

Cattle Market Situation & Outlook

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Current Picture

- Pros

- Input prices are lower
- General economy is improving
- Supply situation looks good

- Cons

- Cattle & Beef prices are trending down
- Corn volatility is through the roof
- Beef demand is...Bleak...Gloomy...Disheartening...

Beef Industry Situation

- Long-Run situation looks very positive

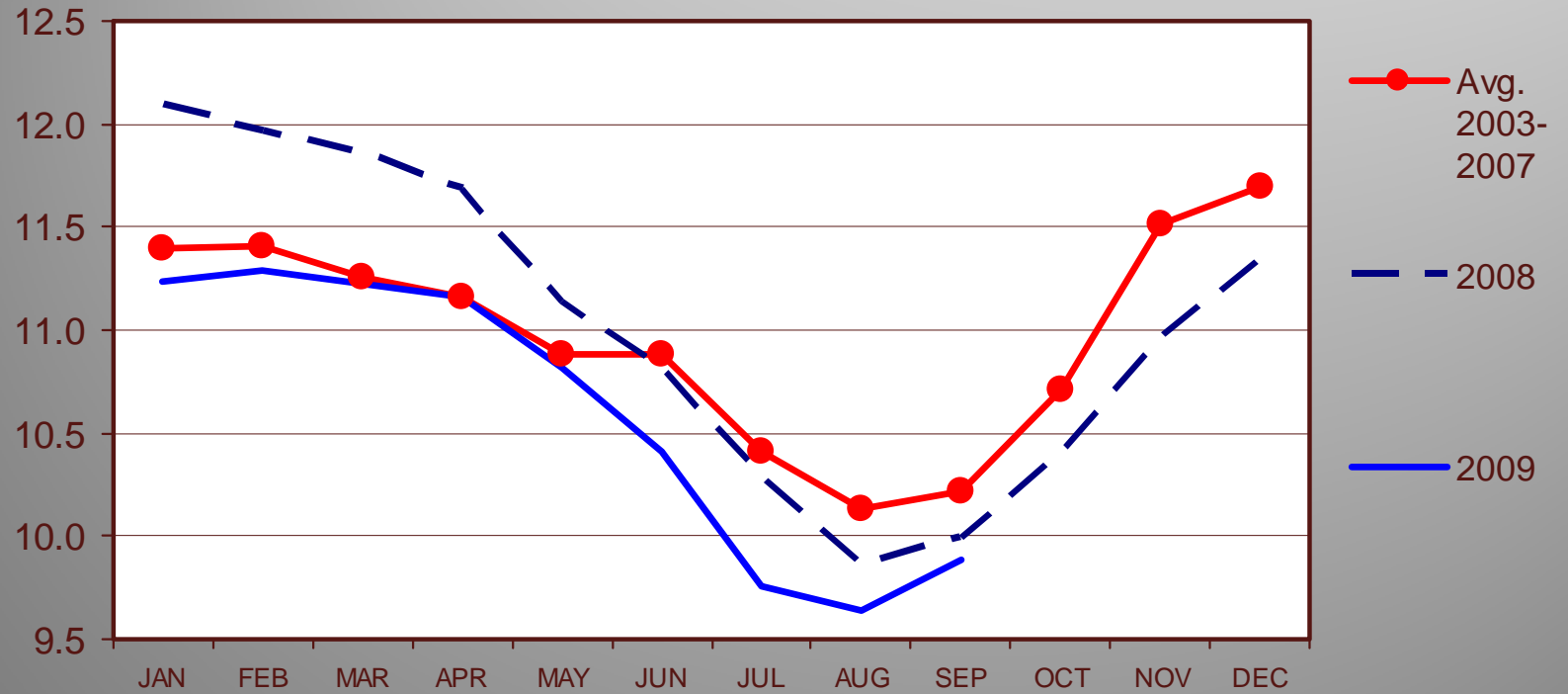
--BUT--

- Wholesale Beef Prices are keeping a damper on any upswing

CATTLE ON FEED

US Total, Monthly

Mil. Head



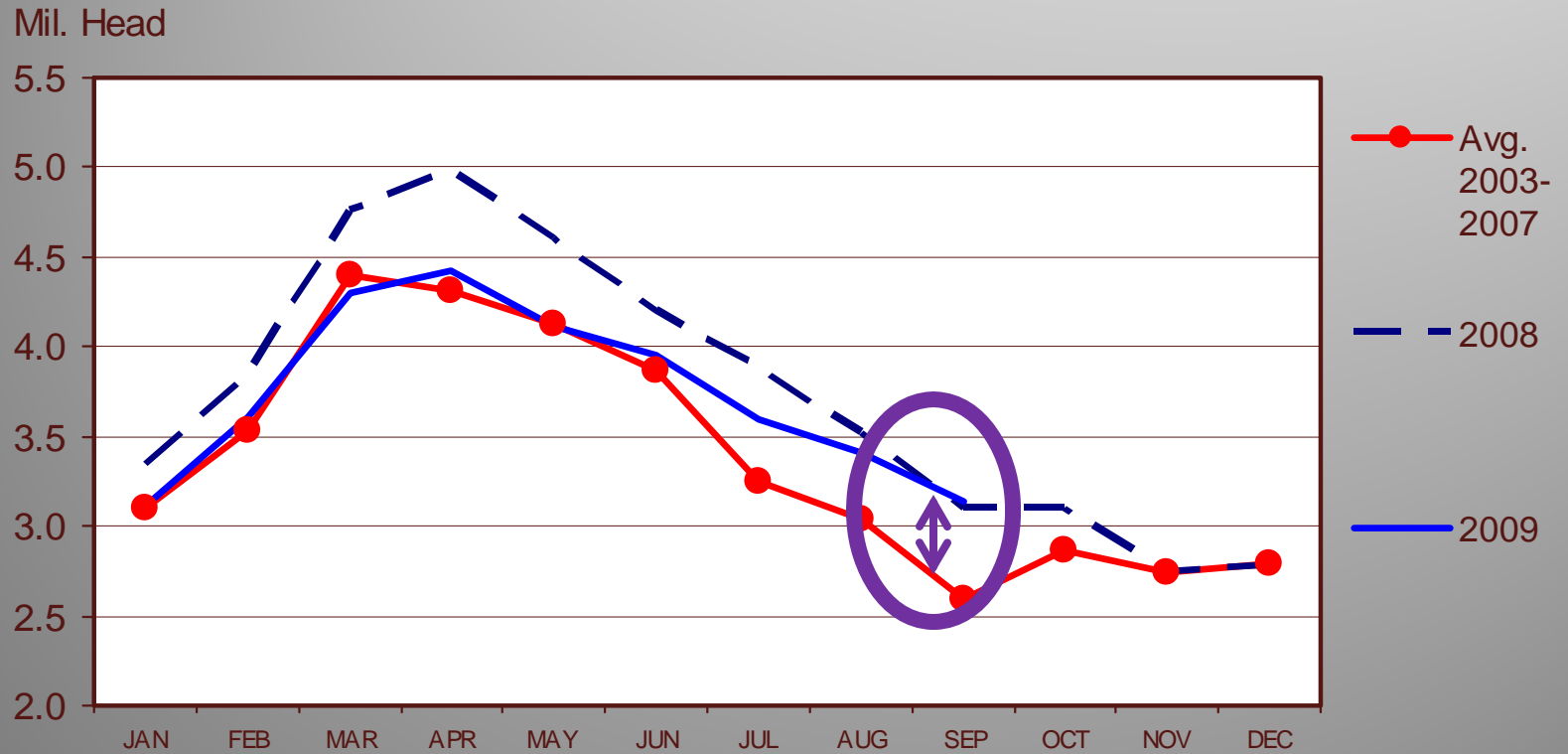
Livestock Marketing Information Center

Data Source: USDA/NASS

C-N-12
09/18/09

CATTLE ON FEED OVER 120 DAYS

US Total, Monthly



Livestock Marketing Information Center

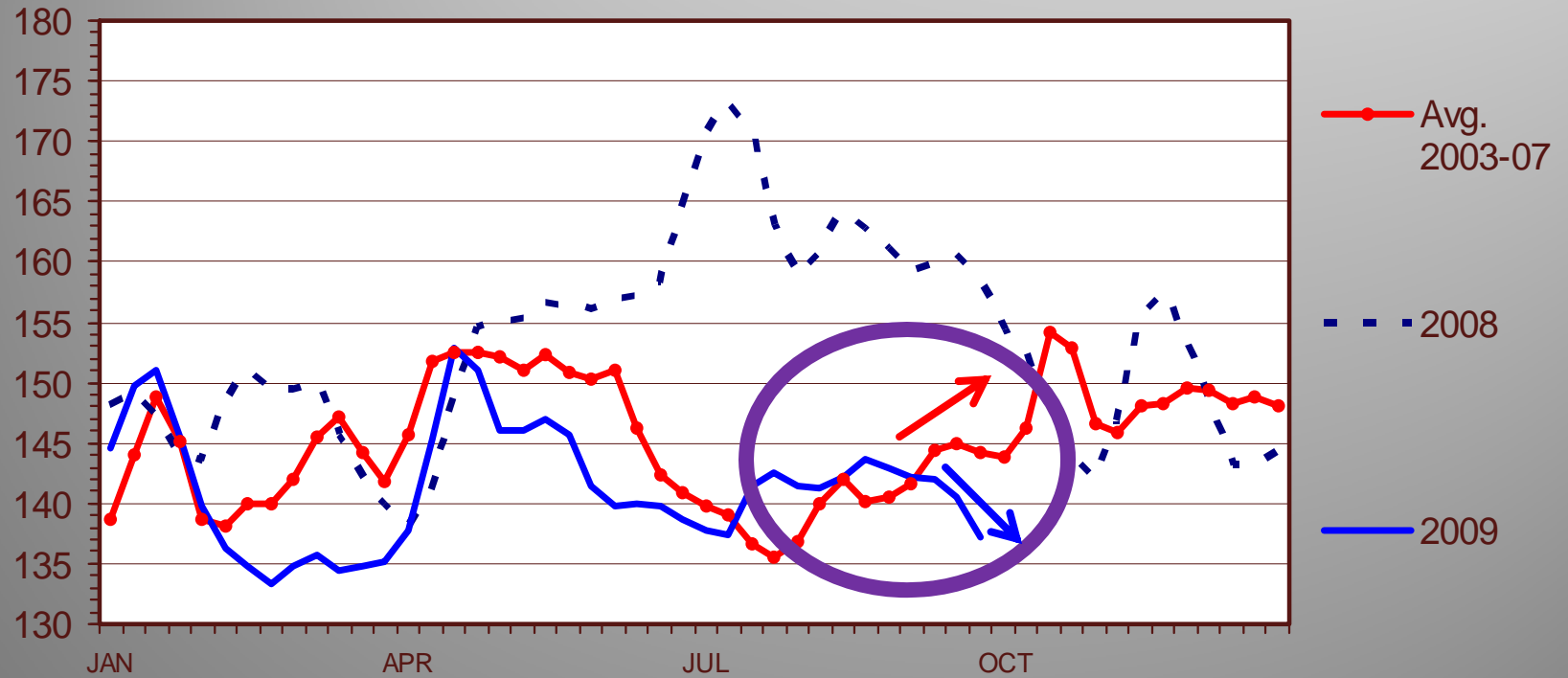
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BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs. Carcass, Weekly

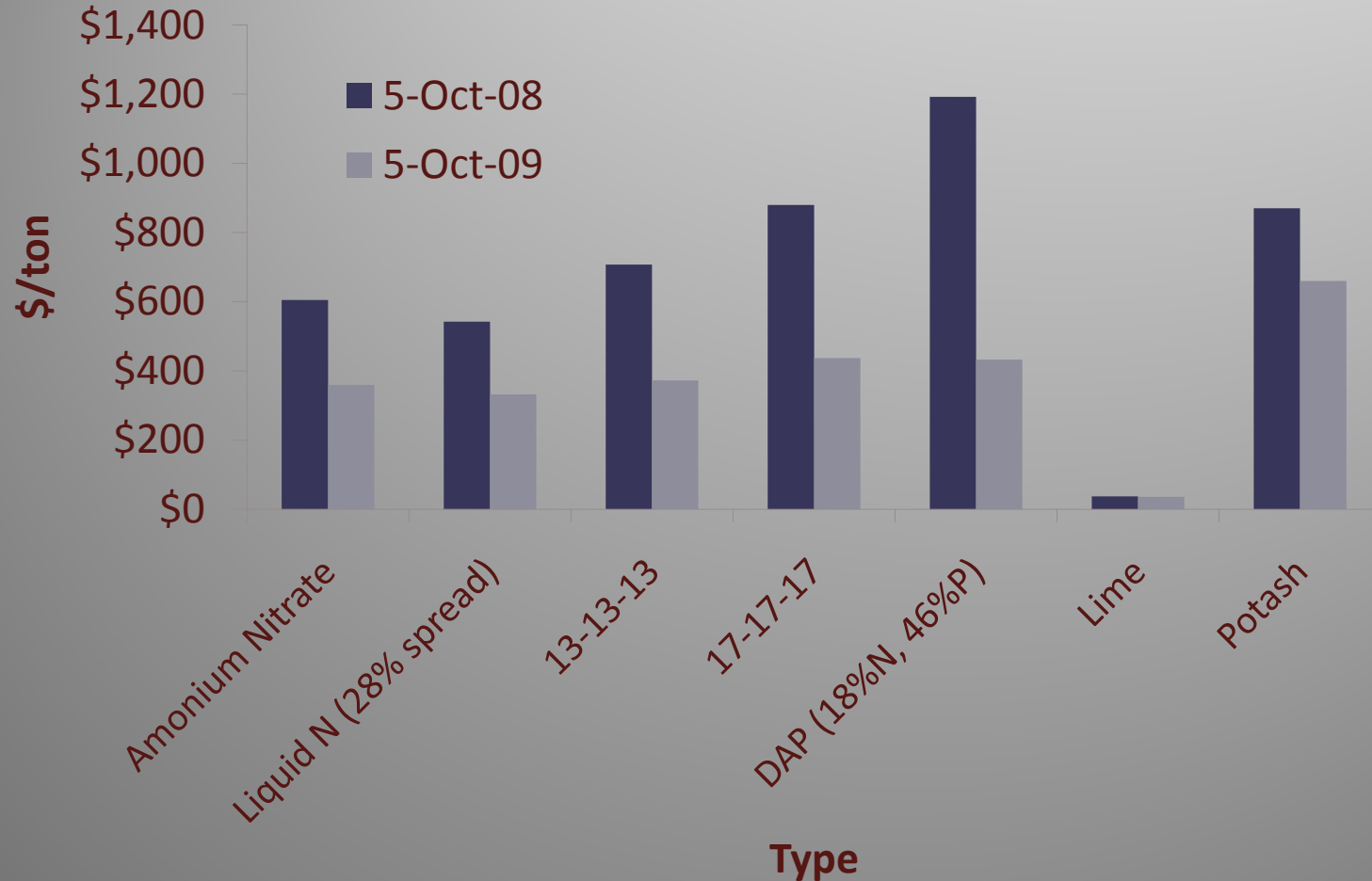
\$ Per Cwt.



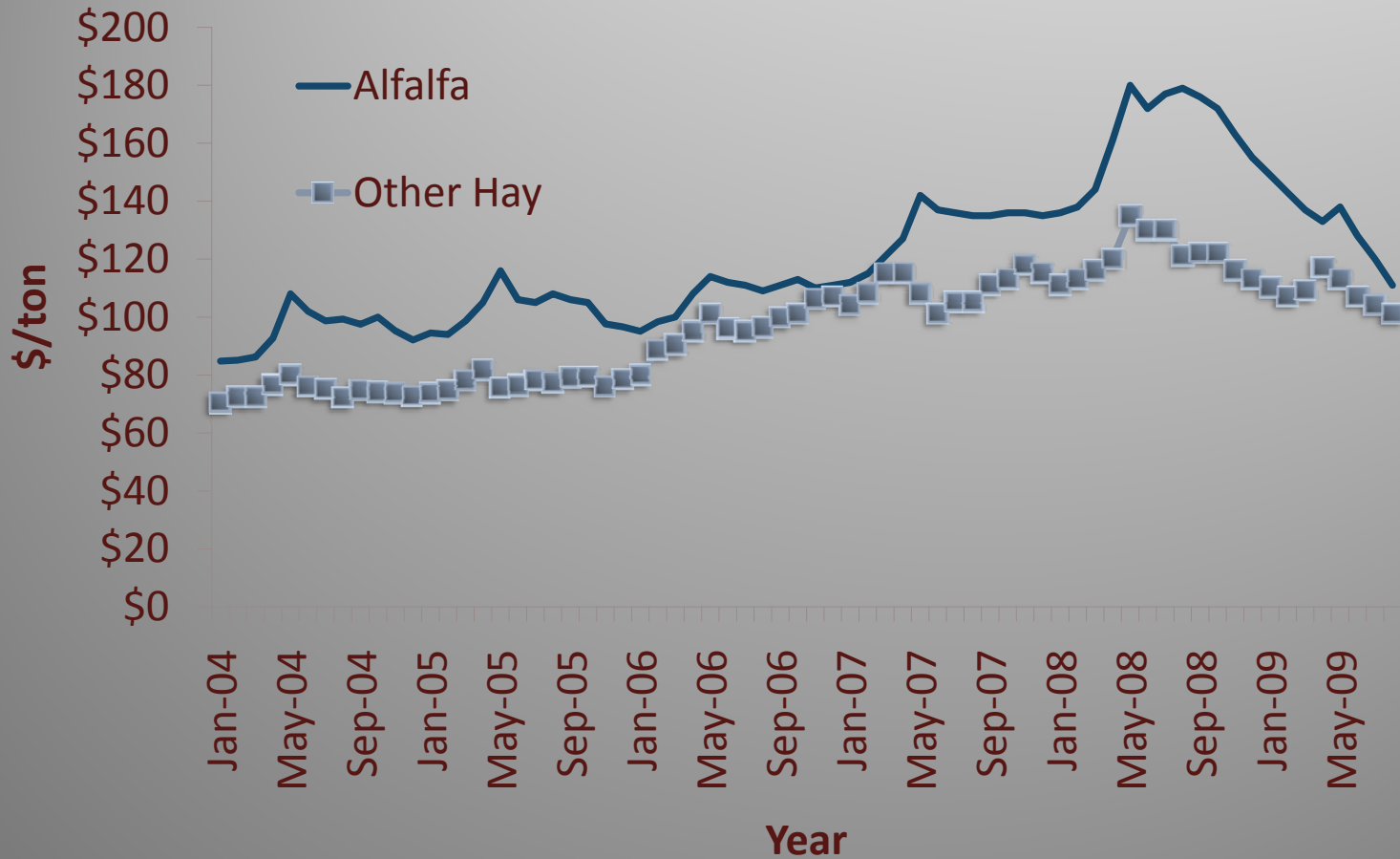
Inputs

Prices have fallen

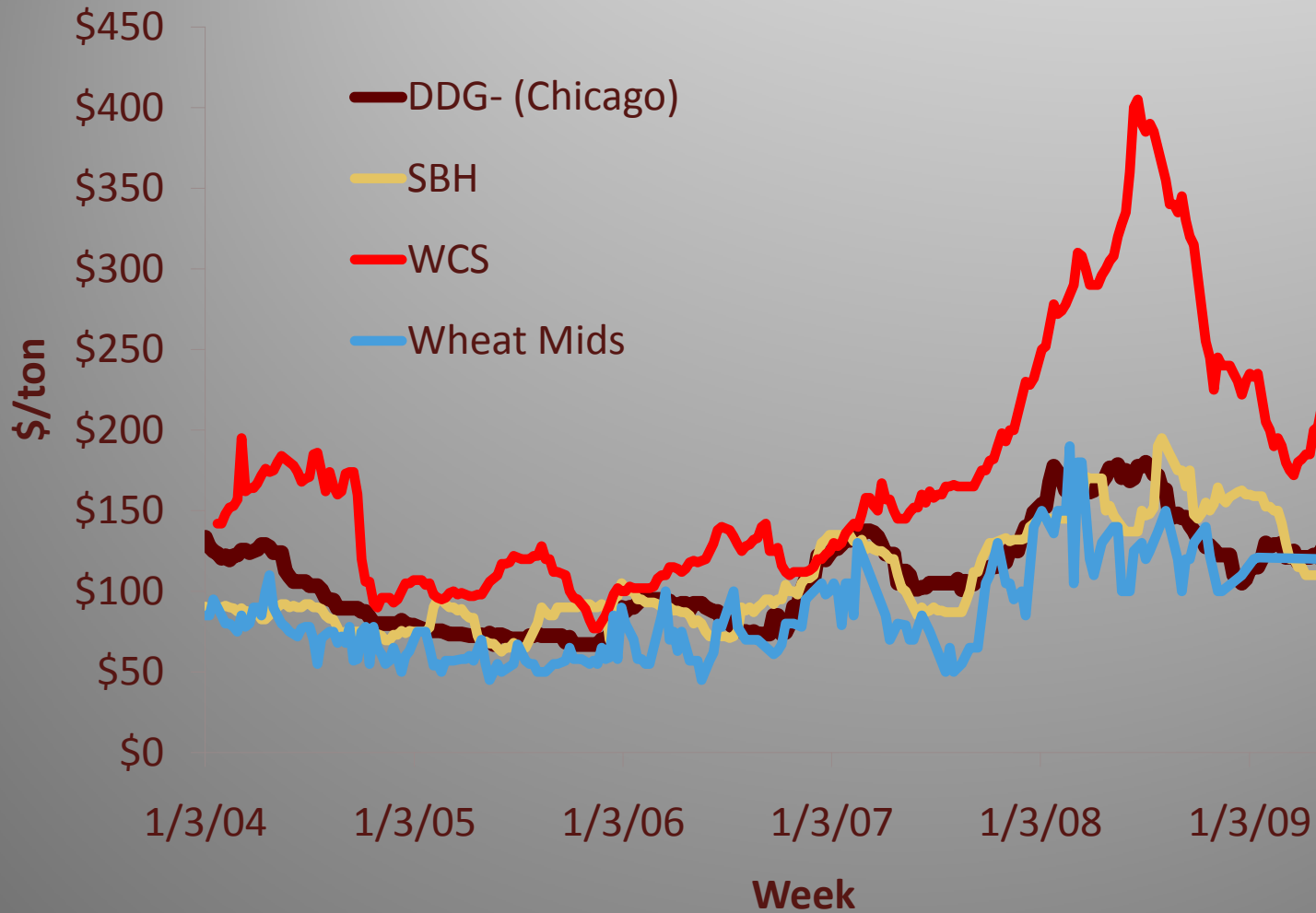
Fertilizer Price



Hay price



By-product feed prices



Outside Markets & Competing Meats

- Unemployment
 - Aug Unemployment was very disappointing: 9.8%
- Consumer disposable income has dropped
 - Savings rate has risen
- How will holiday shopping shape up?
- H1N1 impacts and pork back logs

What To Do?

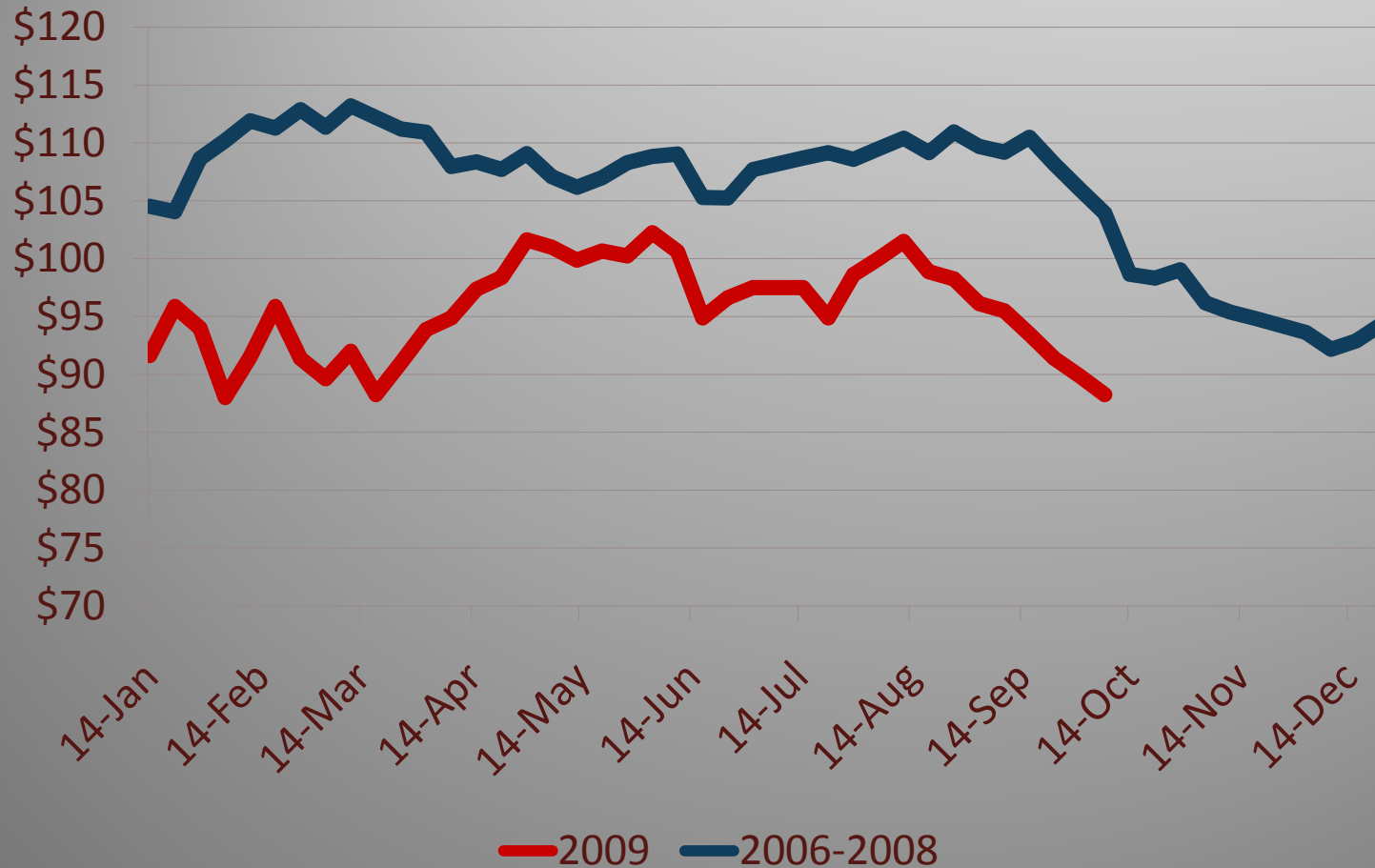
How To Cope

Take control of what you can control

- Can't control consumer spending
 - Can influence with advertising
- Can't control the price you get
 - Utilize the best marketing options to maximize profit
 - Local sale barns, Internet, Specialized sales
 - Minimize price risk
 - Understand how YOUR market works

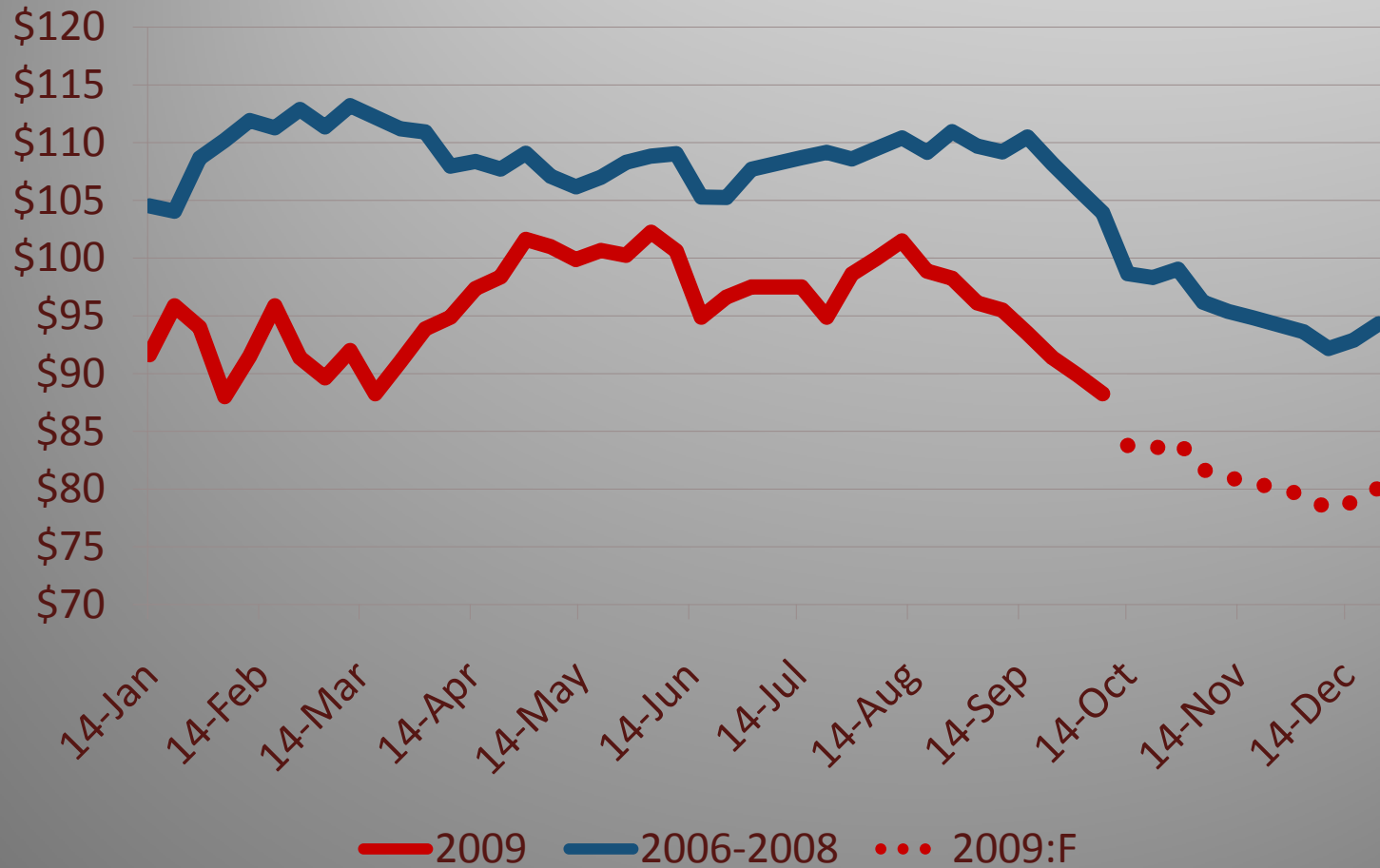
MS Seasonal Price Patterns

550-600 lb steer -- \$/cwt



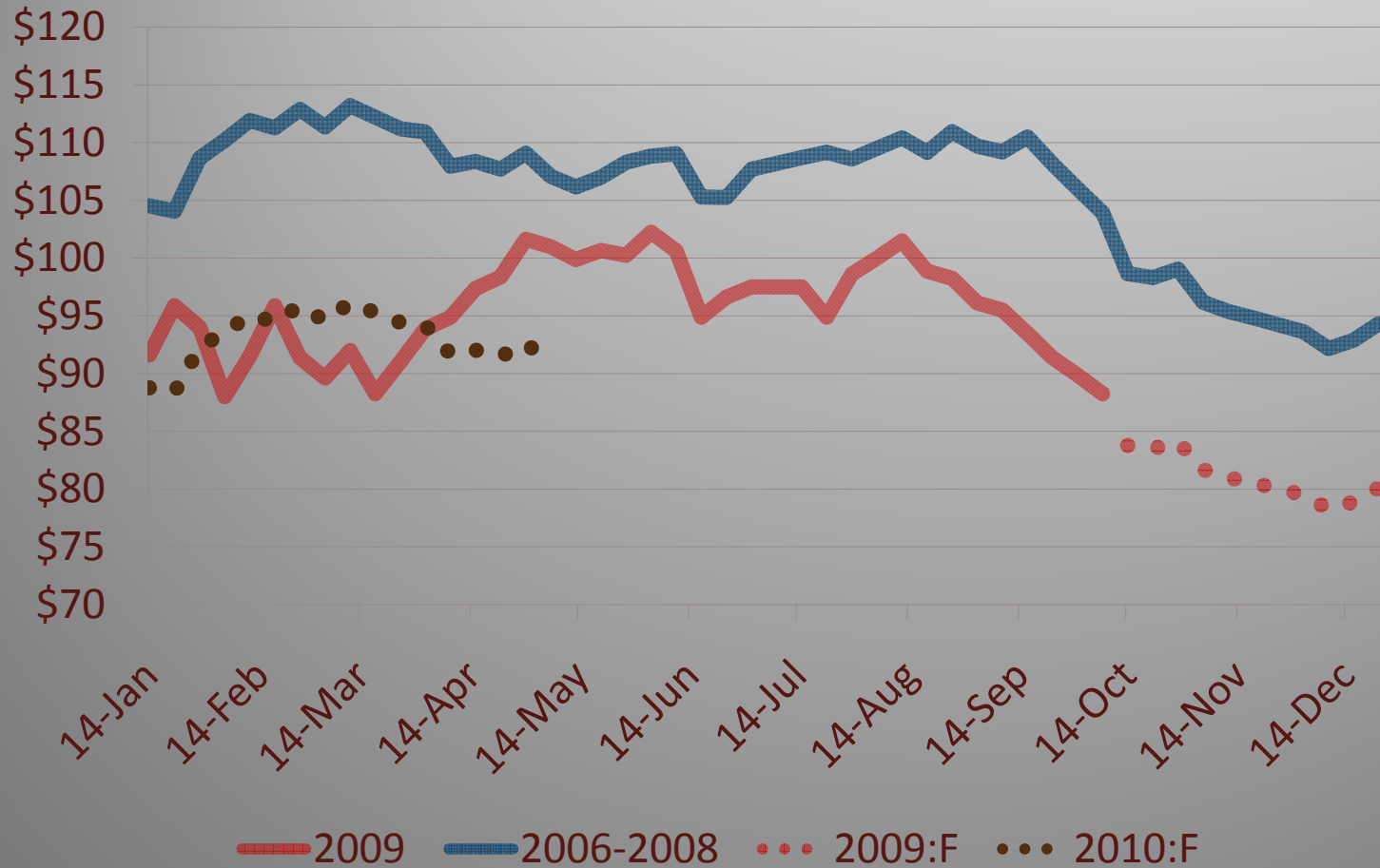
Seasonal Price Patterns

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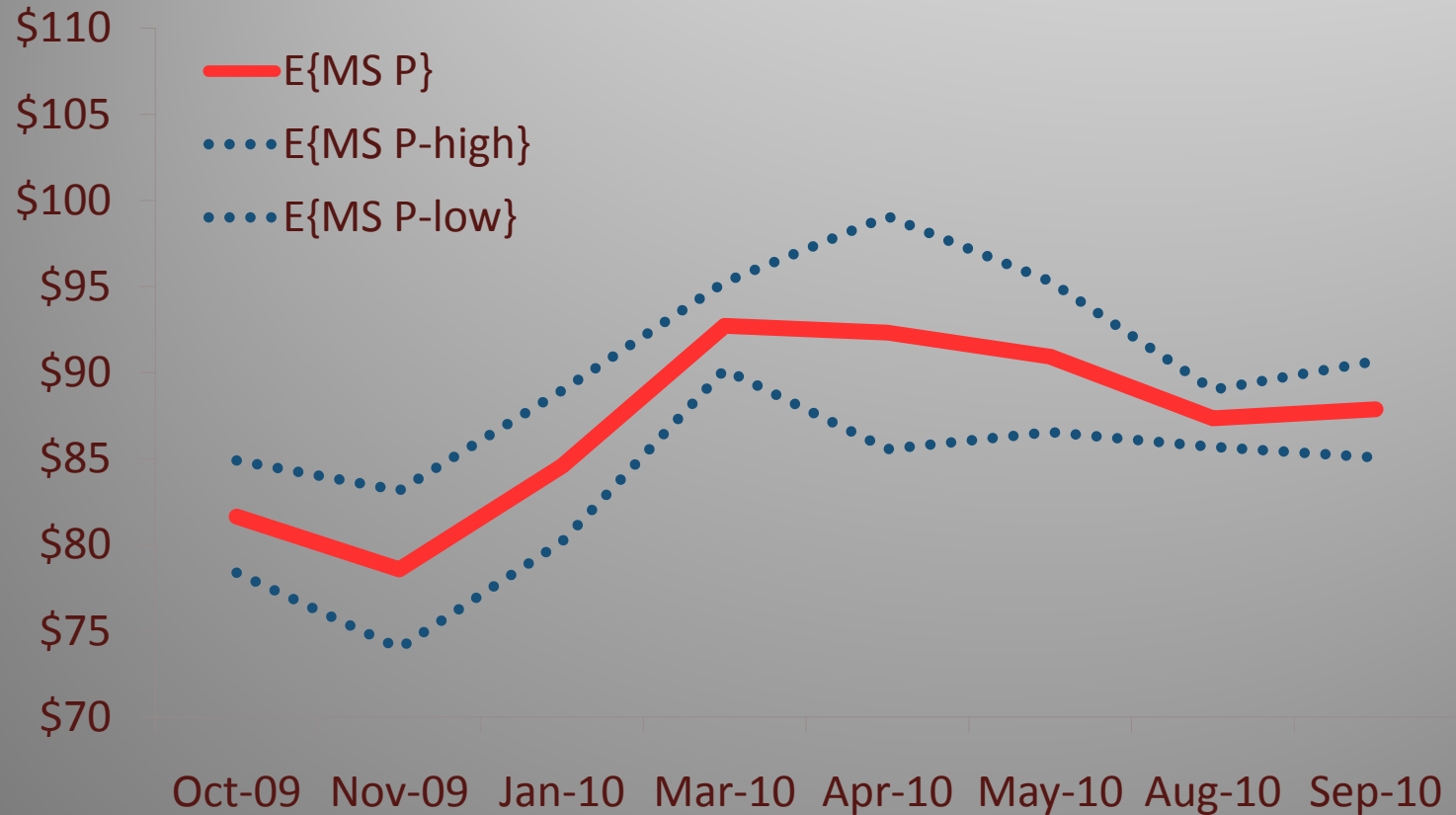
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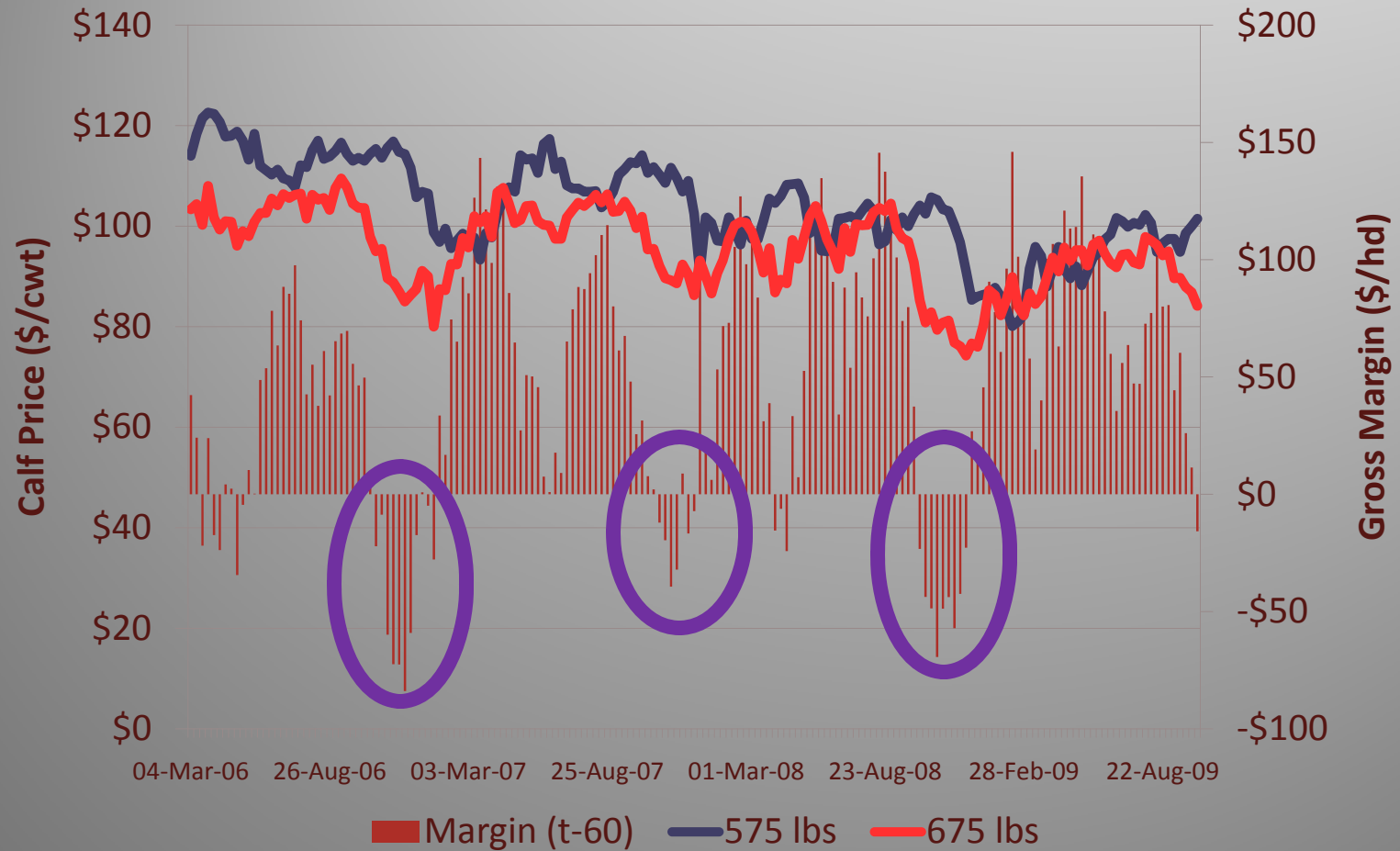
MS Expected Steer Price

:650-700 lb: Using Basis on CME Futures



Gross Margin:

550-600 lb calf to 650-700 lb feeder



Conclusions: How To Cope

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 - Utilize the best marketing options to maximize profit
 - Local sale barns, Internet, Specialized sales
 - Minimize price risk
 - Understand how YOUR market works
- Must Become Better Managers
 - Can control the production risk and costs with proper management