



Jan

Feb

CattleFax

Robert Taylor Symposium

“Survival of the Fittest”

Case Gabel

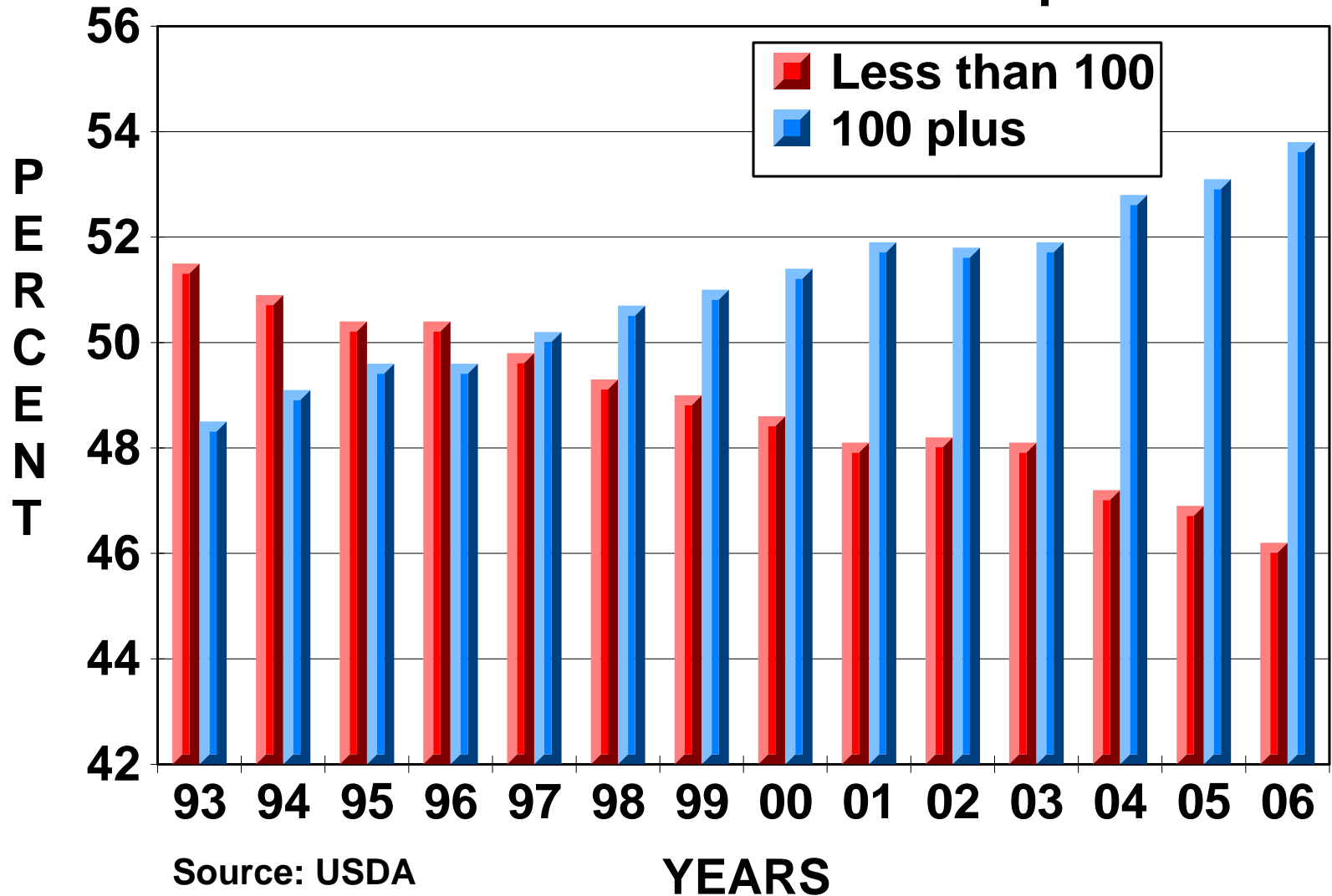


INDUSTRY STRUCTURAL TRENDS

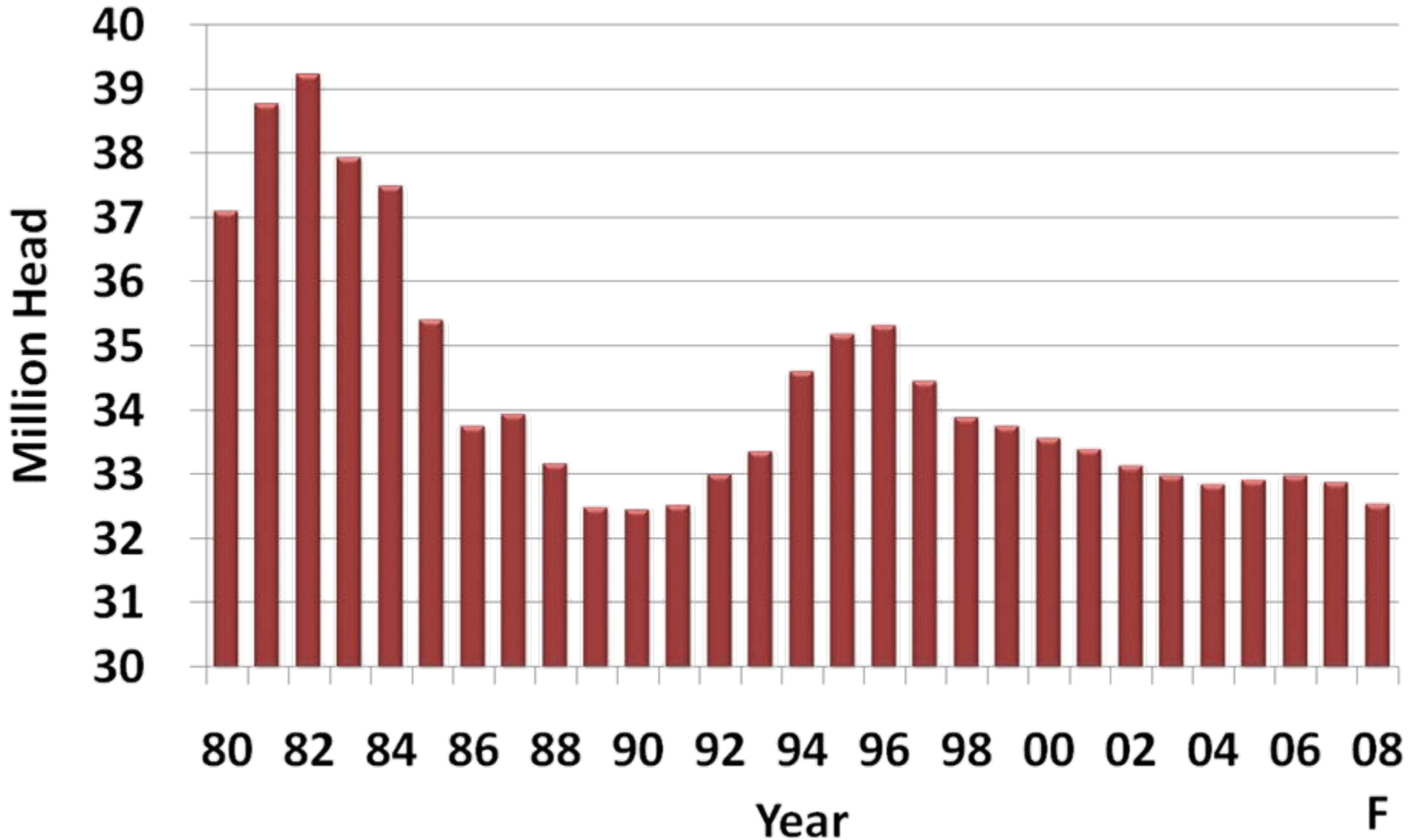
Beef Cow Operations



Percent of U.S. Beef Cow Herd Operations



U.S. Beef Cow Herd

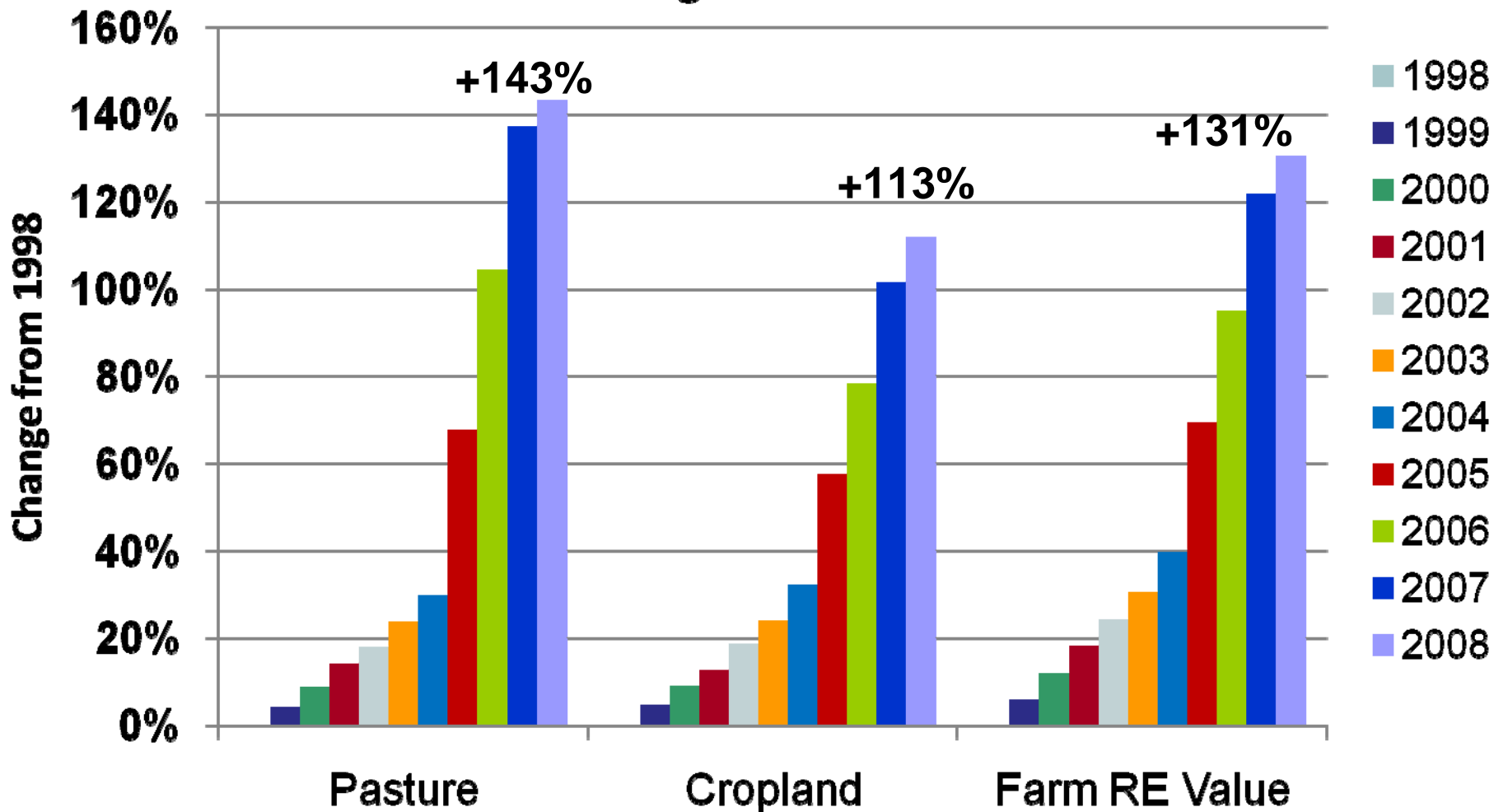


Source: USDA

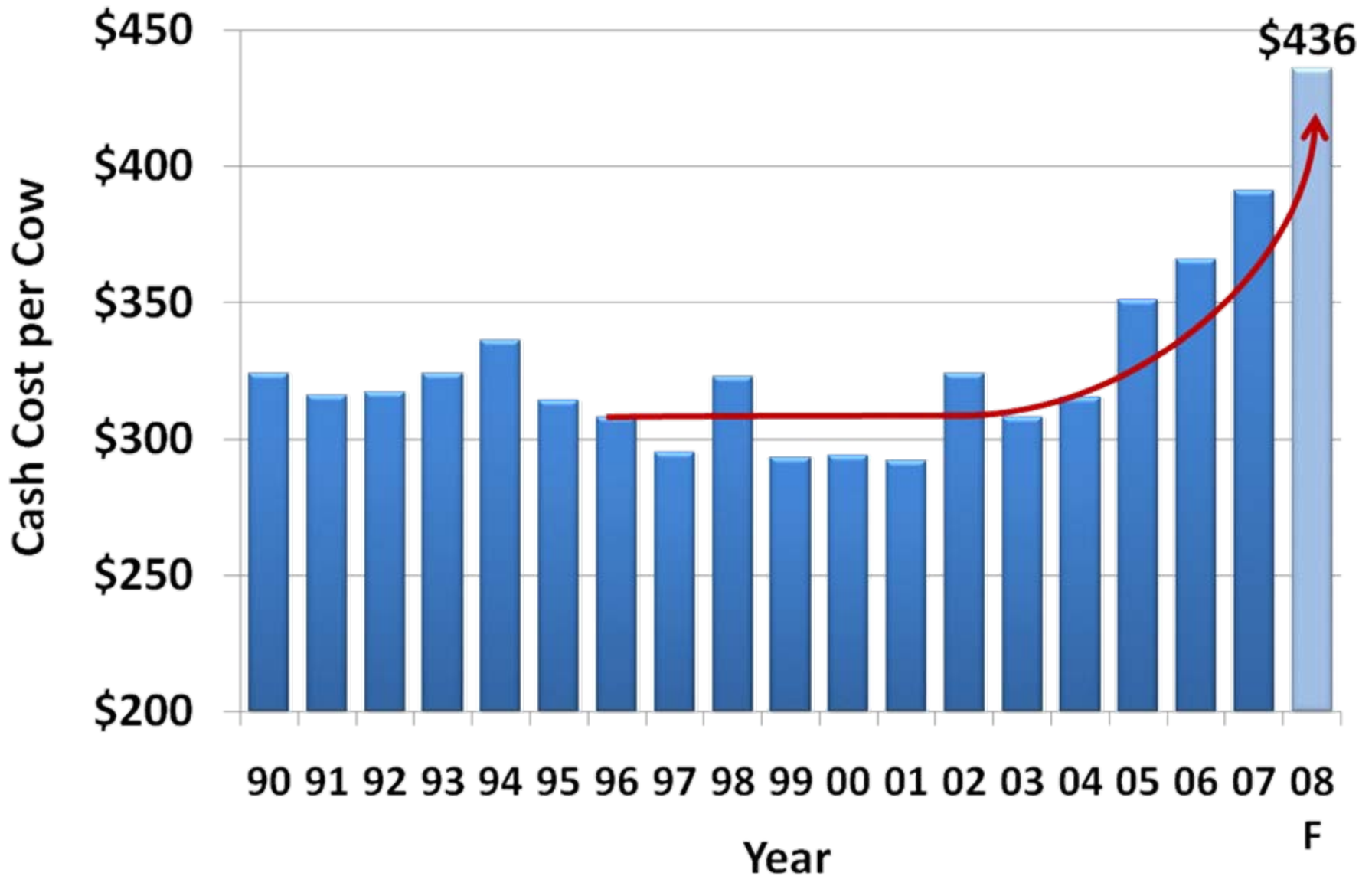
Land Values



**U.S. Ag Land Values,
% Change: 1998-2007**



Cash Operating Costs per Cow



Source: CattleFax Cow/Calf and Stocker Survey



SURVIVAL





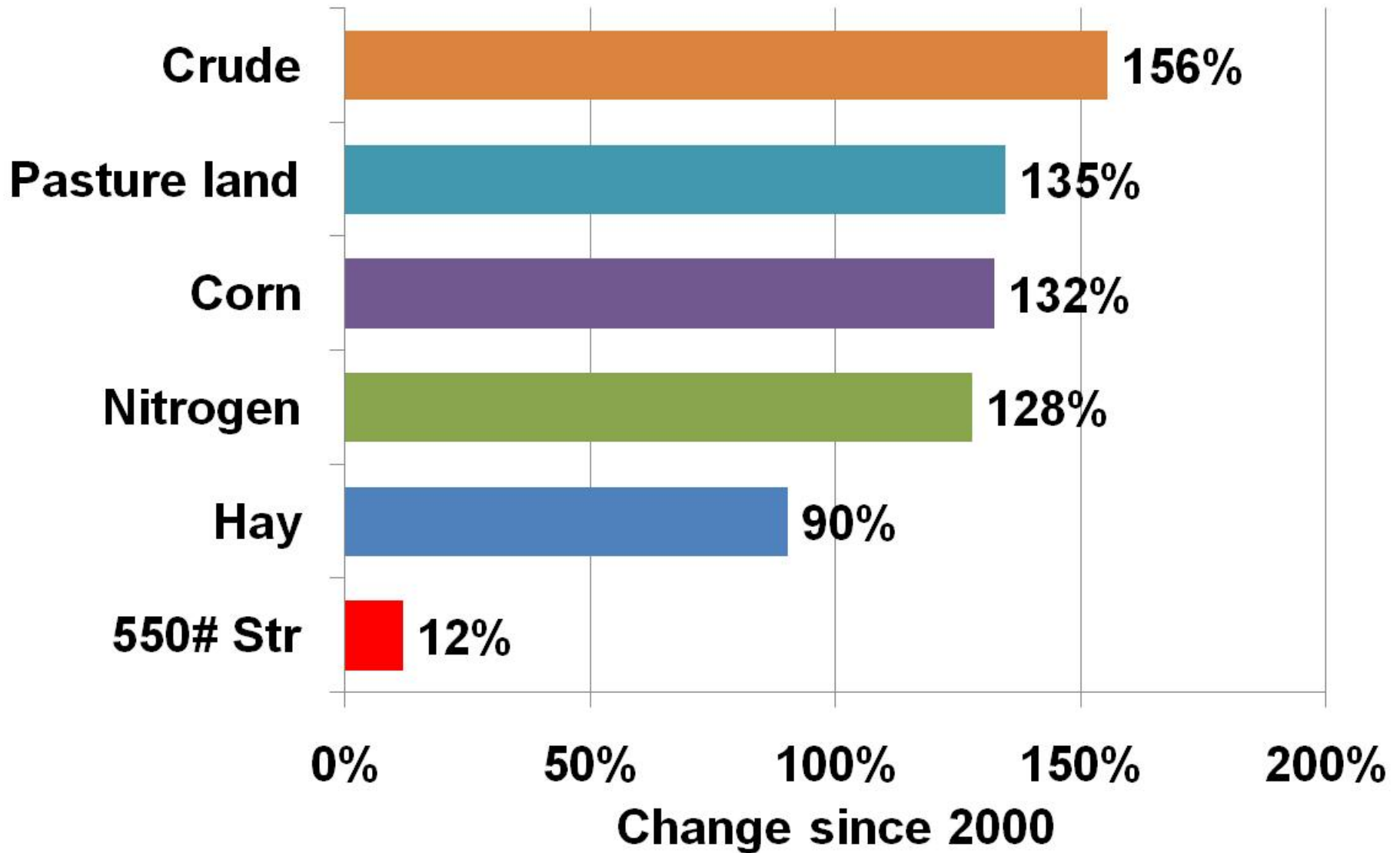
Adapting to Change: Key Trend Shifts

Feedgrain costs skyrocket, temporary reprieve, will not go away

- **THEREFORE**: Pounds are worth more. Add gain wherever and however possible pre or post weaning.
 - Background calves?
 - **Genetics?** (total pounds weaned/pounds of cow exposed)
 - Least-cost feed analysis?

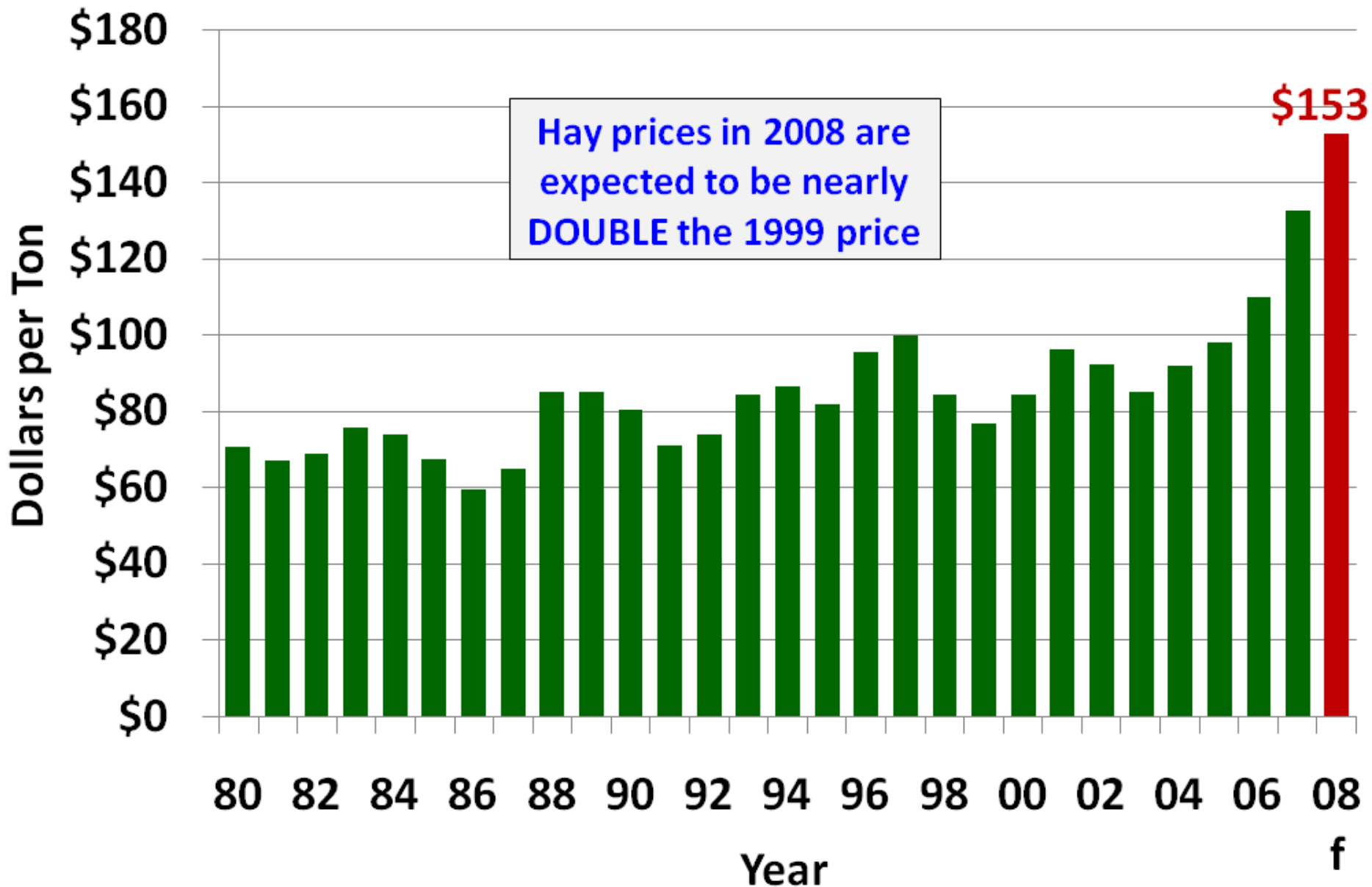
Sharpen your pencil!

Cost Inflation: 2008 vs. 2000



Source: USDA, NYMEX, CF Forecasts

USDA All-Hay Prices



Source: USDA, CattleFax



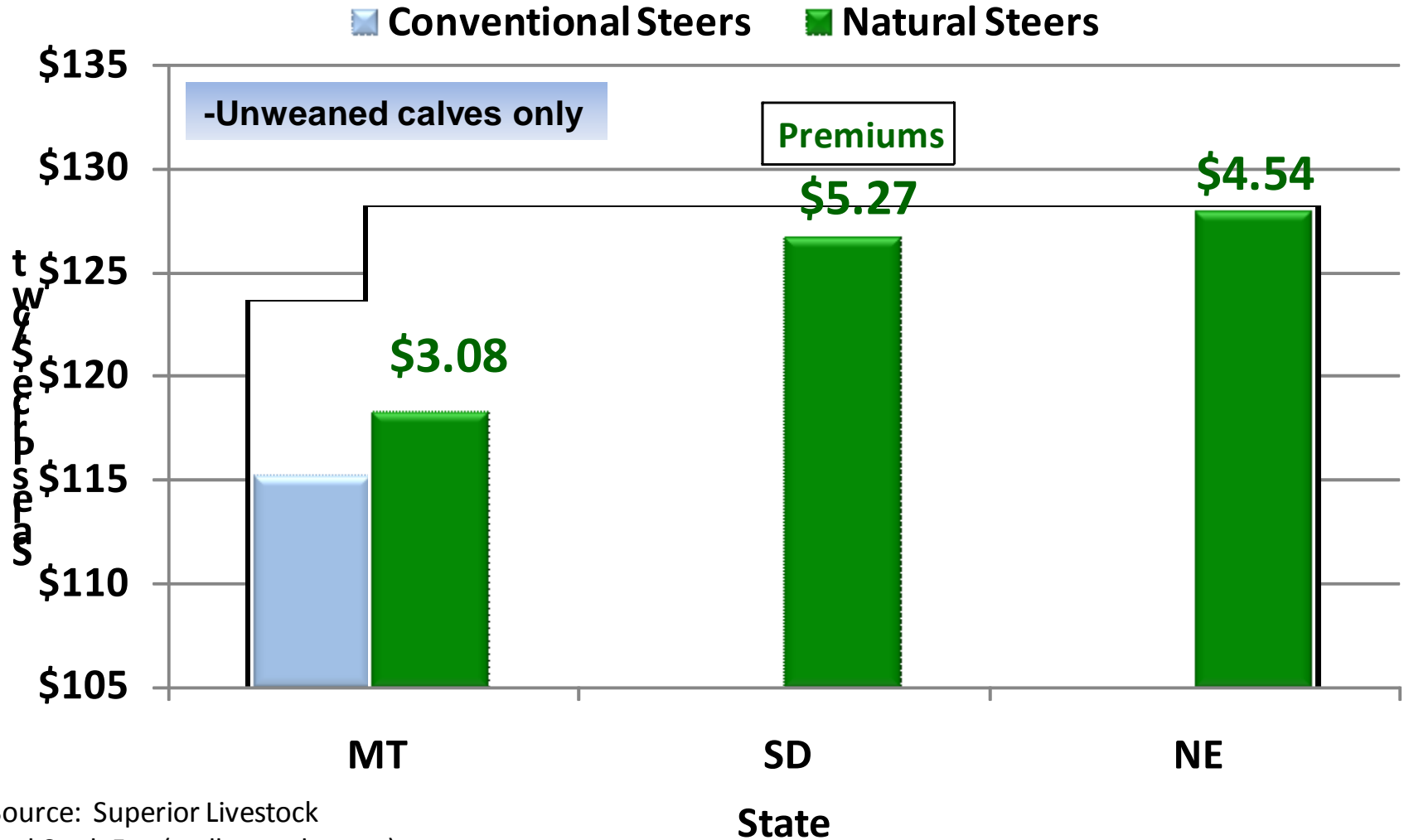
Adapting to Change: Key Trend Shifts

Calf Markets Remain Volatile

- Build a marketing strategy (background options, value-added programs, source and age verify, retain ownership)
- Don't flip flop programs, build to your advantages (genetic and resource)
- Capitalize on market volatility
- Consider retained ownership, current calf prices, etc
- Build superior/reputable genetics!!!

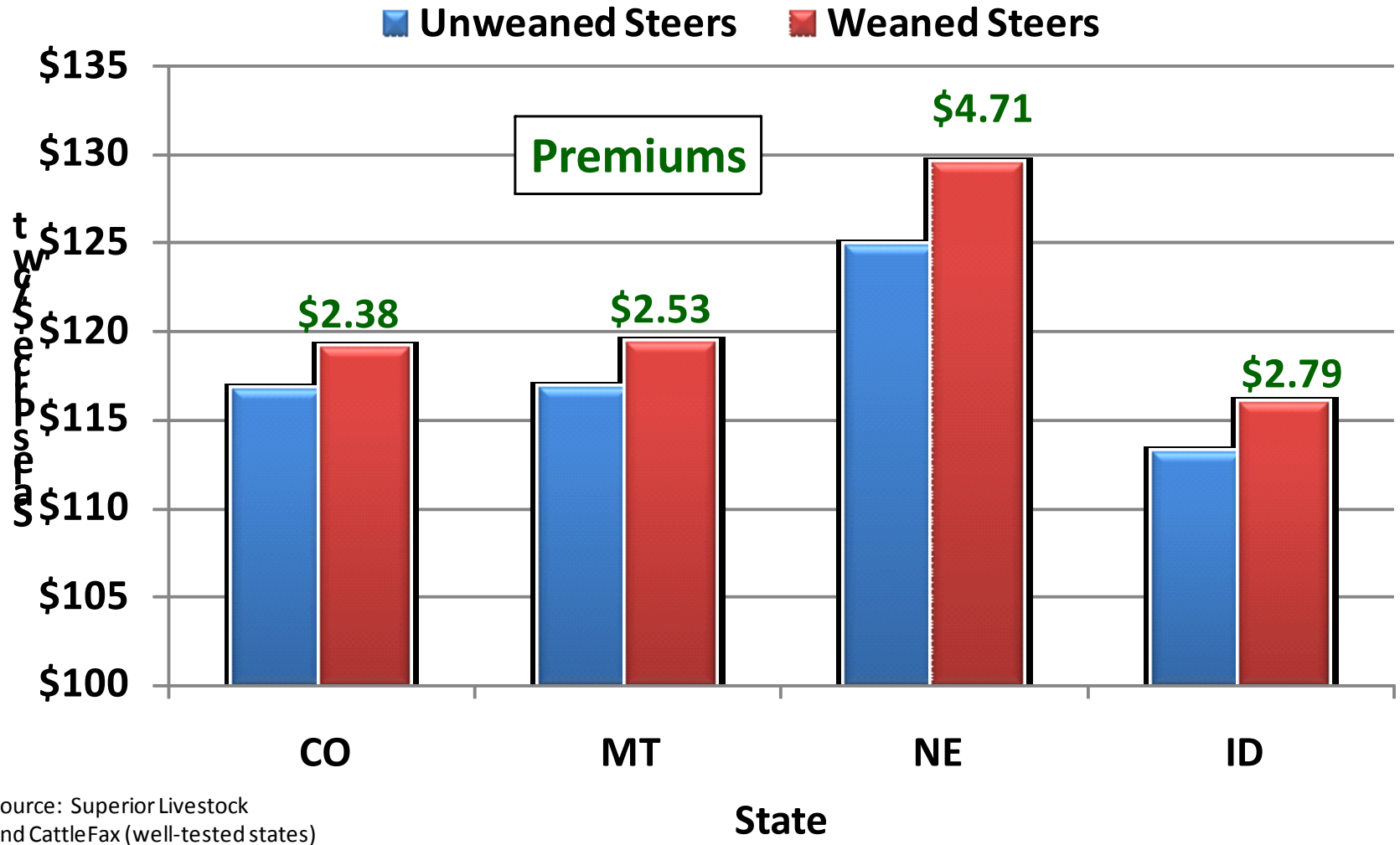
Sharpen your pencil!

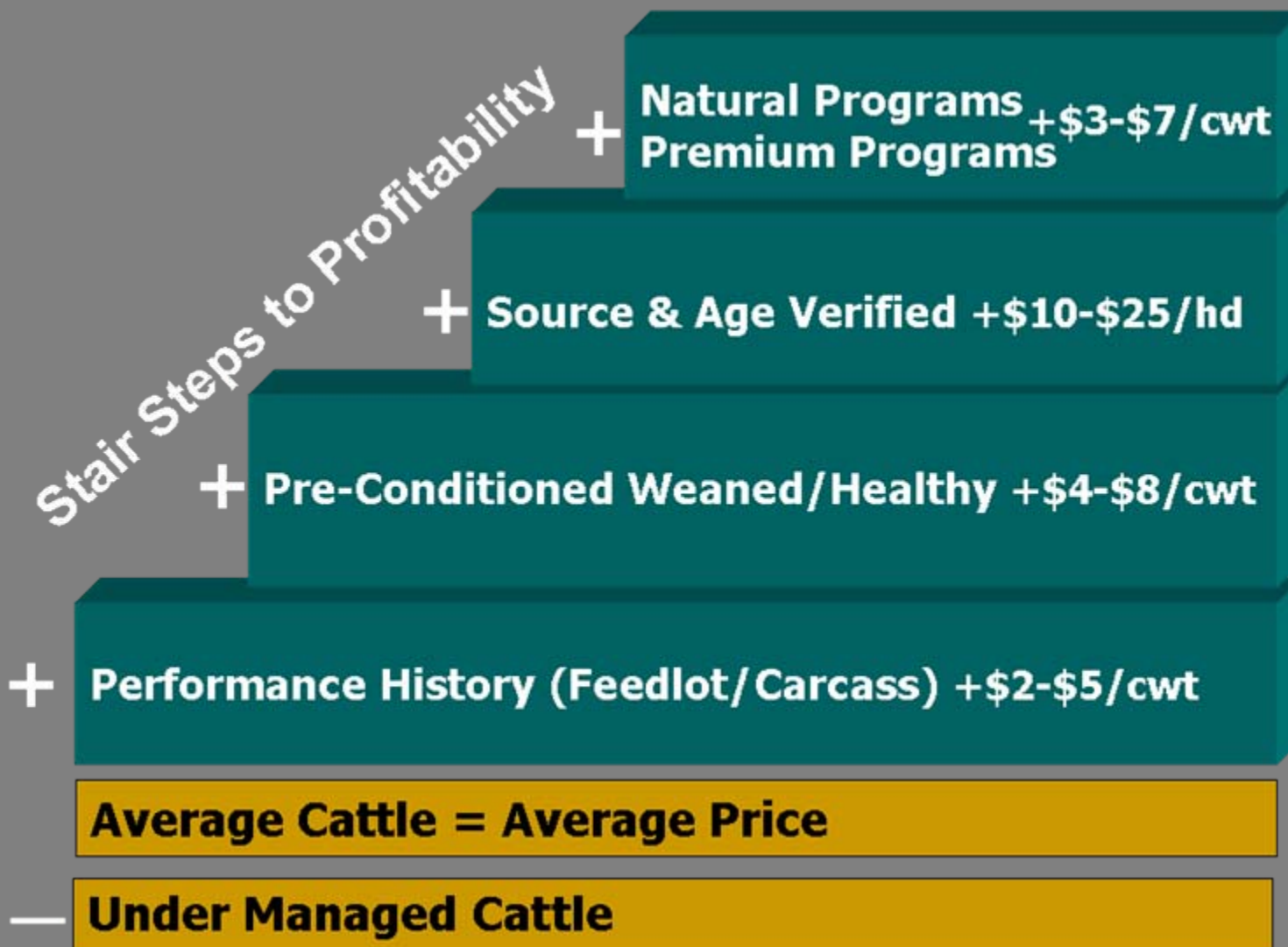
500-599 lb. Steer Calves for Oct./Nov. 2008 Delivery -July 7-11, 2008 Superior Video Sales



Source: Superior Livestock and CattleFax (well-tested states)

500-599 lb. Steer Calves for Oct./Nov. 2008 Delivery -July 7-11, 2008 Superior Video Sales







What does “Value-Added” Mean?

Creating a POINT OF DIFFERENTIATION

- Source verified
- Age verified
- Preconditioned
- Weaning protocol
- Natural
- Organic
- Humane handling

Fit the program to the operation

Retain Ownership?

Retaining Calves: Breakeven Calculation

Aug 09 LC Contract, cwt (\$-2 basis)	\$	88
Out Wt, head	x	1,300
Sales price		\$1,145
<hr/>		
Ration Price, dry	\$	210
Ration conversion, dry		6.20
Pounds of ration needed (750# gain)		4,650
Ration cost	\$	488
Yardage, \$0.25/hd/day	\$	68
Interest, process, death loss, freight	+	\$ 94
Total Costs	\$	650
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Sales less Total cost	\$	495
In-Weight	/	550
Equivalent weaned price, cwt	\$	90



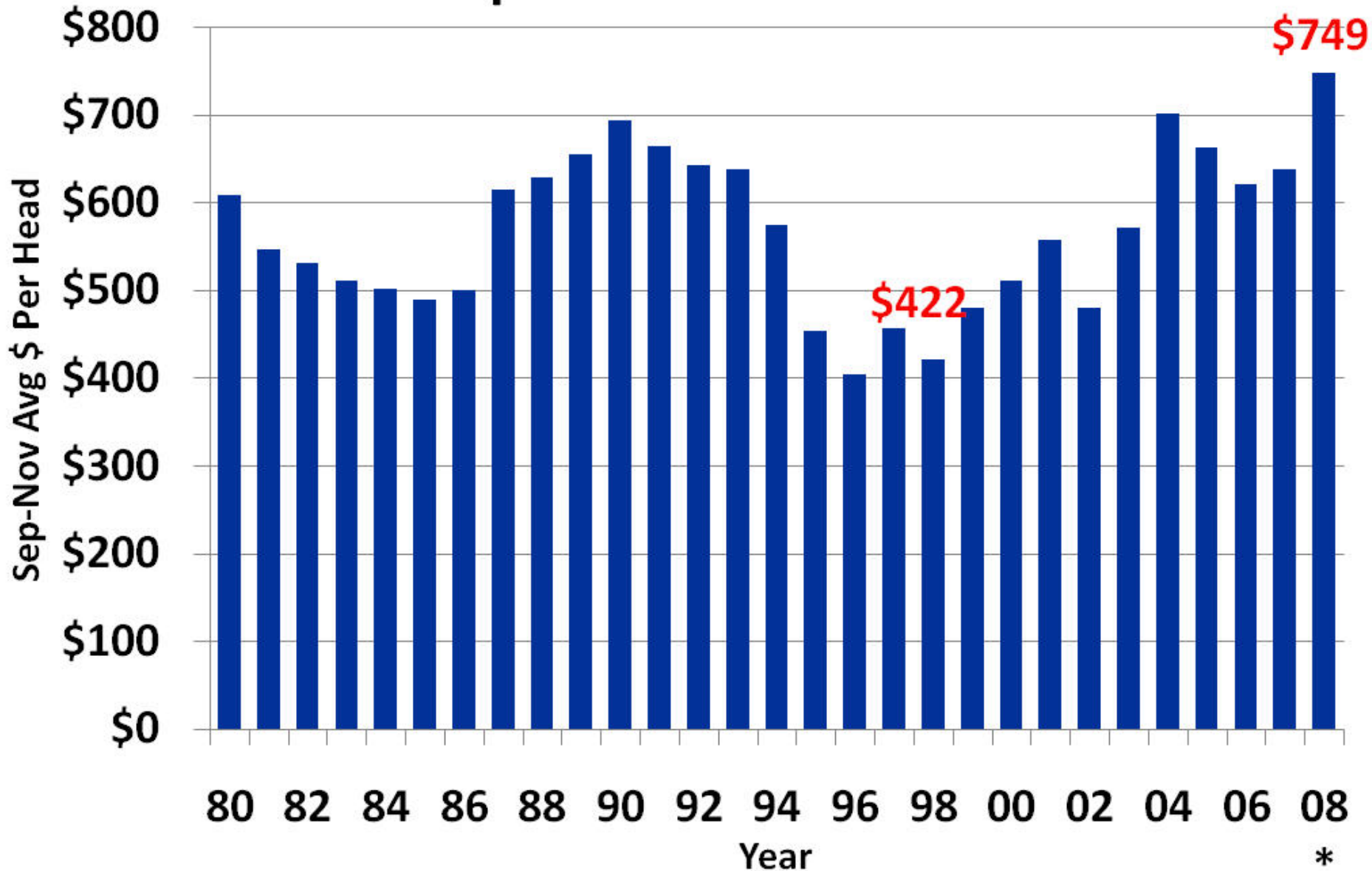
Consider All Options:

Integrate

- **Find a Feeder Friend**
 - Know your performance data (feedyard, performance)
 - Partner on retained calves to reduce risk?
- **Join a Branded Program**
 - Match your cattle
 - Read the fine print
 - Find a program and stick with it (don't jump year-to-year)



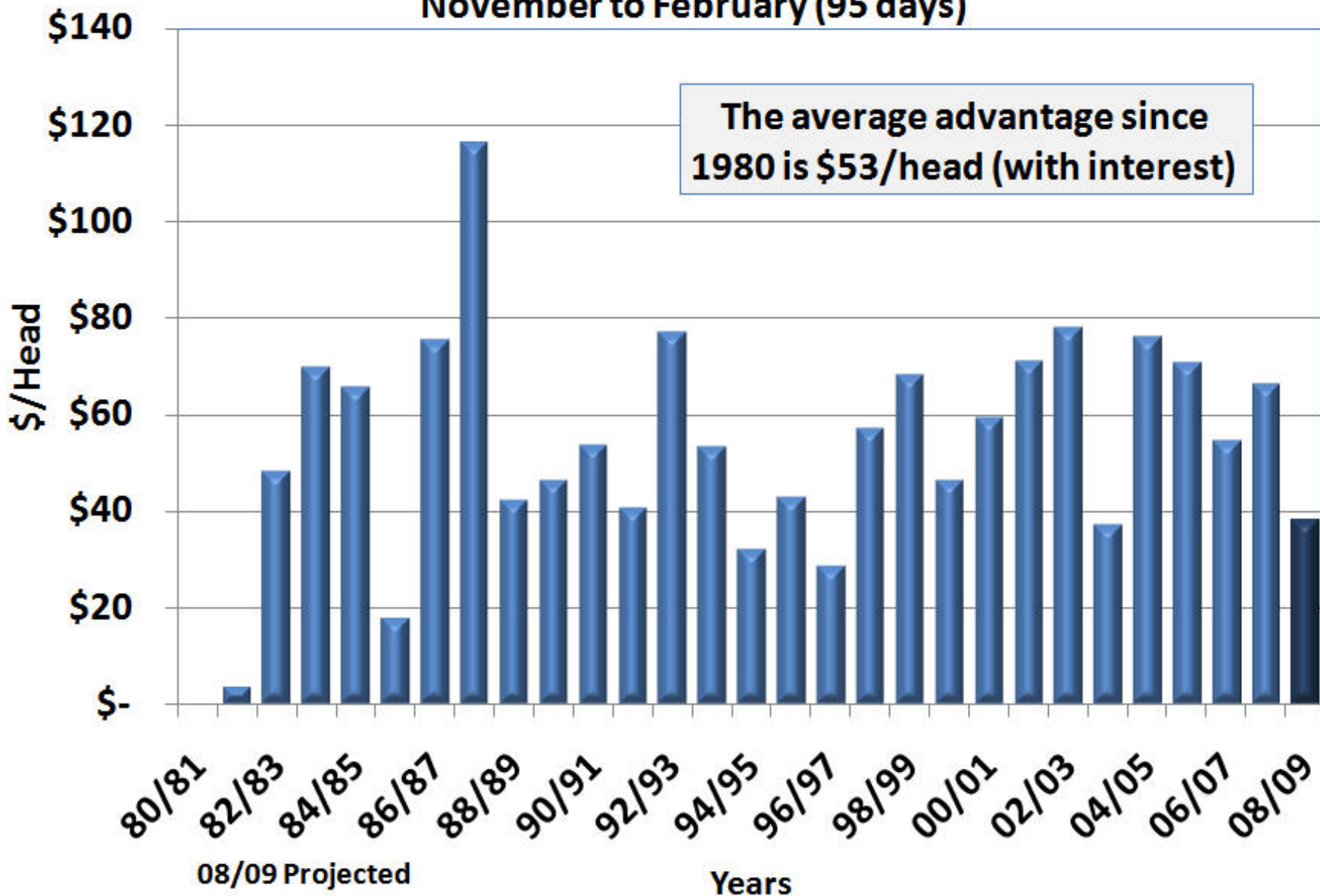
Sep-Nov Cull Bull Values



Source: CattleFax, 2008* includes only first week of Sept

Cull Cow Retained Ownership Advantage (\$/head)

November to February (95 days)





To Become More Competitive:

- **Manage Costs**
- **Manage Production**
- **Integrate**
- **Marketing Plan**
- **Manage Risk**



Economic Situation

- **Volatility will reign**
- **Credit to remain tight for the foreseeable future**
- **Cattle markets heavily influenced by investors**
- **“I’d rather have a herd of cattle for retirement than a 401k”**
- **Inflation and interest rates could run higher in 2009 (consider tying up rates now on short/long term loans)**
- **“Fix it up, wear it out, make it do, or do without”**
- **Be cautious of debt**



2009 Cattle and Beef Markets

- '09 calf prices driven by FED CATTLE prices and CORN
- Domestic beef demand under pressure
- Global supply and demand variables will prevent a collapse
- Economic correction will bring cattle price corrections
- Exports (beef, pork, poultry) **critical** to net supply equation
- Keep in mind: the cowherd is declining – slightly

TRENDS

A CATTLE-FAX PUBLICATION FOR COW CALF PRODUCERS

- Monthly
- Cow/calf Analysis
- Concise
- Up to Date
- Market Scan
- \$3 / month
- www.cattlefax.com

TRENDS
A CATTLE-FAX PUBLICATION FOR COW CALF PRODUCERS
Volume 1, Issue 2
April 2007

Cycle Update: Expansion Unlikely in 2007

Beef cow numbers drive the production cycle that dictates prices and profitability. Through the first quarter of 2007, annual beef cow slaughter is up 14% compared to last year and 13% higher than the 5 year average. There are a few reasons for the larger cow kills. First of all, the rolling droughts in 2006 drove hay stocks sharply lower and prices extremely high, increasing winter cow costs. While the nation's cow herd has remained flat over the past 5 years, the average cow age has grown resulting in additional older cows to be culled.

Another important factor is heifer placements onto feed versus retained. Heifer placements are up 3% compared to last year and 2% above the 5 year average.

Beef cow expansion is not likely during 2007. This is good news for calf prices which have been under pressure from high corn prices since last fall.

Jan 1 Beef Cow Numbers and 550 lb Steer Prices

• **WILDCARDS**

- Corn prices
- Planting weather/moisture conditions
- Growing season weather/moisture conditions
- Volatility will be extreme
- Abundant supplies of calves/yearlings this fall. As cattle are kept off feed, feeder supplies to grow.
- Beef demand currently strong, watch cutout values through summer.
- Hay production and prices.
- Supplies to remain tight

Upon completion of the Korean FTA, the Korean President committed to follow international beef standards which will be defined in May and will likely suggest that bone in beef be eligible for export. The U.S. President, U.S. Trade Representative, producer groups, and key beef-state senators have now vowed that the FTA will not be ratified by Congress without beef access to Korea. It is highly likely that beef shipments will resume by late summer.

Year-to-date, the Choice/Select quality grade spread has averaged \$9.80/cwt compared to \$11.97/cwt a year earlier. The spread should reach its seasonal peak between mid-May and early June near \$18 to \$20/cwt.

Calf Price Spreads Continue to Widen

In any given week, in any region, there is easily a \$25-\$30/cwt price spread on calves in the same weight class. What is driving these spreads?

1. Knowing how cattle perform in the feedyard and on a carcass weight basis can be worth \$2 to \$5 dollars per cwt (and in some cases even more) on higher performing cattle.
2. Weaned, pre-conditioned calves that have had their booster shots have generated between \$4-\$8/cwt premiums to non-weaned calves in each of the past two years.
3. Source and age verified cattle are a growing market opportunity both internationally and domestically. Not all programs will pay for this yet today but several do pay anywhere from \$10-\$25 per head.
4. The natural market is still small but it is growing at a rapid pace. Calves that qualify for a natural program can generate an additional \$3-\$7/cwt, depending on weight and time of year. To capture these premiums, align with a program. The commodity market will not pay premiums for non-implanted calves.

Strain Value to Profitability

- Natural Programs +\$3-\$7/cwt Premium Programs
- Source & Age Verified +\$10-\$25/cwt
- Pre-Conditioned Weaned/Healthy +\$4-\$8/cwt
- Performance History (Feedlot/Carcass) +\$2-\$5/cwt
- Average Cattle = Average Price
- Under Managed Cattle

MARKET PRICES

Commodity	Current	Change in Basis	Change in Price
Live Price (\$44 U.S. Reg)			
500 # Steers	\$128.96	-\$6.96	-\$2.42
750 # Steers	\$107.57	-\$6.68	\$5.46
Feed Steers	\$99.19	-\$1.49	\$15.07
LU Comm Cows	\$61.09	-\$1.03	-\$1.03
Ontario Corn (Bbl)	\$5.35	-\$0.59	\$1.29

Cattle-Fax • P.O. Box 3947 • Englewood, Colorado 80155 • 1.800.825.7525 • www.cattle-fax.com



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- Thank You -

Case Gabel

case@cattlefax.com

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