Beef Cattle Outlook and Industry Changes

Tri-State Cow/ Calf Conference
Gray, Tennessee
September 23, 2009

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Livestock and Food Products Marketing
Overview

- Comparing This Year and Last
- Demand
- Tightening Supplies
What Makes This Year Different From Last Year?

• Last Year
  – Financial and Economic Meltdown
  – Feed Costs
  – Run Out of Money
  – Financing – Lack of Lending

• This Year
  – Fewer Numbers
  – Stabilizing Economy
  – But, huge equity losses in cattle feeding
Demand
BARROW AND GILT PRICES

Iowa - So. Minnesota, Carcass Base Price, Weekly

$ Per Cwt.

2003-07

2008

2009

JAN

APR

JUL

OCT
QTRLY GROSS DOMESTIC PRODUCT (GDP)
Real Dollar (2005) Change from Previous Quarter

Percent Change

BOXED BEEF CUTOUT VALUE
Choice 600-900 Lbs. Carcass, Weekly

$ Per Cwt.
MED. & LRG. #1 STEER CALF PRICES
500-600 Pounds, Southern Plains, Weekly

$ Per Cwt.

Avg. 2003-07
2008
2009

JAN APR JUL OCT
MED. & LRG. #1 FEEDER STEER PRICES
700-800 Pounds, Southern Plains, Weekly

$ Per Cwt.

- Avg.
  - 2003-07
- 2008
- 2009
SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly

$ Per Cwt.

- 2003-07
- 2008
- 2009

JAN APR JUL OCT
Cattle and Beef Supplies
SOUTHERN PLAINS CORN PRICES
Weekly

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Apr</th>
<th>Jul</th>
<th>Oct</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0.00</td>
<td>4.00</td>
<td>3.00</td>
<td>2.00</td>
</tr>
<tr>
<td>2008</td>
<td>2003-07</td>
<td>Avg.</td>
<td>2008</td>
<td>2009</td>
</tr>
</tbody>
</table>

$ Per Bu.
JANUARY 1 COW INVENTORY
U.S., Annual

2009 = 31.7 Million Head
-2.4 Percent

2009 = 9.3 Million Head
+0.8 Percent
HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Mil. Head

-2.2 %
SLAUGHTER COW PRICES
Southern Plains, 85-90% Lean, Weekly

$ Per Cwt.

JAN  APR  JUL  OCT

2003-07

2008

2009
US BEEF AND VEAL IMPORTS
Carcass Weight, Monthly

<table>
<thead>
<tr>
<th>Avg. 2003-07</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-07</td>
<td>2008</td>
<td>2009</td>
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<td>2008</td>
<td>2009</td>
<td>2009</td>
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<td>2009</td>
<td>2009</td>
<td>2009</td>
</tr>
</tbody>
</table>

Mil. Pounds

JAN  FEB  MAR  APR  MAY  JUN  JUL  AUG  SEP  OCT  NOV  DEC
COMMERCIAL BEEF PRODUCTION
Quarterly

Bil. Pounds

<table>
<thead>
<tr>
<th>Year</th>
<th>JAN-MAR</th>
<th>APR-JUN</th>
<th>JUL-SEP</th>
<th>OCT-DEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/08</td>
<td>5.6</td>
<td>6.4</td>
<td>6.6</td>
<td>6.2</td>
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<tr>
<td>2009</td>
<td>6.2</td>
<td>6.4</td>
<td>6.6</td>
<td>6.2</td>
</tr>
<tr>
<td>2010</td>
<td>6.4</td>
<td>6.6</td>
<td>6.8</td>
<td>6.4</td>
</tr>
<tr>
<td>2011</td>
<td>6.2</td>
<td>6.4</td>
<td>6.6</td>
<td>6.2</td>
</tr>
</tbody>
</table>
## Projected Prices for 2008-2011

<table>
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<tr>
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<th>11-1300</th>
<th>7-800</th>
<th>5-600</th>
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<tbody>
<tr>
<td>2008</td>
<td>92.78</td>
<td>104.99</td>
<td>115.81</td>
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<tr>
<td>2009 I</td>
<td>82.18</td>
<td>93.86</td>
<td>109.42</td>
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<tr>
<td>II</td>
<td>84.47</td>
<td>99.63</td>
<td>115.56</td>
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<tr>
<td>III</td>
<td>82-84</td>
<td>101.67</td>
<td>110.23</td>
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<tr>
<td>IV</td>
<td>85-87</td>
<td>98-101</td>
<td>108-112</td>
</tr>
<tr>
<td>2010 I</td>
<td>84-88</td>
<td>95-100</td>
<td>108-113</td>
</tr>
<tr>
<td>II</td>
<td>87-92</td>
<td>100-106</td>
<td>112-119</td>
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<td>III</td>
<td>84-89</td>
<td>104-111</td>
<td>114-122</td>
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<td>88-94</td>
<td>104-112</td>
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<tr>
<td>2011 I</td>
<td>89-95</td>
<td>101-110</td>
<td>113-123</td>
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<tr>
<td>II</td>
<td>90-97</td>
<td>105-114</td>
<td>117-128</td>
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<tr>
<td>III</td>
<td>85-93</td>
<td>107-118</td>
<td>117-130</td>
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<tr>
<td>IV</td>
<td>89-97</td>
<td>105-114</td>
<td>111-126</td>
</tr>
</tbody>
</table>
Summary

• Need Economic Growth
  – Boost demand
  – Need recovery in feeding industry

• Supplies Tightening Cyclically
  – Opportunity for better prices

• Prices Affected by Other Events
  – Corn prices
  – Trade
  – Economy
Summary Continued

• Market Signaling Retained Ownership
  – Lost equity in feeders
  – Lower calf and feeder prices

• Increased Seasonality
  – Especially fed cattle
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Tri-State Cow/Calf Conference

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