Robert Taylor Symposium
“Survival of the Fittest”
Case Gabel
The number of beef cow operations has declined 25% since 1986.
Percent of U.S. Beef Cow Herd Operations

Source: USDA
U.S. Ag Land Values, % Change: 1998-2007

Pasture: +143%
Cropland: +113%
Farm RE Value: +131%

Source: USDA/NASS
Cash Operating Costs per Cow

Source: CattleFax Cow/Calf and Stocker Survey
SURVIVAL
Adapting to Change: Key Trend Shifts

Feedgrain costs skyrocket, temporary reprieve, will not go away

- **THEREFORE**: Pounds are worth more. Add gain wherever and however possible pre or post weaning.
- Background calves?
- **Genetics?** (total pounds weaned/pounds of cow exposed)
- Least-cost feed analysis?

Sharpen your pencil!
Cost Inflation: 2008 vs. 2000

- Crude: 156%
- Pasture land: 135%
- Corn: 132%
- Nitrogen: 128%
- Hay: 90%
- 550# Str: 12%

Source: USDA, NYMEX, CF Forecasts
Hay prices in 2008 are expected to be nearly DOUBLE the 1999 price.
Adapting to Change: Key Trend Shifts

Calf Markets Remain Volatile

- Build a marketing strategy (background options, value-added programs, source and age verify, retain ownership)
- Don’t flip flop programs, build to your advantages (genetic and resource)
- Capitalize on market volatility
- Consider retained ownership, current calf prices, etc
- Build superior/reputable genetics!!!

Sharpen your pencil!
500-599 lb. Steer Calves for Oct./Nov. 2008 Delivery
-July 7-11, 2008 Superior Video Sales

Source: Superior Livestock
and CattleFax (well-tested states)
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Stair Steps to Profitability

- Pre-Conditioned Weaned/Healthy +$4-$8/cwt
- Source & Age Verified +$10-$25/hd
- Natural Programs +$3-$7/cwt

Performance History (Feedlot/Carcass) +$2-$5/cwt

Average Cattle = Average Price

Under Managed Cattle
What does “Value-Added” Mean?

Creating a POINT OF DIFFERENTIATION

• Source verified
• Age verified
• Preconditioned
• Weaning protocol
• Natural
• Organic
• Humane handling

Fit the program to the operation
Retain Ownership?

### Retaining Calves: Breakeven Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 09 LC Contract, cwt ($-2 basis)</td>
<td>$ 88</td>
</tr>
<tr>
<td>Out Wt, head</td>
<td>x 1,300</td>
</tr>
<tr>
<td><strong>Sales Price</strong></td>
<td>$1,145</td>
</tr>
<tr>
<td>Ration Price, dry</td>
<td>$ 210</td>
</tr>
<tr>
<td>Ration conversion, dry</td>
<td>6.20</td>
</tr>
<tr>
<td>Pounds of ration needed (750# gain)</td>
<td>4,650</td>
</tr>
<tr>
<td><strong>Ration Cost</strong></td>
<td>$ 488</td>
</tr>
<tr>
<td>Yardage, $0.25/hd/day</td>
<td>$ 68</td>
</tr>
<tr>
<td>Interest, process, death loss, freight</td>
<td>+ $ 94</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>$ 650</td>
</tr>
<tr>
<td>Sales less Total cost</td>
<td>$ 495</td>
</tr>
<tr>
<td>In-Weight</td>
<td>/ 550</td>
</tr>
<tr>
<td><strong>Equivalent weaned price, cwt</strong></td>
<td>$ 90</td>
</tr>
</tbody>
</table>
Consider All Options:

Integrate

- Find a Feeder Friend
  - Know your performance data (feedyard, performance)
  - Partner on retained calves to reduce risk?

- Join a Branded Program
  - Match your cattle
  - Read the fine print
  - Find a program and stick with it (don’t jump year-to-year)
Sep-Nov Cull Bull Values

Source: CattleFax, 2008* includes only first week of Sept
Cull Cow Retained Ownership Advantage ($/head)

November to February (95 days)

The average advantage since 1980 is $53/head (with interest)

$140
$120
$100
$80
$60
$40
$20
$0
$-10

Years

08/81 08/82 08/84 08/86 08/88 08/90 08/92 08/94 08/96 08/98 08/00 08/02 08/04 08/06 08/08 08/09

08/09 Projected
To Become More Competitive:

- Manage Costs
- Manage Production
- Integrate
- Marketing Plan
- Manage Risk
Economic Situation

• Volatility will reign
• Credit to remain tight for the foreseeable future
• Cattle markets heavily influenced by investors
• “I’d rather have a herd of cattle for retirement than a 401k”
• Inflation and interest rates could run higher in 2009 (consider tying up rates now on short/long term loans)
• “Fix it up, wear it out, make it do, or do without”
• Be cautious of debt
2009 Cattle and Beef Markets

- ‘09 calf prices driven by FED CATTLE prices and CORN
- Domestic beef demand under pressure
- Global supply and demand variables will prevent a collapse
- Economic correction will bring cattle price corrections
- Exports (beef, pork, poultry) critical to net supply equation
- Keep in mind: the cowherd is declining – slightly
TRENDS

- Monthly
- Cow/calf Analysis
- Concise
- Up to Date
- Market Scan
- $3 / month

www.cattlefax.com
Thank You

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