10-2010

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

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

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 $\frac{3}{4}$ 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

($1,000)

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

KY Cash Receipts: Blue Line
Equine Receipts: Red Line
Poultry
BROILER PRICES
12-City Composite, Weekly

Cents Per Pound

Data Source: USDA-AMS, Compiled by LMIC

P-P-01
09/20/10
Broiler Market Summary

- 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
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
SLAUGHTER LAMB PRICES
Wooled, 110-130 lbs, Sioux Falls, Weekly

$ Per Cwt.

Data Source: USDA-AMS, Compiled by LMIC

09/22/10
Meat Goat Prices
New Holland, PA
Sel. #2, 40-60 lbs. $ per head

J F M A M J J A S O N D
0.00 10.00 20.00 30.00 40.00 50.00 60.00 70.00 80.00 90.00

2008
2009
2010
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)

- 1st Qtr
- 2nd Qtr
- 3rd Qtr
- 4th Qtr

- 2008
- 2009
- 2010
US All Milk Price

- **2004-2008**
- **2009**
- **2010**

$ per cwt

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
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
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

ZA Z0 [10] - CORN
LAST: 552'0  CHANGE: ▼ 5'2  HIGH: 562'0  LOW: 551'4  10/19/2010

Aug  Sep  Oct  Daily

CME Group

Agricultural Economics
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

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

40  60  80  100  120  140  160  180  200

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

![Graph showing the production of hay in Kentucky from 1994 to 2008. The production is measured in 1,000 tons along the y-axis, and the years are indicated along the x-axis from 1994 to 2008. The data fluctuates with some years showing higher production and others showing lower production.]
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)
October 2005-2009
November CME Group Futures
2005 - 2009
January 2006 - 2010
# 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