

Welcome

Keep up with numerous challenges in today's beef industry



Sarah Nelson

Usually, an outlook preceding outdoor grilling season is optimistic, but this year is far from normal. There isn't a cattle producer, beef salesperson, packer or consumer who's happy with the current condition of the beef industry. Simply stated, there are too many cattle, too much beef and relatively high-priced feed compared to the

returns you can earn.

Producer Viewpoint

Fed cattle are currently losing about \$100/

head, while the Choice-Select spread is at an all-time low. Carcass weights are coming in steady at a time when traditionally, they quickly decrease. Additionally, feed prices continue to climb as the July 2009 contract registered an all-time high April 3 at \$6.21 ½.

Four big down-side factors impacted livestock producers livelihood this quarter. A weakening U.S. economy, higher input costs, more pork and the absence of Japanese and Korean consumers eating U.S. beef.

Processor Viewpoint

A three-week period beginning Feb. 8 was the first time packers have made a profit since last

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Producer Profile

Illinois Nexus newbies finish first with Holsteins

Southwest Illinois' Wesselman family says Nexus Marketing delivers what they need for cattle contracts.

The family partners operate 50 miles east of St. Louis, Mo., four miles from Carlyle, Ill. The Wesselman home place lies about ½ mile from the Kaskaskia River, with half of the farm, a flat expanse of river bottom ground, and the other half punctuated with high bluffs. Two other places they own border the river.

Gene and Patricia, partnering with their son, Tim, and his wife, Tiffany, buy 150 young calves yearly, and 450 500-lb. feeders per year. "We've been doing that for three years. We're really just getting our feet wet," Gene said.

Just a year ago, they started selling their Holsteins through Nexus Marketing, too.

Last February was first time the Wesselman

cattle operation ventured into forward contracting through Nexus. "Mark Klieboeker, at the St. Jacob Marketing Center told me how

to do it, and we priced a load for March," Gene explained. "He knew what he was talking about, and came across as a very honest person."

Now, they have marketed four trailer loads through Nexus. "I'm satisfied with the price. . . . It seems to get us real good prices on contracts," Gene said.

"It's not only the price. It's the whole package. It's the service and a lot of good information,"

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Patricia and Gene Wesselman

Nexus (Noun): A means of connection; a link between things persons or events; a connected group.

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Nexus

Latest JBS deal news Nexus producers should know

The proposed acquisition of the beef unit of Smithfield Foods and National Beef Packing Company by Brazil's JBS is easily the most important livestock news topic for the year so far.

If the deals are approved, the Sau Paulo-based meat company will be the largest beef producer in the world, holding about 32 percent U.S. market share and 10 percent of the world market. JBS projects that if the deals are authorized, it will enjoy annual revenue of \$21.55 billion, doubling its current yearly take.

University of Missouri's Agricultural Economist Ron Plain, reports the reason JBS could even have been considered such a deal, is because beef cattle kill plant owners have been unprofitable, and could remain that way for years into the future. Therefore, it became a good time for the companies to be open to an offer.

Why now?

The value of the U.S. dollar, when compared to the Brazilian real helped fuel the deal. In 2002, Brazil's real exchanged about a quarter of a U.S. dollar. Today, however, it's doubled in value to 57.8 cents. So, an acquisition now would represent a good value for JBS. Additionally, U.S. packers have been struggling to attain profits since 2004, causing their value to decline.

Meanwhile, world demand for beef is increasing, and JBS wants to position itself globally to take advantage of that demand growth.

What's in the future?

Producers are trying to understand what impact this may have on the industry, as well as on their own operations. Here is some information to consider:

- Completion is expected to take four - eight months
- There will still be an estimated 15 percent over-capacity for slaughter

- JBS indicates that they will not close plants or reduce shifts at any of the plants

- After their acquisition of Swift, JBS added a shift at the Greeley plant

- Profitability will be reached by increasing efficiency

- 60 percent of Five Rivers' (Smithfields' cattle feeding company) cattle already go to JBS Swift plants - little impact is anticipated in cattle marketings

Livestock Laughs

A stranger was seated next to a little girl on an airplane. When the plane took off and settled into its climb, the stranger turned to the little girl and said: I've always found that flights go quicker if you strike up a conversation with your fellow passenger.

The little girl, who had just opened her book, closed it slowly and said to the stranger, OK. What would you like to talk about?

Oh, I don't know, said the stranger. How about nuclear power? Yes, she said. That could be an interesting topic. But let me ask you a question first. A horse, a cow and a deer all eat grass - the same stuff. Yet a deer excretes little pellets, while a cow turns out a flat patty and a horse produces clumps of dried grass. Why do you suppose that is?

The stranger thought for a few moments,, then said: You know, I've never thought about that. I have no idea.

The little girl began to open her book again, saying: Do you really feel qualified to discuss nuclear power when you don't know crap?

Wesselmans crank up profits using Kleiboeker and Nelson, Nexus

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he said.

For instance, Kleiboeker advised Wesselmans to market their cattle in full trailer loads to increase their profit margin and for scheduling convenience. Nexus helped him to see how important it is to sort out the smaller animals and wait to market them.

New to the cattle finishing business, and forward contracting, their operation benefited from the tips. "We're trying to learn, and there's lots to learn out there," Gene added.

"Sarah Nelson, the risk management consultant, has been very helpful whenever I've asked questions. Mark Kleiboeker is super," he said.

A year into the marketing relationship, almost all of the Wesselmans' production runs through Nexus. "There's no sense looking any farther, once I've dealt with them," Gene said.

In the links section of www.nexusag.org producers



Tim, Kylee and Tiffany Wesselman

enjoy instant access to cattle, hog and grain cash and futures prices. Along with the Nexus weekly eNote, delivered to customer's email boxes and archived on the website beside prior issues of *Nexus News*. "We have the website up and my wife lets me know what's happening in the markets," Gene added.

The Wesselmans are paving a road of expansion and improvement as their three-year venture into the business lengthens. They have about 465 feeders on hand, but their feedlot will house 600. "Our goal is to move a load a month," he said.

Gene emphasizes the importance of his whole family's involvement in the operation. In addition to Tim (who also works as a carpenter) and Tiffany, Brian and his wife, Becky, Mike, and his wife, Jamie, and the youngest daughter, Sarah pitch in – or make it possible for their spouses to as well.

"Whenever I need help with a new batch of calves, all my kids show up and help with implants right a way,"



Rockin Recipes

1 pound boneless beef top sirloin steak, cut 1 inch thick
1 teaspoon coarse grind black pepper
1 large lime, cut into 8 wedges
1 small red onion, cut into 8 thin wedges
1 container grape or cherry tomatoes (about 10 ounces)

Mojo Sauce:

1/4 cup fresh orange juice 1/4 cup fresh lime juice
3 tablespoons finely chopped fresh oregano 3 tablespoons olive oil
2 tablespoons finely chopped fresh parsley 1 teaspoon ground cumin
1 teaspoon minced garlic 3/4 teaspoon salt

Instructions:

1. Whisk Mojo Sauce ingredients in small bowl. Set aside.
2. Cut beef steak into 1-1/4 inch pieces; season with pepper.
3. Alternately thread beef with lime and onion wedges evenly onto four 12-inch metal skewers. Put tomatoes evenly onto four 12-inch metal skewers.
4. Place kabobs on grid over medium, ash-covered coals. Grill tomato kabobs, uncovered, about 2 to 4 minutes or until slightly softened, turning occasionally. Grill beef kabobs, uncovered, about 8 to 10 minutes for medium-rare to medium doneness, turning occasionally.
5. Serve kabobs drizzled with sauce.

Mojo Beef Kabobs

Makes 4 servings in just 40 minutes

Current trends negatively effect livestock producer livelihood

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summer. The largest profit during the period was \$12.09. Currently, packers are losing more than \$25 per head as beef demand continues to soften; a result of a weaker economy, disappointing restaurant sales and consumer price resistance. Retail beef prices have appreciated at a faster pace than those of pork and poultry in recent years, making beef less competitive now when disposable incomes are stretched thin. Consider that while slaughter for the week was up 3.8 percent, marked increases in both steer and heifer carcass weights translate to adding 12,000 head to the weekly total, compared to last year.

Consumer Viewpoint

The consumer confidence index is at a five-year low, 64.5, down from 76.4 in February,

That's the lowest since March, 2003. Andrew Gottschalk from HedgersEdge.com notes the significance of fuel prices removing money from consumers' pockets, while adding to the cost of doing business. Recent polling finds Americans don't expect their economic situation to improve anytime soon, in fact, their expectations are the lowest since 1973. So, unless beef prices decline, the trend for consumers to eat more competitively-priced pork and chicken will likely continue.

As I've outlined, there are numerous challenges facing the beef industry today. Beef Magazine looked at these challenges and turned them into opportunities for growing demand in this month's issue. By increasing the number of customers and the average value of each transaction, while ramping-up the frequency of beef purchases – the situation could improve significantly.

