What a Difference a Few Months Makes!

By Jeff Reed, Chief Operating Officer, Central Livestock

About 12 months ago, several news pundits and economic “experts” were pointing to early signs of a general U.S. economic recovery. The stock market had already begun what would become a remarkable rebound in values, and many in the livestock trade expected livestock prices would follow closely behind. In past recessions, livestock and meat protein prices have often recovered early in the aftermath of recessions, and ready supplies of all livestock looked very manageable.

Instead, livestock producers continued to spend most of 2009 in the depths of a major livestock recession, which left hog producers of all sizes, cow/calf and feedlot operators, and dairy producers reeling with high production costs carried forward from 2008, and well below break even selling prices for their product. How much of the price problems were related to H1N1, and how much was a result of the problems in the general economy will be debated. Balance sheets eroded for many producers to painful levels, and many also found their lenders reluctant to finance livestock, given the recent trends and challenges.

I believe the more exciting fact is that all three livestock segments have their herd/flock numbers in line with, or even below, logically expected end product demand levels. The U.S. beef cow herd, as well as the North American sow herd, are at historic lows. Export demand is often the biggest wildcard for many agricultural commodities, however news on the meat export front is quite encouraging. Although the last two years have been painful for many in livestock production, a period of sustained livestock profitability looks very likely.

Those of who have been around agriculture for awhile have learned, and have been reminded once again, that livestock prices and economic price relationships, can and do change very rapidly. The price turn around we have experienced in recent weeks on hogs, feed cattle, feeder cattle, bred stock, and sheep have been remarkable. We are experiencing price levels in the top 10% of all time prices for cattle, hogs, and sheep, and the excitement and enthusiasm for raising and marketing livestock is gradually returning to rural America. In the American economy, the survivors usually get paid well for surviving.
Central Livestock Expert Outlook

By Tom Ostlie, Sheep Department Manager

A comprehensive look at industry trends of sheep and goats with Tom Ostlie, Sheep Department Manager, and hog and feeder pigs with Bob Young, Zumbrota Market Manager and Hedging Specialist, Gary Millard, Head of Swine Marketing, and Tony Fink, Head of Swine Sales.

Sheep and goats continue to be in high demand, Ostlie says another important factor affecting market prices is the increasing demand from ethnic buyers. In the last 10 years, there has been considerably more demand for sheep and goats from ethnic buyers. Small ethnic markets have also been starting in different regions, and have added demand for all ages and classes of sheep and goats. It also seems that market prices are traditionally stronger around ethnic holidays. Many animals purchased for religious slaughter must meet certain criteria. Ostlie encourages sheep and goats producers to learn more about ethnic holidays, and the characteristics buyers are looking for around those particular marketing windows.

Market prices on sheep are indeed high right now and that is a trend that Tom Ostlie believes will continue. Tom explains that the trend is due to the simple law of supply and demand. There is a high consumer demand for lamb meat, and a lesseningsupply. In the US, sheep numbers have shown a decline since the population peak in 1942 of 56.2 million. Volume continued to slip, and by 1994, the sheep inventory was just below 10 million head (NASS). According to the NASS, “From the start of the 20th century to the end of the century sheep numbers were down 85%.” Currently the 2010 U.S. sheep inventory is at 5.63 million head, which is down 2% from 2009.

Although sheep inventory is down 2% nationally, along with Minnesota sheep inventory down 7% from 2009, Wisconsin sheep inventory is up 6%. All goat inventory is down 1% nationally from 2009, meat goat inventory is down slightly, and milk goat inventory is up 6%. Wisconsin meat goat inventory is up 17%, and Minnesota meat goat inventory is up 10%. Wisconsin milk goat inventory is up 15%, and Minnesota milk goat inventory is up 13% (NASS). Although national goat, and national and Minnesota sheep inventories may be down, it is clear that raising sheep and goats in Wisconsin and Minnesota is an ever-increasing trend.

Ostlie attributes the growth in this region to several factors: terrain, prices, and producers transitioning to different species. The terrain in this region lends nicely to raising sheep and goats with lush pastures.

Market prices are very high right now, and could entice people to start raising, or expand volumes of sheep and goats. This is especially true of goats, with industry interest and market prices increasing significantly in the last five-seven years. The final factor is the increasing demand from ethnic buyers. In the last 10 years, there has been considerably more demand for sheep and goats from ethnic buyers. Small ethnic markets have also been starting in different regions, and have added demand for all ages and classes of sheep and goats. It also seems that market prices are traditionally stronger around ethnic holidays. Many animals purchased for religious slaughter must meet certain criteria. Ostlie encourages sheep and goats producers to learn more about ethnic holidays, and the characteristics buyers are looking for around those particular marketing windows.

Tom shares his observations on the qualities and traits that are in the highest demand for finished and feeder lambs, and goats through traditional buying channels and ethnic buyers.

• Finished lambs through traditional packer. Packers are looking for quality and traits that are in the highest demand for finished and feeder lambs, and goats through traditional buying channels and ethnic buyers.

This coupon good for ONE ICE CREAM SANDWICH
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Look for details on the event in the near future

Central Livestock Association
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www.centrallivestock.com

Last year, the USDA announced that it would be revising the national TB program to take a new approach to managing the disease. The agency is currently working on writing new rules, which will then be submitted for review and a public comment period. The Federal Order is considered by the USDA to be an “interim measure” which will be in place until the new rules are issued.

Bovine TB Status Upgrade Application
In March 2010 Minnesota submitted an application to the USDA for an upgrade in status for each of the state’s TB zones. The application requested that the portion of the state that is currently MA be upgraded to TB Free and the portion of northeast Minnesota that is currently MA become MAA. The state anticipates the status upgrades will become effective in October 2010.

Federal Order has been issued by the U.S. Department of Agriculture (USDA) to suspend enforcement of a portion of the bovine tuberculosis (TB) regulations in the U.S. As a result many states have reduced their TB testing requirements for cattle moving out of Minnesota’s Modified Accredited Advanced (MAA) Zone.

Under the Federal Order, the USDA will have the authority to determine whether or not to downgrade a state’s TB status based on a scientific analysis of risk. Previously, if two or more infected cattle herds that were not epidemiologically connected were found in a TB-Free state, that state would automatically lose their free status and be downgraded to Modified Accredited Advanced. Under the new Federal Order, the USDA would have the option to downgrade the state’s status depending on the risk of disease transmission as well as the efforts put forward by the state to eradicate the disease and conduct surveillance testing.

The Federal Order will also suspend the federal rule requiring breeding cattle to be TB tested before leaving a MAA Zone. However, certain states may choose to maintain the TB test requirement for cattle being imported from Minnesota. South Dakota and Nebraska, both significant trading partners, have said that they will allow cattle coming from Minnesota’s MAA Zone to be imported without first being TB-tested. It is the hope of the Board that other surrounding states including North Dakota, Iowa, Illinois, and Wisconsin will eventually recognize the federal order and drop their testing requirements. In the meantime, producers should contact the receiving state to verify shipping requirements prior to exporting cattle.

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A subsidiary of Cooperative Resources International
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Minnesota TB Update

By Bethany Nahn, Communications Specialist, Minnesota Board of Animal Health

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Central Livestock Virtual Market Tour

Central Livestock released the first Virtual Market Tour of the Zumbrota market. As a member-owned cooperative, Central Livestock holds fall delegate meetings each year to gain input, and this project was inspired from these meetings, and approved by the Central Livestock Board of Directors. The Virtual Market Tour details the entire process of marketing livestock at the auction market, gives a closer look at the new improvements, and displays safe and careful animal handling as a means to show positive images of animal agriculture.

The Zumbrota Virtual Market Tour is the first of the Central Livestock markets to be completed this year, with all to be displayed on the website. Visit www.centrallivestock.com and click on Virtual Market Tour or go to www.youtube.com to view the first Central Livestock Virtual Market Tour of the Zumbrota market.

Virtual Market Tours

Click on the links below to tour our markets

• Zumbrota Market

Enter the 6th Annual Central Livestock PHOTO CONTEST

The contest is open to all Central Livestock customers and their immediate family members who wish to enter. Entries must be received by September 15, 2010. The photos will be judged on focus, content, color tone, composition and overall appeal. The winner in each category will receive a prize and could be featured in the 2011 Central Livestock calendar and a future issue of Marketings.

Entry Rules

• Entries become the property of Central Livestock and will not be returned.
• All photos must be in color.
• Entries may be digital or printed on photo quality paper. Prints must be 5” x 7” or 8” X 10”. Digital entries should be taken at the highest resolution possible. The camera should be a least 2.5 mega pixels or higher. Images should be saved as EPS, TIF, or JPG formats and e-mailed to jlawson@crinet.com by September 15, 2010.
• Each photo entry must select one of the following categories:
  • Livestock Scenes
  • Country Scenery
  • Kids & Livestock
• Entries are limited to three photos per Central Livestock customer. Photos may be entered into different categories.
• Entries should not be mounted or framed. Include the following information with each entry:
  • Title of Photo, Photographer’s Name and Address, Category, Phone Number, E-mail Address, Location *
  • and Date of Photo.
• Please mail photos and entry info by September 15, 2010 to:
  • Central Livestock Photo Contest, Central Livestock Association
  • 953 Concord St. S., PO Box 419, South St. Paul, MN 55075

Sheep producers also need to consider the price difference between shorn and unshorn when marketing lambs. Ostlie explains there is a significant price difference, and seasonal pattern between the two. New crop spring lambs, four- to five months old, with short wool, will sell as good as shorn lambs. If you take the same lamb and put it on pasture until it reaches 8-10 months of age, it will have substantially more wool. As wool grows longer, and the lamb gets older, the lamb has less value than a shorn lamb. Market topping lambs that packers prefer are shorn lambs with a pelt grown back to a #1 pelt, which takes approximately six weeks.

Central Livestock sees sheep and goat production as a growing livestock segment in this region. In order to better serve our customer needs, and increasing ethnic buyer demand, Central Livestock is going to begin holding special sales for sheep and goats. Beginning on August 3, 2010, Central Livestock’s Zumbrota Market, will hold a special goat, and breeding sheep and goat sale. These special sales will be held in conjunction with the Tuesday auctions, and will be the first Tuesday of the month. Look for future details on these special sales through our website www.centrallivestock.com and radio market reports.

West Fargo Market 75th Anniversary Special Yearling Sale

Wed., August 25th, 2010, 10:00 AM

Look for more details closer to sale time

For more information call Mike Hilde: 701-371-8184, Kelly Watsaske: 701-360-2328, Kent Oland: 701-238-1546

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Gary Millard

Bob Young, Zumbrota Market Manager and Hedging Specialist, Gary Millard, Head of Swine Marketing, and Tony Fink, Head of Hog producers have waited a long time for May 2010. This month marks the highest market hog prices ever (Missouri). “John Lawrence at Iowa State University estimates the average market hog was sold at a profit of $29.39 per head in April. That makes April the most profitable month since August 2006 and only the fourth profitable one in the last 31 months” (Missouri).
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are now estimated to be 7.064 million head,
combined U.S. and Canadian sow inventories
supplies are so tight, explained Young. “The
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Swine Sales, attribute high market prices to
In the last two years, there has been much
emerge, they think most people are waiting to
market continues to stay high, hog volume
Young explains, “When prices
get better, more people sell through a terminal
market prices. Young ascribes this to the high
Meador, and Fink ascribe this to the high
Hog volume marketed through Central
swine operations are so tight, explained Young. “The
combined U.S. and Canadian sow inventories
are estimated to be 7.064 million head,
42% smaller than a year ago, and 8% smaller than in 2008” (CME). Canada is even more so in
a liquidation mode, with their breeding herd contracting quicker than the U.S. (CME).
Fink explains that locally, they have not seen the drastic sow reduction, or really many
producers exiting the business at all.

Fink and Young say the export markets have significantly helped improve the market prices,
specifically Mexico and the re-opening of China
since the H1N1 outbreak last year. According to
an article in the National Hog Farmer, “Mexico
was the top destination for U.S. pork in 2009,
and remains the No. 1 buyer in 2010.” Strong
global demand will continue to contribute to
pushing hog prices higher. Young also explains
that corn markets directly correlate with hog
prices, and forecasts for a large corn supply
should help keep feed costs low.

All three agree current high prices are needed
for hog producers right now, because they
haven’t made profits in at least 15 years. Fink
says he could only remember two other times,
both in the 1980s when hog prices reached
the $60s live. Another interesting point that
Young makes is that the fact that big sows are
currently higher priced than market hogs. He
credits this to the school lunch program,
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