Livestock Market Outlook

KSU Drought Programming Planning Meeting

Webinar
February 12, 2013

James G. Robb
Director
james.robb@lmic.info

LMIC
Livestock Marketing Information Center
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 …

- Economic Environment
- Cattle Markets
  - Inventory Numbers
  - Calves
  - Fed Cattle
  - Cull Cows
- More Drought Comments

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

All Forecasts – LMIC
Economic Environment ….

- Domestic Consumer Demand has Stabilized and is Slowly Improving for Beef. But Another Recession?
- Foreign Demand Remains Strong has Softened
- Price Volatility Will Continue (Globalization, Ethanol, etc.)
- Market Segmentation Accelerating
- Market Shocks Will Continue (9-11-2001; BSE; 2008 Credit Crisis)
- Economic Incentive to Stabilize and Re-Build Cowherd Overcome by Drought
- Controls Already Set to Reduced Beef Output
- High Feedstuff Price Range Expected to Continue
- Cattle Feeding Red Ink is Current Major Headwind for Calf and Yearling Prices
- Mistakes Are Costly, Sound Business Practices Required
- Agile Firms Will Benefit…. Be Adaptable NOT Adapted
Drought – A Game Changer

U.S. Drought Monitor
September 20, 2011

U.S. Drought Monitor
August 21, 2012

U.S. Drought Monitor
August 23, 2012

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

http://droughtmonitor.unl.edu/

Author: Michael Brewer, Liz Love-Brook, NOAA/NESDIS/NCDC
US RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Data Source: USDA-NASS
U S ALL HAY SUPPLY & DISAPPEARANCE

Crop Year

Mil. Tons


Data Source: USDA-NASS, Forecasts by LMIC
Cattle Markets
BEEF COWS THAT CALVED
JANUARY 1, 2013
(1000 Head)

Livestock Marketing Information Center
Data Source: USDA-NASS

U.S. Total: 29295

02/04/13
CHANGE IN BEEF COWS NUMBERS
JANUARY 1, 2012 TO JANUARY 2013
(1000 Head)

U.S. Total: -862

Data Source: USDA-NASS

Livestock Marketing Information Center
COMMERCIAL BEEF PRODUCTION
Quarterly

Data Source: USDA-NASS, Forecasts by LMIC
ANNUAL AVERAGE CATTLE PRICES
Southern Plains

$ Per Cwt

Data Source: USDA-AMS, Forecasts by LMIC
MED. & LRG. #1 STEER CALF PRICES
500-600 Pounds, Southern Plains, Weekly

$ Per Cwt.

Data Source: USDA-AMS
SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly

Data Source: USDA-AMS
SLAUGHTER COW PRICES
Southern Plains, 85-90% Lean, Weekly

Data Source: USDA-AMS
ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

$ Per Cow

Data Source: USDA-AMS, NASS, Analysis and Forecasts by LMIC
<table>
<thead>
<tr>
<th>Year</th>
<th>Choice Steer Price</th>
<th>Breakeven</th>
<th>Projected Breakeven</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>115</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>135</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>145</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>155</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Latest Data: January 2013

Data Source: USDA-AMS, NASS, Analysis and Forecasts by LMIC
More Drought Comments ….

- Ranch Management is a Sequential Decision-Making Process, Especially in a Drought
- Cyclical Aspects of Industry and Prices are Important
- Develop and Share Your Six Month Plan Now
- Update Financial Statements and Review Your Asset Values (Cows Often Still Undervalued)
- Test Purchased and Raised Hay
- Look Outside Normal Region for Hay (Canada)
- Drought Recovery form Both a Resource and Economic Perspective is a Multi-Year Process, Start Planning Recovery
- Agile Firms Will Benefit…. Be Adaptable NOT Adapted
Thank You!

www.lmic.info