

Agricultural Lenders Conference



FEATURING...

- Grain Market Outlook for 2017
- Beef Cattle Market Outlook for 2017
- Macro and Interest Rate Outlook
- Farms in Various Financial Vulnerability Categories
 - Family Living Expenses
- Financial Benchmarking and Position
- Diversified Crop-Livestock Operations

K-State SW Research Extension Center
Garden City, October 4, 2016

International Grain Program Conference Center
Manhattan, October 5, 2016

Beef Cattle Outlook

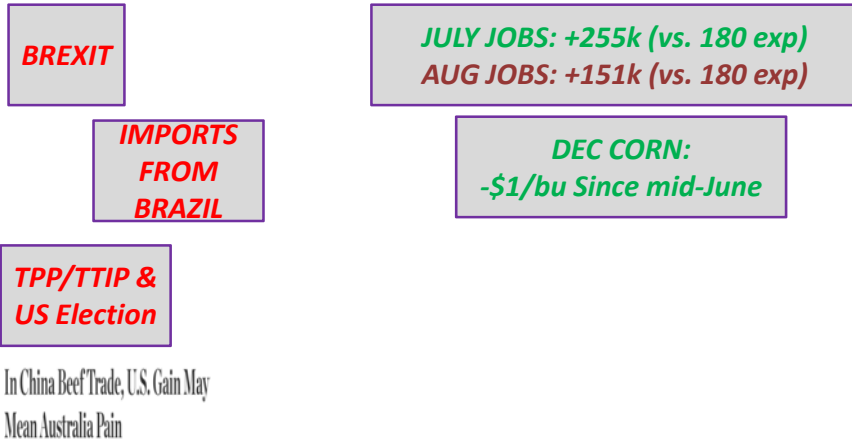
Glynn Tonsor
Dept. of Agricultural Economics
Kansas State University



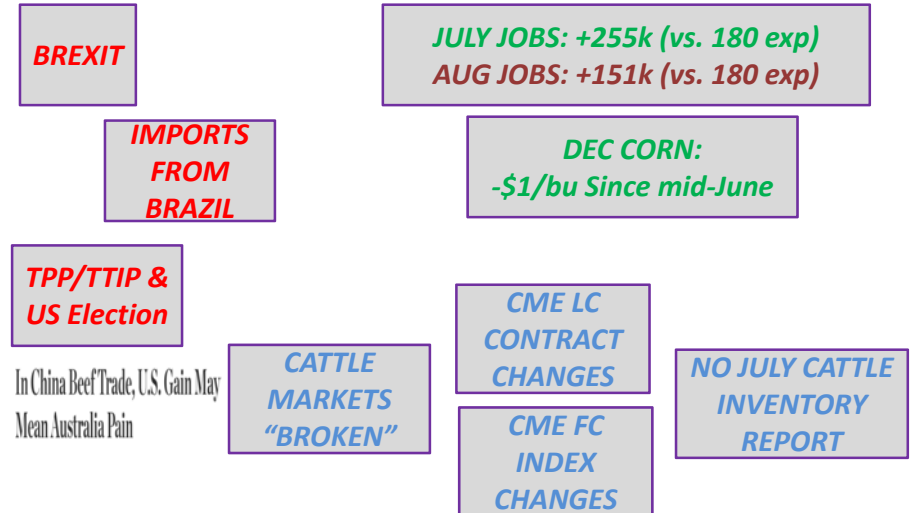
“Interesting Times” in the Beef Industry



“Interesting Times” in the Beef Industry



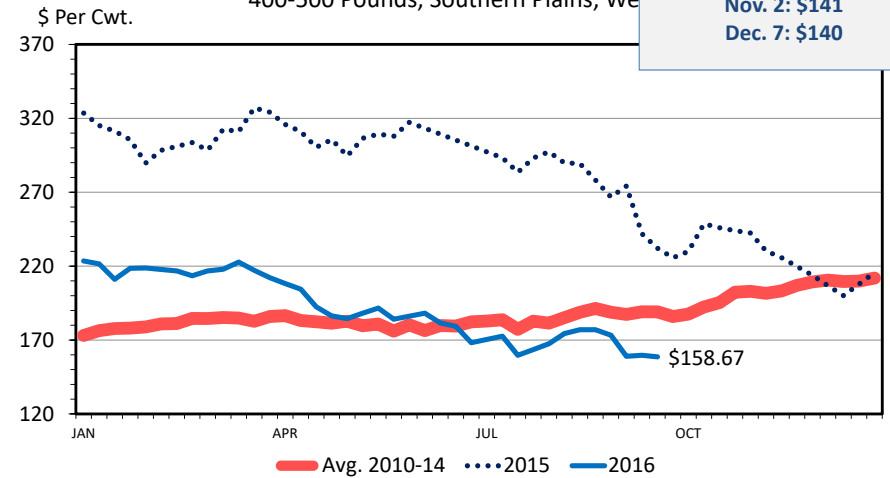
“Interesting Times” in the Beef Industry



Overarching Beef Industry Economic Outlook

- Supplies
 - Growing across all proteins
 - Herd expansion stalled or stopped?
- Demand
 - Confusing & slowing in 2016
- Combined
 - *“opportunity or challenge” depends on perspective...*

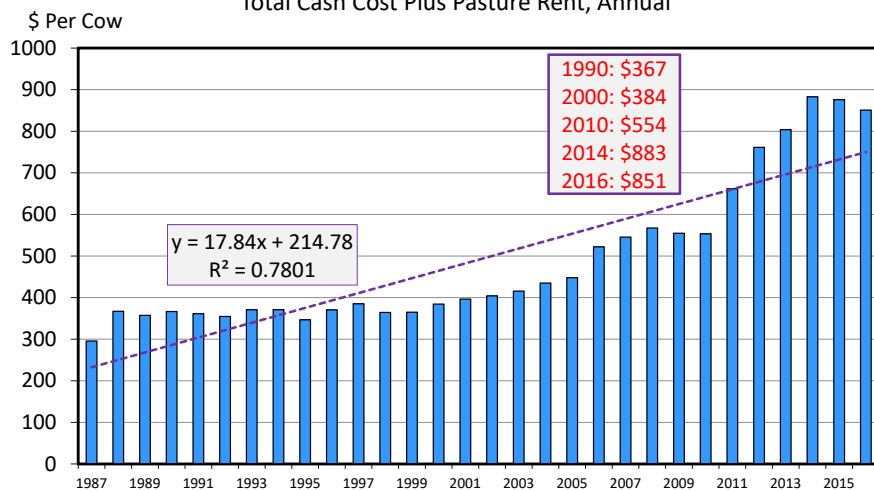
MED. & LRG. #1 STEER CALF PR
400-500 Pounds, Southern Plains, We



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

C-P-49A
09/27/16

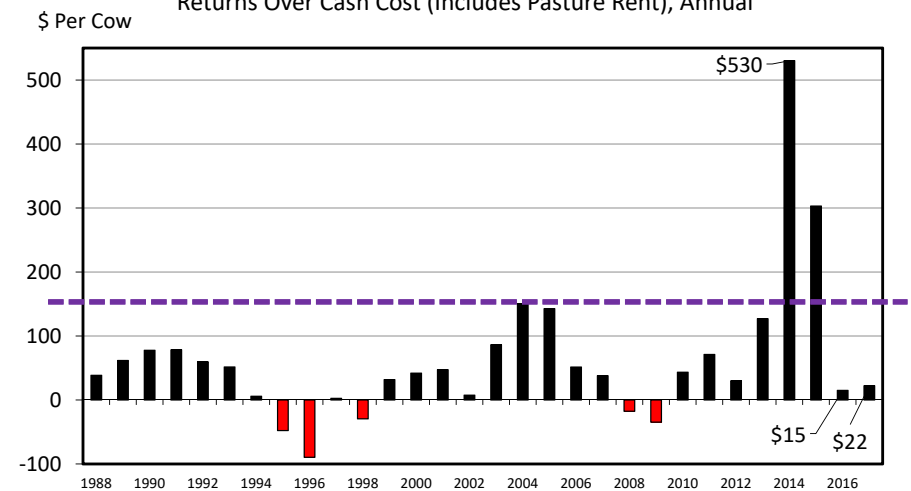
ESTIMATED AVERAGE COW CALF COSTS
Total Cash Cost Plus Pasture Rent, Annual



Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

08/02/16

ESTIMATED AVERAGE COW CALF RETURNS
Returns Over Cash Cost (Includes Pasture Rent), Annual

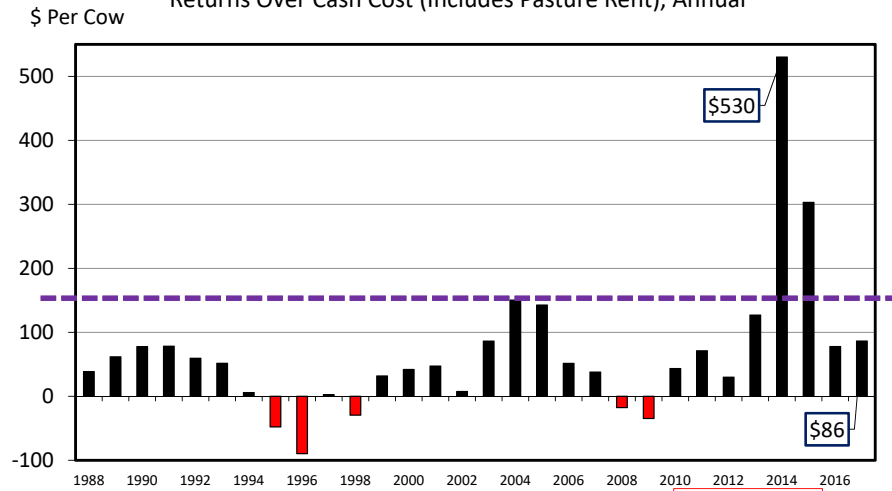


Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

C-P-66
09/27/16

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

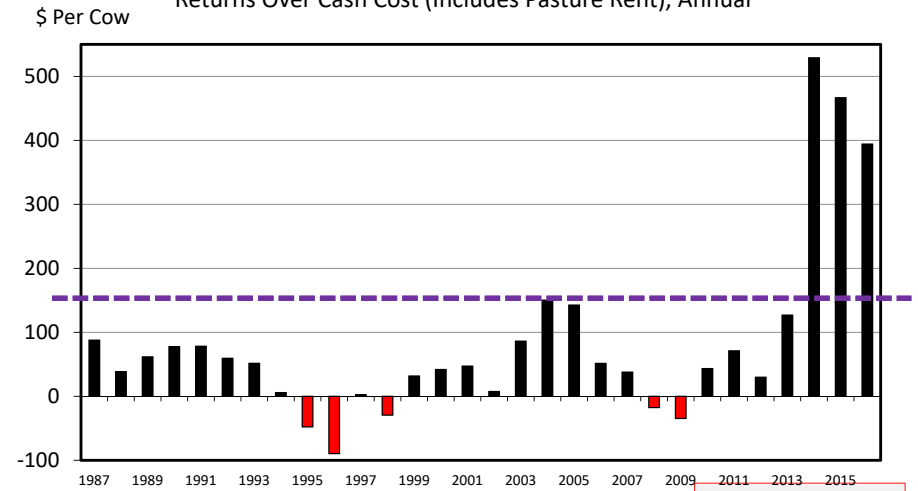


Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

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ESTIMATED AVERAGE COW CALF RETURNS

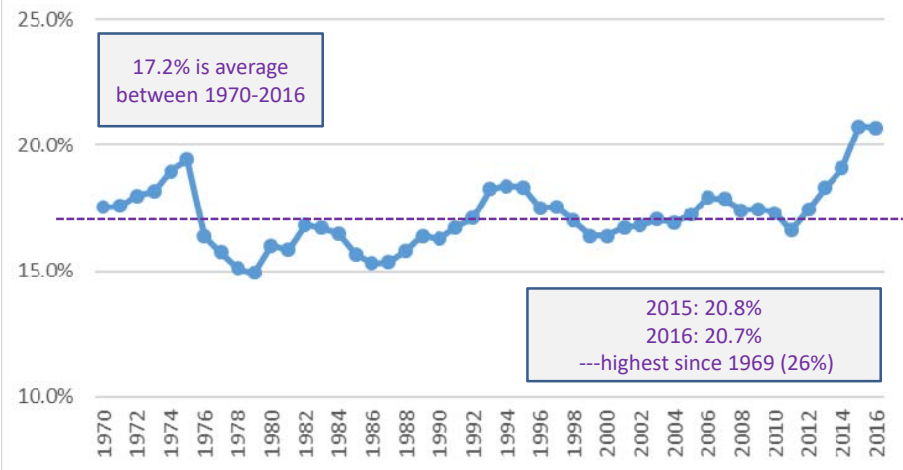
Returns Over Cash Cost (Includes Pasture Rent), Annual



Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

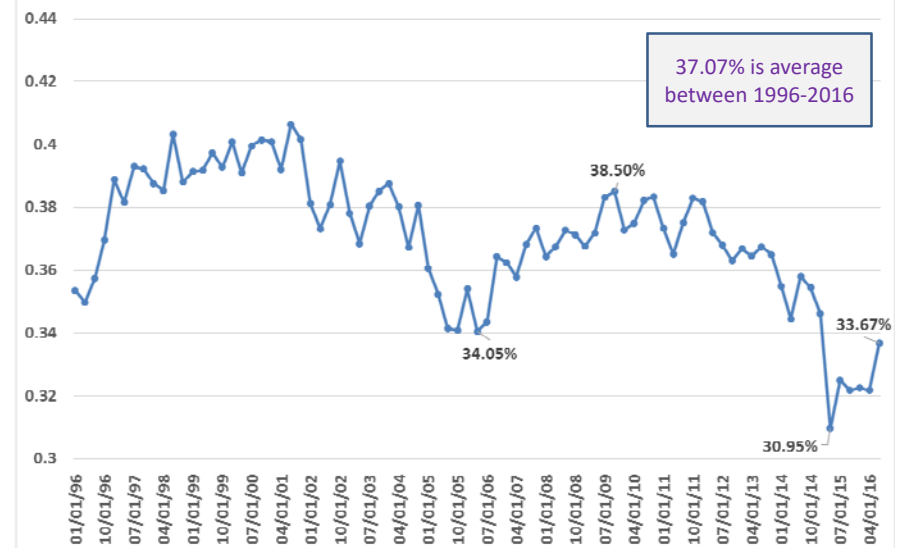
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Heifer Retention as % of Total Beef Cows

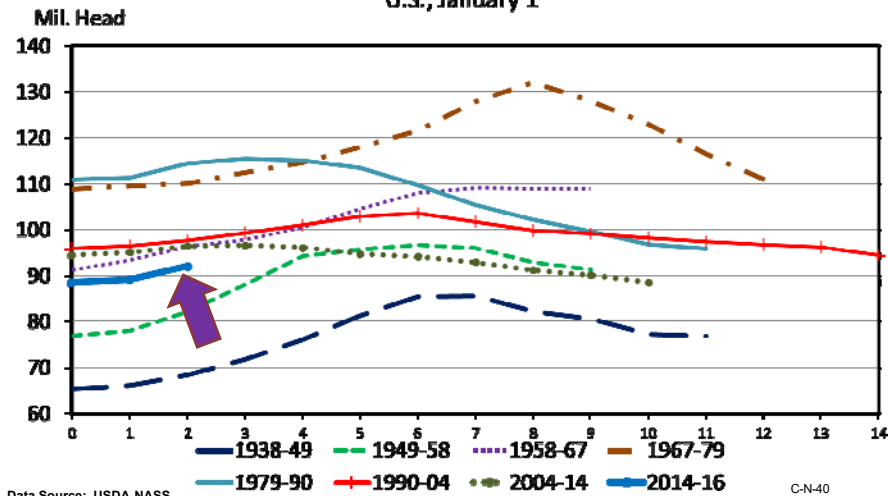


Data Source: USDA-NASS
Livestock Marketing Information Center

COF Quarterly Placements Heifers as % of Total Steers & Heifers



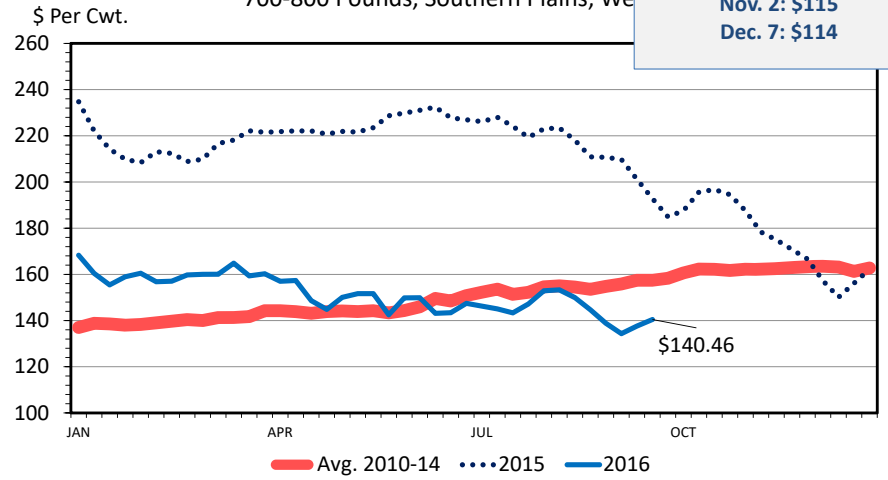
TOTAL CATTLE INVENTORY BY CYCLE U.S., January 1



Data Source: USDA-NASS
Livestock Marketing Information Center

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02/01/16

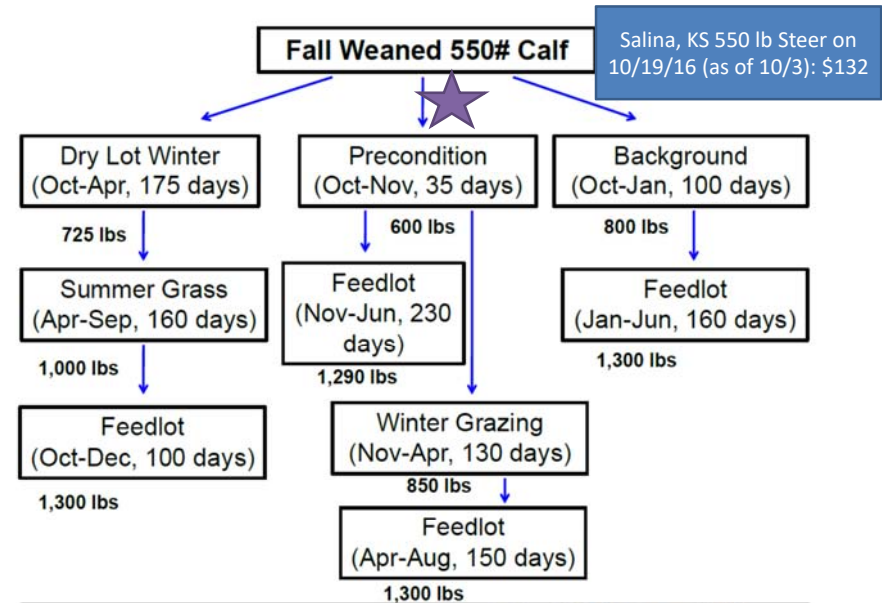
MED. & LRG. #1 FEEDER STEER P 700-800 Pounds, Southern Plains, We



Data Source: USDA-AMS, Compiled and Analysis by LMIC
Livestock Marketing Information Center

C-P-49
09/27/16

Economic Outlook Overview: Backgrounding/Stockers



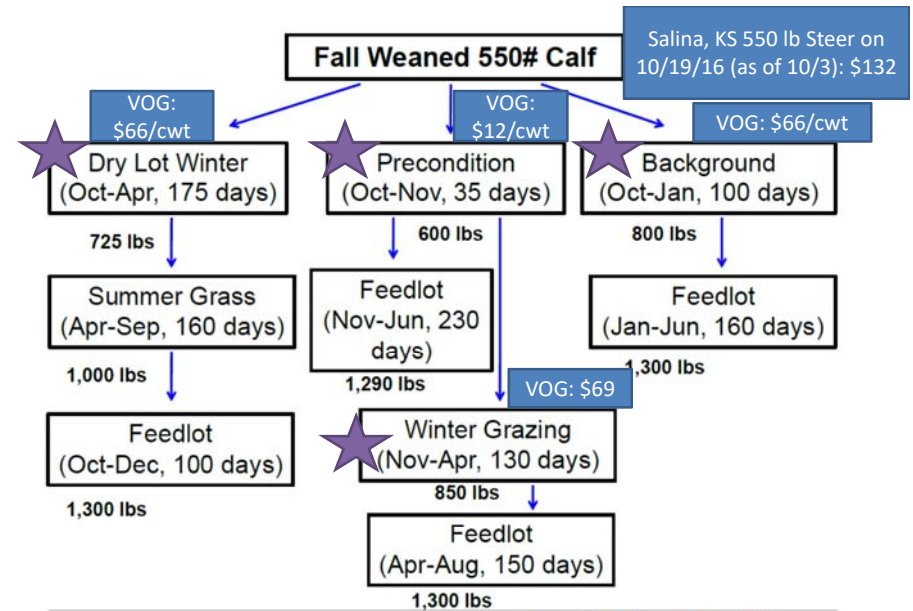
VOG Projections: <http://www.beefbasis.com/VOG.aspx>
 Production Chart: <http://www.beefusa.org/CMDocs/BeefUSA/resources/CC2011-Cattle-Fax-All-Slides.pdf>

CattleFax | THE DECIDING FACTOR

Economic Outlook Overview: Stockers

<http://www.beefbasis.com/ForecastingTools/ValueofGain/tabid/1132/Default.aspx>

- Salina, KS 10/3/16 Preconditioning, 35 DOF Case:
 - Buy 550 lb steer on 10/19/16 (\$132.28)
 - Sell 600 lb steer on 11/21/16 (\$122.26) {ADG 1.5}
 - VOG: \$12/cwt
 - NOTE THIS DOES NOT REFLECT ANY “PRECONDITIONED” CLAIM PREMIUM



VOG Projections: <http://www.beefbasis.com/VOG.aspx>

Production Chart: <http://www.beefusa.org/CMDOcs/BeefUSA/resources/CC2011-Cattle-Fax-All-Slides.pdf>

CattleFax | THE DECIDING FACTOR

CME FC Index Change

- Nov FC Contract
 - Settle against 700-899 lbs (vs 650-849 lbs) wtd avg
- *BeefBasis.com* Initial Assessment
 - New Index ~\$3.18 lower (avg over 2011-2015)

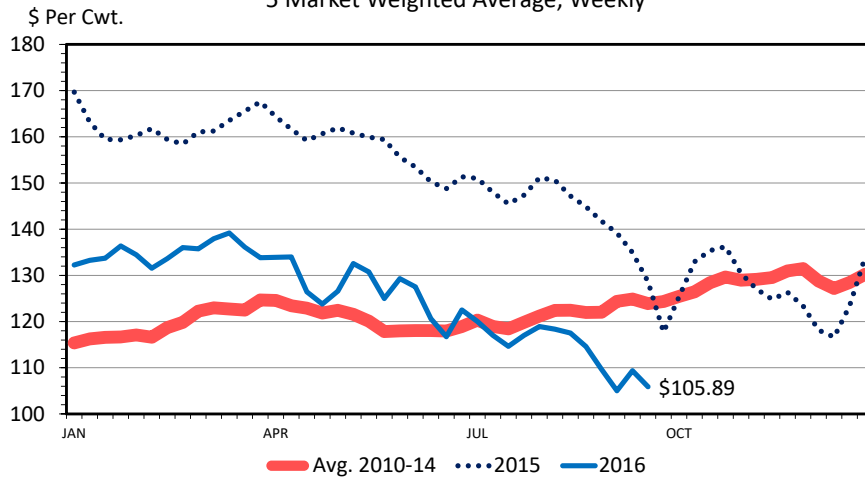
Nov FC Futures	\$ 130.00
"Old" 550 lb, Nov. 2nd KS Basis Expectation	\$ 8.81
Implied Nov Cash Price Forecast	\$ 138.81
"New" 550 lb, Nov. 2nd KS Basis Expectation	\$ 11.99
Implied Nov Cash Price Forecast	\$ 141.99

Nov FC
~\$119 on
10/4

Economic Outlook Overview: Feedlots

- 2016 Remains tough
- Structural concerns persist:
 - Excess capacity & Slowed/Stalled Herd Growth

SLAUGHTER STEER PRICES 5 Market Weighted Average, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

09/27/16

Historical and Projected Kansas Feedlot Net Returns

(as of 9/9/16')

(<http://www.agmanager.info/livestock-meat/cattle-finishing-historical-and-projected-returns>)

July 16': -\$104/steer

Table 1. Projected Values for Finishing Steers in Kansas Feedyards*

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Aug-16	-97.79	77.63	116.50	151.60	61.14	123.23	140.23
Sep-16	-237.89	76.50	105.24	148.36	36.11	121.40	121.42
Oct-16	-185.98	77.14	105.26	145.14	47.93	117.77	123.26
Nov-16	-169.79	78.50	105.86	142.83	51.37	117.32	122.99
Dec-16	-164.98	79.32	106.07	140.14	51.46	117.29	121.35
Jan-17	-176.21	80.21	107.68	144.52	50.92	119.75	124.00
Feb-17	-88.04	79.40	105.60	132.50	65.01	111.68	121.97
Mar-17	-14.30	79.10	107.22	125.07	76.63	108.21	123.43
Apr-17	-92.03	78.64	100.38	124.29	62.77	106.95	113.11
May-17	-16.33	77.81	104.83	123.09	74.99	105.99	121.12

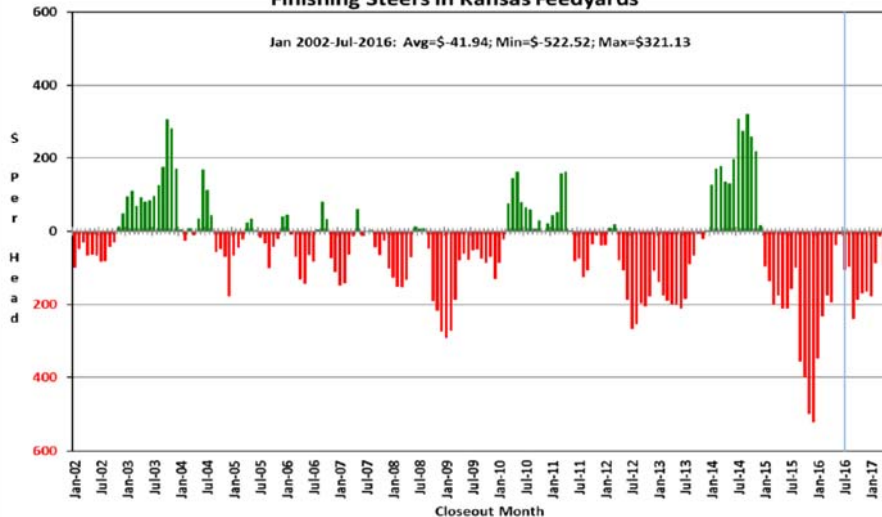
Representative Barometer for Trends in Profitability

Historical and Projected Kansas Feedlot Net Returns

(as of 9/9/16')

(<http://www.agmanager.info/livestock-meat/cattle-finishing-historical-and-projected-returns>)

Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards



Quarterly Forecasts (LMIC: 9/30/16)

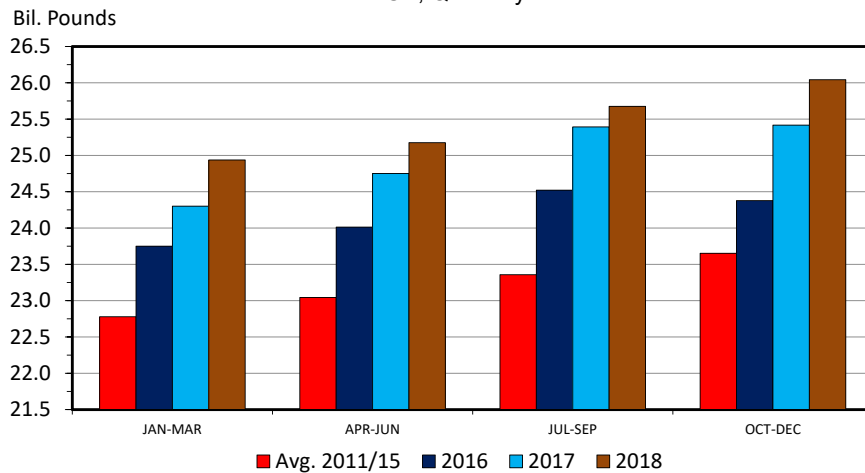
Year	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2016						
I	7,181	3.0	826.5	1.7	5,935	4.8
II	7,629	5.5	810.9	0.1	6,187	5.6
III	7,833	7.4	825.5	-0.8	6,466	6.6
IV	7,469	2.8	833.0	-1.0	6,222	1.9
Year	30,111	4.7	823.9	0.0	24,809	4.7
2017						
I	7,550	5.1	829.1	0.3	6,260	5.5
II	8,010	5.0	814.6	0.5	6,525	5.5
III	8,027	2.5	828.7	0.4	6,652	2.9
IV	7,763	3.9	835.4	0.3	6,485	4.2
Year	31,350	4.1	826.9	0.4	25,922	4.5
2018						
I	7,791	3.2	833.0	0.5	6,490	3.7
II	8,199	2.4	818.6	0.5	6,712	2.9
III	8,207	2.2	832.2	0.4	6,830	2.7
IV	8,048	3.7	839.1	0.4	6,753	4.1
Year	32,245	2.9	830.7	0.5	26,785	3.3

Quarterly Forecasts (LMIC: 9/30/16)

Year	Live Sltr. Steer Price	% Chg. from	Feeder Steer Price Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
2016				
I	135	-17.0	160	196
II	128	-19.2	149	174
III	113-114	-21.3	144-145	158-159
IV	116-118	-8.4	138-141	149-153
Year	122-124	-17.0	147-149	168-171
2017				
I	117-121	-11.7	139-143	152-157
II	117-121	-6.8	141-147	154-161
III	112-117	0.9	138-145	150-159
IV	113-119	-0.9	137-145	145-155
Year	115-119	-4.9	140-144	151-157
2018				
I	113-120	-2.1	135-144	147-157
II	113-121	-1.7	137-147	150-161
III	109-118	-0.9	132-143	147-159
IV	110-120	-0.9	131-143	143-156
Year	113-118	-1.3	136-142	148-157

Trade & Meat Supplies

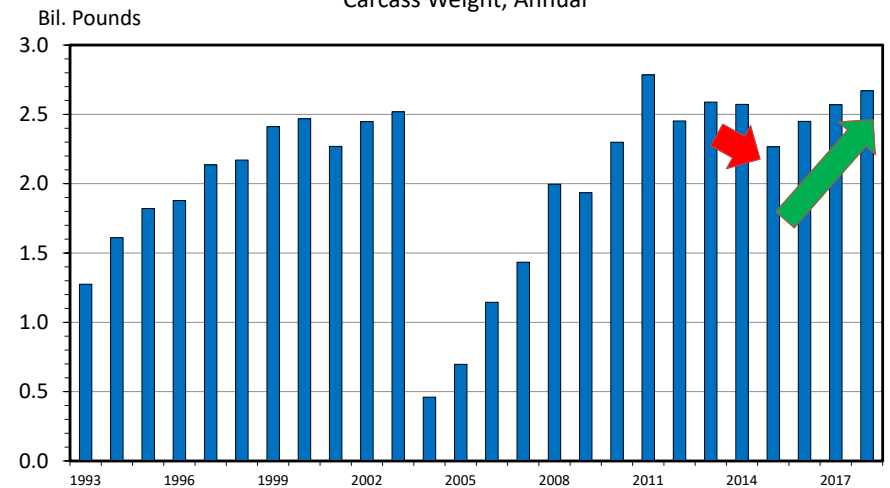
TOTAL RED MEAT & POULTRY PRODUCTION US, Quarterly



Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

M-S-31
08/30/16

US BEEF AND VEAL EXPORTS Carcass Weight, Annual

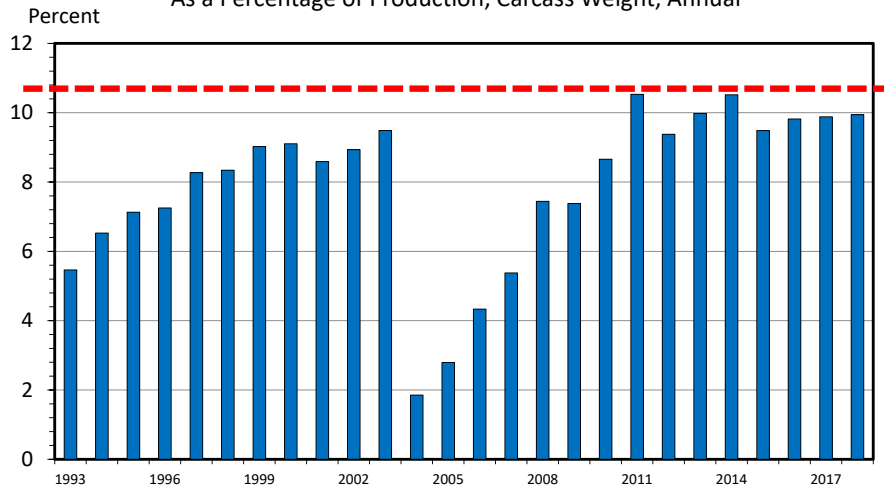


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-06
08/30/16

US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual

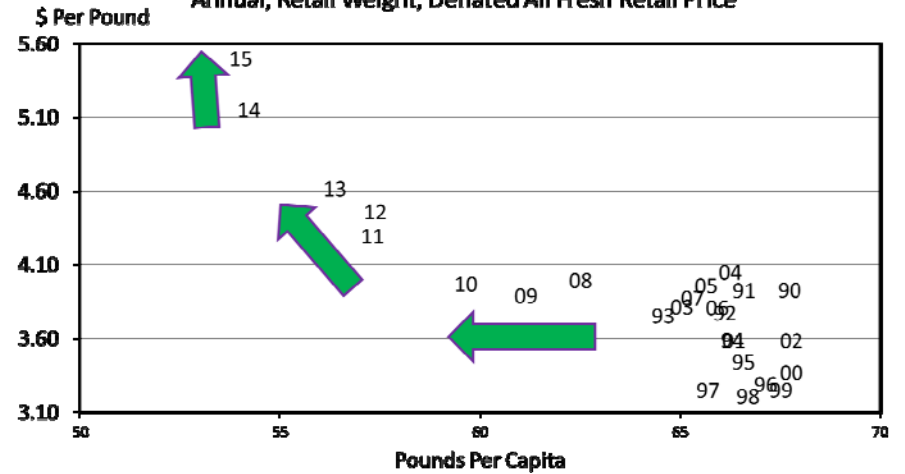


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
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08/30/16

BEEF PRICE-QUANTITY RELATIONSHIP

Annual, Retail Weight, Deflated All Fresh Retail Price

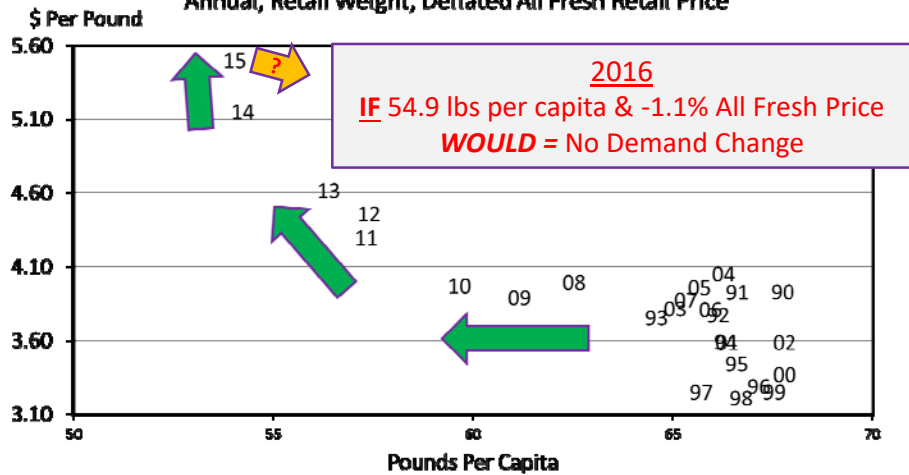


Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled and Analysis by LMIC
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03/25/16

BEEF PRICE-QUANTITY RELATIONSHIP

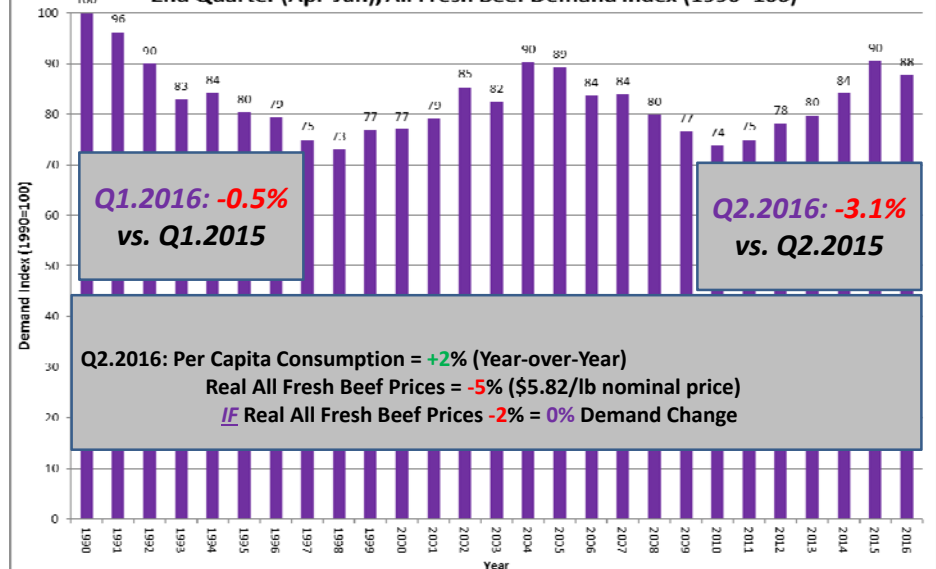
Annual, Retail Weight, Deflated All Fresh Retail Price



Data Source: Bureau of Economic Analysis & USDA-ERS, Compiled and Analysis by LMIC
Livestock Marketing Information Center

C-P-65A
03/25/16

2nd Quarter (Apr-Jun), All Fresh Beef Demand Index (1990=100)



Source: Glynn T. Tonsor, Kansas State University, July 2016

<http://www.agmanager.info/livestock/marketing/Beef%20Demand/default.asp>

Relative Changes in Beef & Cattle Prices

	All	KS	KS
	Fresh	550 LB	DIRECT
	Retail	CALF	SLAUGHTER
	Beef		
Values (\$/lb or \$/cwt)			
2008	396.7	116.7	92.9
2009	389.3	110.0	83.4
2010	402.1	123.8	95.4
2011	444.0	149.7	114.4
2012	469.4	170.0	122.7
2013	493.8	169.7	125.6
2014	560.0	244.8	154.2
2015	603.8	252.1	148.3
2016	579.0	179.3	127.8
Yr-O-Yr Change (%)			
2009	-1.9%	-5.7%	-10.2%
2010	3.3%	12.5%	14.3%
2011	10.4%	20.9%	19.9%
2012	5.7%	13.5%	7.3%
2013	5.2%	-0.2%	2.3%
2014	13.4%	44.3%	22.8%
2015	7.8%	3.0%	-3.8%
2016	-4.1%	-28.9%	-13.8%

Wrap-Up

- Broad 2016-2017 Profitability Outlook
 - Cow-calf: Converging toward Long-Term Levels
 - Stocker: Opportunity varies widely across situations
 - Feedlot: Ongoing struggle; worst behind us (I think)

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More information available at:



This presentation will be available in PDF format at:
<http://www.agmanager.info/contributors/tonsor>

Glynn T. Tonsor
 Professor
 Dept. of Agricultural Economics
 Kansas State University
 Email: gtonsor@ksu.edu
 Twitter: @TonsorGlynn

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