Outlook for Grain/Feedstuffs

Kathleen Painter, PhD
Drivers behind US grain prices: **Demand for ethanol slows**

- Ethanol usage growth has slowed as the industry hits the “10% blend wall”
- Legal limit for ethanol inclusion was 10%, as mandated by a gasohol waiver in 1978
- Auto dealers included usage of fuel with up to 10% ethanol in their warranties
- Finished fuel manufacturers put equipment in place to blend at the 10% rate
Drivers behind US grain prices: Demand for ethanol slows

• Total US fuel usage has declined, rather than expanded, since 2007 when RFS2 was enacted

• Since fuel usage was expected to continue to grow, the mandated amount of ethanol production exceeds 10% of the fuel

• Ethanol from corn usage is expected to level off near current levels (12.9 BGY)
Drivers behind US grain prices: Chinese corn demand wildcard

• Growth in China’s demand for grain and oilseed imports is likely to moderate as meat demand slows from its recent levels
• China’s corn production suffers from lack of infrastructure, storage facilities, poor harvest equipment, and small landholdings
• Without market mechanisms for influencing production, policy positions dictate production and are hard to predict
China’s corn prices diverge from global prices
Drivers behind US grain prices:

Rising global production capacity

- High prices encourage increased global production
- Low-cost producers like Brazil, Argentina expand acreage
- Double-cropping corn increasingly common in Brazil

Grain output doubles in Brazil from 2000/01 to 2012/13
Corn price predictions for 2013/14

• Assuming “normal” seasonal conditions in the US and China, a midpoint price expectation of $5 per bu is expected.
• Much smaller margins for corn producers can be expected, leading to 5-6 million acre reduction in production over the next few years
• Year to year volatility expected to continue, however

Source: Rabobank International
Corn Supply & Demand
U S TOTAL CORN SUPPLY AND PRICE

Crop Year

Bil. Bushels

$ Per Bushel

Data Source: USDA-NASS, Forecasts by LMIC
U.S. CORN DISAPPEARANCE AND STOCKS
Crop Year

Bil. Bushels

Data Source: USDA-NASS and ERS, Forecasts by LMIC
U.S. Annual Corn Feed Use & Residual

Crop Year

Bil. Bushels

Livestock Marketing Information Center

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

G-NP-06
06/12/13
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Forecasts by LMIC
Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Forecasts by LMIC
WORLD CORN ENDING STOCKS
Crop Year

Livestock Marketing Information Center
Data Source: USDA-FAS

06/12/13
Hay Demand & Supply
ALFALFA HAY - MONTHLY AVERAGE PRICE
Received by Farmers, U.S., Crop Year

Livestock Marketing Information Center
Data Source: USDA-NASS
OTHER HAY - MONTHLY AVERAGE PRICE
Received by Farmers, U.S., Crop Year

$ Per Ton

Avg.
07/08-11/12
2012/13
2013/14

Livestock Marketing Information Center
Data Source: USDA-NASS
Livestock Marketing Information Center

Data Source: USDA-NASS, Compiled & Forecasts by LMIC
US RANGE AND PASTURE CONDITION
Percent Poor and Very Poor, Weekly

Livestock Marketing Information Center
Data Source: USDA-NASS, Compiled & Analysis by LMIC
Soybean Demand & Supply
U.S. Total Soybean Meal Supply and Price

Crop Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Supply (Mil. Tons)</th>
<th>Price ($ per Ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>125</td>
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<td>1991</td>
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<td>1994</td>
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<td>1997</td>
<td>275</td>
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<td>2000</td>
<td>325</td>
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<td>2003</td>
<td>375</td>
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<td>2006</td>
<td>425</td>
<td></td>
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<tr>
<td>2009</td>
<td>475</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Livestock Marketing Information Center

Data Source: USDA-ERS, Compiled by LMIC

G-NP-14
06/12/13
NATIONAL AVERAGE SOYBEAN PRICE
Crop Year, Received by Farmers

Livestock Marketing Information Center
Data Source: USDA-ERS, Compiled by LMIC
Livestock Marketing Information Center
Data Source: USDA-ERS, Compiled by LMIC
Feed Costs & Efficiency
KANSAS FEEDLOT CLOSEOUTS

Pounds of Feed (Dry Basis)
Per Pound of Gain, Steers

Data Source: KSU Focus on Feedlots, Compiled by LMIC
KANSAS FEEDLOT CLOSEOUTS
Feeding Costs per Cwt, Steers

$/cwt

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Avg.
2007/11
2012
2013

Data Source: KSU Focus on Feedlots, Compiled by LMIC

06/05/13
KANSAS FEEDLOT CLOSEOUTS
Head Marketed per Feedyard

Data Source: KSU Focus on Feedlots, Compiled by LMIC
Advancements in Feeding Technology

Go ahead and pick the sick one...
and while you’re at it, the one that’s efficient and the one that’s ready for market.
GrowSafe Beef

- Trough-based feed system that monitors animals individually by eartags.
- Accurately measures feed consumed by animal
- Data are sent to a central computer
GrowSafe Beef: How it works

- Cattle are tagged with RFID eartags.
- When they drink, the tag is read, and data on partial weight is recorded. Water intake is also measured.
- Data are sent to the feedyard computer where it is analyzed:
  - Current daily body weight and gain
  - Forecasts future body weight
  - Health status based on water intake & behavior
  - Determines performance outliers & animals requiring treatment—marking animals at the next visit to water
  - Determines optimum marketing time—when cost of gain begins to exceed value of gain
Summary: Feedstuff Supplies

- Corn stocks, affected by last year’s drought, are down. 2013 crop is still an unknown, but could be affected by drought as well.
- Hay stocks of 76.5 million tons on Dec 1 were the lowest since 1974.
- Pasture conditions remain poor in many areas.
- Prices for corn are expected to be in the range of $5 per bu for 2013/14.
Resources

- Chicago Mercantile Exchange (CME), Agricultural Product Reports
  http://www.cmegroup.com/trading/agricultural/
- CME Blog/Magazine OpenMarkets
  http://openmarkets.cmegroup.com/
- Livestock Marketing Information Center
  http://www.lmic.info Livestock, dairy, and grain price & production data.
- USDA’s World Agricultural Supply and Demand Estimates (WASDE)
Staying Safe on the Farm

From farm machinery accidents to encounters with livestock, danger lurks on the farm. Find detailed safety instructions and suggestions in this WikiHow article, including advice on dealing with chemical spills, electrical storms, and extreme weather events as well as operating farm machinery and ATVs, general safety practices, and special child safety precautions. This article would [...]
Livestock Marketing Information Center (LMIC)

- LMIC is a cooperative effort by USDA, Land Grant universities, and associated organizations to provide economic analysis and market projections for the livestock industry.
  - Weekly price & production summary
  - Quick Market Reports: Feeder Cattle, Lamb, Grain
  - Key graphs, beef
  - Key graphs, production (dairy, beef, pork, lamb)
  - Key graphs, trade

News and Notes

PNW
Summer informal market seminar
Ray Anderson, Market Analyst, MFA Agricultural Markets, Inc.
Rick Keene, Agricultural Economist, USDA-ERS
July 9
A full schedule and details by science.idaho.gov/extension
## Costs of Production

### Crop Budgets (clear search)

<table>
<thead>
<tr>
<th>Year</th>
<th>Region</th>
<th>Commodity</th>
<th>Format</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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### Livestock Budgets (clear search)

<table>
<thead>
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<th>Format</th>
<th>Commodity</th>
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<tbody>
<tr>
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<td>Beef, feedlot</td>
<td>LEBW</td>
<td>Beef, feedlot</td>
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<tr>
<td>2010</td>
<td>Feedlot, Calf to Slaughter</td>
<td>PDF</td>
<td>Beef, feedlot</td>
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<tr>
<td>2010</td>
<td>Feedlot, Calf to Slaughter</td>
<td>Excel</td>
<td>Beef, feedlot</td>
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<tr>
<td>2010</td>
<td>Feedlot, Yearling to Slaughter</td>
<td>PDF</td>
<td>Beef, feedlot</td>
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<tr>
<td>2010</td>
<td>Feedlot, Yearling to Slaughter</td>
<td>Excel</td>
<td>Beef, feedlot</td>
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**Records 1 to 10 of 5**
## EBB-FL2-10 5,000-Head Feedlot, Yearling to Slaughter, Concentrate Ration

<table>
<thead>
<tr>
<th>Gross Receipts</th>
<th>Weight Each</th>
<th>Unit</th>
<th>Total Number of Head Or Units</th>
<th>Price or Cost/Unit</th>
<th>Total Value</th>
<th>Value or Cost/Head</th>
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<tbody>
<tr>
<td>Fed Steers</td>
<td>12.00</td>
<td>cwt</td>
<td>5254</td>
<td>88.40</td>
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<td>Fed Heifers</td>
<td>10.75</td>
<td>cwt</td>
<td>2830</td>
<td>88.46</td>
<td>2,691,174.35</td>
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<td><strong>Total Receipts</strong></td>
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<td></td>
<td><strong>8,264,617.55</strong></td>
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## Operating Costs

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<th>Weight Each</th>
<th>Unit</th>
<th>Total Number Of Head Or Units</th>
<th>Price or Cost/Unit</th>
<th>Total Value</th>
<th>Value or Cost/Head</th>
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<tbody>
<tr>
<td>Finish ration</td>
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<td>ton</td>
<td>19424.39</td>
<td>92.33</td>
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<td>1462.27</td>
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<td>Step 2 ration</td>
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<td>Step 3 ration</td>
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<td>1252.16</td>
<td>90.49</td>
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<td>13.95</td>
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<td>Steers</td>
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<td>head</td>
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<td>2844.00</td>
<td>670.00</td>
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<td>Marketing</td>
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<td>head</td>
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<td>Veterinary Medicine</td>
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<td>Machinery (fuel, lubrication, repair)</td>
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<td>1.00</td>
<td>33,220.29</td>
<td>4.09</td>
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<td>Equipment (repair)</td>
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<td>0.00</td>
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<td>Housing and Improvements (repair)</td>
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<td>Hired Labor</td>
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<td>Owner Labor</td>
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<td>Interest on Operating Capital</td>
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<td>3361999.73</td>
<td>0.07</td>
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<td>28.96</td>
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<td><strong>Total Operating Costs</strong></td>
<td>$</td>
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<td></td>
<td><strong>8,888,022.91</strong></td>
<td><strong>1,093.91</strong></td>
</tr>
</tbody>
</table>

**Income Above Operating Costs**

|                      |             |        |                               |                    | **($623,405.36)** | **($76.73)**      |
IdahoAgBiz.com website

- IdahoAgBiz web page with software programs: [http://www.IdahoAgBiz.com](http://www.IdahoAgBiz.com)
- Sign up for RSS feeds that will send updates to a reader of your choice or via email
- I have my feeds sent to my Google reader that comes up on my personalized (iGoogle) page
- Feeds can be a separate area in your email as well
RSS Feed viewed on my iGoogle page

Idaho AgBiz

- Record Low U.S. Hay Production and Supplies
- Idaho has record-breaking ag receipts and net income... again!
- Education & Innovation Highlighted in the 2013 Idaho Potato Conference
Questions?

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Web: www.IdahoAgBiz.com