



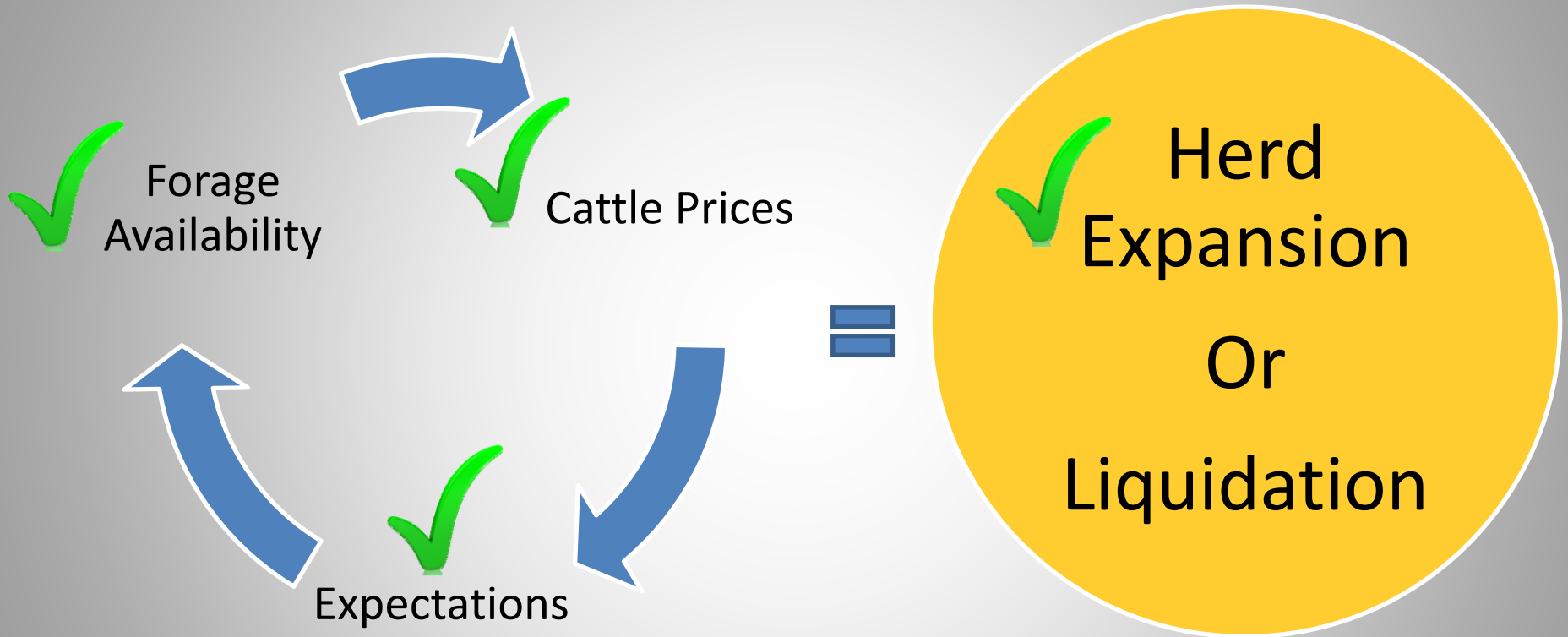
# ***U.S. Beef Industry Update***

NAMI Outlook Conference  
Fairmont Hotel  
Washington, D.C.  
November 2, 2015



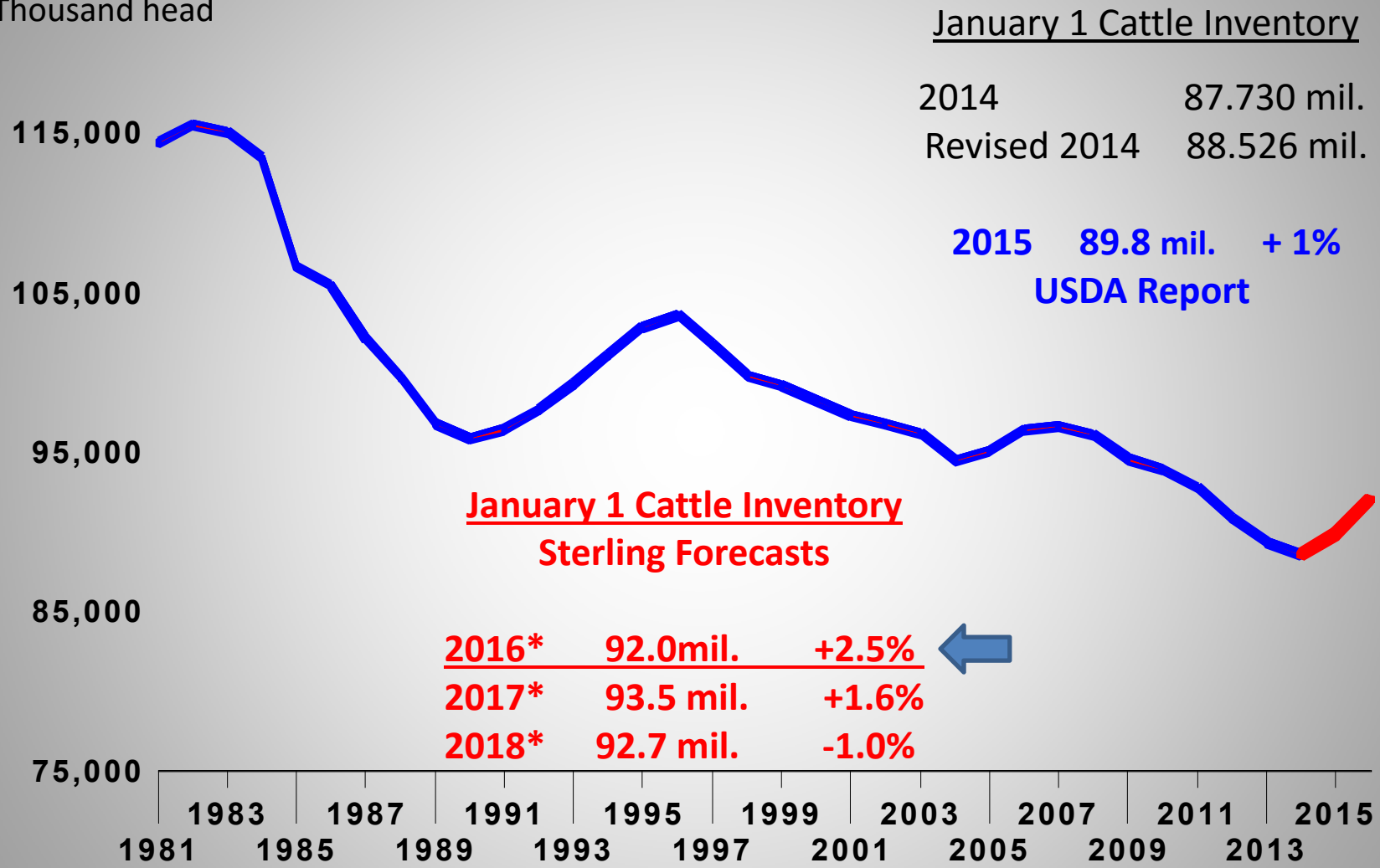
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# The Cattle Cycle



# U.S. cattle inventory

Thousand head



## January 1 Cattle Inventory

2014 87.730 mil.  
Revised 2014 88.526 mil.

2015 89.8 mil. +1%  
USDA Report

## January 1 Cattle Inventory Sterling Forecasts

2016\* 92.0mil. +2.5% ←  
2017\* 93.5 mil. +1.6%  
2018\* 92.7 mil. -1.0%

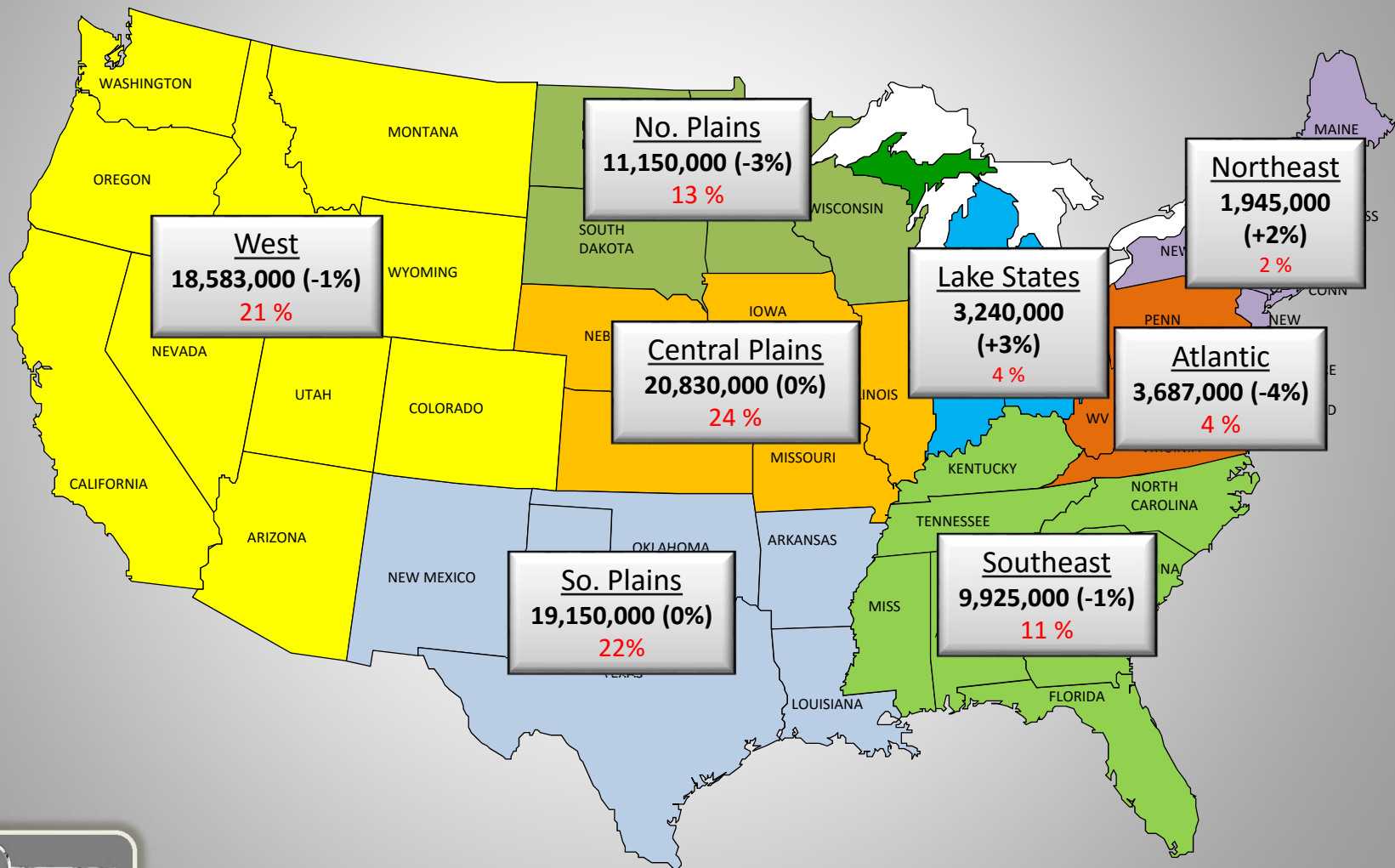


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Sterling Forecast – Oct. 26, 2015

# Regional Cattle Inventory - Share of U.S. Inventory

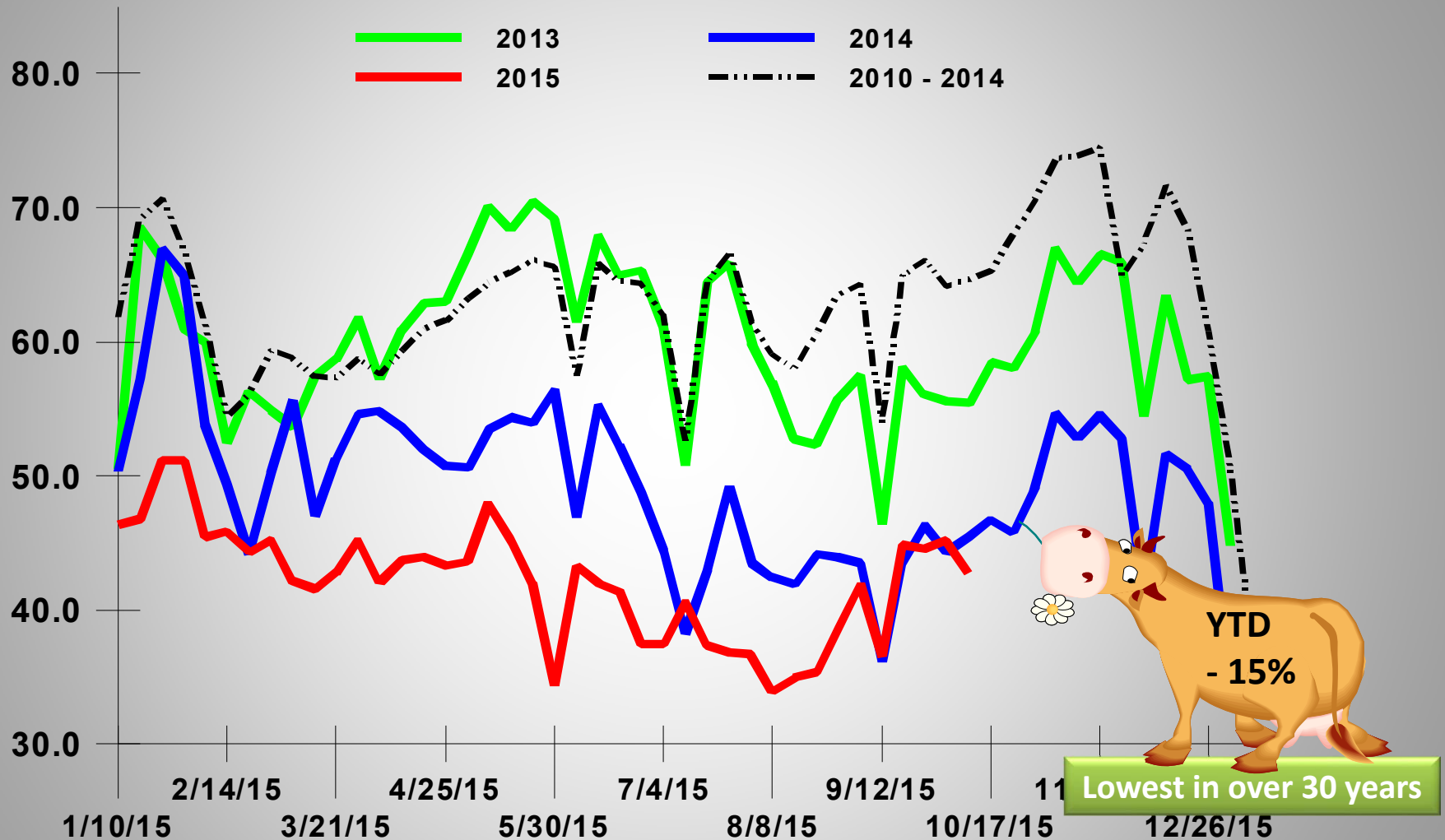
January 1, 2015



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# Beef Cow Slaughter

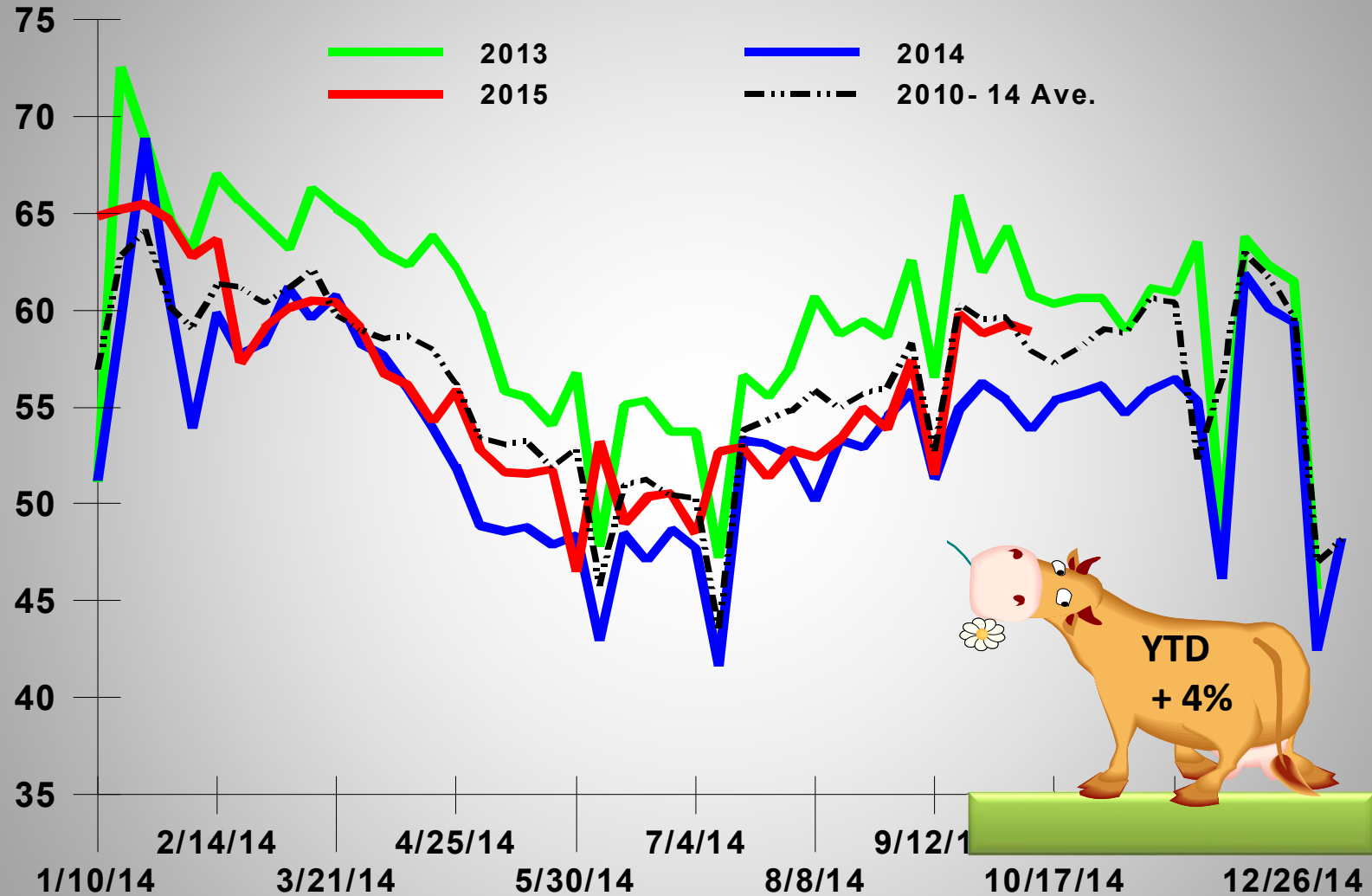
Thousand head



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# Dairy Cow Slaughter

Thousand head



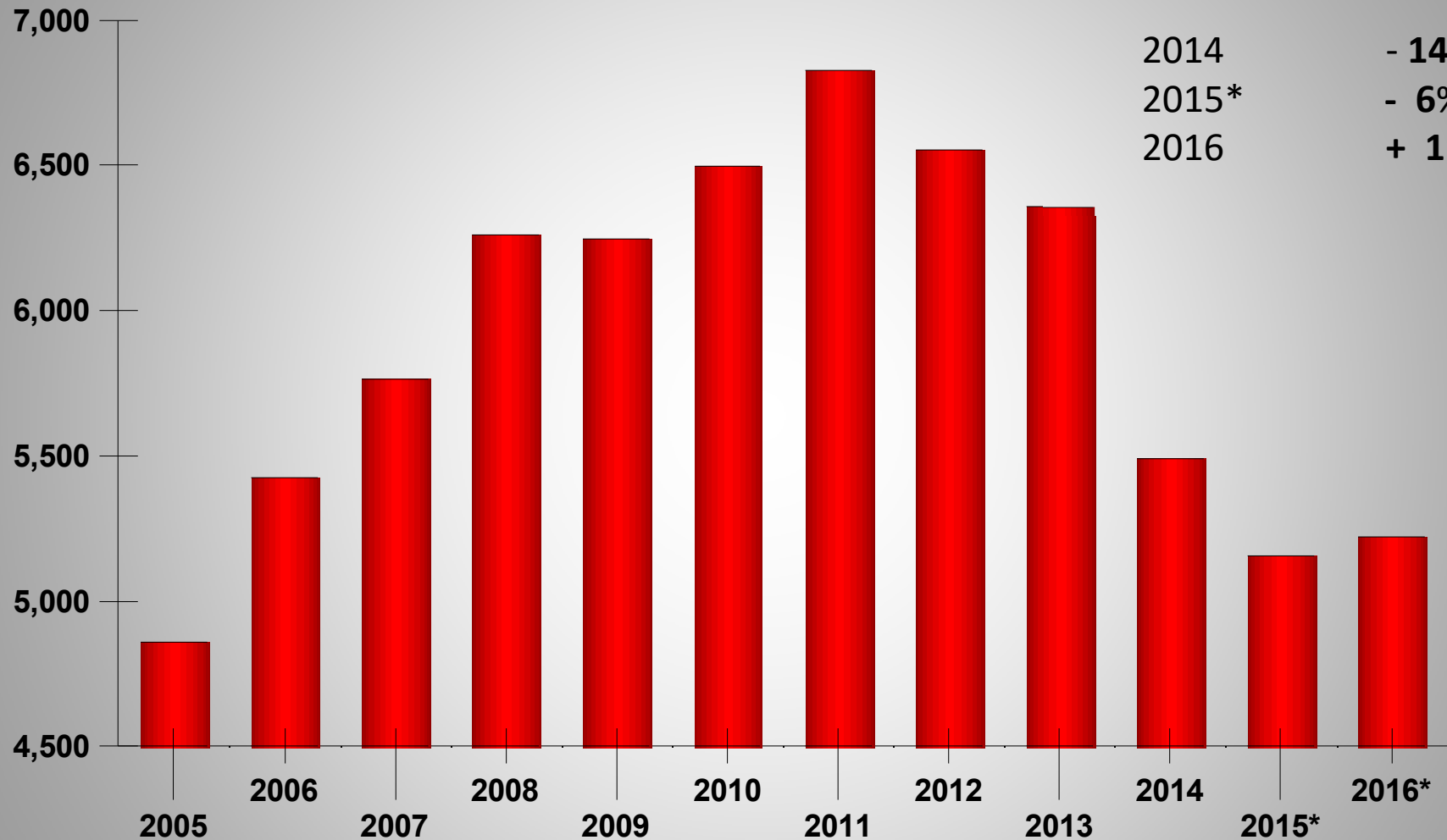
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# U.S. cow slaughter falls sharply.

Thousand head

## Total Cow Slaughter

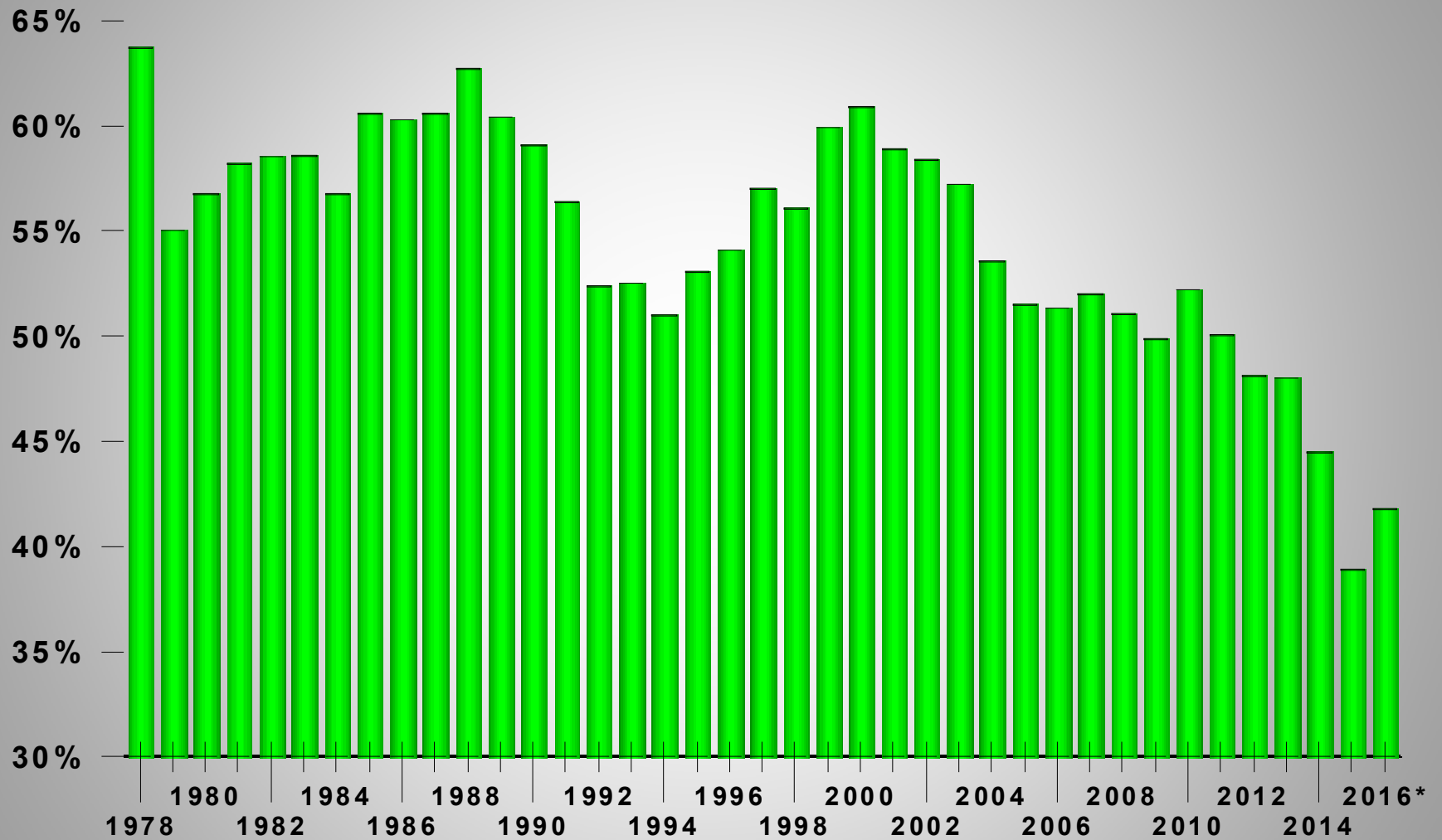
2014	- 14%
2015*	- 6%
2016	+ 1%



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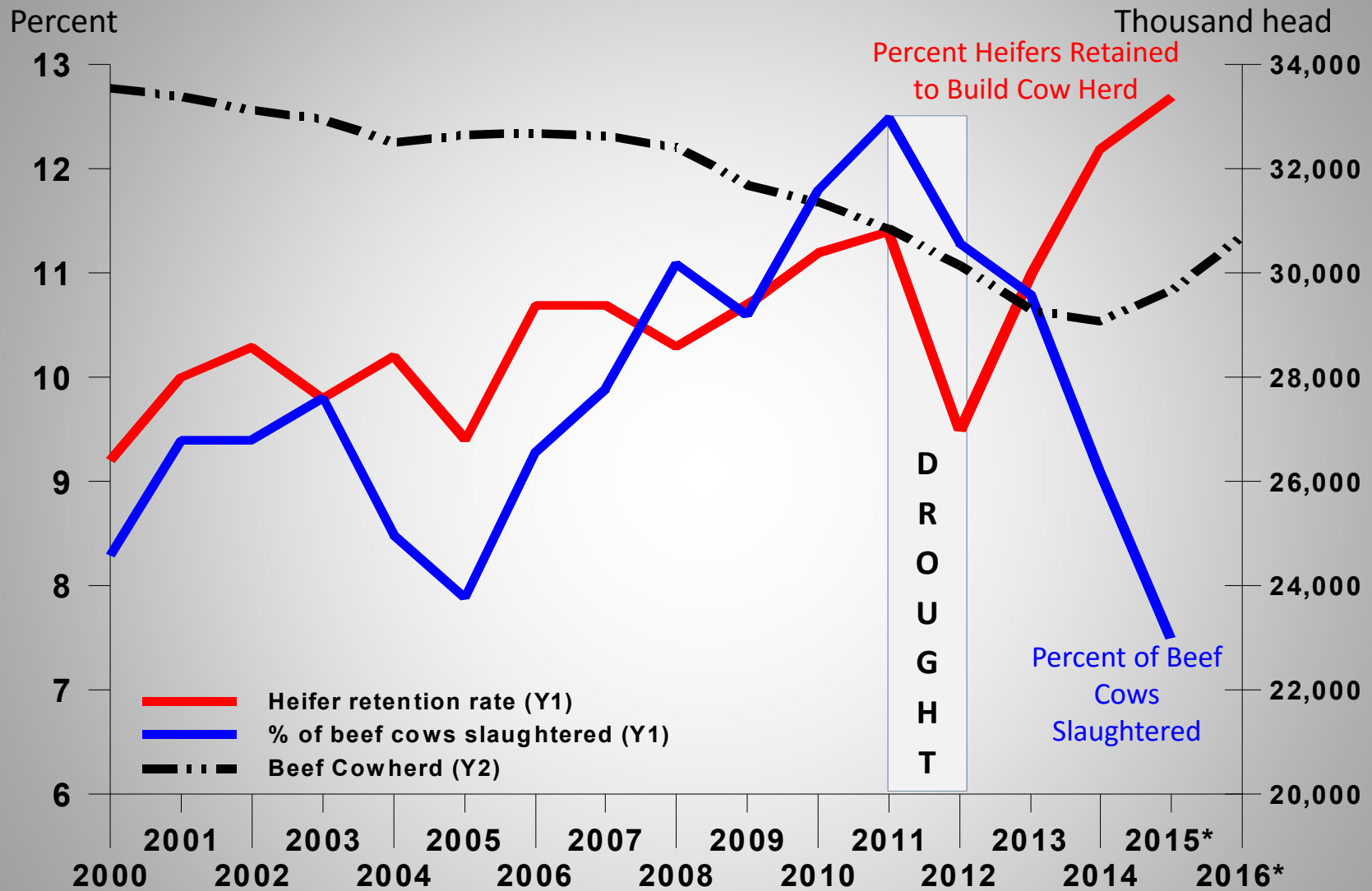
Sterling Forecast – Oct. 13, 2015

# Percent of Heifer Inventory Slaughtered



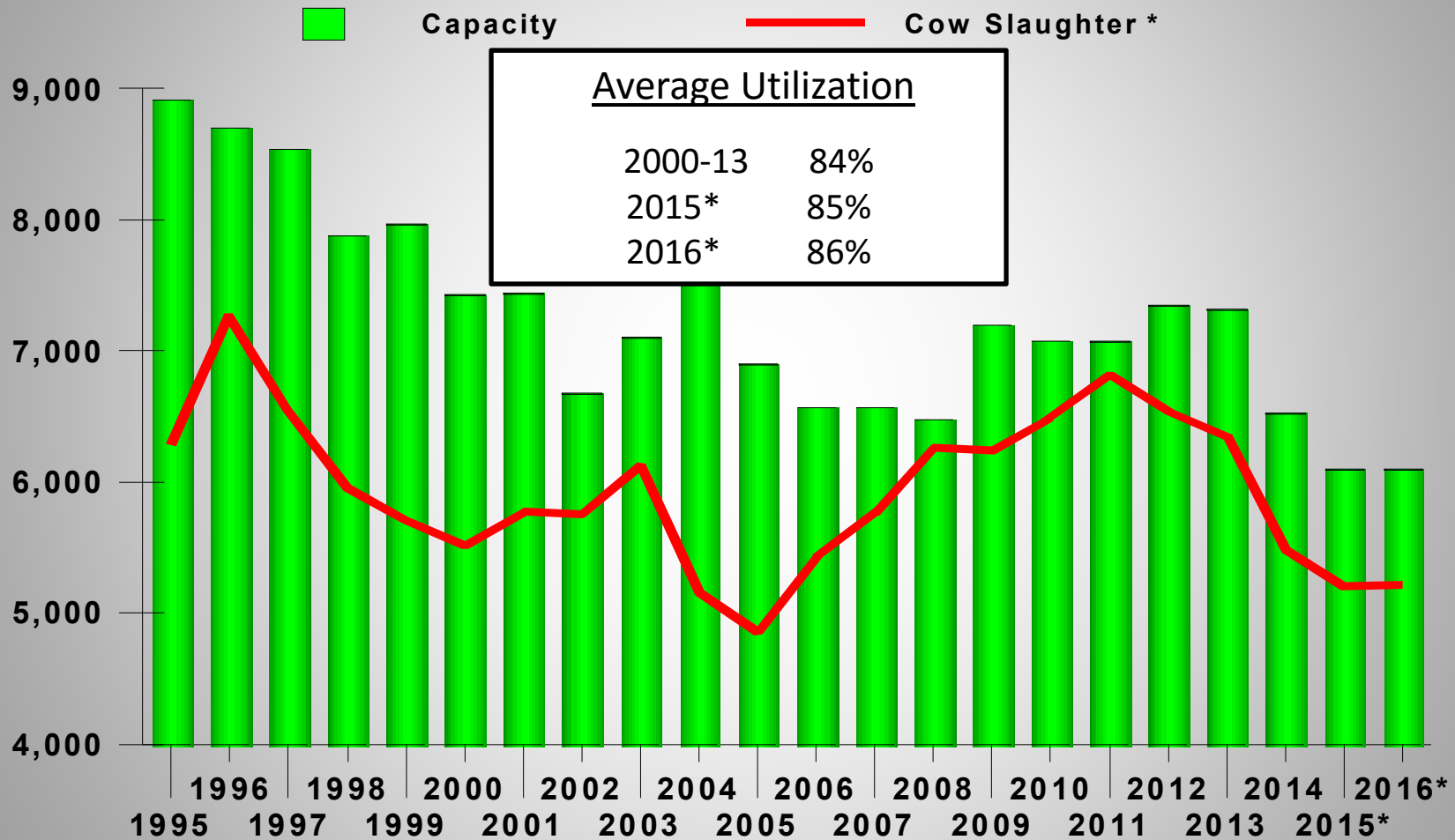
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# U.S. Beef Herd – The Process of Herd Building



# Cow Slaughter Capacity & Utilization

Thousand head



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**Prior to closures in 2014,  
utilization was 77%**

\* Sterling Forecast – 10/27/15

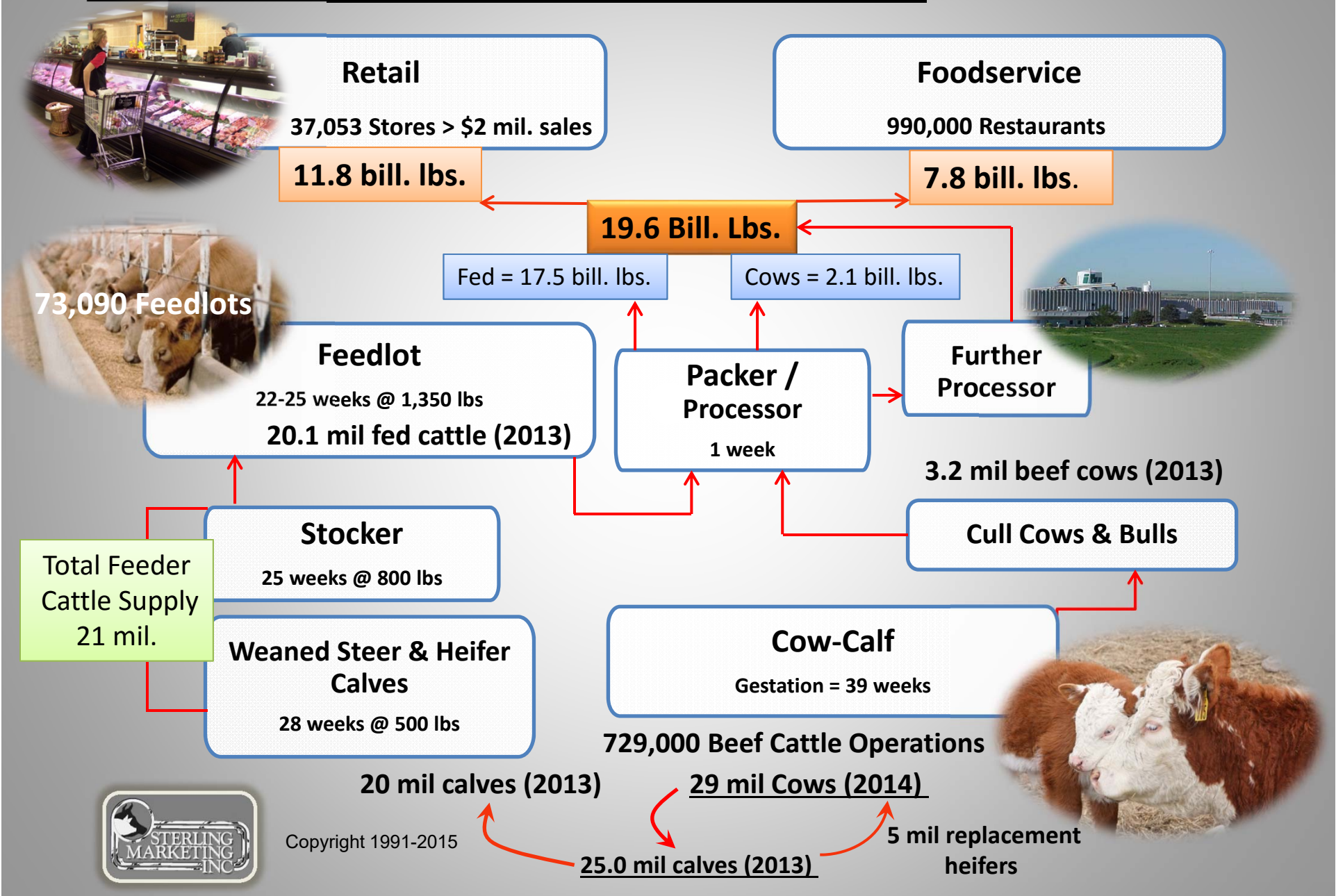
# The Beef Supply Chain

## Beef Industry Production Segments

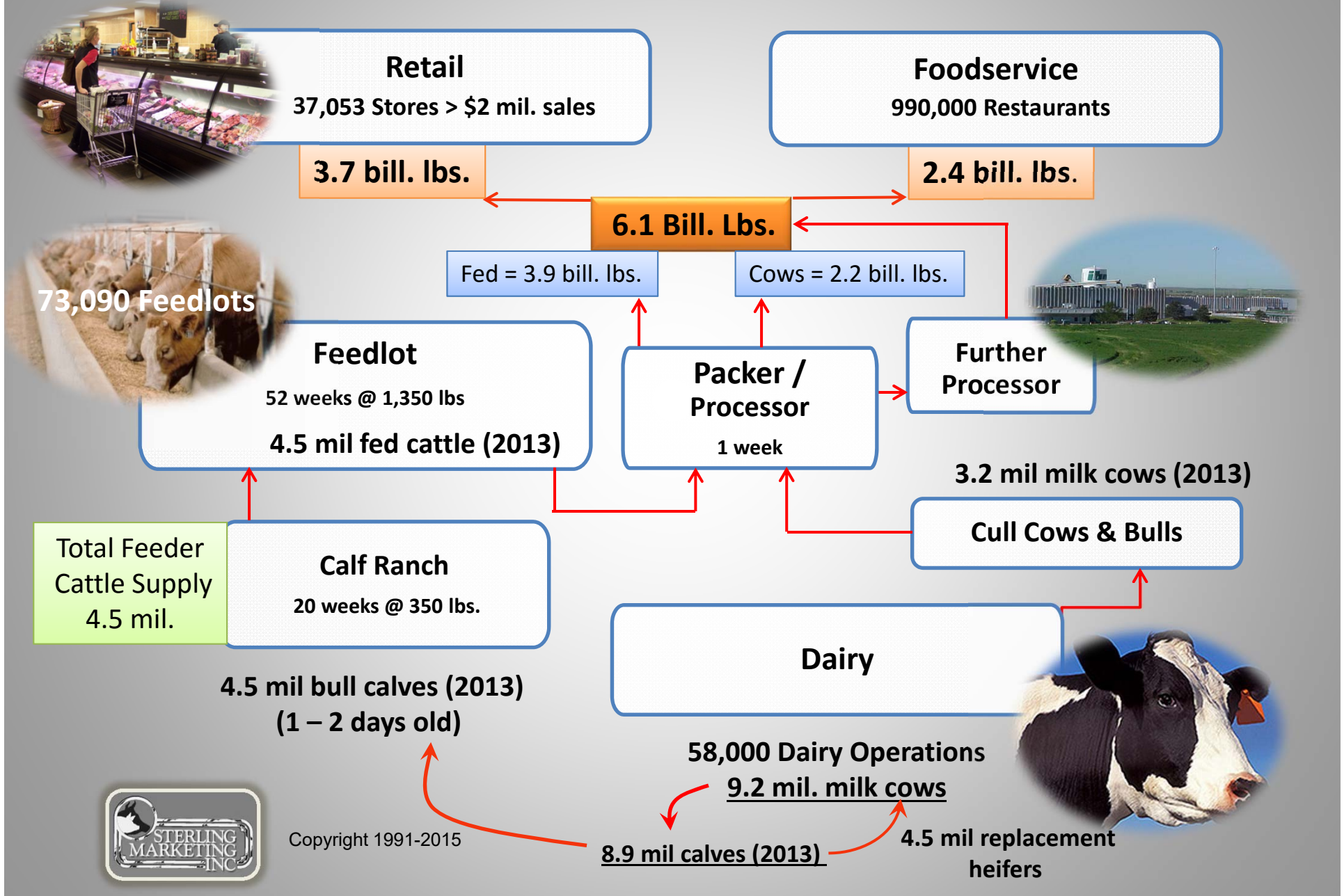


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# The U.S. Beef Supply Chain – Beef Cattle



# The U.S. Beef Supply Chain - Dairy Input



# U.S. Heifer Slaughter – thru October 10

Thousand head

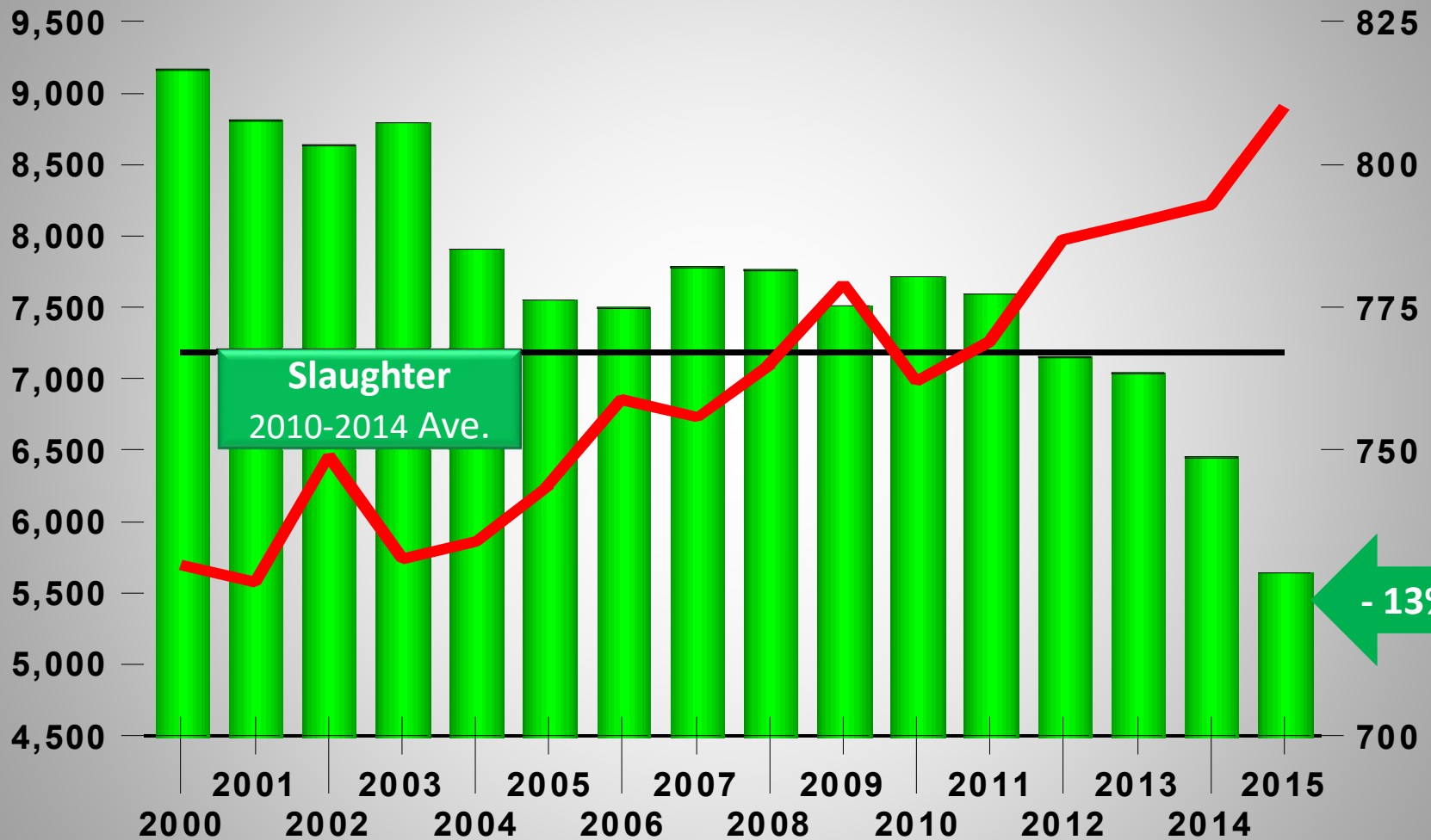
Pounds



Slaughter (Y1)

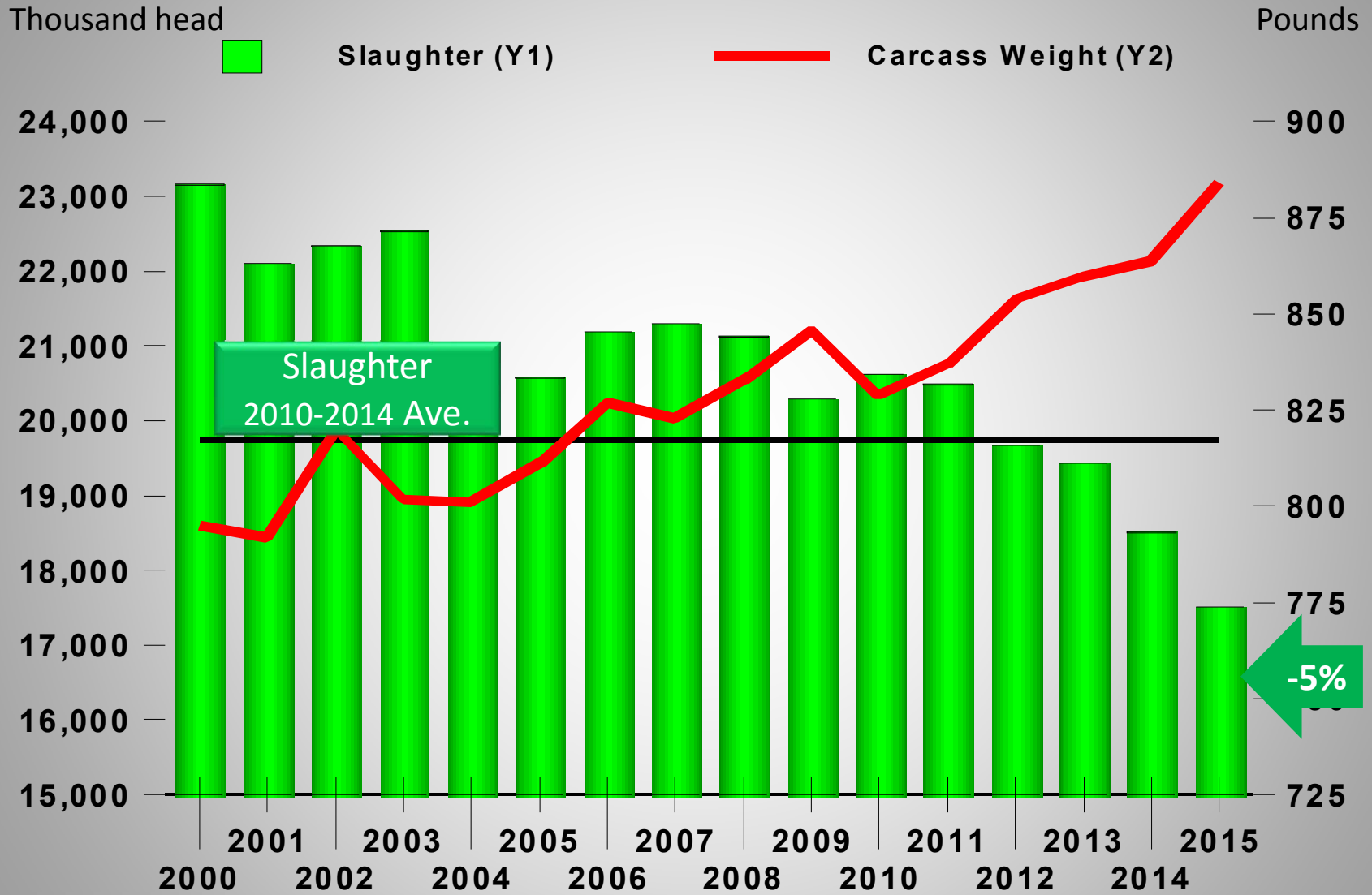


Weights (Y2)



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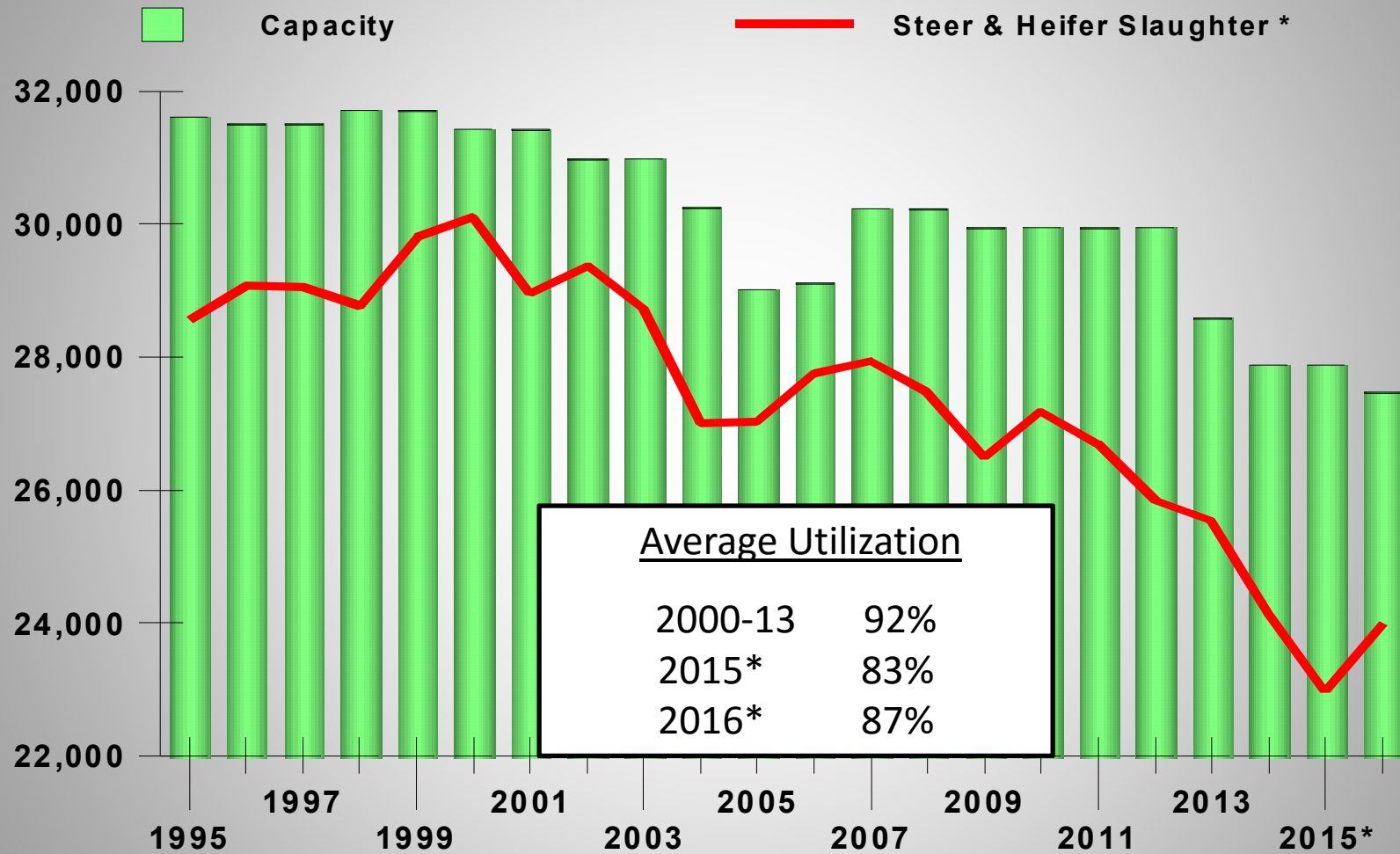
# U.S. Steer & Heifer Slaughter – thru October 10



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# Fed Cattle Slaughter Capacity & Utilization

Thousand head

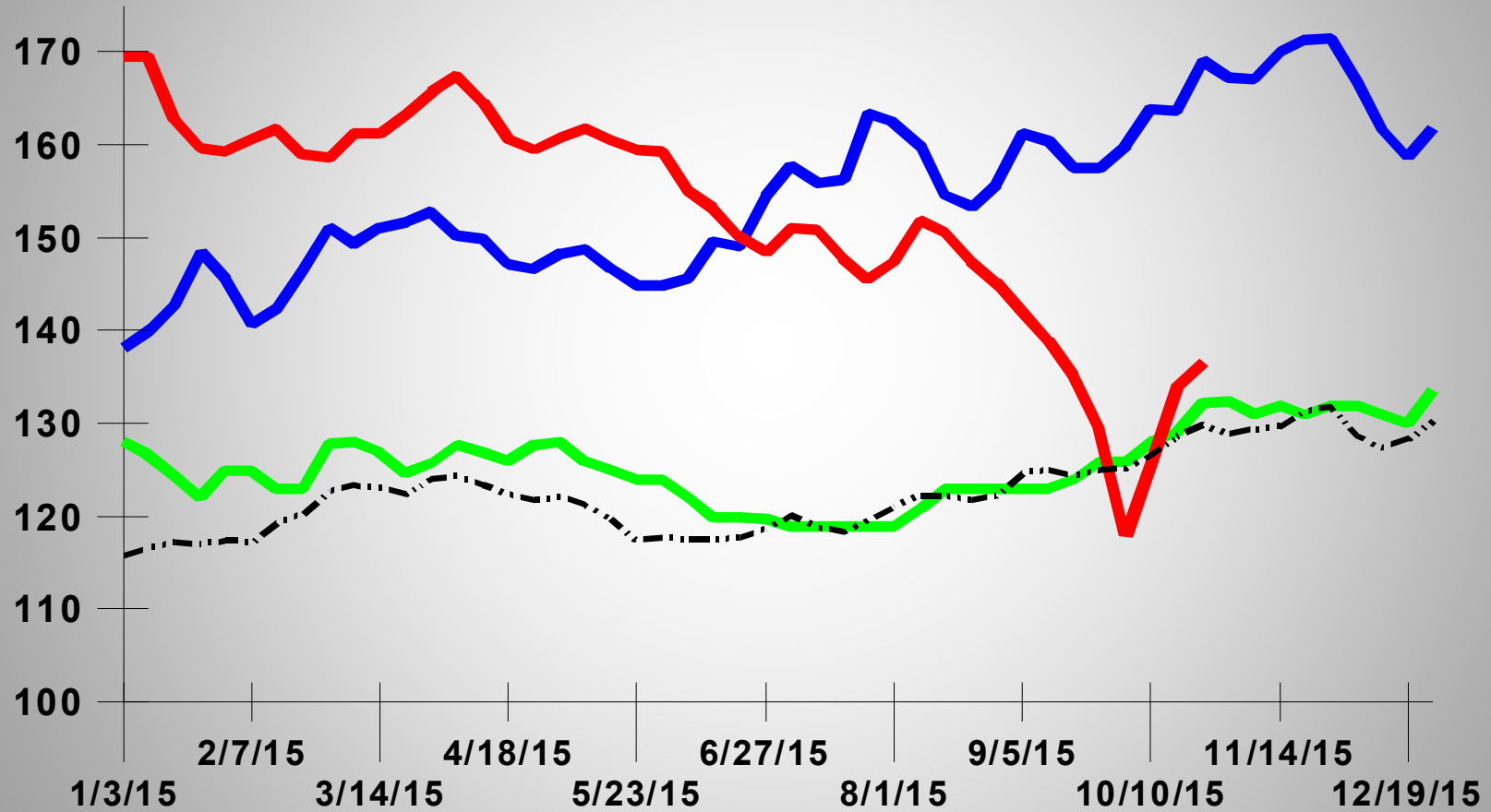


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\* Sterling Forecast – 10/27/15

# Choice Steer Price

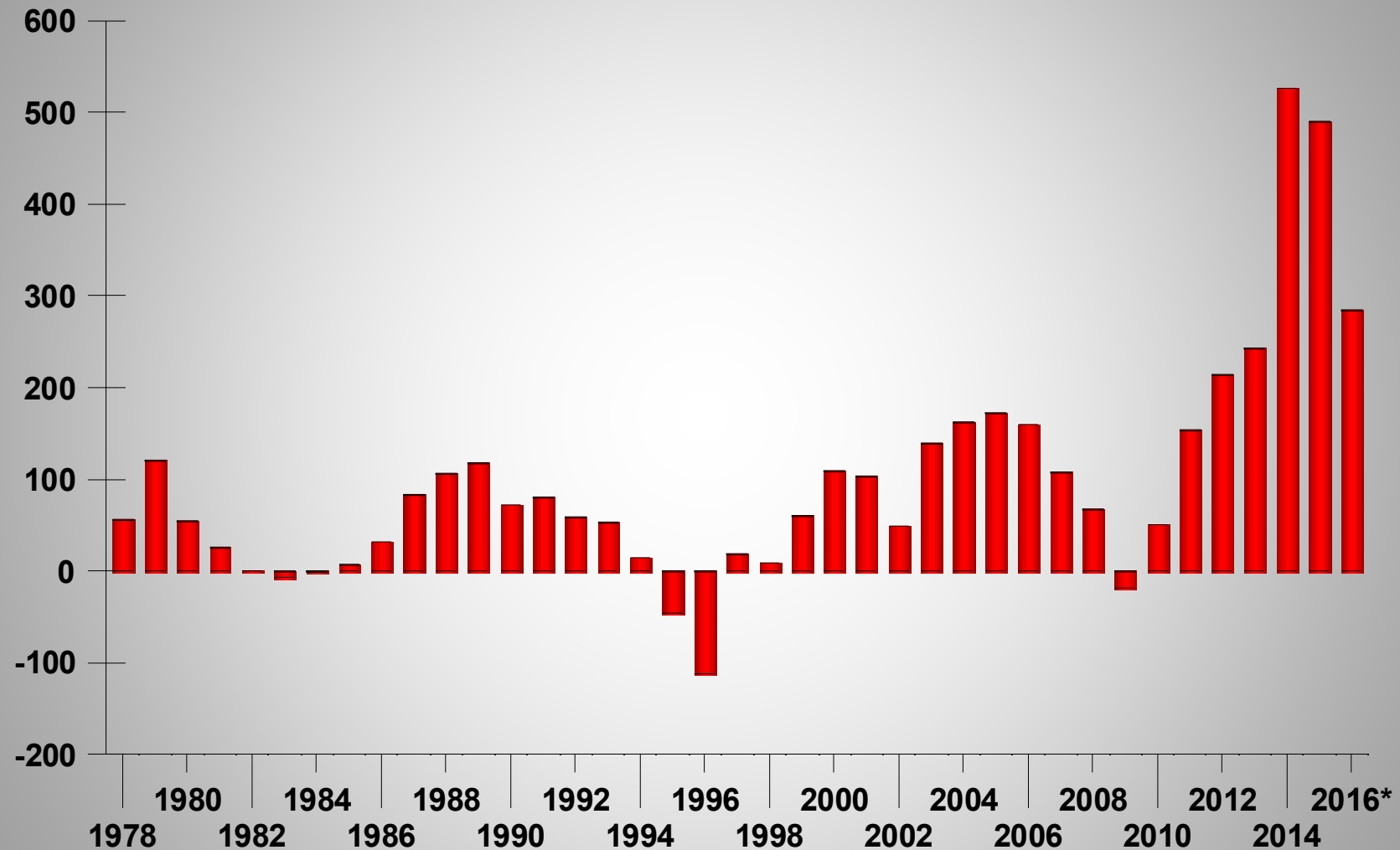
Dollars per cwt



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# Returns to Cow-Calf Producers

Dollars per head

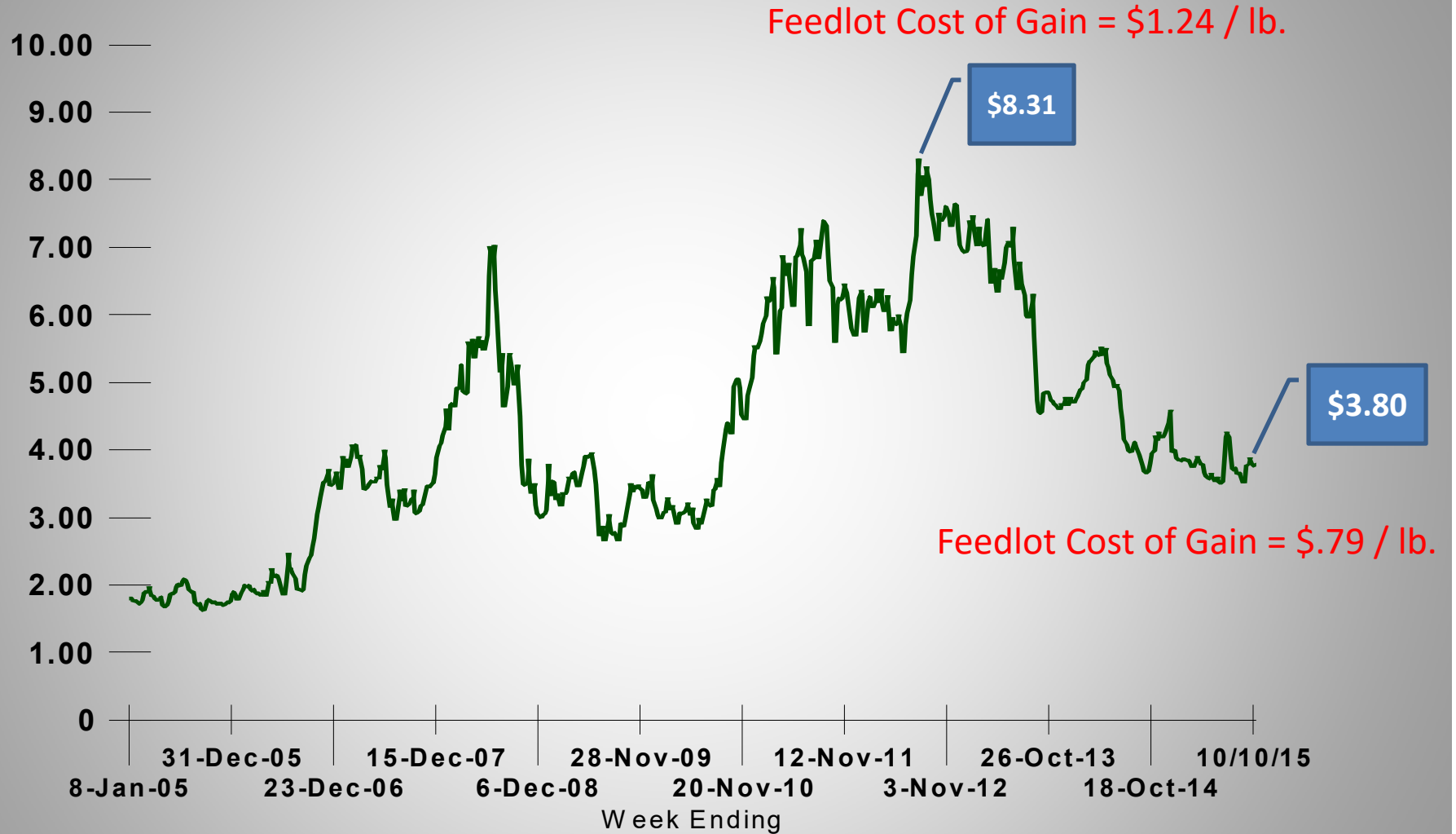


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Sterling Marketing – Oct. 26, 2015

# Corn Price

Dollars per bushel



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# Crude Oil Price — Cushing, OK

Dollars per barrel

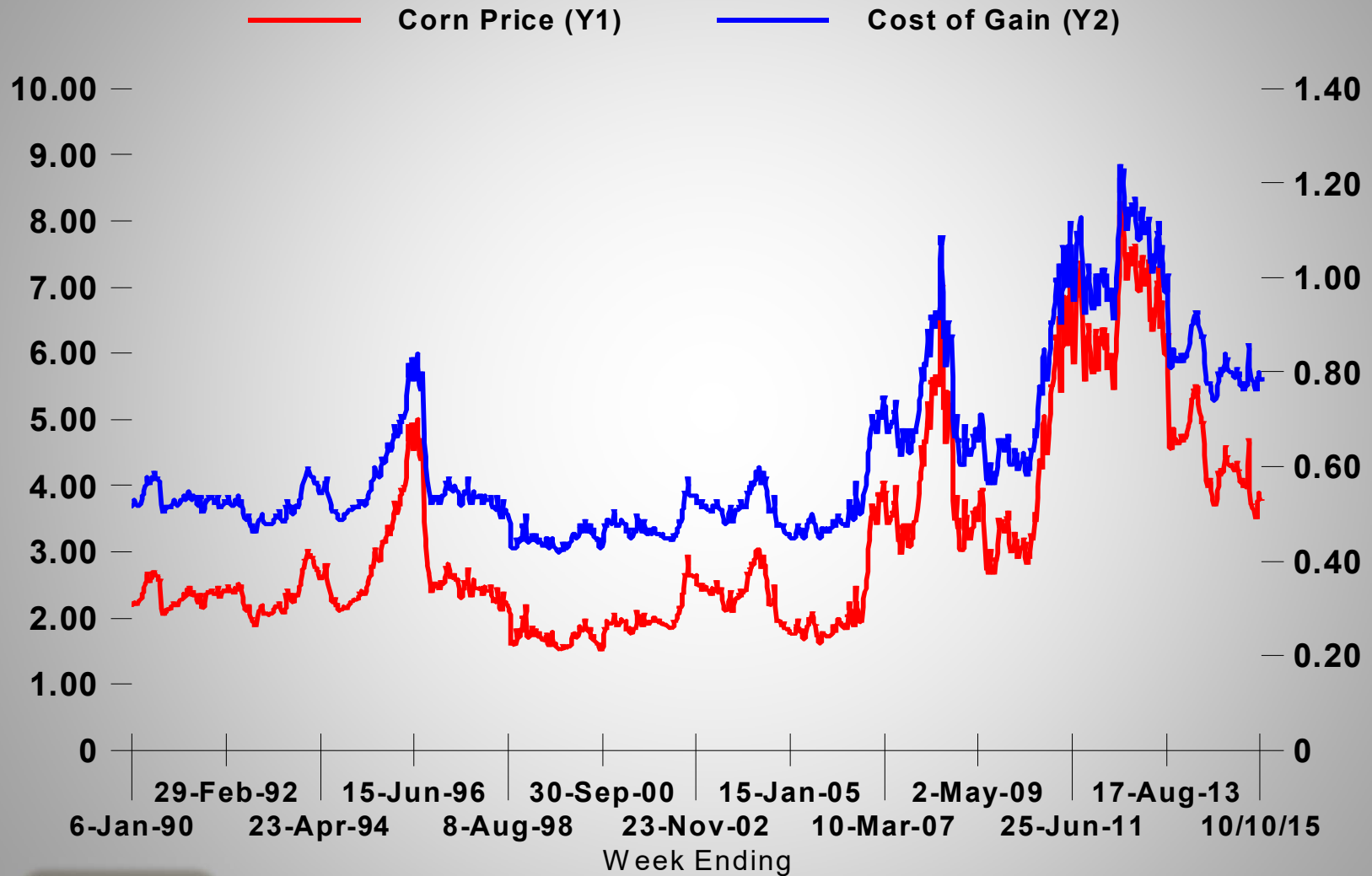


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# Corn Price & Feedlot Cost of Gain

Dollars per bushel

Dollars per pound

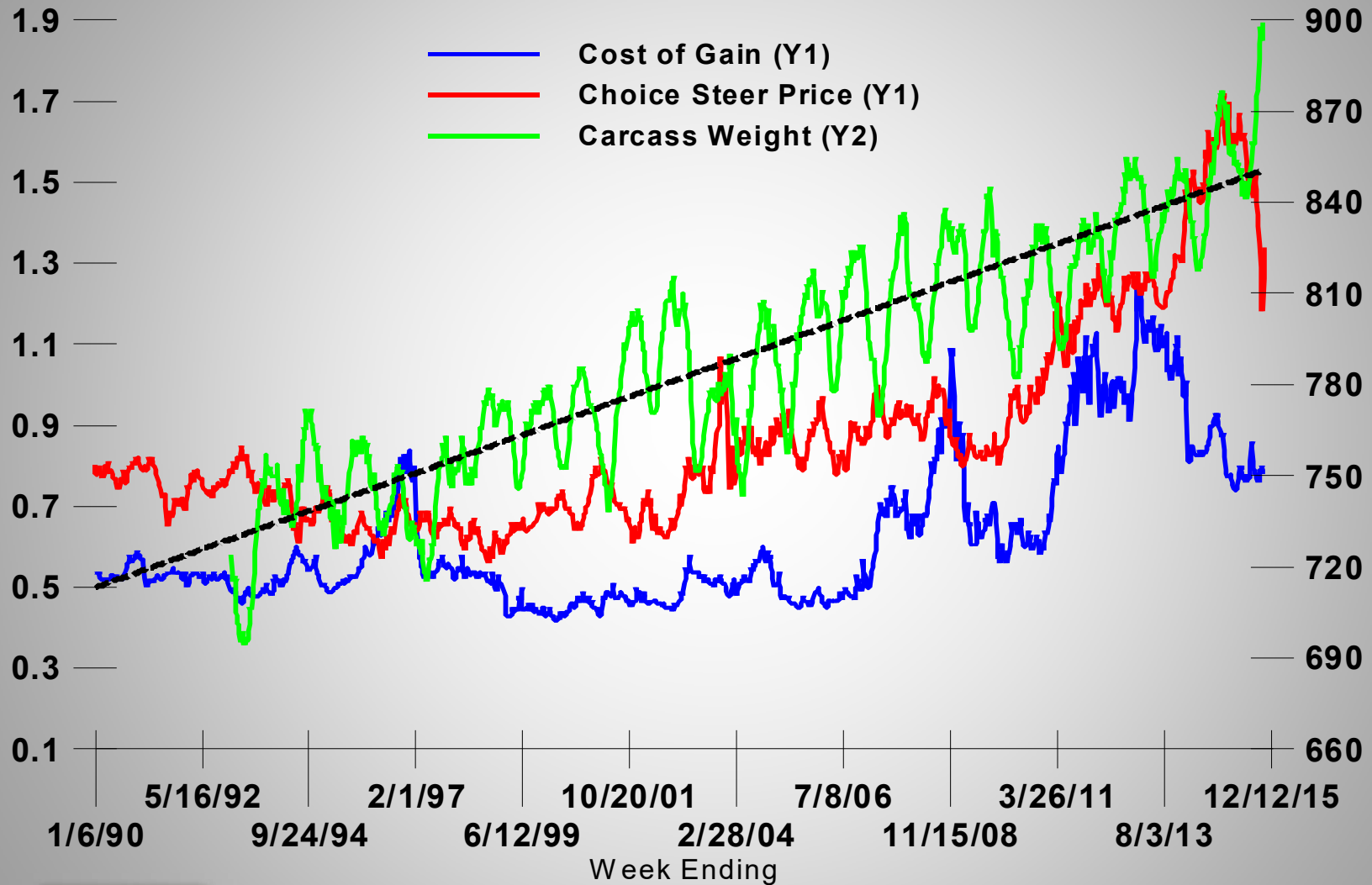


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# Feedlot Cost of Gain, Steer Price, & Carcass Weights

Dollars per pound

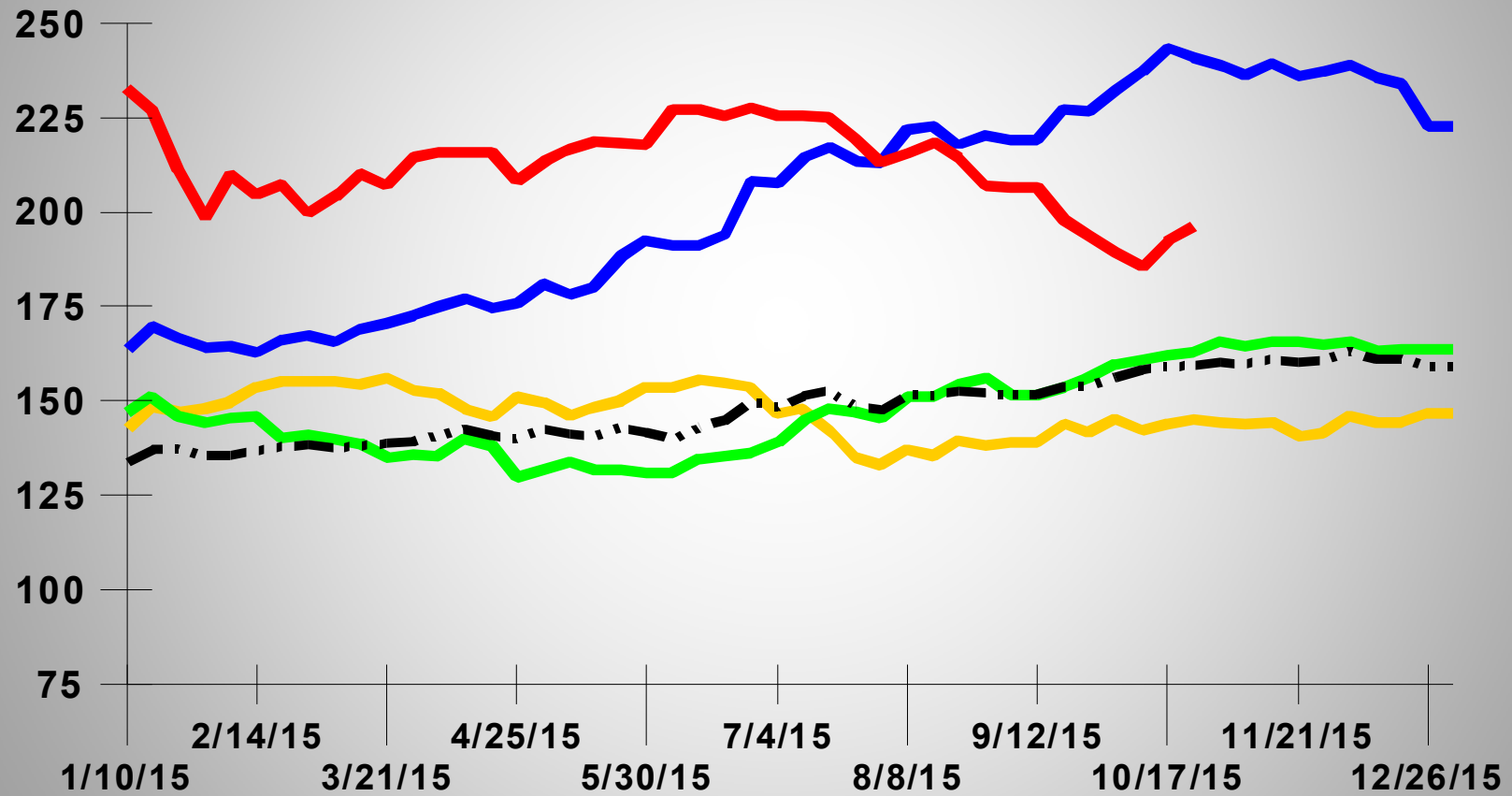
Pounds per head



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# Feeder Cattle Price

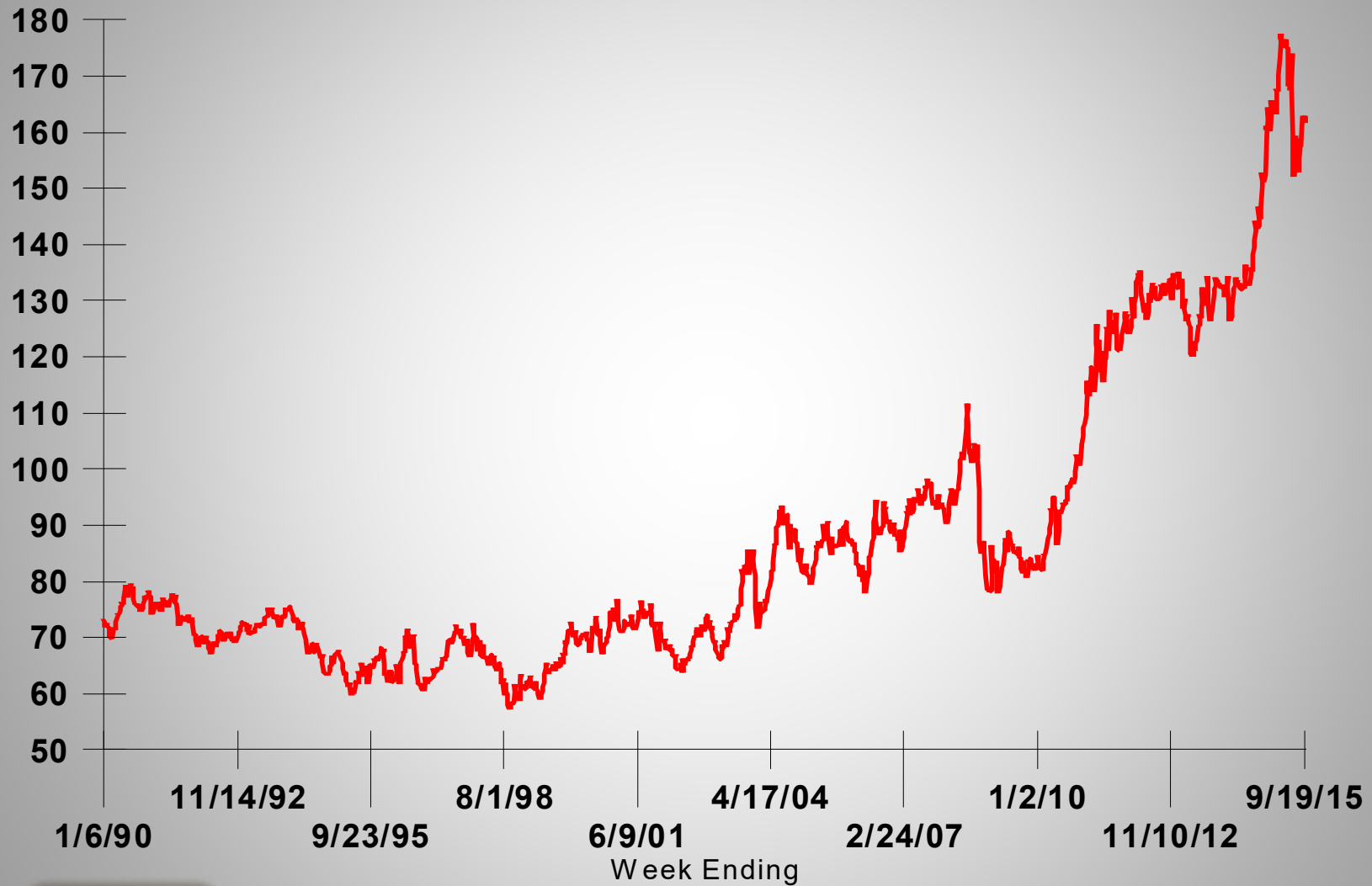
Dollars per cwt



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# Feedlot Breakeven Price

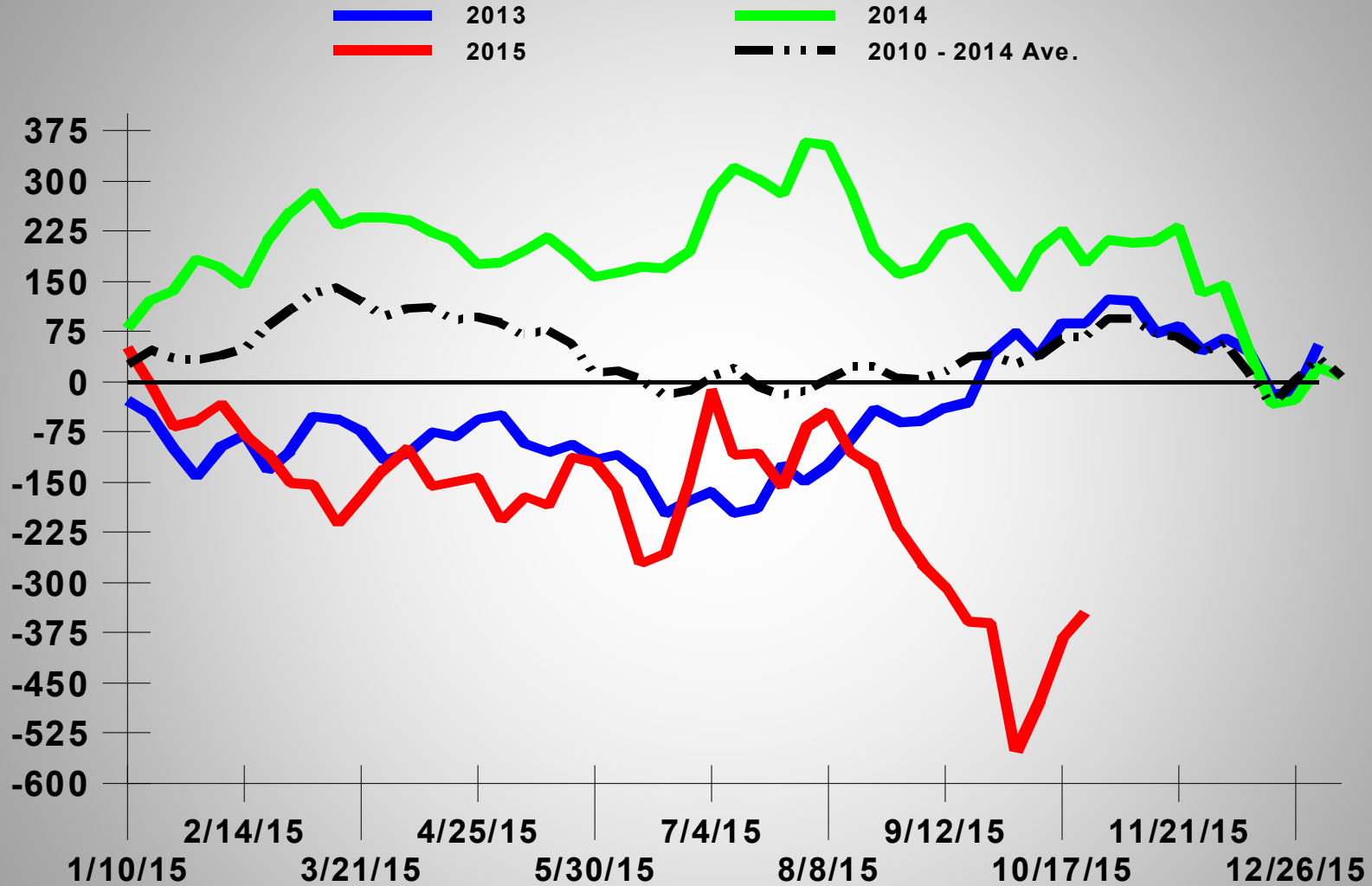
Dollars per cwt.



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# Cattle Feeding Margins

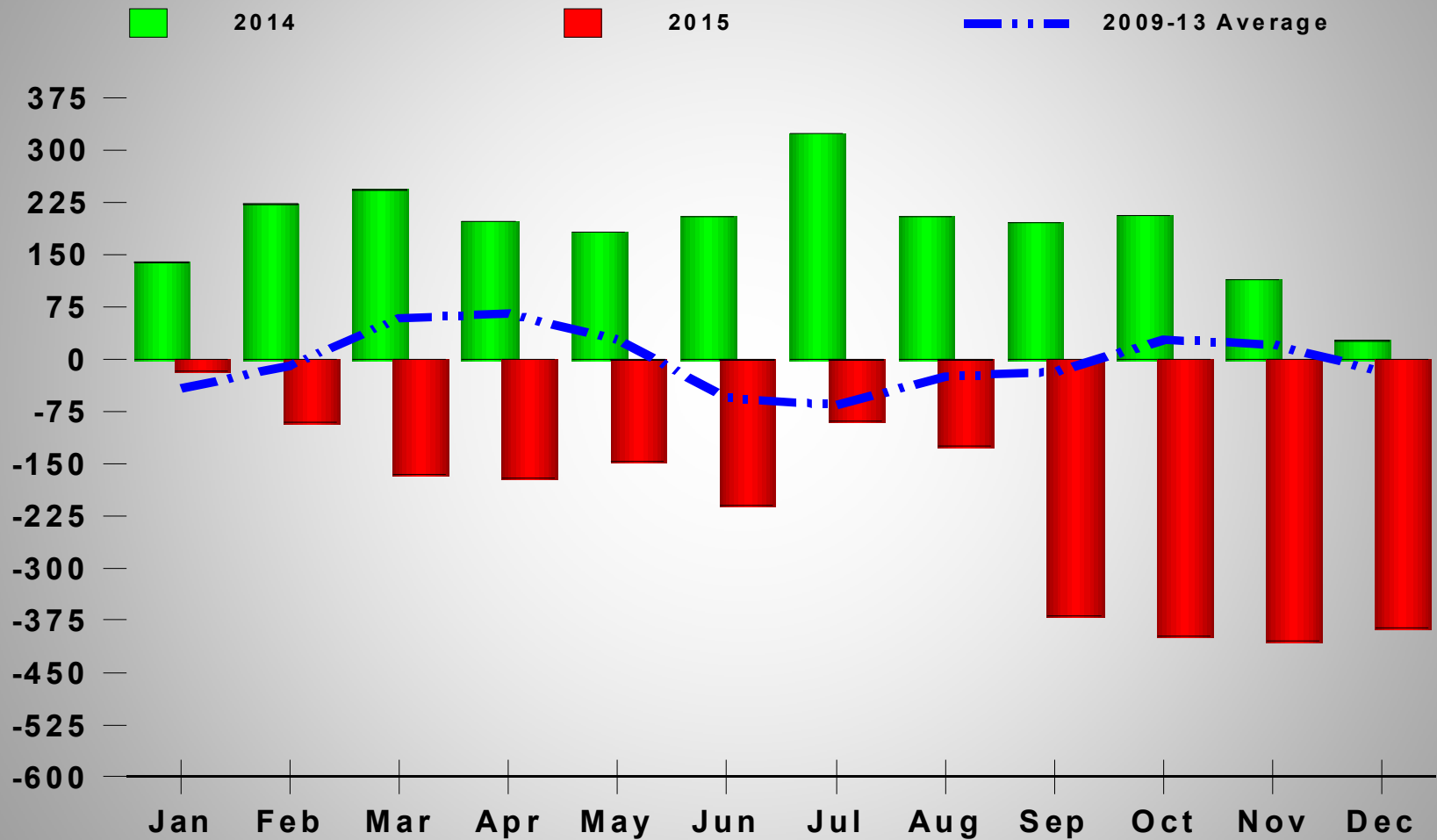
Dollars per head



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# Feedlot Margin

Dollars per head



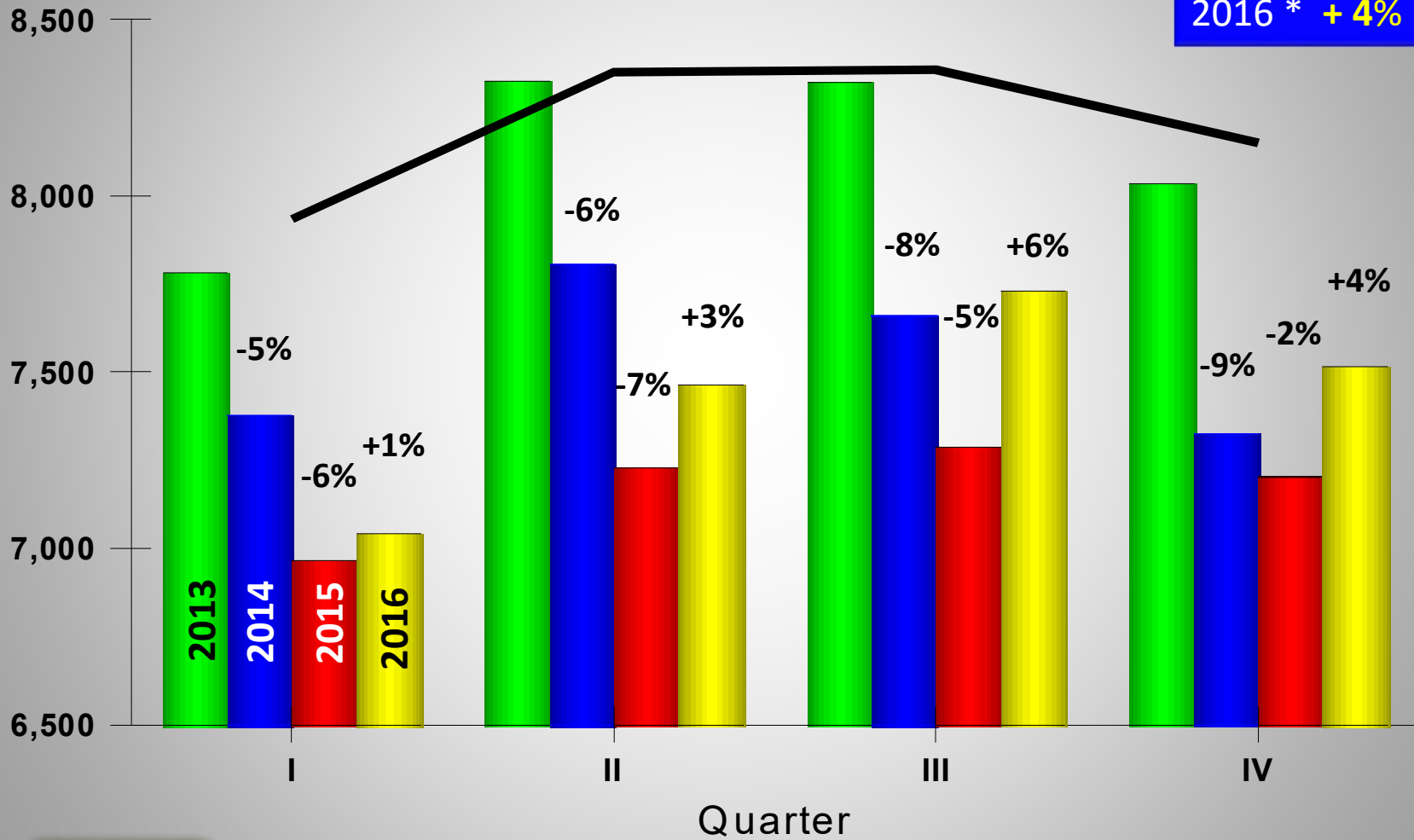
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Sterling Marketing Forecast – Oct. 26, 2015

# U.S. Commercial Cattle Slaughter

Thousand Head

2014 - 7%  
2015 \* - 5%  
2016 \* + 4%



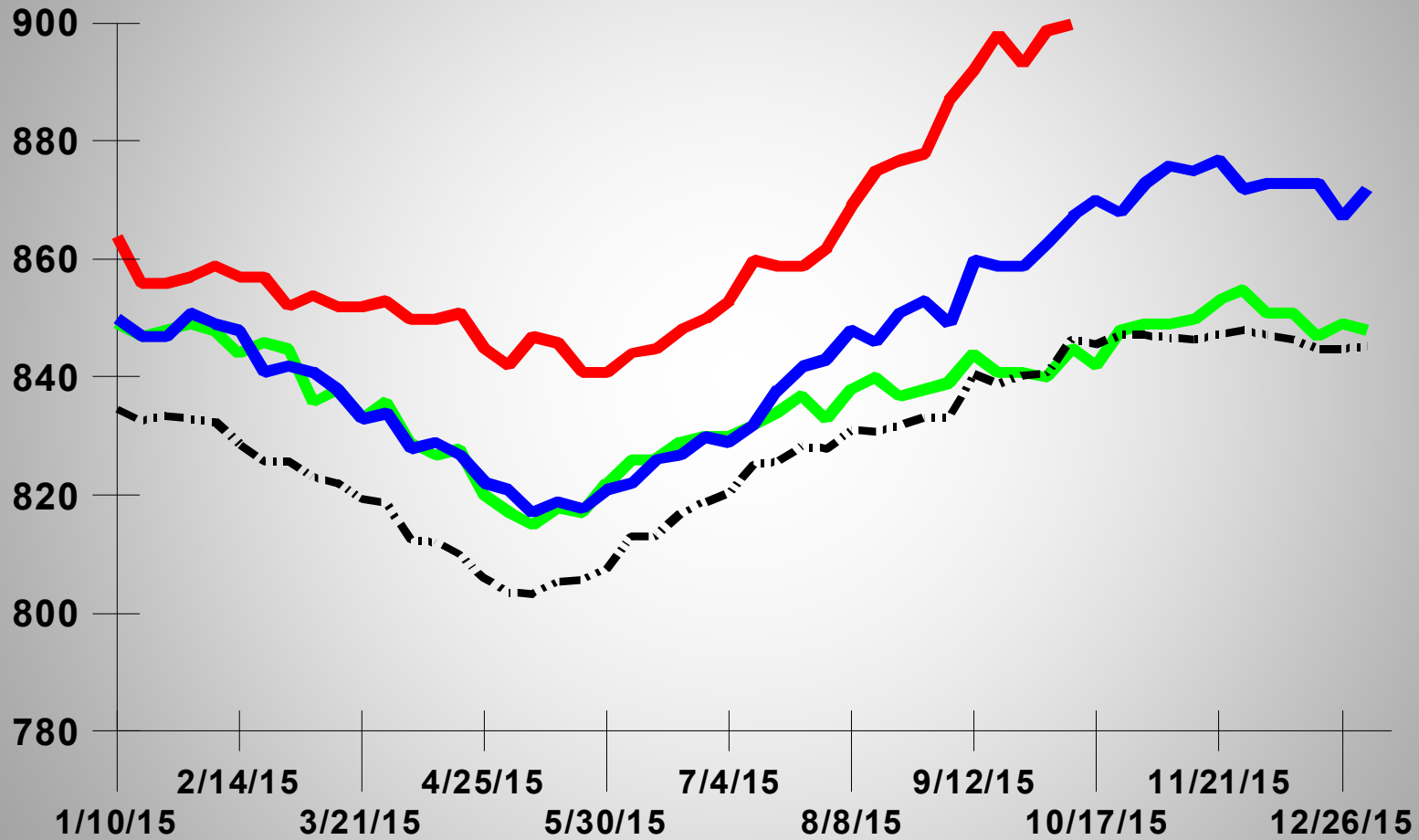
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Sterling Forecast – October 27, 2015

# Combined Steer & Heifer Carcass Weights

Pounds

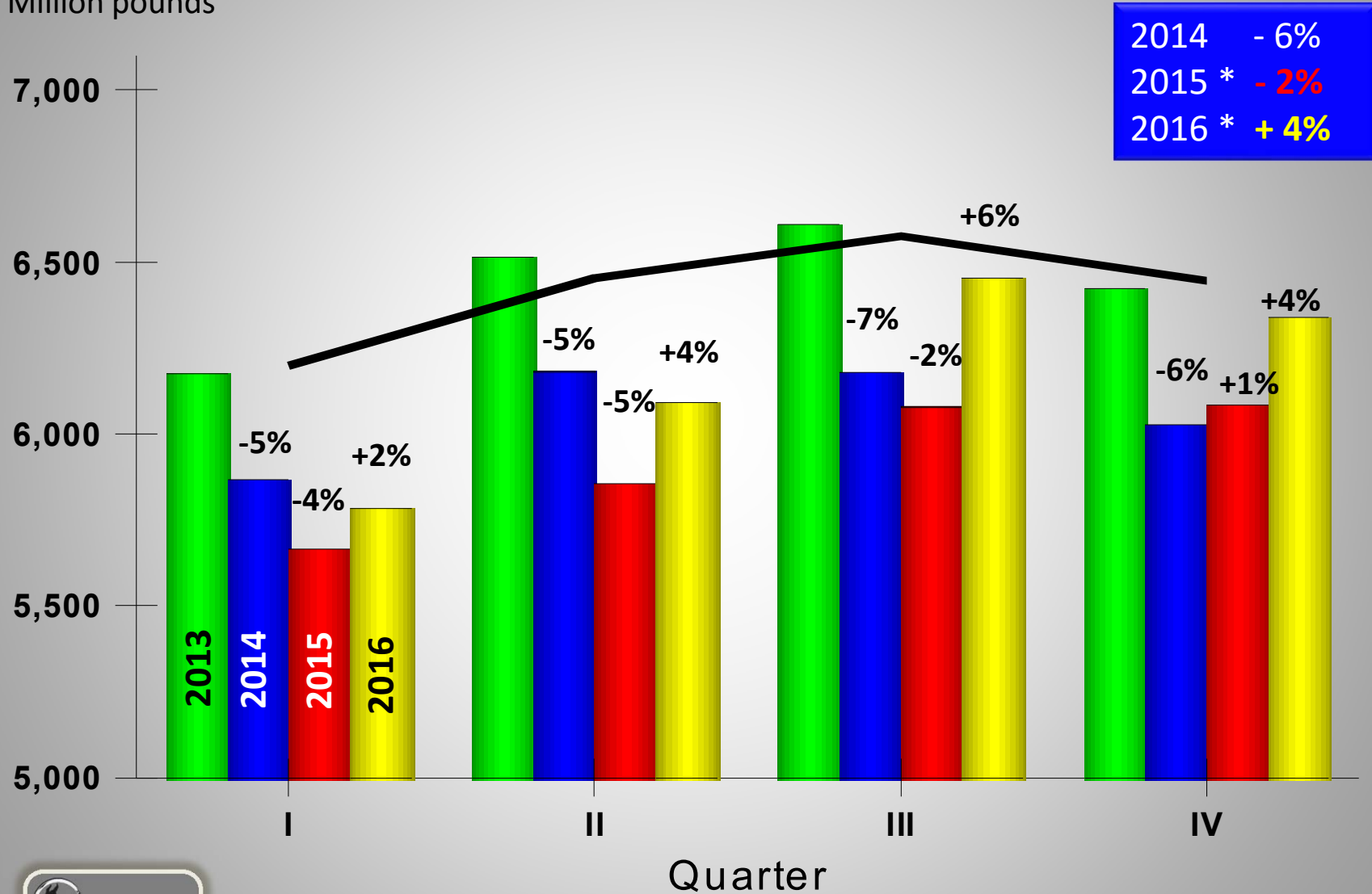
2013  
2014  
2015  
2010-2014 Ave.



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# U.S. Commercial Beef Production

Million pounds

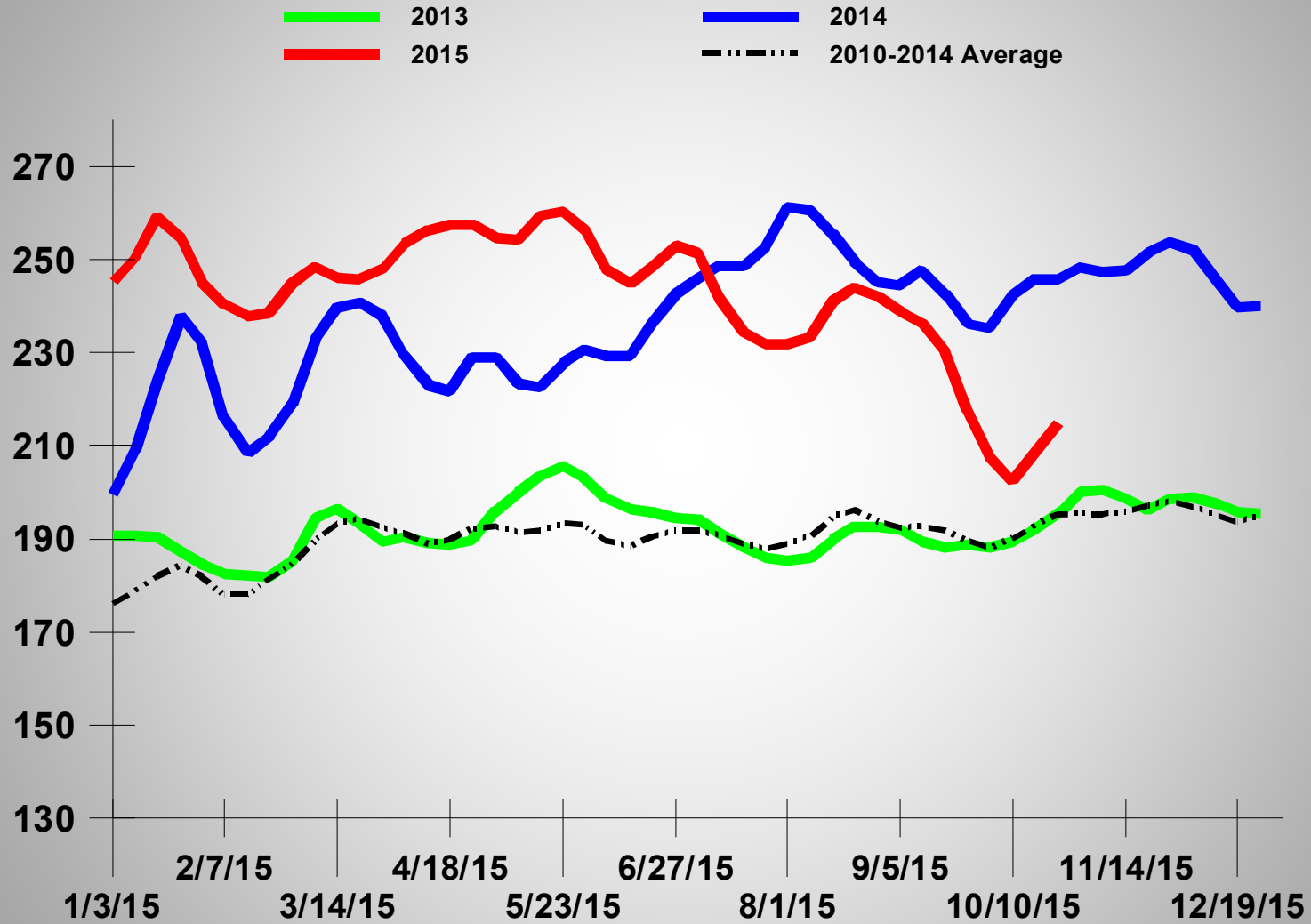


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Sterling Forecast – October 27, 2015

# Wholesale Beef Price

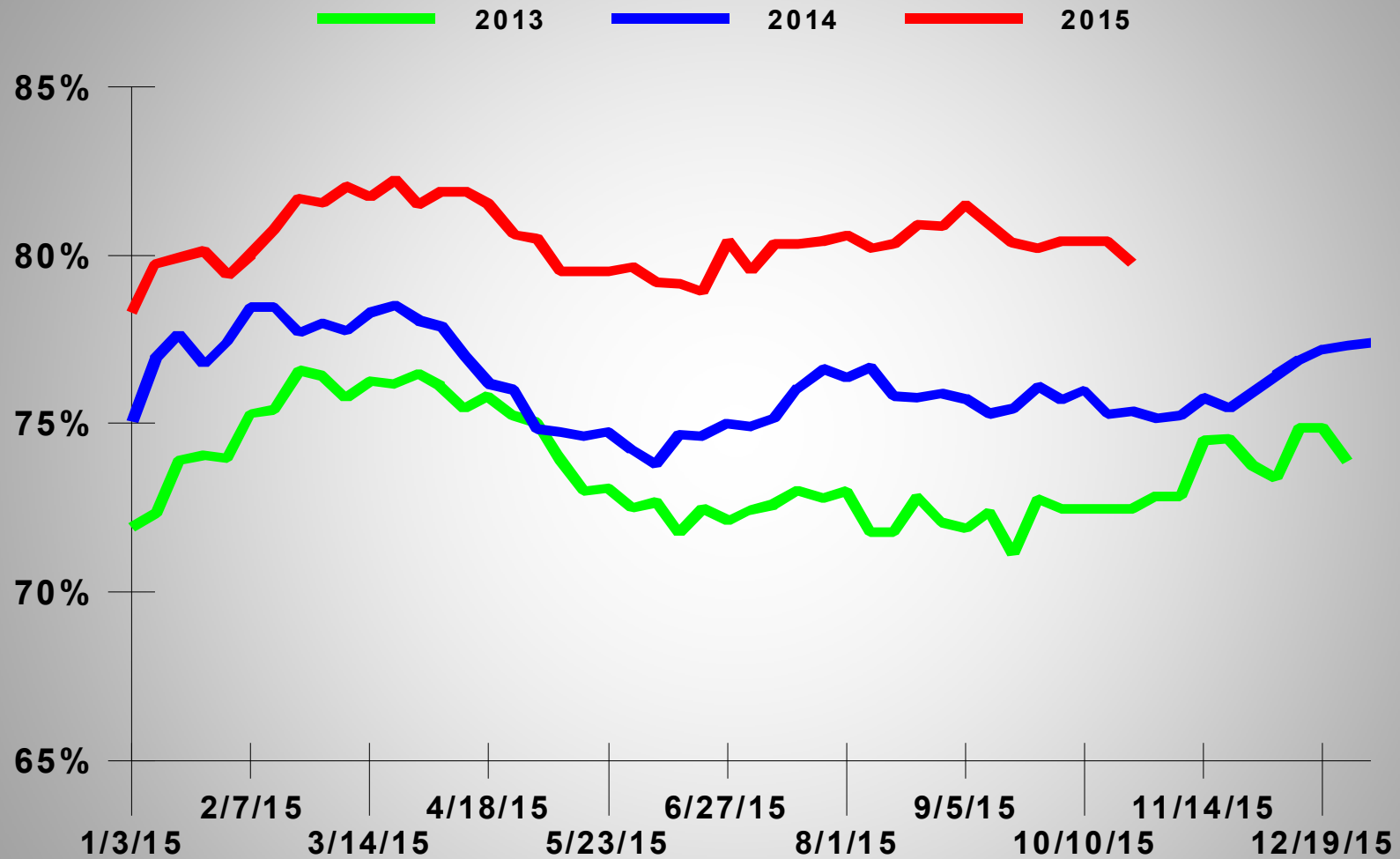
Dollars per cwt.



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Beef Cutout Value, Adjusted for Beef Grade

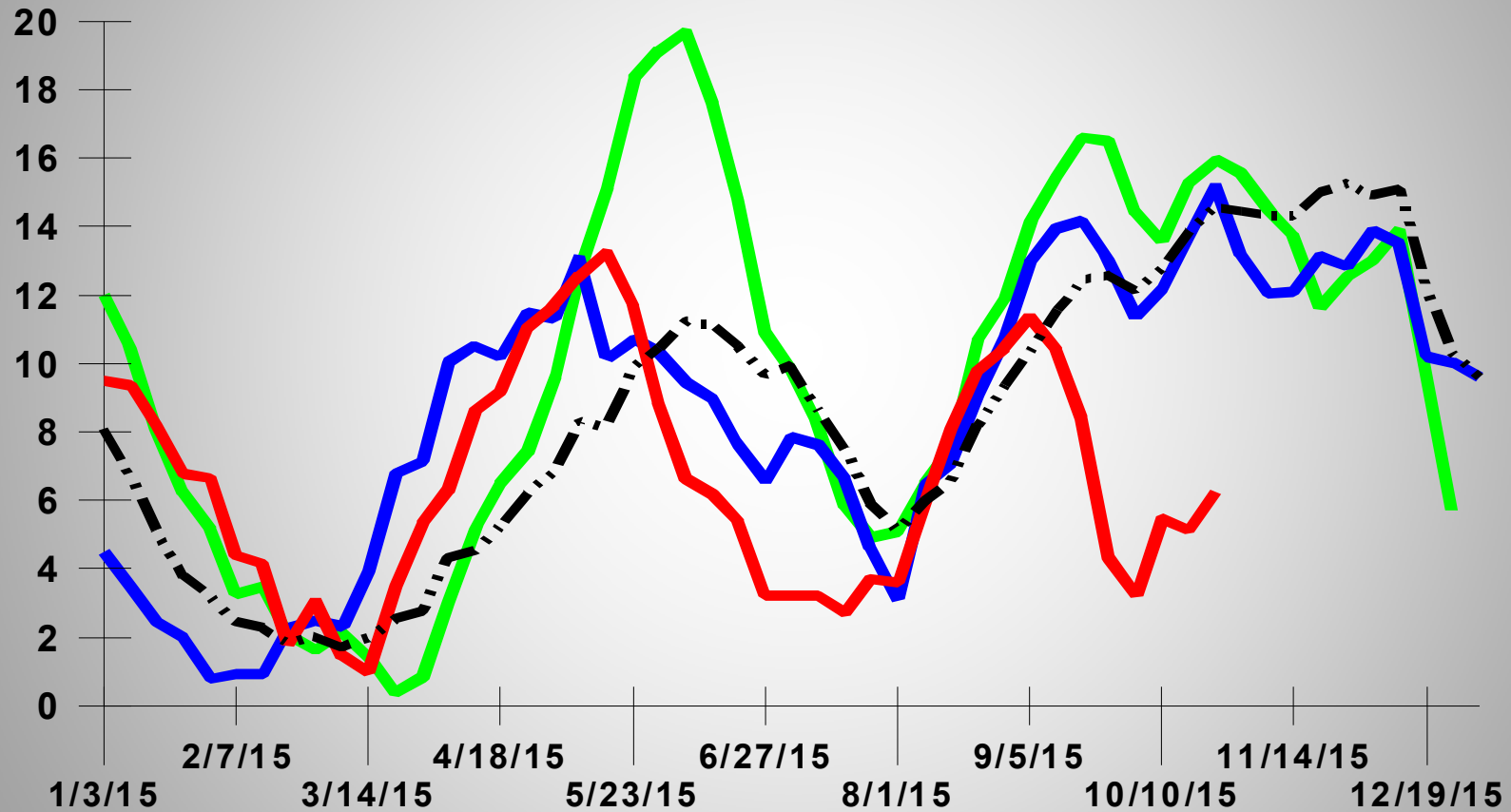
# Cattle Grading Choice



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# Choice – Select Spread

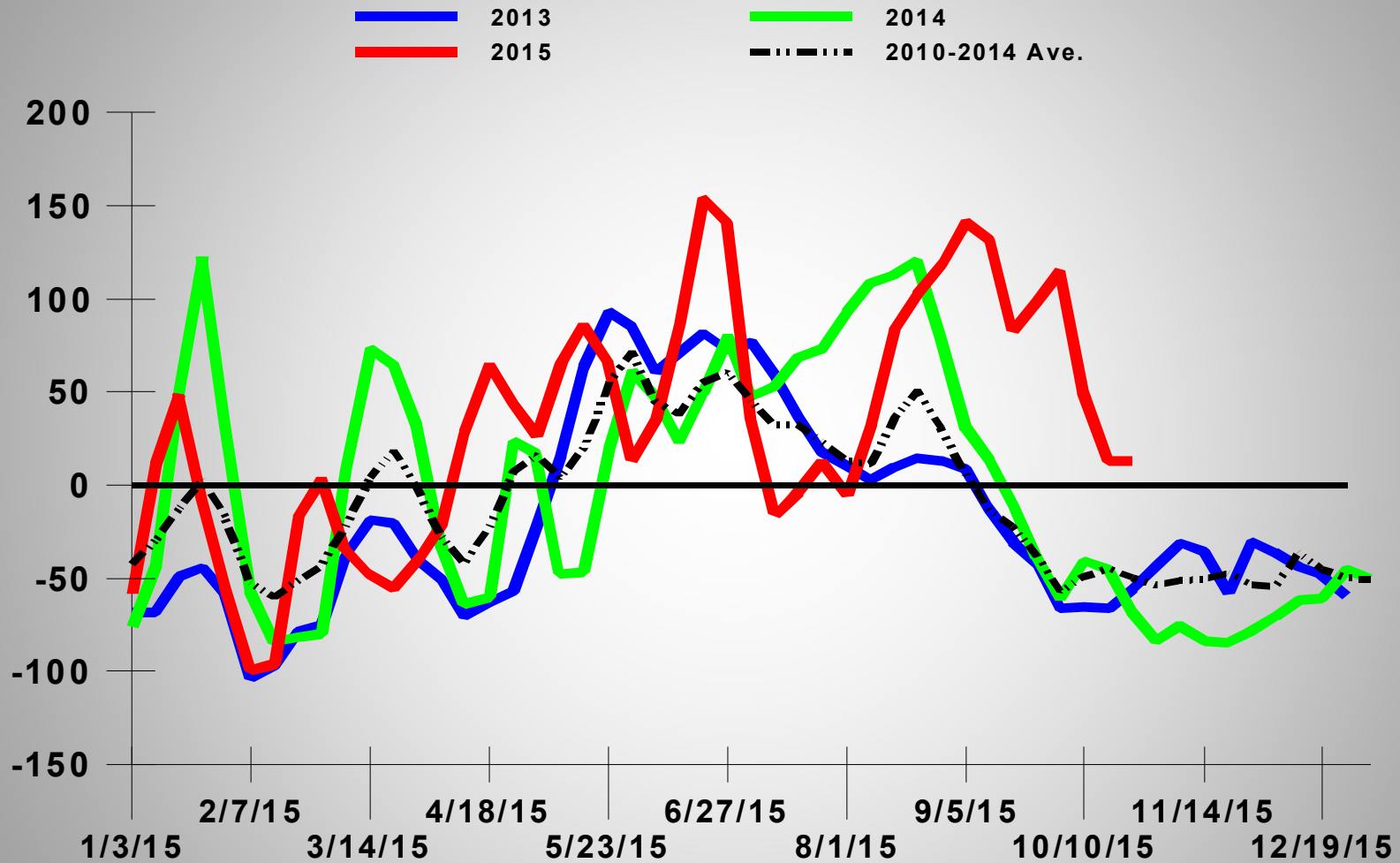
2013  
2014  
2015  
2010-2014 Ave.



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# Beef Packer Operating Margins

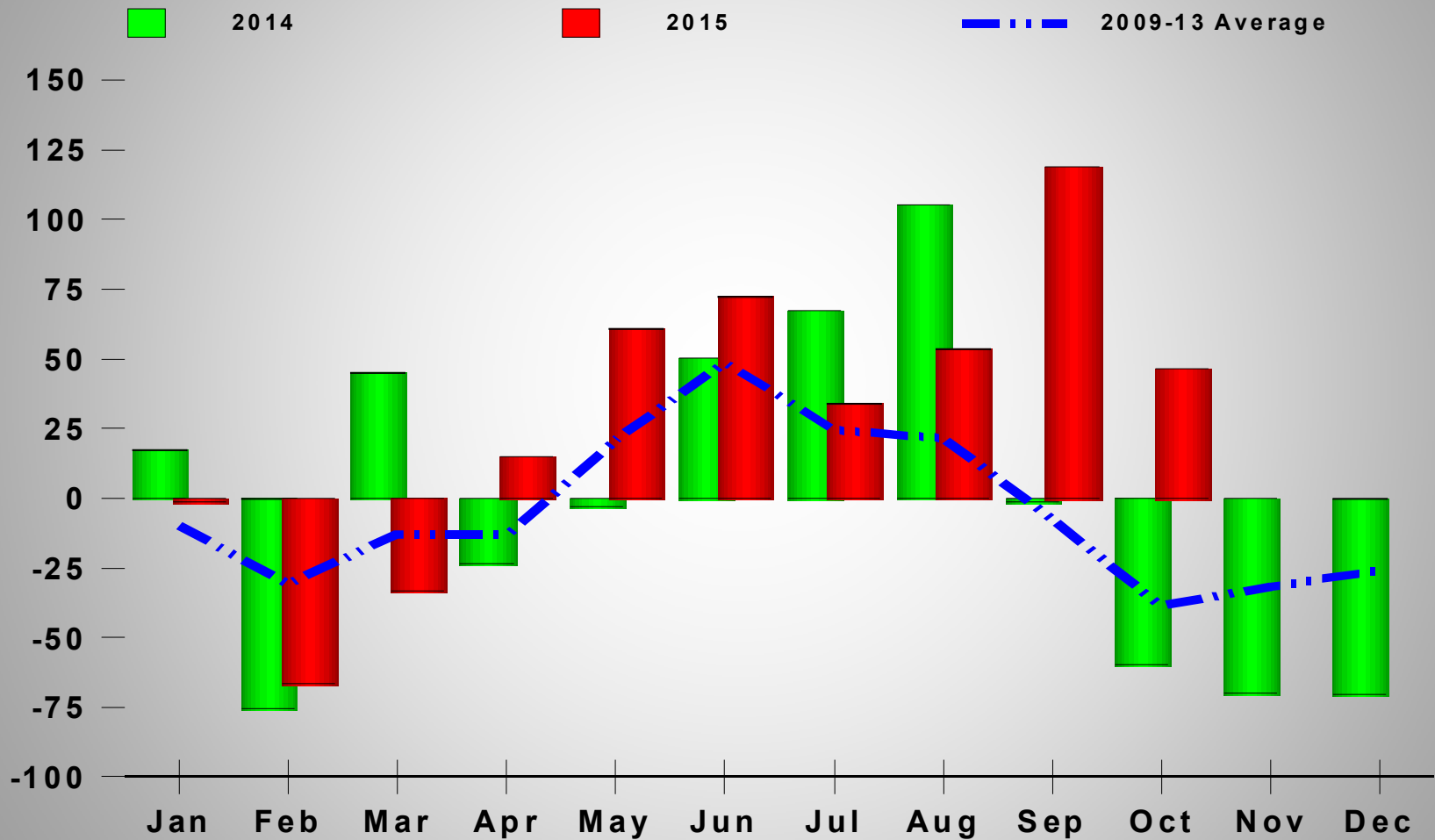
Dollars per head



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# Beef Packer Margin

Dollars per head



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# Beef Demand Topics



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Companies that target their products at the *circumstances* in which customers find themselves rather than at the *customers* themselves, are those that can launch predictably successful products.

*“The Innovators Solution”*

Clayton M. Christensen

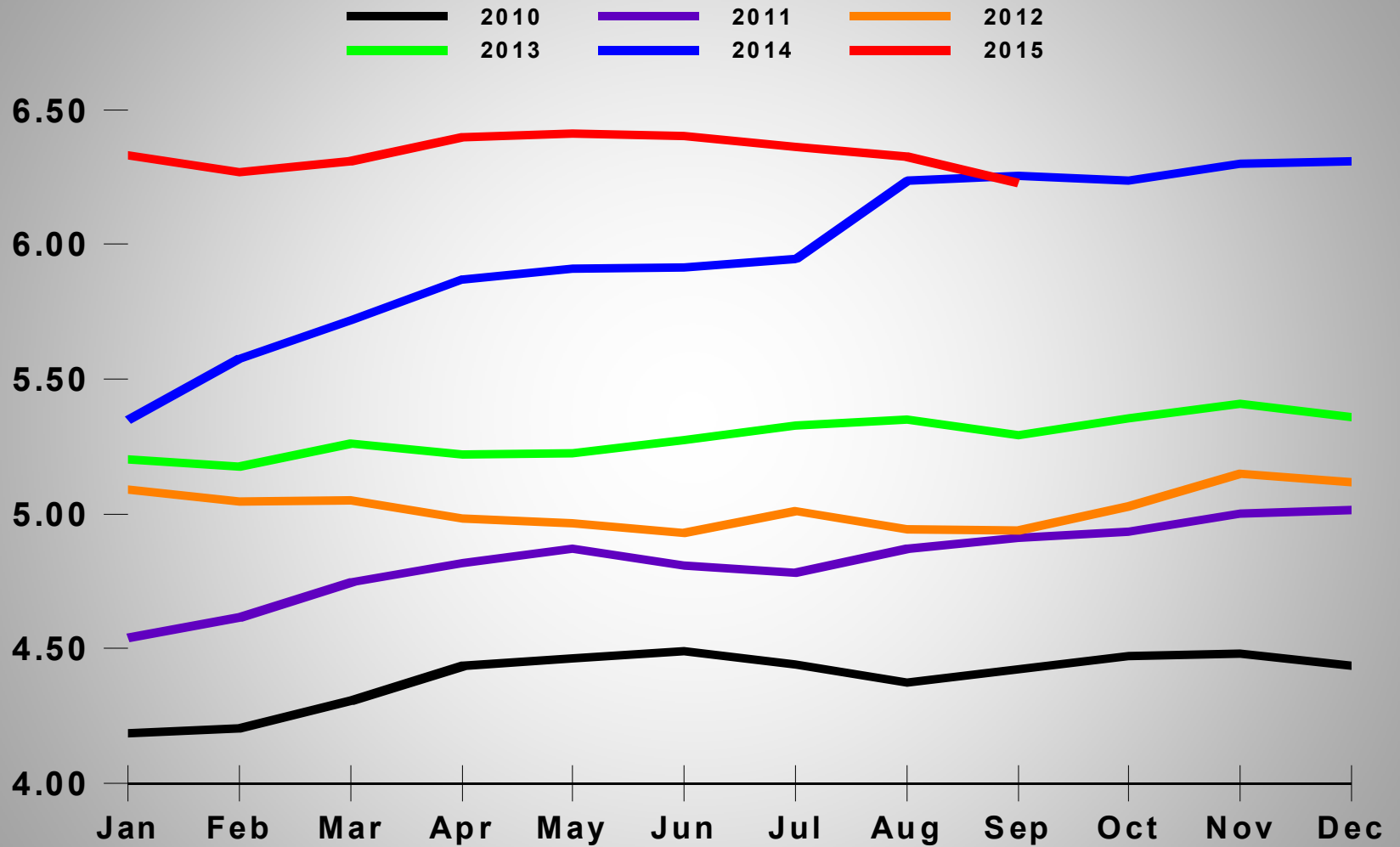
Michael E. Raynor



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# Choice Retail Beef Price

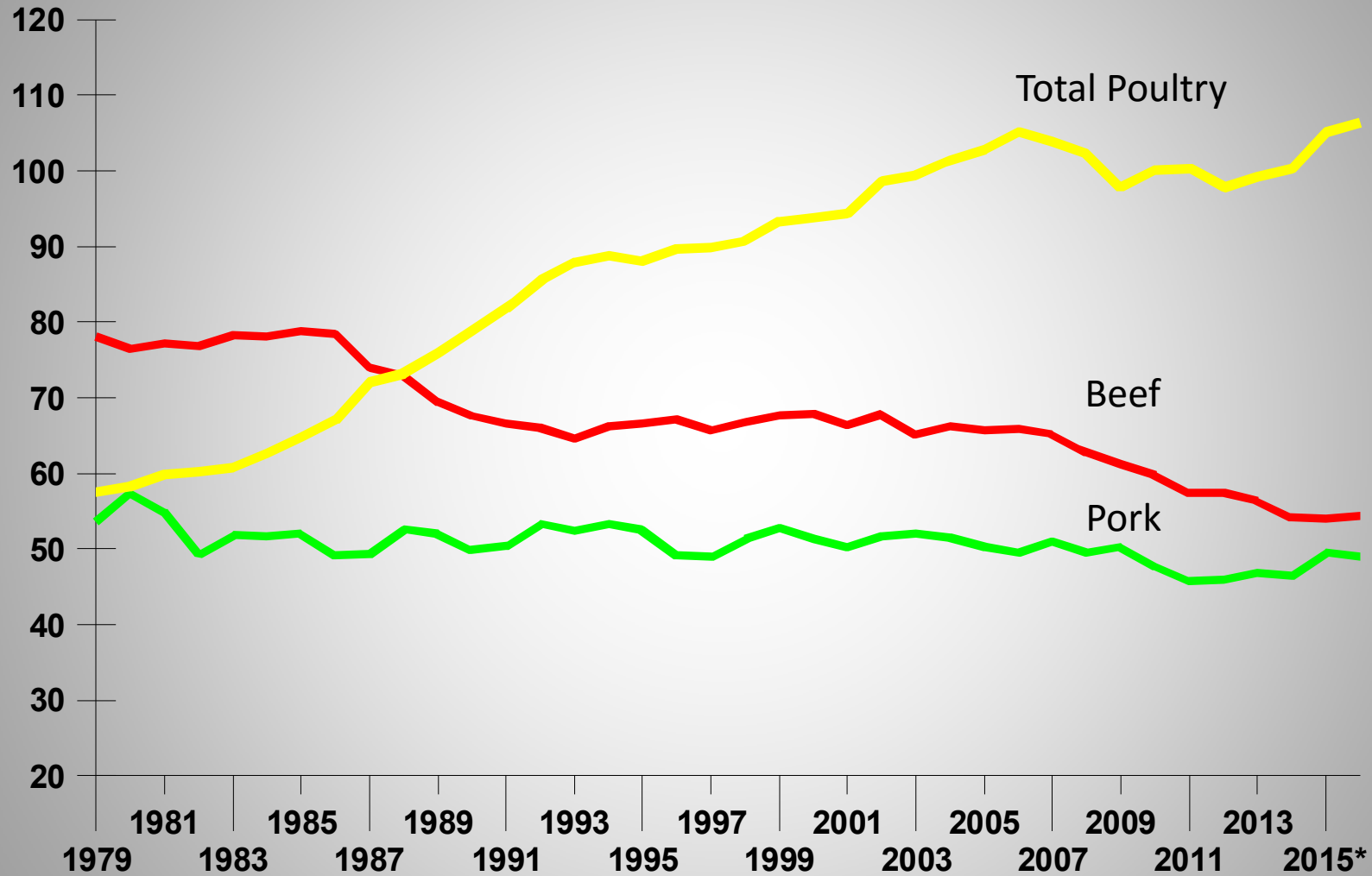
Dollars per lb



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# Per Capita Red Meat & Poultry Consumption

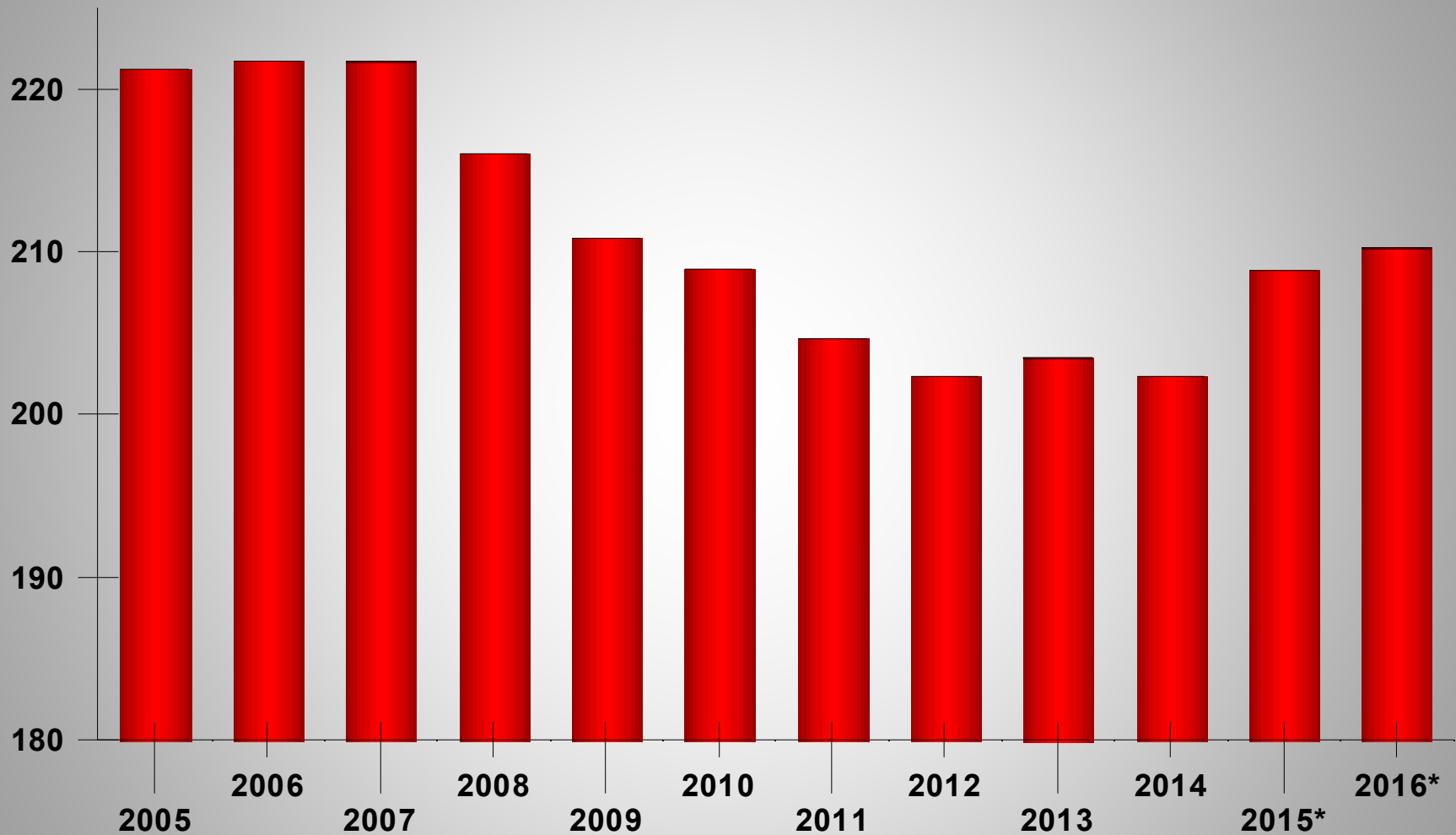
Pounds



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# Per Capita Red Meat & Poultry Consumption

Pounds



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\* Sterling Forecast – August 21, 2015

# Changing Consumer Beef Demand

## Trends or Fads?

- Grass Fed
- Natural
- Organic
- Buy local
- Sustainable



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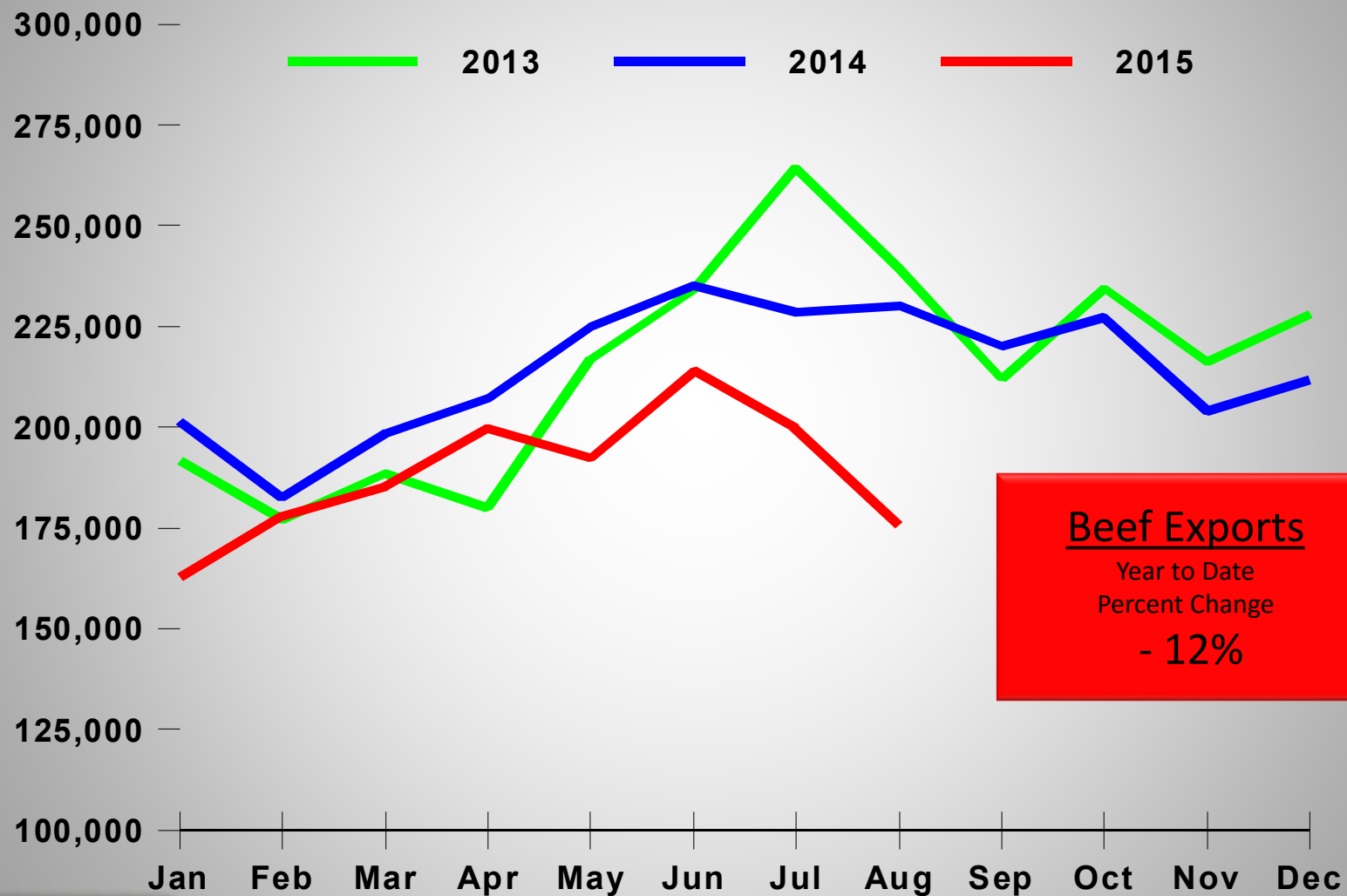
# U.S. Beef Trade



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# U.S. Beef Exports

Thousand pounds (carcass wt)

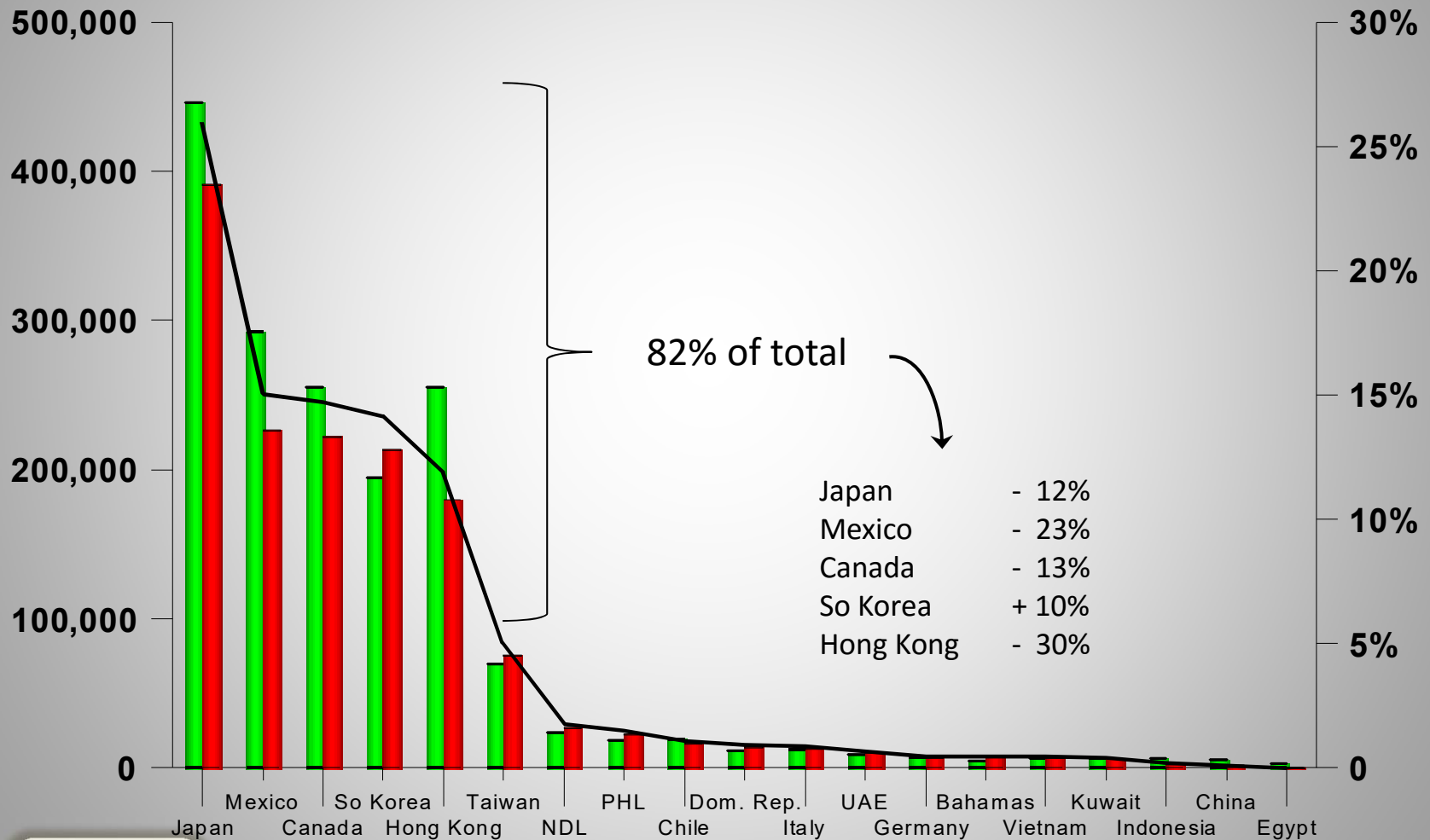


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# Top U.S. Beef Export Markets — Jan - August 2015

Thousand pounds (carcass wt)

■ 2014 (Y1)     
 ■ 2015 (Y1)     
 — Pct of Total (Y2)



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# Trans-Pacific Partnership

## Key Elements of the Agreement

### Pertaining to U.S. Beef and Pork Industries

The detail in the agreement is not currently available but these are key point concerning the U.S. beef and pork industries.

- **Sharply reduces and eliminates tariffs** on U.S. beef sold into TPP countries.
- **New and commercially meaningful market access** through significant tariff reductions or preferential tariff rate quotas.
- **Elimination of export subsidies.**
- **Discourages export restrictions** as a means to prop up domestic market.
- Ensures food safety, animal health, and plant health measures are **developed and implemented transparently** and in a **science-based manner based on risk**, as we do in the United States.



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## Trans-Pacific Partnership

### U.S. Beef Trade with Member Countries

1000 pounds, carcass wt

	U.S. Beef Exports				U.S. Beef Imports			
	2014 Jan-Dec	2014 Jan-Aug	2015 Jan-Aug	% Change	2014 Jan-Dec	2014 Jan-Aug	2015 Jan-Aug	% Change
Japan	662,370	445,874	391,206	▼ -12%	1,984	1,037	2,036	▼ 96%
Mexico	435,345	292,832	226,781	▼ -23%	310,155	202,245	272,312	▼ 35%
Canada	364,117	255,098	222,345	▼ -13%	602,154	391,840	416,256	▼ 6%
Chili	27,764	19,489	16,694	▼ -14%	594	52	1,229	▼ 2274%
Vietnam	8,640	5,051	7,219	▼ 43%				
Australia	774	508	599	▼ 18%	1,082,676	599,537	917,724	▼ 53%
New Zealand	315	150	157	▼ 5%	597,115	470,072	550,045	▼ 17%
Singapore	4,728	2,823	4,635	▼ 64%				
Malaysia	33	15	14	▼ -5%				
Peru	4,315	2,764	3,452	▼ 25%				
Brunei	-	-	-					
11 Country Total	1,508,401	1,024,604	873,102	▼ -15%	2,594,678	1,664,783	2,159,601	▼ 30%
Total World	2,572,667	1,709,265	1,507,710	▼ -12%	2,946,880	1,872,310	2,468,771	▼ 32%
11 Country %	59%	60%	58%		88%	89%	87%	

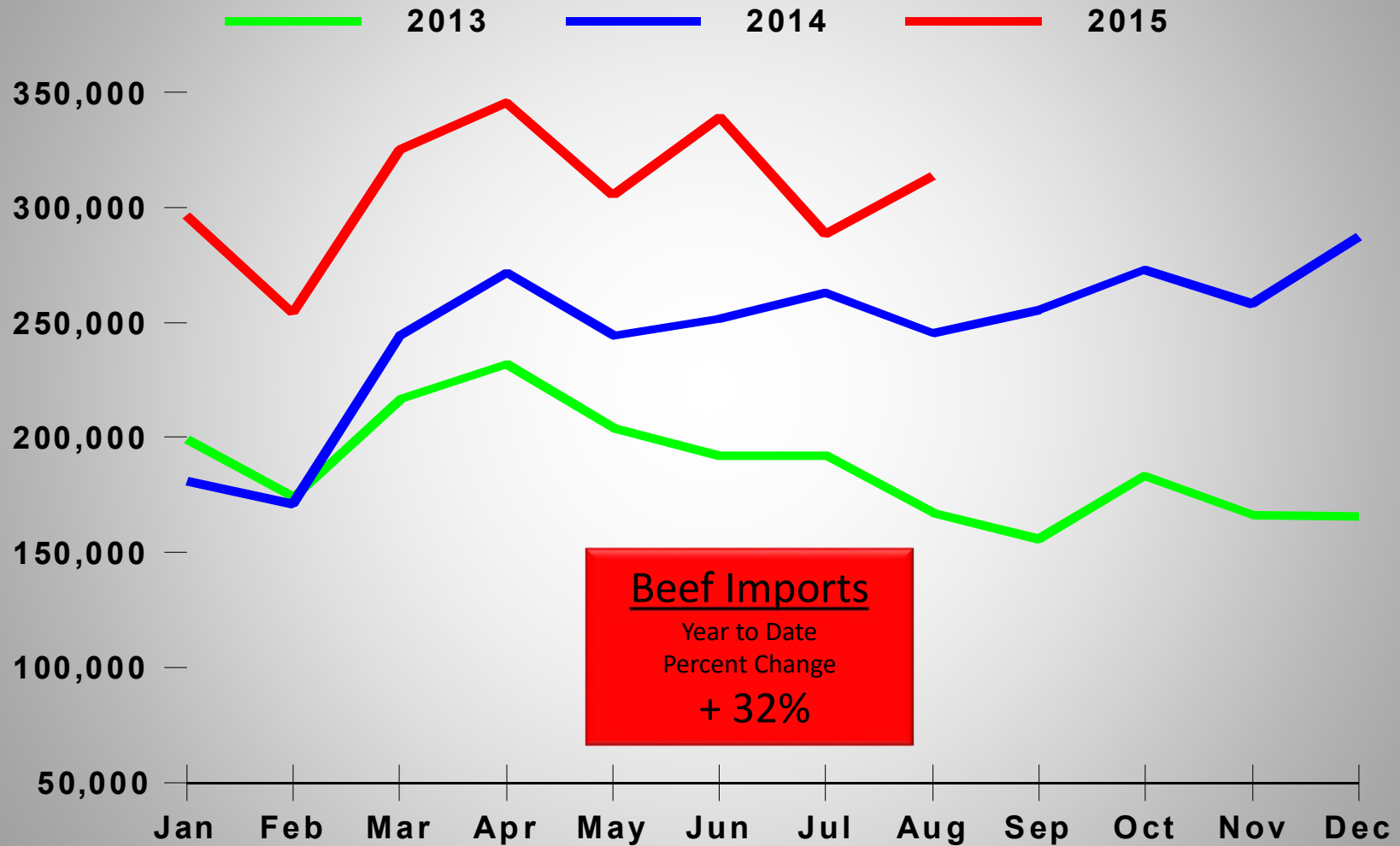
Source: USDA/ERS



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# U.S. Beef Imports

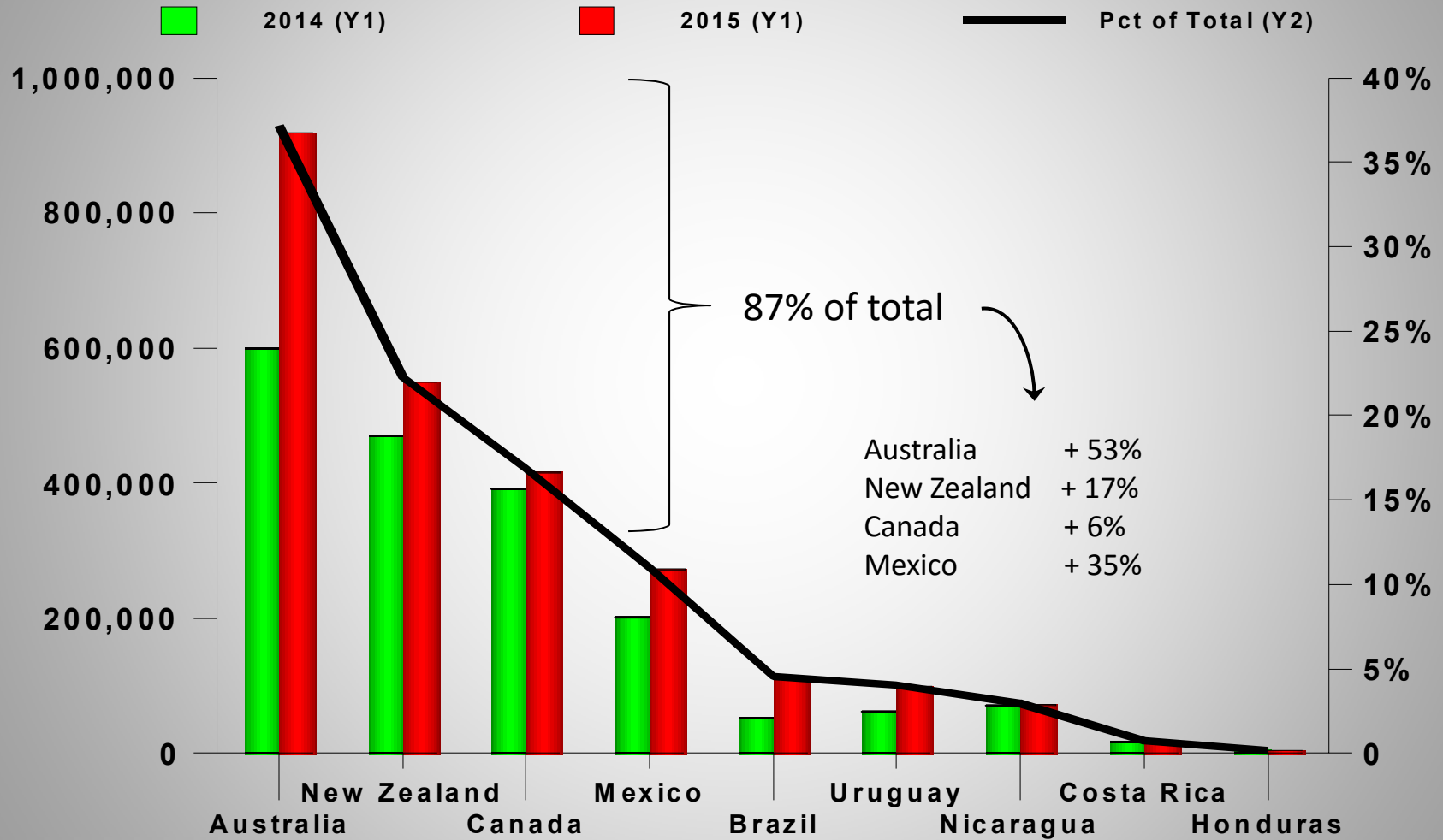
Thousand pounds (carcass wt)



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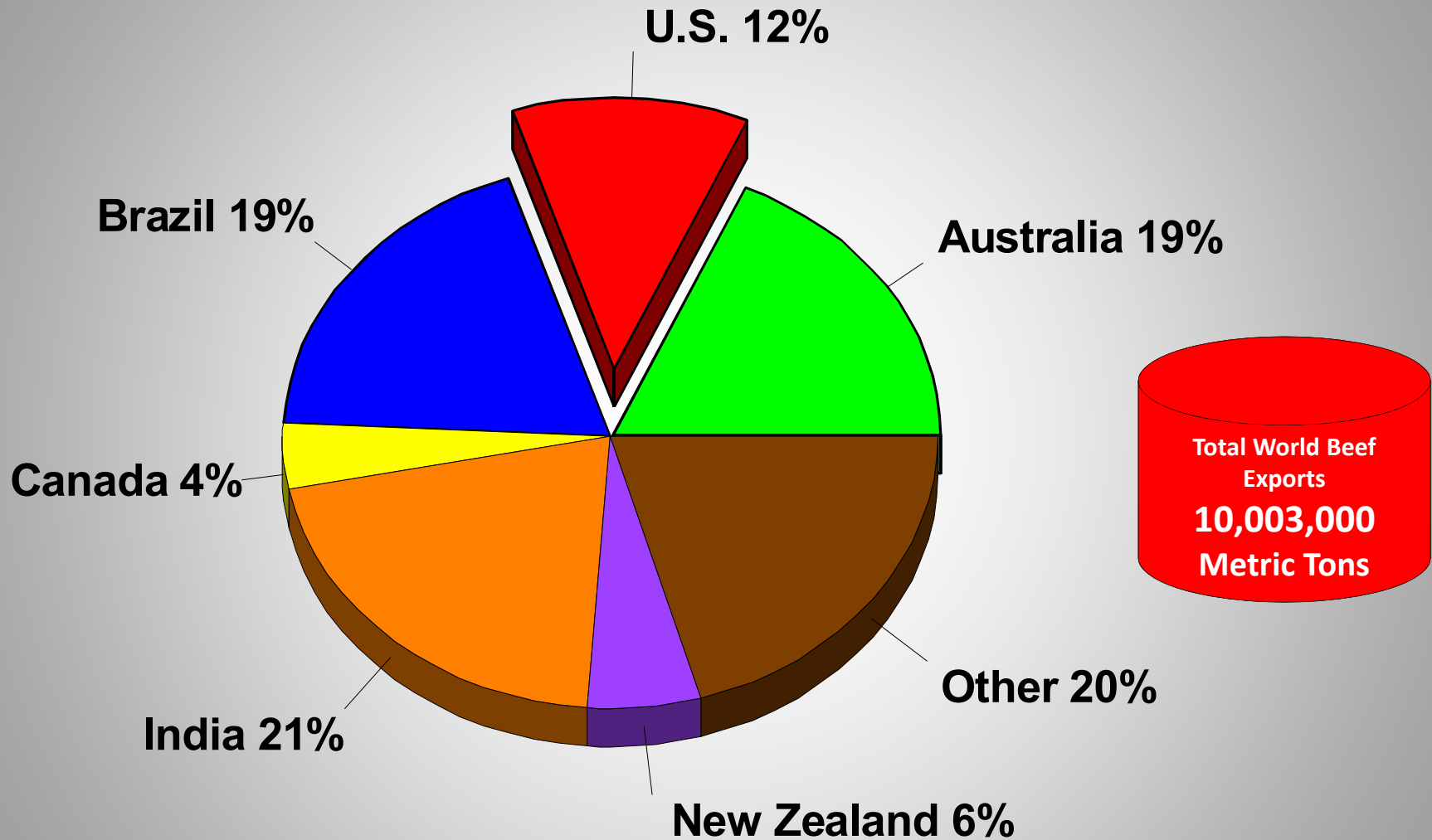
# Top U.S. Beef Import Sources - Jan - August 2015

Thousand pounds (carcass wt)



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# World Beef Export Share - 2014



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✓ **Cost Alignment**

**Demand**

**Process Verification**

**Source**

**Animal Welfare**

**Environment**

**Global Markets**

**Politics**

✓ **Best Practices**

