



Jan Feb

**CattleFax**

**Annual Meat Conference**

**Cattle and Beef Situation**

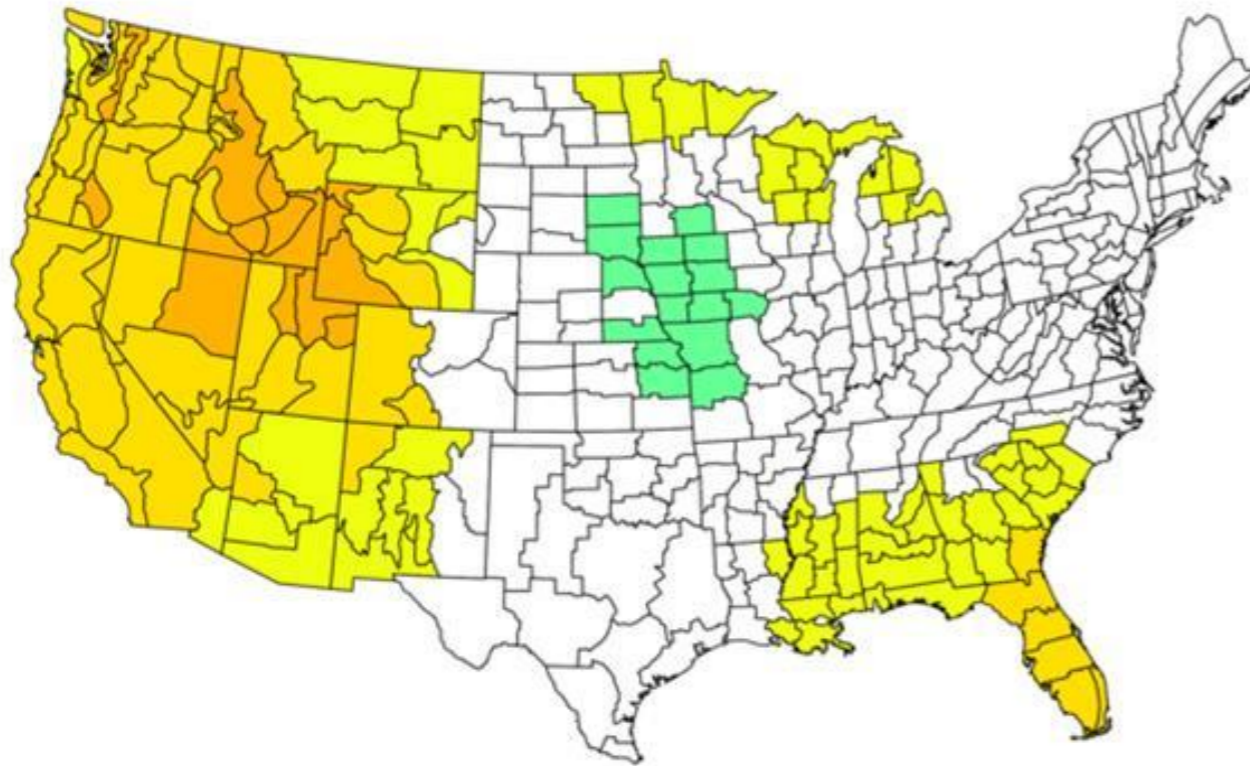
Randy Blach, CEO, CattleFax

# The Analog 2017 Spring Forecast

Ideal moisture conditions in the Plains as the West warms up.

## Spring Temperature

NOAA/NCDC Climate Division Composite Temperature Anomalies (F)  
Mar to May 1951,1961,1994,1995,2001,2015  
Versus 1950-1995 Longterm Average

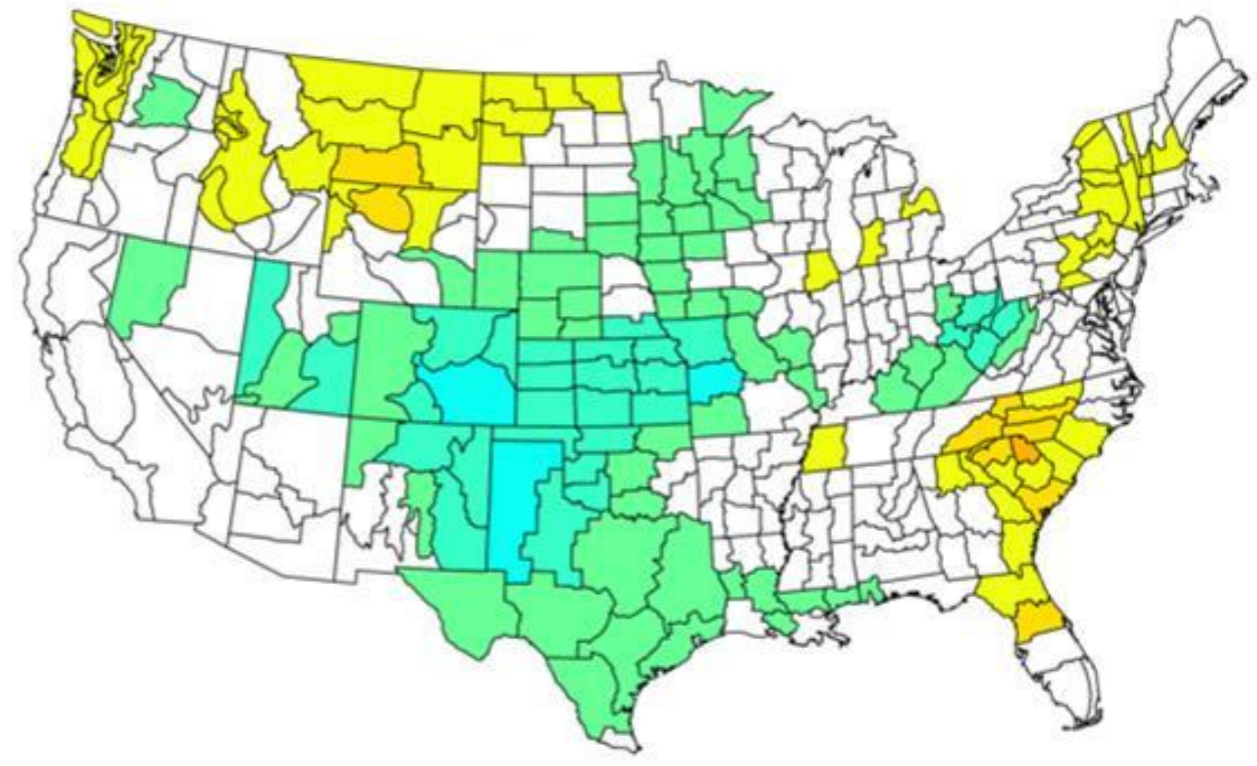


NOAA/ESRL PSD and CIRES-CU

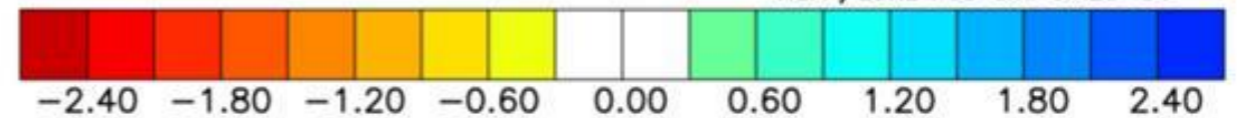


## Spring Precipitation

NOAA/NCDC Climate Division Composite Standardized Precipitation Anomalies  
Mar to May 1951,1961,1994,1995,2001,2015  
Versus 1950-1995 Longterm Average



NOAA/ESRL PSD and CIRES-CU

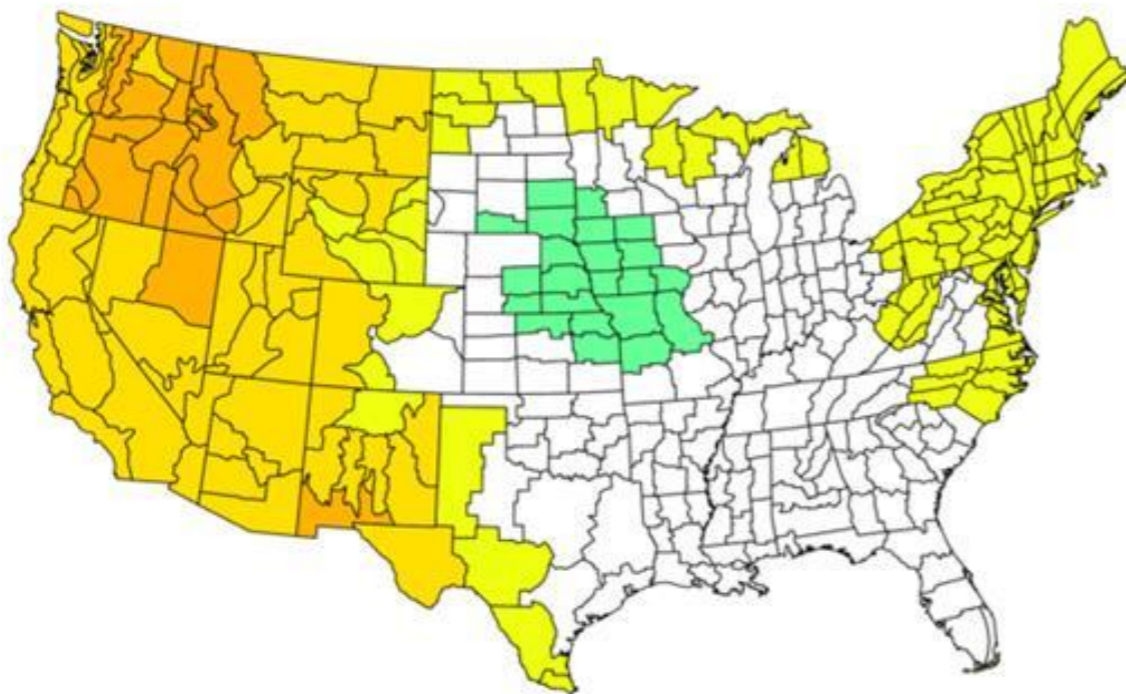


# The Summer 2017 Analog Forecast

## Warm-Dry West and Near Perfect Summer East.

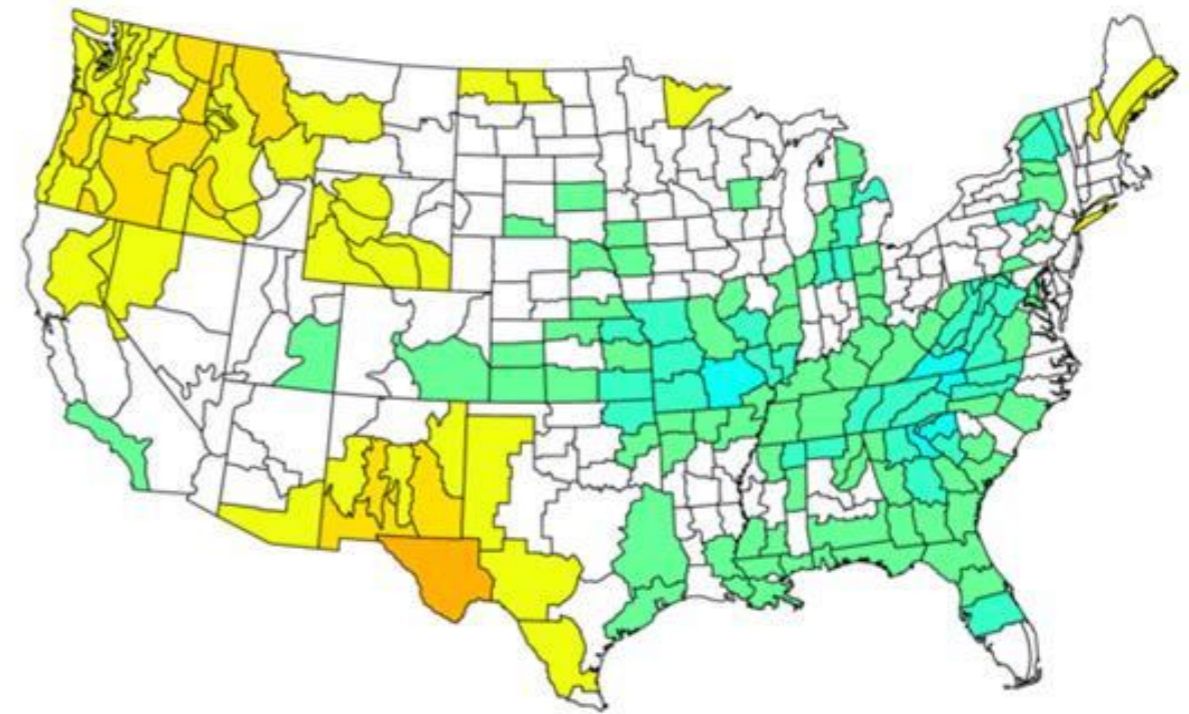
### Summer Temperature

NOAA/NCDC Climate Division Composite Temperature Anomalies (F)  
Jun to Aug 1951,1961,1994,1995,2001,2015  
Versus 1950-1995 Longterm Average



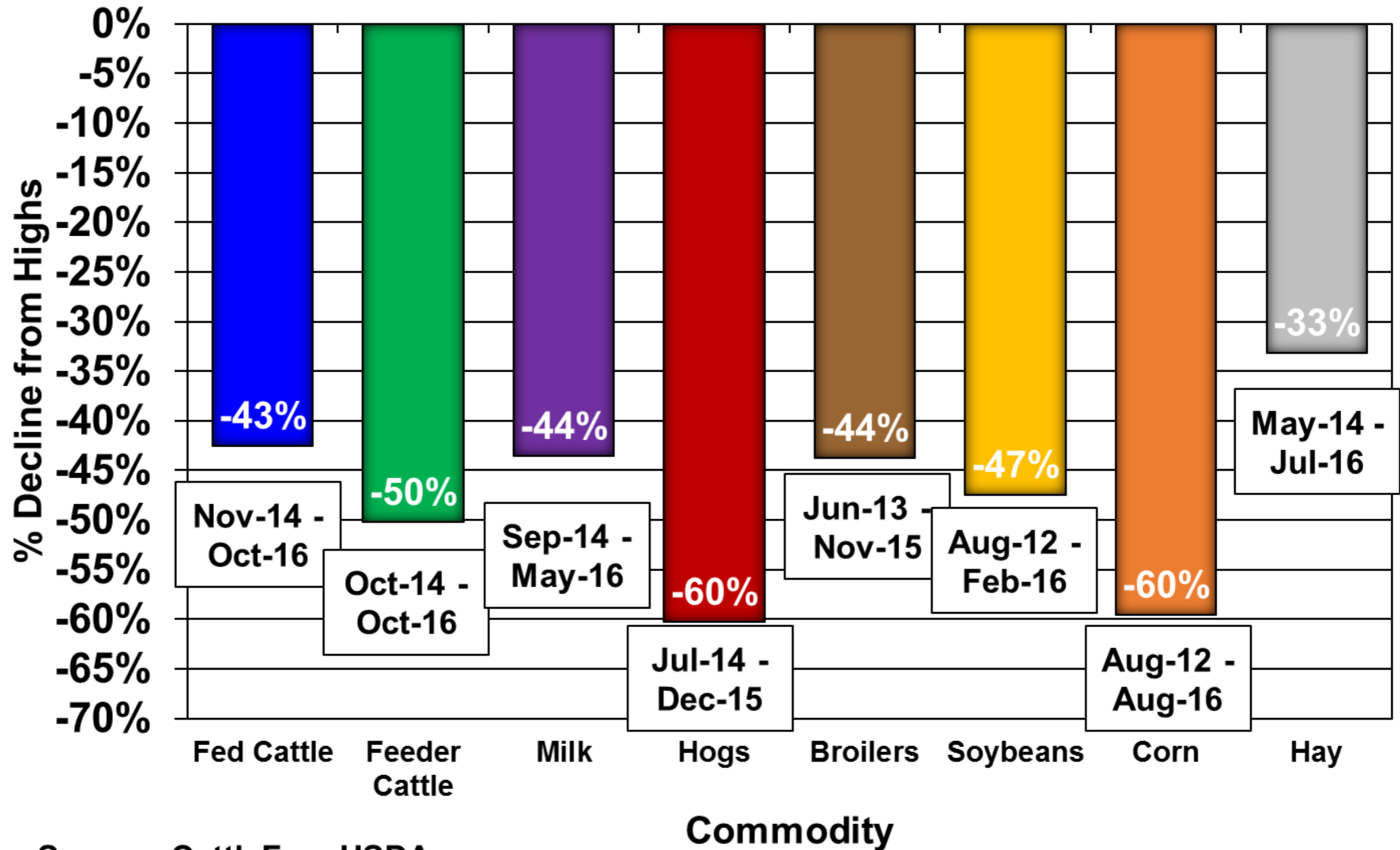
### Summer Precipitation

NOAA/NCDC Climate Division Composite Standardized Precipitation Anomalies  
Jun to Aug 1951,1961,1994,1995,2001,2015  
Versus 1950-1995 Longterm Average



# % Decline in Commodity Cash Prices

## *Recent Highs to Recent Lows*



Source: CattleFax, USDA

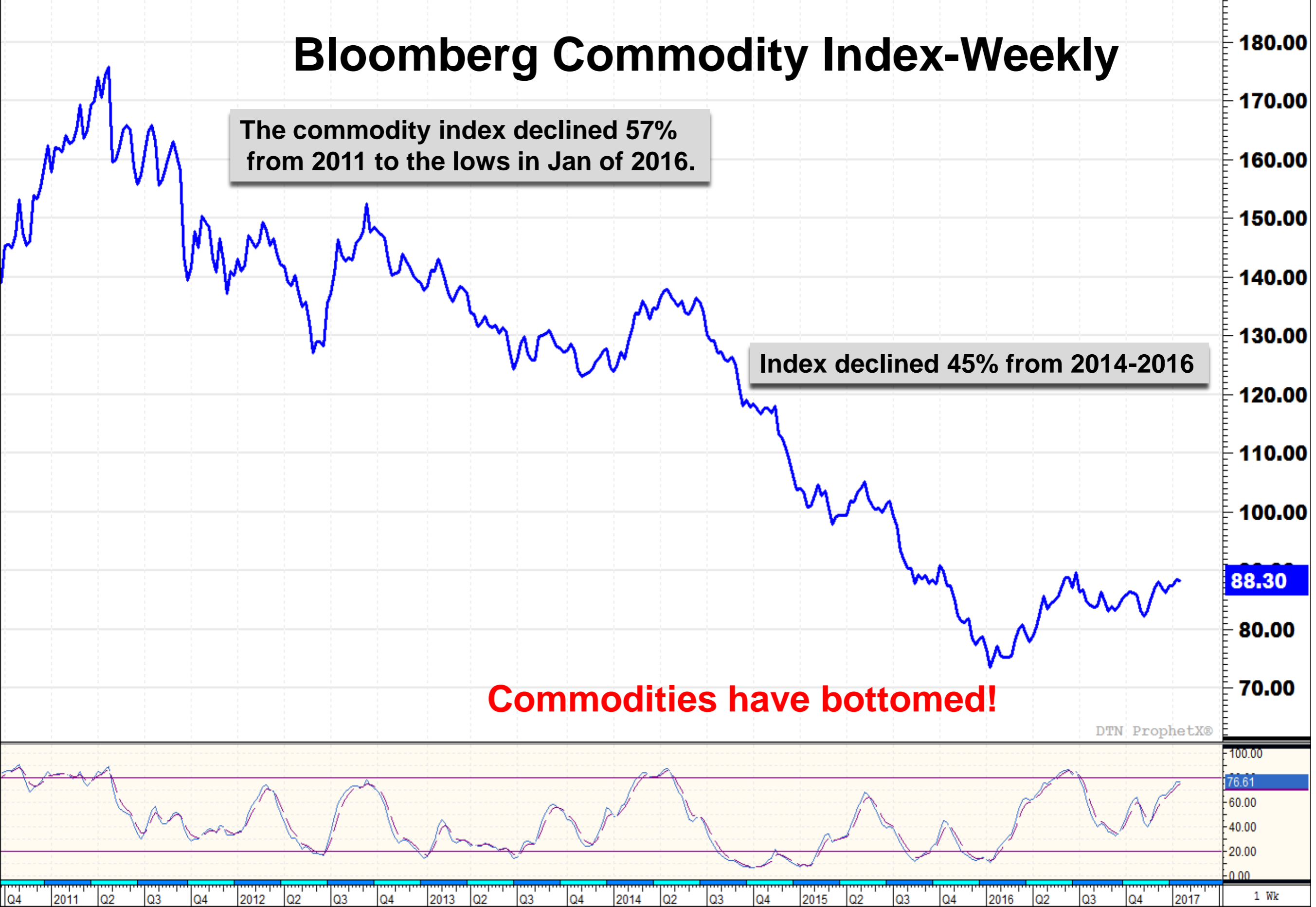
# Bloomberg Commodity Index-Weekly

The commodity index declined 57% from 2011 to the lows in Jan of 2016.

Index declined 45% from 2014-2016

**Commodities have bottomed!**

DTN ProphetX®



# ETF Buyers Pile Into Commodities Over 'Euphoria' on China Demand

February 13, 2017 1:53 PM February 13, 2017 5:00 PM. **BLOOMBERG**

Investors poured about \$3 billion into commodity-linked ETFs

**Money managers bullish on 16 of 18 commodities, CFTC data show**

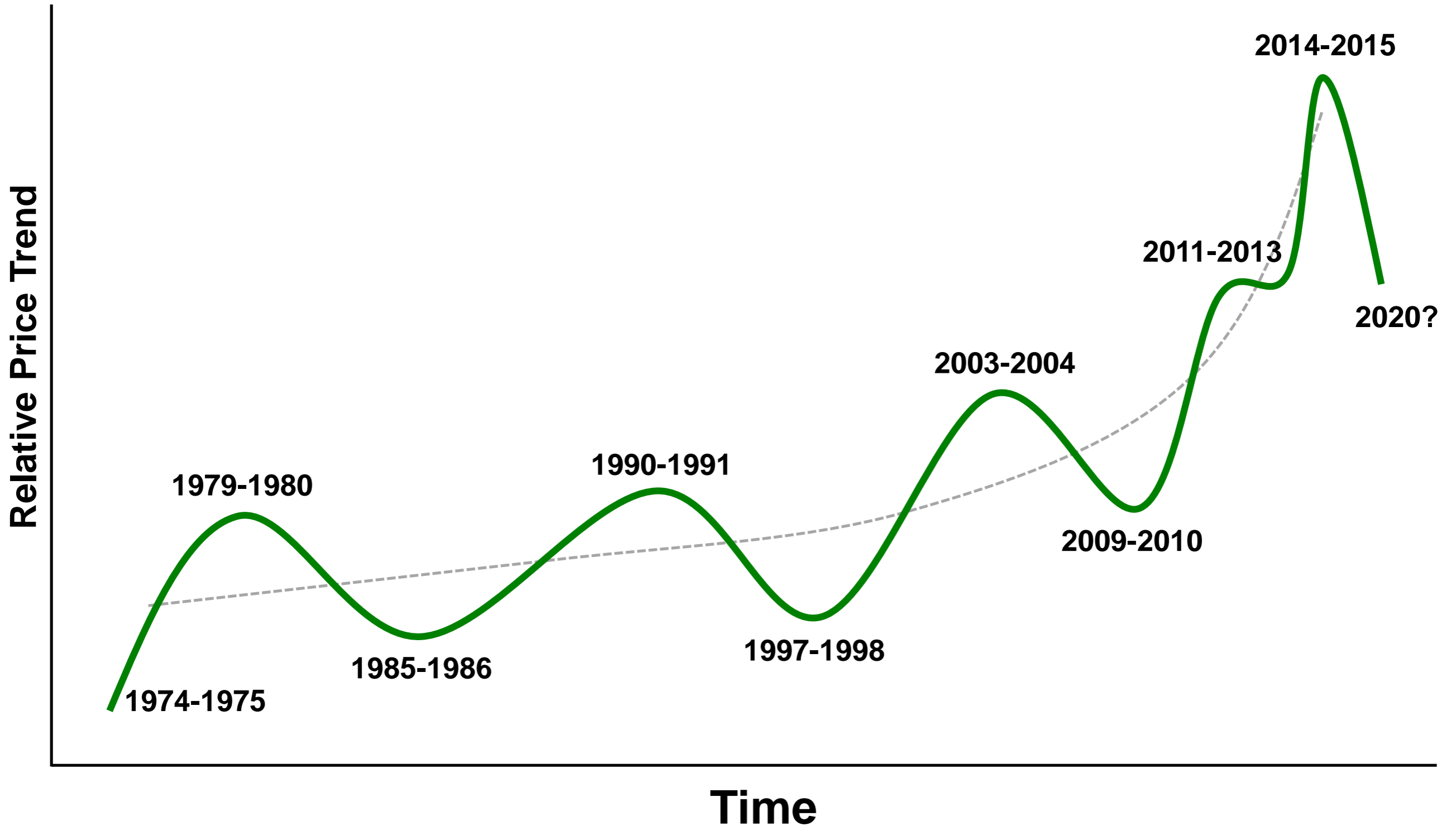
Commodities are in the longest rally in almost three years, and investors in exchange-traded funds are taking note.



# Supply, Demand and Leverage

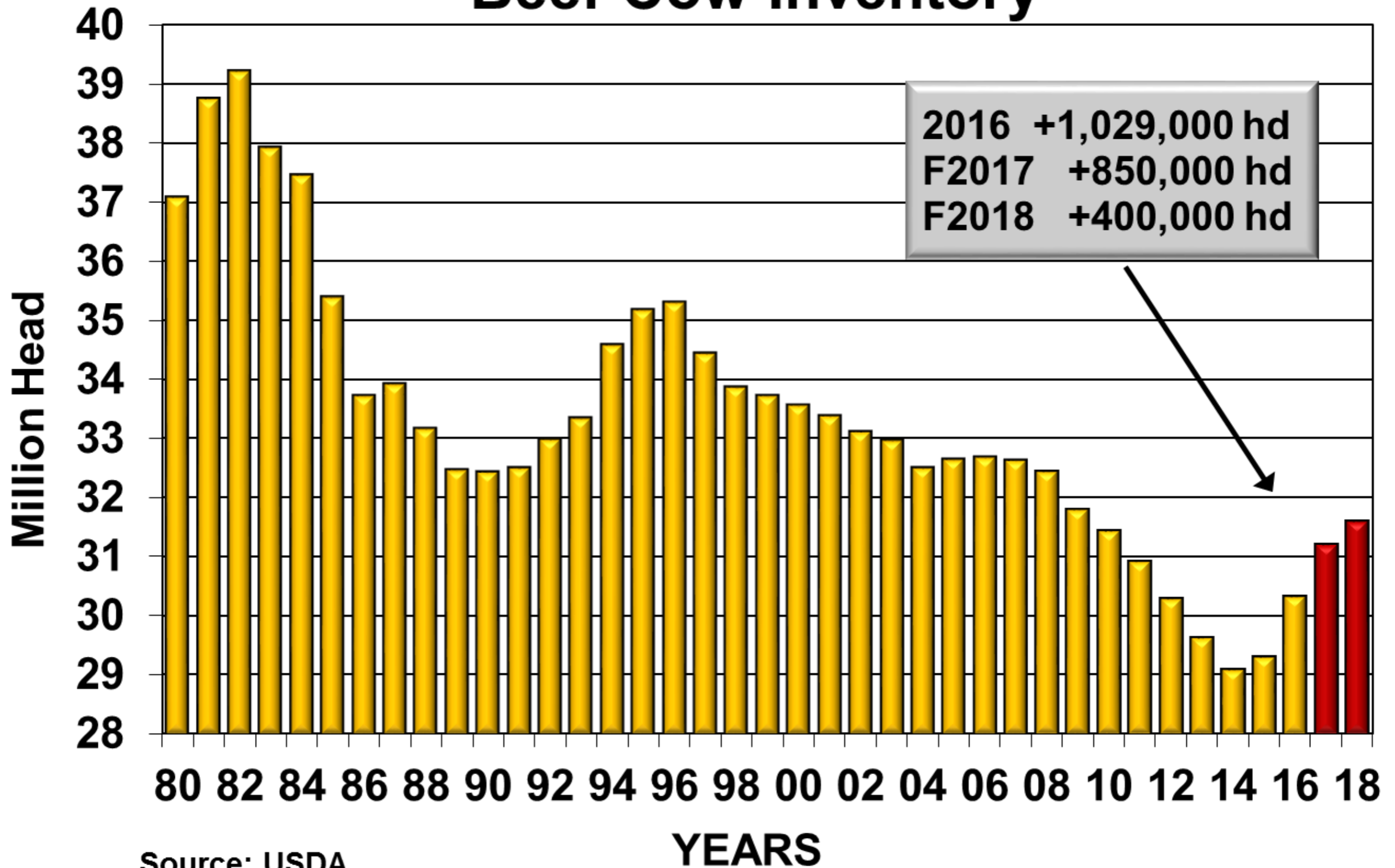
# The Cattle Cycle

*Historical U.S. Cattle Market Price Trend*



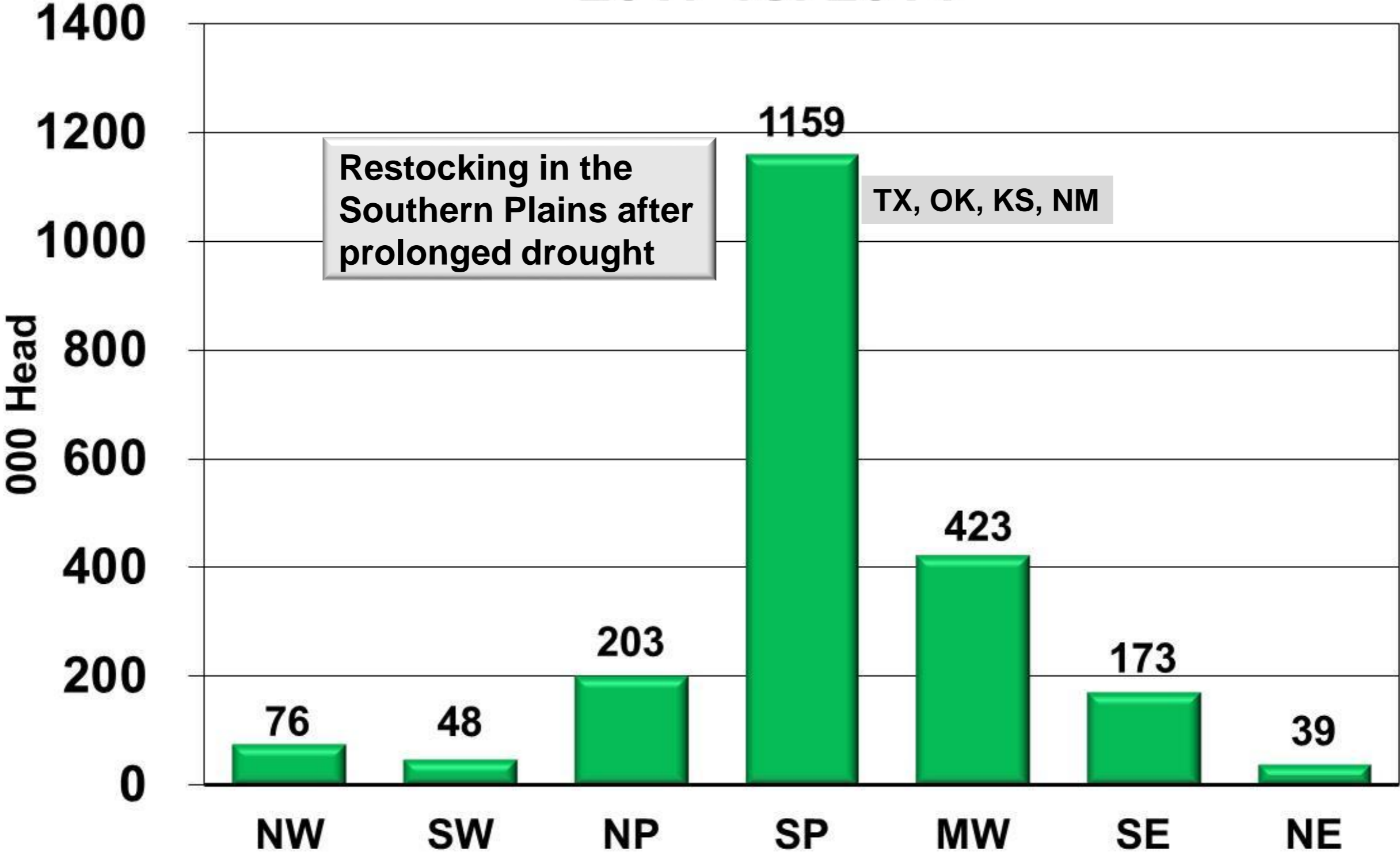


# Beef Cow Inventory



Source: USDA  
Projected 2017-18

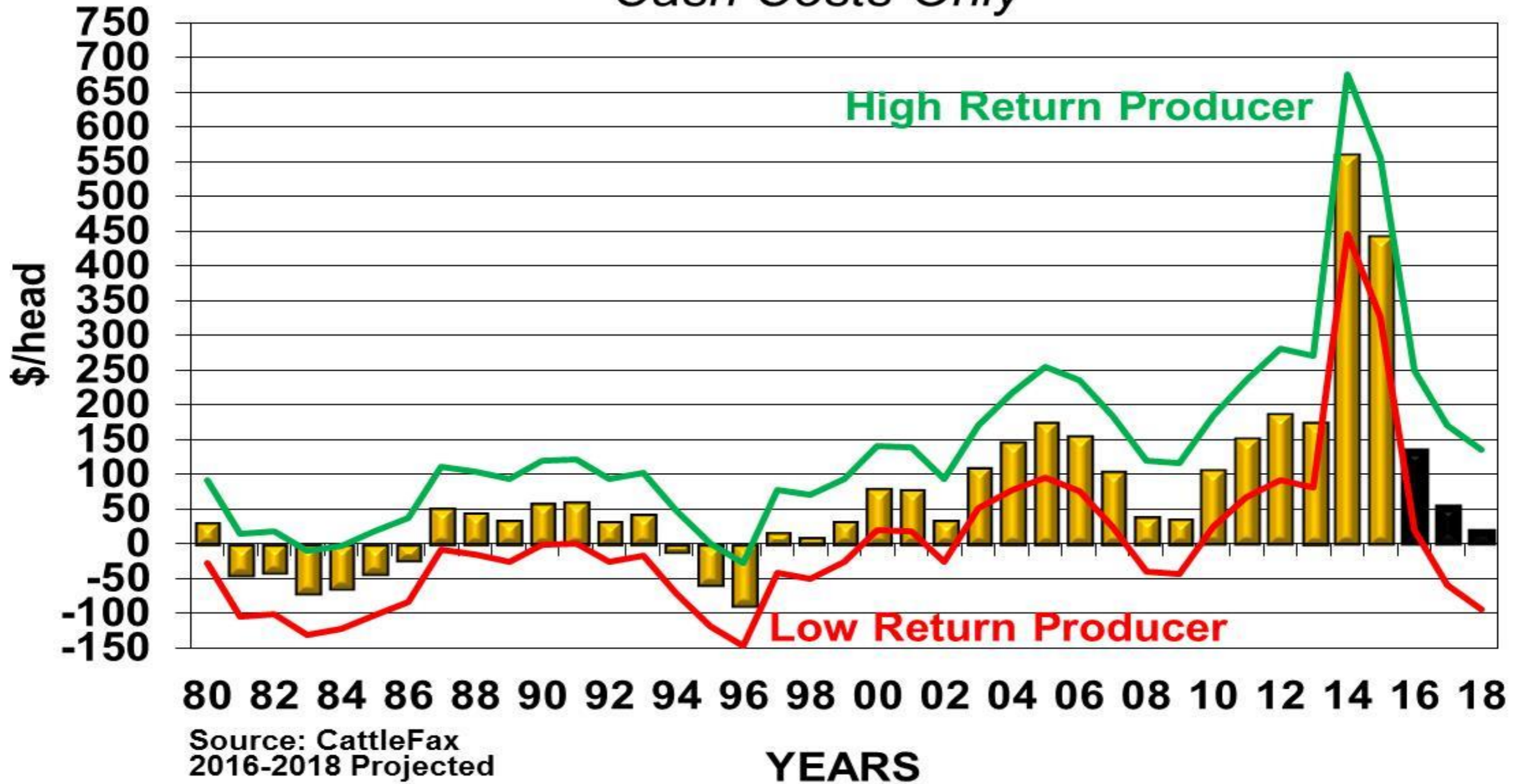
# Regional Change in U.S. Beef Cows 2017 vs. 2014



Source: USDA

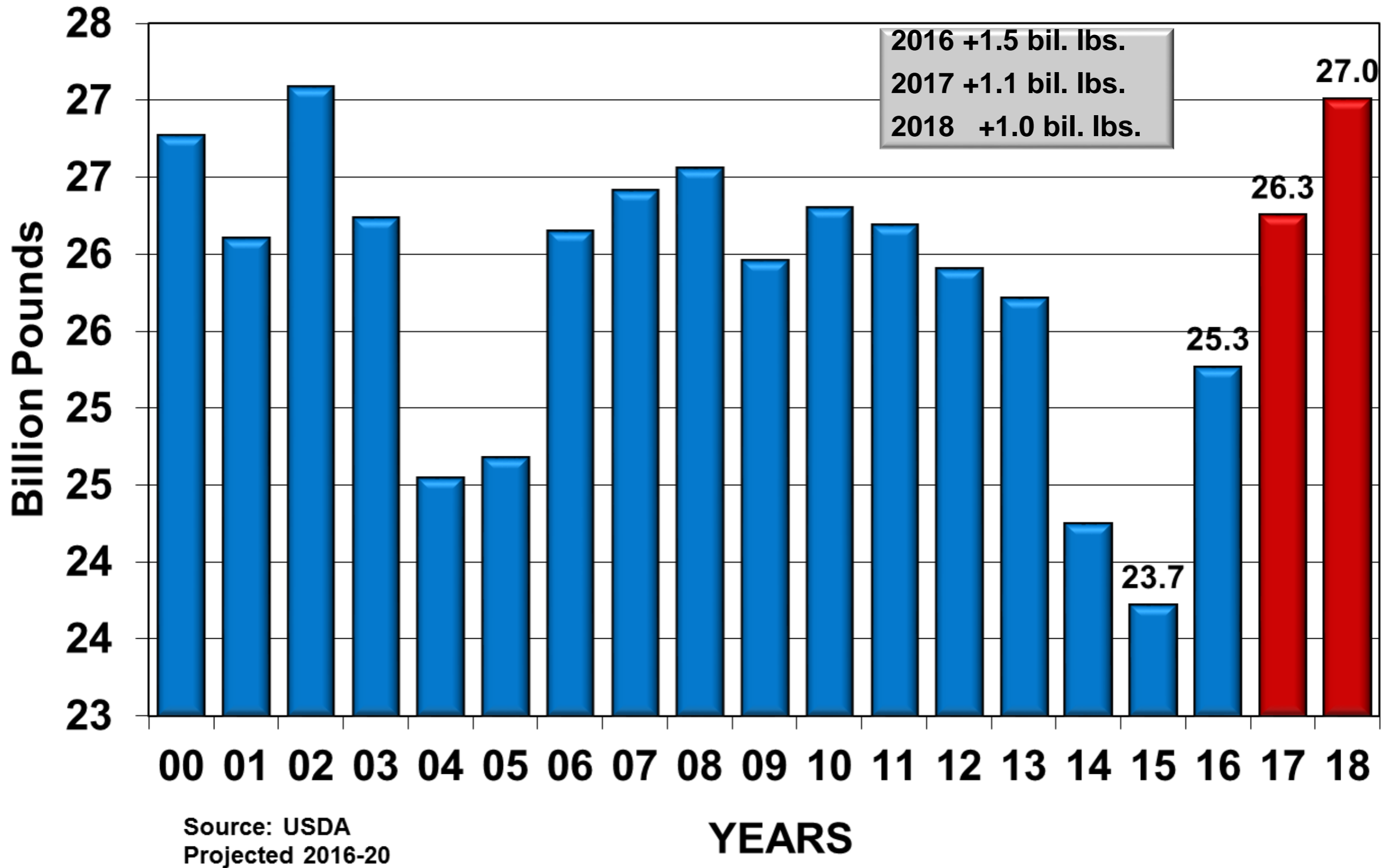
# Average Cow/Calf Profit (Loss)

## Cash Costs Only

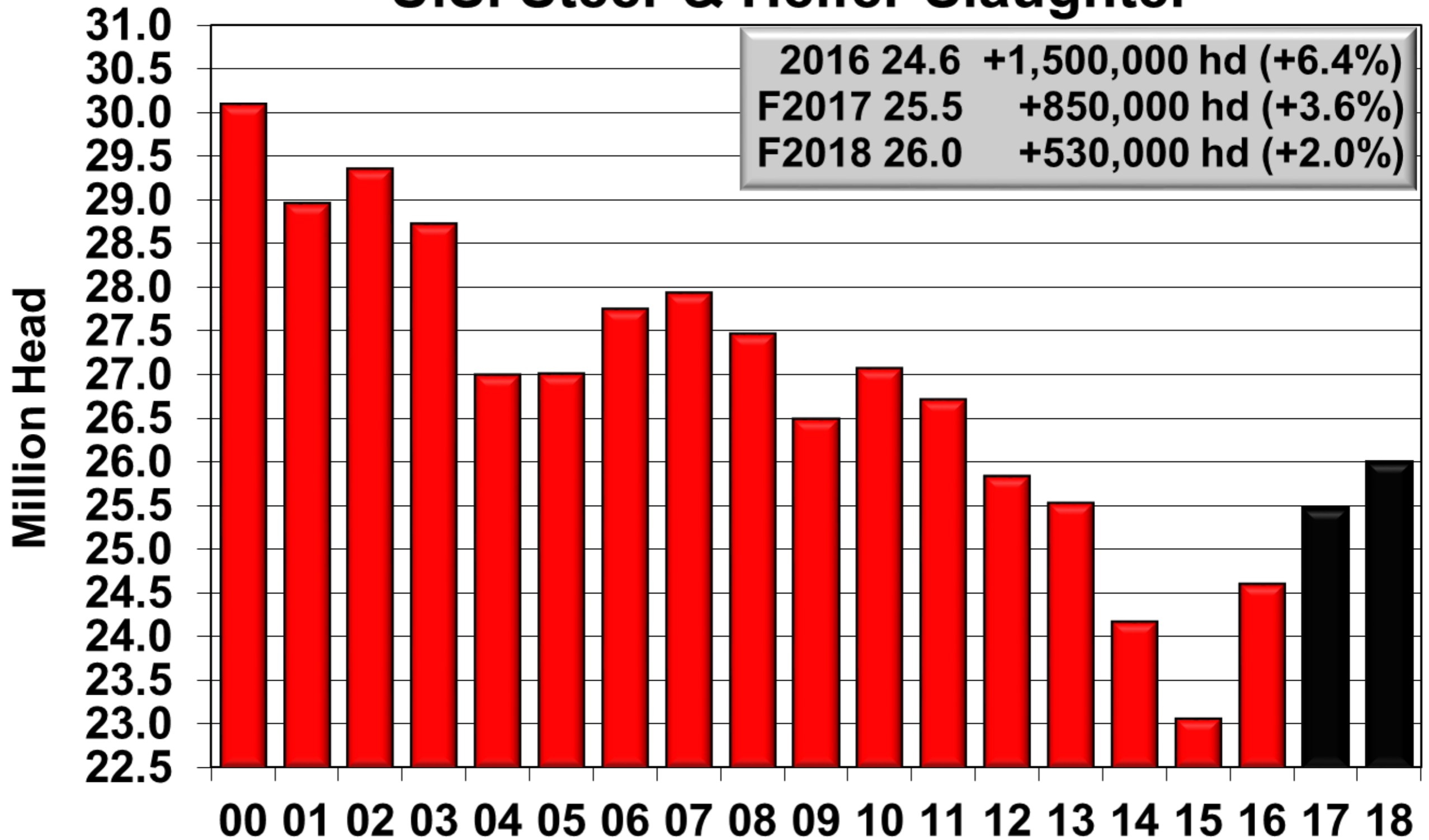


	Cash Cow Costs	Total Cow Cost (includes: depr., RTM)	<u>Breakeven</u>
High Return Producer	\$429.00	\$554.00	\$100/CWT
Avg. Return Producer	\$650.00	\$775.00	\$140/CWT
Low Return Producer	\$864.50	\$989.50	\$180/CWT

# Commercial Beef Production



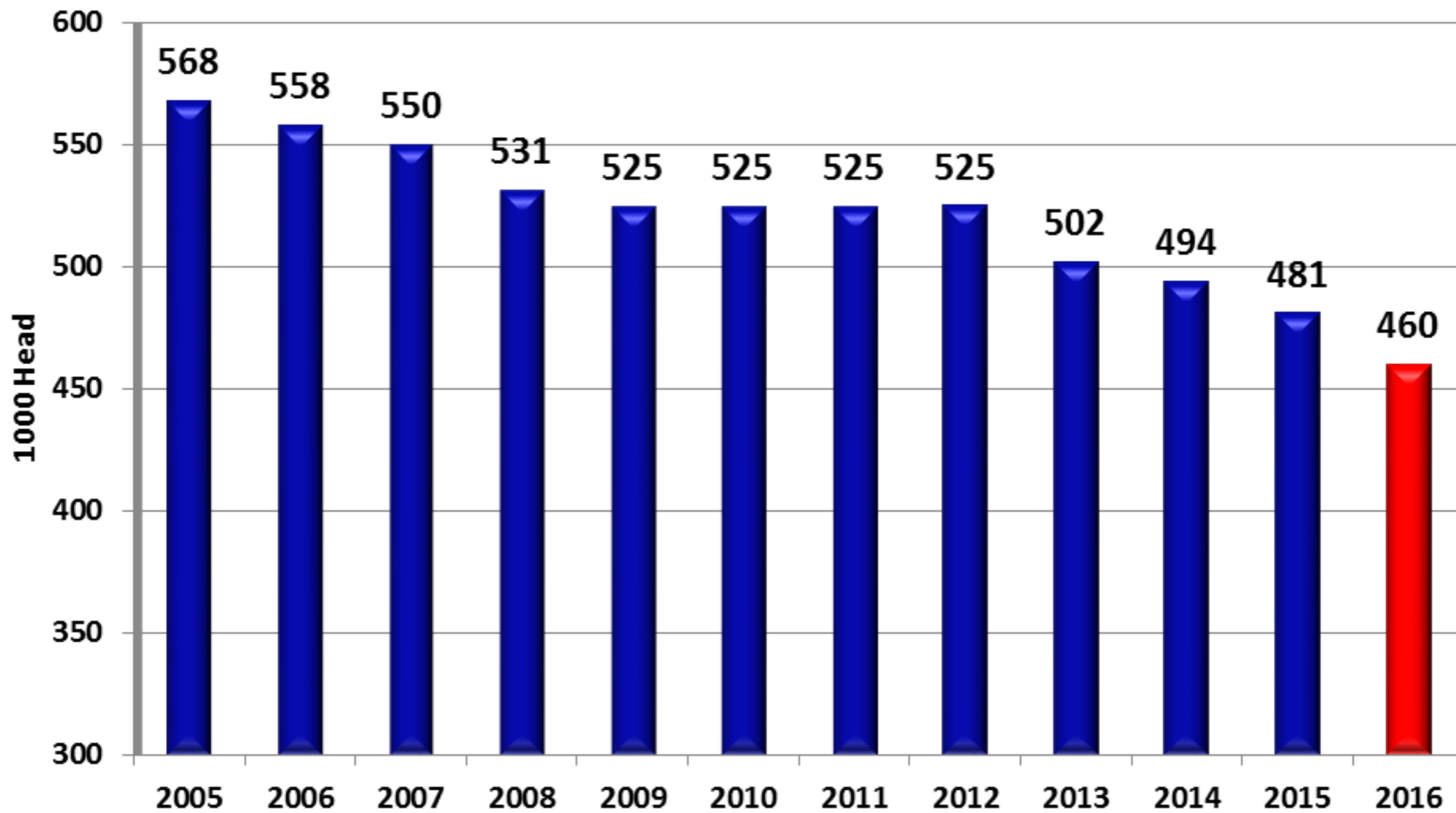
# U.S. Steer & Heifer Slaughter



Source: USDA  
Projected 2017-18

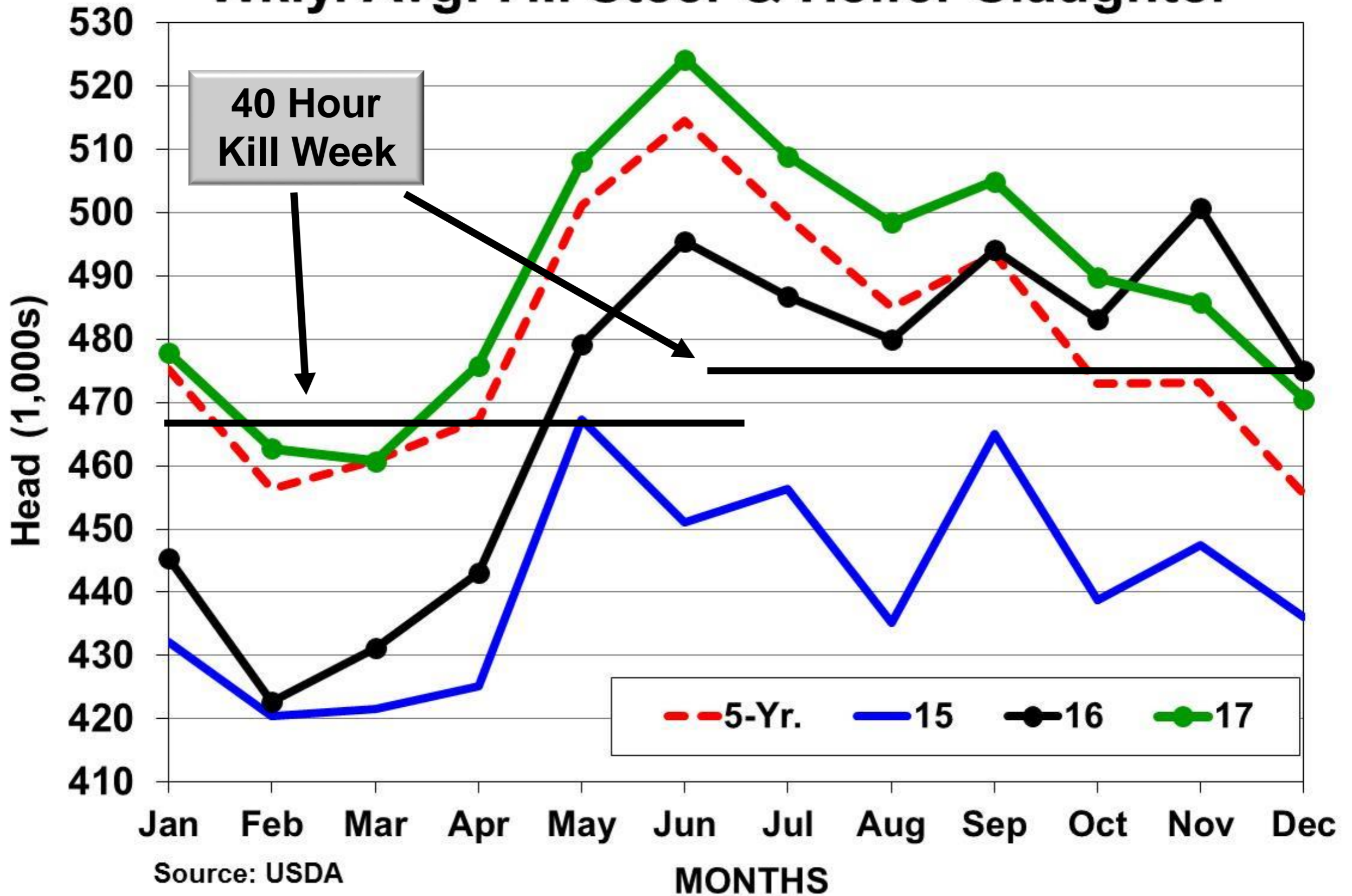
YEARS

# Weekly Steer & Heifer Slaughter Capacity Estimated 40 Hours Per Week



Cattle Fax Estimates/Forecast/Assumptions

# Wkly. Avg. F.I. Steer & Heifer Slaughter



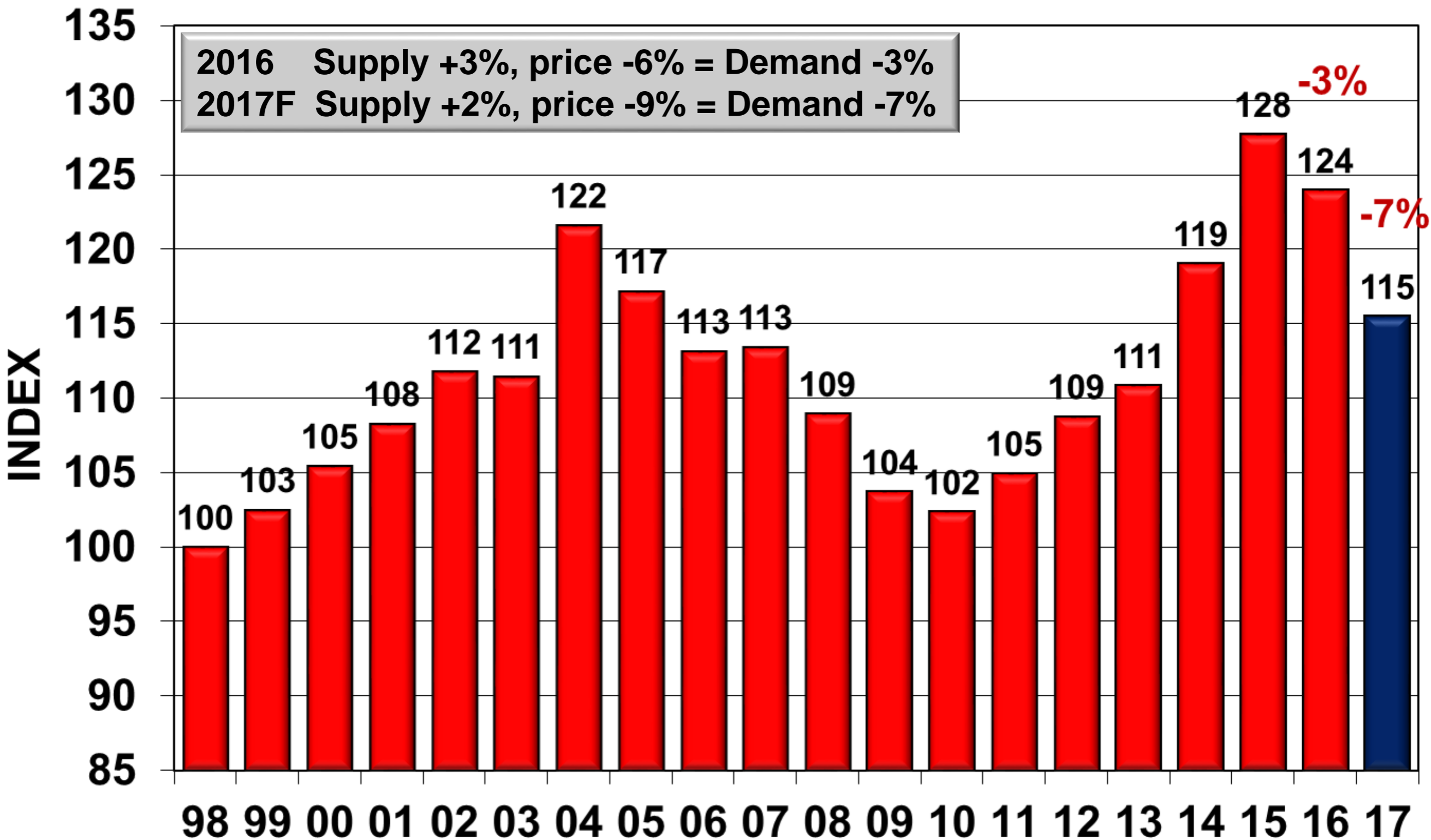
Source: USDA



# Demand and Trade



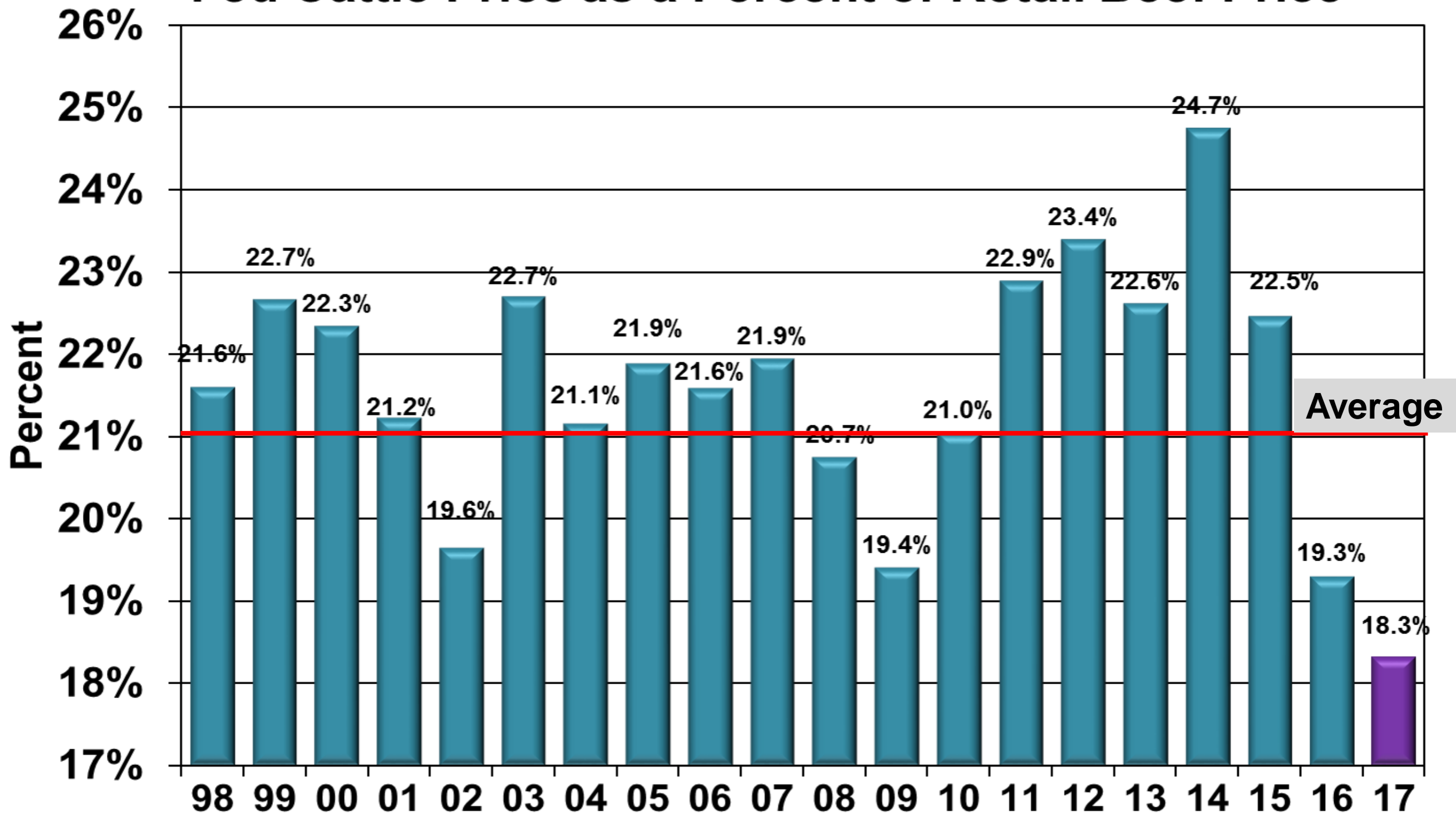
# Annual All Fresh Retail Beef Demand Index



Source: USDA & K-State, 2017 Projected

\*Deflated Prices

# Fed Cattle Price as a Percent of Retail Beef Price



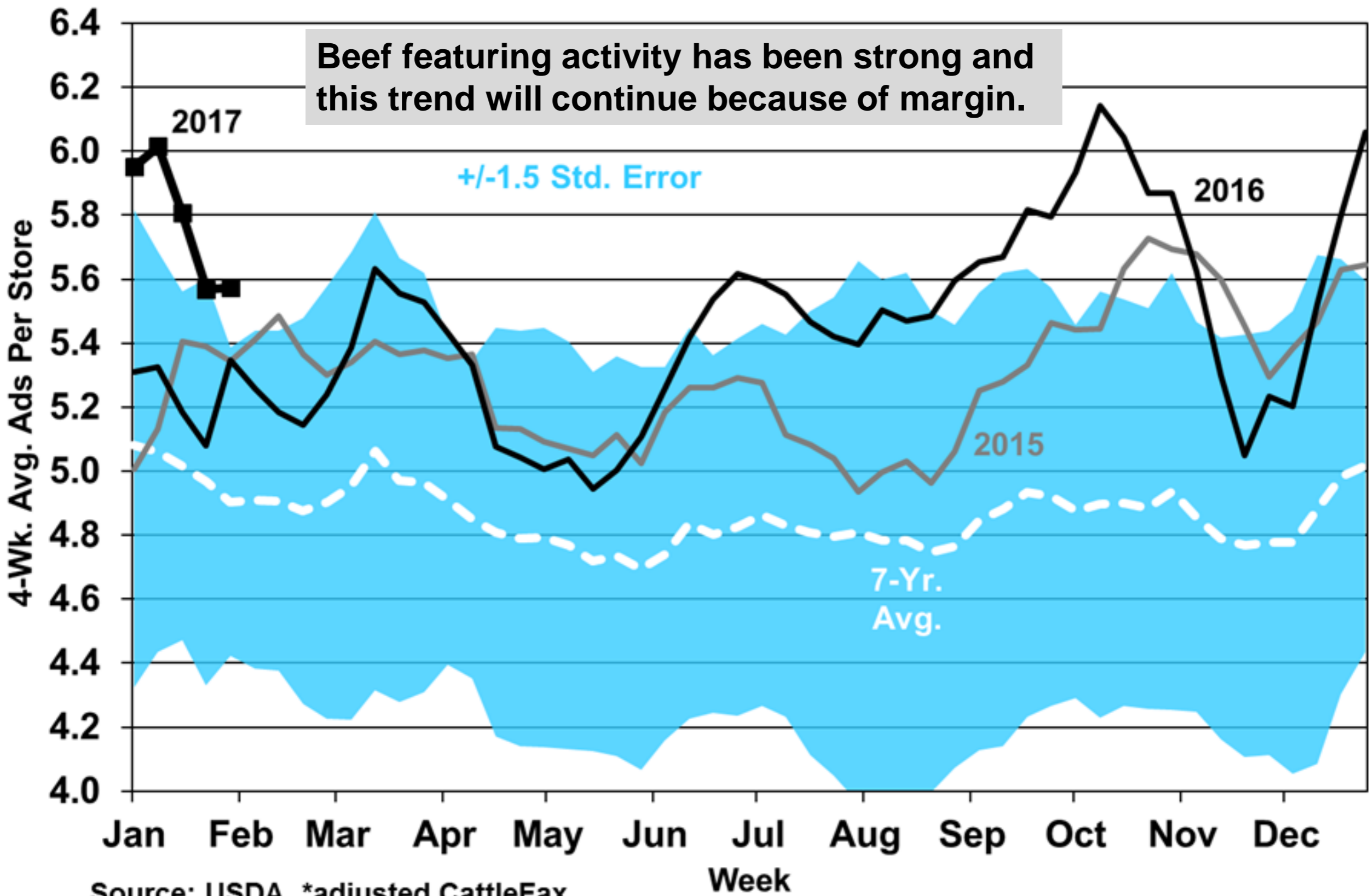
Source: CattleFax & USDA, 2017 forecast

\*Fed price excludes drop credit

\*Retail price is USDA All Fresh

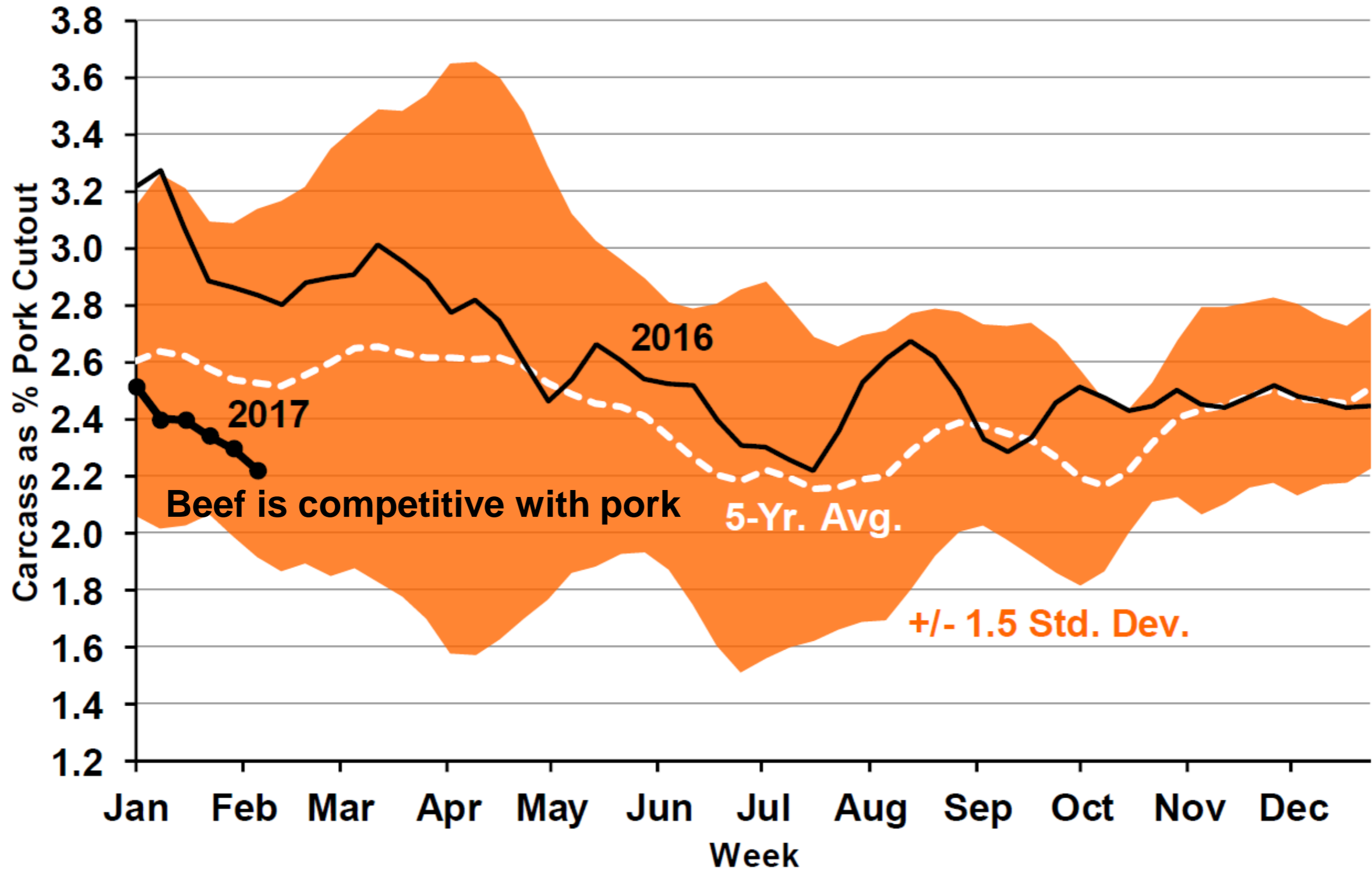
**Retail margins remain strong**

# USDA Beef Retail Feature Activity\*



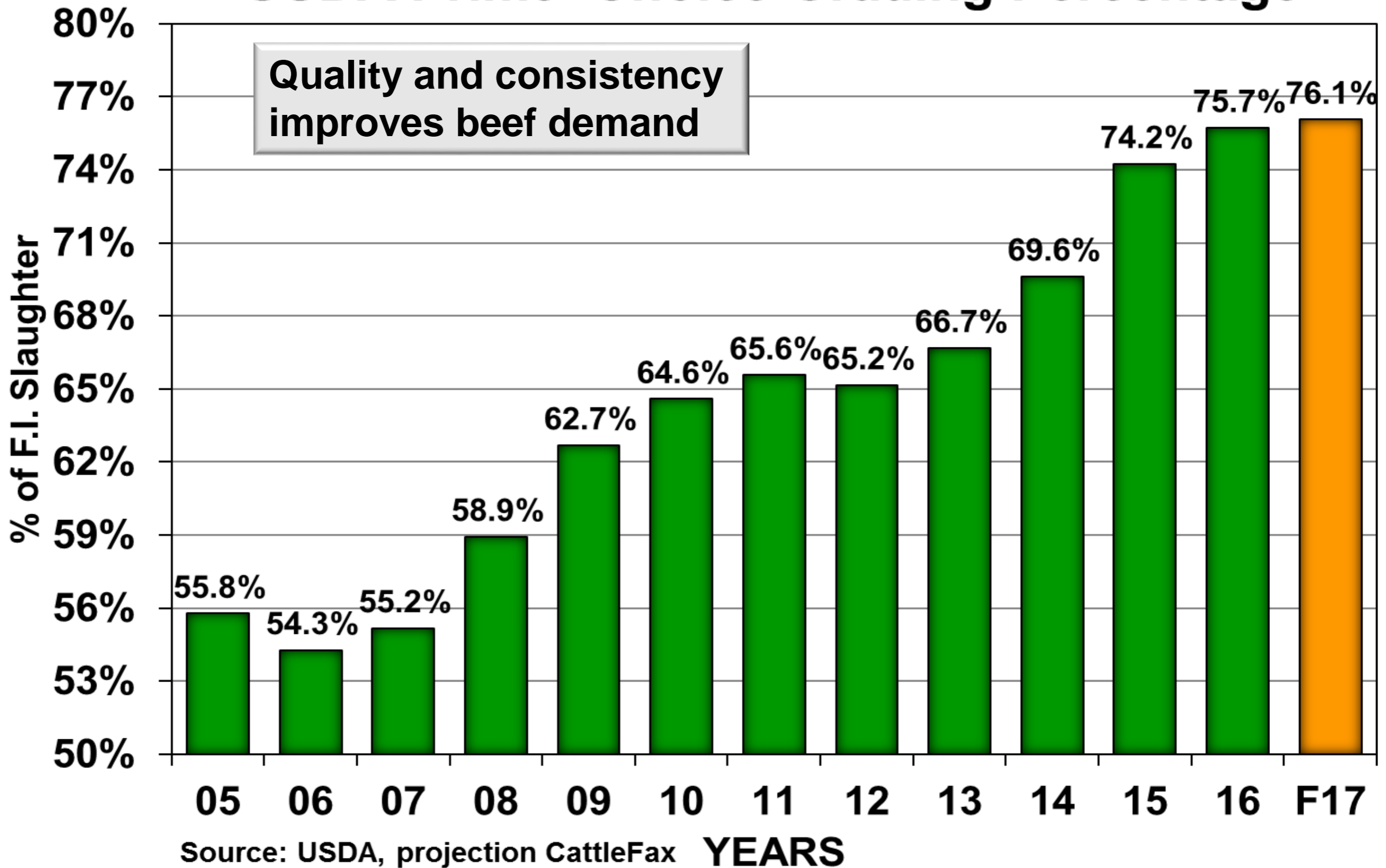
Source: USDA, \*adjusted CattleFax

# USDA Composite Beef Cutout to Pork Cutout Price Ratio



# USDA Prime+Choice Grading Percentage

Quality and consistency improves beef demand

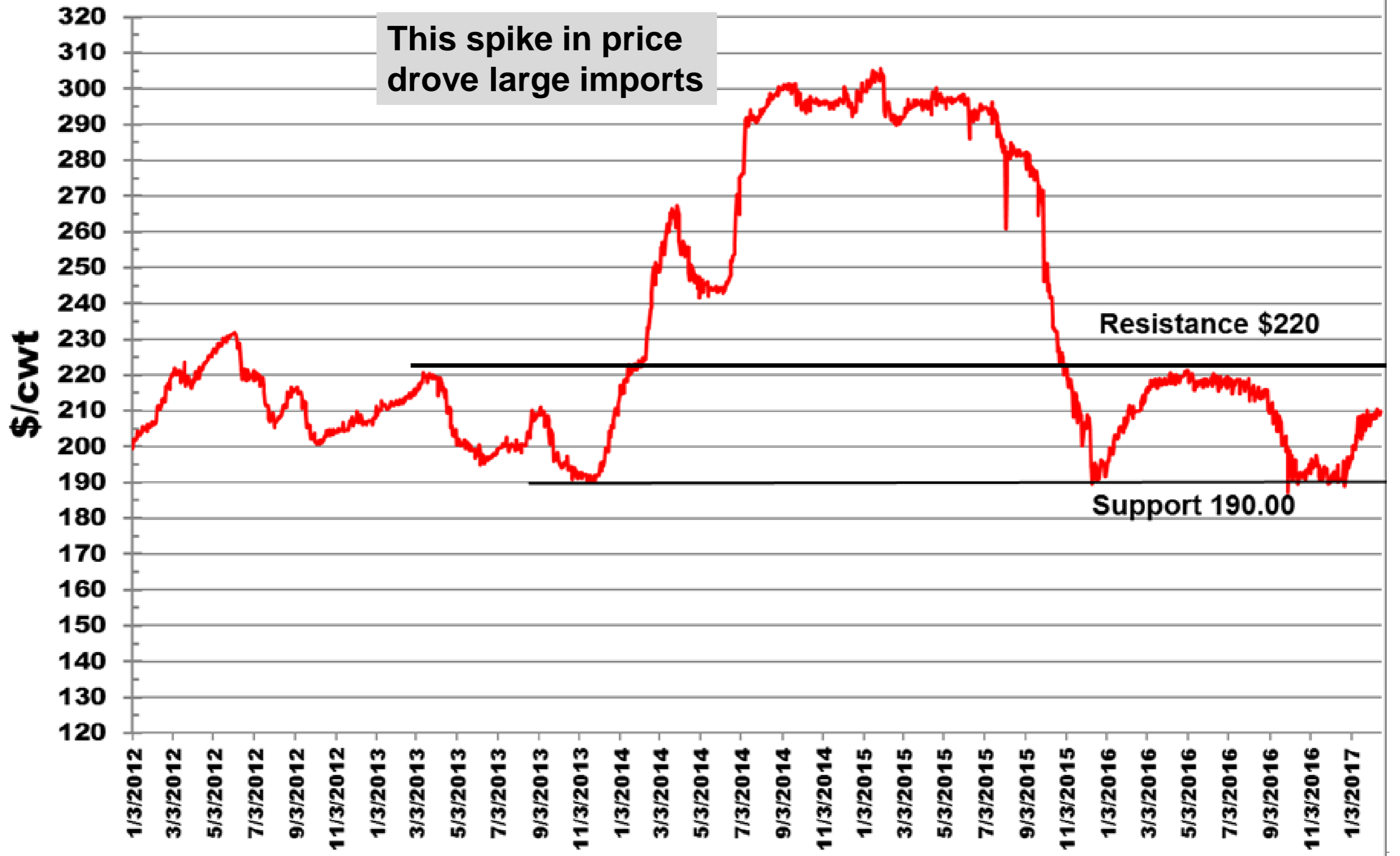


Source: USDA, projection CattleFax YEARS

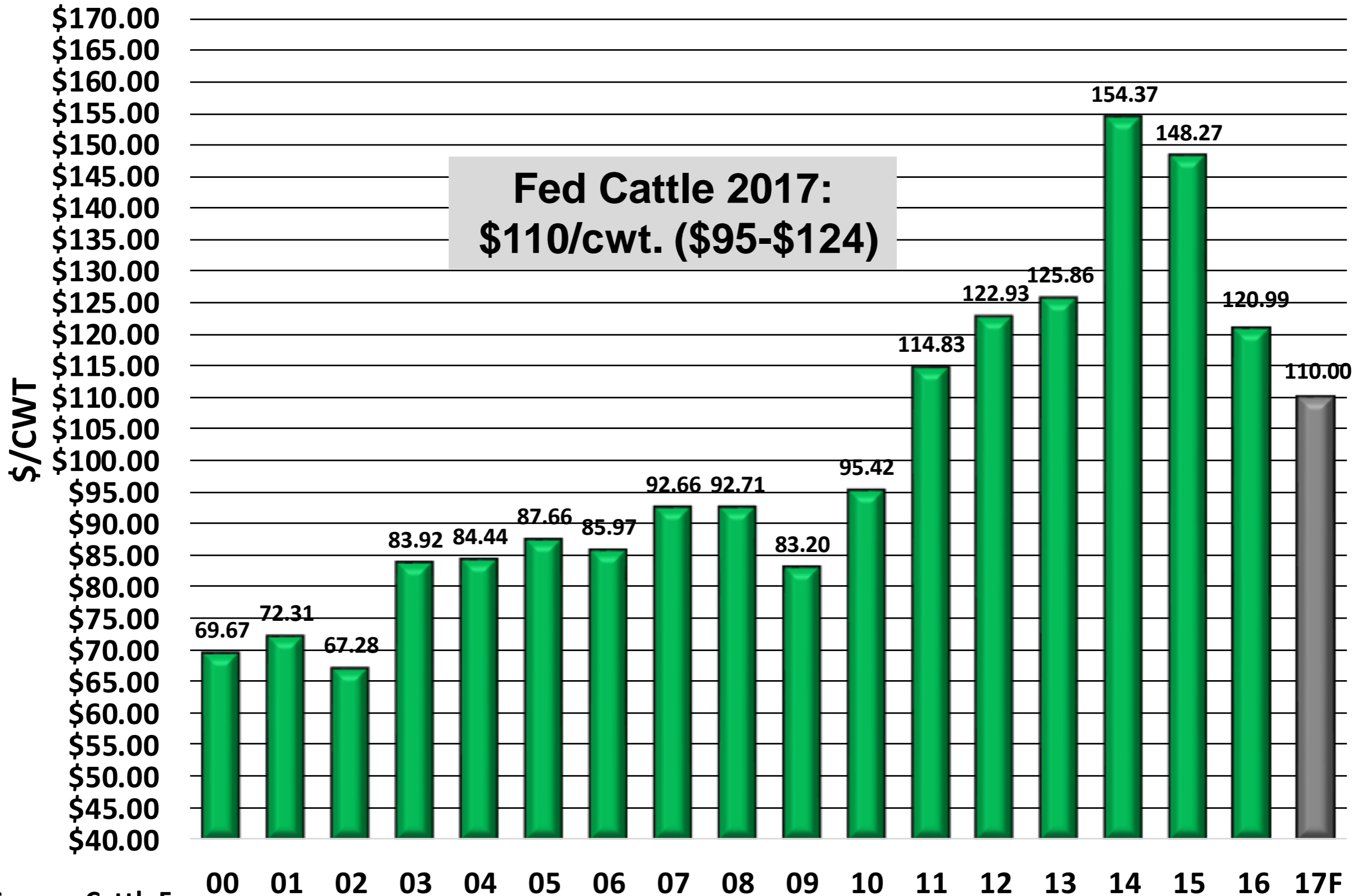
# U.S. Beef Imports and Exports



# Daily 90's Trim Price Jan 2012 thru YTD 2017



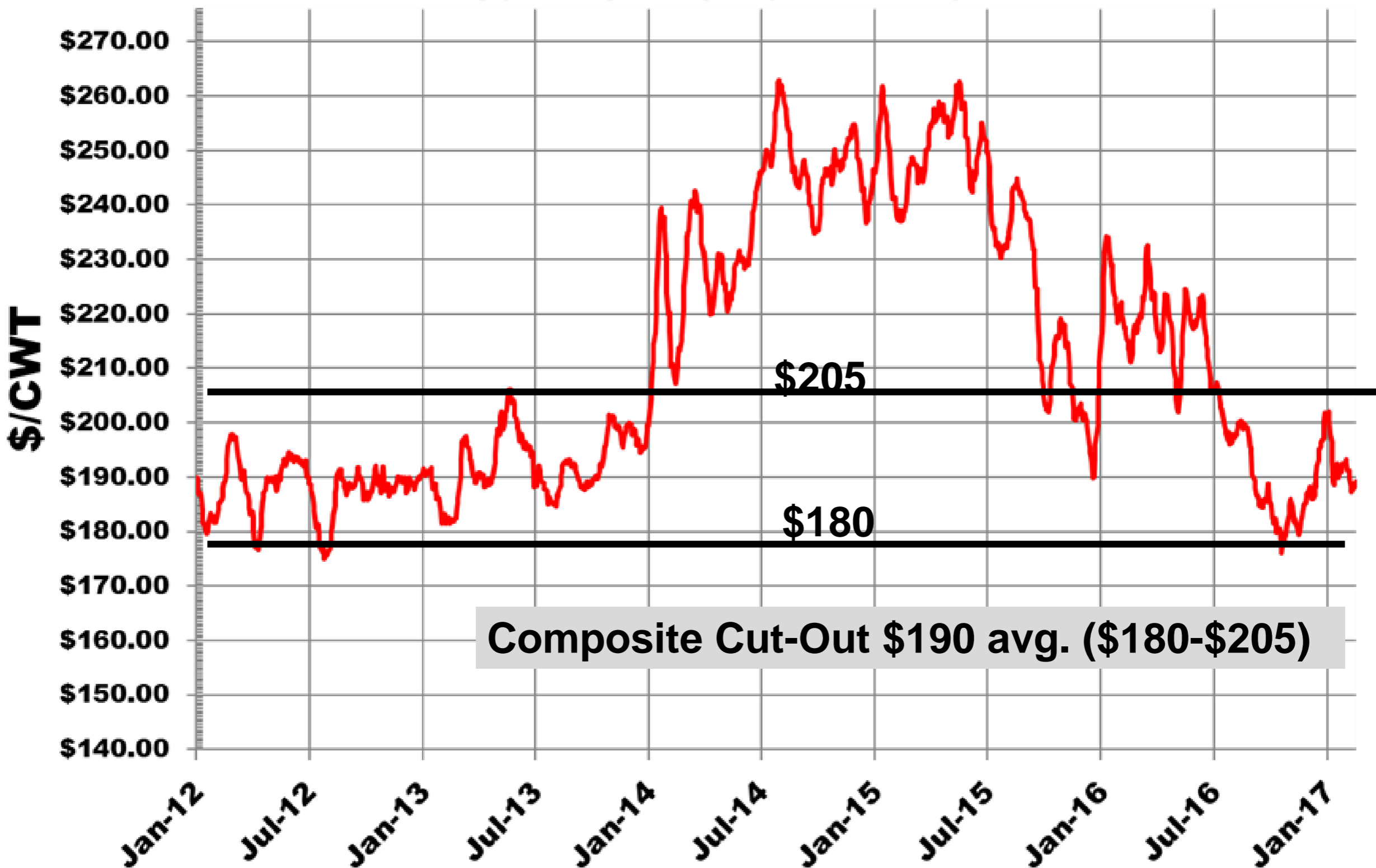
# Annual Average CattleFax Fed Steer Price



Source: CattleFax



# Daily Blended Composite Cutout Jan 2012 thru YTD 2017

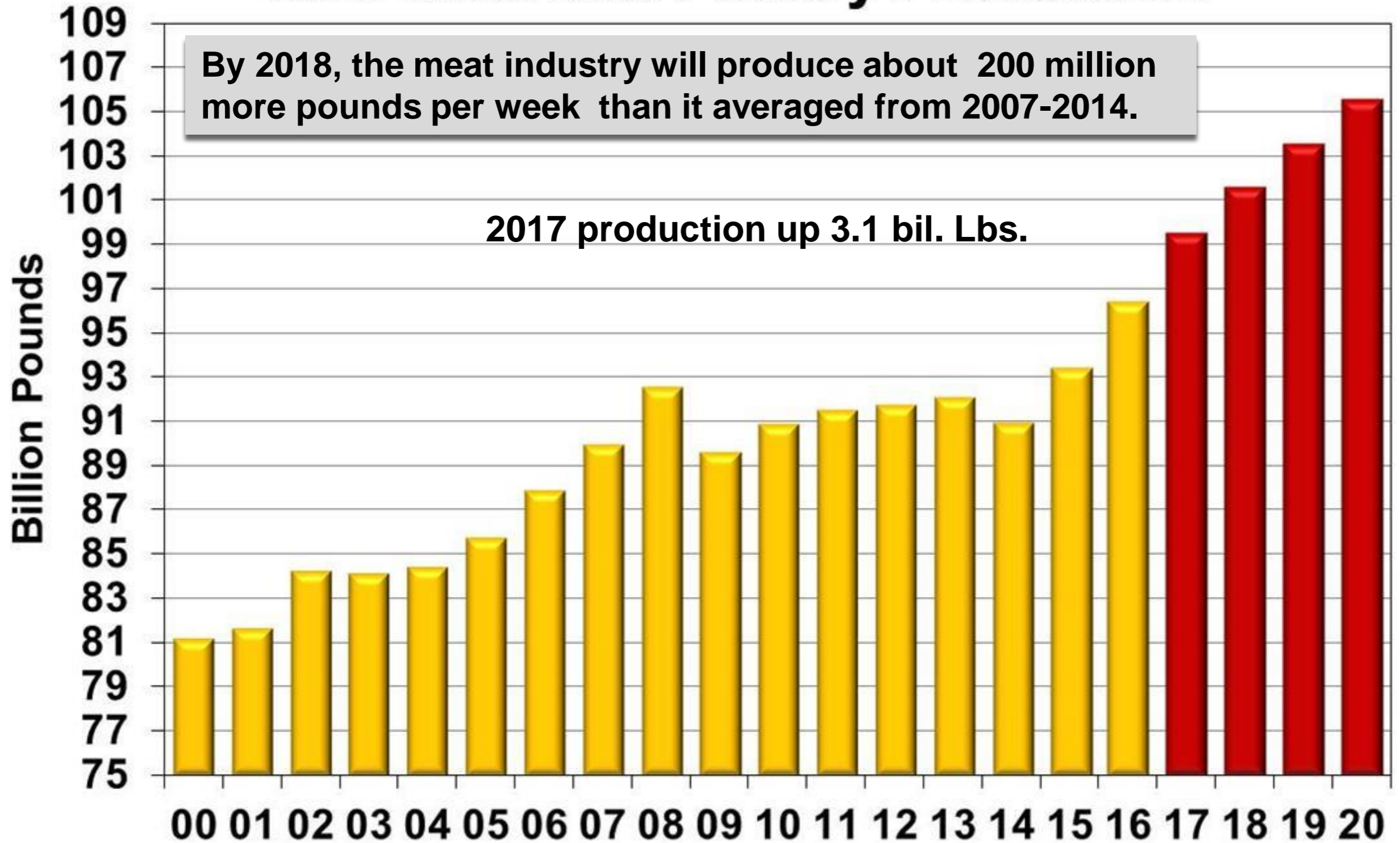


Source: USDA



# Executive Summary

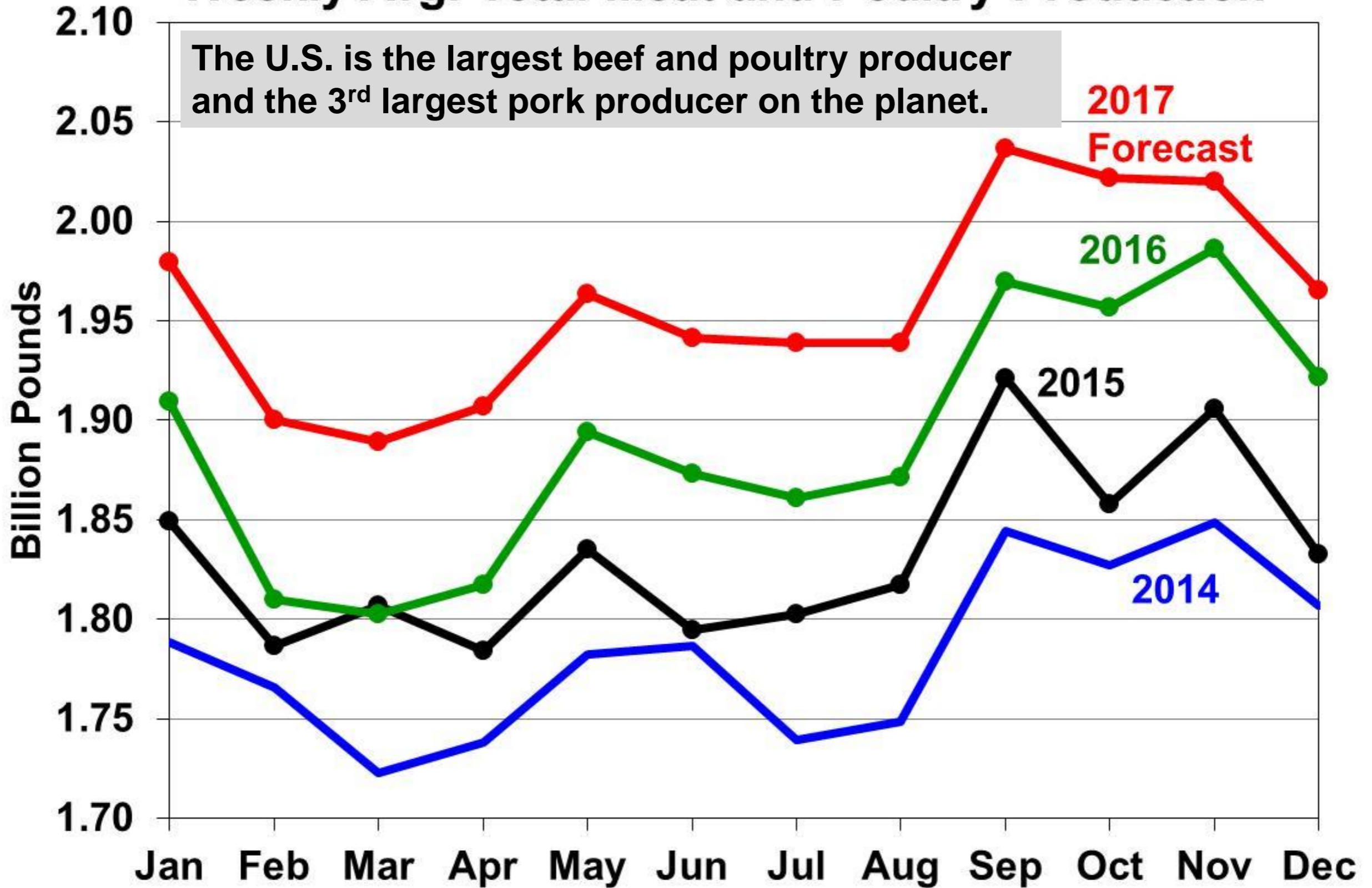
# U.S. Meat and Poultry Production



Source: USDA  
2017-2020 Forecast

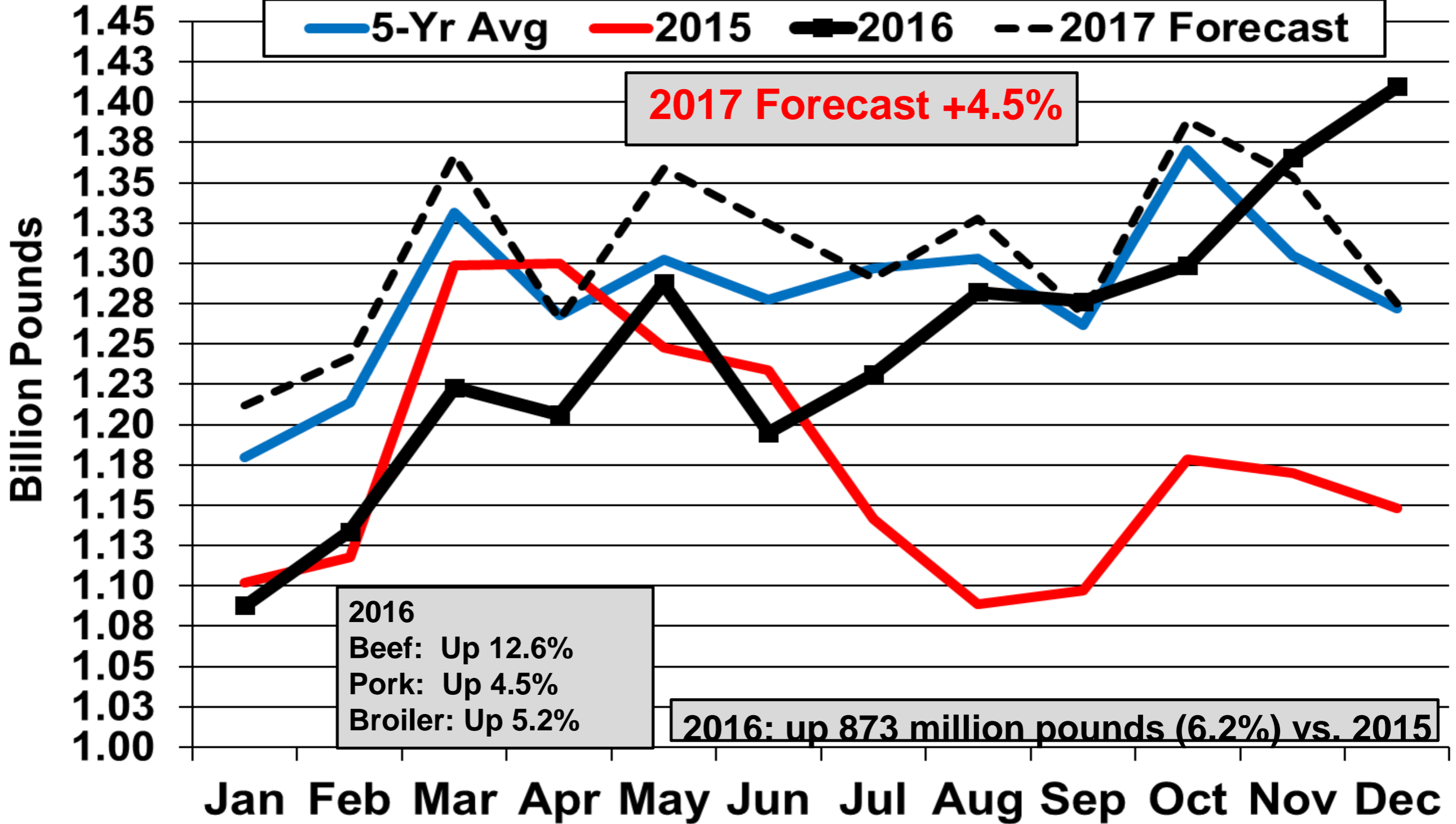
YEARS

# Weekly Avg. Total Meat and Poultry Production



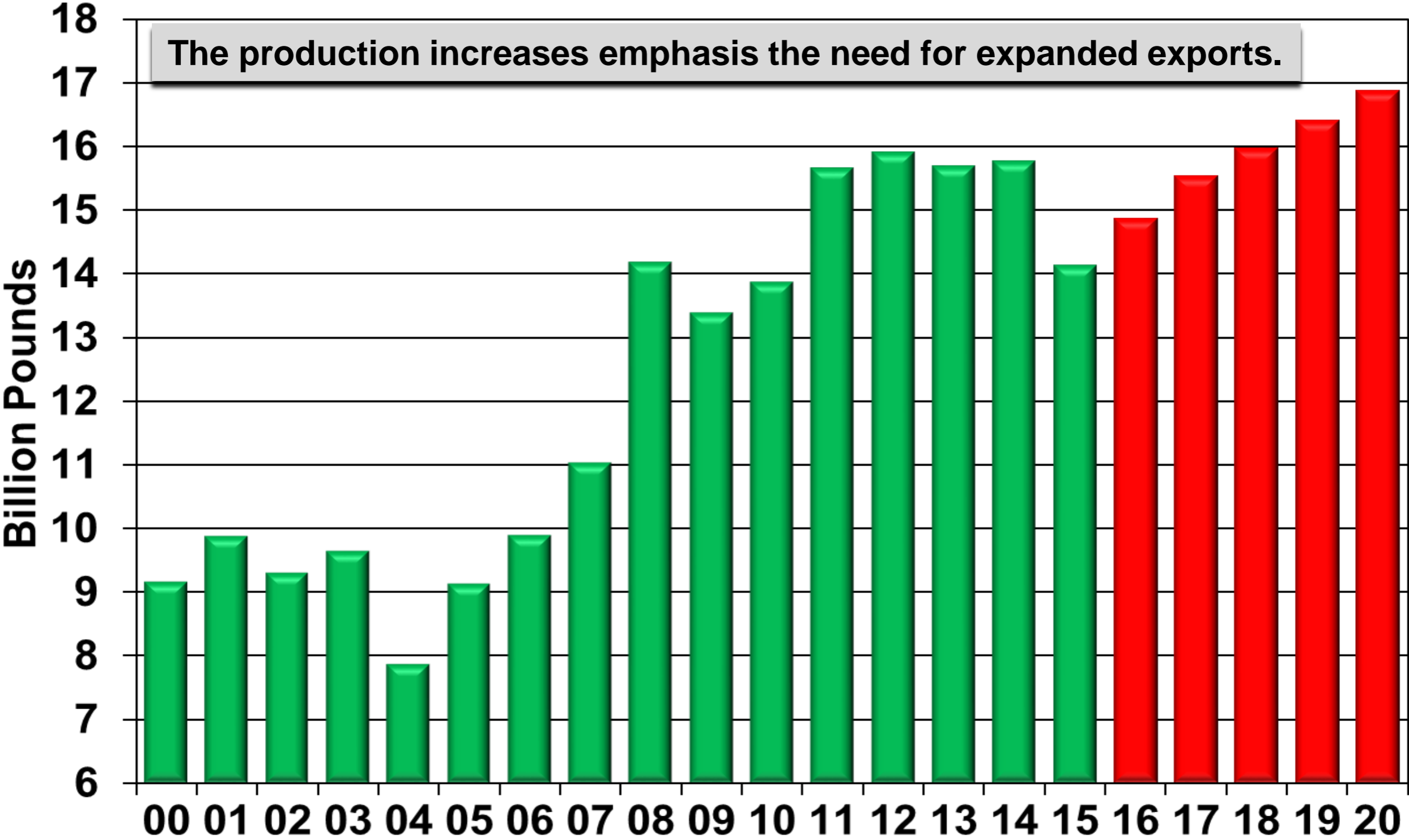
Source: USDA, CattleFax

# U.S. Total Meat Exports



Source: USDA

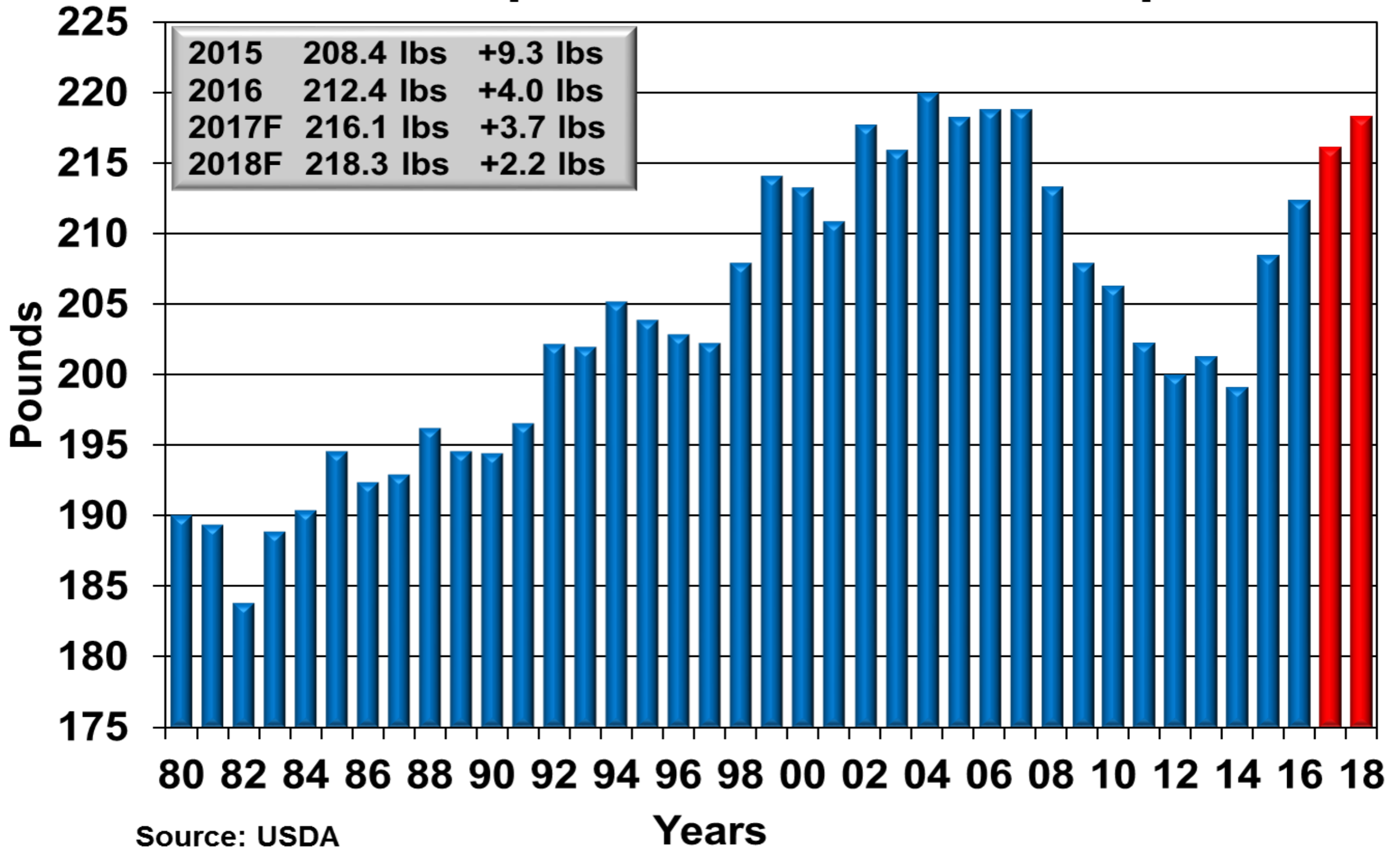
# U.S. Meat & Poultry Exports



Source: USDA  
2016-2020 Forecast

Years

# Per Capita Net Meat Consumption



Source: USDA  
Projected 2017-18



**Commodity market prices have declined 45-60 percent from the early decade highs. These markets have bottomed!!!! Global demand growth will be important to monitor.**

**The U.S. will continue to increase beef, pork and poultry production.**

**Domestic demand has held together, given the rapid change in available supply and stagnant consumer income.**

**Export markets must grow significantly to keep supply and demand in balance.**

**U.S. prices are now much more competitive in the global market.**

**Lower prices will gradually buy back demand lost due to record high prices.**

**Retail and food service margin will remain solid.**

**Markets will change quickly with the ebb and flow of outside investment money.**





Jan Feb

**CattleFax**

**Have a Great Year!**

**Thank you**