

# **Pork and Beef Sector Outlook 2008-2009**

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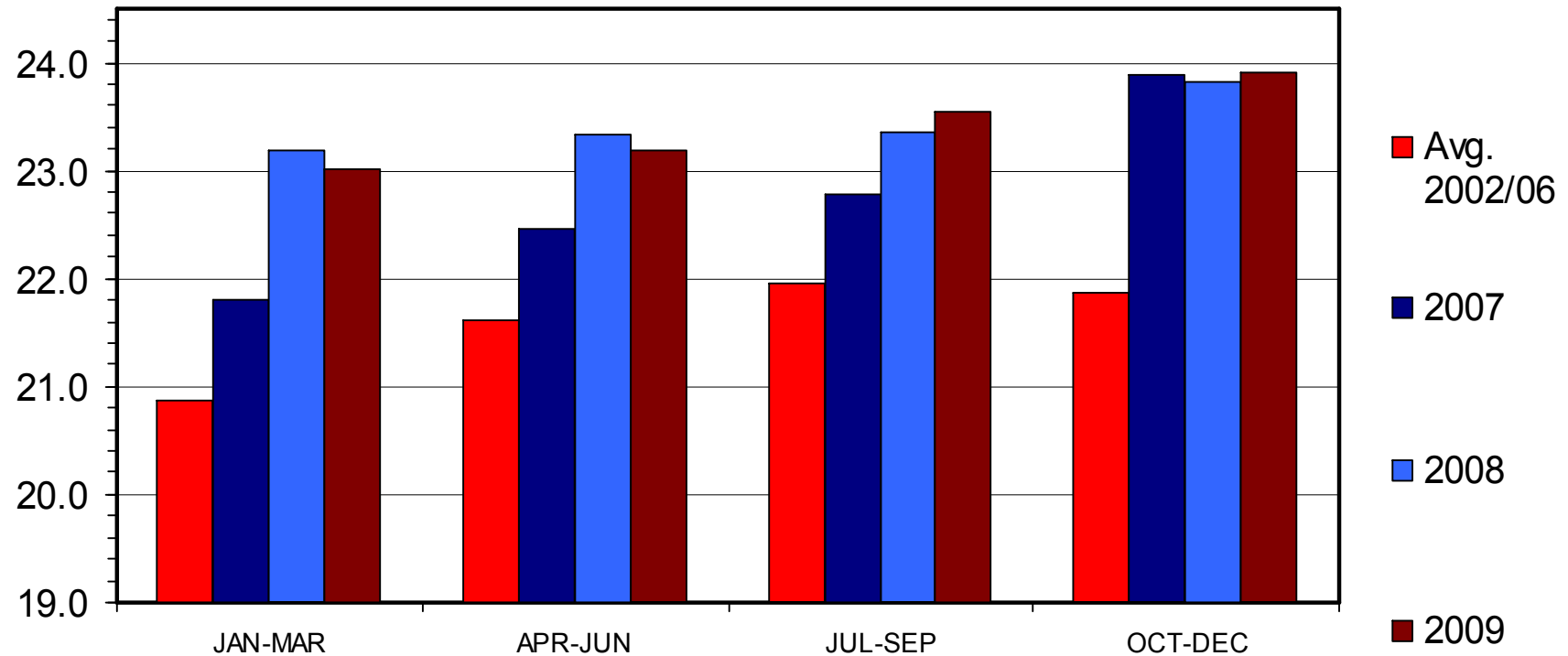
# Overview

- Mountain of meat
- Reduction underway
- Demand factors
- Feed cost implications

# TOTAL RED MEAT & POULTRY PRODUCTION

Bil. Pounds

Quarterly



**Jan-May red meat production up 7%**

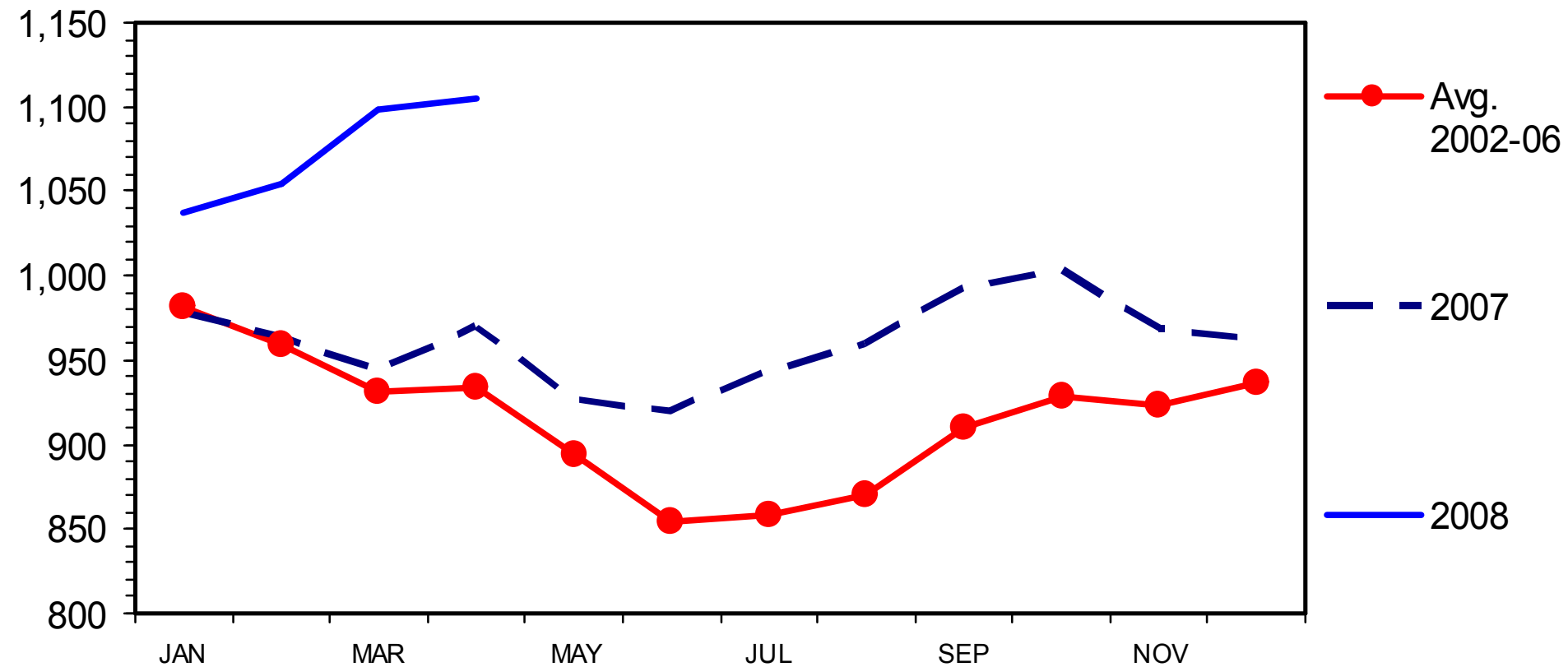
**Higher feed costs not limiting supply yet!!!!**

**But, signs of reduction on the way**

# TOTAL RED MEAT IN COLD STORAGE

## End of the Month

Mil. Pounds



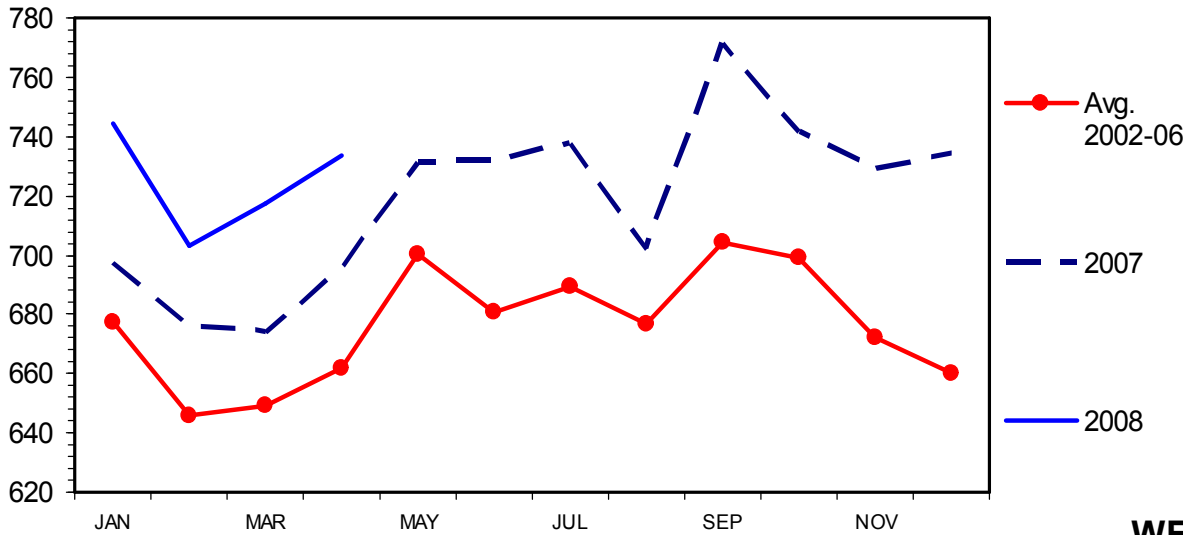
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Data Source: USDA/NASS

# WEEKLY AVERAGE CHICKEN PRODUCTION

Federally Inspected, Ready-to-Cook Weight, By Month

Mil. Pounds



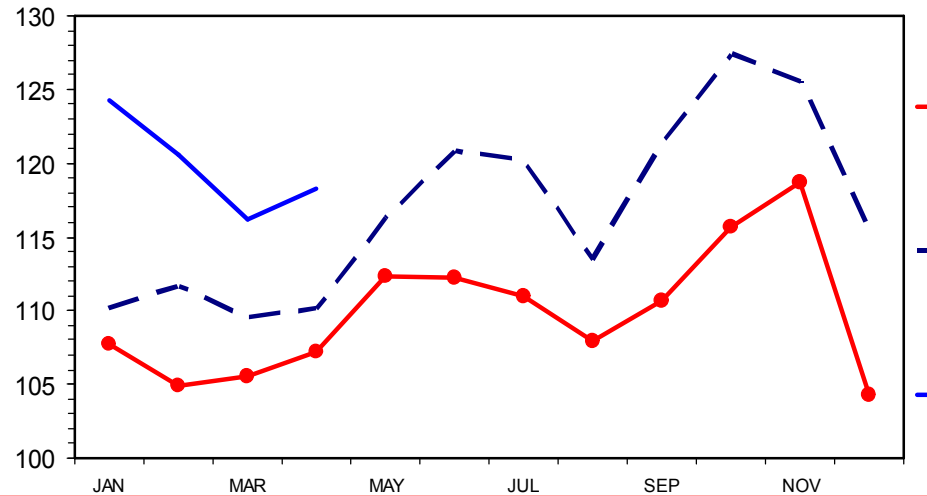
Jan-May Broiler production is up 5.5%.

Jan-May Turkey production is up 7.7%.

# WEEKLY AVERAGE TURKEY PRODUCTION

Federally Inspected, Ready-to-Cook Weight, By Month

Mil. Pounds

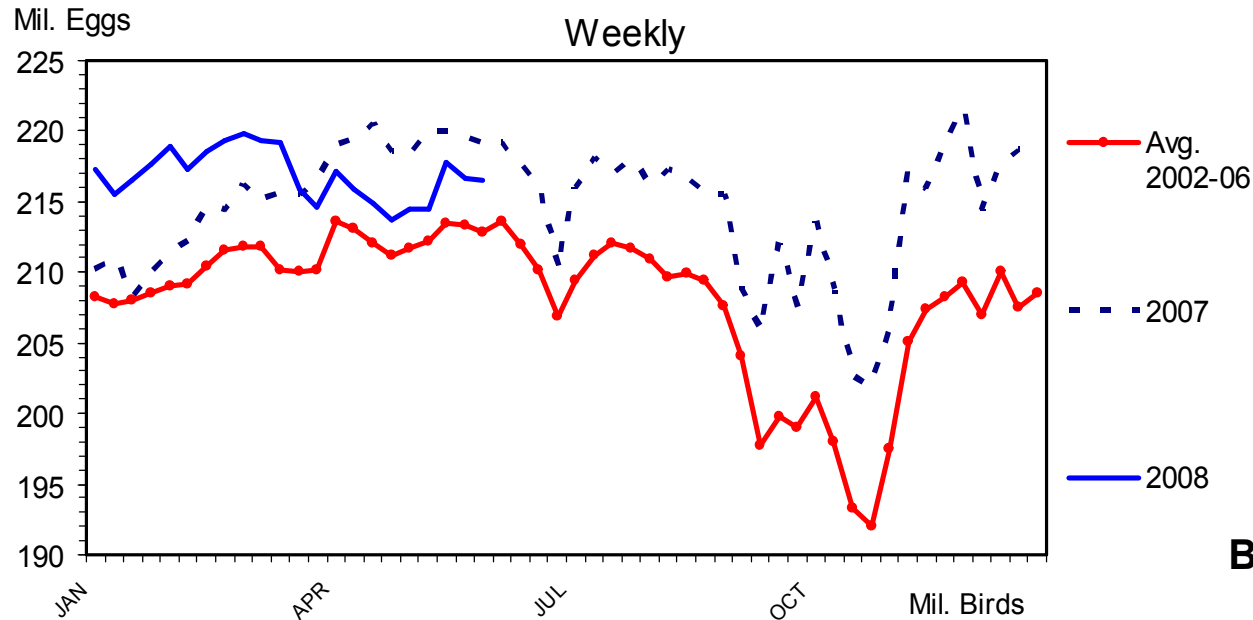


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Data Source: USDA/NASS

# BROILER EGGS SET

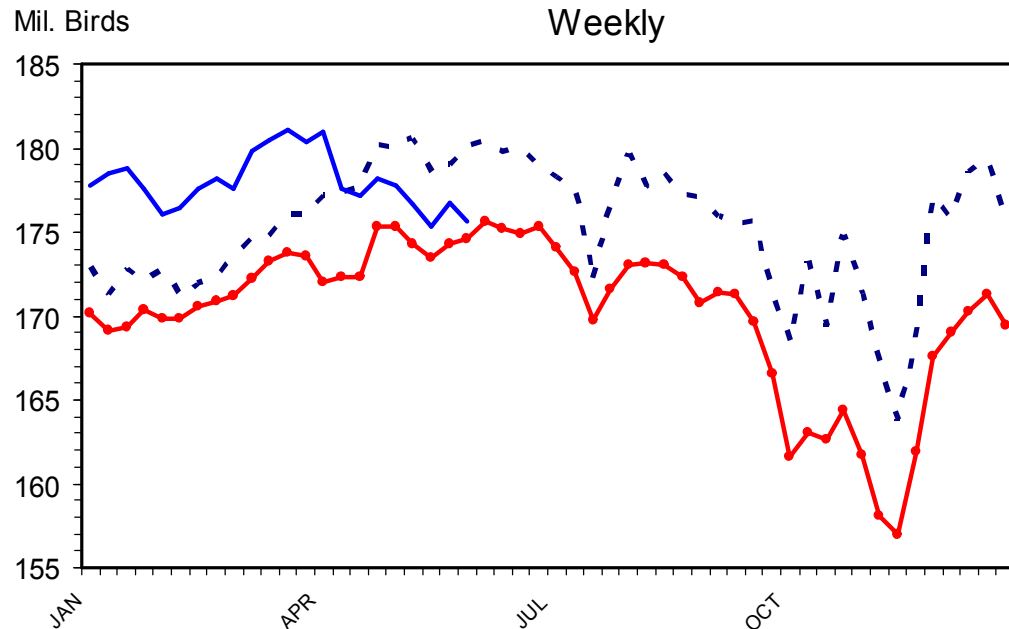
Weekly



**Broiler egg set lower since last week of March**

# BROILER CHICKS PLACED

Weekly



- Chick placement down since mid-April
- May to mid-June -1.1%

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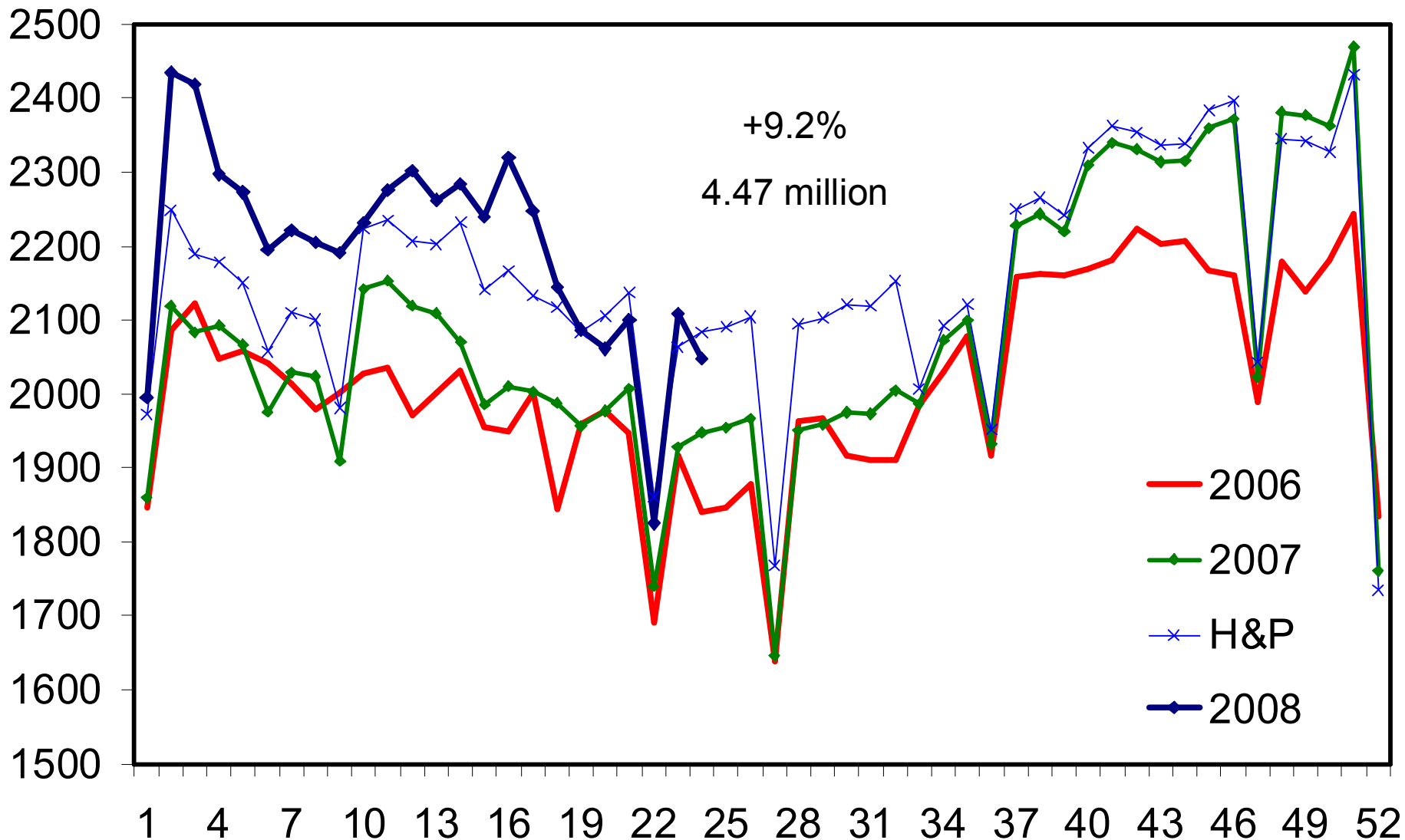
Data Source: USDA/NASS

# Hog Outlook

- Summer is brief breather from losses
- Liquidation is underway
- Strong export demand
- Feed costs continue to climb

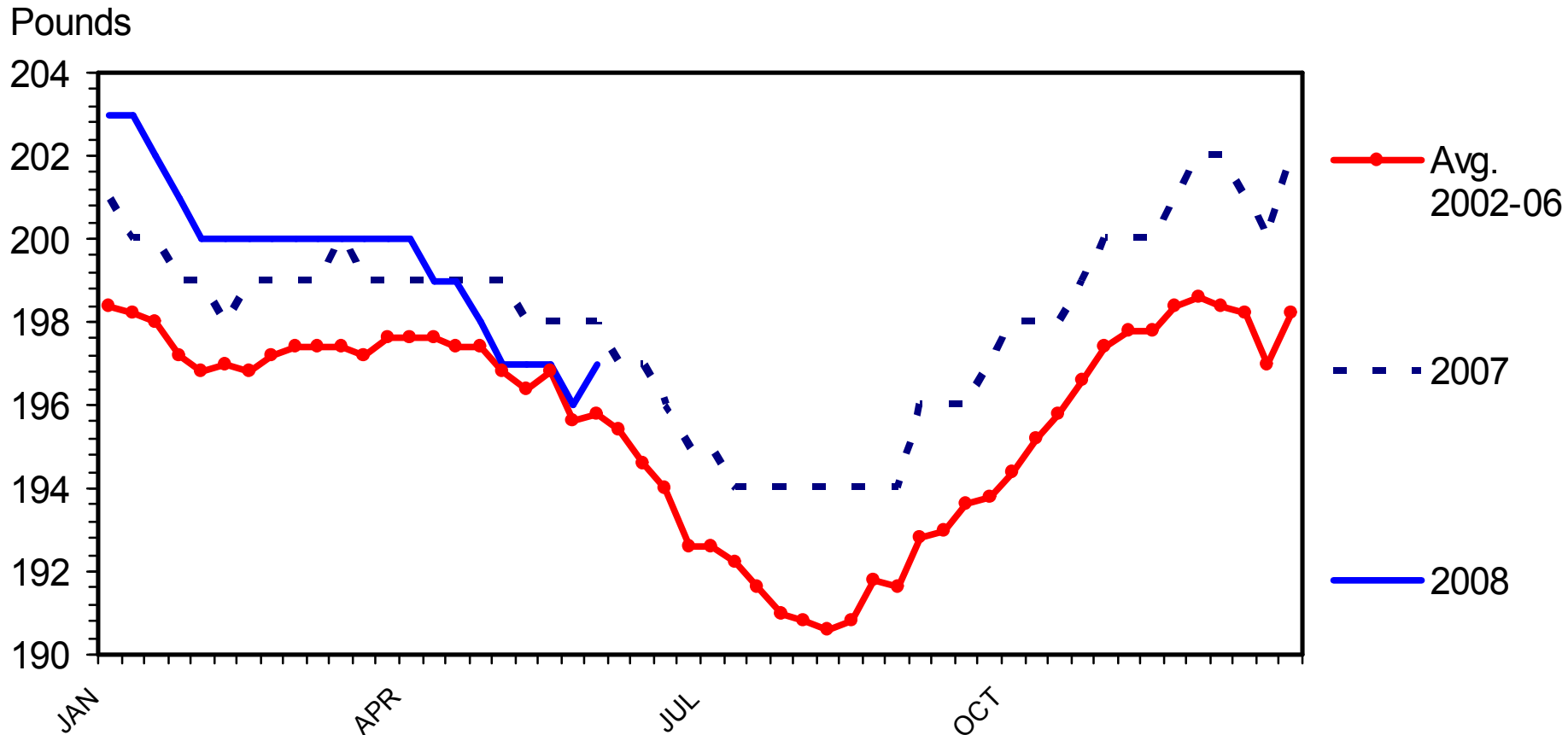


# Weekly Commercial Hog Slaughter



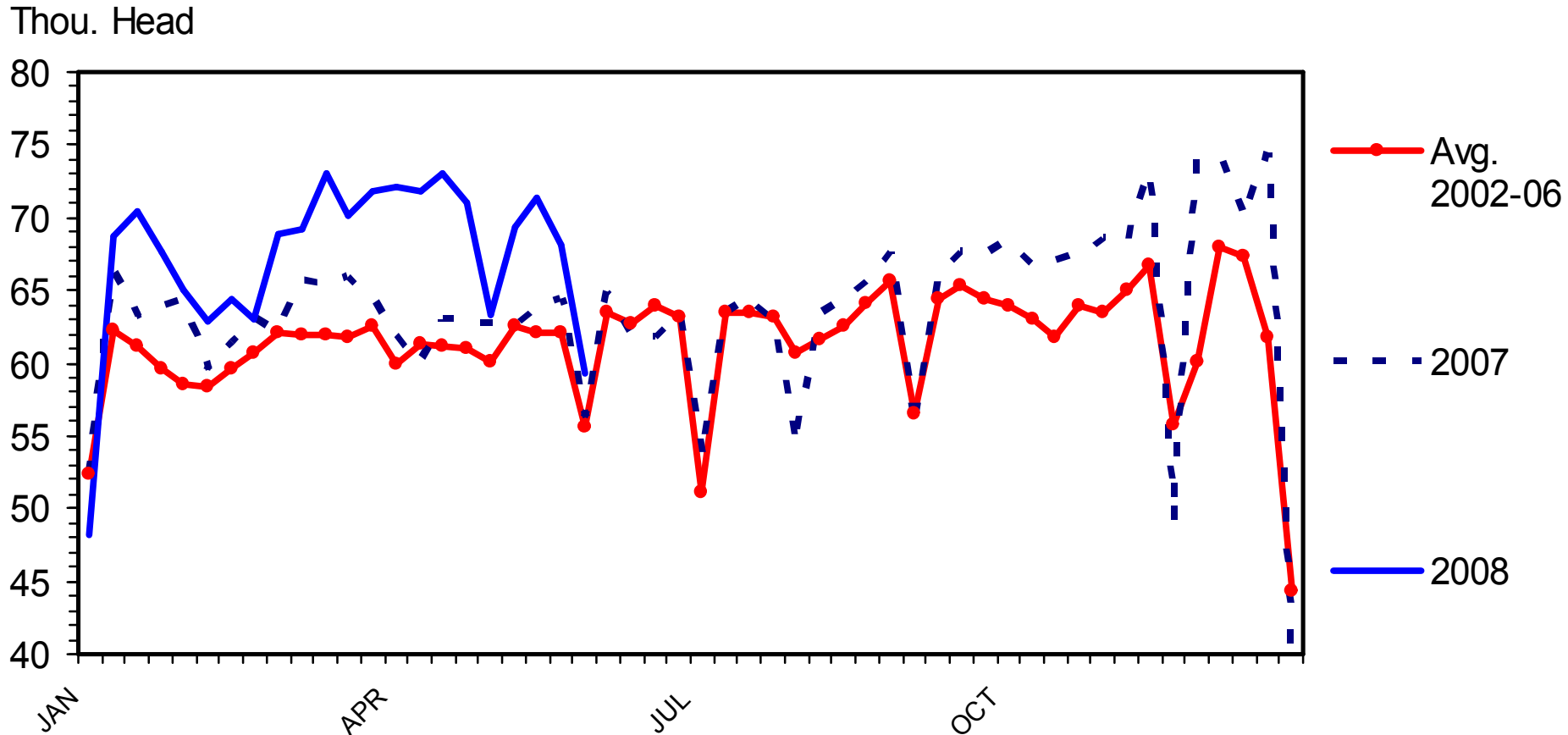
# BARROW AND GILT DRESSED WEIGHT

Federally Inspected, Weekly



# SOW SLAUGHTER

## Federally Inspected, Weekly



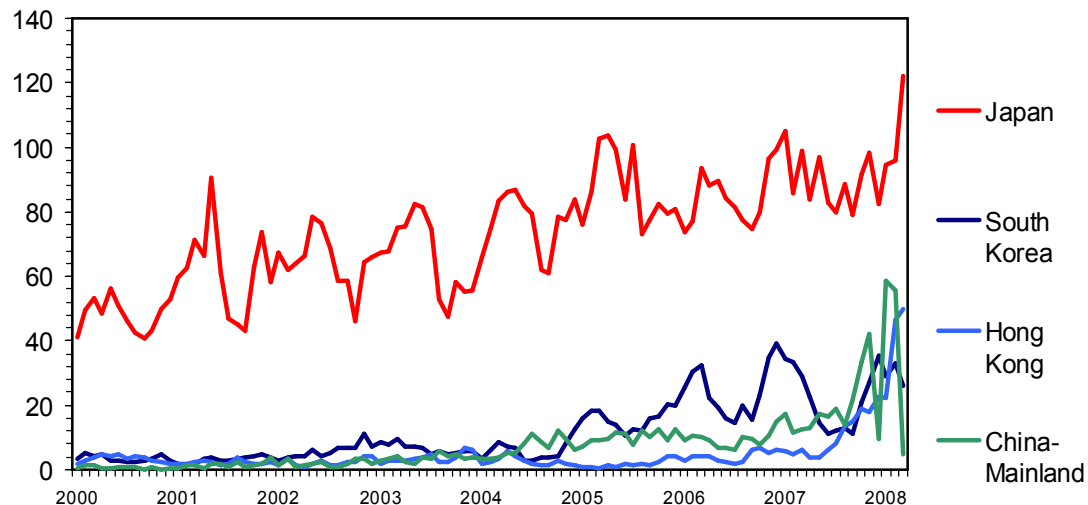
# Demand Factors

- Domestic
  - Weak US economy, small impact on pork
  - Large supplies of competing meats
- Exports
  - Weak US \$ is helping exports, so is price
  - 2007: Up 4.8%, 16<sup>th</sup> consecutive record, 14.3% of US commercial production exported
  - 2008: **Jan-Apr up 52%** from 2007 pace

# U S PORK EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly

Mil. Pounds



Japan still the largest

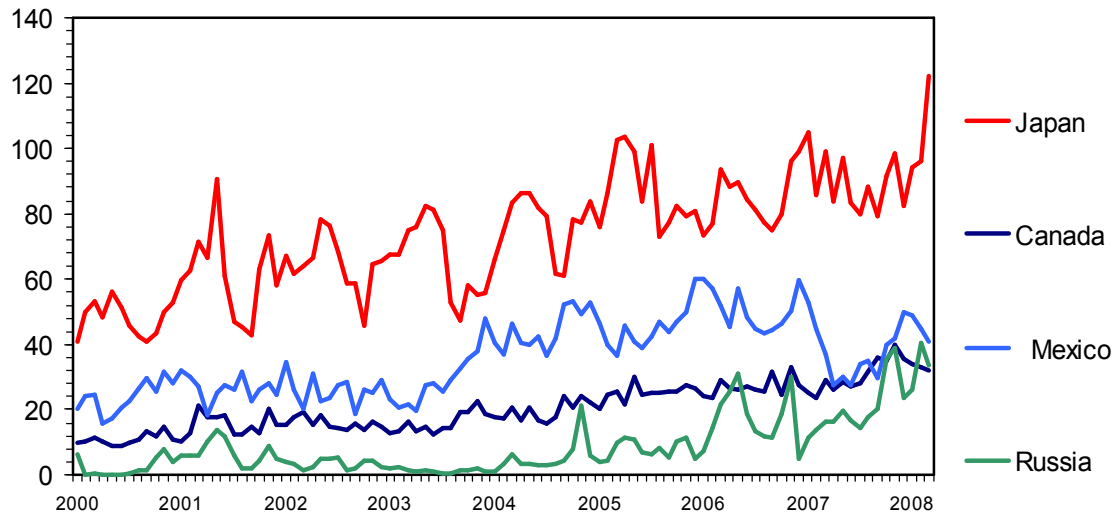
China is growing

Several equal in size

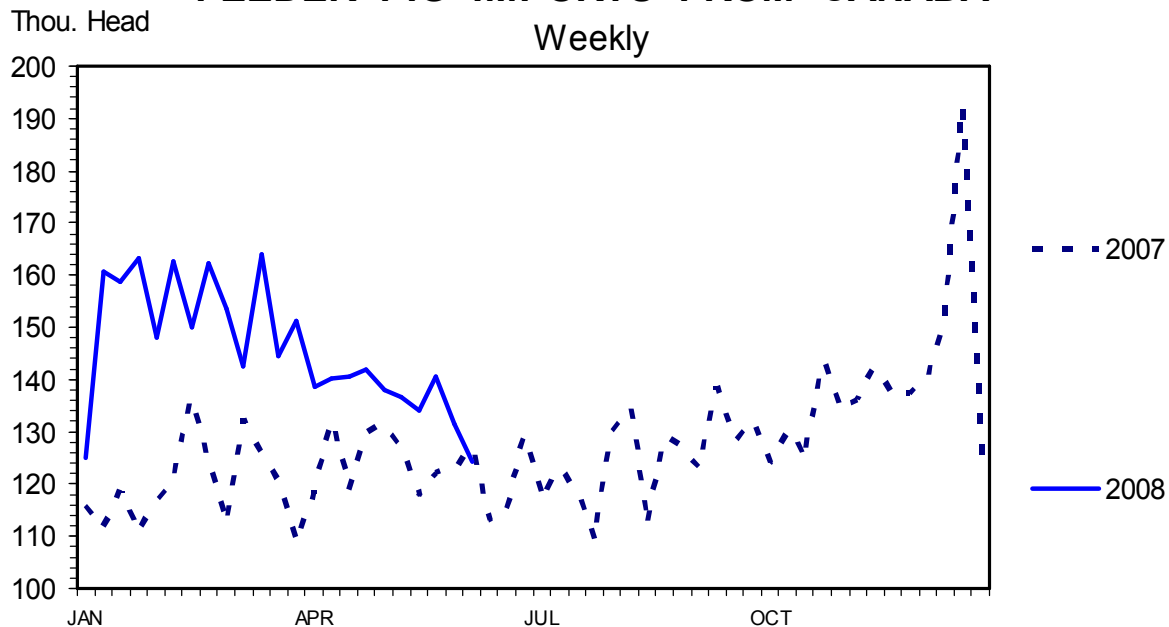
# U S PORK EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly

Mil. Pounds

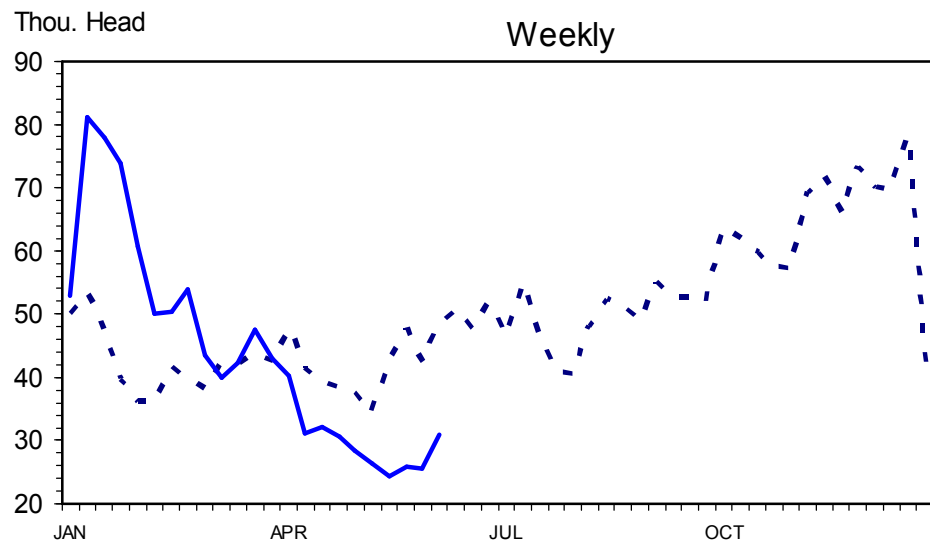


## FEEDER PIG IMPORTS FROM CANADA



Pig imports declining

## SLAUGHTER BARROWS & GILTS IMPORTS FROM CANADA

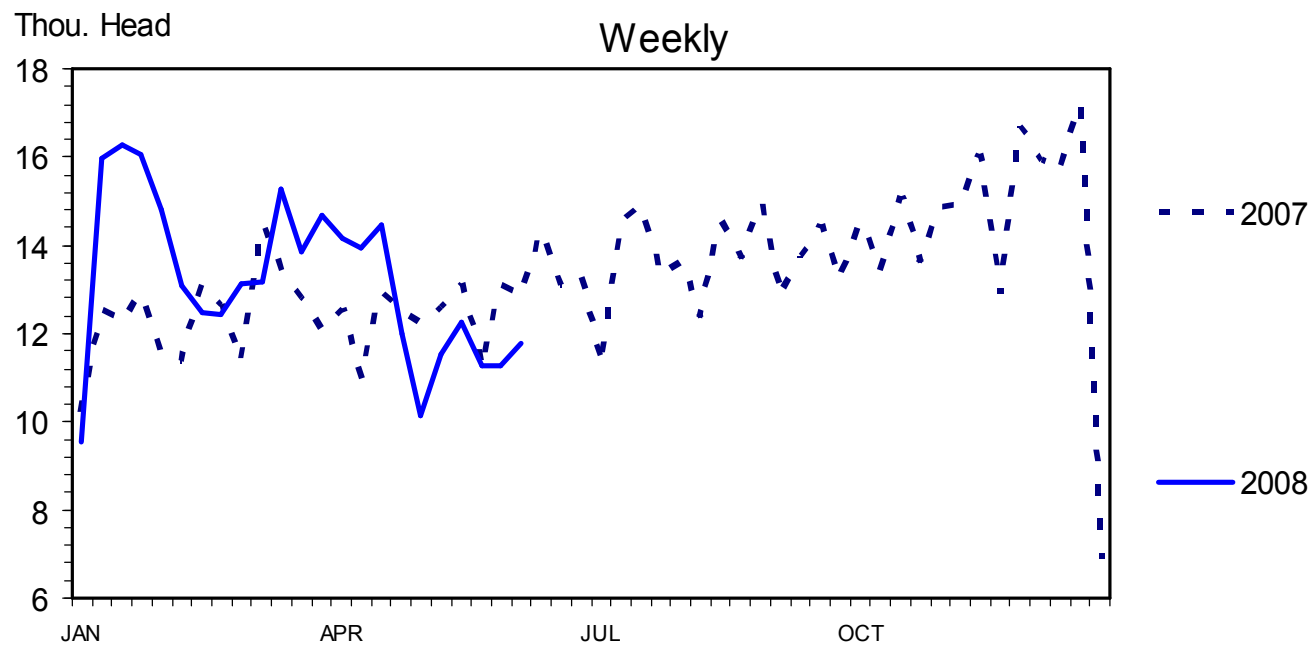


Slaughter hog imports  
down sharply

Canada hog slaughter  
down 0.3%

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# SLAUGHTER SOWS & BOARS IMPORTS FROM CANADA



Herd buyout can not put sows in food supply.

Canada sow slaughter down 20%

Jan-Mar Pig crop -1%

Apr-Jun Farrow Intention -9%

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# 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**

**Estimated cost of producing 2007 corn crop is \$3/bu**

# Hog Summary

- Record production throughout 2008
- Near breakeven for summer and loss in fall
- Herd liquidation underway, one of the fastest liquidations in recent history
- Some herds exiting, others cutting back
- COOL is coming, may trigger hog shuffle

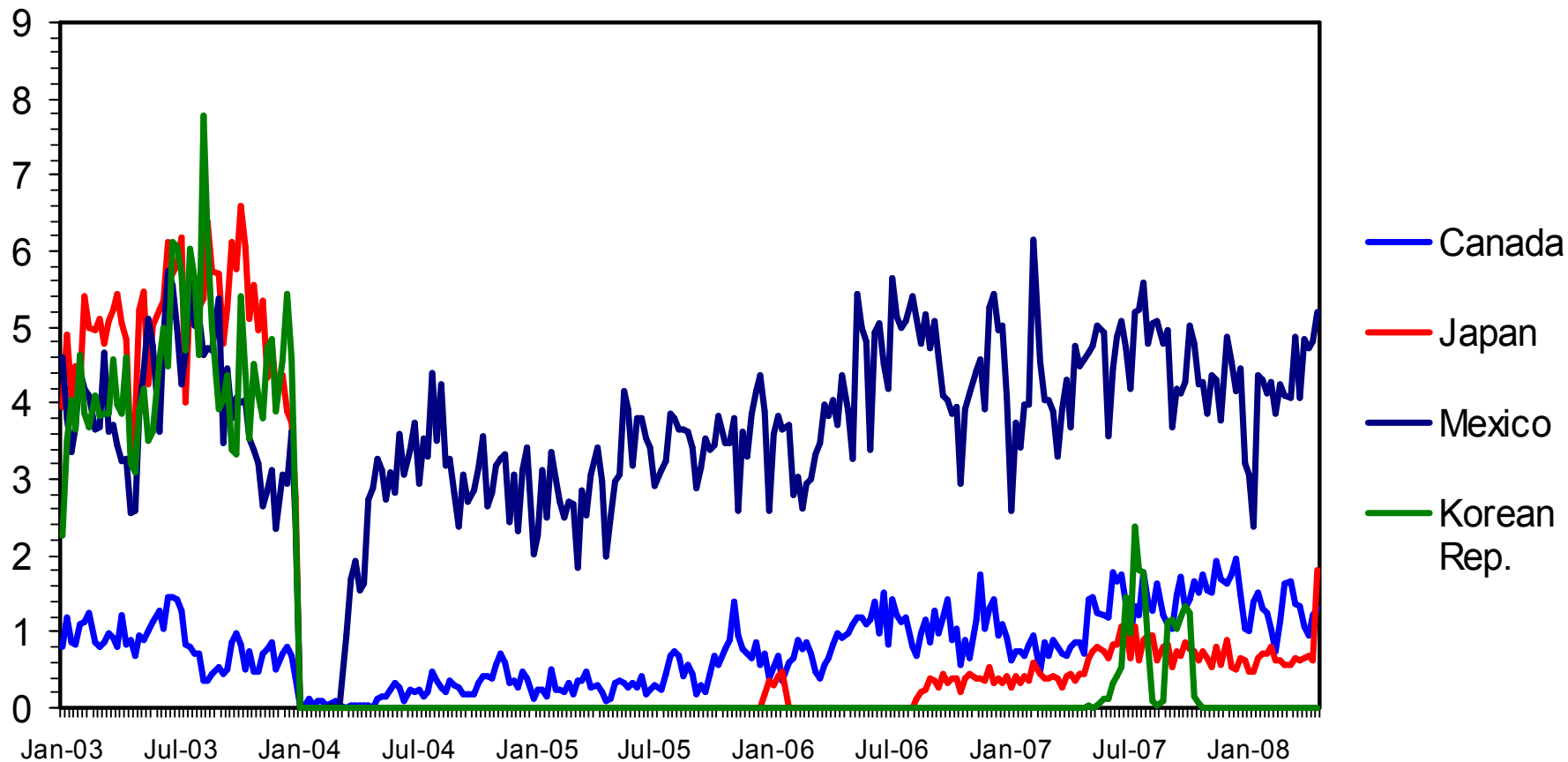
# Cattle Outlook

- Placements lower
- Weights continue heavy
- Supplies lower in fourth quarter
- Liquidation continues
- Feed cost pressure on calf prices?

# U.S. EXPORTS OF BEEF MUSCLE CUTS

1000 MT

Weekly

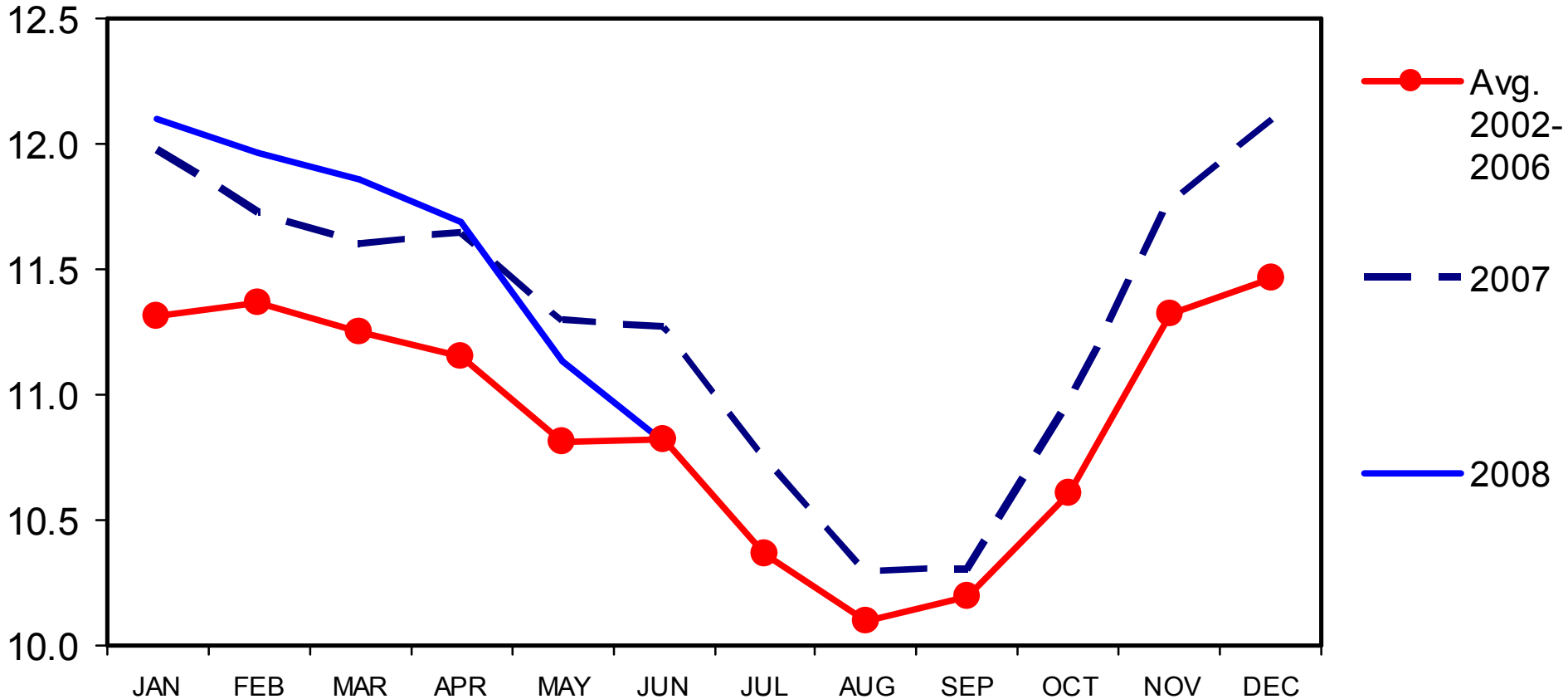


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# CATTLE ON FEED

## US Total, Monthly

Mil. Head



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Data Source: USDA/NASS

## Jan-May Placements Down

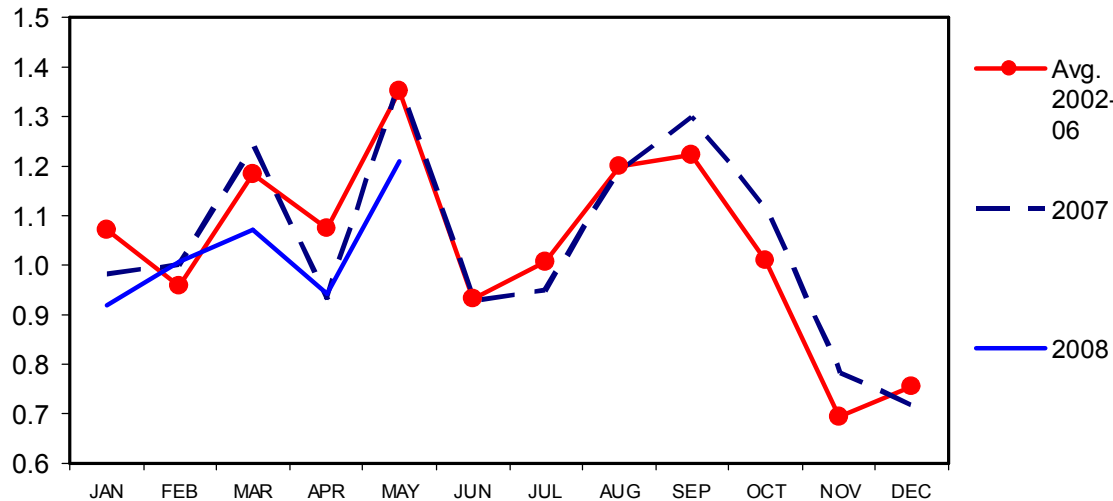
4%, 355,000 head

Placement of lighter  
cattle even with 2007

## CATTLE PLACED WEIGHING MORE THAN 700 POUNDS

1,000 Plus Capacity Feedlots, U.S., Monthly

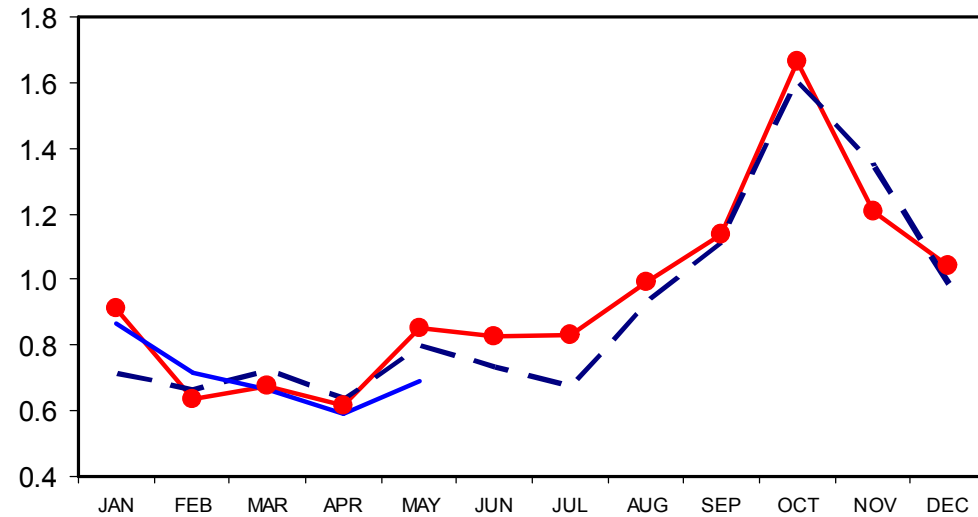
Mil. Head



## CATTLE PLACED WEIGHING LESS THAN 700 POUNDS

1,000 Plus Capacity Feedlots, U.S., Monthly

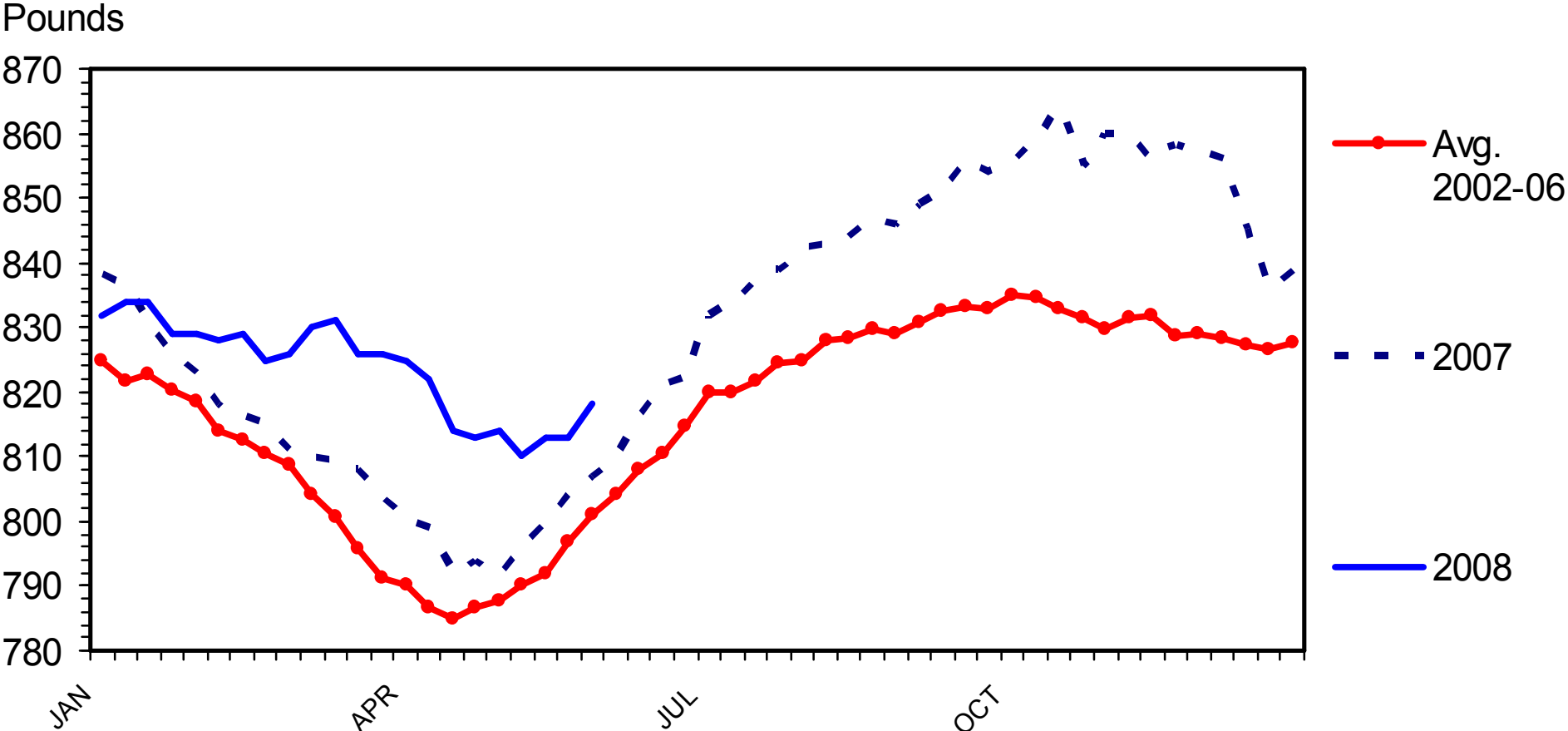
Mil. Head



- Placement of heavier cattle behind 2007
- Down 364,000 or -6.6%

# STEER DRESSED WEIGHT

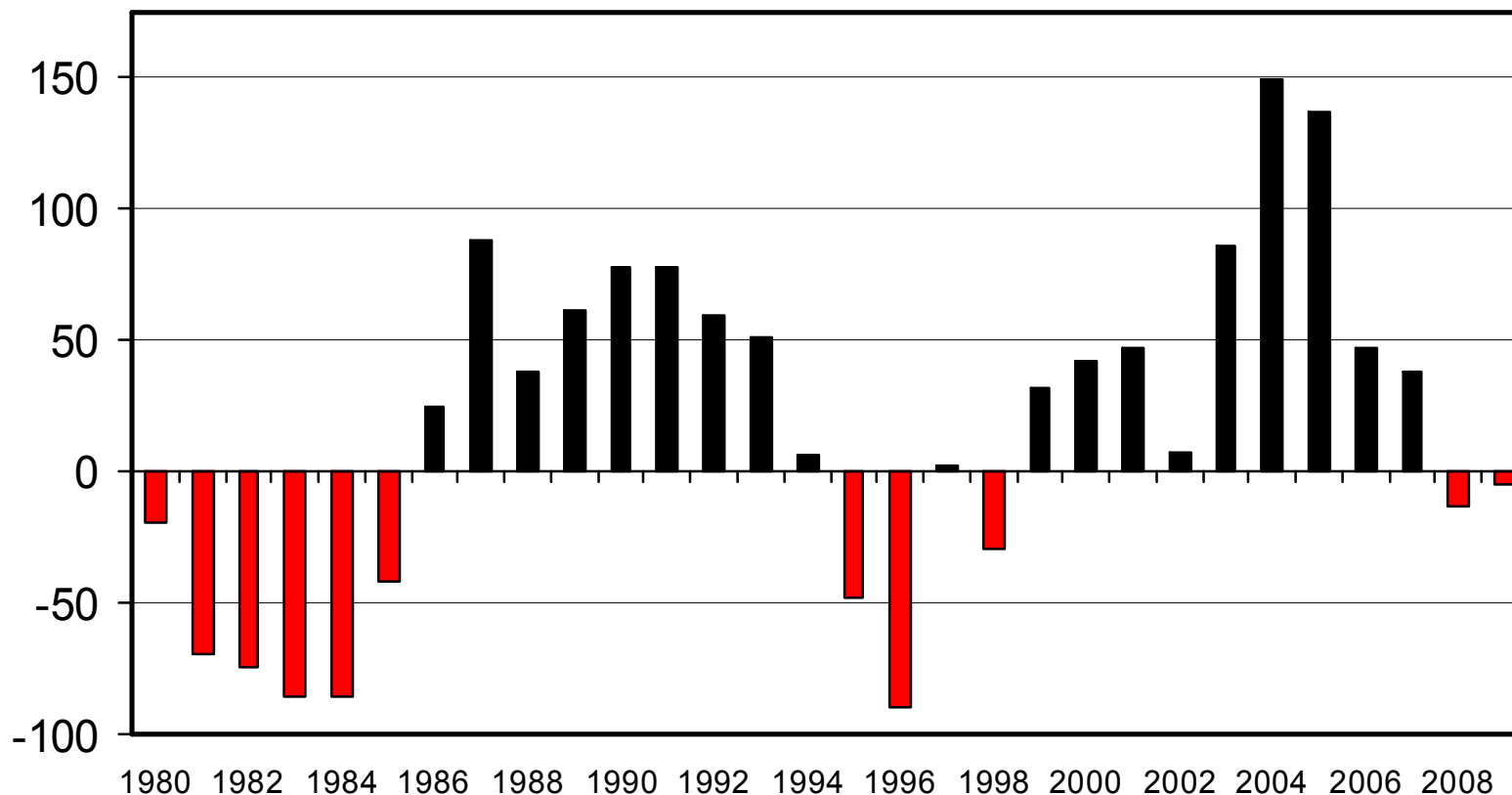
Federally Inspected, Weekly



# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

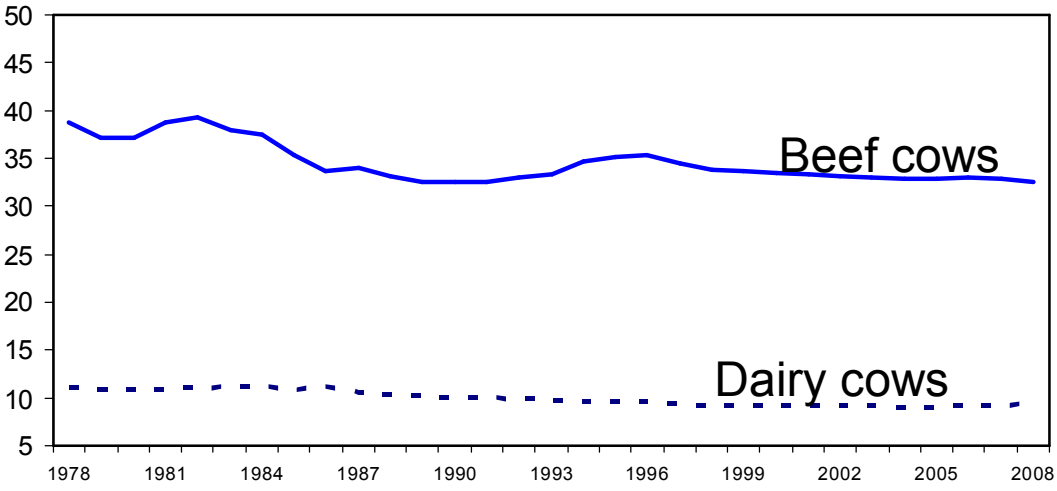
\$ Per Cow



# JANUARY 1 COW INVENTORY

U.S., Annual

Mil. Head



Beef Cows -1%

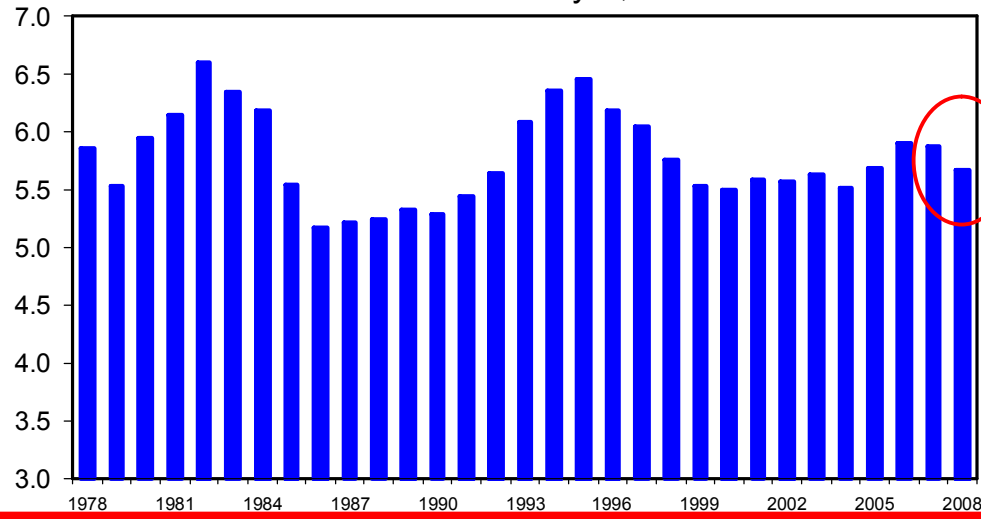
Beef Heifers -3.5%

Smallest beef cow inventory since 1990

## HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

Mil. Head



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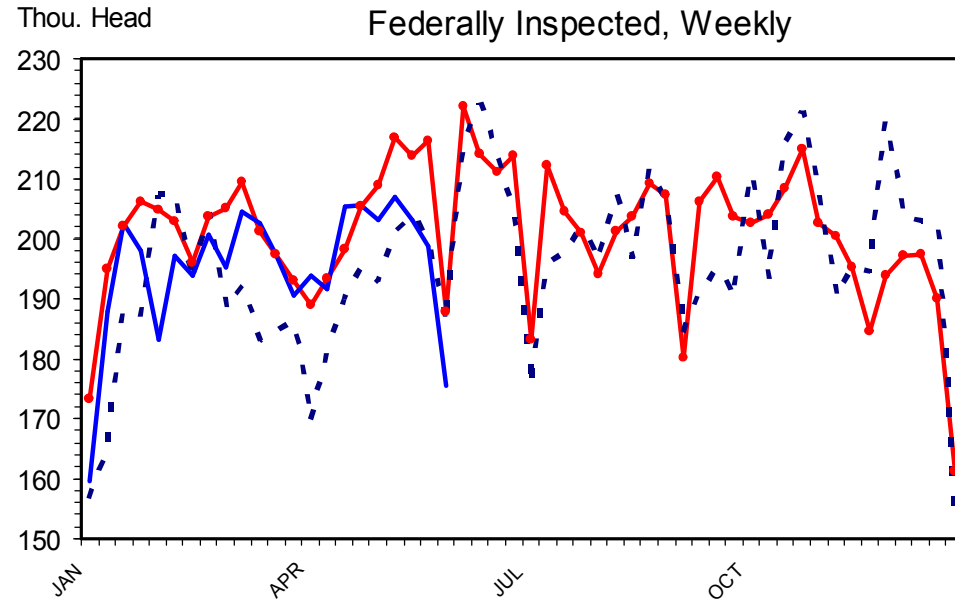
Data Source: USDA/NASS

First 23 weeks of 2008

- Heifer slaughter +2.6%
- Steer slaughter +0.8%

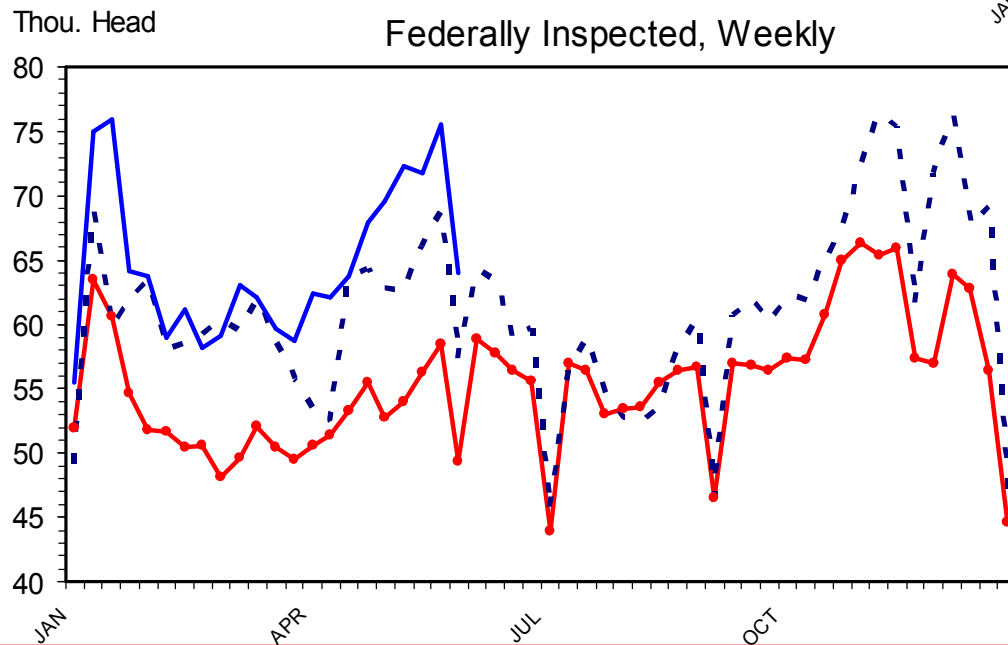
### HEIFER SLAUGHTER

Federally Inspected, Weekly



### BEEF COW SLAUGHTER

Federally Inspected, Weekly



- Avg. 2002-06
- - - 2007
- 2008

First 23 weeks of 2008

Total cow slaughter +4.9%

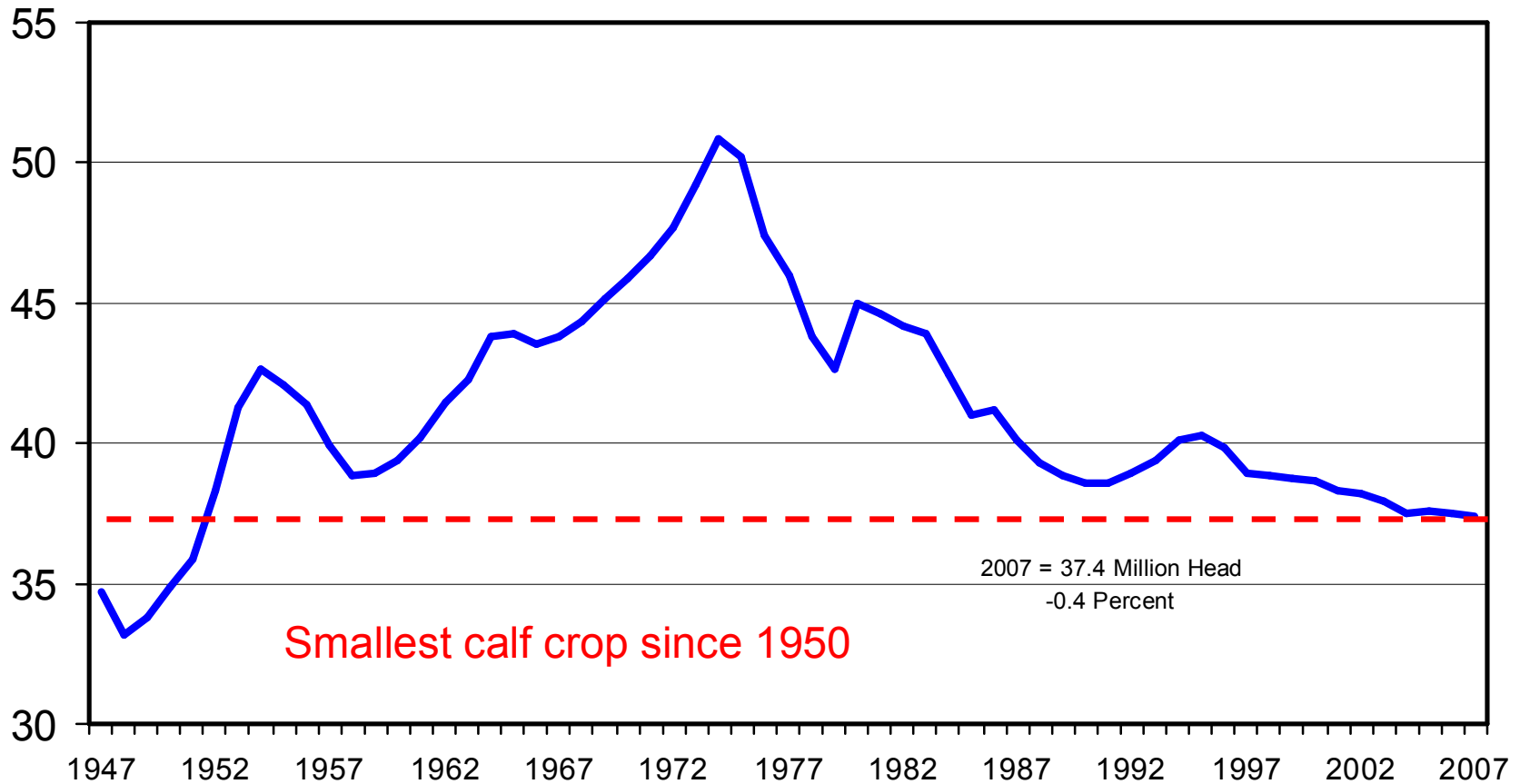
Milk cow +1.2%

Beef cow +8.0%

# CALF CROP

U.S., Annual

Mil. Head

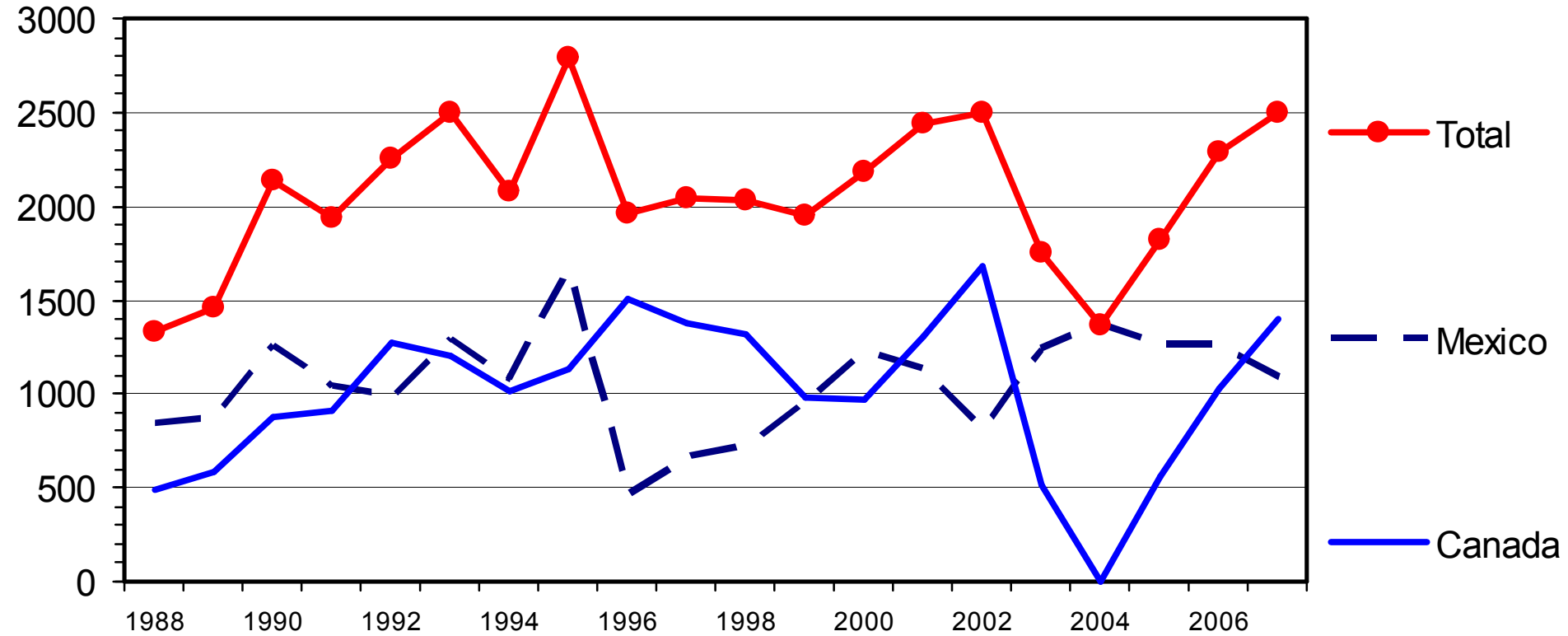


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Data Source: USDA/NASS

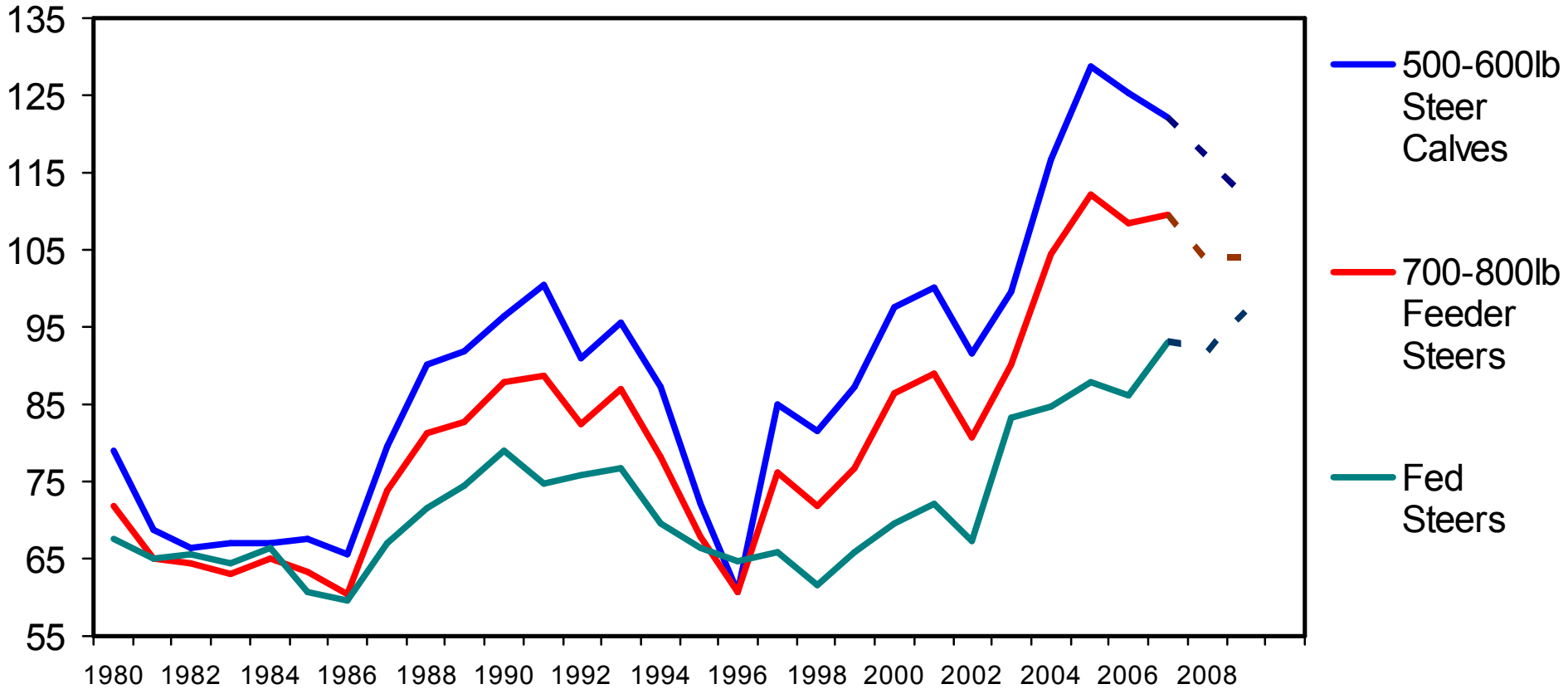
# U S LIVE CATTLE IMPORTS

Thou. Head



# ANNUAL AVERAGE CATTLE PRICES

\$ Per Cwt

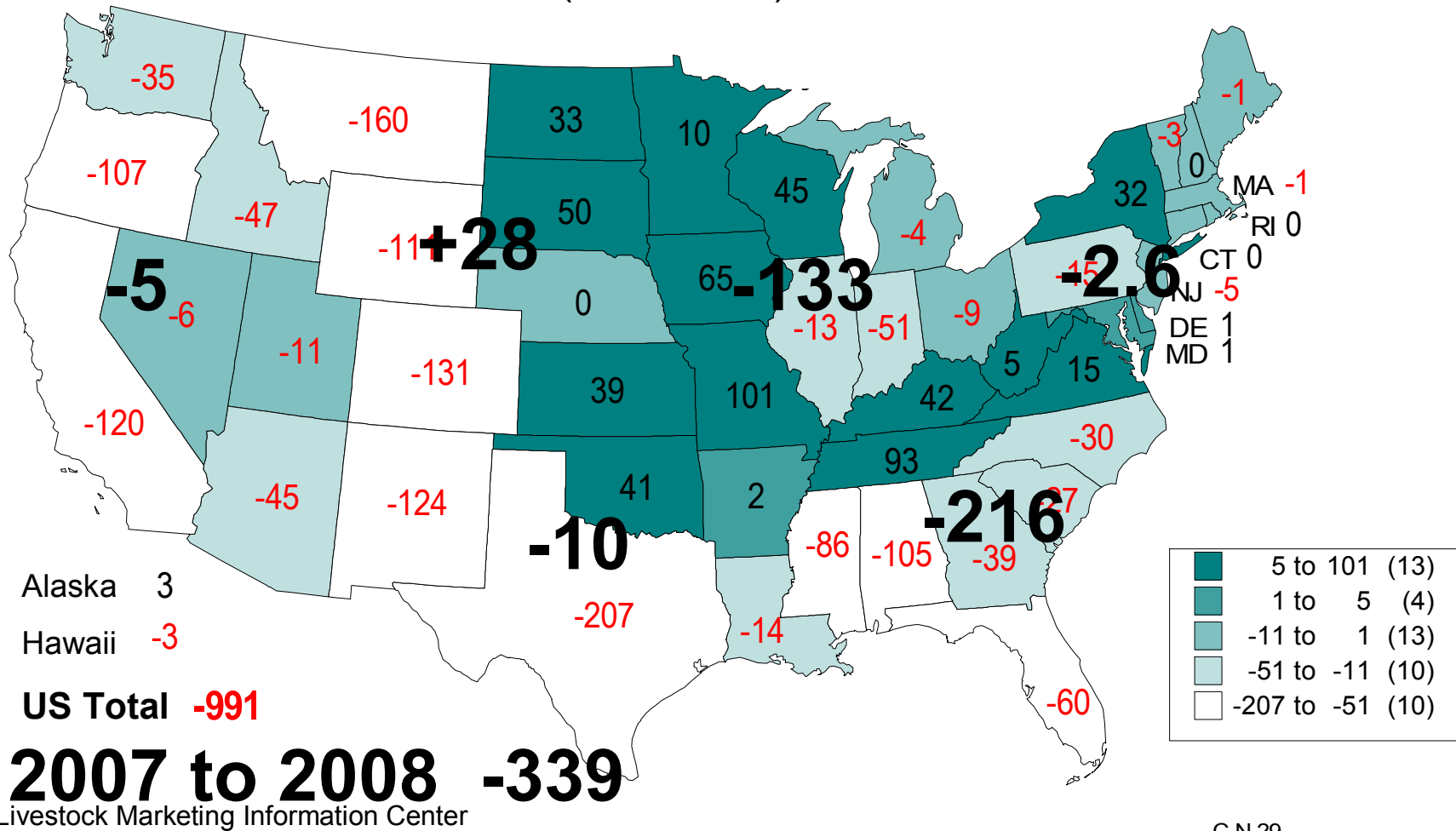


# Breakeven Purchase Price to Pay for 650# Steer Sold at 1300#

Corn Price	Fed Cattle Selling Price					
	\$90	\$95	\$100	\$105	\$110	\$115
\$4.00	\$101	\$110	\$120	\$130	\$139	\$149
\$4.50	\$97	\$107	\$116	\$126	\$136	\$146
\$5.00	\$94	\$103	\$113	\$123	\$132	\$142
\$5.50	\$90	\$100	\$110	\$119	\$129	\$139
\$6.00	\$87	\$97	\$106	\$116	\$126	\$135
\$6.50	\$84	\$93	\$103	\$113	\$122	\$132
\$7.00	\$80	\$90	\$100	\$109	\$119	\$129
\$7.50	\$77	\$86	\$96	\$106	\$115	\$125
\$8.00	\$73	\$83	\$93	\$102	\$112	\$122

40% MGDS @ \$85, Hay \$75, Int 6%, Trucking \$30, Deathloss 1%, Yardage \$.35

# CHANGE IN BEEF COW NUMBERS JANUARY 1, 1998 TO JANUARY 1, 2007 (1000 Head)



Data Source: USDA/NASS

C-N-29  
02/02/07

# Cattle Market Summary

- Large losses in feedlots currently
- Optimism about fall futures have feeder cattle bid well above hedgeable returns
- Korea announcement likely slow to materialize
- Cowherds pressured from both sides
- Excess capacity in feedlots will keep feeders higher than they should be

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*Thank you!*

Any Questions?

[www.econ.iastate.edu/faculty/lawrence/](http://www.econ.iastate.edu/faculty/lawrence/)