# A Look into the Future of the Cattle Industry

## Current Status, Farm-Level Profitability Drivers, and Industry Position

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**FORTY-SECOND ANNUAL**

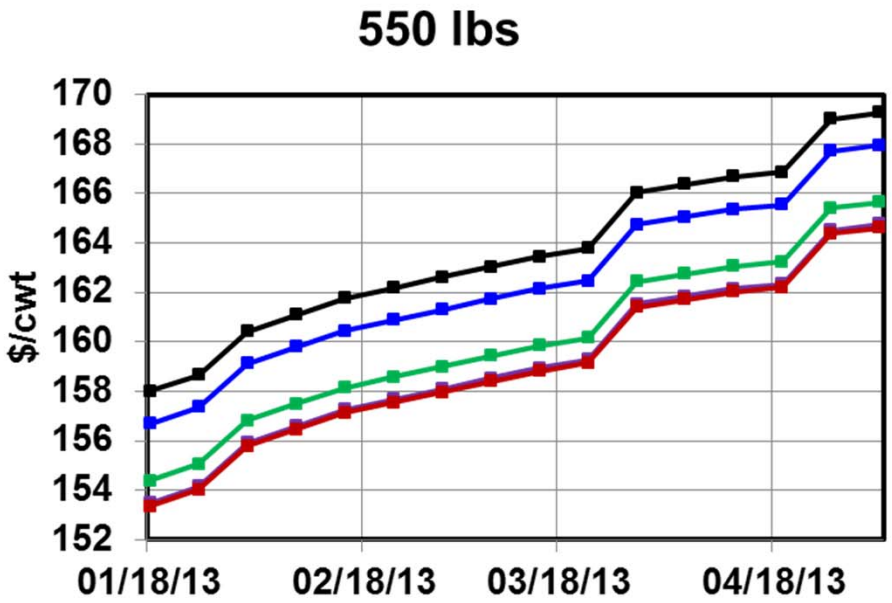
**Cornbelt Cow-Calf Conference**

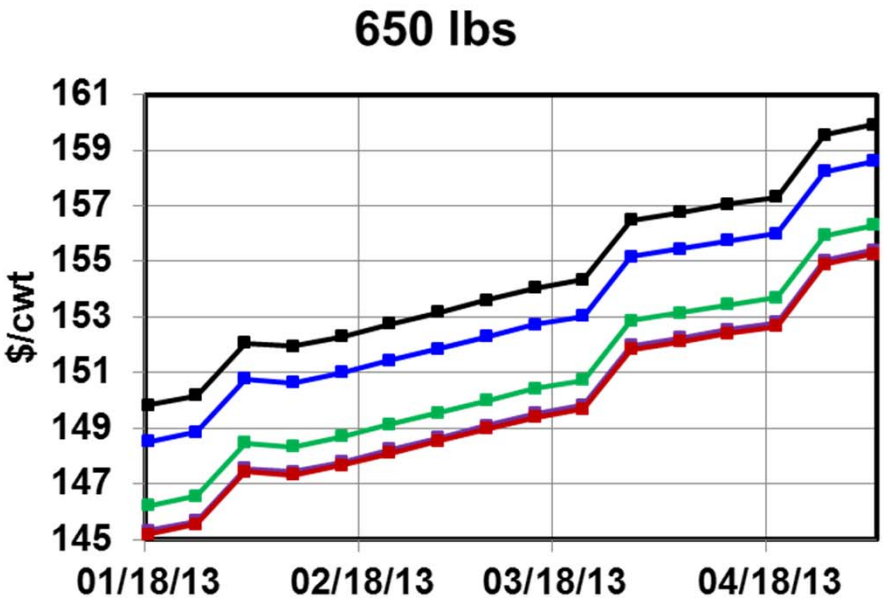
**Saturday, January 19, 2013**

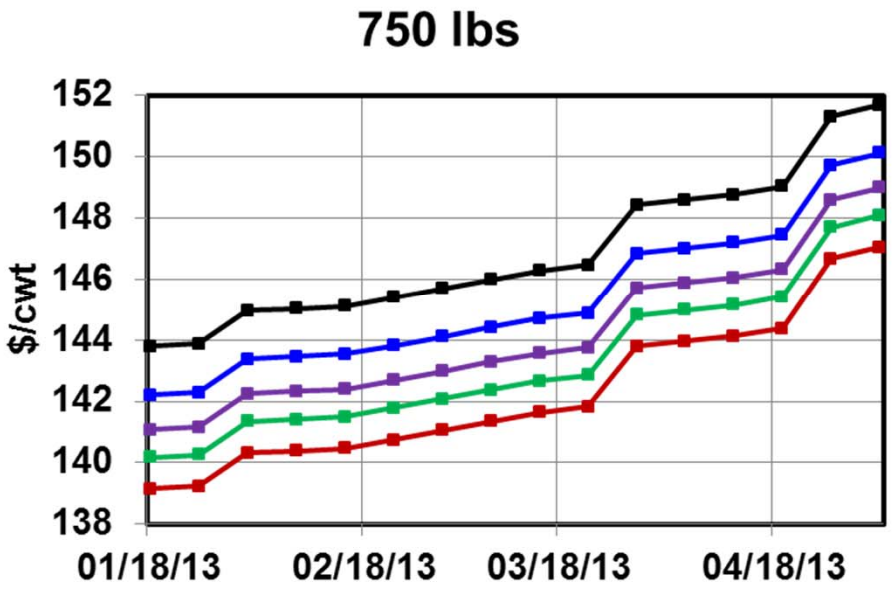
# Economic Outlook Overview: Cow-Calf

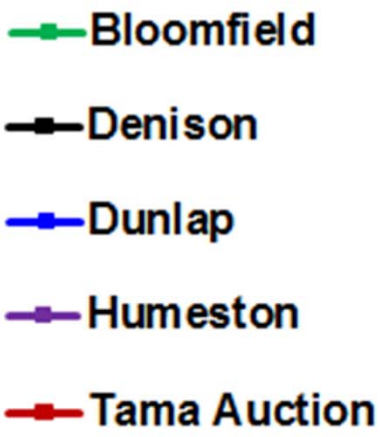
- Historical year for calf and feeder price levels and variability
  - National vs. regional drought magnified market impact compared to 2011
  - “White hot” market in the Spring
- Return over cash costs
  - Good profit potential; cost management key
  - 2012 (2013) estimates have fell over $170/cow ($75) from Mar to Dec
  - Will 2015 now be “the peak return year”?
- Further widening between top 1/3 and bottom 1/3 of producers?
  - Cost management drives majority of differences in returns and is likely even more critical in period of drought response

# Projected Steer Prices at Selected Iowa Auctions



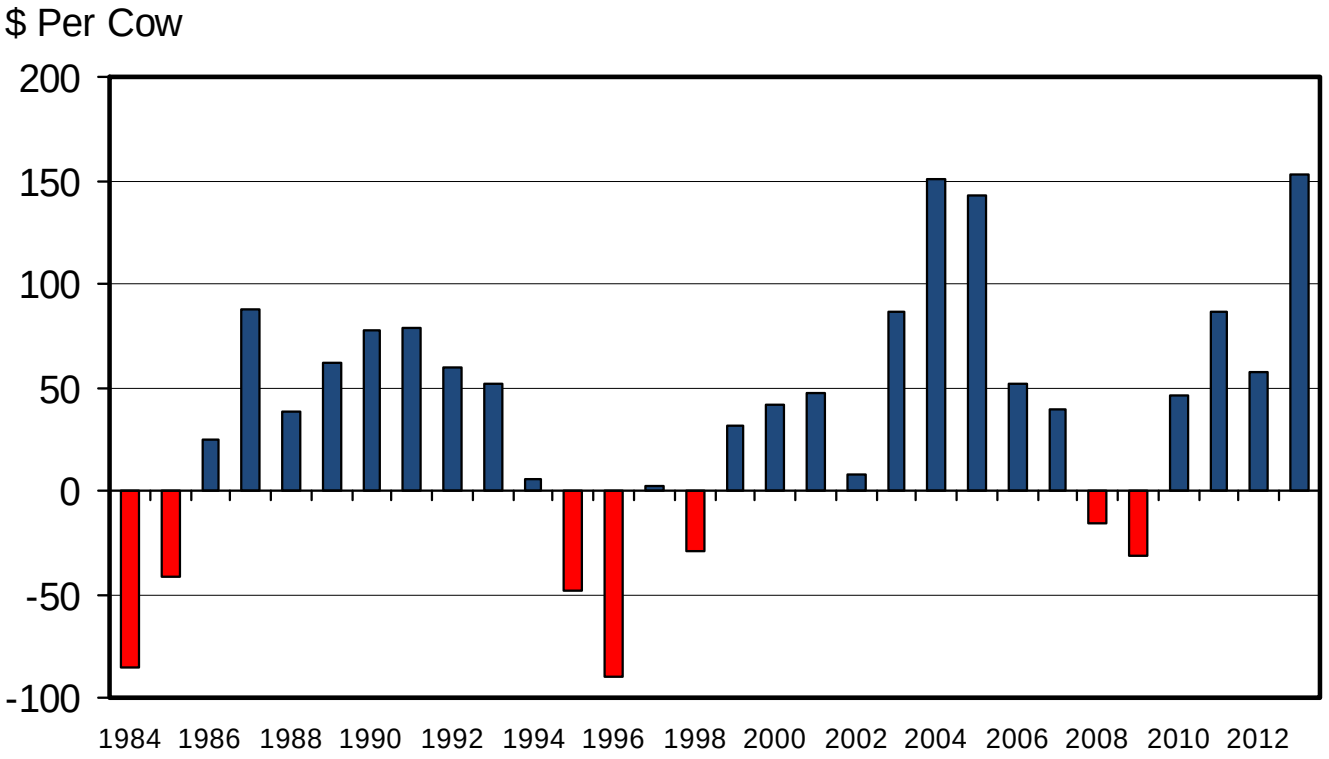




Source: BeefBasis.com, 01/18/2013

# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

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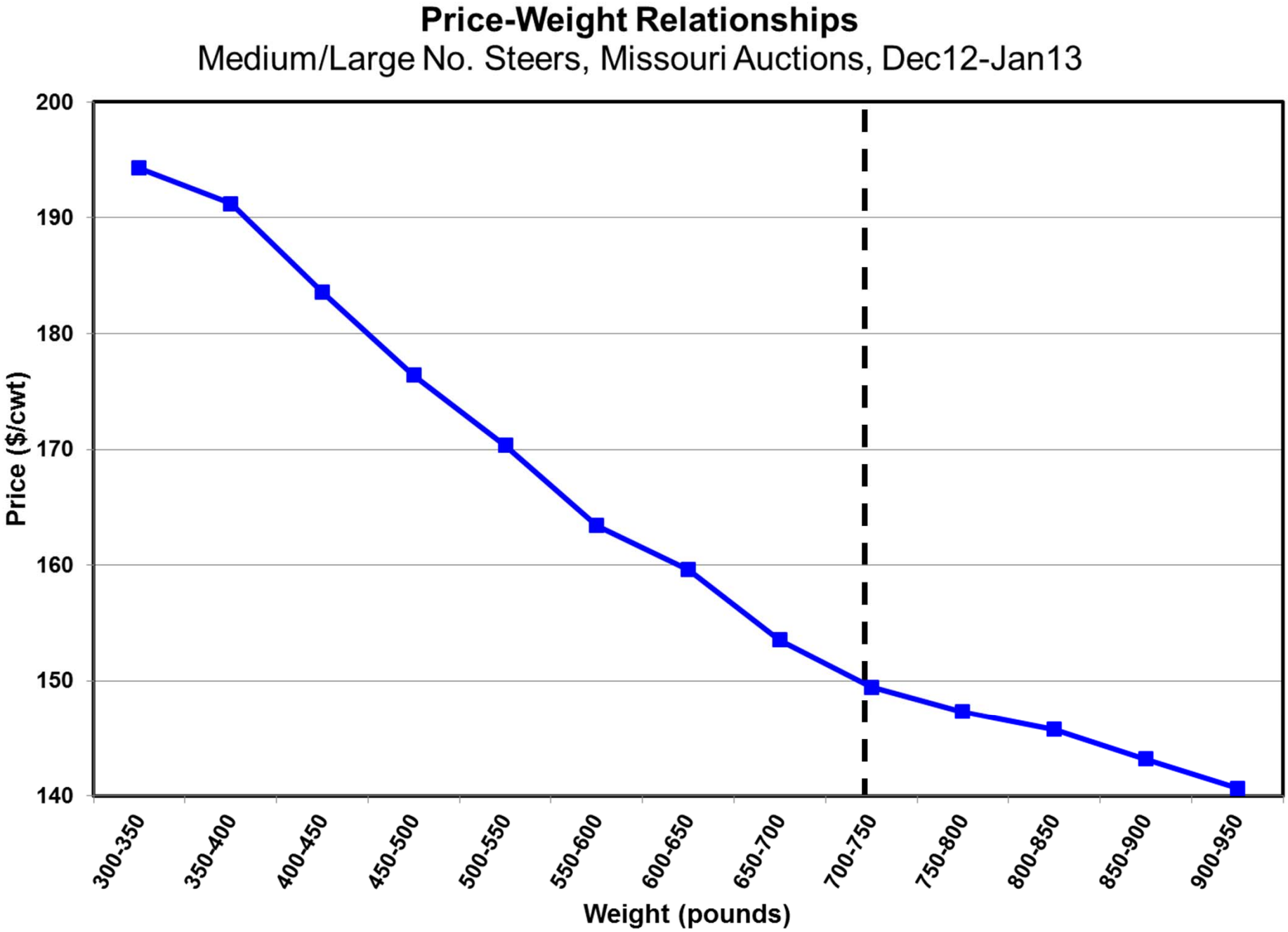
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

# Economic Outlook Overview: Stocker

- Historically high values of gain (VOG)
  - But also historically high costs of gain (COG)

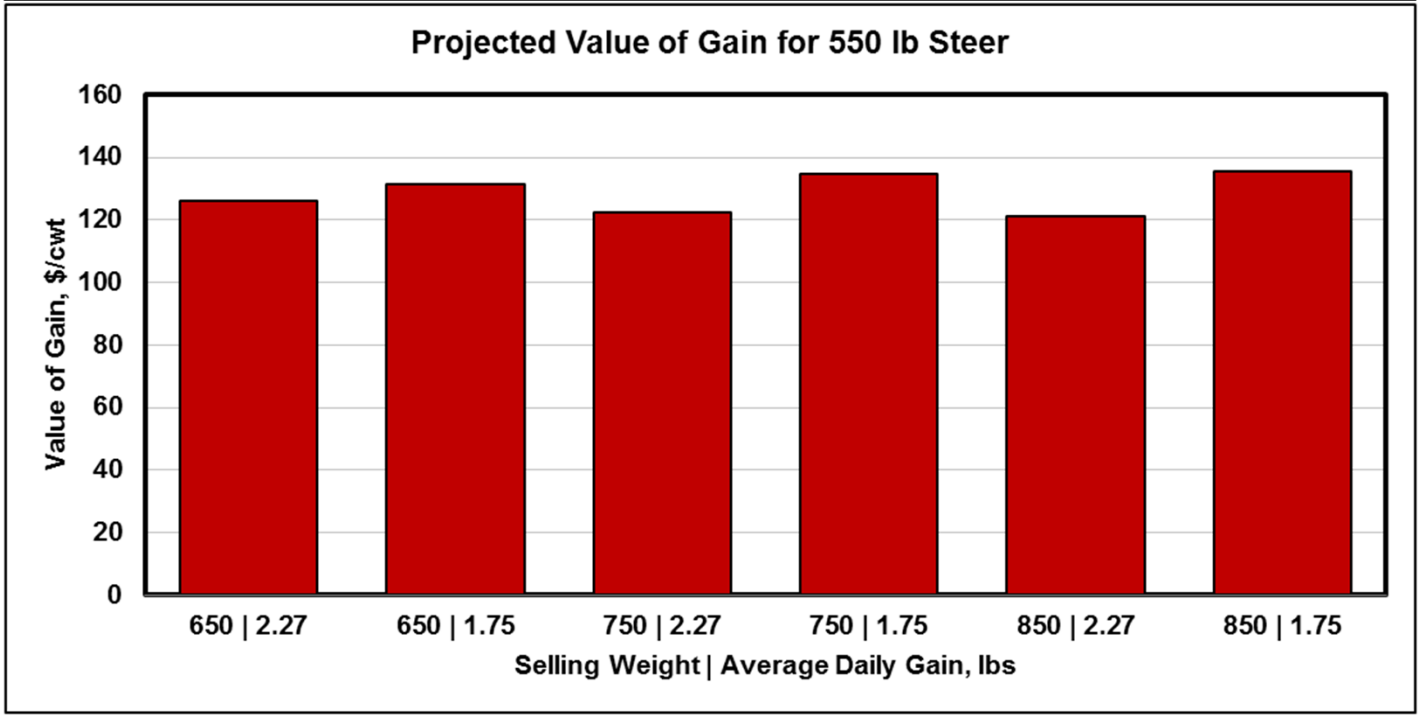
- Of course, not everyone has their typical feedstuffs/resources to engage this winter
  - ⇧ VOG = ⇧ rewards for sound management
  - ⇧ COG = ⇧ pain of hiccups or poor management

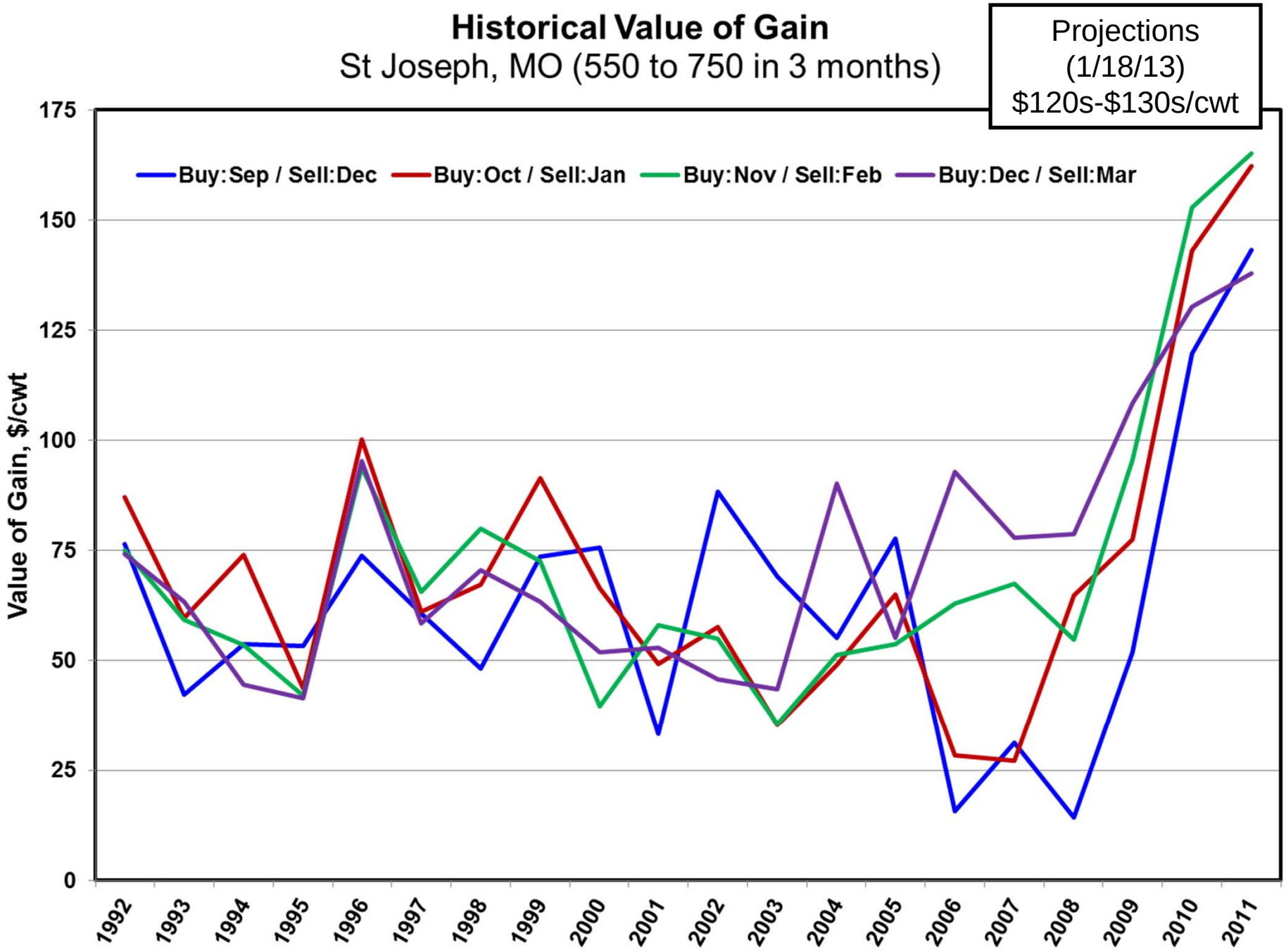
- Many producers feeding something “new”
  - Is there a widening gap between returns of stocker operations?


Price-Weight Relationships
Medium/Large No. Steers, Missouri Auctions, Dec12-Jan13
Price ($/cwt)
200
190
180
170
160
150
140
300-350
350-400
400-450
450-500
500-550
550-600
600-650
650-700
700-750
750-800
800-850
850-900
900-950
Weight (pounds)

| Beginning Weight, lbs | Ending Weight, lbs | Date | Weight Gain, lbs/head | ADG, lbs | Value of Gain, $/cwt |
|---|---|---|---|---|---|
| 550 | 650 | 03/03/13 | 100 | 2.27 | $126.15 |
| 550 | 650 | 03/16/13 | 100 | 1.75 | $131.28 |
| 550 | 750 | 04/16/13 | 200 | 2.27 | $122.48 |
| 550 | 750 | 05/12/13 | 200 | 1.75 | $134.59 |
| 550 | 850 | 05/18/13 | 300 | 2.50 | $121.15 |
| 550 | 850 | 06/17/13 | 300 | 2.00 | $135.74 |

Note: Projections derived for the Dunlap, IA market using BeefBasis.com
Related information available at BeefBasis.com
01/18/13



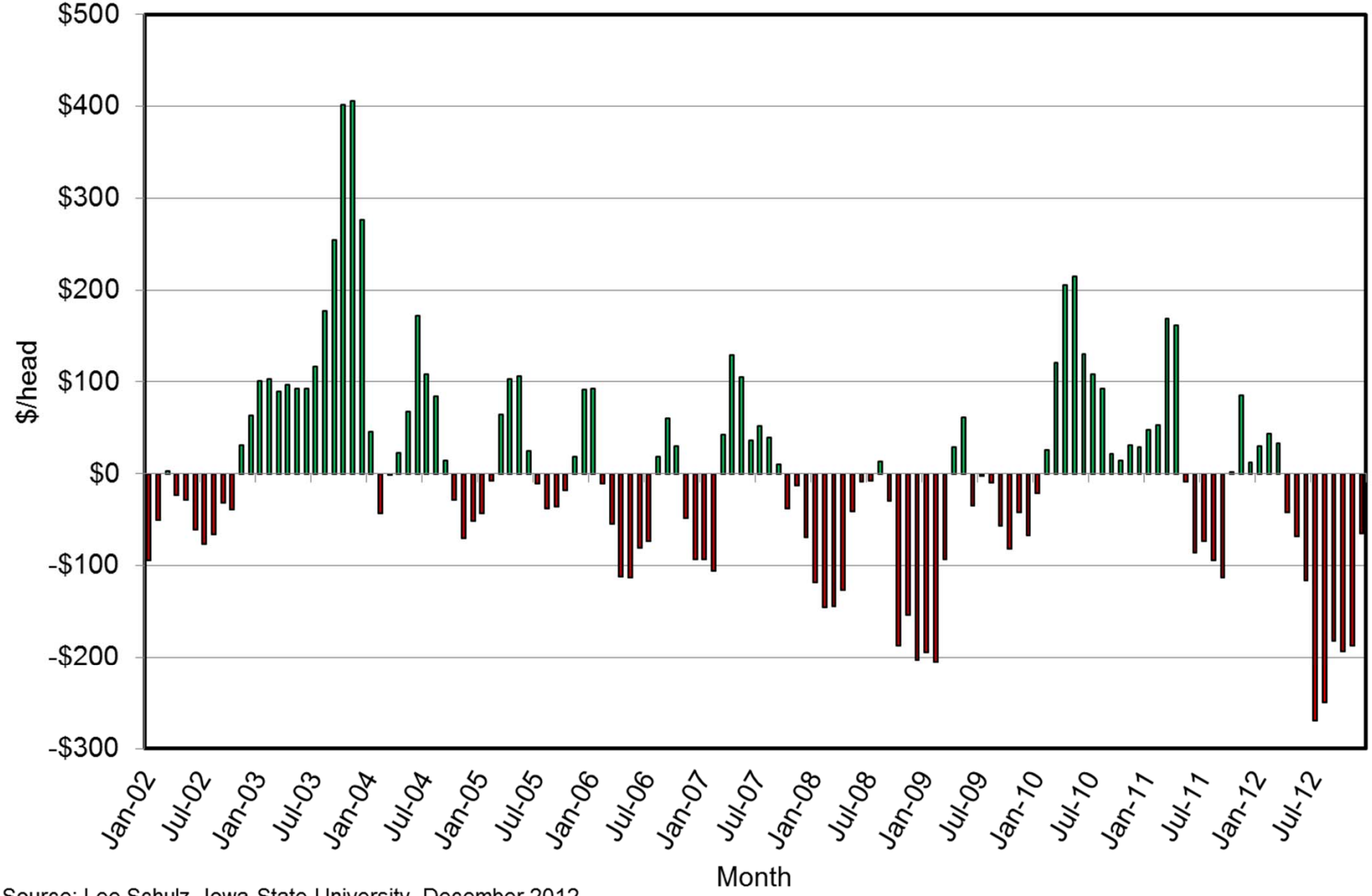

Historical Value of Gain
St Joseph, MO (550 to 750 in 3 months)
Projections
(1/18/13)
$120s-$130s/cwt
Buy:Sep / Sell:Dec
Buy:Oct / Sell:Jan
Buy:Nov / Sell:Feb
Buy:Dec / Sell:Mar
Value of Gain, $/cwt
175
150
125
100
75
50
25
0
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011

# Economic Outlook Overview: Feedlot

- Excess capacity concerns remain and are growing
  - Drought and Mexican feeder supplies mitigated this initially / magnifying it now and going forward
- Closeouts have been at historically high losses
  - 12-month rolling average thru Dec-12 = -$105.52/head
- Recent and future placements +/- breakeven margins
  - Watch response to shrinking available supplies
- Cattle prices pushed higher by limited supplies
  - Commercial slaughter down 4-7%

# Estimated Returns to Finishing Yearling Steers in Iowa

Jan-02 thru Dec-12



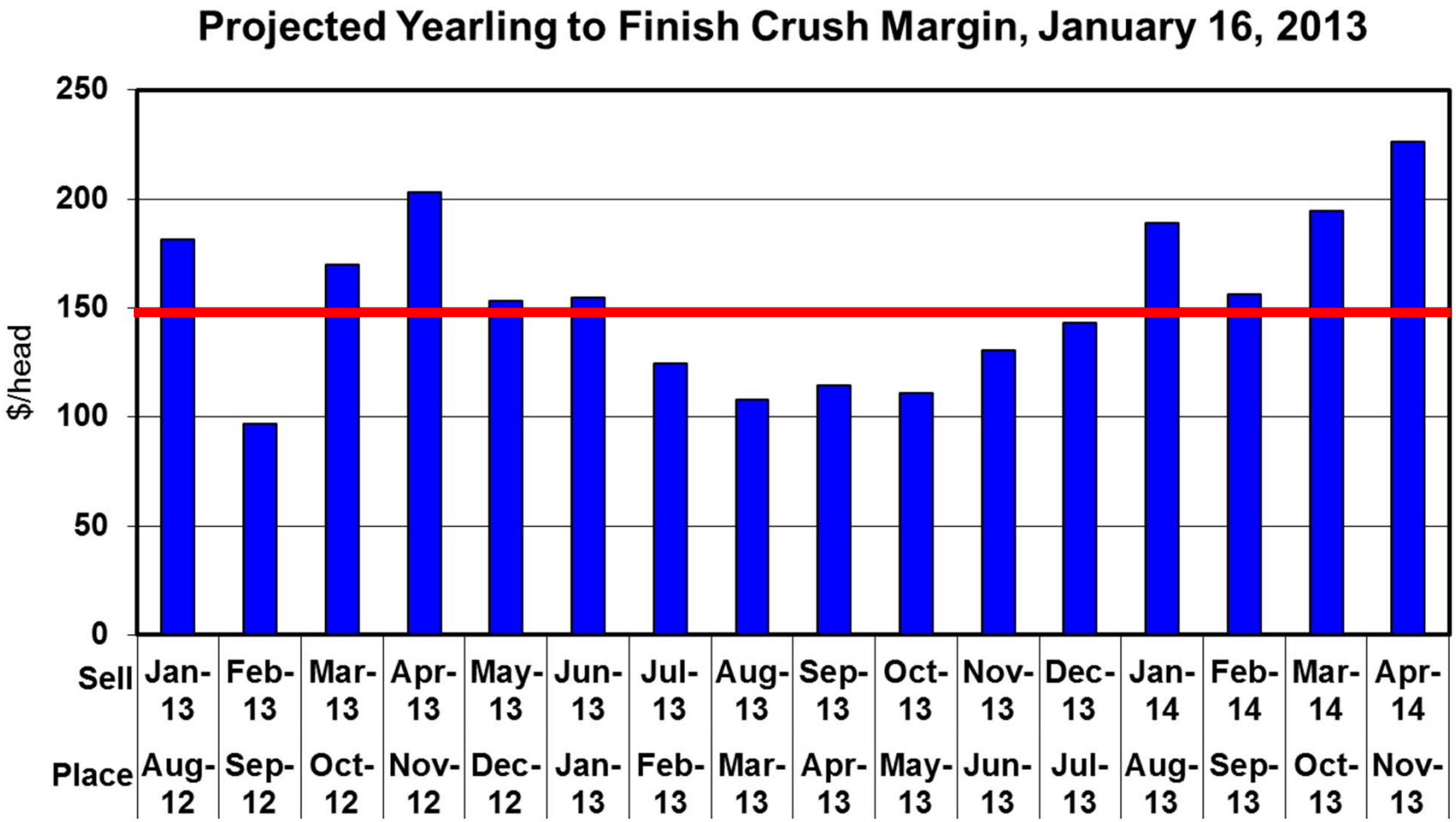

Source: Lee Schulz, Iowa State University, December 2012

# Cattle Crush Margin

The Crush Margin is the return after the feeder steer and corn costs.

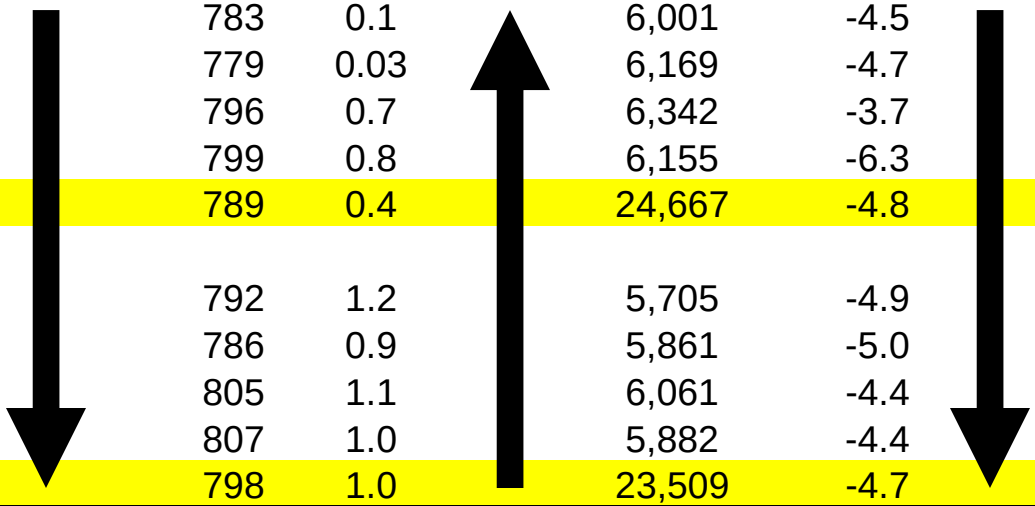
Live weight: 1250 pounds  Feeder weight: 750 pounds

Corn: 50 bushels/head  Source: http://www.econ.iastate.edu/margins/



# **Quarterly Forecasts** (LMIC:01/18/13)

| Year Quarter | Commercial Slaughter (1,000 hd) | Change from Year Ago (%) | Average Dressed Weight (lbs) | Change from Year Ago (%) | Commercial Beef Production (mil lbs) | Change from Year Ago (%) |
|---|---|---|---|---|---|---|
| 2011 | | | | | | |
| I | 8,314 | 1.8 | 771 | 0.7 | 6,410 | 2.6 |
| II | 8,640 | -0.5 | 759 | 0.7 | 6,559 | 0.2 |
| III | 8,738 | -0.2 | 771 | -0.3 | 6,736 | -0.5 |
| IV | 8,395 | -3.0 | 773 | -0.8 | 6,490 | -3.7 |
| Year | 34,087 | -0.5 | 768 | 0.1 | 26,195 | -0.4 |
| 2012 | | | | | | |
| I | 8,027 | -3.5 | 783 | 1.5 | 6,283 | -2.0 |
| II | 8,311 | -3.8 | 779 | 2.6 | 6,475 | -1.3 |
| III | 8,332 | -4.6 | 790 | 2.5 | 6,584 | -2.3 |
| IV | 8,281 | -1.4 | 793 | 2.6 | 6,570 | 1.2 |
| Year | 32,951 | -3.3 | 786 | 2.3 | 25,912 | -1.1 |
| 2013 | | | | | | |
| I | 7,662 | -4.5 | 783 | 0.1 | 6,001 | -4.5 |
| II | 7,916 | -4.8 | 779 | 0.03 | 6,169 | -4.7 |
| III | 7,967 | -4.4 | 796 | 0.7 | 6,342 | -3.7 |
| IV | 7,700 | -7.0 | 799 | 0.8 | 6,155 | -6.3 |
| Year | 31,245 | -5.2 | 789 | 0.4 | 24,667 | -4.8 |
| 2014 | | | | | | |
| I | 7,200 | -6.0 | 792 | 1.2 | 5,705 | -4.9 |
| II | 7,457 | -5.8 | 786 | 0.9 | 5,861 | -5.0 |
| III | 7,532 | -5.5 | 805 | 1.1 | 6,061 | -4.4 |
| IV | 7,287 | -5.4 | 807 | 1.0 | 5,882 | -4.4 |
| Year | 29,476 | -5.7 | 798 | 1.0 | 23,509 | -4.7 |



# **Quarterly Forecasts** (LMIC:01/18/13)

| Year Quarter | Live Slaughter Steer Price 5-Market Average ($/cwt) | Change from Year Ago (%) | Feeder Steer Price Southern Plains 7-800# ($/cwt) | Feeder Steer Price Southern Plains 5-600# ($/cwt) |
|---|---|---|---|---|
| 2011 | | | | |
| I | 110.12 | 23.1 | 129.06 | 150.07 |
| II | 112.79 | 17.1 | 132.03 | 148.61 |
| III | 114.05 | 19.5 | 135.93 | 141.69 |
| IV | 121.99 | 21.7 | 143.15 | 153.11 |
| Year | 114.74 | 20.3 | 135.04 | 148.37 |
| 2012 | | | | |
| I | 125.29 | 13.8 | 154.25 | 182.41 |
| II | 120.91 | 7.2 | 152.65 | 178.65 |
| III | 119.69 | 4.9 | 141.82 | 150.57 |
| IV | 125.54 | 2.9 | 146.50 | 161.42 |
| Year | 122.86 | 7.1 | 148.81 | 168.26 |
| 2013 | | | | |
| I | 128-131 | 3.4 | 143-146 | 161-165 |
| II | 128-132 | 7.5 | 146-151 | 163-169 |
| III | 126-131 | 7.4 | 148-154 | 164-173 |
| IV | 128-134 | 4.3 | 149-156 | 163-170 |
| Year | 128-132 | 5.8 | 147-151 | 163-169 |
| 2014 | | | | |
| I | 132-139 | 4.6 | 154-162 | 175-184 |
| II | 134-142 | 6.2 | 157-167 | 178-190 |
| III | 132-140 | 5.8 | 158-169 | 174-187 |
| IV | 133-143 | 5.3 | 156-168 | 171-185 |
| Year | 134-140 | 5.4 | 158-165 | 177-184 |

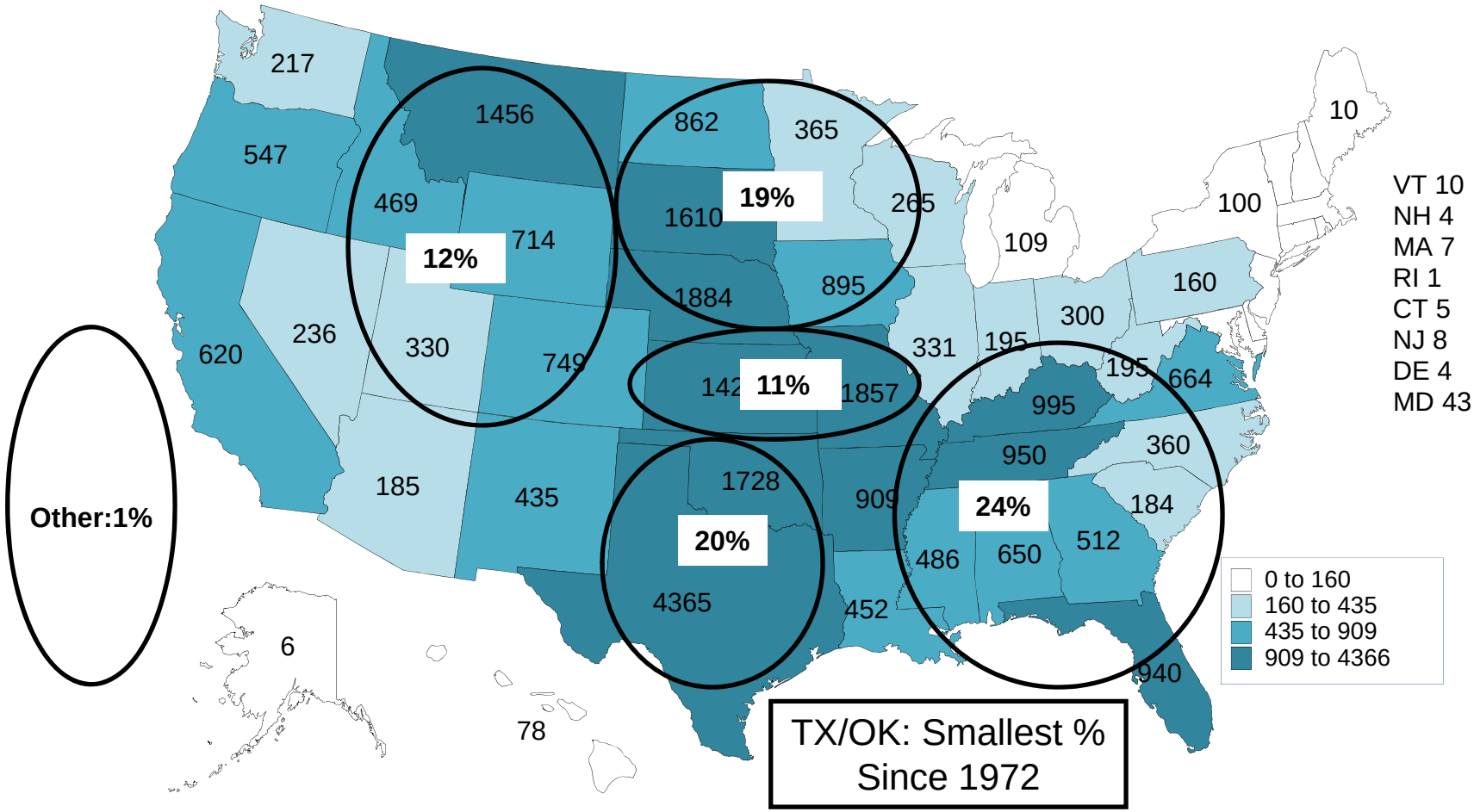
# Cattle Herd Status

- Economic incentive to stabilize/rebuild herd overcome by drought
  - 2013 market will reflect tight supplies, moisture prospects, expansion possibilities…
- Tighter supplies…into 2015?
- Continued drought?
  - More liquidation
- …Or “normal” weather?
  - More heifer retention
  - Breeding cow and heifer demand; higher prices

# BEEF COWS THAT CALVED JANUARY 1, 2012

(1000 Head), US Total 29,883

National Herd:
-3.1% (vs. 2011)
Smallest since 1962



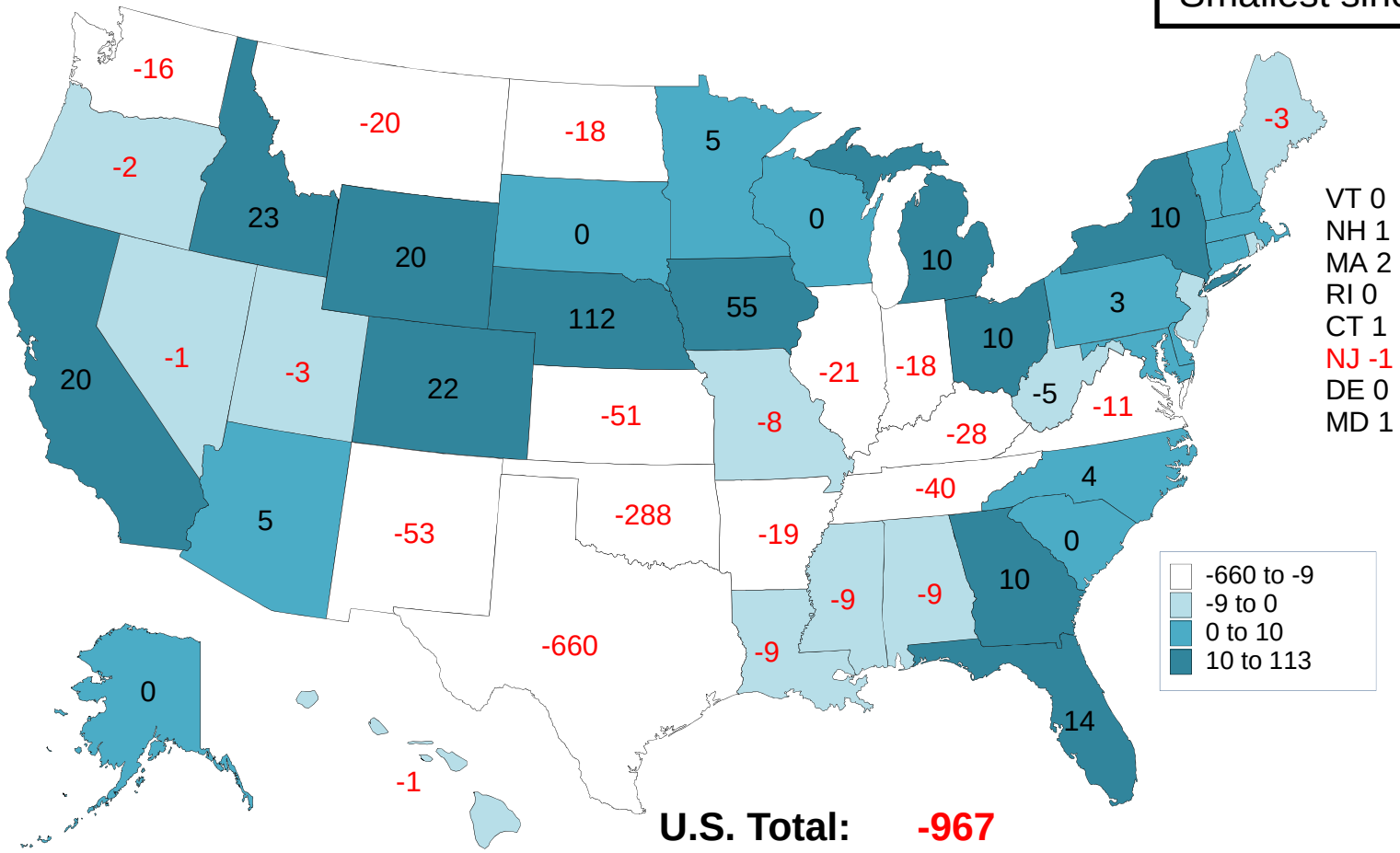

Livestock Marketing Information Center
Data Source: USDA-NASS

01/27/12

# CHANGE IN BEEF COWS NUMBERS JANUARY 1, 2011 TO JANUARY 2012

(1000 Head)

National Herd:
-3.1% (vs. 2011)
Smallest since 1962




**U.S. Total: -967**

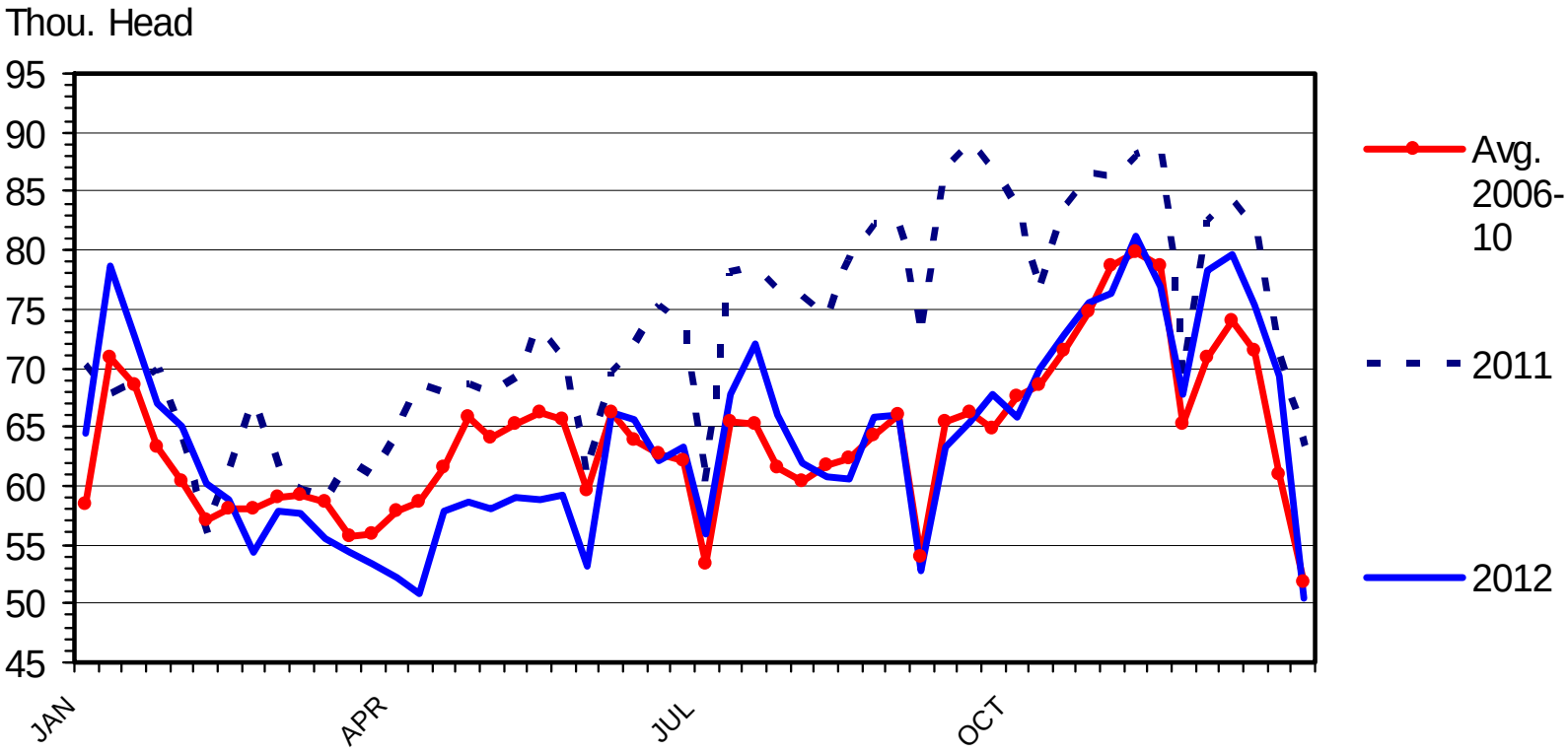
TX + OK = 98.1% of National Decline

Livestock Marketing Information Center
Data Source: USDA-NASS

01/27/12

# BEEF COW SLAUGHTER

Federally Inspected, Weekly

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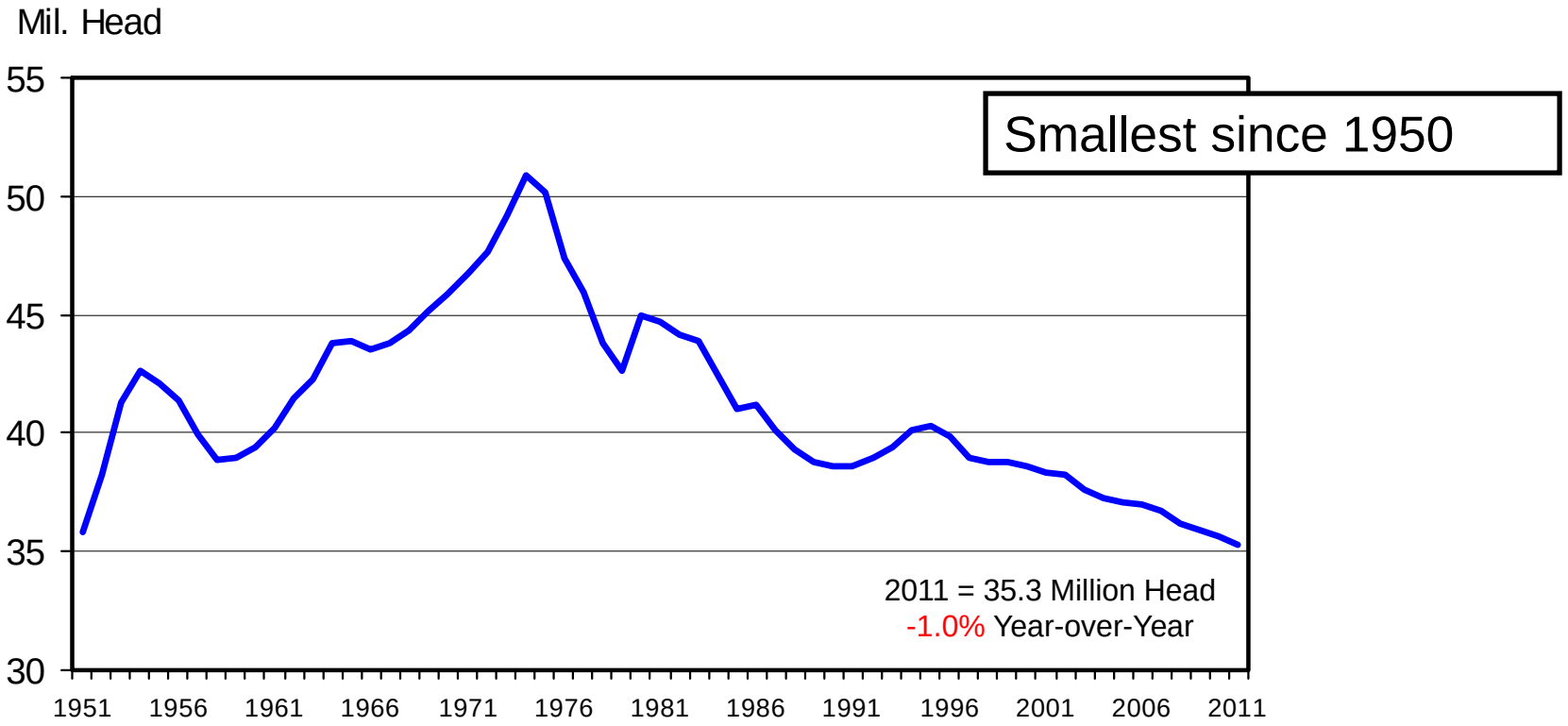
Data Source: USDA-AMS & USDA-NASS

# CALF CROP

U.S., Annual

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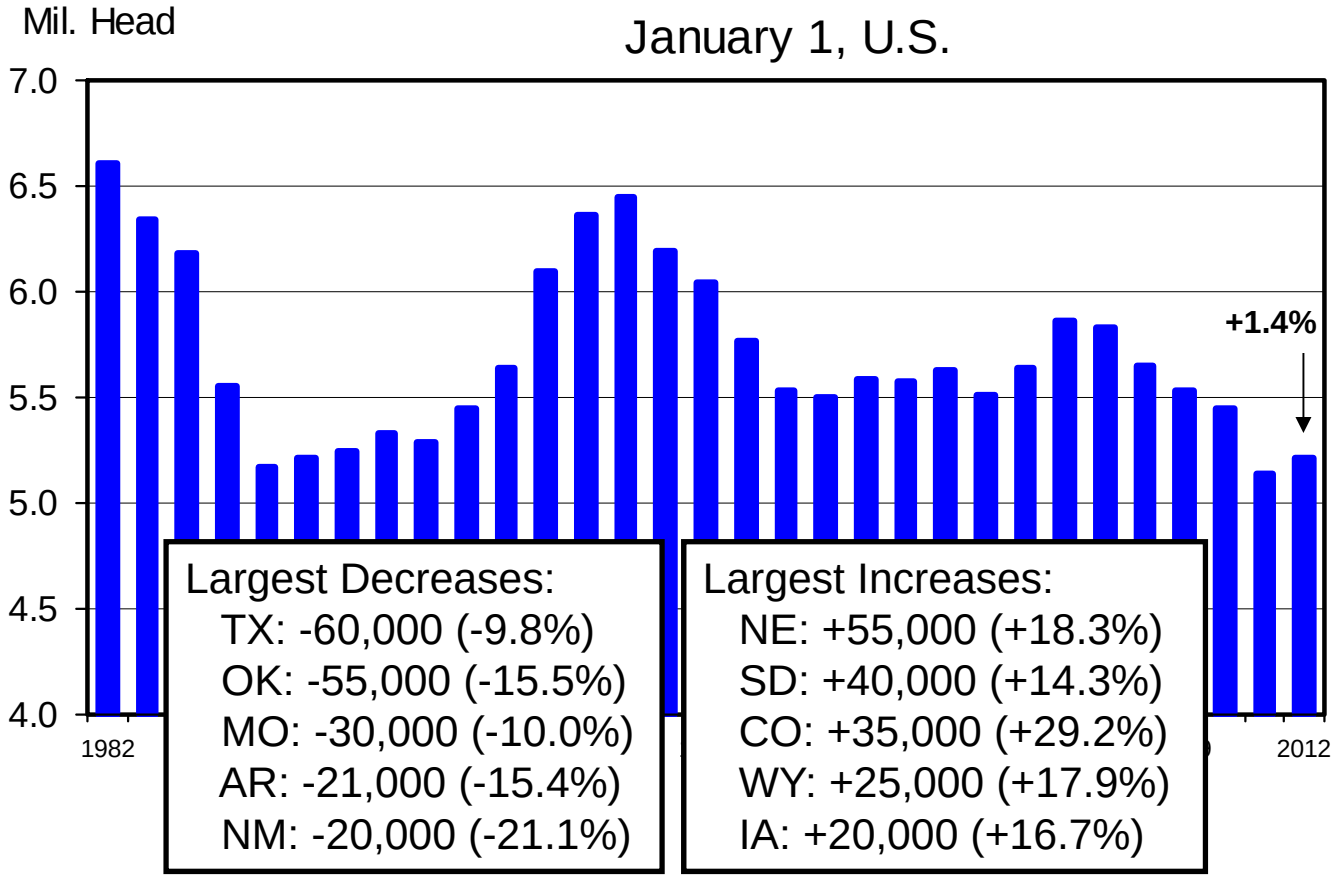
07/20/12

Livestock Marketing Information Center

Data Source: USDA-NASS

# HEIFERS HELD AS BEEF COW REPLACEMENTS




C-N-38
07/20/12

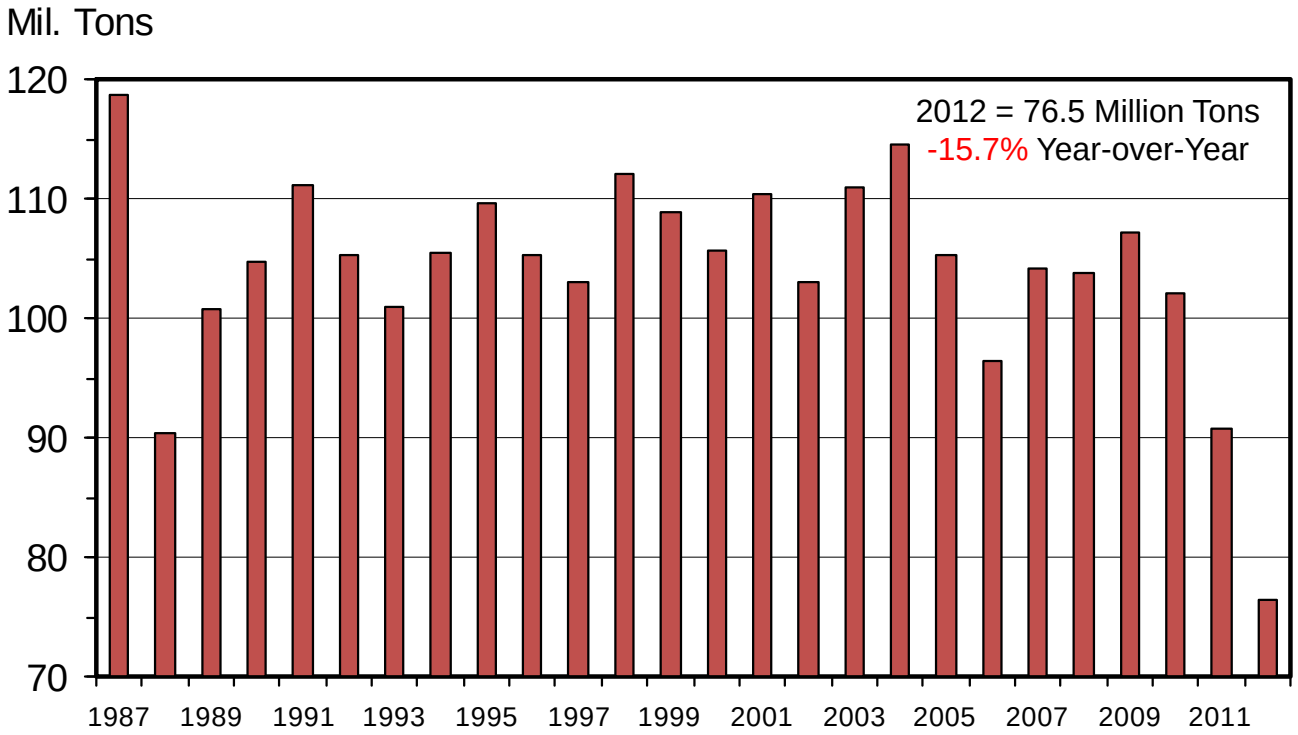
Livestock Marketing Information Center
Data Source: USDA-NASS

When will the U.S. national herd expand?

-- who/where will expansion occur???

# U S ALL HAY STOCKS

December 1

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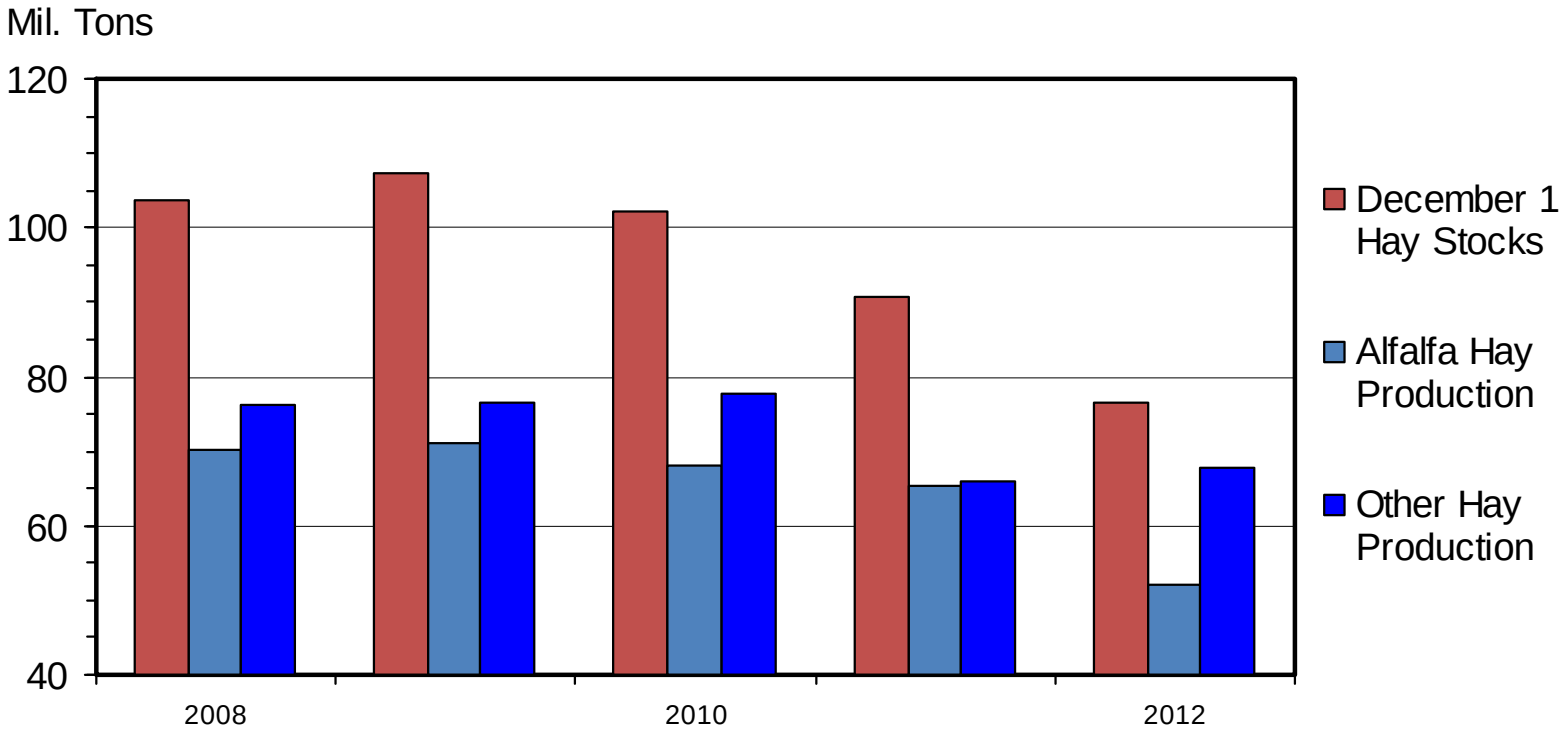
Data Source: USDA-NASS, Compiled & Forecasts by LMIC

# U S HAY STOCKS AND PRODUCTION

Crop Year



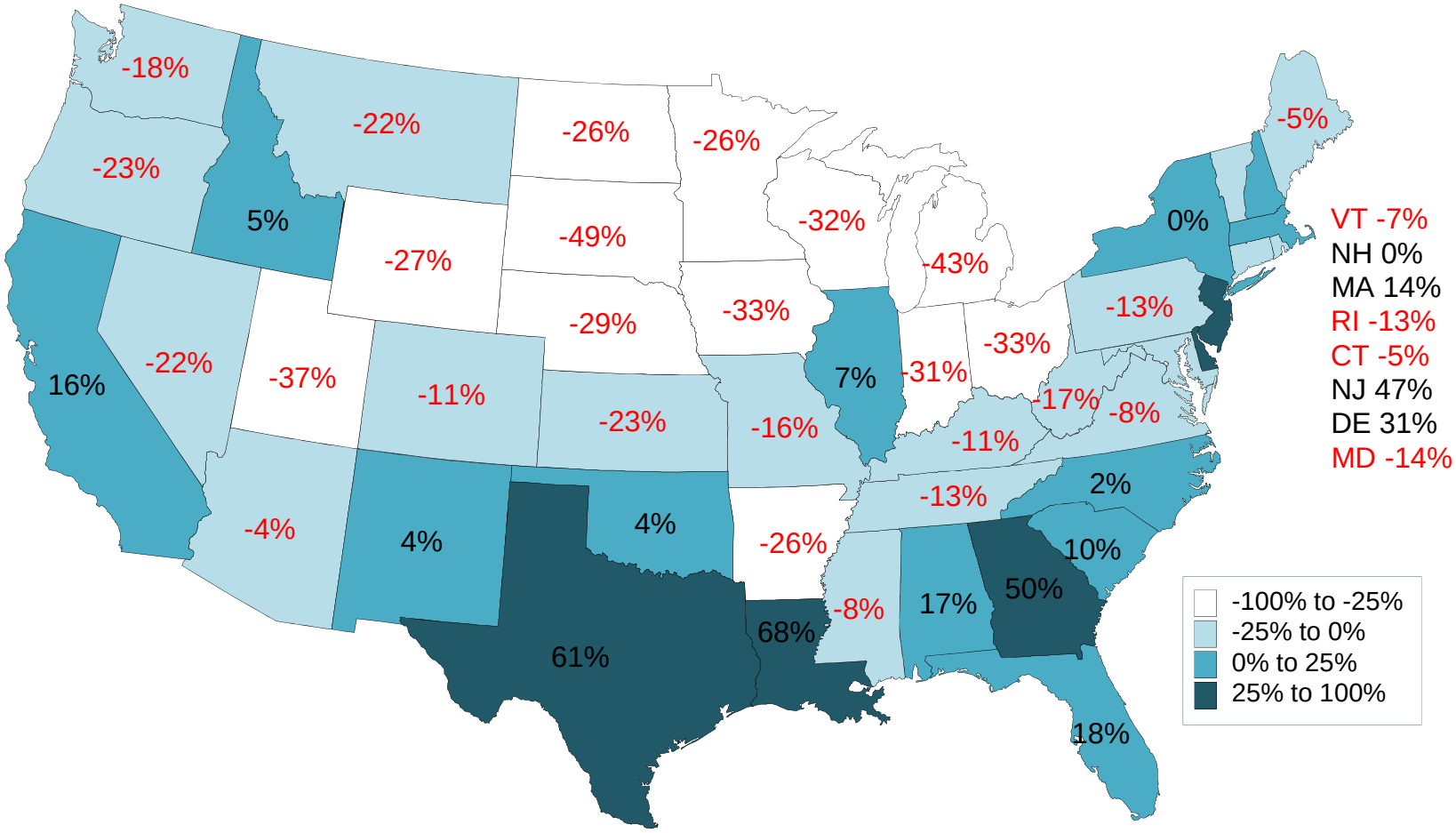

Livestock Marketing Information Center

01/11/13

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

# PERCENT CHANGE DECEMBER 1 HAY STOCKS

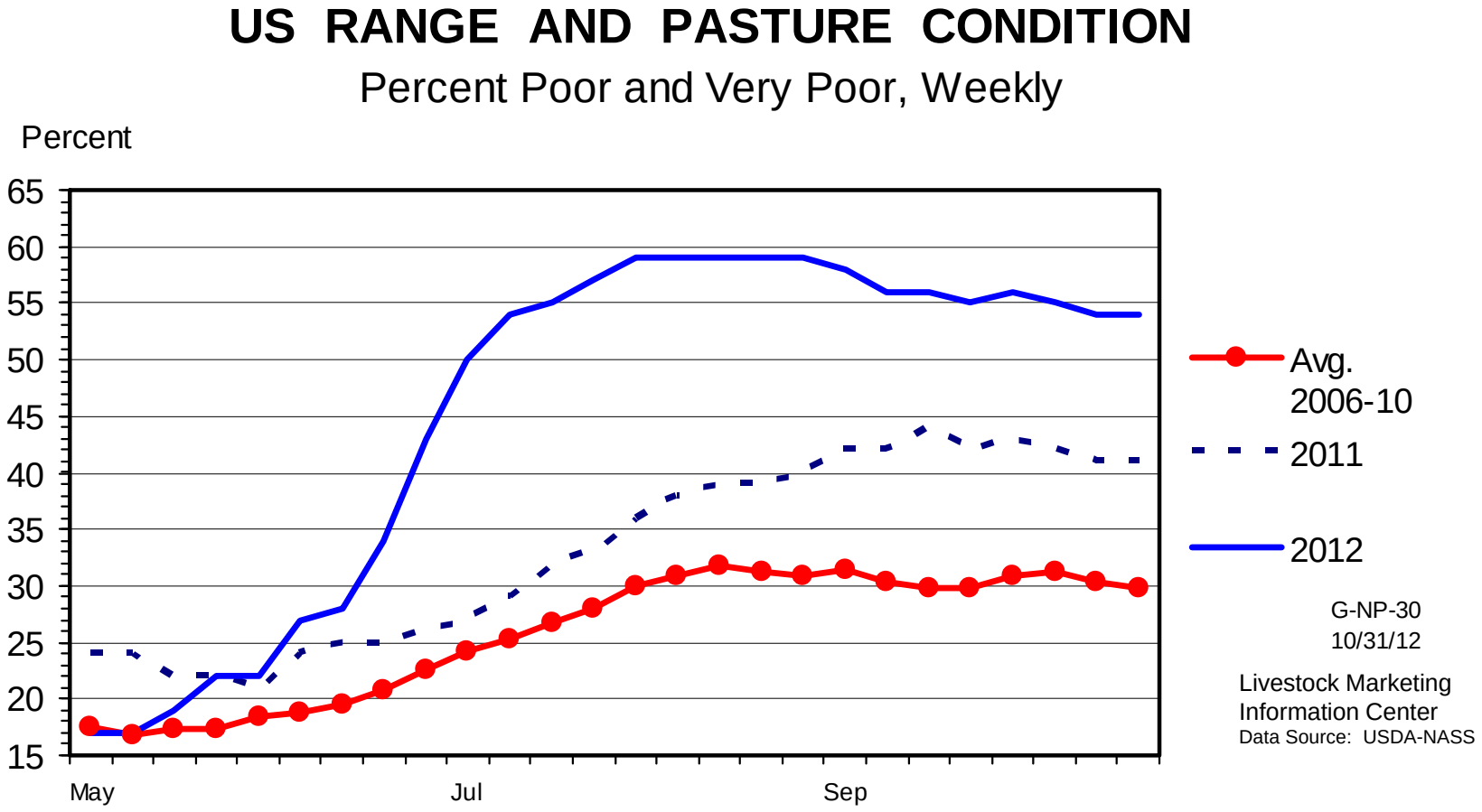
(2012-2011)




Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013



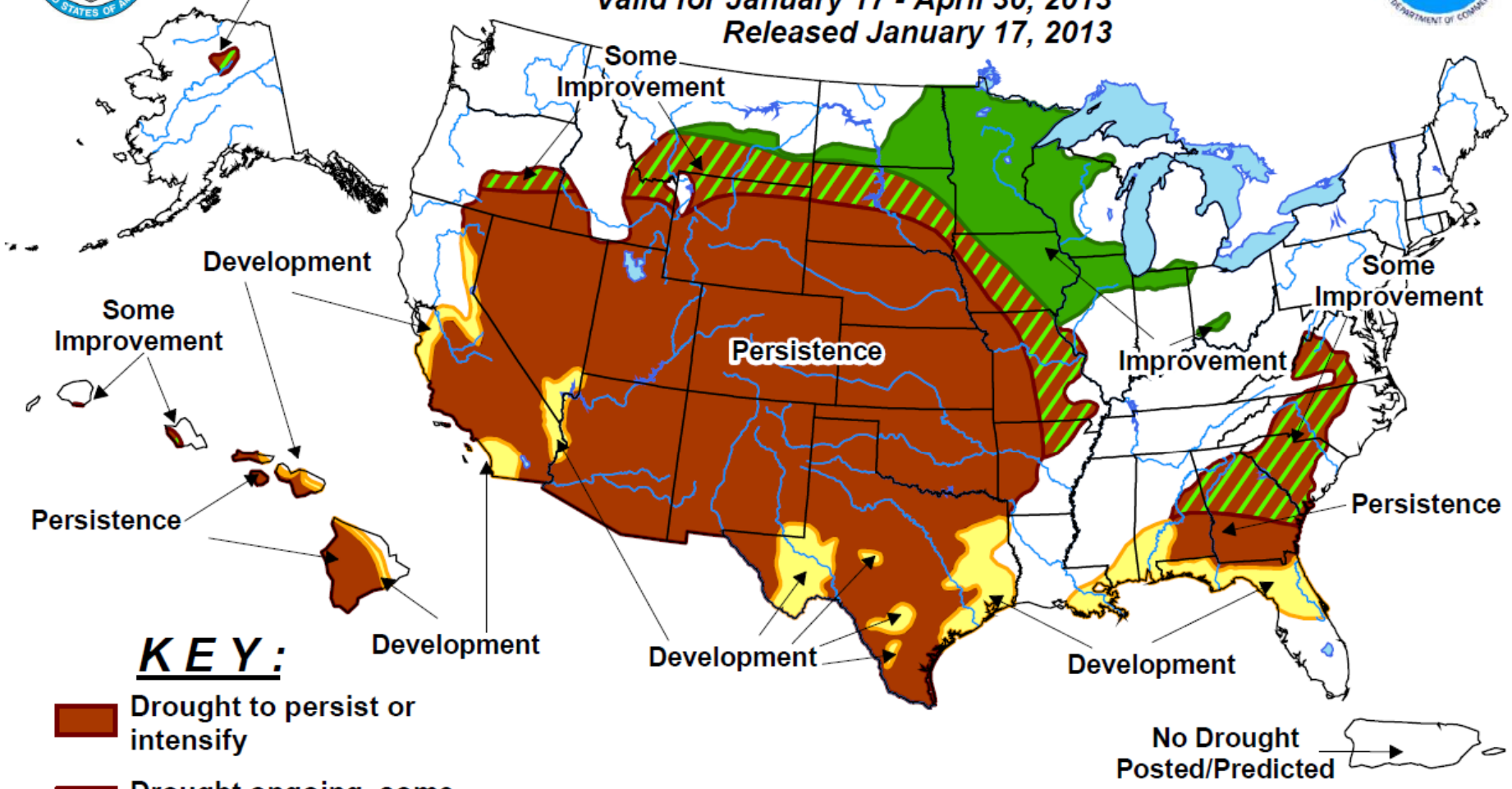

October 2012: 71% of Beef Cows in States with > 40% Poor to Very Poor Pasture Conditions (46% in 2011 & 20% in 2010)

# U.S. Seasonal Drought Outlook

## Drought Tendency During the Valid Period

***Valid for January 17 - April 30, 2013***

***Released January 17, 2013***

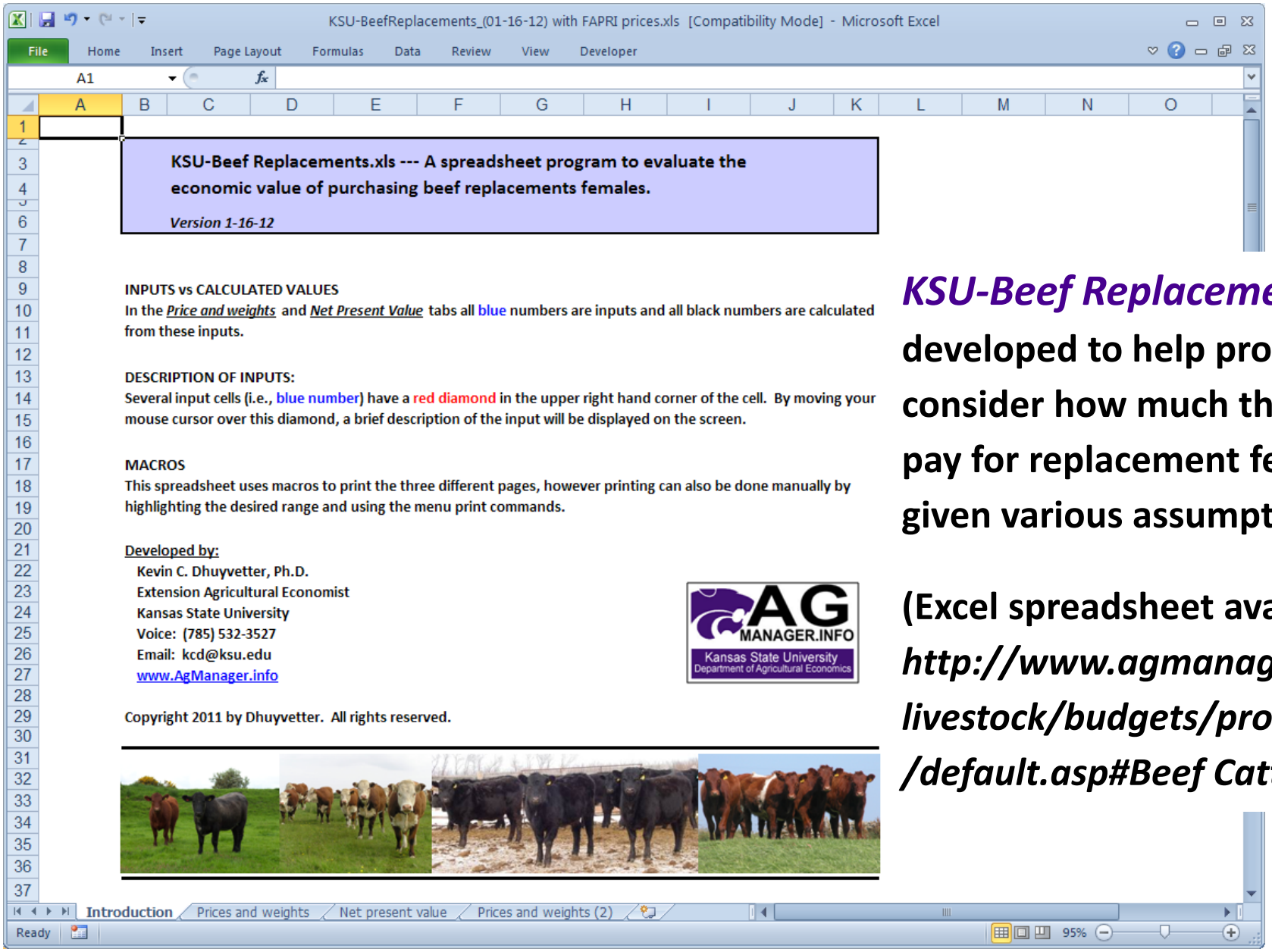



***KEY:***

- Drought to persist or intensify
- Drought ongoing, some improvement
- Drought likely to improve, impacts ease
- Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.

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




***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 cow costs, $/year | $803 | Annual inflation rate on costs | 1.0% |
| Price scenario to use (1-3) (GTT Adj LMIC) | 1 | Annual increase in average weaning weight | 0.0% |
| Weaning weight scenario to use (1-3) | 1 | Discount rate (interest rate) | 6.5% |

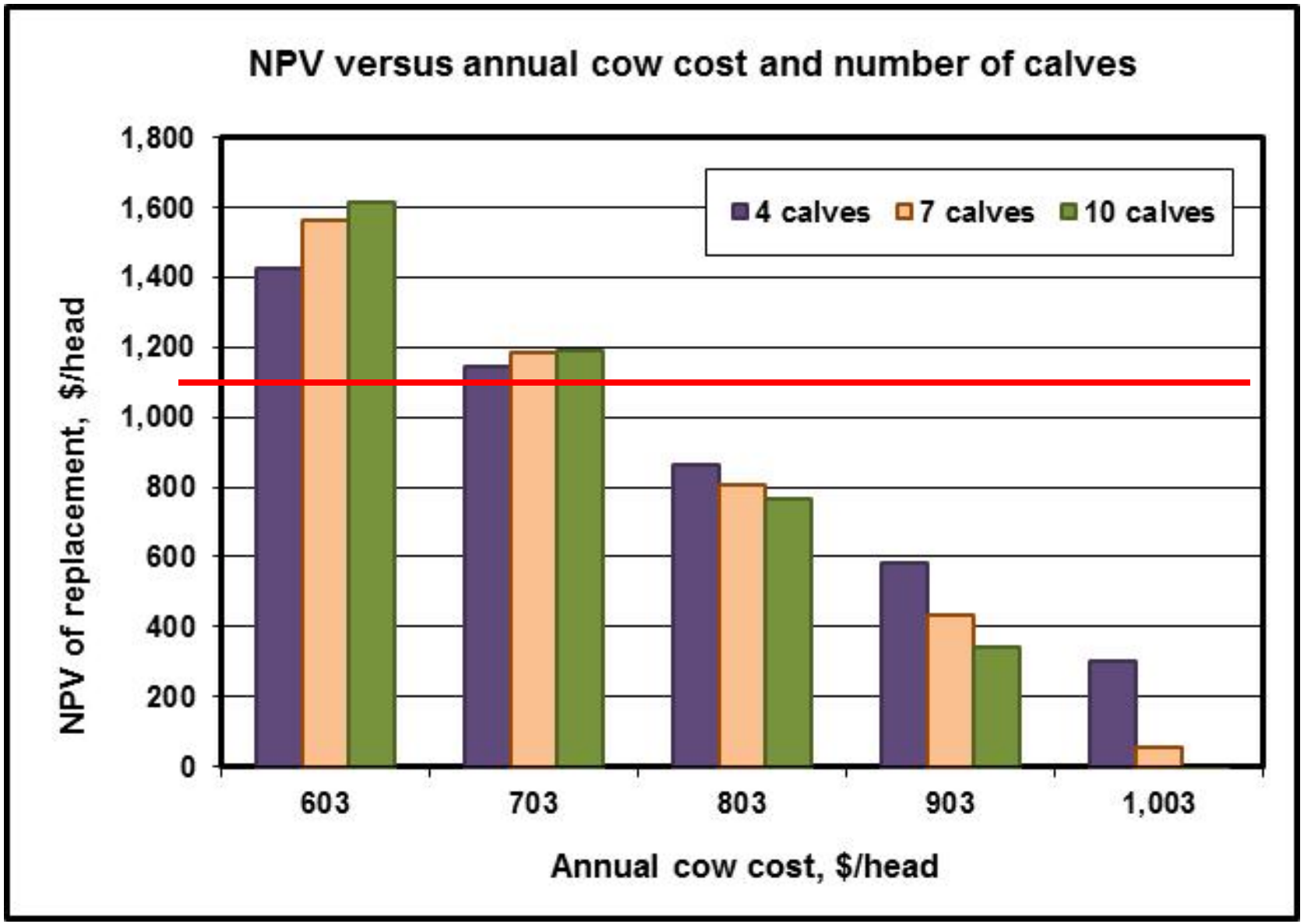
**Net Present Value Analysis**

| | Cows at | | | Prices, $/cwt | | Calf | Cull Income | | | Cost | Net | Discount | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | BOY* | Calf | Calf wt | Calf | Cull | Income | Annual | Age | Cost | Adj. | Income | factor | NPV** |
| 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 |
| | | | 562 | $157.28 | $70.00 | | | | | | | | |

* 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**

# 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

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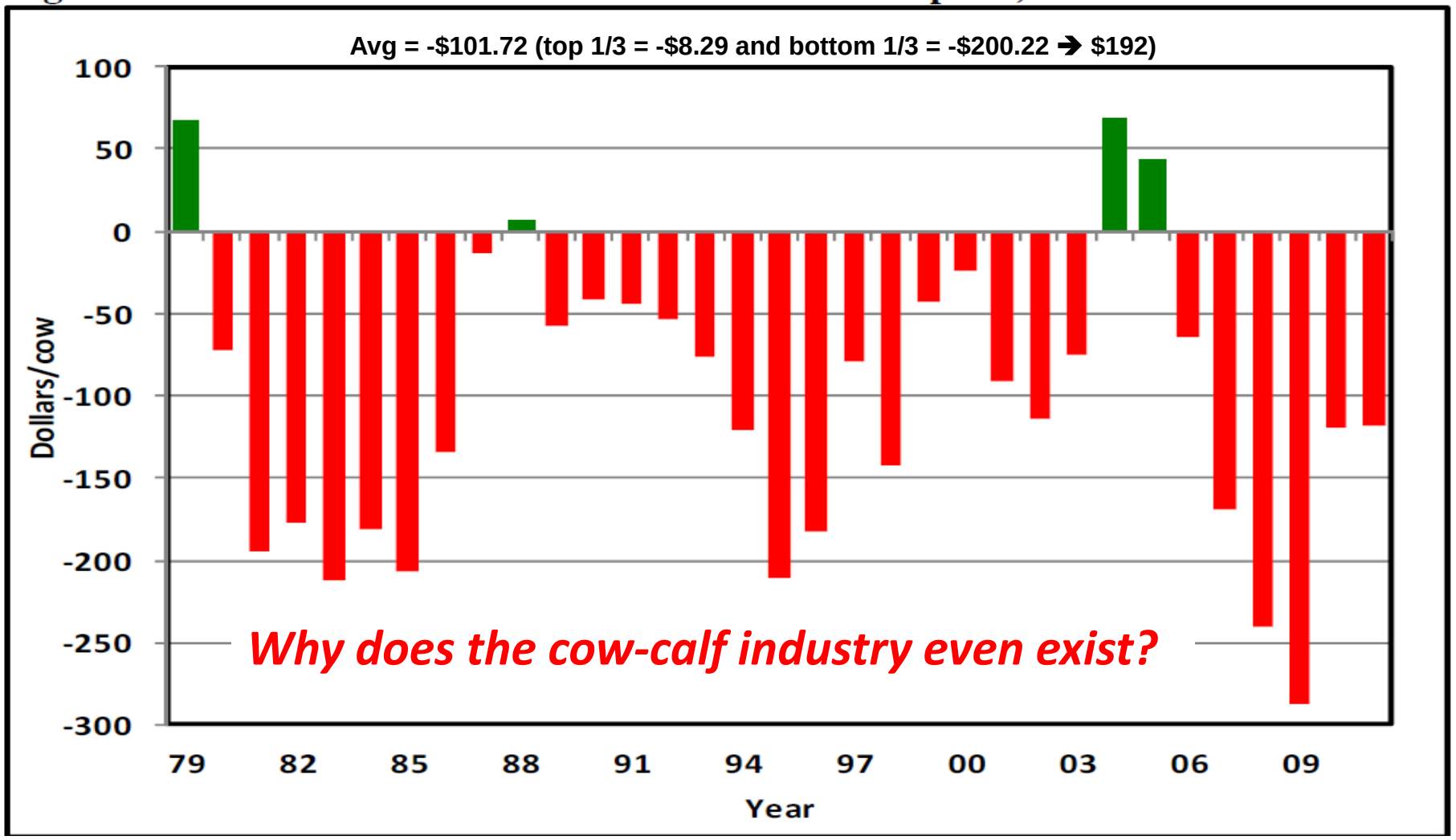
# KS average returns are highly variable over time…

**Figure 2. Returns over Total Cost for Cow-calf Enterprise, 1979-2011**




**Source: Kansas Farm Management Association (KFMA) Annual Enterprise Analysis Reports**

# Financial importance of U.S. cow-calf operation…

## Contributions to Income and Labor Input

| Reason | Percent of Operations<br>Herd Size (Number of Beef Cows)<br>1-49 | 50-99 | 100-199 | 200+ | All |
|---|---|---|---|---|---|
| Primary source of income | 5.3 | 24.1 | 42.8 | 65.0 | 14.3 |
| Supplemental source of income | 78.0 | 68.3 | 50.9 | 31.7 | 71.9 |
| Other | 16.7 | 7.6 | 6.3 | 3.3 | 13.8 |

Source: USDA NASS APHIS, Beef 2007-08, NAHMS report.

**An important characteristic of the U.S. beef cow-calf industry is that many participants are not motivated exclusively by profit from this enterprise …**

# … and it shows in their management practices.

| Castration | | | | | |
|---|---|---|---|---|---|
| | Herd Size (Number of Beef Cows) | | | | |
| | 1-49 | 50-99 | 100-199 | 200+ | All |
| Operations that castrated any bull calves before sale | | | | | |
| Percent of operations | 50.3 | 75.0 | 85.1 | 95.3 | 59.2 |

| Implanting Calves with a Growth Promotant Prior to or at Weaning | | | | | |
|---|---|---|---|---|---|
| | Percent of Operations | | | | |
| | Herd Size (Number of Beef Cows) | | | | |
| Implant Practice | 1-49 | 50-99 | 100-199 | 200+ | All |
| Any calves | 7.0 | 19.9 | 27.3 | 31.1 | 11.9 |
| Heifers intended for replacement | 2.1 | 6.7 | 9.7 | 9.8 | 3.8 |
| Other calves (nonreplacement) | 6.7 | 19.7 | 25.2 | 30.8 | 11.4 |

Source: USDA APHIS, Beef 2007-08, Part I: Reference of the Beef Cow-calf Management Practices in the United States, 2007-08

# 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: High 1/3 Head / $ | Mid 1/3 Head / $ | Low 1/3 Head / $ | Difference between High 1/3 and Low 1/3: 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 | -$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 | -$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** | | |

26%

74%

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

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

# KS cow-calf profitability drivers…

- **Returns are more variable across producers at a point in time than they are on average over time**
  - ***even in "hard times" some producers are profitable;***
    - ***similarly, in "good times" some producers lose money…***

Figure A4. Profit versus Total Cost (correlation = -0.81)

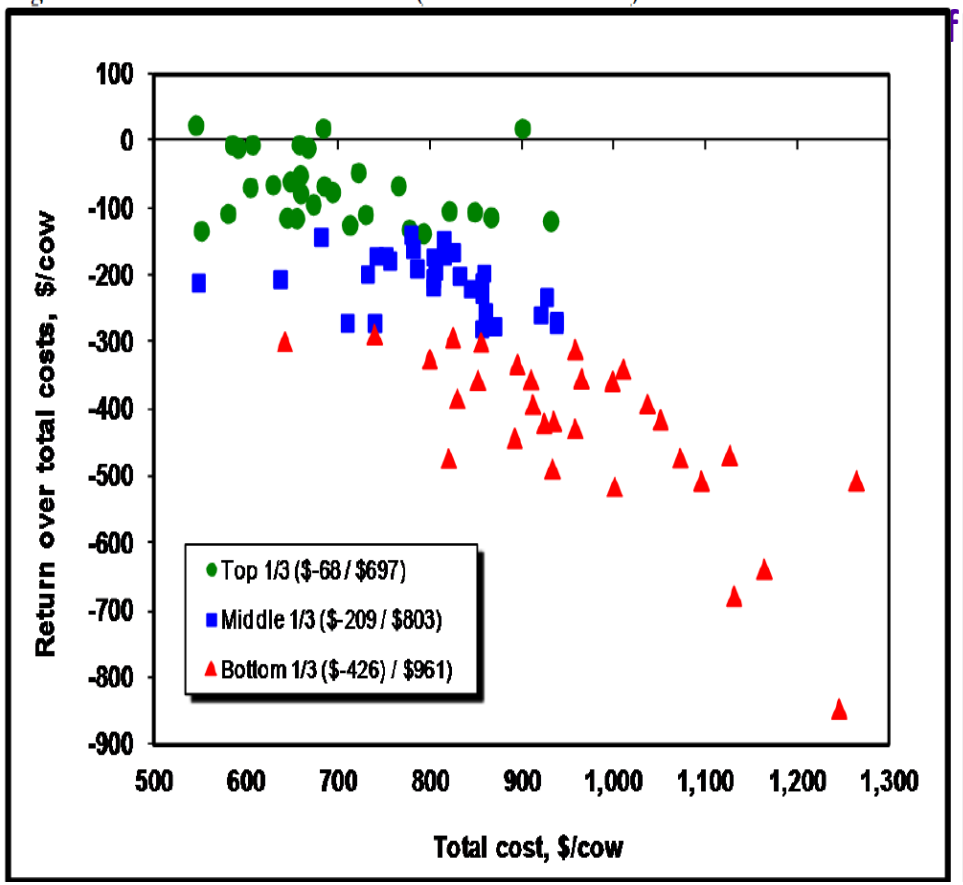
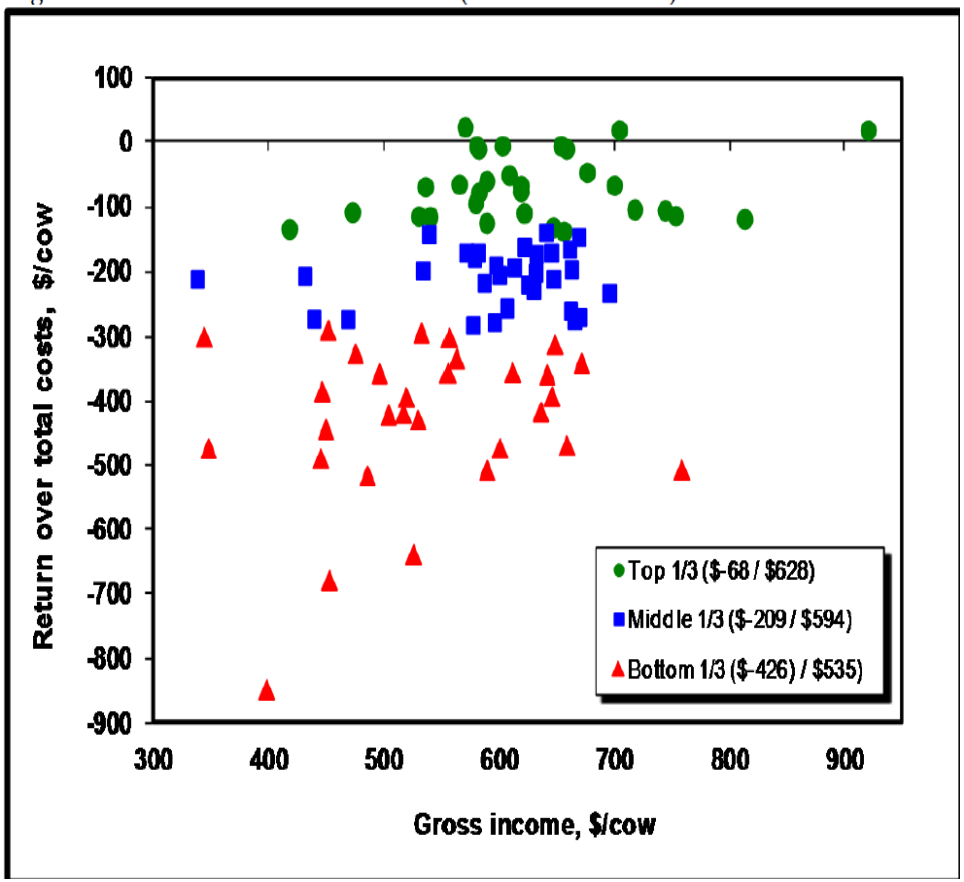



Figure A1. Profit versus Gross Income (correlation = 0.41)



# USDA's longer-term projections (*as of Feb. 2012*) …

http://www.ers.usda.gov/media/273343/oce121_2_.pdf

- **U.S. beef cow inventory:**
  - **29.8 million in 2012**
  - **34.5 million in 2021 (+/- 1997 levels) / was 39.3 million in 1982**
    - **Beef Production (billion lbs) : 25.4 (1997), 26.2 (2011)**
      - ***More beef per cow will continue = less throughput in # head…***

- **Domestic per capita red meat & poultry consumption:**
  - **221 lbs in 04-07 (Beef=65.7 lbs; Pork=50.4 lbs; Poultry=103.8 lbs)**
  - **198 lbs in 2013 (Beef=51.3 lbs; Pork=46.3 lbs; Poultry=98.5 lbs)**
  - **213 lbs in 2021 (Beef=58.7 lbs; Pork=47.2 lbs; Poultry=105.8 lbs)**
    - ***These lower per capita volumes will be purchased with more consumer requests and hence requirements for industry-wide investment (& collaboration) in beef quality …***

# USDA's longer-term projections (*as of Feb. 2012*) …

http://www.ers.usda.gov/media/273343/oce121_2_.pdf

- **"Developing World" Changes**
  - **Increasing global $, pop., & per capita meat cons.**
  - **Africa & Middle East (4.4% GDP/yr)**
    - **Arguably the least understood growth market…**
  - **Latin America (4.2% GDP/yr)**
    - **Growing producer & consumer…**
  - **China (8.0% GDP/yr)**
    - **Canada has access but US does not …**
  - **South Korea (3.7% GDP/yr – but 10x per capita inc. of China)**
    - **US has access but Canada does not…**

# USDA's longer-term projections (*as of Feb. 2012*) …

http://www.ers.usda.gov/media/273343/oce121_2_.pdf

- **"Developed World" Changes**
  - **Declining global economic prevalence, populations, & per capita meat consumption**
  - **US/Canada (2.5% GDP/yr)**
    - **Different dependence on domestic consumption…**
  - **Japan (1.0% GDP/yr):**
    - **Major meat importer currently but will exporters care less going forward?**
  - **Europe (1.9% GDP/yr):**
    - **Will influential role as "food thought leader" persist?**

# Who will produce beef in the future?
## *Identify COP Differences …*

- An industry of +/- 750,000 operations is going to remain being very diverse…
- Differences within regions are significant
- Differences across regions are significant

# Who will produce beef in the future?

## *Identify Fit with Broader Structural Changes…*

- Increasing Variation Across Producers
- Role of "cattle cycle" is less pronounced today
- Excess Capacity: +(s.run) for cow-calf producers
- Moving, perhaps too slowly, away from "all beef is equal" systems…
  - Dropping % fed cattle sold via negotiated cash
  - Increasing role of premiums w/ eventual ties back to cow-calf producers…
    - *Make sure you aren't producing widgets nobody wants…*

# U.S. Industry changes underway

- BEEF Magazine Poll (N=99 as of 8/17/11')
  - "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
- Cow-Calf Expansion points:
  - Sales value of cull cows is about = for all; costs are NOT = for all…
  - Firms with higher costs, opportunities to row crop, etc. increasingly exit
  - Expansion will not come from those with higher costs and notable alternative opportunities…
    - ***Will proportion of U.S. herd North & West of KS grow ???***

# Bigger Picture
# Other Discussion Points

- MCOOL
  - Aggregate economic loss is apparent…
- Animal ID & Traceability
  - U.S. is falling behind key competing meat producing countries…
- Animal Welfare
  - Active USDA project & "social concern" topic here to stay…
- Complex relationship & views on technology:
  - Feed 9 billion, "control" prices, and do so in an "acceptable" manner is story…
    - Think about LFTB, antibiotics, GM-feedstuffs labeling, etc. …
- *Issues vary in many facets BUT each raise uncertainty for industry stakeholders…*
  - *Raises expected return/cow needed to trigger expansion…*

# Bottom-line Summary for Cow-Calf Producers

- "New normal" includes heightened uncertainty and volatility
  - Signals opportunity to many = expansion
  - Triggers discomfort to many = exit/status quo
    - within industry variations in views and comparative advantages will determine the ability to profit and shape future of industry…

- Industry is dynamic = "keep up or get out"
  - Export growth = reduced domestic per capita consumption, changing customer base …
  - Increasing demand for "higher quality" for consumers worldwide to justify higher costs of consumed protein…

# What To Do?

- What is your comparative advantage?
  - Having a favorable cost structure is imperative…
  - Increase herd?, Change focus?; Exit?
  - *How does regionally varying expansion (cow herd) &/or excess capacity resolution (feedlot and/or packer) influence your business?*
- I encourage you to:
  - Recognize this "isn't your father's world" anymore and manage accordingly…
  - "Think globally, manage locally, and stay informed"

More information available at:

http://www.econ.iastate.edu/ifo/

http://www.extension.iastate.edu/agdm/

http://www.agmanager.info/

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