University Bank

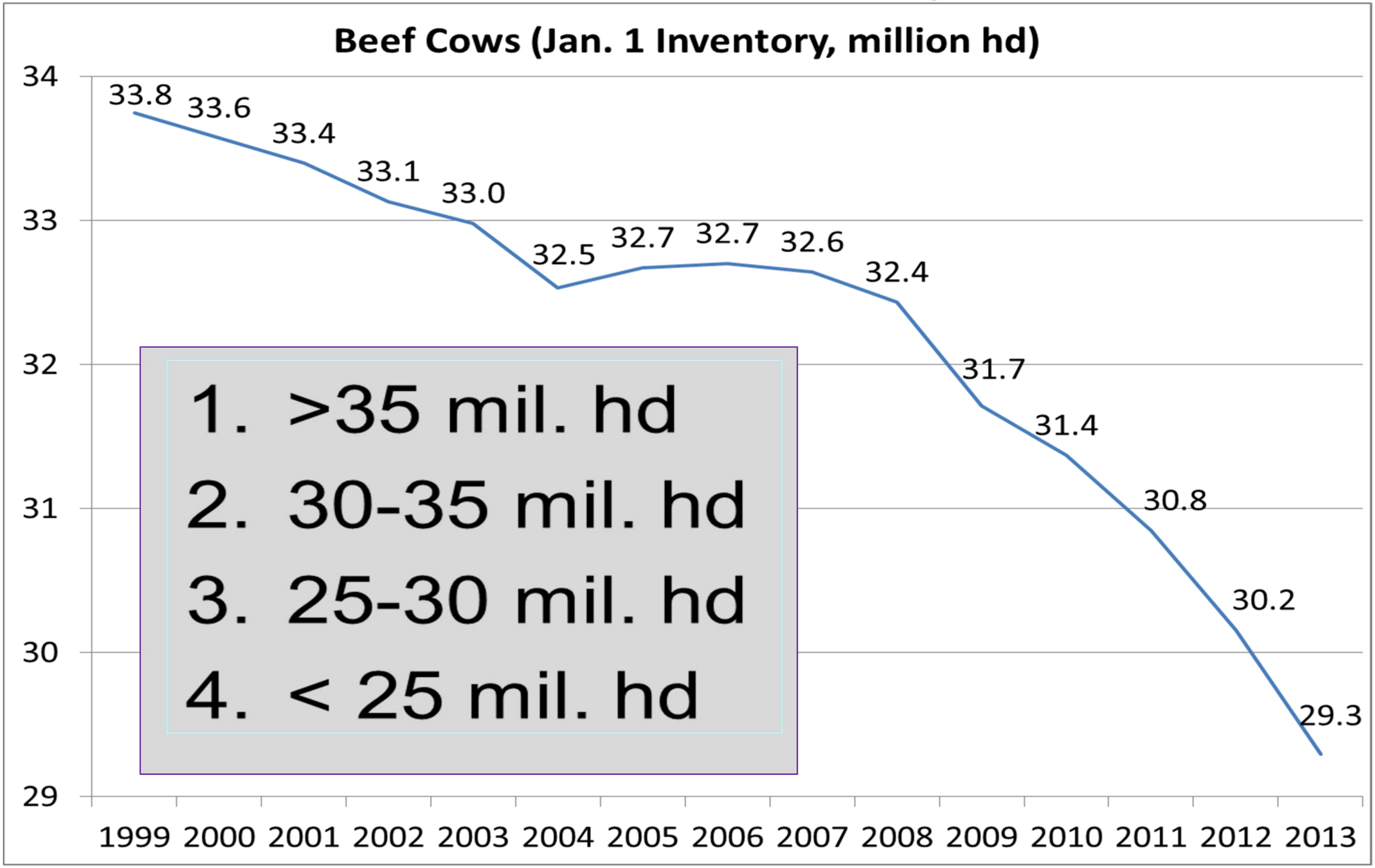
University Bank Annual Agriculture Dinner

March 26, 2013

Beef & Cattle Market Outlook

Glynn Tonsor
Dept. of Agricultural Economics
Kansas State University

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



Overarching 2013 Economic Outlook

- Certain Cattle Supplies (hd)
  - Less Certain Beef Supplies (lbs)
- Uncertain Demand Strength
- Dry Weather Persistence or Recovery?
- Additional Excess Capacity Resolution?
- Uncertainty and (Pending) Structural Change 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
  - 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

January Cattle Inventory Report: Highlights & Implications

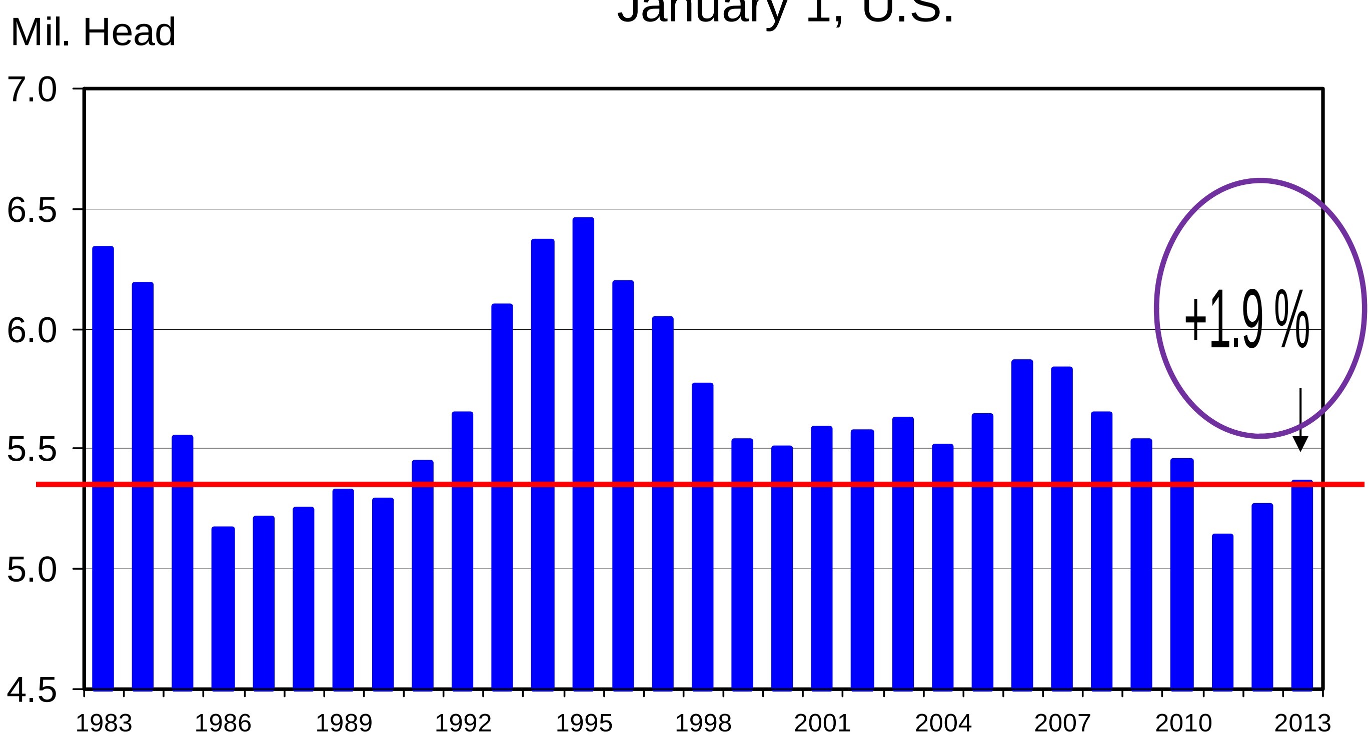
- Overall Summary:
  - Reaffirms tight supply situation for at least next two years…
  - Highlights heightened role demand will have in price determination in 2013

- 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

HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

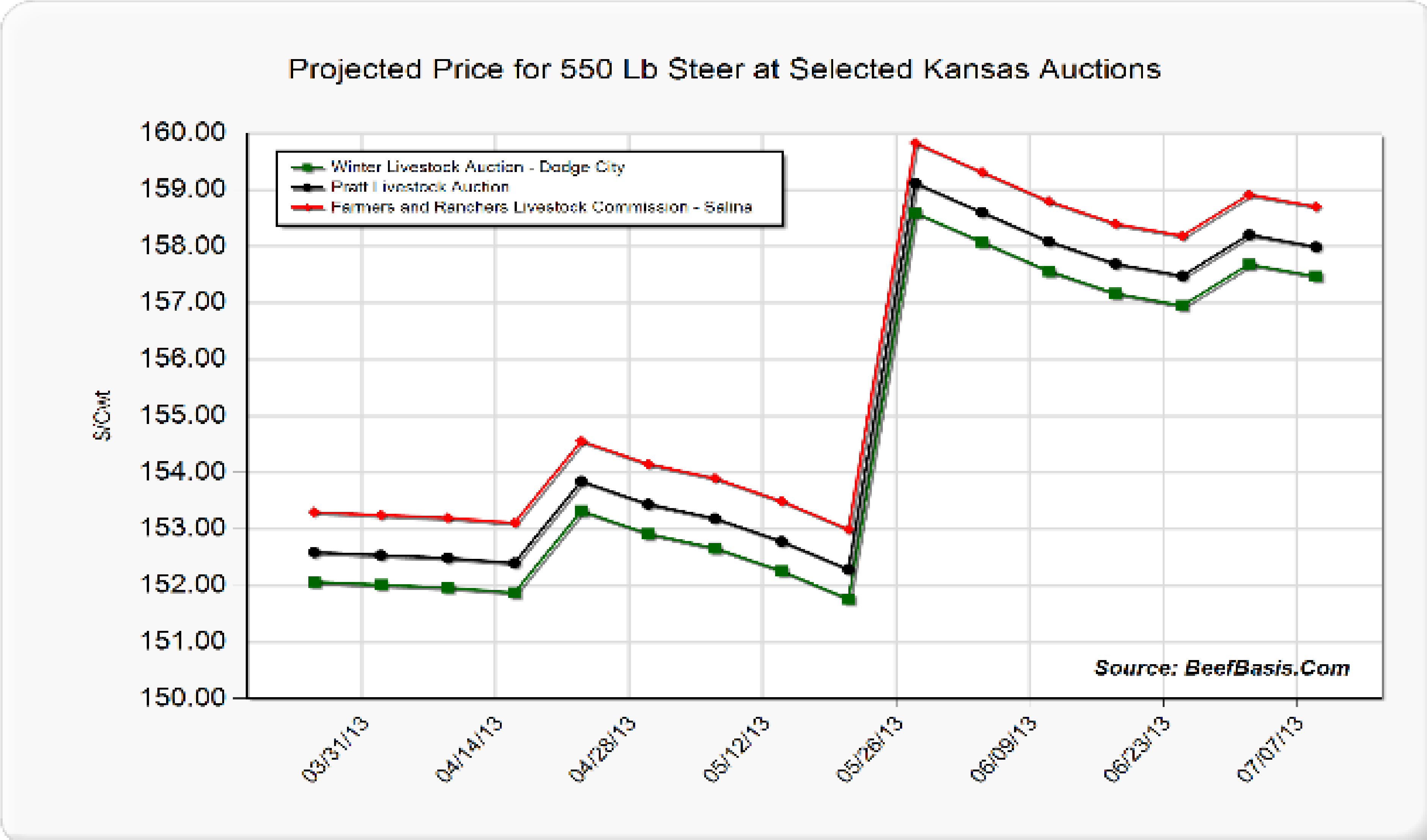


C-N-38
02/04/13

Livestock Marketing Information Center

Data Source: USDA-NASS

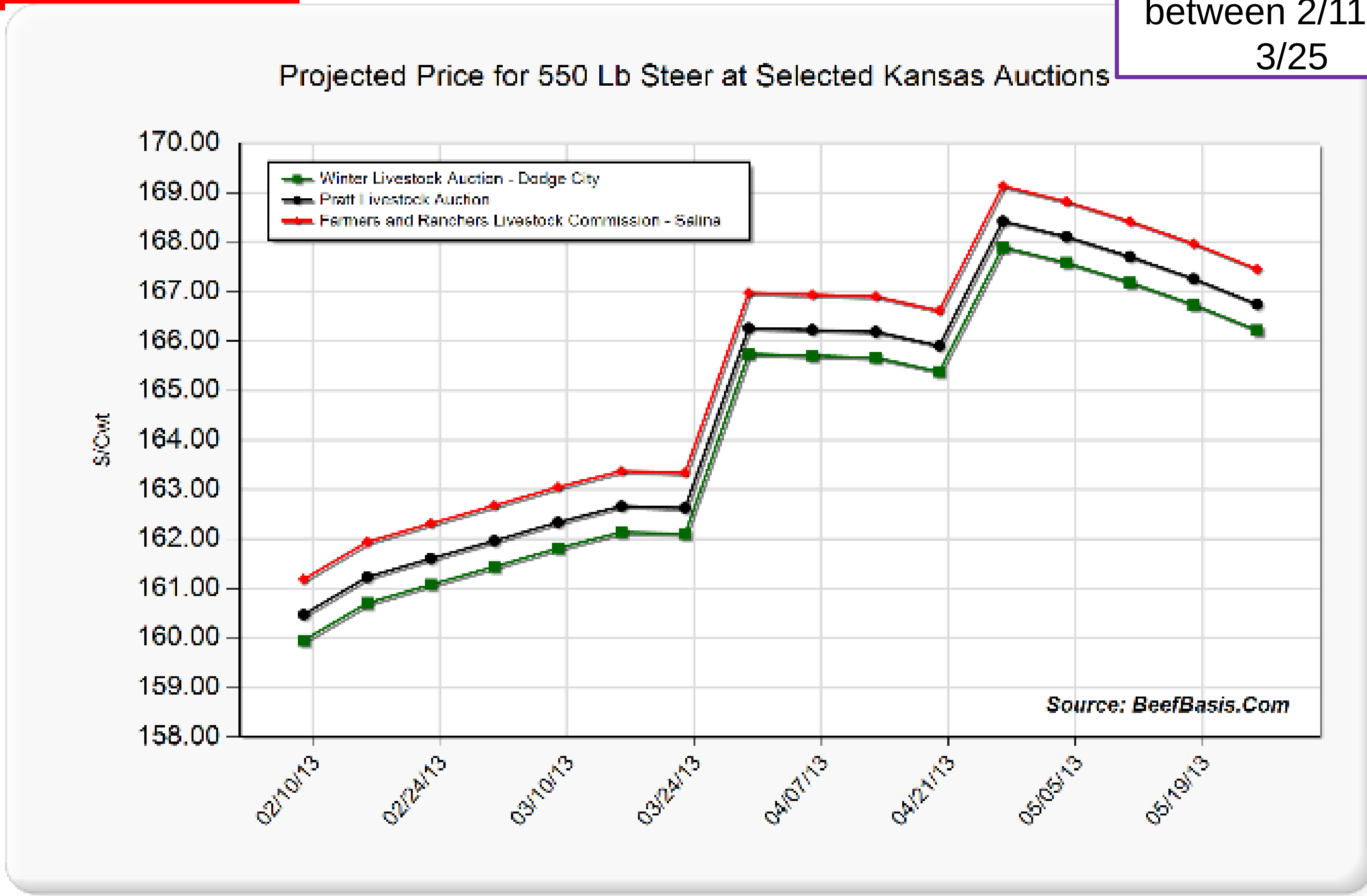
As of: 3/25/13'



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

As of: 2/11/13'

Drop of $10-15/cwt between 2/11 and 3/25

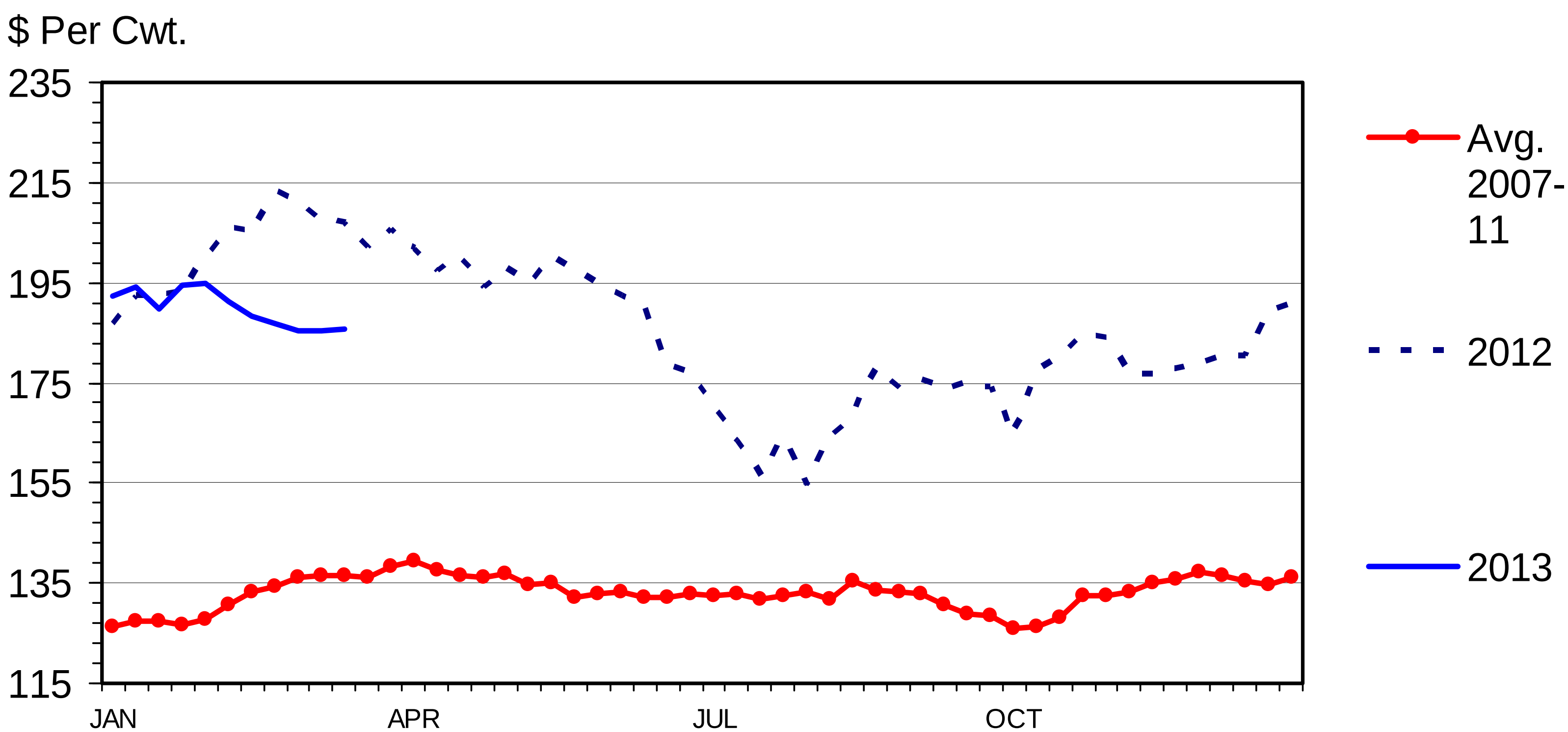


Agricultural Economics Kansas State University

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

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly



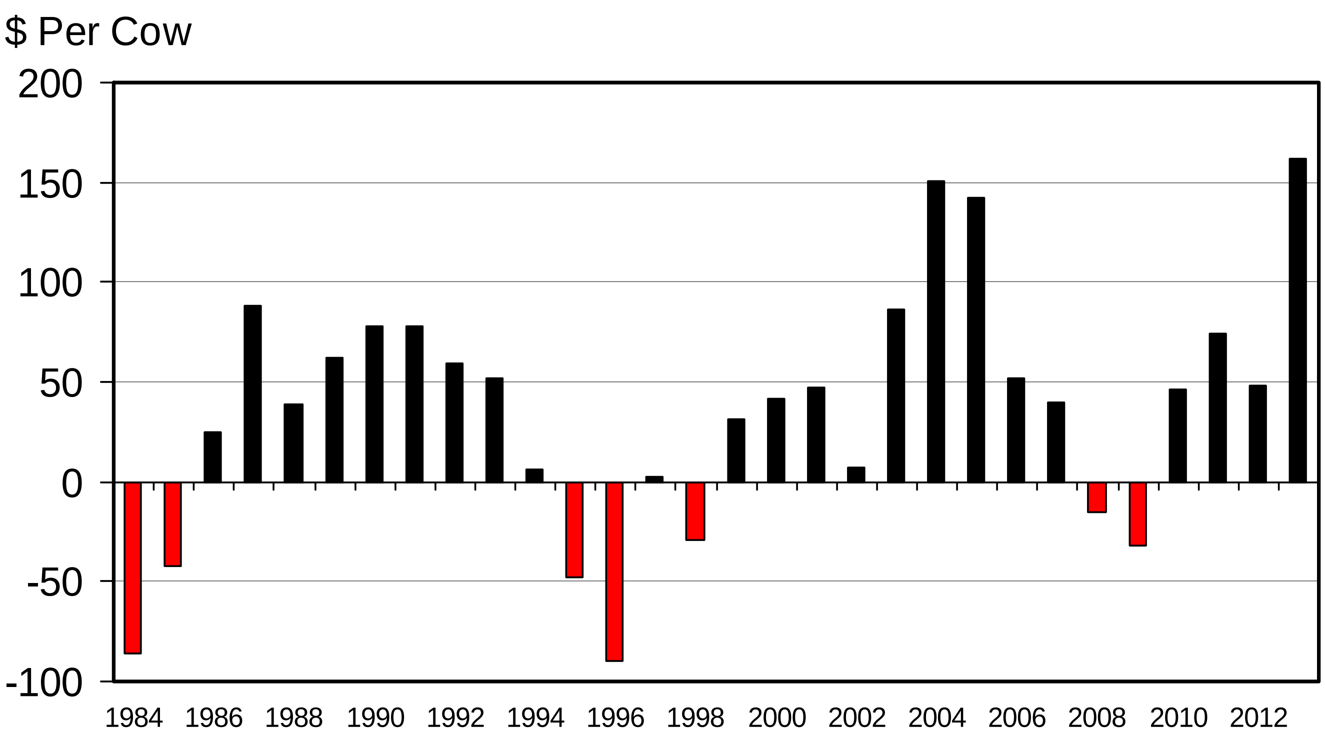
C-P-49A
03/18/13

Livestock Marketing Information Center

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

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



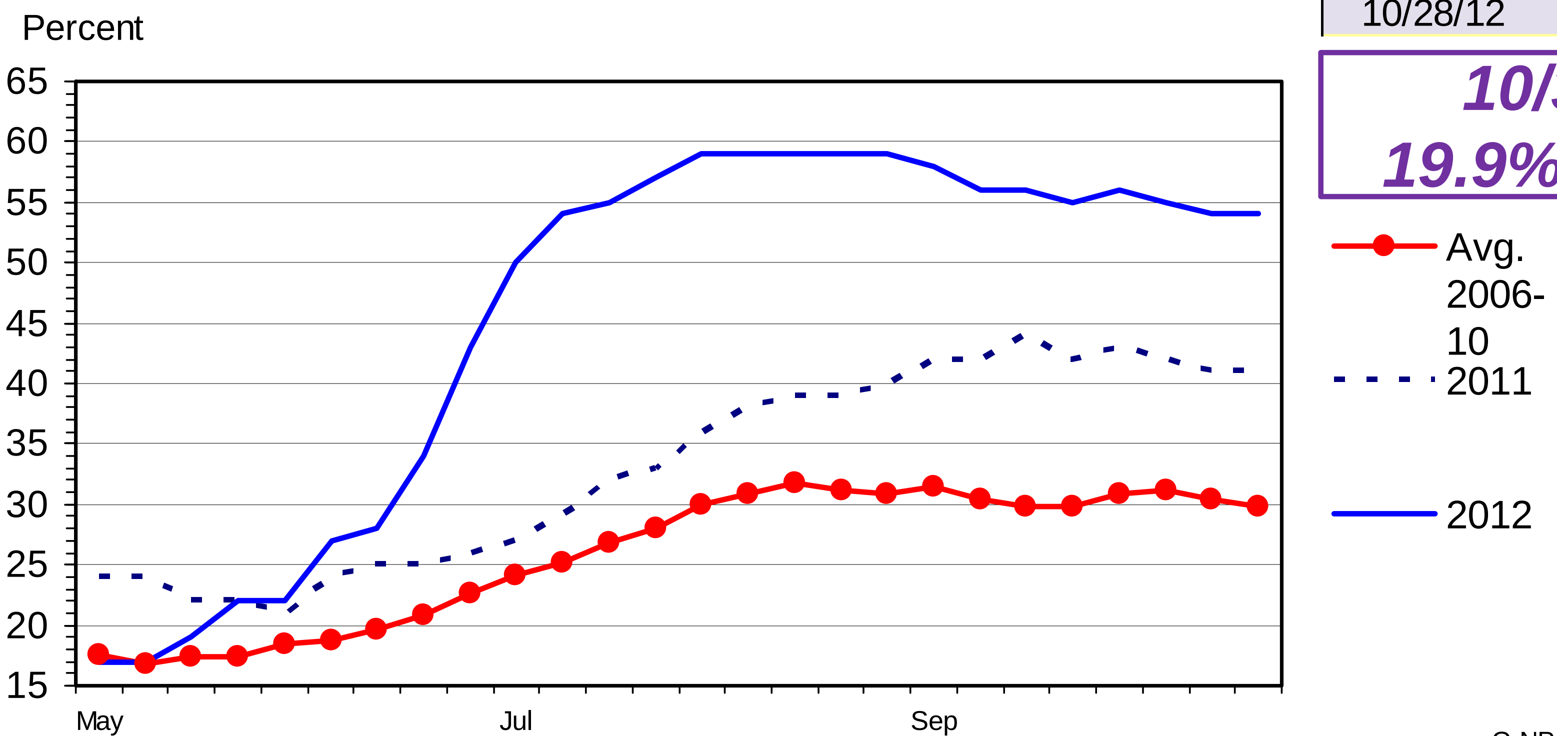
C-P-66
12/18/12

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

G-NP-30
10/31/12

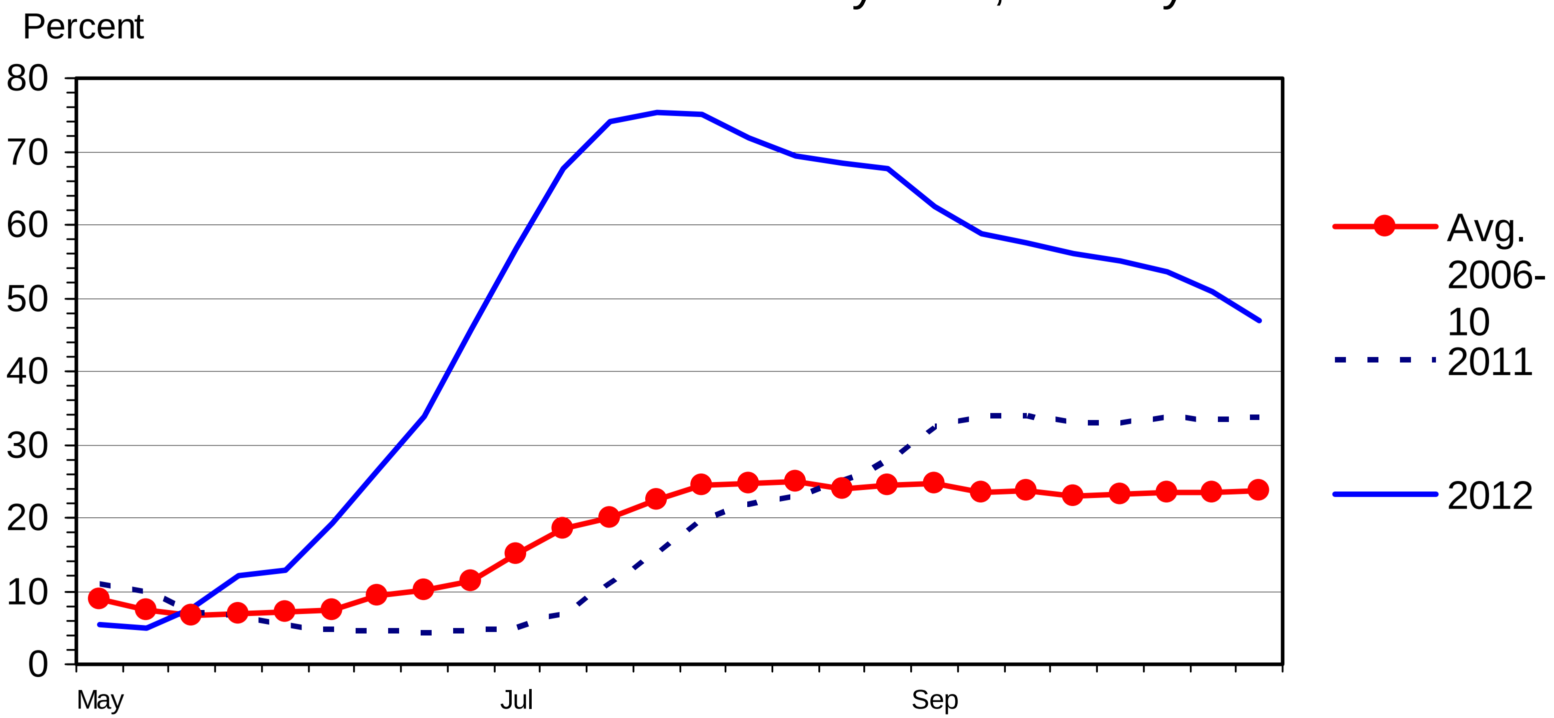
Livestock Marketing Information Center

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

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

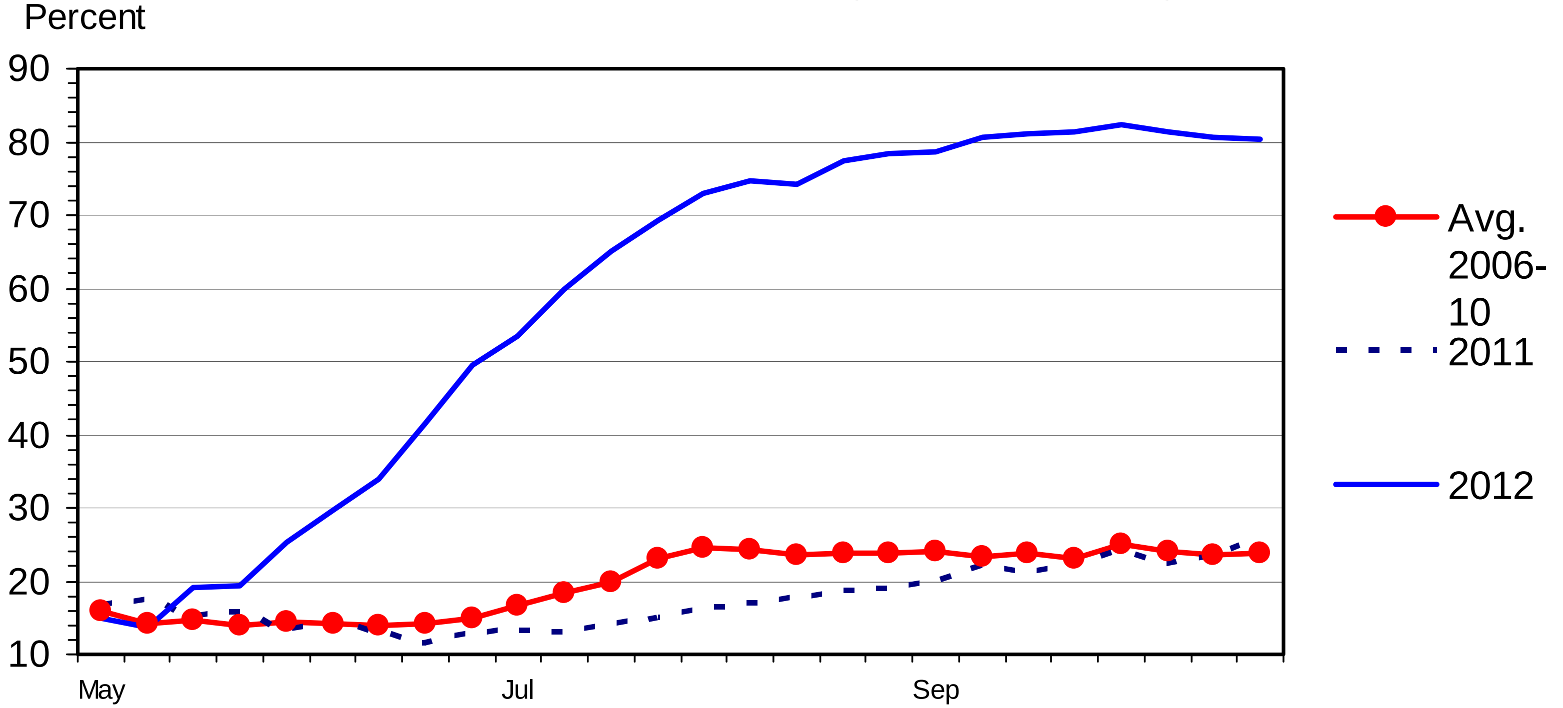
Livestock Marketing Information Center

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

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

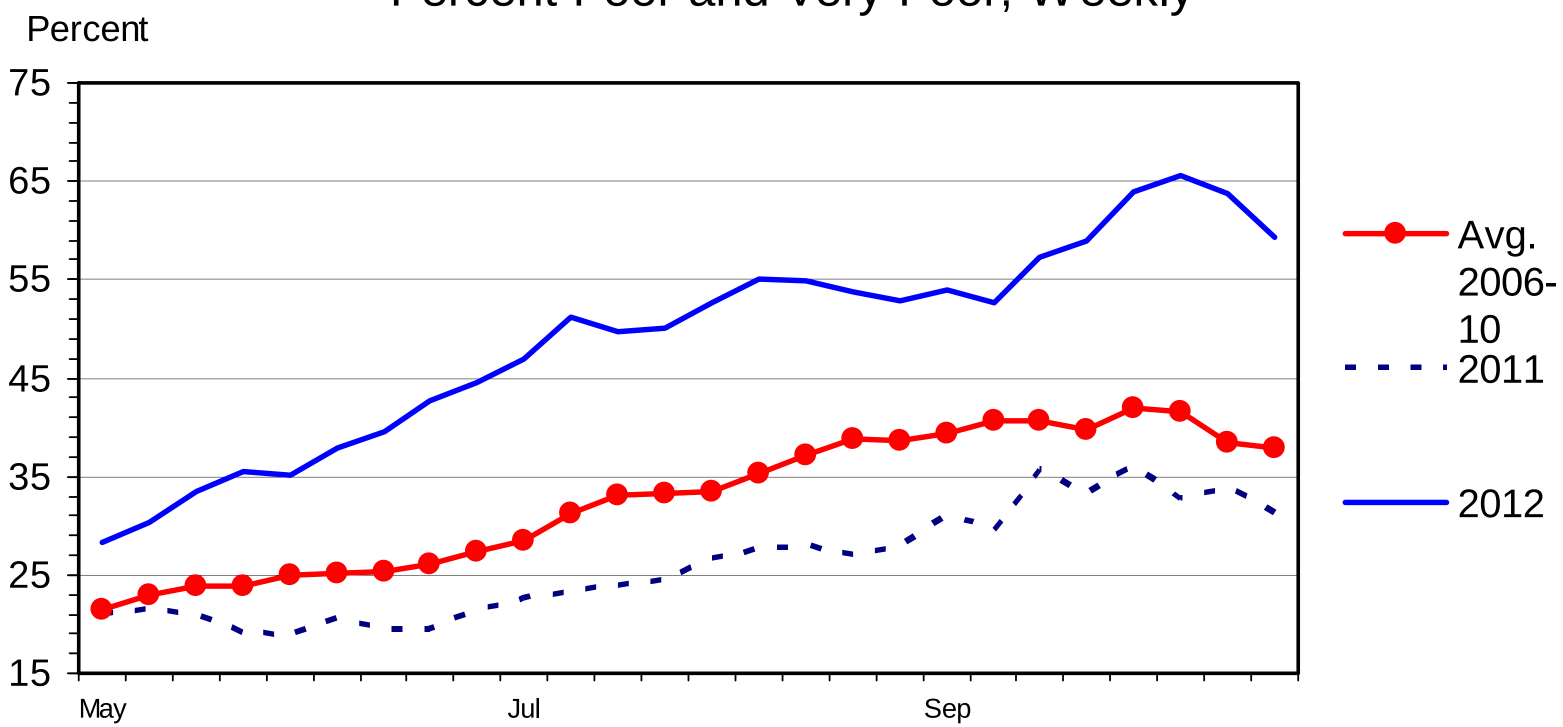
Livestock Marketing Information Center

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

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

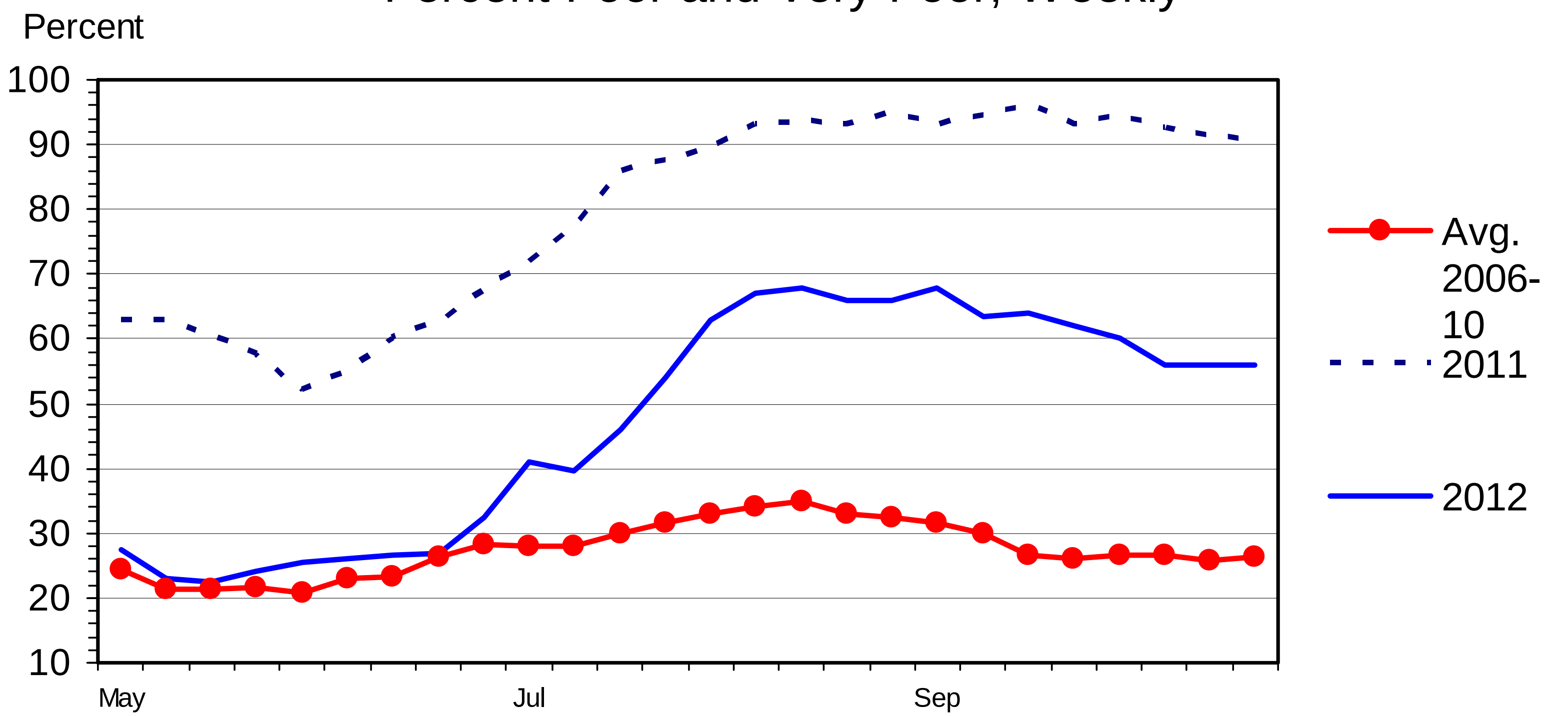
Livestock Marketing Information Center

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

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

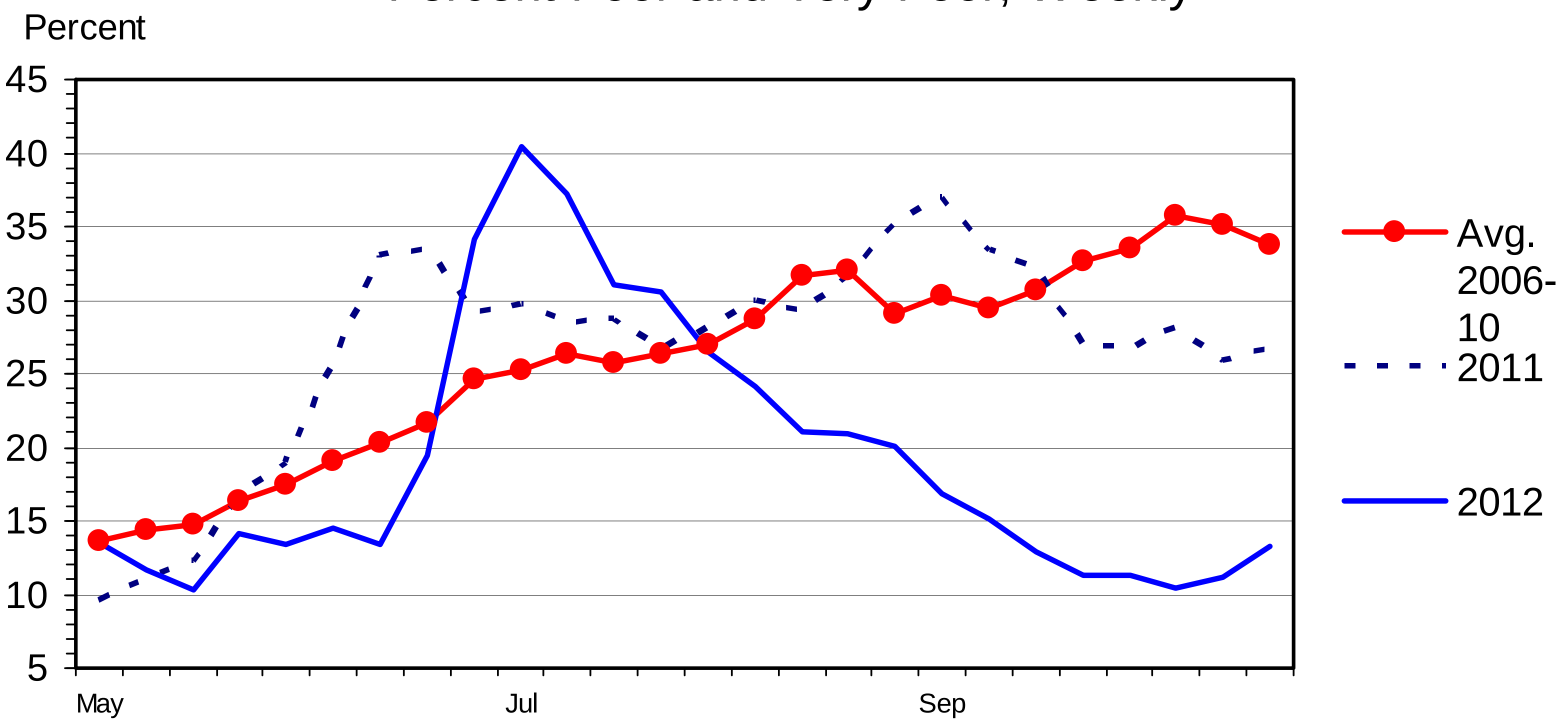
Livestock Marketing Information Center

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

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

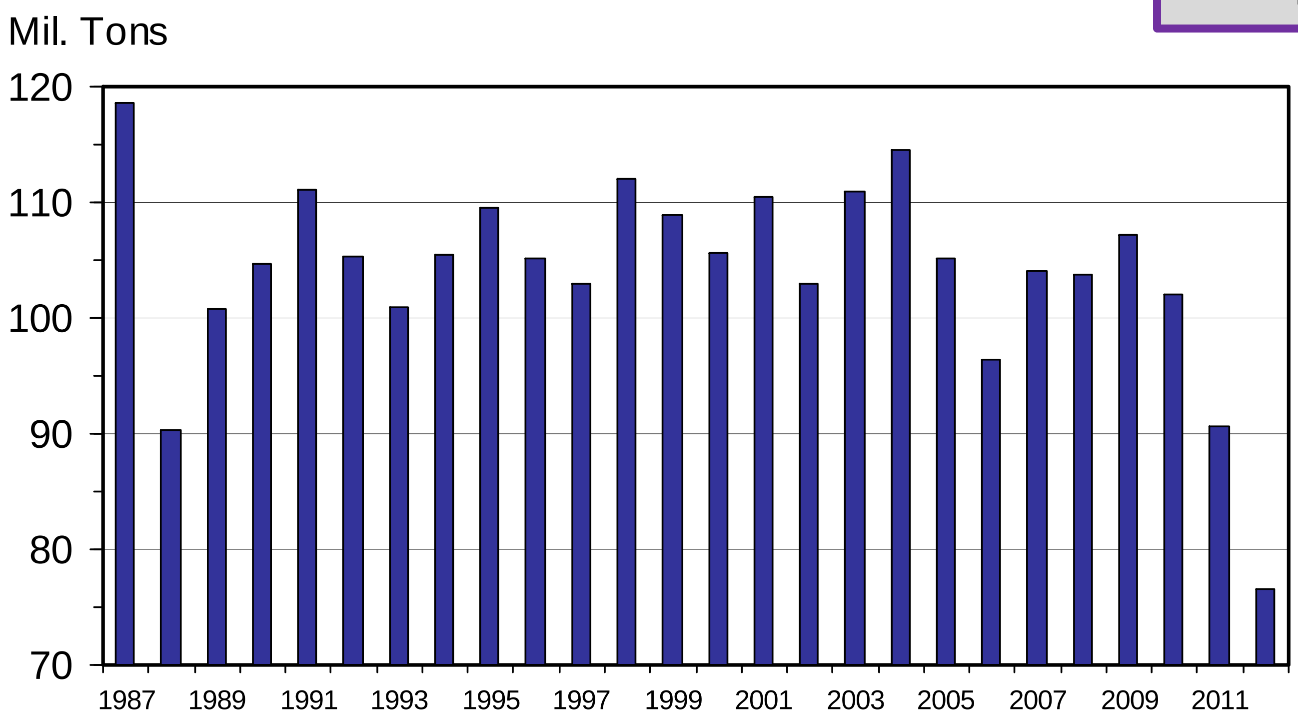
Livestock Marketing Information Center

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



G-NP-22
01/11/13

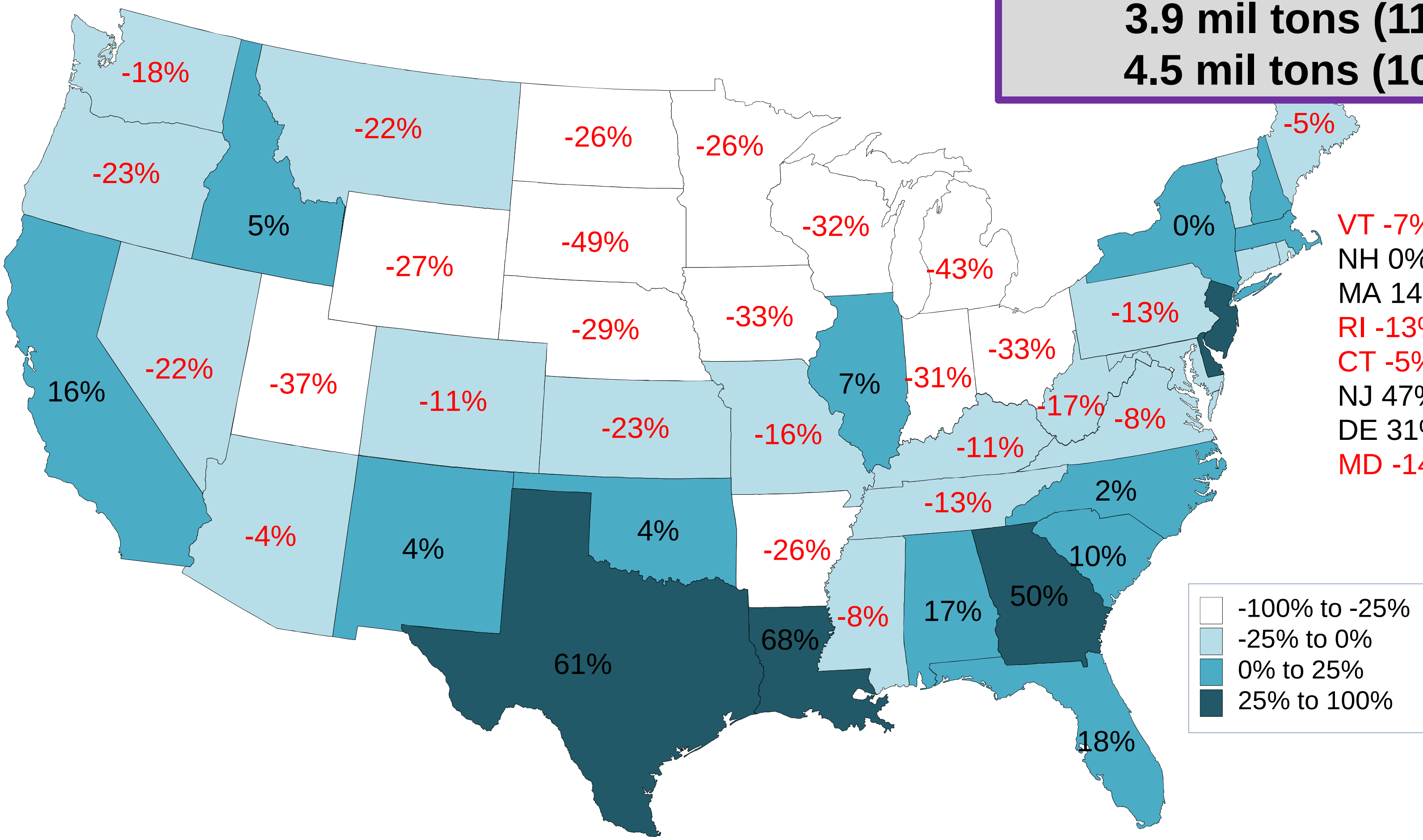
Livestock Marketing Information Center

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

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')

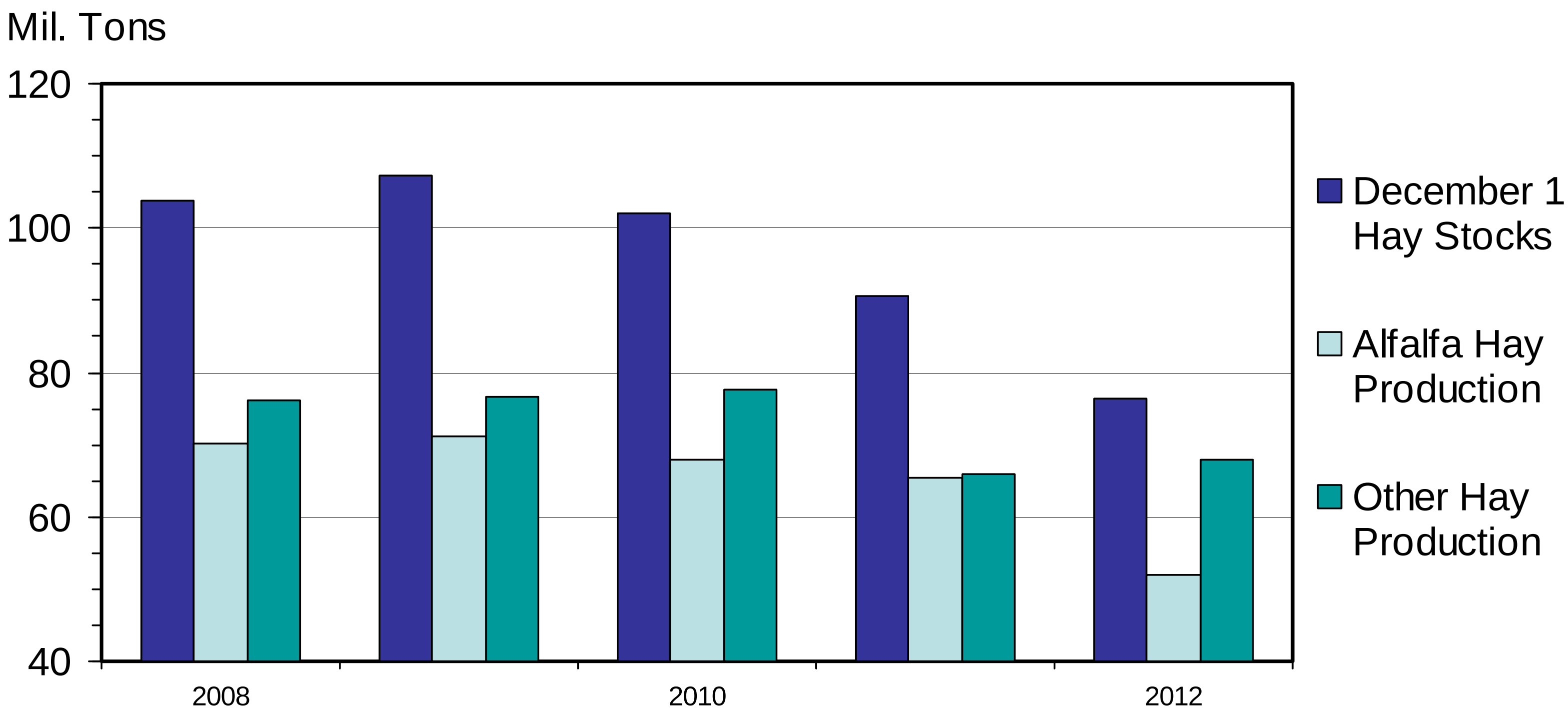


Livestock Marketing Information Center
Data Source: USDA-NASS

1/15/2013

U S HAY STOCKS AND PRODUCTION

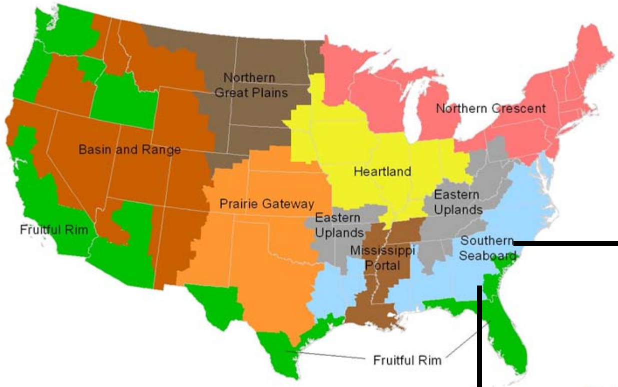
Crop Year



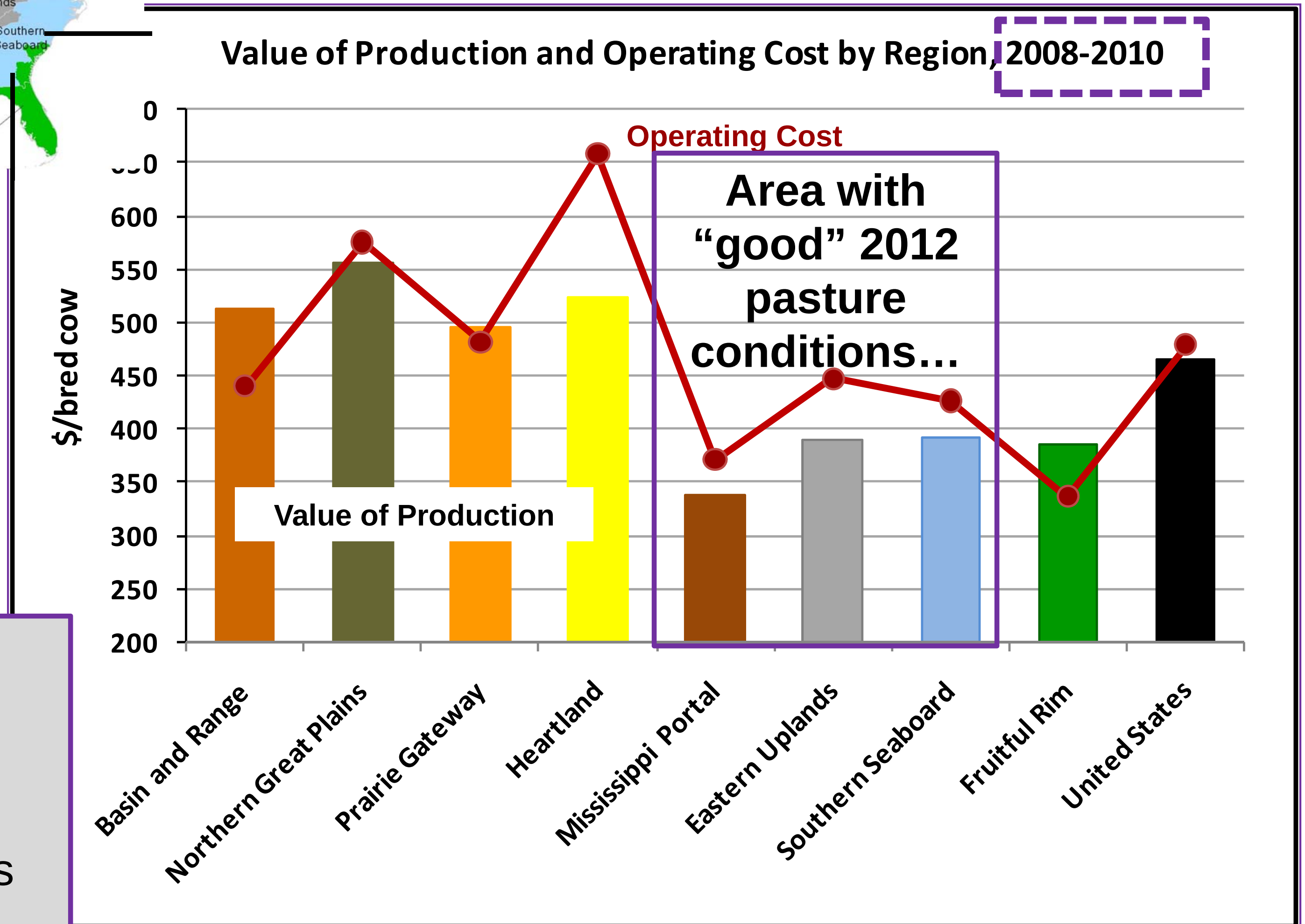
Livestock Marketing Information Center

01/11/13

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



Do some regions have an economic advantage for expansion?



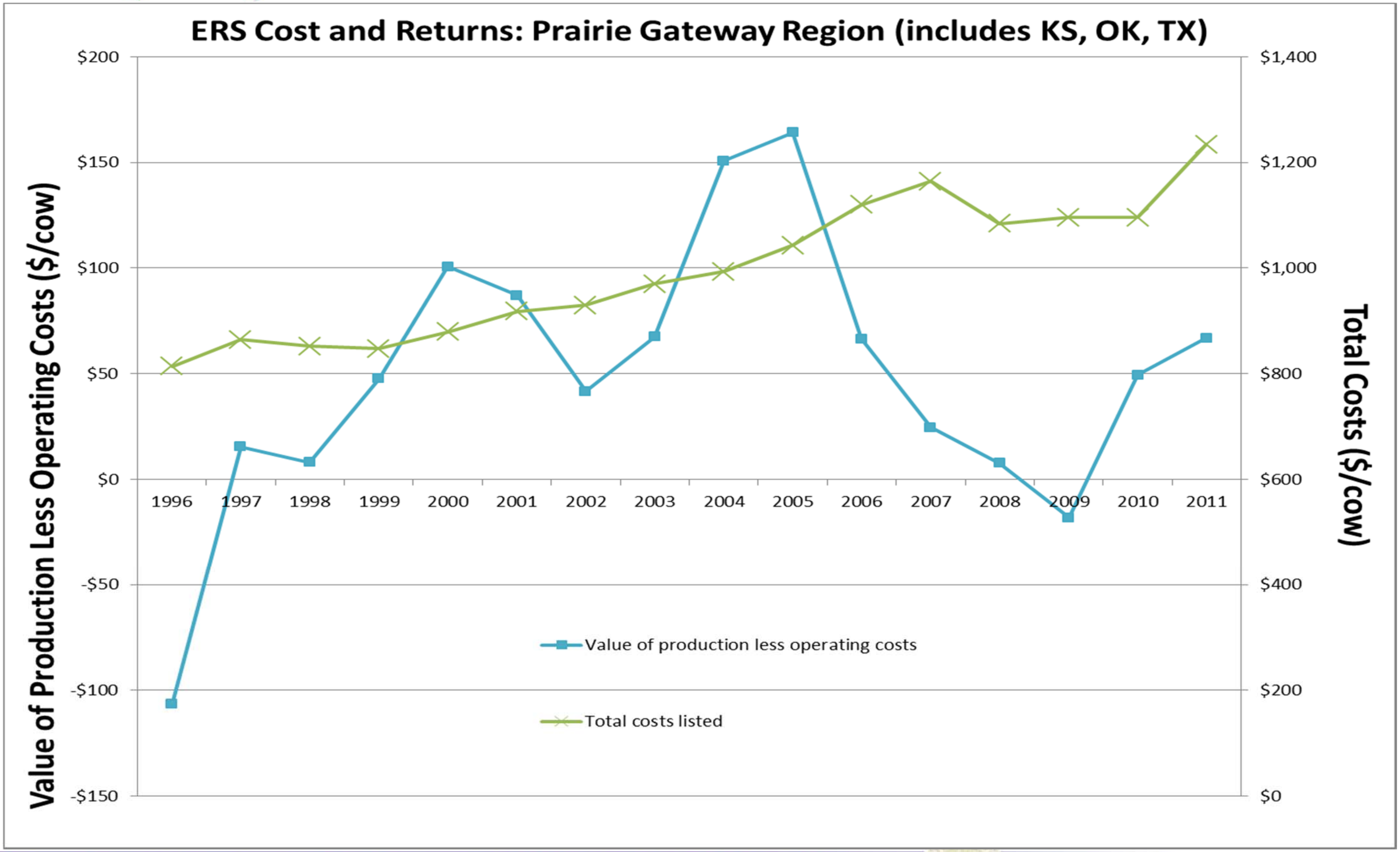
Herds > 20 cows

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

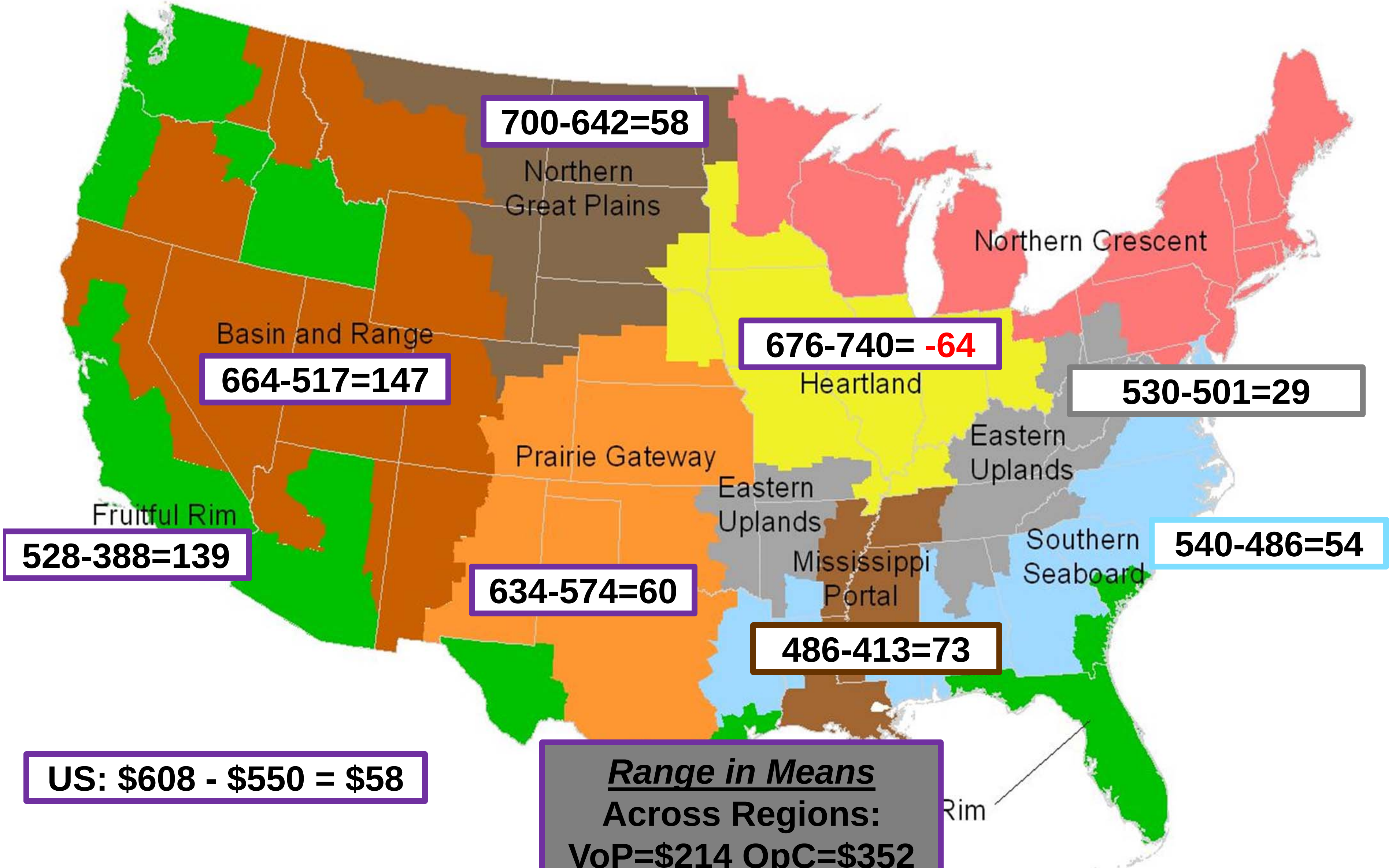
Data source: USDA-ERS

Data source: USDA-ERS

Historical returns over operating costs in Prairie Gateway region



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



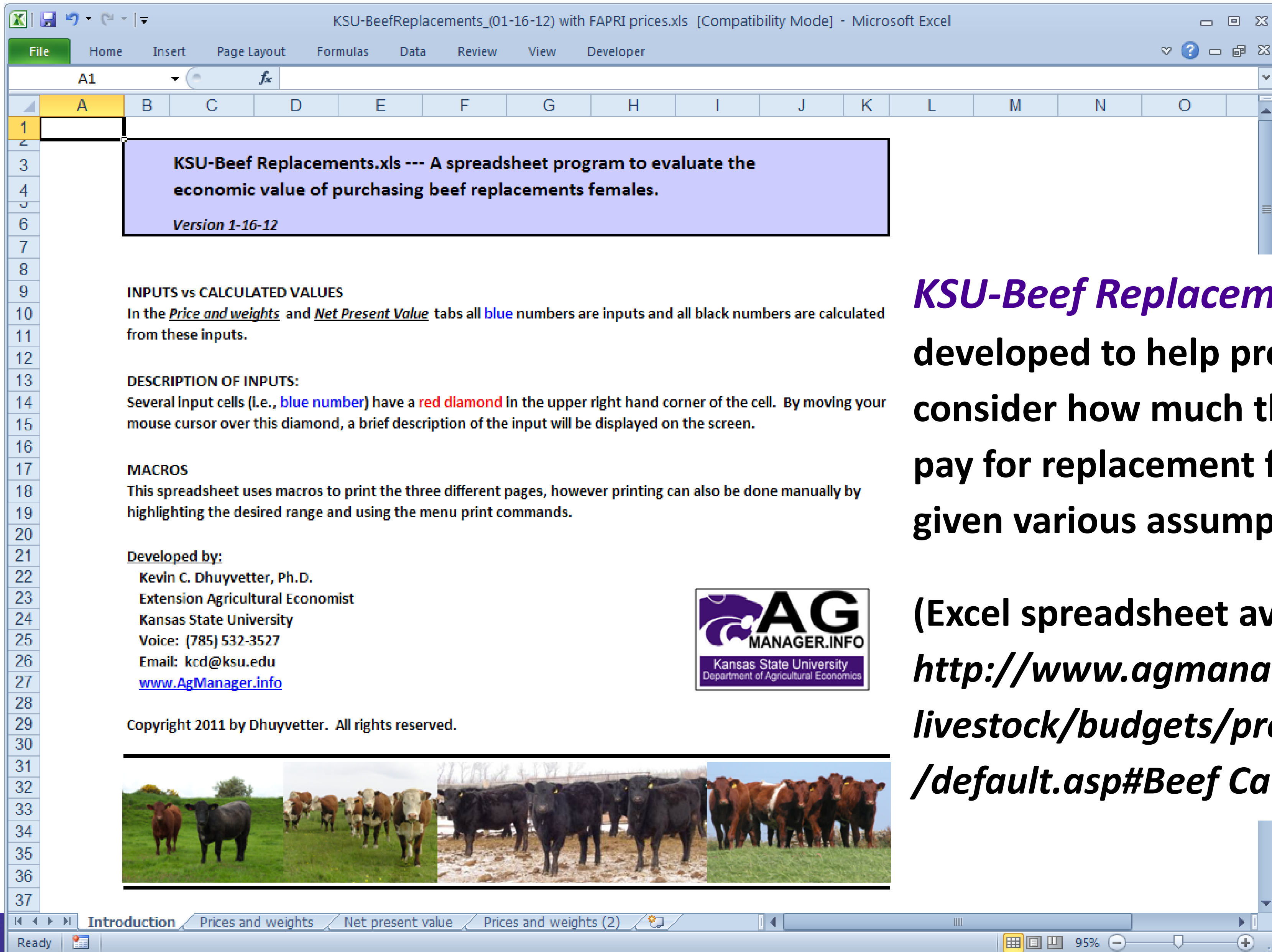
US: $608 - $550 = $58

Range in Means
Across Regions:
VoP=$214 OpC=$352

Data source: USDA-ERS

http://www.ers.usda.gov/Data/CostsAndReturns/testpick.htm#recent

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

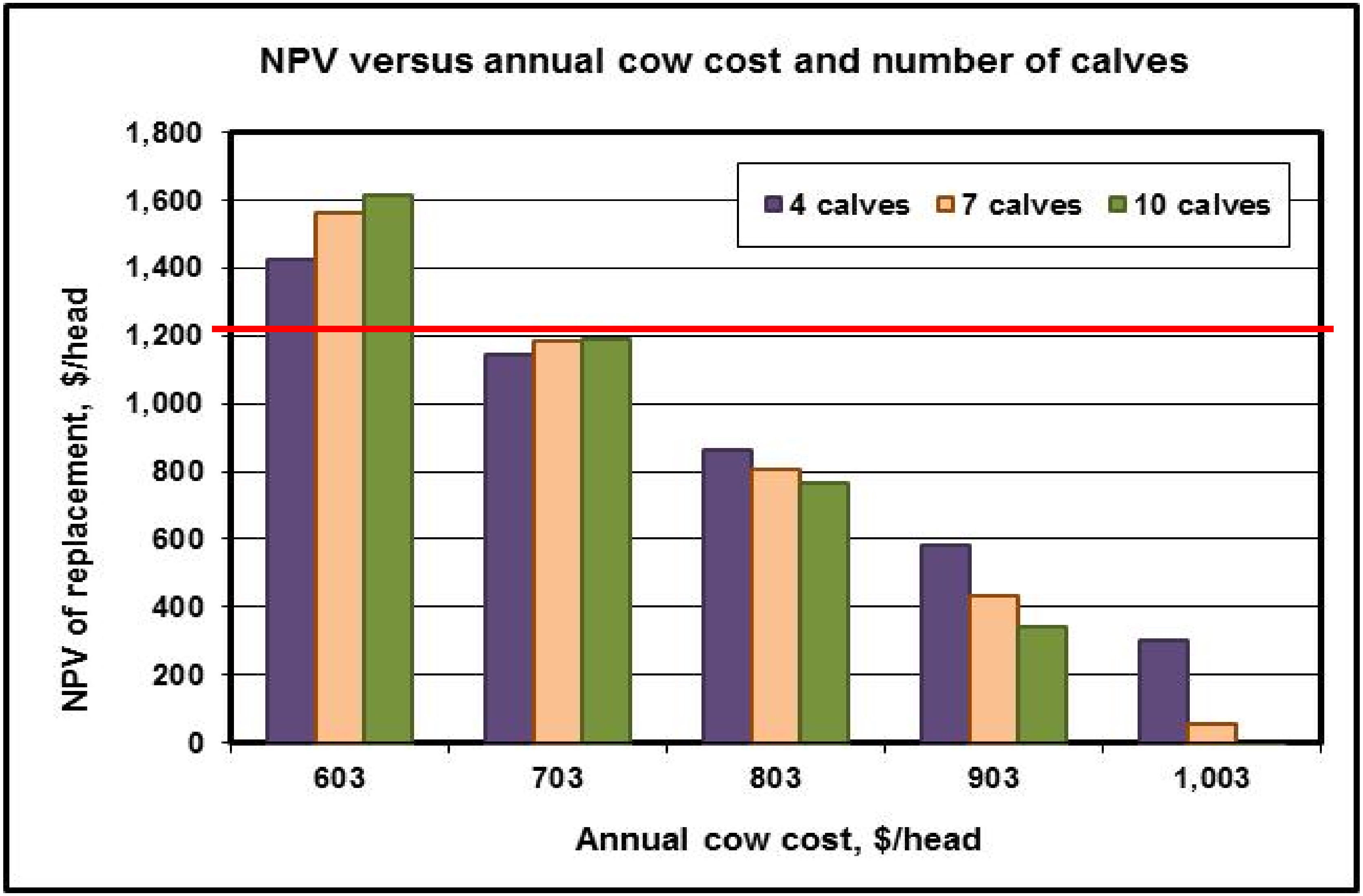
Number of replacements purchased	100	Percent marketable calves (1 - death loss)	97.0%
Year of purchase	2013	Annual cow death loss	0.5%
First year for calf sales	2014	Annual cull rate	15.0%
Cull cow weight, lbs/hd	1,250		
Annual cow costs, $/year	$803	Annual inflation rate on costs	1.0%
Price scenario 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
* BOY = Beginning of year			562	$157.28	$70.00								

** 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 wit
  at least three years of dat
  (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

AG MANAGER.INFO
KANSAS STATE UNIVERSITY

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	Profit Category			Difference between High 1/3 and Low 1/3		
	Farms	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	-$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

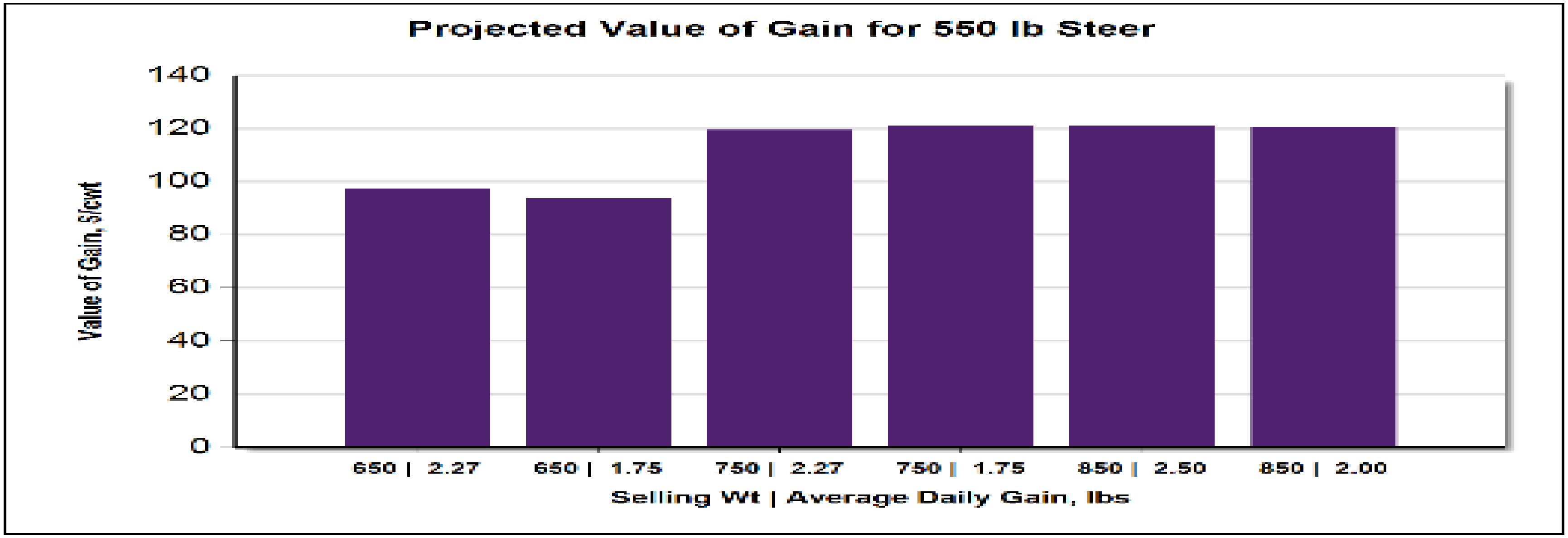
Compared to $192 between top and bottom third years.

Economic Outlook Overview : Stockers

- Historically high Values of Gain (VOG)
  - – But also historically high Costs of Gain (COG)…
- Recognize the growing value of pasture
  - ➢ http://www.agmanager.info/farmmgt/land/lease/tools/PastureRents.swf
  - ➢ http://www.agmanager.info/farmmgt/land/lease/papers/BluestemPastureRents(Nov2010).pdf
  - ➢ http://www.agmanager.info/farmmgt/land/lease/papers/KCD_2012ProjectedPastureRents(Jan2012).pdf
  - ➢ http://www.agmanager.info/farmmgt/land/lease/forms/NCFMEC-03.pdf
  - ➢ http://www.agmanager.info/farmmgt/land/county/CountyValuesRents_Mar_2013.pdf

Economic Outlook Overview : Stockers

- VOG Projections (as of 3/26/13):
  - 700 (3/27) to 750 (4/27) lbs = $117/cwt
  - 550 (10/1) to 750 (12/31) lbs = $113/cwt
    - http://www.agmanager.info/livestock/budgets/production/beef/KSU_FactSheet_ValueOfGainForecastingApproaches.pdf
    - http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx

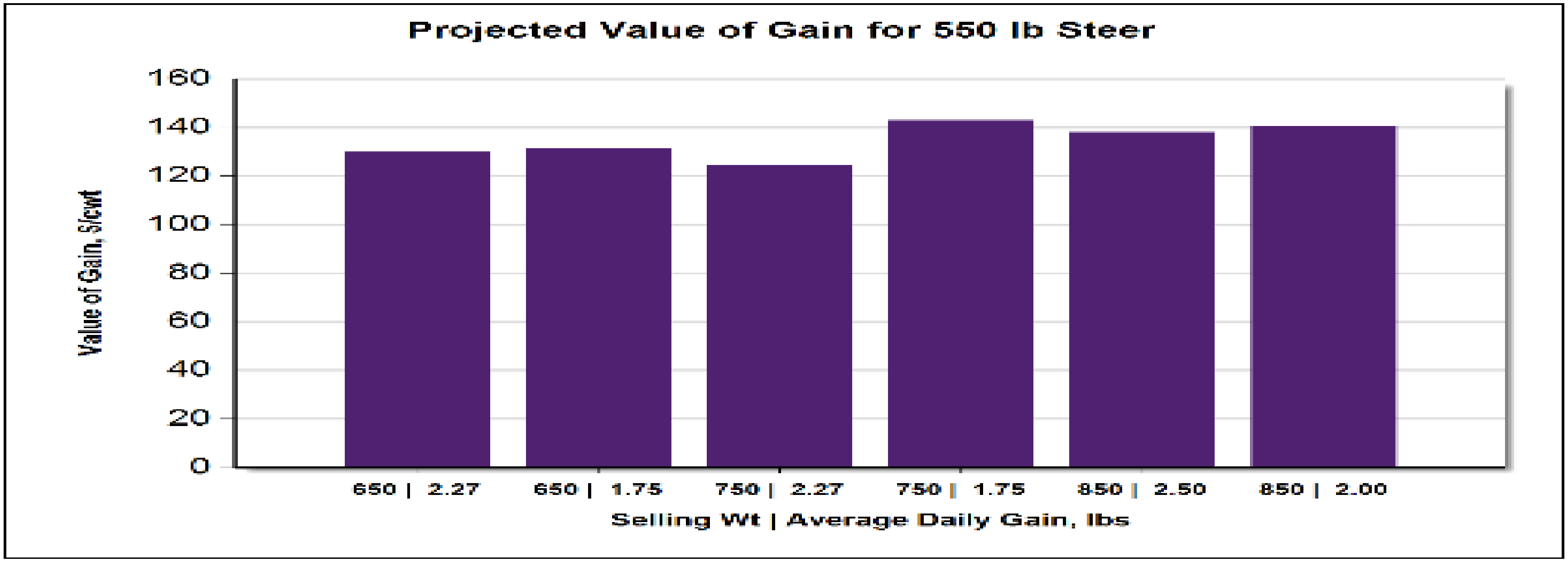


Projected Value of Gain

Begining Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, $/cwt
550	650	05/09/2013	100	2.27	$97.54
550	650	05/22/2013	100	1.75	$93.57
550	750	06/22/2013	200	2.27	$119.53
550	750	07/18/2013	200	1.75	$121.18
550	850	07/24/2013	300	2.50	$121.23
550	850	08/23/2013	300	2.00	$120.33

Note: Projections dervied for the Salina, KS market using BeefBasis.com
Related information is available at: BeefBasis.com 3/26/2013

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

Economic Outlook Overview: Feedlots

- 2012 closeouts were at historically high losses…
  - 12 month rolling avg. thru Jan. 13' -$140.42
    - 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

Historical and Projected Kansas Feedlot Net Returns
(as of 3/4/13')

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

January 13': -$138.44/steer

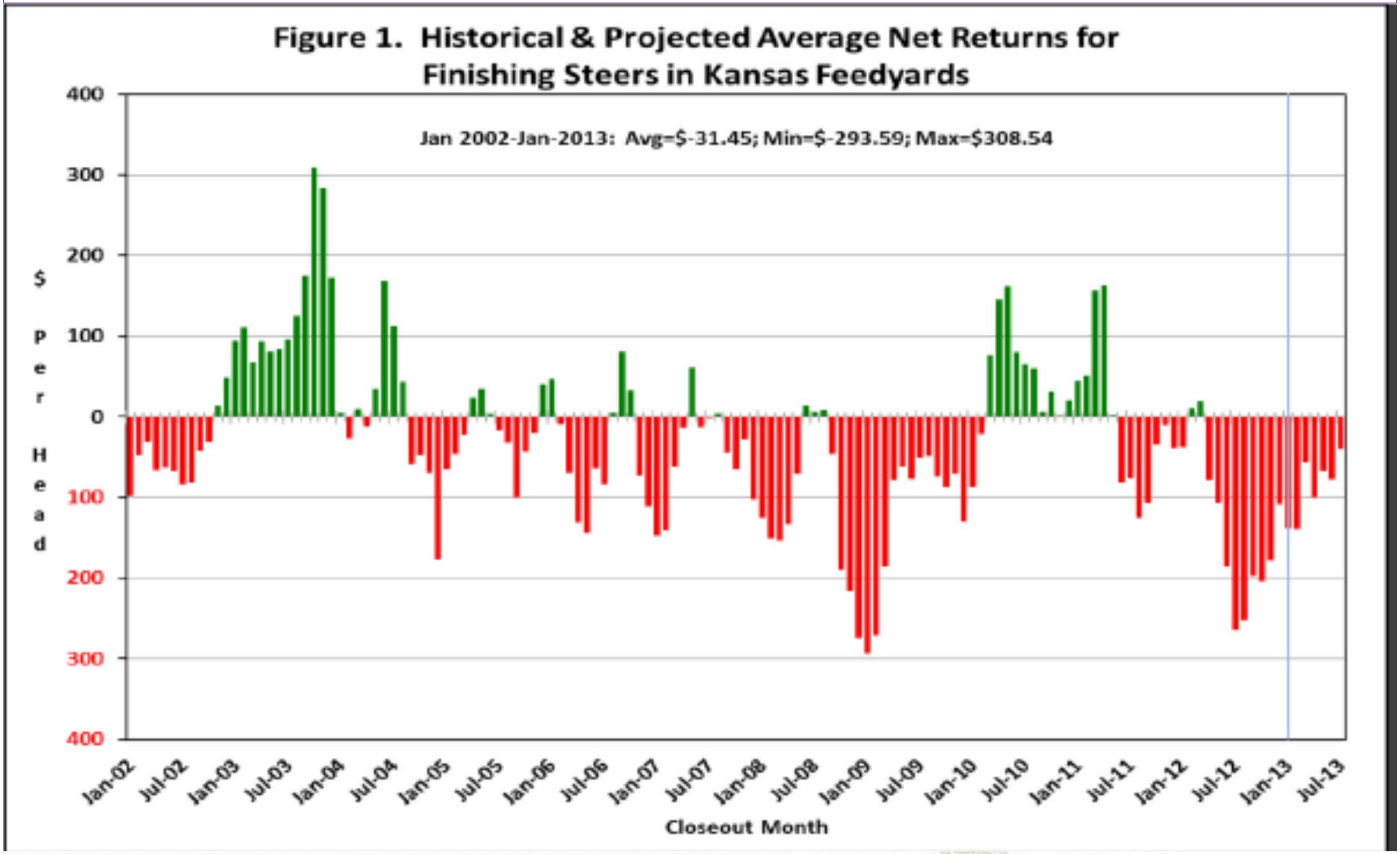
Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Feb-13	-139.50	122.84	125.47	140.98	97.87	135.42	124.43
Mar-13	-56.07	120.67	131.14	142.80	111.07	135.19	135.81
Apr-13	-100.04	117.98	127.96	144.98	100.71	135.30	132.24
May-13	-67.10	115.20	130.29	147.06	104.15	135.07	138.61
Jun-13	-77.90	112.43	127.92	145.63	99.54	133.35	136.25
Jul-13	-39.89	108.60	125.39	139.78	101.89	128.19	134.97

Representative Barometer for Trends in Profitability

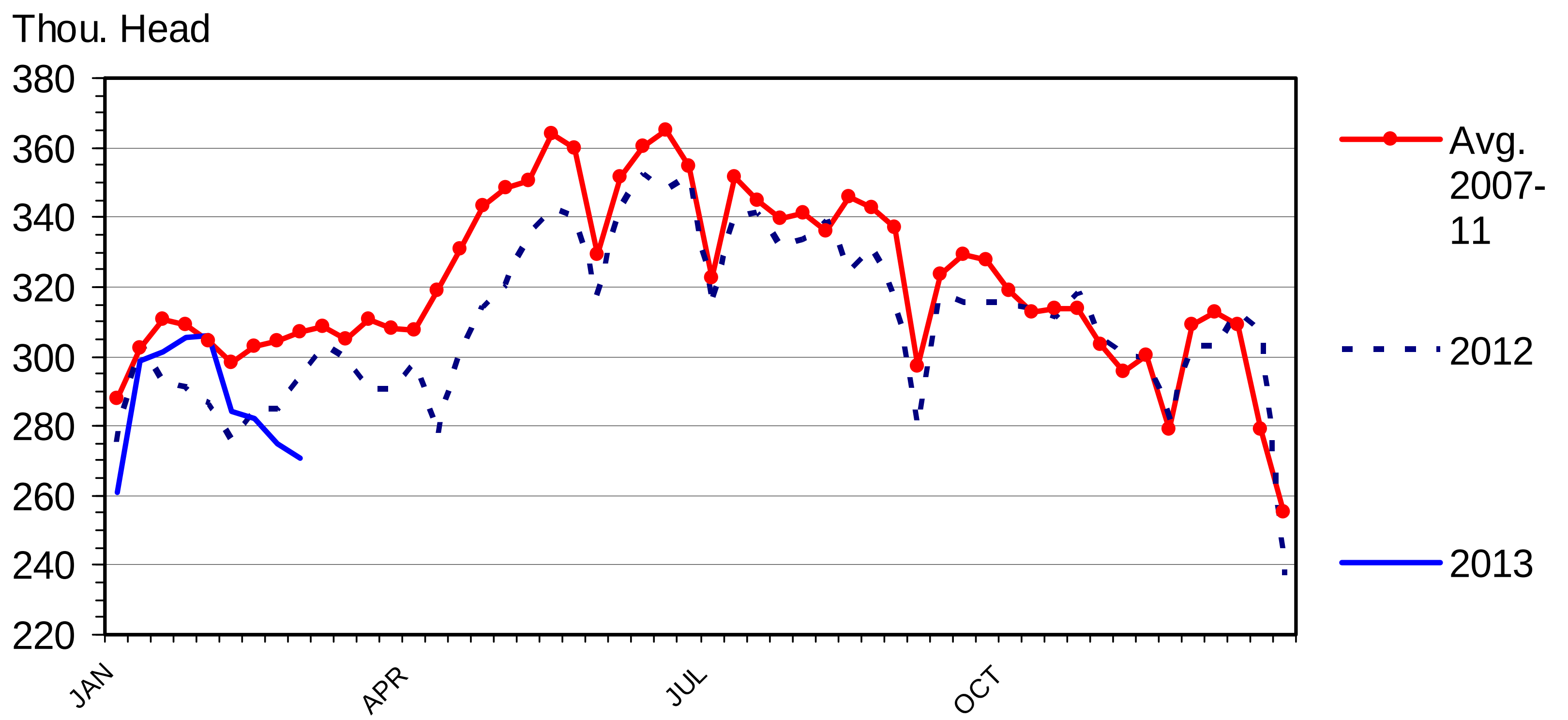
Historical and Projected Kansas Feedlot Net Returns as of 3/4/13')

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



STEER SLAUGHTER

Federally Inspected, Weekly



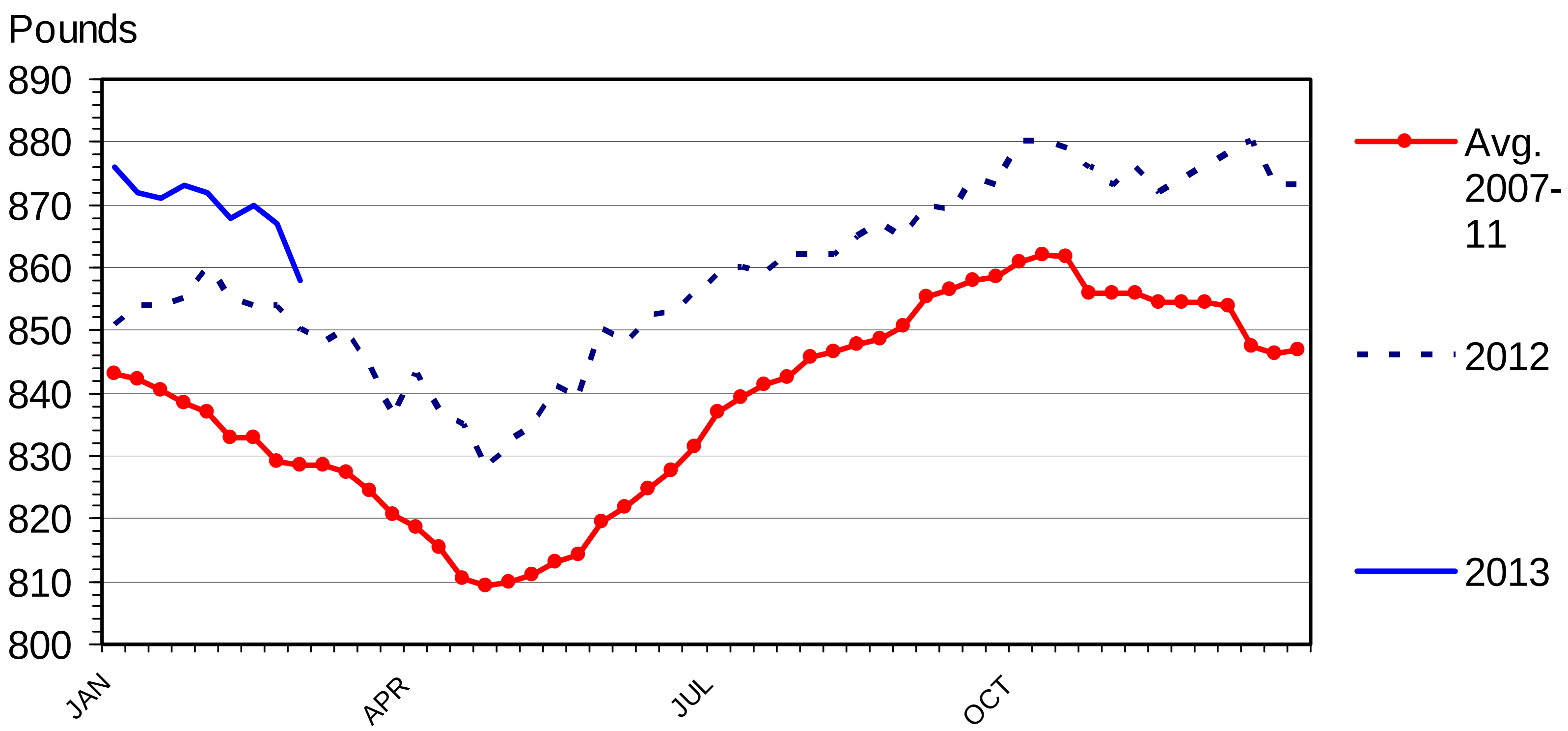
C-S-17
03/15/13

Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

STEER DRESSED WEIGHT

Federally Inspected, Weekly



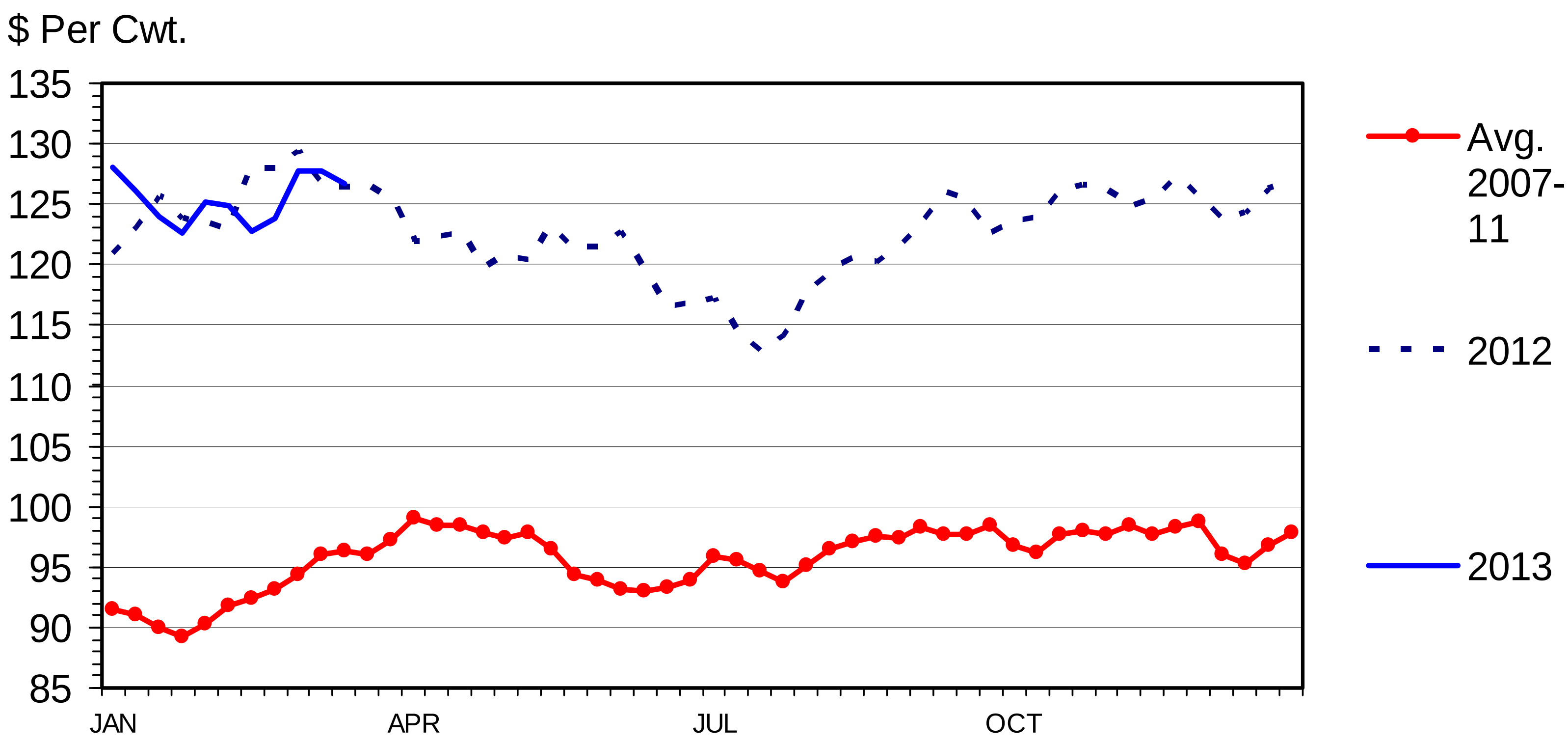
C-S-18
03/15/13

Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS

Quarterly Forecasts (LMIC:03/25/13)

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	7,736	-3.6	794.1	1.5%	6,143	-2.2
II	7,948	-4.4	782.6	0.5%	6,220	-3.9
III	7,954	-4.5	796.2	0.7%	6,333	-3.8
IV	7,707	-6.9	798.5	0.6%	6,154	-6.3
Year	31,345	-4.9	792.8	0.8%	24,850	-4.1
2014						
I	7,207	-6.8	801.2	0.9%	5,774	-6.0
II	7,469	-6.0	789.0	0.8%	5,893	-5.3
III	7,525	-5.4	804.0	1.0%	6,050	-4.5
IV	7,294	-5.4	806.6	1.0%	5,883	-4.4
Year	29,495	-5.9	800.1	0.9%	23,600	-5.0

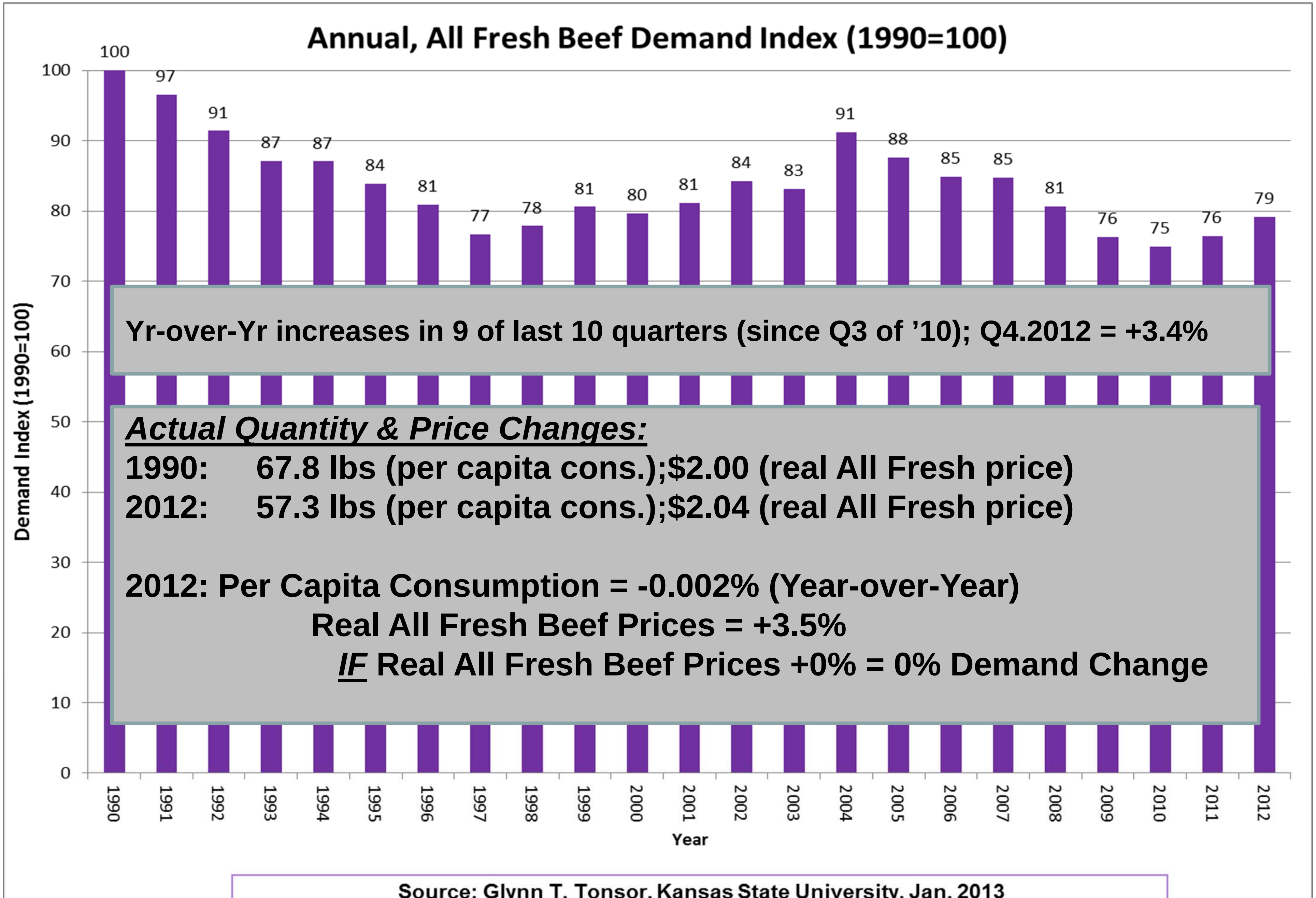
Quarterly Forecasts (LMIC:03/25/13)

Year Quarter	Live Sltr. Steer Price 5-Mkt Avg	% Chg. from Year Ago	Feeder Steer Price Southern Plains 7-800#	Feeder Steer Price Southern Plains 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	125-126	0.2	142-143	170-171
II	127-130	6.3	144-148	171-175
III	126-130	6.9	147-152	169-176
IV	128-133	4.0	149-156	166-174
Year	126-130	4.2	146-149	169-174
2014				
I	131-137	6.8	152-160	175-184
II	133-140	6.2	156-166	178-190
III	132-140	6.3	158-169	174-187
IV	134-143	6.1	156-168	171-185
Year	133-139	6.3	158-163	177-184

Economic Outlook Overview : Beef Demand

- Demand arguably less certain than supply currently = heightened need to monitor…
- Meat prices rising w/i basket of purchases…
  - “bacon shortage” discussions are exaggerations; record retail meat prices in 2013 are not…
  - as prices increase, public will require more quality…
    - quality and value are in the eye of the beholder...

    = debates on various technologies likely will intensify within industries, with customers, and with consumers…



Yr-over-Yr increases in 9 of last 10 quarters (since Q3 of ’10); Q4.2012 = +3.4%

Actual Quantity & Price Changes:

1990: 67.8 lbs (per capita cons.);$2.00 (real All Fresh price)

2012: 57.3 lbs (per capita cons.);$2.04 (real All Fresh price)

2012: Per Capita Consumption = -0.002% (Year-over-Year)

Real All Fresh Beef Prices = +3.5%

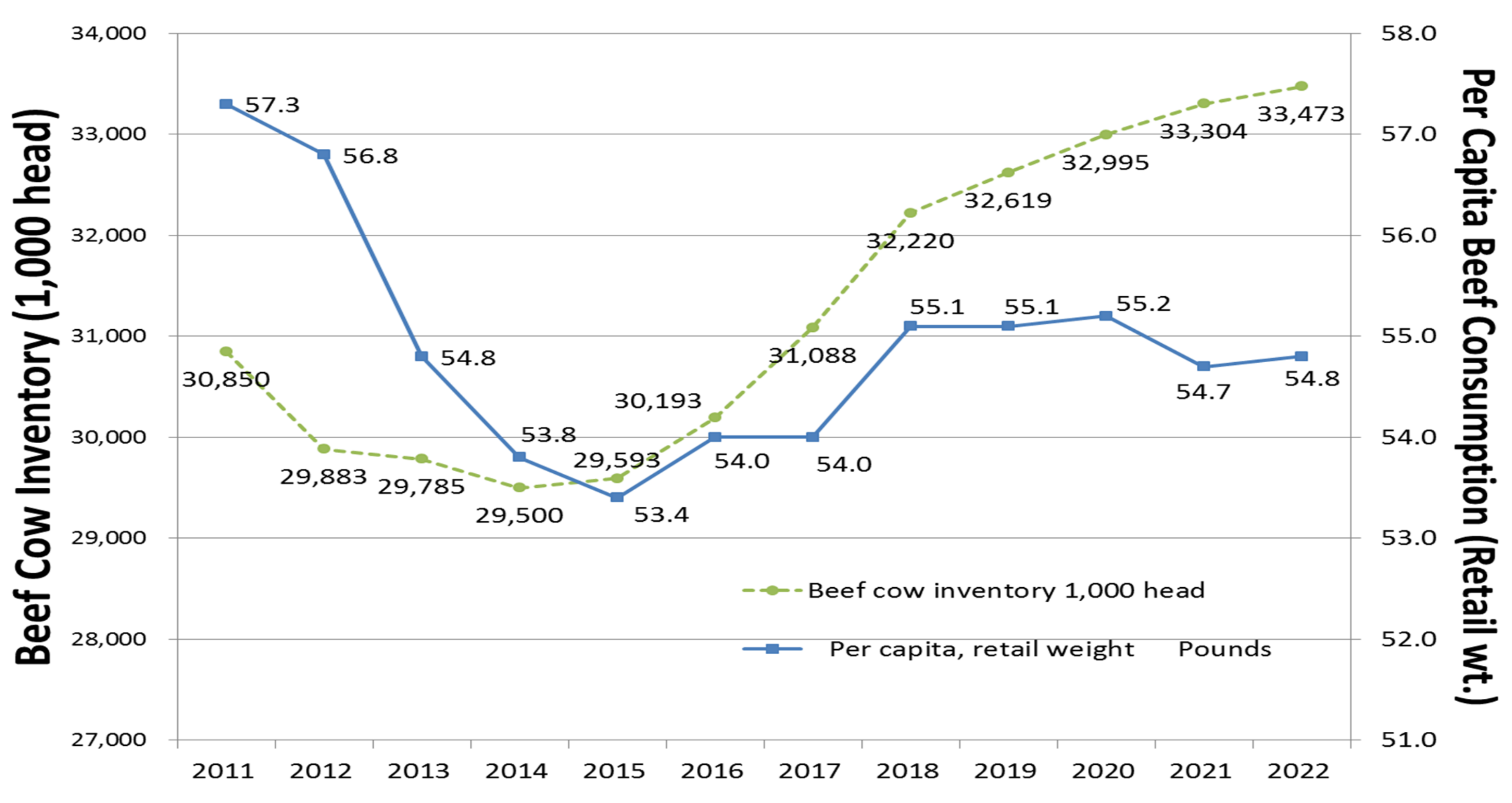
IF **Real All Fresh Beef Prices +0% = 0% Demand Change**

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

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

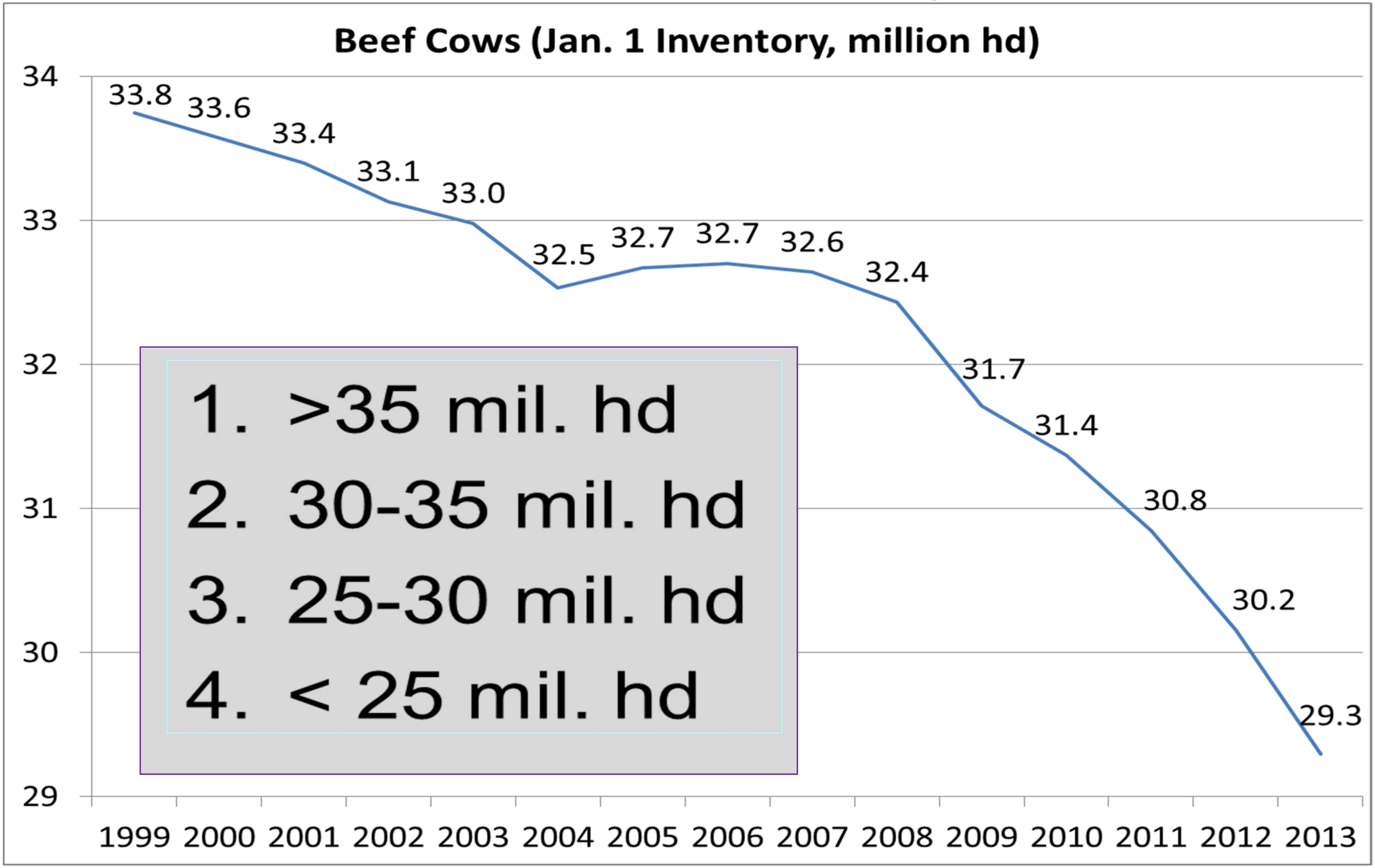
http://www.usda.gov/oce/commodity/projections/index.htm

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…**

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



1. >35 mil. hd
2. 30-35 mil. hd
3. 25-30 mil. hd
4. < 25 mil. hd

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

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

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?**

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*)

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.

The projections were completed in November 2012.

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???*

Hot Topic Things To Possibly Discuss

- MCOOL: Aggregate economic loss is apparent
- Animal Welfare: 1 of several "social concerns"
- Animal ID & Traceability: How far behind is the U.S. globally?
- When, where, how, who will lead excess capacity resolution?

What To Do?

- In a period of increasingly updated & changing information: utilize available resources
  - Decision aides, these events, regularly updated online pieces…

- I encourage you 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"

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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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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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

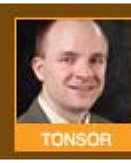
(http://www.agmanager.info/Tools/default.asp)

- 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



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.

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

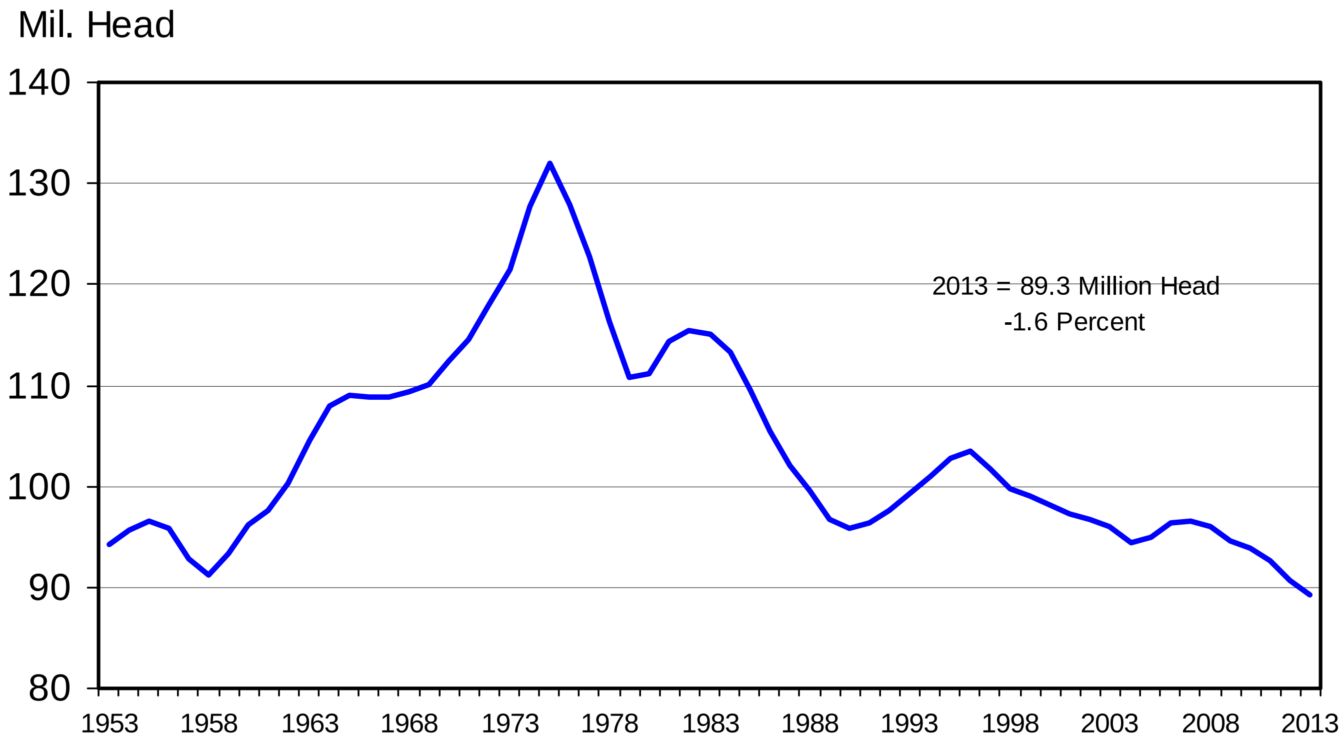
- **February 14**
- **May 14**
- **August 13**
- **November 5**

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

Other Resources

JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual

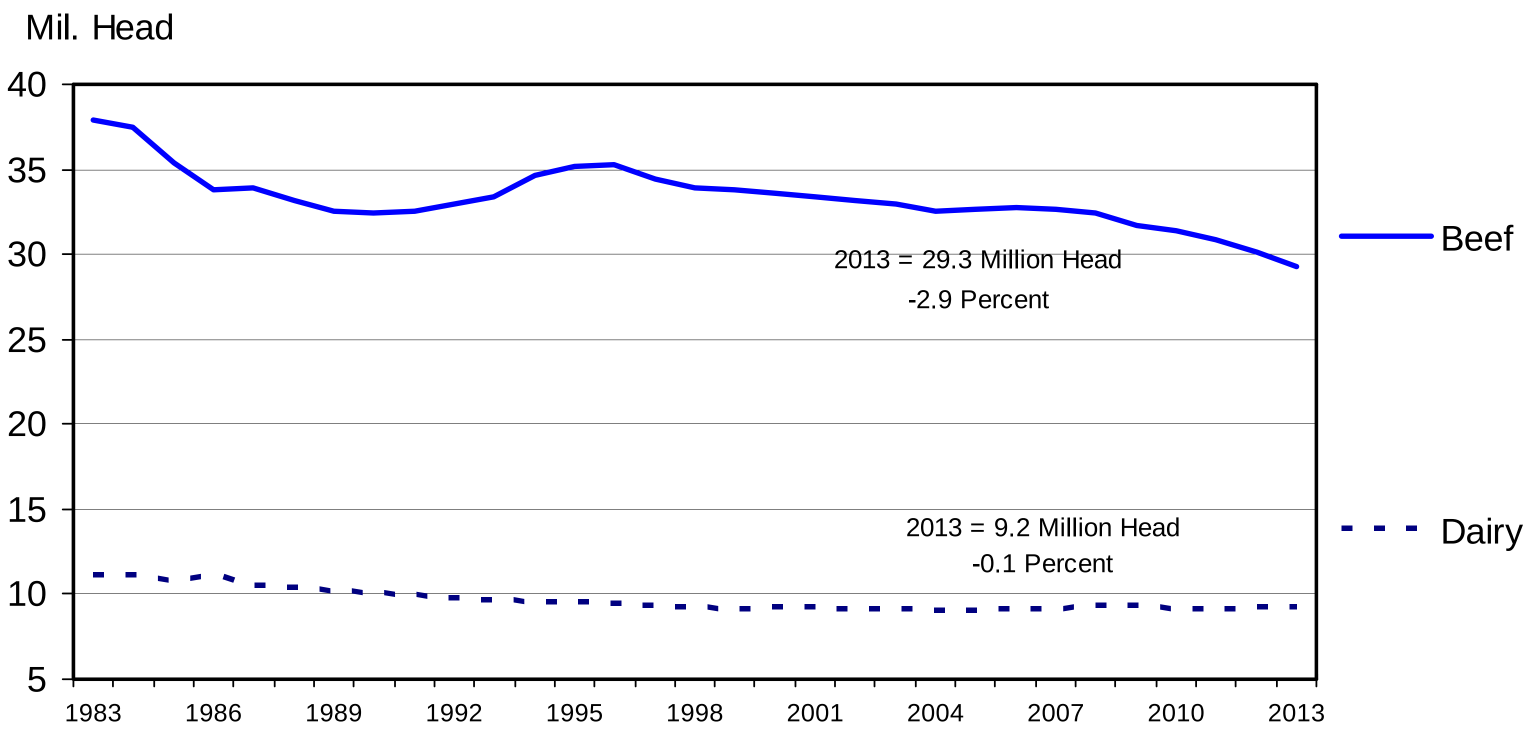


C-N-01
02/04/13

Livestock Marketing Information Center

Data Source: USDA-NASS

JANUARY 1 COW INVENTORY
U.S., Annual



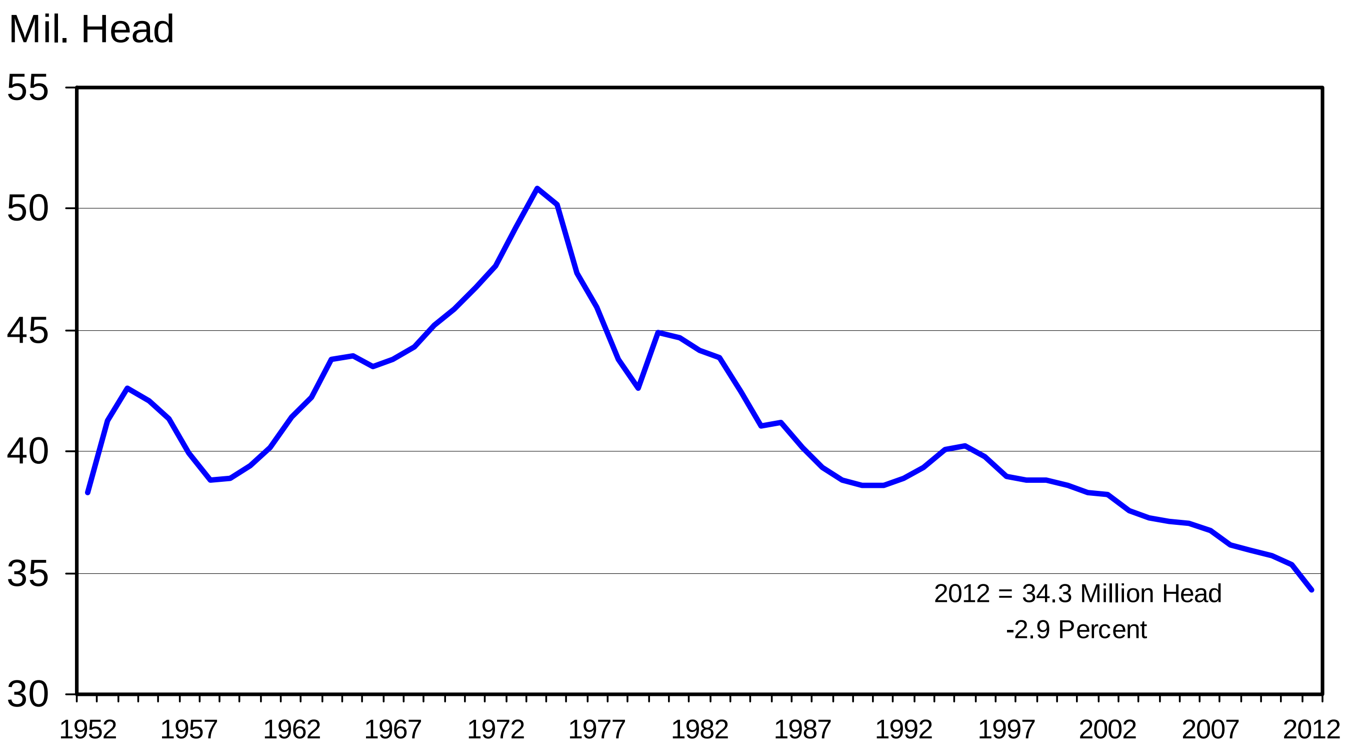
C-N-02
02/04/13

Livestock Marketing Information Center

Data Source: USDA-NASS

CALF CROP

U.S., Annual



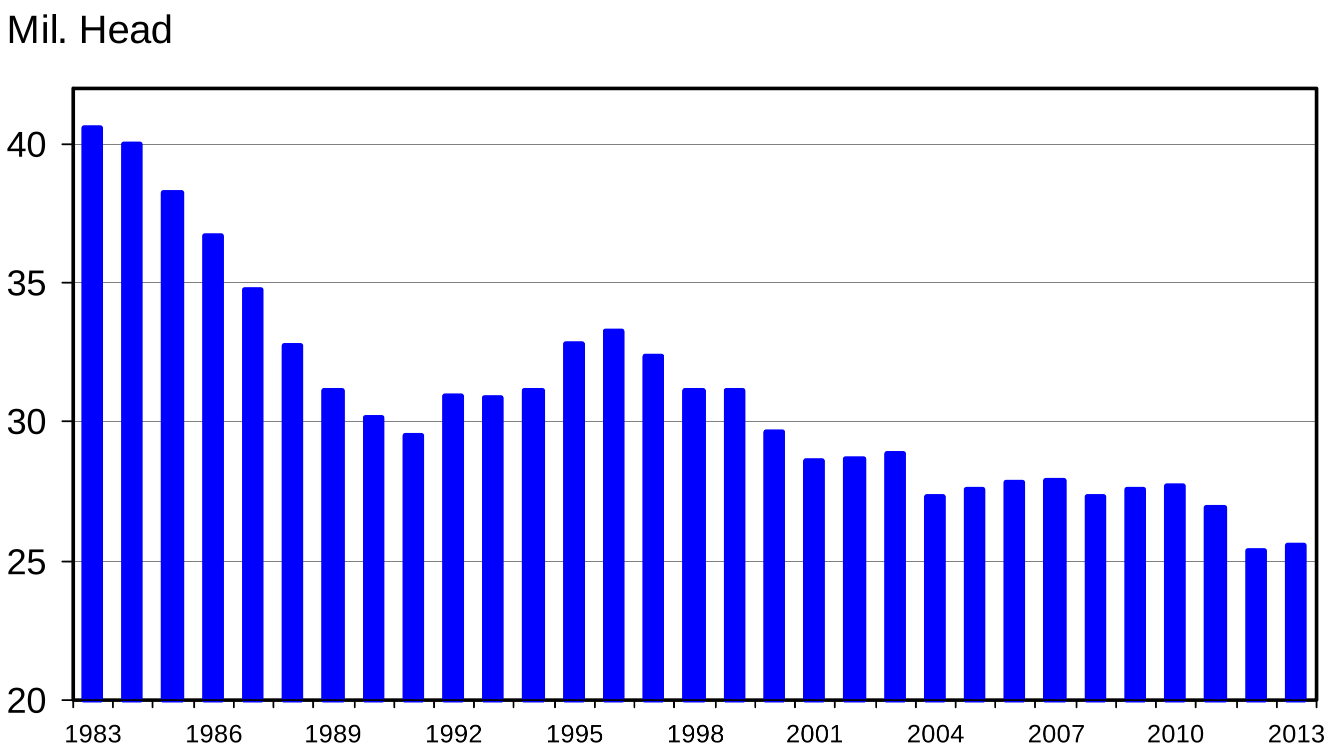
C-N-18A
02/04/13

Livestock Marketing Information Center

Data Source: USDA-NASS

JANUARY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.



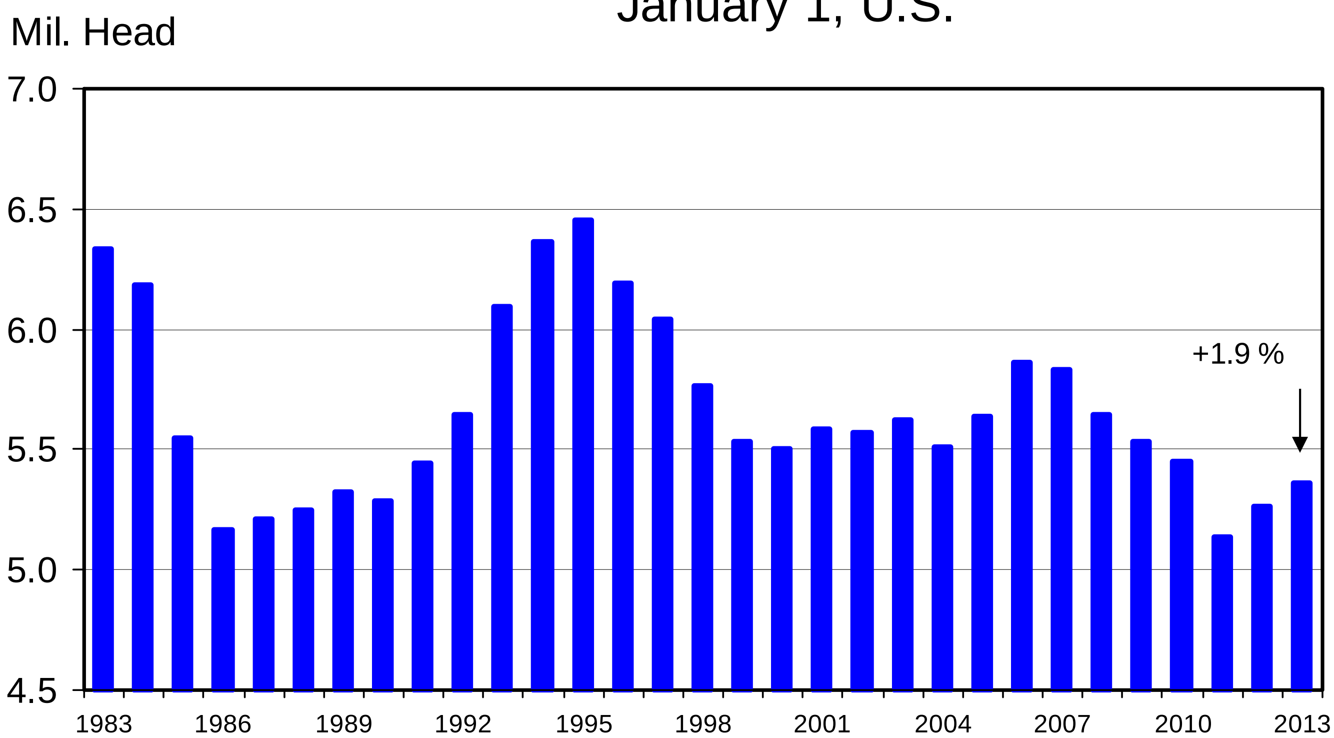
C-N-30
02/04/13

Livestock Marketing Information Center

Data Source: USDA-NASS

HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



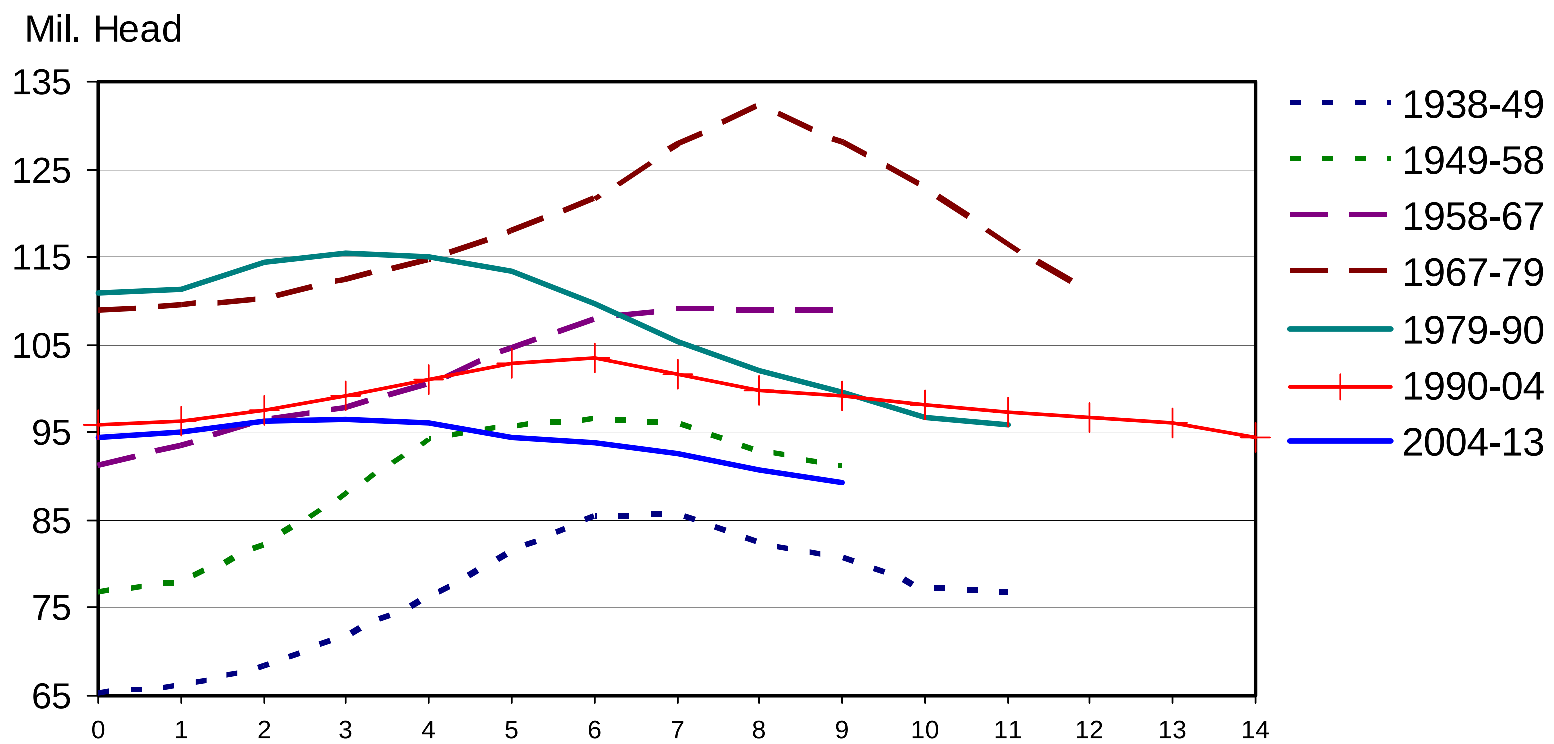
C-N-38
02/04/13

Livestock Marketing Information Center

Data Source: USDA-NASS

TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



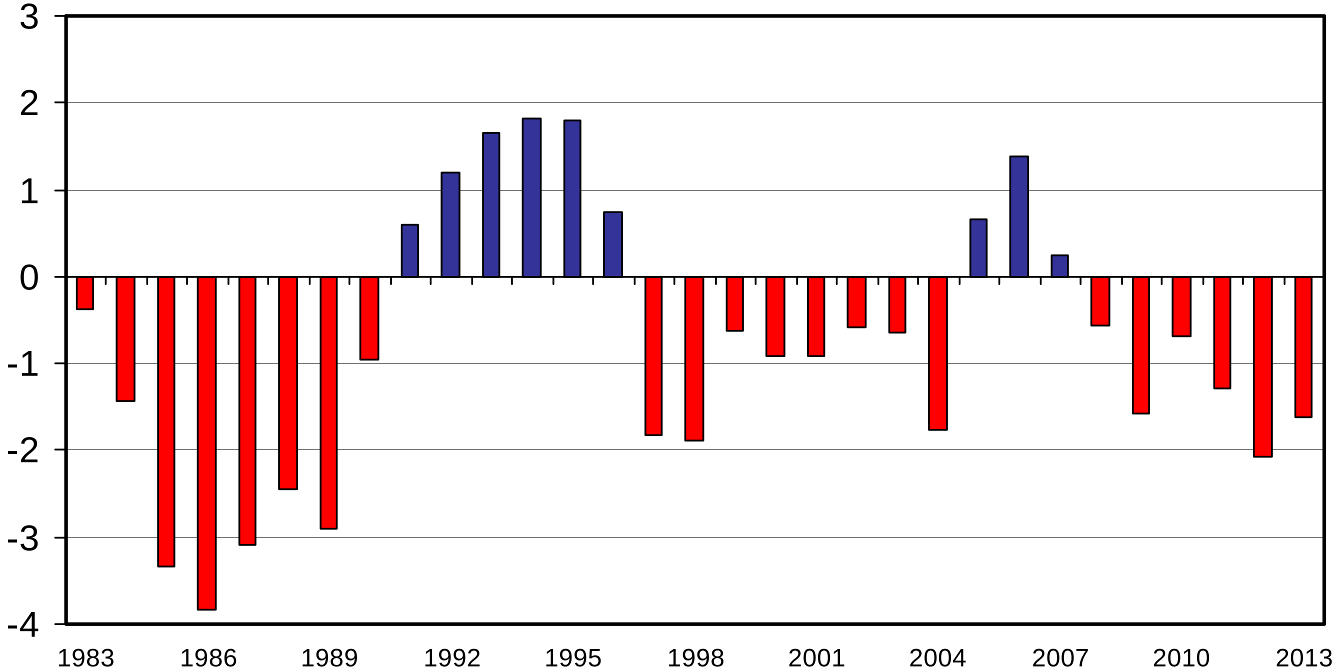
C-N-40
02/04/13

Livestock Marketing Information Center

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

PERCENT CHANGE IN CATTLE INVENTORY

U.S., January 1



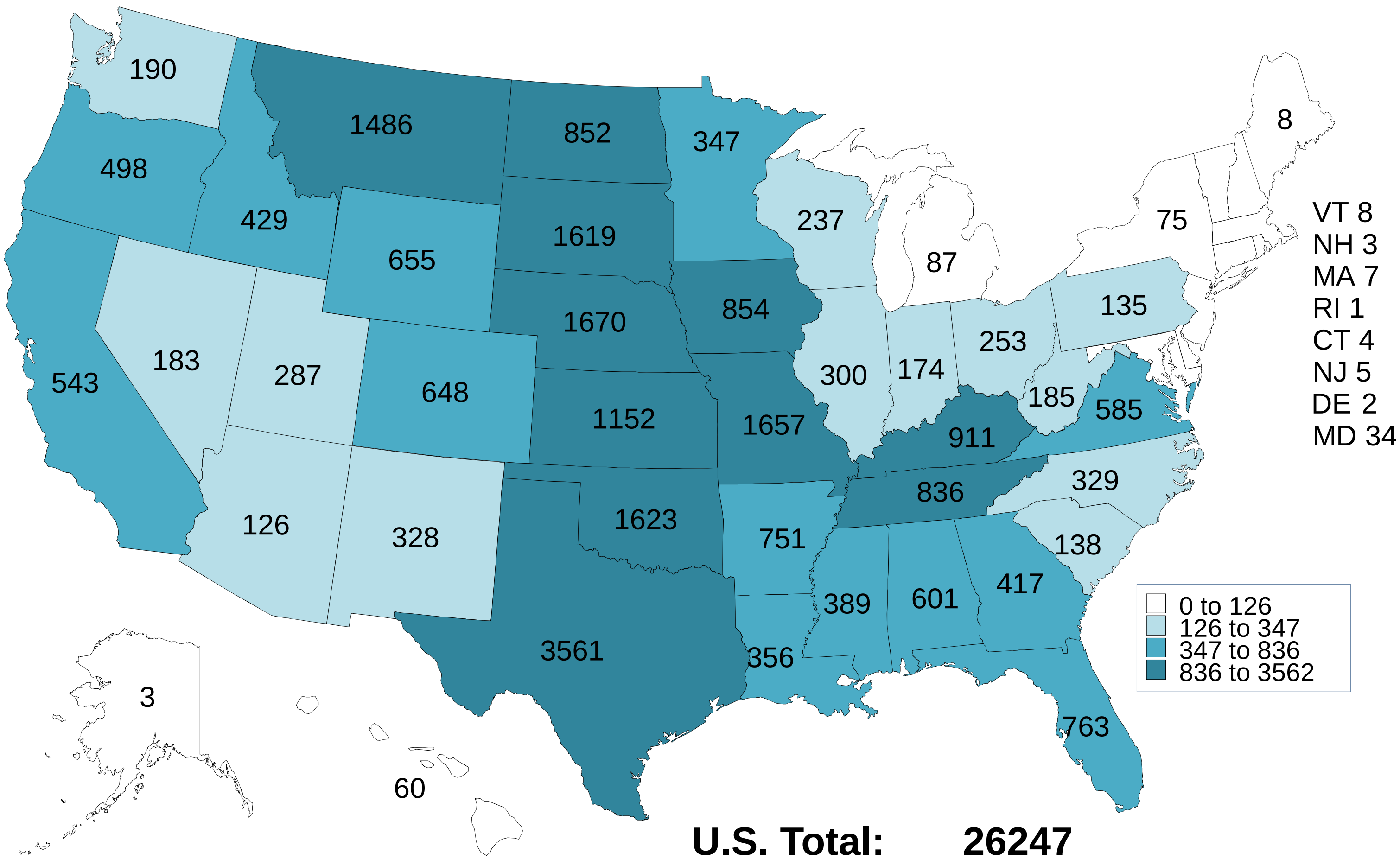
C-N-48
02/04/13

Livestock Marketing Information Center

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

CALCULATED BEEF CALF CROP 2013

(1000 Head)



U.S. Total: 26247

C-N-17
02/04/13

Livestock Marketing Information Center
Data Source: USDA-NASS

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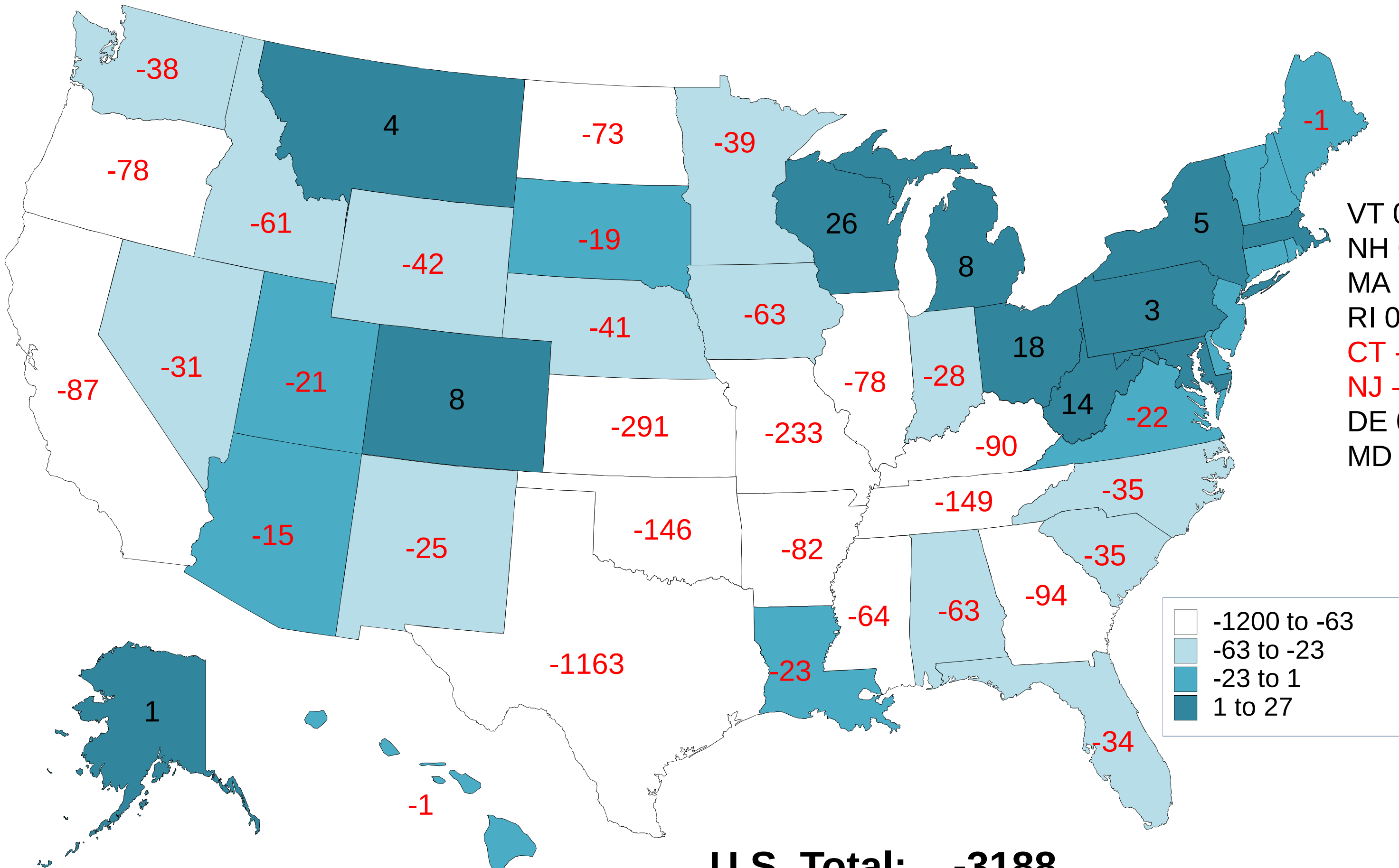
CHANGE IN BEEF CALF CROP 2003 - 2012

(1000 Head)



U.S. Total: -3188

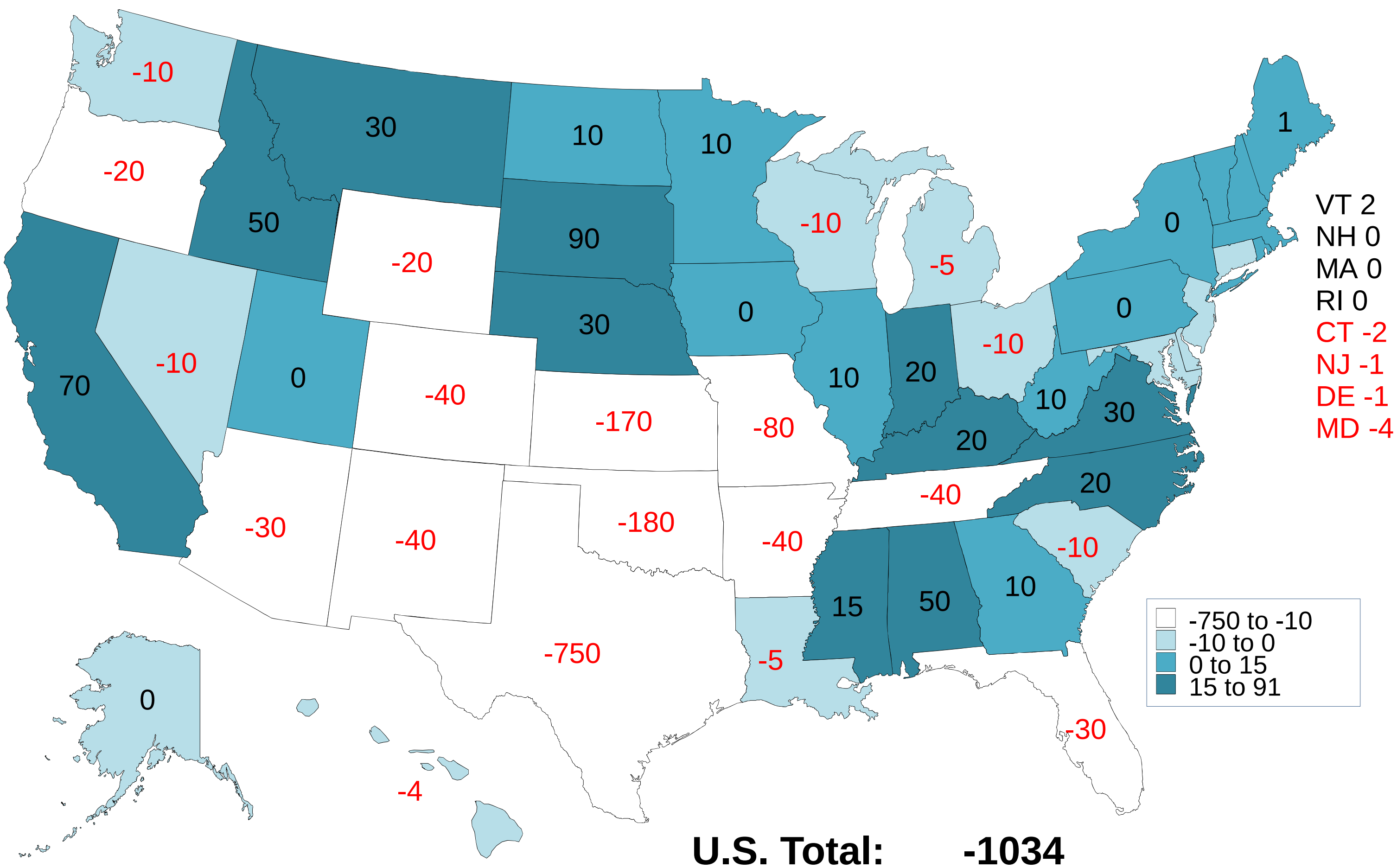
C-N-20
02/04/13

Livestock Marketing Information Center
Data Source: USDA-NASS

KANSAS STATE UNIVERSITY

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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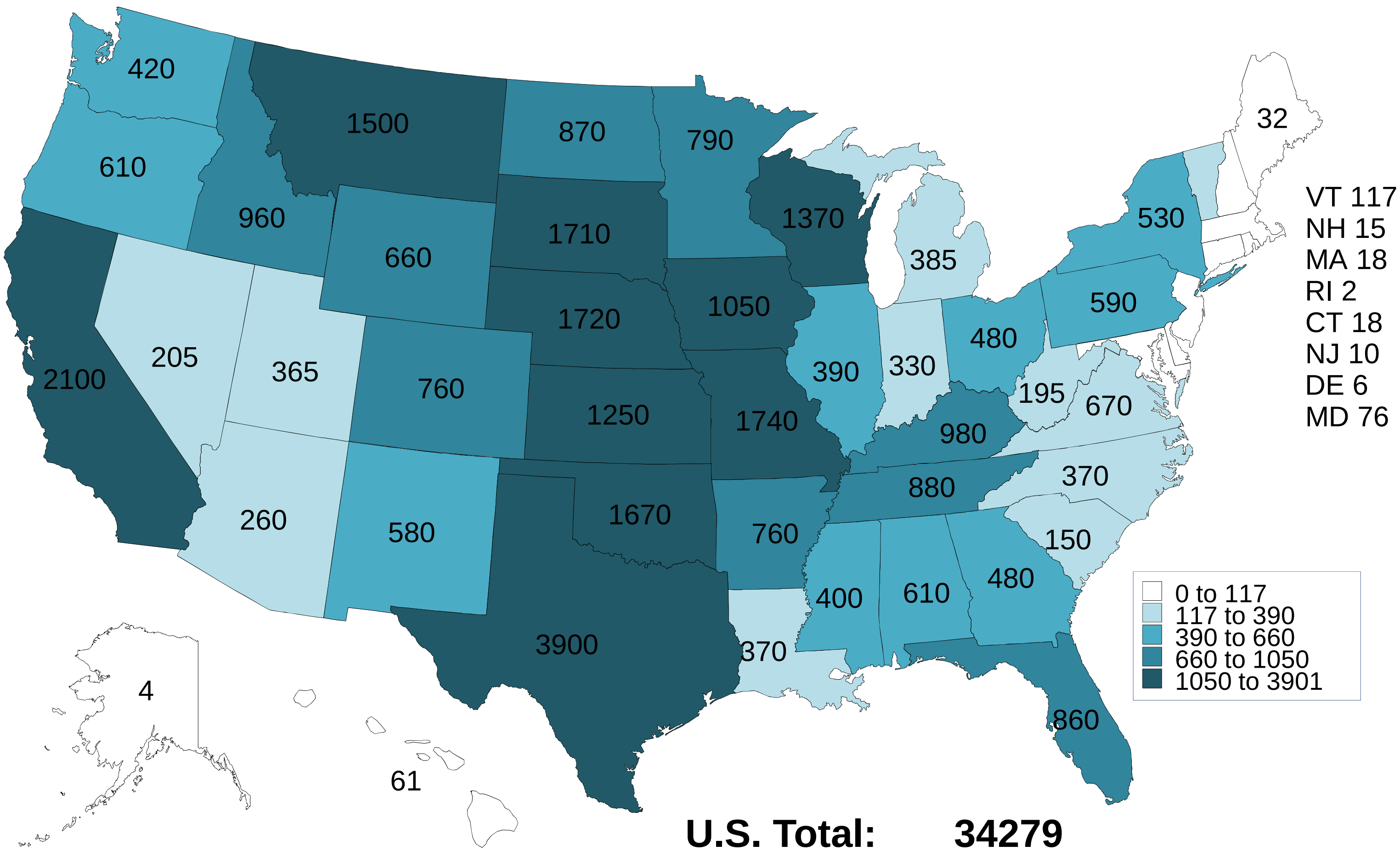
TOTAL CALF CROP 2012
(1000 Head)



U.S. Total: 34279

C-N-18
02/04/13

Livestock Marketing Information Center
Data Source: USDA-NASS

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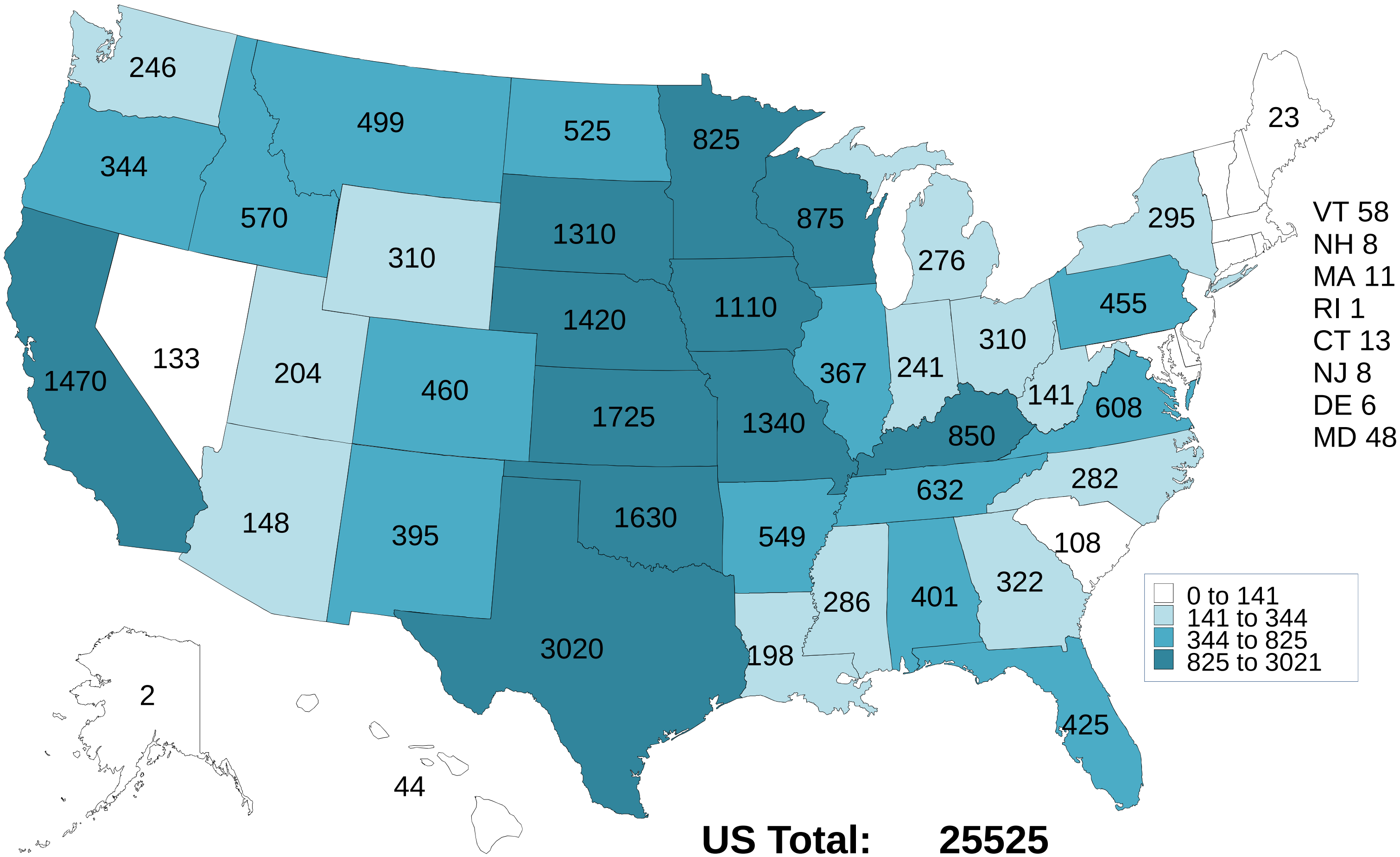
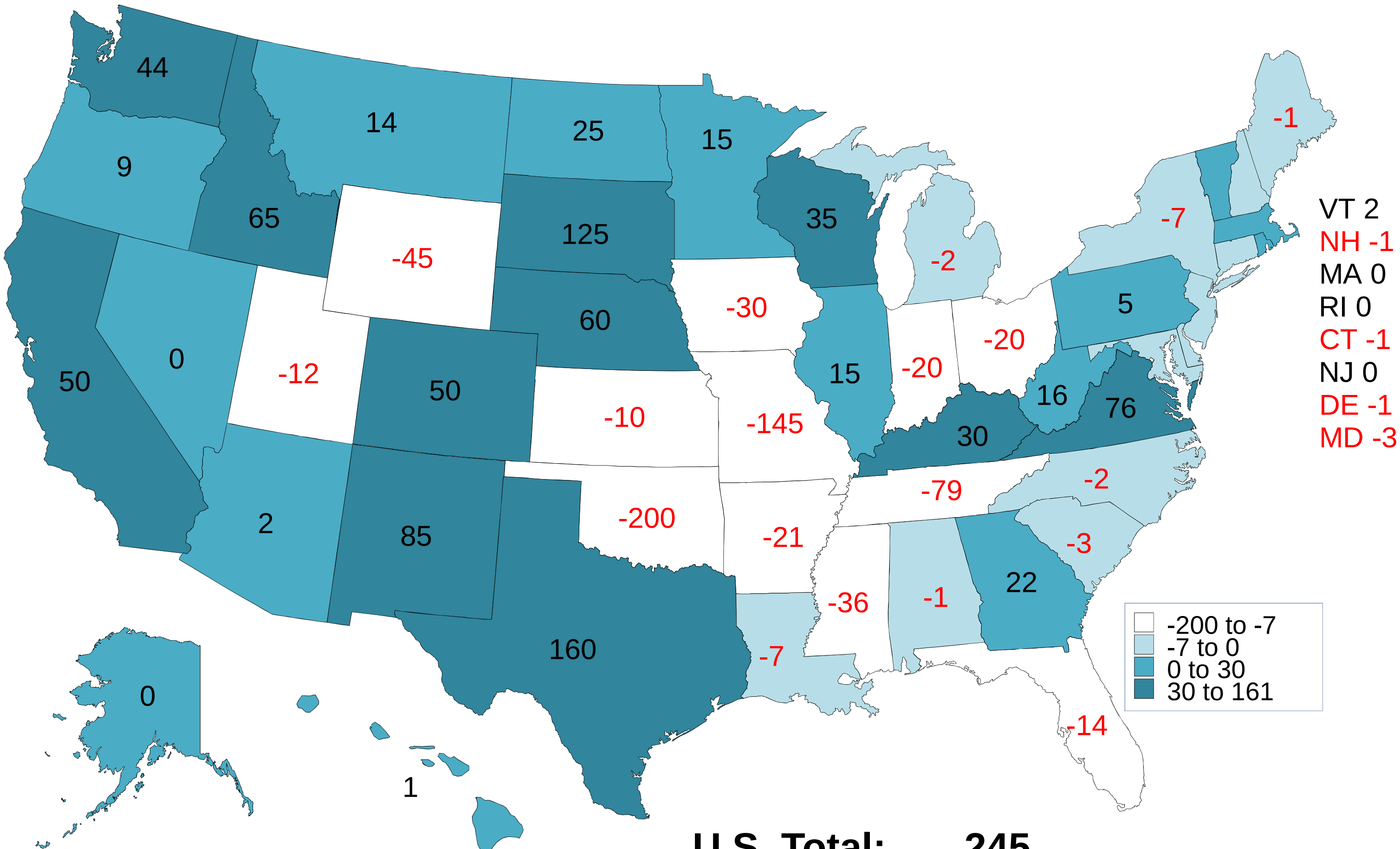
TOTAL FEEDER CATTLE SUPPLY OUTSIDE FEELOTS JANUARY 1, 2013
(1000 Head)



US Total: 25525

CHANGE IN FEEDER CATTLE SUPPLY OUTSIDE FEELOTS JANUARY 1, 2013

(1000 Head)



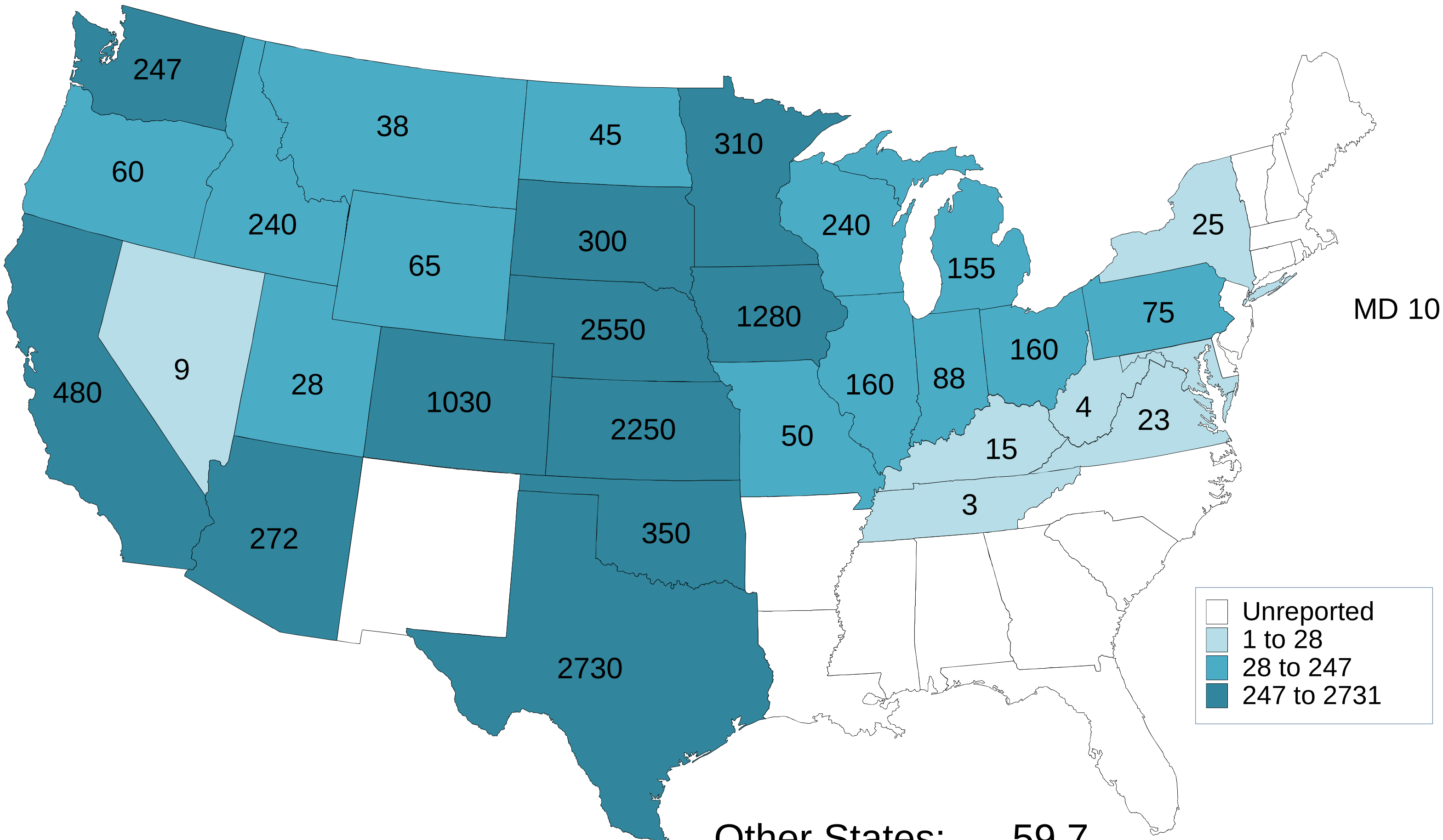
U.S. Total: 245

Livestock Marketing Information Center

Data Source: USDA-NASS

CATTLE ON FEED JANUARY 1, 2013

(1000 Head)



Other States: 59.7

U.S. Total: 13352

02/04/13

Livestock Marketing Information Center

Data Source: USDA-NASS

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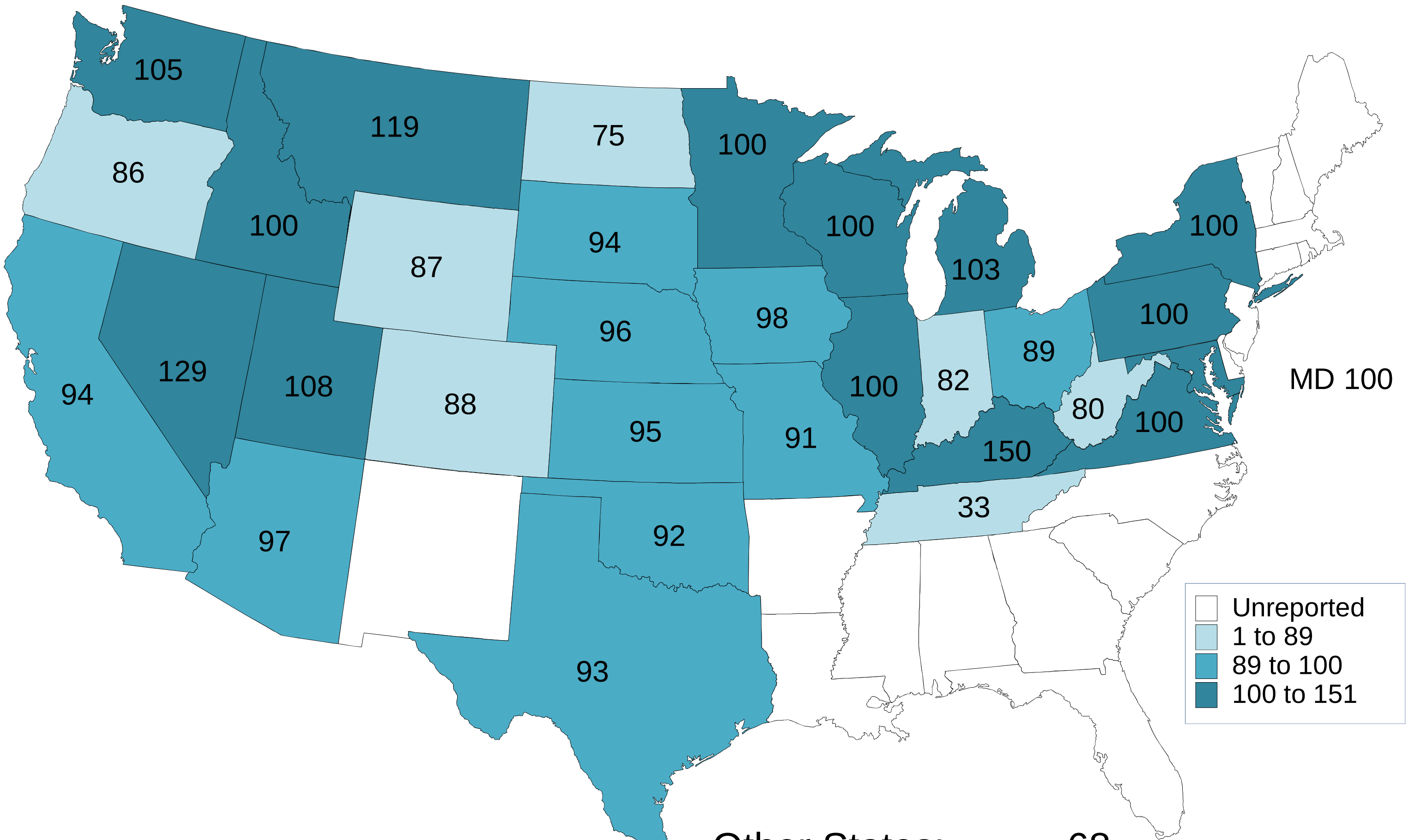
CATTLE ON FEED JANUARY 1, 2013
AS A % OF 2012



Other States: 68

U.S. Total: 95

Livestock Marketing Information Center
Data Source: USDA-NASS

02/04/13

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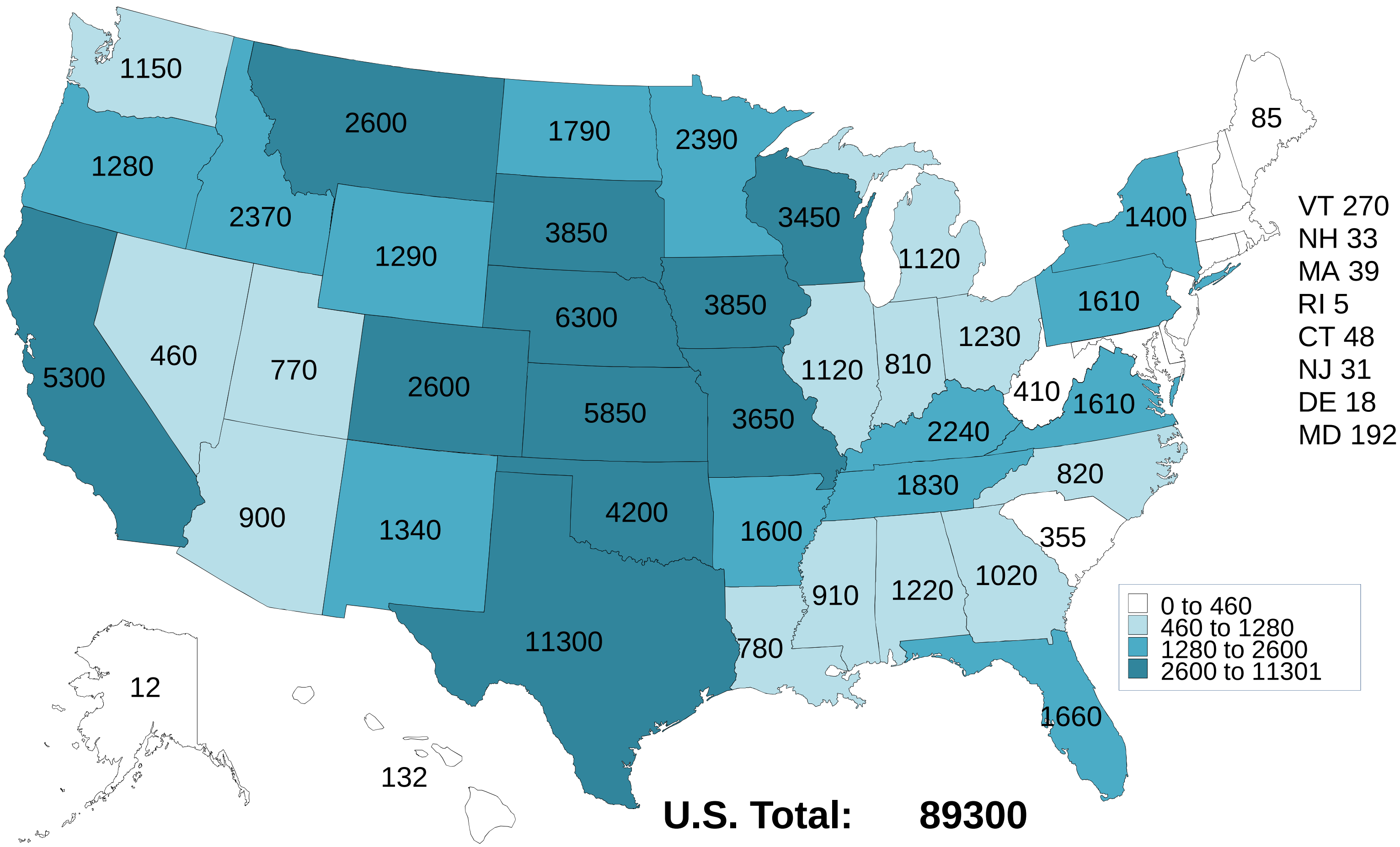
TOTAL CATTLE NUMBERS JANUARY 1, 2013

(1000 Head)



U.S. Total: 89300

Livestock Marketing Information Center

Data Source: USDA-NASS

02/04/13

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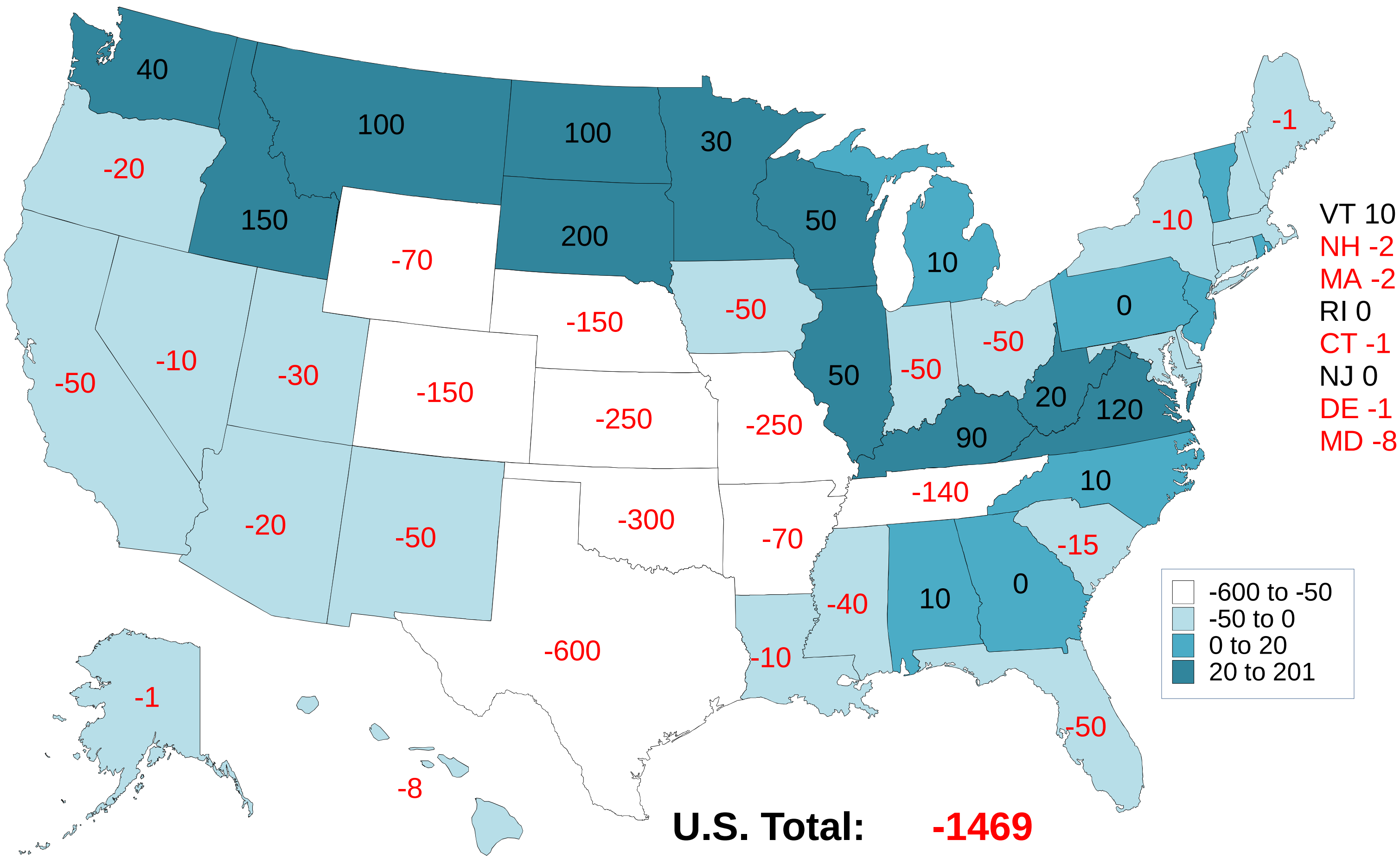
CHANGE IN TOTAL CATTLE NUMBERS 2012 - 2013

(1000 Head)



Livestock Marketing Information Center

Data Source: USDA-NASS

02/04/13

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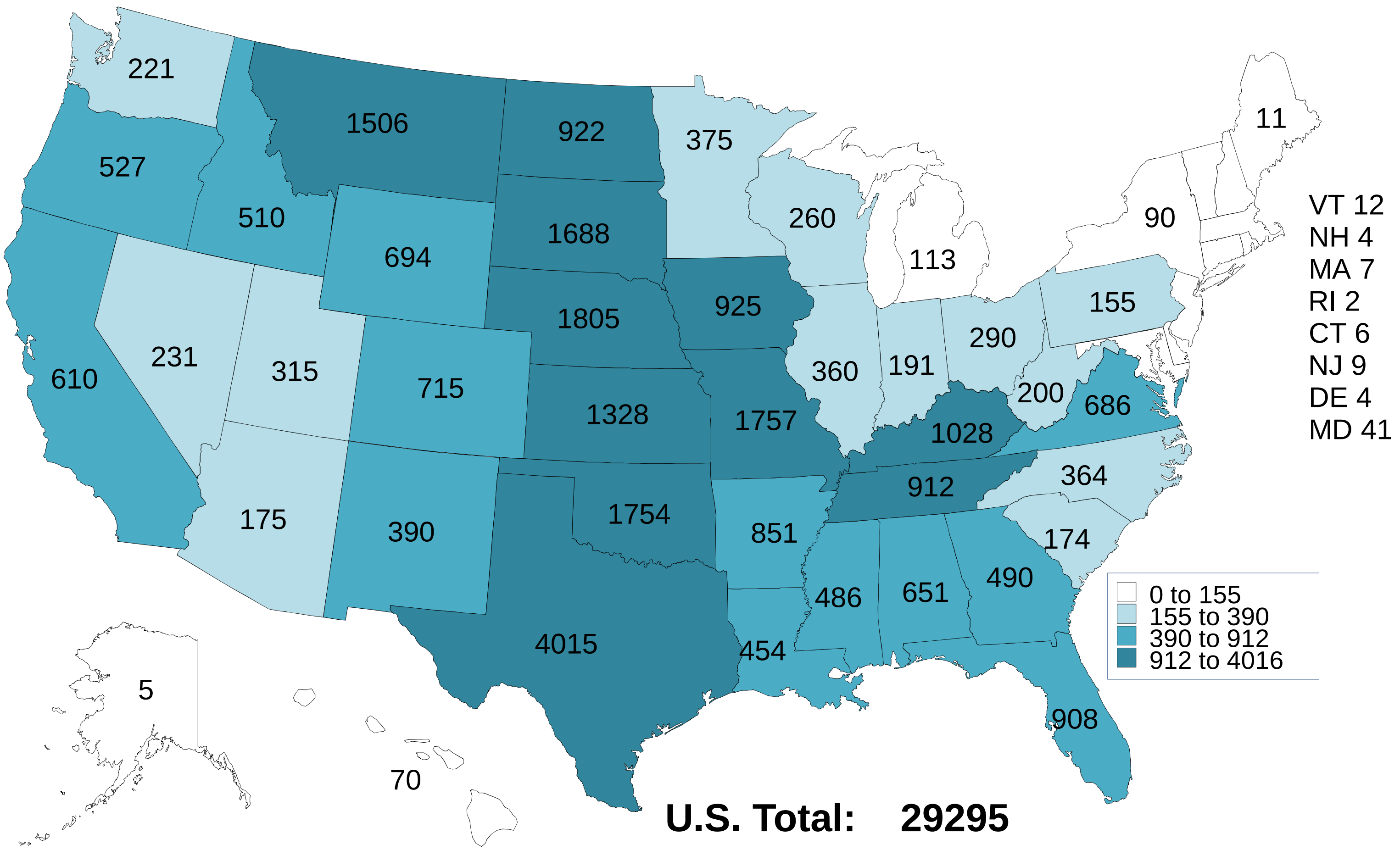
BEEF COWS THAT CALVED
JANUARY 1, 2013
(1000 Head)



U.S. Total: 29295

02/04/13

Livestock Marketing Information Center
Data Source: USDA-NASS

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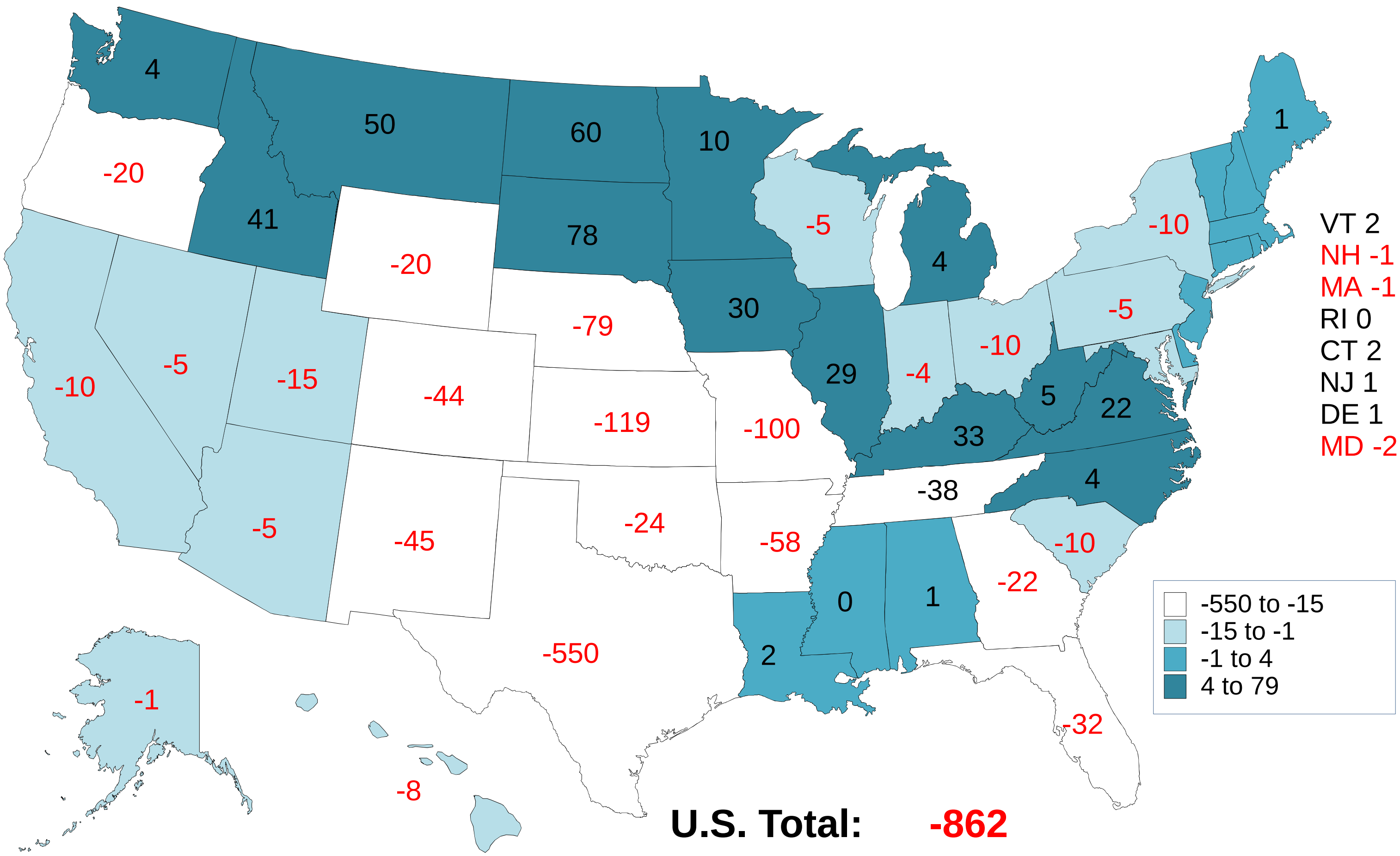
CHANGE IN BEEF COWS NUMBERS
JANUARY 1, 2012 TO JANUARY 2013
(1000 Head)

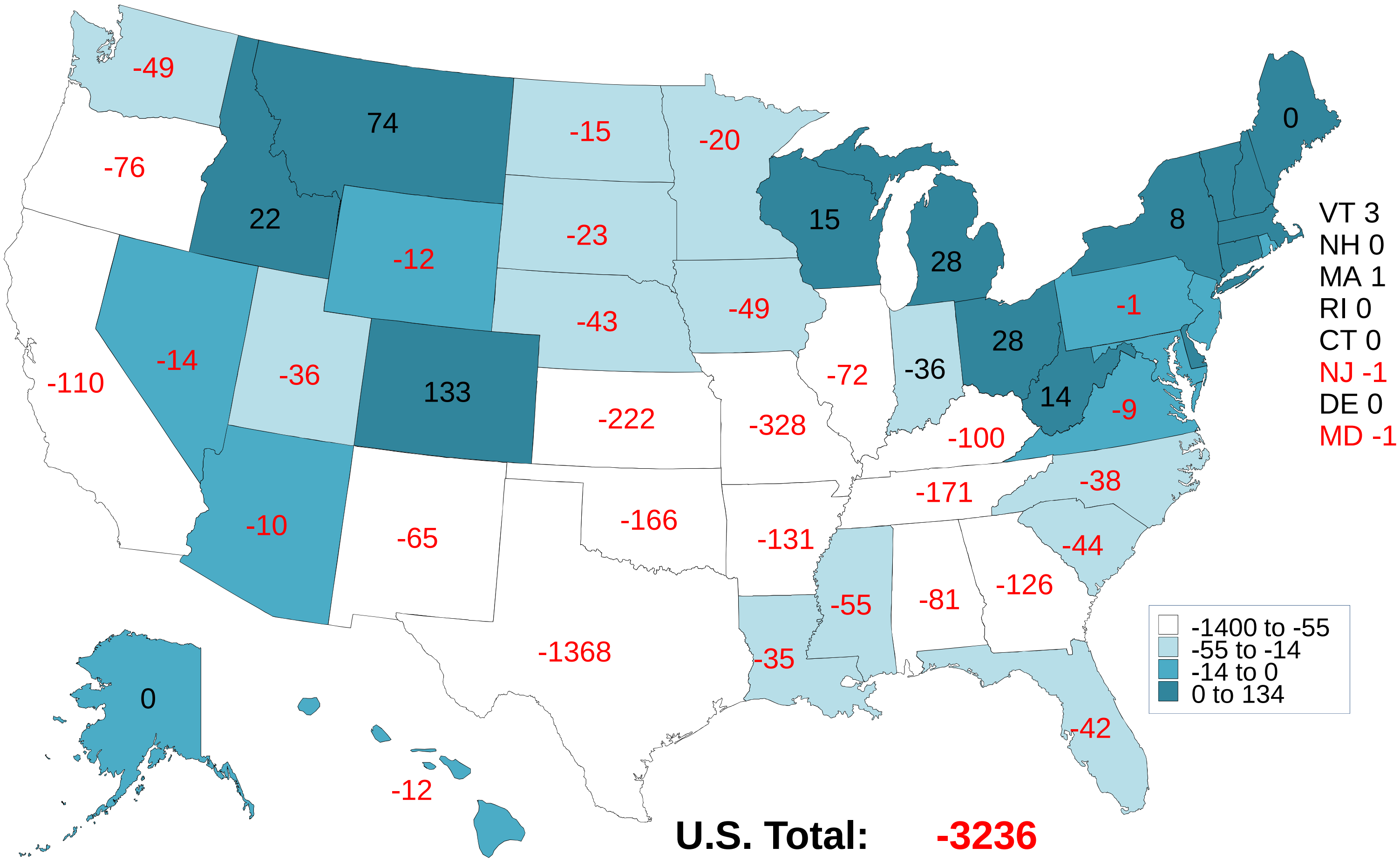


U.S. Total: -862

02/04/13

Livestock Marketing Information Center
Data Source: USDA-NASS

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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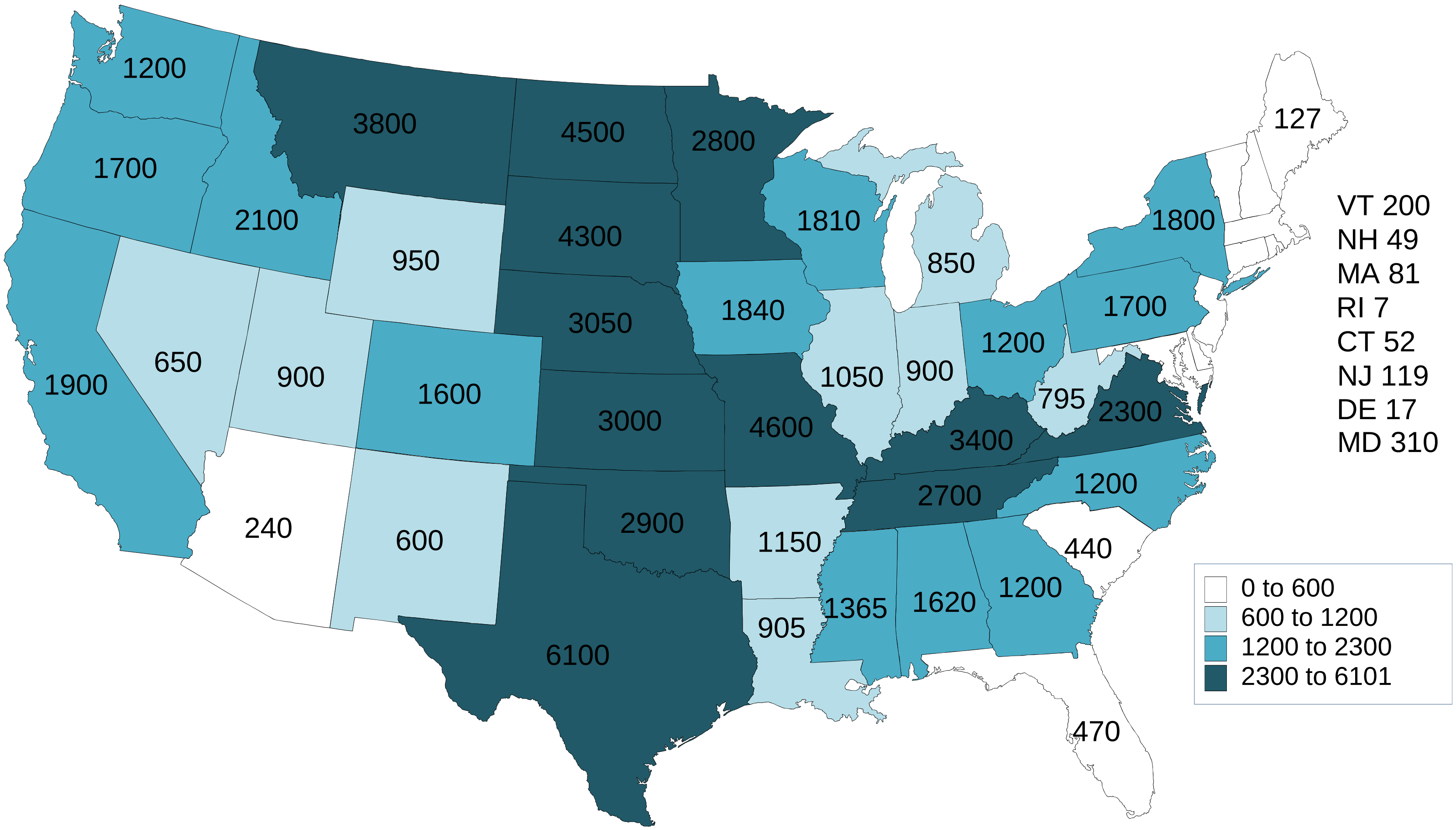
2012 DECEMBER 1 HAY STOCKS

(1000 Tons)



Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013

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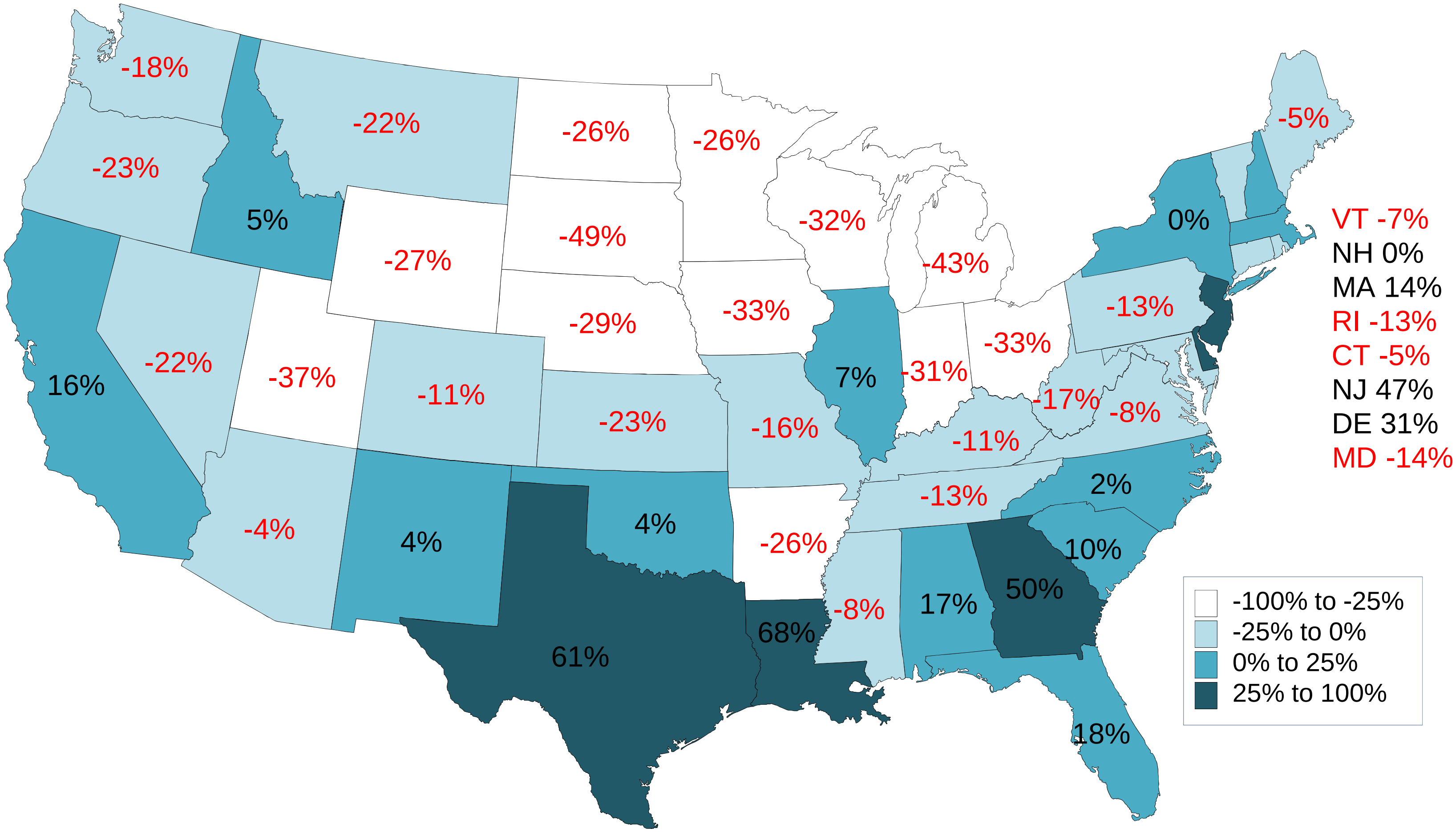
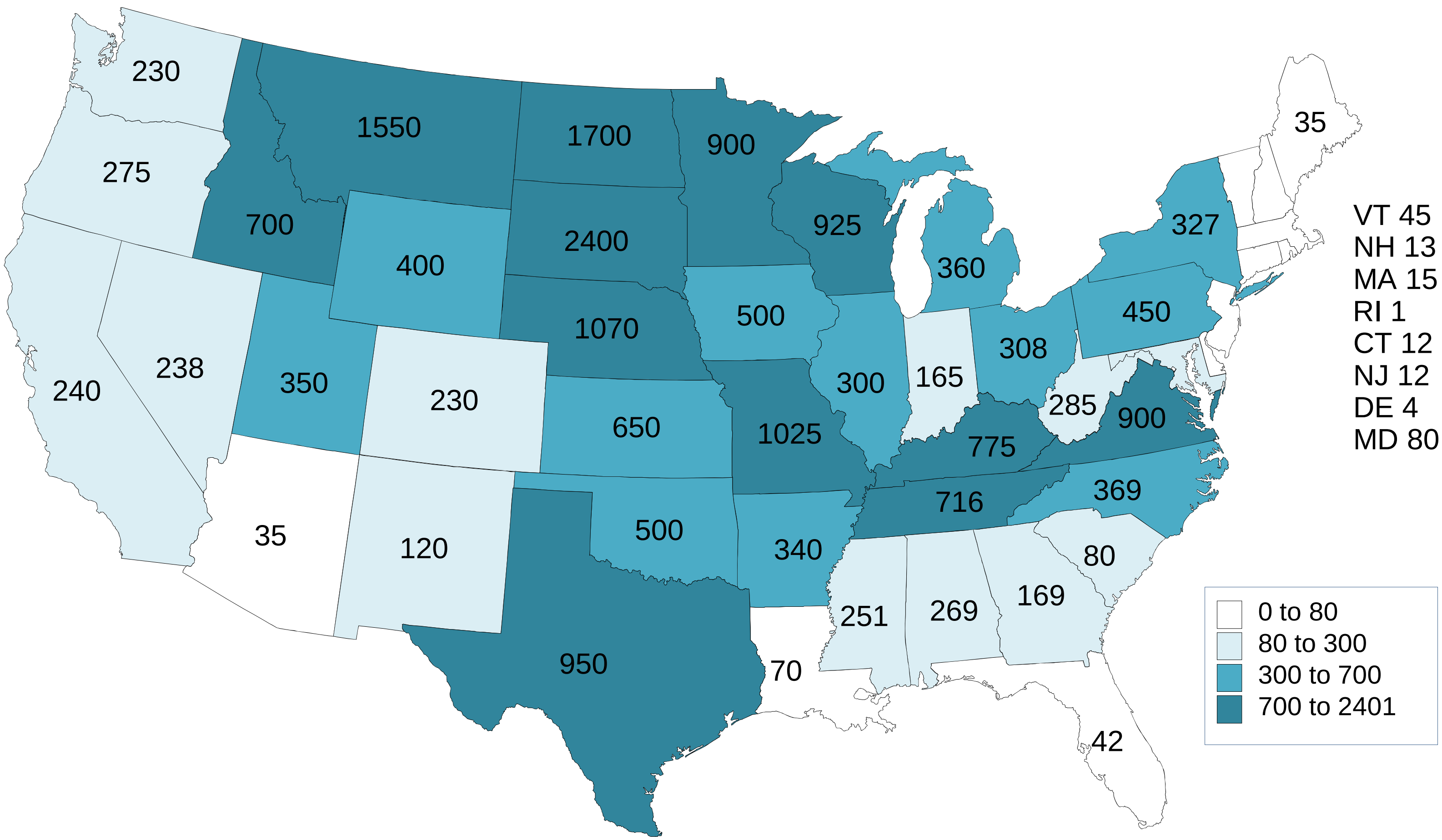
PERCENT CHANGE DECEMBER 1 HAY STOCKS
(2012-2011)



Livestock Marketing Information Center
Data Source: USDA-NASS

1/15/2013

2012 MAY 1 HAY STOCKS
(1000 Tons)



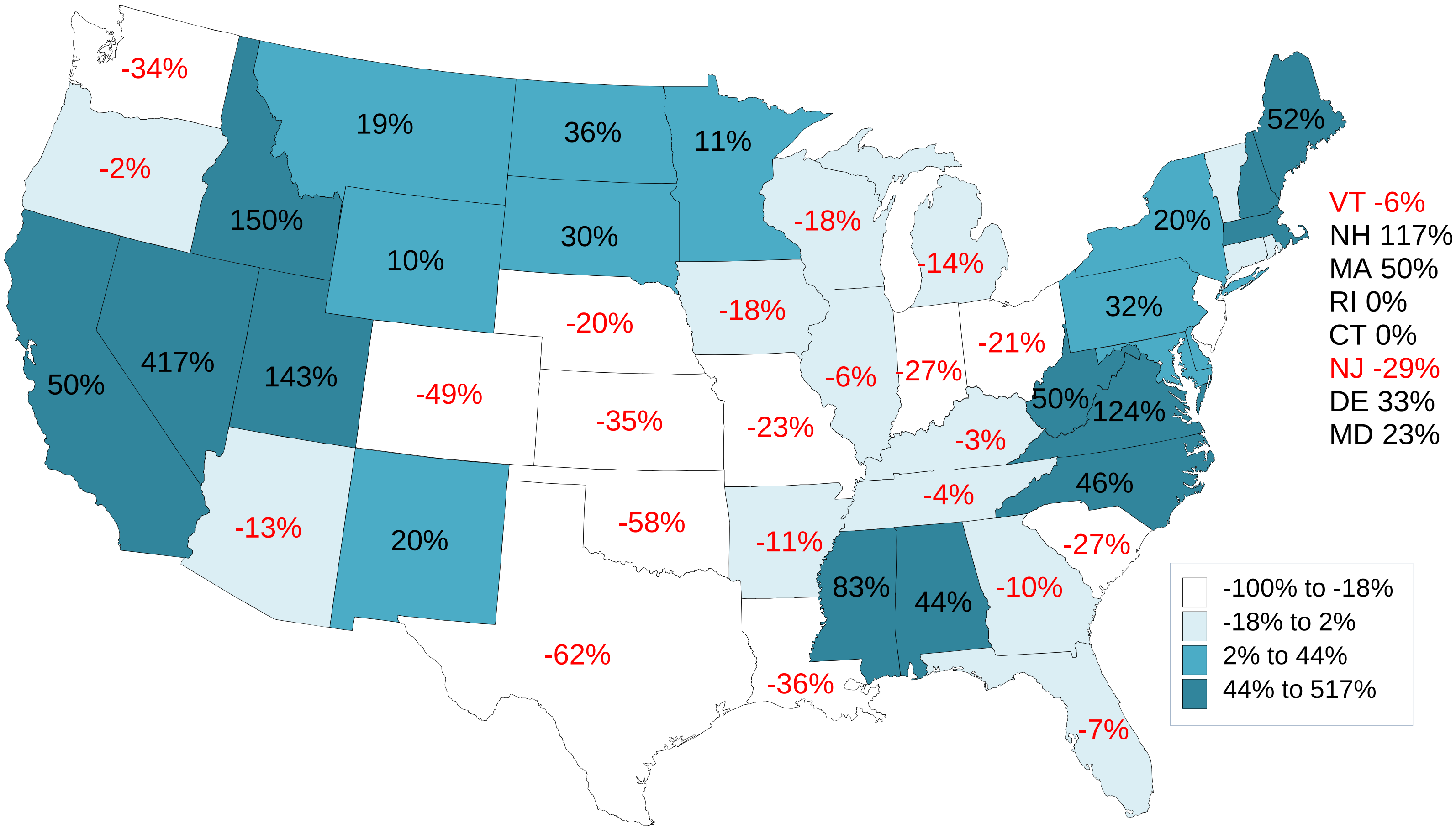
Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013

KANSAS STATE UNIVERSITY

PERCENT CHANGE MAY 1 HAY STOCKS
(2012-2011)



Livestock Marketing Information Center

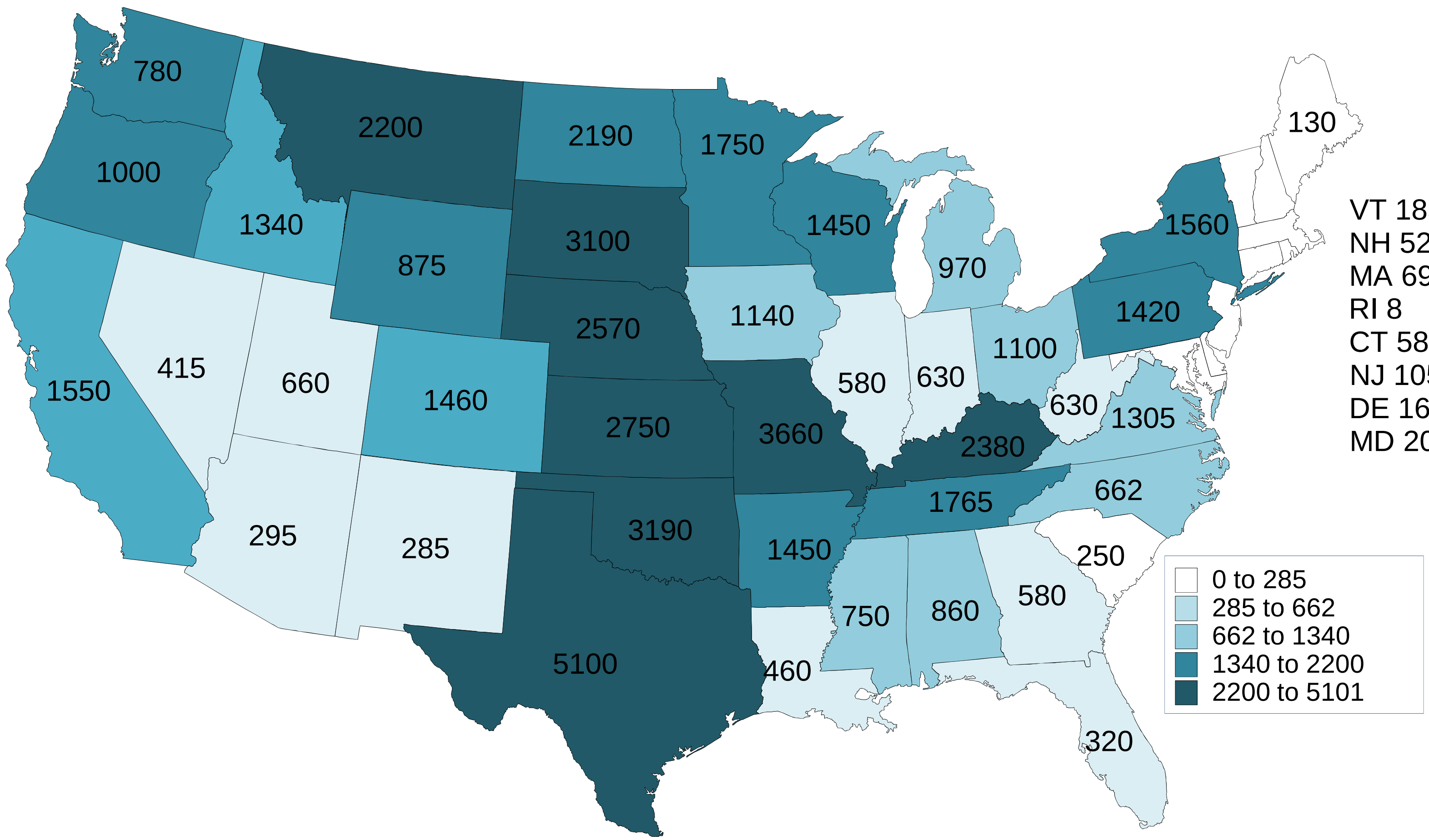
Data Source: USDA-NASS

1/15/2013

KANSAS STATE UNIVERSITY

2012 ALL HAY ACRES

(1000 Acres)



Livestock Marketing Information Center

Data Source: USDA-NASS

1/15/2013

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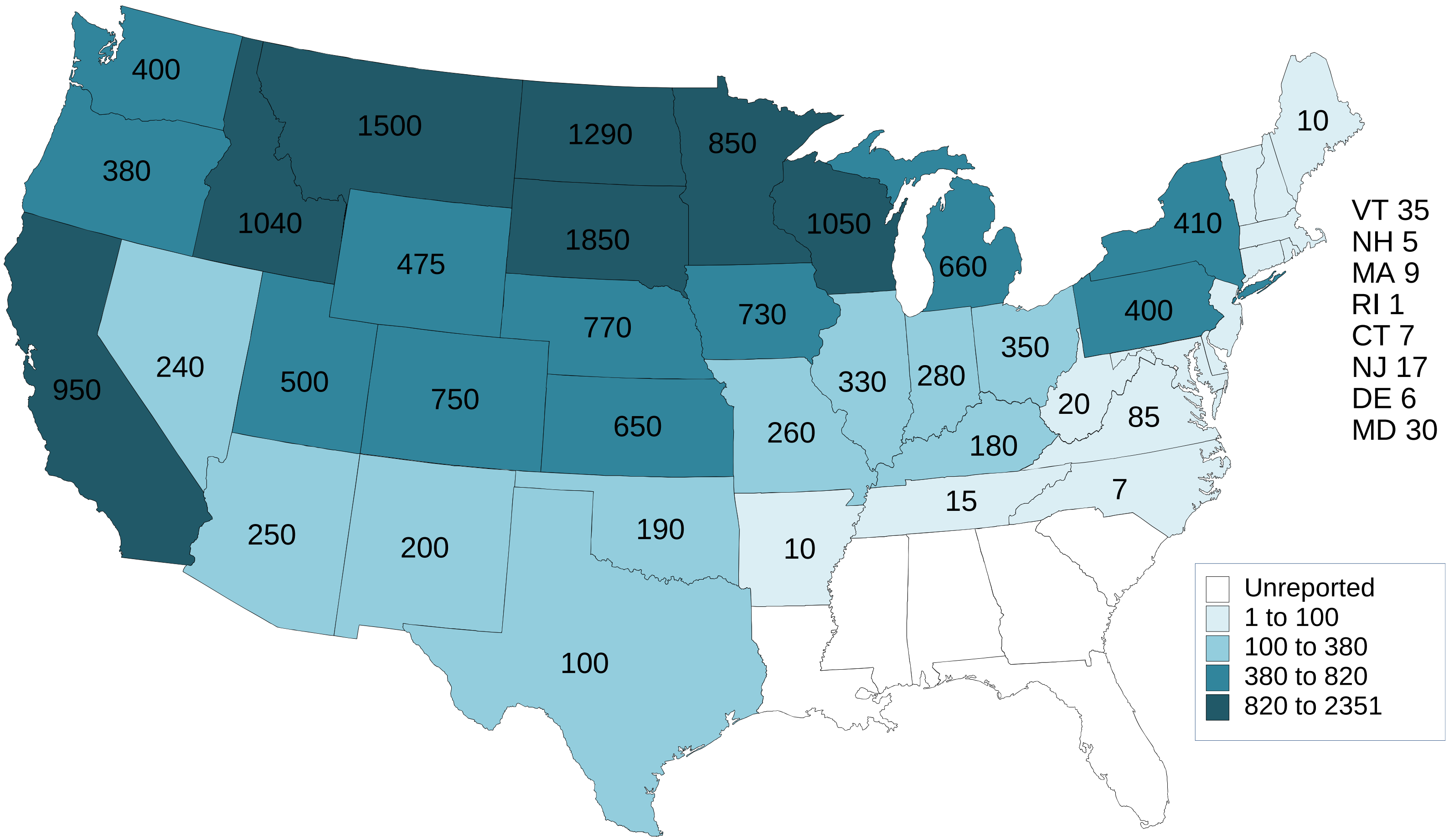
2012 ALFALFA HAY ACRES
(1000 Acres)



Livestock Marketing Information Center
Data Source: USDA-NASS

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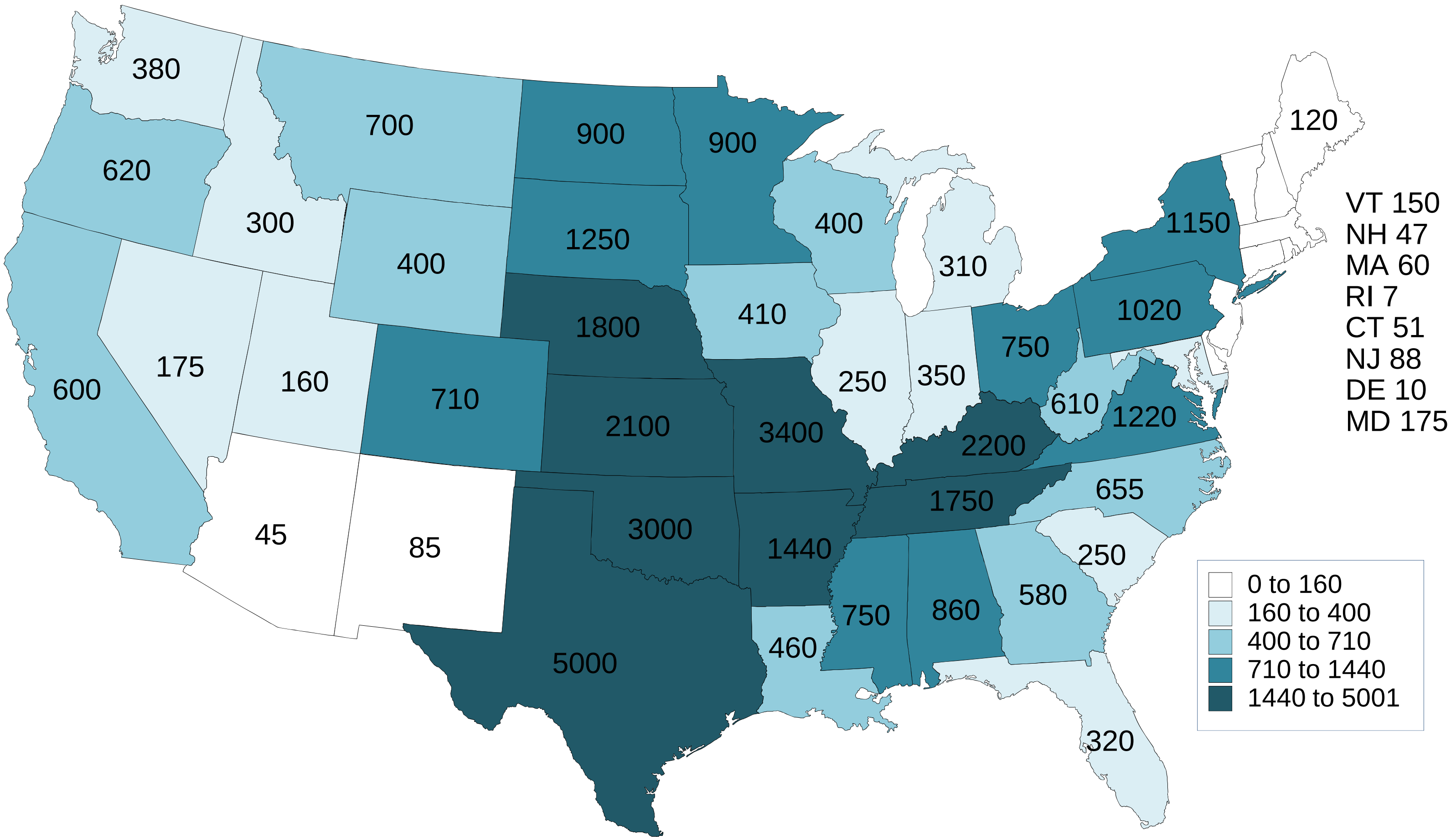
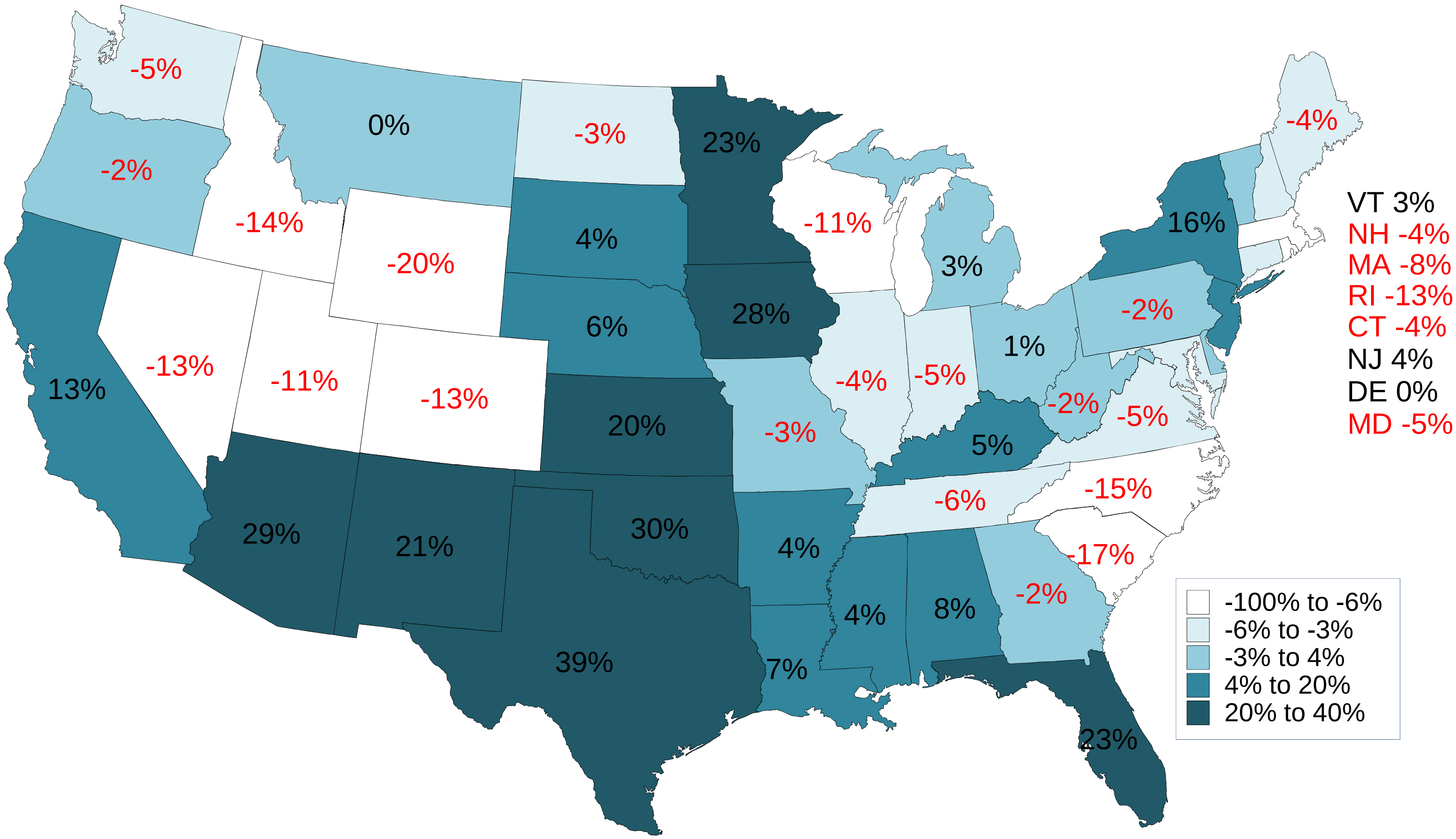
2012 OTHER HAY ACRES
(1000 Acres)



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

1/15/2013

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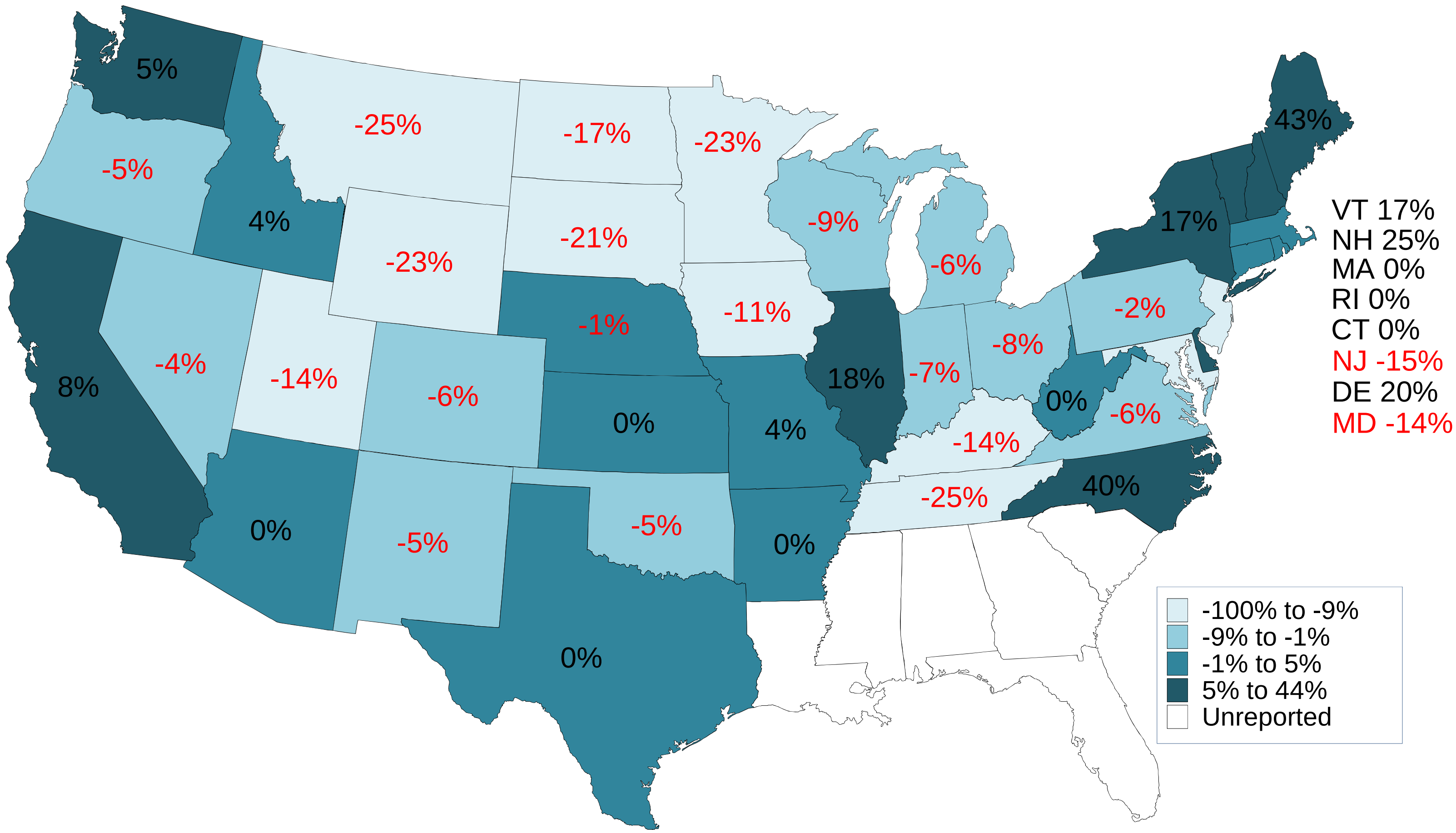
PERCENT CHANGE ALFALFA HAY ACRES
(2012-2011)

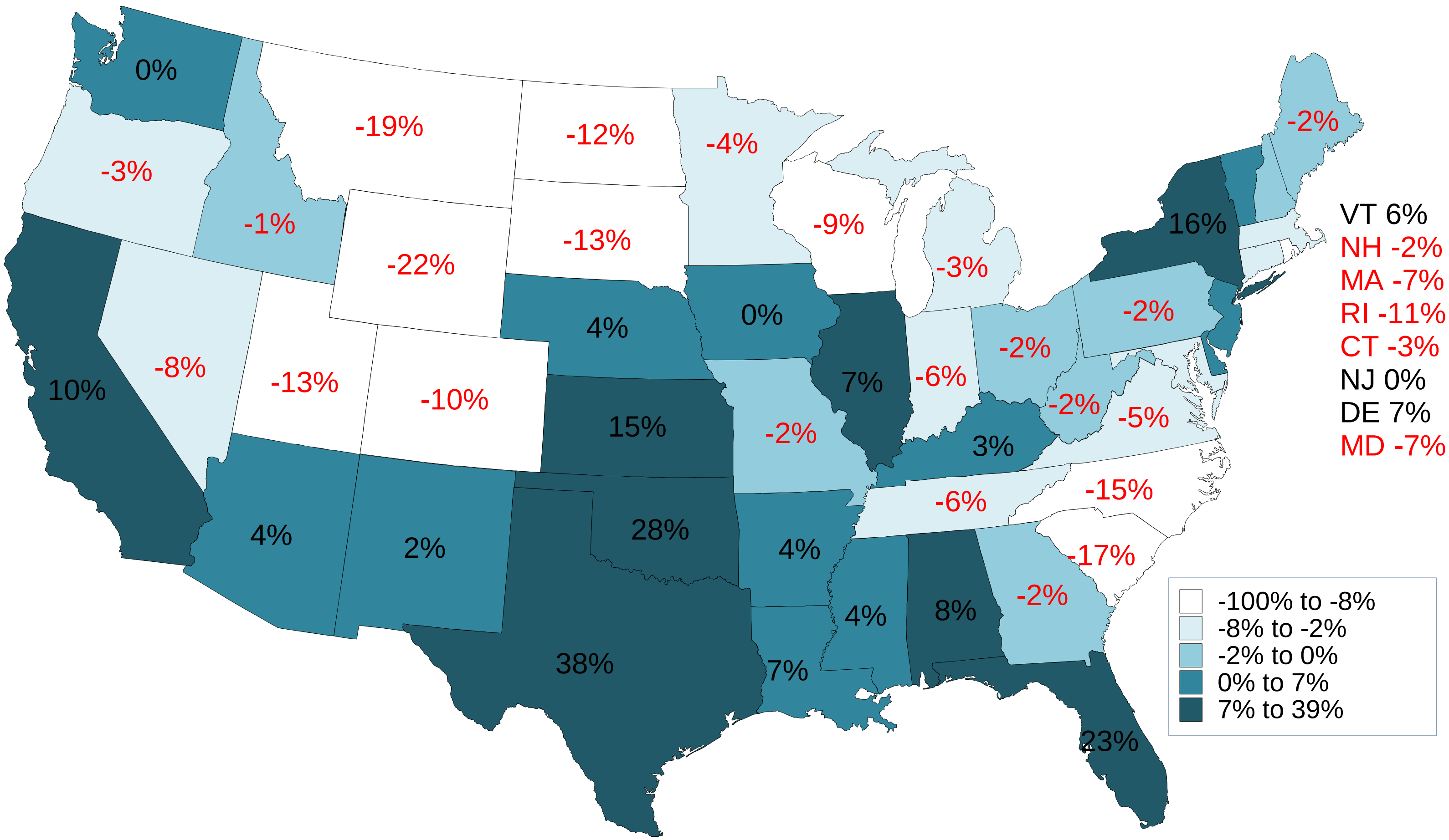


Livestock Marketing Information Center

1/15/2013

Data Source: USDA-NASS

PERCENT CHANGE ALL HAY ACRES
(2012-2011)



Livestock Marketing Information Center
Data Source: USDA-NASS

1/15/2013

KANSAS STATE UNIVERSITY

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.

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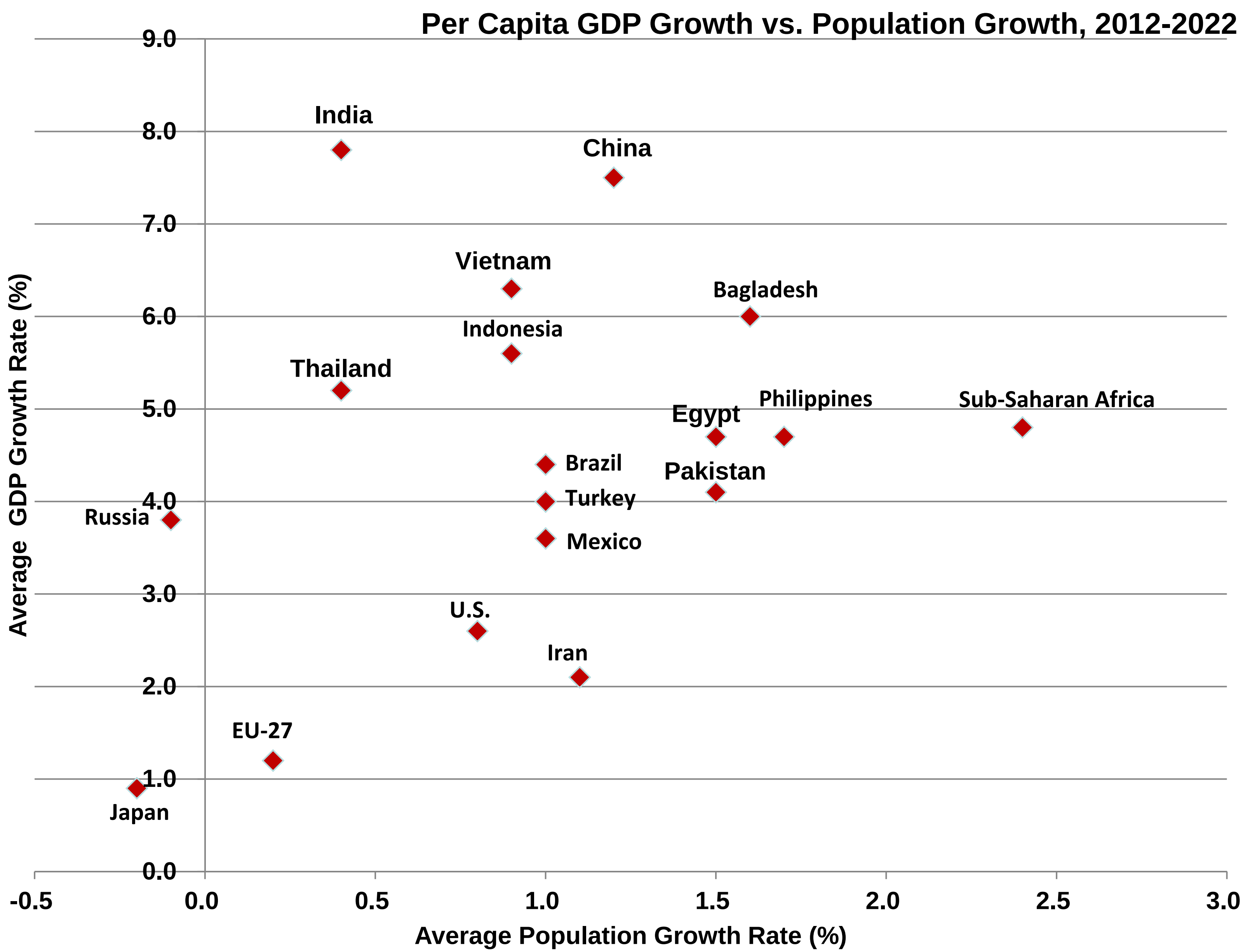
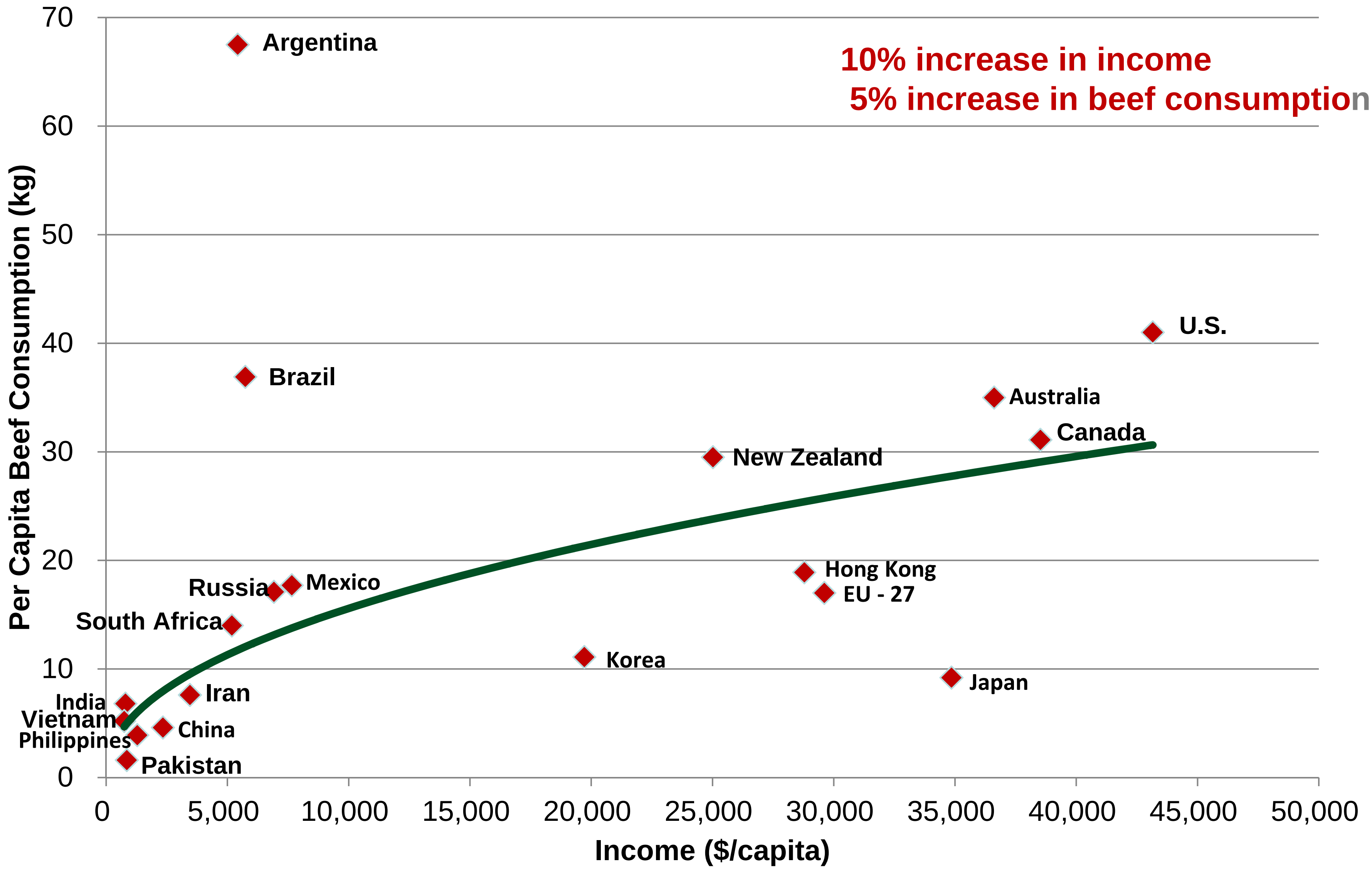
Hong Kong
Vietnam
Malaysia
Unt Arab Em.
Saudi Ar
Philippines
Qatar
Indonesia
Singapore


Per Capita GDP Growth vs. Population Growth, 2012-2022
Average GDP Growth Rate (%)
Average Population Growth Rate (%)
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
-0.5
0.0
0.5
1.0
1.5
2.0
2.5
3.0
India
China
Vietnam
Bagladesh
Indonesia
Thailand
Egypt
Philippines
Sub-Saharan Africa
Brazil
Pakistan
Turkey
Russia
Mexico
U.S.
Iran
EU-27
Japan

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

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?

<u>Next 12-18 months</u>

- **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?

<u>Next 10 years +</u>

- **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**