10-2010

Beef, Dairy, Equine, Poultry, Hogs, Sheep, and Goats

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Kenny Burdine and Lee Meyer
UK Ag Economics
Overview of Equine Industry

- Fell behind poultry in 2009 cash receipts
  - Will stay there in 2010
- T-bred sales make up nearly ¾ of equine receipts, balance is stud fees
- Majority of horses used recreationally, fewer dollars, more producers
  - Still challenges with recreation demand and lack of slaughter market
Racing: Receipts and Sales

KY Cash Receipts
Equine Receipts
Poultry
BROILER PRODUCTION
Federally Inspected, Ready-to-Cook Weight, Monthly

Livestock Marketing Information Center
Data Source: USDA/NASS
Largest gross farm income source in Ky. Ag.
Production up 3%, per person consumption continues to increase
Exports are very important (about 20% of production)
Prices are up, and are expected to be higher again in 2011, averaging in the $.83 - .88 range
Profits will be hurt by higher feed costs
Hogs
BARROW AND GILT PRICES
Iowa - So. Minnesota, Carcass Base Price, Weekly

$ Per Cwt.

Data Source: USDA-AMS, Compiled & Analysis by LMIC

H-P-09
09/20/10
Hog Market Summary

- Remarkable recovery in prices – up 60% from year ago (Oct.), and 2010 will average 35% higher than 2009;
- Price gains are from lower production, and stronger demand – at home and exports;
- Sow numbers down about 2%, but even production for 2011 with better efficiency;
- Futures markets for 2011 in the $80 to $85 range, about same as 2010
- Profits hurt by increasing feeding costs.
Sheep and Goats
Meat Goat Prices
New Holland, PA
Sel. #2, 40-60 lbs. $ per head
Lamb and Goat Summary

• Ky sheep numbers down 7% to 37,000
• Lamb prices up about 20% from last year, selling for $1.40 – 1.50/lb.

• Ky goat numbers are unchanged at 79,000
• Goat prices up 20%, with Selection #2 40-60 lb. kids selling for $1.35/lb.

• Both goat and lamb prices likely to continue at these high levels (stronger economy, weak $ compared to NZ)
Dairy
US Milk Production (billion lbs)

- 2008
- 2009
- 2010

1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr
2010 Dairy Outlook

- Milk production likely to increase again
  - Primarily milk per cow
- World production was down in 2009, good chance for increase in 2010
- USDA projecting $17-20
- I’m seeing $15-18
KY Dairy Cow Inventory

The graph shows a downward trend in the number of dairy cows in Kentucky from 1980 to 2010.
Beef Cattle
Cattle Market Summary

- Cattle numbers low, and likely dropping
- Weather
- Large corn crop, but a lot of difficulty getting a feel for size
- Feedlots saw some black ink this spring
  - Fed market has improved
- Questionable wheat grazing conditions and expensive wheat
JANUARY 1 TOTAL CATTLE INVENTORY
U.S., Annual

Mil. Head

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, October 7, 2010

Author: Laura Edwards, Western Regional Climate Center
December Corn Futures
Market Expectations

- Calves likely have more downside
  - I look for 5wt steers in $90’s by November / December
  - I expect rally into spring, to put calves above $110 again

- Heavy feeders
  - Price slides will tighten with higher corn prices
  - Spring futures hovering around $110
  - 5wt steers average $105 in KY

- Spring board upper $110’s, calf prices in mid-upper $90’s
Med / Large Frame #1 Steers
500 to 600 lbs.

$ / cwt.

2008 1995-2007 2009
Med / Large Frame #1 Steers
700 to 800 lbs.

$ / cwt.

Jan Feb Mar Apr May June July Aug Sept Oct Nov Dec

- 1995-2007  
- 2008  
- 2009
KY Hay Production

The graph shows the annual hay production in Kentucky from 1994 to 2008. The production varied between approximately 4,000 and 6,000 tons, with some years seeing production dip below 4,000 tons and other years exceeding 6,000 tons. The years 2000 and 2004 had the highest production, reaching up to 6,000 tons. The production in 2006 was relatively stable around 5,000 tons.

Y-axis: 1,000 tons
X-axis: Years (1994 to 2008)
Wholesale Commodity Feeds (last 36 months)
KY Cull Cow Prices
Boning 80-85%
Medium / Large Frame #1 Steers
500 to 600 lbs

2005-2009
1995-2004
Timing of Post-weaning Sales (2004 to 2009)

- Wean 530# in October, sell 650# in Dec
  - $61.72 gross margin to put on 120 lbs
  - must put gain on for $0.51 per lb

- From 650# in December to 770# in Feb
  - $87.87 gross margin to put on 120 lbs
  - Must put gain on for $0.73

  (NOTE: This assumes no price premium)
January 2006 - 2010

[Graph showing agricultural economic data from January 2006 to December 2006, with dates on the x-axis and values on the y-axis.]
# Basic Backgrounding Budget (October to March)

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>550# steers @ $1.07</td>
<td>$588.50</td>
</tr>
<tr>
<td>Hay (12 lbs @ $75 / ton)</td>
<td>$67.50</td>
</tr>
<tr>
<td>Hulls / Gluten (7 lbs @ $160)</td>
<td>$84.00</td>
</tr>
<tr>
<td>Mineral (.25 lbs at $20 / bag)</td>
<td>$15.00</td>
</tr>
<tr>
<td>Vet / Med</td>
<td>$20.00</td>
</tr>
<tr>
<td>Interest (6%)</td>
<td>$19.11</td>
</tr>
<tr>
<td>Death Loss (2%)</td>
<td>$17.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$811.11</strong></td>
</tr>
</tbody>
</table>

**BE Price = $95 on 850 steers**

**March / April Futures at $110-112**