

Beef-Cattle Economic Outlook Update & Engaging Exchange

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February 21-23, 2014

American Royal Complex, 1701 American Royal Ct. Kansas City, MO 64102

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Overarching Economic Outlook

- Supplies
 - Continued pull down in overall # of head & beef lbs
- Demand
 - Confusing yet recently positive; currently less certain than supply
- Combined:
 - 2014 started with record price levels & excitement

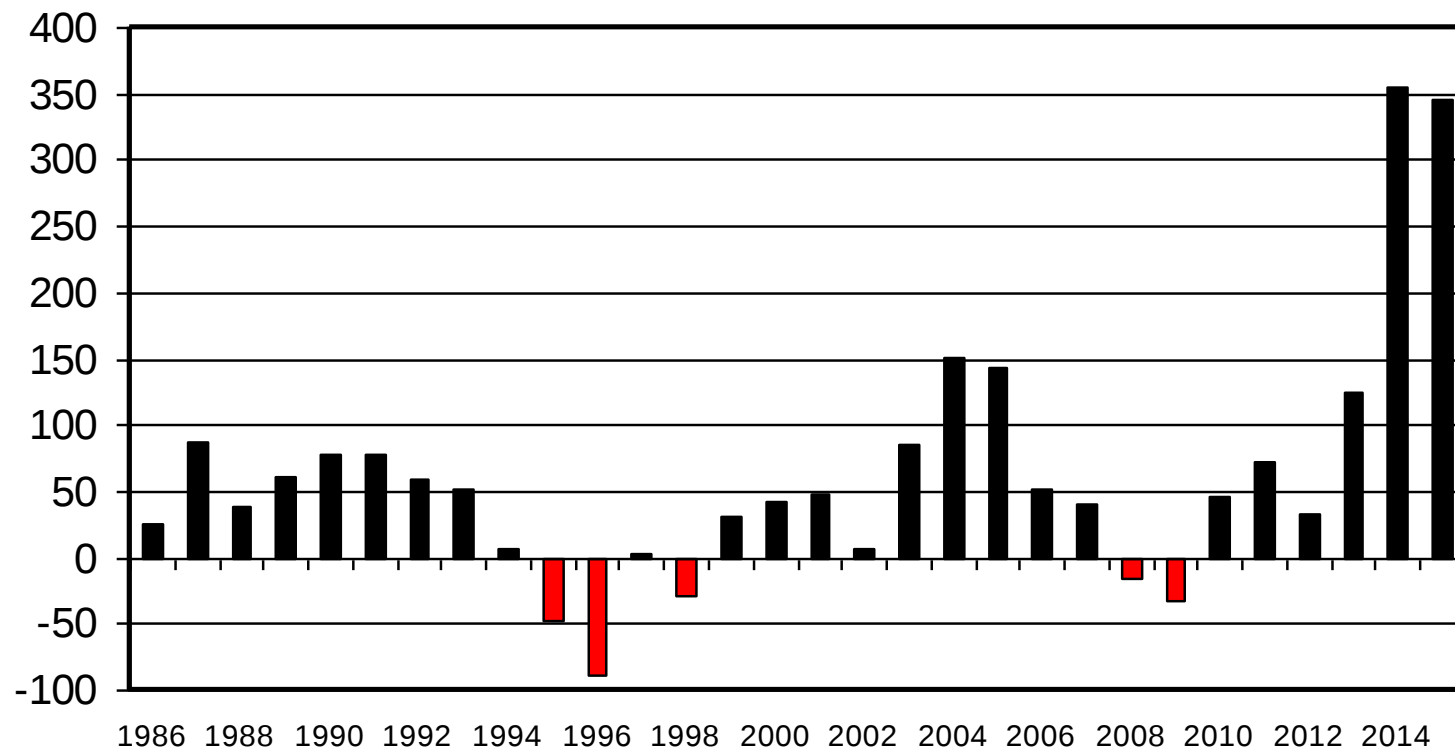


Economic Outlook Overview: Cow-Calf

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



C-P-66
01/29/14

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

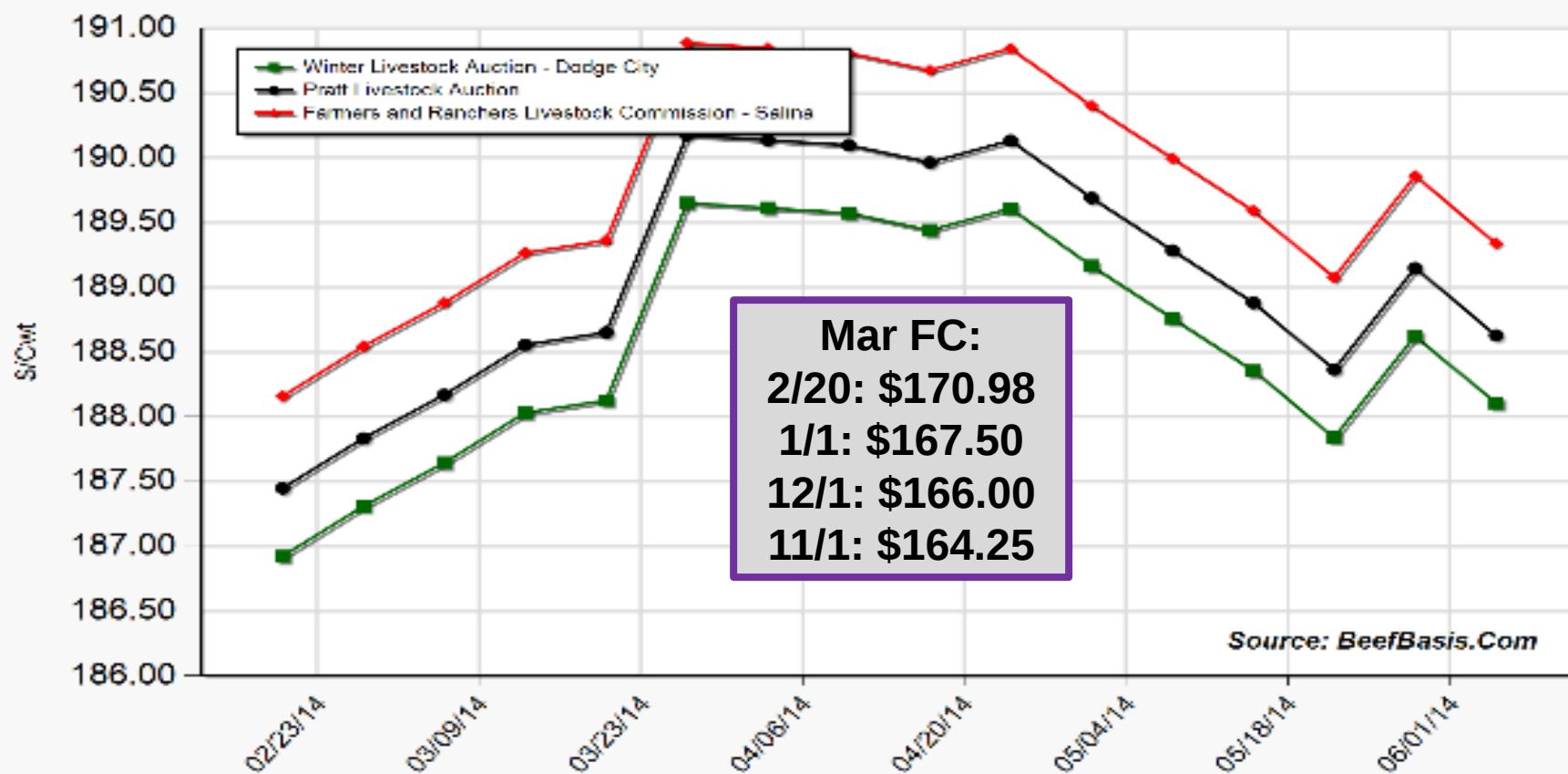


Economic Outlook Overview: Cow-Calf

- 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>



Projected Price for 550 Lb Steer at Selected Kansas Auctions



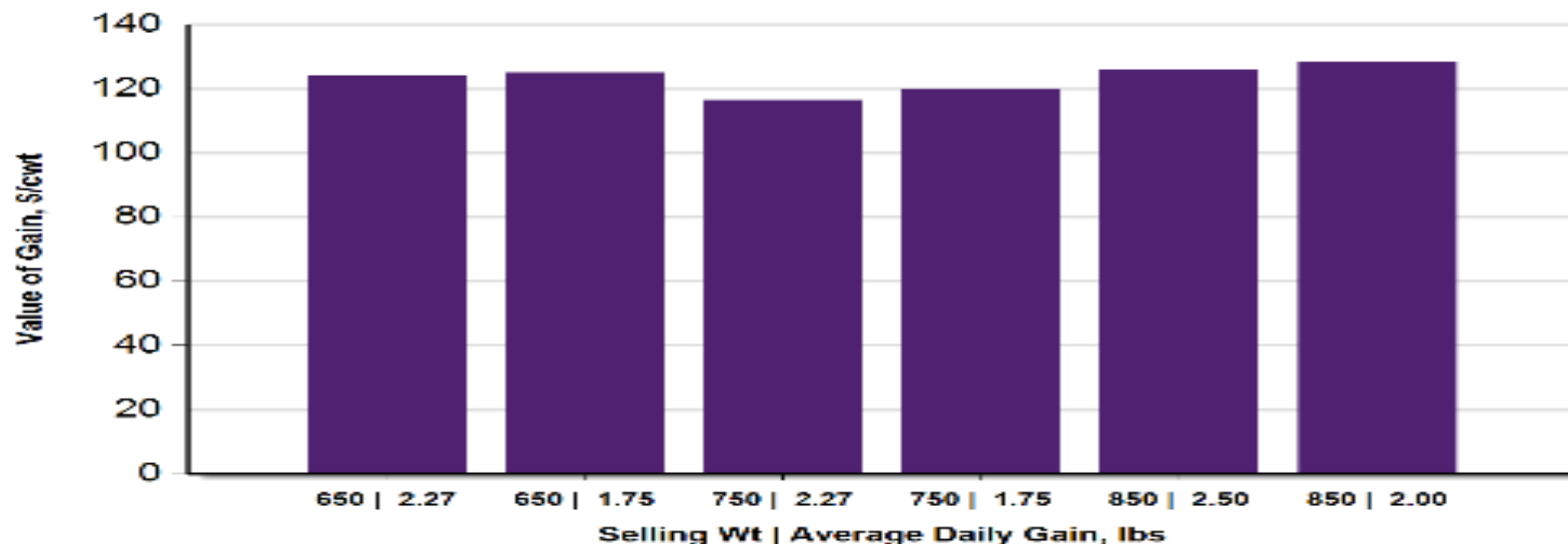
Economic Outlook Overview :

Stockers

- Attractive Values of Gain (VOG) vs. COG
 - For those in many stocker/backgrounding areas ...
- Salina, KS 2/20/14 situation
(<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>):
 - Buy 700 lb steer on 2/24/14 (\$173.05)
 - Sell 800 lb steer on 4/14/14 (\$166.75) {2.00 ADG}
 - VOG: \$122.66/cwt
 - Buy 550 lb steer on 9/17/14 (\$187.72)
 - Sell 750 lb steer on 12/24/14 (\$166.83) {2.02 ADG}
 - VOG: \$109.38/cwt



Projected Value of Gain for 550 lb Steer



Projected Value of Gain

Beginning Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, \$/cwt
550	650	04/05/2014	100	2.27	\$124.19
550	650	04/18/2014	100	1.75	\$124.97
550	750	05/19/2014	200	2.27	\$116.43
550	750	06/14/2014	200	1.75	\$119.92
550	850	06/20/2014	300	2.50	\$125.79
550	850	07/20/2014	300	2.00	\$128.57

Note: Projections derived for the Salina, KS market using BeefBasis.com
Related information is available at: BeefBasis.com

2/20/2014



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



Economic Outlook Overview : Feedlots

- Significant recent improvements in Dec-Mar closeout returns
- Excess capacity concerns persist



Historical and Projected Kansas Feedlot Net Returns (as of 2/7/14')

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

December 13': **+\$3.18/steer**

Apr LC:
2/20: \$141.80
2/1: \$139.50
1/1: \$135.50
12/1: \$135.00

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
Jan-14	124.37	100.53	141.26	151.78	122.11	132.37	166.89
Feb-14	69.05	98.56	138.84	155.19	110.98	133.73	163.87
Mar-14	79.43	94.12	140.07	158.50	108.52	134.19	168.45
Apr-14	-51.45	90.37	133.04	163.31	80.36	136.94	156.93
May-14	12.82	87.41	135.97	164.12	89.80	135.00	165.76
Jun-14	-30.79	83.47	131.01	165.63	78.07	133.26	161.77

Representative Barometer for Trends in Profitability



Quarterly Forecasts (LMIC: 2/6/14)

Year Quarter	Comm'l Slaughter (1,000 Head)	% Chg. from Year Ago	Average Dressed Weight (Lbs.)	% Chg. from Year Ago	Comm'l Beef Production (Mil. Lbs.)	% Chg. from Year Ago
2013						
I	7779	-3.1	793	1.4	6172	-1.7
II	8325	0.2	783	0.5	6517	0.7
III	8322	-0.1	794	0.5	6609	0.4
IV ^b	8033	-3.0	799	0.7	6420	-2.3
Year	32459	-1.5	792	0.8	25718	-0.8
2014						
I ^c	7280	-6.4	796	0.4	5797	-6.1
II	7711	-7.4	786	0.4	6061	-7.0
III	7735	-7.1	799	0.6	6177	-6.5
IV	7529	-6.3	802	0.4	6041	-5.9
Year	30255	-6.8	796	0.4	24076	-6.4
2015						
I	6985	-4.1	801	0.6	5595	-3.5
II	7366	-4.5	792	0.8	5836	-3.7
III	7453	-3.6	806	0.9	6006	-2.8
IV	7362	-2.2	806	0.5	5937	-1.7
Year	29166	-3.6	801	0.7	23374	-2.9



Quarterly Forecasts (LMIC: 2/6/14)

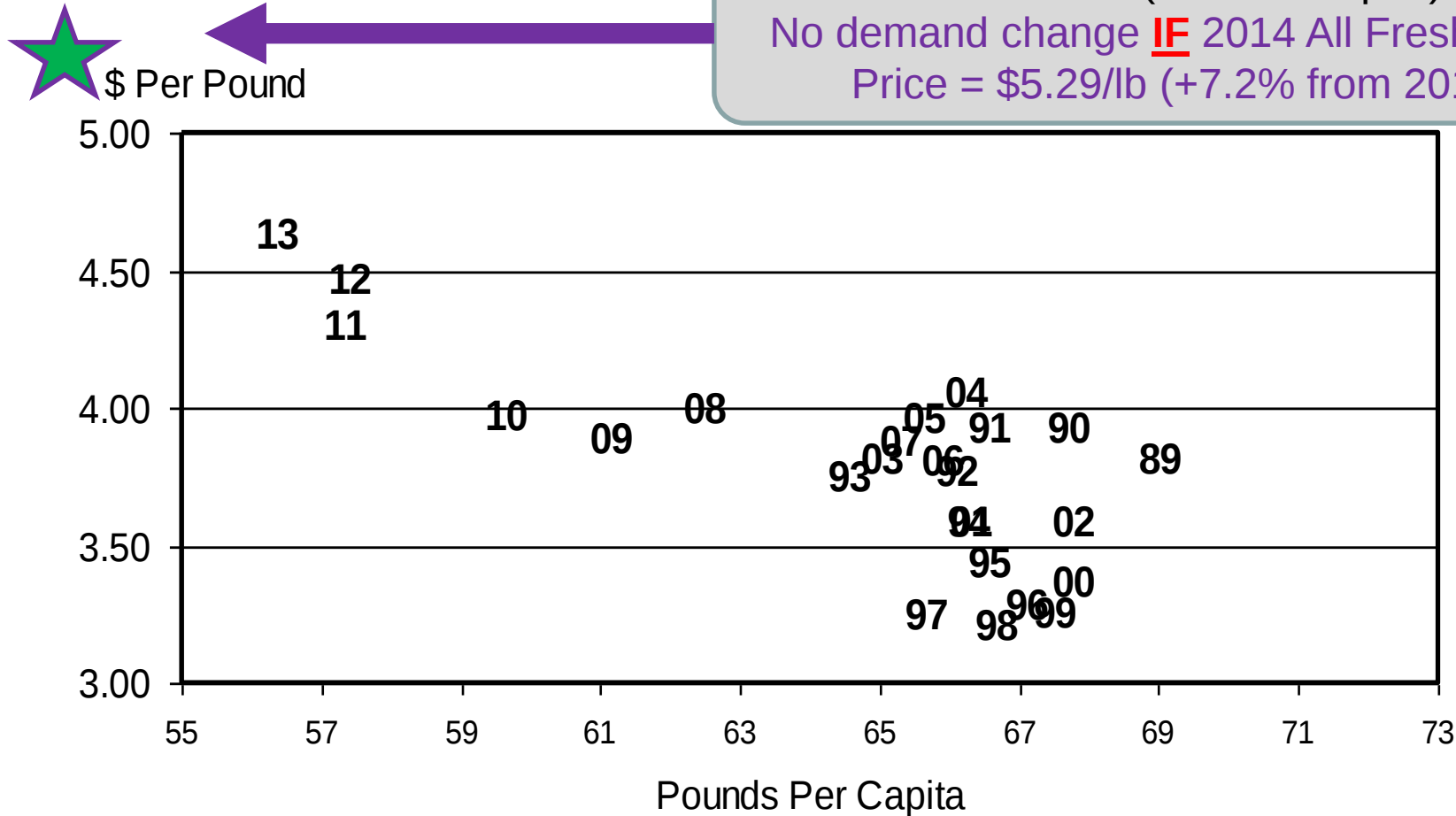
		Live Sltr.	% Chg.	Feeder Steer Price	
Year		Steer Price	from	Southern Plains ^d	
Quarter		5-Mkt Avg	Year Ago	7-800#	5-600#
		(\$/Cwt.)		(\$/Cwt.)	
2013					
I		125.51	0.2	142.41	170.13
II		124.95	3.3	137.34	159.71
III		122.30	2.2	155.95	171.19
IV ^b		130.77	4.2	167.04	187.56
Year		125.88	2.5	150.69	172.15
2014					
I ^c		139-142	11.9	169-172	200-205
II		138-141	11.6	170-175	205-212
III		133-137	10.4	171-177	199-207
IV		136-141	5.9	168-175	195-204
Year		137-140	10.0	169-175	199-208
2015					
I		139-145	1.1	170-178	199-210
II		140-147	2.9	171-180	205-217
III		136-144	3.7	173-184	198-211
IV		138-146	2.5	170-182	192-207
Year		139-145	2.5	172-180	199-211



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

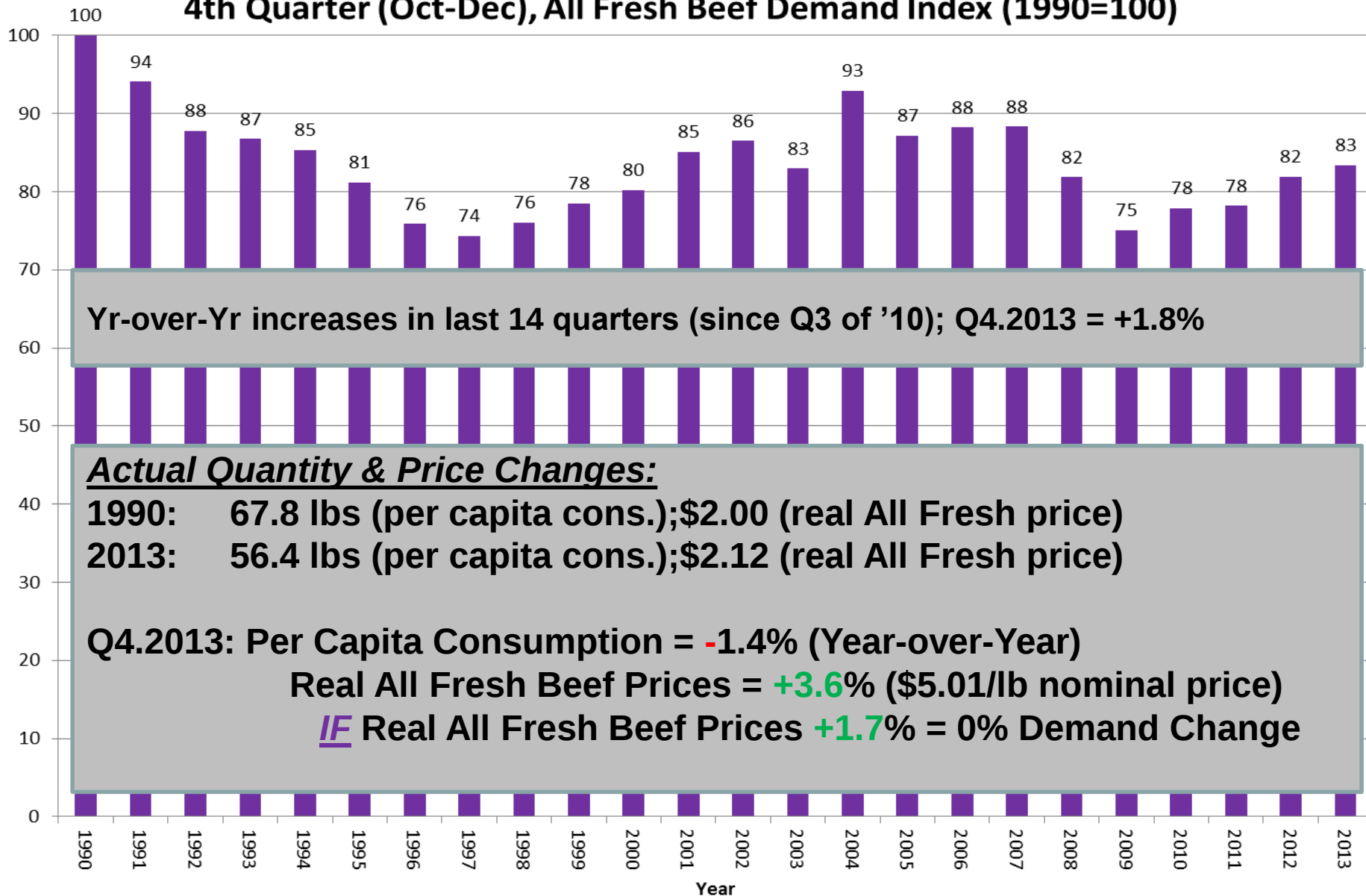
Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled & Analysis by LMIC

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4th Quarter (Oct-Dec), All Fresh Beef Demand Index (1990=100)

Demand Index (1990=100)



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

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



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Market Outlook and Newsletters	Charts and Databases	Marketing Extension Bulletins	USDA News, Reports, Futures Market Prices	Budgets, Economics, LRP and Policy	Related Sites	Cross-Subj Areas
In The Cattle Markets	Livestock & Hay Charts	Marketing Strategies	USDA News	Projected Budgets	BeefBasis.com	Animal ID & Traceability
Livestock Outlook Radio	Monthly Prices	Financial Analysis	Futures Market Prices	Historical Budgets	NAIBER	Animal Welfare
Cattle Finishing Returns	Beef Demand Charts	Trade and Demand	Pork Price Reporting	Production Economics	LMIC	CLPER
	Grain Supply & Demand	Price Risk	Interest Rate Forecasts	LRP Insurance		
		Management		Policy		

Livestock & Meat Marketing: Meat Demand Tables, Charts and Videos

Demand Drivers	HTML	Date
2013 Beef Demand Determinant Study (fact sheet, full report, etc.) HTML Link	View	6/14/13
U.S. Meat Demand: Household Dynamics and Media Information Impacts: <i>Journal of Agricultural and Resource Economics</i>	View	4/01/10
U.S. Beef Demand Drivers and Enhancement Opportunities: A Research Summary (four-page KSU Fact Sheet)	View	1/30/09
U.S. Beef Demand Drivers and Enhancement Opportunities: A Research Report (22 page report)	View	6/15/09
Beef Demand Determinants Slide Presentation, NCBA Annual Convention, Phoenix, AZ	View	1/30/09

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Demand Indices	Table	Chart	Date
Intuition and Creation Detail of Beef Demand Indices: Index Overview	View Paper		9/24/10
Annual Choice Beef Demand Index (1980=100)	View	View	1/22/14
Annual Choice Beef Demand Index (1990=100)	View	View	1/22/14

What To Do?

- Ask yourself two simple but critical questions:
 1. Do you regularly utilize available resources, decision tools, etc.?
 2. Do you know your comparative advantage?



What To Do?

I encourage you to:

- Recognize this “isn’t your father’s world” anymore and manage accordingly...
- ***Be willing to do something different***
- “Think globally, manage locally, and stay informed”



Other Issues We Could Discuss...

- Herd Expansion Variants: Within & Across Regions
- Excess Capacity Resolution: Magnitude & Location
- Beef Market Share, Pork/Poultry Expansion
- Alignment of Export Opportunities & Current Knowledge
- Role of Uncertainty
 - *MCOOL, Future Regulation, Farm Bills, Shutdowns*
- Technology Feasibility & Acceptance Distinction
 - CFI 9/4/13 Tweet: “Science tells us if we can do something. Society tells us if we should do it.”



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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