



NEWS RELEASE

TEXAS CATTLE FEEDERS ASSOCIATION

5501 I-40 W. • AMARILLO, TEXAS • PHONE (806)358-3681
www.tcfa.org • info@tcfa.org

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Contact: Communications Dept.
info@tcfa.org
(806) 457-2300

Shrinking Supply Levels Indicate Better Times Are Ahead For Cattle Feeders

“Don’t get too negative” is the advice that Randy Blach of Cattle-FAX offered cattlemen at the Texas Cattle Feeders Association Annual Convention in Grapevine. Looking ahead to next year, Blach said, “I think we’re setting ourselves up to where we’ll have a much more profitable run feeding cattle than what we’ve had any time over the last two or three years — if we manage our business.”

Blach said things are beginning to look “bullish” for the cattle business with the assistance of tightening supplies — such as the declining herd and the anticipated 1% decline in beef production next year — and increasing exports. For 2009, he forecasts that fed cattle prices will experience their highest annual average ever: “Somewhere around \$96, \$97, \$98 dollars (per hundredweight) with a range anywhere from the mid-to-upper \$80s to on top of a dollar (per pound) for our spring highs.”

Cattlemen are currently benefiting from the ability to “buy” break-evens in the mid-to-upper \$80s right now, which Blach said are the most attractive break-evens in a long time. He noted that feeder cattle prices have dropped about 20-25%, falling back into the mid-\$90s range, but he does not expect them to decline much more. For 2009, Blach predicted that feeder prices will average about \$1.03 to \$1.05 per pound.

Despite the recent softening of corn prices, Blach warned, “We just don’t want to go to sleep there. I don’t believe the volatility has gone away from us” because corn supplies remain tight.

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Looking toward the future prosperity of the industry, Blach said foreign consumers are important, and the effort to continue reopening markets to U.S. beef must continue. Ticking off some numbers to emphasize the potential that is represented by exports, Blach told the audience only 4% of the world's people live in the U.S., the global population is growing by 78 million per year, and "over the course of the next decade there will be a billion more meat consumers in the world."

"We're moving millions of people from rice and beans diets to protein and vegetable diets on an annual basis," he said, suggesting that the trend is a positive one for cattle feeders specifically.

"We have the highest quality beef product of anyone in the world," Blach said, adding that 85% of the world's high quality fed beef supply is in the U.S.

"Nobody else does what you do. It's a tremendous opportunity for us if we continue to have access to these markets," Blach told the cattlemen.

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