Key Drivers Behind Record High Cattle and Beef Prices

Montana Nutrition Conference 2012
CattleFax Weekly U.S. Average Steer Prices

- 450# Steer Price
- 550# Steer Price
- 750# Steer Price
- 850# Steer Price

$/CWT

Source: CattleFax

Weeks

Jan-09 May-09 Sep-09 Jan-10 May-10 Sep-10 Jan-11 May-11 Sep-11 Jan-12 May-12
Credit Needs Skyrocket

It takes 60% more capital/credit (+$639/hd) to operate in 2012 vs. 2009.

Source: CattleFax, 2012 based on futures
Annual Average Fed Steer Value ($/Head)
Index of Credit/Capital Needs for Cow-Calf Operations

It will take 20% more capital/credit to operate in 2012 vs. 2010 and 60% more than in the last decade.

Source: CattleFax, 2012 Projected
Weekly U.S. Beef Cow Slaughter

- YTD -21,000 Head, -2%

Source: USDA

CattleFax | THE DECIDING FACTOR
90% Lean Trimmings Price

Source: USDA

CattleFax | THE DECIDING FACTOR
Commercial Cow Slaughter

Source: USDA and CattleFax
Projected 2012-2013

2012F down 500,000 Hd.
2013F down 900,000 Hd.
Change in Beef Replacement Heifers
2012 vs 2011

Source: CattleFax
2012 -967,000 Hd. (-3%)  
2013F Flat to -100,000

Source: USDA  
Projected 2012-13

YEARS
Dairy Cow Inventory

2012 +80,000 Hd (+1%)
2013F Slightly Smaller

Source: USDA
Projected 2012-13

YEARS
January 1 - U.S. Feeder Cattle and Calf Supply Outside of Feedlots

2012 vs. 2011 = -4.0% (-1.1 million hd)
2012 vs. 2010 = -7.0% (-2.0 million hd)

Source: USDA

CattleFax | THE DECIDING FACTOR
U.S. Imports of Slaughter Strs/Hfrs from Canada

YTD Total = 107,820 (-6,552; -6%)

Source: USDA, CattleFax
U.S. Feeder Imports from Canada and Mexico

2012 YTD = 531,678
+91,767 head (+21%)
U.S. Steer and Heifer Slaughter

2012 F -400,000 Hd
2013 F -400,000 Hd

Source: USDA
2012-13 Projected
Slaughter Reductions
2013 vs. 2011

• 1.4 Million Non-Fed
• .8 Million Fed
• 2.2 million Total
• 8,500/day
• 2- 4,000+/day packing plants
• 1-4,000+/day and 4-1,000+/day packing plants
World Population: 1990 to 2020

Will add another 600 million people in the world in the next 8 years

Source: U.S. Census Bureau
Global Beef: Supplies and Price

2008 to 2012 F
Global Beef: -3.4 million tons
Global Population: +300 million

Production

Price

Source: USDA

Source: FAO/UN, USDA/FAS
U.S. Beef Trade and Forecasts

Source: USDA/FAS, CF Forecasts
Daily 90's Spread US Less Australia (US$), US Avg - Import High

- 03-11 AVG
- 2010
- 2011
- 2012

Spread is over $12-20/cwt higher than 2010, 2011

Cheaper to import lean grinding beef

Cheaper to utilize domestic lean grinding beef
Per Capita Net Beef Supply

2011 57.4 lbs.
2012F 56.3 lbs.
2013F 53.7 lbs.

Source: USDA
Projected 2012-13
Per Capita Meat Consumption

2012 vs. 2011 Total Meat Consumption 199.1 Lbs. down 2.3 lbs

- Beef: -1.6 lbs
- Pork: -1.1 lbs
- Broiler: +0.1 lbs
- Turkey: +0.3 lbs

Source: USDA

Years: 50 54 58 62 66 70 74 78 82 86 90 94 98 02 06 10
**Demand**

**Retail** - Higher prices will limit movement and featuring. Competition between proteins.

**Food Service** - Improvements noted in SSS. Fast food, casual dining and high end restaurants.

**Exports** - Slowing YOY gains, Low Dollar, Challenges with access.

**Imports** - Increasing, High domestic prices vs. tighter Global supplies.
## Wholesale Prices YTD

<table>
<thead>
<tr>
<th>YTD</th>
<th>Avg. Prices</th>
<th>2011 cwt</th>
<th>2012 cwt</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHCutout</td>
<td>$174.75</td>
<td>$189.34</td>
<td>+8.4%</td>
<td></td>
</tr>
<tr>
<td>SECutout</td>
<td>$172.62</td>
<td>$184.47</td>
<td>+6.9%</td>
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<tr>
<td>CHRib primal</td>
<td>$243.18</td>
<td>$269.48</td>
<td>+10.8%</td>
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<tr>
<td>CHLoin primal</td>
<td>$221.38</td>
<td>$254.58</td>
<td>+15.0%</td>
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</tr>
<tr>
<td>CHChuck primal</td>
<td>$155.29</td>
<td>$157.68</td>
<td>+1.5%</td>
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</tr>
<tr>
<td>CHRound primal</td>
<td>$161.58</td>
<td>$167.63</td>
<td>+3.7%</td>
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</tr>
<tr>
<td>90% Lean trim</td>
<td>$193.24</td>
<td>$213.71</td>
<td>+10.6%</td>
<td></td>
</tr>
<tr>
<td>50% Lean trim</td>
<td>$86.98</td>
<td>$98.00</td>
<td>+12.7%</td>
<td></td>
</tr>
<tr>
<td>Pork cutout</td>
<td>$88.77</td>
<td>$84.13</td>
<td>-5.2%</td>
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</tr>
<tr>
<td>Chicken breast</td>
<td>$127.54</td>
<td>$135.22</td>
<td>+6.0%</td>
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<tr>
<td>Chicken leg quarter</td>
<td>$38.03</td>
<td>$50.32</td>
<td>+32.3%</td>
<td></td>
</tr>
</tbody>
</table>
Fresh 50% Trimmings Price

$/CWT vs WEEKS

Source: USDA

- 2011
- 2012
- 5-Yr Avg

CattleFax | THE DECIDING FACTOR
# Retail Protein Prices

<table>
<thead>
<tr>
<th>Retail Prices $/LB</th>
<th>Change $/LB</th>
<th>Percent Change</th>
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<tbody>
<tr>
<td></td>
<td>March-12 vs Prev Month vs Last Year vs Last Year Year-to-Date</td>
<td></td>
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<tr>
<td>Choice</td>
<td>$5.05 +0.01 +0.31 +6.4% +9.2%</td>
<td></td>
</tr>
<tr>
<td>All Fresh</td>
<td>$4.70 +0.06 +0.26 +5.8% +7.0%</td>
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<tr>
<td>Pork</td>
<td>$3.49 -0.00 +0.13 +4.0% +6.1%</td>
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<tr>
<td>Broilers</td>
<td>$1.90 +0.08 +0.12 +6.7% +5.0%</td>
<td></td>
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</tbody>
</table>

Source: USDA
Beef Cutout / Pork Cutout Ratio

- Beef price high relative to pork price
- Beef price low relative to pork price

WEEK

CattleFax | THE DECIDING FACTOR
Seasonal 750 lb Steer Prices

Source: CattleFax
Seasonal 550 lb Steer Calf Prices

Source: CattleFax
U.S. Corn Projected Stocks to Use Ratio and Spot Futures Prices

<table>
<thead>
<tr>
<th>$/bushel</th>
<th></th>
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<tbody>
<tr>
<td>8.00</td>
<td>$</td>
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<tr>
<td>7.00</td>
<td>$</td>
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<tr>
<td>6.00</td>
<td>$</td>
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<tr>
<td>5.00</td>
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<td>4.00</td>
<td>$</td>
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<td>3.00</td>
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<td>2.00</td>
<td>$</td>
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<tr>
<td>1.00</td>
<td>$</td>
</tr>
<tr>
<td>0.00</td>
<td>$</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Stocks to Use Ratio</th>
<th></th>
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<tbody>
<tr>
<td>20.0%</td>
<td>%</td>
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<tr>
<td>17.5%</td>
<td>%</td>
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<tr>
<td>15.0%</td>
<td>%</td>
</tr>
<tr>
<td>12.5%</td>
<td>%</td>
</tr>
<tr>
<td>10.0%</td>
<td>%</td>
</tr>
<tr>
<td>7.5%</td>
<td>%</td>
</tr>
<tr>
<td>5.0%</td>
<td>%</td>
</tr>
<tr>
<td>2.5%</td>
<td>%</td>
</tr>
<tr>
<td>0.0%</td>
<td>%</td>
</tr>
</tbody>
</table>

Source: USDA and CME Group, April 2012 projection

MONTHS

Initial new crop estimates are released in May
2012 Profitability

• Feedlot - Negative for the year. Risk management a must.

• Stocker/Backgrounder - Still Positive - But narrow margins are expected.

• Cow/Calf - Positive margins, record high calf values more than offset increasing input cost.
Summary

• Markets work! The industry will expand.
• Global market access is crucial.
• Production cost increases staggering, will moderate.
• Record amount of volatility, risk, capital.
• “Manage for a margin” don’t “guess markets”
• Great time to be in Ag, but you must adapt to a global market environment.
Thank You

Have a profitable 2012