Flint Hills BEEF FEST
Emporia, Kansas

Beef-Cattle Industry Outlook

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August 23, 2013

AG MANAGER.INFO
Kansas State Research & Extension
www.agmanager.info

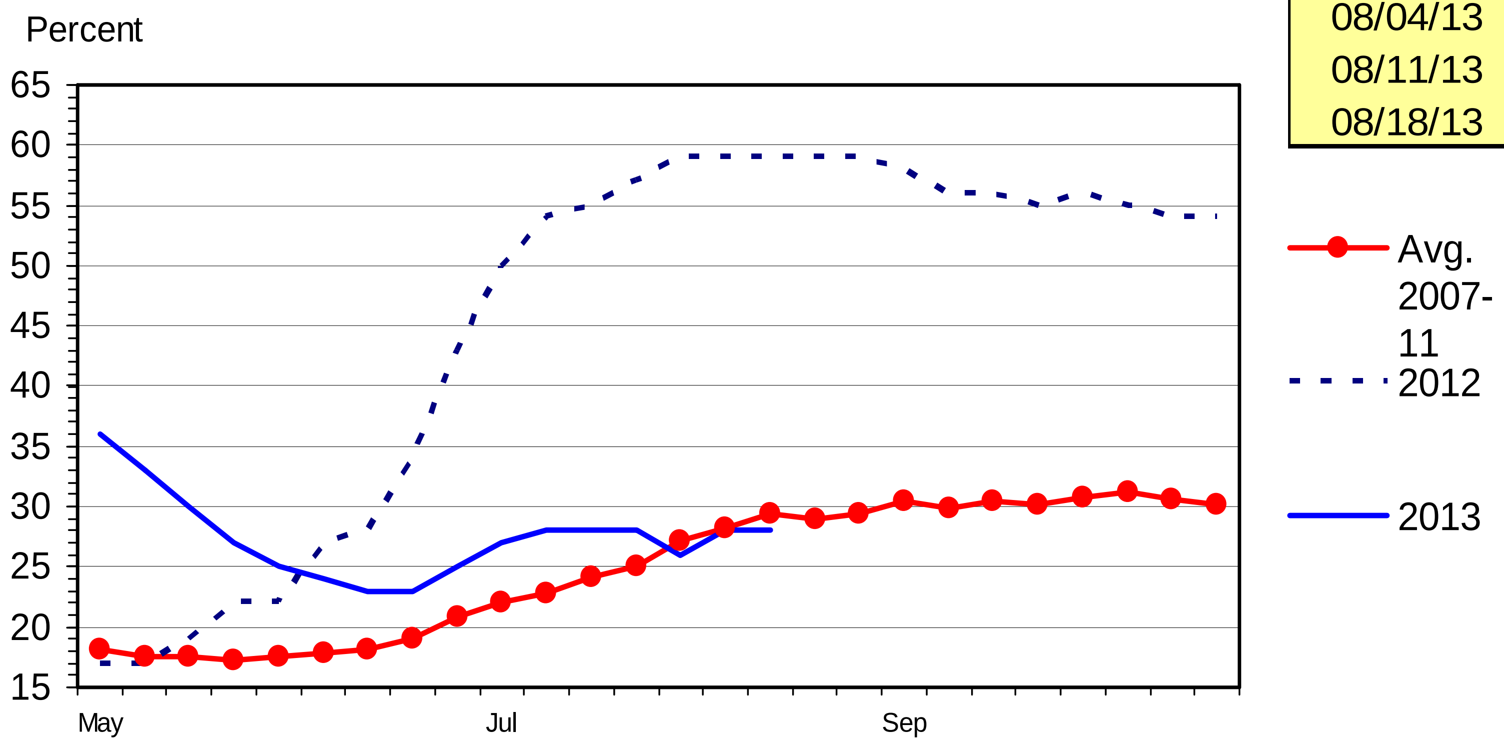
Overarching Economic Outlook

- Supplies
  - "Certain" Cattle Supplies (hd)
  - Less Certain Beef Supplies (lbs); role of beta-agonists
- Demand
  - Confusing, Recently positive, Work ongoing
- "Misc"
  - Limited excess capacity resolution to-date
  - Ongoing political and regulatory uncertainty drivers…
  - Nationally pasture and feedstuffs situation has improved

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
08/05/12	23006	**76.50%**
08/12/12	23305	**77.49%**
08/19/12	23205	**77.16%**
This Year		
08/04/13	9195	**31.47%**
08/11/13	7867	**26.92%**
08/18/13	7867	**26.92%**



G-NP-30
08/19/13

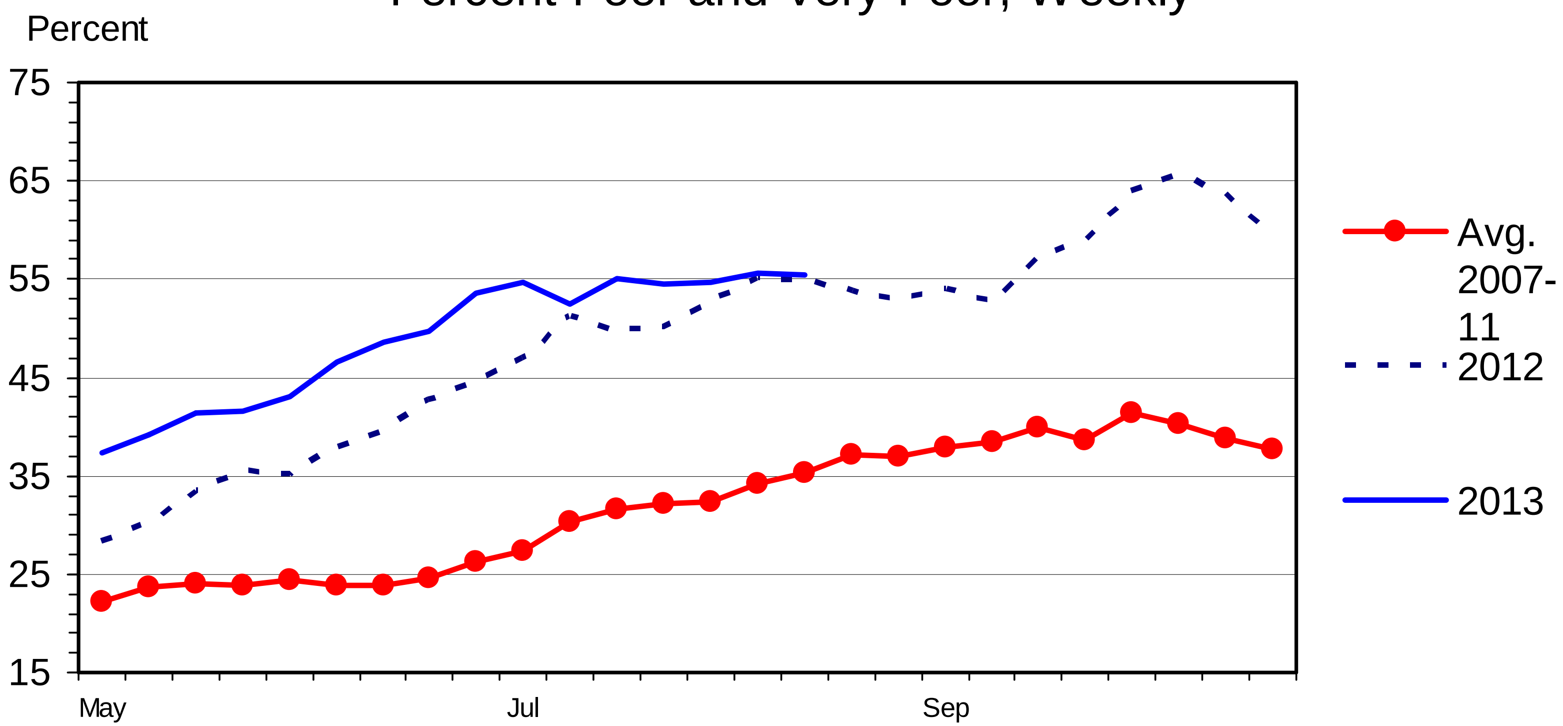
Livestock Marketing Information Center

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

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

WESTERN REGION
RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



G-NP-31
08/19/13

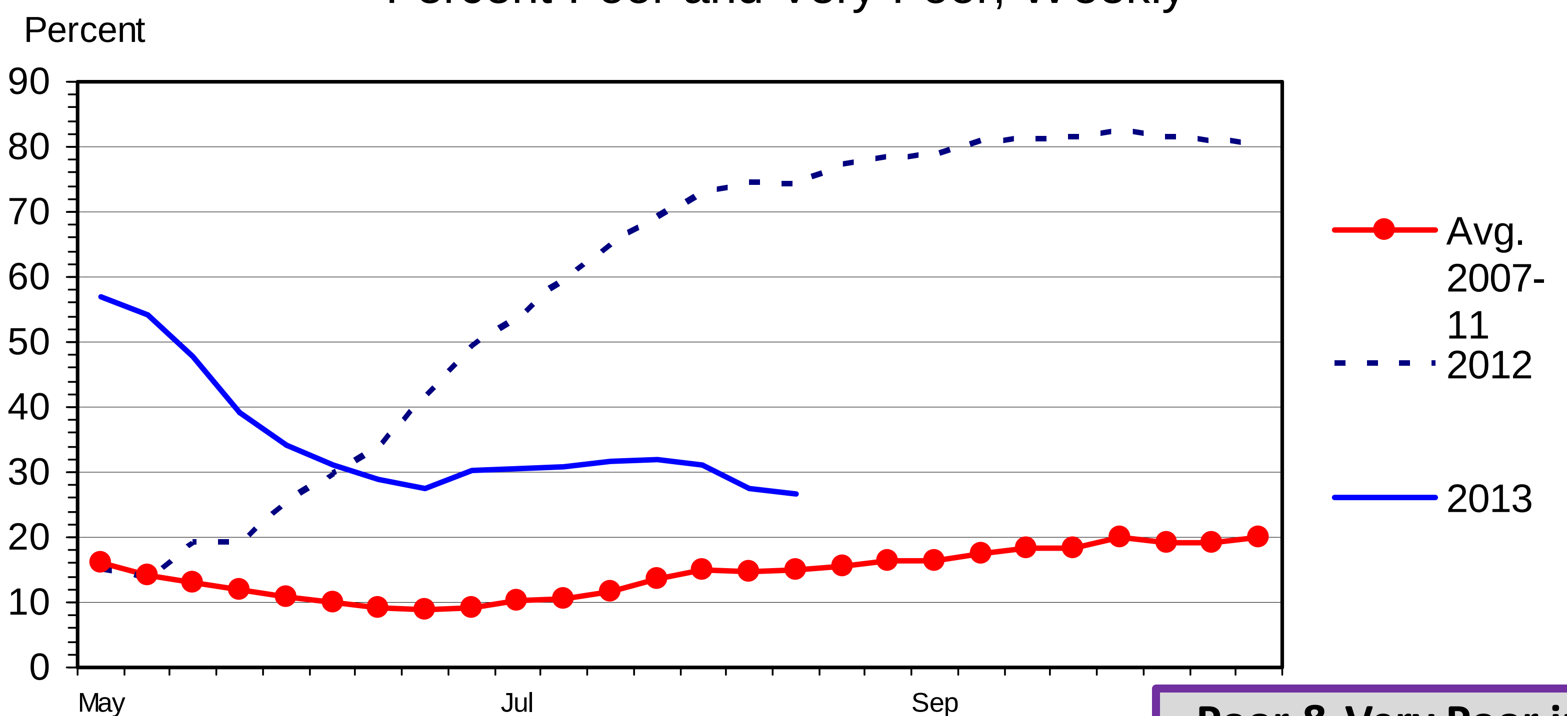
Livestock Marketing Information Center

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

GREAT PLAINS REGION
RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

(CO, KS, MT, NE, ND, SD, WY)
29.6% of Cows



Poor & Very Poor in KS:
8/18/13: 35%
6/16/13: 44%

8/19/12: 92%
6/17/12: 48%

Livestock Marketing Information Center

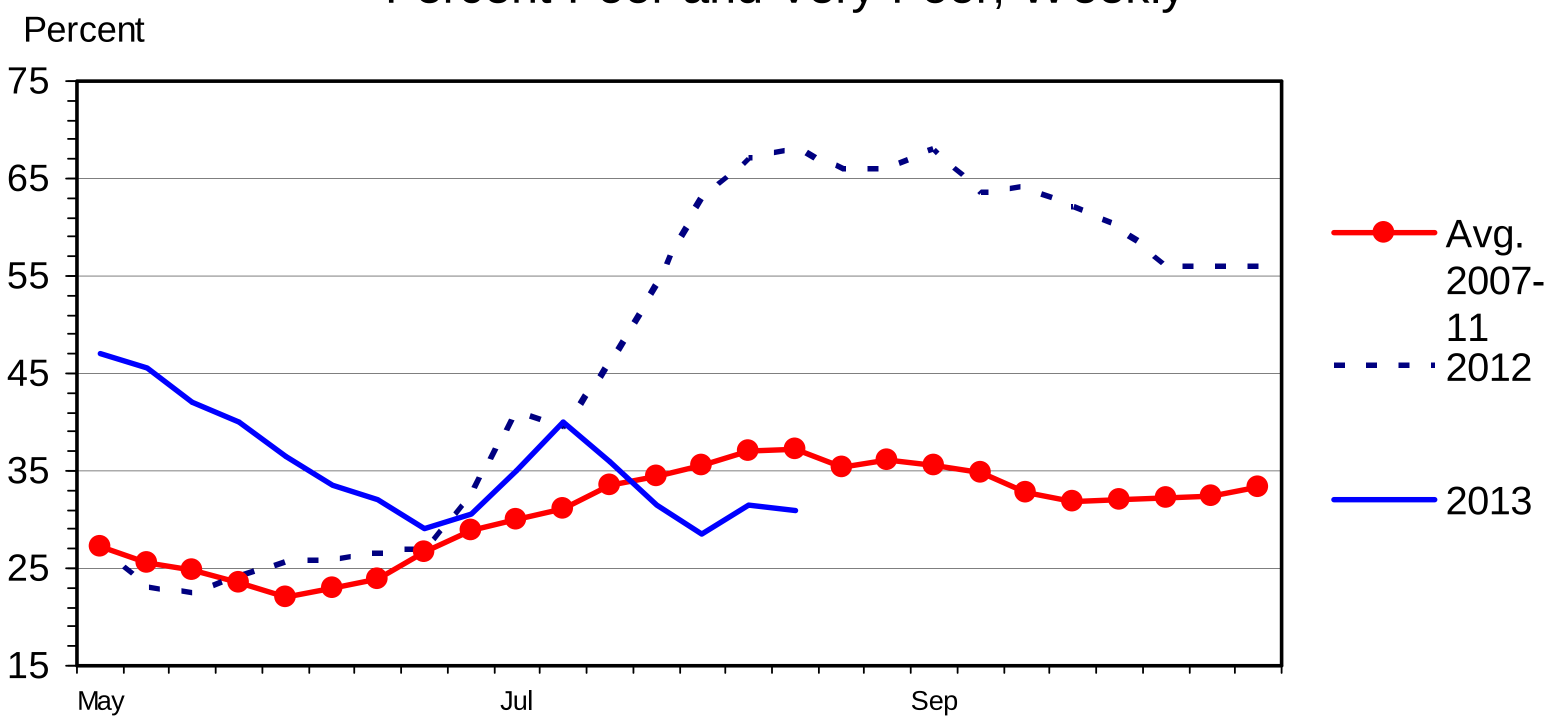
Data Source: USDA-NASS, Compiled & Analysis by LMIC

G-NP-32
08/19/13

(OK, TX)
19.7% of Cows

SOUTHERN PLAINS REGION
RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



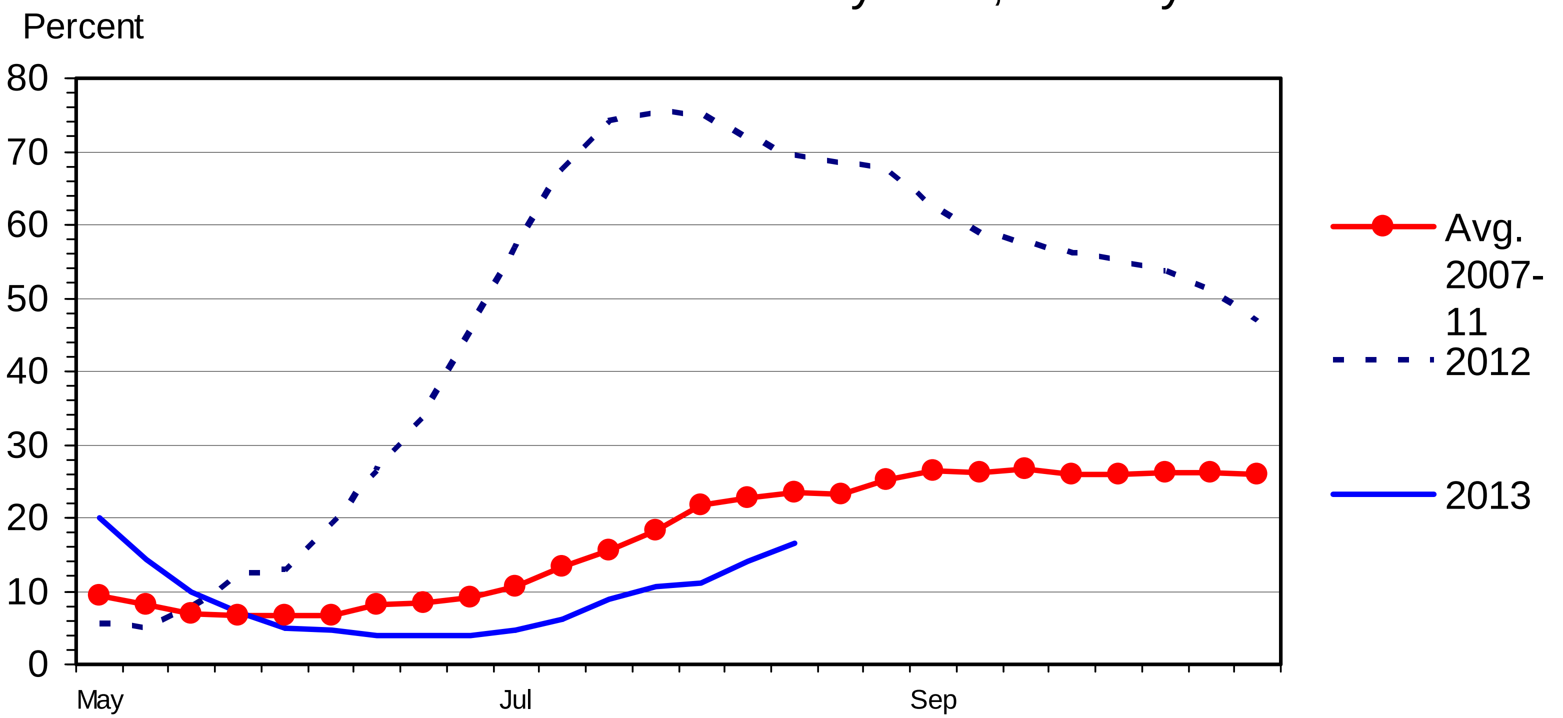
G-NP-33
08/19/13

Livestock Marketing Information Center

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

(IL, IN, IA, MI, MN, MO, OH, WI)
14.6% of Cows

CORNBELT REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly



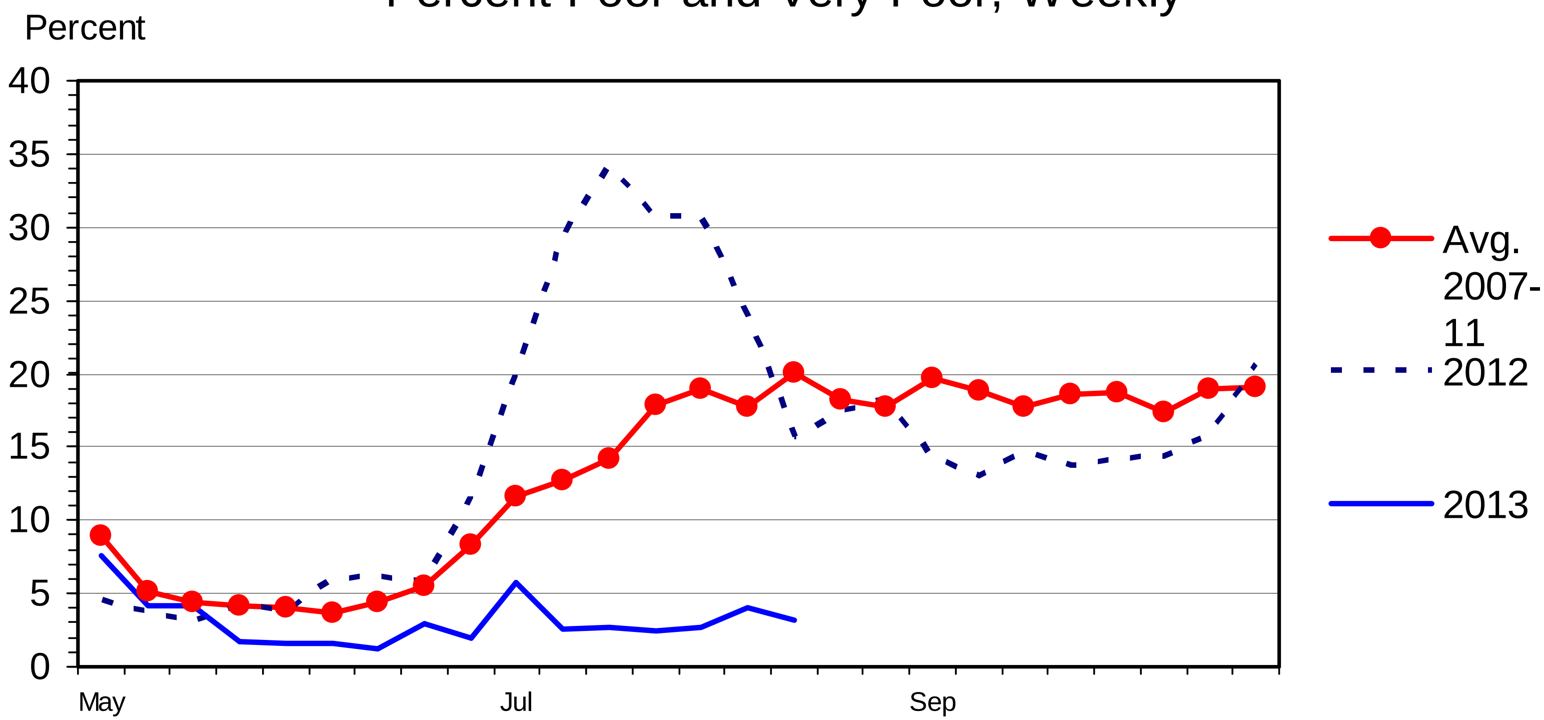
G-NP-34
08/19/13

Livestock Marketing Information Center

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

(CT, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT)
1.2% of Cows

NORTHEAST REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly



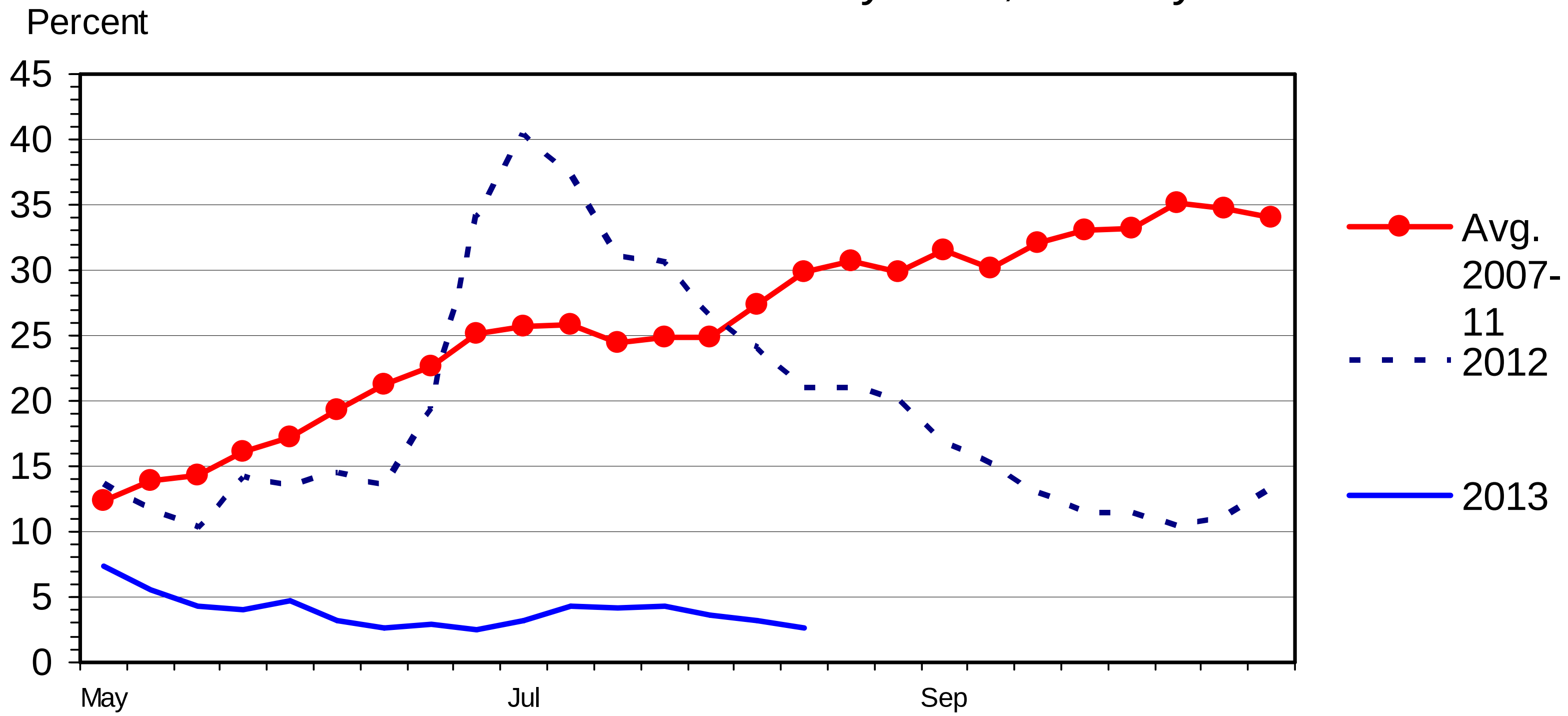
G-NP-35
08/19/13

Livestock Marketing Information Center

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

SOUTHEAST REGION
RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

(AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV)
24.7% of Cows



G-NP-36
08/19/13

Livestock Marketing Information Center

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

Economic Outlook Overview : Cow-Calf

- Improving pastures (nationally), lower forage prices + higher calf prices…

- Are “current improvements” sufficient to trigger expansion?
  - To-date I’d say expansion has <u>NOT</u> been initiated
    - Wait for Jan. 2014 Cattle Inventory Report …
      - Ad hoc consensus of LMIC members on July 15^{th}

Table 1. Beef Cows that Calved (1,000 hd)								
State / Region	*1994*	*2004*	*2010*	*2013*	*1994 (% of US)*	*2004 (% of US)*	*2010 (% of US)*	*2013 (% of US)*
TX	5,800	5,383	5,140	4,015	16.8%	16.5%	16.4%	13.7%
NE	1,920	1,848	1,781	1,805	5.5%	5.7%	5.7%	6.2%
MO	2,200	2,085	1,968	1,757	6.4%	6.4%	6.3%	6.0%
OK	1,853	1,920	2,073	1,754	5.4%	5.9%	6.6%	6.0%
SD	1,598	1,711	1,618	1,688	4.6%	5.3%	5.2%	5.8%
MT	1,478	1,432	1,465	1,506	4.3%	4.4%	4.7%	5.1%
KS	1,473	1,550	1,434	1,328	4.3%	4.8%	4.6%	4.5%
KY	1,155	1,128	1,070	1,028	3.3%	3.5%	3.4%	3.5%
IA	1,075	974	885	925	3.1%	3.0%	2.8%	3.2%
ND	941	937	869	922	2.7%	2.9%	2.8%	3.1%
US	34,603	32,531	31,371	29,295				
Great Plains	9,023	8,766	8,575	8,658	26.1%	26.9%	27.3%	29.6%
Southeast	8,597	8,022	7,560	7,204	24.8%	24.7%	24.1%	24.6%
Southern Plains	7,653	7,303	7,213	5,769	22.1%	22.4%	23.0%	19.7%
Cornbelt	5,100	4,705	4,487	4,271	14.7%	14.5%	14.3%	14.6%
West	3,844	3,404	3,193	3,054	11.1%	10.5%	10.2%	10.4%
Northeast	386	331	343	340	1.1%	1.0%	1.1%	1.2%

Source: USDA data, compiled by LMIC, modified for presentation by Glynn Tonsor. Regions defined as: *Great Plains* (CO, KS, MT, NE, ND, SD, WY), *Southeast* (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV), *Southern Plains* (OK, TX), *Cornbelt* (IL, IN, IA, MI, MN, MO, OH, WI), and *West* (AK, AZ, CA, HI, ID, NV, NM, OR, UT, WA).

Originally posted in February 4, 2013 *In The Cattle Markets* article.

Table 2. Heifers for Beef Cow Replacement (1,000 hd)

State / Region	*1994*	*2004*	*2010*	*2013*	*1994 (% of US)*	*2004 (% of US)*	*2010 (% of US)*	*2013 (% of US)*
TX	980	740	760	600	15.4%	13.4%	13.9%	11.2%
NE	260	280	320	350	4.1%	5.1%	5.9%	6.5%
MO	370	280	280	270	5.8%	5.1%	5.1%	5.0%
OK	345	370	405	280	5.4%	6.7%	7.4%	5.2%
SD	280	290	285	315	4.4%	5.3%	5.2%	5.9%
MT	355	420	340	435	5.6%	7.6%	6.2%	8.1%
KS	280	230	240	230	4.4%	4.2%	4.4%	4.3%
KY	205	160	150	150	3.2%	2.9%	2.8%	2.8%
IA	160	125	130	150	2.5%	2.3%	2.4%	2.8%
ND	190	156	165	207	3.0%	2.8%	3.0%	3.9%
US	6,364	5,508	5,451	5,361				
Great Plains	1,715	1,631	1,615	1,838	26.9%	29.6%	29.6%	34.3%
Southeast	1,596	1,266	1,223	1,140	25.1%	23.0%	22.4%	21.3%
Southern Plains	1,325	1,110	1,165	880	20.8%	20.2%	21.4%	16.4%
Cornbelt	873	777	752	779	13.7%	14.1%	13.8%	14.5%
West	749	630	599	603	11.8%	11.4%	11.0%	11.3%
Northeast	107	94	97	120	1.7%	1.7%	1.8%	2.2%

Source: USDA data, compiled by LMIC, modified for presentation by Glynn Tonsor. Regions defined as: *Great Plains* (CO, KS, MT, NE, ND, SD, WY), *Southeast* (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV), *Southern Plains* (OK, TX), *Cornbelt* (IL, IN, IA, MI, MN, MO, OH, WI), and *West* (AK, AZ, CA, HI, ID, NV, NM, OR, UT, WA).

Originally posted in February 4, 2013 *In The Cattle Markets* article.

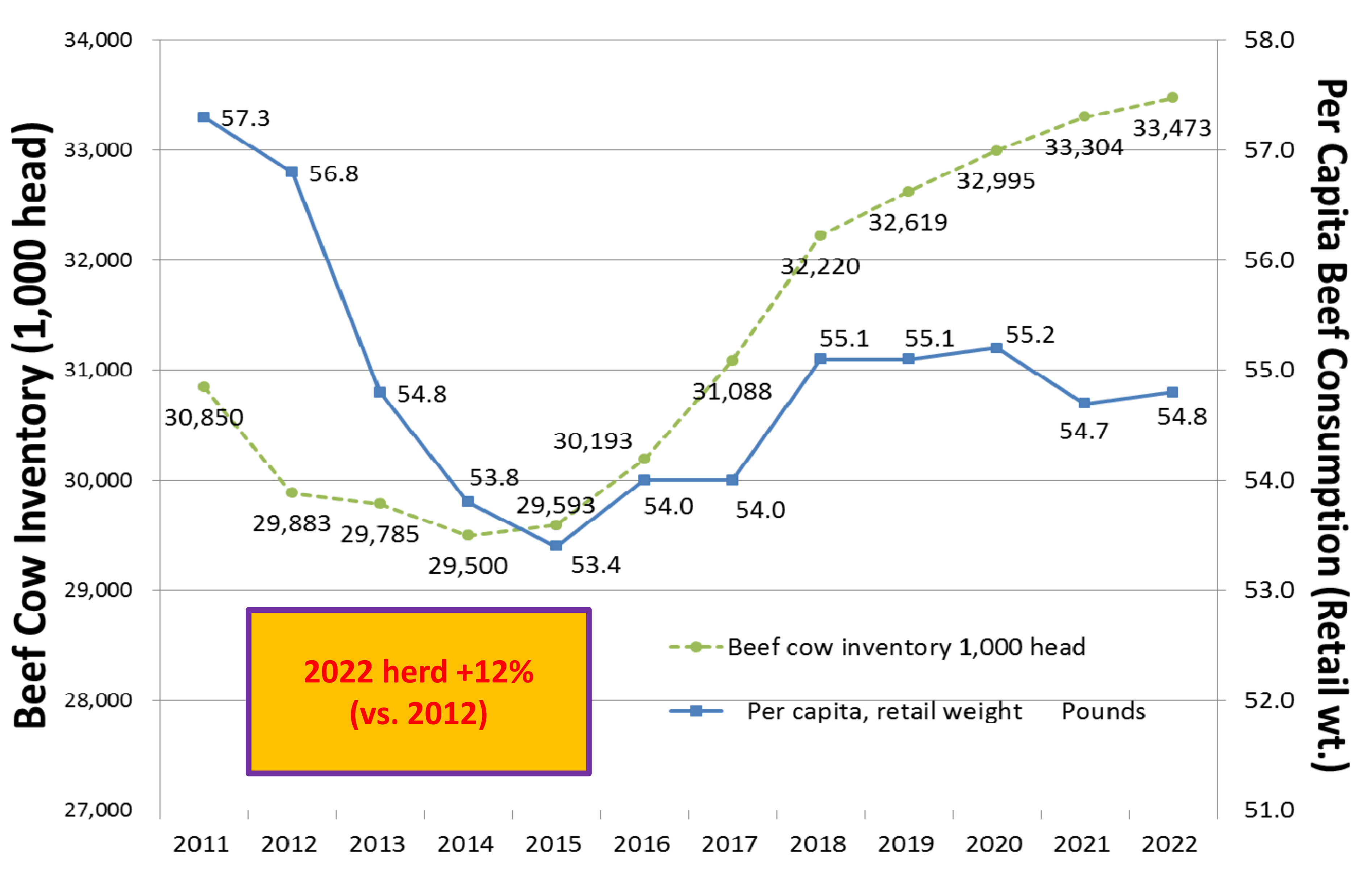
Table 1. Regional Pasture Conditions and Breeding Herd Residence					
Region	Percent of Range and Pasture in Poor or Very Poor Condition			Percent of U.S. Cows	Percent of U.S. Retained Heifers
	5/8/2011	5/6/2012	5/6/2013	Jan. 2013	Jan. 2013
US	24.0%	17.0%	36.0%		
Great Plains	17.4%	15.0%	56.9%	29.6%	34.3%
Southeast	11.0%	13.6%	7.3%	24.6%	21.3%
Southern Plains	63.0%	27.5%	47.0%	19.7%	16.4%
Cornbelt	10.0%	5.4%	19.9%	14.6%	14.5%
West	21.4%	28.4%	37.4%	10.4%	11.3%

Source: USDA data, compiled by LMIC, modified for presentation by Glynn Tonsor. Regions defined as: *Great Plains* (CO, KS, MT, NE, ND, SD, WY), *Southeast* (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV), *Southern Plains* (OK, TX), *Cornbelt* (IL, IN, IA, MI, MN, MO, OH, WI), and *West* (AK, AZ, CA, HI, ID, NV, NM, OR, UT, WA).

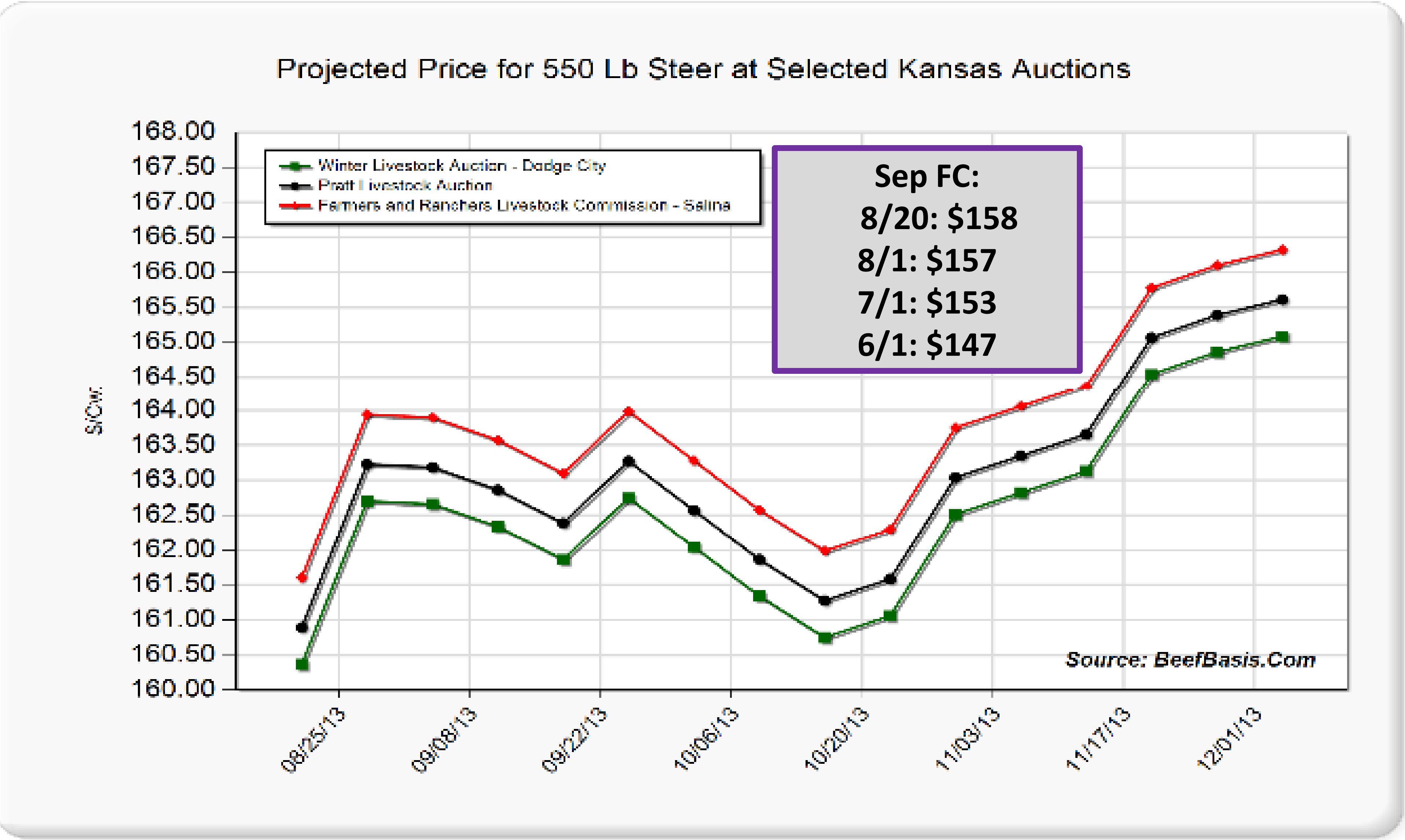
Originally posted in May 13, 2013 *In The Cattle Markets* article.

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'



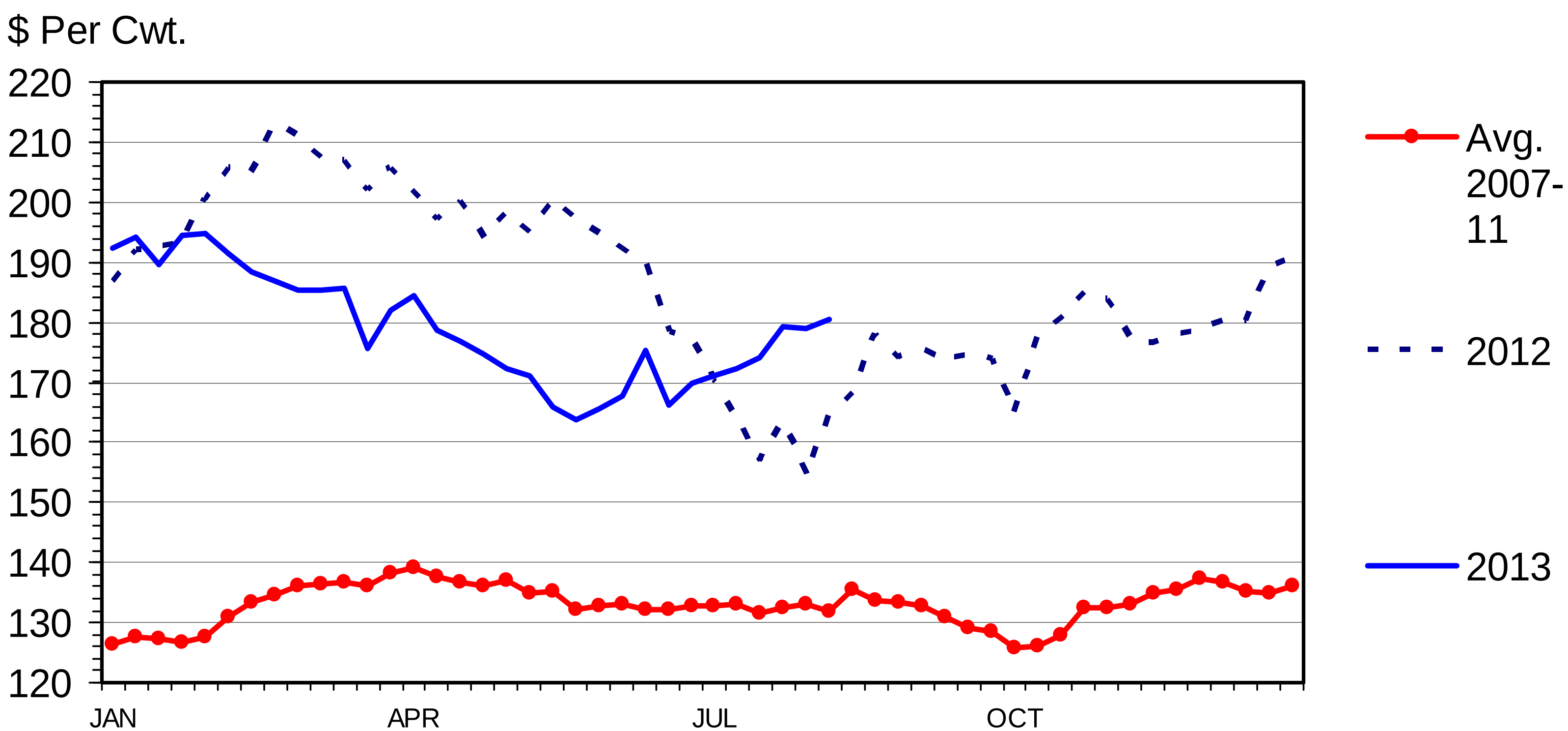
As of: 8/20/13'



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

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



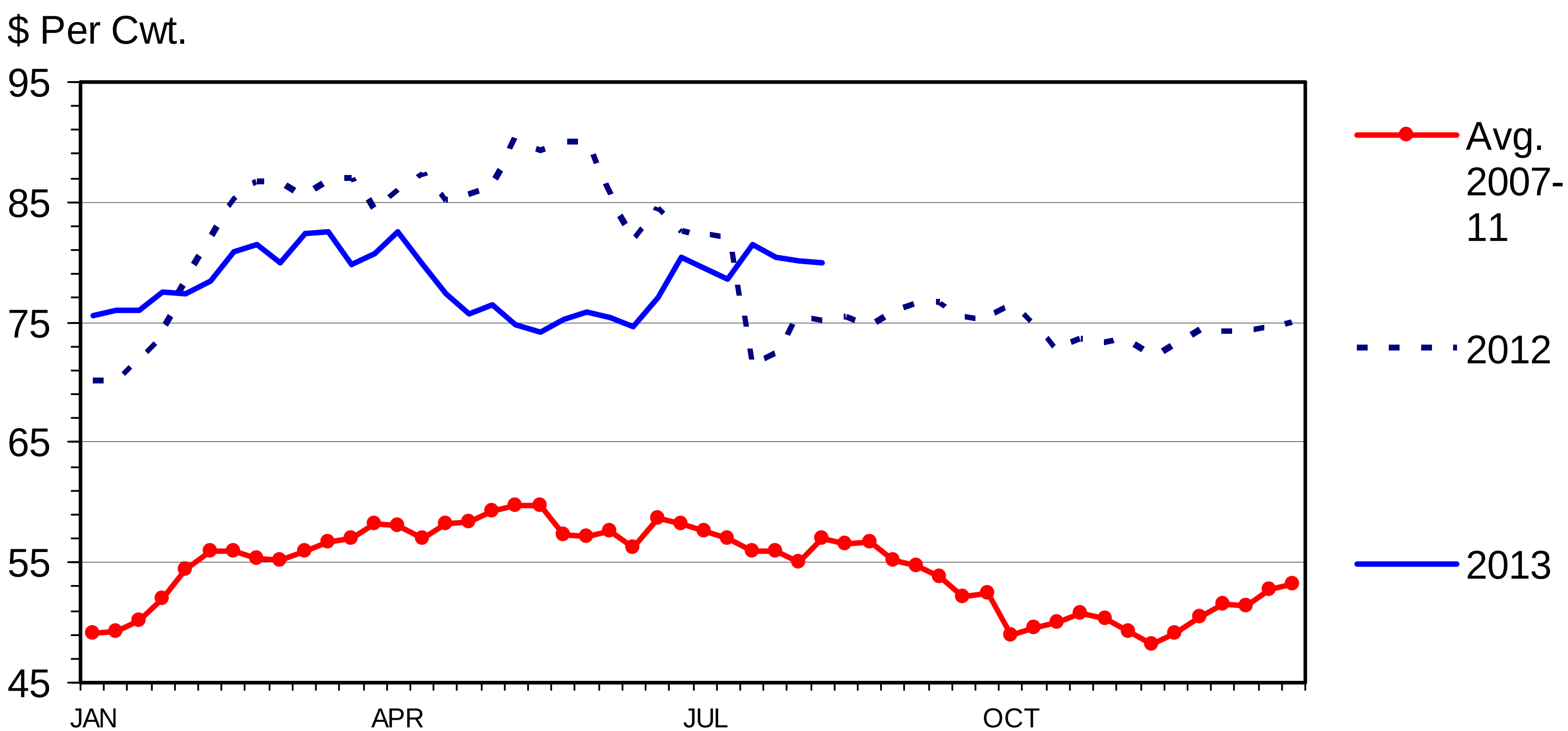
C-P-49A
08/05/13

Livestock Marketing Information Center

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

SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly



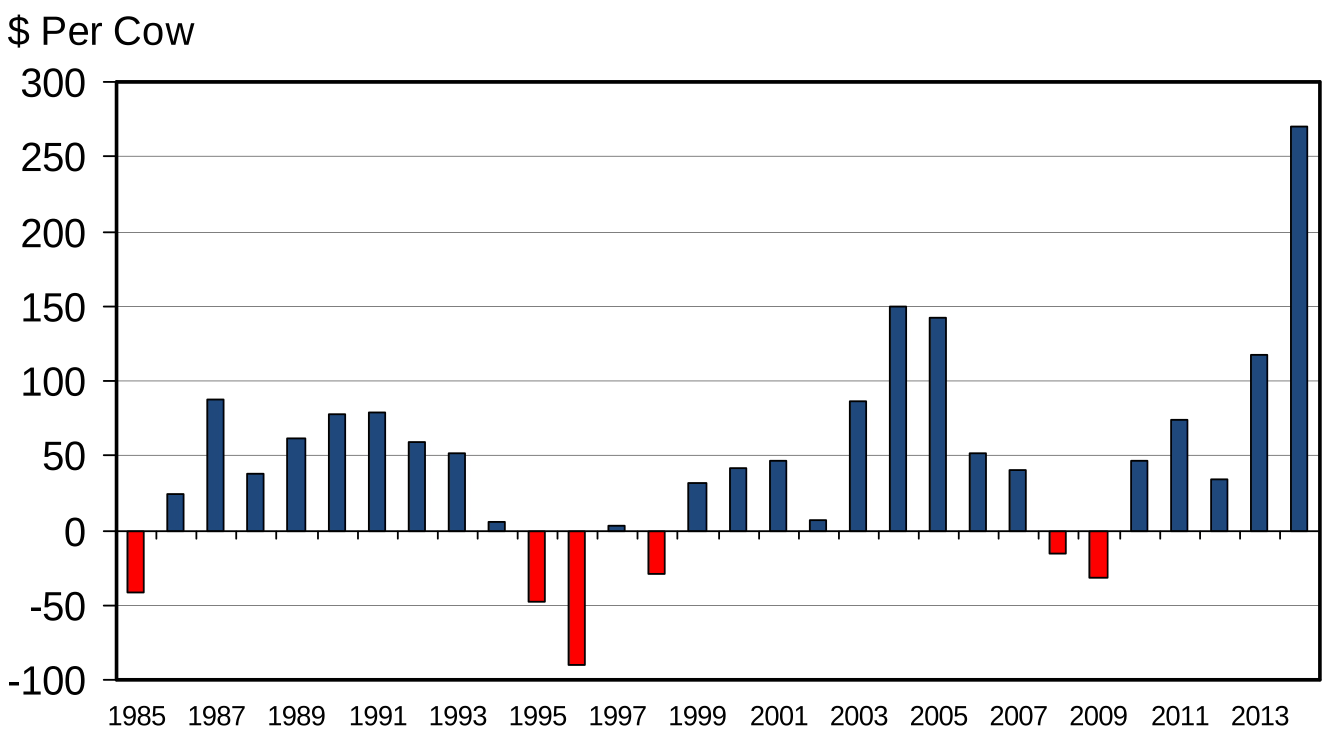
C-P-35
08/13/13

Livestock Marketing Information Center

Data Source: USDA-AMS

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

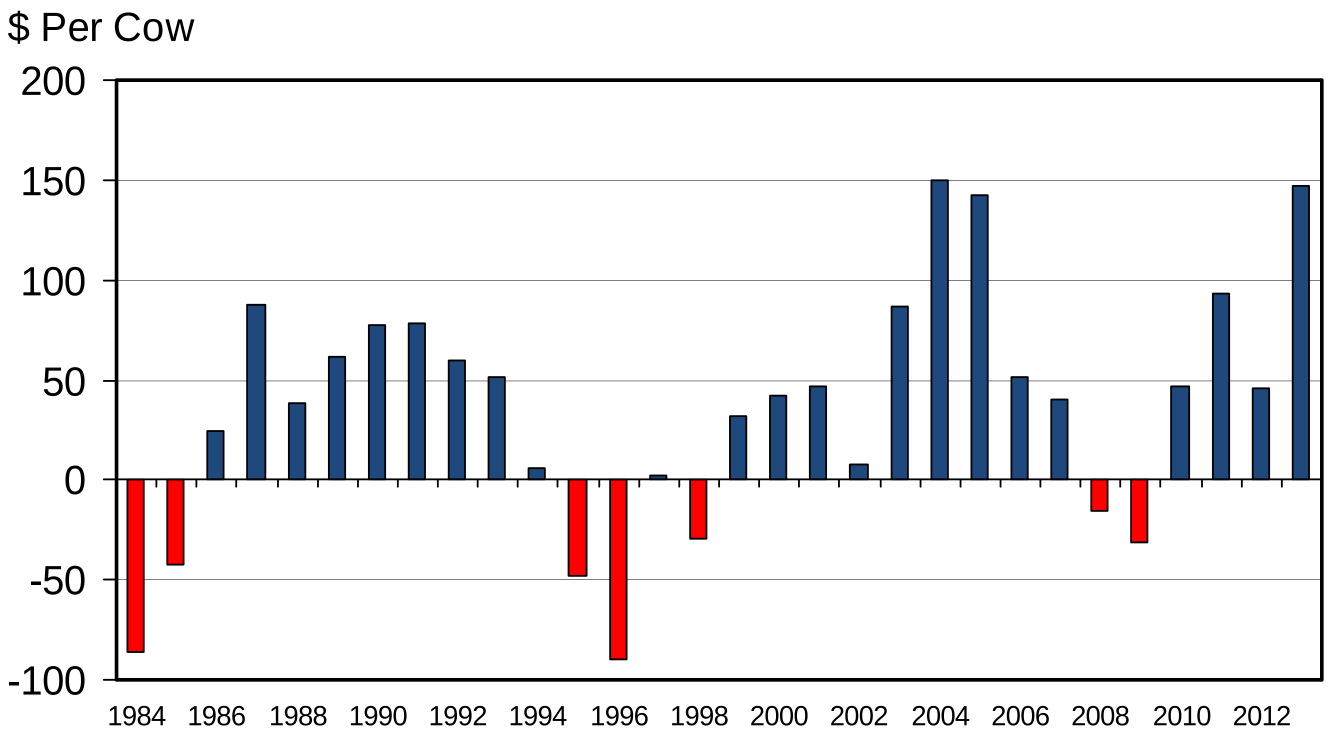
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66

07/31/13

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

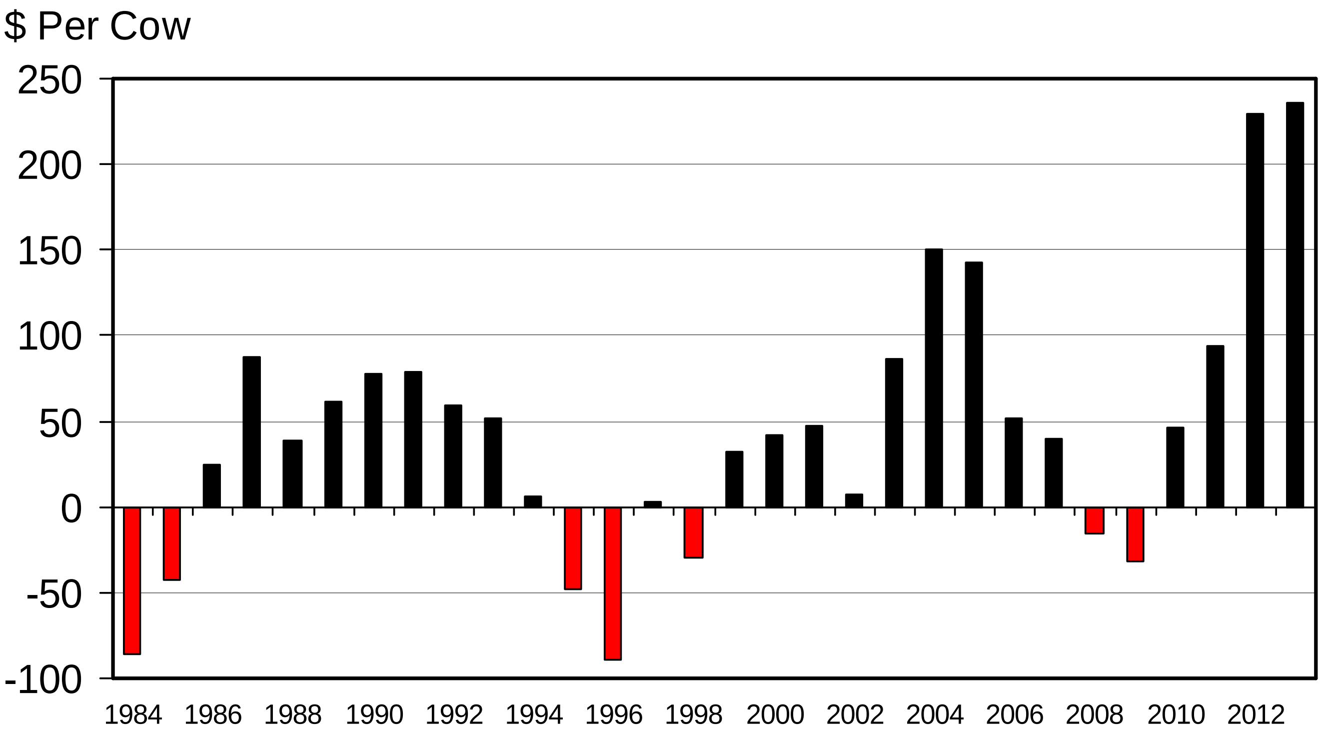
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66

08/09/12

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



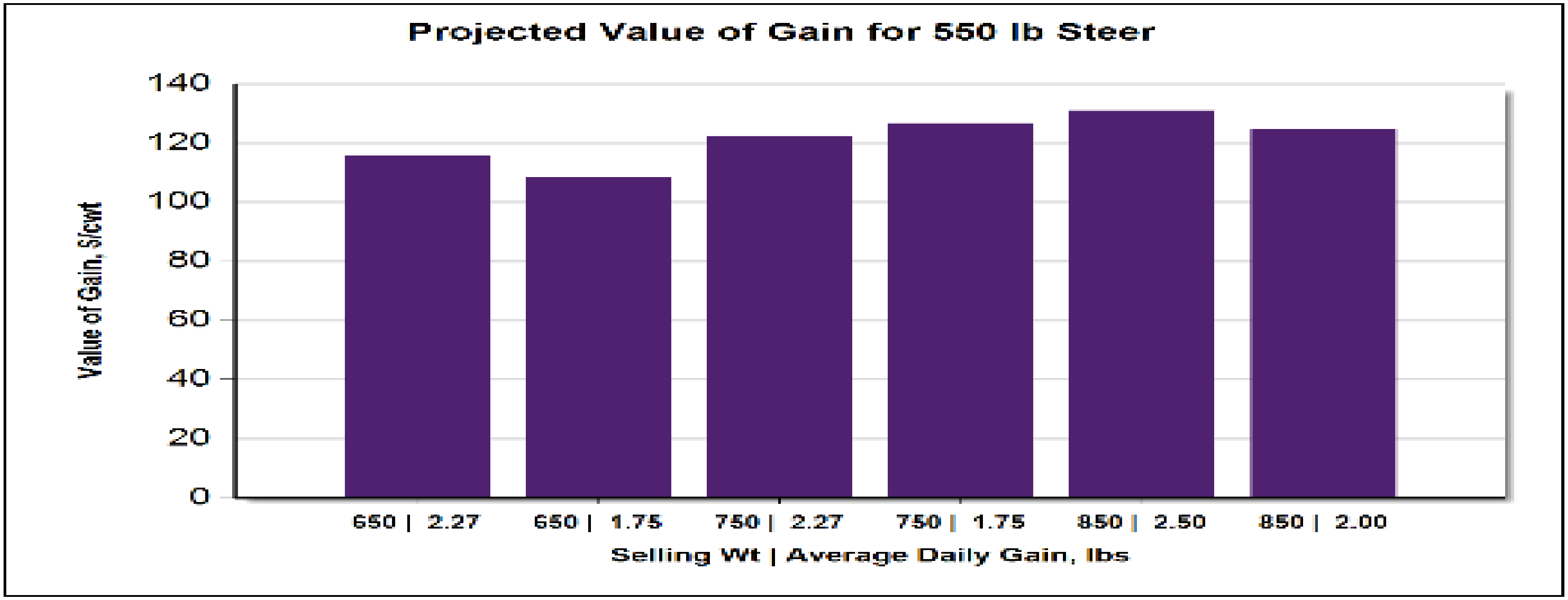
Livestock Marketing Information Center

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

C-P-66
03/21/12

Economic Outlook Overview : Stockers

- Attractive Values of Gain (VOG) vs. COG
  - For those in many stocker/backgrounding areas …
- Salina, KS 8/20/13 situation:
  - Buy 550 lb steer on 10/16/13 ($165.30)
  - Sell 750 lb steer on 1/15/14 ($154.34) {2.17 ADG}
    - VOG: $124.21/cwt
      - http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx



Projected Value of Gain

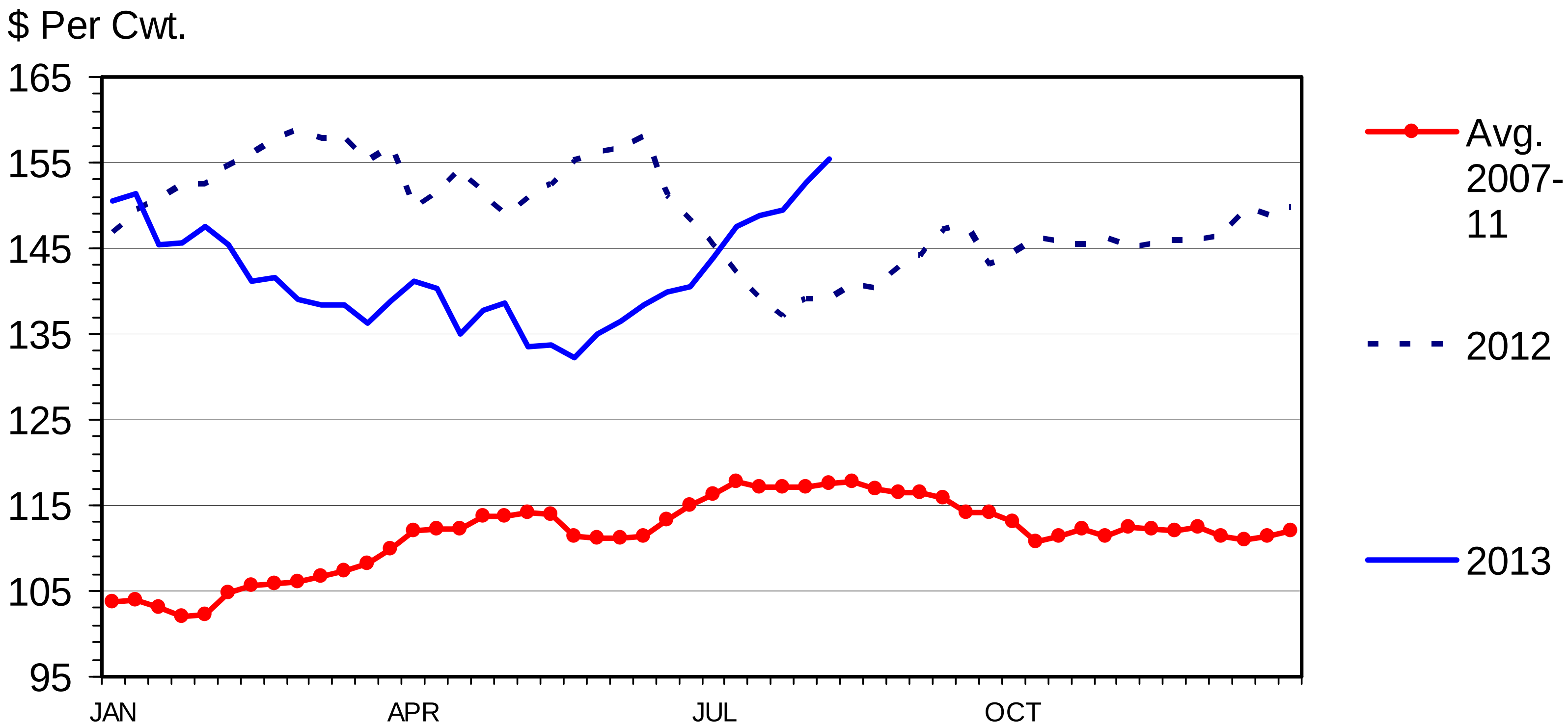
Begining Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, $/cwt
550	650	10/04/2013	100	2.27	$115.78
550	650	10/17/2013	100	1.75	$108.11
550	750	11/17/2013	200	2.27	$122.47
550	750	12/13/2013	200	1.75	$126.74
550	850	12/19/2013	300	2.50	$131.12
550	850	01/18/2014	300	2.00	$124.66

Note: Projections dervied for the Salina, KS market using BeefBasis.com
Related information is available at: BeefBasis.com 8/21/2013

http://www.agmanager.info/livestock/marketing/graphs/cattle/prices/VOG.asp

MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



C-P-49
08/05/13

Livestock Marketing Information Center

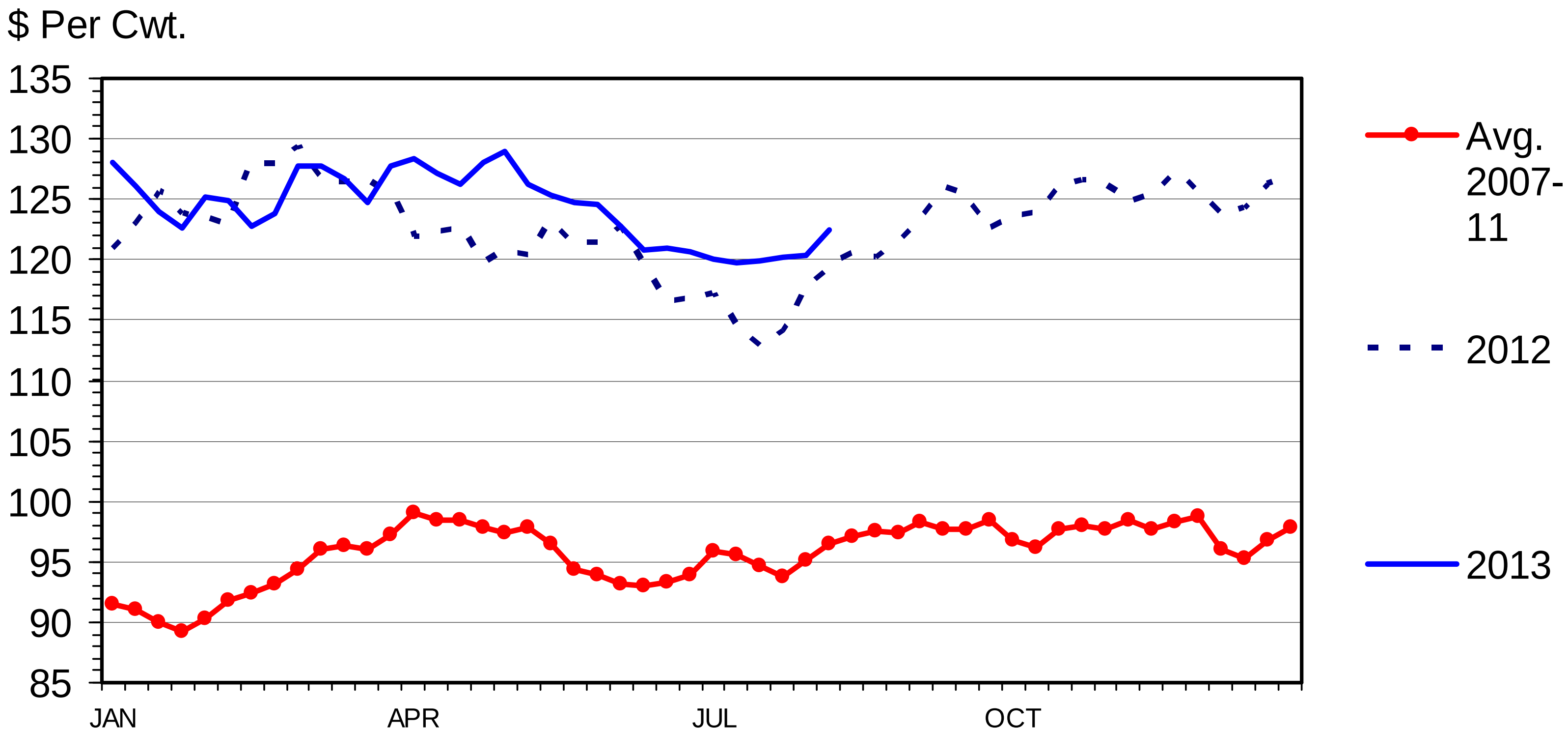
Data Source: USDA-AMS, Compiled & Analysis by LMIC

Economic Outlook Overview : Feedlots

- Excess capacity concerns continue to grow:
  - Heifer Retention (?), MCOOL, *Zilmax*® use
  - Feb. 13’ ERS projection: 12% herd growth by 2022
- Closeouts have been at historically high losses…
- Temporary “light at end of the tunnel” ???

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



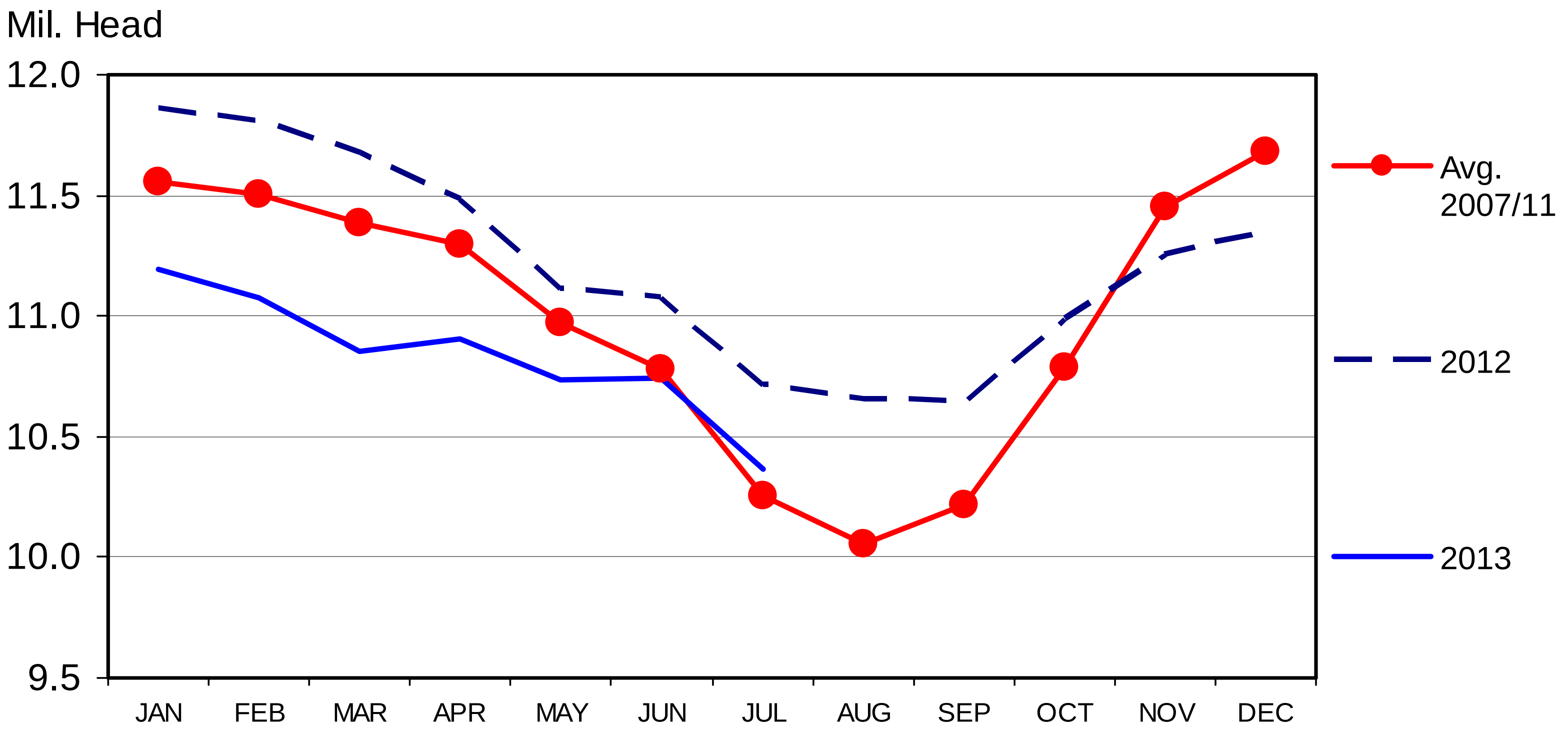
Livestock Marketing Information Center

Data Source: USDA-AMS

Pre- 8/23 COF Report Estimates:
On Feed Aug 1 (down 4.2%) {-5.6% to -1.8%}

CATTLE ON FEED

US Total, Monthly



C-N-10
07/19/13

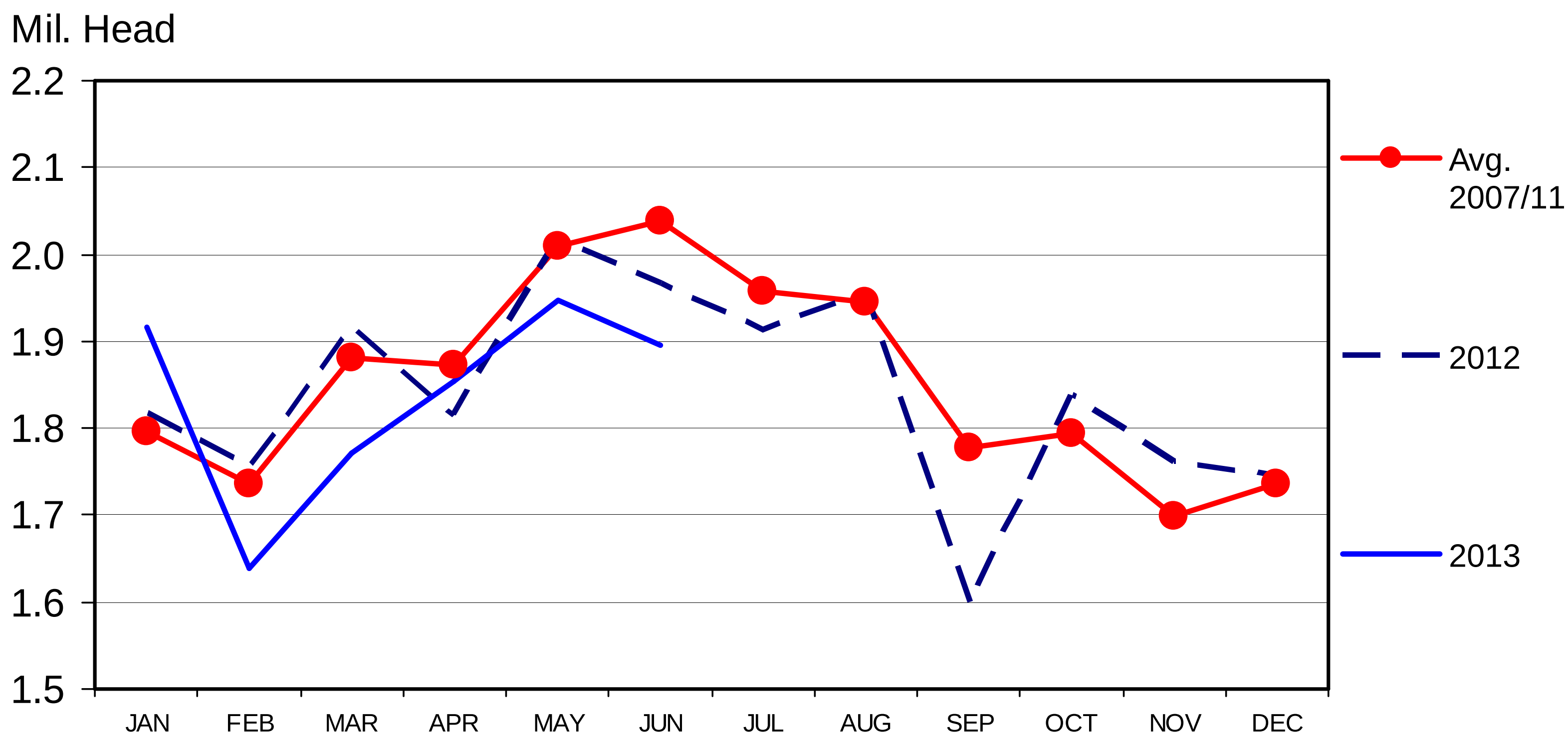
Livestock Marketing Information Center

Data Source: USDA-NASS

Pre- 8/23 COF Report Estimates:
Marketed in July (up 4.4%) {+2.5% to +6.1%}

FED CATTLE MARKETINGS

US Total, Monthly



C-M-11
07/19/13

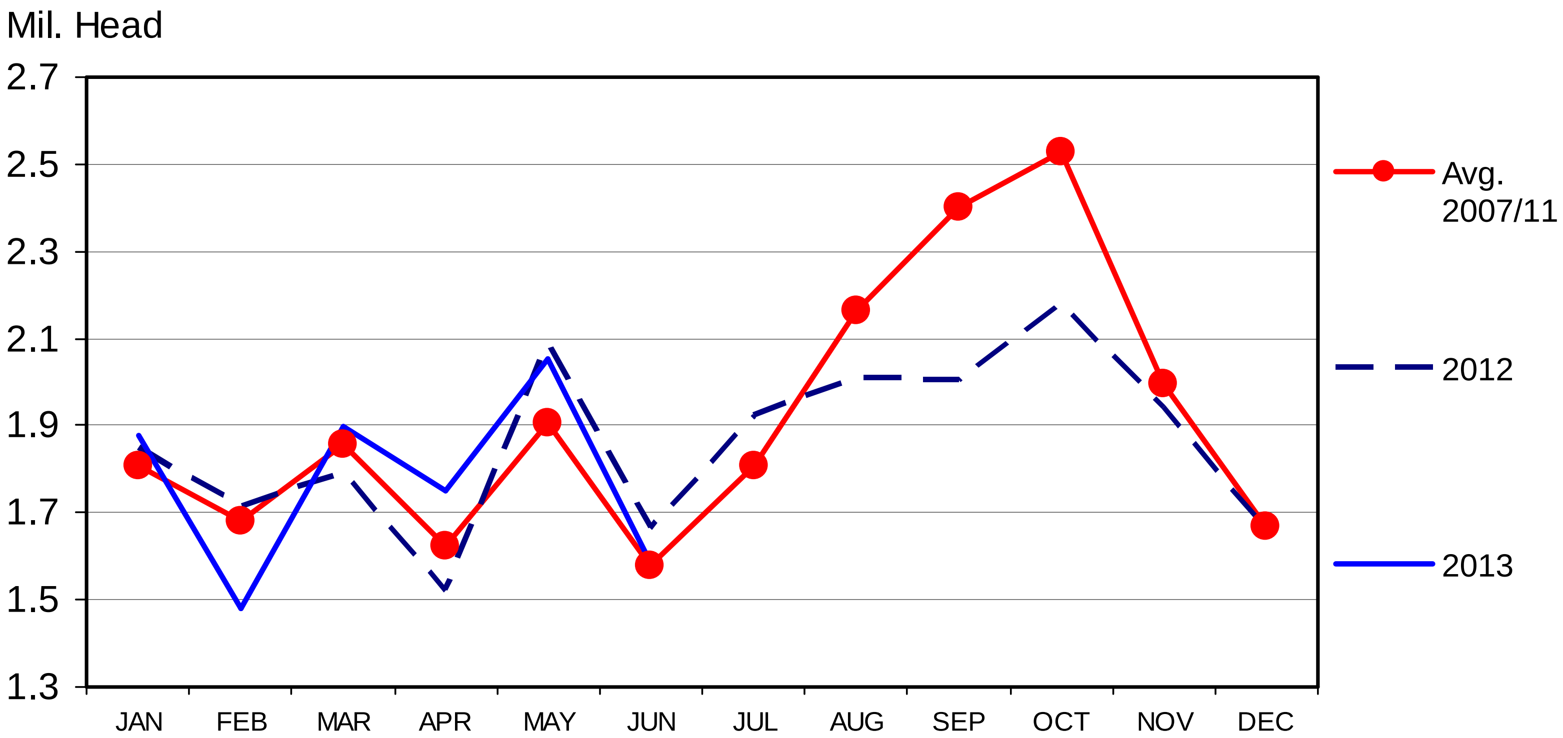
Livestock Marketing Information Center

Data Source: USDA-NASS

Pre- 8/23 COF Report Estimates:
Placed in July (down 2.5%) *{-7.1% to +11.6%}*

FEEDLOT PLACEMENTS

US Total, Monthly



C-N-08
07/19/13

Livestock Marketing Information Center

Data Source: USDA-NASS

July Feeder Cattle Imports from Mexico: *-54% Yr-o-Yr*

Historical and Projected Kansas Feedlot Net Returns (as of 8/5/13')

(http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingRet

Oct LC:
8/20: $128.30
8/1: $124.50
7/1: $126.25
6/1: $122.75

June 13': -$211/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
Jul-13	-158.61	116.31	118.96	137.74	87.88	130.48	118.36
Aug-13	-45.54	119.27	126.30	133.26	110.66	129.55	128.03
Sep-13	-15.22	112.01	126.03	133.18	108.94	127.12	131.48
Oct-13	23.12	107.78	128.87	135.47	112.46	127.22	138.01
Nov-13	0.94	102.50	129.29	142.71	102.68	129.22	142.81
Dec-13	-11.93	97.45	129.41	148.59	95.29	130.25	147.21

Representative Barometer for Trends in Profitability

Zilmax® Use

- Beef production <u>direction</u> ‘certain’
  - +/- 29 lbs on steer carcass; 23 lbs for heifers
    - *Zilmax*® adds 6-8 lbs more than *Optaflexx*®
- <u>*Magnitude of impact is very uncertain*</u>
  - Ultimately, how does % of fed cattle on *Zilmax*®, *Optaflexx*®, Neither change?
    - <u>***How long will these changes last???***</u>
- Feedlots options vary
  - Does this reinforce broader ongoing movements “north” in the feedlot industry?
- August 19, 2013 Daily Livestock Report (DLR w/ CME Group):
  - Approval and proper usage of products is “necessary but not sufficient”…

Quarterly Forecasts (LMIC: 08/12/13)

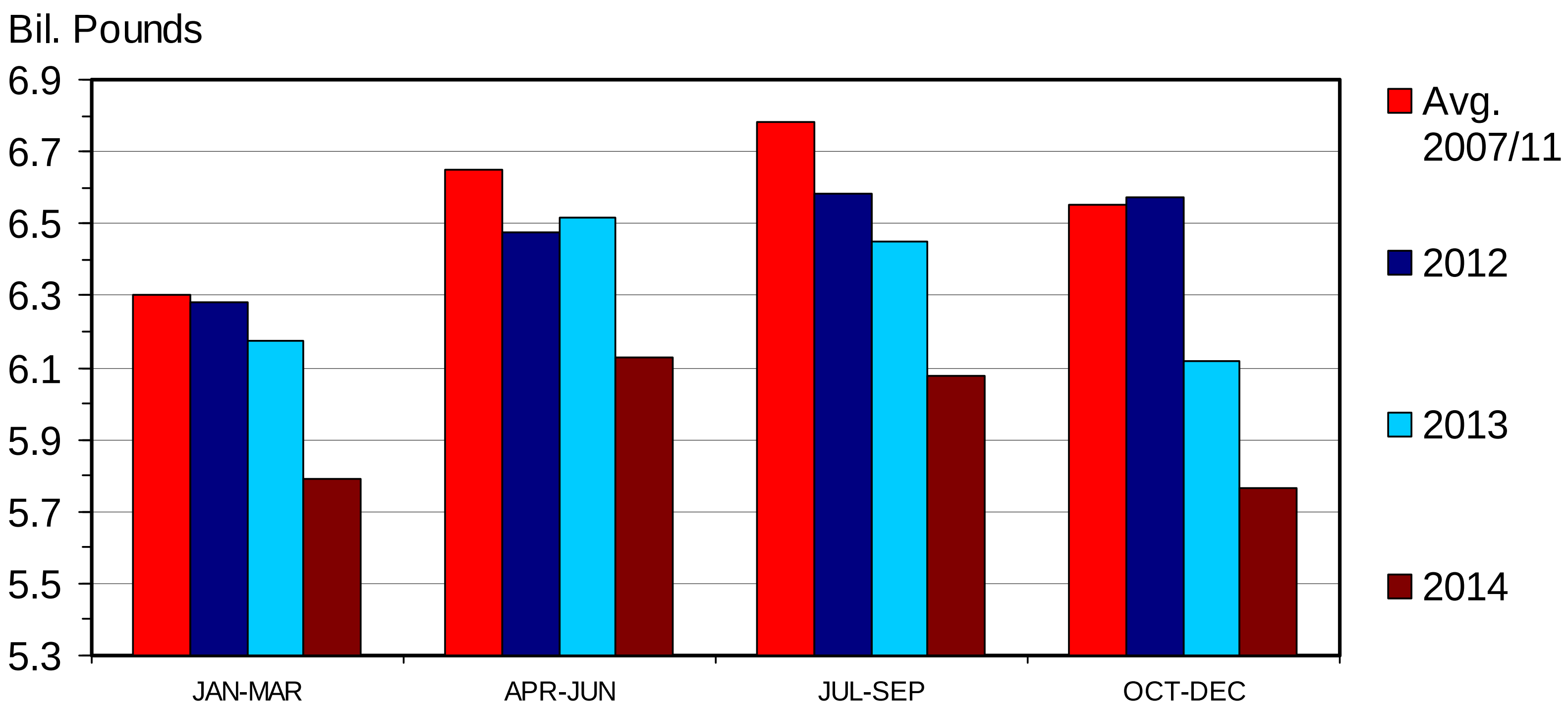
Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2012						
I	8,026	-3.5	782.7	1.5	6,282	-2.0
II	8,309	-3.8	779.0	2.6	6,473	-1.3
III	8,333	-4.6	790.3	2.5	6,586	-2.2
IV	8,283	-1.3	793.5	2.6	6,572	1.3
Year	32,951	-3.3	786.4	2.3	25,913	-1.1
2013						
I	7,779	-3.1	793.4	1.4	6,172	-1.7
II	8,325	0.2	782.8	0.5	6,517	0.7
III	8,112	-2.7	796.1	0.7	6,458	-1.9
IV	7,662	-7.5	798.7	0.7	6,120	-6.9
Year	31,878	-3.3	792.6	0.8	25,267	-2.5
2014						
I	7,221	-7.2	802.2	1.1	5,793	-6.1
II	7,749	-6.9	791.1	1.1	6,130	-5.9
III	7,520	-7.3	804.3	1.0	6,048	-6.3
IV	7,151	-6.7	805.9	0.9	5,763	-5.8
Year	29,641	-7.0	800.7	1.0	23,734	-6.1

Quarterly Forecasts (LMIC: 08/12/13)

	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2012				
I	125.30	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	125.51	0.2	142.41	170.13
II	124.95	3.3	137.34	159.71
III	122-123	2.3	147-150	165-168
IV	127-130	2.4	145-149	163-168
Year	125-126	2.1	143-145	164-167
2014				
I	129-133	4.4	148-153	173-180
II	131-136	6.8	152-159	179-188
III	128-134	6.9	155-163	175-186
IV	130-137	3.9	153-162	171-184
Year	130-134	5.2	153-158	177-182

COMMERCIAL BEEF PRODUCTION

Quarterly



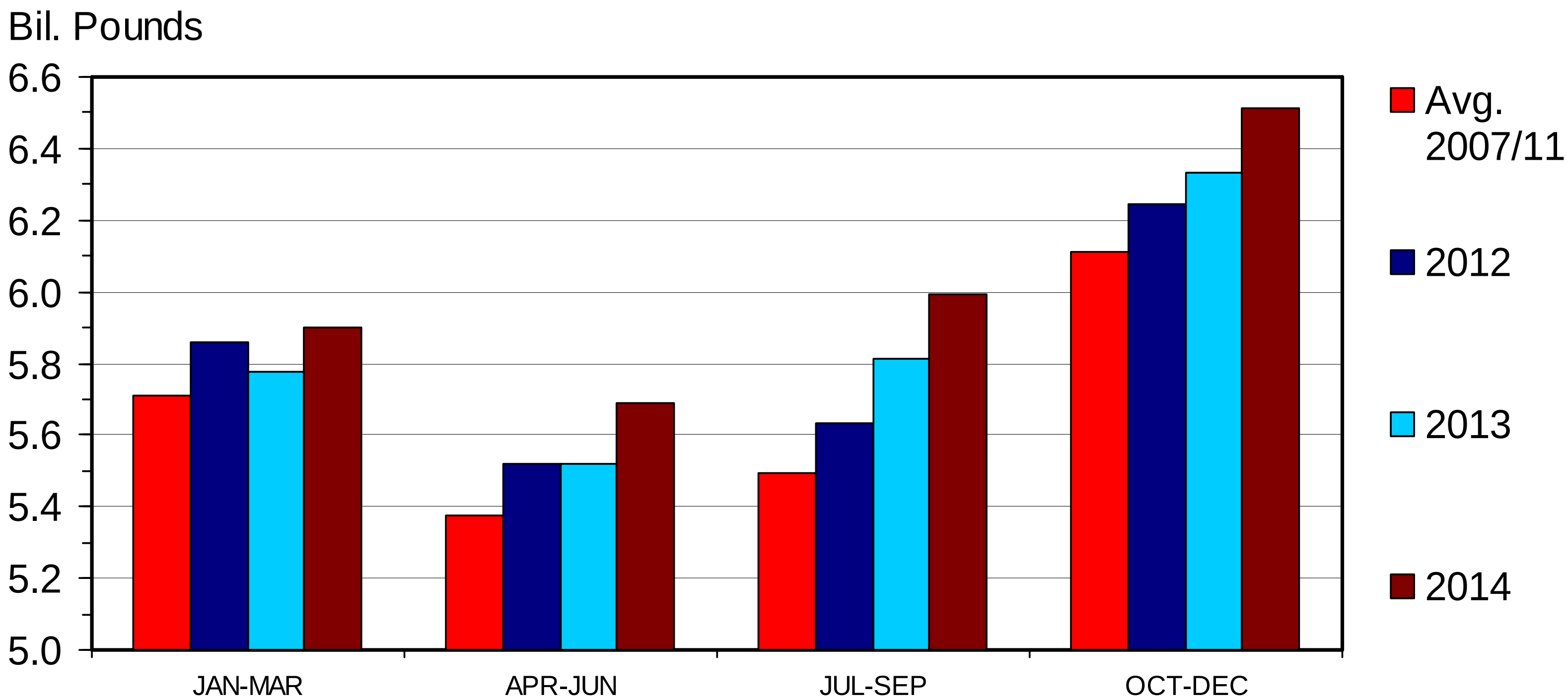
M-S-01
08/02/13

Livestock Marketing Information Center

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

COMMERCIAL PORK PRODUCTION

Quarterly



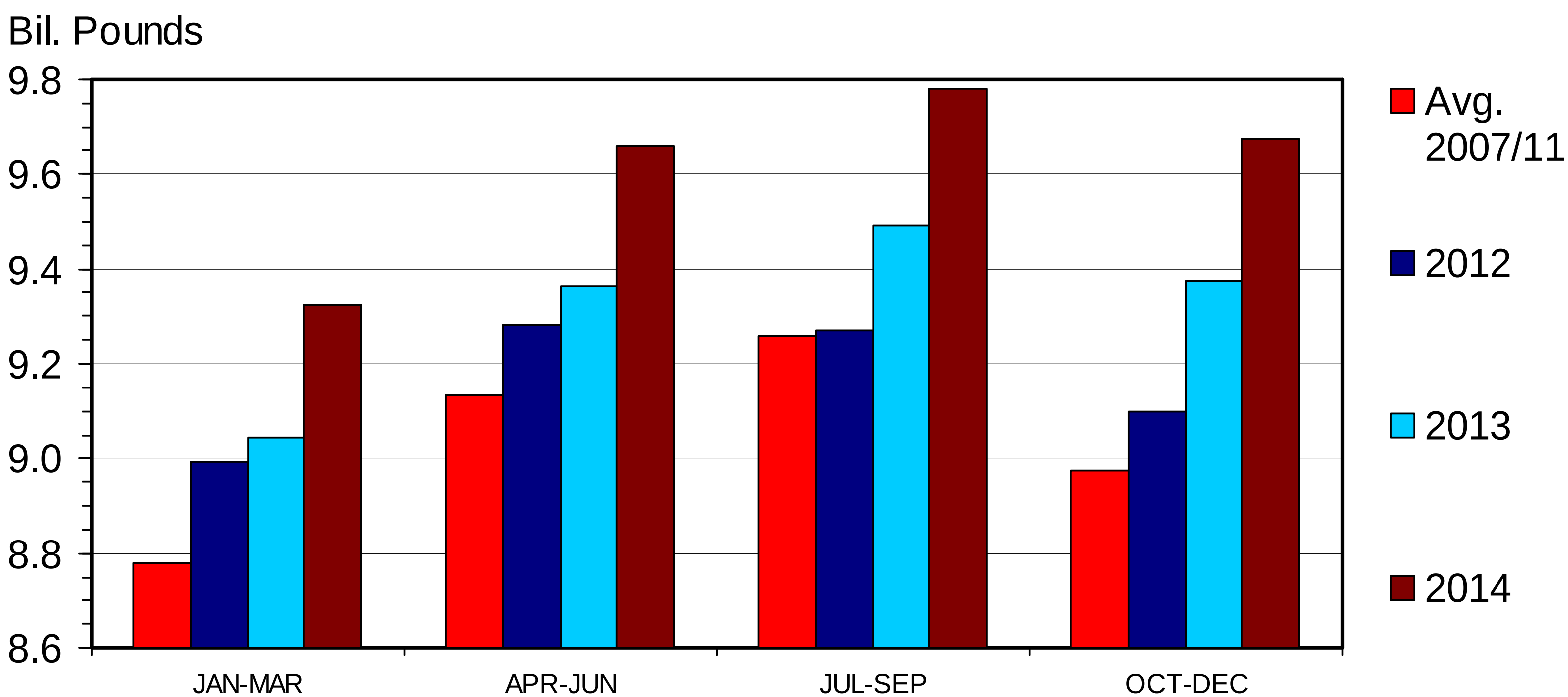
M-S-06
08/02/13

Livestock Marketing Information Center

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

RTC BROILER PRODUCTION

Quarterly



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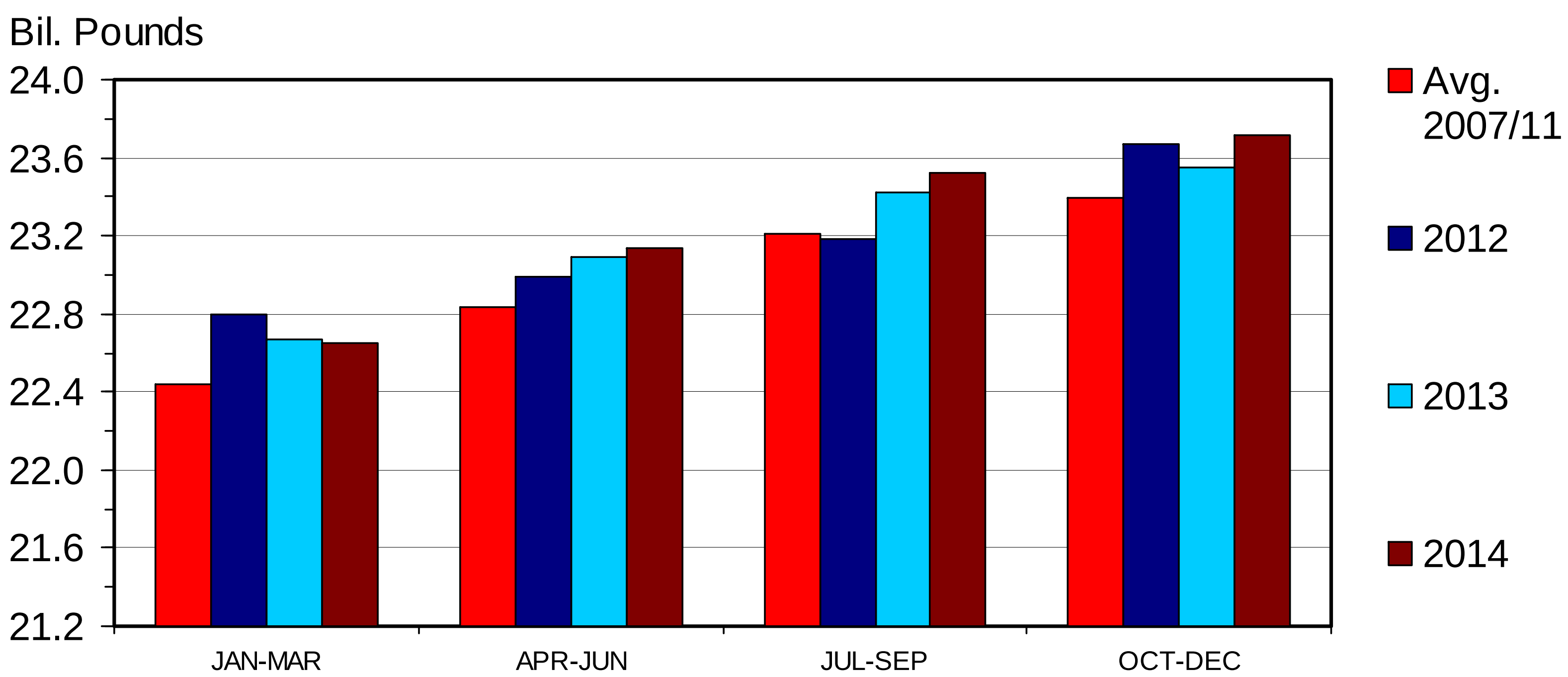
Data Source: USDA-NASS, Compiled & Analysis by LMIC

TOTAL RED MEAT & POULTRY PRODUCTION

Quarterly



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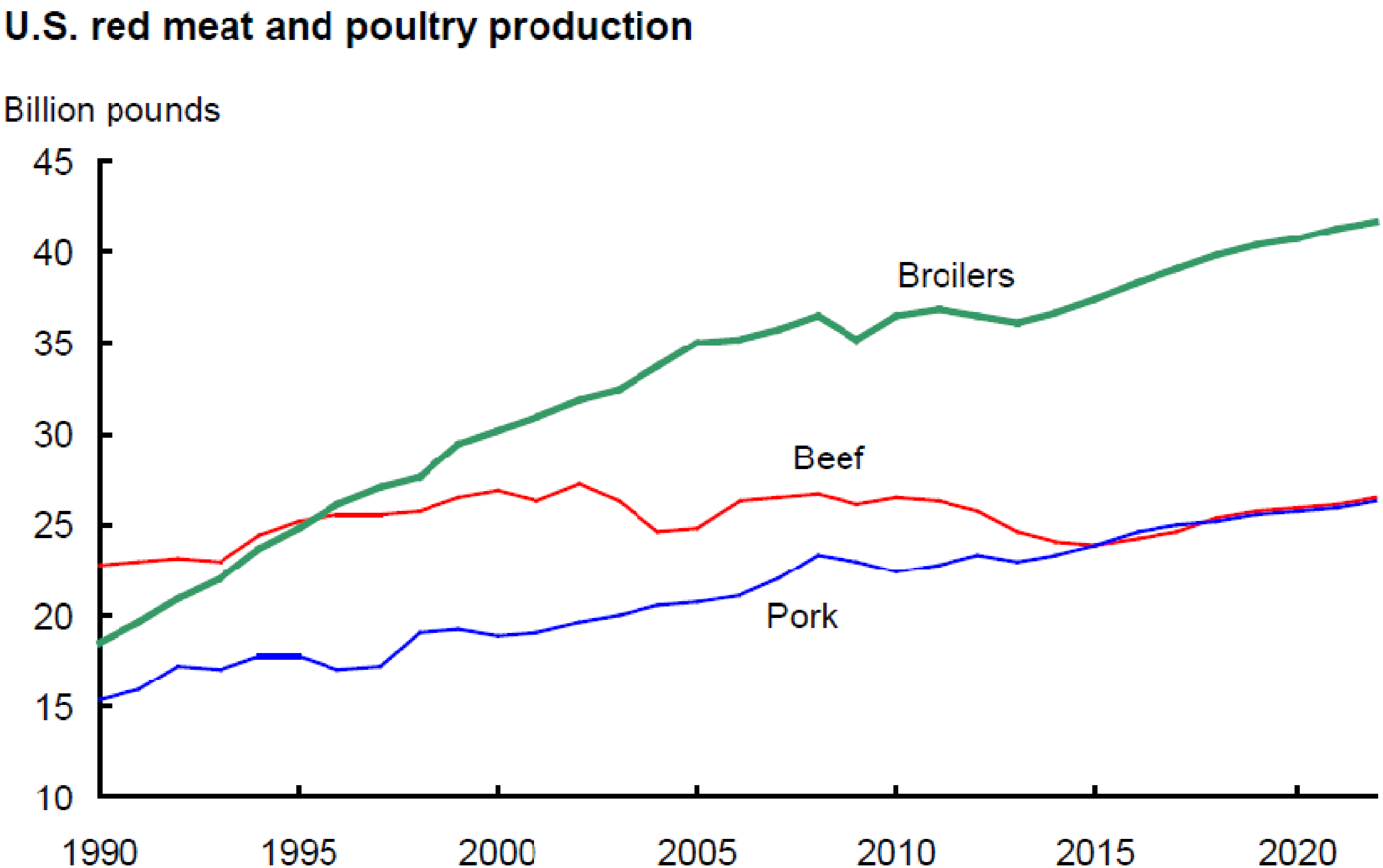
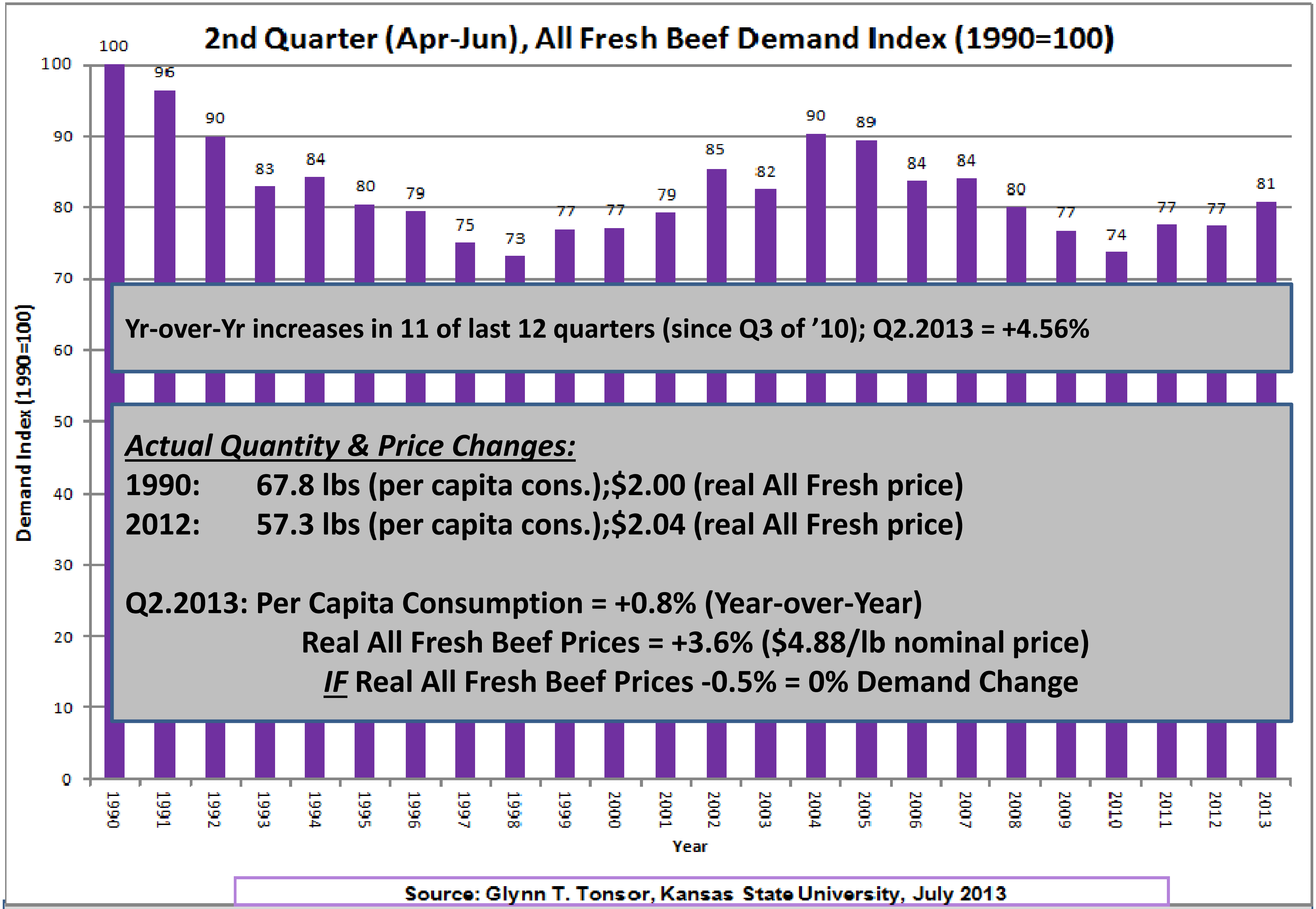
Data Source: USDA-NASS, Compiled & Analysis by LMIC

Longer-term projections (*as of Feb. 2013*)

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





http://www.agmanager.info/livestock/marketing/Beef%20Demand/default.asp

Beef Demand: Recent Determinants and Future Drivers

Ted Schroeder

Glynn Tonsor

James Mintert

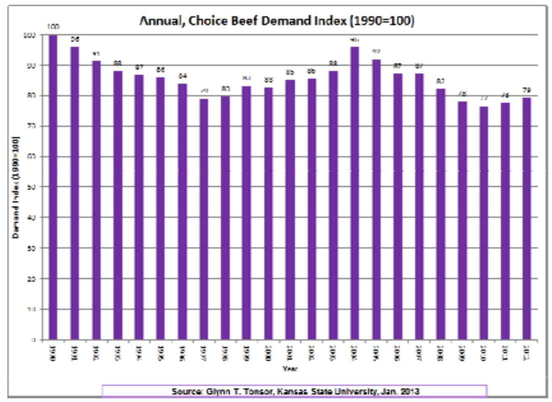
Research Project completed for the Cattlemen's Beef Board

http://www.beefboard.org/evaluation/130612demanddeterminantstudy.asp

Procedure

Importance & Feasibility
to Influence Future Beef Demand
10 Years Forward

Published work
- 15 attribute rank
-22 willing to pay
~25,000 respondents



Demand Expert Survey
-159 experts
Steak & Ground Beef

Consumer Survey
-975 respondents
Steak & Ground Beef

Ranked Priorities

Highest Priority

1. <u>Food Safety</u>
2. <u>Product Quality</u>
3. Price

Middle Priority

4. Nutrition
5. Health

Lower Priority

6. Social Aspects
7. Sustainability Dimensions

Verizon 10:16 AM 92%

www.beefboard.org/evaluation/130612demanddeterminantstudy.asp

Meatingplace.com | 2013 Beef Demand Determinant Study

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- Financial & Audit

2013 Beef Demand Determinant Study

In Fiscal Year 2013, the Beef Checkoff Program commissioned a Beef Demand Determinant Study to identify the beef demand drivers on which the checkoff programs should focus to have the most compelling effects on beef demand moving forward.

Below you will find links to a one-page abstract, a summary report, and the full results of the study, authored by Dr. Ted Schroeder, professor of livestock marketing, and Dr. Glynn Tonsor, associate proessor of livestock marketing, both at Kansas State University, in addition to Dr. James Mintert, assistant director of Extension for Agriculture and Natural Resources at Purdue University:

- **One-page Summary Abstract: "Beef Demand: Determinants and Future Drivers"**
- **Beef Demand Summary Report 2013**
- **Chapter 2: Previous Research Preference Rankings**

Checkoff News

- Beef and Sustainability
- Trend Bites
- Debunking Antibiotic Myths
- Engaging MBA Grads

Wrap-up Summary Thoughts

- Opportunity exists in multiple venues
  - Herd expansion pending?
  - Value-added opportunities for sound management
  - Domestic demand strength warrants appreciation
  - Remain bullish on global demand going forward

- Current and Potential Threats also persist
  - Impact of Excess Capacity Resolution Lingers
  - Uncertainty on many fronts restricts investment
  - Several examples of "infighting" within the industry

More information available at:

www.agmanager.info

This presentation is available in PDF format at:

http://www.agmanager.info/about/contributors/individual/tonsor.asp

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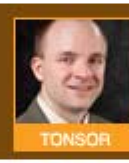
webinars



WEBINAR

Beef-Cattle Economics

Co-Presented by

BEEF meatingplace DROVERS K-STATE

Sponsored by

MERCK Animal Health

Beef-Cattle Economics webinar series

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

Remaining 2013 schedule (1:30 CST)

November 5

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

Utilize a Wealth of Information Available at AgManager.info

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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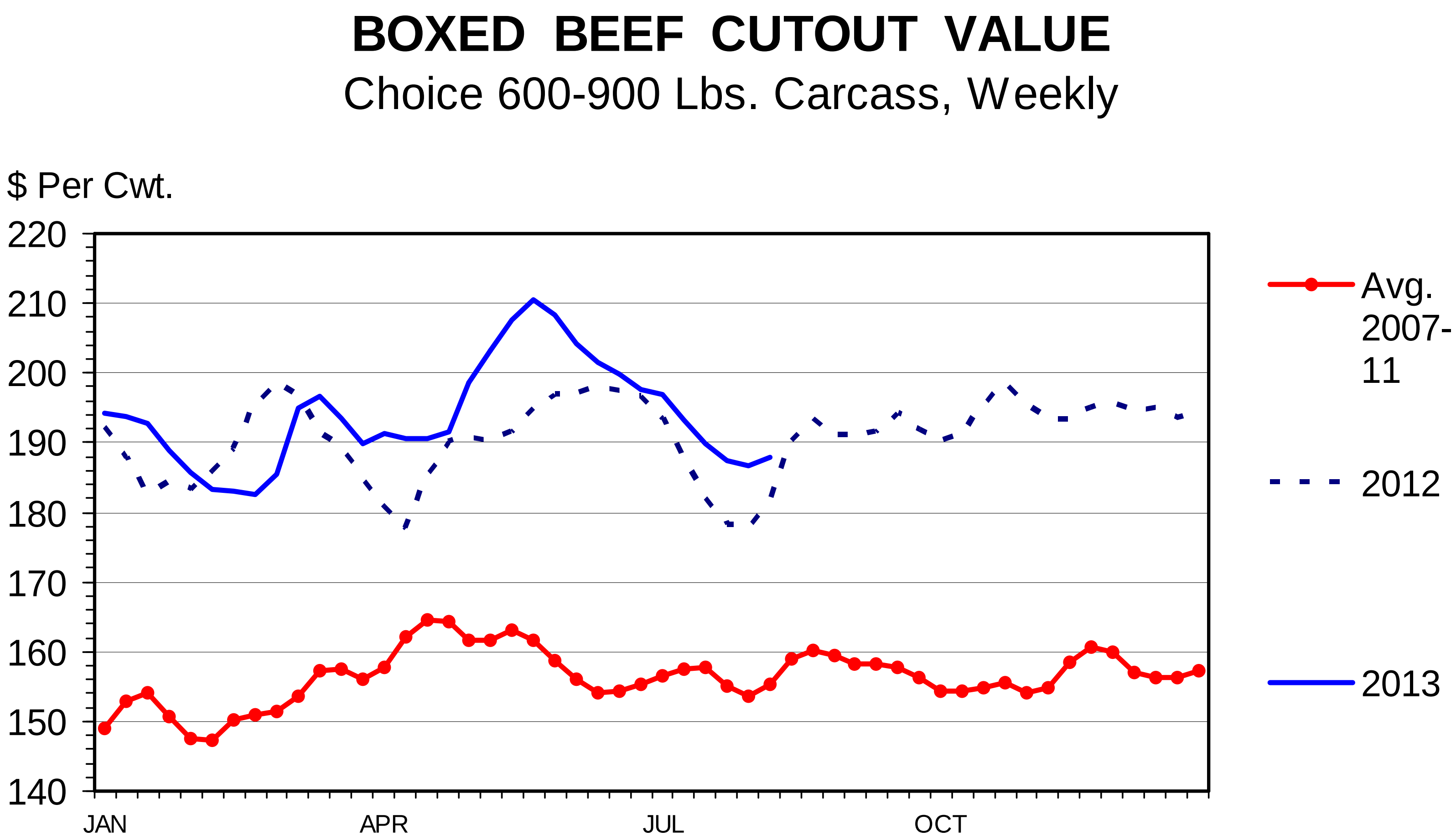


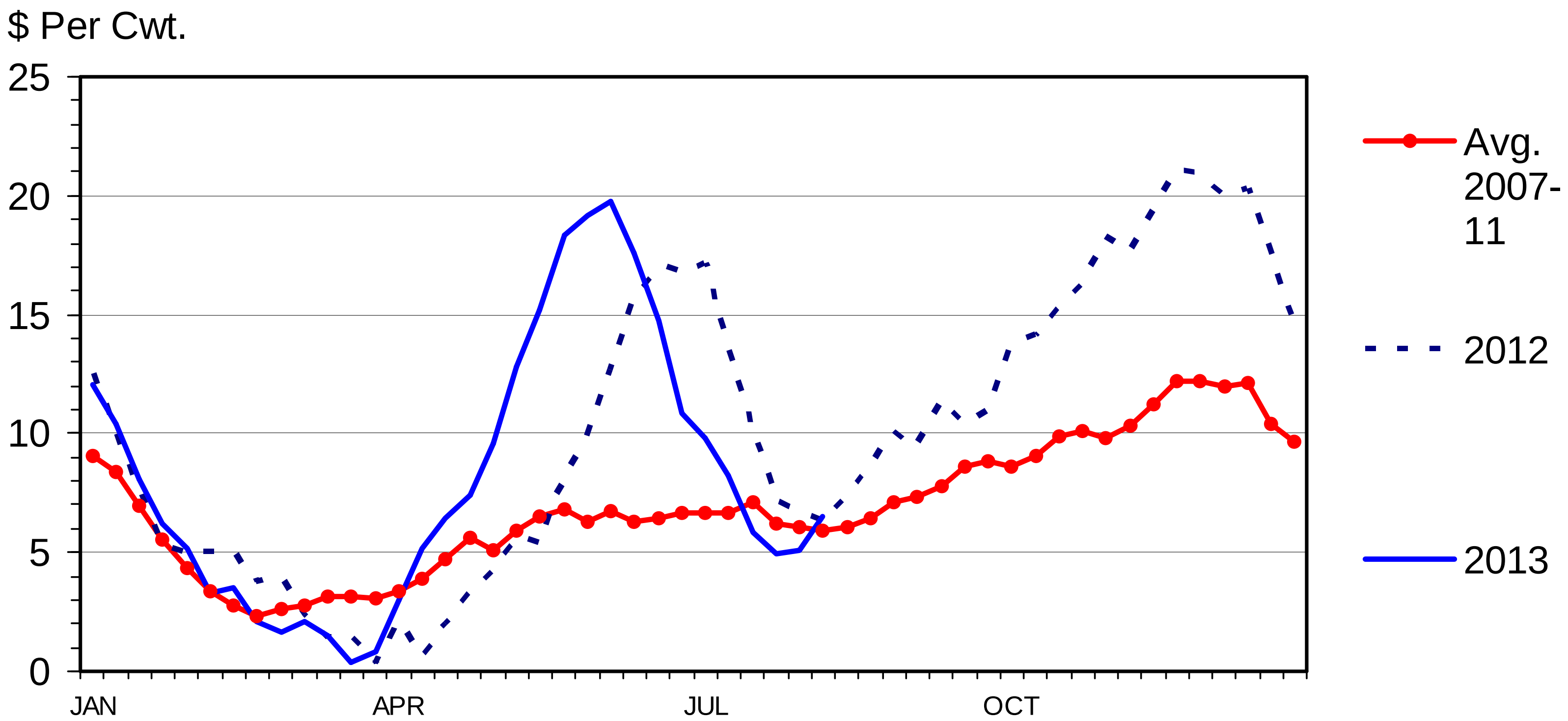
C-P-62
08/05/13

Livestock Marketing Information Center

Data Source: USDA-AMS

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly



C-P-68
08/05/13

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