

Livestock Outlook 2011 and Beyond

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September, 2011

Beef Situation

- Extremely volatile cattle prices
- Demand and the economy
- Exports up
- Industry still in retraction, cow herd declining
- Beef production to decline slightly in 2011
- More COF, fewer placements in 4th quarter
- Profitability impacted by feed costs

Beef Supply Summary

2010

- Total Beef Production: +1.3%
- Total Slight +2.7%, wts -1.4%

2011

- Total Beef Production: -0.6%
- Total Slight -1.4%, wts +0.9%

2012

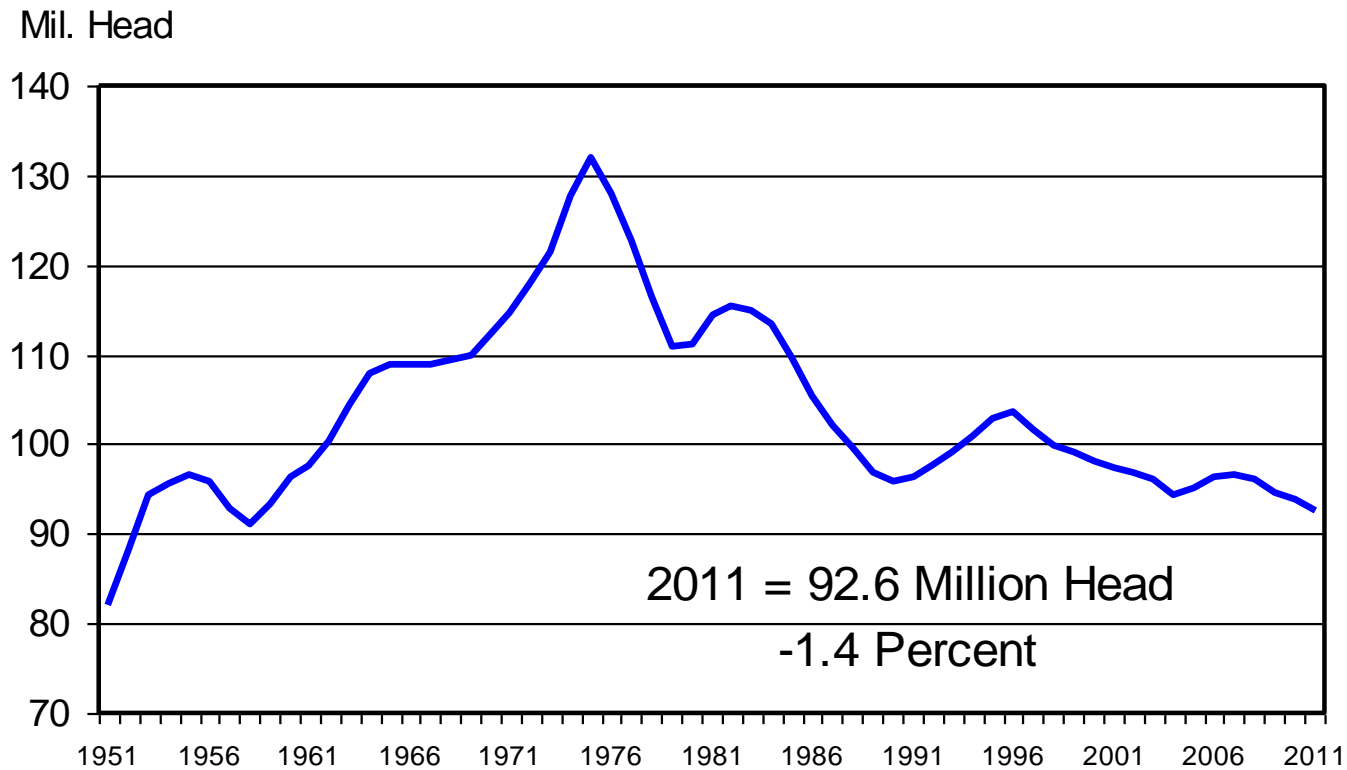
- Total Beef Production -3.8%

July 2011 Cattle Report

	Million head	Change from 2010
All cattle	100.0	-1%
Beef cows	31.4	-1%
Beef replacement heifers	4.2	- 5%
Milk cows	9.2	+1%
Milk replacement heifers	4.2	+4%
Other heifers	7.6	-2%
2011 Calf crop	35.5	- 1%
Cattle on Feed	12.2	+3%

JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual

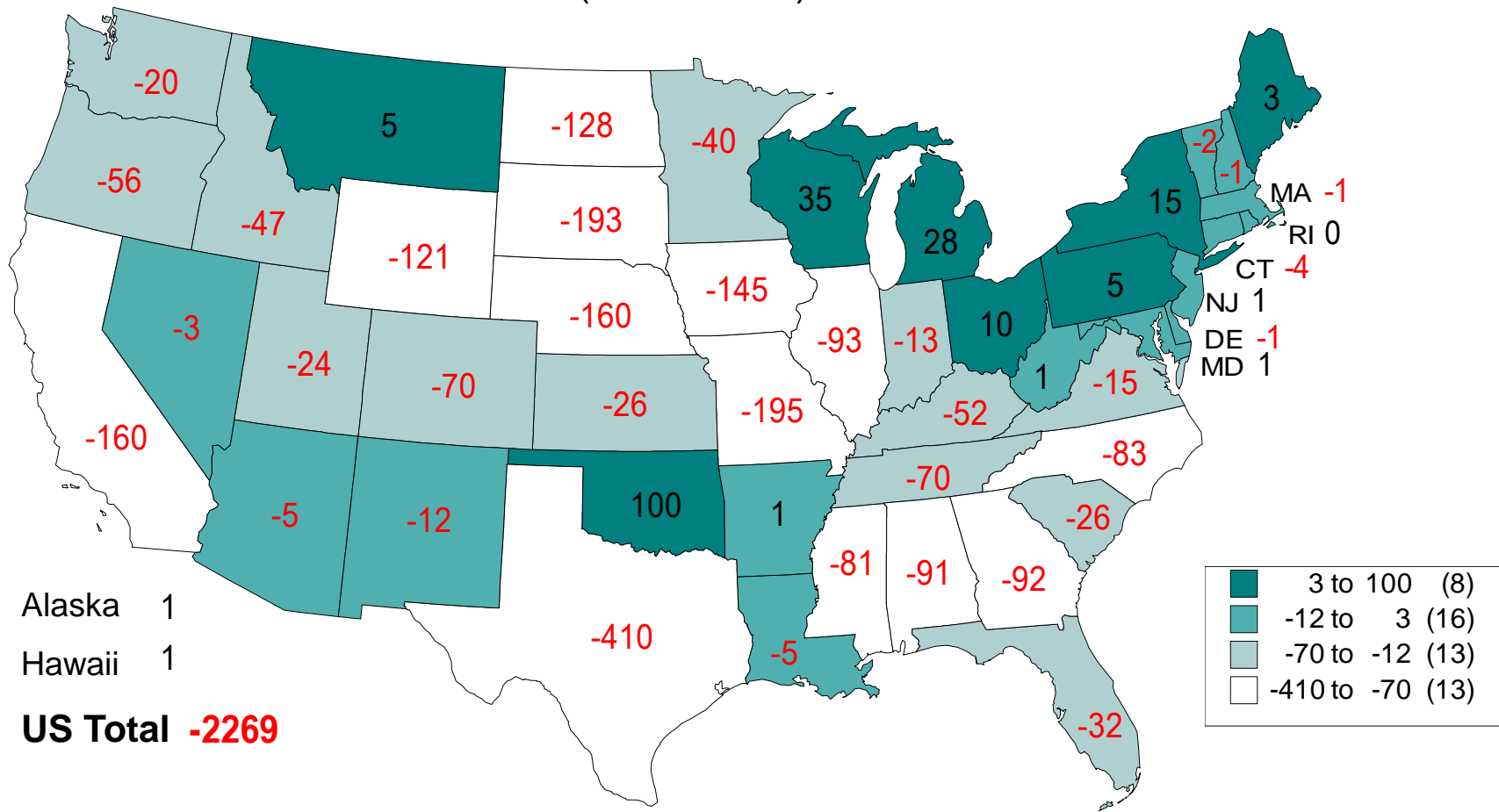


Livestock Marketing Information Center

Data Source: USDA-NASS

C-N-01
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CHANGE IN BEEF COW NUMBERS JANUARY 1, 2002 TO JANUARY 1, 2011 (1000 Head)



Livestock Marketing Information Center

Data Source: USDA/NASS

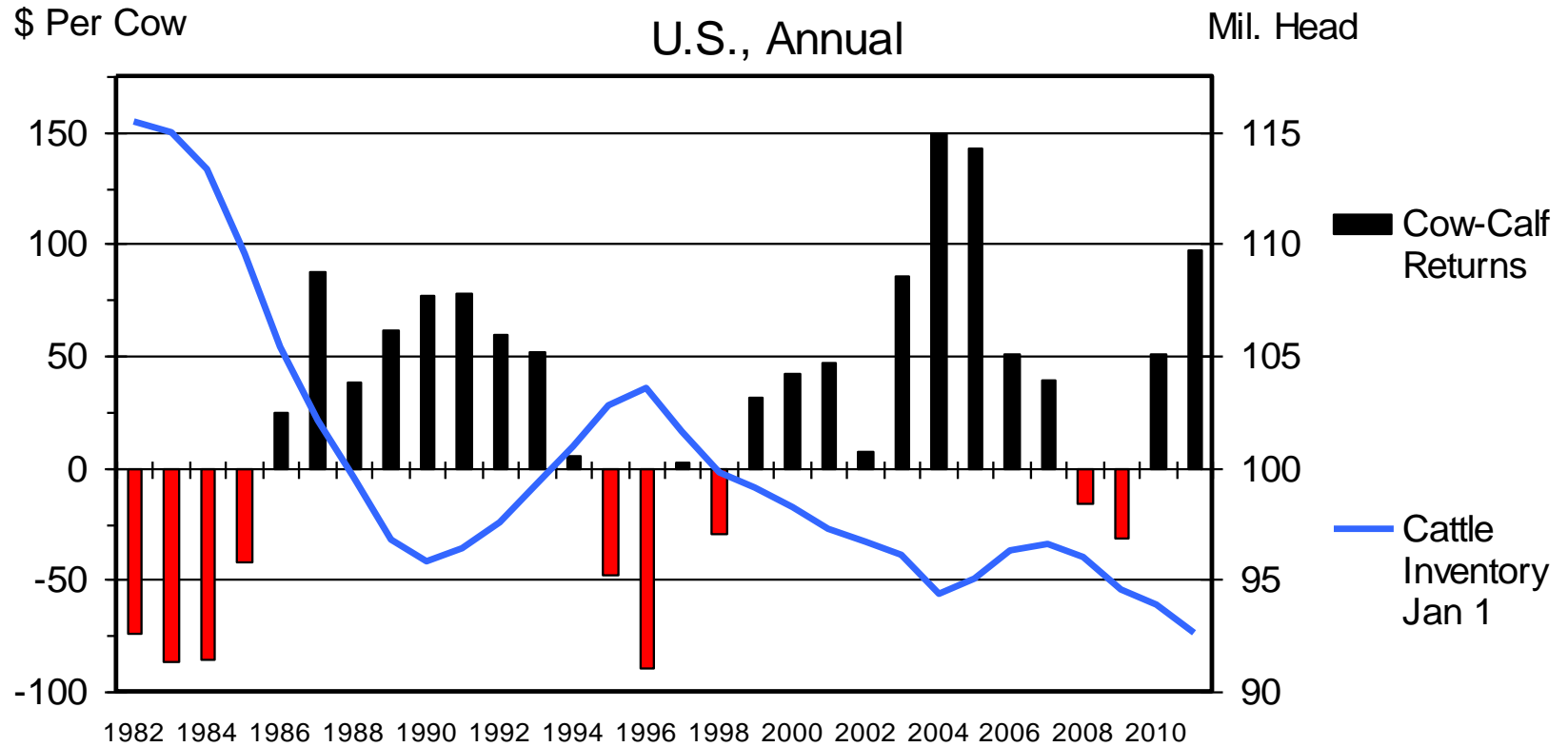
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Building the Cow Herd

- Location
- Resources
- Capital
- Producer Interest (i.e. enthusiasm, youth)
- Profitable Outlook

COW-CALF RETURNS AND CATTLE INVENTORY



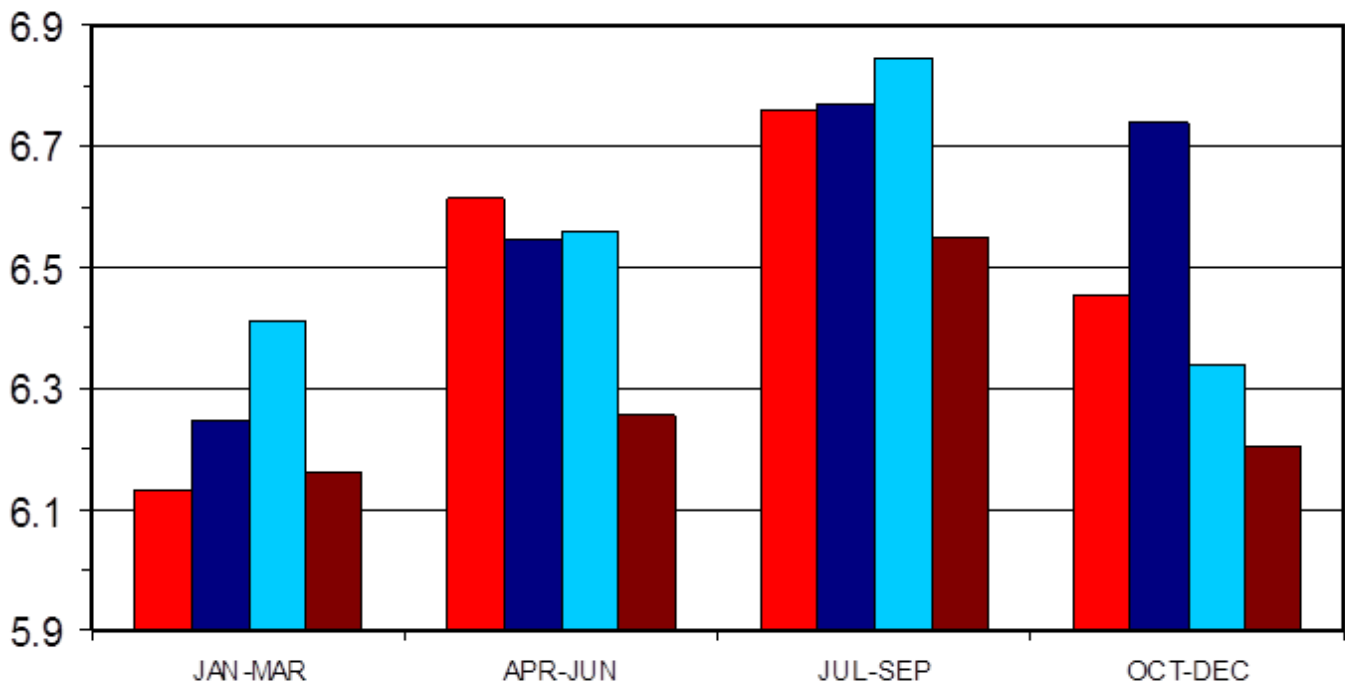
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Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

COMMERCIAL BEEF PRODUCTION

Quarterly

Bil. Pounds

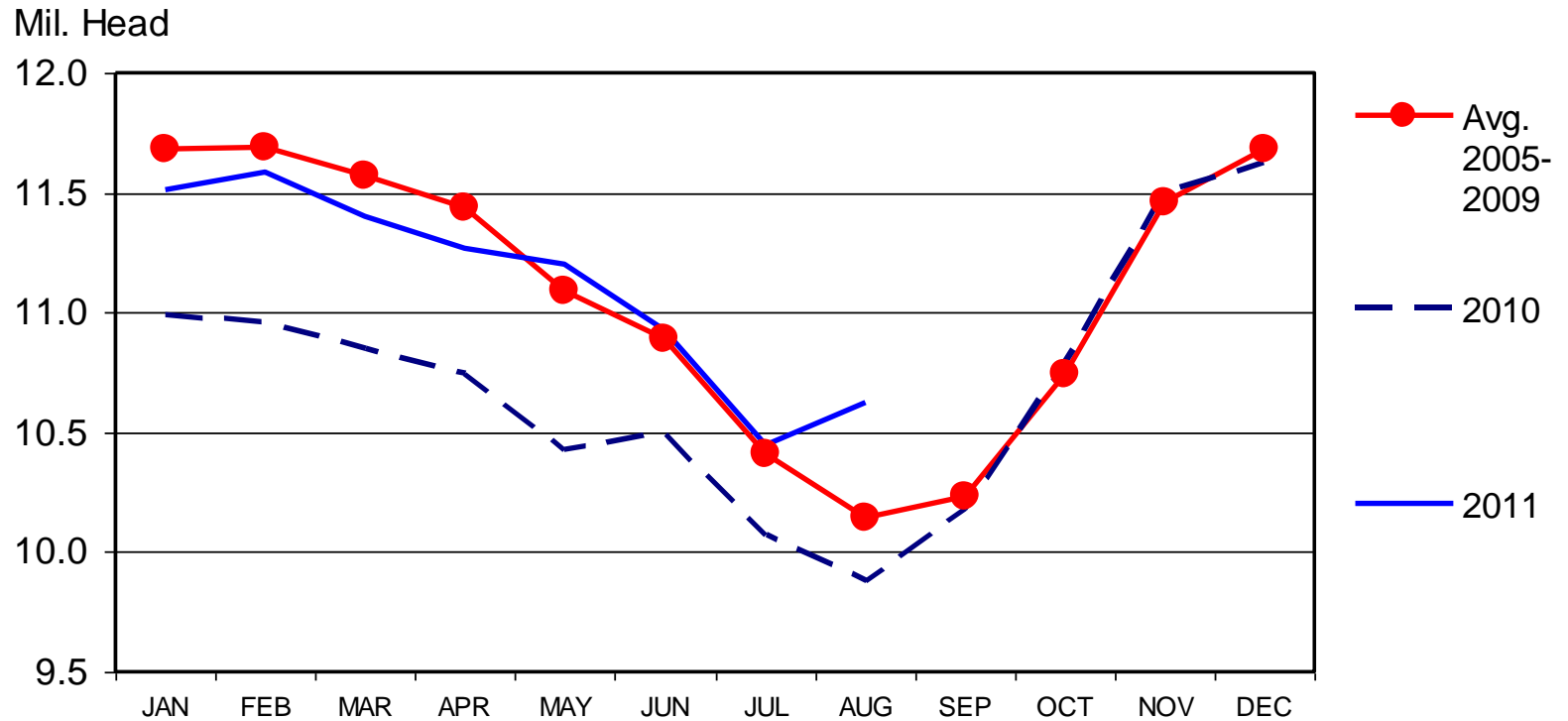


	Yr/yr %
Avg. 2005/09	Prd & Con
2010	1.3 & -2.5
2011	-0.6 & -2.8
2012	-3.8 & -2.4

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

CATTLE ON FEED

US Total, Monthly



Livestock Marketing Information Center

Data Source: USDA-NASS

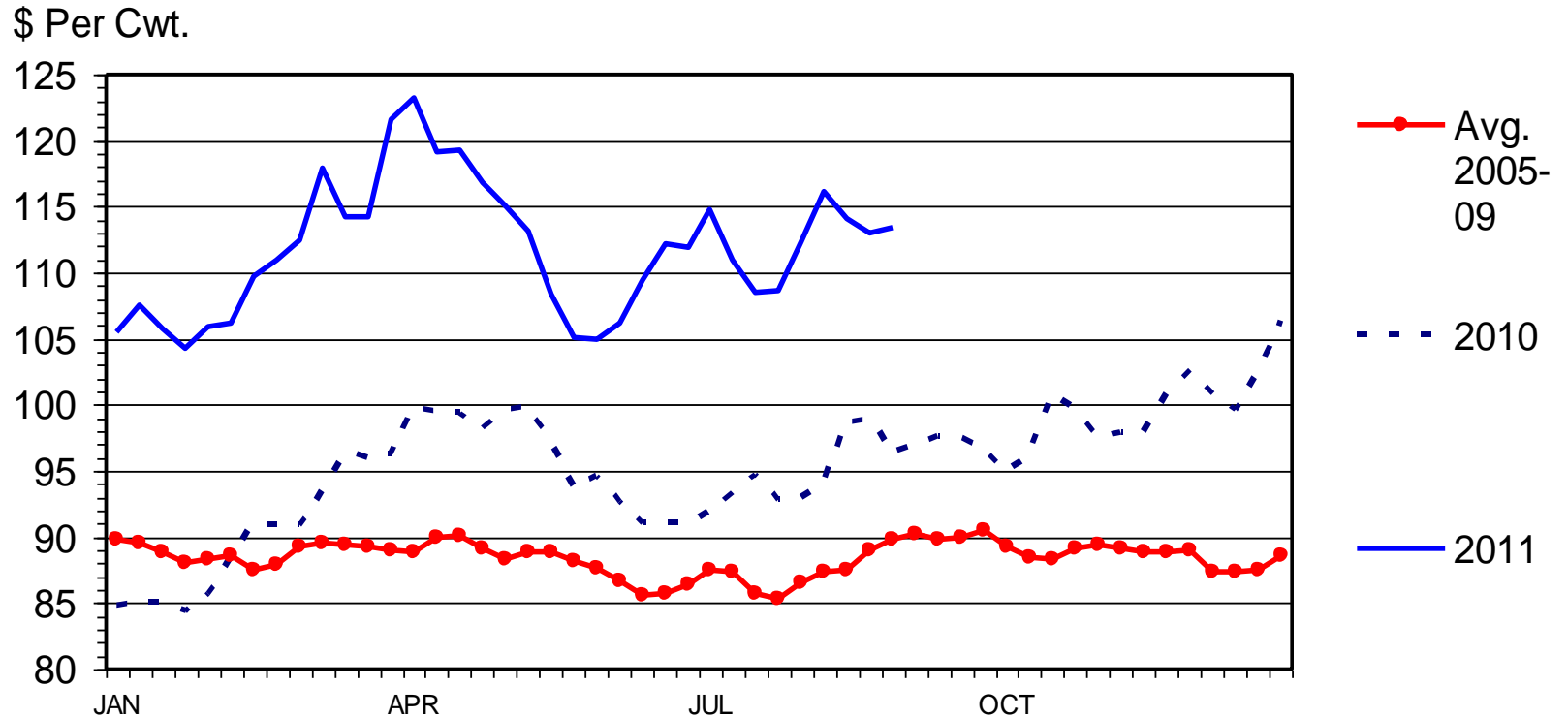
C-N-10
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Cattle Price & Beef Demand

- Fed cattle prices up 10+%
- Feeder cattle prices up 20+%
- Domestic & foreign demand strong
- Consumer preferences, steak vs. ground
- Tight choice-select spread

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

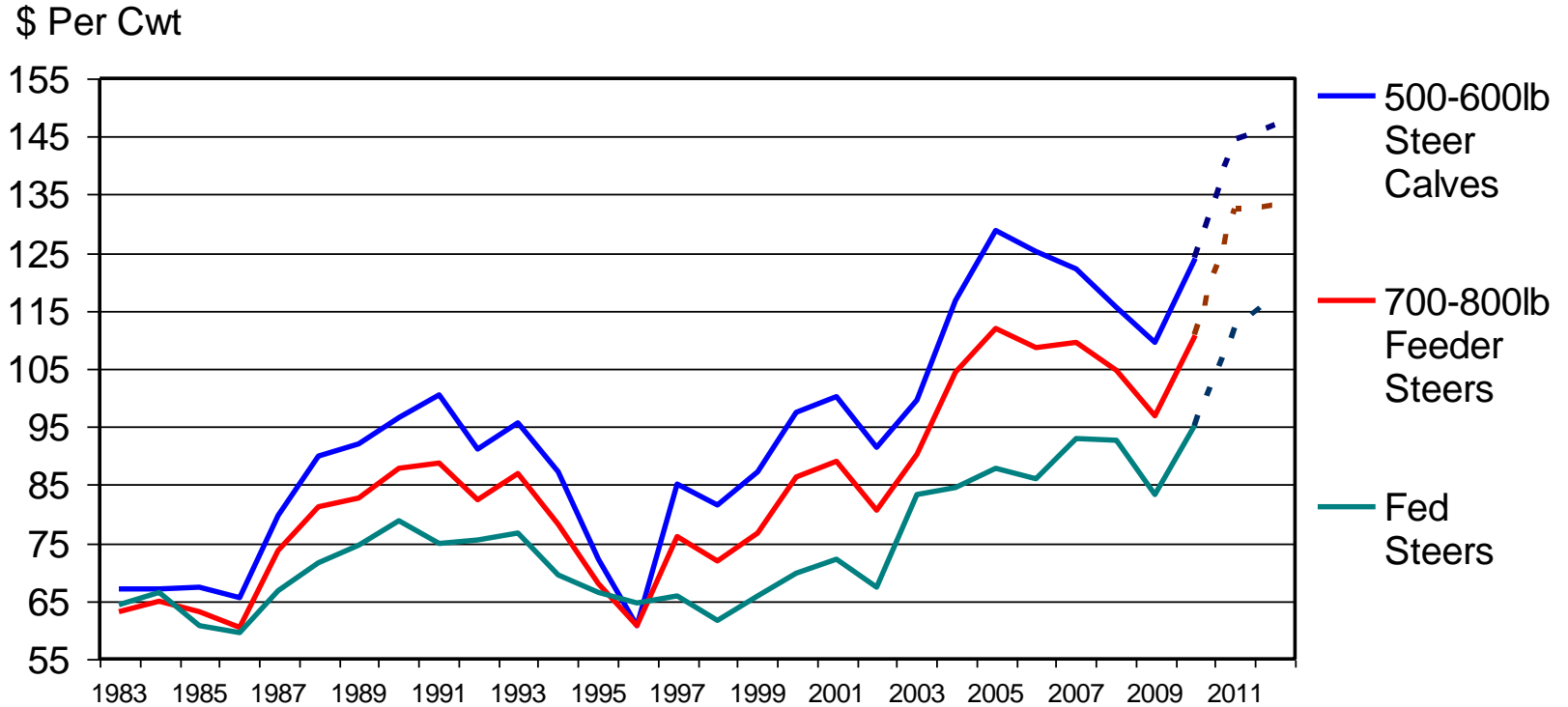


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Data Source: USDA-AMS

ANNUAL AVERAGE CATTLE PRICES

Southern Plains



C-P-06
08/01/11

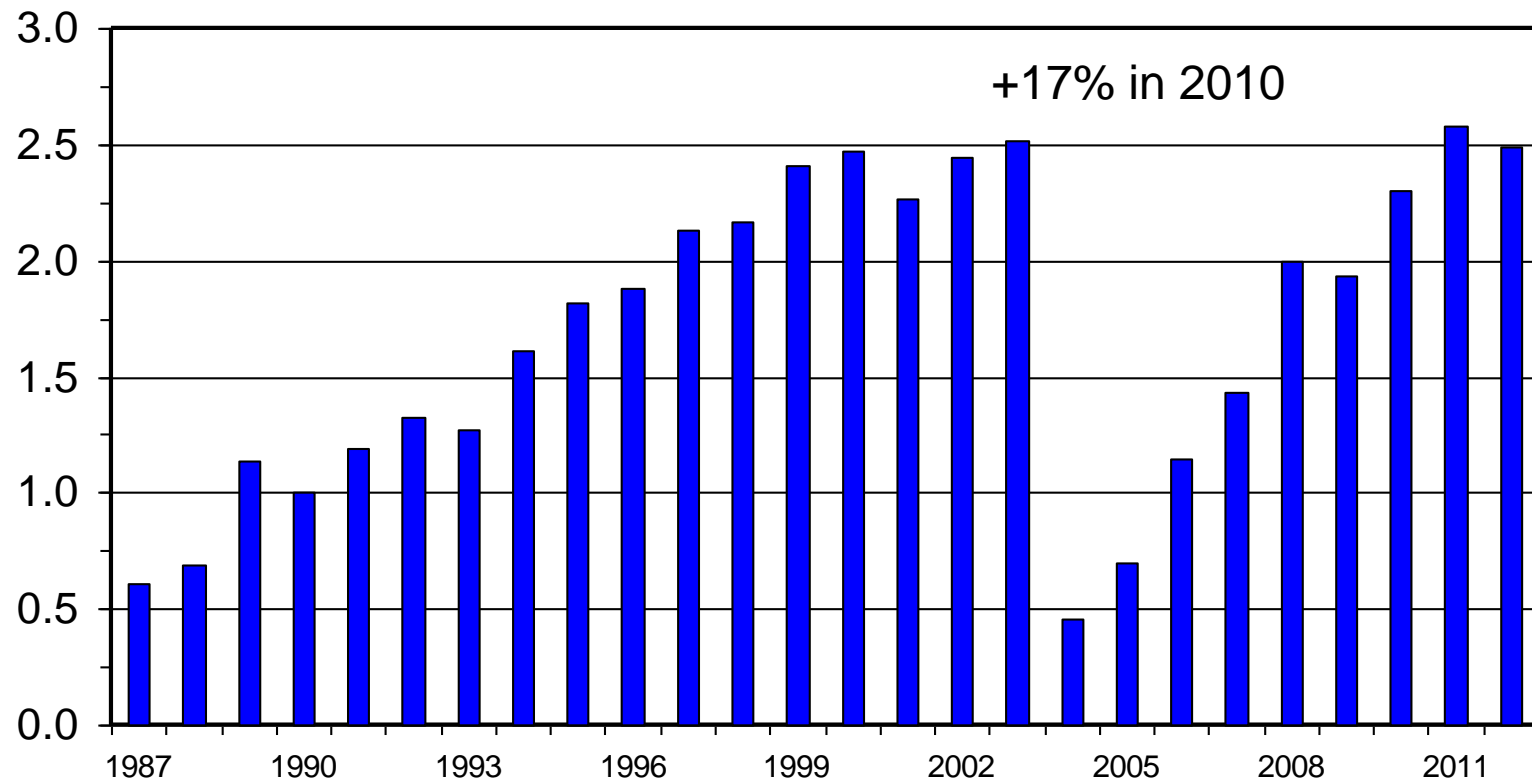
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Data Source: USDA-AMS, Compiled & Analysis by LMIC

U S BEEF AND VEAL EXPORTS

Carcass Weight, Annual

Bil. Pounds



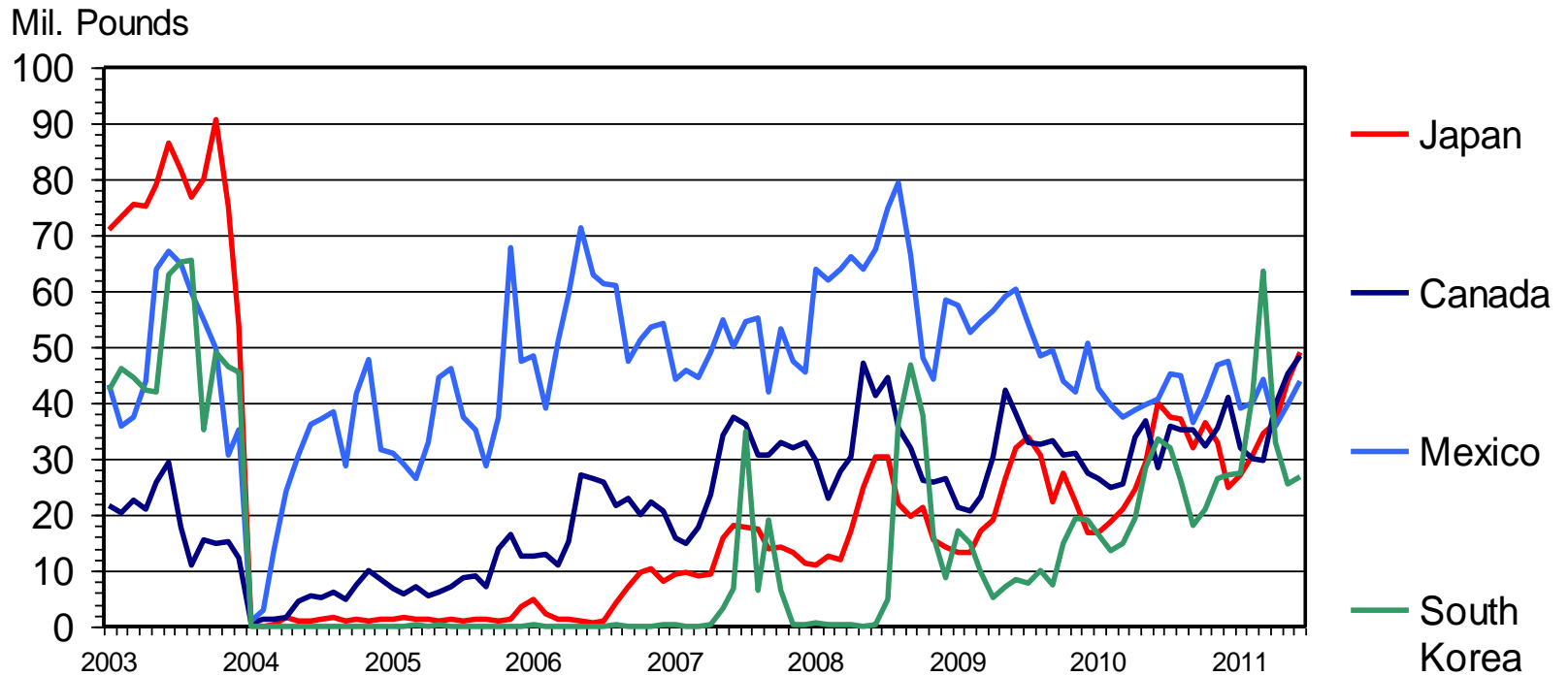
I-N-06
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Livestock Marketing Information Center

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

U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

I-N-35
08/18/11

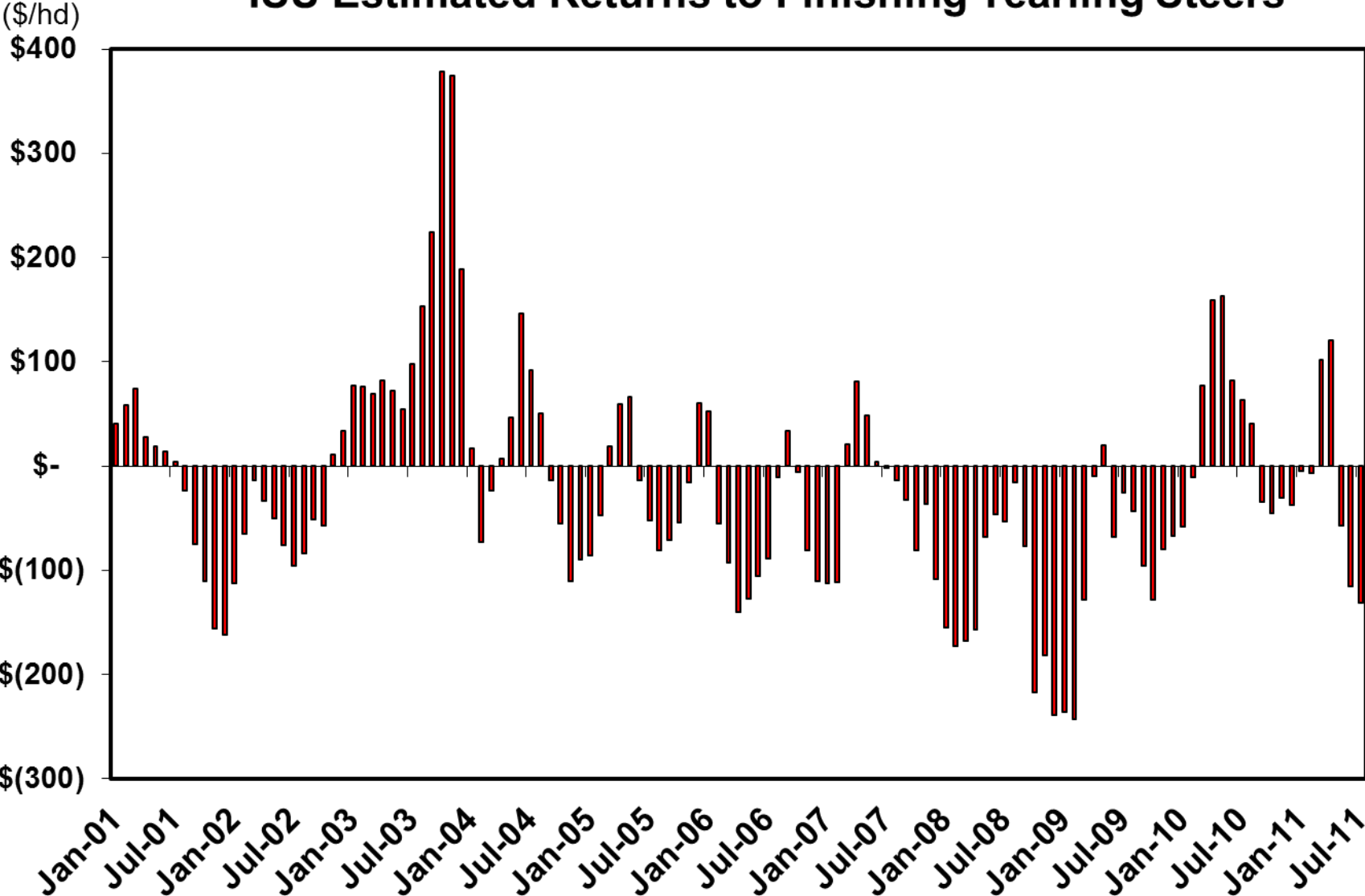
Estimated Returns for Finishing Medium No. 1 Yearling Steers to Choice Slaughter Grade, Iowa-So. Minnesota

	Feeding Periods											
	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Purchased:	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Sold:	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Choice 750# Feeder Steer:												
Purchase Price \$/cwt.	115.63	114.80	113.56	113.99	119.94	122.67	126.53	131.32	137.70	129.17	127.42	136.98
Purchase cost	867.19	861.00	851.70	854.93	899.55	920.03	948.96	984.90	1032.71	968.78	955.65	1027.35
Feed costs:												
Corn	237.63	261.08	278.09	292.08	306.31	318.24	325.08	329.77				
Modified distiller grain	58.45	65.77	72.24	77.97	81.70	84.73	85.98	85.73				
Hay	16.72	17.07	17.07	17.07	17.21	17.50	17.60	17.25				
Supplement, salt & minerals	12.61	12.61	12.61	12.61	12.61	12.61	12.61	12.61				
Total Feed Costs	325.40	356.53	380.01	399.74	417.84	433.08	441.27	445.36				
Operating and overhead	80.58	80.80	80.77	80.46	82.51	83.56	84.59	86.07				
Labor	30.98	30.98	30.98	30.98	30.98	30.98	30.98	30.98				
Transportation	19.83	19.94	20.22	20.40	20.45	20.48	20.61	20.83				
Choice 1250# Steer:												
Total cost/head	1,324	1,349	1,364	1,386	1,451	1,488	1,526	1,568				
Break-even price, \$/cwt.	105.92	107.94	109.10	110.92	116.11	119.05	122.11	125.45				
Selling price, \$/cwt.	105.57	107.44	117.26	120.55	111.53	109.85	111.60	113.60				
Sales value	1,319.63	1,342.94	1,465.75	1,506.88	1,394.13	1,373.13	1,395.00	1,419.98				
Profit (loss) per head	(4.35)	(6.31)	102.06	120.38	(57.21)	(115.00)	(131.40)	(148.17)				

1/ Data are in \$/per head unless otherwise stated

2/ Includes fixed costs and non-variable feed costs, excluding labor. Interest costs on feeder cattle, feed and delivery are based on rates at placement.

ISU Estimated Returns to Finishing Yearling Steers



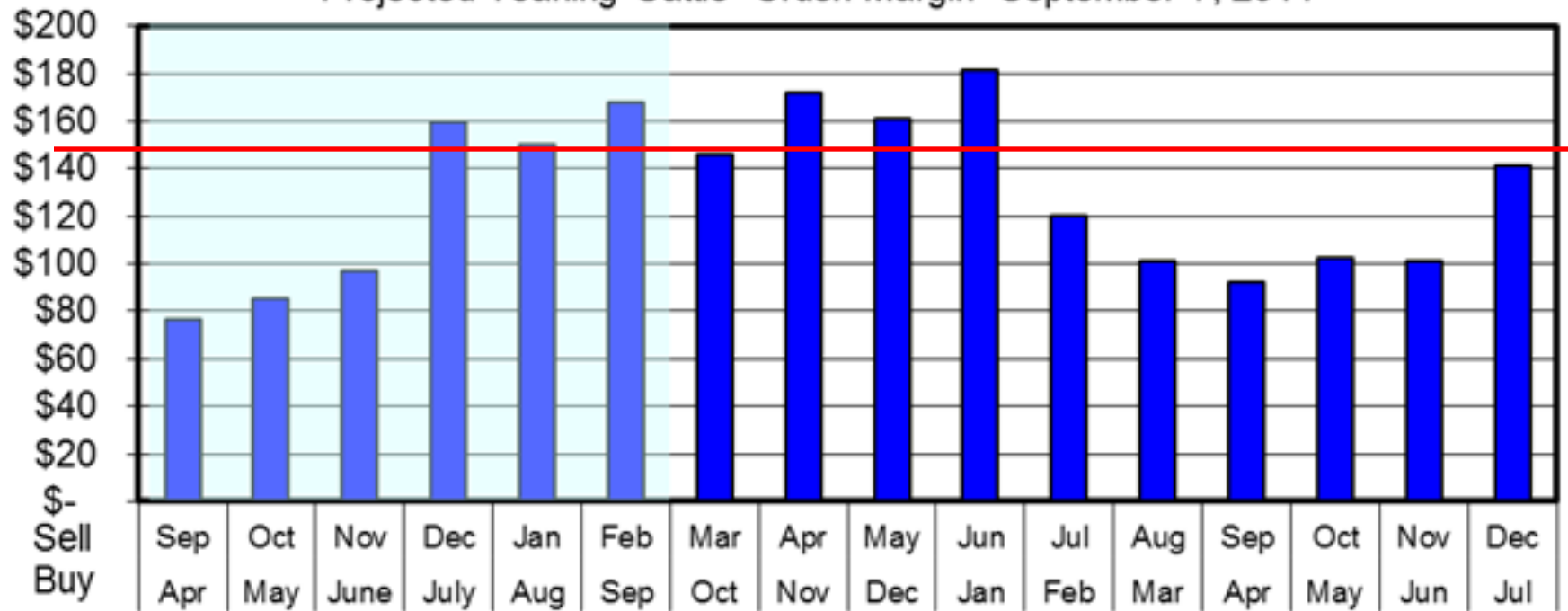
Cattle Crush Margin

Return over corn and feeder cost considering basis adjusted futures and

- Live weight 1250 pounds
- Feeder weight 750 pounds
- Corn 50 bushels

Farms differ, but approximately a \$150 margin is needed to breakeven

Projected Yearling Cattle "Crush Margin" September 7, 2011



Cattle Summary

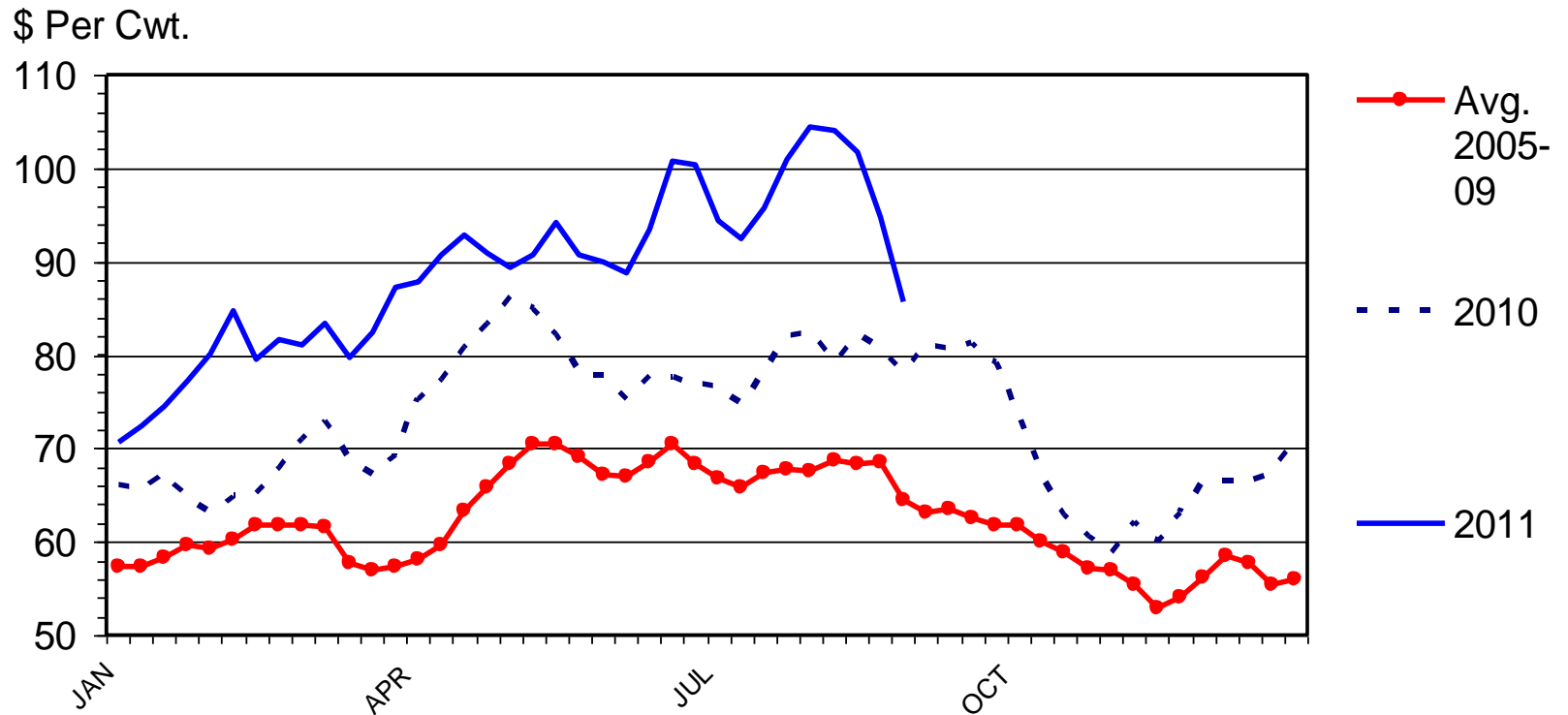
- Demand connected with the economy
- Demand added support to prices
- Beef production declining until 2015+
- Profitability in first quarter of year
 - Losses in second half of year
- Fed cattle price forecast \$112-120/cwt

Swine Situation

- Current hog prices up nearly 10%
- On average up 15% for 2011
- Pork production steady in 2011
- Demand steady to stronger
 - Long term upward trend in exports
 - Domestic pork consumption per capita down
- Profit margin tightens for last third of 2011

BARROW AND GILT PRICES

Iowa - So. Minnesota, Carcass Base Price, Weekly



Livestock Marketing Information Center

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

H-P-09
09/06/11

Pork Supply Summary

2011

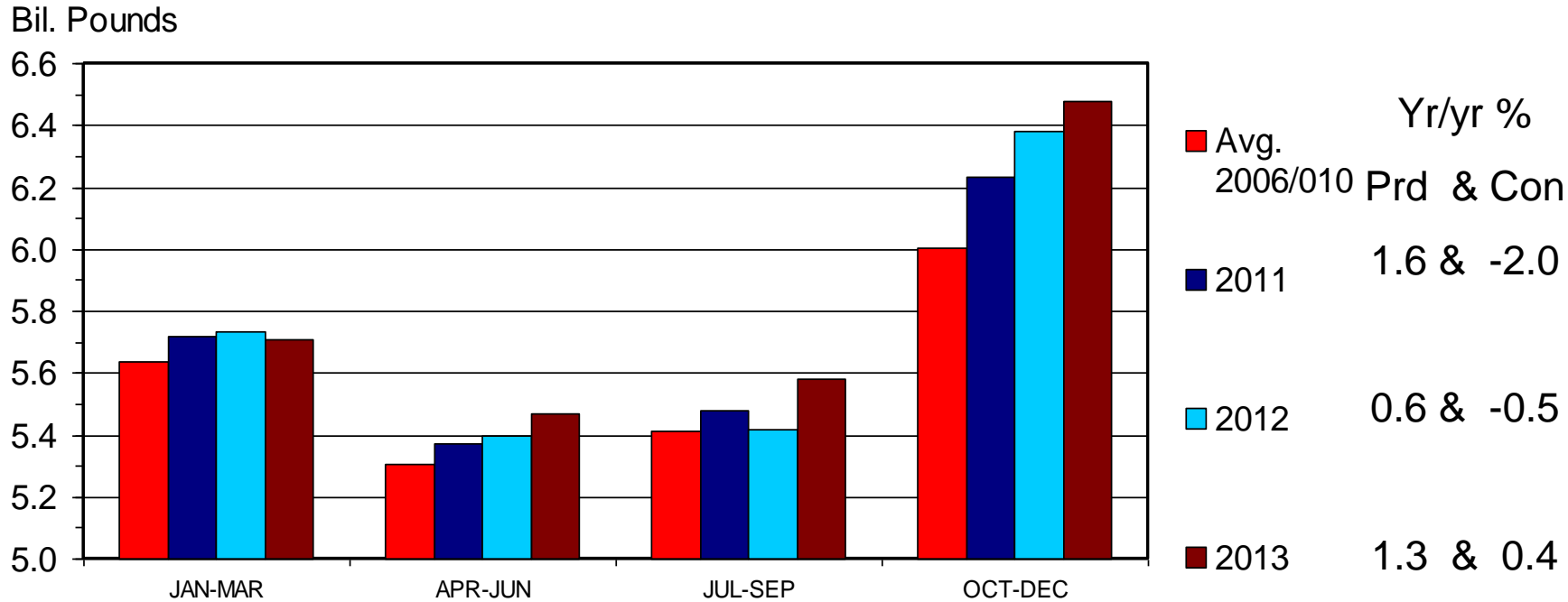
- Total Pork Production: +1.6%
- Total Slight 0.4%, wts +1.0%

2012

- Total Pork Production: +0.6%
- Total Slight 0.6%, wts -0.1%

COMMERCIAL PORK PRODUCTION

Quarterly



Livestock Marketing Information Center

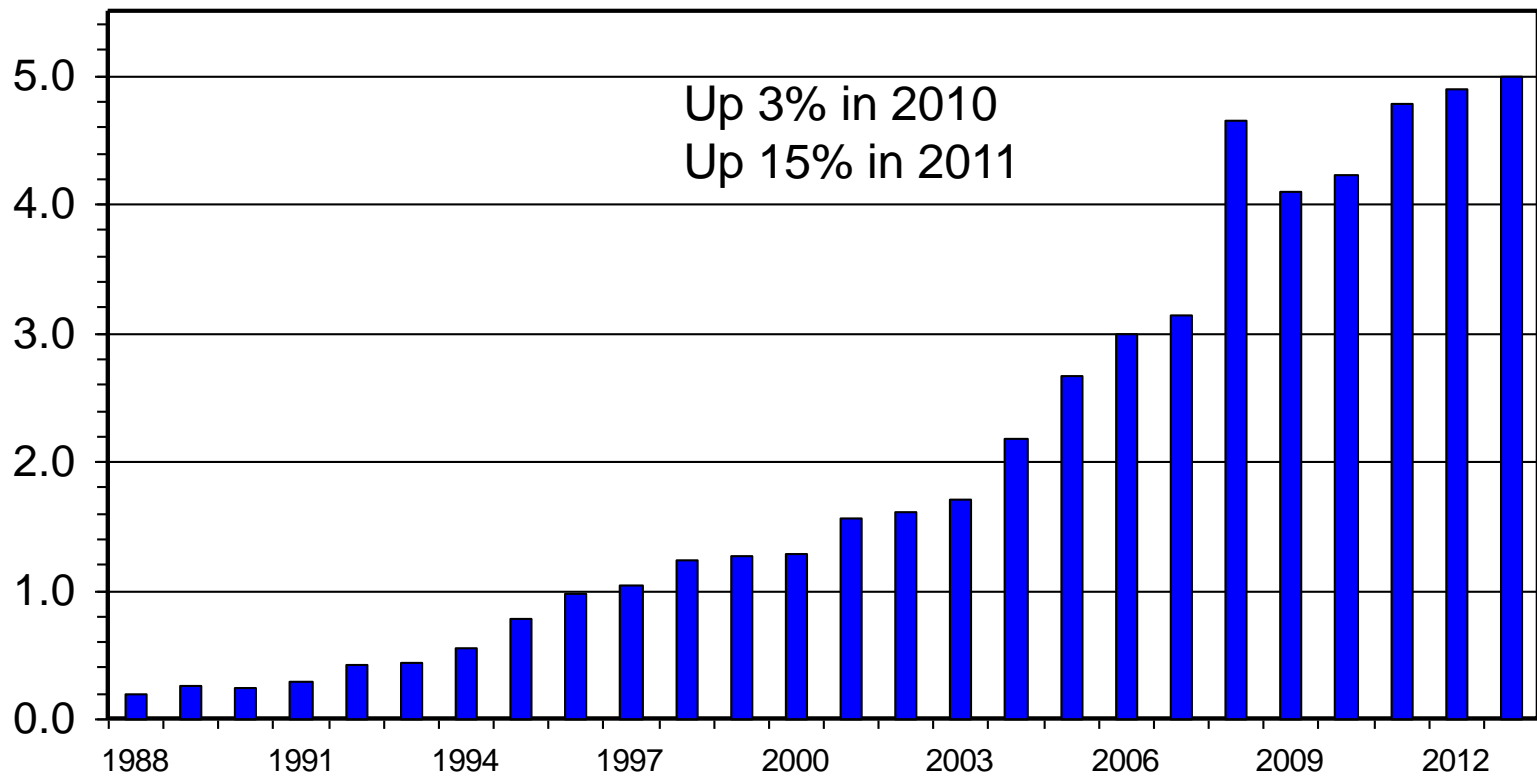
Data Source: USDA-NASS, Compiled & Analysis by LMIC

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U S PORK EXPORTS

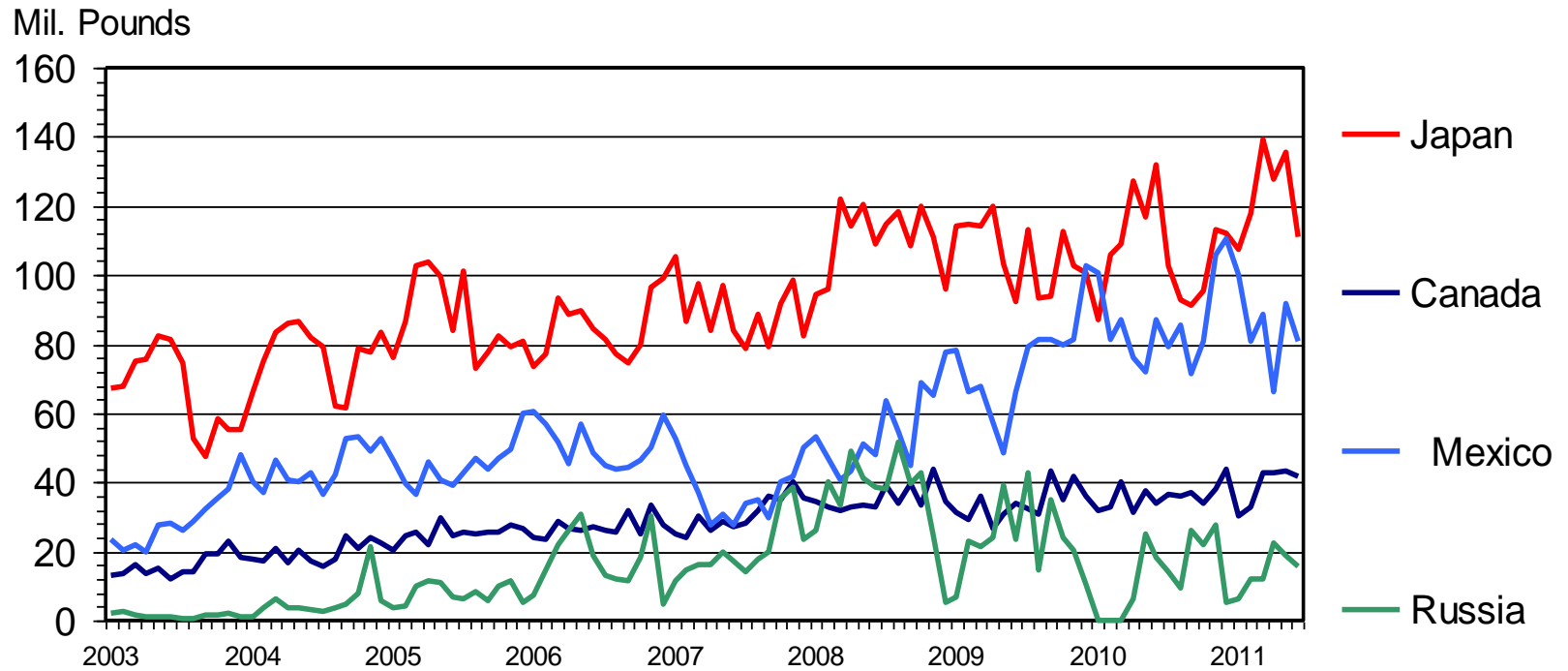
Carcass Weight, Annual

Bil. Pounds



U S PORK EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



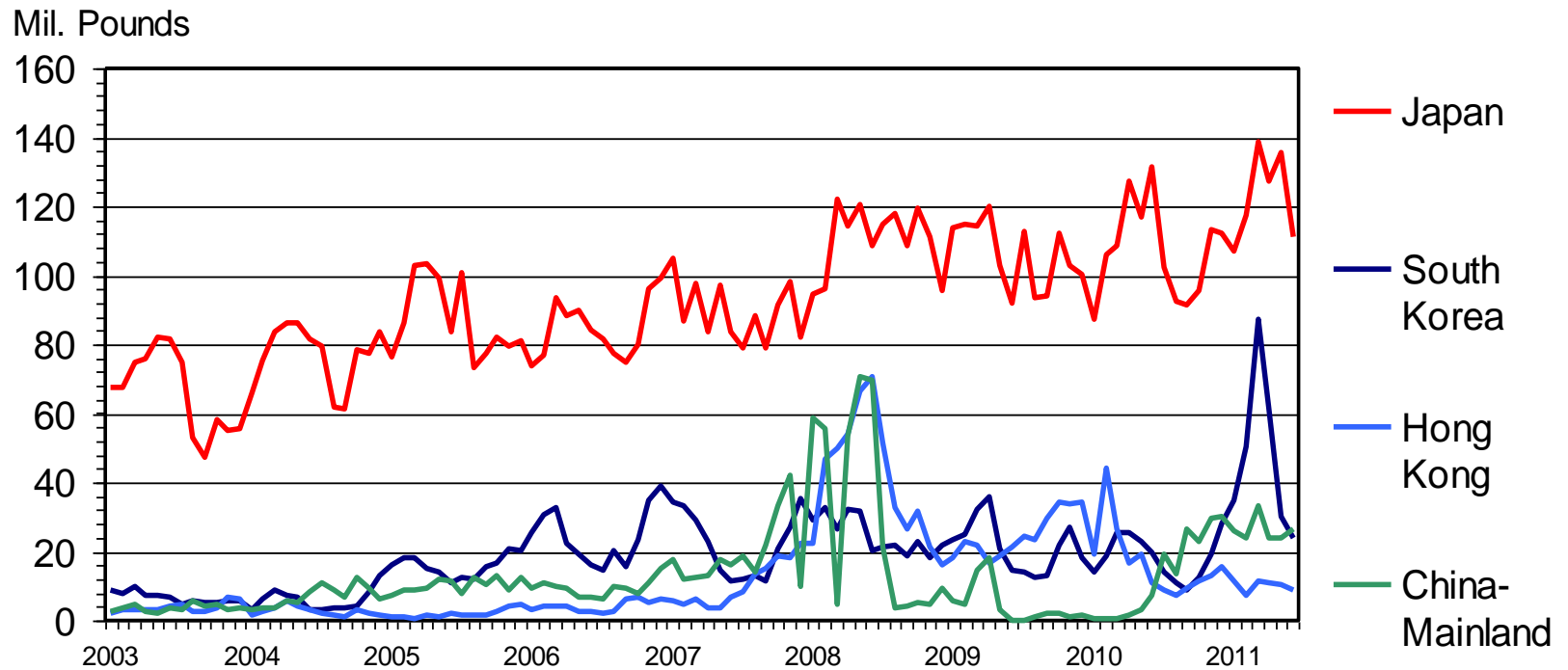
Livestock Marketing Information Center

Data Source: USDA-ERS & USDA-FAS

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08/18/11

U S PORK EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



Livestock Marketing Information Center

08/18/11

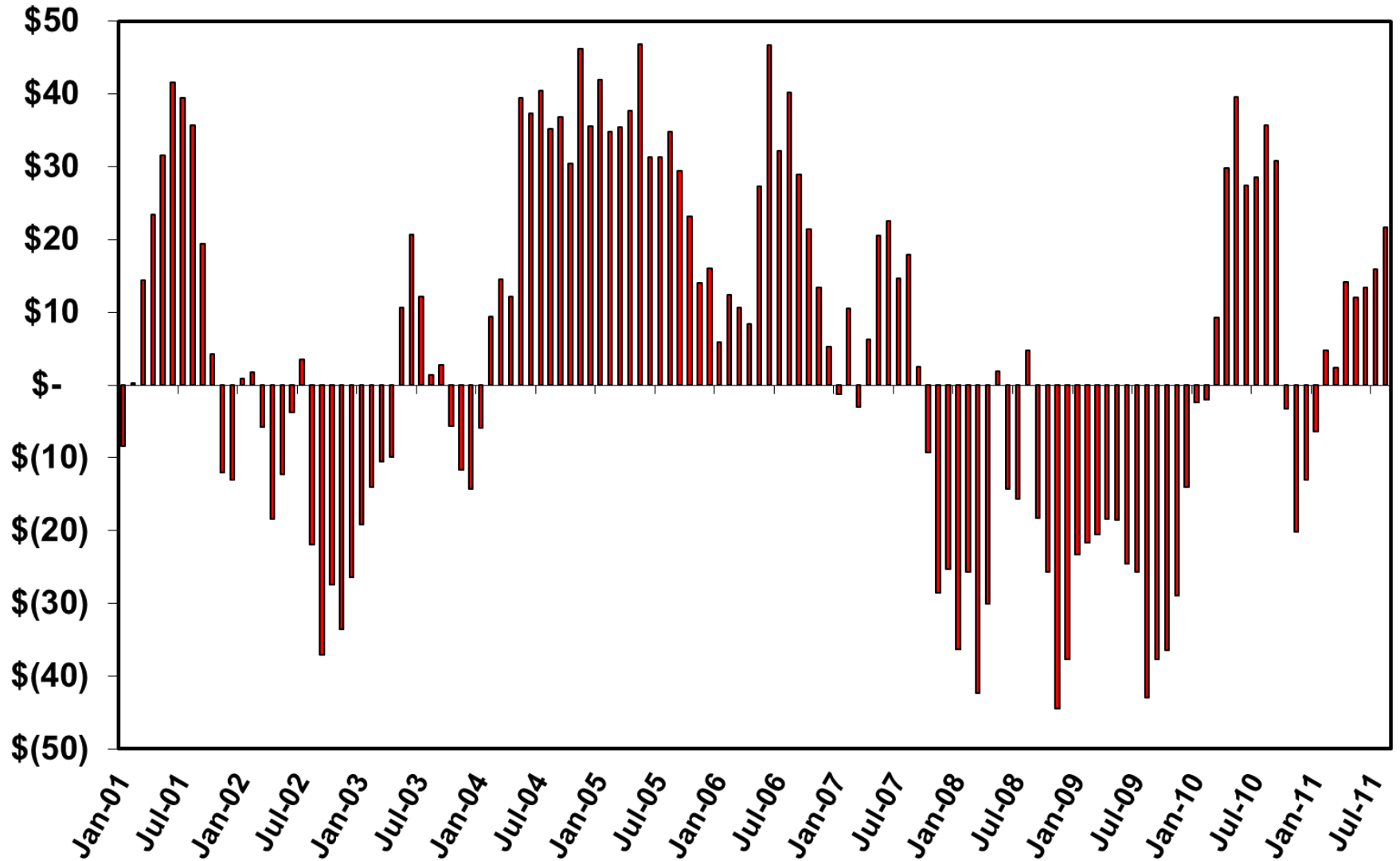
Data Source: USDA-ERS & USDA-FAS

Estimated Returns for Farrowing and Finishing Hogs or Producing Weaned Pigs in Iowa ^{1/}

Addendum to M-1284c
Cooperative Extension Service
Iowa State University

	Production Period											
Farrowing Month:	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Sales Month:												
Sell 12# Feeder Pig	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Sell 270# Market Hog	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
Cost of Producing 12# Weaned Pigs:												
Corn	58.98	60.48	65.97	72.53	78.72	85.98	94.04	102.27	105.88	114.12	116.92	120.07
Soybean meal	31.00	31.76	31.12	31.90	33.36	34.00	35.18	35.12	35.13	34.06	34.46	34.25
Vitamin & mineral	28.50	28.50	28.50	28.50	28.50	28.50	28.50	28.50	28.50	28.50	28.50	28.50
Variable costs ^{2/}	173.59	173.61	173.61	173.64	173.67	173.70	173.75	173.80	173.91	173.96	173.95	173.91
Operating Interest	4.51	4.58	4.66	4.77	4.82	4.94	5.08	5.20	5.25	5.36	5.34	5.39
Fixed Costs	54.89	54.89	54.89	54.89	54.89	54.89	54.89	54.89	54.89	54.89	54.89	54.89
Cost per 12# pig	37.00	37.24	37.76	38.55	39.36	40.21	41.20	42.08	42.48	43.25	43.59	43.90
Sold as 12# feeder pig	40.71	39.71	40.68	39.62	40.62	45.75	51.93	50.98	43.40	39.29	34.82	30.89
Profit (loss) per head	3.71	2.47	2.92	1.07	1.26	5.54	10.73	8.90	0.92	(3.96)	(8.77)	(13.01)
Sow Value Change / Feeder Pig Sold	1.14	1.19	0.97	0.10	(0.53)	(0.57)	(0.60)	0.68	1.52	1.16	0.68	0.23
Total Profit (loss) per head	4.85	3.66	3.88	1.17	0.73	4.97	10.12	9.58	2.44	(2.81)	(8.08)	(12.78)
Costs of finishing 12-270# pigs:												
Feed costs:												
Corn costs	53.81	58.35	62.01	65.47	68.46	70.09	70.76	71.20				
Soybean meal	20.67	20.98	21.34	21.58	21.57	21.53	21.37	21.23				
Dried distiller grain	2.58	2.79	2.96	3.13	3.24	3.25	3.21	3.17				
Vitamin & mineral	11.35	11.35	11.35	11.35	11.35	11.35	11.35	11.35				
Total feed costs	88.41	93.47	97.66	101.53	104.62	106.22	106.69	106.94				
Non-feed costs :												
Variable costs ^{3/}	21.83	21.86	21.91	21.94	21.95	21.95	21.99	22.02				
Operating Interest ^{4/}	2.95	3.08	3.21	3.32	3.38	3.45	3.49	3.40				
Fixed costs	8.45	8.45	8.45	8.45	8.45	8.45	8.45	8.45				
Average Market Hog, 270#:												
Total Costs/head	158.64	164.10	168.98	173.79	177.77	180.27	181.82	182.89				
Break-even price \$/cwt.	58.75	60.78	62.58	64.37	65.84	66.77	67.34	67.74				
Selling price, \$/cwt.	56.31	62.40	63.17	69.21	69.99	71.52	72.88	74.58				
Sales value	152.04	168.48	170.56	186.87	188.97	193.10	196.78	201.37				
Profit (loss) per head	(6.60)	4.38	1.58	13.08	11.20	12.83	14.96	18.47				
Sow Value Change / Hog Marketed	(0.13)	0.07	0.49	0.74	0.53	0.25	0.62	2.86				
Total Profit (loss) per head	(6.73)	4.45	2.07	13.82	11.73	13.08	15.58	21.33				

Estimated Returns to Farrow to Finish Hog Production, \$/Head, Iowa State University Extension



Wean-Finish Crush Margin

The Crush Margin is the return over pig, corn and SBM cost. The Crush Margin is based on the following assumptions.

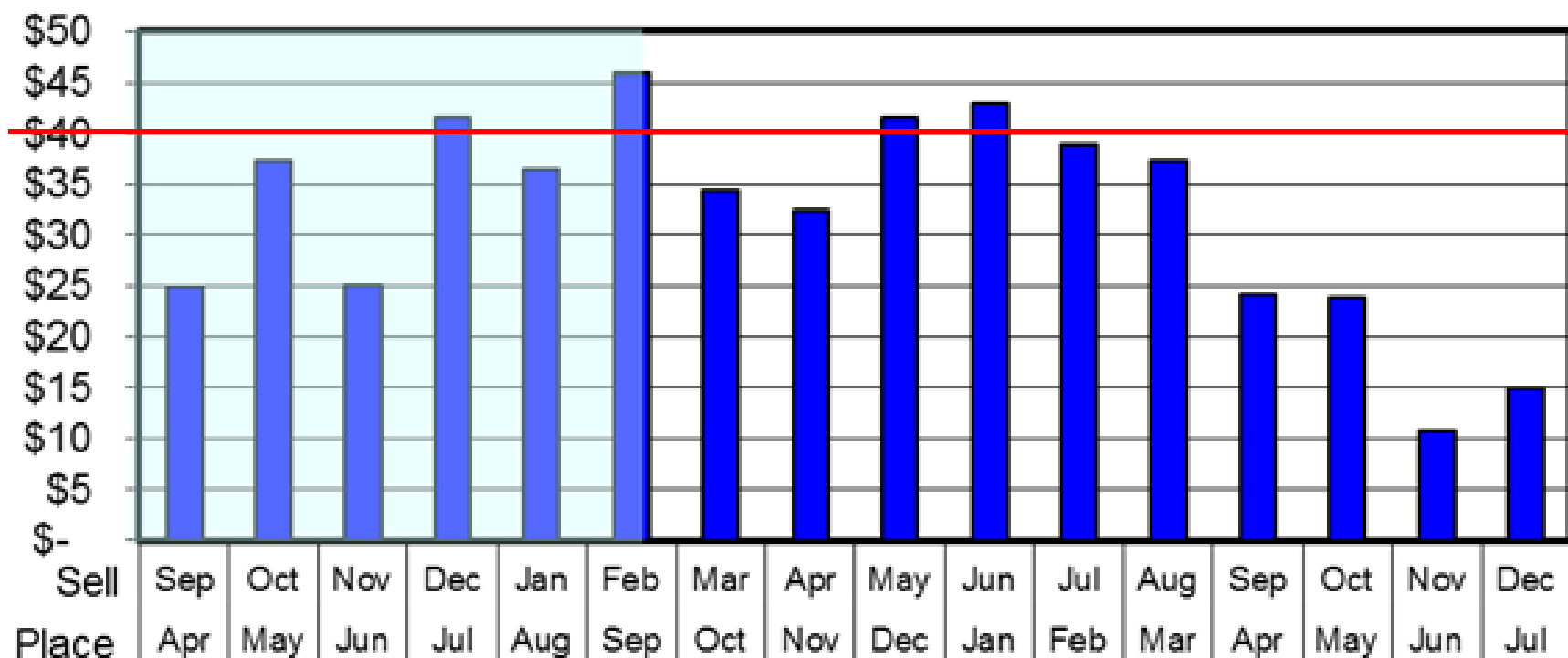
Carcass weight: 200 pounds

Corn: 10 bu/hd

Farms differ, but approximately a \$40 margin is needed to breakeven

Pig price: 50% of 5 month out LHF SBM: 150 lbs/hd

Projected Wean-Finish "Crush Margin", September 7, 2011



Summary

- Protecting the margin is the game plan for livestock producers. Managing feed costs is essential.
- Challenges-
 - Market volatility
 - Tight margins
- Opportunities
 - Record high livestock prices
 - Alternative feeds

Thank you

Questions?

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