



**April 17th, 2014 in the auditorium
at the Agricultural Research Center in Hays**

Beef-Cattle Industry Outlook Situation: Herd Expansion, Domestic Demand, and Export Update

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Overarching Economic Outlook

- Supplies
 - Continued pull down in overall # of head & beef lbs
 - Very current marketings & limited calf crop
- Demand
 - Confusing yet positive: Q3.2010-Q4.2013
 - Less certain than supply
- Combined:
 - Record price levels & notable industry excitement

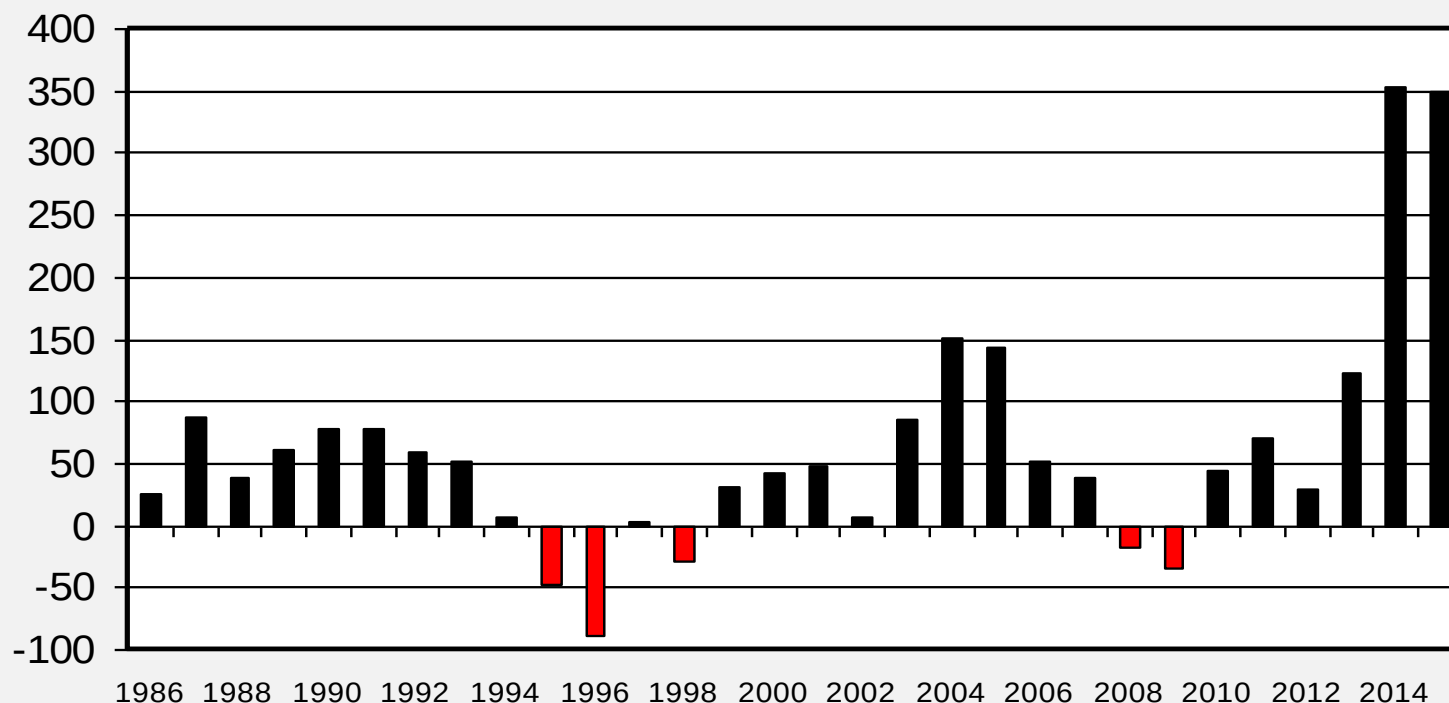


Economic Outlook Overview: Cow-Calf

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



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

C-P-66
02/25/14



Economic Outlook Overview: Cow-Calf

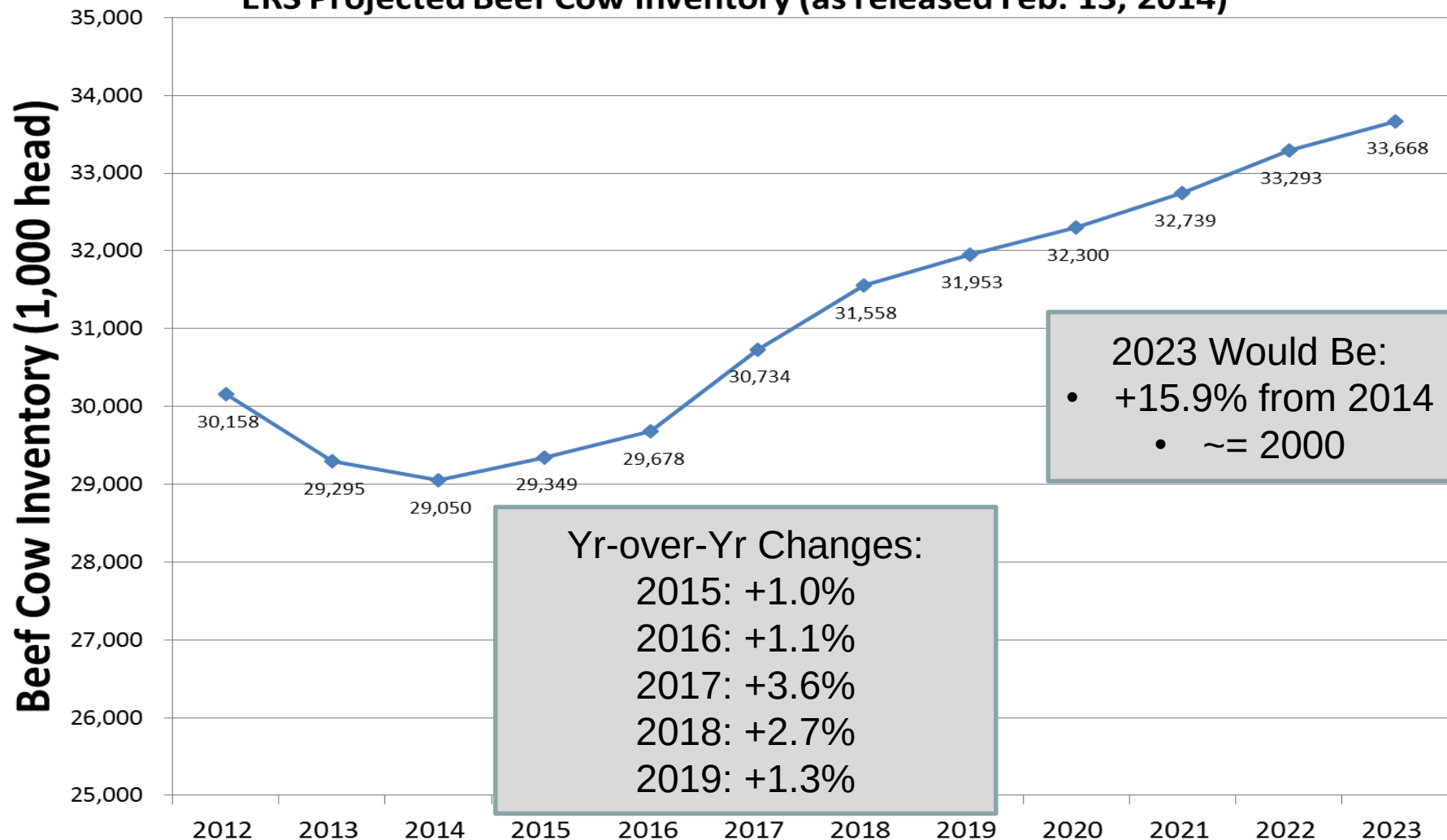
- Several drivers of margin improvements:
 - Better pastures, lower input prices, higher calf prices...
- Are improvements sufficient to trigger expansion?
 - Jan. 2014 Cattle Inv. Report: small increase in retention
 - Feb. 13, 2014 ERS 10-yr projections
 - 2023 herd (33.7 mil hd) up 16% from 2012 levels
 - <http://www.ers.usda.gov/publications/oce-usda-agricultural-projections/oce131.aspx>
 - National (yes), regional (yes/no) as variation persist



ERS Projects Herd Expansion

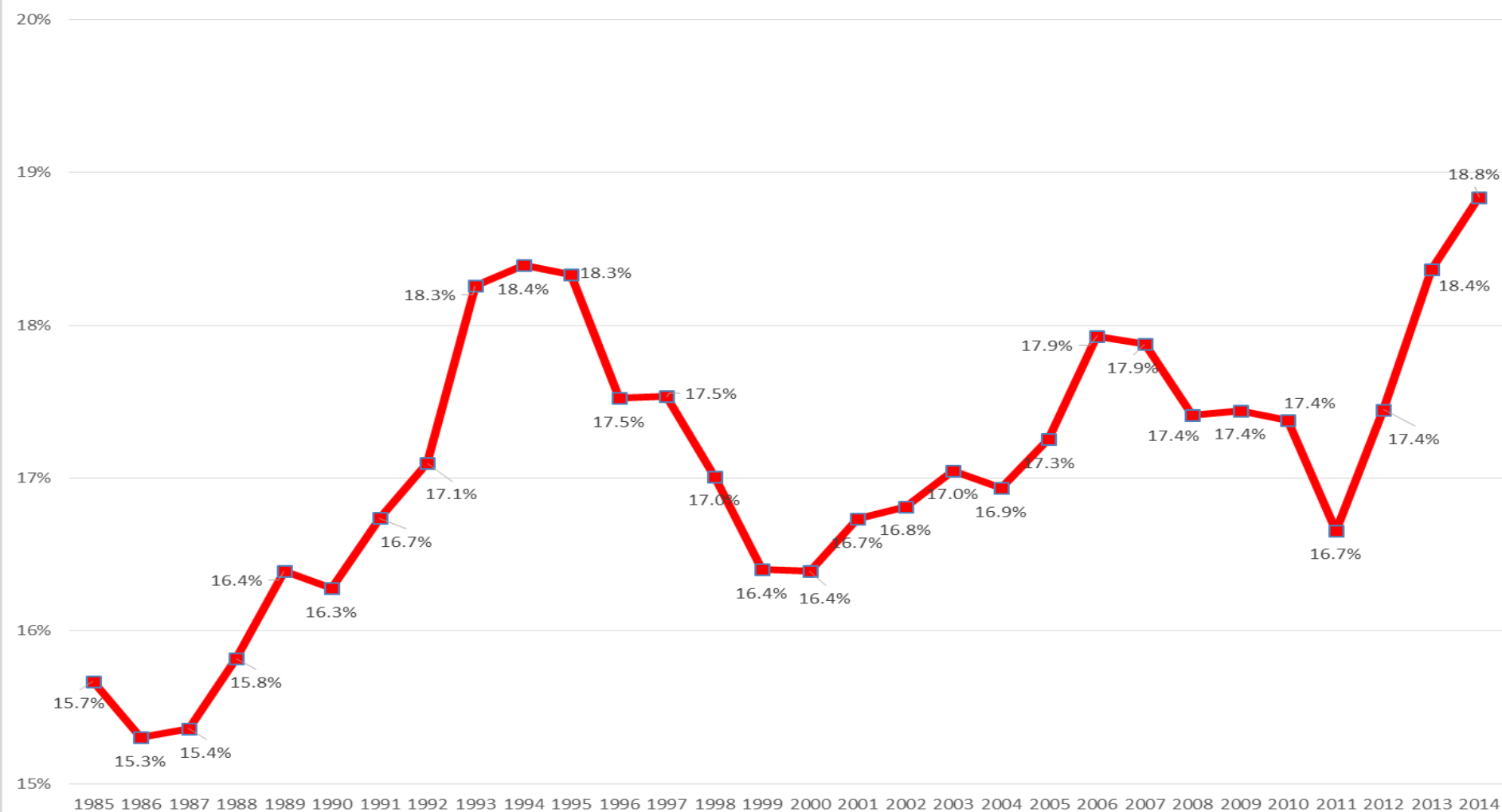
<http://www.ers.usda.gov/publications/oce-usda-agricultural-projections.aspx>

ERS Projected Beef Cow Inventory (as released Feb. 13, 2014)



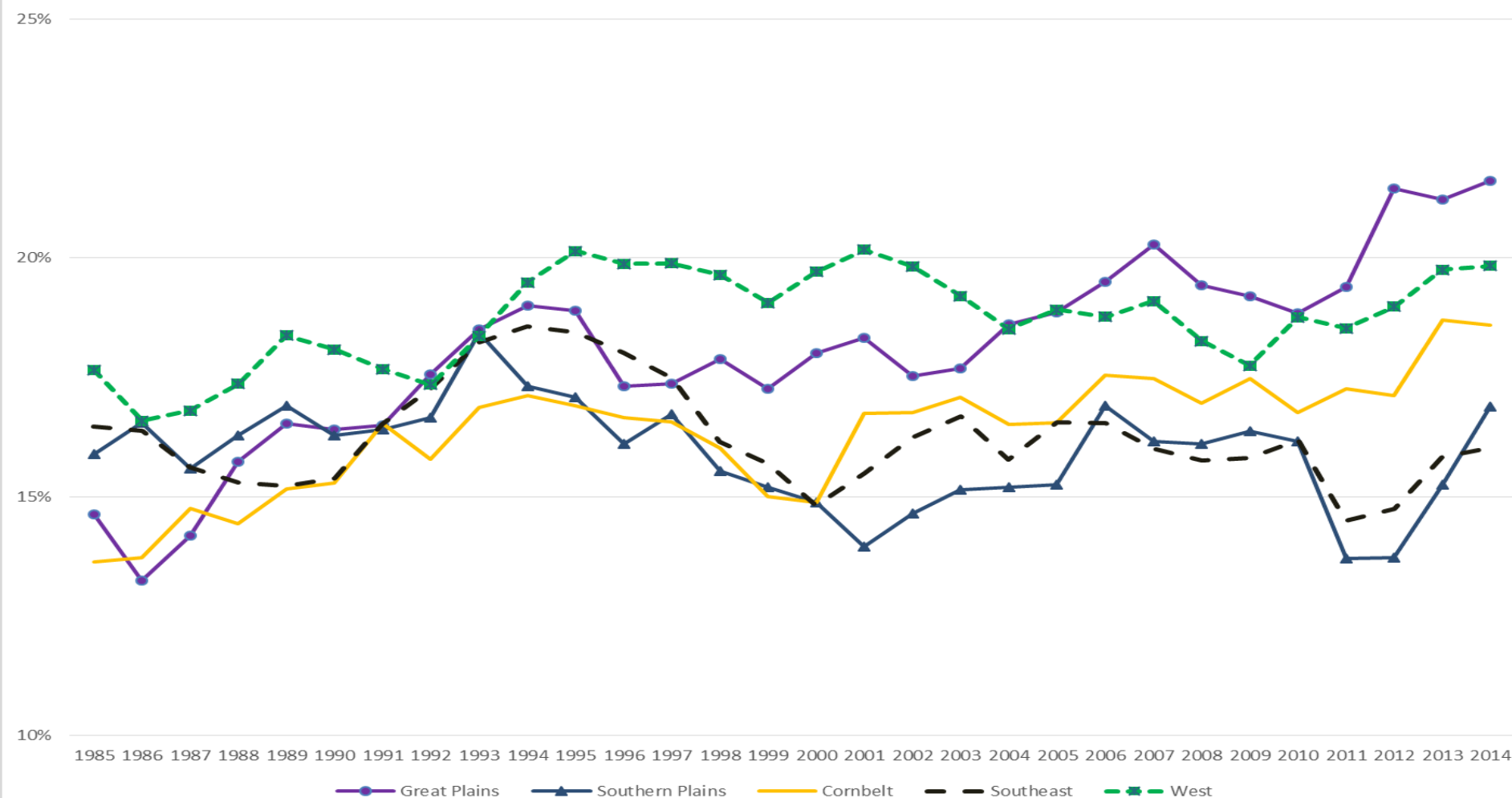
Heifer Retention Patterns

Heifers Held as Replacements as % of Beef Cows (U.S.)



Heifer Retention Patterns

Heifers Held as Replacements as % of Beef Cows



Heifer Retention Patterns

Heifers Held as Replacements as % of Beef Cows

25%

2014 (%):

1. Great Plains (21.6%)
 2. West (19.8%)
 3. Cornbelt (18.6%)
 4. S. Plains (16.9%)
 5. Southeast (16.0%)
- U.S. = 18.9%

2006 (%):

1. Great Plains (19.5%)
 2. West (18.8%)
 3. Cornbelt (17.6%)
 4. S. Plains (16.9%)
 5. Southeast (16.5%)
- U.S. = 17.9%

1994 (%):

1. West (19.5%)
 2. Great Plains (19.0%)
 3. Southeast (18.6%)
 4. S. Plains (17.4%)
 5. Cornbelt (17.1%)
- U.S. = 18.4%

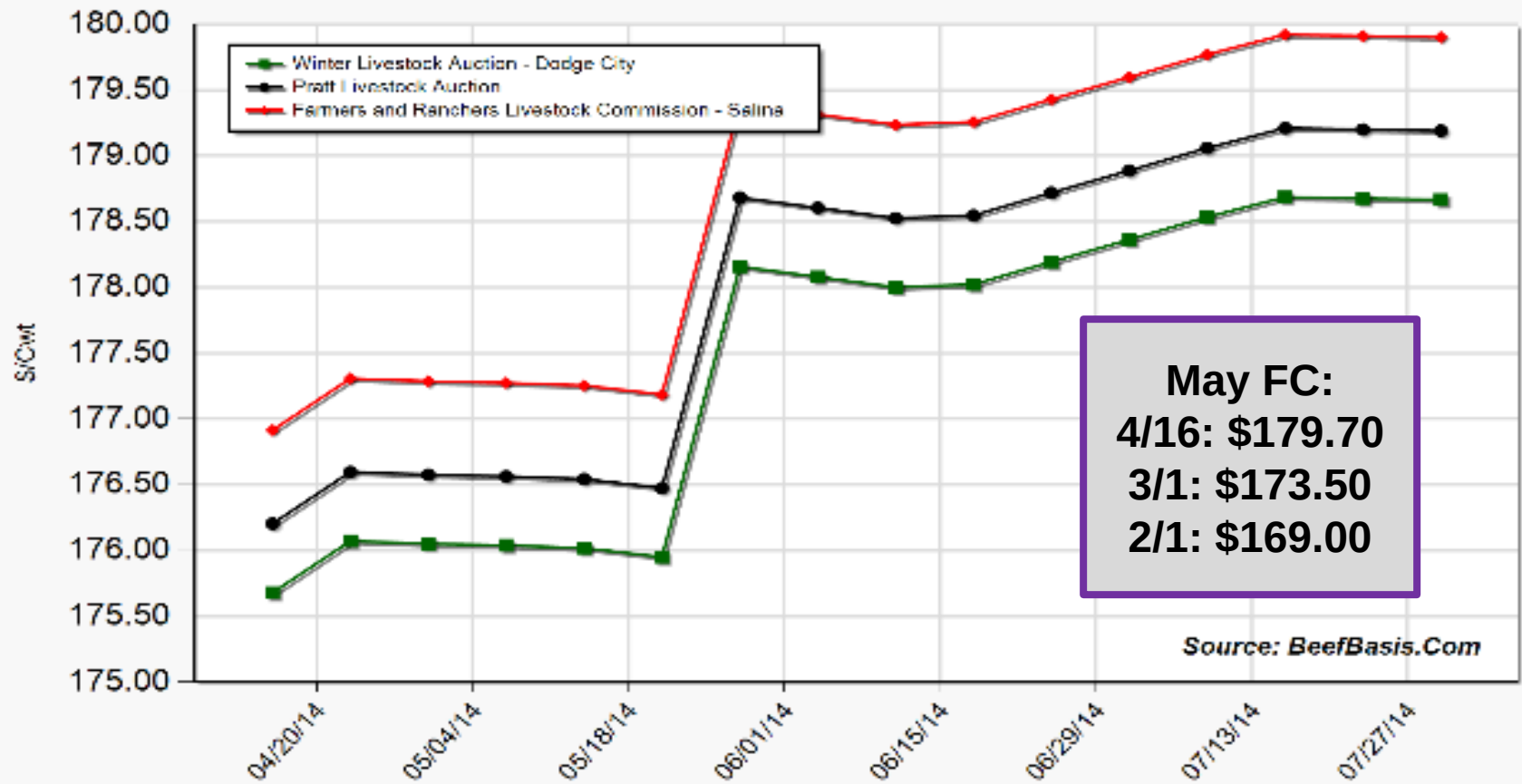
10%

1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

—●— Great Plains —▲— Southern Plains — Cornbelt — Southeast —■— West



Projected Price for 750 Lb Steer at Selected Kansas Auctions



Economic Outlook Overview: Stockers

- Attractive Values of Gain (VOG) vs. COG
 - For those in many stocker/backgrounding areas ...
- Salina, KS 4/16/14 situation
(<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>):
 - Buy 700 lb steer on 4/18/14 (\$181.74)
 - Sell 750 lb steer on 5/16/14 (\$177.45) {1.72 ADG}
 - VOG: \$117.27/cwt
 - Buy 550 lb steer on 9/17/14 (\$195.72)
 - Sell 750 lb steer on 12/24/14 (\$174.06) {2.02 ADG}
 - VOG: \$114.22/cwt



Economic Outlook Overview: Feedlots

- Significant recent improvements in closeouts
- Excess capacity concerns persist



Historical and Projected Kansas Feedlot Net Returns (as of 4/7/14')

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

February 14': **+\$172/steer**

June LC:
4/16: \$135.55
4/1: \$137.00
3/1: \$134.50

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
Mar-14	202.33	95.14	149.93	158.78	131.95	135.02	183.84
Apr-14	13.06	92.46	139.07	163.34	95.02	138.08	164.94
May-14	70.27	90.52	141.95	164.18	103.72	136.66	173.01
Jun-14	15.43	87.50	136.20	165.12	90.22	135.08	167.02
Jul-14	23.66	86.09	133.74	163.80	90.01	132.05	166.78
Aug-14	-13.49	86.65	138.89	170.64	84.21	139.84	169.09

Representative Barometer for Trends in Profitability



Quarterly Forecasts (LMIC: 4/11/14)

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2013						
I	7,778	-3.1	793.5	1.4	6,172	-1.7
II	8,325	0.2	782.8	0.5	6,517	0.7
III	8,322	-0.1	794.1	0.5	6,609	0.4
IV	8,033	-3.0	799.2	0.7	6,420	-2.3
Year	32,458	-1.5	792.3	0.8	25,718	-0.8
2014						
I	7,370	-5.2	795.8	0.3	5,865	-5.0
II	7,719	-7.3	786.0	0.4	6,067	-6.9
III	7,765	-6.7	799.0	0.6	6,204	-6.1
IV	7,573	-5.7	802.6	0.4	6,078	-5.3
Year	30,427	-6.3	795.8	0.4	24,214	-5.8
2015						
I	7,049	-4.4	800.4	0.6	5,642	-3.8
II	7,390	-4.3	792.2	0.8	5,854	-3.5
III	7,459	-3.9	806.0	0.9	6,012	-3.1
IV	7,422	-2.0	806.3	0.5	5,984	-1.5
Year	29,320	-3.6	801.2	0.7	23,492	-3.0



Quarterly Forecasts (LMIC: 4/11/14)

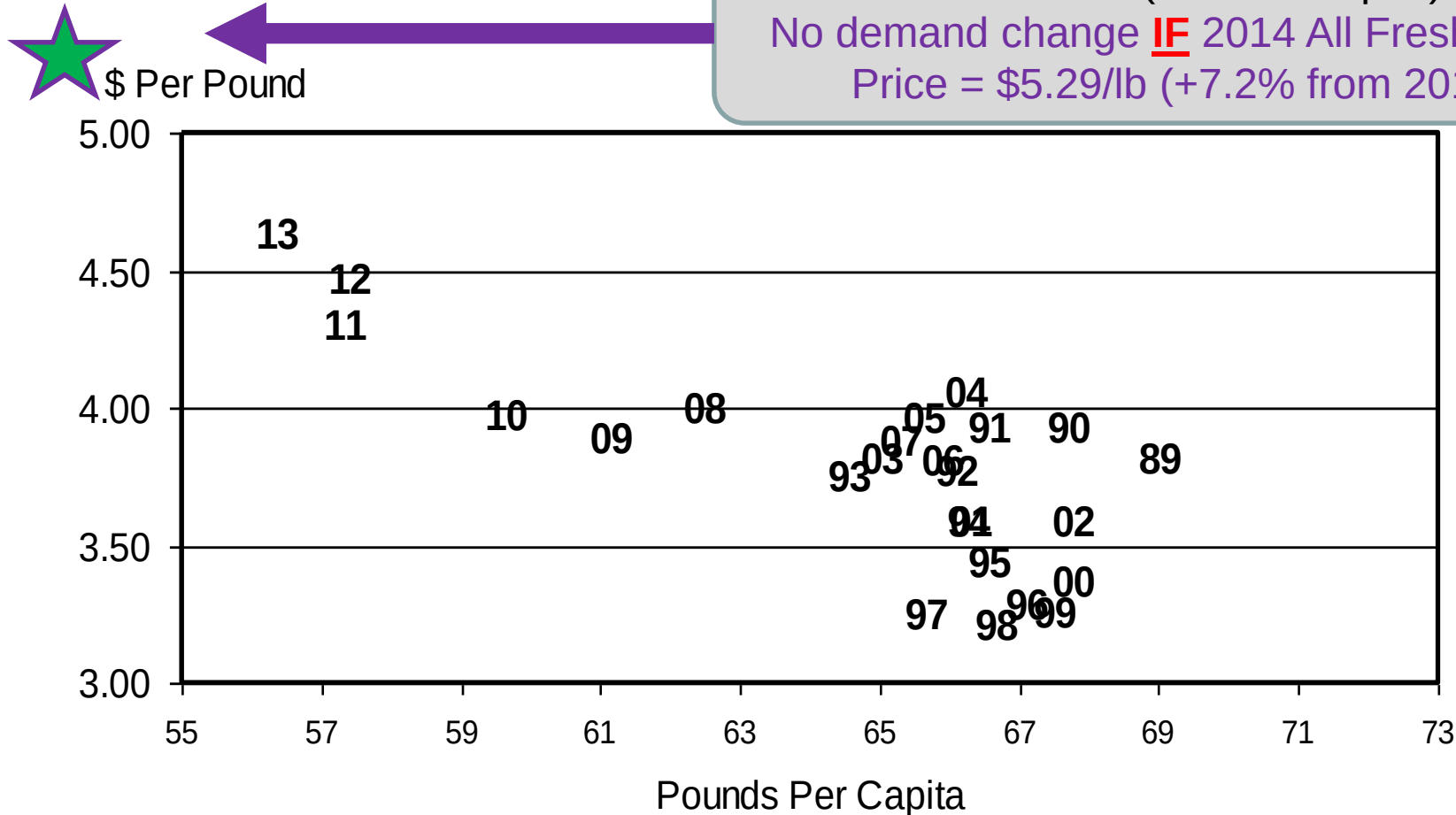
	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2013				
I	125.51	0.2	142.41	170.13
II	124.95	3.3	137.34	159.71
III	122.30	2.2	155.95	171.19
IV	130.77	4.2	167.04	187.56
Year	125.88	2.5	150.69	172.15
2014				
I	146.34	16.6	171.77	209.30
II	140-142	12.8	173-175	214-218
III	136-139	12.4	175-179	207-212
IV	139-143	7.8	171-176	203-209
Year	140-142	12.0	172-176	206-214
2015				
I	143-148	-0.6	173-179	208-215
II	144-150	4.3	175-182	214-222
III	140-147	4.4	177-185	207-217
IV	142-150	3.5	173-183	201-213
Year	143-148	3.2	175-182	206-218



BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price

Given ERS forecast (53.0 lbs/capita) in 2014;
No demand change **IF** 2014 All Fresh Retail
Price = \$5.29/lb (+7.2% from 2013)



C-P-65A
02/10/14

Livestock Marketing Information Center

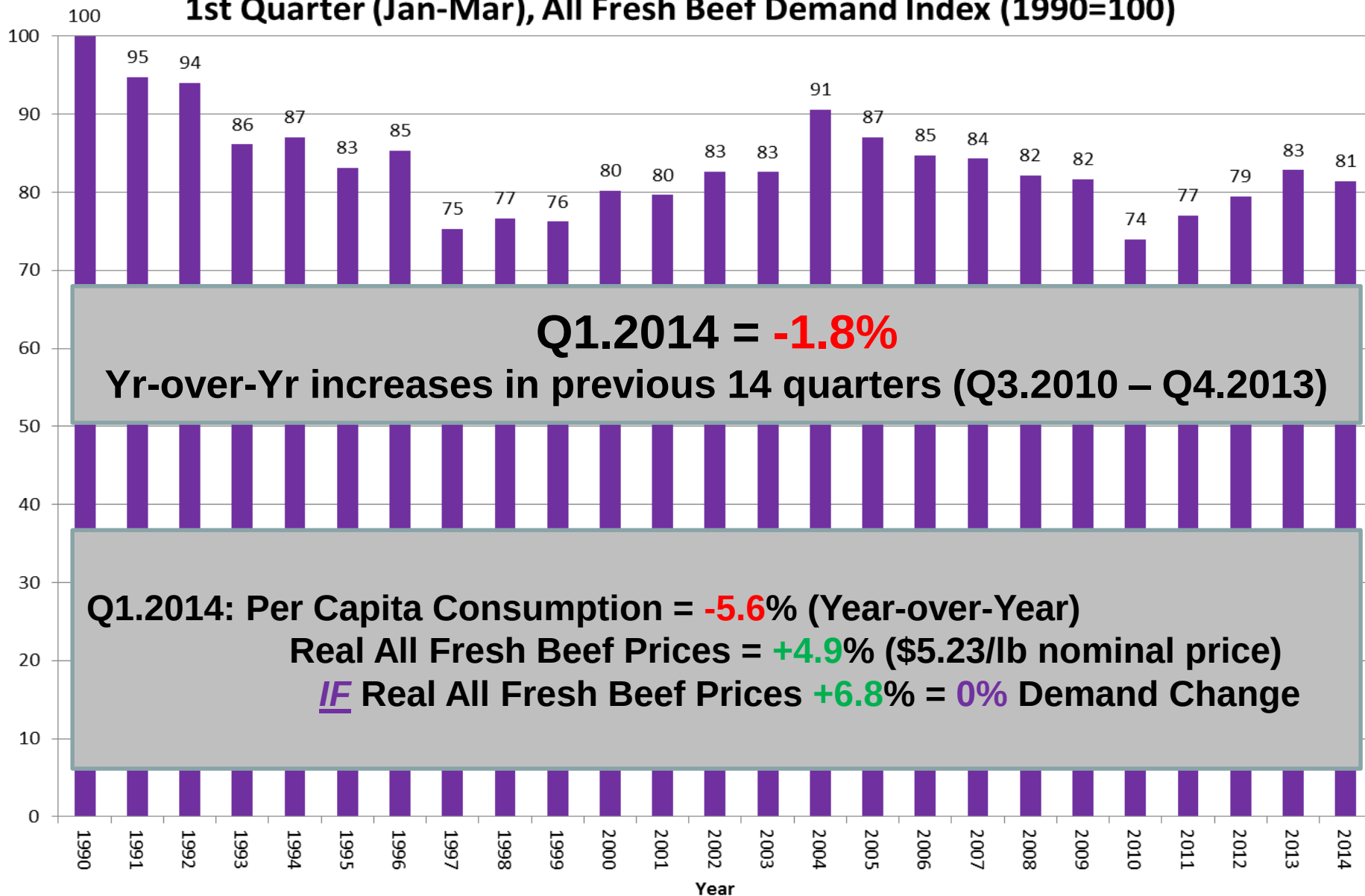
Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled & Analysis by LMIC

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1st Quarter (Jan-Mar), All Fresh Beef Demand Index (1990=100)

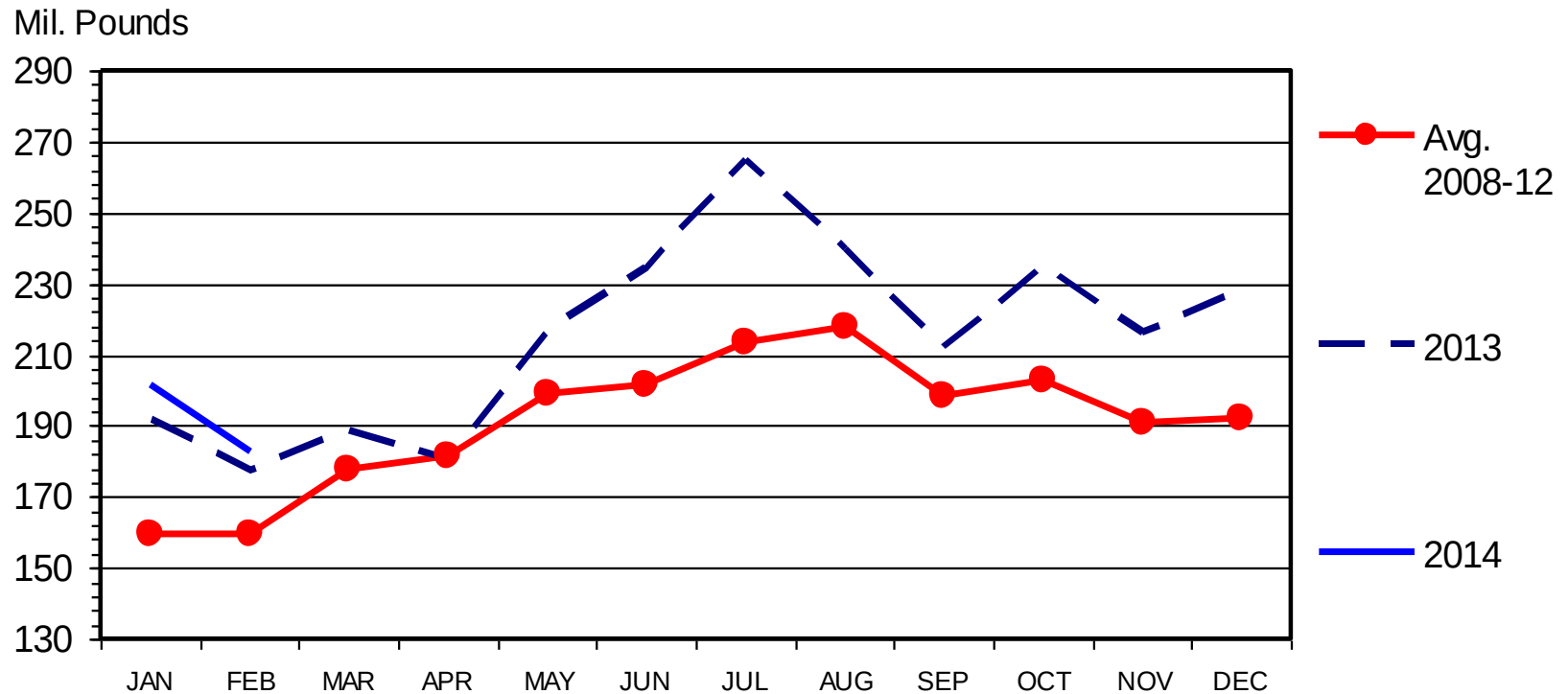
Demand Index (1990=100)



Source: Glynn T. Tonsor, Kansas State University, Apr. 2014

U S BEEF AND VEAL EXPORTS

Carcass Weight, Monthly



Livestock Marketing Information Center

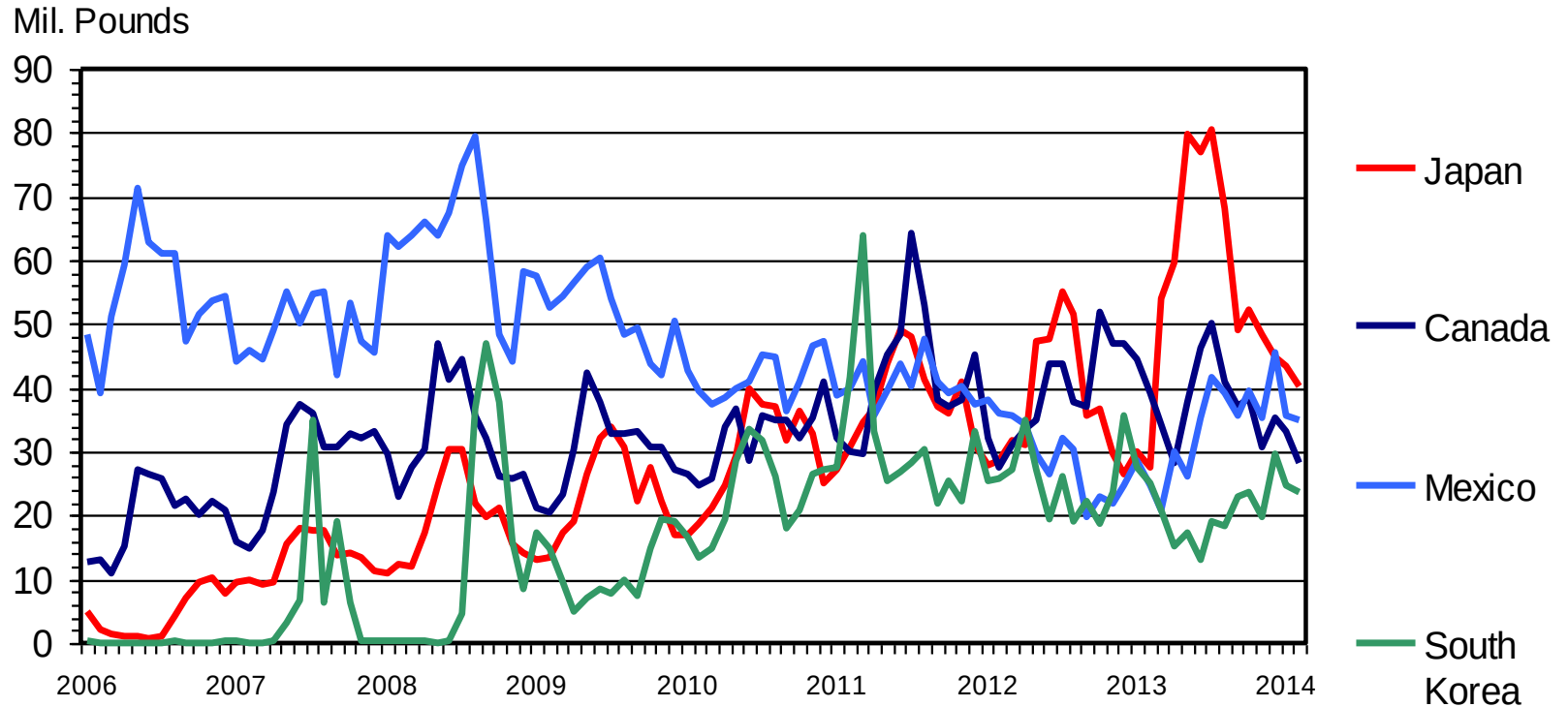
Data Source: USDA-ERS & USDA-FAS

I-N-16
04/04/14



U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



Livestock Marketing Information Center

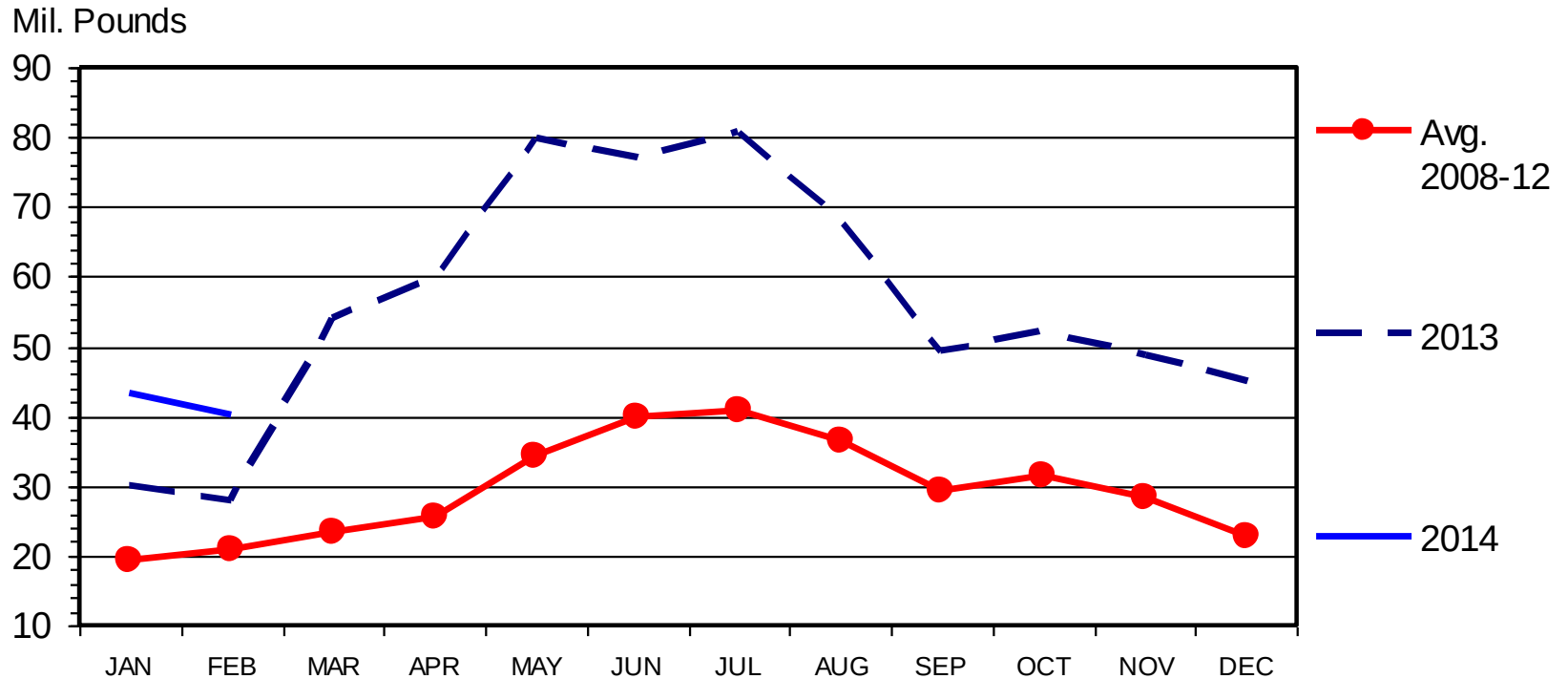
Data Source: USDA-ERS & USDA-FAS

I-N-35
04/04/14



U S BEEF EXPORTS TO JAPAN

Carcass Weight, Monthly



Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

I-N-37
04/04/14



Table 1. Share of Exports Going from US to Ind. Countries

	Beef				
	<i>1990- 1994</i>	<i>1995- 1999</i>	<i>2000- 2004</i>	<i>2005- 2009</i>	<i>2010- 2013</i>
Canada	19%	13%	10%	20%	18%
China (Mainland)	0%	0%	0%	0%	0%
China (Taiwan)	1%	1%	2%	5%	4%
Hong Kong	1%	1%	2%	2%	9%
Japan	51%	51%	38%	10%	19%
Mexico	12%	14%	26%	43%	17%
Russia	0%	3%	1%	1%	4%
South Korea	11%	12%	19%	5%	12%
Other	4%	4%	4%	14%	18%
Total	100%	100%	100%	100%	100%



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