

Cow Country Reporter



May 2010

Volume 2 Issue 5

IN THIS ISSUE

News from your CEO

There's More Good News
in the Market

CPL Members in the
Community

Louisiana Cattle Market
Update

Outlook Calls For \$2.94/Gal.
Gas This Summer

**Don't delay,
Renew your dues today**



Cattle Producers Of Louisiana
P.O. Box 886
Prairieville, Louisiana 70769
Website: www.lacattle.org
Toll Free: 888-528-6999

Dave Foster, Chief Executive Officer
info@lacattle.org

Alaina Pierret, Editor
apierret@wildblue.net

NEWS FROM YOUR CEO

May is here and with it green grass, calves playing in the fields and crops growing, not to mention sunshine and higher cattle prices. The major corn growing states of Iowa, Illinois and Indiana as of May 1 had over half of their corn planted and by now are close to being finished. Grass is also growing in the northern states so demand for calves going on summer grass will begin to increase. Know your breakevens on your cow herd, set some profit levels you need and as the market reaches those levels make your banker happy and show a profit this year. The slaughter cow market is still in a very favorable position so get rid of that old cow that has been giving you problems or many not be bred. Have you been calling our market update line? Have you used our classified section on the website? Give us some feedback. Remember, your dues runs out at the end of May. If you have not renewed your membership please do it today.

Dave Foster

THERE'S MORE GOOD NEWS IN THE MARKET

By: Troy Marshall, Beef Cow/Calf
Weekly

With the highest margins for packers and feeders this year, and feeder and fed prices nearing historic highs, one could argue that the market doesn't need a whole lot more good news. Yet, moisture conditions are pretty darned good in most areas, enough so that that you have to be pretty selective to get in a discussion about drought. Then to top it all off, USDA is predicting a record corn crop of a full 2% bigger than last year.

The American farmer is a production machine; people said ethanol subsidies would forever change the landscape of our industry and that sufficient corn could never be produced. Admittedly, prices are still significantly altered but it's been shown over and over that if you give a farmer enough incentive, he'll figure out how to produce it.

Trouble is, we may need a new record crop every year to maintain these price levels, and you know Mother Nature will eventually humble us. But up to this point, the American farmer has prevented the devastation

(continued on page 4)

What a cow! Do you know where your meat comes from?



John
Don't look like a cow?
What about?
Cows are big?
Cows get milk?
Cows get milk from what?
Q: What does a cow ride when she has to be her?
A: A COW-ward MUD-er!
Q: What is a cow's favorite party game?
A: MUD-er!
Q: What do cows eat at the breakfast table?
A: The newspaper!
Q: What would you like at a cow concert?
A: Moooo!

Fun Facts:
A cow's stomach can hold as much as a bathtub!
When you see a piglet? Pooch! Most mammals are made out of cowhide, not pig skin!
Cows use their tails to fly swatters!
Adult cows have 32 teeth. Many people do too.
Beef with Facts for Men and Kids:
Beef is the most popular meat in the world. 50% of the beef sold in the U.S. is for ground beef. 10% of the beef sold in the U.S. is for steaks, and 14% of the beef sold in the U.S. is for roasts. Cows are the only animals that can eat their own manure.

On May 6th and 7th, CPL members Amelia Levin, Carolyn Falgout and Hank Schumacher helped to spread the message about cattle to 700 Pre-K through 3rd grade students in Amite at Ag Wonder Day held at the Florida Parishes Arena. The day was geared to students to teach them the importance of the different sectors of agriculture. The students received coloring activity pages that shows youngsters where their meat comes from and also has jokes and a few fun facts.

LOUISIANA CATTLE MARKET UPDATE

By: Ross Pruitt, Department of Agricultural Economics and Agribusiness, LSU AgCenter

Forward Contracting Refresher

Retailers have largely been absorbing higher wholesale prices for beef through cutting their margins instead of passing those costs to consumers. How long this will continue is uncertain, but given a weak general economy and consumers whose spending habits are still skittish from a largely uncertain employment outlook, a decline in cattle prices, even if just due to seasonality, is likely to occur. The tightness of supply is not going away which will be supportive of prices, but demand is still fragile. Supplies of pork and poultry are relatively tight which will continue to support beef prices as long as consumers don't completely walk away from the retail meat counter and restaurants which are showing some signs of recovery.

In the past few weeks, many producers have asked about suggested price levels for contracting calves for fall delivery. Certainly, producers would want to consider, first and foremost, their projected cost of production when considering contracting calves for future delivery. As long as the current contract price is above and beyond the projected cost of production, then producers should certainly look at this as an opportunity to market their calves and manage price risk. However, producers may also want to consider future price movement and determine if waiting to price their calves at some later date may offer more profit potential. Producers can utilize futures market contract prices to help project cash prices. Even though most cattle sold in Louisiana do not meet the specifications of the feeder cattle futures contract, knowing historic futures prices and basis levels can be useful in forming expectations about prices.

By examining the historical relationship between cash prices and futures prices (i.e. basis levels) shown in Table 1 for LA cattle weighing 550-600 pounds, producers can use this basis information, along with current futures prices, to project cash prices for cattle they would deliver in either September or November of 2010. On average, LA cash prices in September have been roughly \$7.50 below the September feeder cattle futures contract price while LA cash prices in November have been roughly \$8.50 below the November contract price since 2001. Basis levels have been more negative than their historical level over the past few years due, in part, to higher transportation costs. Table 2 shows how prices of the September and November feeder cattle futures contract have changed from May to September (November) in each of the past nine years. On average, prices of the September feeder cattle futures contract have increased by over \$5 a hundredweight from May to September. Prices for the November feeder cattle futures contract have increased by less than \$0.50 per hundredweight from May to November. It should be noted, however, that this is how future prices might be expected to change on average. Changes in prices in any given year could be different as local supply and demand conditions and other factors change. Other considerations in any forward contracting discussions should include who is paying for the delivery, allowing for shrink, and any allowances for non-performance should the specified number of head and weight not be reached.

Table 1. September and November Louisiana Stocker Cattle Basis for Steers Weighing 550-600 lbs (\$/cwt)

Year	September Contract			November		
	Cash	Futures	Basis	Cash	Futures	Basis
2001	\$88.64	\$90.15	(\$1.51)	\$81.02	\$84.88	(\$3.86)
2002	\$74.35	\$80.43	(\$6.08)	\$75.79	\$82.98	(\$7.19)
2003	\$89.44	\$99.92	(\$10.48)	\$91.46	\$103.02	(\$11.56)
2004	\$107.58	\$113.15	(\$5.57)	\$105.41	\$107.95	(\$2.54)
2005	\$109.12	\$114.36	(\$5.24)	\$107.17	\$115.81	(\$8.64)
2006	\$109.68	\$117.24	(\$7.56)	\$94.34	\$99.65	(\$5.31)
2007	\$107.73	\$117.07	(\$9.34)	\$96.25	\$109.83	(\$13.58)
2008	\$94.95	\$109.10	(\$14.15)	\$83.65	\$96.97	(\$13.32)
2009	\$90.22	\$98.40	(\$8.18)	\$84.93	\$95.10	(\$10.17)
2001-09 Average			(\$7.57)			(\$8.46)

Source: USDA AMS, CME, & LMIC

(Continued on page 3)

(continued from page 2)

Table 2. Historic Changes in September and November Feeder Cattle Futures Prices from May until Delivery Date

Year	September Contract			November Contract		
	Cash	Futures	Basis	Cash	Futures	Basis
2001	\$89.14	\$90.15	\$1.01	\$89.66	\$84.88	(\$4.78)
2002	\$76.35	\$80.43	\$4.08	\$79.60	\$82.98	\$3.38
2003	\$85.04	\$99.92	\$14.88	\$85.38	\$103.02	\$17.64
2004	\$100.63	\$113.15	\$12.52	\$99.34	\$107.95	\$8.61
2005	\$110.04	\$114.36	\$4.32	\$107.77	\$115.81	\$8.04
2006	\$105.52	\$117.24	\$11.72	\$104.02	\$99.65	(\$4.37)
2007	\$111.77	\$117.07	\$5.30	\$110.42	\$109.83	(\$0.59)
2008	\$113.20	\$109.10	(\$4.10)	\$114.19	\$96.97	(\$17.22)
2009	\$101.20	\$98.40	(\$2.80)	\$101.67	\$95.10	(\$6.57)
2001-09 Average			\$5.21			\$0.46

Source: CME & LMIC

SAY GOODBYE TO STEEP DISCOUNTS AT RESTAURANTS

By Ann Bagel Storck, MeatinPlace.com

With signs that the economy may be improving, restaurants will be trying to wean customers off steep discounts and deals with different types of offers, according to market research company the NPD Group.

Restaurant operators will likely move consumers away from steep discounting with deals like combo meals and value menus, while operators are offering higher-priced product innovations to appeal to customers' appetites for something new and offset the cost of discounts, NPD Group reported.

With restaurant traffic still down, dealing continues to be important, NPD said, but consumers who claimed to have cut back on restaurant visits indicate that price discounts and other deals are less important motivators than last year. As consumer sentiment about the economy improves, operators could be expected to begin to ease consumers off of dealing, as they've done in previous recessions, according to NPD.

To read examples of restaurants continued sensitivity to the cash-conscious consumers, go to www.MeatingPlace.com

OUTLOOK CALLS FOR \$2.94/GAL GAS THIS SUMMER

From: U.S. Energy Information Administration

The U.S. Energy Information Administration (EIA) this week released its U.S. monthly projections through December 2011. Highlights of this month's Outlook include:

EIA projects U.S. real gross domestic product (GDP) will grow by 3% and world real oil-consumption-weighted GDP by 3.6% in 2010; both are 0.2% higher than in the previous Outlook. The 2011 forecast for real GDP growth is at 2.9% and 3.7% for the U.S. and the world, respectively.

The more optimistic economic growth forecasts lead to an increase of about \$2/barrel in EIA's projections for West Texas Intermediate (WTI) crude oil spot prices compared with the prior Outlook. EIA expects WTI prices to average \$84/barrel during the second half of this year, rising to \$87 by the end of next year.

To date, energy production, shipments and prices haven't been significantly affected by the ongoing oil spill in the Gulf of Mexico. The current relatively high level of on-shore crude oil and product stocks and the availability of the Strategic Petroleum Reserve can buffer the impact of any short-term crude oil supply disruptions, EIA says. "To date, however, there has been no impact on energy transportation and only very small impacts on production."

Regular-grade motor gasoline retail prices will average \$2.94/gal. during this summer's driving season of April 1 to Sept. 30, up from \$2.44 last summer. This summer's gasoline price forecast is up 2¢ from last month.

Regular-grade gasoline prices averaged \$2.35/gal. in 2009, increasing from an average of \$1.79 in January 2009 to \$2.61 in December. EIA expects these prices will average \$2.86/gal. in 2010 and \$2.98 in 2011. On-highway diesel fuel retail prices, which averaged \$2.46/gal. in 2009, are forecast to average \$3.05/gal. in 2010 and \$3.20 in 2011.

Estimated carbon dioxide emissions from fossil fuels, which declined by 7% in 2009, are expected to increase by 0.6% and 1.6% in 2010 and 2011, respectively, as economic growth spurs higher energy consumption.

of our industry by finding a way to obtain record or near-record harvests.

Even the cynics are having a hard time advancing an argument for bad fundamentals within the industry; it all just looks pretty darn good.

Certainly, the global economic crisis isn't over. Greece certainly isn't the exception; they just got to the disaster stage quicker than the European welfare states. Of course, the U.S. has been busy making up for lost time; we might actually beat a few European countries to the crisis point.

Many economists are predicting an extended period of slow growth due to the suffocating nature of global debt, but at least it is growth. And I still believe America's pro-capitalistic, pro-entrepreneurial, and pro-freedom roots will eventually prevent us from continuing down this path too far.

The bottom line is that while we would love improving beef demand, the fundamentals are strong enough that all we need in the short term is holding demand together.

Don't Forget to Pay Your Dues

Please be sure to take a moment to make sure your membership dues are up-to-date. Your membership dues are crucial to further advancing our mission. If you have already paid your dues, we thank you. Please use this form to sign up your neighbor. If you have not yet paid your dues, visit our website (www.lacattle.org) and use the online form or fill out the form below. Your dues are the only source of income for our organization and without them we would not be able to ensure that our goals are seen through. If you have any questions, comments or ideas, please feel free to call 1-888-528-6999.

Name _____
Company _____
Address _____
City _____ State _____ Zip _____
Parish _____ Region _____
Phone _____
Fax _____
Email _____



CATTLE PRODUCERS OF LOUISIANA
P.O. BOX 886
PRAIRIEVILLE, LOUISIANA 70769
WEBSITE: WWW.LACATTLE.ORG
TOLL FREE: 888-528-6999