

Beef Cattle Outlook



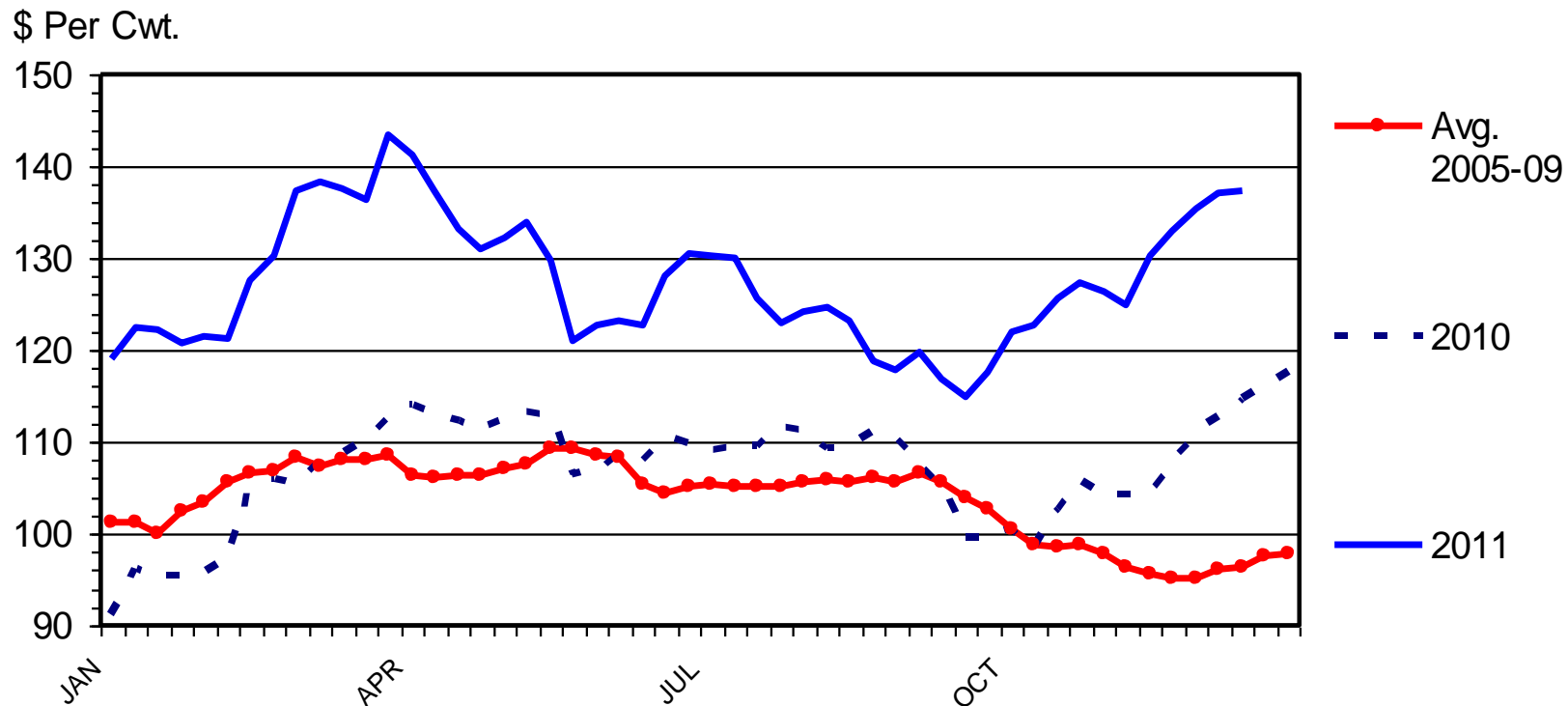
Dr. Curt Lacy
Extension Economist-Livestock
UGA Winter School Beef Update
January 20, 2012

Overview

- Recent Trends
- Outlook for 2012 and beyond
- Marketing Alternatives

MED. & LRG. #1 & 2 STEER CALF PRICES

500-600 Pounds, Georgia, Weekly



Livestock Marketing Information Center

Data Source: USDA-AMS, Compiled & Analysis by LMIC



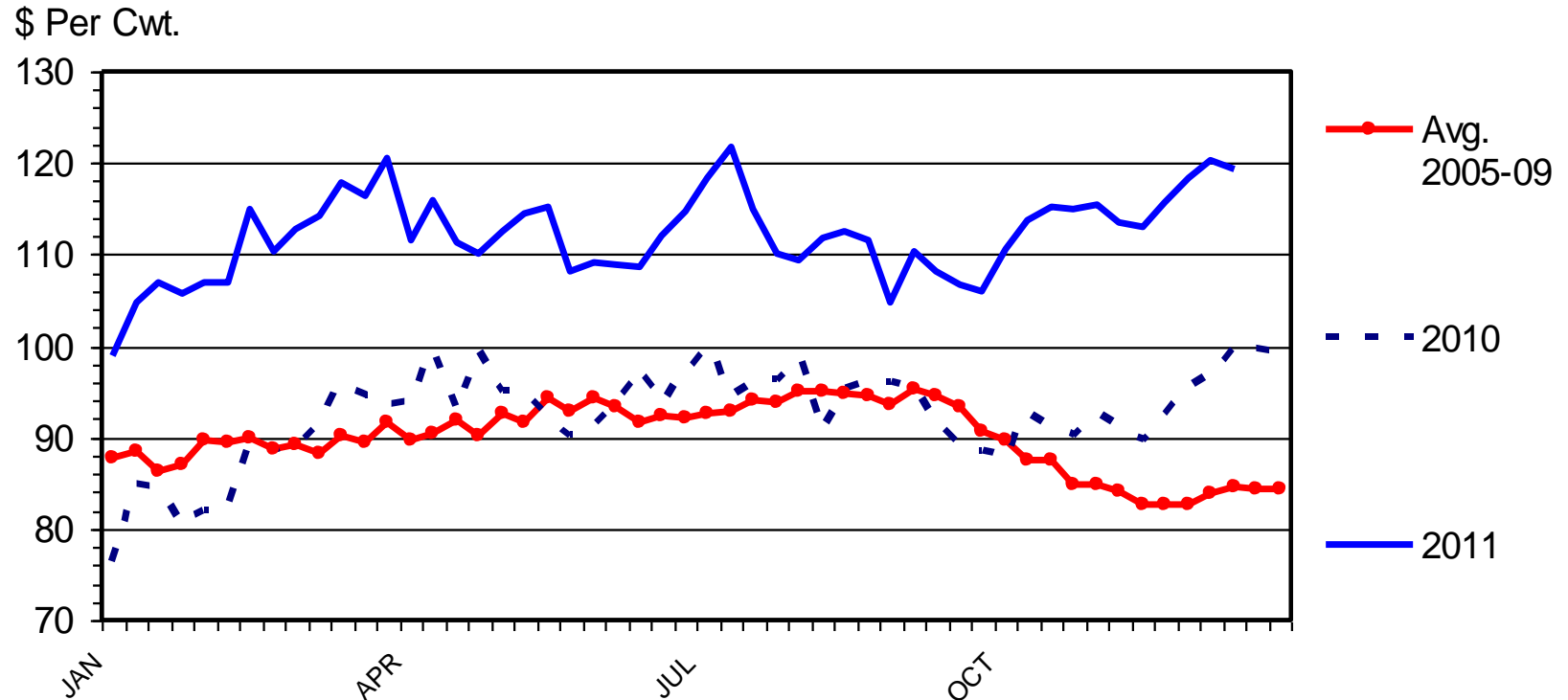
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MED. & LRG. #1 & 2 FEEDER STEER PRICES

700-800 Pounds, Georgia, Weekly



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Data Source: USDA-AMS, Compiled & Analysis by LMIC

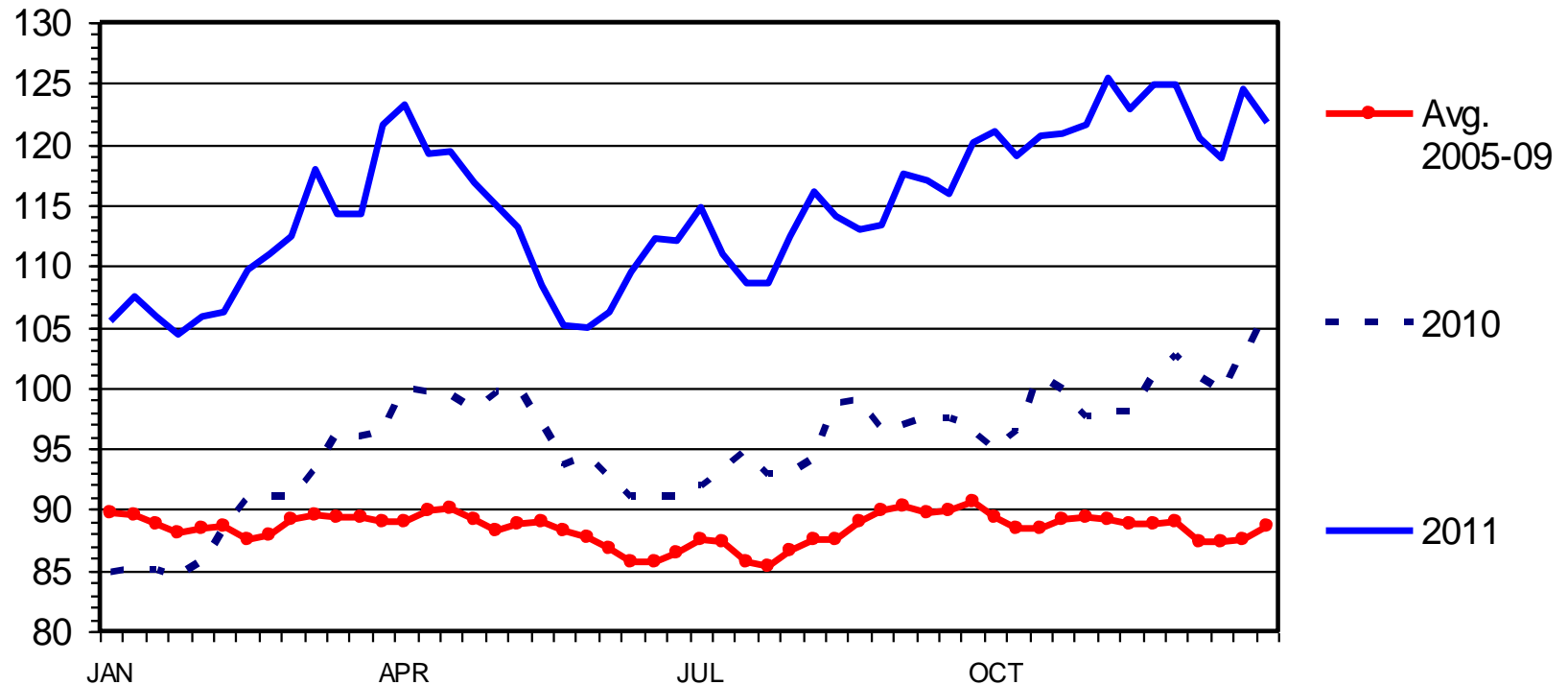


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SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.



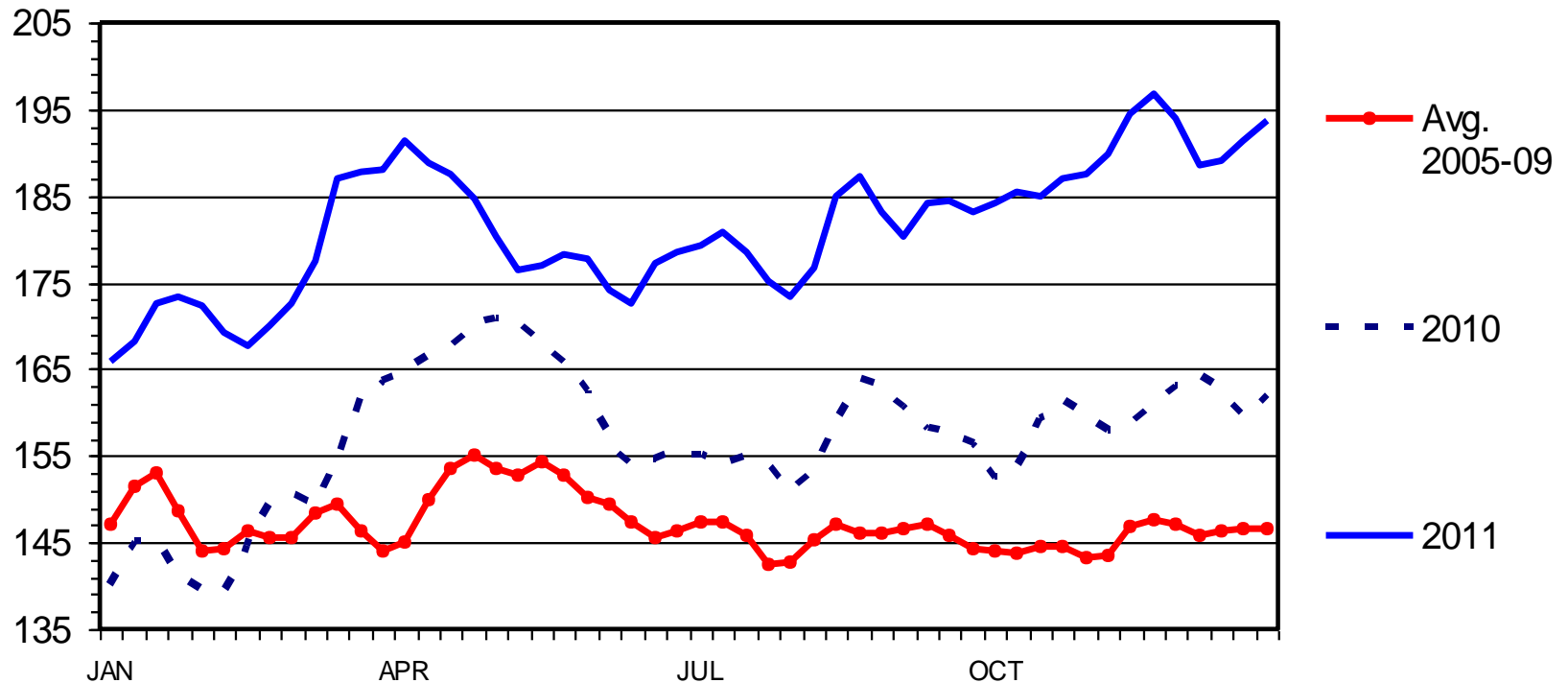
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Data Source: USDA-AMS

BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs. Carcass, Weekly

\$ Per Cwt.



Livestock Marketing Information Center

Data Source: USDA-AMS

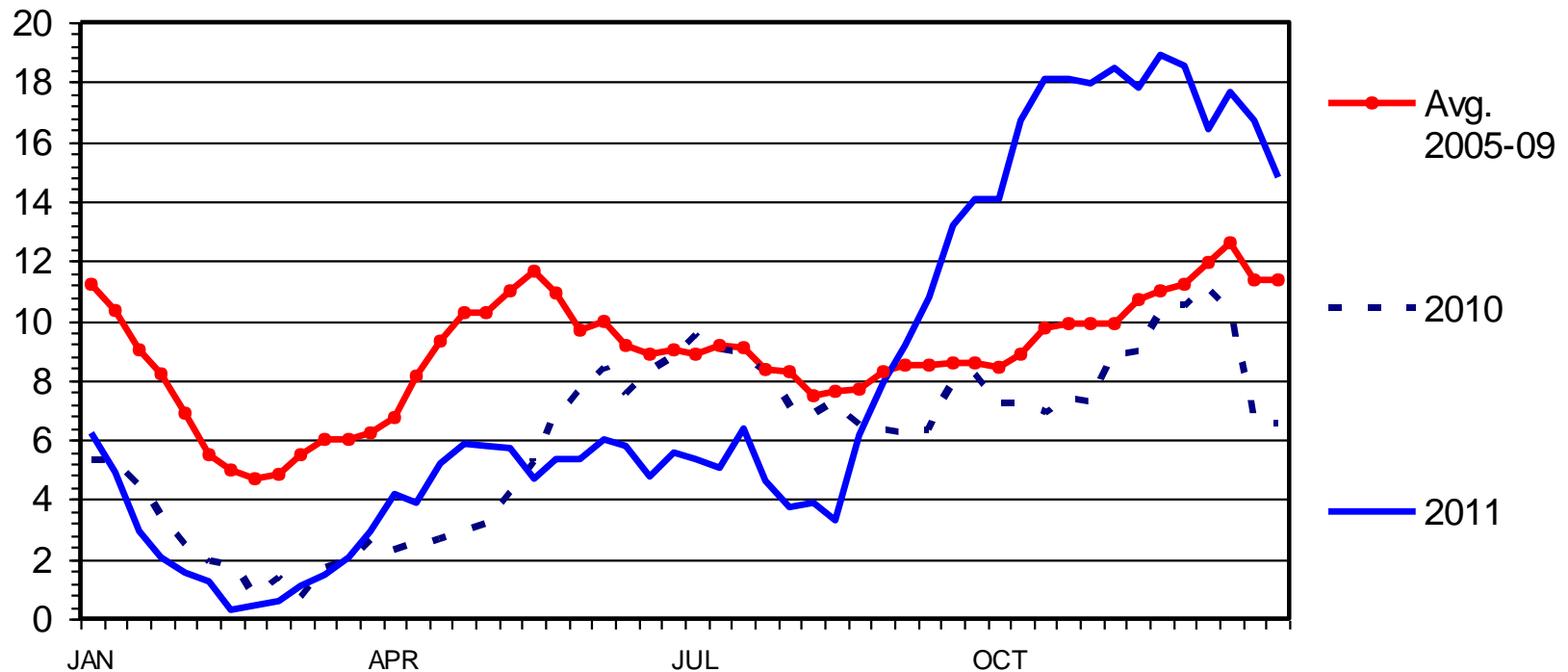


C-P-62
01/03/12

CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly

\$ Per Cwt.



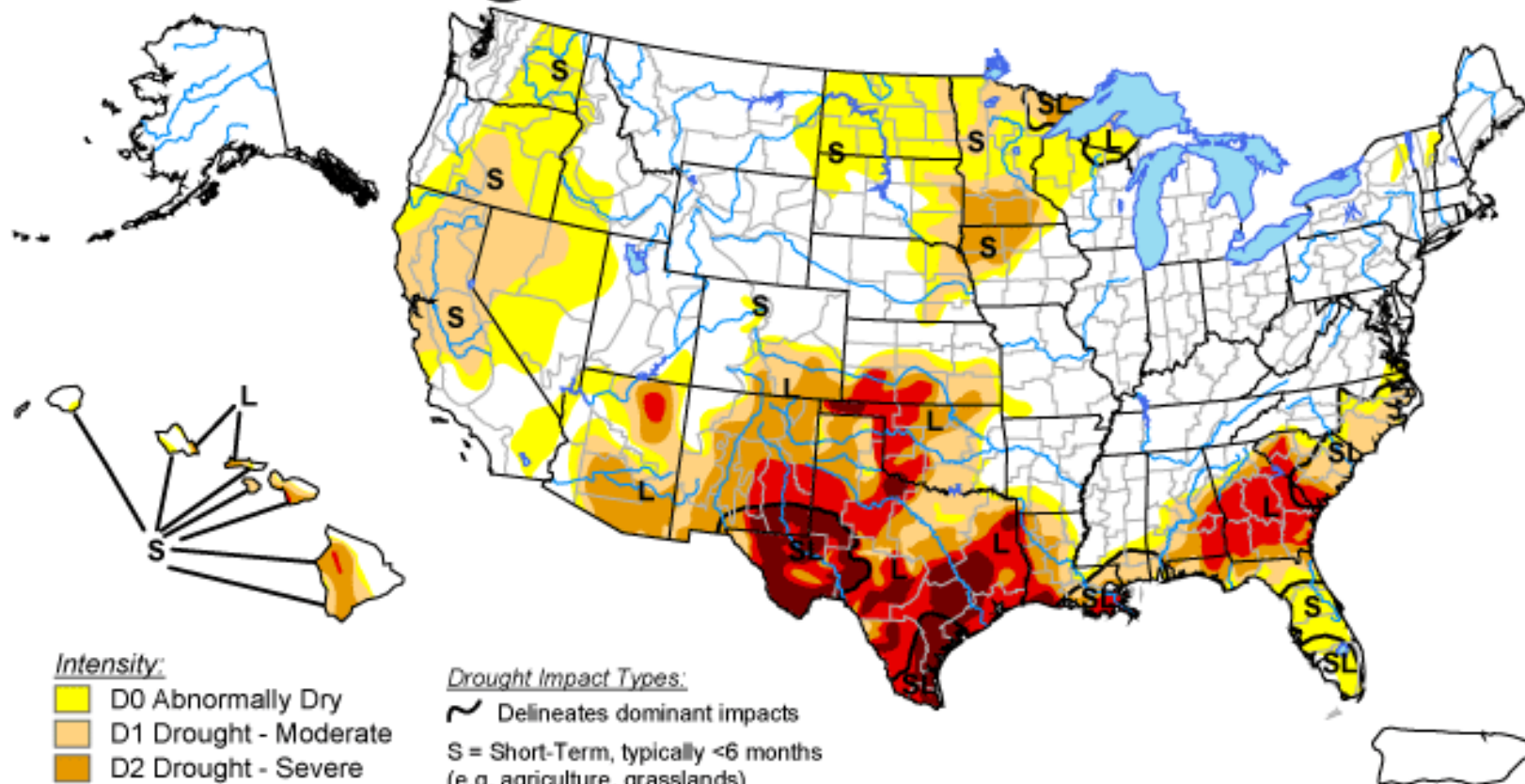
5 THINGS SHAPING MARKETS TODAY AND FOR 2012



U.S. Drought Monitor

January 3, 2012

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
- S = Short-Term, typically <6 months
(e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months
(e.g. hydrology, ecology)

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

<http://droughtmonitor.unl.edu/>



Released Thursday, January 5, 2012

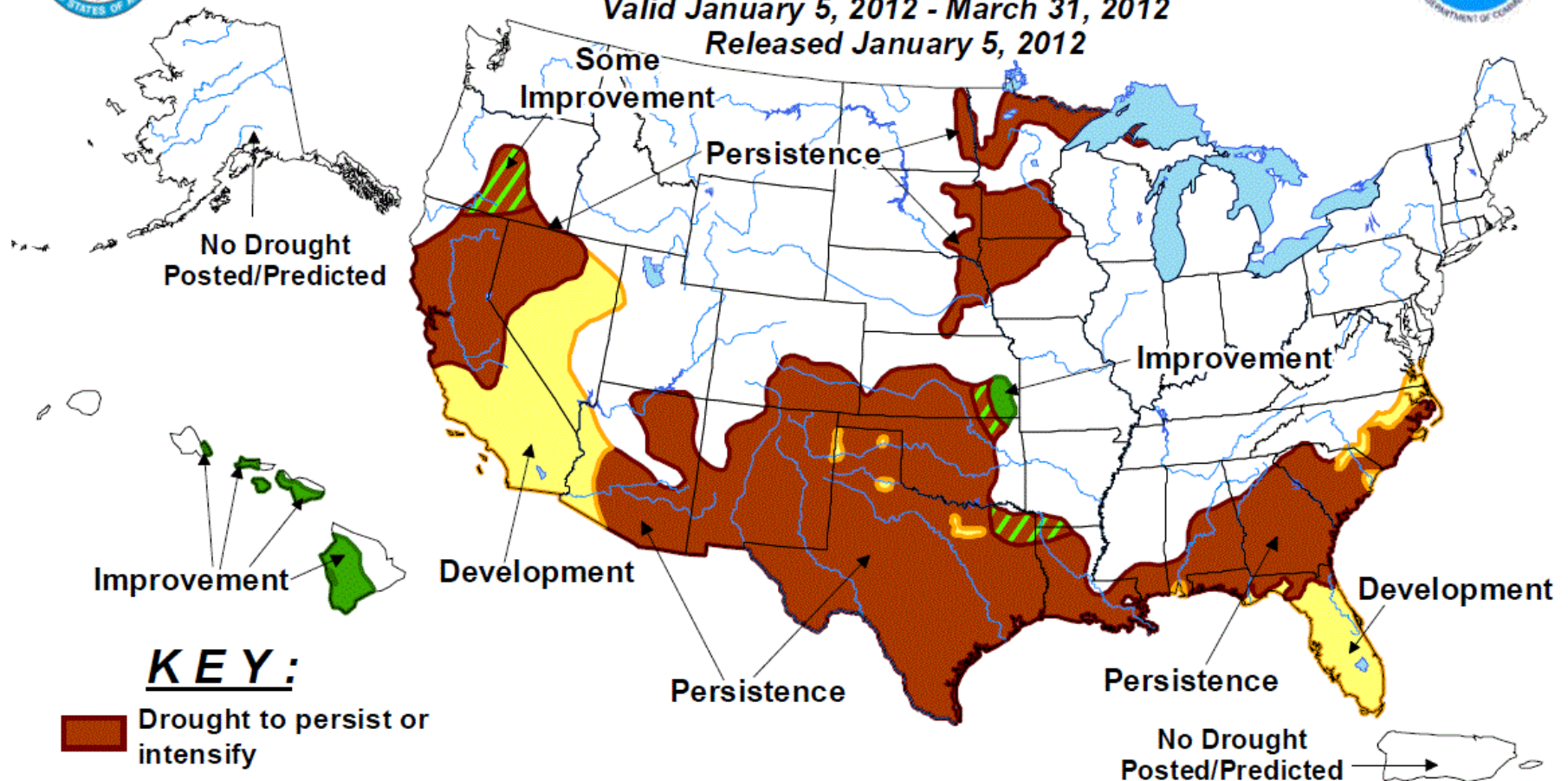
Author: Brad Rippey, U.S. Department of Agriculture







U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period

Valid January 5, 2012 - March 31, 2012
Released January 5, 2012



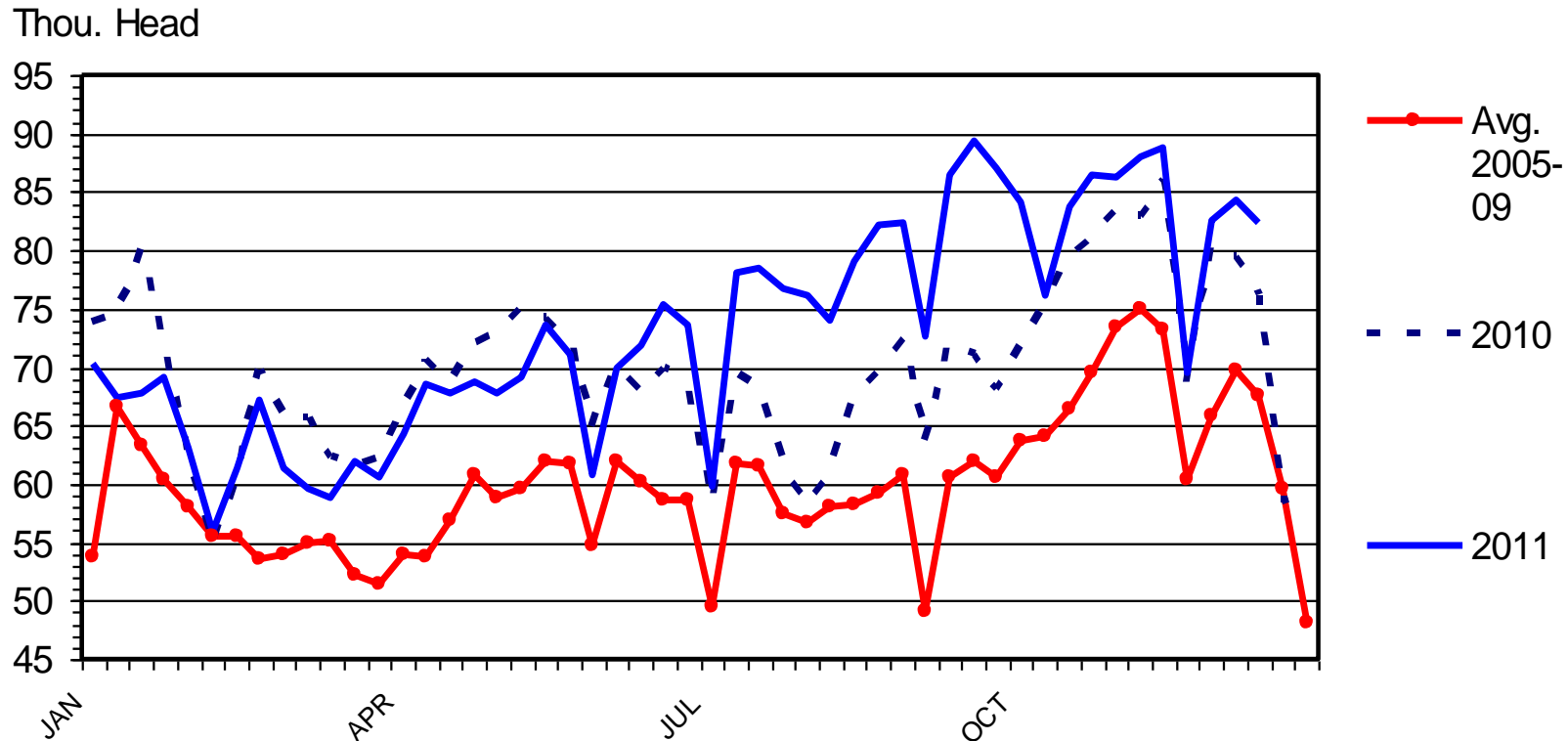
KEY:

-  Drought to persist or intensify
-  Drought ongoing, some improvement
-  Drought likely to improve, impacts ease
-  Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.

BEEF COW SLAUGHTER

Federally Inspected, Weekly



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Data Source: USDA-AMS & USDA-NASS



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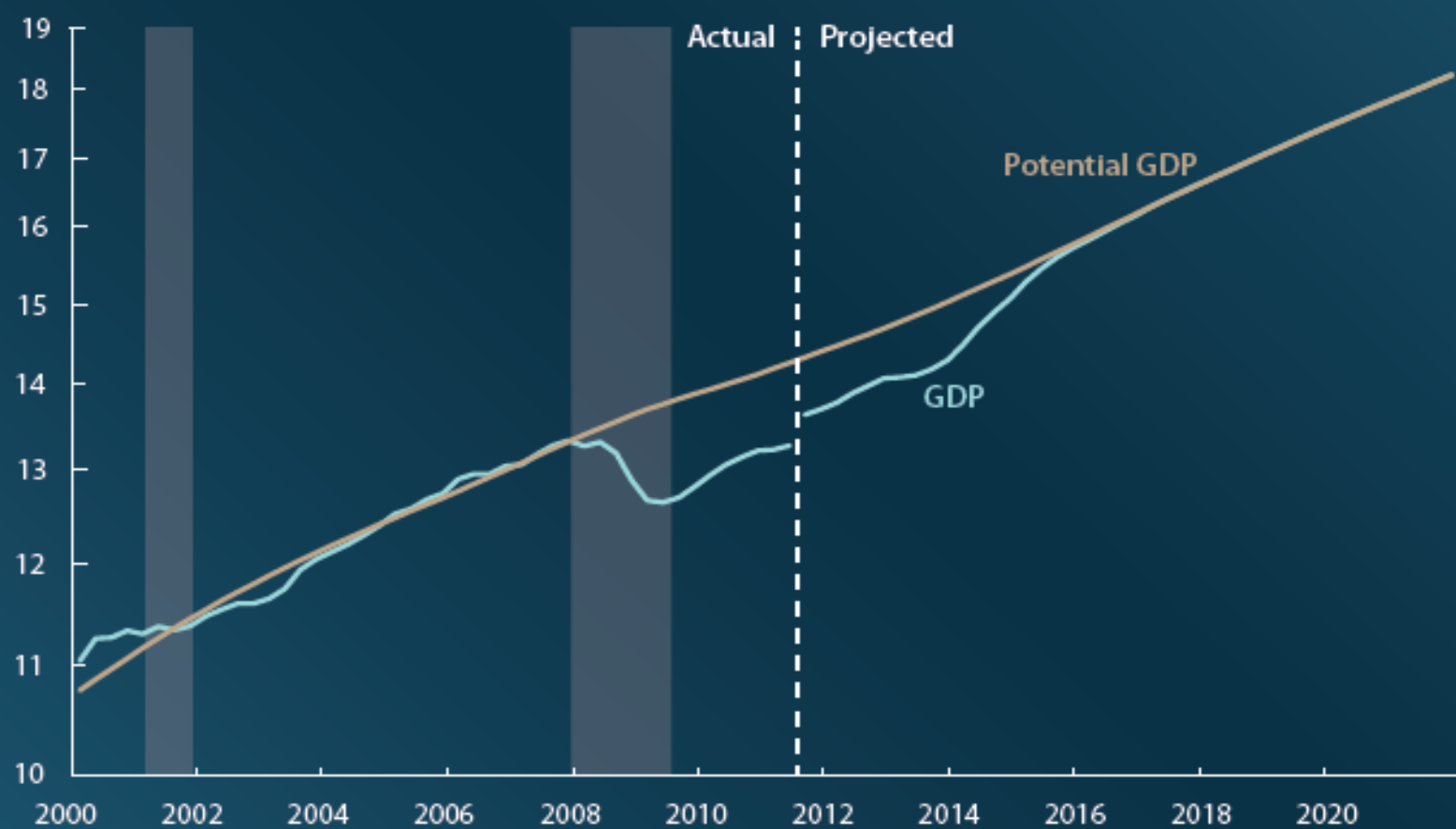
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12/30/11

Real Gross Domestic Product

(Trillions of 2005 dollars, logarithmic scale)

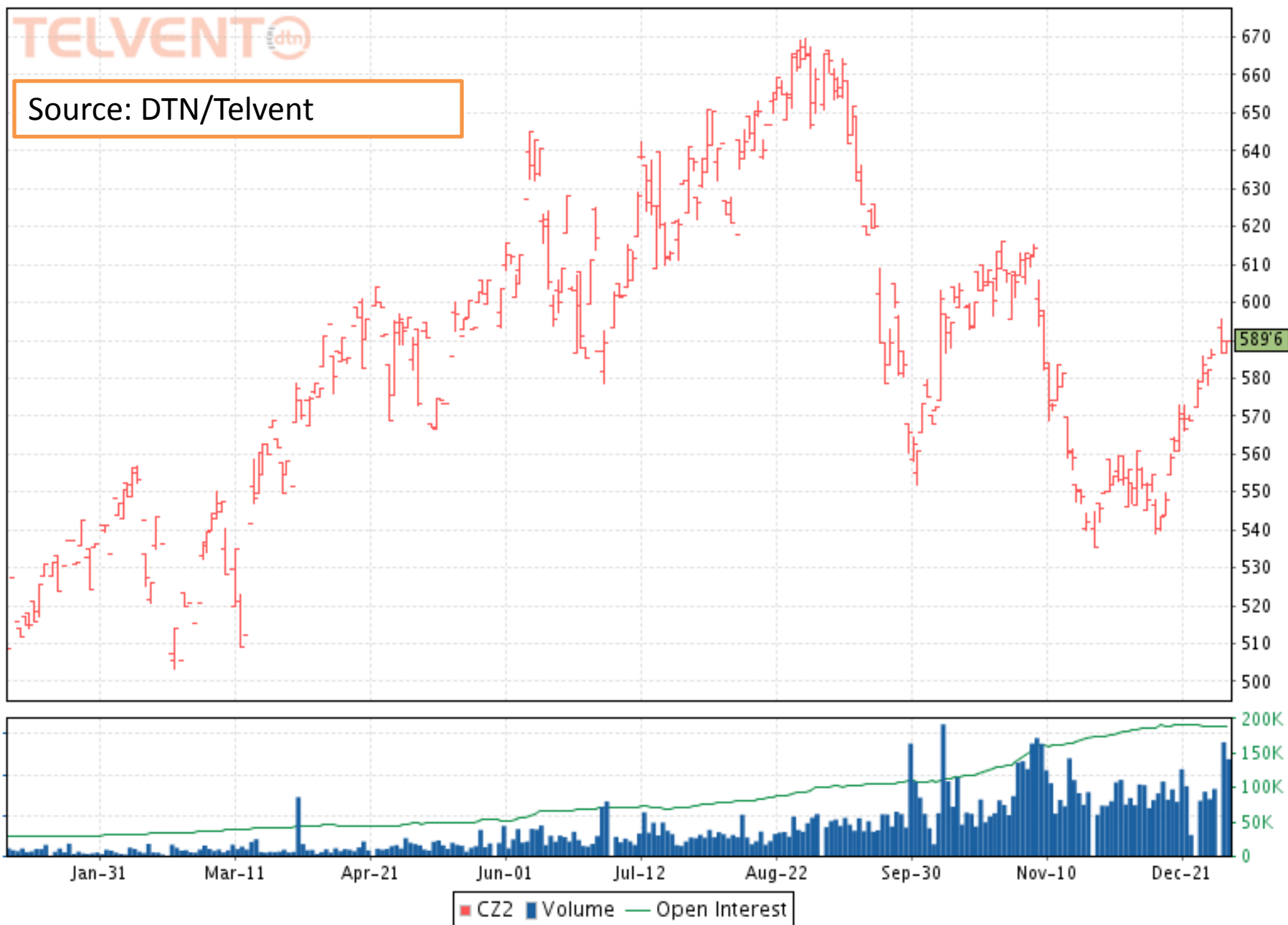
CBO expects that the economic recovery will continue but that real (inflation-adjusted) GDP will stay below the economy's potential—a level that corresponds to a high rate of use of labor and capital—until 2017.



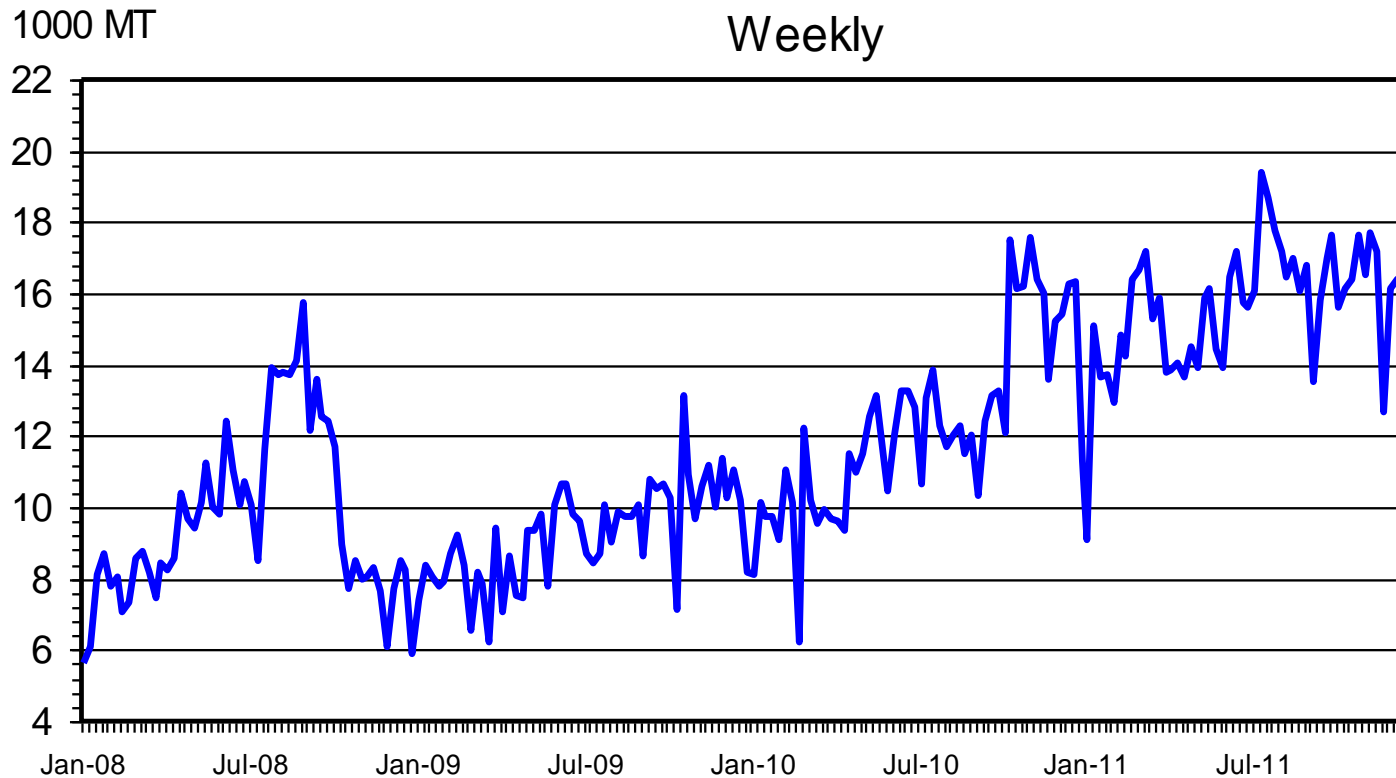
Sources: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.

Notes: Real gross domestic product is the output of the economy adjusted to remove the effects of inflation. Potential GDP is CBO's estimate of the output that the economy would produce with a high rate of use of its labor and capital resources. Data are quarterly. Actual data for GDP, which are plotted through the second quarter of 2011, incorporate the July 2011 revisions of the national income and product accounts. Projections of GDP, which are plotted through the fourth quarter of 2021, are based on data issued before the revisions. Shaded bars indicate periods of recession.

Source: DTN/Telvent



TOTAL U.S. EXPORTS OF BEEF MUSCLE CUTS



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Data Source: USDA-FAS



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What can we expect this year and next?

OUTLOOK FOR 2012 AND BEYOND

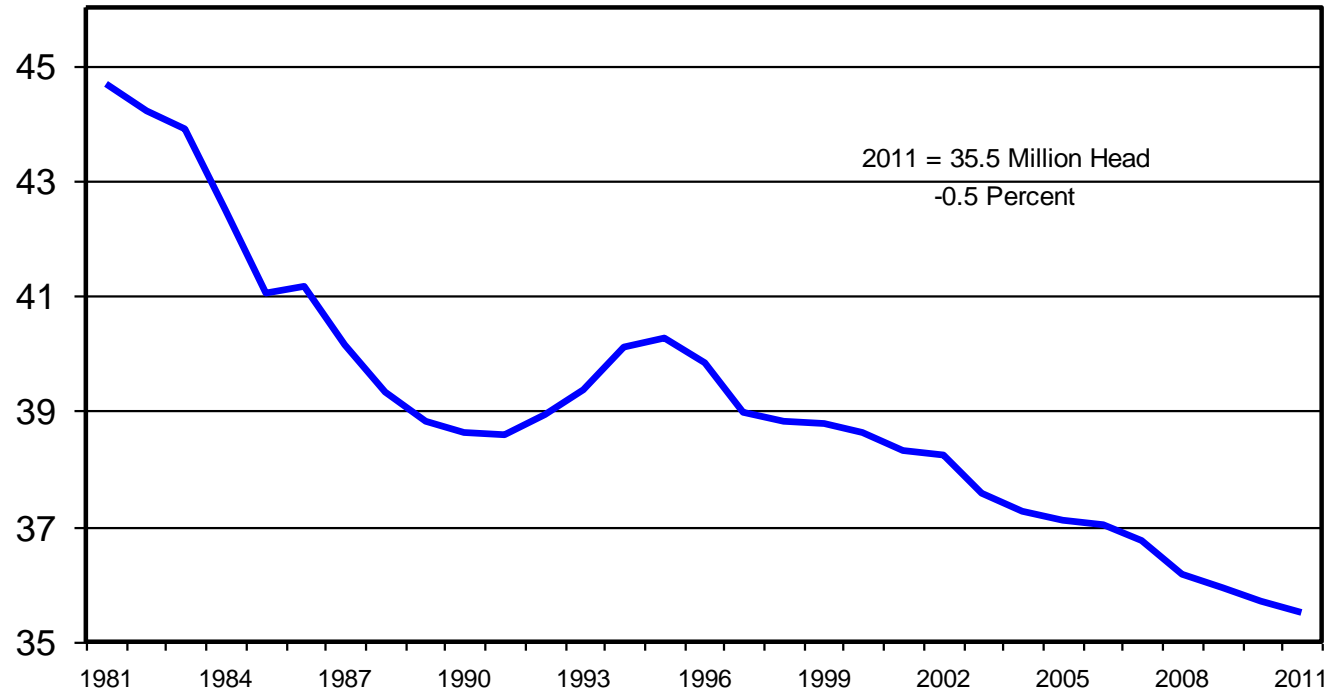
Outlook

- Positives
 - Low interest rates
 - Little inflation pressure
 - Generally strong corporate balance sheets
 - Recently improving hiring prospects
- Negatives
 - Uncertainty over European situation
 - Federal debt/deficit
 - Political uncertainty

CALF CROP

July 1 Estimates, U.S., Annual

Mil. Head



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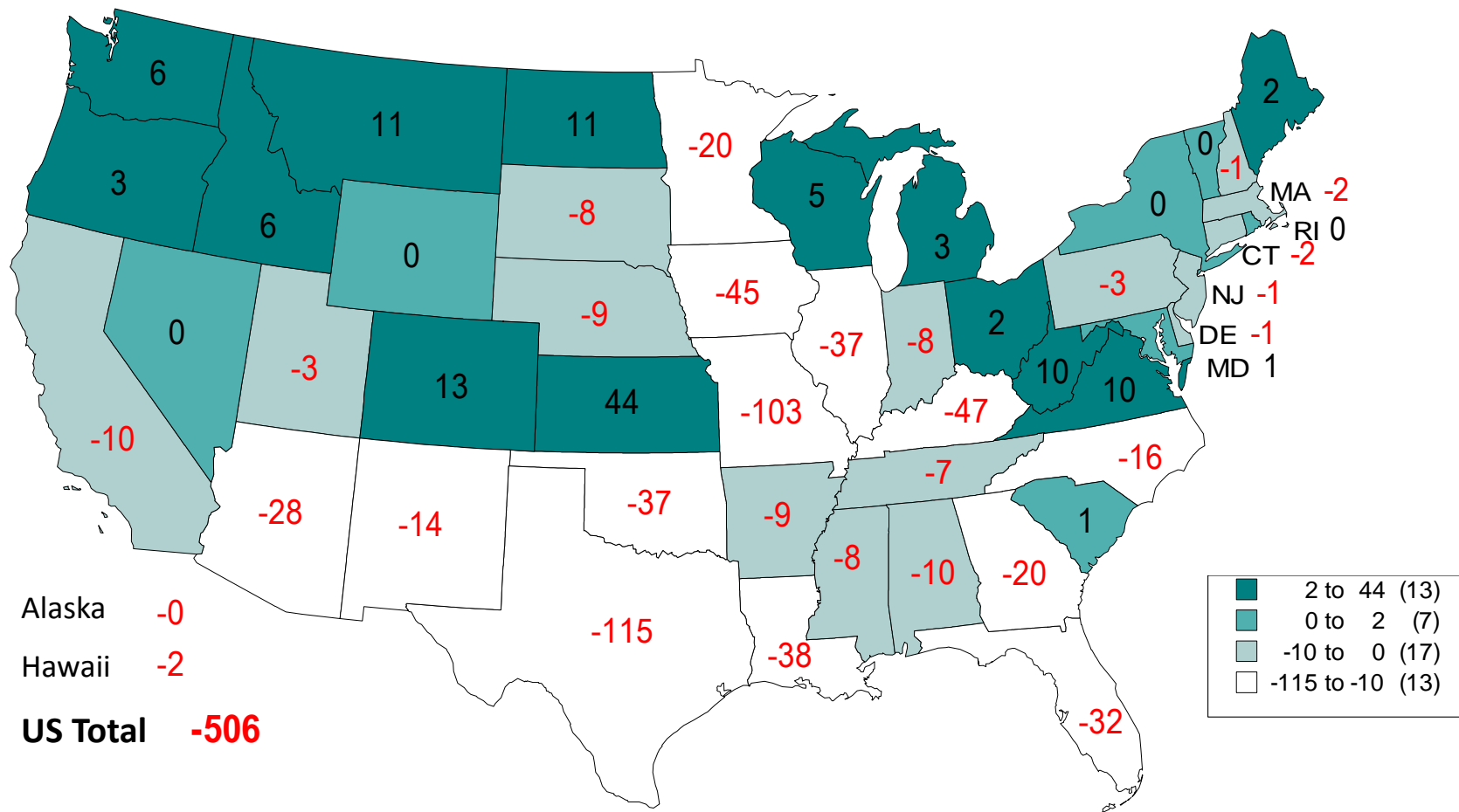
Data Source: USDA-NASS



C-N-18B

07/22/11

CHANGE IN BEEF COW NUMBERS JANUARY 1, 2010 TO JANUARY 1, 2011 (1000 Head)



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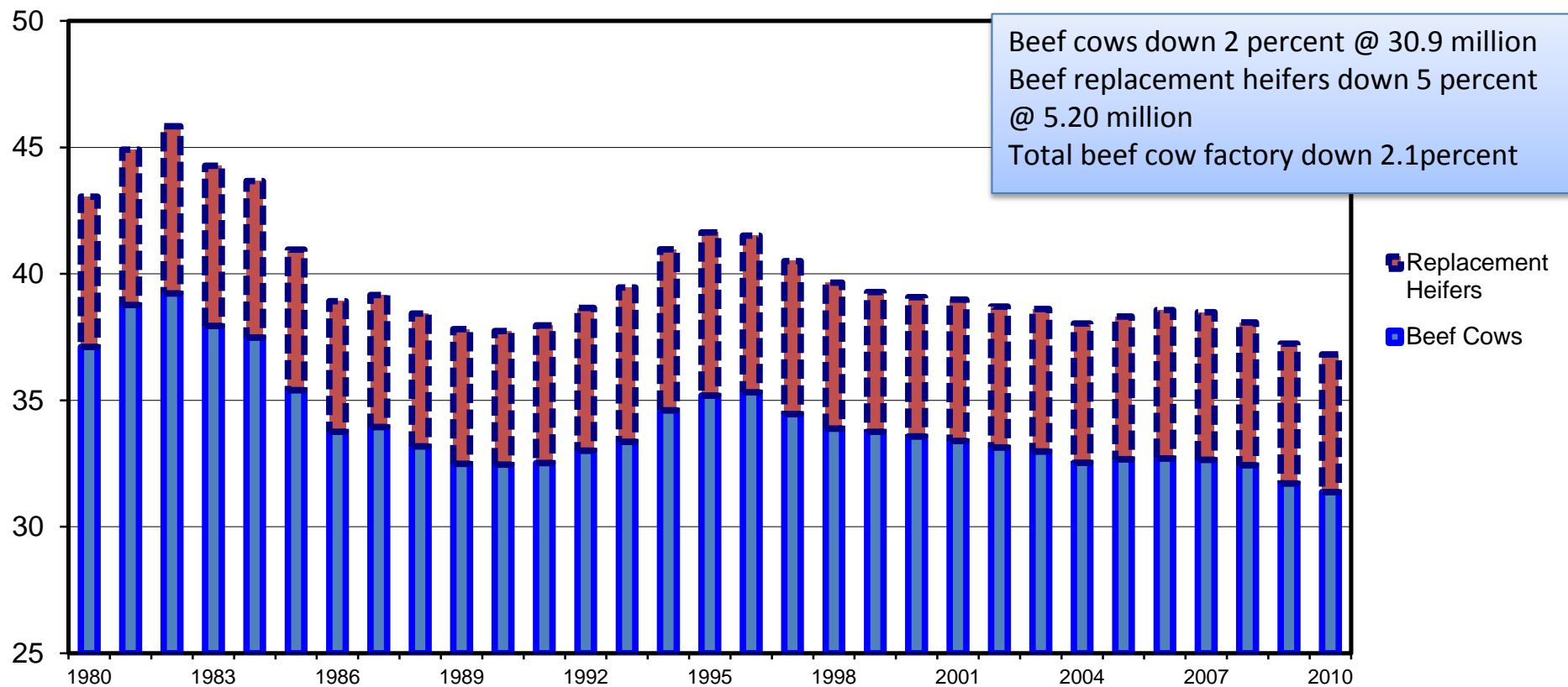
Data Source: USDA/NASS

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01/28/11

Declining cow numbers reflect lack of profitability in the

JANUARY 1 "BEEF COW FACTORY"
U.S., Annual

Mil. Head

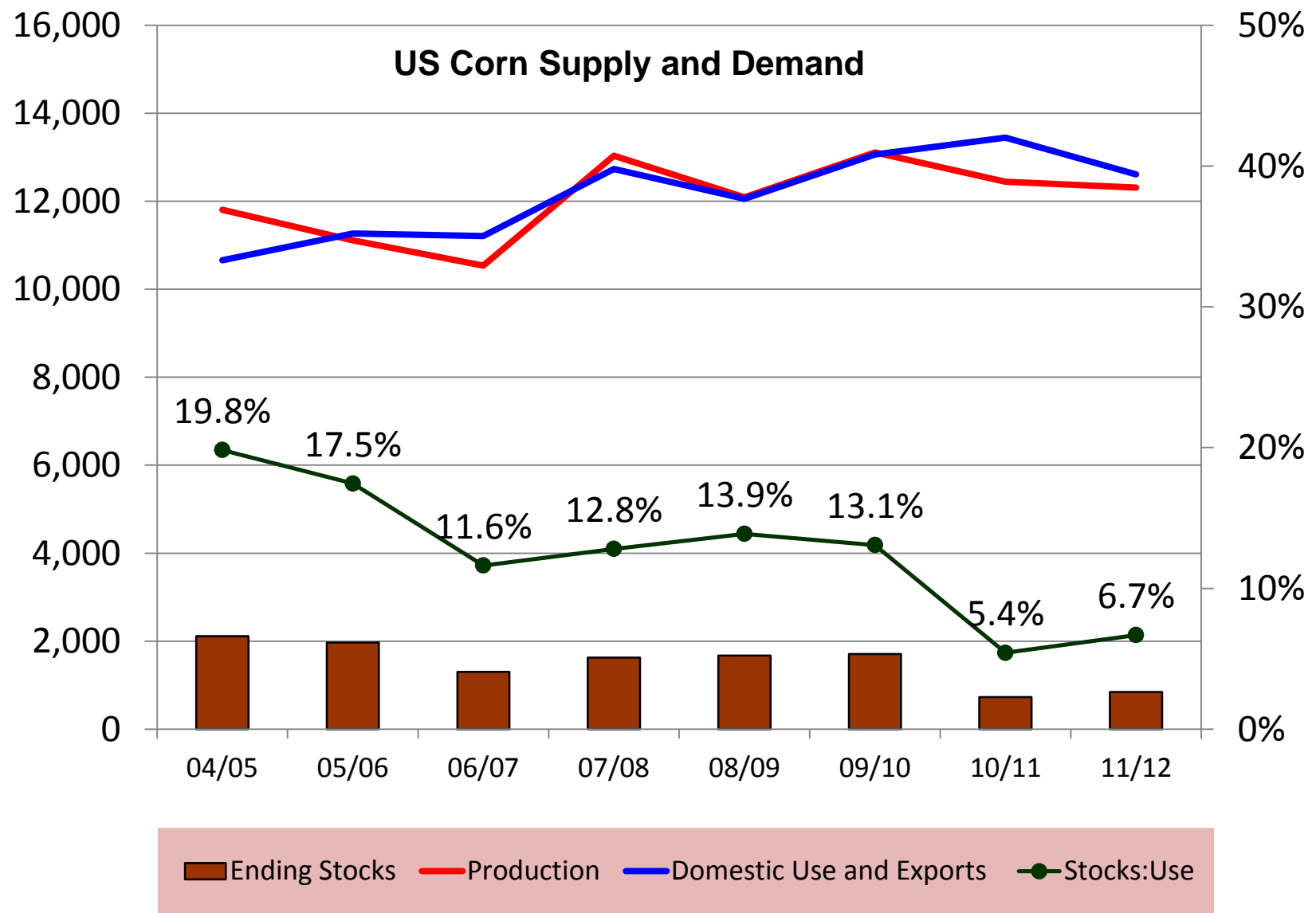


Meat supplies will be slightly larger in 2011 but lower in 2012

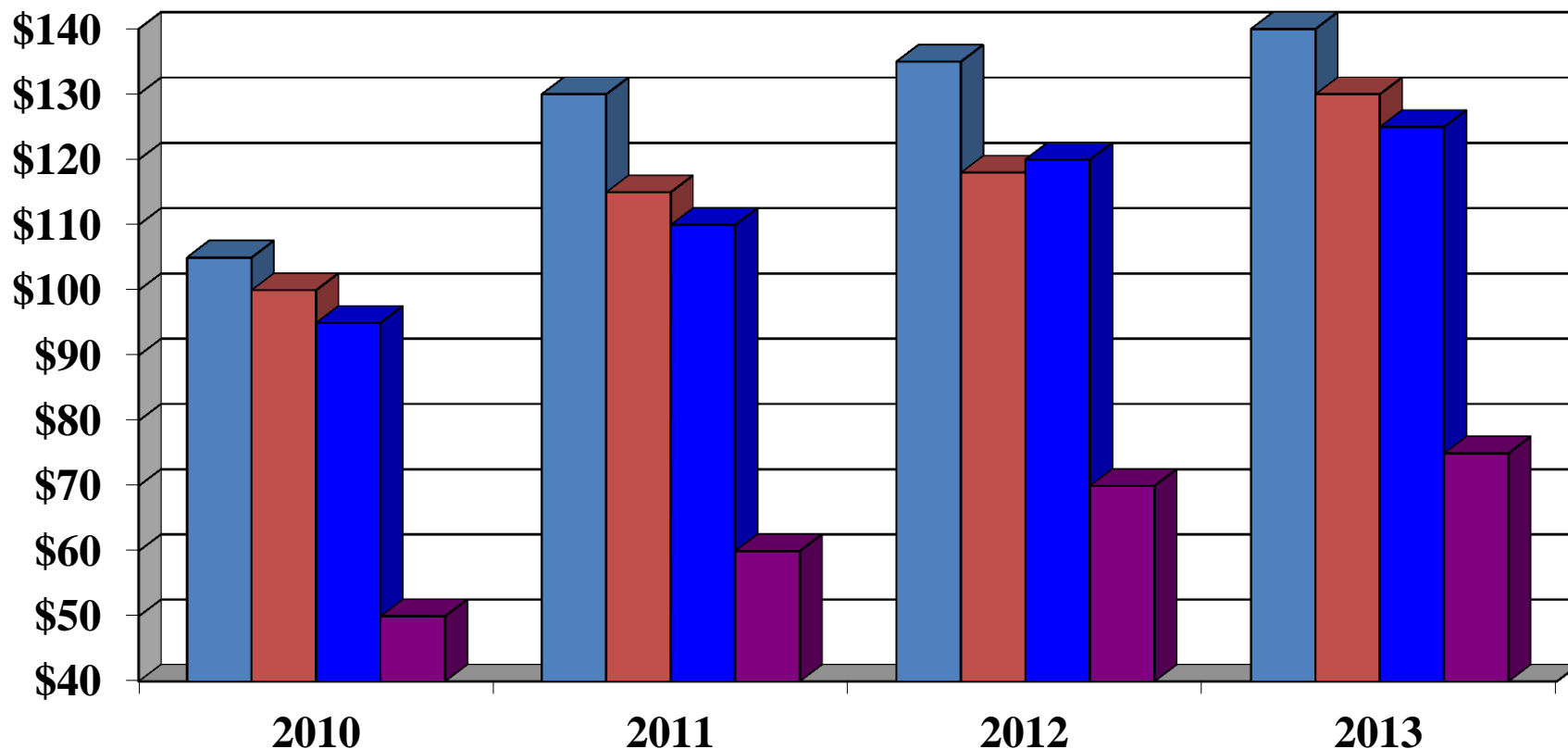
Commodity	2010	2011 Projected	2012 Forecast	11 vs 10	12 vs 11
	BILLION POUNDS			PERCENT CHANGE	
Beef	26.30	26.39	25.07	0.34%	-5.27%
Pork	22.44	22.67	23.07	1.01%	1.73%
Total Red Meat*	49.04	49.36	48.44	0.65%	-1.90%
Broilers	36.91	36.92	36.31	0.03%	-1.68%
Total Poultry**	43.06	43.18	42.59	0.28%	-1.39%
Total RedMeat & Poultry	92.10	92.54	91.02	0.48%	-1.67%

Source: USDA-WASDE, December 2011 Report

Tight Stocks Since 1995 in Feed Crops Despite Large Crops



Projected Prices 2011 and Beyond



Source: USDA, LMIC and UGA

■ GA 500# steer ■ GA 750# steer ■ Choice fed steer ■ GA Slaughter cow

A large herd of cattle, primarily black with some brown and white markings, is gathered in a grassy field. Many of the cattle have yellow ear tags. The background shows a line of trees and a utility pole under a cloudy sky.

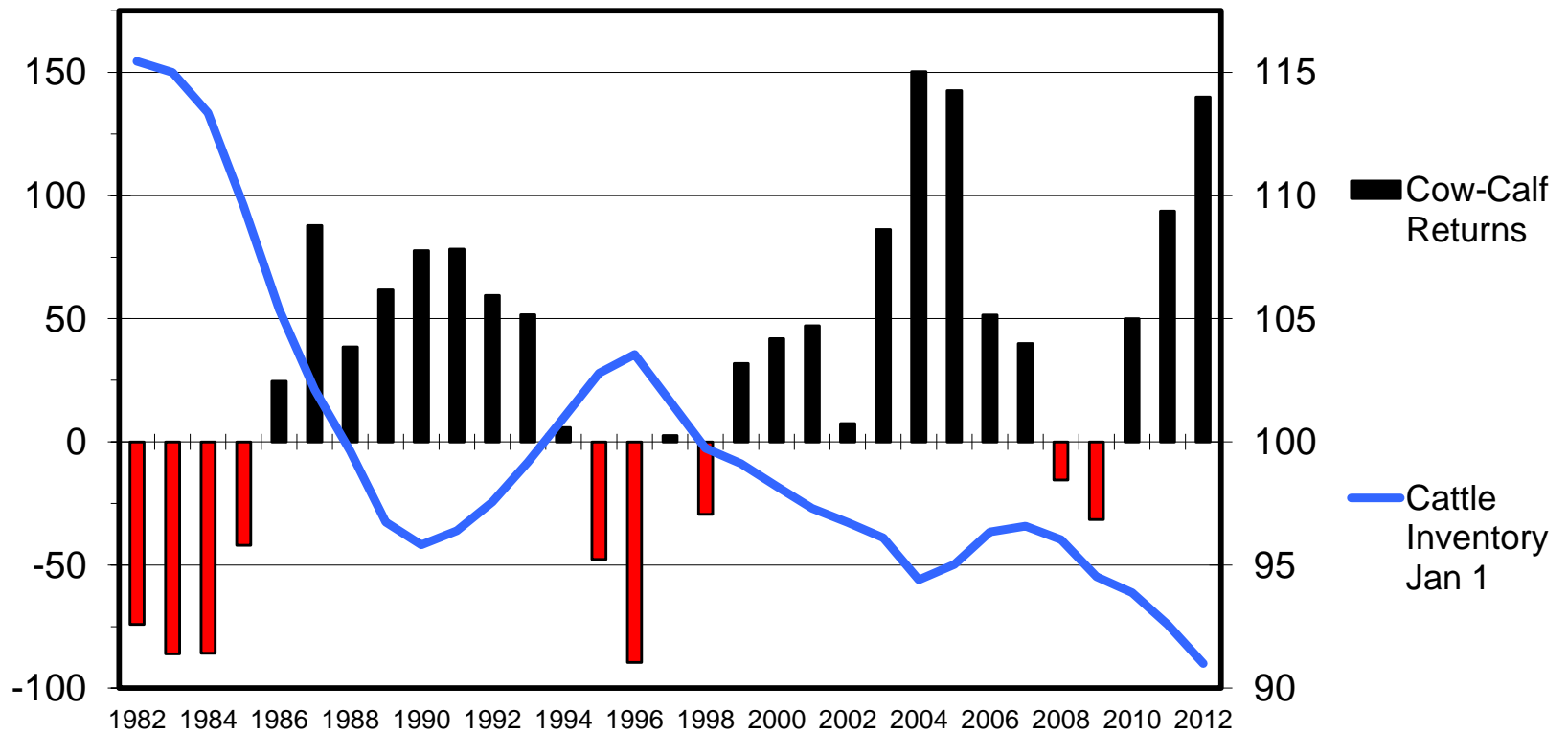
INPUTS, PROFITS AND RISK MANAGEMENT FOR 2012

COW-CALF RETURNS AND CATTLE INVENTORY

U.S., Annual

\$ Per Cow

Mil. Head



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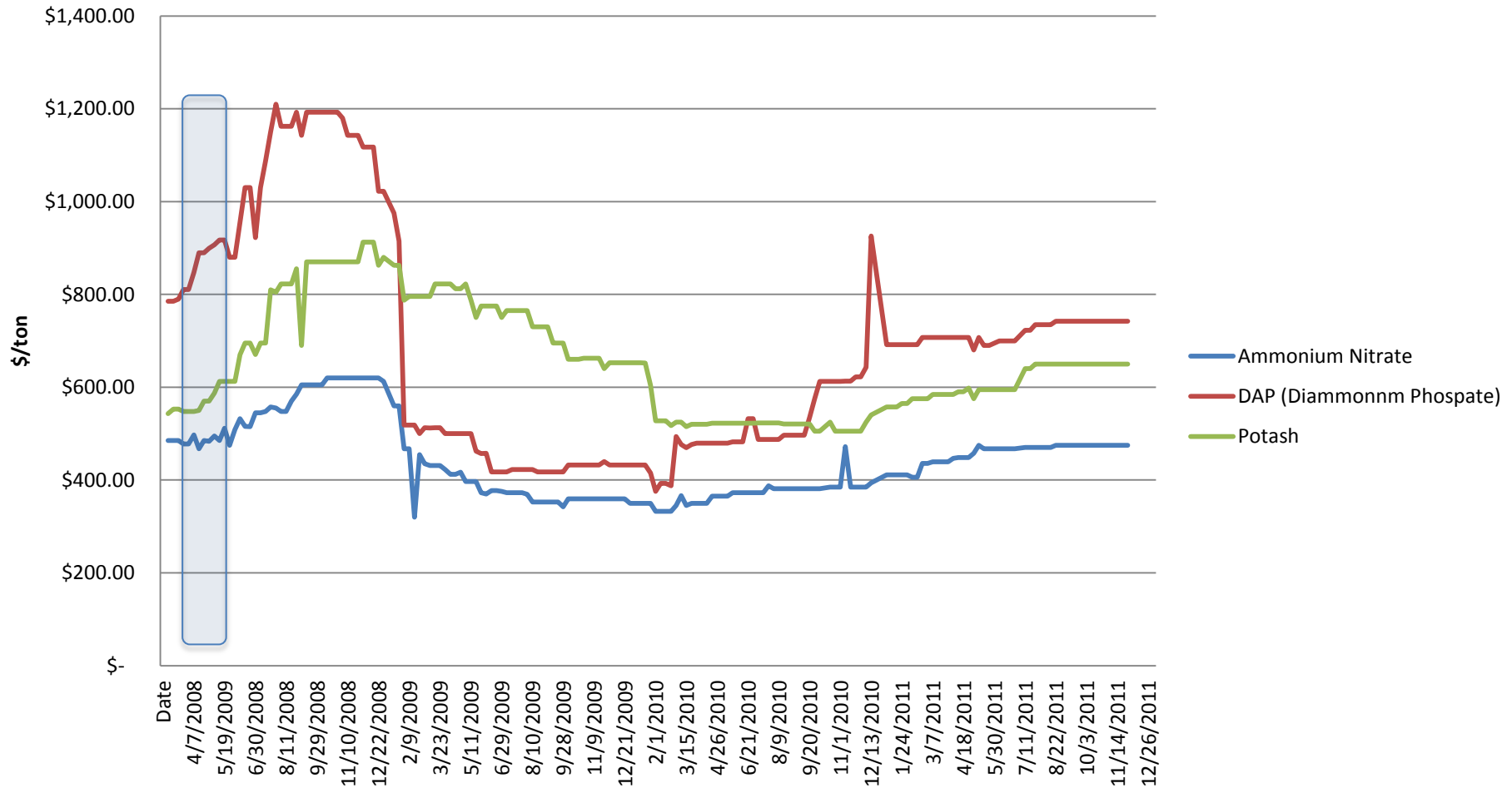
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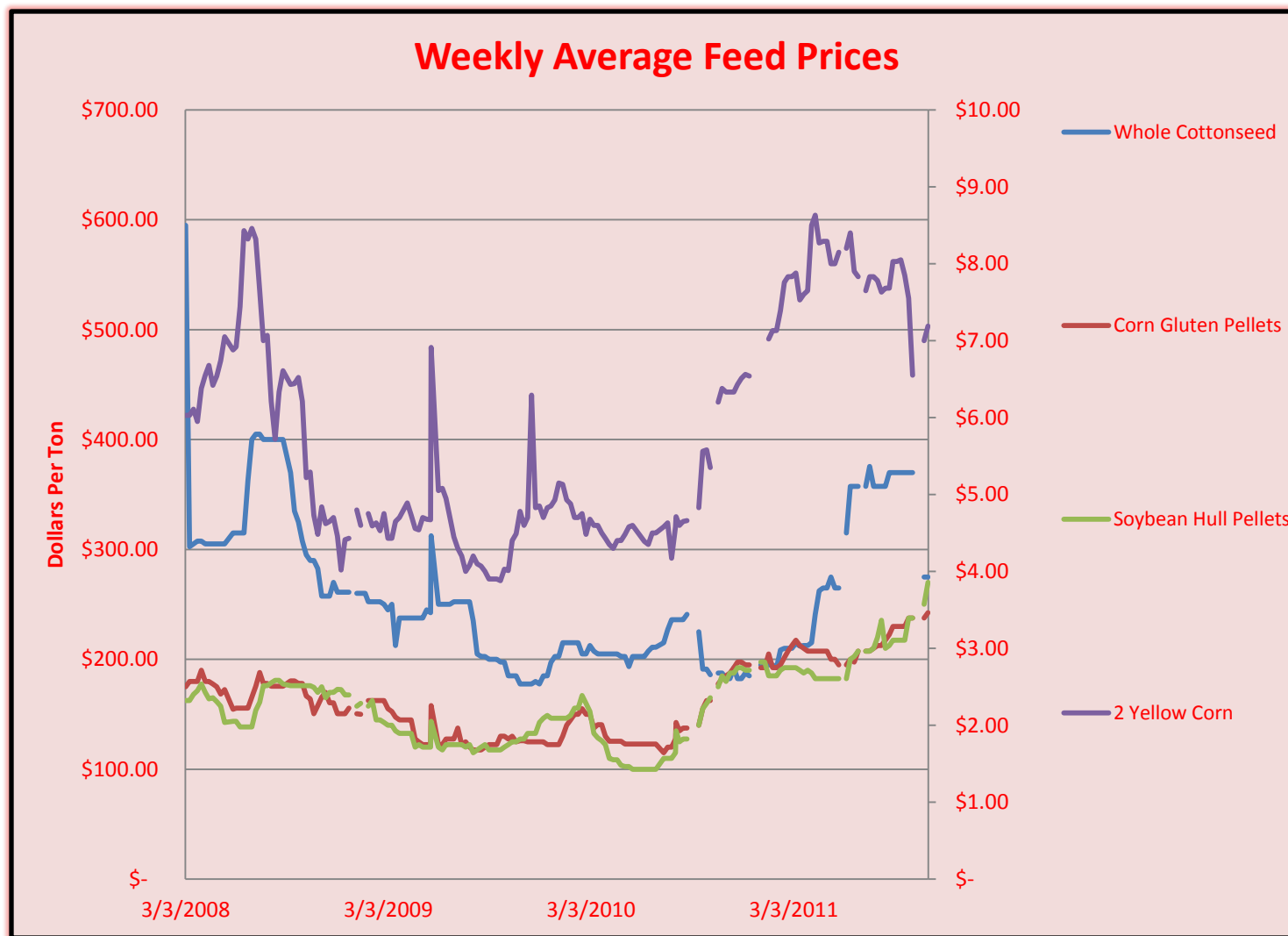
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

Don't look for fertilizer prices to go down

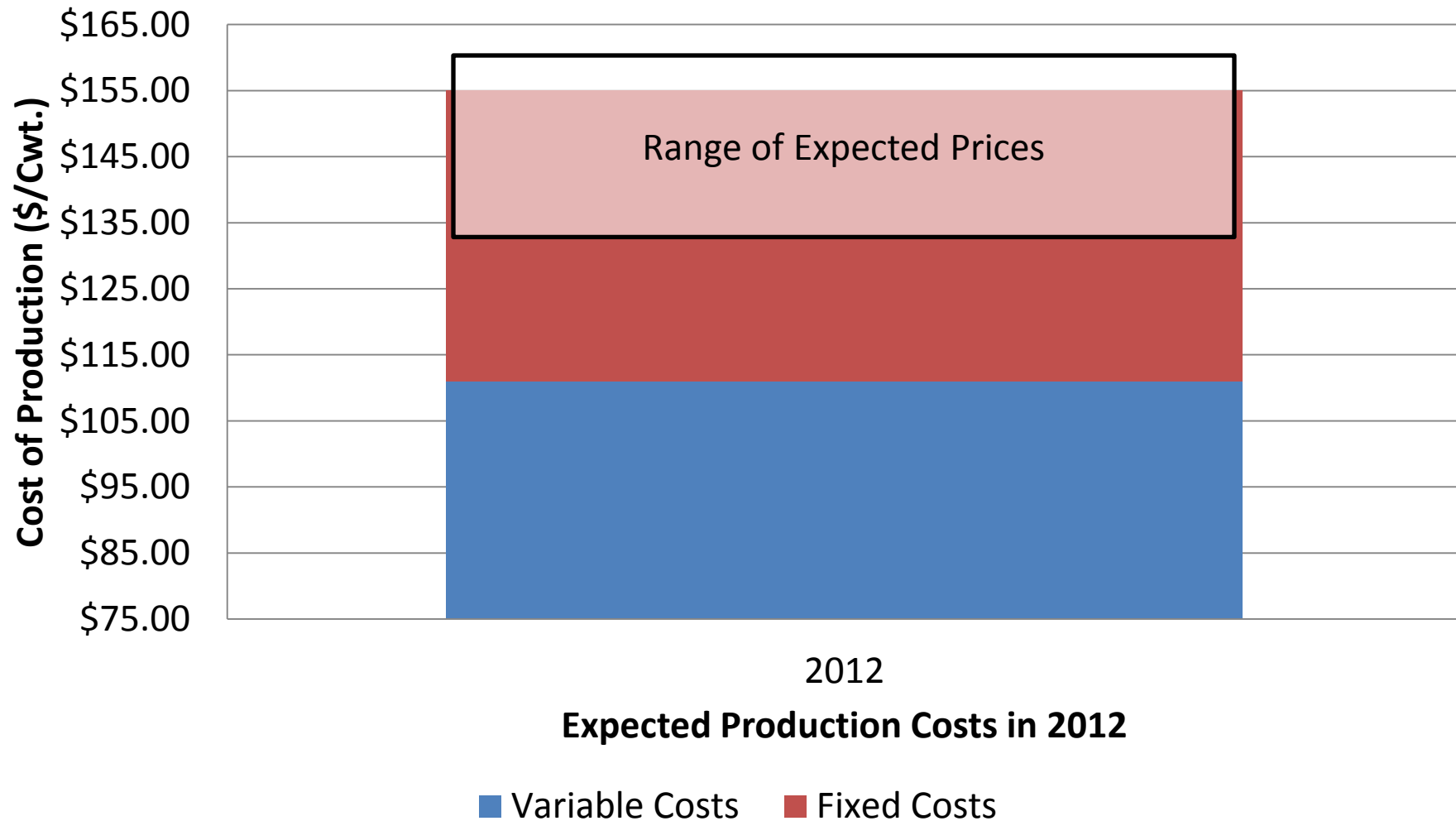
Fertilizer Prices 2002-2011



Feedstuffs will be higher also

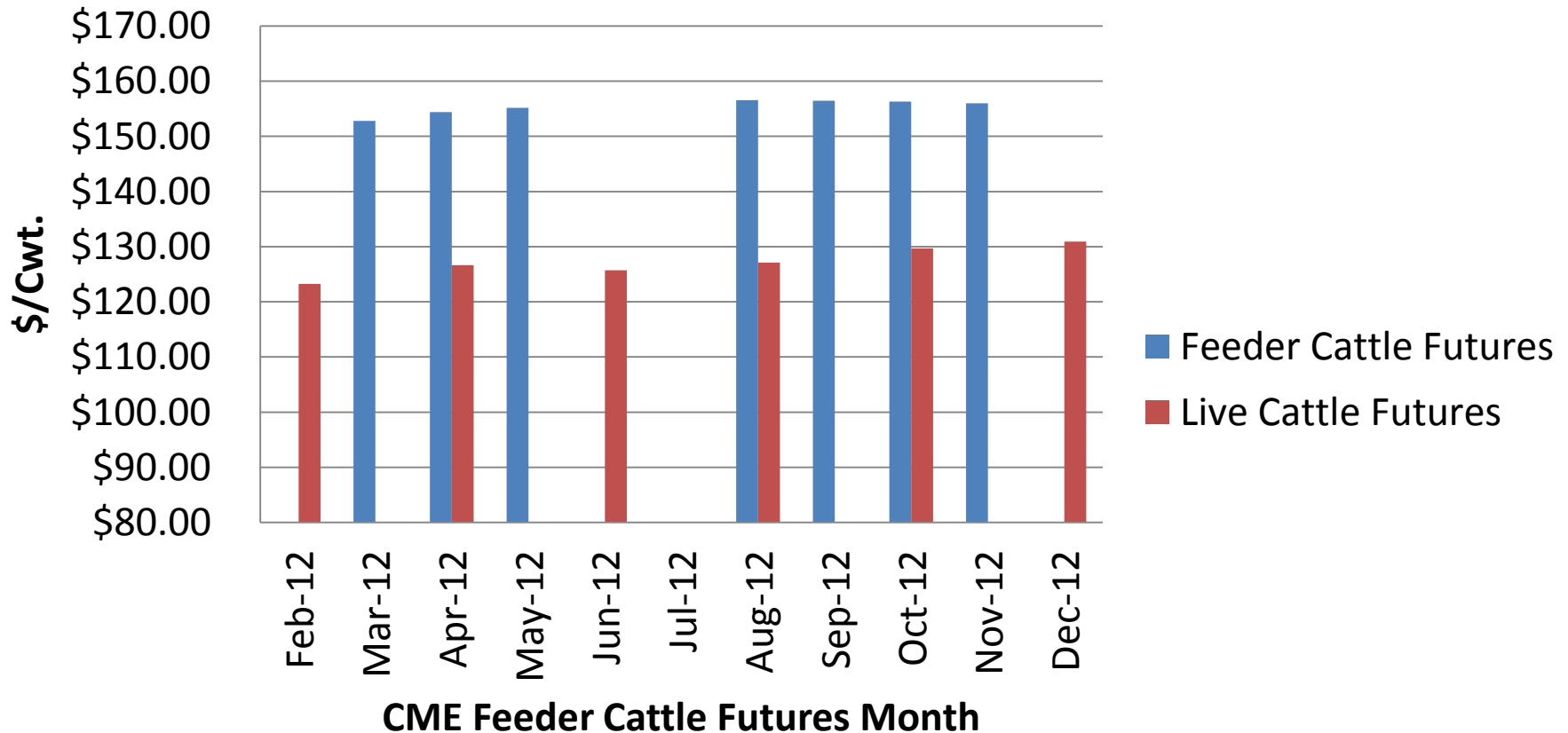


Cost of production will be higher but should be manageable for most



There are opportunities to manage risk

**CME Live and Feeder Cattle Futures Close
for January 6, 2012**



Beef Cattle Outlook

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www.secattleadvisor.com

