

Beef Cattle Market Outlook

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Beef Cattle and Forage Economics
UF/IFAS Range Cattle REC

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2020

NOT MUCH WENT SMOOTHLY

High Risk. Chaos.
What works?

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Sorting through this years Challenges

- ~~Expect the Unexpected~~: Everything is on the Table.
- Survive.
 - Develop a Written Plan.
 - Maintain Cash Flow. **Absolutely Critical.**
 - Debt payments
 - Family living expenses
 - Savings - working expenses
 - Reinvestment - expansion (*Grow Slowly*)

Demand.

State of the U.S Restaurant Industry

- U.S. Consumer Beef Demand Remains Strong...
 - Yet, the U.S. lost 110,000 restaurants in 2020... that's a lot of restaurants that aren't selling Beef anymore...

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Beef Cattle Market Thoughts

- Increased Beef, Pork, and Poultry Supplies Available...
- CFAP payments and a recovery in Feeder Cattle Prices have produced significant profits for some...
 - CFAP provided support for Summer 2020 Feeder Calf Sales
- What will Consumer Discretionary Spending Look Like Going Forward??
- Decline in Food Service Outlets...
- Corn "To the Moon"?

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Economic Market Thoughts

- Unemployment remains elevated and inflation is high...
- Stimulus measures and the price of stock markets around the world mask the serious impacts of the pandemic.

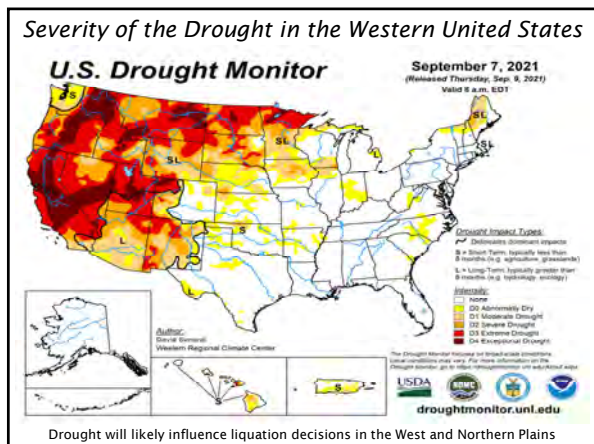
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The Ball is in the Consumers Court

- Consumer demand for U.S. Beef will determine if Packers bring more inventory to the Grocery store shelf.
- For Live Cattle Prices to increase in the near term, consumers must demand more beef at higher prices.
- Where will consumers find more discretionary income?
- Will consumers balk at higher prices?



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- ### Risk Concerns
- COVID-19
 - Global Recession
 - African Swine Fever
 - China
 - Supply Chain Disruptions
 - Meat Packing Plant Fires
 - Trade Agreements
 - Record Meat Production
 - Export Markets
 - WEATHER (Blizzards/Floods/Drought)
 - Domestic Consumer Demand
 - Competing "Meats"
 - Corn Prices

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- ### January 2021 U.S. Cattle Inventory Report
- U.S. Beef Production and Cattle Numbers are now beginning to **TIGHTEN**.
 - Inventory numbers confirm that herd expansion for the current U.S. cattle cycle has ended.
 - Peaked in 2019 @ 94.8 million head

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- ### July 2021 Mid-Year U.S. Cattle Inventory Report
- U.S. Beef Production and Cattle Numbers are now beginning to **TIGHTEN**.
 - All Cattle and Calves: 1.3% ↓
 - Beef Cows: ~2% ↓
 - Largest mid-year decline since 2012
 - Beef Cow herd 3% below the 2018 high

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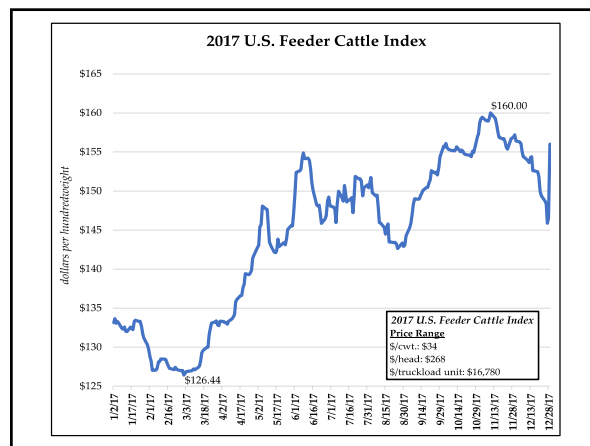
MARKET PRICE RISK

Markets are reflections of all sorts of things

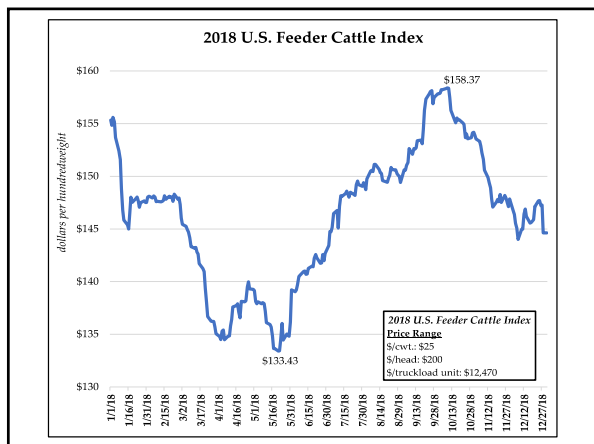
Supply and Demand Fundamentals
 from human emotions to herd behavior
 to changes in the underlying status quo
 (how stuff gets done, made, distributed, paid for, etc.)

"Outside Market Forces"

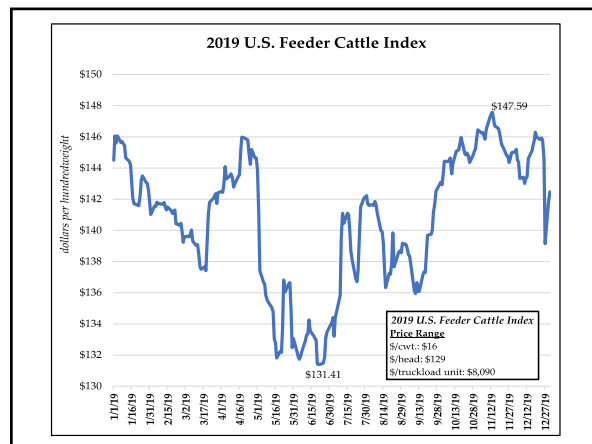
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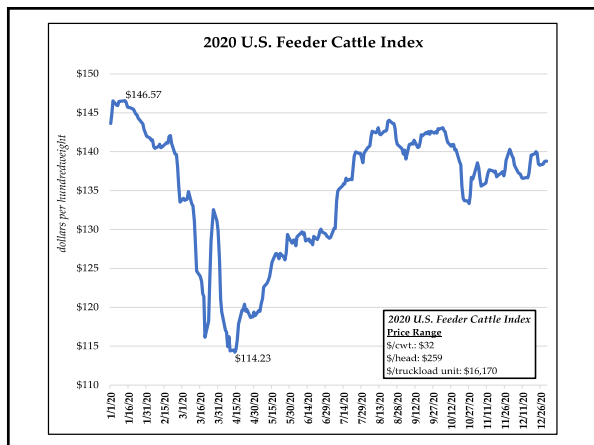
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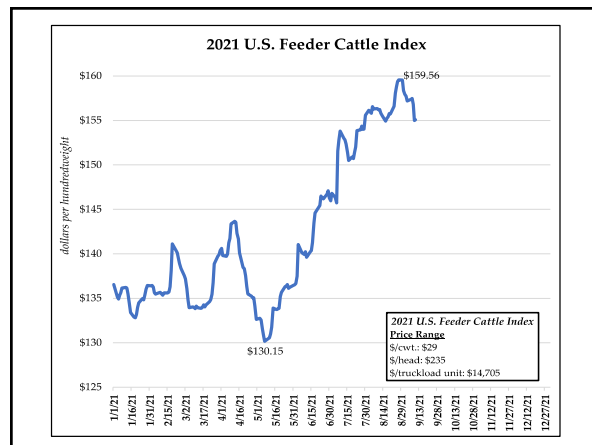
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CME Feeder Cattle Futures

May 17, 2021

- Futures Traders are Bullish on Feeders
- Premium on Future Contract Months.
 - Lock in Optimism in Futures?
 - Don't always anticipate the cash market to trade up to Futures.
 - Sometimes Futures will erode the premium and trade down to Cash.

MONTH	OPTIONS	CHART	LAST	CHANGE	PREV SETTLE
MAY 2021	OPT	▲	138.875	+8.525	137.550
AUG 2021	OPT	▲	152.725	+1.575	151.150
SEP 2021	OPT	▲	154.250	+1.375	152.875
OCT 2021	OPT	▲	155.325	+1.475	153.850
NOV 2021	OPT	▲	155.800	+1.275	154.525
JAN 2022	OPT	▲	154.625	+1.150	153.475
MAR 2022	OPT	▲	153.375	+1.125	152.250
APR 2022	OPT	▲	-	-	152.625
MAY 2022	OPT	▲	-	-	8.800

Legend: OPT Options ▲ Price Chart

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CME Feeder Cattle Futures

July 7, 2021

MONTH	OPTIONS	CHART	LAST	CHANGE	PREV SETTLE
AUG 2021 GFQ1	OPT	▲	159.100	-1.525 (-0.95%)	160.625
SEP 2021 GFU1	OPT	▲	161.550	-1.175 (-0.72%)	162.725
OCT 2021 GFY1	OPT	▲	163.500	-1.100 (-0.70%)	164.650
NOV 2021 GFY1	OPT	▲	164.250	-1.600 (-0.99%)	165.900
JAN 2022 GF2	OPT	▲	163.950	-2.175 (-1.31%)	166.125
MAR 2022 GF2	OPT	▲	164.475	-2.375 (-1.42%)	166.850
APR 2022 GF2	OPT	▲	165.550	-2.125 (-1.27%)	167.675
MAY 2022 GF2	OPT	▲	166.050	-1.950 (-1.16%)	168.000

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CME Feeder Cattle Futures

August 5, 2021

MONTH	OPTIONS	CHART	LAST	CHANGE	PREV. SETTL.
AUG 2021 GFQ1	CALL	+H	157.450	-1.750 (-1.10%)	159.200
SEP 2021 GFU1	CALL	+H	161.975	-1.800 (-1.11%)	162.875
OCT 2021 GFV1	CALL	+H	163.700	-1.750 (-1.06%)	165.450
NOV 2021 GFY1	CALL	+H	165.350	-1.825 (-1.09%)	167.175
JAN 2022 GFZ2	CALL	+H	164.875	-1.925 (-1.15%)	166.800
MAR 2022 GF12	CALL	+H	164.600	-2.825 (-1.72%)	166.625
APR 2022 GF22	CALL	+H	166.200	-1.675 (-1.00%)	167.875
MAY 2022 GF32	CALL	+H	167.400	-1.825 (-1.07%)	168.425
AUG 2022 GFQ2	CALL	+H	-	-	-

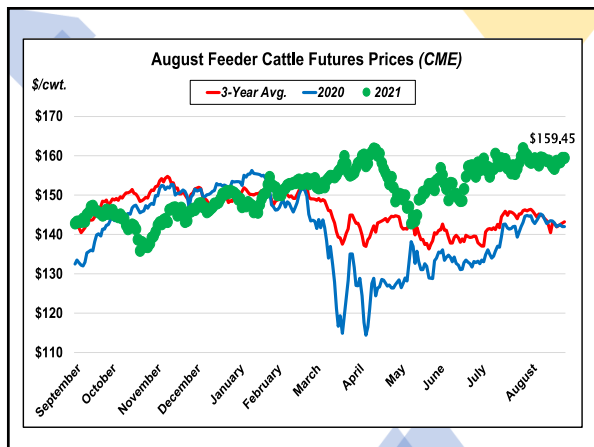
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CME Feeder Cattle Futures

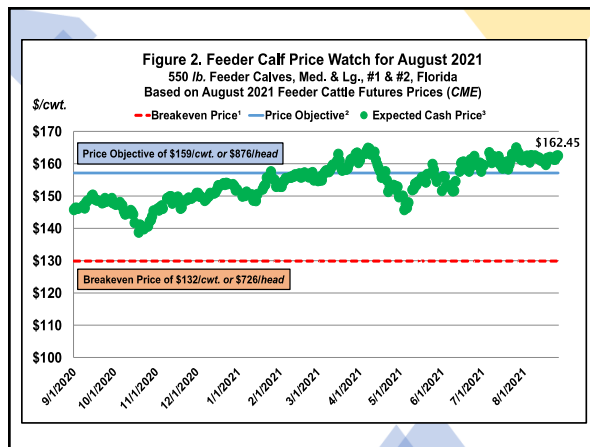
September 2, 2021

MONTH	OPTIONS	CHART	LAST	CHANGE	PREV. SETTL.
AUG 2021 GFQ1	CALL	+H	159.200	-1.750 (-1.10%)	159.200
SEP 2021 GFU1	CALL	+H	161.975	-1.800 (-1.11%)	161.975
OCT 2021 GFV1	CALL	+H	163.700	-1.750 (-1.06%)	163.700
NOV 2021 GFY1	CALL	+H	165.350	-1.825 (-1.09%)	165.350
JAN 2022 GFZ2	CALL	+H	164.875	-1.925 (-1.15%)	164.875
MAR 2022 GF12	CALL	+H	164.600	-2.825 (-1.72%)	164.600
APR 2022 GF22	CALL	+H	166.200	-1.675 (-1.00%)	166.200
MAY 2022 GF32	CALL	+H	167.400	-1.825 (-1.07%)	167.400
AUG 2022 GFQ2	CALL	+H	-	-	-

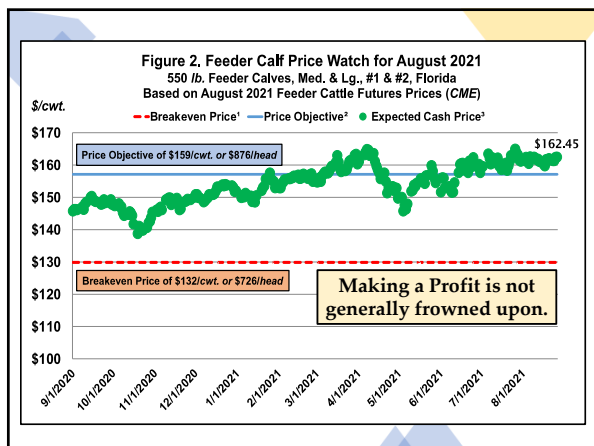
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Focus on Feedlots

Kansas Feedlot Performance and Feed Cost Summary¹
Justin Waggoner, Extension Beef Systems Specialist, Kansas State University

December, 2020 Closures Information									
Sex	No.	In Weight	Final Weight	Avg. Days on Feed	Avg. Daily Gain	Feed/Gain (Dry Basis)	% Death Loss	Avg. Cost of Gain/Cwt.	Projected Cost of Gain
Steers	22110	832	1478	166	3.63	6.08	1.20	\$77.52	\$97.50
				(138 - 182)	(3.55 - 4.15)	(5.55 - 6.57)		\$71.27 - \$86.58	\$95.00 - \$100.00
Heifers	15496	751	1294	158	3.41	6.28	1.40	\$83.94	\$101.50
				(143 - 178)	(3.07 - 3.87)	(6.69 - 6.96)		\$75.02 - \$93.63	\$100.00 - \$103.00

Current Feed Inventory Costs: Mid-January, 2021			Range	No. Yards
Corn	\$4.72 /bu		\$4.38-\$5.00	5
Ground Alfalfa Hay	\$137.81 /ton		\$120.00-\$148.83	2

¹Appreciation is sponsored by three Kansas Feedlots: Brookover Ranch Feed Yard, Deseret Cattle Feeders, Hoise Feedyard, HyPais Feed Yard, Kearny County Feeders, Poley Feeders, Pratt Feeders, and Suzanne Cattle Feeders.

²Costed figures are the means of individual feedyard monthly averages and include feed, yardage, processing, medication, death loss and usually add FCR the headend with a 4% pencil drink. Interest charges normally are not included.

December 2020 Feedlot Cost of Gain:


Steers: \$0.78/lb.

Heifers: \$0.84/lb.

Corn: \$4.72/bu.

Moving forward, every kernel that is consumed must now be replaced by another at a significantly higher price.

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Focus on Feedlots  **K-STATE**
Research and Extension

Kansas Feedlot Performance and Feed Cost Summary*
Justin Waggoner, Extension Beef Systems Specialist, Kansas State University

May, 2021 Closeout Information

Sex	No.	In Weight	Final Weight	Avg. Days on Feed	Avg. Daily Gain	Feed/Gain (Dry Basis)	% Death Loss	Avg. Cost of Gain/Cwt	Projected Cost of Gain Current Month's Placed Cattle
Stiers	17560	716	1413	208	3.32	6.20	1.82	\$91.45	\$114.00
Heifers	15758	694	1280	193	2.98	6.74	2.68	\$109.04	\$117.00
				(186 - 245)	(2.99 - 3.77)	(5.69 - 6.57)		\$101.86 - \$118.34	\$117.00 - \$117.00

Current Feed Inventory Costs: Mid-June, 2021

	Range	No. Yards
Com	\$6.45 /bu	5
Ground Alfalfa Hay	\$179.92 /ton	6


*Appreciation is expressed to these Kansas Feedlots: Brookover Ranch Feed Yard, Dearett Cattle Feeders, Hoise Feedyard, HyPains Feed Yard, Kearny County Feeders, Poly Feeders, Pratt Feeders, and Supreme Cattle Feeders.

**Closeout figures are the means of individual feedyard monthly averages and include feed, yardage, processing, medication, death loss and usually sold FOB the feedlot with a 4% pencil shrink. Interest charges normally are not included.

May 2021 Feedlot Cost of Gain:
Steers: \$0.99/lb.
Heifers: \$1.09/lb.
Corn: \$6.45/bu.

Moving forward, every kernel that is consumed must now be replaced by another at a significantly higher price.

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June, 2021 Closeout Information

Sex	No.	In Weight	Final Weight	Avg. Days on Feed	Avg. Daily Gain	Feed/Gain (Dry Basis)	% Death Loss	Avg. Cost of Gain/Cwt	Projected Cost of Gain Current Month's Placed Cattle
Stiers	24769	746	1438	191	3.52	5.04	1.74	\$92.76	\$105.00
Heifers	22647	676	1226	181	2.97	6.31	1.93	\$108.19	\$110.00
				(186 - 246)	(2.74 - 3.32)	(5.21 - 7.76)		\$96.01 - \$129.79	\$105.00 - \$118.00

Current Feed Inventory Costs: Mid-July, 2021


	Range	No. Yards
Com	\$7.50 /bu	6
Ground Alfalfa Hay	\$178.00 /ton	6

*Appreciation is expressed to these Kansas Feedlots: Brookover Ranch Feed Yard, Dearett Cattle Feeders, Hoise Feedyard, HyPains Feed Yard, Kearny County Feeders, Poly Feeders, Pratt Feeders, and Supreme Cattle Feeders.

**Closeout figures are the means of individual feedyard monthly averages and include feed, yardage, processing, medication, death loss and usually sold FOB the feedlot with a 4% pencil shrink. Interest charges normally are not included.

June 2021 Feedlot Cost of Gain:
Steers: \$1.01/lb.
Heifers: \$1.08/lb.
Corn: \$7.50/bu.

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Focus on Feedlots  **K-STATE**
Research and Extension

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July, 2021 Closeout Information

Sex	No.	In Weight	Final Weight	Avg. Days on Feed	Avg. Daily Gain	Feed/Gain (Dry Basis)	% Death Loss	Avg. Cost of Gain/Cwt	Projected Cost of Gain Current Month's Placed Cattle
Stiers	22761	783	1453	178	3.65	5.03	1.80	\$95.65	\$108.00
Heifers	18637	749	1295	167	3.16	6.81	2.25	\$115.31	\$110.00
				(164 - 191)	(3.40 - 3.97)	(5.61 - 6.38)		\$95.65 - \$108.85	\$108.00 - \$108.00

Current Feed Inventory Costs: Mid-August, 2021

	Range	No. Yards
Com	\$6.90 /bu	4
Ground Alfalfa Hay	\$177.80 /ton	4

*Appreciation is expressed to these Kansas Feedlots: Brookover Ranch Feed Yard, Dearett Cattle Feeders, Hoise Feedyard, HyPains Feed Yard, Kearny County Feeders, Poly Feeders, Pratt Feeders, and Supreme Cattle Feeders.

**Closeout figures are the means of individual feedyard monthly averages and include feed, yardage, processing, medication, death loss and usually sold FOB the feedlot with a 4% pencil shrink. Interest charges normally are not included.

July 2021 Feedlot Cost of Gain:
Steers: \$1.04/lb.
Heifers: \$1.15/lb.
Corn: \$6.90/bu.

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Cattle Feeders Continue to *Bleed*

High Feed Costs
High Feeder Cattle Prices
Low Fat Cattle Prices

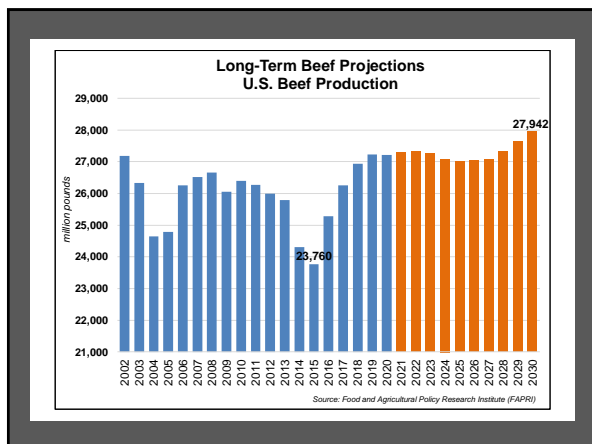
WON'T WORK.

One or more of these factors will eventually change abruptly.

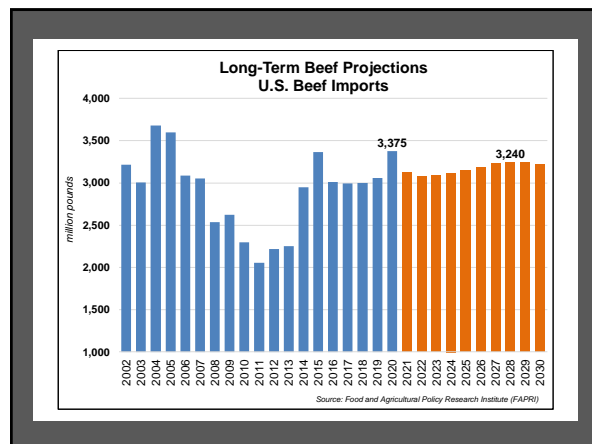
The Easiest Way for the Cattle Feeders to Fix this:

Is To Pay Less for Feeder Cattle

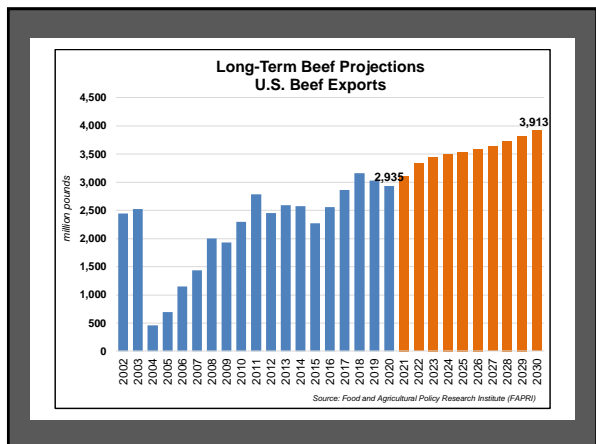
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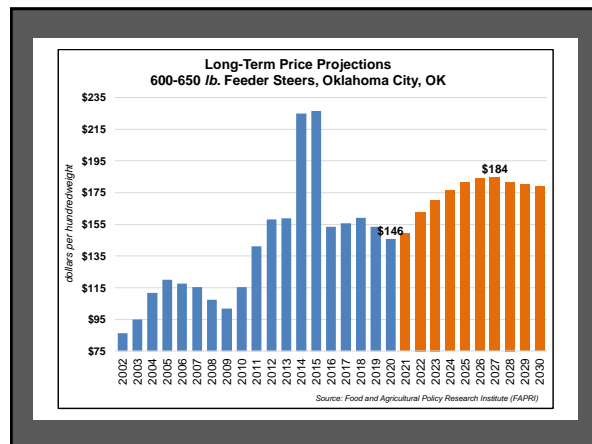
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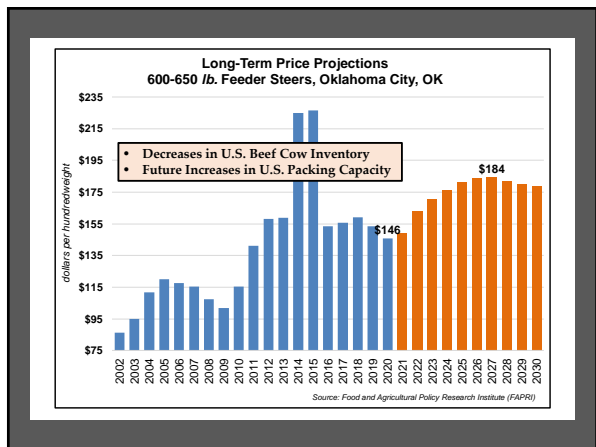
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Have a Plan

“With inflation running persistently below 2%, we will aim to achieve inflation moderately above 2% for some time so that inflation average is 2% over time and longer-term inflation expectations remain well-anchored at 2%.”

- Federal Reserve

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At Some Point, Have a Plan for Inflation

At that point, it will be critical for producers to consider the needs of your business moving forward.

- Feed
- Land Rent
- Animal Inventory
- Labor
- Interest Rates

Feeder Calf Revenues: 5% ↑

Cost of Production: 1.2%

Planning ahead will impact your bottom line.

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Five Things I’m Thinking About RIGHT NOW

- 1) The Cost of EVERYTHING
- 2) What are you gonna feed? And at what price?
- 3) Wintering Your Cowherd – DO THE MATH
- 4) Could processing speeds at meat packing facilities be inhibited further by COVID protocols or mandates?
- 5) Price Fluctuations

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There is no telling what may transpire between now and the end of the pandemic.

- Develop a marketing plan, work on it weekly.
 - Identify your marketing window
- **Stay Flexible...** include risk management strategies in your marketing plan.
- Develop a relationship with your lender/broker/insurance agent/etc.
- Maintain the working capital needed to complete your marketing scenario.
- Evaluate your Cash Flow, Potential for Liquidity

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WORDS ARE JUST WORDS.

What to focus on?

Only two numbers matter:

THE BOTTOM LINE
What you spend and what you receive...

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Market Outlook***

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