

# **Cattle and Hog Outlook 2010 and Beyond**

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# Current Situation

- Total red meat and poultry
  - 2009 at 210# lowest since 1996
  - 2010 at 206# lowest since 1991
- Spending on food
  - Domestic spending on food down.
    - 1999-08 avg. growth of 5.1%/year, Q2'09 -0.3%
  - Global recession hampering exports

# Current Situation

- Poultry production
  - 46% of total red meat and poultry
  - Year-to-date 2009
    - Broiler production -4.4%
    - 7-weeks: Chick placement -1.4% / Egg set -1.8%
  - Forecast for 2010 & 2011 (yr/yr % change)

	Production	Consumption
• Broilers	+1.3 & +2.9	0.3 & +1.0
• Turkeys	-3.3 & +2.7	-3.4 & +1.6

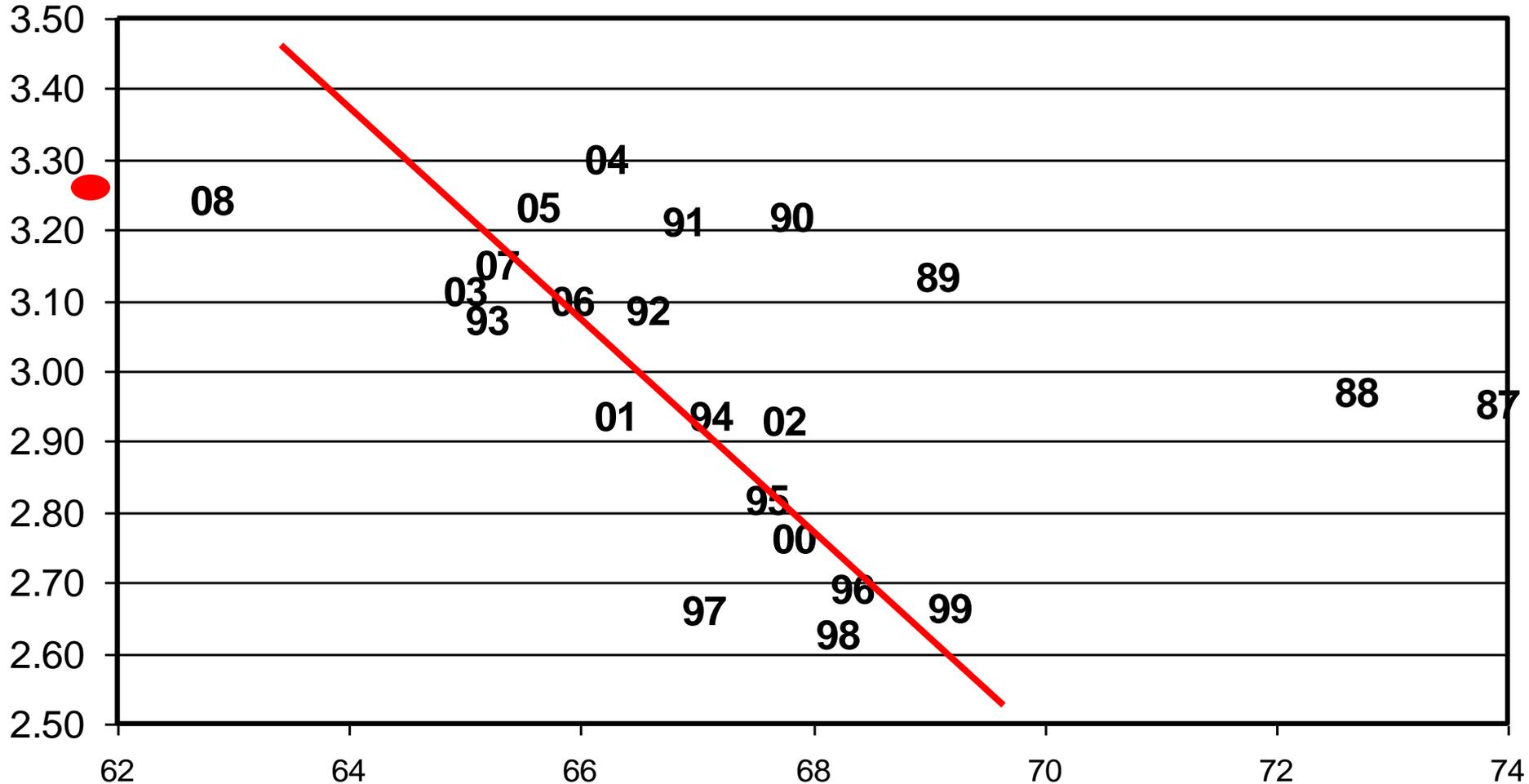
# YTD Beef Supply Summary

- Steer: Slight -4.3%, wts +1.3%
- Heifer: Slight -3.2%, wts +1.6%
- Beef Cow -8.7%
- Dairy +10.8%
- Since MCOOL change in live imports
  - CN Feeders -51% or 342,000 head
  - CN Slight S&H -28% or 207,000 head
  - MX Feeders +9% or 68,000 head

# BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price

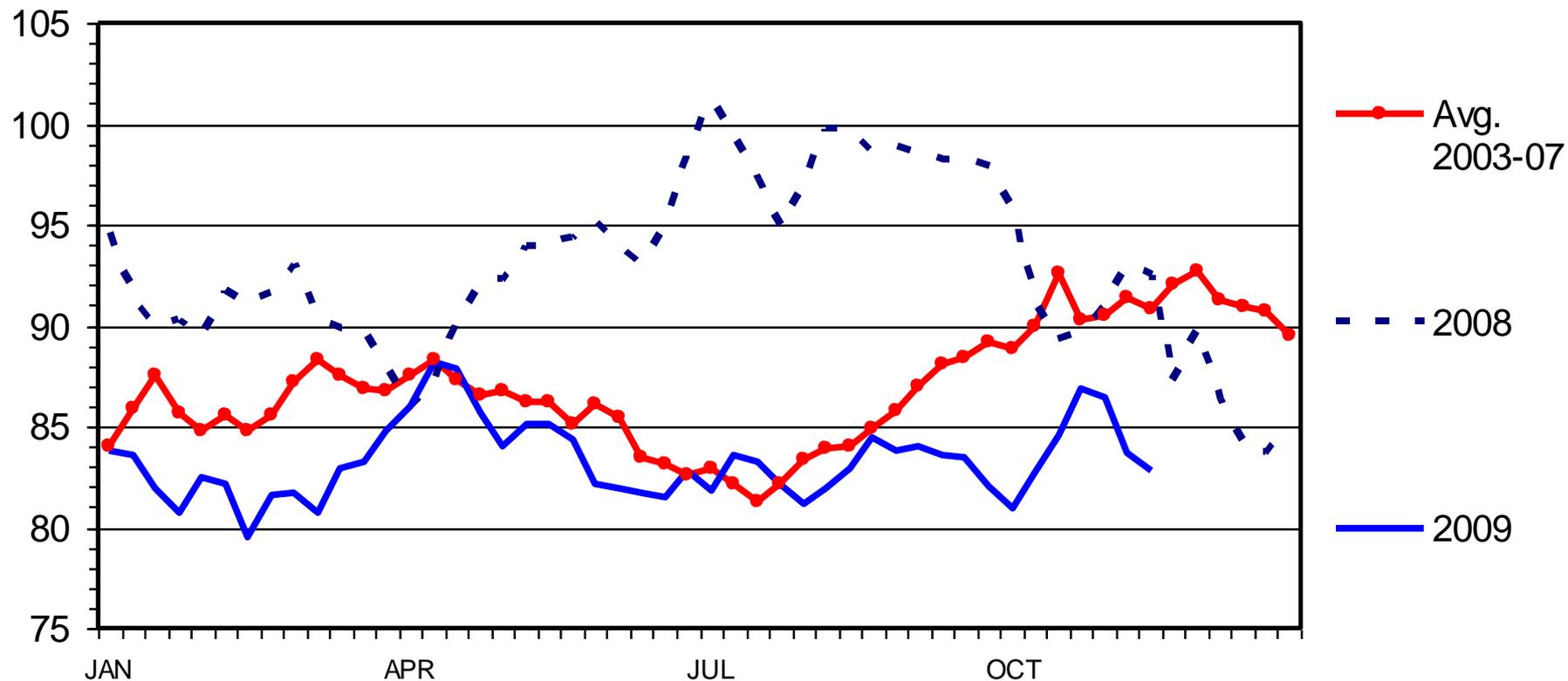
\$ Per Pound



# SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

\$ Per Cwt.

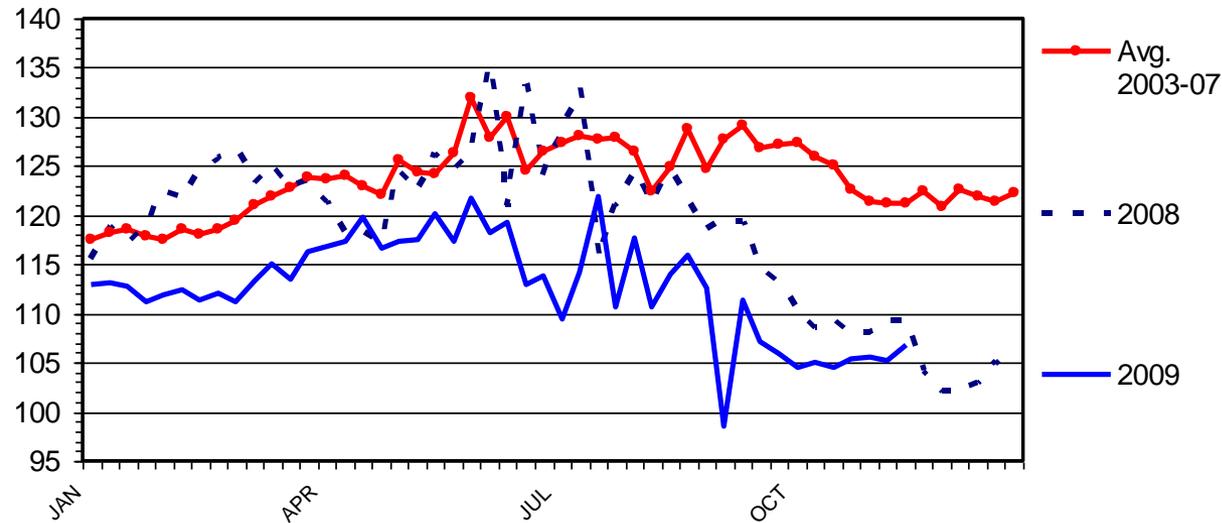


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# MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, South Dakota, Weekly

\$ Per Cwt.

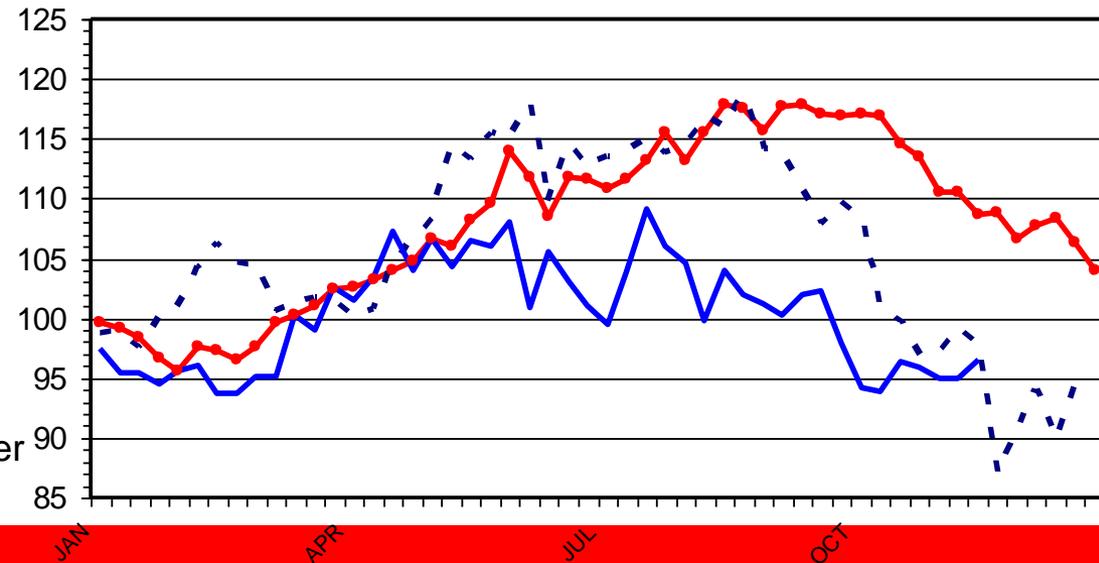


Feeder cattle prices lower than 2008 and the 5-yr average

# MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, South Dakota, Weekly

\$ Per Cwt.

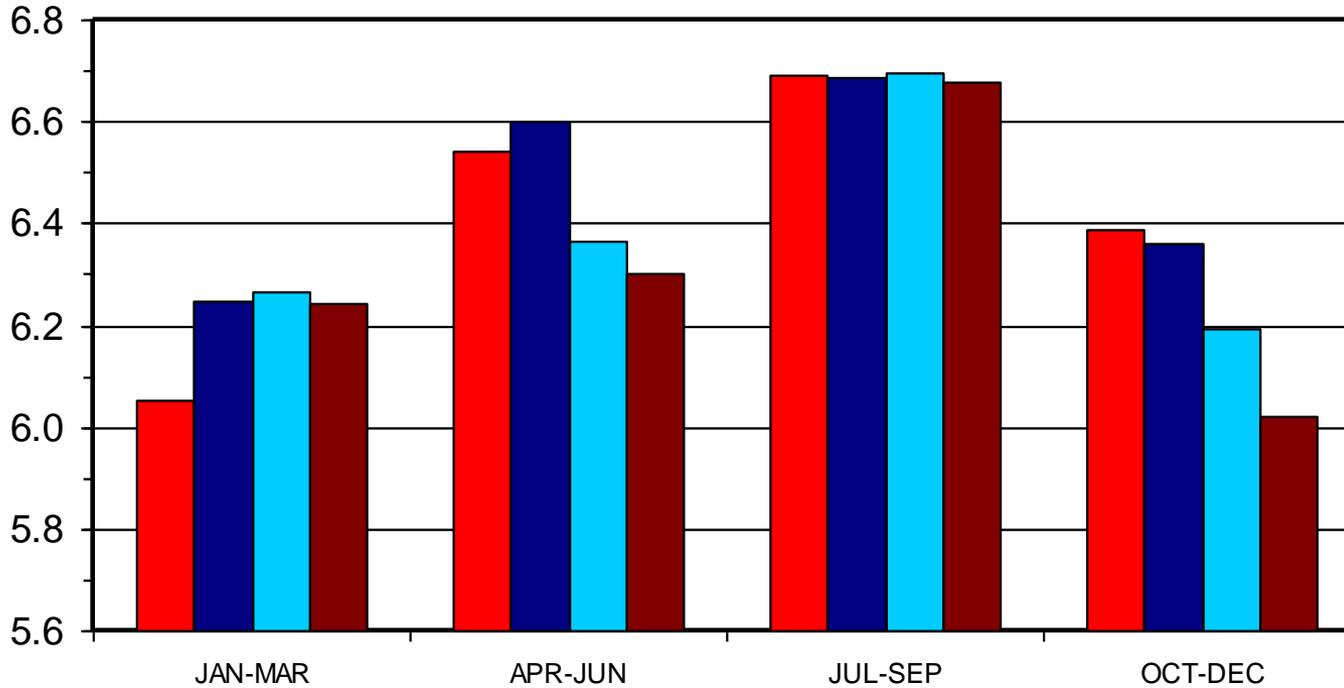


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# COMMERCIAL BEEF PRODUCTION

Quarterly

Bil. Pounds

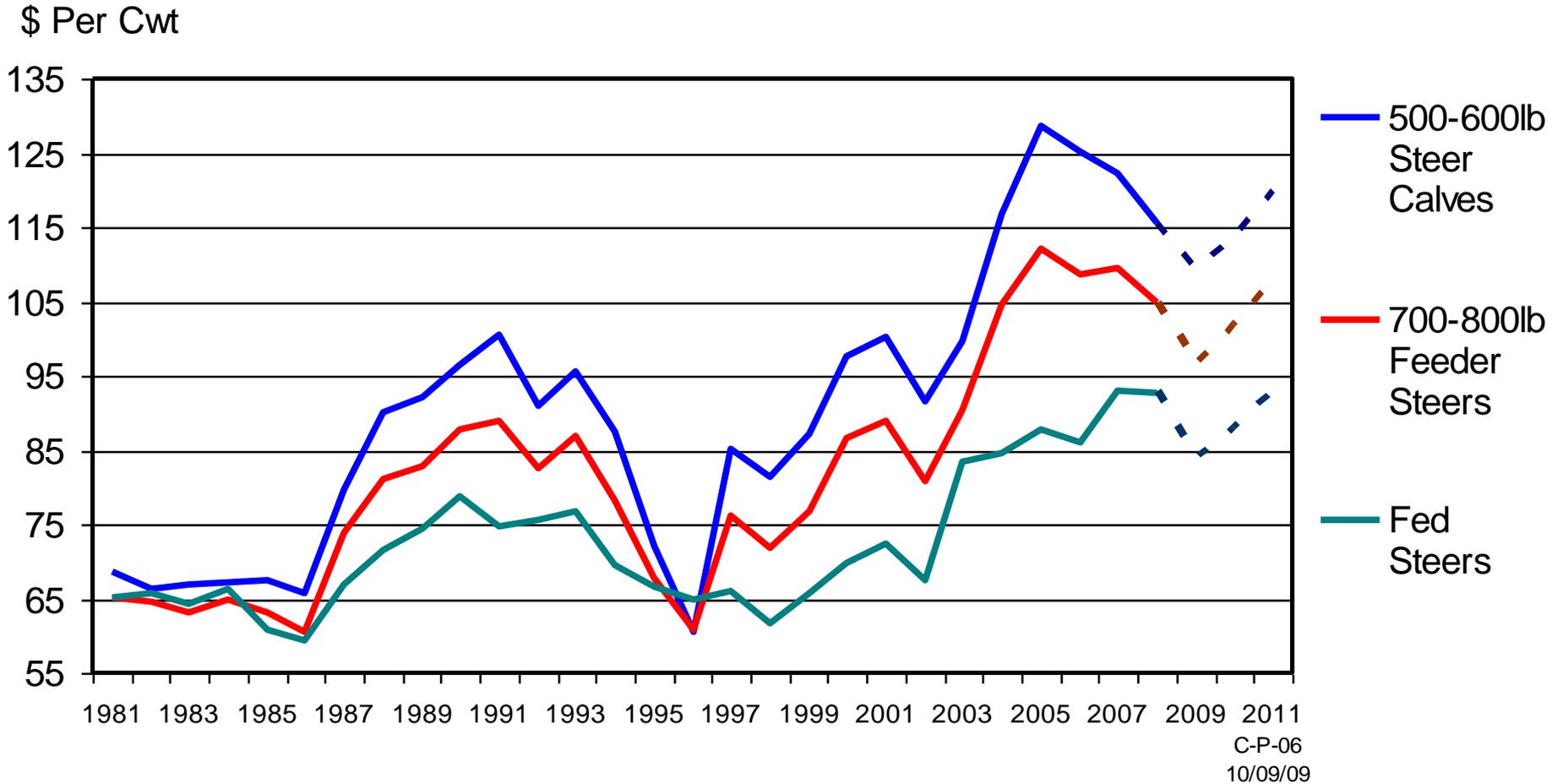


	Yr/yr % Prd & Con
■ Avg. 2004/08	
■ 2009	-2.3 & -1.5
■ 2010	-1.4 & -1.2
■ 2011	-1.1 & -2.9

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# ANNUAL AVERAGE CATTLE PRICES

## Southern Plains



Livestock Marketing Information Center

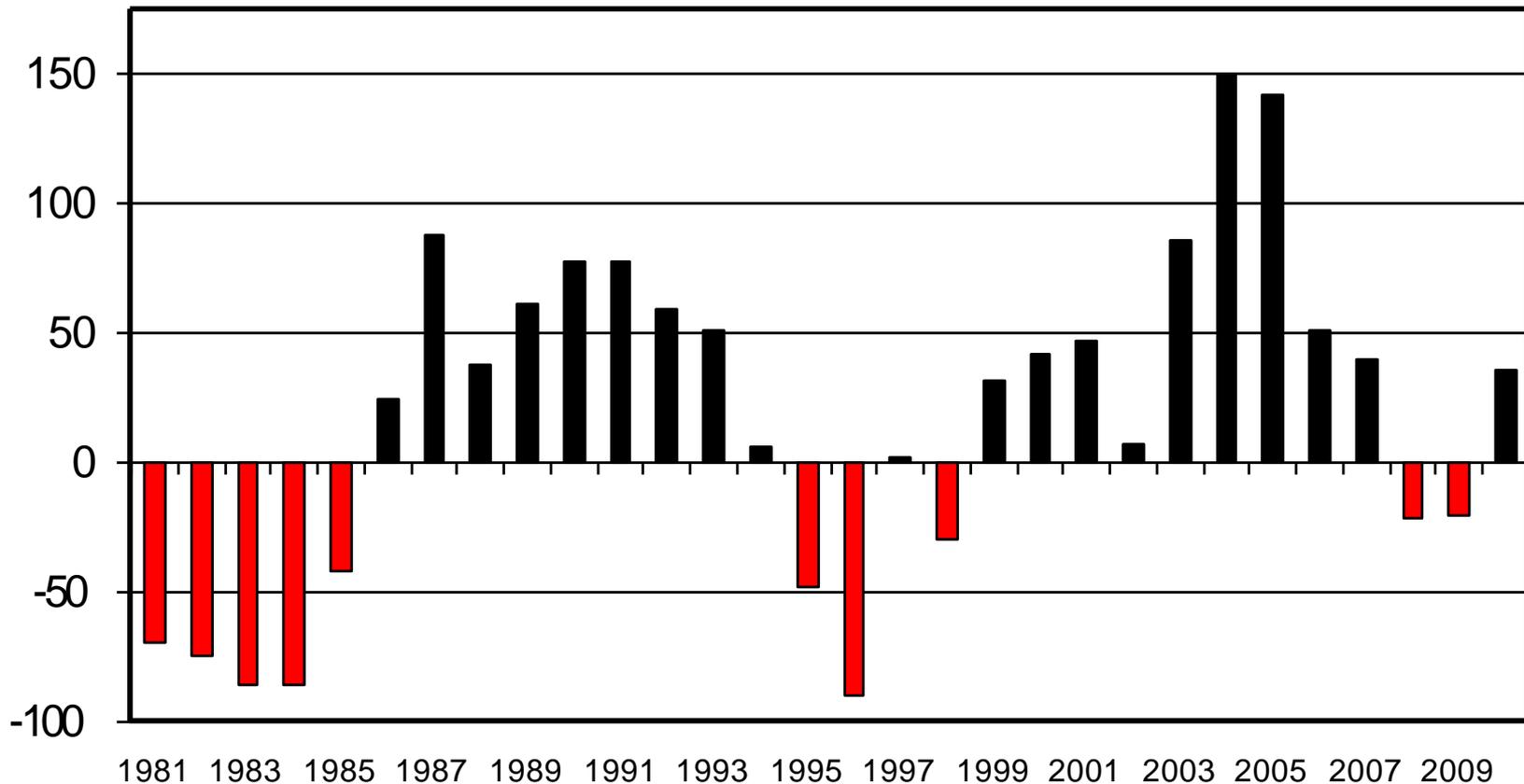
# Cattle Price Forecast

Year Quarter	Live Sltr. Steer Price	Feeder Steer Price Southern Plains	
	5-Mkt Avg	7-800#	5-600#
2010 I <sup>c</sup>	84-87	94-98	106-110
II	87-91	98-103	110-117
III	83-88	102-108	115-121
IV	87-93	101-110	109-119
Year	86-89	99-105	110-117
2011 I	88-95	97-106	111-122
II	92-100	103-113	115-126
III	86-95	106-117	117-130
IV	90-100	104-114	113-126
Year	90-96	103-113	114-126

# ESTIMATED AVERAGE COW CALF RETURNS

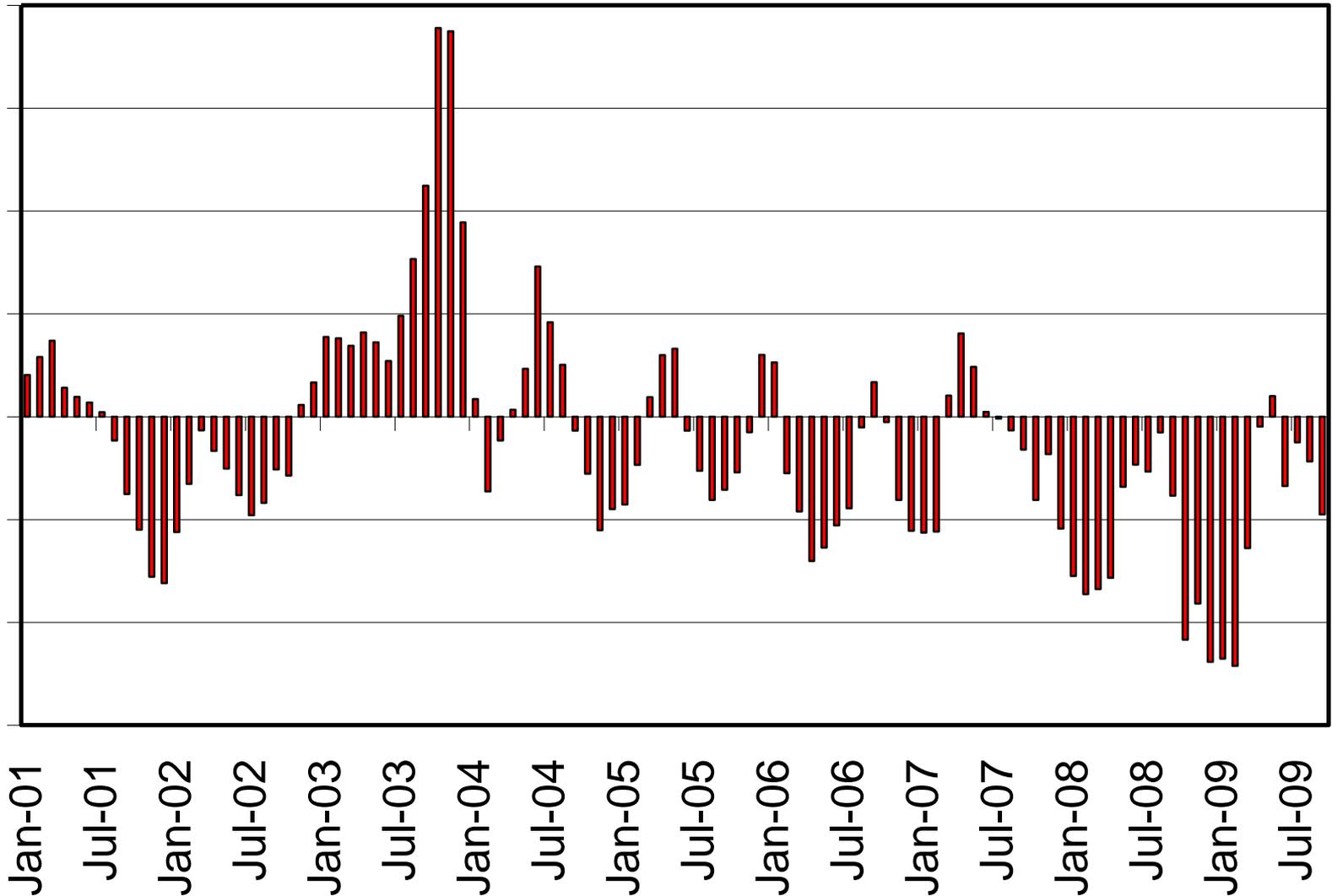
Returns Over Cash Cost (Includes Pasture Rent), Annual

\$ Per Cow



# ISU Estimated Returns to Finishing Yearling Steers

(\$/hd)  
\$400  
\$300  
\$200  
\$100  
\$-  
\$(100)  
\$(200)  
\$(300)



[http://www.econ.iastate.edu/faculty/lawrence/Lawrence\\_website/livestockreturns.htm](http://www.econ.iastate.edu/faculty/lawrence/Lawrence_website/livestockreturns.htm)

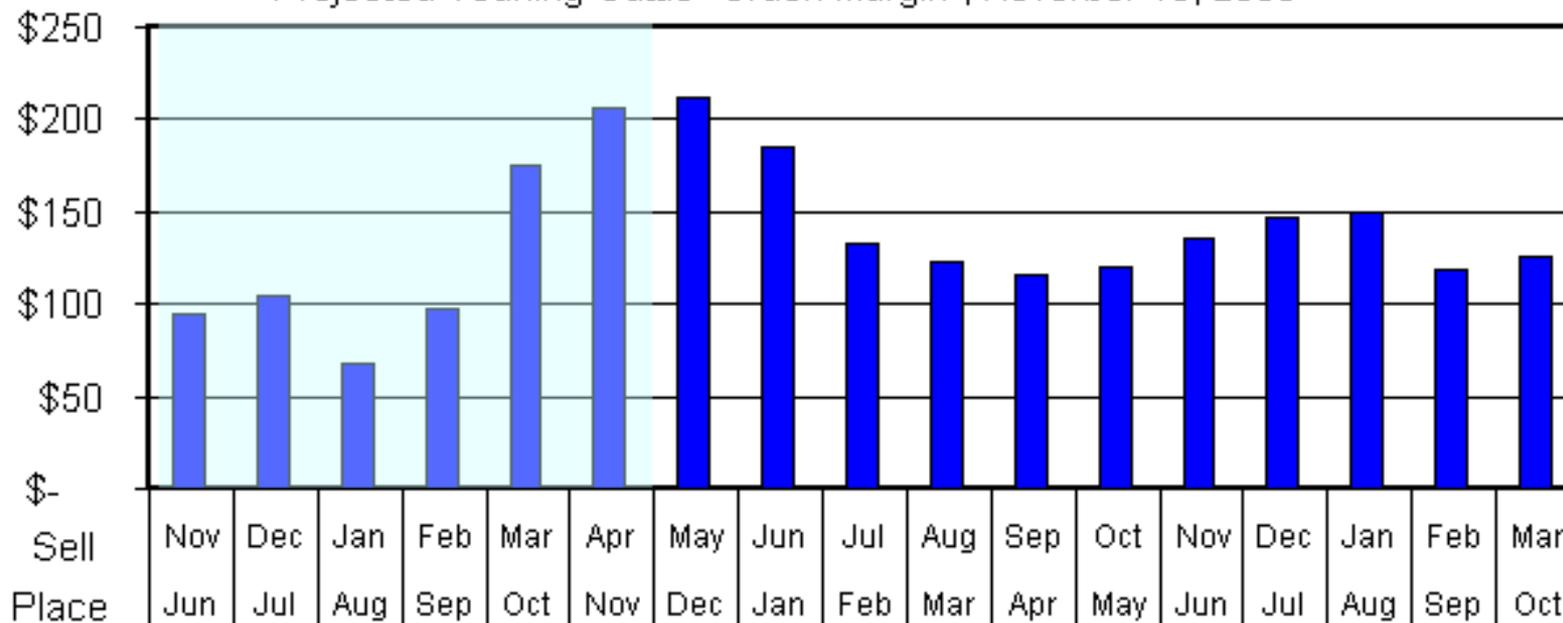
# Cattle Crush Margin

Return over corn and feeder cost considering basis adjusted futures and

- Live weight 1250 pounds
- Feeder weight 750 pounds
- Corn 50 bushels

*Farms differ, but approximately a \$150 margin is needed to breakeven*

Projected Yearling Cattle "Crush Margin", November 18, 2009



<http://www.econ.iastate.edu/outreach/agriculture/periodicals/ifo/> Margins at bottom

# Cattle Summary

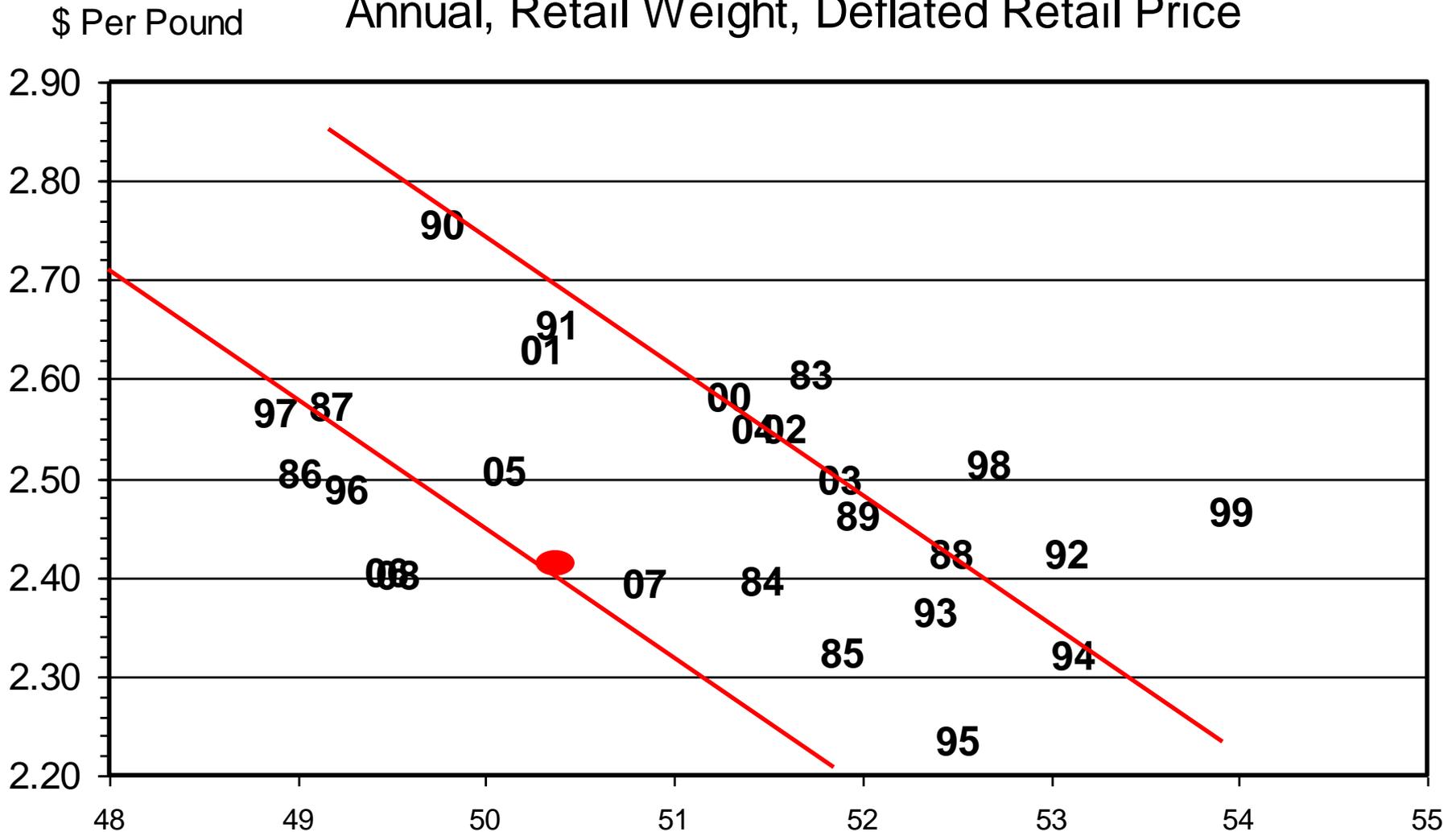
- Demand recovers slowly with the economy
- Tight supplies, but at time larger than the year before should support prices
- Herd liquidation continues into 2012+
  - Higher cost for cowherds
  - Higher cost of gain pressure calf prices
- Narrow feeding margins
- Manage risk through transition

# YTD Pork Supply Summary

- B&G: Slight -1.8%, wts +1.4%
- Total Sow Slight -7.9%
- US Sow Slight -11.9%
- Since MCOOL change in live imports
  - CN Feeders -24% or 1,673,500 head
  - CN Slight B&G -73% or 1,716,600 head
  - CN Slight Sows 24% or 126,900 head

# PORK PRICE-QUANTITY RELATIONSHIP

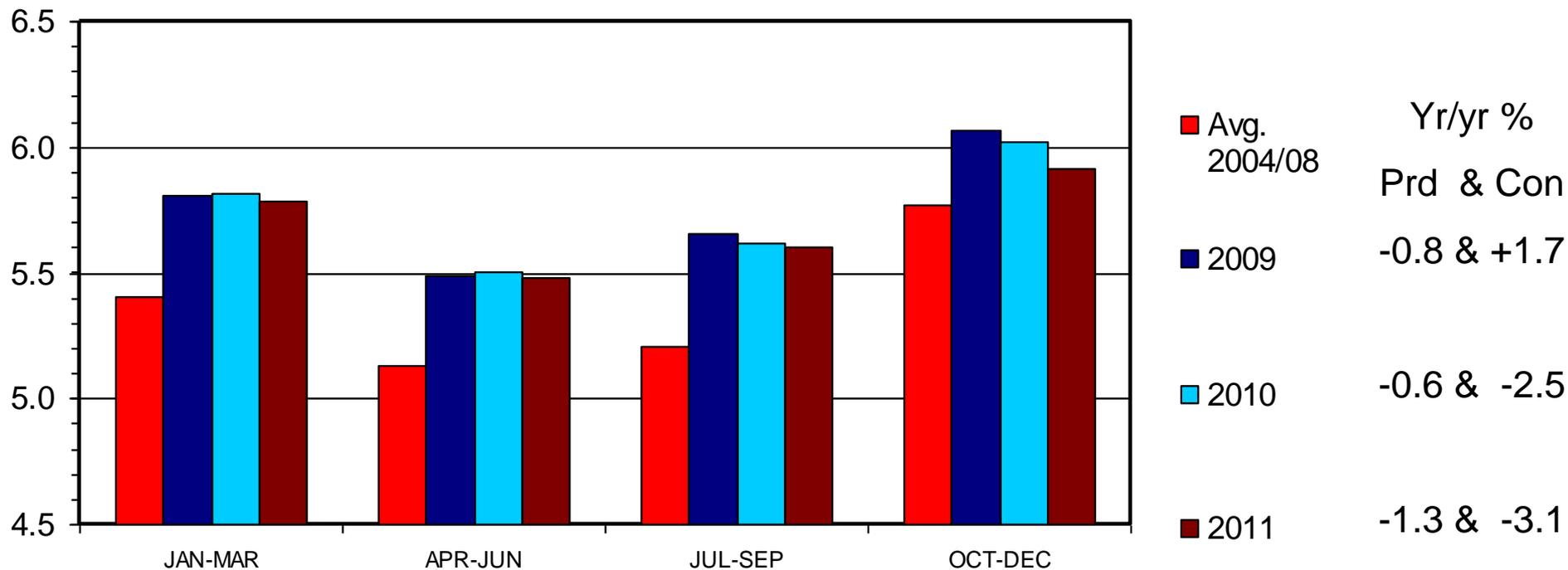
Annual, Retail Weight, Deflated Retail Price



# COMMERCIAL PORK PRODUCTION

Quarterly

Bil. Pounds



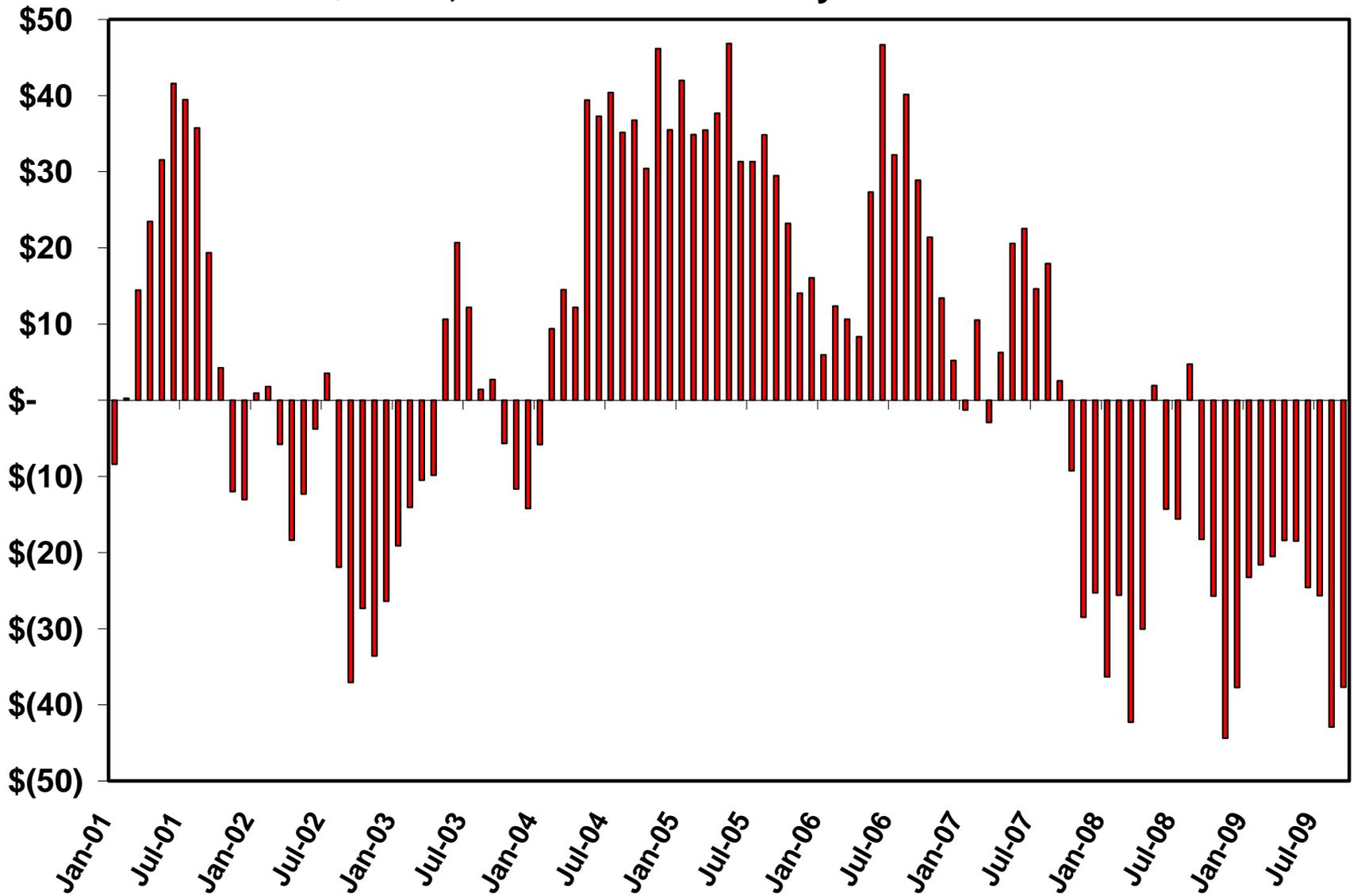
Livestock Marketing Information Center

# Hog Price Forecast

Year Quarter	Prices		ISU Sep 30 ISM Live
	National Wtd Avg Base	Weaned Pig Avg Base	
2010 I <sup>b</sup>	56-59	30-32	40-42
II	61-64	31-34	48-50
III	65-68	30-33	43-46
IV	61-65	31-34	
Year	61-64	30-32	
2011 I	61-68	33-36	
II	66-71	35-38	
III	70-76	33-35	
IV	65-70	31-.34	
Year	66-71	33-36	

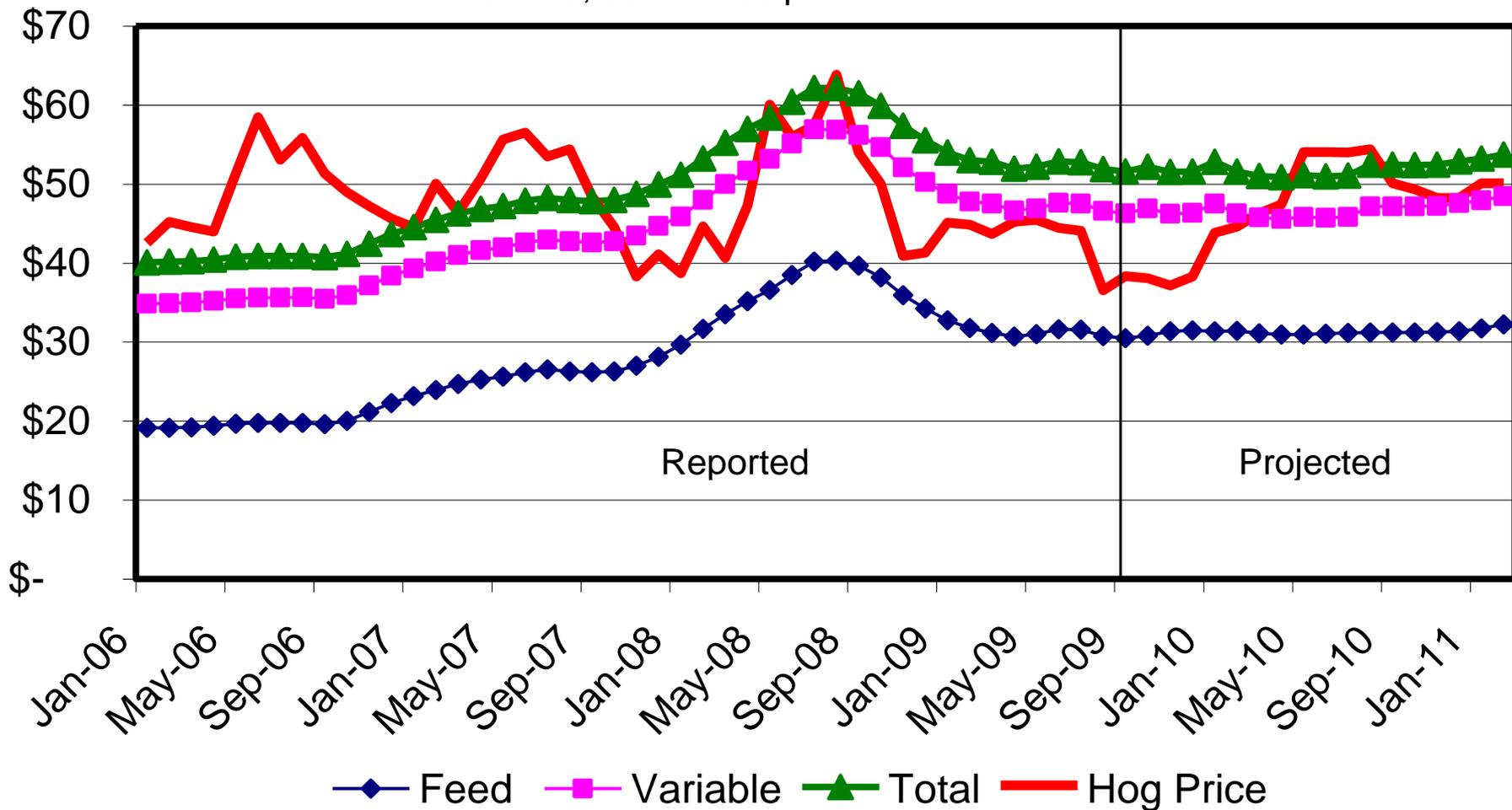
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# Estimated Returns to Farrow to Finish Hog Production, \$/Head, Iowa State University Extension

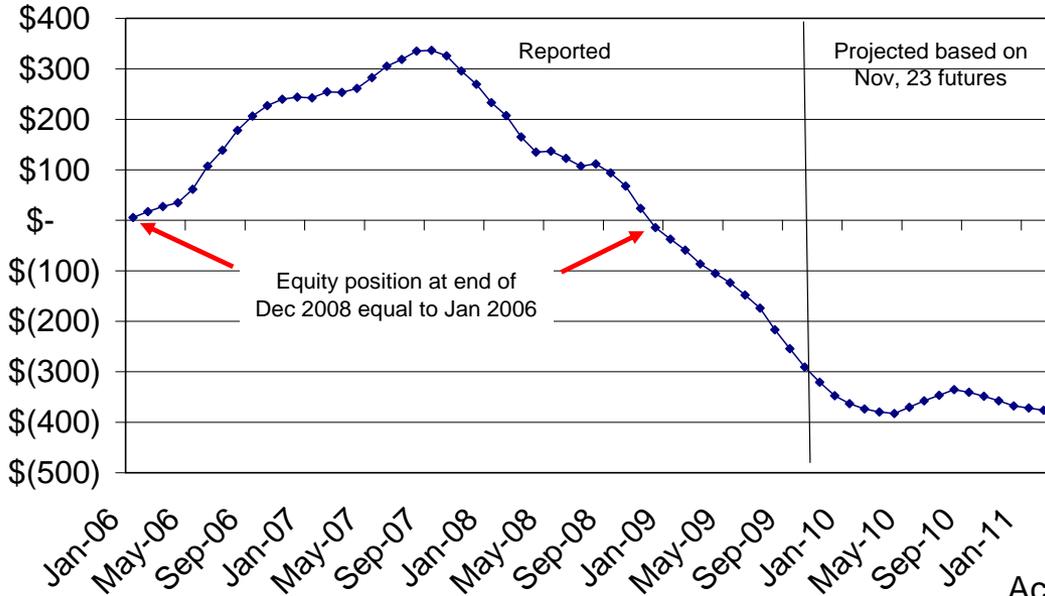


# ISU Estimated Cost and Selling Prices, Farrow to Finish (\$/cwt Live)

Oct 23, 09 Futures prices and historic basis



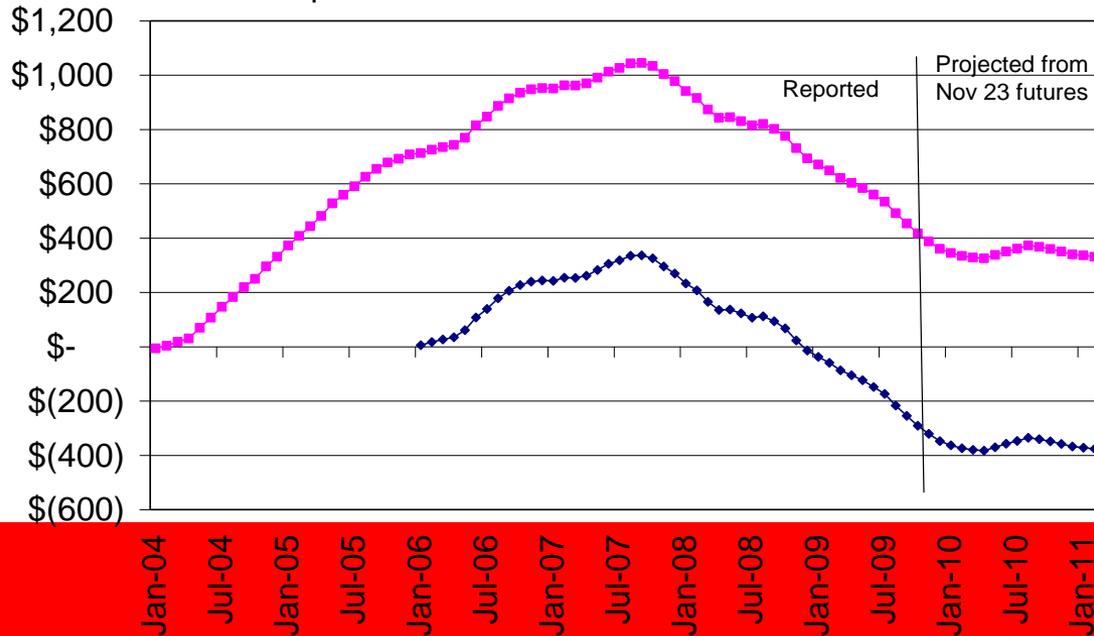
Accumulated Return Relative to Total Cost per Head Marketed Per Month



Accumulated Returns  
Selling one head a month  
Dec 2008 = Jan 2006

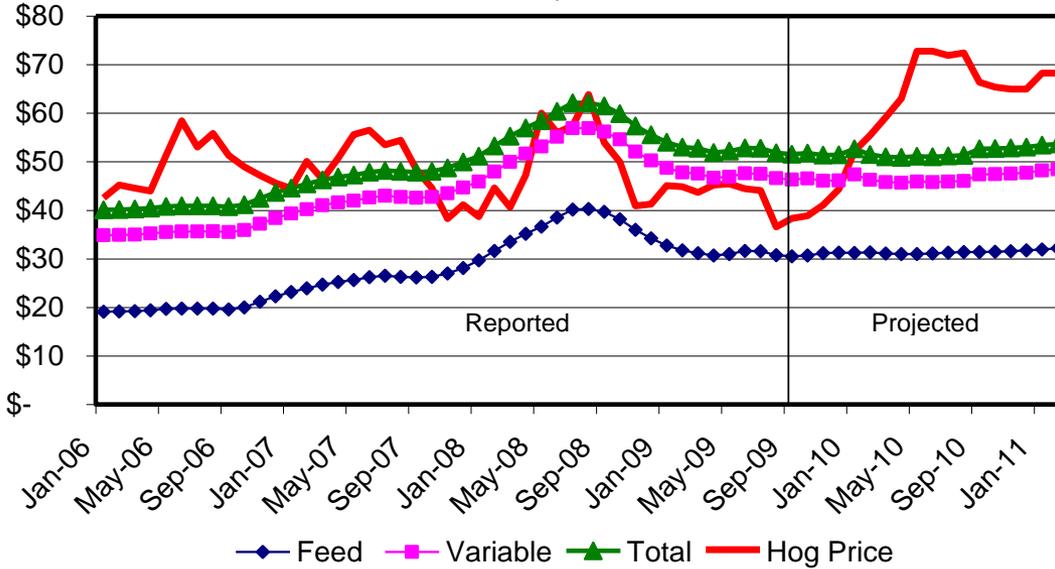
Firms financially sound in 2004 and that survived disease problems in 2005-07 still have equity

Accumulated Return Relative to Total Cost per Head Marketed Per Month



# The Good

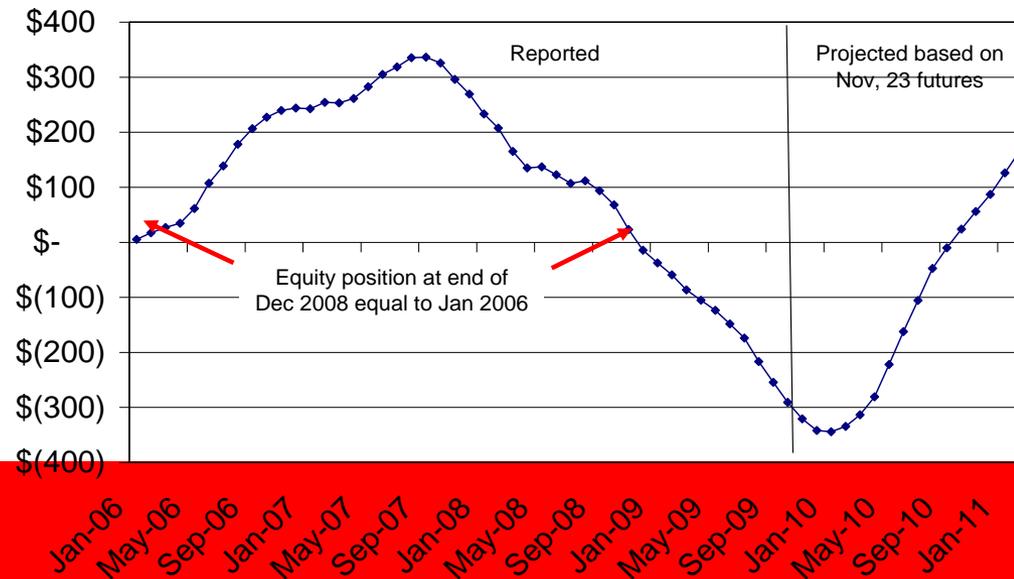
ISU Estimated Cost and Selling Prices, Farrow to Finish (\$/cwt Live)  
Nov 23, 09 Futures prices and historic basis



Hog price increase 5% over Nov 23 Futures each month for 6 months and hold at 30% higher

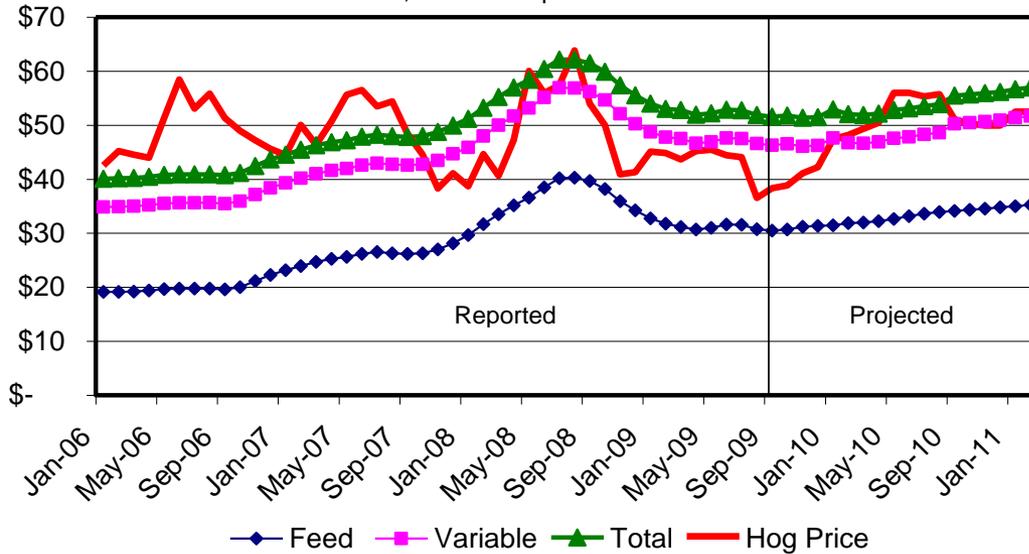
Reach Dec 2008 equity position by Oct 2010

Accumulated Return Relative to Total Cost per Head Marketed Per Month



# The Ugly

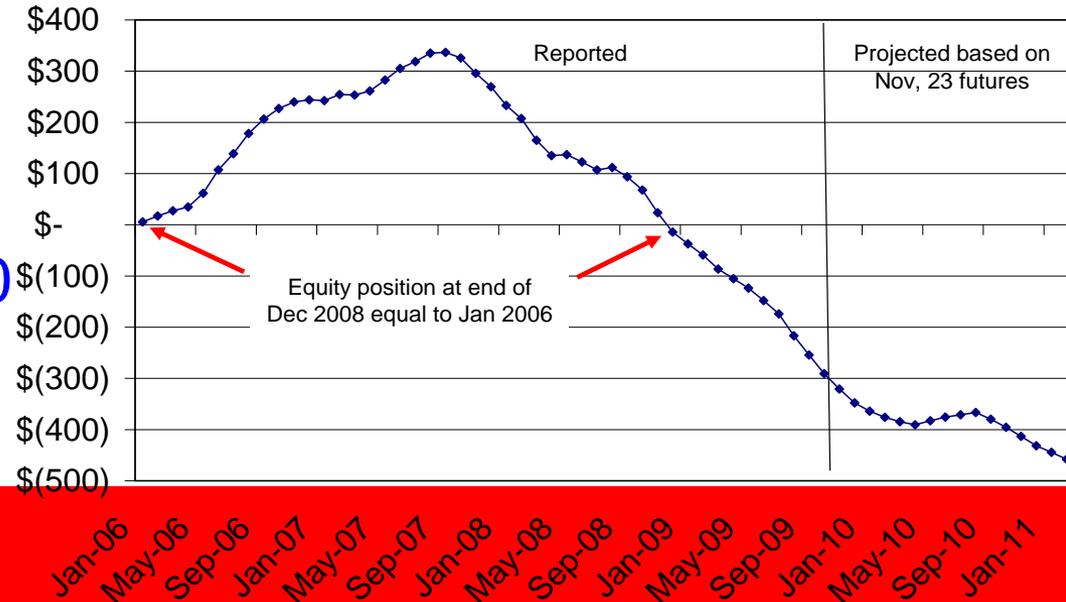
ISU Estimated Cost and Selling Prices, Farrow to Finish (\$/cwt Live)  
Nov 23, 09 Futures prices and historic basis



Feed price increase 2%  
over Nov 23 Futures each  
month for 6 months and  
hold at 12% higher

Equity position continues  
to decline throughout 2010

Accumulated Return Relative to Total Cost  
per Head Marketed Per Month



# ISU Estimated Returns Carcass Break-even for Farrow-Finish Production

Estimated Total Cost of Production per Cwt Carcass

<b>SBM/Corn</b>	<b>3.00</b>	<b>4.00</b>	<b>5.00</b>	<b>6.00</b>	<b>7.00</b>	<b>8.00</b>
<b>250</b>	62.64	68.53	74.43	80.32	86.21	92.10
<b>300</b>	64.41	70.30	76.20	82.09	87.98	93.87
<b>350</b>	66.18	72.07	77.96	83.86	89.75	95.64
<b>400</b>	67.95	73.84	79.73	85.62	91.52	97.41
<b>450</b>	69.72	75.61	81.50	87.39	93.29	99.18
<b>500</b>	71.49	77.38	83.27	89.16	95.05	100.95

**Estimate of total cost of production**

**Cash cost estimate, subtract \$5/cwt for depreciation**

# Wean-Finish Crush Margin

The Crush Margin is the return over pig, corn and SBM cost. The Crush Margin is based on the following assumptions.

Carcass weight: 200 pounds

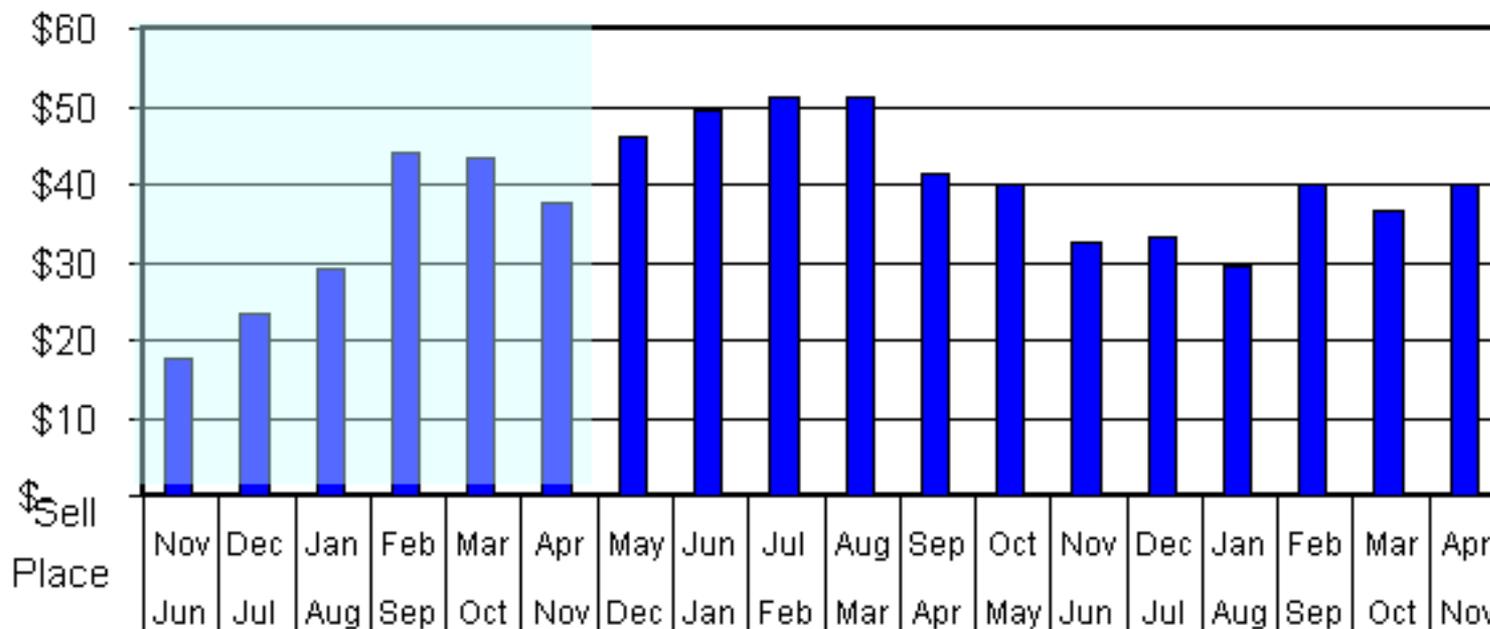
Corn: 10 bu/hd

*Farms differ, but approximately a \$40 margin is needed to breakeven*

Pig price: 50% of 5 month out LHF

SBM: 150 lbs/hd

Projected Wean-Finish "Crush Margin", November 18, 2009



<http://www.econ.iastate.edu/outreach/agriculture/periodicals/ifo/> Margins at bottom

# Pork Summary

- Breeding herd decreasing slowly, but production efficiency offset some decline
- Export demand low in 2009, but expected to be stronger in 2010 and beyond
- Breakeven prices expected in mid-2010
- Industry downsizing will idle some facilities
- Manage margins

# ISU Resources for Difficult Times

- Pork, dairy and beef program specialists to help assess production efficiency
- Farm management program specialists to help evaluate management alternatives
- Iowa Concerns Hotline 1-800-447-1985
- Farm Financial Associates
- Center for Agricultural Law and Taxation