



Strong Profits Lead to Herd Expansion

News release by Cattle-Fax

Cattlemen should expect slightly lower prices for fed cattle during 2006.

DENVER, CO (Feb. 2, 2006) — Cow-calf producers responded to another year of record-high calf prices and continued to expand beef cow and replacement heifer numbers during 2005. Major beef export markets remained closed to U.S. beef during 2005; however, resumption of at least limited beef imports from the U.S. was expected during 2006. Despite the limited beef exports and one of the largest net beef supplies on record, prices for fed cattle, feeder cattle and calves were record-high in 2005.

During 2005, the U.S. exported about 700 million pounds (lb.) of beef cuts compared to 415 million lb. a year earlier, and 2.5 billion lb. in 2003. Mexico accounted for about two-thirds of beef exports that occurred during 2005. Beef imports during 2005 were near record large and totaled about 3.6 billion lb. The largest increases in imports came from Canada and Uruguay.

Price outlook

Cattlemen should expect slightly lower prices for fed cattle during 2006, averaging \$85-\$87. Fed-cattle prices are expected to range from the mid-\$90s during the spring highs to the upper \$70s for the summer lows. Feeder-cattle prices

are expected to average between \$106 and \$108 during 2006, which is \$2-\$4 lower than 2005 levels. Prices are likely to trade in a fairly normal seasonal pattern and range from around \$105 per cwt. for spring lows to near \$115 or better for the highs. Calf prices are projected to trade in a range of \$115 to \$135 per cwt. during the course of the year and to average about \$125 during 2006. Larger net beef supplies, increased cattle harvest and larger beef production will force prices lower during the year, compared to the records set during 2005.

Cattle feeders, stocker operators, backgrounders and cow-calf producers should all experience slimmer operating margins during 2006 due to larger available supplies. Market cow and breeding cattle prices are expected to be mostly steady during 2006. However, conditions could change if the drought persists in the Southern Plains.

Inventory

Total cattle numbers increased nearly 2% during 2005 and totaled 97.1 million head on Jan. 1. Beef cow numbers increased for the second consecutive year and totaled 33.25 million head on Jan. 1 — up

330,000 head from a year earlier.

Cattle harvest and beef production were about even with levels from a year ago. Steer and heifer harvest totaled 27.0 million head in 2005, while beef production totaled 24.6 billion lb. and was one of the smallest totals in the past 15 years.

Fed-cattle harvest during 2006 is expected to increase about 850,000

head due to larger on-feed totals and slightly larger inventory levels.

Beef production for the year is expected to increase by about 1 billion lb. in 2006. Net beef supplies for the year are expected to increase during the year and be near record large as increased market access and larger beef exports are expected to offset about one-half of the increase in domestic beef production.



Editor's Note: This release is adapted from a news release distributed by Cattle-Fax. For more information about the organization, visit www.cattle-fax.com.