

In The Cattle Markets

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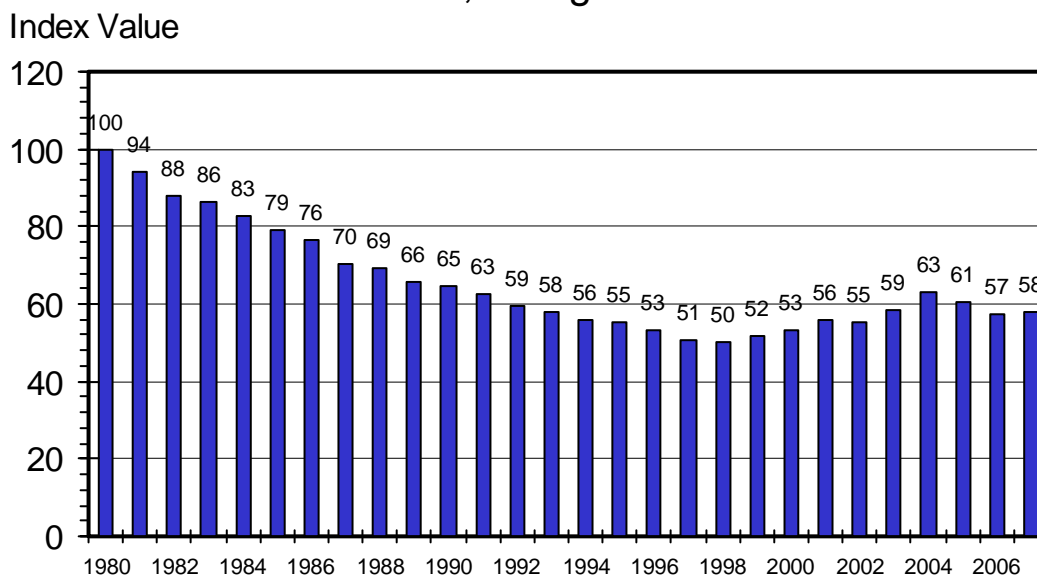
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Beef Demand

What has happened with beef demand the last couple of years and what might we expect for 2008? As can be seen on the chart below, retail Choice beef demand declined in 2005 by 3.2% and declined in 2006 by 6.6%. However, demand strengthened somewhat in 2007 increasing by about 1% for the year. If we just looked at the annual numbers, we might conclude that the downward trend in beef demand had been reversed and that demand in 2008 might also improve over 2007 levels. However, looking at quarterly data reveals a slightly different picture. For 2007 relative to 2006, beef demand was down 1.8%, up 3.3%, up 1.75% and unchanged for the first, second, third and fourth quarters, respectively. Flat fourth quarter demand in 2007 and concern for the general economy in 2008 as many experts concerned about the strength of beef demand for 2008. There will also be an increase in the supply of pork and poultry which would tend to pressure beef demand lower, particularly if those increases in supply were accompanied by lower pork and poultry prices. I am not part of the gloom and doom crowd that believes the US economy is headed for a recession. However, even a little to no growth economy could cause some problems for beef demand. Looking at deferred live cattle contracts for late summer and fall, there is a lot of optimism in those prices, given the outlook for the general economy and for domestic beef demand in 2008.

RETAIL CHOICE BEEF DEMAND INDEX

Annual, Using CPI 1980=100



The Markets

Slaughter cattle prices were about \$.50 to \$1.00 lower in the south with active trade and prices were \$2-3 lower in the north with moderate trade. Prices were \$91-91.50 in the south and mostly \$145 in the north. Choice boxed beef prices were a higher this week compared to last week. The Choice-Select spread decreased last week and below the historical level. Feeder cattle prices were higher in Kansas and in Nebraska this past week. Corn prices were up \$.13 a bushel at Omaha and the Dried Distillers Grains were \$5 per ton lower for the week.

Cattle or Meat Category	Week of 2/15/08	Week of 02/08/08	Week of 02/16/07
Kansas Fed Steer Price, live weight	\$91.21	\$91.90	\$90.82
Nebraska Fed Steer Price, dressed weight	\$145.39	\$147.43	\$146.54
700-800 lb. Feeder Steer Price, KS 3 market average	\$105.11	\$104.13	\$99.50
500-600 lb. Feeder Steer Price, KS 3 market average	\$124.99	\$118.83	\$122.22
700-800 lb. Feeder Steer Price, NE 7 market average	\$104.71	\$104.46	\$101.63
500-600 lb. Feeder Steer Price, NE 7 market average	\$128.05	\$127.15	\$120.82
Choice Boxed Beef Price, 600-900 lb. carcass	\$151.14	\$148.57	\$153.28
Choice-Select Spread, 600-900 lb. carcass	\$3.58	\$5.47	\$7.80
Corn Price, Omaha, NE, \$/bu (Thursday quote)	\$4.85	\$4.72	\$3.88
DDG Wholesale Price, Iowa, \$/ton	\$167.50	\$172.50	\$126.00