10-2009

Beef, Dairy, and Equine

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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

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<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>
<td>5% (114)</td>
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- 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)

- 2007
- 2008
- 2009

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<th>Quarter</th>
<th>2007</th>
<th>2008</th>
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<td>1st Qtr</td>
<td>46</td>
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US All Milk Price

2003-2007

2008

2009
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

- Appalachian
- Southeast

Oct Nov Dec Jan Feb Mar Apr May June

Price Projections:
- $12.00
- $13.00
- $14.00
- $15.00
- $16.00
- $17.00
- $18.00
- $19.00
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

Million 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, September 24, 2009
Author: David Miskus, JAWF/CPC/NOAA
STEER HIDE AND OFFAL VALUE
Live Animal Basis, Weekly

$ Per Cwt.

$ 5.50
$ 6.50
$ 7.50
$ 8.50
$ 9.50
$ 10.50
$ 11.50
$ 12.50

JAN APR JUL OCT

Avg.
2003-07
2008
2009
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.

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

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

Graph showing the price of Medium / Large Frame #1 Steers from January 2004 to December 2008, comparing the years 2004-2008 and 1995-2007.
Medium / Large Frame #1 Steers
500 to 600 lbs


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


[Graph showing price trends for Medium / Large Frame #1 Steers 500 to 600 lbs from 1995-2007 and 2004-2008]
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)