

Livestock and Dairy Production Outlook for Michigan

Dr. Glynn Tonsor
and Dr. Christopher Wolf
Dept. of Agricultural Economics
Michigan State University

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Cattle Situation Summary

- Beef Exports
 - up in 07'; likely up in 08'
- Commercial Slaughter
 - Likely down 1% in 08'
- Feedlot and packer margins
 - Tight throughout 2008
- Cowherds
 - Internationally shrinking to continue

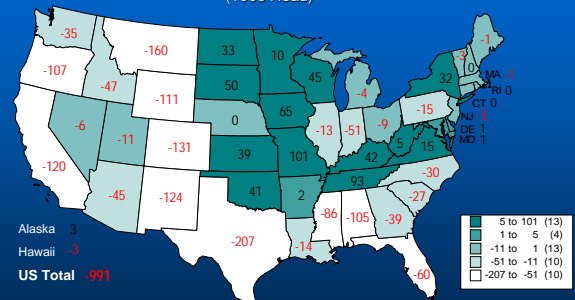
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Ethanol & Drought Implications

- Increased Feed Costs:
 - Land competition for pasture
 - Drought
 - Record hay prices
 - LMIC national average hay price forecast of \$130/ton (07/08); \$110/ton (06/07) prior record
 - May 1, 2007 US hay stocks were smallest since 1960 (15 million tons)
 - Heavy feeders being demanded
 - Reduction in herd size in some crop states / +/-0 expansion in US

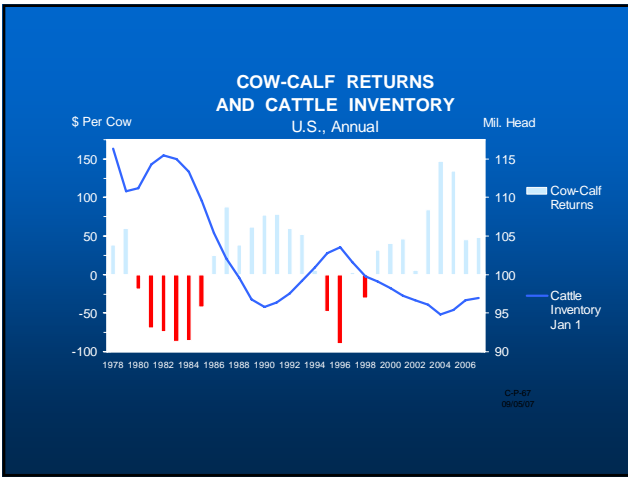
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CHANGE IN BEEF COW NUMBERS
JANUARY 1, 1998 TO JANUARY 1, 2007
(1000 Head)



Livestock Marketing Information Center
Data Source: USDA/NASS

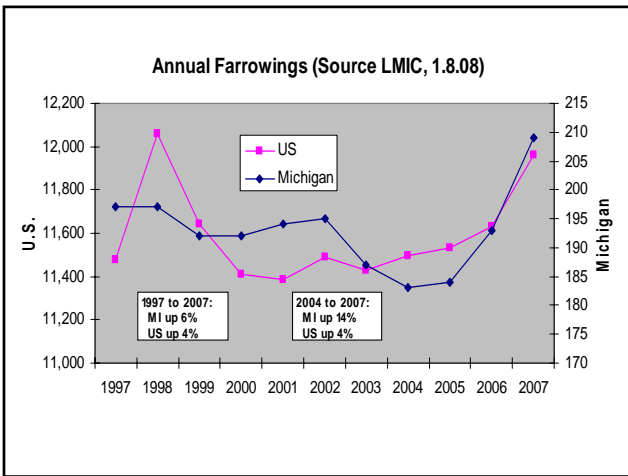
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Swine Situation

- 2007(4) U.S. pork production was up 10% from 2006(4)
- Will likely continue into 2008 as breeding herd expands until summer

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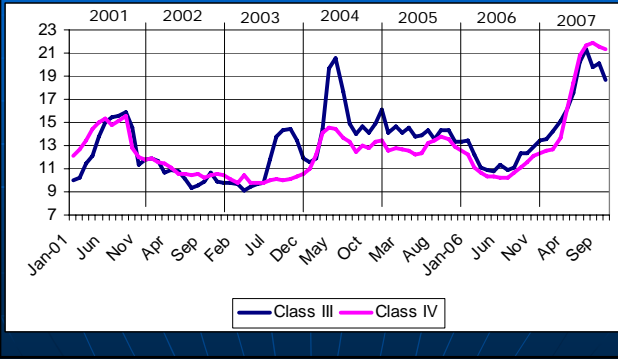


Swine Situation

- Exports
 - 2007 set record (15% of production)
 - likely to continue into 2008
- Losses mounting throughout 2008
 - ISU reported \$29/head losses on farrow-to-finish Nov/Dec. sales
 - Break-evens at best in 2008
 - Canadian herd reduction and exports may help

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Record Milk Prices



Average Michigan Financial Ratios, All farms

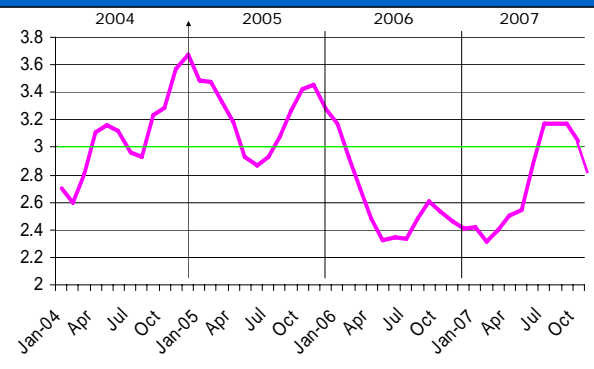
	2001	2002	2003	2004	2005	2006
	(percent)					
Rate of return on assets	7.6	3.2	4.3	7.7	6.3	5.8
Rate of return on equity	8.1	2.1	4.1	9.1	6.9	5.9
OPM	22.3	11.0	14.9	23.3	20.0	20.6
ATO	33.9	29.3	29.0	32.9	31.7	28.4
Milk Price (\$/cwt)	15.23	12.47	12.59	16.42	15.70	13.47

Factors Causing Record Milk Prices

- World markets
 - Booming world demand
 - Asian growth
 - Australia drought
 - Argentina drought/floods
 - EU cutback
 - Weak US dollar

- High feed prices

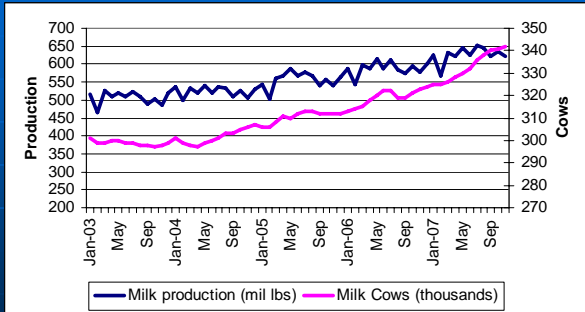
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US Milk-to-Feed Price Ratio, 2004-2007

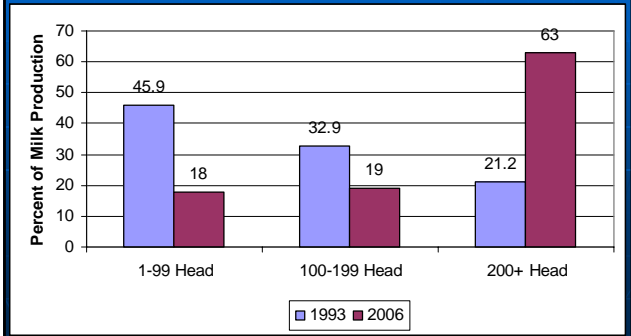
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Michigan Milk Production



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% Milk production by herd size, Michigan



	Class III	Class IV	Class III	Class IV
	Futures market		USDA	
Jan 08	19.49	17.80		
Feb	17.86	17.20	18.70-	17.20-
Mar	17.22	16.20	19.10	17.70
Apr	16.56	16.40		
May	16.28	16.25	16.40-	16.90-
Jun	16.42	16.35	17.10	17.70
Jul	16.54	16.65		
Aug	16.71	16.60	14.75-	16.45-
Sep	16.77	17.00	15.75	17.55
Oct	16.33	17.20		
Nov	16.25	17.00	14.80-	16.70-
Dec	16.15	17.00	15.80	17.80

Questions???

Tonsor's website:

<http://www.msu.edu/user/gtonsor/>

-- includes this presentation

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