Red Meat and Poultry Outlook

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Overview

- Current meat S&O
- Beef S&O
- Pork
- Poultry
Livestock producers’ situation

While preparing dinner, Edna accidentally opens up a can of Whoopass.
Red Meat and Poultry in Cold Storage

- Total number 9% higher compared to 07.
- Red meat unchanged
  - Beef -9%
  - Pork +8%
- Poultry +16%
  - Chicken +12%
  - Turkey +23%
Pork and Beef prices are higher compared to last year.

- Pork cutout has been record high lately
  - Major strength from hams and loins.
  - Ribs and bellies are off from 2007.
Pork and Beef prices are higher compared to last year.

- Beef below last year for most of 2008.
- High likely occurred in early July.
Broiler wholesale prices have also been strong.

- SOME cost increases have been passed on.
- However, pressure from pork and beef has prohibited passing all of those costs along.

![BROILER PRICES 12-City Composite, Weekly graph](image)
Total Meat Supplies are Higher

- Total + 4.7% YTD compared to 2007.
- Beef = +2.0%
- Poultry +4.4%
- Pork +9.5%
Short Story

- More meat.
- Higher prices earlier in the year.
- However, a weak economy and burdensome supplies in Q2 and Q3 have conspired to depress wholesale prices.
Beef Cattle Situation & Outlook
Prices for calves and feeders have almost converged.
Lower Cattle Supplies in the Fall

- Net Placements lower.
- Feeders weighing more than 800# up.
- Feeders weighing less than 600# down.

Livestock Marketing Information Center
Data Source: USDA/NASS

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Southern Region Outlook Conference
September 24, 2008
## Projections for Remainder of 2008 and Early 2009

<table>
<thead>
<tr>
<th>Quarter</th>
<th>400-500# Steers*</th>
<th>700-800# Steers*</th>
<th>Live Cattle (5 Area)</th>
<th>Cull Cows* 85-90%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-2008</td>
<td>$99-$105</td>
<td>$92-$98</td>
<td>$90-$95</td>
<td>$52-$58</td>
</tr>
<tr>
<td>Q4-2008</td>
<td>$90-$98</td>
<td>$85-$93</td>
<td>$85-$93</td>
<td>$42-$48</td>
</tr>
<tr>
<td>Q1-2009</td>
<td>$100-$110</td>
<td>$85-$95</td>
<td>$93-$99</td>
<td>$46-$54</td>
</tr>
<tr>
<td>Q2-2009</td>
<td>$105-$120</td>
<td>$95-$103</td>
<td>$100-$107</td>
<td>$52-$60</td>
</tr>
</tbody>
</table>
2008/2009 Summary

- An improved economy would help beef demand.
- Larger total meat supplies in Q3 and Q4 could be troublesome.
- Corn crop (prices) vs. Live Cattle prices will continue to drive the train for feeder cattle prices.
Marketing Alternatives This Summer and Fall

- Current pricing scenario favors adding as much weight as possible.
- Stockering or backgrounding may be economical.
- Retained ownership may be profitable this year.
BEEF COWS THAT HAVE CALVED
JANUARY 1, 2008
(1000 Head)

1,020 to 5,240 (9)
520 to 1,020 (11)
290 to 520 (9)
80 to 290 (11)
0 to 80 (10)

Livestock Marketing Information Center
Data Source: USDA/NASS
CHANGE IN BEEF COW NUMBERS
JANUARY 1, 2007 TO JANUARY 1, 2008
(1000 Head)

Livestock Marketing Information Center
Data Source: USDA/NASS

US Total: -339
Points to a January 1, 2009 number lower than January 1, 2008.
Drought and high inputs continue to cause herd reductions

BEEF COW SLAUGHTER
Federally Inspected, Weekly
Fewer Cows = Smaller Calf Crop → Fewer Supplies

- Smallest calf crop since 1952

Livestock Marketing Information Center
Data Source: USDA/NASS

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Fuel Prices 1997-2008

$/Gallon

- $0.00
- $0.50
- $1.00
- $1.50
- $2.00
- $2.50
- $3.00
- $3.50
- $4.00
- $4.50

Year:
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- Jul-08

Graph: Diesel (bulk)
Impact of Fuel & Fertilizer Prices on Cost of Production

- 2002: $50 Calf ($/Cwt.)
- 2008: $120 Hay ($/ton)

<table>
<thead>
<tr>
<th>Year</th>
<th>Calf ($/Cwt.)</th>
<th>Hay ($/ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$120</td>
<td>$120</td>
</tr>
</tbody>
</table>

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Incentives to Expand Beef Herd
Incentives to Expand Beef Herd
Projected Prices 2009 and Beyond

Source: USDA, LMIC and UGA
Other Issues

- Southeast
  - More reliant on fertilizer
  - Wider basis
  - Increasing land values
- Increasing demand for beef from alternative production systems
  - Natural
  - Organic
  - Grass-fed
- Increasing demand for locally produced foods
- Animal welfare
- MCOOL/NAIS
Pork Situation

- Record supplies in 2008.
- UNBELIEVABLE export demand has supported prices.
- Historically high input prices have certainly taken a toll on profits.
Returns to farrow-finish hog producers have been negative for most of the past year!

Source: IA State University

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HOG SLAUGHTER
Federally Inspected, Weekly

Thou. Head

Avg.
2002-06
2007
2008

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Pork Summary

- Record supplies of pork in 2008.
- Supplies will be reduced some in 2009.
- Packing capacity may be a concern this fall.
- Prices will be pressured this fall.
- Prices should be stable to higher next year.
- High input prices will continue to plague producers.
Poultry Situation and Outlook
These prices do not tell the whole story!

- Breast prices are running 10.5% lower than last year.
- Leg and wing prices are carrying the water for broilers this year.
- Exports have played a major role in moving the dark meats.
What’s the impact of higher feed-grain prices on broilers?

- Since 2006
  - Corn prices up 67%
  - Soybean meal prices up 206%
- Broiler costs up 137%.
Production will be lower the rest of the year.

- Broiler egg sets down.
- Broiler chick placements down.
- Total production for 2008 will be up “only” 2.3%.
- Will actually see a decrease in production in 2009.
Poultry Price Forecast

- Broiler prices should remain in the lower $80s.
- Breast prices will continue to struggle.
- Legs and wing prices should stabilize.
- HOWEVER, disruptions in the export market could be very problematic.
TOTAL RED MEAT & POULTRY PRODUCTION
Quarterly

Bil. Pounds

- JAN-MAR
- APR-JUN
- JUL-SEP
- OCT-DEC

Average (2002/06)
2007
2008
2009

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Red Meat and Poultry Summary

- Record meat supplies this year.
- Q3-Q4 could be a big problem for pork supplies.
- Smaller beef, pork and poultry supplies in 2009.
- Exports for all meats continue to be favorable.
- All meat prices should remain steady to improving for the remainder of this year and next year.
- HOWEVER, if the economy continues to weaken all bets are off.