

Industry Outlook Conference – April 13-14, 2016

Iowa Farm Bureau Campus, 5400 University Ave.

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Beef-Cattle Outlook

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April 14, 2016



Overarching Beef Industry Economic Outlook

➤ Supplies

- Historically tight (per person) yet growing
 - ✓ Herd expansion well underway

➤ Demand

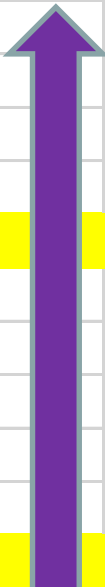
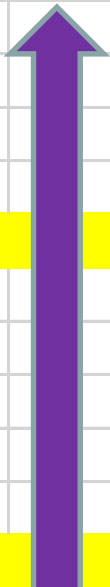
- Been VERY positive
 - ✓ Remains poorly understood



LMIC Beef Production and Price Quarterly Forecasts (4/10/16)

Sources: Livestock Slaughter - USDA/NASS; Steer Prices - USDA/AMS Livestock Market News; Projections and Forecasts by LMIC

		% Chg.	Average	% Chg.	Comm'l	% Chg.
Year	Comm'l	from	Dressed	from	Beef	from
Quarter	Slaughter	Year Ago	Weight	Year Ago	Production	Year Ago
2015						
I	6,967	-5.5	813.0	2.2	5,664	-3.5
II	7,227	-7.8	810.1	2.7	5,855	-5.3
III	7,288	-4.5	832.4	2.8	6,066	-1.8
IV	7,258	-0.9	841.2	2.4	6,105	1.4
Year	28,740	-4.7	824.3	2.5	23,690	-2.3
2016						
I	7,185	3.1	825.9	1.6	5,934	4.8
II	7,344	1.6	815.6	0.7	5,990	2.3
III	7,612	4.5	836.0	0.4	6,364	4.9
IV	7,537	3.8	839.7	-0.2	6,329	3.7
Year	29,678	3.3	829.5	0.6	24,617	3.9
2017						
I	7,509	4.5	830.7	0.6	6,238	5.1
II	7,658	4.3	820.3	0.6	6,282	4.9
III	7,828	2.8	839.3	0.4	6,570	3.2
IV	7,876	4.5	842.1	0.3	6,632	4.8
Year	30,871	4.0	833.2	0.5	25,722	4.5



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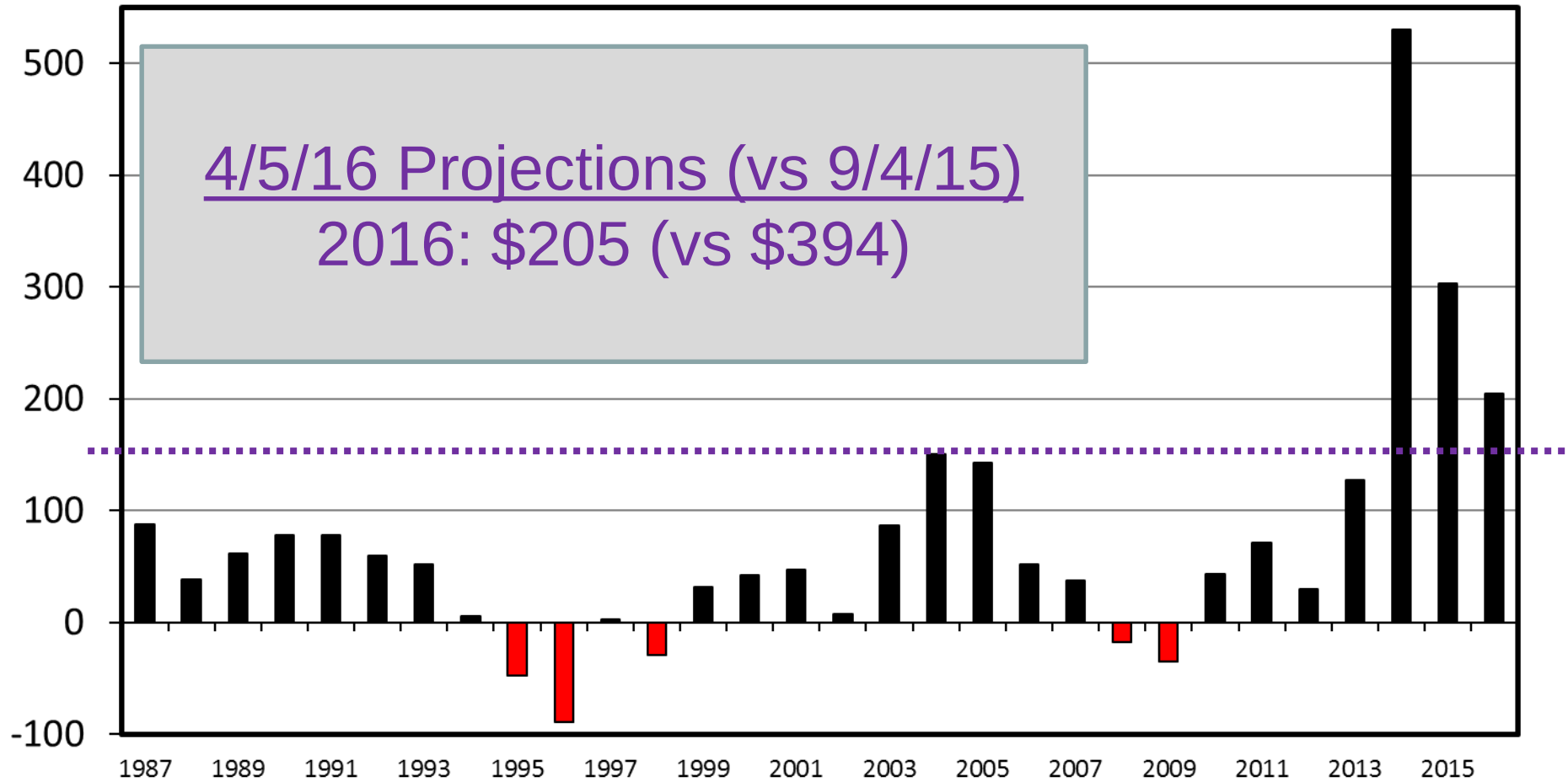
	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2015				
I	162.43	11.0	215.87	276.14
II	158.11	7.0	225.29	279.32
III	144.22	-9.0	214.38	246.04
IV	127.72	-22.9	177.29	203.51
Year	148.12	-4.2	208.21	251.25
2016				
I	134.81	-17.0	160.06	195.73
II	136-138	-13.4	162-165	198-202
III	131-134	-8.1	160-164	196-203
IV	130-134	3.4	157-163	189-198
Year	133-135	-9.5	159-164	195-200
2017				
I	130-135	-1.7	156-163	191-201
II	132-139	-1.1	157-166	192-203
III	126-133	-2.3	154-163	187-199
IV	126-134	-1.5	151-161	181-194
Year	130-134	-1.5	156-162	190-197



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



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

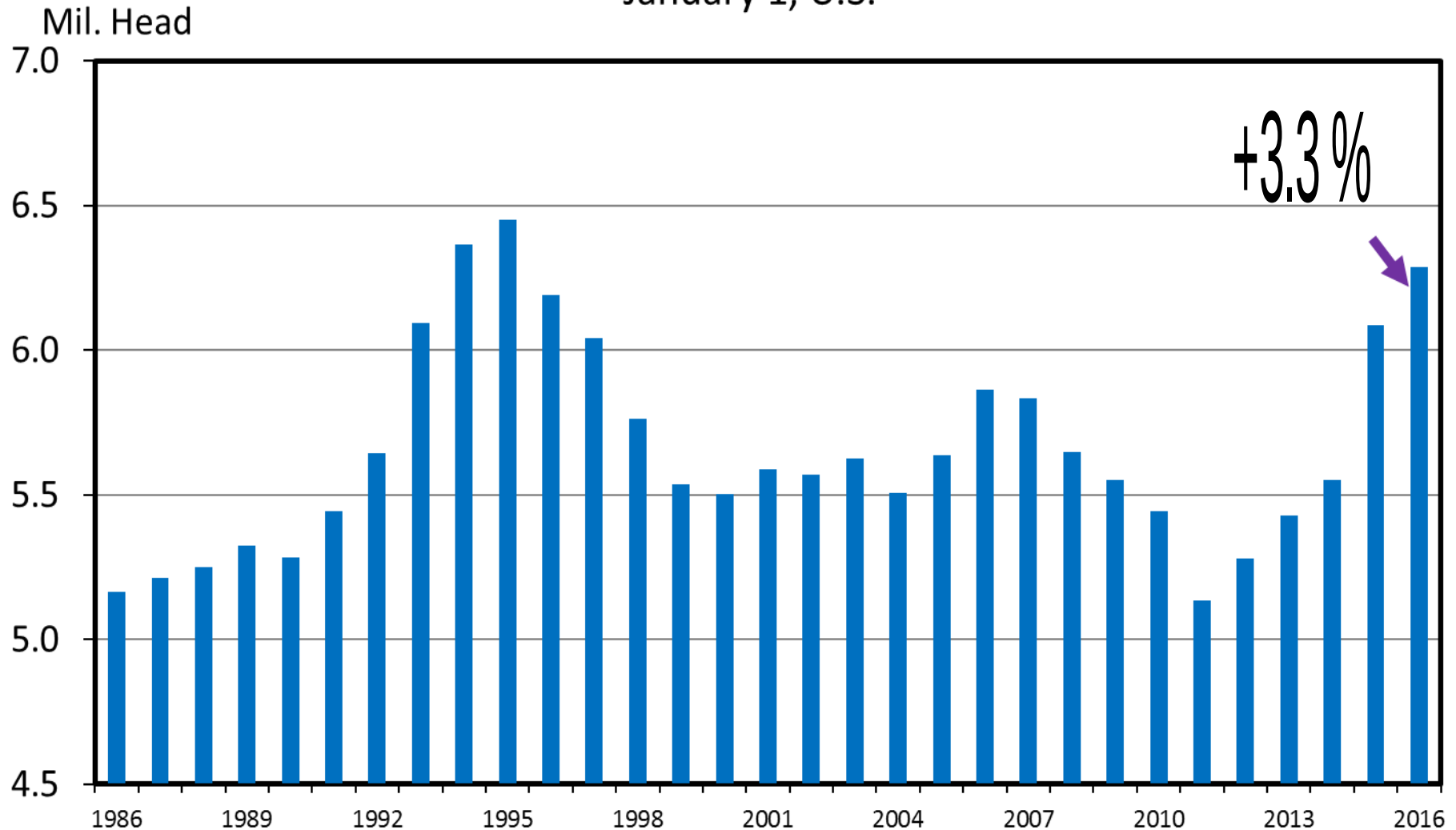
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HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



+3.3%

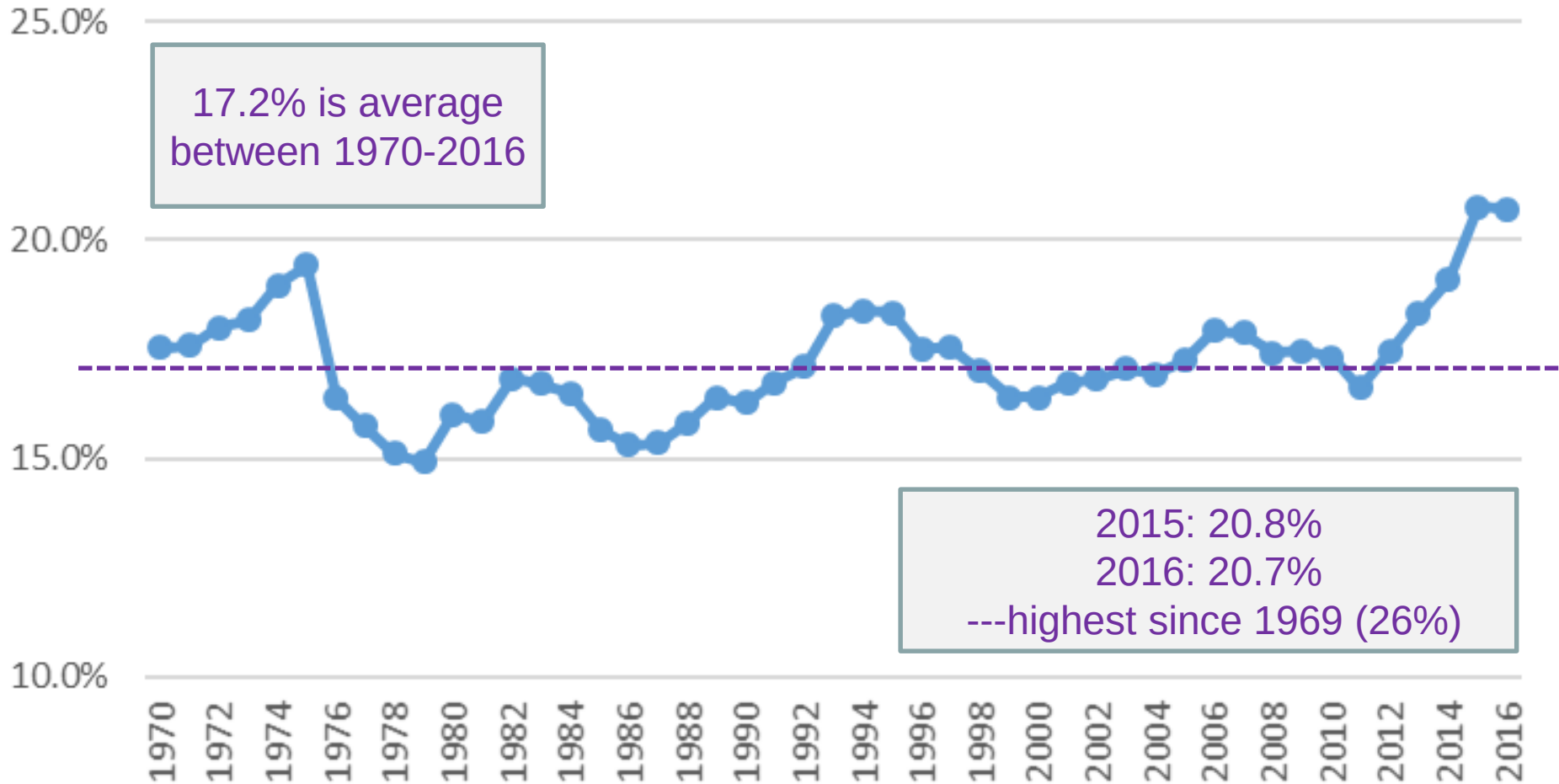


Data Source: USDA-NASS
Livestock Marketing Information Center



Heifer Retention as % of Total Beef Cows

17.2% is average
between 1970-2016



2015: 20.8%

2016: 20.7%

---highest since 1969 (26%)

Data Source: USDA-NASS

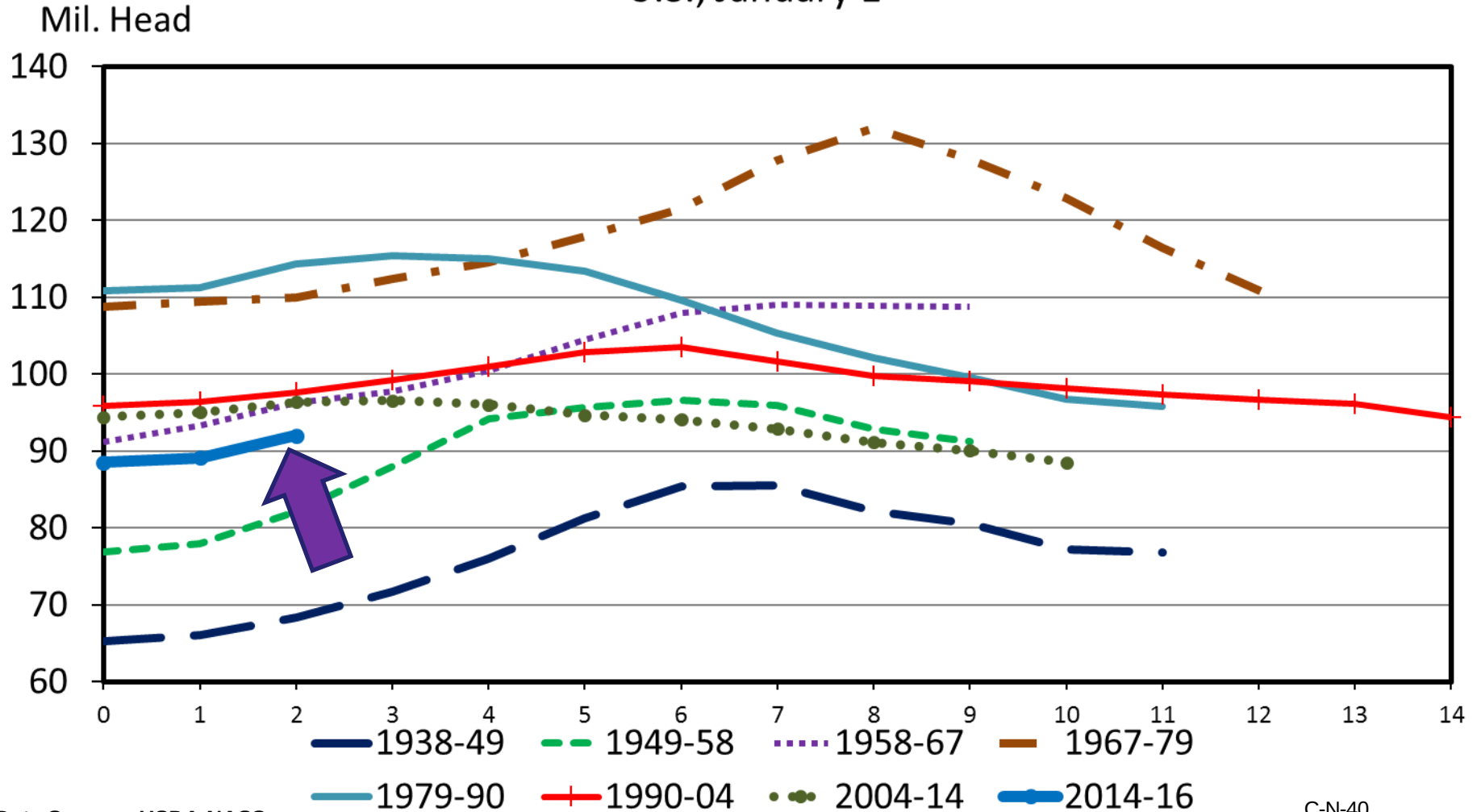
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TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



Data Source: USDA-NASS

Livestock Marketing Information Center

C-N-40
02/01/16

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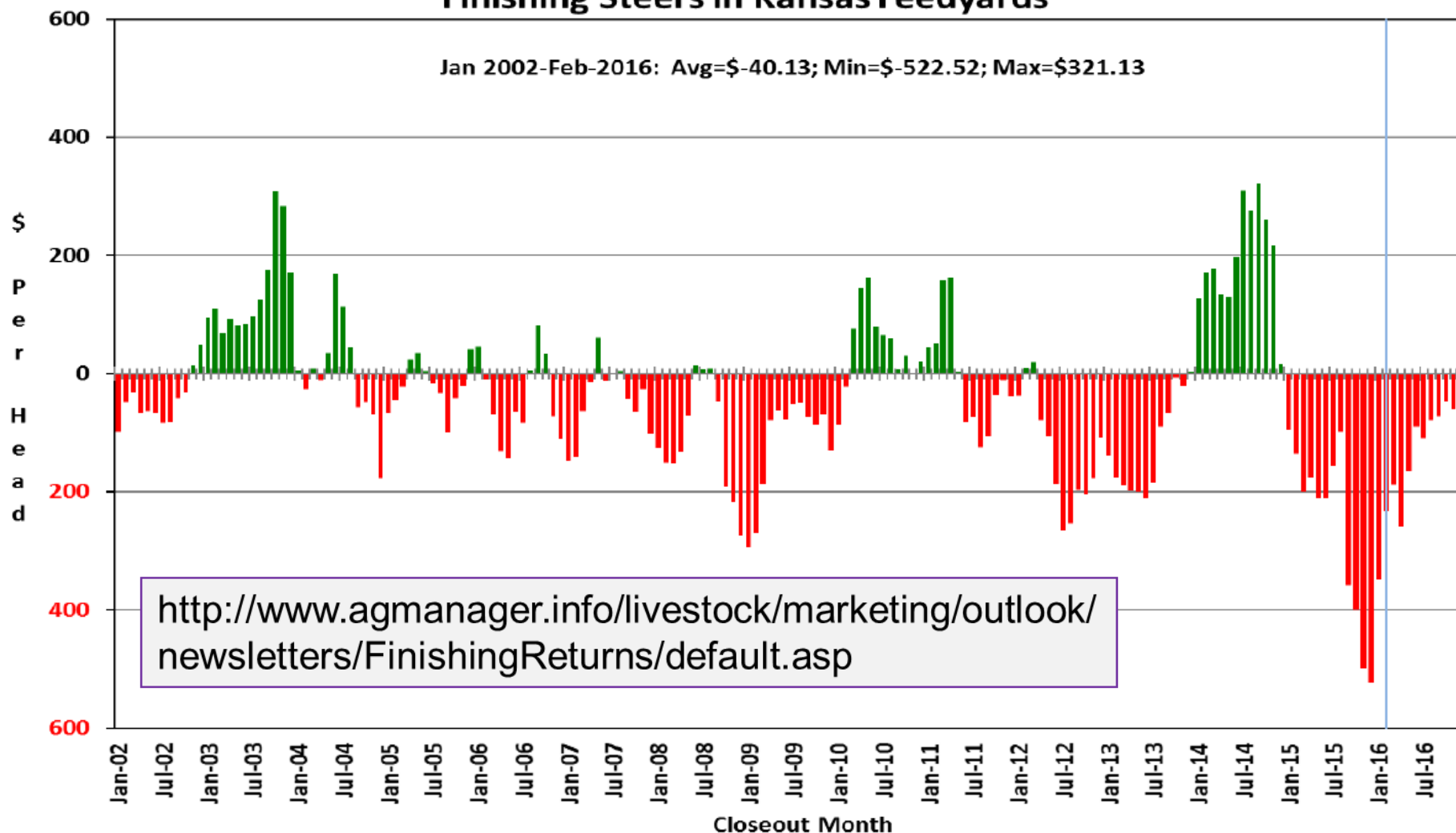
Economic Outlook Overview: Stockers

- Salina, KS 4/12/16 situation
(<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>):
 - Buy 700 lb steer on 4/15/16 (\$157.90)
 - Sell 750 lb steer on 5/13/16 (\$149.56) {1.72 ADG}
 - VOG: \$32.82/cwt
 - Buy 550 lb steer on 9/14/16 (\$164.70)
 - Sell 750 lb steer on 12/21/16 (\$138.45) {2.02 ADG}
 - VOG: \$66.26/cwt
 - Improves to \$77/cwt (\$97/cwt) if delay purchase to Oct. (Nov.)



Economic Outlook Overview: Feedlots

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



Historical and Projected Kansas Feedlot Net Returns (as of 4/8/16')

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

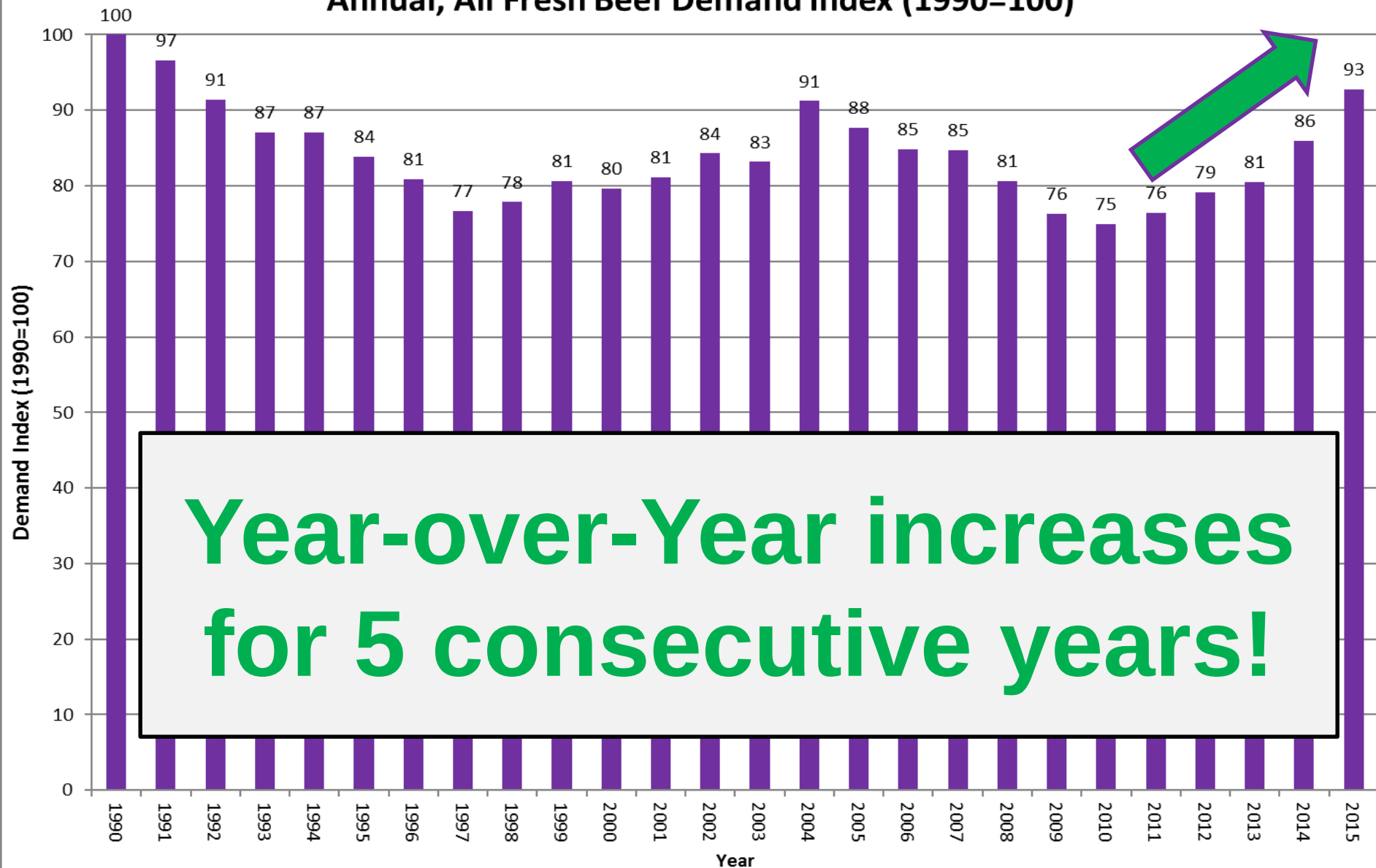
Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Mar-16	-188.43	83.25	136.30	190.91	50.45	149.63	168.45
Apr-16	-257.68	81.61	126.29	188.60	40.03	144.40	156.51
May-16	-164.33	81.48	129.73	180.90	54.24	141.27	160.89
Jun-16	-88.88	81.36	121.27	157.79	66.78	127.46	147.03
Jul-16	-109.69	81.79	119.93	155.14	63.47	127.41	142.51
Aug-16	-78.97	80.61	119.56	153.09	67.74	124.91	143.93
Sep-16	-73.32	81.16	119.50	151.00	69.19	124.39	142.72
Oct-16	-45.72	82.42	118.64	148.76	75.56	121.65	143.41
Nov-16	-60.34	84.42	118.78	148.46	75.17	122.77	141.47
Dec-16	-91.56	85.79	118.42	148.31	70.98	124.51	137.96

Representative Barometer for Trends in Profitability



Annual, All Fresh Beef Demand Index (1990=100)



Source: Glynn T. Tonsor, Kansas State University, Jan. 2016

BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price



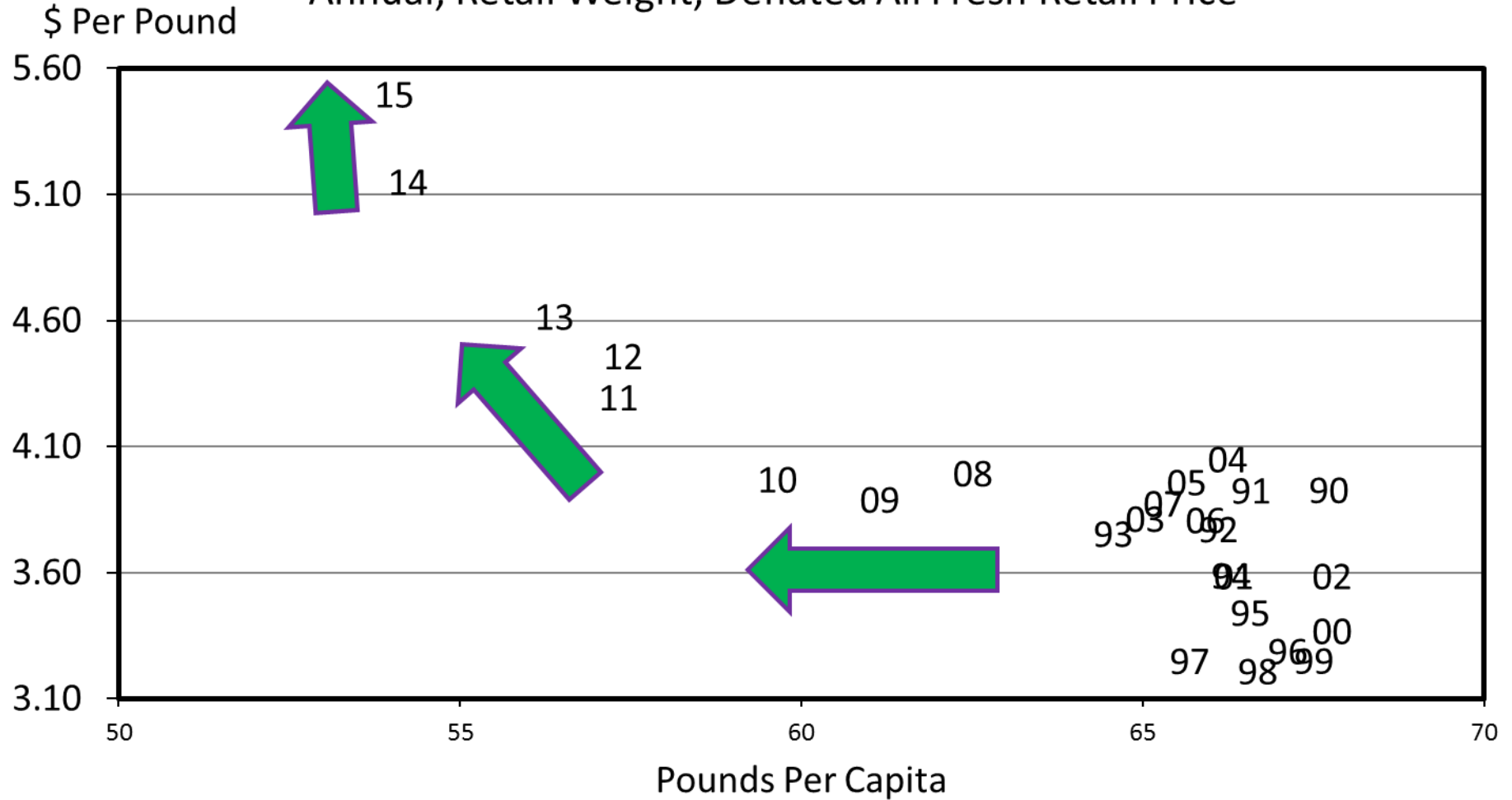
Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled and Analysis by LMIC
Livestock Marketing Information Center

C-P-65A
03/25/16



BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price



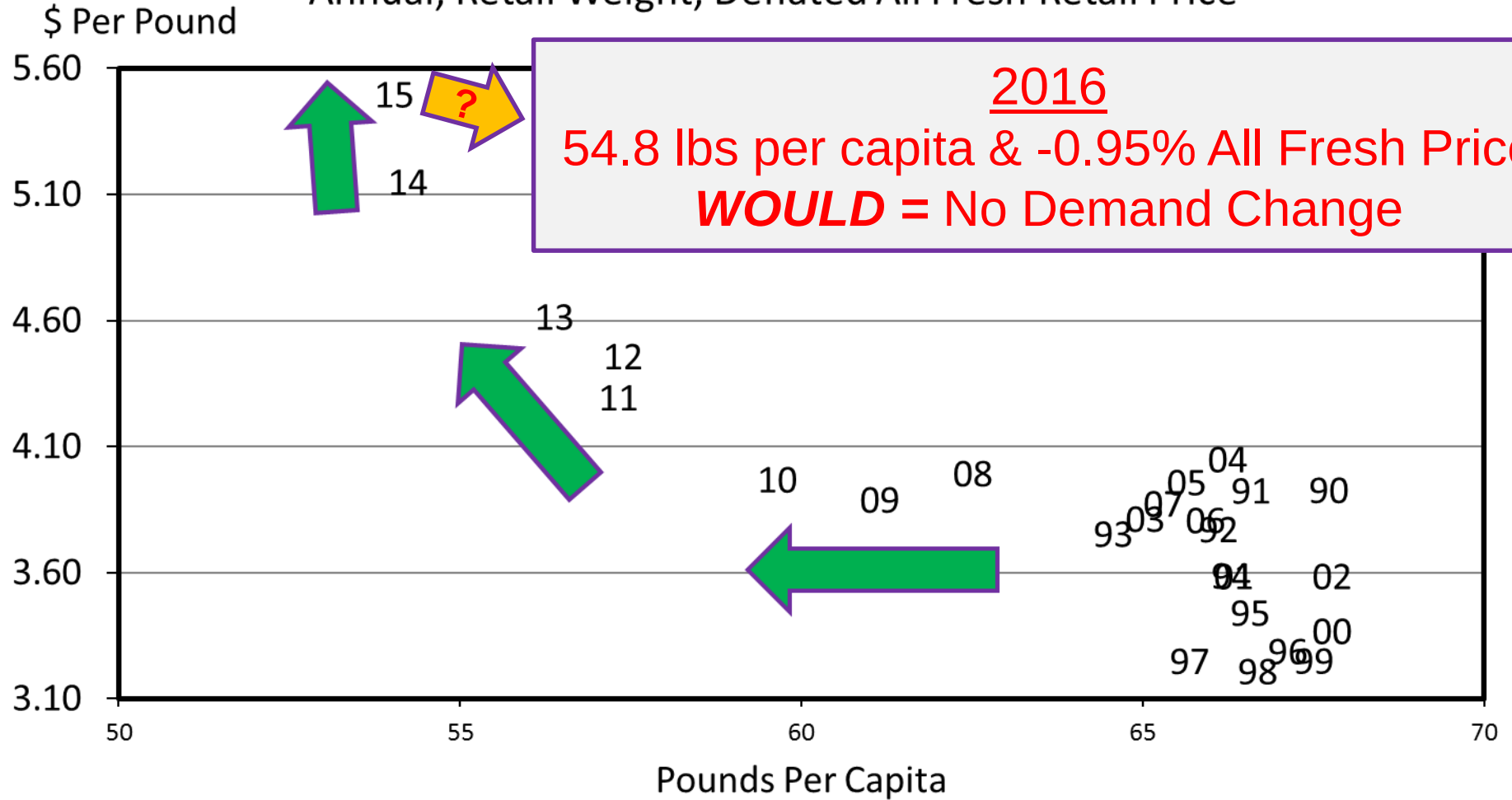
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Annual, Retail Weight, Deflated All Fresh Retail Price



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03/25/16



USDA Long-Term projections

Nov. 2015 pre-report release (<http://www.usda.gov/oce/commodity/projections/index.htm>)

Beef long-term projections		Recent		Next 5 Years					10 Years Out
Item	Units	2014	2015	2016	2017	2018	2019	2020	2025
Prices:									
Beef cattle, farm	\$/cwt	152.83	149.01	141.58	136.49	132.89	130.59	126.55	121.49
Calves, farm	\$/cwt	254.58	271.83	268.86	222.39	207.48	198.81	189.92	183.95
Steers, 5-area	\$/cwt	154.56	149.19	141.75	136.65	133.05	130.75	126.70	121.63
Feeder steers, Oklahoma City	\$/cwt	202.82	207.12	205.00	169.57	158.20	151.59	144.81	140.26
Feed price ratio:									
Beef cattle-corn	Ratio	34.3	40.3	38.8	37.9	36.4	35.3	34.2	32.4
Cattle inventory	1,000 head	88,526	89,800	92,900	95,200	95,700	96,200	96,600	97,400
Beef cow inventory	1,000 head	29,086	29,675	30,382	30,800	31,300	31,800	32,200	33,200
Total cow inventory	1,000 head	38,293	39,000	39,800	40,102	40,602	41,102	41,502	42,547

Note: Cwt = hundredweight.

2025 @ 33.2 million beef cows

➤ +14% from 2014

➤ Would be largest herd since 2001

USDA Long-Term projections

Nov. 2015 pre-report release (<http://www.usda.gov/oce/commodity/projections/index.htm>)

Beef long-term projections		Recent	Next 5 Years						10 Years Out
Item	Units	2014	2015	2016	2017	2018	2019	2020	2025
Total production	Mil. lbs.	24,320	23,780	24,914	25,295	25,761	26,296	26,684	28,057
Imports	Mil. lbs.	2,947	3,432	3,045	2,950	2,975	3,000	3,050	3,300
Total supply	Mil. lbs.	27,851	27,803	28,559	28,805	29,296	29,856	30,294	31,917
Exports	Mil. lbs.	2,573	2,223	2,425	2,500	2,650	2,800	2,925	3,400
Total consumption	Mil. lbs.	24,687	24,980	25,574	25,745	26,086	26,496	26,809	27,957
Per capita, retail weight	Pounds	54.1	54.4	55.3	55.2	55.6	56.1	56.3	56.8
Change from previous year	Percent	-3.8	0.5	1.6	-0.1	0.6	0.9	0.5	0.0

2025 vs 2015 Exports

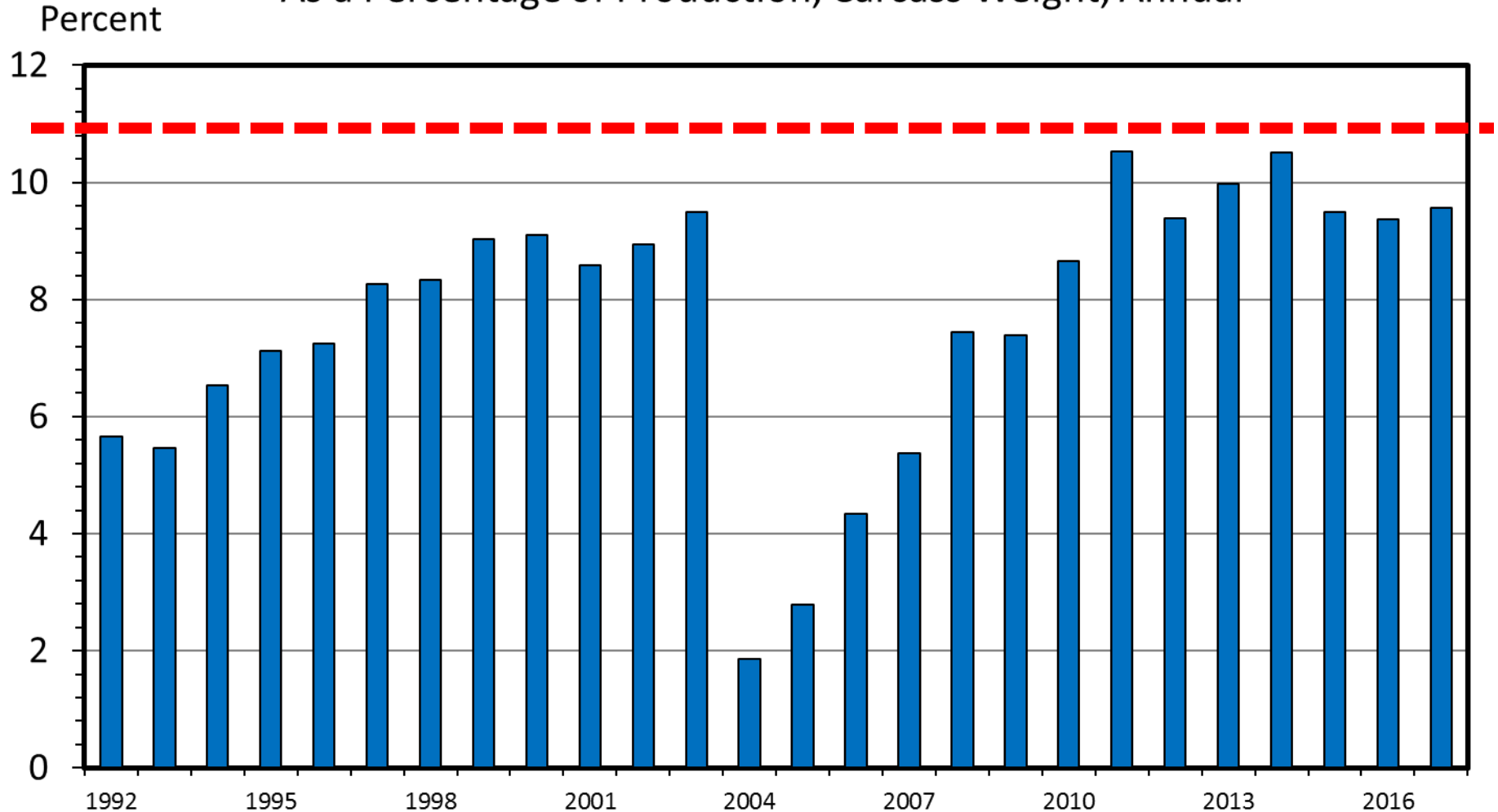
➤ +53% in Volume

➤ 12.1% (2025) vs.9.3% (2015) of Production



US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual



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

Livestock Marketing Information Center

I-N-07
04/04/16



Wrap-Up

- Broad 2016 Profitability Outlook
 - Cow-calf: Strong (but far from 2014 & 2015)
 - Stocker: Varies widely within year
 - Feedlot: Ongoing struggle; worst behind us?



Wrap-Up

- Industry past tipping point on tight supplies
 - **Demand's role will become clearer**
http://www.agmanager.info/livestock/marketing/Beef%20Demand/BeefDemand_08-28-15.pdf
- Identifying & acting upon comparative advantage will increasingly be key to profit!



More information available at:



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