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## Special points of interest:

U.S. COF 100.8%; PL 113.5%; Mkt 96.5%

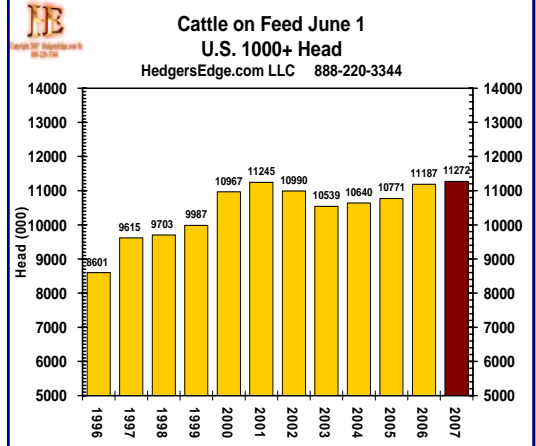
Retail prices peaking, lower prices expected this fall.

Export values up 16.0%

Cash Seasonal Decline Continues

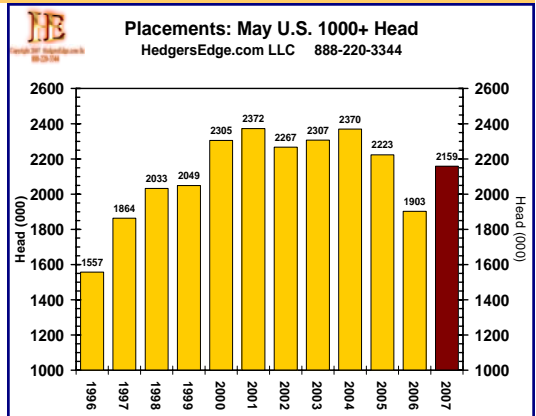
## Cattle on Feed

Cattle on feed totals in the US posted a new high for a June 1 report at 11.272 million head. The regional shift in where those numbers are on feed continues. The southern plains states of Colorado, Texas, Kansas, Oklahoma and New Mexico all posted on feed numbers below those of last June. The Cornbelt showed the most significant increases, with Iowa up 11%, South Dakota up 10% and Nebraska up 8%. Numbers on feed in areas farther east and those in lots less than 1000 head throughout this region continue to add to this total supply anonymously.



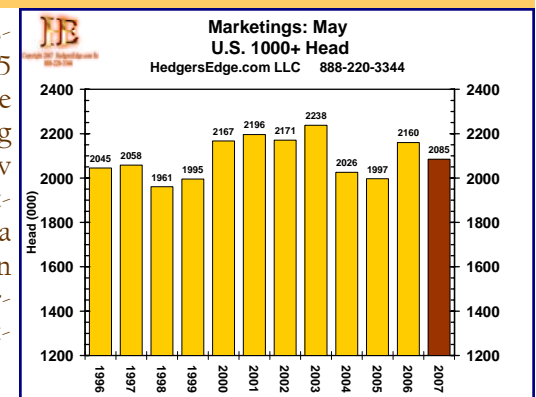
## Placements

Placements for May were reported to be up 13.5% at 2.159 million head. This was versus a low level last May, and was 2.5% below the five-year average. Placement weights shifted to the heavier end, with those placed at 700 pounds and over increasing 24.9%. Placements under 700 pounds were reported 2% lower than 2006 levels. Only California and Oklahoma showed declining placements. The three largest feeding states showed double-digit increases, with Texas up 20%, Nebraska up 15% and Kansas up 12%.



## Marketings

May marketings were generally a disappointment, down 3.5% from 2006, at 2.085 million head. This was 33,000 head below the five year average. The marketing rate during May set a new record low at 18.5%, 1.1% below the five year average. The states with marketings declining by double-digit levels were Iowa down 15%, Colorado and Idaho each down 11%. Aggressive marketings are to be encouraged, as discussed on the next page in the cattle on feed four month or longer section.



# Cattle Situation & Outlook

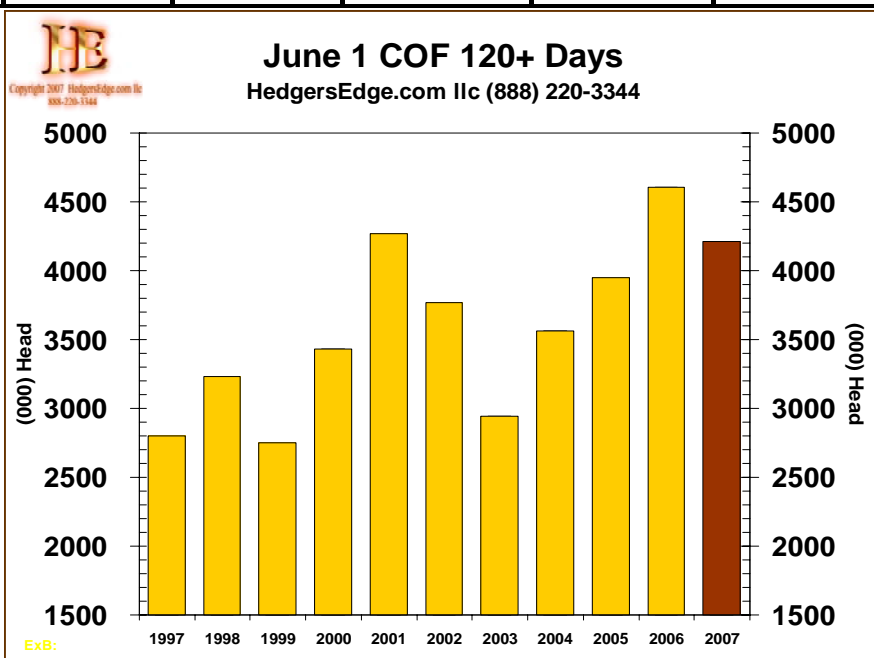


# U.S. Cattle on Feed 120+ Days

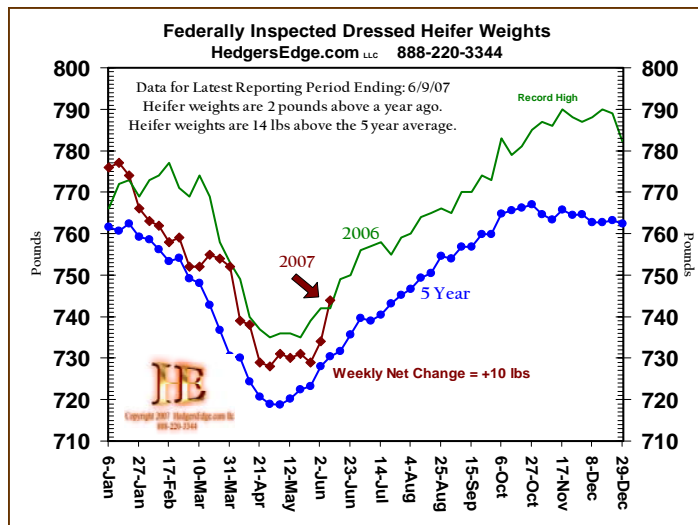
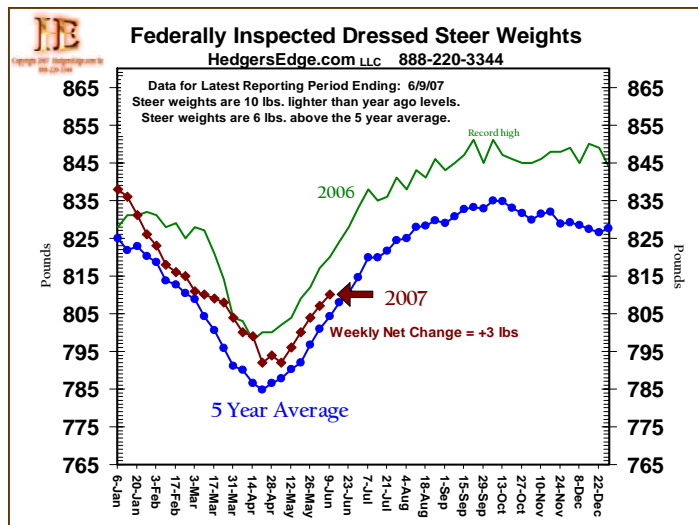
Estimates (000) 12 State	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
COF 120+ DAYS	4,266	3,722	3,575	3,012	3,387
COF 120+ PREV YR	4,605	3,922	3,719	3,184	3,212
COF 120+ vs PREV YR	93%	95%	96%	95%	105%
COF 120+ 5 YR AVG	3,764	3,199	2,955	2,466	2,742
COF 120+ vs 5 YR AVG	113%	116%	121%	122%	124%
COMML SLT (000)	2,952	2,884	3,082	2,709	2,975
WKLY FI SLAUGHTER	691,000	675,000	659,000	701,000	673,000

This category of cattle will trend below prior year levels for the first time since January 2004. That said, front-end fed cattle supplies remain much above their respective five year average. Additionally, there are many cattle in the Cornbelt that are unaccounted for by the monthly cattle on feed reports. Specifically, those cattle in farmer-feeder operations under 1,000 head are not counted nor reported. As such, any measurement of cattle on feed is understating the grand total, whether they are on the front-end or back-end.

All cattle supplies considered, the combination of previously reduced placements and aggressive weekly slaughter levels can prevent a backlog from developing this summer. This in turn should lay the foundation for a late-July cash price low.



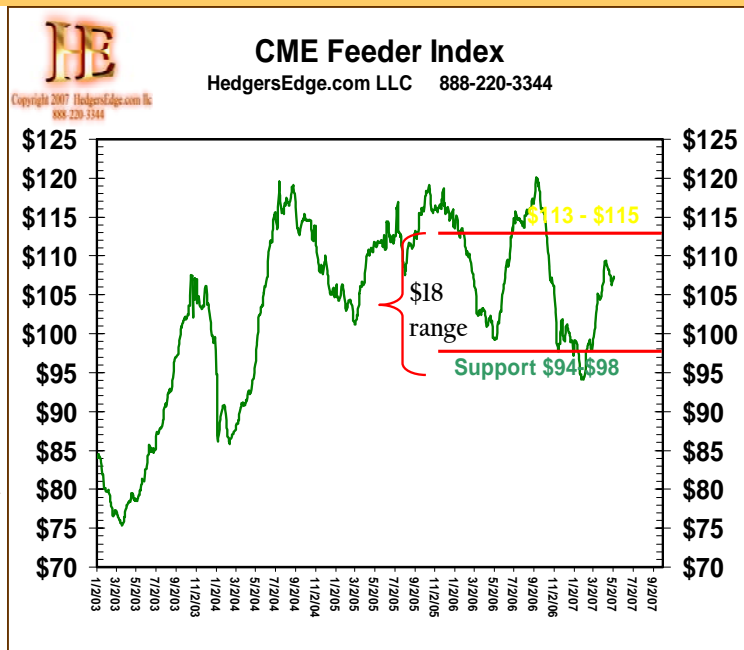
## Carcass Weights - heifer weights above 2006



# Feeder cattle

Feeder cattle and calf prices are victims of higher grain prices and of the drought in the southeast and western regions of the U.S. Unless either of the aforementioned conditions change, the heat will in turn be on prices into the fall. The expected seasonal advance in the August feeder cattle futures has failed to materialize to date. The failure of that price action to occur sounds an alert for expectations of lower prices to come. Price support basis the CME feeder index is evident at \$103, followed by major price support at \$94-\$98. We believe it will require an advance in corn prices above \$4.50 per bushel, basis December corn futures, to take the feeder index under \$103.

Calf prices are expected to follow a weaker price pattern into the fall. That said, the limited supply of calves will continue to support calf prices at levels that can remain very profitable for cow-calf producers. Despite seasonal ups and downs, our outlook for the cow-calf sector remains "bullish" for the next several years.



# Corn Outlook - emotions punctuate daily trading; Mother Nature dictates production

The accompanying table provides the latest USDA Supply/Demand estimates for the 2006/2007 and 2007/2008 marketing years. In addition, we have included our expectations of the Supply/Demand outlook for the 2007/2008 marketing year. We remain suspect of the planting intentions report issued in March by the USDA, which indicated producers expected to plant 90.45 million acres to corn this year. Additionally, given the various planting problems and delays, and now experiencing hot-dry conditions in many regions of the Cornbelt, trendline yields are also suspect. The difference in our expectations versus the USDA is on two fronts. Corn usage for ethanol is likely to be increased for the current marketing year, contributing to our lower carry-in for the 2007-2008 marketing year. The current corn crop size is likely to be lower than the latest USDA estimate. This combination should lead to a lower ending stocks/usage level or carry-out versus usage than the USDA is presently forecasting. The USDA is currently estimating the carry-out at 997 million bushels, while we expect the final figure to be closer to 700 million bushels or 5.6% of usage. The USDA carry-out at 8.0% of usage.

The accompanying "Economic Value" table lists expected price ranges given various carry-out levels. The current USDA carry-out level at 8.0% is shaded in yellow, while our projected carry-out of 5.6% is shaded in gray. Please note that the recent advance in December futures stalled at \$4.26. That price level is within the projected high for the Sept/Dec period, using our ending carry-out level of 5.6%. Point: Additional negative crop developments must occur to advance corn prices to new contract highs.

U.S. CORN SUPPLY/USAGE BALANCE EST.				
BILLION BUSHELS	06/07	07/08 USDA	07/08 HE	Diff (Bu)
CARRY-IN	1,967	987	937	-50
PRODUCTION	10,535	12,460	12,213	-247
IMPORTS	10	15	15	
<b>TOTAL SUPPLY</b>	<b>12,512</b>	<b>13,462</b>	<b>13,165</b>	<b>-297</b>
FEED	5,850	5,700	5,700	0
FSI	3,525	4,790	4,790	0
ETHANOL USE	2,150	3,400	3,400	0
DOMESTIC USE	9,375	10,490	10,490	0
EXPORT	2,150	1,975	1,975	0
<b>TOTAL USE</b>	<b>11,525</b>	<b>12,465</b>	<b>12,465</b>	<b>0</b>
CARRY-OUT	987	997	700	-297
CARRY-OUT %	8.6%	8.0%	5.6%	

December Corn Futures (\$/bu) September-December		
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Carry-out Percent	High	Low
13%	\$2.76	\$2.05
12%	\$2.85	\$2.10
11%	\$2.95	\$2.17
10%	\$3.06	\$2.25
9%	\$3.21	\$2.35
8%	\$3.39	\$2.48
7%	\$3.62	\$2.64
6%	\$3.93	\$2.85
5%	\$4.36	\$3.15
4%	\$5.01	\$3.60
3%	\$6.09	\$4.34
Std error	\$0.26	\$0.20

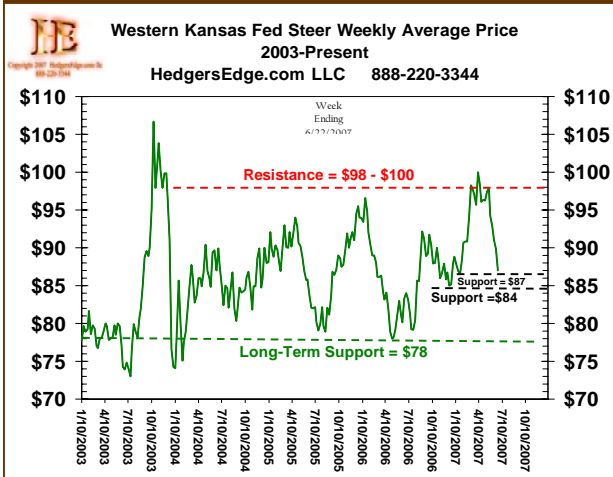
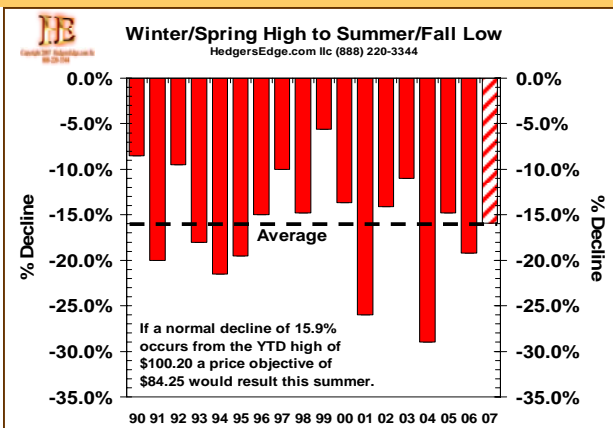
Source: David Tedrow

# Fed Cattle Price Outlook

Fed cattle prices continue to weaken and are set to trade lower during July. Our price objective remains \$84.00-\$87.00/cwt for a summer/fall cash price low. The higher end of this range was met this week. There is little likelihood that cash fed cattle prices will trade above the \$95.00-\$96.00/cwt level the balance of this year. A price objective of \$84.00 is consistent with a normal seasonal decline from the winter/spring high to the summer/fall low, as shown in the accompanying historical chart. We are currently expecting the cash price low to occur during the week-ending July 27.

Beef demand will prove to be a more important factor than the supply of beef in the months ahead. The month of July is typically the weakest demand period of the year. Retail beef prices will decline this summer from the record high achieved this spring. The advance in retail beef prices this spring reflected the advance in cash prices to \$100.00 /cwt and the respective advance in beef cutout values to \$172.00. Cash prices have since retreated to \$87.00/cwt. this week, down \$13.00/cwt, while beef cutout values have declined to \$140.00, down \$32.00/cwt. Just as retail beef ads were priced out of the market place this spring (when cash and beef cutout values advanced), the sharp decline in beef cutout values will buy advertising space during the late summer and fall period. We have revised upward our fourth quarter price estimate as a result of this development. Retail beef prices are expected to decline from their peak this spring of \$3.82 to \$3.66 per pound.

Export growth YTD remains a positive, albeit export growth is slower than we would all like to see. For the latest reporting period, beef exports by volume are up 13.0%, while the value of beef exports are up 16.0%, equaling a \$94 million increase from prior year levels.



MEAT PRODUCTION ESTIMATES - Quarterly										
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2007	BEEF	% CHG	PORK	% CHG	BROILERS	% CHG	TURKEY	% CHG	TOTAL	% CHG
I	6265	3.0%	5396	1.1%	8574	-4.1%	1410	4.1%	21645	-0.3%
II	6625	-1.5%	5125	2.3%	8625	-5.5%	1475	2.4%	21850	-2.0%
III	6685	-2.2%	5200	2.2%	9050	1.9%	1450	2.2%	22385	0.7%
IV	6419	-1.4%	5725	1.8%	9050	2.8%	1490	1.2%	22684	1.2%
<b>TOTAL</b>	<b>25994</b>	<b>-0.6%</b>	<b>21446</b>	<b>1.9%</b>	<b>35299</b>	<b>-1.3%</b>	<b>5825</b>	<b>2.4%</b>	<b>88564</b>	<b>-0.1%</b>
	<b>\$91.81</b>		<b>\$65.00</b>							

USDA est. = Pork, Broilers, Turkey

2007	AVG	Intra Quarter Price Range: Fed Cattle (W. KS)	
QTR 1	\$92.00	High (\$98.30)	LOW (\$86.60)
QTR 2	\$94.75	High (\$100.00)	LOW (\$89.00)
QTR 3	\$89.50	High (\$96.25)	LOW (\$85.50)
QTR 4	\$91.00	High (\$95.50)	LOW (\$86.50)



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