



Current Expectations for the Wheat and Cattle Markets

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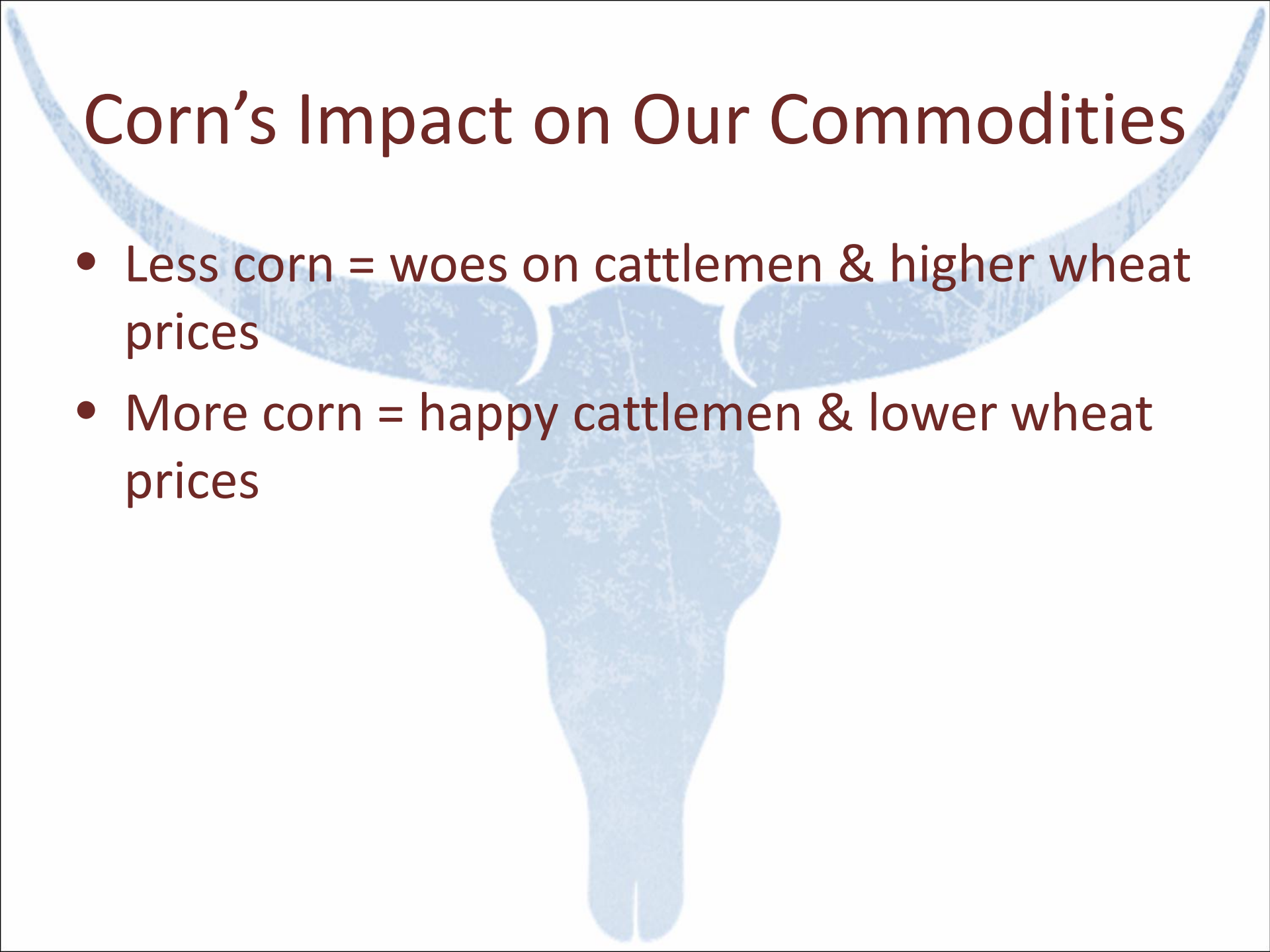
Lot's To Talk About In The Markets

- More moisture than we have had in the past four years
- The Corn Market
- The Wheat Market
- The Cattle Market



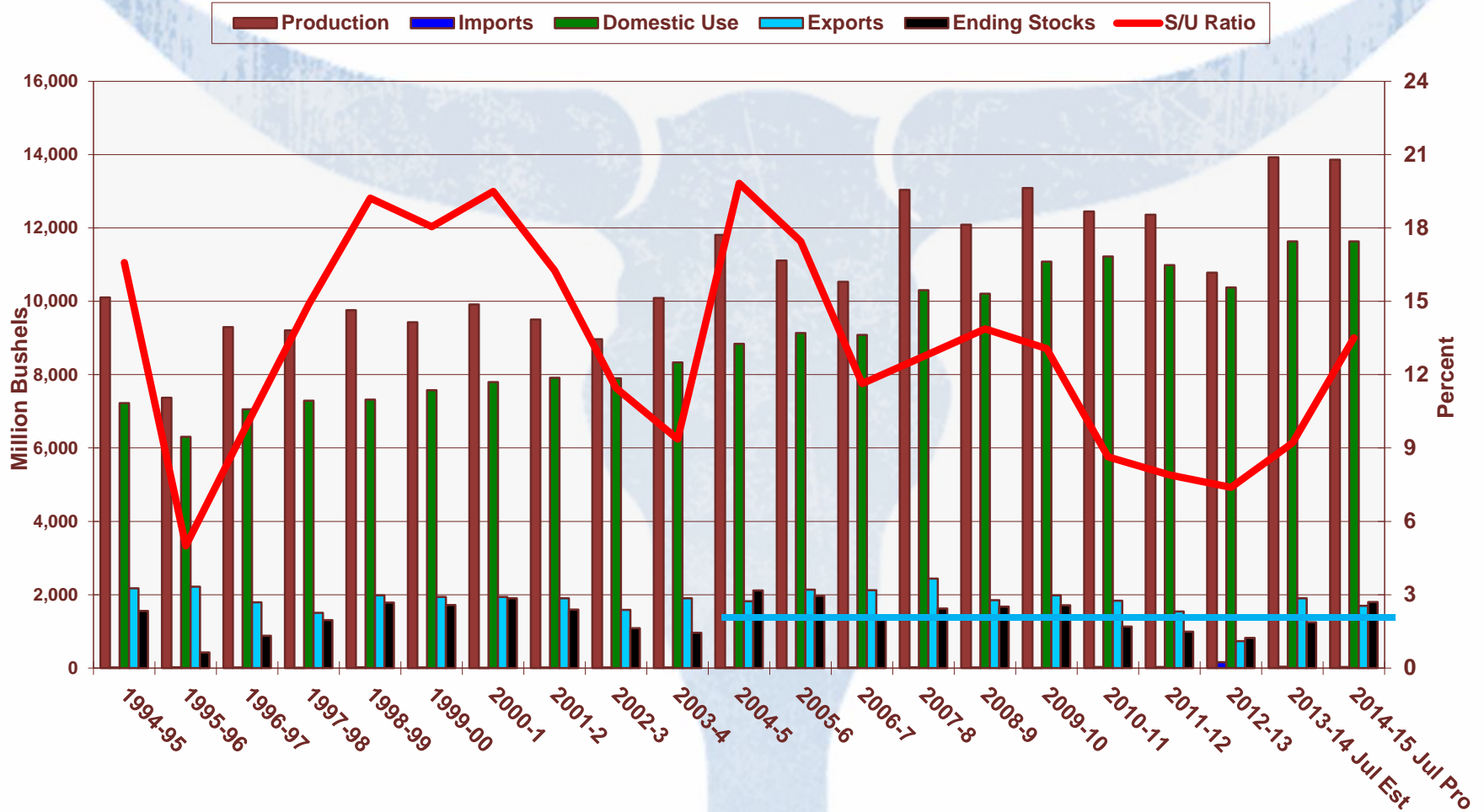
Corn's Impact on Our Commodities

- Less corn = woes on cattlemen & higher wheat prices
- More corn = happy cattlemen & lower wheat prices



US Corn Supply & Demand

10 Year Average = 1.46 Billion Bushels

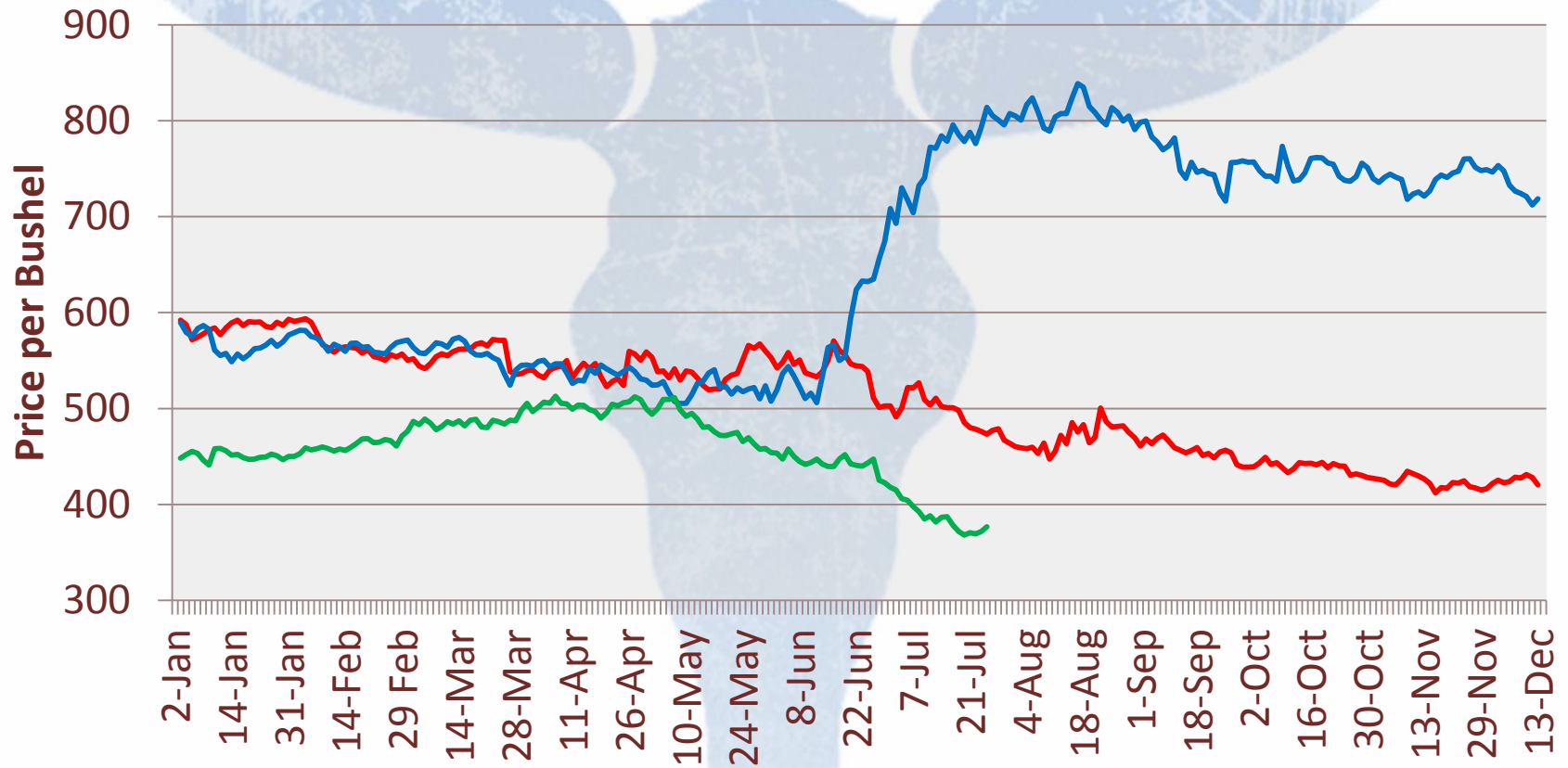


As of July 11, 2014, USDA-WAOB

December Corn Futures

2012 - 2014

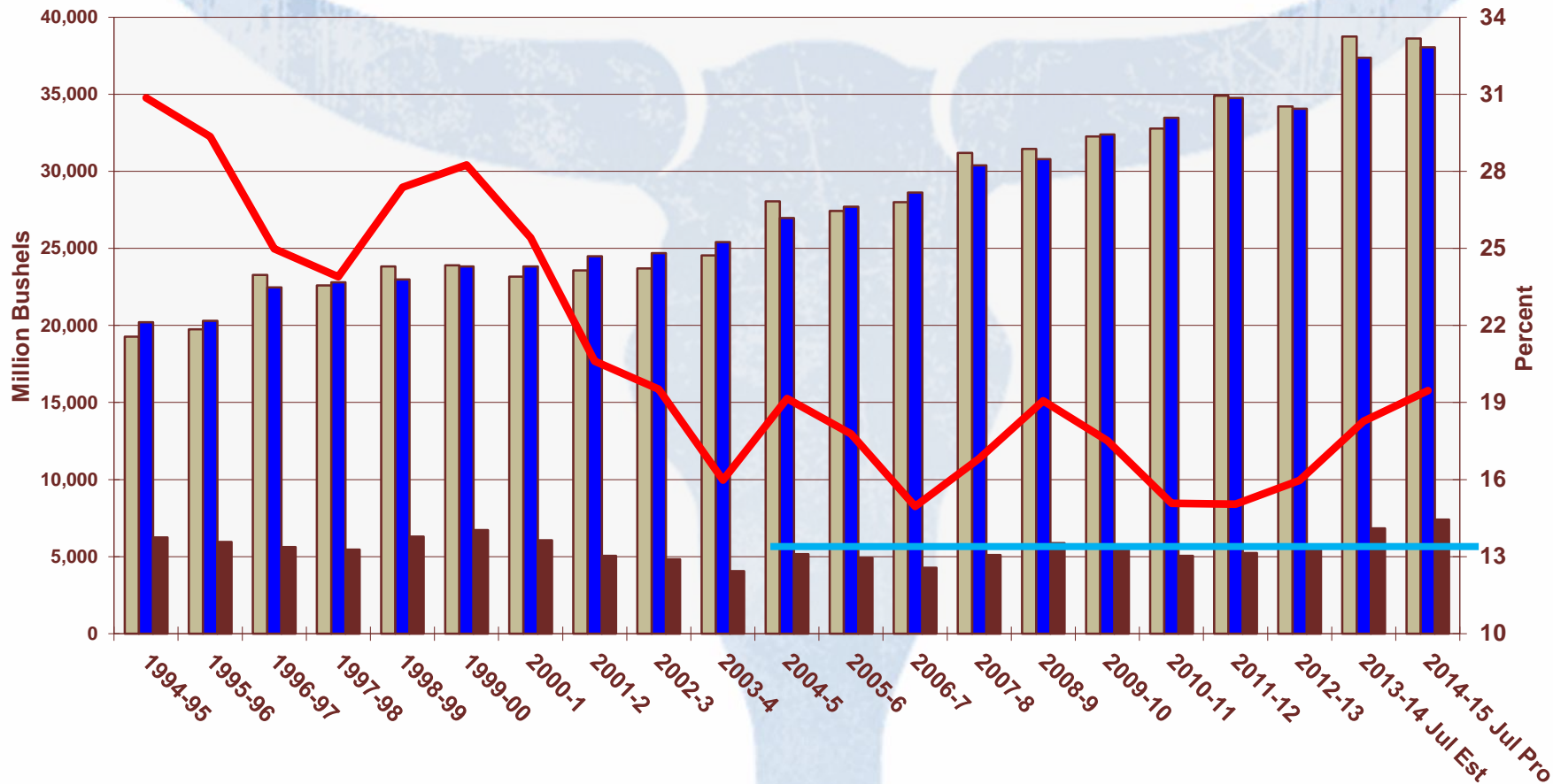
— 2012 — 2013 — 2014



World Corn Supply & Demand

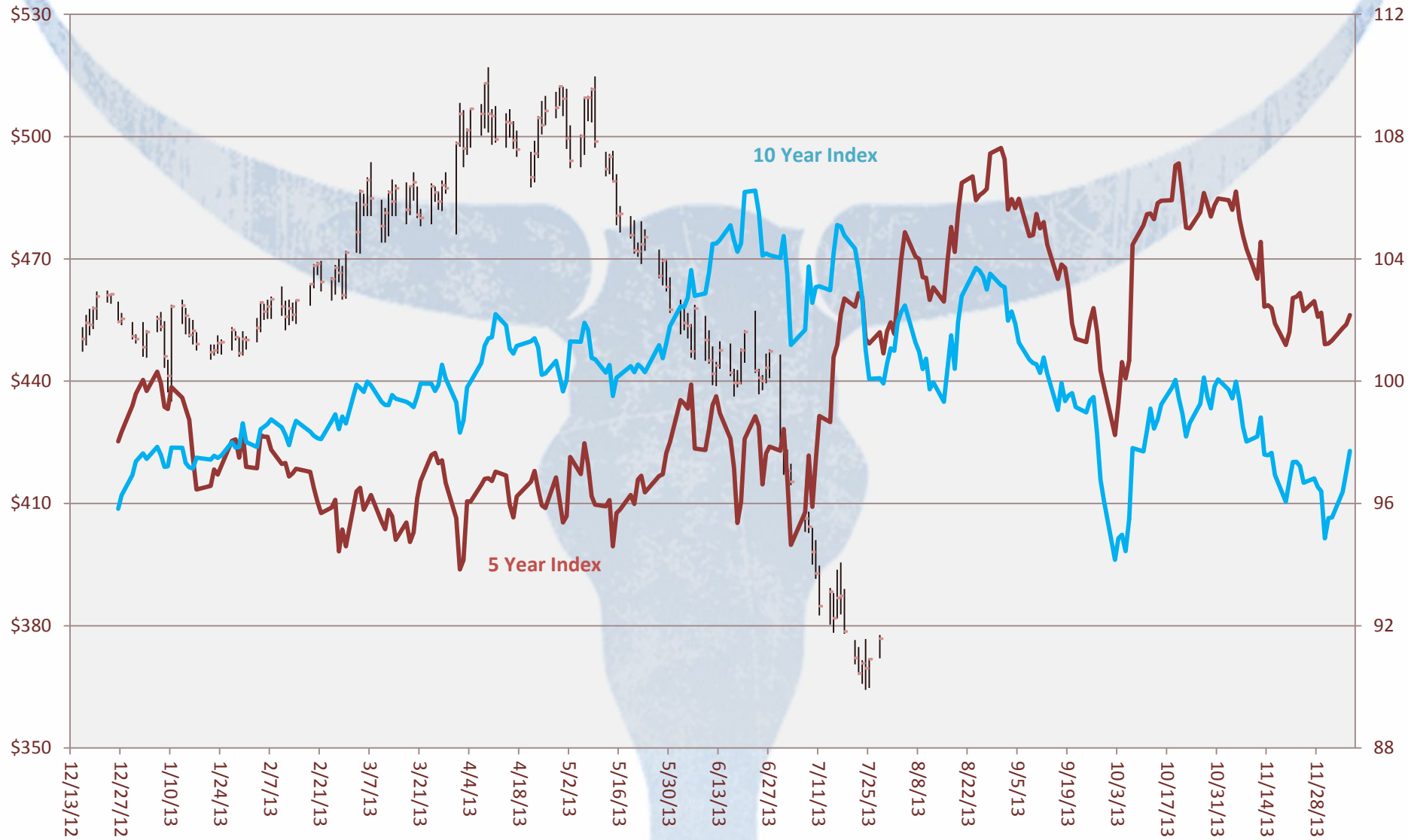
10 Year Average = 5.36 Billion Bushels

Production Use Ending Stocks S/U Ratio



As of July 11, 2014, USDA-WAOB

December 2014 CME Corn



As of 8/6/2014

<http://agrisk.tamu.edu>



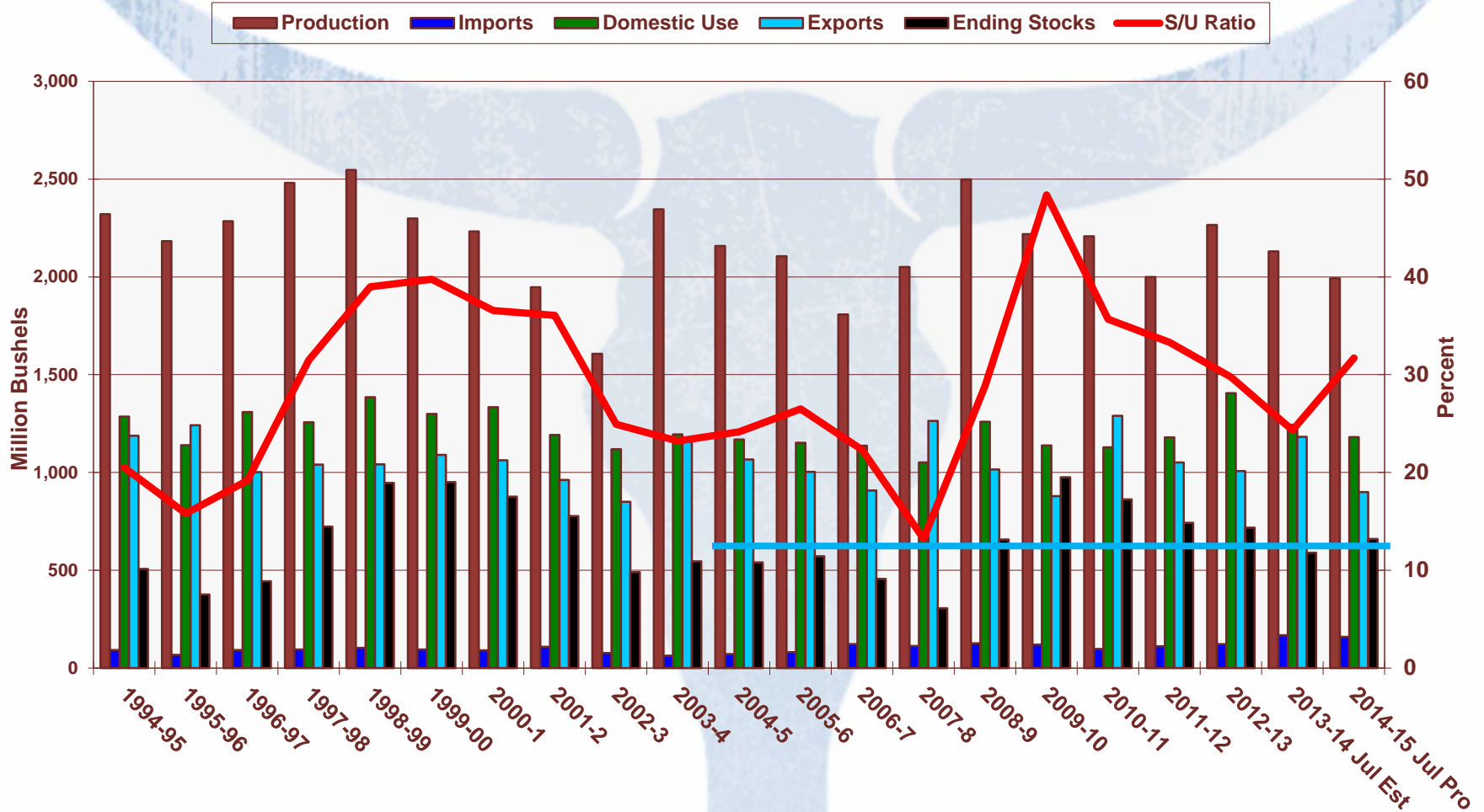
The Wheat Markets

Short Term Wheat Issues

- How big will this years corn crop be?
 - Will have a bearing on this fall wheat crop
- Some moisture going into the fall
- Too early (or too low) to be pricing 2014 wheat?
- Moisture and stocker cattle economics

US Wheat Supply & Demand

10 Year Average = 642 million bushels

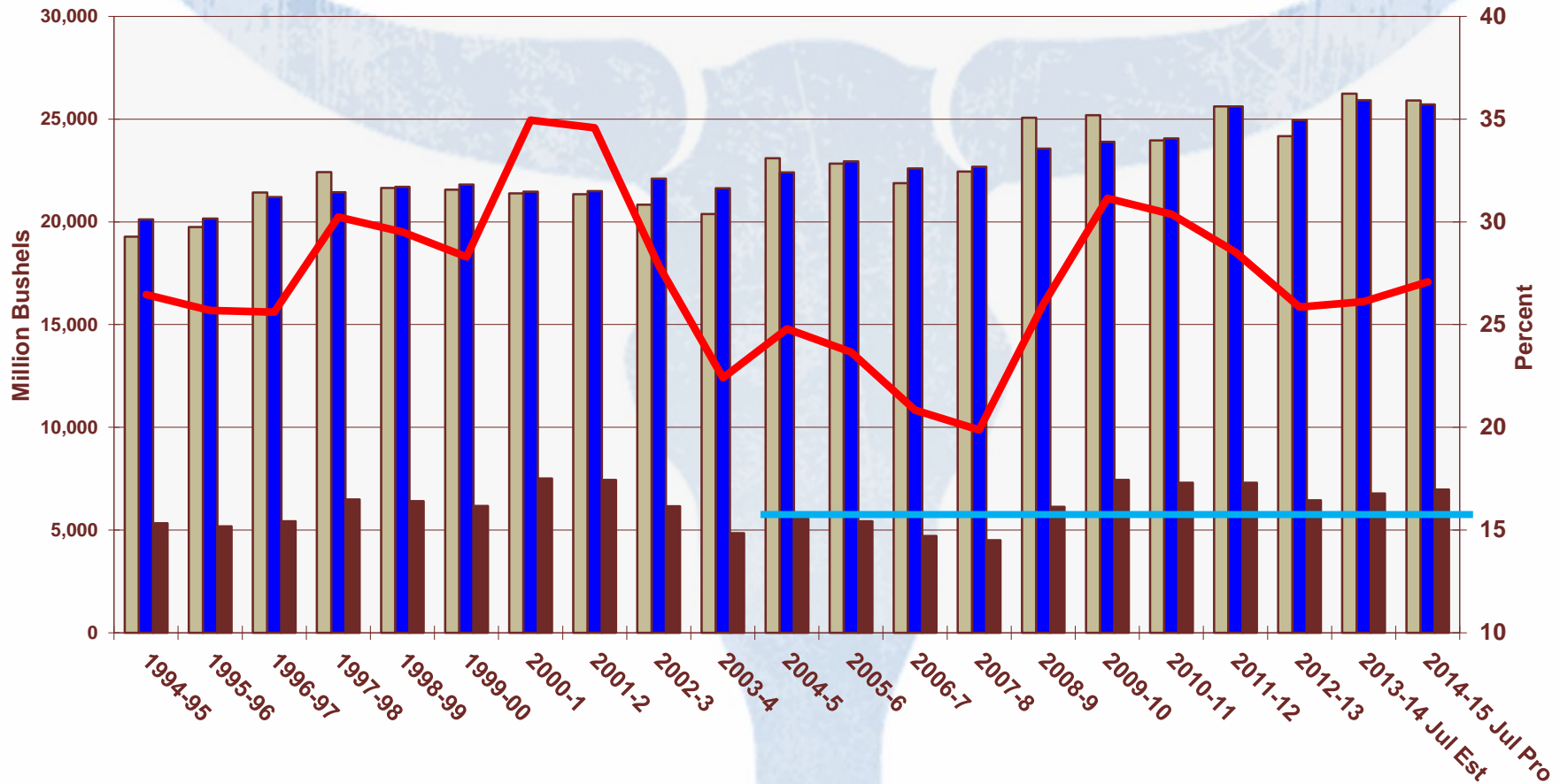


As of July 11, 2014, USDA-WAOB

World Wheat Supply & Demand

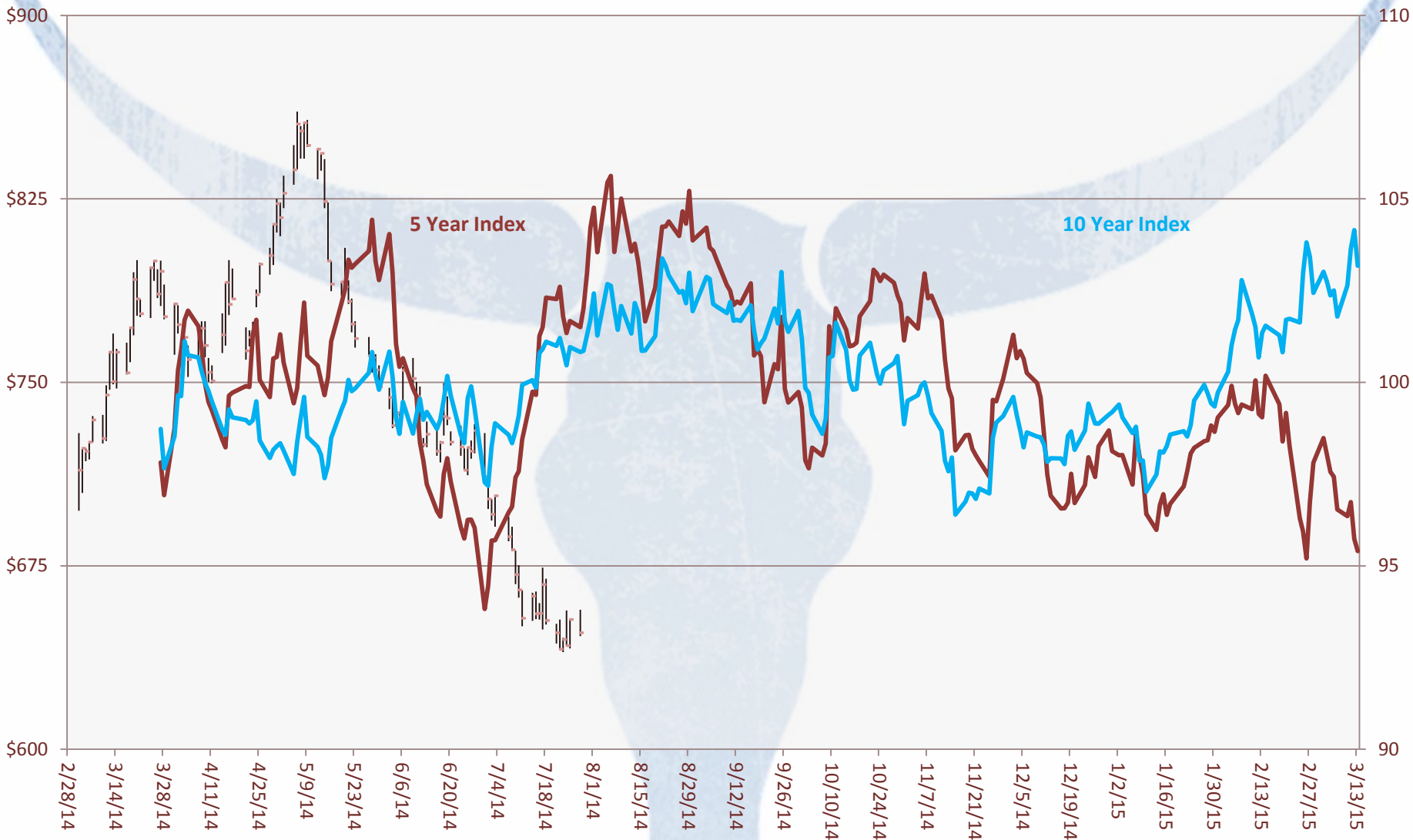
10 Year Average = 6.16 Billion Bushels

Production Use Ending Stocks S/U Ratio



As of July 11, 2014, USDA-WAOB

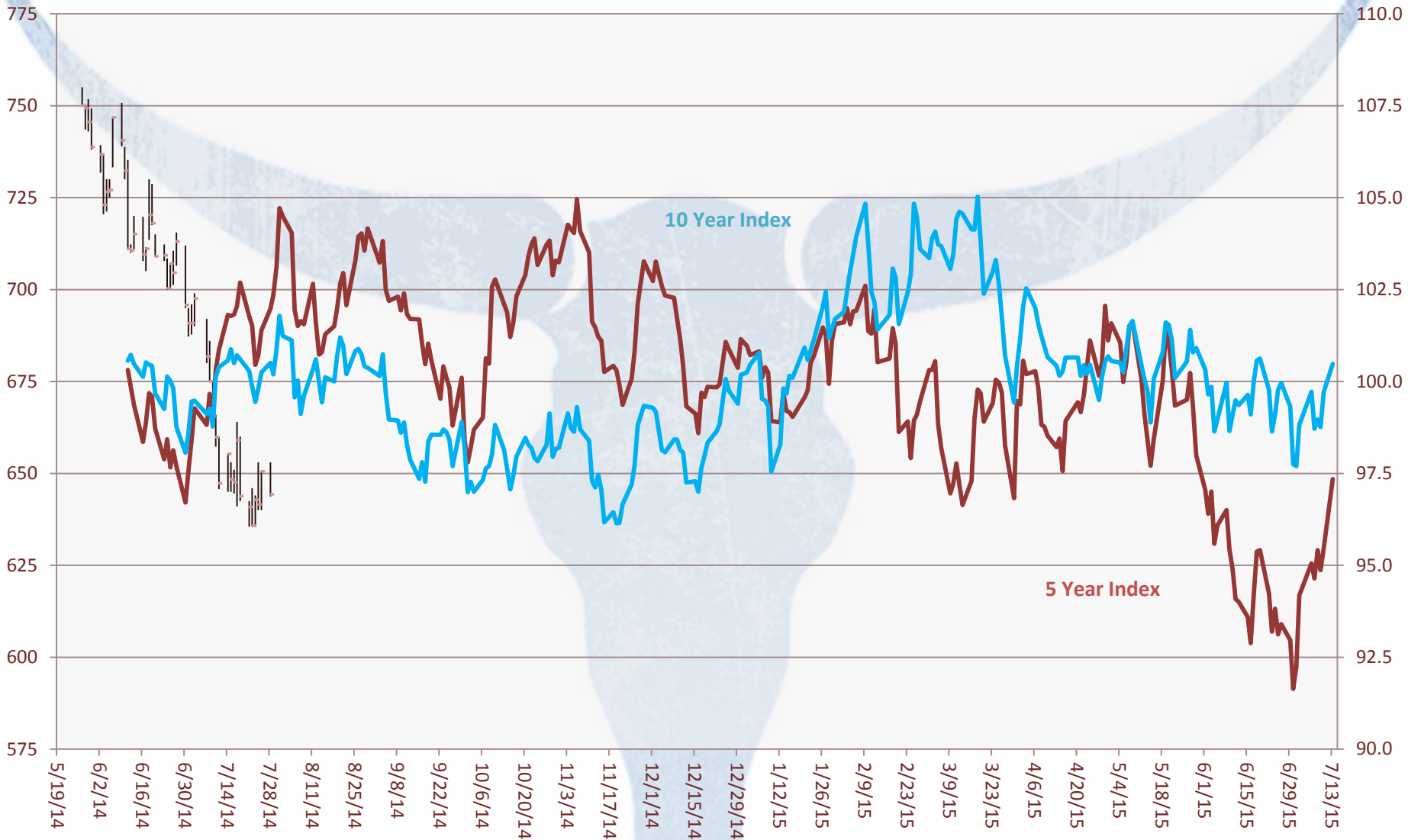
March 2015 KCBT Wheat



As of 8/6/2014

<http://agrisk.tamu.edu>

July 2015 KCBT Wheat



The Cattle Markets



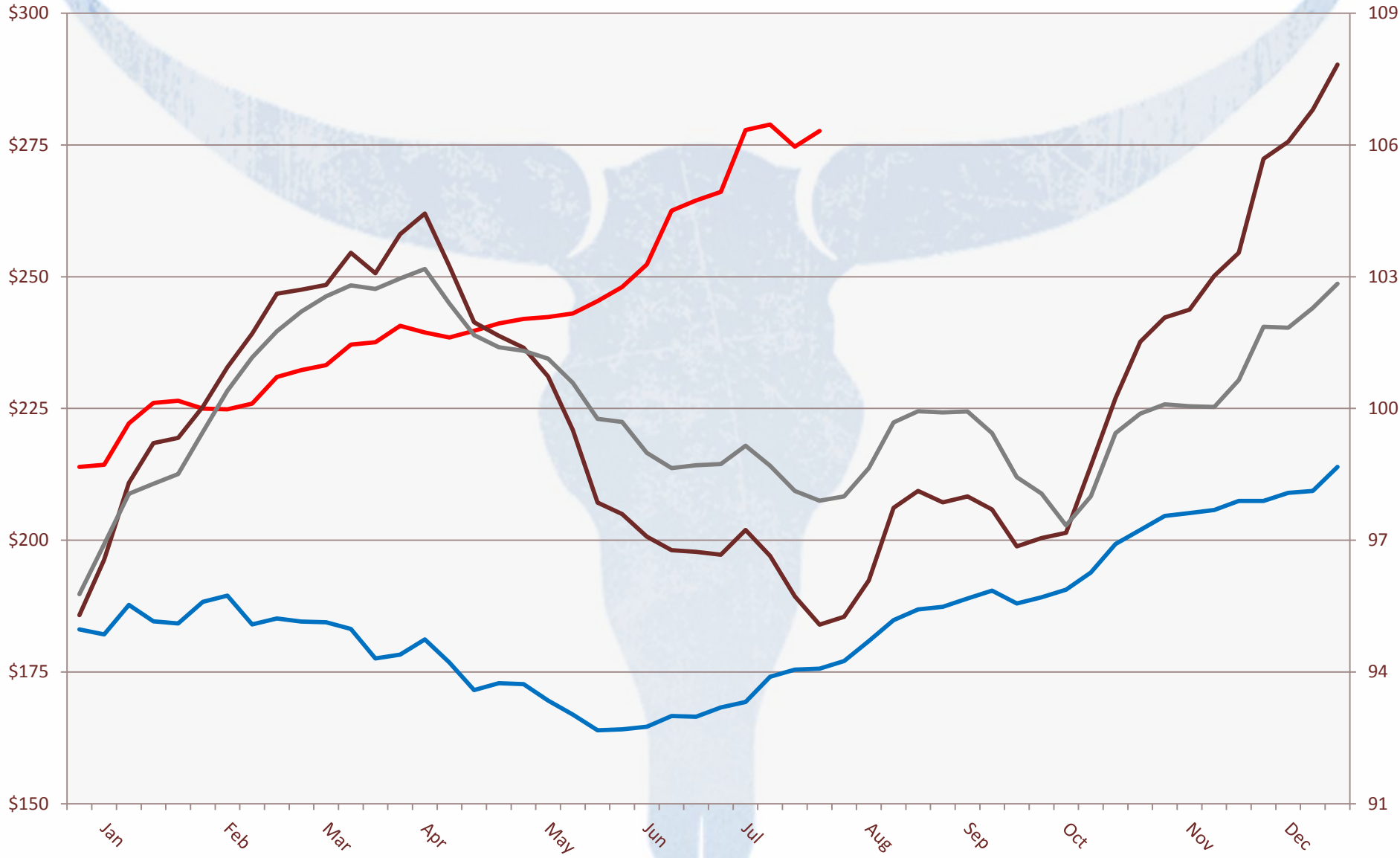
Big Short Term Cattle Issues



- Prospects for lower Corn Prices are being added to the cost of calves, feeders, and replacements
- Recent moisture have had a positive affect on cattle (primarily calves).
 - The price of calves for grazing winter wheat pasture are too high?
- Fewer replacements being kept according to USDA mid-year report.

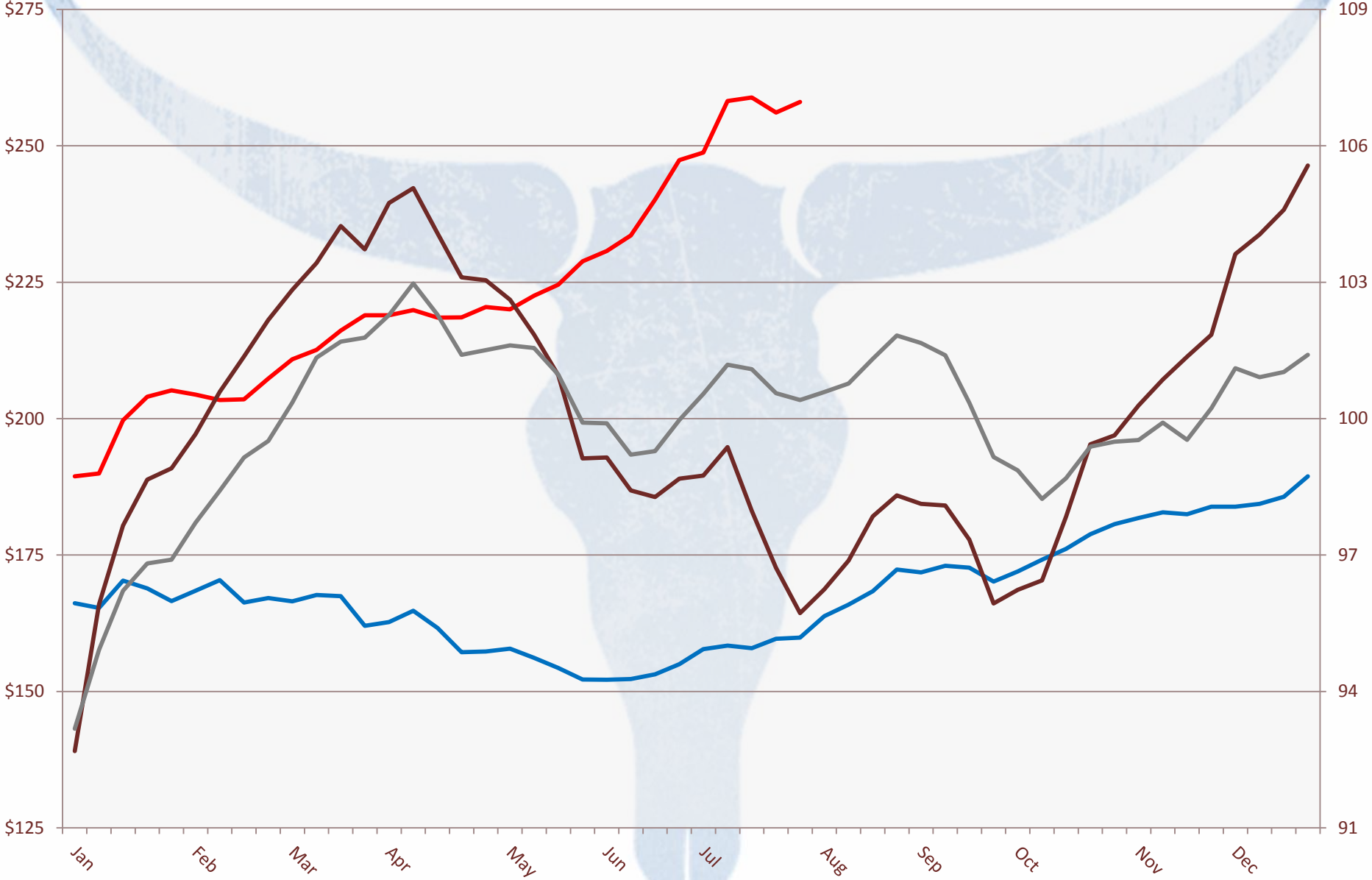
450 Lbs Steer Prices

— 2013 — 2014 — 5 Year — 10 Year



550 Lbs Steer Prices

— 2013 — 2014 — 5 Year — 10 Year



Stocker Cattle Budget & Analysis

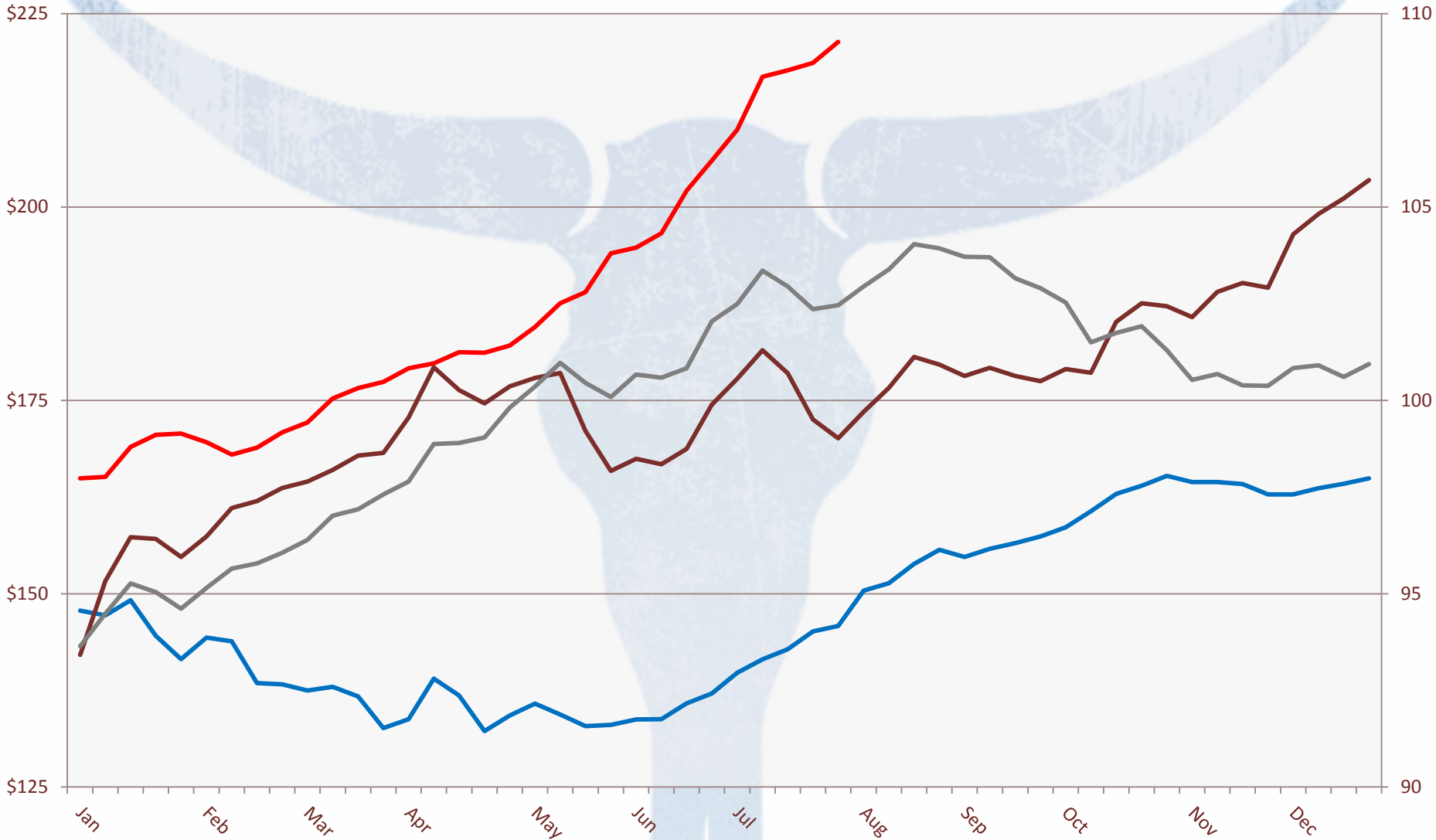
Feeder Calf	811 lbs	\$206.75	\$1,675.83
Stocker Calf	425 lbs	\$280.00	\$1,190.00
Preconditioning Costs	1 head	\$109.38	\$109.38
Grazing Costs	1 head	\$10.51	\$10.51
Pastures Cost	1 head	\$156.03	\$156.03
Interest Cost	6.00%		\$47.72
Total Costs (including calf)			\$1,533.64
Planned Returns			\$142.19
Breakeven Price		\$194.04	

Stocker Cattle Budget & Analysis

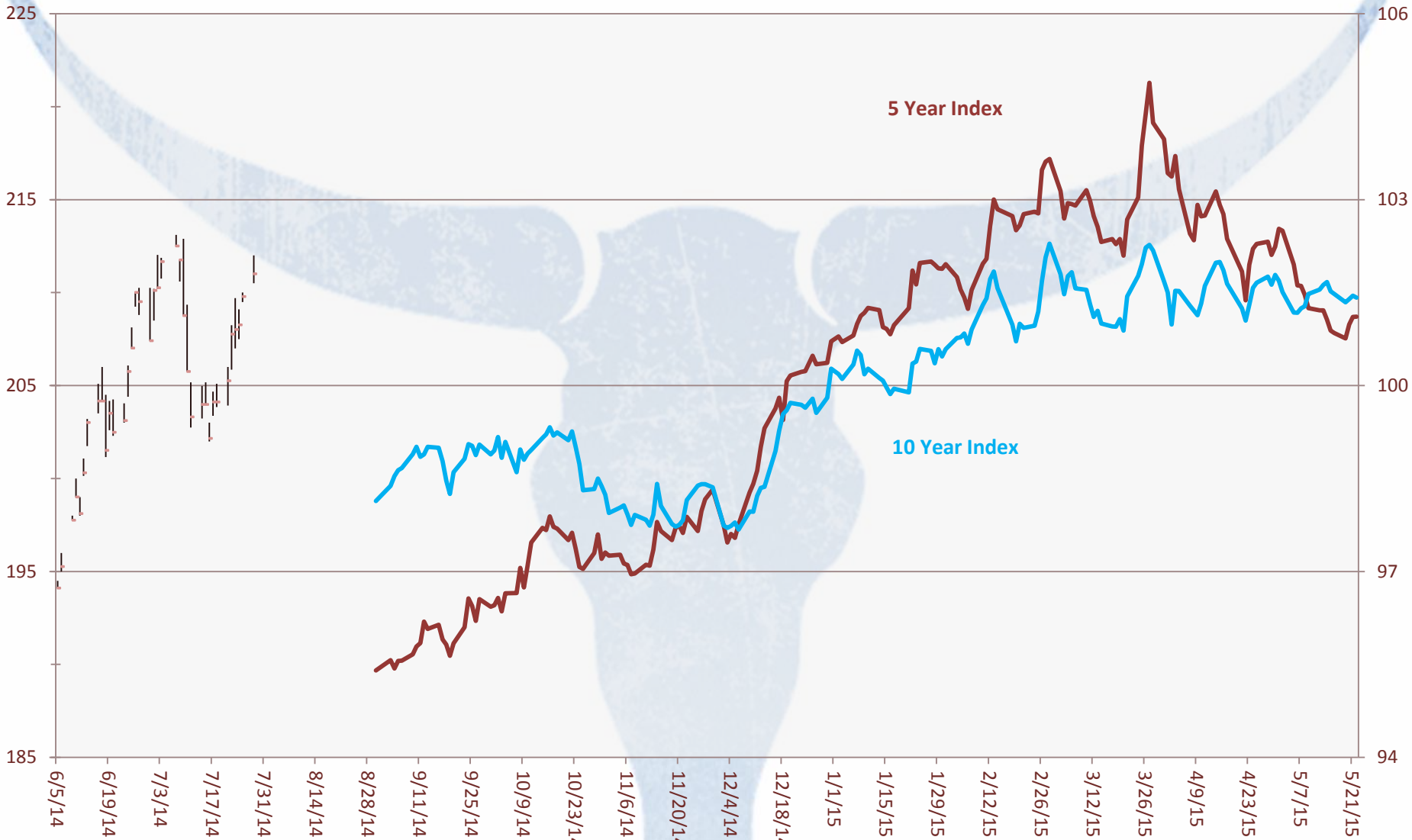
Feeder Calf	811 lbs	\$206.75	\$1,675.83
Where will this be?			
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750 Lbs Steer Prices

— 2013 — 2014 — 5 Year — 10 Year



May 2015 Feeder Cattle



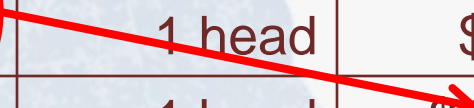
8/6/2014

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Stocker Cattle Budget & Analysis

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Lower Grain Prices' Impact on Pasture Lease



Pasture Costs (Lease): What Should They Be (for the Wheat Producer)?

- Lease Rates (Gain Contracts)
 - Cost of Gain in the feedlots have nothing to do with what the lease rate should be.
 - Compare to what the wheat grower is giving up and his management changes due to grazing.
 - What is the minimum that a wheat producer must have?
- Research shows a 5-6 bus. loss due to grazing until around end of February.
 - \$5.00/bus. * 5 bus. = \$25.00
 - \$6.00/bus. * 5 bus. = \$30.00
 - \$7.50/bus. * 5 bus. = \$37.50
- Added and Higher Input Costs - \$11.04/acre
 - Heavier Fertilizer Rate
 - Heavier Seeding Rate
 - Fuel
 - Interest
 - Lower Harvesting Costs

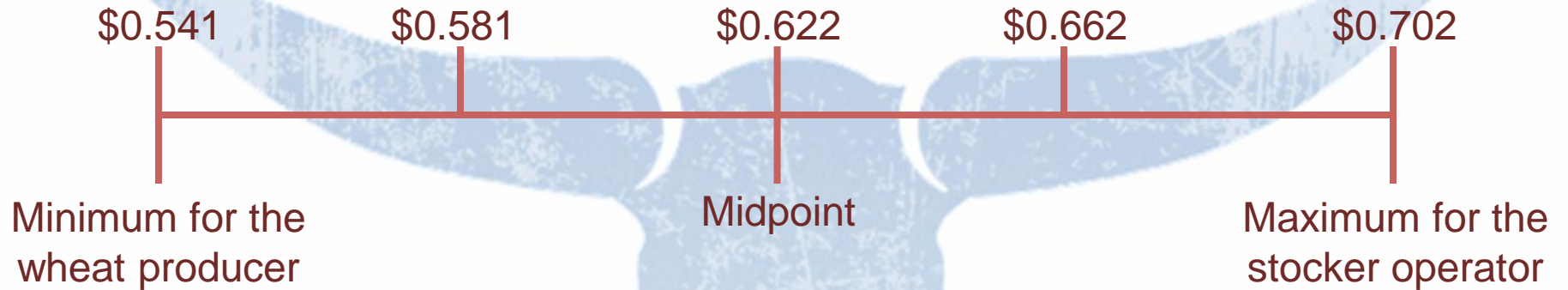


Pasture Costs (Lease): What Should They Be (for the Stocker Operator)?

- Lease Rates (Gain Contracts)
 - Cost of Gain in the feedlots have nothing to do with what the lease rate should be.
 - If a stocker operator did not have to pay anything, how much would he make? That net amount divided by the gain on wheat pasture.
 - What is the maximum that a stocker operator could pay to generate a zero profit?



Pasture Costs (Lease): Minimum, Maximum and Midpoint of the Range.



Stocker Cattle Budget & Analysis

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High Investment Dollars





Questions/Comments

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