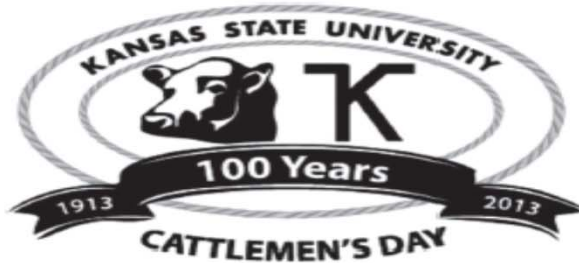


CATTLEMEN'S DAY 2013

100TH ANNUAL

Kansas State University
Agricultural Experiment Station
Cooperative Extension Service



Animal Sciences & Industry
Weber Hall
Manhattan, Kansas

Cattle Market Short Run Outlook and Long Term Prospective

March 1, 2013

**Ted Schroeder & Glynn Tonsor
Agricultural Economics**



Overarching 2013 Economic Outlook

- Certain Supplies & Uncertain Demand Strength
- Dry Weather Persistence or Recovery?
- Additional Excess Capacity Resolution?
- Uncertainty Abound



Economic Outlook Overview: Cow-Calf Sector

- 2013 market will reflect:
 - tight supplies, water & forage prospects, expansion possibilities, and updating meat demand signals... **oh my....**
- Widening between returns of top and bottom 1/3 of producers
 - Cost management drives majority of differences in returns
 - [http://www.agmanager.info/livestock/budgets/production/beef/Cow-calf_EnterpriseAnalysis\(Nov2012\).pdf](http://www.agmanager.info/livestock/budgets/production/beef/Cow-calf_EnterpriseAnalysis(Nov2012).pdf)
 - Direct implication for who will lead any herd expansion
 - \$100 cost/cow difference = +/- \$400/cow difference in NPV of purchased replacements
 - <http://www.agmanager.info/livestock/budgets/production/default.asp#Beef Cattle>



Economic Outlook Overview : Stockers

- Historically high Values of Gain (VOG)
 - But also historically high Costs of Gain (COG)...
 - Recognize the growing value of your “paid for” pasture...
- VOG Projections (as of 3/1/13):
 - 700 (3/1) to 750 (4/1) lbs = \$138/cwt
 - 550 (10/16) to 750 (1/15/14) lbs = \$127/cwt
 - http://www.agmanager.info/livestock/budgets/production/beef/KSU_FactSheet_ValueOfGainForecastingApproaches.pdf
 - <http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>



Economic Outlook Overview: Feedlots

- 2012 closeouts were at historically high losses...
 - 12 month rolling avg. thru Dec. 12' **-\$132.03**
 - <http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>
- Excess capacity concerns remain & are growing...
 - Drought & Mexican feeder supplies:
 - mitigated this initially / magnifying it now and going forward ...
 - Cow herd appears to slowly be moving northwest
 - NASS reduced 1000+ Total Capacity by only 100k



Quarterly Forecasts (LMIC:02/17/13)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2012						
I	8,027	-3.5	782.7	1.5	6,283	-2.0
II	8,311	-3.8	779.1	2.6	6,475	-1.3
III	8,332	-4.6	790.3	2.5	6,584	-2.3
IV	8,281	-1.4	793.5	2.6	6,571	1.2
Year	32,950	-3.3	786.4	2.3	25,912	-1.1
2013						
I	7,730	-3.7	791.5	1.1	6,118	-2.6
II	7,907	-4.9	780.1	0.1	6,168	-4.7
III	7,948	-4.6	796.3	0.8	6,329	-3.9
IV	7,695	-7.1	798.6	0.6	6,145	-6.5
Year	31,280	-5.1	791.6	0.7	24,760	-4.4
2014						
I	7,204	-6.8	799.6	1.0	5,760	-5.9
II	7,434	-6.0	787.3	0.9	5,853	-5.1
III	7,515	-5.4	804.9	1.1	6,049	-4.4
IV	7,279	-5.4	806.7	1.0	5,872	-4.4
Year	29,432	-5.9	799.6	1.0	23,534	-5.0

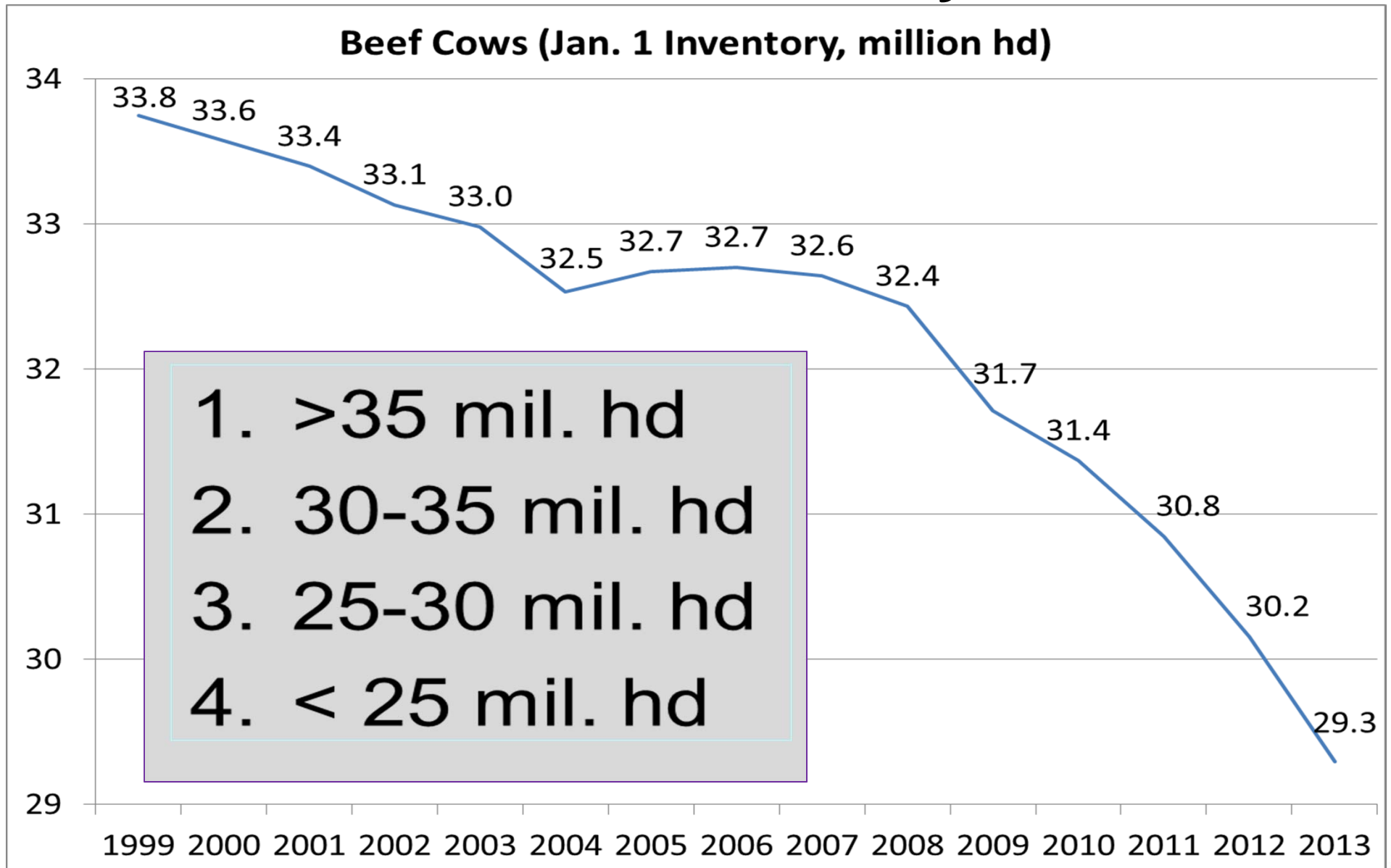


Quarterly Forecasts (LMIC:02/17/13)

Year Quarter	Live Sltr. Steer Price	% Chg. from	Feeder Steer Price Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
2012				
I	125.29	13.78	154.25	182.41
II	120.91	7.21	152.65	178.65
III	119.69	4.94	141.82	150.57
IV	125.54	2.91	146.50	161.42
Year	122.86	7.08	148.81	168.26
2013				
I	126-128	1.4	147-149	168-172
II	127-130	6.3	147-152	170-175
III	126-130	6.9	149-155	168-176
IV	128-133	4.0	151-158	166-174
Year	127-130	4.6	149-153	168-174
2014				
I	132-138	6.3	155-163	175-184
II	134-141	7.0	158-168	178-190
III	132-140	6.3	159-170	174-187
IV	134-143	6.1	157-169	171-185
Year	134-140	6.6	159-166	177-184



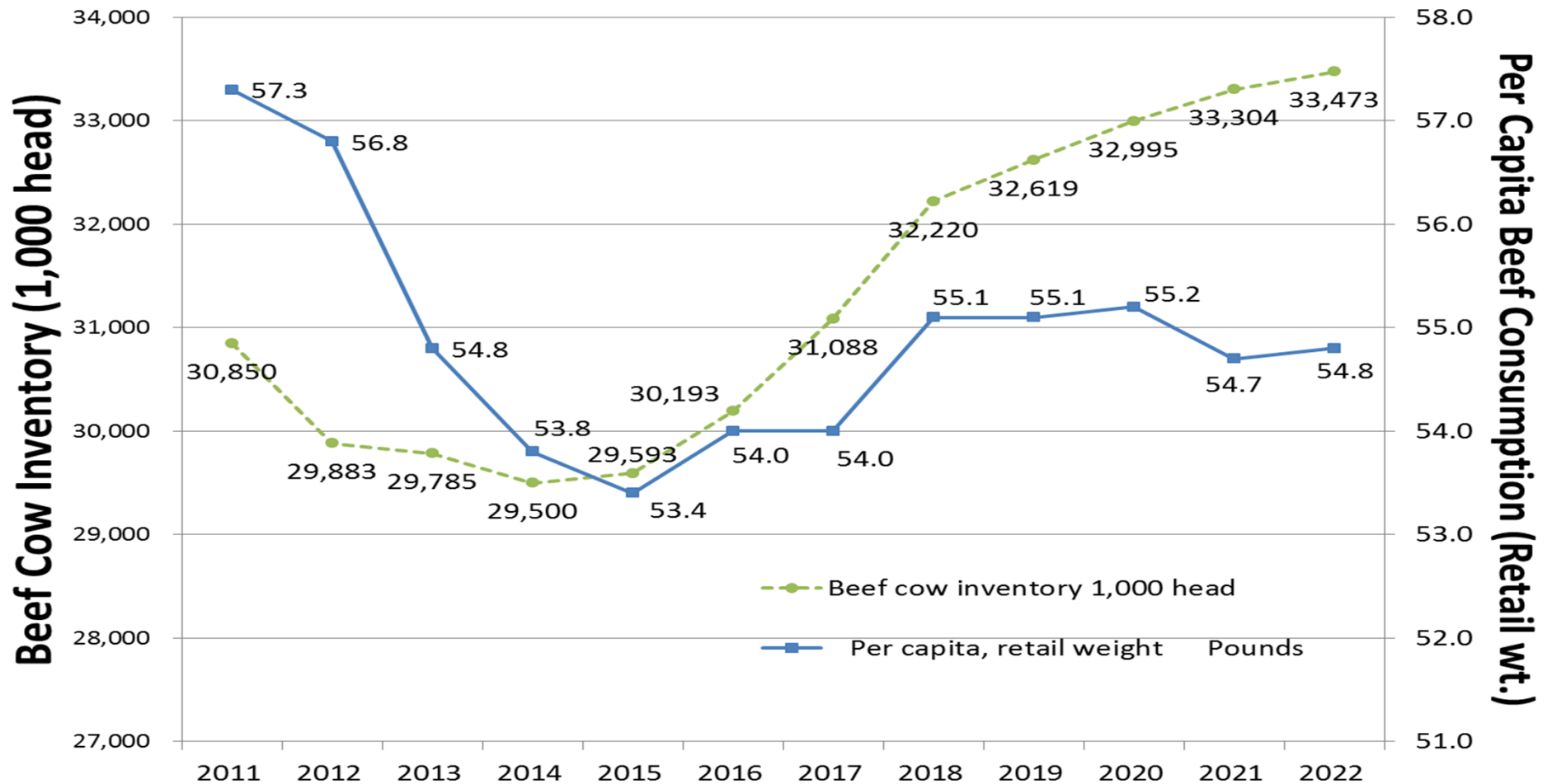
What will U.S. beef cow herd size be in 10 years?



Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

2021 Projection 1.1 million less than Feb. 12'



IF 2013 per capita consumption falls from 56.8 lbs to 54.8 lbs (-3.52%)

AND IF 2013 All Fresh Beef price increases by +4.28% (\$4.89/lb) = 0% Demand Change...



Who will win the Big-12 men's basketball tournament?

1. The best team
2. Our favorite team
3. K-State
4. **All the above are true**



Who is going to be the world's largest beef importer (lbs) in 10 years?

1. Russia
2. Japan
3. North Africa + Middle East
4. Mexico
5. U.S.



Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

Importers: thousand metric tons, carcass weight	2011	2012	2013	2022	2012 to 2022 Total Growth	
Japan	745	746	750	762	2%	16
South Korea	431	375	405	569	52%	194
Taiwan	130	115	125	162	41%	47
Philippines	123	105	105	109	4%	4
Other Asia	461	538	573	912	70%	374
European Union 1/	367	350	350	336	-4%	-14
Russia	1,065	1,070	1,080	1,191	11%	121
Other Europe	67	57	57	65	14%	8
Egypt	217	230	230	311	35%	81
Other N. Africa & M. East	793	728	761	1,259	73%	531
Mexico	265	300	325	542	81%	242
Canada	282	285	290	322	13%	37
United States	933	1,017	1,188	1,556	53%	539
Major importers	5,879	5,916	6,239	8,098	37%	2,182

1/ Covers EU-27. Excludes intra-EU trade.

The projections were completed in November 2012.



Longer-term projections (as of Feb. 2013)

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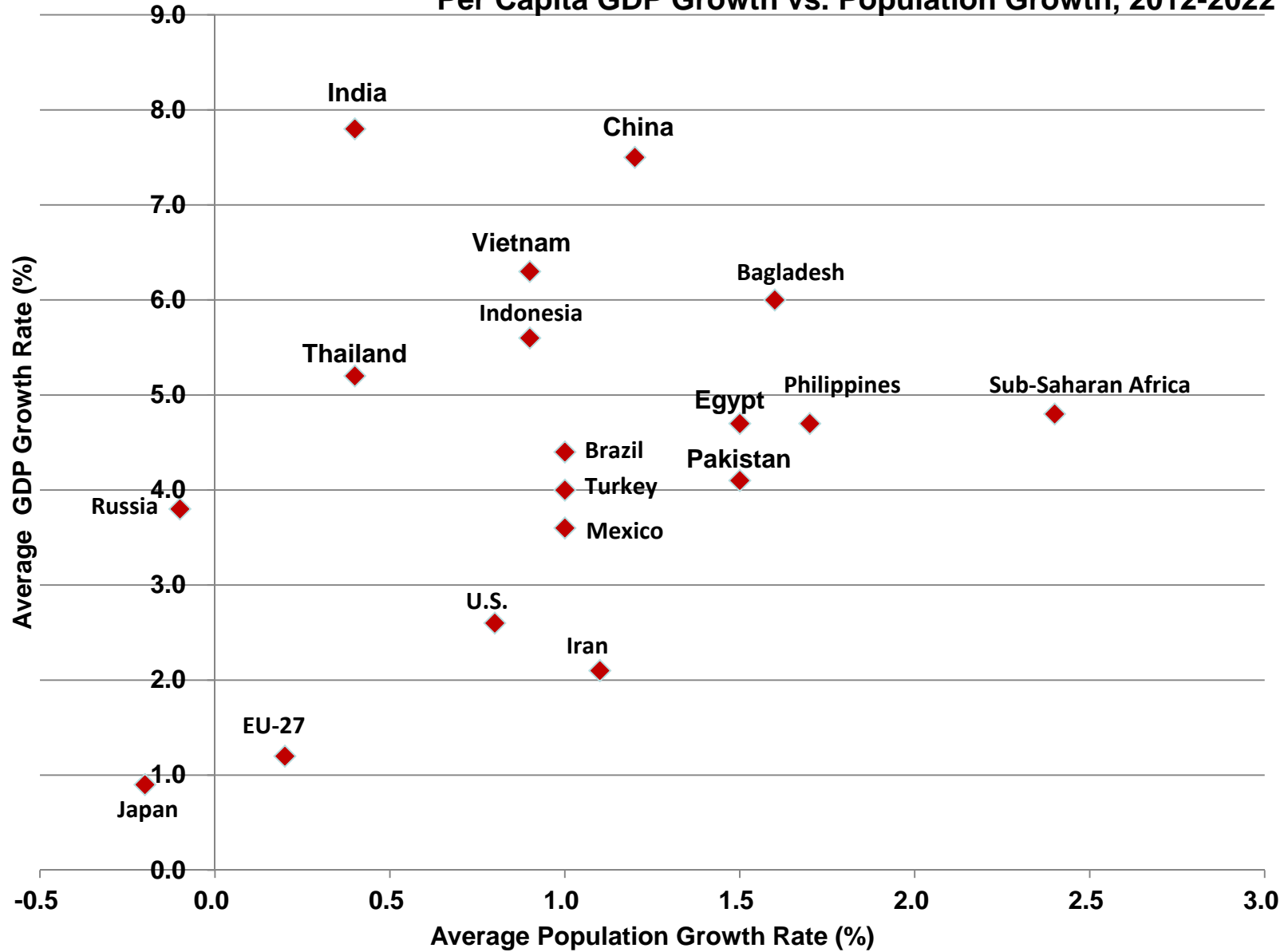
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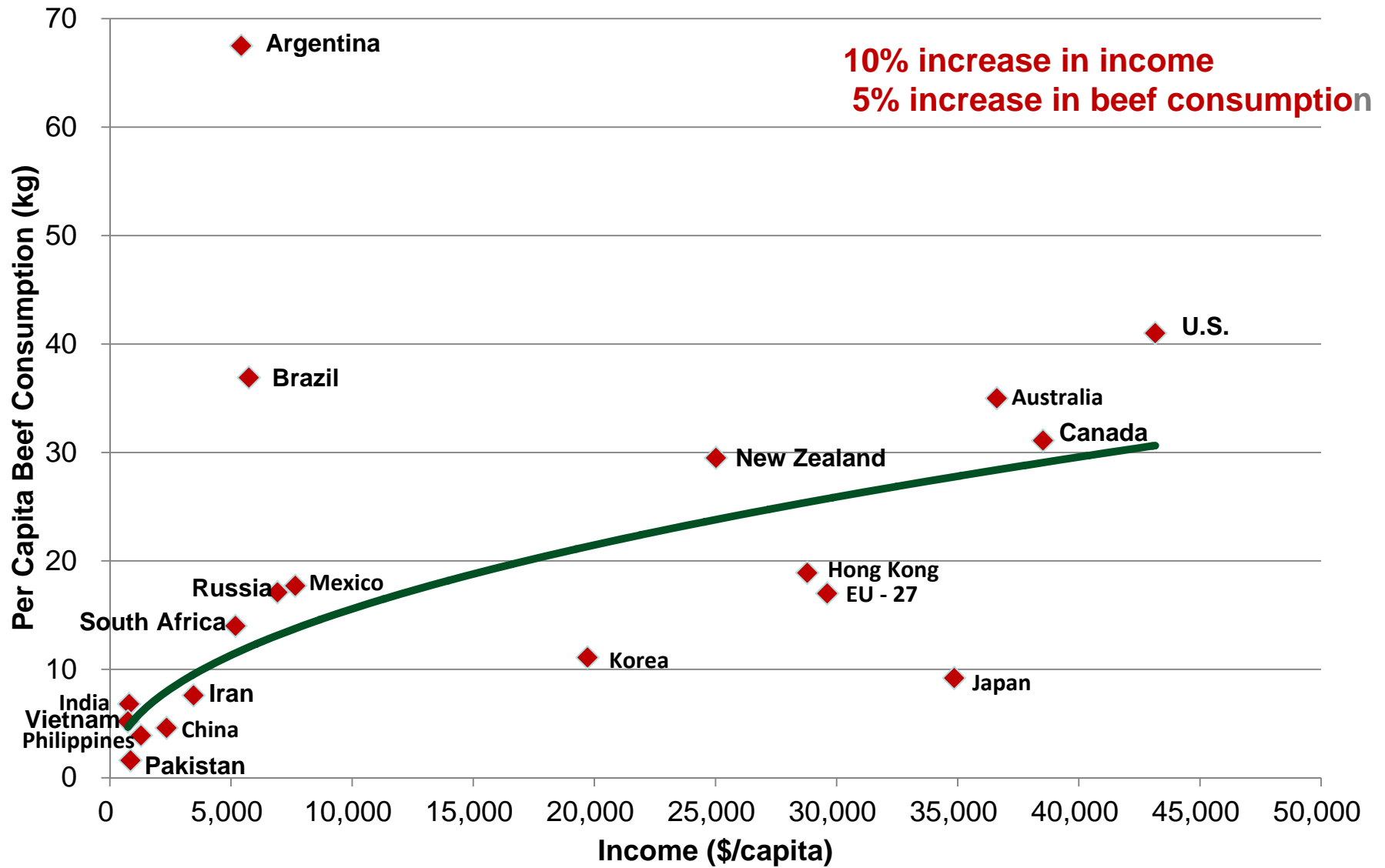
The projections were completed in November 2012.



Per Capita GDP Growth vs. Population Growth, 2012-2022



Per Capita Beef Consumption and Income, Selected Countries, 2008



Source: USDA-FAS



Who is going to be the world's largest beef exporter (lbs) in 10 years?

1. Australia
2. Brazil
3. India
4. U.S.



Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

Exporters: thousand metric tons, carcass weight	2011	2012	2013	2022	2012 to 2022 Total Growth	
Australia	1,410	1,380	1,410	1,435	4%	55
New Zealand	503	521	529	574	10%	53
India	1,294	1,680	2,120	2,865	71%	1,185
Other Asia	128	118	117	135	15%	17
European Union 1/	449	310	300	253	-18%	-57
Argentina	213	170	180	360	112%	190
Brazil	1,340	1,394	1,450	1,887	35%	493
Canada	426	395	415	513	30%	118
United States	1,263	1,120	1,111	1,482	32%	362
Major exporters	7,026	7,088	7,632	9,505	34%	2,417

1/ Covers EU-27. Excludes intra-EU trade.

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The projections were completed in November 2012

**This increase alone adds
~ \$6/cwt or \$75-\$80/head to fed cattle price
*all else constant***



What does this mean for U.S. beef Industry?

Next 12-18 months

- Should be profit opportunities on the horizon if
 - domestic demand can hold
 - exports can hold
 - drought recovery

Who will enjoy what share of the profits (cow-calf, background, feedlots, packers, retailers) less certain



What does this mean for U.S. beef Industry?

Next 10 years +

- Will industry continue to decline and ultimately lose more fixed production capacity?
- Don't see large domestic demand changes
- Projected increased importance of export market
 - Export market fragile – be prepared for disruptions
 - The world is diverse with marked variation in preferences
(varied importance of price
cut preference
quality
phytosanitary issues)
- Next generation has a hungry and increasingly affluent world population to feed....better get to work



How large will YOUR
operation (# hd) be in 10 years?

1. Larger than today
2. Same as today
3. Smaller than today



More information available at:



This presentation is available in PDF format at:

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



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About AgManager.info

AgManager.info website is a comprehensive source of information, analysis, and decision-making tools for agricultural producers, agribusinesses, and others. The site serves as a clearinghouse for applied outreach information emanating from the Department of Agricultural Economics at Kansas State University. It was created by combining departmental and faculty sites as well as creating new features exclusive to the AgManager.info site. The goal of this coordination is to improve the organization of web-based material and allow greater access for agricultural producers and other clientele.



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Regularly Updated Cattle Market Information

- **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

- **“In the Cattle Markets”**

- (<http://www.lmic.info/memberspublic/InTheCattleMarket/CattleMktsframe.html>)
- Weekly



K-State Decision Aides: Cattle Price Oriented

(<http://www.agmanager.info/Tools/default.asp>)

- Expectations on Future Cash Prices
 - <http://www.beefbasis.com/>
- Examine Feeder Cattle Risk Management Alternatives
 - *“K-State Feeder Cattle Risk Management Tool”*
- Project Premium/Discount of Calf/Steer Attributes
 - *“K-State Feeder Cattle Price Analyzer”*
- Stocker Breakeven Selling/Purchasing Prices
 - *“Cattle Breakeven Selling and Purchase Prices”*



Other K-State Decision Aides

(<http://www.agmanager.info/Tools/default.asp>)

- NPV of Beef Replacements
 - *“KSU-Beef Replacements”*
- Beef Cow Lease Agreements
 - *“KSU-CowLease”*
- Determining Flint Hills Pasture Rents
 - *“KSU-Graze.xls”*



webinars



TONSOR

WEBINAR

Beef-Cattle Economics

Co-Presented by



Sponsored by



Beef-Cattle Economics webinar series

Series of quarterly webinars on beef-cattle markets and other industry-related issues.

2013 schedule (all webinars begin at 1:30 CST)

February 14

May 14

August 13

November 5

For details about specific topics and registering for webinars see additional information on AgManager.info AND <http://www.meatingplace.com/Industry/Webinars>

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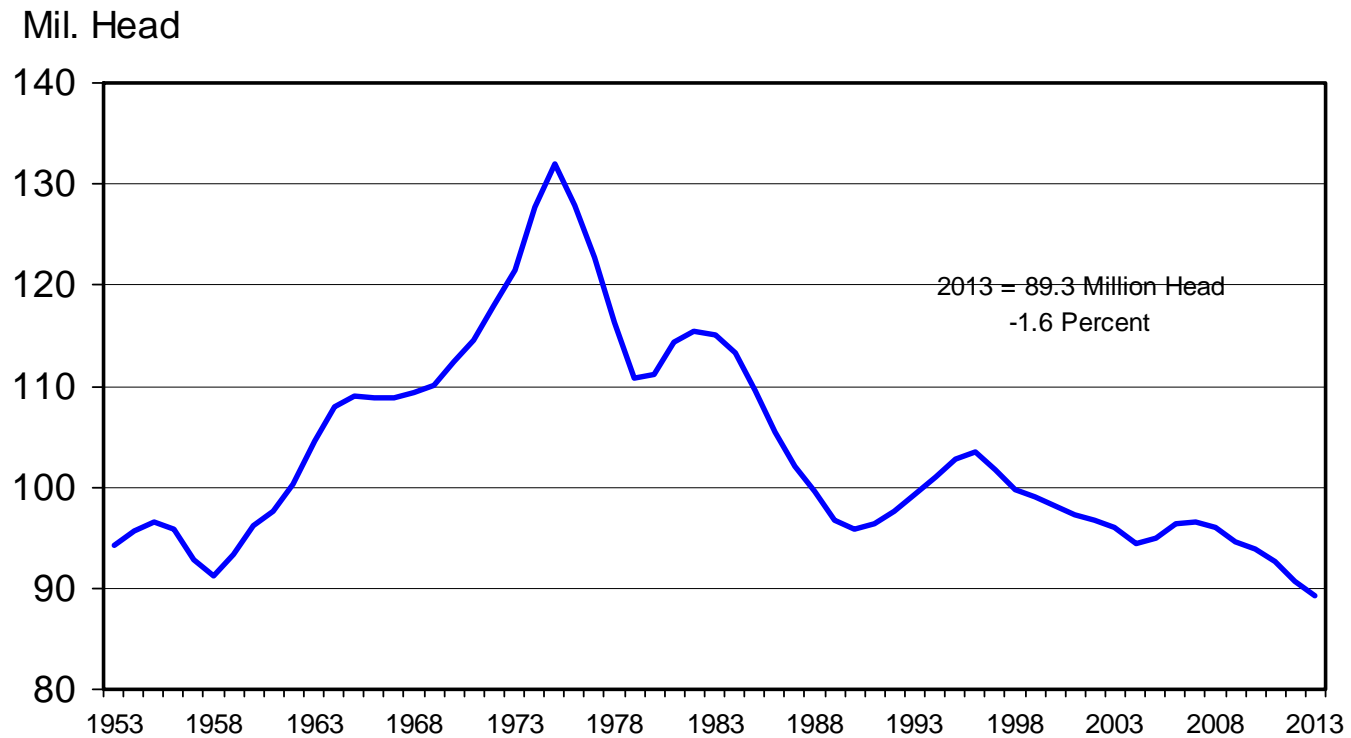


Other Resources



JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual



Livestock Marketing Information Center

Data Source: USDA-NASS

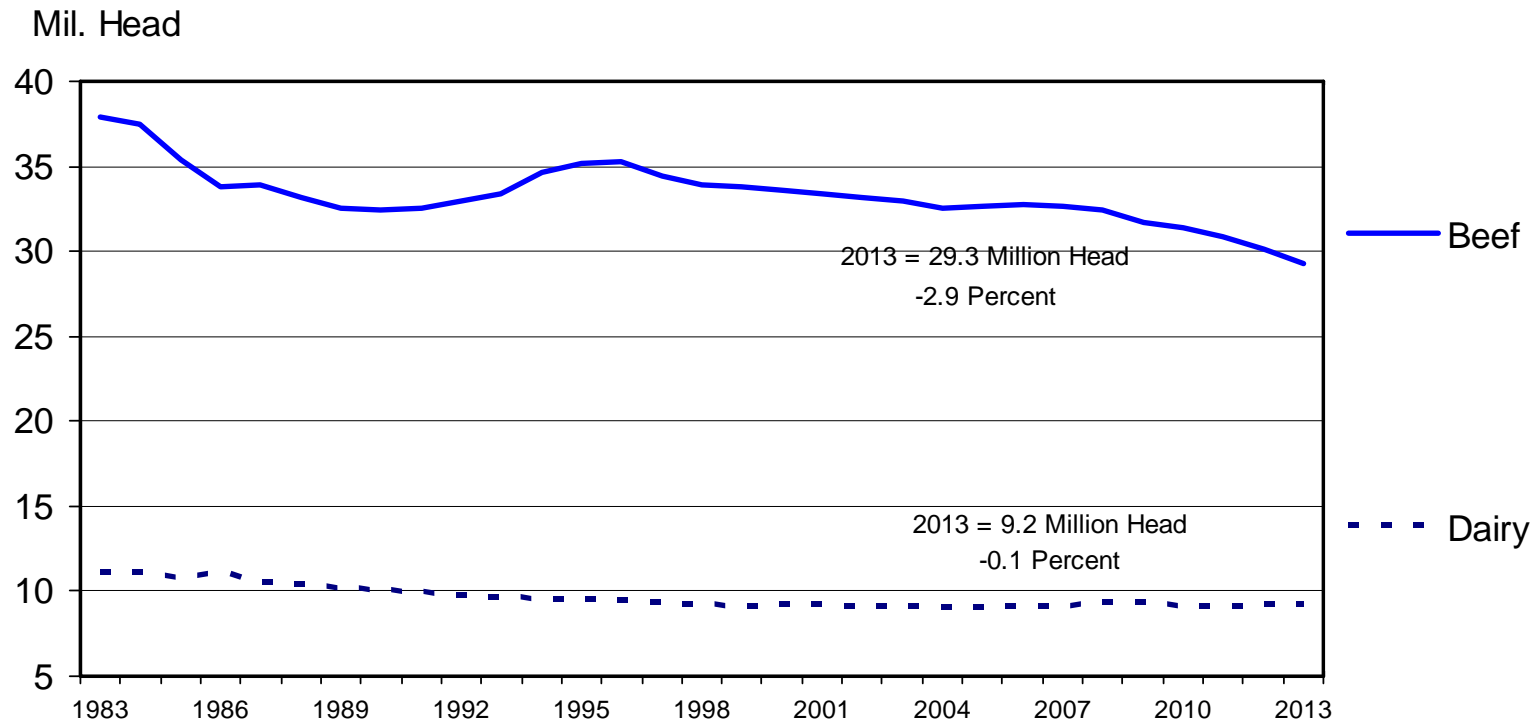
C-N-01
02/04/13

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JANUARY 1 COW INVENTORY

U.S., Annual



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-02
02/04/13

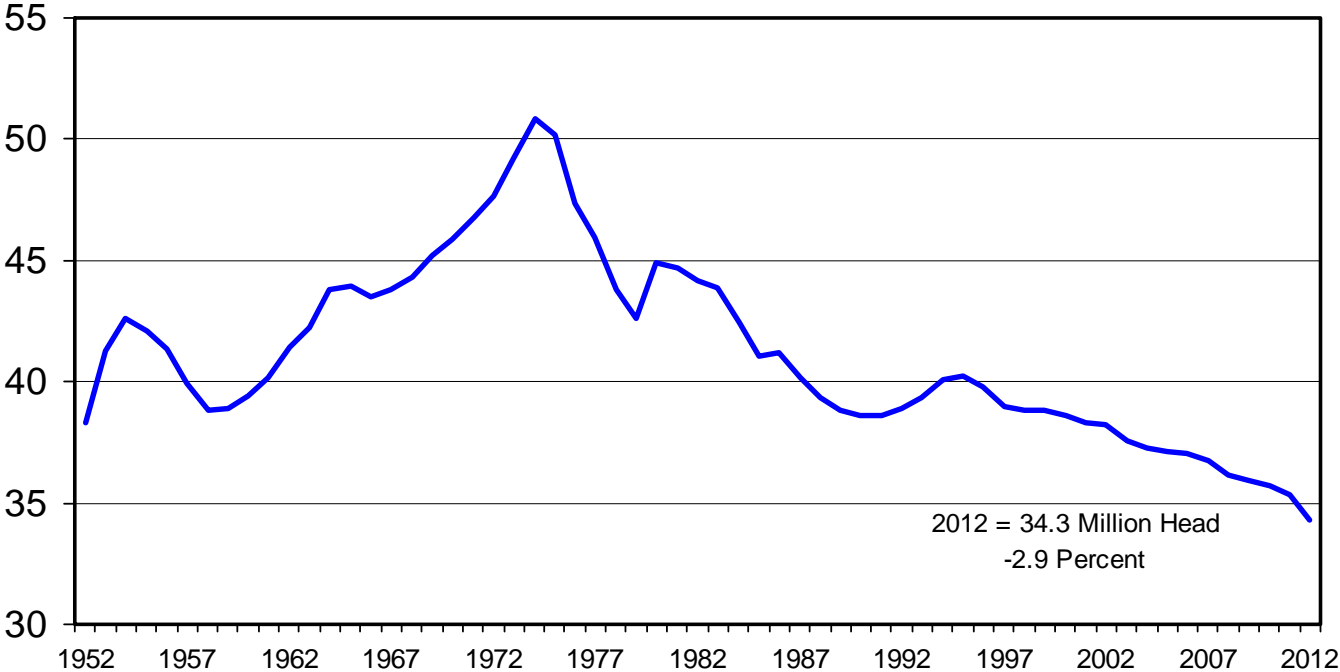
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CALF CROP

U.S., Annual

Mil. Head



Livestock Marketing Information Center

Data Source: USDA-NASS

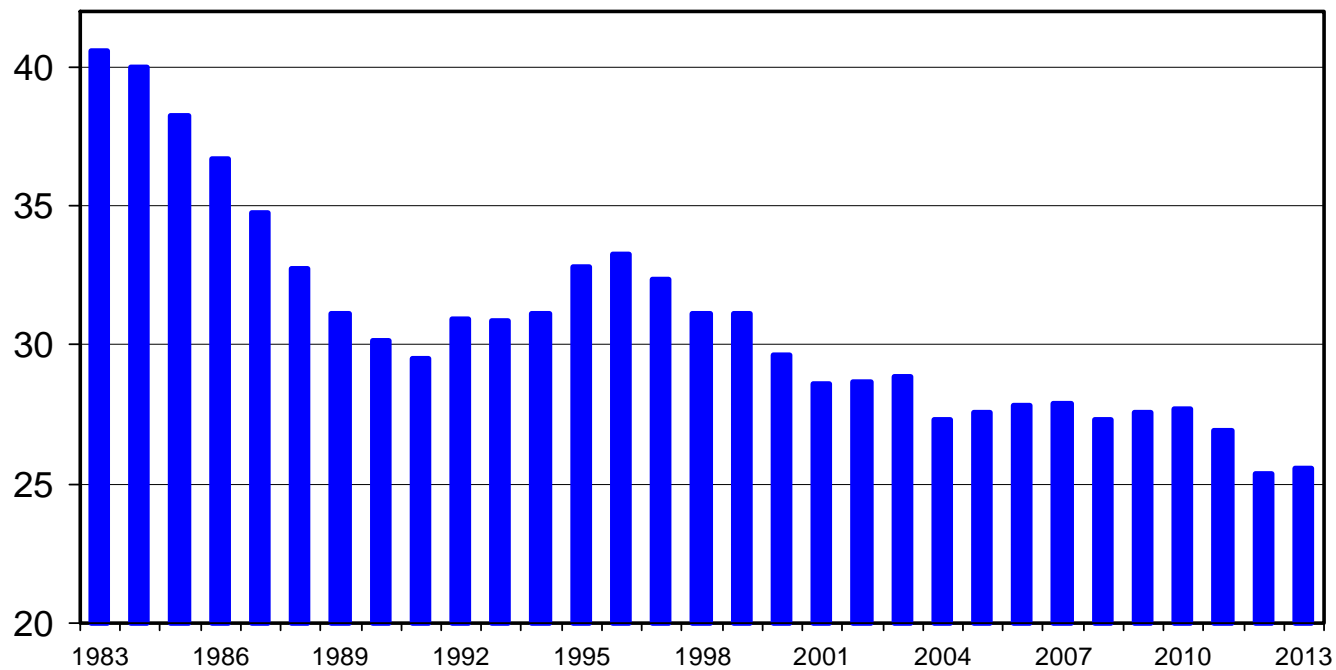
C-N-18A
02/04/13



JANUARY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

Mil. Head



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-30
02/04/13

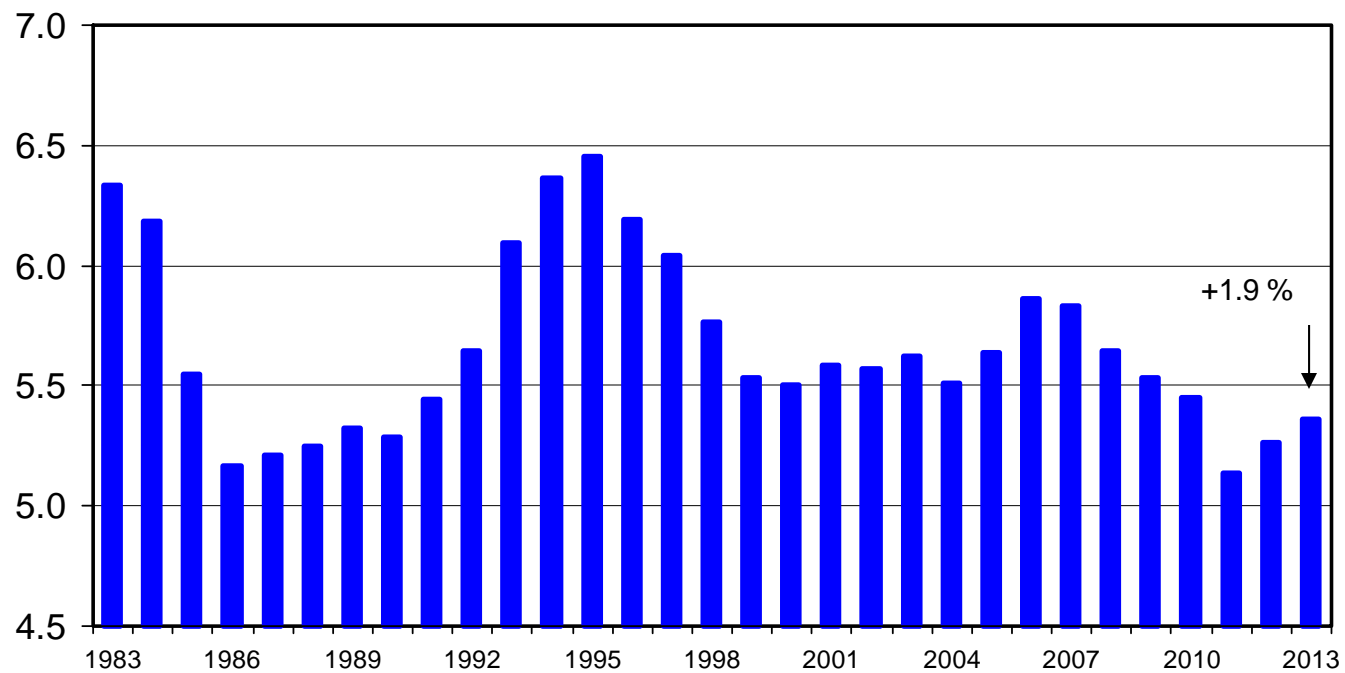
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HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

Mil. Head



Livestock Marketing Information Center

Data Source: USDA-NASS

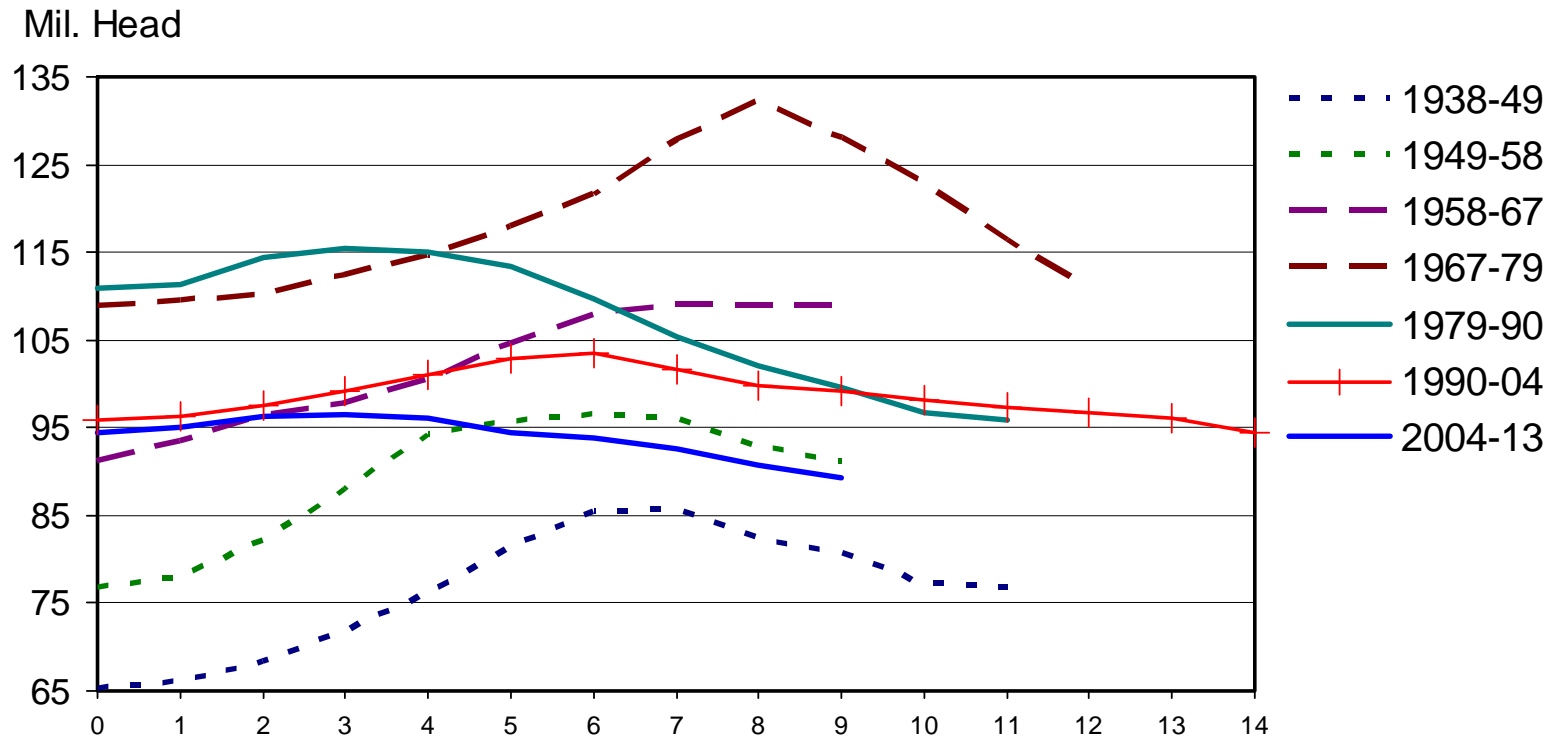
C-N-38
02/04/13

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TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



C-N-40
02/04/13

Livestock Marketing Information Center

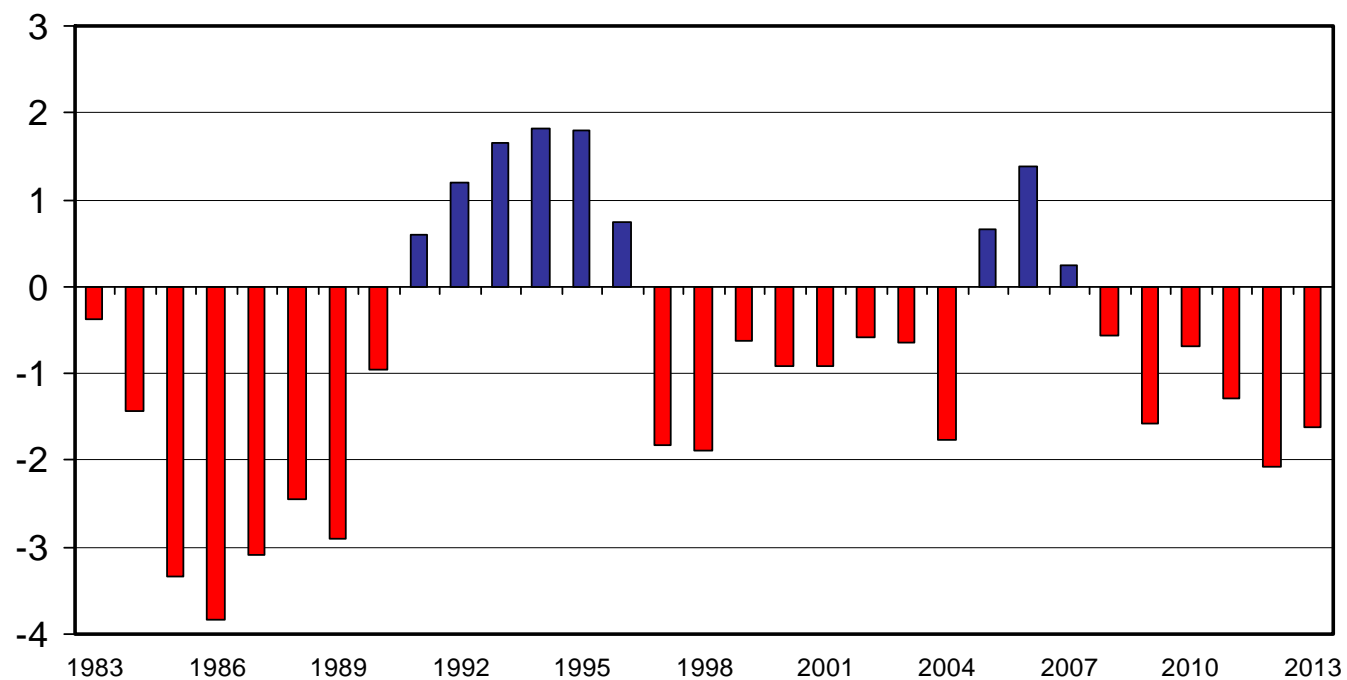
Data Source: USDA-NASS, Compiled & Analysis by LMIC

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PERCENT CHANGE IN CATTLE INVENTORY

U.S., January 1



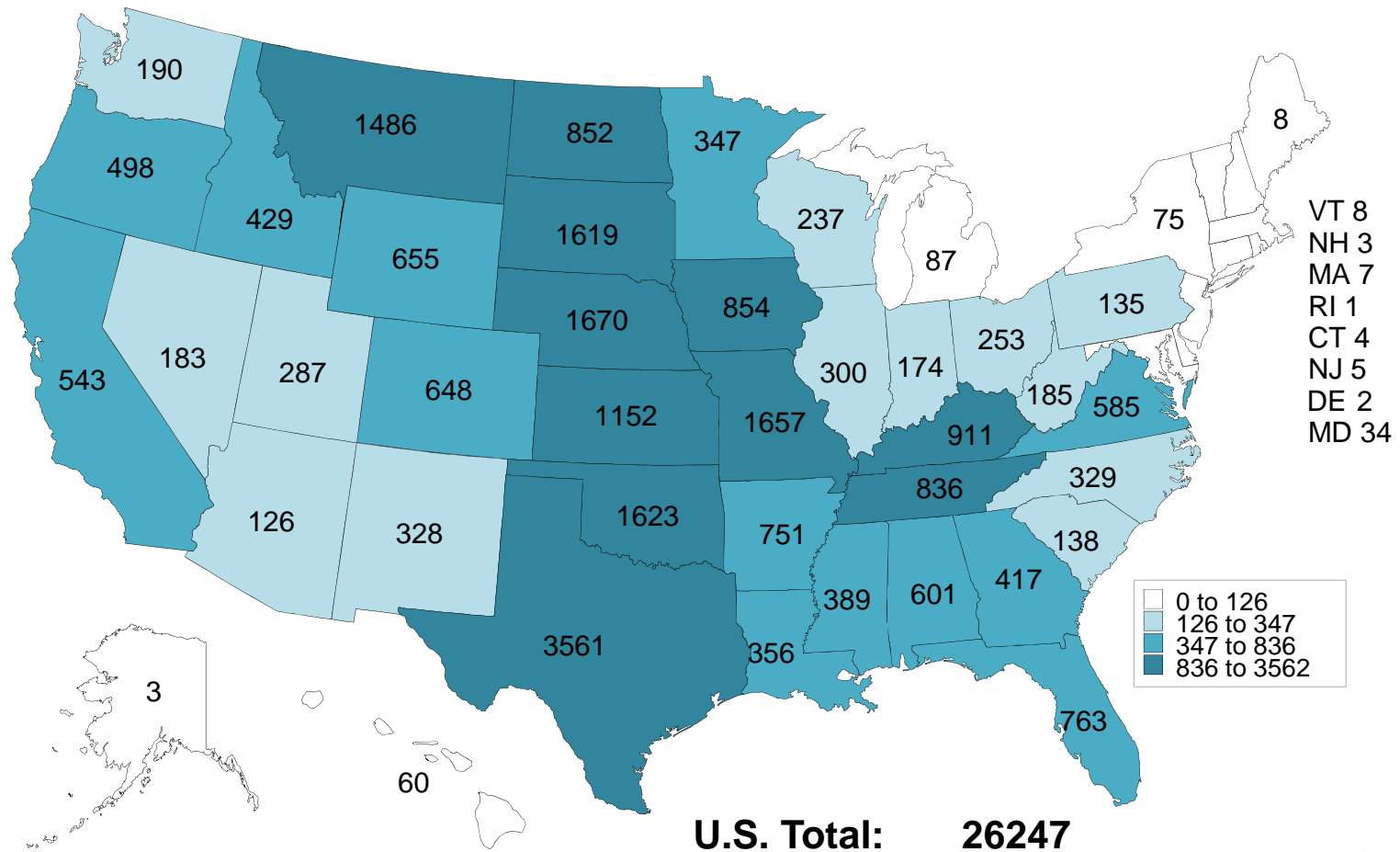
Livestock Marketing Information Center

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

C-N-48
02/04/13



CALCULATED BEEF CALF CROP 2013 (1000 Head)



Livestock Marketing Information Center

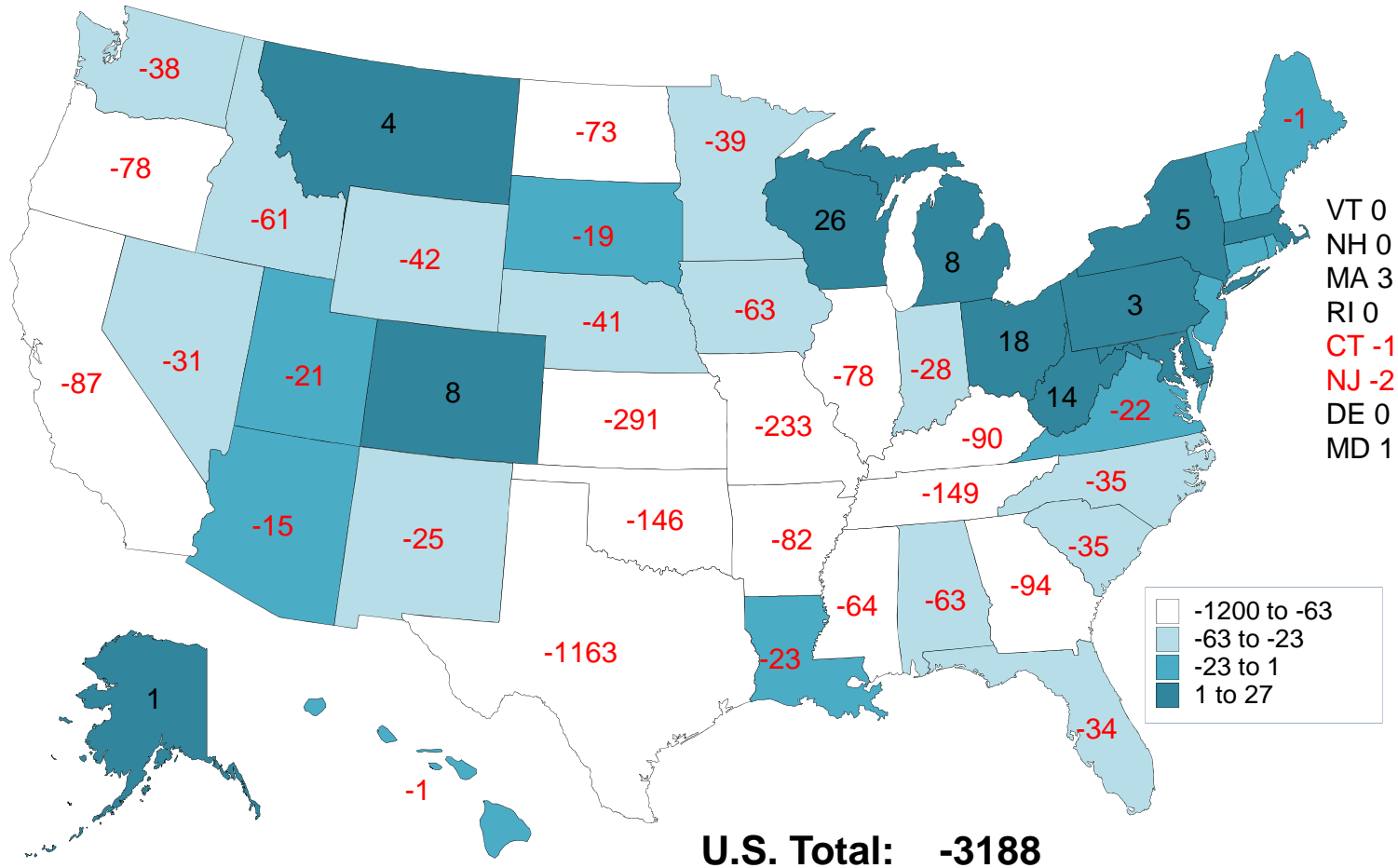
Data Source: USDA-NASS

C-N-17
02/04/13

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CHANGE IN BEEF CALF CROP 2003 - 2012 (1000 Head)



Livestock Marketing Information Center

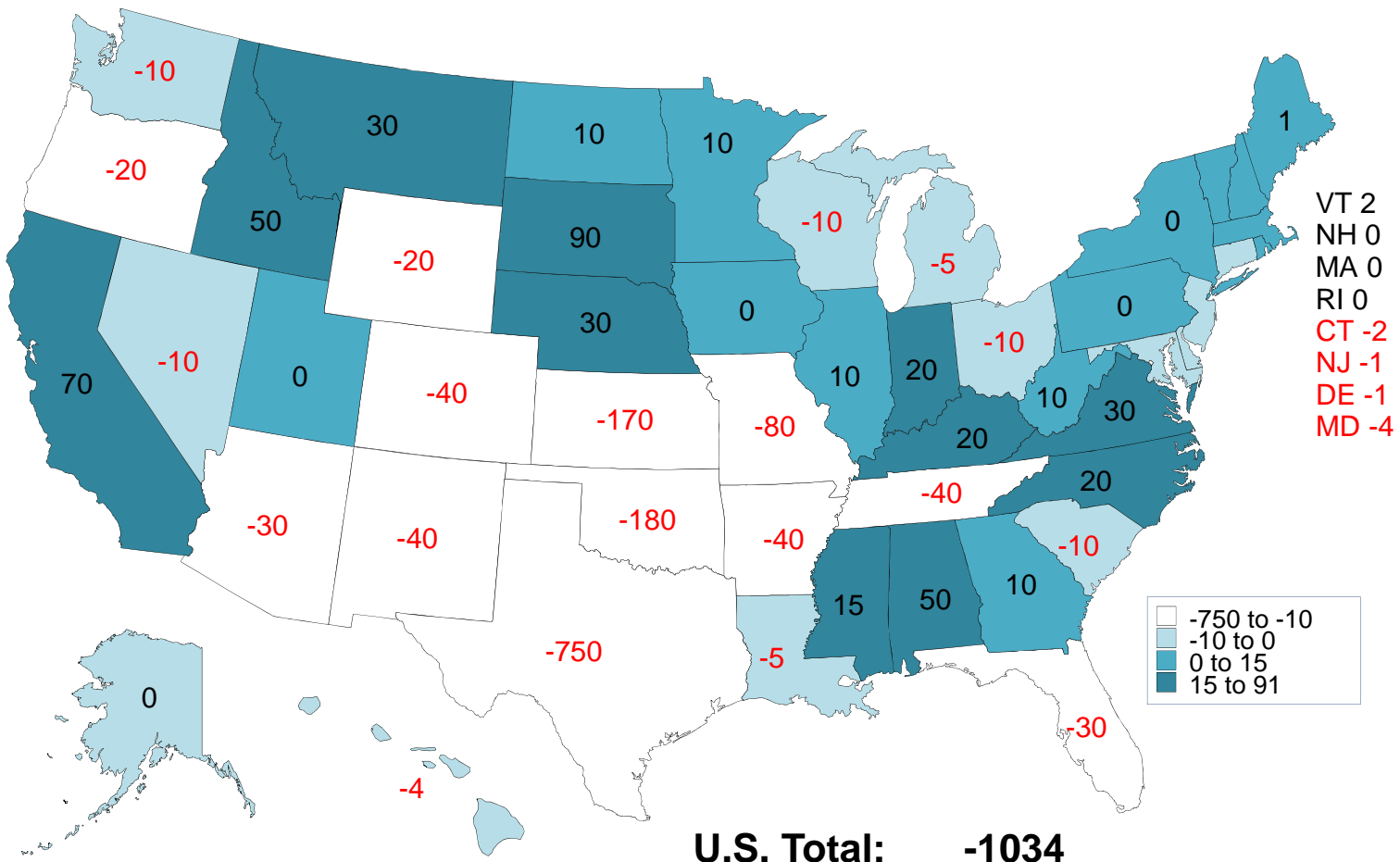
Data Source: USDA-NASS

C-N-20
02/04/13

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CHANGE IN TOTAL CALF CROP 2011 - 2012 (1000 Head)



U.S. Total: -1034

C-N-22
02/04/13

Livestock Marketing Information Center

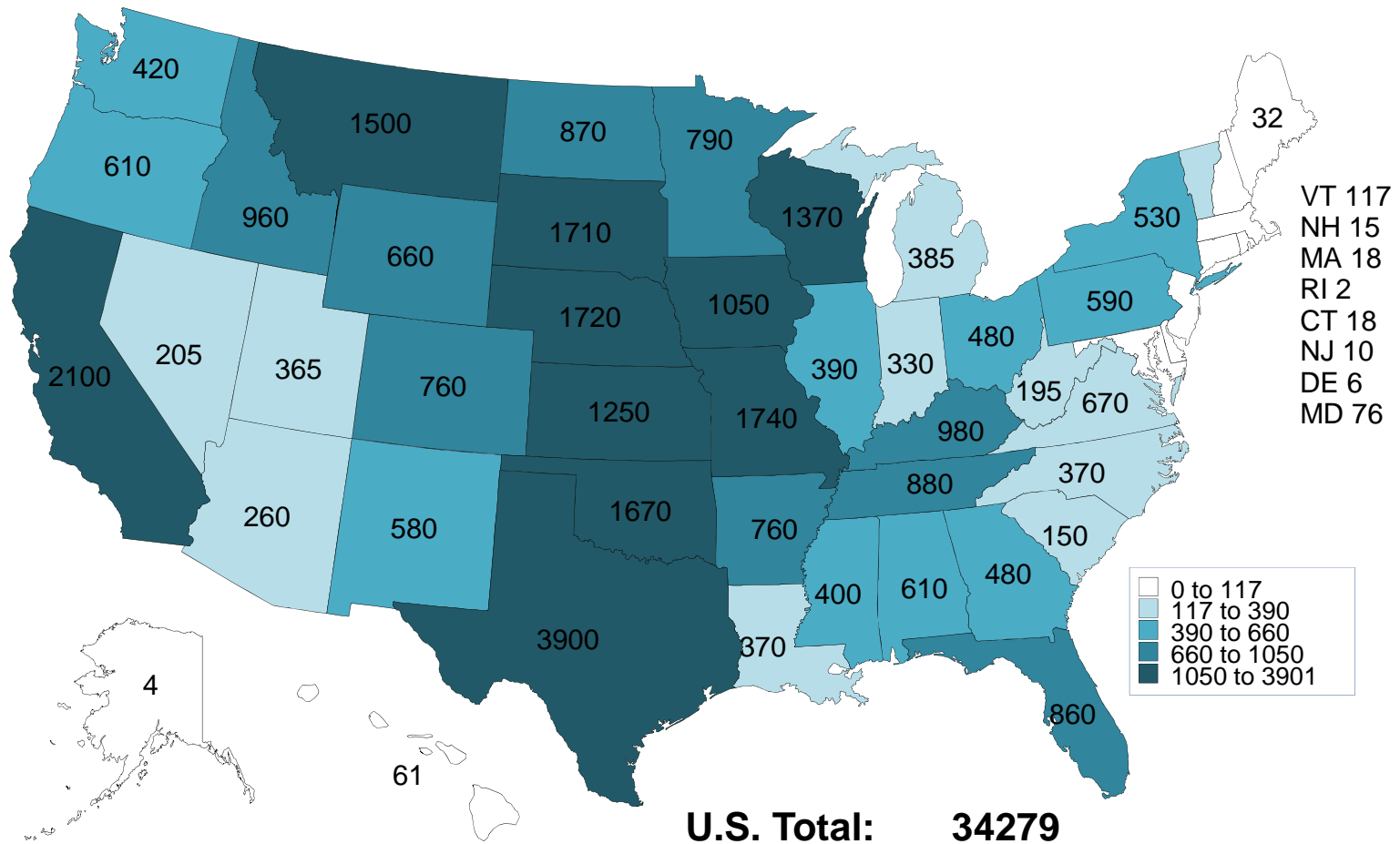
Data Source: USDA-NASS

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TOTAL CALF CROP 2012

(1000 Head)



Livestock Marketing Information Center

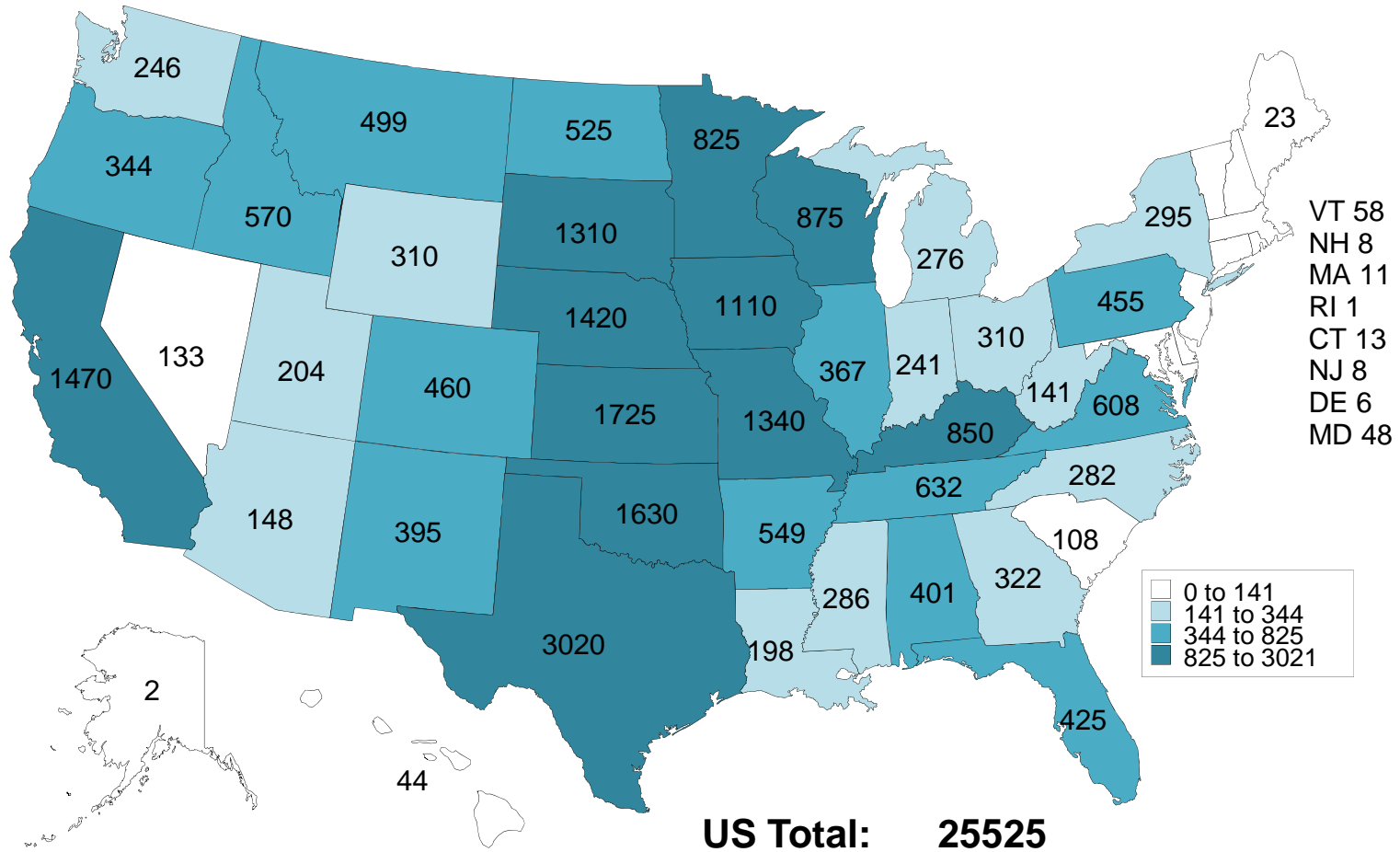
Data Source: USDA-NASS

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C-N-18
02/04/13

TOTAL FEEDER CATTLE SUPPLY OUTSIDE FEELOTS JANUARY 1, 2013 (1000 Head)



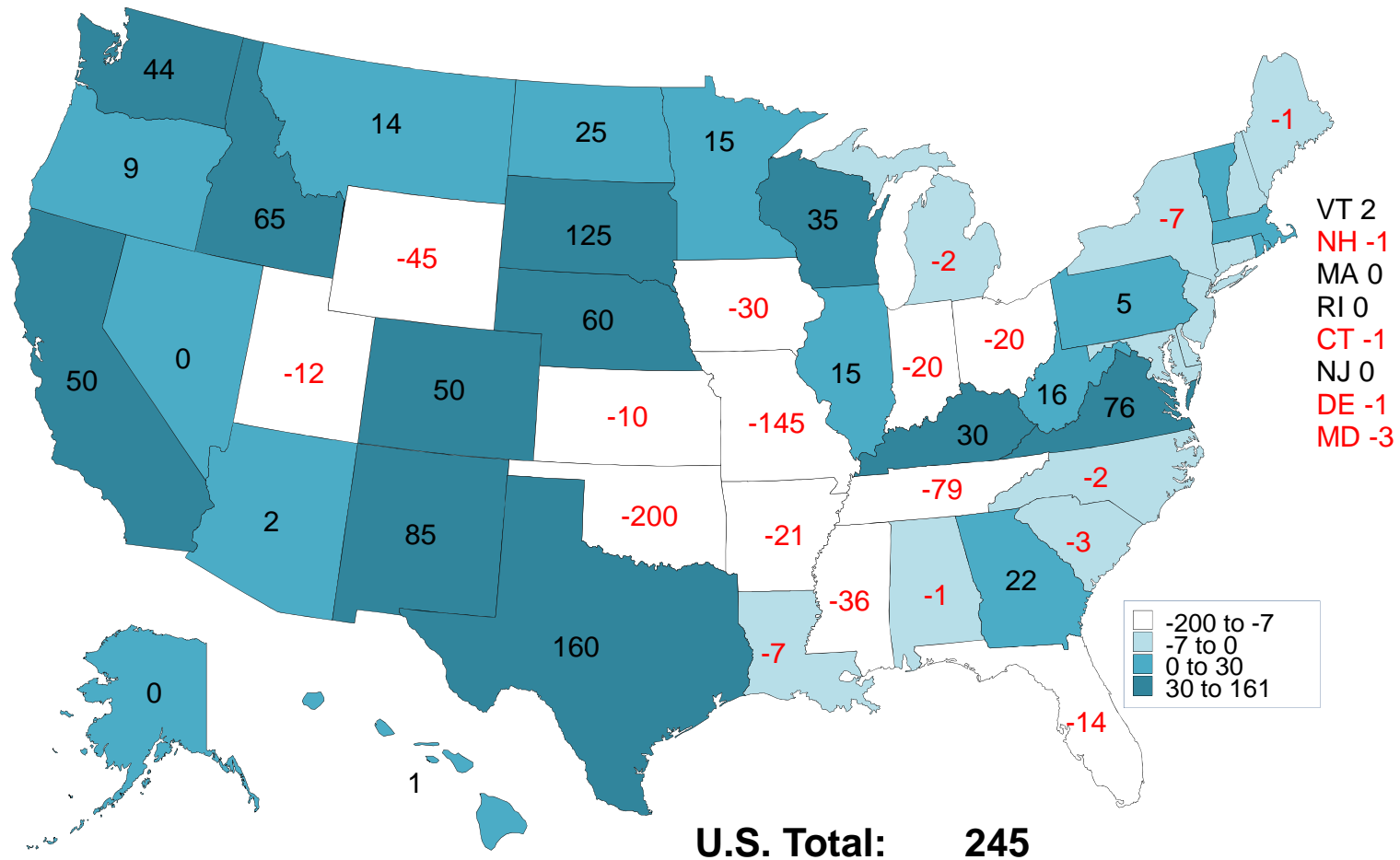
Livestock Marketing Information Center

Data Source: USDA-NASS

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CHANGE IN FEEDER CATTLE SUPPLY OUTSIDE FEELOTS JANUARY 1, 2013 (1000 Head)



Livestock Marketing Information Center

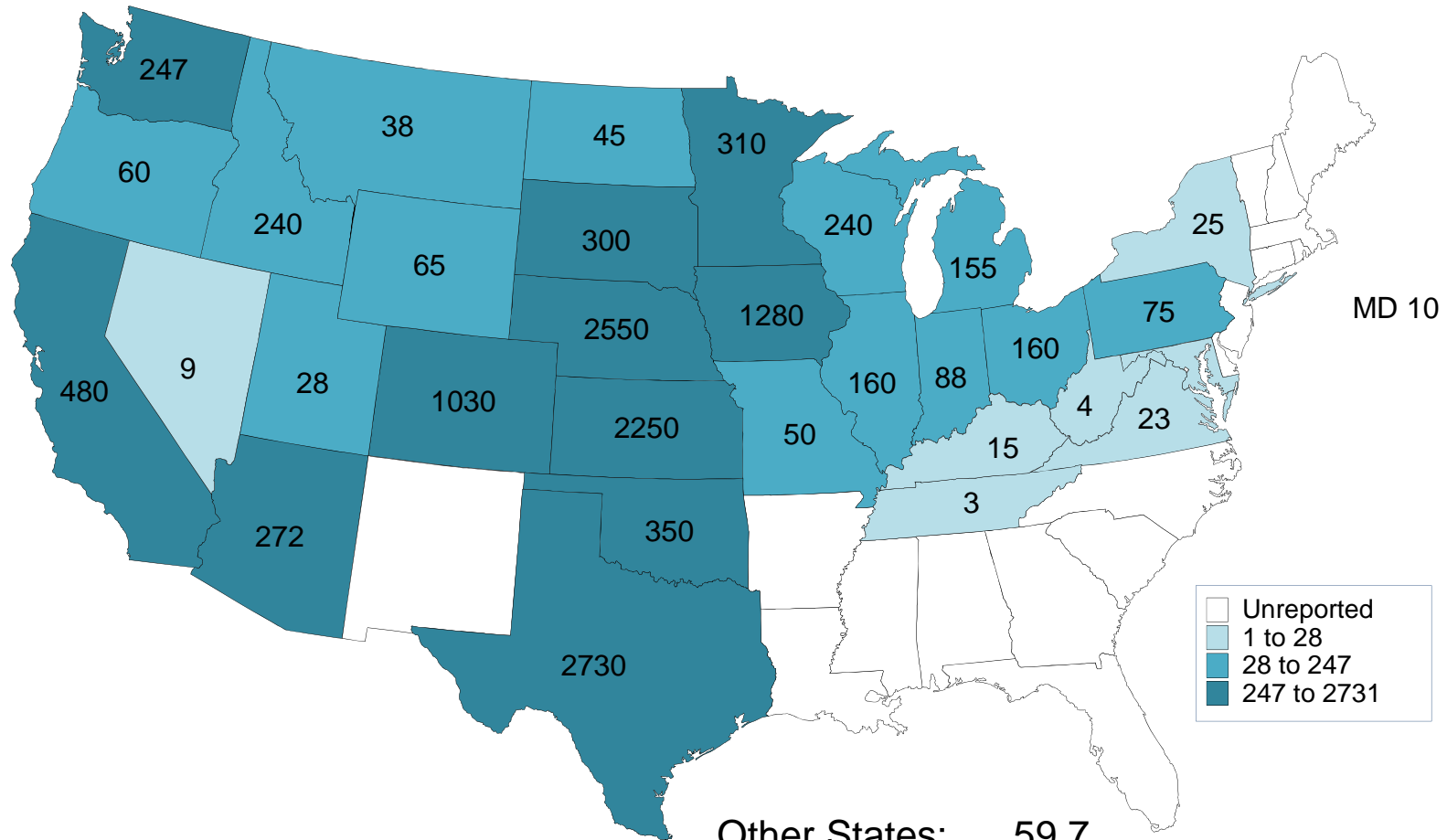
Data Source: USDA-NASS

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CATTLE ON FEED JANUARY 1, 2013

(1000 Head)



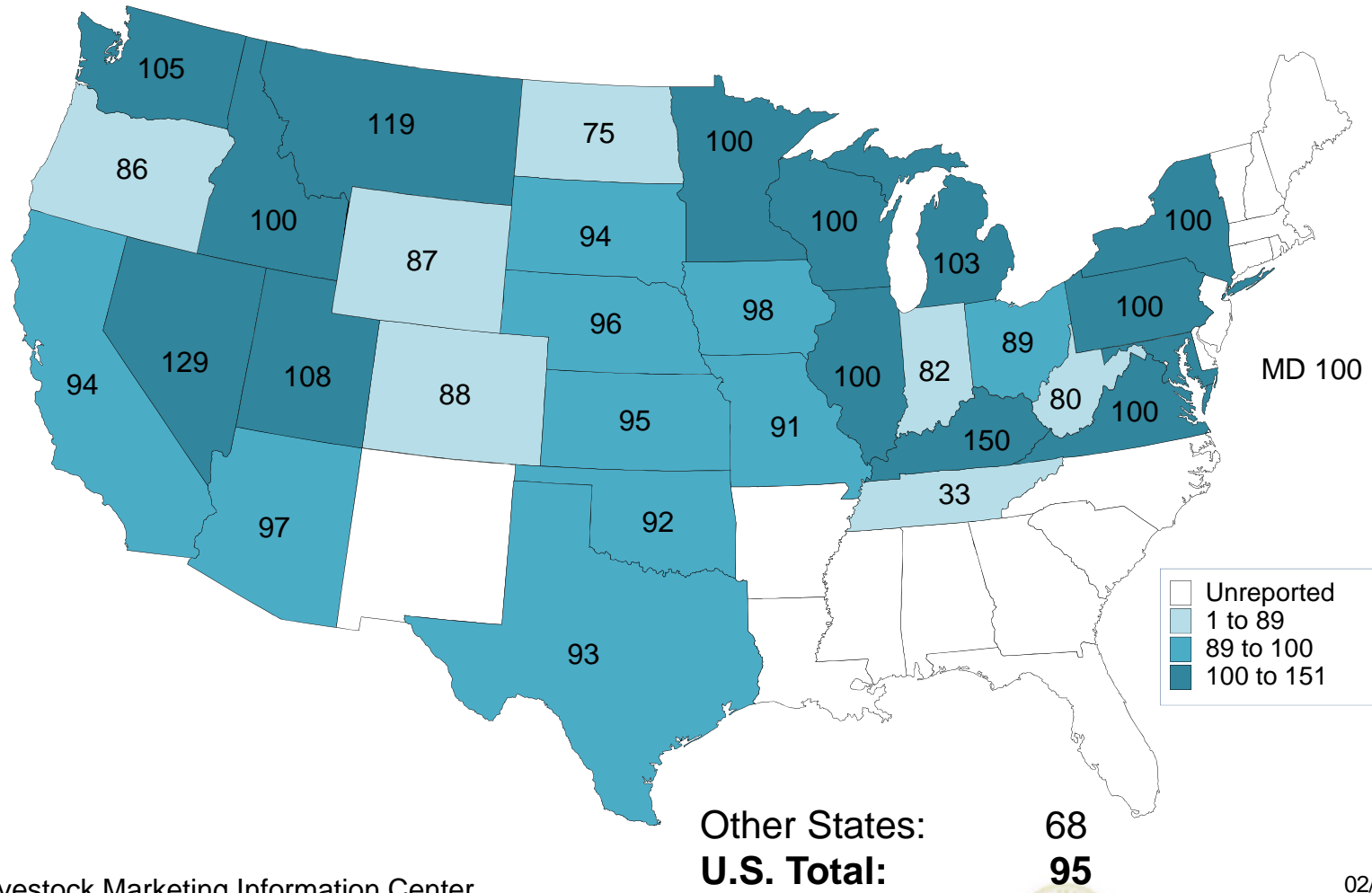
Other States: 59.7
U.S. Total: 13352

Livestock Marketing Information Center
 Data Source: USDA-NASS

02/04/13



CATTLE ON FEED JANUARY 1, 2013 AS A % OF 2012



Livestock Marketing Information Center

Data Source: USDA-NASS

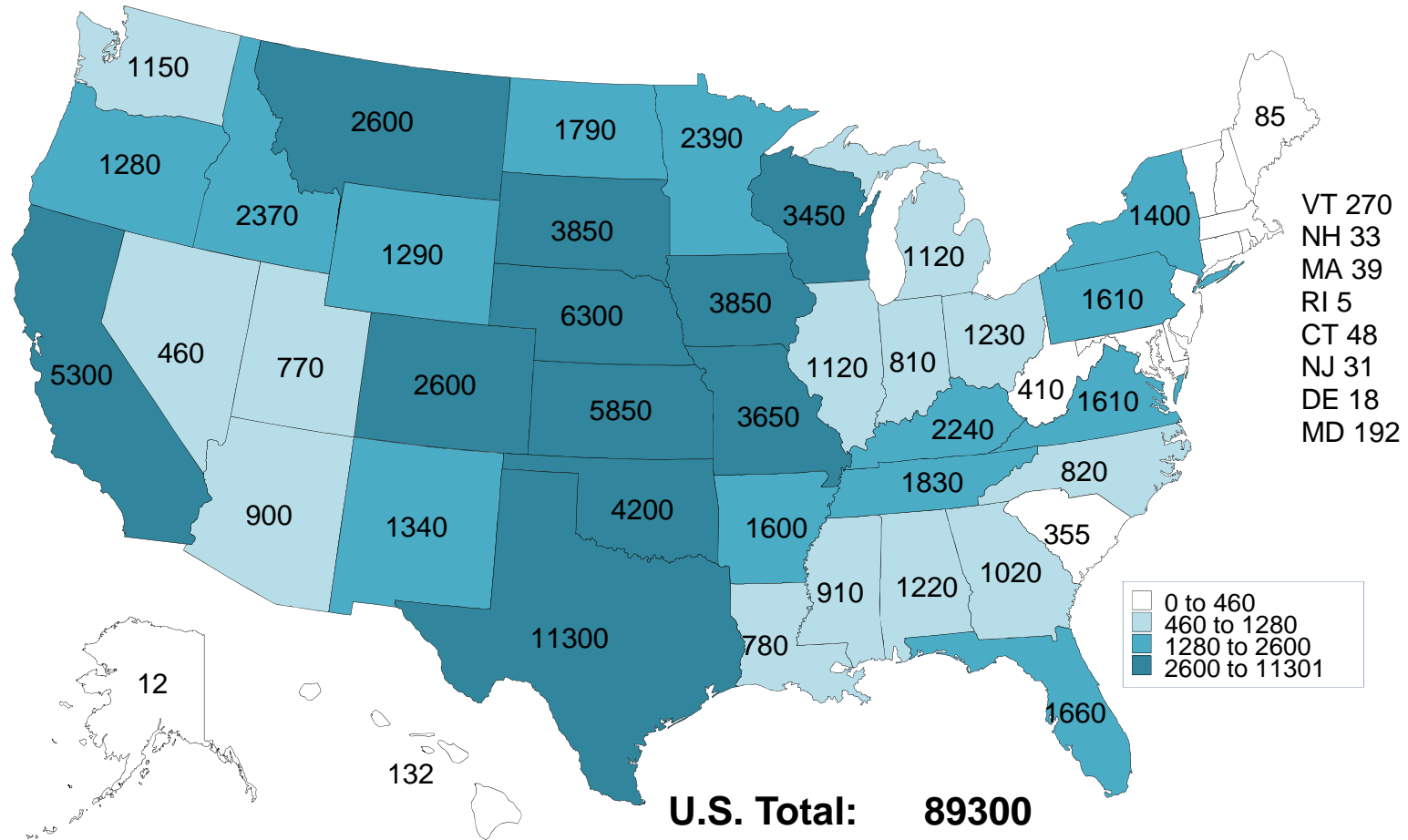
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TOTAL CATTLE NUMBERS JANUARY 1, 2013

(1000 Head)



Livestock Marketing Information Center

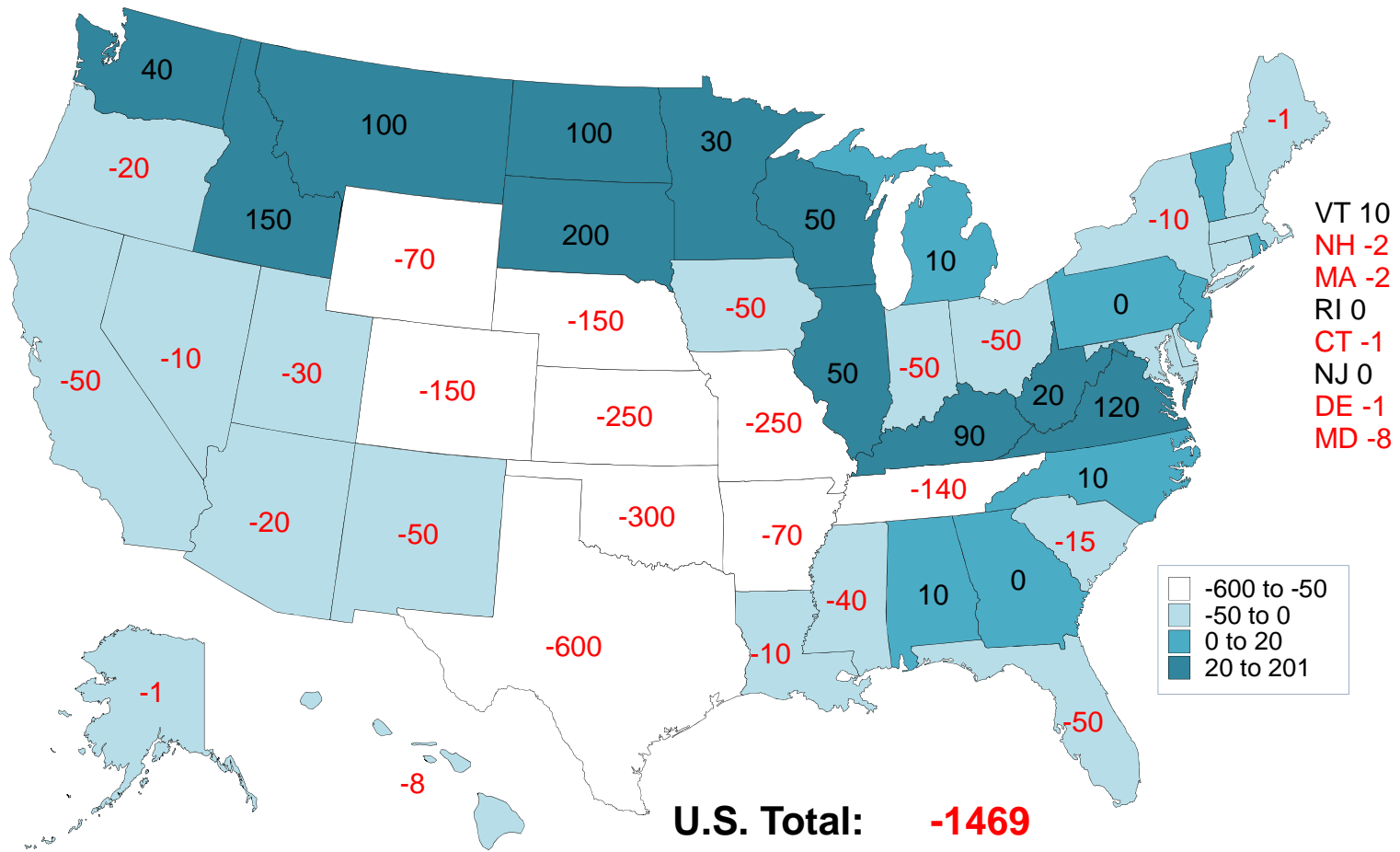
Data Source: USDA-NASS

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CHANGE IN TOTAL CATTLE NUMBERS 2012 - 2013 (1000 Head)



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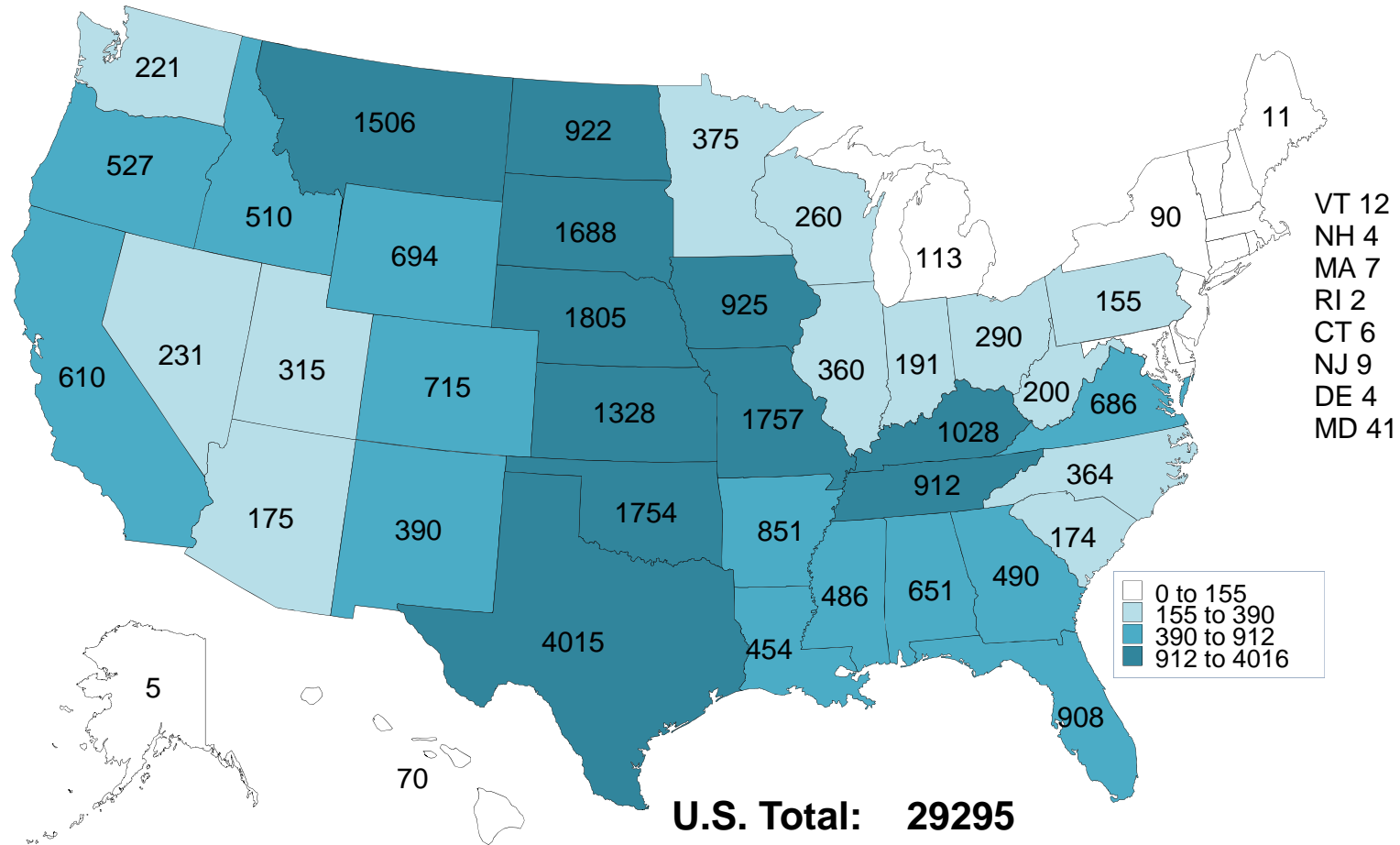
Data Source: USDA-NASS

02/04/13

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BEEF COWS THAT CALVED JANUARY 1, 2013 (1000 Head)



Livestock Marketing Information Center

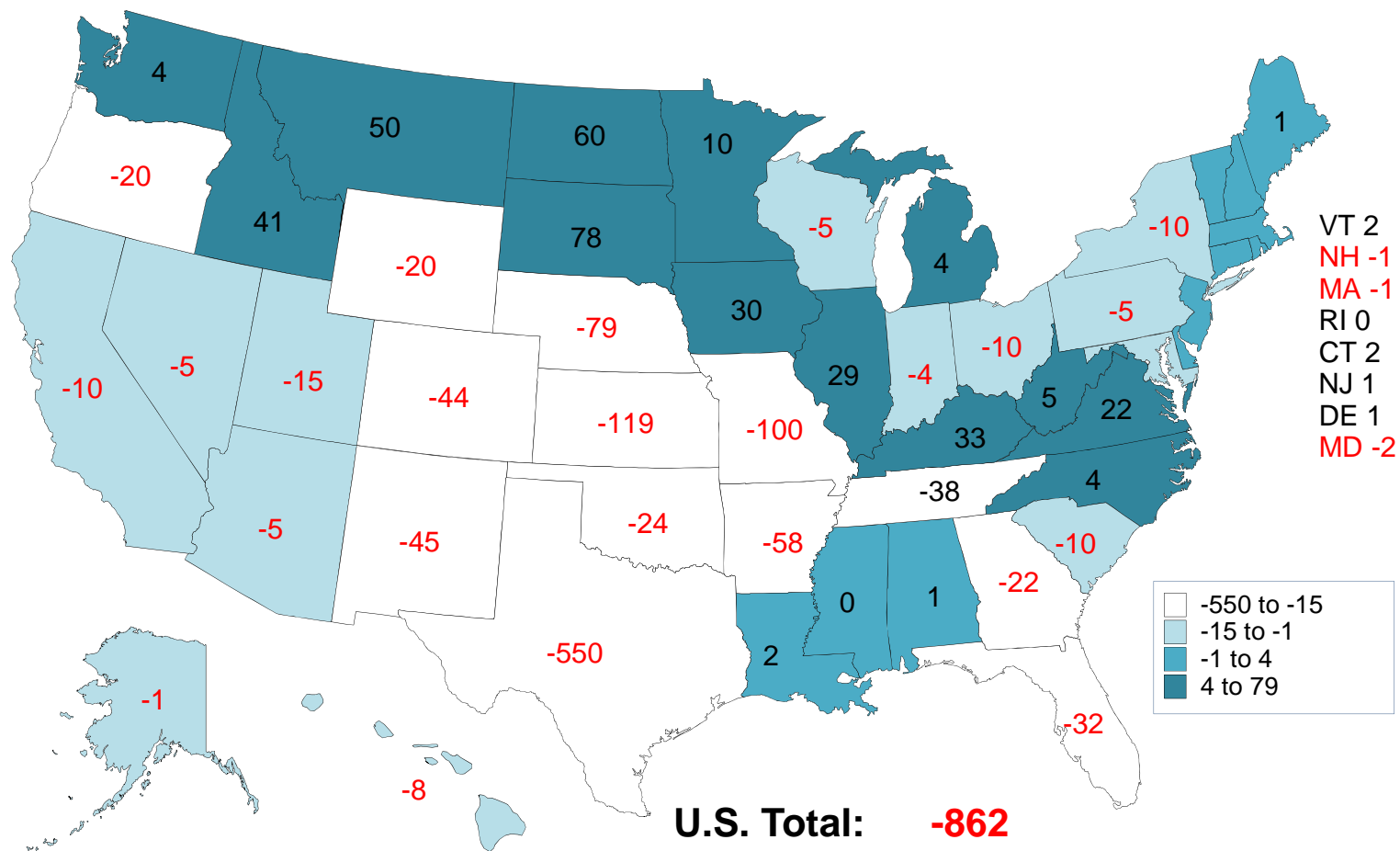
Data Source: USDA-NASS

02/04/13

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CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2012 TO JANUARY 2013 (1000 Head)



Livestock Marketing Information Center

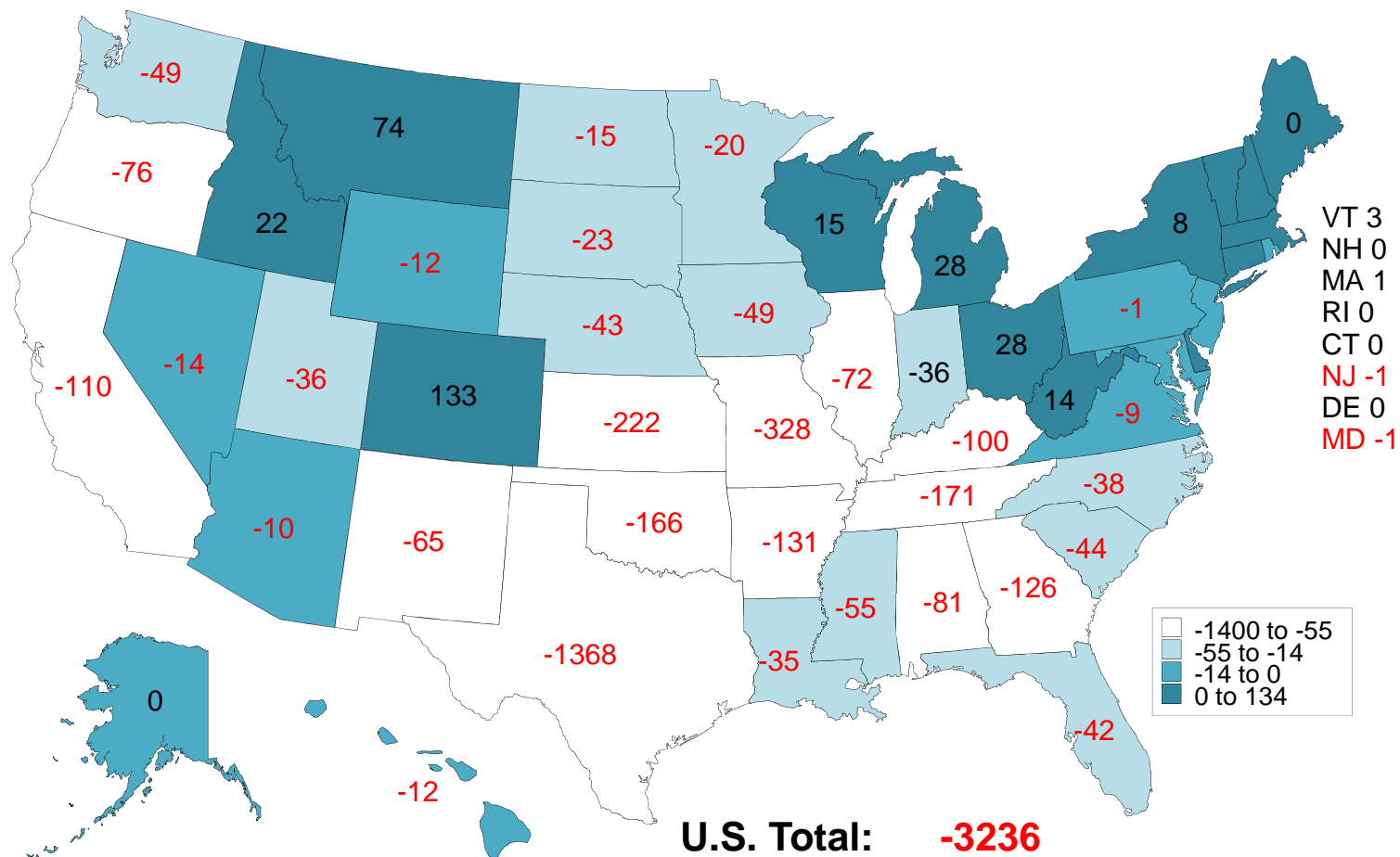
Data Source: USDA-NASS

02/04/13

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CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2003 TO JANUARY 2013 (1000 Head)



Livestock Marketing Information Center

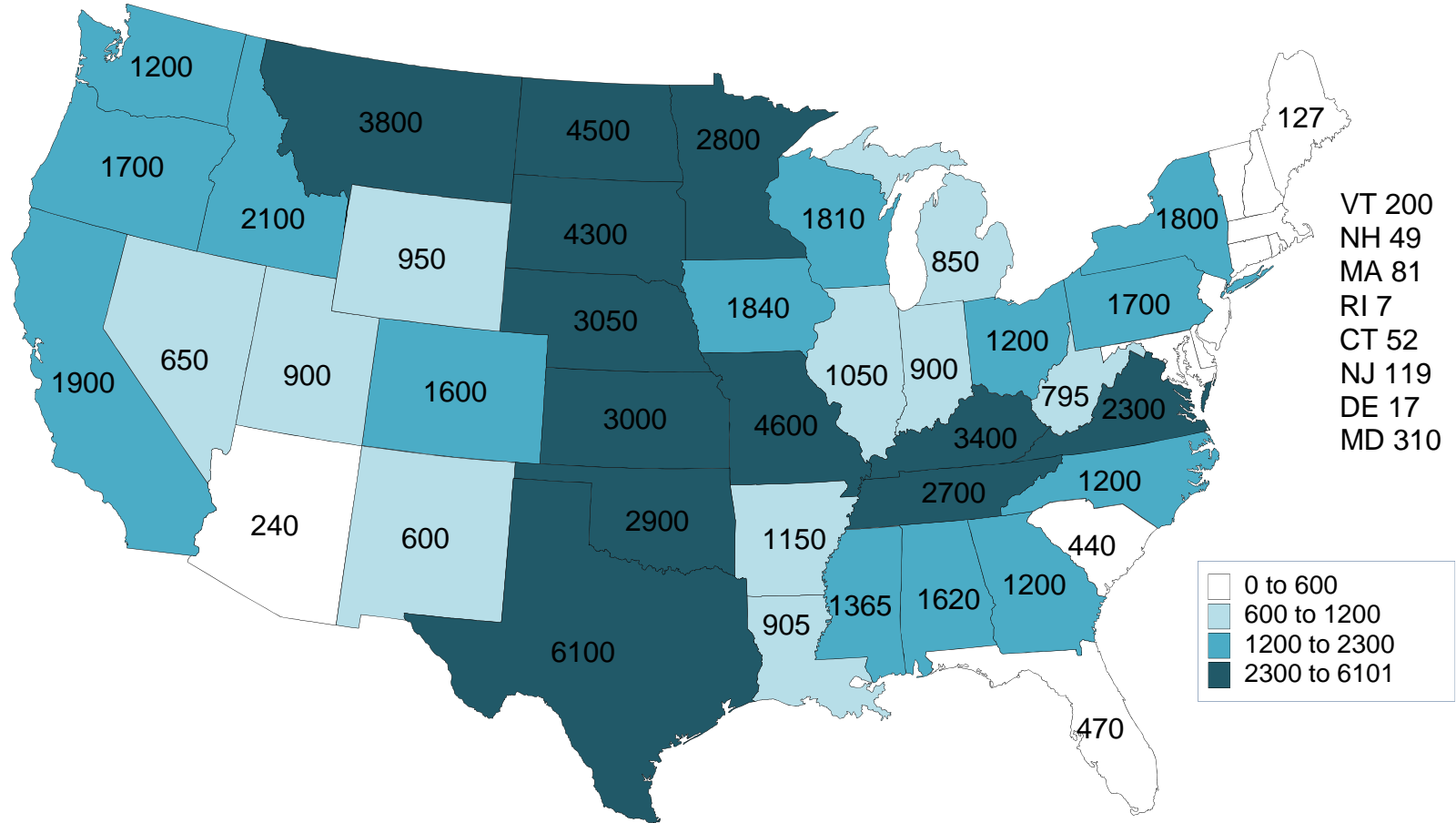
Data Source: USDA-NASS

02/04/13

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2012 DECEMBER 1 HAY STOCKS (1000 Tons)



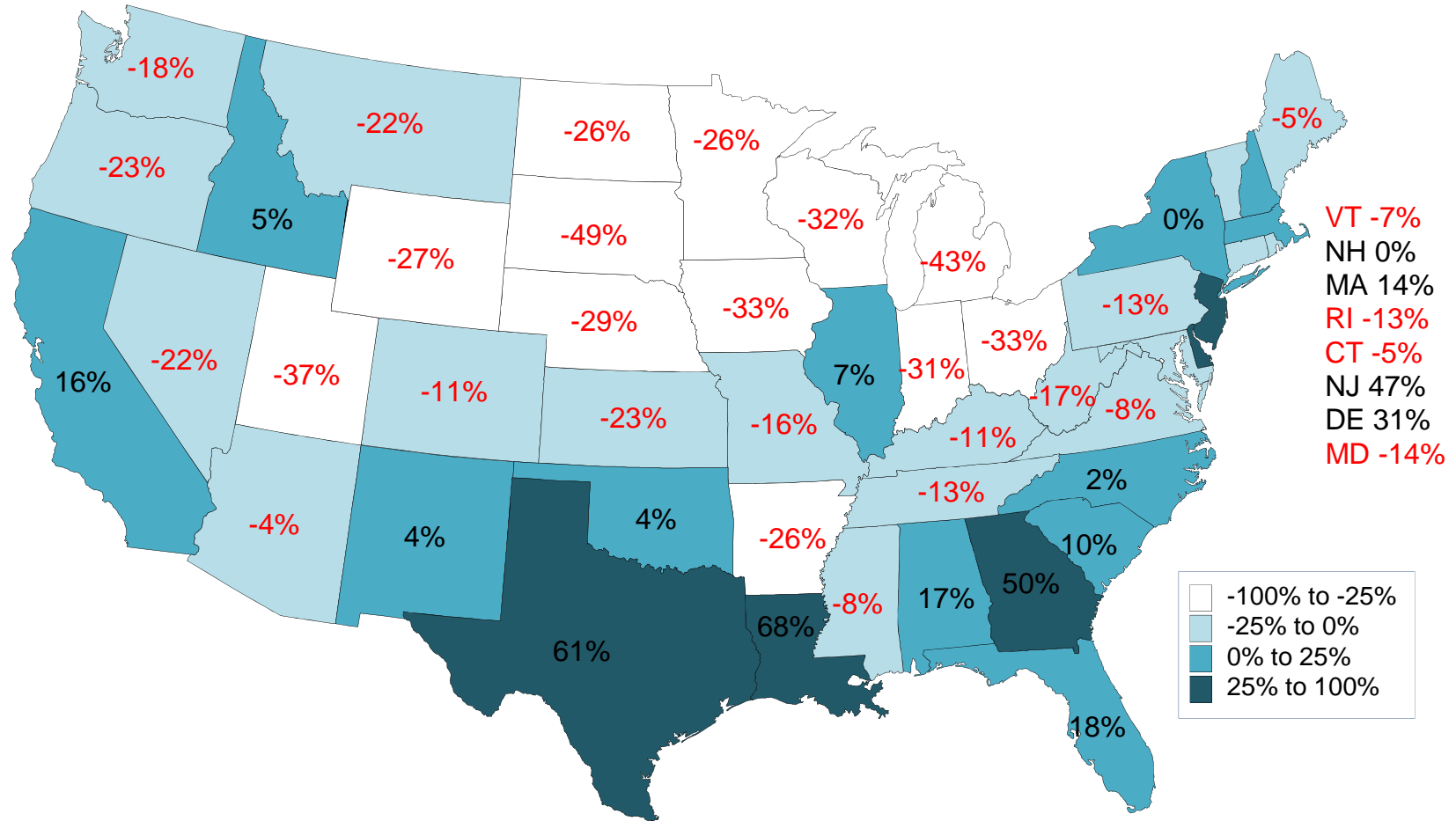
Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013



PERCENT CHANGE DECEMBER 1 HAY STOCKS (2012-2011)



Livestock Marketing Information Center

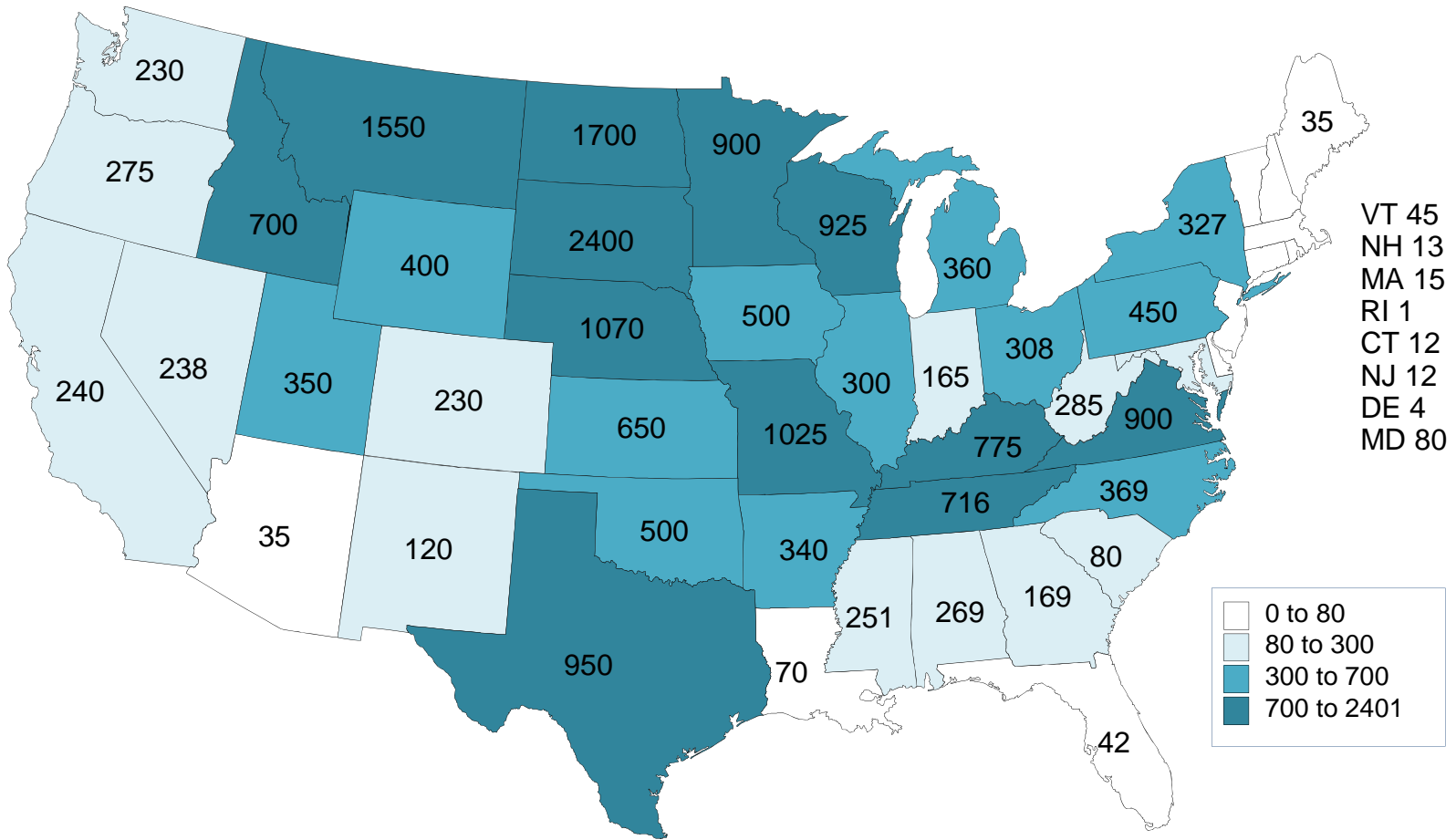
Data Source: USDA-NASS

1/15/2013

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2012 MAY 1 HAY STOCKS (1000 Tons)

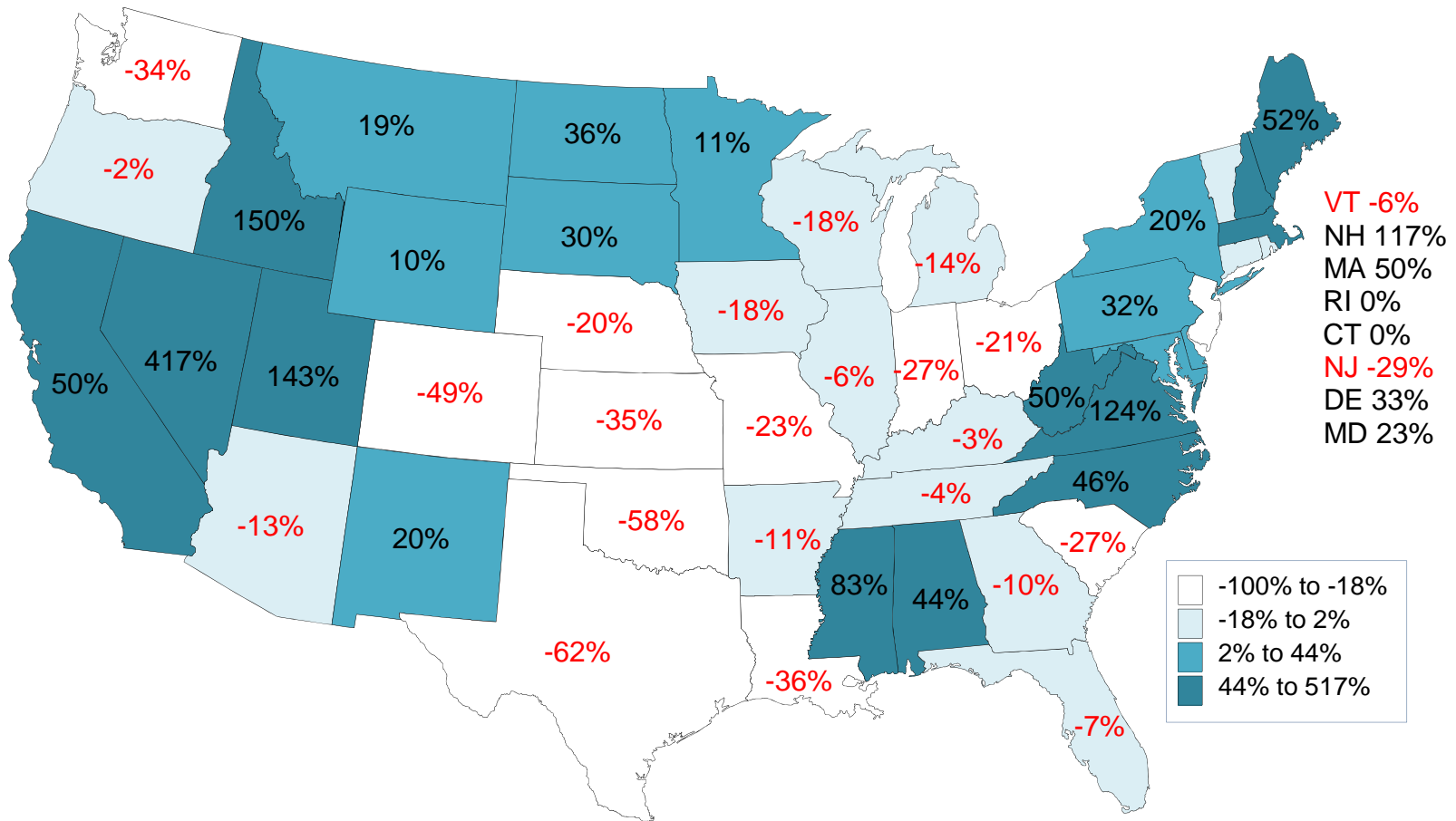


Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013

PERCENT CHANGE MAY 1 HAY STOCKS (2012-2011)



Livestock Marketing Information Center

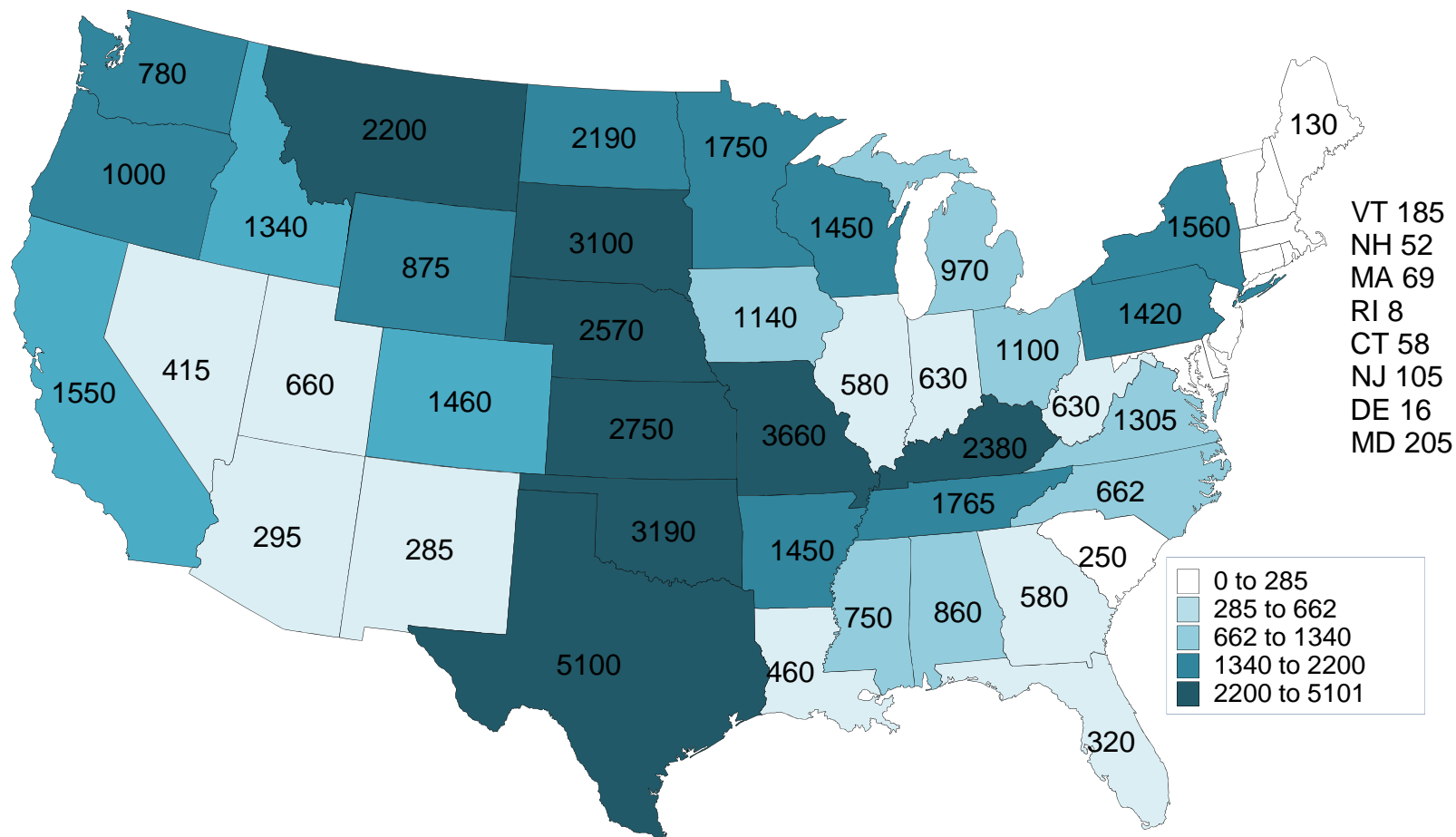
1/15/2013

Data Source: USDA-NASS

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2012 ALL HAY ACRES (1000 Acres)



Livestock Marketing Information Center

Data Source: USDA-NASS

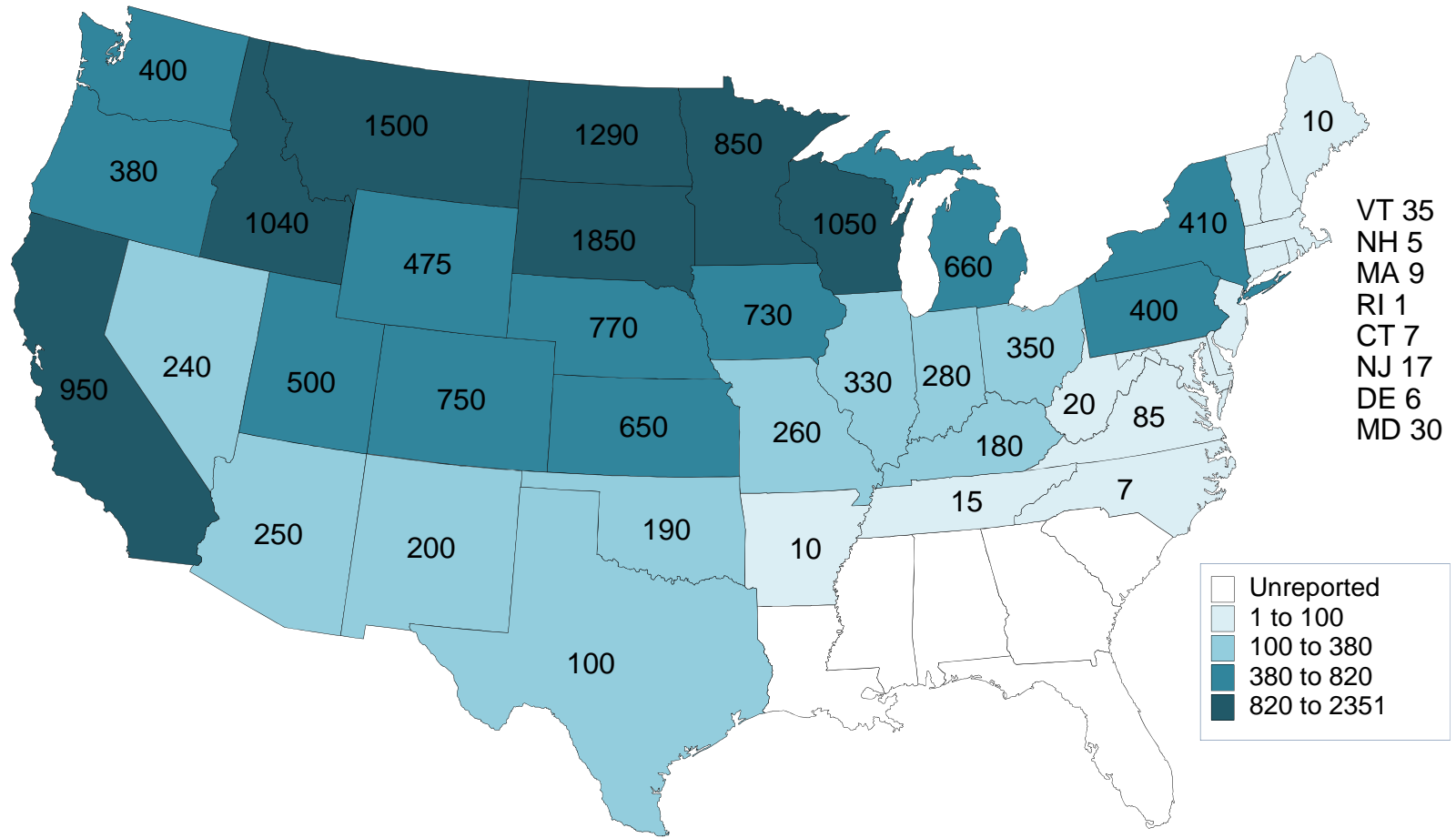
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2012 ALFALFA HAY ACRES

(1000 Acres)

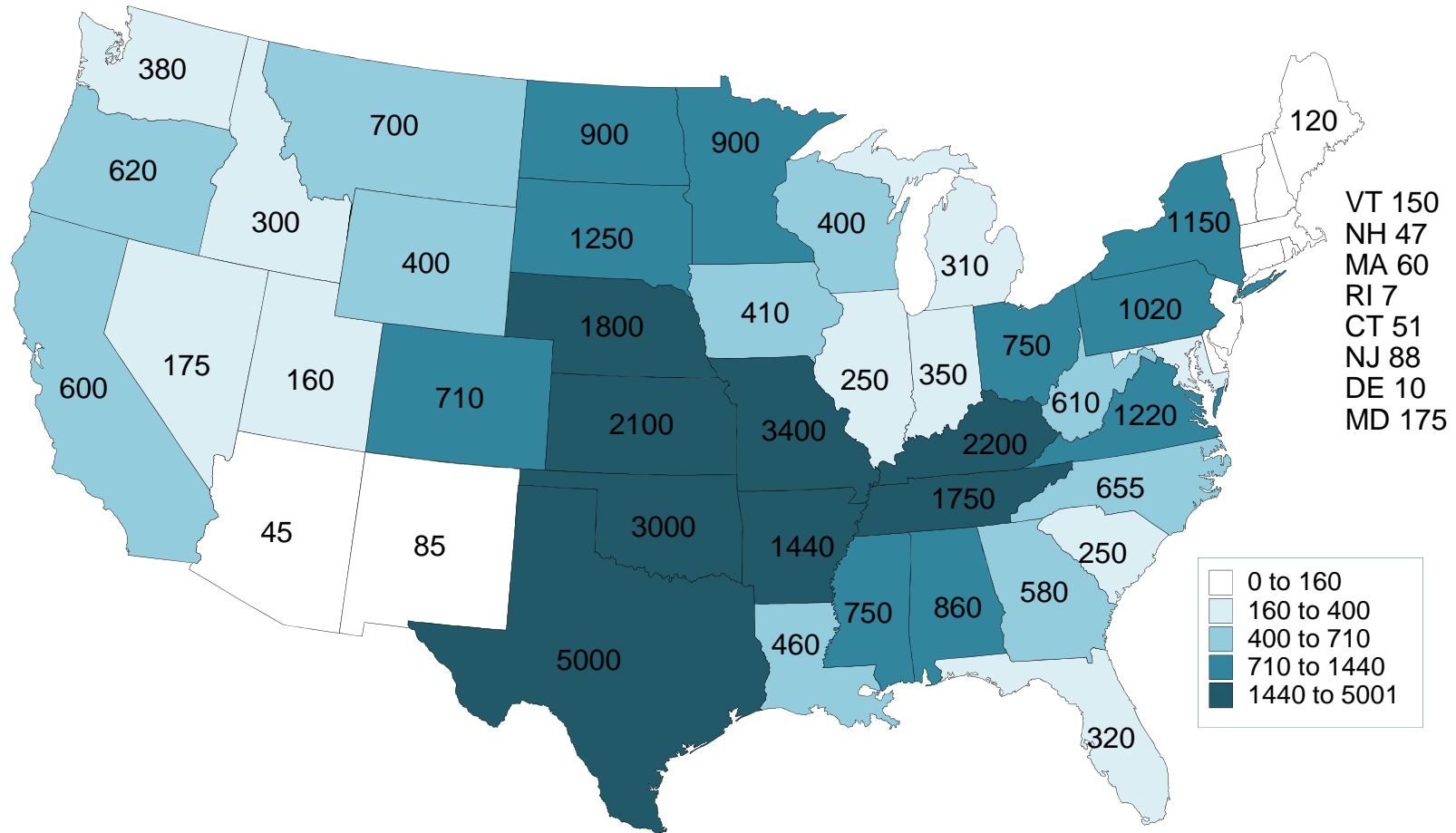


Livestock Marketing Information Center

Data Source: USDA-NASS

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2012 OTHER HAY ACRES (1000 Acres)



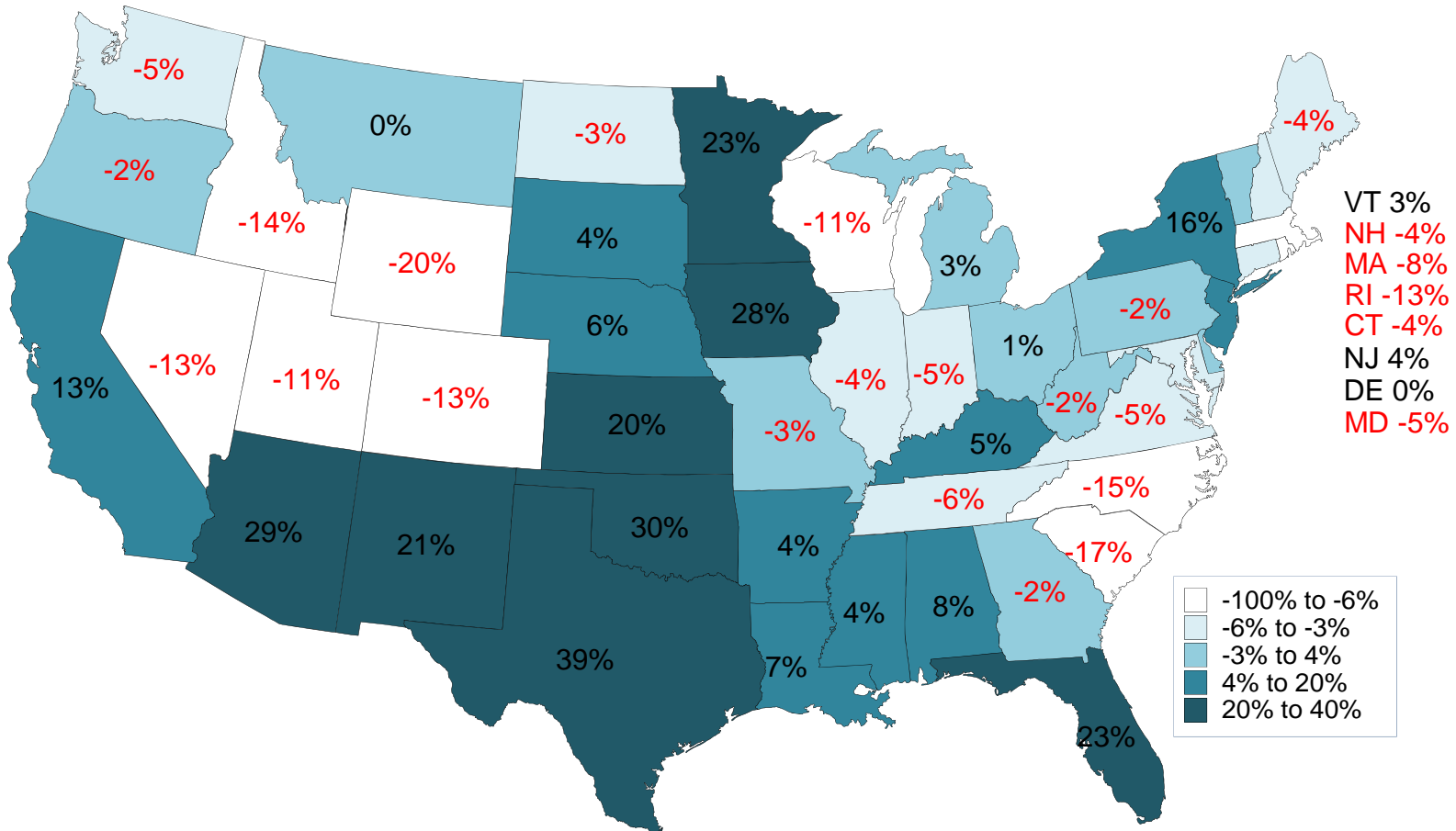
Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013



PERCENT CHANGE OTHER HAY ACRES (2012-2011)



Livestock Marketing Information Center

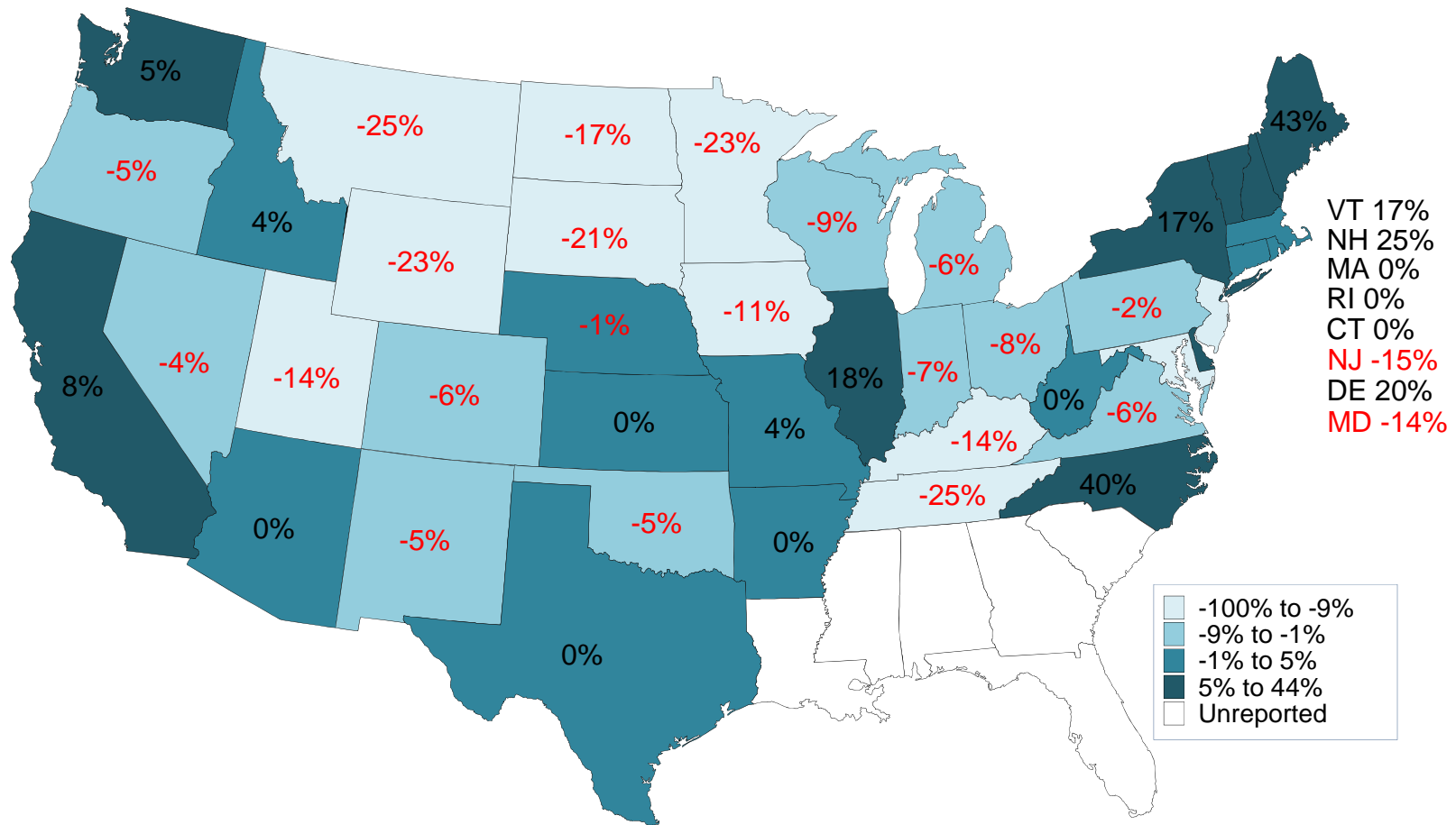
Data Source: USDA-NASS

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PERCENT CHANGE ALFALFA HAY ACRES (2012-2011)

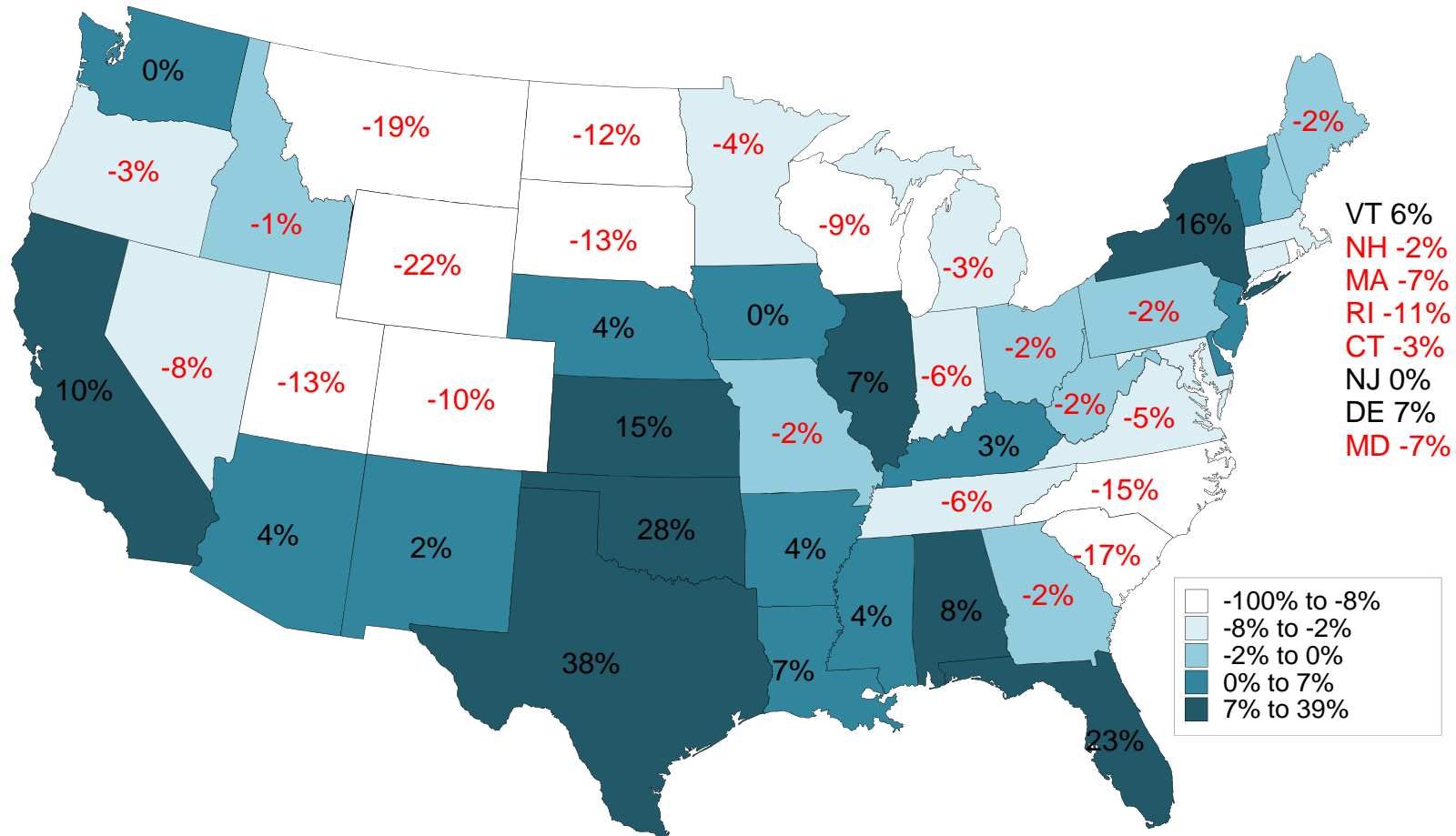


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Data Source: USDA-NASS

1/15/2013

PERCENT CHANGE ALL HAY ACRES (2012-2011)



Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013

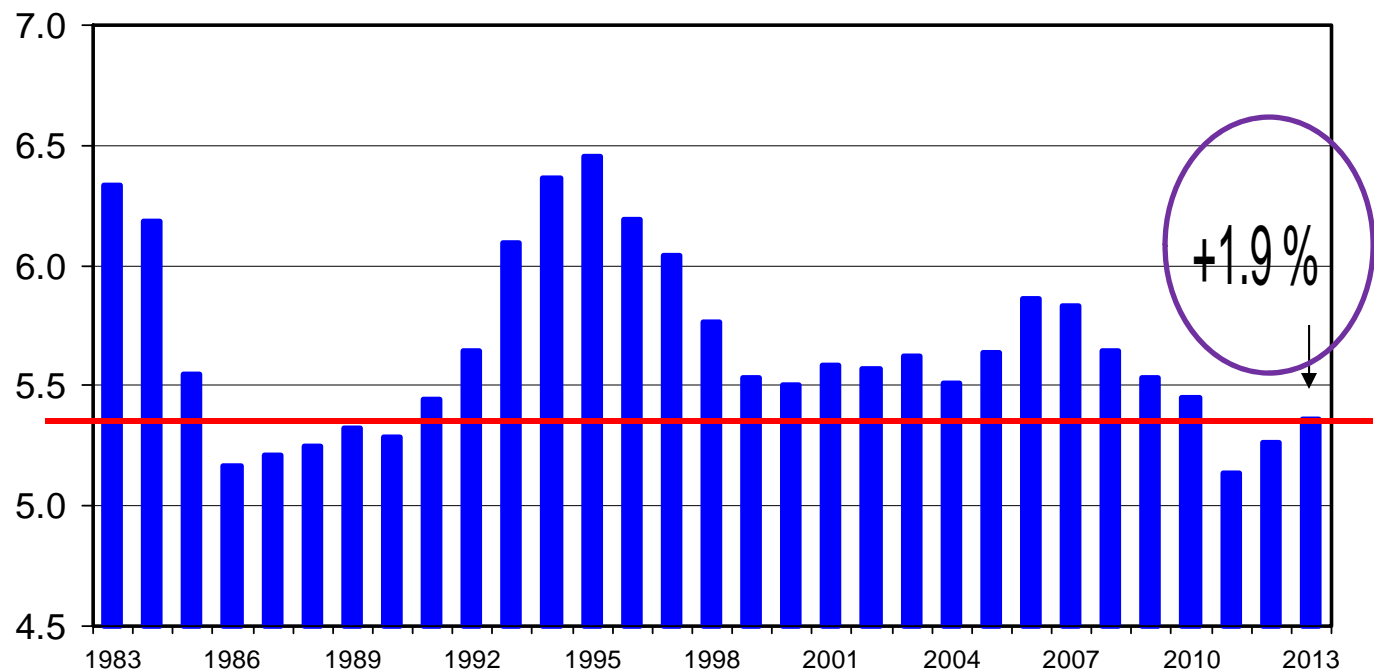
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HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

Mil. Head



Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-38
02/04/13

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January Cattle Inventory Report: Highlights & Implications

- Overall Summary:
 - Reaffirms tight supply situation for at least next two years...
 - Highlights heightened role demand will have in price determination in 2013
- Details:
 - Jan 1 inventory (89.3 mil hd) of all cattle and calves **-2%**; lowest since 1952
 - Inv. of cows and heifers (38.5 mil hd) that calved in 2012 **-2%**; lowest since 1941
 - Beef replacement females (5.4 mil hd) **+2%** more than last year
 - Misleading: Total larger than 11' & 12', but no other yr since 1990...
 - Cattle and calves on feed for slaughter (13.4 mil hd) **-5%** from last year
 - Calves grazing small grain pasture in KS, OK and TX (1.34 mil hd) **-16%**
- Is herd moving North & West?
 - GP share of replacements is growing
 - SE continues to hold back less of total heifers (note their pasture conditions)
 - See 2/4/13 ICM Issue: <http://www.lmic.info/memberspublic/InTheCattleMarket/CattleMktsframe.html>





Cow-calf profitability drivers...

- Analysis of KFMA cow-calf enterprise analysis returns
 - 1979-2011 all operations (examine time effect)
 - 2007-2011 operations with at least three years of data (examine producer effect)
- Paper available on web (www.agmanager.info)



Differences Between High, Medium, and Low Profit Producers:
An Analysis of 2007-2011 Kansas Farm Management Association
Cow-Calf Enterprise

Kevin C. Dhuyvetter
Department of Agricultural Economics, Kansas State University
November 2012





Returns are more variable across producers than across time and largely driven by costs differences...

Table 1. Beef Cow-calf Enterprise Returns over Total Costs, 2007-2011 (minimum of three years)*

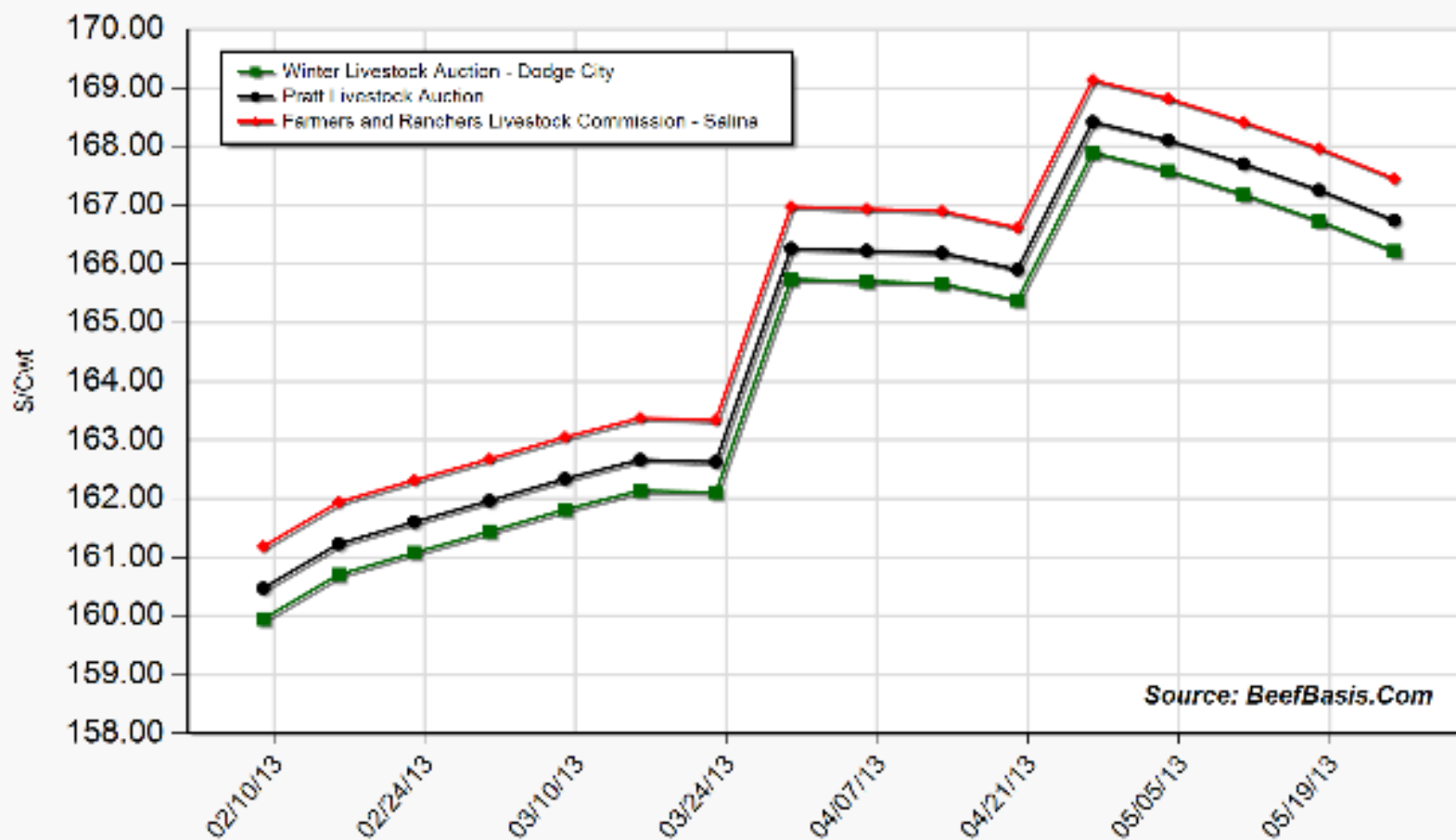
	All Farms	Profit Category			Difference between High 1/3 and Low 1/3			
		High 1/3 Head / \$	Mid 1/3 Head / \$	Low 1/3 Head / \$	Absolute	%		
Number of Farms	91	30	31	30				
Labor allocated to livestock, %	37.6	49.9	31.0	32.0				
Number of Cows in Herd	145	191	151	92	98	107%		
Number of Calves Sold	131	173	137	83	90	109%		
Weight of Calves Sold	582	592	580	573	19	3%		
Calf Sales Price / Cwt	\$110.82	\$112.11	\$109.25	\$111.17	\$0.94	1%		
Gross Income	\$585.86	\$628.17	\$594.00	\$535.15	\$93.02	17%		
Feed	\$383.62	\$344.13	\$382.81	\$423.96	26%	-\$79.82	-19%	30.2%
Interest	\$125.94	\$106.16	\$127.77	\$143.85		-\$37.69	-26%	14.2%
Vet Medicine / Drugs	\$20.55	\$17.11	\$23.99	\$20.45		-\$3.34	-16%	1.3%
Livestock Marketing / Breeding	\$14.84	\$12.71	\$14.05	\$17.76		-\$5.05	-28%	1.9%
Depreciation	\$36.75	\$26.73	\$35.39	\$48.18		-\$21.45	-45%	8.1%
Machinery	\$79.70	\$58.47	\$82.30	\$98.25		-\$39.77	-40%	15.0%
Labor	\$120.90	\$102.83	\$99.82	\$160.74		-\$57.91	-36%	21.9%
Other	\$37.66	\$28.37	\$36.62	\$48.02	74%	-\$19.64	-41%	7.4%
Total Cost	\$819.96	\$696.52	\$802.74	\$961.20		-\$264.68	-28%	
Net Return to Management	-\$234.10	-\$68.35	-\$208.73	-\$426.05		\$357.70		

* Sorted by Net Return to Management (Returns over Total Costs) per Cow

Compared to \$192 between top and bottom third years.

As of: 2/11/13'

Projected Price for 550 Lb Steer at Selected Kansas Auctions



Source: BeefBasis.Com



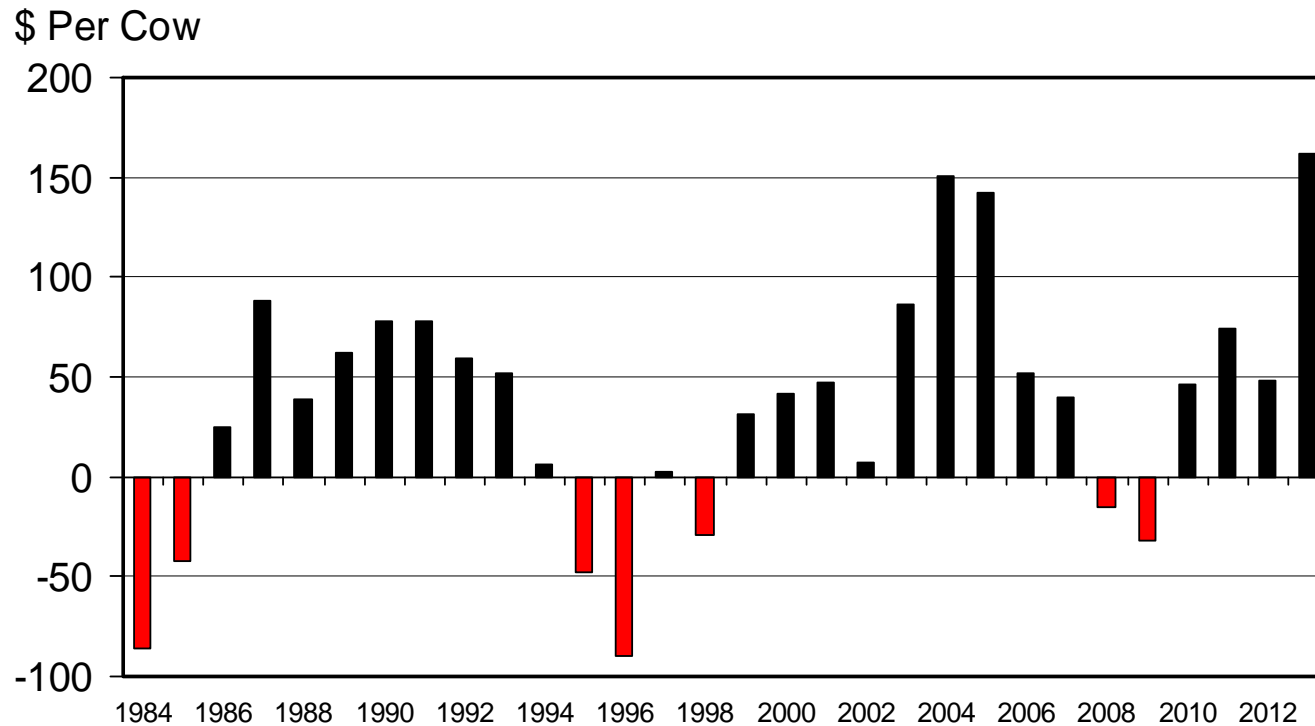
<http://www.agmanager.info/livestock/marketing/graphs/cattle/prices/default.asp>

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ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



C-P-66
12/18/12

Livestock Marketing Information Center

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

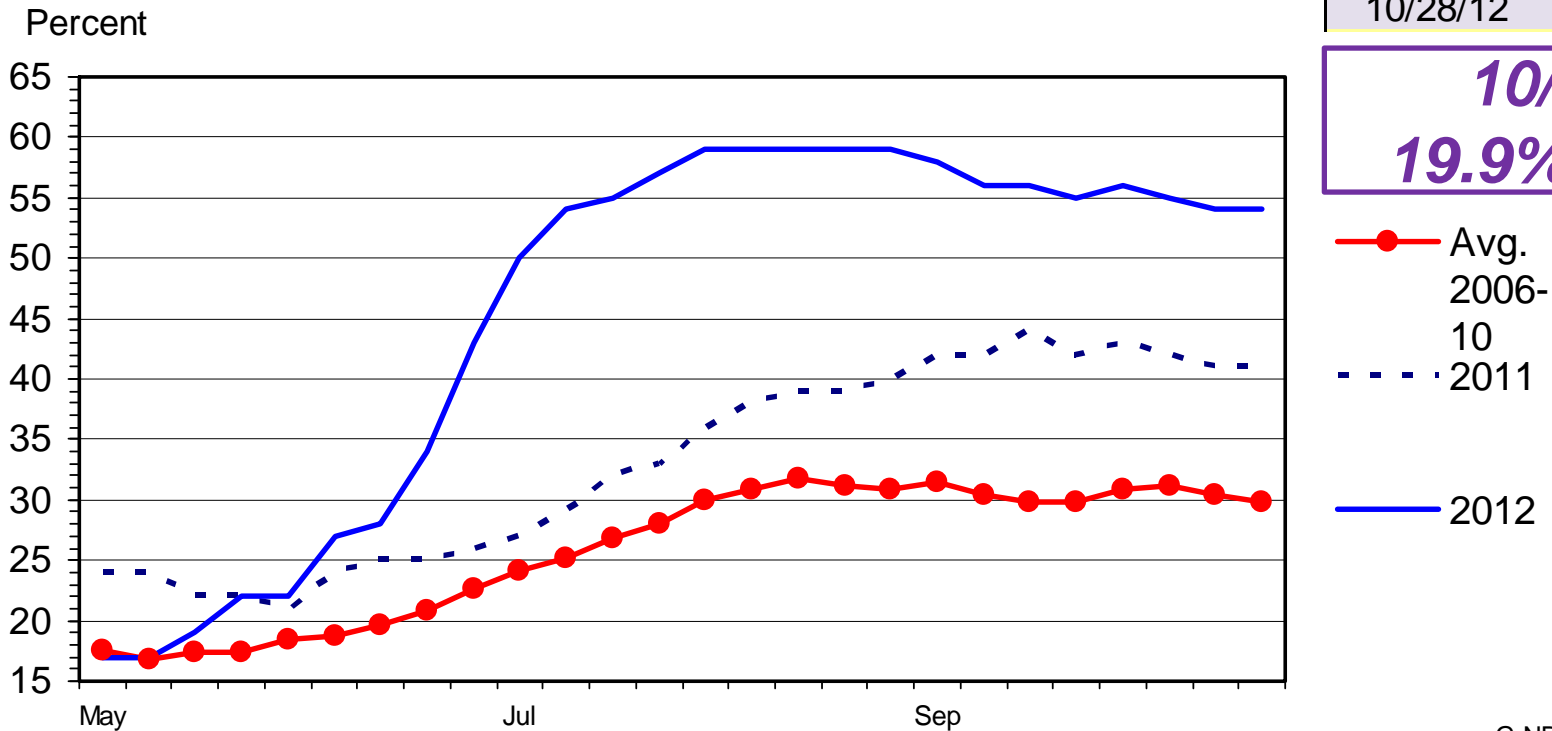


US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

Beef Cows in states with 40% Poor to Very Poor		
Last year	Cows	% of Total
10/23/11	14862	48.31%
10/30/11	14185	46.11%
This Year		
10/21/12	21009	70.50%
10/28/12	21009	70.50%

**10/31/10':
19.9% of Cows**



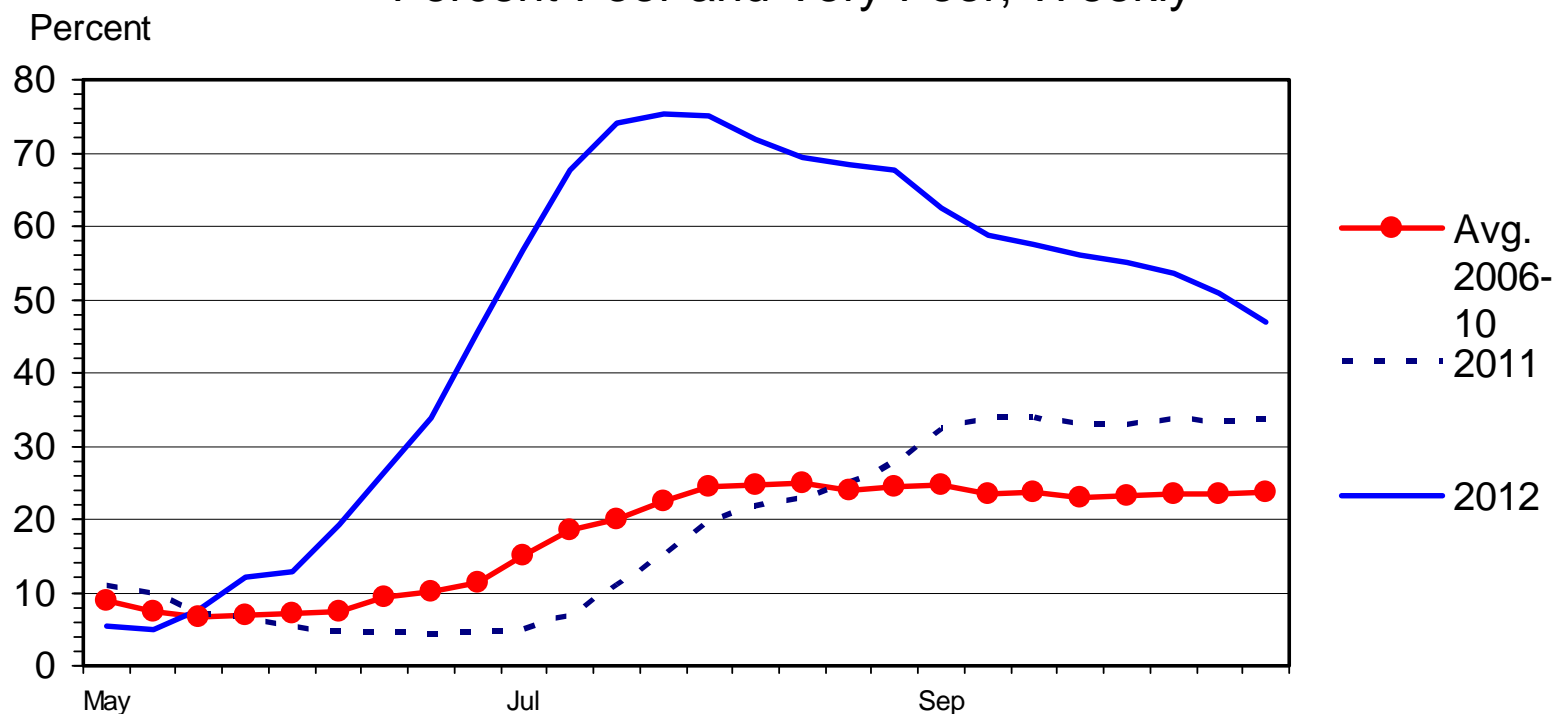
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC

G-NP-30
10/31/12

IL, IN, IA, MI, MN,
MO, OH, & WI
14.5% of Cows
(2012)

CORNBELT REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-34
10/31/12

Livestock Marketing Information Center

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

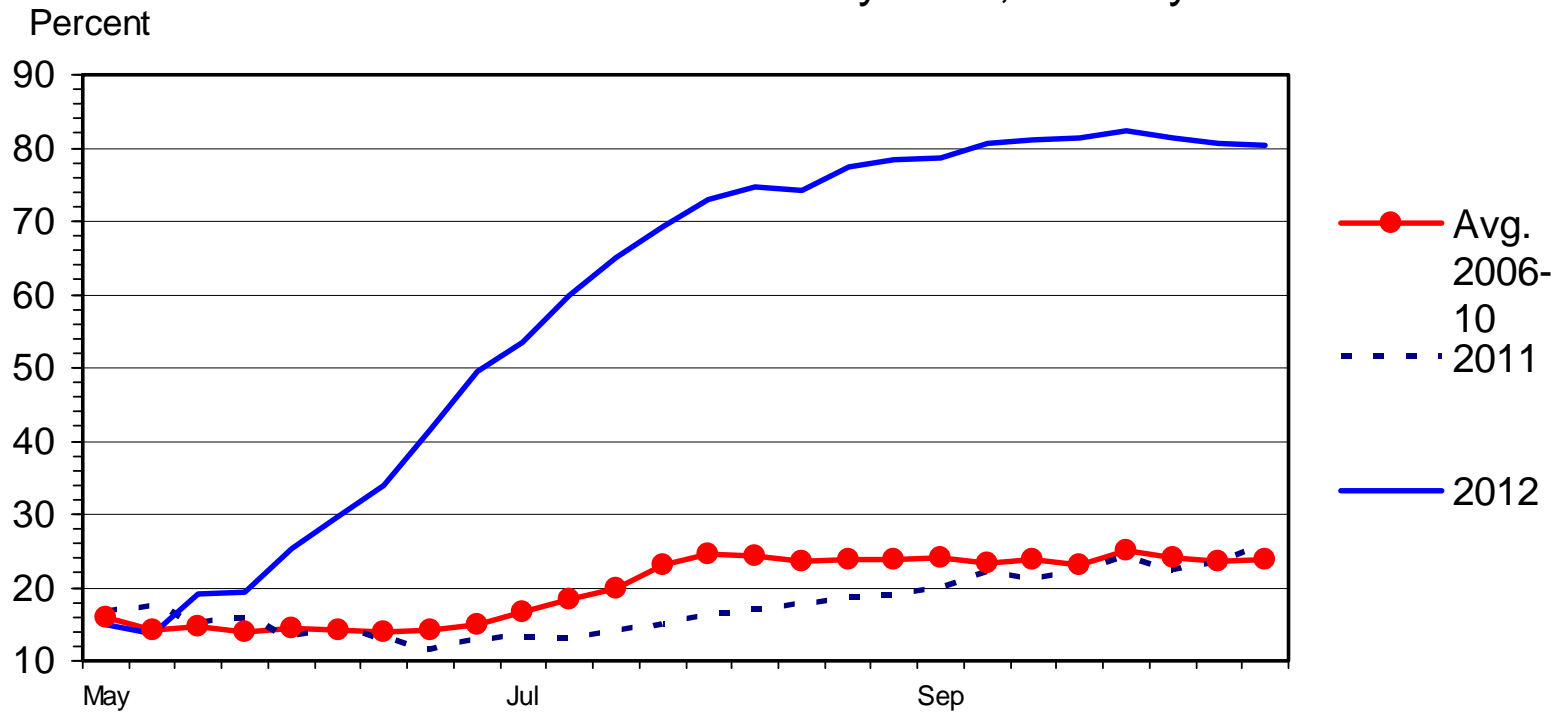
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CO, KS, MT, NE, ND,
SD, & WY
29.2% of Cows
(2012)

GREAT PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-32
10/31/12

Livestock Marketing Information Center

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

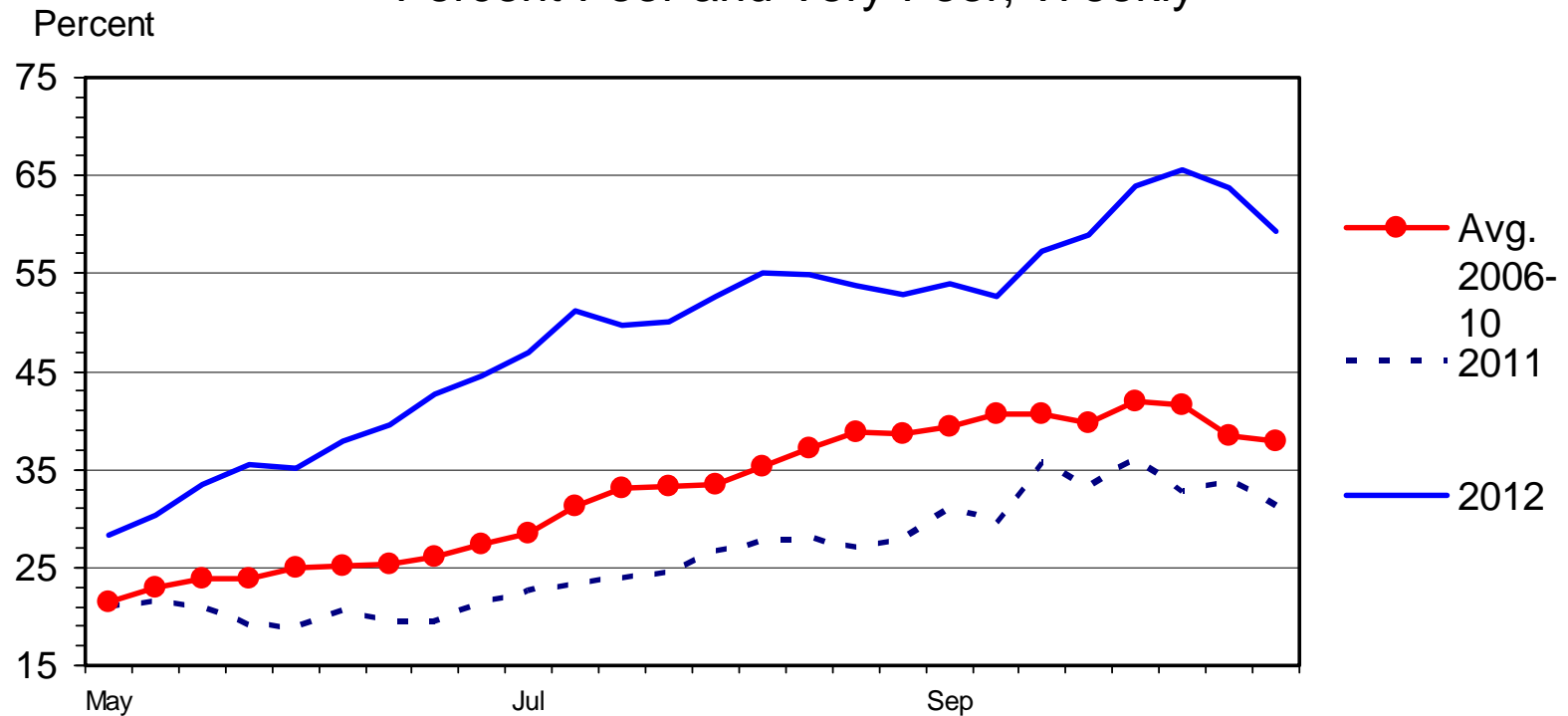
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AZ, CA, ID, NV, NM,
OR, UT, & WA
10.2% of Cows
(2012)

WESTERN REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-31
10/31/12

Livestock Marketing Information Center

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

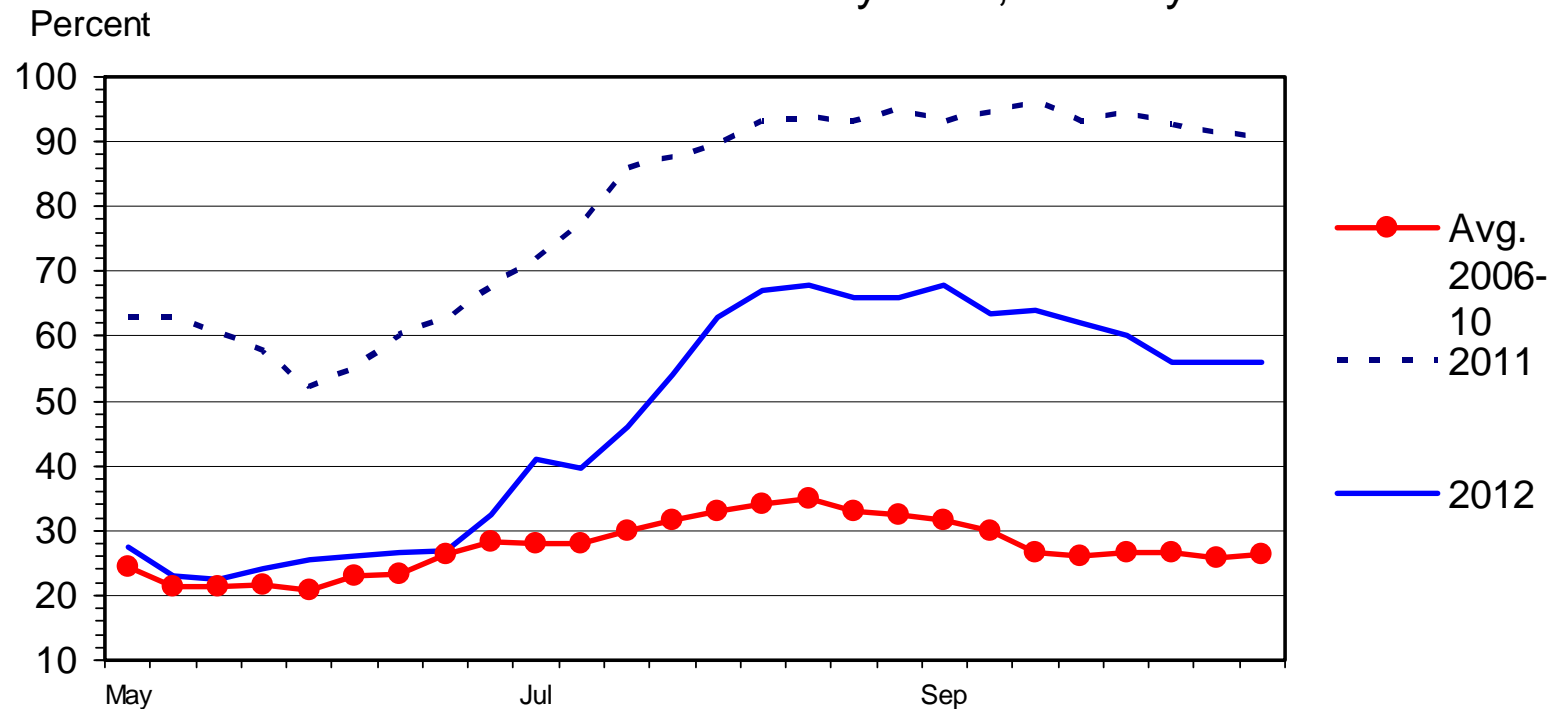
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OK & TX
20.4% of Cows
(2012)

SOUTHERN PLAINS REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-33
10/31/12

Livestock Marketing Information Center

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

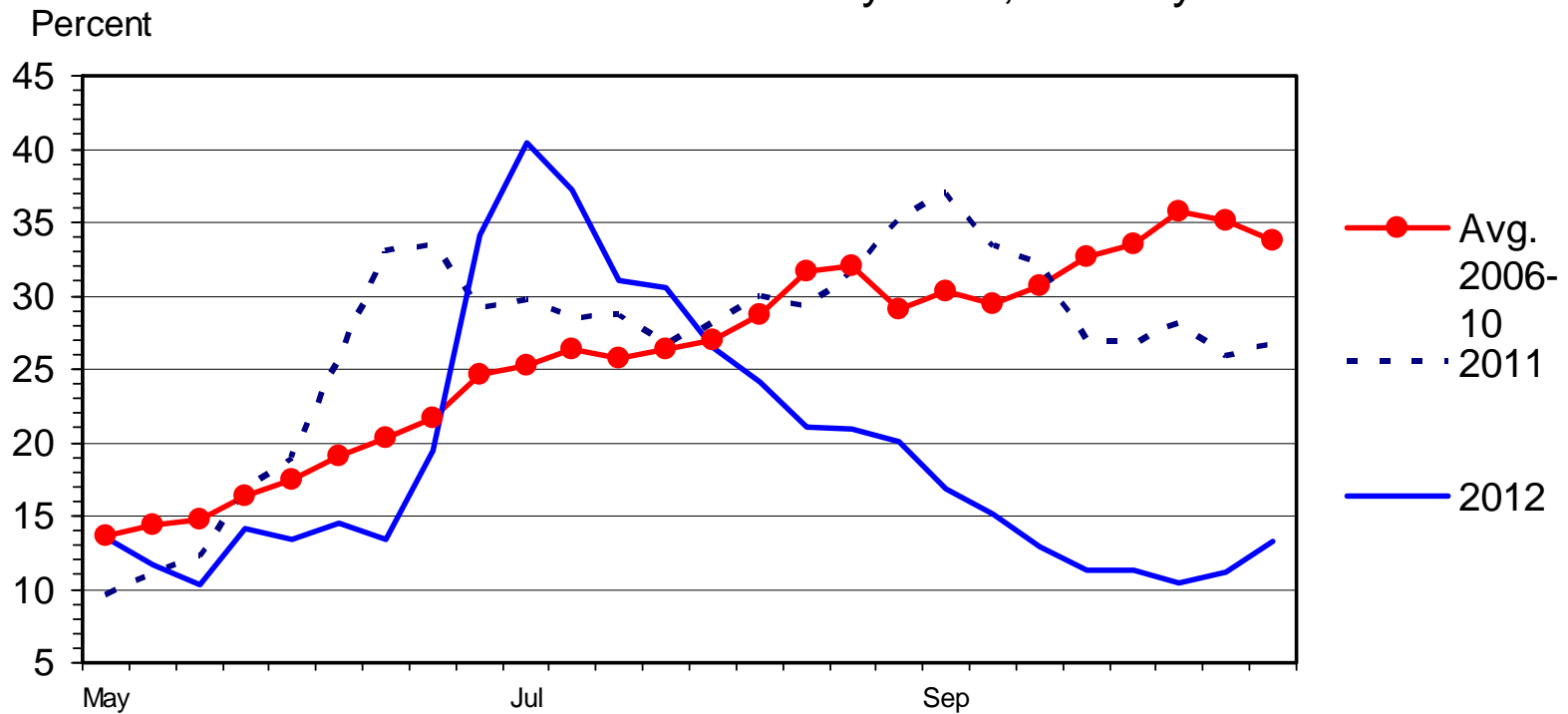
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AL, AR, FL, GA, KY,
 LA, MS, NC, SC, TN,
 VA, & WV
 24.5% of Cows (2012)

SOUTHEAST REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-36
 10/31/12

Livestock Marketing Information Center

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

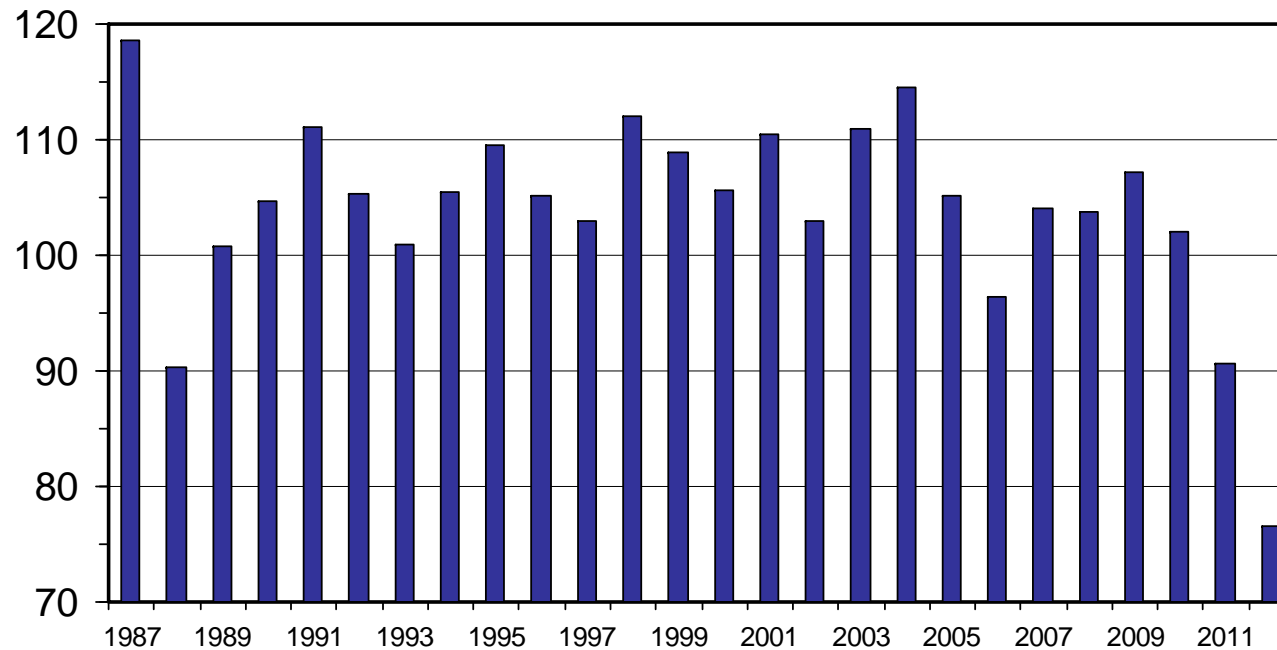


**Dec. 1 US Stocks:
Smallest since 1957**

**Dec. 1 KS Stocks:
3.0 mil tons (12')
3.9 mil tons (11')
4.5 mil tons (10')**

U S ALL HAY STOCKS December 1

Mil. Tons



Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Forecasts by LMIC

G-NP-22
01/11/13

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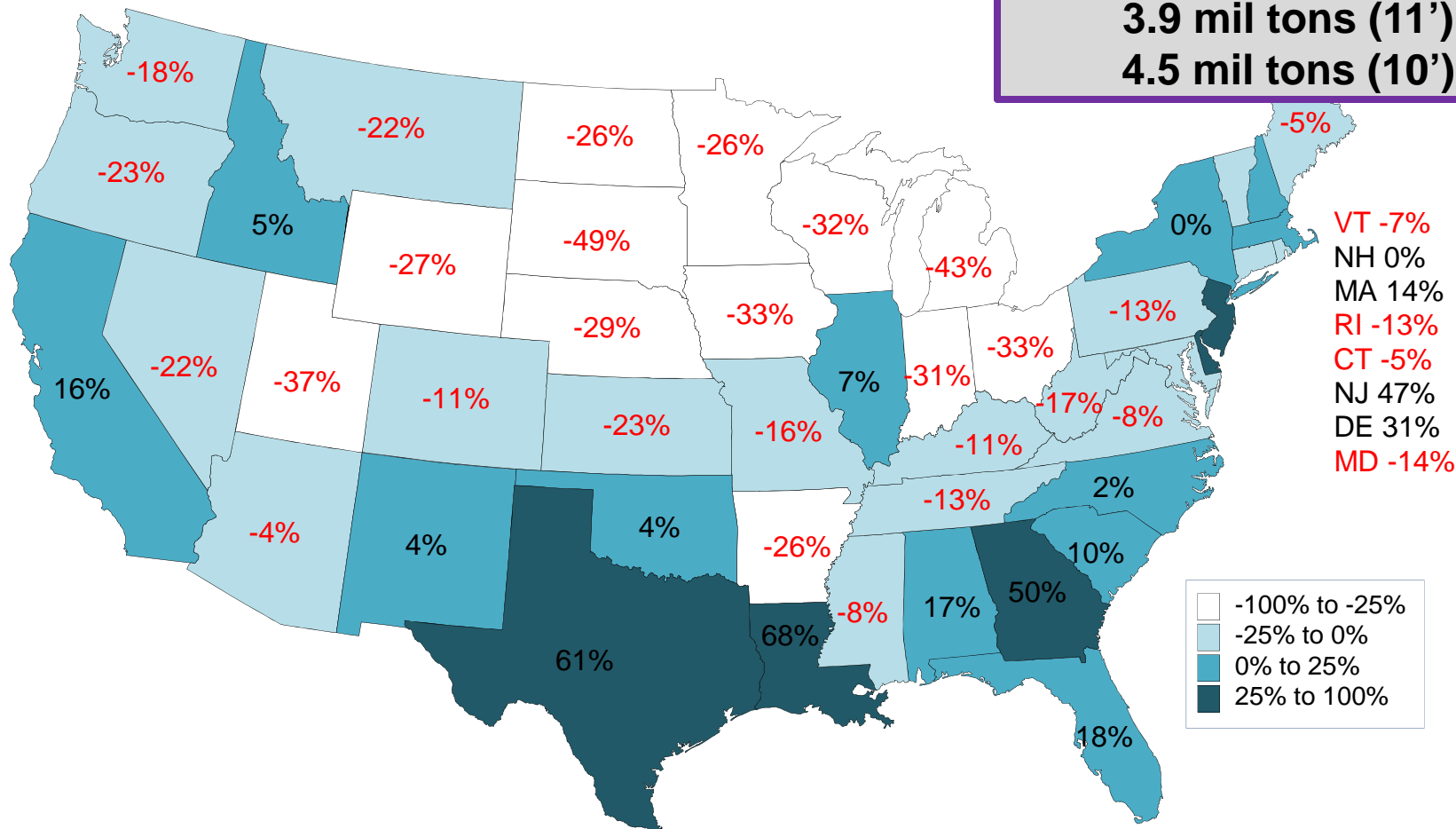


PERCENT CHANGE DECEMBER 1 HAY STOCKS

(2012-2011)

Dec. 1 US Stocks:
Smallest since 1957

Dec. 1 KS Stocks:
3.0 mil tons (12')
3.9 mil tons (11')
4.5 mil tons (10')



Livestock Marketing Information Center

Data Source: USDA-NASS

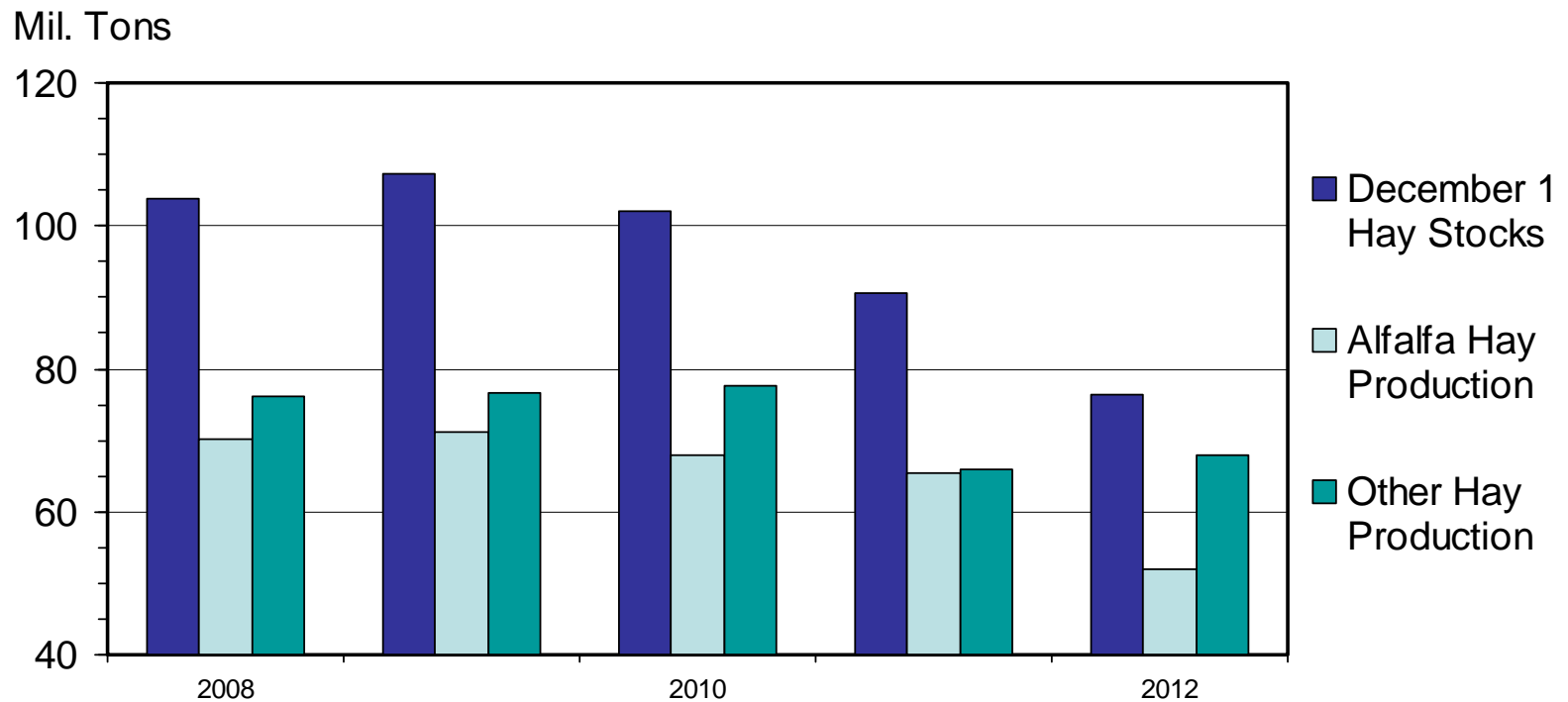
1/15/2013

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U S HAY STOCKS AND PRODUCTION

Crop Year



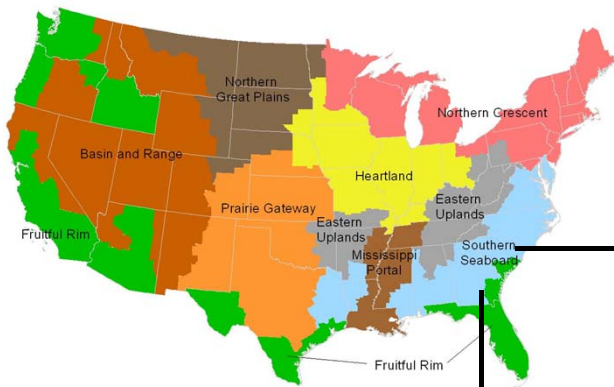
Livestock Marketing Information Center

01/11/13

Data Source: USDA-NASS, Compiled & Forecasts by LMIC

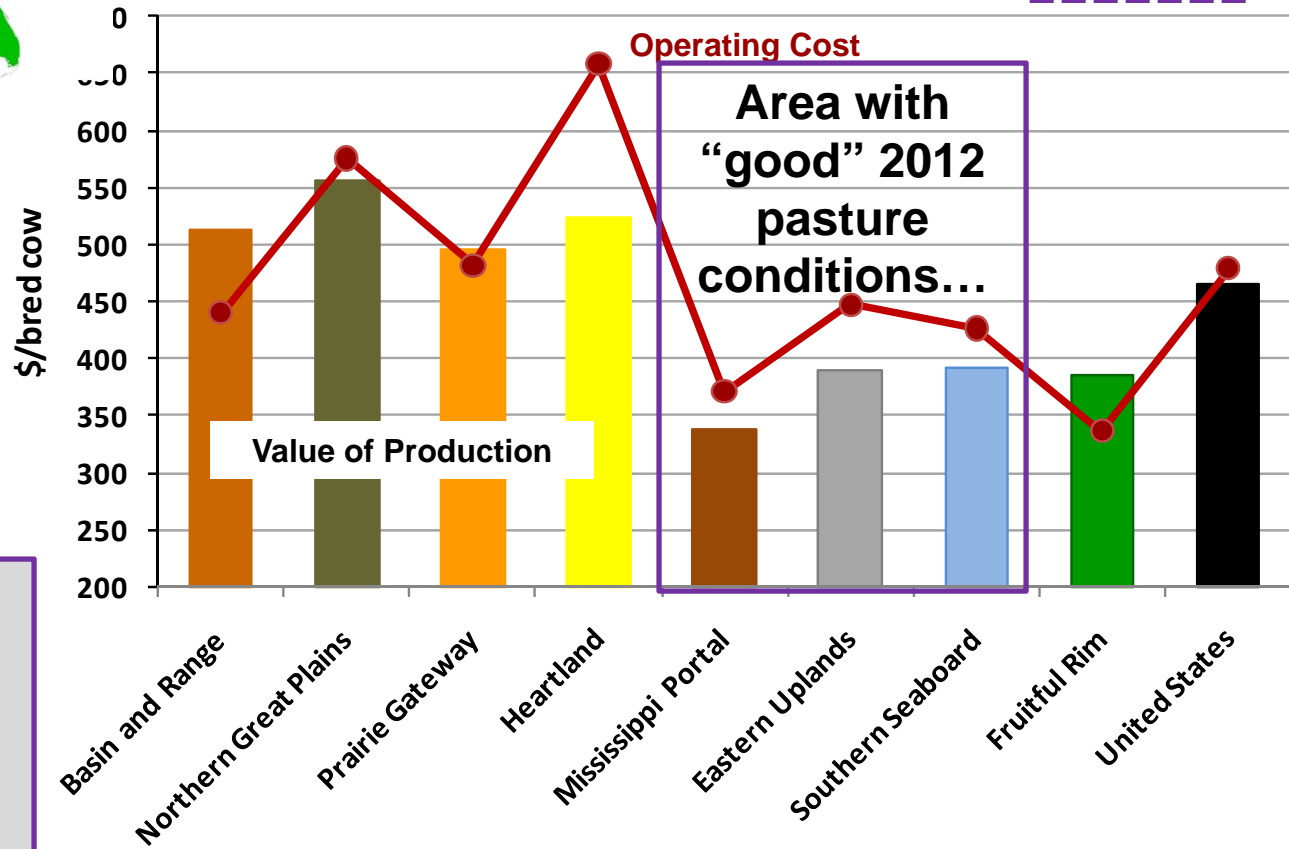
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Do some regions have an economic advantage for expansion?

Value of Production and Operating Cost by Region, 2008-2010

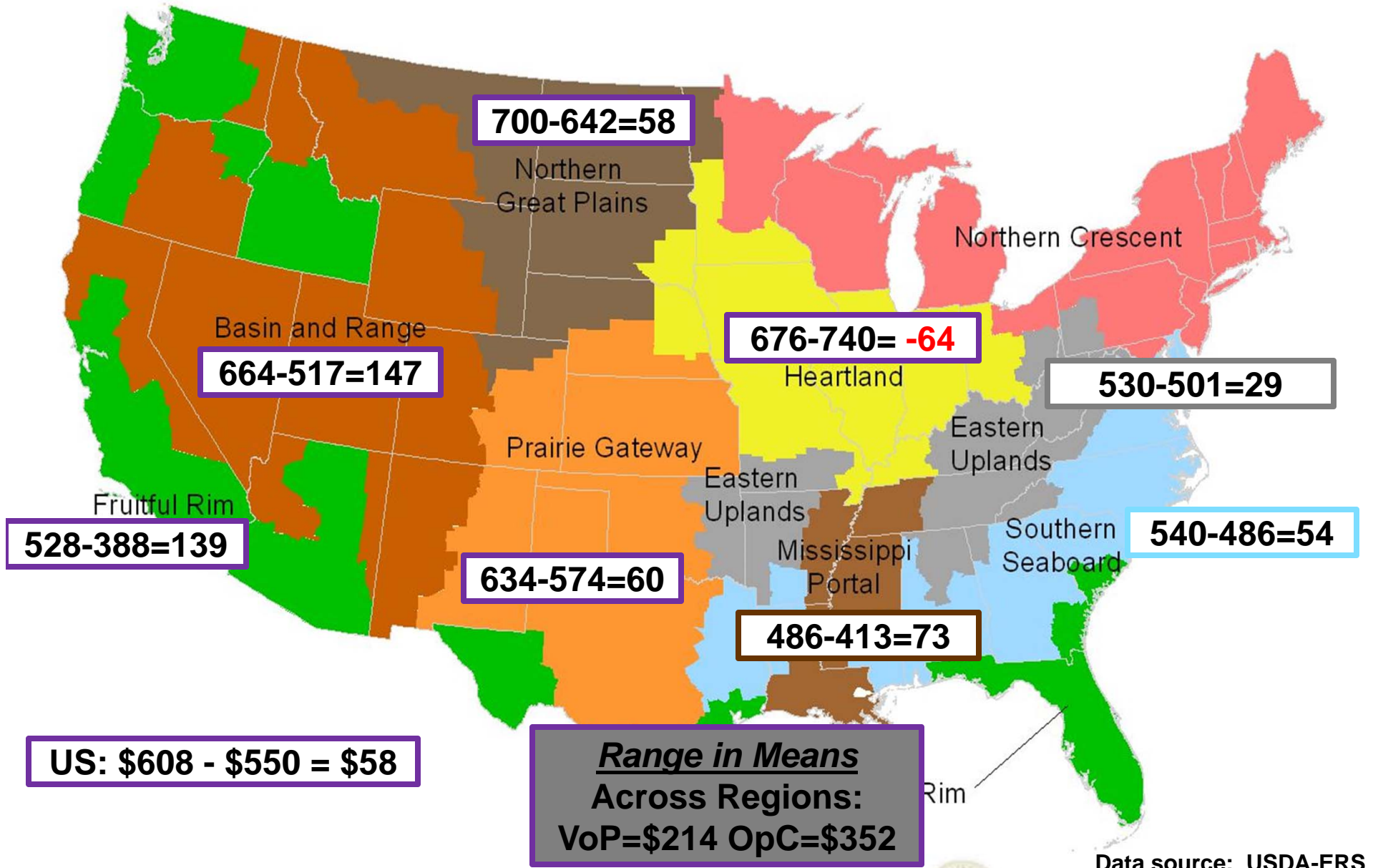


Herds > 20 cows

Operating Costs = 37% (MP) to 52% (NGP) of Total Costs

Data source: USDA-ERS

ERS 2011 (\$/cow): Value of Production LESS Operating Costs



Data source: USDA-ERS

Build herd -- How much can I pay for a heifer/cow?

KSU-Beef Replacements.xls --- A spreadsheet program to evaluate the economic value of purchasing beef replacements females.


Version 1-16-12

INPUTS vs CALCULATED VALUES
In the Price and weights and Net Present Value tabs all **blue** numbers are inputs and all black numbers are calculated from these inputs.


DESCRIPTION OF INPUTS:
Several input cells (i.e., **blue number**) have a **red diamond** in the upper right hand corner of the cell. By moving your mouse cursor over this diamond, a brief description of the input will be displayed on the screen.

MACROS
This spreadsheet uses macros to print the three different pages, however printing can also be done manually by highlighting the desired range and using the menu print commands.

Developed by:
Kevin C. Dhuyvetter, Ph.D.
Extension Agricultural Economist
Kansas State University
Voice: (785) 532-3527
Email: kcd@ksu.edu
www.AgManager.info



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Introduction | Prices and weights | Net present value | Prices and weights (2)

KSU-Beef Replacements.xls developed to help producers consider how much they can pay for replacement females given various assumptions.

(Excel spreadsheet available: <http://www.agmanager.info/livestock/budgets/production/default.asp#Beef Cattle>)

Build herd -- How much can I pay for a heifer/cow?

Average cow costs of middle 1/3 = \$803

[Print information](#)

Input Assumptions

Number of replacements purchased	100	Percent marketable calves (1 - death loss)	97.0%
Year of purchase	2013	Annual cow death loss	0.5%
First year for calf sales	2014	Annual cull rate	15.0%
Cull cow weight, lbs/hd	1,250	Annual inflation rate on costs	1.0%
Annual cow costs, \$/year	\$803	Annual increase in average weaning weight	0.0%
Price scenario to use (1-3) (GTT Adj LMIC)	1	Discount rate (interest rate)	6.5%
Weaning weight scenario to use (1-3)	1		

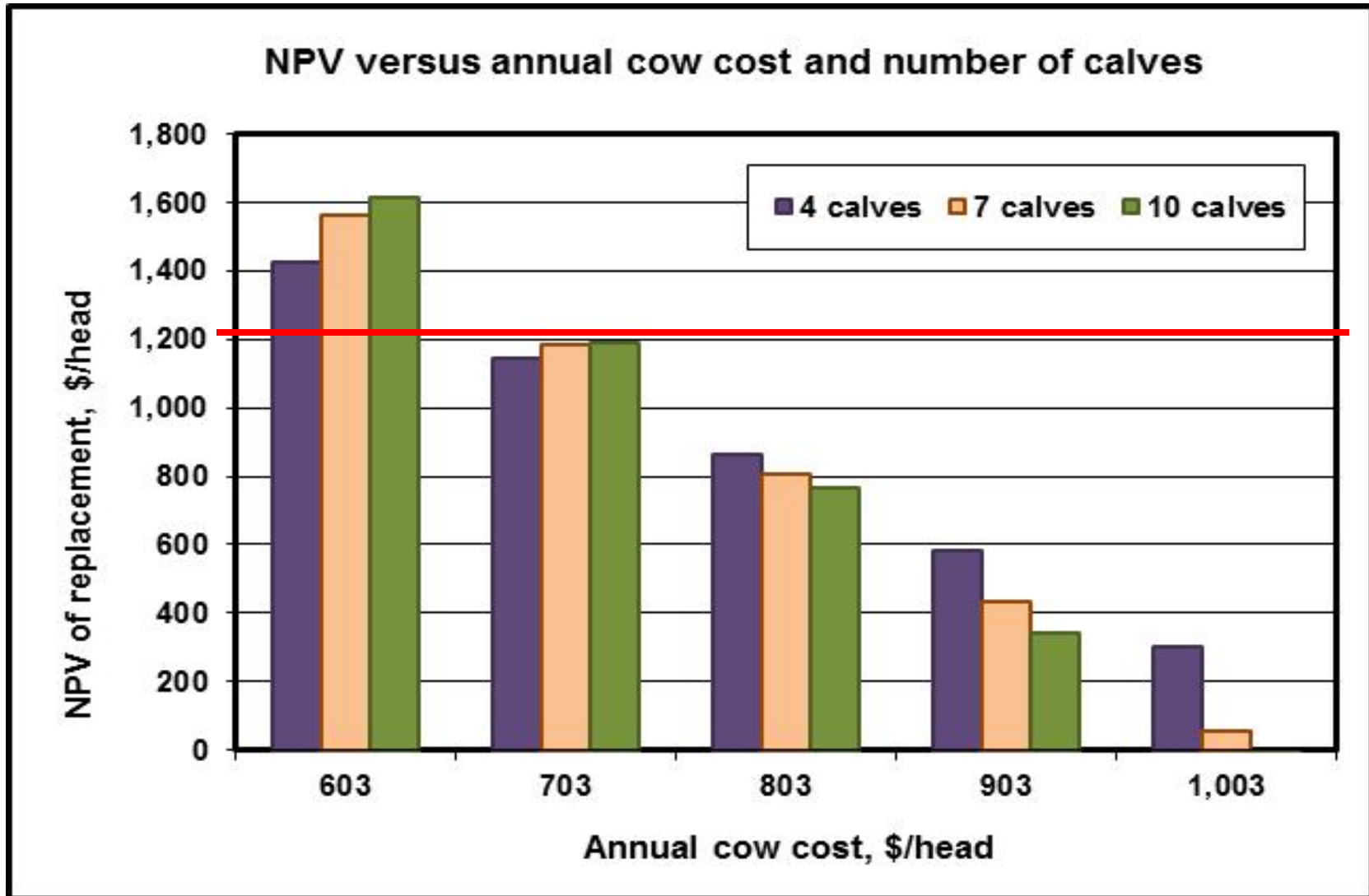
Net Present Value Analysis

Year	Cows at		Prices, \$/cwt		Calf Income	Cull Income		Cost	Net	Discount	NPV**		
	BOY*	Calf	Calf wt	Calf		Cull	Annual					Age	Cost
2014	100.0	1	542	\$170.48	\$70.00	\$896	\$131.25	\$739	\$811	\$0	\$217	0.9390	\$898
2015	84.5	2	552	\$164.88	\$70.00	\$746	\$110.91	\$625	\$692	\$0	\$165	0.8817	\$899
2016	71.4	3	562	\$159.28	\$70.00	\$620	\$93.72	\$528	\$591	\$0	\$123	0.8278	\$887
2017	60.3	4	567	\$153.98	\$70.00	\$511	\$79.19	\$446	\$504	\$0	\$86	0.7773	\$864
2018	51.0	5	572	\$153.68	\$70.00	\$435	\$66.92	\$377	\$430	\$0	\$71	0.7299	\$844
2019	43.1	6	572	\$153.68	\$70.00	\$367	\$56.54	\$319	\$367	\$0	\$57	0.6853	\$826
2020	36.4	7	567	\$153.98	\$70.00	\$308	\$47.78	\$269	\$313	\$0	\$43	0.6435	\$809
2021	30.8	8	565	\$154.10	\$70.00	\$260	\$40.37	\$227	\$267	\$0	\$33	0.6042	\$793
2022	26.0	9	562	\$154.28	\$70.00	\$219	\$34.12	\$192	\$228	\$0	\$24	0.5674	\$778
2023	22.0	10	559	\$154.46	\$70.00	\$184	\$28.83	\$162	\$195	\$0	\$18	0.5327	\$765

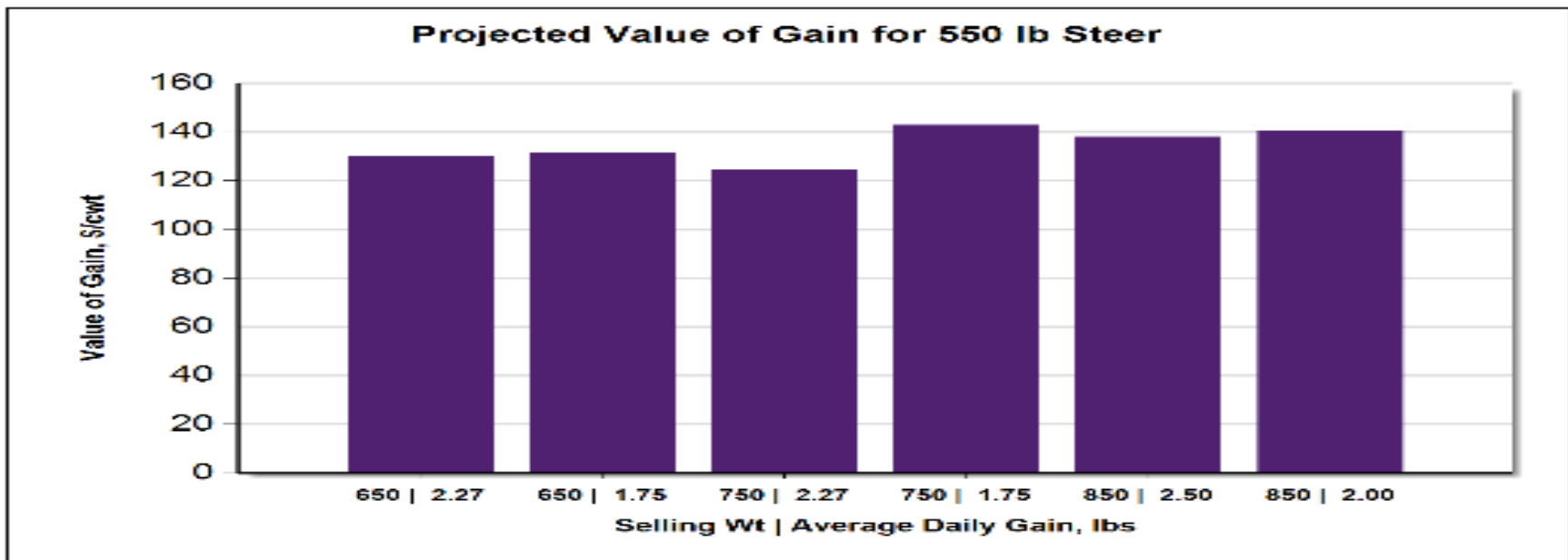
* BOY = Beginning of year

** Net present value if replacement is sold in this year

Build herd -- How much can I pay for a heifer/cow?



Total costs of bottom, middle, and top 1/3 operations (07'-11' KFMA):
\$961/cow, \$803/cow, and \$697/cow



Projected Value of Gain					
Beginning Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, \$/cwt
550	650	03/25/2013	100	2.27	\$129.79
550	650	04/07/2013	100	1.75	\$131.67
550	750	05/08/2013	200	2.27	\$124.23
550	750	06/03/2013	200	1.75	\$142.90
550	850	06/09/2013	300	2.50	\$138.04
550	850	07/09/2013	300	2.00	\$140.13

Note: Projections derived for the Salina, KS market using BeefBasis.com
 Related information is available at: BeefBasis.com 2/9/2013



<http://www.agmanager.info/livestock/marketing/graphs/cattle/prices/VOG.asp>
<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>

Historical and Projected Kansas Feedlot Net Returns (as of 2/4/13')

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

December 12': **-\$108.11/steer**

Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jan-13	-110.09	120.88	124.80	138.40	101.37	132.81	124.80
Feb-13	-29.57	123.11	133.37	140.90	117.81	135.49	137.38
Mar-13	-0.19	119.47	134.62	142.71	119.44	134.64	142.69
Apr-13	-49.18	116.96	131.19	144.88	108.45	134.81	138.59
May-13	-17.69	114.44	133.41	146.95	111.52	134.68	144.71
Jun-13	-43.21	111.98	130.53	146.32	104.82	133.56	141.08

Representative Barometer for Trends in Profitability

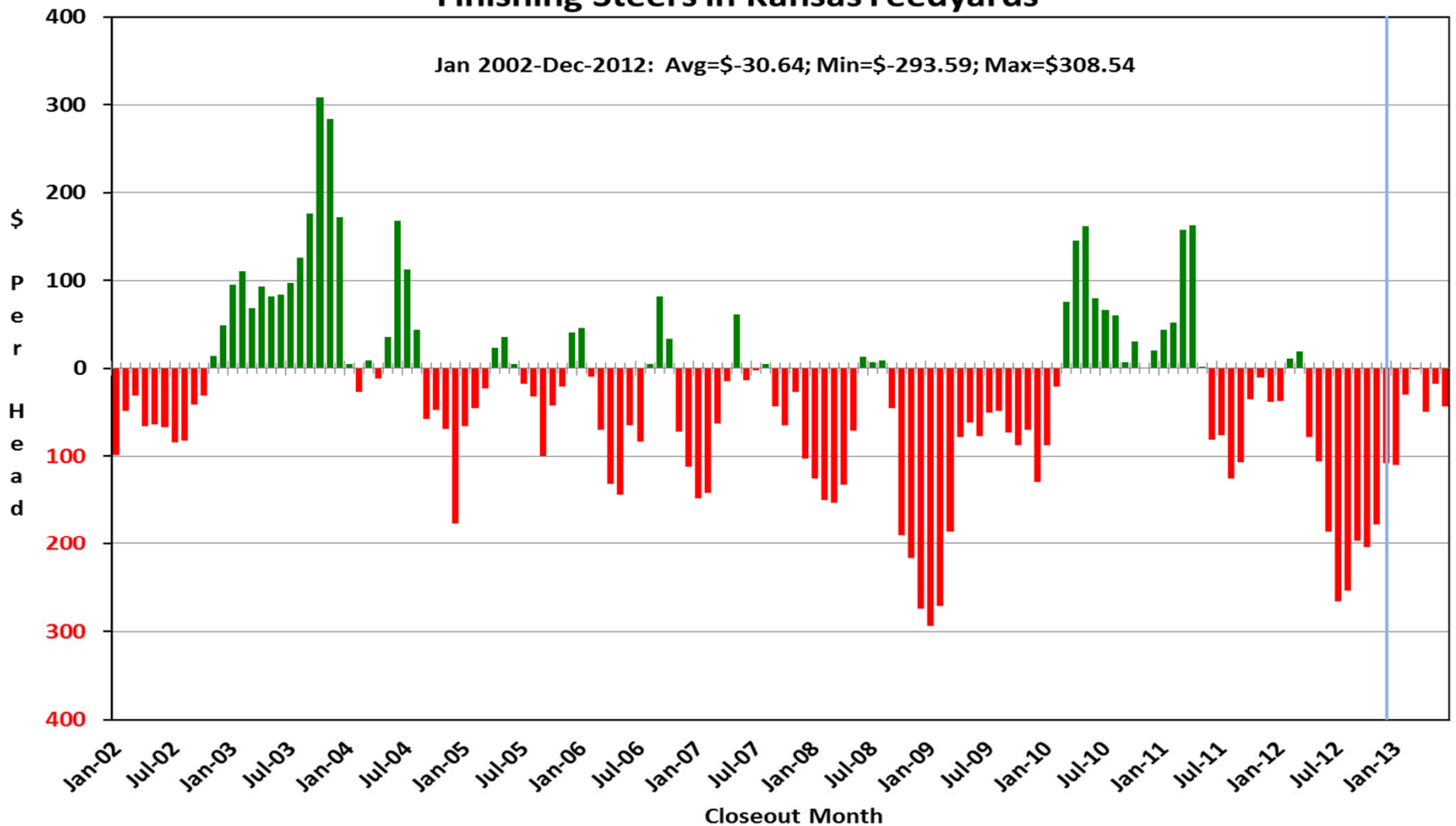
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Historical and Projected Kansas Feedlot Net Returns as of 2/4/13'

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

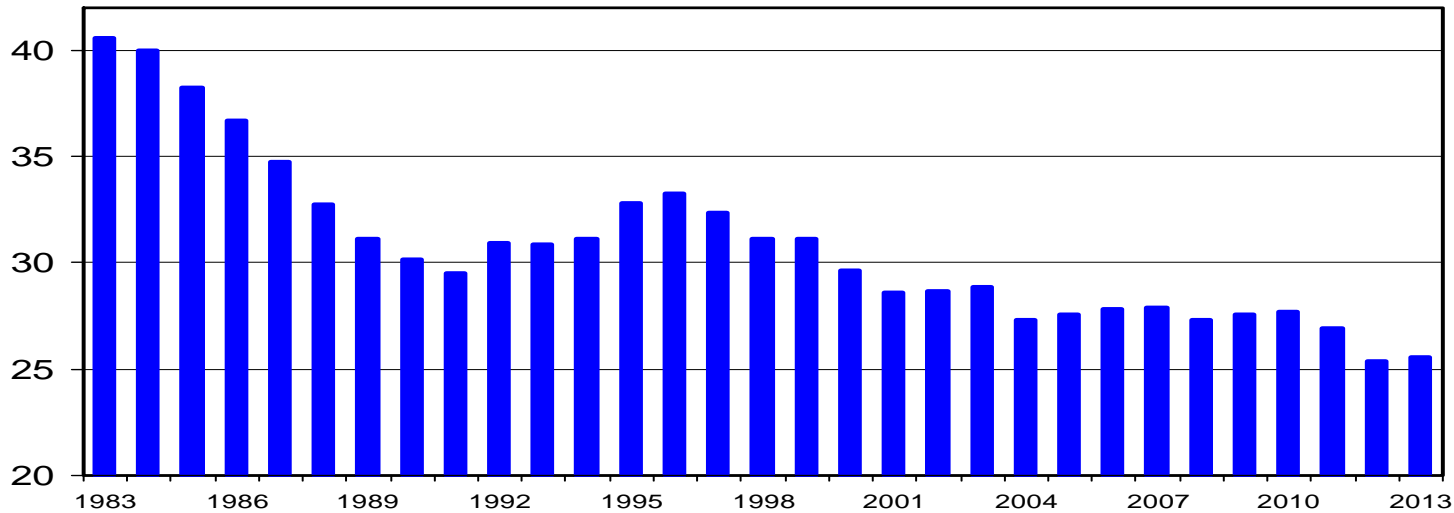
Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards



JANUARY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

Mil. Head



Livestock Marketing
Information Center
Data Source: USDA-NASS

C-N-30
02/04/13

Feedlots: Less than 1,000 Head Capacity					Feedlots: Over 1,000 Head Capacity				
Year	Operations	Marketings (mil. hd)	Annual Change in Marketings	% of Total Marketings	Year	# Operations	Marketings (mil. Hd)	Annual Change in Marketings	% of Total Marketings
2006	86,000	3.64		13.94%	2006	2,165	22.48		86.06%
2007	85,000	3.70	1.6%	14.14%	2007	2,160	22.46	-0.1%	85.86%
2008	80,000	4.05	9.5%	15.31%	2008	2,170	22.40	-0.3%	84.69%
2009	80,000	3.91	-3.5%	15.27%	2009	2,170	21.69	-3.2%	84.73%
2010	75,000	4.03	3.1%	15.43%	2010	2,140	22.08	1.8%	84.57%
2011	75,000	3.17	-21.3%	12.31%	2011	2,120	22.58	2.3%	87.69%



Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

- **U.S. beef cow inventory:**

- 29.9 million in 2012 (was 37.9 million in 1983)
- 29.8 million in 2013
 - Bottom of 29.5 million in 2014; net expansion starts in 2015 (29.6)
- 33.5 million in 2022

- 34.5 million in 1997;
 - Beef Production (billion lbs): 25.4 (1997), 25.7 (2012)
 - *More beef per cow will continue = less throughput in # head...*
 - *If/when herd expands, it likely will NOT return to 1980s head count...*

 - *2021 projection 1.1 million lower than forecasted in Feb. 2012...*



Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

- “Developing World” Changes (2012-2022)
 - Increasing global \$, pop., & per capita meat cons.
 - Africa & Middle East (3.8 - 4.9% GDP/yr)
 - Region accounts for >40% of meat import growth. Yet arguably the least understood growth market...
 - Latin America (4.0% GDP/yr)
 - Growing producer & consumer...
 - China (7.8% GDP/yr)
 - Canada has access but US does not ...
 - South Korea (3.5% GDP/yr – but 10x per capita inc. of China)
 - US has access but Canada does not...



Longer-term projections (as of Feb. 2013)

<http://www.usda.gov/oce/commodity/projections/index.htm>

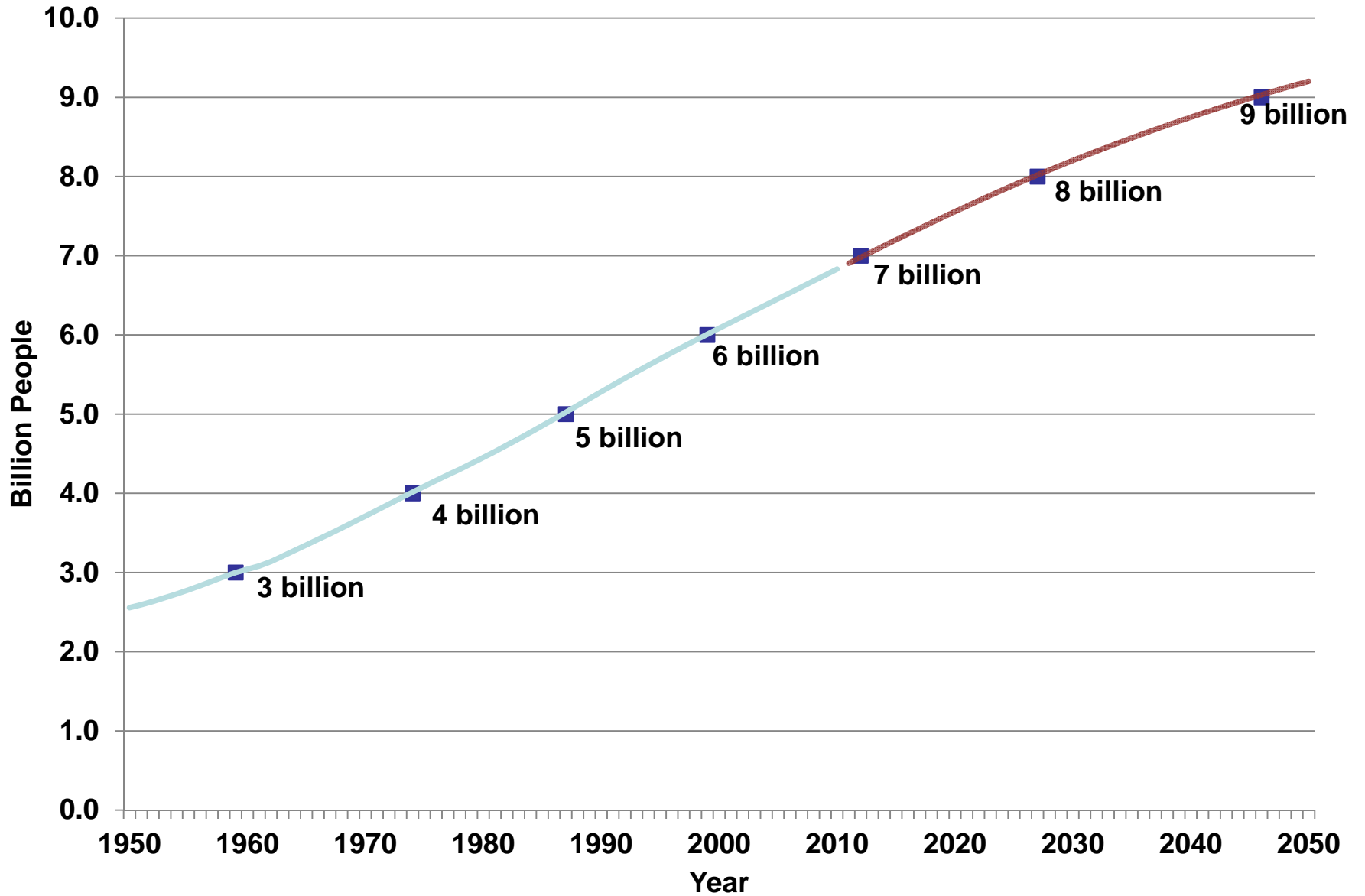
- “Developed World” Changes (2012-2022)
 - Declining global economic prevalence, populations, & per capita meat consumption
 - US/Canada (2.4 – 2.6% GDP/yr)
 - Different dependence on domestic consumption...
 - Japan (1.1% GDP/yr):
 - Major meat importer currently (changes in age restriction a +) but will exporters care less going forward?
 - Europe (1.7% GDP/yr):
 - Will influential role as “food thought leader” persist?



Can Exports Save US?



World Population, 1950 - 2050

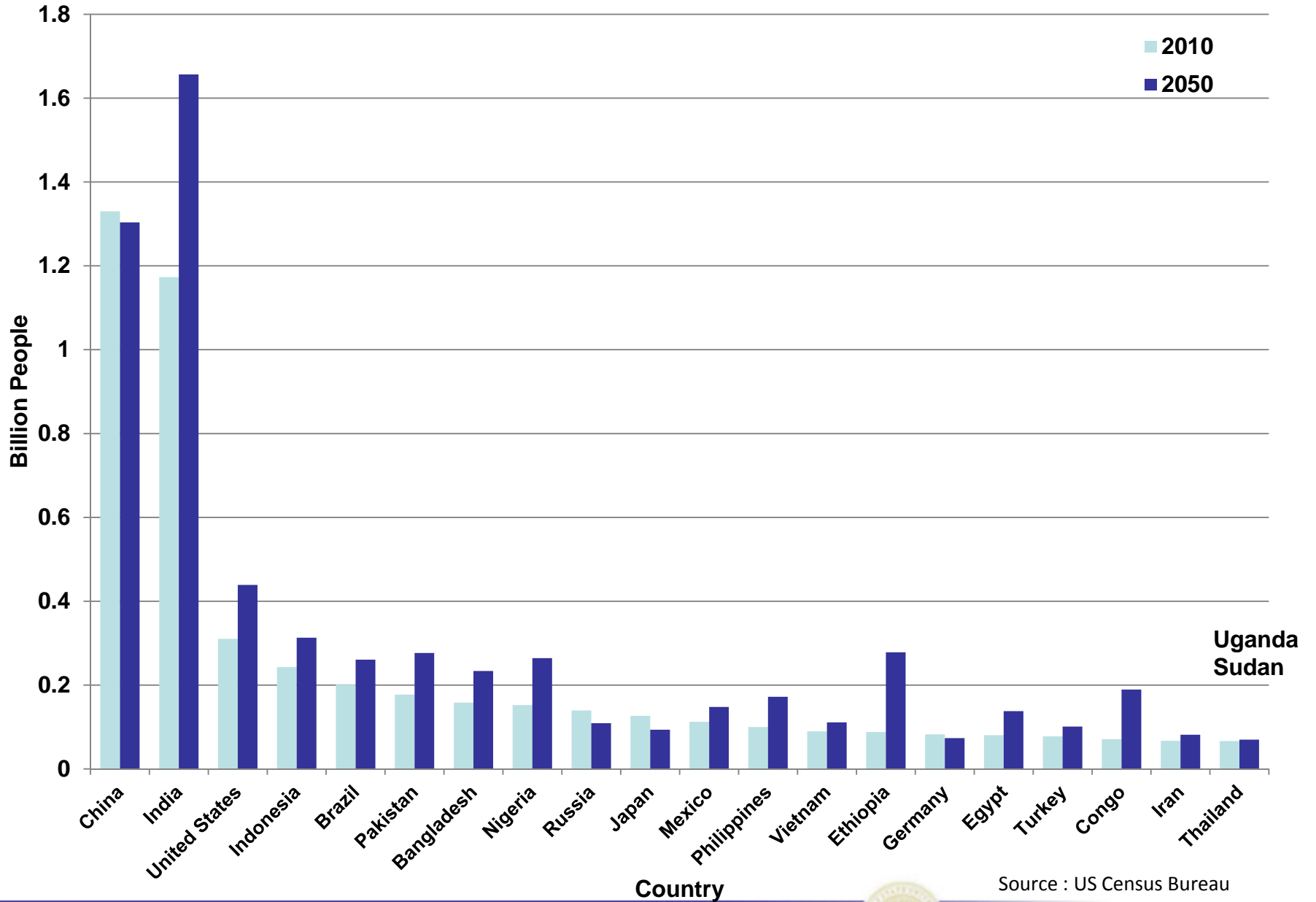


Source : US Census Bureau

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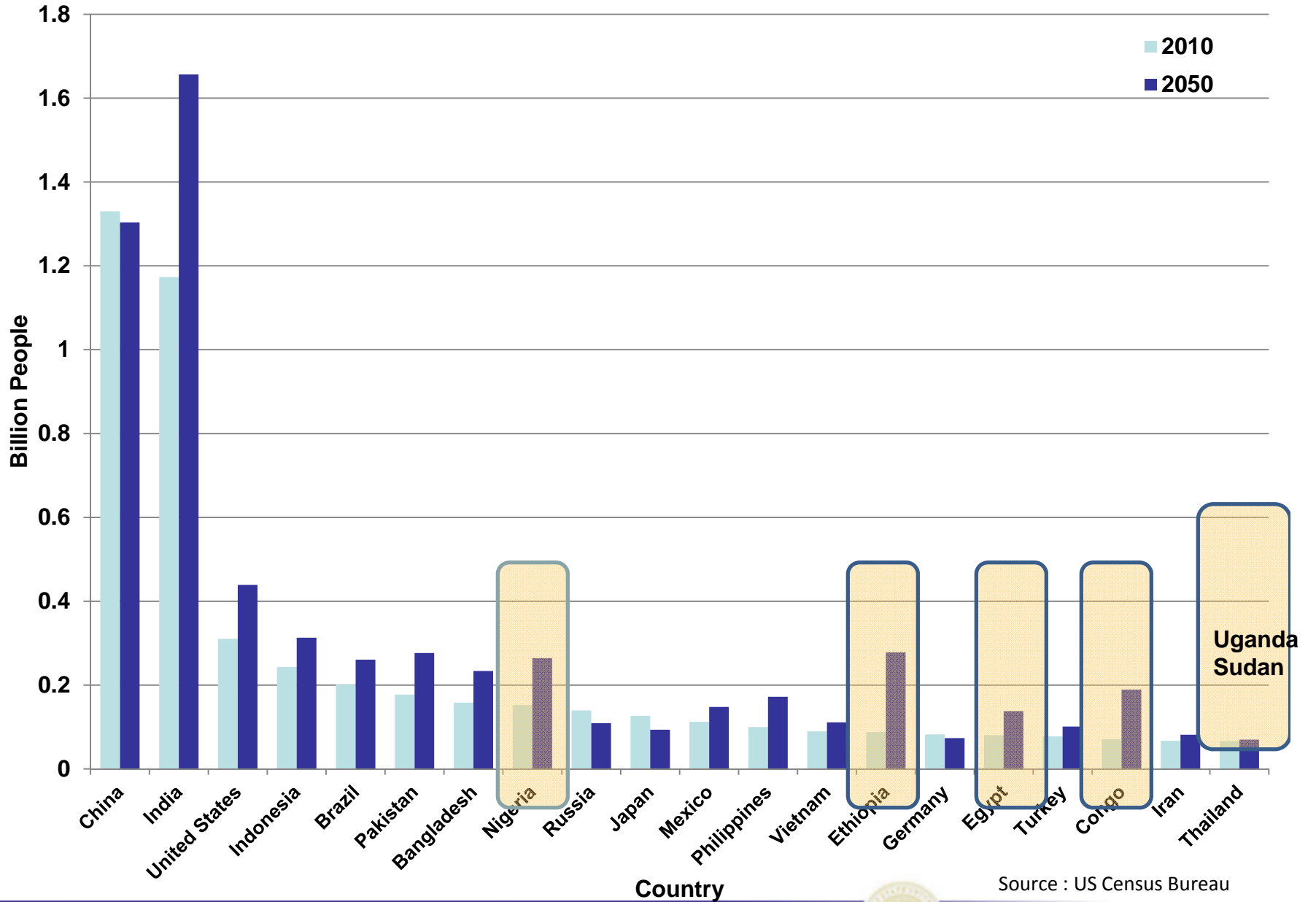
Population Largest 20 Countries, 2010 and 2050



Source : US Census Bureau



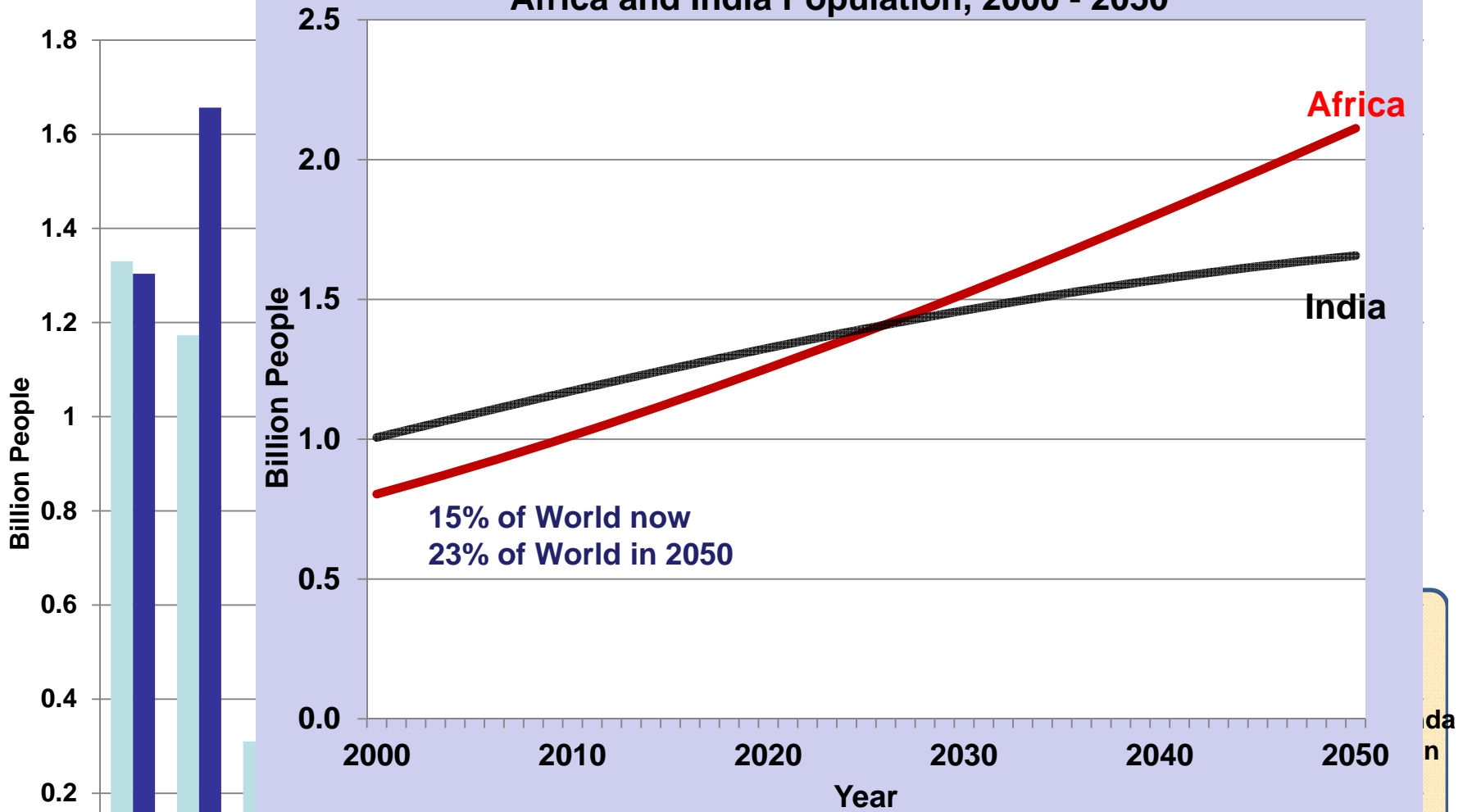
Population Largest 20 Countries, 2010 and 2050



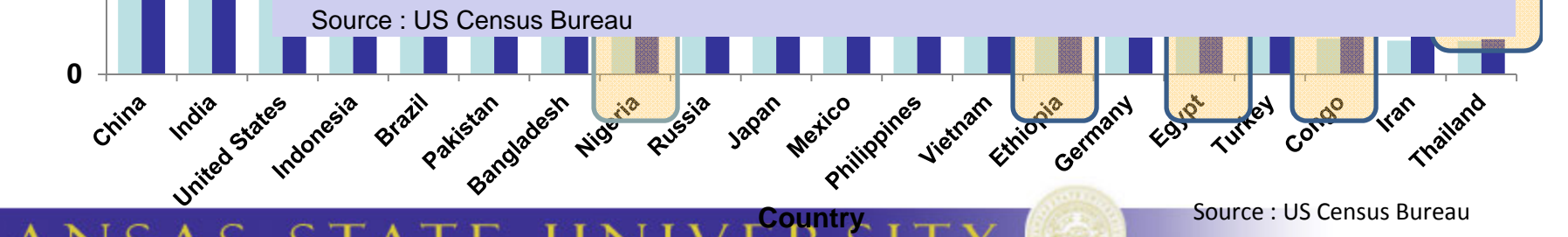
Source : US Census Bureau

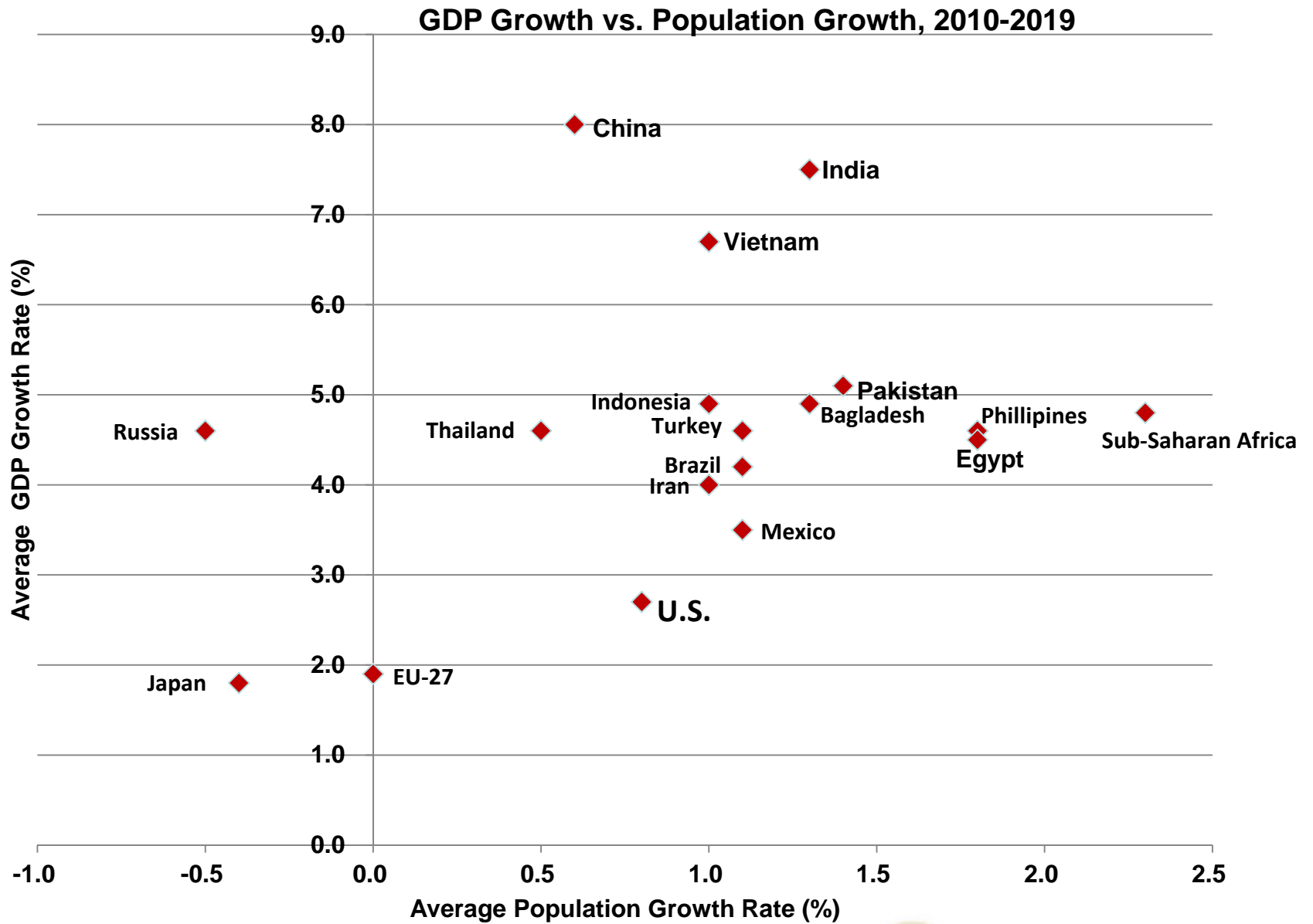


Africa and India Population, 2000 - 2050

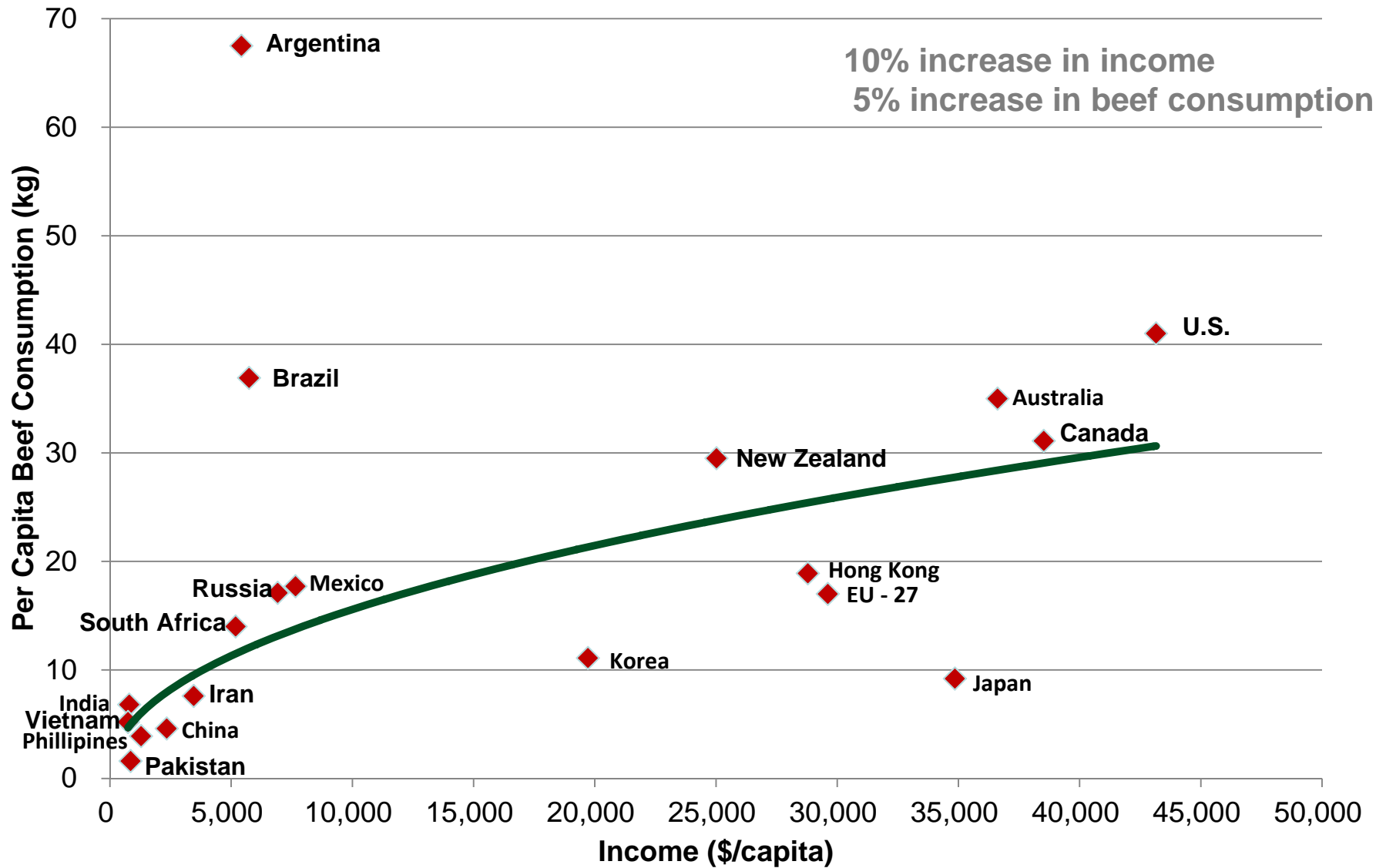


Source : US Census Bureau





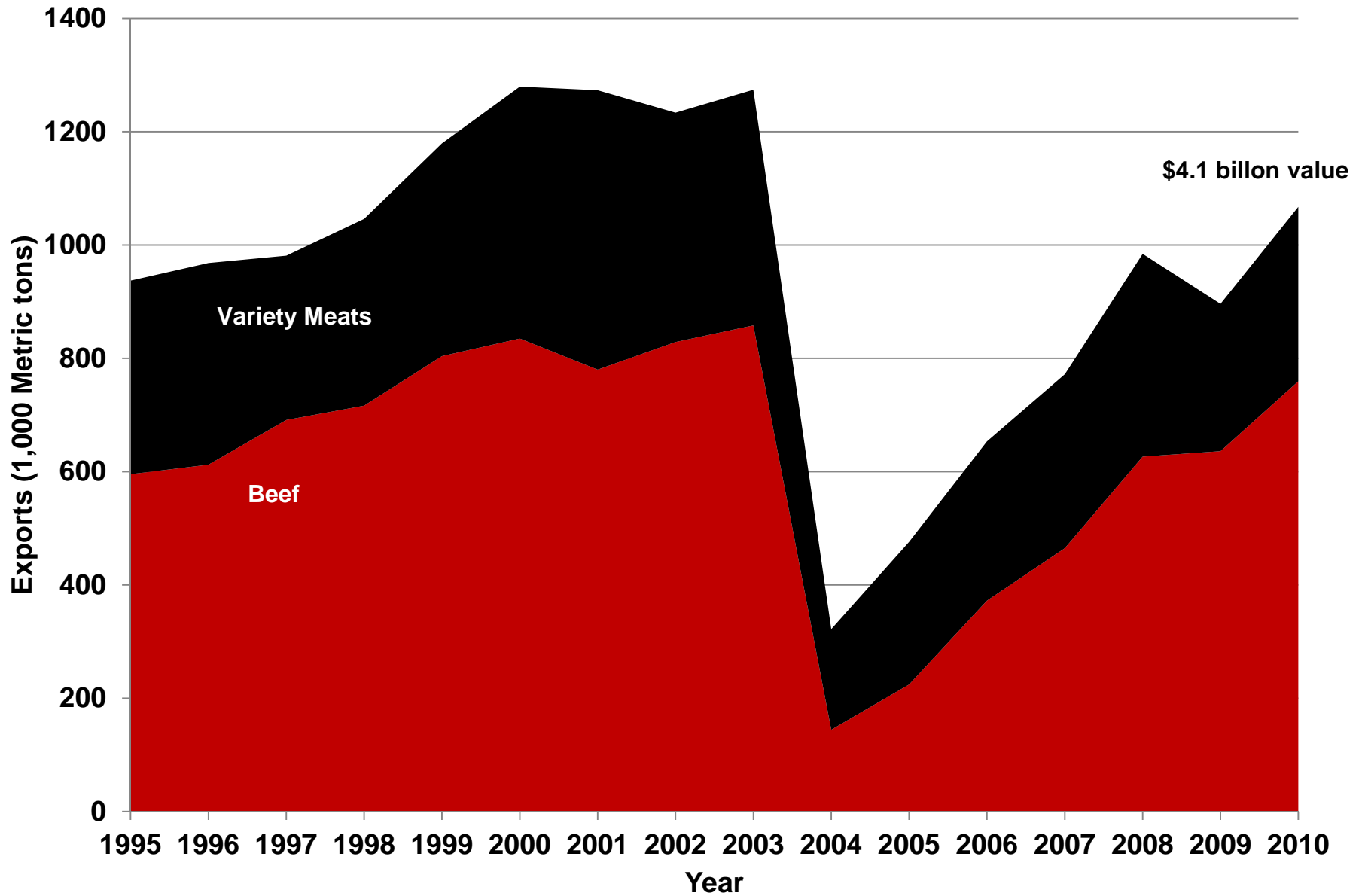
Per Capita Beef Consumption and Income, Selected Countries, 2008



Source: USDA-FAS



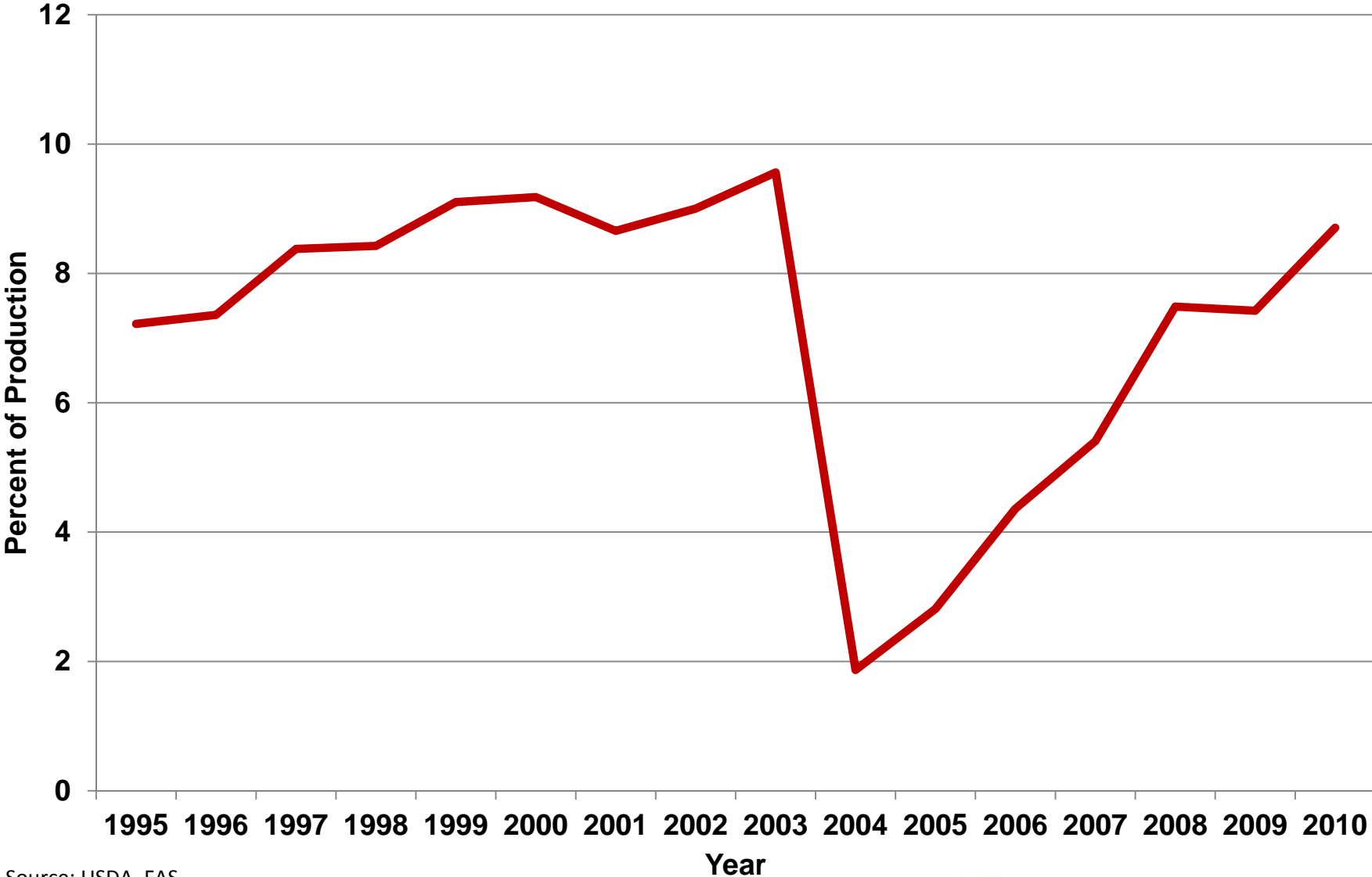
Annual Beef and Beef Variety Meats Exports, 1995-2010



Source: USDA, FAS



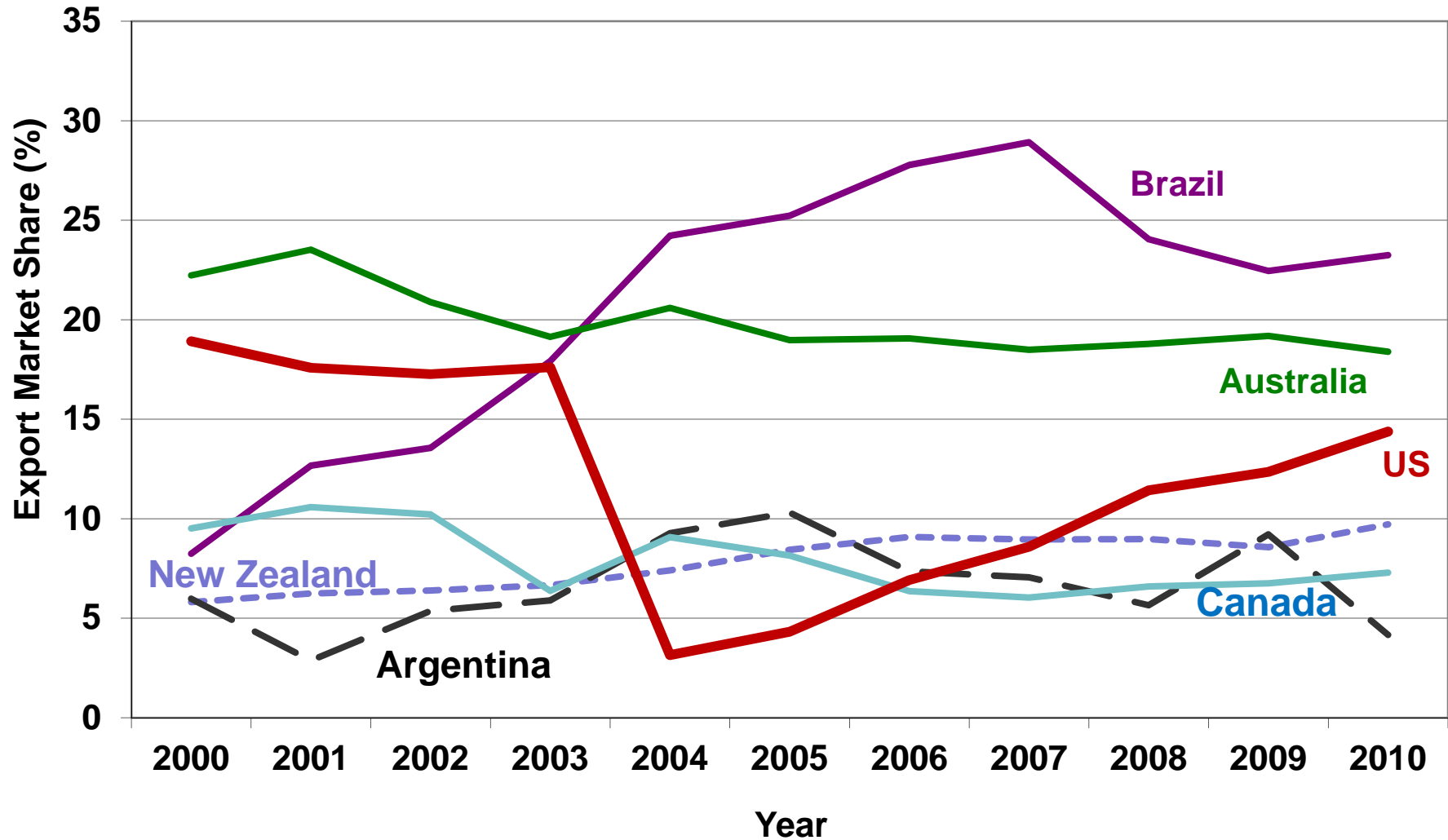
Annual Beef and Variety Meats Exports, Percentage of Production, 1995-2010



Source: USDA, FAS



Market Shares Selected Leading World Beef Exporters, 2000-2010



Source: Foreign Ag Service, USDA



Market Access Issues



Market Access

Estimated Economic Loss To Producers:

1-Day Export Market Closure (2007 Export Levels)

Beef Export Market Closure for 1 year – beef producer loss

\$9.1 million per day = \$3.3 billion per year



Recent Meat Trade Newswire:

- **6/15/2011** **Columbia lifts poultry restrictions on six states**
- **6/6/2011** **NE poultry banned from Taiwan**
- **6/2/2011** **Taiwan finds Paylean in US meat, ractopomine feeding banned**
- **6/7/2011** **China's labeling rules to cost US pork exporters**
- **6/8/2011** **Brazil industry leaders say Russian ban could cripple pork exports**
- **6/6/2011** ***South Korea to ban use of antibiotics in animal feed***
- **5/31/2011** ***Australia bans live cattle exports to Indonesia because of inhumane treatment***
- **5/12/2011** **Tyson appeals Mexico ban on Mo. poultry plant**

Sources: Meatingplace.com and Meat Trade News Daily



Recent Meat Trade Newswire:

- 6/15/2011
- 6/6/2011
- 6/2/2011
- 6/7/2011
- 6/8/2011
- 6/6/2011
- 5/31/2011
- 5/12/2011

**The global meat market is
lucrative but tough to navigate?**

ined


x exports

Sources: meatingplace.com and Meat Trade News Daily



Who will be the global suppliers?

Those with market access

- 
- 1. Cost competitive**
 - 2. Provide trusted product assurances**
 - 3. Safe food assurance**
 - 4. Quality**
 - 5. Accountable**
 - 6. Politically positioned**



Big Picture Points to Ponder

- Complex relationship & views on technology:
 - Feed 9 billion, “control” prices, and do so in an “acceptable” manner is the story...
- Many things are elevating uncertainty...
 - *Ben Franklin: “In this world nothing can be said to be certain, except death and taxes.”*
 - *How much does today’s uncertainty change a “\$100/hd expansion” rule of thumb???*
 - *How much does this impact a feedyard or packing plant’s willingness to wait for better margins???*
- *Are you comfortable with this “new normal” ?*



What To Do?

- In a period of increasingly updated & changing information: utilize available resources
 - Decision aides, these events, regularly updated online pieces...
- You are encouraged to:
 1. “Look in the mirror” – do you know your comparative advantage?
 2. Recognize this “isn’t your father’s world” anymore and manage accordingly...
 3. “Think globally, manage locally, and stay informed”

