Beef Cattle Outlook and Market Planning

Tri-State Beef Conference

August 9, 2013

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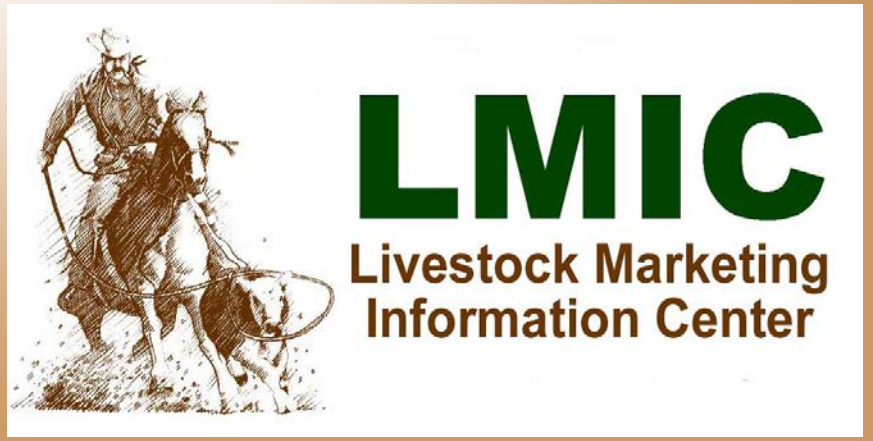


29 land Grant Universities:

USDA Members:

- ERS
- APHIS
- GIPSA
- NASS
- WAOB
- AMS

Associate Members:

- AFBF
- ASI
- NCBA
- NPB
- CME-Group
- Canadian Consortium
- Noble Foundation
- CoBank
- TCFA
- CWB
- TCU

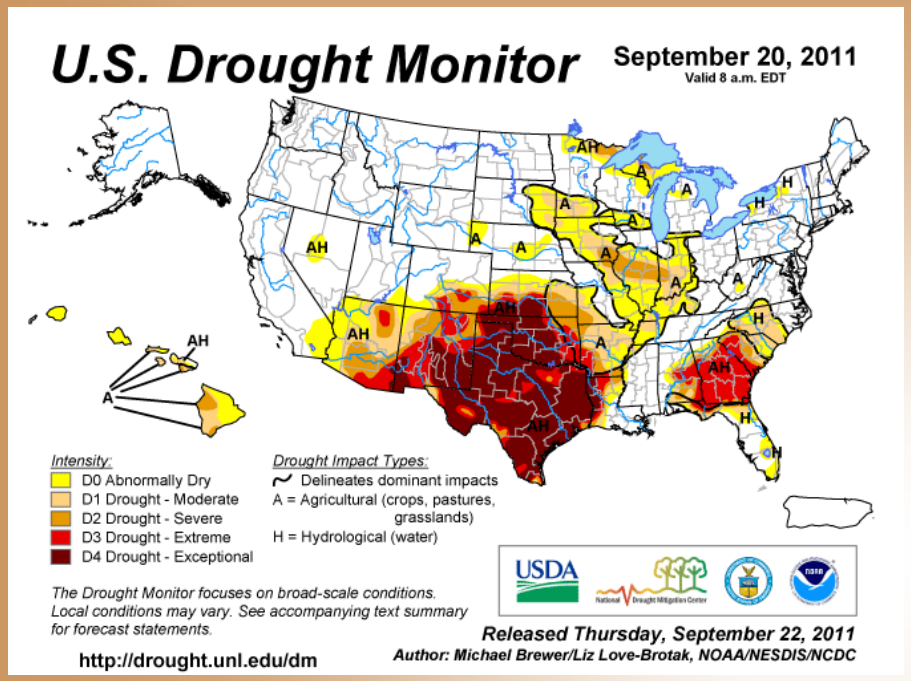
Topics: Markets and …

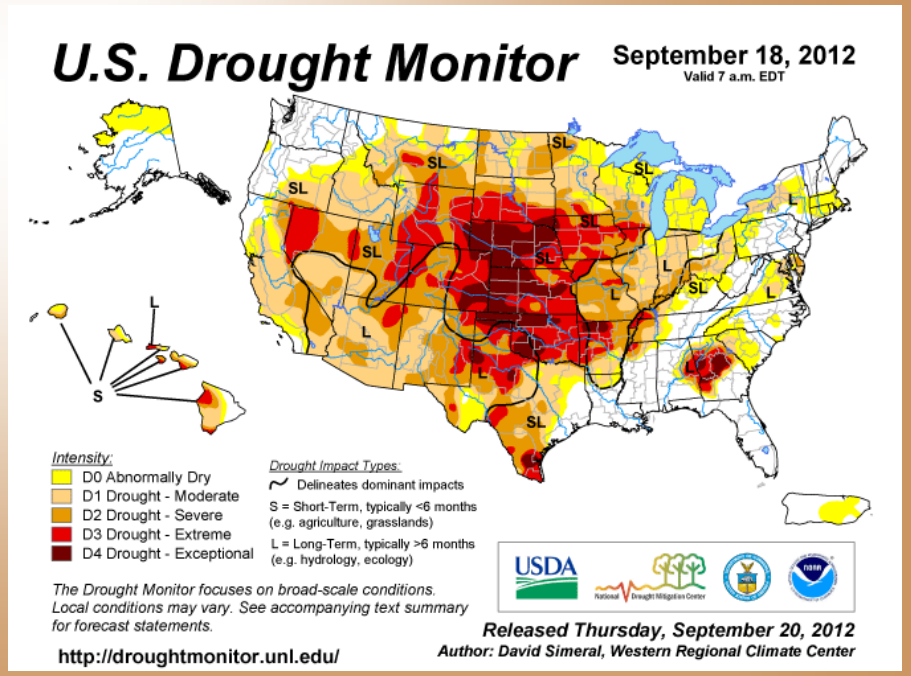
- Drought – A Game Changer
- Grain/Feedstuff Markets
- Aspects of U.S. Macro Economy and Consumer Beef Demand
- International Trade Comments: Beef & Cattle
- Competition at the Meat Case
- More on the Cattle Market and Price Outlook
- Economic Environment Market Planning

USDA Data Sources – NASS, AMS, FAS, and ERS

All Forecasts – LMIC

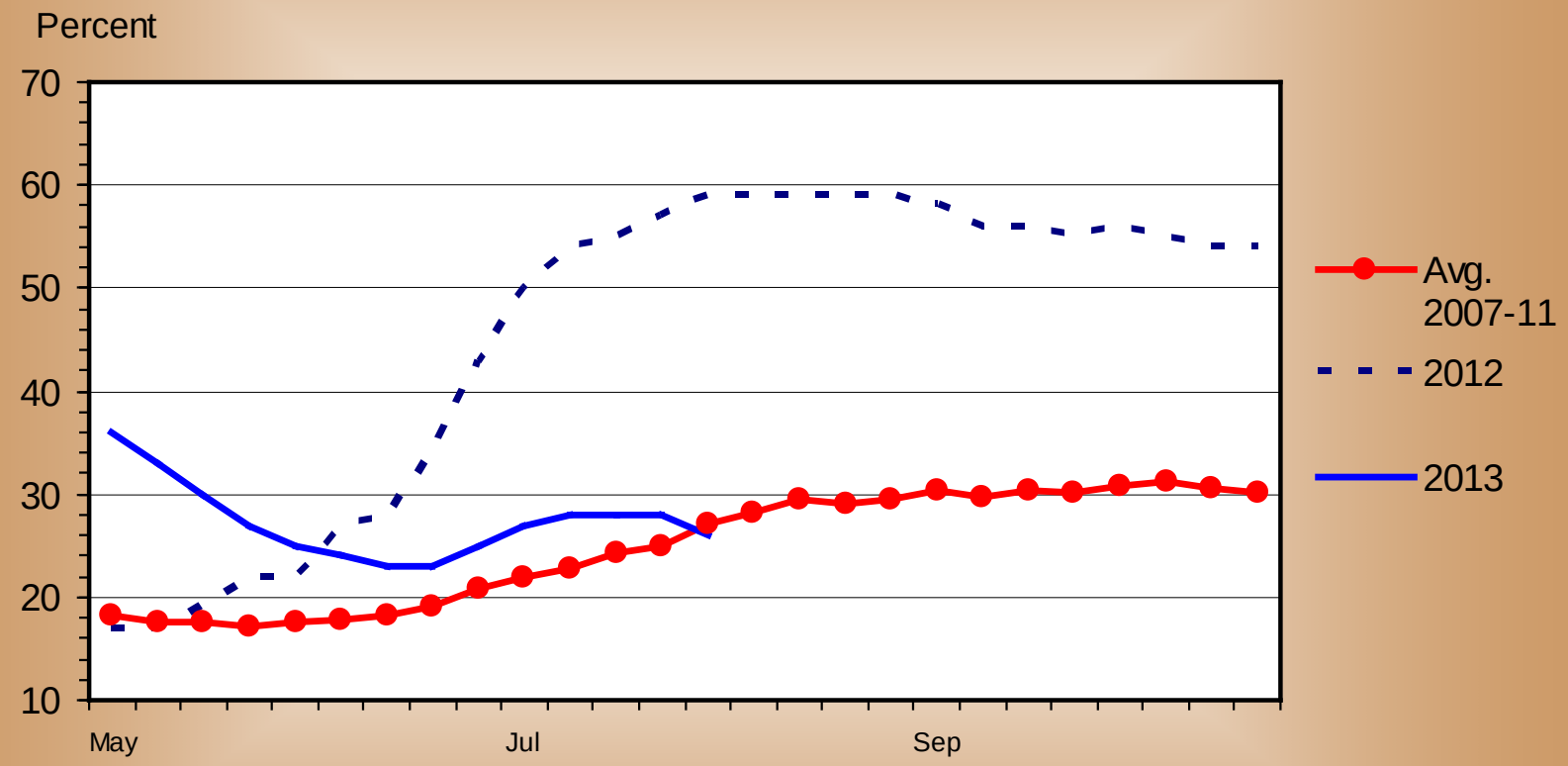
Drought – A Game Changer





US RANGE AND PASTURE CONDITION

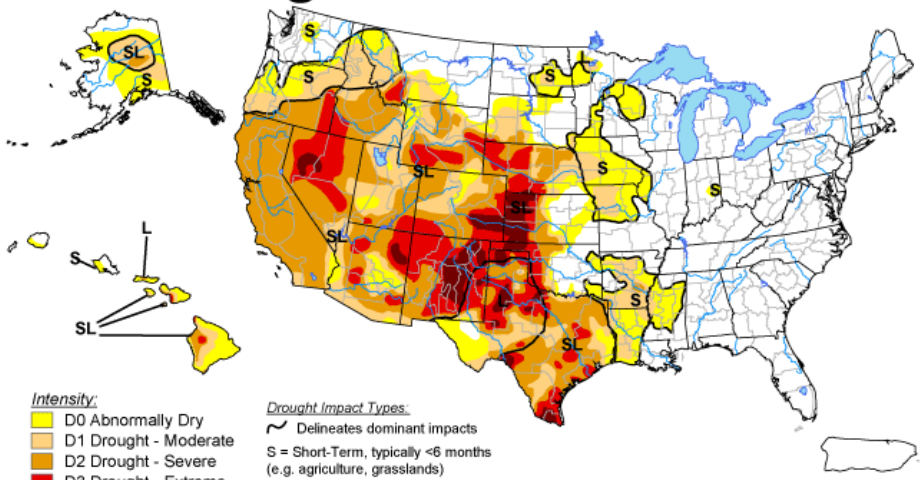
Percent Poor and Very Poor, Weekly



Data Source: USDA-NASS

U.S. Drought Monitor

August 6, 2013
Valid 7 a.m. EDT



Intensity:
- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:
Delineates dominant impacts
S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
L = Long-Term, typically >6 months (e.g. hydrology, ecology)

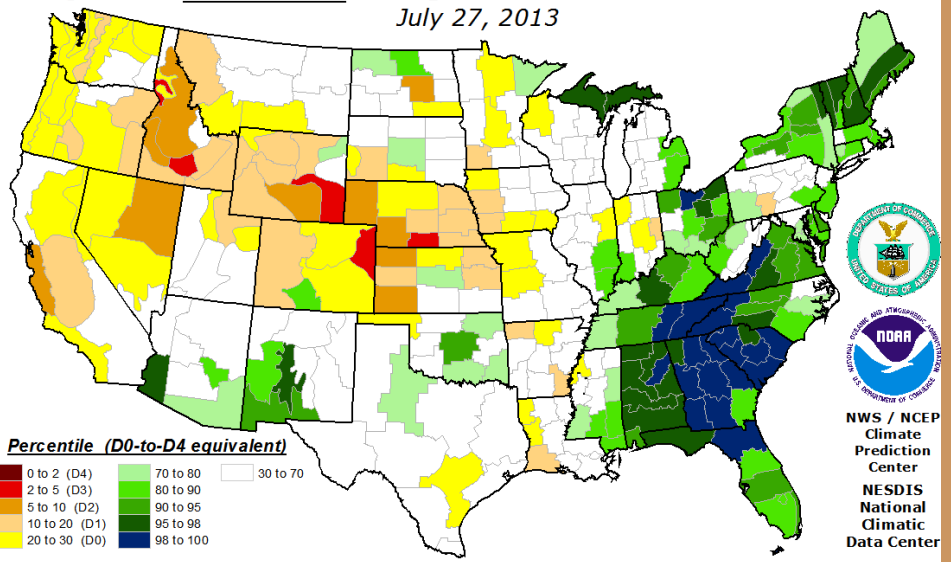
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Released Thursday, August 8, 2013
Author: Brian Fuchs, National Drought Mitigation Center

http://droughtmonitor.unl.edu/

Objective ***Short-Term*** Drought Indicator Blend Percentiles

July 27, 2013



Percentile (D0-to-D4 equivalent)

0 to 2 (D4)	70 to 80	30 to 70
2 to 5 (D3)	80 to 90	
5 to 10 (D2)	90 to 95	
10 to 20 (D1)	95 to 98	
20 to 30 (D0)	98 to 100	

Inputs (as percentiles):
35% Palmer Z-Index
25% 3-Month Precipitation
20% 1-Month Precipitation
13% CPC Soil Moisture Model
7% Palmer Drought Index

This map approximates impacts that respond to precipitation over several days to a few months, such as agriculture, topsoil moisture, unregulated streamflows, and most aspects of wildfire danger. The relationship between indicators and impacts can vary significantly with location and season. Do not interpret this map too literally.

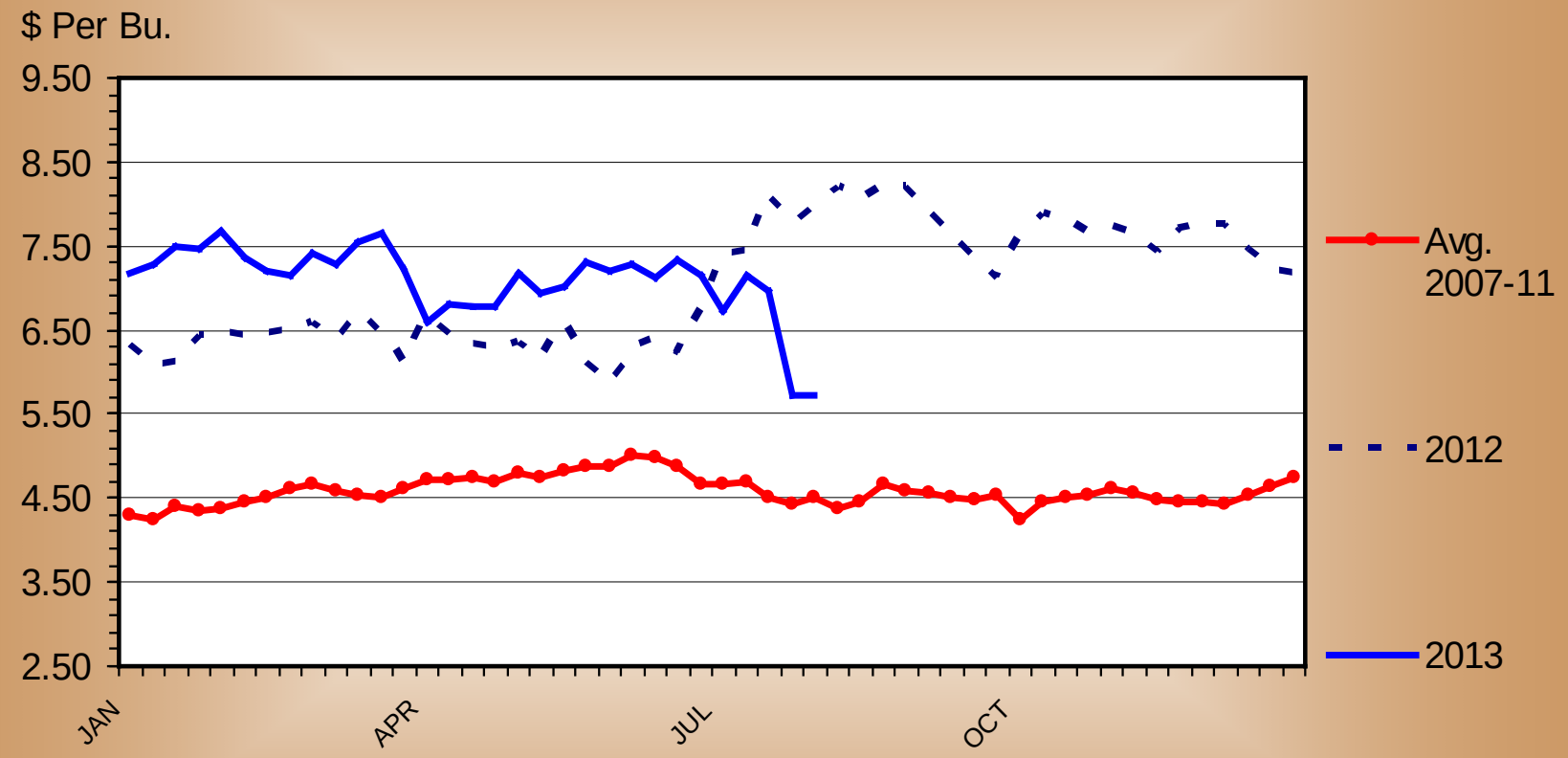
This map is based on preliminary climate division data. Local conditions and/or final data may differ. See the detailed product suite description for more details.

NWS / NCEP Climate Prediction Center
NESDIS National Climatic Data Center

Grain/Feedstuffs

OMAHA CORN PRICES

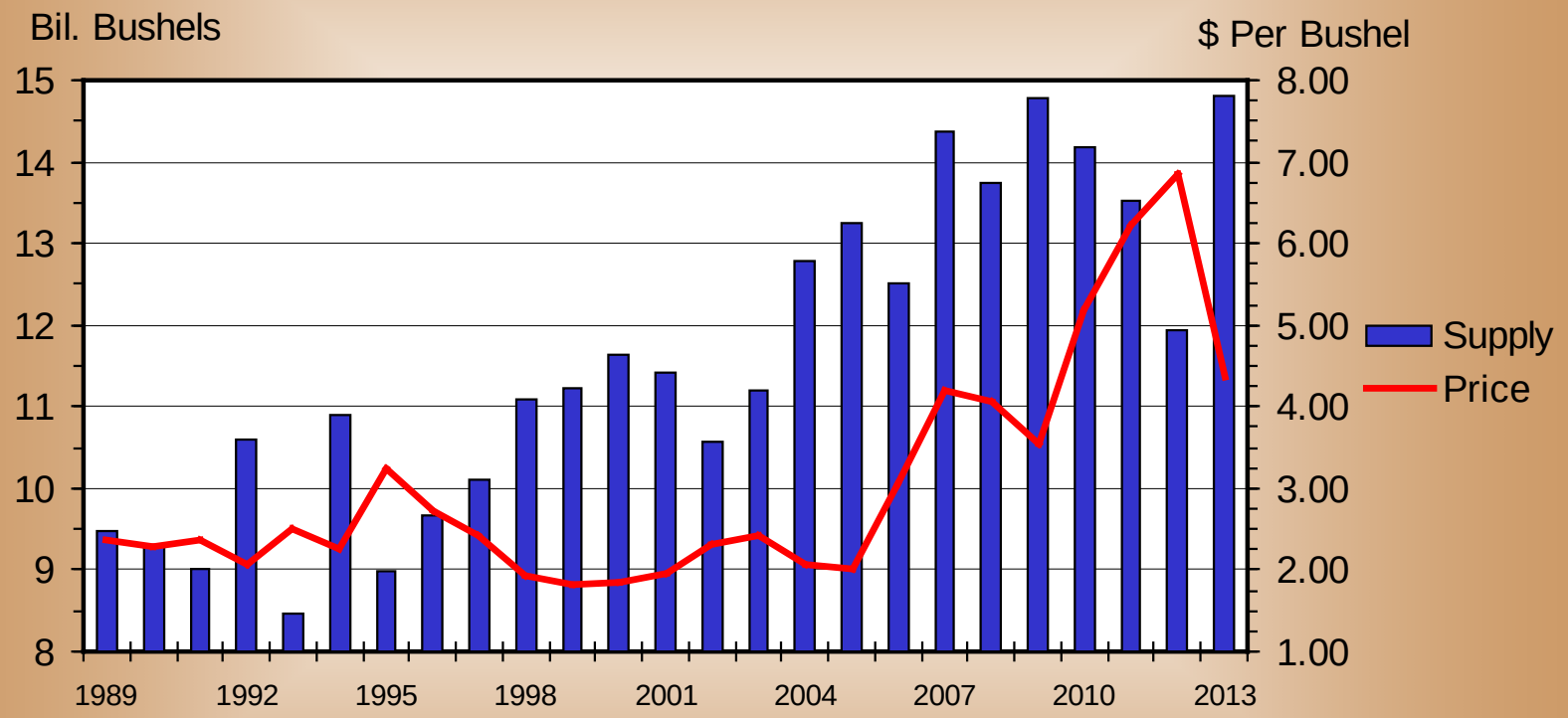
Weekly



Data Source: USDA-AMS

U S TOTAL CORN SUPPLY AND PRICE

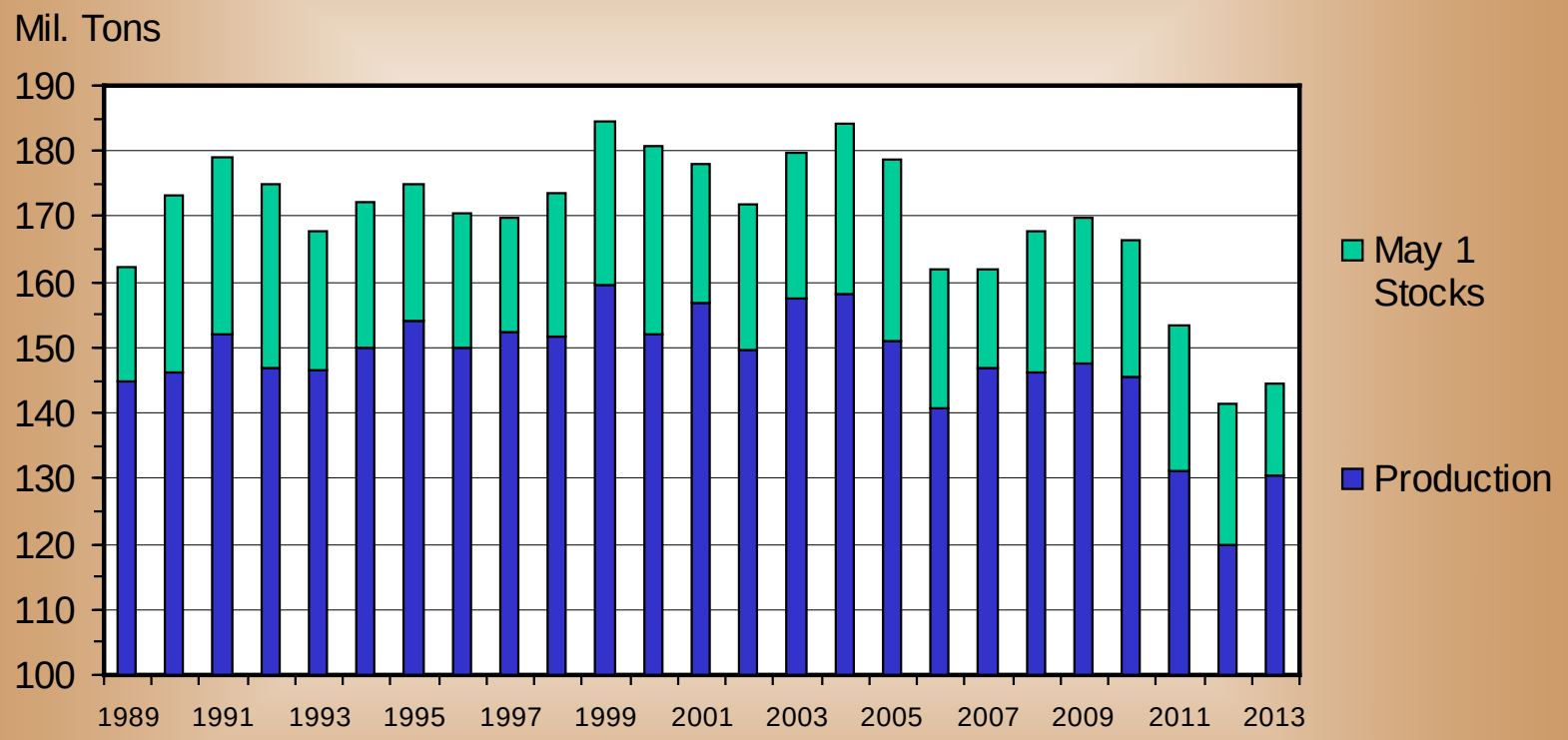
Crop Year



Data Source: USDA-NASS, Forecasts by LMIC

U S ALL HAY SUPPLY

Crop Year

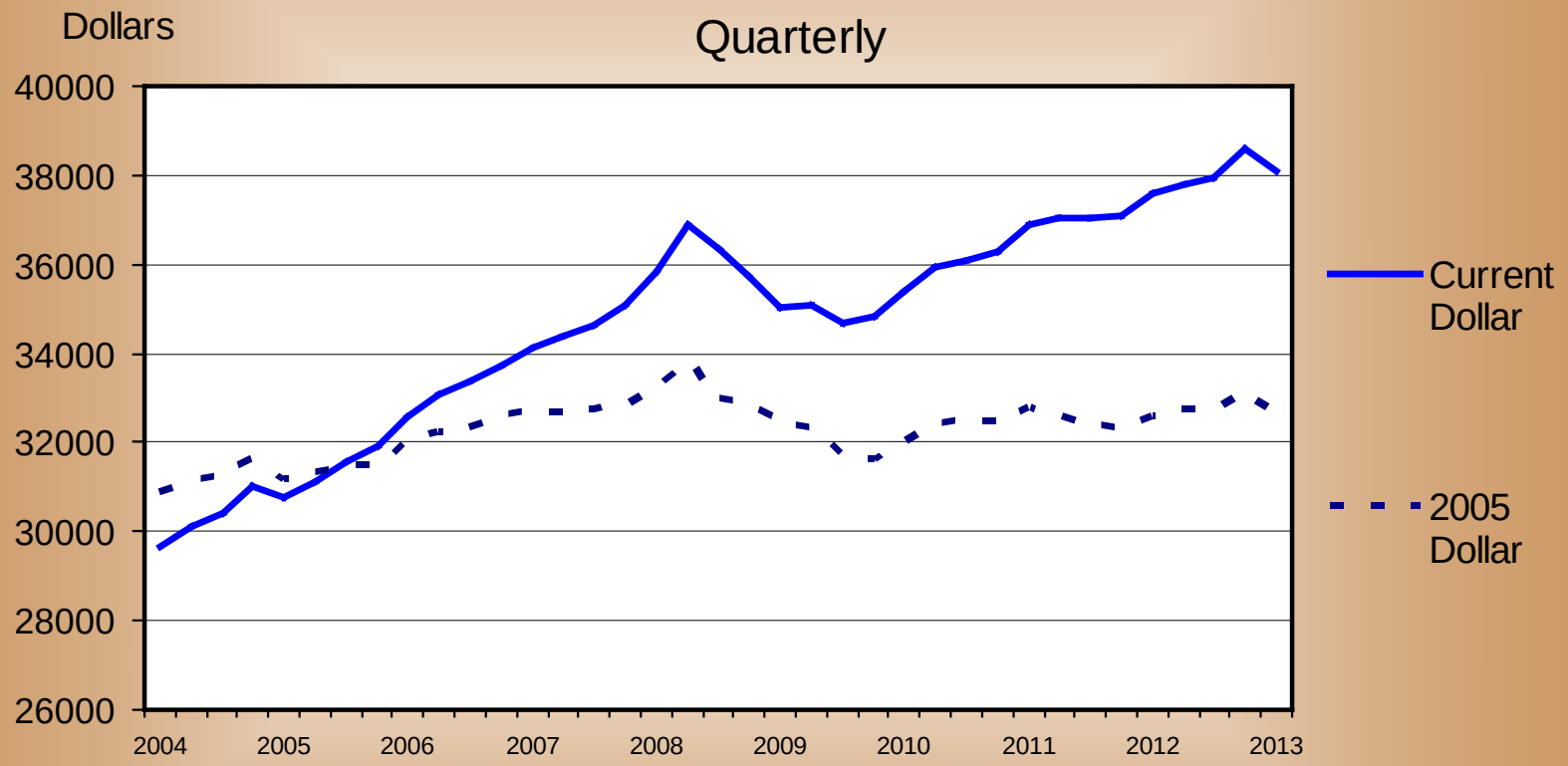


Data Source: USDA-NASS, Forecasts by LMIC

US Consumer Demand and Consumption (Disappearance)

Wal-Mart's wide aisles and broad selection of merchandise accommodate 100 million shoppers a week.

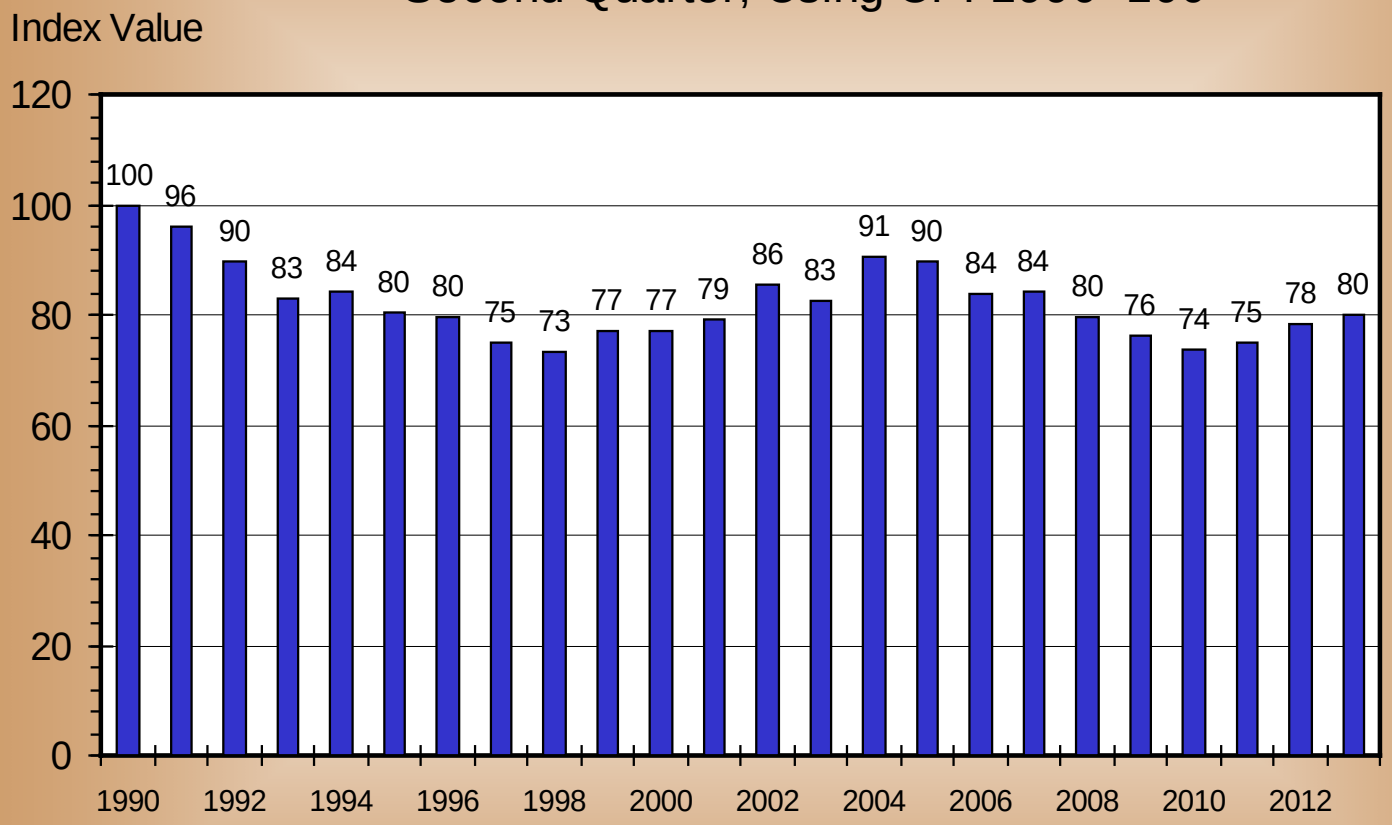
PER CAPITA DISPOSABLE PERSONAL INCOME



Data Source: Department of Commerce-BEA

RETAIL ALL FRESH BEEF DEMAND INDEX

Second Quarter, Using CPI 1990=100

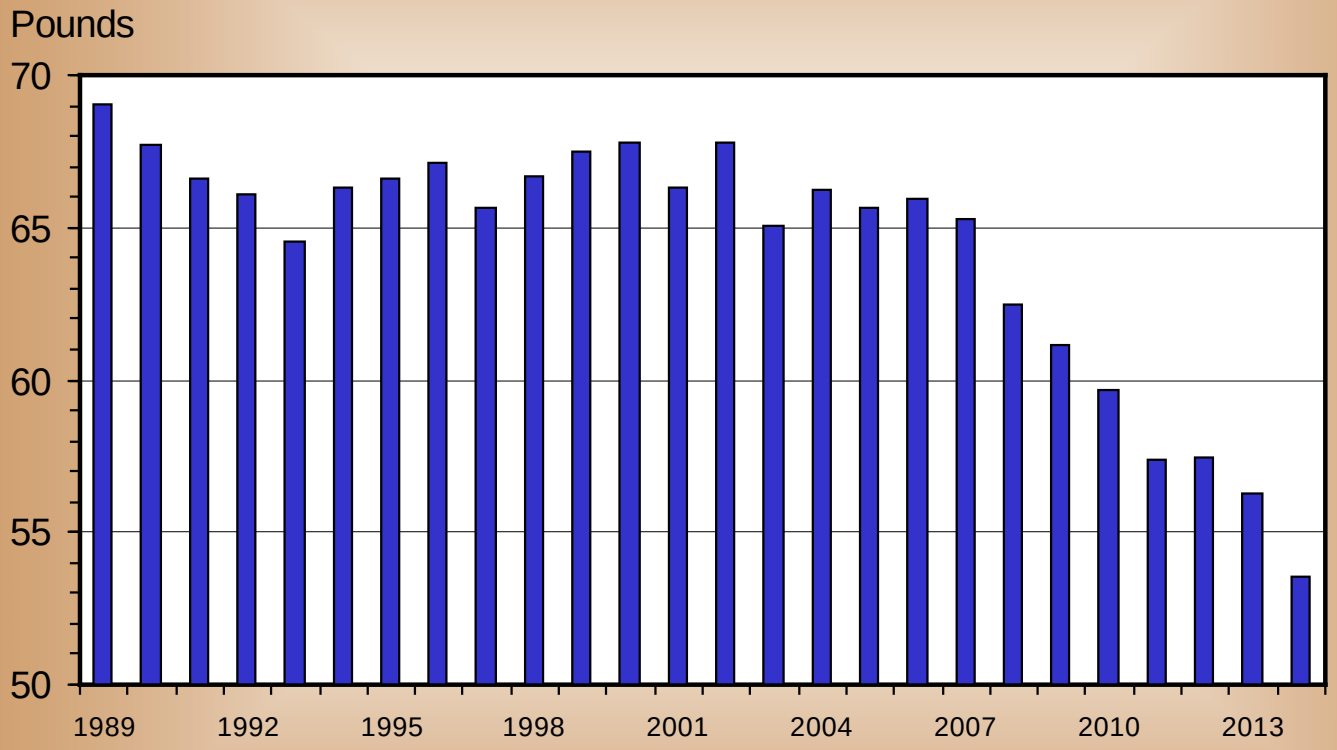


Livestock Marketing Information Center

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

U S BEEF CONSUMPTION

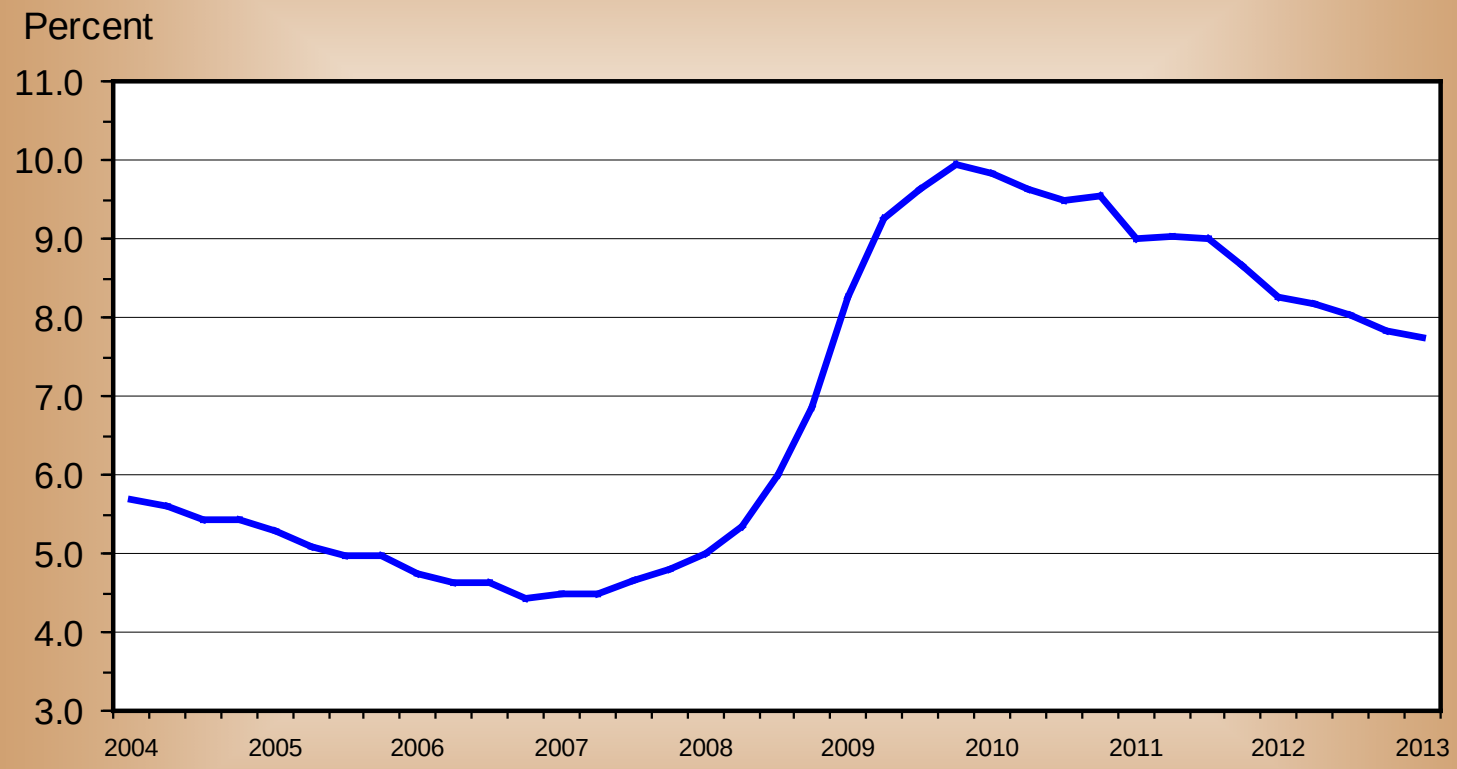
Per Capita, Retail Weight, Annual



Data Source: USDA-NASS and ERS, Forecasts by LMIC

U.S. UNEMPLOYMENT RATE

Seasonally Adjusted, Quarterly

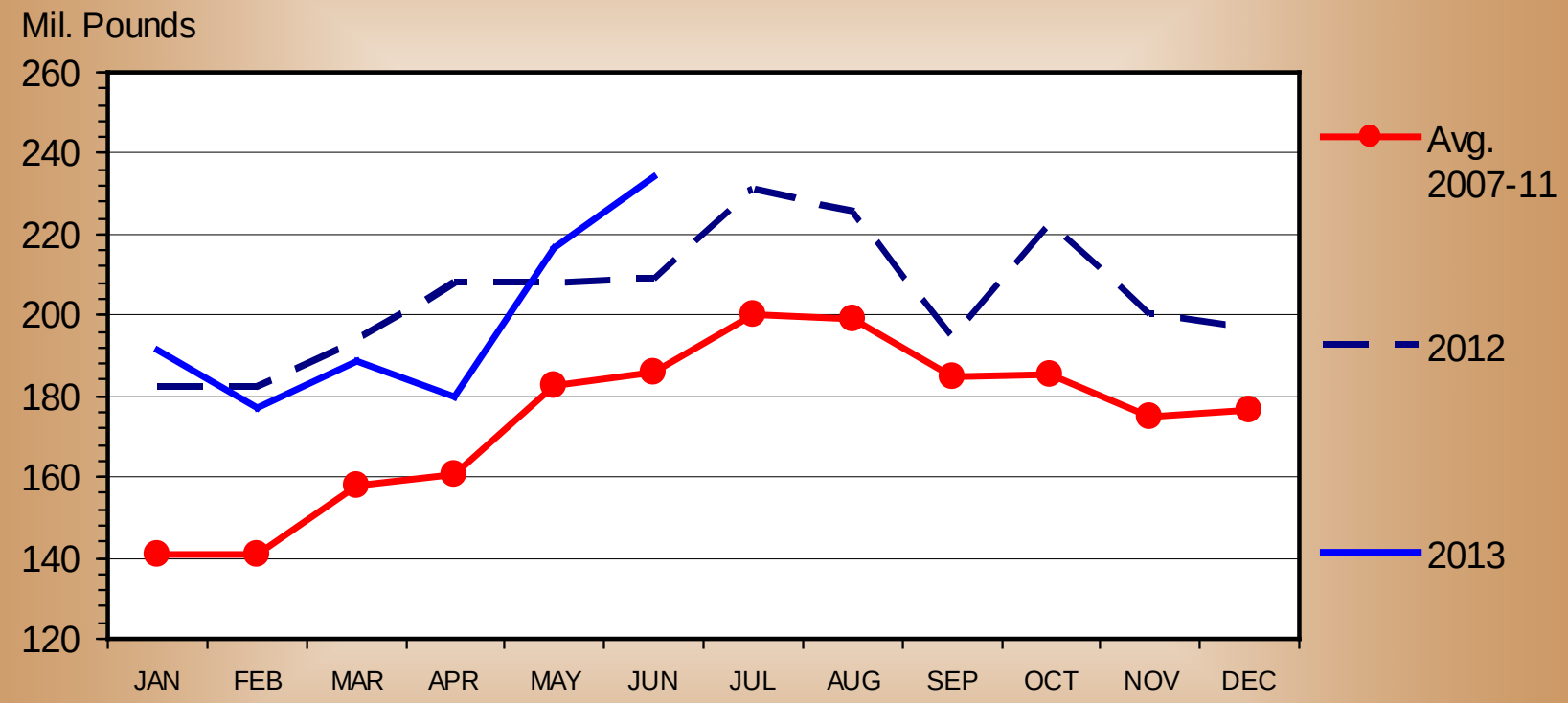


Data Source: Bureau of Labor Statistics

International Trade Comments

U S BEEF AND VEAL EXPORTS

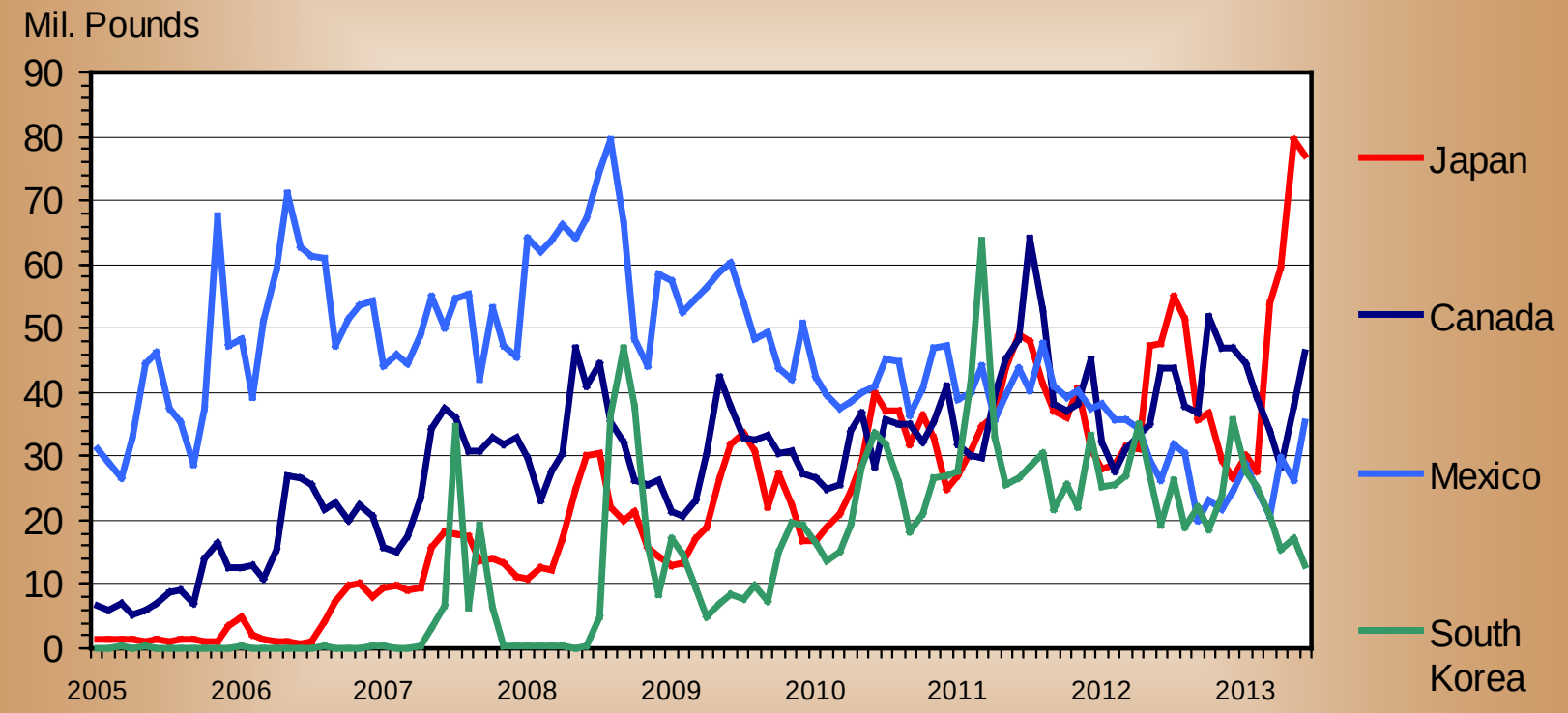
Carcass Weight, Monthly



Data Source: USDA-FAS and ERS

U S BEEF EXPORTS TO MAJOR MARKETS

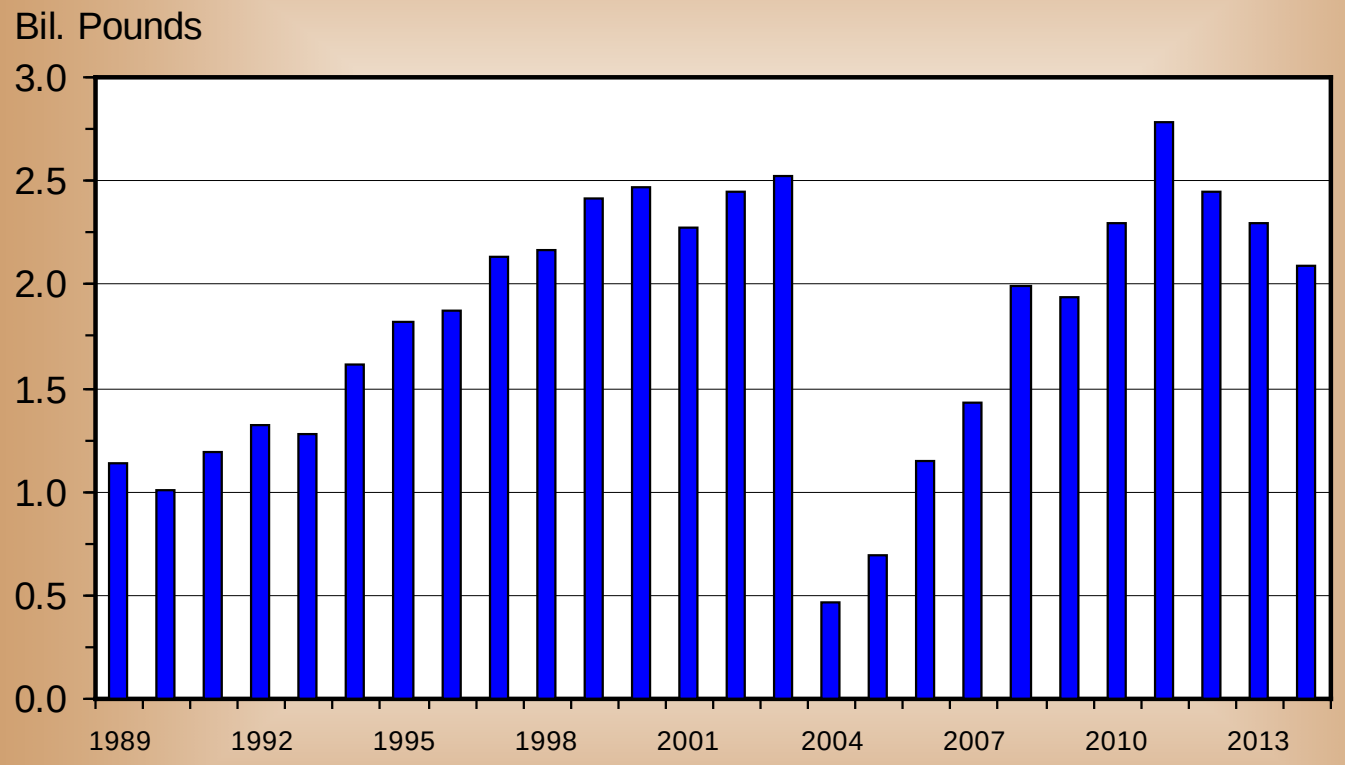
Carcass Weight, Monthly



Data Source: USDA-FAS and ERS

U S BEEF AND VEAL EXPORTS

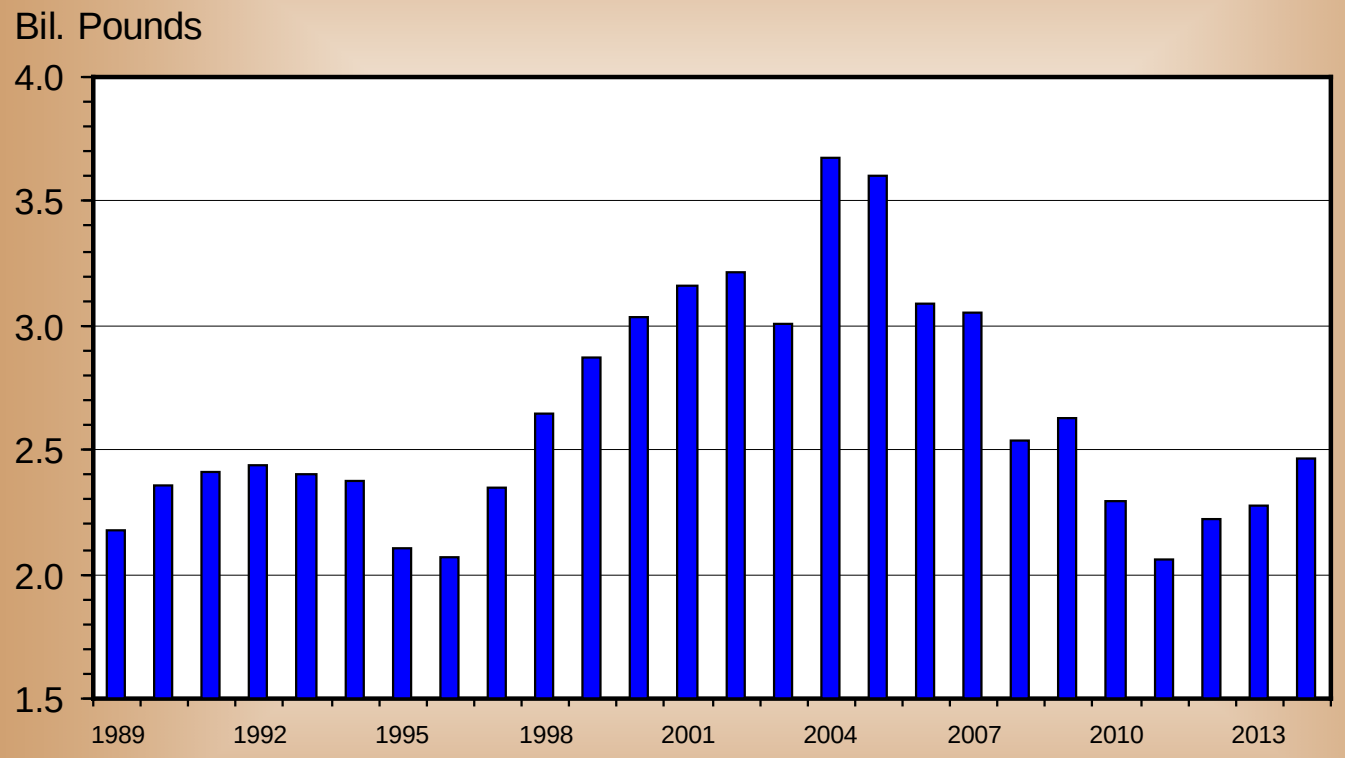
Carcass Weight, Annual



Data Source: USDA-FAS and ERS, Forecasts by LMIC

U S BEEF AND VEAL IMPORTS

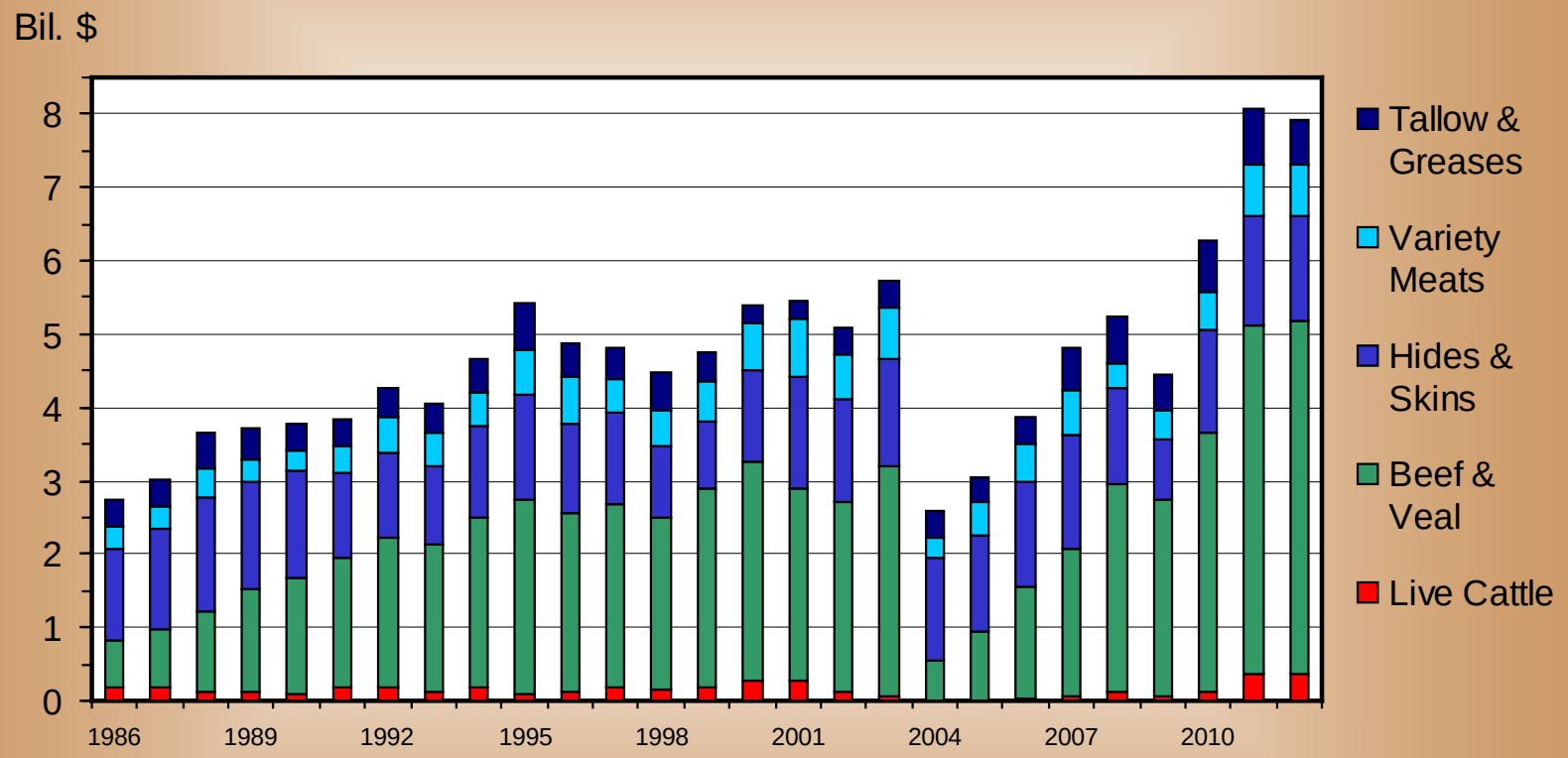
Carcass Weight, Annual



Data Source: USDA-FAS and ERS, Forecasts by LMIC

U S BEEF INDUSTRY EXPORT VALUES

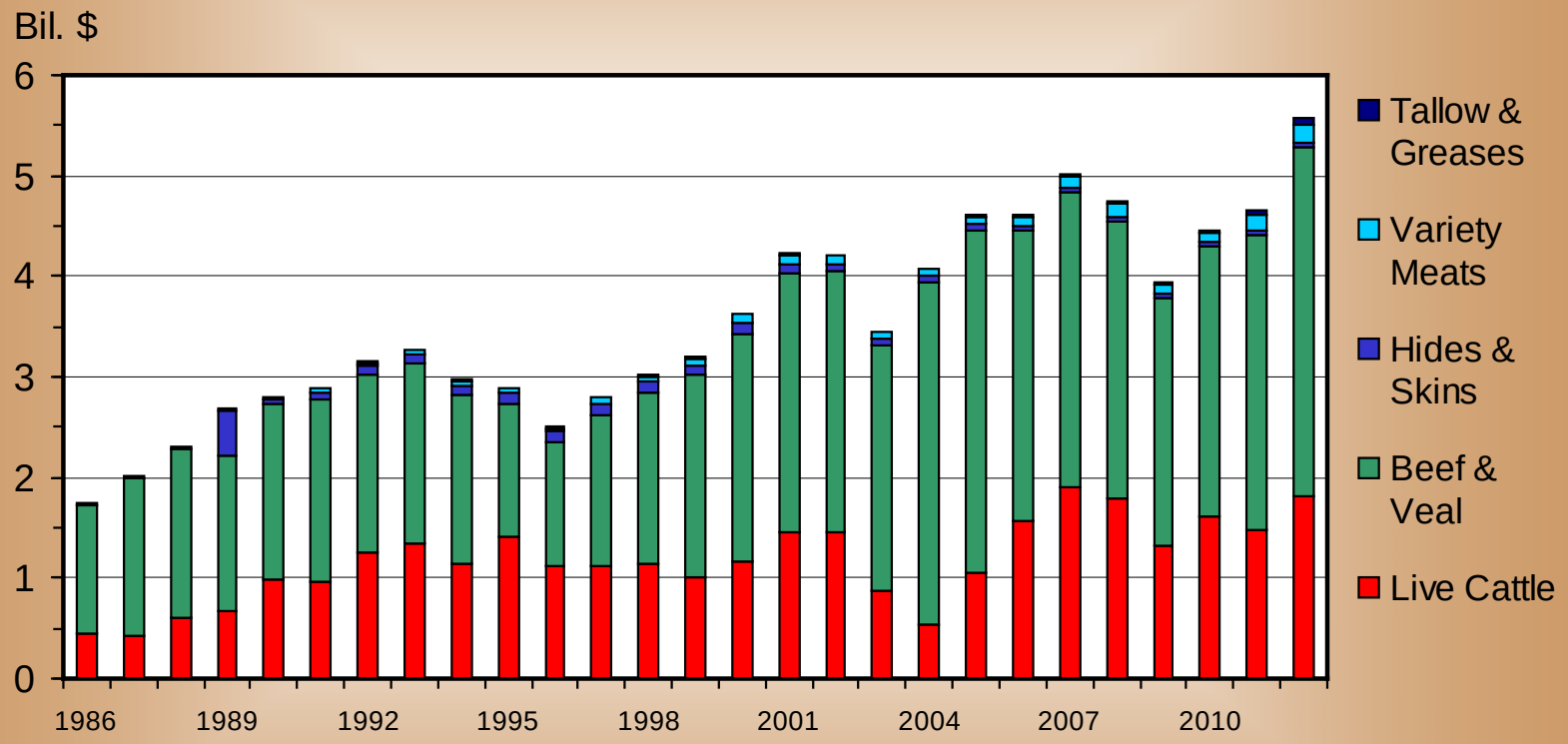
Annual



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

U S BEEF INDUSTRY IMPORT VALUES

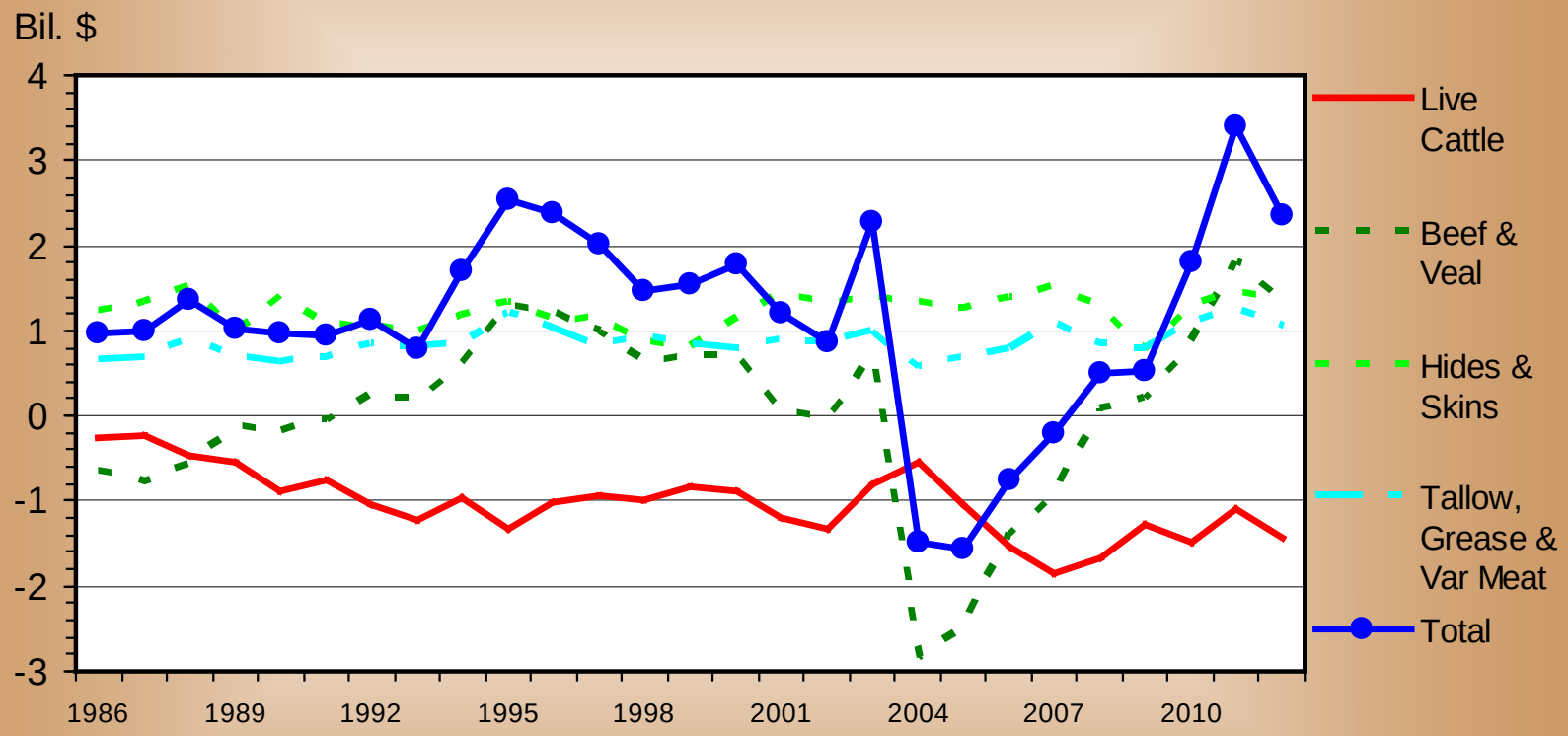
Annual



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

U S BEEF INDUSTRY NET EXPORT VALUES

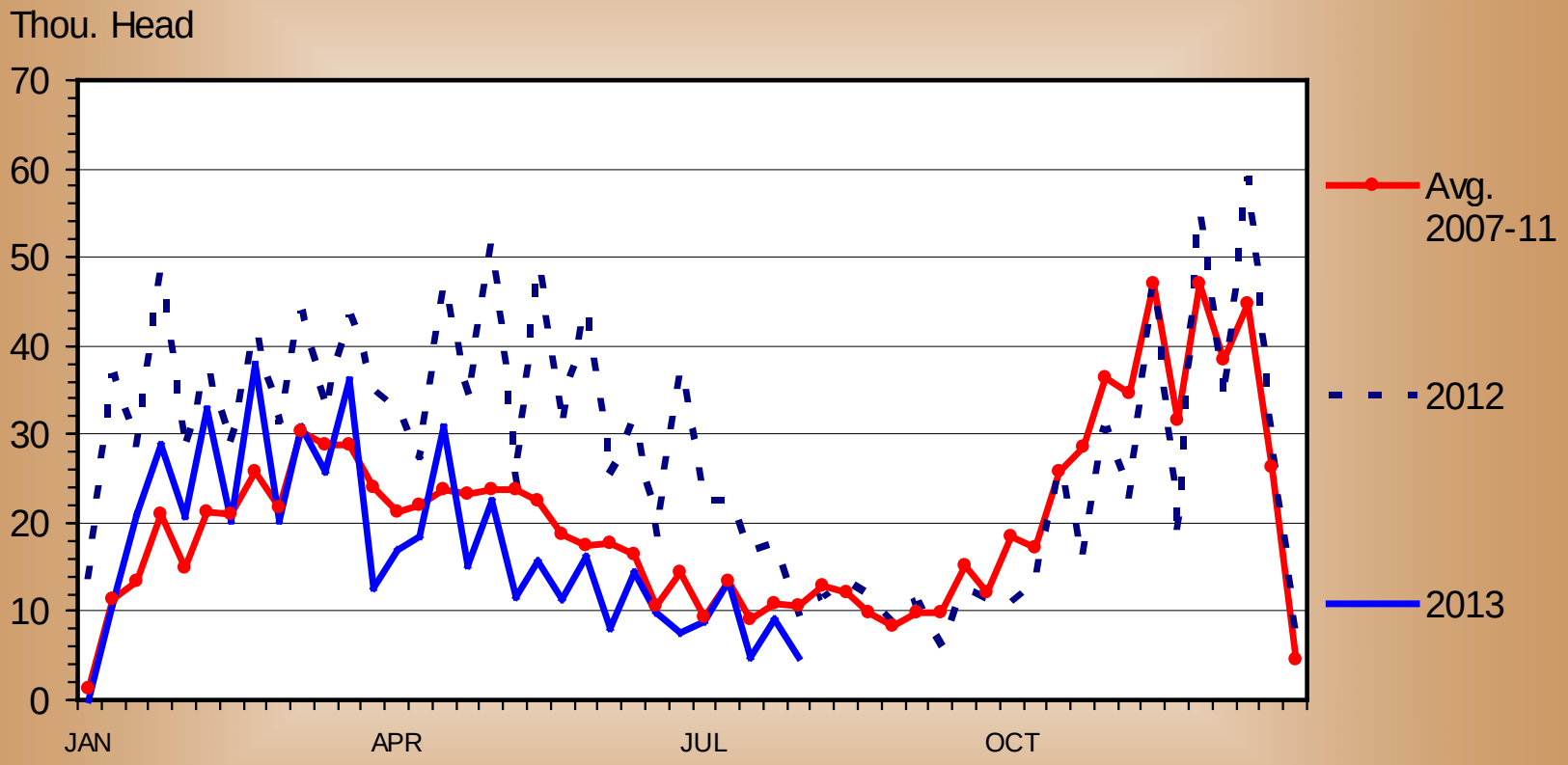
Annual



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

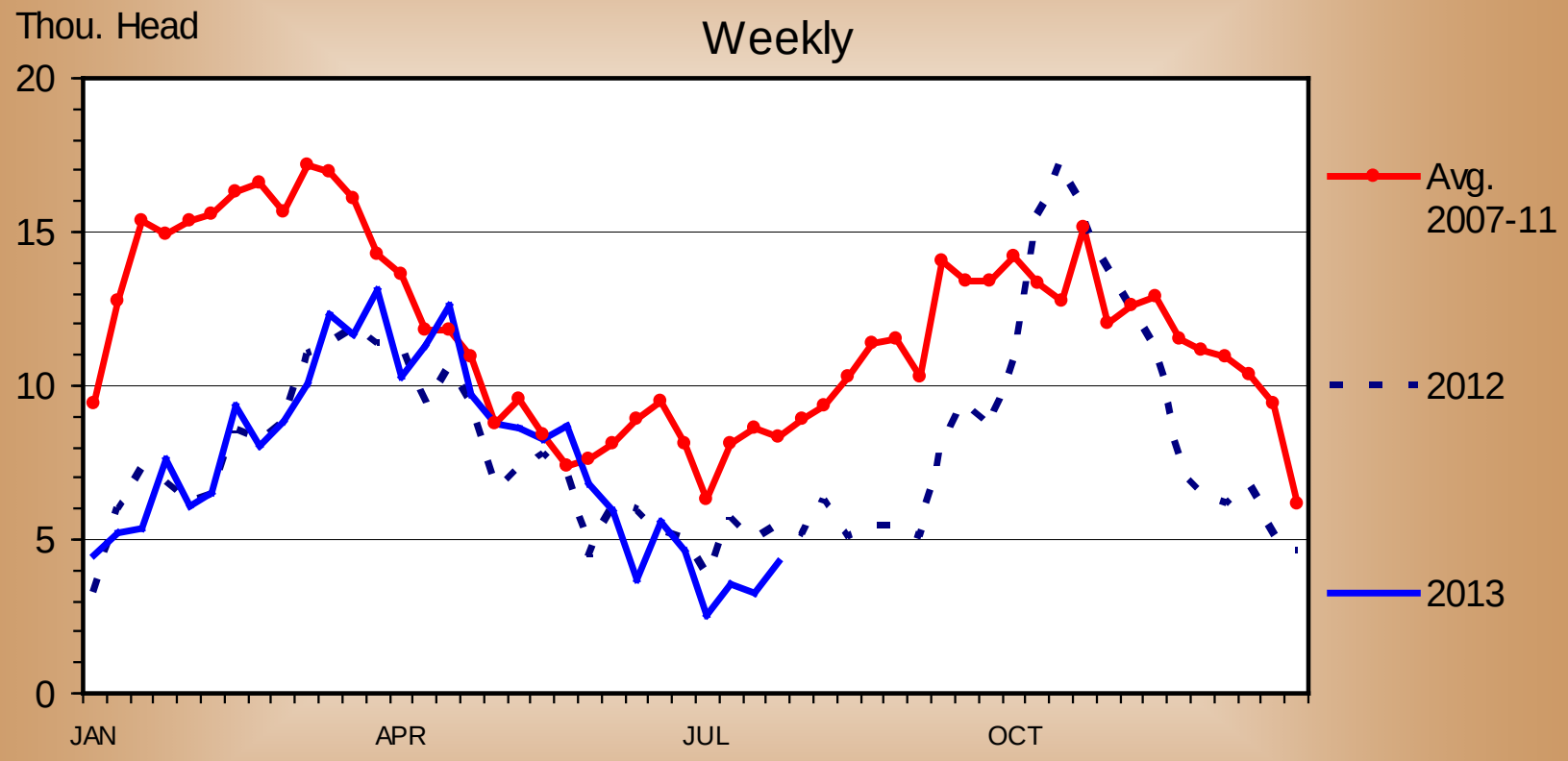
FEEDER CATTLE IMPORTS FROM MEXICO

Weekly



Data Source: USDA-AMS & APHIS

SLAUGHTER STEERS & HEIFERS
IMPORTS FROM CANADA

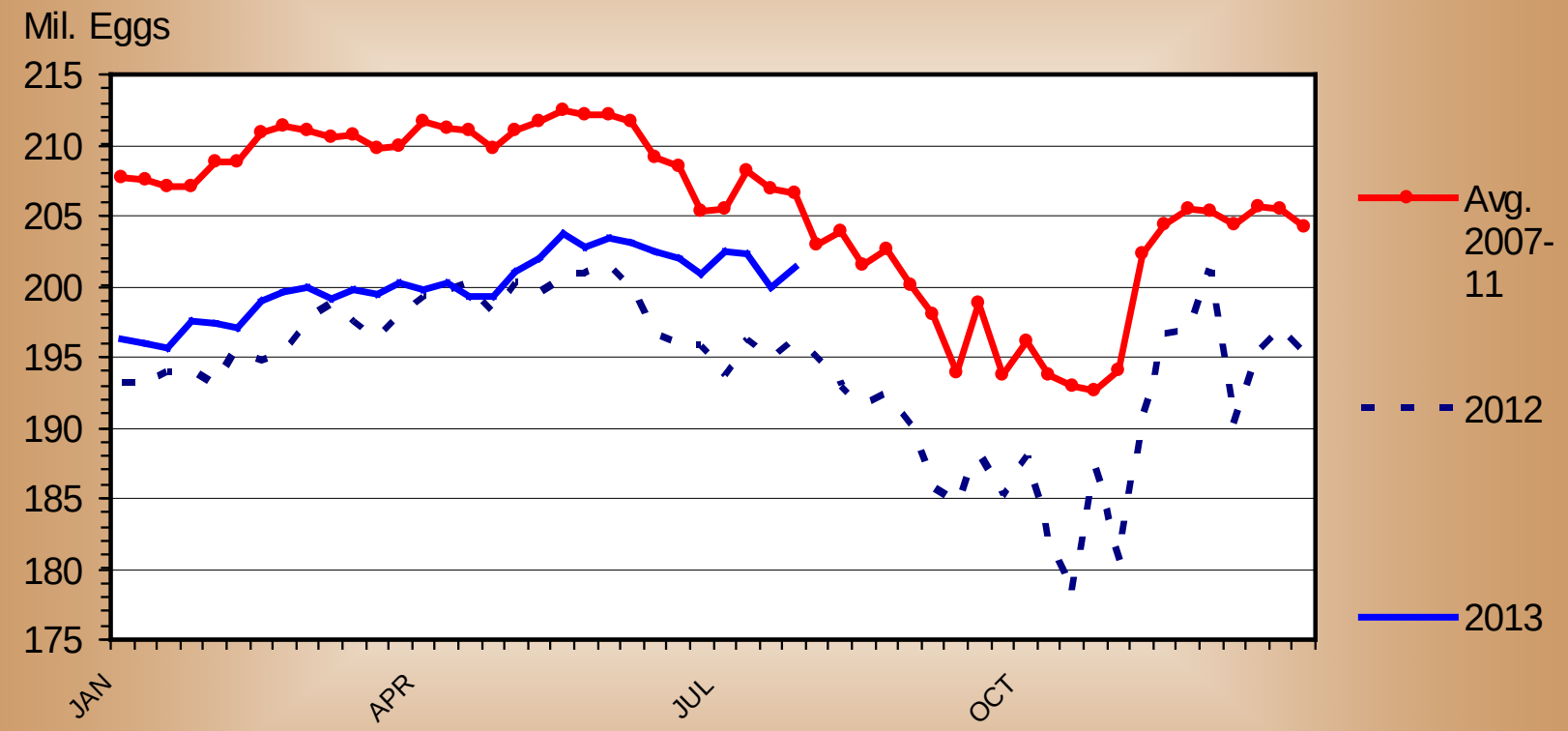


Data Source: USDA-AMS & APHIS

Chicken and Pork

BROILER EGGS SET

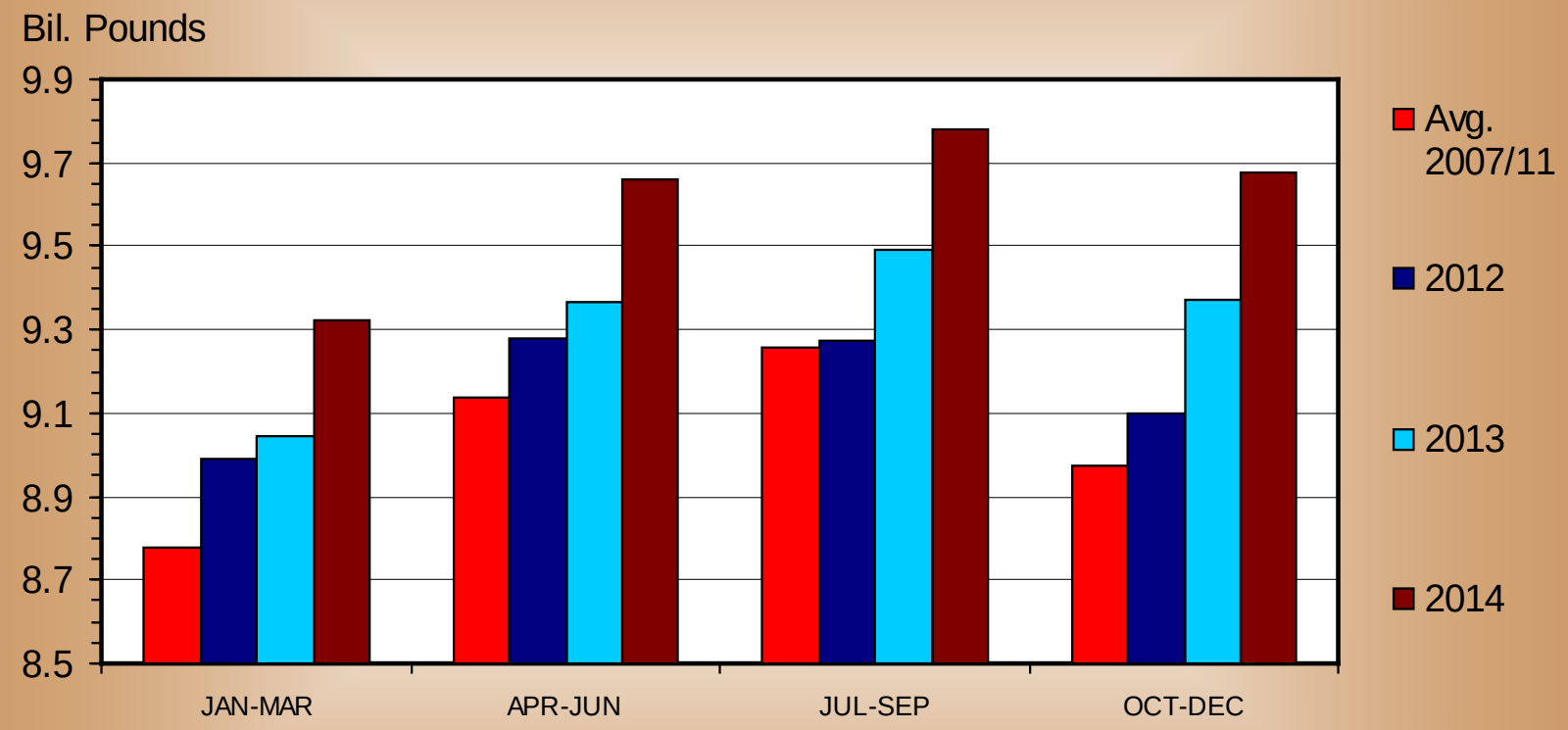
Weekly



Data Source: USDA-NASS

RTC BROILER PRODUCTION

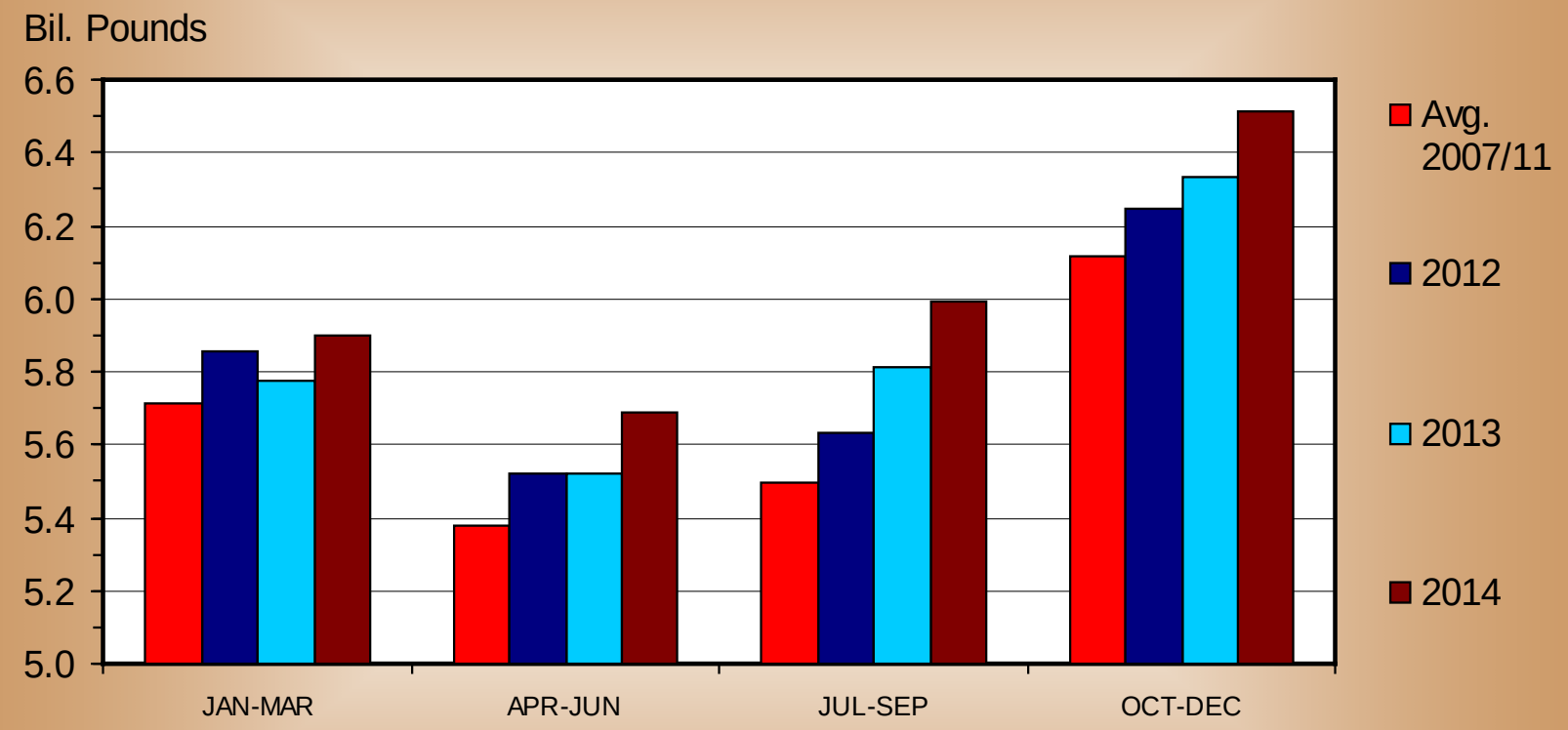
Quarterly



Data Source: USDA-NASS, Forecasts by LMIC

COMMERCIAL PORK PRODUCTION

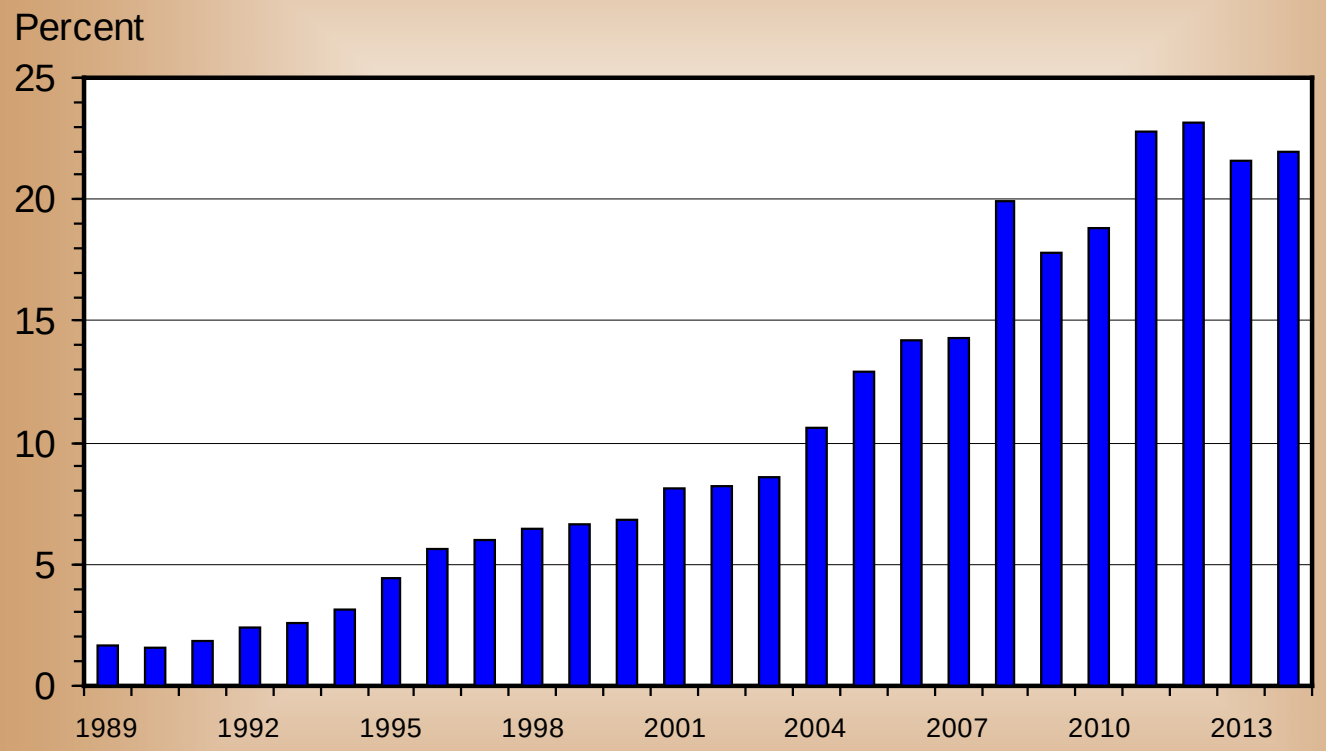
Quarterly



Data Source: USDA-NASS, Forecasts by LMIC

U S PORK EXPORTS

As a Percentage of Production, Carcass Weight, Annual

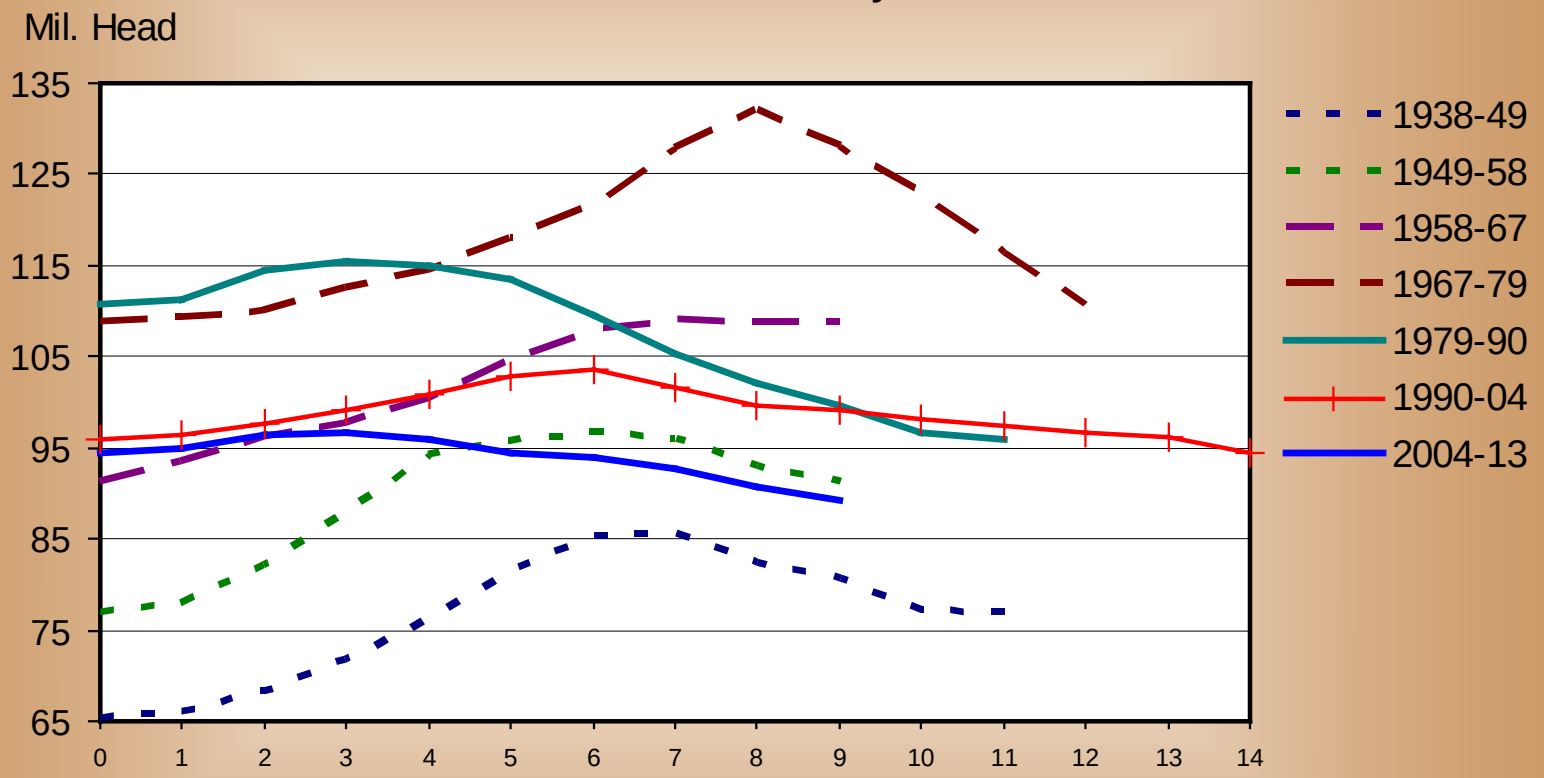


Data Source: USDA-FAS and ERS, Forecasts by LMIC

Cattle Market

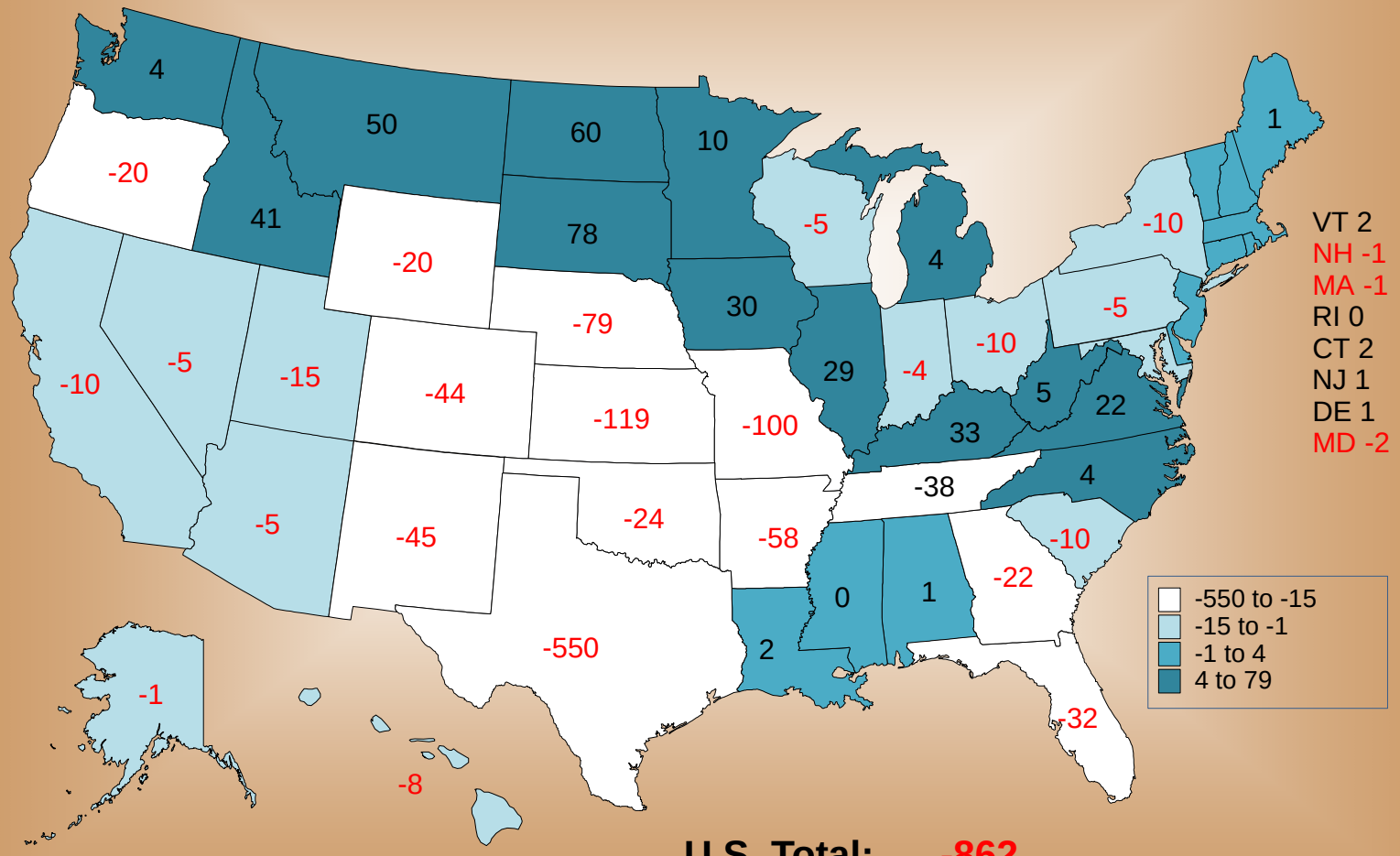
TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



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

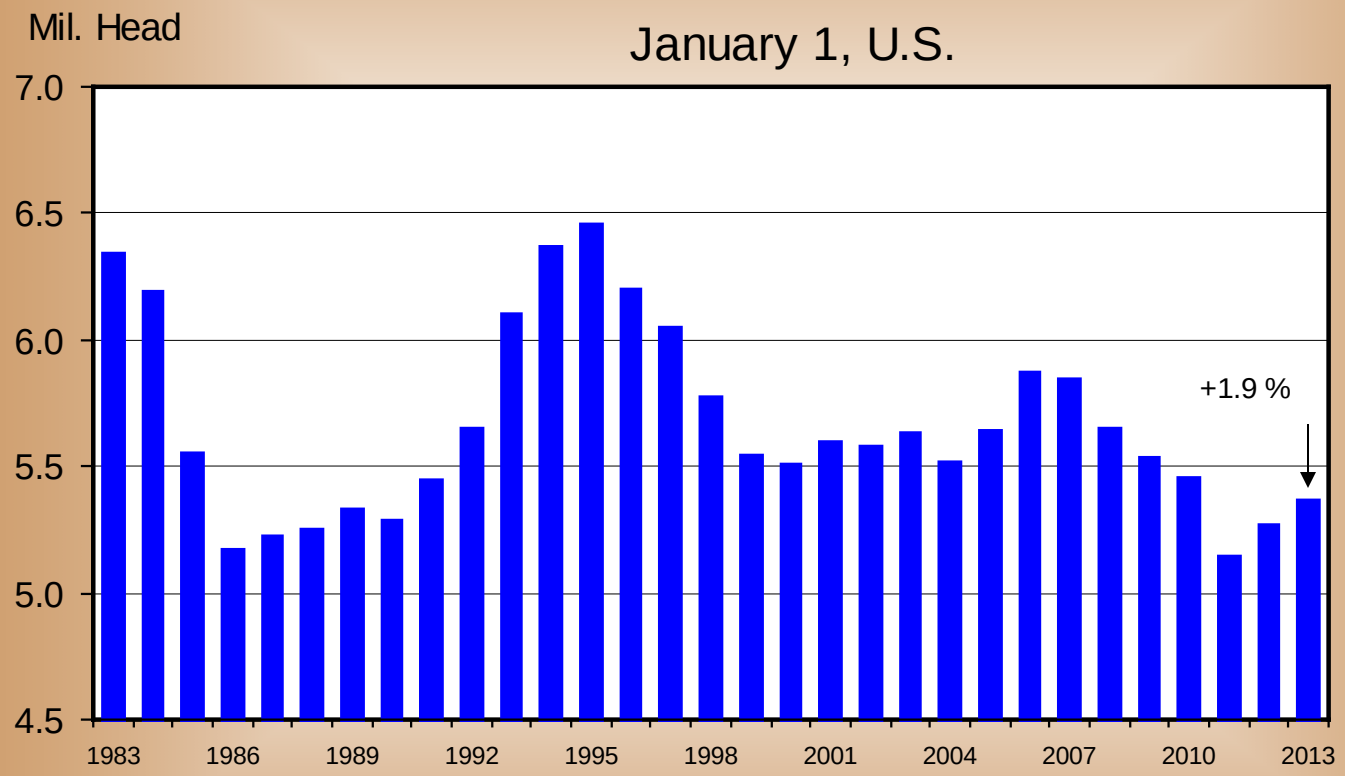
CHANGE IN BEEF COWS NUMBERS
JANUARY 1, 2012 TO JANUARY 2013
(1000 Head)



U.S. Total: -862

Data Source: USDA-NASS

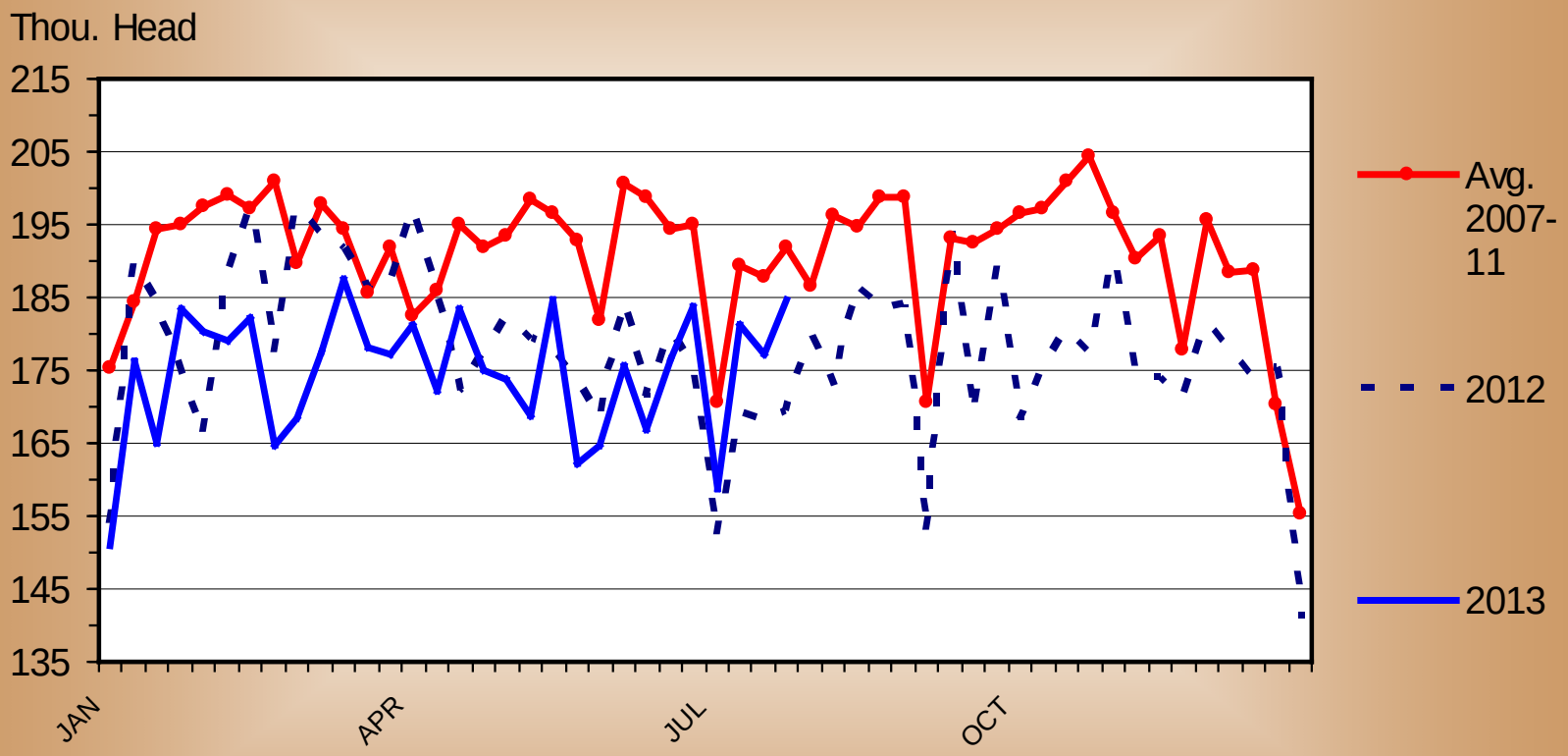
HEIFERS HELD AS BEEF COW REPLACEMENTS



Data Source: USDA-NASS

HEIFER SLAUGHTER

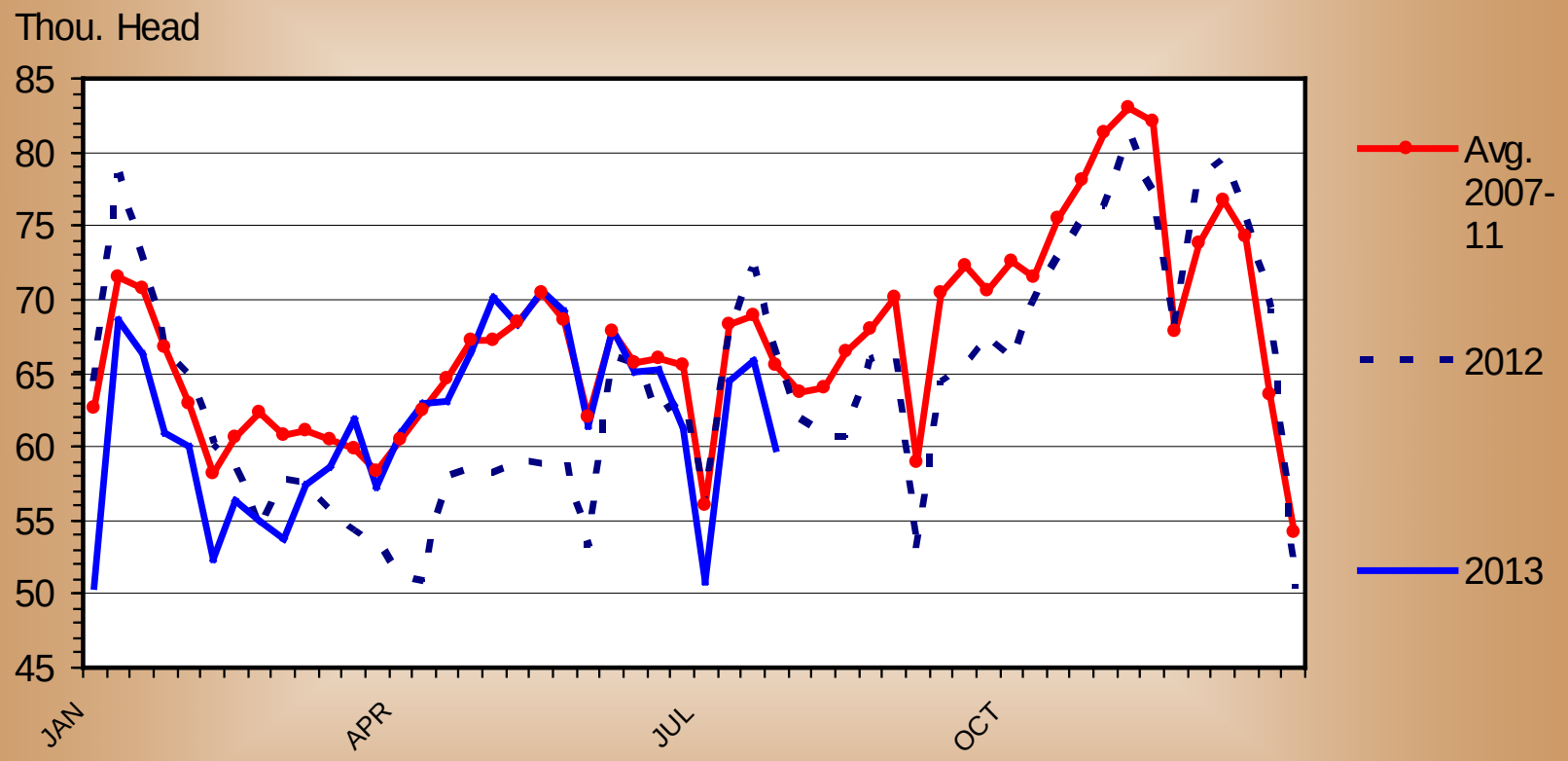
Federally Inspected, Weekly



Data Source: USDA-NASS

BEEF COW SLAUGHTER

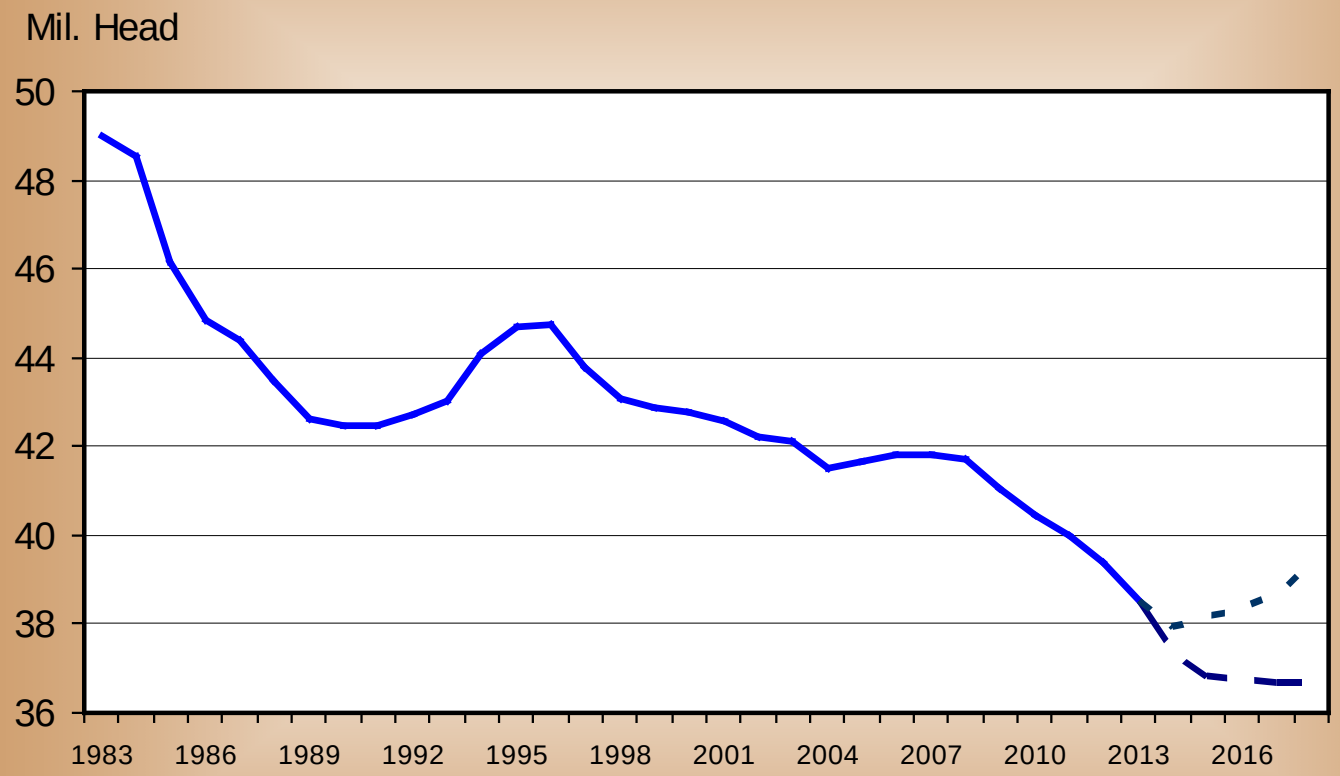
Federally Inspected, Weekly



Data Source: USDA-NASS

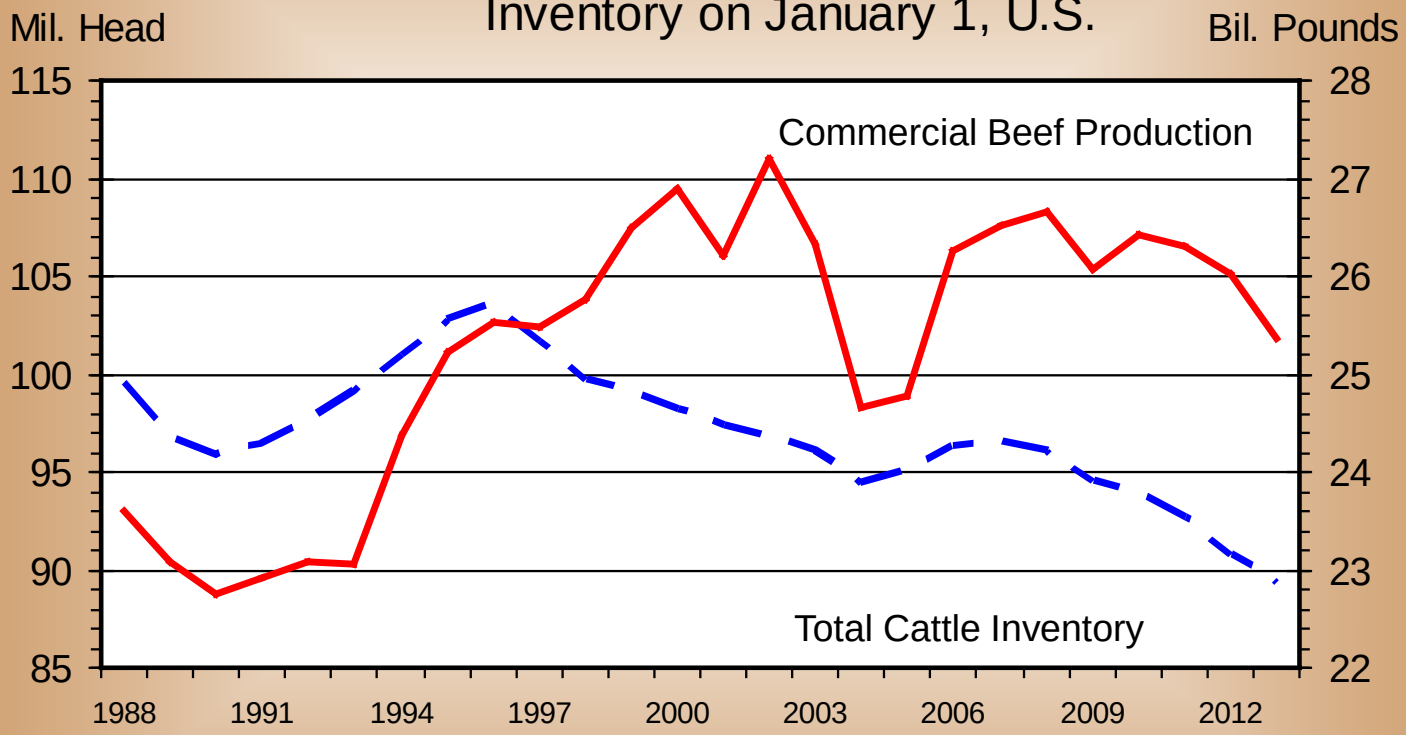
JANUARY 1 TOTAL COW INVENTORY

U.S., Annual



Data Source: USDA-NASS, Forecasts by LMIC

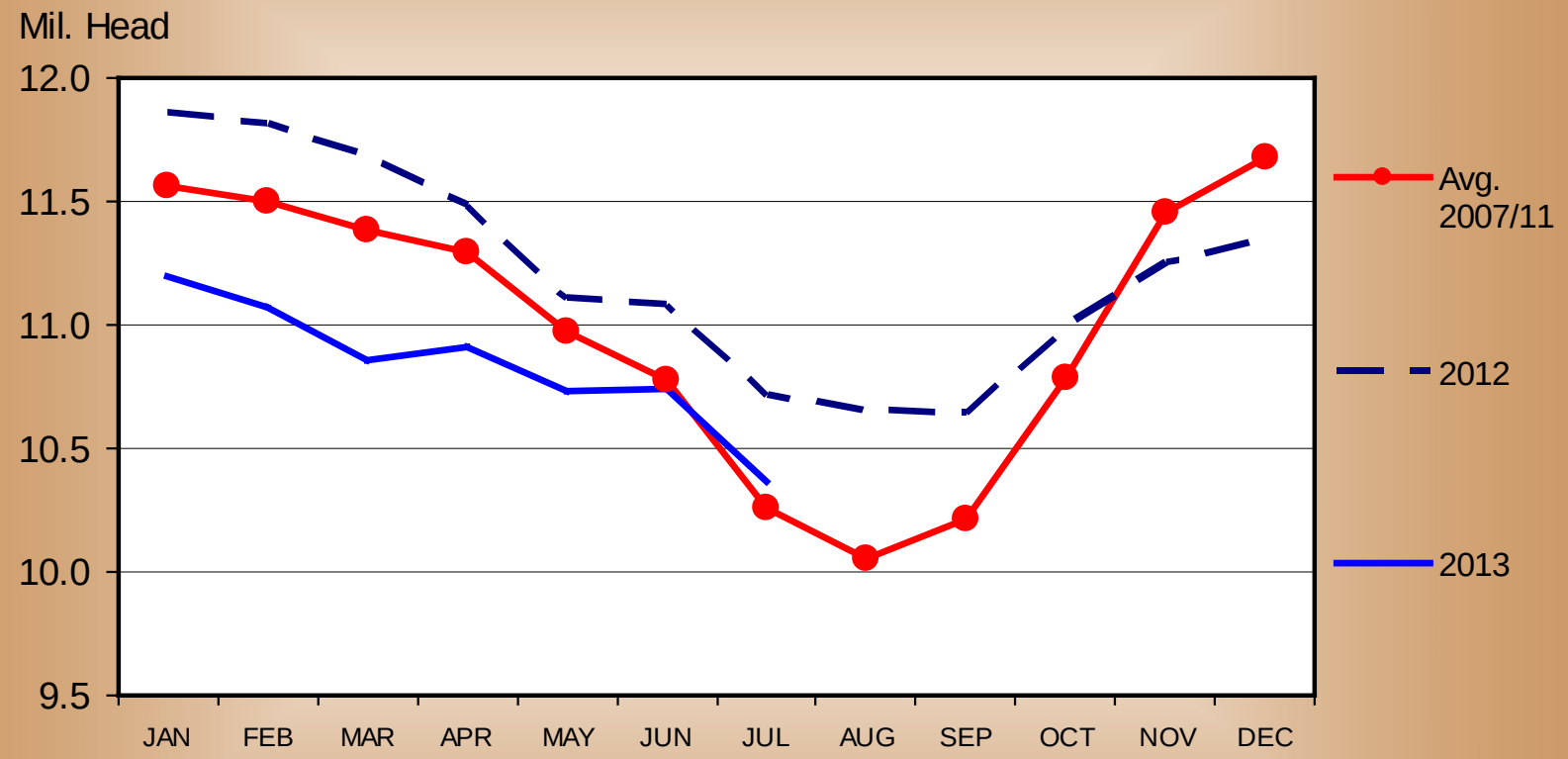
BEEF PRODUCTION vs. CATTLE INVENTORY



Data Source: USDA-NASS

CATTLE ON FEED

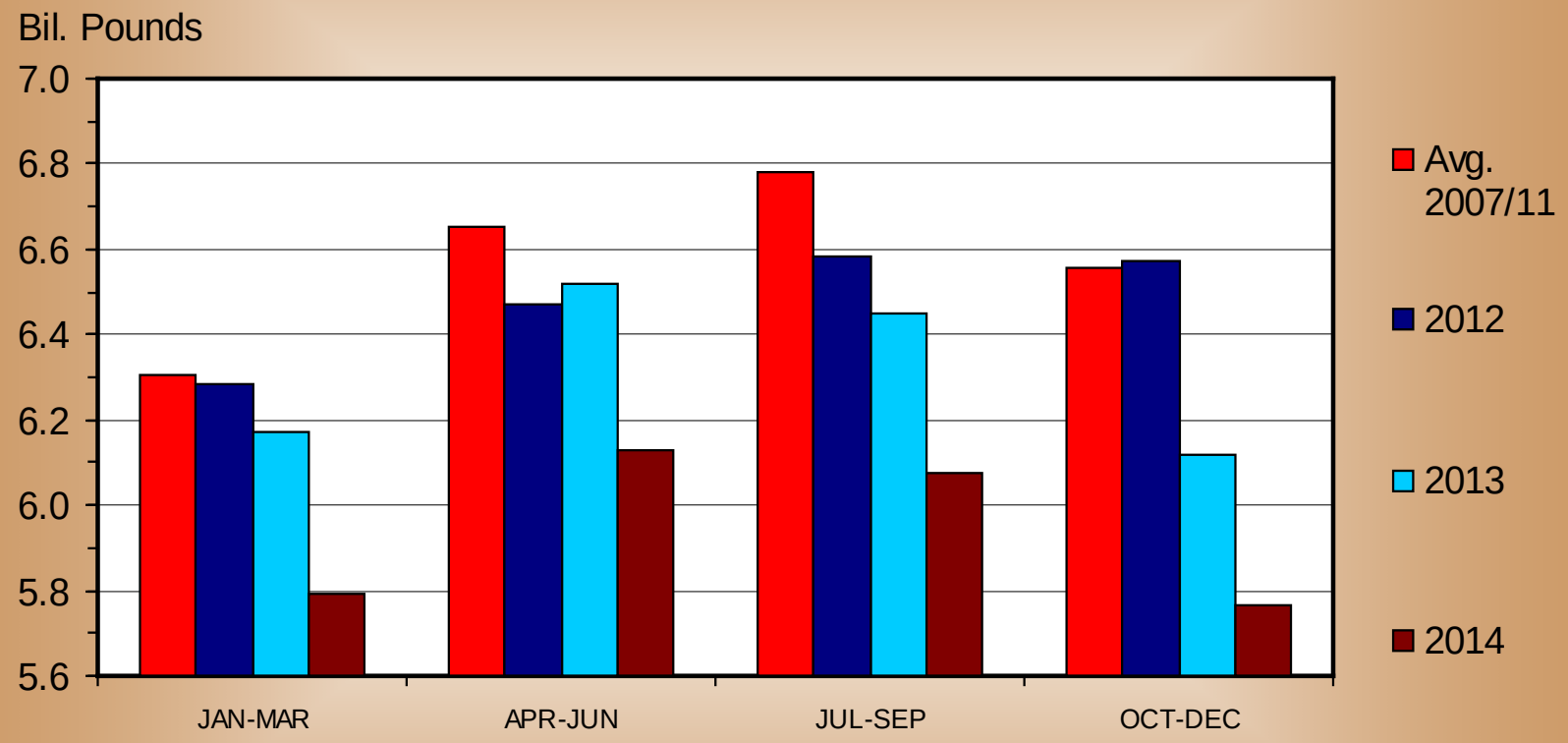
US Total, Monthly



Data Source: USDA-NASS

COMMERCIAL BEEF PRODUCTION

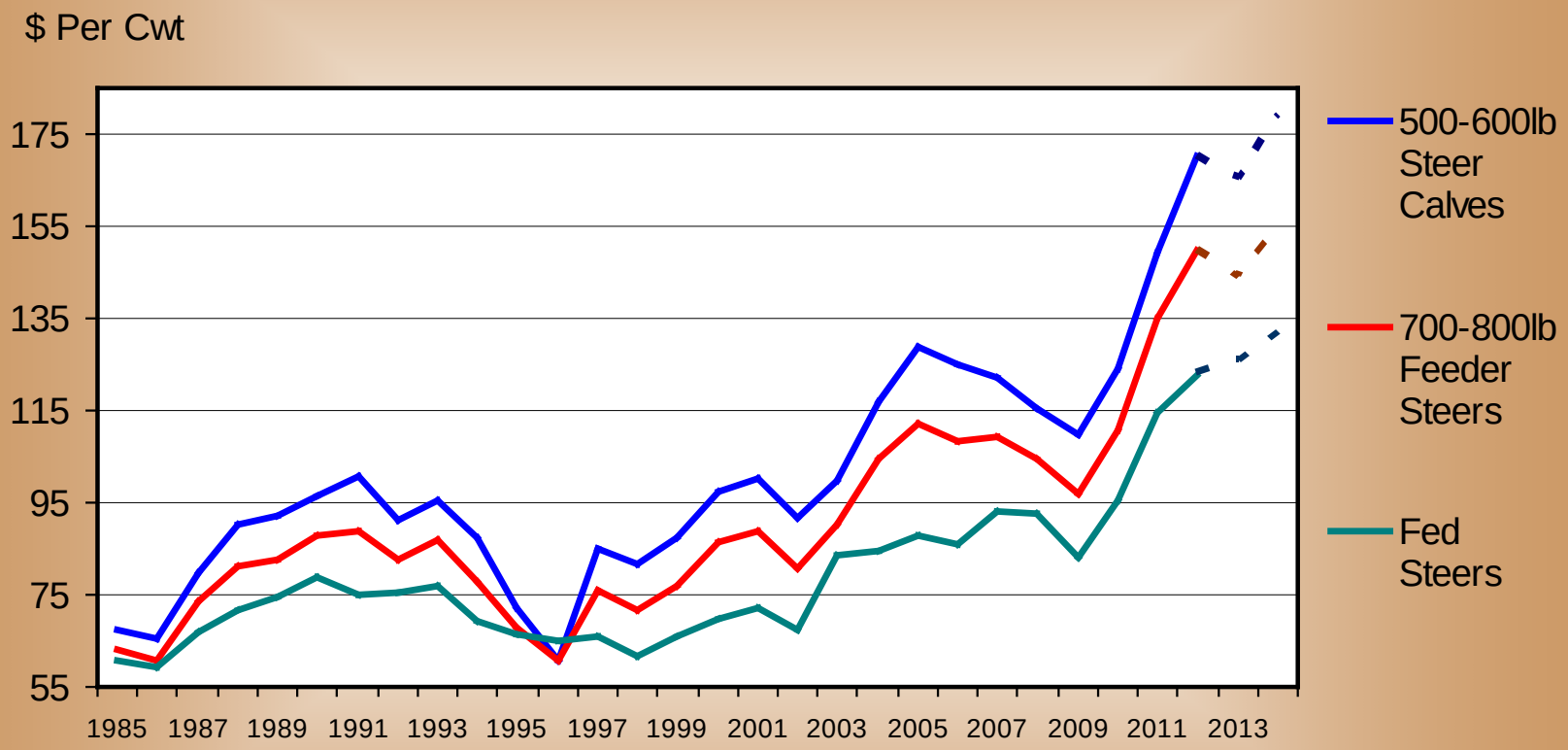
Quarterly



Data Source: USDA-NASS, Forecasts by LMIC

ANNUAL AVERAGE CATTLE PRICES

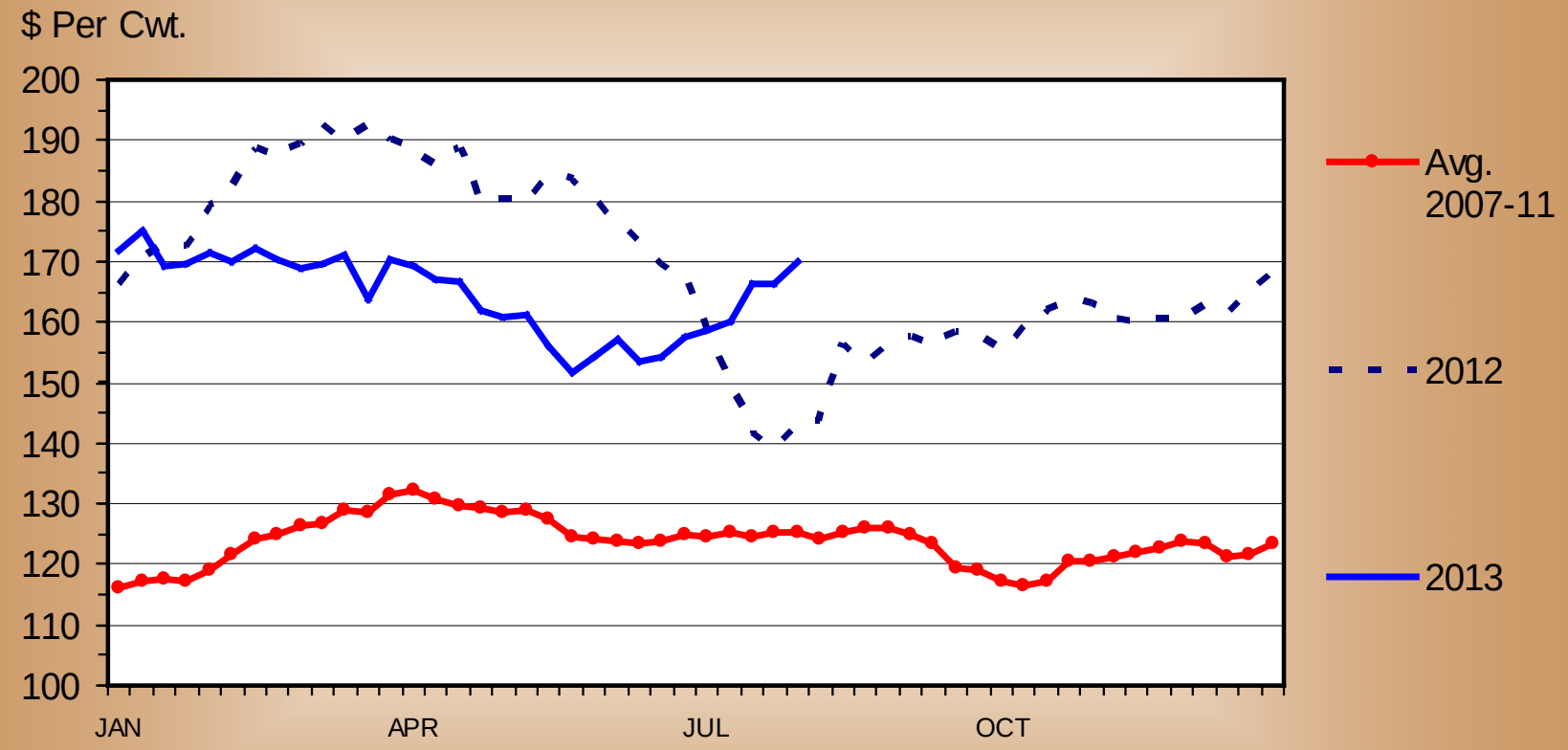
Southern Plains



Data Source: USDA-AMS, Forecasts by LMIC

MED. & LRG. #1 STEER CALF PRICES

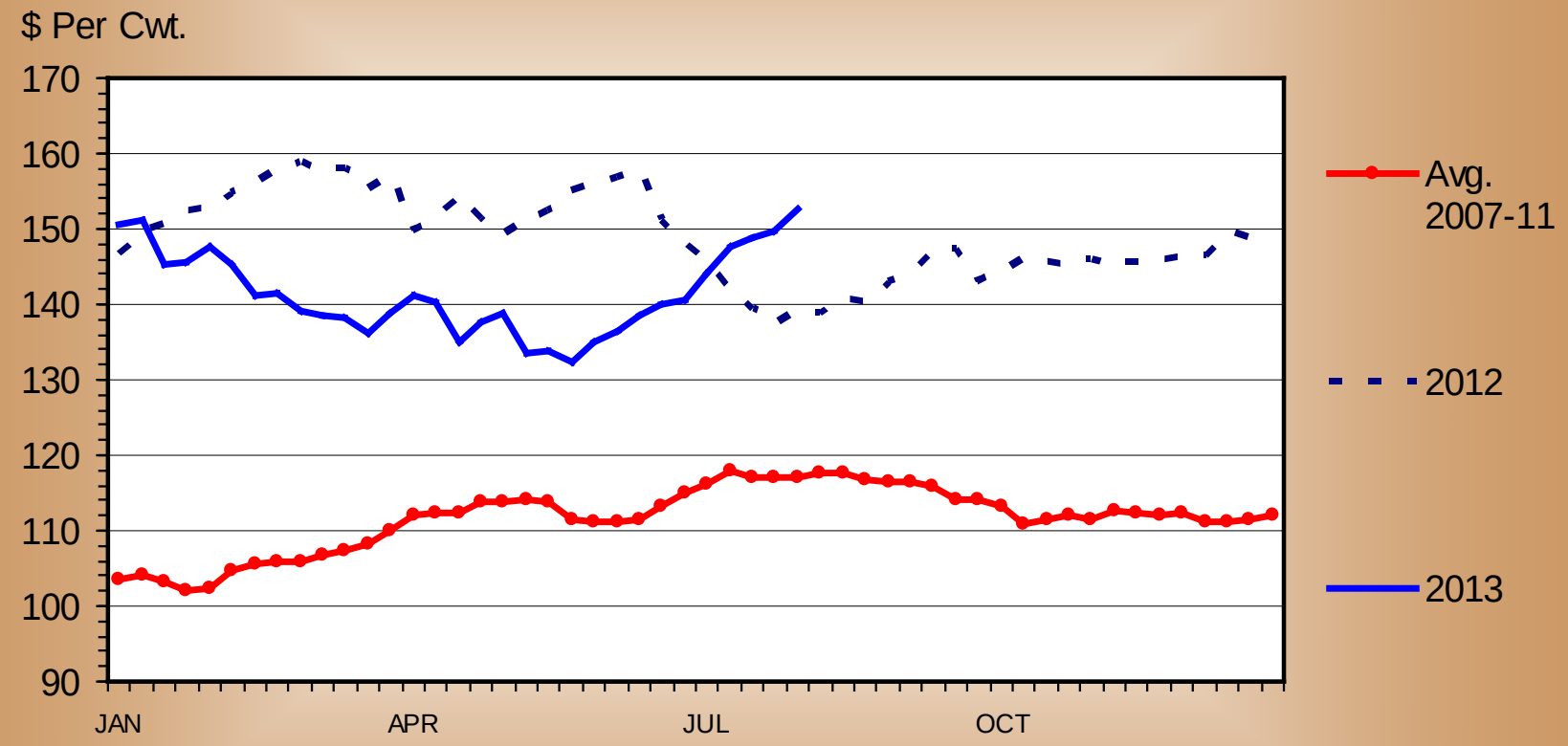
500-600 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS

MED. & LRG. #1 FEEDER STEER PRICES

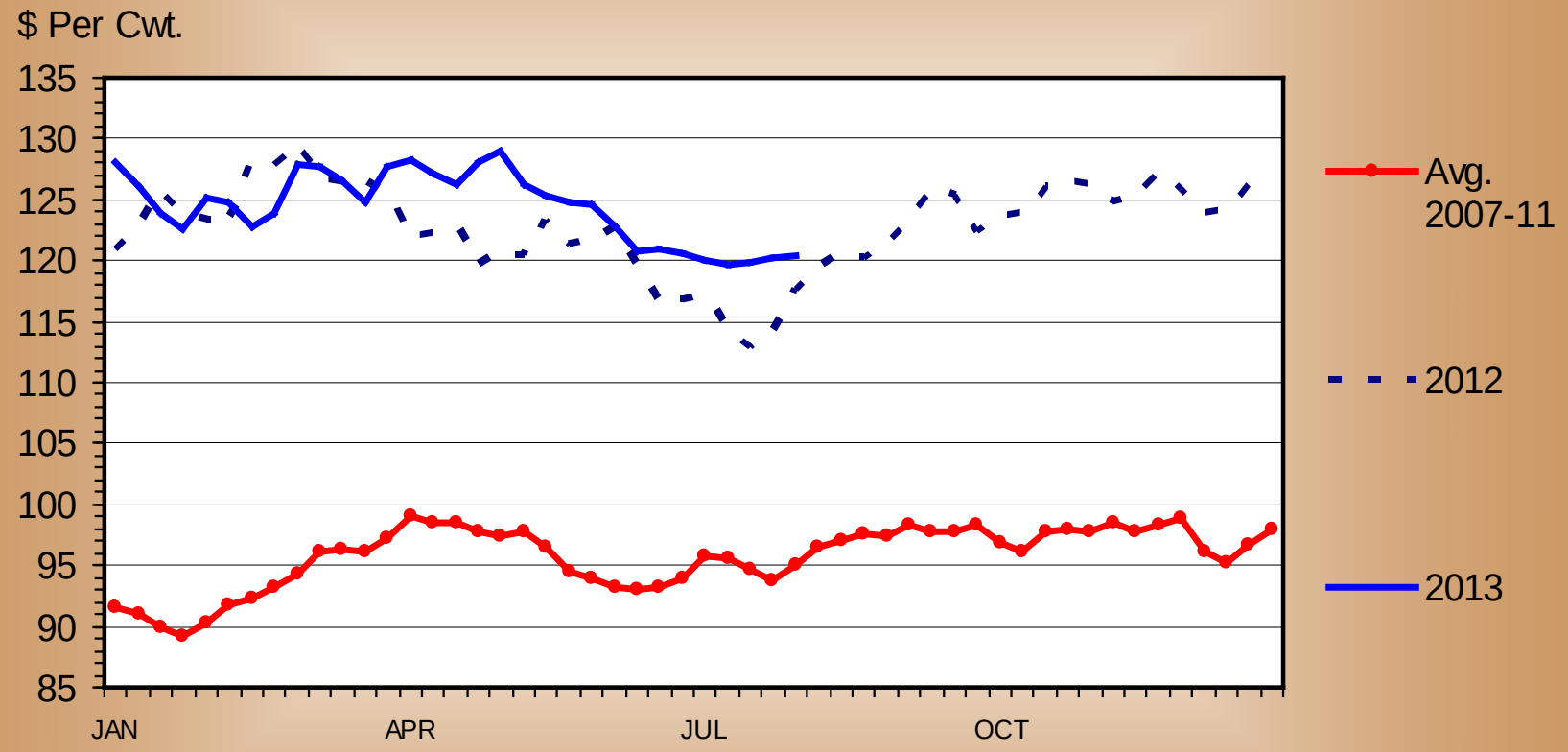
700-800 Pounds, Southern Plains, Weekly



Data Source: USDA-AMS

SLAUGHTER STEER PRICES

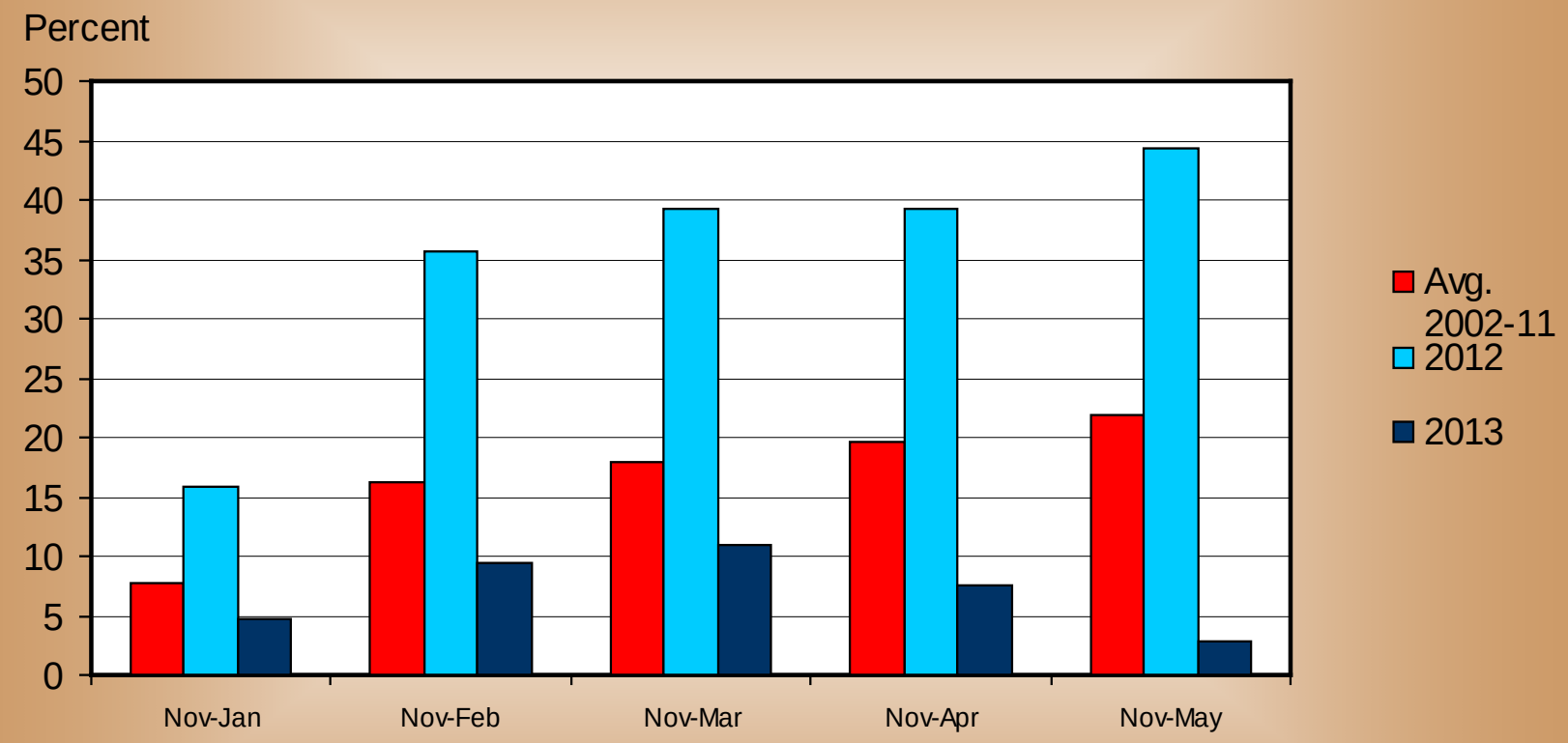
5 Market Weighted Average, Weekly



Data Source: USDA-AMS

CHANGE IN SLAUGHTER COW PRICES

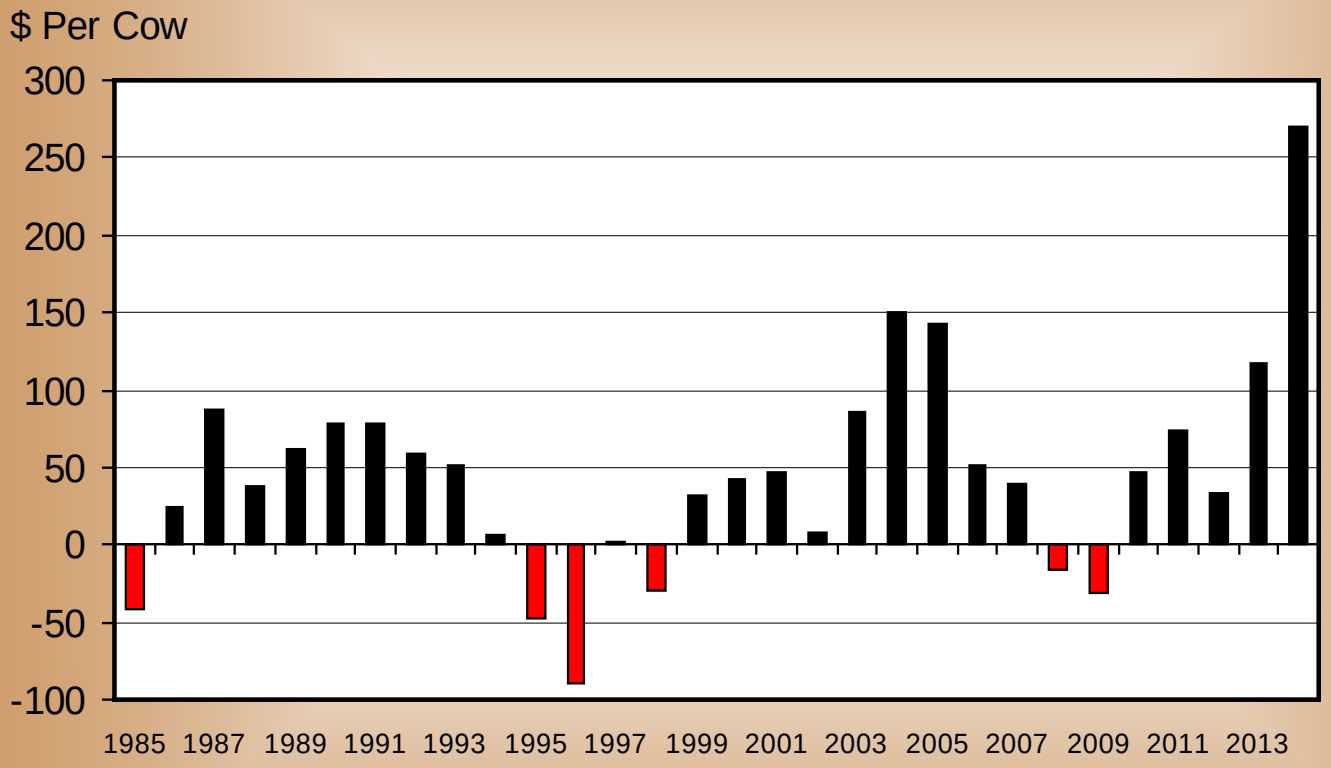
Percent From November of Previous Year, S. Plains



Data Source: USDA-AMS

ESTIMATED AVERAGE COW CALF RETURNS

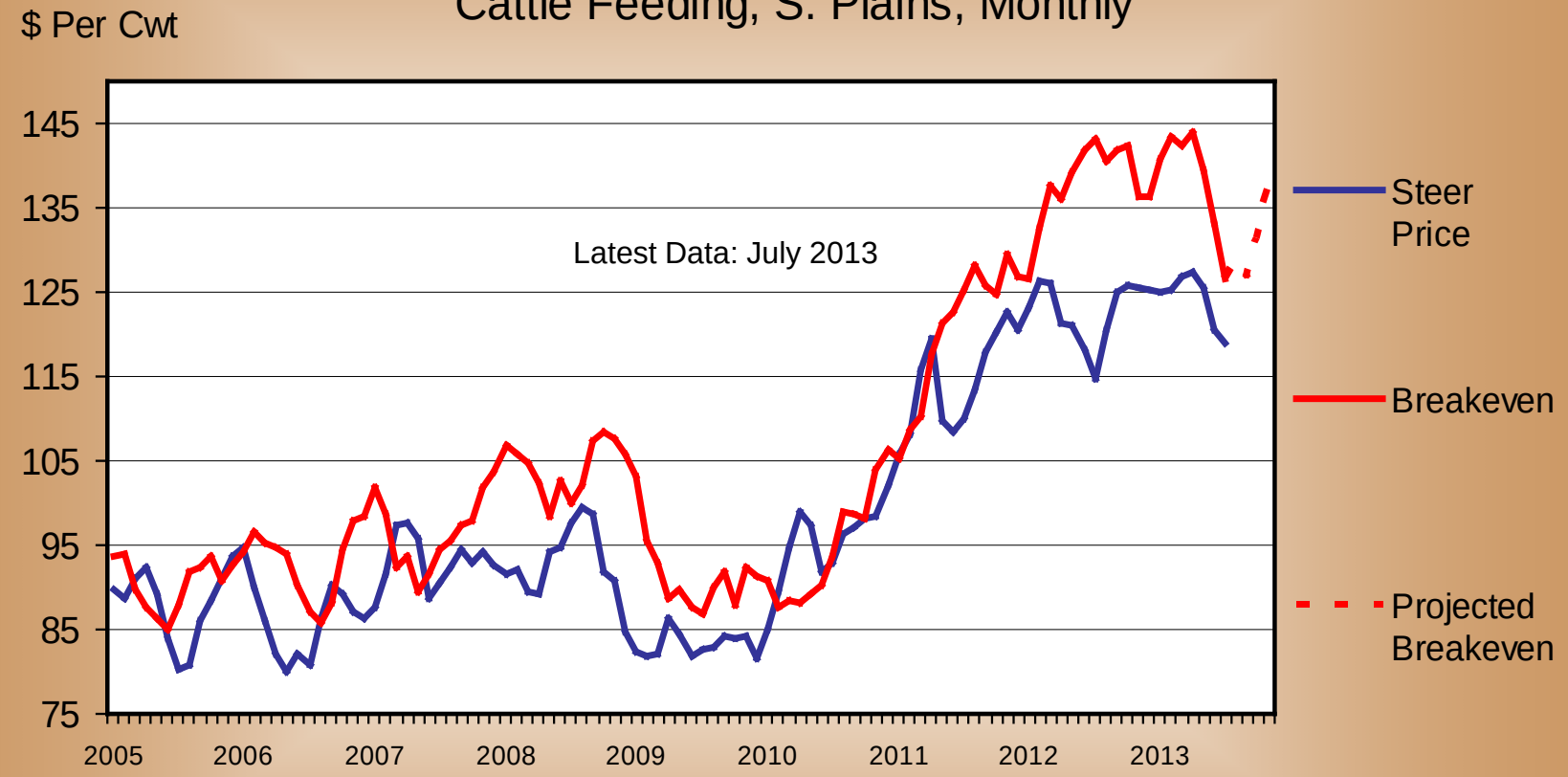
Returns Over Cash Cost (Includes Pasture Rent), Annual



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

CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly



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

Economic Environment Market Planning….

- Domestic Consumer Beef Demand has Slowly Improved
- Foreign Beef Demand Strong but Slipping
- Price Volatility Will Continue (Globalization, Ethanol, etc.)
- Market Shocks Will Continue (9-11-2001; BSE; 2008 Credit Crisis)
- Economic Incentive to Grow U.S. Cowherd Overcome by Drought
- Controls Already Set to Dramatically Reduced Beef Output
- Chicken and Pork Output Ramping-Up
- Rather High Feedstuff Price Range Continues, Forage is Valuable
- Headwind to Calf and Yearling Prices Has Been Compressed Margins for Cattle Feeders and Beef Packers
- Manage Cull Cows as Profit Center
- Mistakes Are Costly, Sound Business Practices Required
- Agile Firms Will Benefit…. **Be Adaptable NOT Adapted** …. Ranch Management is one of Sequential Decision Making

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Thank You!