

The Changing Structure of Beef Production: Calf Feds, Yearlings, and Stockers

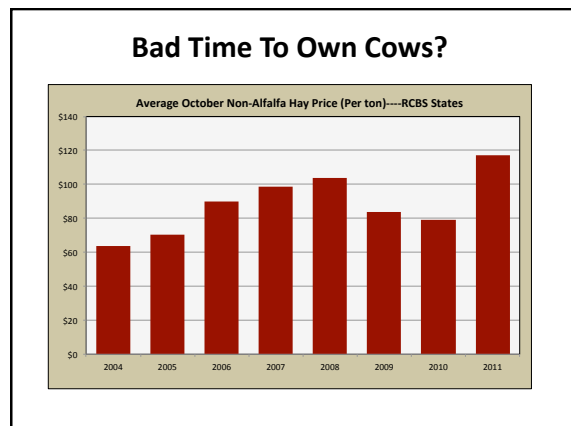
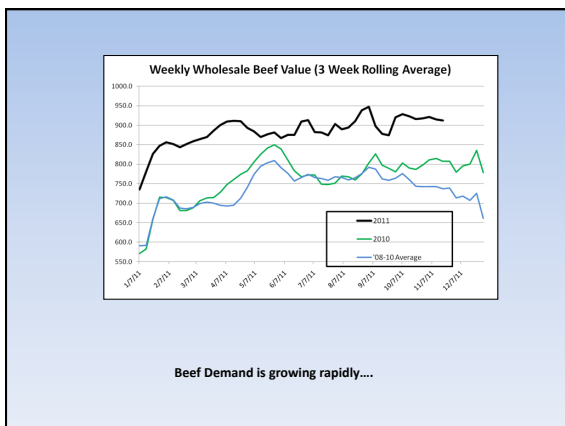
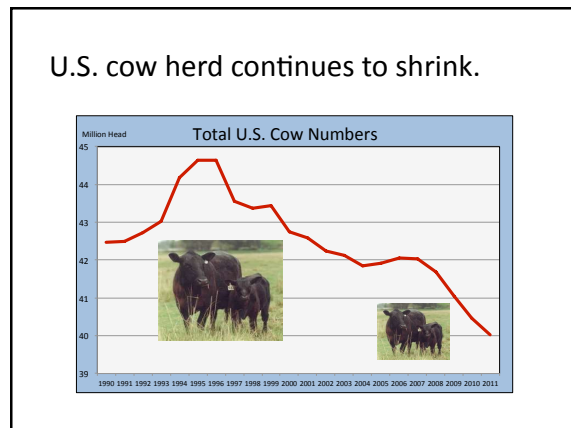
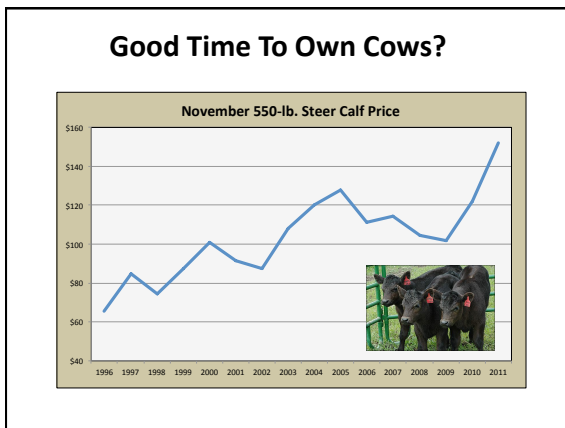
By Tom Brink



JBS Five Rivers Cattle Feeding, LLC



- Formerly 50-50 owned by ContiGroup & Smithfield
- Owned since October 2008 by JBS USA
- Twelve feedyards in seven states
- 960,000 head of feeding capacity
- Majority sold on grids (formulas)
- Buy 35,000 feeder cattle and use 2 million bushels of corn per week on average



GREAT time to own cows, **IF** you have a competitive cost structure **AND** the right genetics and management to compete in today's marketplace.

The young cows you have now and heifers bred during the next couple years could easily be the most profitable cows you will ever own.



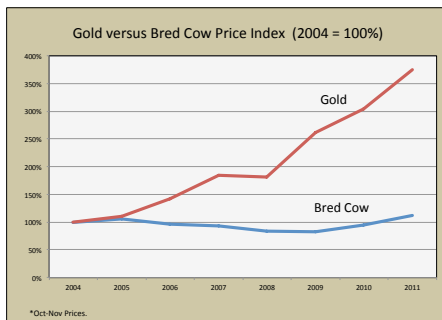
Beef Cow

vs.

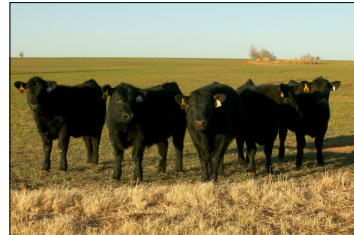
Gold



Which is the better investment?



Stocker Segment

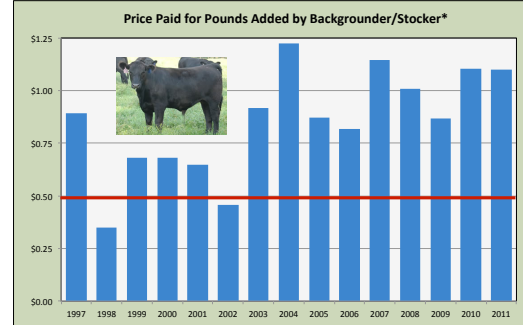


Keep the good times rolling...



The stocker/backgrounder segment will enter 2012 looking for its 10th consecutive year of strong profitability.

...they are likely to see exactly that.



*Assumes equal numbers of 500-lb. steer calves purchased from Nov-Feb. Entire group of 850-lb steers sold/priced in August.

Increased availability of by-product feeds in many parts of the country have helped reduce stocker/grower feed costs.



U.S. Cattle Operations---Breakdown by Category

	2005	2010	Change
Total Cattle Operations	982,510	935,000	-5%
Beef Cows	770,170	742,000	-4%
Dairy Cows	78,300	62,500	-20%
Feedlots	88,199	77,140	-13%
Stocker/Backgrounder	45,841	53,360	16%



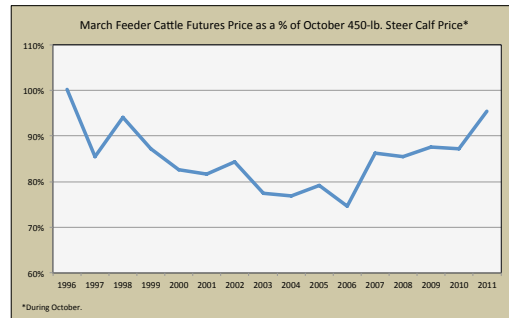
There is no problem with this...

But we can't all be in the stocker business.

If we're going to keep the U.S. beef industry going....someone has to run a cow!



Market considerations for putting weight on your calves versus selling them at weaning



Taking a 550-lb. steer calf fall weaned calf to a 750-lb. Yearling

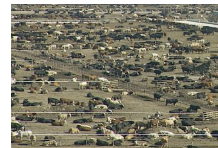
	Value Per Head
Feeder Futures % Calf Price	92%
Torrington WY 550-lb. Steer Calf	\$160.00
March 2012 Feeder Cattle Futures (750-lbs.)	\$147.50
Difference	(\$12.50)
Impact 2.5% death loss	\$226.25
	\$220.73

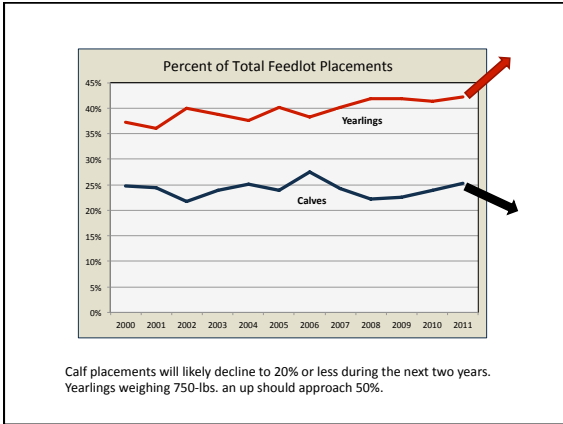
Can you put 200 lbs. of gain on each of your calves for less than \$1.10 per lb.?

If you can add gain for \$0.80 per pound, you can pocket an extra \$60 per head.

Feedlot Placements:

Shifting away from calves and lightweight cattle to more yearlings and heavier placement weights.





Best weight for feeder cattle?

Steers


- 700-825 lbs. (ideal)
- 825-900 lbs. (acceptable)
- 900-950 lbs. (barely acceptable – must be high performance cattle)
- >950 lbs. (unacceptable)


Heifers

- 600-725 lbs. (ideal)
- 725-800 lbs. (acceptable)
- 800-850 lbs. (barely acceptable – must be high performance cattle)
- >850 lbs. (unacceptable)

Slide typically increases to -\$6 per cwt. (larger weight discount) on steers above 900 lbs. and heifers above 800 lbs.

Who has the most **LEVERAGE** in the beef supply chain?





Cow-calf producers

Headed into a period of strong cow-calf profits...

Category	Average Producer	High Profit Producer
Annual cash outlays per cow	\$500	\$475
Calves weaned per cow	85%	88%
Average calf weaning weight	525 lbs.	540 lbs.
Unit cost of production (per lb.)	\$1.12	\$1.00
Average calf price (per lb.)	\$2.00	\$2.00
Gross Profit per cow*	\$393	\$475

*Does not include depreciation and other non-cash costs.

