

Stocker Cattle Outlook: A Good News/Bad News Story

Ron Plain

Extension Economist

University of Missouri-Columbia

<http://web.missouri.edu/~plainr>



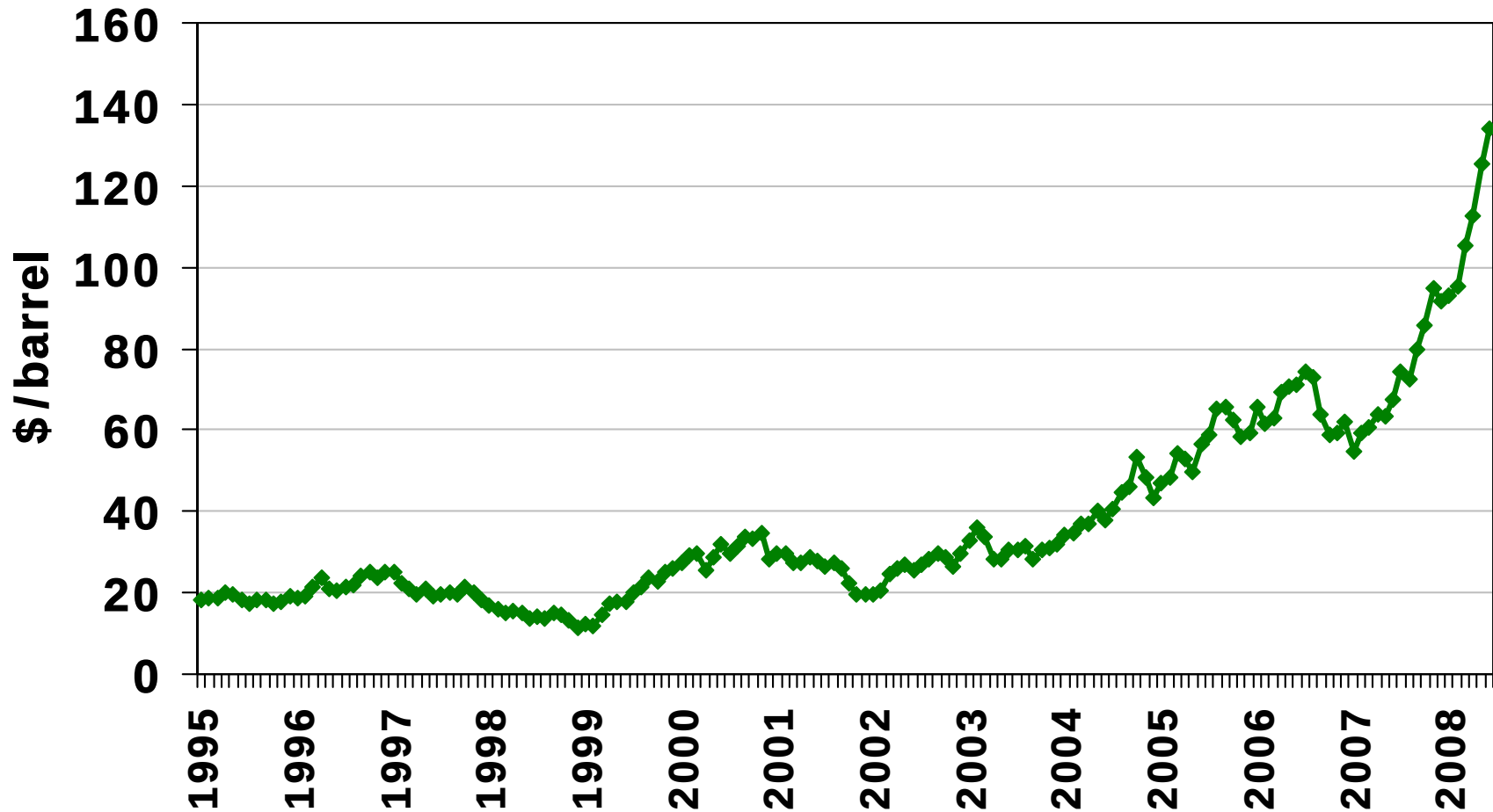
Summary

The key driving forces are oil prices and biofuels policy.

Higher oil prices lead to higher gasoline prices, higher ethanol prices, higher corn prices and red ink for the livestock industry.

Spot Crude Oil Prices 1995-2008

WTI, Monthly Average Price, Cushing, Oklahoma



Source: U.S. Energy Information Administration

U.S. Retail Gasoline Prices, All Grades, All Formulations, 1996-2008



Source: U.S. Energy Information Administration

September Crude Oil Futures Prices

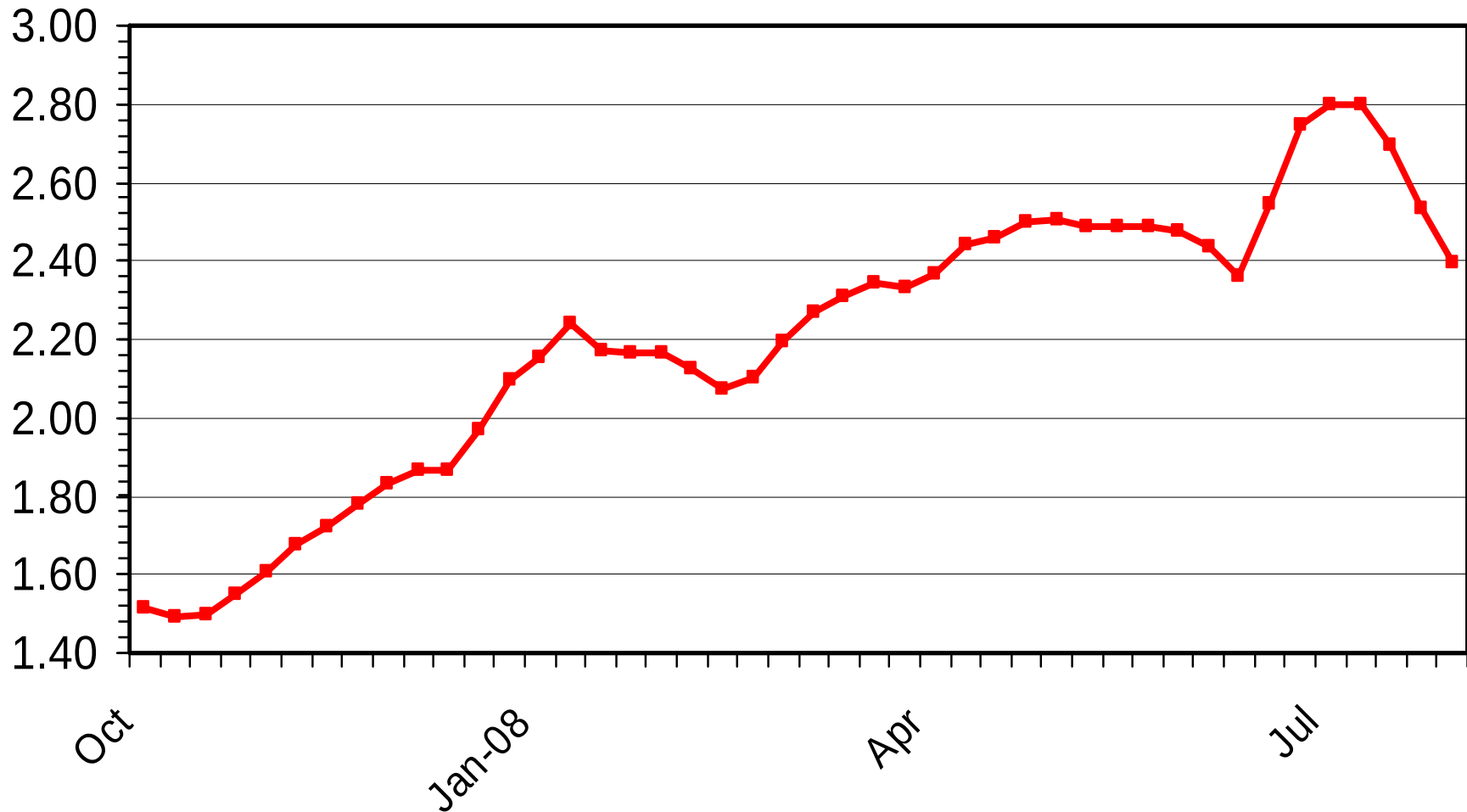


\$126/barrel = \$3.00/gal

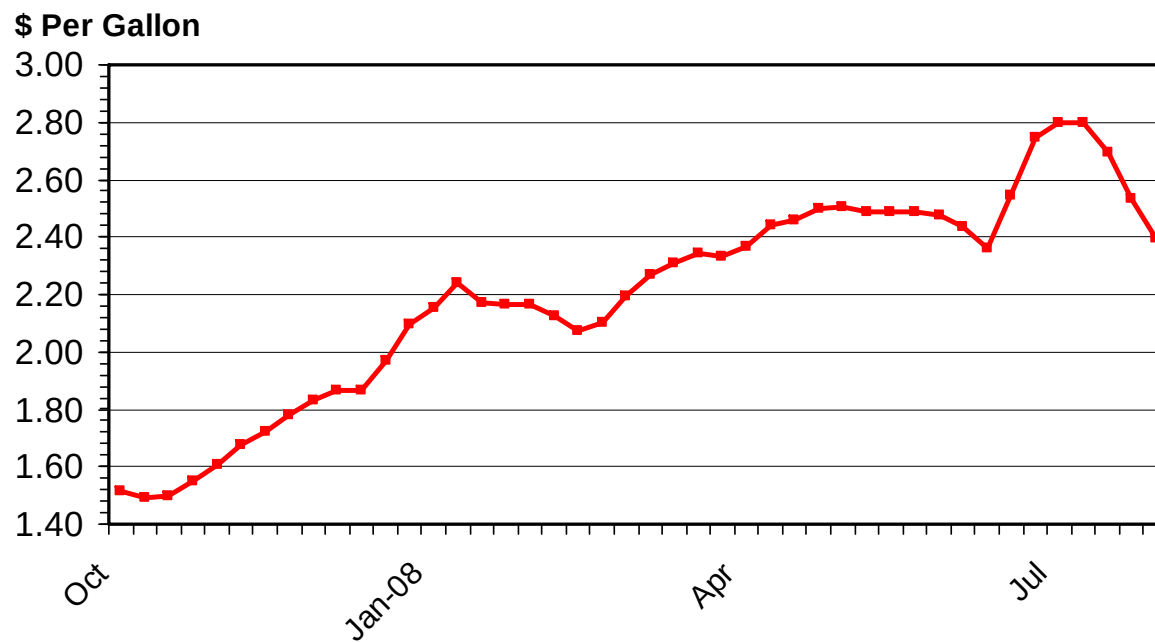
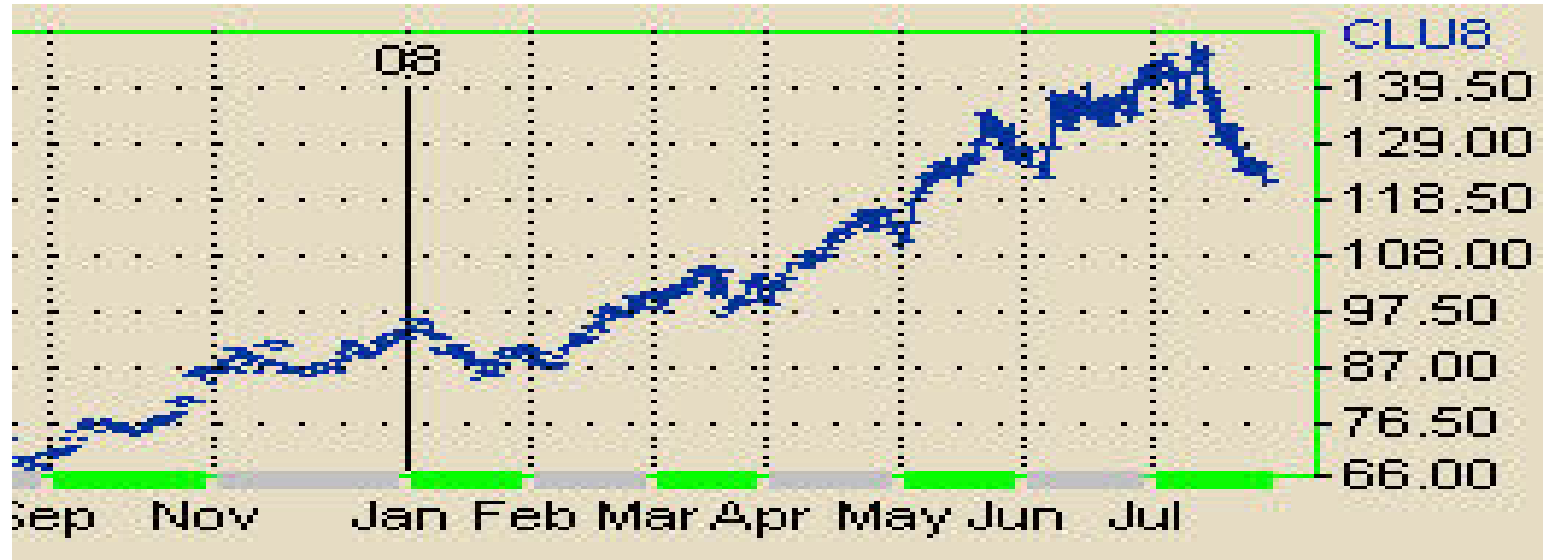
Source: New York Mercantile Exchange on 7/30/08

Weekly Iowa Ethanol Prices, 2007-08

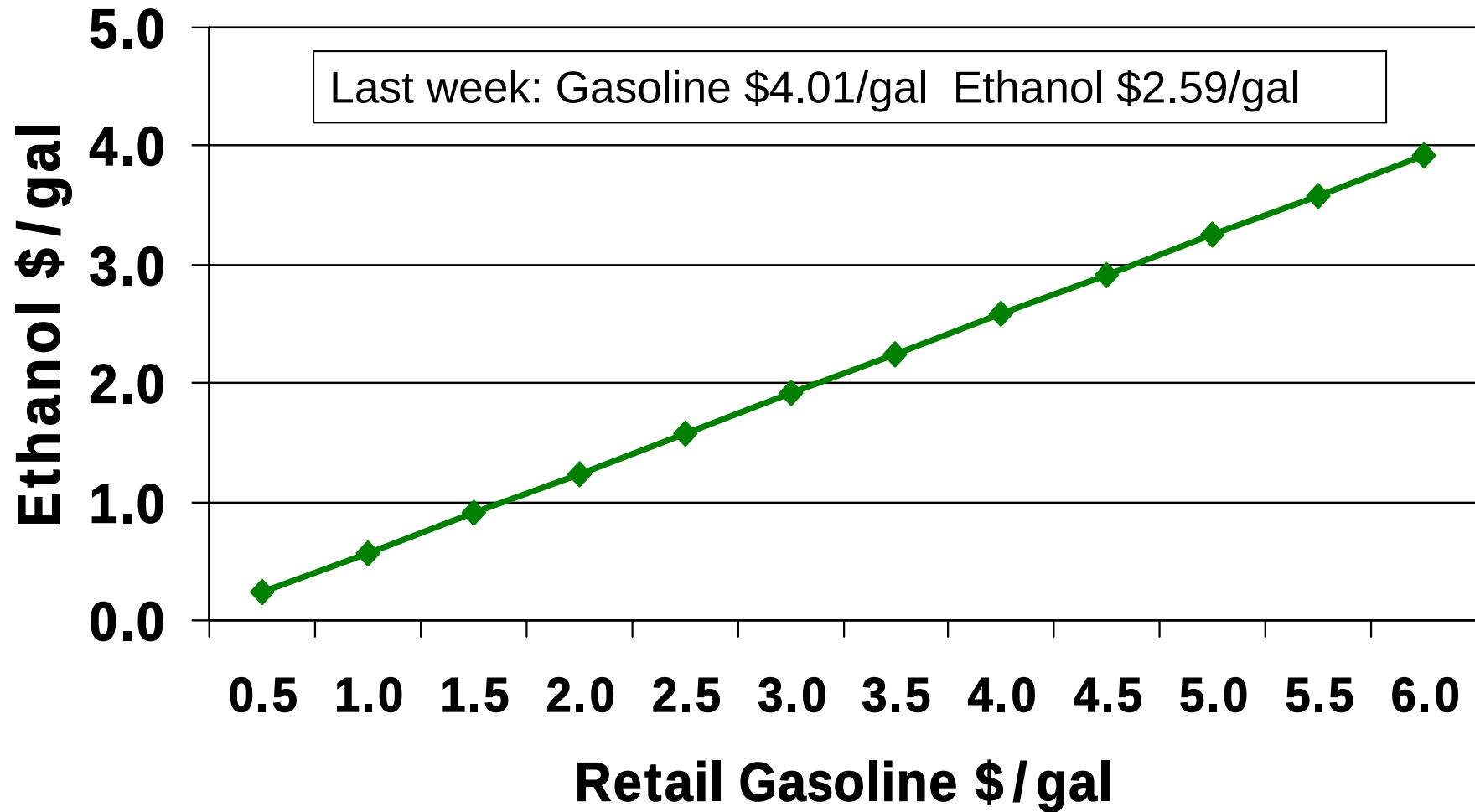
\$ Per Gallon



Livestock Marketing Information Center

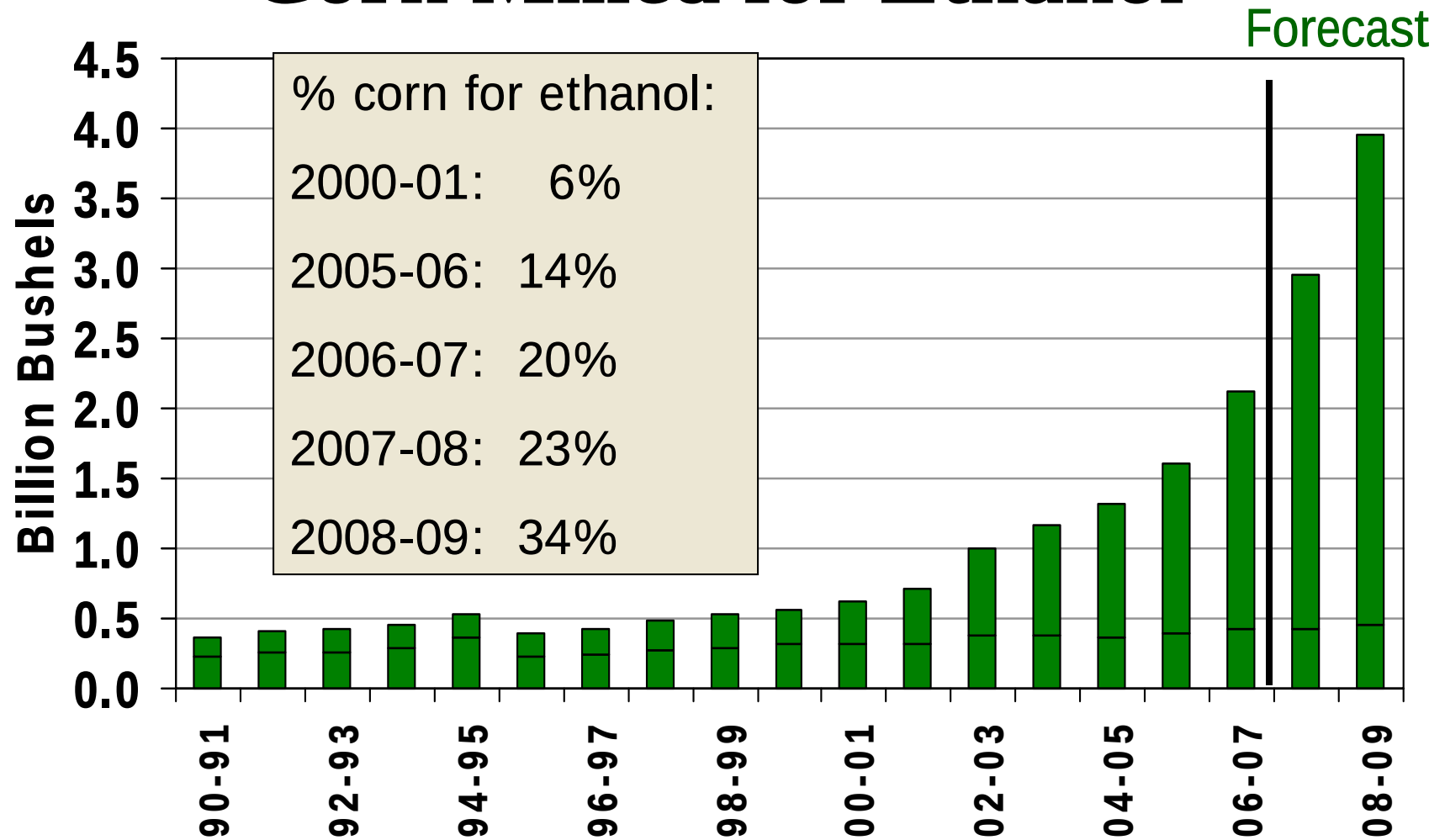


Ethanol-Gasoline Price Relationship

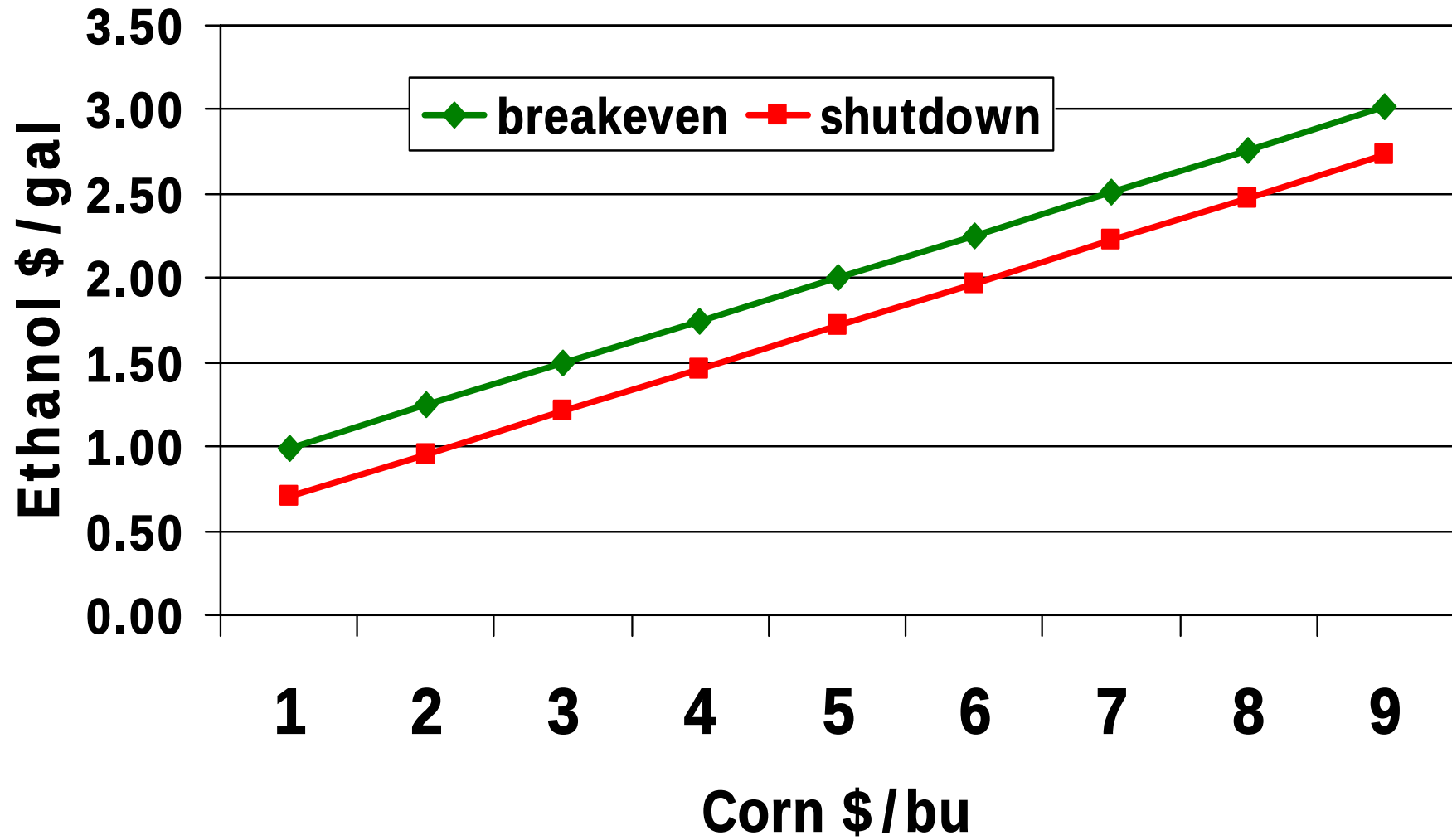


Source: Ron Plain

Corn Milled for Ethanol

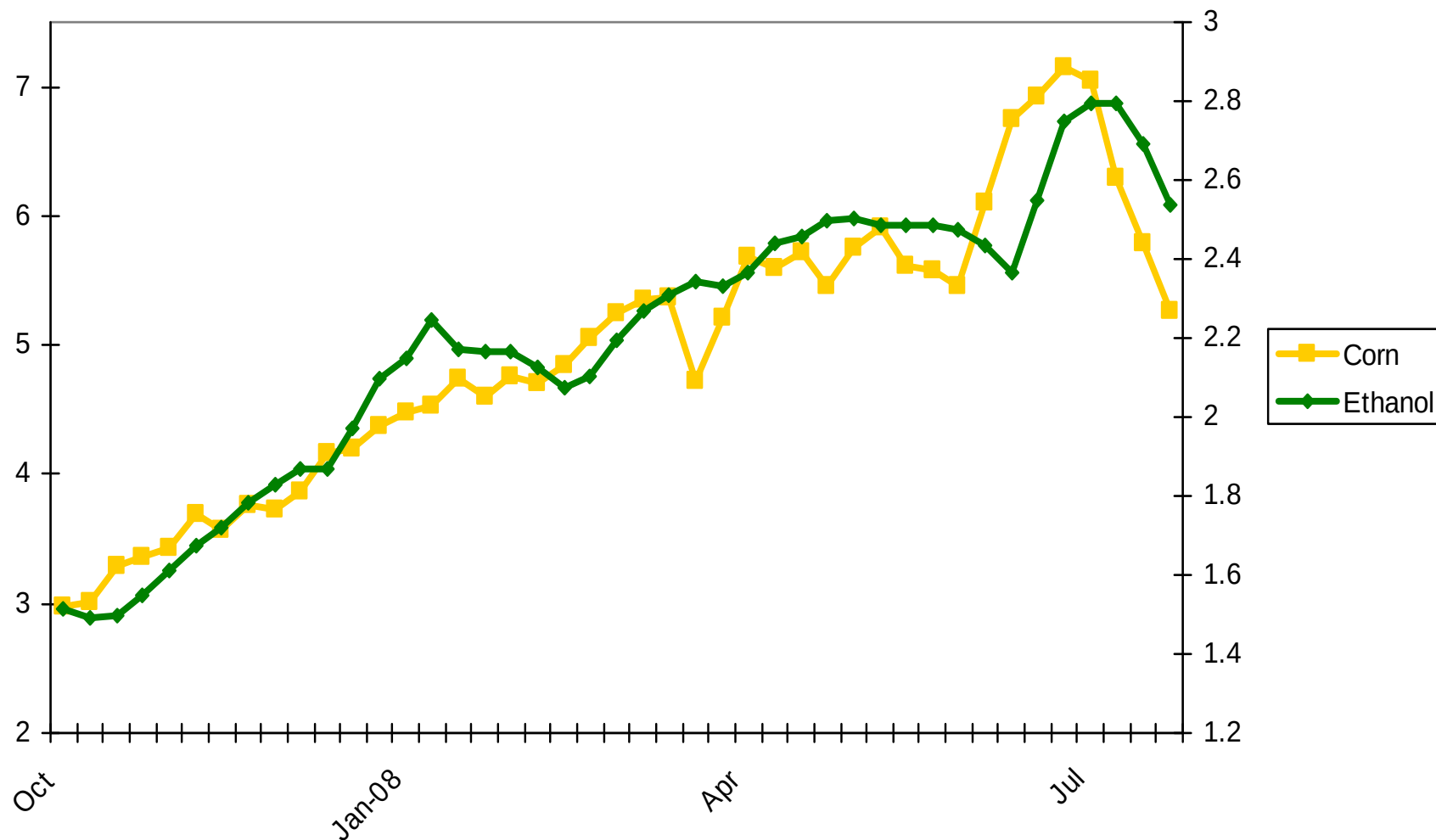


2007 Ethanol-Corn Price Relationship



Source: Ron Plain

Weekly Corn & Ethanol Prices, 2007-08

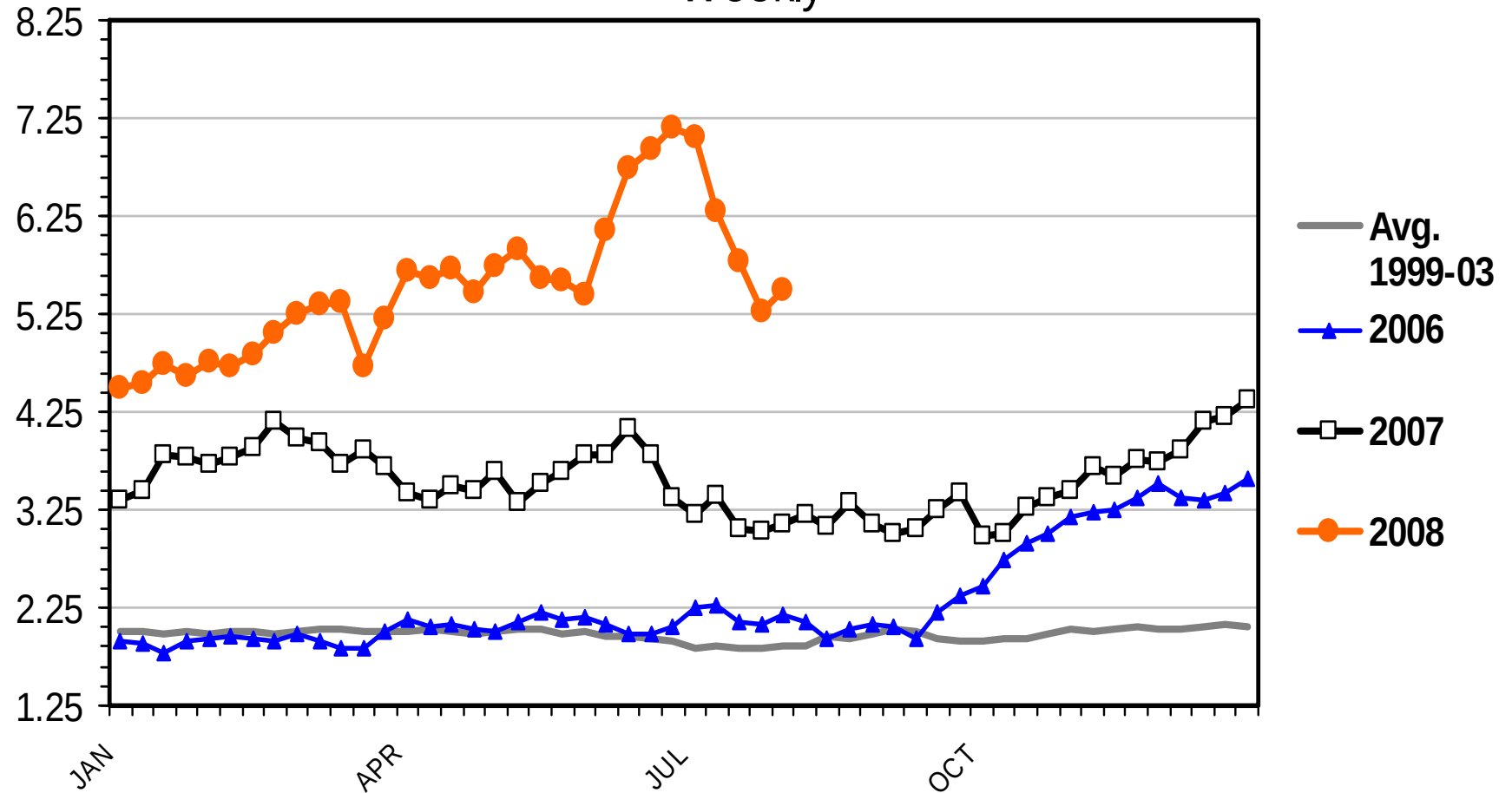


Source: U.S. Energy Information Administration

OMAHA CORN PRICES

\$ Per Bu.

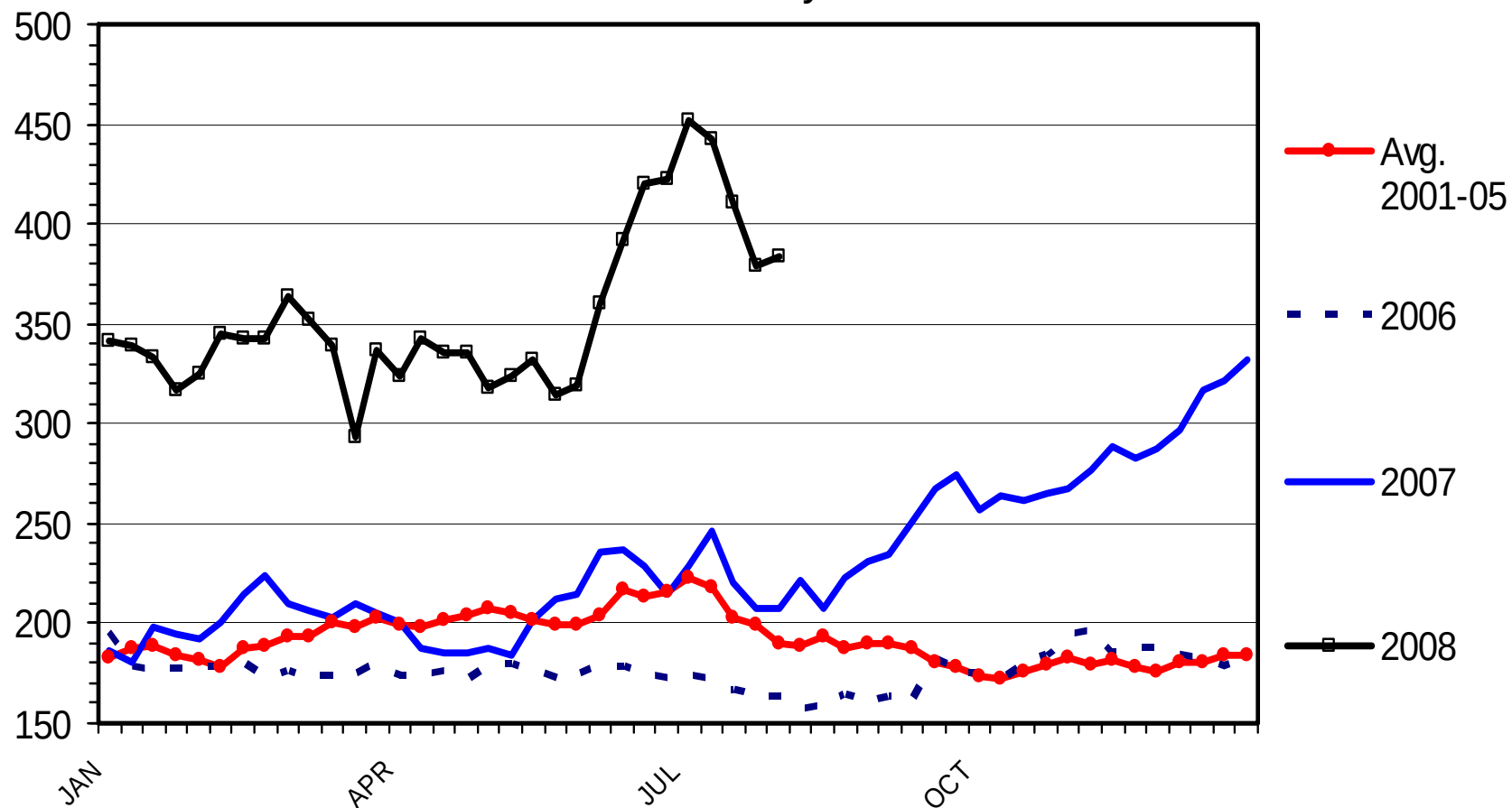
Weekly



DECATUR SOYBEAN MEAL (48%) PRICES

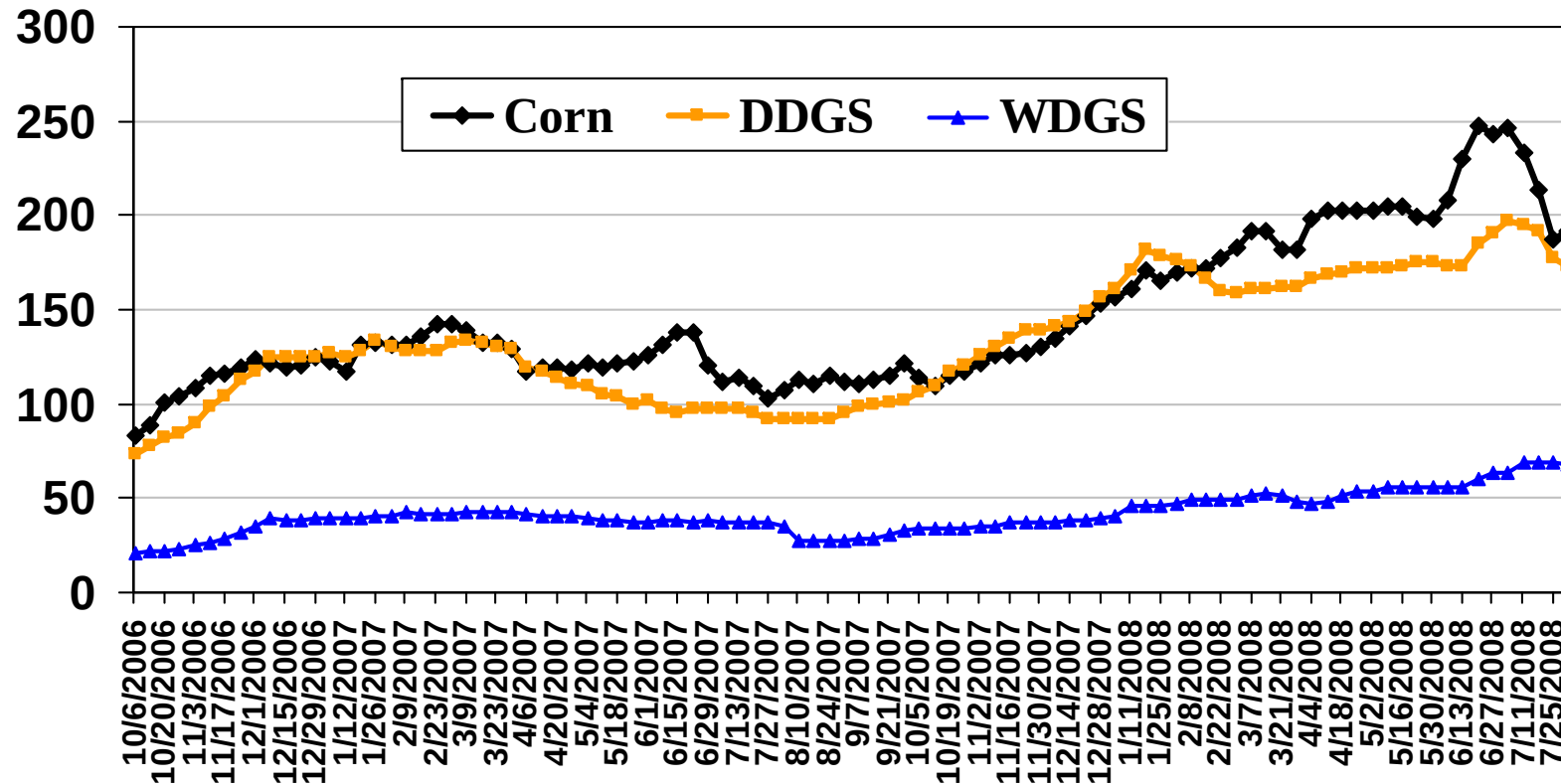
\$ Per Ton

Weekly



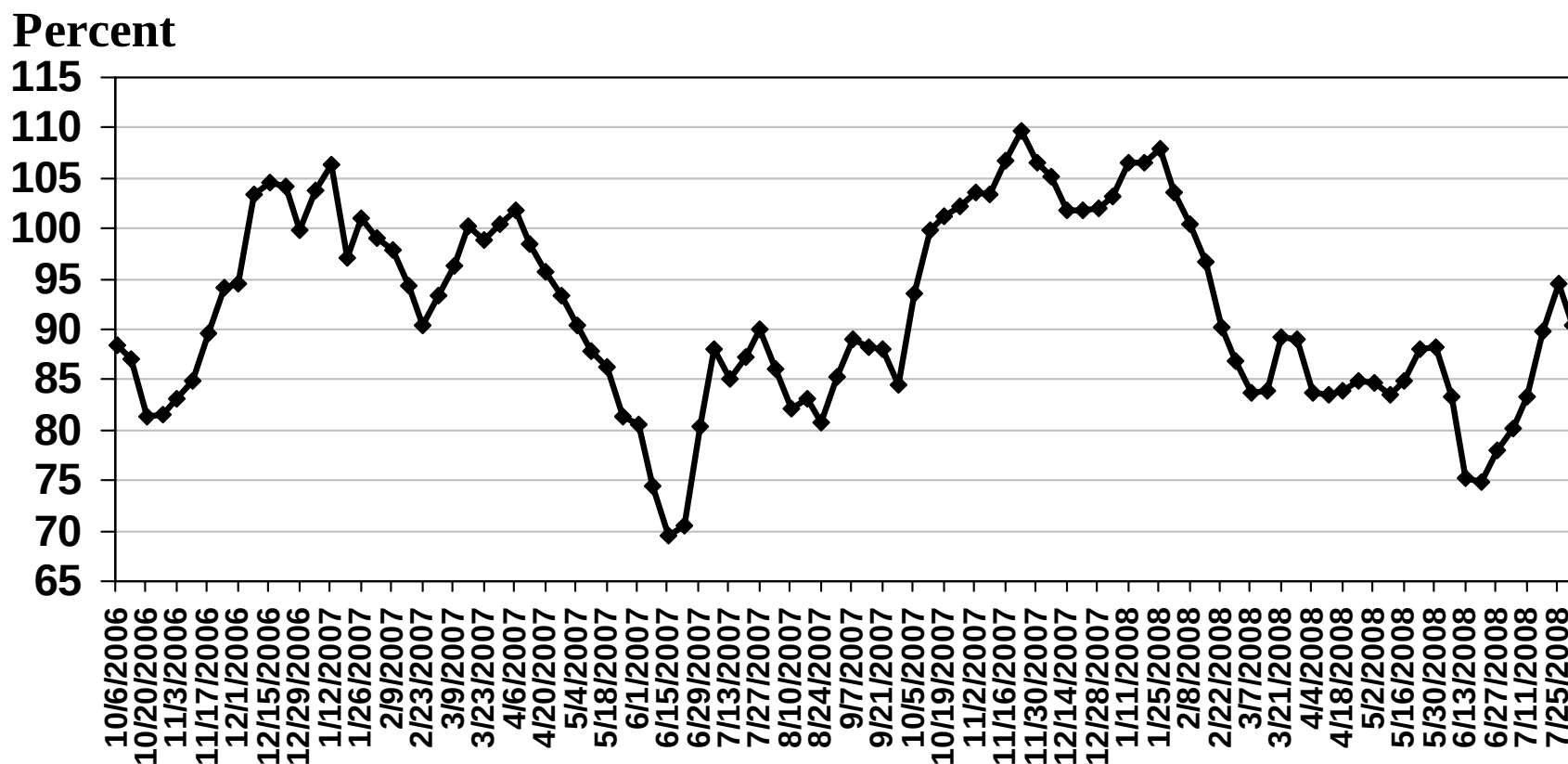
Northwest Iowa Prices, 2006-08

\$ Per Ton



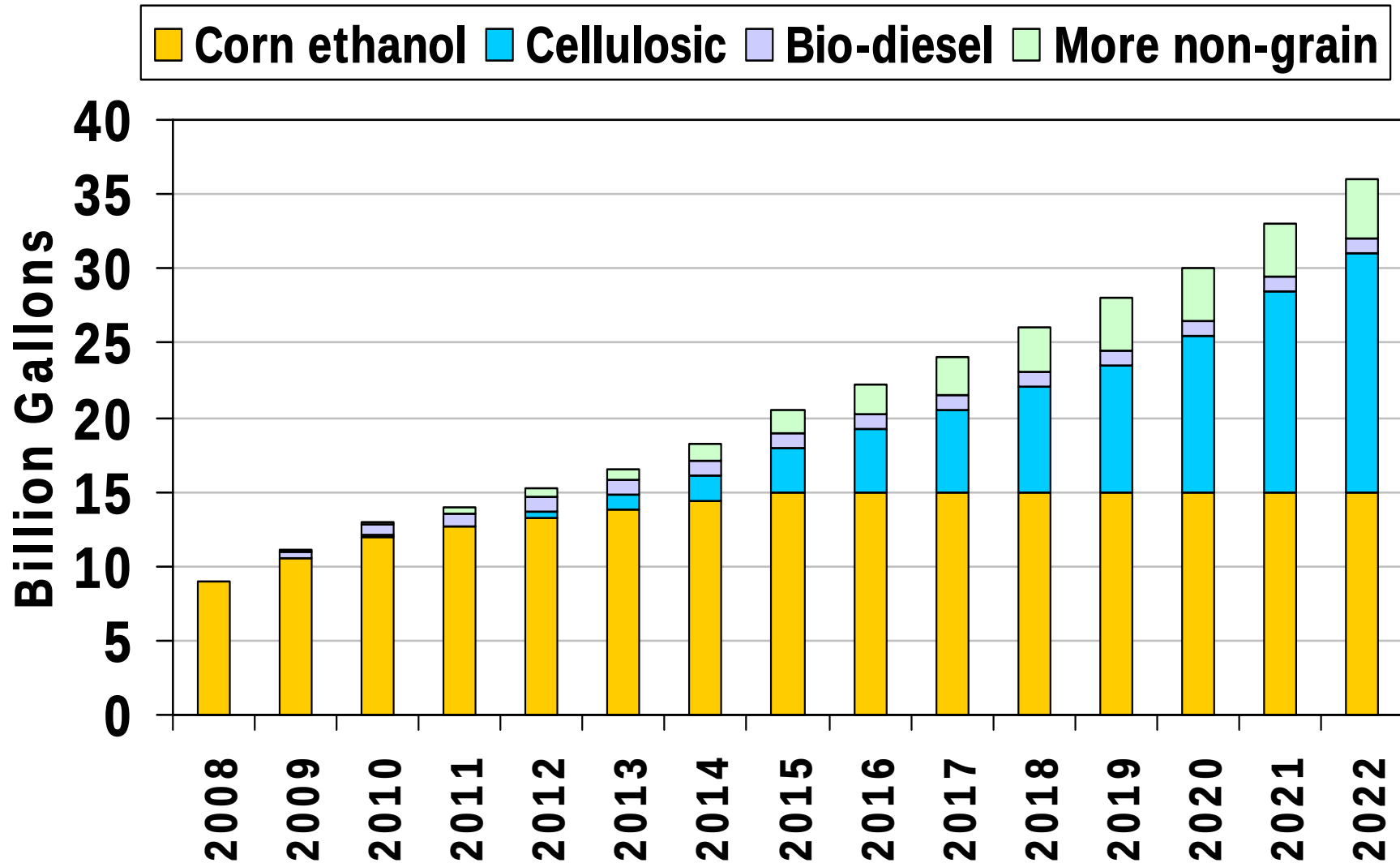
Source: LMIC

DDGS Price as % of Corn Price, Northwest Iowa, 2006-08

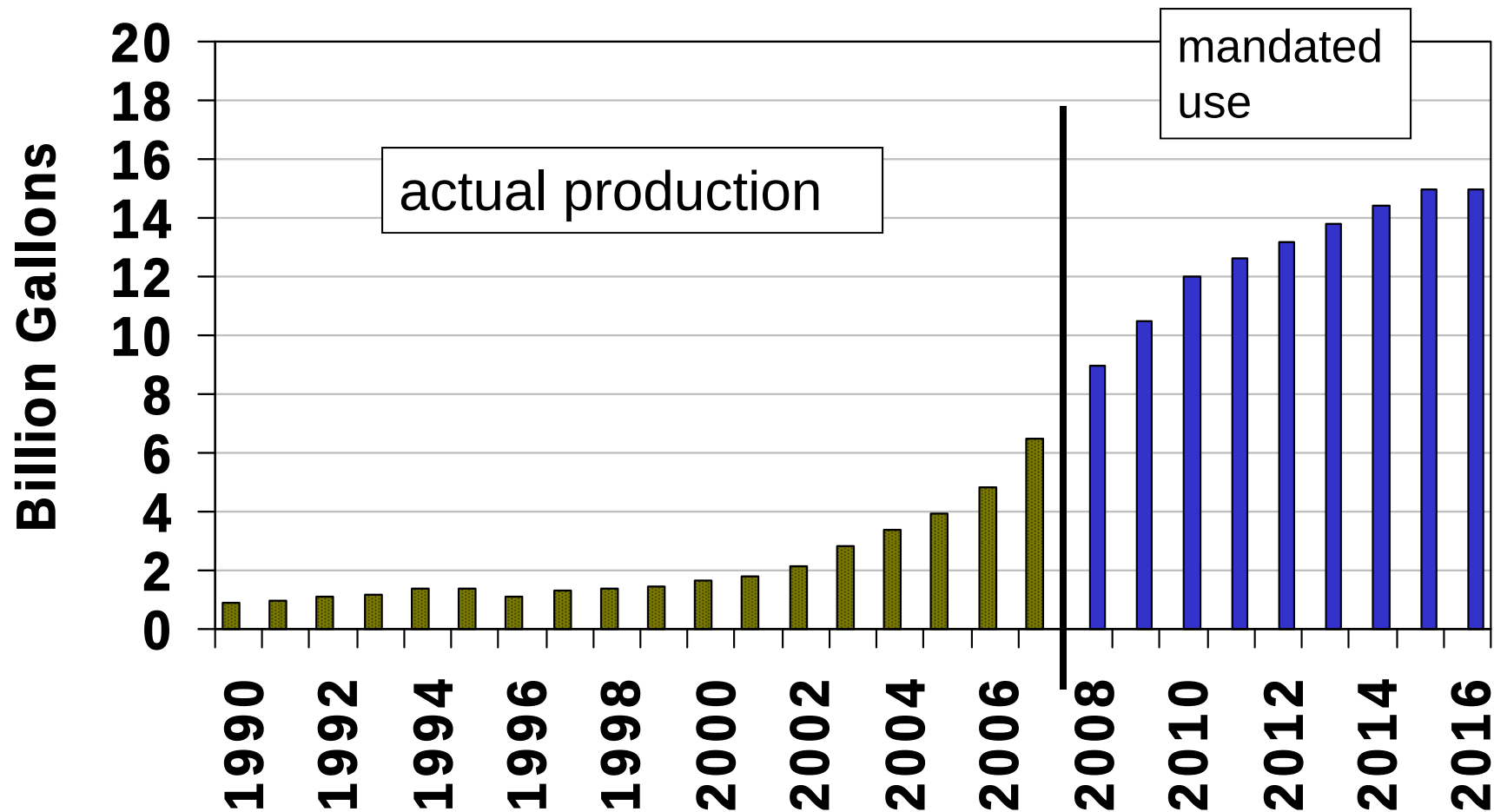


Source: LMIC

2007 Renewable Fuels Mandate

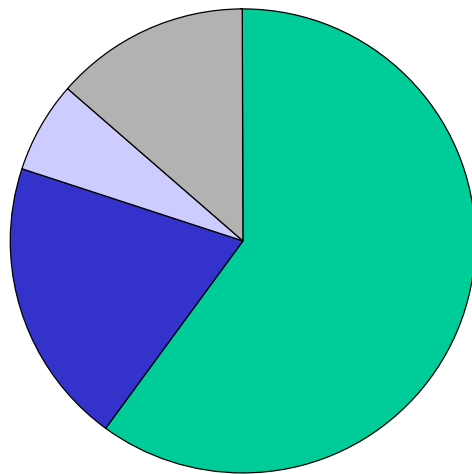


Ethanol Production, 1990-2016

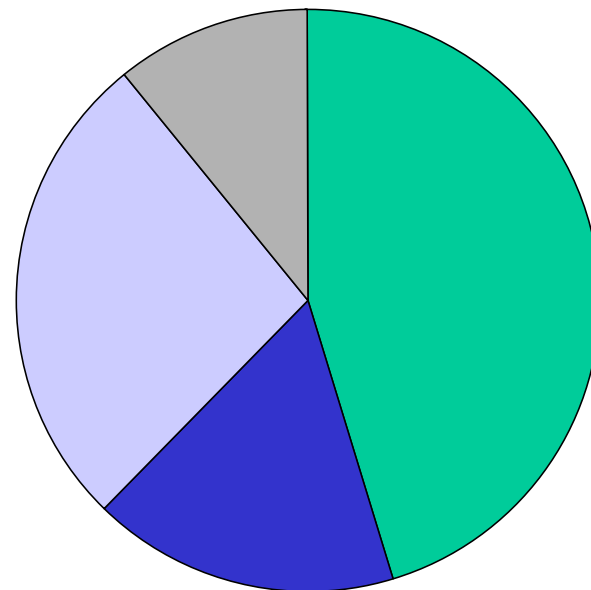


Beginning in 2015, the U.S. will annually use more corn to make ethanol than the U.S. produced in any year before 1971

U.S. Corn Usage



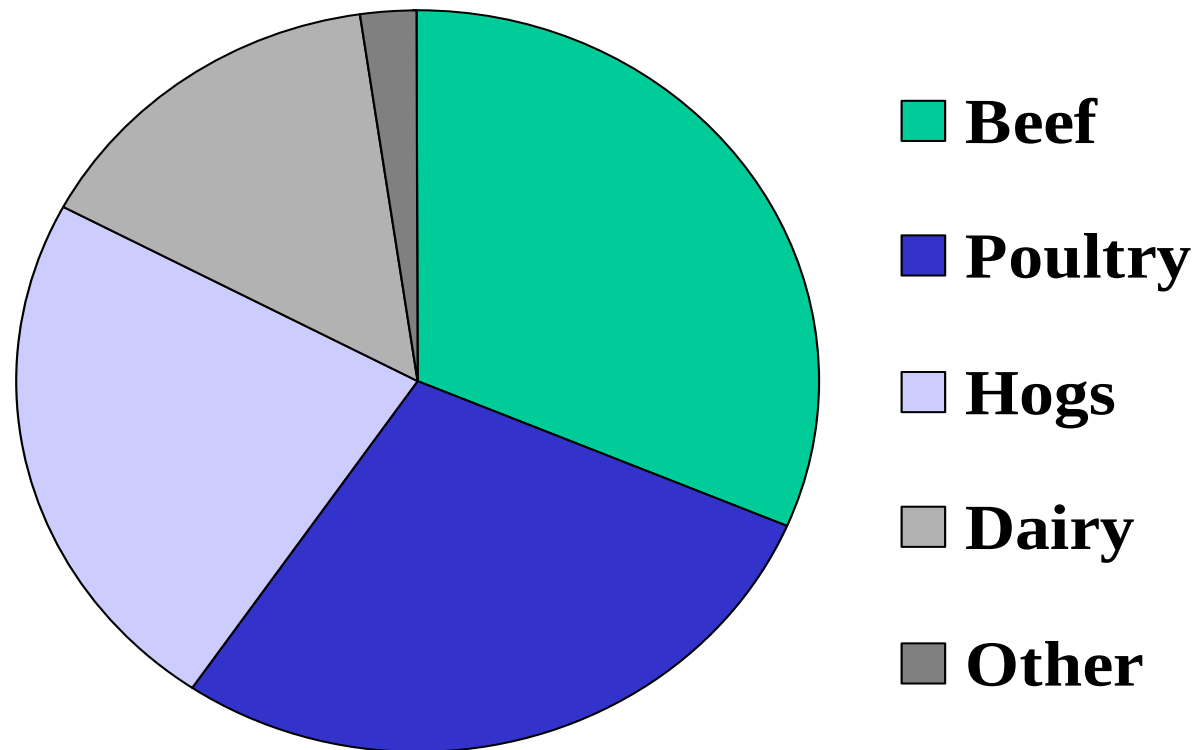
2000 crop



2007 crop

Corn usage is up 30% since 2000

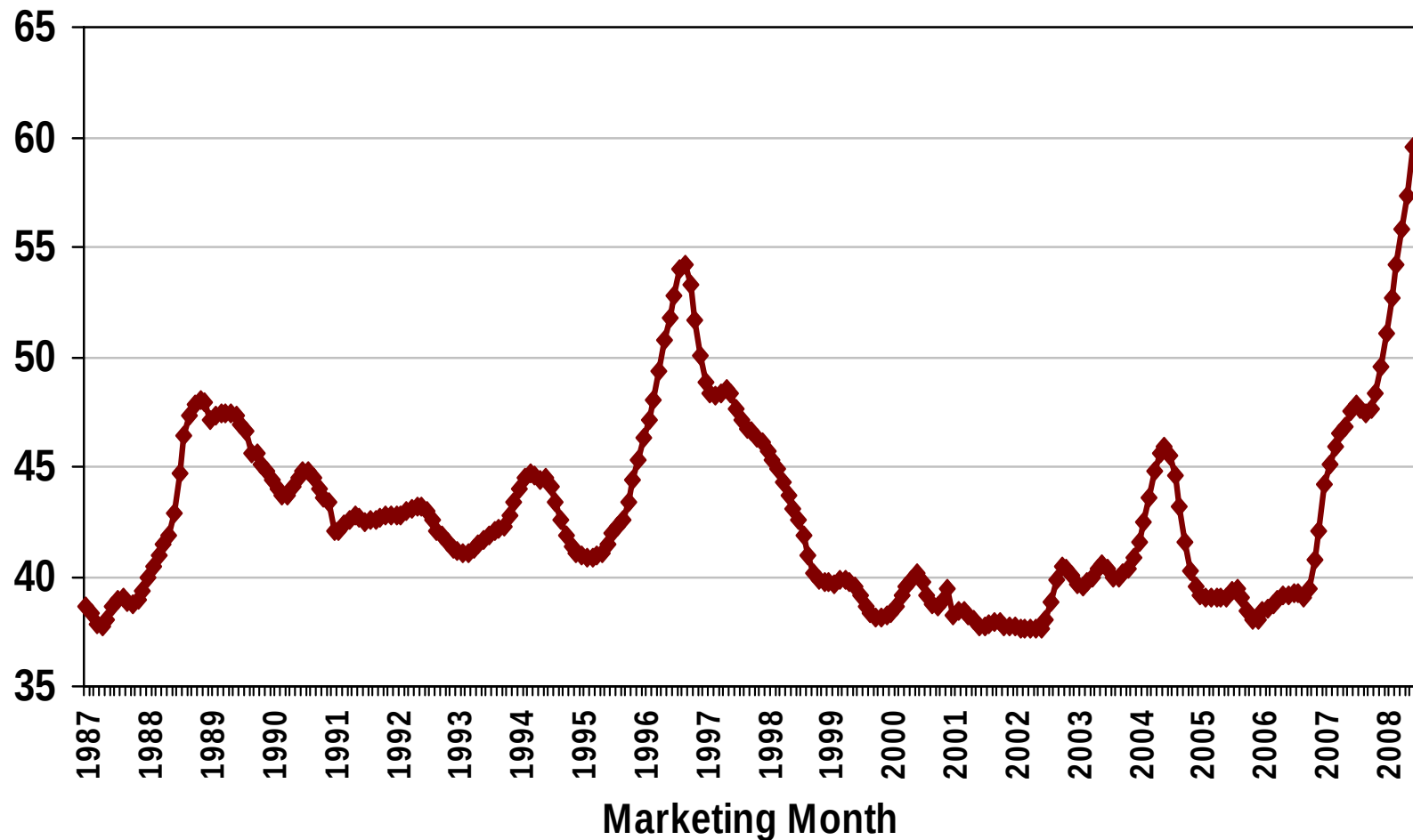
U.S. Feeding of Corn, 2005-06



Source: PRX ProExporter Network

Cost of Slaughter Hog Production

\$ Per Live Cwt Iowa State University Calculations, 1987-2008

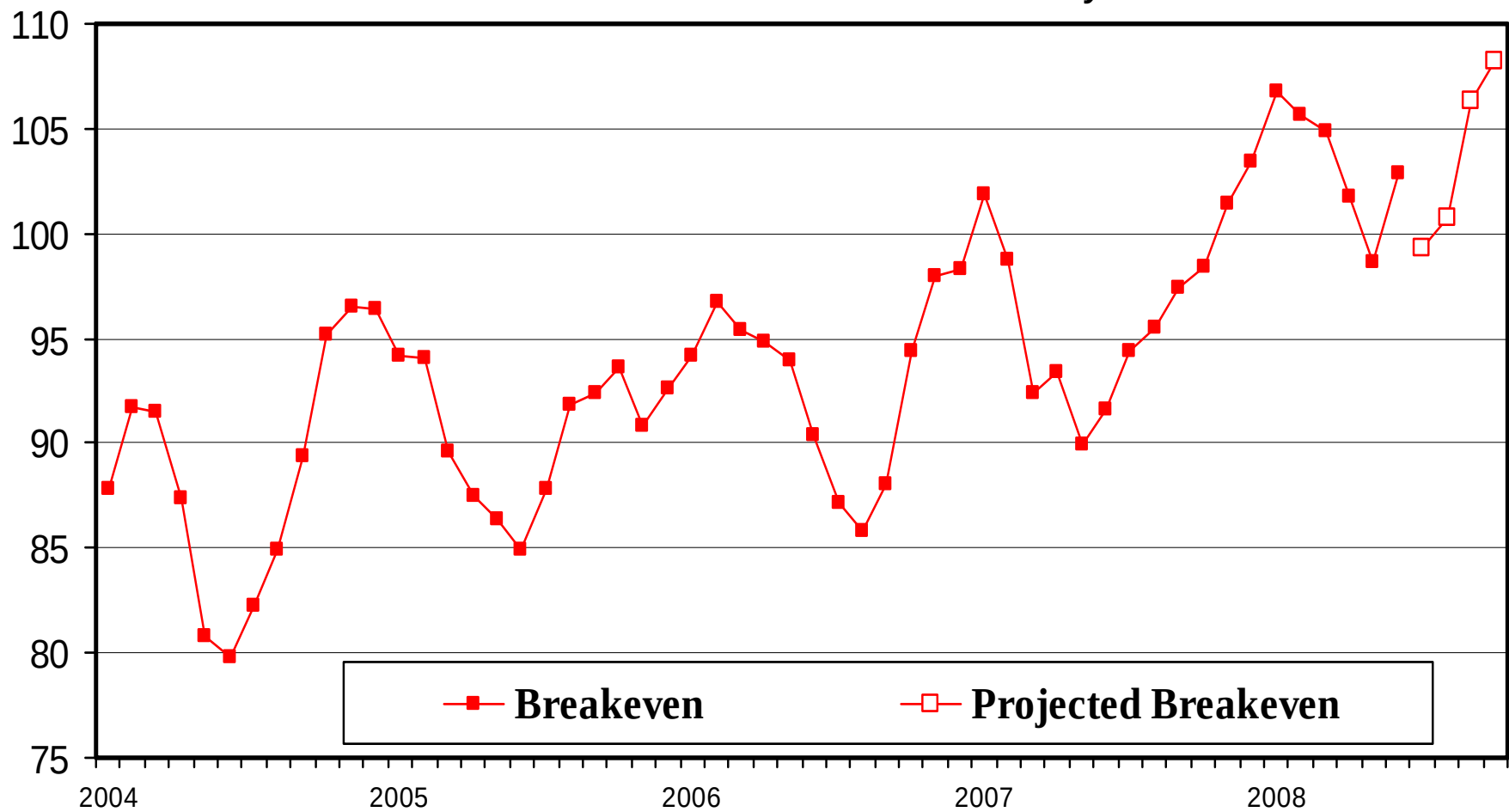


Source: John Lawrence, Iowa State University

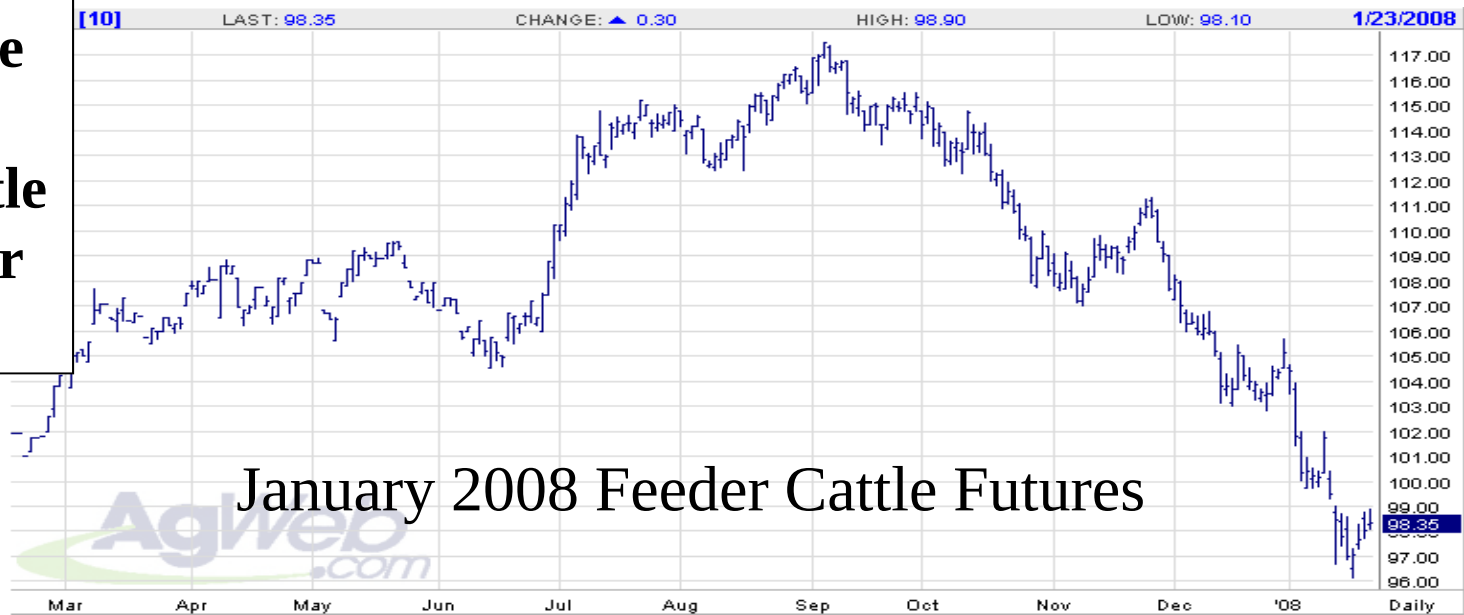
Choice Steer Price & Breakeven

S. Plains Cattle Feedlots, Monthly

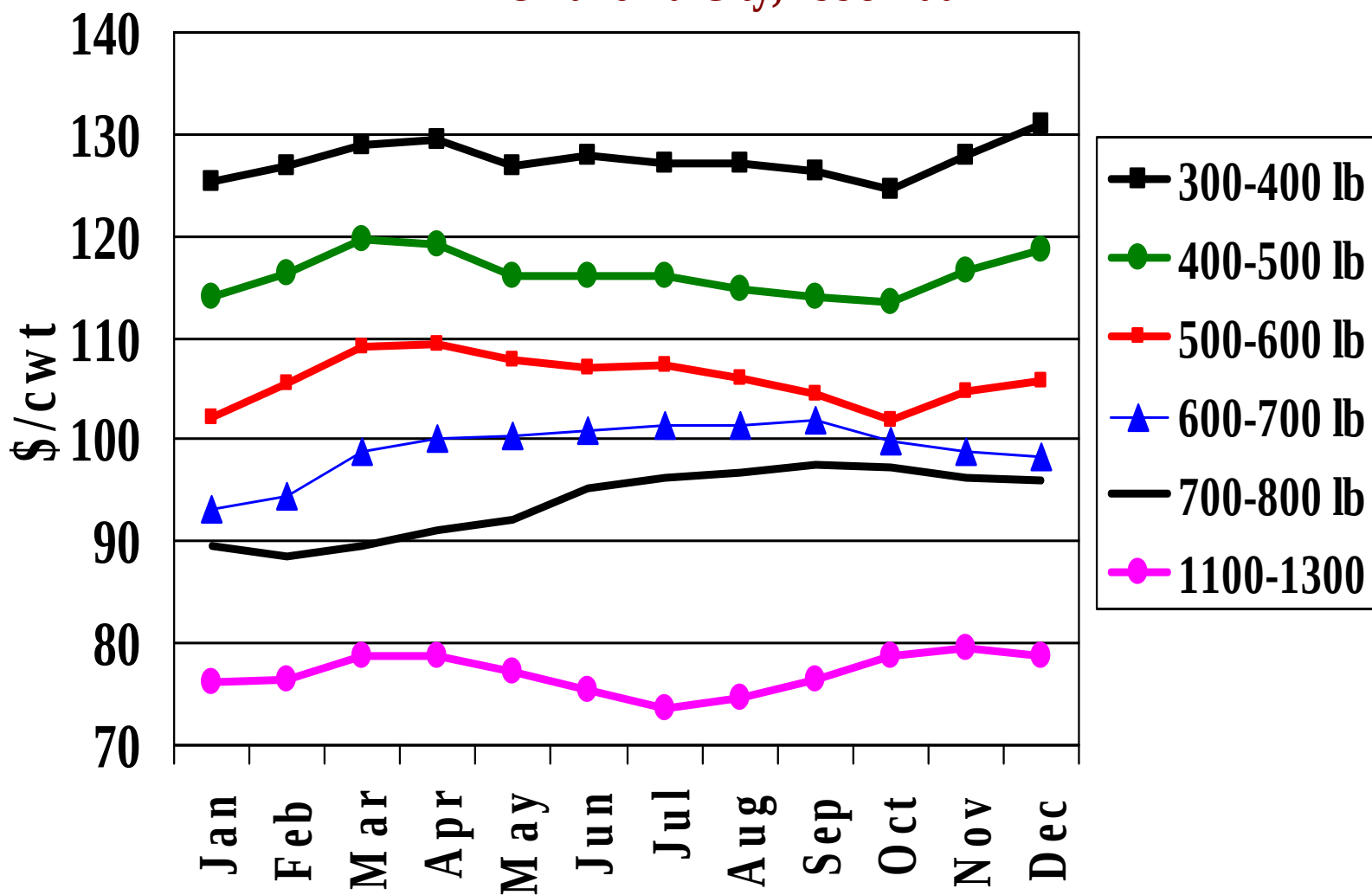
\$ Per Cwt



**A dime
increase in
the price of
corn
reduces the
value of
feeder cattle
by \$6-9 per
head**

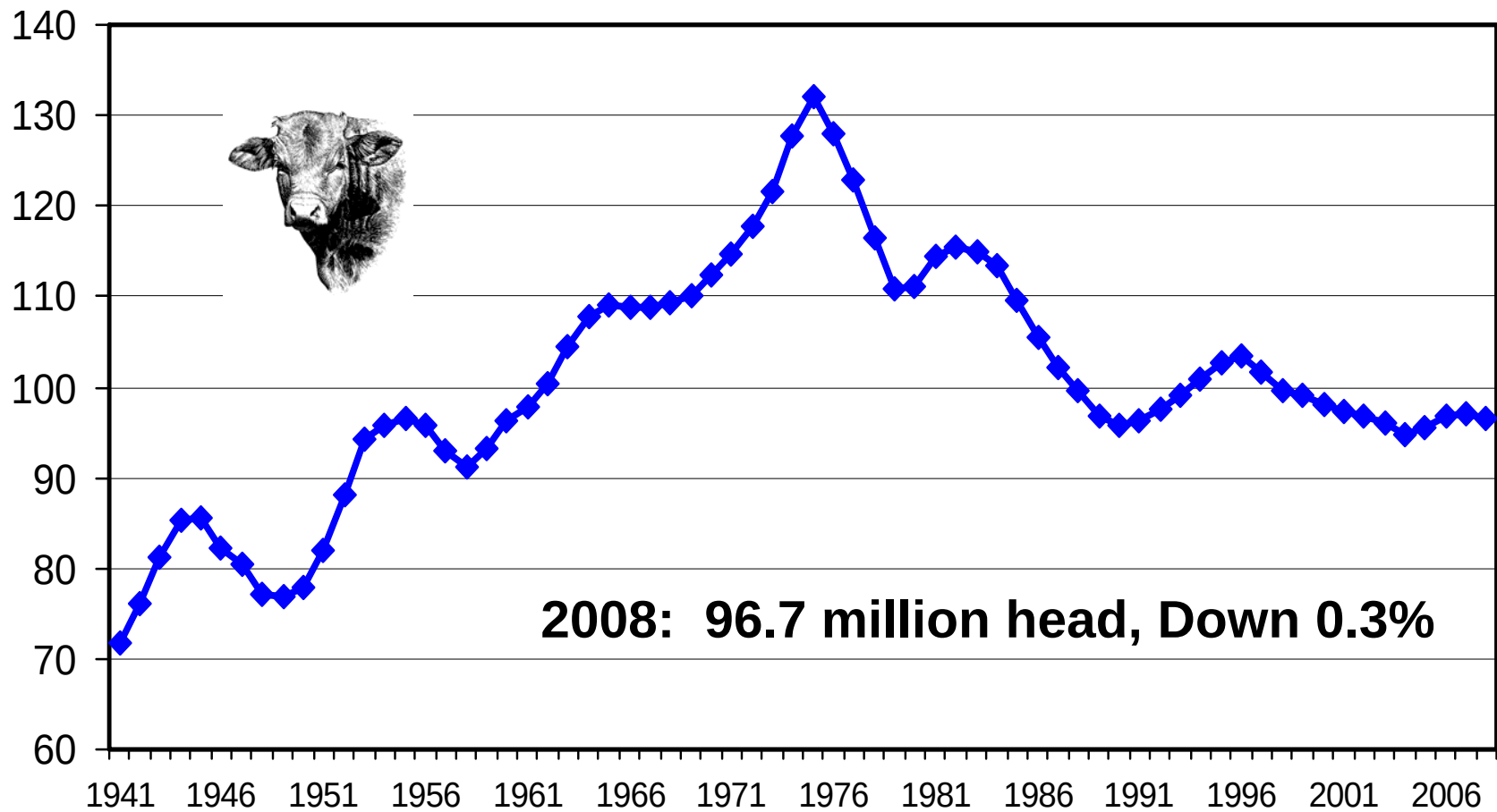


Monthly Average Steer Prices, Oklahoma City, 1998-2007

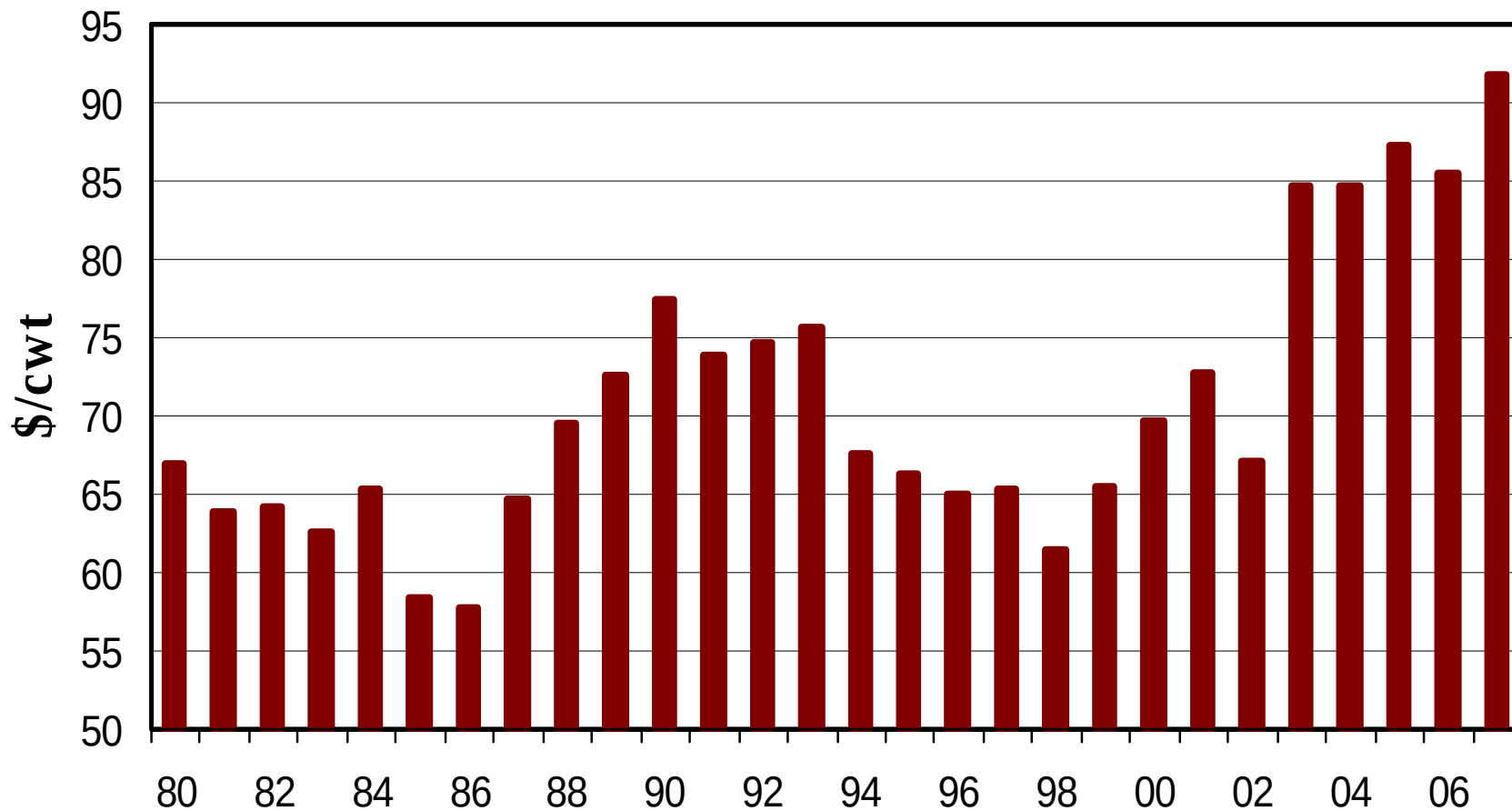


U.S. CATTLE INVENTORY, January 1

Mil. Head



Choice 1100-1300 Lb. Steers Yield Grade 2-4, Nebraska Direct



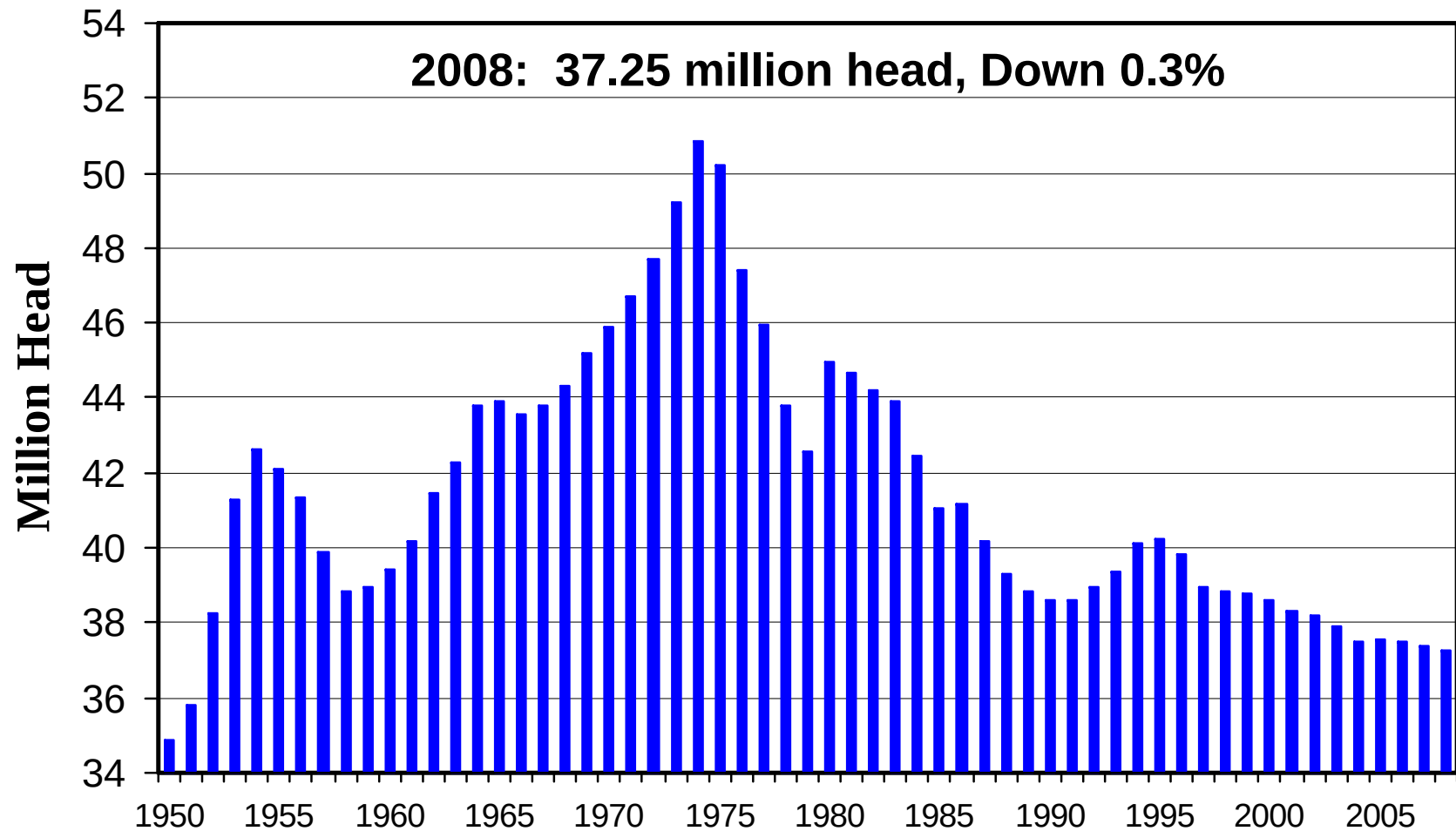
2008 is expected to set another price record

July 2008 Cattle Inventory

percent of year earlier

All Cattle & Calves	99.5
Beef Cows	99.4
Dairy Cows	101.1
Beef Replace. Heifers	97.9
Dairy Replace. Heifers	100.0
Other Heifers	100.0
Steers 500 lbs & up	98.7
Calves under 500 lbs	99.7

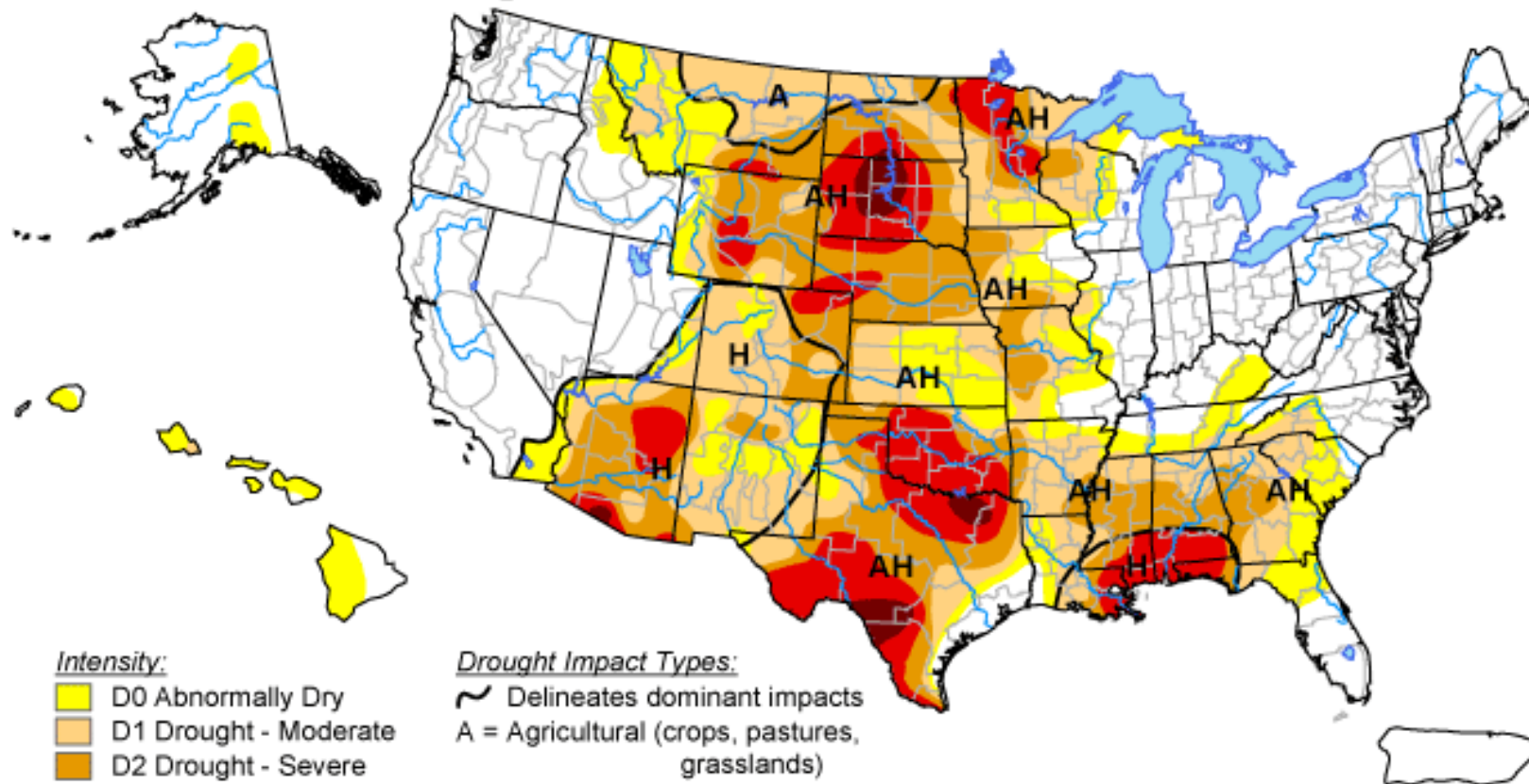
U.S. Calf Crop, 1950-2008



2006 Drought Slowed Herd Growth

U.S. Drought Monitor

August 1, 2006
Valid 8 a.m. EDT



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

Drought Impact Types:

- Delineates dominant impacts
- A = Agricultural (crops, pastures, grasslands)
- H = Hydrological (water)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

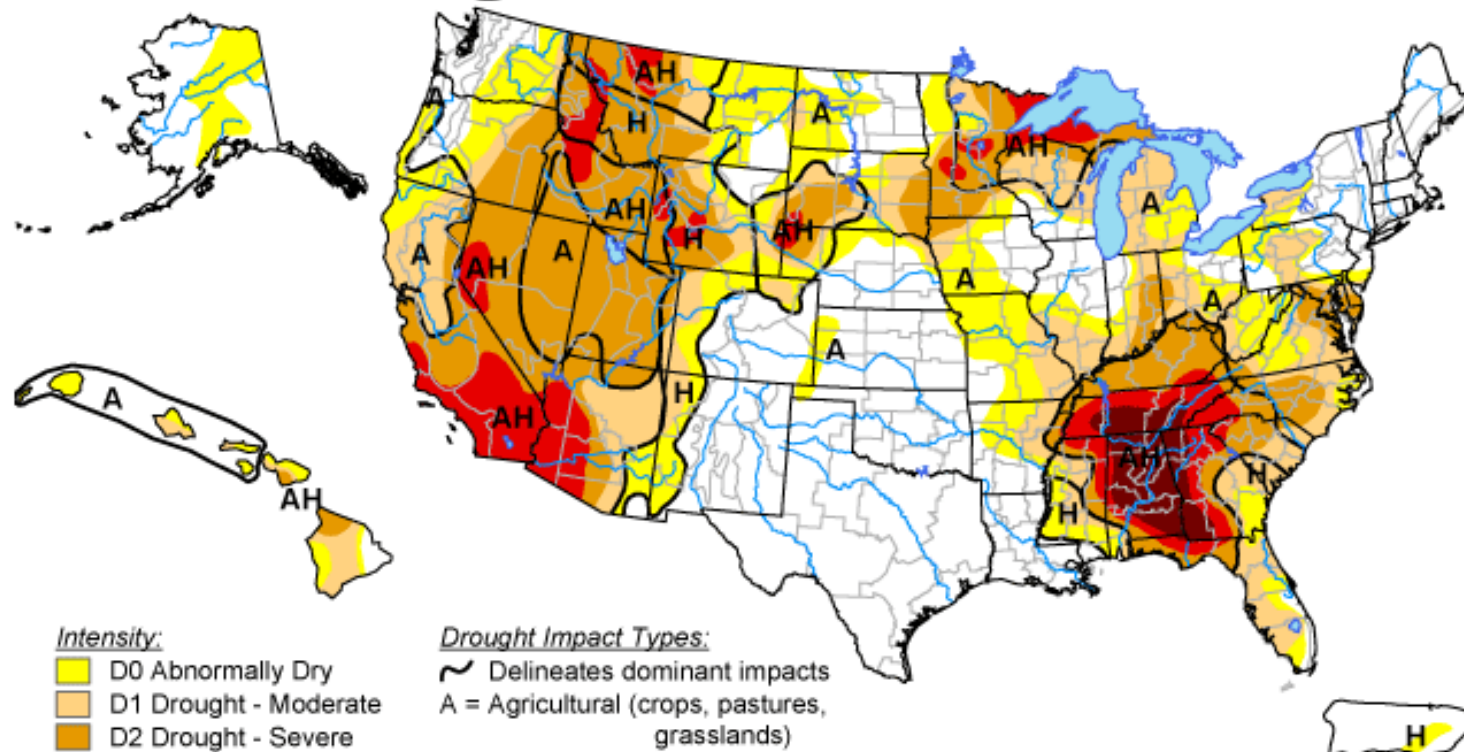
<http://drought.unl.edu/dm>



Released Thursday, August 3, 2006
Author: David Miskus, JAWF/CPC/NCEP/NOAA

U.S. Drought Monitor

August 14, 2007
Valid 8 a.m. EDT



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

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<http://drought.unl.edu/dm>

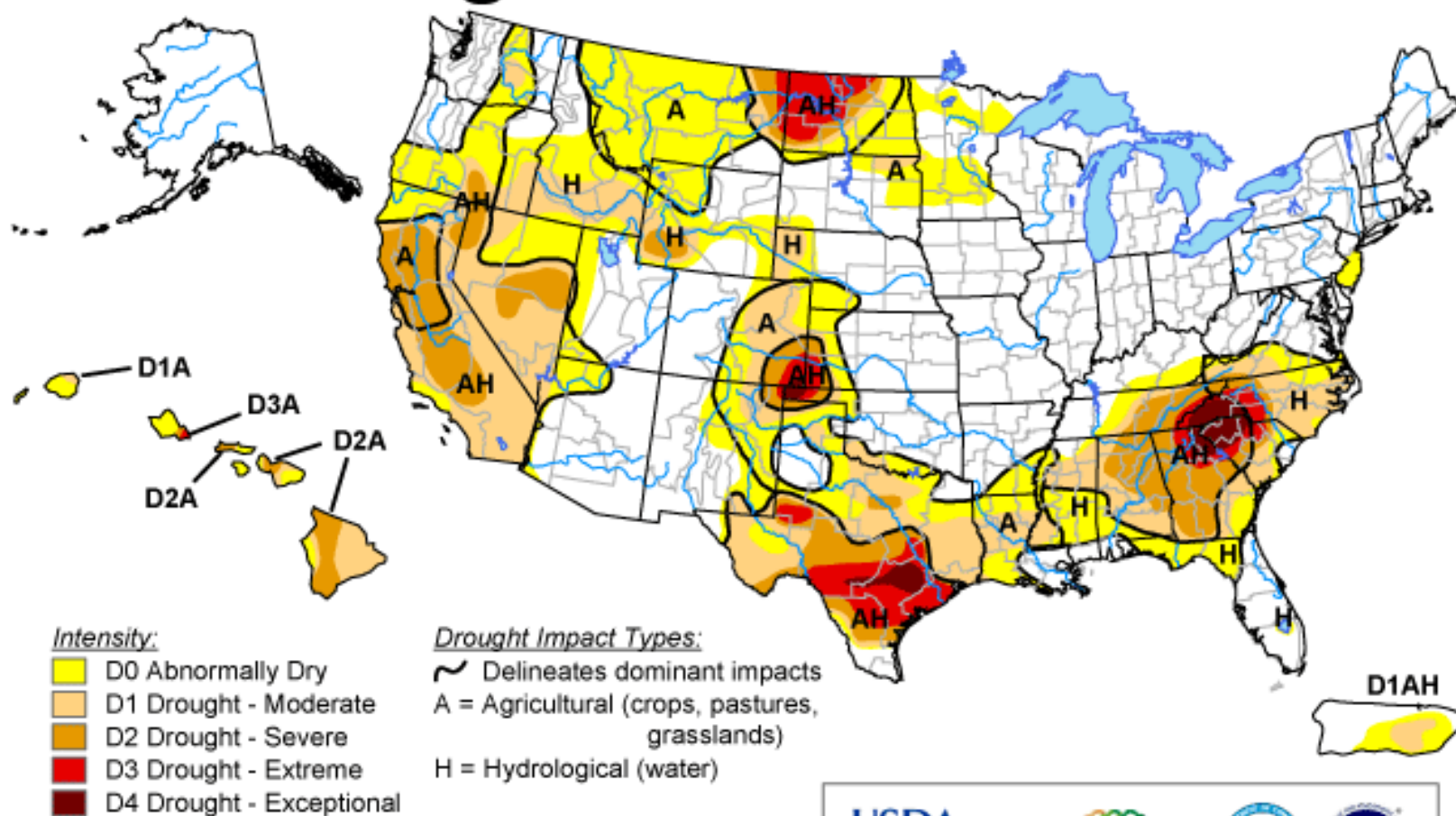


Released Thursday, August 16, 2007
Author: Brad Rippey, U.S. Department of Agriculture

U.S. Drought Monitor

July 29, 2008

Valid 8 a.m. EDT



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



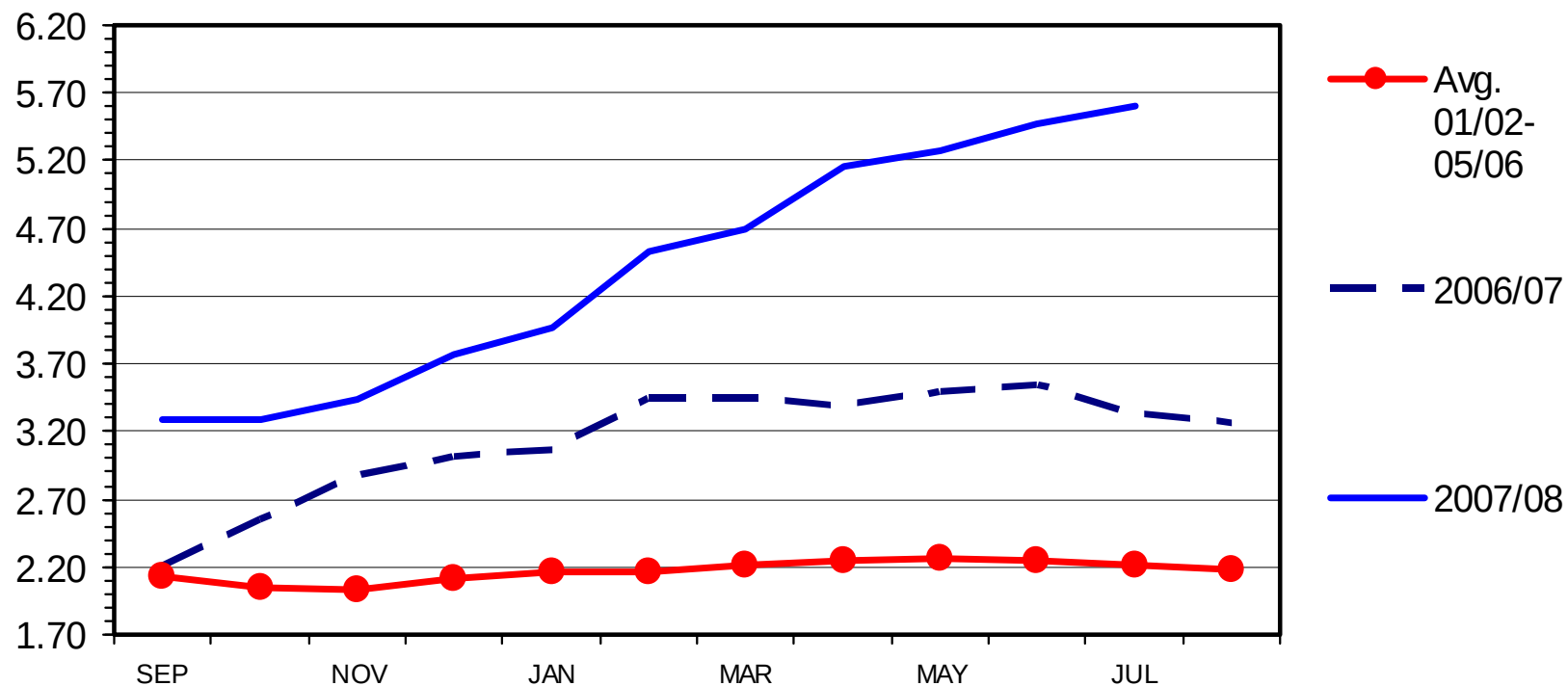
Released Thursday, July 31, 2008

Authors: Brian Fuchs, NDMC/Laura Edwards, WRCC

CORN - MONTHLY AVERAGE PRICE

Received by Farmers, U.S., Crop Year

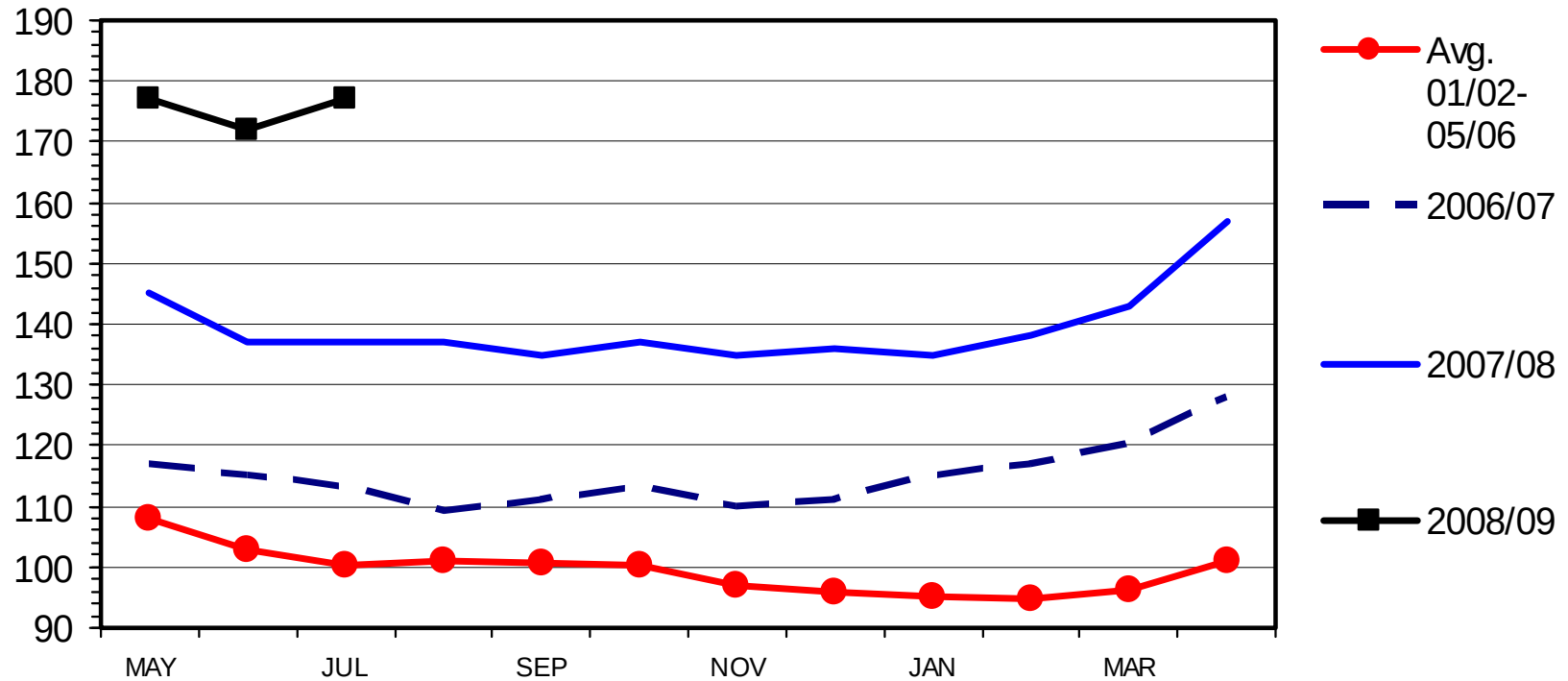
\$ Per Bu.



ALFALFA HAY - MONTHLY AVERAGE PRICE

Received by Farmers, U.S., Crop Year

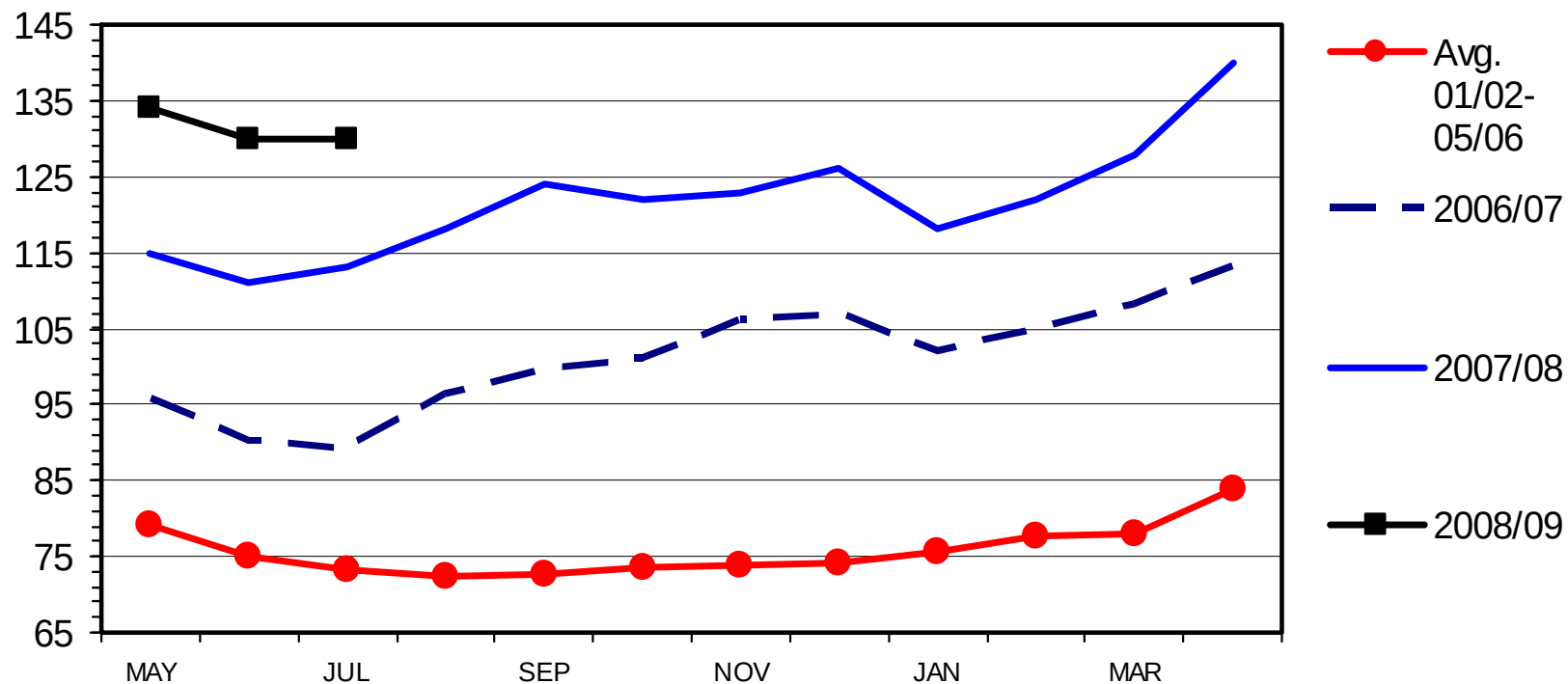
\$ Per Ton



OTHER HAY - MONTHLY AVERAGE PRICE

Received by Farmers, U.S., Crop Year

\$ Per Ton

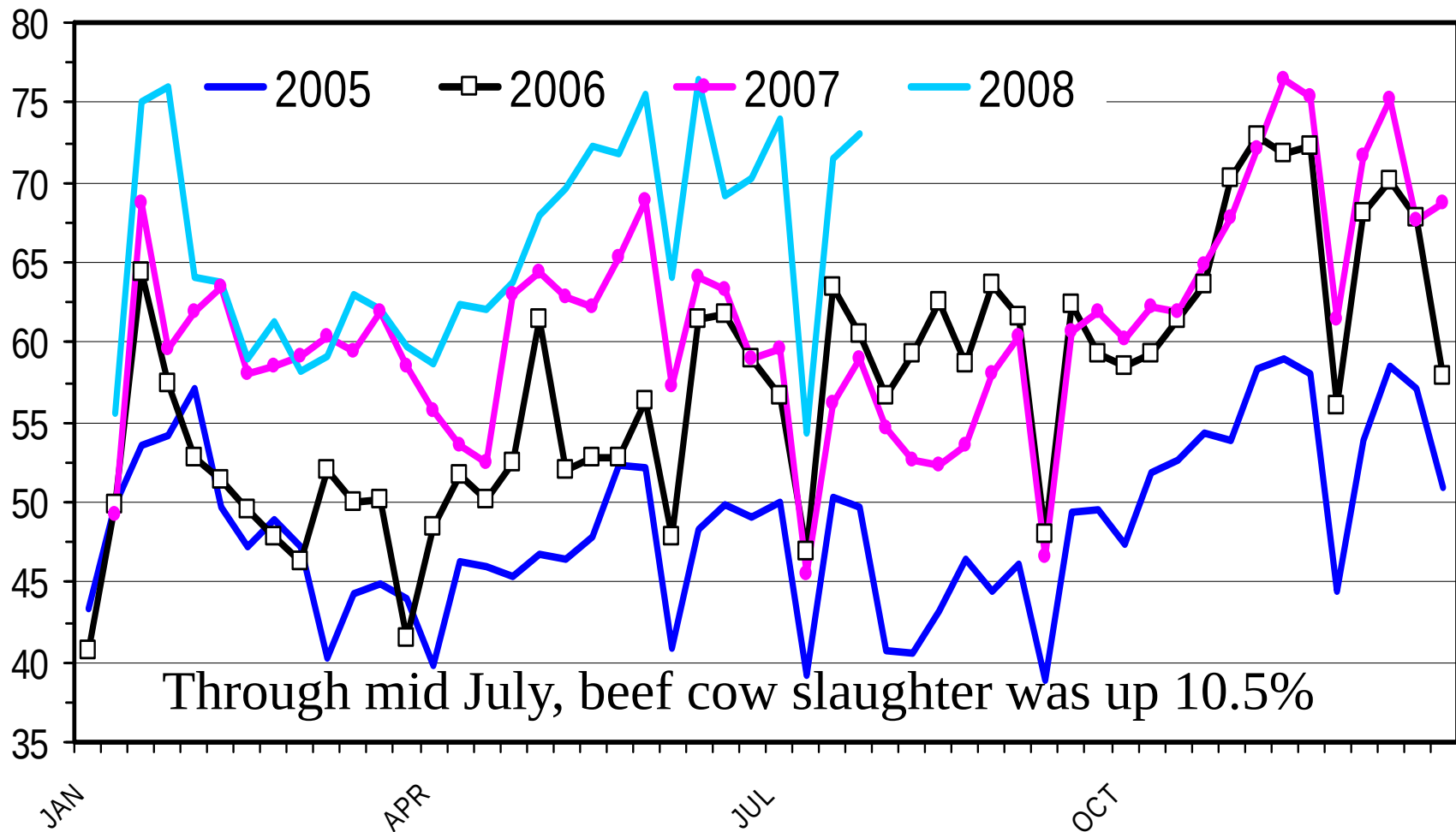


G-P-13
12/28/07

BEEF COW SLAUGHTER

Thou. Head

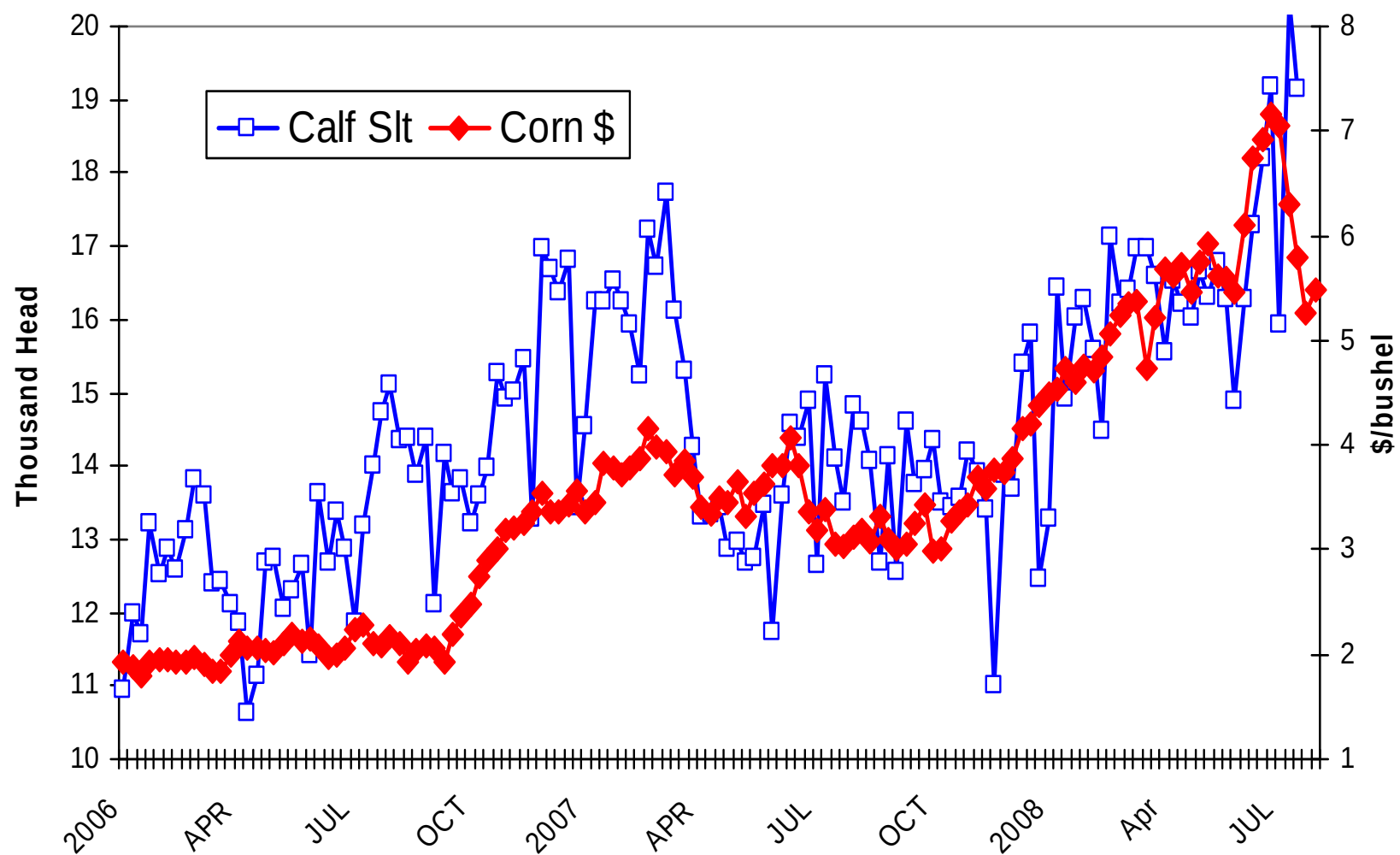
Federally Inspected, Weekly



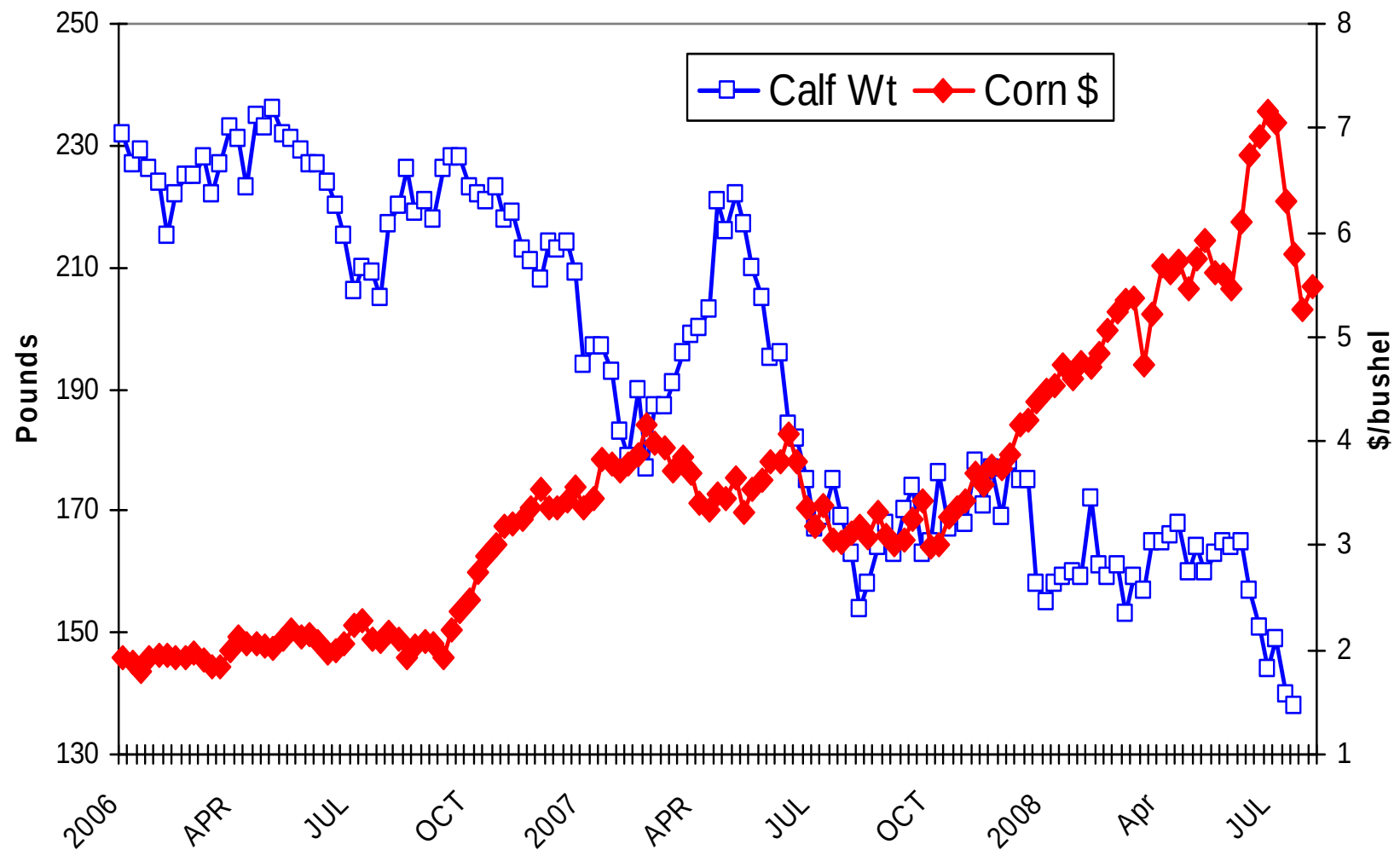
July Cattle on Feed Report

- Steers on feed down 4.6%
- Heifers on feed down 2.7%

Weekly Omaha Corn Price & Calf Slaughter, 2006-08



Weekly Omaha Corn Price & Calf Carcass Weight, 2006-08



U S Beef Imports & Exports

As % of U.S. Production, Monthly

Percent



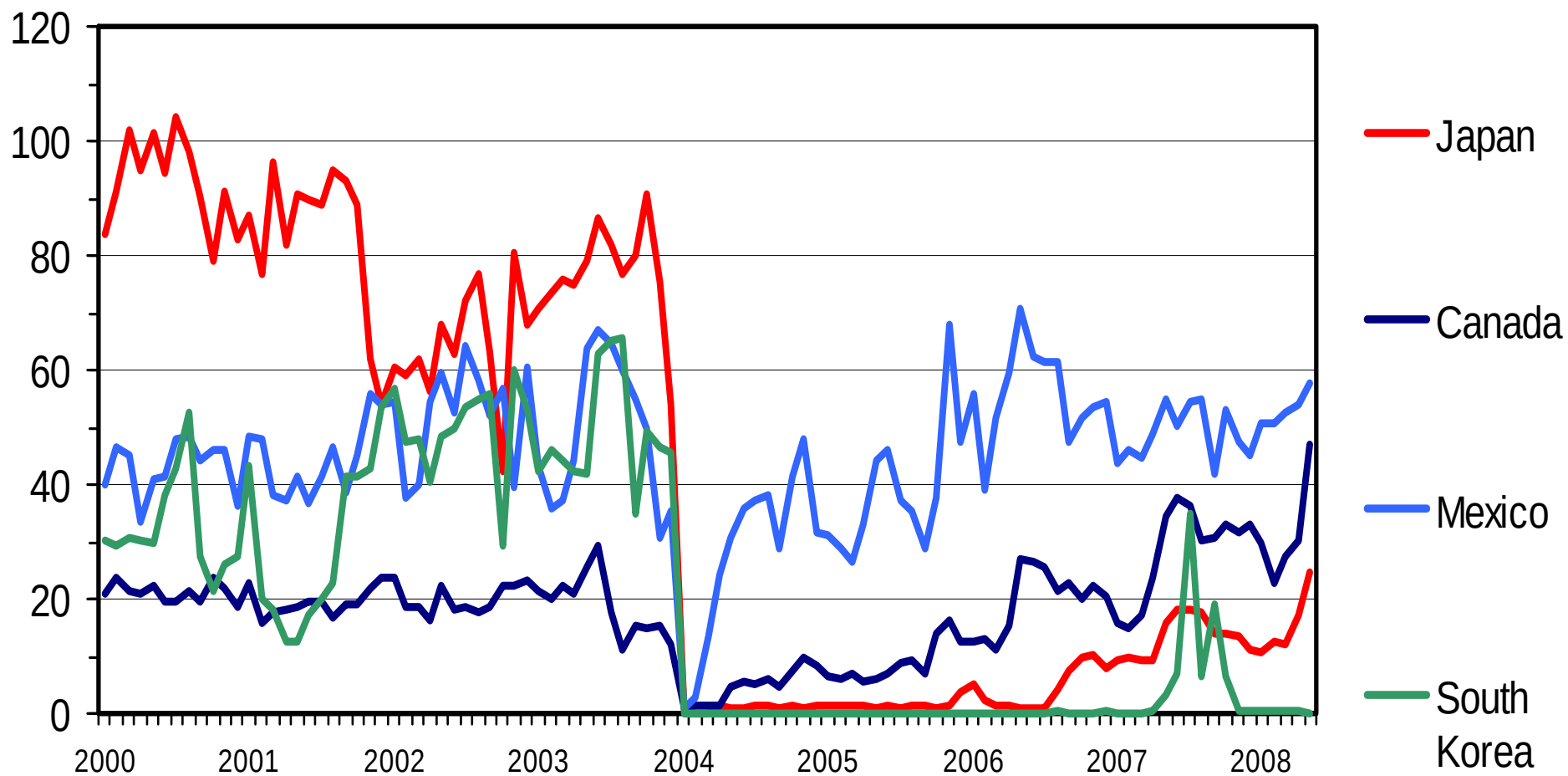
U.S. Beef Production, Exports & Imports, million pounds, YTD, 2007 & 2008

	Jan-May 2007	Jan-May 2008	Percent Change
U.S. beef production	12,885.3	13,268.6	+ 3.0%
U.S. beef exports	499.8	662.9	+ 32.6%
U.S. beef imports	1,374.0	1,076.4	- 21.7%
Production- exports + imports	13,759.5	13,682.1	- 0.6%

U S BEEF EXPORTS TO MAJOR MARKETS

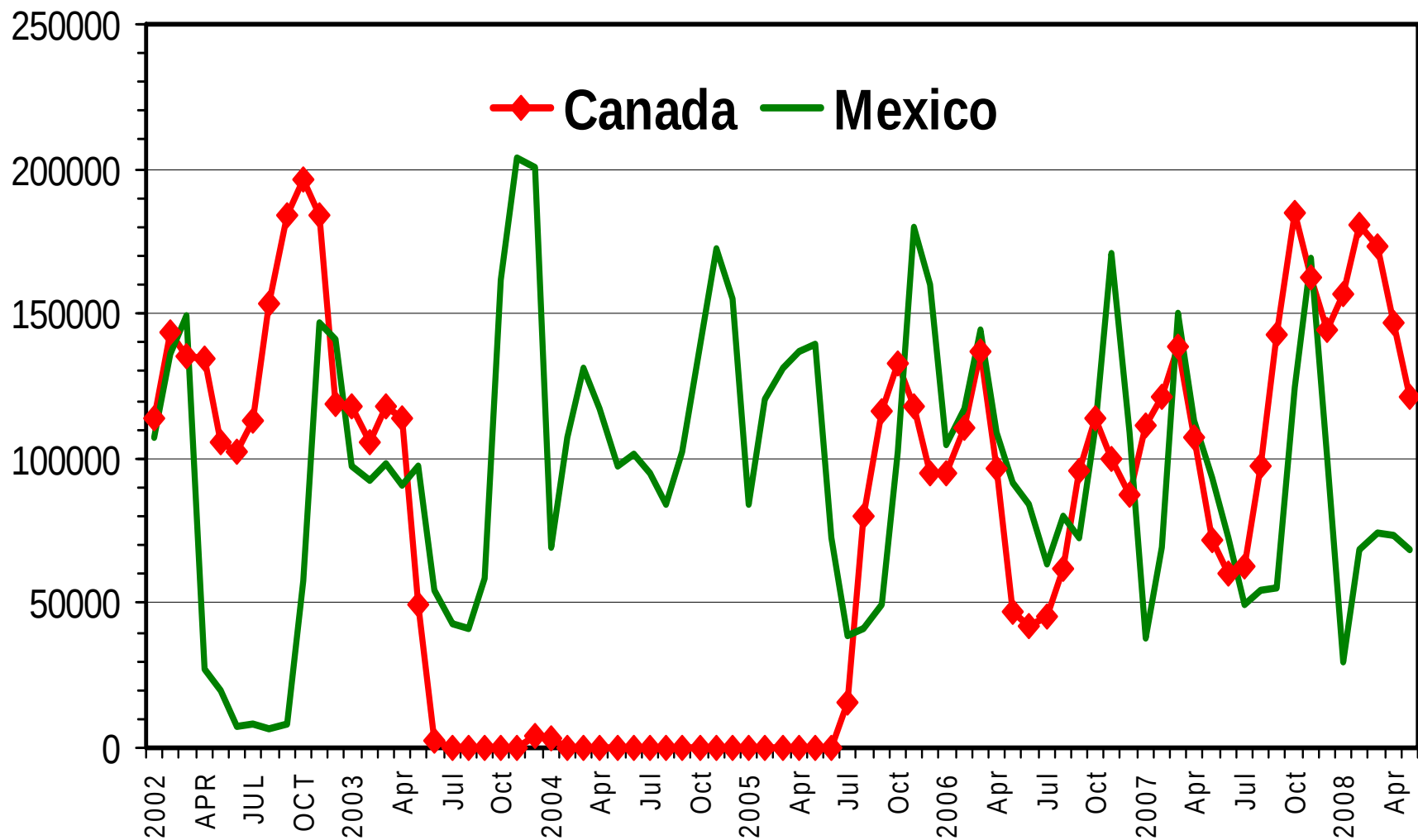
Carcass Weight, Monthly

Mil. Pounds



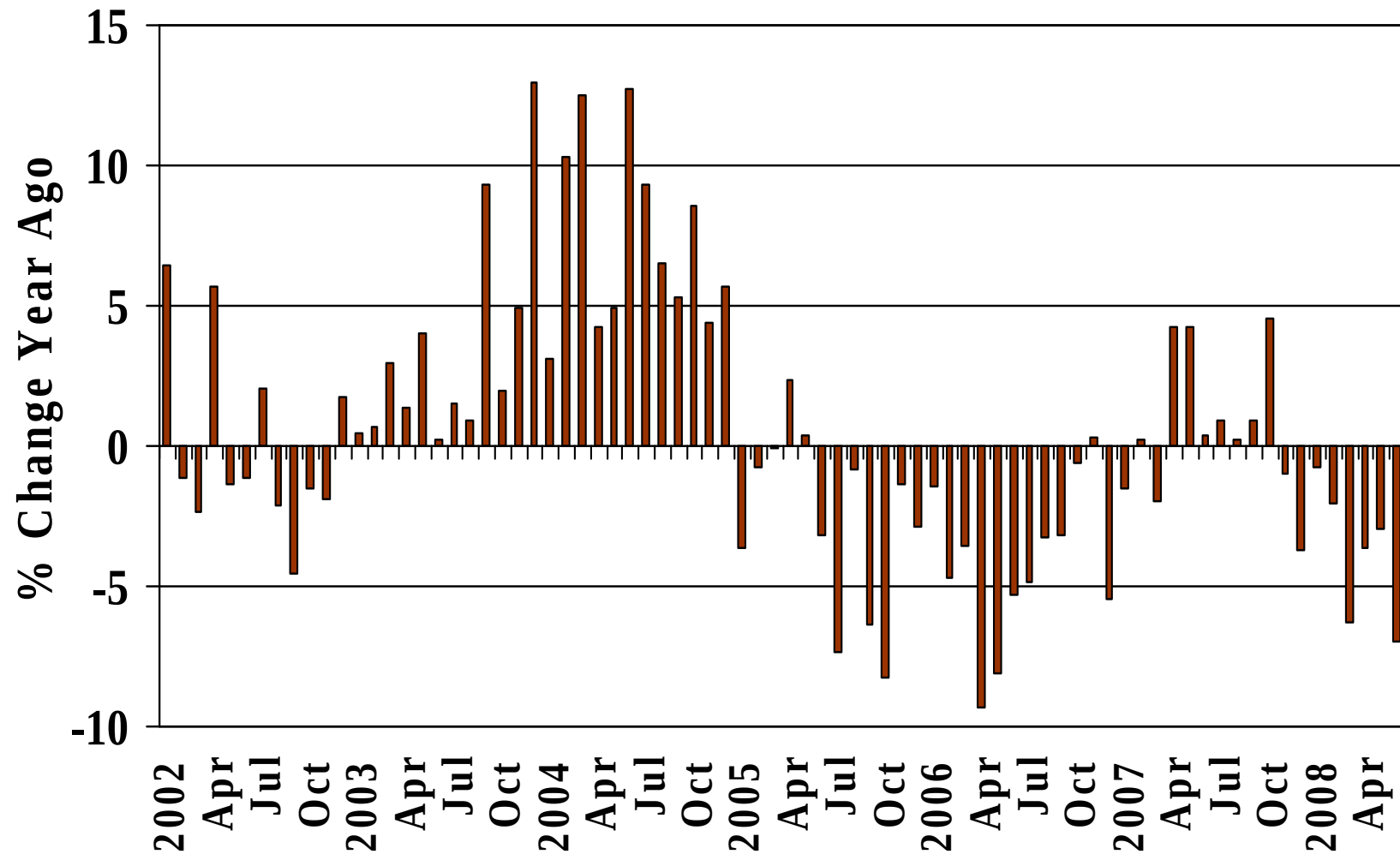
Head

U.S. Monthly Cattle Imports



Change in Domestic Beef Demand

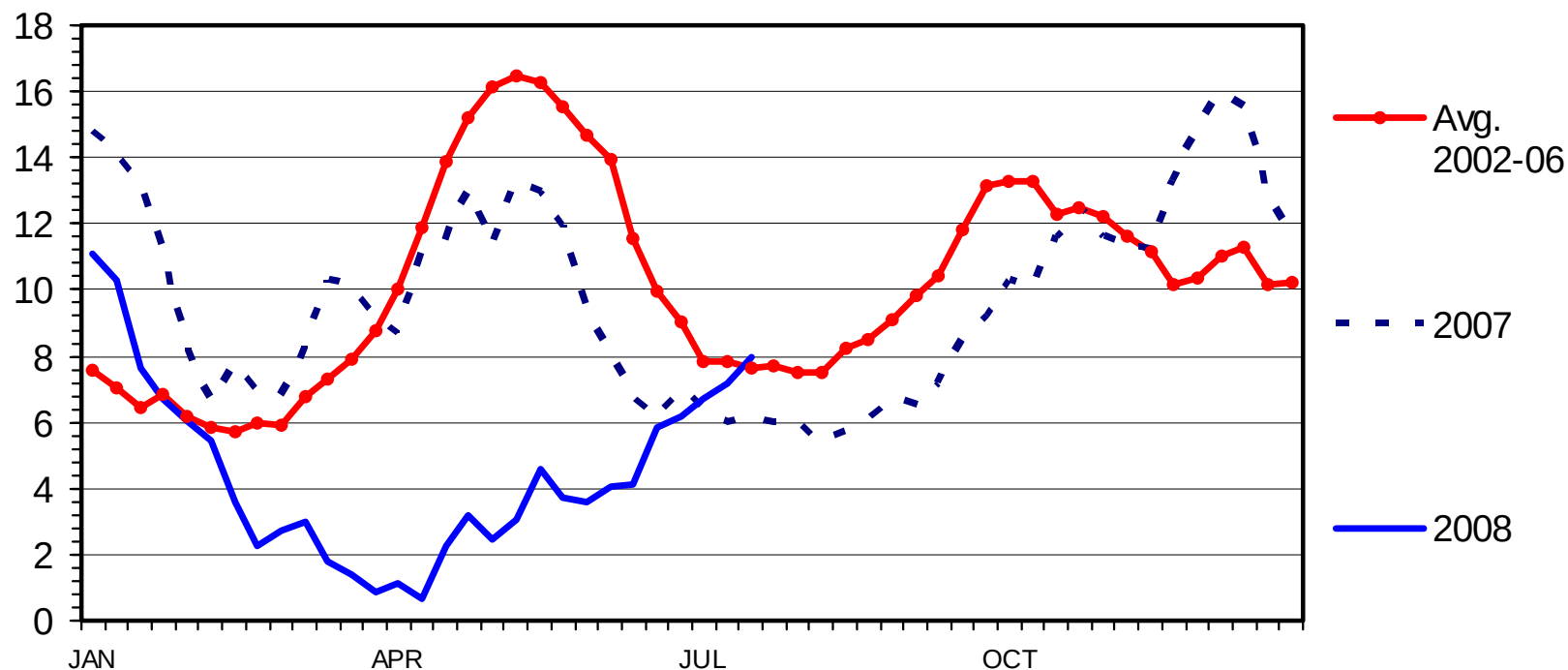
Base Elasticity = -0.75



CHOICE MINUS SELECT BEEF PRICES

Carcass Cutout Value 600-900 Lbs., Weekly

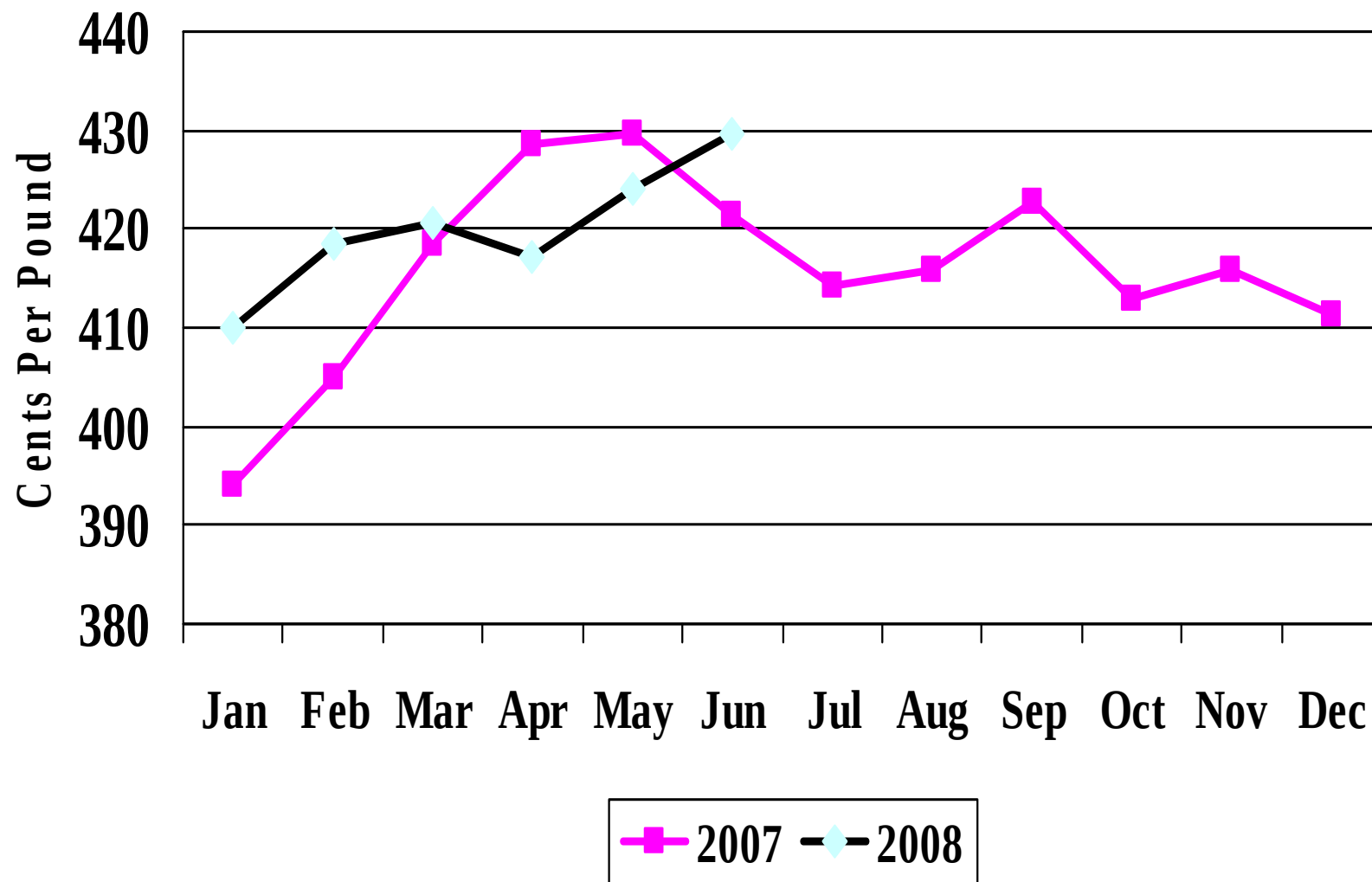
\$ Per Cwt.



Livestock Marketing Information Center

C-P-68
07/22/08

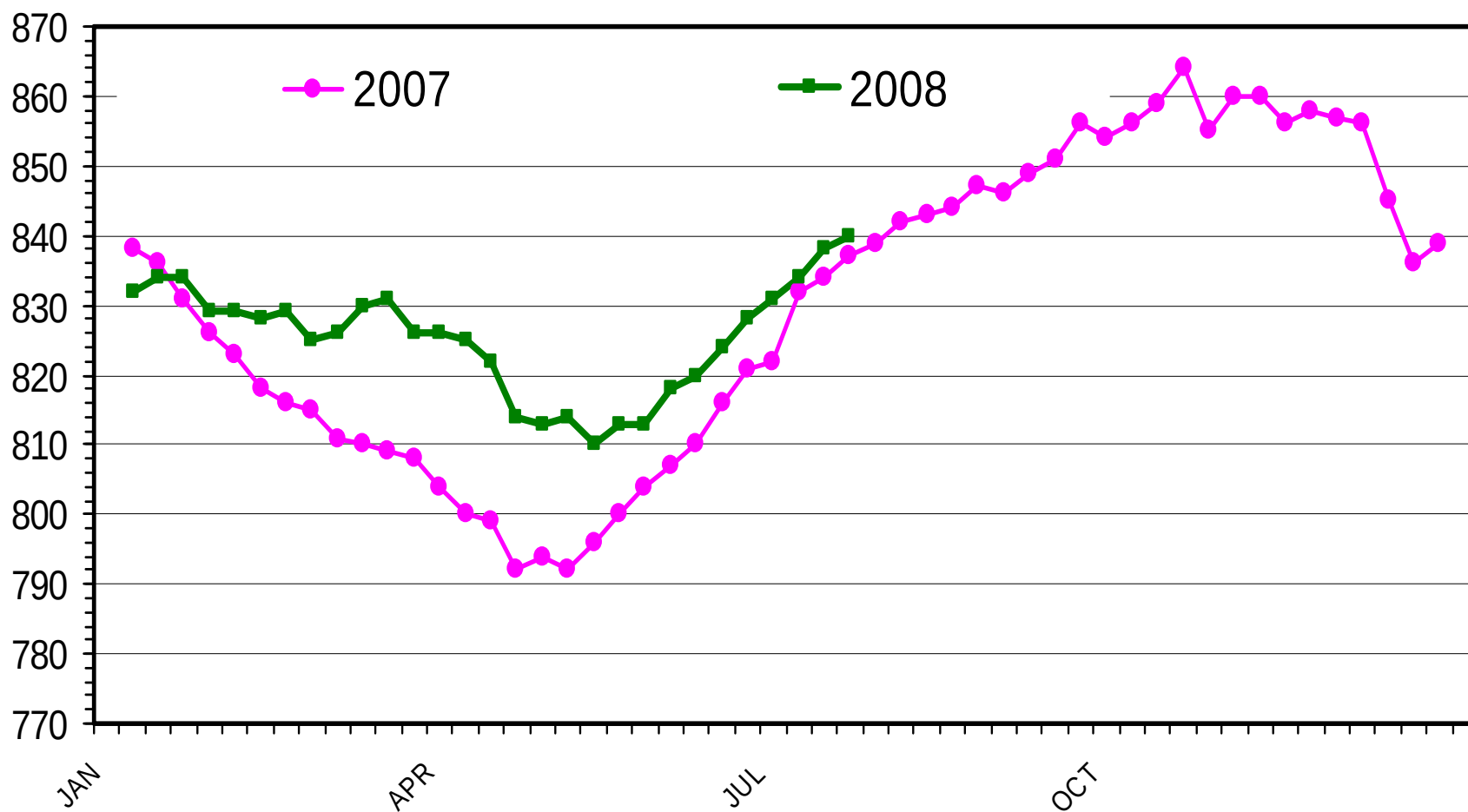
Retail Price of Choice Beef



Steer Slaughter Weight

Federally Inspected, Weekly

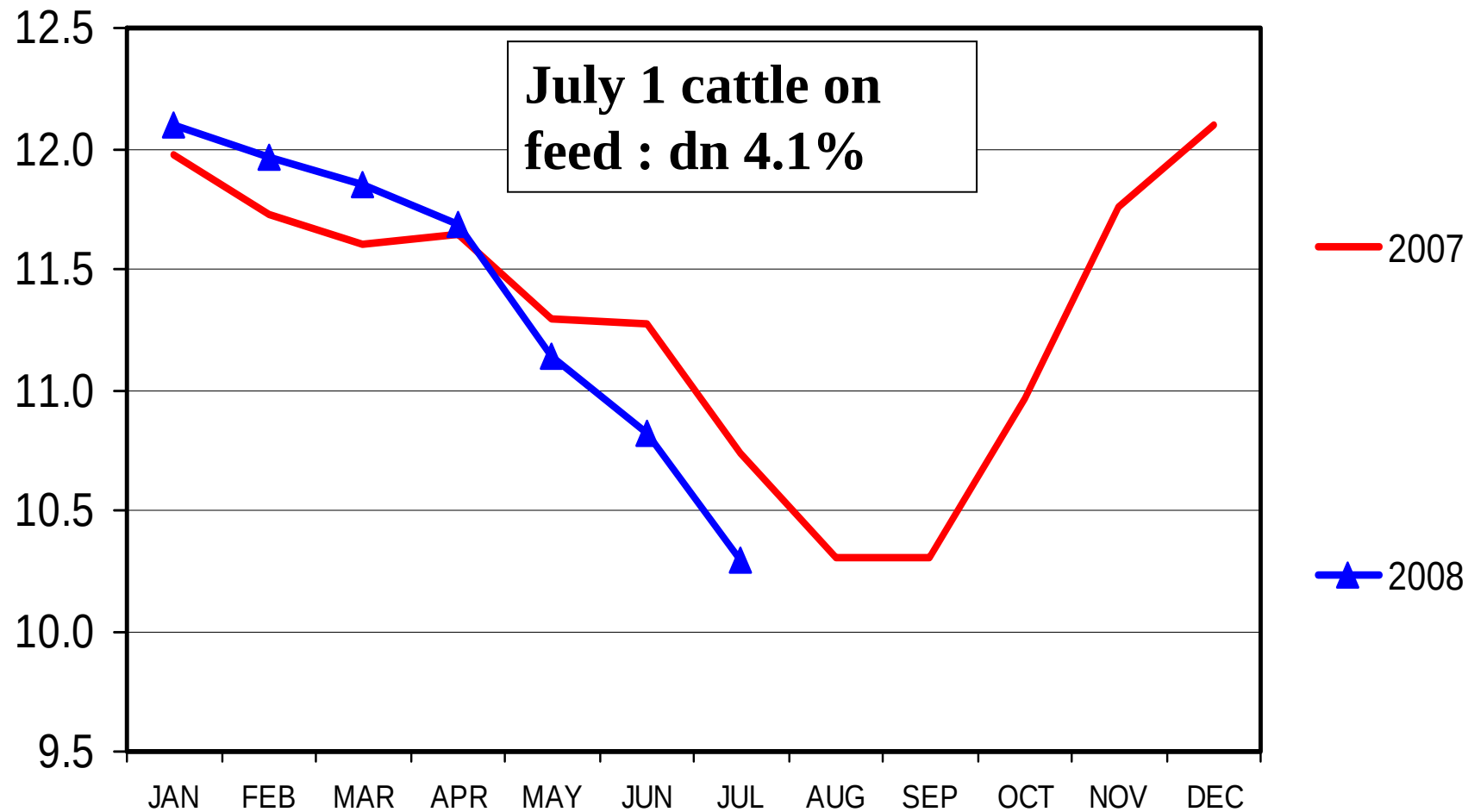
Thou. Head



CATTLE ON FEED

Large U.S. Feedlots, Monthly

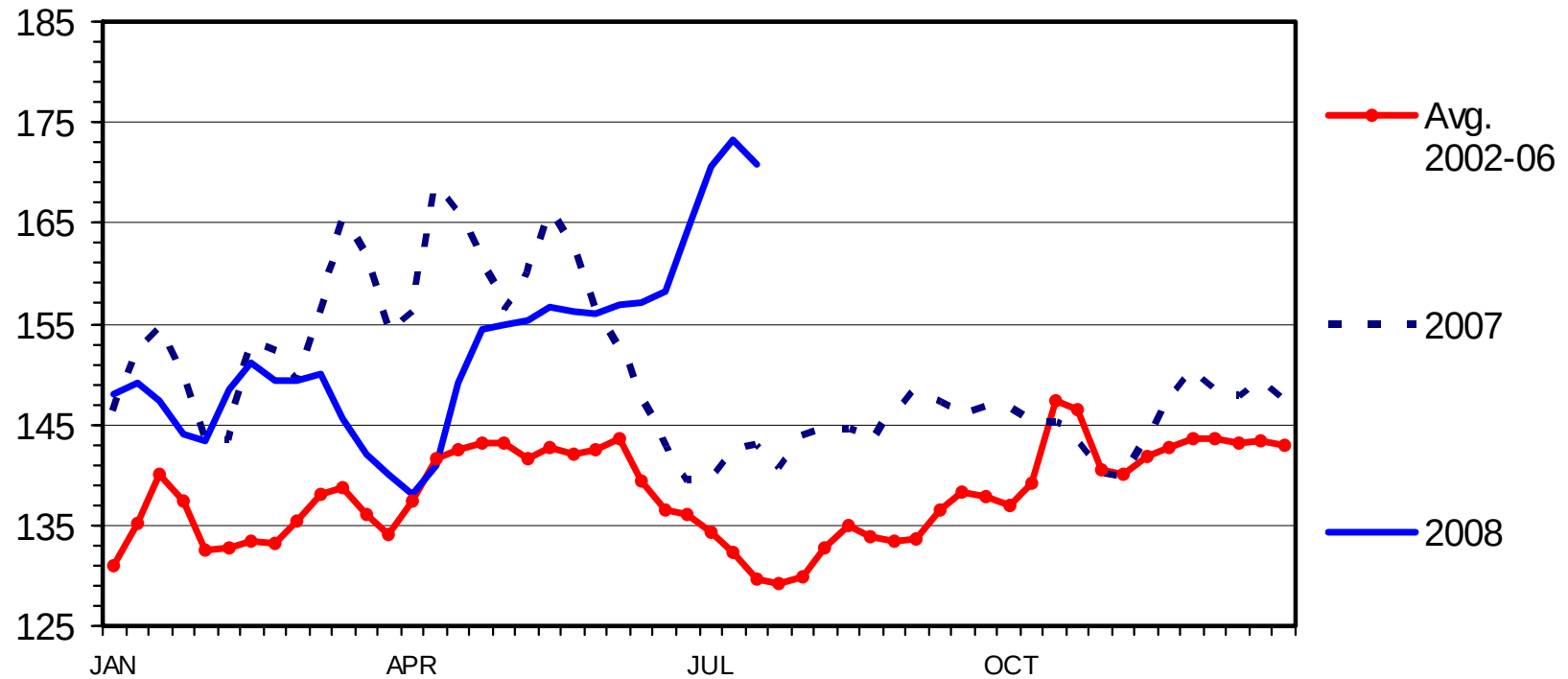
Mil. Head



BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs. Carcass, Weekly

\$ Per Cwt.



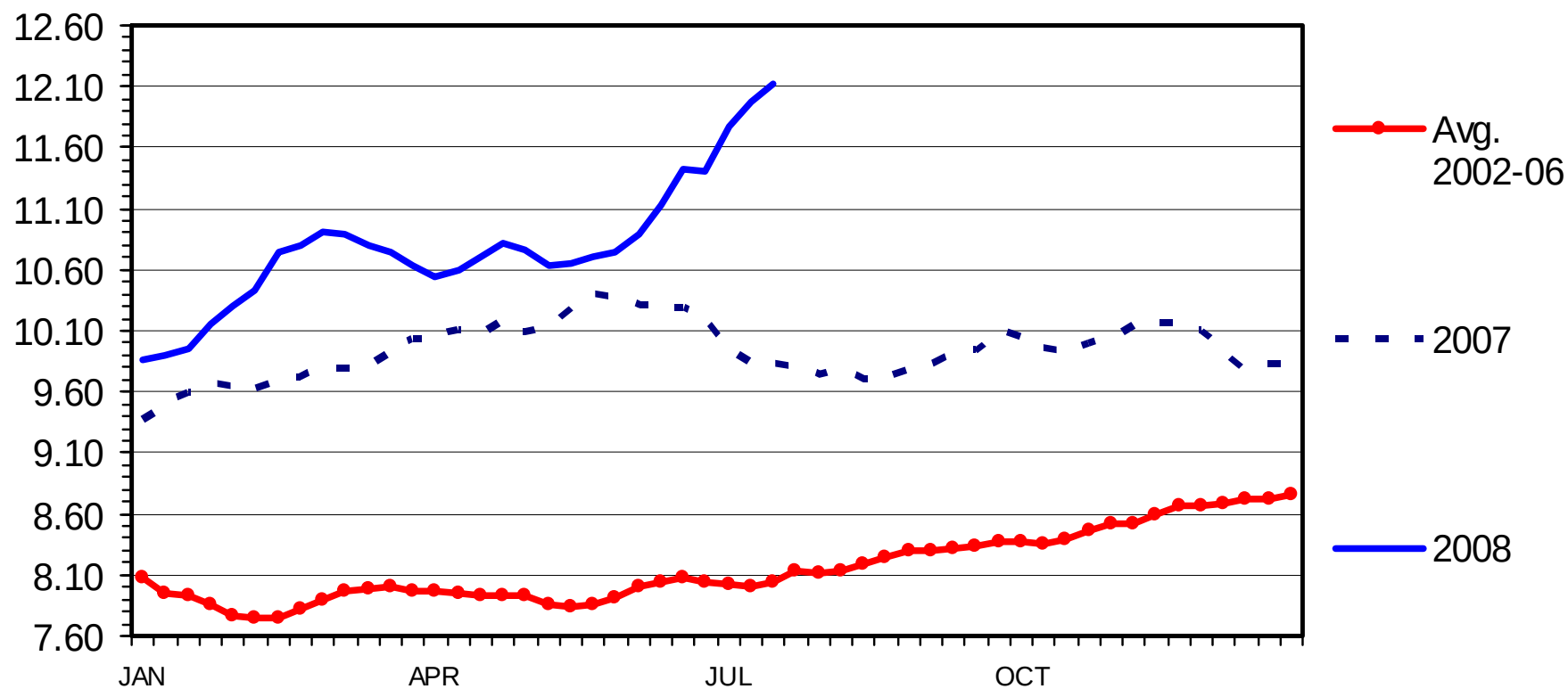
Livestock Marketing Information Center

C-P-62
07/22/08

STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly

\$ Per Cwt.



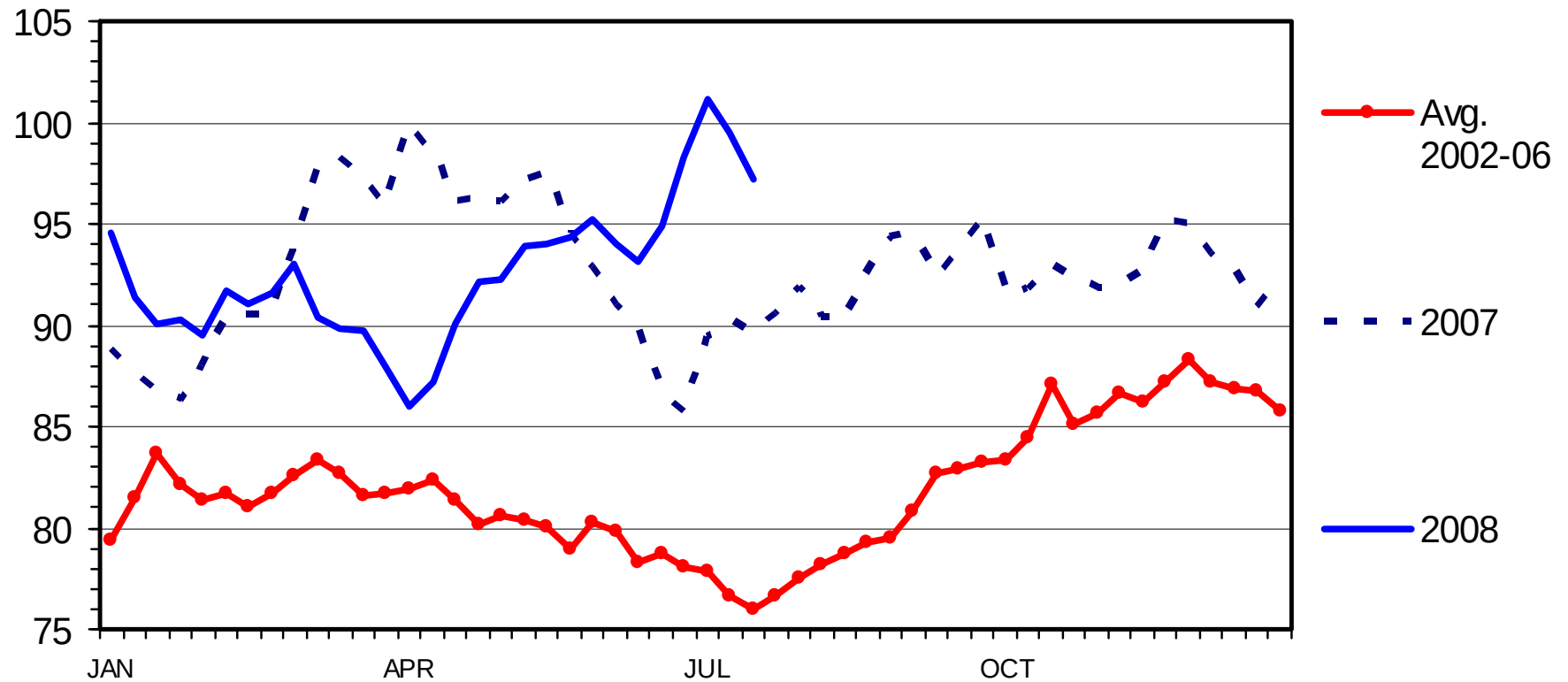
Livestock Marketing Information Center

C-P-39
07/22/08

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.

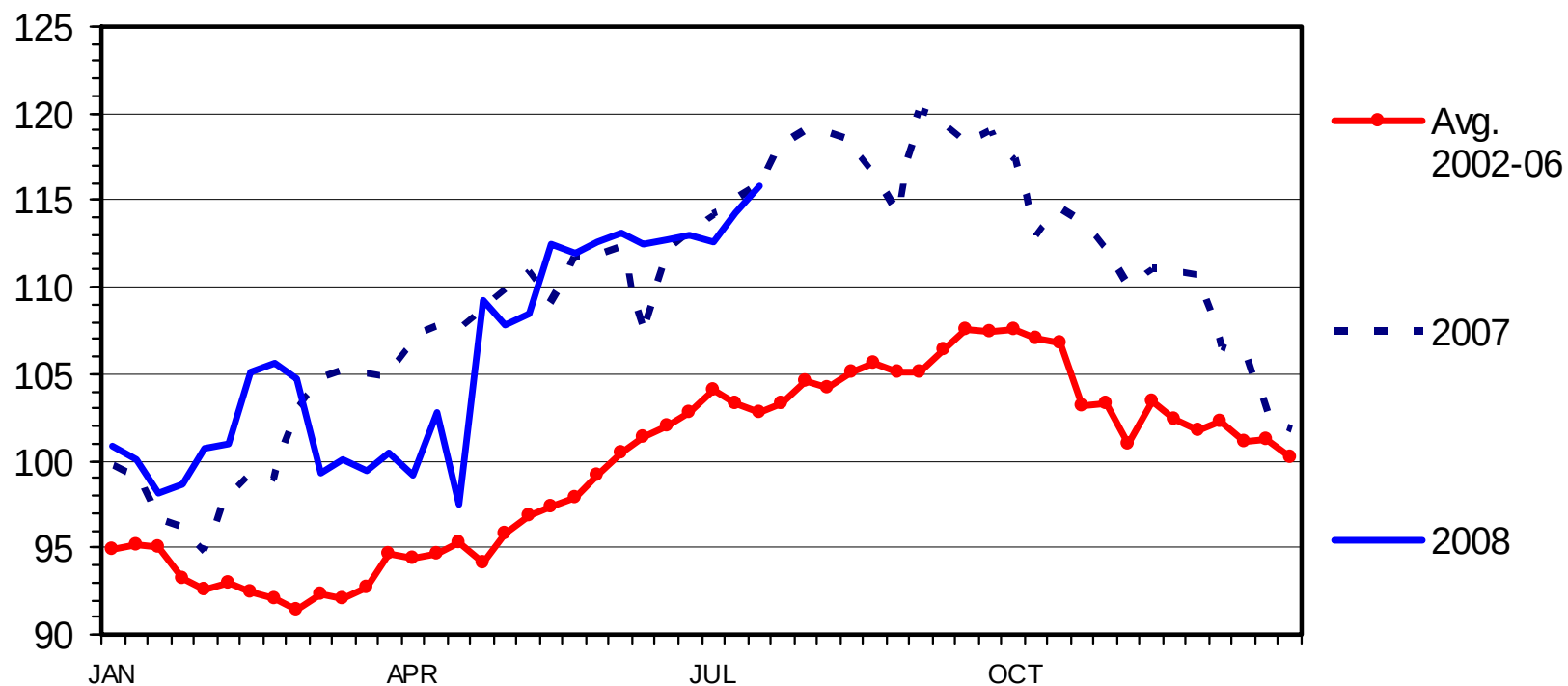


Livestock Marketing Information Center

MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly

\$ Per Cwt.



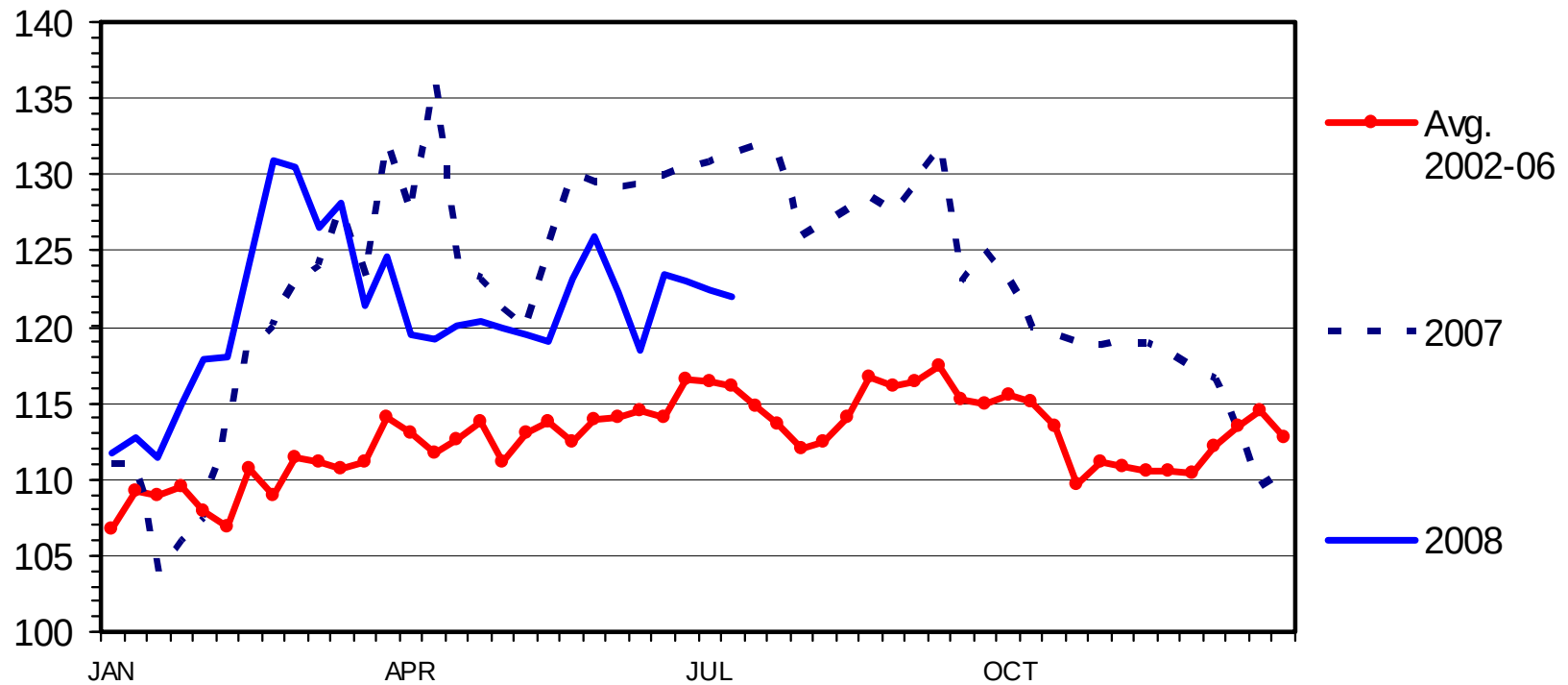
Livestock Marketing Information Center

C-P-49
07/22/08

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

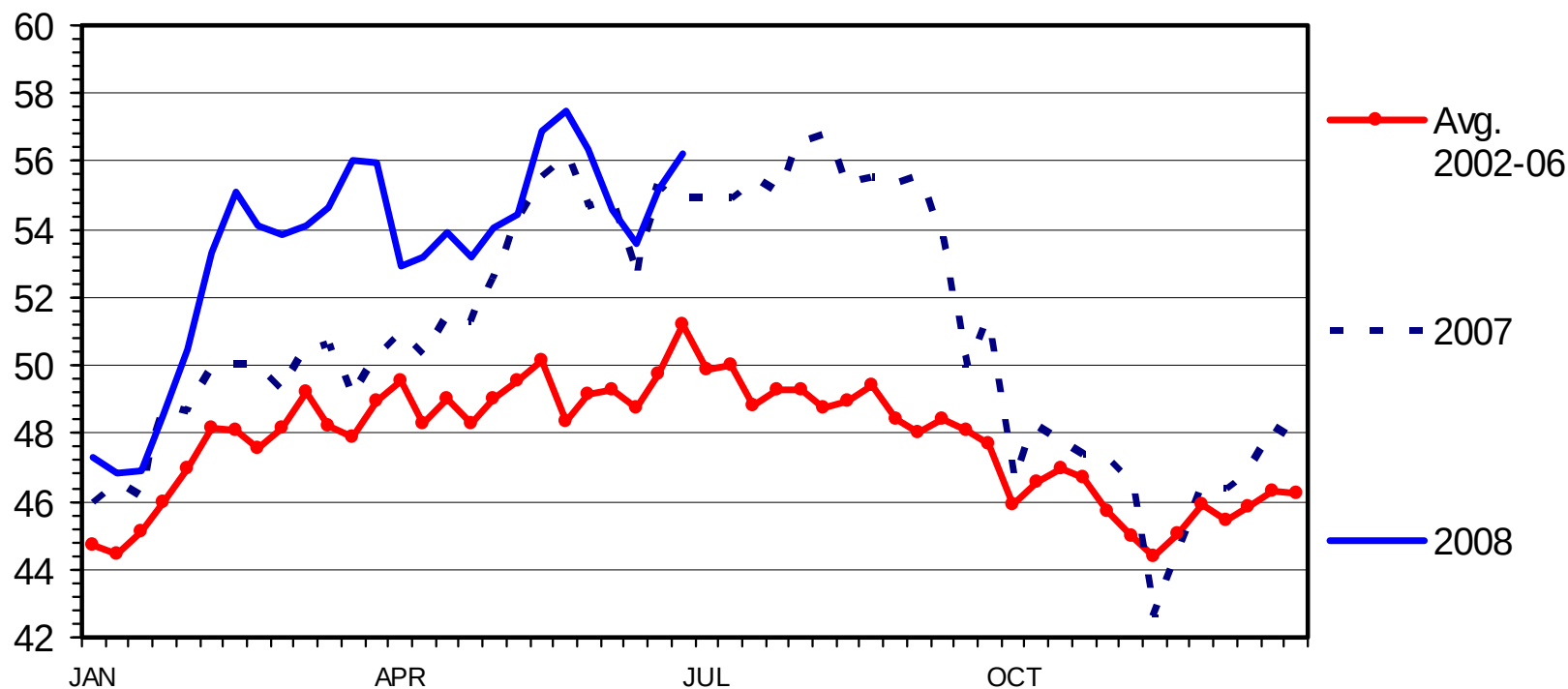
\$ Per Cwt.



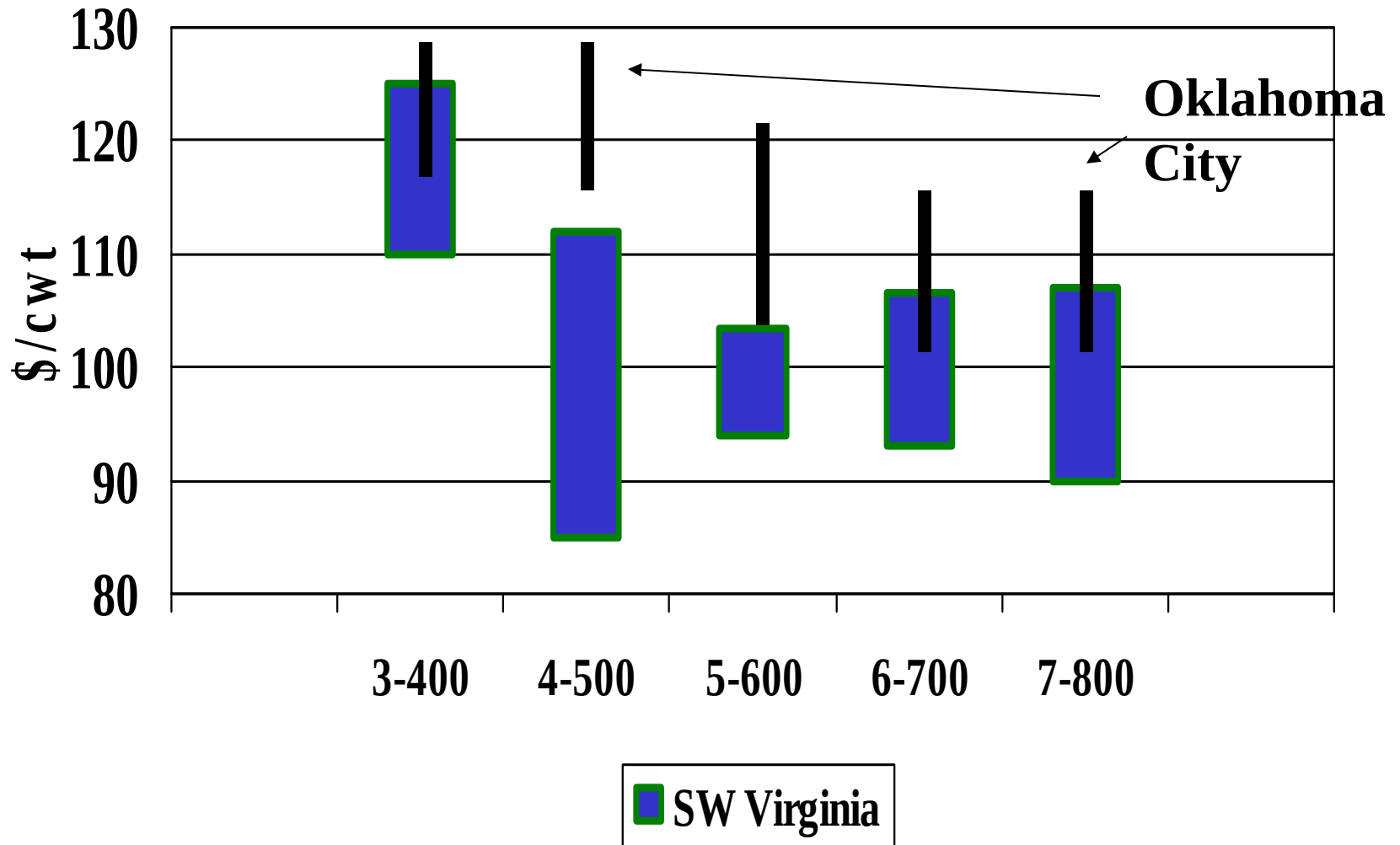
SLAUGHTER COW PRICES

Southern Plains, 85-90% Lean, Weekly

\$ Per Cwt.



Stocker Steer Prices, Medium & Large #1



Wider Price Spread, East-West

- Higher trucking costs
 - \$4.50 diesel
- DDGS in the west
- Fertilizer costs

U.S. Commercial Beef Production

Million Pounds

	2007	2008	2009	-----Change-----	
				07-08	08-09
Qtr 1	6,237	6,371	6,250*	+2.1%	- 1.9%
Qtr 2	6,649	6,897	6,750*	+3.7%	- 2.1%
Qtr 3	6,802	6,900*	6,800*	+1.4%	- 1.4%
Qtr 4	6,733	6,400*	6,600*	-4.9%	+3.1%
Year	26,421	26,568*	26,400*	+0.6%	- 0.6%

***forecast**

Note: Q3 2008 has 1 more slaughter day

Nebraska Slaughter Steer Prices

Choice Steers Per Live Hundredweight

	2006	2007	2008	2009
Qtr 1	\$89.24	\$90.61	\$89.59	95-101*
Qtr 2	\$80.39	\$93.45	\$92.82	93-100*
Qtr 3	\$85.40	\$91.36	\$93-98*	95-102*
Qtr 4	\$86.61	\$91.85	\$96-101*	96-103*
Year	\$85.41	\$91.82	\$91-94*	\$95-102*

***forecast**

Cattle Price Forecast, 2008-09

<u>Yr. -- Qtr.</u>	<u>Steer Prices, \$/cwt</u>		
	<u>11-1300# Nebraska</u>	<u>750-800# Okla. City</u>	<u>500-550# Okla. City</u>
2008 – 1	89.59	99.88	121.75
2008 – 2	92.82	106.60	122.19
2008 – 3*	93-98	104-109	110-115
2008 – 4*	96-101	104-110	112-118
2009 – 1*	95-101	102-108	114-122
2009 – 2*	93-100	99-107	115-123
2009 – 3*	95-102	100-110	112-120
2009 – 4*	96-103	102-111	110-118

*Forecast

Major Uncertainties

- Corn prices & cost of gain
- Pasture conditions
 - Fertilizer prices
- Beef exports
 - Exchange rates
 - Japan & South Korea
- Domestic demand
- Country of Origin Labeling

Strategy: decrease cow numbers, graze calves longer, increase placement weights

Forecast Summary

- **Cow herd is trending down**
- **Increase in beef exports**
- **Weak domestic demand**
- **High feed cost**
- **Red ink for cattle producers**



Any Questions?