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

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

($1,000,000)

KY Cash Receipts (blue line)
Equine Receipts (red line)
Poultry
BROILER PRODUCTION
Federally Inspected, Ready-to-Cook Weight, Monthly

Livestock Marketing Information Center
Data Source: USDA/NASS
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
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
SEPTEMBER 1 ALL HOGS AND PIGS
U.S. Inventory (Prior to 1988 Estimated)

Livestock Marketing Information Center
Data Source: USDA/NASS
IOWA MARKET HOG PROFIT
Farrow/Finish, Monthly

$/Head

Latest Data: August 2010

Livestock Marketing Information Center
Data Source: Iowa State University

09/17/10
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

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)

- 2008
- 2009
- 2010
BUTTER PRICES
US, Weekly

$ Per Pound

Avg.
2004-08
2009
2010
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 the trend of the KY Dairy Cow Inventory from 1980 to 2010. The inventory has been declining steadily over the years.
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
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
SLAUGHTER STEER PRICES
5 Market Weighted Average, Weekly

$ Per Cwt.

Avg.
2004-08
2009
2010

JAN APR JUL OCT

Livestock Marketing Information Center
Data Source: USDA/NASS
December Corn Futures

[Graph showing the price trend of December Corn Futures from August to October 2010]
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.
KY Hay Production

![Graph showing the production of hay in Kentucky over the years. The x-axis represents the years from 1994 to 2008, and the y-axis represents the production in thousands of tons. The graph shows a fluctuation in production with a peak around 2004 and a decline around 2008.]
Wholesale Commodity Feeds (last 36 months)
KY Cull Cow Prices
Boning 80-85%
Medium / Large Frame #1 Steers
500 to 600 lbs

Graph showing the price trend of Medium / Large Frame #1 Steers from 1995-2004 and 2005-2009. The graph indicates a general increase in price from January to May, followed by a decrease in June to August, and then another increase in September to December.
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)
November CME Group Futures 2005 - 2009
Basic Backgrounding Budget
(October to March)

550# steers @ $1.07  $588.50
Hay (12 lbs @ $75 / ton)  $67.50
Hulls / Gluten (7 lbs @ $160)  $84.00
Mineral (.25 lbs at $20 / bag)  $15.00
Vet / Med  $20.00
Interest (6%)  $19.11
Death Loss (2%)  $17.00

$811.11

BE Price = $95 on 850 steers

March / April Futures at $110-112