Cattle Market Outlook

American Agricultural Economics Association
Long Beach, California
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Overview

• Demand
• Expansion - Supply
• Trade
• Current Market
• Price Outlook
Demand

WHOLESALE CHICKEN BREAST PRICES
Skinless/Boneless, Northeast, Truckload, Weekly

Cents Per Pound

Avg. 2000-04

2005

2006
Demand

- Underlying Demand Remains Strong
  - 6 years of gains
  - That’s how we got record prices
- Relative Prices Matter
- Concerned About Demand
  - Economy, Fuel prices

Expansion
JULY 1 CATTLE INVENTORY
U.S.

![Bar graph showing cattle inventory from 1976 to 2006. The label at the top right indicates 2006 = 105.7 Million Head, +1.1%.]

U.S. Drought Monitor

![Map showing drought conditions across the U.S. with color codes for different intensities and impact types. The date is July 11, 2006, and it is released on July 13, 2006.]

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://drought.unl.edu/dm

Author: Doug Le Comte and Tom Hoddlinghaus, CPC/NOAA
Trade: Japan and Canada

U.S. BEEF EXPORTS TO JAPAN
Carcass Weight, Monthly

Avg. 2000-04
2005
2006
Near Term Conditions

FEEDLOT PLACEMENTS
US Total, Monthly

Mil. Head

- Avg. 2000-04
- 2005
- 2006

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC
CHOICE SLAUGHTER STEER PRICES
Southern Plains, Weekly

<table>
<thead>
<tr>
<th>Jan</th>
<th>Apr</th>
<th>Jul</th>
<th>Oct</th>
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<tbody>
<tr>
<td>2000-04 Avg.</td>
<td>70</td>
<td>75</td>
<td>80</td>
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<td>2005 Avg.</td>
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<tr>
<td>2006 Avg.</td>
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BOXED BEEF CUTOUT VALUE
Choice 600-900 Lbs. Carcass, Weekly

<table>
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<th>Jan</th>
<th>Apr</th>
<th>Jul</th>
<th>Oct</th>
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<tr>
<td>2000-04 Avg.</td>
<td>115</td>
<td>120</td>
<td>125</td>
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<td>2005 Avg.</td>
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<td>2006 Avg.</td>
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CHOICE MINUS SELECT BEEF PRICES
Carcass Cutout Value 600-900 Lbs., Weekly

COMMERCIAL BEEF PRODUCTION
Quarterly
Market Summary

- Beef Production Up About 5.5% for Year
  - Up over 8% 2nd quarter
- Slaughter Up Almost 4% for Year
- Expansion Ongoing
  - Drought critical
- Exports Increase

Projected Prices for 2005-2007

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<th>11-1300</th>
<th>7-800</th>
<th>5-600</th>
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<tr>
<td>2005</td>
<td>87.91</td>
<td>112.47</td>
<td>129.20</td>
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<td>90.31</td>
<td>108.91</td>
<td>131.62</td>
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<td>II</td>
<td>81.36</td>
<td>106.77</td>
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<td>IV</td>
<td>83-86</td>
<td>103-106</td>
<td>111-116</td>
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<tr>
<td>2007 I</td>
<td>85-89</td>
<td>101-105</td>
<td>112-118</td>
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<tr>
<td>II</td>
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<td>IV</td>
<td>81-86</td>
<td>96-103</td>
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Future Trends

• Expansion Underway
  – Driving factor in market
  – Drought critical

• Strong Prices Continue?
  – Decline as supplies increase
  – Pressure from other meats

• Trade Issues
  – Japan, South Korea?
  – What about other markets and products?