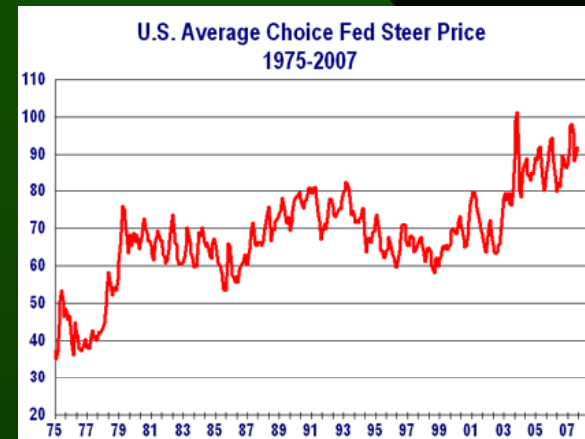


Today's Beef Industry

Challenges and Opportunities



What's Changed



YEAR	calf	yearling	fed	corn	Hay	pasture
2002	91	77	67	2.16	49	12.60
2003	114	89	85	2.37	41	10.40
2004	131	103	85	1.88	46	14.60
2005	137	118	87	1.80	38	12.40
2006	122	104	85	2.77	49	14.10
2007	122	98	92	3.07	41	14.20
current	120	97	90	4.76		

Industry Profits

❖ Feedlot

• 1997	-29
• 1998	-70
• 1999	26
• 2000	-35
• 2001	-43
• 2002	-50
• 2003	102
• 2004	-42
• 2005	-26
• 2006	-72
• 2007	-26

❖ Cow Calf

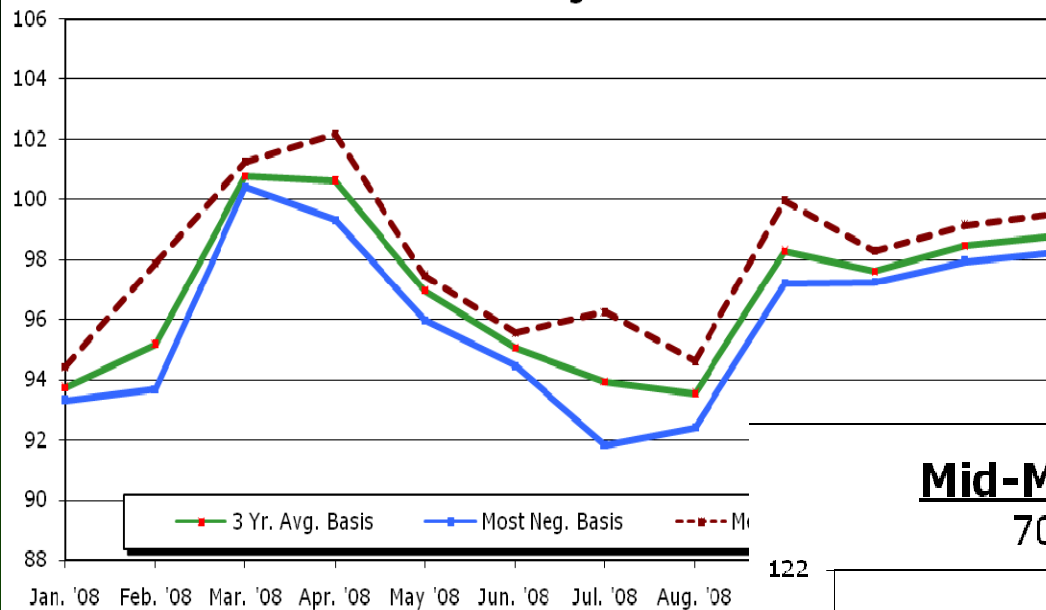
• 1997	5
• 1998	-30
• 1999	30
• 2000	40
• 2001	45
• 2002	15
• 2003	85
• 2004	147
• 2005	135
• 2006	50
• 2007	49

Price trends – Outlook

- ❖ High fed beef
- ❖ Choice – Select spread
- ❖ Narrow feeder weight slide
- ❖ Smaller cow calf profit
- ❖ Seasonality and volatility

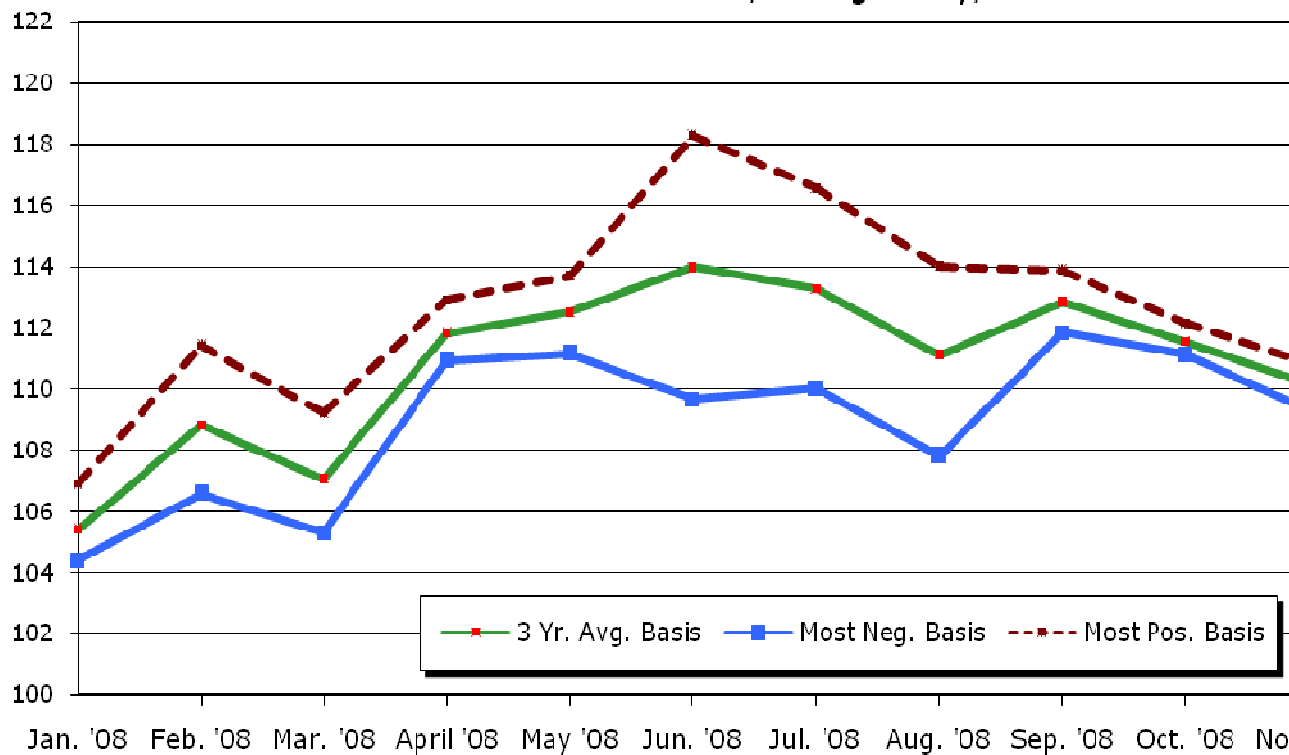
Mid-Month Futures Based Price Forecasts

Kansas Slaughter Steers



Mid-Month Futures Based Price Forecasts

700-800 Lb. Feeder Steers, Dodge City, KS



LRP

This Year Feeder Steers –Over 600 lbs

<i>Date</i>	<i># of Weeks</i>	<i>End Date</i>	<i>Coverage Price</i>	<i>Premium</i>	<i>Actual Price*</i>	<i>Profit Net</i>	<i>Price**</i>
<i>9/26/07</i>	<i>13</i>	<i>12/26</i>	<i>110.27</i>	<i>1.53</i>	<i>102.79</i>	<i>5.95</i>	<i>108.74</i>
	<i>17</i>	<i>01/23</i>	<i>110.01</i>	<i>1.80</i>	<i>97.70</i>	<i>10.51</i>	<i>108.21</i>

STEPS

- ❖ 1. Submit eligibility application form with insurance agent
- ❖ 2. Select a SCE
 1. Number of head
 2. Policy length closest to marketing date
 3. Estimated average market weight
 4. Choose coverage price
- ❖ 3. Pay premium to agent
- ❖ 4. Agent submits SCE form electronically
(hours are between 5 PM and 9 AM (CST), Tues-Sat only)

Corn and Cattle

- Corn Futures
- Feeding BE
- ❖ Ethanol growth
- ❖ DDGS price
- ❖ Northern Feeding
- ❖ Calf fed vs Yearling

2 Yellow Corn

❖ **Delivery Basis Cash**

❖ Feb 29, 08 -0.19 4.90

❖ Mar 31, 08 -0.12 4.97

❖ Apr 30, 08 -0.18 5.04

❖ May 31, 08 -0.11 5.11

❖ Jun 30, 08 -0.15 5.18

❖ Jul 31, 08 -0.11 5.22

❖ Aug 31, 08 -0.08 5.24

❖ Sep 30, 08 -0.08 5.24

❖ Oct 31, 08 -0.46 4.87

❖ Nov 30, 08 -0.46 4.87

❖ Dec 31, 08 -0.42 4.91

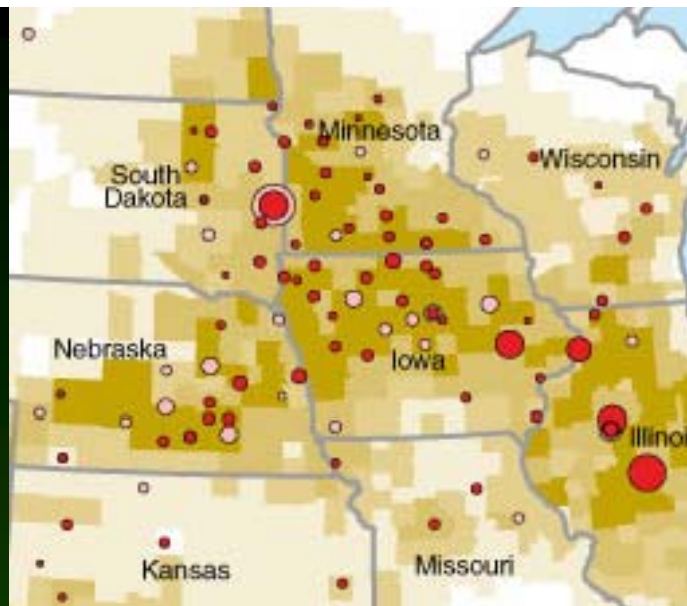
❖ **Delivery Basis Cash**

❖ Jan 31, 09 -0.45 4.96

❖ Feb 28, 09 -0.41 5.00

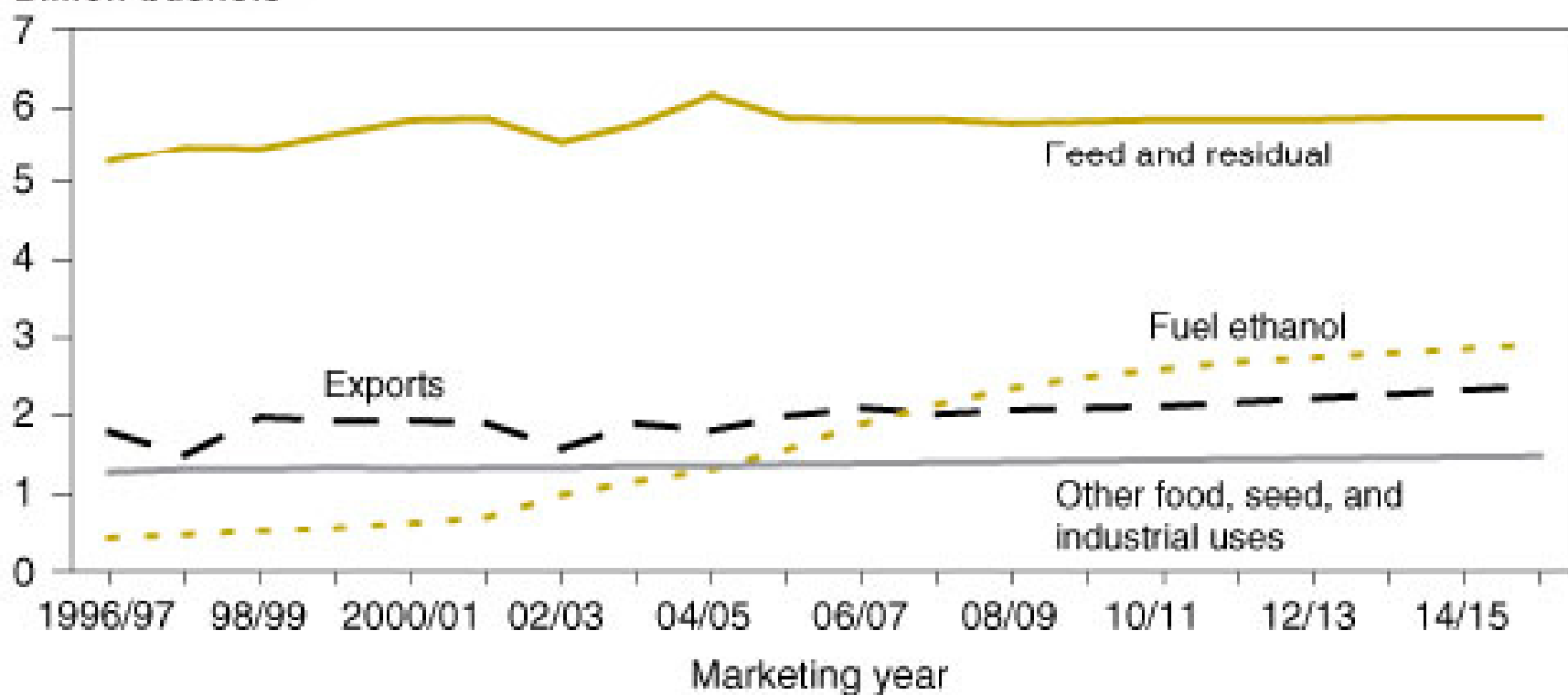
❖ Mar 31, 09 -0.36 5.05

❖ Nov 30, 09 -0.45 4.64



Ethanol Growth

Billion bushels



Breakevens on 600# Steer Calves

COG	Cost/cwt for feeders									
	102	104	106	108	110	112	114	116	118	
83.18	92.21	93.17	94.13	95.09	96.05	97.01	97.97	98.93	99.89	
84.18	92.73	93.69	94.65	95.61	96.57	97.53	98.49	99.45	100.41	
85.18	93.25	94.21	95.17	96.13	97.09	98.05	99.01	99.97	100.93	
86.18	93.77	94.73	95.69	96.65	97.61	98.57	99.53	100.49	101.45	
87.18	94.29	95.25	96.21	97.17	98.13	99.09	100.05	101.01	101.97	
88.18	94.81	95.77	96.73	97.69	98.65	99.61	100.57	101.53	102.49	
89.18	95.33	96.29	97.25	98.21	99.17	100.13	101.09	102.05	103.01	
			Assumptions for	\$86.18	Cost of Gain.		-	-		
	ADG:	3.03		Start Wt:	600	pounds		Yardage :	28	¢ / day
	F/G:	6.73		End Wt:	1,250	pounds		VetMed:	\$15	/ hd
	DOF:	215		Corn:	\$4.65	/ bu		Death Loss:	1	%
				Silage:	\$30	/ ton		interest	8	%
	Date:	9 / 6 / 08		Hay:	\$100	/ ton		Other Cost:	\$30	/ hd
				Supp.:	\$400	/ ton				

Comparison of Alternative Feeding Strategies

Weight	Ration Cost	Feed /day	Yard /day	Interest/ day	ADG	FYI COG	Cost/ day
700	\$15/ac	.50	.05	.13	1.5	.48	.68
600	\$60/t	.55	.10	.15	1.2	.67	.80
700	\$120/t	1.1	.25	.17	2.4	.65	1.51
1000	\$180/t	2.25	.30	.21	3.2	.85	2.76

Supply - Demand

- ❖ Feedlot placement is high
- ❖ Reduced carcass weights
- ❖ Cow herd inventory unchanged
- ❖ Feeding and packing over capacity
- ❖ Domestic demand strong
 - Recession
 - Competing meats
- ❖ Exports – World Demand

Traits That Impact the Cost of Production

- ❖ Maintenance costs (mature weight, milk production)
- ❖ Cow longevity
- ❖ Calving difficulty
- ❖ Fleshing ability
- ❖ Feed efficiency
- ❖ Convenience traits
 - disposition
 - pigmentation
 - horned vs. polled



Herd Repro



- ❖ 5x more important than carcass or growth
- ❖ Number of calves and stayability of cow herd affected
- ❖ Genetics account for 10% cows must fit resources significant heterosis
- ❖ Synchronization for tightened calving season
- ❖ Herd nutrition most critical for young cows – BCS good tool
- ❖ High testing bulls important

Repro Benchmarks

❖ Pregnancy rate	>93
❖ 1 st cycle calves	>65
❖ Assisted births	<10
❖ Calf loss	<4
❖ Cow loss	<1
❖ Culling rate	<14

Feed Cost



- ❖ Rising land values and rents
- ❖ High grain and supplement prices
- ❖ More ethanol and processing by products
- ❖ High fuel cost and increasing forage harvest and feeding cost
- ❖ Grazing management for range improvement and carrying capacity
- ❖ Extended grazing and extensive feeding for reduced yardage costs

2006 Hay Quality Survey

Type	ADF	NDF	%CP	%TDN
CRP	42	68	7.1	55
Hay Barley	34	60	13.0	62
Oat Hay	35	61	10.6	61
Oat/Pea	32	56	12.8	65
Wheat Hay	32	59	14.0	64
Millet	34	64	11.1	63
Sudex	30	54	13.3	66
Alfalfa/Grass	37	60	12.0	57
Corn Stover	37	60	5.0	50
Cereal Straw	50	78	4.2	44
Pea Straw	52	66	5.4	43
Slough Hay	38	66	7.5	52

Feed Alternatives

- ❖ Grain screenings
- ❖ Wheat midds
- ❖ Damaged grains
- ❖ Beet pulp
- ❖ Pea hulls

Net Feed Efficiency

- ❖ Feed requirements can be predicted on basis of maintenance, growth rate, composition of gain, pregnancy, and lactation
- ❖ **Residual Feed Intake** (RFI) – moderate heritability measures difference between expected and known feed intake. RFI is not correlated with ADG, REA, or MA

GrowSafe Feed Intake Measurement

- ❖ RFID animal
- ❖ ID Bunk Scales
- ❖ Computerized
- ❖ RFI Range
 - -2 to +2 lb
 - \$10 to \$40



Feed Benchmarks

❖ Acres/aum	1.5
❖ Days grazing	200
❖ Harvested feed	2.75
❖ Supplement cost	20
❖ Cost/cow	<250
❖ Yardage/day	<.30

Optimum Cow

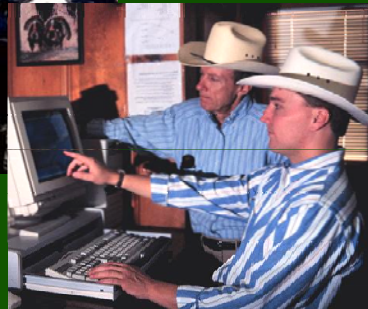
- ❖ Size and stocking level
- ❖ Heterosis
- ❖ Convenience characteristics
- ❖ Type - milking ability and fat deposition

Traits That Impact the Market Value of Production

- ❖ Retail yield
 - REA
 - Fat thickness
- ❖ Marbling
- ❖ Conformance to specifications, such as carcass weight (avoidance of outliers)



Value Added



- ❖ Volume and uniformity
- ❖ Health Status
- ❖ Feedlot and carcass traits
- ❖ Records and documentation
 - Age and source
 - Program compliance
 - Brand name Health
 - Genetics –history -sires

Value Benchmarks

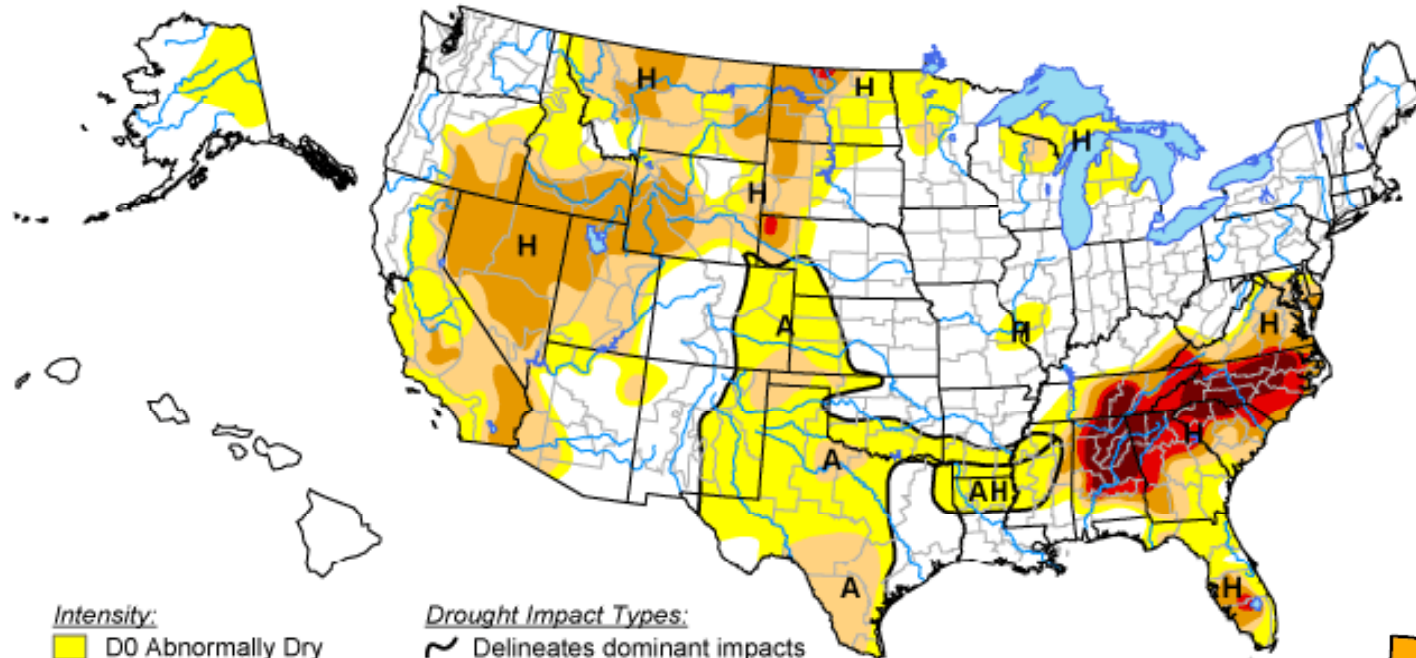
❖ Steer vs heifer	52
❖ Vaccinations	14
❖ Semi load lot	13
❖ Source and age	12
❖ Weaned	17
❖ Black (breed/marbling)	7

Plan Ahead

U.S. Drought Monitor

January 29, 2008

Valid 7 a.m. EST



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

- Delineates dominant impacts
- A = Agricultural (crops, pastures, grasslands)
- H = Hydrological (water)

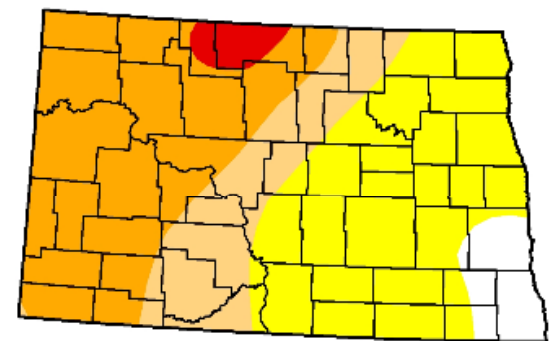
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



Released Thursday, January 31, 2008

Author: David Miskus, JAWF/CPC/NOA



2008 Issues

- ❖ Ethanol growth - corn crop - feed price
- ❖ Feeder price basis – weight slide
- ❖ Alternative: feed –feeding - marketing
- ❖ COOL implementation – packer ownership bans
- ❖ Trade growth – national economy
- ❖ Cost of production – value of production basics
- ❖ Drought contingency



