2006 AAEA Extension Livestock Outlook Symposium

Hog and Poultry Price Outlook

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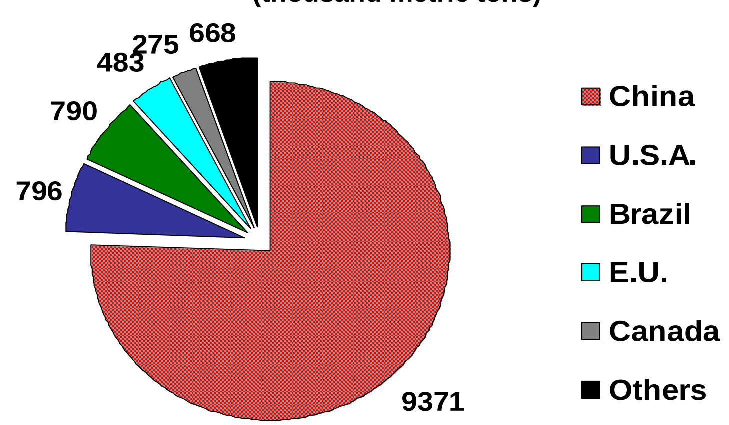
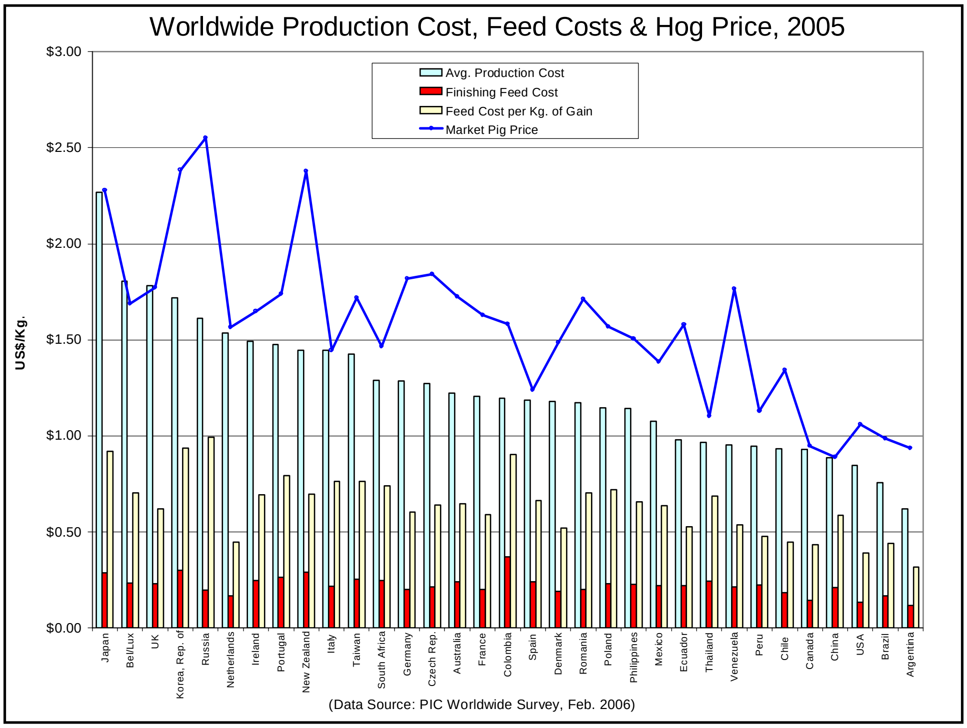
Growth in World Pork Production

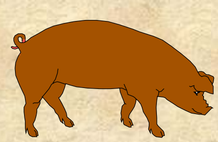
2000-2005

(thousand metric tons)

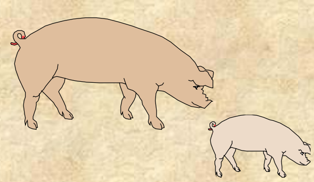


Source: USDA/FAS


Worldwide Production Cost, Feed Costs & Hog Price, 2005
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
US$/Kg.
Avg. Production Cost
Finishing Feed Cost
Feed Cost per Kg. of Gain
Market Pig Price
Japan
Bel/Lux
UK
Korea, Rep. of
Russia
Netherlands
Ireland
Portugal
New Zealand
Italy
Taiwan
South Africa
Germany
Czech Rep.
Australia
France
Colombia
Spain
Denmark
Romania
Poland
Philippines
Mexico
Ecuador
Thailand
Venezuela
Peru
Chile
Canada
China
USA
Brazil
Argentina
(Data Source: PIC Worldwide Survey, Feb. 2006)

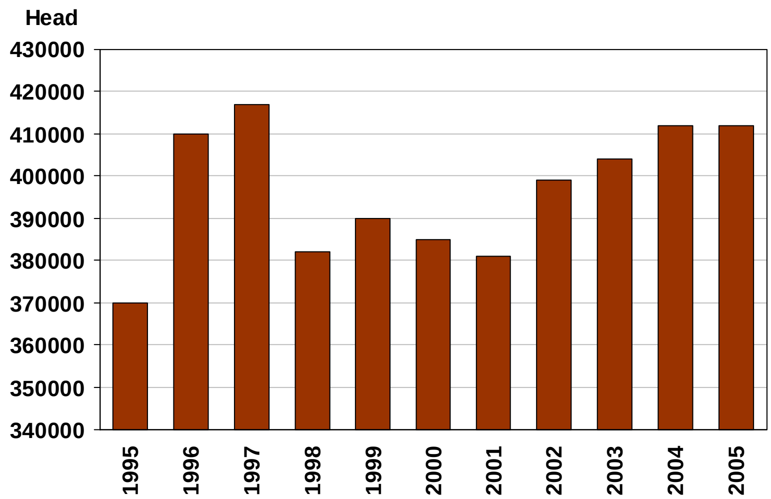


Hog Packers



When hog runs exceed slaughter capacity, hogs become worthless.

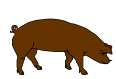
Daily Hog Slaughter Capacity



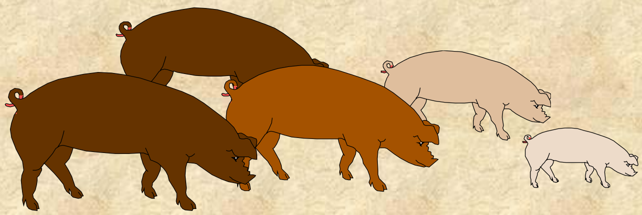
Increasing Hog Slaughter Capacity

- Triumph Foods, St Joseph, MO
- Triumph Foods, East Moline, IL
- Premium Standard, Milan, MO
- Olywest, Winnipeg
- Olywest, Red Deer
- Maple Leaf, Saskatoon

Potential to add 13% to kill capacity



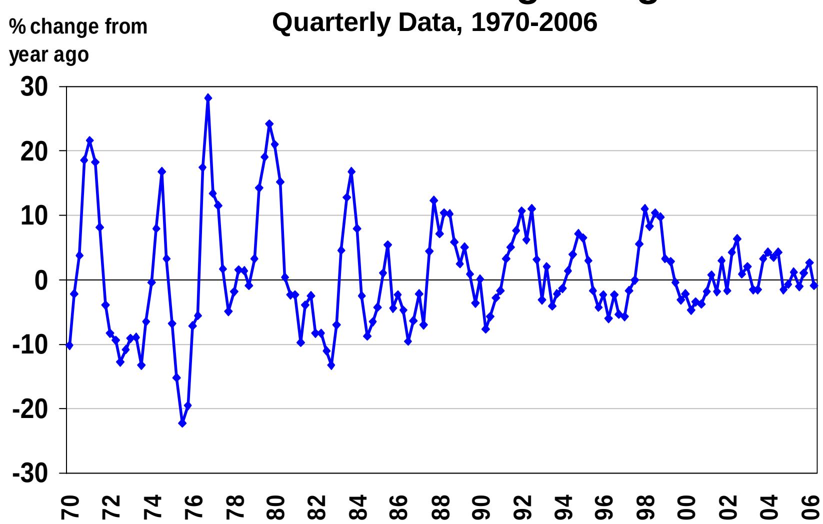
Hog Cycle

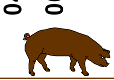


U.S. pork production is becoming more stable

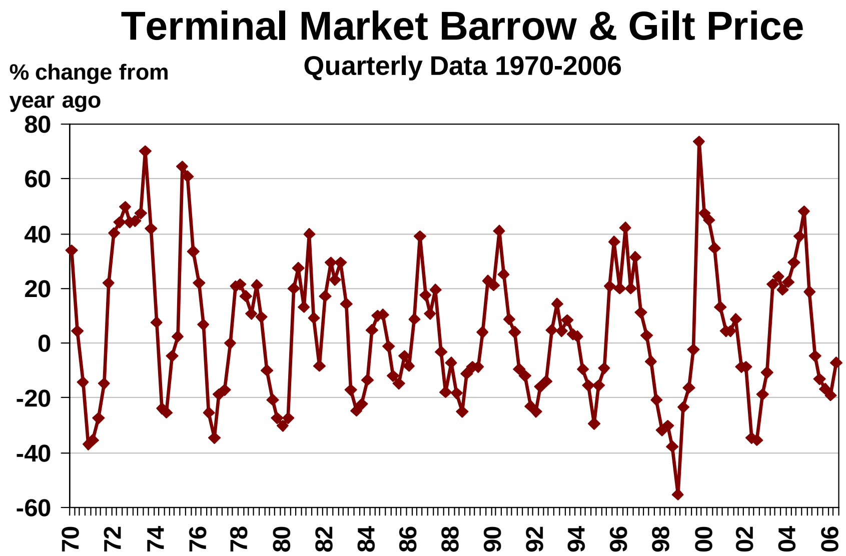
U.S. Commercial Hog Slaughter

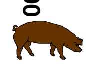
Quarterly Data, 1970-2006





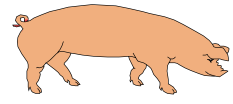
But, U.S. hog prices are still highly variable

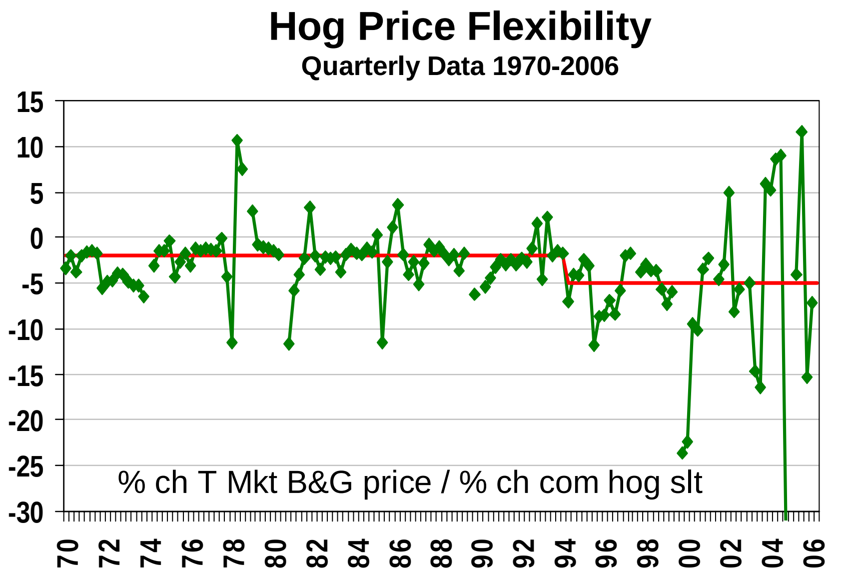




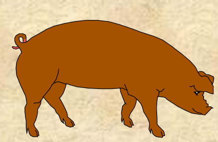
ELASTICITY

- The fundamental relationship between hog production and hog price is changing.

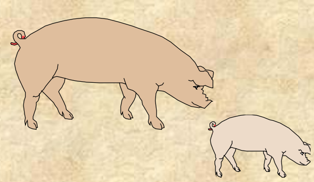


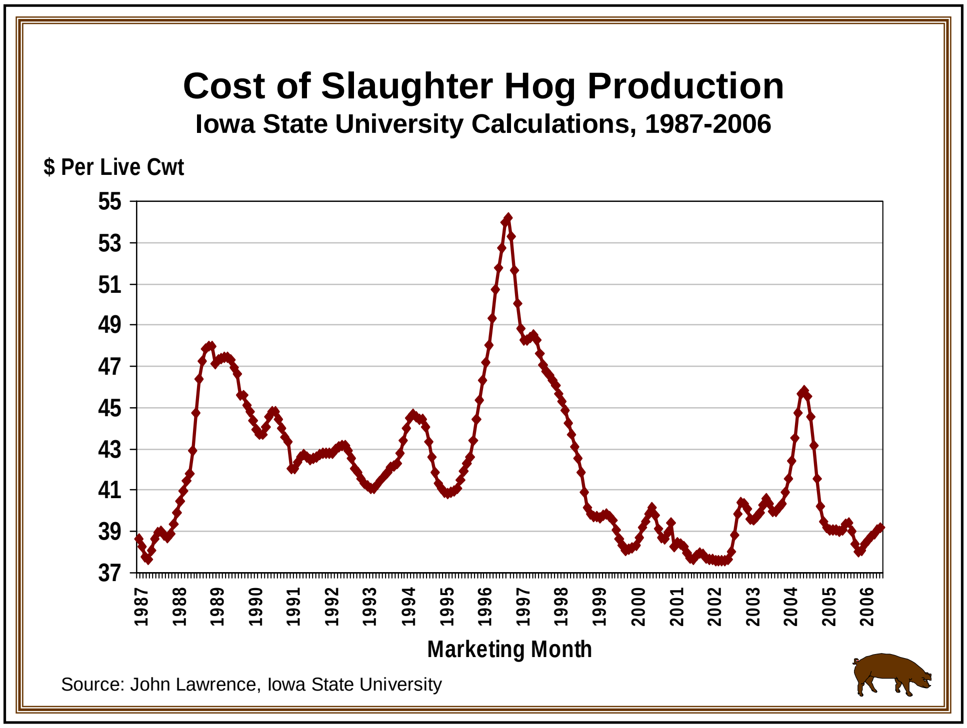


In 6 of last 11 quarters, price & slaughter moved in the same direction

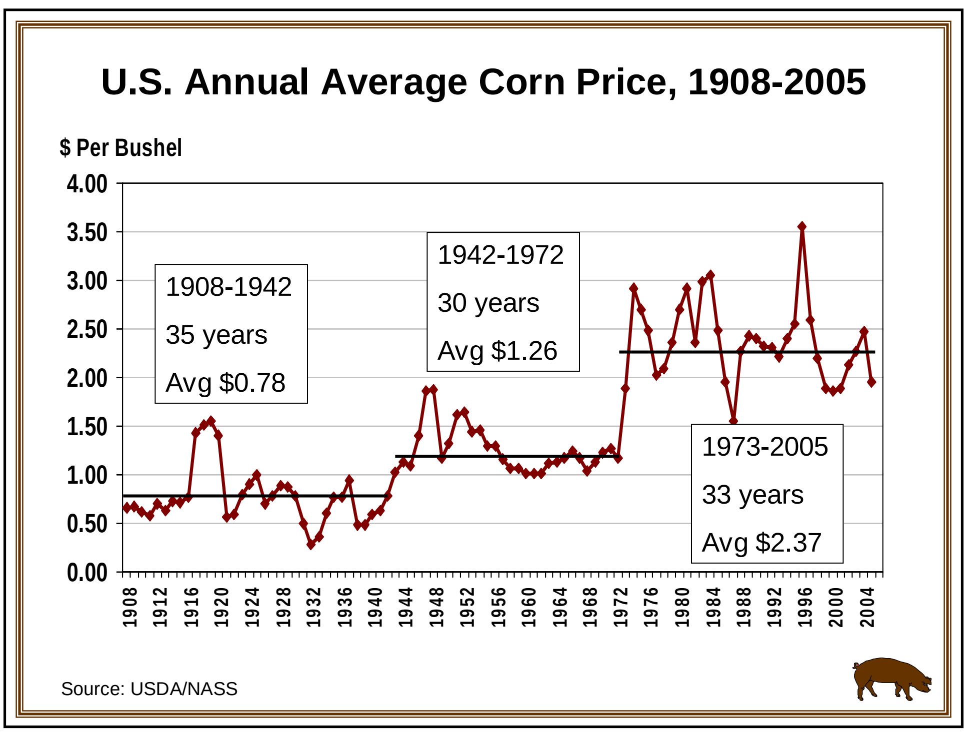


Cost of Production



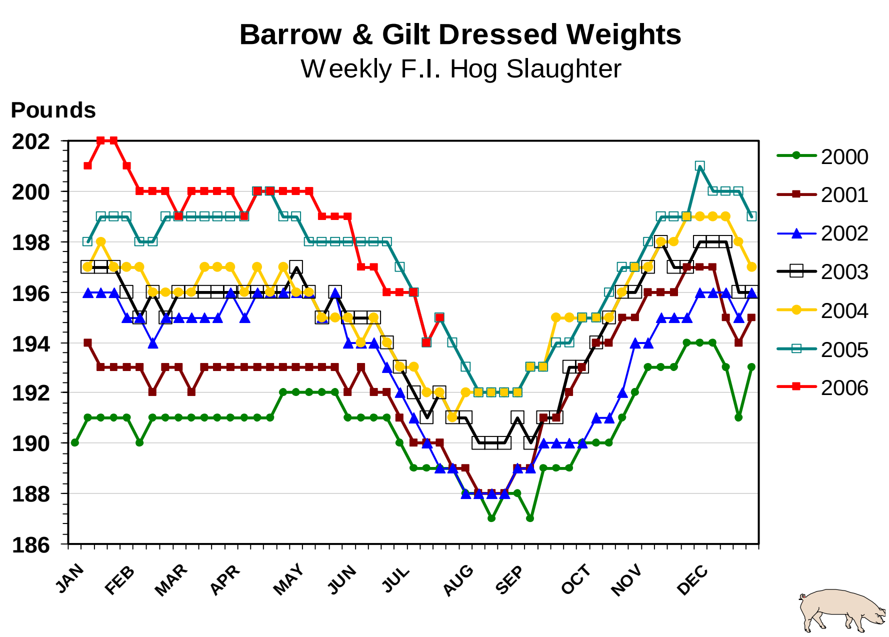


Cost of Slaughter Hog Production
Iowa State University Calculations, 1987-2006
$ Per Live Cwt
55
53
51
49
47
45
43
41
39
37
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Marketing Month
Source: John Lawrence, Iowa State University



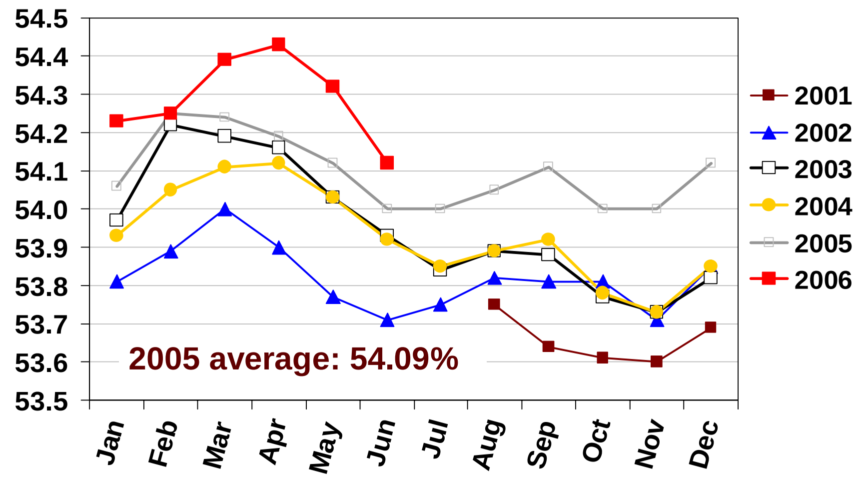
U.S. Annual Average Corn Price, 1908-2005
$ Per Bushel
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1908-1942
35 years
Avg $0.78
1942-1972
30 years
Avg $1.26
1973-2005
33 years
Avg $2.37
1908
1912
1916
1920
1924
1928
1932
1936
1940
1944
1948
1952
1956
1960
1964
1968
1972
1976
1980
1984
1988
1992
1996
2000
2004
Source: USDA/NASS

Hog Weights



Barrow & Gilt Dressed Weights
Weekly F.I. Hog Slaughter
Pounds
202
200
198
196
194
192
190
188
186
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
2000
2001
2002
2003
2004
2005
2006

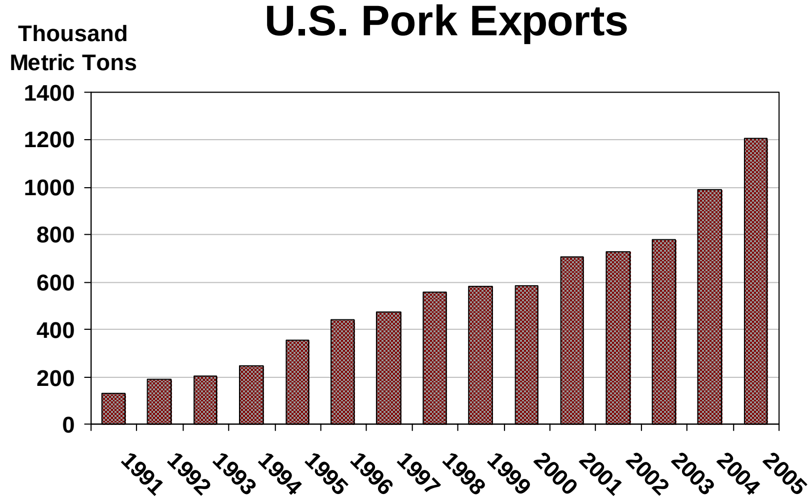
Barrows & Gilts - Percent Lean



Source: USDA/AMS Prior Day Slaughter Reports

International Trade

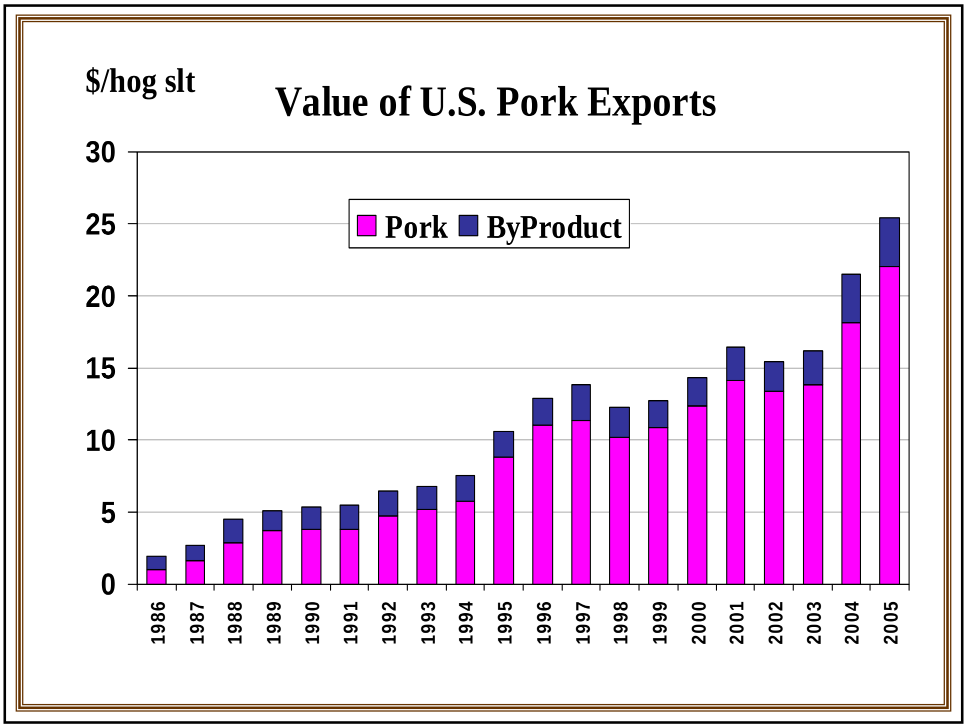
U.S. Pork Exports

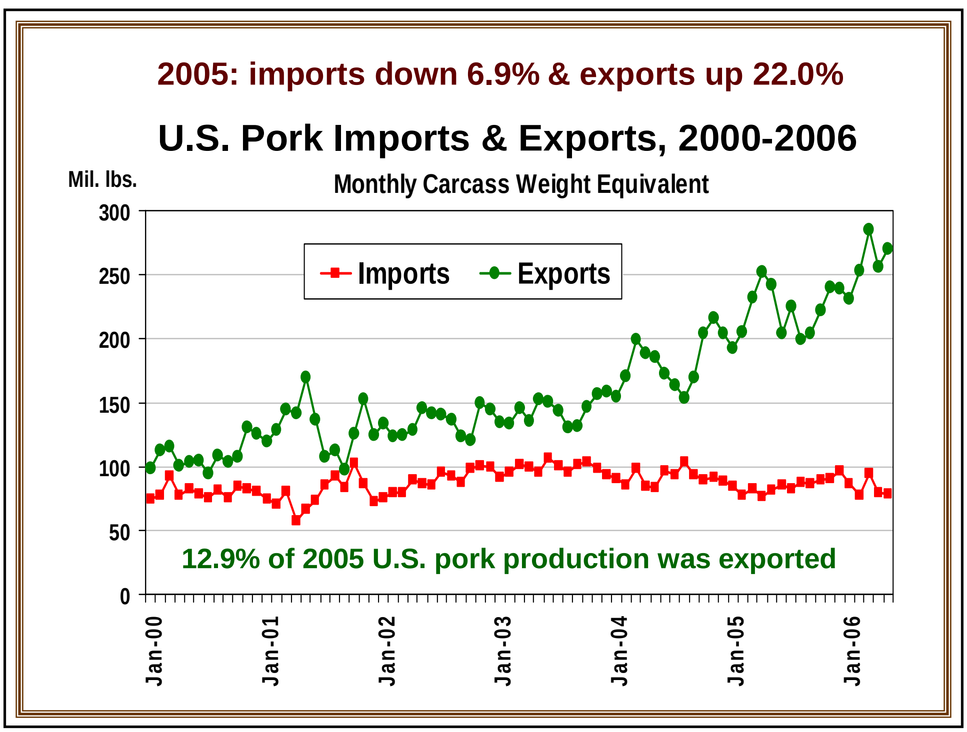


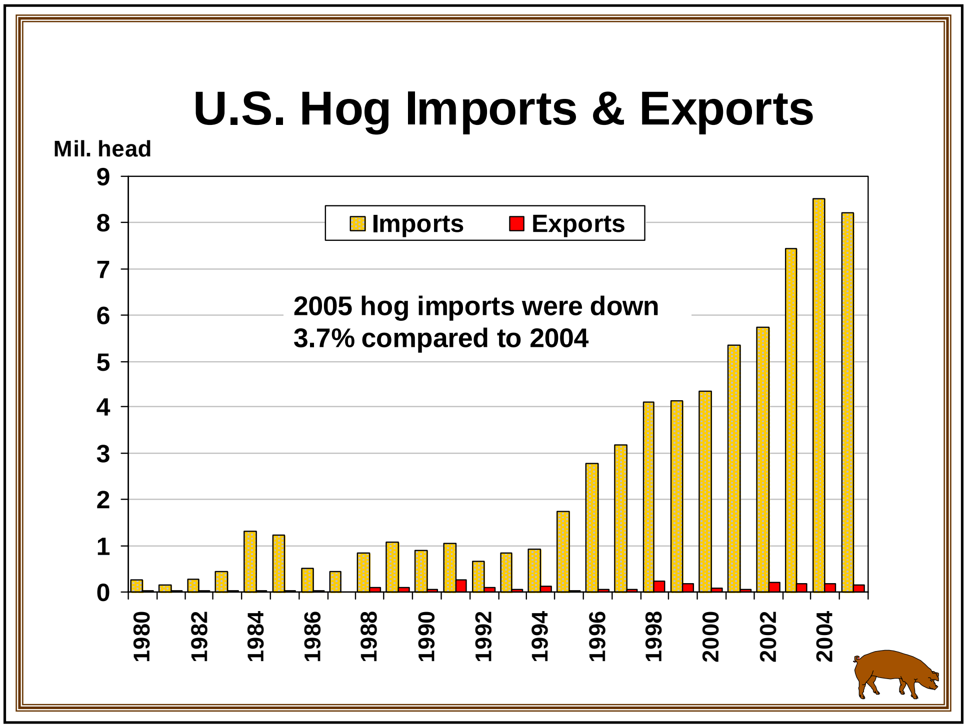
2005 was the 14th consecutive record year for U.S. exports

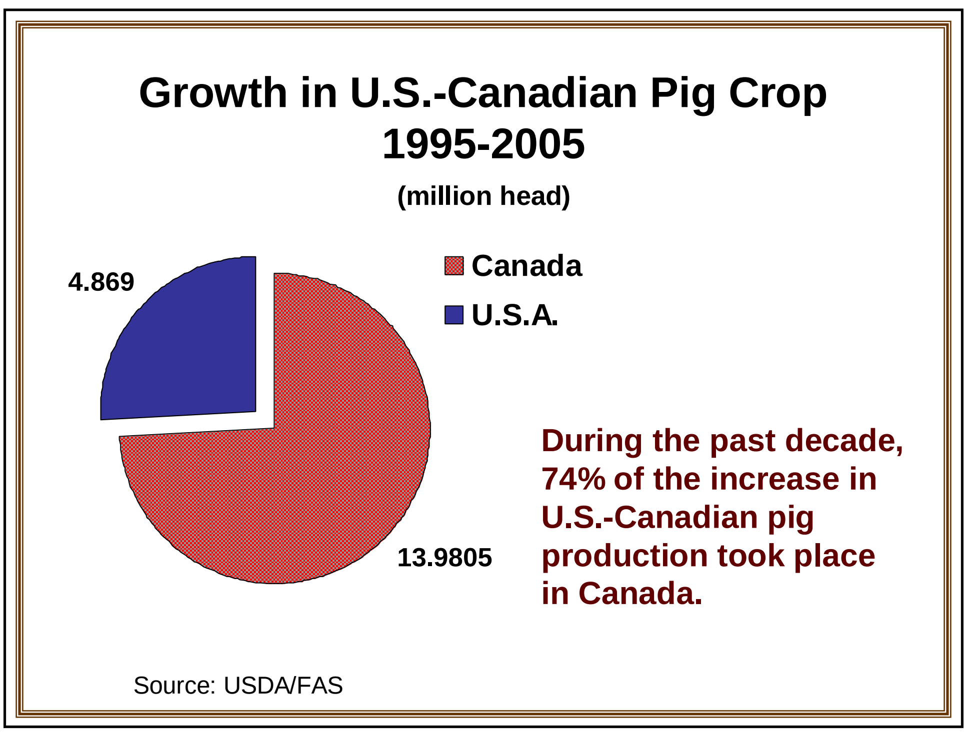
U.S. Pork Exports, Jan-May 2006

Country	Change from year ago: 000 lbs	Change from year ago: Percent
Japan	- 44,584	- 9.6%
Mexico	+ 62,867	+ 30.1%
Canada	+ 7,637	+ 6.3%
S. Korea	+ 48,519	+ 59.4%
China & HK	+ 13,433	+ 25.4%
Taiwan	+ 11,721	+ 54.7%
Russia	+ 60,722	+151.7%
TOTAL	+171,725	+ 15.3%

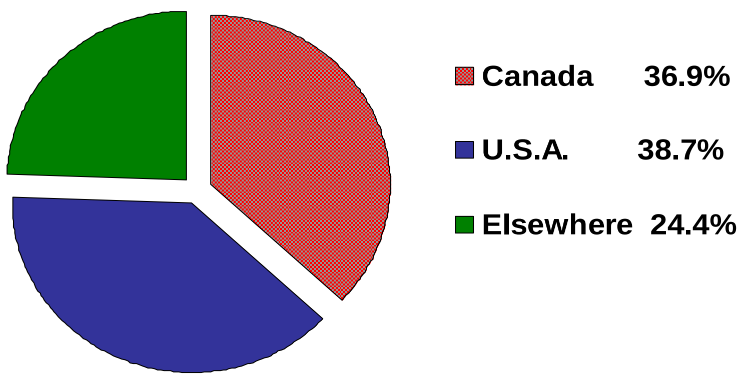

$/hog slt
Value of U.S. Pork Exports
30
25
20
15
10
5
0
Pork
ByProduct
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005


2005: imports down 6.9% & exports up 22.0%
U.S. Pork Imports & Exports, 2000-2006
Mil. lbs.
Monthly Carcass Weight Equivalent
300
250
200
150
100
50
0
Imports
Exports
12.9% of 2005 U.S. pork production was exported
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06

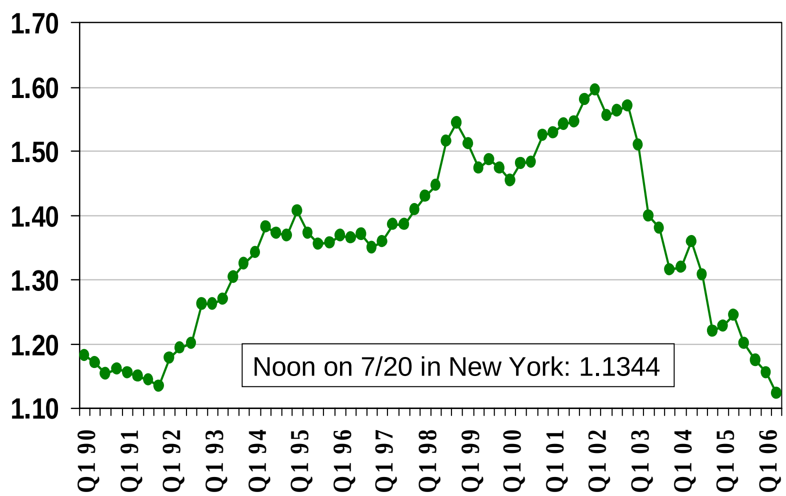

U.S. Hog Imports & Exports
Mil. head
9
8
7
6
5
4
3
2
1
0
Imports
Exports
2005 hog imports were down
3.7% compared to 2004
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004

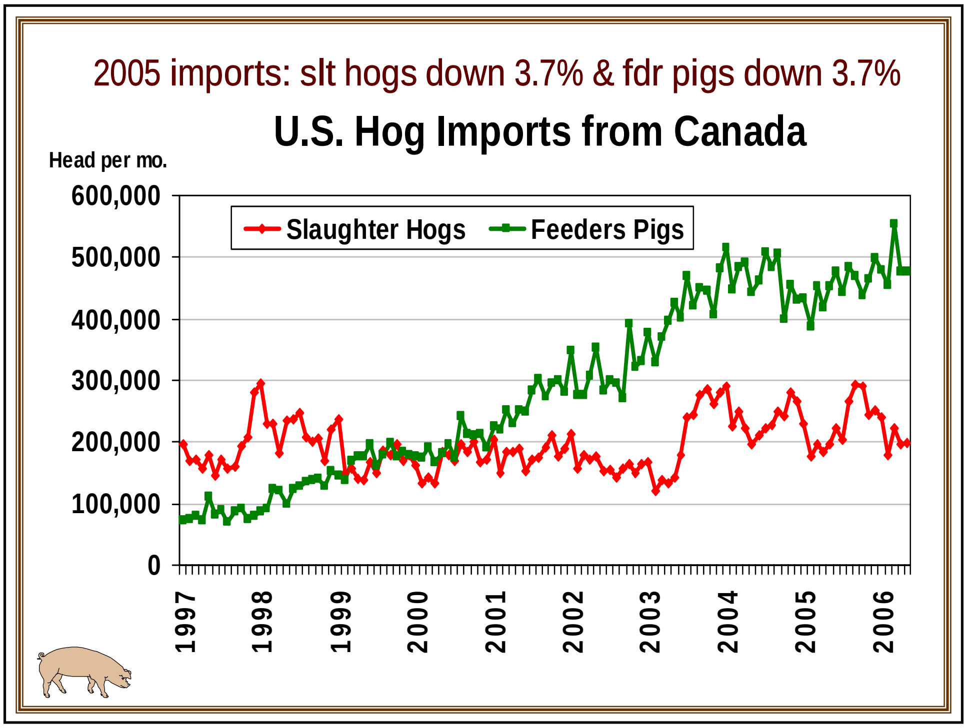

Growth in U.S.-Canadian Pig Crop
1995-2005
(million head)
4.869
Canada
U.S.A.
13.9805
During the past decade, 74% of the increase in U.S.-Canadian pig production took place in Canada.
Source: USDA/FAS

Where the Pork from Hogs Born in Canada was Consumed - 2003



Exchange Rate: Can $ Per US $



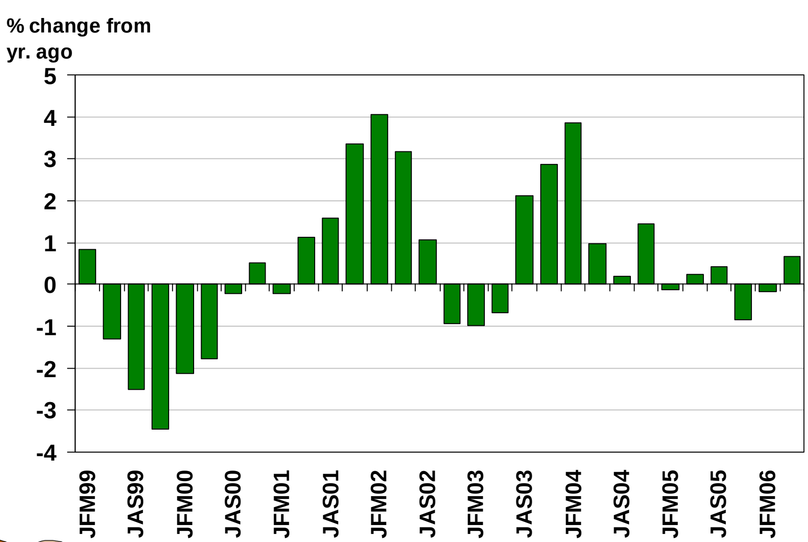

2005 imports: slt hogs down 3.7% & fdr pigs down 3.7%
U.S. Hog Imports from Canada
Head per mo.
600,000
500,000
400,000
300,000
200,000
100,000
0
Slaughter Hogs
Feeders Pigs
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006

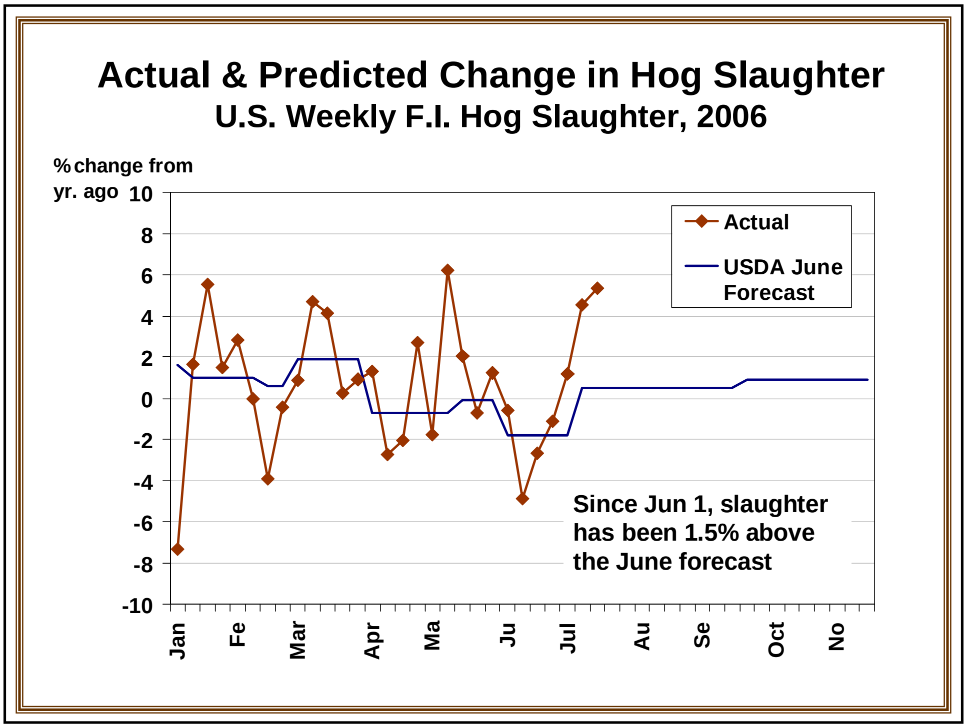

Inventory Reports

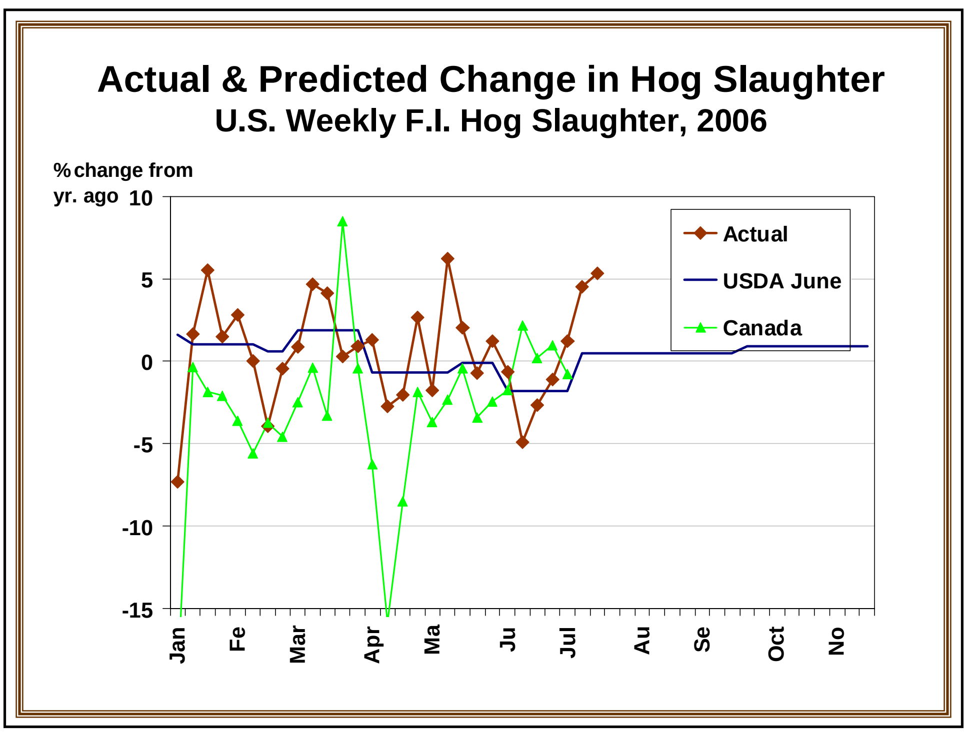
Hog Inventory Reports

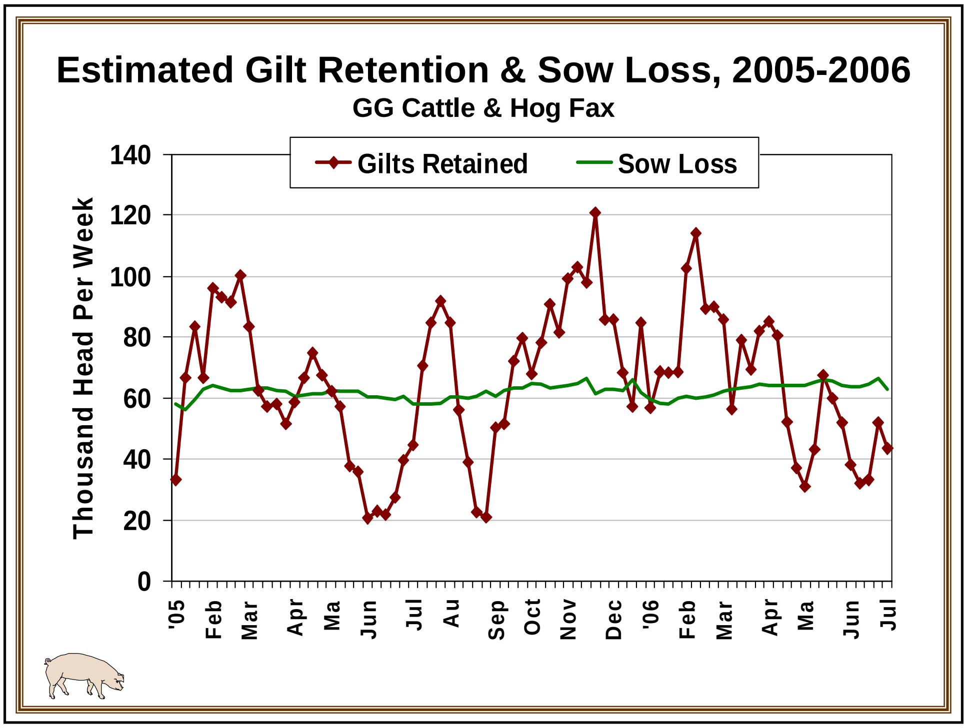
	U.S. June	Canada April
All Hogs & Pigs	100.3	97.8
Kept for Breeding	101.4	99.6
Kept for Marketing	100.2	97.8
Under 60 lbs	100.9	94.3
60-119 lbs.	100.5	99.0
120-179 lbs.	100.5	99.8
180 lbs. and over	98.2	
Sep-Nov Farrowings	100.4	95.1
Dec-Feb Farrowings	100.2	98.7
Mar-May Farrowings	100.5	101.2
Jun-Aug Farrowing Intentions	100.1	
Sep-Nov Farrowing Intentions	100.8	

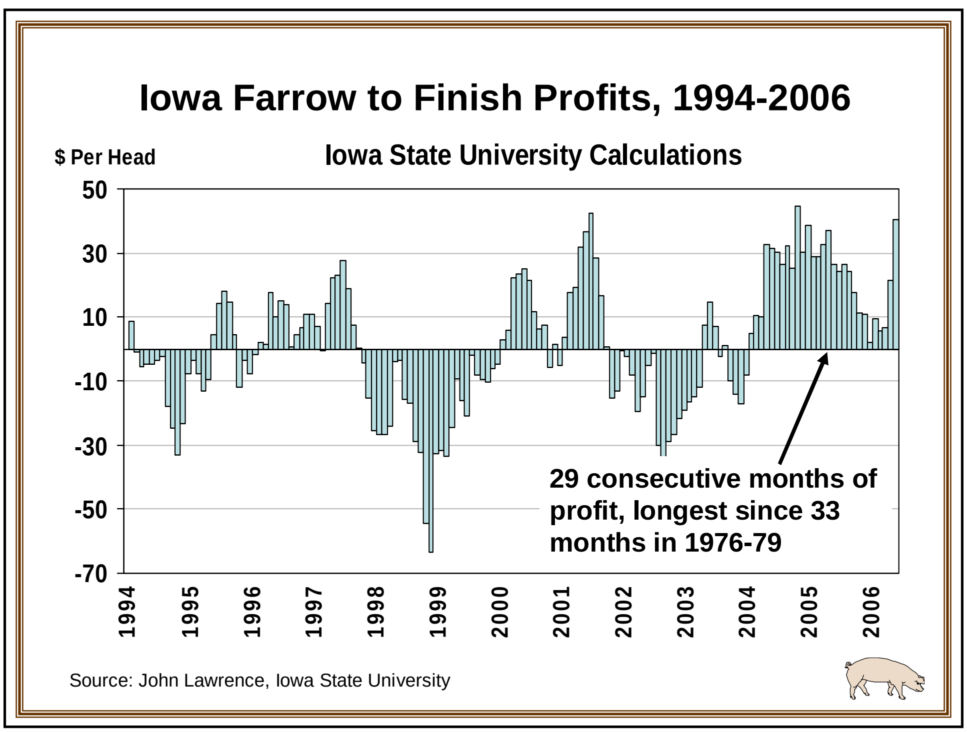
Sows Farrowed-U.S. & Canada Combined




Actual & Predicted Change in Hog Slaughter
U.S. Weekly F.I. Hog Slaughter, 2006
% change from yr. ago
10
8
6
4
2
0
-2
-4
-6
-8
-10
Actual
USDA June Forecast
Since Jun 1, slaughter has been 1.5% above the June forecast
Jan
Fe
Mar
Apr
Ma
Ju
Jul
Au
Se
Oct
No

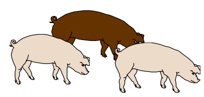

Actual & Predicted Change in Hog Slaughter
U.S. Weekly F.I. Hog Slaughter, 2006
% change from yr. ago
10
5
0
-5
-10
-15
Actual
USDA June
Canada
Jan
Fe
Mar
Apr
Ma
Ju
Jul
Au
Se
Oct
No


Estimated Gilt Retention & Sow Loss, 2005-2006
GG Cattle & Hog Fax
Gilts Retained
Sow Loss
Thousand Head Per Week
140
120
100
80
60
40
20
0
'05
Feb
Mar
Apr
Ma
Jun
Jul
Au
Sep
Oct
Nov
Dec
'06
Feb
Mar
Apr
Ma
Jun
Jul

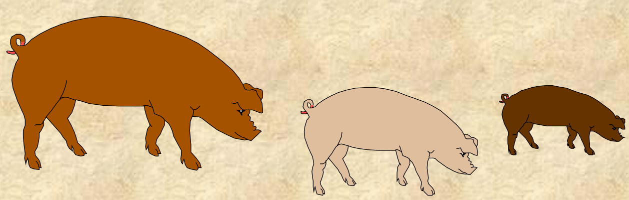

Iowa Farrow to Finish Profits, 1994-2006
$ Per Head
Iowa State University Calculations
50
30
10
-10
-30
-50
-70
29 consecutive months of profit, longest since 33 months in 1976-79
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
Source: John Lawrence, Iowa State University

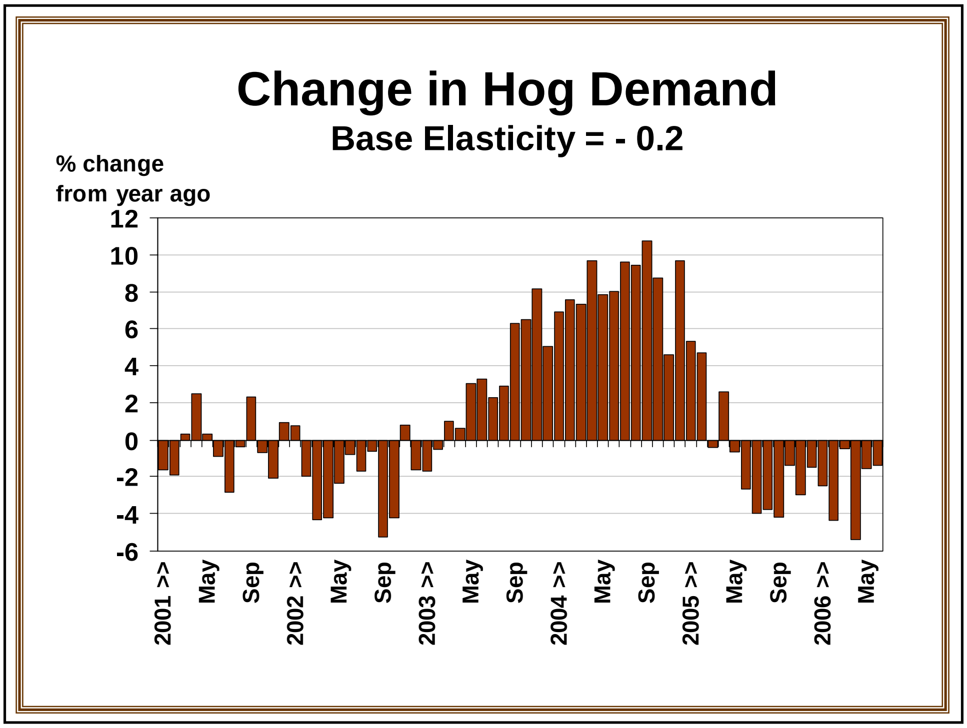
Why is Growth So Slow?

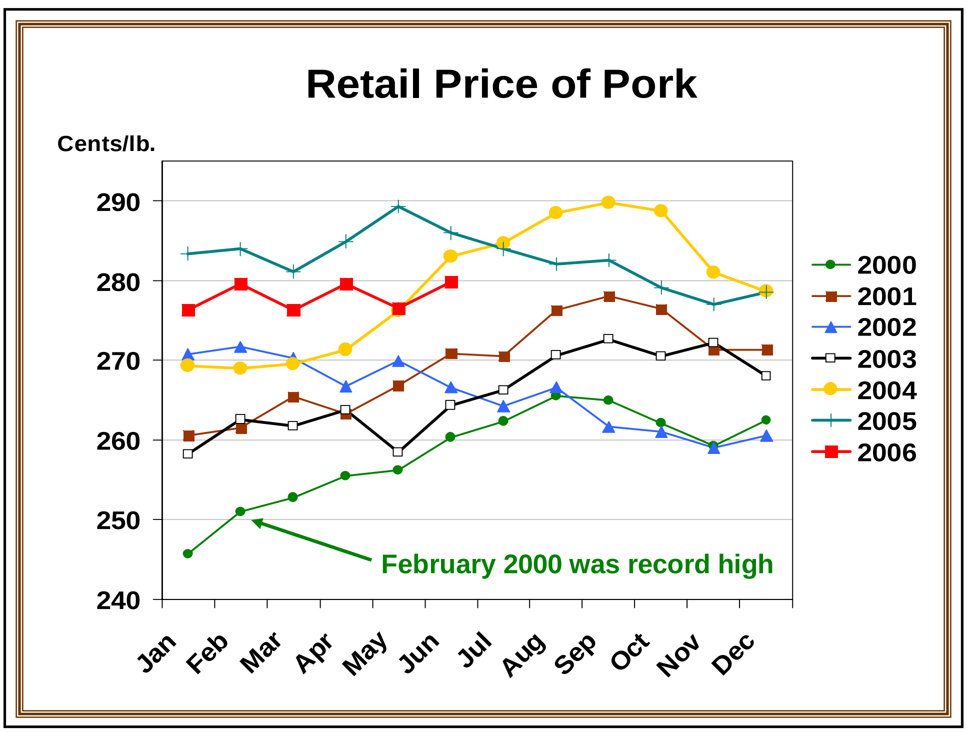
- We remember the 1990s
- Long (impossible) permitting process
- High construction costs
- Fewer Canadian pigs
- Starting from record production



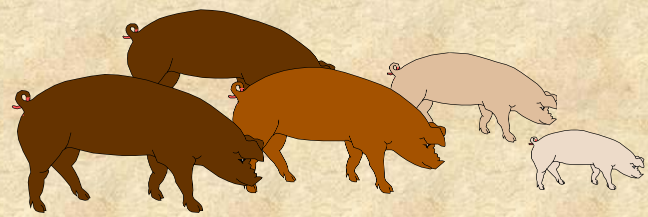
Pork Demand



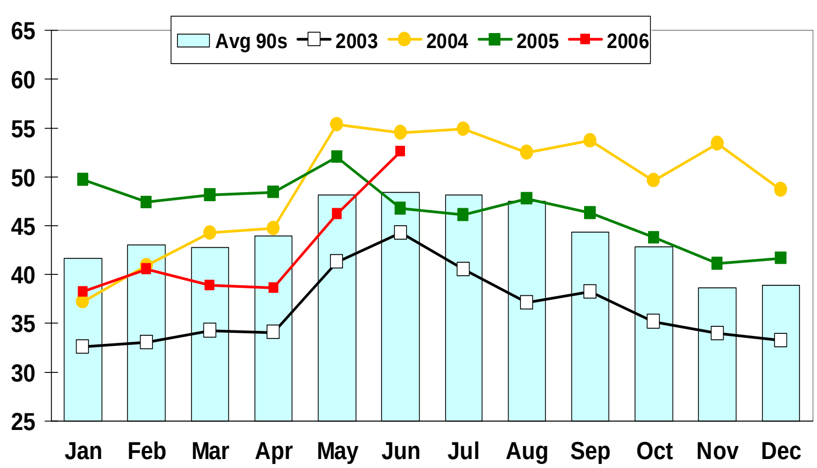

Change in Hog Demand
Base Elasticity = - 0.2
% change
from year ago
12
10
8
6
4
2
0
-2
-4
-6
2001 >>
May
Sep
2002 >>
May
Sep
2003 >>
May
Sep
2004 >>
May
Sep
2005 >>
May
Sep
2006 >>
May

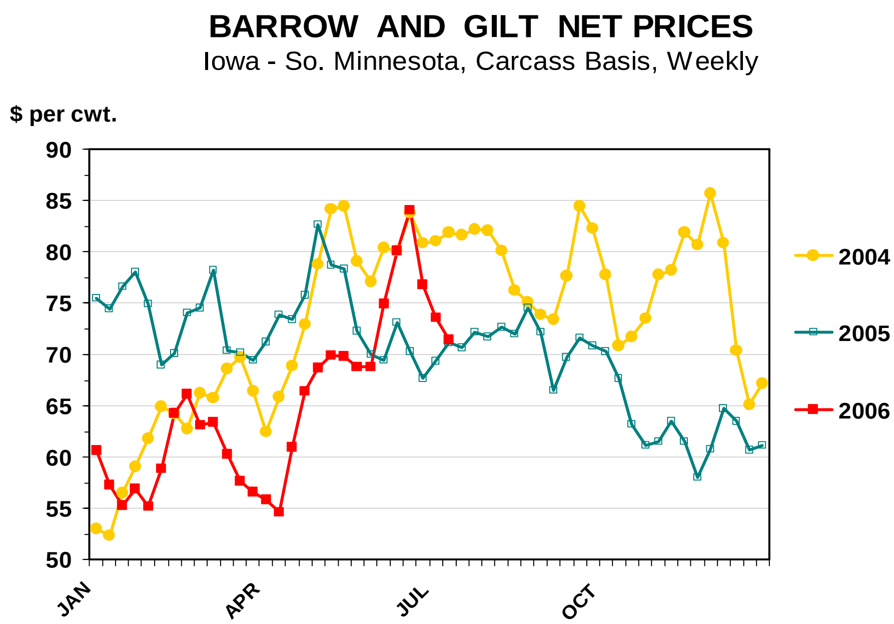

Retail Price of Pork
Cents/lb.
290
280
270
260
250
240
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2000
2001
2002
2003
2004
2005
2006
February 2000 was record high

Hog Prices



Terminal Market Barrow & Gilt Price





U.S. Commercial Hog Slaughter

Million Head

	2005	2006	2007	------Change------ 05-06	06-07
Qtr 1	25.538	26.205	26.390*	+2.6%	+0.7%
Qtr 2	25.030	24.808	25.155*	- 0.9%	+1.4%
Qtr 3	25.527	25.275*	25.730*	- 1.0%	+1.8%
Qtr 4	27.486	27.725*	28.700*	+0.9%	+3.5%
Year	103.581	104.013*	105.975*	+0.4%	+1.9%

***forecast**

Note: Q4 2007 has 1 more slaughter day

Iowa-Minn Live Hog Price Forecast

Negotiated Base Price Per Live Hundredweight

	2005*	2006	2007
Qtr 1	$51.64	$41.72*	$40-43
Qtr 2	$51.96	$48.30*	$43-46
Qtr 3	$49.95	$45-48	$41-44
Qtr 4	$44.56	$41-44	$37-39
Year	**$49.55**	**$44-46**	**$40-43**

*actual price – prior day purchased

Iowa-Minn Hog Price Forecast

Negotiated Base Price Per Carcass Hundredweight

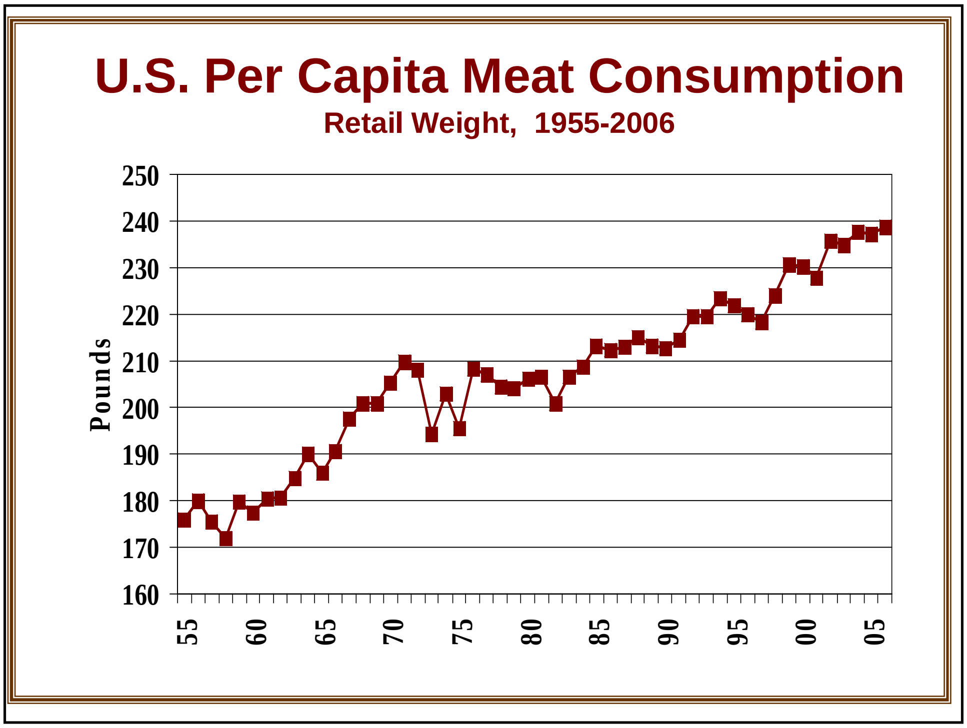
	2005*	2006	2007
Qtr 1	$69.79	$56.38*	$53-57
Qtr 2	$70.21	$65.27*	$58-62
Qtr 3	$67.50	$61-65	$56-60
Qtr 4	$60.22	$55-59	$49-53
Year	**$66.96**	**$58-61**	**$54-58**

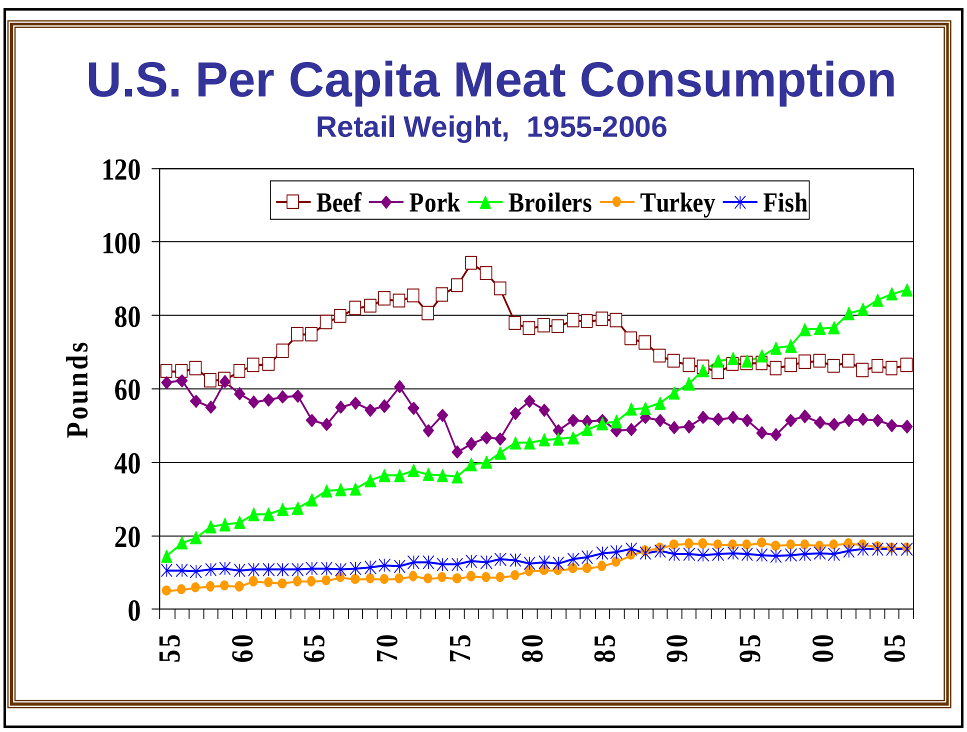
*actual price – prior day purchased

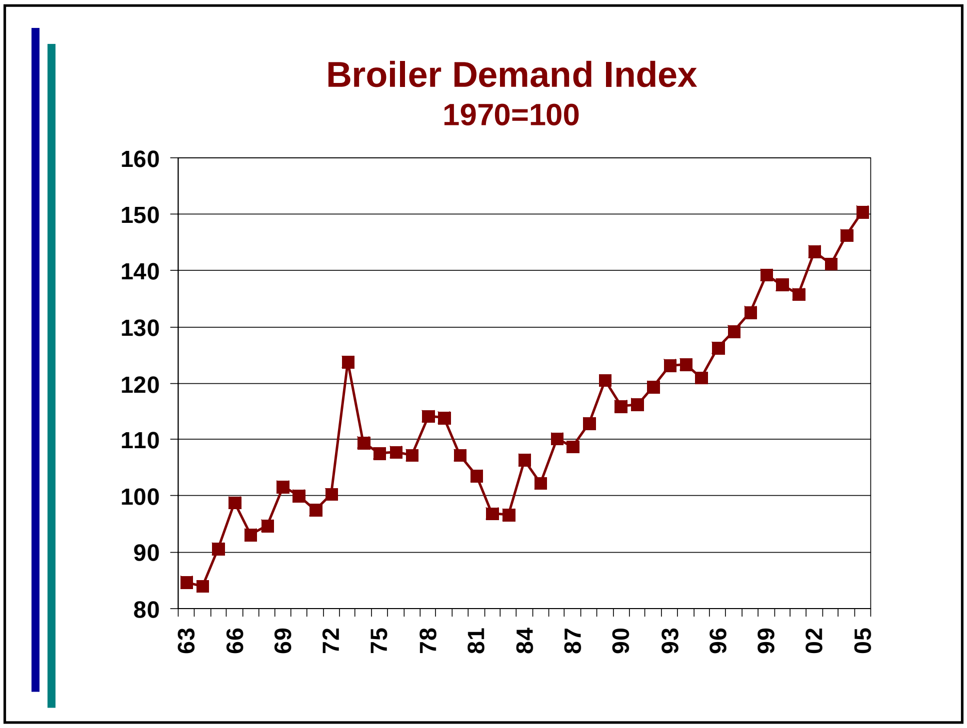
Forecast Summary

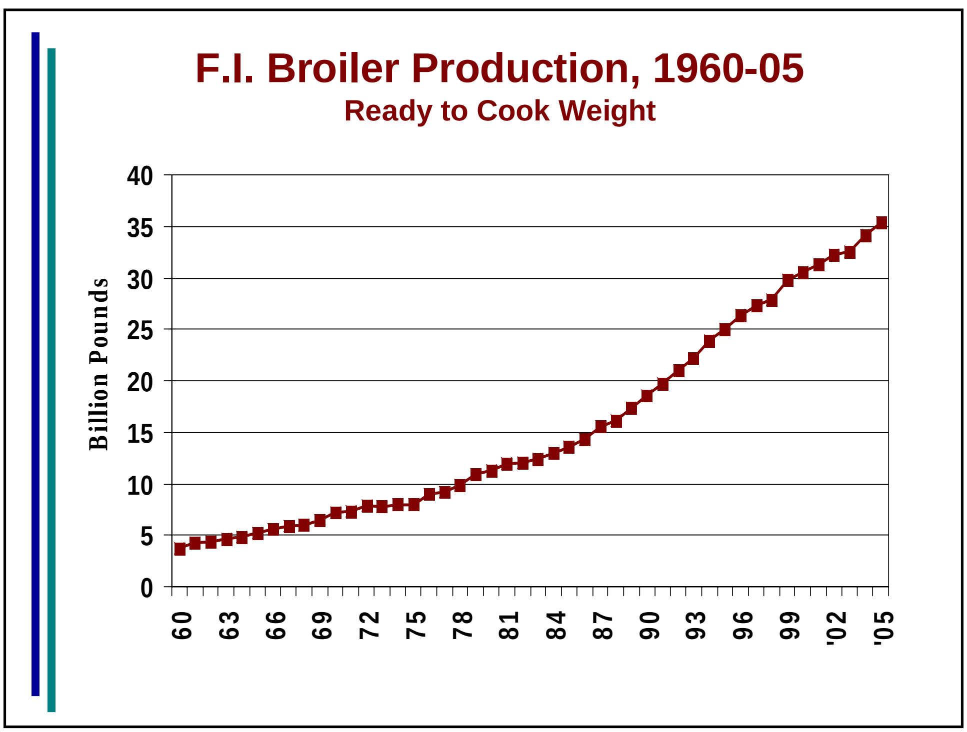
- Slow increase in farrowings
- Continued productivity growth
- Continued increase in pork exports
- Declining domestic demand
- Good profits in 2006
- Breakeven in 2007

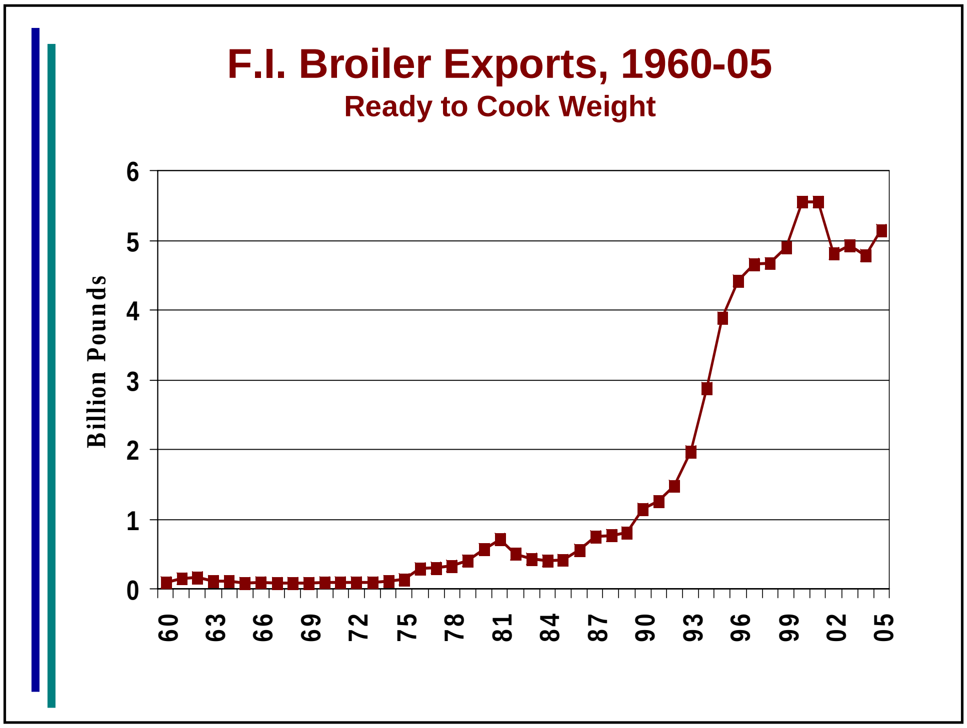
Poultry Outlook


U.S. Per Capita Meat Consumption
Retail Weight, 1955-2006
Pounds
250
240
230
220
210
200
190
180
170
160
55
60
65
70
75
80
85
90
95
00
05


U.S. Per Capita Meat Consumption
Retail Weight, 1955-2006
Beef
Pork
Broilers
Turkey
Fish
Pounds
120
100
80
60
40
20
0
55
60
65
70
75
80
85
90
95
00
05

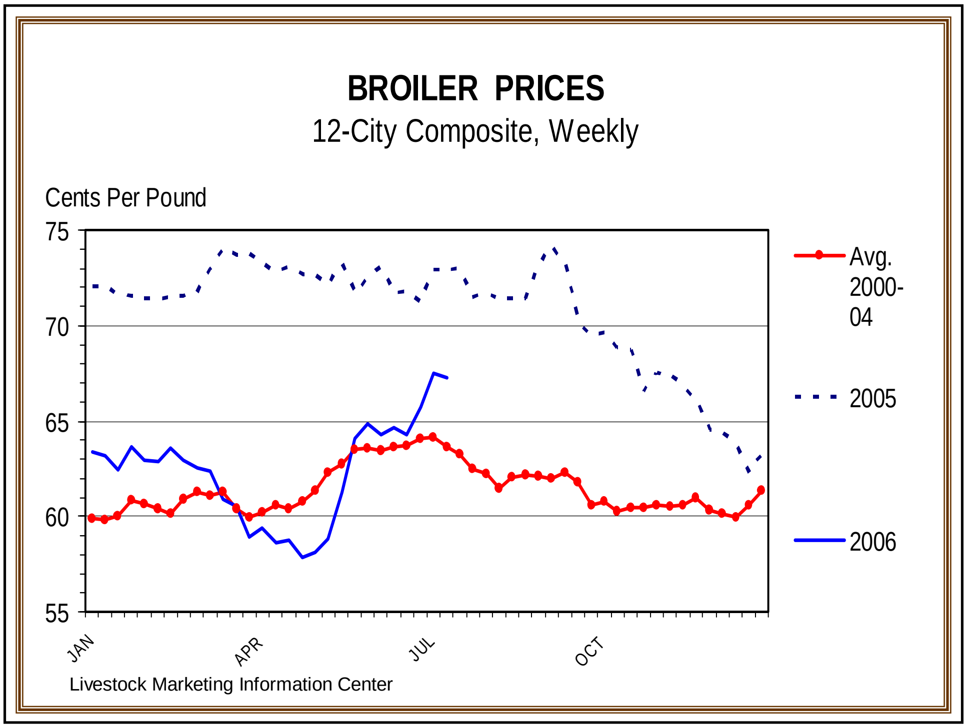

Broiler Demand Index
1970=100
160
150
140
130
120
110
100
90
80
63
66
69
72
75
78
81
84
87
90
93
96
99
02
05

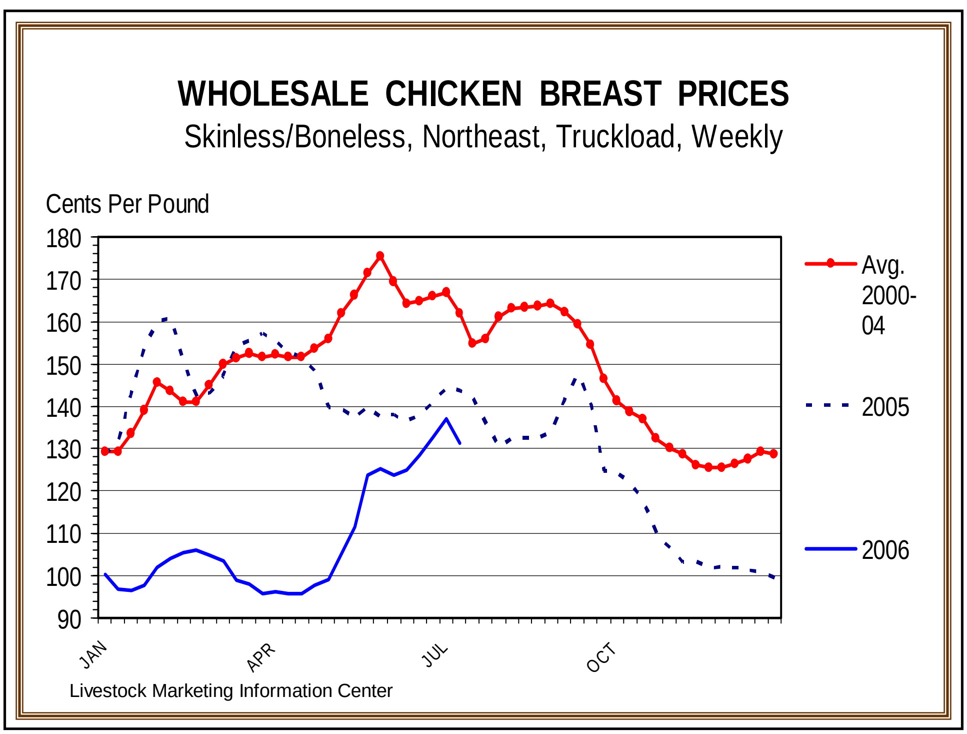

F.I. Broiler Production, 1960-05
Ready to Cook Weight
Billion Pounds
40
35
30
25
20
15
10
5
0
60
63
66
69
72
75
78
81
84
87
90
93
96
99
'02
'05

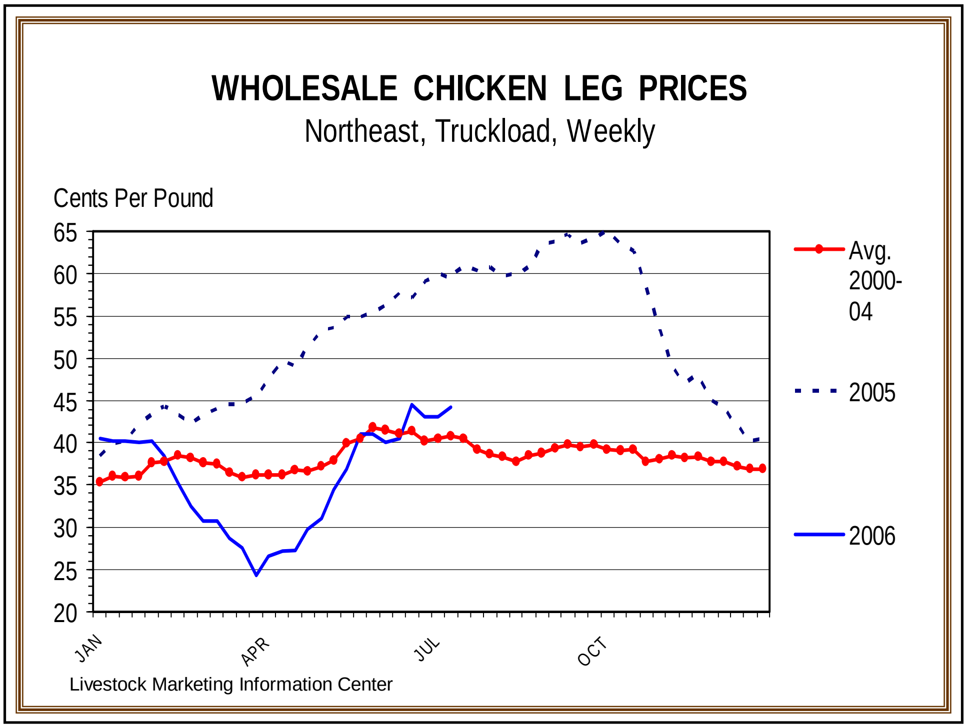


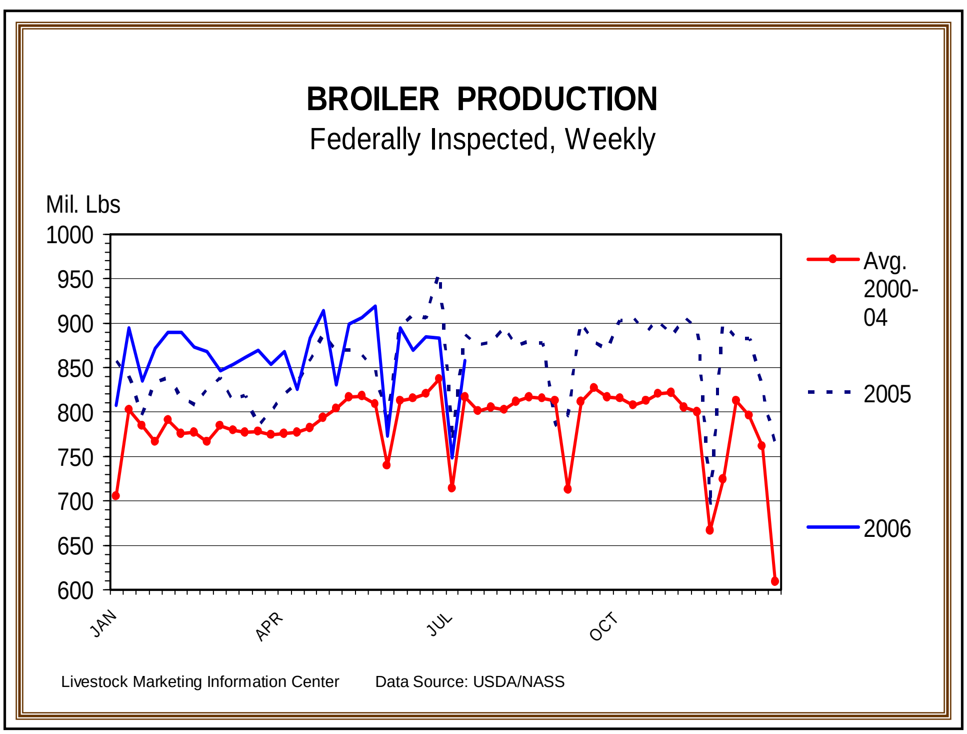
Broilers

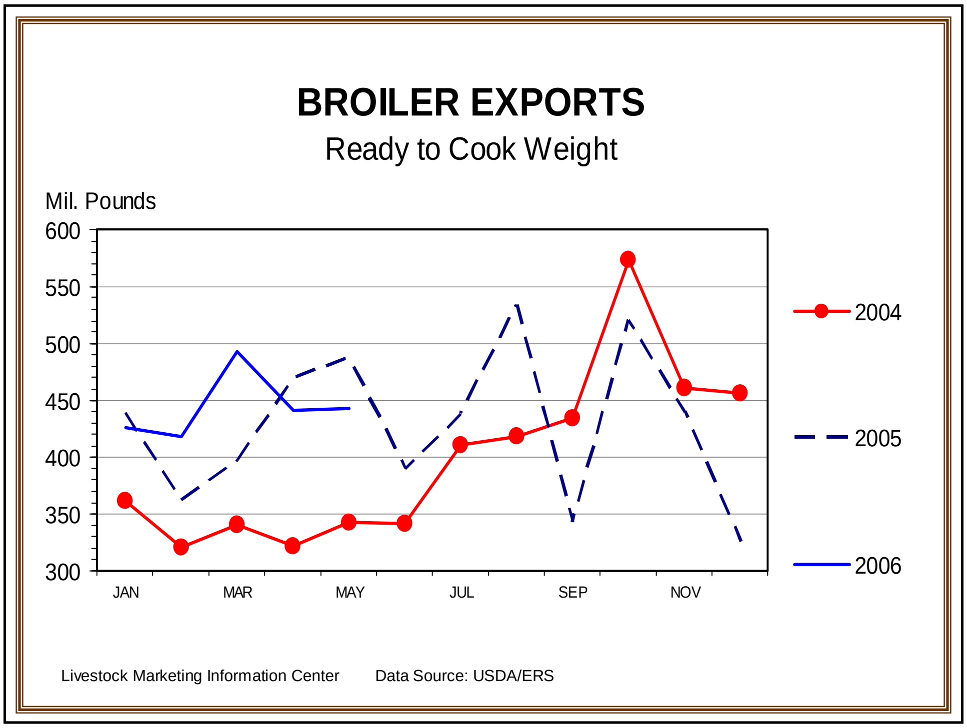
The first half of 2006 was a disaster for the broiler industry.

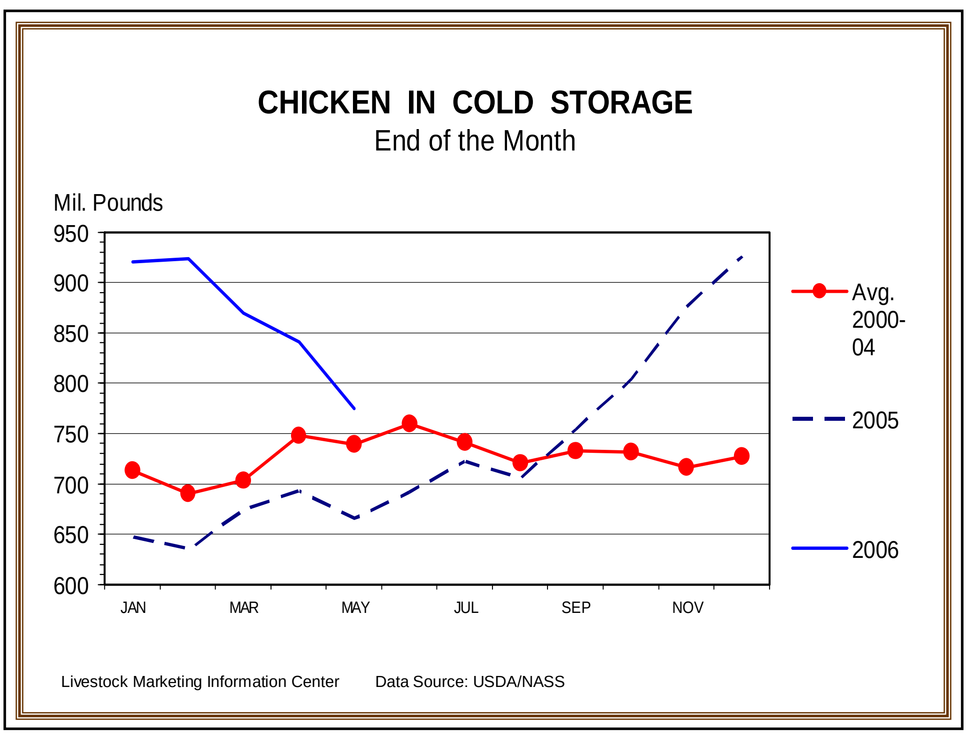

BROILER PRICES
12-City Composite, Weekly
Cents Per Pound
75
70
65
60
55
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center

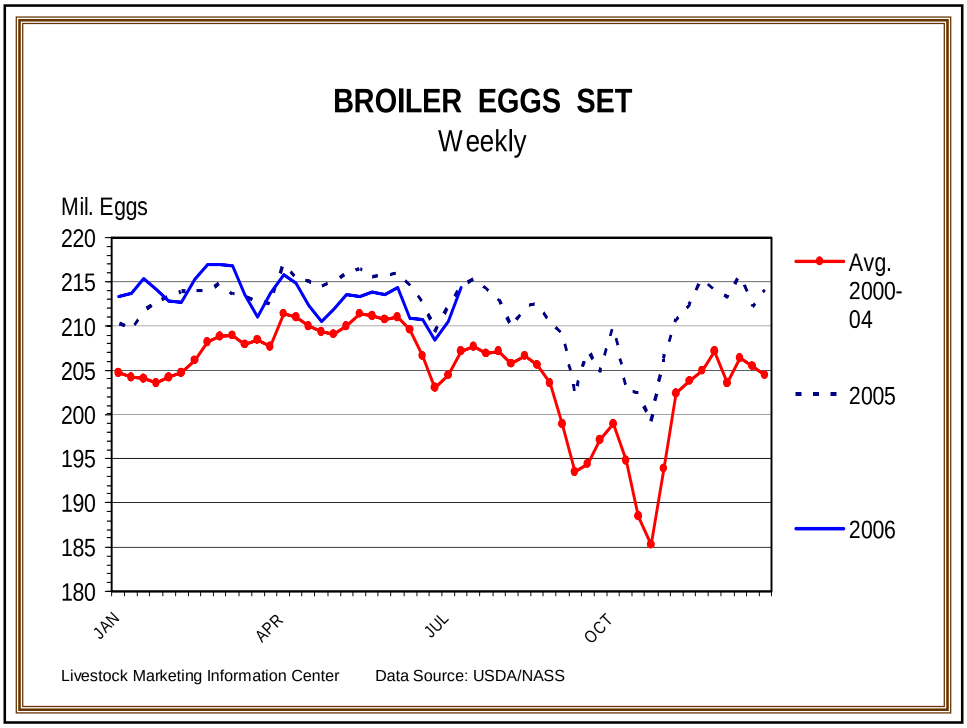

WHOLESALE CHICKEN BREAST PRICES
Skinless/Boneless, Northeast, Truckload, Weekly
Cents Per Pound
180
170
160
150
140
130
120
110
100
90
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center

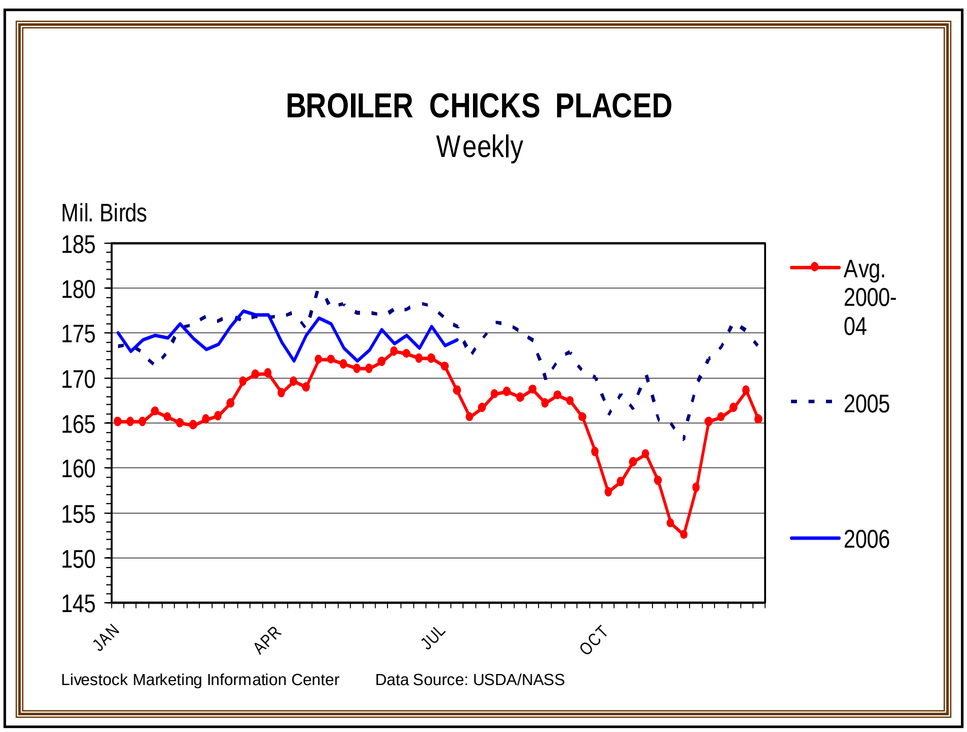

WHOLESALE CHICKEN LEG PRICES
Northeast, Truckload, Weekly
Cents Per Pound
65
60
55
50
45
40
35
30
25
20
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center


BROILER PRODUCTION
Federally Inspected, Weekly
Mil. Lbs
1000
950
900
850
800
750
700
650
600
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center
Data Source: USDA/NASS


BROILER EXPORTS
Ready to Cook Weight
Mil. Pounds
600
550
500
450
400
350
300
JAN
MAR
MAY
JUL
SEP
NOV
2004
2005
2006
Livestock Marketing Information Center
Data Source: USDA/ERS


CHICKEN IN COLD STORAGE
End of the Month
Mil. Pounds
950
900
850
800
750
700
650
600
JAN
MAR
MAY
JUL
SEP
NOV
Avg. 2000-04
2005
2006
Livestock Marketing Information Center
Data Source: USDA/NASS


BROILER EGGS SET
Weekly
Mil. Eggs
220
215
210
205
200
195
190
185
180
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center
Data Source: USDA/NASS


BROILER CHICKS PLACED
Weekly
Mil. Birds
185
180
175
170
165
160
155
150
145
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center
Data Source: USDA/NASS

U.S. F.I. Broiler Production

Million Pounds

	2005	2006	2007	------Change------ 05-06	06-07
Qtr 1	8,588	8,937	9,025*	+4.1%	+1.0%
Qtr 2	8,934	9,100	9,200*	+1.9%	+1.1%
Qtr 3	8,939	8,975*	9,210*	+0.4%	+2.6%
Qtr 4	8,904	9,030*	9,275*	+1.4%	+2.7%
Year	**35,365**	**36,042***	**36,710***	+1.9%	+1.9%

***forecast**

Note: Q4 2007 has 1 more slaughter day

12 City Broiler Price Forecast

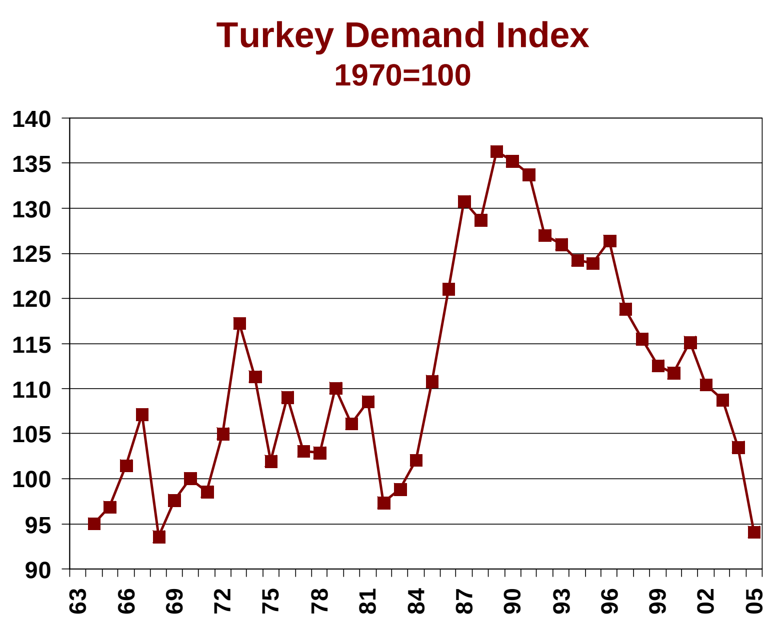
Cents Per Pound

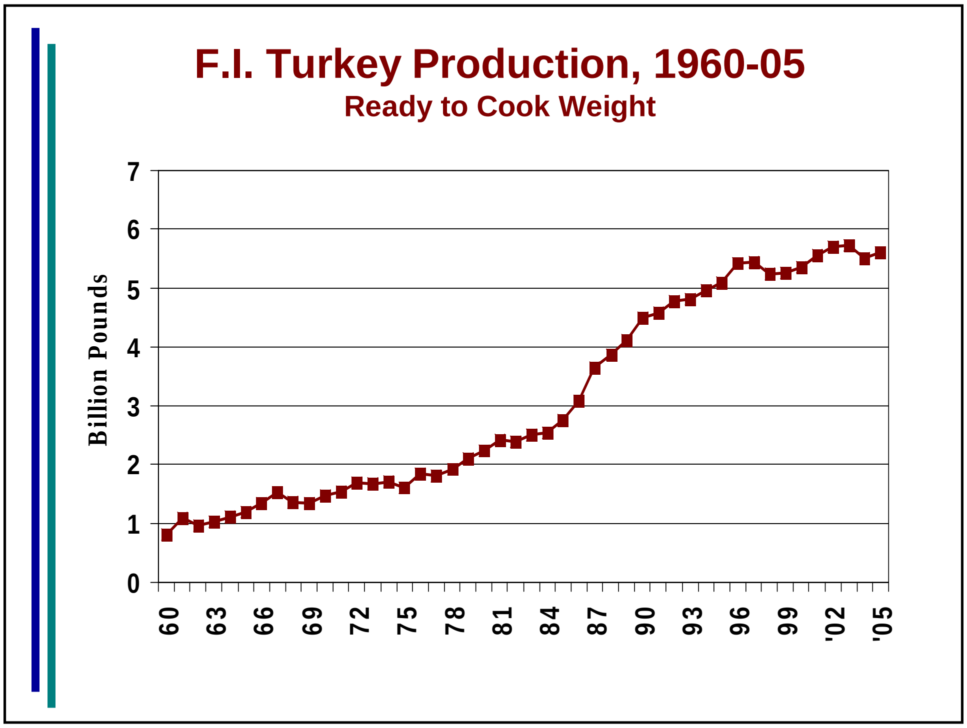
	2005*	2006	2007
Qtr 1	71.9	62.7*	64-68
Qtr 2	72.6	61.0*	65-69
Qtr 3	72.1	64-67	66-70
Qtr 4	66.7	62-65	65-69
Year	**70.8**	**62-64**	**65-69**

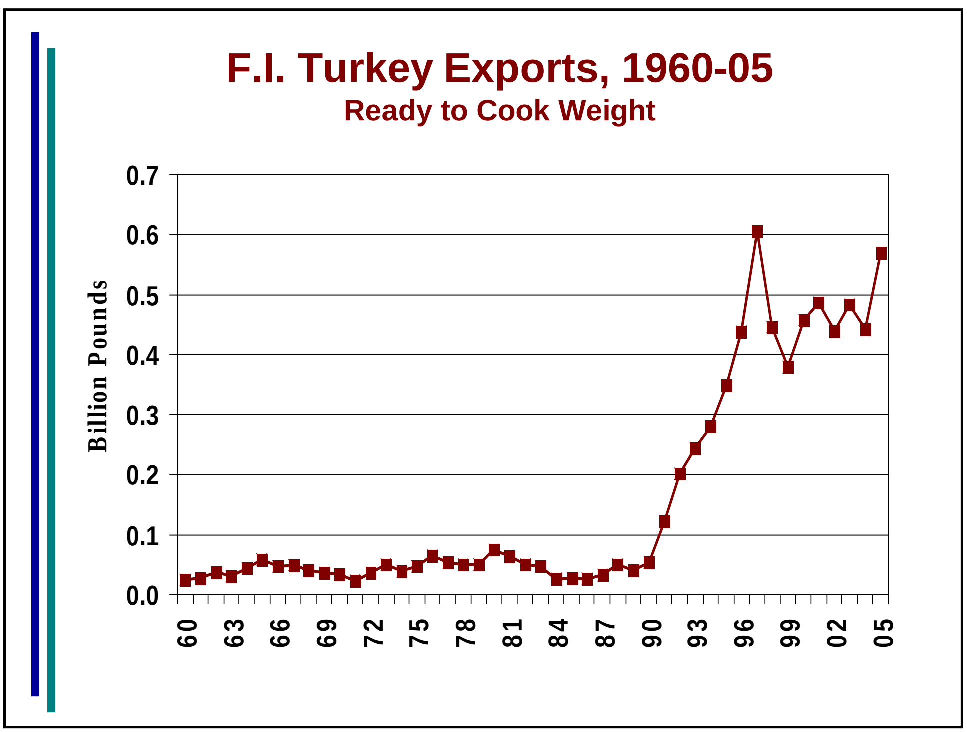
*actual price

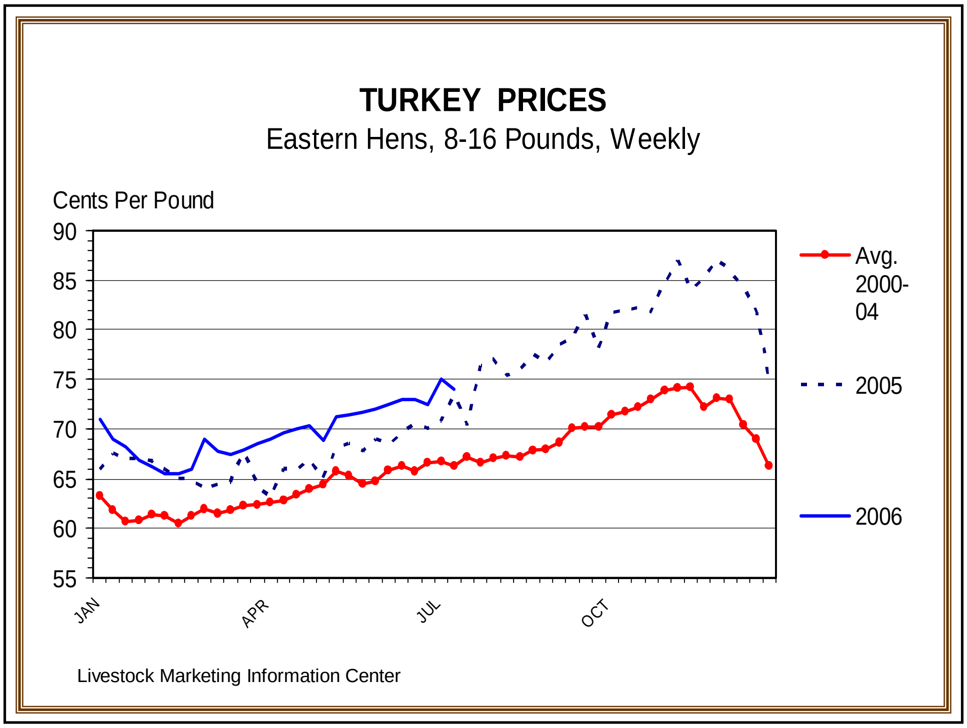
Turkeys

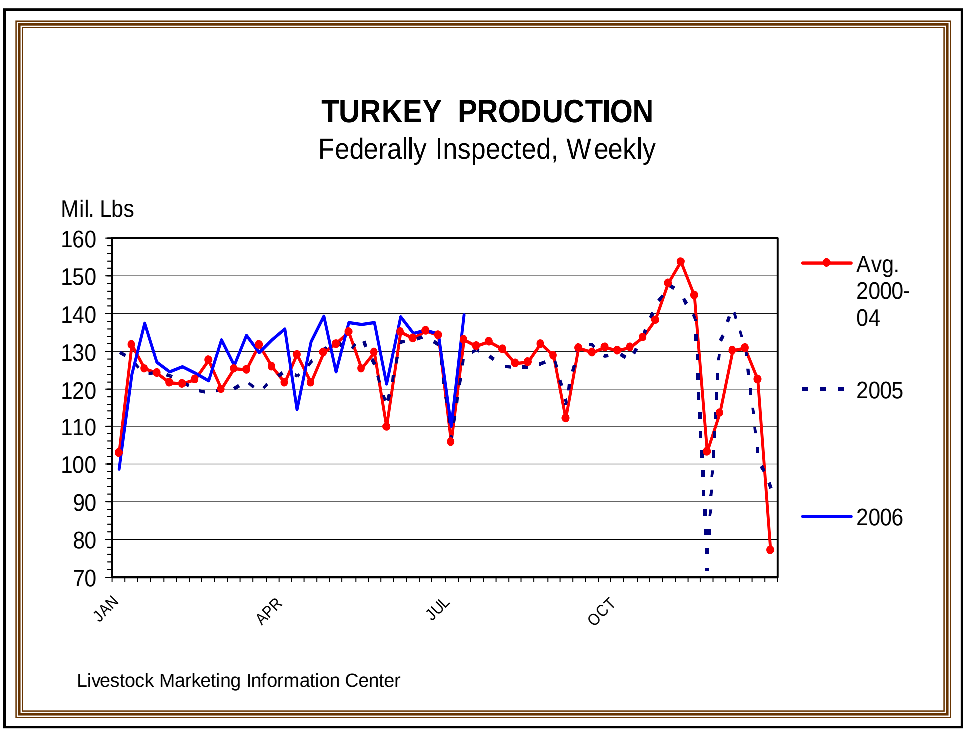
Turkeys are not chicken

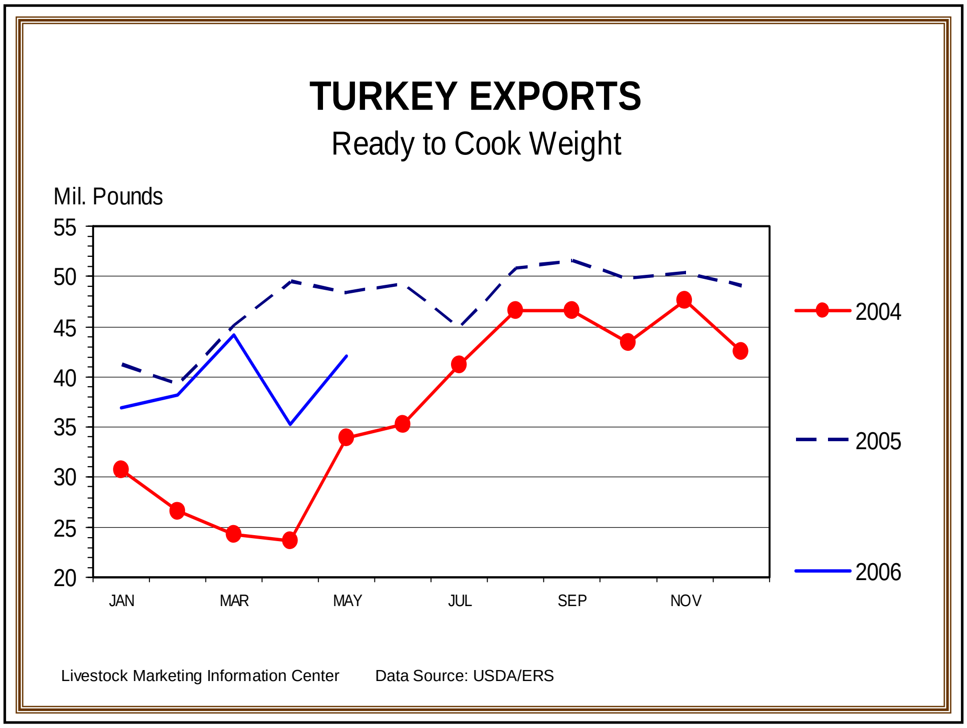


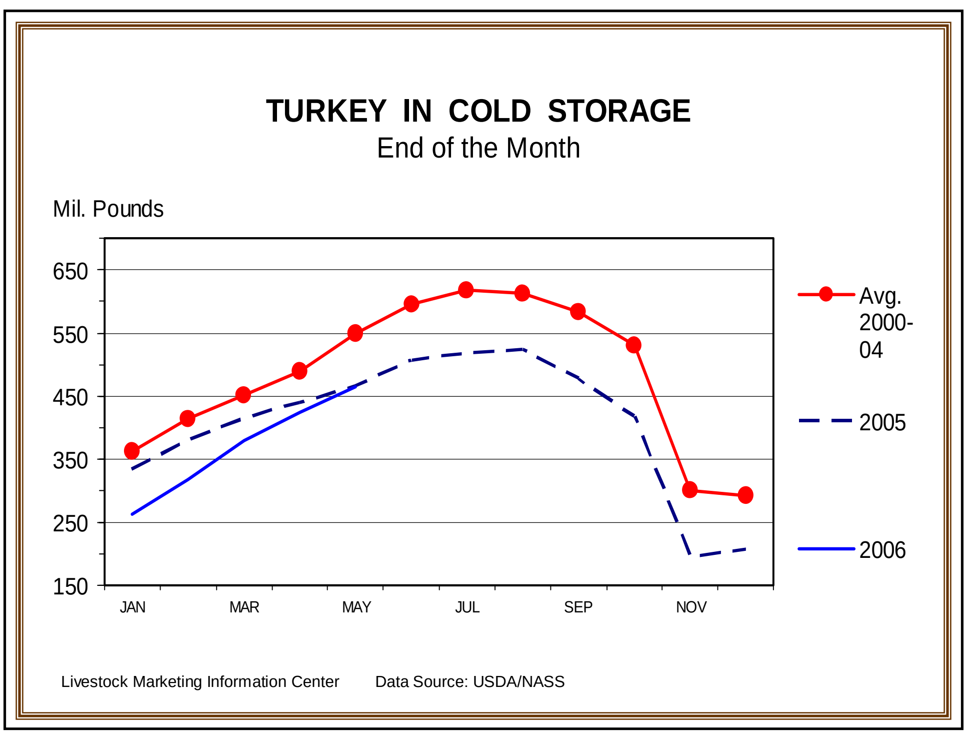

F.I. Turkey Production, 1960-05
Ready to Cook Weight
Billion Pounds
7
6
5
4
3
2
1
0
60
63
66
69
72
75
78
81
84
87
90
93
96
99
'02
'05


F.I. Turkey Exports, 1960-05
Ready to Cook Weight
Billion Pounds
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0.0
60
63
66
69
72
75
78
81
84
87
90
93
96
99
02
05


TURKEY PRICES
Eastern Hens, 8-16 Pounds, Weekly
Cents Per Pound
90
85
80
75
70
65
60
55
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center


TURKEY PRODUCTION
Federally Inspected, Weekly
Mil. Lbs
160
150
140
130
120
110
100
90
80
70
JAN
APR
JUL
OCT
Avg. 2000-04
2005
2006
Livestock Marketing Information Center


TURKEY EXPORTS
Ready to Cook Weight
Mil. Pounds
55
50
45
40
35
30
25
20
JAN
MAR
MAY
JUL
SEP
NOV
2004
2005
2006
Livestock Marketing Information Center
Data Source: USDA/ERS


TURKEY IN COLD STORAGE
End of the Month
Mil. Pounds
650
550
450
350
250
150
JAN
MAR
MAY
JUL
SEP
NOV
Avg. 2000-04
2005
2006
Livestock Marketing Information Center
Data Source: USDA/NASS

U.S. F.I. Turkey Production

Million Pounds

	2005	2006	2007	------Change------ 05-06	06-07
Qtr 1	1,328	1,354	1,375*	+2.0%	+1.6%
Qtr 2	1,397	1,425	1,445*	+2.0%	+1.4%
Qtr 3	1,375	1,410*	1,425*	+2.5%	+1.1%
Qtr 4	1,405	1,445*	1,475*	+2.8%	+2.1%
Year	**5,504**	**5,634***	**5,720***	+2.4%	+1.5%

*forecast

Note: Q4 2007 has 1 more slaughter day

Turkey Price Forecast

Eastern Cents Per Pound

	2005*	2006	2007
Qtr 1	65.9	67.3*	64-68
Qtr 2	67.7	71.3*	66-70
Qtr 3	76.5	73-77	71-75
Qtr 4	83.6	75-81	73-77
Year	**73.4**	**71-74**	**68-72**

*actual price