

Feeds, Price and Volatility

Growing Michigan Agriculture Conference

Lansing Center, Lansing, MI



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January 24, 2013

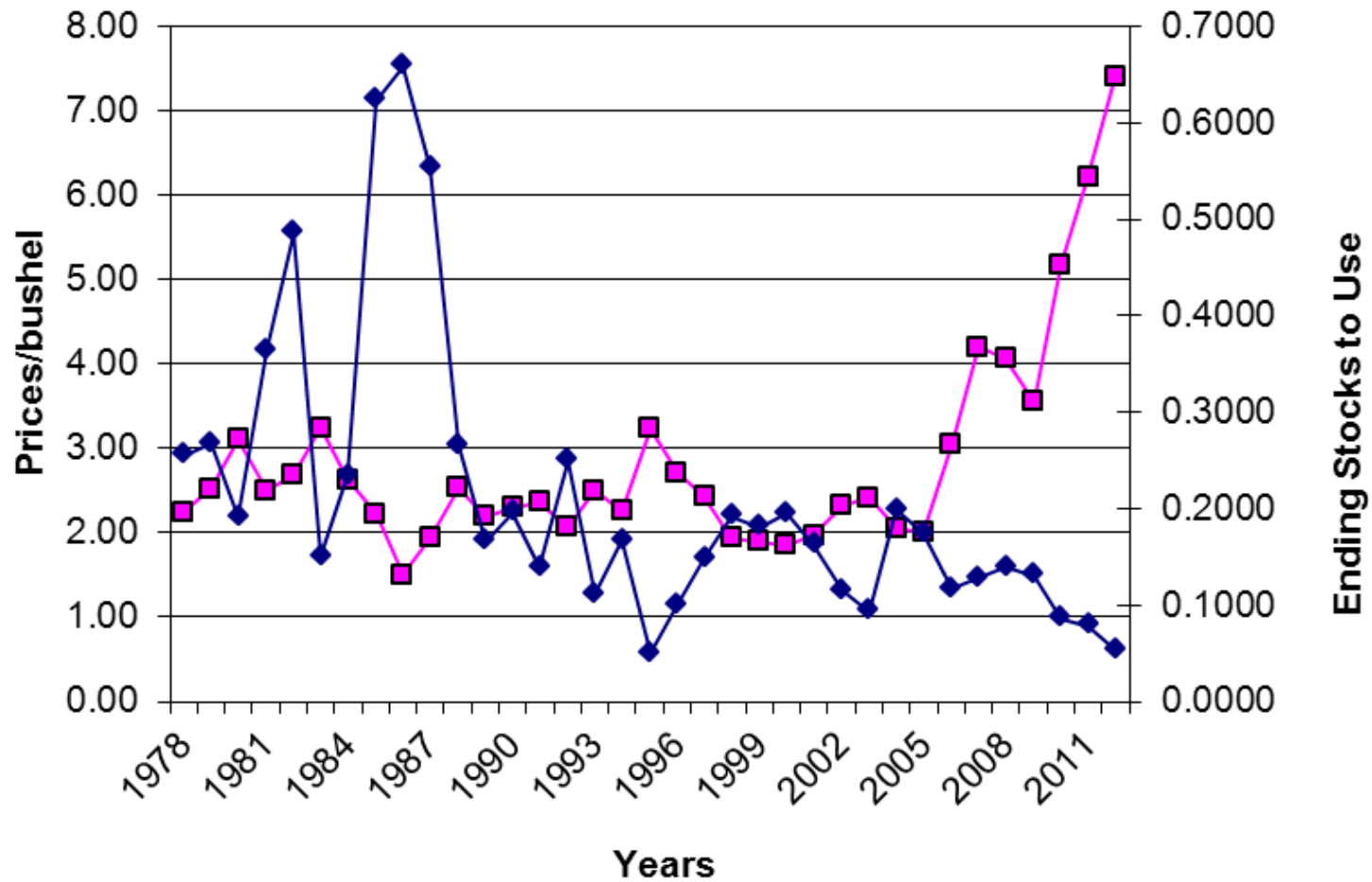
Feeds, Price and Volatility

- **Problem:** Low and risky returns to livestock producers despite relatively high, but volatile livestock prices.
- **Low Returns Largely Stems From:** High and volatile feed prices.
- **High and Volatile Prices caused by:** Tight projected stocks/ending stocks. Causes both high prices and volatility. Even small continuously changing Supply and Demand conditions are more pronounced.
- **Accented by:** Short supplies of all/most substitutes nationally, local conditions may differ marginally.

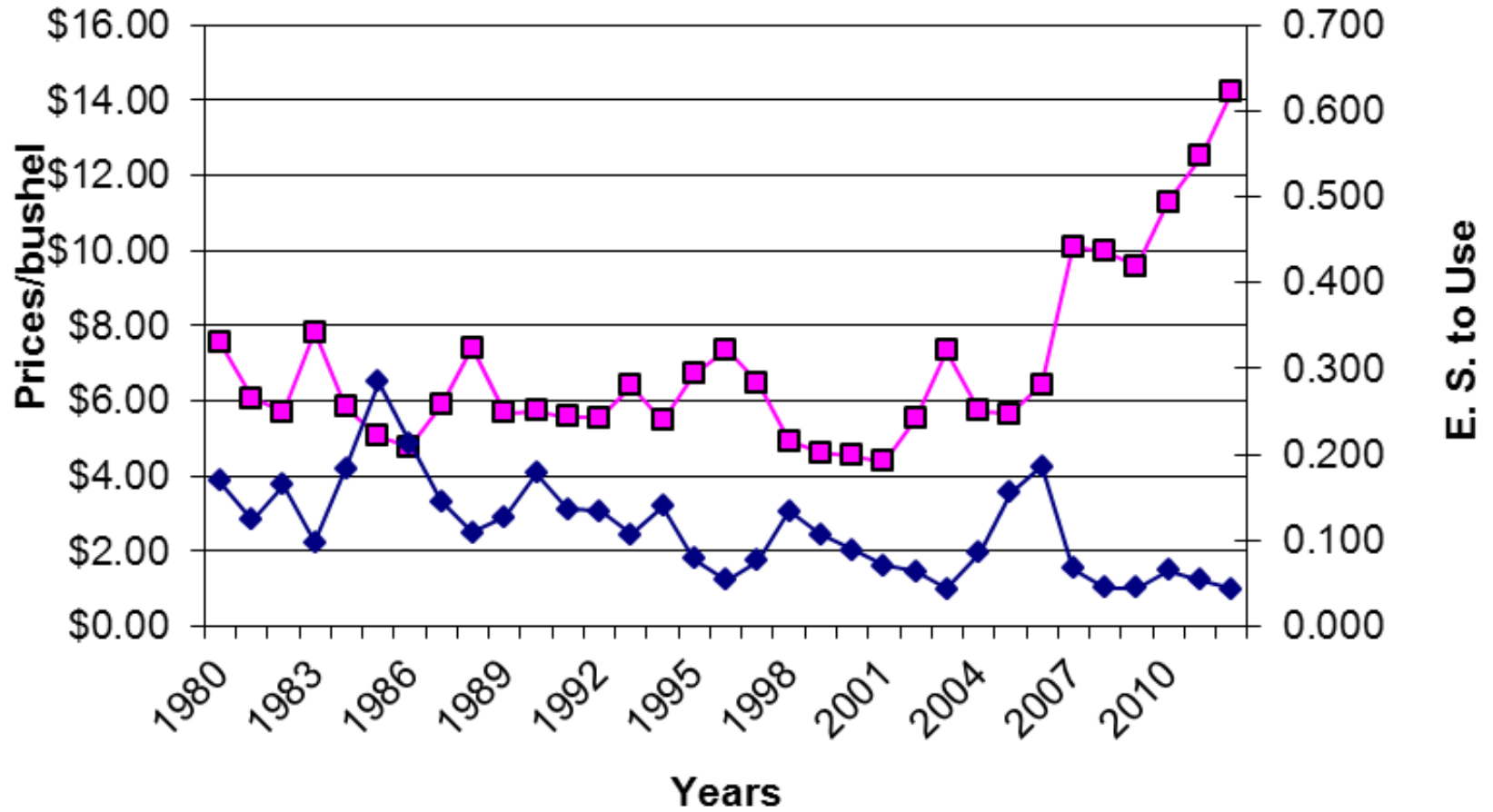
Feeds, Price and Volatility

- **How long will this last?** Until ending stocks are more plentiful.
- **When could that happen?** Could begin mid-summer and be in place by next fall.
- **Does it have to happen this fall?** No
- **To happen late this year:** Large feed crops in the U.S. and Rest of the World.
- **Otherwise:** Two “normal” years.
- **Could it get worse?** Yes
- **When?** This spring

Corn Prices versus E.S. to Use 1978-2012



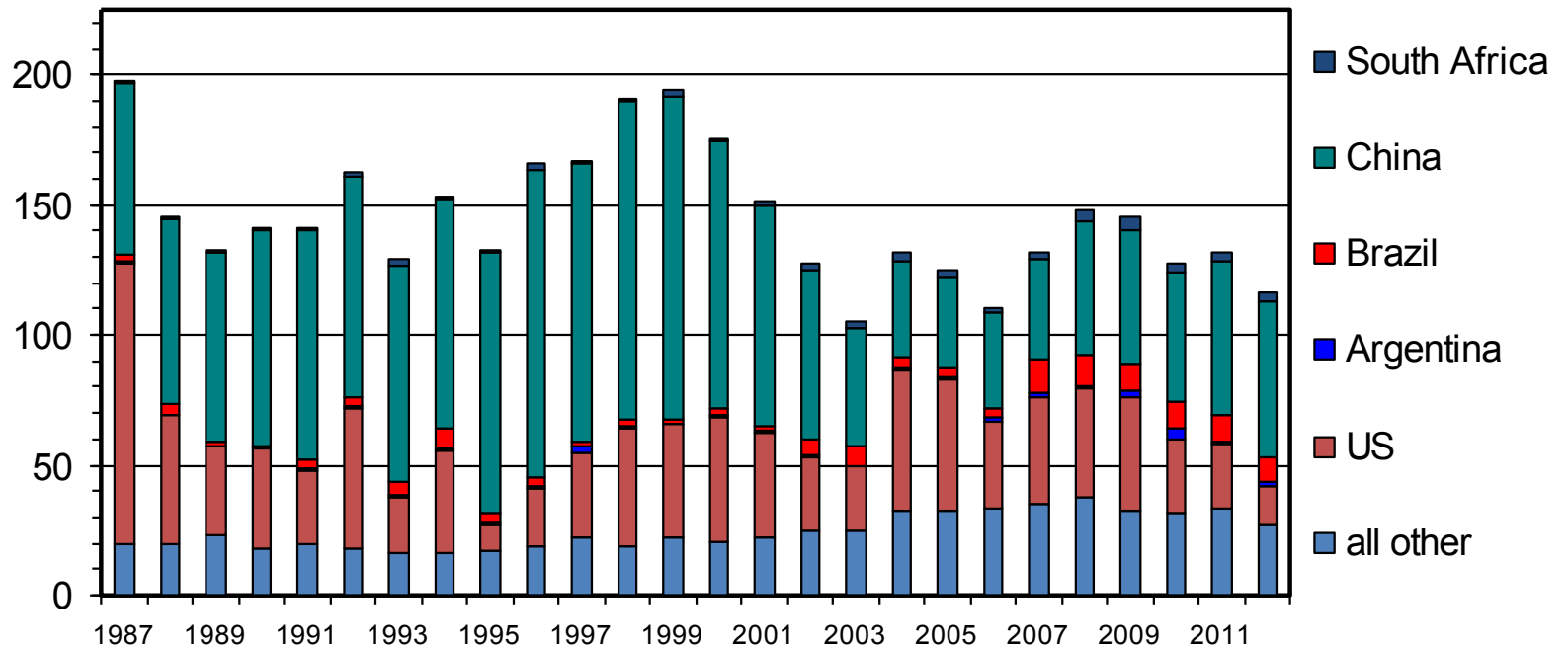
Soybean Prices versus E.S. to Use 1980-2012



WORLD CORN ENDING STOCKS

Crop Year

Mil. MT

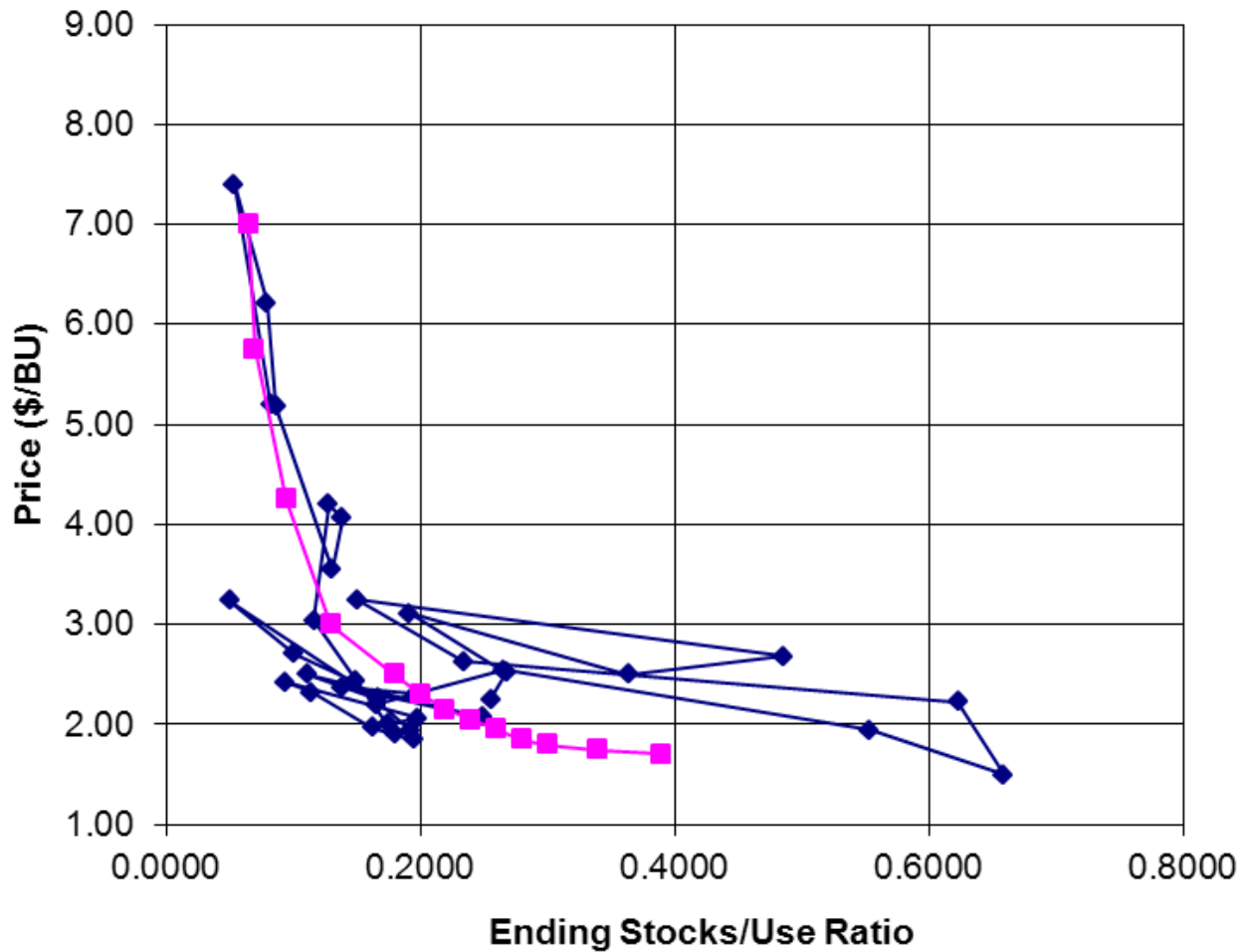


Monthly Corn Futures

ZC - Corn - Monthly Continuation OHLC Chart

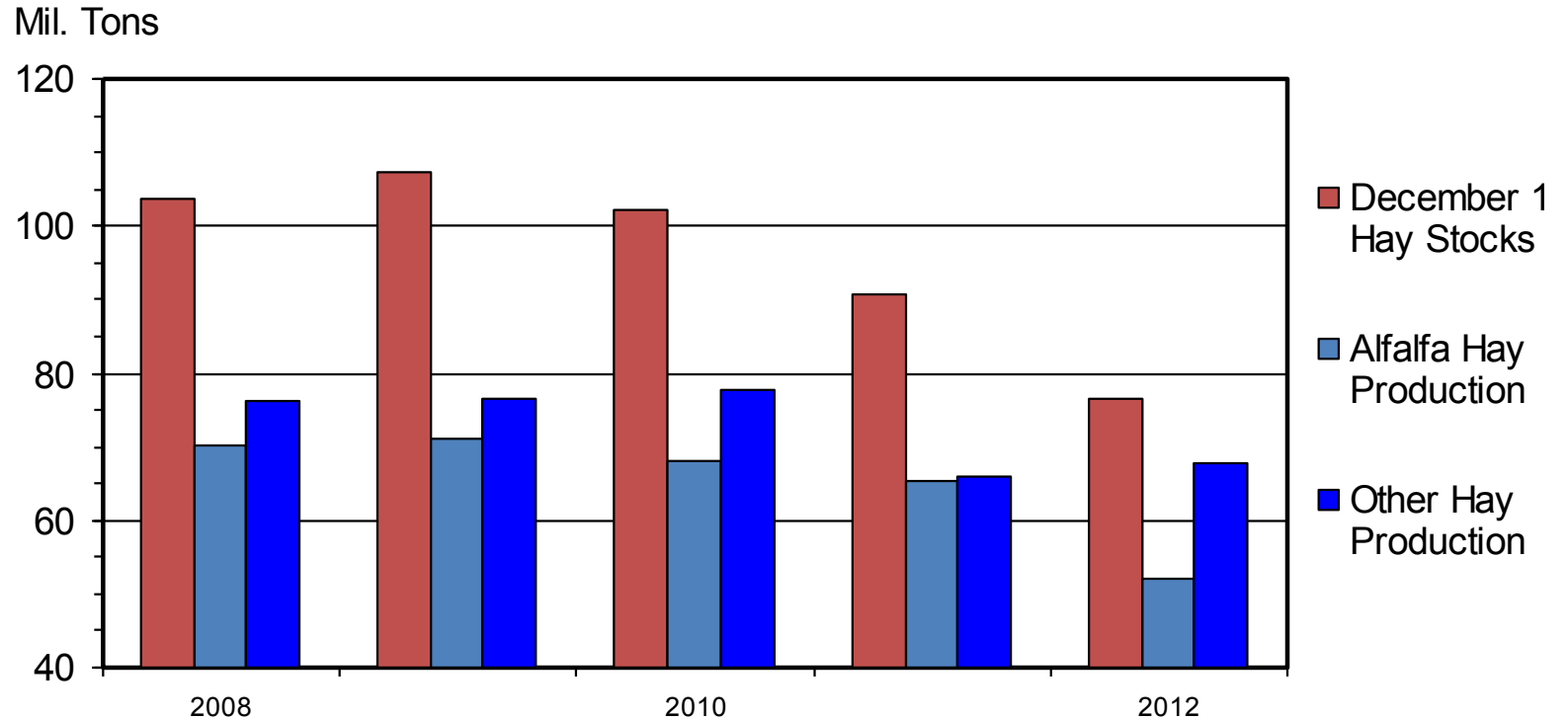


U.S. Corn Price vs Ending Stocks/Use Ratio 1978 - 2013



U S HAY STOCKS AND PRODUCTION

Crop Year



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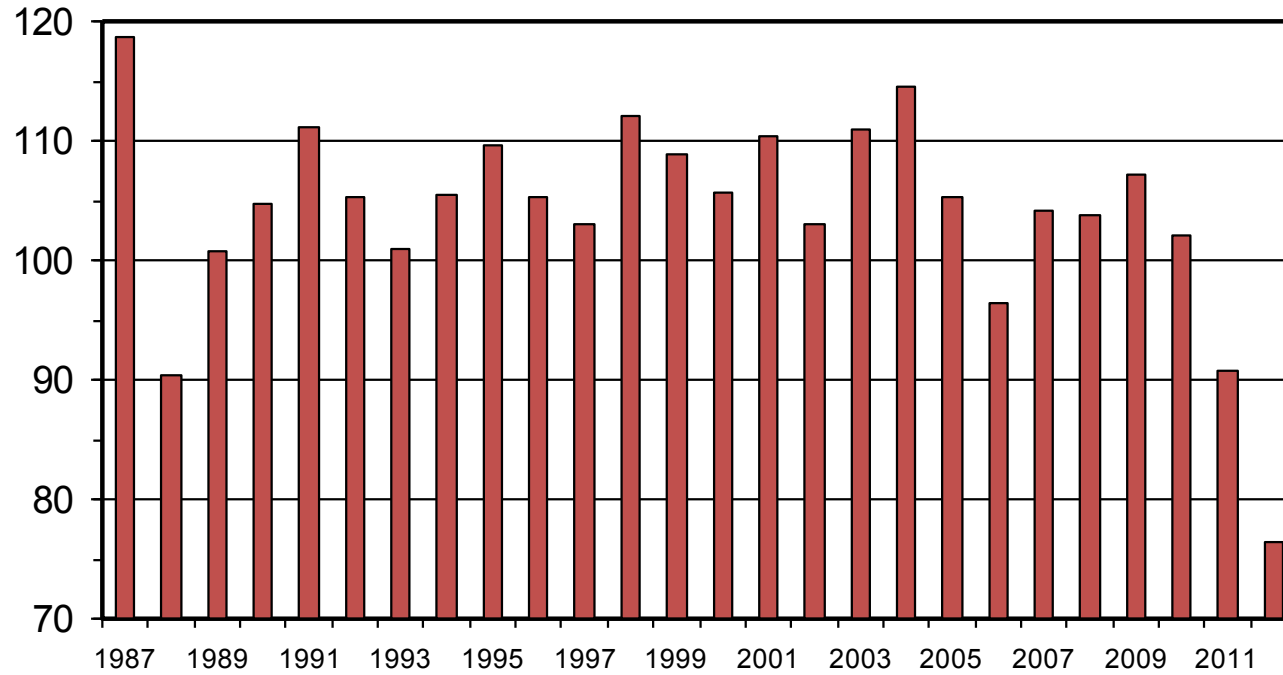
Data Source: USDA-NASS, Compiled & Forecasts by LMIC

01/11/13

U S ALL HAY STOCKS

December 1

Mil. Tons



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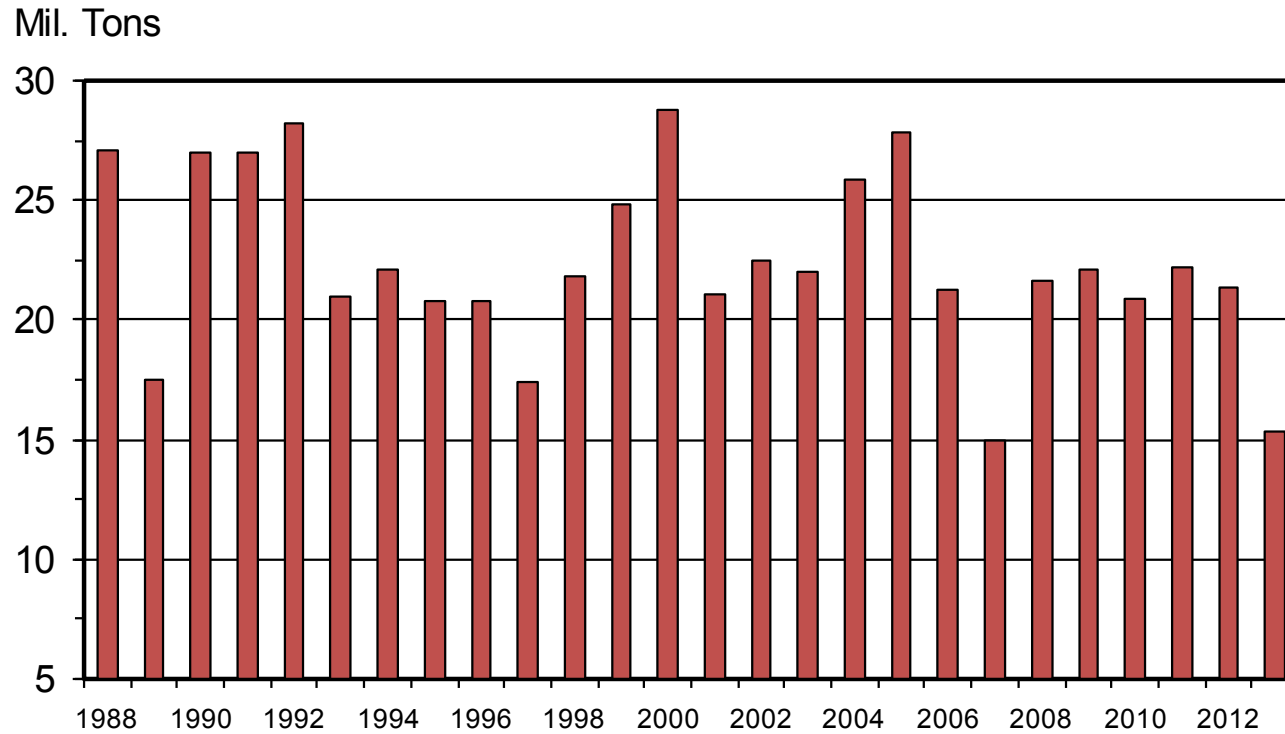
Data Source: USDA-NASS, Compiled & Forecasts by LMIC

G-NP-22

01/11/13

U S ALL HAY STOCKS

May 1 (Beginning of Crop Year)



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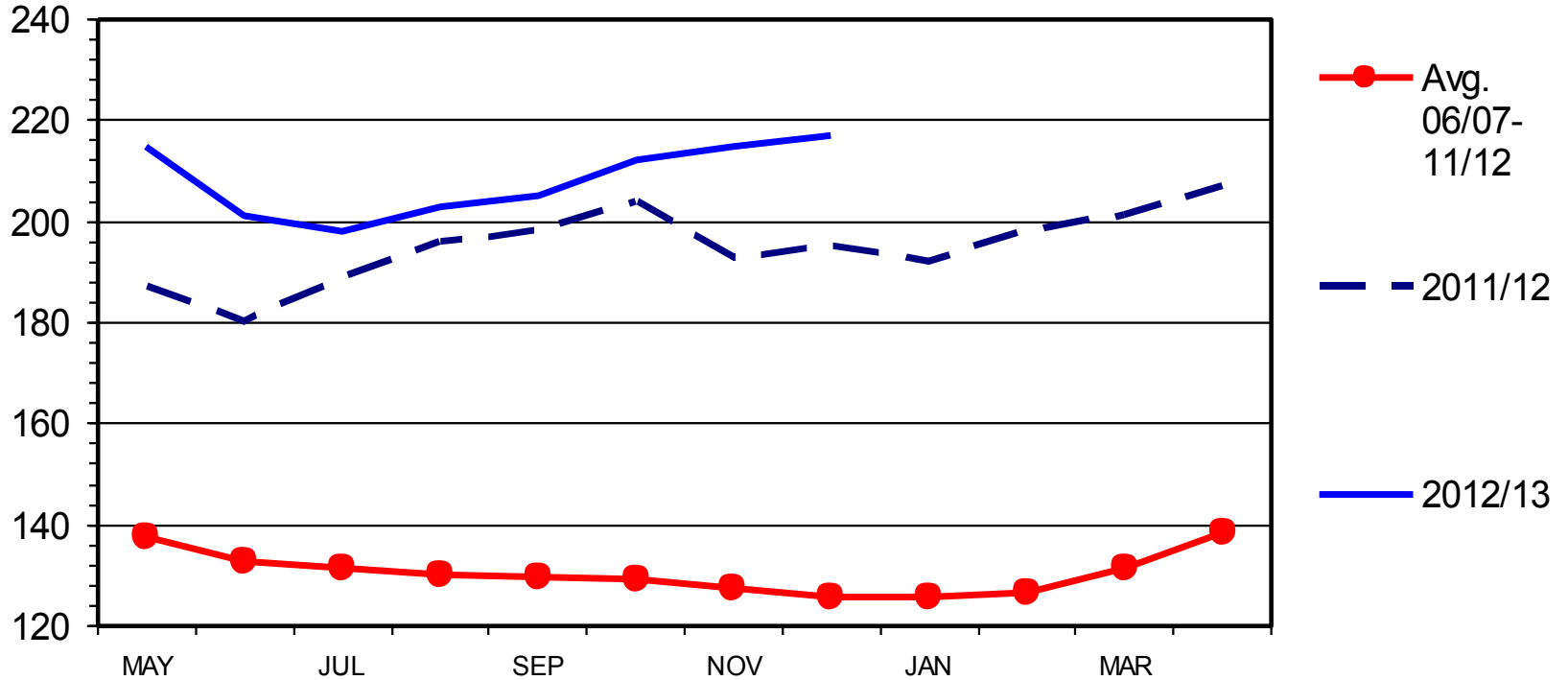
Data Source: USDA-NASS, Compiled & Forecasts by LMIC

G-NP-21
01/11/13

ALFALFA HAY - MONTHLY AVERAGE PRICE

Received by Farmers, U.S., Crop Year

\$ Per Ton



Livestock Marketing Information Center

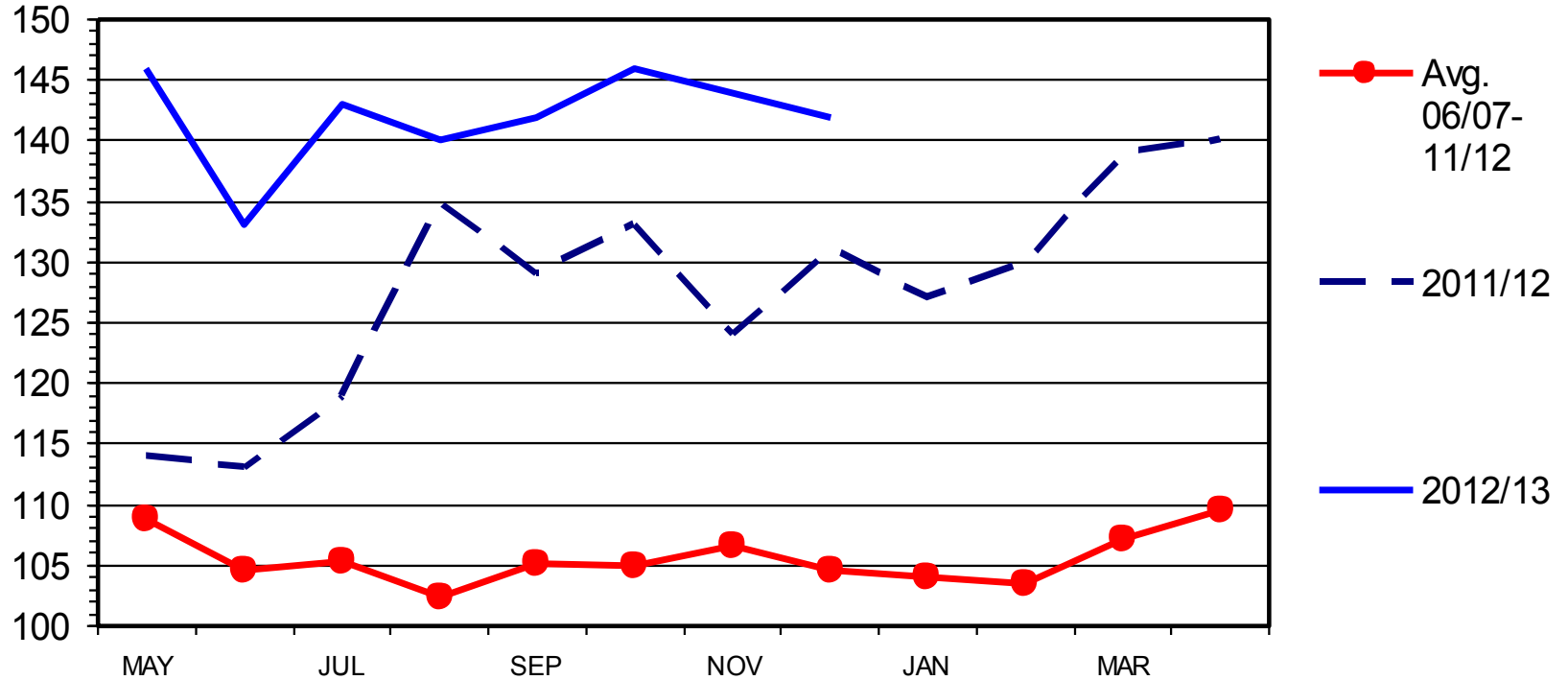
Data Source: USDA-NASS

G-P-12
12/31/12

OTHER HAY - MONTHLY AVERAGE PRICE

Received by Farmers, U.S., Crop Year

\$ Per Ton



Livestock Marketing Information Center

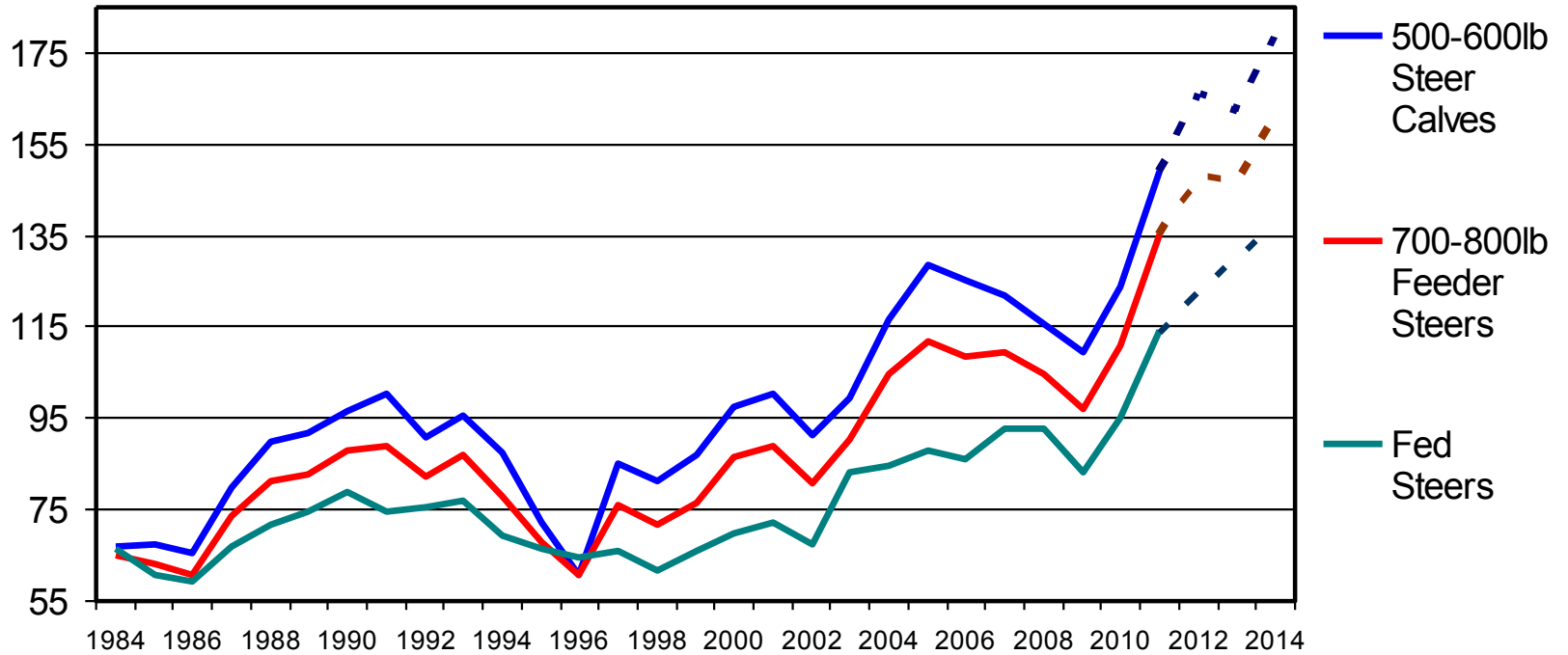
Data Source: USDA-NASS

G-P-13
12/31/12

ANNUAL AVERAGE CATTLE PRICES

Southern Plains

\$ Per Cwt

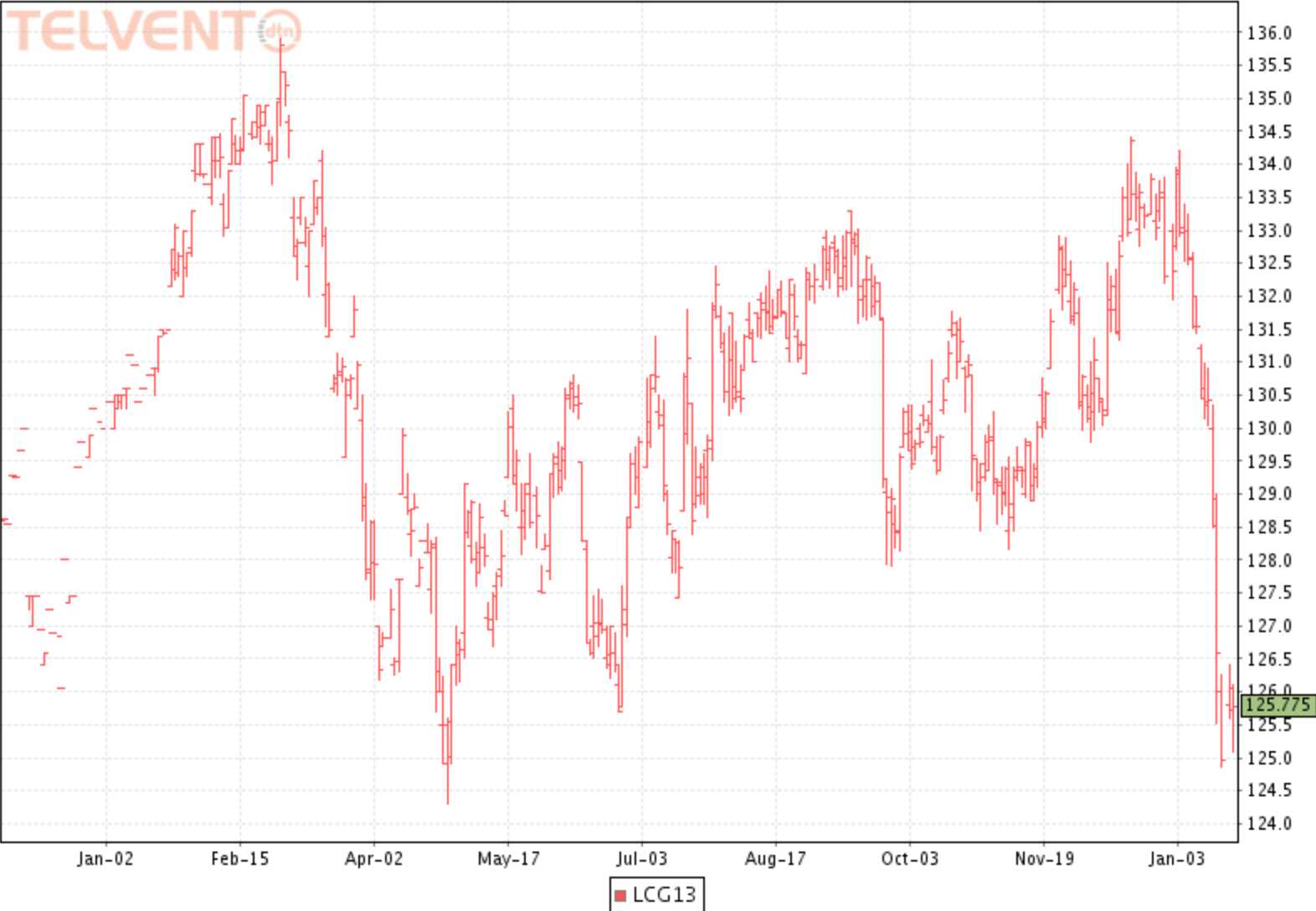


Livestock Marketing Information Center

Data Source: USDA-AMS, Compiled & Analysis by LMIC

C-P-06
09/23/12

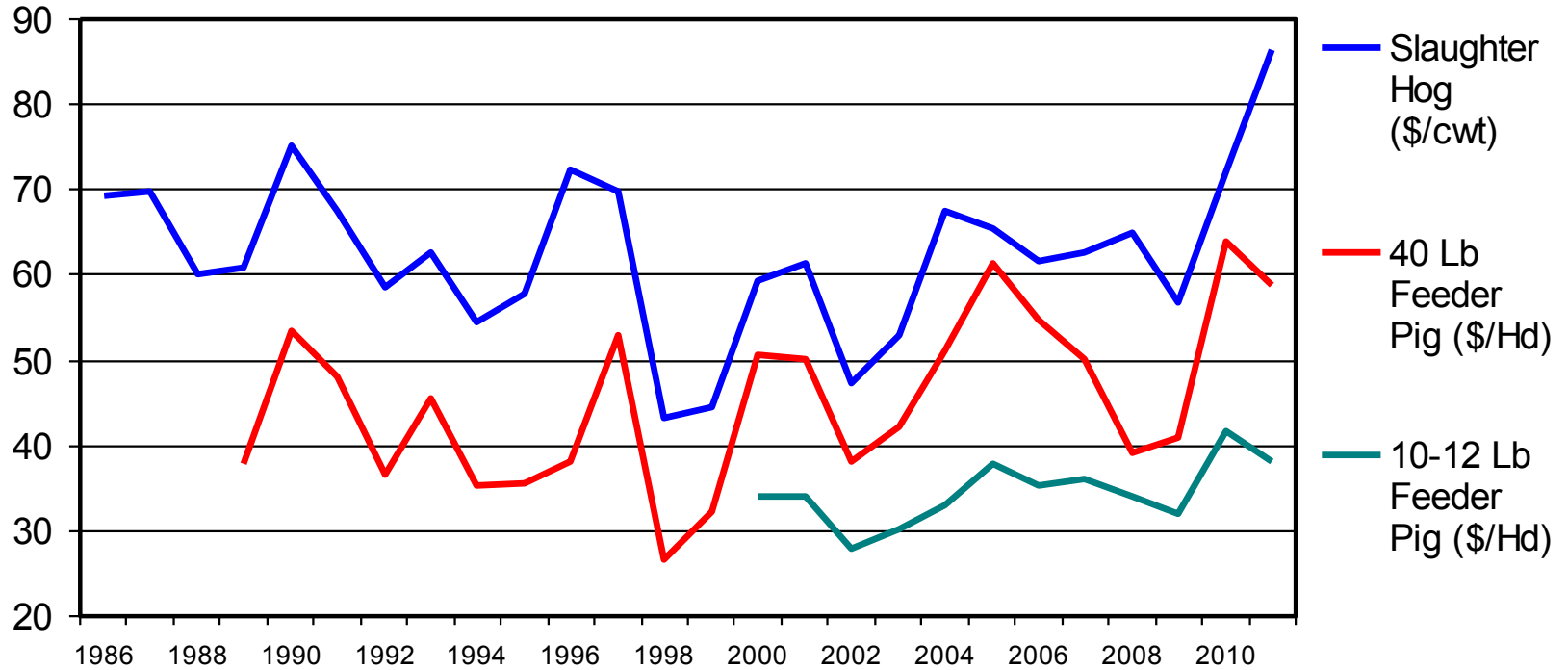
Feb Live Cattle Futures



ANNUAL AVERAGE HOG PRICES

National

Dollars

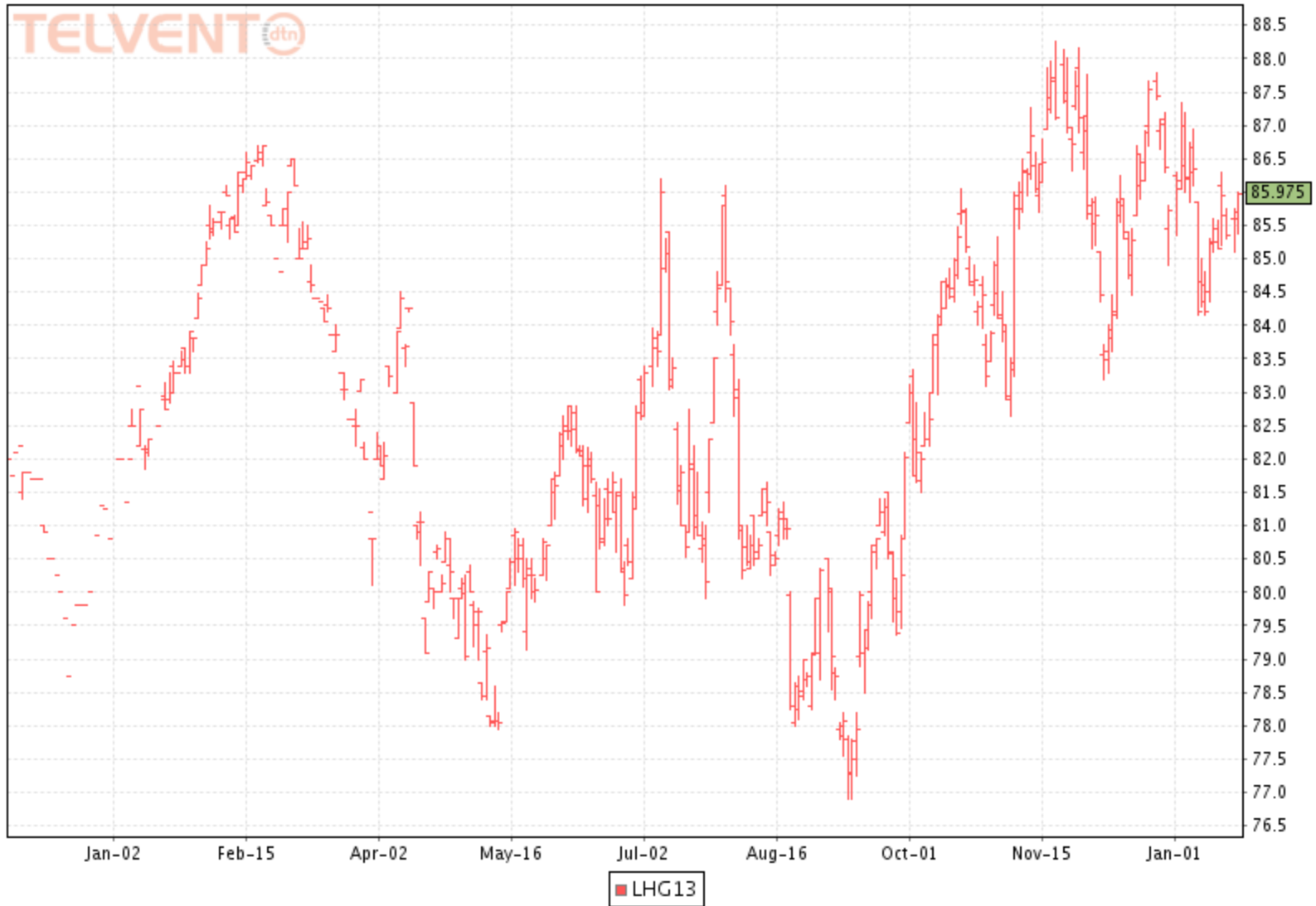


Livestock Marketing Information Center

Data Source: USDA-AMS

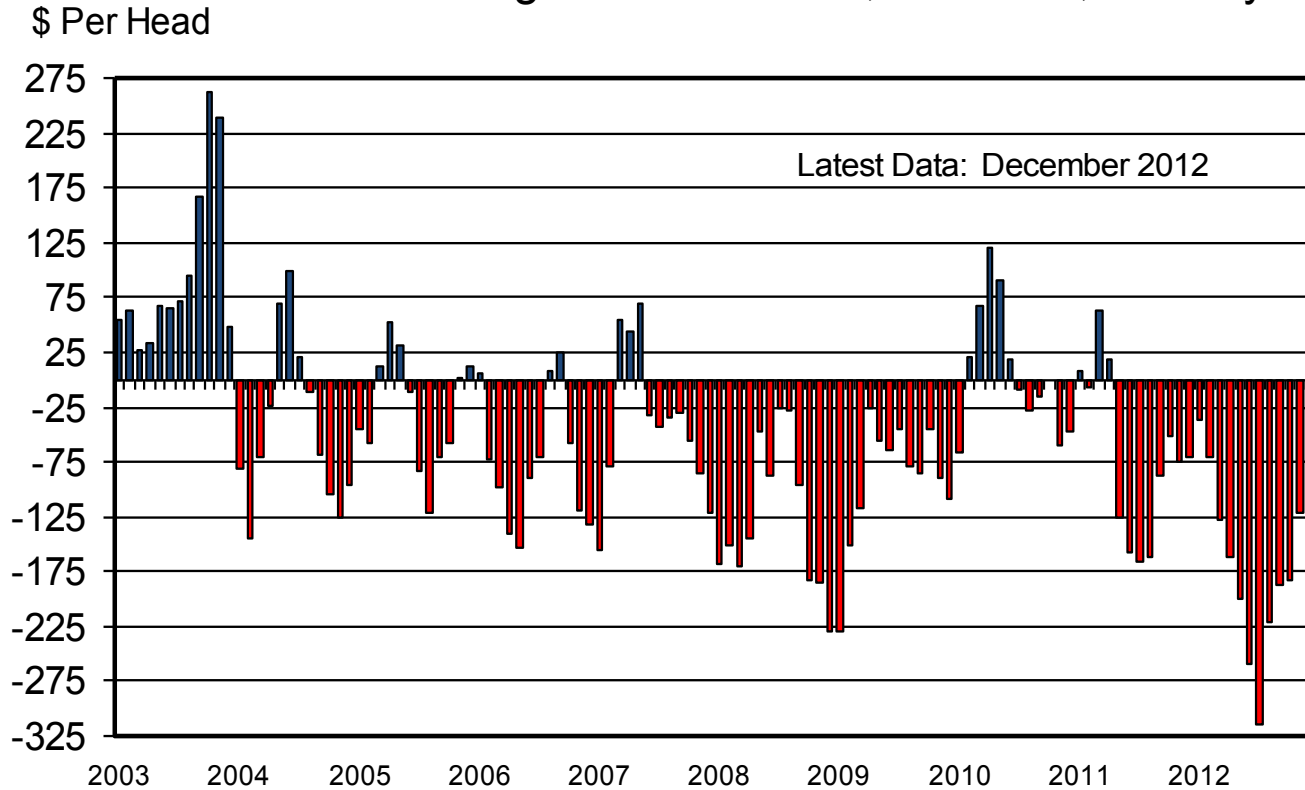
02/10/12

Feb Lean Hog Futures Prices



AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly



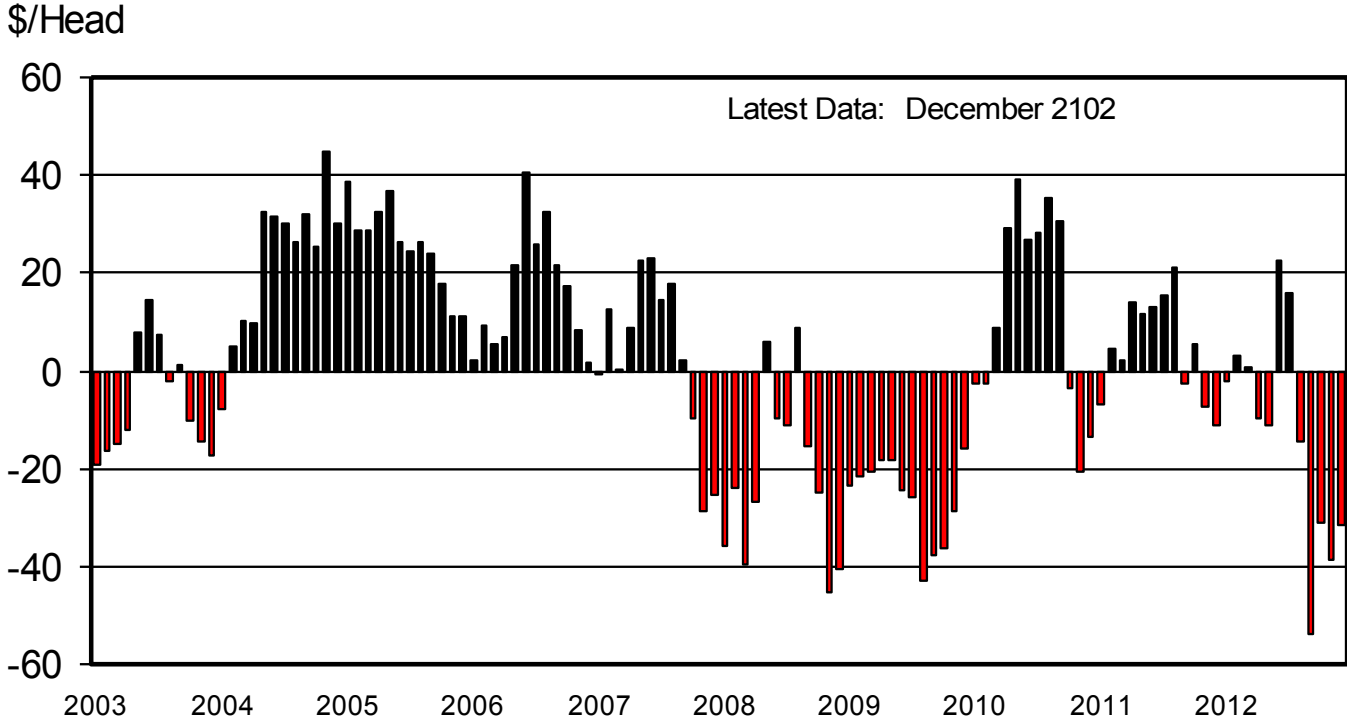
C-P-22
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Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

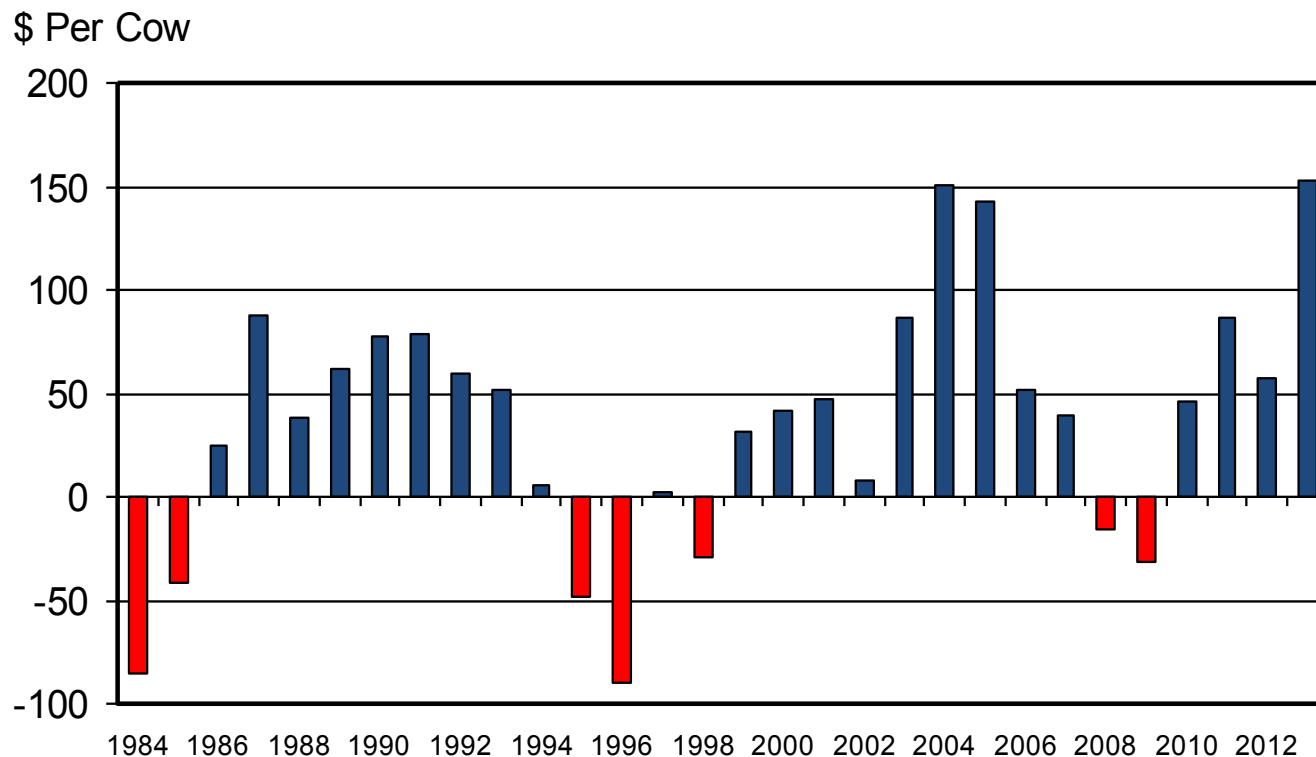
IOWA MARKET HOG PROFIT

Farrow/Finish, Monthly



ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

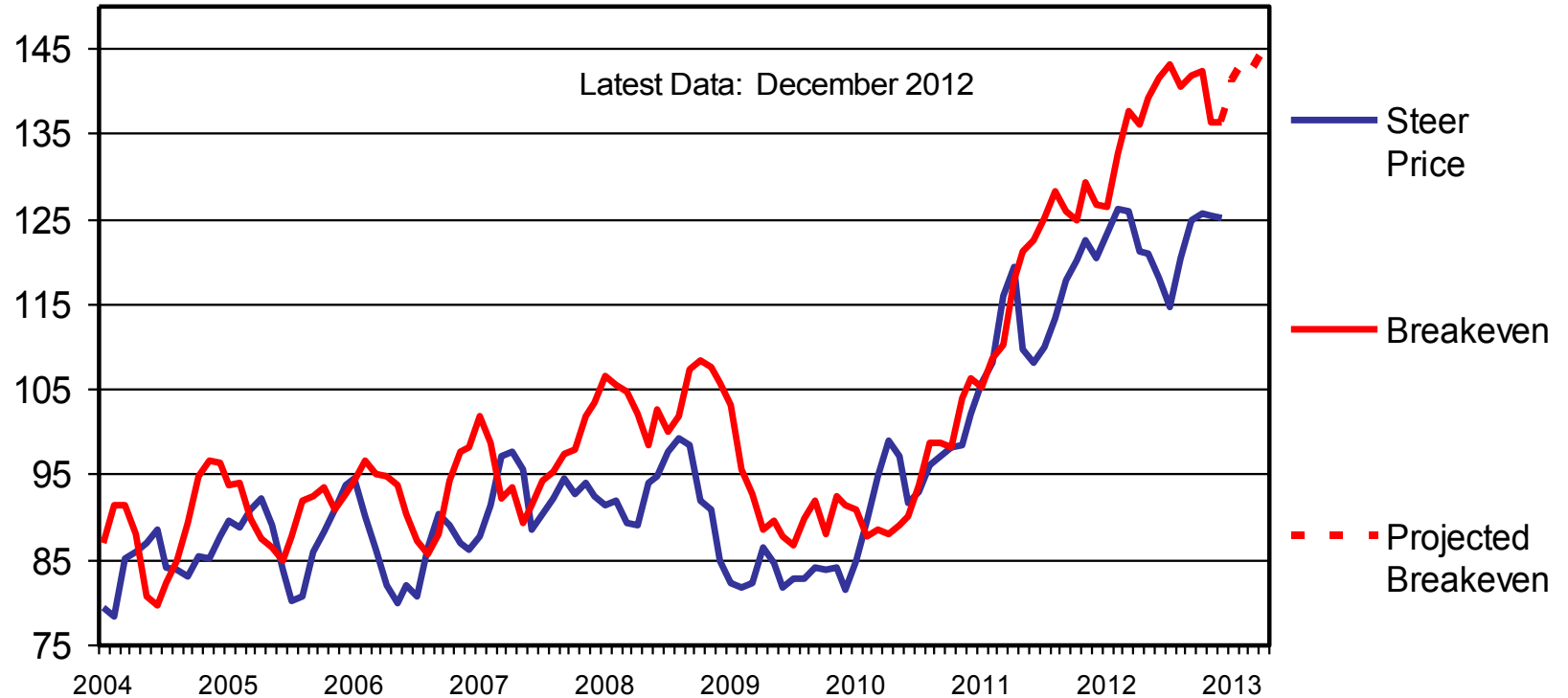
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-66
09/20/12

CHOICE STEER PRICE vs BREAKEVEN

Cattle Feeding, S. Plains, Monthly

\$ Per Cwt



Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

C-P-21
01/18/13

Feeds, Price and Volatility

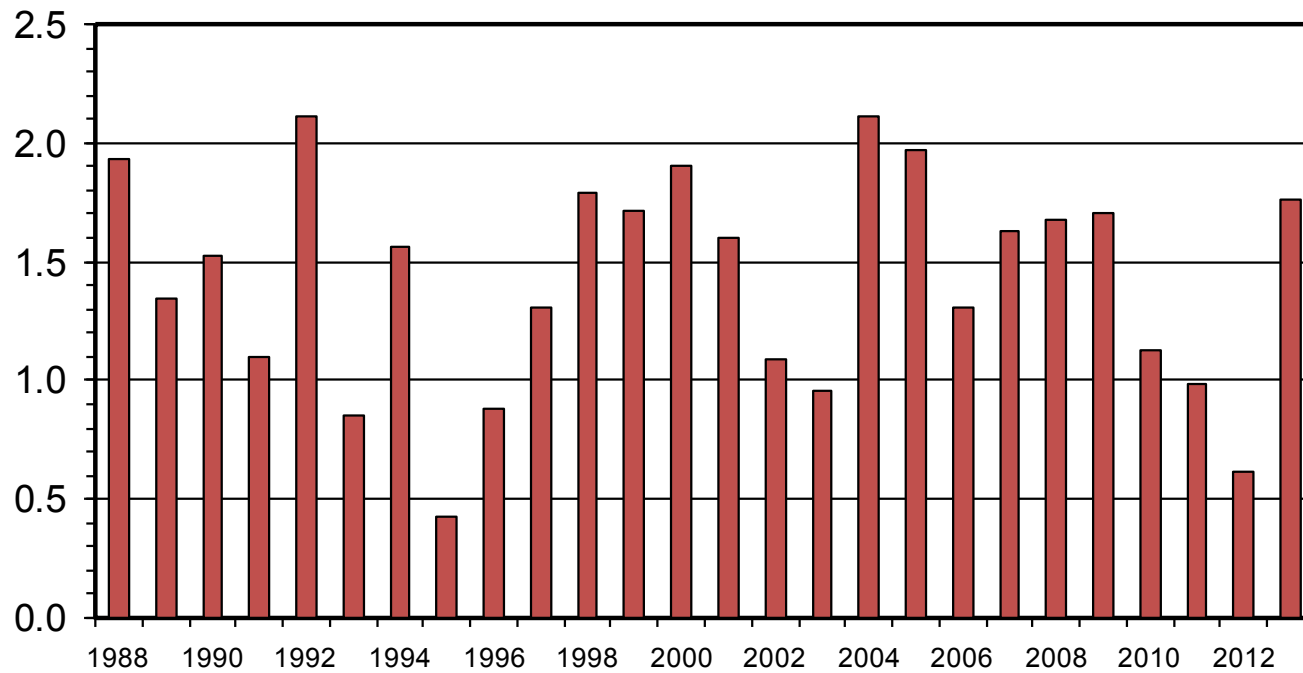
Michigan

- **Corn:** Michigan's projected 2012 corn yield was raised from 120 to 133 bu/acre in the January report. Shows the variability in supplies around the state. 2012 Michigan Corn Production down 5% from last year, even with 2 years ago. Corn Acres were up 6% and 10%.
- **Silage:** 2012 Silage Production was down 33% from 2010 and 2011. Silage acres were actually down this year, and we had lower yields. Abandoned acres were up.
- **Hay:** 2012 acres down 3% and yield down 33% relative to 2010 and 2011
- **Baled Corn Stalks?**

U S ANNUAL CORN ENDING STOCKS

Crop Year

Bil. Bushels



Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Forecasts by LMIC

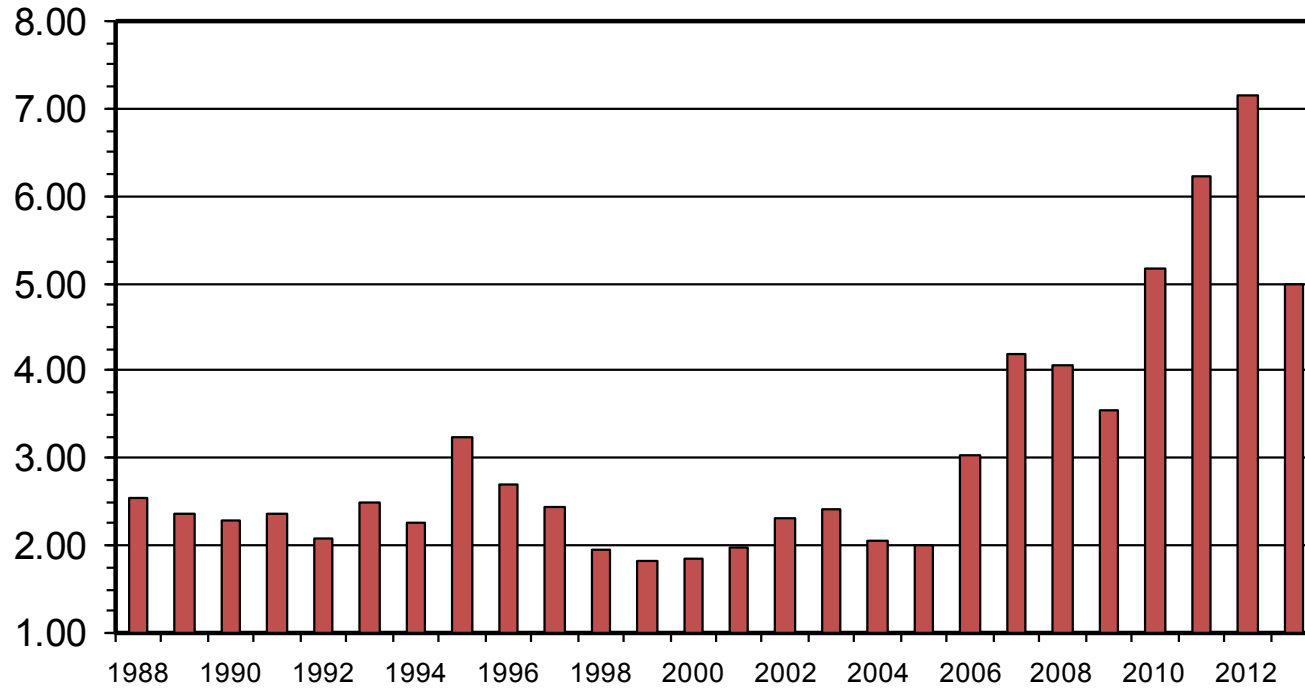
G-NP-09

01/11/13

NATIONAL AVERAGE CORN PRICE

Crop Year, Received by Farmers

\$ Per Bushel



Livestock Marketing Information Center

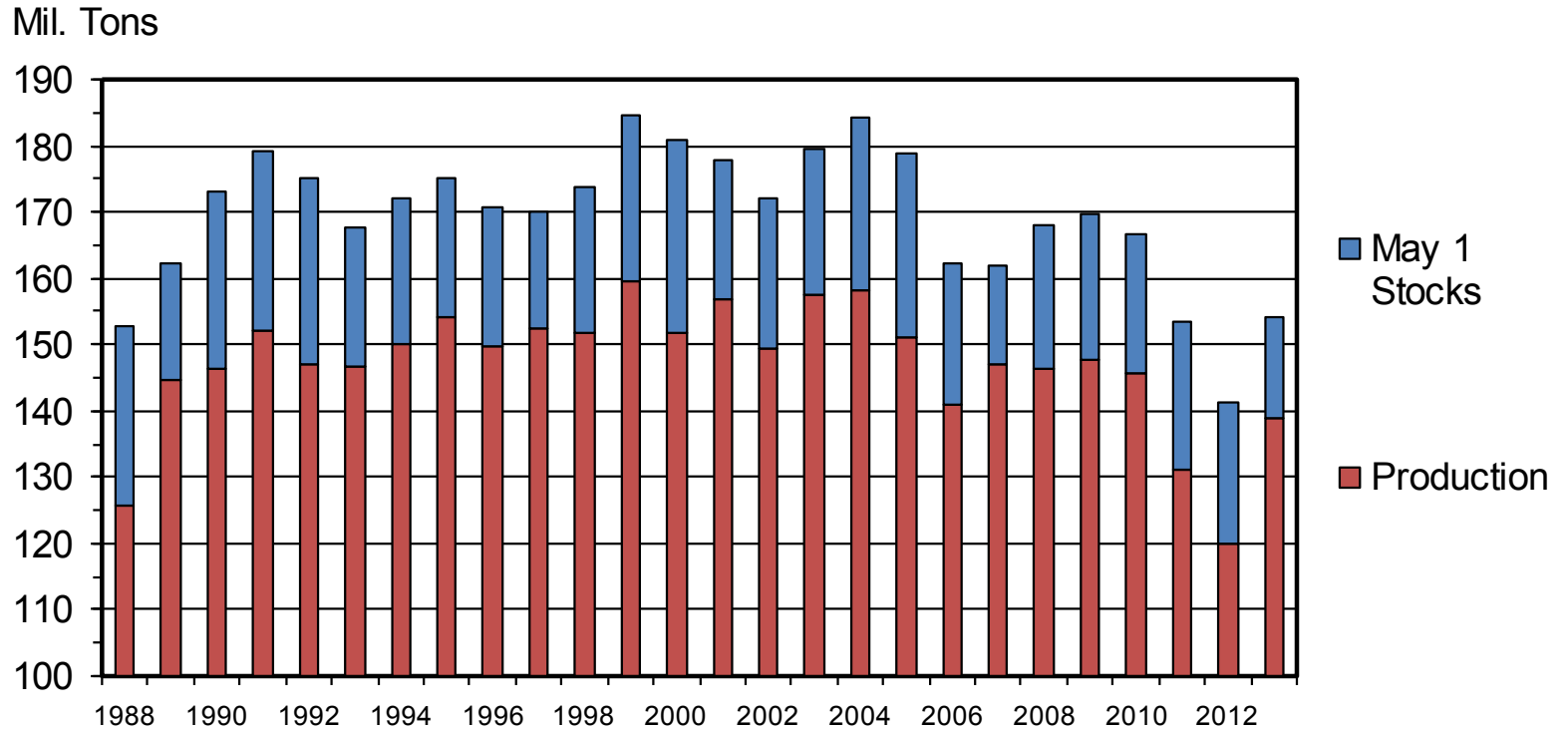
Data Source: USDA-NASS, Compiled & Forecasts by LMIC

G-NP-03

01/11/13

U S ALL HAY SUPPLY

Crop Year



Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Forecasts by LMIC

G-NP-19
01/11/13

Feeds, Price and Volatility

Probabilities

- **At this point the market is expecting a “normal” corn crop.**
- **July corn prices expected to be around \$7.00**
- **20% Chance of July Corn prices being \$8.00 or higher:** Probability means 2013 projected corn yield is expected to be 6-8 bu. below trend.
- **20% Chance July Corn prices being \$6.00 or lower:** Probability means 2013 projected corn yield is expected to be 4-6 bu. above trend.

Feeds, Price and Volatility

Probabilities

- **At this point the market is expecting a “normal” corn crop.**
- **Harvest corn prices expected to be \$5.20**
- **20% Chance Harvest Corn prices being \$7.00 or higher:** Probability means 2013 corn yield was 6-8 bu. below trend.
- **20% Chance Harvest Corn prices being \$4.40 or lower:** Probability means 2013 corn yield was 4-6 bu. above trend.

Thanks

Questions/Discussion

Jim Hilker's Web Page

<http://www.msu.edu/user/hilker/>

MICHIGAN STATE

UNIVERSITY

Extension

Dairy

Feeds, Price and Volatility

Growing Michigan Agriculture Conference

Lansing Center, Lansing, MI



Chris Wolf

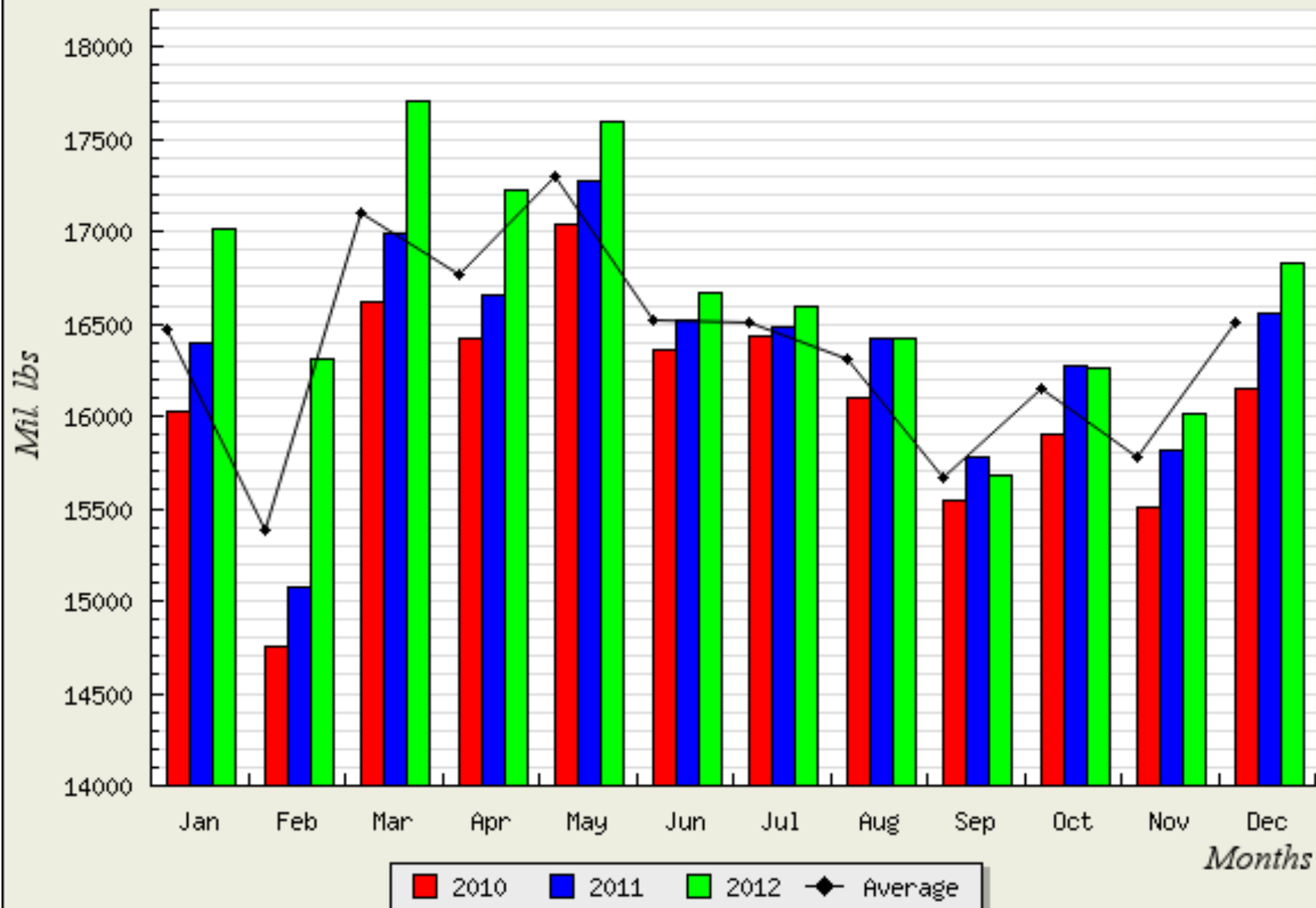
Agricultural, Food, and Resource Economics Department

Michigan State University

January 24, 2013

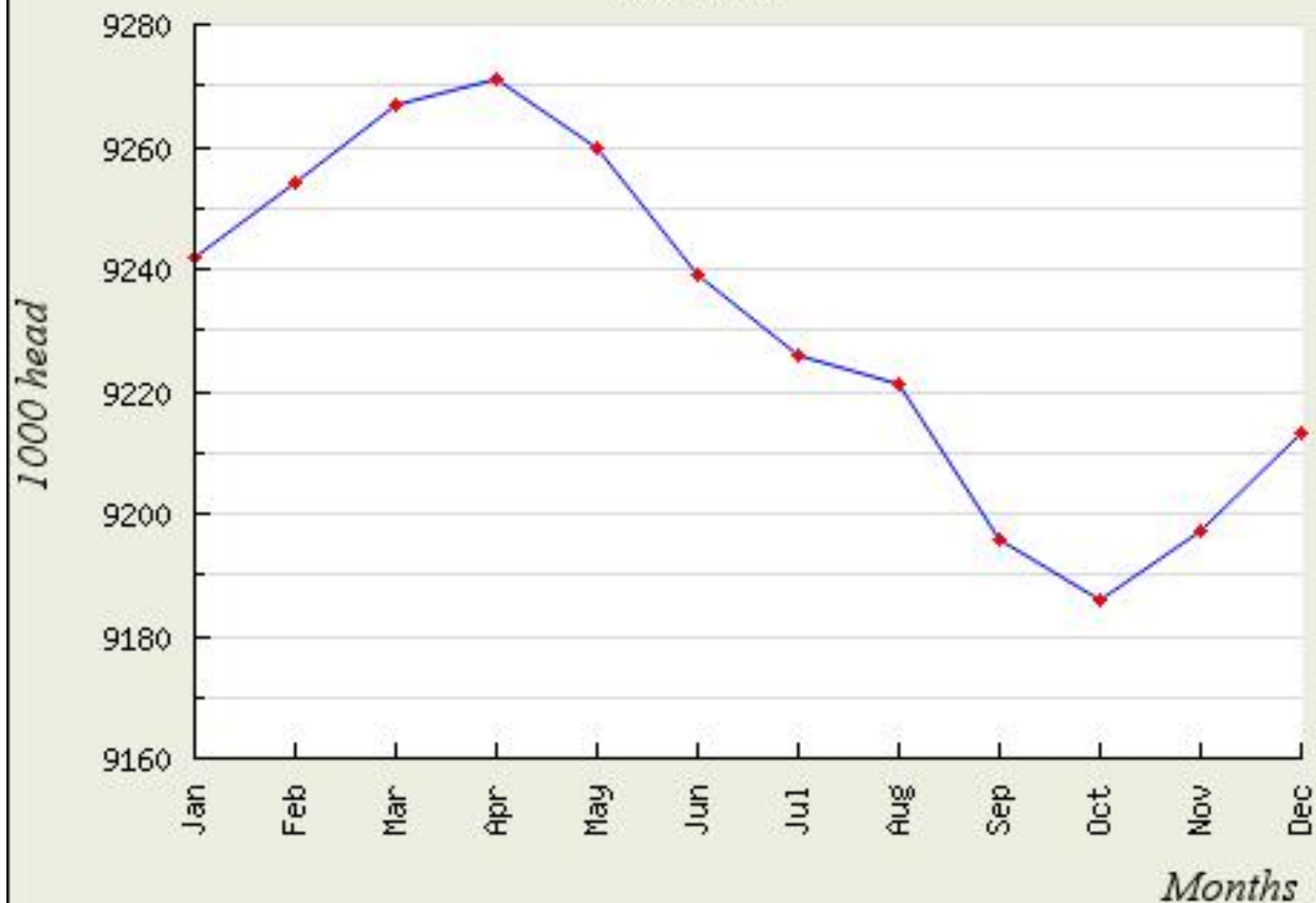
Milk Production

Area: US

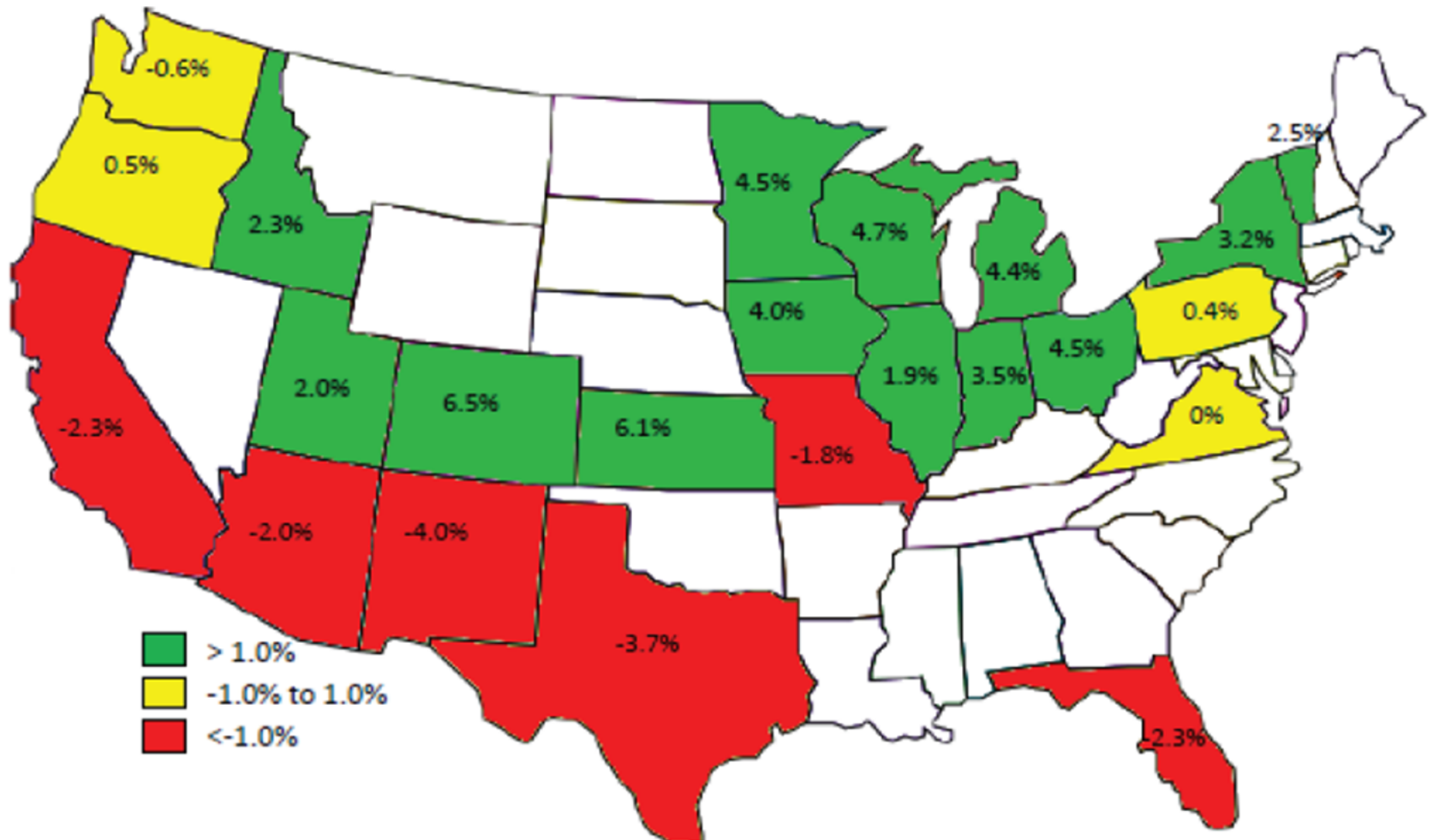


Milk Cows on Farm (2012)

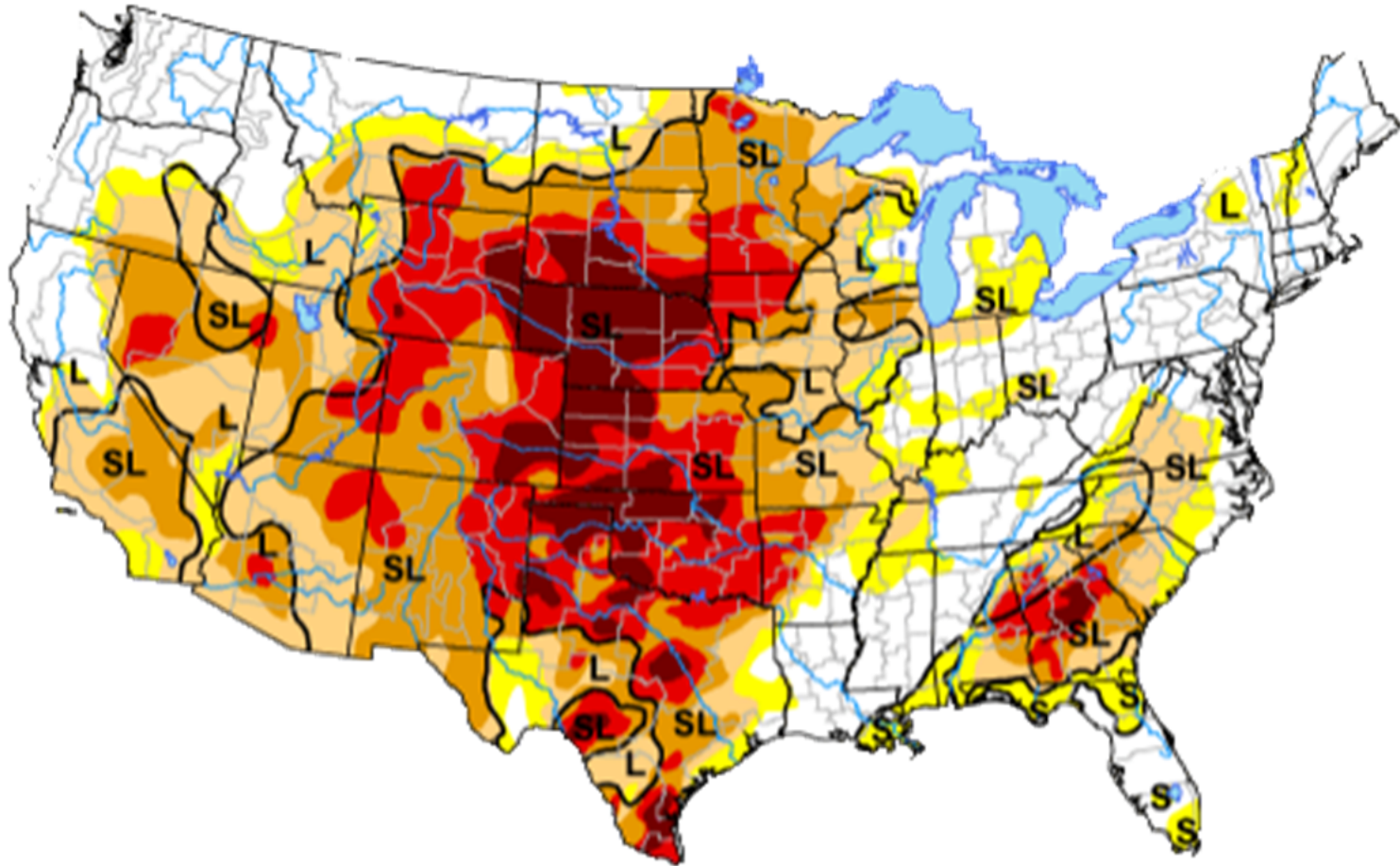
Area : US



Nov 2012 Year-over-Year changes in milk production



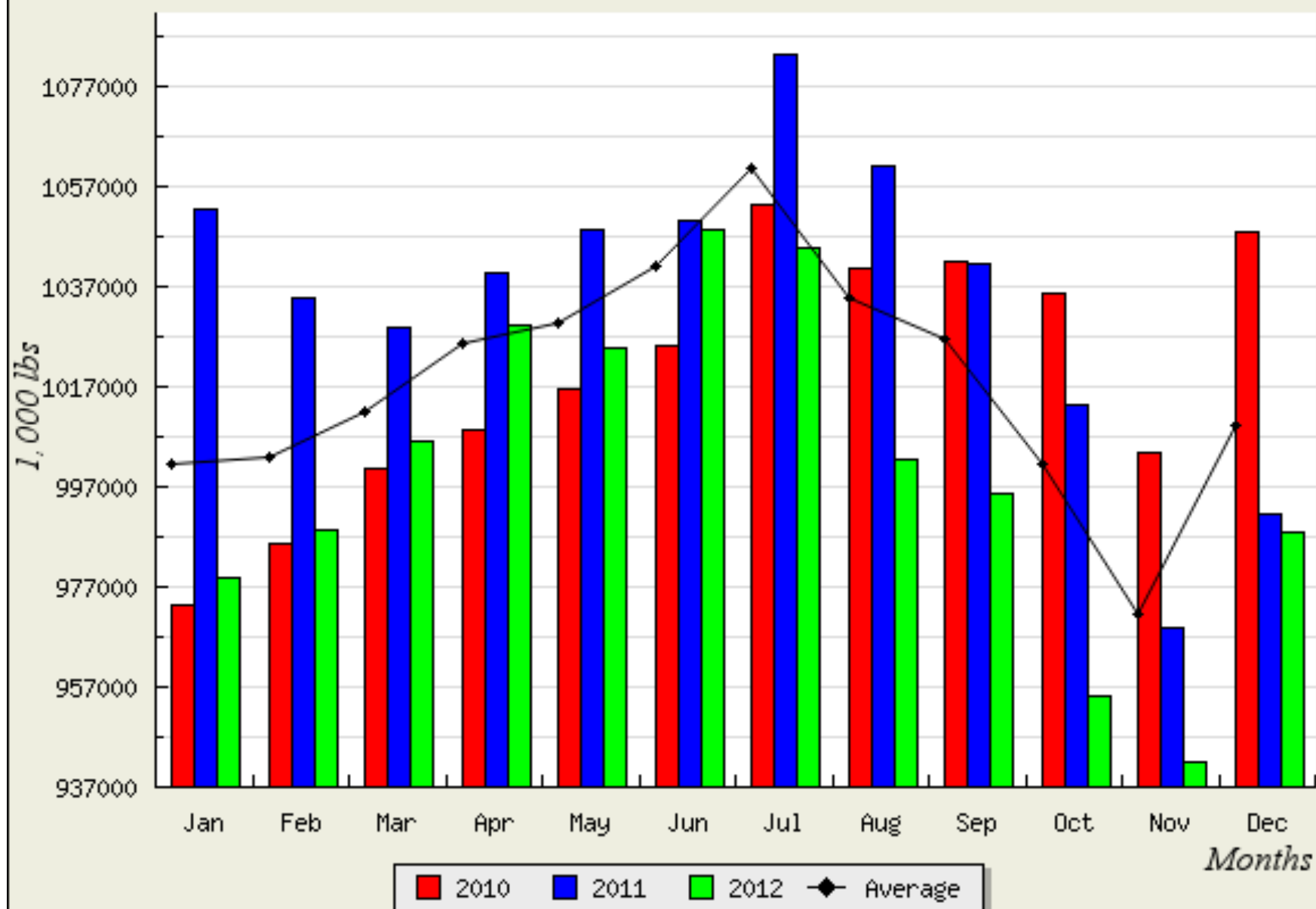
US Drought Monitor Jan 18, 2013



US hay crop 120 m tons in 2012 down 18% from 2006-2011 average
Dec 1 hay stocks 76.5 m tons— lowest since 1974

Total Natural Cheese Stocks

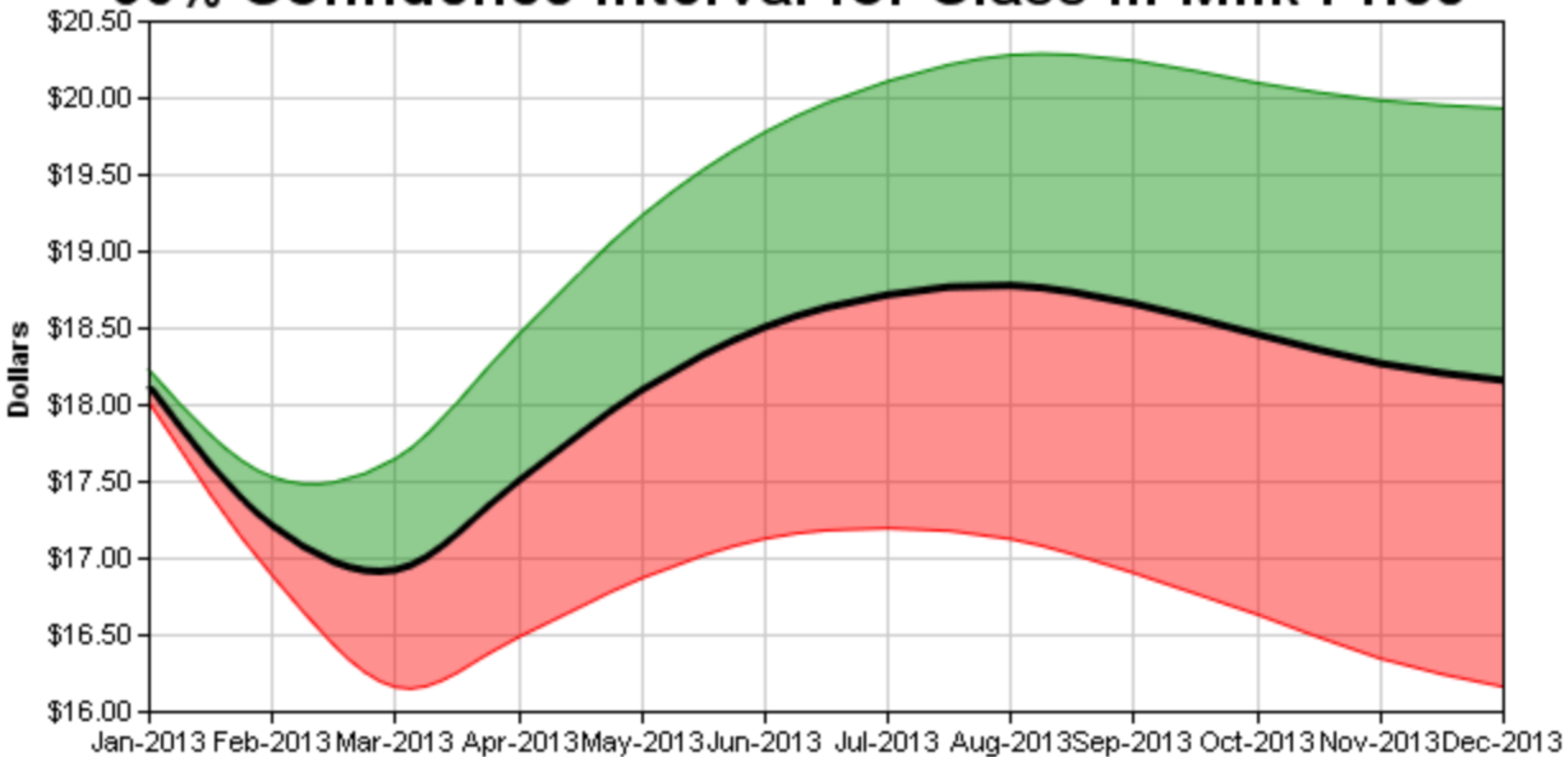
Area: US



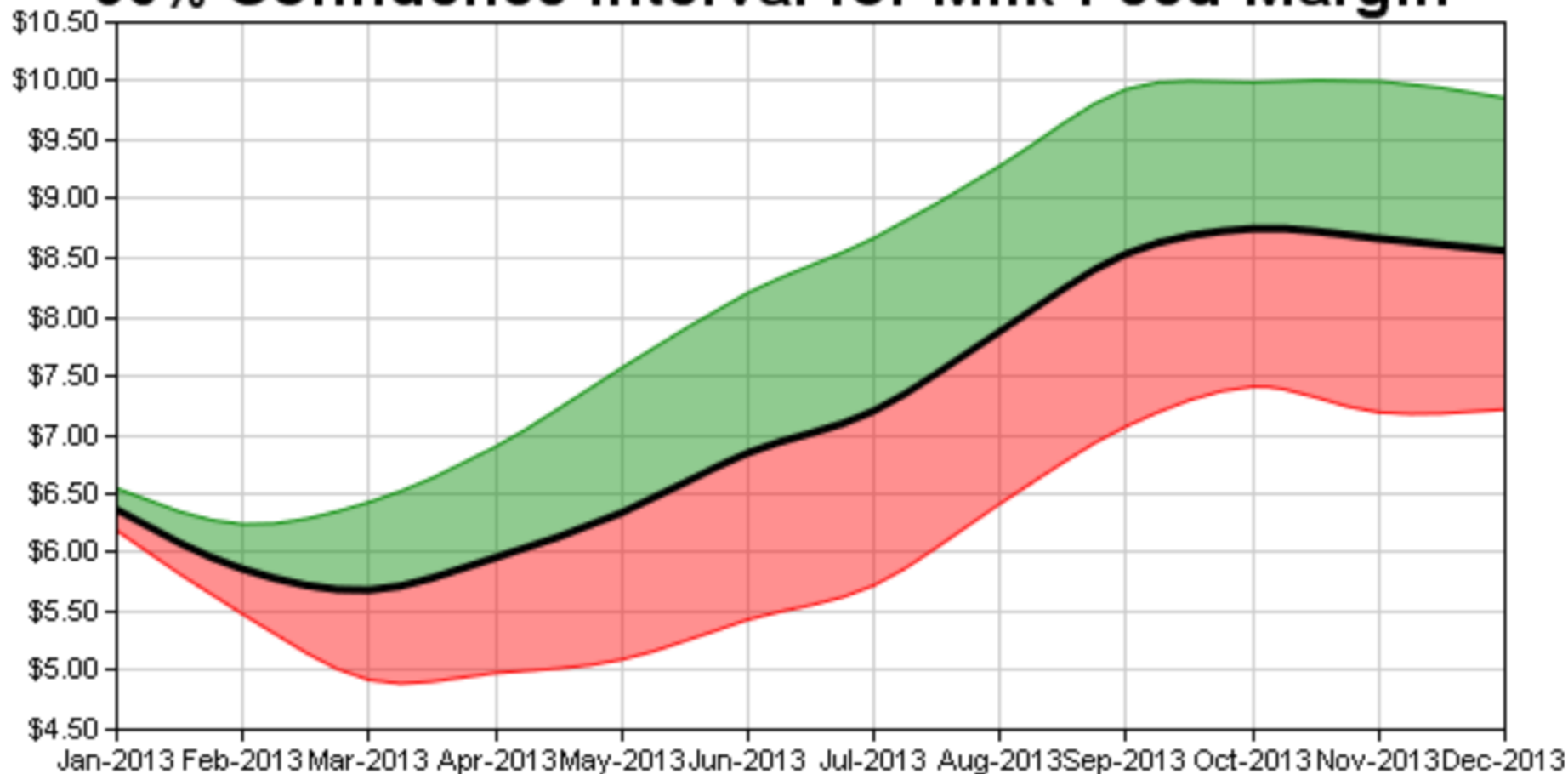
Milk Price Outlook

- Bearish factors
 - Domestic economic conditions
 - High product prices
 - Imports rising
 - Strong production in NZ
- Bullish factors
 - Continued high feed prices
 - US more competitive internationally
 - Lagging West/SW milk production

50% Confidence Interval for Class III Milk Price



50% Confidence Interval for Milk-Feed Margin



Thanks

Questions/Discussion

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