Feeds, Price and Volatility

Growing Michigan Agriculture Conference
Lansing Center, Lansing, MI

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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
WORLD CORN ENDING STOCKS
Crop Year

Livestock Marketing Information Center
Data Source: USDA-FAS
Monthly Corn Futures
US HAY STOCKS AND PRODUCTION

Crop Year

Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Forecasts by LMIC
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Forecasts by LMIC
U S A L L H A Y S T O C K S
May 1 (Beginning of Crop Year)

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Forecasts by LMIC
ALFALFA HAY - MONTHLY AVERAGE PRICE
Received by Farmers, U.S., Crop Year

$ Per Ton

- Avg. 06/07-11/12
- 2011/12
- 2012/13

Livestock Marketing Information Center
Data Source: USDA-NASS
Feb Live Cattle Futures
ANNUAL AVERAGE HOG PRICES

National

Dollars


Slaughter Hog ($/cwt)

40 Lb Feeder Pig ($/Hd)

10-12 Lb Feeder Pig ($/Hd)

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

$ Per Head

Latest Data: December 2012

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

C-P-22
01/18/13
ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

$ Per Cow

Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC
C-P-21
01/18/13

Livestock Marketing Information Center
Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC
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
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
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/
Dairy

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January 24, 2013
Nov 2012 Year-over-Year changes in milk production
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
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

Dollars

50% Confidence Interval for Milk-Feed Margin

Dollars

Thanks

Questions/Discussion
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