

Utah Hay and Feed Grain Market Outlook

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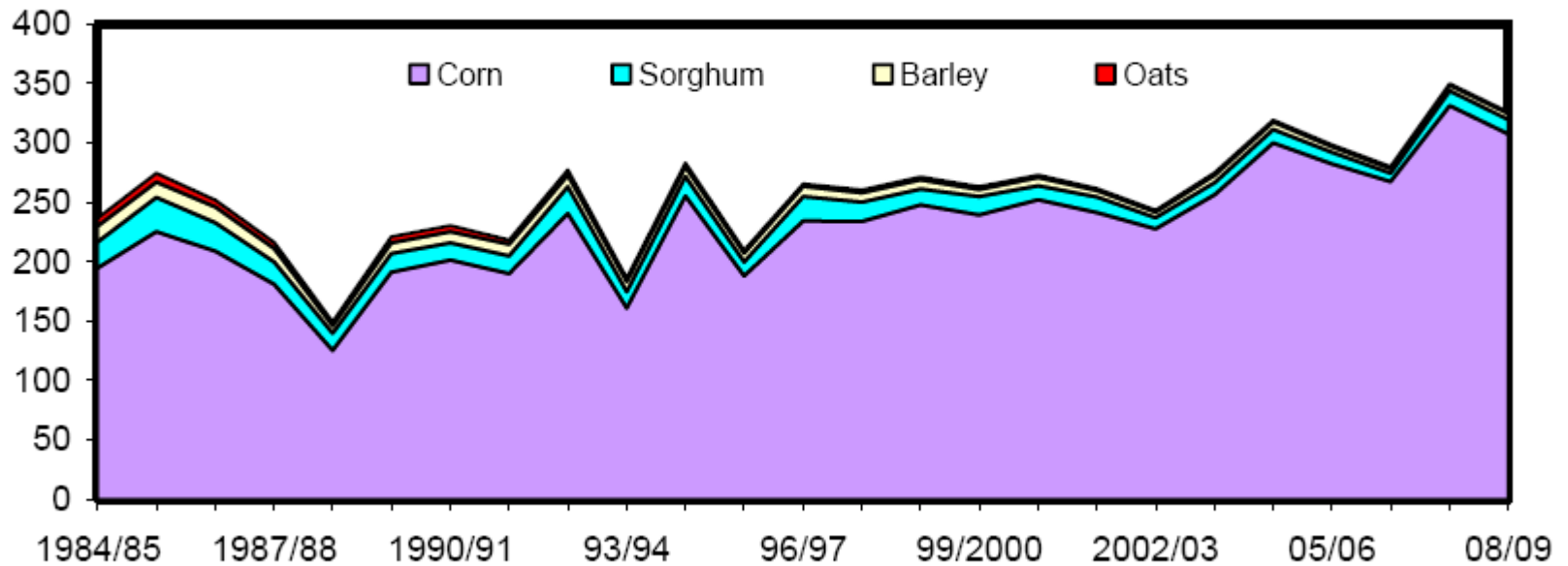
Feed Grains (Corn) Market



Corn Dominates

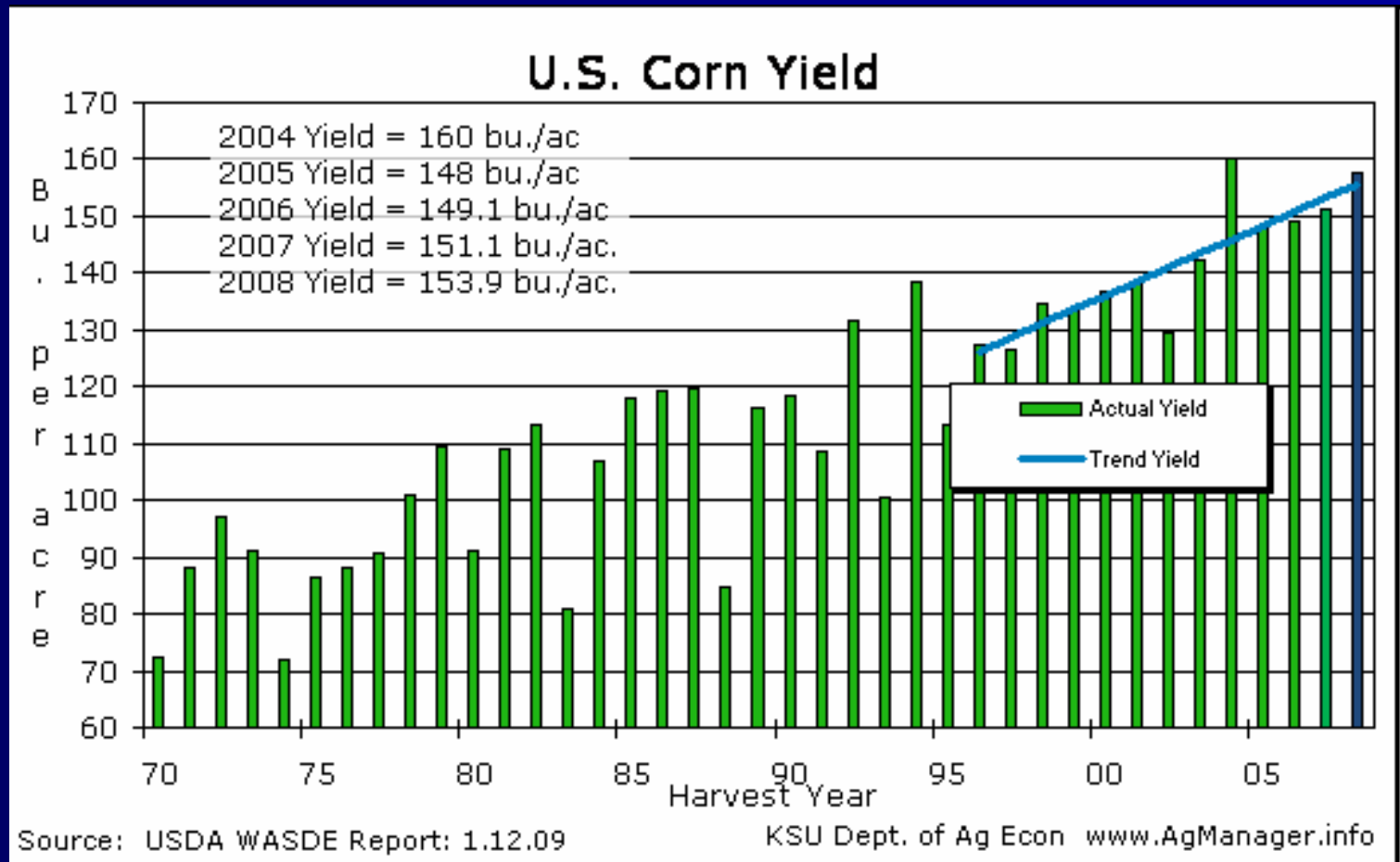
U.S. feed grain production

Mil. tons

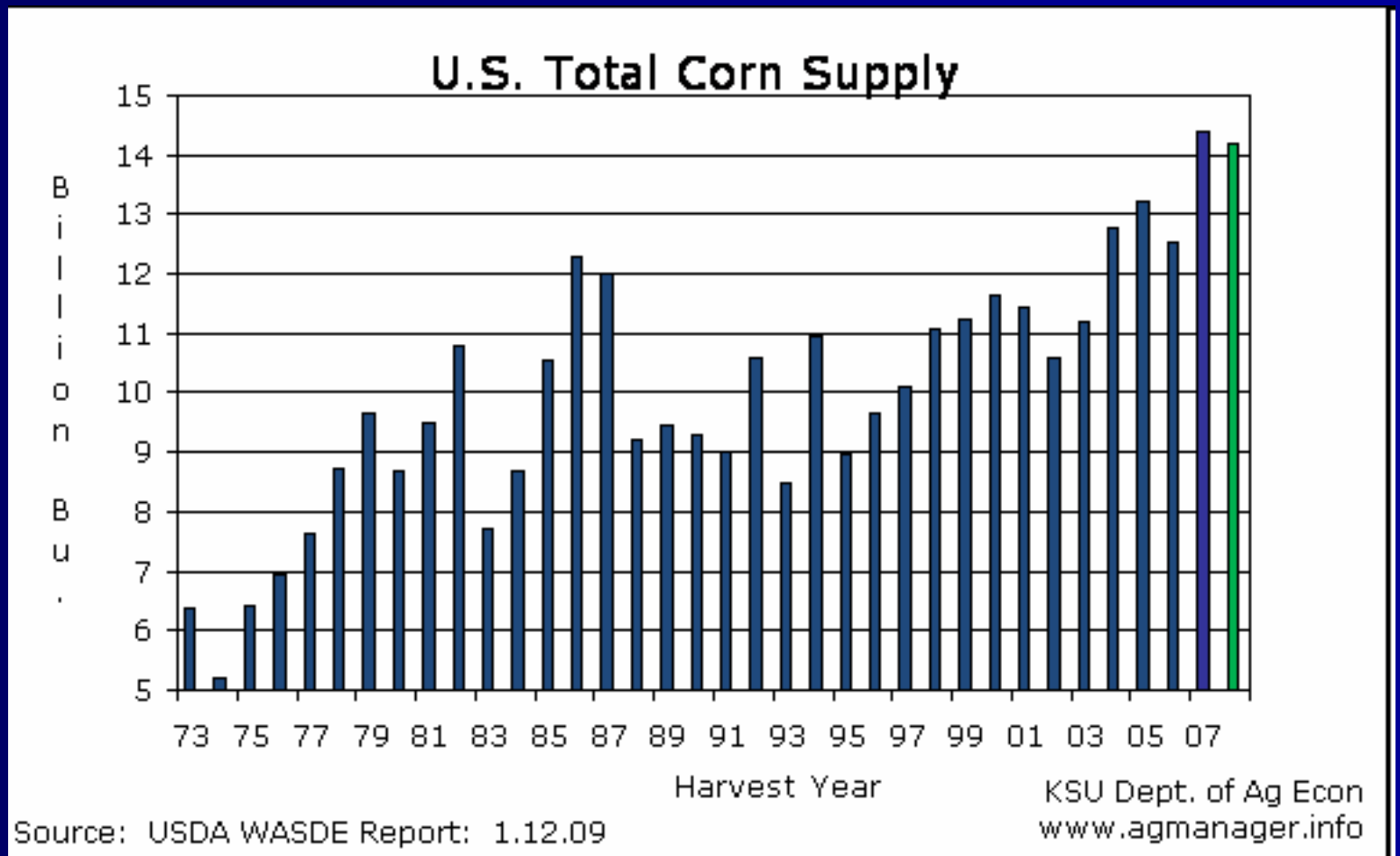


Source: USDA, Foreign Agricultural Service, *Grain: World Markets and Trade (Grain Circular)*.

Corn Yield Growth

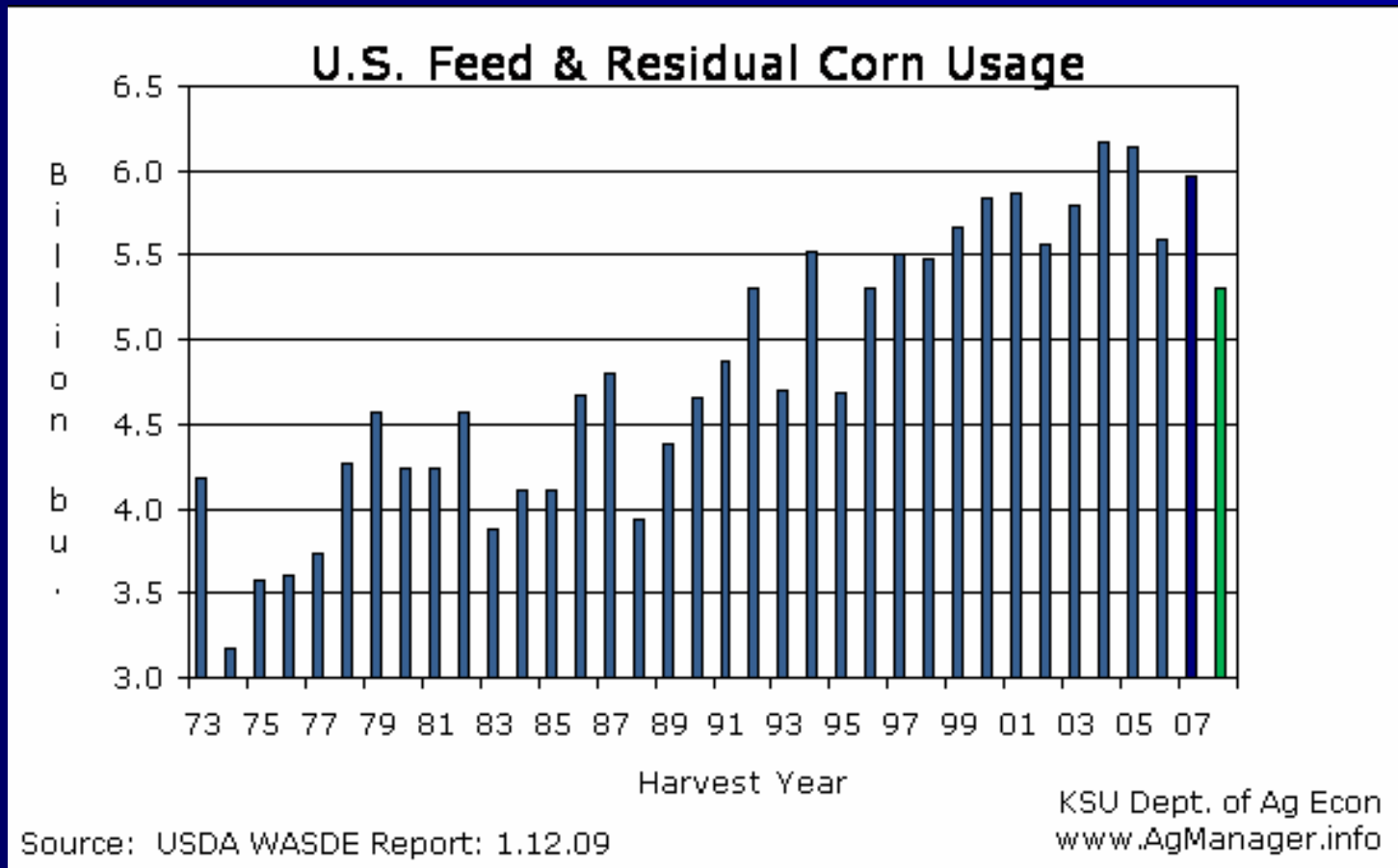


Corn Supply



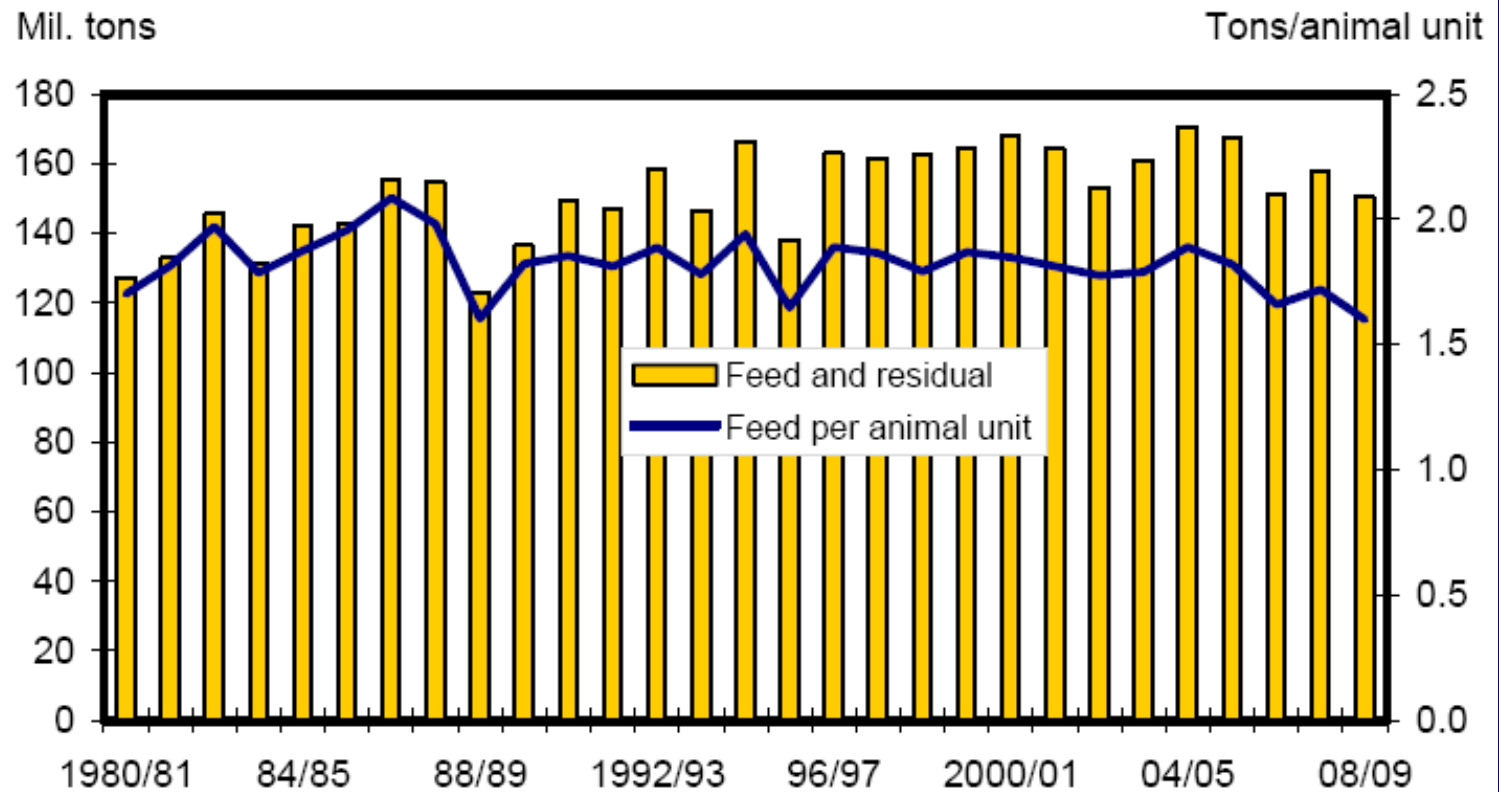
Corn Demand

Feed use declining



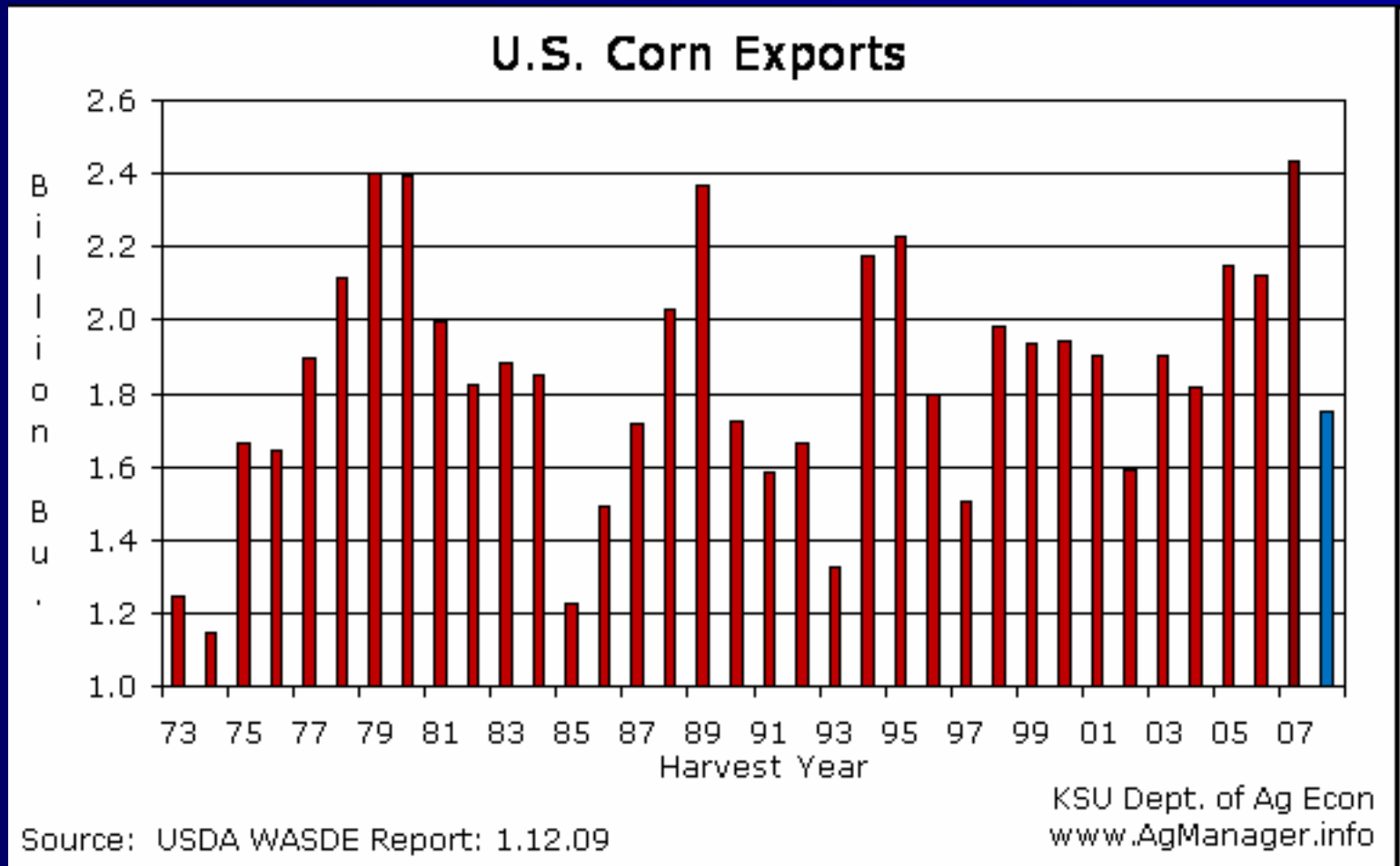
Corn Demand

U.S. feed and residual and feed per animal unit



Source: USDA, Economic Research Service, *Feed Grains Database*.

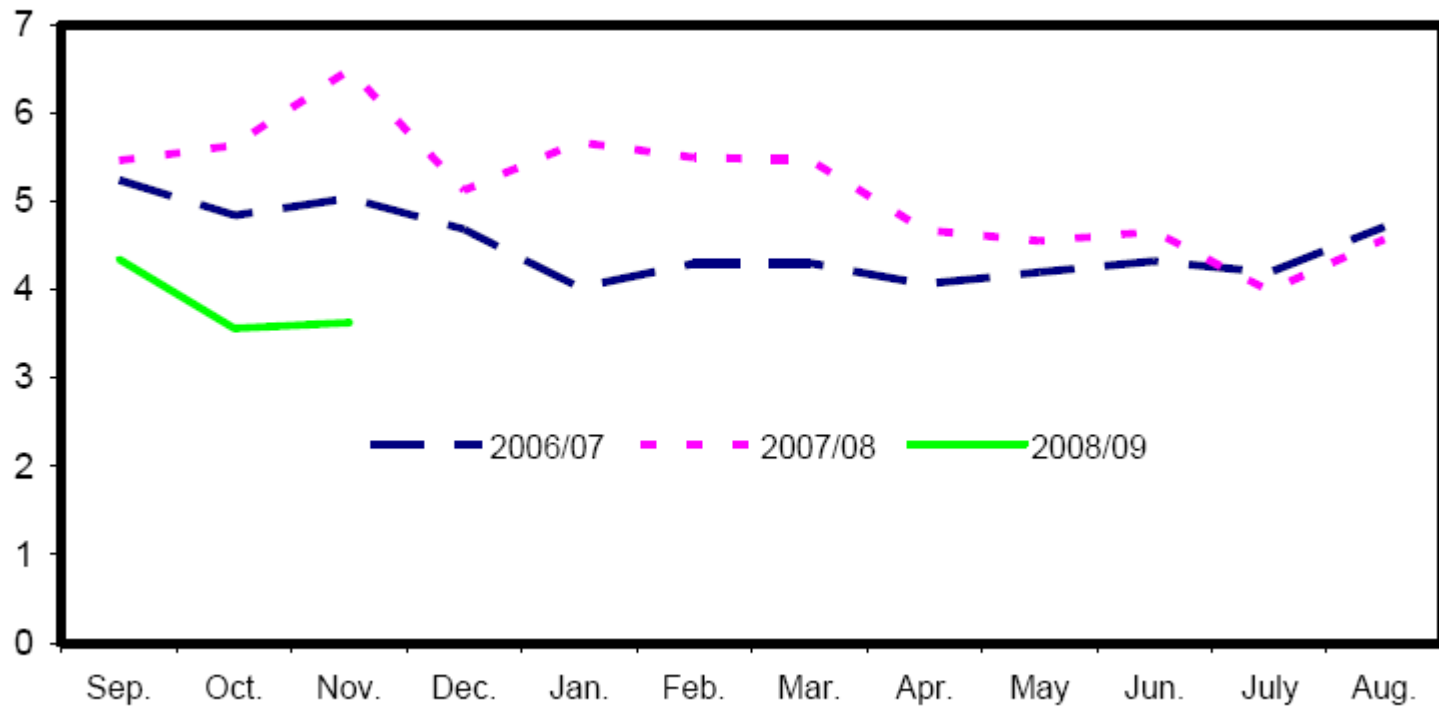
Corn Demand Exports Uncertain and Lower



Corn Demand

Monthly U.S. corn exports

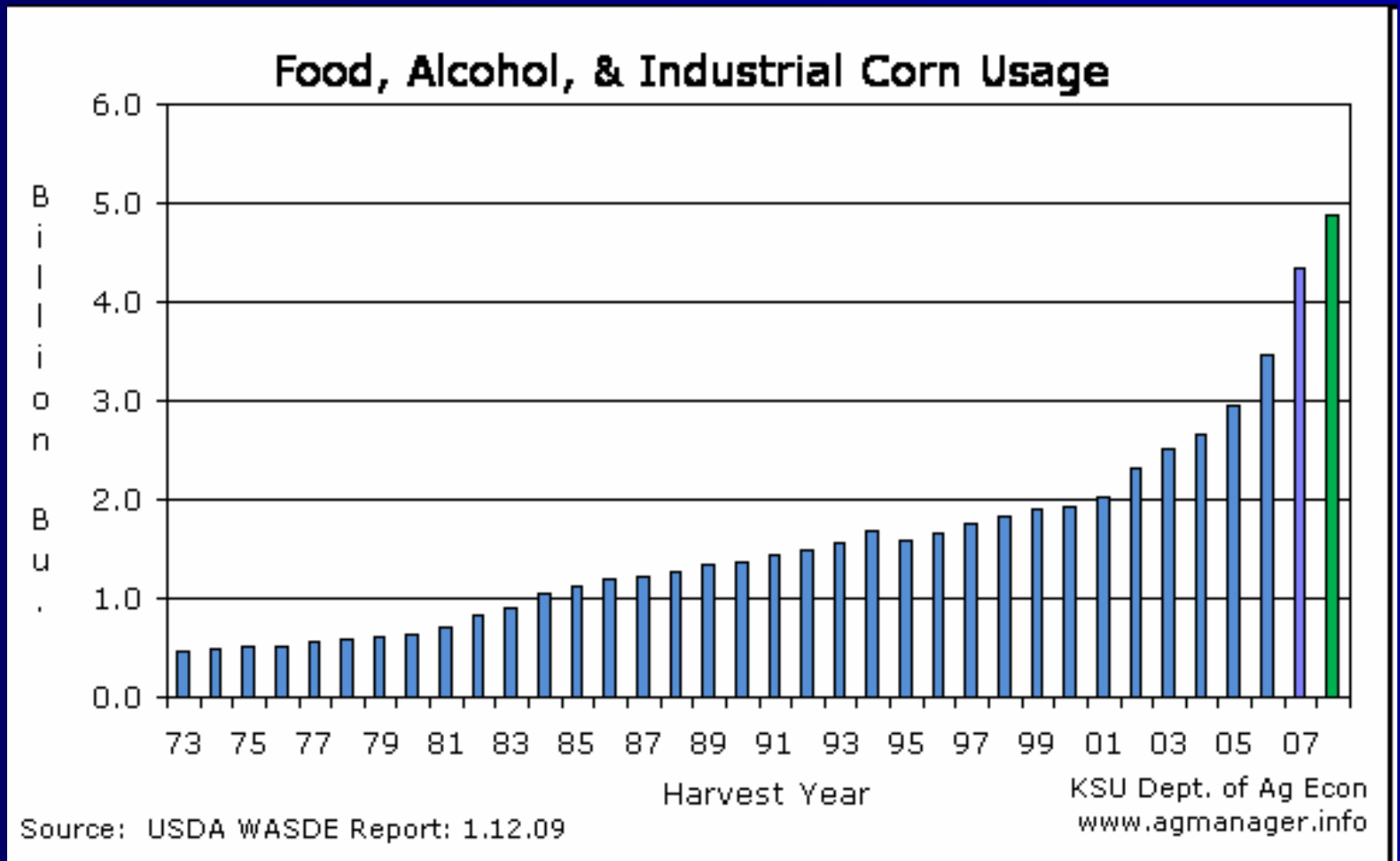
Mil. metric tons



Source: USDC, Bureau of the Census, at <http://www.usatradeonline.gov/>.

Corn Demand

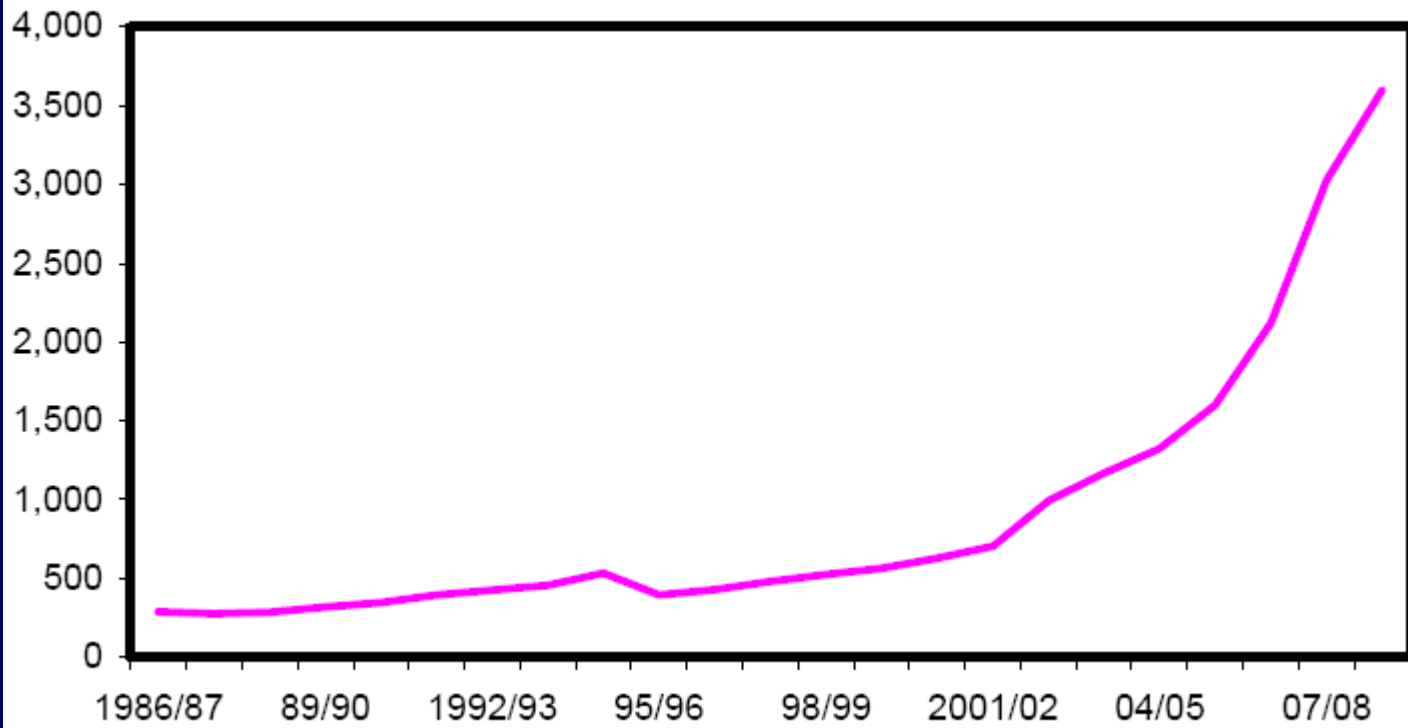
Ethanol Use Increasing



Corn Demand Government Mandate

U.S. corn use for ethanol

Mil. bu



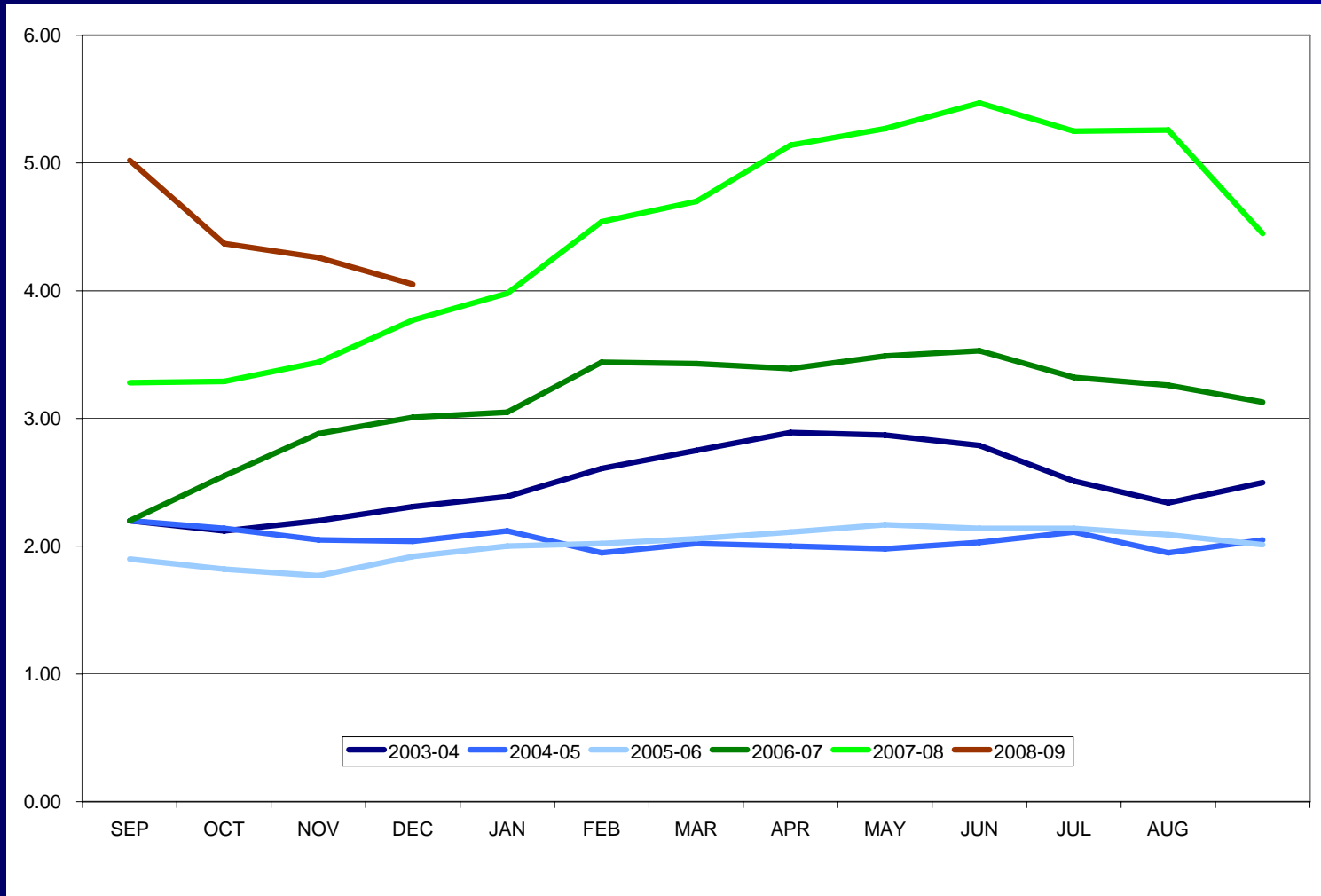
Source: USDA, World Agricultural Outlook Board, WASDE.

TABLE 1
SUPPLY/DEMAND BALANCE SHEET FOR CORN

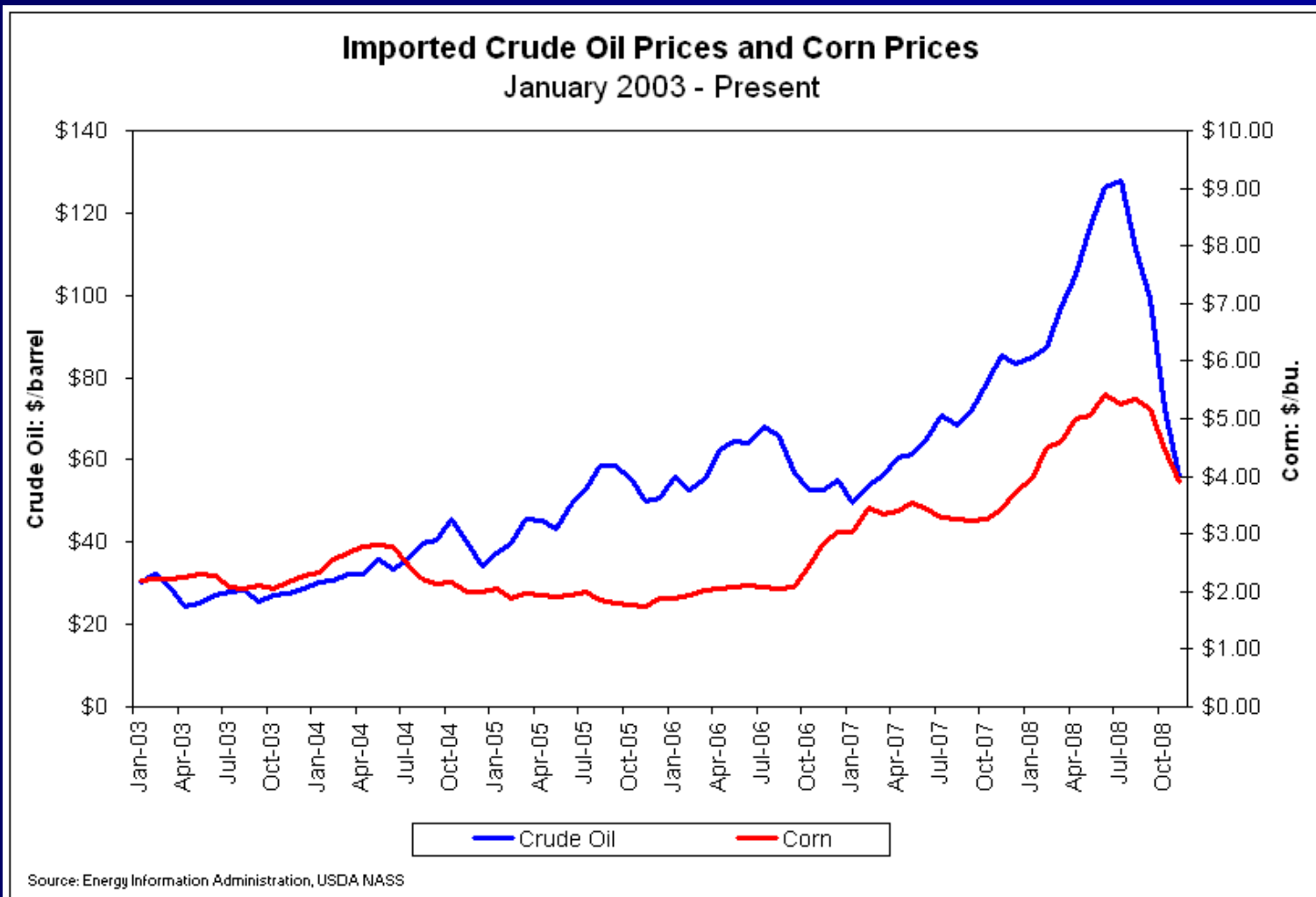
	2003-04	2004-05	2005-06	2006-07	Est. 2007-08	Proj. 2008-09	Hilker 2009-10
	(Million Acres)						
Acres Planted	78.6	80.9	81.8	78.3	93.6	86.0	88.0
Acres Harvested	70.9	73.6	75.1	70.6	86.5	78.6	80.6
Bu./Harvested Acre	142.2	160.4	148.0	149.1	150.7	153.9	155.4
	(Million Bushels)						
Beginning Stocks	1087	958	2114	1967	1304	1624	1790
Production	10089	11807	11114	10531	13038	12101	12525
Imports	<u>14</u>	<u>11</u>	<u>9</u>	<u>12</u>	<u>20</u>	<u>15</u>	<u>15</u>
Total Supply	11190	12776	13237	12510	14362	13740	14330
Use:							
Feed and Residual	5798	6158	6155	5591	5938	5300	5250
Food, Seed and Ind.	2537	2686	2981	3490	4363	4900	5690
Ethanol for Fuel	<u>1168</u>	<u>1323</u>	<u>1603</u>	<u>2119</u>	<u>3026</u>	<u>3600</u>	<u>4350</u>
Total Domestic	8335	8844	9136	9081	10301	10200	10940
Exports	<u>1897</u>	<u>1818</u>	<u>2134</u>	<u>2125</u>	<u>2436</u>	<u>1750</u>	<u>1900</u>
Total Use	10232	10662	11270	11206	12737	11950	12840
Ending Stocks	958	2114	1967	1304	1624	1790	1490
Ending Stocks, % of Use	9.4	19.8	17.5	11.6	12.8	15.0	11.6
U.S. Loan Rate	\$1.98	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95	\$1.95
U.S. Season Average							
Farm Price, \$/Bu.	\$2.42	\$2.06	\$2.00	\$3.04	\$4.20	\$3.90	\$3.90

Source: USDA and Jim Hilker

National Average Corn Price (Utah + \$.35 to + \$.50)



Ag & Energy linked through Ethanol



Corn Summary

- Lower than 2008
- Still much higher than pre 2007
- Volatility
 - Tied to energy through ethanol
 - Export markets
- Corn Users need to watch for pricing opportunities
- Utah Corn 2009 \$4.00-5.00 per bushel

Hay Market



US Hay Stocks Dec 1, 2008

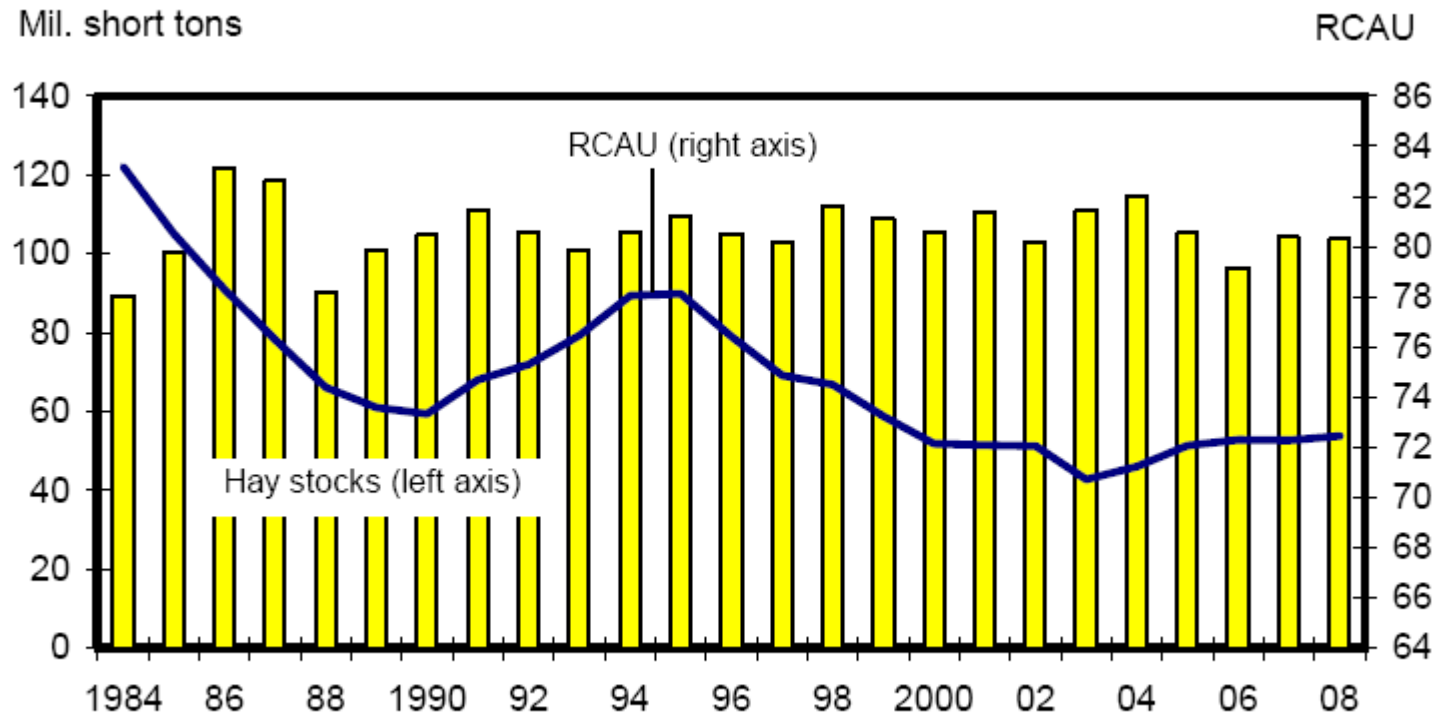
- 63.6 million tons
- 57.8 million tons, Dec 1 2007
- Hay Production in 2008 146 mill tons
- Hay Production in 2007 147.5 mill tons
- Alfalfa Production, 2008 69.6 mill tons

Roughage Consuming Animal Units (RCAU)

- 72.38 million for 2008-09
- 72.27 million for 2007-08
- Hay Stocks per RCAU 1.43 tons
- Hay Stocks per RCAU 1.44 tons, 2007-08

US Hay Stocks

December 1 U.S. hay stocks and RCAU

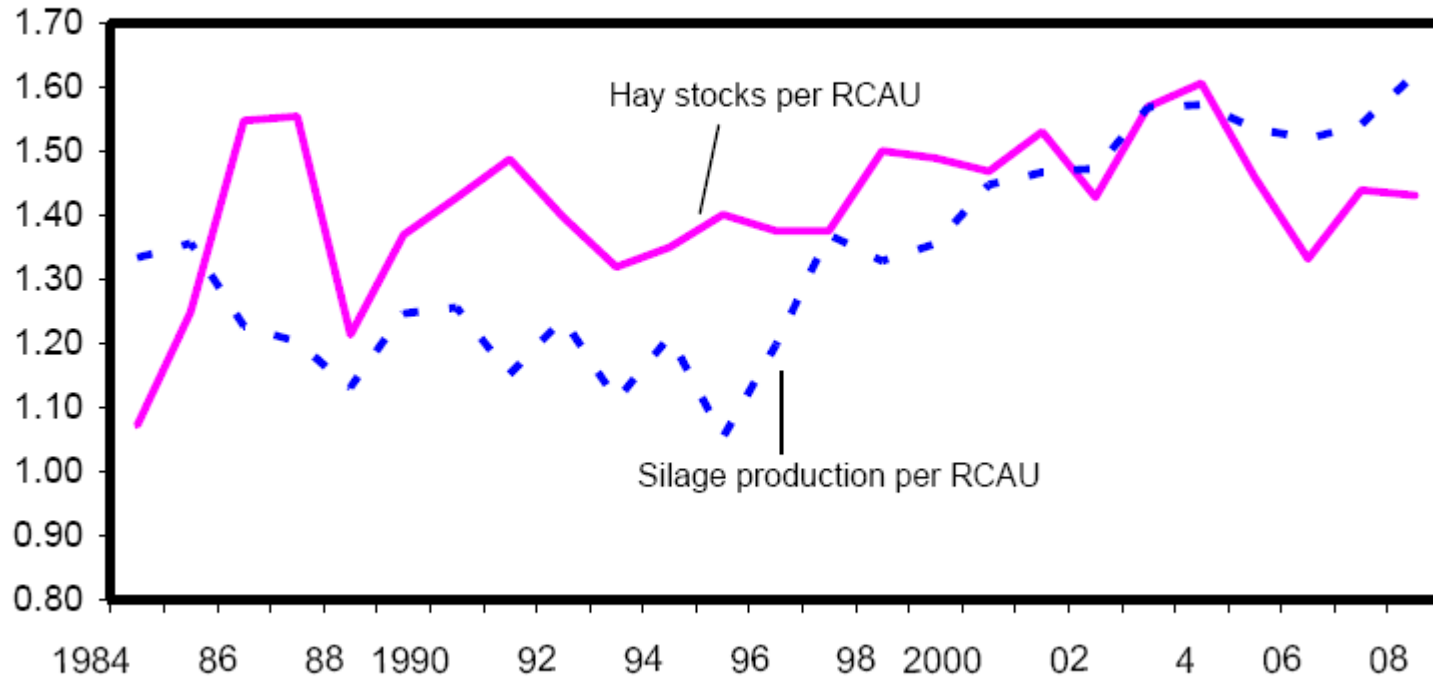


Source: USDA, National Agricultural Statistics Service, *Crop Production*.

Hay Supply vs Hay Eaters

December 1 hay stocks and silage per RCAU

Mil. short tons



Source: USDA, National Agricultural Statistics Service, *Crop Production*.

Supply Summary

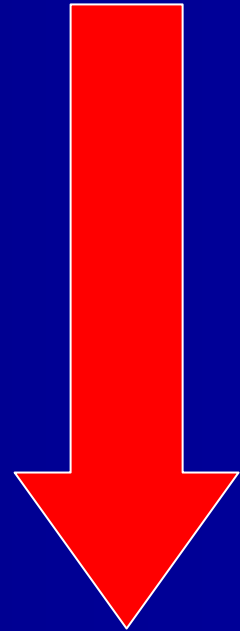
- Hay supplies are relatively tight
- More plentiful than Dec 1 2006
- Lower than 2001-2005 average

Hay Demand



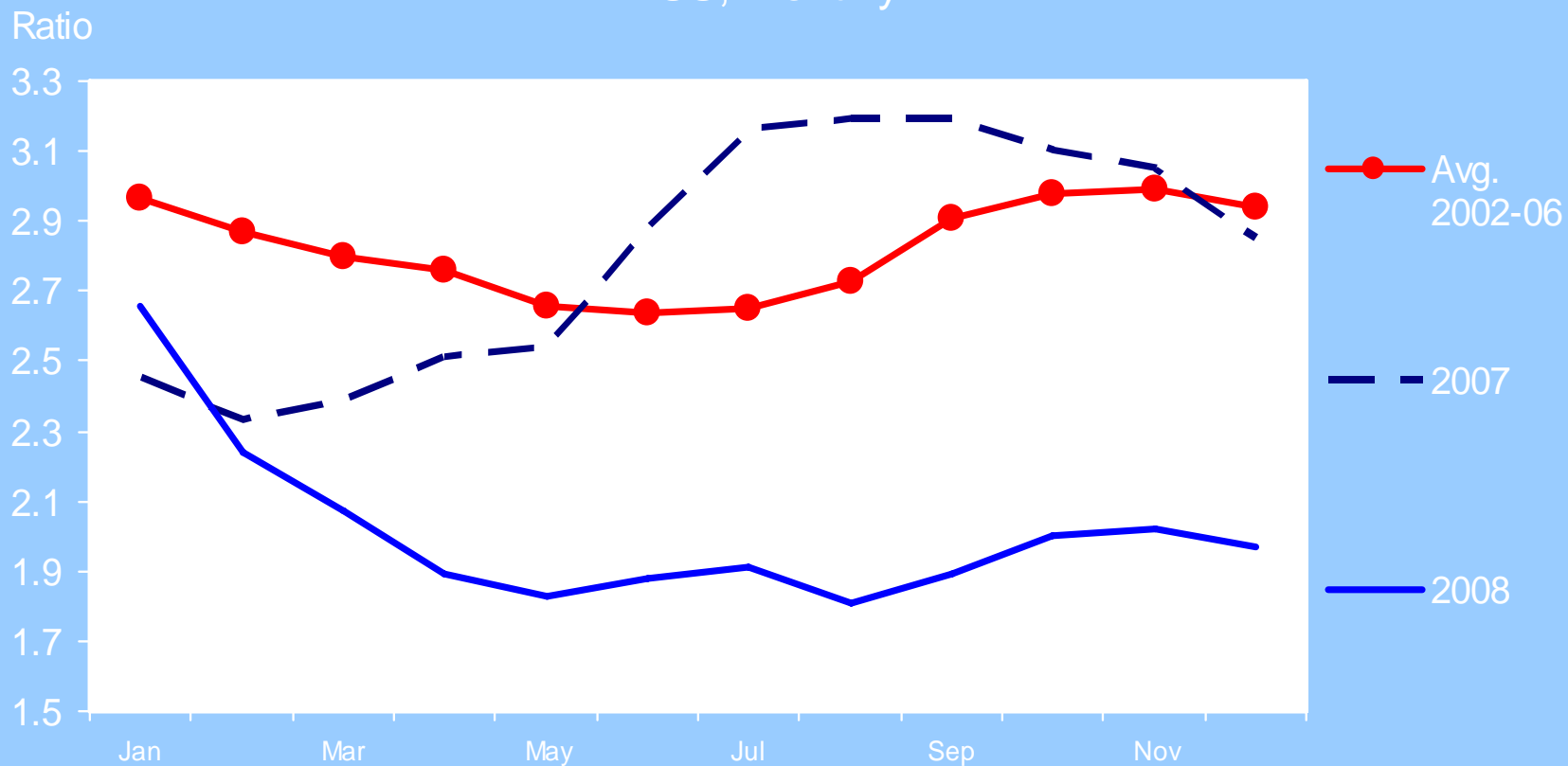
Hay Demand

- Dairy Profitability
- Feedlot Profitability
- Beef Cow-calf Profitability
- Export Market



MILK - FEED PRICE RATIO

US, Monthly

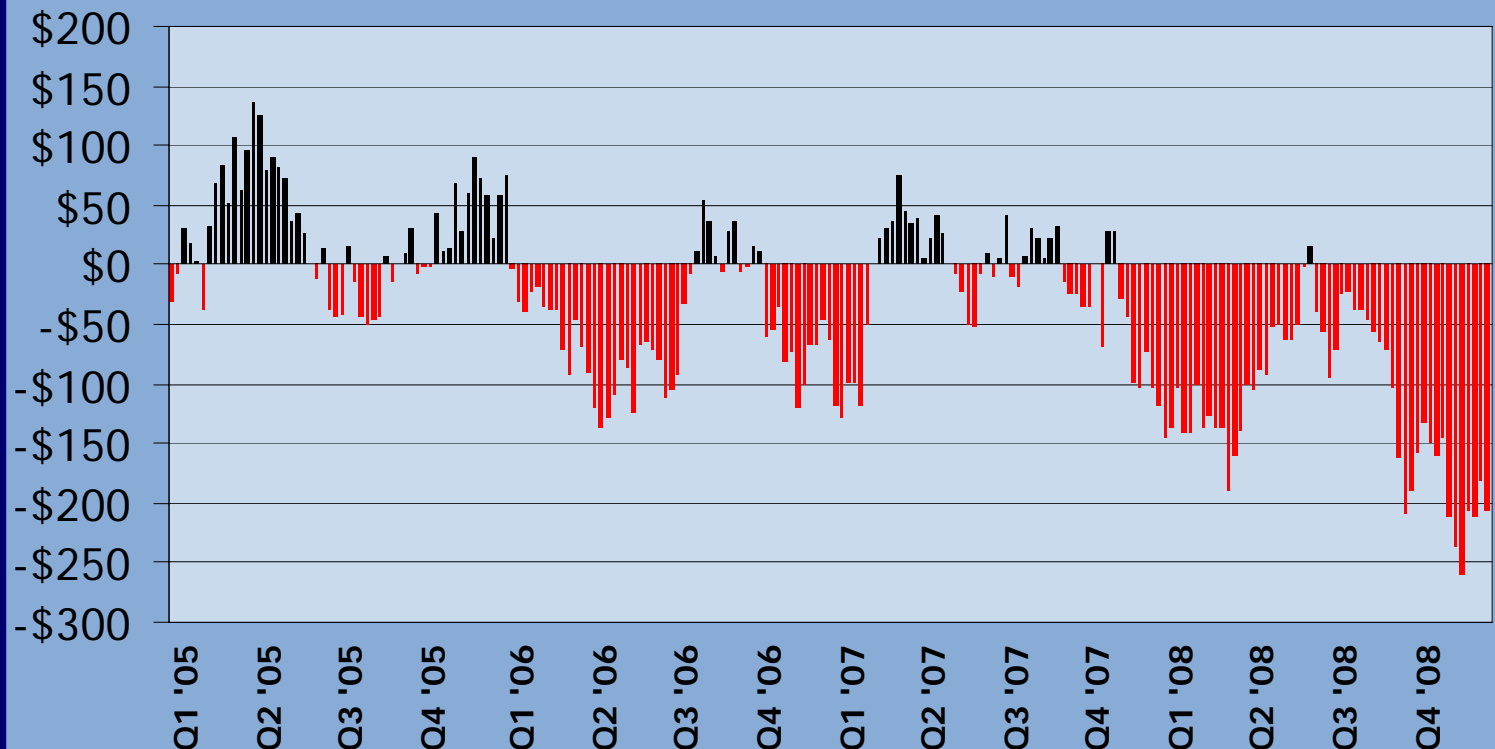


01/16/09

Feedlot Profitability

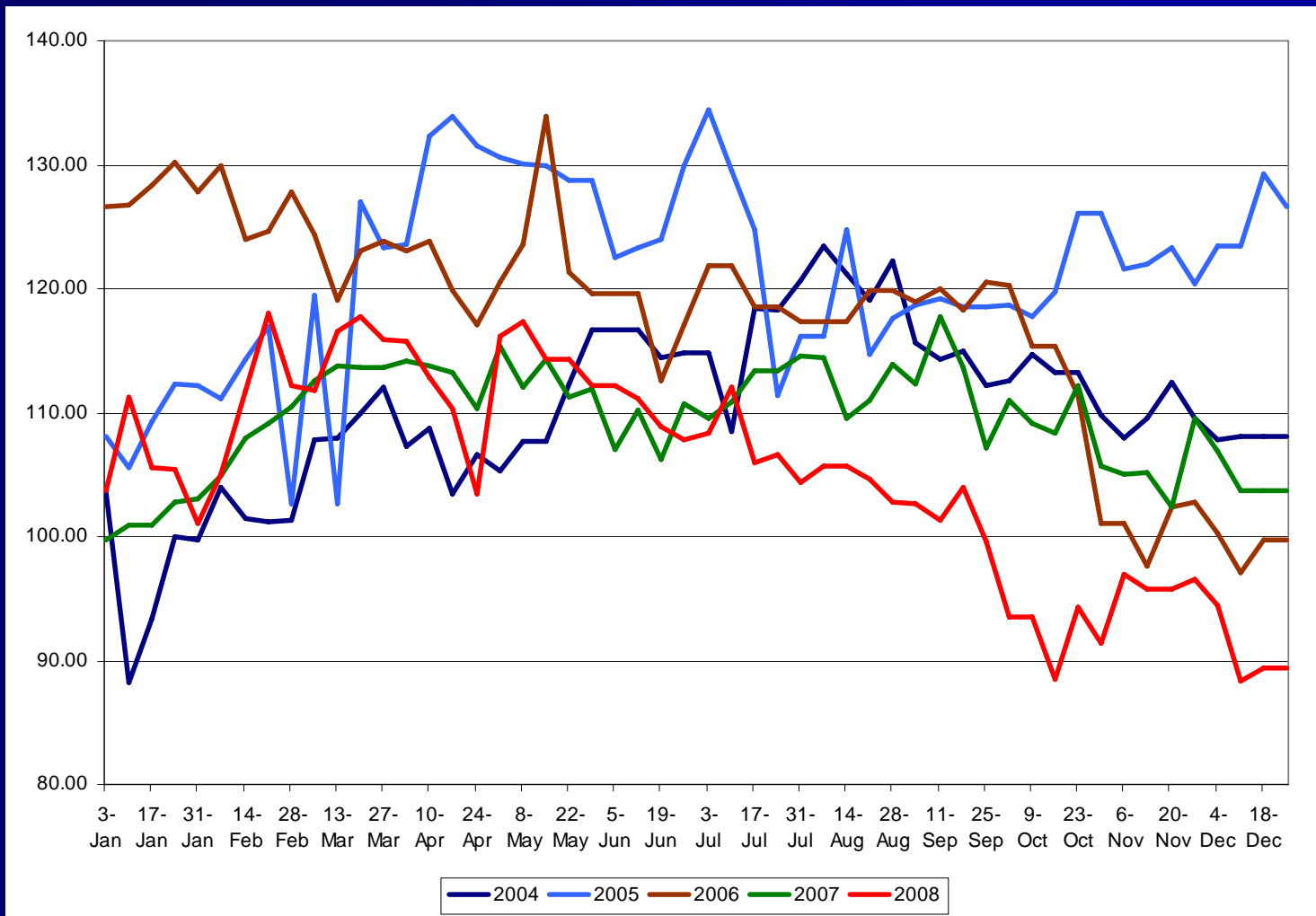
Estimated Nebraska Feedlot Returns (\$/head)

This wk: -\$206.88, Average last 13 wks: -\$188.40, Average last 4 yrs: -\$38.43



Utah Calf Prices

Below break-even for many



US Dollar Index Futures



Implications of Stronger \$

- US Exports cost more for foreign buyers
- Alfalfa Cubes and Pellets Demand may be a little softer

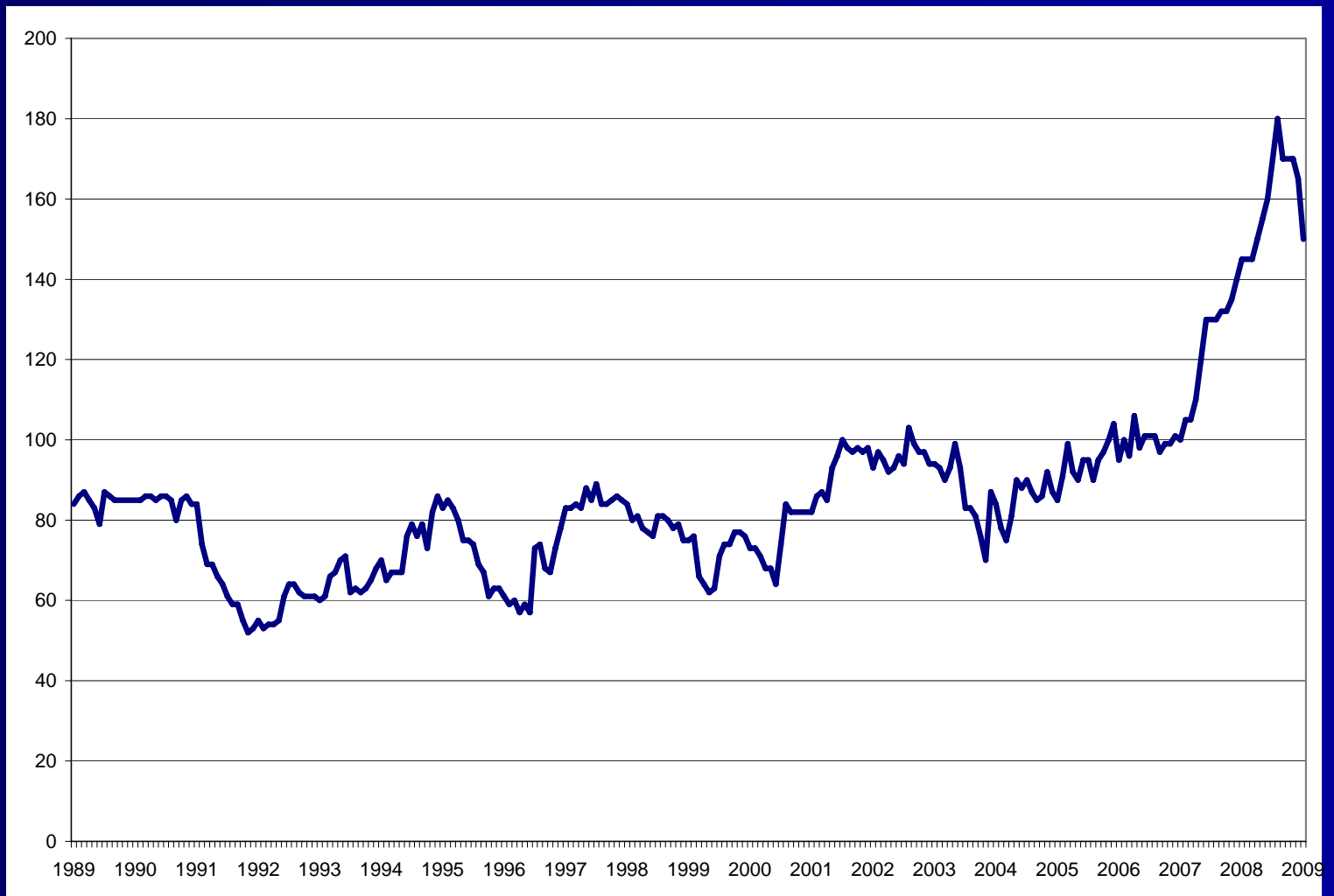
Demand Summary

- Dairy industry will not be profitable for at least first half of 2009
- Beef cattle industry not profitable
- Exports of hay may be reduced

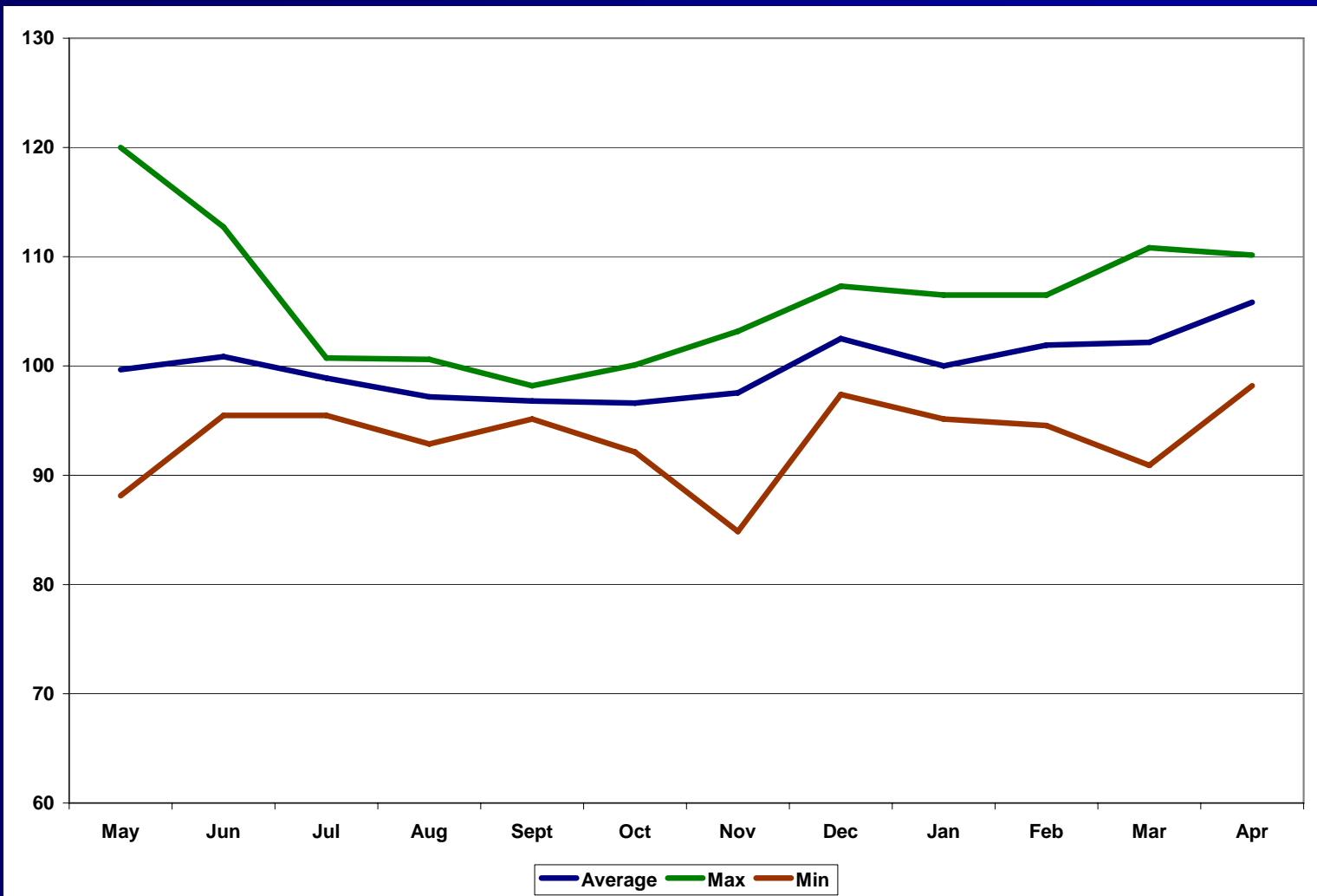
Market Outlook for Alfalfa



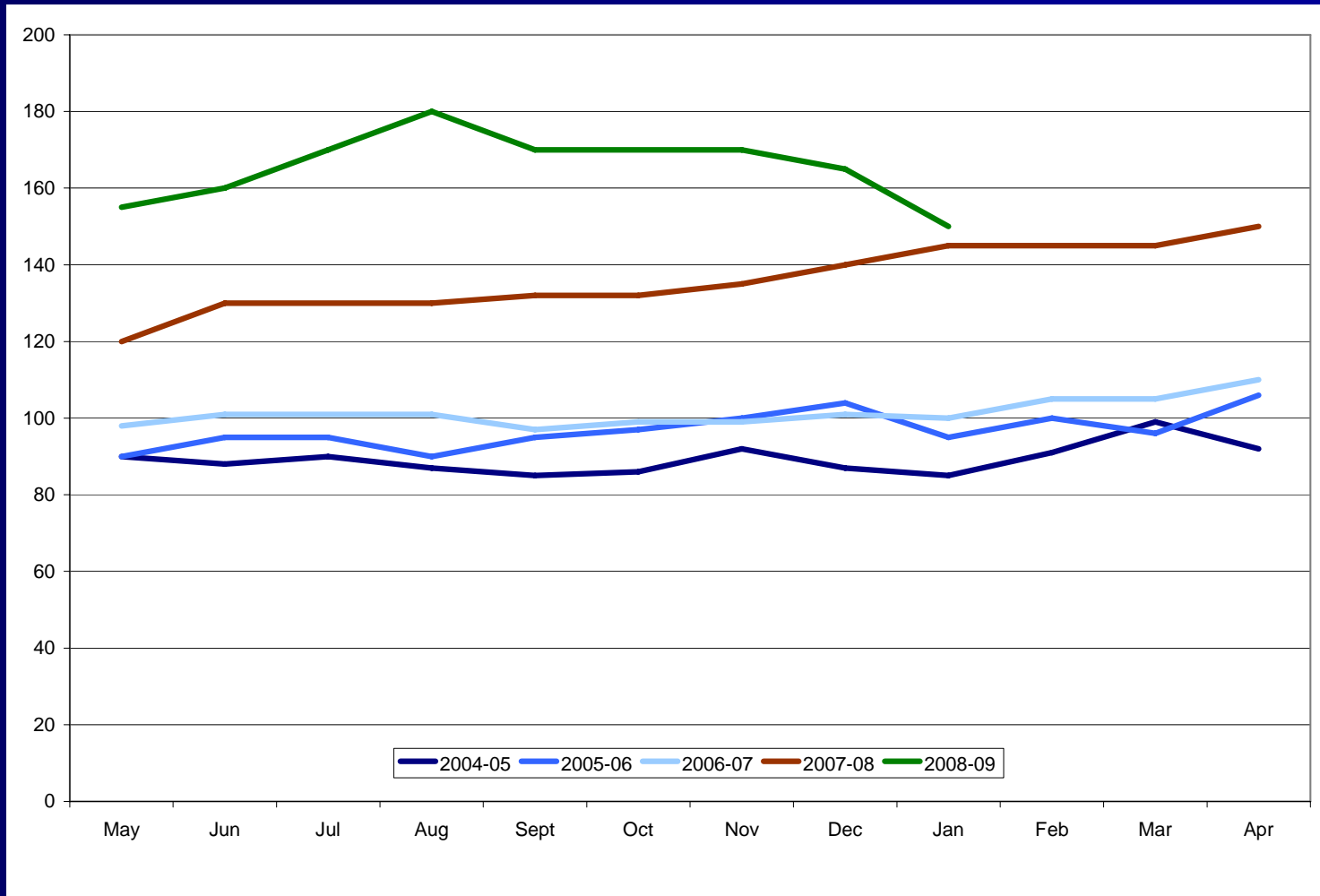
Historical Utah Alfalfa Hay Price



Utah Alfalfa Hay Seasonal Prices



Monthly Utah Alfalfa Hay Prices



Production Costs



Can you pencil
In a positive
Return?

Production Costs Assumptions

- Yield 4.5 Tons per acre on 3 cuttings
- Vary fuel and fertilizer costs based on 2007, 2008, and expected 2009
- Keep all other costs constant

Production Costs

	2007	2008	2009
Diesel \$/gal	2.75	4.00	2.50
Fert. \$/ton	450	750	450
Operating Cost/ton	68	93	67
Total Cost/ton	114	138	113

Producer Returns per Acre

	2007	2008	2009
Alfalfa Price/ton	130	160	130
Return above Operating	276	301	277
Return above Total Cost	73	98	74

Summary

- Production Costs in 2009 should be similar to costs in 2007
- Alfalfa prices will decline from 2008 levels
- Prices could be similar to 2007 prices
 - California drought will support higher prices
 - Dairy industry losses will pressure prices lower
- Producer returns in 2009 could be similar to 2007 returns

Questions

