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Beef, Dairy, and Equine

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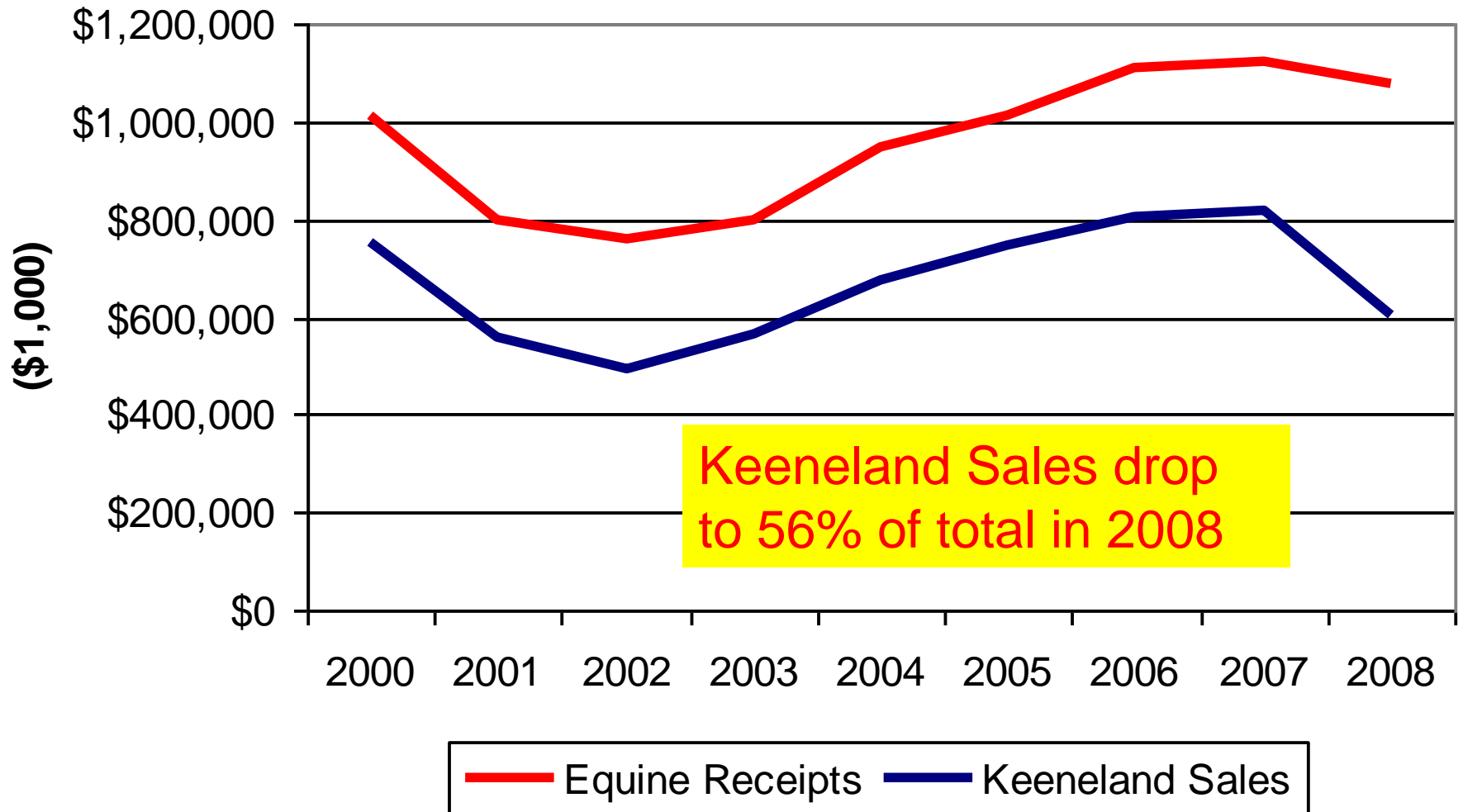
Beef, Dairy, and Equine

Kenny Burdine
UK Ag Economics

Overview of Equine Industry

- Largest segment of Kentucky's agricultural economy since late 90's
 - Roughly $\frac{1}{4}$ of ag economy
- T-bred sales make up nearly $\frac{3}{4}$ of equine receipts, balance is stud fees
- Majority of horses used recreationally, fewer dollars, more producers
- Equine will likely fall behind poultry in 2009

Racing: Receipts and Sales



Racing: Stud Fees

2008

Stud fee	\$100K+	\$50K-\$99K	\$25K-\$49K	\$15K-\$24K	\$10K-\$14	\$5K-\$9K	\$2.5K-\$4K
% in KY (U.S. #)	100% (13)	100% (10)	96% (25)	86% (22)	55% (22)	31% (78)	5% (114)

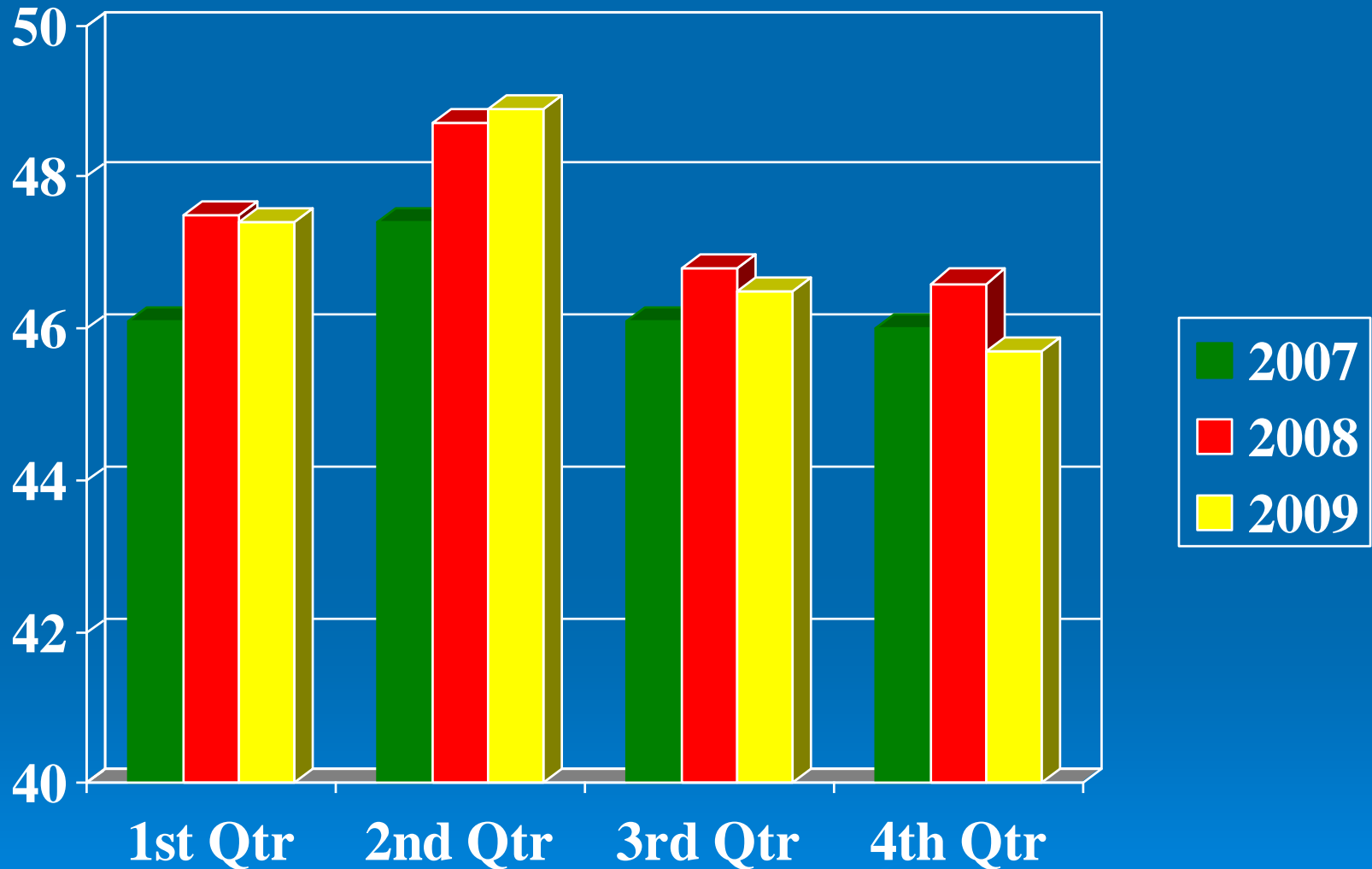
- KY accounts for 12% of Thoroughbred stallions in U.S.
 - These stallions cover 40.7% of mares bred in U.S.
- FL accounts for 7.6% of U.S. TB stallions
 - These stallions cover 10.1% of mares bred

*Source: Jockey Club, 2008
Report of Mares Bred*

Sale Prices: Recreational

- A lot of evidence that prices are weaker at pleasure horse and other sales
 - Weak economy
 - Increase costs/lower forage production from drought tend to get bid into prices
 - Ban on slaughter
 - Shipping costs to Canada, etc.
 - Deposit required before unloading

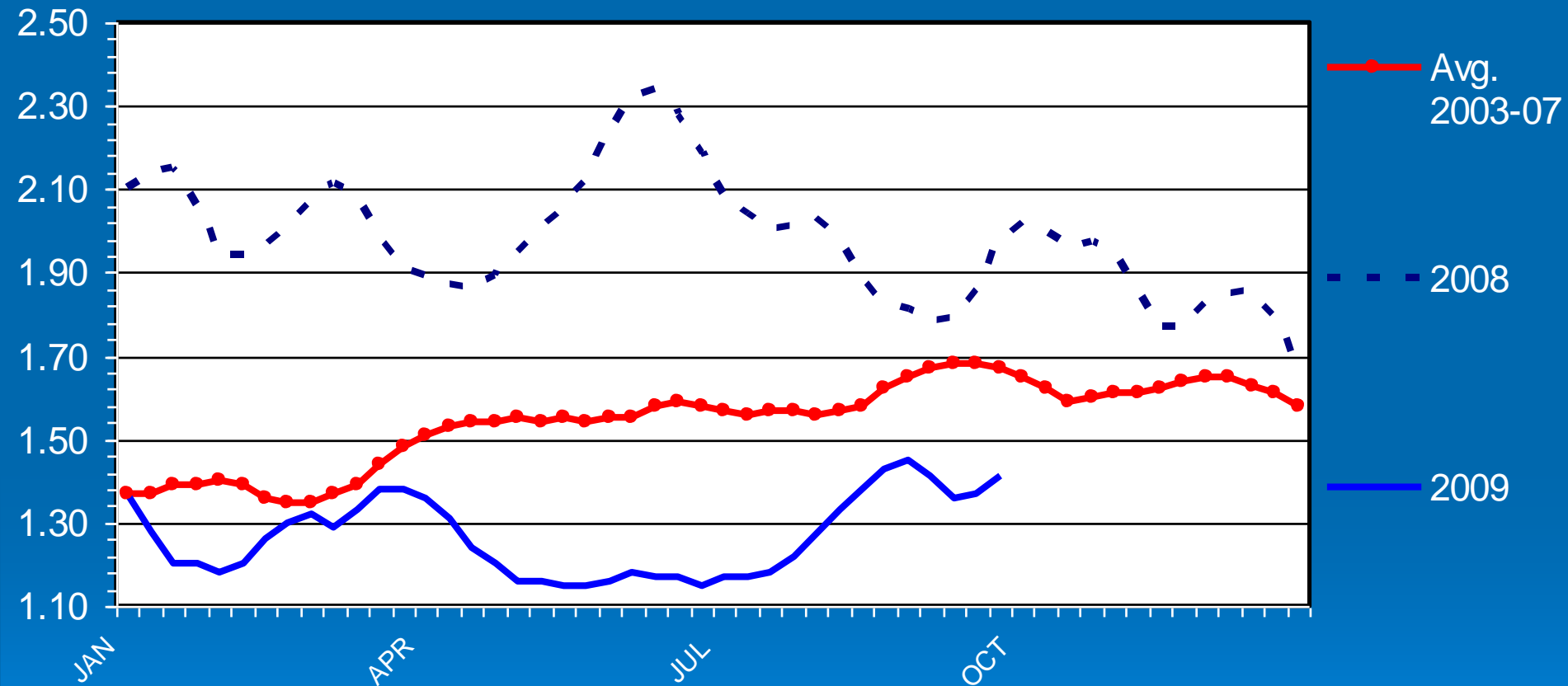
US Milk Production (billion lbs)



CHEDDAR CHEESE PRICES

500 Pound Barrel, US, Weekly

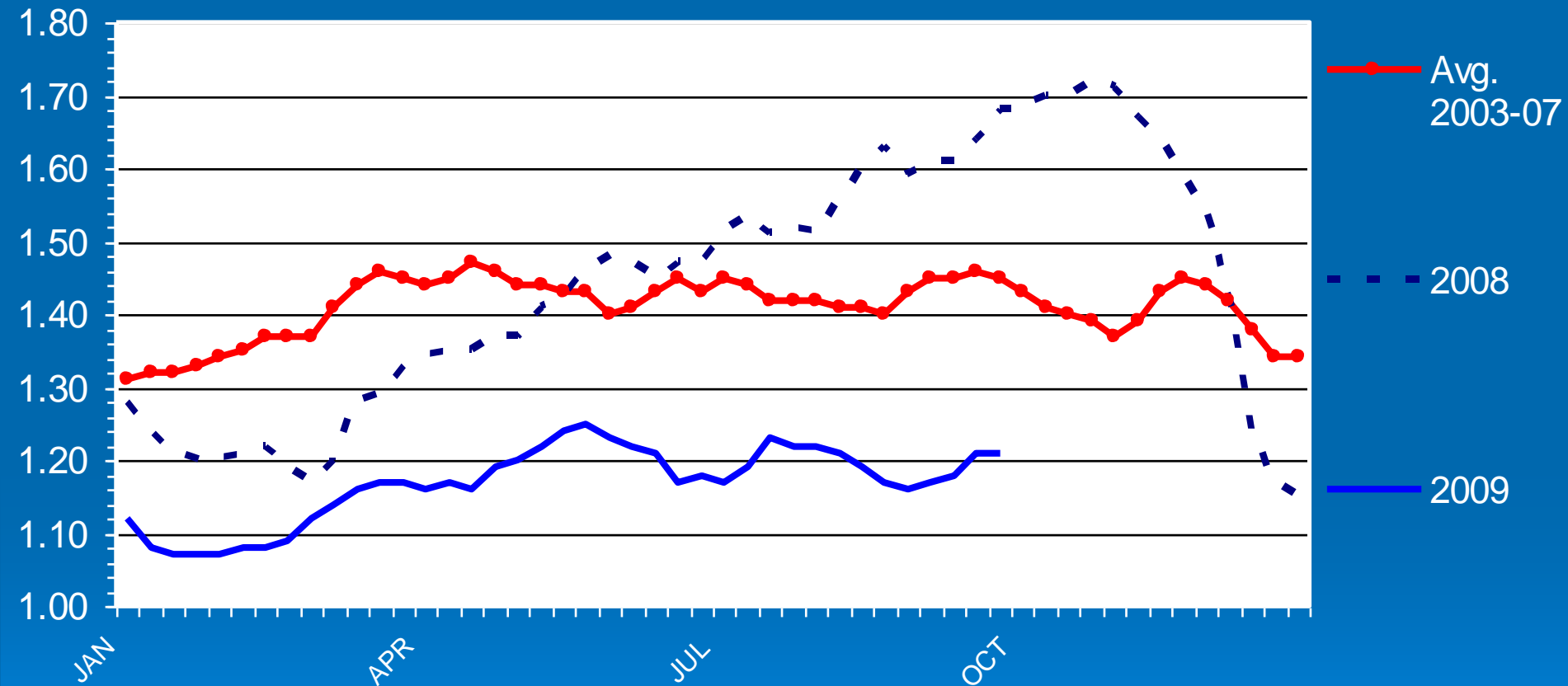
\$ Per Pound



BUTTER PRICES

US, Weekly

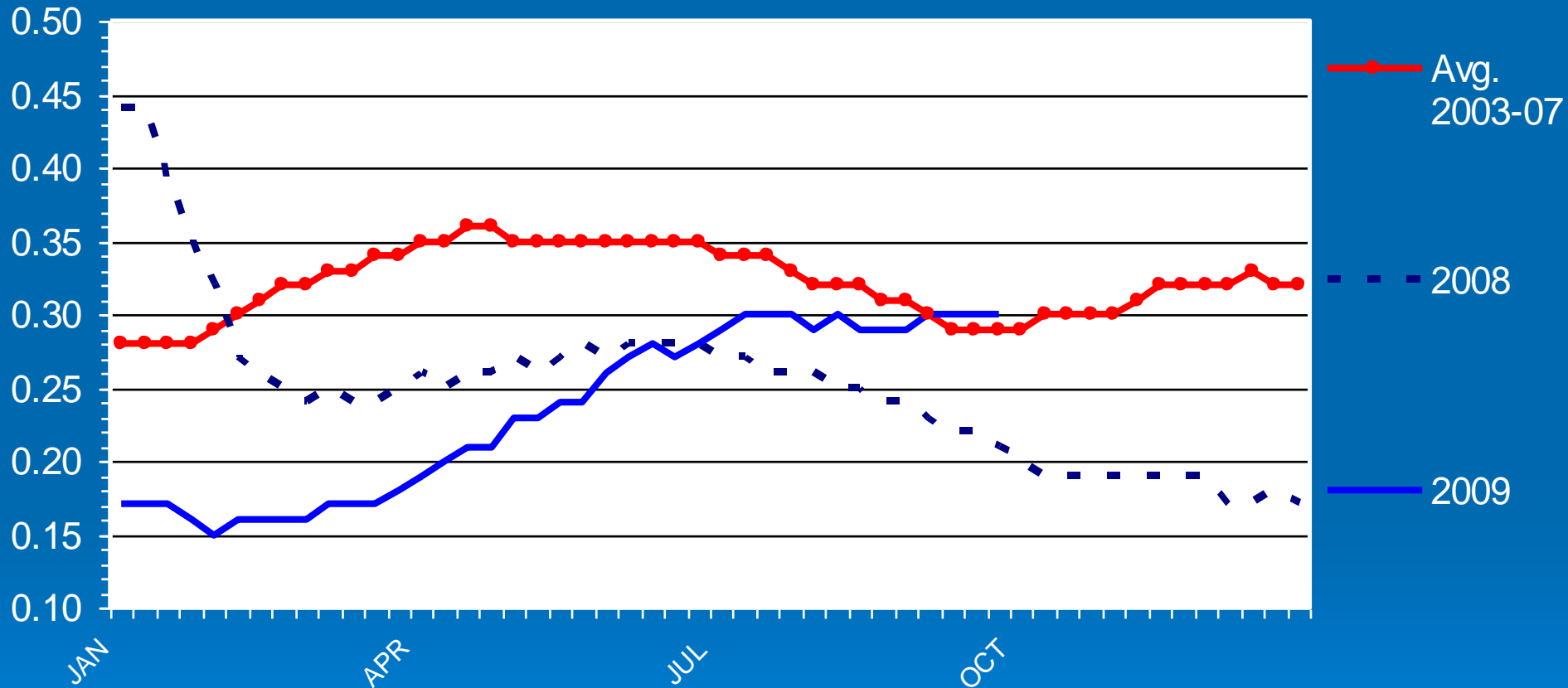
\$ Per Pound



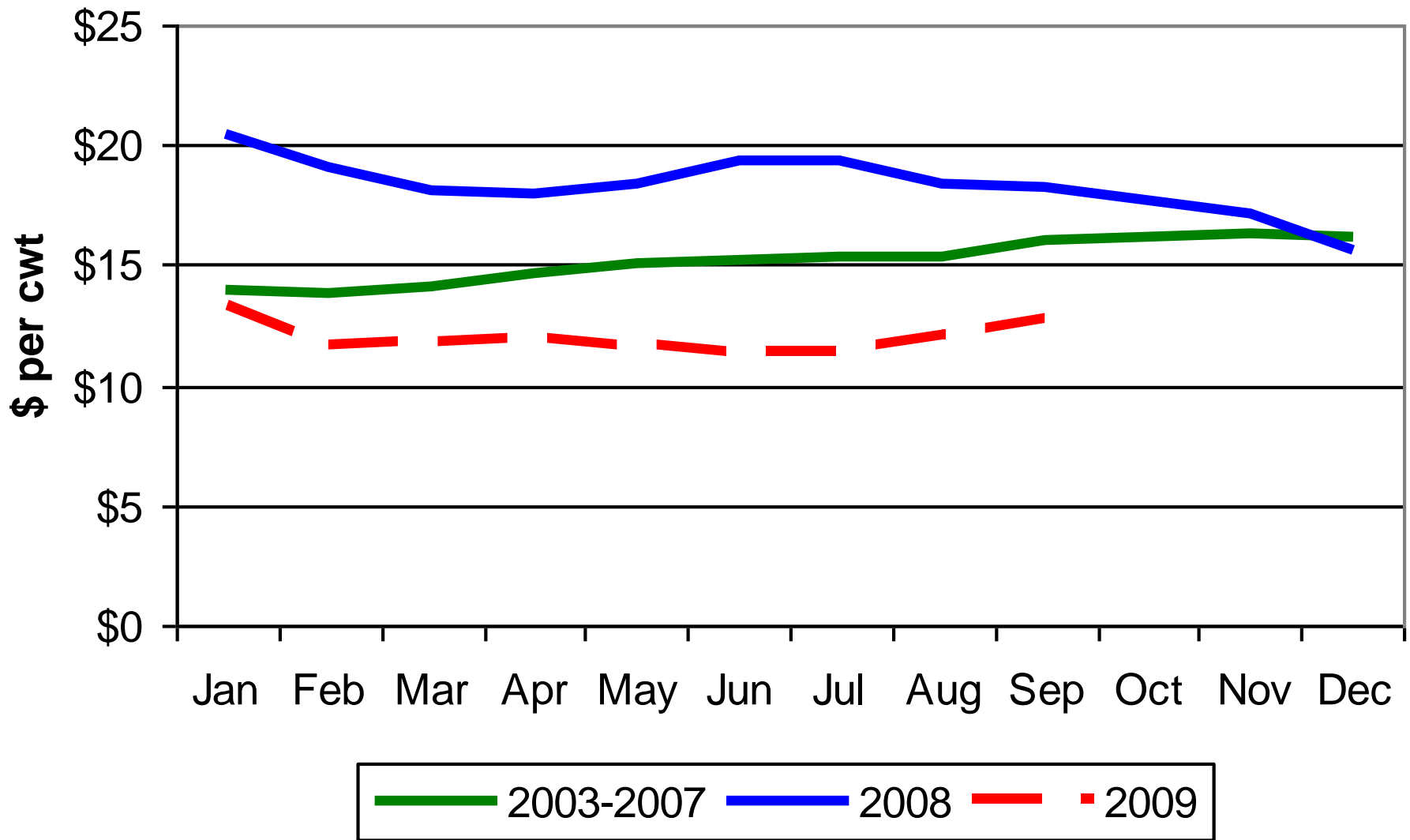
DRY WHEY PRICES

US, Weekly

\$ Per Pound



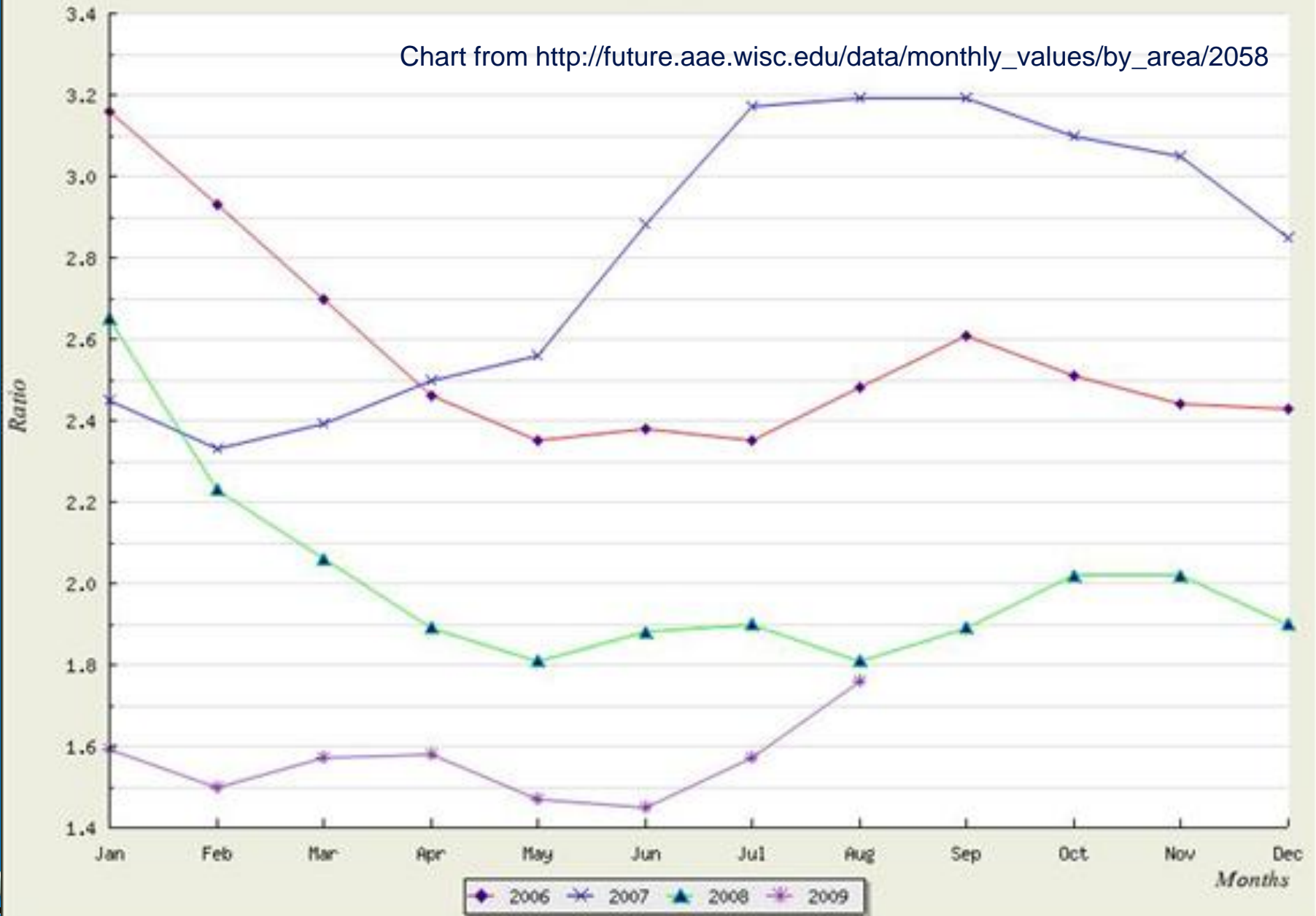
US All Milk Price



Milk-Feed Price Ratio

Area: US

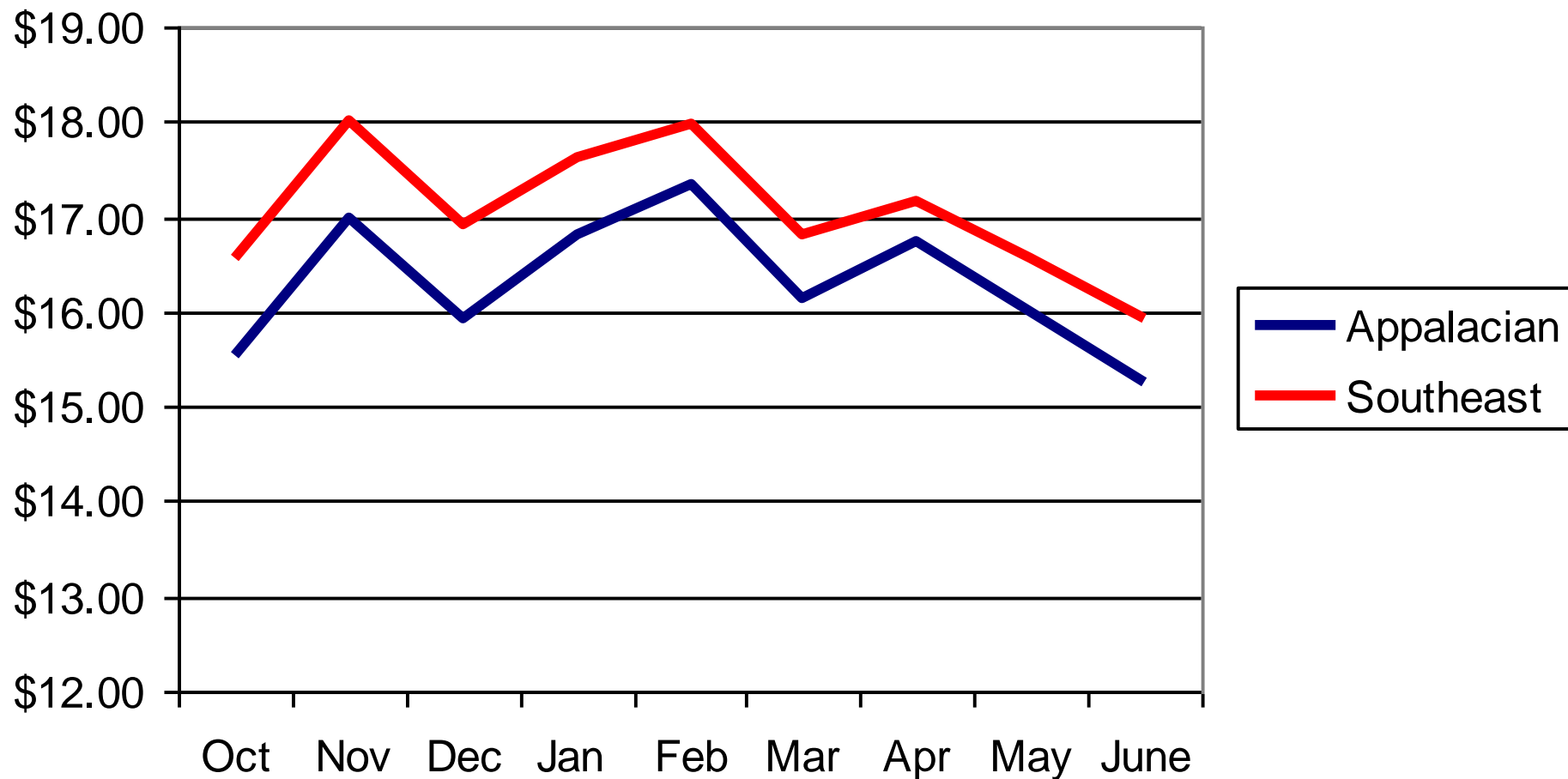
Chart from http://future.aae.wisc.edu/data/monthly_values/by_area/2058



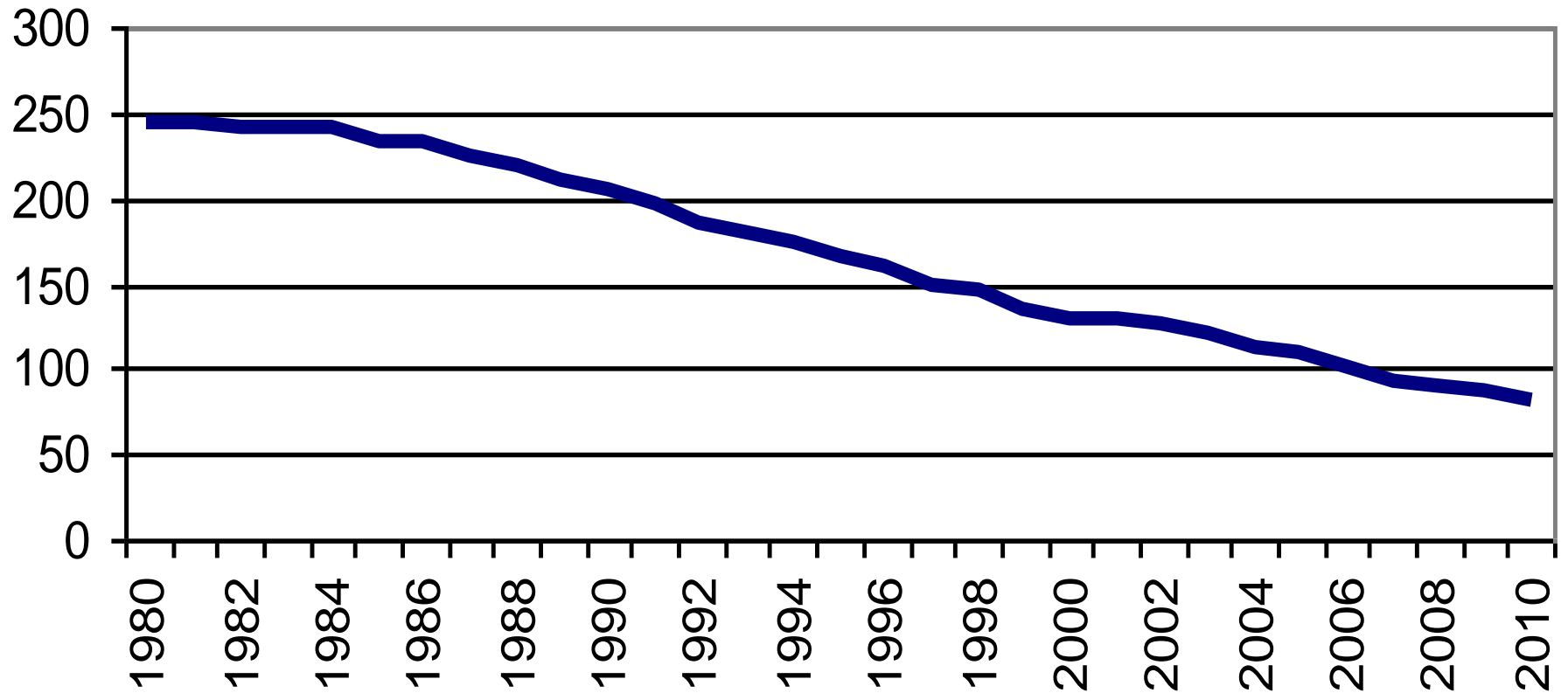
2010 Dairy Outlook

- Milk production likely to decrease again, although only slightly
- KY dairy numbers down near 80k by January
- Mailbox prices rally into \$15-17 range for annual average

KY Mailbox Price Projections



KY Dairy Cow Inventory



CWT Update

- 3 rounds in 09, Round #3 bids ended Oct 15
- Likely will remove around 200 to 250K cows from dairy cow – less than 3% of herd
- Bids are based on 1 year of milk production per cwt
 - Ex. \$5 on 15,000 lbs = \$750 + slaughter value
- Many coops are already members, which makes producers eligible

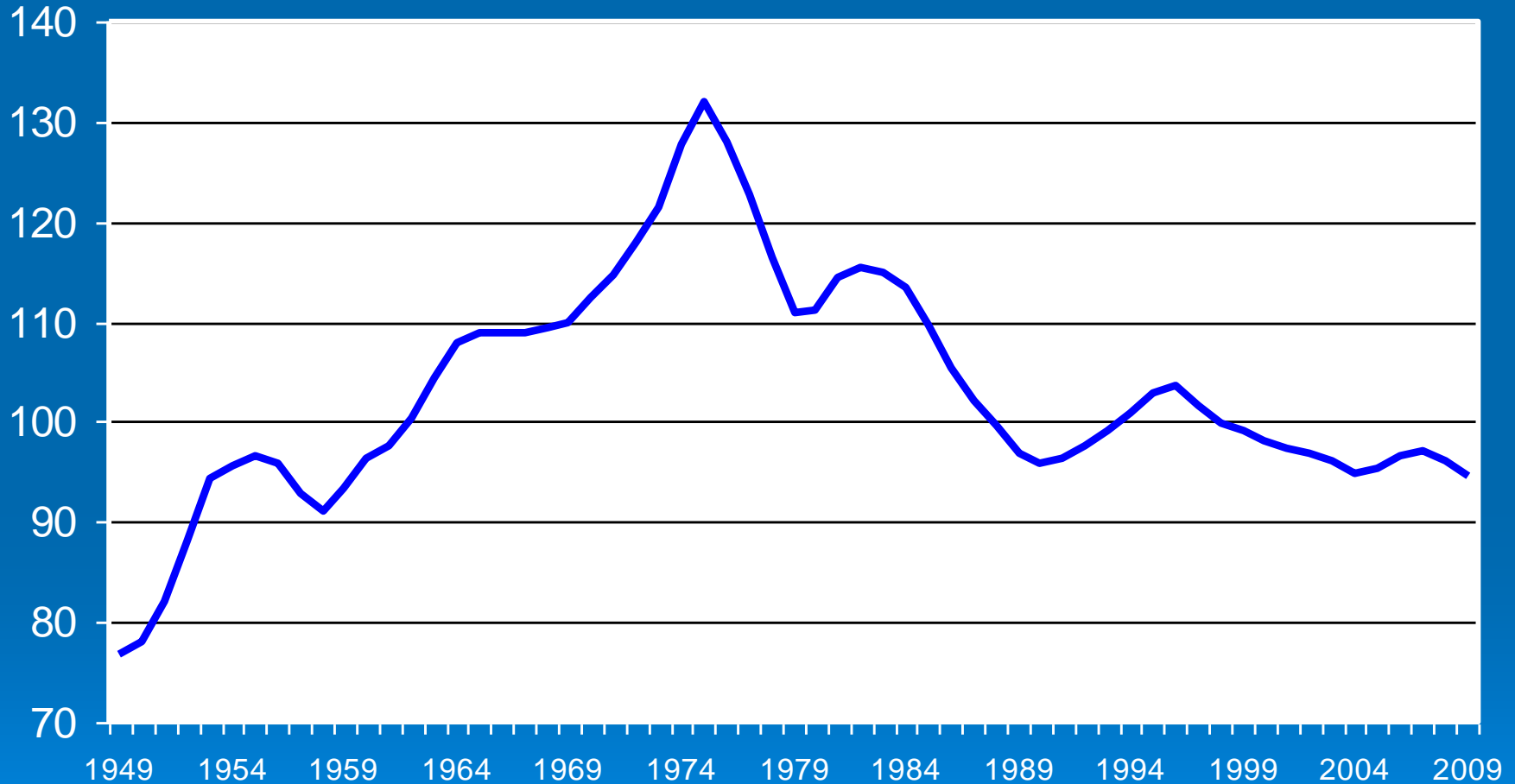
Cattle Market Summary

- Cattle numbers low, and likely dropping
 - Profit just not there
- Weather much improved in 2009
- Large corn crop, but corn is creeping up
- Major questions about demand and feedlot profitability
- Improved wheat grazing conditions out west

JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual

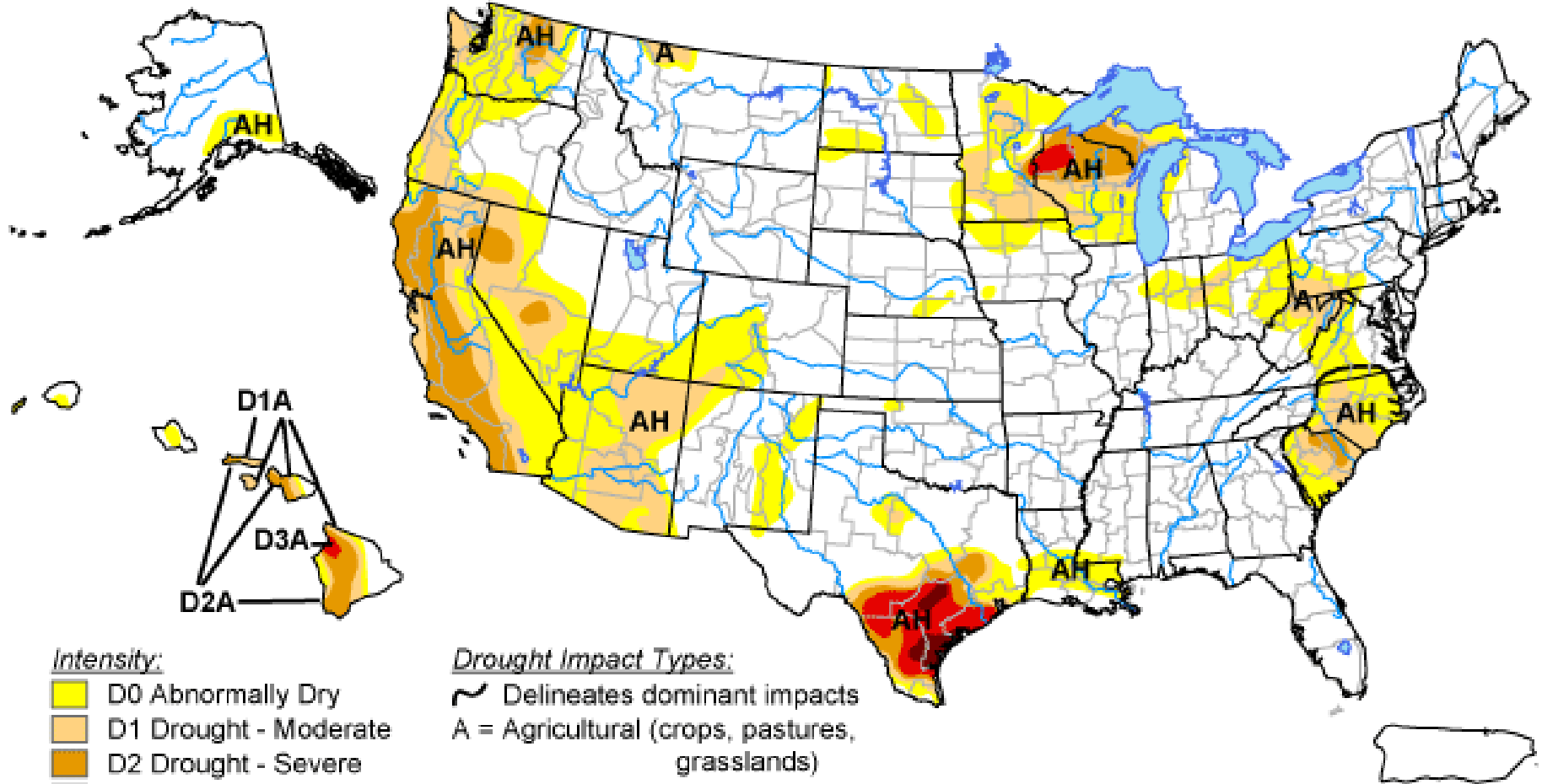
Mil. Head








U.S. Drought Monitor

September 22, 2009


Valid 8 a.m. EDT



Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional

Drought Impact Types:

-  Delineates dominant impacts
- A = Agricultural (crops, pastures, grasslands)
- H = Hydrological (water)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



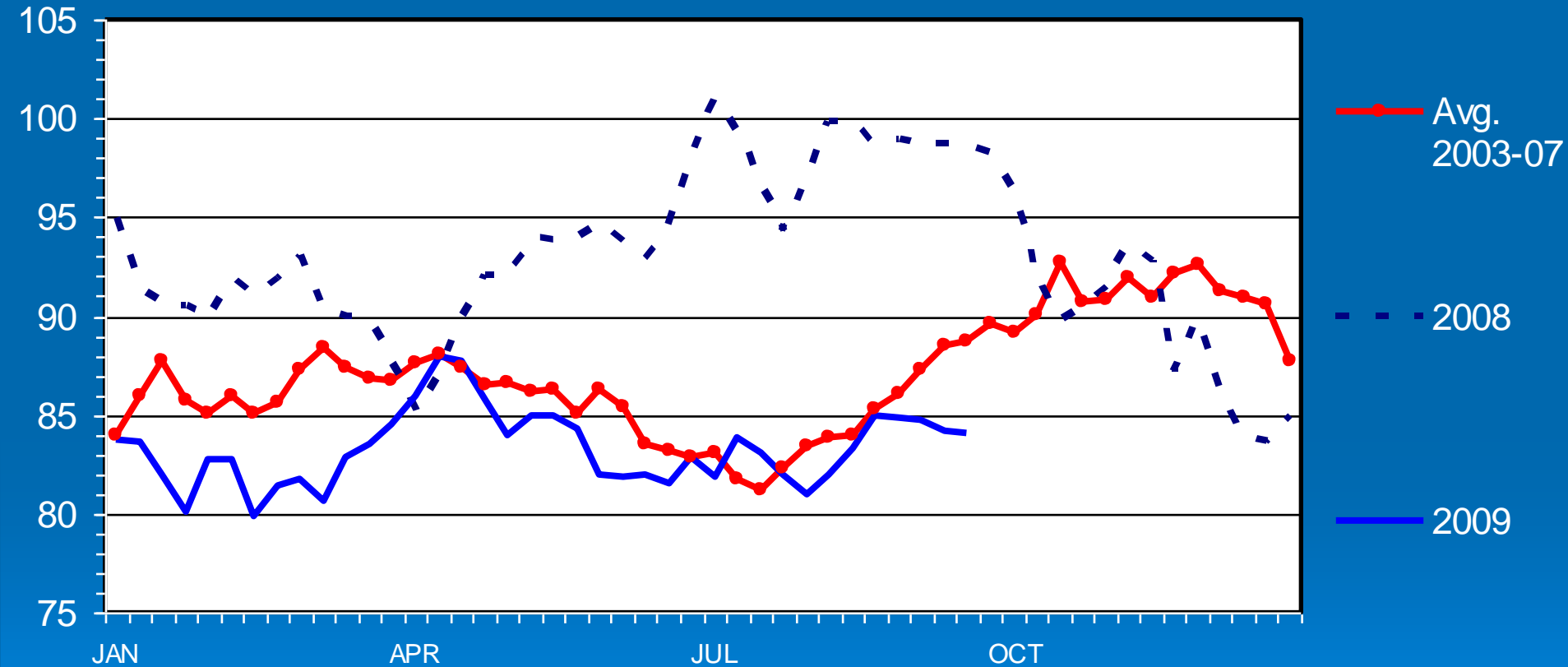
Released Thursday, September 24, 2009

Author: David Miskus, JAWF/CPC/NOAA

SLAUGHTER STEER PRICES

Southern Plains, Weekly

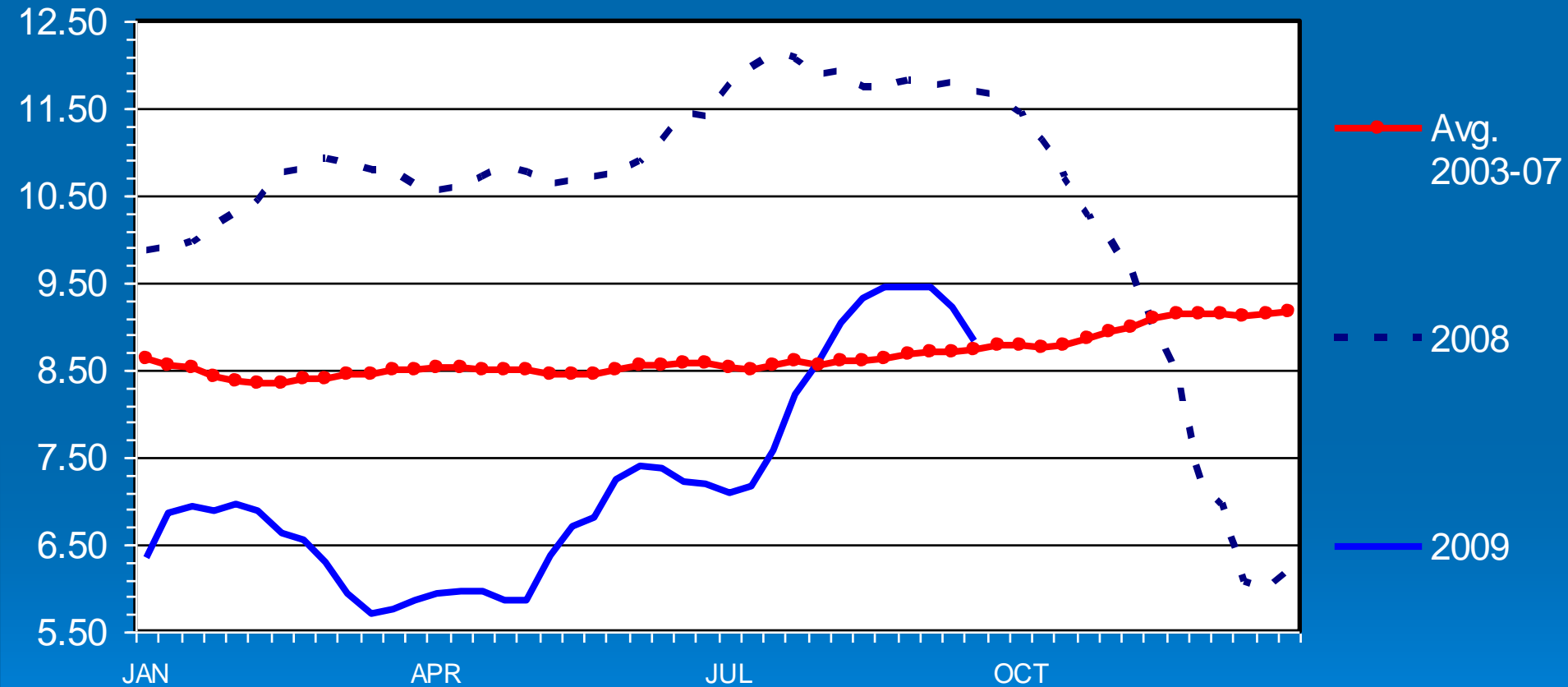
\$ Per Cwt.



STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly

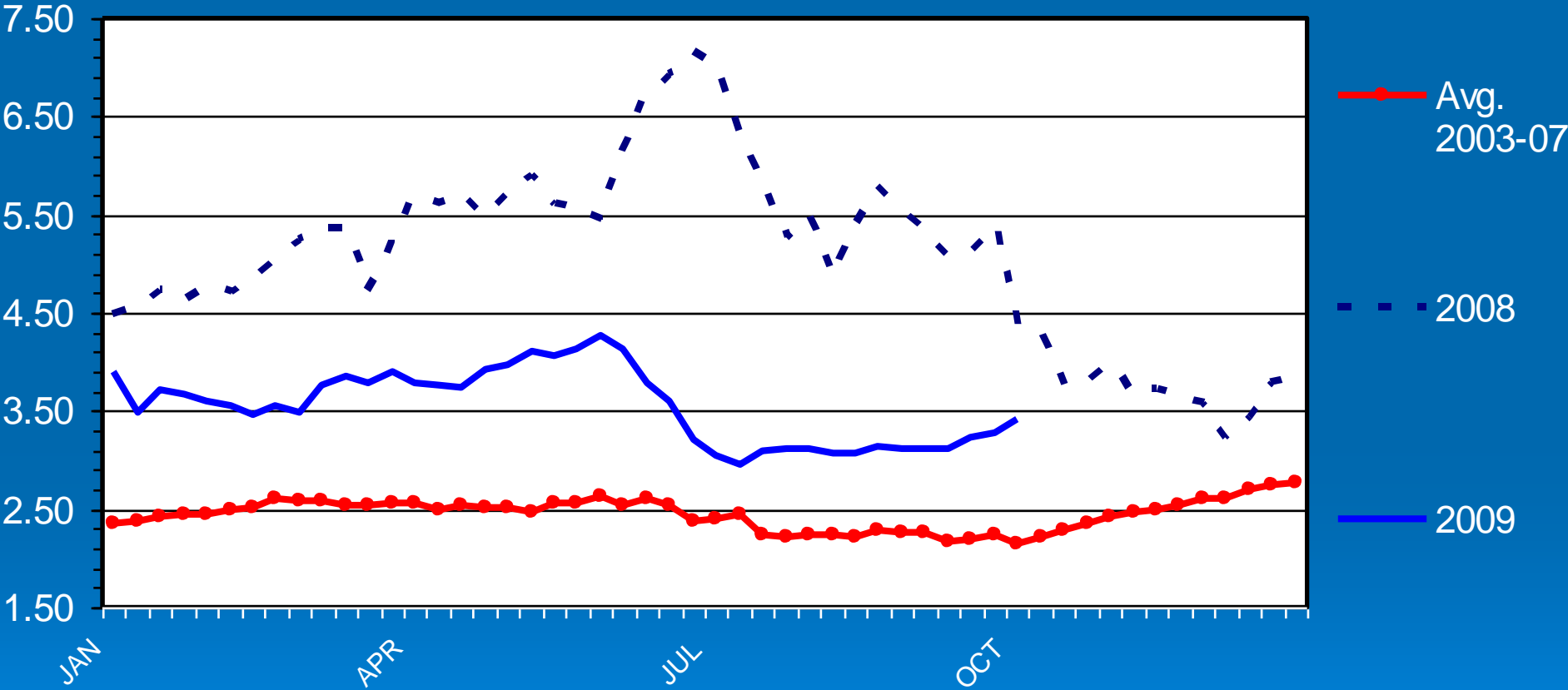
\$ Per Cwt.



OMAHA CORN PRICES

Weekly

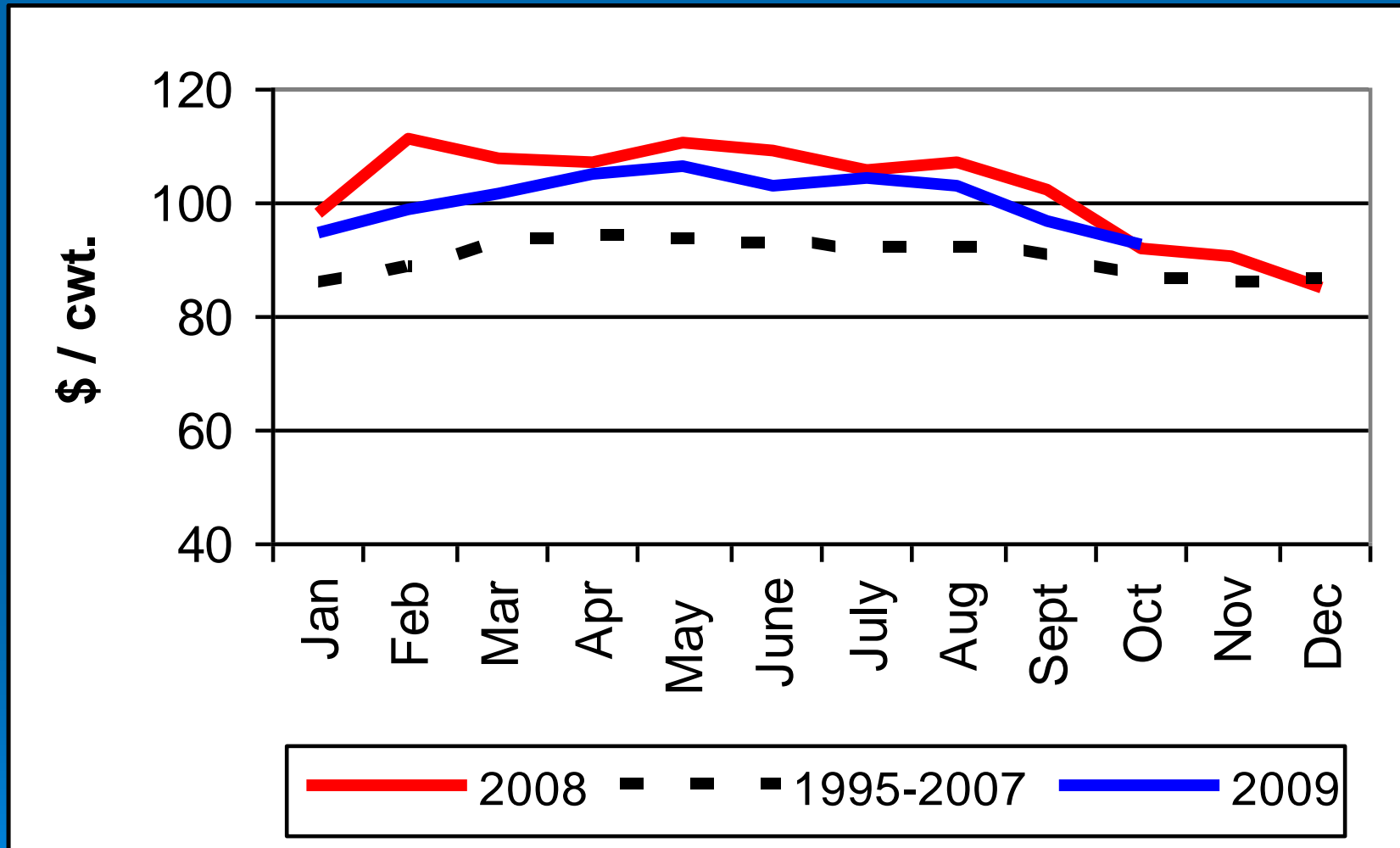
\$ Per Bu.



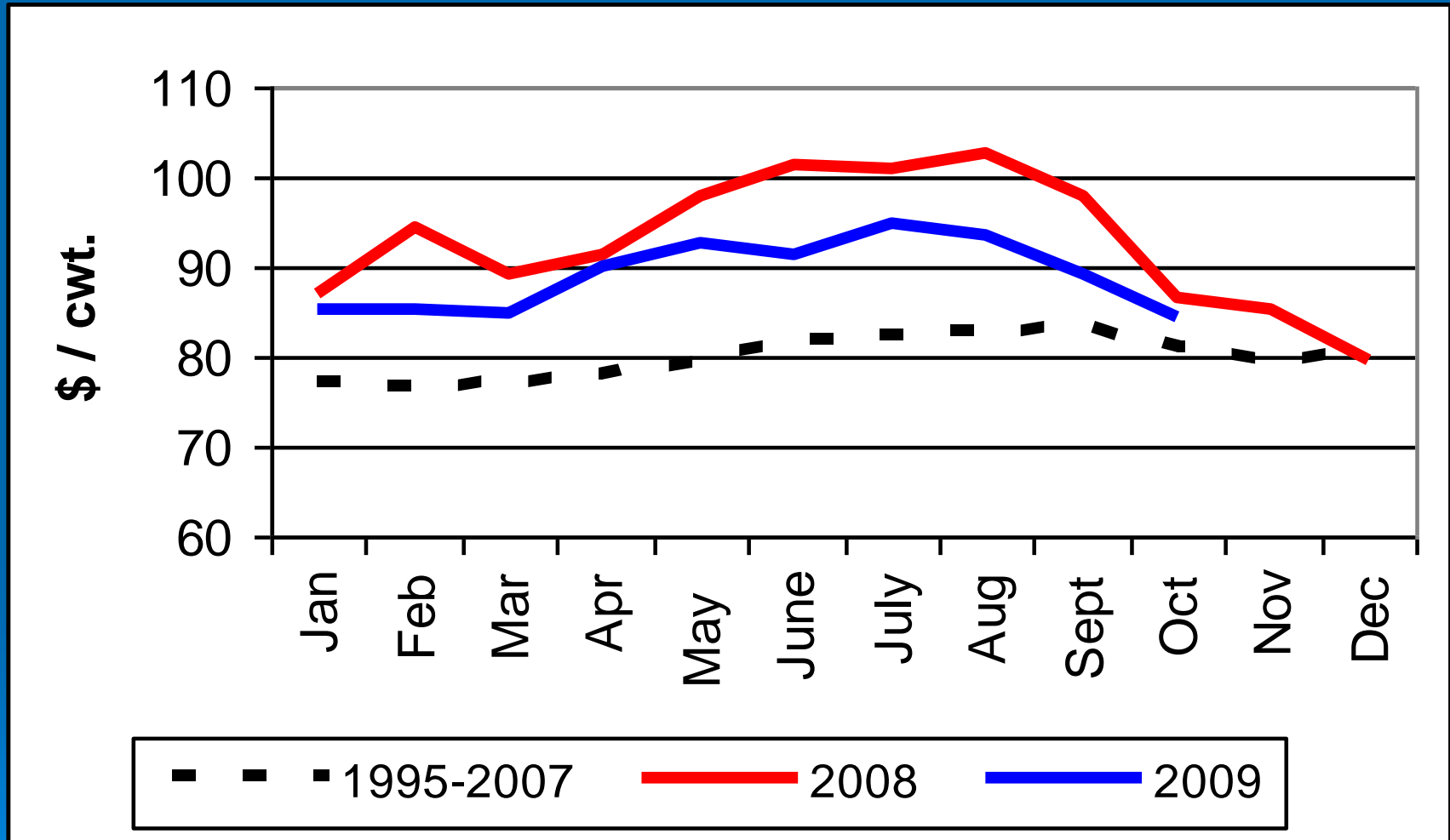
Market Expectations

- Calves likely have more downside
 - Expect calves to move into \$80's over next 2-4 weeks
 - I expect rally into spring, to put calves above \$100 again
- Heavy feeders
 - Buying spring board in upper \$80's
 - Price slides widen from last winter's levels
- Spring board upper \$90's, calf prices in low \$90's – feed's cheap – DDG's / Hulls

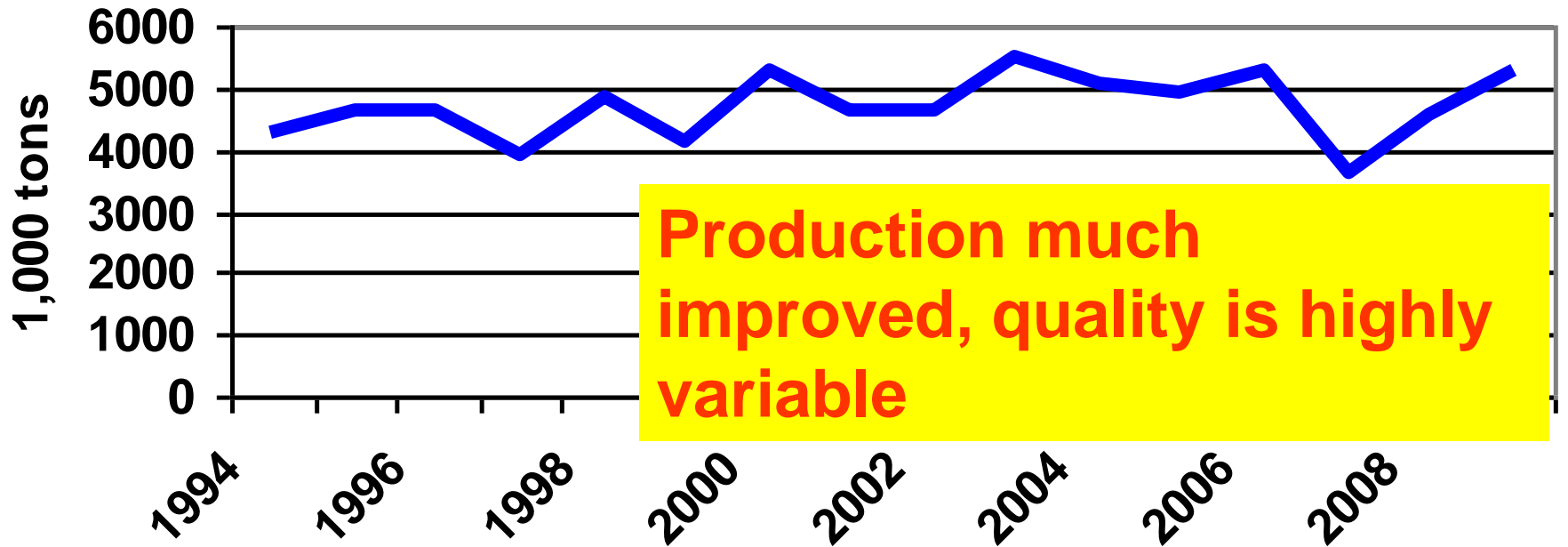
Med / Large Frame #1 Steers 500 to 600 lbs.



Med / Large Frame #1 Steers 700 to 800 lbs.



KY Hay Production



What about Costs?

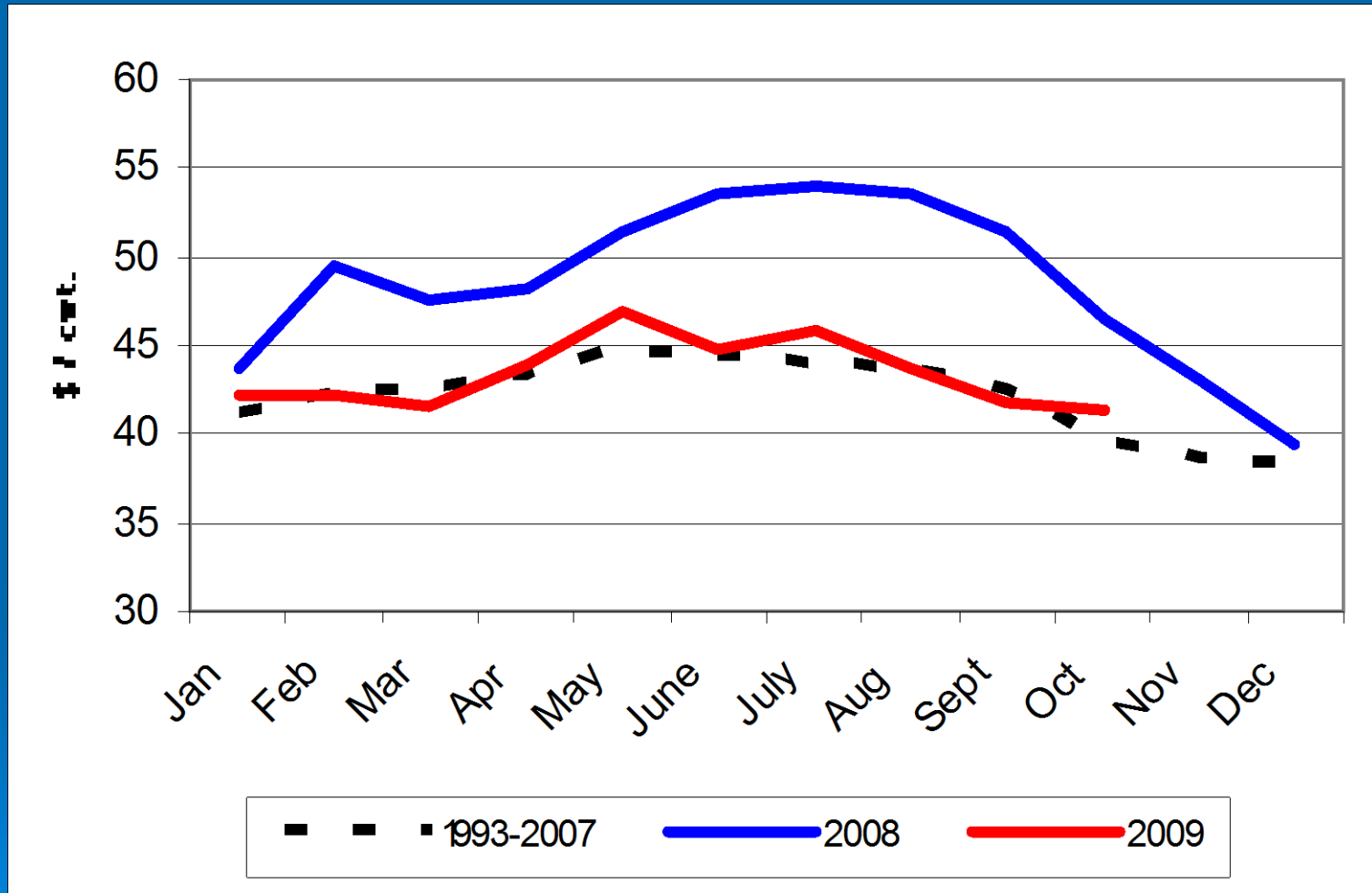
- As high as they have ever been
- Fertilizer costs – hay and pasture
- Budgets showing costs over \$400 per cow
- Calves averaging \$90 per cwt., 5wts moving for about \$450
- What about weaning rates???

Stockpiled Fescue

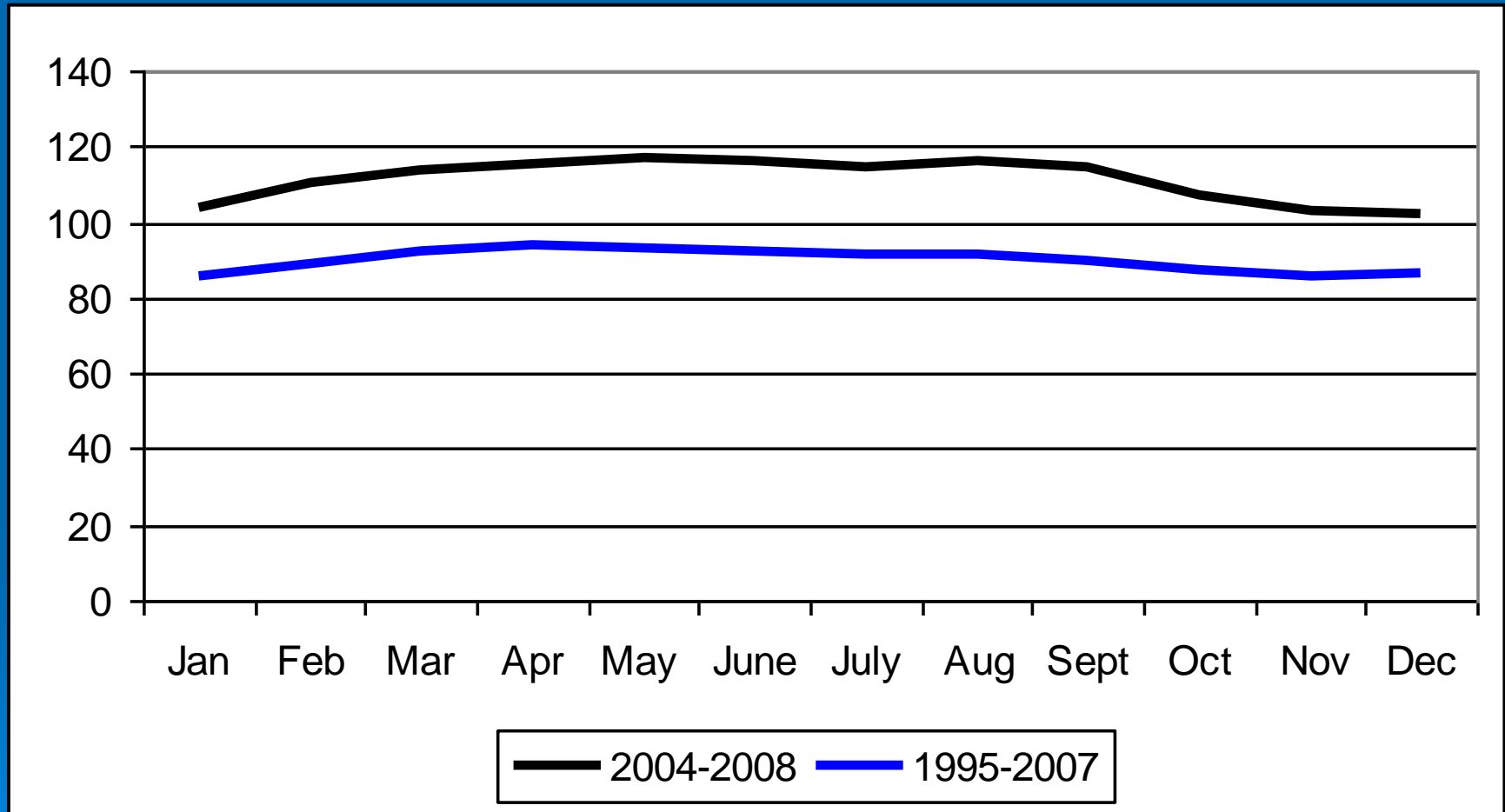
- Many producers are sitting on some high nutrition feed this fall
- Cows do very well on stockpiled fescue, especially through Christmas
- Don't waste this feed, make efficient use of it
- Delay hay feeding if possible
- Or, think about timing of cull cows sales

KY Cull Cow Prices

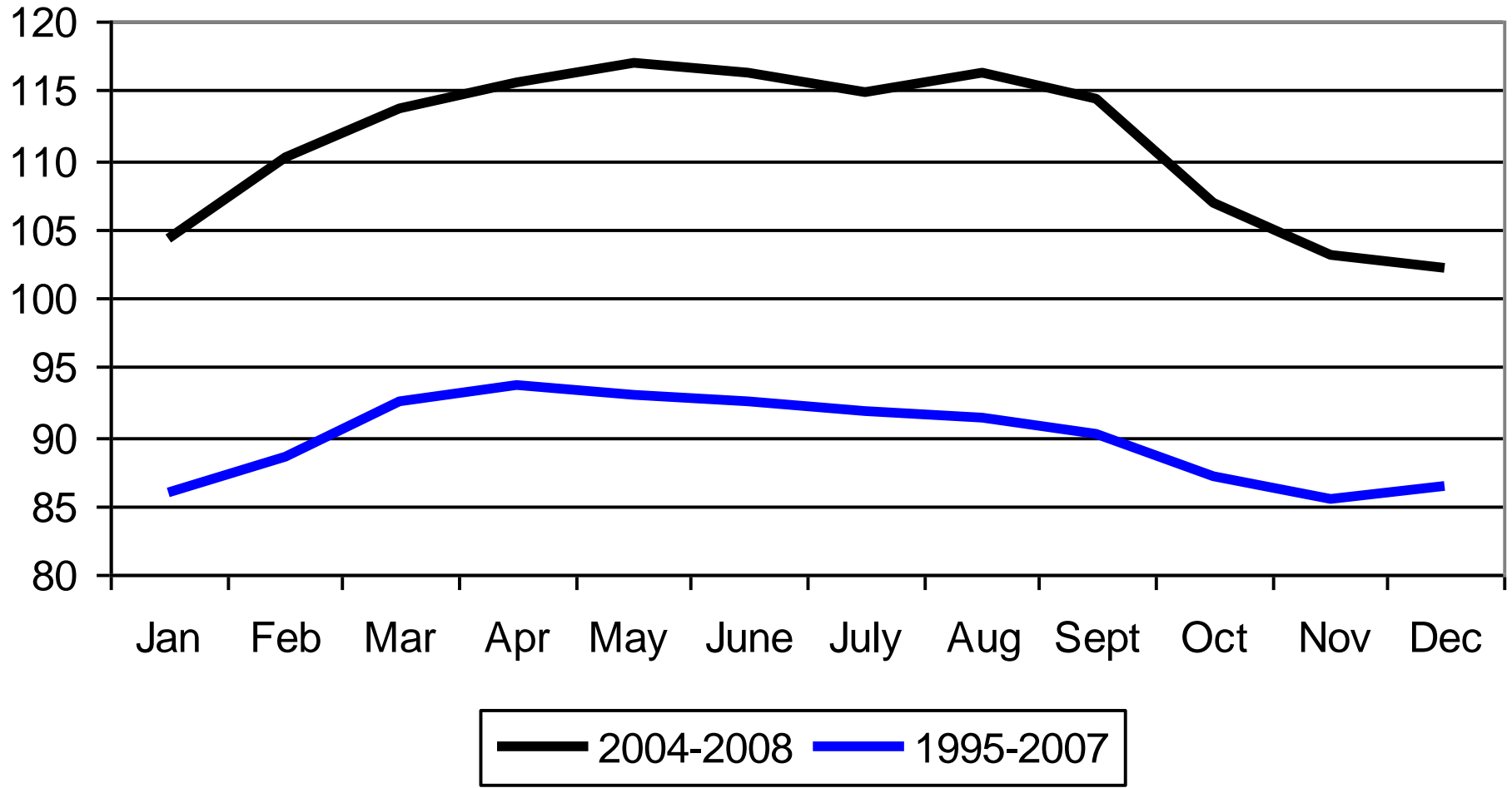
Boning 80-85%



Medium / Large Frame #1 Steers 500 to 600 lbs



Medium / Large Frame #1 Steers 500 to 600 lbs



Short-term Backgrounding (2004 to 2008)

- Wean 530# in October, sell 650# in Dec
 - \$60.09 gross margin to put on 120 lbs
 - must put gain on for \$0.50 per lb
- From 650# in December to 770# in Feb
 - \$76.35 gross margin to put on 120 lbs
 - Must put gain on for \$0.64

(NOTE: This assumes no price premium)