



## 2011 Beef Outlook

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### 2011 Beef Cattle Outlook

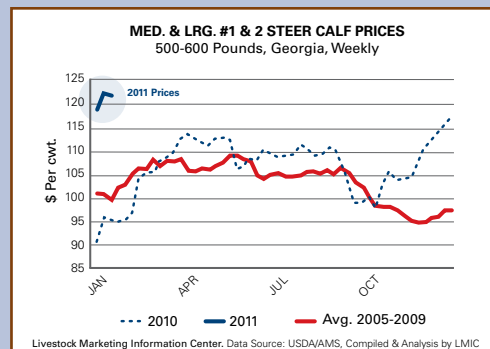
U.S. cattle farmers continue to decrease their inventory of cattle and calves (Figure 1). The major factor responsible for causing the decline in cattle inventory is the lack of profitability by the majority of cow-calf farmers. Contributing factors to the lack of profitability in the cow-calf sector include weak beef demand (caused by the severe recession), high production costs, large levels of competing meats, and alternative uses of land (pasture acreage moving into grain production and/or conservation programs and other non-farm uses such as recreation and rural non-farm development). As a result, cattle farmers will likely continue to liquidate cattle numbers until profitability can be achieved.

In the mid-year July 1, 2010 Cattle Report, cattle producers told USDA they had about 500,000 fewer beef cows that had calved (-1.6 percent) than a year ago. Beef-cow replacements were down 100,000 head (-2.2 percent) from a year ago at 4.4 million head. A decrease in beef-cow replacements and beef cows that have calved during 2010 suggests that herd liquidation will continue in 2011.

### 2011 Beef Price Outlook

The 2011 cattle market will continue to operate with a great deal of uncertainty. Cattle raisers should monitor several factors, including changes in domestic beef demand, supplies of broilers and pork, export and import sales, feedstuff prices, monetary

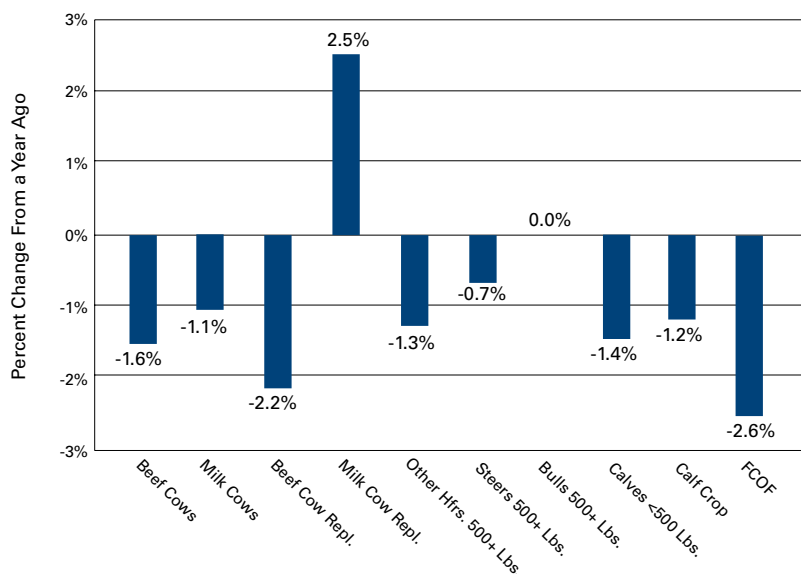
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Livestock Marketing Information Center. Data Source: USDA/AMS, Compiled & Analysis by LMIC

Item	Price
<b>SALES PRICES</b>	
<i>Cattle and Beef Prices as reported by USDA-Agricultural Marketing Service and Georgia Department of Agriculture</i>	
GA 500-600 lbs. steer (\$/Cwt.)	\$122.23
GA 700-800 lbs. steer (\$/Cwt.)	\$106.83
GA 80-85% lean slaughter cow (\$/Cwt.)	\$63.57
GA Bred cow, Med.-Lrg, 1-2, 4-6 mos. bred (\$/head)	\$819.70
GA Cow-calf pairs, Med.-Lrg, 1-2, (\$/pair)	\$933.36
5-area Live Cattle Price (\$/Cwt.)	\$105.87
Choice Boxed Beef Cutout (\$/Cwt.)	\$170.15
Choice-Select Spread (\$/Cwt.)	\$3.77
<b>INPUTS</b>	
Farm Diesel (\$/gallon), less than 1,000 gallons	\$2.98
<i>Feed Stuffs as reported by USDA-Alabama Department of Agriculture Market News, FOB Central AL unless otherwise denoted.*</i>	
Hay for cows, Good quality (9-13% CP), (\$/1,000 lbs. roll)	\$40.00
#2 Yellow corn (\$/bushel)	\$7.10
Soybean hull pellets, bulk (\$/ton)	\$185.00
Corn Gluten pellets, 21% protein, bulk (\$/ton)	\$192.50
Whole Cottonseed, FOB Gin (\$/ton) \$165	\$195.00
Distillers' Dry Grain, FOB Central GA (\$/ton) *	\$250.00
Cottonseed Meal FOB Central GA (\$/ton) *	\$300.00
<i>Fertilizer prices as reported by USDA-Alabama Department of Agriculture Market News. All prices \$/ton unless otherwise noted.</i>	
Ammonium nitrate (34-0-0)	\$411.00
DAP (18-46-0)	\$692.00
Muriate of Potash (0-0-60)	\$42.50
Lime (spread)	\$565.00

Figure 1. Percent Change in U.S. Cattle Inventory, July 1, 2010



A smaller inventory of cattle and calves and smaller calf crop during 2010 will likely limit the growth in beef production during 2011. USDA projects U.S. beef production during 2011 to be about 25.1 billion pounds (-2.0 percent from a year-ago).

For week ended: January 24, 2011

exchange rates, and adverse weather impacts. The cattle markets could experience some volatile movements with abrupt changes in any of these factors and/or combinations of factors.

The current weak U.S. economy, lack of consumer confidence, political gridlock, information chaos on proposed legislation in Congress and future economic uncertainty is fresh in minds of U.S. citizens. The decisions made on these issues are believed to have an overwhelming effect on our future prosperity and consumer

spending. Unfortunately, there is not convincing evidence about what works and what doesn't. Consumers, at least for right now, are spending less and saving more. Only time will tell if this may be the start of a long-term shift in consumer behavior. Assuming economic recovery continues to take place during 2011, look for increased product movement through beef market outlets before we realize higher beef market prices.

Cattle market prices in 2011 should remain cyclically strong and average

near or slightly higher than 2010. As should be expected, the 2011 cattle market has the potential for some big price swings. Abrupt changes in the levels of the factors mentioned above could add much volatility to 2011 cattle market prices. Cattle farmers will need to search for ways to lower their unit-cost of production (what it costs to produce a pound of beef) and ways to enhance market prices in order to achieve profitability during 2011. ●

## Business Income Tax Update—2010 Issues

*Keith Kightlinger, Farm Business Management Specialist, University of Georgia*

Issues relating to ordinary business deductions were prominent in changes affecting the net taxable income of businesses in 2010. Items of particular interest to the operators of small businesses include:

- Health insurance premiums of self-employed individuals are deductible in calculating net self-employment income. This is a special adjustment made on Form 1040, Schedule SE. For income tax purposes, the premiums continue to be allowed as an "Adjustment to Income" in part II of Form 1040. The premiums are not deductible on Form 1040 Schedule C or Schedule F in determining net income from a trade or business.
- I.R.C. Sec. 179 expense deduction for qualified depreciable assets has been increased from \$250,000 in 2009 to \$500,000 in 2010. The phase-out threshold for total eligible depreciable asset acquisitions increased from \$800,000 to \$2 million.
- 50 percent additional first-year (AFY) depreciation has been extended for 2010. Many states, however, do not permit the use of AFY in computing taxable income for state income tax purposes, so separate depreciation records may have to be kept for state and federal purposes if AFY is used. The default position of IRS is that AFY is elected for qualifying

property, so the taxpayer must attach a statement to his or her federal income tax return electing out of additional first year depreciation.

- Cell phones have been removed from the list of assets classified as "listed property" for federal depreciation purposes. Depreciation recapture resulting in a decline in business use of a cell phone from more than 50 percent to 50 percent or less no longer requires recapture of depreciation in excess of the straight-line rate. Recapture of any I.R.C. Sec. 179 expense deduction is still required, however, to the extent that the deduction exceeds the MACRS depreciation that would have been allowed on the Sec. 179 deduction had it not been taken.

- The 5-year mandatory MACRS depreciation recovery period put in place in 2009 for new farm machinery and equipment (7-year MACRS property) expired December 31, 2009. All new and used farm machinery and equipment placed in service in 2010 must be depreciated using either a 7-year recovery period for MACRS, or a 10-year recovery period for ADS (straight-line) depreciation.

Additional information on personal income tax issues is available from the Internal Revenue Service. IRS forms and publications can be obtained through the IRS website: [www.irs.gov](http://www.irs.gov).

More regarding tax rates, exemption amounts and standard deductions can be obtained at [www.secattleadvisor.com](http://www.secattleadvisor.com). ●



# Feed Situation and Outlook

Dr. Todd Davis, Clemson University

## 2010-11 U.S. Corn Supply and Use

The U.S. corn balance sheets for the 2006-07 to 2010-11 (projected) marketing years are listed in Table 1. With an expected below-trend yield of 154.3 bushels per acre, total U.S. production is estimated to be 12.54 billion bushels. When beginning stocks and imports are included, total supply for 2010-11 is estimated to be 14.257 billion bushels, which is the third largest supply-level in history (Table 1).

Corn demand has been fueled by growth in the food, seed and industrial use category. Corn used to make ethanol has grown from 5 percent of total U.S. production in the 1995-96 marketing year to an expected 38 percent of total U.S. production in the 2010-11 marketing year. The demand

for ethanol is supported by the Renewable Fuel Standards mandate for ethanol from corn, which is 12.6 billion gallons for 2011. In addition, the EPA ruling that approves E15 for 2007-and-newer cars and light-duty trucks may create additional demand from about 20 percent of the current U.S. fleet of cars and light trucks.

Ending stocks for the U.S. are expected to decrease by 52 percent to 827 million bushels (Table 1). This is the smallest level of ending stocks since the 1995-96 marketing year. The stocks-use ratio is expected to decrease to 6.2 percent, which is the tightest since the 2003-04 marketing year. The U.S. marketing year average price is projected to be a record, ranging from \$4.80 to \$5.60

(Table 1). The record corn price is also supporting commodity prices for crops that compete for corn acreage.

## Soybean Meal and other proteins

U.S. soybean meal production is projected to decrease by 2.17 million tons, reflecting the decrease in demand from the domestic livestock industry as well as reduced exports. Soybean meal prices in central Illinois have the potential to reach the 2008-09 price levels and perhaps move higher. The central Illinois price is expected to range from \$310-\$350/ton. As soybean prices increase, soybean meal prices will also increase and will place strain on livestock and poultry profitability.

Ending soybean stocks are expected to increase slightly in the U.S. and

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Table 1. U.S. Supply and Use from 2006-07 through 2010-11 (Projected) Marketing-Years.

	2006-07	2007-08	2008-09	2009-10	Projected 2010-11	Change from 2009-10
	<b>Million Acres</b>					
<b>Planted Acres</b>	78.33	93.53	85.98	86.48	88.22	1.74
<b>Harvested Acres</b>	70.64	86.52	78.57	79.59	81.26	1.67
<b>U.S. Average Yield</b>	149.1	150.7	153.9	164.7	154.3	-10.4
	<b>Million Bushels</b>					
<b>Beginning Stocks</b>	1,967.15	1,303.64	1,624.14	1,673.31	1,707.56	34.25
<b>Production</b>	10,531.13	13,037.86	12,091.65	13,110.06	12,539.66	-570.41
<b>Imports</b>	11.97	20.04	13.54	8.35	10.00	1.65
<b>Total Supply</b>	12,510.25	14,361.54	13,729.33	14,791.72	14,257.22	-534.50
<b>Exports</b>	2,125.37	2,437.41	1,848.93	1,986.60	1,949.99	-36.61
<b>Feed and Residual</b>	5,540.14	5,857.72	5,181.85	5,159.49	5,299.99	140.51
<b>Food, Seed and Industrial Use</b>	3,541.10	4,442.28	5,025.24	5,939.07	6,180.03	241.96
<b>Total Use</b>	11,206.61	12,737.40	12,056.02	13,084.16	13,430.01	345.85
<b>Ending Stocks</b>	1,303.64	1,624.14	1,673.31	1,707.56	827.21	-880.35
<b>Stocks/Use</b>	11.6%	12.8%	13.9%	13.1%	6.2%	
<b>U.S. Marketing – Year Avg. Price</b>	\$3.04	\$4.20	\$4.06	\$3.55	\$4.80-\$5.60	

the world, while those in Argentina and Brazil are expected to decrease slightly from previous marketing years. This strong level of world stocks is important as any U.S. production problems in 2011 may require a reduction in U.S. exports in order to meet the domestic soybean demand. South America, barring any

production problems, should be able to compensate for any reduction in U.S. exports in the 2010-11 or 2011-12 marketing years.

The soybean and corn markets have the potential for significantly higher prices if there are concerns over the 2011 crop and the ability to meet the expected demand for either crop.

These higher prices will reduce export and feed. Livestock producers should expect higher feed costs throughout early 2011 as the bidding for acreage occurs. Any production problem for corn or soybeans will also trigger higher prices. ●

## Managing the Breeding Season

*Dr. Cliff Lamb, Extension Beef Specialist, University of Florida*

The most economically efficient producers are those who are effective in having a greater percentage of cows calve within a short calving season. Therefore, managing the breeding herd in such a way that more cows become pregnant early in the breeding season improves the economics of the operation. Common breeding seasons range from 60 days to 120 days. The advantages of a breeding season are numerous. By concentrating all cows calving during a specific period of time, producers take advantage of marketing opportunities by selling uniform lots of cattle. Calves born within a short window of time out of similar genetics are more uniform, and buyers tend to be more attracted to those cattle than small lots of cattle at auction.

The length of the breeding season may have a tremendous impact on numerous aspects of a cattle producer's management system. In many cases, producers may not remove bulls from their cowherd. This results in a perpetual calving season. In other words, calves may be born at any time during the year. From a marketing standpoint this is extremely detrimental and is a major reason that many producers fail to realize the true value of their calves. A more desirable reproductive management tool is to have a breeding season that limits the time of exposure that the bull has with cows. This can occur so that calves are born during a time of year that suits each producer's management schedule. For example, all cows may calve either during the spring or fall.



When considering the potential for cows to become pregnant, producers should consider that the average gestation length of a cow is approximately 283 days to 286 days. For a cow to become pregnant and calve on a yearly basis, she will need to become pregnant within 90 days of calving. However, in a 90-day breeding season some cows are calving at the same time that you initiate the breeding season. Those cows have no chance of becoming pregnant at the beginning of the breeding season. For a shorter breeding season, such as 60 days, all cows will have calved at least 20 days before the start of the next breeding season. Therefore, a higher percentage of cows have an opportunity to become pregnant at the start of the breeding season.

To reduce your breeding season, be sure to identify when your most desirable calving season would occur. Consider the dates for the breeding season and remove bulls on those dates. Strategic culling of late-calving and open cows will assist in reducing the breeding and calving seasons. In addition, for those producers seeking a breeding season of less than 75 days, they should seriously consider estrous synchronization.

These tips may pay dividends in shortening the calving season, enhancing calf crop uniformity, and reducing labor during the calving season, ultimately improving profitability of cow-calf operations. However, be sure that all bulls (including older herd bulls) undergo a breeding soundness exam within 30

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days of the breeding season. This will ensure that bulls that are unable to produce fertile sperm are eliminated from the herd.

For more information on reproductive management of beef operations, visit the Applied Reproductive Strategies in Beef Cattle Website

(<http://beefrepro.unl.edu/>) for additional articles on cows, and the following website ([http://edis.ifas.ufl.edu/topic\\_bull\\_management](http://edis.ifas.ufl.edu/topic_bull_management)) for management of bulls.

Producers wanting to convert from a continual to a controlled breeding season can also use the

UGA 90-Day Calving Season Calculator Spreadsheet available in the Decision-aids section at [www.secattleadvisor.com](http://www.secattleadvisor.com). ●

## upcoming events

### Alternative Marketing Options for Your Calf Crop: Managing the Financial and Production Risks

Webinar and UGA Instructional Arena | Athens, GA | March 8, 2011 | 5:00 p.m. - 9:30 p.m.  
For more information contact your local county Extension office or visit [www.secattleadvisor.com](http://www.secattleadvisor.com).

### Southeast Hay Convention

GA Farm Bureau Headquarters | Macon, GA | March 29 - 30, 2011  
For more information contact your local county Extension office or visit [www.georgiaforages.com](http://www.georgiaforages.com).

### Alabama Feeder Cattle Marketing Risk Management Programs

ACES Video Conference Sites and Individual Personal Computers | April 28 - May 26, 2011 | Thursdays @ Noon  
For more information contact your local county Extension office, regional Extension agents, Ms. Lanora Dowdell at 334.844.5604 or Dr. Walt Prevatt at 334.844.5608.

### 60<sup>th</sup> Annual Beef Cattle Short Course

Hilton University of Florida | Gainesville, FL | May 4 - 6, 2011  
For more information visit <http://conference.ifas.ufl.edu/beef/index.htm> or call Rebecca Matta at 352.392.1916.

This newsletter is a collaborative effort between cooperating universities, USDA-CSREES and the Southern Region Risk Management Education Center.

