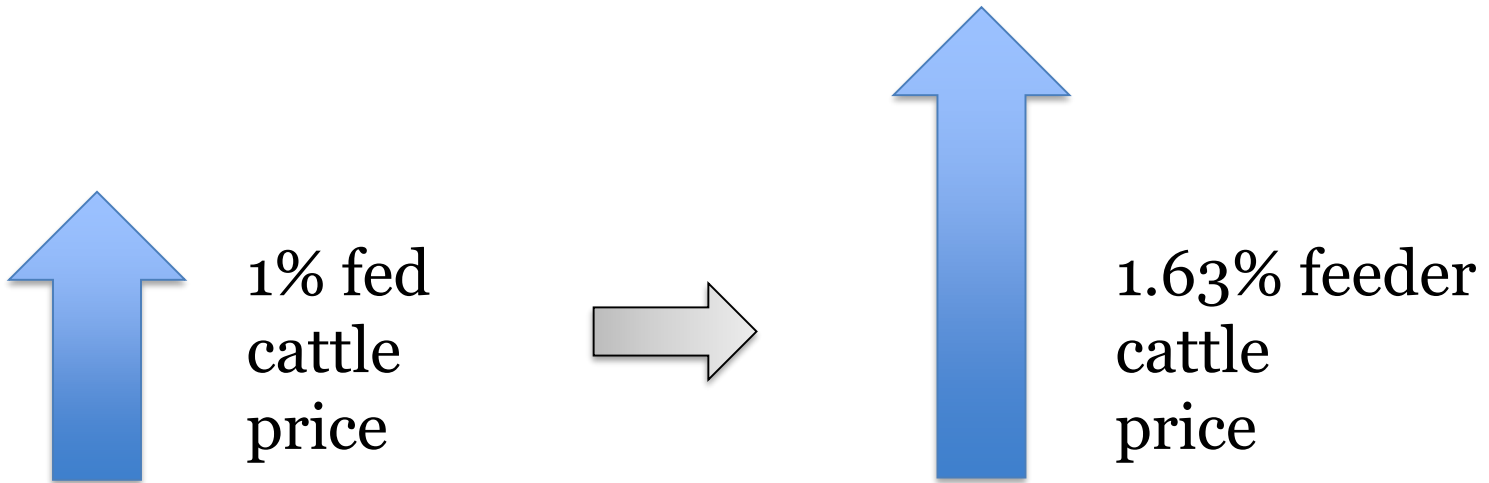
THE NEXT SLIDES
PRESENT ONGOING
WORK! PLEASE CONTACT
mckend14@msu.edu
BEFORE CITING!



Fed and feeder cattle demand

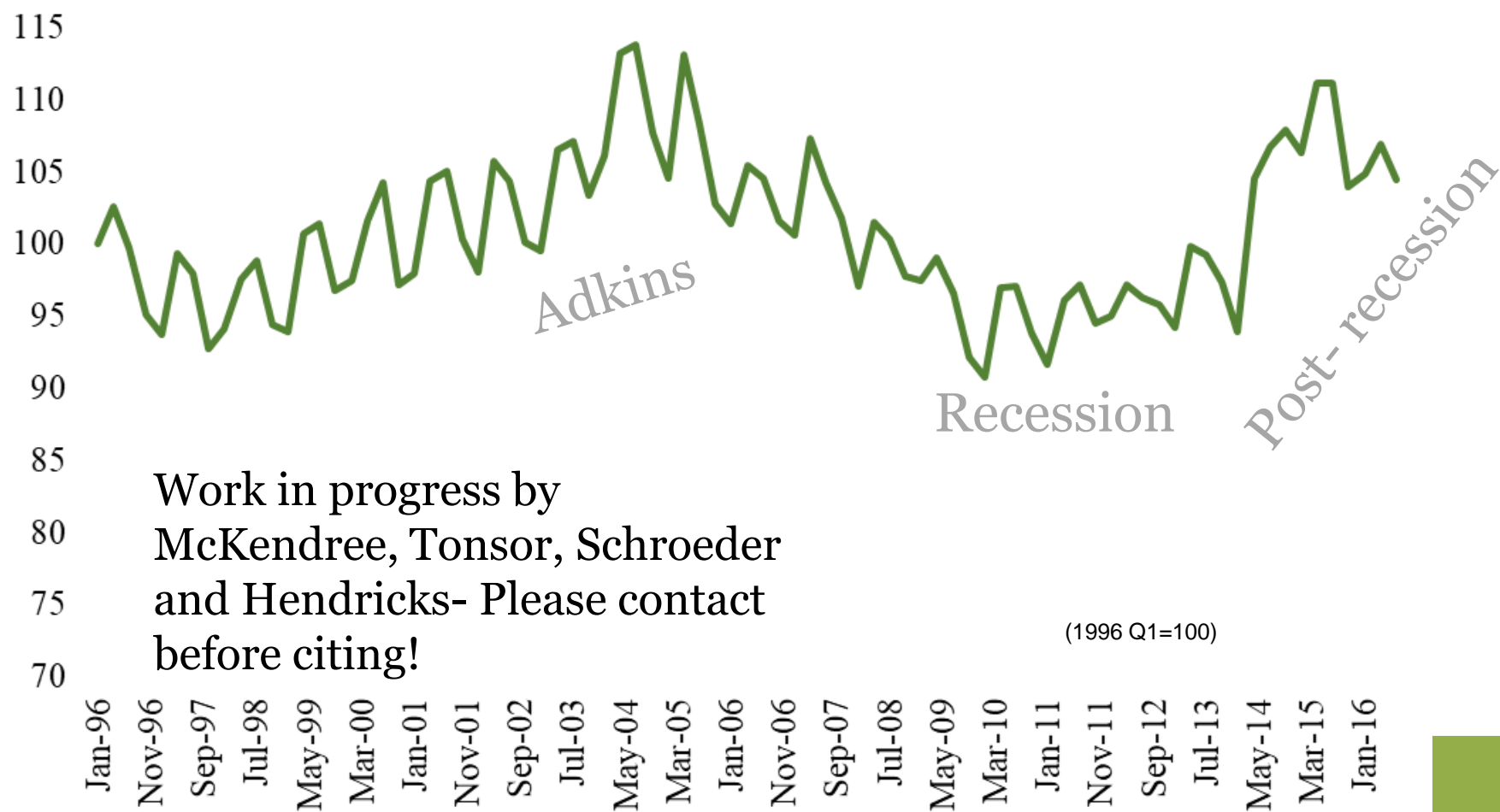


Fed to feeder cattle price transmission

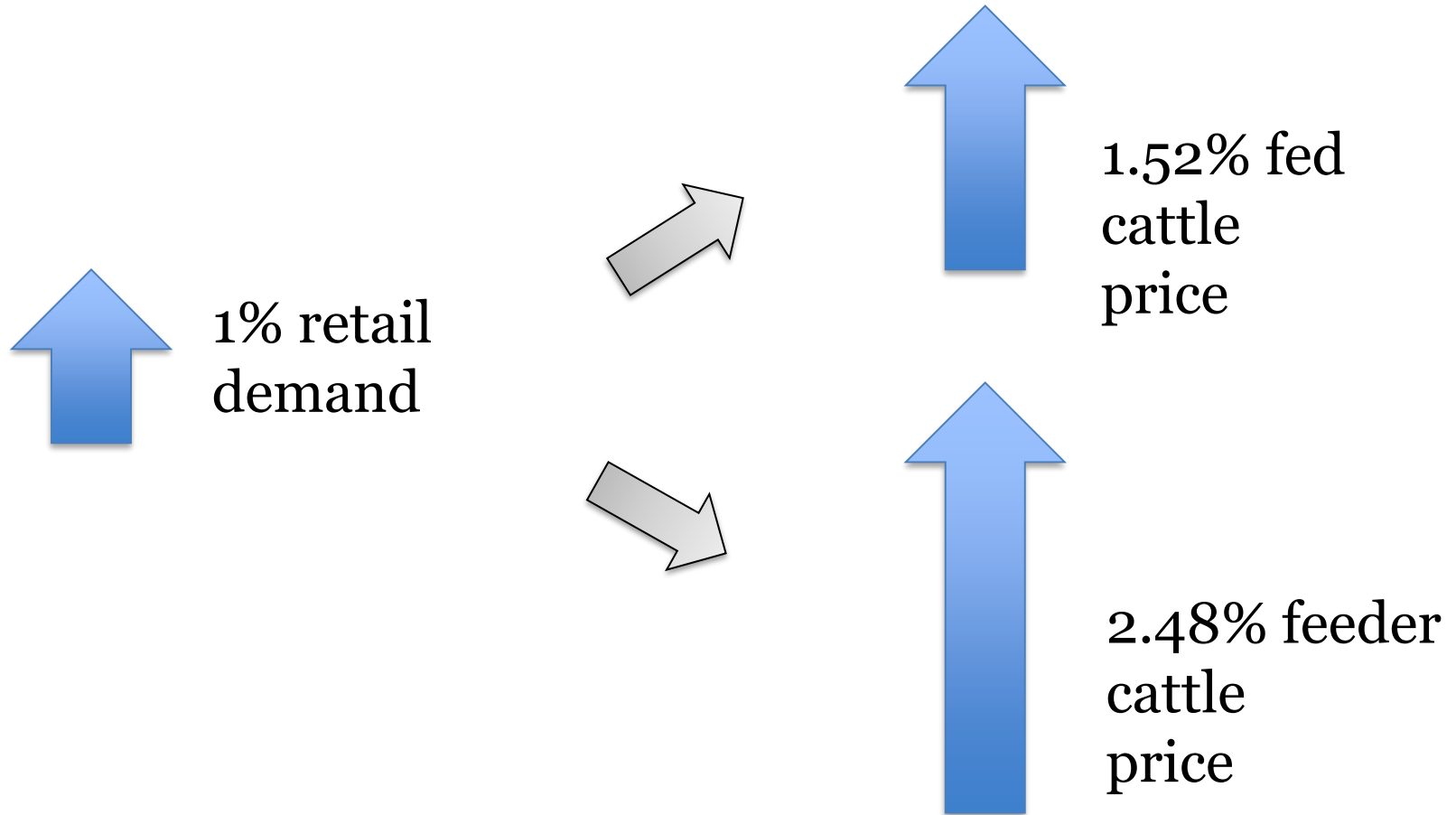


Retail Beef Demand Index

- Q: retail per capita consumption in lbs
- P: choice retail beef price in \$/lb

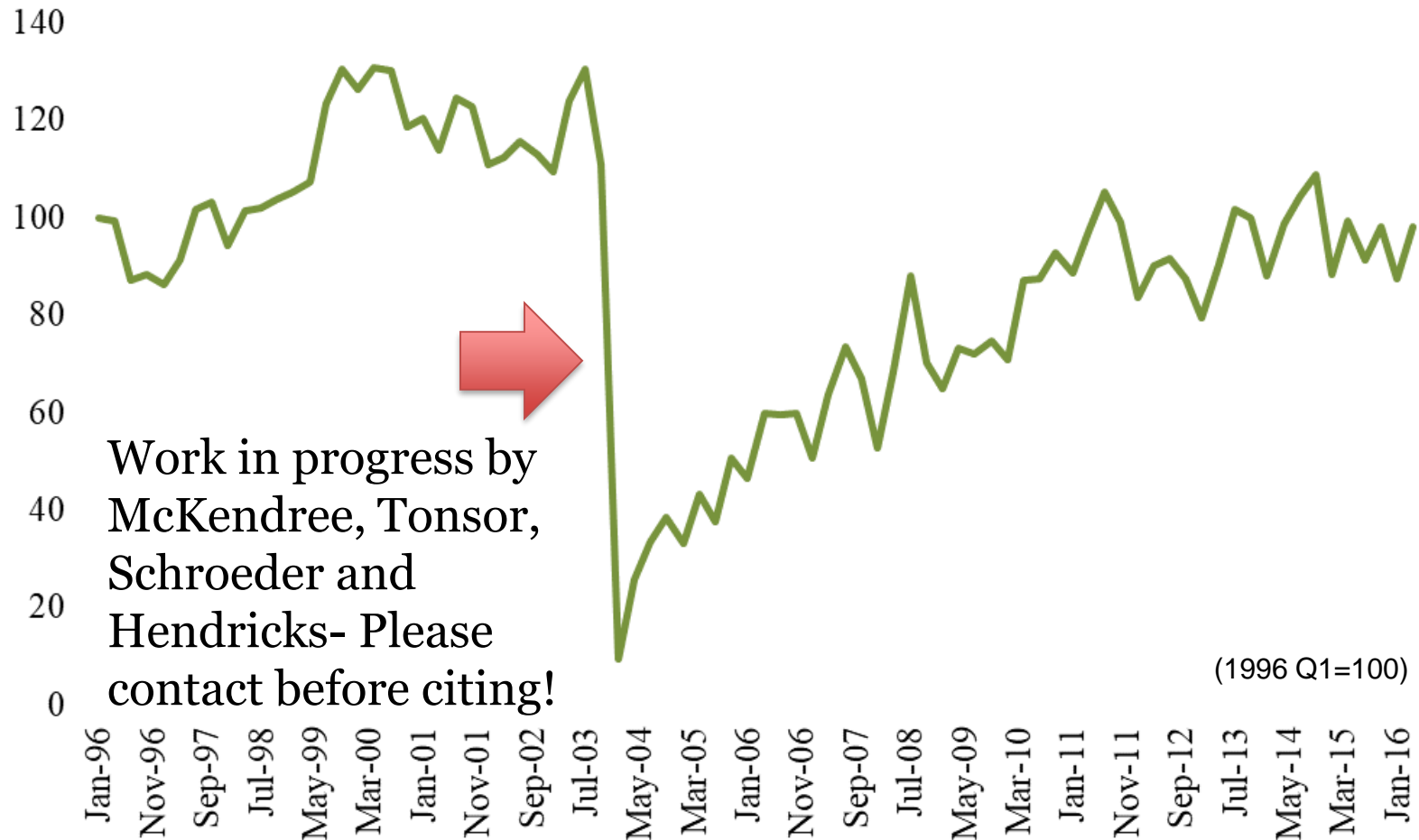


Retail demand impact on cattle prices

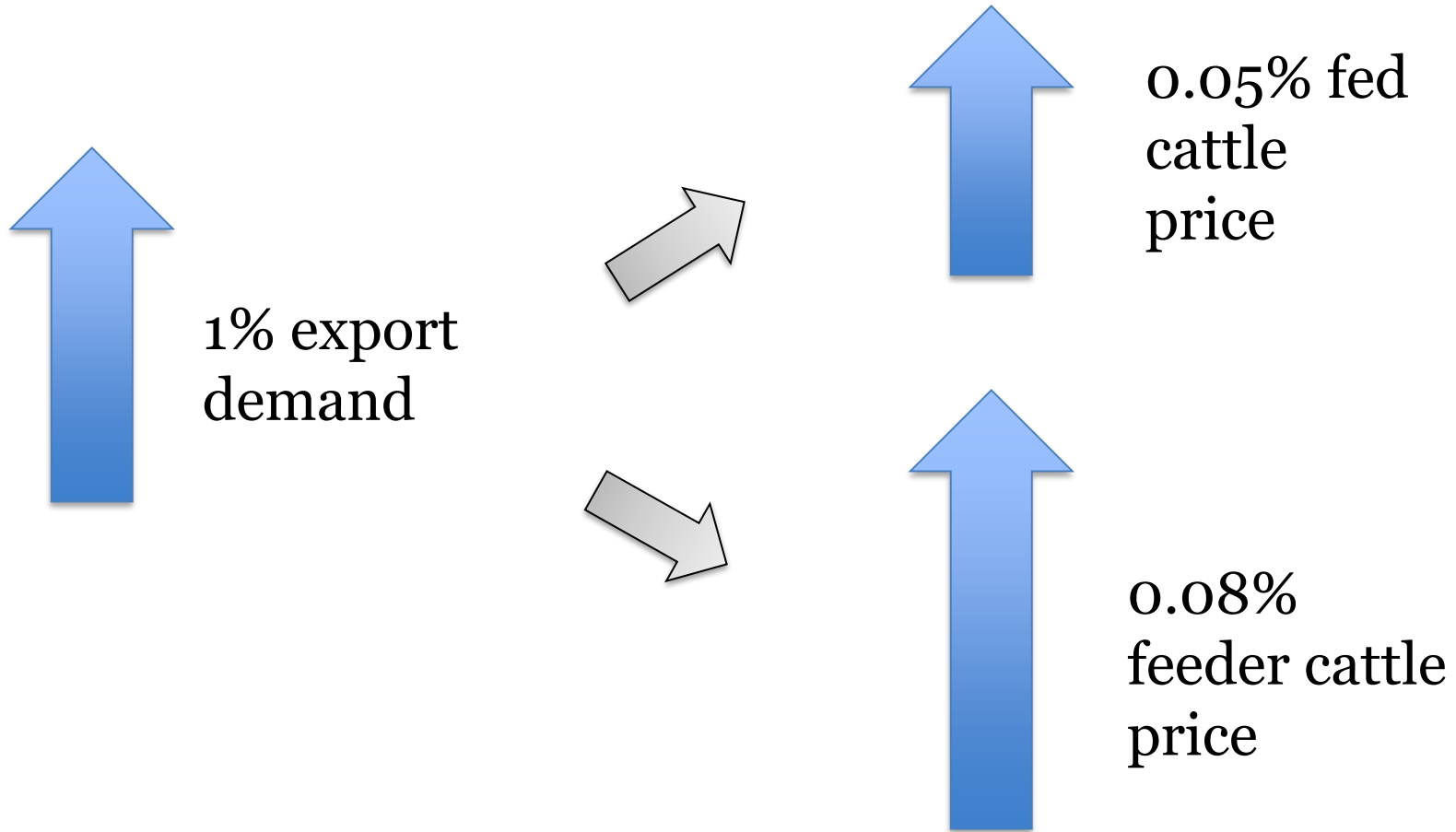


Export Beef Demand Index

- Q: rest of the world per capita consumption of U.S. total beef and veal, and variety meat (beef) exports, in lbs
- P: beef export price in \$/lb



Export demand impact on cattle prices





Funded by the Beef Checkoff.



The \$2 Ohio Beef Checkoff



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INDEPENDENT RANCHERS SEEK INJUNCTION OF BEEF CHECKOFF FUNDS IN THIRTEEN MORE STATES

NEWS

Oklahoma beef producers vote down checkoff increase

Referendum failed with 2,506 no votes and 1,998 yes votes.

Nov 09, 2017

Beef Checkoff

- From QT3 2014 to QT3 2016, we estimate beef checkoff assessments:
 - Total: \$89.57 million
 - Feeder cattle producers: \$56.40 million
 - Fed cattle producers: \$33.17 million

Work in progress by McKendree, Tonsor, Schroeder and Hendricks-
Please contact before citing!



Changes in producer surplus from QT3 2014 to QT3 2016

	No Checkoff	Double Checkoff
	RD -1.80%	RD 1.80%
ΔPS_{Feeder}	-\$2.90 billion	\$3.00 billion
ΔPS_{Fed}	-\$112.71 million	\$69.09 million
Total ΔPS	-\$3.01 billion	\$3.07 billion

Work in progress by McKendree, Tonsor, Schroeder and Hendricks-
Please contact before citing!



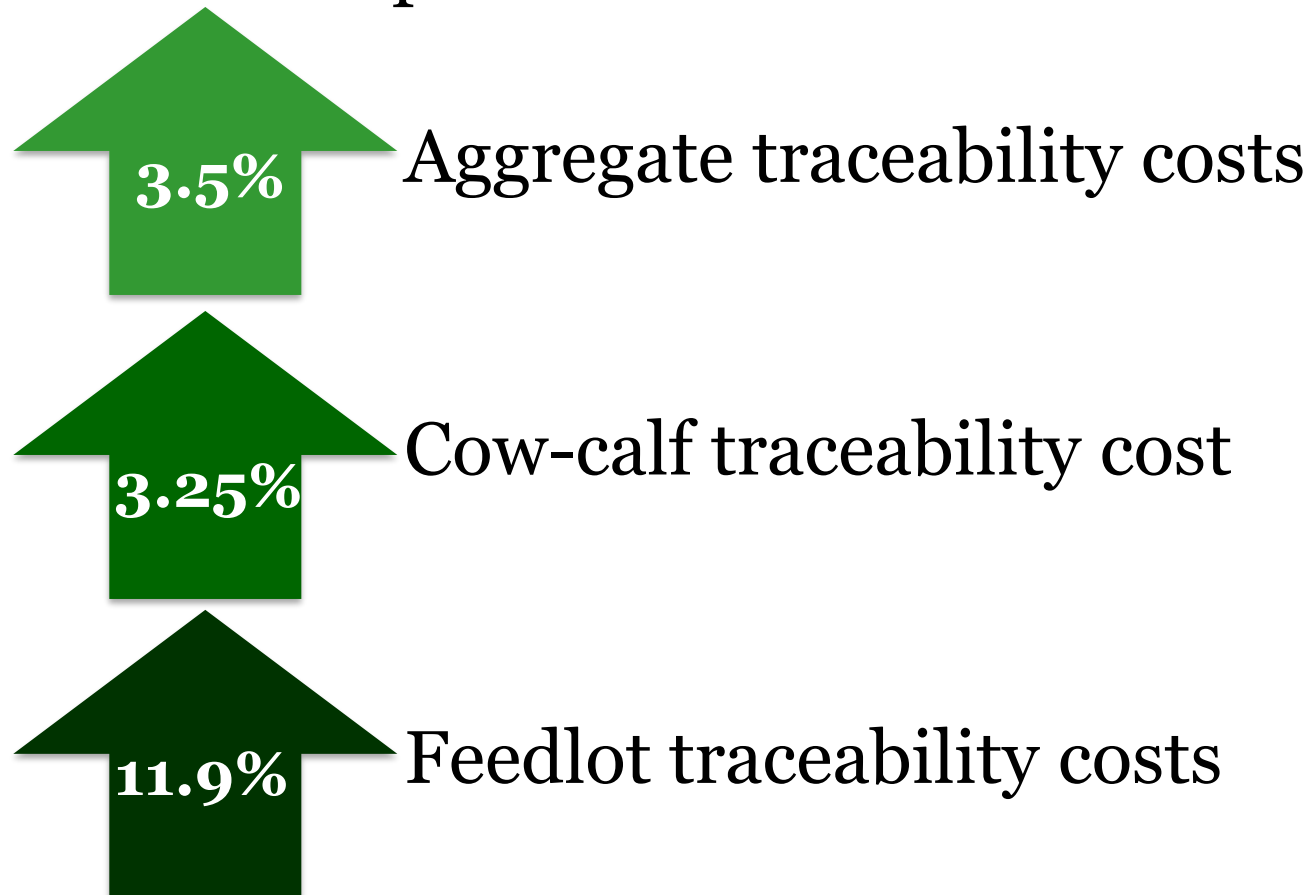
Source and age verification

- Per head cost estimates from Brester et al. (2011), WPI (2018)
 - \$2.65 to \$4.65 for cow-calf operations current identifying their animals (visual tagging)
 - \$172.40 million
 - \$0.13 to \$0.55 for feedlot operations
 - \$17.83 million



Source and age verification

- Increases in export demand to cover costs:



Implications

- How can you apply to your operation:
 - Generic advertising increases retail beef demand
 - Should we increase check off to \$2/transaction?
 - Negative reaction to a food safety recall
 - Multiple export negotiations

You should be interested in what is happening in upstream, downstream, and horizontal markets and think about how this impacts you!



Beef Outlook



Source: agmanger.info photo contest





Due to the lapse in Congressional Appropriations for Fiscal Year 2019, the U.S. Department of Commerce is closed. Commerce Department websites will not be updated until further notice.



OFFICE OF THE CHIEF ECONOMIST

United States Department of Agriculture

This USDA website will not be updated during a lapse in federal funding. Content on this website may not be current or maintained until funding issues have been resolved.



Due to a lapse in federal funding, this USDA website will not be actively updated. Once funding has been reestablished, online operations will continue.



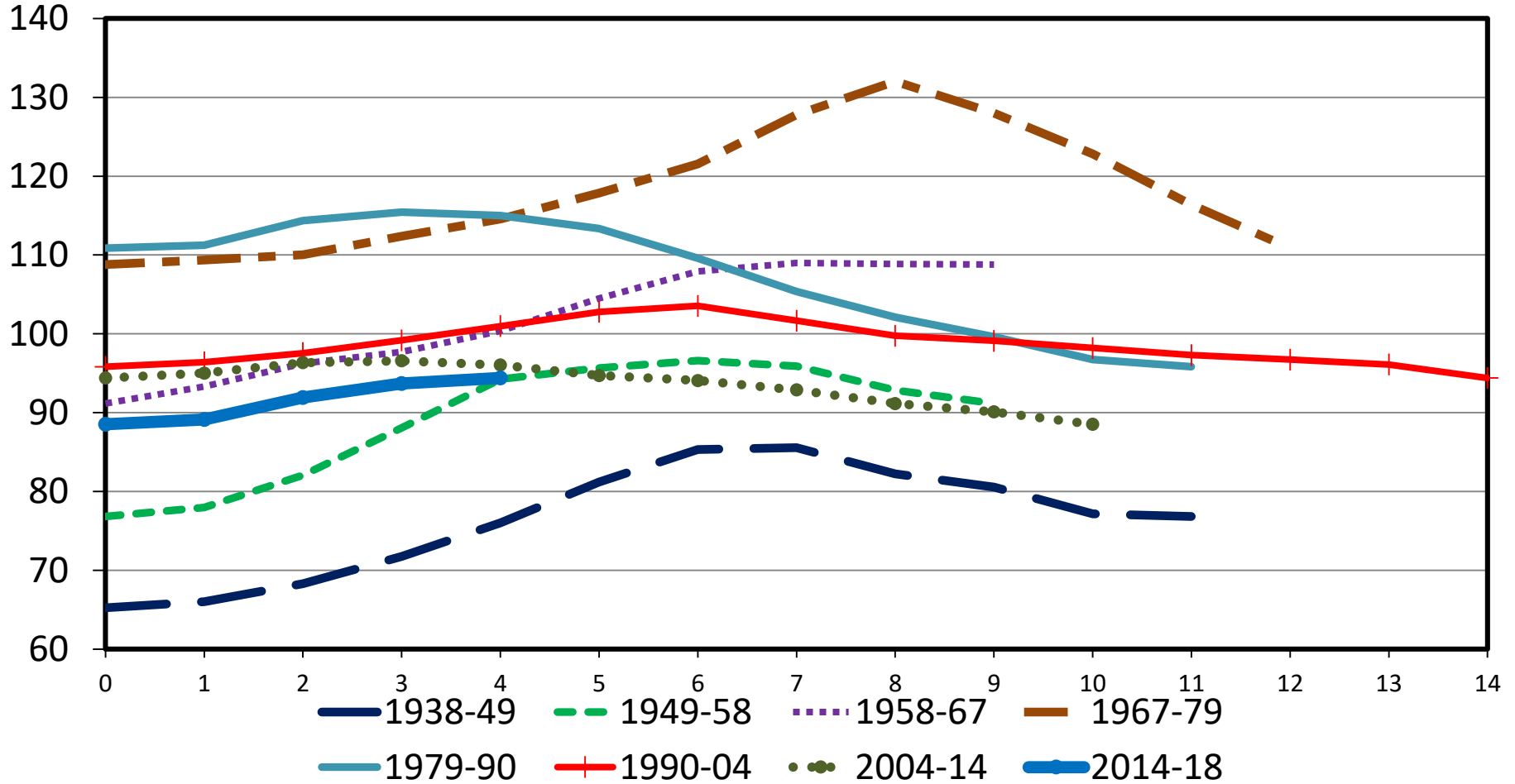
Cattle Numbers



TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

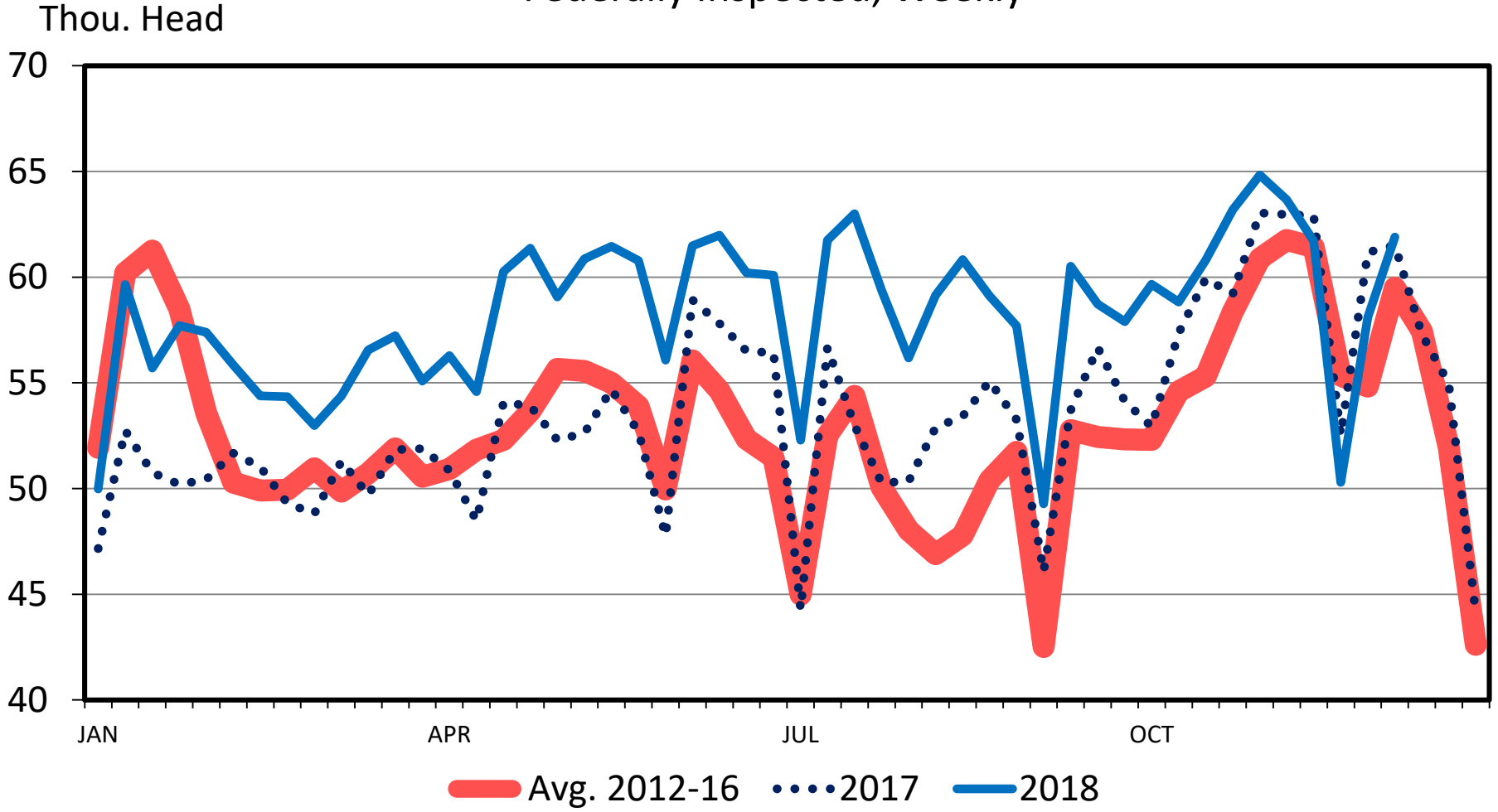
Mil. Head



Data Source: USDA-NASS

BEEF COW SLAUGHTER

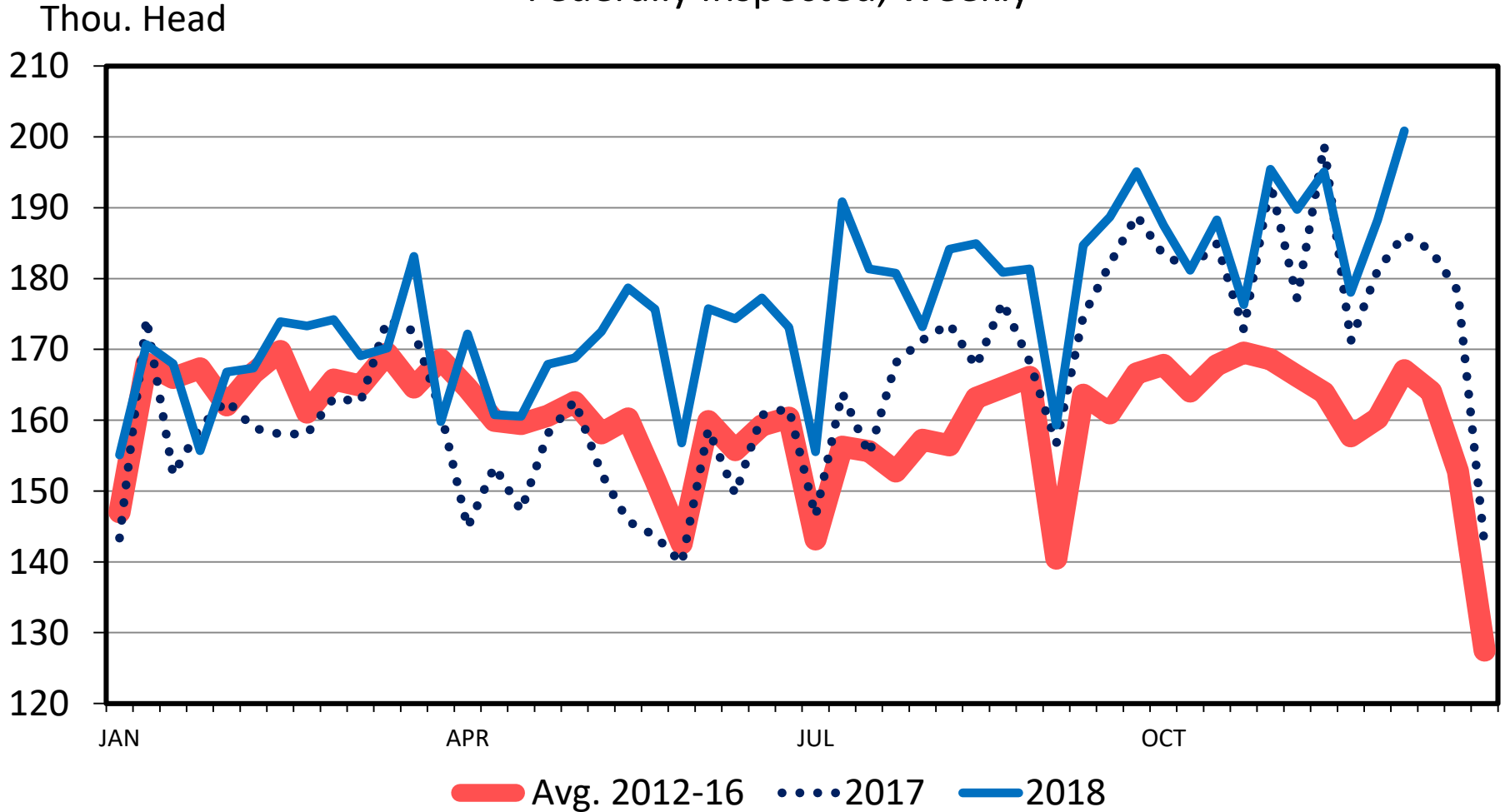
Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS

HEIFER SLAUGHTER

Federally Inspected, Weekly










Data Source: USDA-AMS & USDA-NASS

JANUARY 1 U S CATTLE INVENTORY

(1,000 Head)

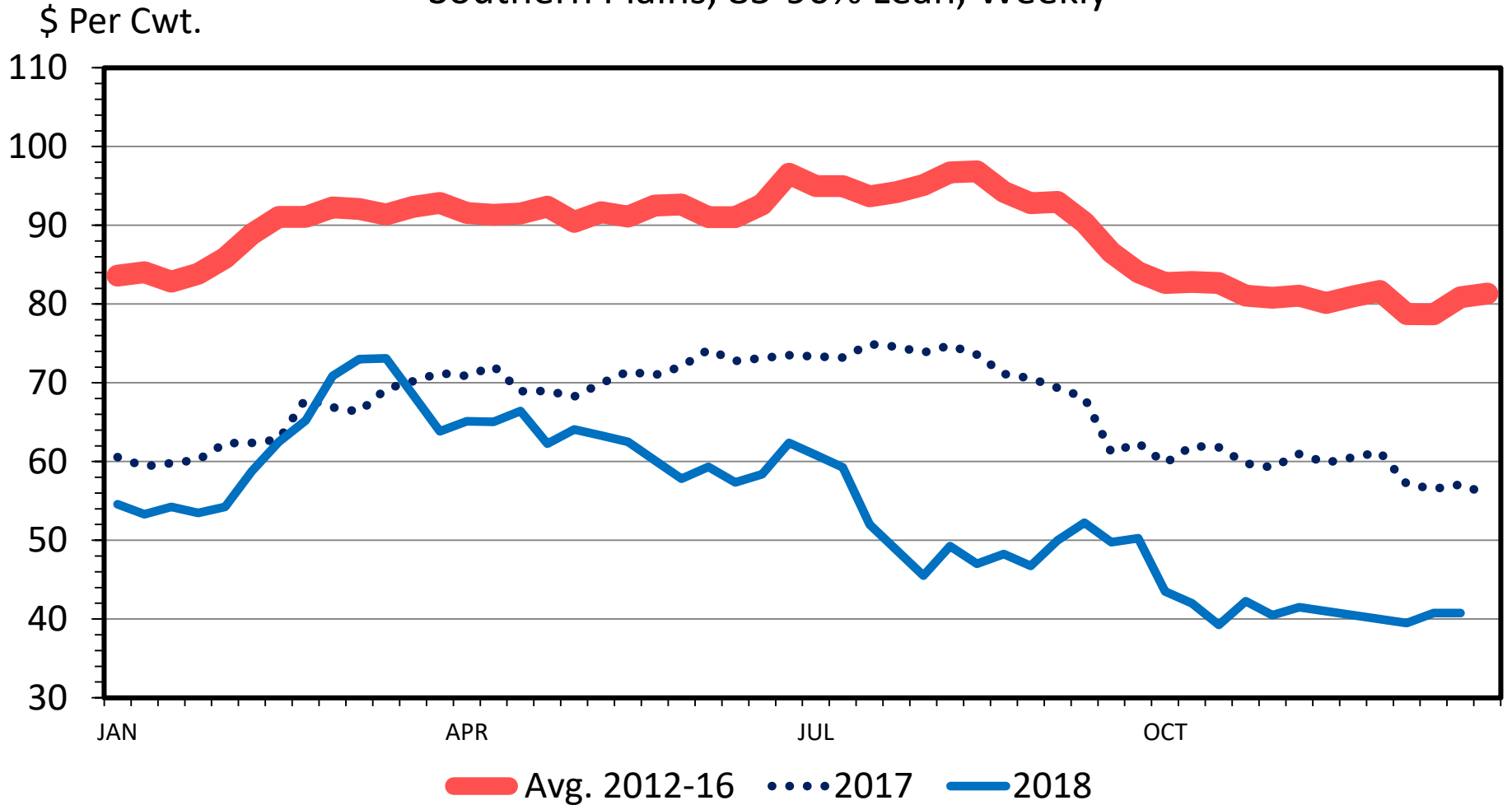
01/11/19

3.102

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019 % Change from 18
All Cattle & Calves	94721	94081	92887	91160	90095	88526	89143	91918	93705	94399		
Cows & Heifers That Have Calved	41127	40526	40068	39517	38853	38293	38609	39476	40559	41123		
Beef Cows	31794	31440	30913	30282	29631	29085	29302	30166	31213	31723		
Dairy Cows	9333	9087	9156	9236	9221	9208	9307	9310	9346	9400		
Heifers 500 Pounds & Over	19604	19778	19650	19445	19256	18969	19261	19907	20132	20245		
Beef Cow Replacements	5550	5443	5135	5281	5429	5551	6086	6340	6368	6131		
Dairy Cow Replacements	4410	4551	4577	4618	4546	4549	4710	4814	4754	4781		
Other Heifers	9644	9784	9938	9546	9281	8869	8464	8753	9010	9332		
Steers 500 Pounds & Over	16809	16568	16394	15957	15931	15668	15630	16315	16384	16352		
Bulls 500 Pounds & Over	2188	2190	2165	2100	2074	2038	2109	2142	2244	2252		
Heifers, Steers & Bulls Under 500 Pounds	14994	15019	14610	14141	13983	13558	13534	14077	14386	14427		
Calf Crop	35939	35740	35357	34469	33730	33522	34087	35093	35808	36250		

SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

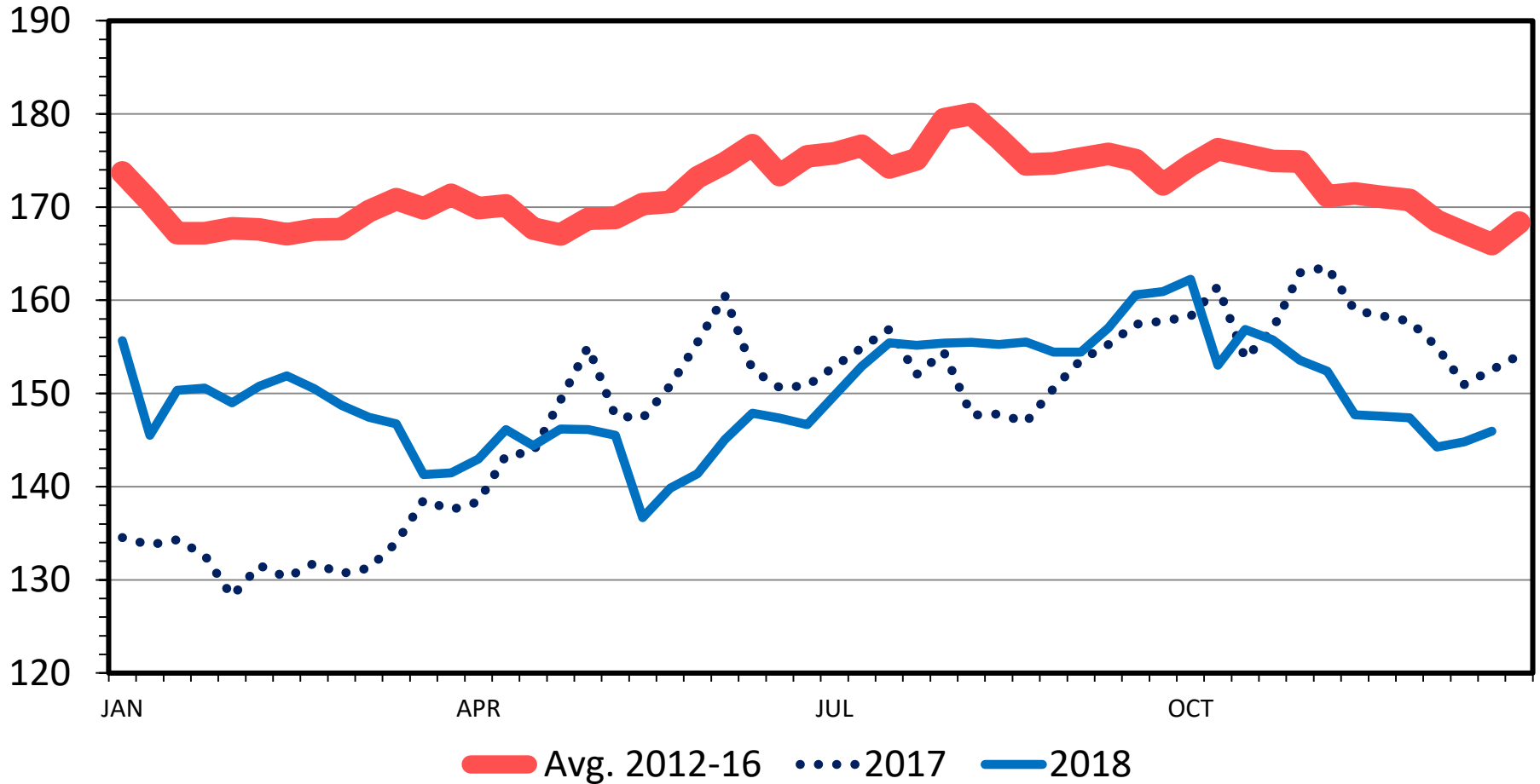


Data Source: USDA-AMS

MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.

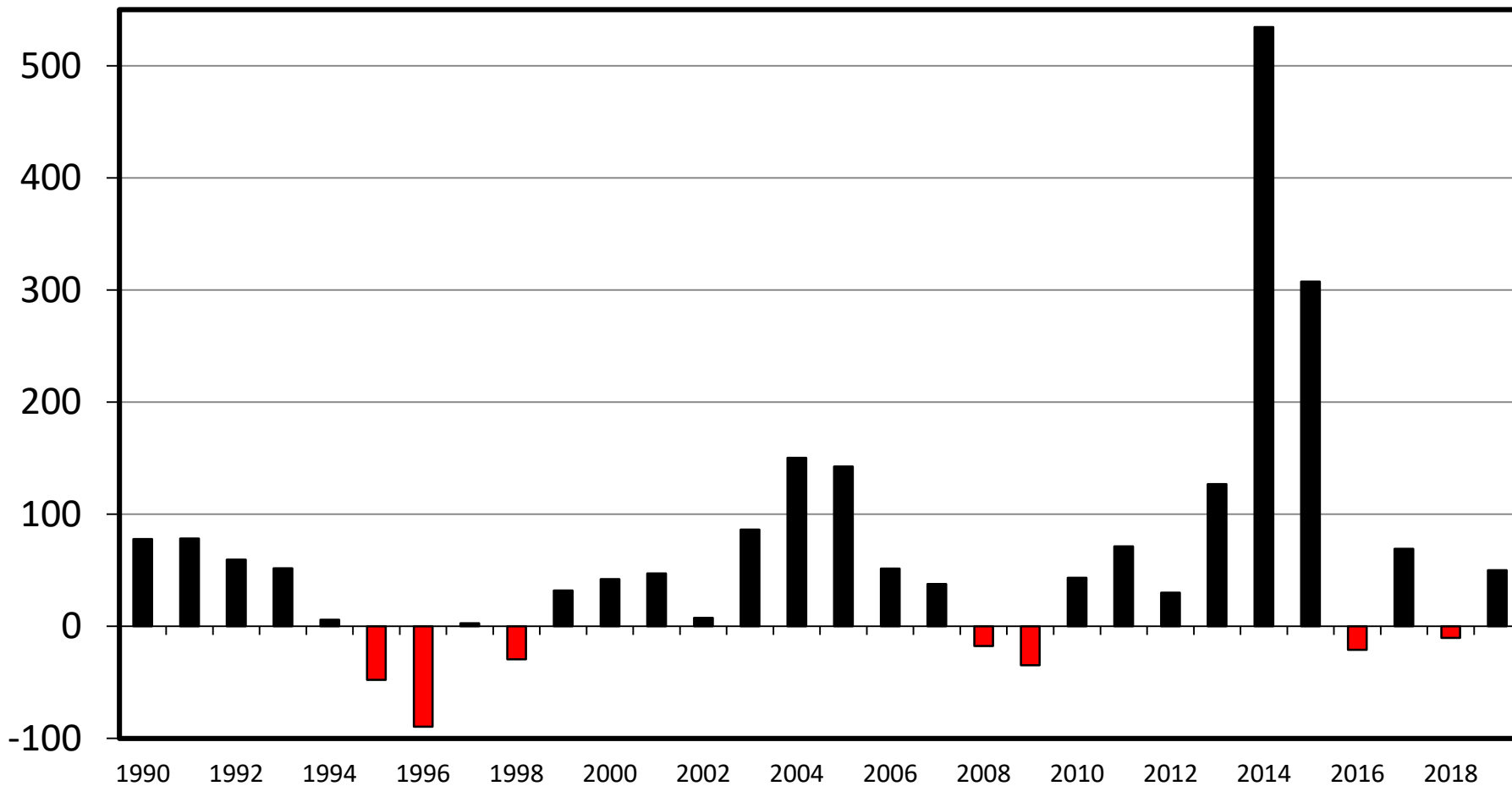


Data Source: USDA-AMS

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow

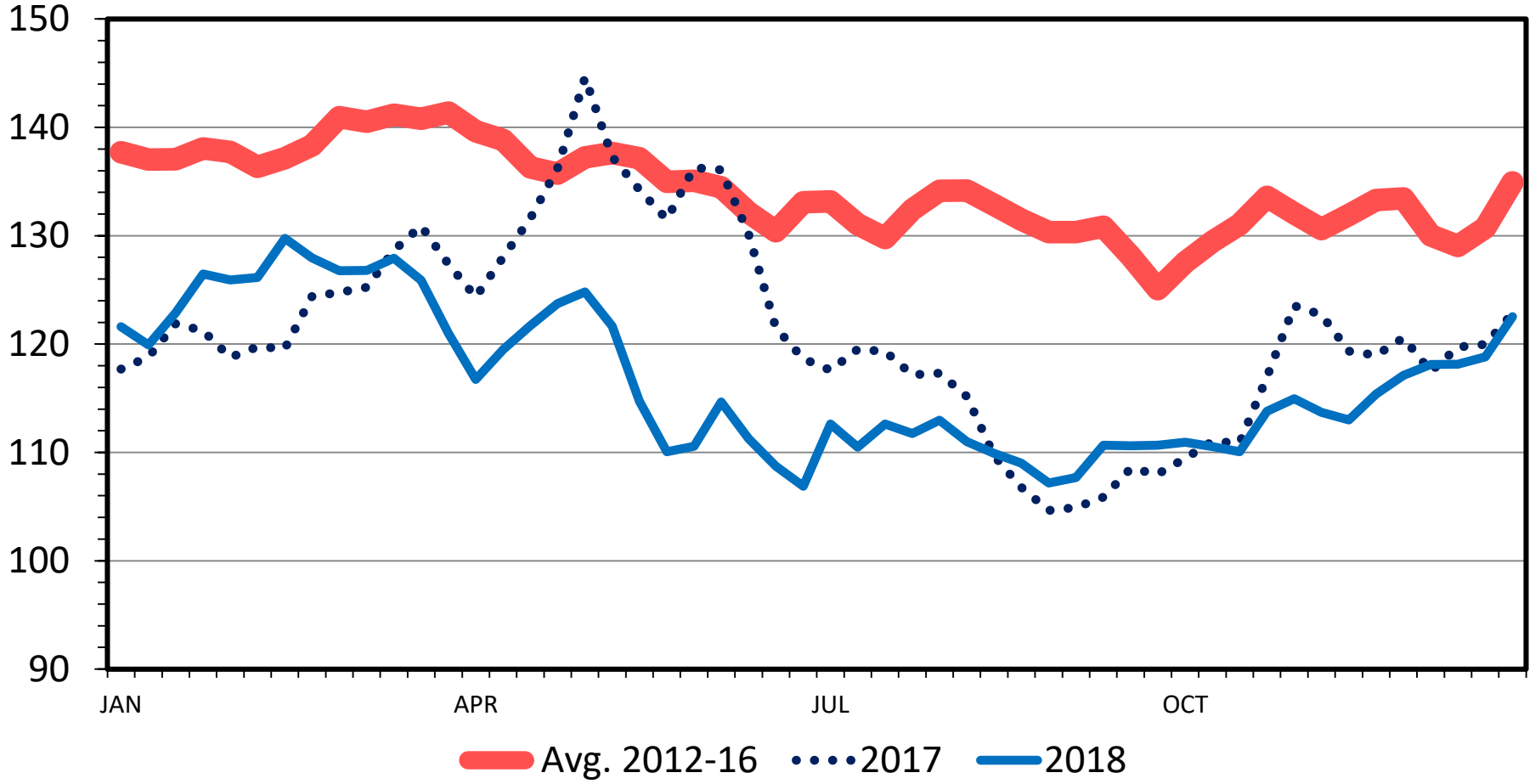


Data Source: USDA & LMIC, Compiled by LMIC

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

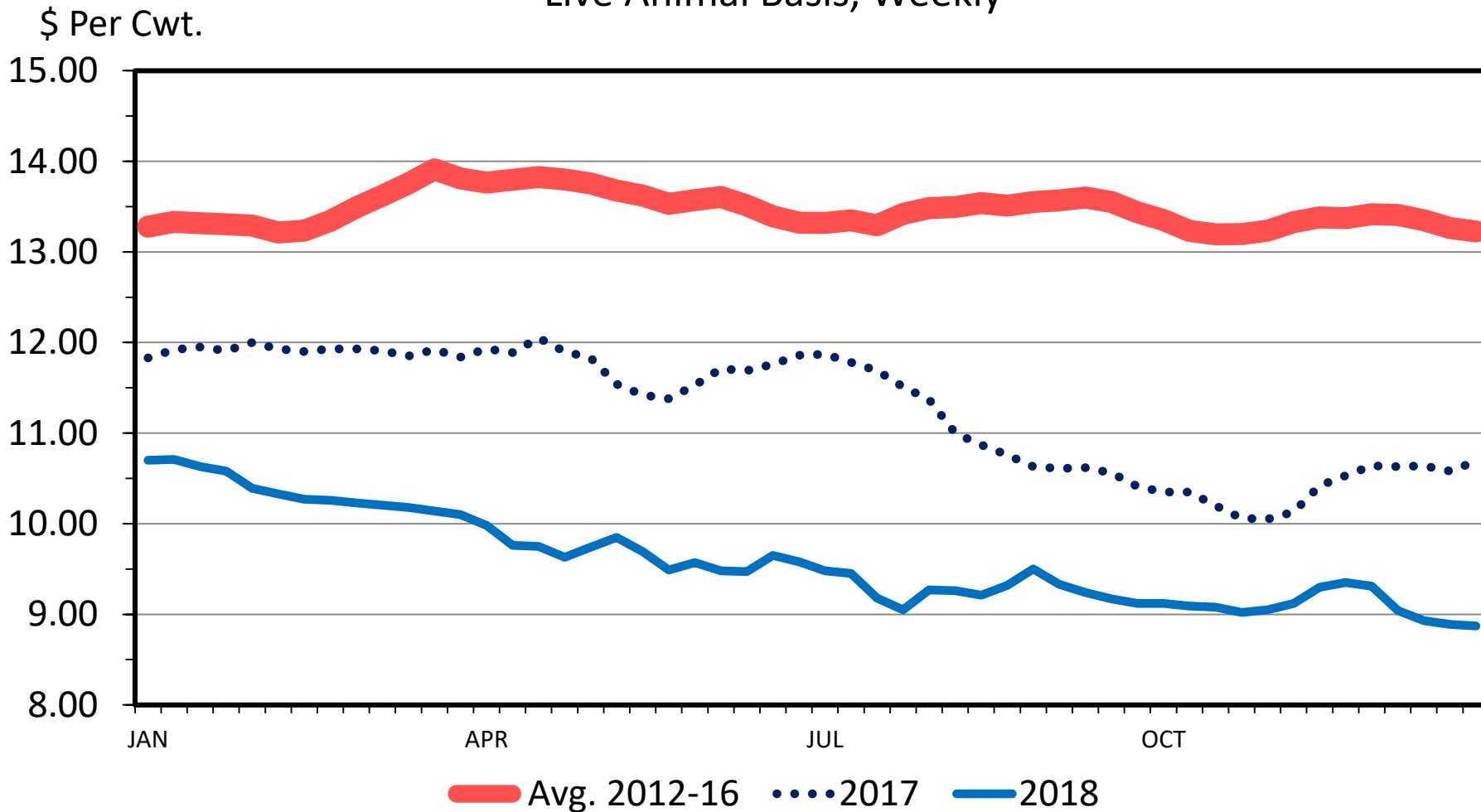
\$ Per Cwt.



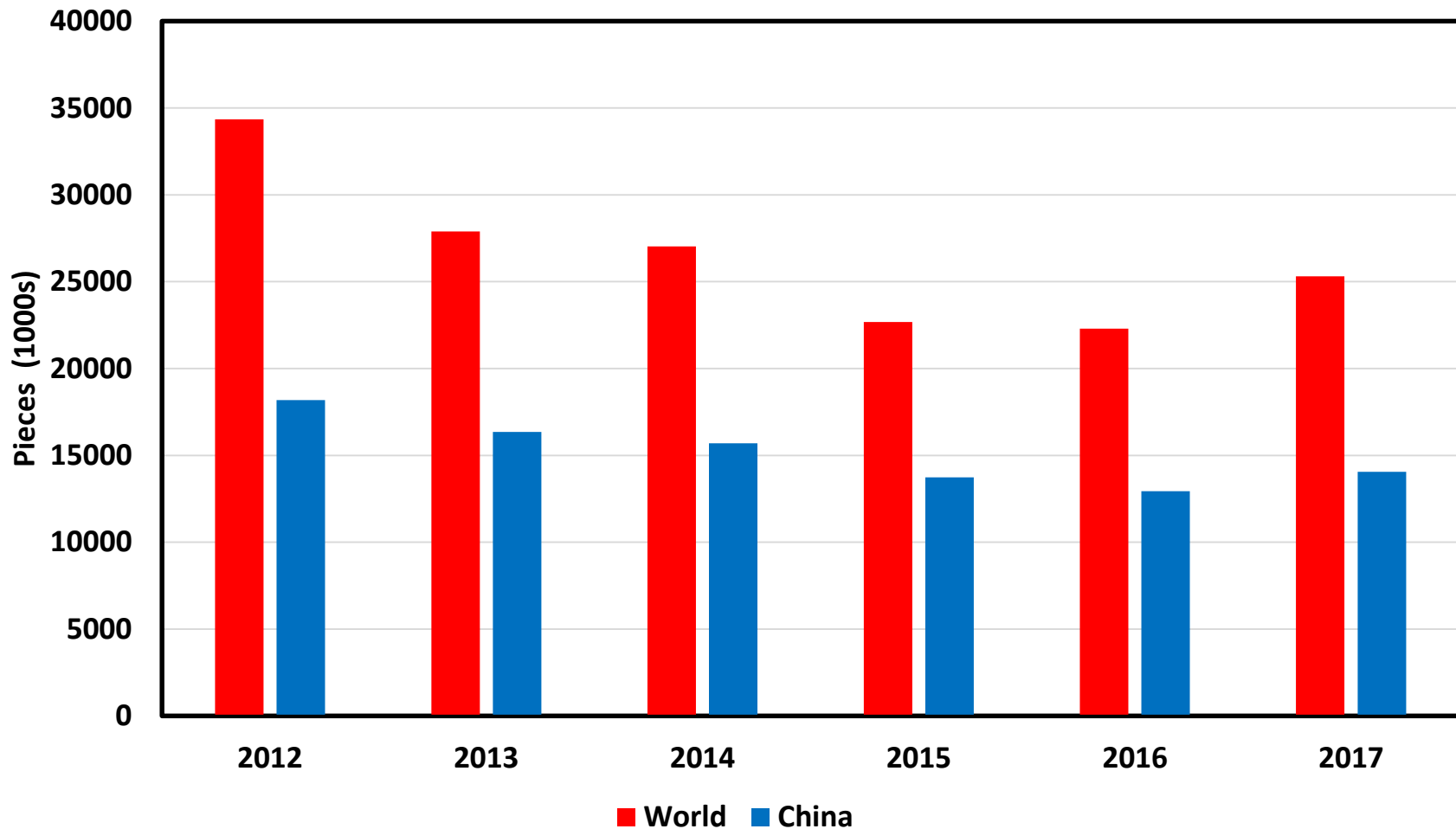
Data Source: USDA-AMS

STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly



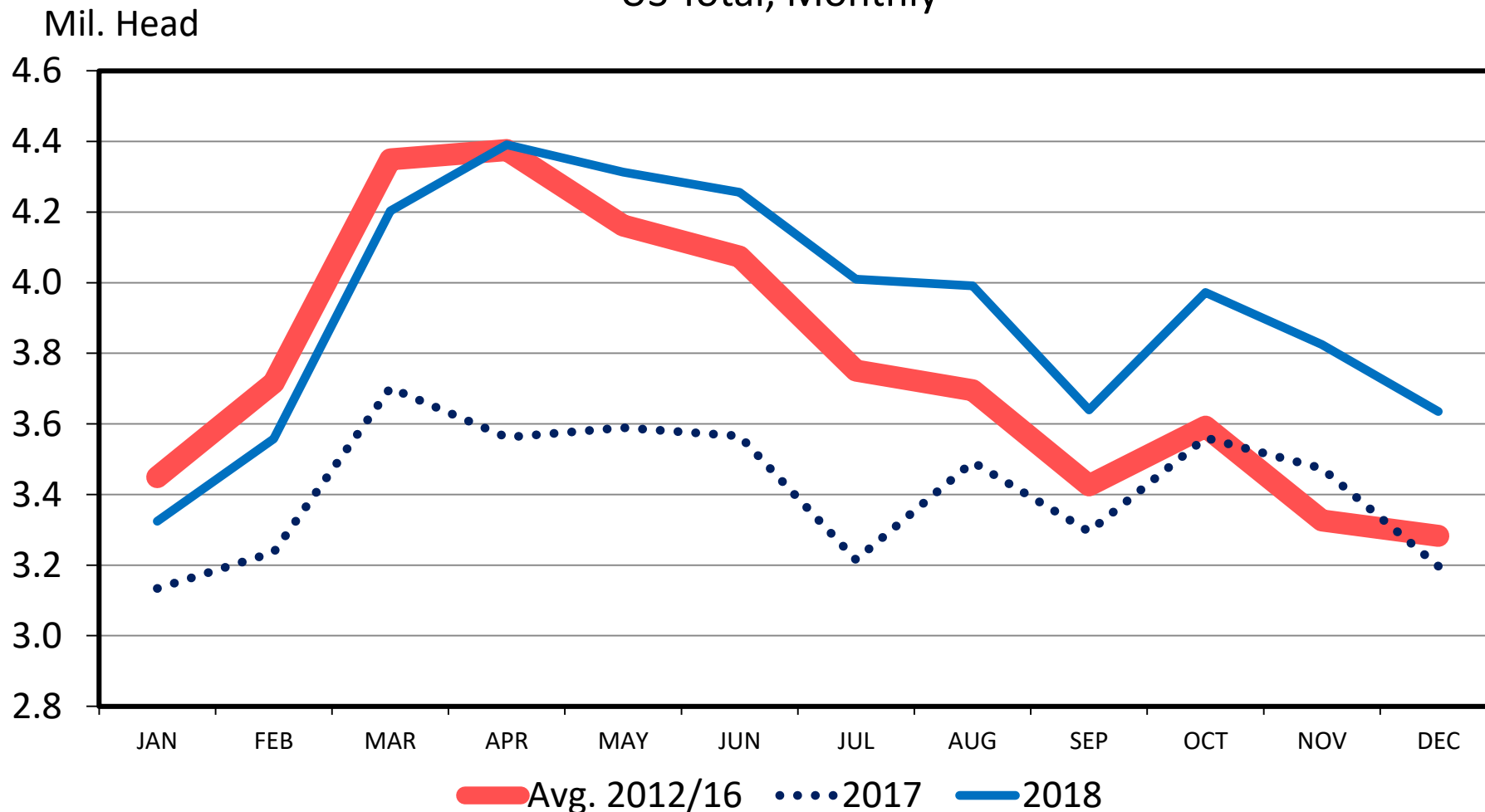
U.S. RAW HIDE EXPORTS



Data Source: USDA-FAS

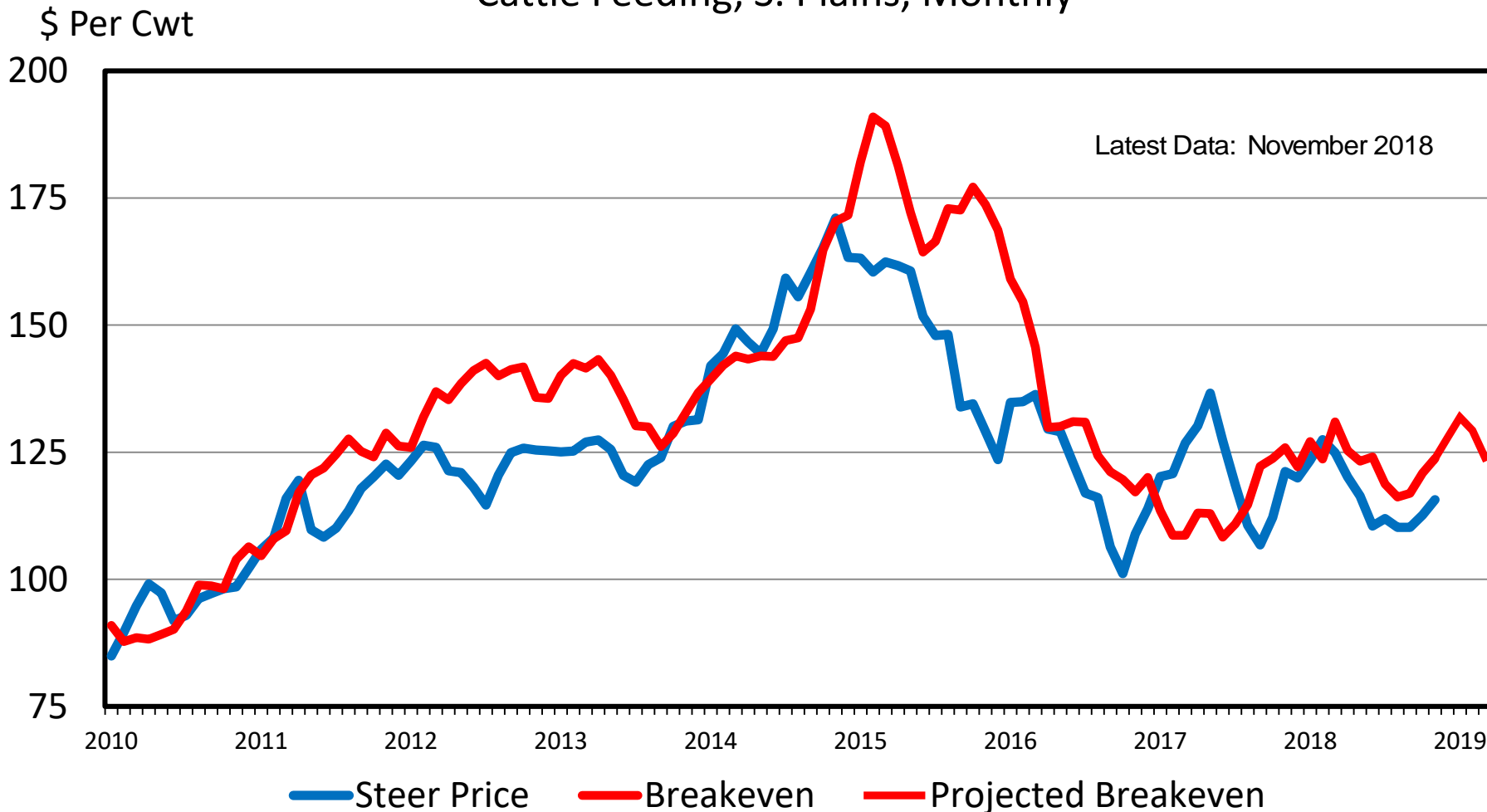
CATTLE ON FEED OVER 120 DAYS

US Total, Monthly



CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly

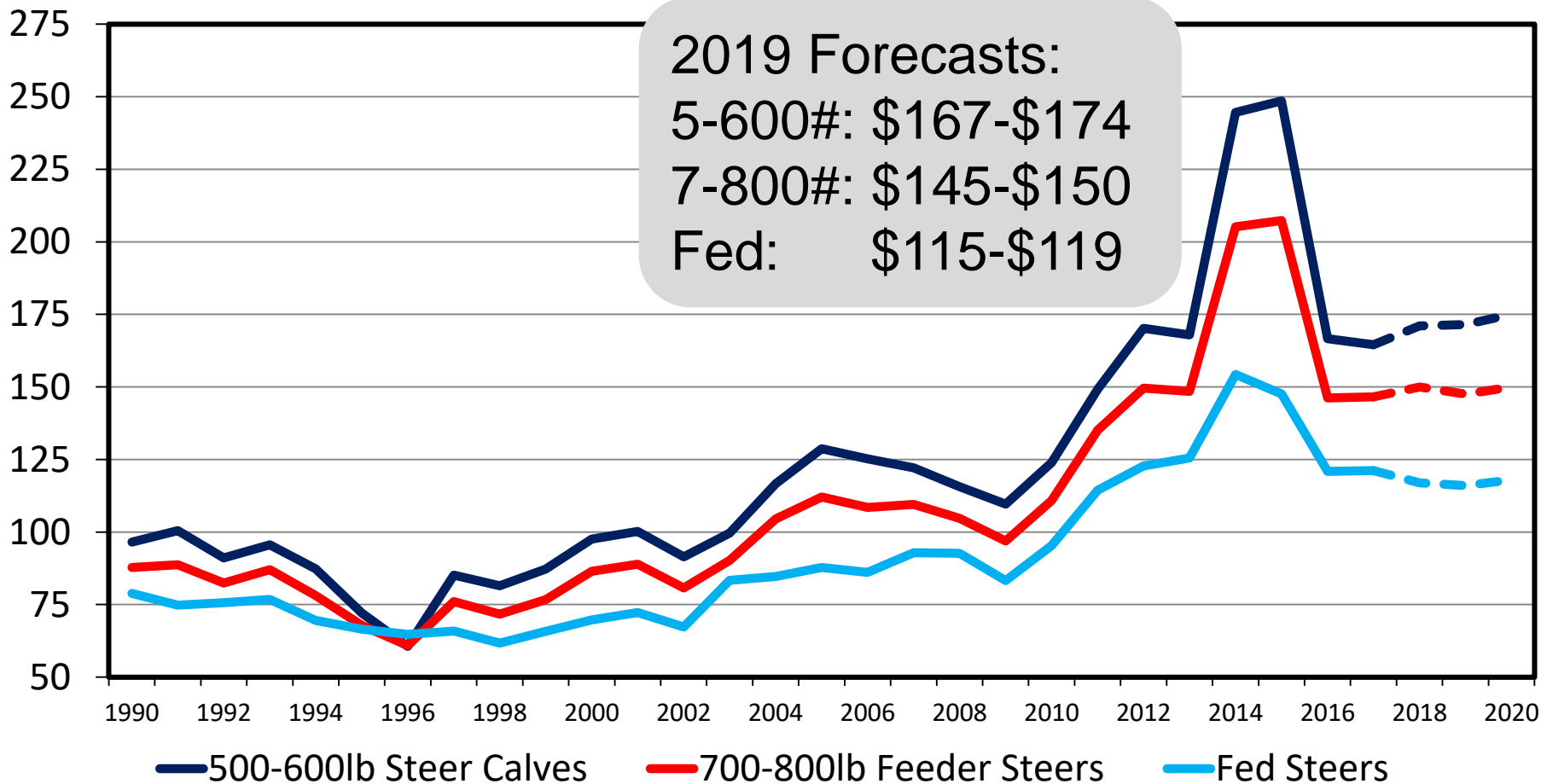


Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

AVERAGE ANNUAL CATTLE PRICES

Southern Plains

\$ Per Cwt

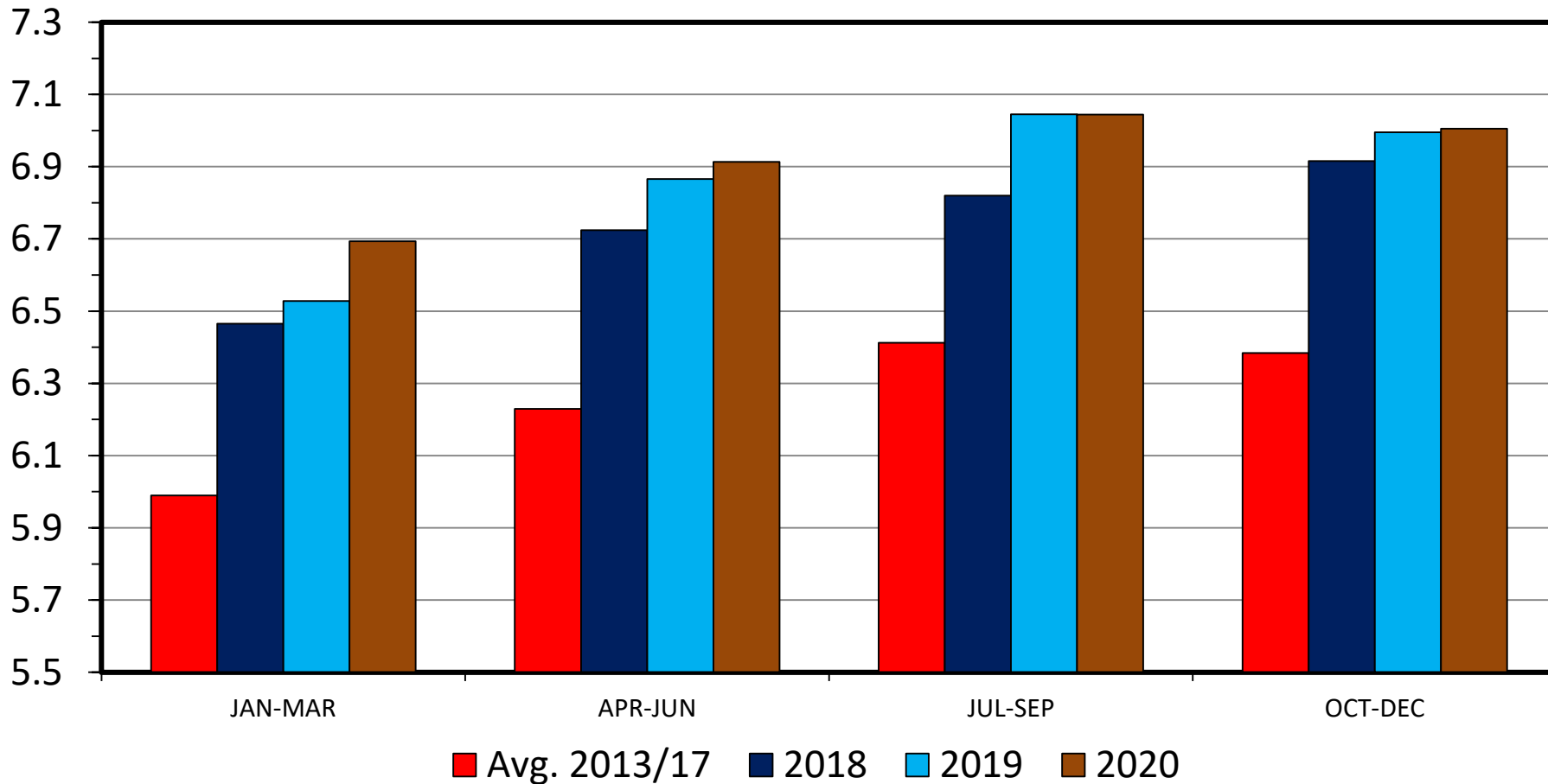


Data Source: USDA-AMS, Compiled and Forecasts by LMIC

COMMERCIAL BEEF PRODUCTION

US, Quarterly

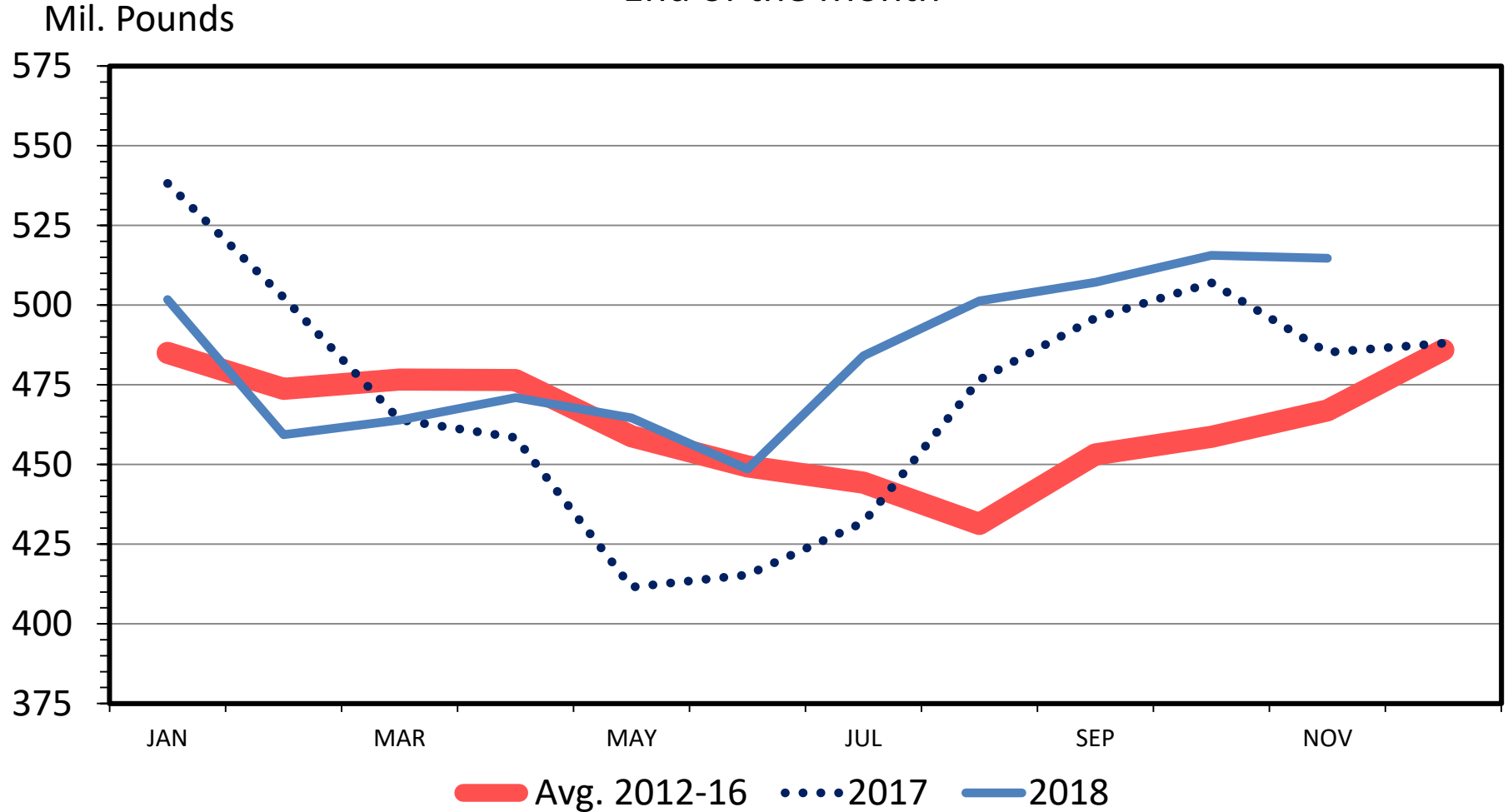
Bil. Pounds



Data Source: USDA-NASS, Forecasts by LMIC

BEEF IN COLD STORAGE

End of the Month



Data Source: USDA-NASS

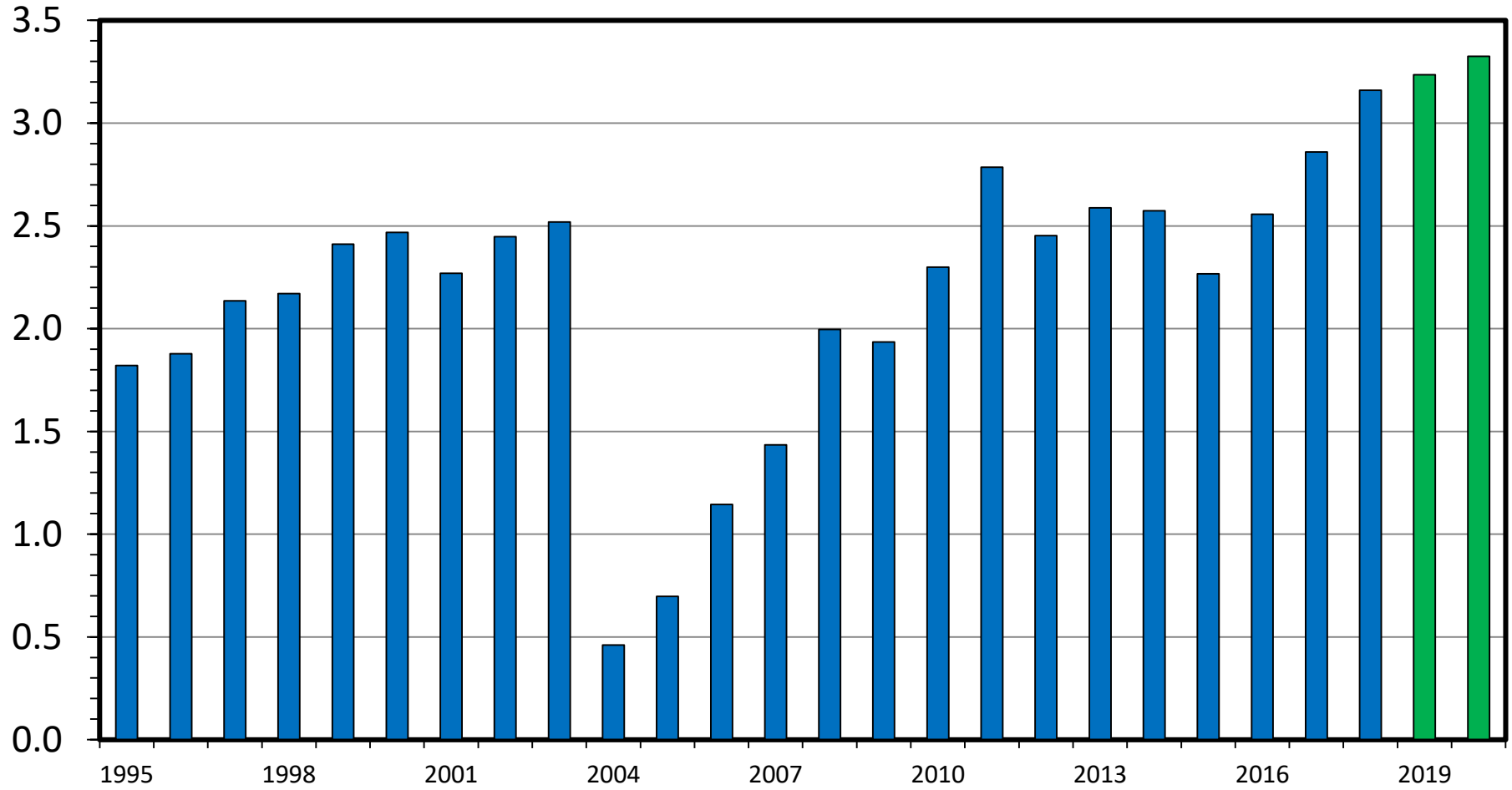
Livestock Marketing Information Center

P-S-04
 12/21/18

US BEEF AND VEAL EXPORTS

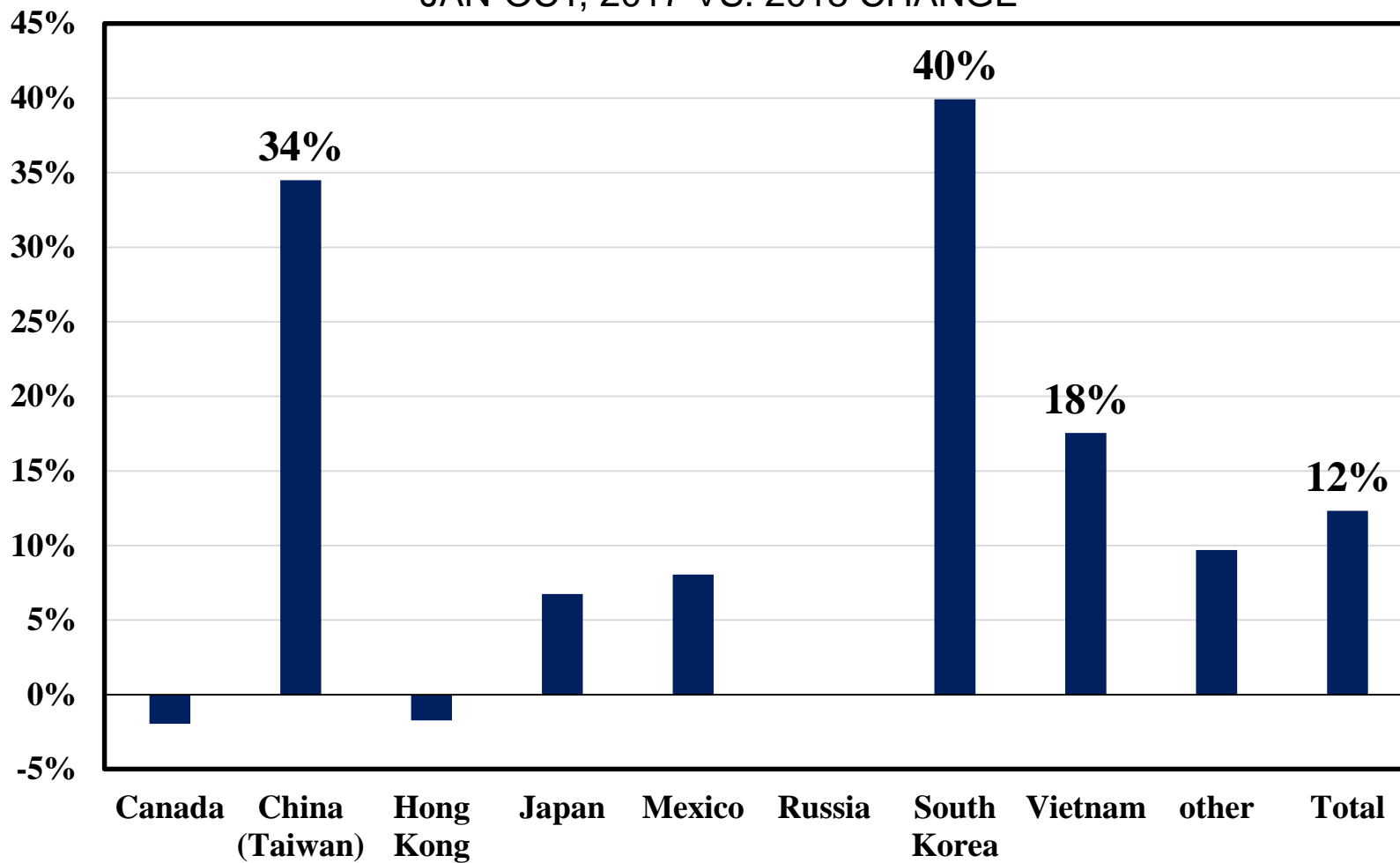
Carcass Weight, Annual

Bil. Pounds



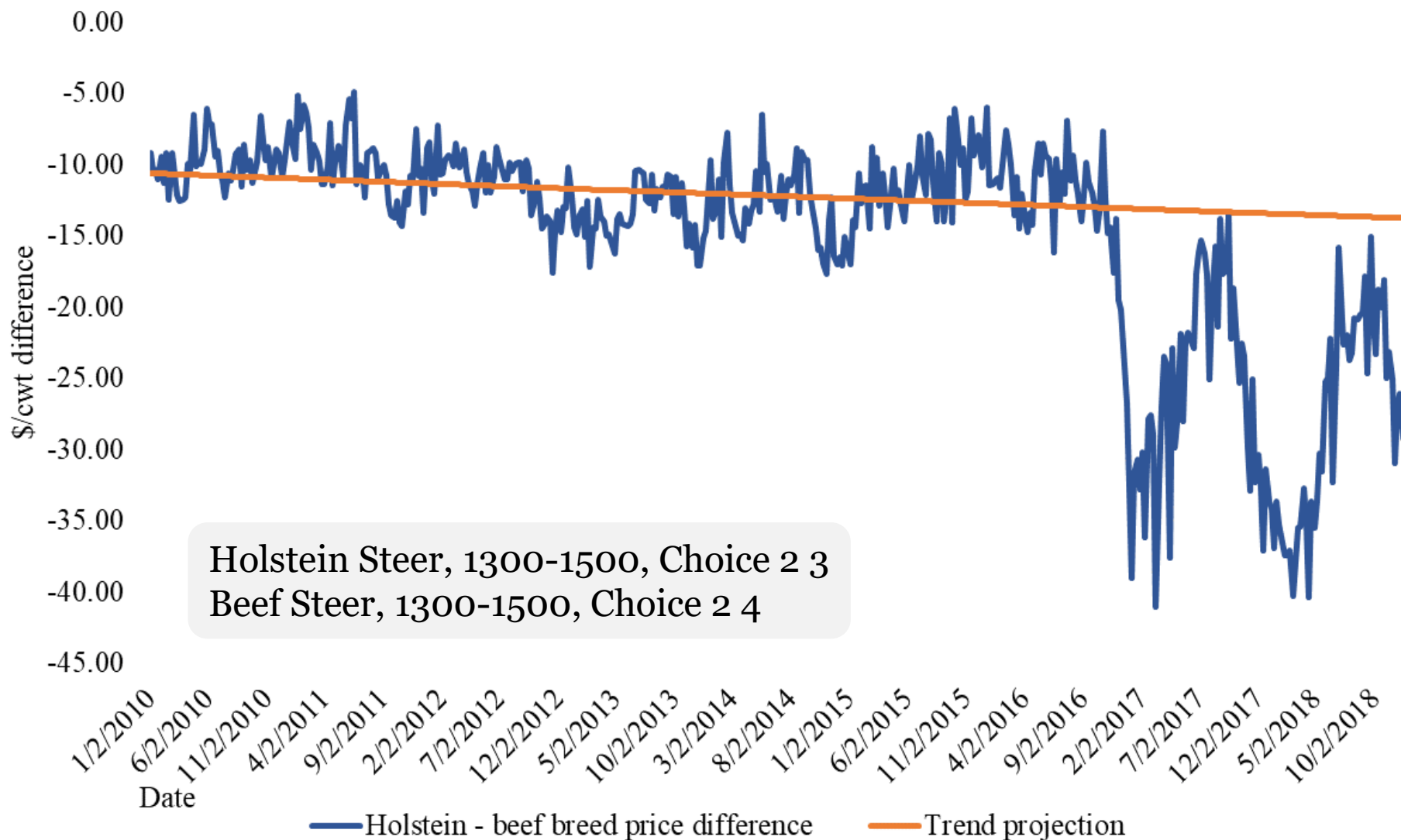
Data Source: USDA-ERS & USDA-FAS

BEEF MUSCLE CUT EXPORTS JAN-OCT, 2017 VS. 2018 CHANGE

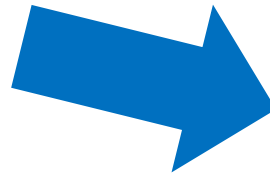


Data Source: USDA-FAS

Holstein discount- Iowa markets



Changes to Inventory: Dairy Cross-breeding



Thank you!

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