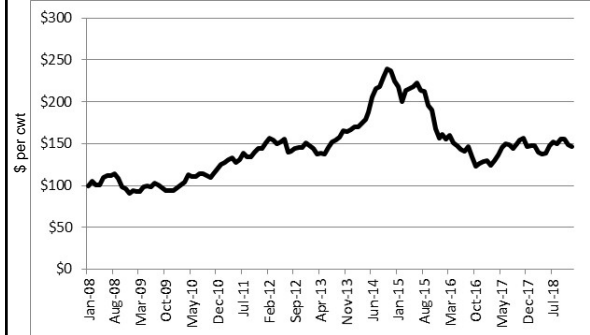


Beef and Dairy Market Outlook

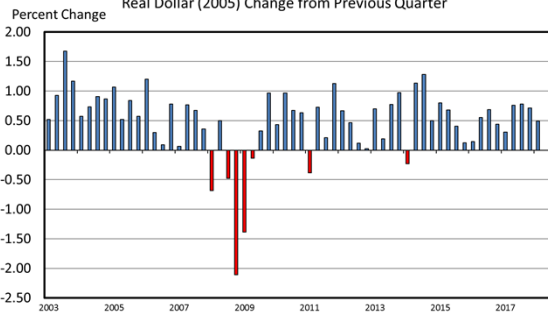
Kenny Burdine
UK Agricultural Economics



Nearby CME® Feeder Cattle Futures

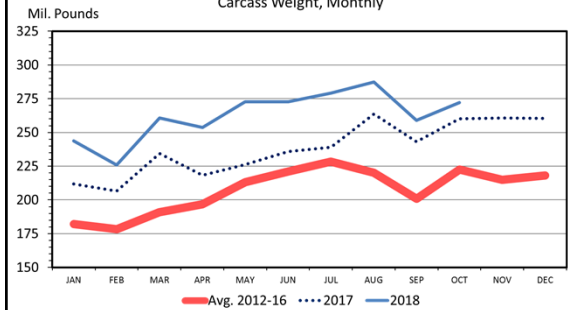


QTRLY GROSS DOMESTIC PRODUCT (GDP)



Data Source: Bureau of Economic Analysis, Compiled & Analysis by LMIC
Livestock Marketing Information Center
10/30/18

US BEEF AND VEAL EXPORTS



Data Source: USDA-ERS & USDA-FAS
Livestock Marketing Information Center

2017 Imports and Exports

Beef

- US exported 10.9% of production
- US imported 11.4% of production
 - Significant live cattle as well

Pork

- US exported 22.0% of production
- US imported 4.3% of production

Broilers

- US exported 16.3% of production

US Beef Exports to Selected Countries (2017)

	Exports (1,000 lbs)	As % of US Beef Exports	As % of US Beef Production
Japan	826,004	28.9%	3.2%
South Korea	472,729	16.5%	1.8%
Mexico	419,349	14.7%	1.6%
Hong Kong	335,705	11.7%	1.3%
Canada	309,138	10.8%	1.2%
Total Exports (includes others)	2,859,687		10.92%

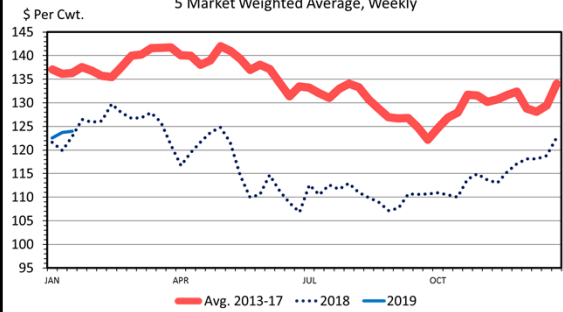
Source: USDA-ERS, Livestock Marketing Information Center, and author calculations

US Pork Exports to Selected Countries (2017)

	Exports (1,000 lbs)	As % of US Pork Exports	As % of US Pork Production
Mexico	1,808,822	32.1%	7.07%
Japan	1,228,956	21.8%	4.8%
Canada	530,751	9.4%	2.07%
South Korea	524,939	9.3%	2.05%
China (mainland)	380,414	6.8%	1.49%
Total Exports (includes others)			22%

Source: USDA-ERS, Livestock Marketing Information Center, and author calculations

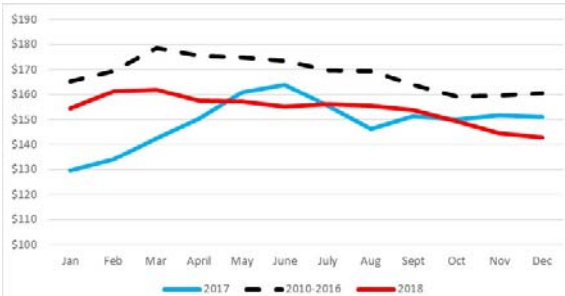
SLAUGHTER STEER PRICES 5 Market Weighted Average, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

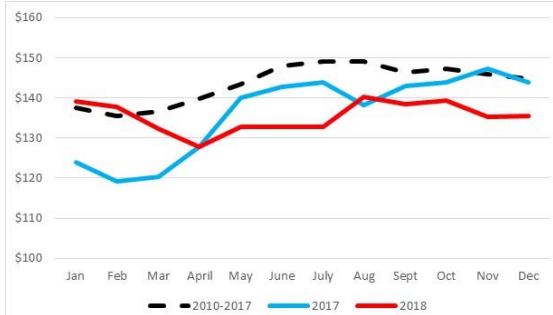
01/23/19

KY Auction Prices 550# Steers (\$ per cwt)



Source: USDA-AMS, Livestock Marketing Information Center, and author calculations

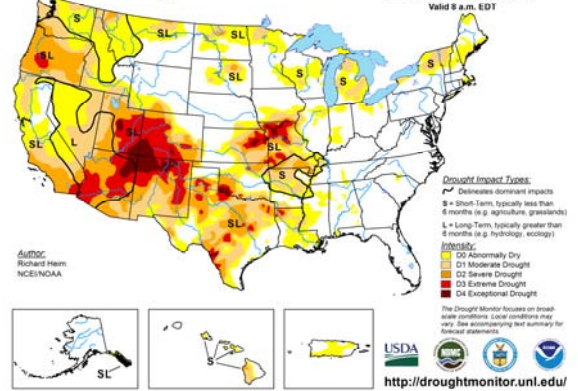
KY Auction Prices 850# Steers (\$ per cwt)



Source: USDA-AMS, Livestock Marketing Information Center, and author calculations

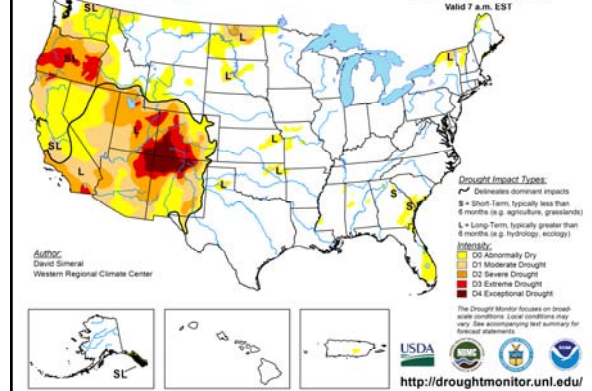
U.S. Drought Monitor

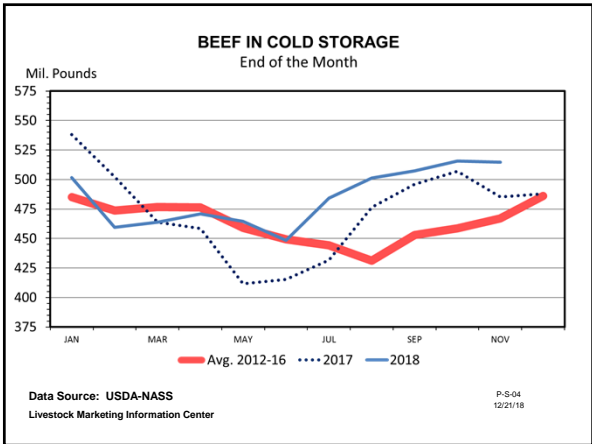
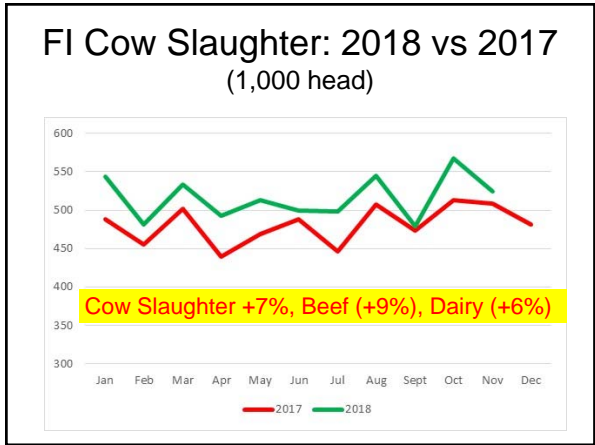
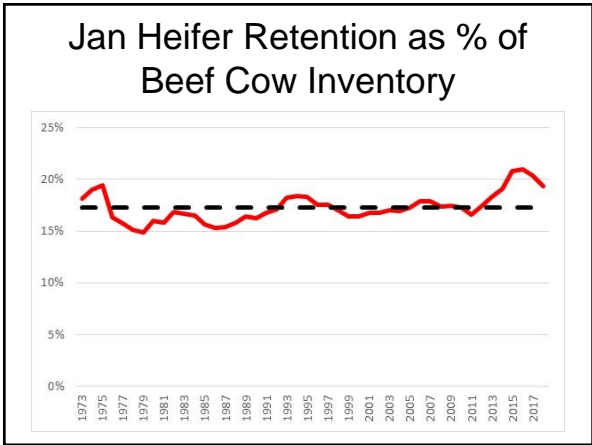
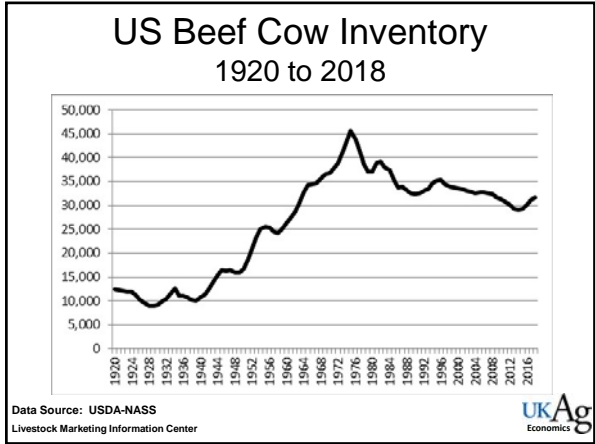
August 14, 2018
(Released Thursday, Aug. 16, 2018)
Valid 8 a.m. EDT



U.S. Drought Monitor

November 6, 2018
(Released Thursday, Nov. 8, 2018)
Valid 7 a.m. EST





ERS Meat Production Forecasts

	2018	2019
Beef	+ 2.8%	+ 3.3%
Pork	+ 2.9%	+ 5.3%
Broilers	+ 2.4%	+ 1.7%

Source: ERS November Livestock, Dairy, and Poultry Outlook

Planning Prices: Beef Cattle

- Cow herd still growing, meat case full
- Fall 2019 CME© Feeder futures around \$150
 - 550 lb steers in \$160's by spring – groups in \$170's
- I have to project lower prices fall over fall
 - 550 lb steers in upper \$130's
- Fed prices near 2018 – mid-upper \$110's

Table 1: Estimated Returns to Spring Calving Cow-calf Operation: Fall 2018

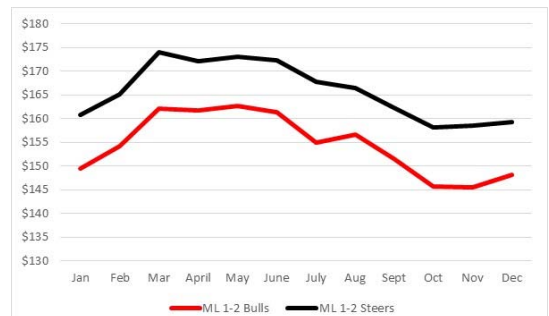
Revenues				
Steer / Heifer Calf Average	550	lbs	\$1.38	\$756
Discount for Open Cows	15%	open		\$113
Total Revenues per Cow				\$643
Expenses				
Pasture Maintenance	2.0	acres	\$25.00	\$50
Hay	2.5	tons	\$80.00	\$200
Mineral				\$35
Vet				\$25
Breeding				\$40
Marketing				\$30
Machinery (cattle only)				\$25
Trucking				\$10
Breeding Stock Depreciation				\$100
Other				\$35
Total Expenses per Cow				\$550
Return to Land, Labor, and Capital				\$93

The Importance of Efficiency

- Cost reduction – direct impact
 - \$50 for \$50
- \$0.10 change in calf prices - \$40 - \$50 per cow per year
- 5% increase in weaning rate - \$30 - \$50 per cow per year
- 50 lbs in weaning weight - \$30 - \$50 per cow per year



Steers vs. Bulls at KY Auctions (2010 to 2017)



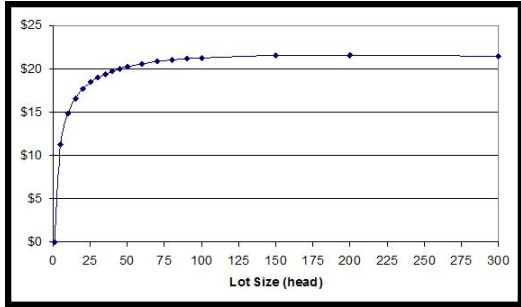
Steers vs. Bulls

- 550# steers outsold 550# bulls by \$11.30 per cwt over last 8 years
- This is \$62.15 per head
- How many additional lbs would be needed to outweigh this?
 - At \$1 per lb, around 62 lbs
 - \$0.80 per lb, around 78 lbs
- Implants provide an option as well

Don't be afraid to cull hard

- Consider two cows:
 - Cow 1 weans 550 lb calf each year
 - Cow 2 weans 400 lb calf each year
- Were both these cows making us money in 2014 and 2015?
- What about now?
- Our culling criteria should change with the market?

Lot Size Impacts (Halich and Burdine, 2015)

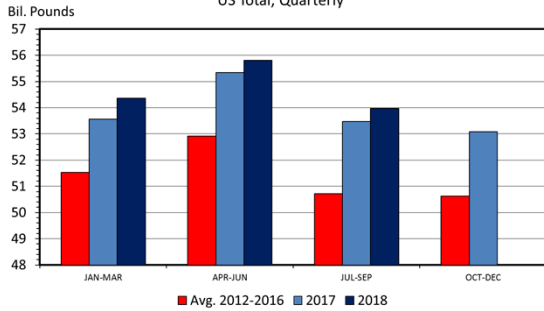


Data: Bluegrass Stockyards CPH Sales 2005-2012

Dairy



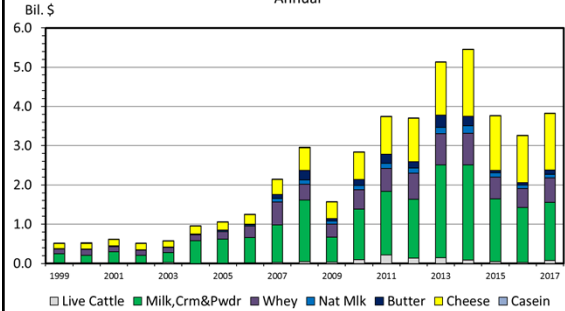
MILK PRODUCTION US Total, Quarterly



Data Source: USDA-NASS
Livestock Marketing Information Center

10/22/18

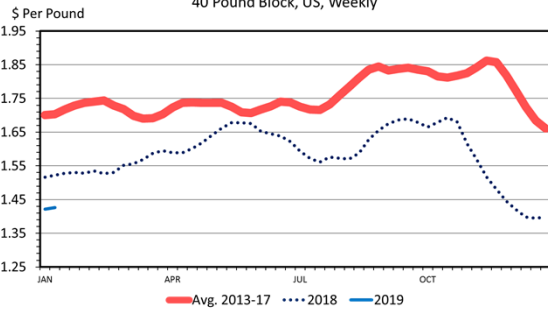
US DAIRY INDUSTRY EXPORT VALUES Annual



Data Source: USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

03/05/18

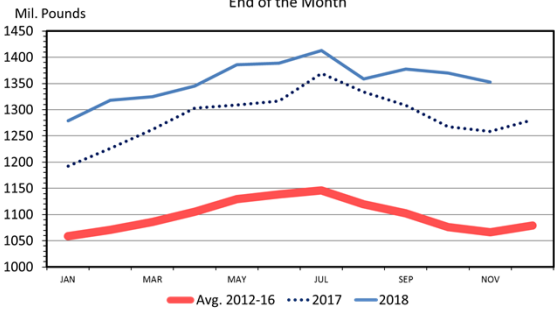
CHEDDAR CHEESE PRICES 40 Pound Block, US, Weekly



Data Source: USDA-NASS
Livestock Marketing Information Center

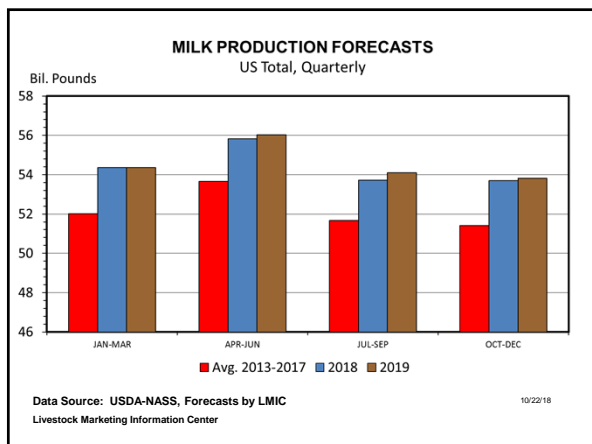
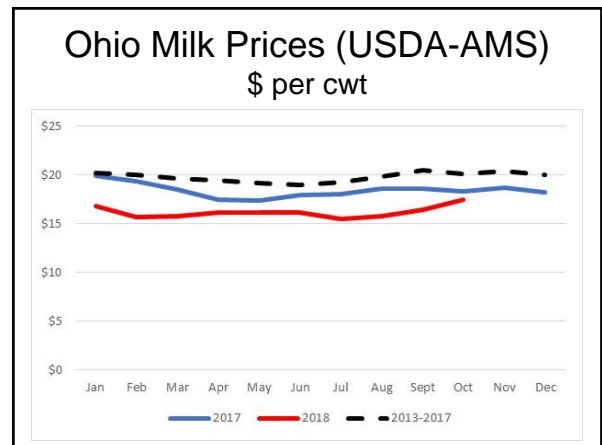
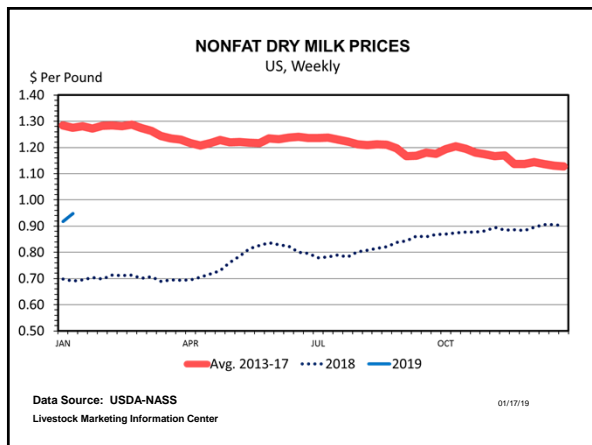
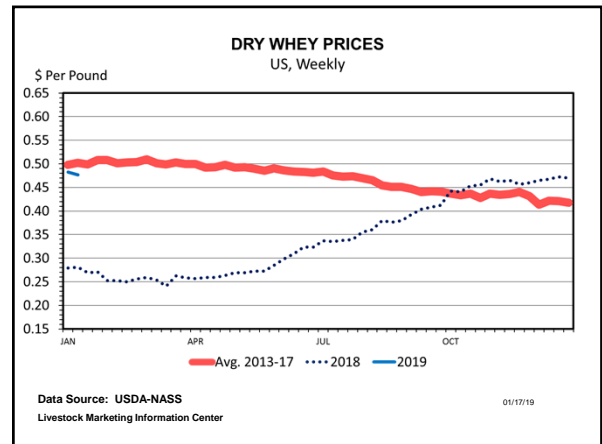
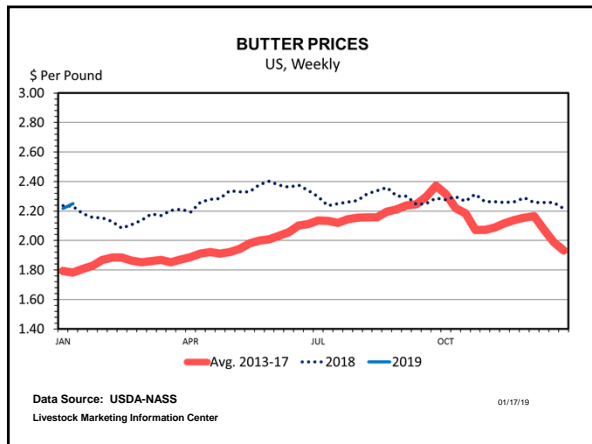
01/17/19

TOTAL CHEESE IN COLD STORAGE End of the Month



Data Source: USDA-NASS
Livestock Marketing Information Center

12/21/18



Planning Prices: Ohio Farm Level Milk

- Production growth slowing, with some demand optimism
- Ohio price averaged \$16.18 through October, \$17.50 in November
- Q1: \$16-\$18
- Q2: \$16-18
- Q3: \$17-\$19
- Q4: \$18-\$20

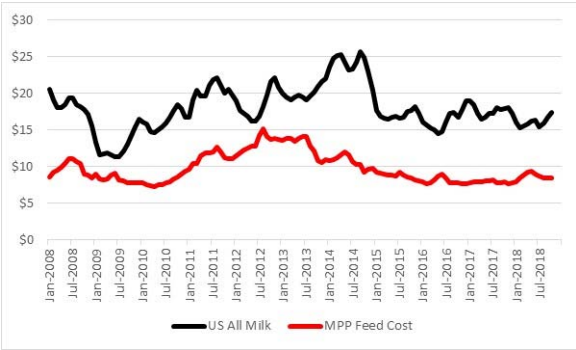
What's New in the Farm Bill?

- Dairy Margin Coverage
 - Works a lot like MPP-Dairy
- Coverage levels extended to \$9.50
- Premiums reduced
 - Even below Bipartisan Act of 2018
- Rebating of premiums 2014-2017

DMC Premiums

Coverage Level	Premium per CWT (First 5M lbs)	Premium per CWT (After 5M lbs)
\$4.00	Free	Free
\$4.50	\$0.0025	\$0.0025
\$5.00	\$0.005	\$0.005
\$5.50	\$0.03	\$0.10
\$6.00	\$0.05	\$0.31
\$6.50	\$0.07	\$0.65
\$7.00	\$0.08	\$1.107
\$7.50	\$0.09	\$1.413
\$8.00	\$0.10	\$1.813
\$8.50	\$0.105	Not offered
\$9.00	\$0.11	Not offered
\$9.50	\$0.15	Not offered

US All Milk vs MPP-Dairy Ration 2008-2018 (\$ per cwt)



MPP-Dairy Margin 2008-2018 (\$ per cwt)



DMC Program Thoughts

- Coverage and premium are much more attractive now
 - Historically, this would have paid out
- More flexibility now, can be combined with LGM and / or Dairy RP
 - Consider DMC by itself
- DMC needs to be part of your risk management plan
 - Consider other options too

Contact Information

Kenny Burdine
 UK Agricultural Economics
 (859) 257-7273
 kburdine@uky.edu
 Twitter: @KyCattleEcon