

More Cattle Price Records in 2012

Tri-State Cow/Calf Conference Johnson City, August 16, 2011



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<http://web.missouri.edu/~plainr>



Presentation Outline

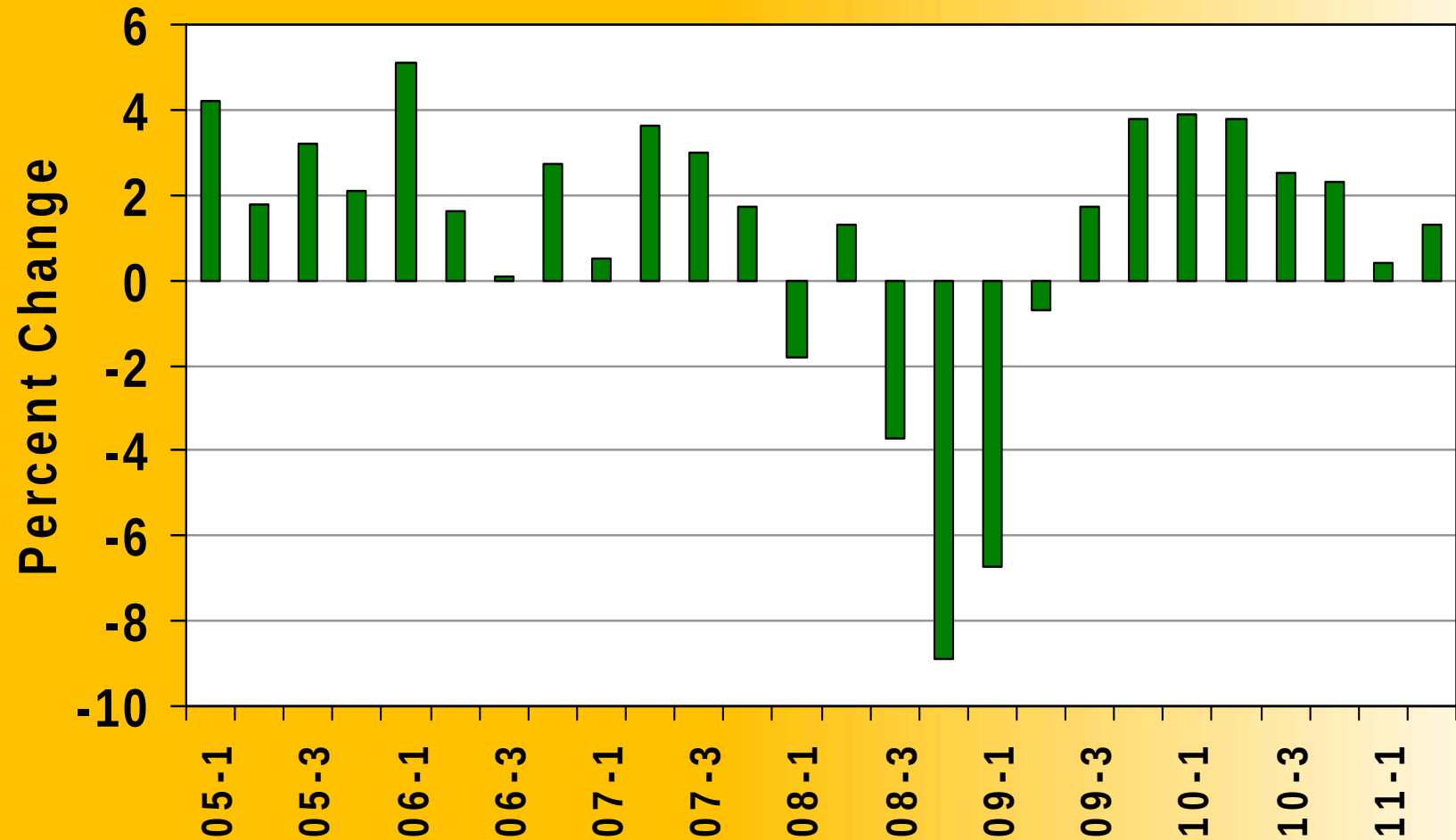
- Bad news
 - Macro outlook
 - Corn outlook
- Good news
 - Competing meats
 - Cattle outlook



The Great Recession

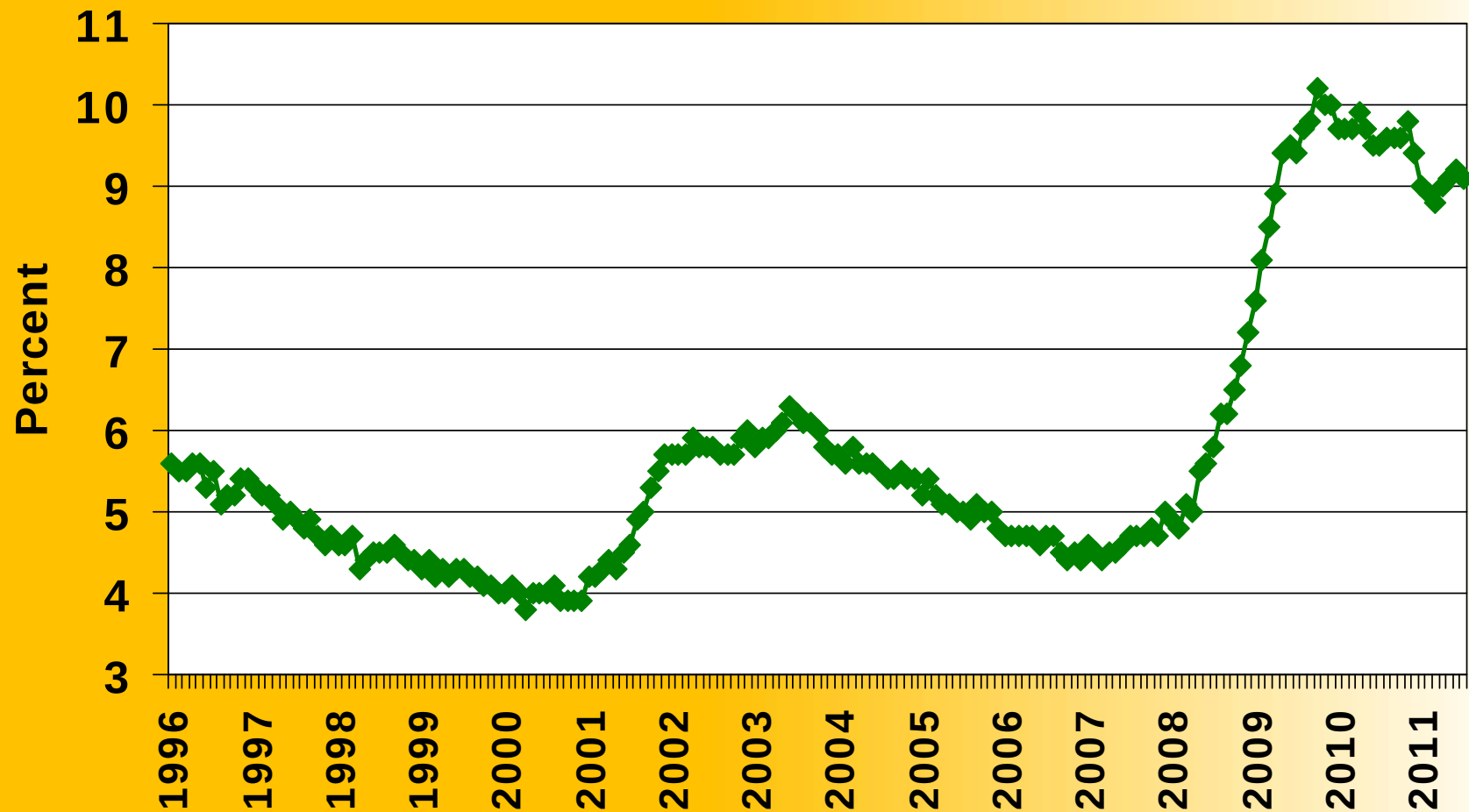


Growth in Real GDP



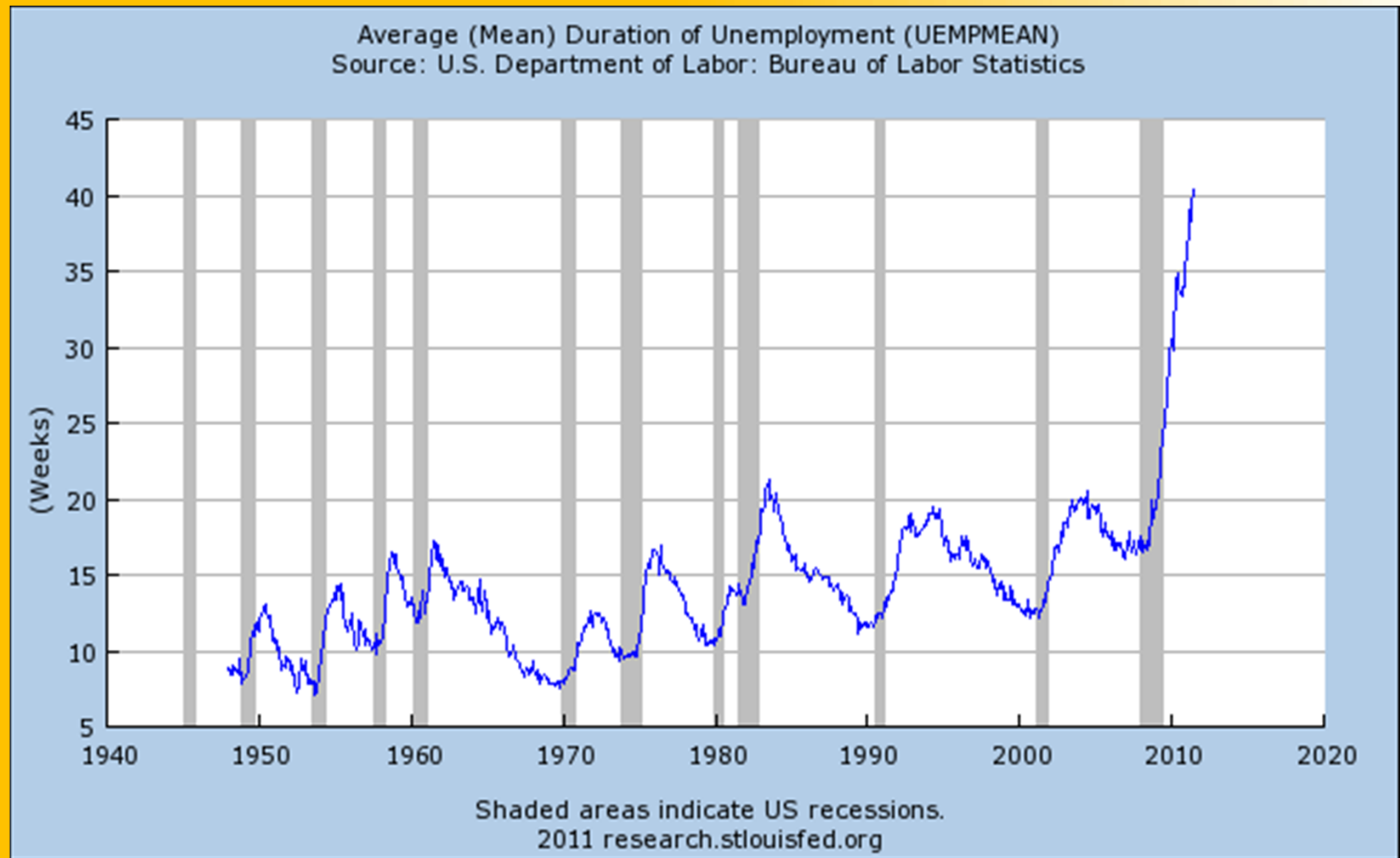
Source: U.S. Commerce Department

U.S. Unemployment Rate, Seasonally Adjusted, 1996-2011



Source: Bureau of Labor Statistics

Average Duration of Unemployment



Current Situation

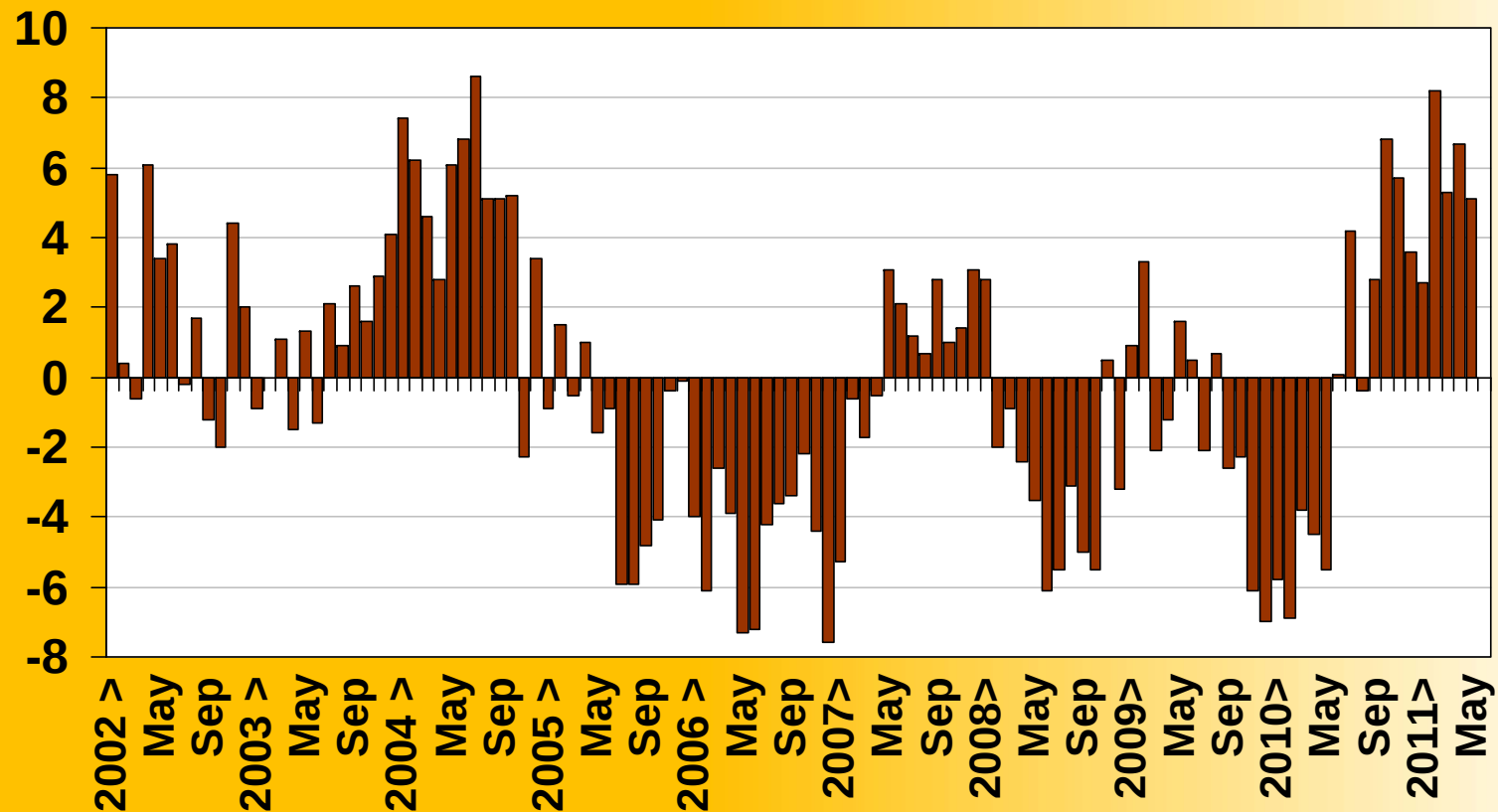
- The government is broke, unemployment is over 9%, the stock market has collapsed, the economy is barely growing, and consumer confidence is the lowest since May 1980.
- This is not good for meat demand.



Change in Retail Meat Demand

Base Elasticity = - 0.75

% change
from year ago

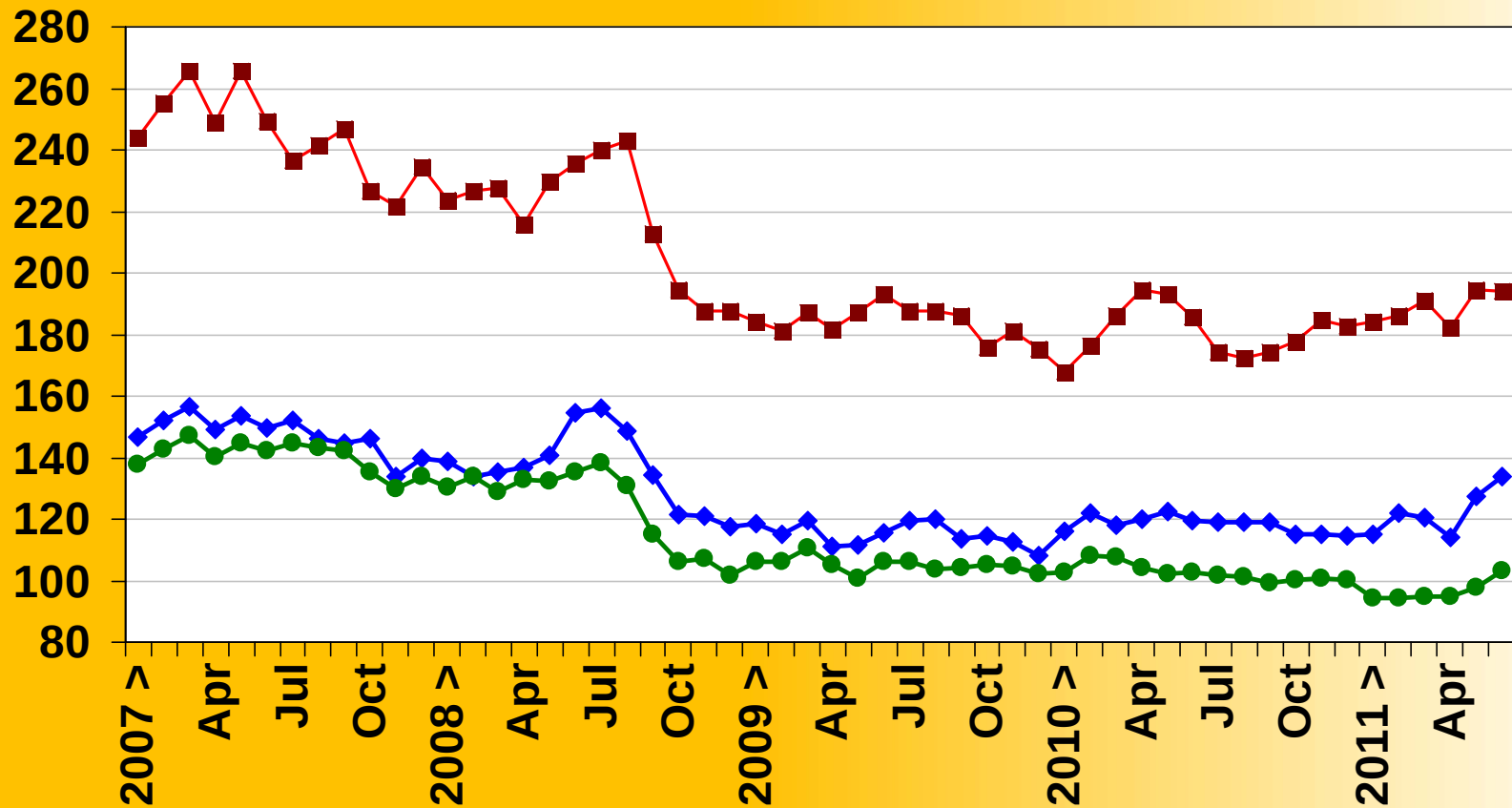


Source: Ron Plain, University of Missouri

Boneless Retail Meat Prices as % of Bologna, Monthly, 2007-2011

Percent

■ Beef Sirloin ◆ Pork Chops ● Chicken Breast

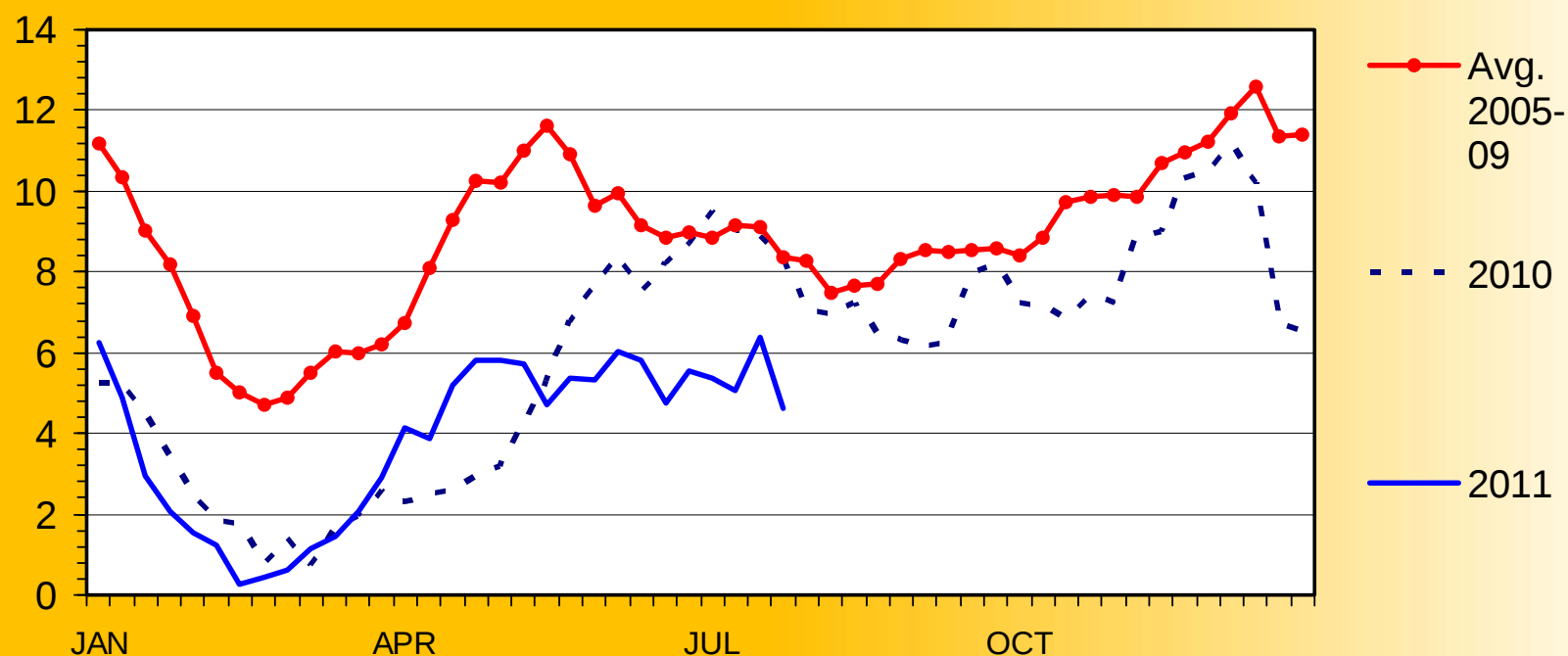


Source: USDA/ERS

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly

\$ Per Cwt.



Livestock Marketing Information Center

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



Federal Budget Problem

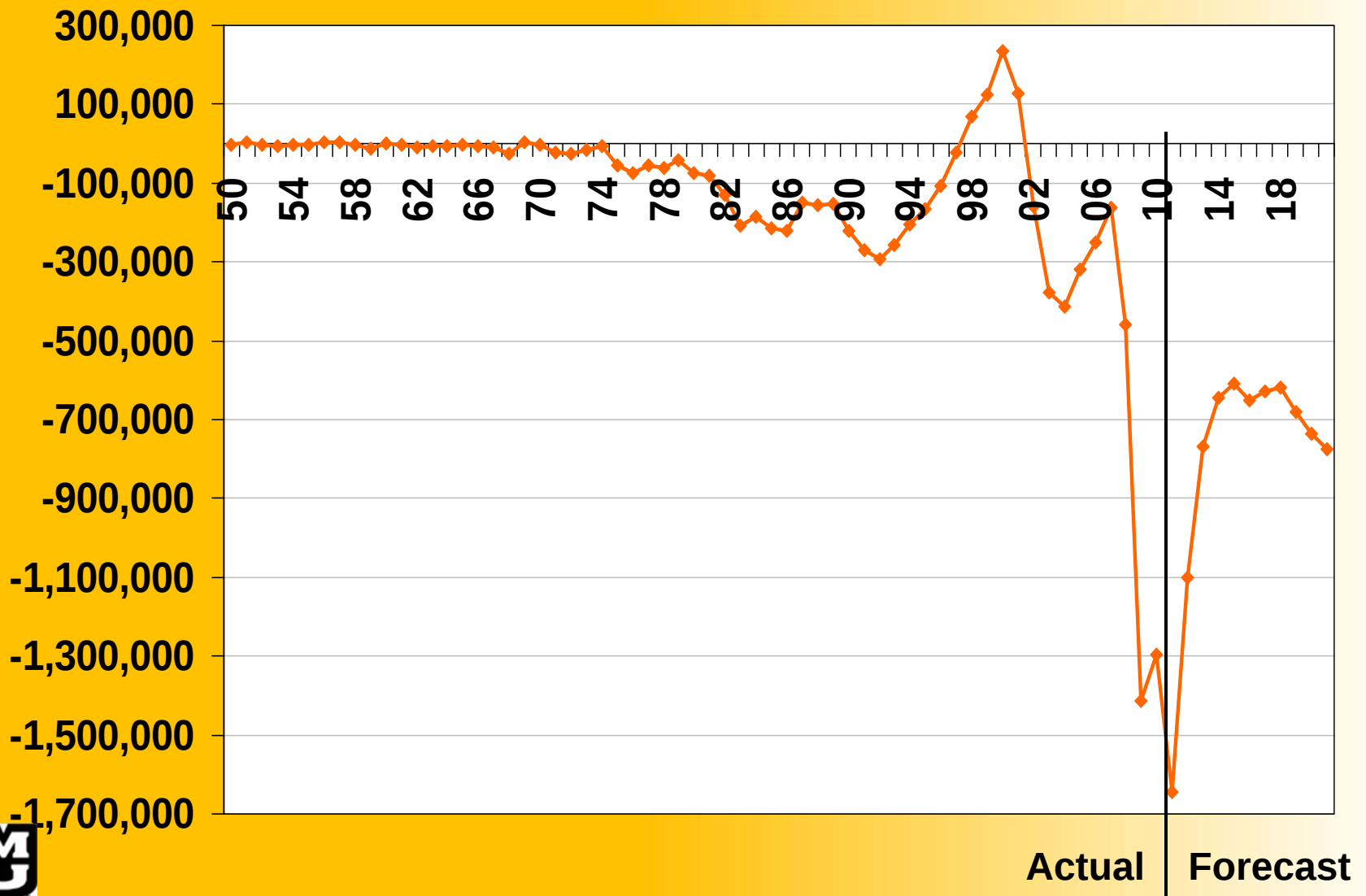
- Slow economic growth
 - Less taxes
 - More welfare expense
- Demographics
 - More people 65+
- Health care costs
- Increasing interest payments



Federal Surplus, 1950-2021

President's Budget, February 2011

Million \$



Debt Ceiling Crisis

- The debt ceiling agreement calls for the federal debt to increase from \$14.3 trillion to \$23.3 trillion over the next 10 years rather than from \$14.3 trillion to \$25.7 trillion as previously planned.

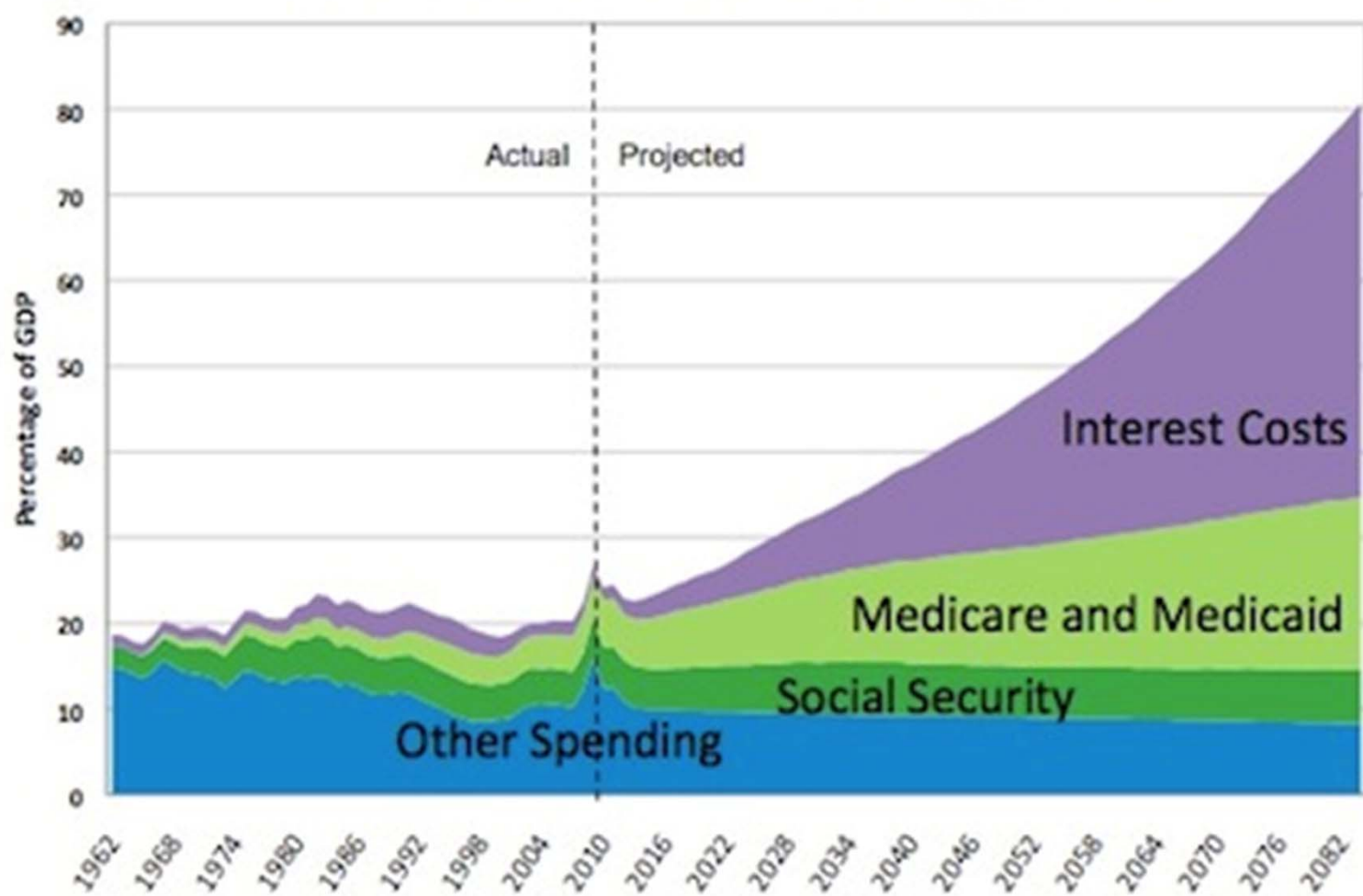


A Ponzi Scheme

- The federal government plans to pay its bills by borrowing more and more money. As long as someone will loan the government enough money, they can pay their bills.



Cost of the Debt Drives Long-Term Spending Explosion



Source: Congressional Budget Office

Produced by: Veronique de Rugy, Mercatus Center at George Mason University





Implications for Ag

- USDA farm programs
- Bio fuels program
- Exchange rates
- Interest rates



Corn Outlook



Omaha Corn Prices, Weekly, 2008-2011



Source: USDA/AMS

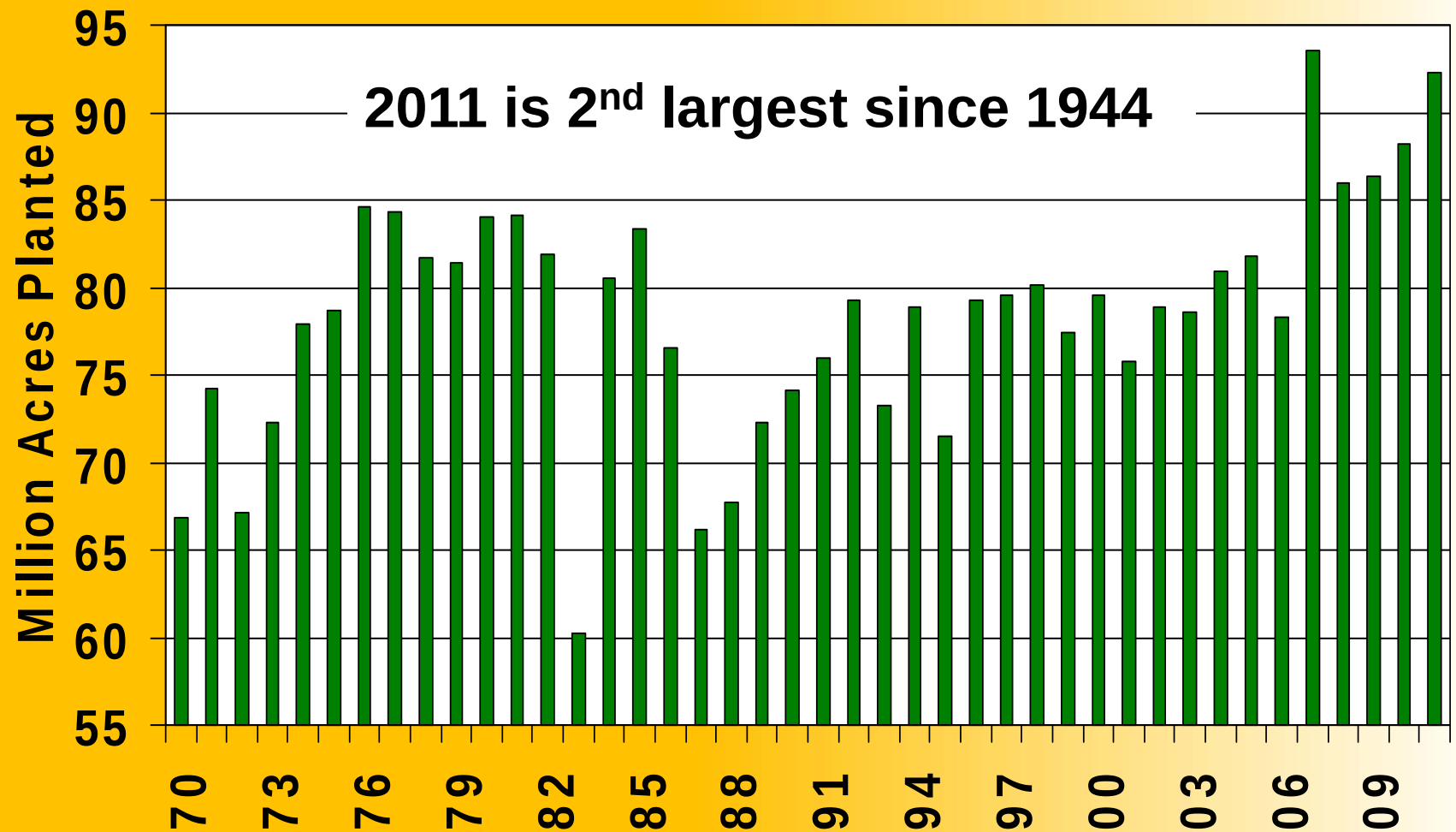
Crop Condition Report, 8/08

- U.S. Corn: 60% good/excellent
 - Week ago: 62% good/excellent
 - Year ago: 71% good/excellent
- U.S. Soybeans: 61% good/excellent
 - Week ago: 60% good/excellent
 - Year ago: 66% good/excellent

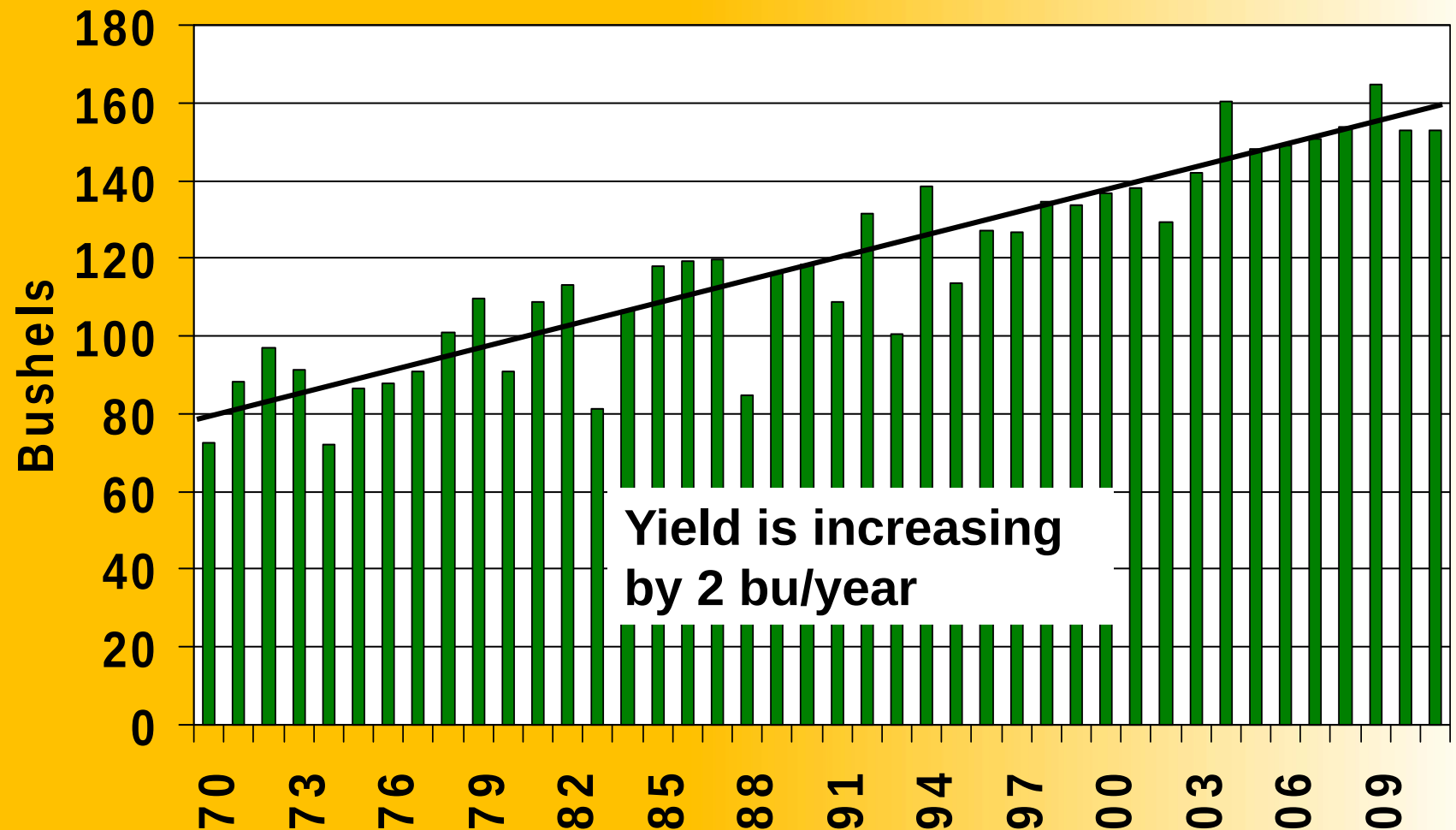
Source: USDA/NASS



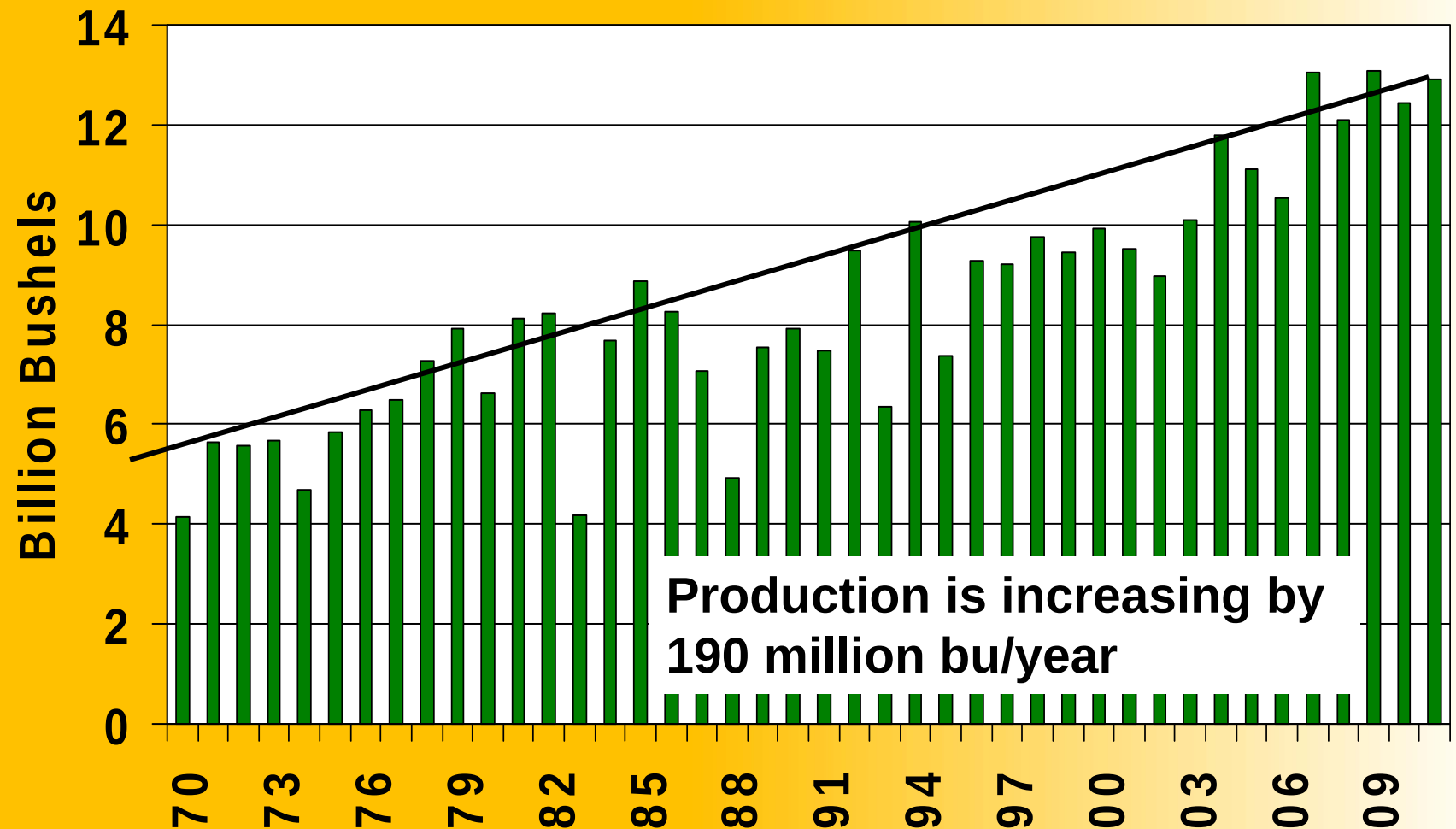
U.S. Corn Acres Planted, 1970-11



U.S. Average Corn Yield, 1970-11

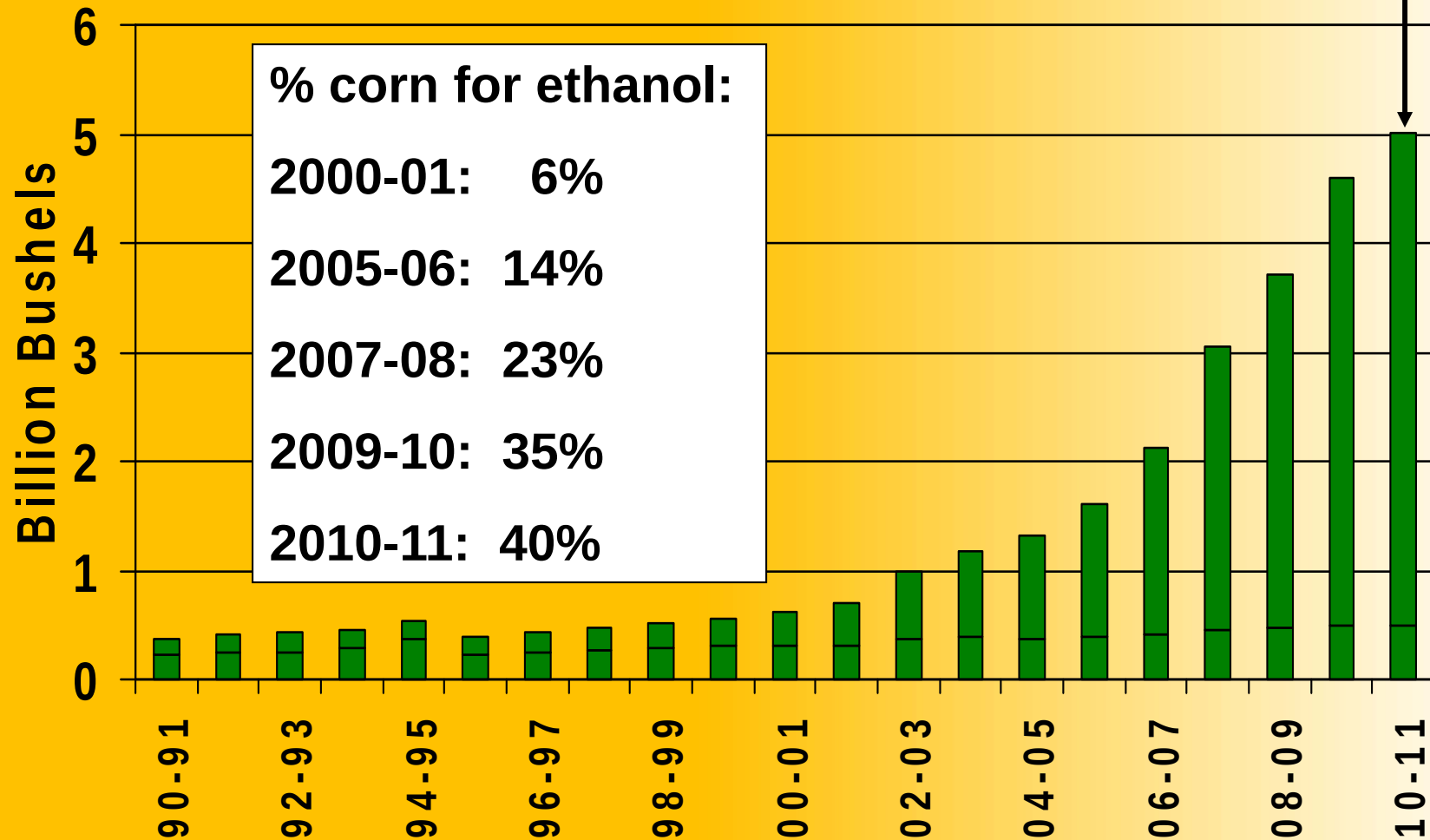


U.S. Corn Production, 1970-11

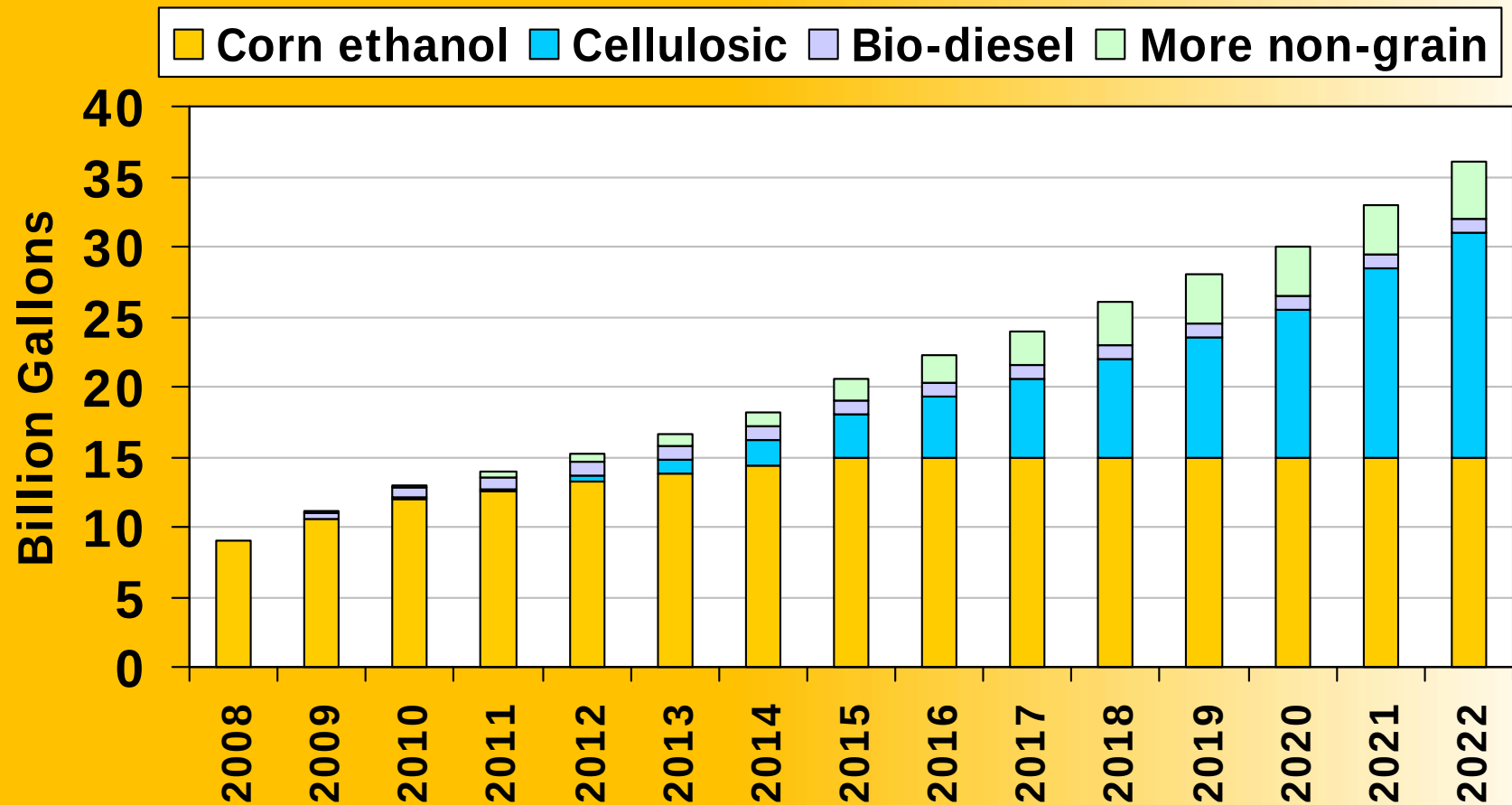


Corn Milled for Ethanol

Forecast

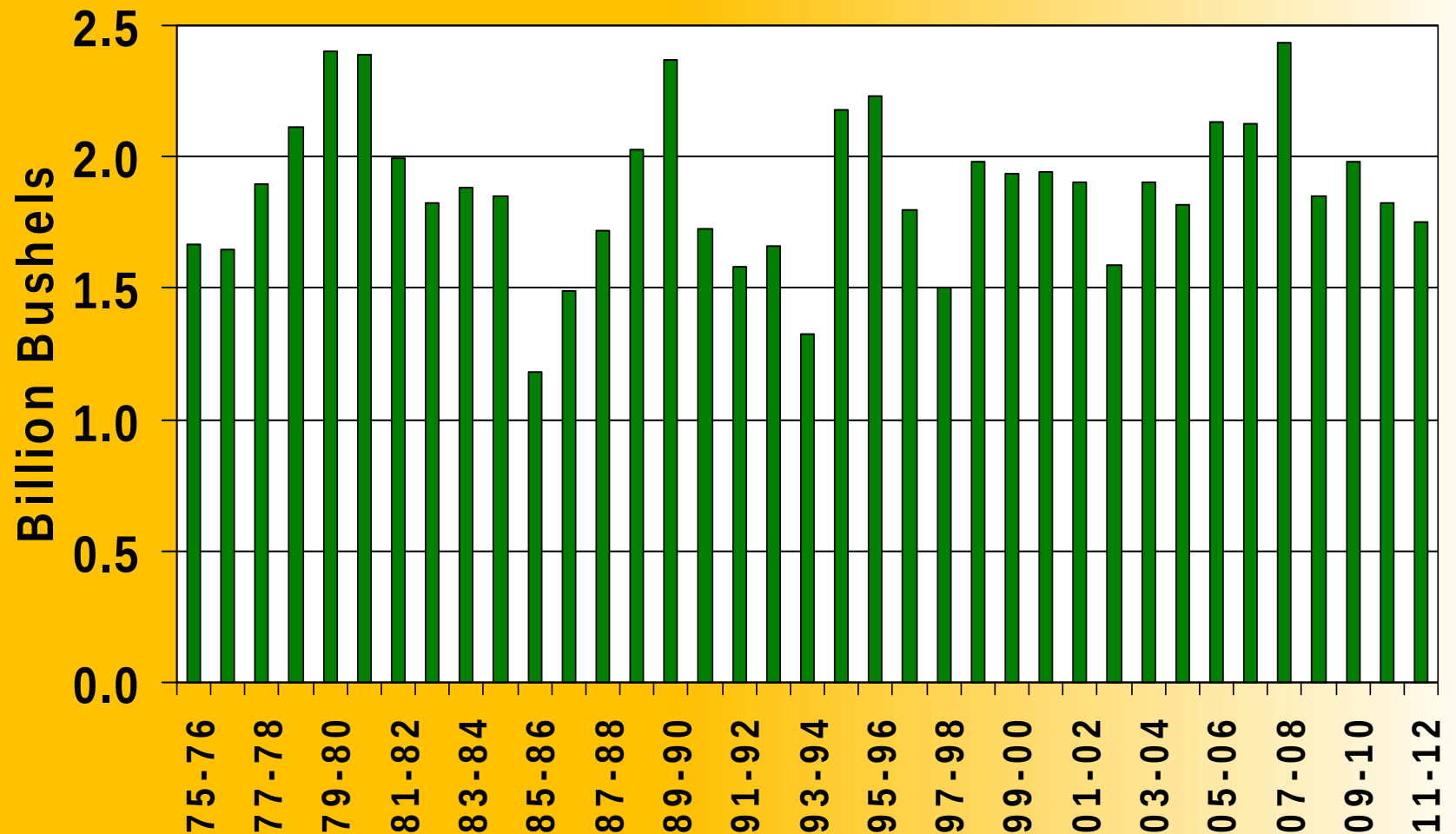


2007 Renewable Fuels Mandate

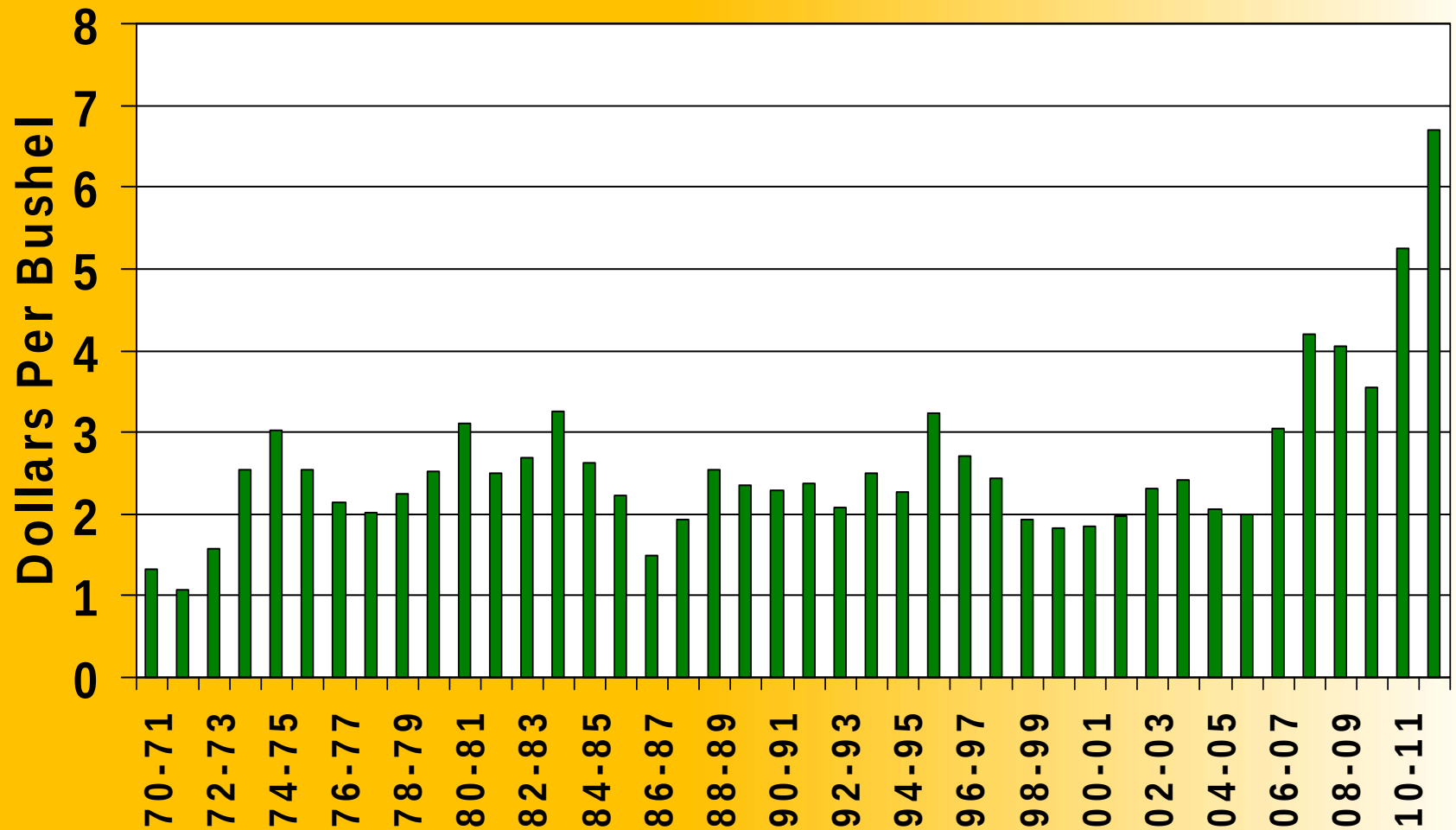


Corn for ethanol needs to increase 220 million bushels/year

U.S. Corn Exports, 1975-11



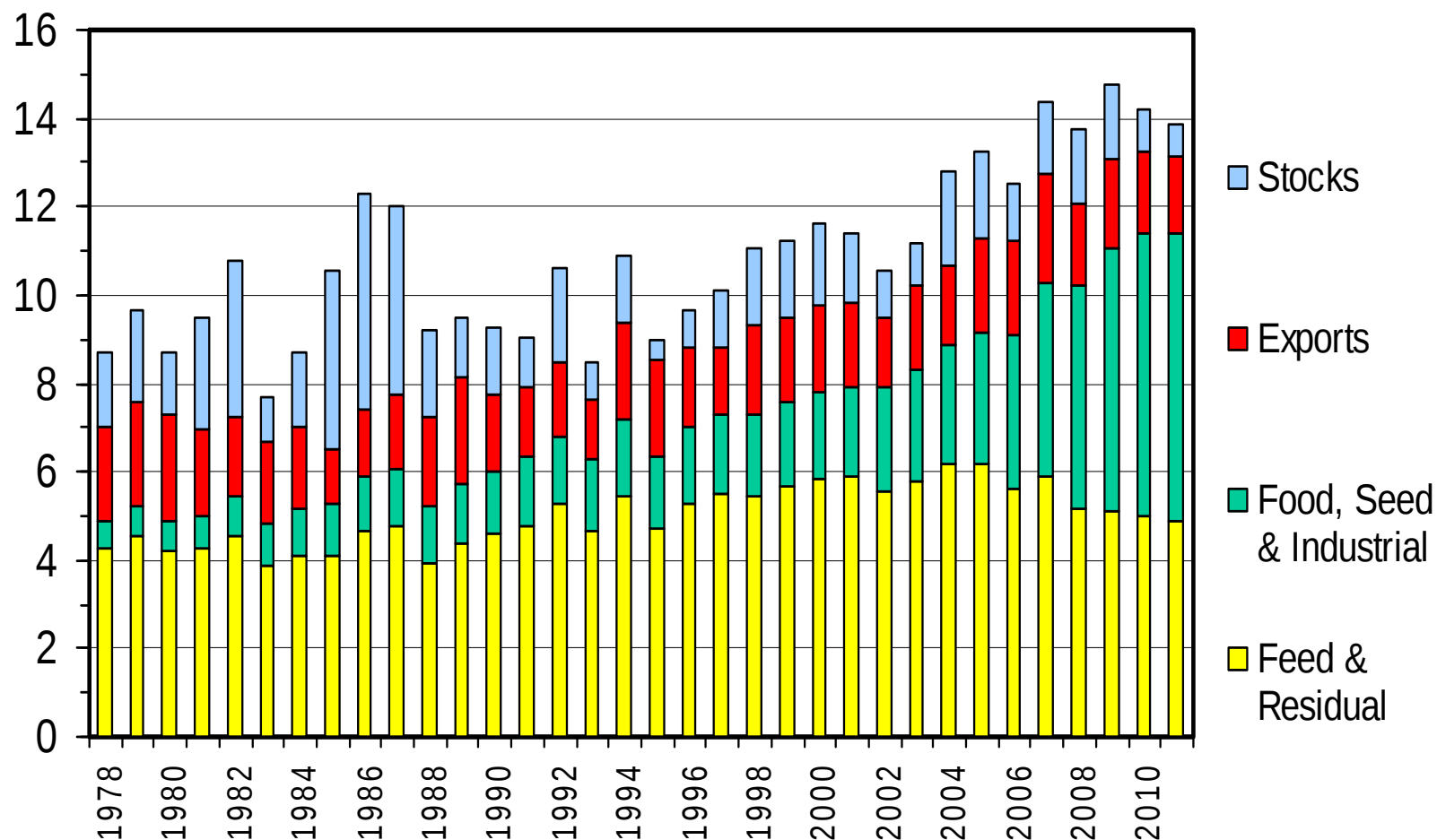
U.S. Corn Price, 1970-12



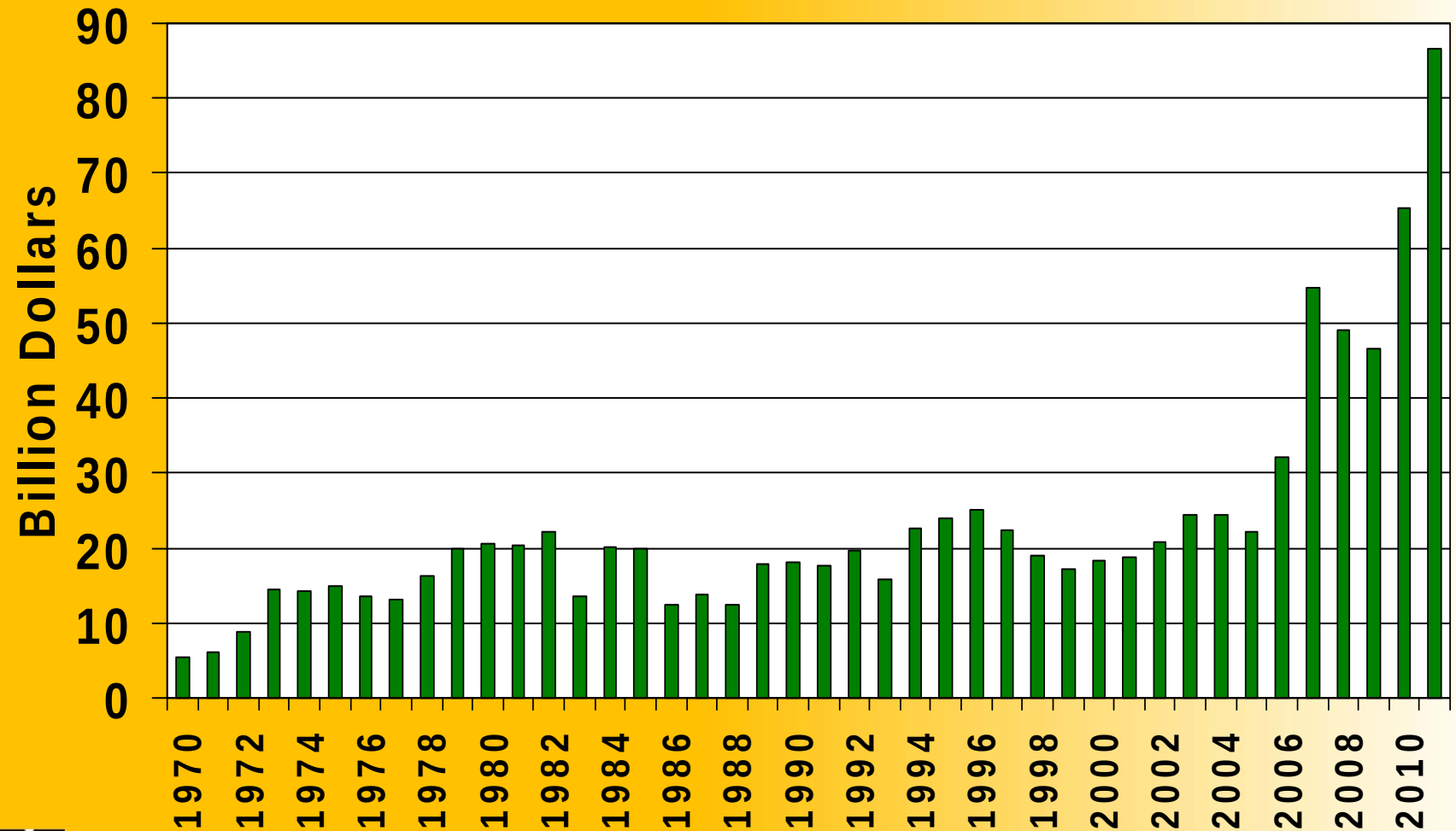
CORN DISAPPEARANCE AND STOCKS

Bil. Bushels

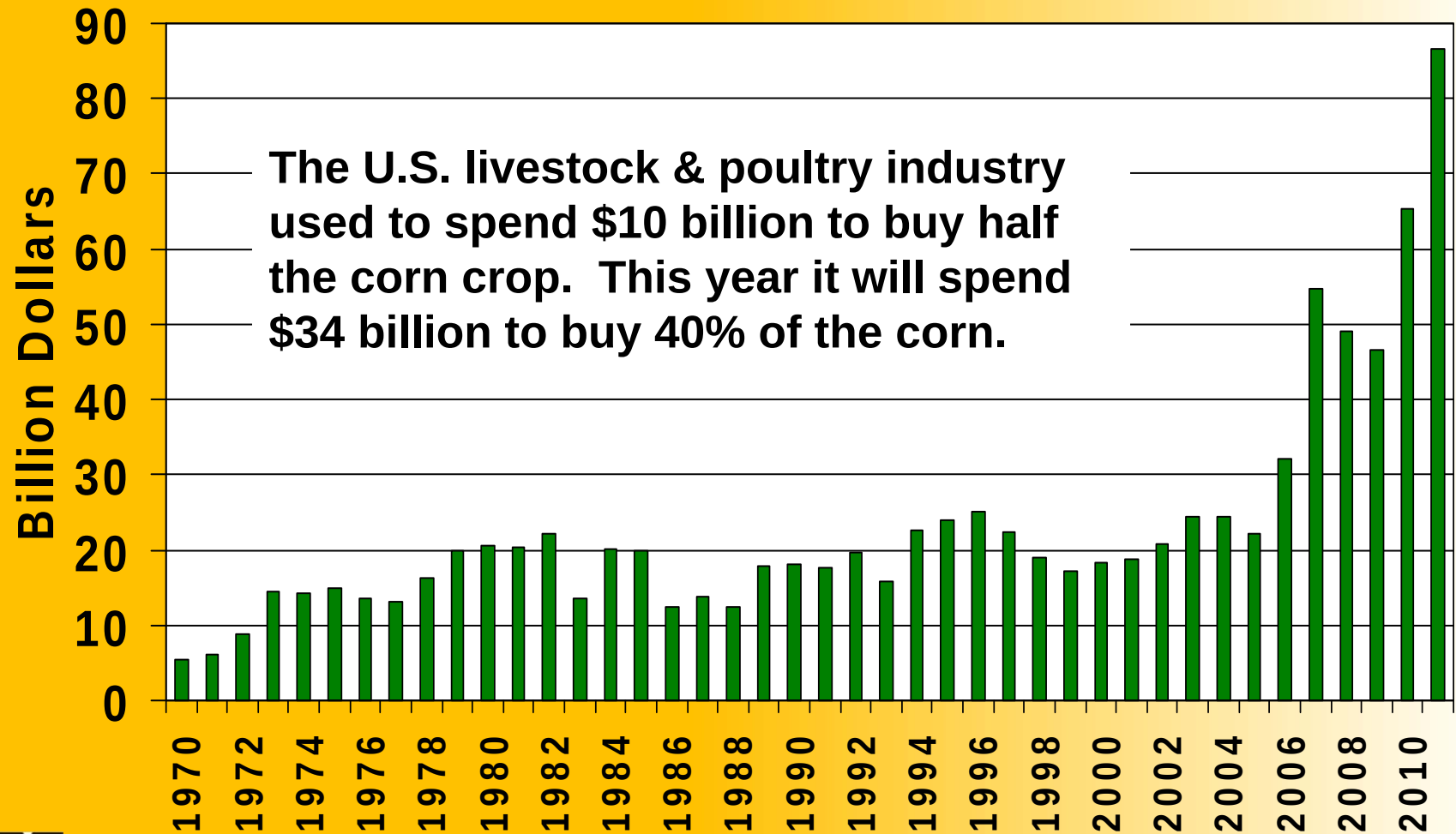
Crop Year



Value of U.S. Corn Crop, 1970-11

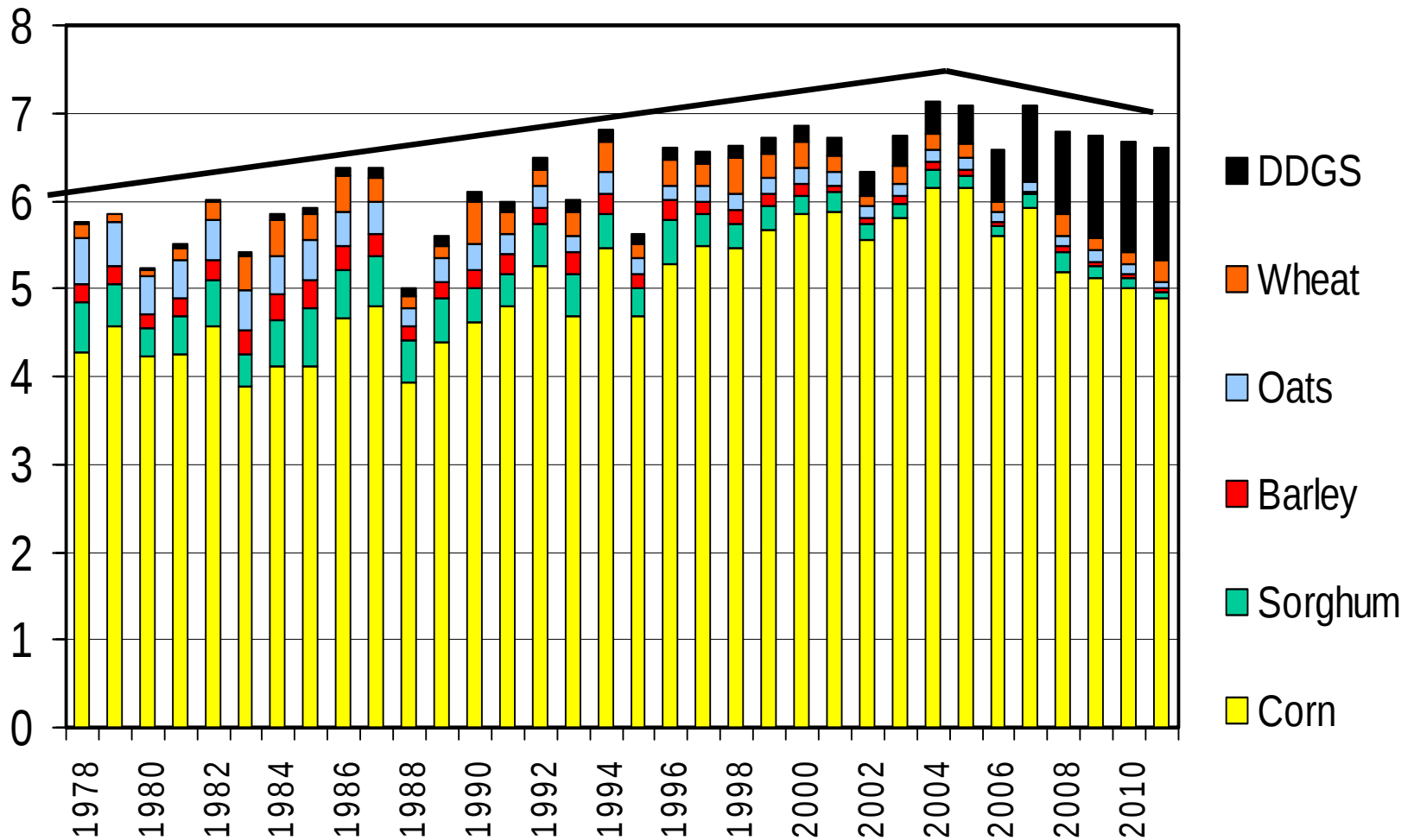


Value of U.S. Corn Crop, 1970-11



Grains, Feed and Residual

Bil. Bushels

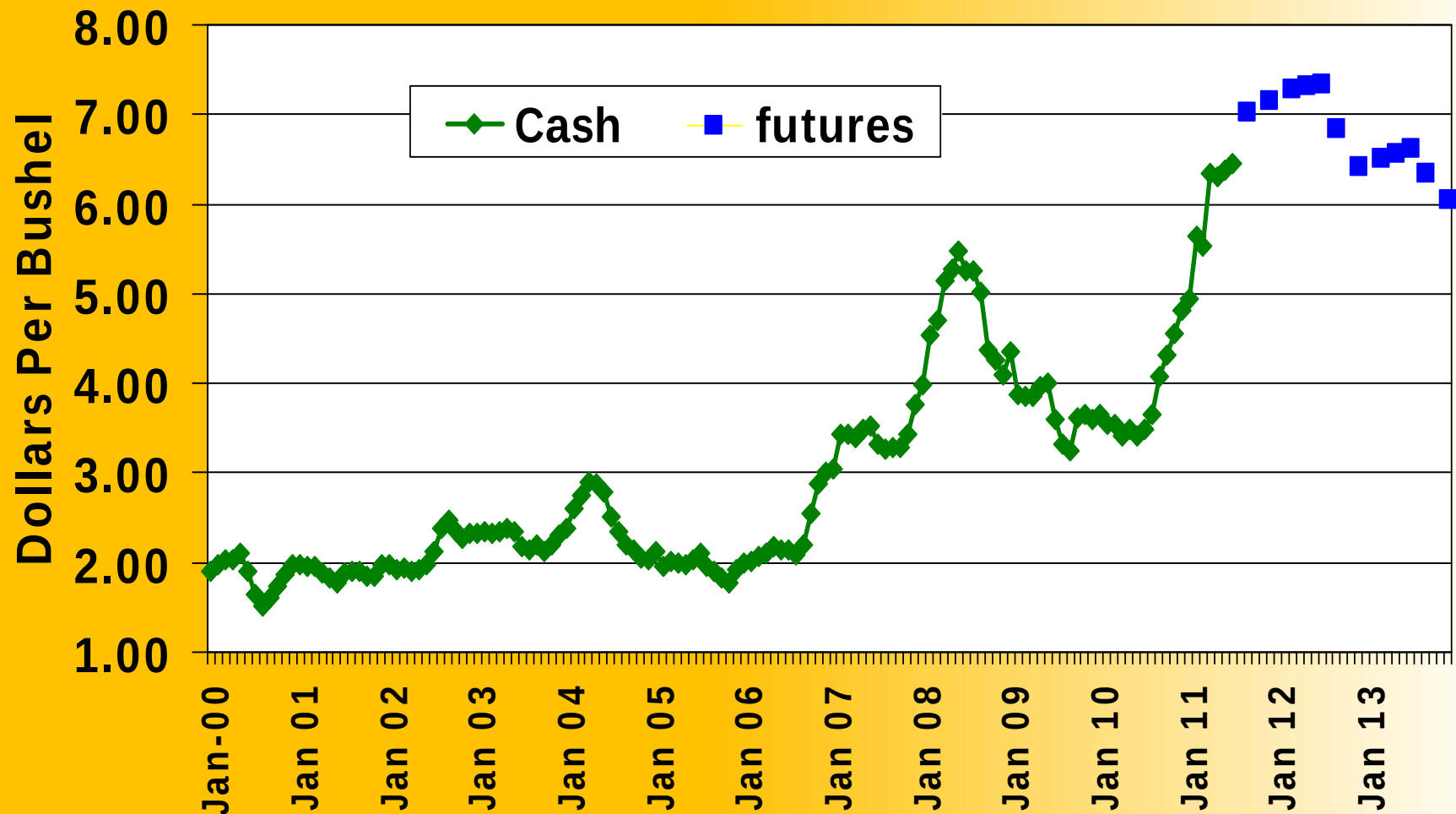


U.S. Corn Supply and Use – August 2011 revision

	2008/09	2009/10	Projected	
			2010/11	2011/12
Planted area (mil. ac.)	86.0	86.4	88.2	92.3
Harvested area (mil. ac.)	78.6	79.5	81.4	84.4
Yield (bu./ac.)	153.9	164.7	152.8	153.0
Beginning stocks (mil.bu.)	1,624	1,673	1,708	940
Production	12,092	13,092	12,447	12,914
Imports	14	8	30	20
Total supply	13,729	14,774	14,185	13,874
Feed	5,182	5,125	5,000	4,900
Ethanol	3,709	4,591	5,020	5,100
Food, seed, other	1,316	1,370	1,400	1,410
Exports	1,849	1,980	1,825	1,750
Total use	12,056	13,066	13,245	13,160
Ending stocks	1,673	1,708	940	714
Stocks/use ratio	13.9%	13.1%	7.1%	5.4%
Farm price	\$4.06	\$3.55	\$5.25	\$6.70
Loan rate	\$1.95	\$1.95	\$1.95	\$1.95

On 8/12/11 December 2011 corn settled at \$7.145

U.S. Monthly Average Corn Price



Thru Dec 2014 all corn futures contracts are above \$6.00 per bushel

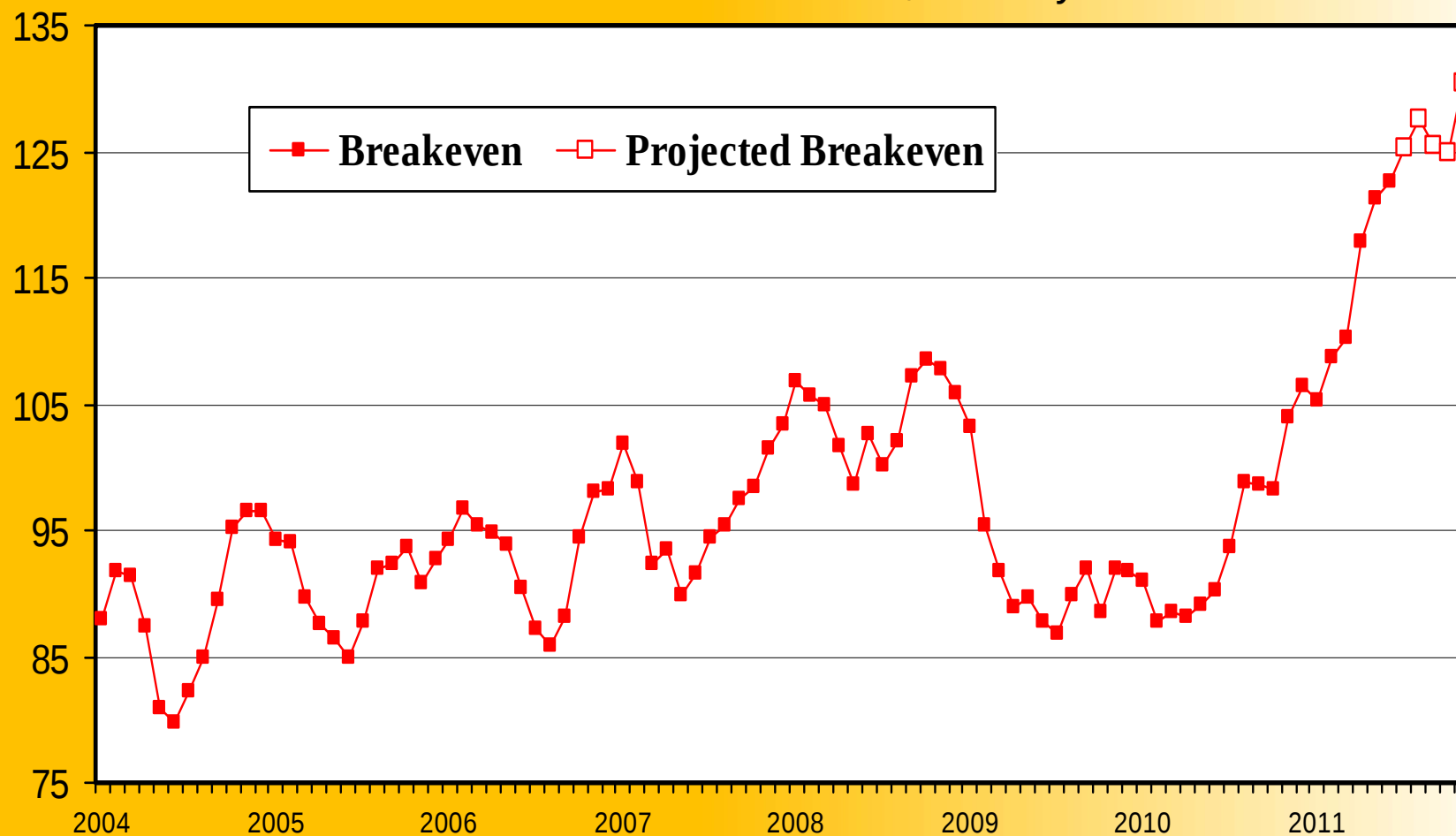
Competing Meats



Choice Steer Breakeven Price

S. Plains Cattle Feedlots, Monthly

\$ Per Cwt

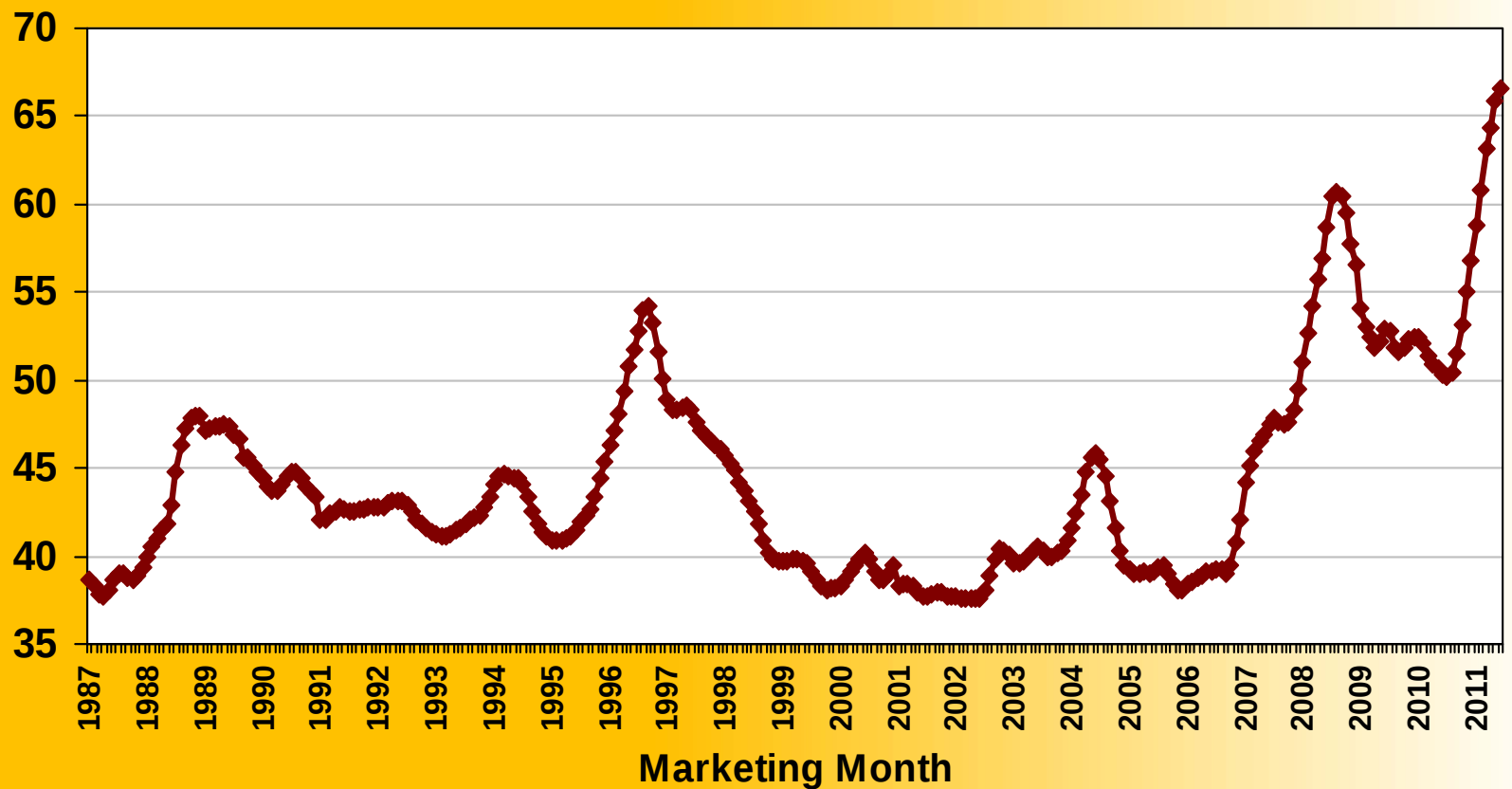


Source: LMIC

Cost of Slaughter Hog Production

Iowa State University Calculations, 1987-2011

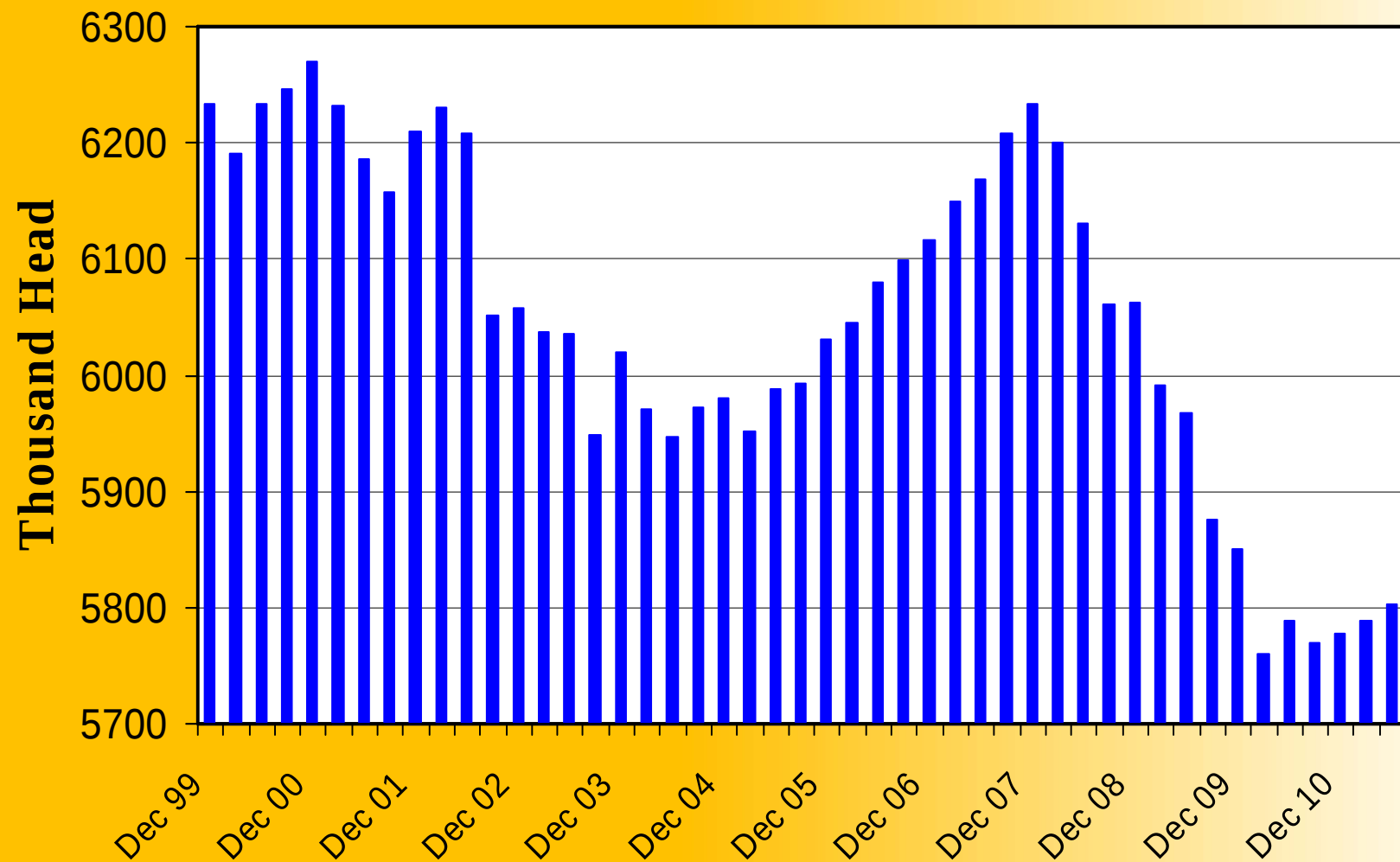
\$ Per Live Cwt



Source: Shane Ellis, Iowa State University



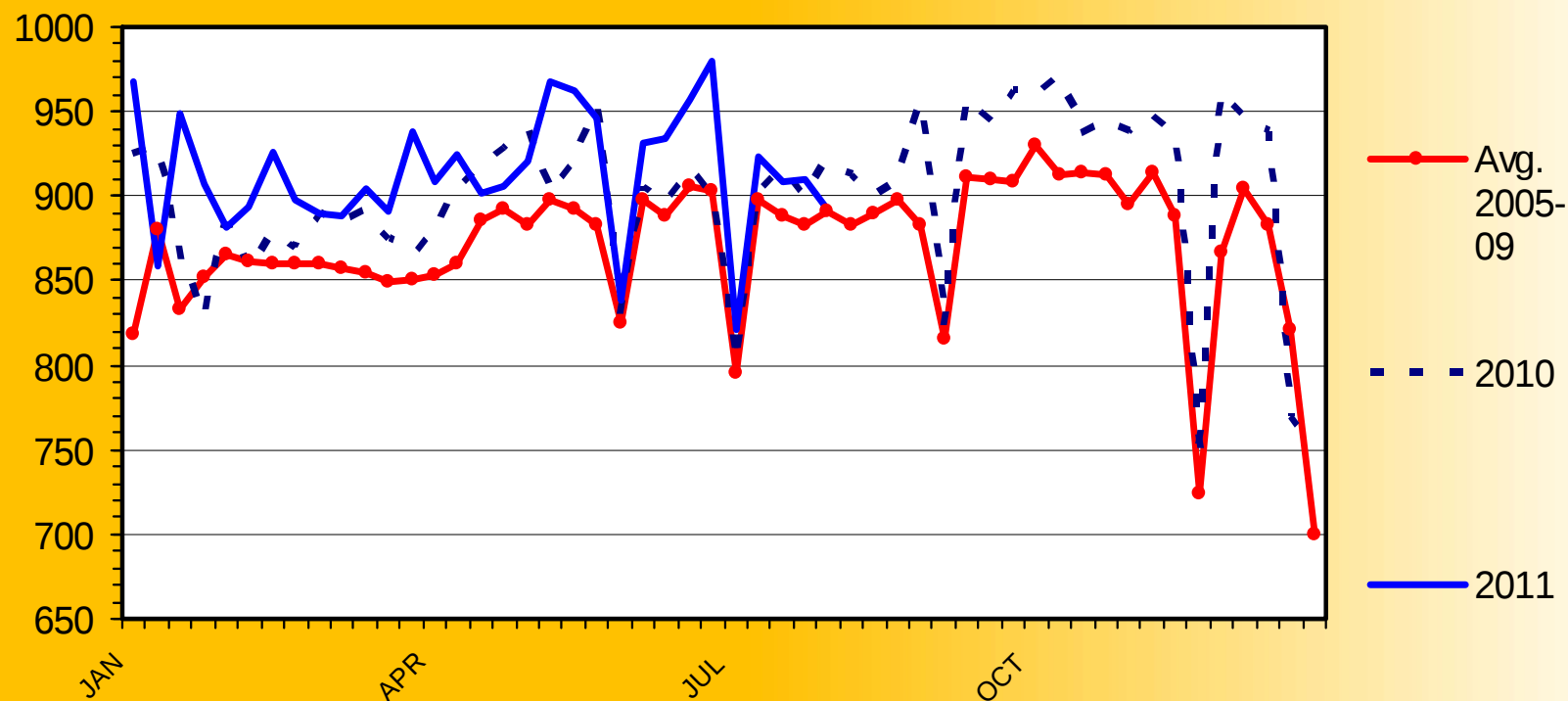
U.S. Swine Breeding Herd, 1999-2011



BROILER PRODUCTION

Federally Inspected, Weekly

Mil. Lbs



Livestock Marketing Information Center

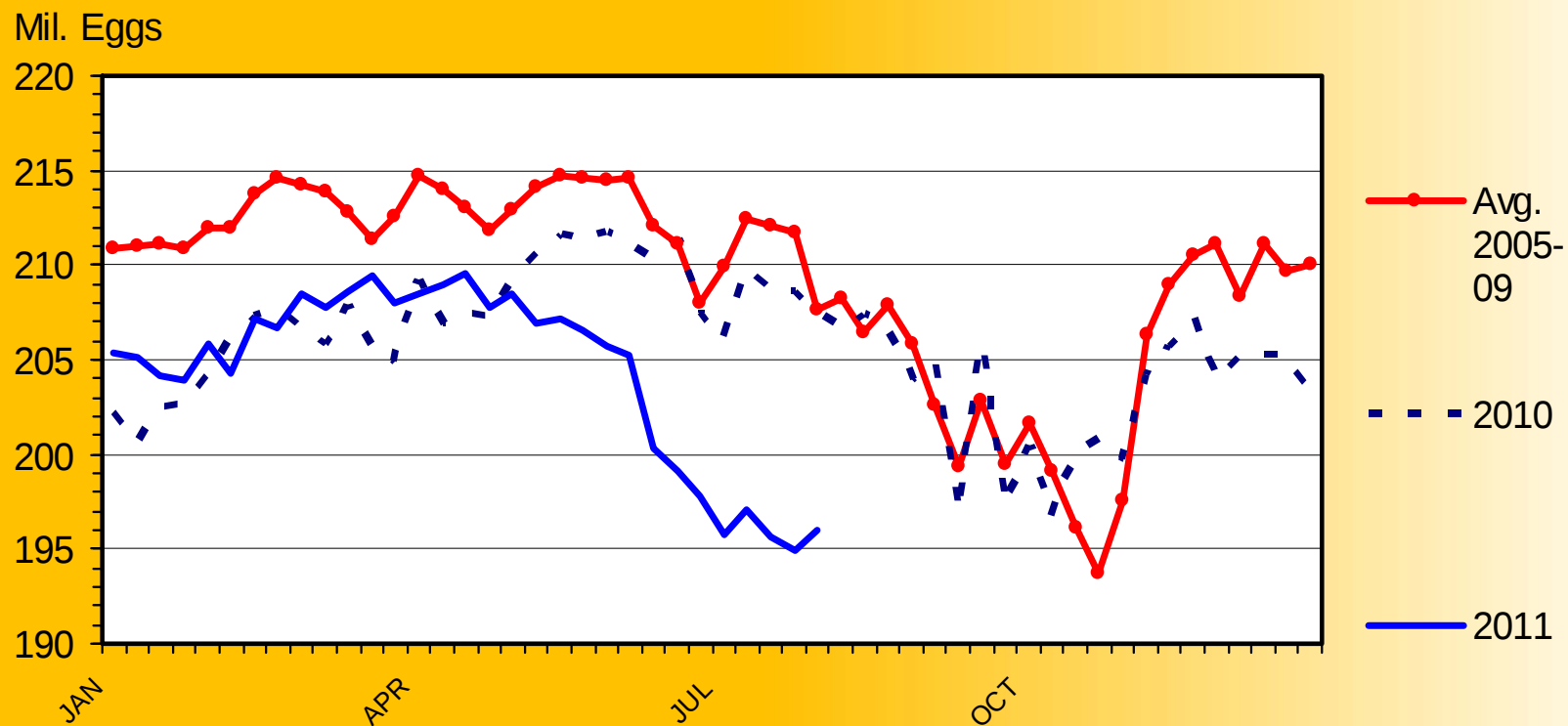
Data Source: USDA-AMS & USDA-NASS

P-S-20
08/11/11



BROILER EGGS SET

Weekly



Livestock Marketing Information Center

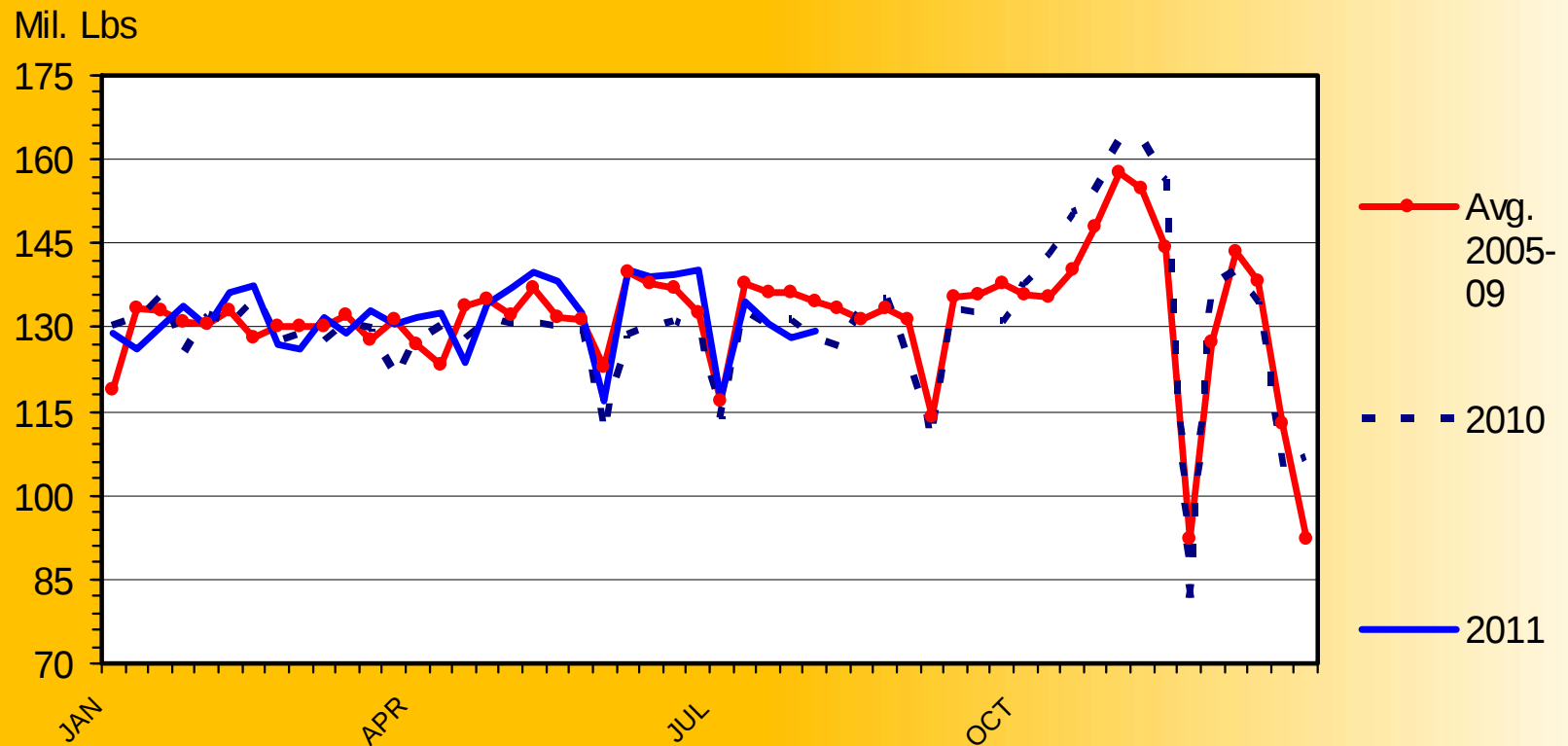
Data Source: USDA-NASS

P-S-10
08/11/11



TURKEY PRODUCTION

Federally Inspected, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS

P-S-21
08/11/11



Forecast Change in Meat Production

<u>Type</u>	--Percent Change--	
	2010-11	2011-12
Beef	- 0.7%	- 4.3%
Pork	+1.0%	+1.6%
Chicken	+1.3%	+1.0%
Turkey	+2.4%	+0.4%
All Meats	+0.7%	- 0.4%

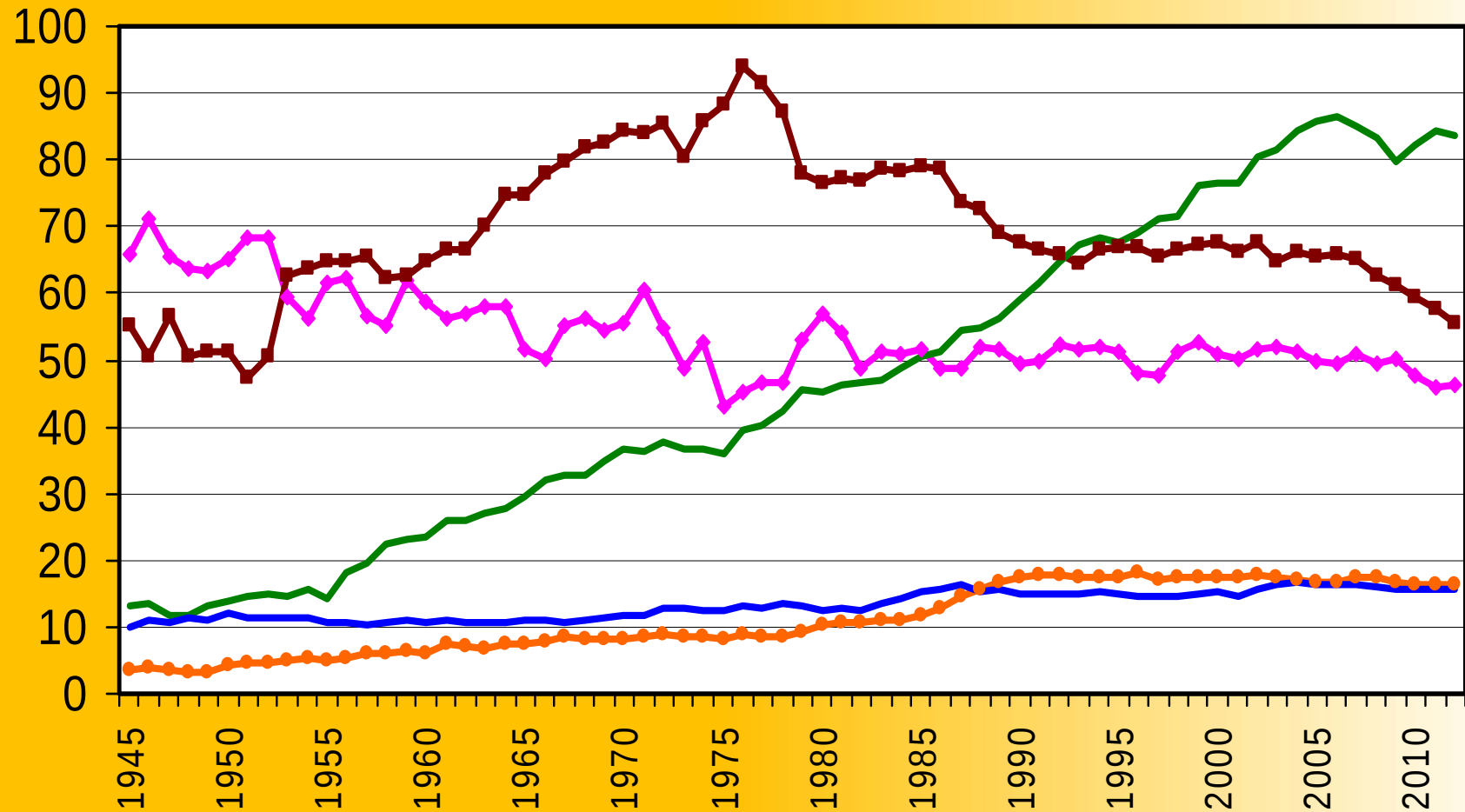


Source: USDA-OCE WASDE, August 2011

U.S. Per Capita Meat Consumption

Pounds

Pork Beef Broilers Turkey Fish



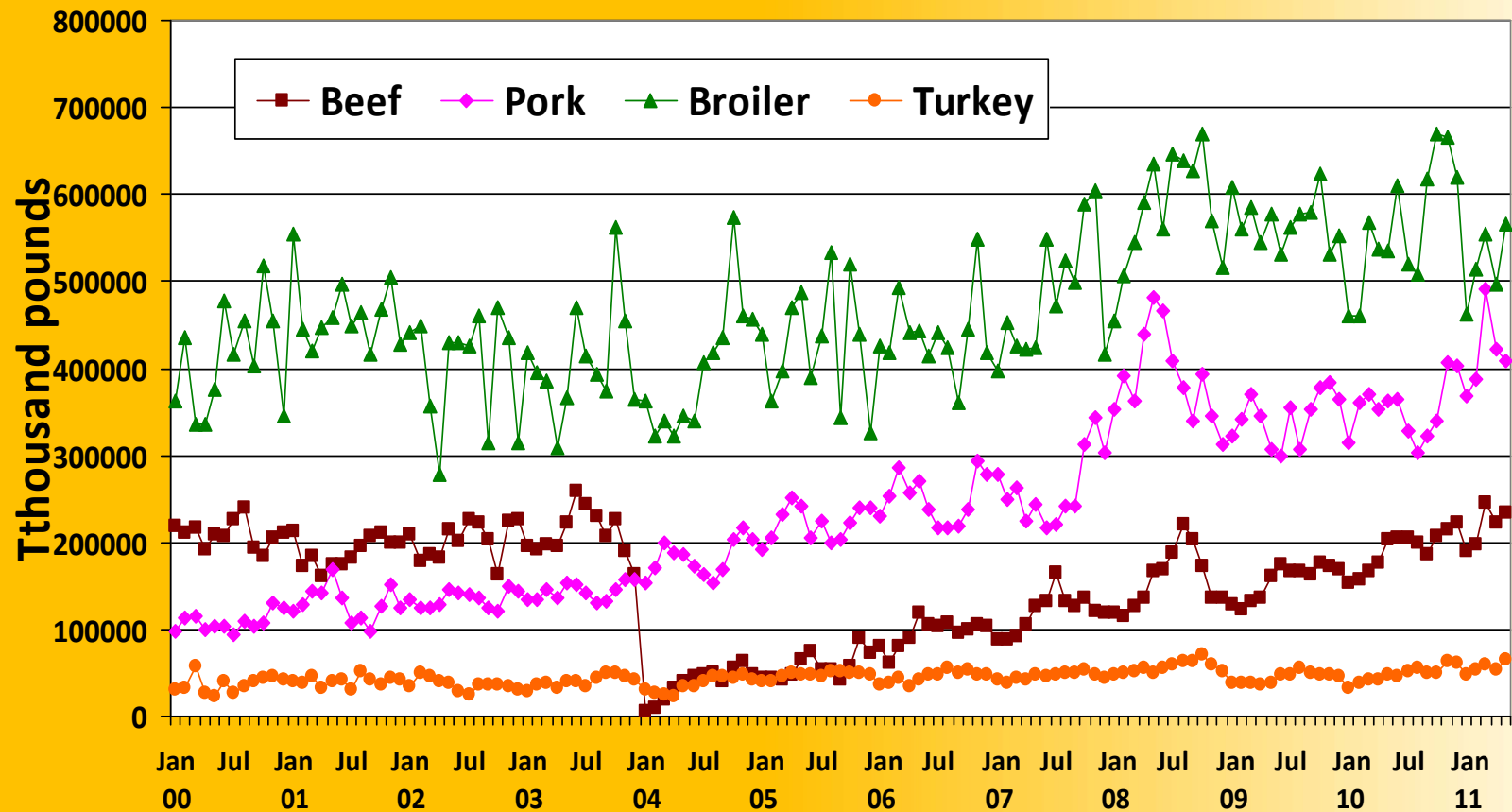
Source: USDA/ERS



Meat Exports

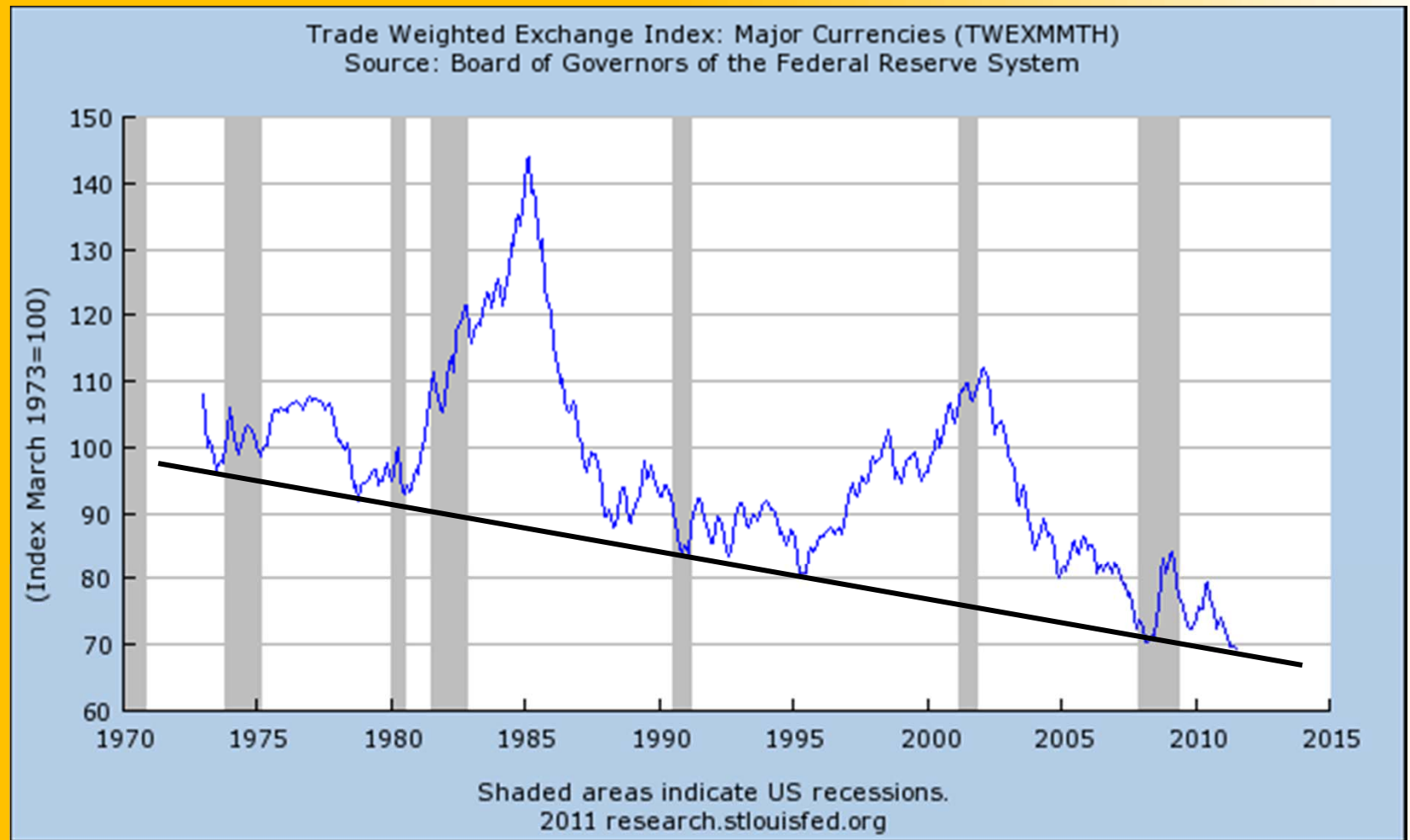


U.S. Meat Exports, 2000-2011

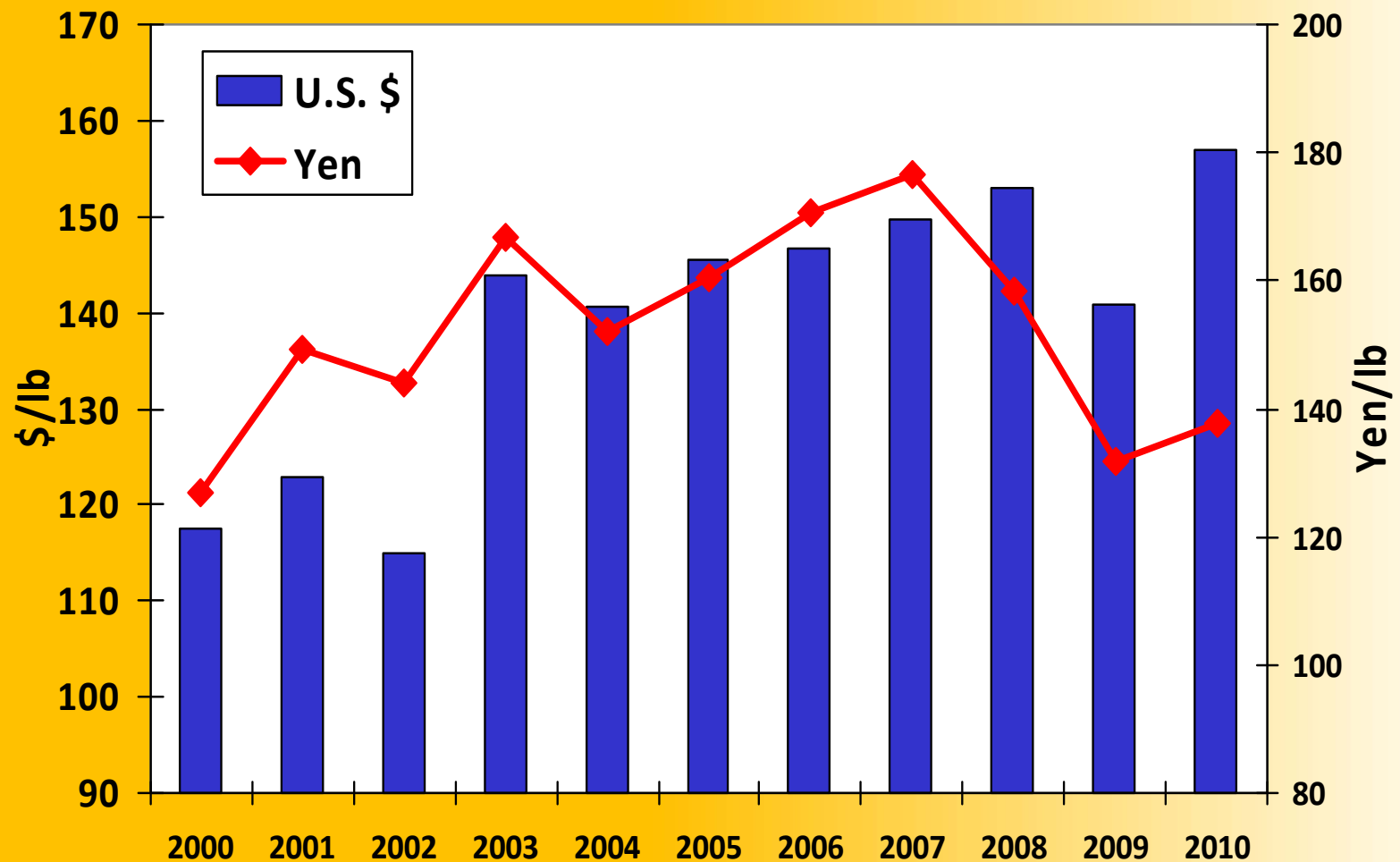


Source: USDA/ERS

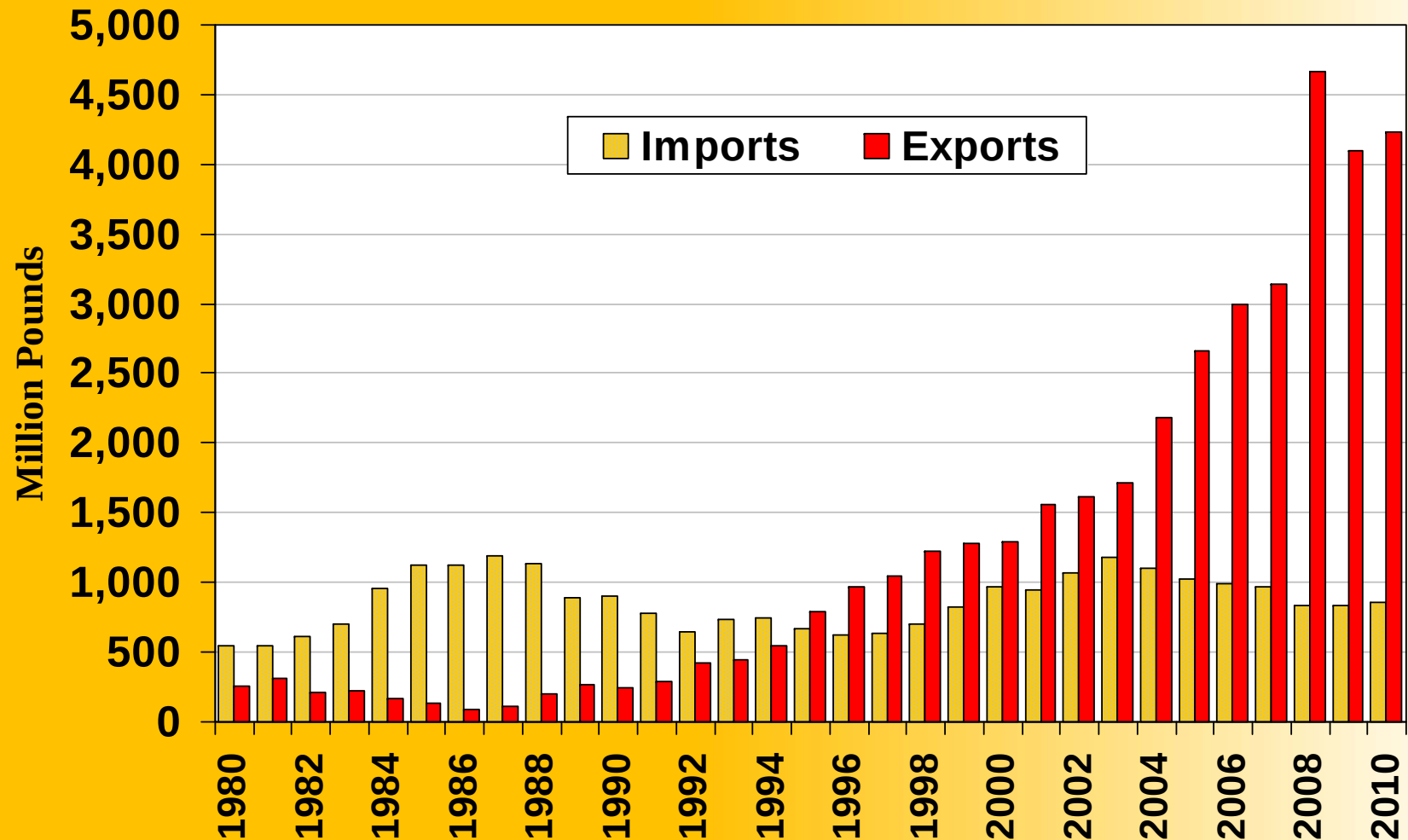




U.S. Wholesale Beef Prices, \$/lb and Yen/lb

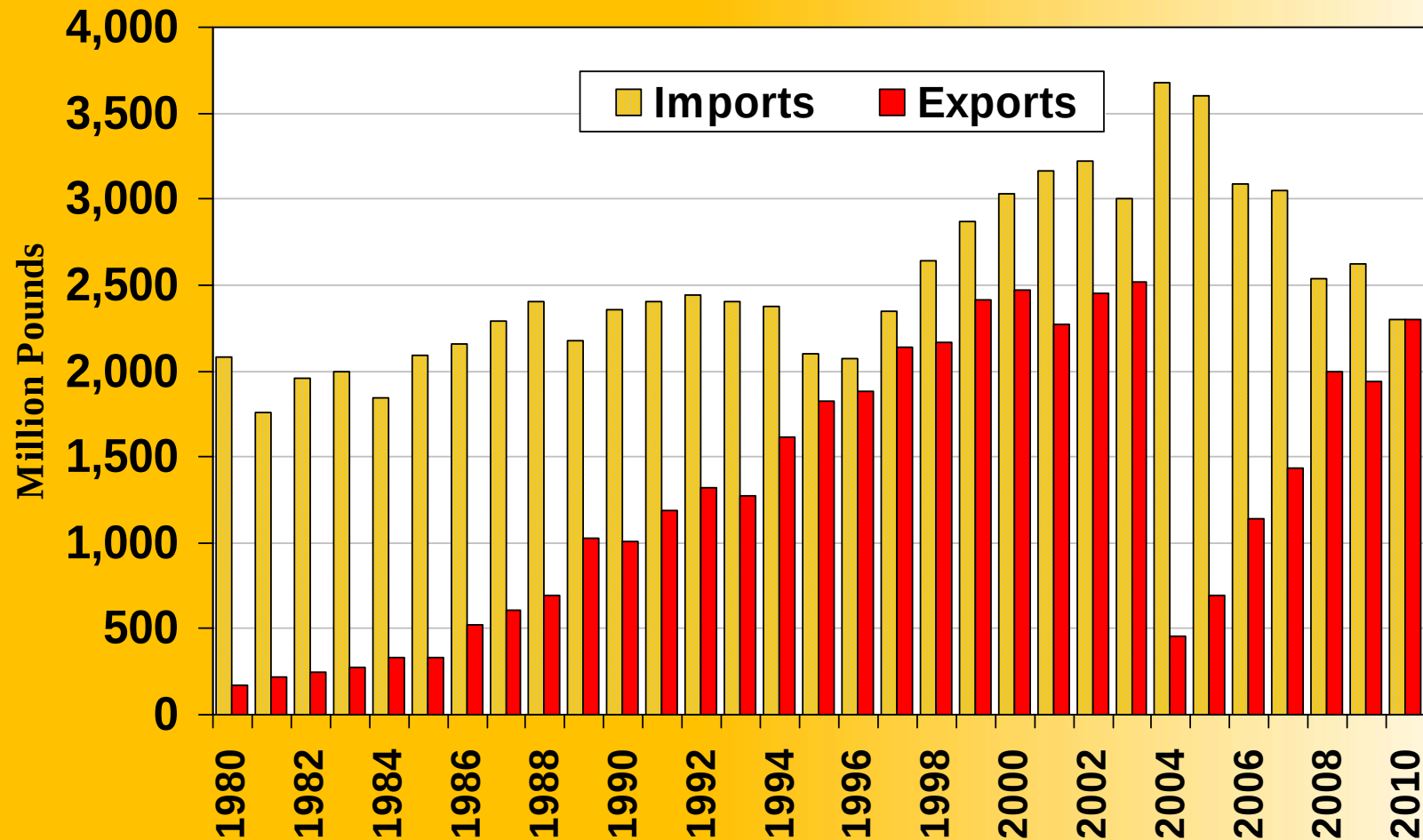


U.S. Pork Imports & Exports



Source: USDA/ERS

U.S. Beef Imports & Exports

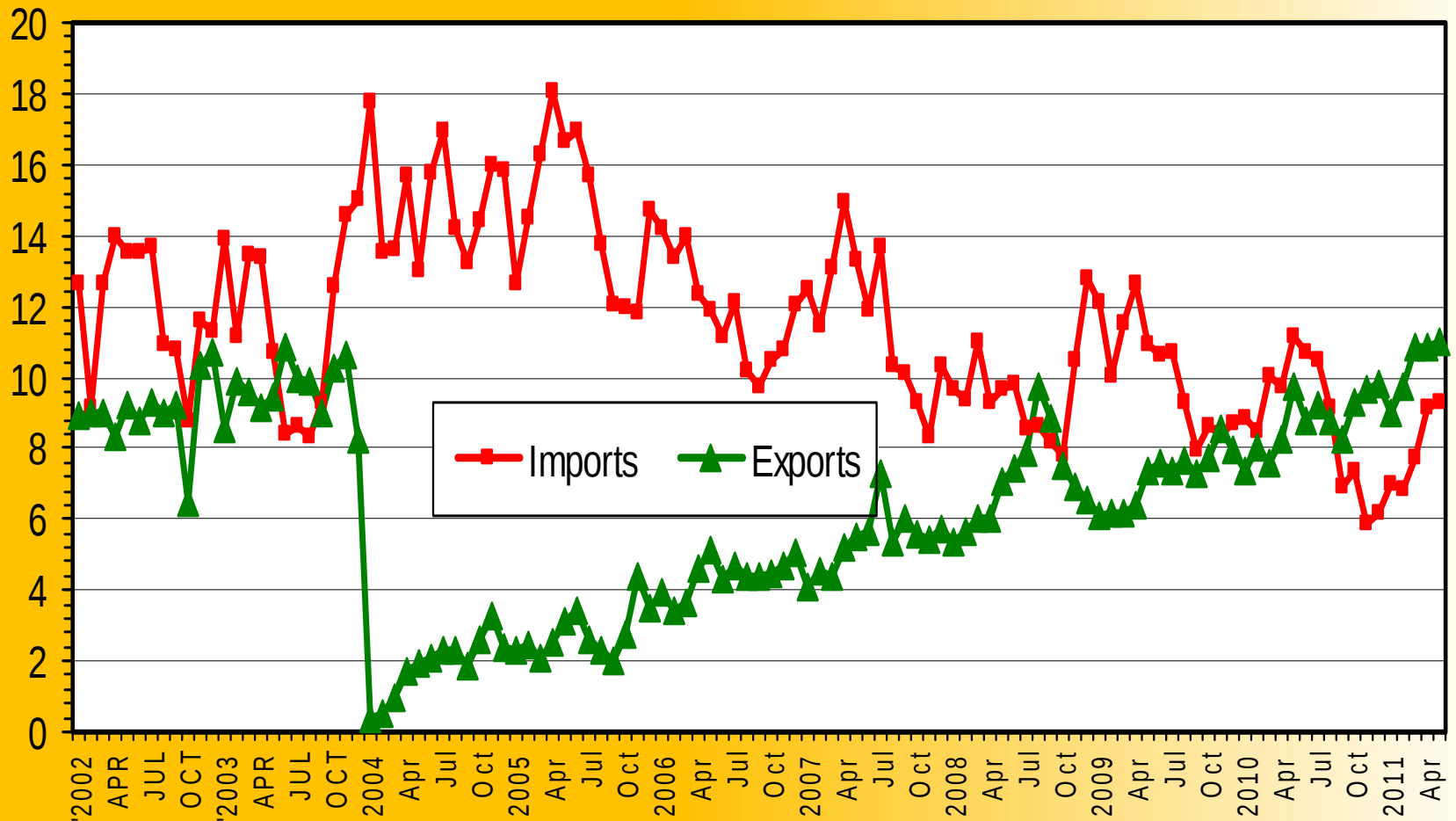


Source: USDA/ERS

U S Beef Imports & Exports

As % of U.S. Production, Monthly

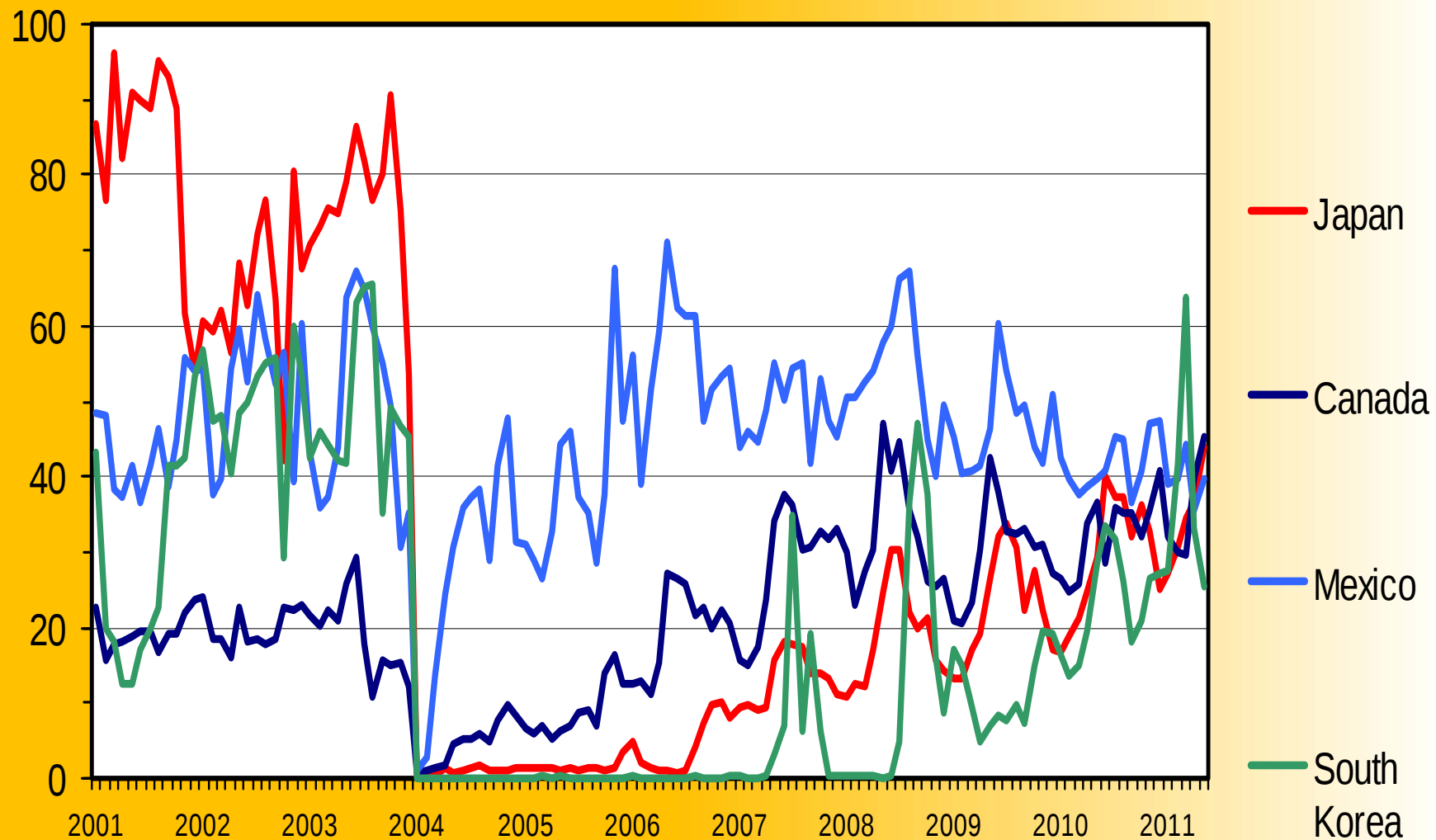
Percent



U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly

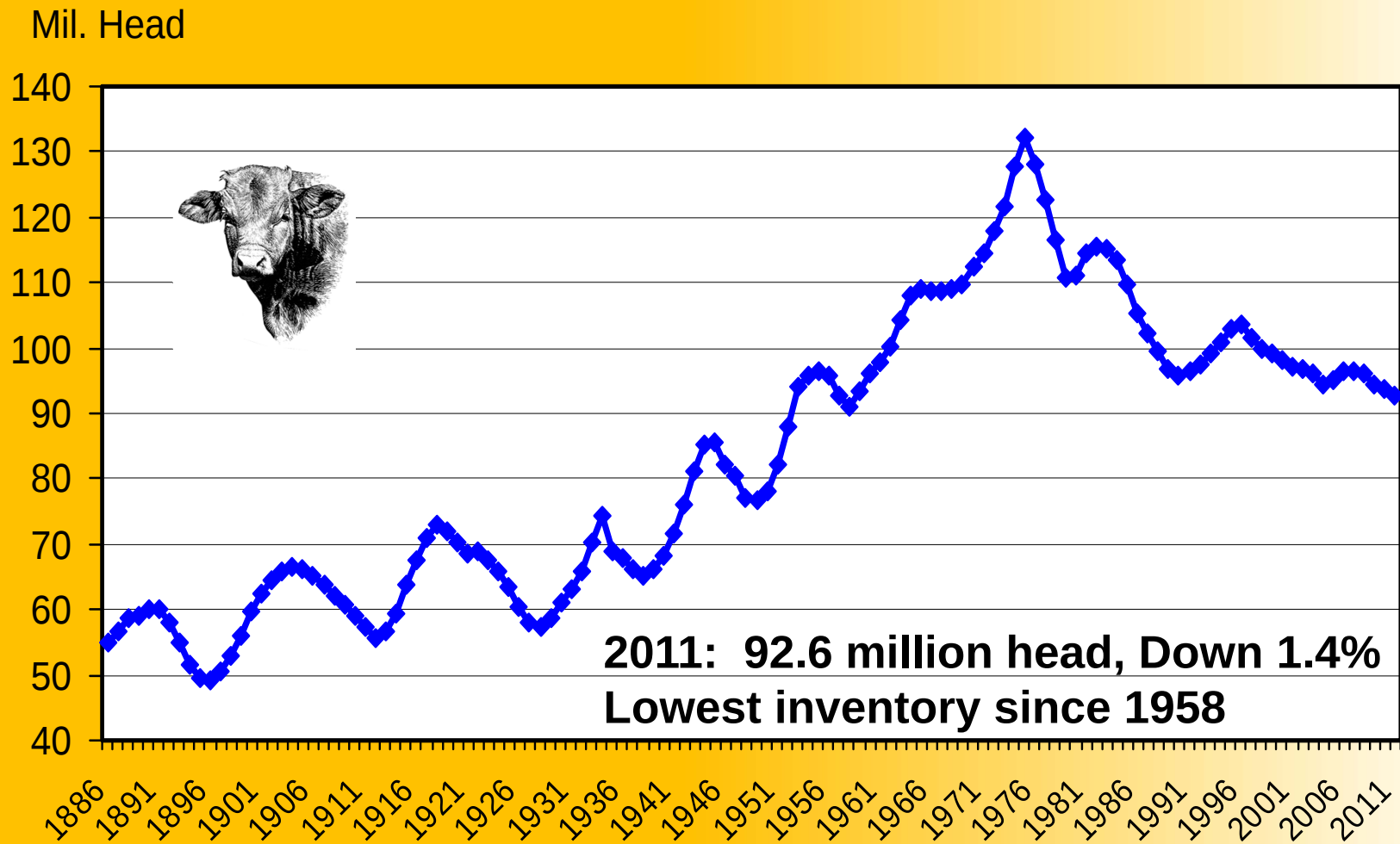
Mil. Pounds



Cattle Inventory

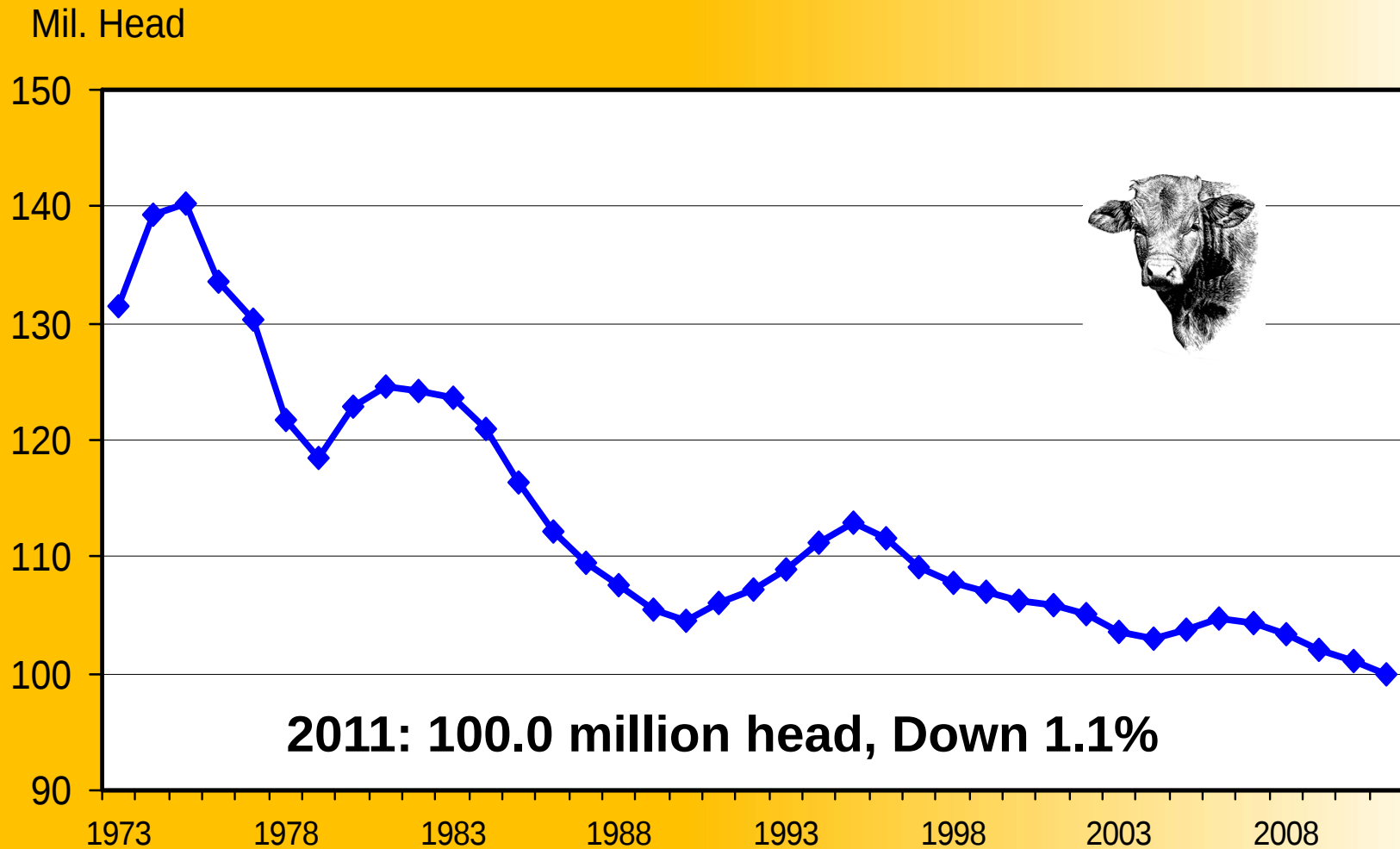


U.S. CATTLE INVENTORY, 1886-2011



Source: USDA/NASS

U.S. CATTLE INVENTORY, July 1



Source: USDA/NASS

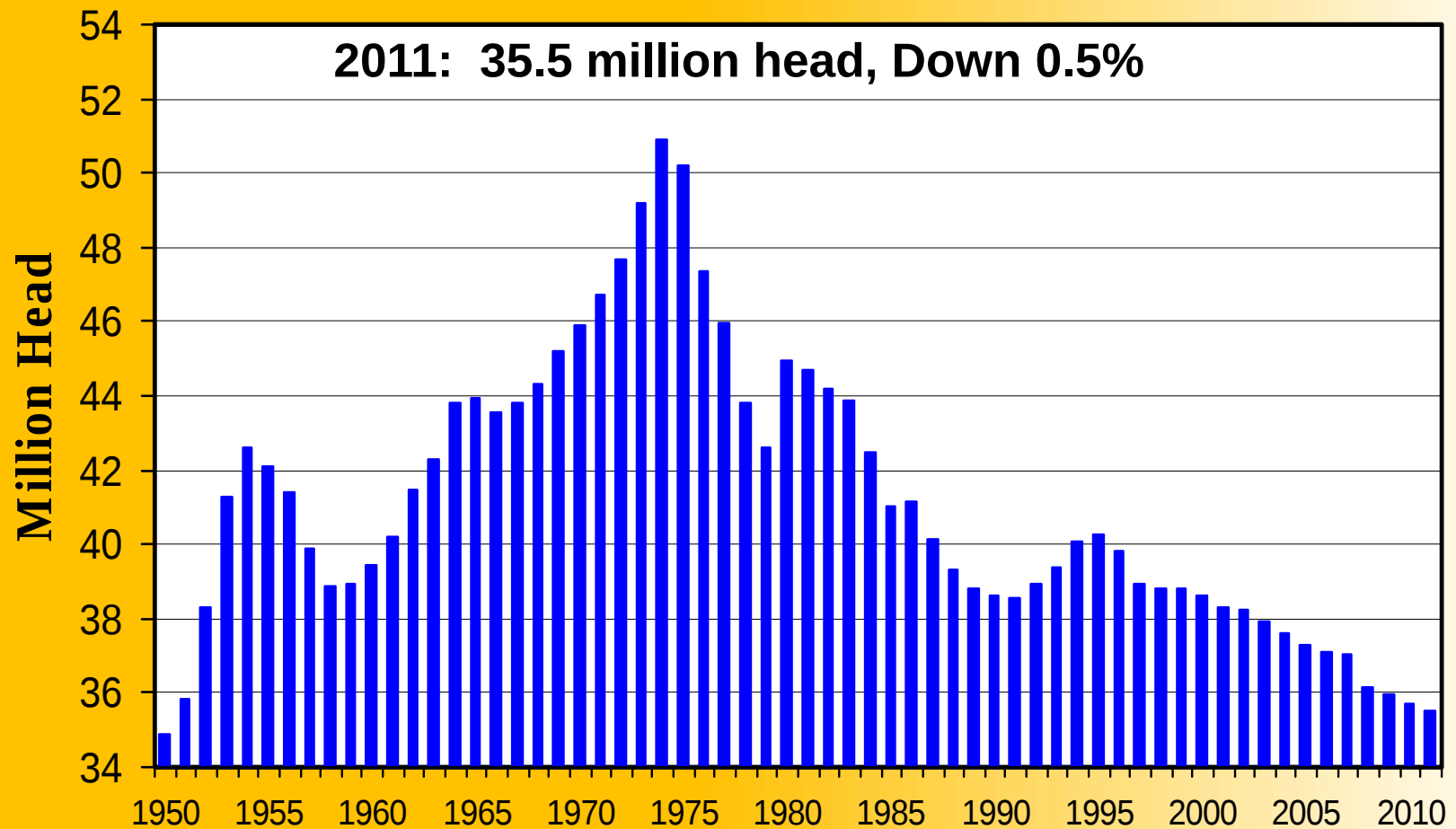
July 2011 Cattle Inventory

percent of year earlier

All Cattle & Calves	98.9
Beef Cows	98.9
Dairy Cows	100.5
Beef Replace. Heifers	95.5
Dairy Replace. Heifers	103.7
Other Heifers	98.1
Steers 500 lbs & up	98.6
Calves under 500 lbs	98.9



U.S. Calf Crop, 1950-2011

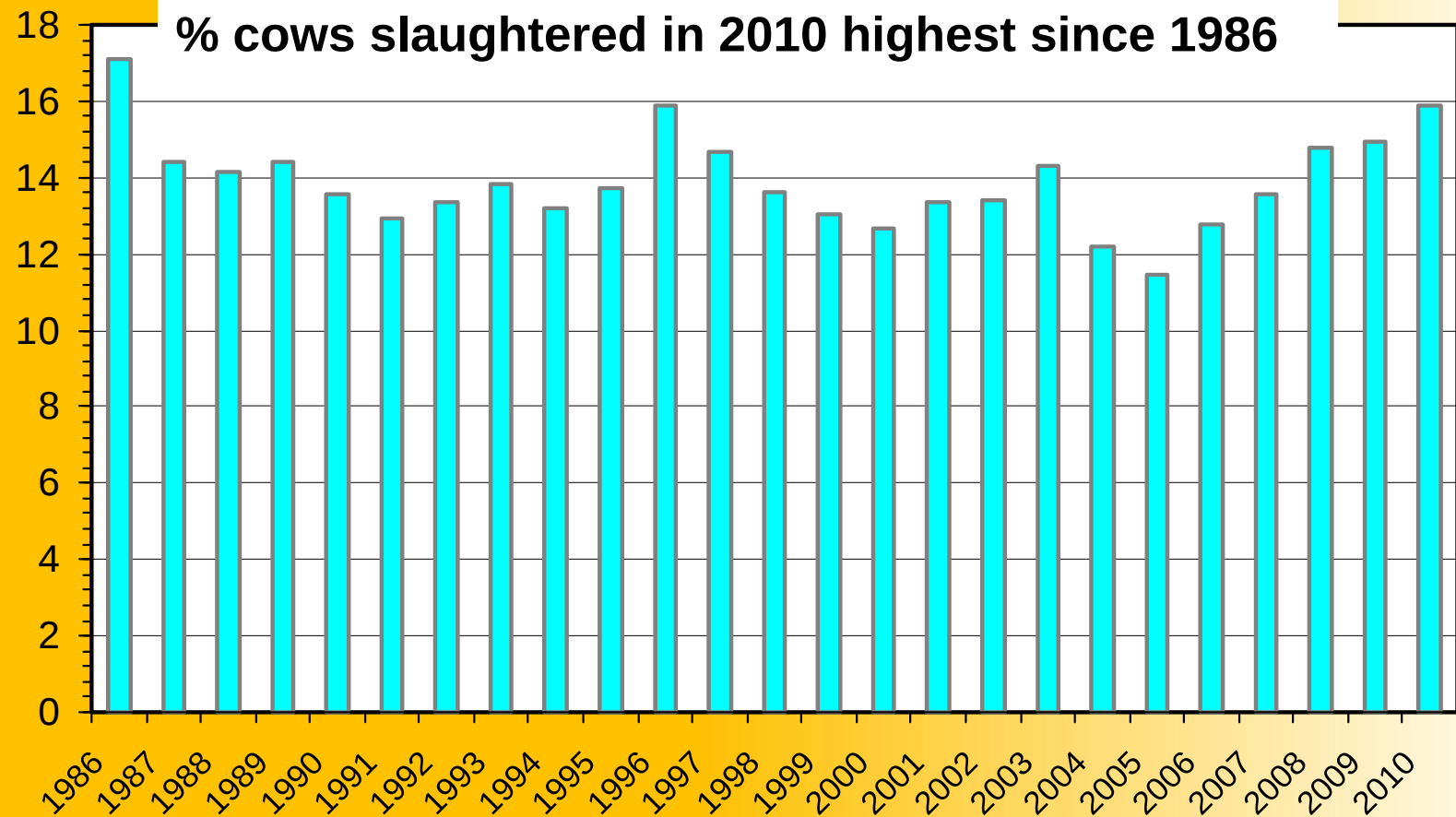


2011 calf crop was smallest since 1950



Cow Slaughter as % of Cow Inventory, 1986-2010

Percent



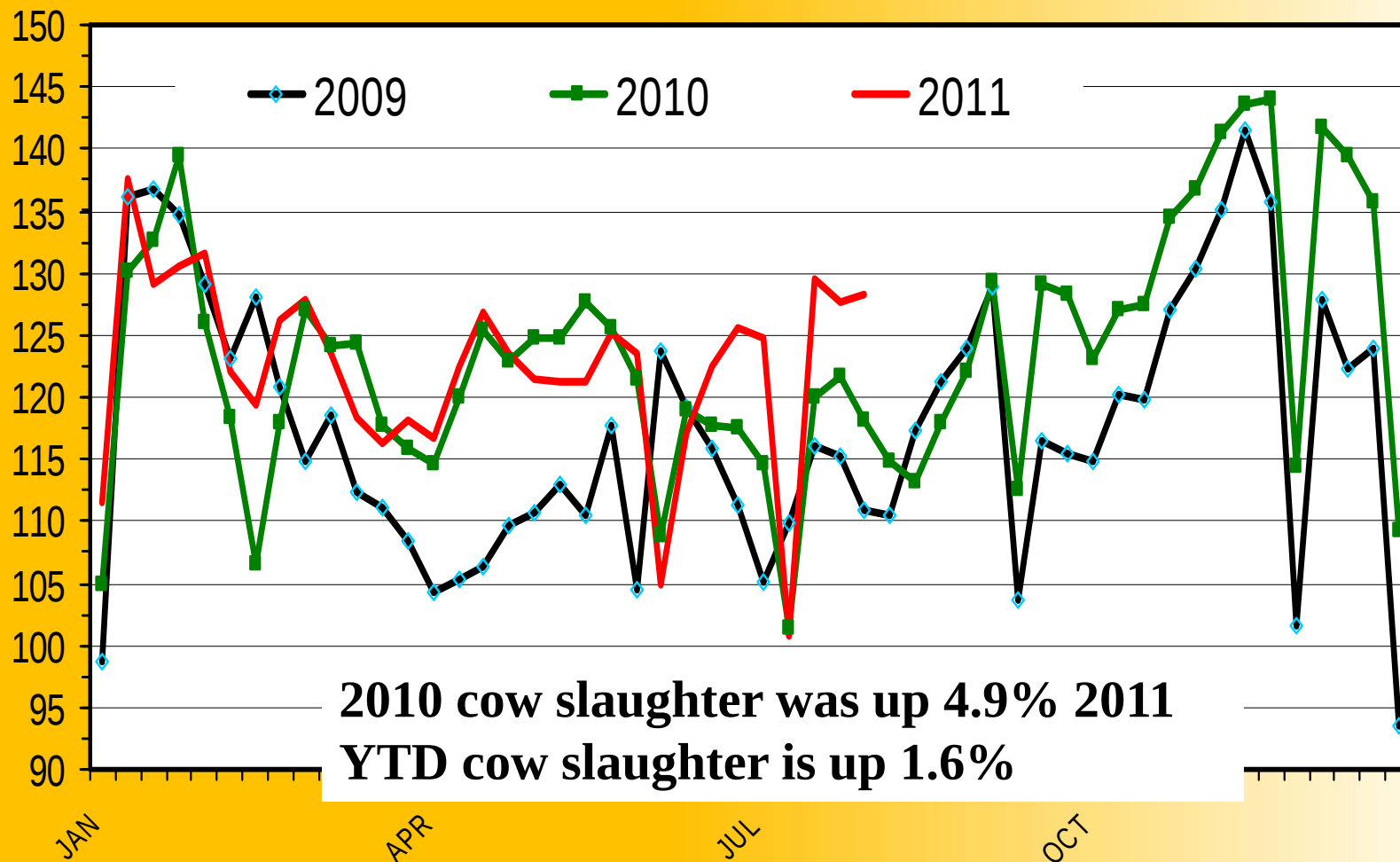
Source: MU from USDA/NASS & USDA/AMS data



COW SLAUGHTER

Federally Inspected Weekly

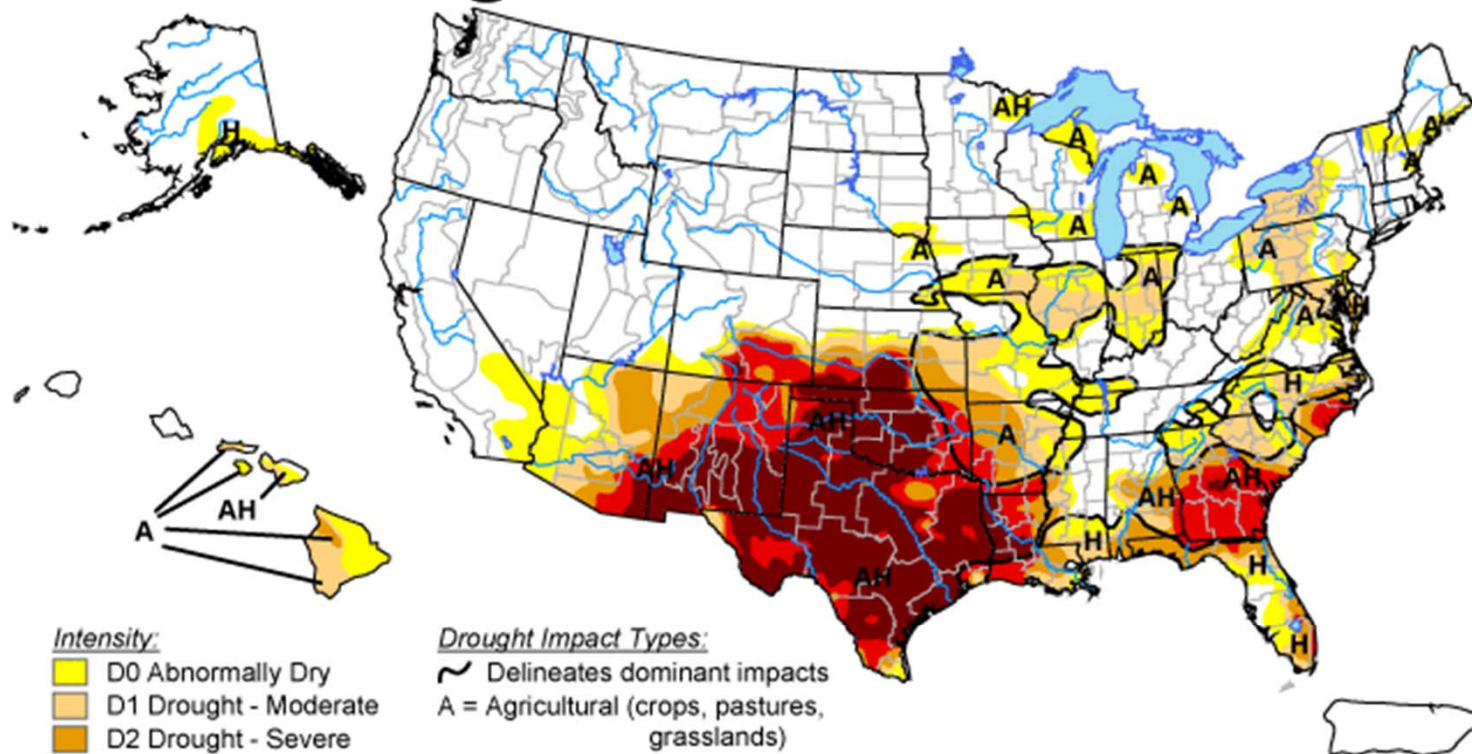
Thou. Head



U.S. Drought Monitor

August 9, 2011

Valid 8 a.m. EDT



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



Released Thursday, August 11, 2011

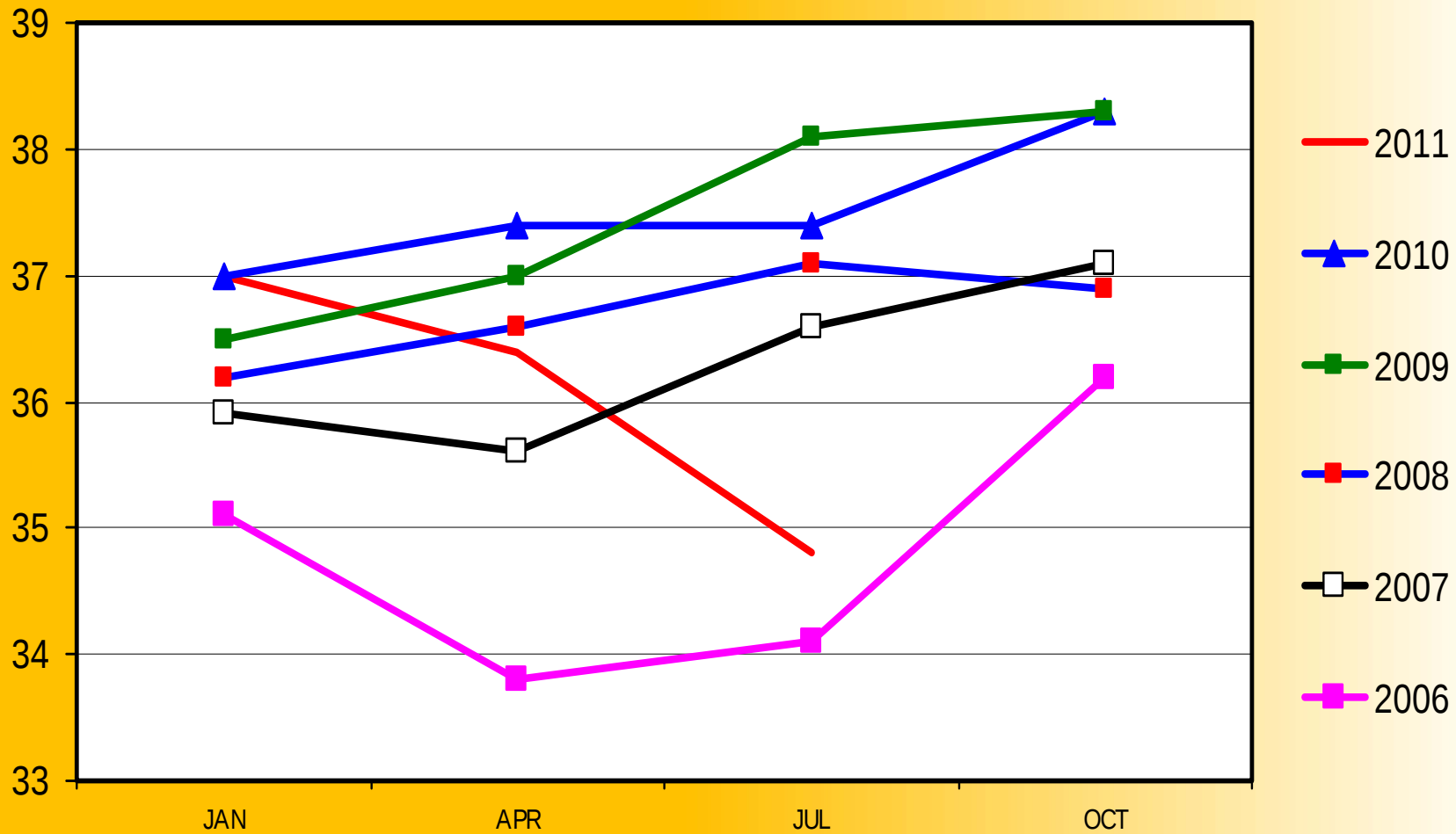
Author: Laura Edwards, Western Regional Climate Center



Percent
Heifers

CATTLE ON FEED

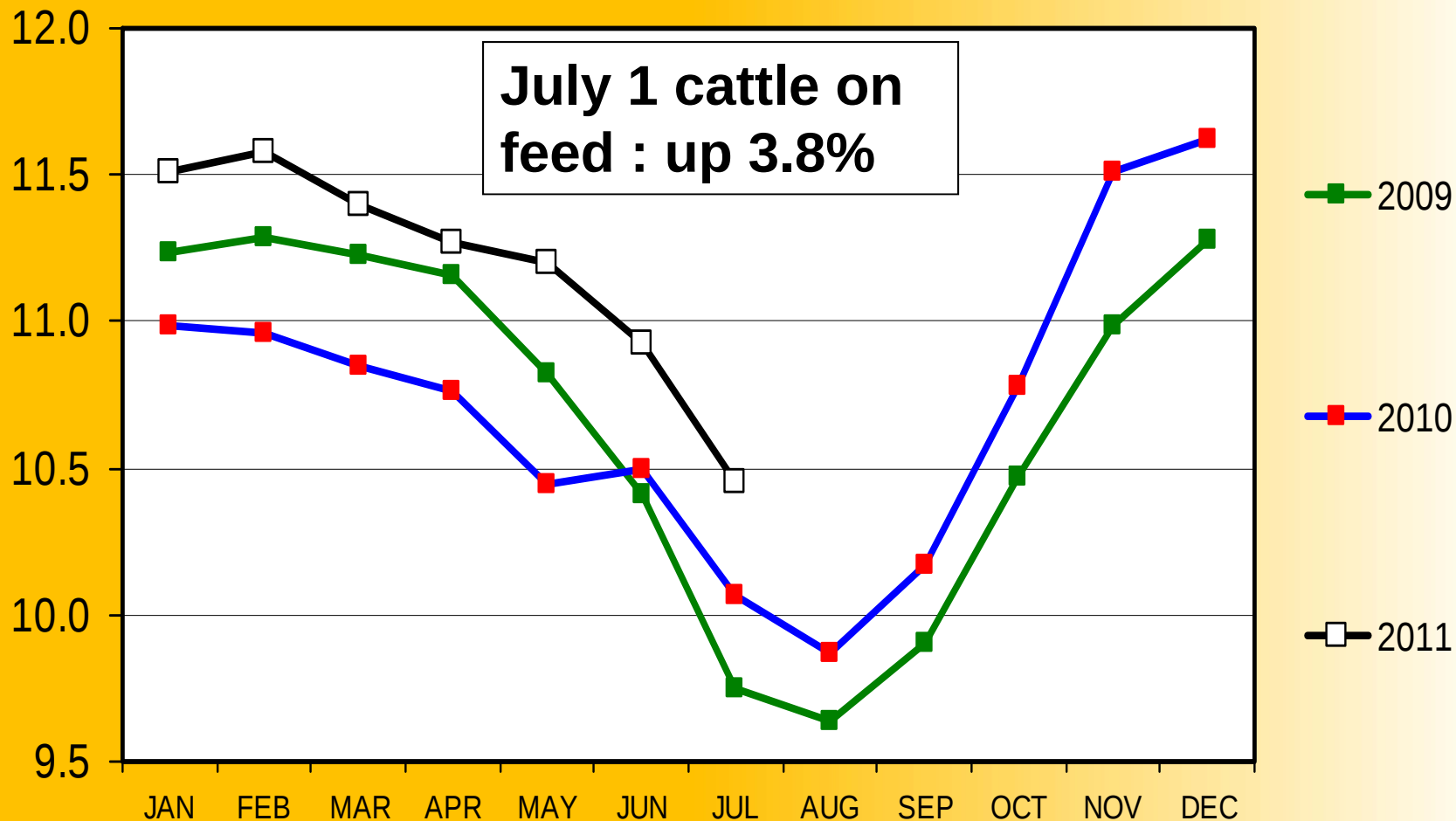
Large U.S. Feedlots, Monthly



CATTLE ON FEED

Large U.S. Feedlots, Monthly

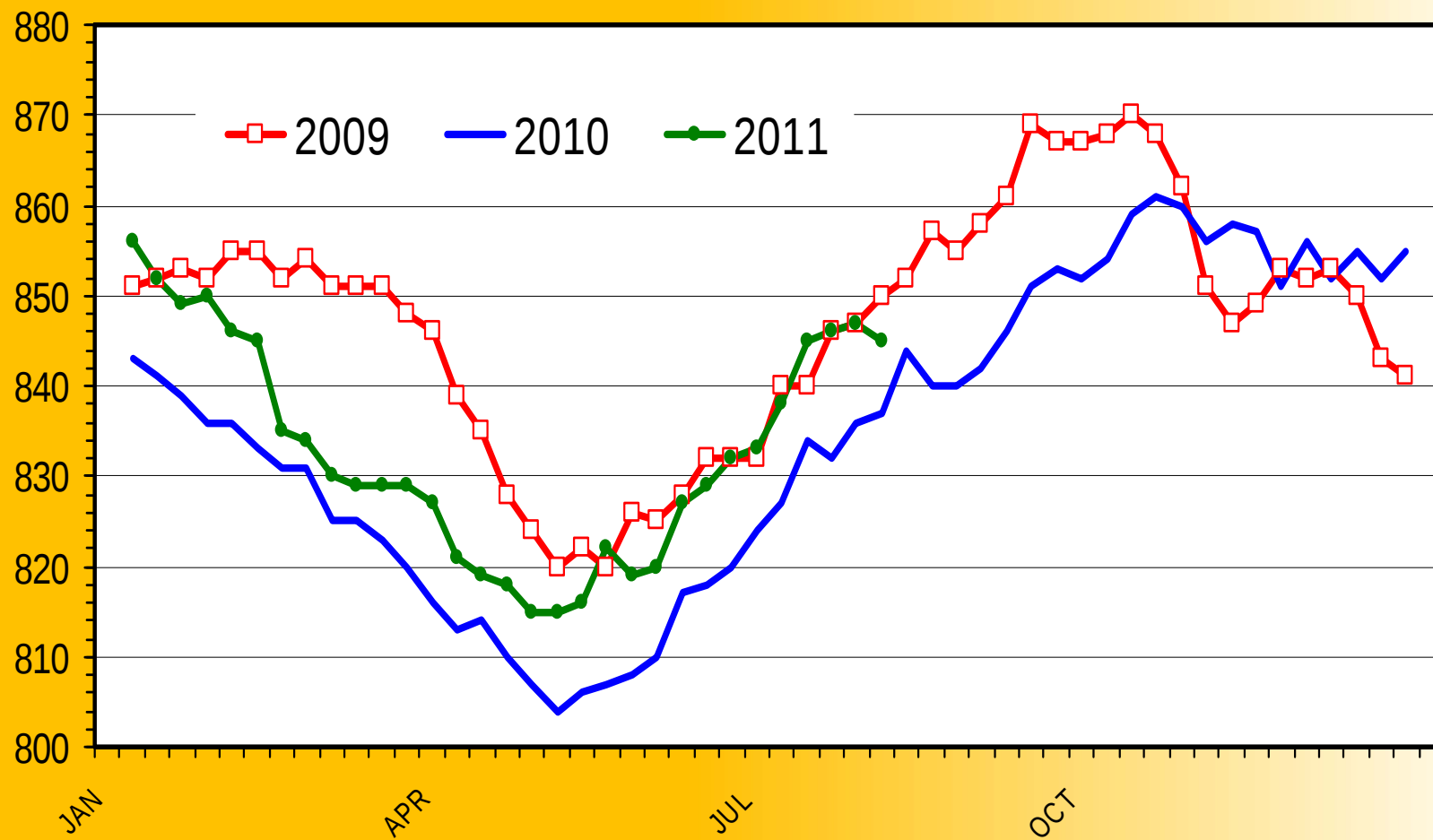
Mil. Head



Steer Slaughter Weight

Federally Inspected, Weekly

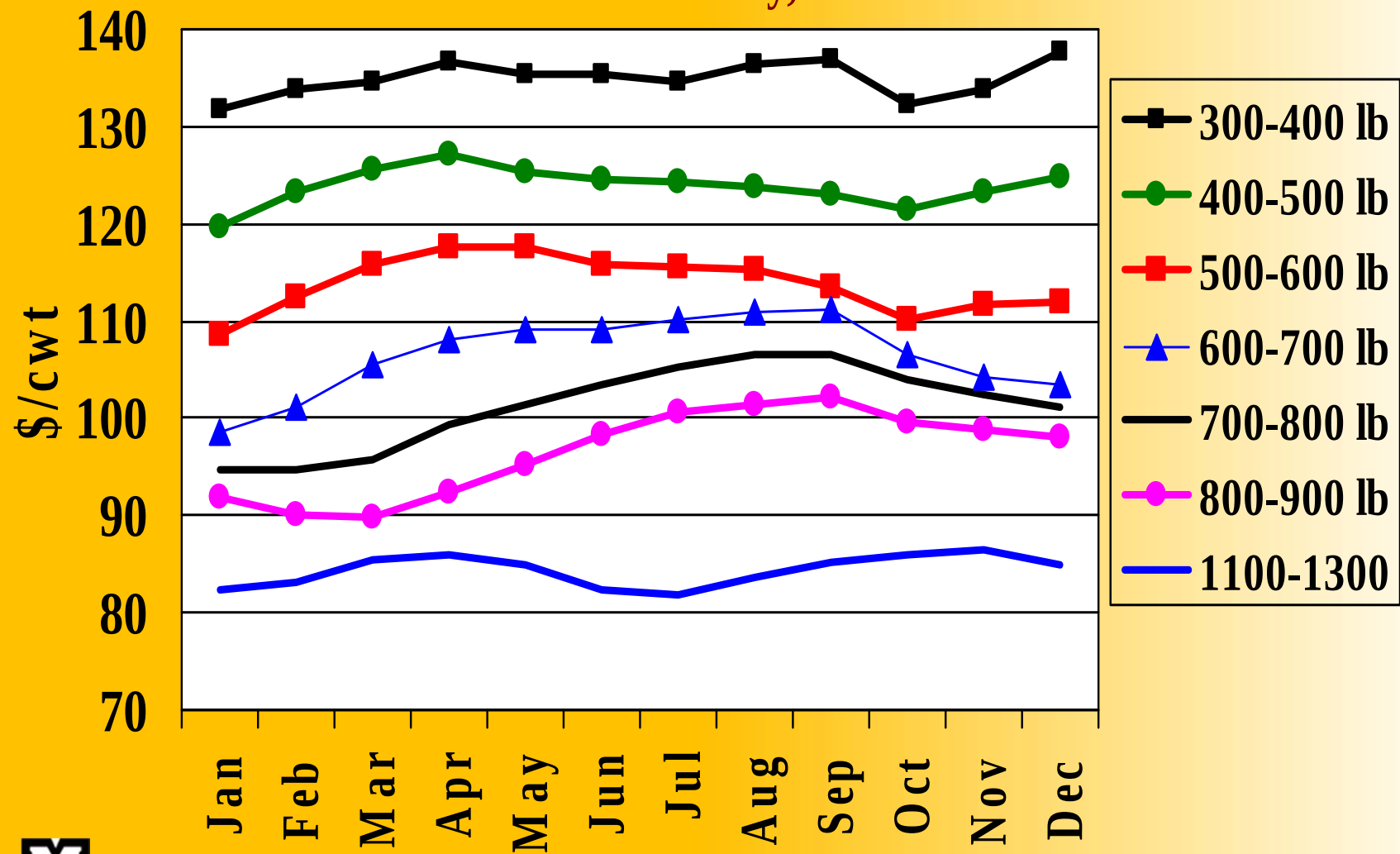
Pounds



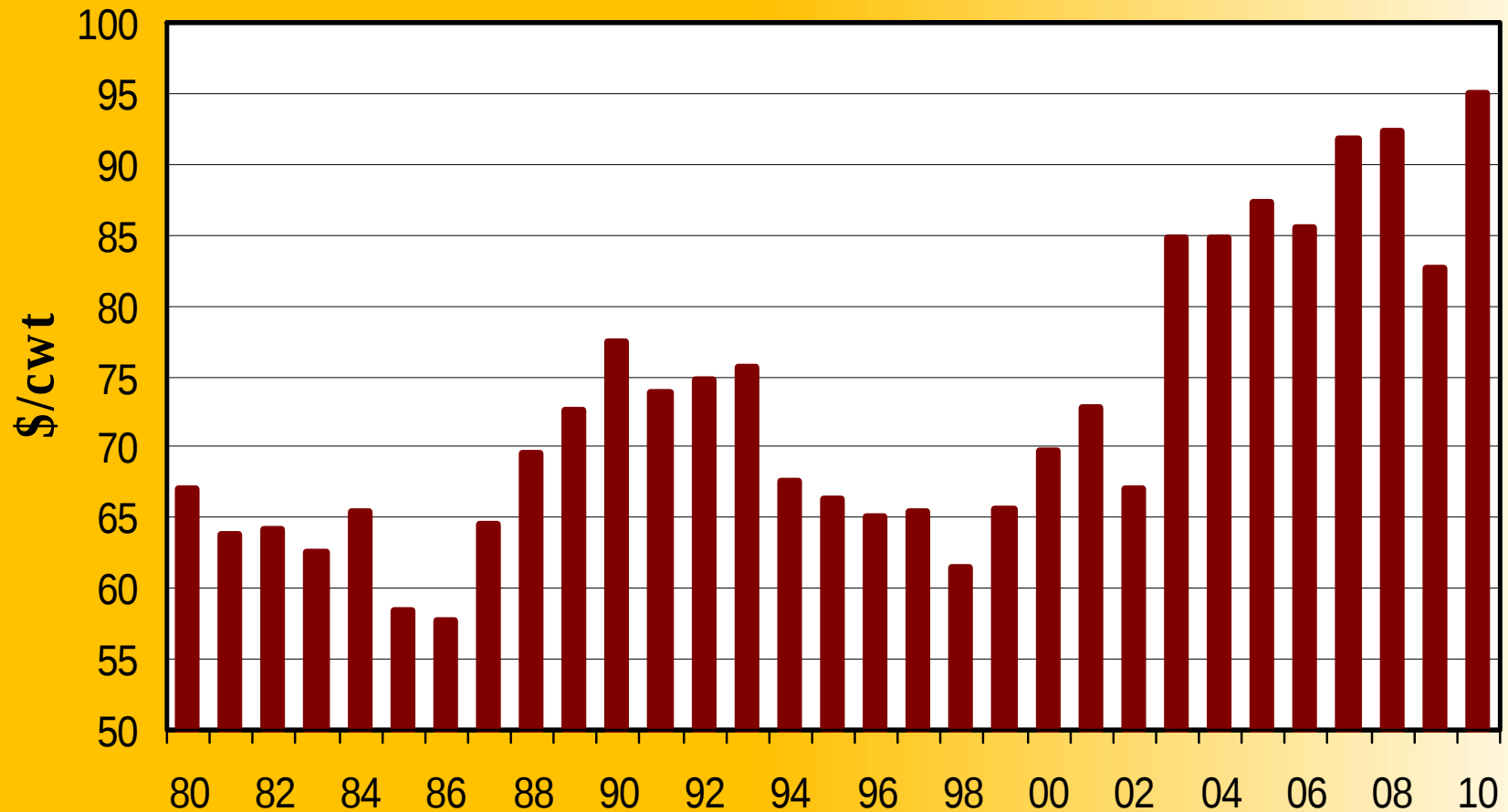
Cattle Prices



Monthly Average Steer Prices, Oklahoma City, 2001-2010



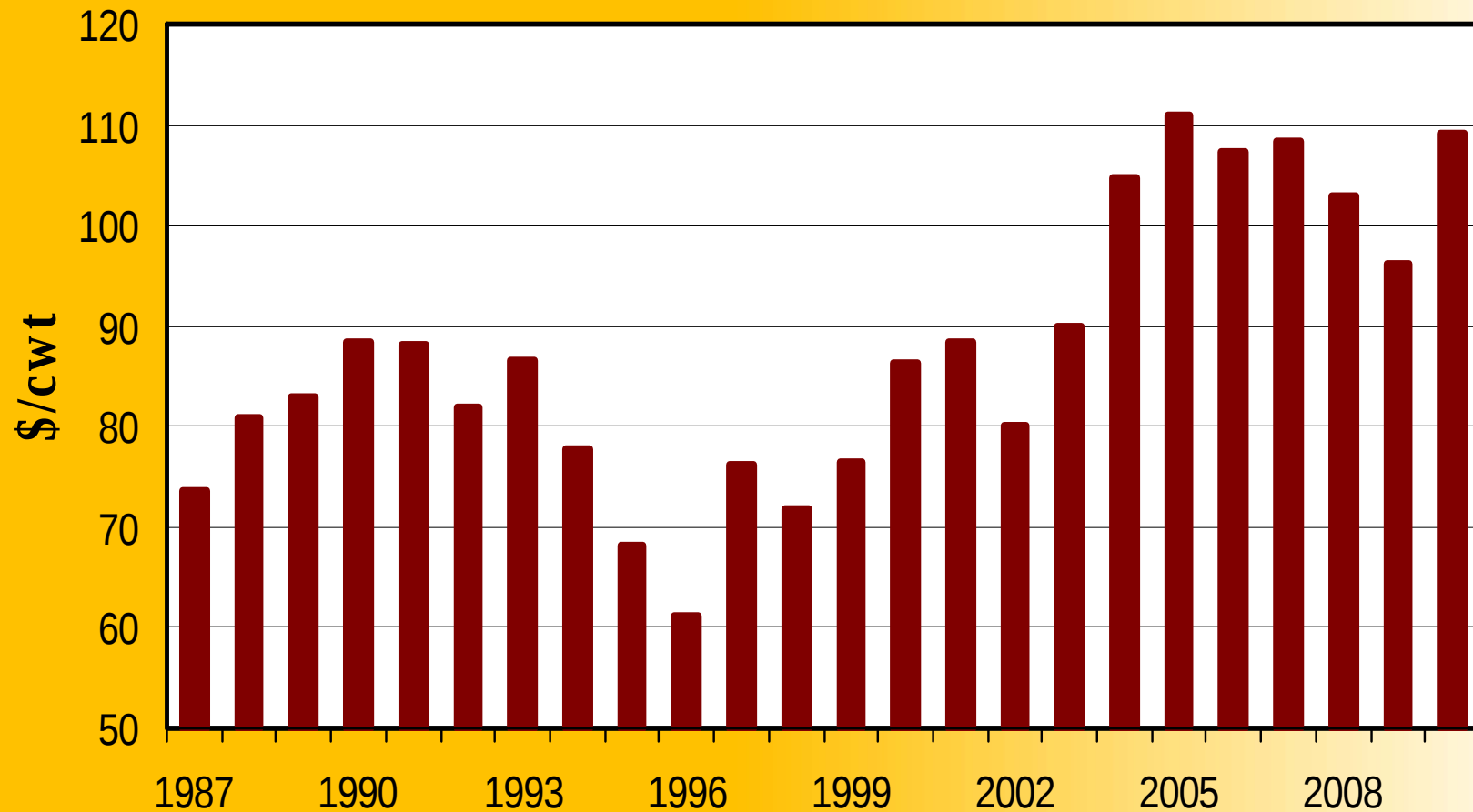
Choice 1100-1300 Lb. Steers Yield Grade 2-4, Nebraska Direct



2010 fed cattle prices were the highest ever



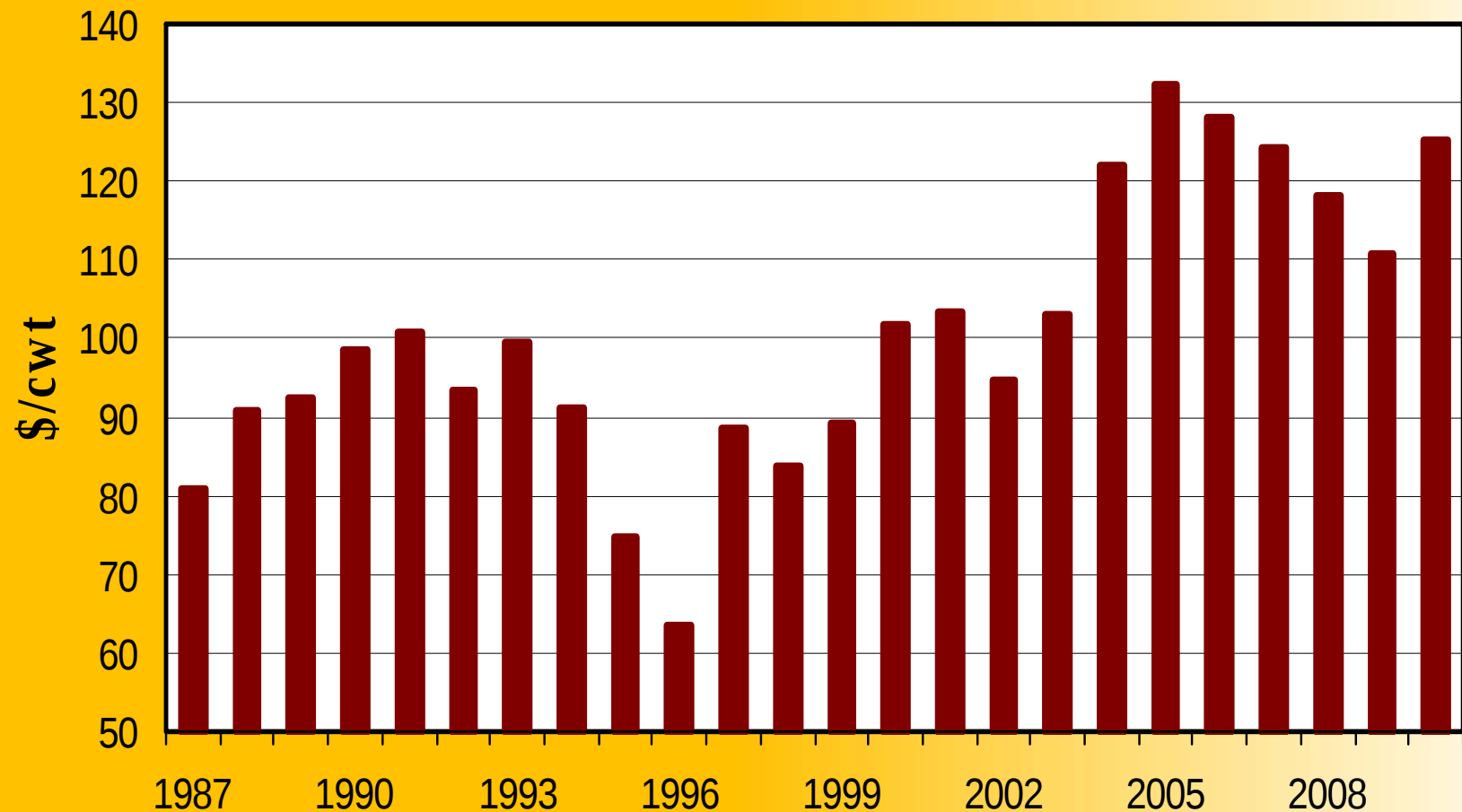
750-800 Lb. Steers Medium & Large #1, Oklahoma City



2010 feeder cattle prices were the 2nd highest ever



500-550 Lb. Steers Medium & Large #1, Oklahoma City

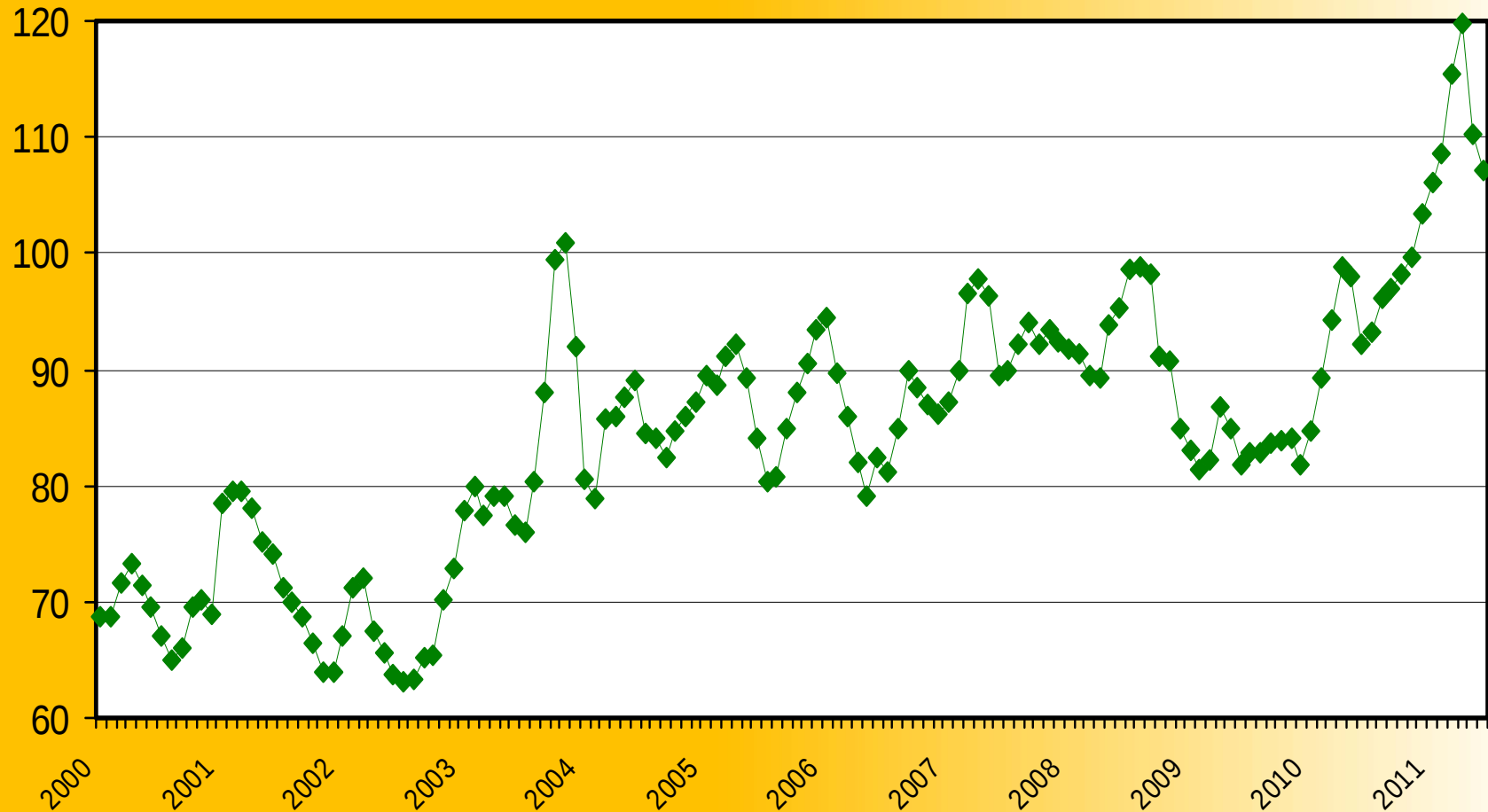


2010 feeder calf prices were the highest since 2006



Slaughter Steer Prices, 5 Area, monthly

\$ Per Cwt



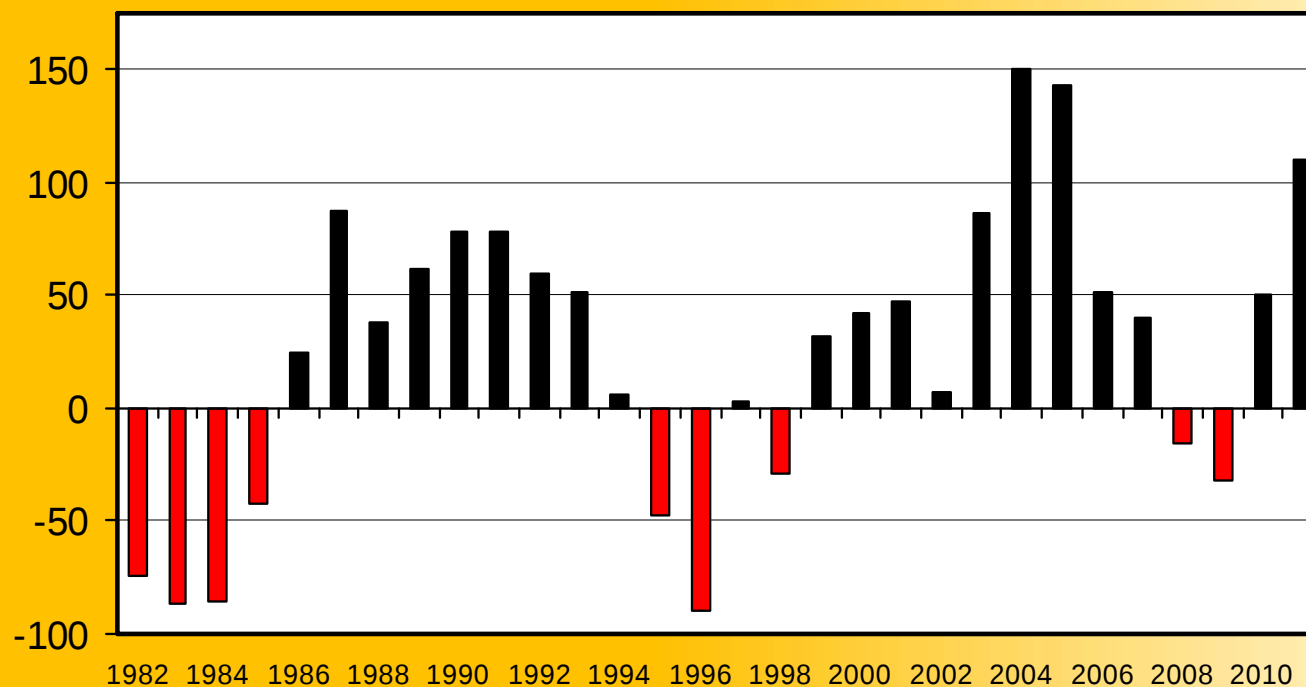
Source: USDA/ERS



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow

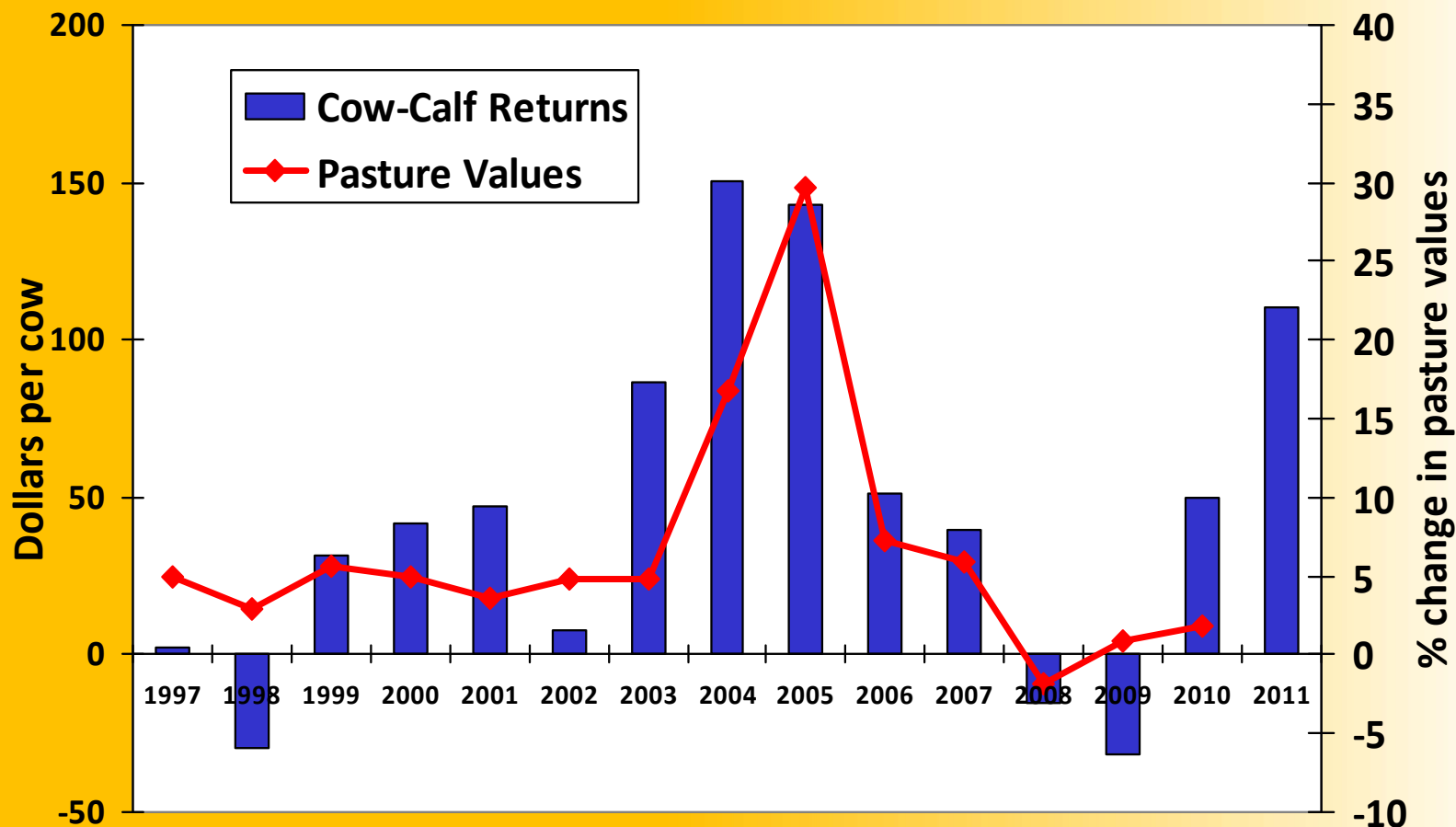


Livestock Marketing Information Center

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



Cow-Calf Returns & Pasture Values

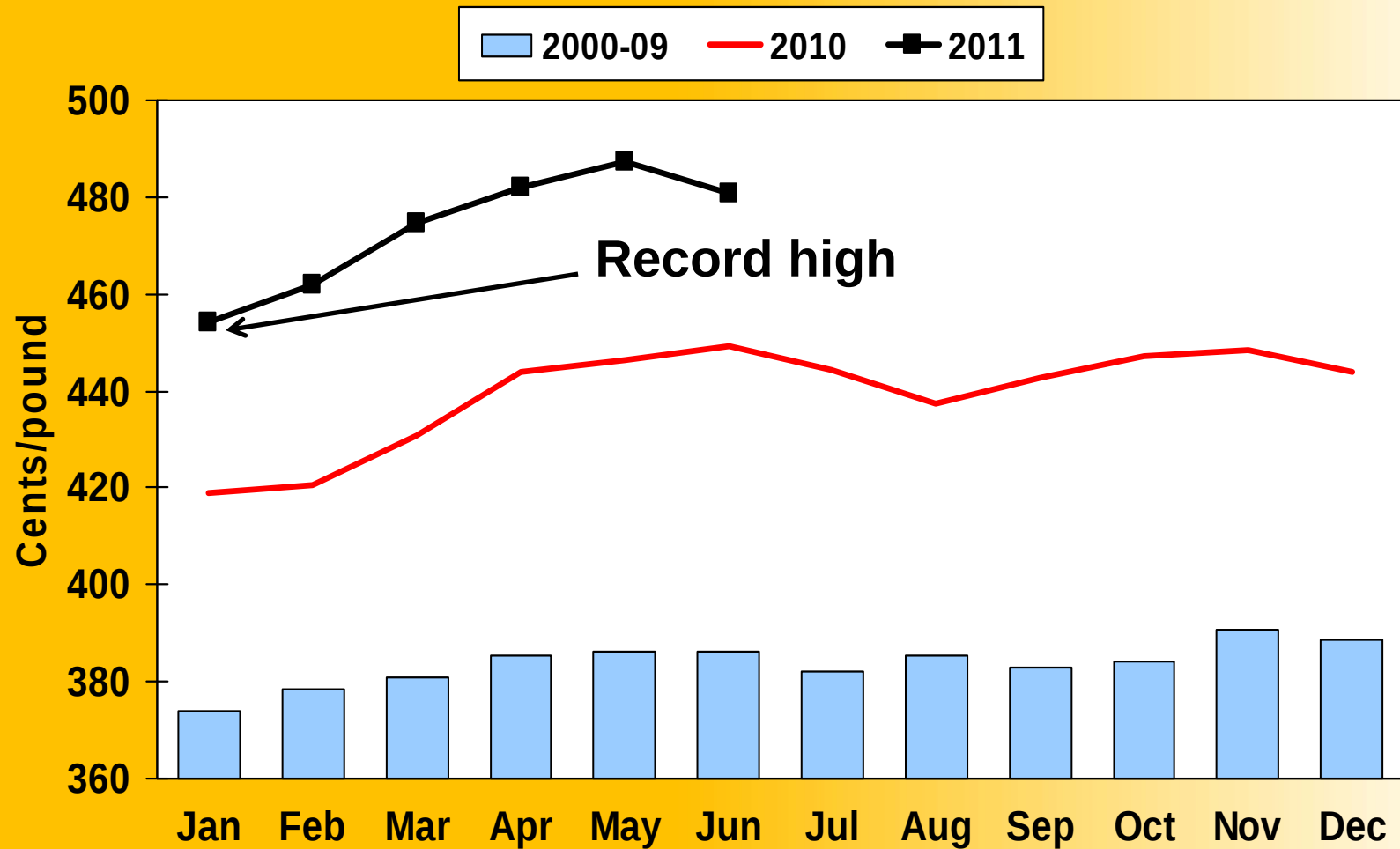


Livestock Marketing Information Center

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



Retail Price of Choice Beef



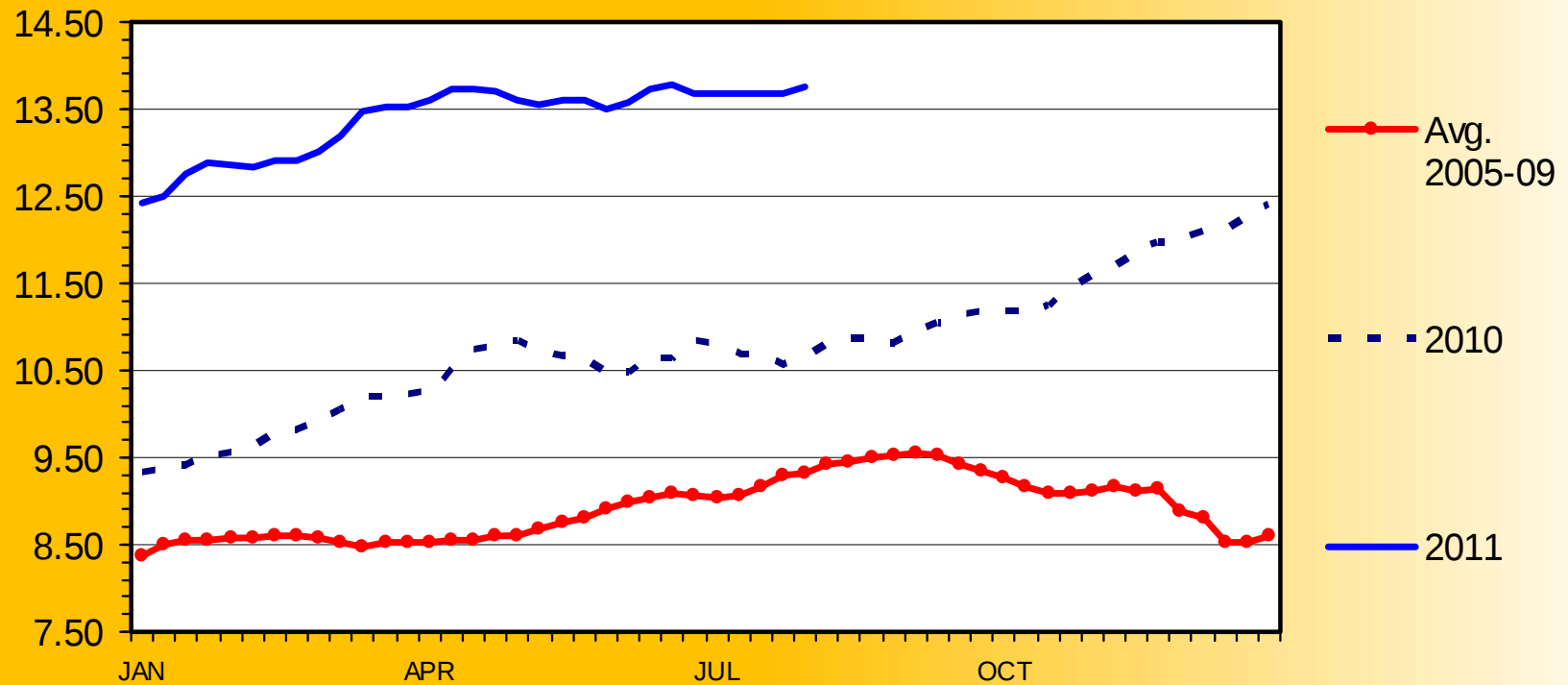
Source: BLS & USDA/ERS



STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS

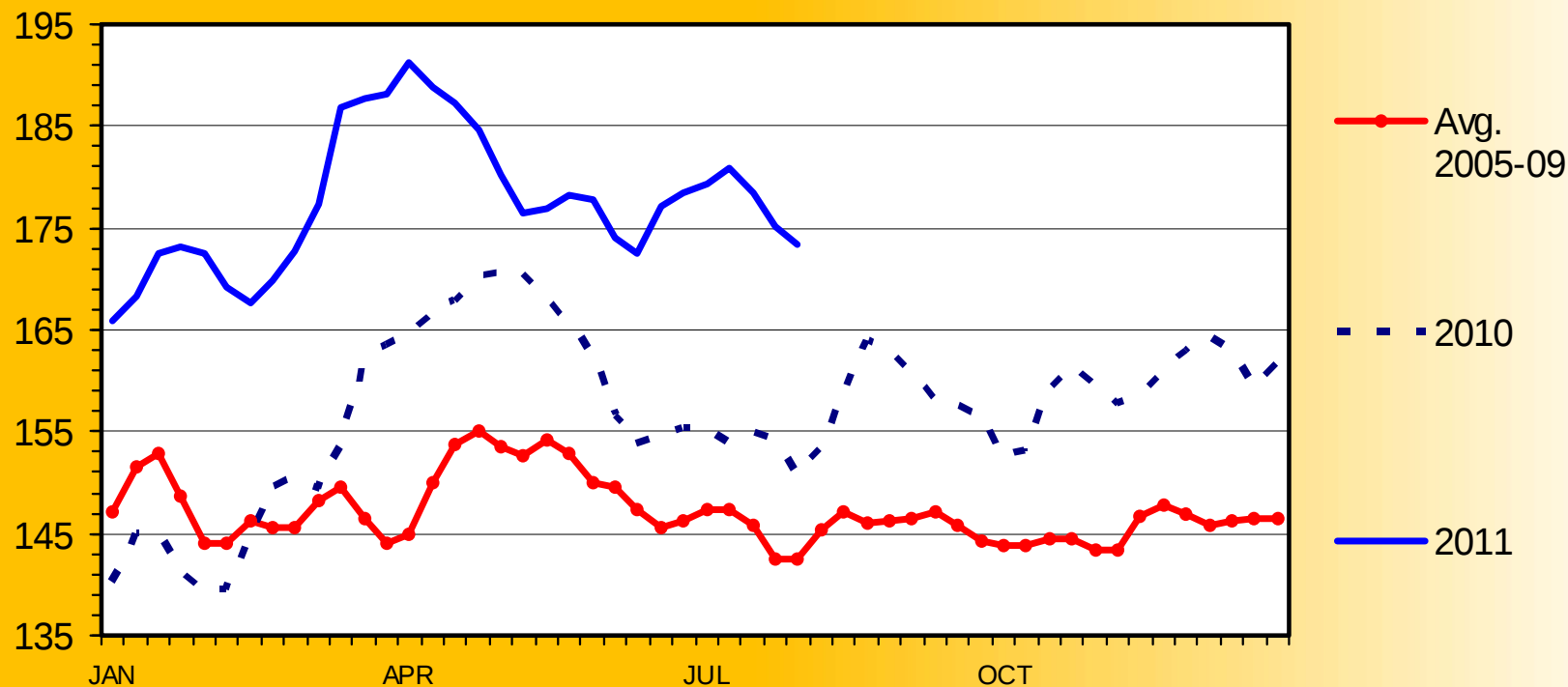
C-P-39
08/08/11



BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs. Carcass, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS

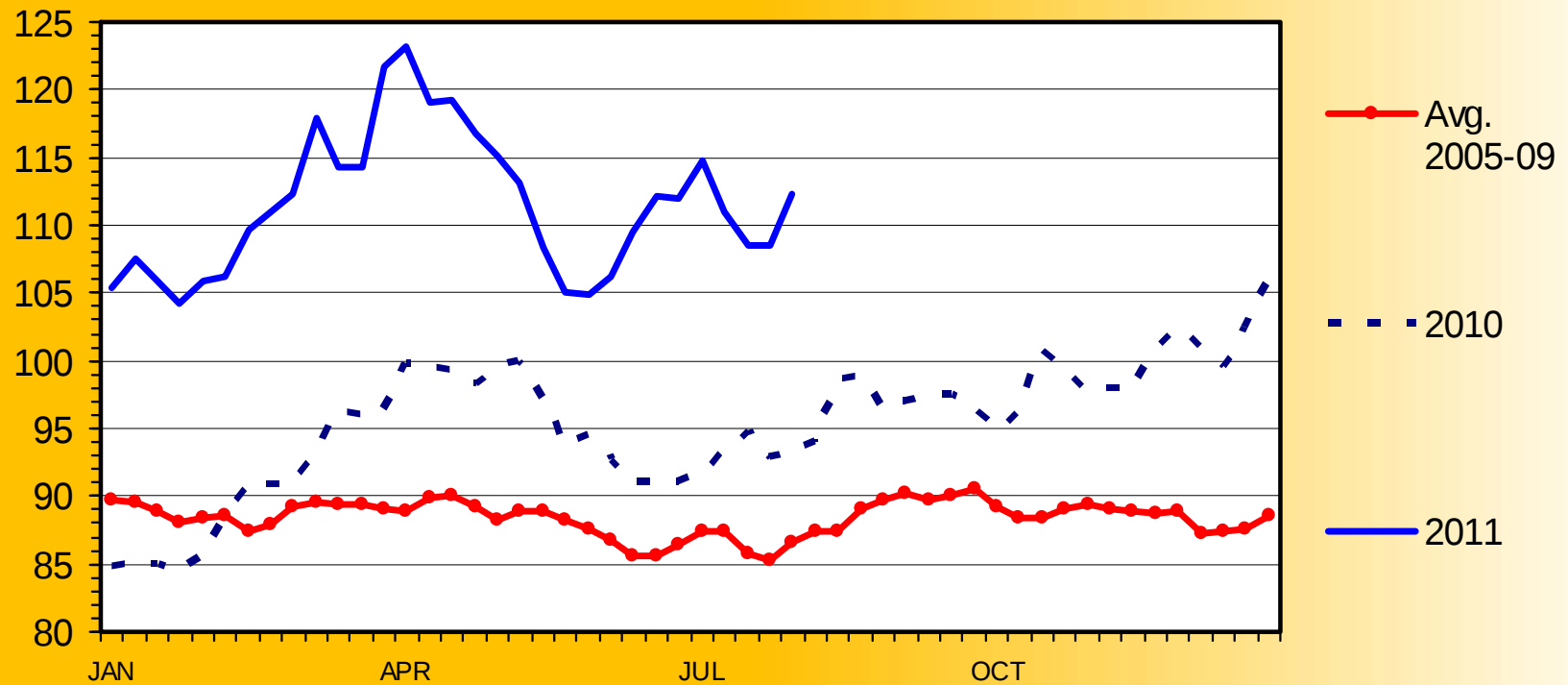
C-P-62
08/08/11



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

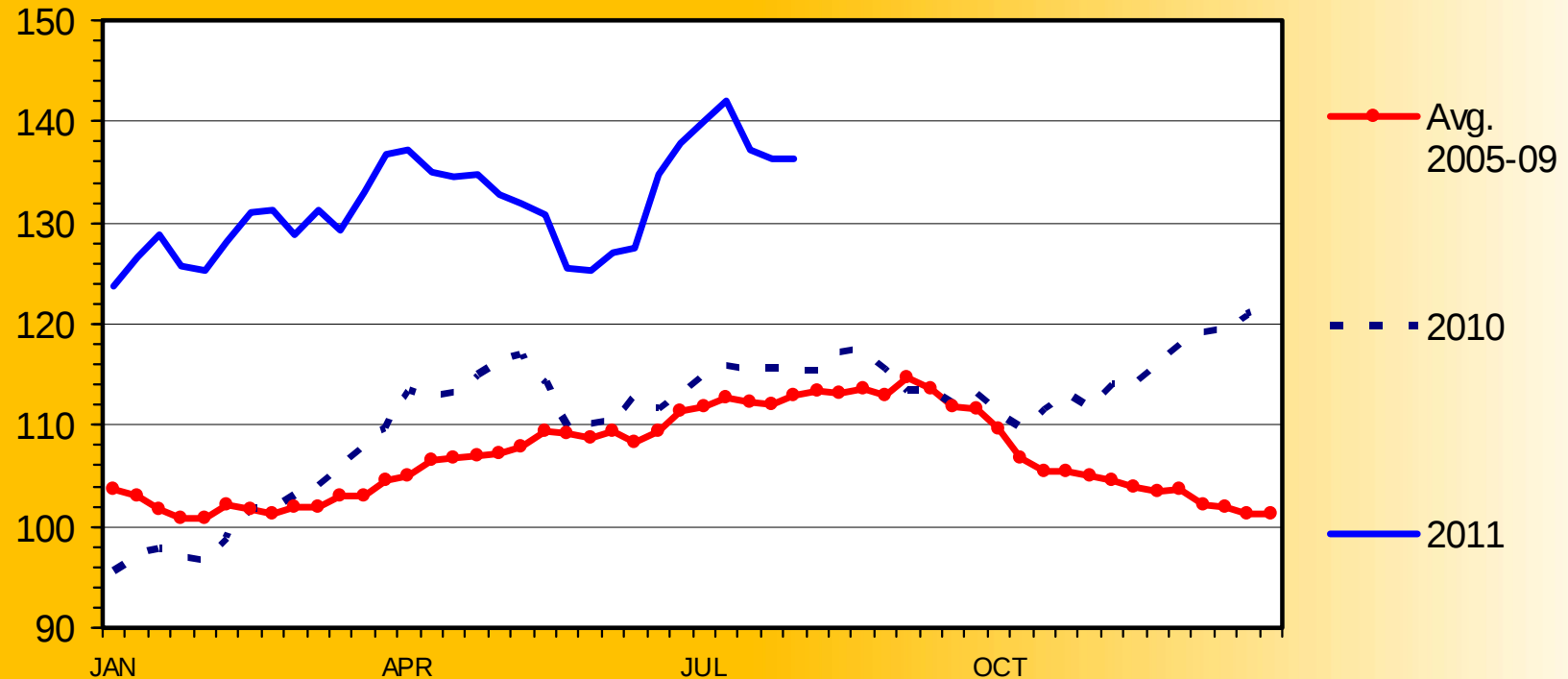
Data Source: USDA-AMS



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

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

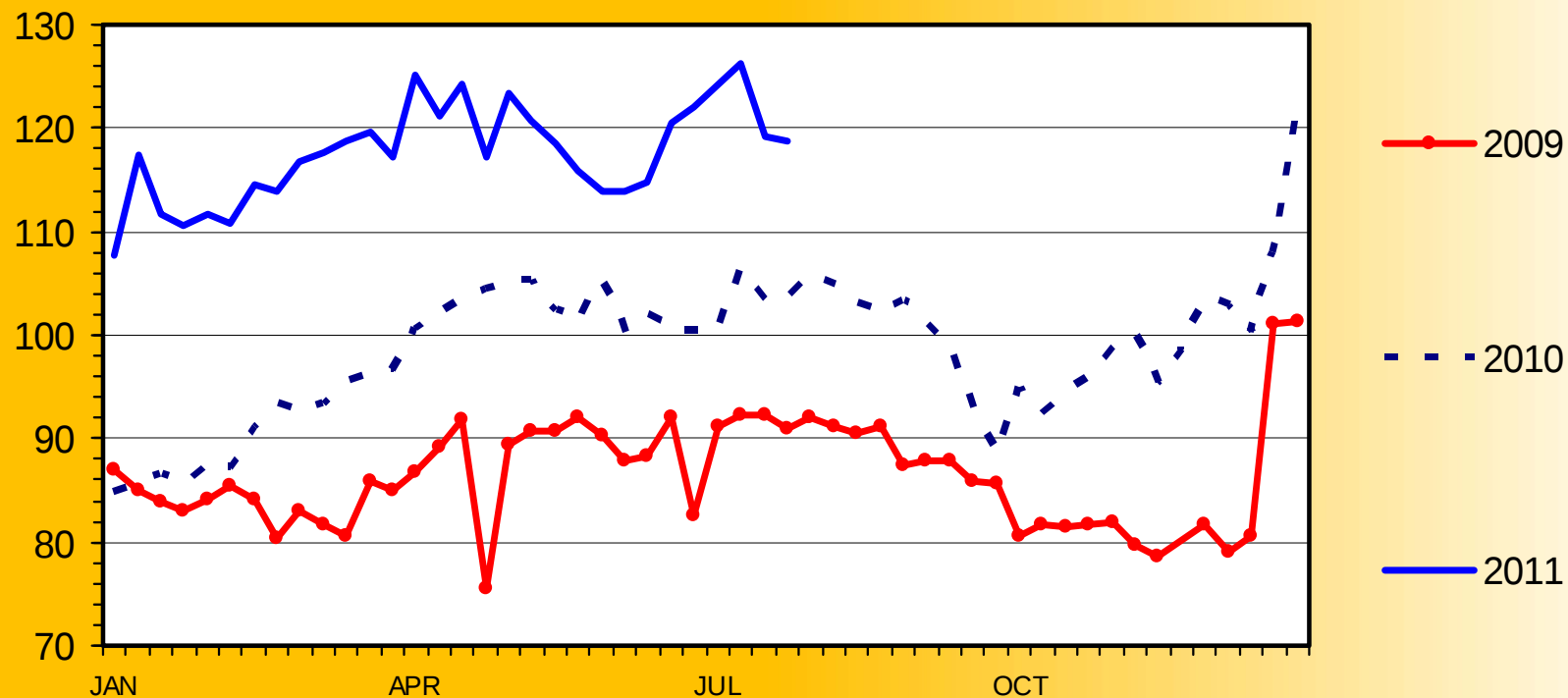


C-P-49
08/08/11

MED. & LRG. #1&2 FEEDER STEER PRICES

700-800 Pounds, Tennessee, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

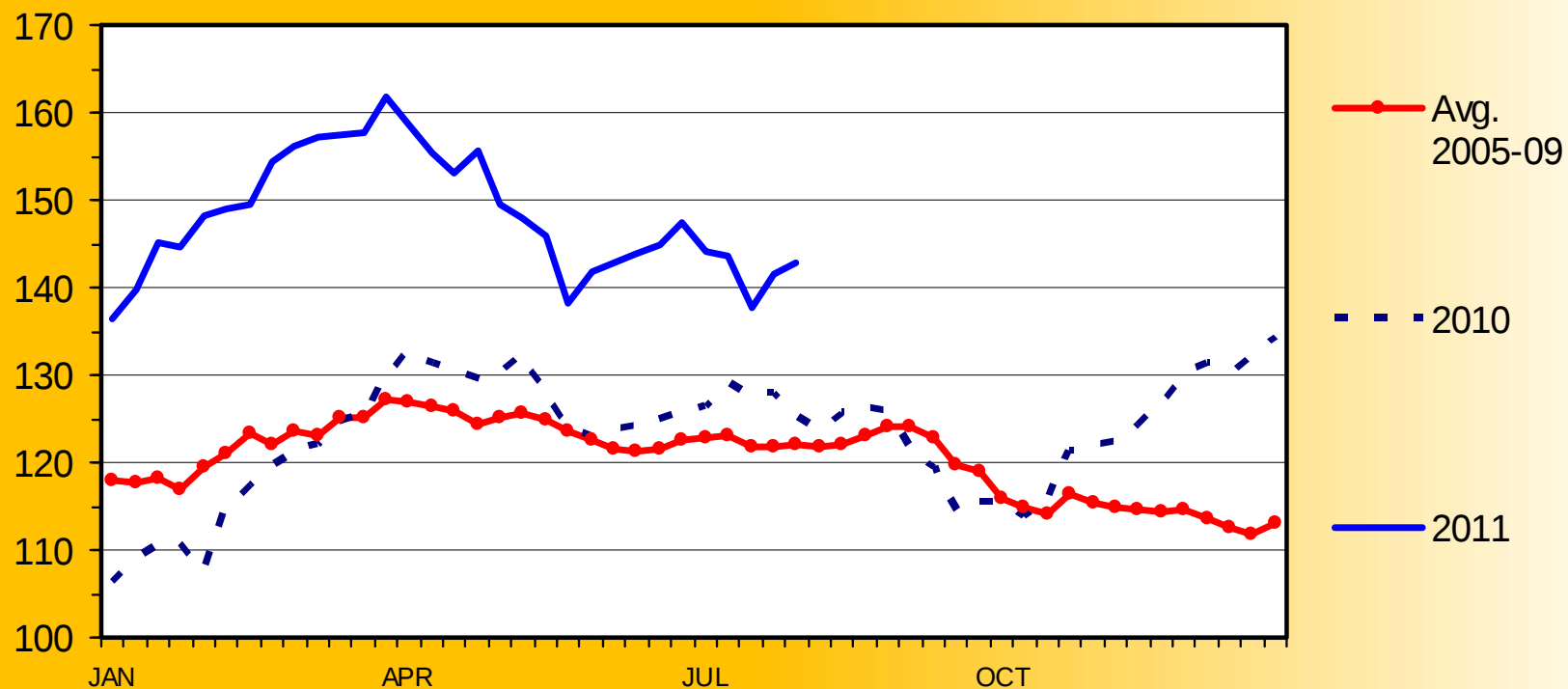
Data Source: USDA-AMS, Compiled & Analysis by
LMIC



MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

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

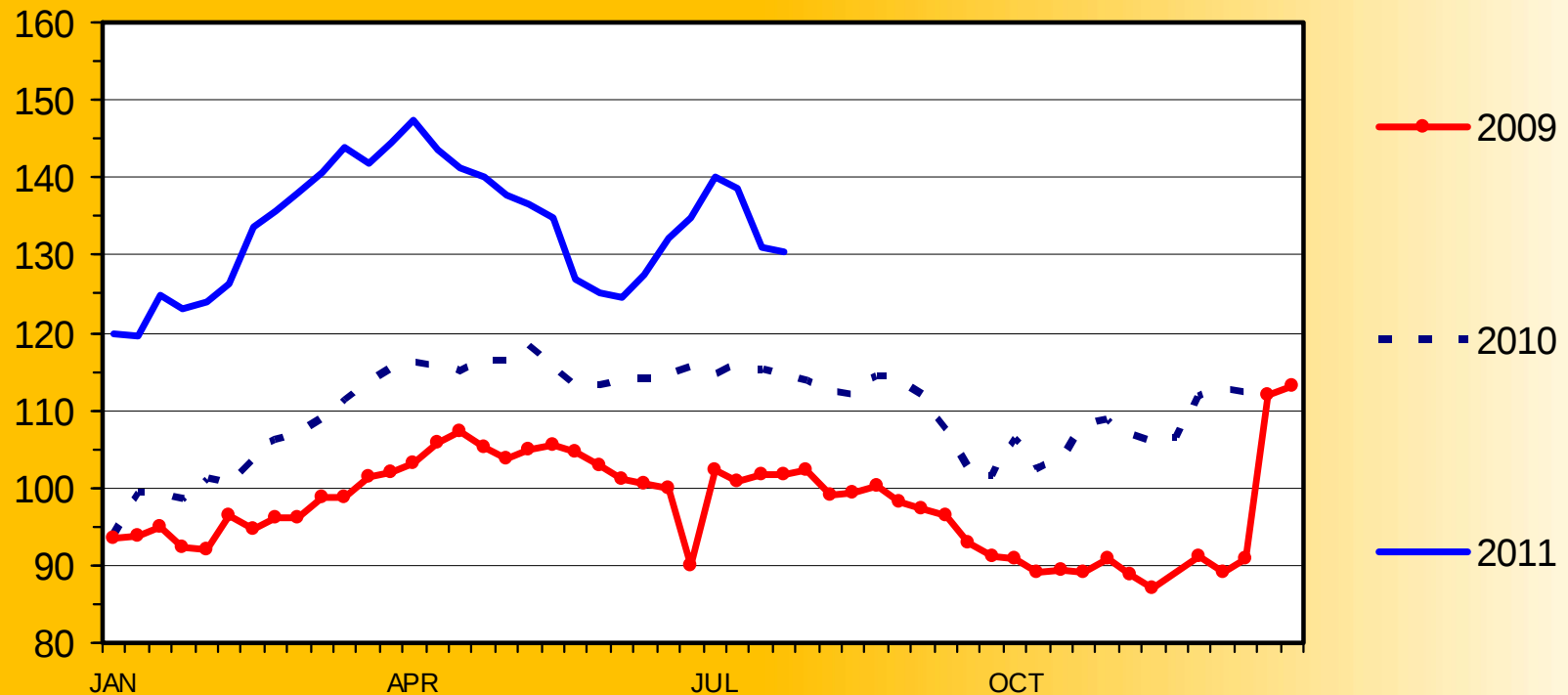


C-P-54
08/08/11

MED. & LRG. #1&2 STEER CALF PRICES

500-600 Pounds, Tennessee, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

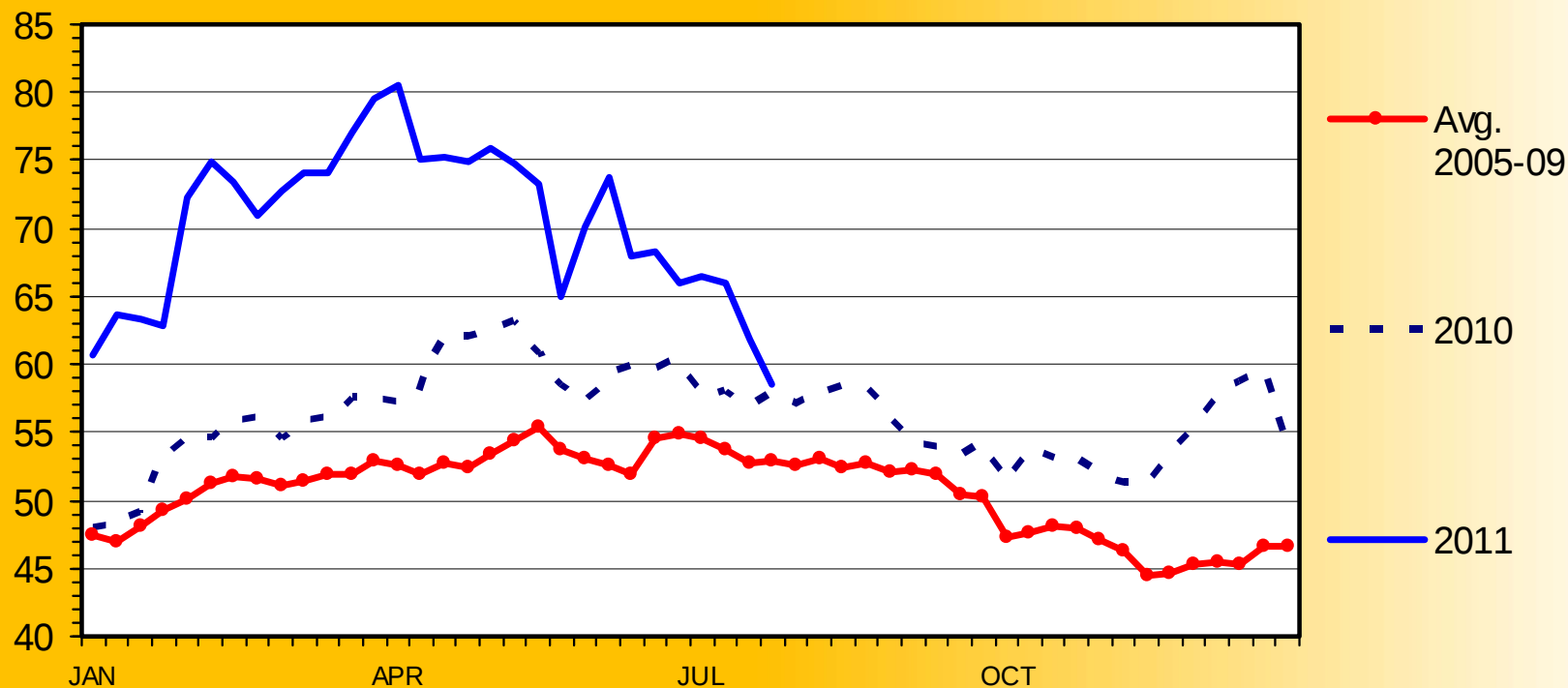
Data Source: USDA-AMS, Compiled & Analysis by
LMIC



SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

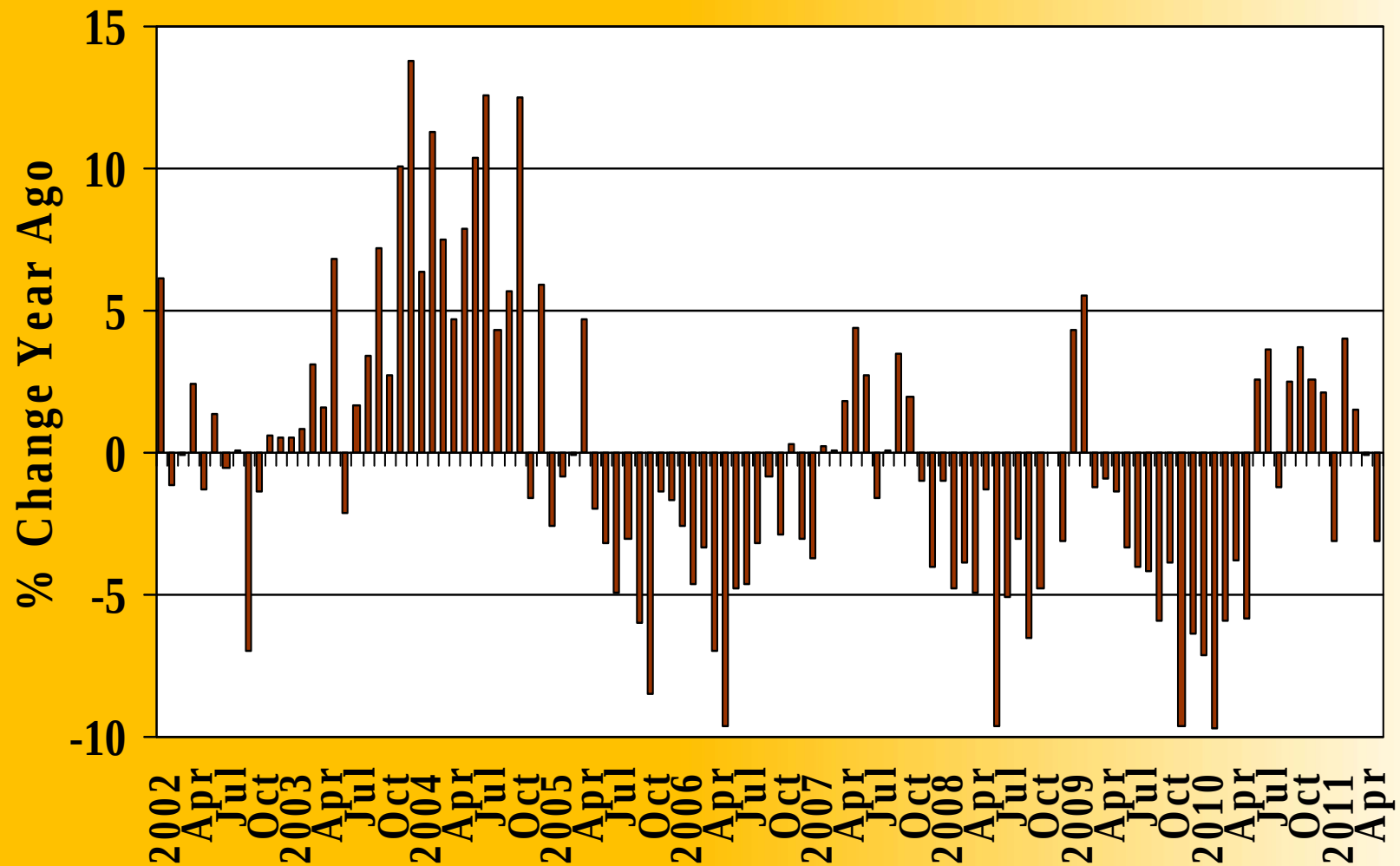
Data Source: USDA-AMS

C-P-35
08/01/11



Change in Domestic Beef Demand

Base Elasticity = -0.75



Source: Ron Plain, University of Missouri

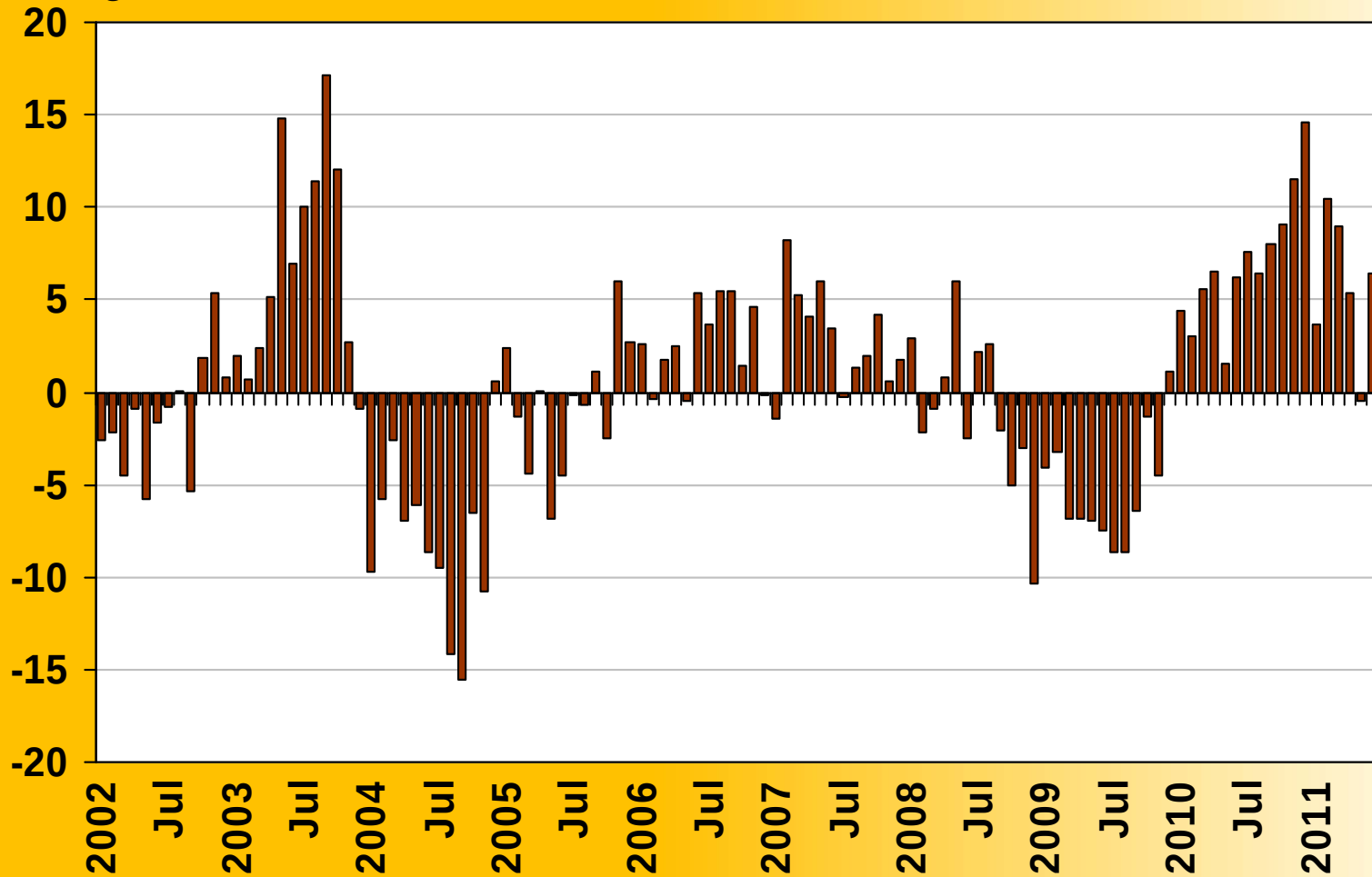


Change in Fed Cattle Demand

Base Elasticity = -0.3

% Change from

Yr Ago



Forecast for 2011



U.S. Commercial Beef Production

Million Pounds

	2010	2011	2012	-----% Change-----	
				10-11	11-12.
Qtr 1	6,249	6,411	5,945*	+2.6%	- 7.3%
Qtr 2	6,547	6,559	6,360*	+0.2%	- 3.0%
Qtr 3	6,768	6,725	6,450*	- 0.6%	- 4.1%
Qtr 4	6,741	6,415	6,220*	- 4.8%	- 3.0%
Year	26,305	26,110	24,975*	- 0.7%	- 4.3%

***forecast**



Note: Q1 09 & Q1 10 & Q4 11 have only 63 slaughter days

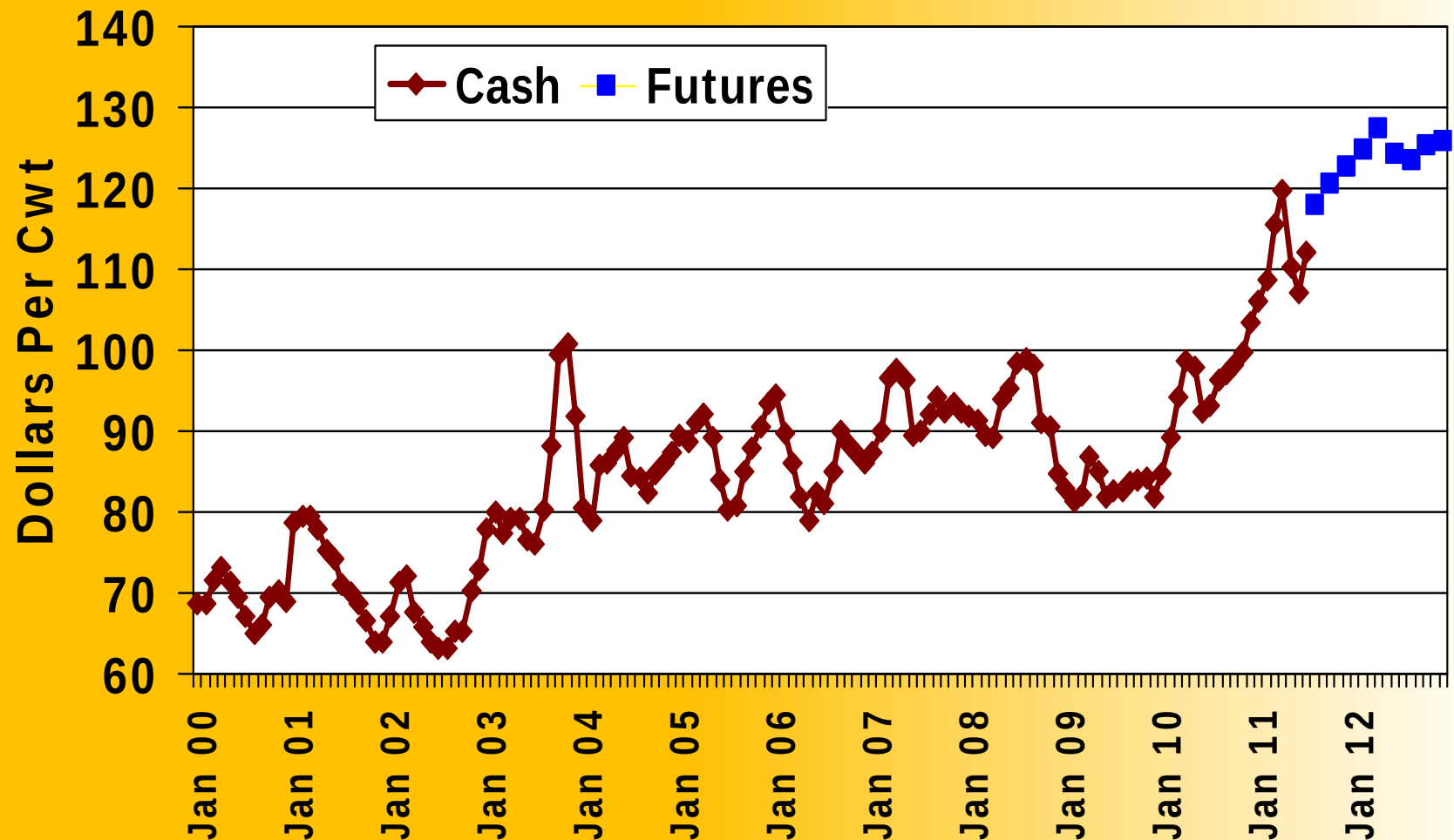
5 Area Slaughter Steer Prices

Choice Steers Per Live Hundredweight

	2009	2010	2011	2012
Qtr 1	\$82.18	\$89.44	\$110.10	\$116-121*
Qtr 2	\$84.48	\$96.33	\$112.43	\$118-123*
Qtr 3	\$83.05	\$95.47	\$111-114*	\$114-119*
Qtr 4	\$83.29	\$100.42	\$114-119*	\$118-123*
Year	\$83.25	\$95.42	\$112-115*	\$116-120*

***forecast**

5 Area Slaughter Steer Price, Monthly Average 2000-2012



Thru December 2012 all cattle futures contracts are above \$117/cwt

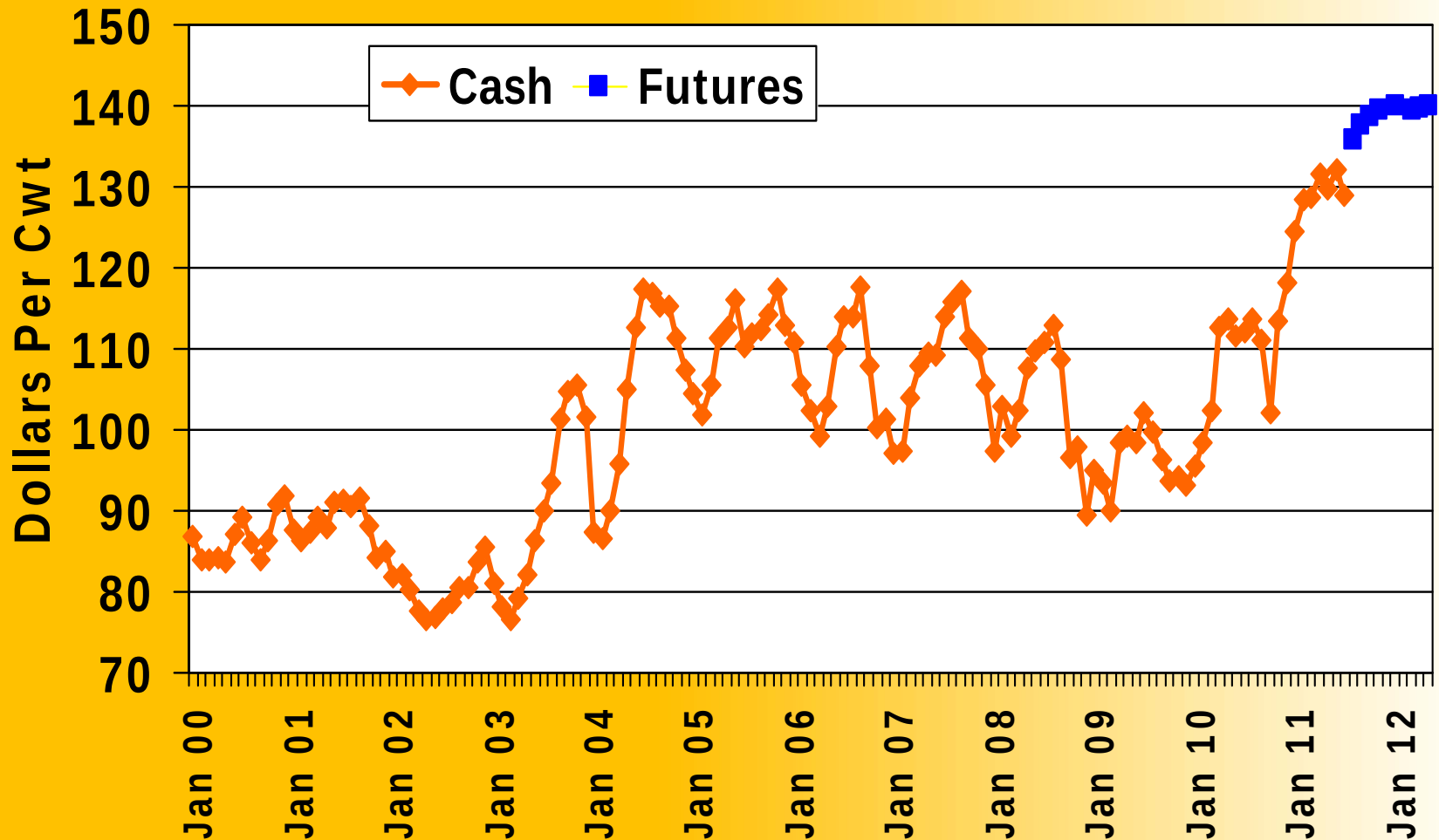
Cattle Price Forecast, 2011-12

<u>Yr. -- Qtr.</u>	<u>Steer Prices, \$/cwt</u>		
	<u>11-1300#</u> <u>5 area</u>	<u>750-800#</u> <u>Okla. City</u>	<u>500-550#</u> <u>Okla. City</u>
2011 – 1	110.10	127.20	147.12
2011 – 2	112.43	131.09	147.18
2011 – 3*	111-114	130-140	140-150
2011 – 4*	114-119	127-137	135-145
2012 – 1*	116-121	128-138	145-155
2012 – 2*	118-123	130-140	148-158
2012 – 3*	114-119	135-145	140-150
2012 – 4*	118-123	130-140	135-145

*Forecast



OKC 750-800# Feeder Steer Price, Monthly Average 2000-2011



Thru May 2012 all feeder cattle futures contracts are above \$135/cwt

Major Uncertainties

- Domestic demand
- Corn prices & cost of gain
- Pasture conditions
- Herd liquidation
- Beef exports
 - Exchange rates





Any Questions?

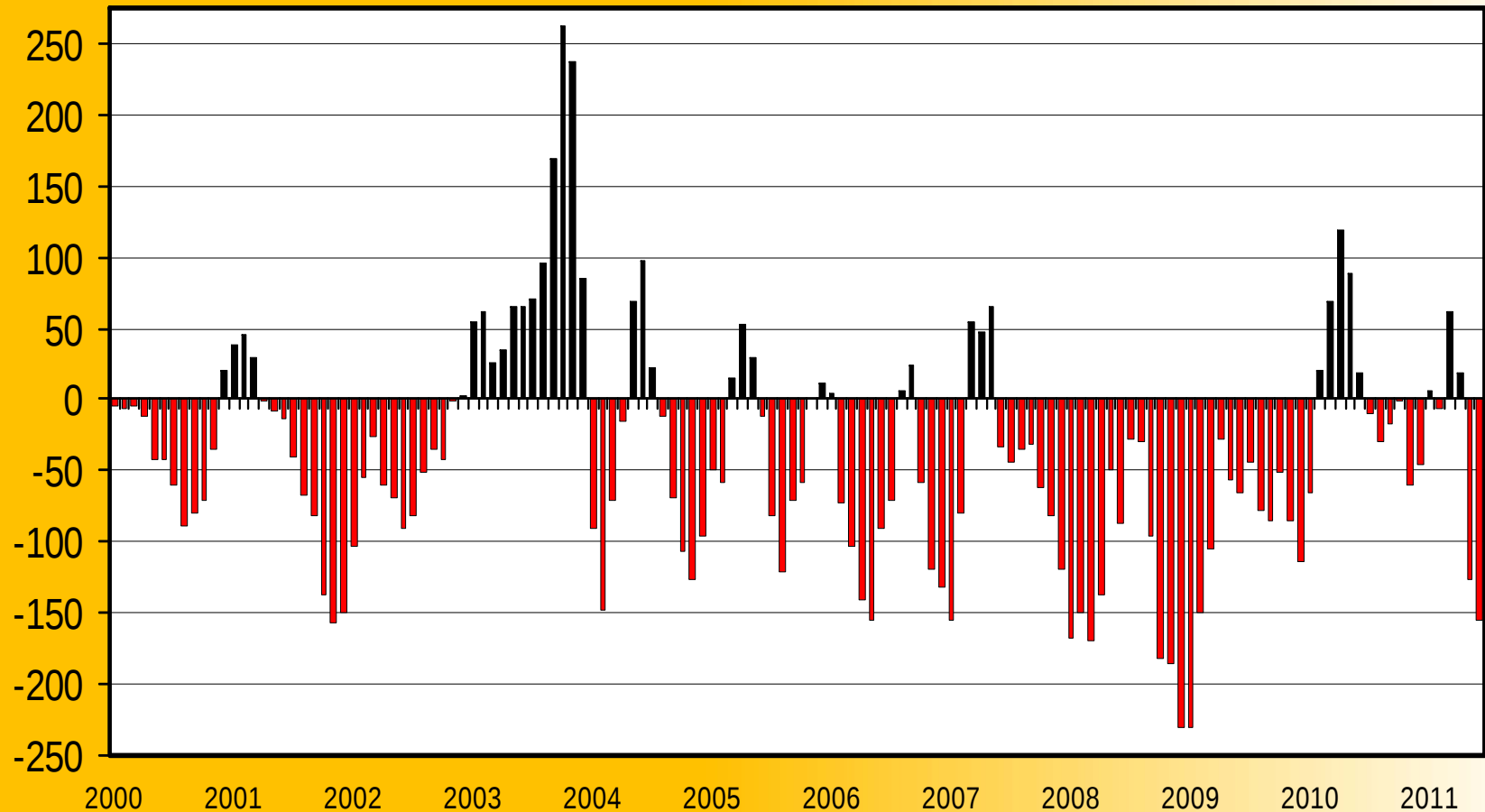




AVERAGE RETURNS TO CATTLE FEEDERS

\$ Per Head

Feeding 725 Lb. Steers, S. Plains, Monthly

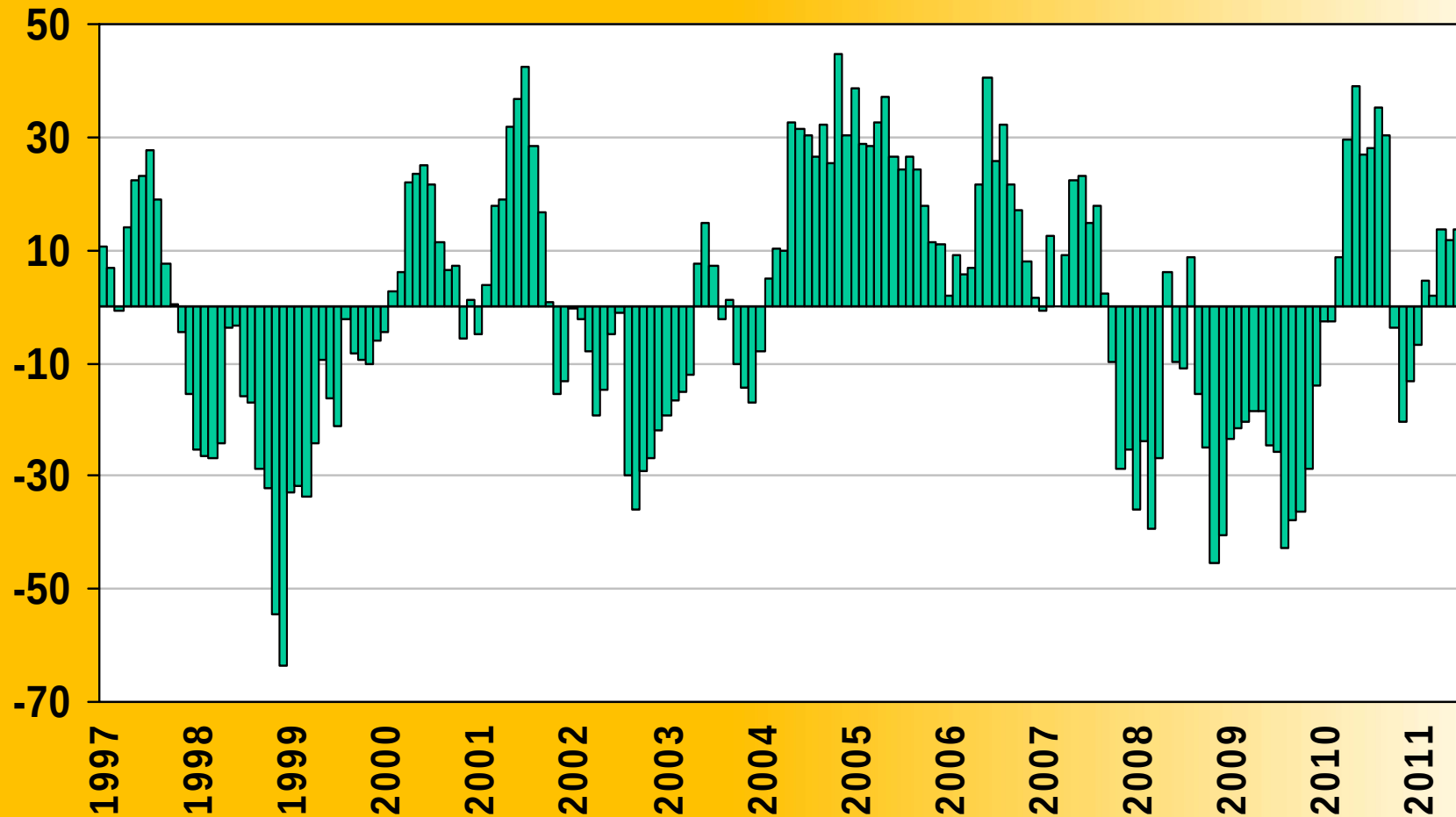


Source: LMIC

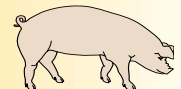
Farrow to Finish Profits, 1997-2011

\$ Per Head

Iowa State University Calculations



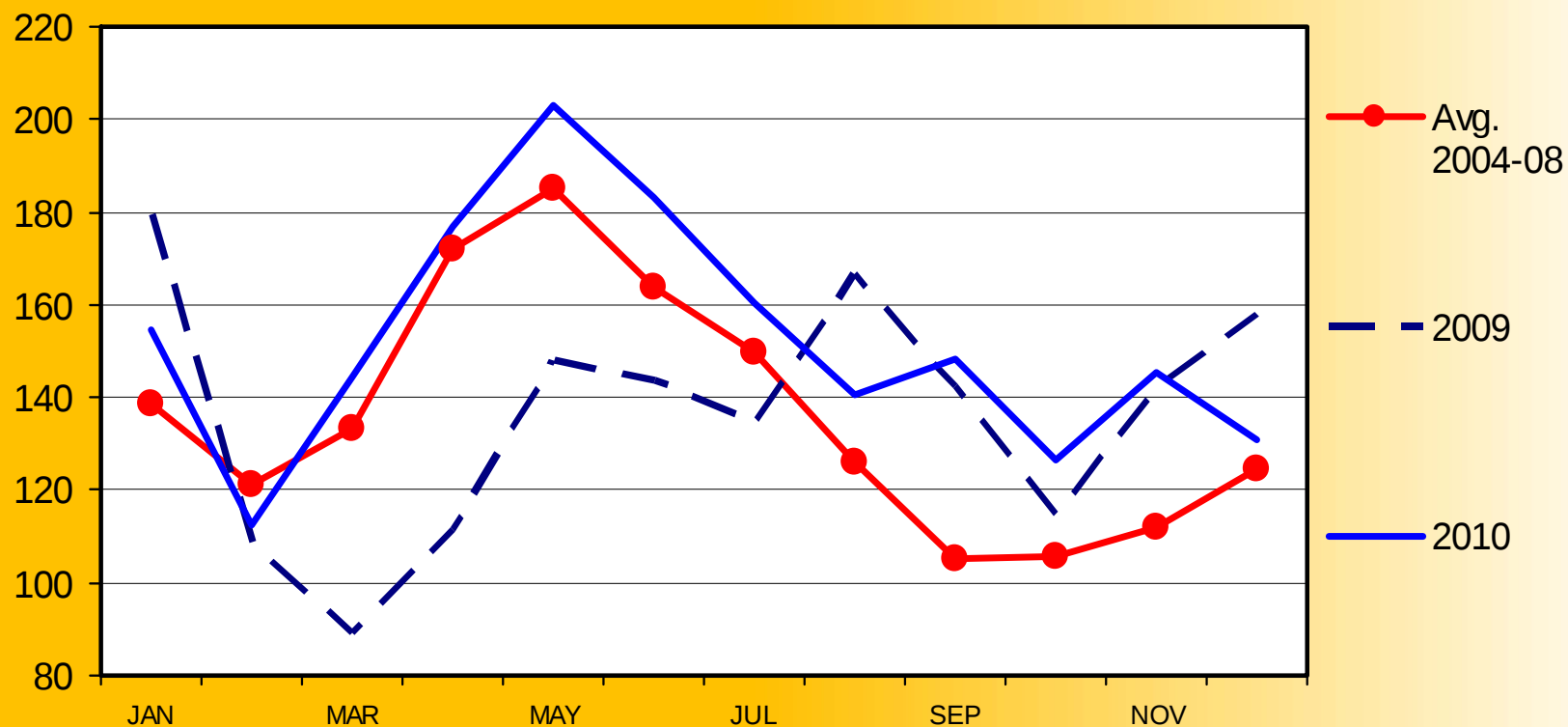
Source: Shane Ellis, Iowa State University



LIVE TO CUTOUT BEEF PRICE SPREAD

Monthly

\$ Per Head



Livestock Marketing Information Center

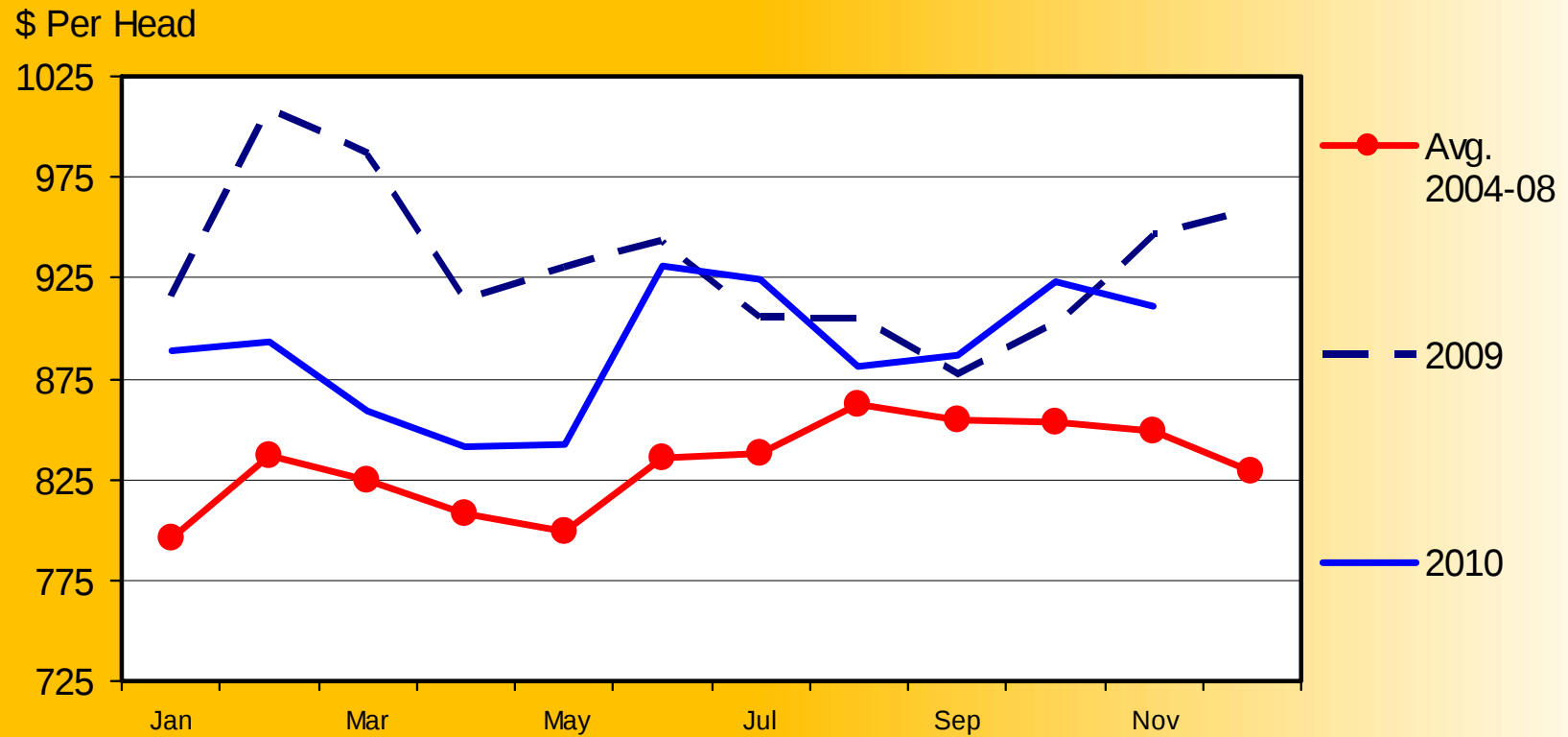
Data Source: USDA-AMS & USDA-ERS, Compiled & Analysis by LMIC

C-P-02
01/05/11



CUTOUT TO RETAIL BEEF PRICE SPREAD

Monthly



Livestock Marketing Information Center

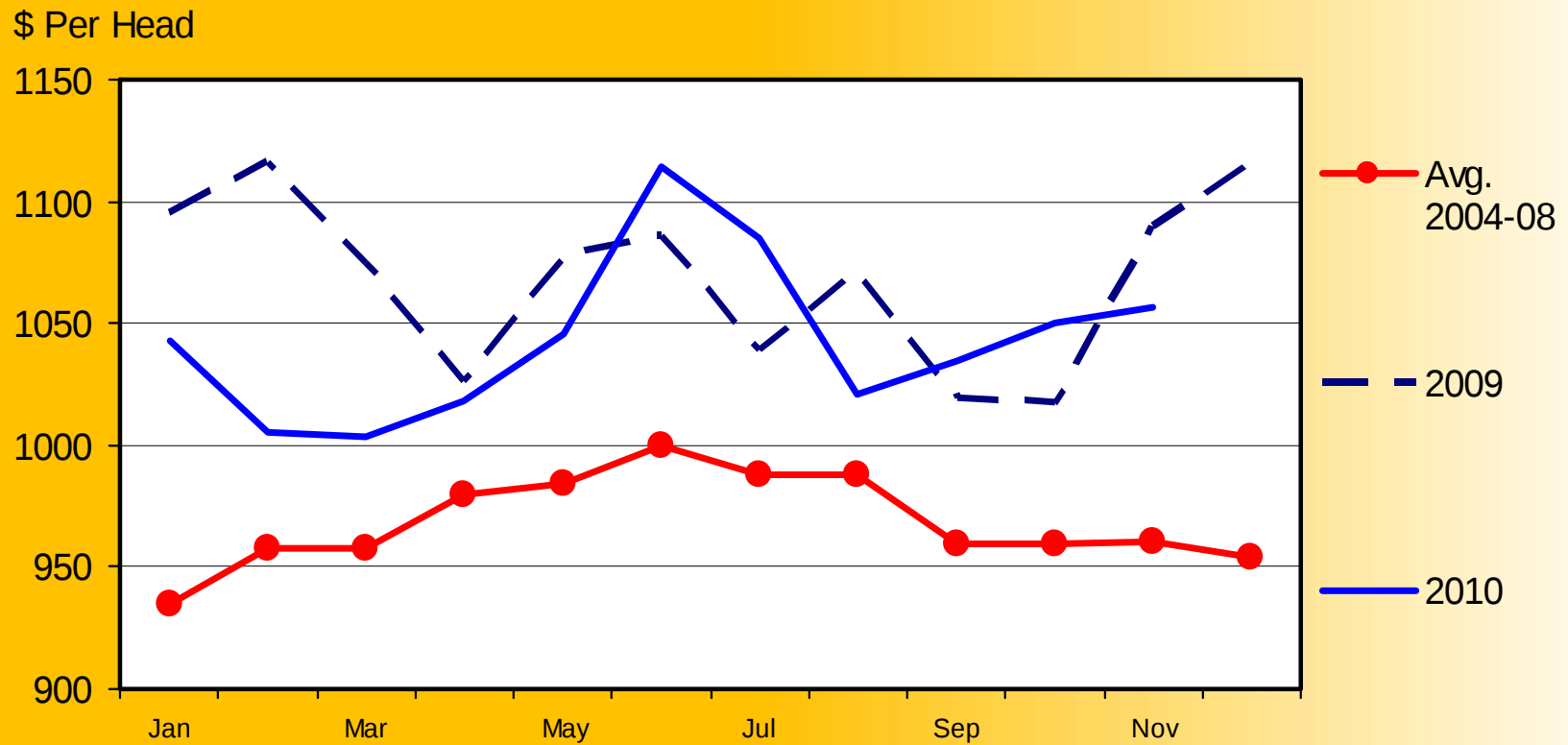
Data Source: USDA-AMS & USDA-ERS, Compiled & Analysis by LMIC

C-P-04
01/05/11



LIVE TO RETAIL BEEF PRICE SPREAD

Monthly



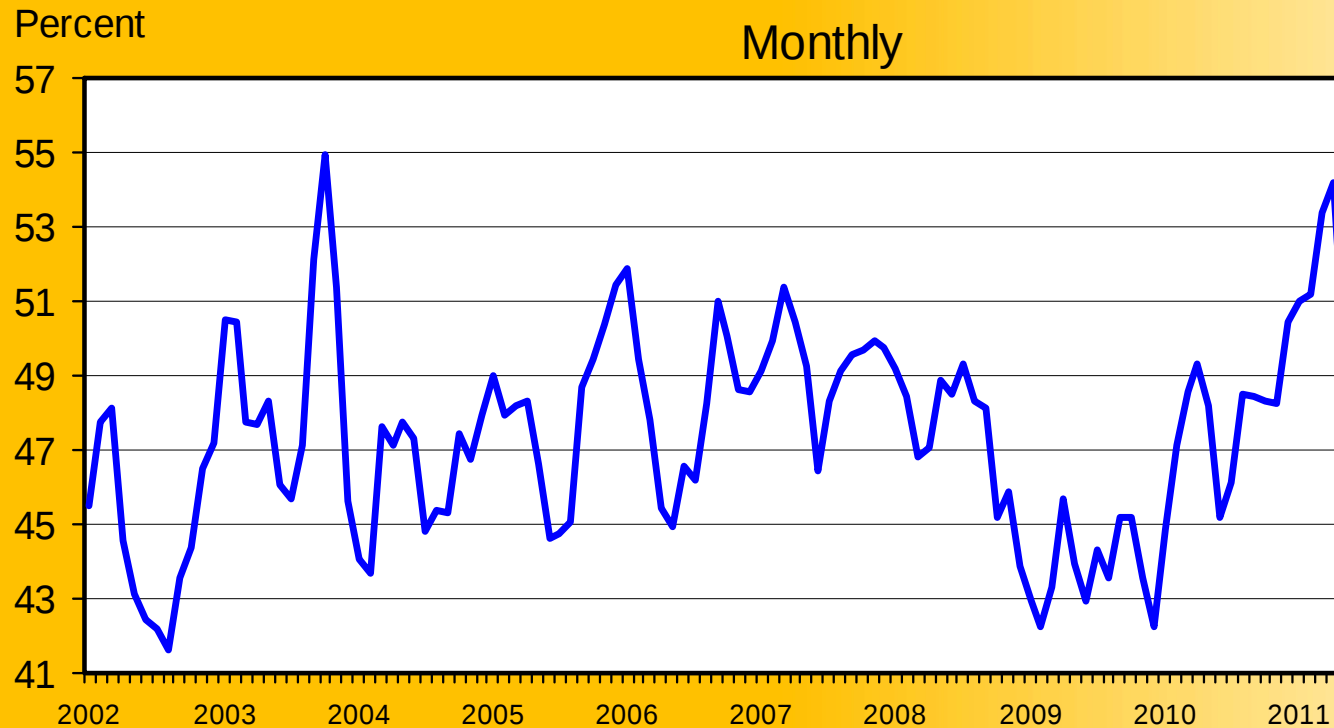
Livestock Marketing Information Center

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

C-P-07
01/05/11



CHOICE STEER VALUE AS A PERCENT OF RETAIL BEEF VALUE



C-P-05
07/05/11

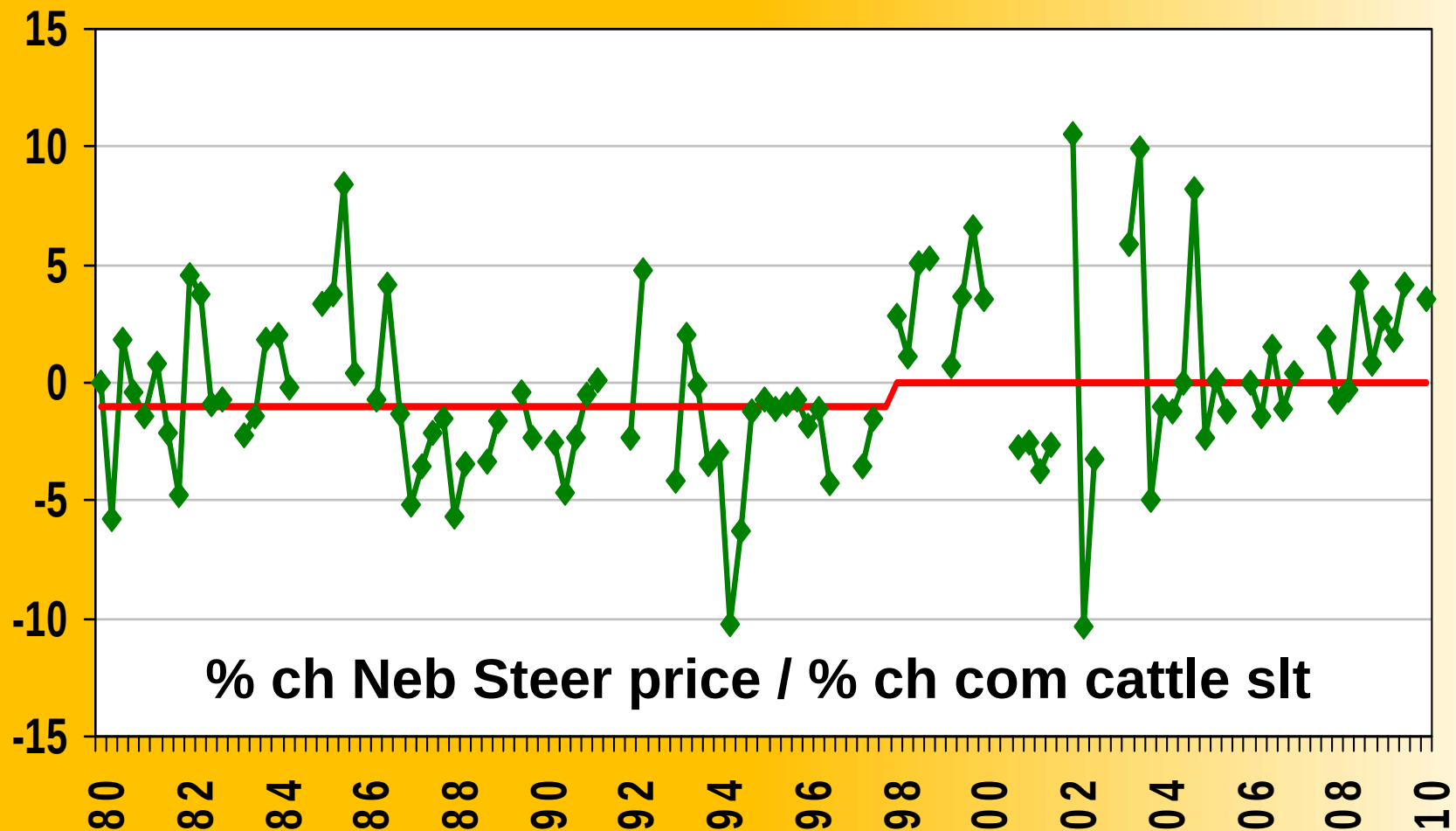
Livestock Marketing Information Center

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



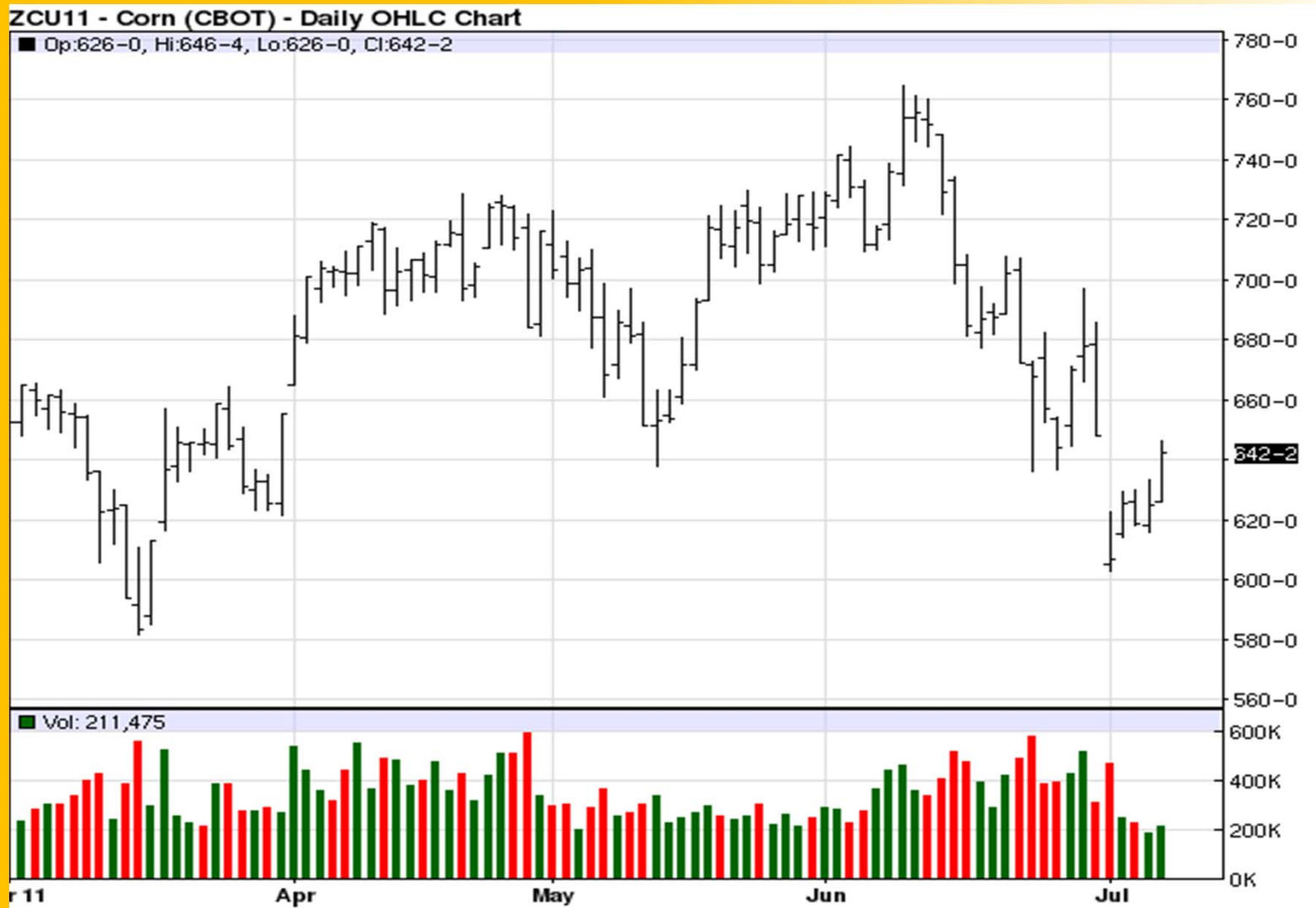
Fed Cattle Price Flexibility

Quarterly Data 1980-2009



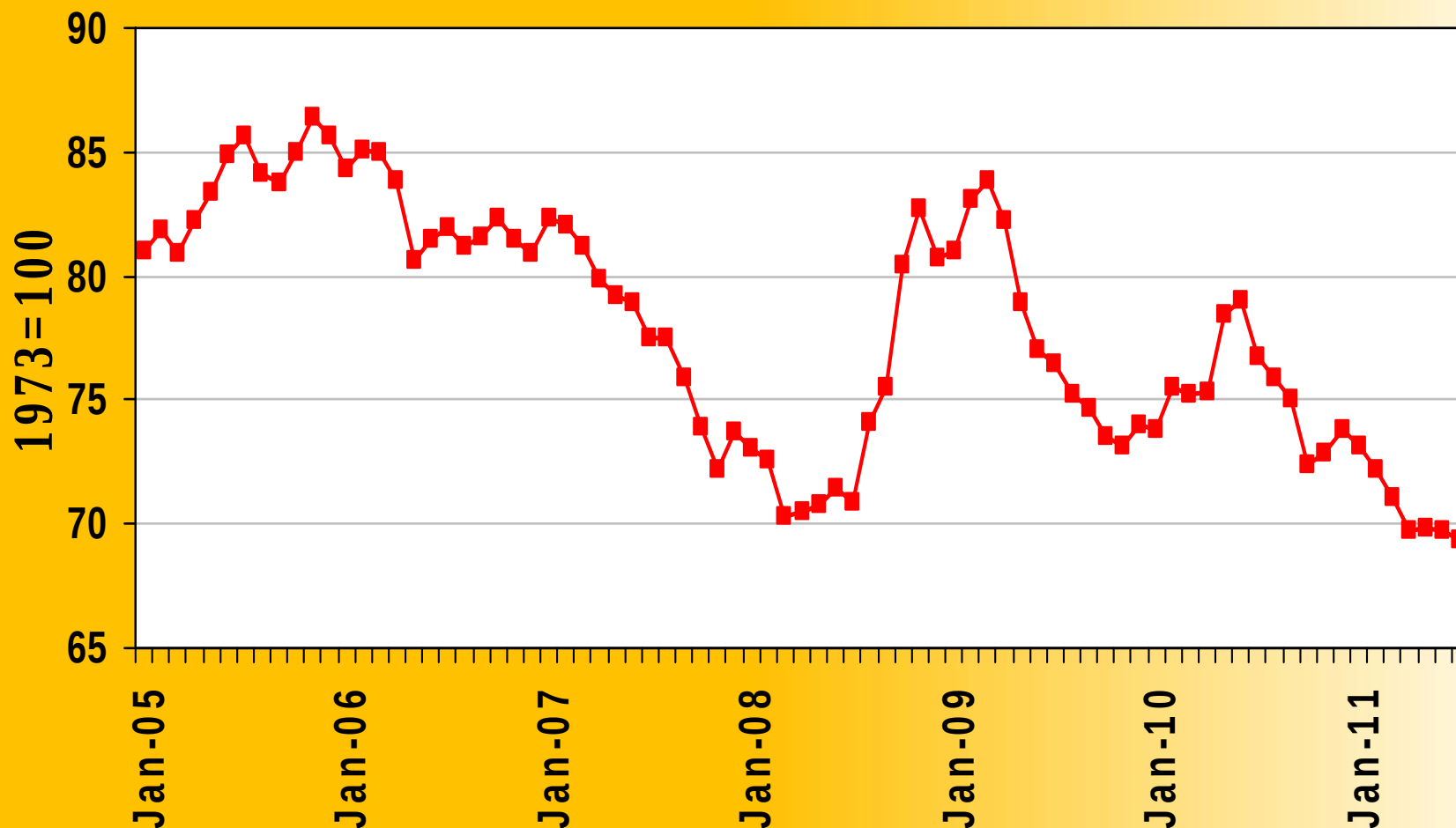
In 18 of last 27 quarters, price & slaughter moved in the same direction

September 2011 Corn Futures



Trade Weighted Exchange Rate, 2005-2011

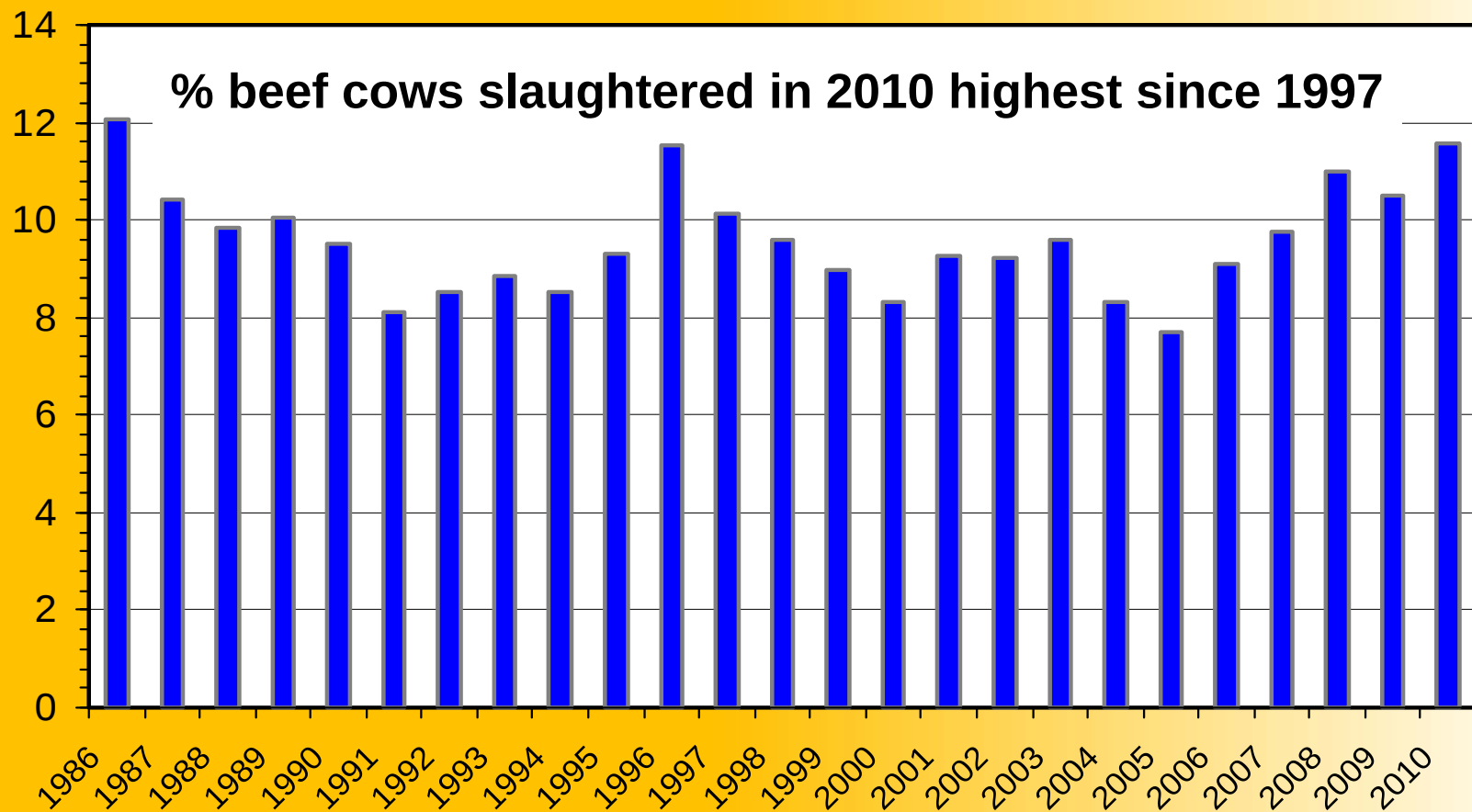
Major Currencies



Source: Federal Reserve Bank of St Louis

Beef Cow Slaughter as % of Beef Cow Inventory, 1986-2010

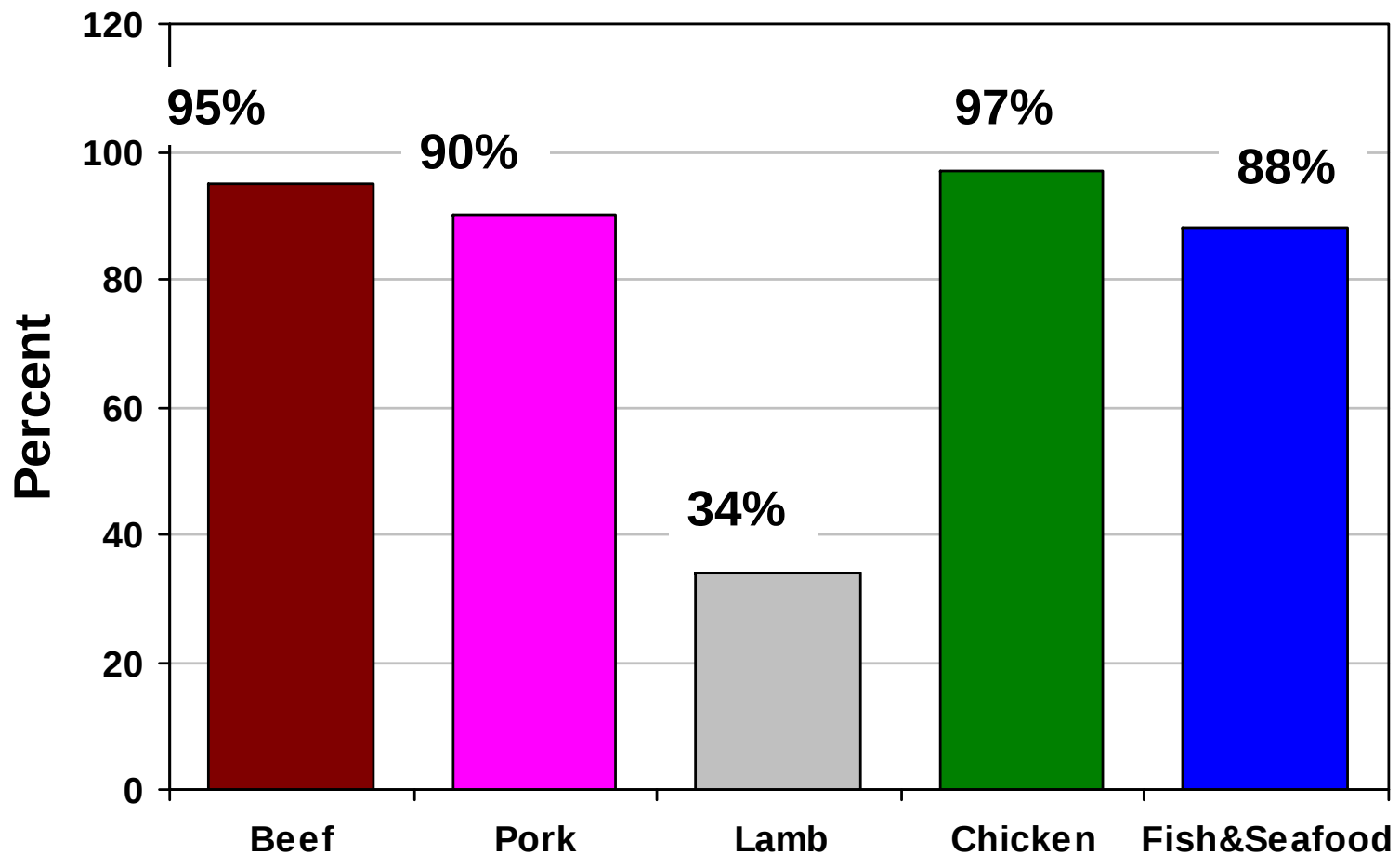
Percent



Source: MU from USDA/NASS & USDA/AMS data

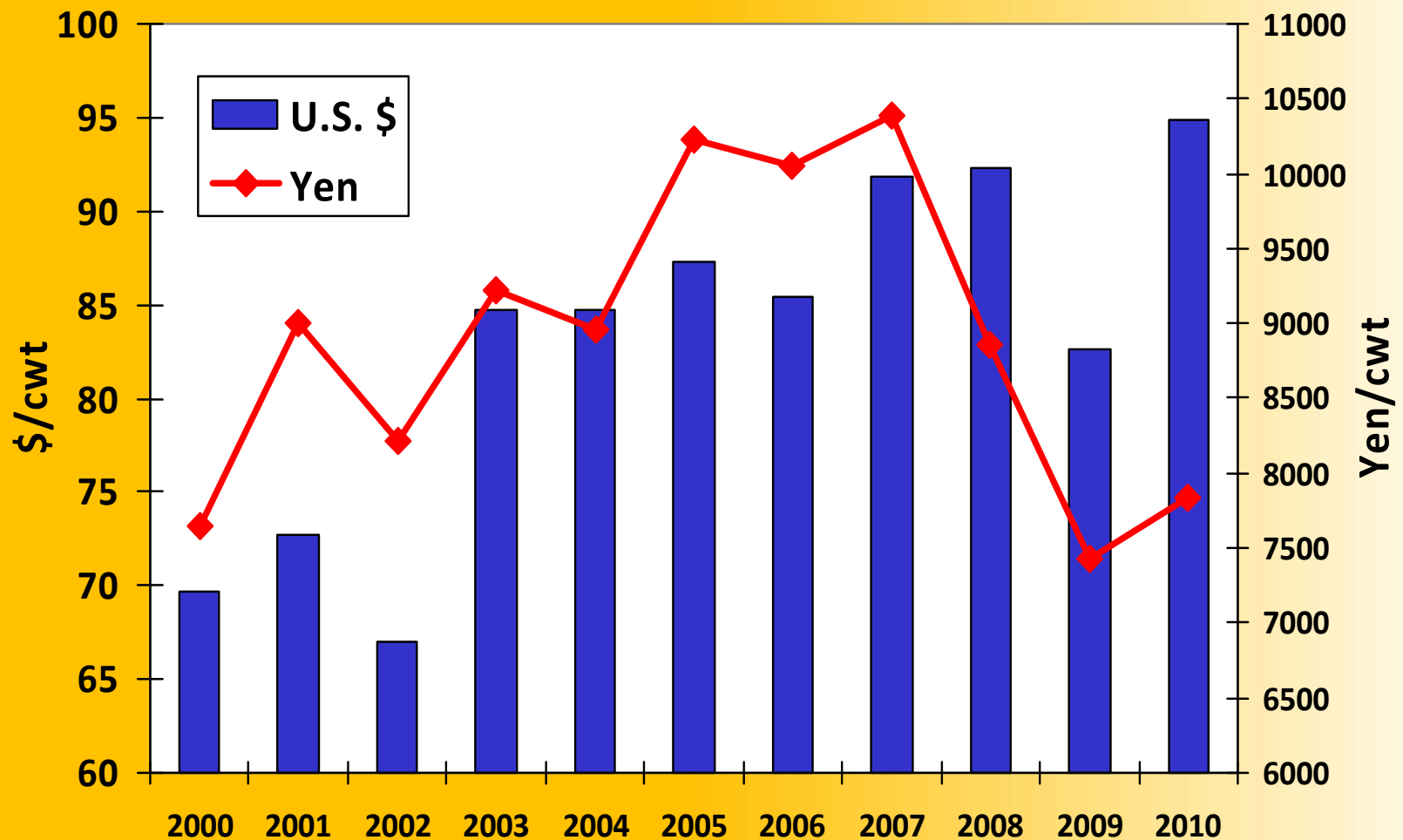


Percentage of U.S. Consumers Who Eat Animal Proteins

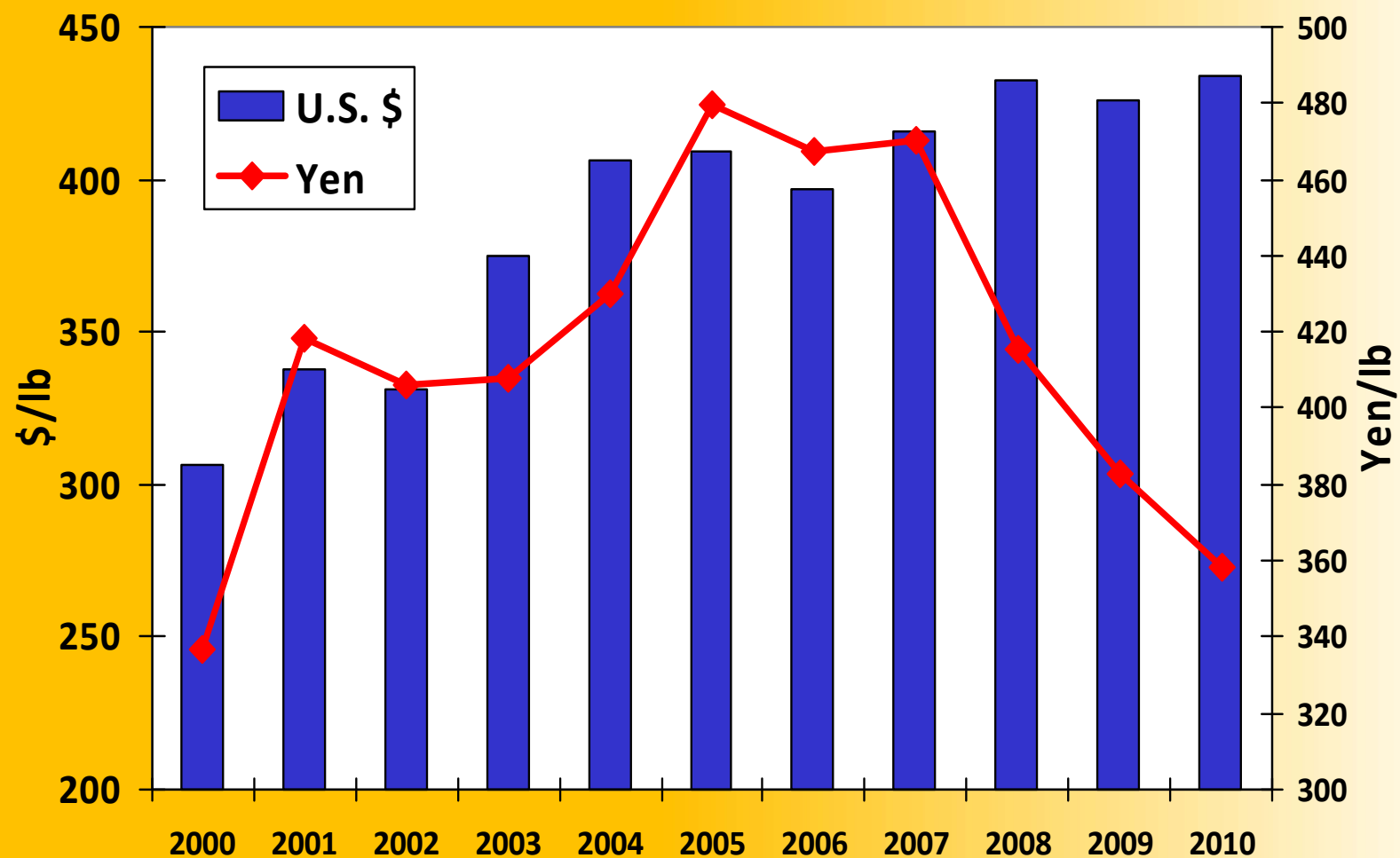


Source: IPSOS Public Affairs, 10-survey average, 2008-10

U.S. Fed Cattle Prices, \$/cwt and Yen/cwt



U.S. Beef Prices, \$/lb and Yen/lb



U.S. Beef Exports, 2010

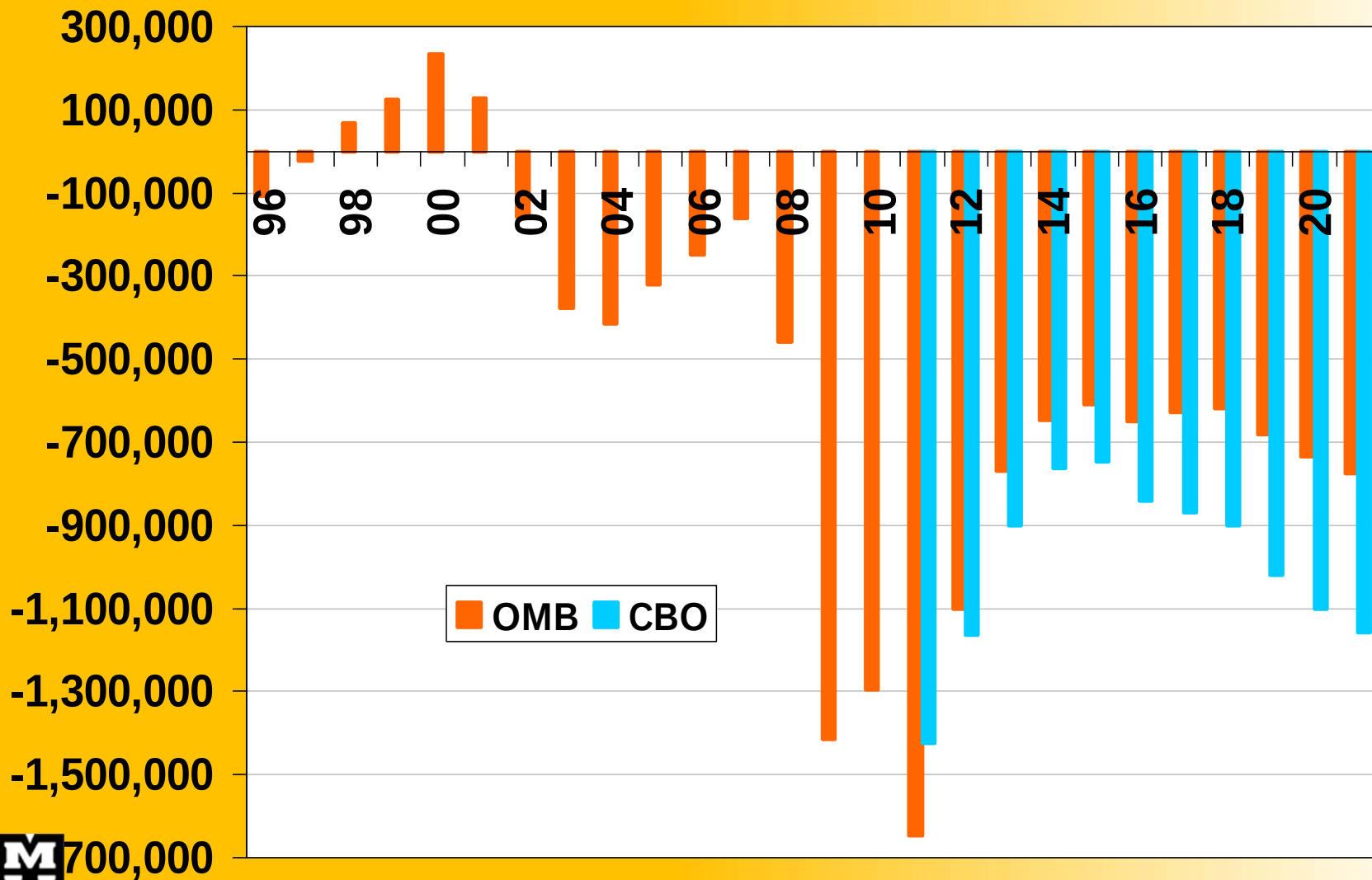
<u>Country</u>	Change From Year Ago	
	000 lbs	Percent
Mexico	-127,977	- 20.4%
Canada	27,025	7.4%
Japan	76,649	27.9%
S Korea	136,410	97.0%
Vietnam	- 33,872	- 22.8%
Taiwan	38,518	45.6%
Hong Kong	51,163	62.2%
Russia	66,562	495.4%
TOTAL	365,007	18.9%



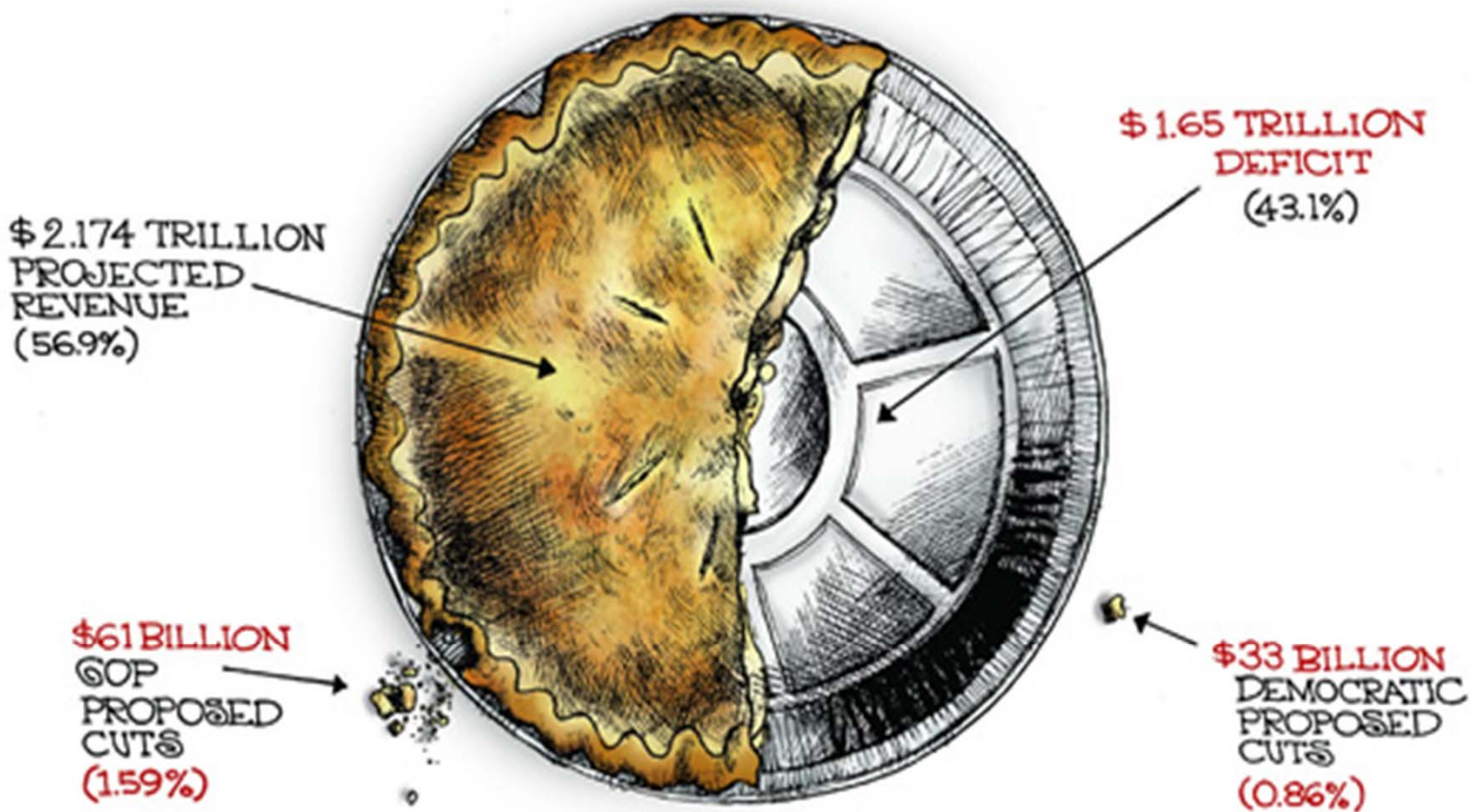
Federal Surplus, 1996-2021

President's Budget, March 2011

Million \$

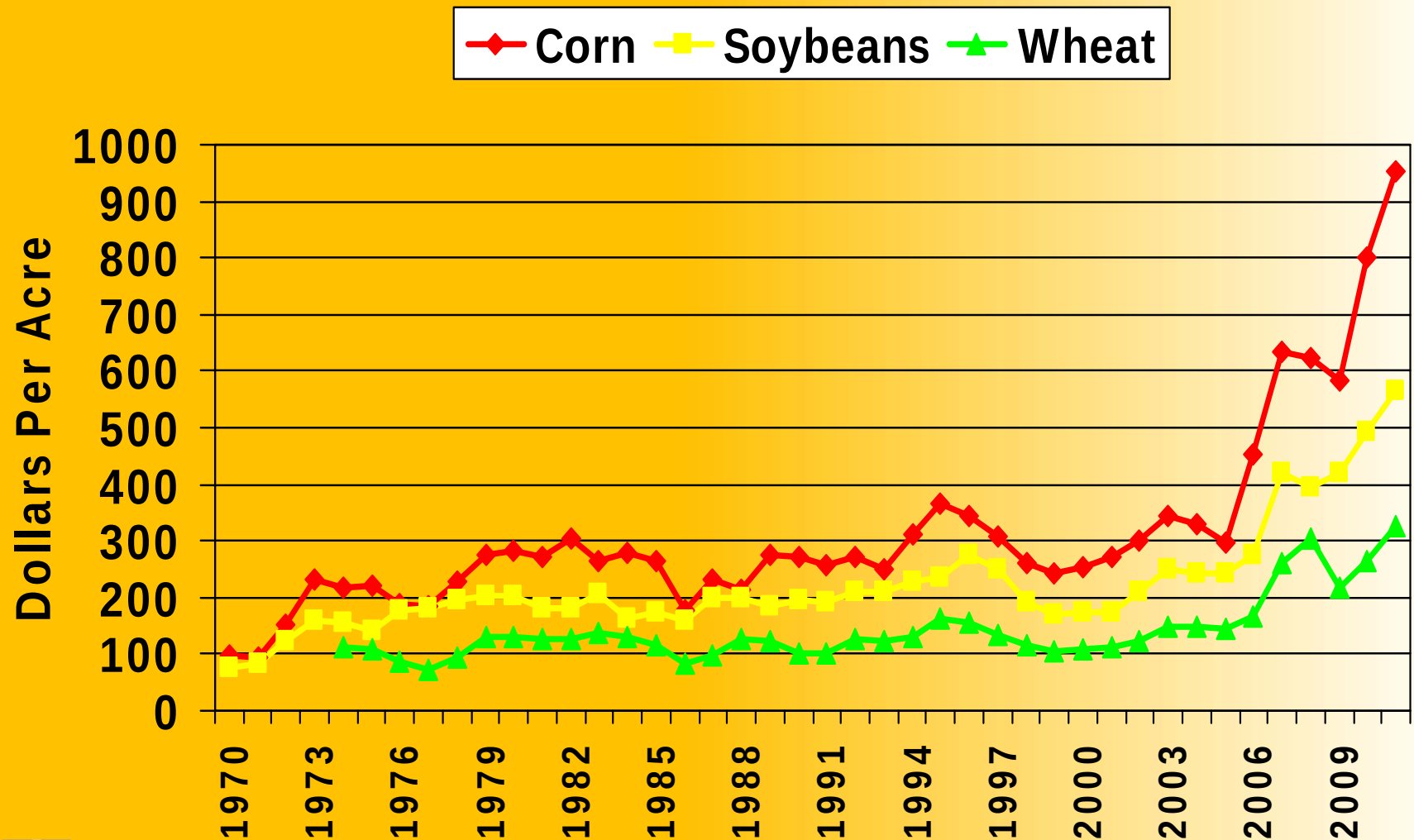


2011 SPENDING \$3.82 TRILLION

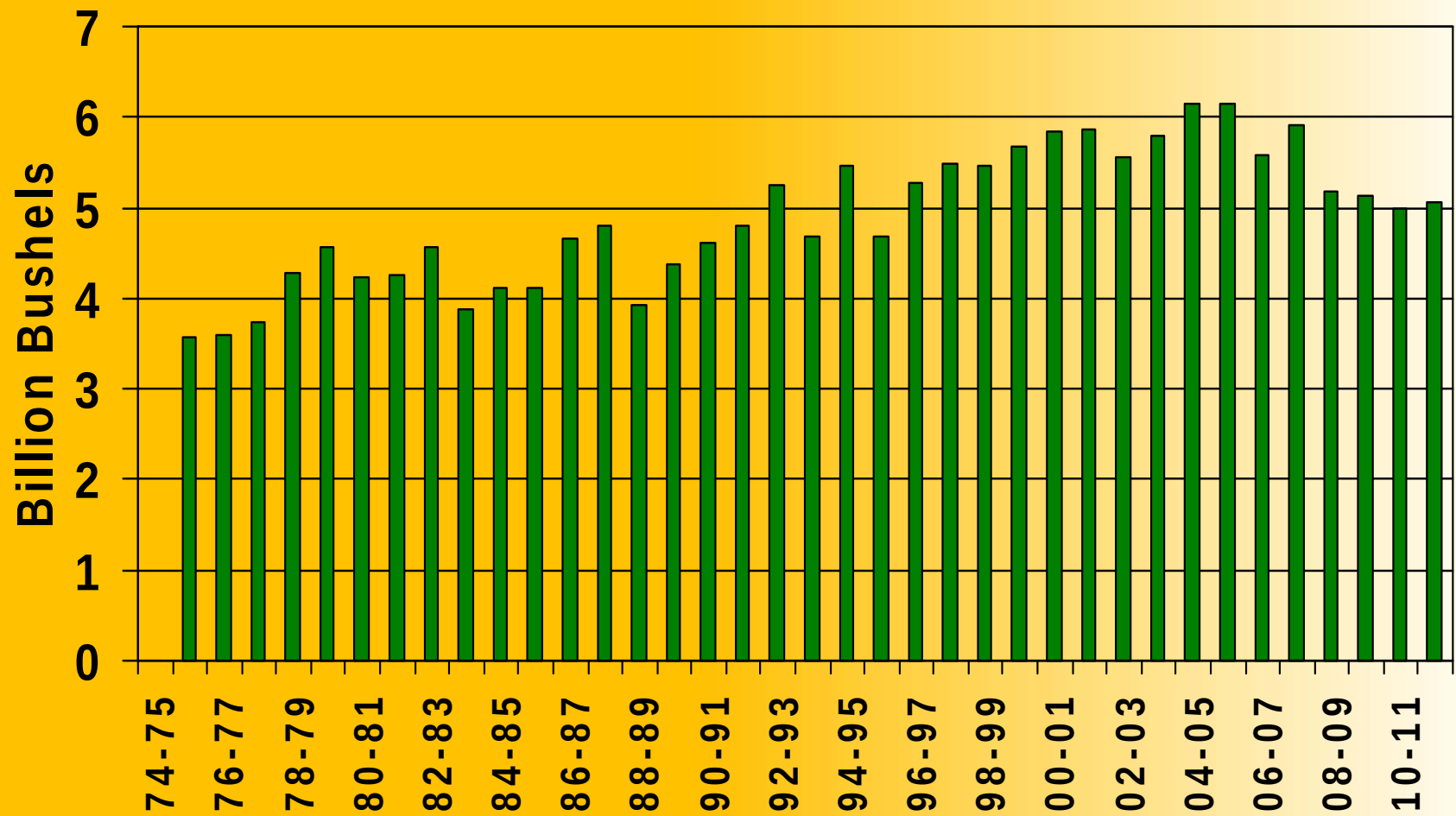


THE BUDGET PIE ILLUSTRATED.

Gross Revenue by Crop, 1970-11

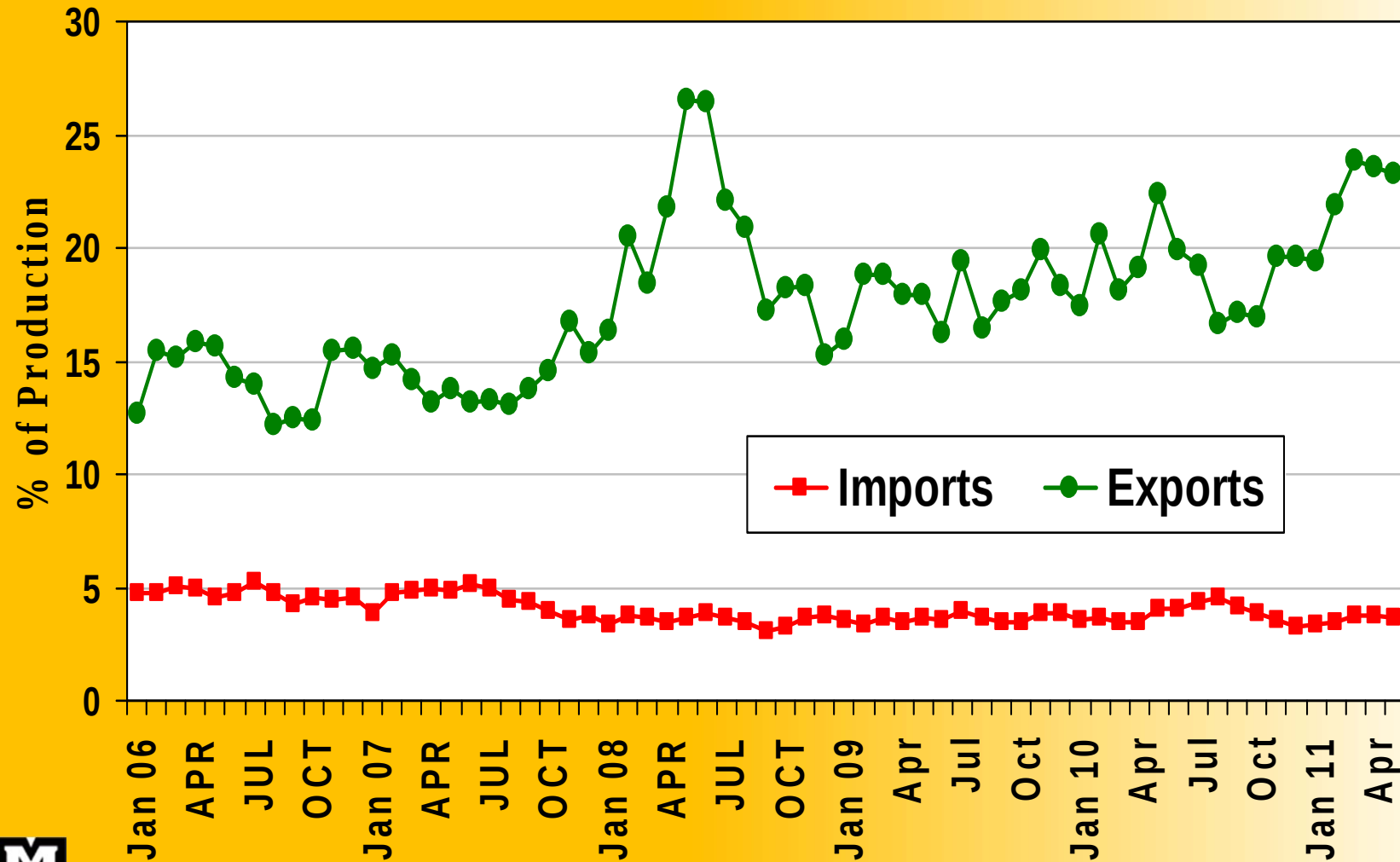


US Feed & Residual Use of Corn, 1975-11



U.S. Pork Imports & Exports as % of U.S. Pork Production, 2006-2011

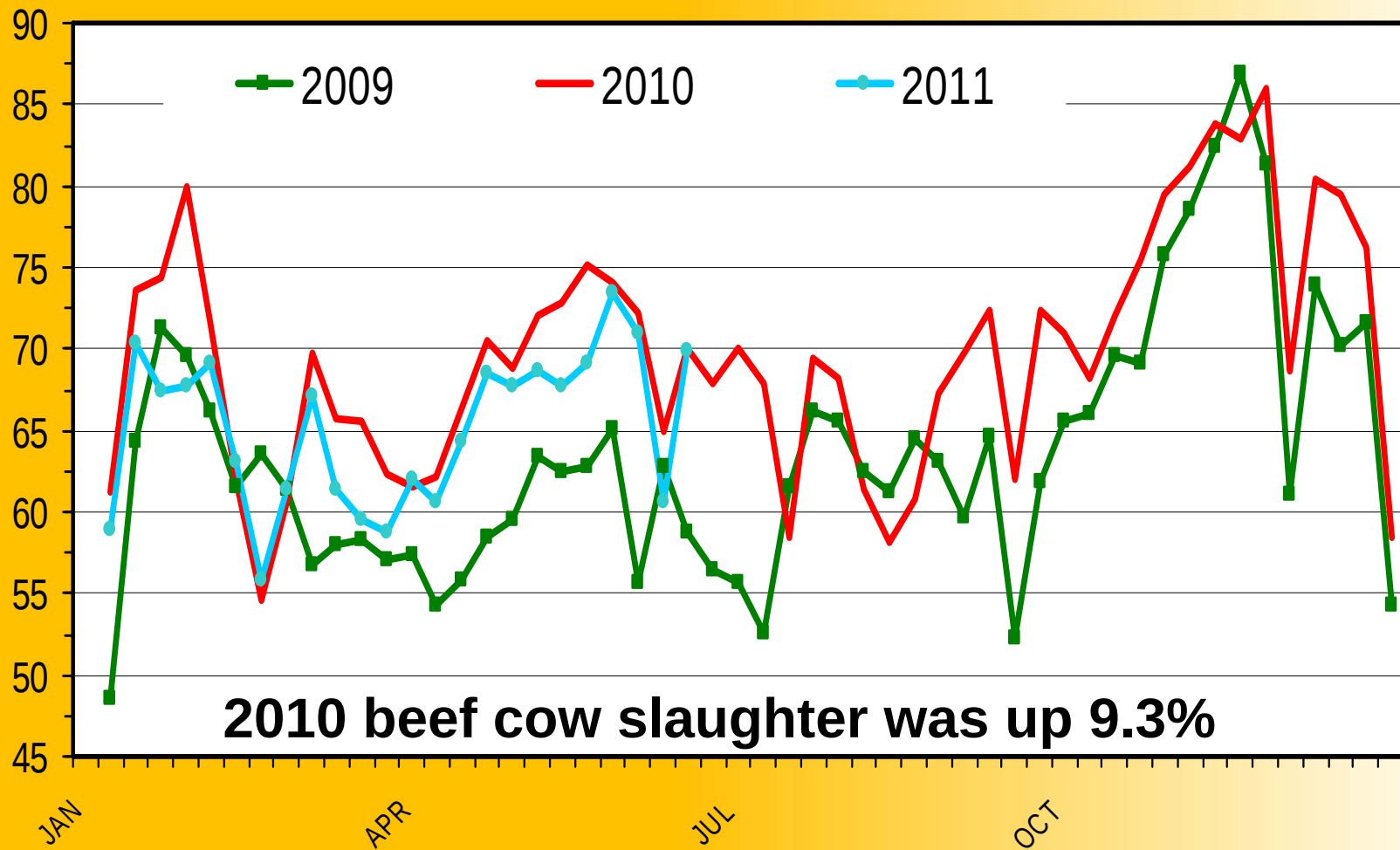
Monthly Carcass Weight Equivalent



BEEF COW SLAUGHTER

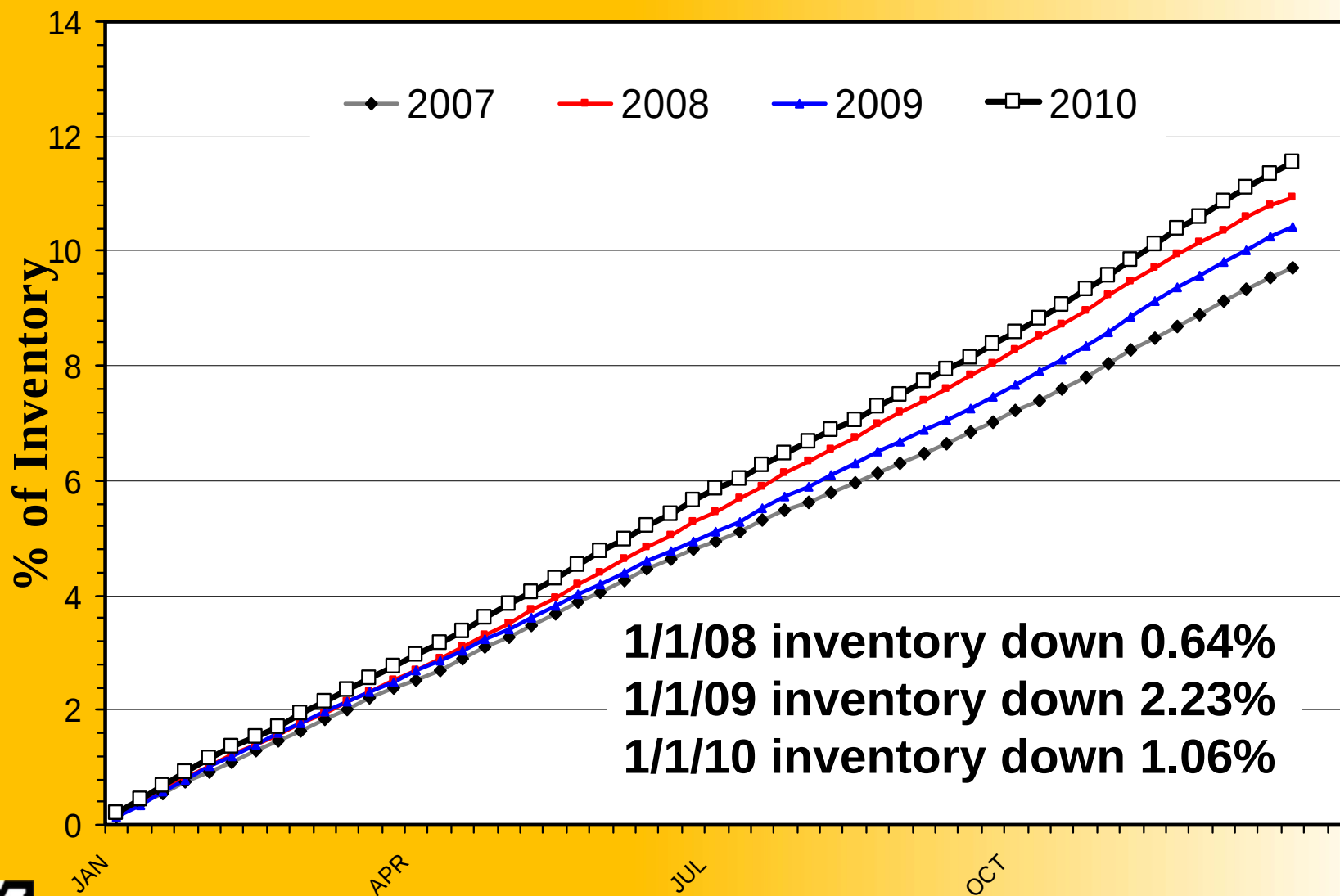
Thou. Head

Federally Inspected, Weekly

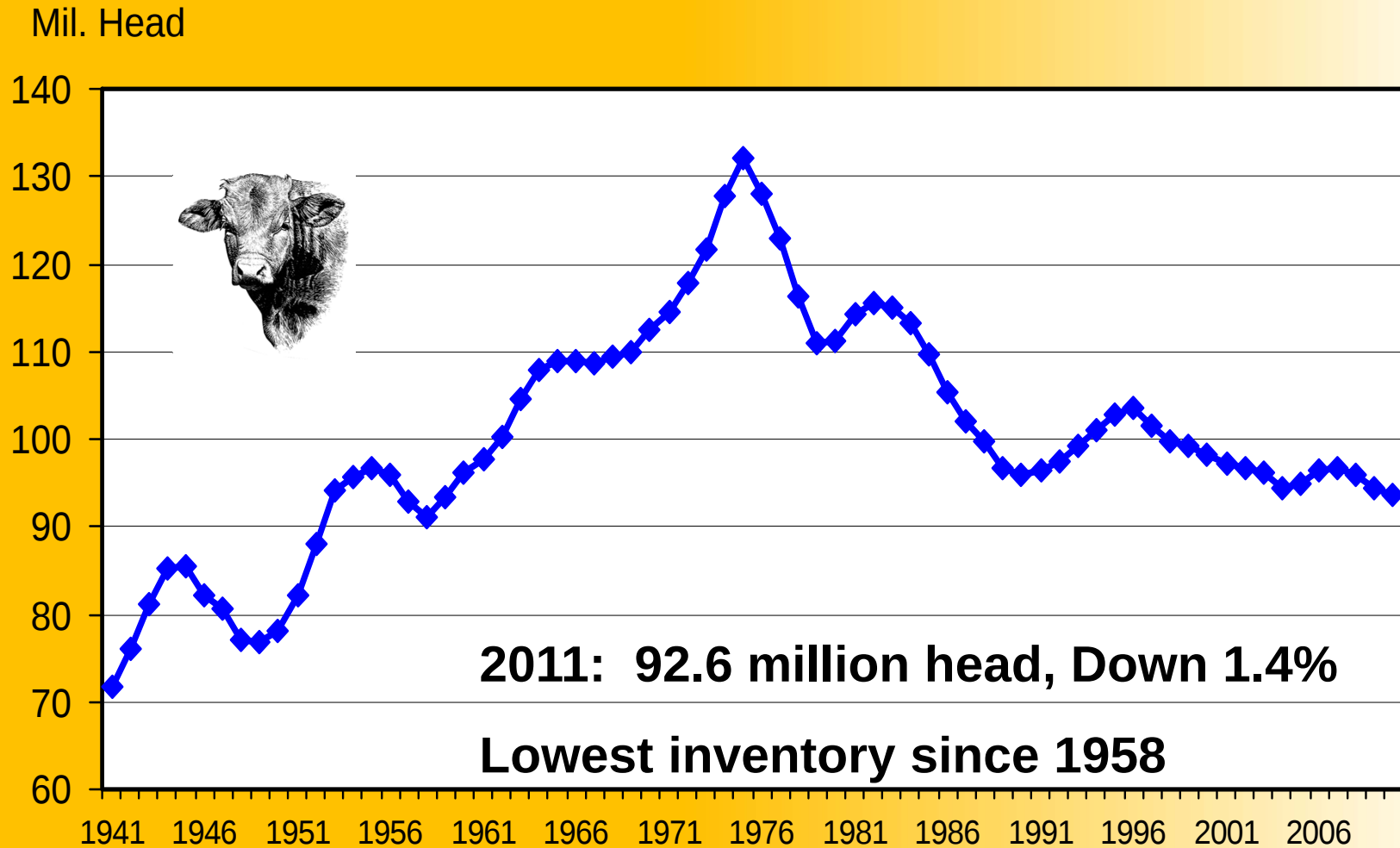


BEEF COW SLAUGHTER

Federally Inspected, Weekly

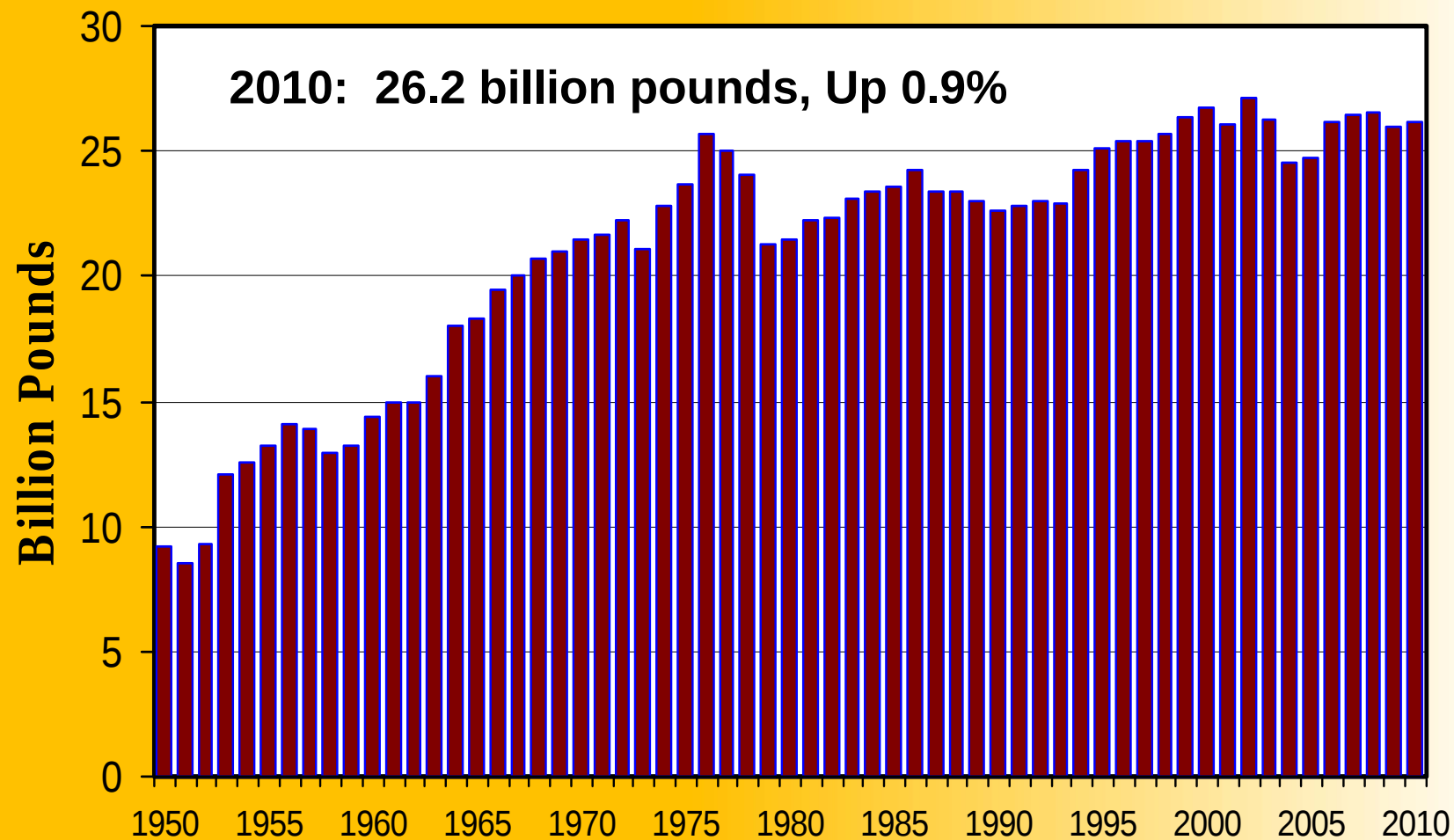


U.S. CATTLE INVENTORY, January 1



Source: USDA/NASS

U.S. Beef Production, 1950-2010

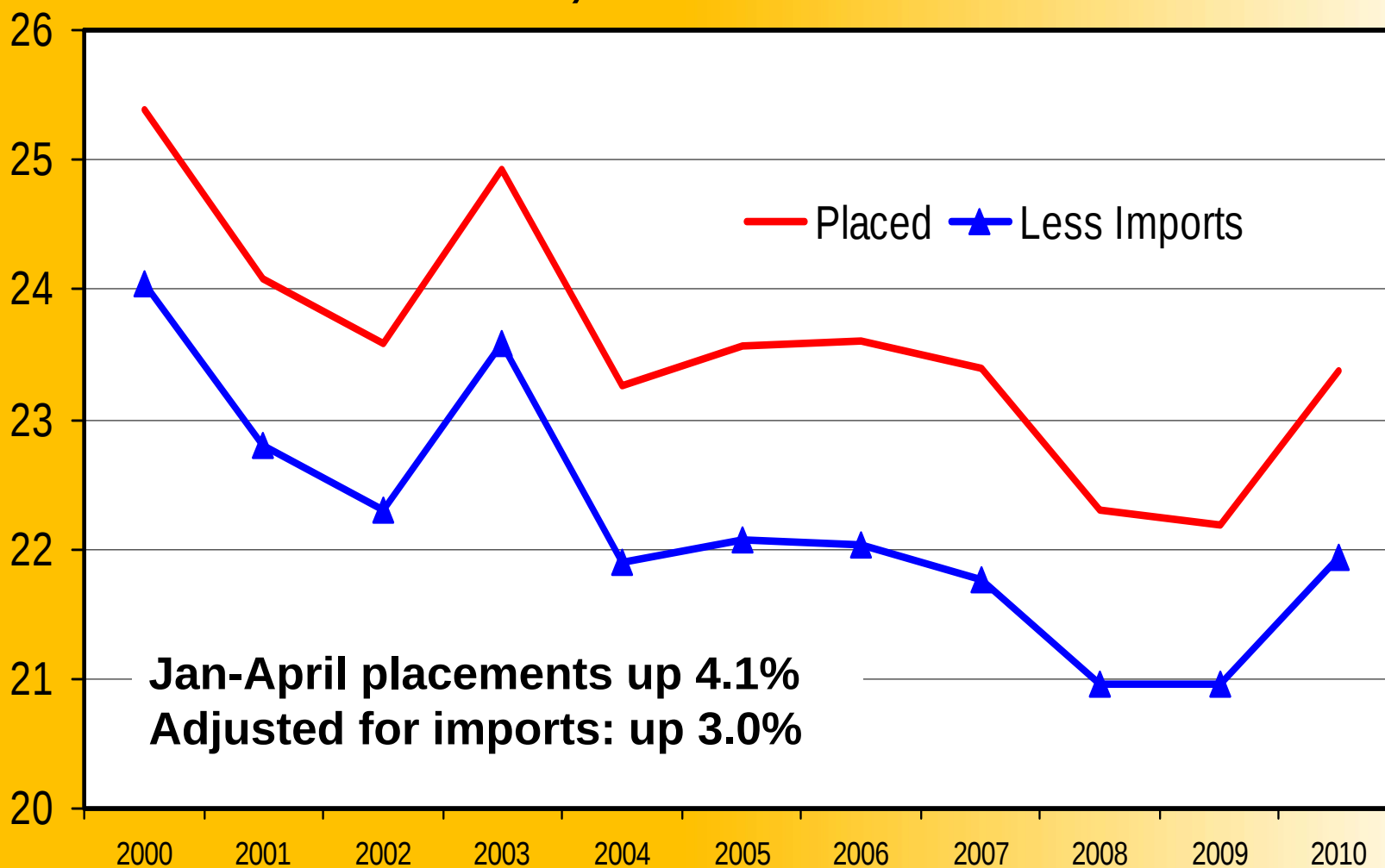


Beef Supply

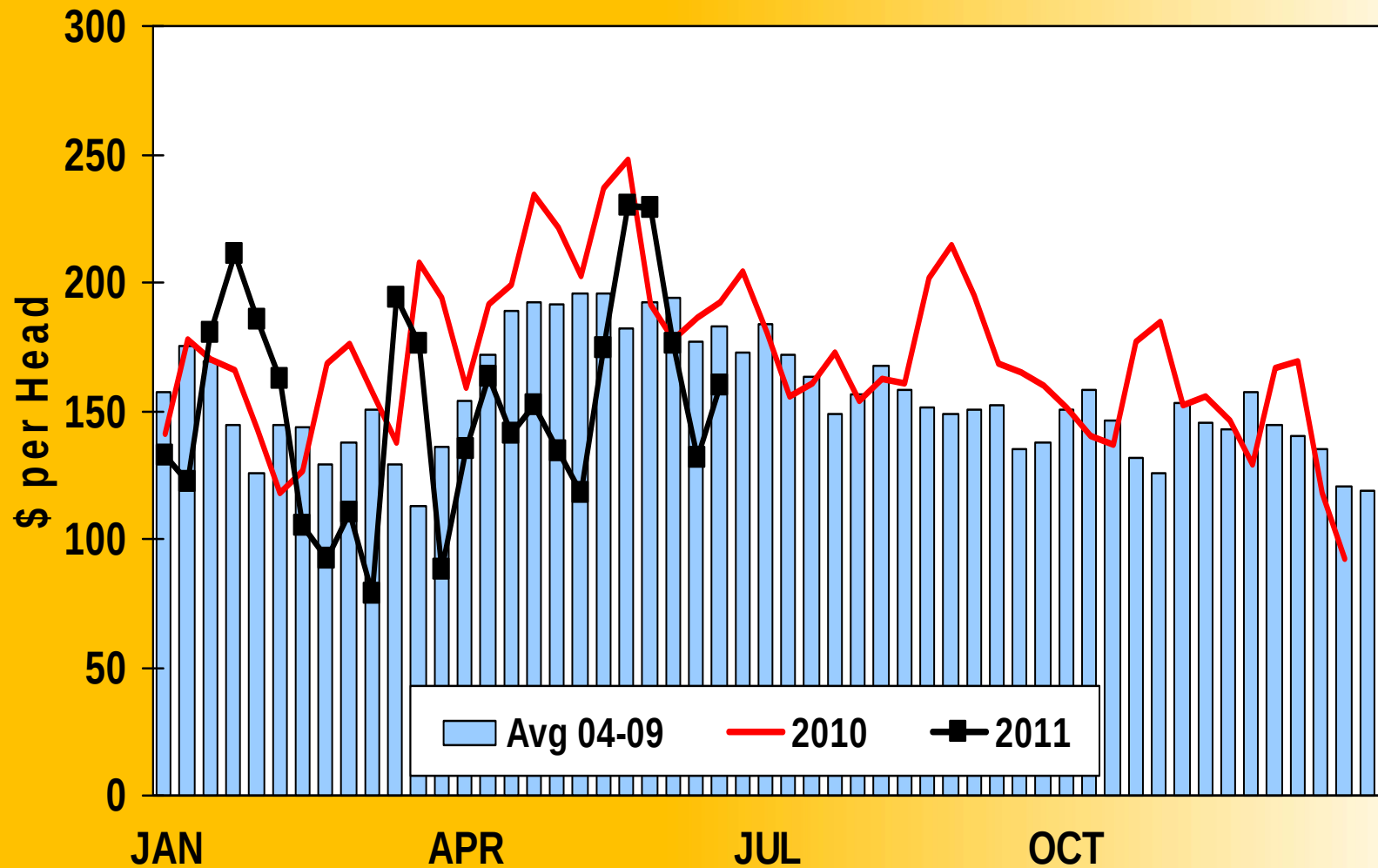


Cattle Placed on Feed, Large Feedlots, Annual

Mil. Head

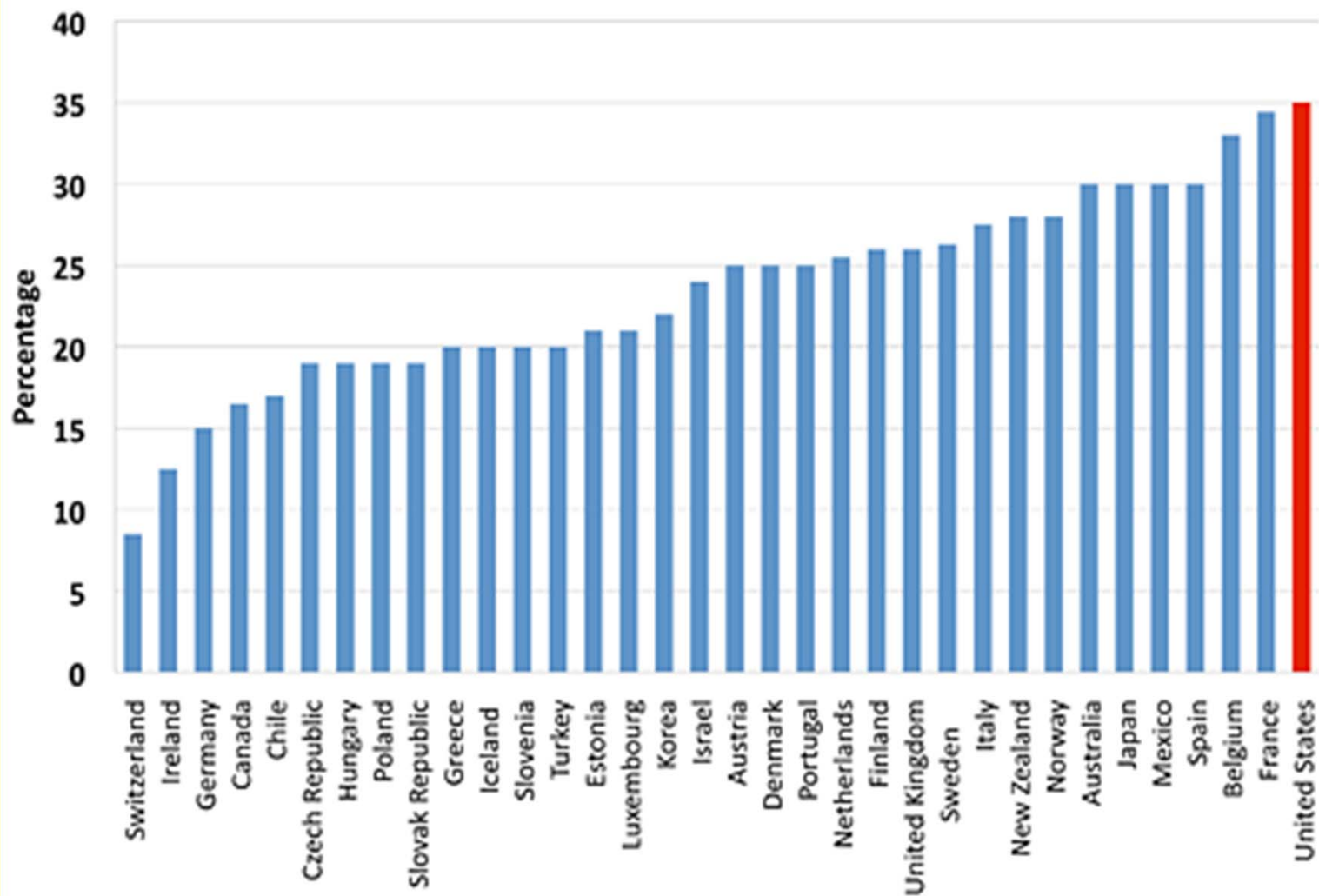


Weekly Gross Beef Packer Margin, 800 Pound Carcass



Calculation: Byproduct + Cutout – Negotiated Dressed

Corporate Income Tax Rates in the OECD



Source : 2011 OECD Tax Database

Produced by: Veronique de Rugy, Mercatus Center at George Mason University



Top 10% Share of Federal Taxes

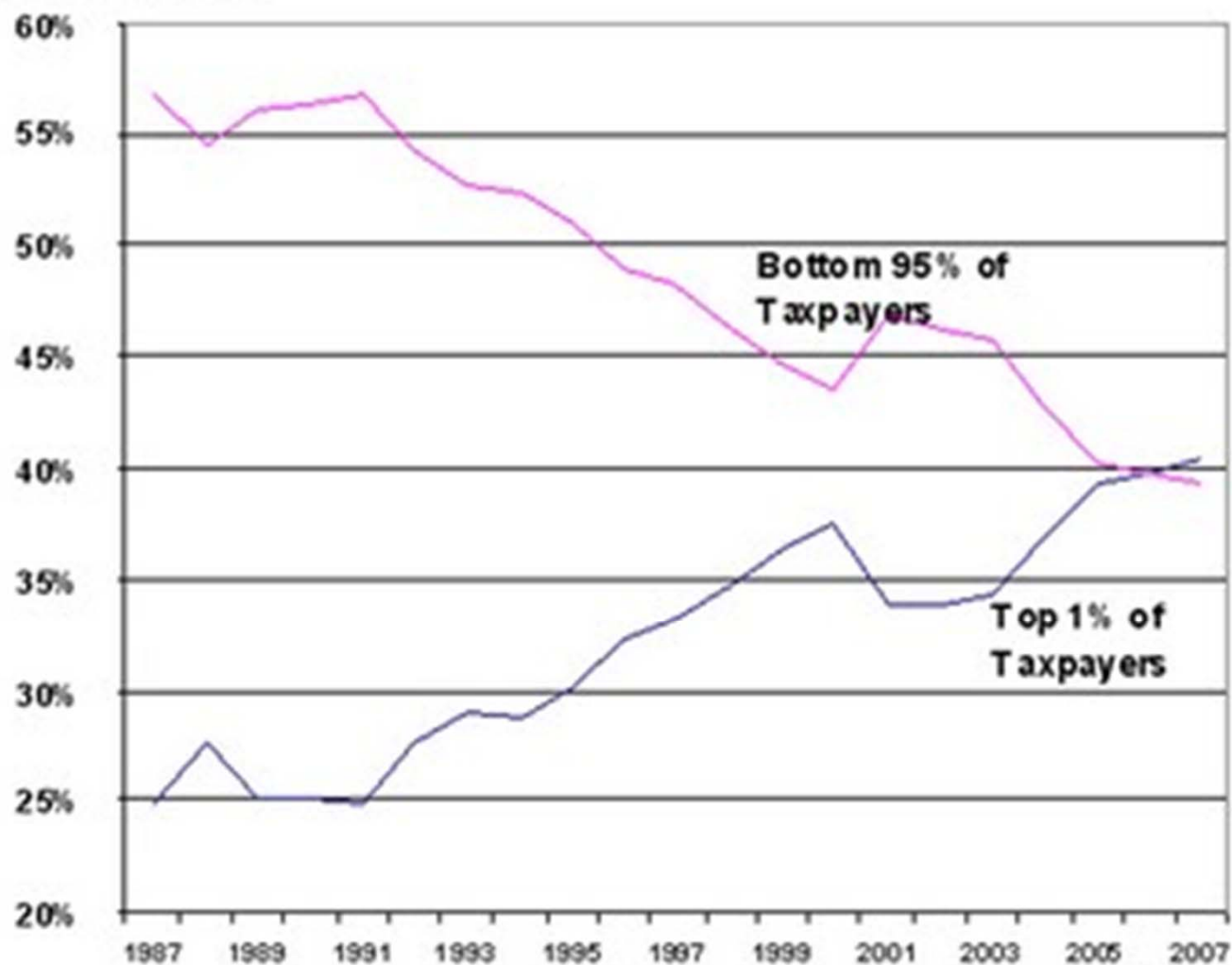
U.S.	45.1%	Slovakia	32.0%
Italy	42.2%	Germany	31.2%
Ireland	39.1%	Luxembourg	30.3%
U.K.	38.6%	Japan	28.5%
Australia	36.8%	Austria	28.5%
New Zealand	35.9%	Poland	28.3%
Canada	35.8%	France	28.0%
Netherlands	35.2%	Korea	27.4%
Czech Republic	34.3%		
Finland	32.3%		

Source: Tax Foundation, 2011

**Average for the 24
nations in the OECD is
31.6%**

Tax Burden of the Top 1% of Taxpayers Now Exceeds that Paid by Bottom 95%

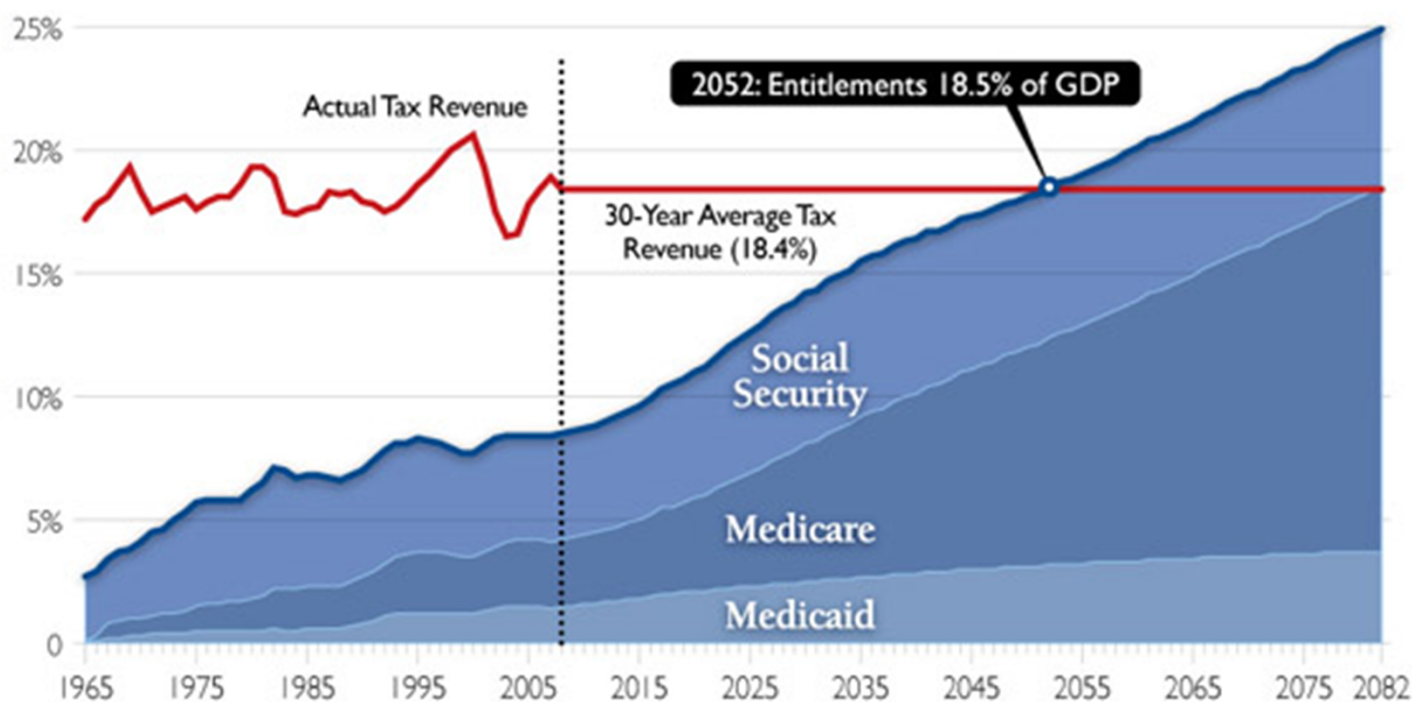
Share of Total
Income Taxes Paid



Entitlements Alone Will Eclipse Historical Tax Levels by 2052

Spending on the three major entitlements, Medicare, Medicaid, and Social Security, will more than double in the next 40 years. Without major reforms, entitlement spending will consume all federal tax revenues by 2052.

Three Major Entitlements and Tax Revenues as a Percentage of GDP



Source: Congressional Budget Office.

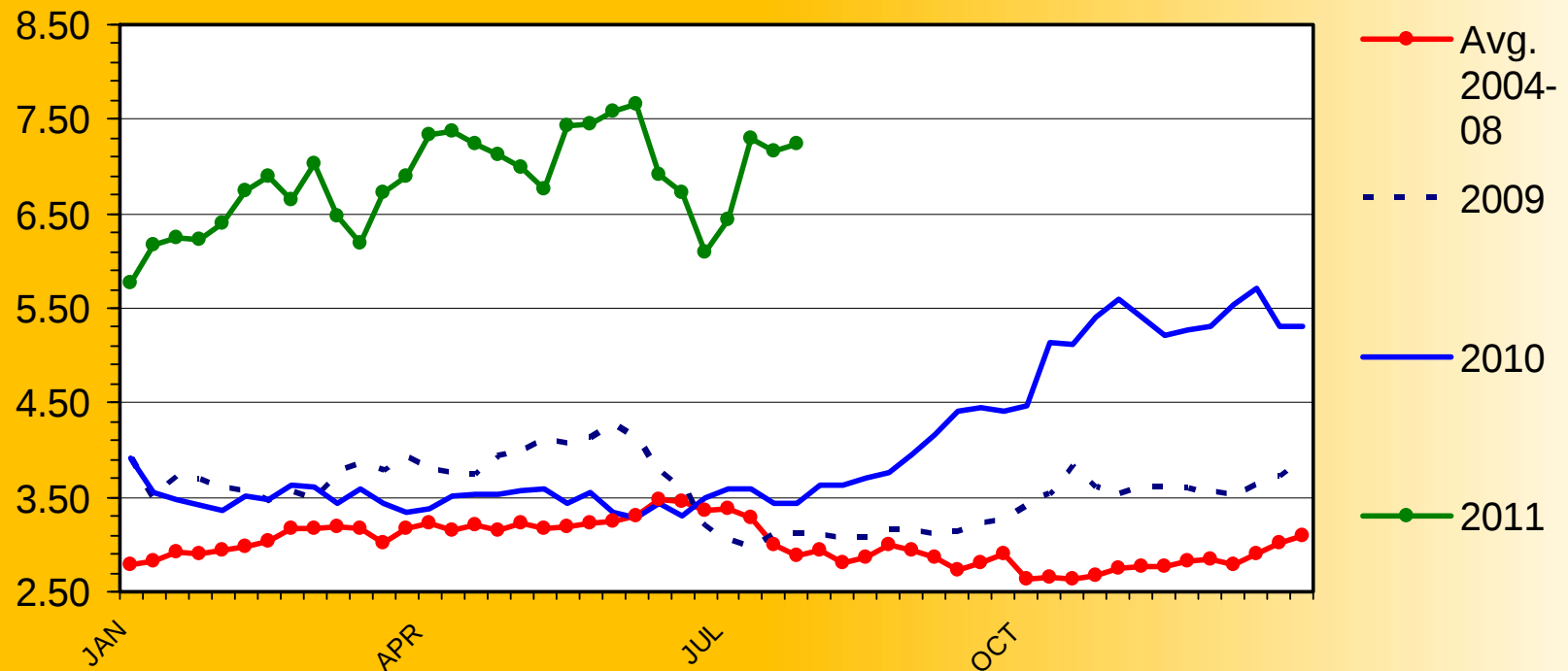
Entitlements Chart 3 • 2009 Federal Revenue and Spending Book of Charts heritage.org



OMAHA CORN PRICES

Weekly

\$ Per Bu.



Livestock Marketing Information Center

Data Source: USDA-AMS

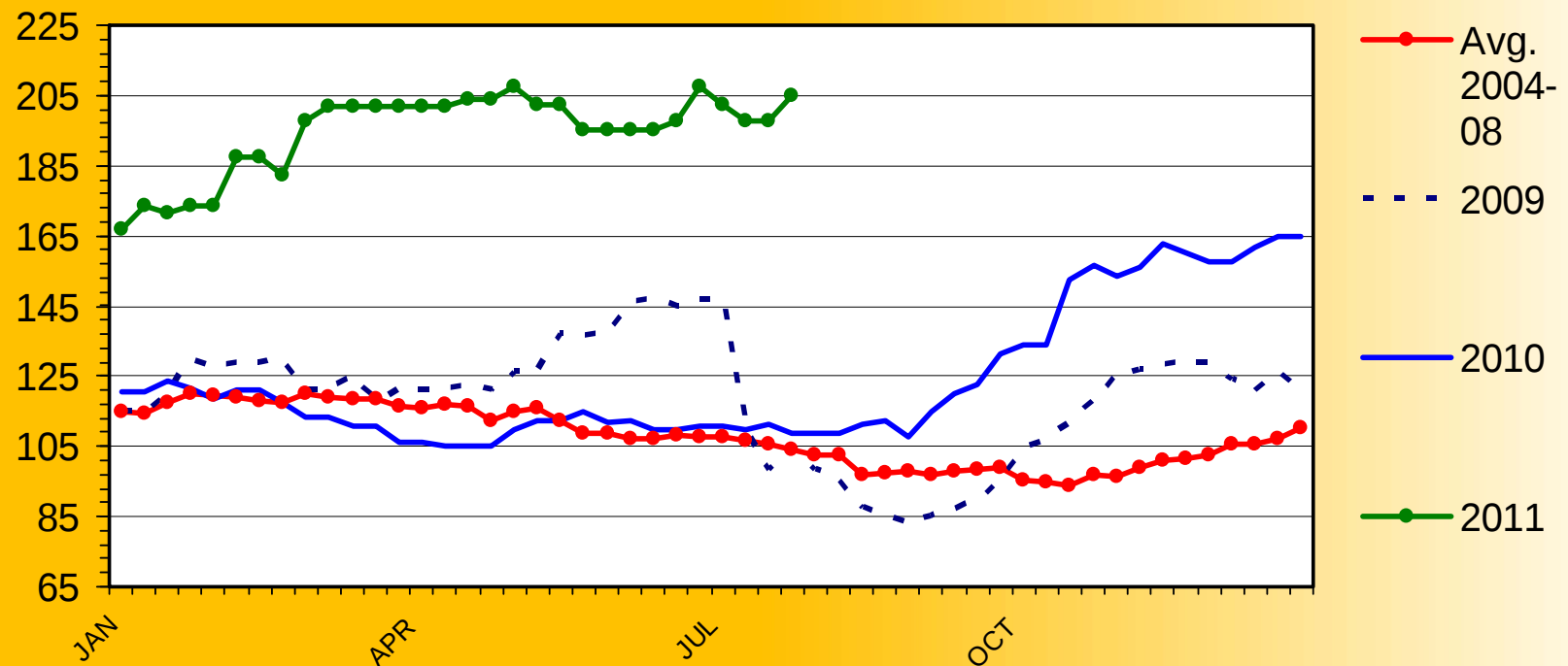
G-P-02
11/26/10



DISTILLER DRIED GRAIN PRICES

Chicago, Illinois, Weekly

\$ Per Ton



Livestock Marketing Information Center

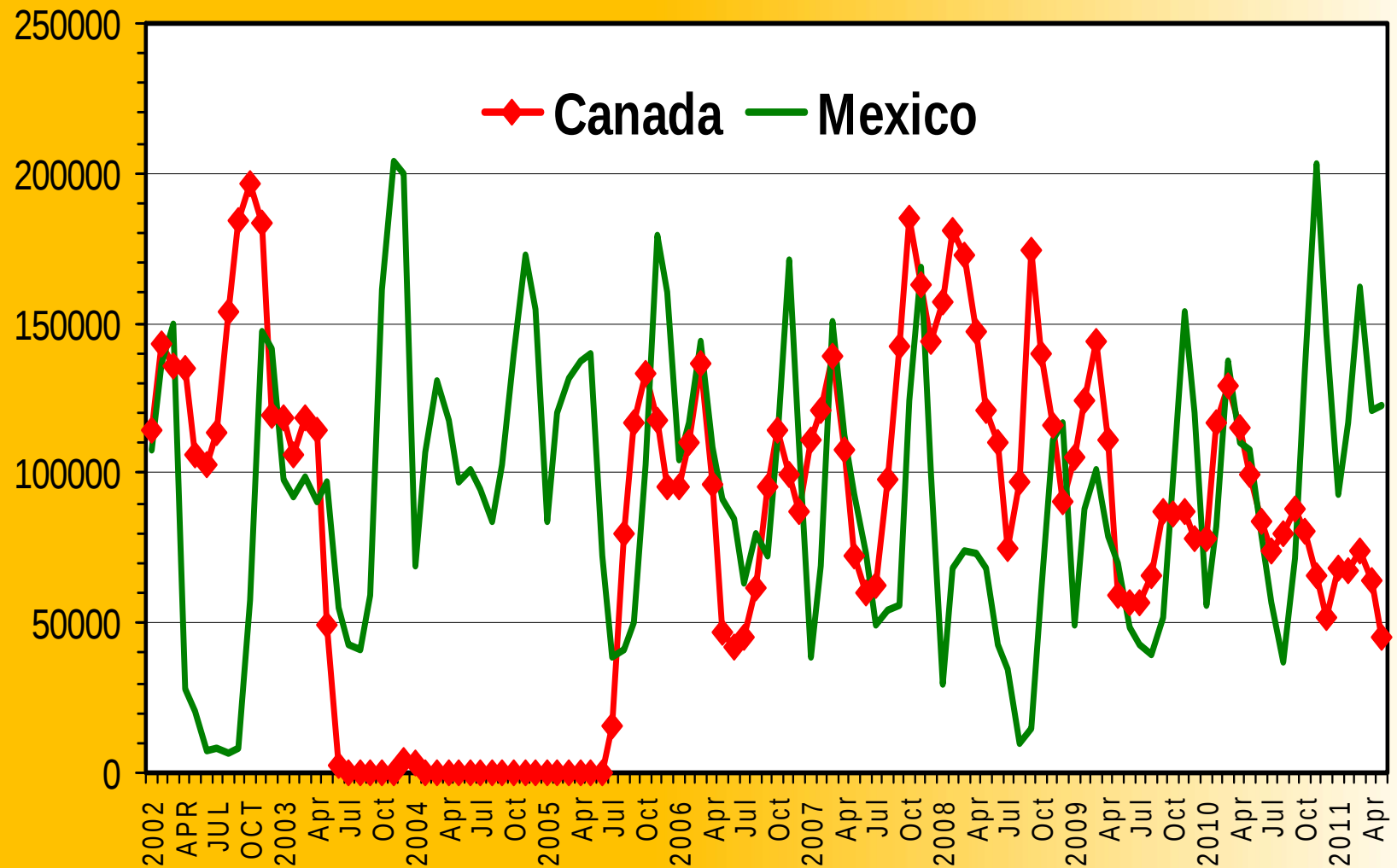
Data Source: USDA-AMS

11/26/10

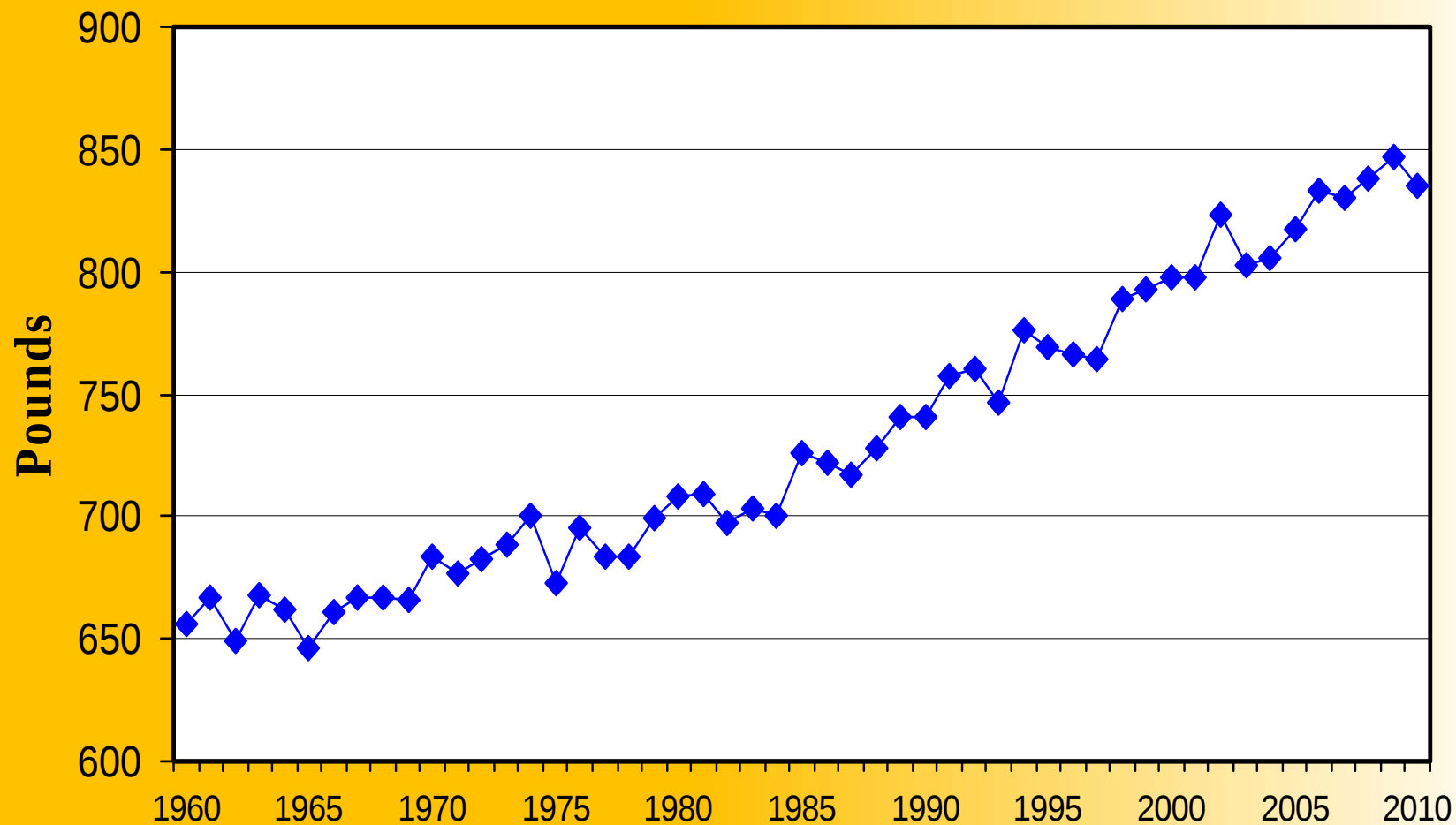


Head

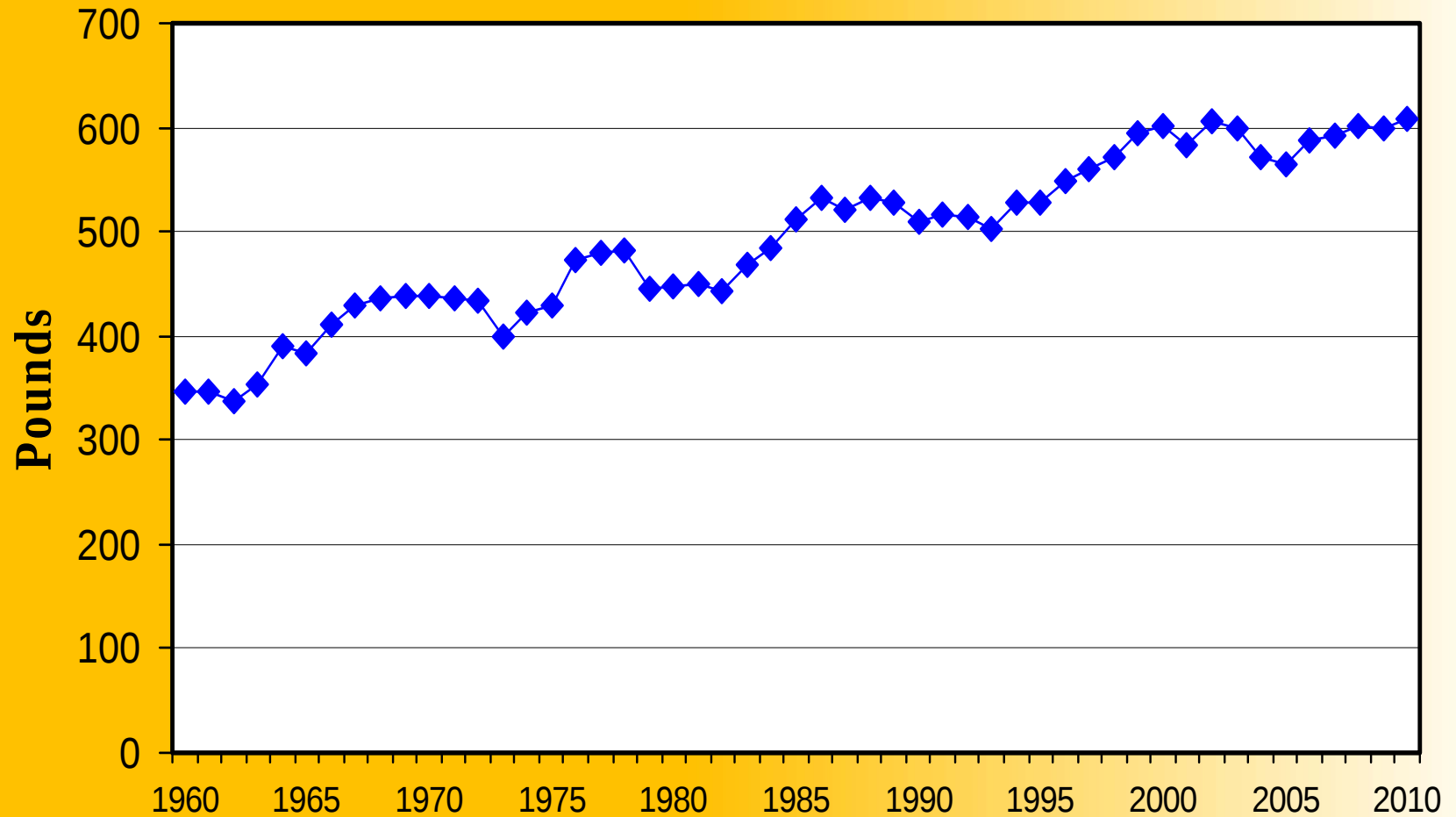
U.S. Monthly Cattle Imports



U.S. Steer Dressed Weights, 1960-2010



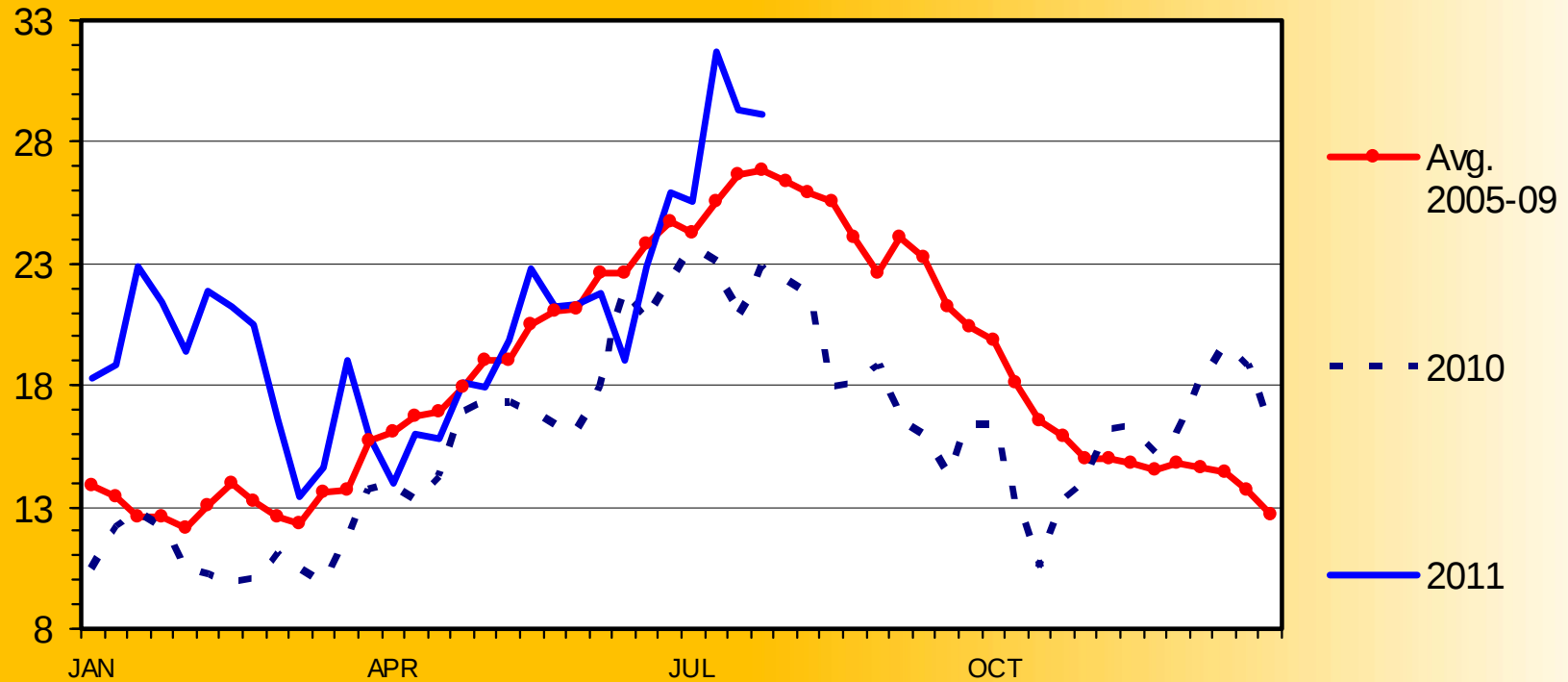
U.S. Beef & Veal Production Per Cow, 1960-2010



FEEDER STEER vs FED STEER PRICES

700-800 Lbs. Minus Slaughter Steer, S. Plains, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

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

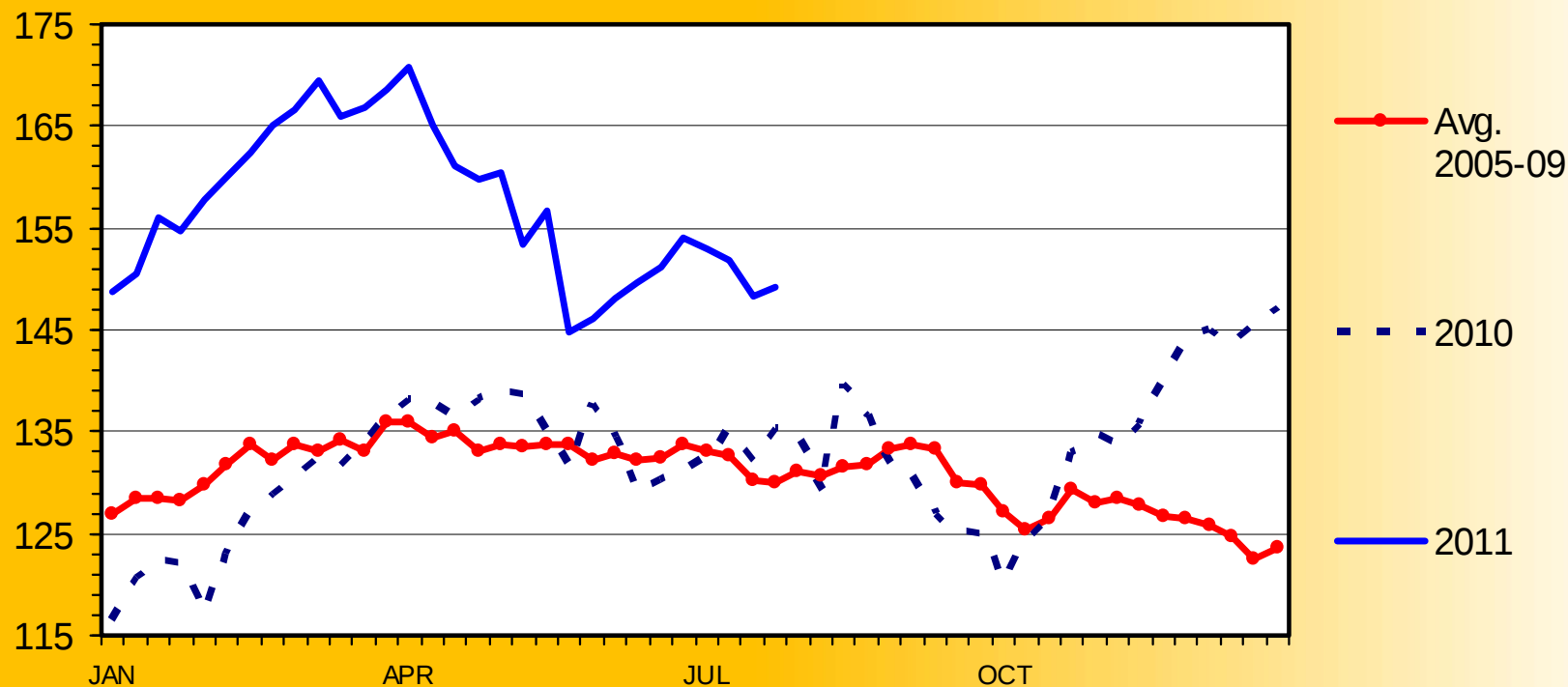


C-P-53
08/01/11

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

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

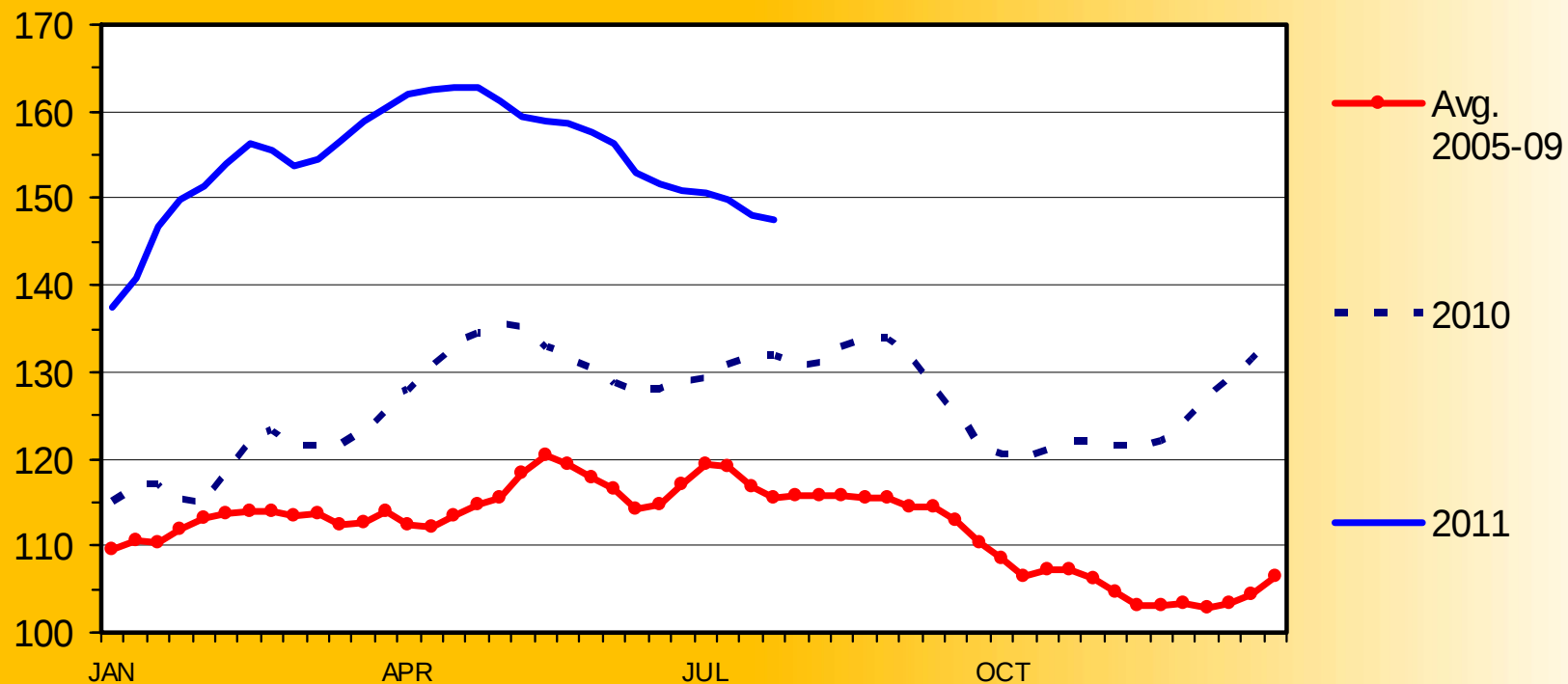


C-P-49A
08/01/11

BOXED COW-BEEF CUTOUT VALUE

Cutter Cow, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS

08/01/11

