

Flint Hills
BEEF FEST

Emporia, Kansas



Beef & Cattle Market Outlook

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OVERVIEW

- FEEDSTUFFS:
 - “Expensive” forage; drought triggering liquidations; corn price volatility...
- SUPPLY:
 - Historically tight supplies (s.r. vs. l.r. drought points)
 - Shrinking cow herd, expansion uncertainty
 - Structural changes underway...
- DEMAND:
 - Export demand remains strong
 - Domestic demand surpassing expectations

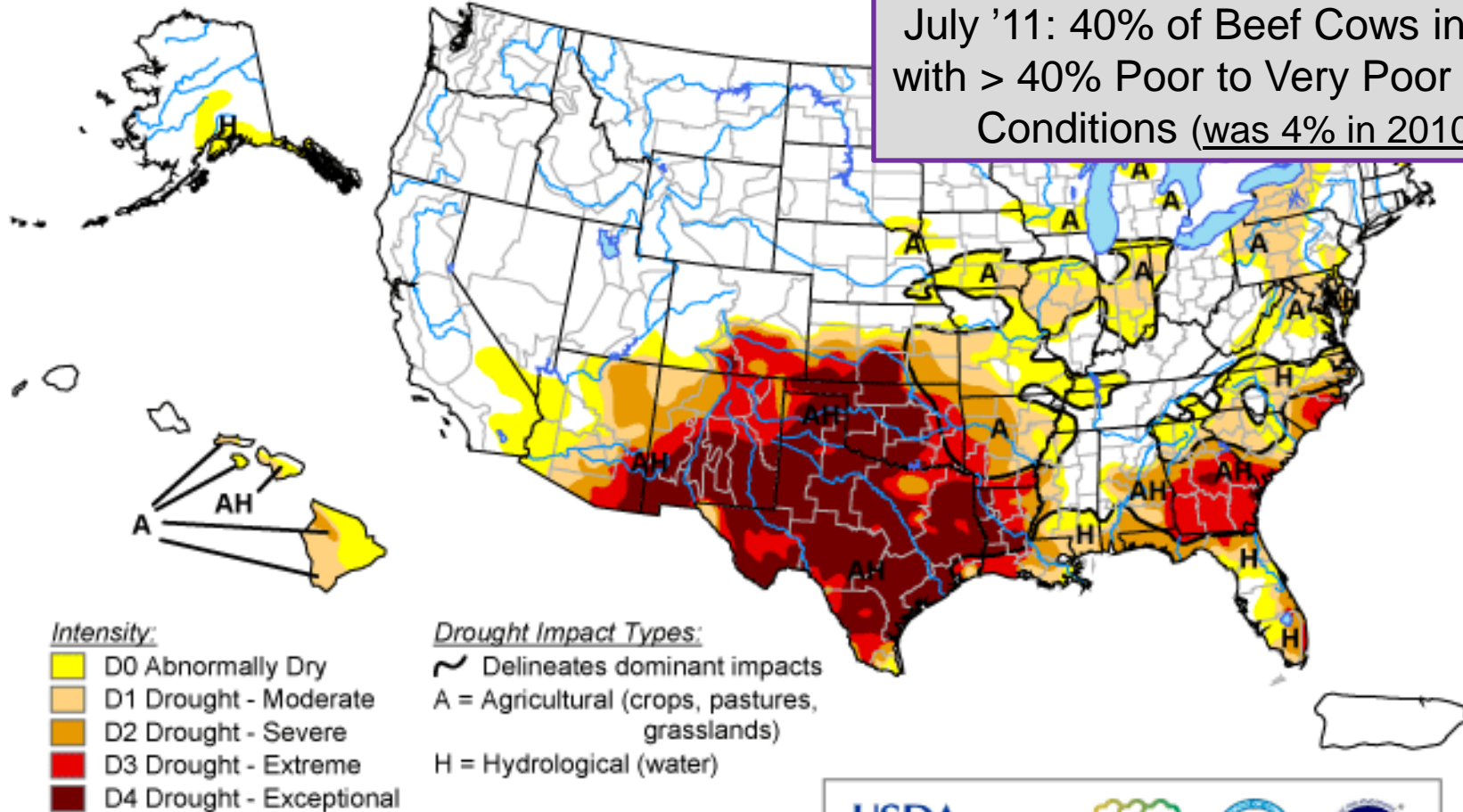


U.S. Drought Monitor

August 9, 2011

Valid 8 a.m. EDT

July '11: 40% of Beef Cows in States with > 40% Poor to Very Poor Pasture Conditions (was 4% in 2010)...



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



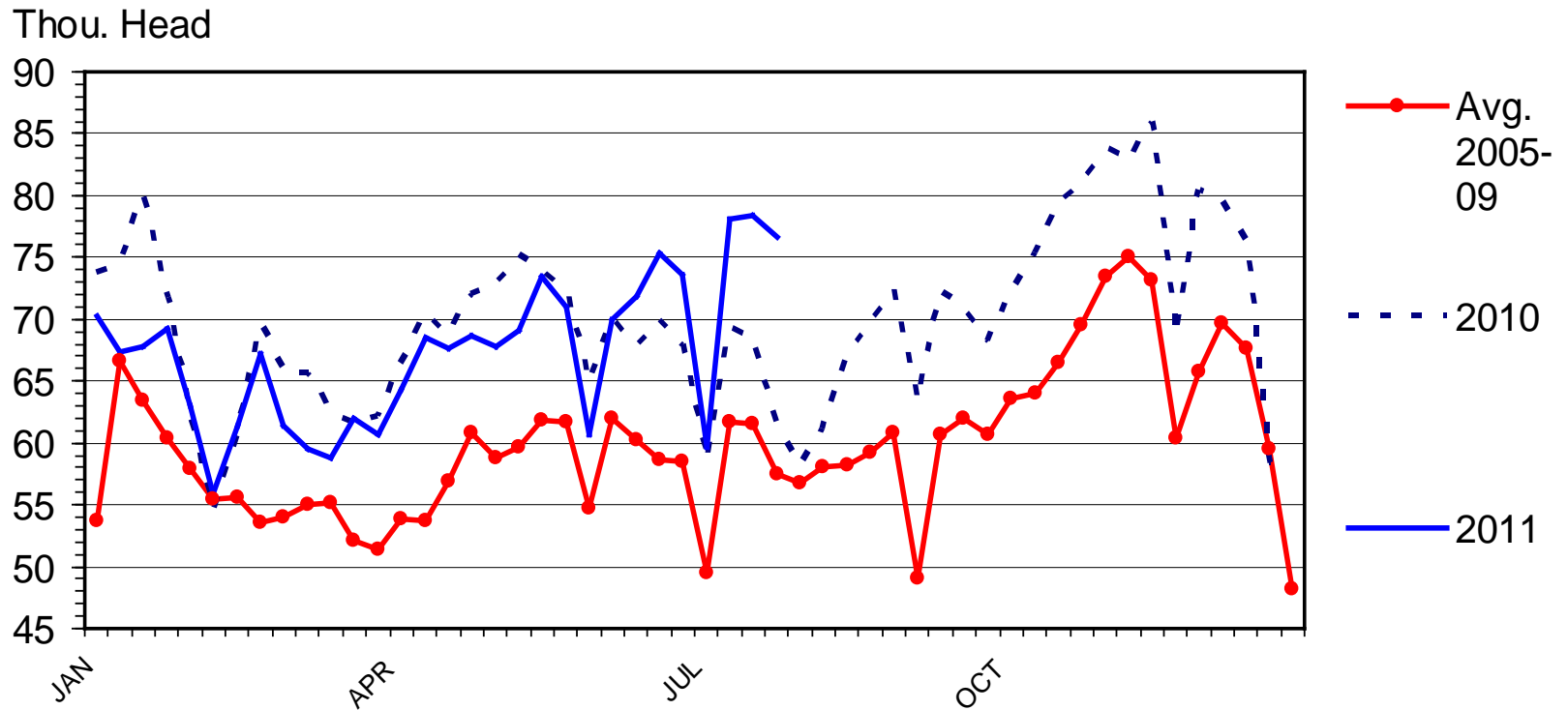
Released Thursday, August 11, 2011

Author: Laura Edwards, Western Regional Climate Center



BEEF COW SLAUGHTER

Federally Inspected, Weekly



Livestock Marketing Information Center

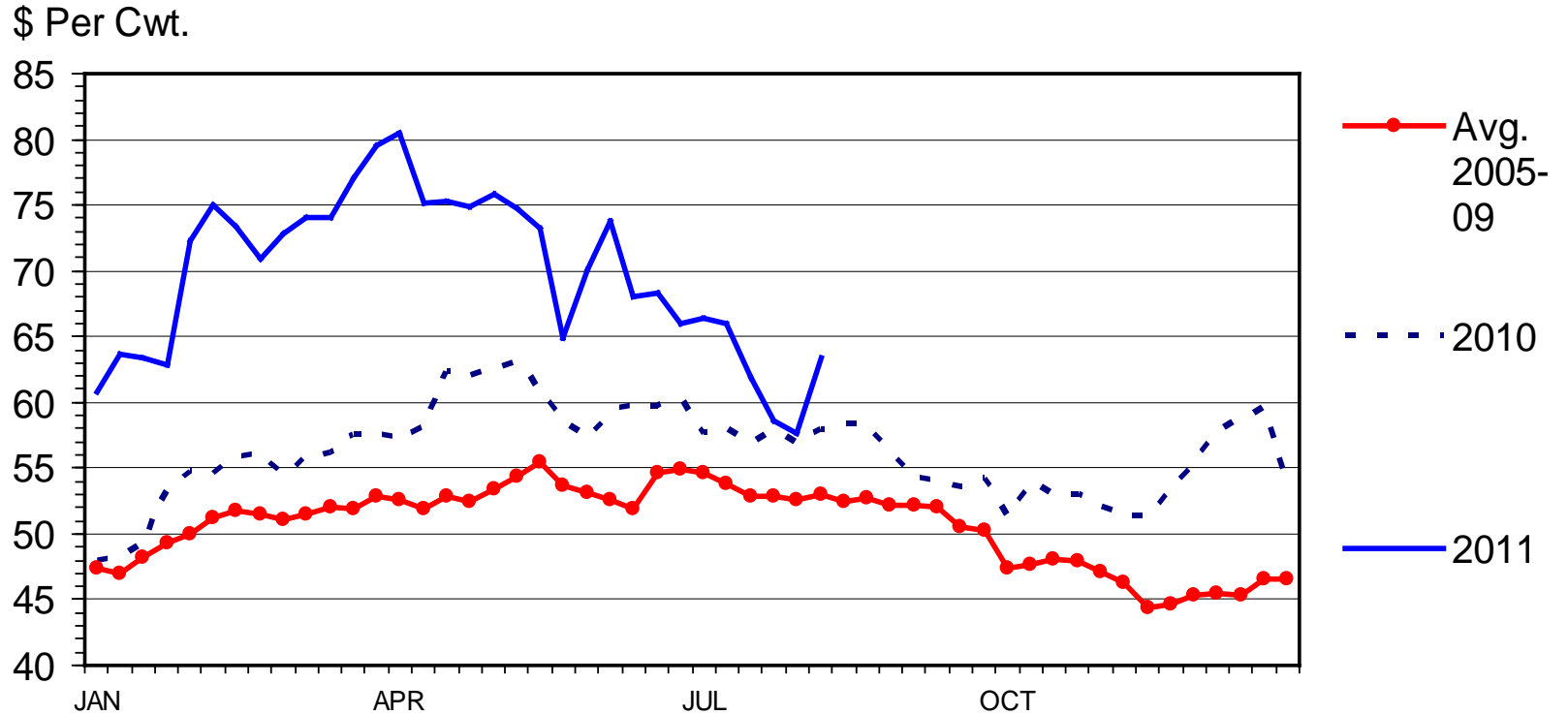
Data Source: USDA-AMS & USDA-NASS

C-S-34
08/12/11



SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS

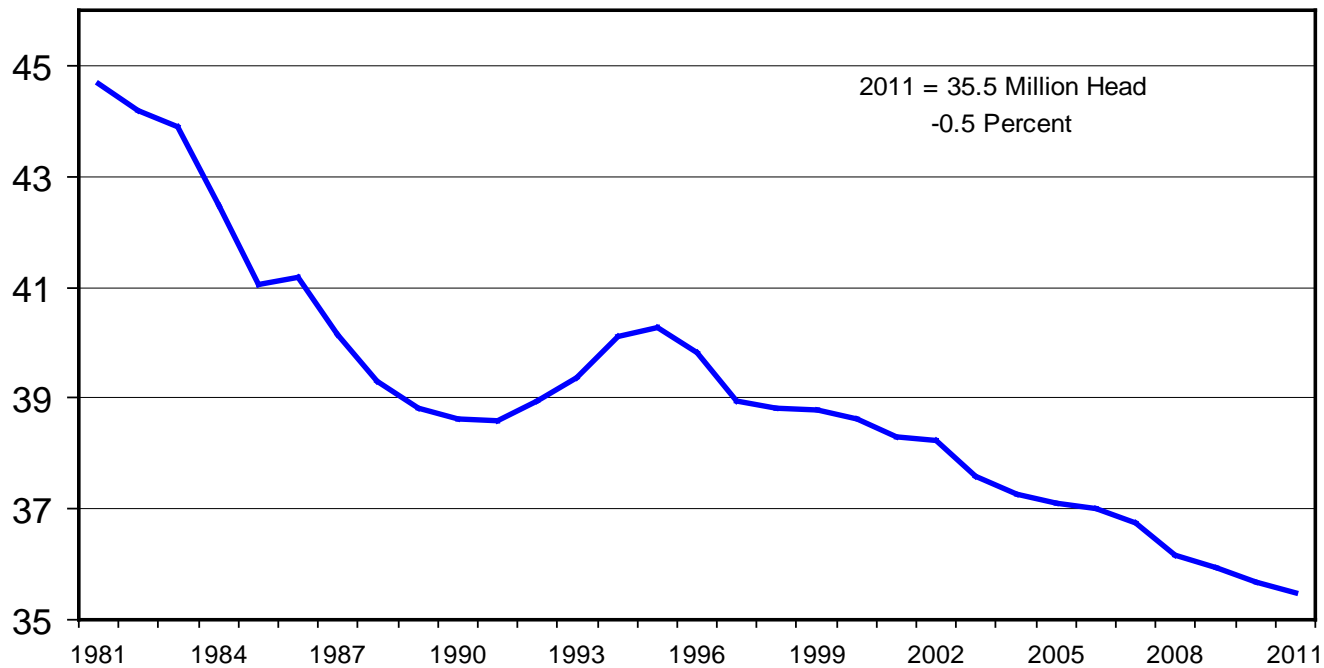
C-P-35
08/15/11



CALF CROP

July 1 Estimates, U.S., Annual

Mil. Head



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-18B
07/22/11

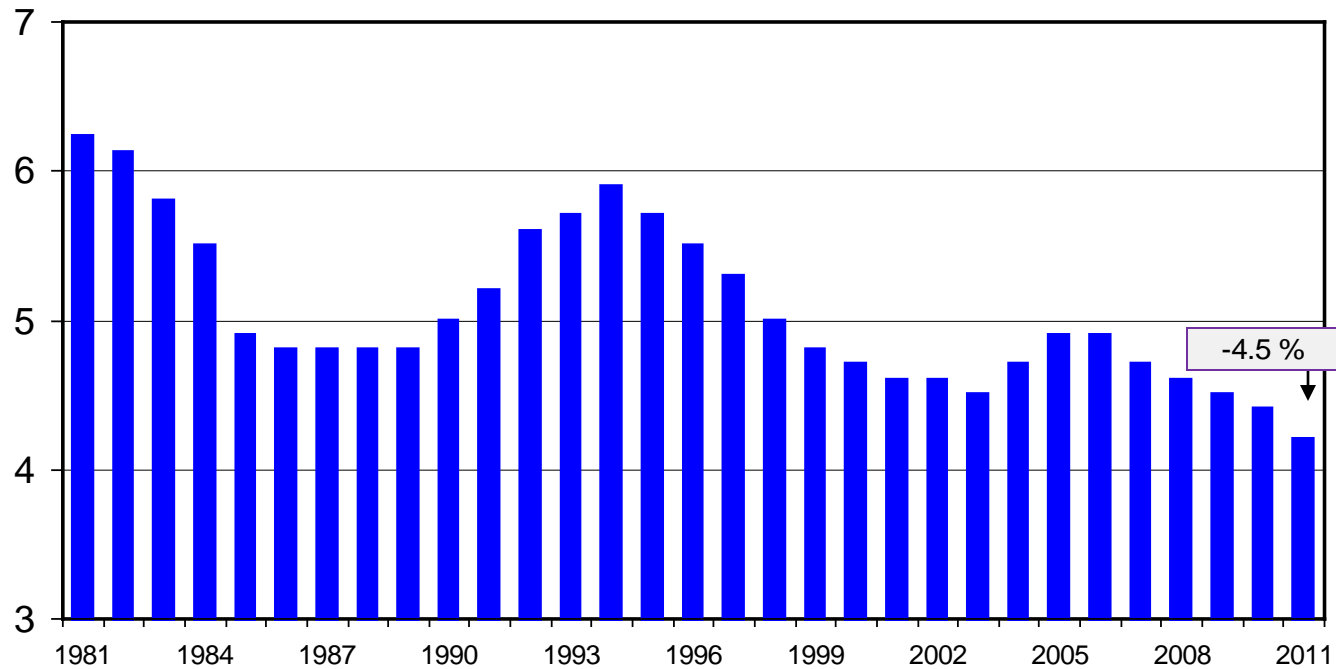


Will national herd expand by 2014???
-- who & where will expansion occur???

HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Mil. Head



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-37
07/22/11

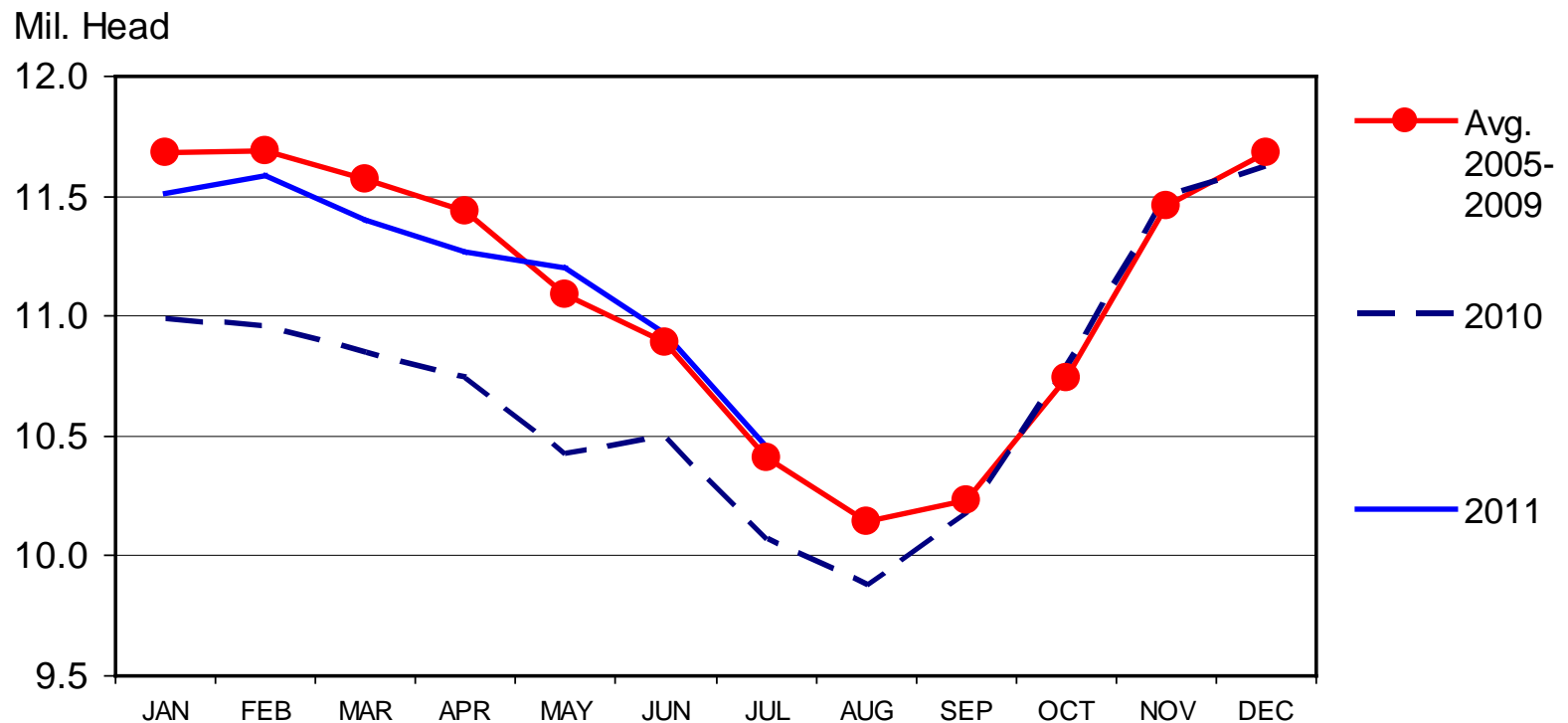


Pre-Report Estimates:

On Feed Aug 1 (up 7.5%) {3.8% to 9.2%}

Placed in July (up 16.9%) {6.4% to 26.6%}

CATTLE ON FEED US Total, Monthly



Livestock Marketing Information Center

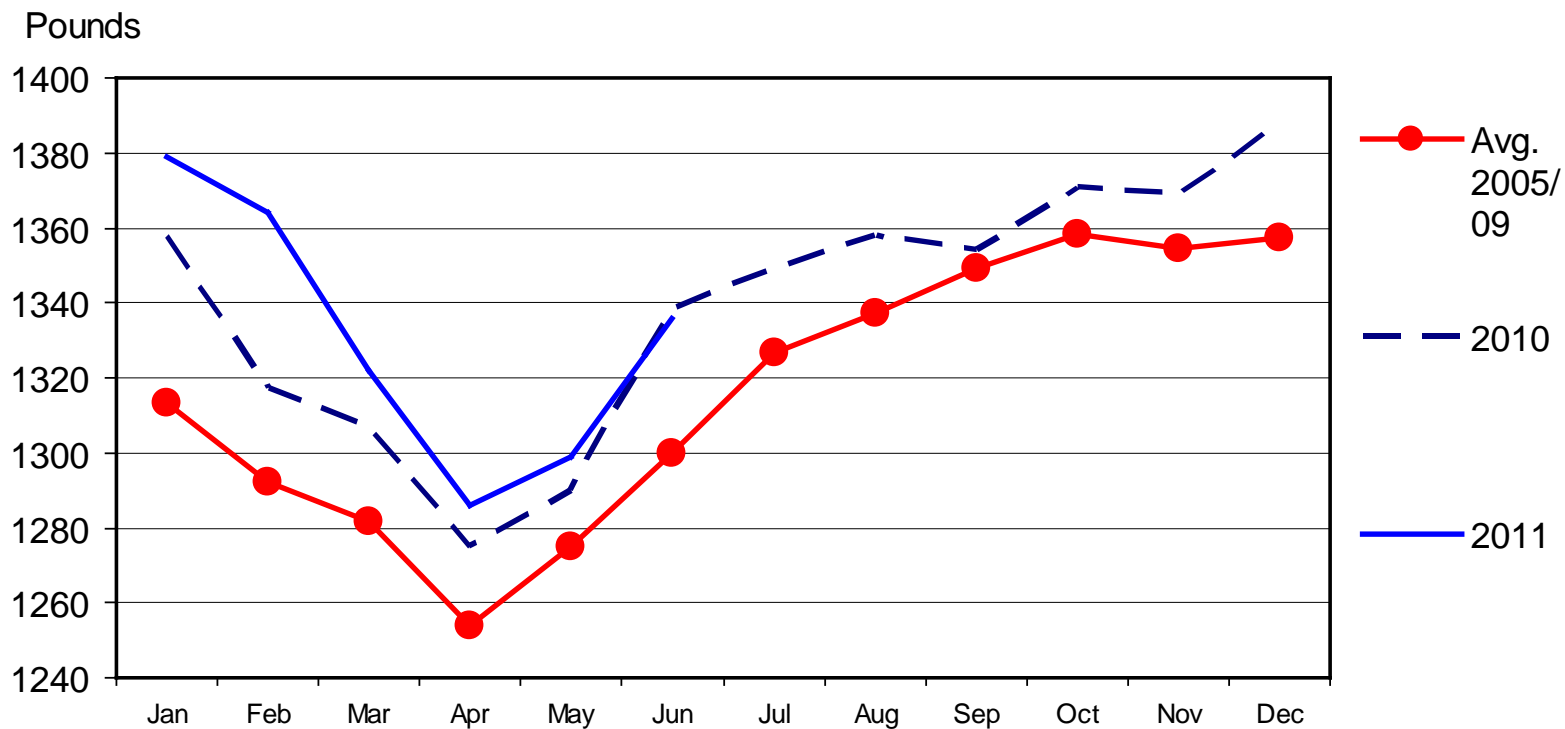
Data Source: USDA-NASS

C-N-10
07/22/11



KANSAS FEEDLOT CLOSEOUTS

Final Weight, Steers



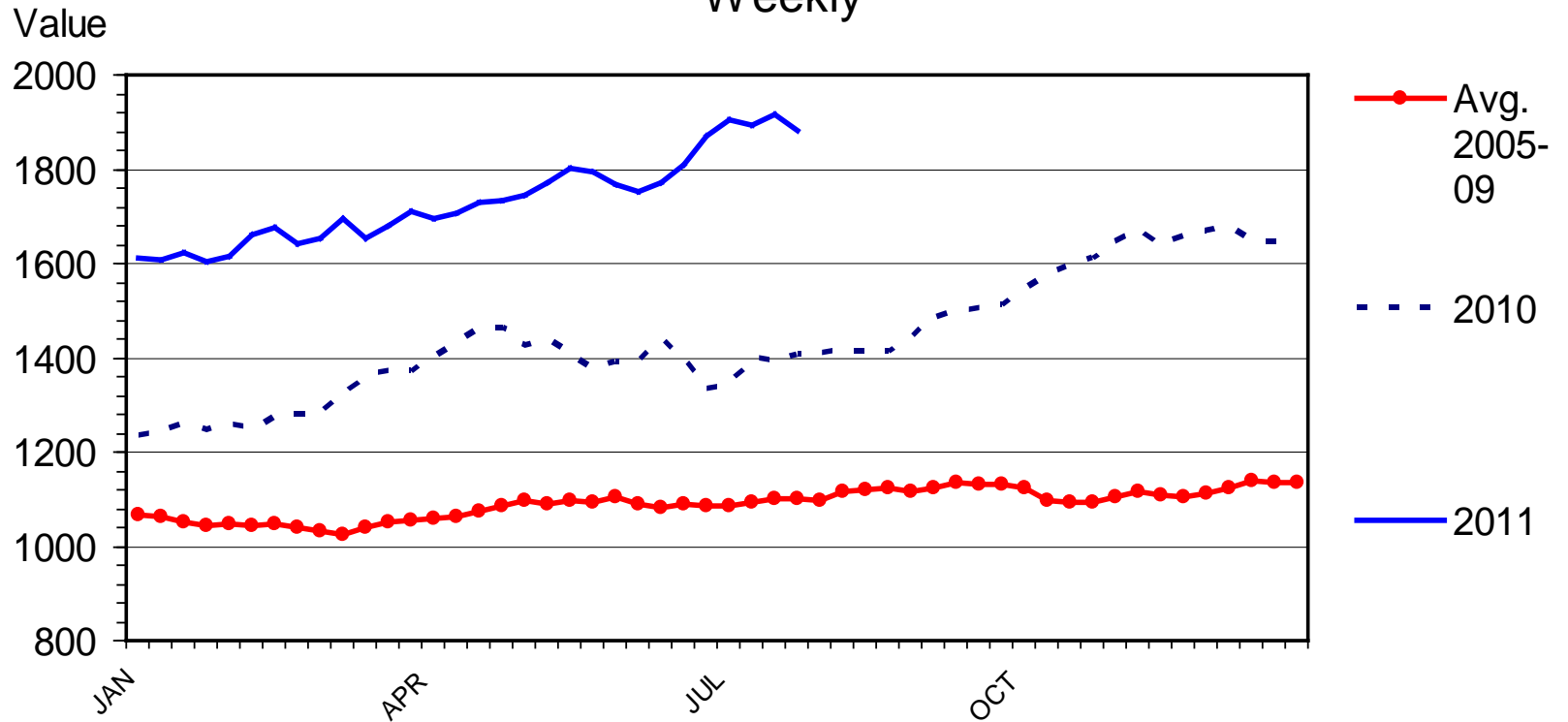
Data Source: KSU Focus on Feedlots, Compiled by LMIC

08/01/11



NATIONAL RESTAURANT NEWS STOCK MARKET INDEX

Weekly



Livestock Marketing Information Center

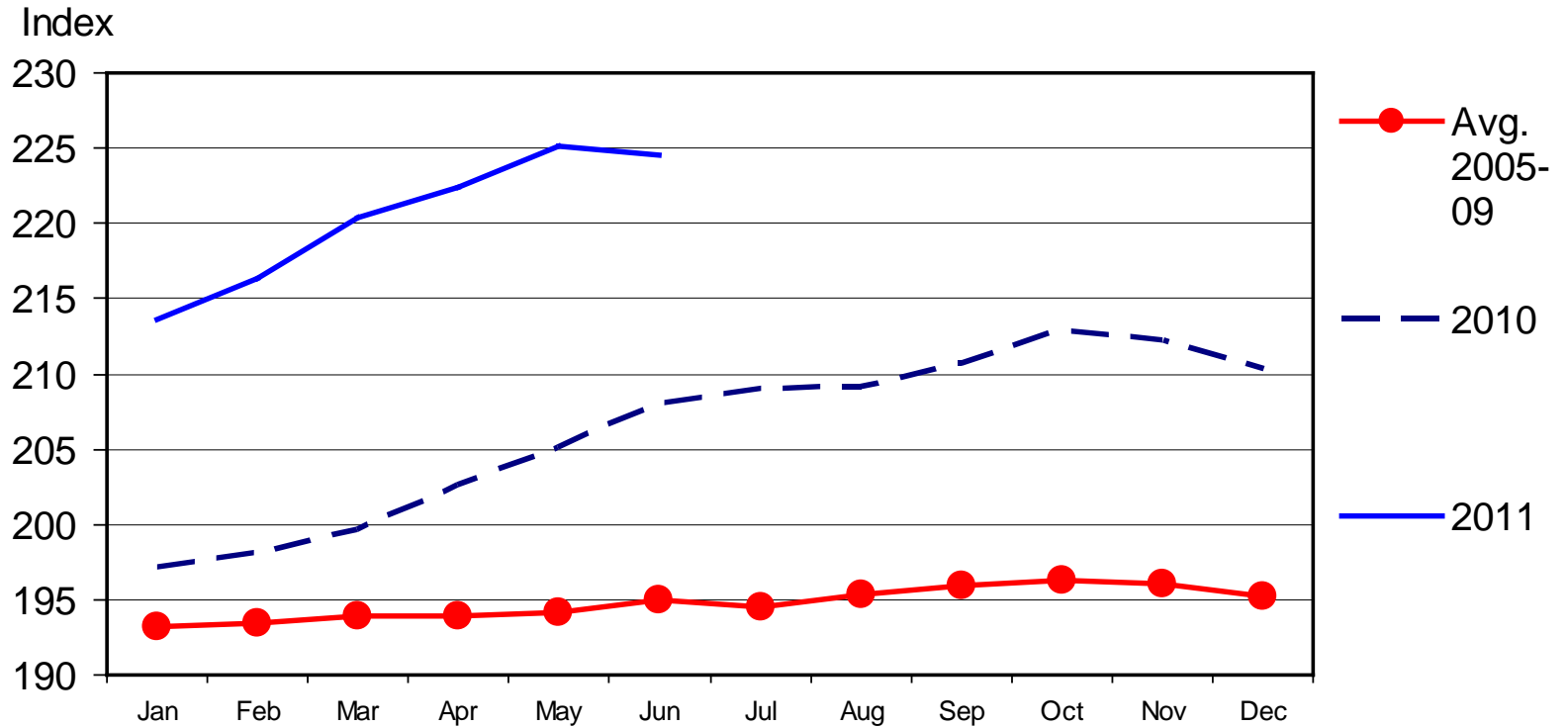
08/02/11

Data Source: National Restaurant News, Compiled & Analysis by LMIC



CPI - MEATS

1982-1984 Base, Monthly



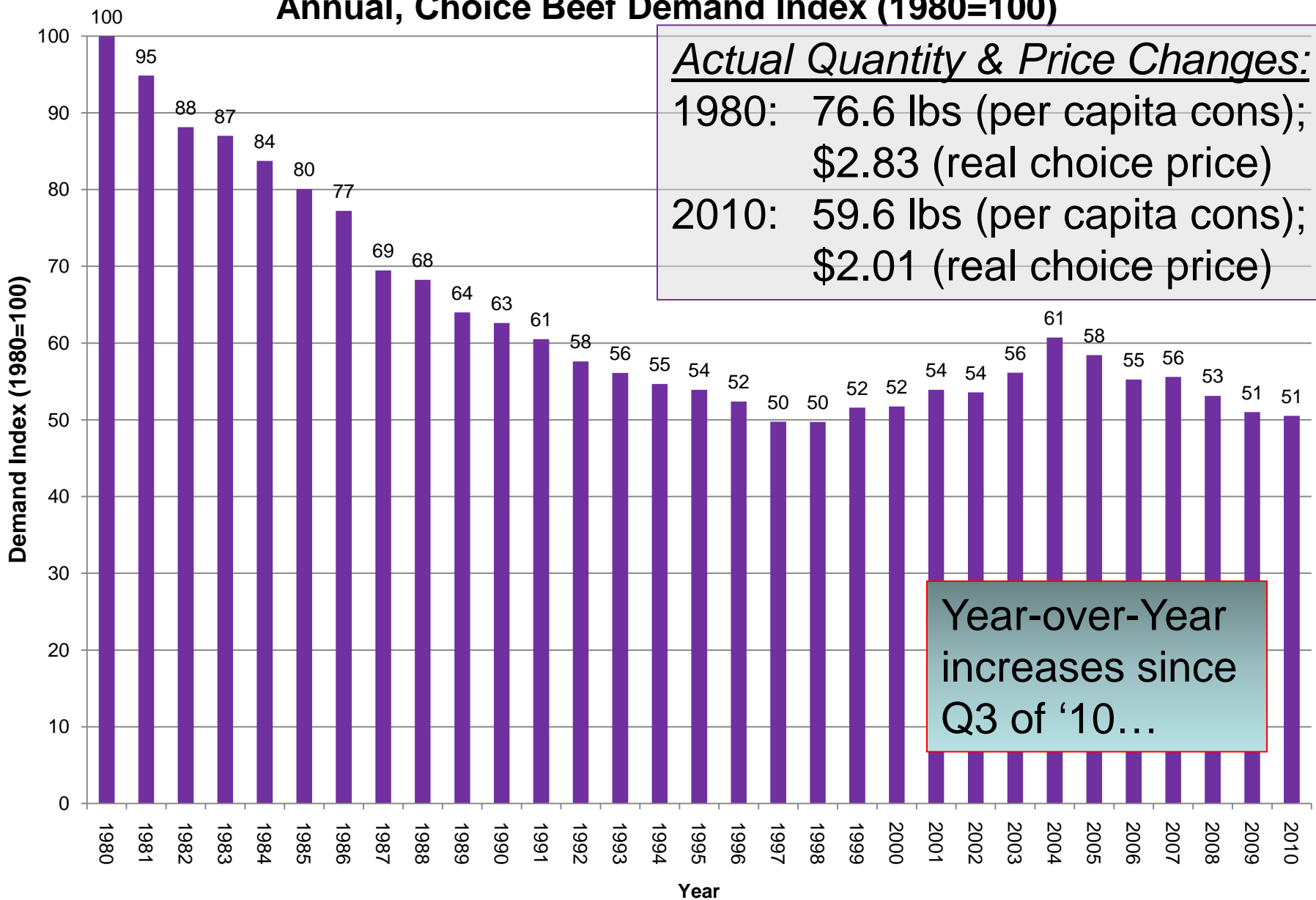
Livestock Marketing Information Center

07/15/11

Data Source: Bureau of Labor Statistics



Annual, Choice Beef Demand Index (1980=100)



Actual Quantity & Price Changes:
 1980: 76.6 lbs (per capita cons);
 \$2.83 (real choice price)
 2010: 59.6 lbs (per capita cons);
 \$2.01 (real choice price)

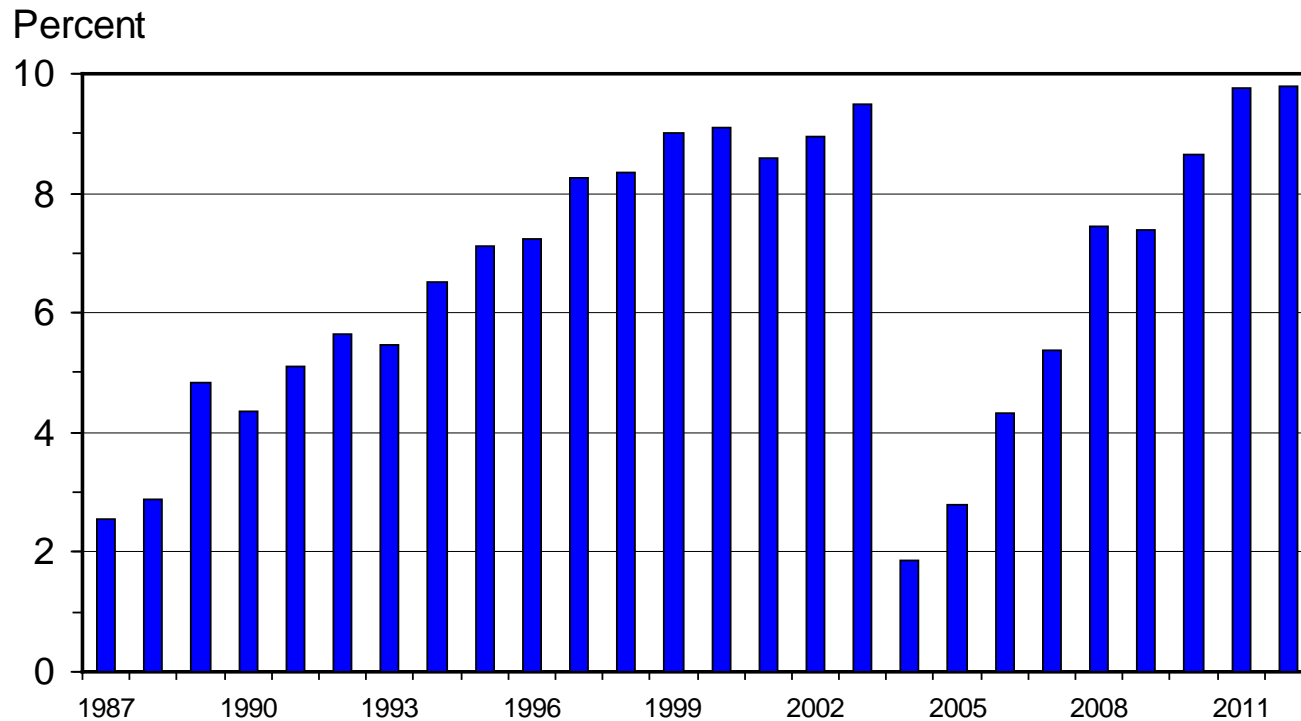
Year-over-Year increases since Q3 of '10...

Source: Glynn T. Tonsor, Kansas State University, Jan. 2011



U S BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



Livestock Marketing Information Center

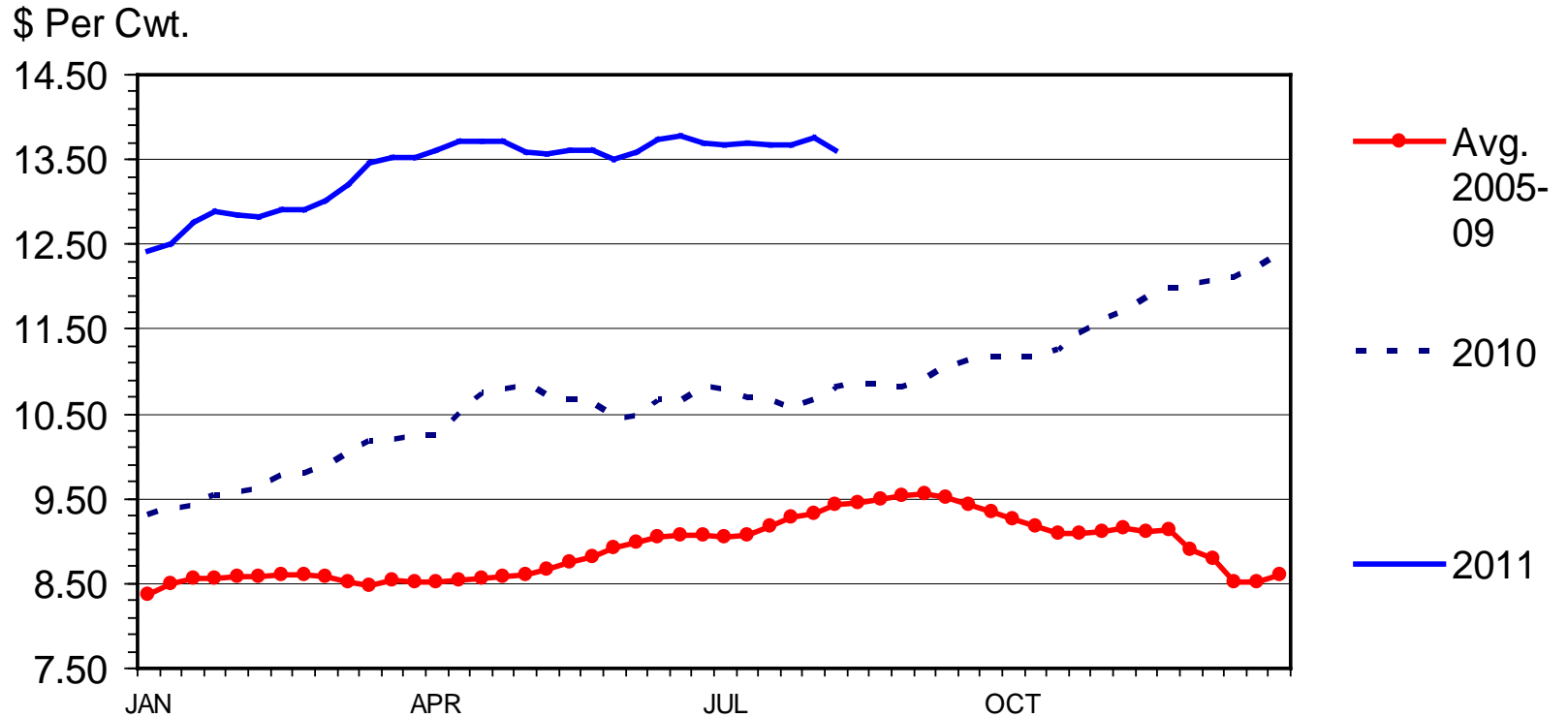
Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC

I-N-07
07/26/11



STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly



Livestock Marketing Information Center

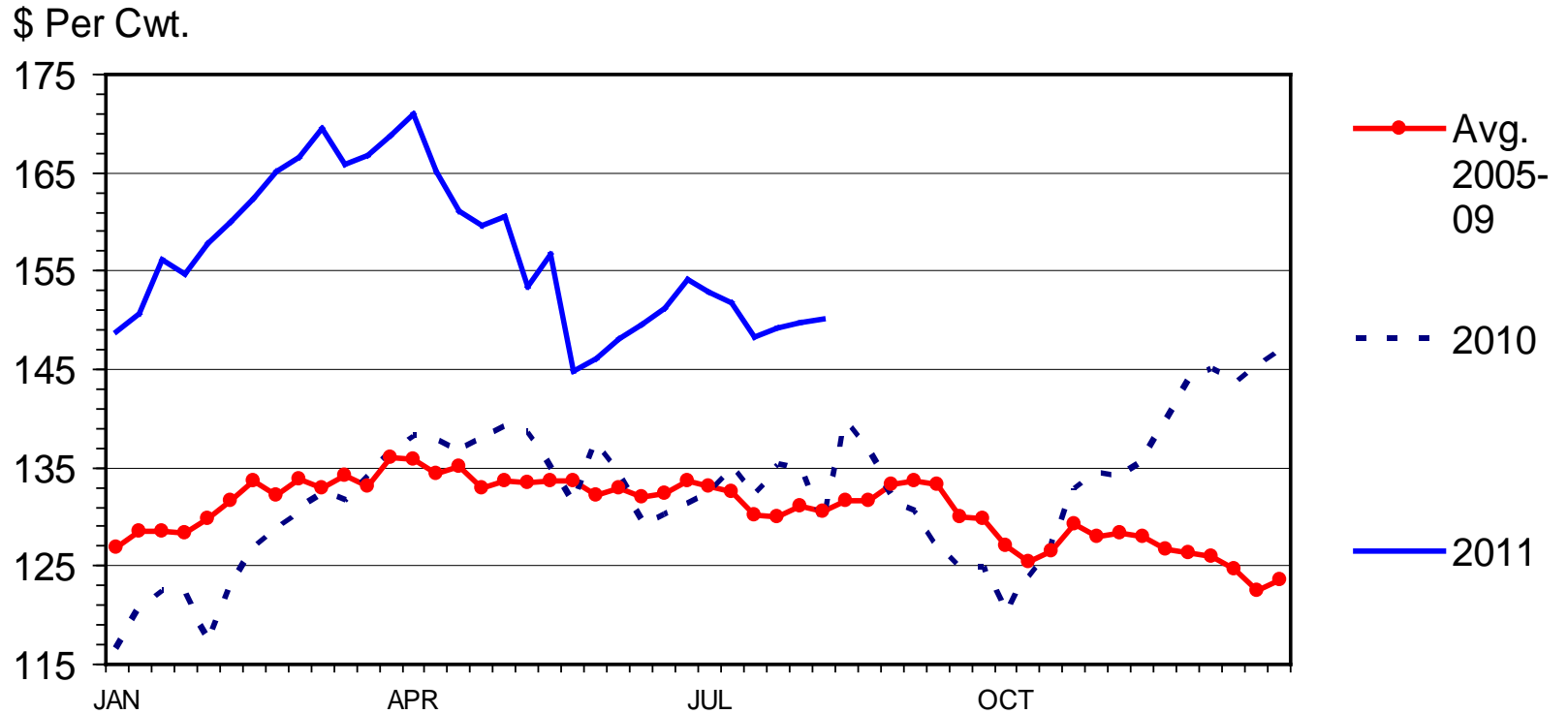
Data Source: USDA-AMS

C-P-39
08/15/11



MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

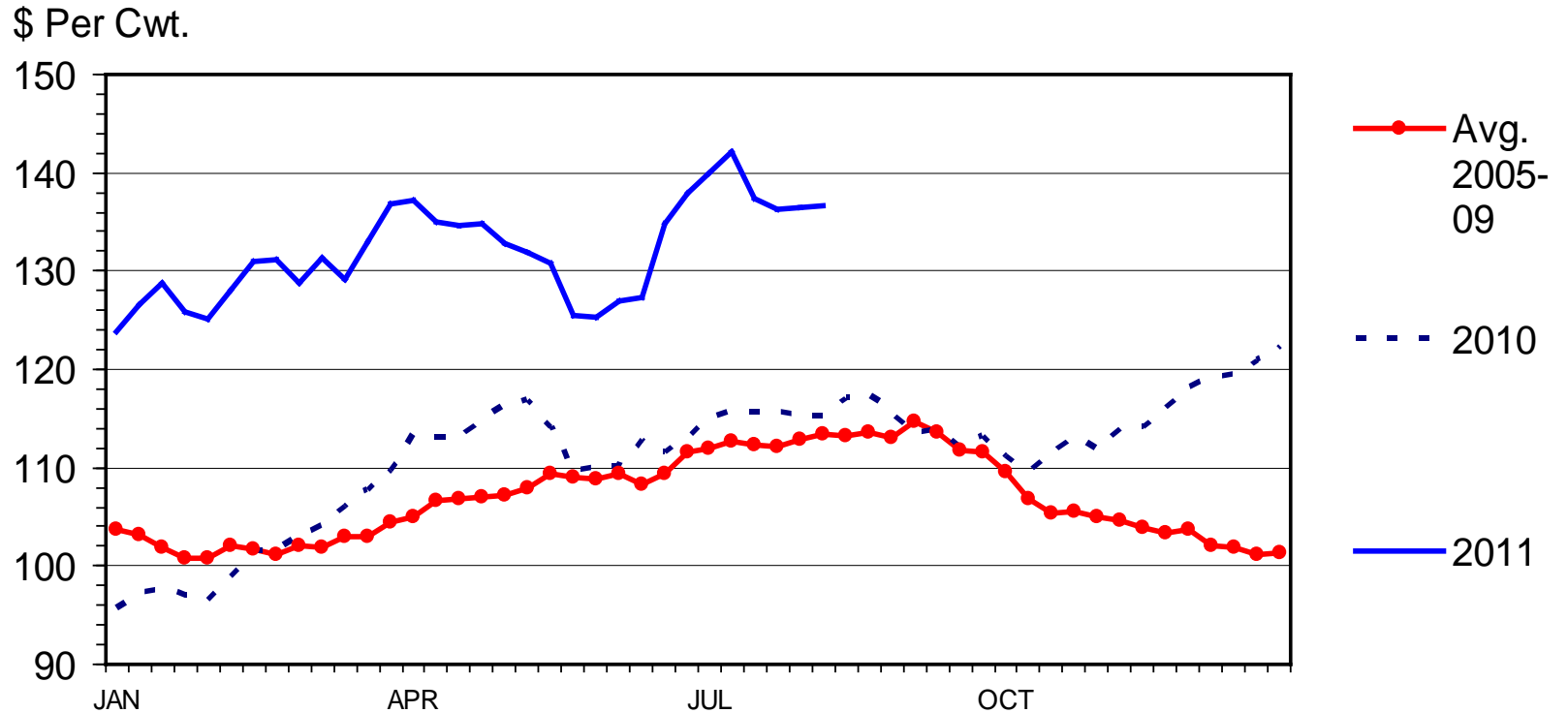
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49A
08/15/11



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



Livestock Marketing Information Center

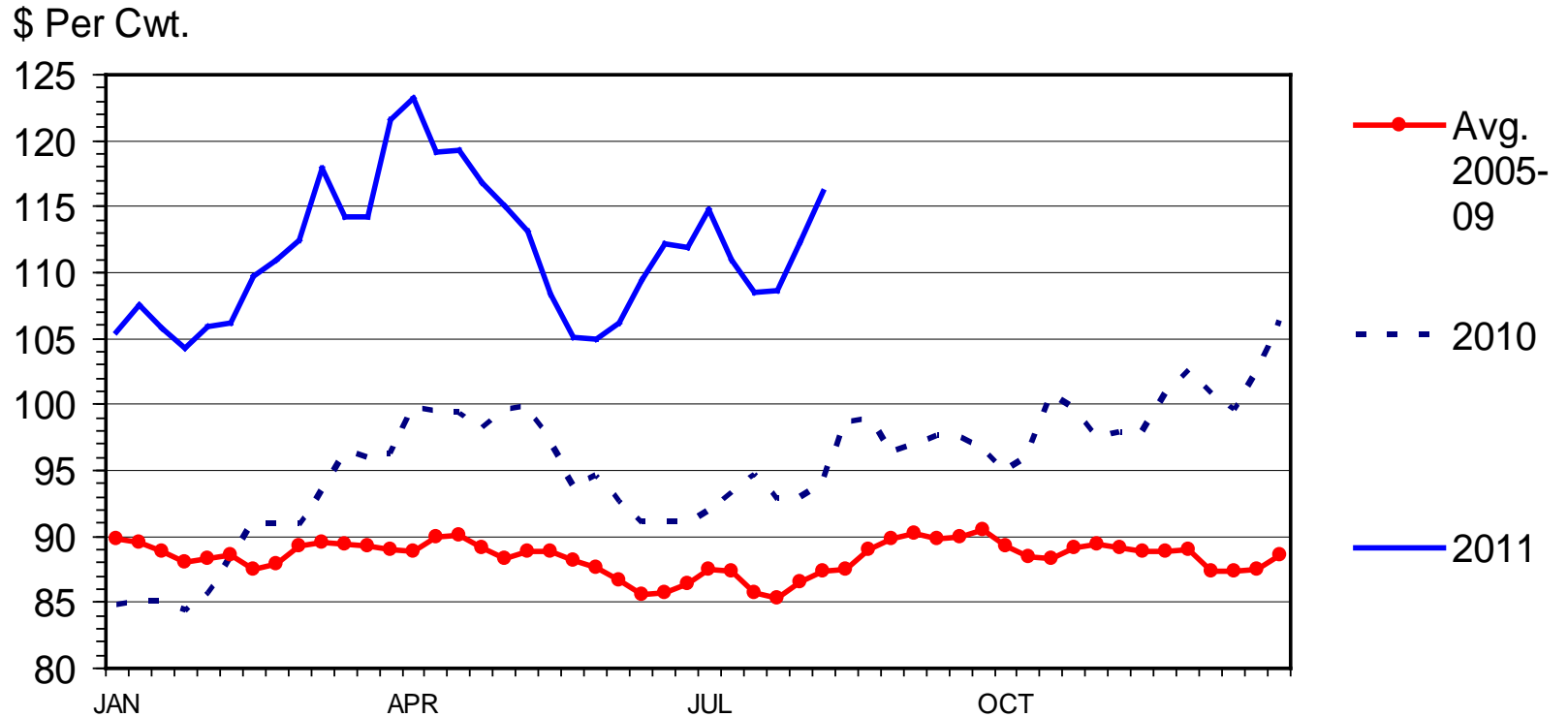
Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-49
08/15/11



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS

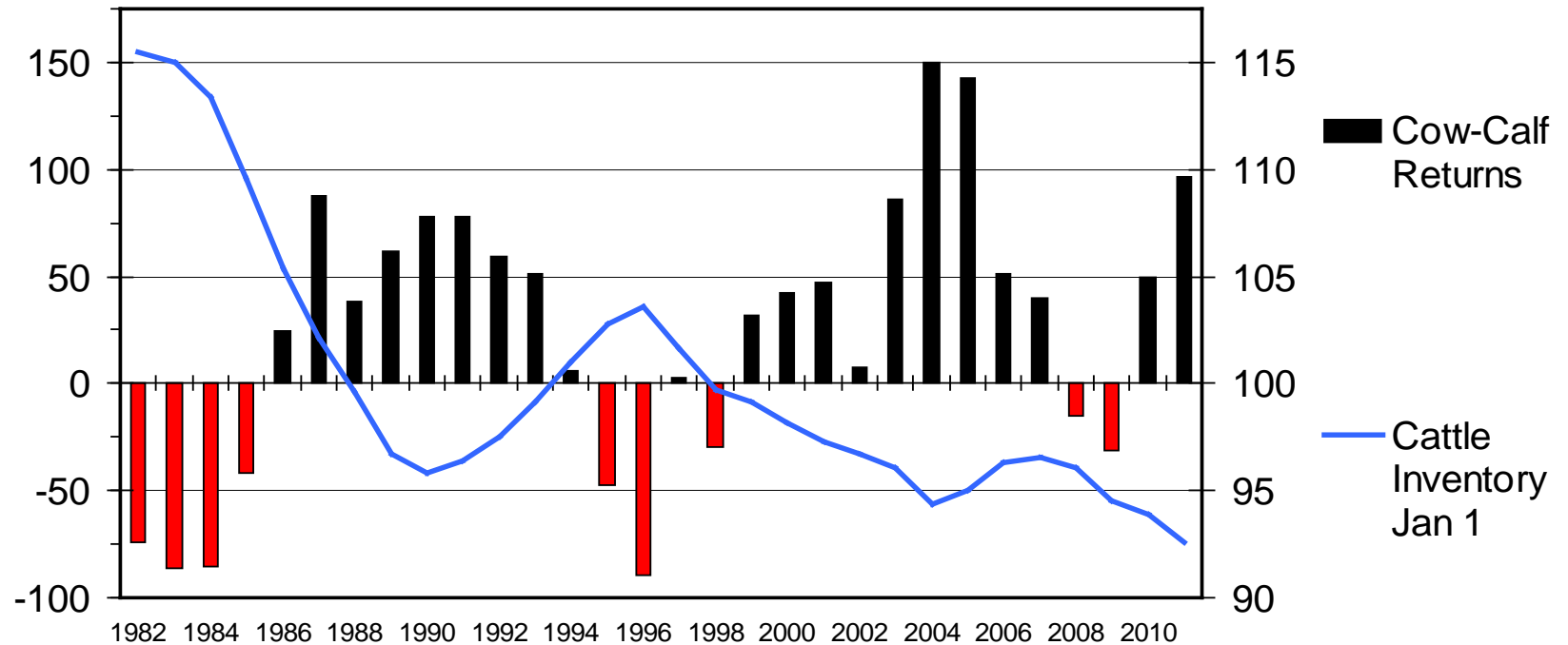


COW-CALF RETURNS AND CATTLE INVENTORY

U.S., Annual

\$ Per Cow

Mil. Head



Livestock Marketing Information Center

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

C-P-67
07/26/11



8/18/11 Salina, KS Situation:

- Basis.com forecasted price of 800 lb steer March 1, 2012 is \$134.11/cwt
- What is break-even purchase price of a 500 lb steer purchased on October 1, 2011? – forecasted price is \$151.67



Breakeven Buying Price Worksheet

Selling weight after shrink (pay-weight)	800
Expected selling price (\$/cwt)	\$134.11
Average Daily Gain (pay-to-pay)	2.00
Feeding cost of gain (\$/cwt)	\$70.00
Interest rate on feeder	8.00%
Percent death loss*	2.00%
Costs per head (trucking, etc.)**	\$10.00
Desired profit per head	\$0.00

* Enter ONLY if death loss is NOT included in feeding cost of gain, otherwise enter zero.

** Do not enter any costs included in feeding cost of gain.



Kevin Dhuyvetter's "Buy-Sell" spreadsheet tool

(<http://www.agmanager.info/livestock/budgets/production/beef/cattlebuysell.swf>)

Purchase Weight ¹	<u>Selling Price</u>						
	\$128.11	\$130.11	\$132.11	\$134.11	\$136.11	\$138.11	\$140.11
	Breakeven Purchase Price ²						
450	161.77	165.13	168.49	171.84	175.20	178.55	181.91
500	153.39	156.42	159.46	162.50	165.53	168.57	171.60
550	146.57	149.34	152.12	154.89	157.67	160.44	163.22
600	140.92	143.48	146.04	148.59	151.15	153.71	156.27
650	136.18	138.55	140.93	143.30	145.67	148.05	150.42
700	132.15	134.37	136.58	138.80	141.02	143.23	145.45
750	128.69	130.77	132.85	134.93	137.01	139.09	141.17

¹ Enter the minimum purchase weight you are willing to consider.

² Based on a feeding cost of gain of \$70/cwt.

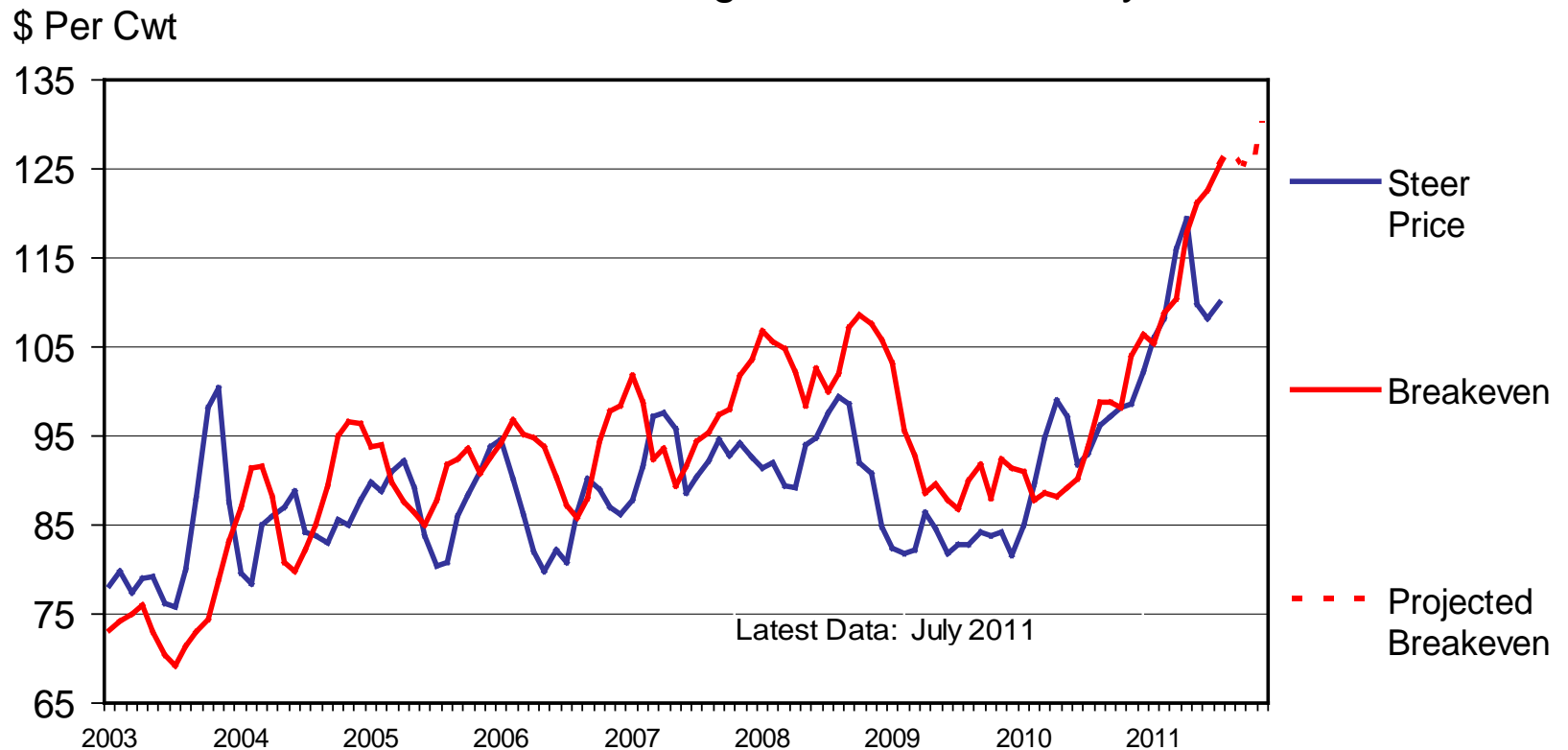
Expected Sales Price: \$134.11/cwt:

Expected Return: \$54.15/head [5.0 * (\$162.50-\$151.67)]



CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly



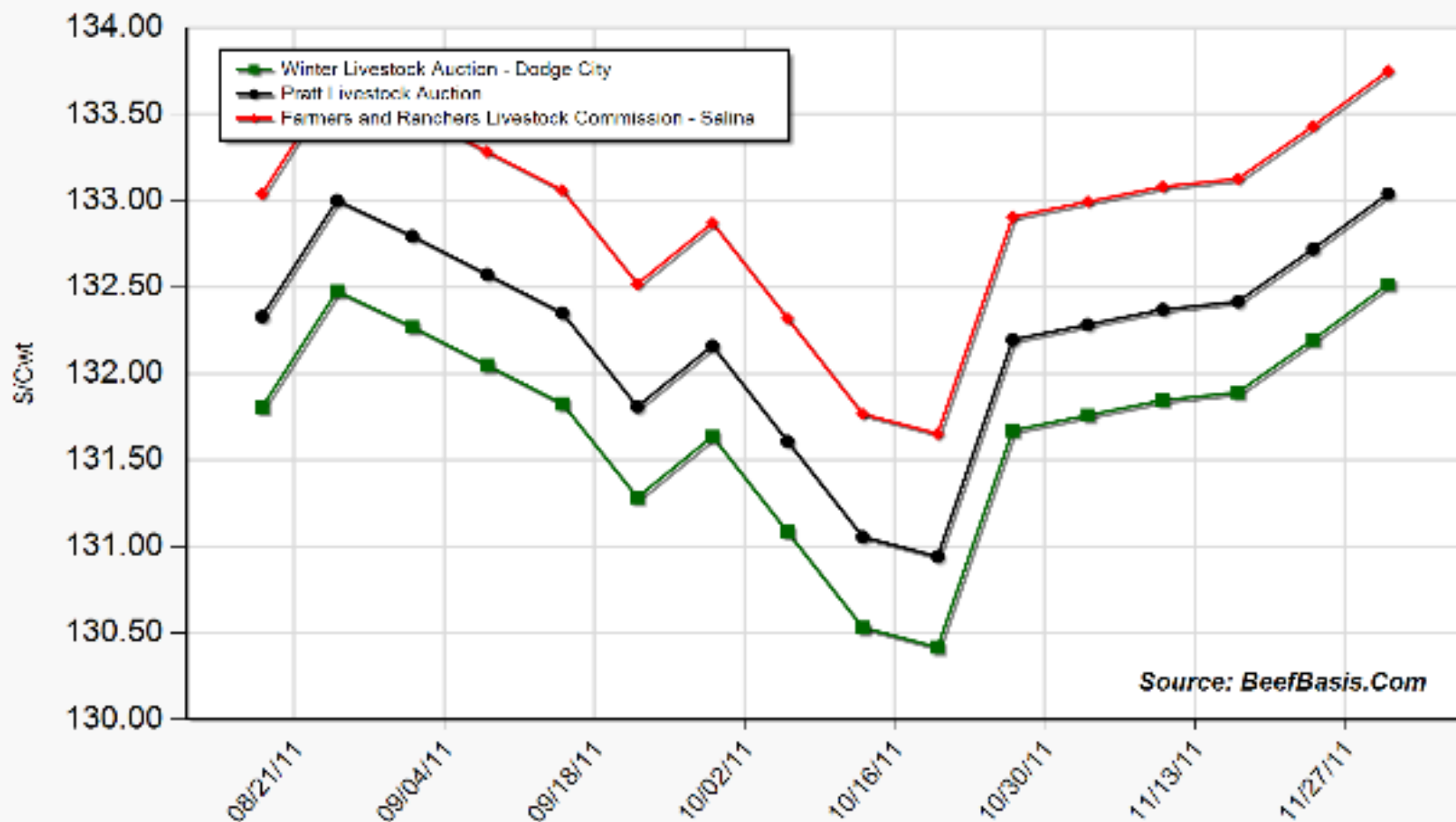
Livestock Marketing Information Center

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

C-P-21
08/01/11

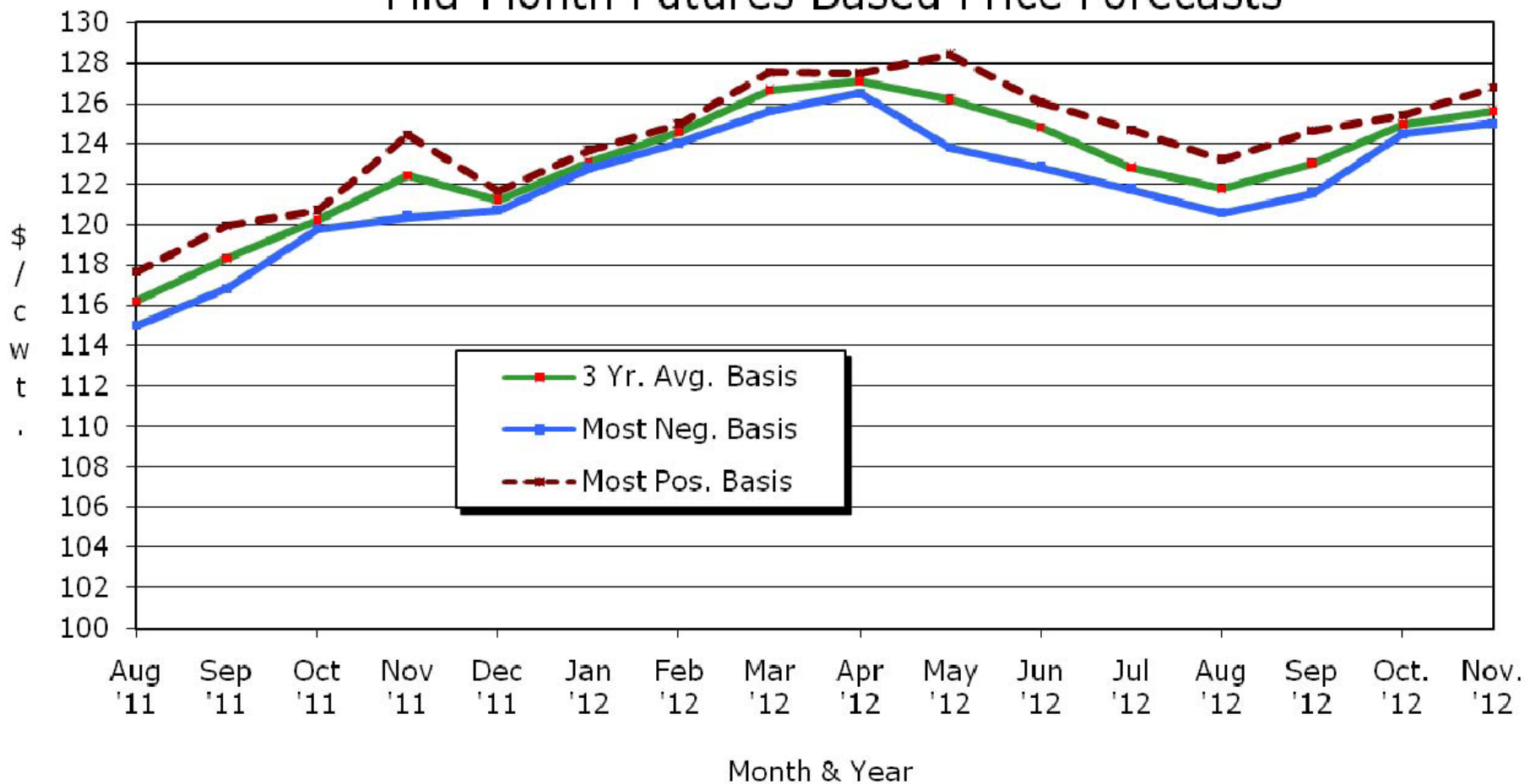


Projected Price for 750 Lb Steer at Selected Kansas Auctions



Kansas Slaughter Steer Price Forecasts

Mid-Month Futures Based Price Forecasts



Source: USDA-AMS, CME, & K-State Ag. Economics
Based on 8.12.11 CME Live Cattle settlement prices

KSU Dept. of Ag Econ
www.agmanager.info



QUARTERLY FORECASTS (LMIC: 7/26/11)

Year	Comm'l	% Chg. from	Average Dressed	% Chg. from	Comm'l Beef	% Chg. from
Quarter	Slaughter	Year Ago	Weight	Year Ago	Production	Year Ago
2010						
I	8,164	2.4	765.4	-2.3	6,248	0.0
II	8,680	0.9	754.2	-1.7	6,547	-0.8
III	8,752	2.7	773.4	-1.5	6,768	1.2
IV	8,654	5.0	779.0	-0.1	6,741	4.9
Year	34,249	2.7	768.0	-1.4	26,304	1.3
2011						
I	8,317	1.9	770.9	0.7	6,411	2.6
II	8,639	-0.5	759.2	0.7	6,559	0.2
III	8,740	-0.1	783.4	1.3	6,847	1.2
IV	8,065	-6.8	785.9	0.9	6,338	-6.0
Year	33,761	-1.4	774.7	0.9	26,155	-0.6
2012						
I	7,894	-5.1	780.5	1.2	6,161	-3.9
II	8,154	-5.6	767.2	1.1	6,256	-4.6
III	8,264	-5.4	792.4	1.1	6,548	-4.4
IV	7,830	-2.9	792.3	0.8	6,204	-2.1
Year	32,142	-4.8	783.1	1.1	25,169	-3.8



QUARTERLY FORECASTS (LMIC: 7/26/11)

	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2010				
I	89.44	8.8	100.88	116.23
II	96.33	14.0	113.04	127.77
III	95.47	15.0	115.12	124.10
IV	100.28	20.4	114.52	123.26
Year	95.38	14.7	110.89	122.84
2011				
I	110.12	23.1	129.06	150.07
II	112.79	17.1	132.03	148.61
III	107-110	13.6	135-139	138-143
IV	112-116	13.7	130-135	136-141
Year	110-113	16.8	131-134	142-147
2012				
I	114-119	5.8	126-132	139-146
II	116-122	5.5	130-137	144-153
III	112-119	6.5	133-141	146-156
IV	115-123	4.4	127-137	140-152
Year	115-120	5.4	129-137	142-152



*Looking Beyond Today's
Ps & Qs*



Beef industry changes underway...

- Sales value of cull cows is about = for all
 - Those with higher costs, opportunities to row crop, etc. may increasingly exit
 - Expansion will not come from those with higher costs and notable alternative opportunities...
- BEEF Magazine Poll (N=99 as of 8/17)
 - “If you had to liquidate cattle this year because of flooding or drought, what do you plan to do with the proceeds?”
 - 47% Restock with cows when conditions improve
 - 9% Restock but change production models (e.g., buy stockers rather than cows)
 - 27% Keep the cash; leave the business
 - 6% Reinvest the cash in another non-livestock ag enterprise
 - 10% Don't know



Beef industry changes underway...

- Expansion of stocker segment continues...
- KS feedlot closeout trends:
 - Increasing final weights, ADG, & Feeding costs
 - Decreasing DOF & Feed-to-Gain
- Overall movement to more forage based gain = opportunity for cow-calf/stockers with associated comparative advantages...



Demand Side Issues & Trends

- Long run decline in domestic (per capita) meat consumption
 - 2018 poultry consumption > (beef + pork)
 - Poultry grows every year from 2011-2020
- Global growth likely to exceed domestic
 - Heightens industry fragmentation issues such as animal ID/traceability, marketing arrangements, etc.
 - “outside” factors increasingly important for beef...
 - MCOOL, animal welfare, etc. will directly impact industry...



Policy/Regulation Issues & Trends

- GIPSA “fair market” proposed rules / “anti-competition” listening sessions ...
 - No timetable on USDA’s ben.-cost assessment...
- environmental regulation concerns
- WTO MCOOL ruling in fall of 2011?
- animal welfare/mandatory labeling?
 - Is overall uncertainty holding back investment throughout supply chain???



Ending thought...

- Beef-cattle industry is facing increasing volatility and uncertainty while also being asked to do more with less...
- Increased risk may signal opportunity and higher average returns...
 - within industry variations in views and comparative advantages will determine the ability to profit and shape future of industry...



More information available at:
AgManager (<http://www.agmanager.info/>)

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Notable AgManager Resources

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

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



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]



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



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>)



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/graphs/default.asp#Price%20Charts)
- [http://www.agmanager.info/livestock/marketing/database/default.asp#Cattle and Beef Databases](http://www.agmanager.info/livestock/marketing/database/default.asp#Cattle%20and%20Beef%20Databases)
 - 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](http://www.agmanager.info/livestock/marketing/graphs/default.asp#Basis%20Charts)
- BeefBasis.com (<http://www.beefbasis.com/>)



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>)



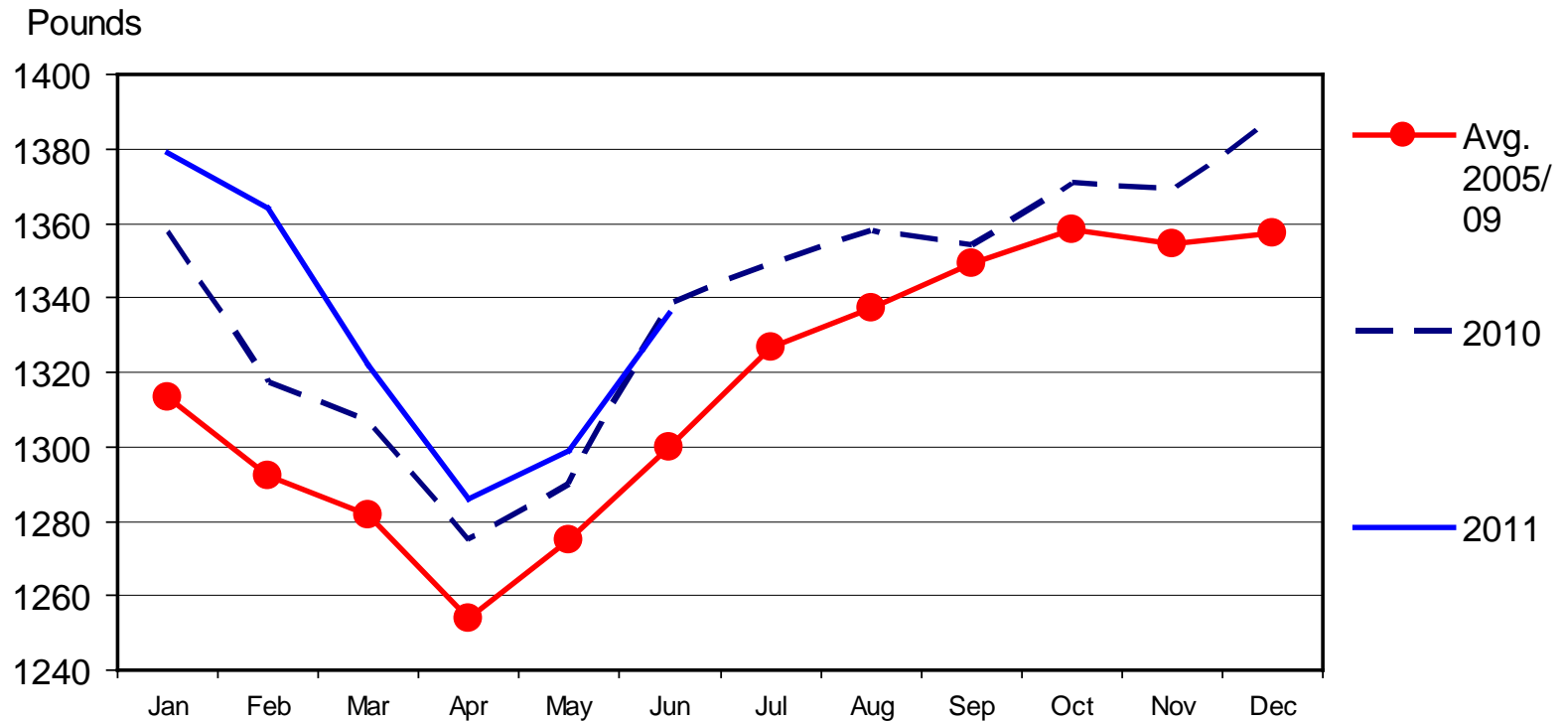
Other References of Interest:

- March '11 ERS Report on Cow-Calf Industry
 - <http://www.ers.usda.gov/publications/eib73/>
- Beef Demand Information
 - Journal articles, fact sheet, annual & quarterly demand indices
 - <http://www.agmanager.info/livestock/marketing/Beef%20Demand/default.asp>
- Animal Well-Being Information
 - Journal articles, fact sheets, and short video summaries
 - <http://www.agmanager.info/livestock/marketing/AnimalWelfare/default.asp>
- Animal Identification & Traceability Information
 - Journal articles, fact sheets, and short video summaries
 - <http://www.agmanager.info/livestock/marketing/AnimalID/default.asp>



KANSAS FEEDLOT CLOSEOUTS

Final Weight, Steers



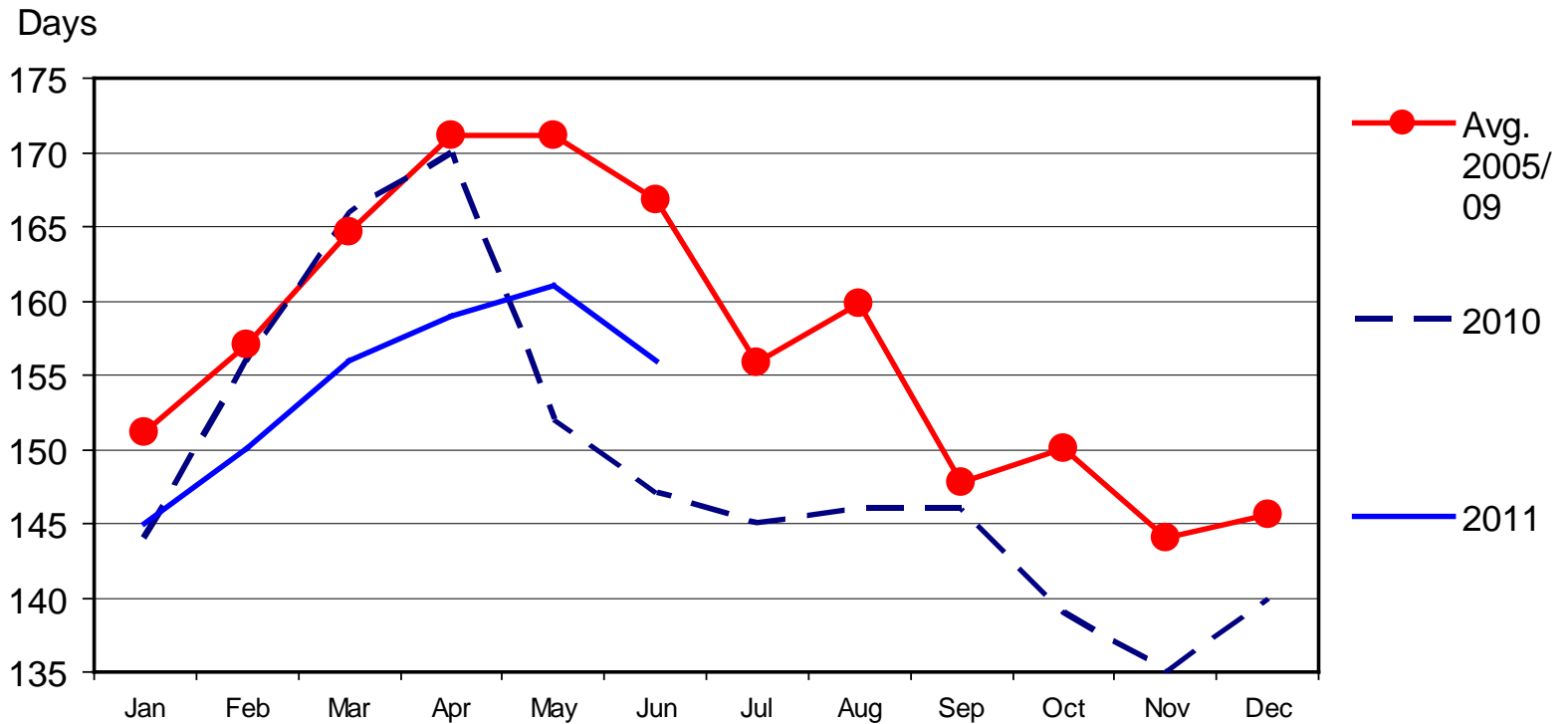
Data Source: KSU Focus on Feedlots, Compiled by LMIC

08/01/11



KANSAS FEEDLOT CLOSEOUTS

Avg. Days on Feed, Steers



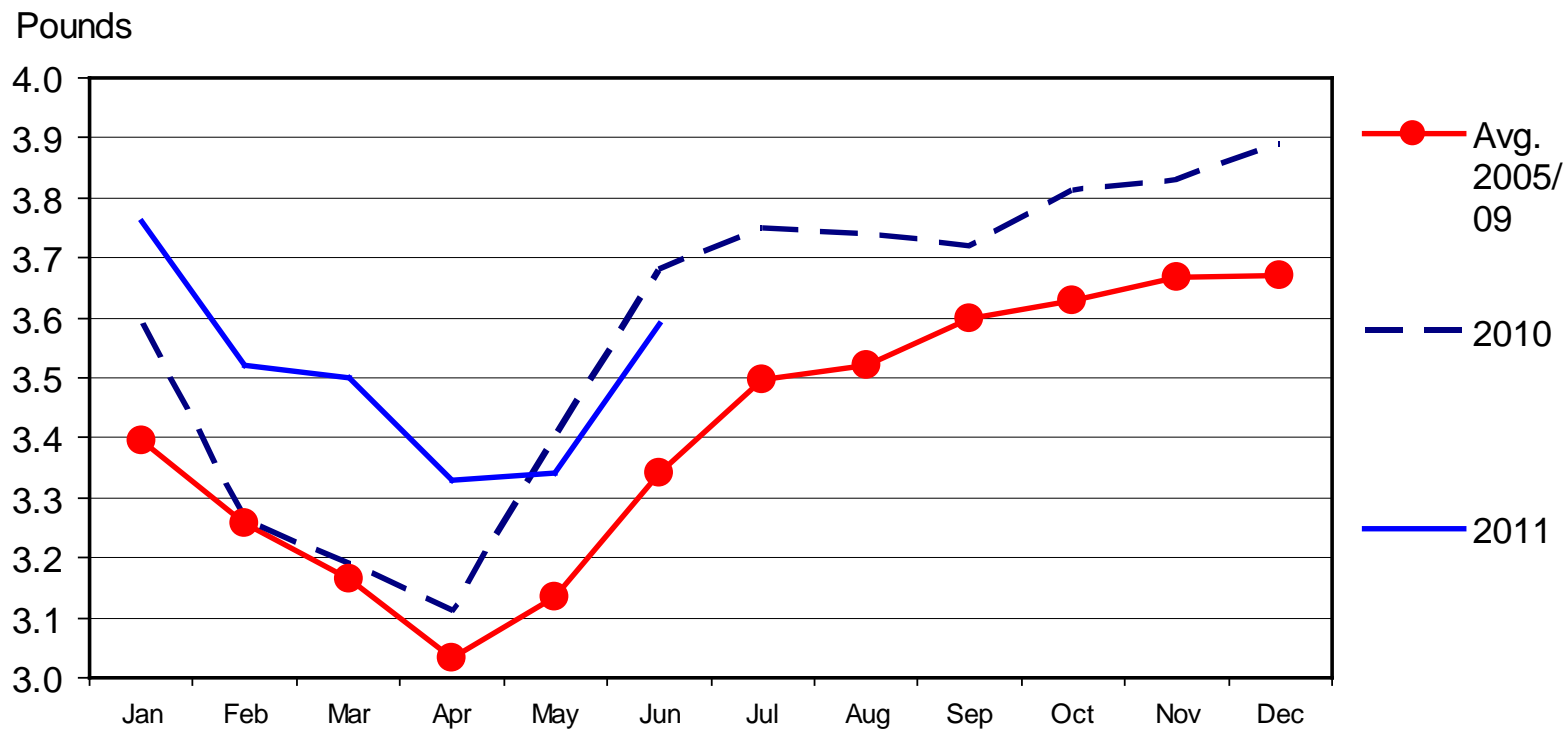
Data Source: KSU Focus on Feedlots, Compiled by LMIC

08/01/11



KANSAS FEEDLOT CLOSEOUTS

Avg. Daily Gain, Steers



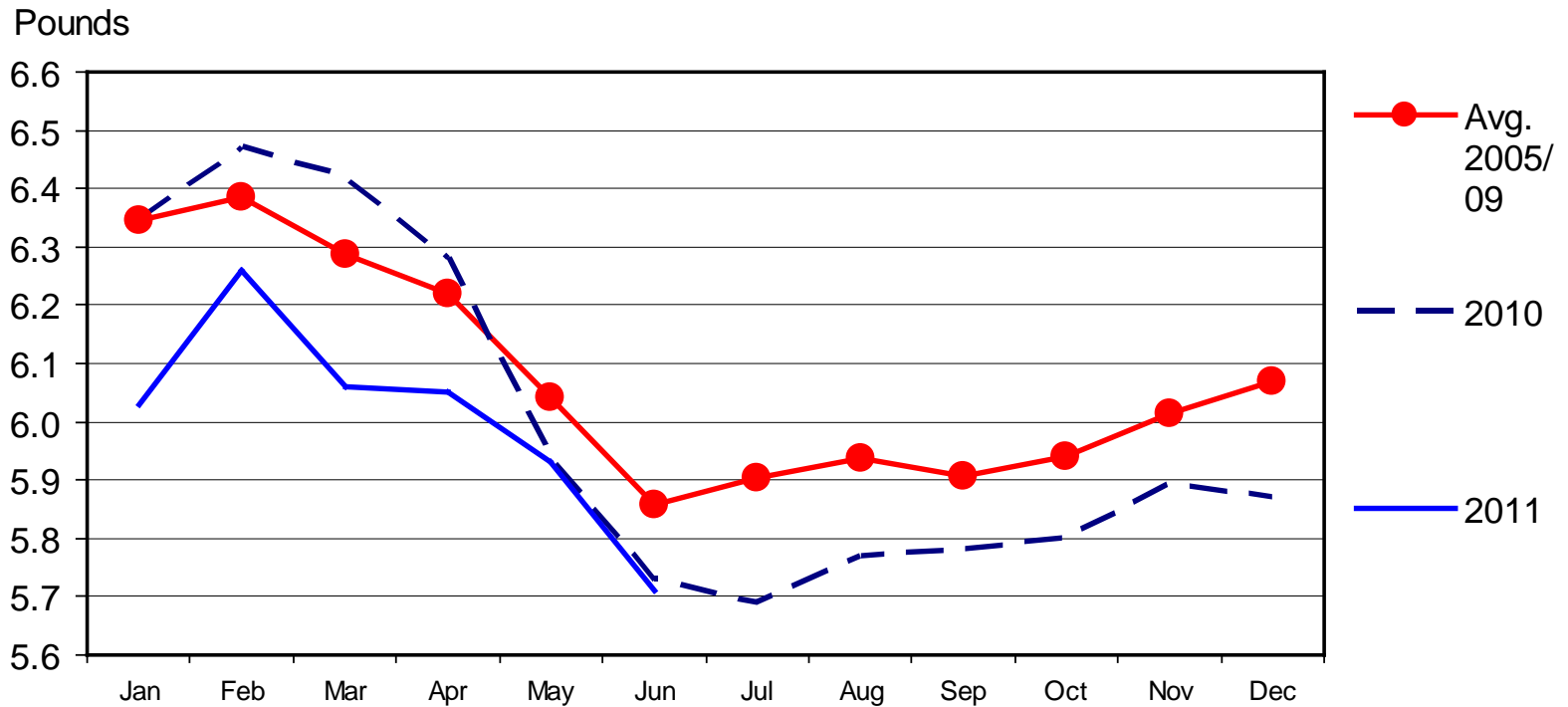
Data Source: KSU Focus on Feedlots, Compiled by LMIC

08/01/11



KANSAS FEEDLOT CLOSEOUTS

Pounds of Feed (Dry Basis)
Per Pound of Gain, Steers



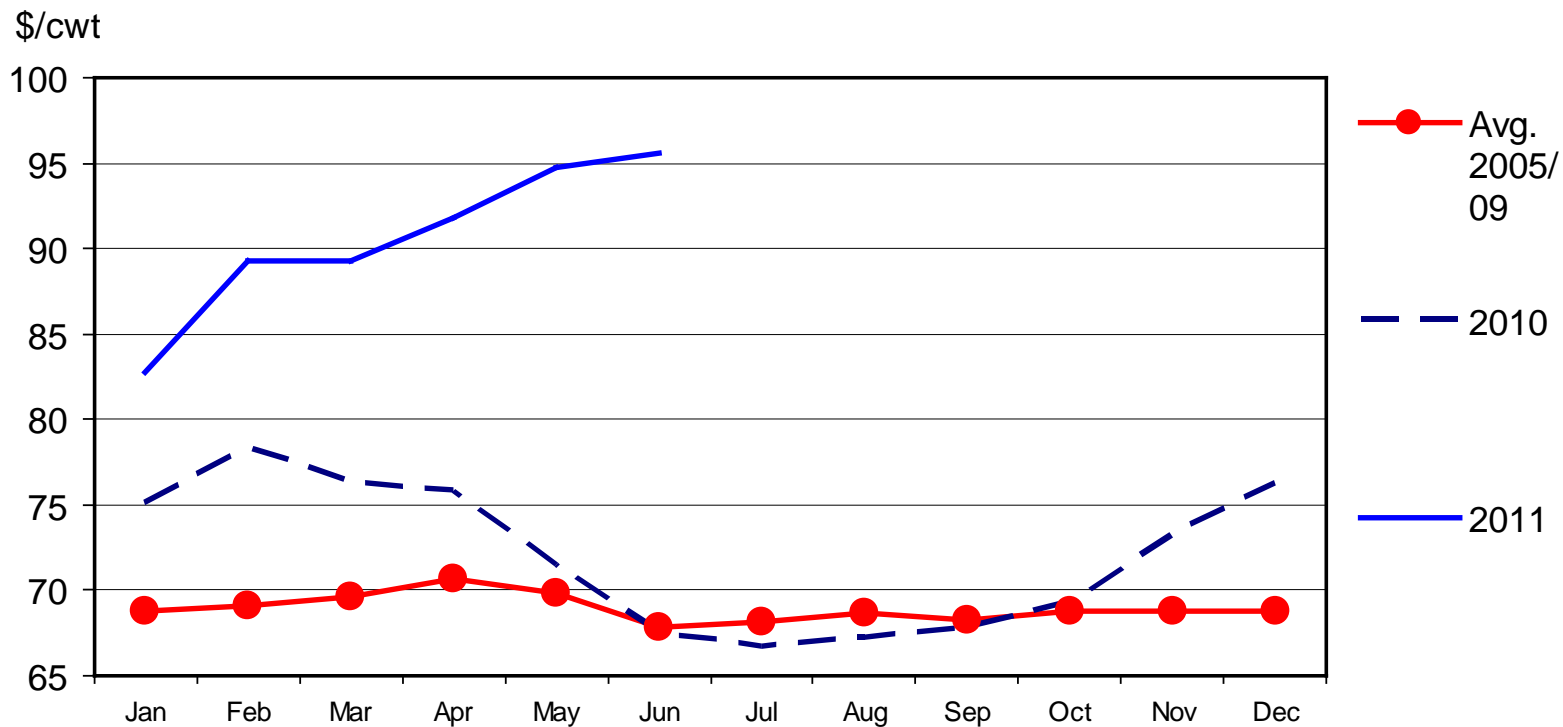
Data Source: KSU Focus on Feedlots, Compiled by LMIC

08/01/11



KANSAS FEEDLOT CLOSEOUTS

Feeding Costs per Cwt, Steers

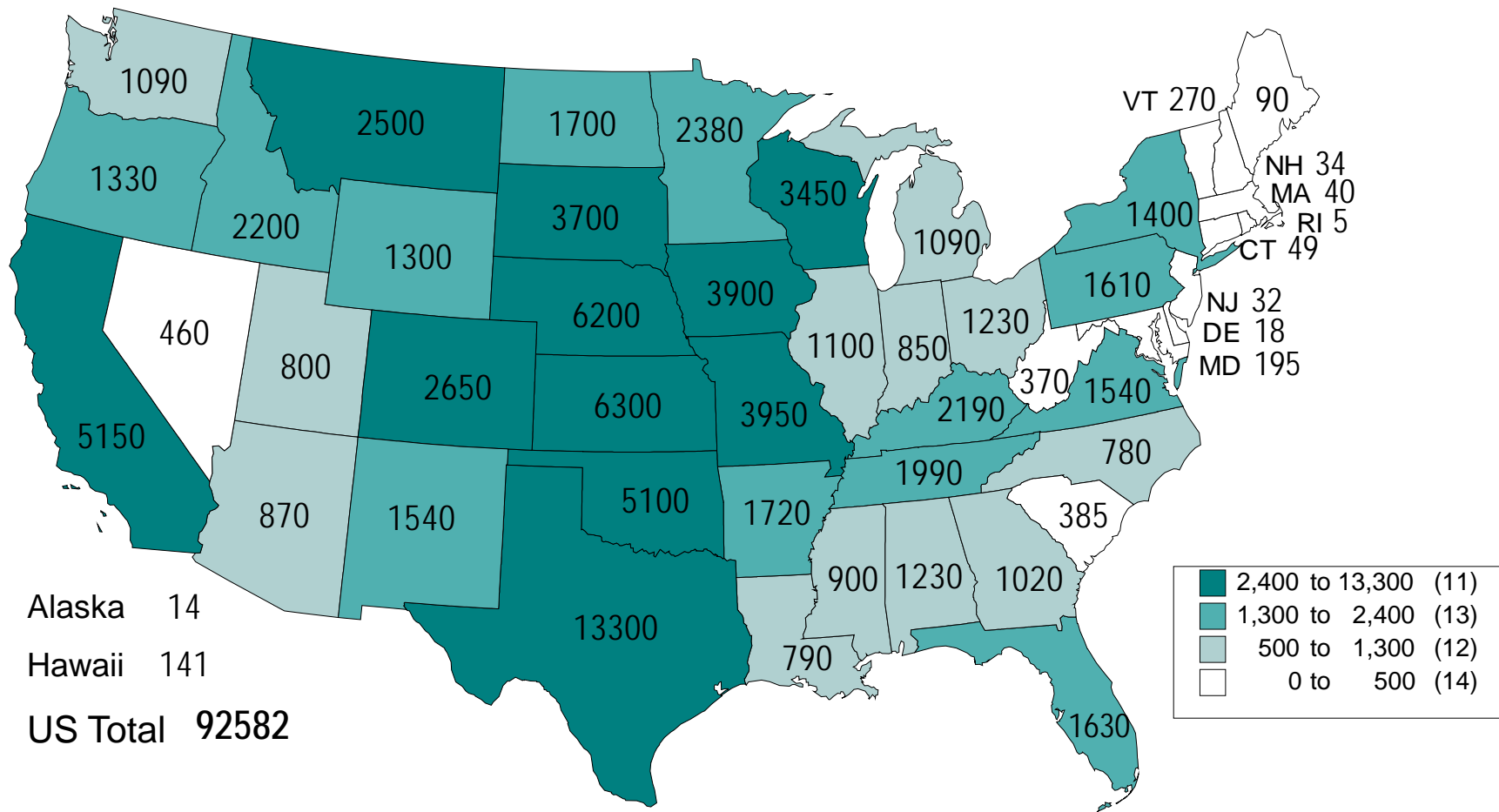


Data Source: KSU Focus on Feedlots, Compiled by LMIC

08/01/11



TOTAL CATTLE NUMBERS JANUARY 1, 2011 (1000 Head)



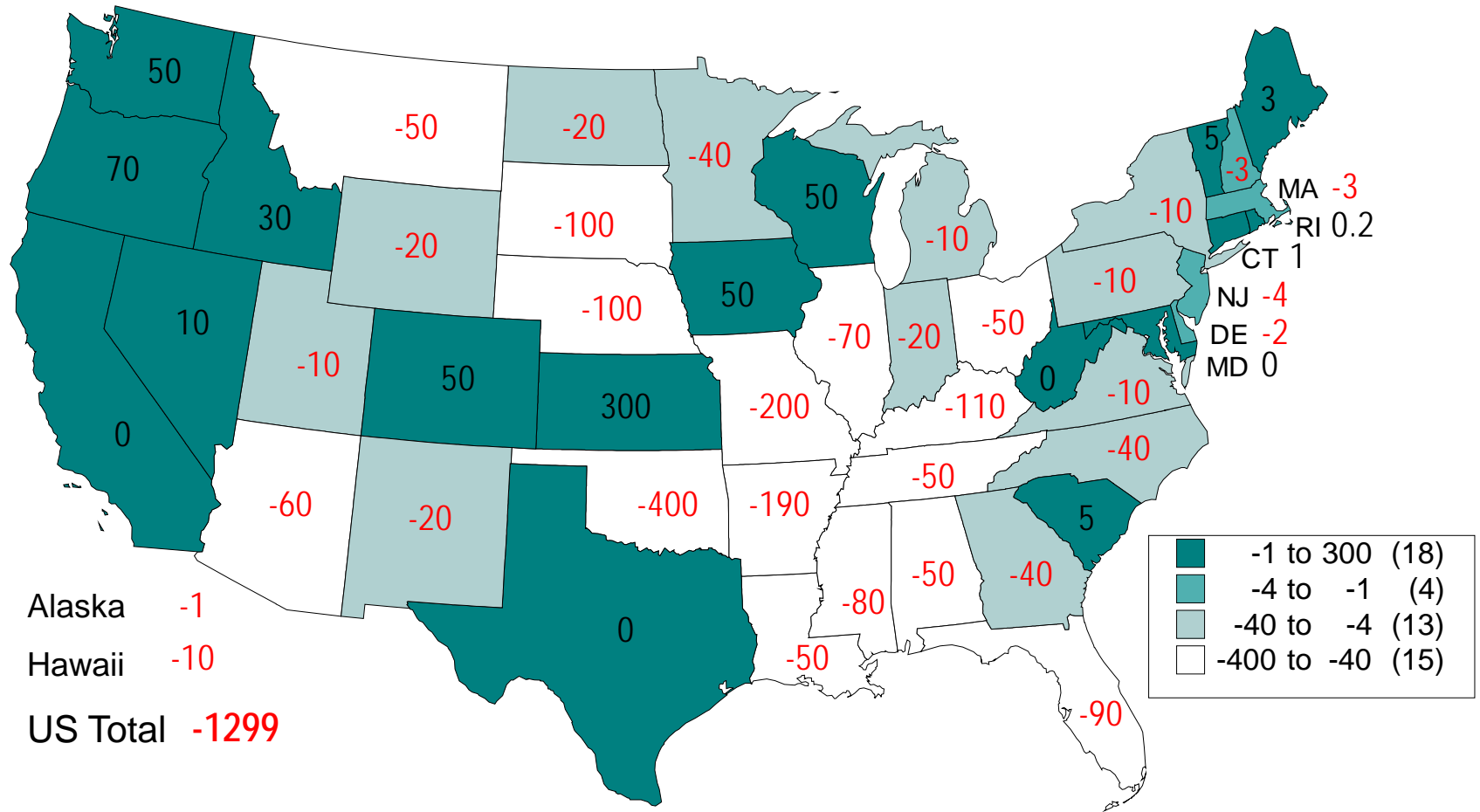
Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-23
01/28/11



CHANGE IN TOTAL CATTLE NUMBERS 2010 - 2011 (1000 Head)



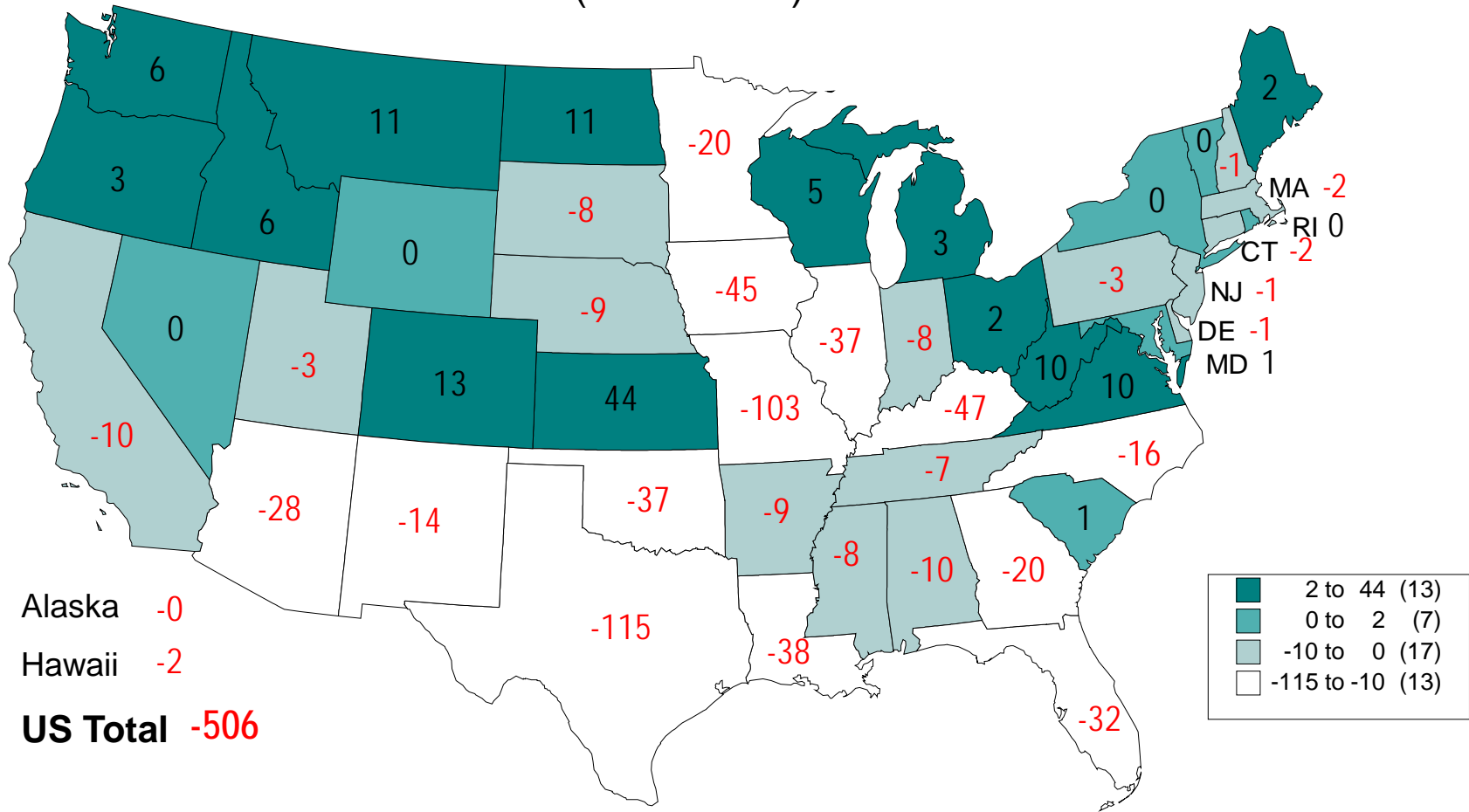
Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-14
01/28/11



CHANGE IN BEEF COW NUMBERS JANUARY 1, 2010 TO JANUARY 1, 2011 (1000 Head)



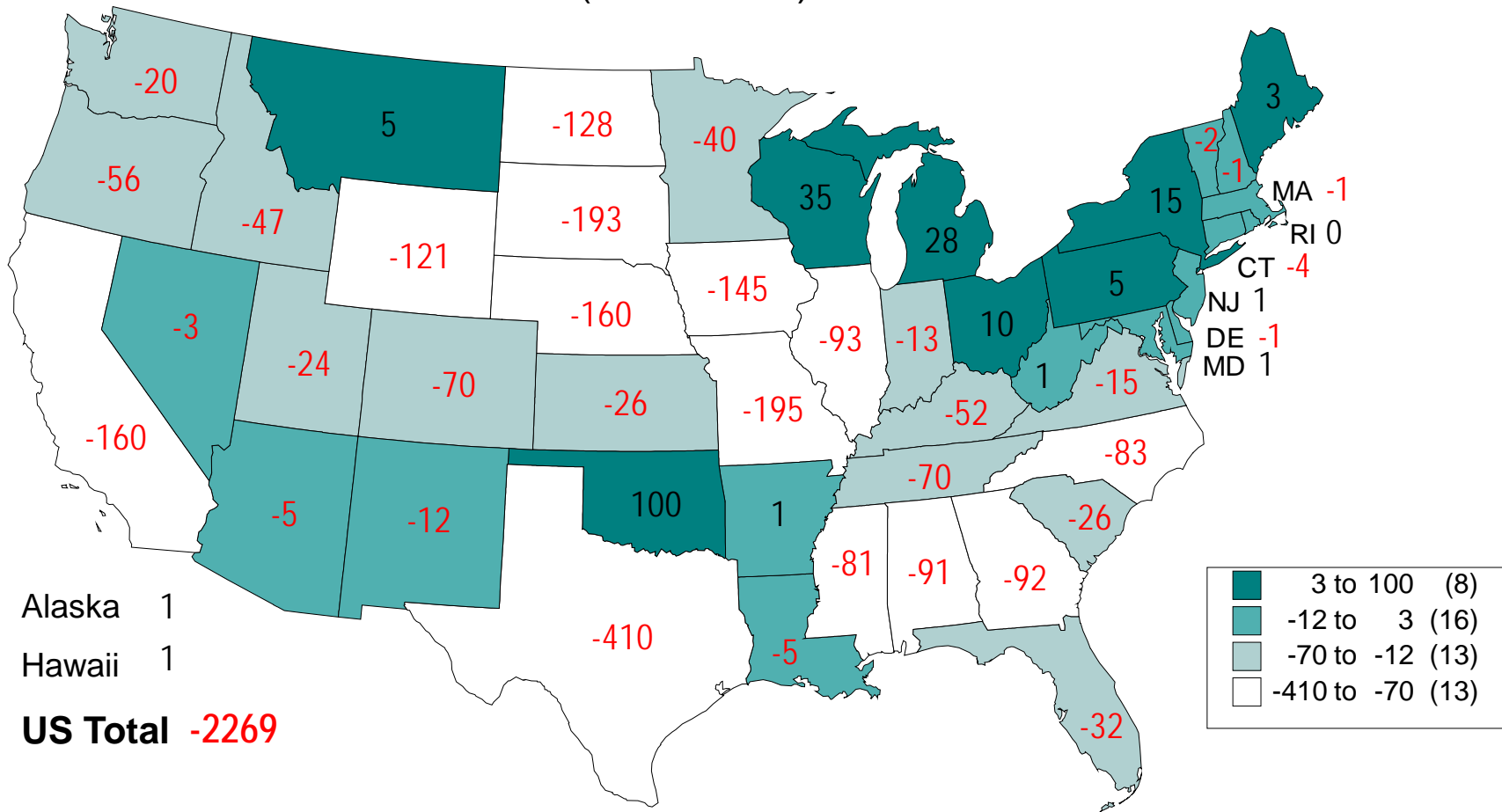
Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-28
01/28/11



CHANGE IN BEEF COW NUMBERS JANUARY 1, 2002 TO JANUARY 1, 2011 (1000 Head)



Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-29
01/28/11

