Presentation from the USDA Agricultural Outlook Forum 2017

United States Department of Agriculture
93rd Annual Agricultural Outlook Forum
"A New Horizon: The Future of Agriculture"

February 23-24, 2017
Arlington, Virginia

Beef & Pork Industry Capacity

USDA Outlook Forum

February 24, 2017

Margins

Processing

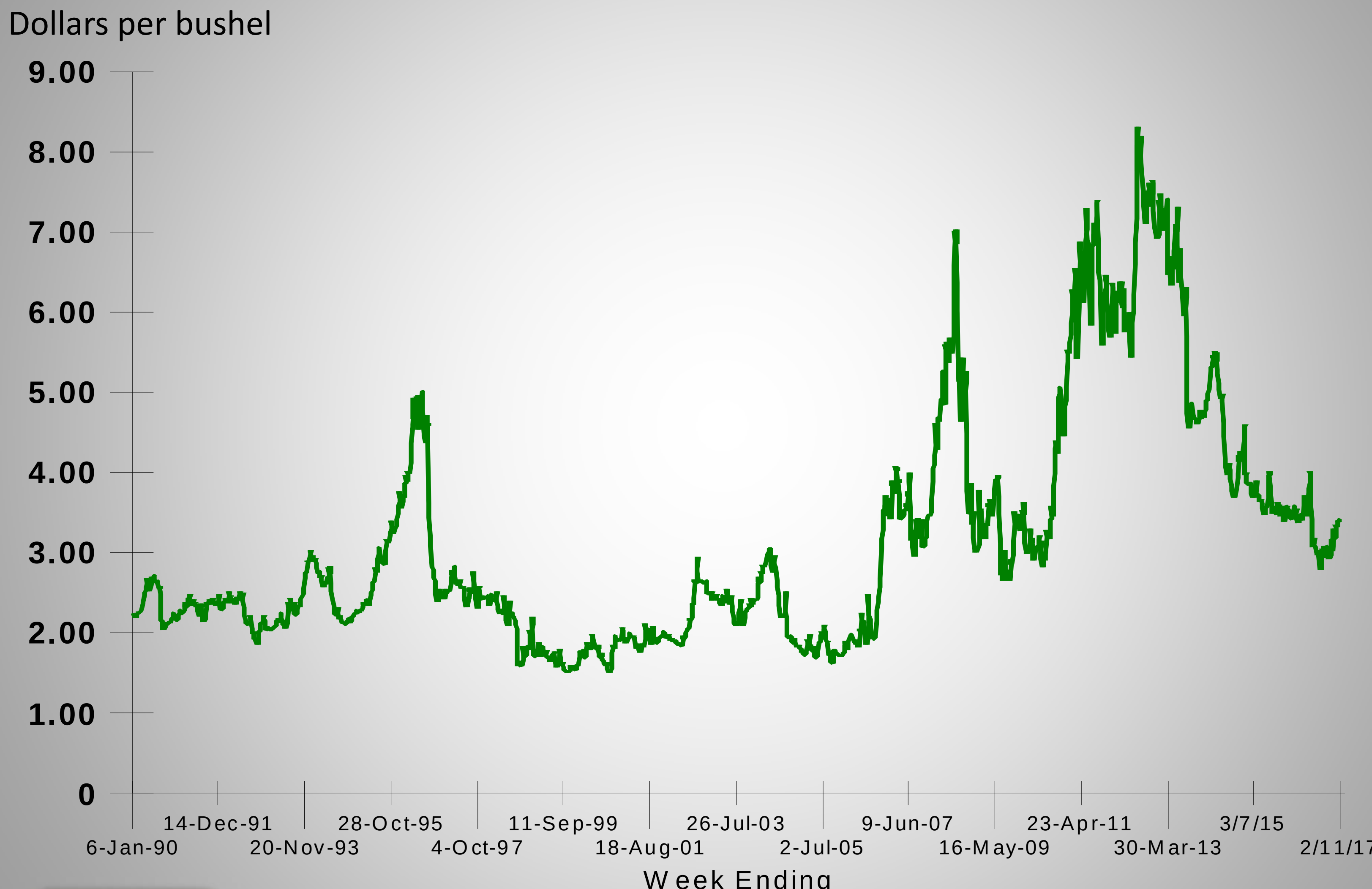
Costs Driven by Livestock Availability & Price

Capacity

Costs Driven by FEED Availability & Price

Livestock Production

Corn Price - Omaha- Council Bluffs

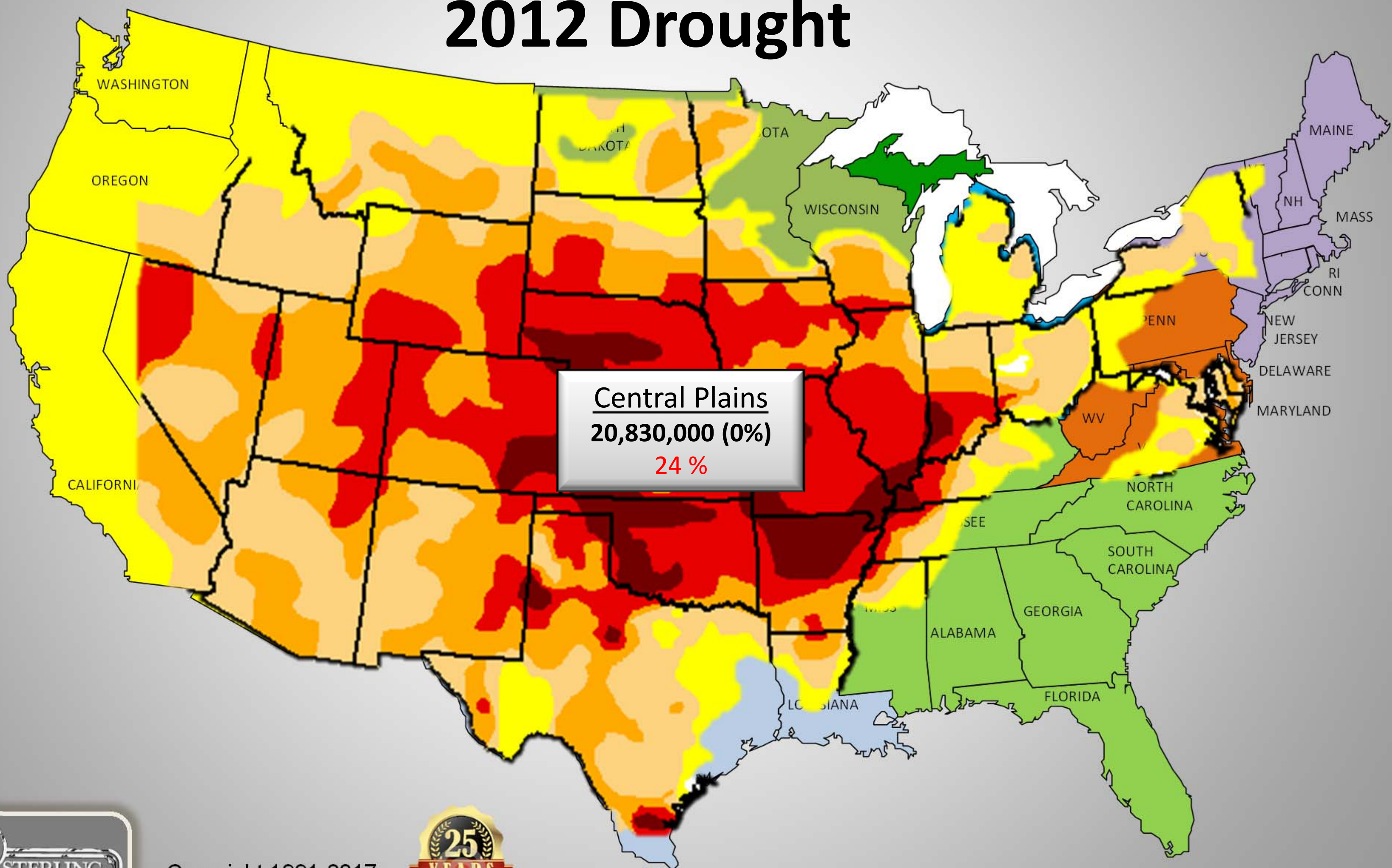


*USDA WASDE – February 2017

Regional Cattle Inventory - Share of U.S. Inventory

January 1, 2015

2012 Drought



Regional Cattle Inventory - Share of U.S. Inventory

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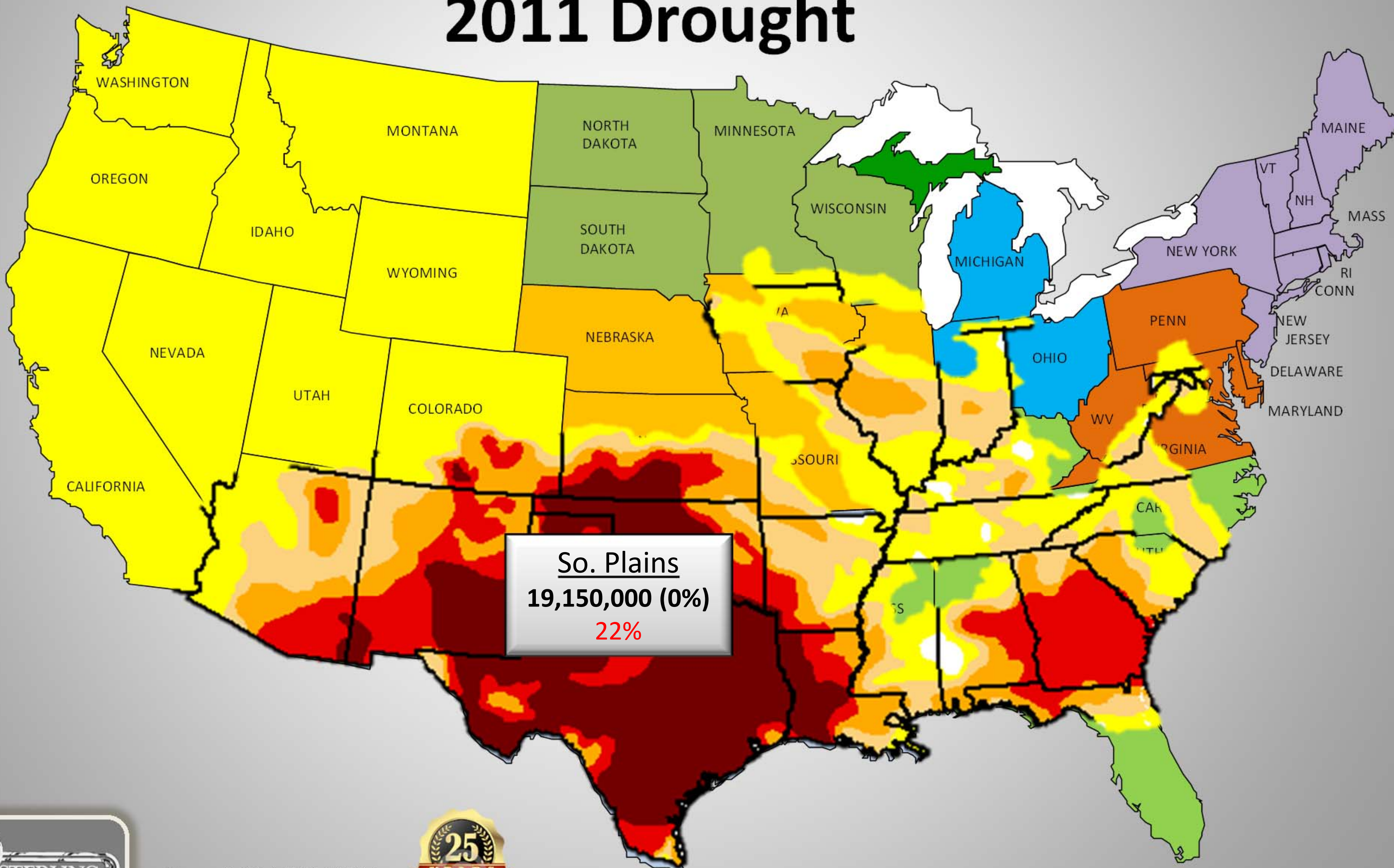
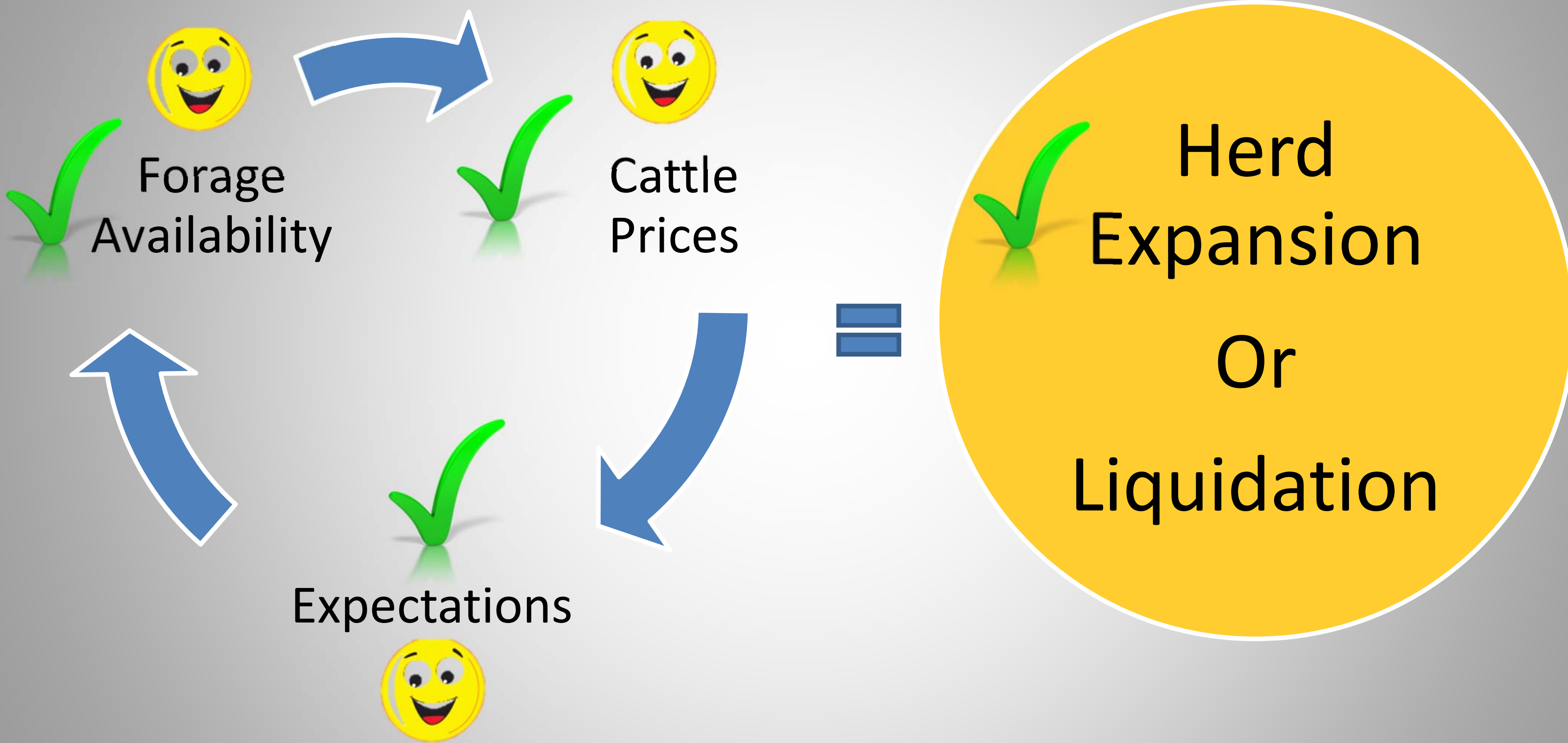
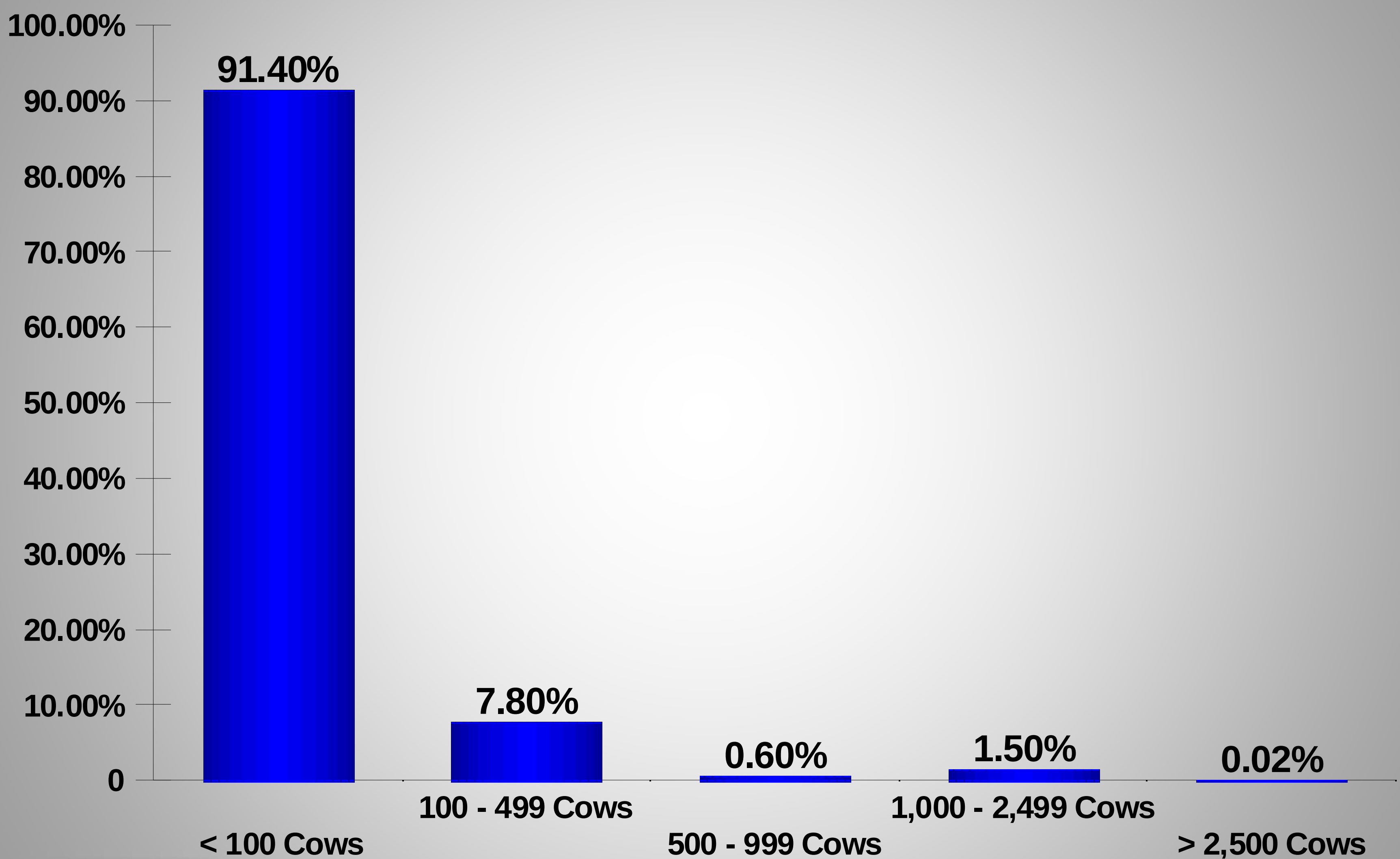


The Cattle Cycle → 2013 - 2016

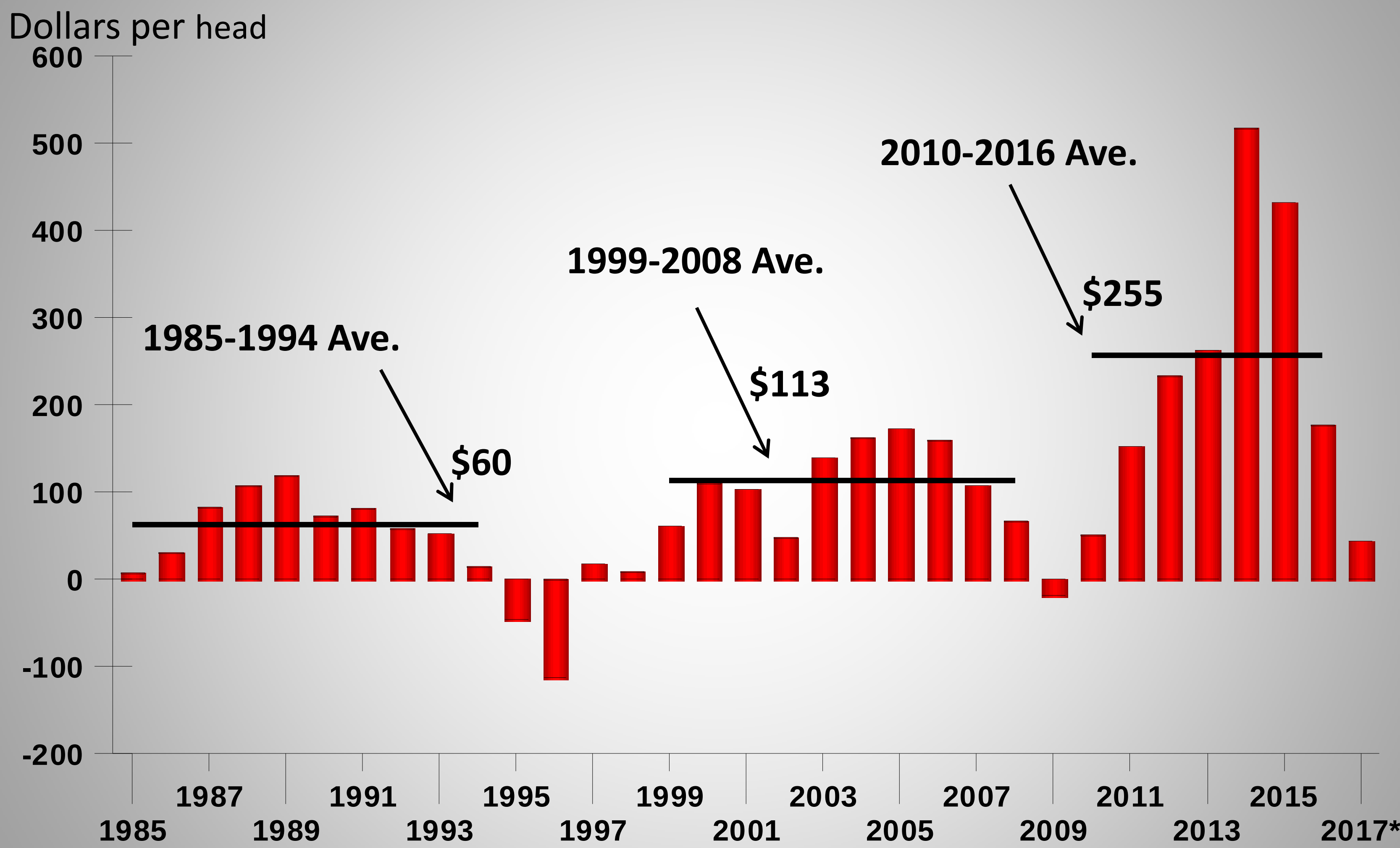


Percent of Beef Cattle Operations by Cow Herd Size



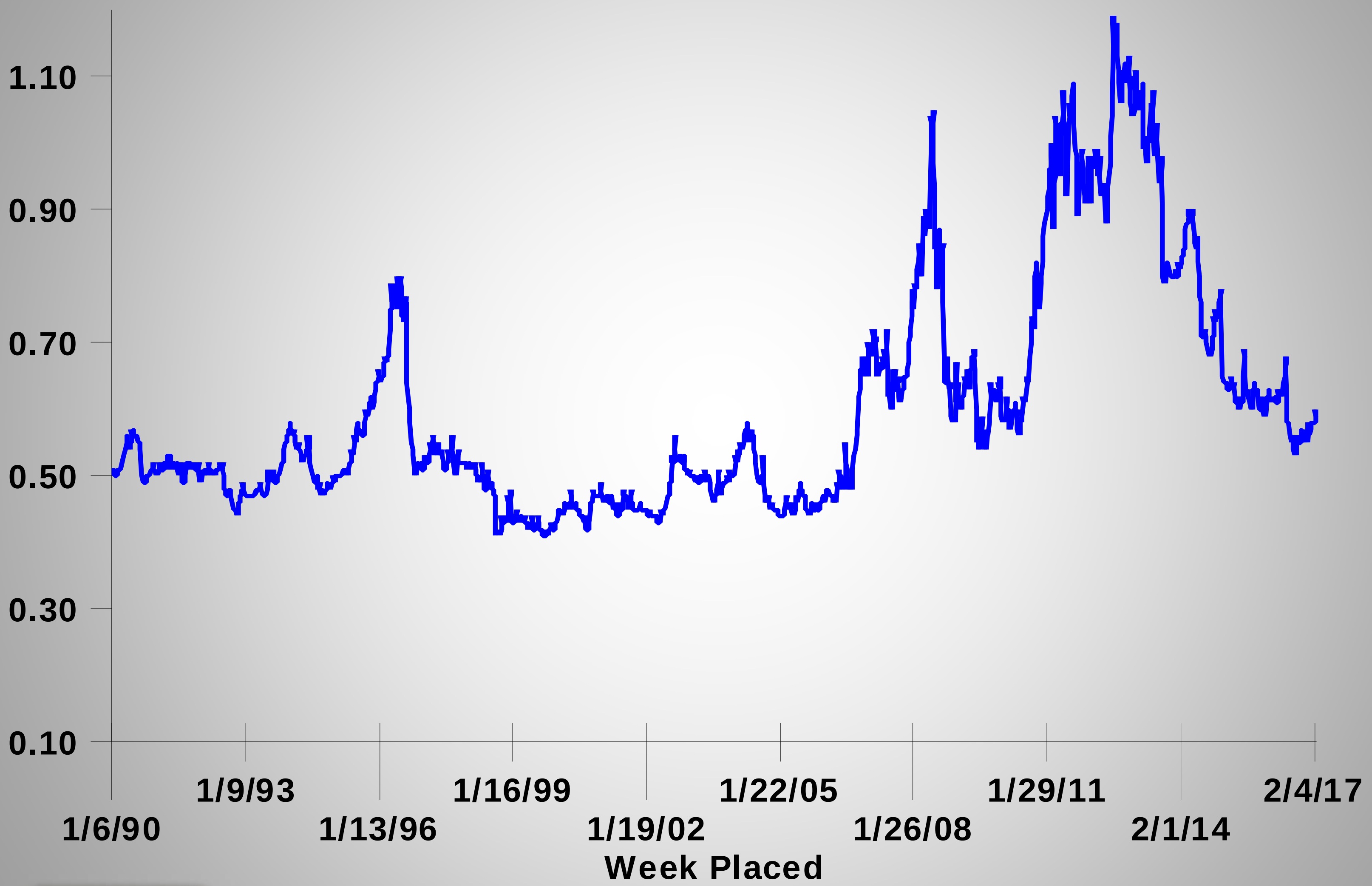
Source: 2012 Census of Agriculture

Returns to Cow-Calf Producers



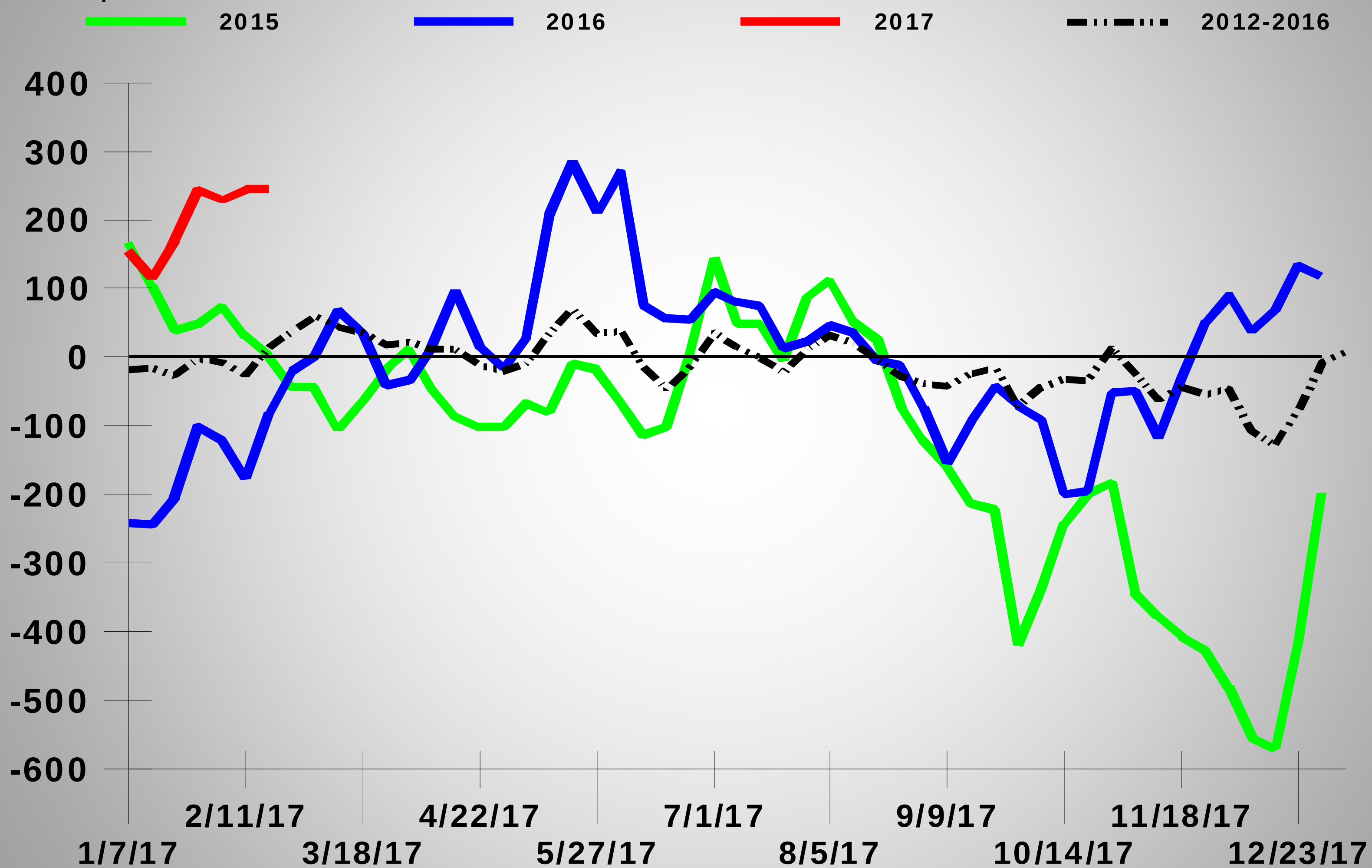
Feedlot Cost of Gain

Dollars per pound

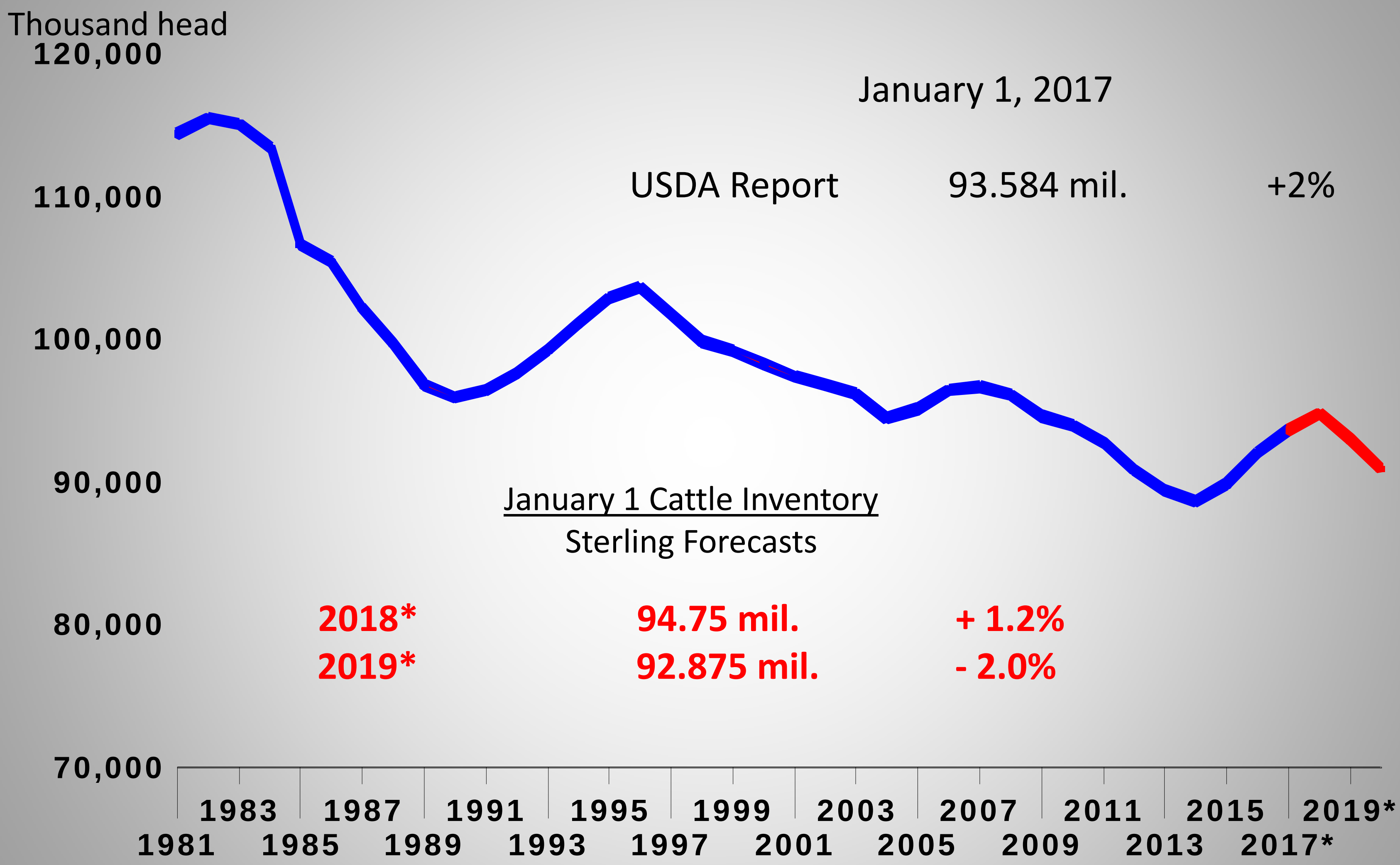


Cattle Feeding Margins

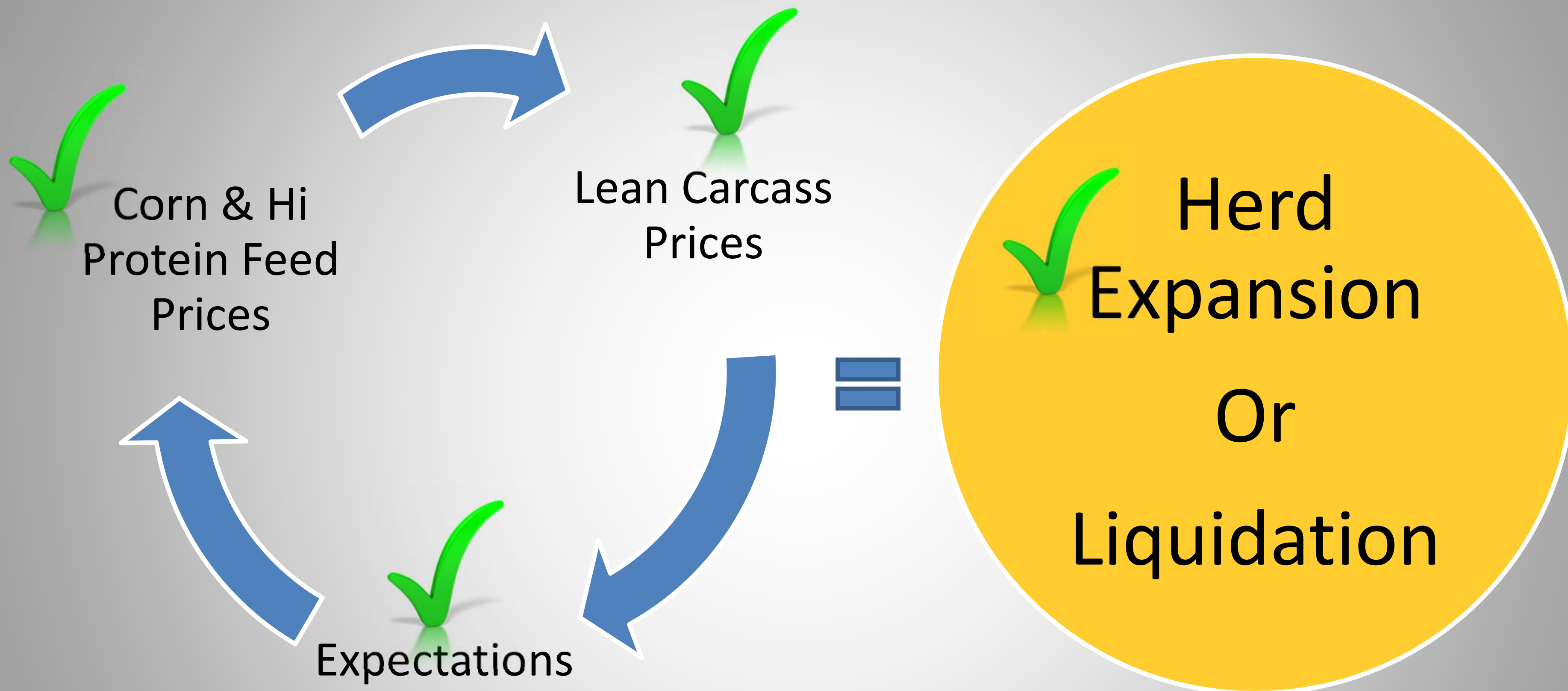
Dollars per head



U.S. cattle inventory



The Hog Cycle → 2014 – 2017

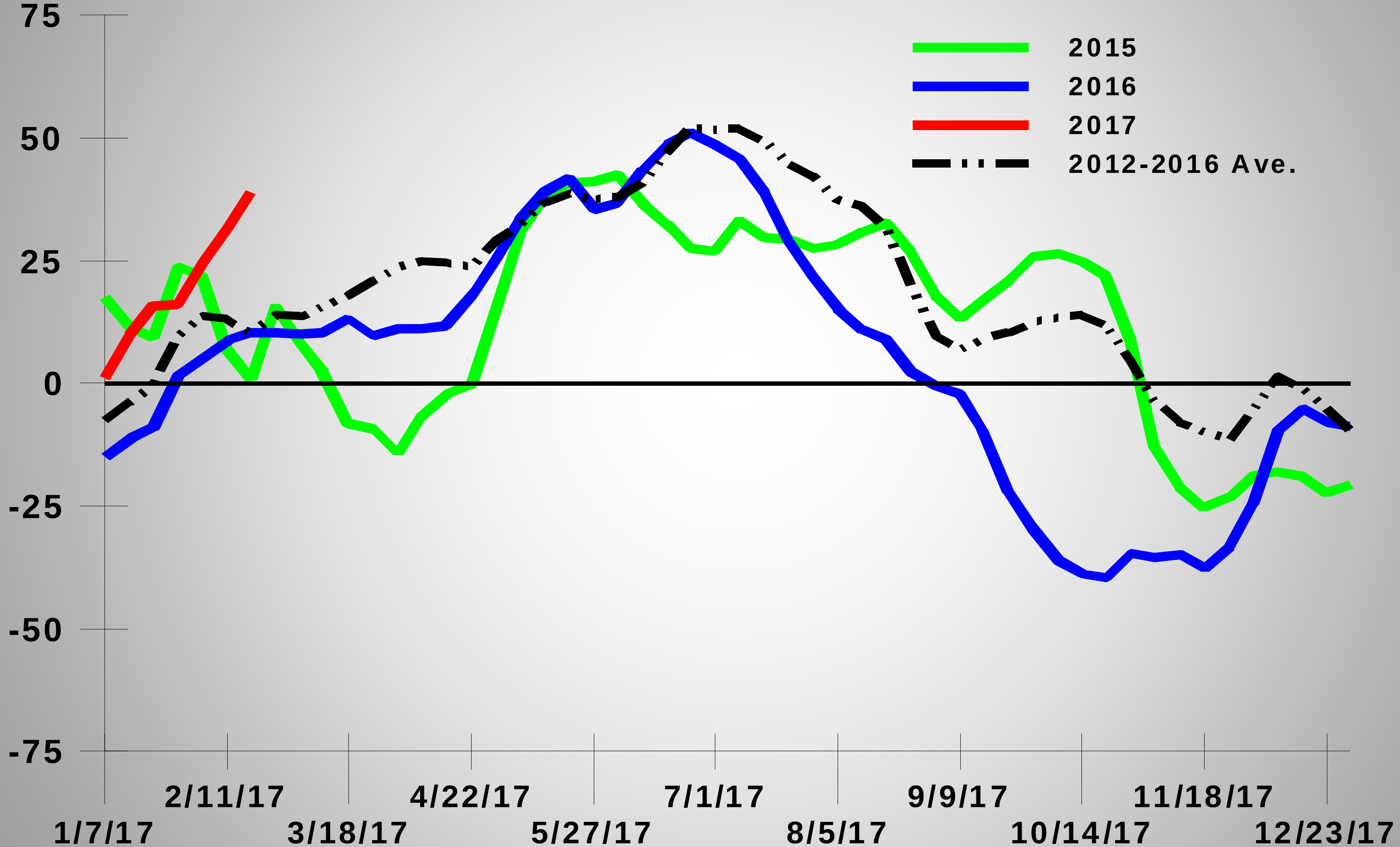


The incentives to continued expansion:

✓ **Low feed costs**
✓ **New packer capacity**

Hog Producer Margins

Dollars per head



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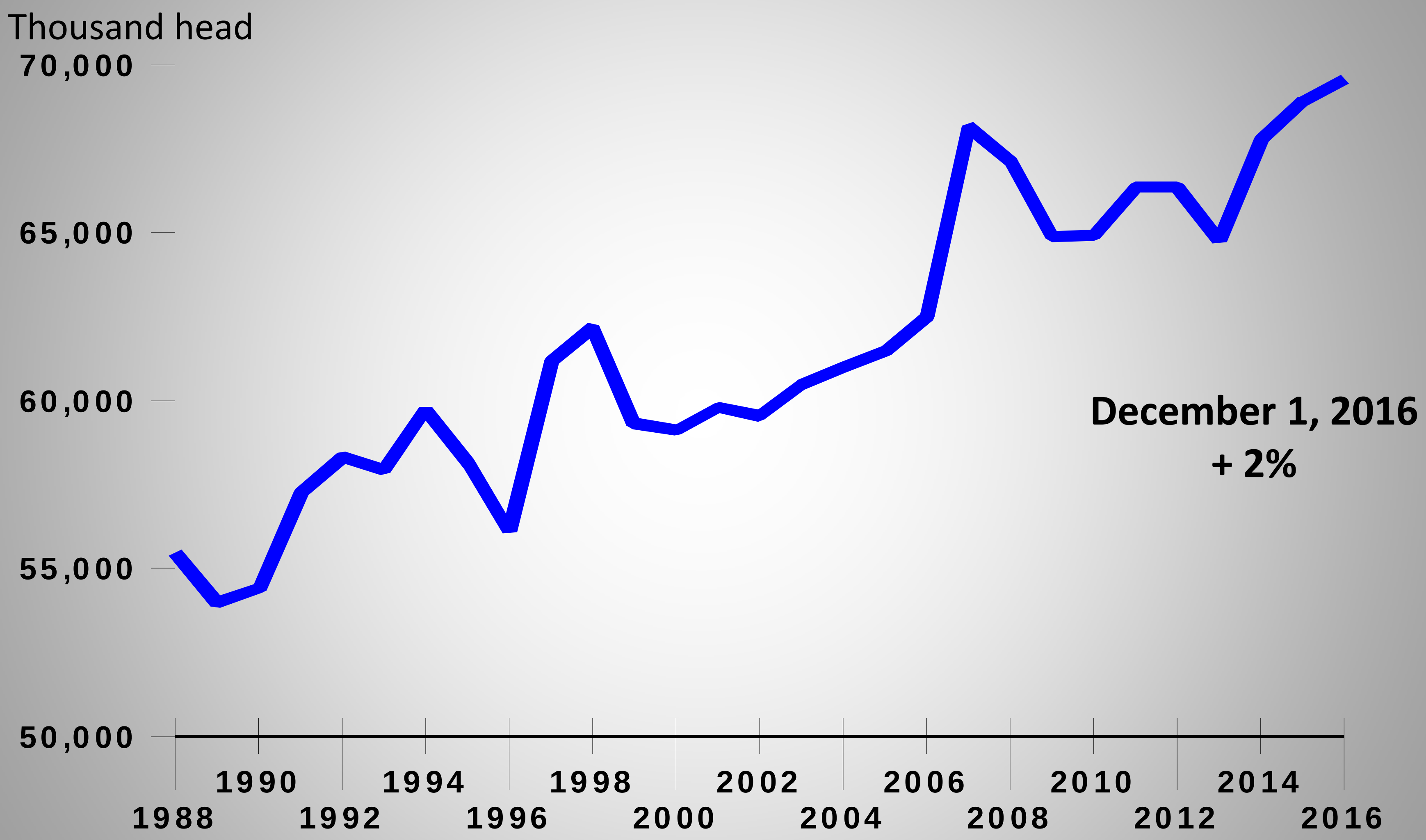
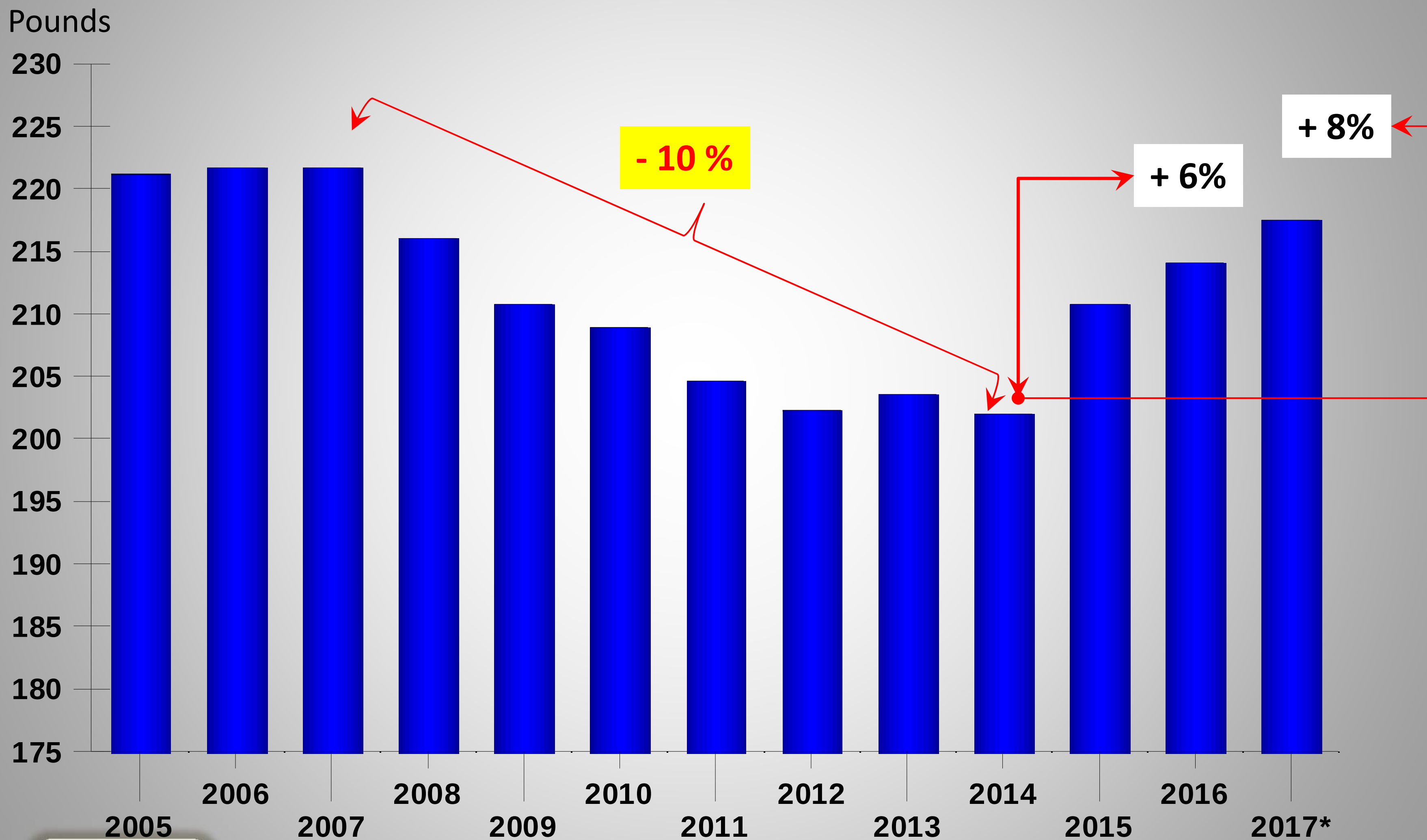
Hogs & Pigs Inventory – December 1

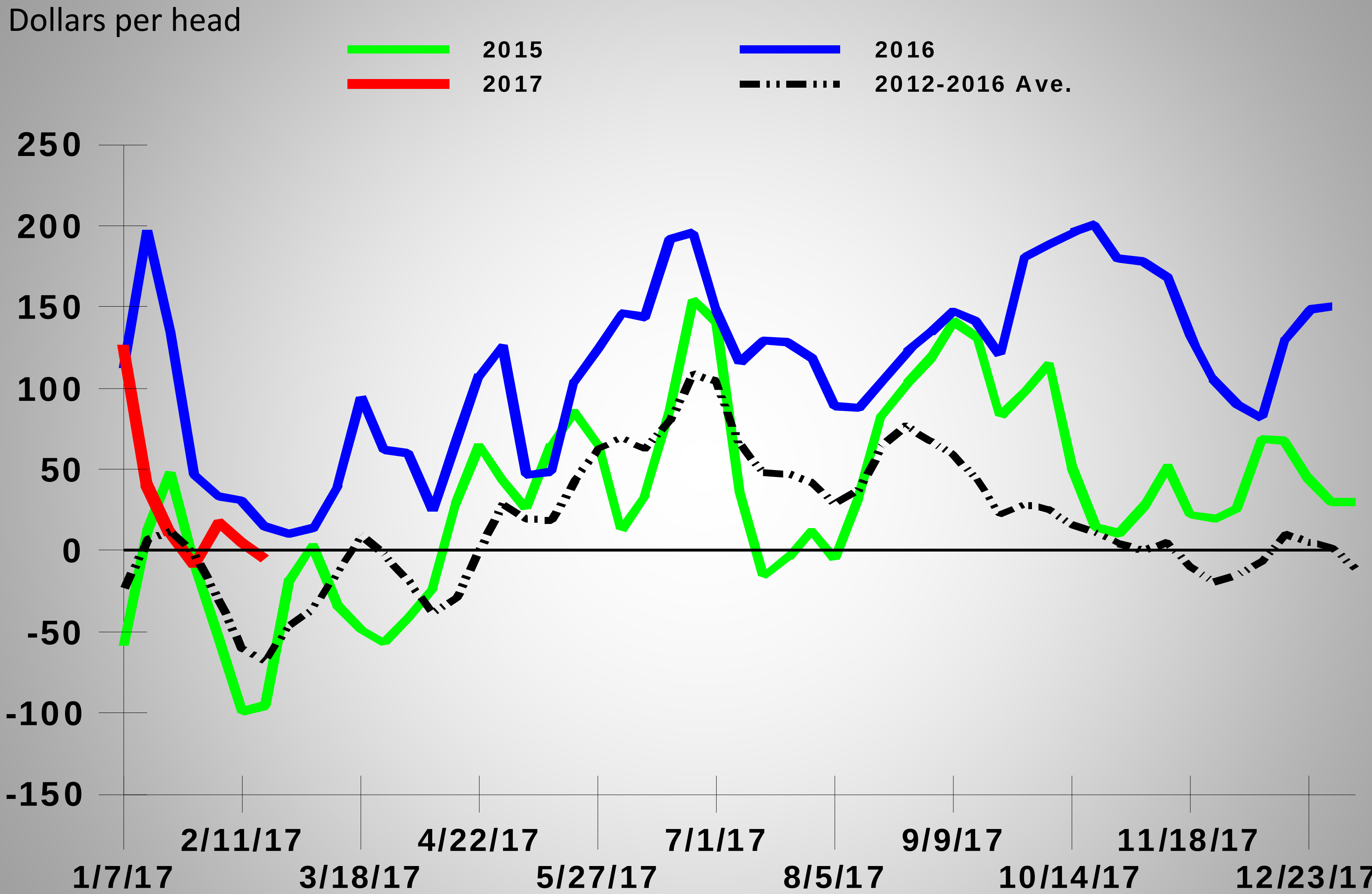


Per capita supplies of red meat & poultry are increasing.

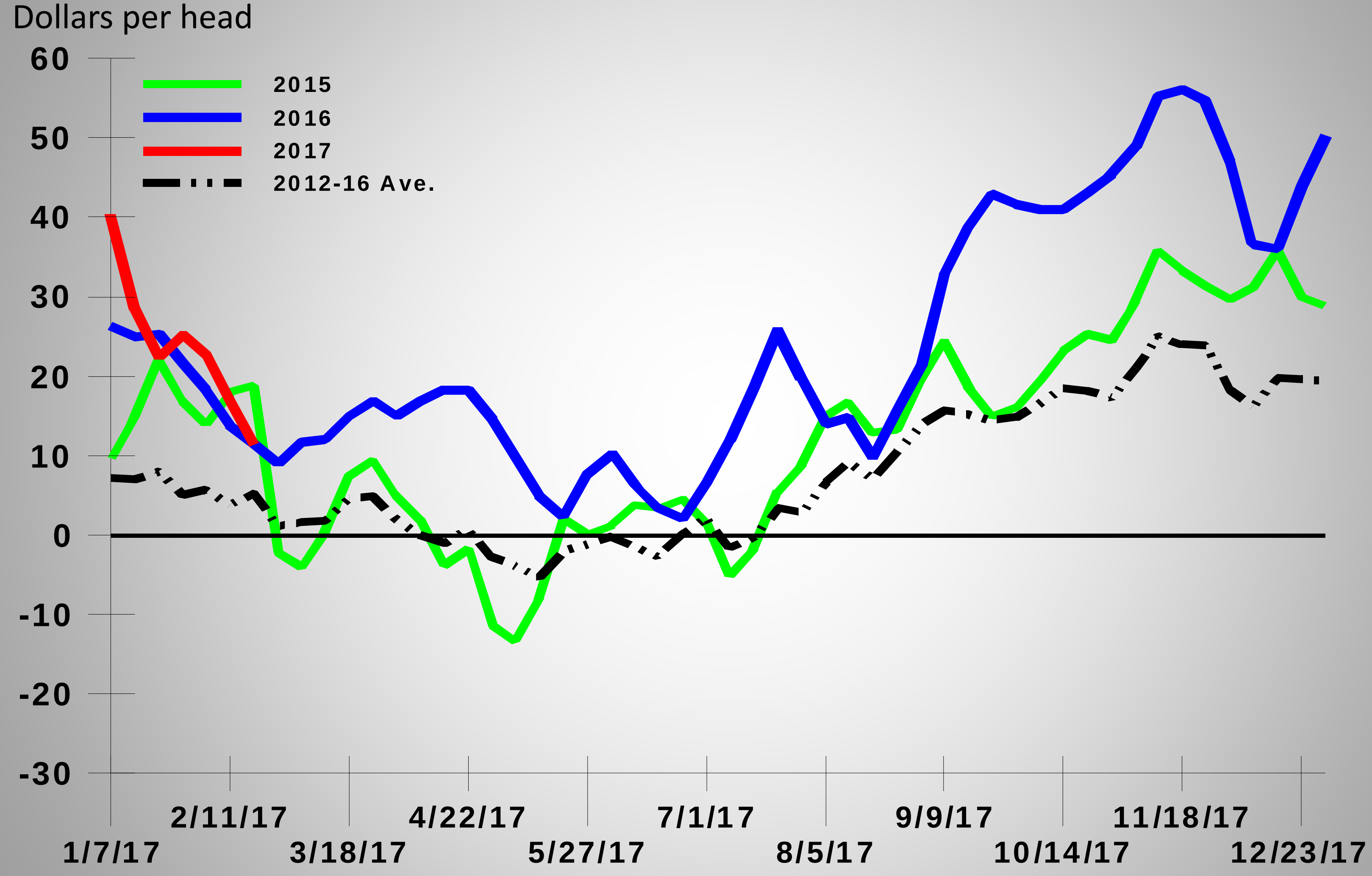


Sterling Forecast – Feb.16, 2017

Beef Packer Operating Margins

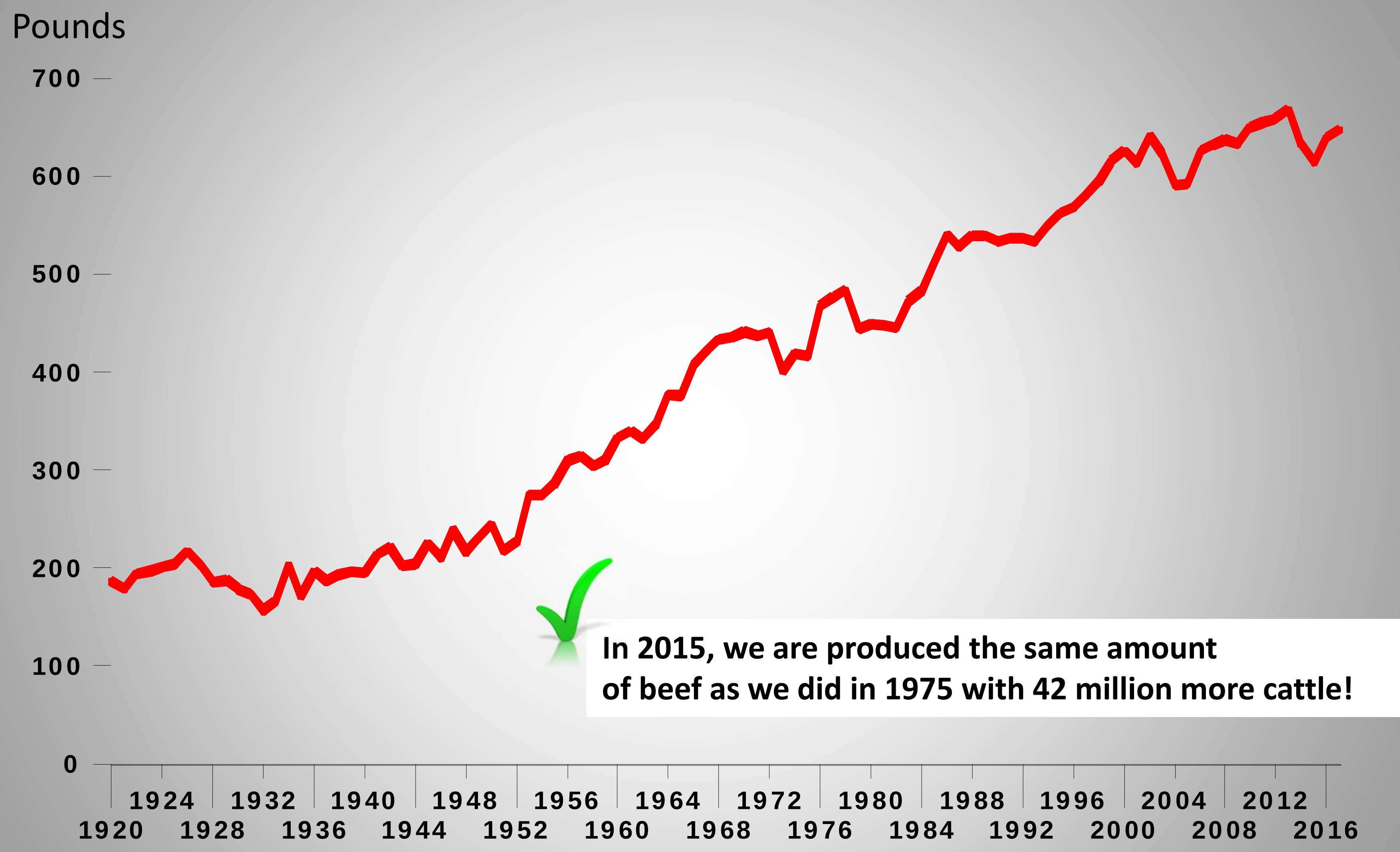


Pork Packer Operating Margins

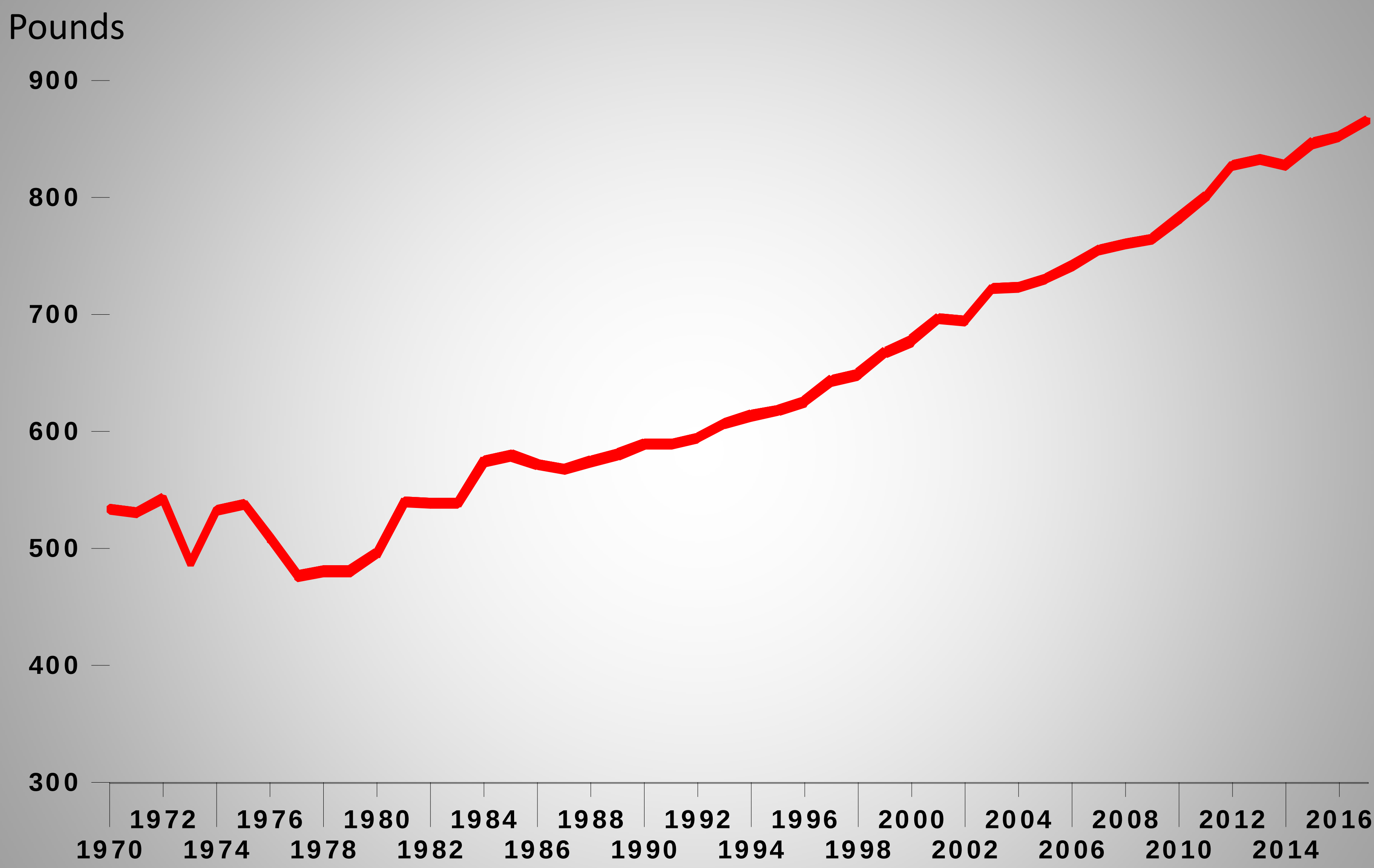


Production Efficiency

Beef Production per Cow



Pork Production per Sow



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Plant Capacity

Proposed Plant Construction

2017 & 2018 Capacity

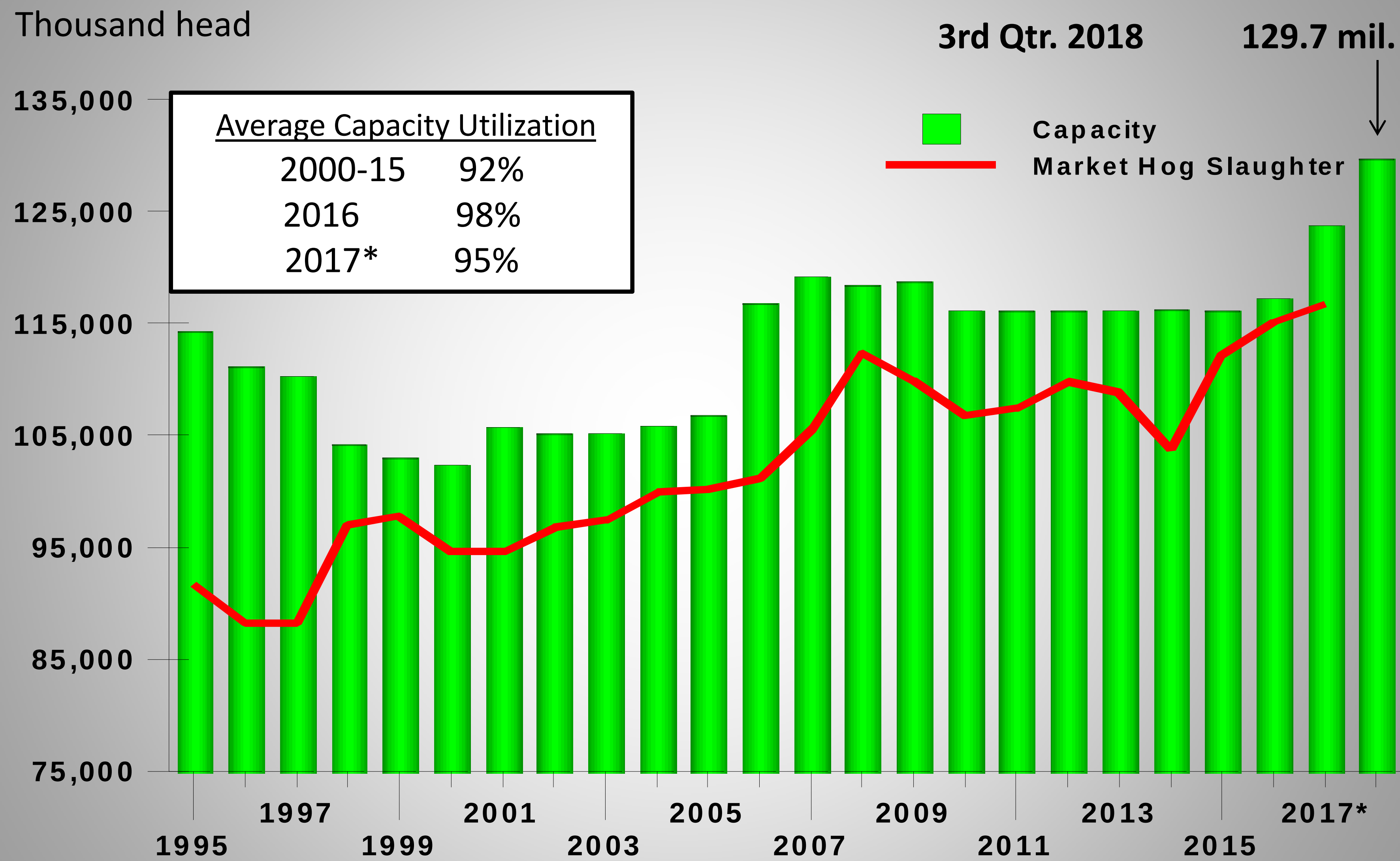
Prime Pork		**Windom,MN**	**2017**	**Q2**	**4,000**
Triumph - Seaboard Foods		**Sioux City, IA**	**2017**	**Q4**	**10,500**
Clemens Food Group		**Coldwater Township, MI**	**2017**	**Q4**	**8,000**
Prestage		**Wright County, IA**	**2018**	**Q4**	**10,000**
Triumph - Seaboard Foods (2nd shift on line)		**Sioux City, IA**	**2018**	**Q3**	**10,500**

+ 6%

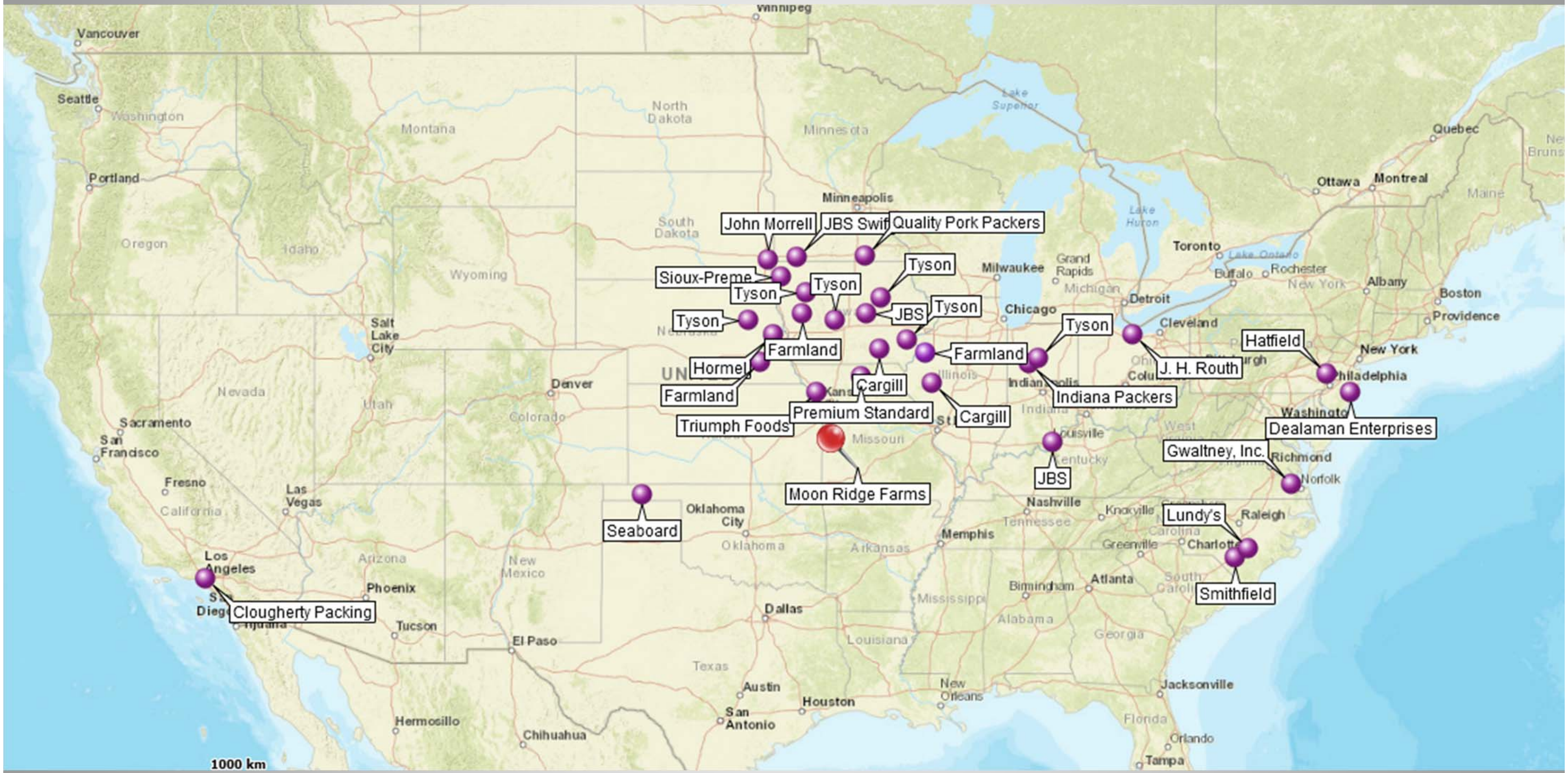
+10%

2018 Q4	**Annual** (with new capacity)	**129,716,122** =	**498,908 / day**
2017 Q4	**Annual** (with new capacity)	**123,733,469** =	**475,898 / day**
2016	**Annual**	**117,167,143** =	**450,643 / day**

Market Hog Slaughter Capacity & Utilization

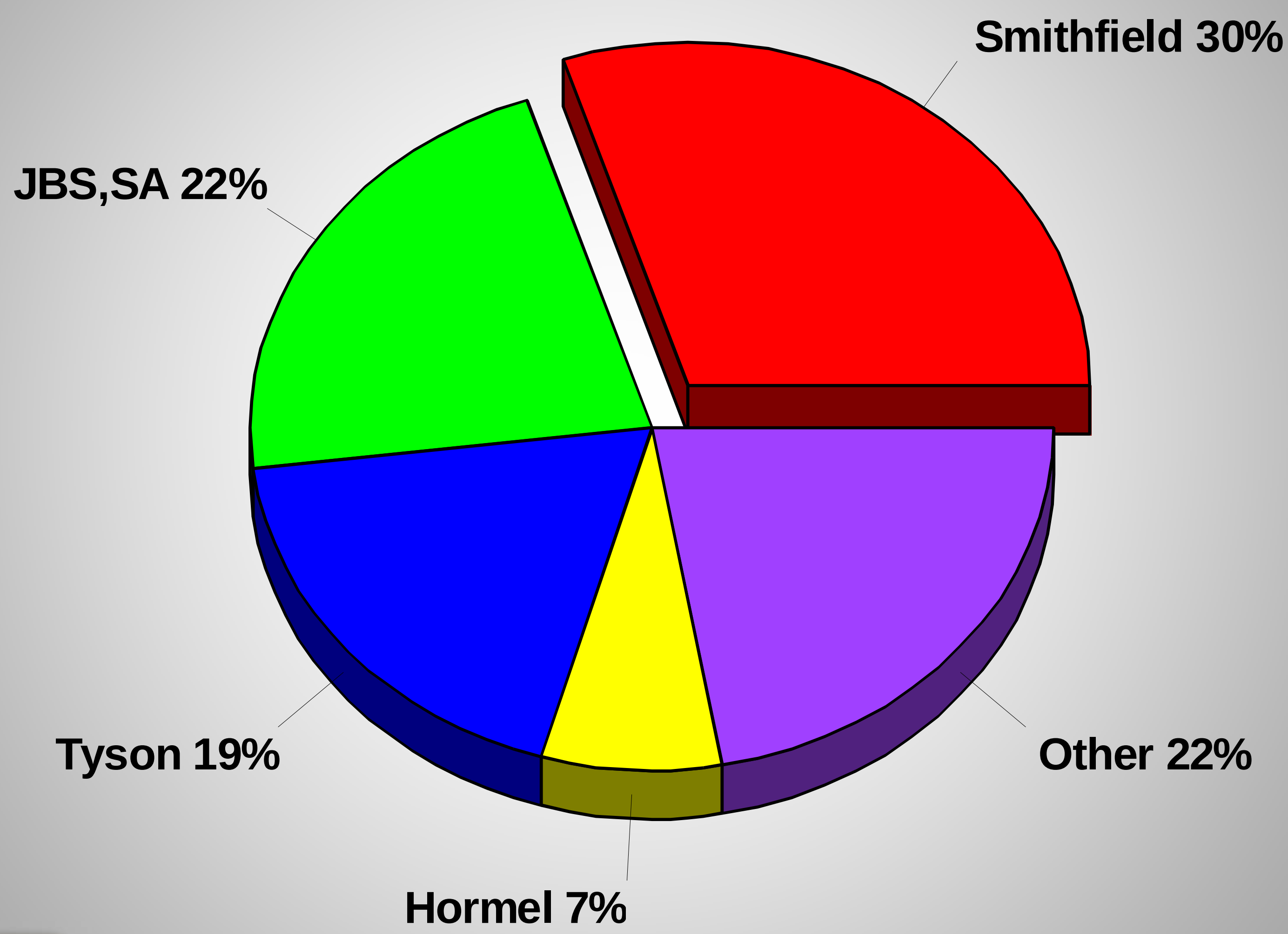


Pork Packing Plants



Pork Packer Concentration

2017



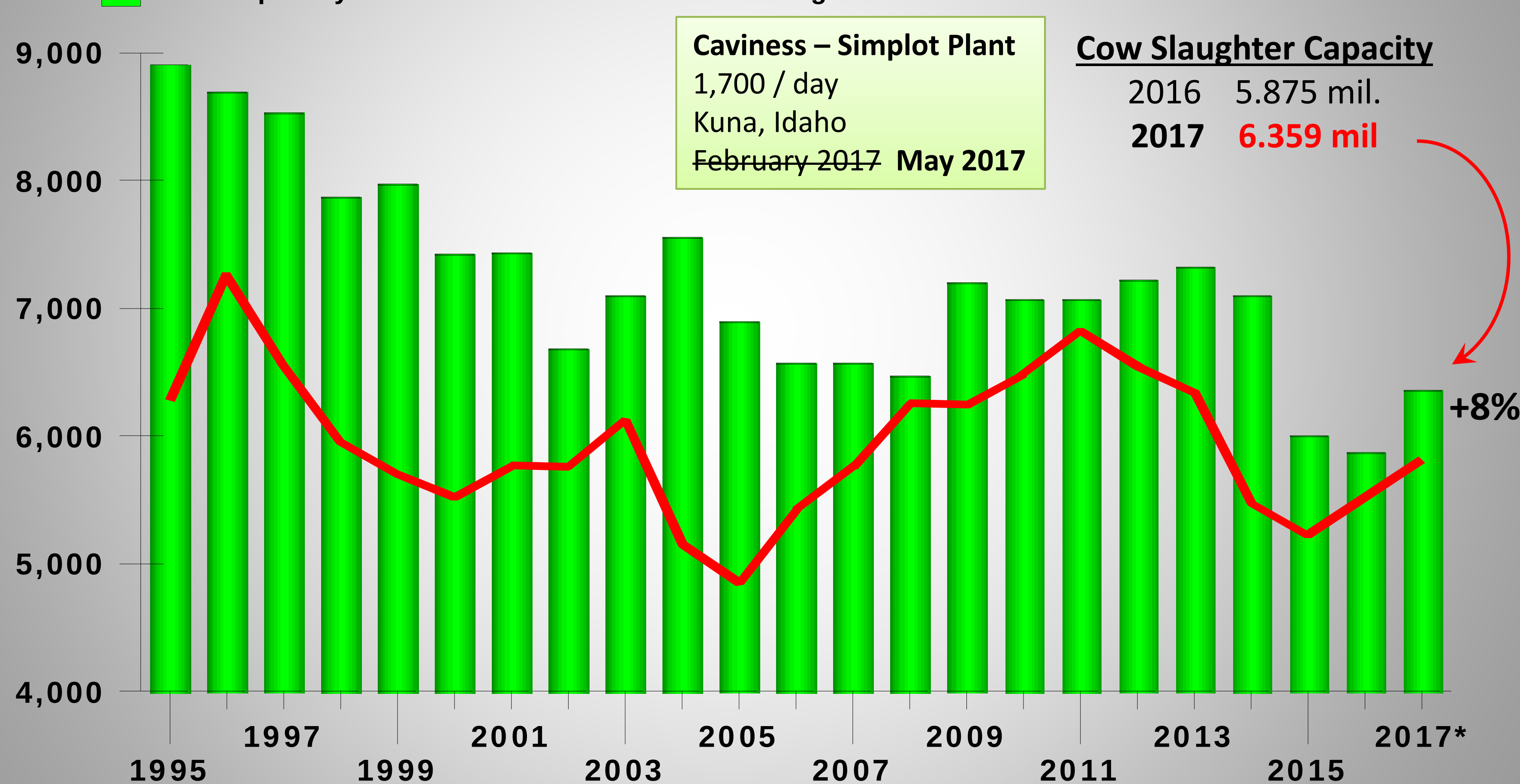
Cow Slaughter Capacity & Utilization

Thousand head

Average Capacity Utilization

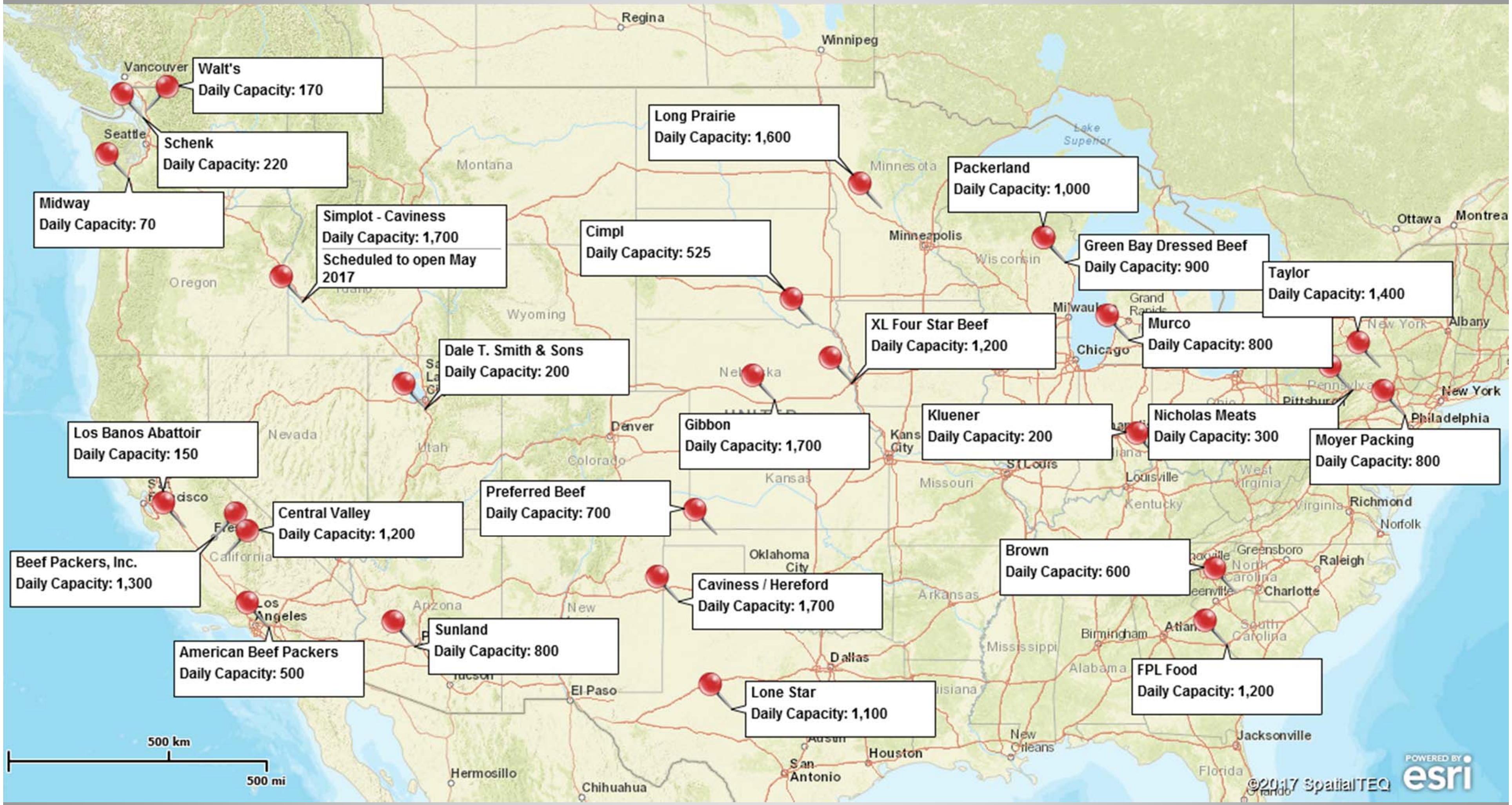
2016 92.8%

2017 **90.0%**



* Sterling Forecast – Feb. 18, 2017

Cow Plants



Walt's
Daily Capacity: 170
Schenk
Daily Capacity: 220
Midway
Daily Capacity: 70
Simplot - Caviness
Daily Capacity: 1,700
Scheduled to open May 2017
Long Prairie
Daily Capacity: 1,600
Packerland
Daily Capacity: 1,000
Green Bay Dressed Beef
Daily Capacity: 900
Taylor
Daily Capacity: 1,400
Cimpl
Daily Capacity: 525
XL Four Star Beef
Daily Capacity: 1,200
Murco
Daily Capacity: 800
Dale T. Smith & Sons
Daily Capacity: 200
Gibbon
Daily Capacity: 1,700
Kluener
Daily Capacity: 200
Nicholas Meats
Daily Capacity: 300
Moyer Packing
Daily Capacity: 800
Los Banos Abattoir
Daily Capacity: 150
Central Valley
Daily Capacity: 1,200
Preferred Beef
Daily Capacity: 700
Beef Packers, Inc.
Daily Capacity: 1,300
Brown
Daily Capacity: 600
Caviness / Hereford
Daily Capacity: 1,700
American Beef Packers
Daily Capacity: 500
Sunland
Daily Capacity: 800
FPL Food
Daily Capacity: 1,200
Lone Star
Daily Capacity: 1,100
500 km
500 mi
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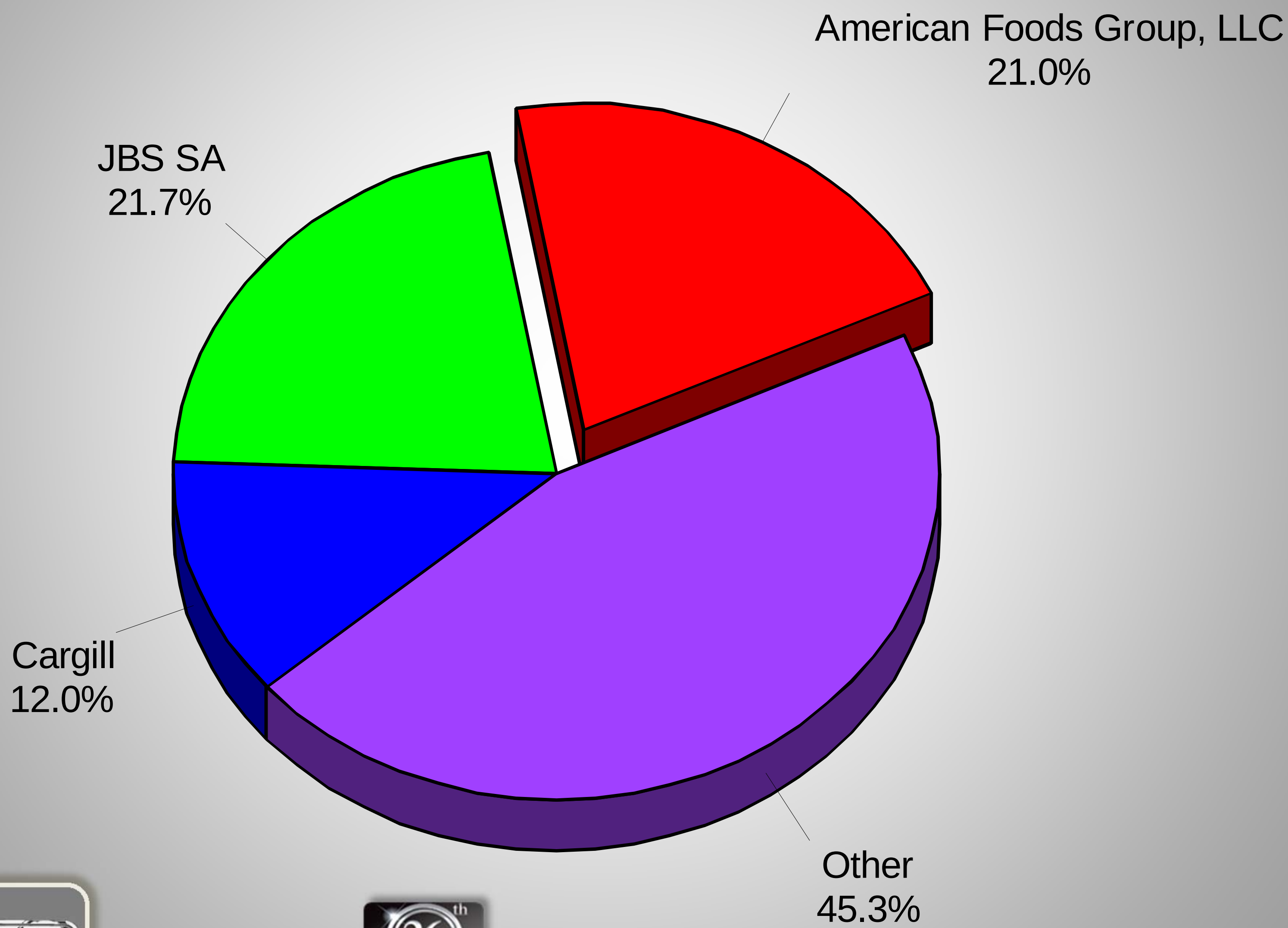
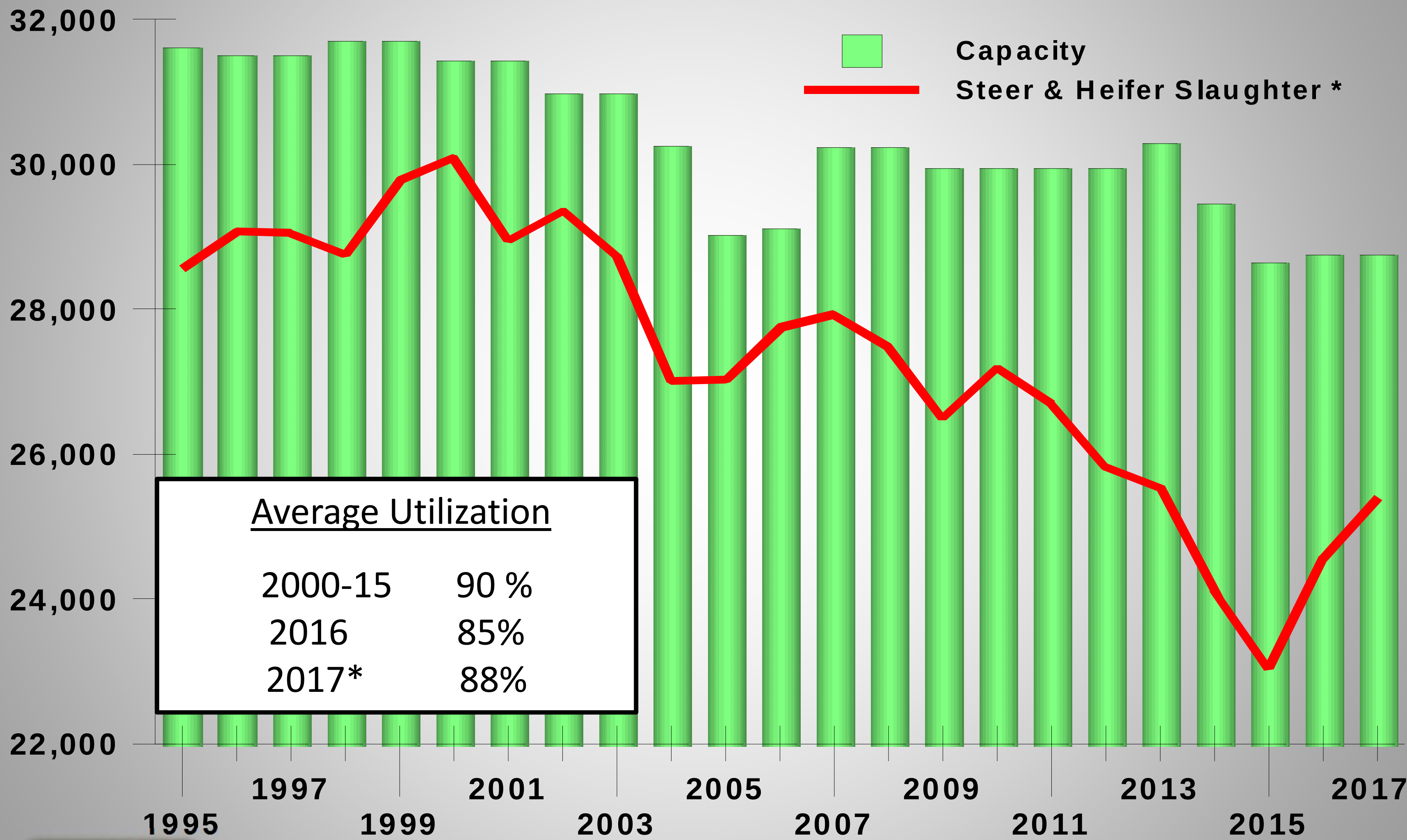
Cow Packer Concentration
2017



Fed Cattle Slaughter Capacity & Utilization

Thousand head



Average Utilization

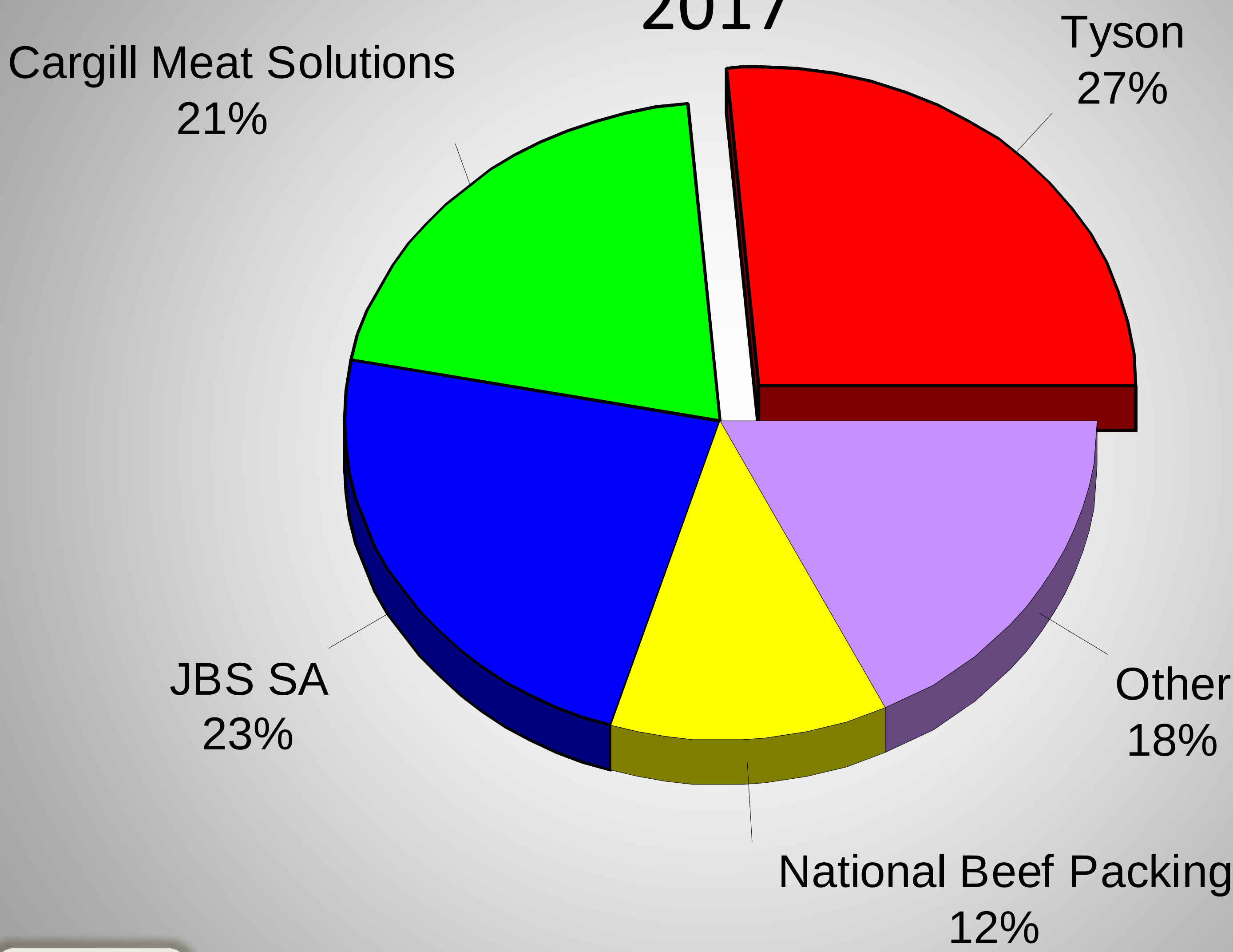
2000-15	90 %
2016	85%
2017*	88%

* Sterling Forecast – Feb. 18, 2017

Fed Beef Plants

Fed Beef Packer Concentration

2017



In summary,
beef and pork industry capacity . . . . . .

- Continually changing with both short and long term adjustment
- impacted by increasingly production efficiency