

Iowa's Beef Business Climate

John D. Lawrence
Extension Livestock Economist and
Director, Iowa Beef Center at
Iowa State University

Iowa Was #1 in Beef

- ◆ 1968-1972 #1 in fed cattle marketing
 - ◆ Over 4 million fed cattle per year
 - ◆ 18% of the US total
- ◆ The world changed
 - ◆ Technology
 - ◆ Economies of scale
 - ◆ Irrigation
 - ◆ Clean Water Act
 - ◆ Emphasis on lean beef
 - ◆ Falling consumer demand
- ◆ 1.275 million marketings in 2007
- ◆ 1.860 million marketings in 2007

World Changing Again

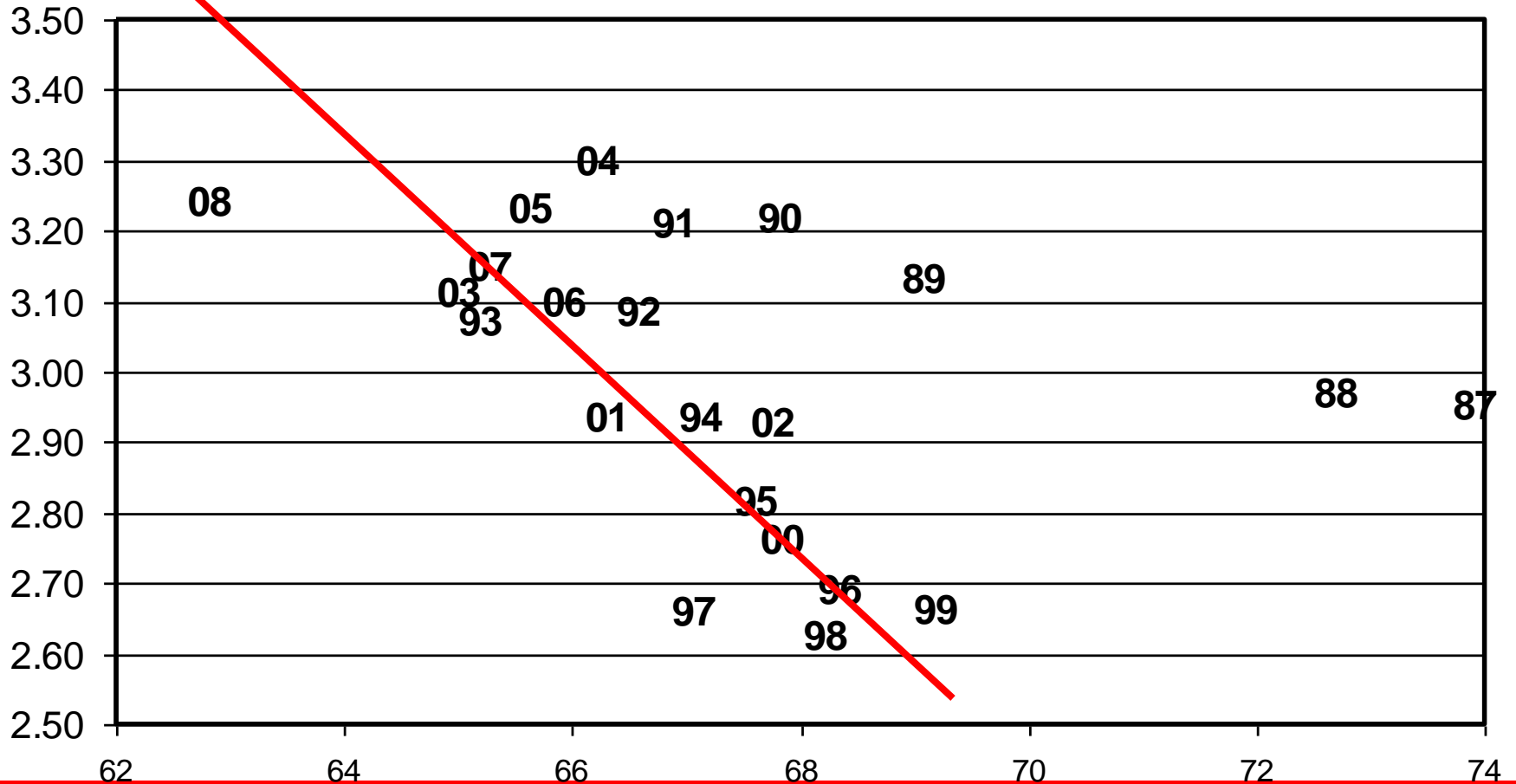
- ◆ Rising beef demand
 - ◆ Up from 1998 but below 2004
- ◆ Emphasis on “quality”
 - ◆ Choice-Select spread has widen
 - ◆ Upper Choice and Prime premiums
 - ◆ Growing “natural” market
- ◆ Cost structure shift
 - ◆ Coproduct surplus
 - ◆ Higher energy prices

National Beef Sector

BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price

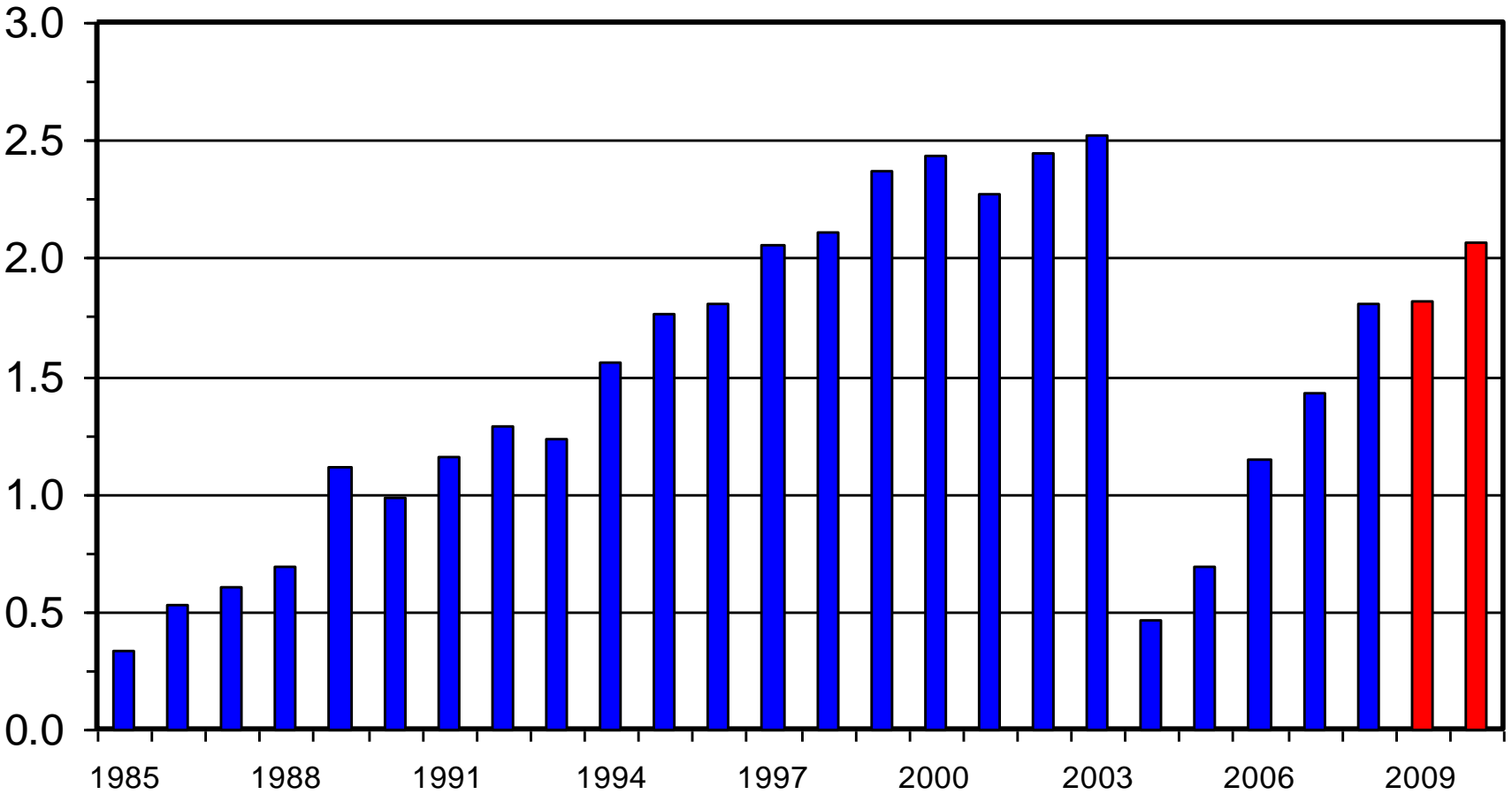
\$ Per Pound



U S BEEF AND VEAL EXPORTS

Carcass Weight, Annual

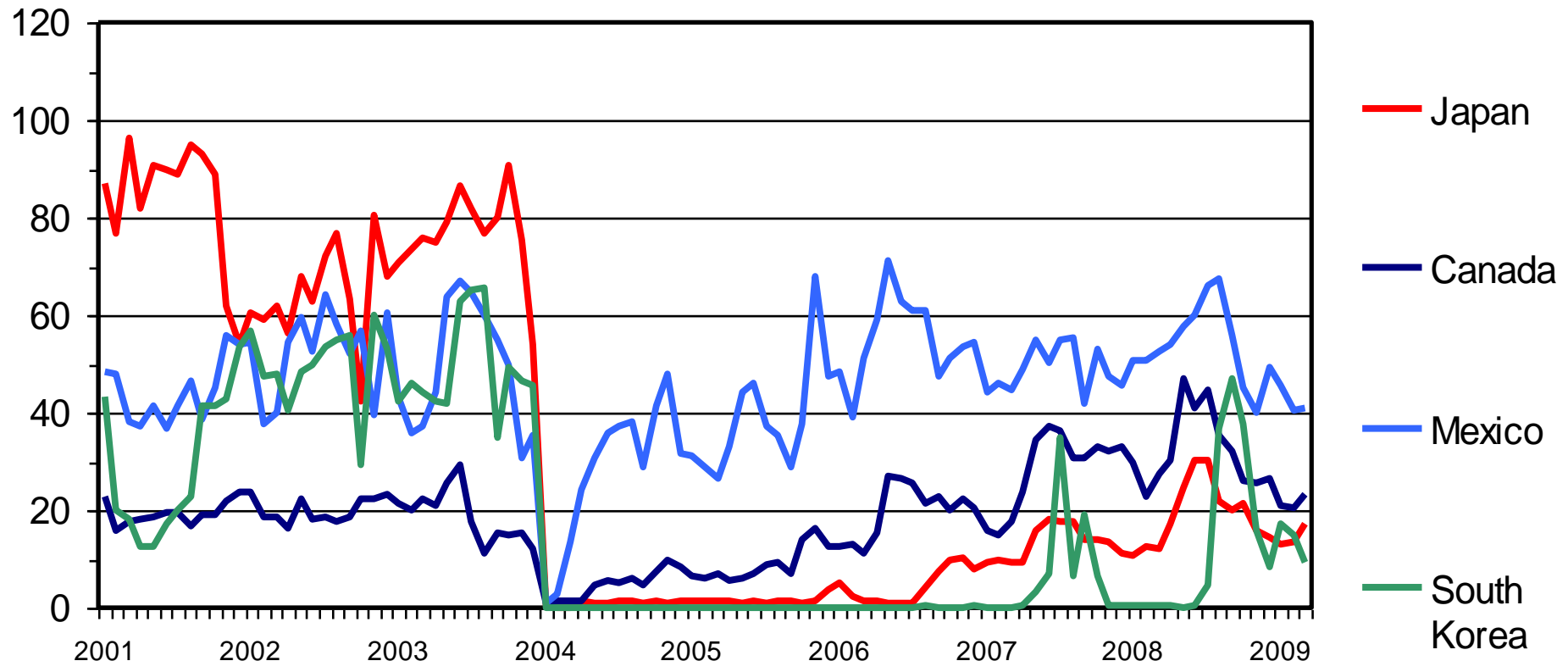
Bil. Pounds



U S BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly

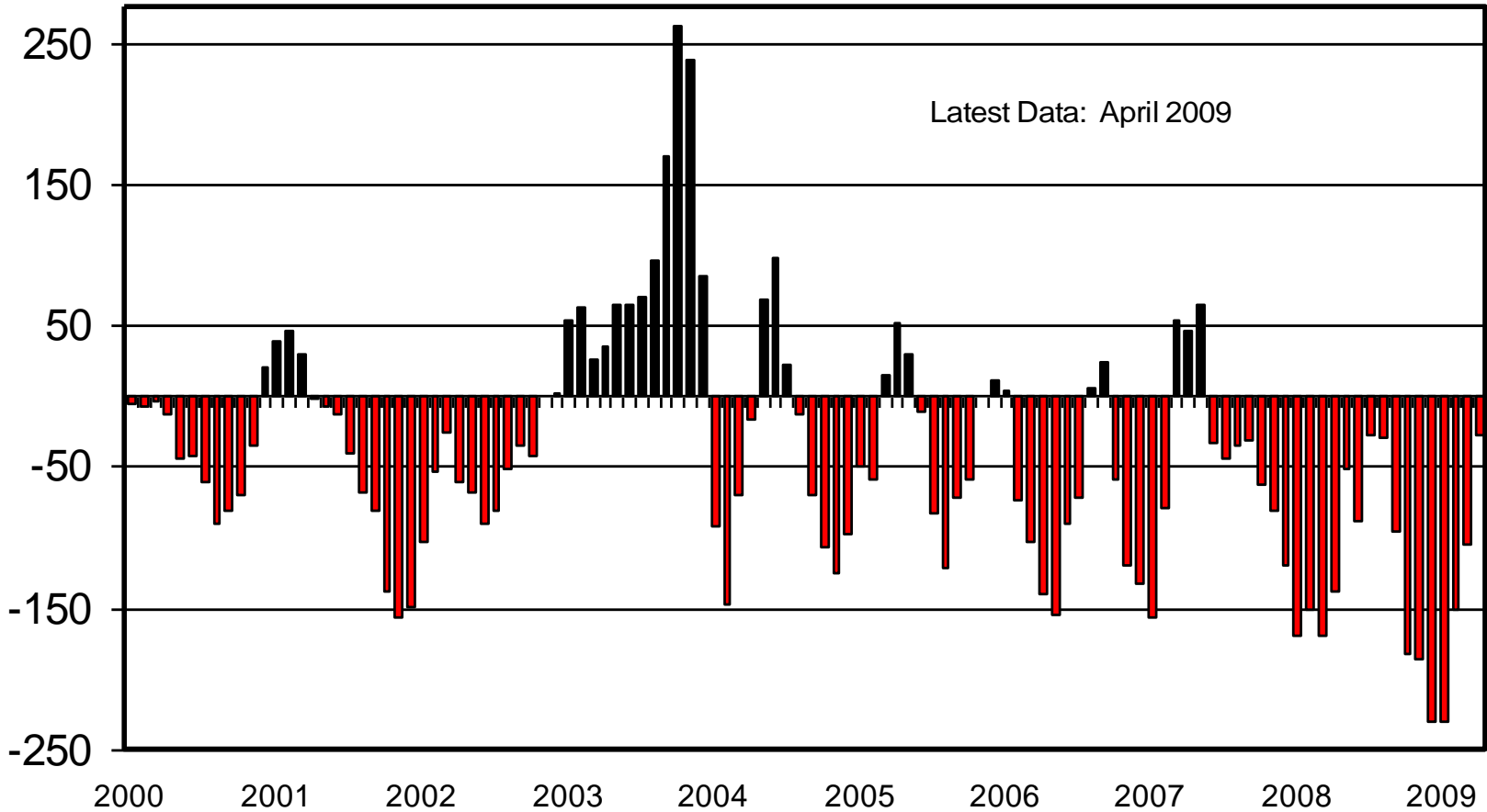
Mil. Pounds



AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly

\$ Per Steer



C-P-22
05/15/09

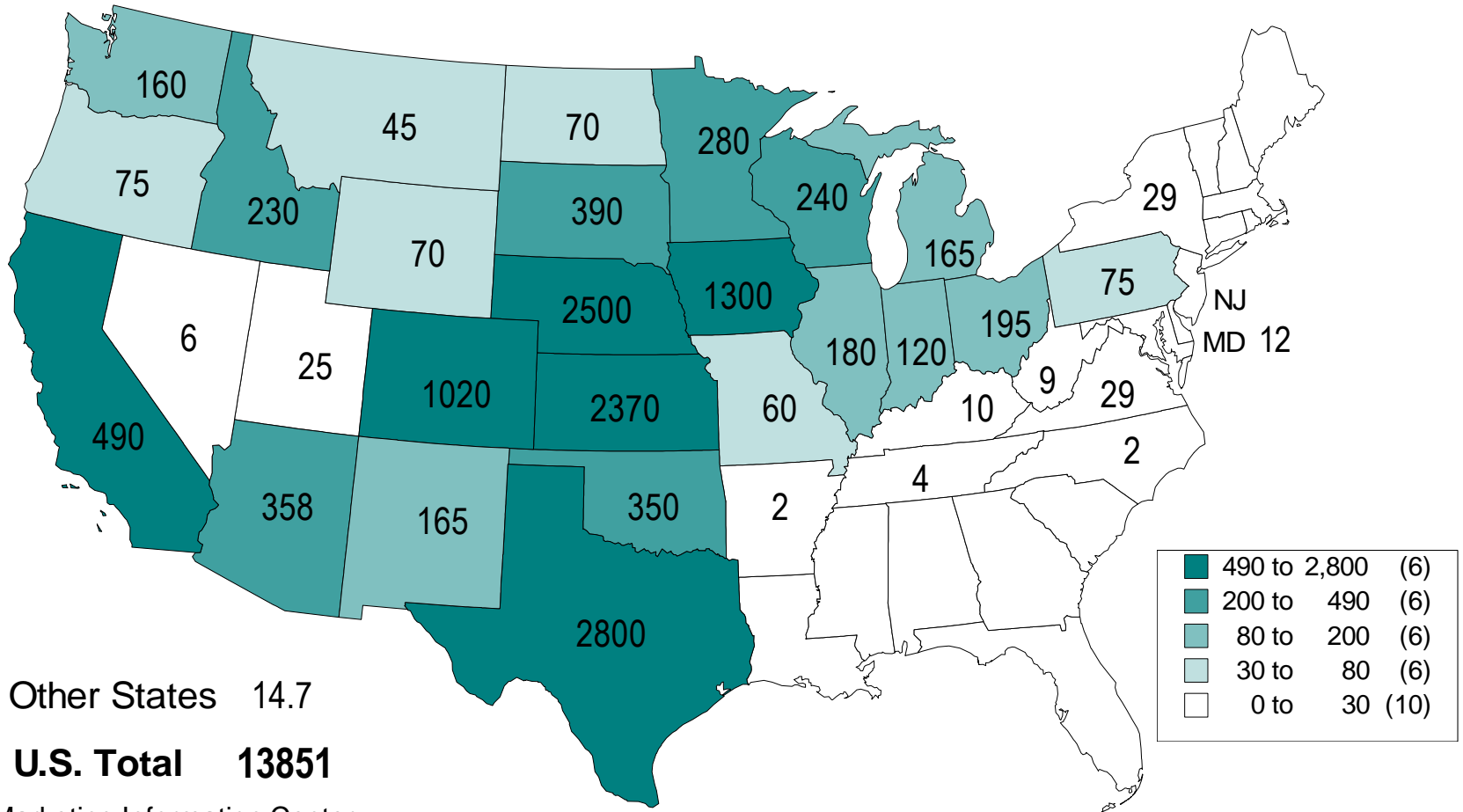
Changing Iowa Picture

USDA-NASS Revisions

- In the January 2009 Cattle report USDA made major revisions to the number of cattle on feed in Iowa.
- Did not change the total number of cattle, but recognize that more were “on feed”
- In March they released the revised inventories going back 5-years.

CATTLE ON FEED JANUARY 1, 2009

(1000 Head)

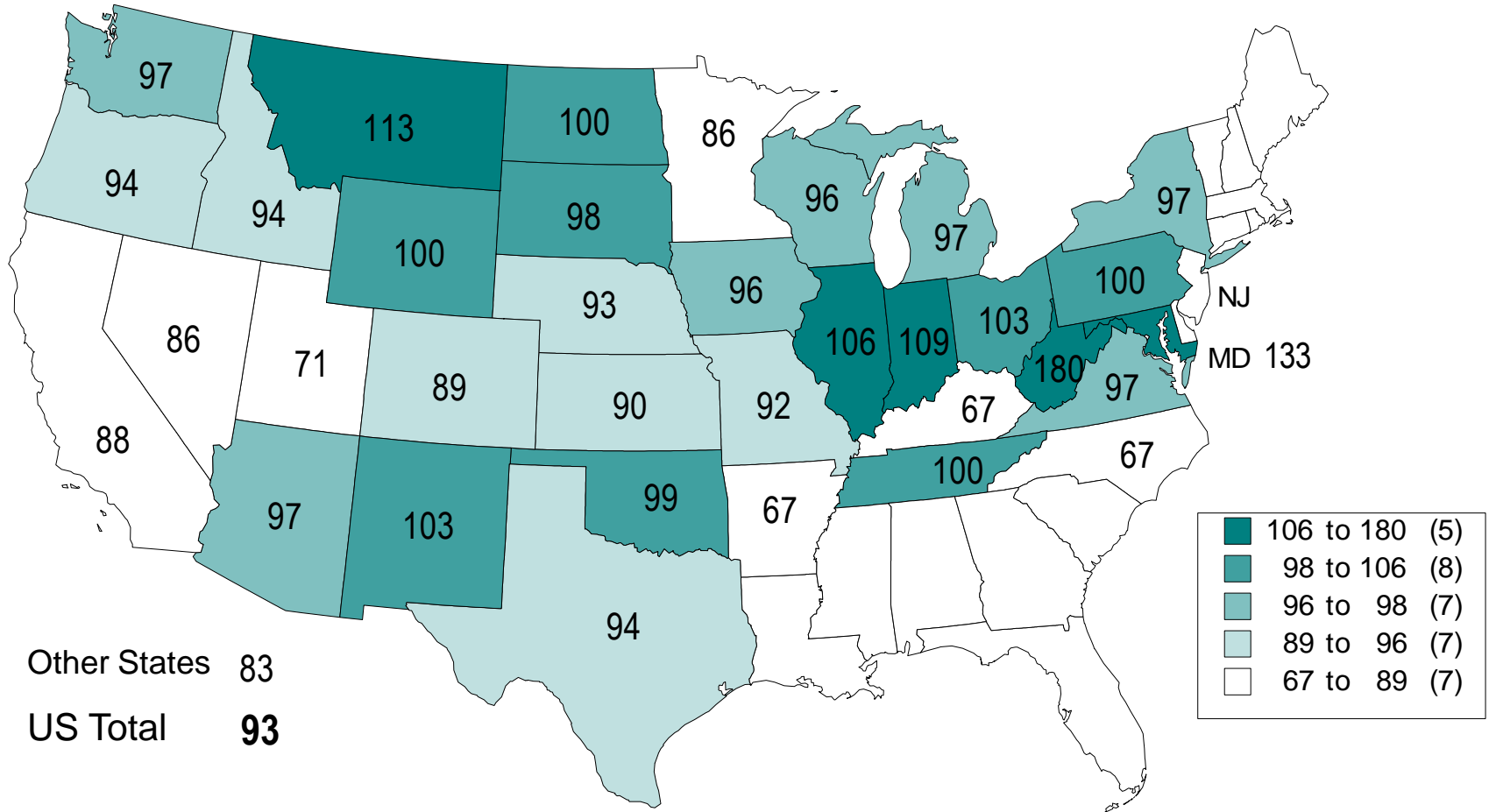


Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-03
01/30/09

CATTLE ON FEED JANUARY 1, 2009 AS A % OF 2008

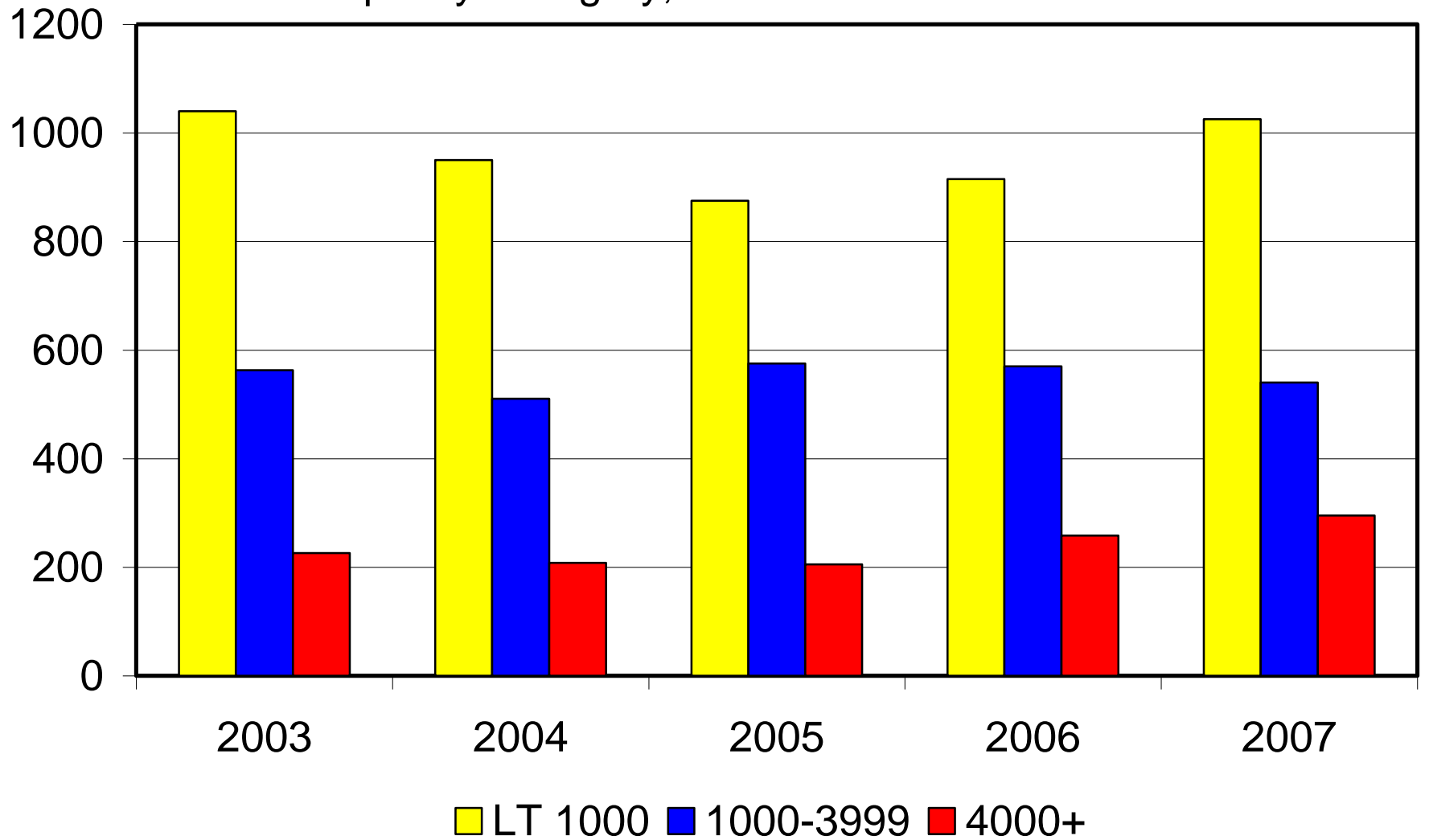


Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-25
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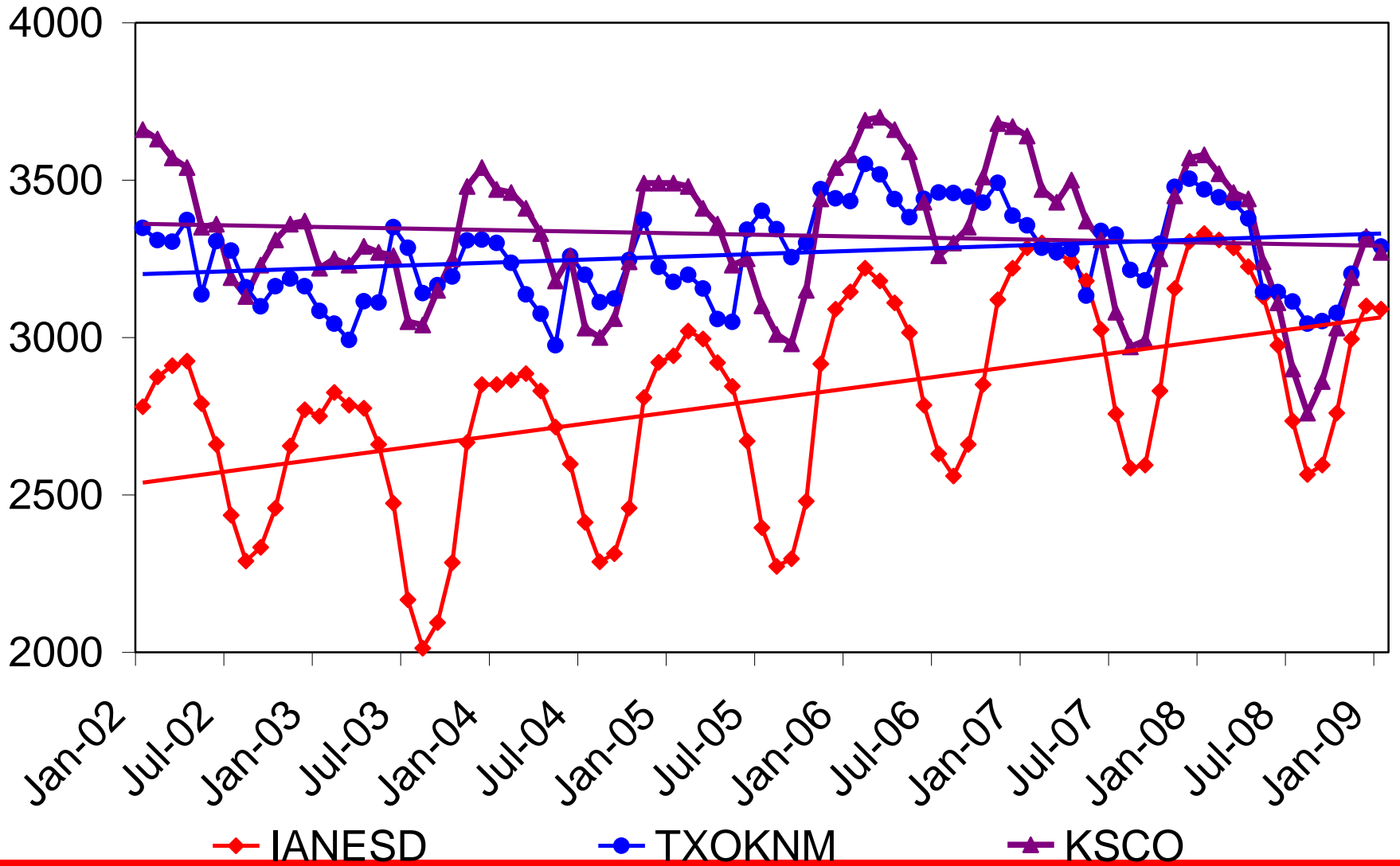
Iowa Fed Cattle Marketings (1000 Head) By Feedlot Capacity Category, March 2009 Revisions



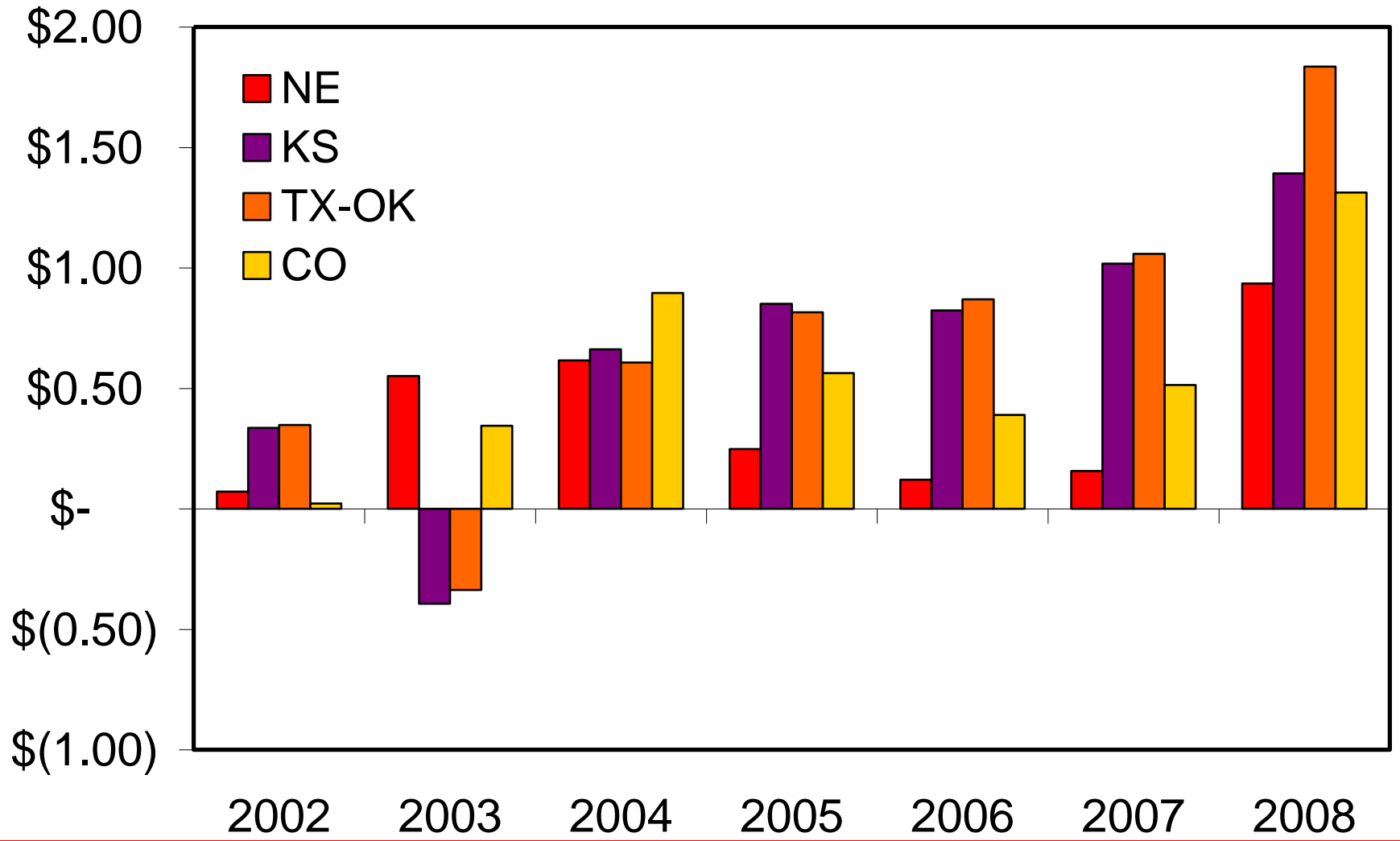
Beef Packing within 250 Miles of Ames, IA and Garden City, KS

Company	City	Garden City, Kansas	Company	City	Ames, Iowa
Tyson	Garden City, KS	0	Tyson	Denison, IA	93
National Beef	Dodge City, KS	52	Greater Omaha	Omaha, NE	171
Excel Corp	Dodge City, KS	52	O'Neill Packing Co.	Omaha, NE	171
National Beef	Liberal, KS	68	Agri-Processors	Postville, IA	175
Booker Custom	Booker, TX	130	Dakota Premium	St. Paul, MN	217
Swift & Company	Cactus, TX	170	Tyson	Geneseo, IL	220
Tyson	Amarillo, TX	229	PM Beef Group	Windom, MN	227
Elkhorn Valley	Wellington, KS	235	Excel Corp	Schuyler, NE	227
Tyson	Lexington, NE	240	Tyson	Dakota City, NE	234
Coleman Natural	Limon, CO	249			

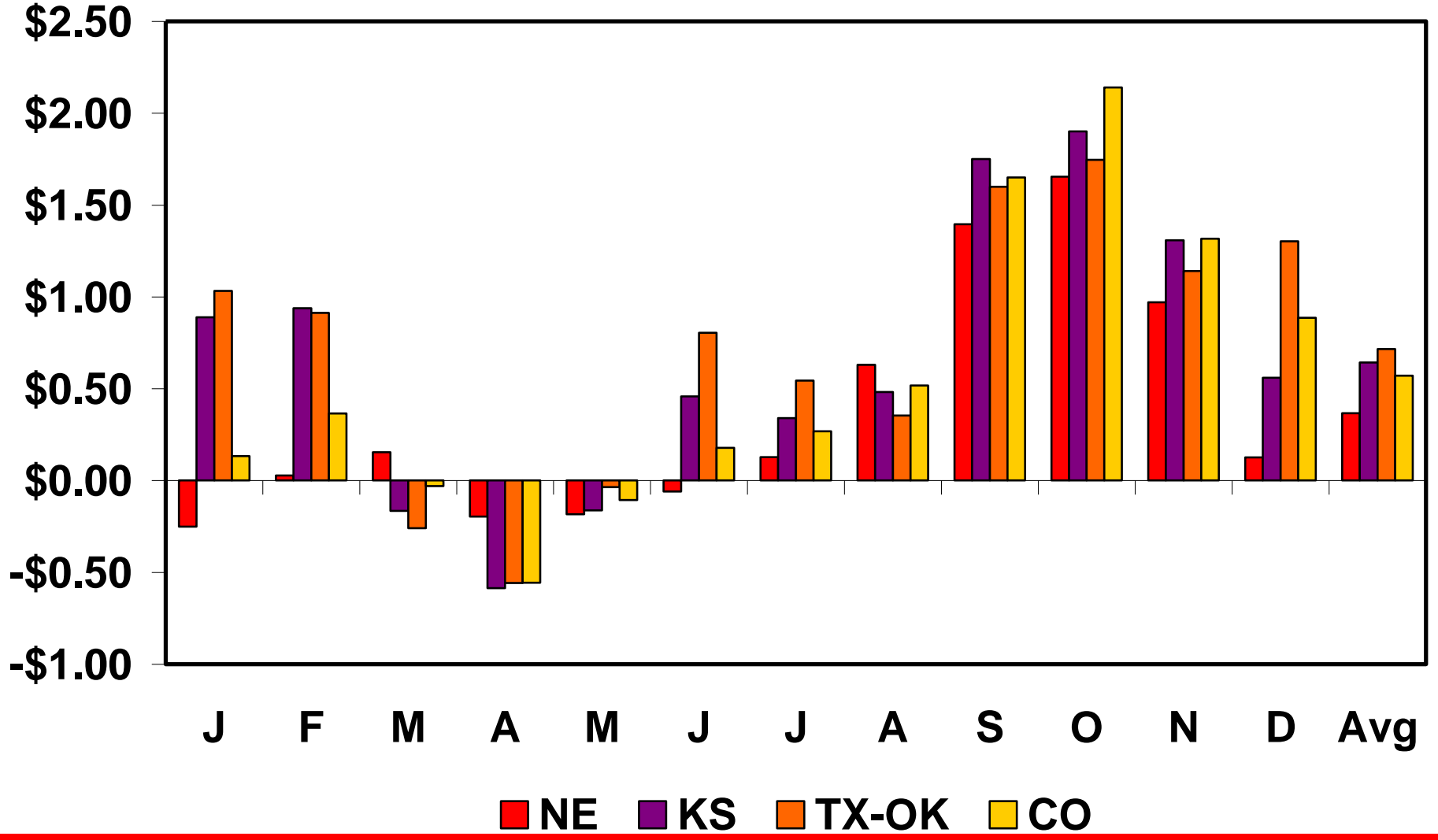
Cattle on Feed, 1000 Head Capacity Feedlots



Annual Average Fed Steer Basis to Iowa, Not Adjusted for Grade or Shrink



Fed Steers Live Basis to Iowa Not Adjusted for Grade or Shrink



Summary

- Iowa's feedlot inventory larger than thought and stronger – not weaker than national trends
- Growth in northern cattle feeding, but not packer capacity. Basis has weakened relative to other regions.

Where do we go from here?

Iowa's Sustainable System

Fertilizer is $\frac{1}{2}$ of the energy used in corn production.

Drying of DDG can be 30% of the energy costs of ethanol production

Manure Nutrients

Corn and Soybeans

Biofuels

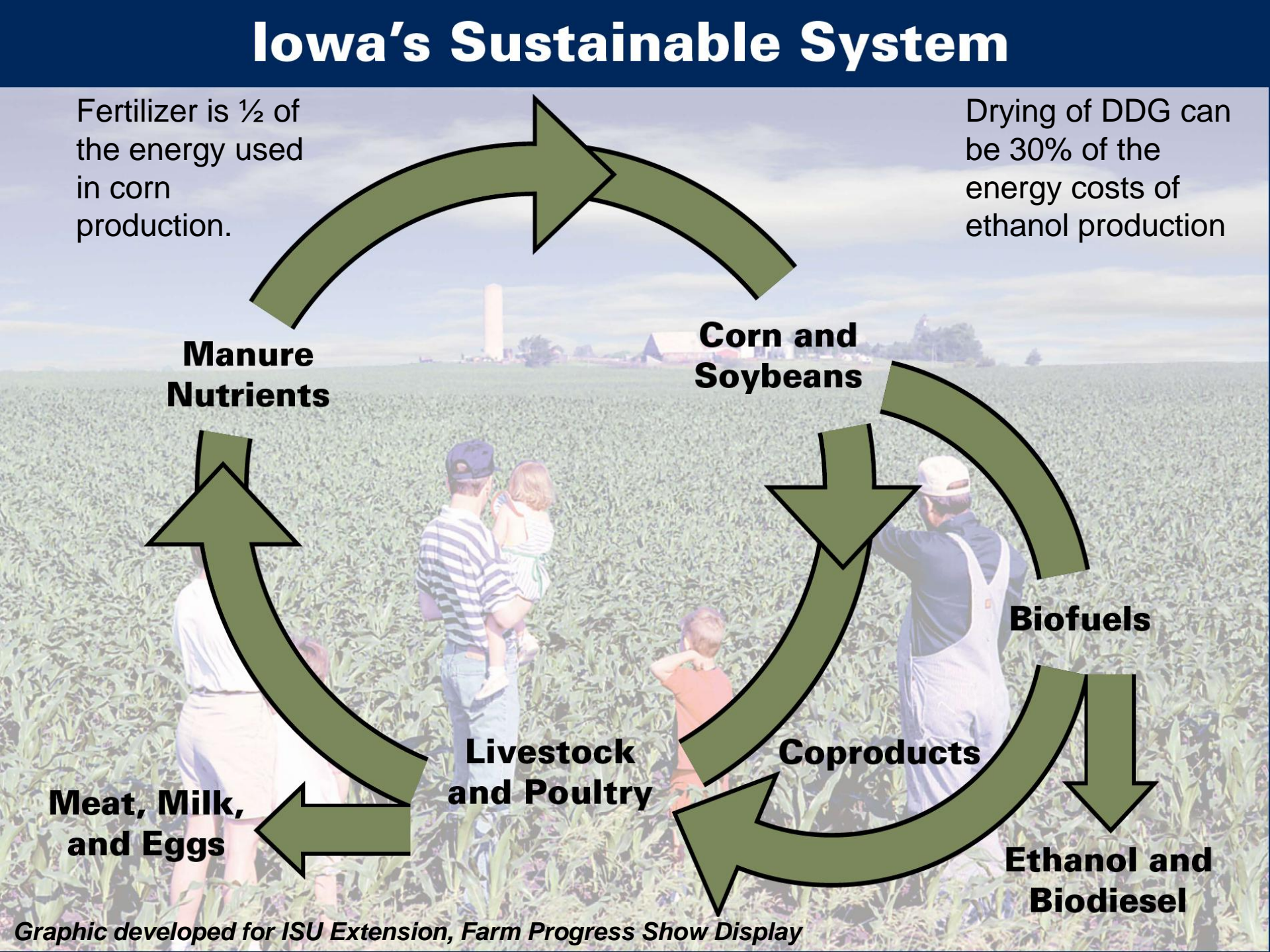
Livestock and Poultry

Coproducts

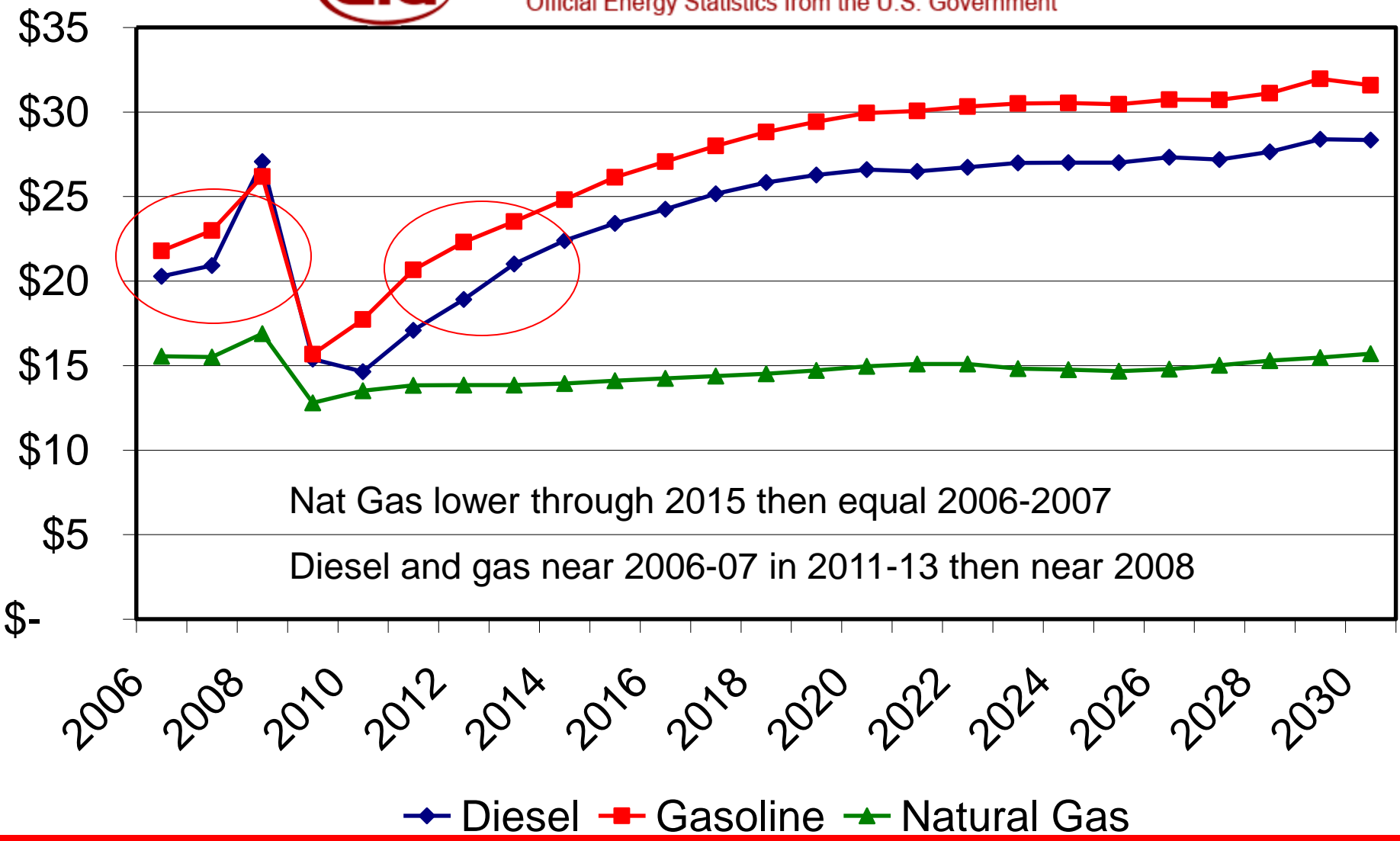
Meat, Milk, and Eggs

Ethanol and Biodiesel

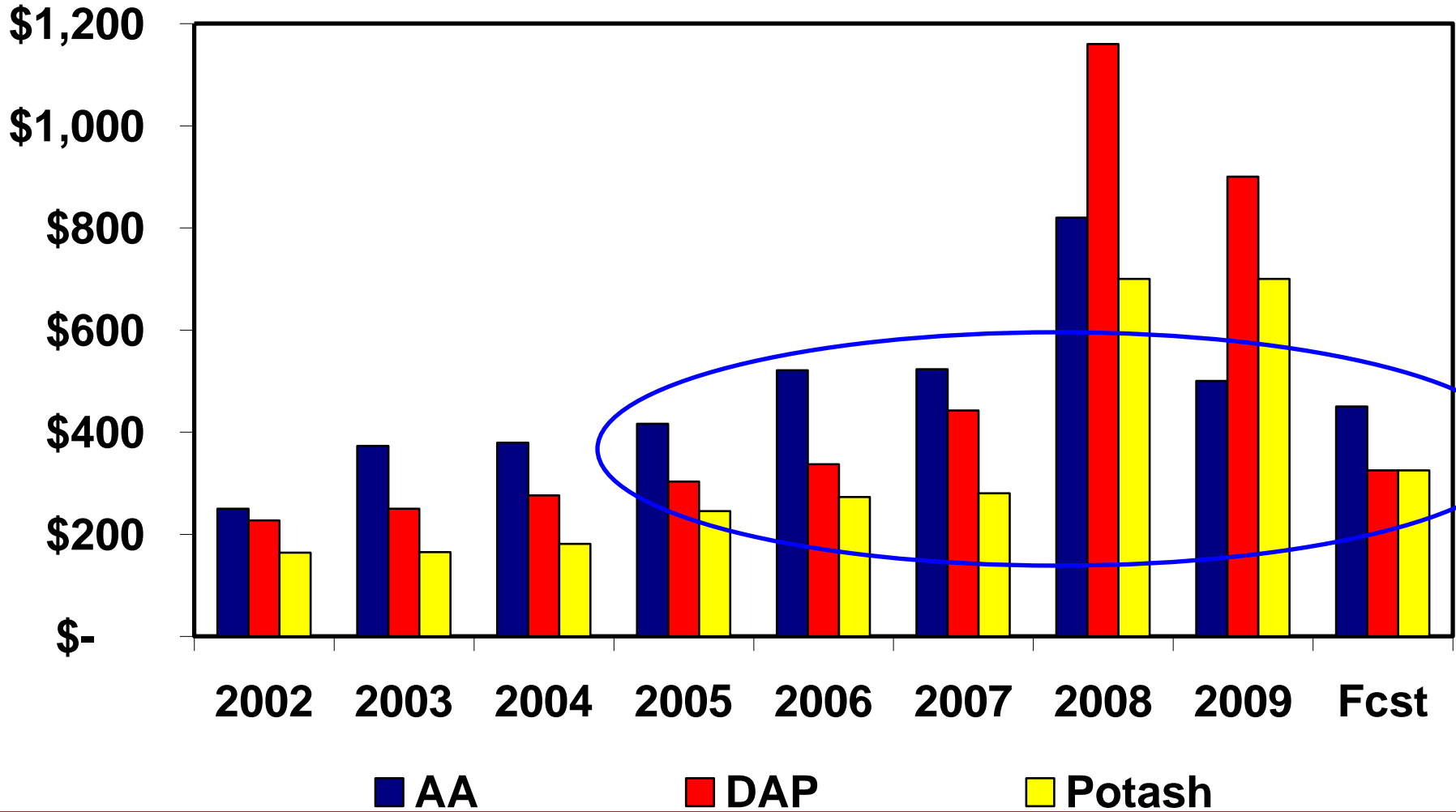
Graphic developed for ISU Extension, Farm Progress Show Display



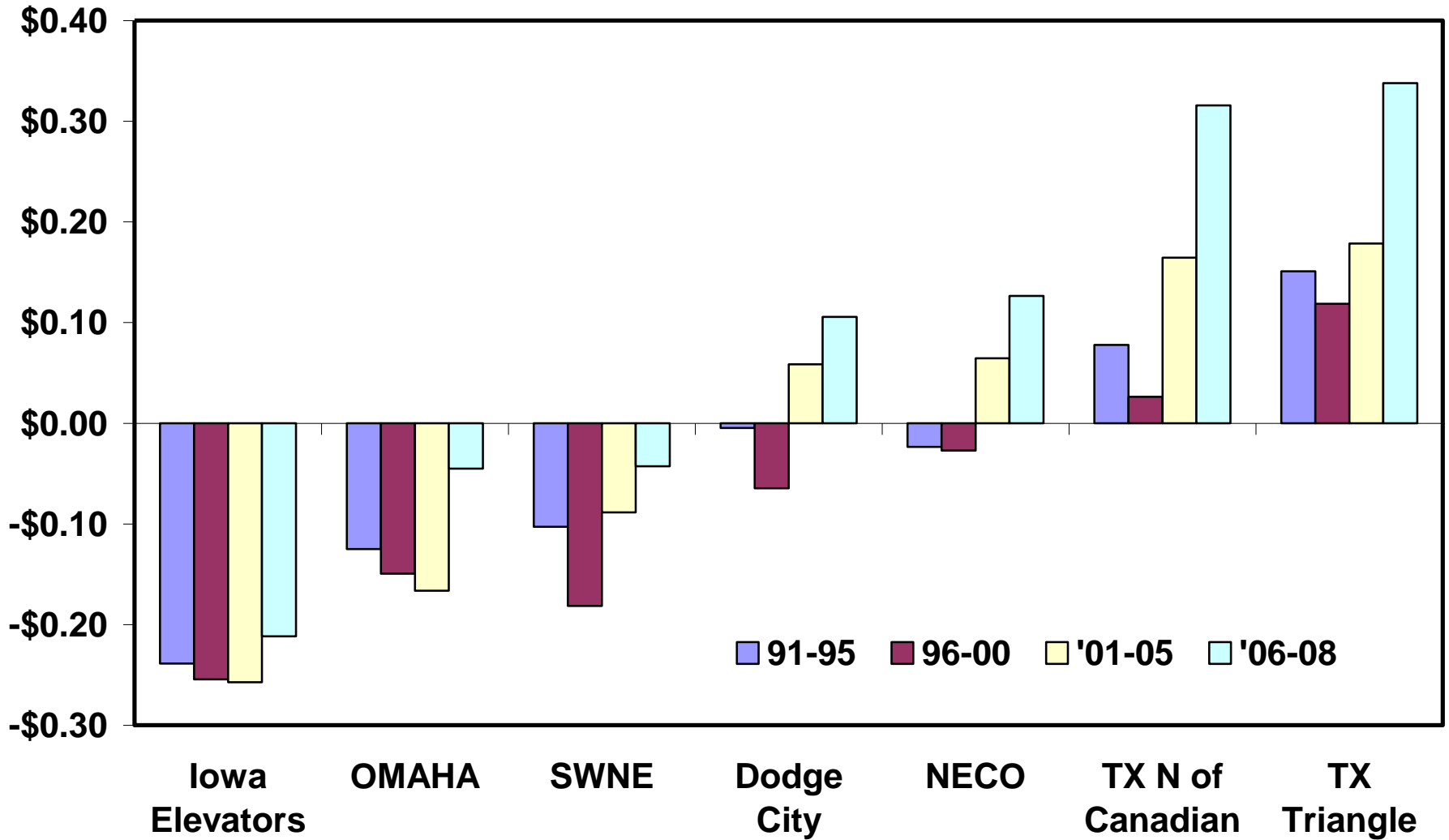
Energy Fuel Outlook



Average US Farm Prices, April each Year (\$/ton)



Corn Basis to Chicago Cash for Cattle Feeding Regions



Energy Forecast Impact

- Fertilizer price forecast
 - N \$.27, P \$.25, K \$.27
 - Potential manure nutrient value
 - Steers \$12-14/hd
- Grain freight, \$/bushel

	Omaha, NE Amarillo, TX	Omaha, NE Sterling, CO	Omaha, NE Dodge City, KS	Chicago, IL Raleigh, NC
2006-07	0.61	0.38	0.44	0.86
Chg 03	0.22	0.13	0.17	0.17

- At 60 bushels the freight change to Amarillo is \$13/head

Implications

- Nutrients and freight savings forecast to be \$25/head for an integrated crop livestock farm in Midwest
 - \$25 that didn't exist in 2003
 - Has weather or economies of scale changed \$25/head since 2003?

Opportunity for Success

- What is **YOUR** business model and how will **YOU** beat the competition?
 - The existing businesses won't roll over
 - How will you bid cattle away from them?
 - How will you attract AND KEEP customers
- Survey of lowans feeding in other states said cost of gain was not enough!!!!

What Defines A “Professional” Feedlot

- Survey of Feedlot Sector observers and consultants
 - What makes some feedlots more successful than others?
 - What defines a “professional” feedlot?

Managing Successful Feedlots

Operations

- **Consistency:** feed delivery, cattle inspection, processing, treatment, marketing
- **Information:** document, utilize, monitor, calibrate, manage
- **Facilities:** pen design and maintenance, working facilities, equipment
- **Marketing:** understands markets, buyers, risk mgt

Managing Successful Feedlots

Business decisions

- **Financial success** is the key driver of short-term and long-term decisions
- **Strategic plan** that is revisited and updated periodically
- **Stays current** on industry issues, gets involved, and continually improving the operation.
- **Method** to obtain and evaluate information to improve competitive advantage

Managing Successful Feedlots

Human resources

- **Every employee** fulfills their responsibility as well as or better than a typical peer
 - Knows objective and is evaluated
 - Knows how he/she impact the business
- **Career oriented** and provided opportunities
- **Provide resources** and training

Marketing Commercial Feedlots

First impressions

- **Feedlot appearance** (mow, paint, feed, manure)
- **Phone practice** (separate line, answering machine, return calls)
- **Business appearance** (sign, office, clean clothes, clean truck)
- **Color brochures** and materials

Marketing Commercial Feedlots

Honest assessment

- **Accurate projections** for cattle
- **Previous closeouts** for track record
- **Marketing alternatives** and locations
- **Health program** and protocol

Marketing Commercial Feedlots

Services offered

- **Full service:** financing, grain bank, order buying, risk management, partnering, selling cattle, data collection
- **Communication:** billing, deads, treatment, projections, markets (no surprises)
- **Complete and accurate** closeouts

Am I Competitive Feeding Cattle in Iowa?

- Oil price has changed economics
 - Iowa's low cost of gain advantage grows on higher transportation costs and wet DGS
 - Opportunity to capture more manure value
- Cheap gain is an opportunity not a guarantee
 - How will you capture the opportunity?
 - What resources and assistance do you need?

A New Era in Management

- Employees
- Benchmarking
- Staying connected
- External forces
- Cattle care and performance
- Nutrient capture and value

Thank you!

Any Questions?