

30,000' Level Summary of Beef-Cattle Market Outlook and Herd Expansion

***K-State Winter Ranch Management Seminar Series
January 2015***

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Overarching Beef Industry Economic Outlook

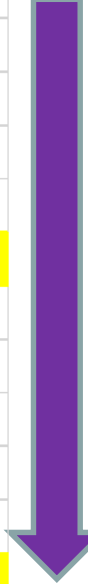
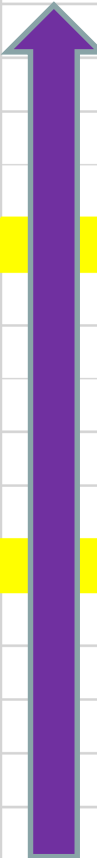
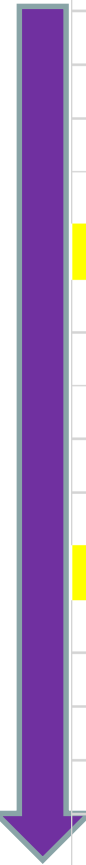
- Supplies
 - Continued pull down, both in # of head & beef lbs
 - Mixed herd expansion signals; GT thinks underway...
- Demand
 - Confusing yet positive: Q3.2014 continued trend
 - Far less certain (and understood) than supply situation...
- Combined:
 - “Historic” price levels, excitement, & uncertainty...



LMIC Beef Production and Price Quarterly Forecasts (12/31/14)

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

Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2014						
I	7,375	-5.2	795.7	0.3	5,868	-5.0
II	7,836	-5.9	789.0	0.9	6,183	-5.1
III	7,630	-8.3	809.6	1.9	6,178	-6.5
IV	7,328	-8.8	821.4	2.8	6,019	-6.3
Year	30,169	-7.1	803.7	1.4	24,248	-5.7
2015						
I	7,142	-3.2	816.9	2.7	5,834	-0.6
II	7,614	-2.8	806.5	2.2	6,141	-0.7
III	7,488	-1.9	820.1	1.3	6,141	-0.6
IV	7,291	-0.5	822.2	0.1	5,995	-0.4
Year	29,535	-2.1	816.4	1.6	24,111	-0.6
2016						
I	7,159	0.2	821.5	0.6	5,881	0.8
II	7,348	-3.5	812.1	0.7	5,967	-2.8
III	7,652	2.2	827.8	0.9	6,334	3.1
IV	7,343	0.7	827.3	0.6	6,075	1.3
Year	29,502	-0.1	822.2	0.7	24,257	0.6



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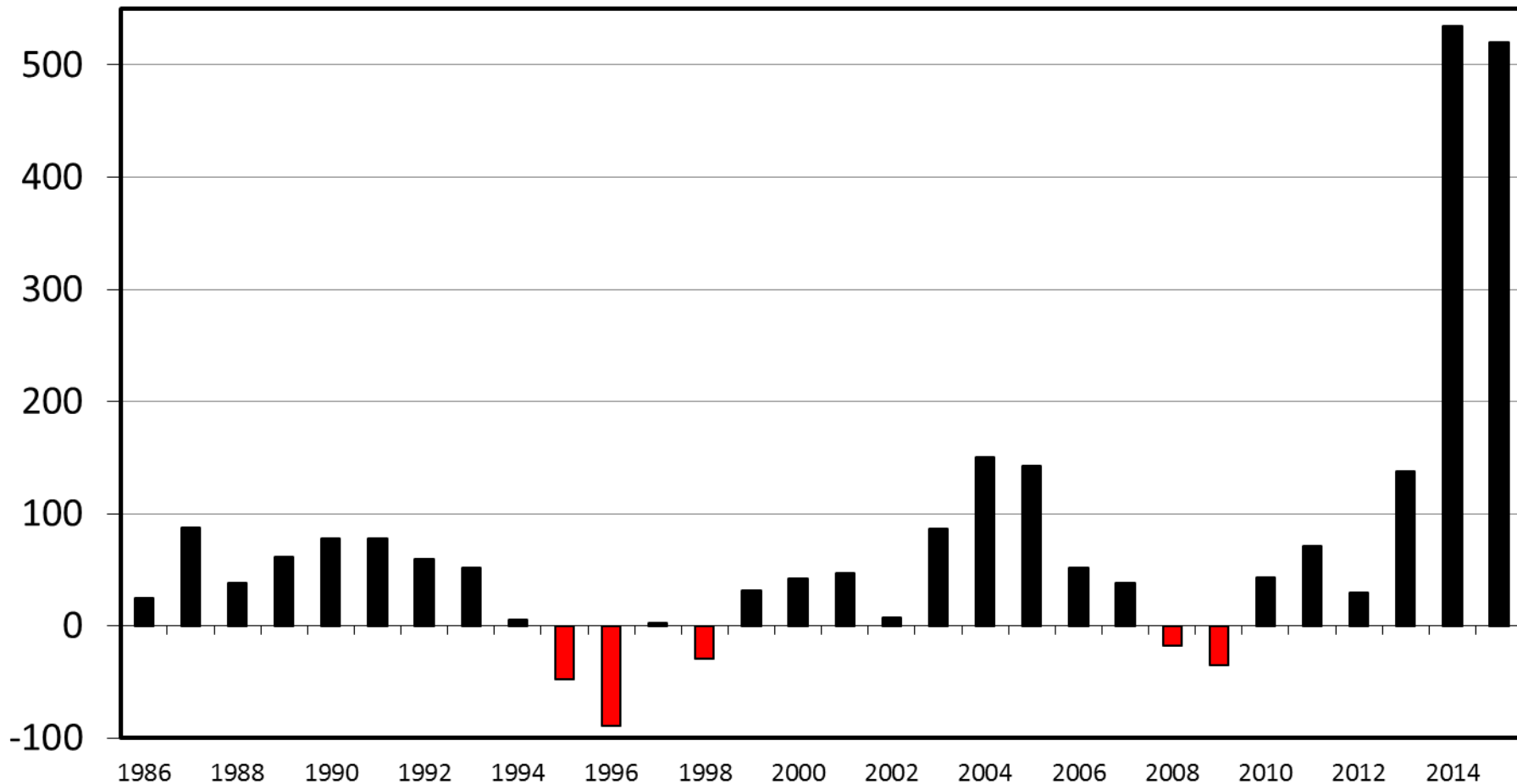
Year Quarter	Live Sltr.	% Chg.	Feeder Steer Price	
	Steer Price	from	Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
2014				
I	146.34	16.6	171.77	209.30
II	147.82	18.3	193.16	227.67
III	158.49	29.6	225.93	263.14
IV	165.45	26.5	239.81	285.63
Year	154.52	22.7	207.67	246.44
2015				
I	162-165	11.7	226-230	276-282
II	163-167	11.6	228-234	280-287
III	159-164	1.9	226-233	273-282
IV	160-166	-1.5	222-230	266-275
Year	161-165	5.5	226-231	274-281
2016				
I	161-168	0.6	221-230	270-283
II	162-170	0.6	224-233	274-287
III	158-167	0.6	221-232	268-282
IV	158-168	0.0	216-228	261-276
Year	161-167	0.6	222-229	270-280

Historically high 2014-2015 cow-calf return projections...

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



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

Livestock Marketing Information Center

C-P-66
12/15/14

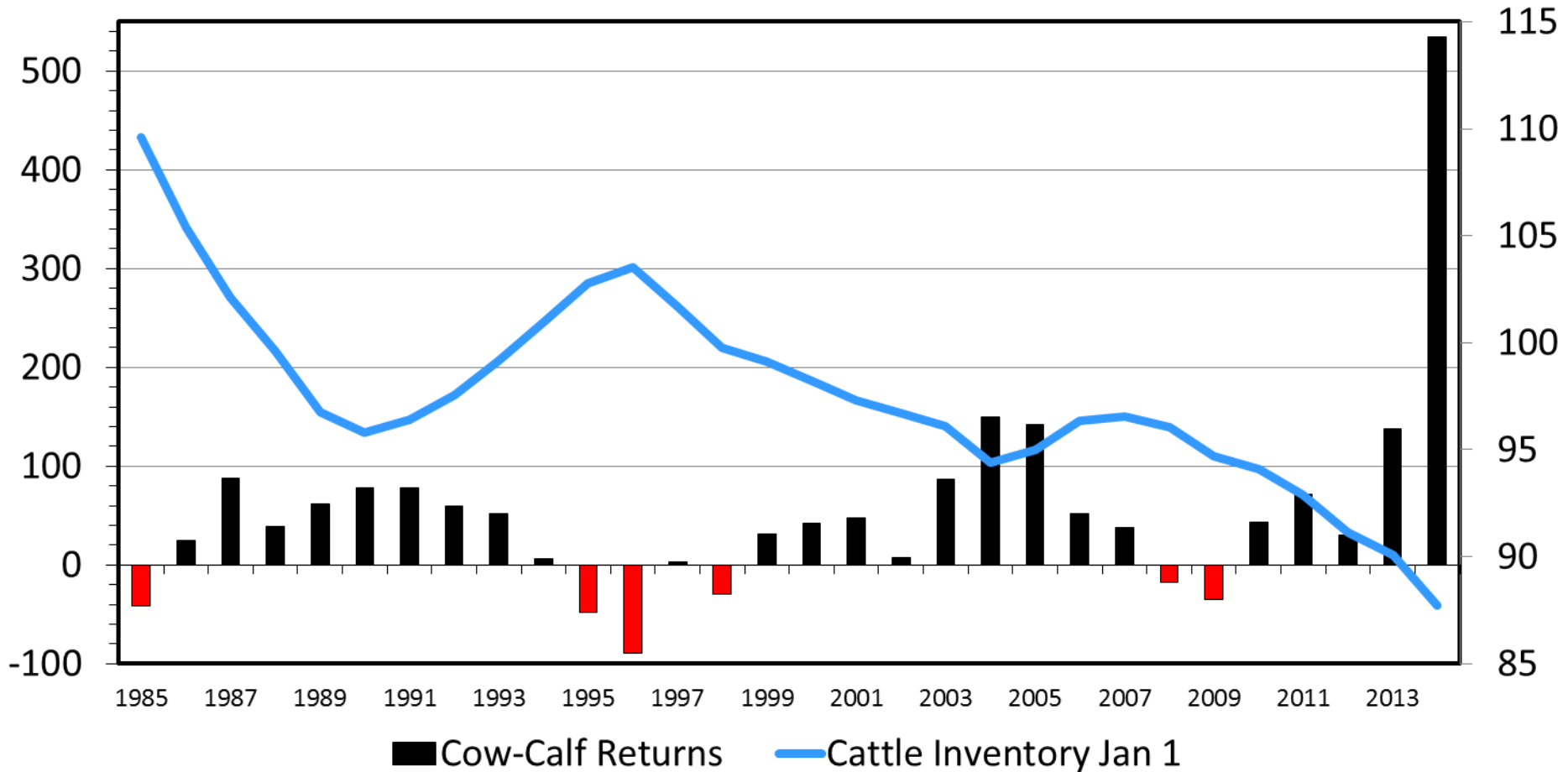


COW-CALF RETURNS AND CATTLE INVENTORY

U.S., Annual

\$ Per Cow

Mil. Head



■ Cow-Calf Returns — Cattle Inventory Jan 1

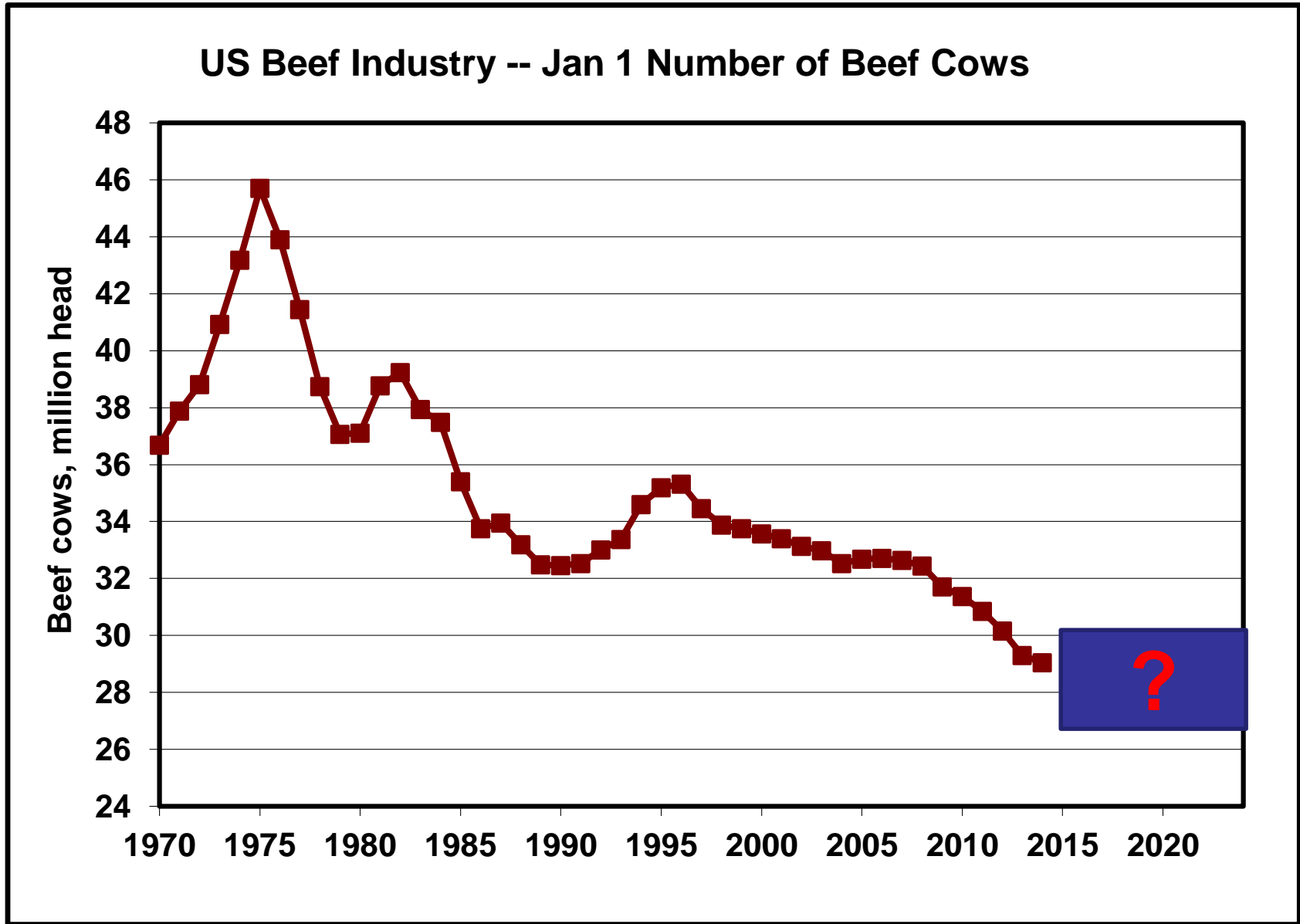
Data Source: USDA-AMS & USDA-NASS, Compiled and Analysis by LMIC

Livestock Marketing Information Center

C-P-67
12/15/14



Where will cow numbers go from current levels?

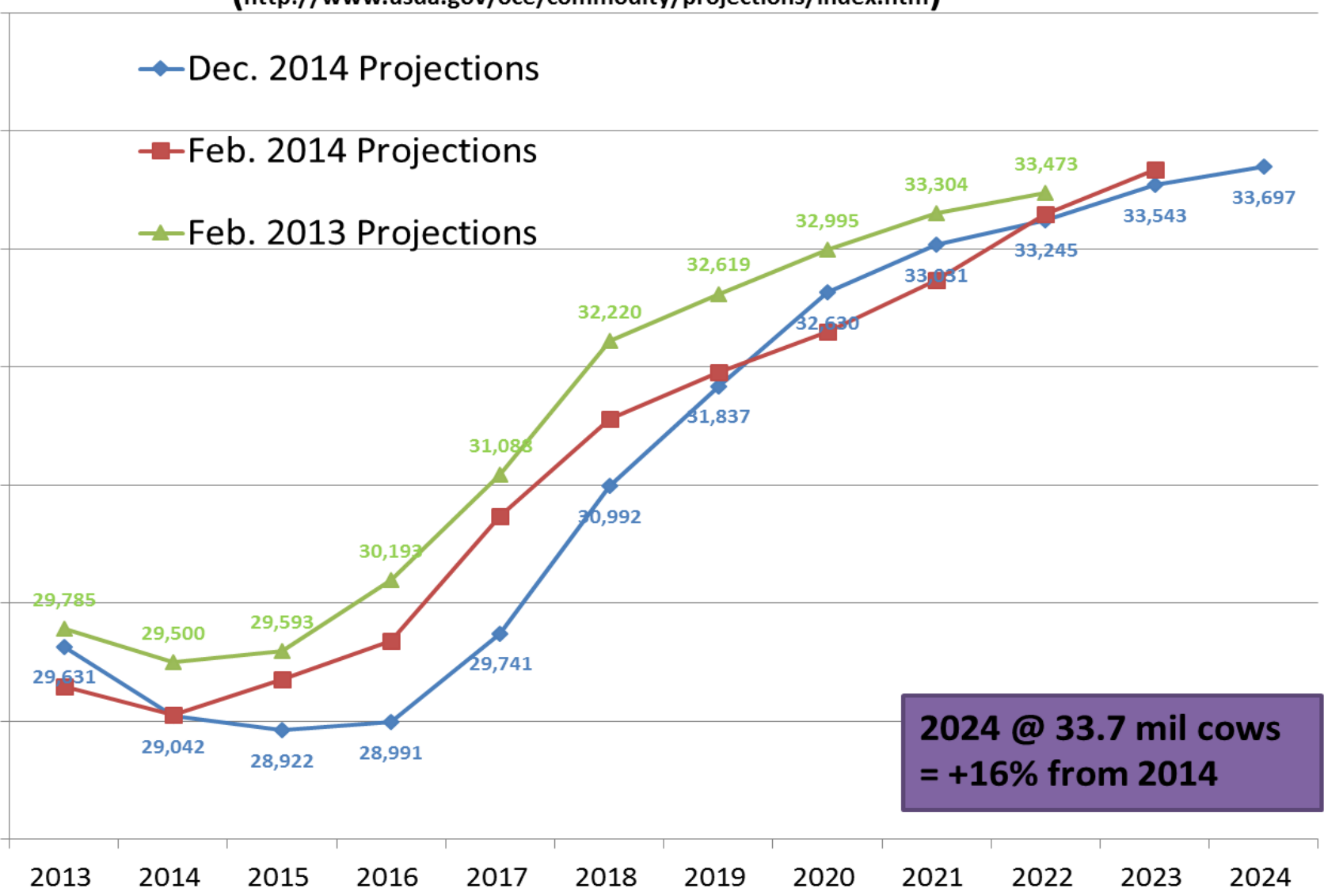


Longer-term projections (as of Dec. 2014)

USDA Projected Beef Cow Inventory, Last 3 10-Year Forecasts

(<http://www.usda.gov/oce/commodity/projections/index.htm>)

Beef Cow Inventory (1,000 head)



**2024 @ 33.7 mil cows
= +16% from 2014**

Cow-Calf – Expansion Discussion

- *Why Did Herd Shrink?*
 - *Beef Demand Declines (long-term)*
 - *Drought & Feed Costs (more recent)*

- *What Can I pay for a Replacement?*
 - ***KSU-Beef Replacement*** spreadsheet (**12/24/2014 update**)
 - Two fact sheets and video tutorial also available online:
 - <http://www.agmanager.info/livestock/budgets/production/default.asp>



Cow-Calf – Expansion Discussion

- *KSU-Beef Replacement spreadsheet*

– <http://www.agmanager.info/livestock/budgets/production/default.asp>

Net Present Value of Beef Replacements (Dec. 2014 version)

Year	Number of Calves	Base Case
2015	1	\$1,725
2016	2	\$1,936
2017	3	\$2,074
2018	4	\$2,203
2019	5	\$2,274
2020	6	\$2,322
2021	7	\$2,359
2022	8	\$2,384
2023	9	\$2,407
2024	10	\$2,428

Key Inputs Varied Across Scenarios:

Annual cow costs, \$/year	\$700	
Discount rate, interest rate	7.50%	
Calf Price, \$/cwt	2015	\$225.32
	2016	\$212.69
	2017	\$200.58
	2018	\$197.92
	2019	\$189.27
	2020	\$182.87
	2021	\$180.96
	2022	\$178.48
	2023	\$180.93

* NPV is Net Present Value of a replacement expected to produce the number of saleable calves listed in the "Number of Calves" column before a cow is culled for age-related reasons.



More information available at:



This presentation will be available in PDF format at:
<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

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