10-2009

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 ¼ of ag economy
- T-bred sales make up nearly ¾ 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

Keeneland Sales drop to 56% of total in 2008
## Racing: Stud Fees
### 2008

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>% in KY (U.S. #)</td>
<td>100% (13)</td>
<td>100% (10)</td>
<td>96% (25)</td>
<td>86% (22)</td>
<td>55% (22)</td>
<td>31% (78)</td>
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</tbody>
</table>

- 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)

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
</tr>
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<tbody>
<tr>
<td>2007</td>
<td>48</td>
<td>50</td>
<td>48</td>
<td>50</td>
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<tr>
<td>2008</td>
<td>48</td>
<td>50</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td>2009</td>
<td>48</td>
<td>50</td>
<td>48</td>
<td>50</td>
</tr>
</tbody>
</table>

Legend:
- Green: 2007
- Red: 2008
- Yellow: 2009
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

![Graph showing price projections for Appalachian and Southeast regions from October to June. The blue line represents Appalachian, and the red line represents Southeast. Prices fluctuate throughout the months, with some peaks and troughs.]
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
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://drought.unl.edu/dm
OMAHA CORN PRICES
Weekly

$ Per Bu.
Avg.
2003-07
2008
2009
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.

$ / cwt.

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

$ / cwt.
1995-2007 2008 2009
KY Hay Production

Production much improved, quality is highly variable
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

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)