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December 1999

Market Outlook and Factors That Impact Cattle Prices

Randy Blach

Cattle FAX, Denver, Colorado

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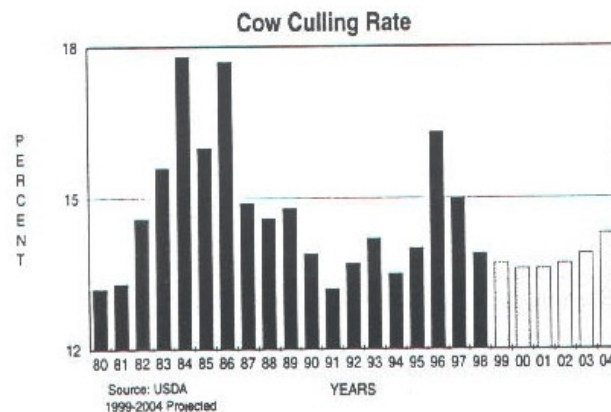
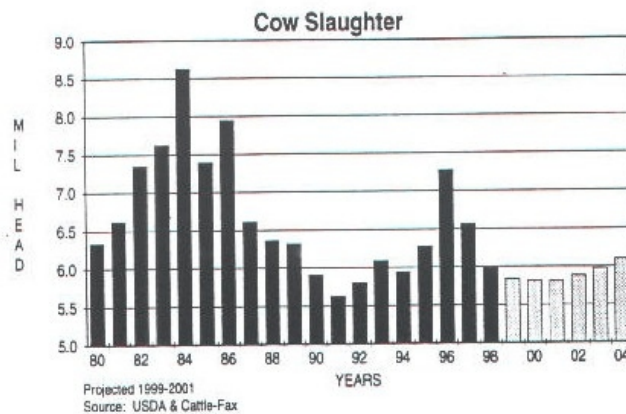
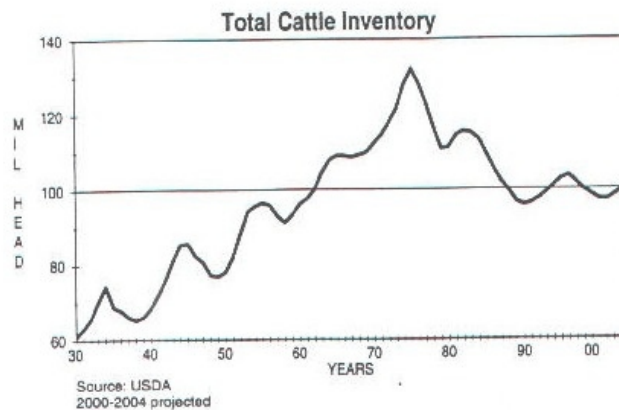
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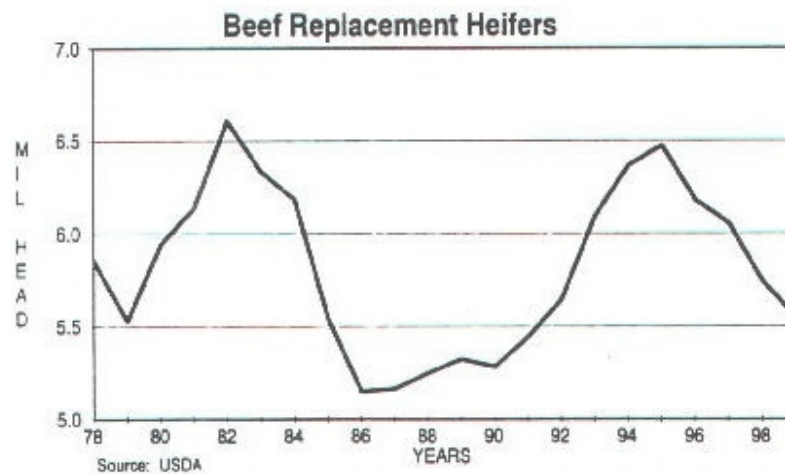
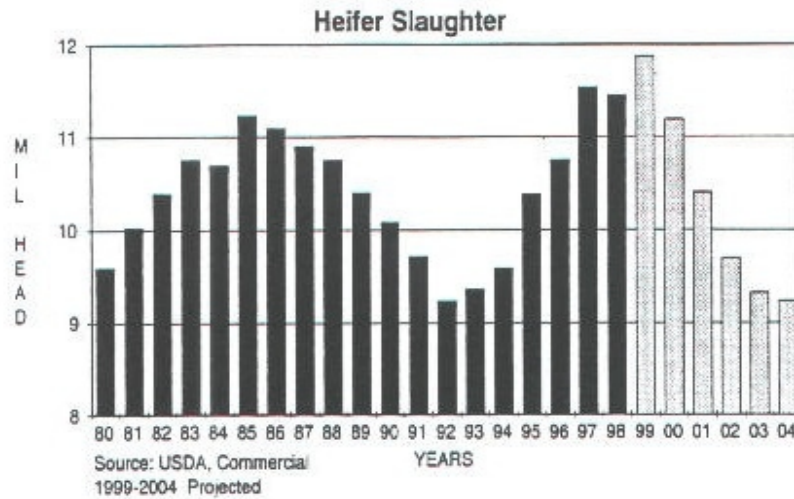
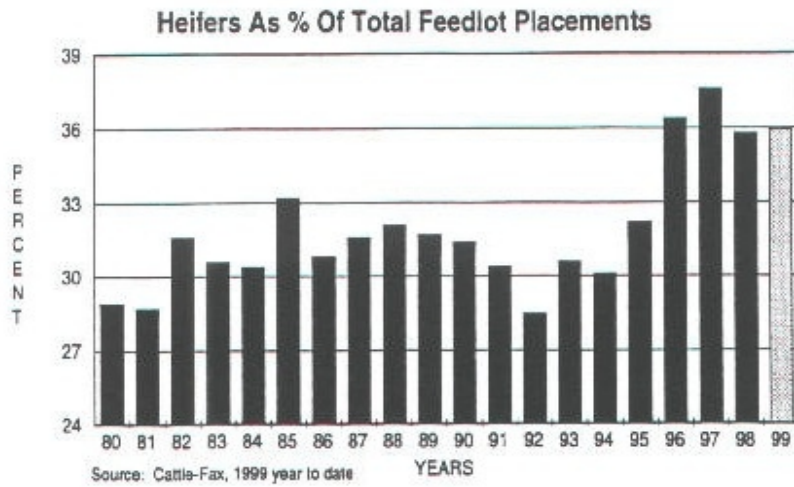
Proceedings, The Range Beef Cow Symposium XVI
December 14, 15 and 16, 1999 Greeley, Colorado

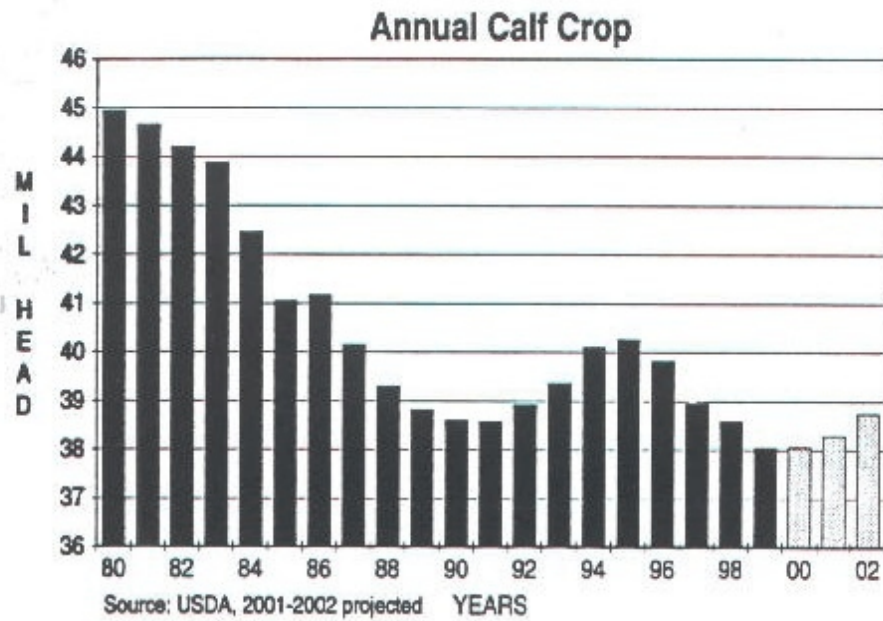
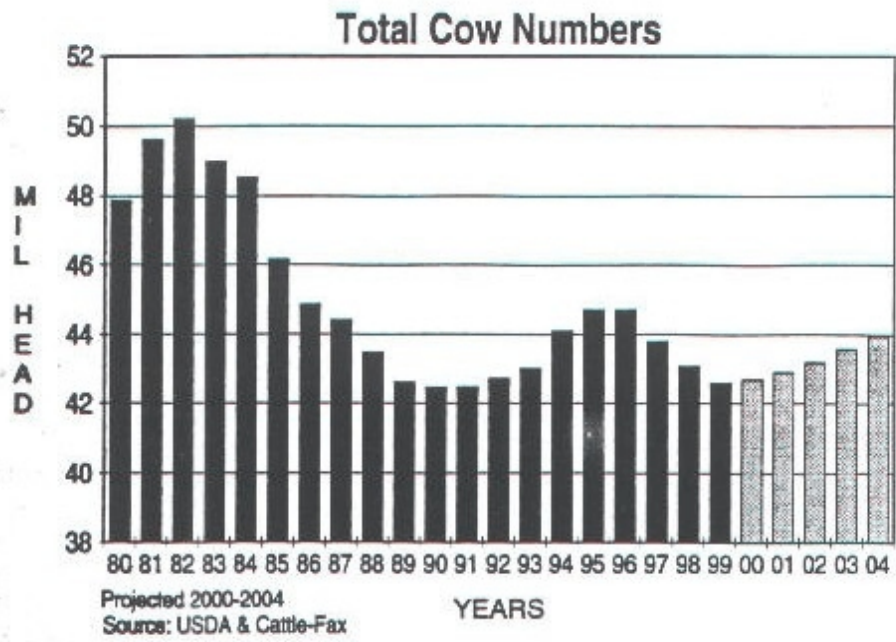
MARKET OUTLOOK AND FACTORS THAT IMPACT CATTLE PRICES

Randy Blach
Cattle FAX
Denver, Colorado

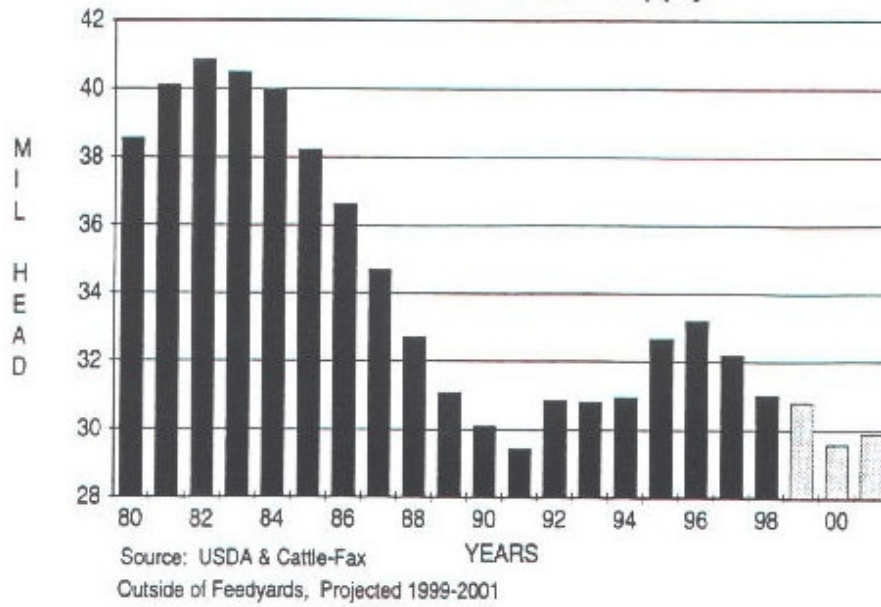
Cattle Number's and Meat Supply



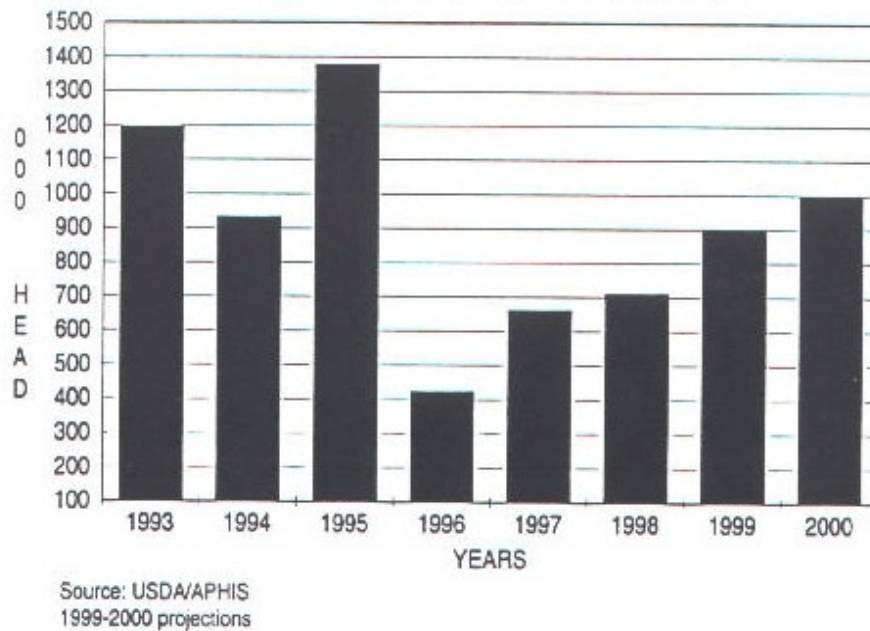




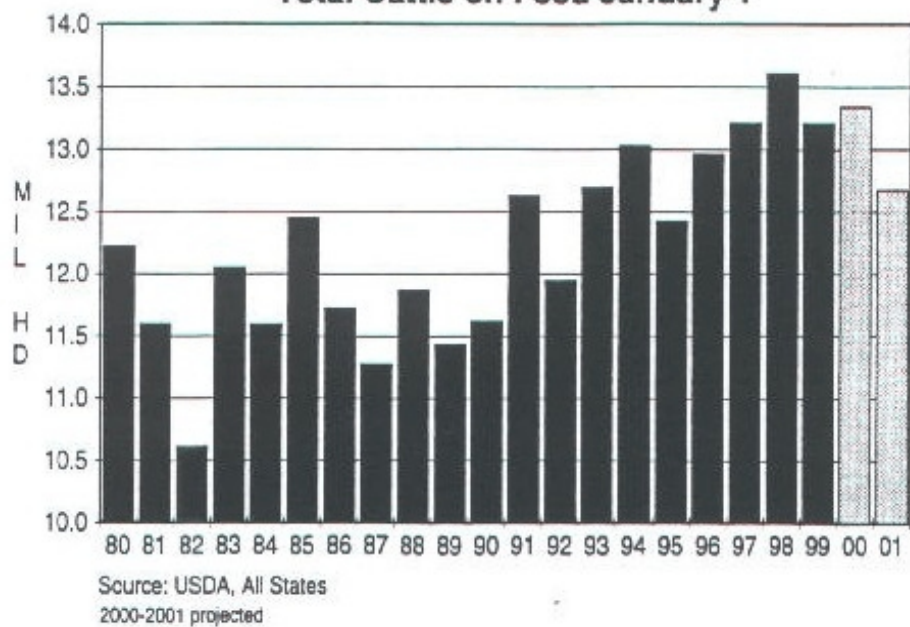
Feeder Cattle and Calf Supply



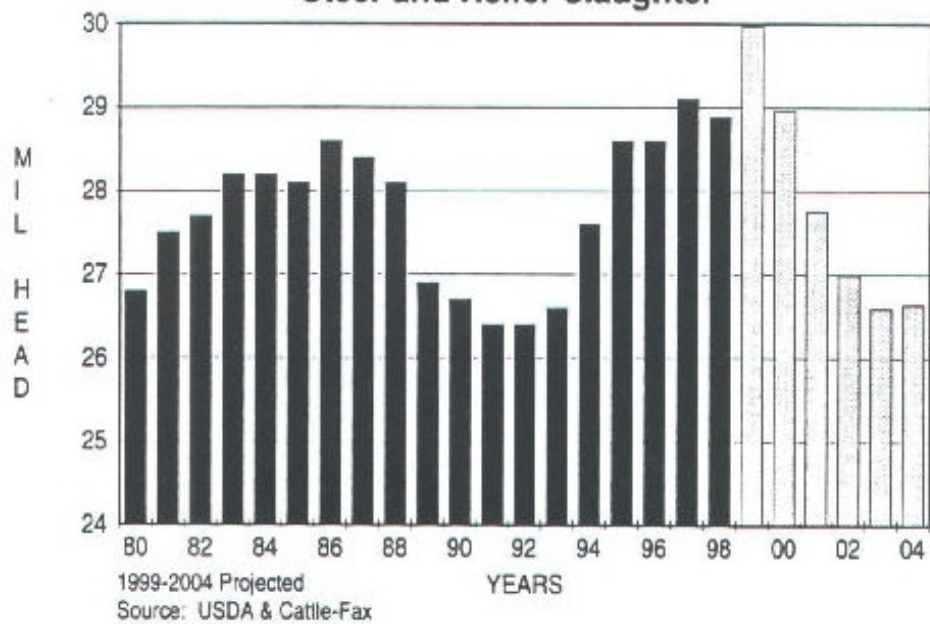
Feeder Cattle Imports From Mexico

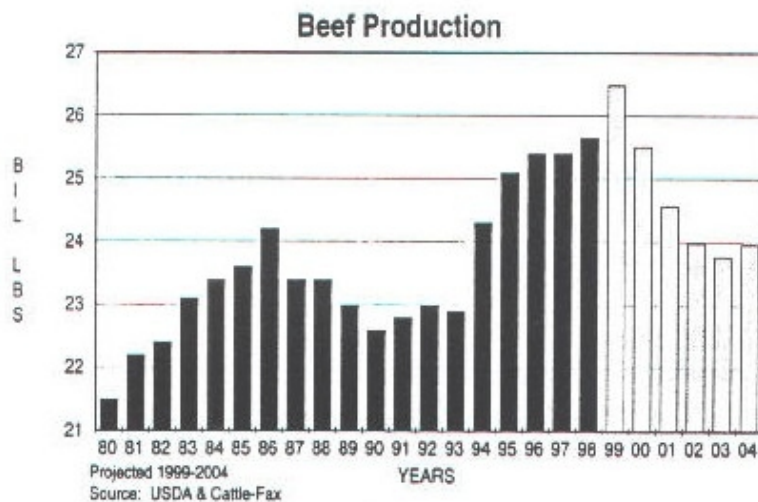
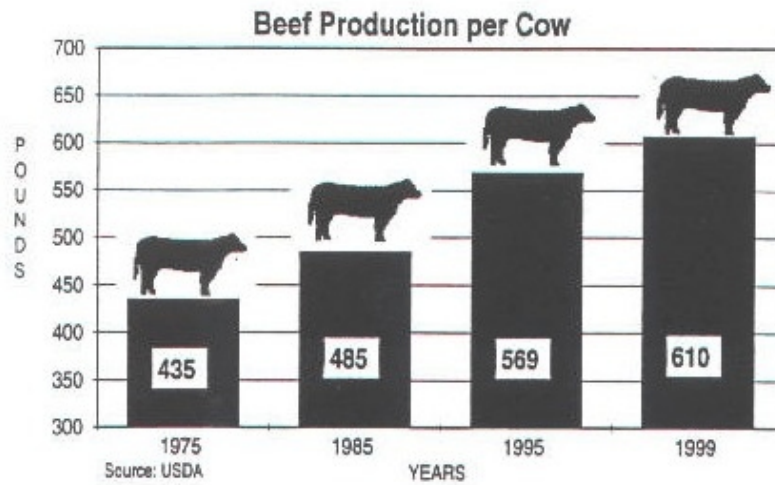
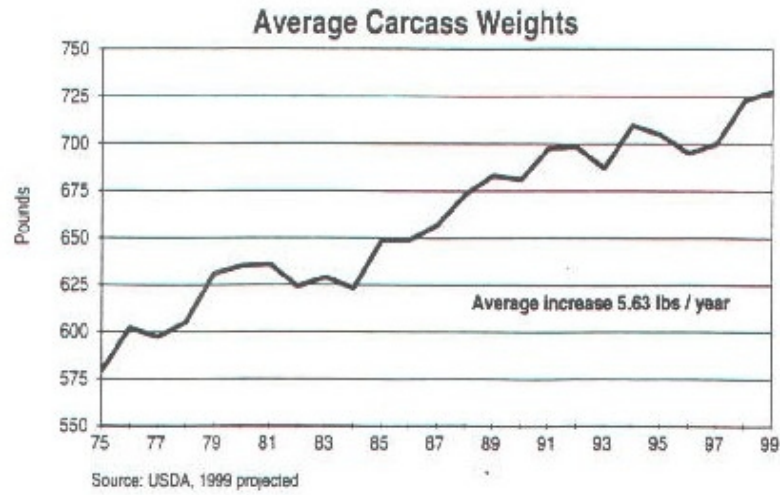


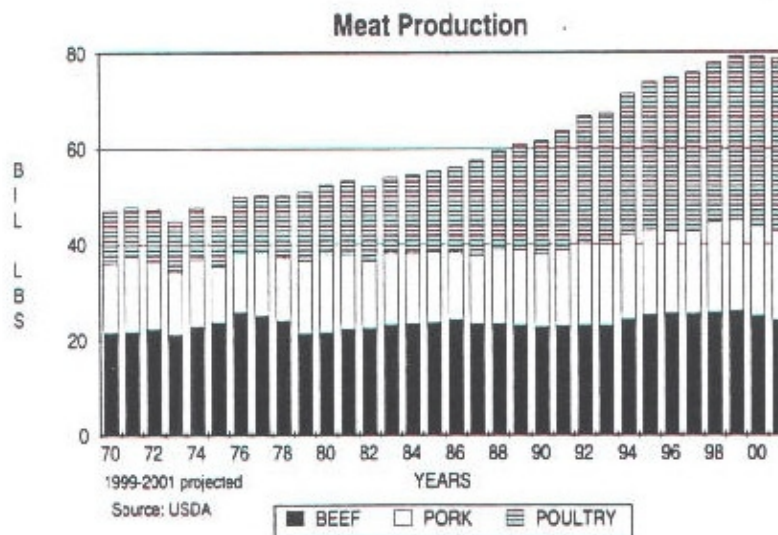
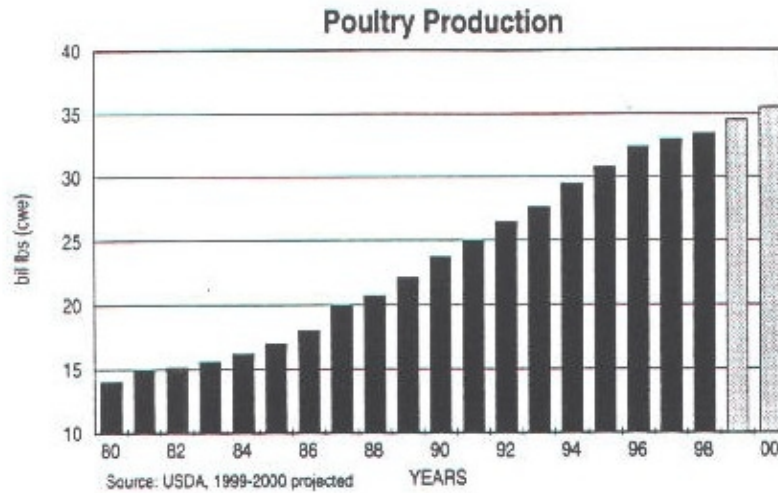
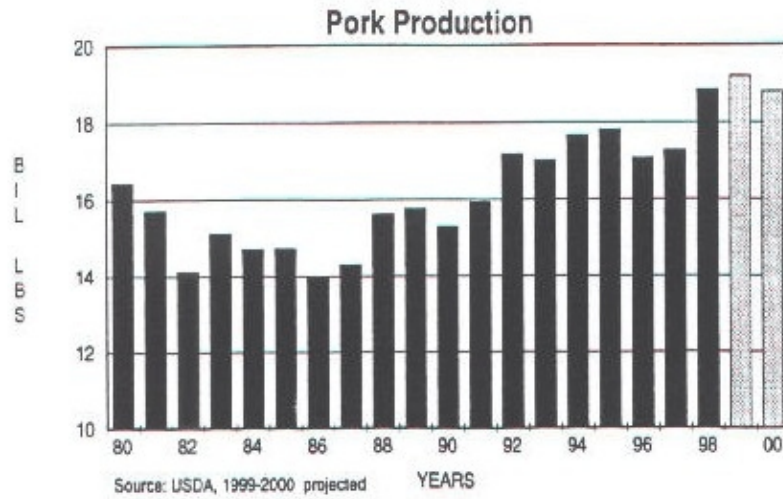
Total Cattle on Feed January 1



Steer and Heifer Slaughter

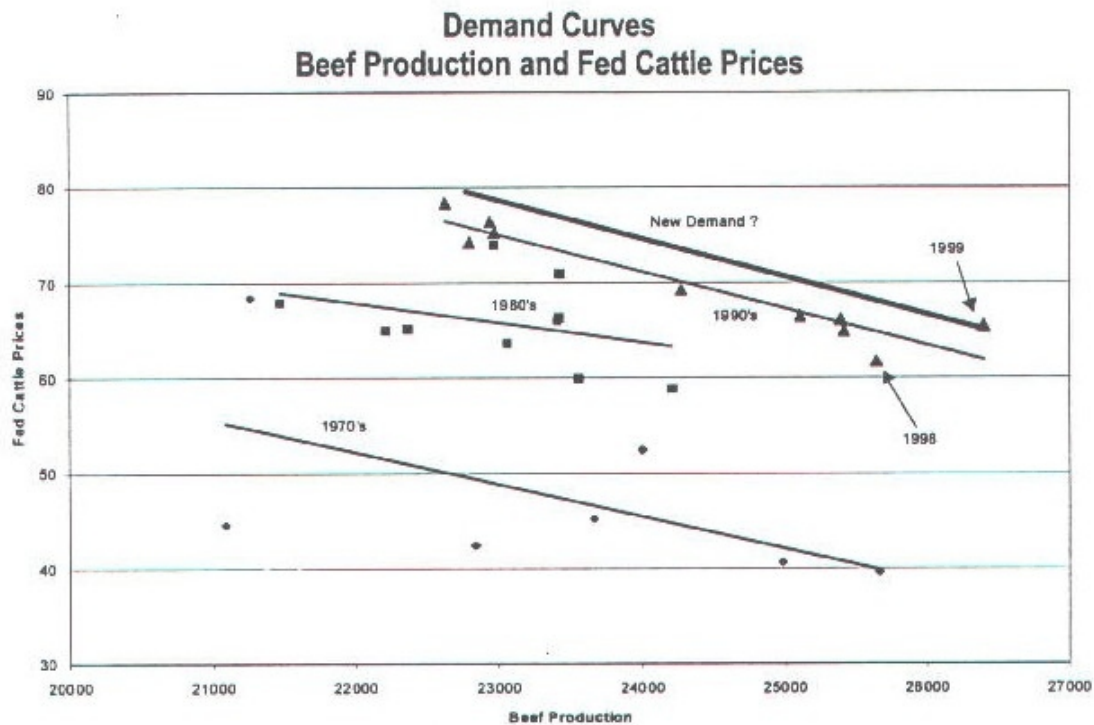


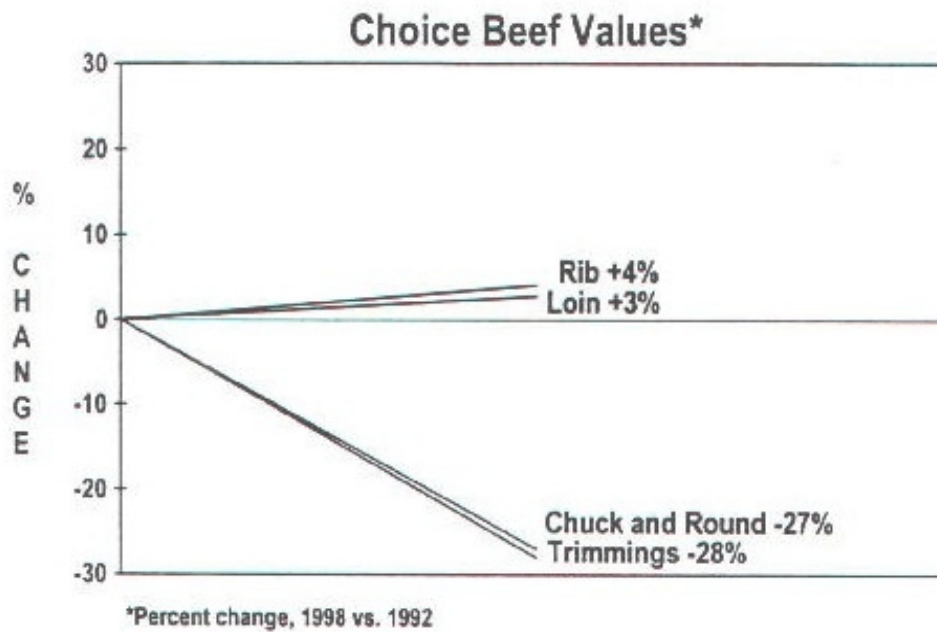
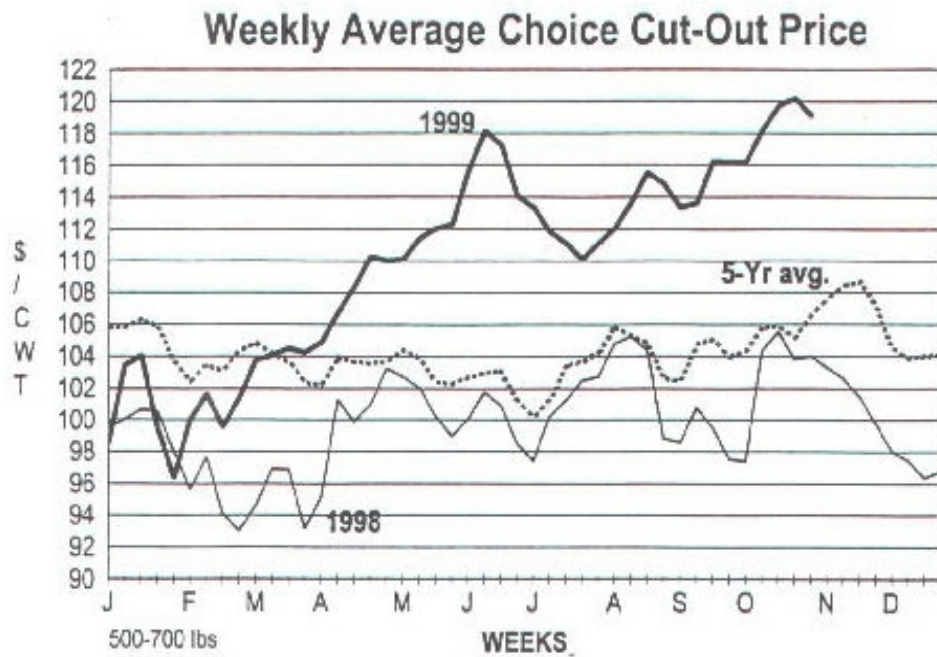




Demand Drivers

- ✓ Great domestic economy
- ✓ Branded products
- ✓ Pre-cooked and/or pre-marinated
- ✓ Simplified meat case
- ✓ Rebounding Asian Economies
- ✓ Russian Food Aid
- ✓ Millennium Hype

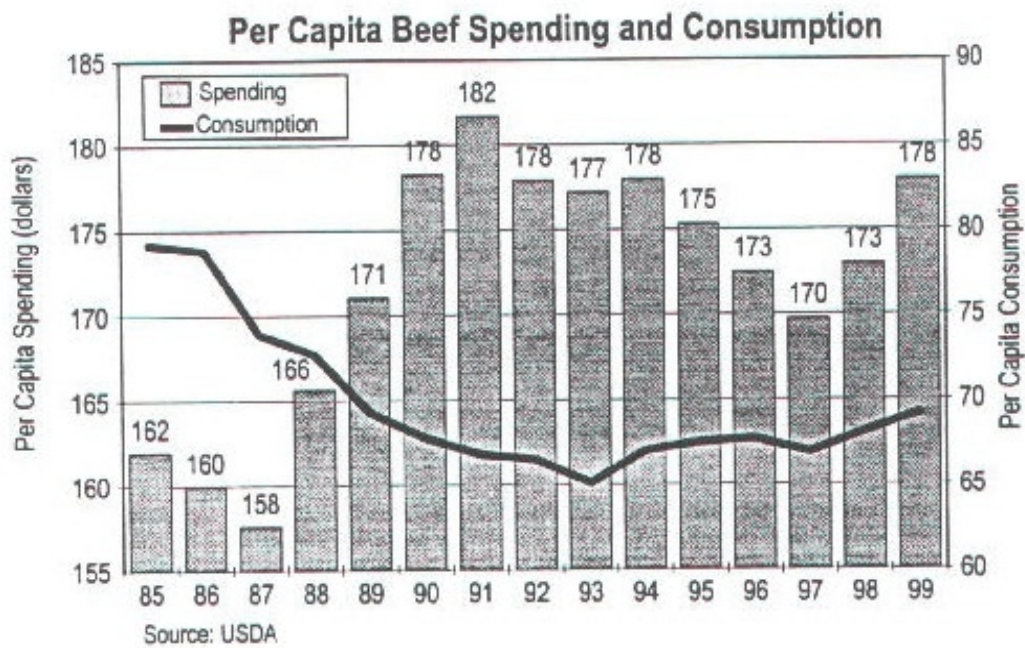




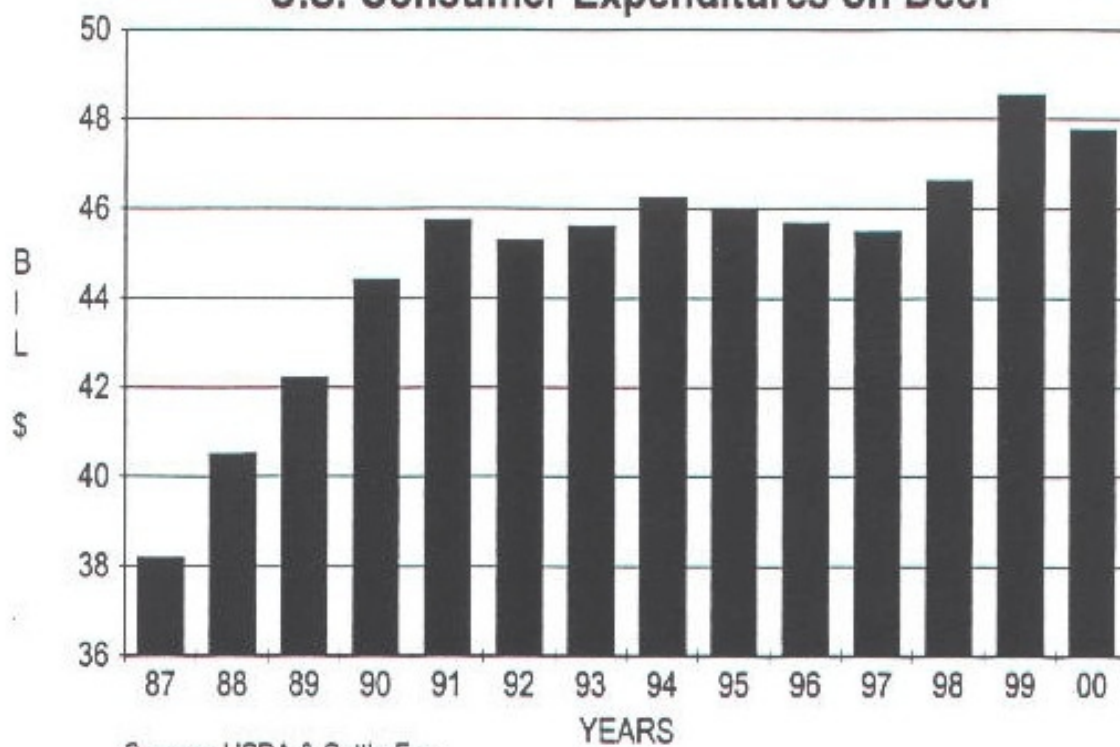
Market Share of Meat Spending

	1980	1985	1990	1998	1999*
Beef	53.9	50.3	45.4	39.8	40.0
Pork	26.9	26.2	27.0	29.5	28.4
Chicken	16.1	19.5	23.1	26.3	27.4
Turkey	3.1	4.0	4.5	4.4	4.2

*January through September



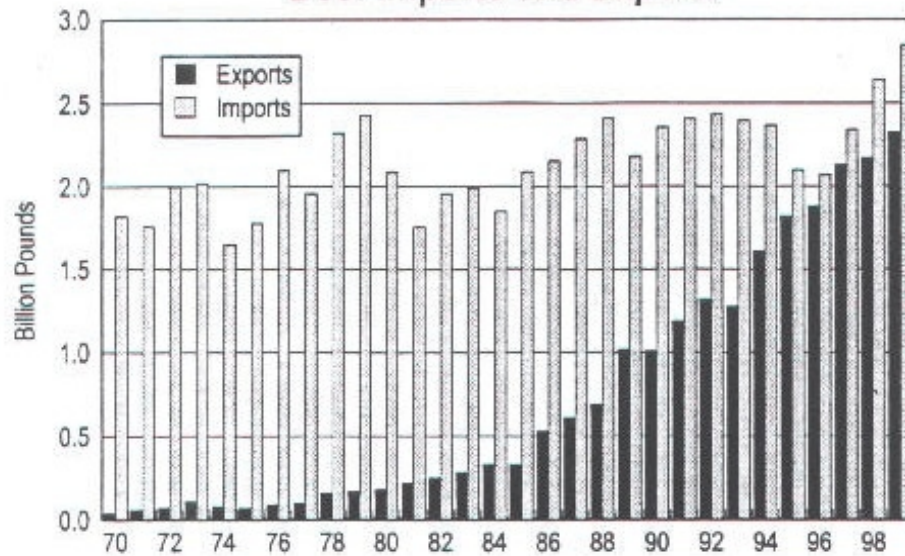
U.S. Consumer Expenditures on Beef



Source: USDA & Cattle-Fax

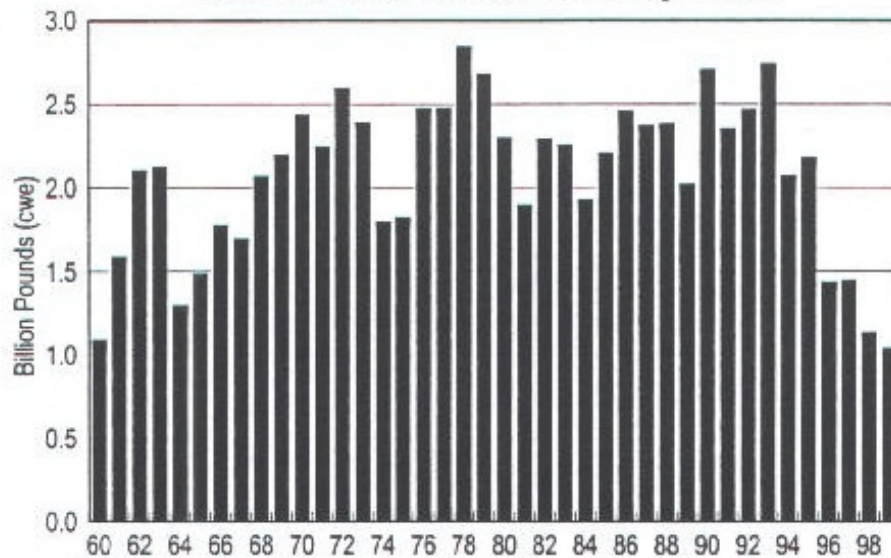
Domestic disappearance valued at all-fresh retail price, 1999-2000 projected

Beef Imports and Exports



Source: USDA/ERS, 1999 projected

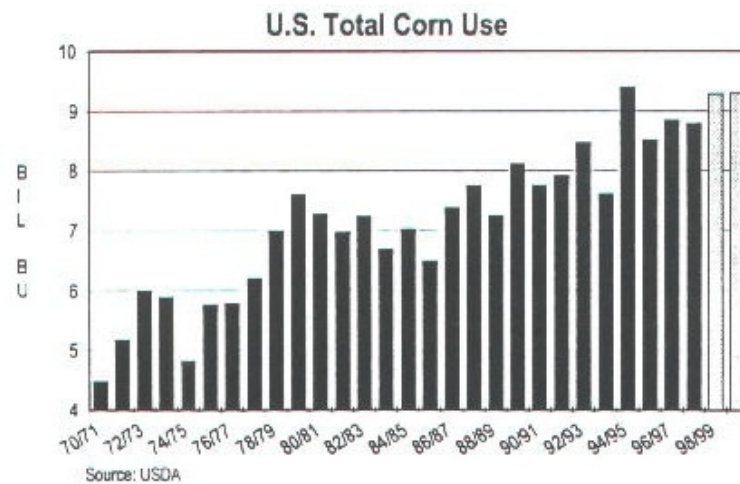
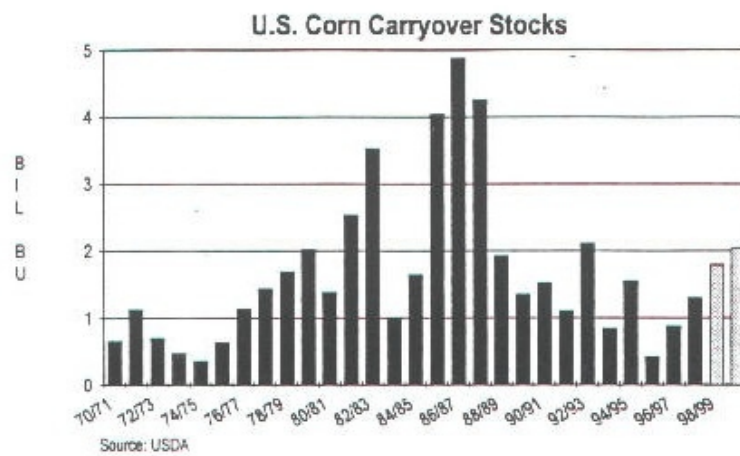
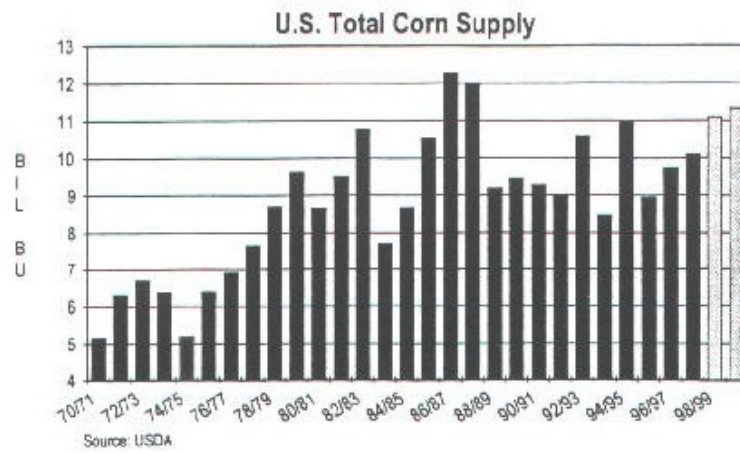
Net beef import volumes in recent years have been the lowest since the early 1960s



Net beef imports includes beef equivalent of live cattle trade

Source: USDA, 1999

Feedgrain



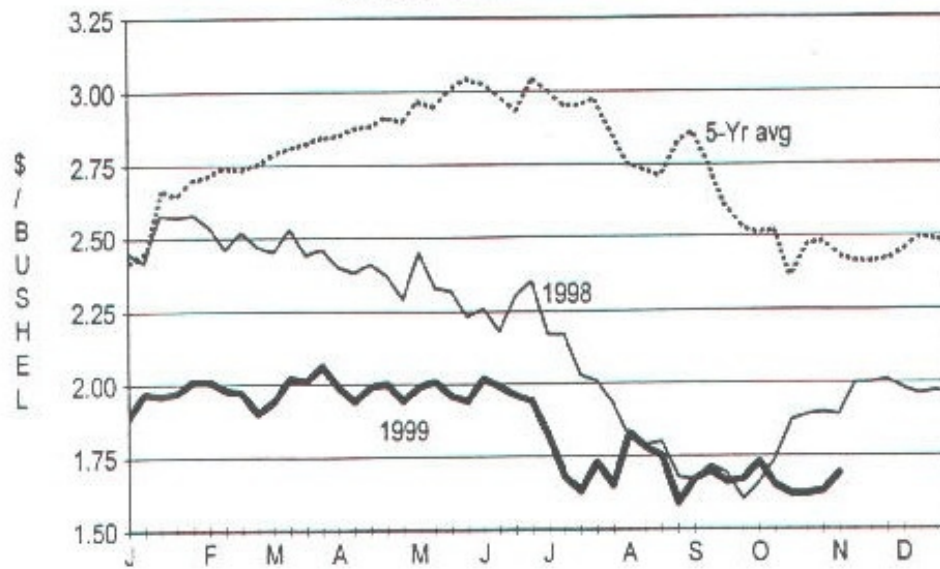
Breakeven Purchase Price
550 lb Steer

Fed Price	Corn Price \$/bu						
	1.60	1.80	2.00	2.20	2.40	2.60	2.80
66.00	90.56	87.54	84.52	81.50	78.48	75.46	72.44
68.00	94.31	91.29	88.27	85.25	82.23	79.21	76.19
70.00	98.06	95.04	92.02	89.00	85.98	82.96	79.94
72.00	101.81	98.79	95.77	92.75	89.73	86.71	83.69
74.00	105.56	102.54	99.52	96.50	93.48	90.46	87.44
76.00	109.31	106.29	103.27	100.25	97.23	94.21	91.19

Breakeven Purchase Price
750 lb Steer

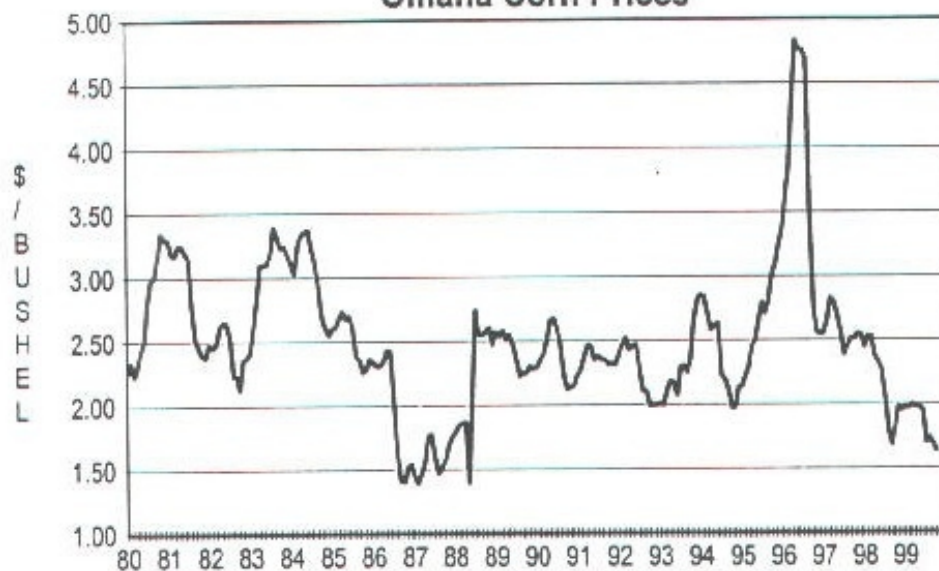
Fed Price	Corn Price \$/bu						
	1.60	1.80	2.00	2.20	2.40	2.60	2.80
66.00	78.48	76.83	75.18	73.53	71.88	70.23	68.58
68.00	81.43	79.78	78.13	76.48	74.83	73.18	71.53
70.00	84.38	82.73	81.08	79.43	77.78	76.13	74.48
72.00	87.33	85.68	84.03	82.38	80.73	79.08	77.43
74.00	90.28	88.63	86.98	85.33	83.68	82.03	80.38
76.00	93.28	91.58	89.93	88.28	86.63	84.98	83.33

Weekly Omaha Cash Corn



Source: USDA

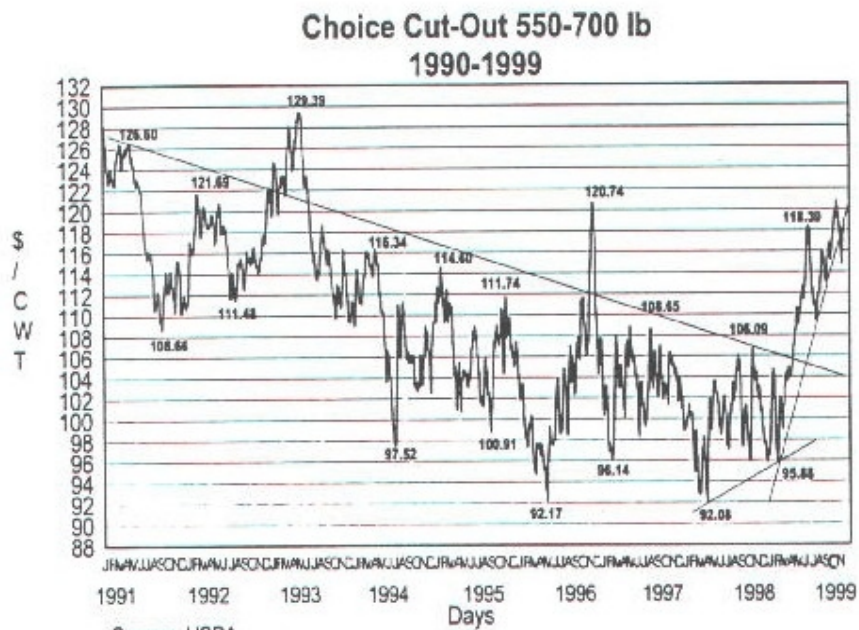
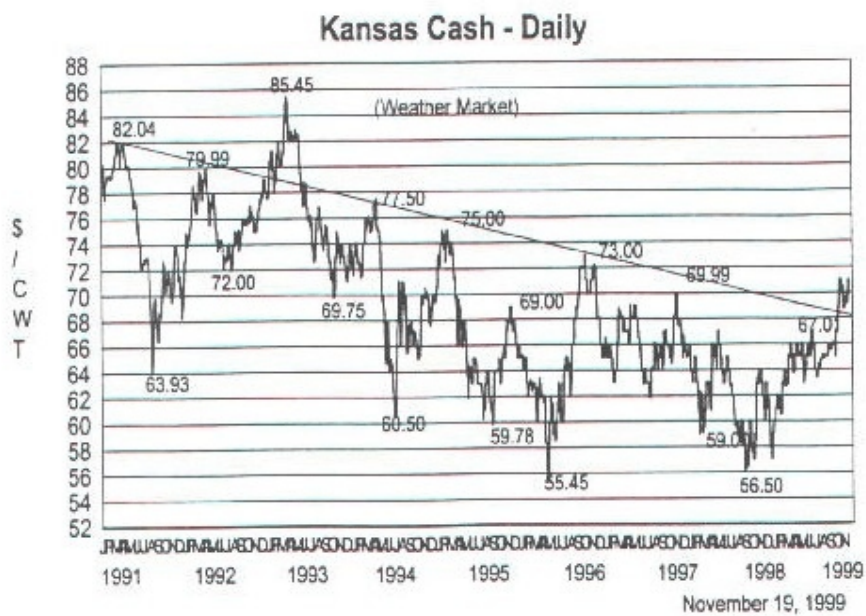
Omaha Corn Prices

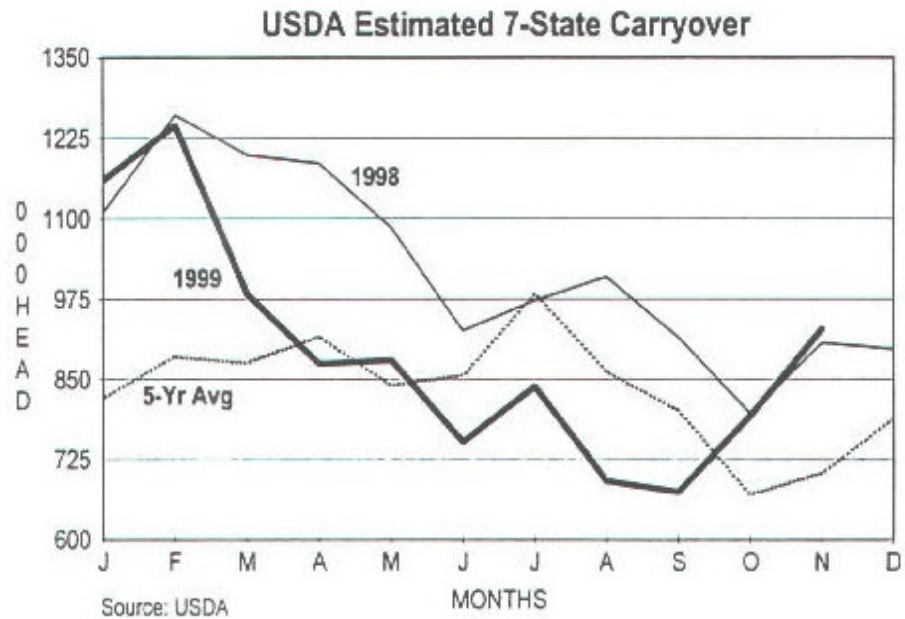
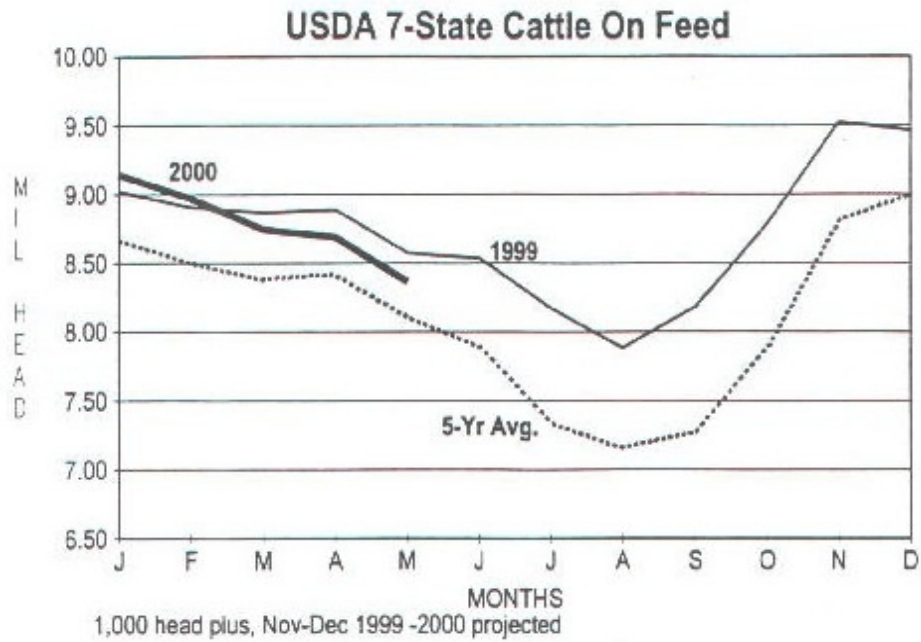


Source: USDA

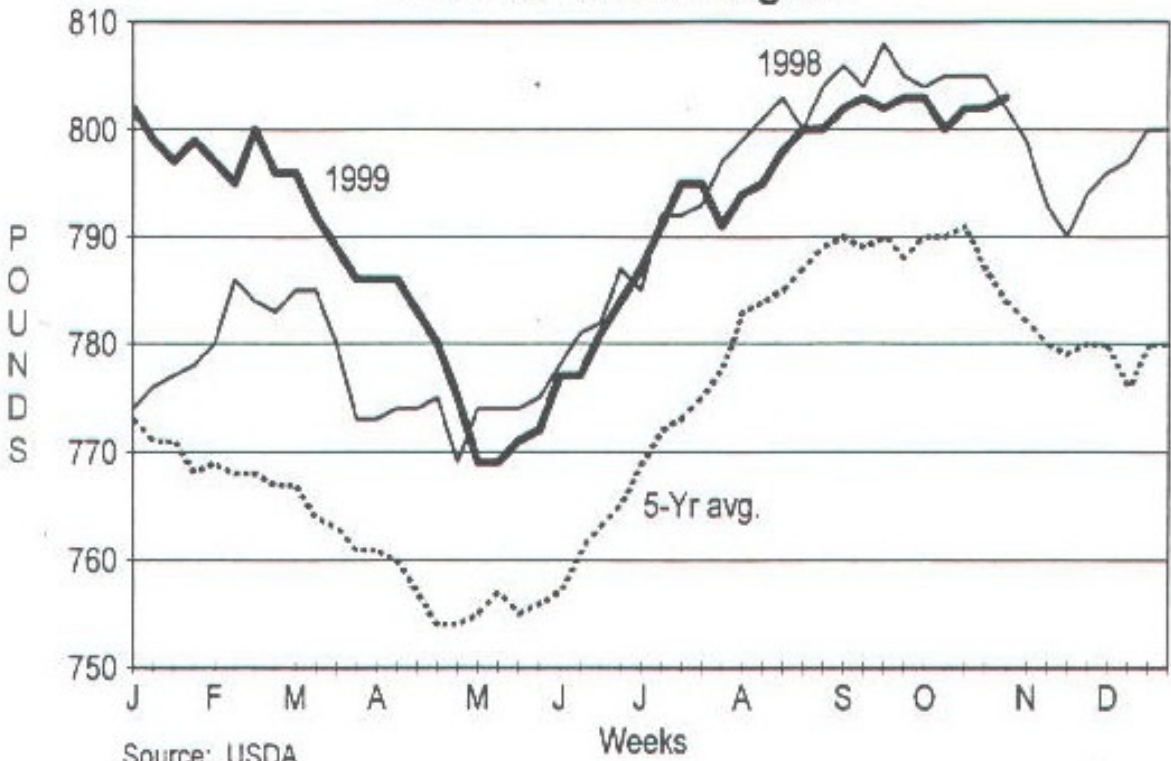
MONTHS

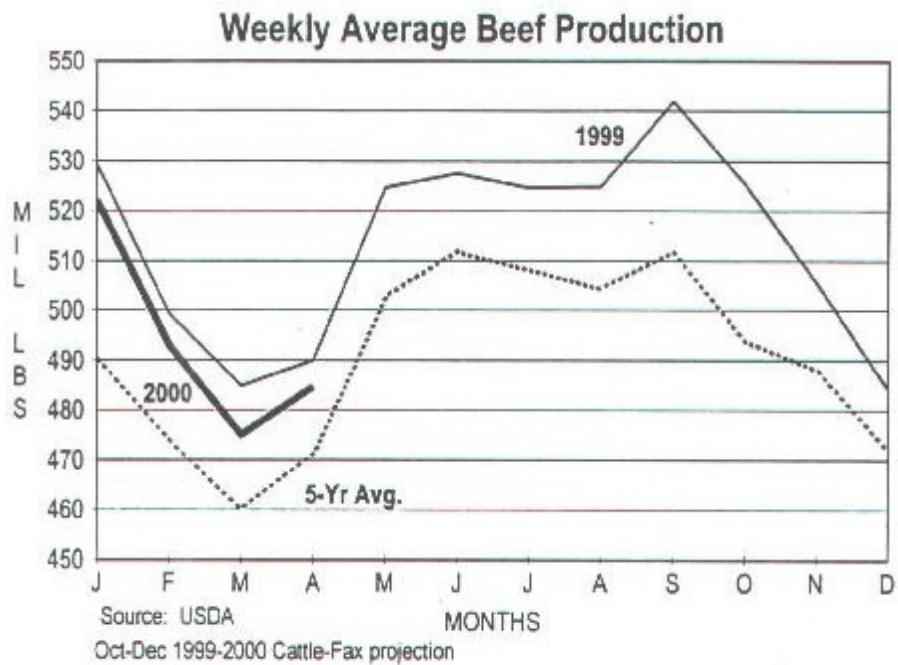
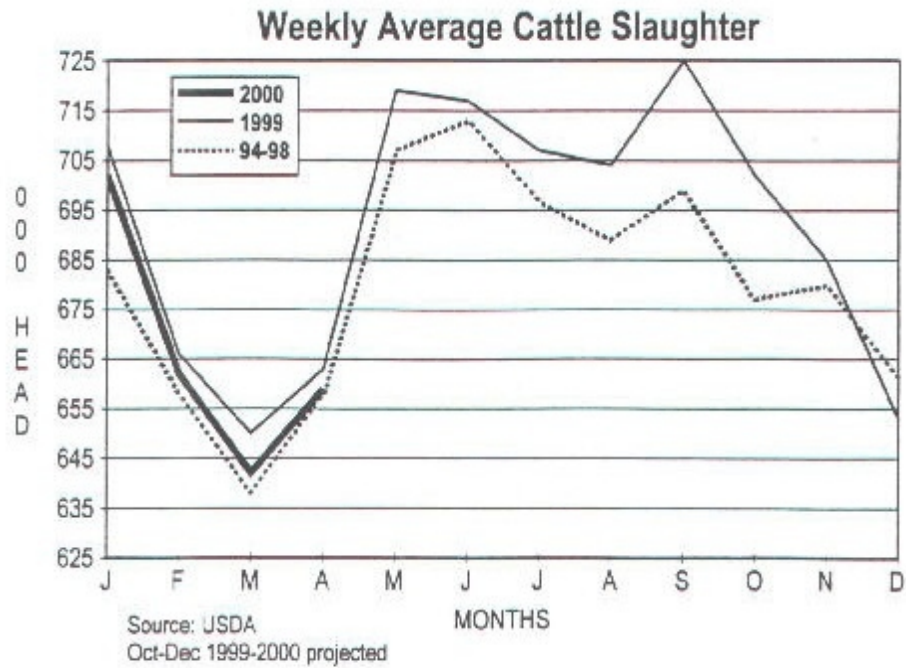
Outlook 2000



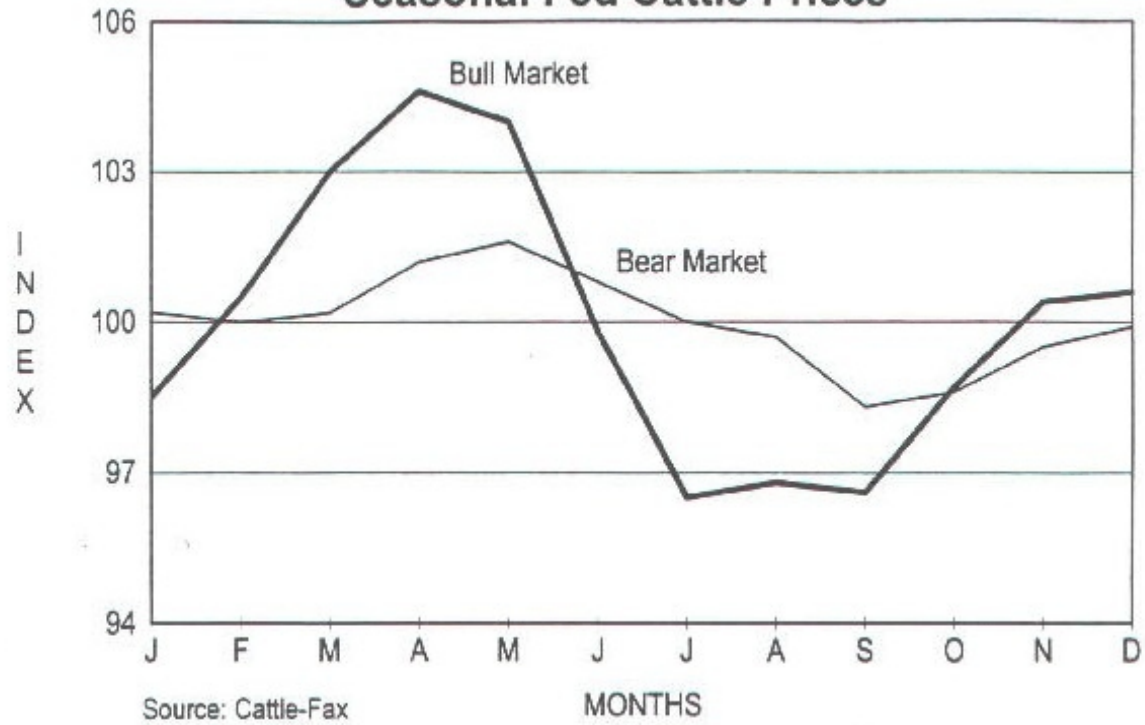


Steer Carcass Weights

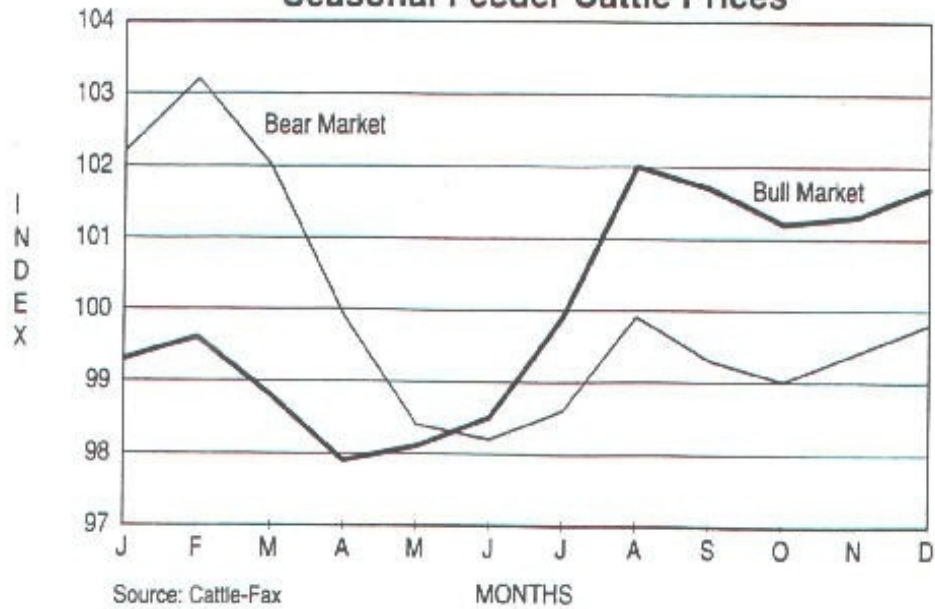




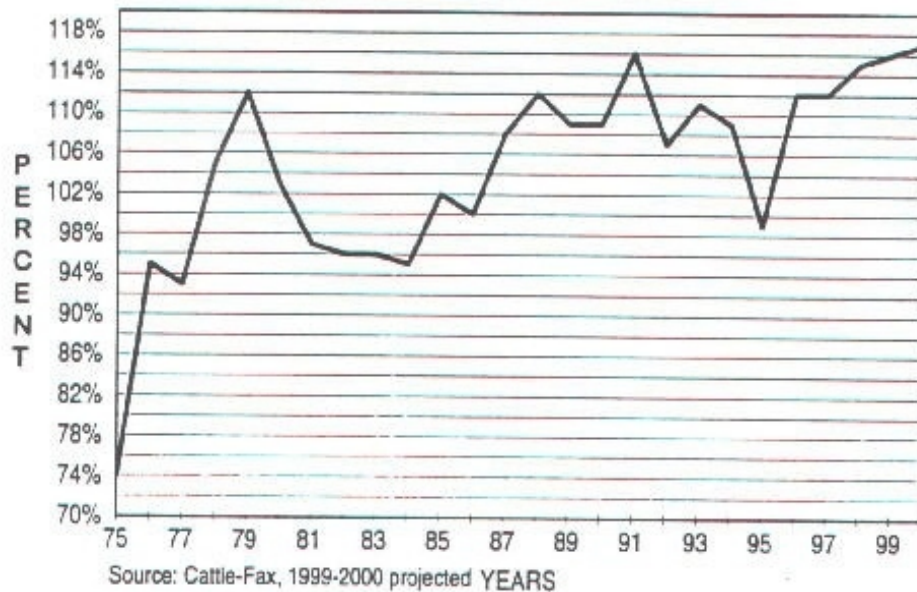
Seasonal Fed Cattle Prices



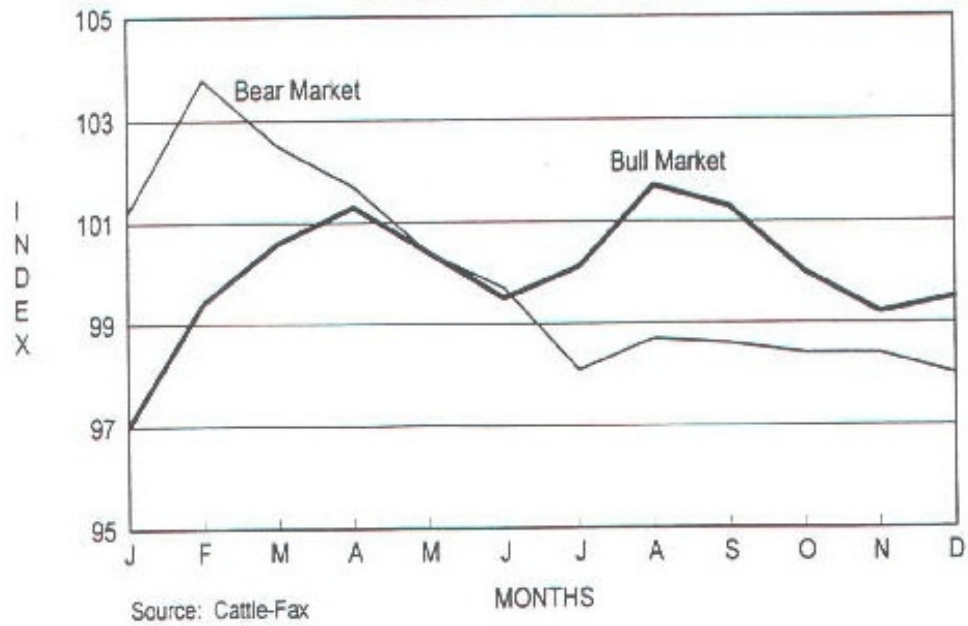
Seasonal Feeder Cattle Prices



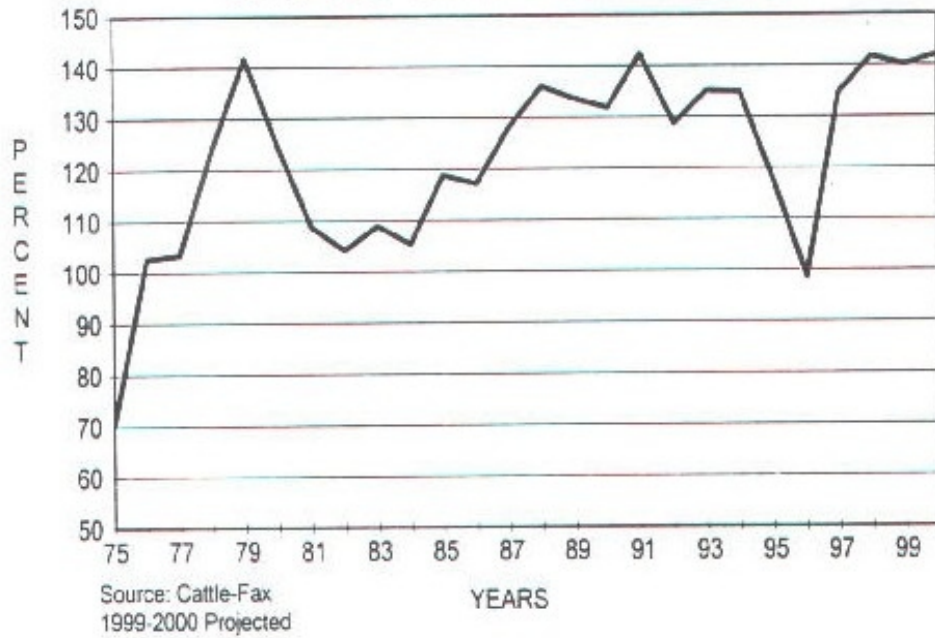
750 lb Steer as Percent of Fed Steer

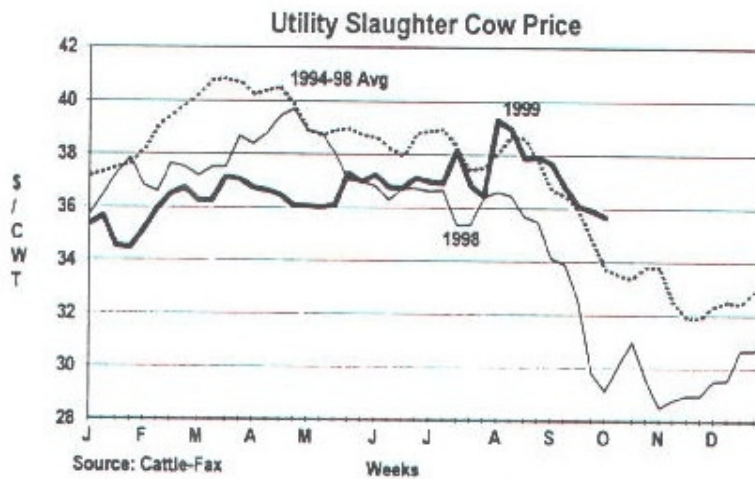
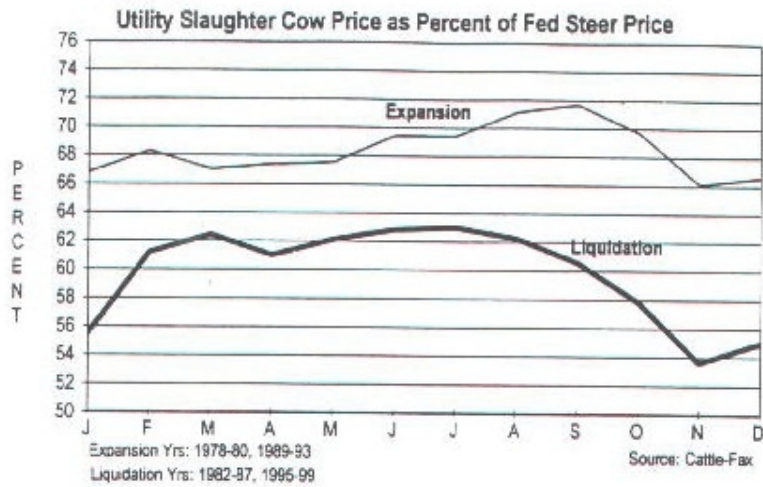
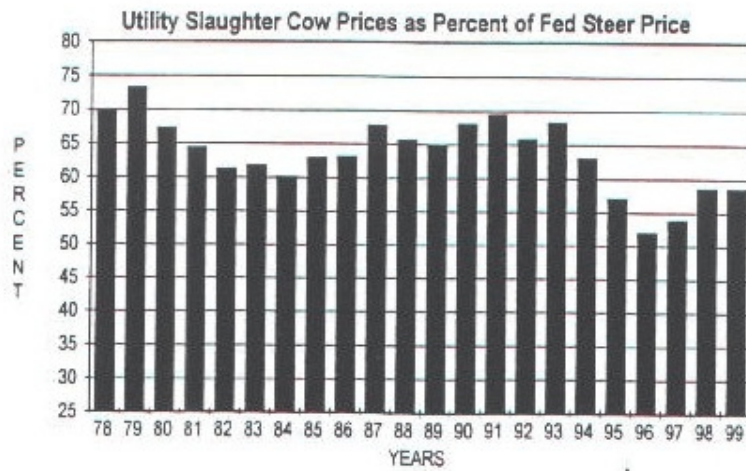


Seasonal Calf Prices

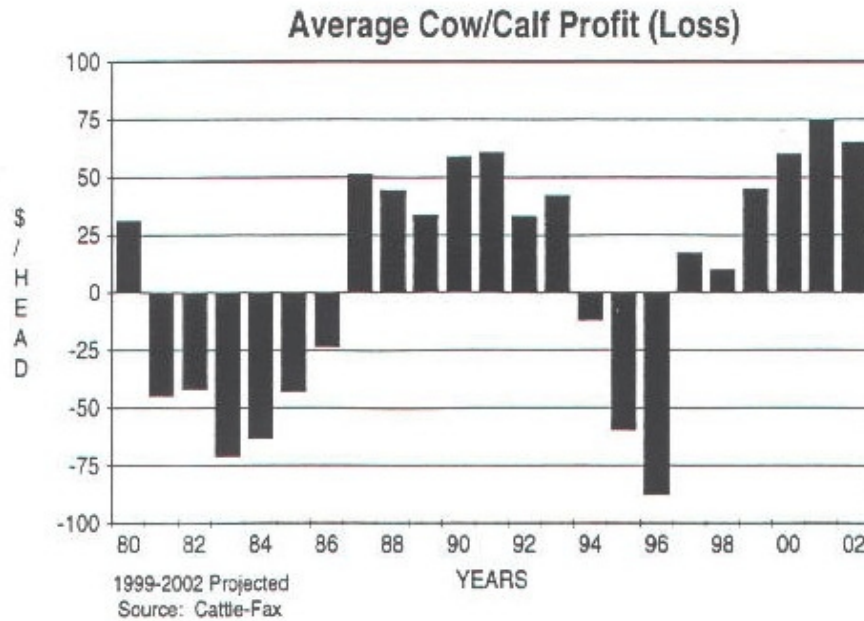


450 lb Steer Calf as Percent of Fed Steer





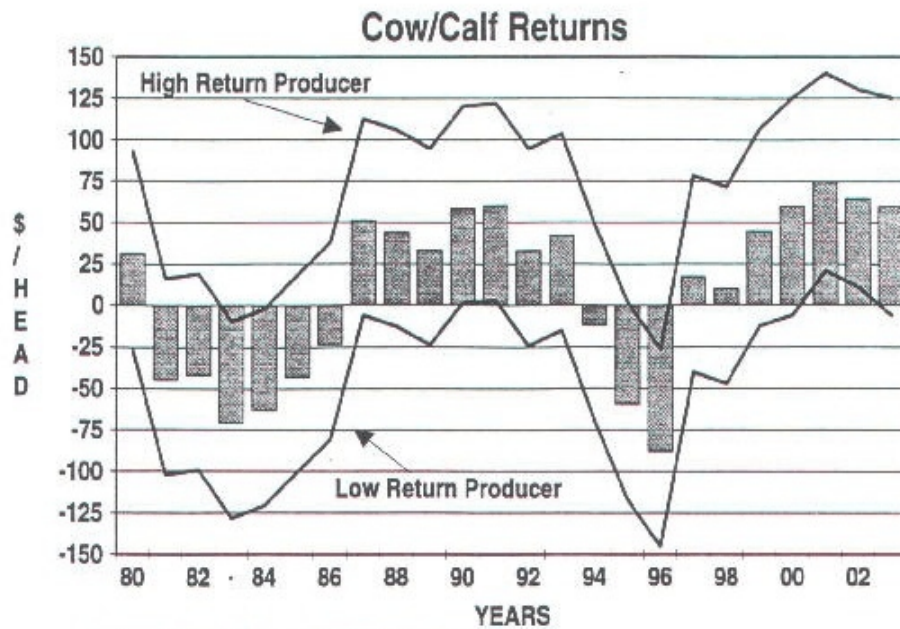
Strategies



COW / CALF PRODUCER PROFITABILITY

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999*</u>	<u>2000*</u>
Profitable	15%	45%	24%	75%	85%
Near Breakeven	40%	33%	36%	20%	10%
Not Profitable	45%	22%	40%	5%	5%

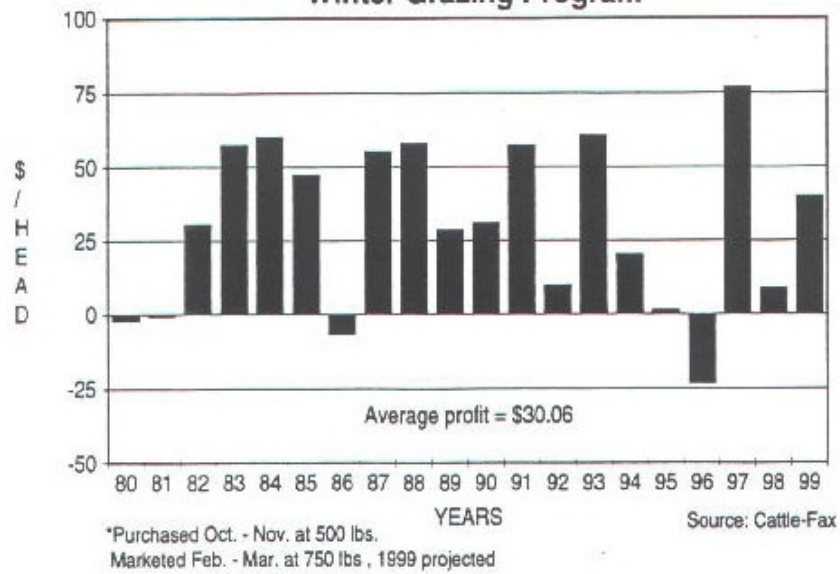
*projected



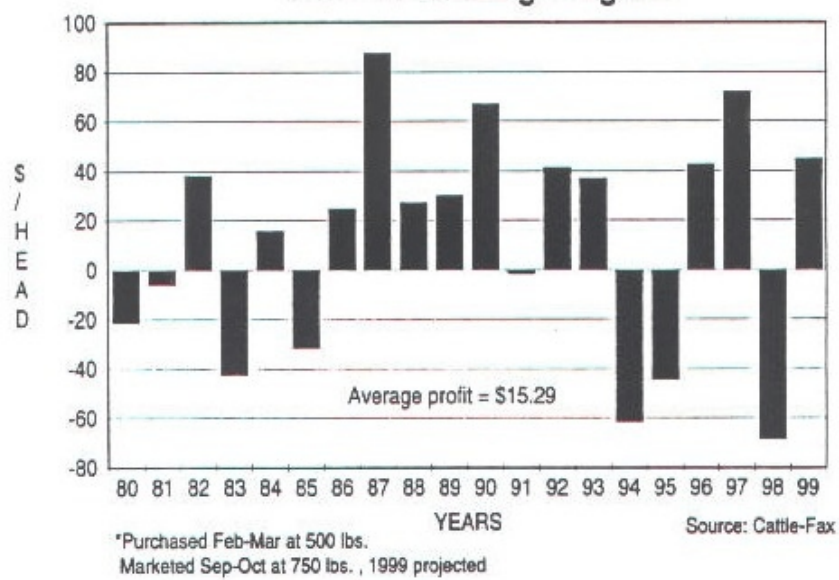
Source: Cattle-Fax, 2000-2003 projected

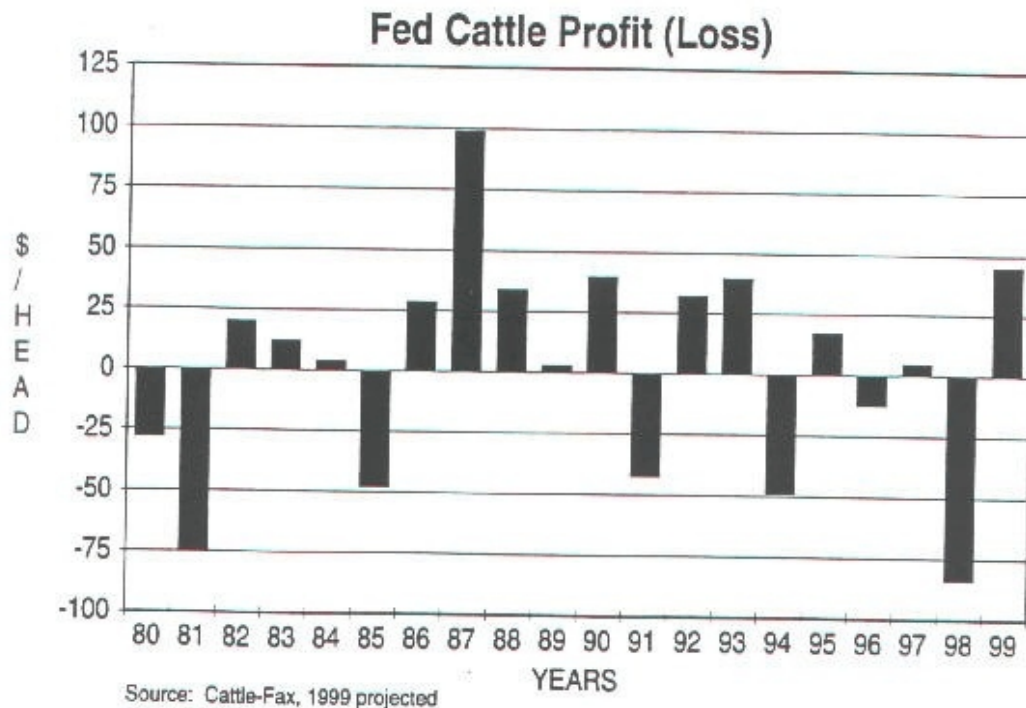
High return producers (low cost and high production) have been profitable most of the time over the past 20 years. Low return producers are likely eroding away the equity in their land. The average cow/calf producer has lost about \$3.90/per head since 1980. On average, high return producers realize about \$65/hd higher profits than an average producer, while low return producers realize about \$54/hd lower profits.

Stocker Cattle Profit (Loss)* Winter Grazing Program



Stocker Cattle Profit (Loss)* Summer Grazing Program





Where's the Profit

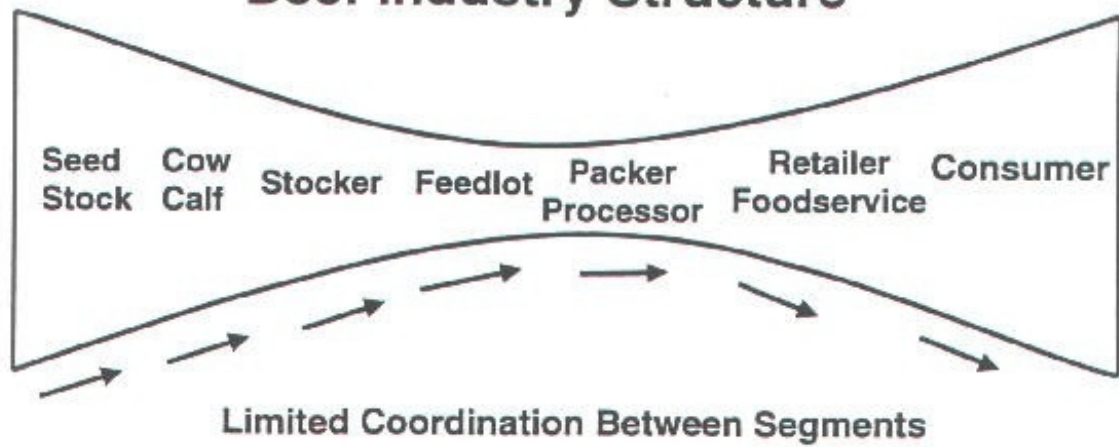
Avg. fed cattle price 1980-1998	\$67.96
Avg. fed cattle breakeven 1980-1998	\$68.09

In the long run, commodity businesses offer profit opportunities only to those that have lower than average costs of production, superior performance, or better than average returns.

•2001-2002 Outlook

- **Cattle Numbers Near Cycle Low**
- **Beef Production Down Significantly in 2000 and 2001, stabilizing by 2002**
- **Competing Meat Supplies Increasing**
- **Beef's Market Share in Question**
- **Prices increase for all Cattle and Beef**

Beef Industry Structure



Beef Industry Structure

The Way It Should Be

