

Price History and 2008 Projections for PNW Livestock Prices

C. Wilson Gray, Neil Rimbey, Jim Robb

Agricultural Economics Extension Series No. 08-03
February 2008

University of Idaho
Extension

College of Agricultural and Life Sciences
Cooperative Extension System

DEPARTMENT OF AGRICULTURAL ECONOMICS
AND RURAL SOCIOLOGY
MOSCOW, IDAHO 83844-2334

Price History and 2008 Projections for PNW Livestock Prices.

Prepared by: C. Wilson Gray, Neil Rimbey, Jim Robb
University of Idaho Extension Economists, LMIC Director

Commodity prices can vary significantly within the marketing year as well as between years. For products like calves or lambs, prices tend to be lowest at weaning and strengthen throughout the year as the temporary imbalance between supply and demand changes. Most livestock commodities follow well-established seasonal price patterns. Prices may be volatile and vary significantly from one year to the next as well as throughout the marketing year depending on market influences such as weather events, disease or export issues. Commodities with a well-established seasonal price pattern will see the overall price level vary even though the pattern may remain unchanged.

Stockmen must plan for both the short term and the long term. The same price will seldom work for both short range and long range planning purposes. The long range planning prices contained in this publication are based on historical or time-series data. Short run planning prices are projections for the current market year based on the current supply and demand situation.

Historical prices give a clearer view of the past than of the future. But unless there has been a significant structural change that impacts the supply of or demand for a product, then historical prices provide both a simple and an appropriate estimate for long range planning. Historical data can provide information on expected high, low and average prices. An obvious question is: "How many years of data should be used in calculating the average?" Our recommendation is that you use not more than 10 - 12 years. Longer time periods may include data that are too far in the past to properly reflect current price levels or trends. By the same token, shorter time frames may result in prices that are dominated by current supply and demand situations and not be reflective of industry trends.

Livestock Price Estimates

The long range planning prices found in table 1 are based on 10-year averages. Livestock prices for the past five years are also provided as a reference. While livestock prices are statewide estimates, they most reflect the markets in southern Idaho.

Livestock Price Forecasts

The short-range planning prices in table 2 are conservative, quarterly price estimates based on the present market fundamentals. Again, these prices are most reflective of southern Idaho.

Cattle and beef markets face a number of crosscurrents in 2008; demand aspects will likely dominate prices producers receive for cattle over the next two years. Consumer demand for red meat languished at times in 2007 due to sluggish economic conditions. That situation could become an important headwind for cattle prices in 2008, especially if the U.S. economy falters.

Overseas demand for U.S. beef improved some in 2007 even though several Asian countries continued to create barriers and mishaps occurred with U.S. shipments, especially to South Korea. Further growth in exports and rather modest levels of beef

imports are forecast for 2008. Cowherd numbers in Canada, Australia, and some South American countries are on the decline which could assist U.S. beef exports. The major uncertainty for calf and yearling prices, just as in 2007, will be feedstuff costs, especially corn prices. U.S. ethanol production will demand even more corn in 2008 and 2009.

U.S. slaughter cattle prices for 2008 are projected to be stronger than a year earlier. The only yearly decline on a quarterly basis is forecast for the summer quarter, by that time beef packer margins should move toward more historical levels rather than the depressed situation of 2007.

If another large U.S. corn crop materializes in 2008, prices for yearlings will generally remain above the \$100.00 per cwt. level in the Southern Plains. Overall, yearling prices may be similar to 2007's. High corn prices will persist and calf prices will be impacted relatively more than yearling prices. Preliminary forecasts, assuming normal moisture conditions and significant drought relief nationwide compared to 2006 and 2007, put 500-to 600-pound steer calf prices in the Southern Plains \$1.00 to \$8.00 per cwt. below 2006's. Any yearly decline will in large part be attributable to high corn prices.

For Additional Information

The planning prices are presented as a guideline to assist ranchers, lenders and agribusinesses in planning. Local prices will vary from these regional prices.

Your planning efforts will be enhanced if you monitor the current market outlook situation. Use new information to modify your plans as necessary. Some sources of current outlook for those with access to the Internet, include the following URL's:

Reports published by Agricultural Marketing Service, Economic Research Service, World Agriculture Outlook Board, and National Agricultural Statistics Service, all part of USDA, are available at:

<http://usda.mannlib.cornell.edu/MannUsda/homepage.do>

<http://www.usda.gov/wps/portal/usdahome>

- Market News reports from Agricultural Market Service, USDA, are available at: <http://www.ams.usda.gov/marketnews.htm>
- An electronic version of the *Livestock Monitor* and other industry related information is available from the Livestock Marketing Information Center: <http://www.lmic.info/>
- Kansas State University's AGMANAGER has excellent livestock Marketing and Risk Management resources: <http://www.agmanager.info/livestock/>
- Other information of interest, budgeting software and many agricultural links can be found at: <http://www.ag.uidaho.edu/aers> Click on **Resources** and follow the links.

PNW Livestock Price History & 2008 Projections
AEES 08-03

Table 1. Historical Planning Prices for PNW Livestock.							
Calendar Year Average							
	Unit	2003	2004	2005	2006	2007-p	Long Term Ave.
Live Steers 11 – 1300# 65%-80% Choice ◇	cwt	84.43	84.23	86.94	85.74	92.02	75.18
Dressed Delivered Ave. 857# 65%-80% Choice Steers ◇	cwt	134.38	134.12	138.82	134.82	146.37	119.23
Steers 8-900# *	cwt	81.71	93.92	99.16	99.94	98.92	81.35
Steers 7-800# *	cwt	84.63	98.26	104.19	104.1	103.25	90.22
Steers 6-700# *	cwt	89.65	104.43	113.13	113.34	110.15	93.34
Steers 5-600# *	cwt	94.61	114.93	122.49	119.17	114.47	98.48
Steers 4-500# *	cwt	102.38	121.97	133.58	139.50	126.40	105.43
Utility Cows **	cwt	54.92	59.25	64.94	53.75	58.40	46.05
Slaughter Lambs Western Direct (100-125# dressed weight)*	cwt	182.11	188.38	204.02	174.38	194.31	161.41
Feeder Lambs (70-90# live weight)*	cwt	108.28	119.75	125.37	104.24	105.54	88.65
Cull Ewes	cwt	33.70	40.40	42.00	27.60	25.25	31.28
Wool (Clean, USDA 56's)	lb.	1.48	1.50	1.14	1.01	1.34	1.15
Wool (Grease, US Farm Price)	lb.	0.73	0.80	0.71	0.68	0.88	0.64
Milk, Class III	cwt	11.42	15.39	14.05	11.89	18.04	13.07
Cheese, 40# Block, CME	lb.	1.3172	1.6492	1.5052	1.2385	1.7578	1.42

p = preliminary;

◇ 5 MARKETS: TEXAS-OKLAHOMA, KANSAS, COLORADO, E NEBRASKA, IOWA - MINN

* heifer price difference versus steers in the same wt. class; 10 year average; \$/cwt.

Weight Gp.	400-500	500-600	600-700	700-800	800-900
10 YR Av Adjustment	-9.37	-4.97	-4.17	-11.21	+5.44

** bulls will be 4 to 6 cents over utility cows.

♣ Slaughter lambs are dressed-weight basis;
feeder lambs are live weight basis.

Historic data from USDA-IASS, USDA-AMS and the LMIC.

PNW Livestock Price History & 2008 Projections
AEES 08-03

Table 2. Quarterly Forecast Planning Prices for PNW Livestock.						
2008 Quarterly Forecast						
	Unit	I-f	II-f	III-f	IV-f	Ann. Ave.
Choice Steers 11 – 1300# *	cwt	90-92	92-95	85-89	89-93	89-92
Steer Calf 7-800# *	cwt	97-99	99-102	102-106	97-102	99-102
Steer Calf 5-600# *	cwt	110-113	113-117	112-117	104-111	110-114
Utility Cows **	cwt	57-63	59-65	58-63	52-56	56-61
Slaughter Lambs Western Direct (100-125# dressed weight) ♣	cwt	189-193	191-195	202-207	202-206	196-200
Feeder Lambs (70-90# live weight) ♣	cwt	101-103	103-106	95-99	96-99	98-103
Wool (Clean, USDA 56's)	lb.					1.23-1.30
Wool (Clean, USDA 64's)	lb.					2.50-2.65
Milk, Class III	cwt	17.65-18.10	15.65-16.55	15.15-16.00	15.25-16.10	15.92-16.70
Cheddar Cheese	lb.	1.87-1.90	1.67-1.73	1.51-1.60	1.49-1.58	1.63-1.71
Butter	lb.	1.18-1.24	1.16-1.25	1.20-1.32	1.21-1.34	1.19-1.29
Nonfat Dry Milk (NDFM)	lb.	1.44-1.47	1.29-1.34	1.33-1.40	1.47-1.54	1.38-1.44
Dry Whey Powder	lb.	0.33-0.35	0.31-0.34	0.33-0.36	0.38-0.41	0.34-0.37

f = forecast

* heifer price difference versus steers in the same wt. class; 10 year average; \$/cwt.

Weight Gp.	500-600	700-800
10 YR Av Adjustment	-4.97	-11.21

** bulls will be 4 to 6 cents per pound over utility cows.

♣ Slaughter lambs are dressed-weight basis;
feeder lambs are live weight basis.

Forecast estimates are by UI Agricultural Economics Extension.