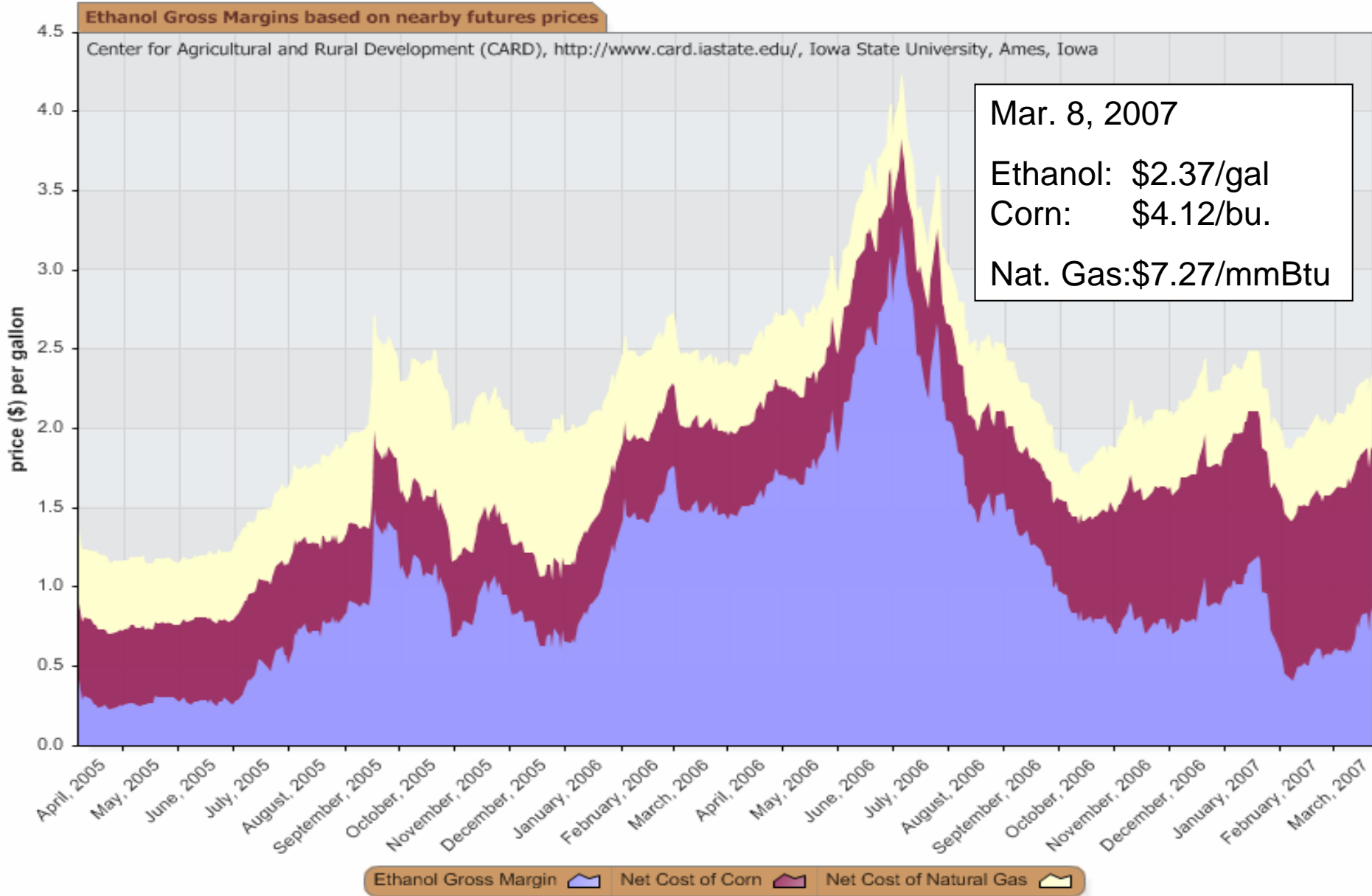


Cattle and Feed Prices Outlook

Glynn Tonsor
Dept. of Agricultural Economics
Michigan State University

2007 Winter Beef Meetings
February-March 2007

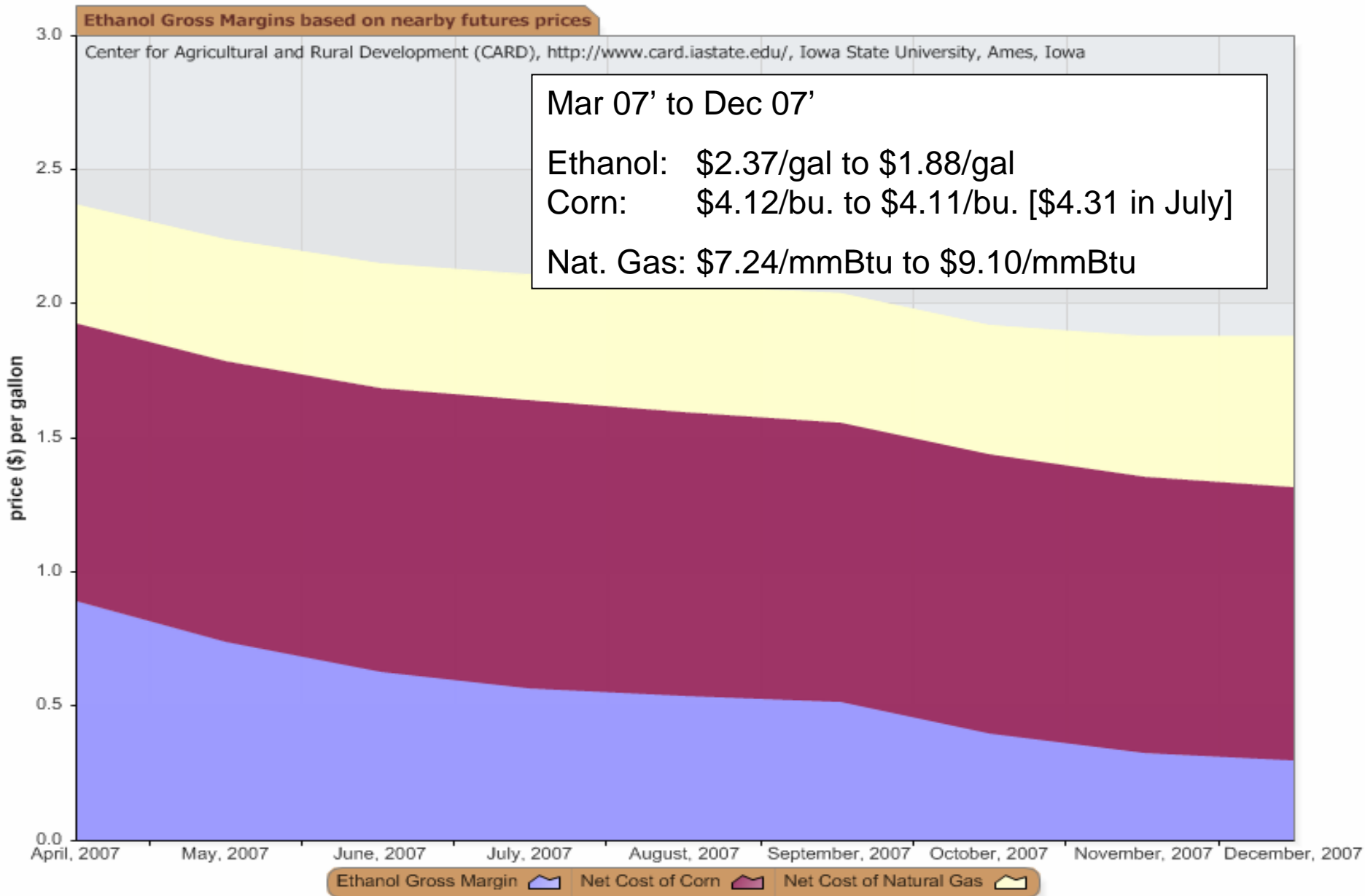
Historical Ethanol Gross Margins



Source: CARD: http://www.card.iastate.edu/research/bio/tools/hist_eth_gm.aspx

Assumes 1 corn bu. & 165,000 British thermal units of natural gas are required to create 2.7 gallons of ethanol and 17 DDGS lbs.

Projected 2007 Ethanol Gross Margins



Source: CARD: http://www.card.iastate.edu/research/bio/tools/proj_eth_gm.aspx

Assumes 1 corn bu. & 165,000 British thermal units of natural gas are required to create 2.7 gallons of ethanol and 17 DDGS lbs.

Nearby Ethanol Futures

AC H7 [10] - DENATURED FUEL ETHANOL LAST: 2.295 CHANGE: ▲ 0.015 HIGH: 2.295 LOW: 2.295 3/2/2007



CBOT *ADVANTAGE*

2.295

Weekly

Monthly Corn Futures

Corn Monthly

updated Jan 30



Corn Futures (as of 3/9/07)

Mar-07	\$	4.08
May-07	\$	4.17
Jul-07	\$	4.27
Sep-07	\$	4.17
Dec-07	\$	4.08
<hr/>		
Jul-08	\$	4.24
Dec-08	\$	3.90
<hr/>		
Jul-09	\$	3.97
Dec-09	\$	3.78
<hr/>		
Jul-10	\$	3.83
Dec-10	\$	3.66

Dec 07 Corn

C Z7 [10] - CORN (DAY)

LAST: 406'8

CHANGE: ▼ 8'4

HIGH: 414'0

LOW: 405'6

3/2/2007



SUPPLY/DEMAND BALANCE SHEET FOR CORN

	2002-03	2003-04	2004-05	Estimated 2005-06	Projected 2006-07	Hilker 2007-08	Hilker 2008-09
(million acres)							
Acres Planted	78.9	78.6	80.9	81.8	78.6	87.6	91.6
Acres Harvested	69.3	70.9	73.6	75.1	70.6	80.4	84.4
Bu./Harvested Acre	129.3	142.2	160.4	148	149.1	151	153
(million bushels)							
Beginning Stocks	1596	1087	958	2114	1967	752	702
Production	8967	10089	11807	11114	10535	12140	12913
Imports	14	14	11	9	10	10	10
Total Supply	10578	11190	12776	13237	12512	12903	13626
Use:							
Feed and Residual	5563	5798	6158	6141	5975	5750	5550
Food, Seed and Industrial	2340	2537	2686	2981	3535	4450	5350
Ethanol for fuel	996	1168	1323	1603	2150	3100	4000
Total Domestic	7903	8335	8844	9122	9510	10200	10900
Exports	1588	1897	1818	2147	2250	2000	2000
Total Use	9491	10232	10662	11270	11760	12200	12900
Ending Stocks	1087	958	2114	1967	752	702	726
Ending Stocks, %of Use	11.5	9.4	19.8	17.5	6.4	5.8	5.6
U.S. Loan Rate	\$1.98	\$1.98	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95
U.S. Season Average Farm Price, \$/Bu.	\$2.32	\$2.42	\$2.06	\$2.00	\$3.20	\$3.40	\$3.40

Source: USDA and Jim Hilker. (02 - 09 - 07)

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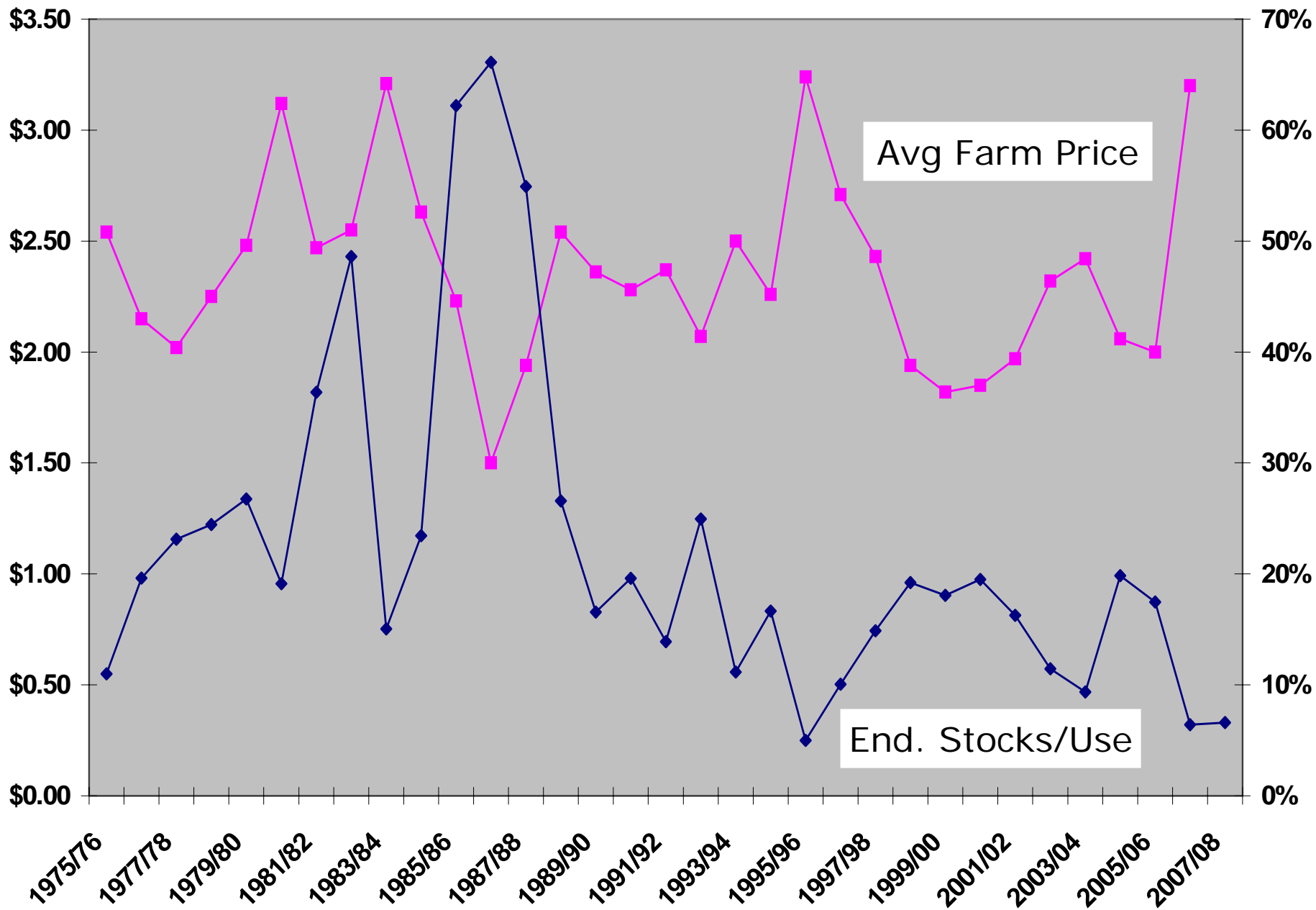
Source: USDA and Jim Hilker. (02 - 09 - 07)

SUPPLY/DEMAND BALANCE SHEET FOR CORN

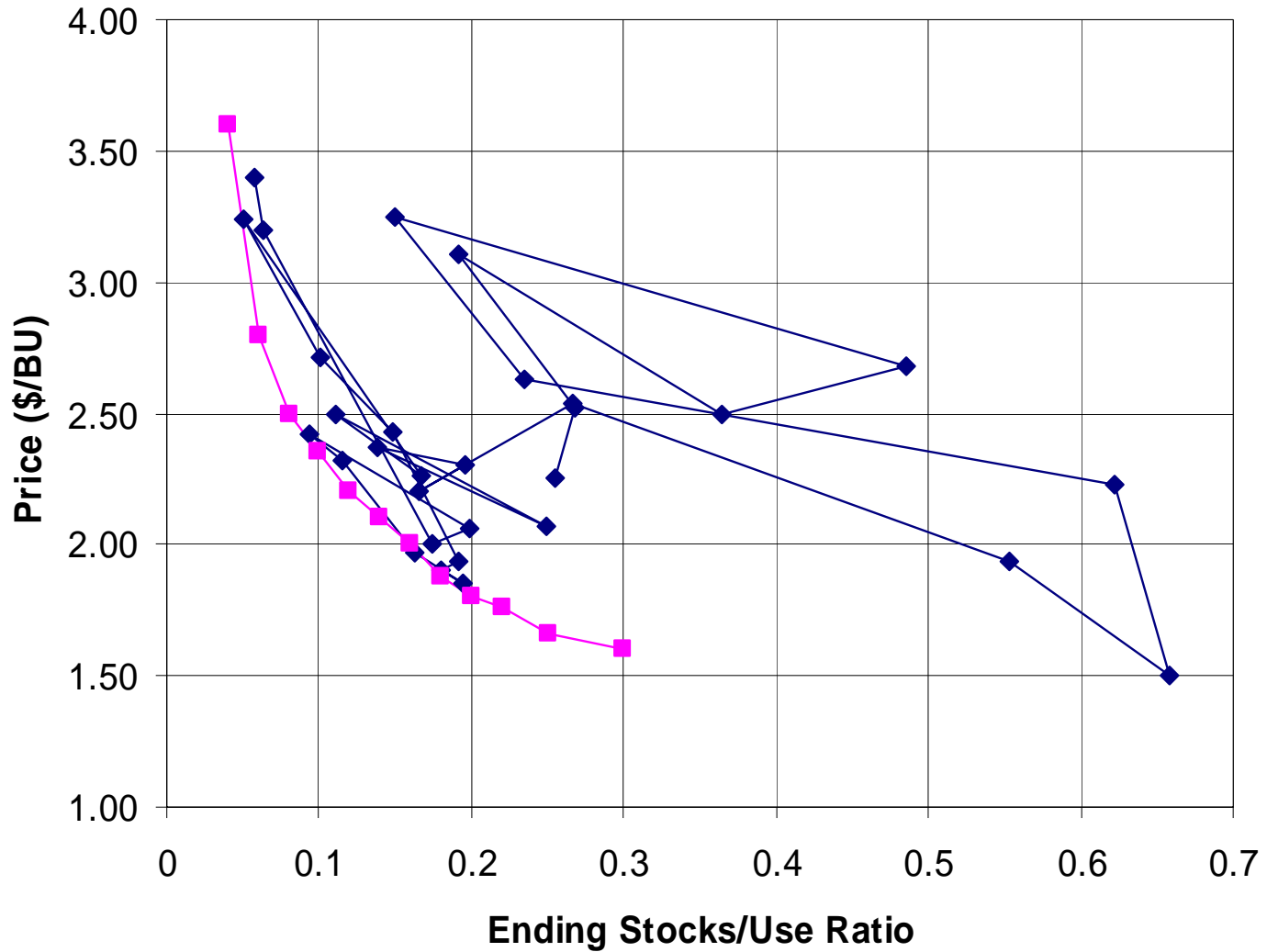
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Source: USDA and Jim Hilker. (02 - 09 - 07)

Ending Stocks/Use Ratio vs Avg Price



U.S. Corn Price vs Ending Stocks/Use Ratio 1978 - 2007

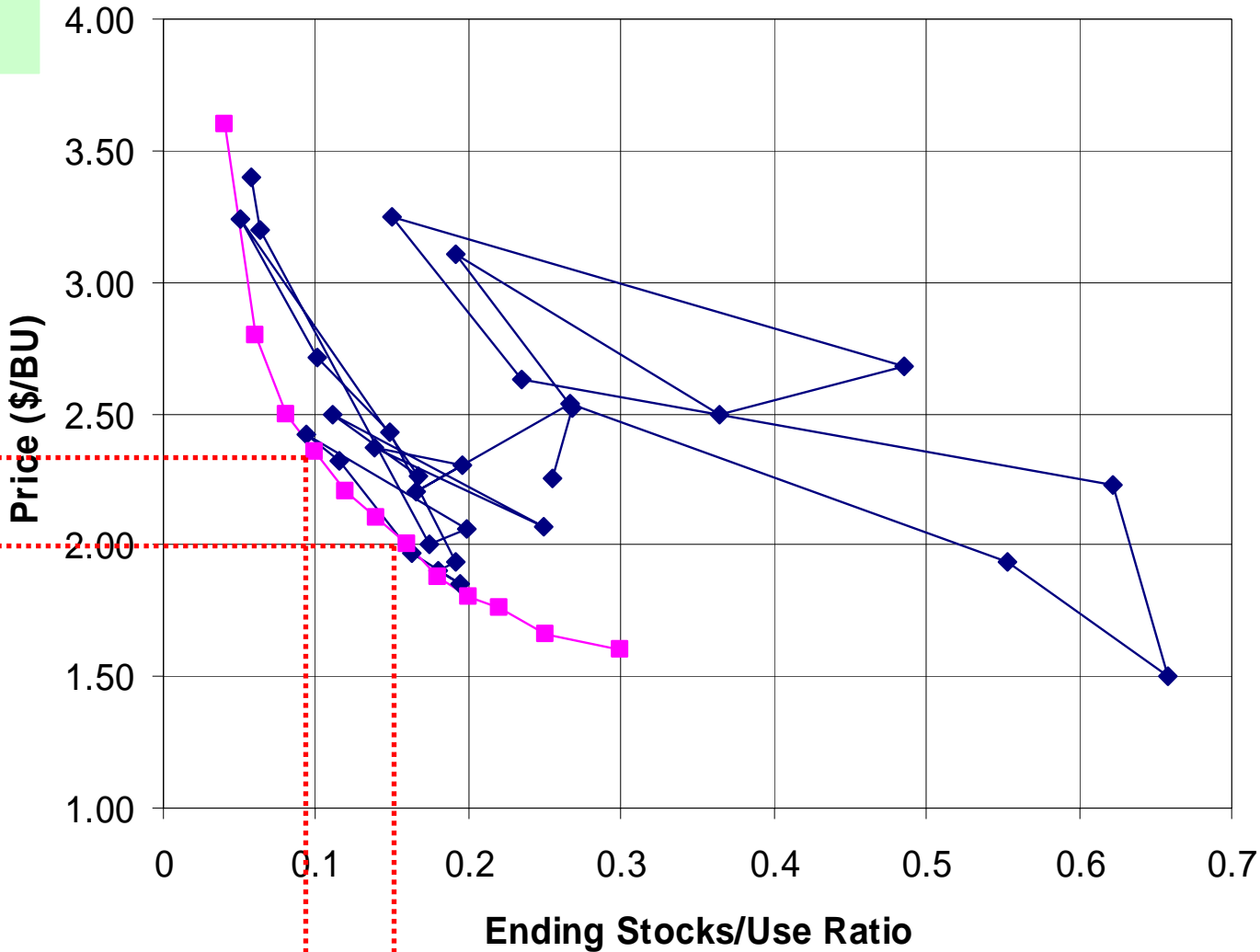


U.S. Corn Price vs Ending Stocks/Use Ratio 1978 - 2007

EndStocks/Use
.1 to .15 =
\$2.30 to \$2.00

Ratio: .10
Price: \$2.30

Ratio: .15
Price: \$2



Corn Futures Volatility

- CBOT Corn Volatility:
 - 2001-2005 average volatility
 - Ranged from 19.4% to 21.9%
 - 2006 average volatility of 28.8%
 - 7 of 12 months in 2006 were highest since 1980

July 2007 Corn Futures Variability

Probability that the realized price will be less than:

Price

10%	\$	3.40
20%	\$	3.70
30%	\$	3.94
40%	\$	4.15
50%	\$	4.36
60%	\$	4.59
70%	\$	4.83
80%	\$	5.14
90%	\$	5.61

80% Window:
\$3.40 - \$5.61
\$2.21

Dec 2007 Corn Futures Variability

Probability that the realized price will be less than:

Price

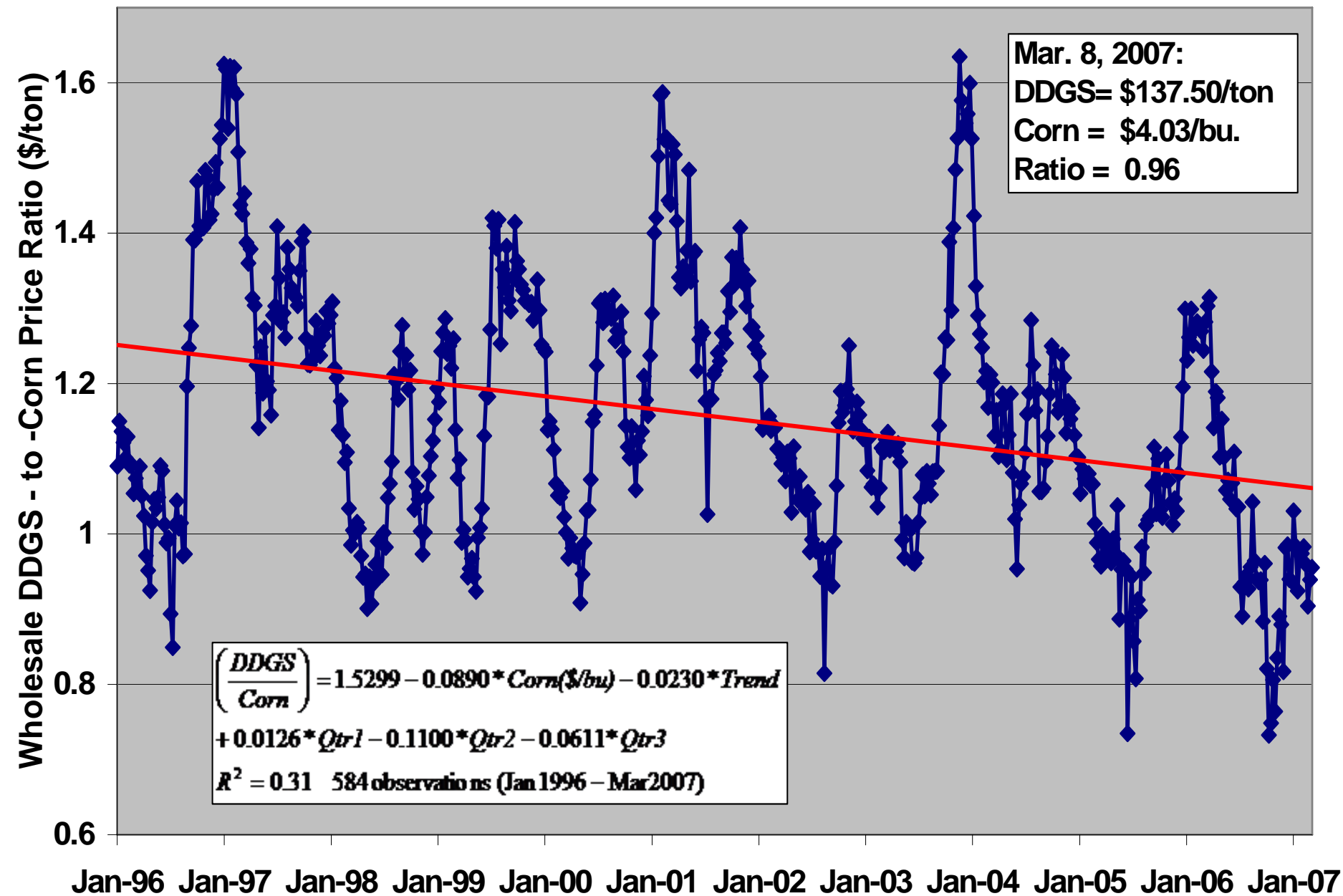
10%	\$ 2.78
20%	\$ 3.16
30%	\$ 3.47
40%	\$ 3.75
50%	\$ 4.03
60%	\$ 4.35
70%	\$ 4.69
80%	\$ 5.15
90%	\$ 5.85

80% Window:
\$2.78 - \$5.85
\$3.07

40%:
\$1.25

40%:
\$1.82

Chicago Wholesale DDGS - to - Corn Ratio (\$/ton)

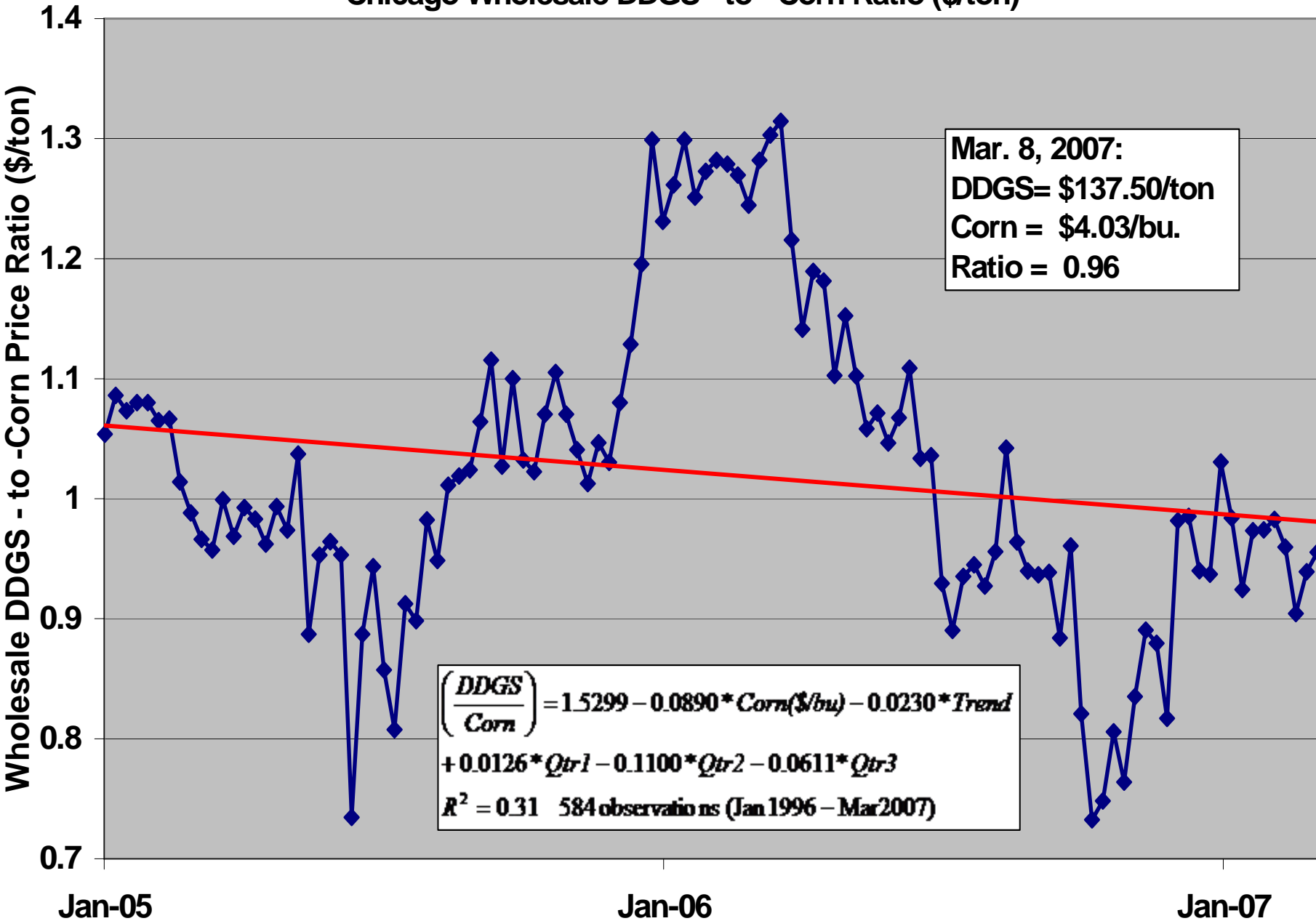


$$\left(\frac{DDGS}{Corn}\right) = 1.5299 - 0.0890 * Corn(\$/bu) - 0.0230 * Trend$$

$$+ 0.0126 * Qtr1 - 0.1100 * Qtr2 - 0.0611 * Qtr3$$

$R^2 = 0.31$ 584 observations (Jan 1996 - Mar 2007)

Chicago Wholesale DDGS - to - Corn Ratio (\$/ton)



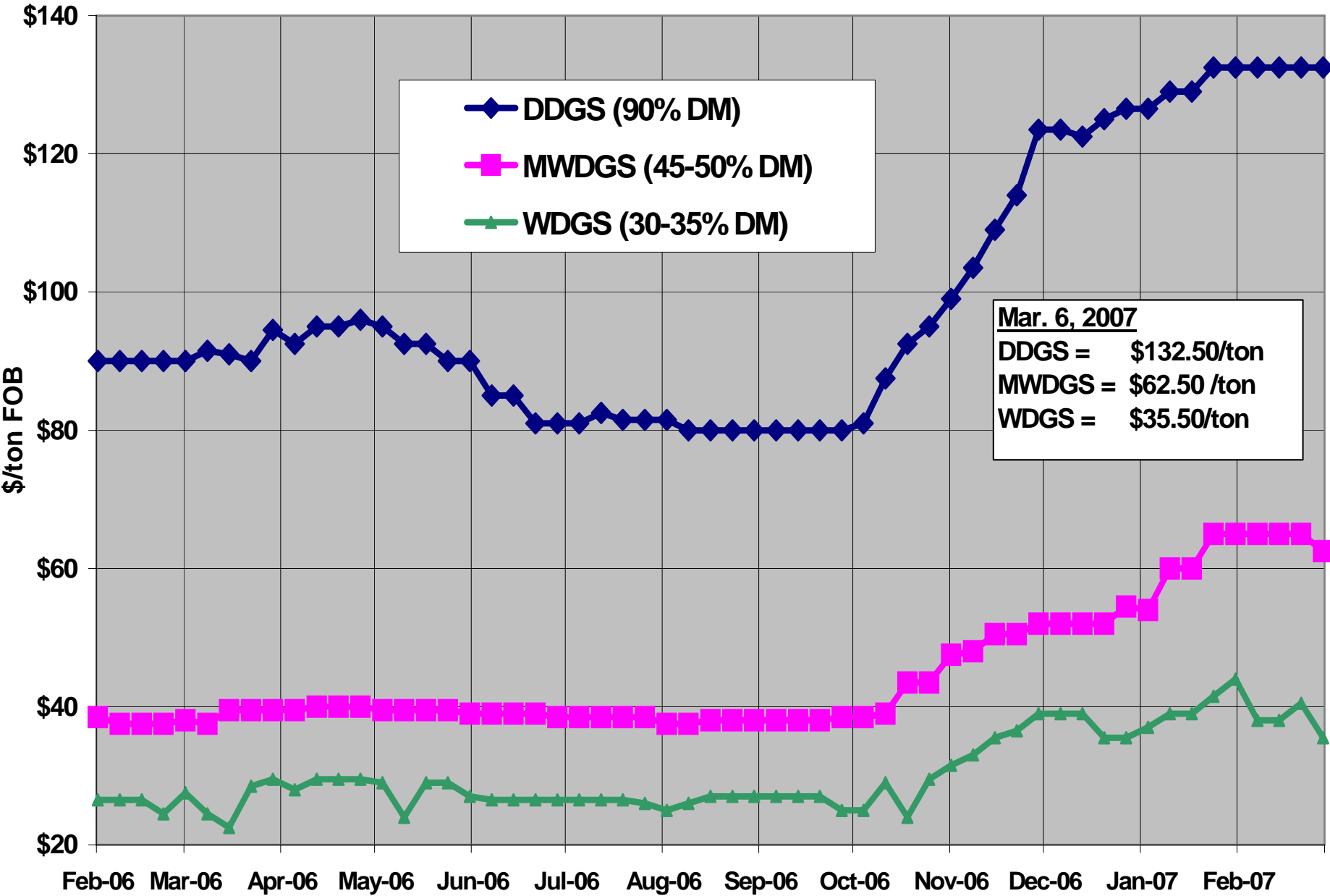
Mar. 8, 2007:
DDGS= \$137.50/ton
Corn = \$4.03/bu.
Ratio = 0.96

$$\left(\frac{DDGS}{Corn}\right) = 1.5299 - 0.0890 * Corn(\$ / bu) - 0.0230 * Trend$$

$$+ 0.0126 * Qtr1 - 0.1100 * Qtr2 - 0.0611 * Qtr3$$

$R^2 = 0.31$ 584 observations (Jan 1996 - Mar 2007)

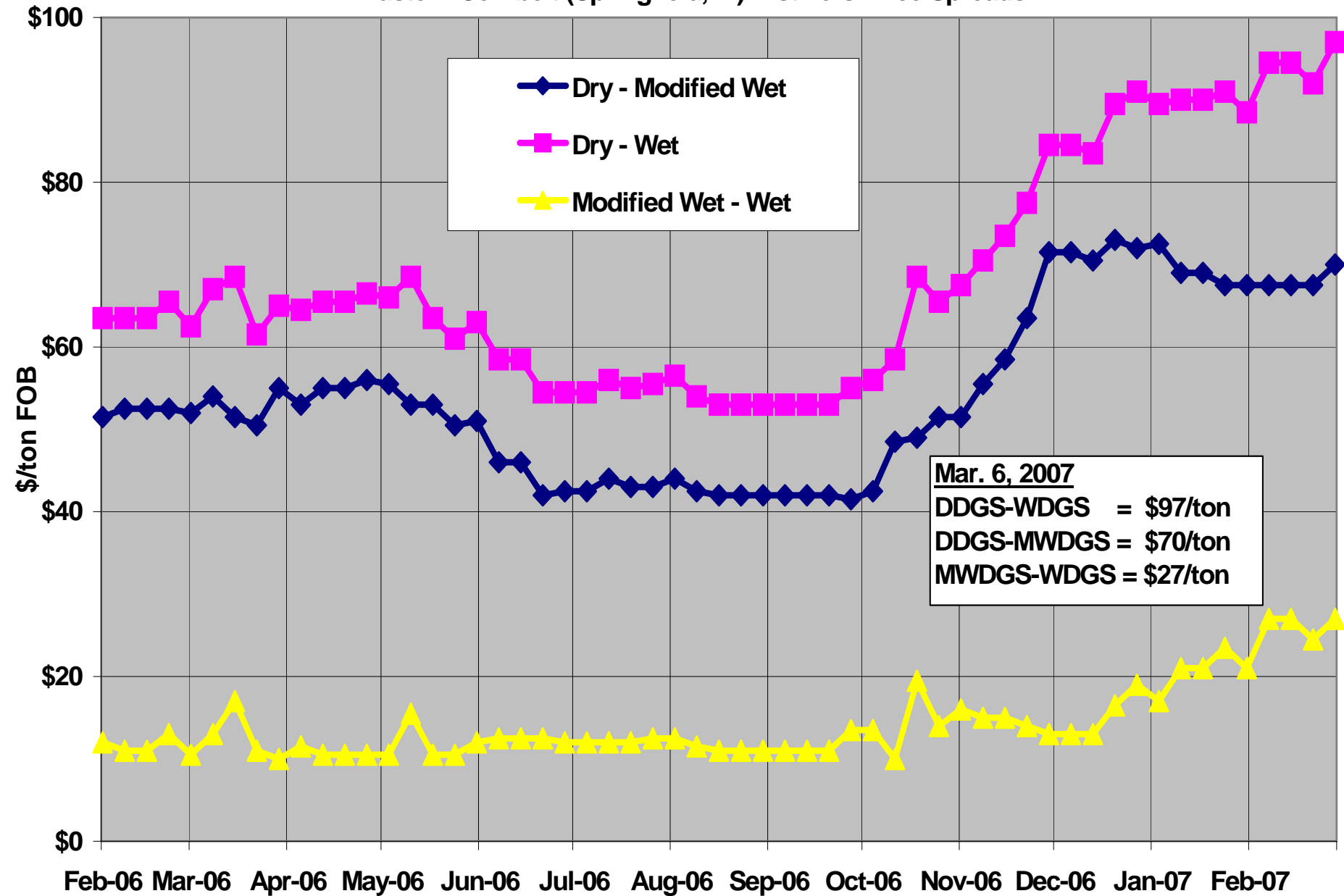
Eastern Cornbelt (Springfield, IL) Distillers Prices



Mar. 6, 2007
DDGS = \$132.50/ton
MWDGS = \$62.50 /ton
WDGS = \$35.50/ton

Source: Livestock Marketing Information Center and USDA-AMS; Last updated 3/6/2007

Eastern Cornbelt (Springfield, IL) Distillers Price Spreads



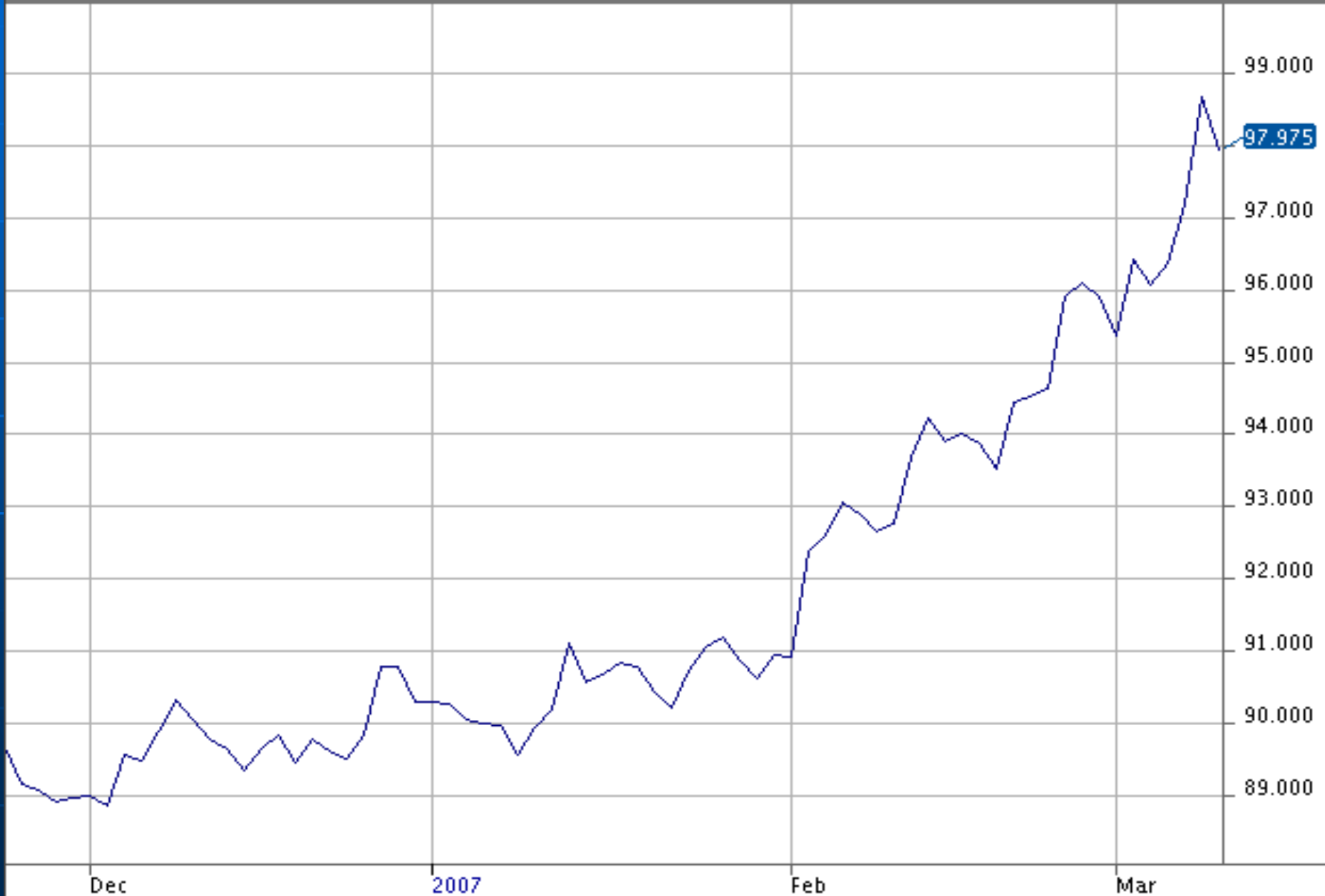
Source: Livestock Marketing Information Center and USDA-AMS; Last updated 3/6/2007

Live Cattle Futures (as of 3/9/07)

Apr-07	\$	104.45
Jun-07	\$	98.60
Oct-07	\$	97.98
Dec-07	\$	97.50
<hr/>		
Feb-08	\$	98.30
Jun-08	\$	95.95

Live Cattle - Oct 07

LCV07(15) ~ Daily Last:97.975 -0.725 High:98.450 Low:97.800 3/9/2007 12:05:00 PM



Aug 2007 LC Futures Variability

Probability that the realized price will be less than:

Price

10%	\$ 83.70
20%	\$ 86.54
30%	\$ 88.67
40%	\$ 90.50
50%	\$ 92.23
60%	\$ 94.07
70%	\$ 96.02
80%	\$ 98.38
90%	\$ 101.72

40%:
\$8.53

40%:
\$9.49

80% Window:
\$83.70 - \$101.72
\$18.02

Feeder Cattle Futures (as of 3/9/07)

Mar-07	\$ 105.15
Apr-07	\$ 106.63
May-07	\$ 108.80
Aug-07	\$ 109.38
Nov-07	\$ 108.10
Jan-08	\$ 107.05

Feeder Cattle – April 07

FCJ07(15) ~ Daily Last:106.625 -0.100 High:107.375 Low:106.400 3/9/2007 12:05:00 PM



Oct 2007 FC Futures Variability

Probability that the realized price will be less than:

Price

10%	\$ 90.11
20%	\$ 94.87
30%	\$ 98.49
40%	\$ 101.66
50%	\$ 104.68
60%	\$ 107.91
70%	\$ 111.38
80%	\$ 115.64
90%	\$ 121.75

40%:
\$14.57

40%:
\$17.07

80% Window:
\$90.11 - \$121.75
\$31.64

Cattle Crush (3/9/07 futures)

- $CC = 1,200 \text{ lb LC} - 750 \text{ lb FC} - 60 \text{ bu. corn}$ (no basis adjustments)
- Profit = CC – all other expenses (int., dep., main., labor, misc.)

- March placement, August sales:
 - CC = \$98.28
- May placement, October sales:
 - CC = \$107.56

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