

## Some Perspective

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October 15, 2009

Since it was the ides of October one year ago when the world was in the throes of an historic economic meltdown it seems like a good time for a little stock taking exercise, so here goes.

In the rear view mirror we see a U.S. and world economy that has undergone a deleveraging process probably unlike anything we've ever witnessed. While the worst appears to be over, it has left the U.S. economy weakened with unemployment approaching 10 percent. We've seen domestic and global demand for all meats weakened, resulting in a historic loss of equity across the entire livestock sector. A domestic beef, pork and poultry industry that has struggled mightily to deal with high input costs on the front side of this meltdown, a huge decline in meat exports during this past year's economic calamity, and overbuilt supplies on the back side, at least on the pork side.

Had it not been for the fact that the chicken folks slammed on their collective brakes last year, I shudder to think where the price of feeder cattle would be right now. Last year's U.S. pork export juggernaut, especially to China, has taken it on the chin. Yet, it seems that while some of this country's pork producers long ago hit their brakes, others either can't find their brake pedals or enjoy pain. Us beef folks, for our part, seem to have mostly kept our composure, for now. However, it is now the length of this economic downturn that is most worrisome and which has many folks again seeking for "green shoots" amidst all the dead thorn bushes.

Certainly one of those "shoots" for cattlemen was the news of a record corn crop and the enormous opportunity it provided cattle feeder to lock in an essential raw material for the coming year. During the past month, however, we've witnessed an amazingly wild ride in commodity markets with corn rallying some 80 cents and soybeans a dollar based upon primarily weather concerns and a weakening U.S. dollar. Live and feeder cattle have been on the other end of this spectrum with those futures markets badly leaking oil since mid-July.

Domestically, the thorny dilemma is how to boost domestic beef demand amidst a mountain of pork and with a consumer who has tightened their belt if they have a job and lost their belt if they don't. It has also taken us most of the year to slide down off of a U.S. dollar value that choked our ability to compete internationally, but this situation is changing.

After a dismal first quarter, U.S. beef exports to Canada, our #2 customer, have rebounded nicely and are now running at a monthly pace very much in line with last year's historic average. In fact, the levels of trade track right along with a Canadian dollar that was at "par" with the U.S. dollar for much of 2008 before jumping 25 percent this spring. When the exchange rate cuts one of our international customer's buying power 25 percent, exports to that country will decline! On the other hand, most analysts, including myself, believe that the U.S. and Canadian dollars will again be at par, and soon. In fact, we've already moved from C\$1.08:U.S.\$1 to C\$1.03:U.S.\$1 thus far in October, a move that is even making the

