

CattleFax

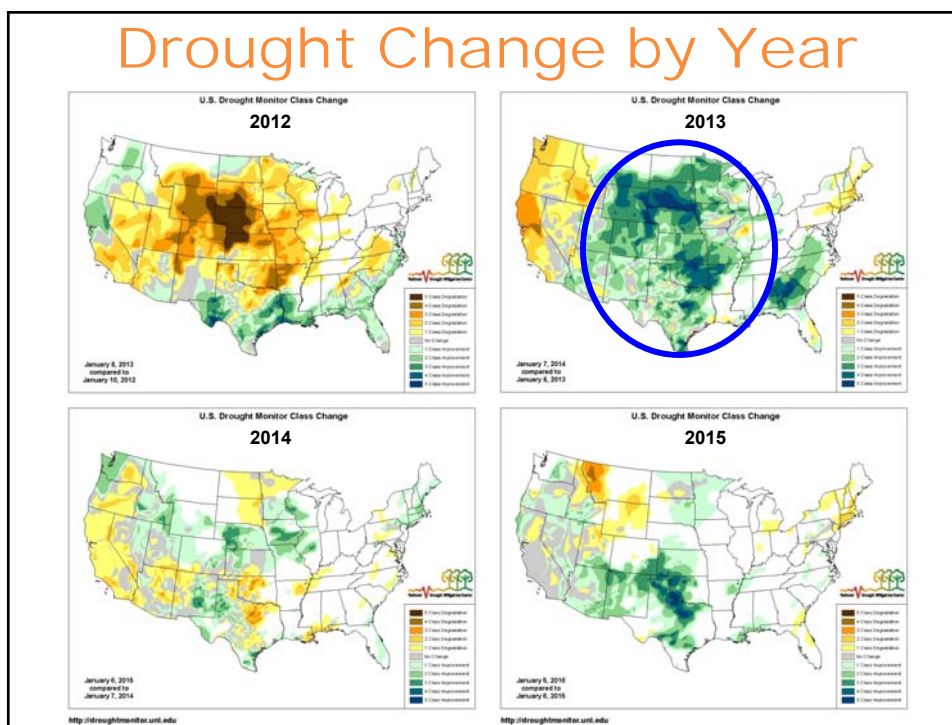
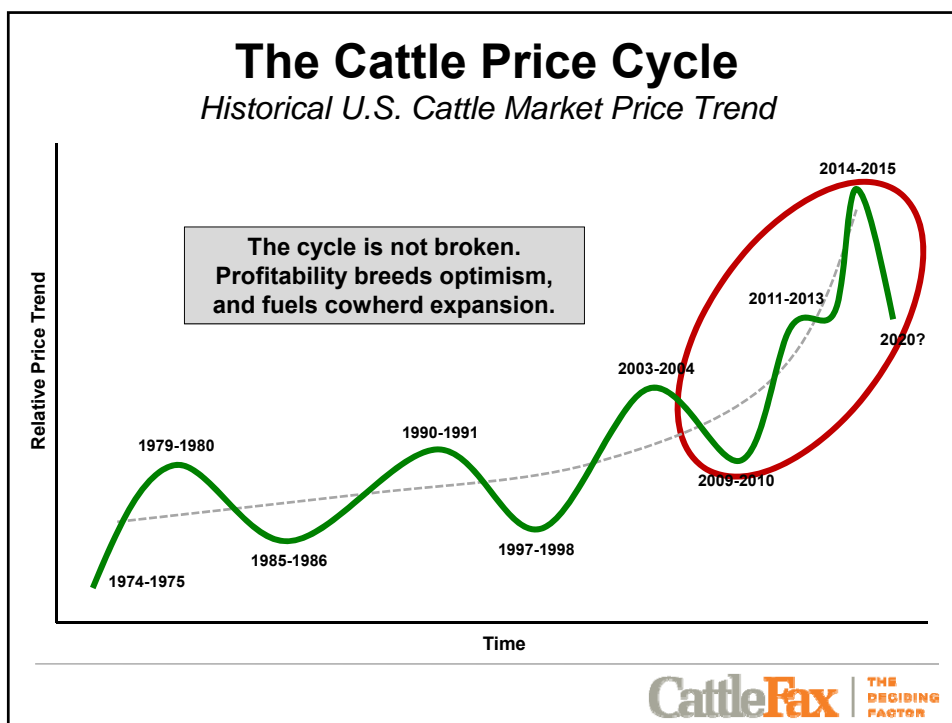


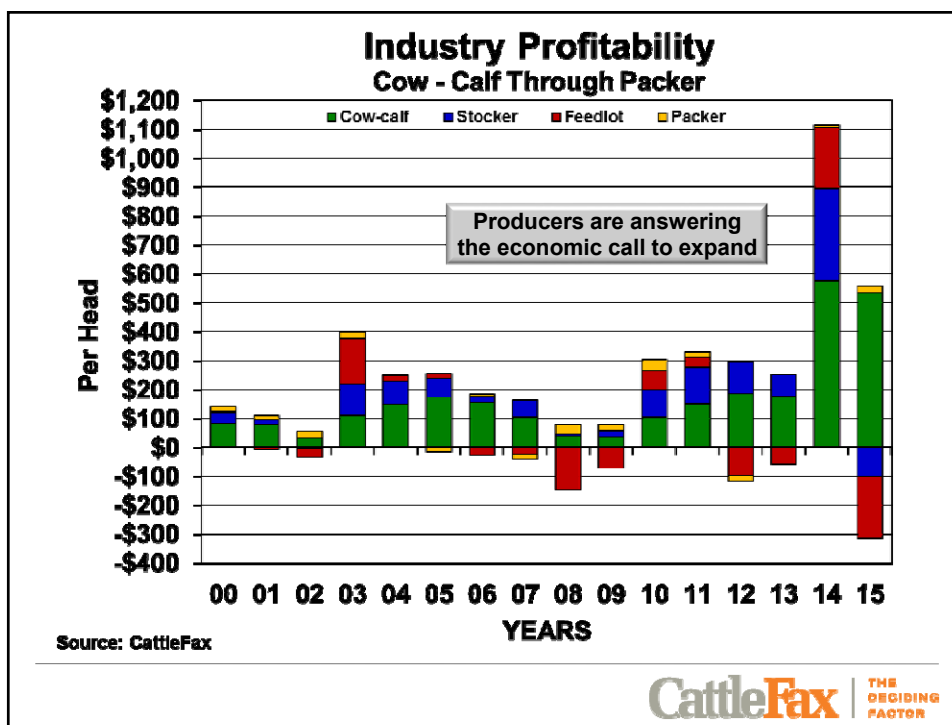
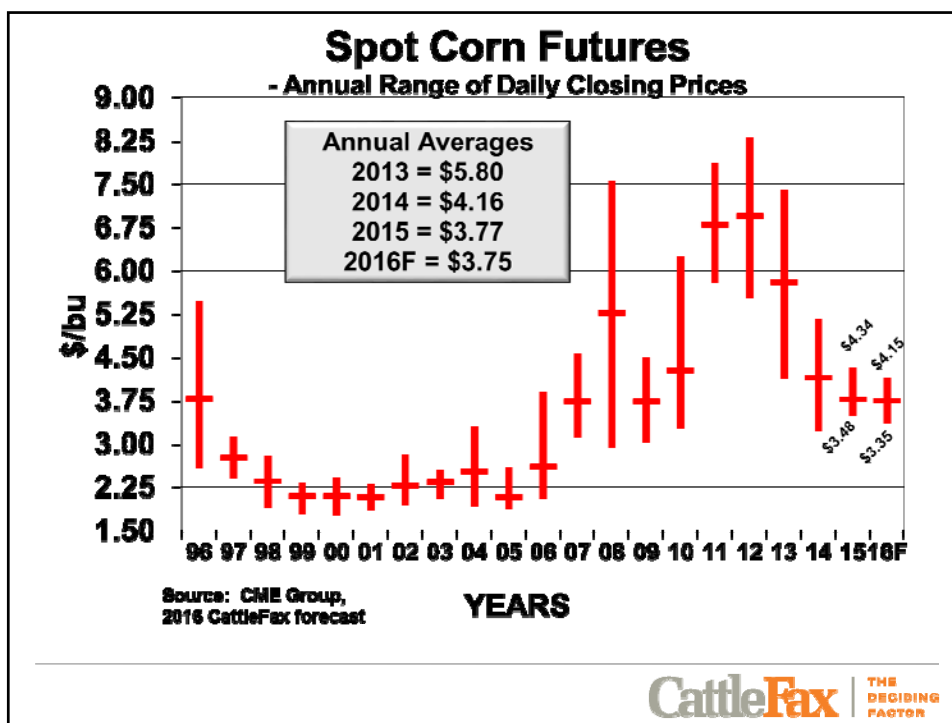
The Cattle Cycle is Alive

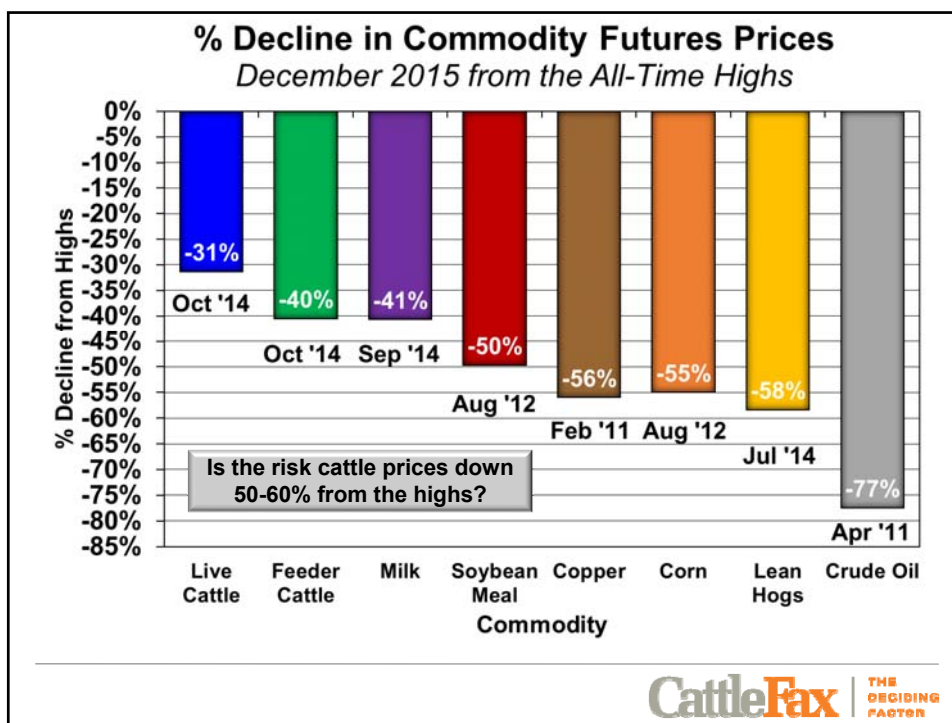
- Discuss the shifts that occurred across the commodity markets.
- Highlight the increase in protein supplies facing the cattle market in expansion.
- Walk through the demand situation facing producers over the next 12 months.
- Share beef and cattle price expectations for the next 12 to 24 months.

2011-2020: The Decade of Change

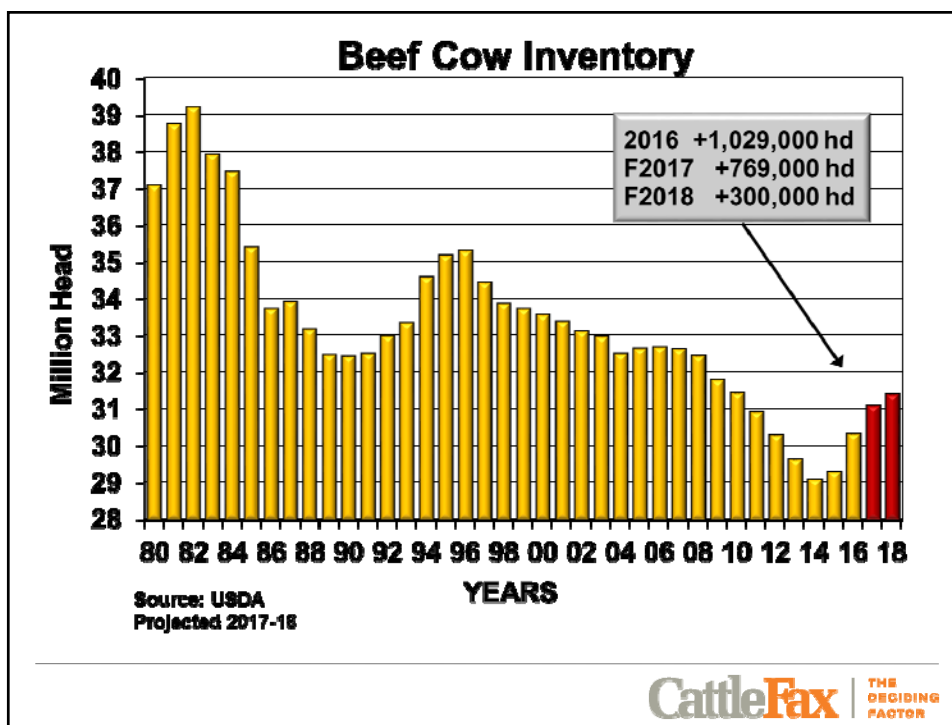
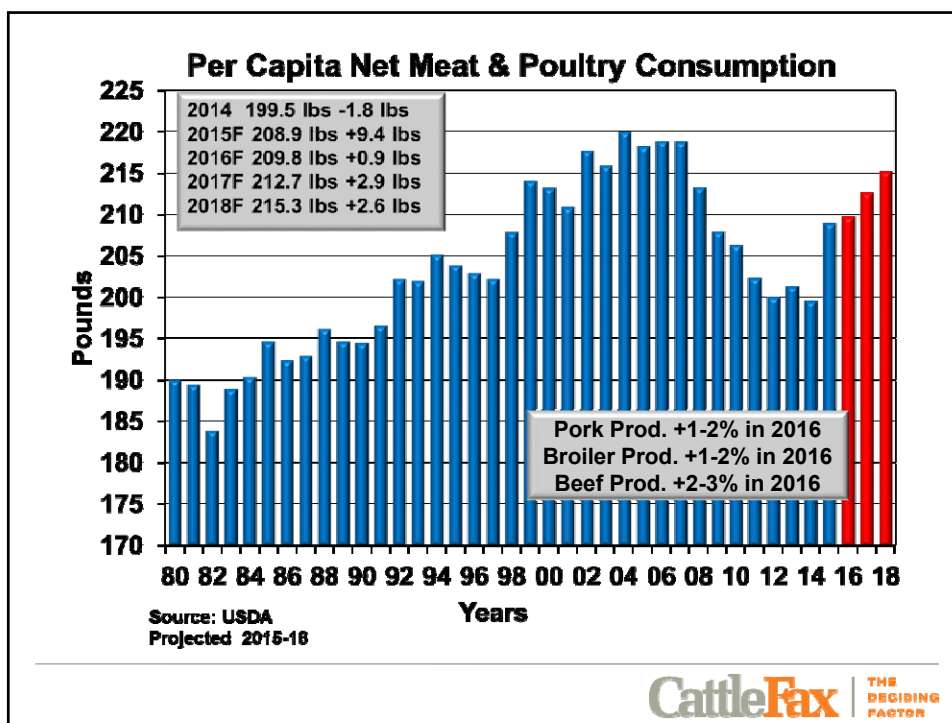
CattleFax | THE CHANGING FACTOR







More Pork and Poultry,
and Beef is Coming.



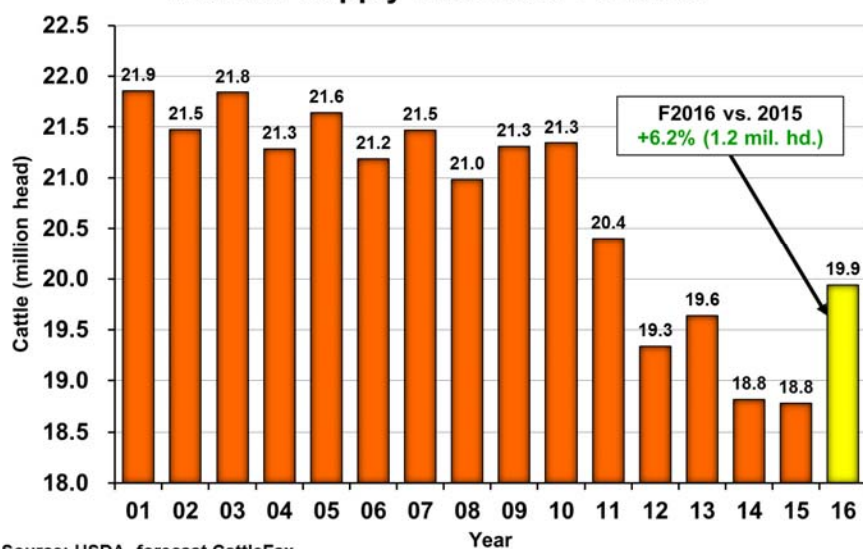
Montana Cattle Numbers

USDA est. on January 1, 2016

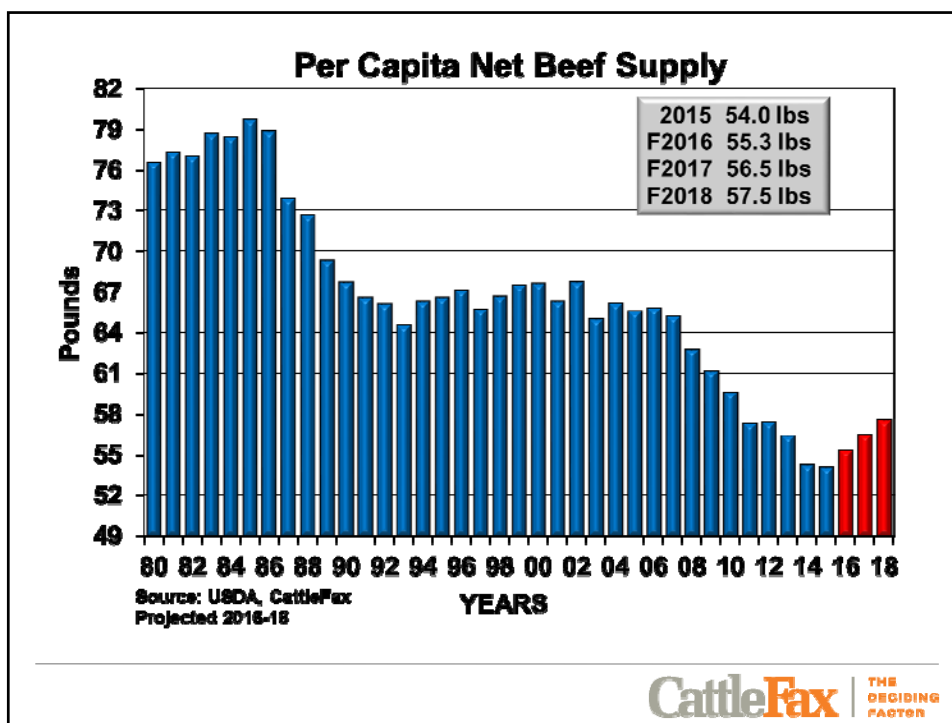
	Inventory (1,000s)	Chng vs. '15 (1,000s)
All Cattle and Calves	2,650	150 (+6%)
Beef Cows	1,486	-10 (-1%)
Beef Replacements	420	-15 (-3%)
Calves and Feeders	617	+169 (+38%)

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DECIDING
FACTOR

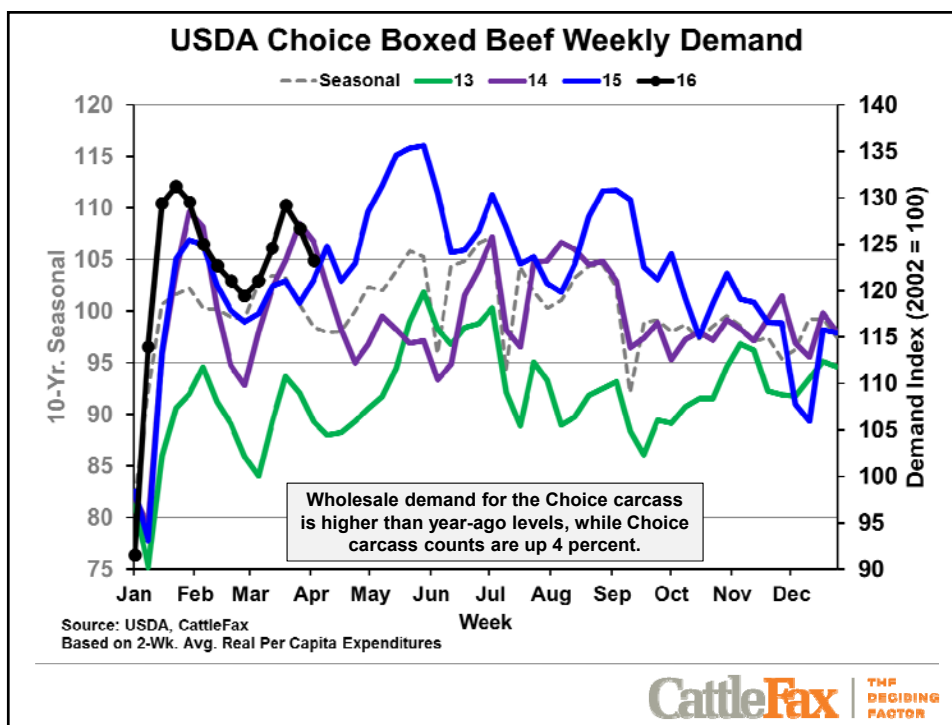
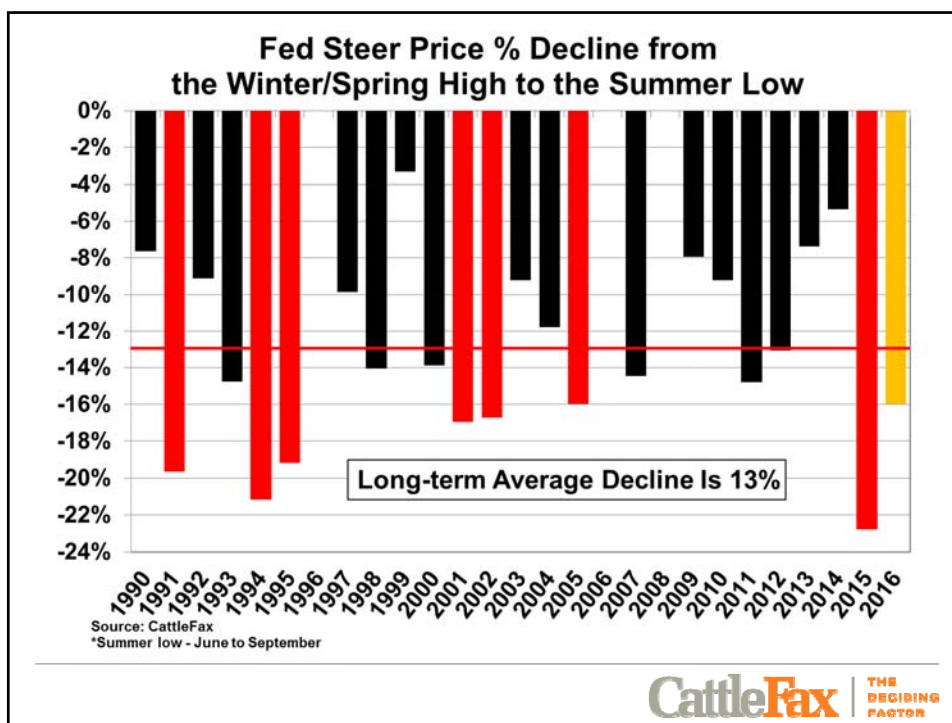
April 1 - U.S. Feeder Cattle and Calf Supply Outside of Feedlots

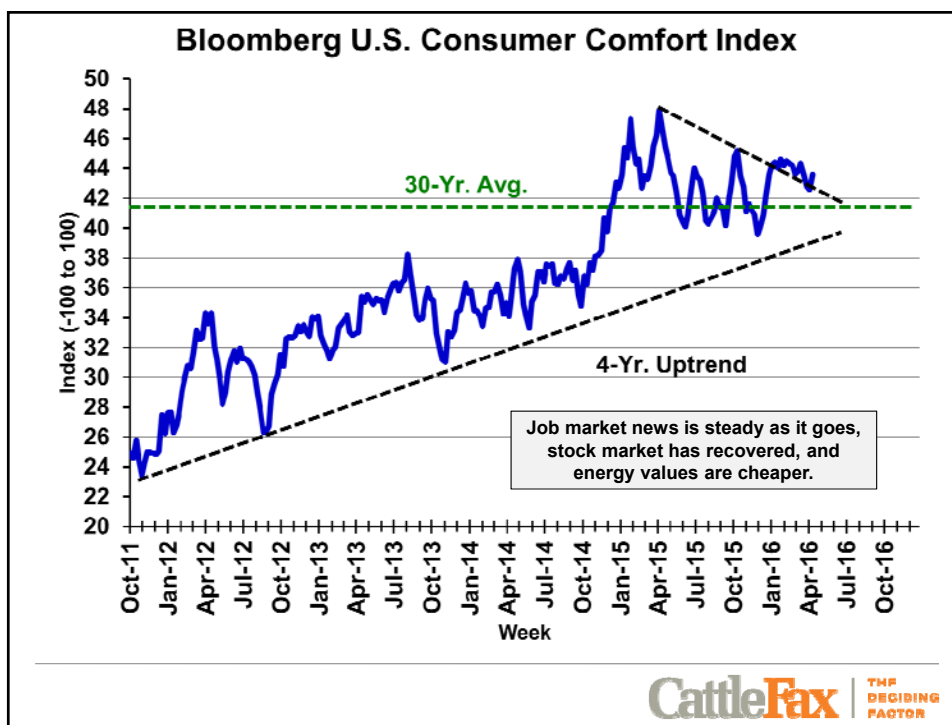
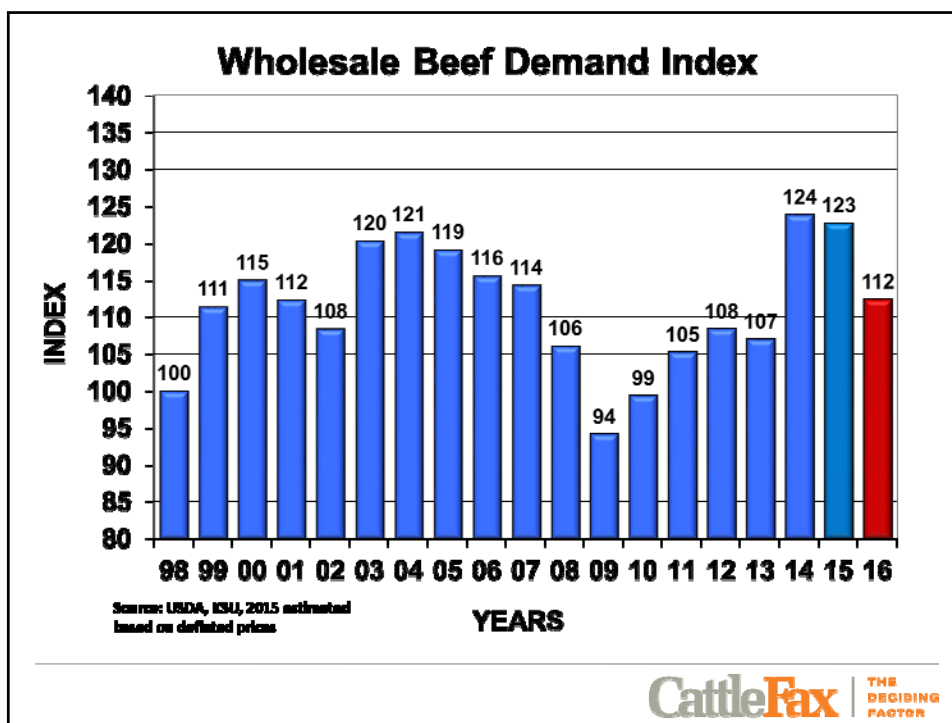


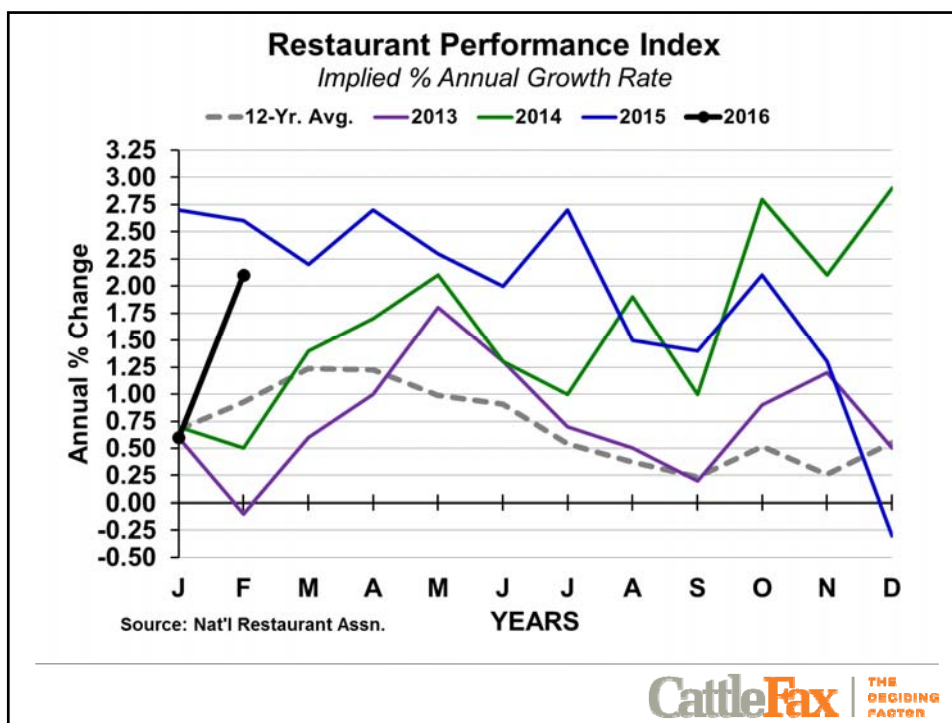
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Demand: Good, Bad or
Somewhere Between?





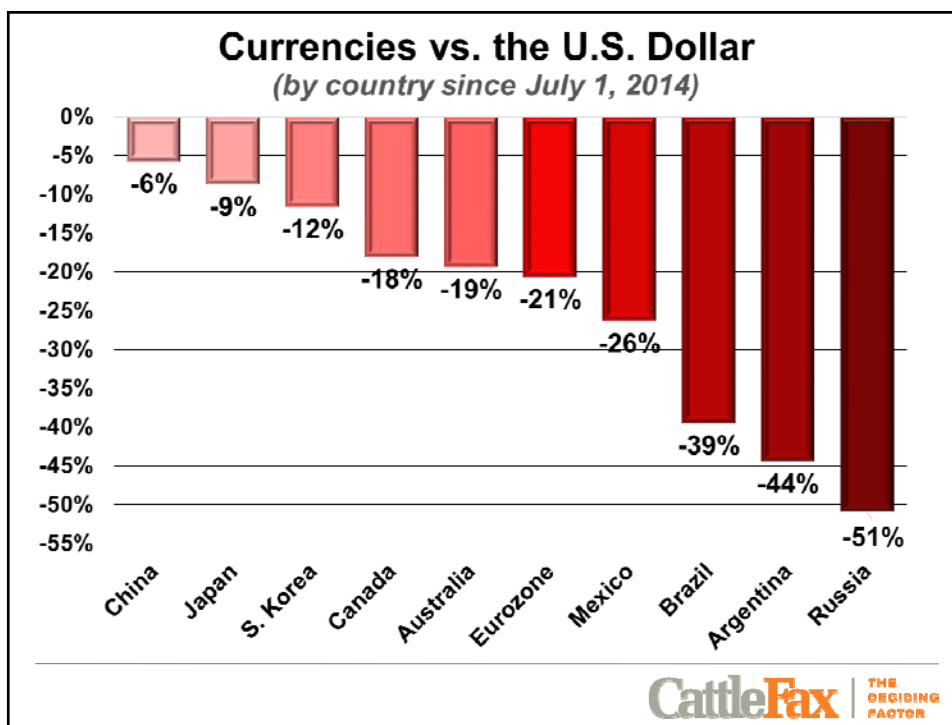
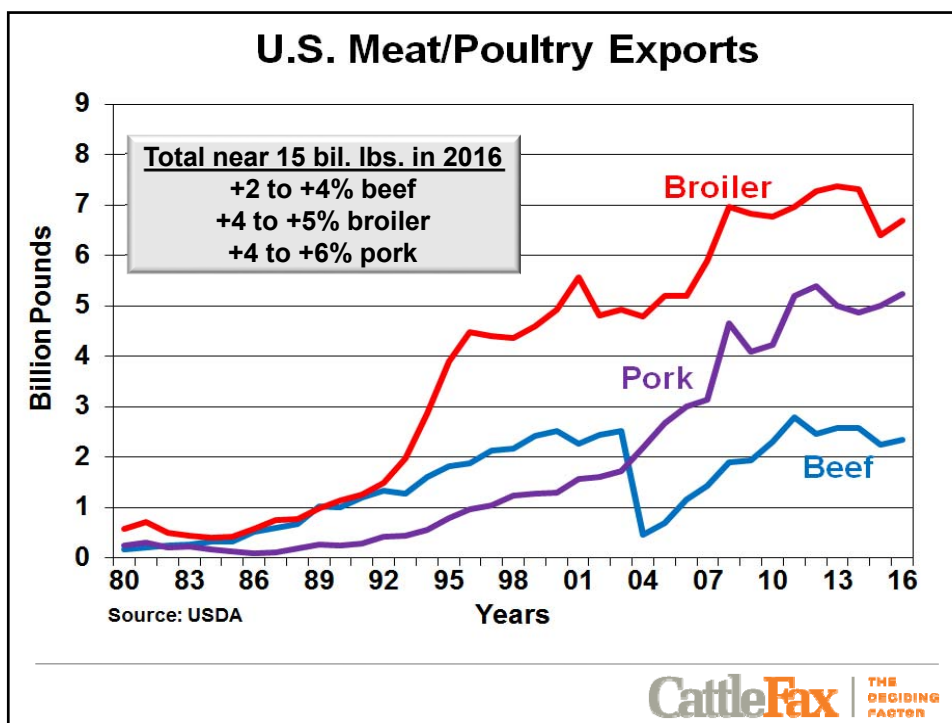


U.S. Retail Protein Prices

	March 2016	% Change vs. YA
Choice Beef	\$6.22	-1.4%
All-Fresh Beef	\$5.86	-3.3%
Ground Beef	\$4.37	-6.5%
Composite Pork	\$3.76	-3.0%
Composite Broiler	\$1.89	-5.0%
Fresh Whole Chicken	\$1.46	-5.3%
Boneless Breast	\$3.27	-7.1%
Whole Frozen Turkey	\$1.51	+0.4%
Whole Milk (\$/gal.)	\$3.19	-8.0%
Grade A Eggs (\$/doz.)	\$2.08	-2.4%

Source: USDA and BLS

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Can U.S. Protein Exports Grow?

The Best Opportunities May Remain Overseas

	Export Volume	Per Capita Equivalent
Mexico	3.8 bil. lbs.	30 lbs.
Japan	1.9 bil. lbs.	15 lbs.
Canada	1.3 bil. lbs.	36 lbs.
South Korea	0.9 bil. lbs.	16 lbs.
Greater China*	2.0 bil lbs.	1.4 lbs.

Population by Country

China = 1.36 bil.
 India = 1.27 bil.
 United States = 319 mil.
 Indonesia = 253 mil.
 Brazil = 202 mil.
 R.O.W. = 3.85 bil.

There is more opportunity
 for a growing customer base
 beyond the U.S. borders.

Source: USDA and Census
 *w/ H.K., Taiwan, Vietnam

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Walk Before We Run.

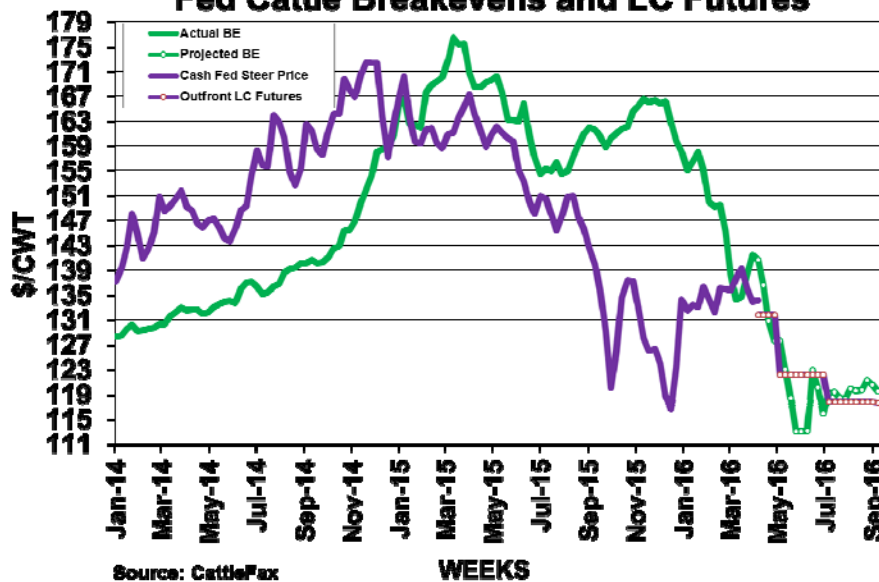
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The Story is Not Commodities



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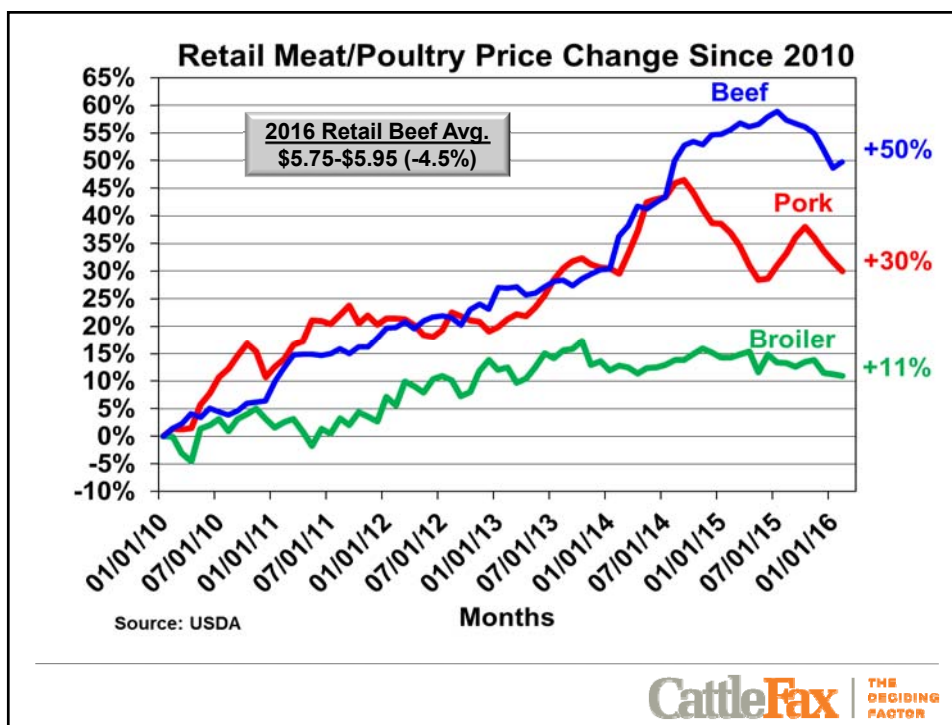
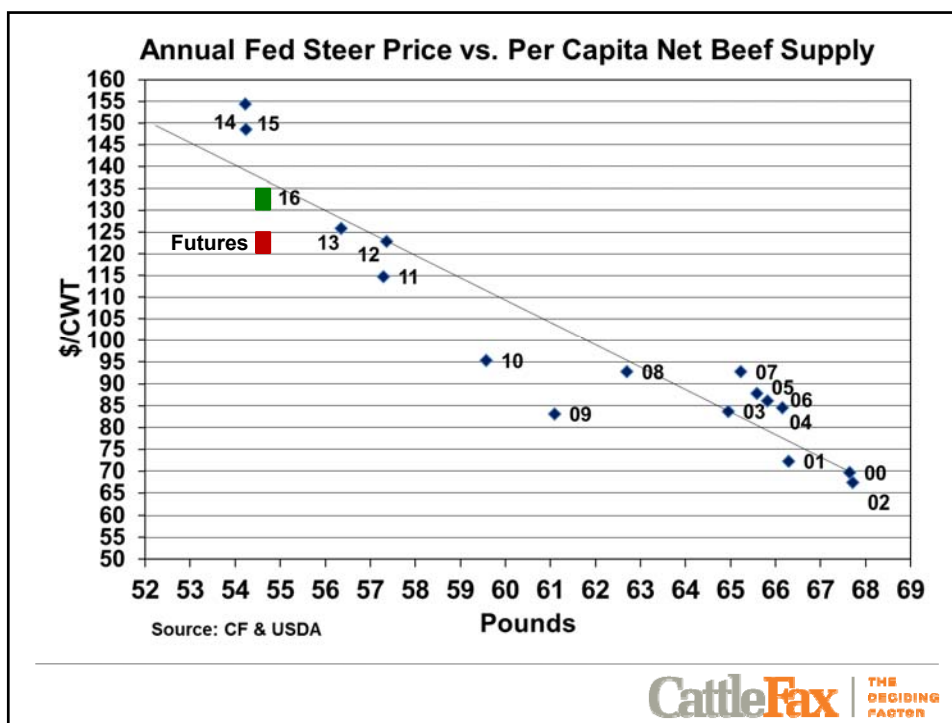
Fed Cattle Breakevens and LC Futures

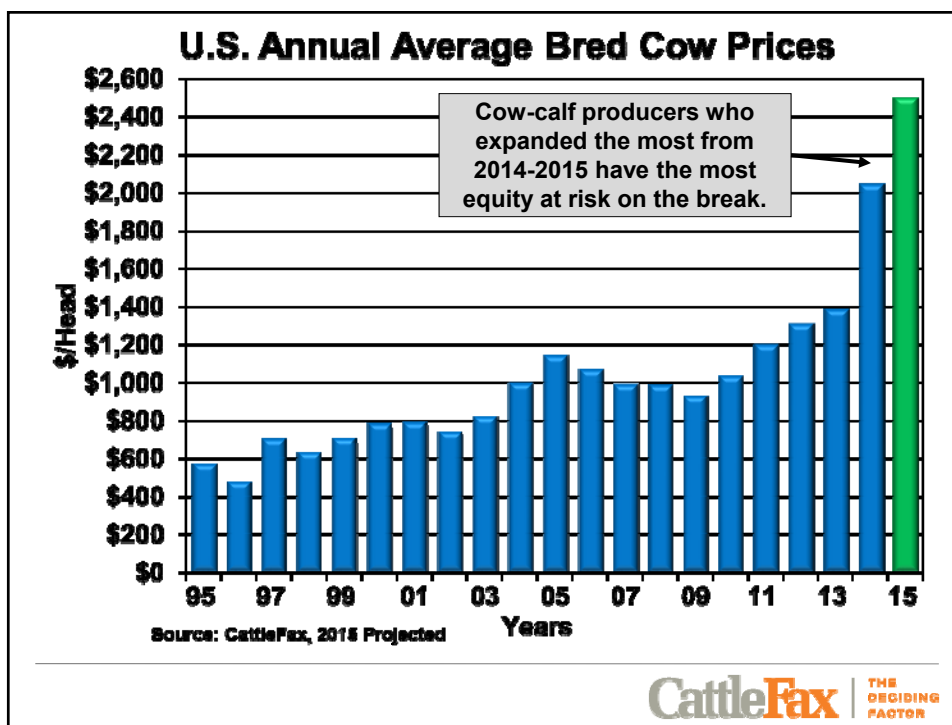
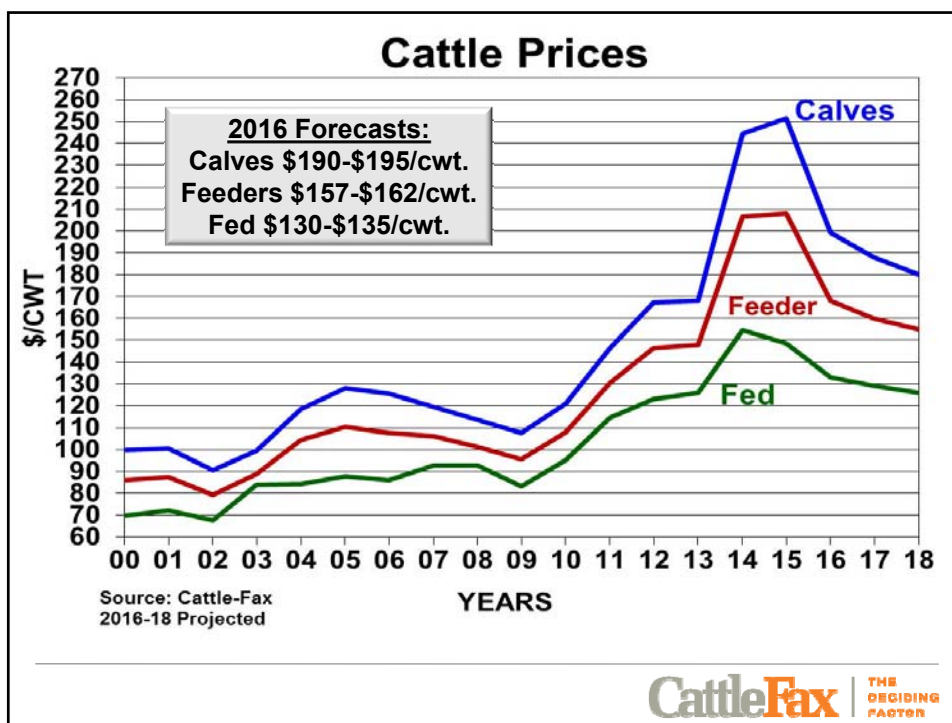


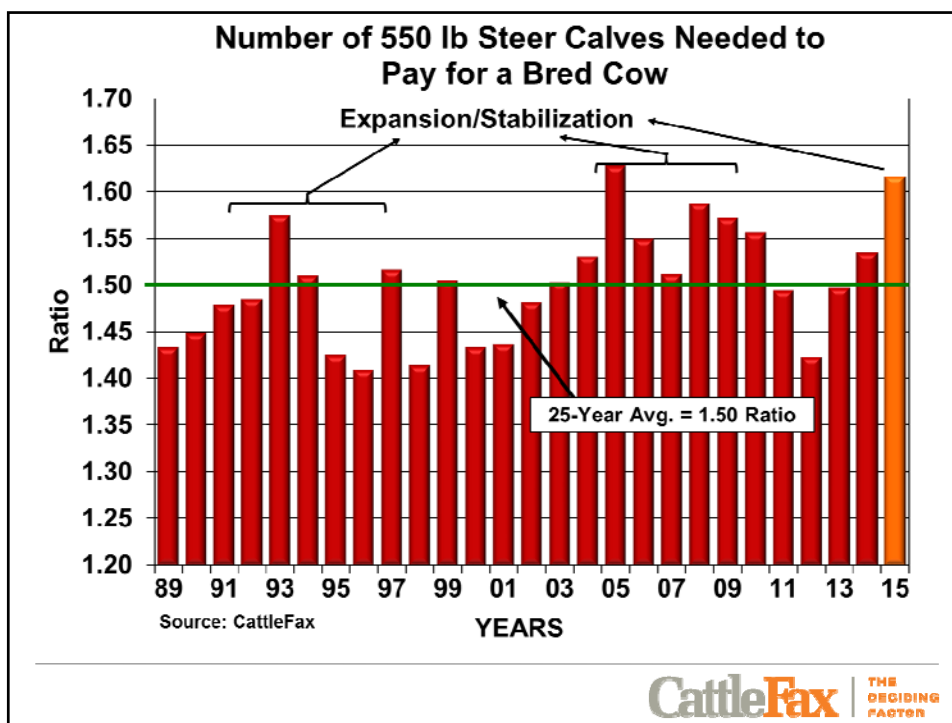
Source: CattleFax

WEEKS

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How Much is a Bred Cow Worth?

550-lb. Calf Price	% Chng vs. F2014	Bred Cow at 1.5x	Bred Cow at 1.65x
\$160	-33%	\$1320	\$1452
\$180	-25%	\$1485	\$1634
\$200	-17%	\$1650	\$1815
\$220	-8%	\$1815	\$1997
\$240	0%	\$1980	\$2178
\$260	+8%	\$2145	\$2360
\$280	+17%	\$2310	\$2464

Summary

- **Market expectation:** Prices carved out trading ranges in 2014-15. The leverage shift to retail was extreme.
- **Expansion:** The U.S. market is absorbing a significant increase in protein – mainly pork and poultry. Beef supplies will add more to the protein supply into 2020.
- **Demand:** Domestic improvement hinges on bringing the marginal beef consumer back to the meat case. Trade needs to be a focus for all proteins.
- **Profitability:** Low-cost, high-return operators win. Know production goals, calculate breakeven prices, and use risk management tools. There is not a one-size-fits-all plan.



*You cause the grass to grow for the livestock
and plants for man to cultivate,
that he may bring forth food from the earth.
Psalm 104:14*

Thank you!

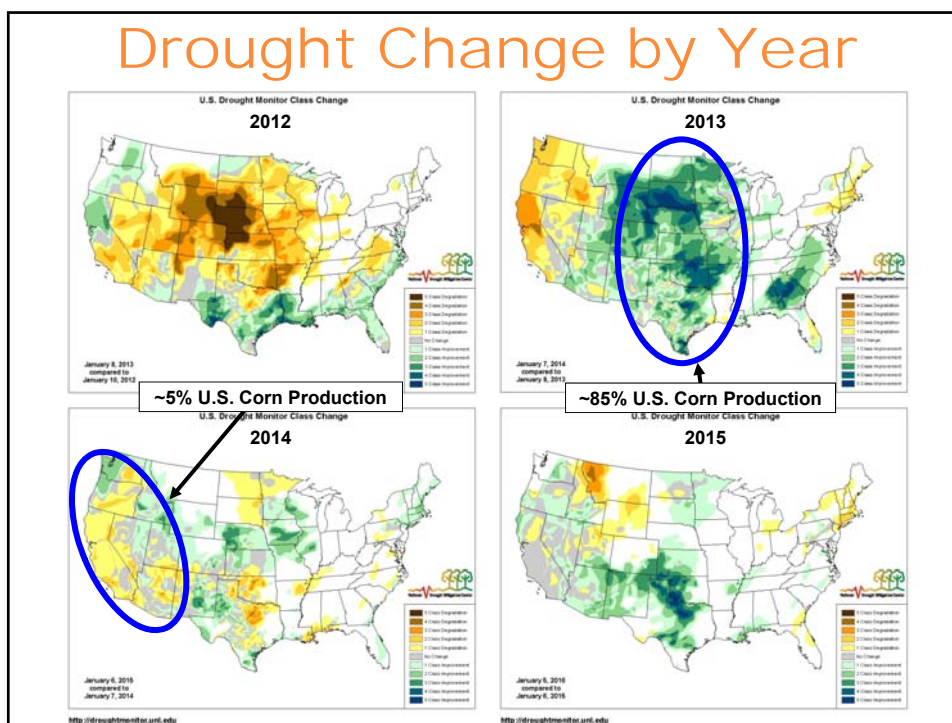
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Drought Change by Year



Monthly U.S. Hay and Corn Futures Prices

