Cattle Market Outlook
Winter 2013

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Thank You!

Topics: Markets and …

• Aspects of Domestic Consumer Beef Demand
• International Trade Comments
• Drought – A Game Changer
• Markets and Outlook
  • Feedstuffs are Key
  • Poultry and Pork
  • Cattle Market Drivers
  • Cattle Prices and Profitability
• Economic Environment Summary

USDA Data Sources – NASS, AMS, FAS, and ERS
All Forecasts – LMIC & UI - AERS

US Consumer Demand and Consumption (Disappearance)
U.S. Hay Stocks and Production

Crop Year

<table>
<thead>
<tr>
<th>Mil. Tons</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 1 Hay Stocks</td>
<td>120</td>
<td>100</td>
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<tr>
<td>Alfalfa Hay Production</td>
<td>80</td>
<td>60</td>
</tr>
<tr>
<td>Other Hay Production</td>
<td>60</td>
<td>40</td>
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</tbody>
</table>

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

Alfalfa Hay - Monthly Average Price

Received by Farmers, U.S., Crop Year

<table>
<thead>
<tr>
<th>$ Per Ton</th>
<th>May</th>
<th>Jul</th>
<th>Sep</th>
<th>Nov</th>
<th>Jan</th>
<th>Mar</th>
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</thead>
<tbody>
<tr>
<td>Avg. 06/07-11/12</td>
<td>120</td>
<td>140</td>
<td>160</td>
<td>180</td>
<td>200</td>
<td>220</td>
</tr>
<tr>
<td>2011/12</td>
<td>180</td>
<td>180</td>
<td>180</td>
<td>180</td>
<td>180</td>
<td>180</td>
</tr>
<tr>
<td>2012/13</td>
<td>200</td>
<td>200</td>
<td>200</td>
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</tr>
</tbody>
</table>

Data Source: USDA-NASS

Poultry and Pork

Broiler Eggs Set

Weekly

<table>
<thead>
<tr>
<th>Mil. Eggs</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
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<tbody>
<tr>
<td>Avg. 2011-12</td>
<td>250</td>
<td>250</td>
<td>250</td>
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<td>2012</td>
<td>200</td>
<td>200</td>
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<td>200</td>
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</tbody>
</table>

Data Source: USDA-NASS
CHANGE IN BEEF COWS NUMBERS
JANUARY 1, 2003 TO JANUARY 2013
(1000 Head)

Livestock Marketing Information Center
Data Source: USDA-NASS

U.S. Total: -3236

JANUARY 1 TOTAL CATTLE INVENTORY
U.S., Annual

Livestock Marketing Information Center
Data Source: USDA-NASS

HEIFERS HELD AS BEEF COW REPLACEMENTS
January 1, U.S.

Livestock Marketing Information Center
Data Source: USDA-NASS

BEEF COW SLAUGHTER
Federally Inspected, Weekly

Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS
### WA-OR-ID 700-800 WT

#### Steer Price Range projection

<table>
<thead>
<tr>
<th>Month</th>
<th>5 Market Weighted Average, Weekly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>2007-11</td>
</tr>
<tr>
<td>Feb</td>
<td>2012</td>
</tr>
<tr>
<td>Mar</td>
<td>2013</td>
</tr>
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</table>

Livestock Marketing Information Center
Data Source: USDA-AMS

#### Commercial/Utility Cows

<table>
<thead>
<tr>
<th>Price</th>
<th>5 Yr. Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
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<tr>
<td>2013</td>
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Data Source: Producers Auction, Jerome, ID

### Slaughter Steer Prices

#### Cattle Inventory and Cattle Returns

<table>
<thead>
<tr>
<th>Year</th>
<th>Cattle Inventory Jan 1</th>
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<td>1984</td>
<td>90</td>
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<tr>
<td>1985</td>
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<td>2012</td>
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<tr>
<td>2013</td>
<td>235</td>
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Data Source: USDA-NASS, Compiled & Analysis by LMIC
LMIC QUARTERLY FORECASTS
Prices Adjusted to PNW by UI Ag Economics
02/08/13
[Table]

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Current Year Sales</th>
<th>% Chang</th>
<th>Per Capita Consumption</th>
<th>% Chang</th>
<th>Low Bid</th>
<th>Per Cwt. Price</th>
<th>% Chang</th>
<th>PNW Region Price</th>
<th>% Chang</th>
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<tbody>
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<td>2013</td>
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<td>6.1</td>
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<td>4.6</td>
<td>145-164</td>
<td>162-168</td>
<td></td>
</tr>
</tbody>
</table>

* Totals may not add due to rounding.
* Projected/Estimated quarter

Sources: Livestock Slaughter - USDA/NASS; Steer Prices - USDA/AMS Livestock Market News; Projections and Forecasts by LMIC and UI Ag Econ Ext.

CHOICE STEER PRICE vs BREAKEVEN
Cattle Feeding, S. Plains, Monthly

[Average Returns to Cattle Feeders]
Feeding 725 Lb. Steers, S. Plains, Monthly

Economic Environment ....
- Domestic Consumer Demand has Stabilized and is Slowly Improving for Red Meats. Recession versus +3% GDP Growth?
- Foreign Beef Demand Strong but Slipping
- Price Volatility Will Continue (Globalization, Ethanol, etc.)
- Market Shocks Will Continue (9-11-2001; BSE; 2008 Credit Crisis)
- Market Segmentation Accelerating
- Economic Incentive to Grow U.S. Cowherd Overcome by Drought
- Controls Already Set to Dramatically Reduce Beef Output
- High Feedstuff Price Range Expected to Continue
- Headwind to Calf and Yearling Prices – Compressed Margins for Cattle Feeders and Beef Packers
- Mistakes Are Costly, Sound Business Practices Required
- Agile Firms Will Benefit. Be Adaptable NOT Adapted
- Management is a Sequential Decision-Making Process, Especially in Drought
USDA Members:
ERS
APHIS
GIPSA
NASS
WAOB
AMS

Associate Members:
AFBF
ASI
NCBA
NBP
CME-Group
Canadian Consortium
Noble Foundation
CoBank
TCFA
CWB
TCU

29 land Grant Universities:

www.lmic.info

Change is inevitable; adaptation and survival are optional.

-Dee Likes
Kansas Livestock Association

Happy Trails in 2013
THANK YOU!