

Beef Cattle Situation and Outlook

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Overview

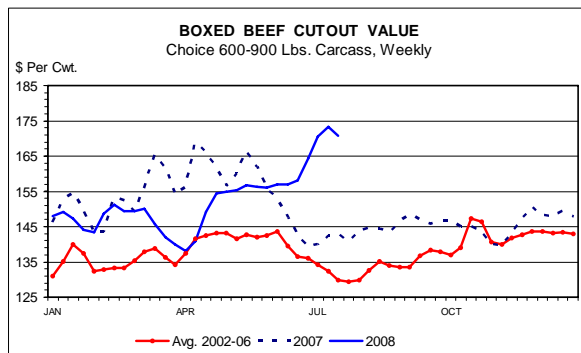
- Current Situation
- Remainder of 2008/early 2009
- 2009 and beyond
- Other Issues

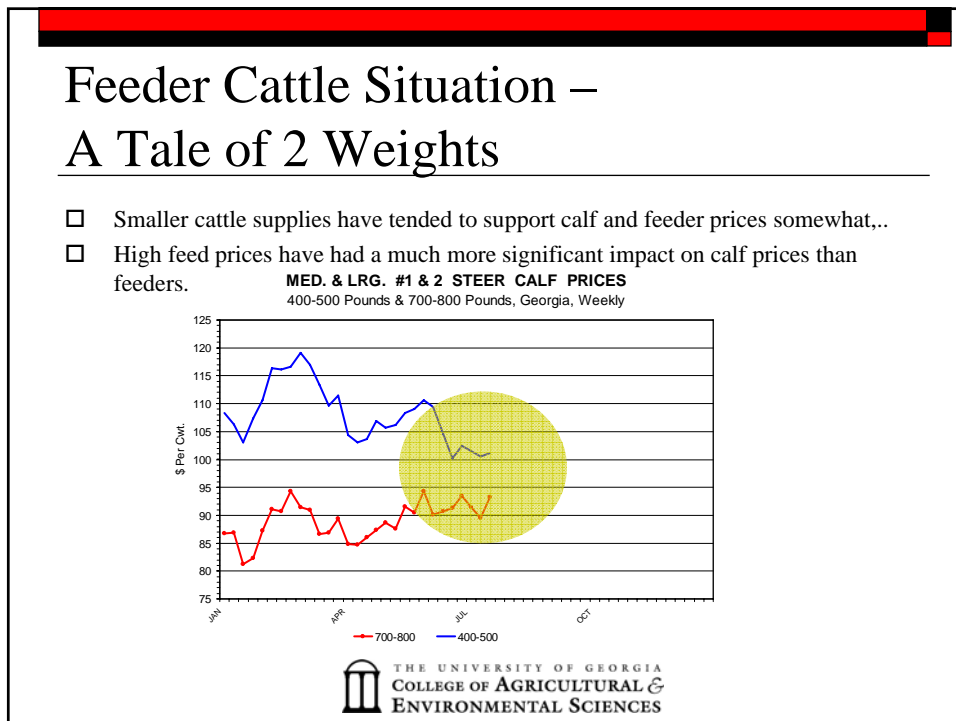
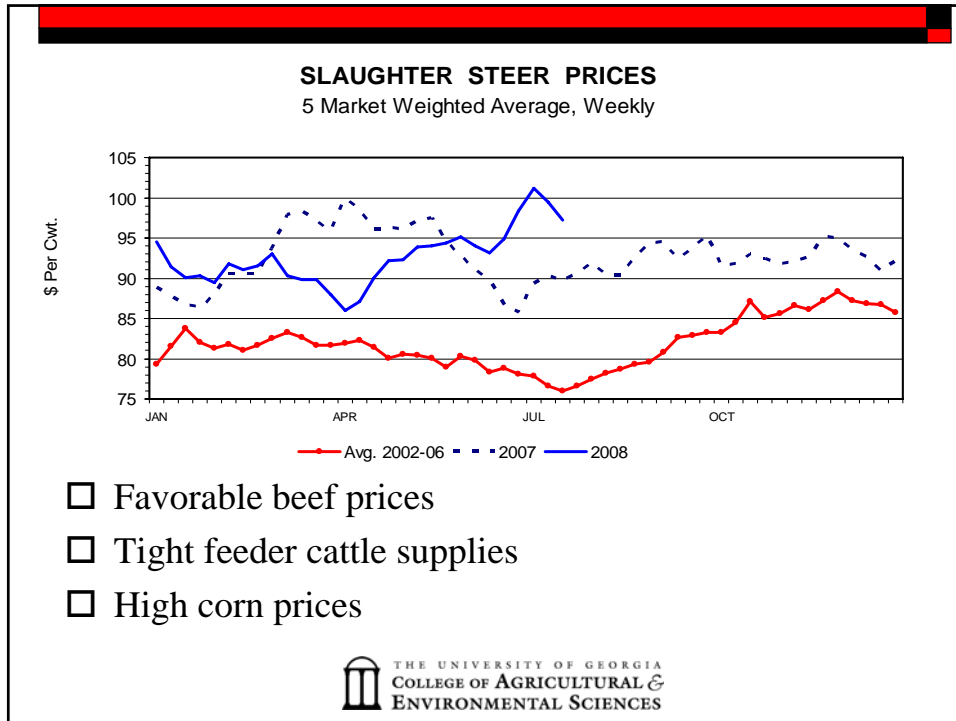


CURRENT SITUATION

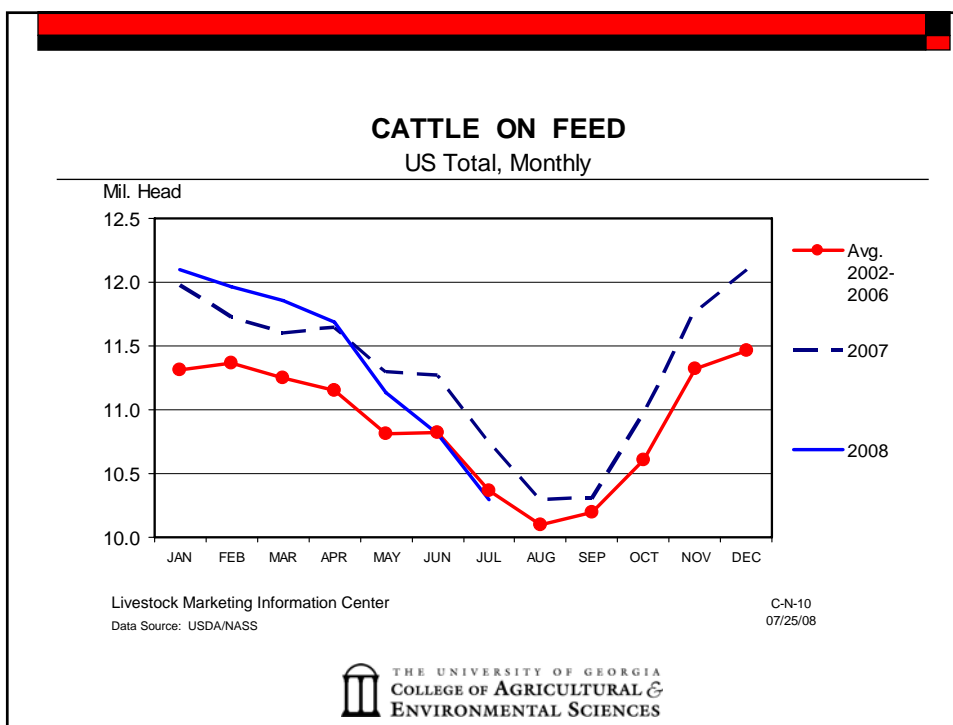
Beef Situation

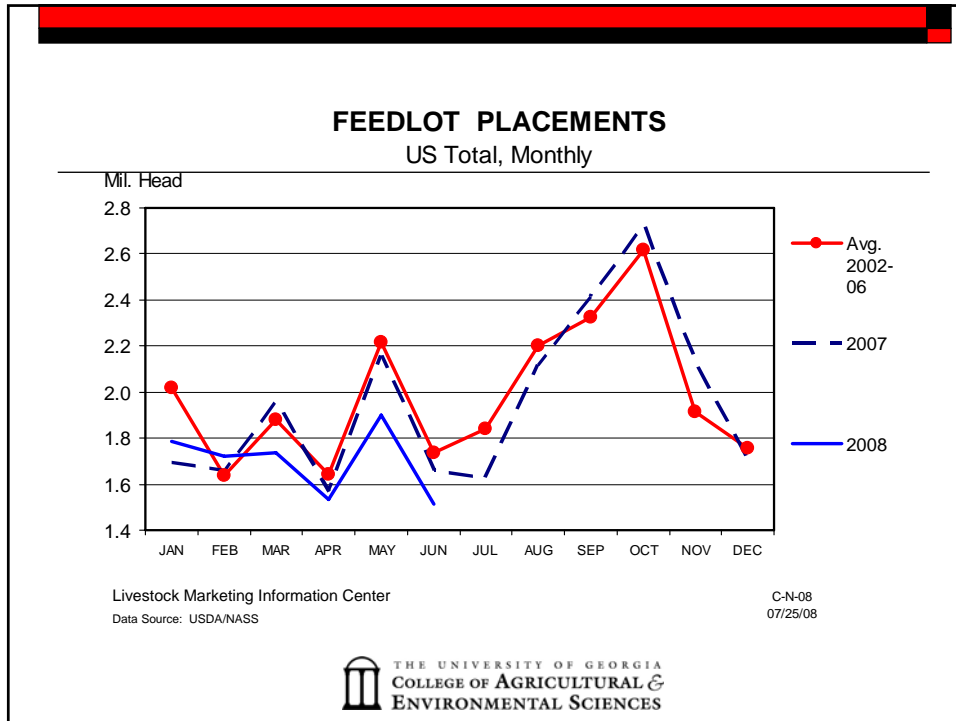
- Demand has been pretty decent.
- Big run before July 4, decline since then.
- Is the high in??





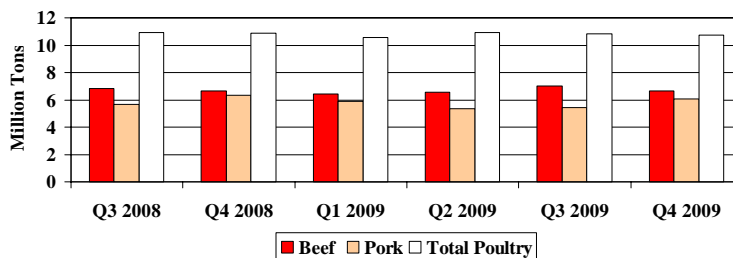
2008/2009 OUTLOOK





Even though cattle supplies may be tight, pork and poultry are not!

Projected Meat Supplies
Q3 2008-Q4 2009



- 2008 and 2009 will likely be record years
- Beef production will be down in 2009
- Q4 2008 and Q2 2009 could be problematic

Projections for Remainder of 2008 and Early 2009

- Choice Boxed Beef
 - Decline back to around \$150-\$155
 - Q3-Q4 could see \$140-\$145
 - Rebound in spring of 2009 approach earlier 2008 levels
- Choice-Select Spread
 - More instrument grading = more Choice beef
 - Look for CSS to remain narrow
 - May approach 0 late fall/winter



Projections for Remainder of 2008 and Early 2009

Quarter			Live Cattle (5 Area)	
Q3-2008			\$90-\$95	
Q4-2008			\$85-\$93	
Q1-2009			\$93-99	
Q2-2009			\$100-\$107	



Projections for Remainder of 2008 and Early 2009

Quarter	400-500# Steers*	700-800# Steers*	Live Cattle (5 Area)	
Q3-2008	\$99-\$105	\$92-\$98	\$90-\$95	
Q4-2008	\$90-\$98	\$85-\$93	\$85-\$93	
Q1-2009	\$100-\$110	\$85-\$95	\$93-99	
Q2-2009	\$105-\$120	\$95-\$103	\$100-\$107	

*Basis Southeastern U.S



Projections for Remainder of 2008 and Early 2009

Quarter	400-500# Steers*	700-800# Steers*	Live Cattle (5 Area)	Cull Cows* 85-90%
Q3-2008	\$99-\$105	\$92-\$98	\$90-\$95	\$52-\$58
Q4-2008	\$90-\$98	\$85-\$93	\$85-\$93	\$42-\$48
Q1-2009	\$100-\$110	\$85-\$95	\$93-99	\$46-\$54
Q2-2009	\$105-\$120	\$95-\$103	\$100-\$107	\$52-\$60

*Basis Southeastern U.S

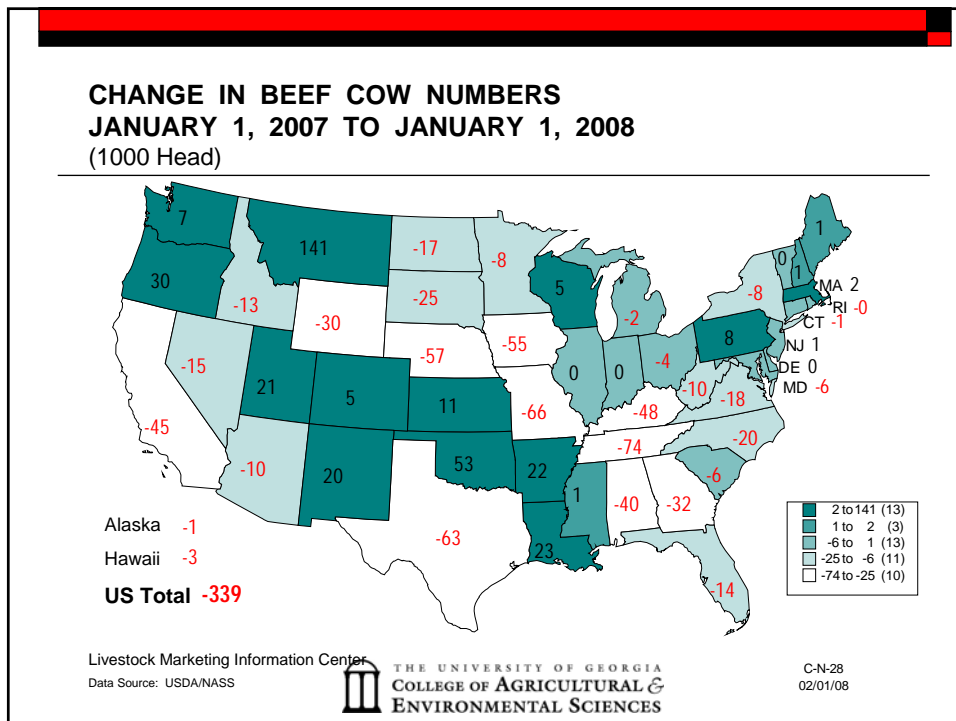
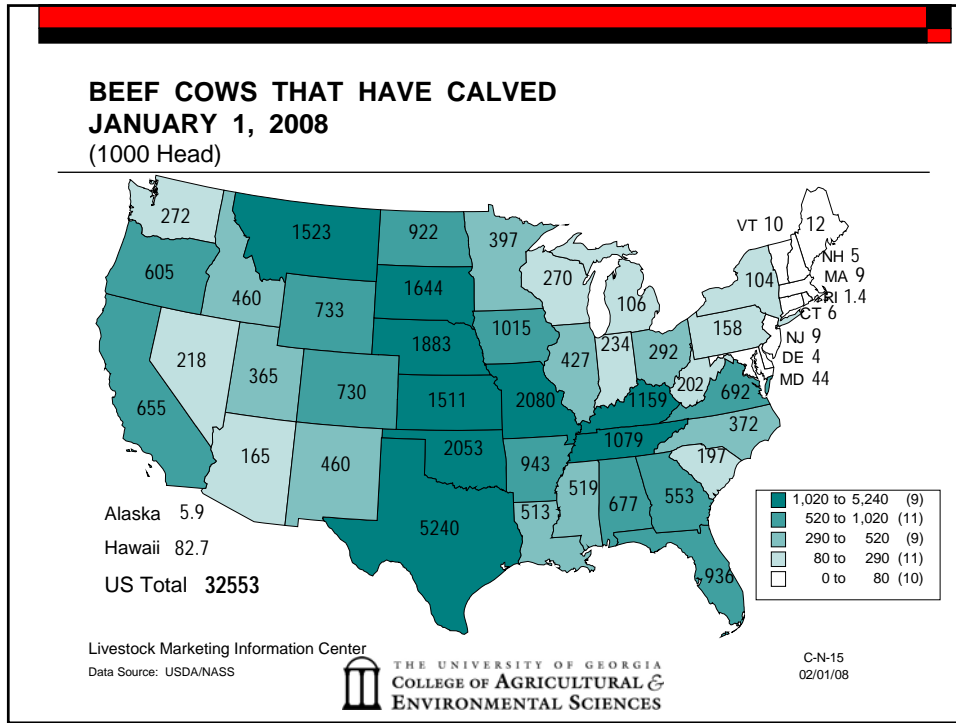


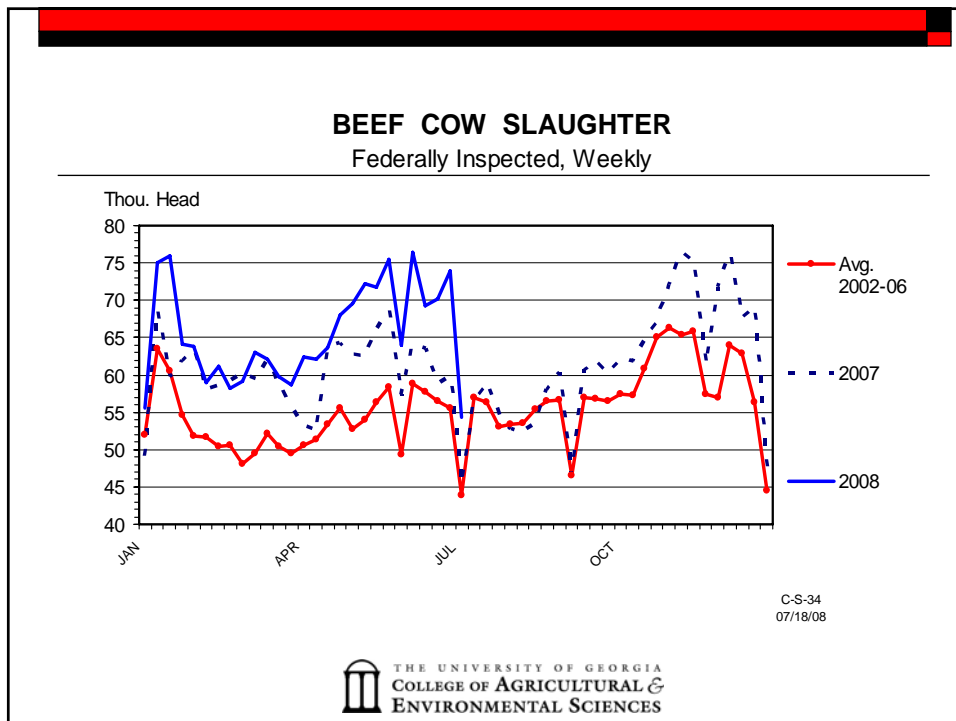
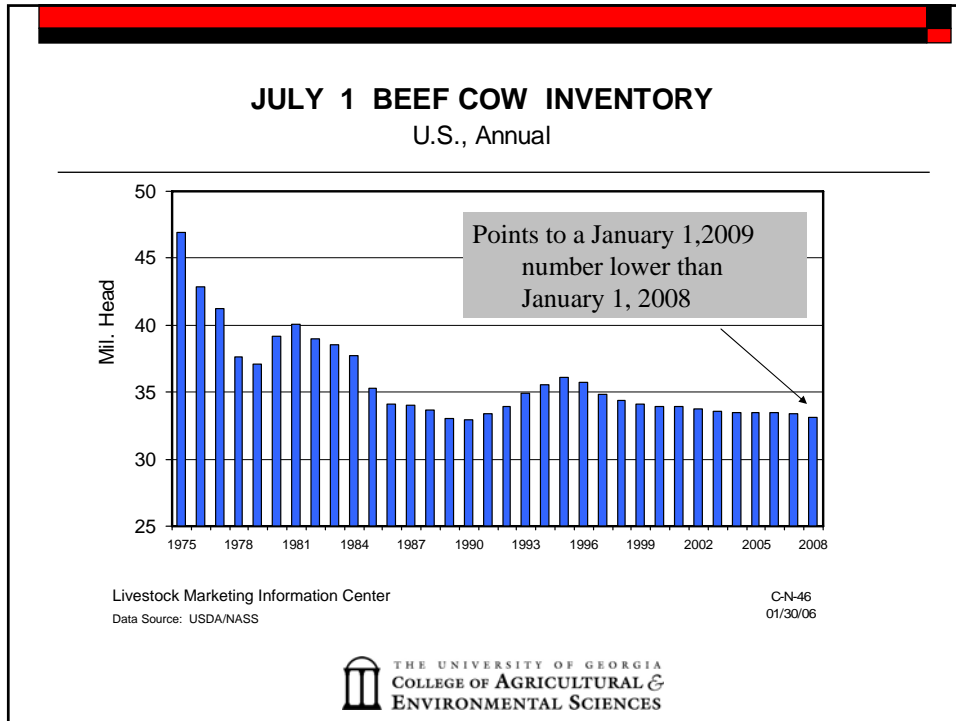
2008/2009 Summary

- Improved economy will help beef demand.
- Larger total meat supplies in Q3 and Q4 could be troublesome.
- Corn crop (prices) vs. Live Cattle prices will continue to drive the train for feeder cattle prices.

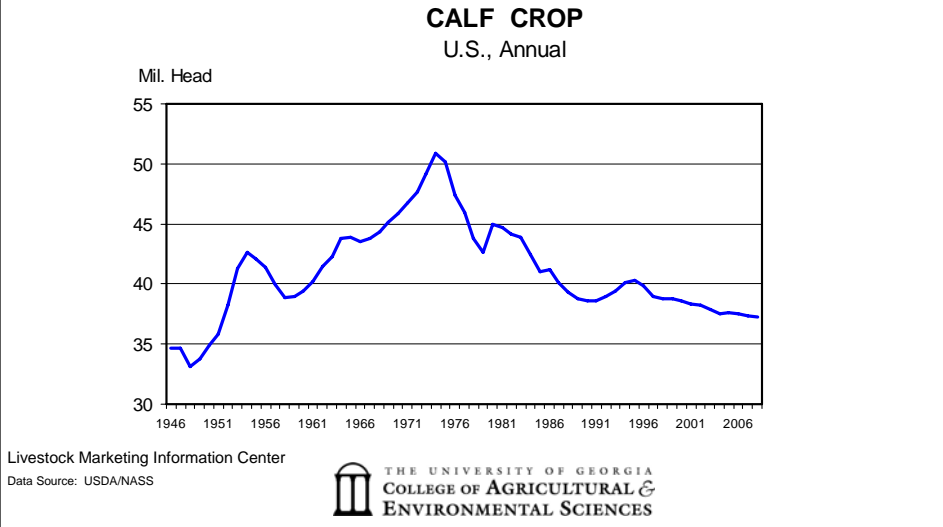


LONGER-TERM OUTLOOK

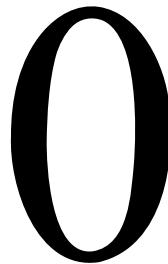




Smaller Calf Crop Means Fewer Supplies

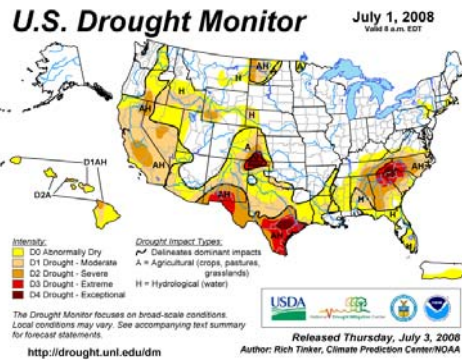


Incentives to Expand Beef Herd



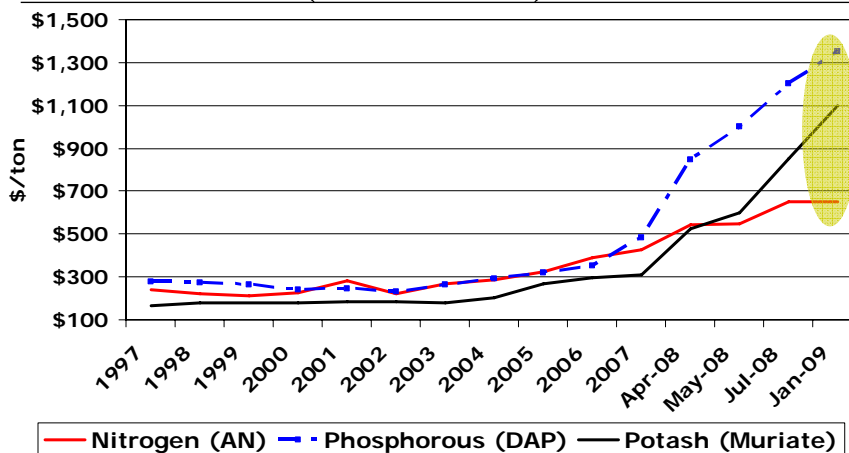
Supply Issues

- Weather
- Higher input costs
- Less available land

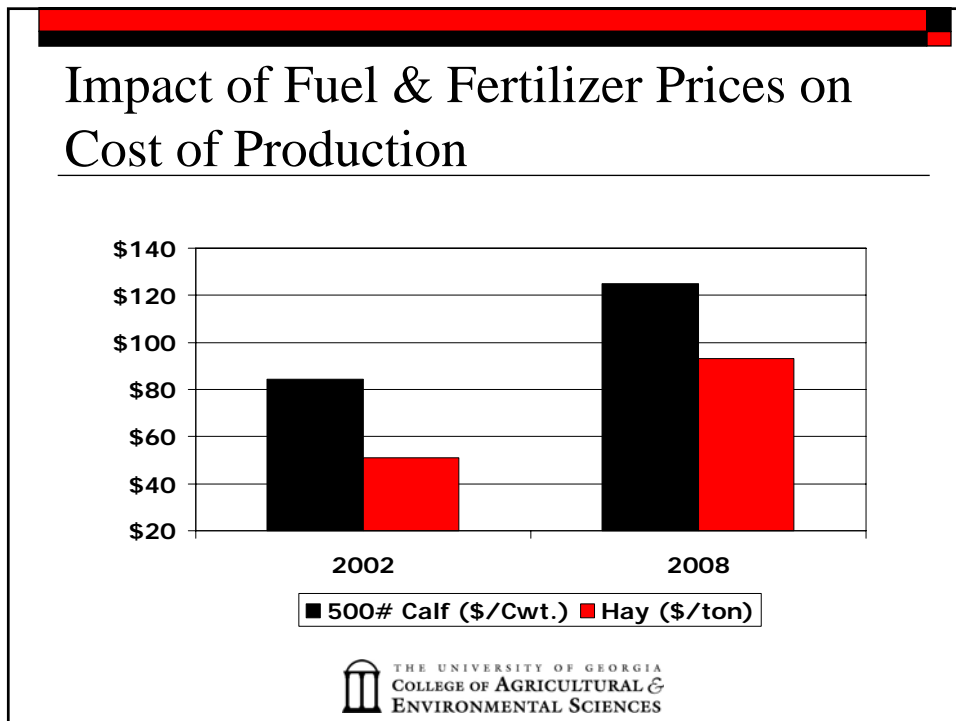
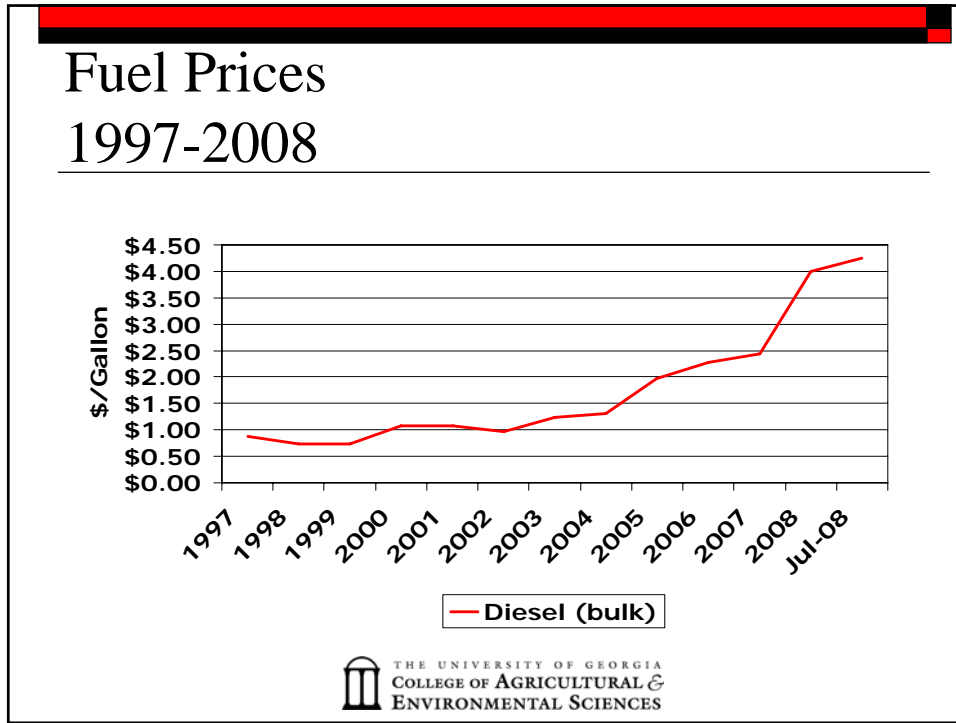


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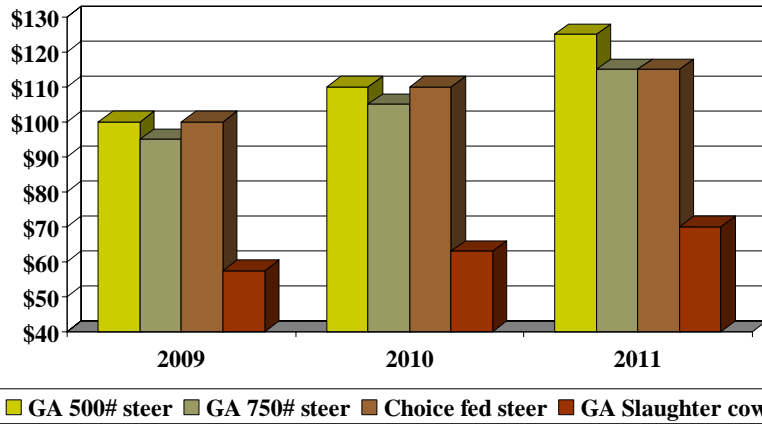
Fertilizer Prices 1997-2008 (and 2009)



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Projected Prices 2009 and Beyond



Source: USDA, LMIC and UGA



Other Issues

- Southeast
 - More reliant on fertilizer
 - Wider basis
 - Increasing land values
- Increasing demand for beef from alternative production systems
 - Natural
 - Organic
 - Grass-fed
- Increasing demand for locally produced foods
- Animal welfare
- MCOOL/NAIS



Summary & Implications

- Remainder of 2008/Early 2009
 - Beef and cattle prices should remain fairly stable for the rest of the year.
 - Economy and competing meat supplies/prices will drive beef prices.
 - Beef and corn prices will drive feeder calf prices.
- 2009 and Beyond
 - Barring a total economic collapse, cattle prices will have to increase in the next few years to encourage herd expansion.
 - An improving world economy means increased demand for beef and other proteins.
 - Producers can look for stable to improving prices for the next 2-4 years.
 - Slaughter cattle and corn prices will determine prices for weaned calves and feeders.

