



**2015
Crop Insurance Workshop**

**RISK MANAGEMENT DECISIONS
FOR TOMORROW**

**EVIDENCE FROM THE PAST
PRESENT FARM FINANCIAL CONDITIONS
DATA TECHNOLOGY & MARKET OUTLOOK**

November 10, 2015
Brush, CO
Event Center
Brush Fairgrounds
Only 70 miles from Denver Airport

November 11, 2015
Grand Island, NE
College Park
3180 W Highway 34

November 12, 2015
Salina, KS
Ambassador Hotel
1616 W. Crawford

November 13, 2015
Enid, OK
Autry Technology Ctr.
1201 W. Willow



Beef Cattle Market Outlook

**Glynn Tonsor
Dept. of Agricultural Economics
Kansas State University**

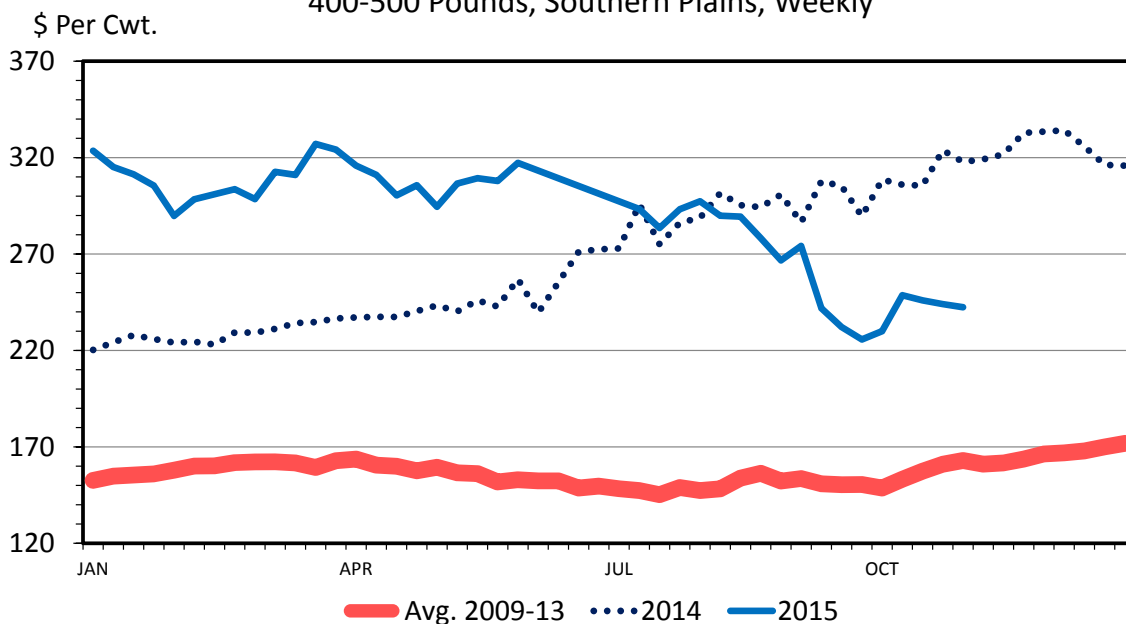


Overarching Beef Industry Economic Outlook

- **Supplies**
 - Historically tight
 - Herd expansion well underway
- **Demand**
 - Confusing yet largely been positive
 - Recent concerns have driven market
- **Combined**
 - Heartburn or excitement depending on perspective...

MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

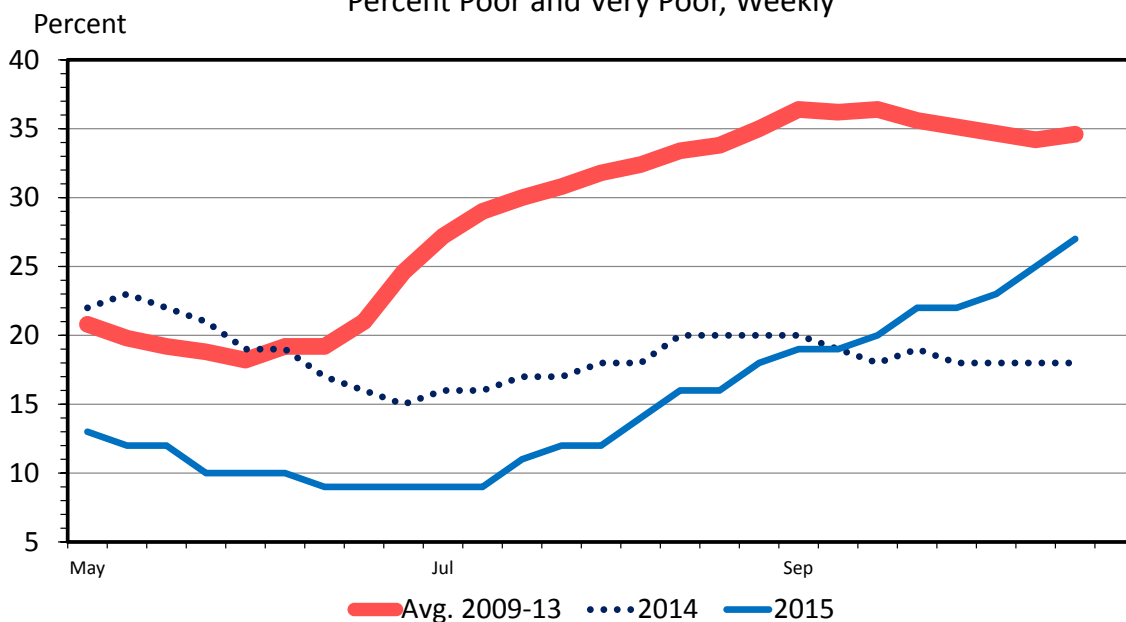


Data Source: USDA-AMS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

C-P-49A
11/09/15

US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

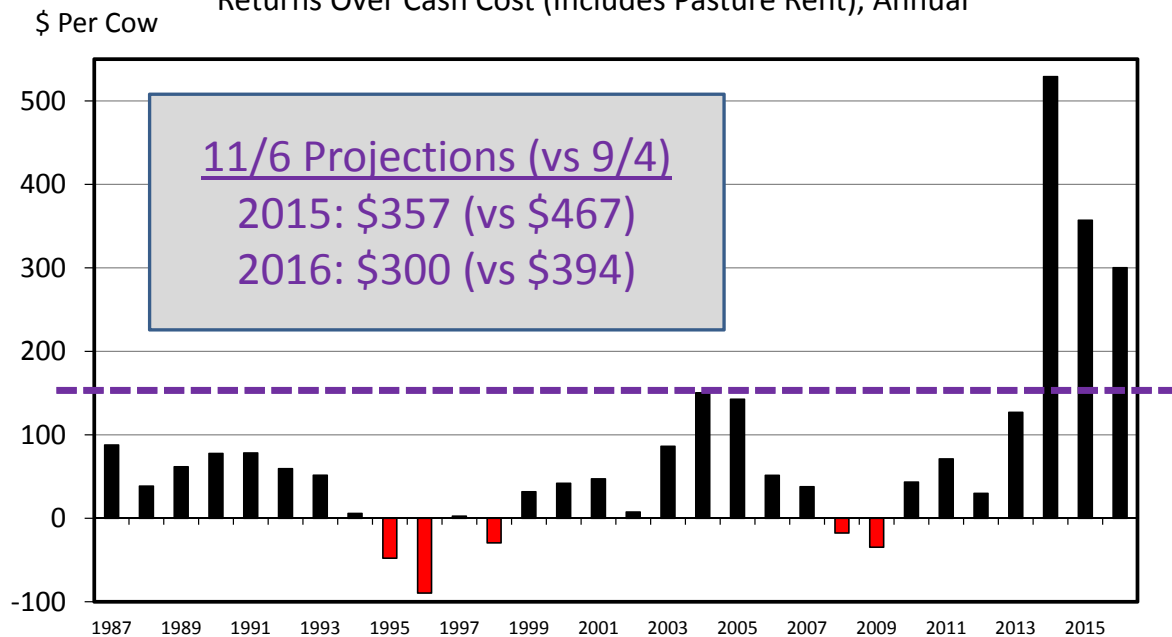


Data Source: USDA-NASS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

G-NP-30
10/26/15

ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual

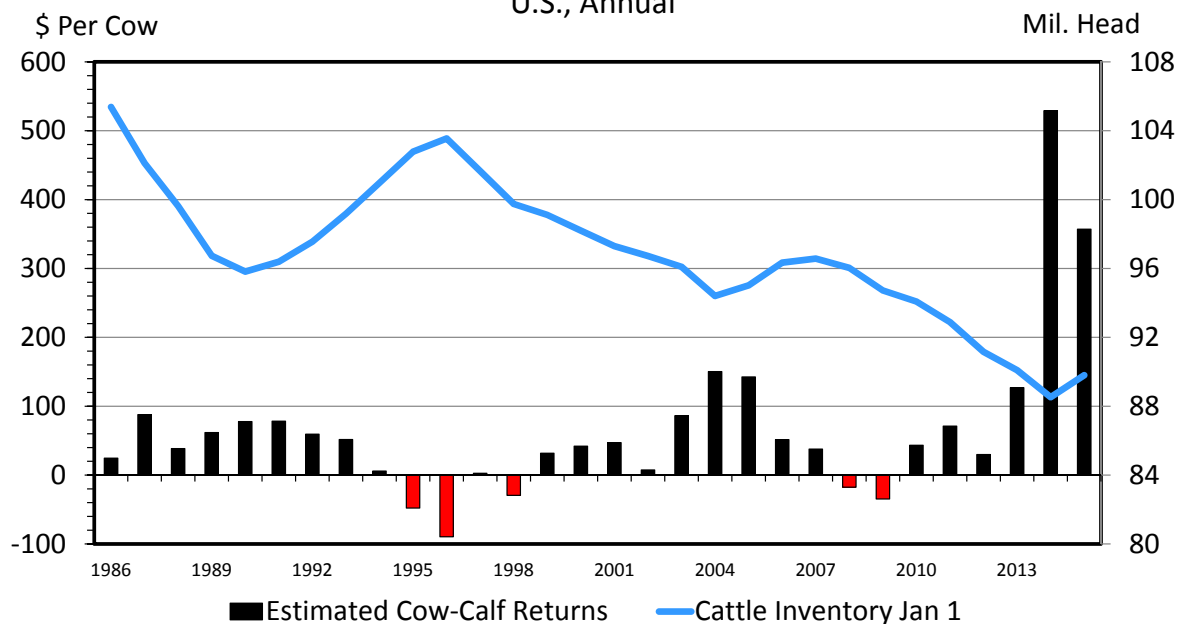


Data Source: USDA & LMIC, Compiled by LMIC
 Livestock Marketing Information Center

C-P-66
 11/06/15

COW-CALF RETURNS AND CATTLE INVENTORY

U.S., Annual

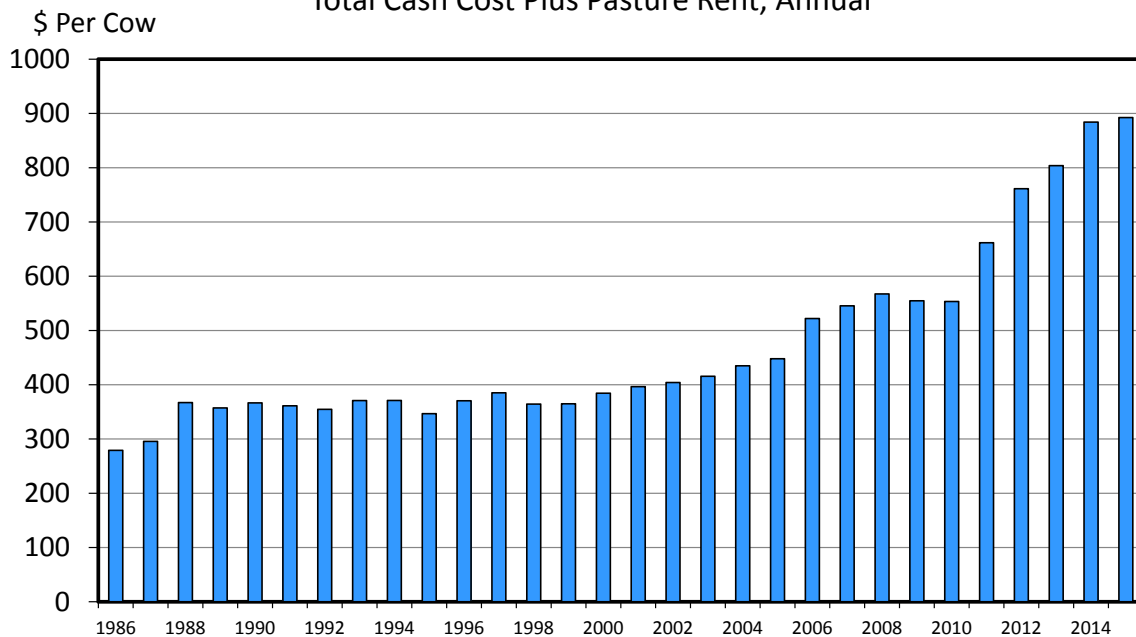


Data Source: USDA-AMS & USDA-NASS, Compiled and Analysis by LMIC
 Livestock Marketing Information Center

C-P-67
 11/06/15

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual

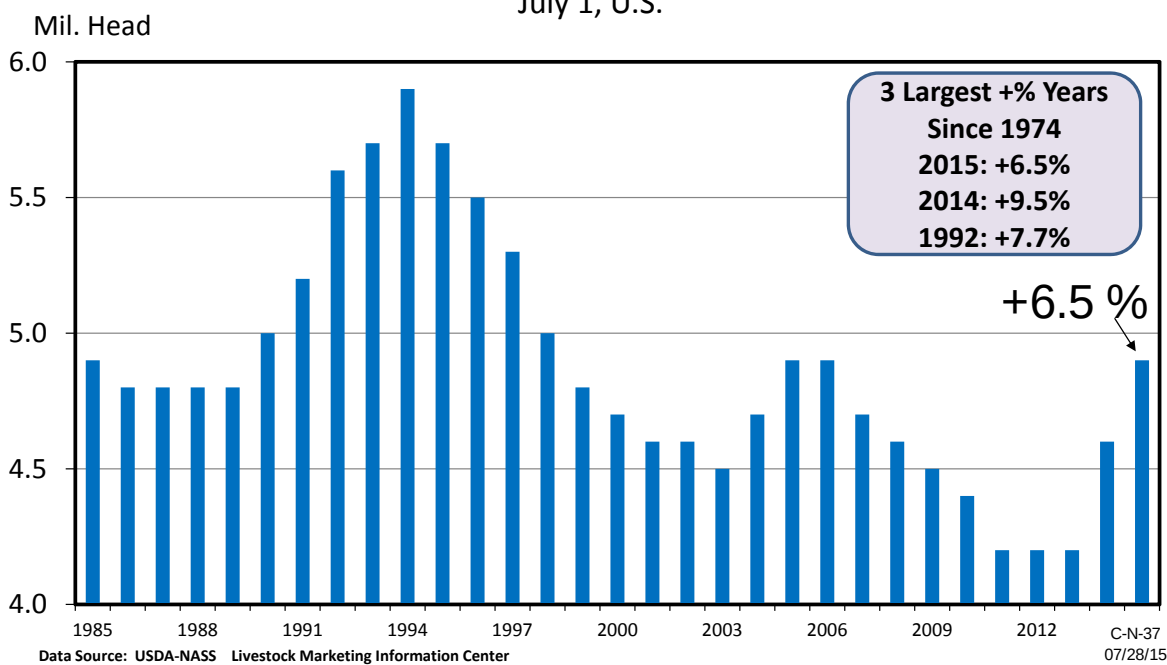


Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

11/06/15

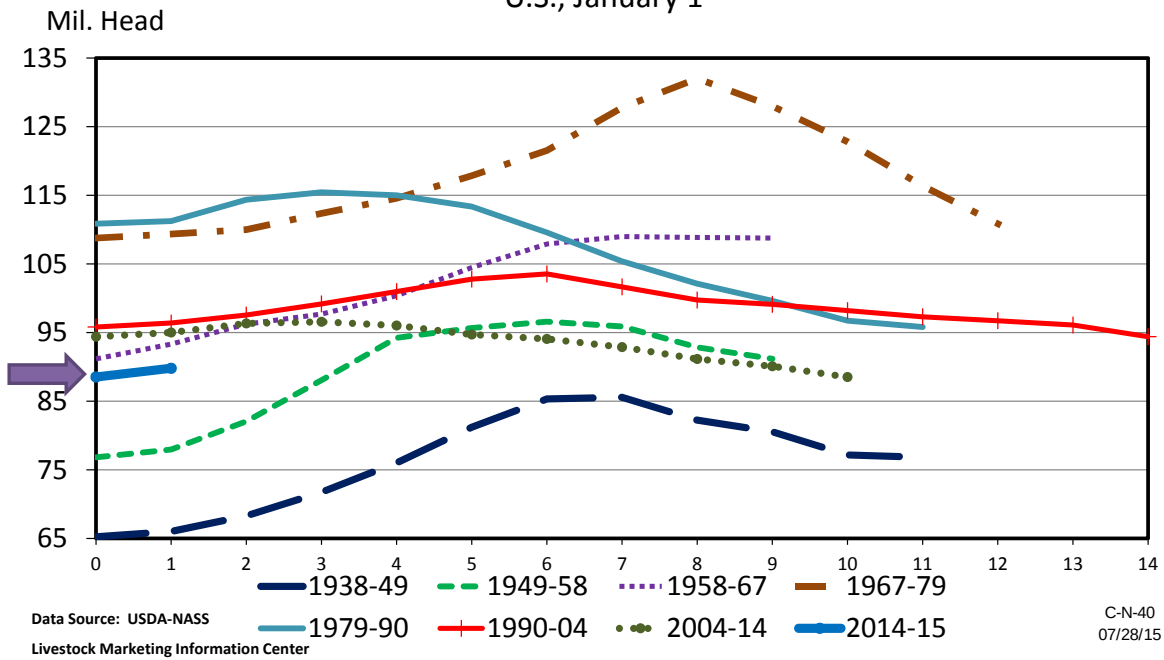
HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.



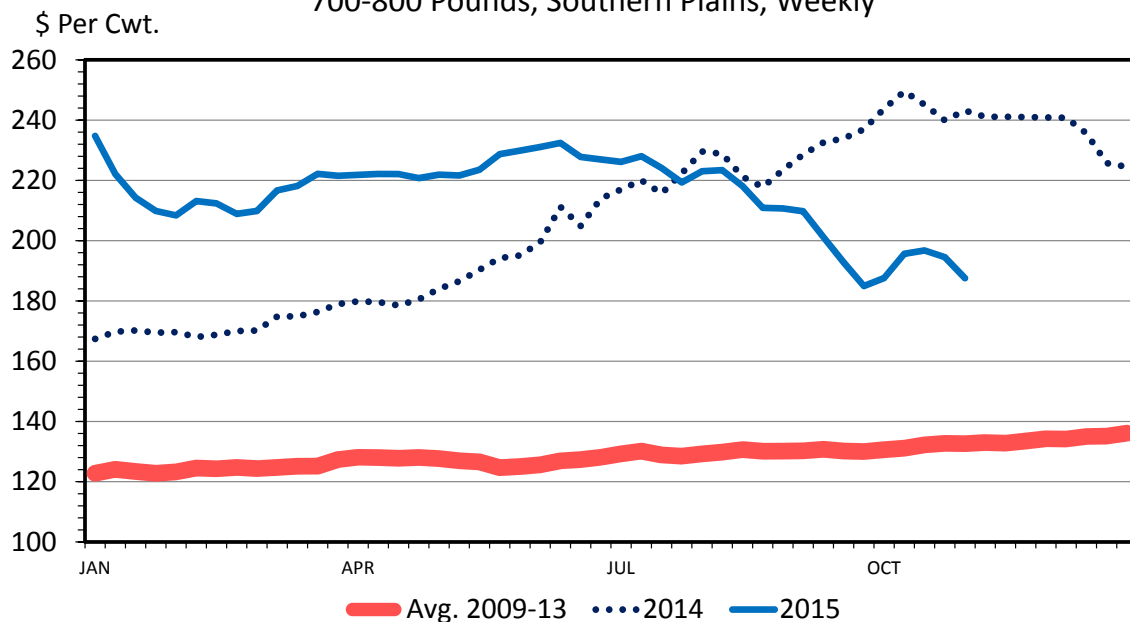
TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



Economic Outlook Overview: Stockers

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

- Salina, KS 11/12/15 situation:
 - Buy 575 lb steer on 11/18/15 (\$170)
 - Sell 800 lb steer on 03/08/16 (\$152) {2.01 ADG}
 - VOG: \$106/cwt
 - IF COG \$80/cwt THEN Exp. Profit = +/- \$59/hd

Stocker - Feeder Cattle Output Price Hedging Considerations (as of 11/12/15)

- Salina, KS situation:
 - Plan to sell 800 lb steers on 3/8/16
 - Current Exp. Price = \$152/cwt
 - Interested in downside price protection

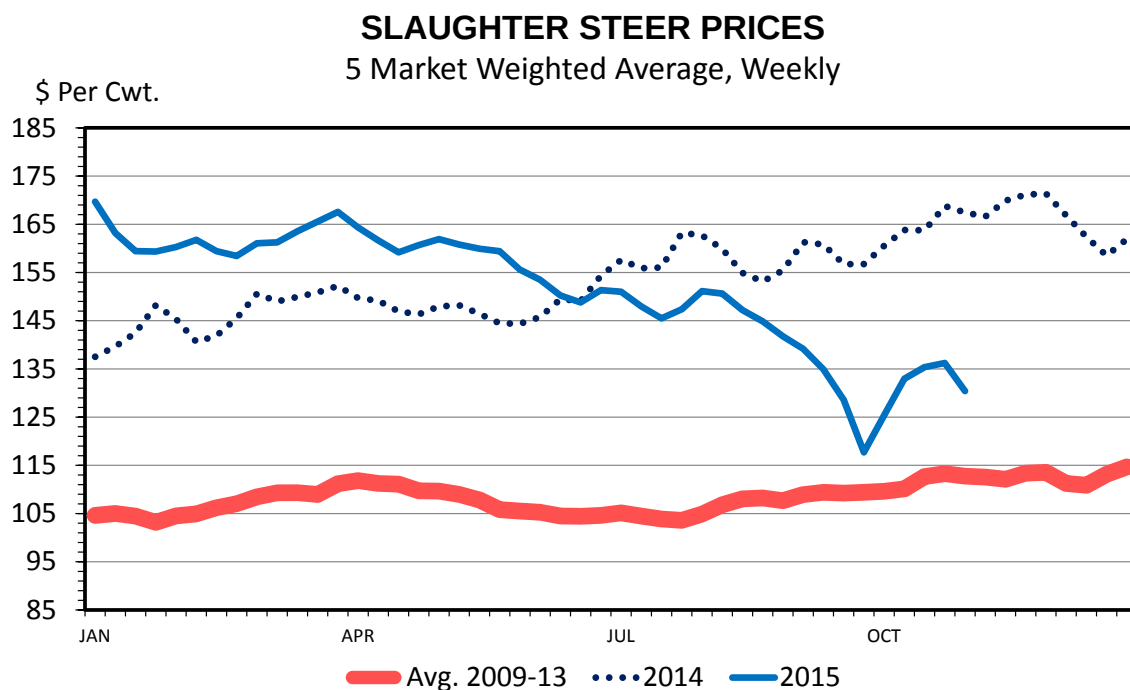
—USE:

FeederCattleRiskMgmtTool.xlsx

<http://www.agmanager.info/Tools/default.asp#LIVESTOCK>

Economic Outlook Overview: Feedlots

- 2015 cash returns continue to worsen
 - “Extra heavy” situation ...
- Structural concerns persist:
 - Excess capacity
 - Heifer Retention, Plant Closures, MCOOL, ...



Feedlots, Heavy-Weights in Aug-Oct 15'

Jan 10'-July 15'

- 5 Mkt: 1,366 lbs; \$126.22

- TX/OK/NM:1,271 lbs;\$125.55
- KS: 1,337 lbs; \$126.02

- NE: 1,407 lbs; \$126.45
- CO: 1,372 lbs; \$126.74
- IA/MN: 1,411 lbs; \$126.11

Aug 15'-Oct 15'

- 5 Mkt: 1,468 lbs; \$138.23

- TX/OK/NM:1,356 lbs;\$138.99
- KS: 1,399 lbs; \$139.18

- NE: 1,471 lbs; \$138.77
- CO: 1,444 lbs; \$139.79
- IA/MN: 1,499 lbs; \$136.83

Feedlots, Heavy-Weights in Aug-Oct 15' (Mkt Share of 5 Mkt Avg - Negotiated)

Jan 10'-July 15'

- 5 Mkt: 1,366 lbs; \$126.22

- TX/OK/NM:1,271 lbs;\$125.55
 - (17%)
- KS: 1,337 lbs; \$126.02
 - (33%)

- NE: 1,407 lbs; \$126.45
 - (25%)
- CO: 1,372 lbs; \$126.74
 - (6%)
- IA/MN: 1,411 lbs; \$126.11
 - (19%)

Aug 15'-Oct 15'

- 5 Mkt: 1,468 lbs; \$138.23

- TX/OK/NM:1,356 lbs; \$138.99
 - (4%)
- KS: 1,399 lbs; \$139.18
 - (15%)

- NE: 1,471 lbs; \$138.77
 - (36%)
- CO: 1,444 lbs; \$139.79
 - (5%)
- IA/MN: 1,499 lbs; \$136.83
 - **(41%)**

Historical and Projected Kansas Feedlot Net Returns
(as of 11/11/15')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

Sept. 15': -\$357/steer

SEPT-2015 Summary

Revenue: \$2,002/steer (1,450 lbs @ \$138.06/cwt)

Feeder Cattle Purchase: \$1,811/steer (848 lbs @ \$213.60/cwt)

Gross Margin (Fat-Feeder): \$191/hd

Break-Even COG (602 lbs added): \$0.21/lb

VS

Estimated COG: \$0.82/lb

= -\$357/steer margins

Historical and Projected Kansas Feedlot Net Returns
(as of 11/11/15')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

Sept. 15': -\$357/steer

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

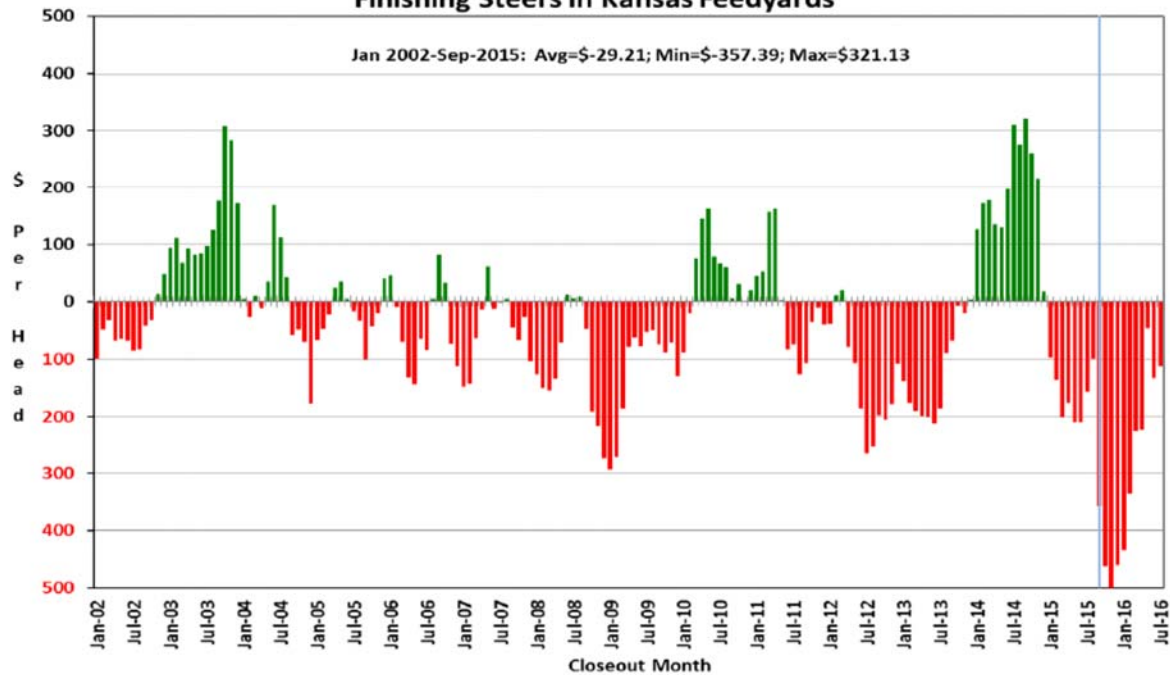
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Oct-15	-462.51	84.73	133.20	215.75	5.65	165.25	161.85
Nov-15	-499.65	84.43	132.36	219.15	-2.22	167.33	160.52
Dec-15	-461.06	85.74	134.13	212.71	3.73	165.97	160.67
Jan-16	-435.38	86.51	135.29	208.73	4.76	165.76	160.17
Feb-16	-334.95	86.82	135.92	203.72	27.90	159.52	164.34
Mar-16	-224.79	86.40	137.01	190.58	44.41	153.10	164.49
Apr-16	-222.92	85.19	128.58	181.71	46.40	144.47	154.80
May-16	-45.52	85.16	131.21	163.29	77.02	134.45	157.92
Jun-16	-131.70	85.43	124.43	162.02	62.14	133.70	146.62
Jul-16	-111.29	86.01	125.38	158.17	65.77	133.05	145.81

Representative Barometer for Trends in Profitability

Historical and Projected Kansas Feedlot Net Returns (as of 11/11/15')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

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



Historical and Projected Kansas Feedlot Net Returns (as of 11/11/15')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

Rolling 12-month average Net Return:

Dec 2014: **\$195**

Jan 2015: **\$176**

July 2015: **-\$8**

Sept 2015: **-\$96**

April 2015 (projected): **-\$306**

Previous worst (**-\$193**) was July 2013

Quarterly Forecasts (LMIC: 11/5/15)

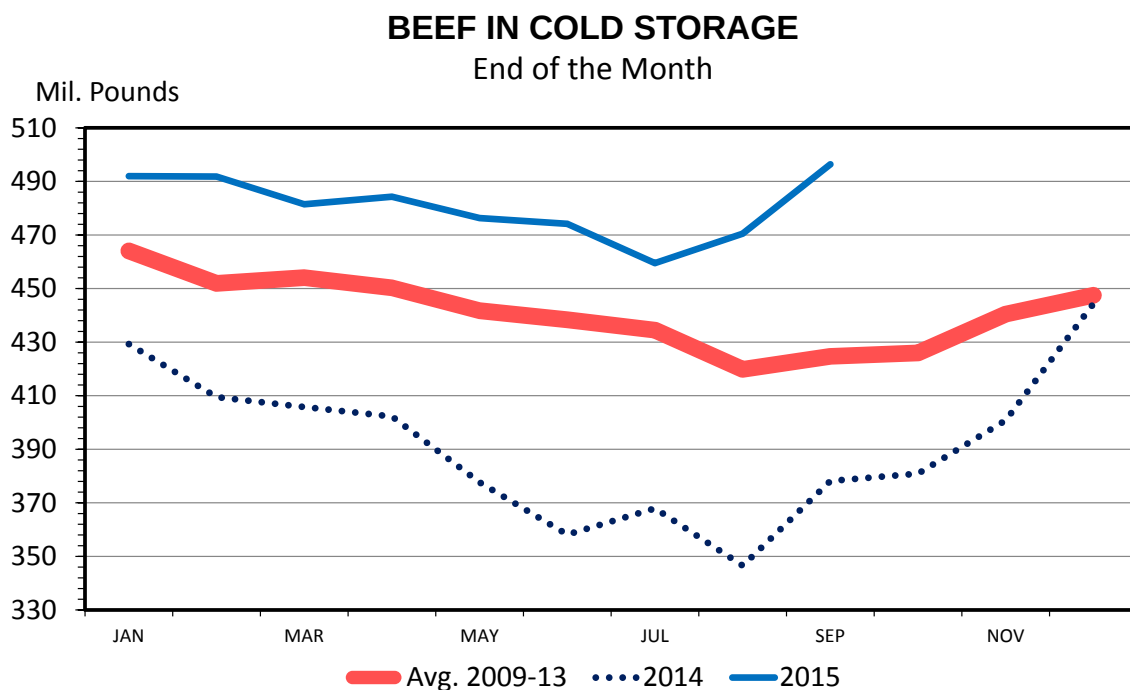
Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2015						
I	6,967	-5.5	813.0	2.2	5,664	-3.5
II	7,227	-7.8	810.1	2.7	5,855	-5.3
III	7,288	-4.5	832.4	2.8	6,066	-1.8
IV	7,350	0.3	840.4	2.3	6,177	2.6
Year	28,832	-4.4	824.1	2.5	23,762	-2.0
2016						
I	7,166	2.9	821.9	1.1	5,890	4.0
II	7,417	2.6	813.0	0.4	6,030	3.0
III	7,623	4.6	835.6	0.4	6,370	5.0
IV	7,550	2.7	838.0	-0.3	6,327	2.4
Year	29,756	3.2	827.3	0.4	24,617	3.6
2017						
I	7,447	3.9	827.3	0.7	6,161	4.6
II	7,720	4.1	815.9	0.4	6,299	4.5
III	7,815	2.5	839.3	0.4	6,559	3.0
IV	7,891	4.5	841.3	0.4	6,639	4.9
Year	30,873	3.8	831.1	0.5	25,658	4.2

Quarterly Forecasts (LMIC: 11/5/15)

Year	Live Sltr.	% Chg.	Feeder Steer Price	
Quarter	Steer Price	from	Southern Plains	
	5-Mkt Avg	Year Ago	7-800#	5-600#
2015				
I	162.43	11.0	215.87	276.14
II	158.11	7.0	225.29	279.32
III	144.22	-9.0	214.38	246.04
IV	136-138	-17.3	186-189	220-224
Year	150-151	-2.6	210-211	254-258
2016				
I	142-145	-11.7	184-189	226-232
II	145-149	-7.0	187-192	229-237
III	139-144	-1.9	183-189	225-234
IV	140-146	4.4	179-186	217-226
Year	142-146	-4.3	184-188	225-231
2017				
I	139-146	-0.7	176-184	220-230
II	139-147	-2.7	177-186	223-234
III	134-145	-1.4	174-184	217-230
IV	136-146	-1.4	170-182	211-225
Year	139-144	-1.7	176-182	220-228

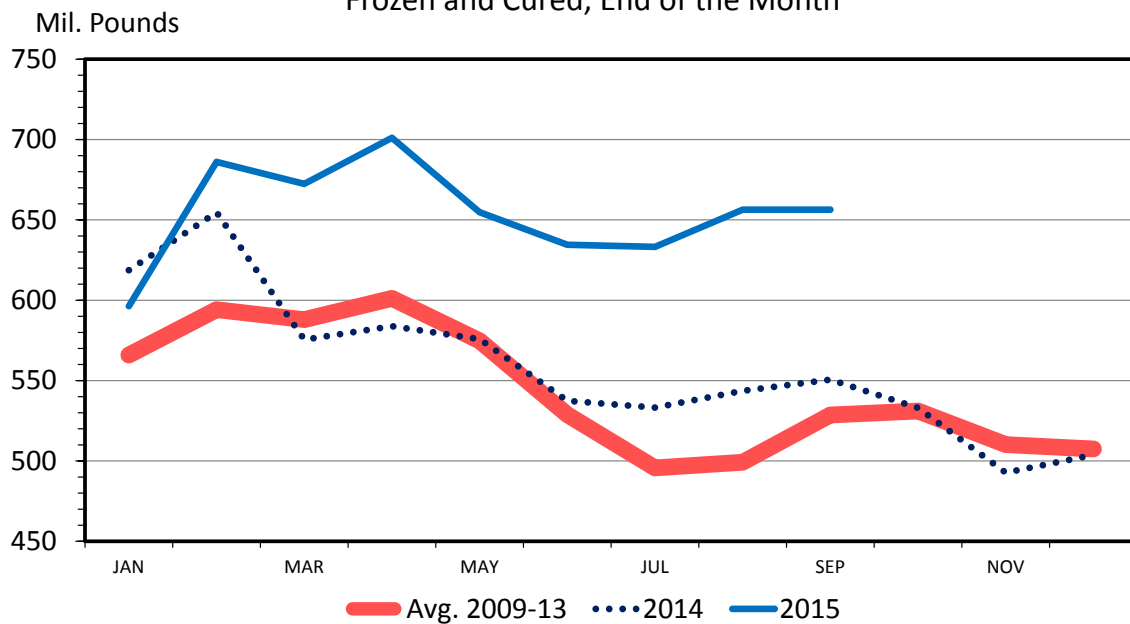
Trade & Meat Supplies

Maintain Context



PORK IN COLD STORAGE

Frozen and Cured, End of the Month

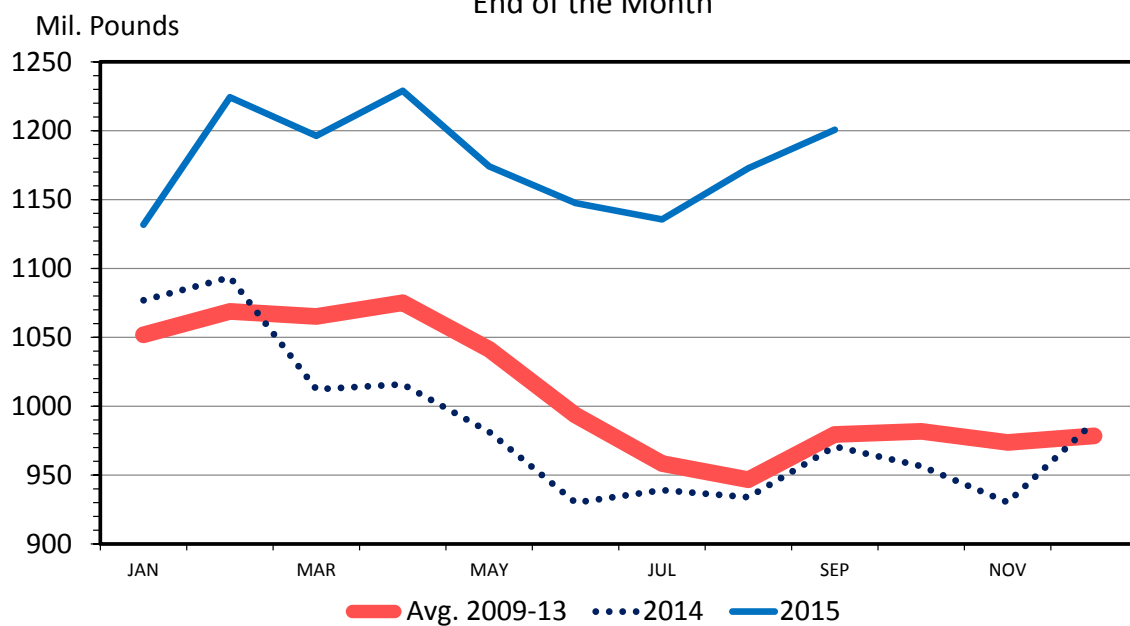


Data Source: USDA/NASS
Livestock Marketing Information Center

M-S-10
10/22/15

TOTAL RED MEAT IN COLD STORAGE

End of the Month

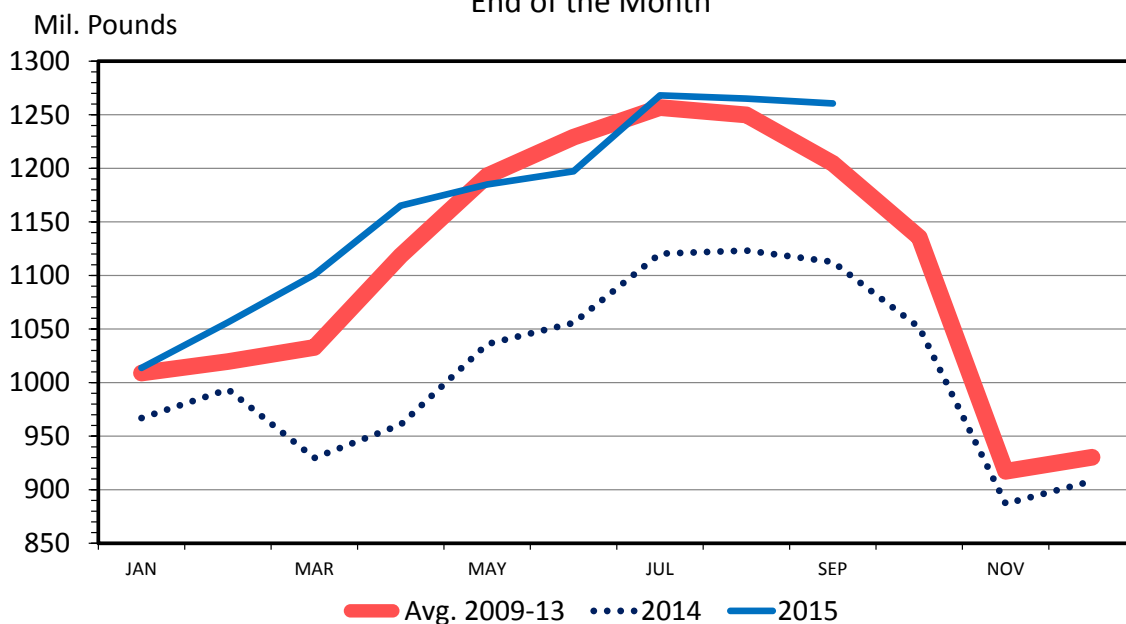


Data Source: USDA/NASS
Livestock Marketing Information Center

M-S-11
10/22/15

TOTAL POULTRY IN COLD STORAGE

End of the Month

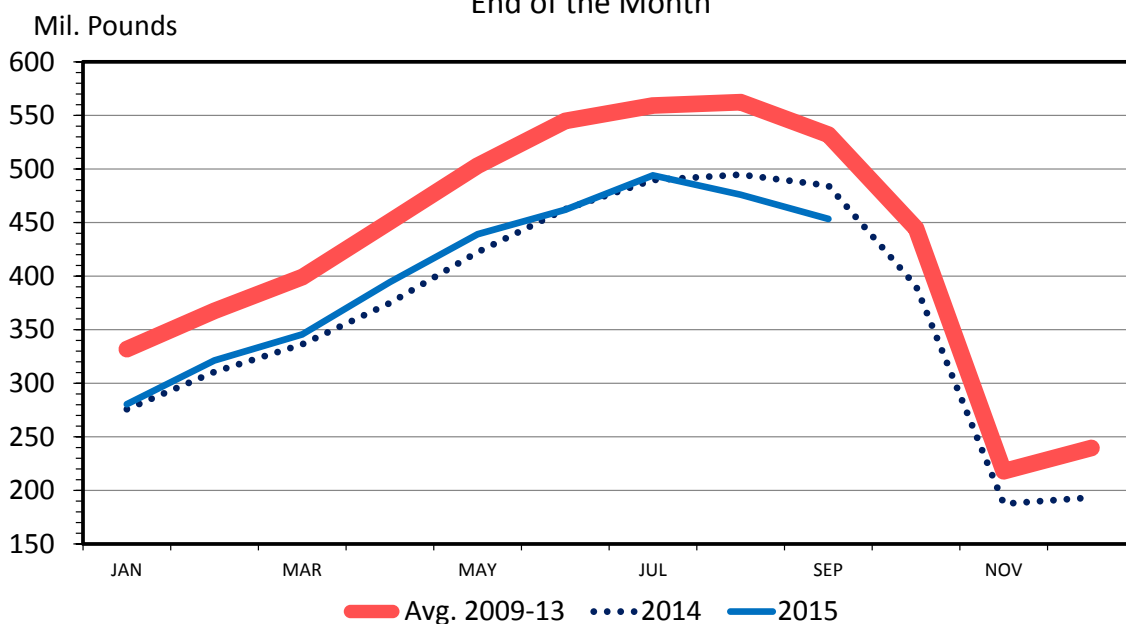


Data Source: USDA/NASS
Livestock Marketing Information Center

P-S-03
10/22/15

TURKEY IN COLD STORAGE

End of the Month

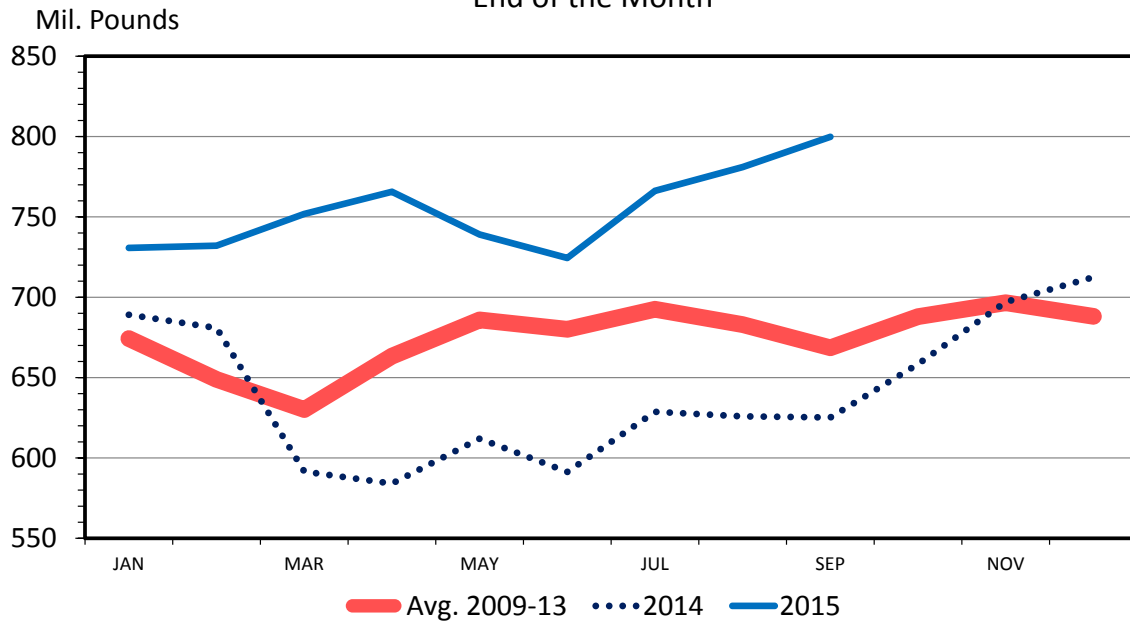


Data Source: USDA/NASS
Livestock Marketing Information Center

P-S-04
10/22/15

CHICKEN IN COLD STORAGE

End of the Month

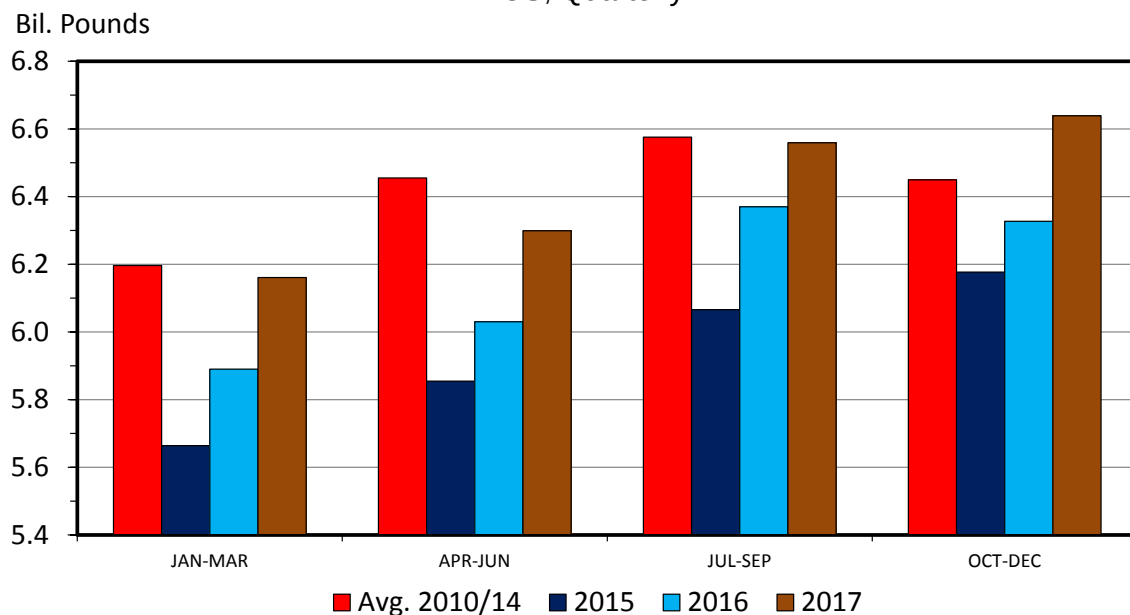


Data Source: USDA/NASS
Livestock Marketing Information Center

P-S-05
10/22/15

COMMERCIAL BEEF PRODUCTION

US, Quarterly

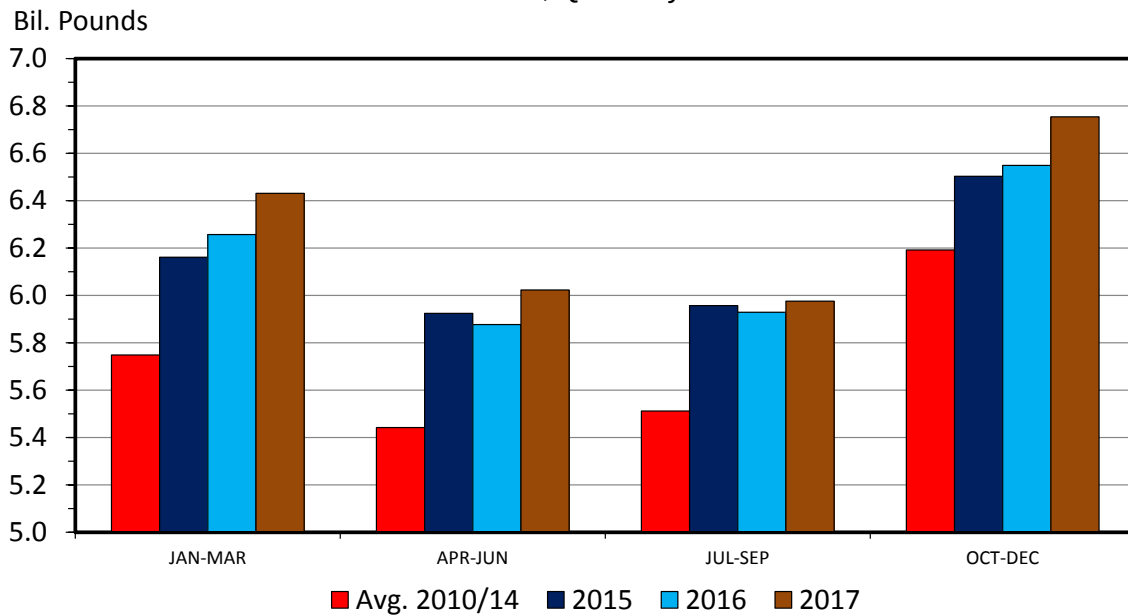


Data Source: USDA-NASS;; Forecasts: LMIC
Compiled and Forecasts by: LMIC

M-S-01
11/05/15

COMMERCIAL PORK PRODUCTION

US, Quarterly



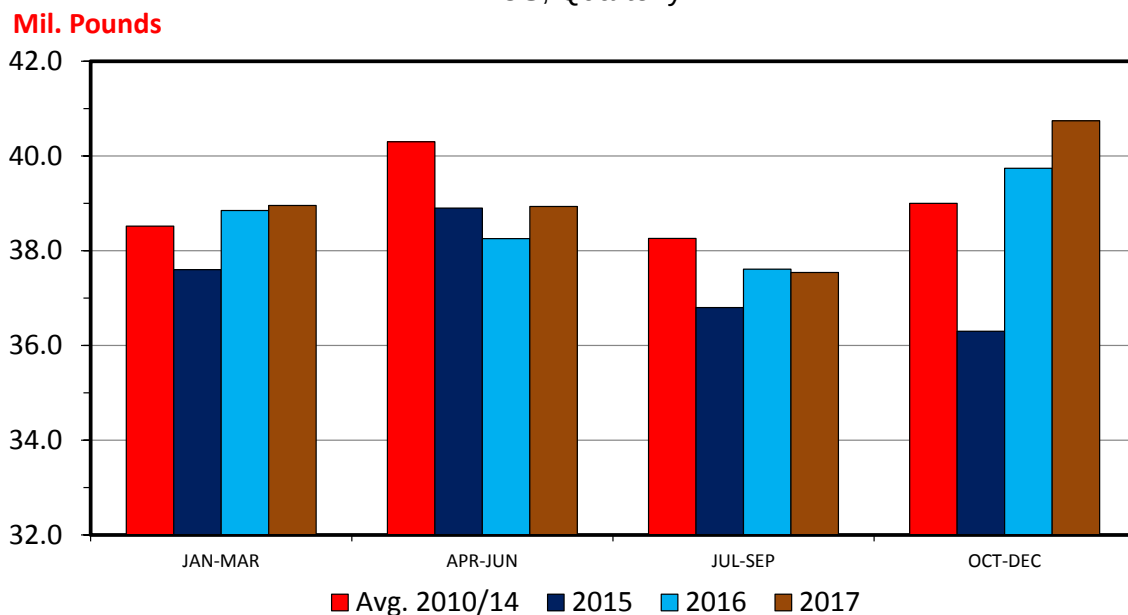
Data Source: USDA-NASS;; Forecasts: LMIC

Compiled and Forecasts by: LMIC

M-S-06
11/05/15

COMMERCIAL LAMB AND MUTTON PRODUCTION

US, Quarterly



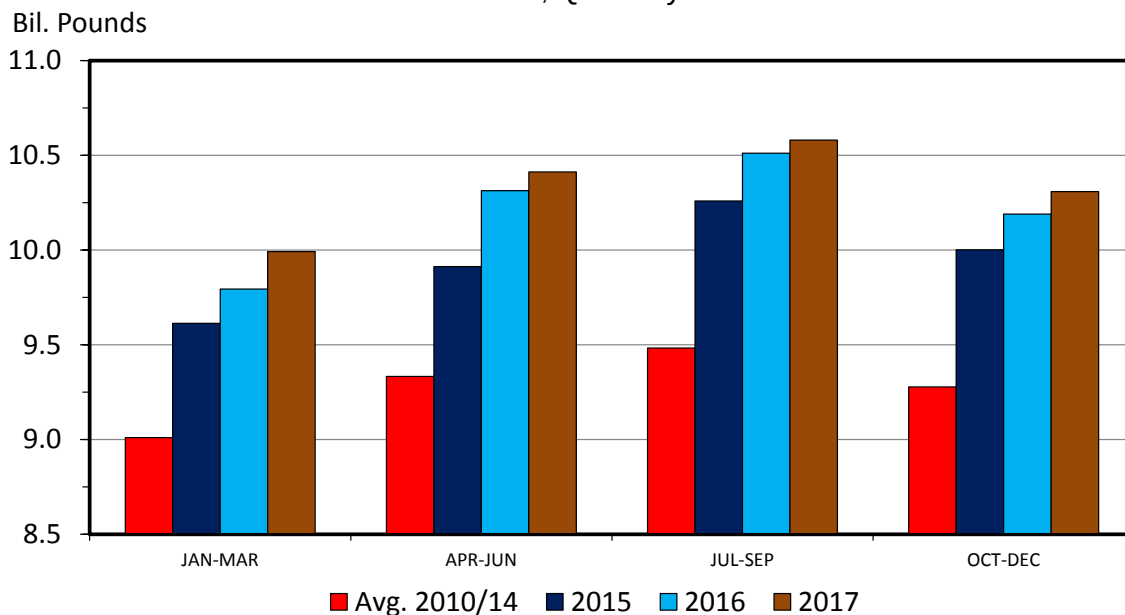
Data Source: USDA-NASS;; Forecasts: LMIC

Compiled and Forecasts by: LMIC

M-S-07
11/05/15

RTC BROILER PRODUCTION

US, Quarterly



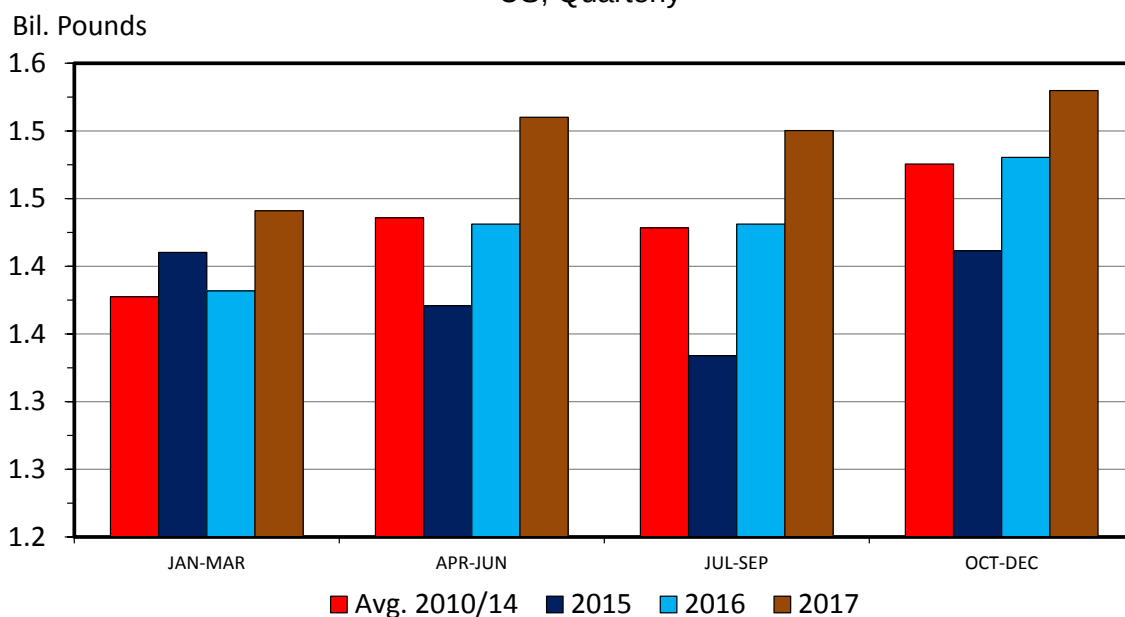
Data Source: USDA-NASS;; Forecasts: LMIC

Compiled and Forecasts by: LMIC

M-S-30
11/05/15

RTC TURKEY PRODUCTION

US, Quarterly



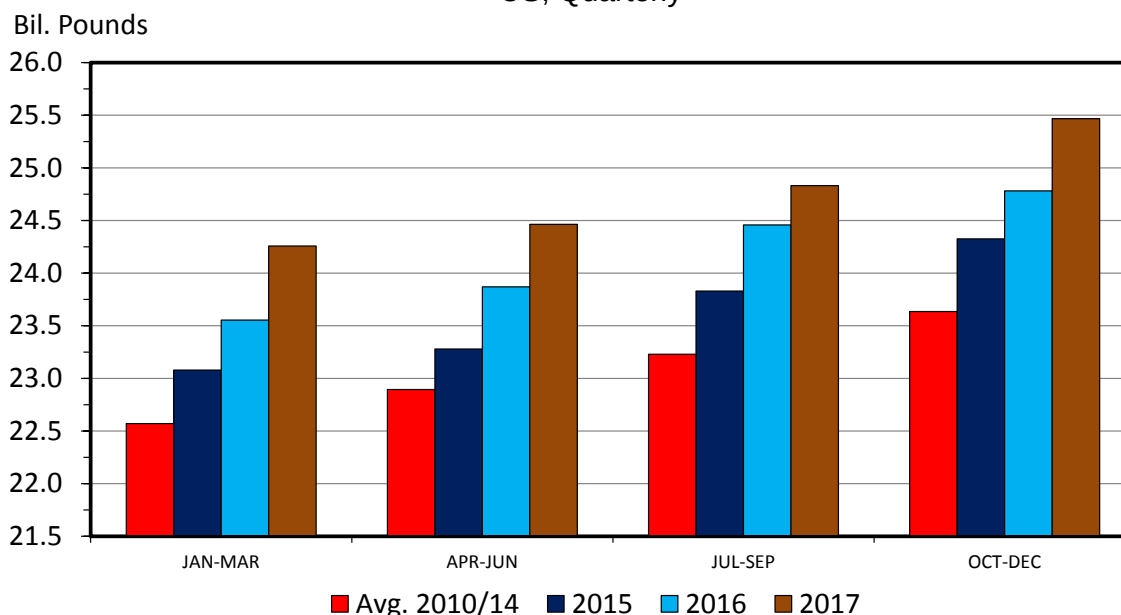
Data Source: USDA-NASS;; Forecasts: LMIC

Compiled and Forecasts by: LMIC

11/05/15

TOTAL RED MEAT & POULTRY PRODUCTION

US, Quarterly



Data Source: USDA-NASS;; Forecasts: LMIC

Compiled and Forecasts by: LMIC

M-S-31
11/05/15

USDA Long-Term projections (2015-2024)

Feb. 11, 2015 report (<http://www.usda.gov/oce/commodity/projections/index.htm>)

	Recent		NEXT 5 YEARS					10 Yrs Out
Per capita meat consumption, retail weight								
Item	2013	2014	2015	2016	2017	2018	2019	2024
Pounds								
Beef	56.3	54.6	52.2	49.4	48.5	49.1	49.8	52.4
Pork	46.8	45.3	46.6	48.5	48.8	49.1	49.3	49.5
Total red meat	104.4	101.1	99.9	99.0	98.4	99.3	100.1	102.9
Broilers	81.9	83.4	85.4	86.7	88.1	89.2	90.2	93.1
Turkeys	16.0	15.7	15.8	16.2	16.5	16.7	16.8	17.3
Total poultry	99.2	100.3	102.5	104.2	106.0	107.3	108.4	111.9
Red meat & poultry	203.6	201.4	202.3	203.2	204.4	206.5	208.5	214.8

USDA Long-Term projections (2015-2024)

Feb. 11, 2015 report (<http://www.usda.gov/oce/commodity/projections/index.htm>)

Recent NEXT 5 YEARS 10 Yrs Out
Per capita meat consumption, retail weight

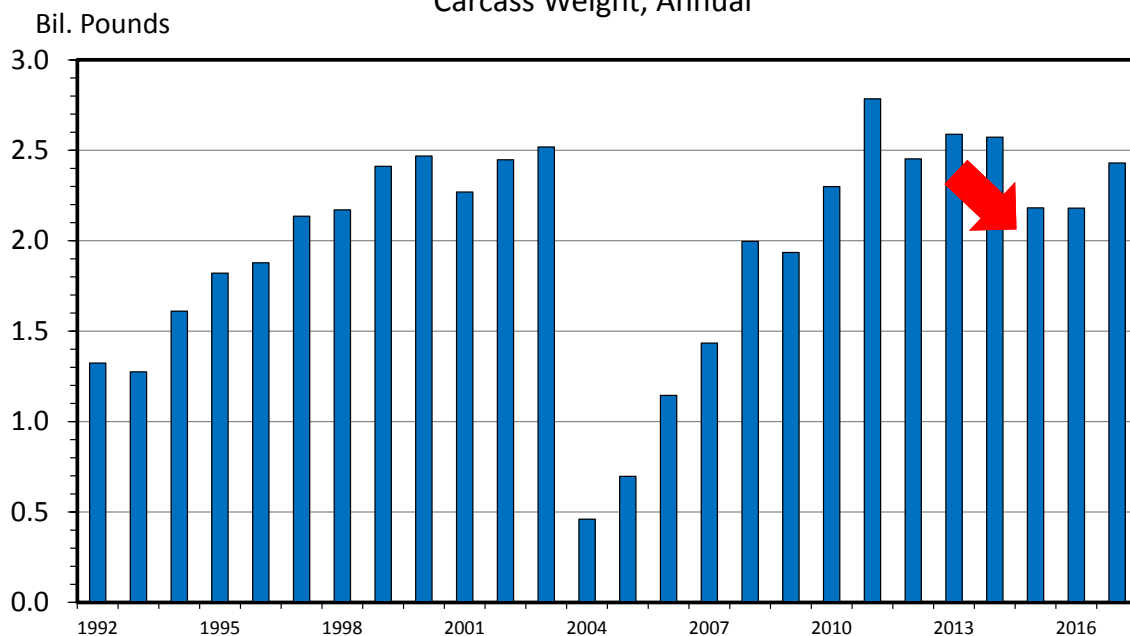
	Red Meat	Poultry	Total
1995	120	87	208
2008	113	103	216
2013	104	99	204
2014	102	100	202
2015	105	105	210
2024	103	112	215

2024 (215 lbs) < 2008 (216 lbs)

37

US BEEF AND VEAL EXPORTS

Carcass Weight, Annual

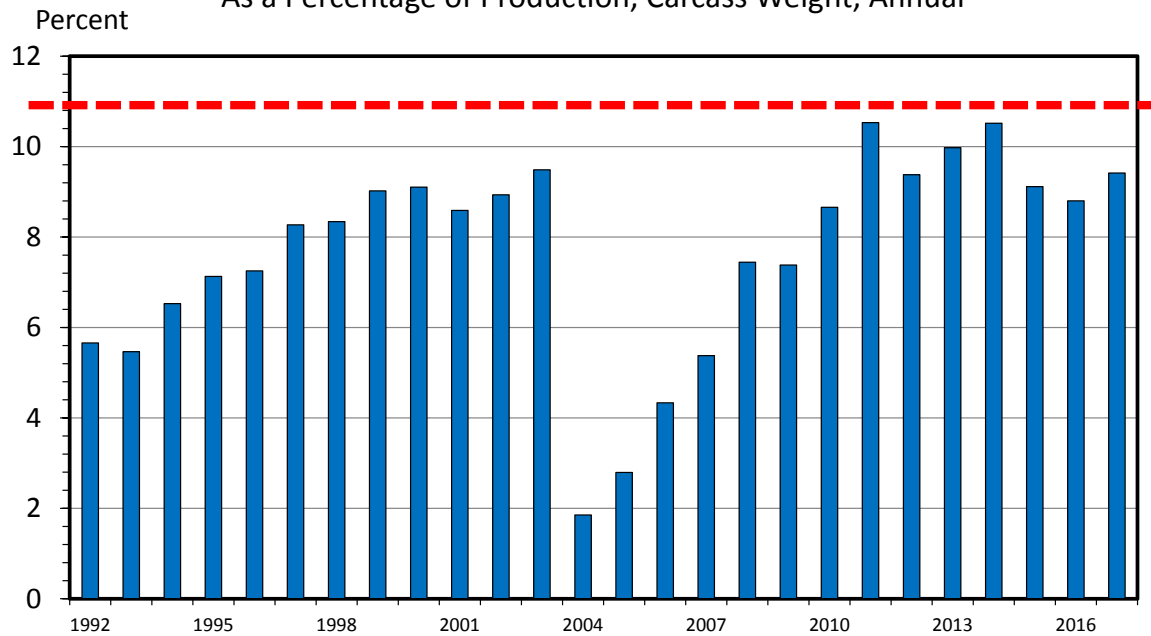


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-06
10/13/15

US BEEF AND VEAL EXPORTS

As a Percentage of Production, Carcass Weight, Annual

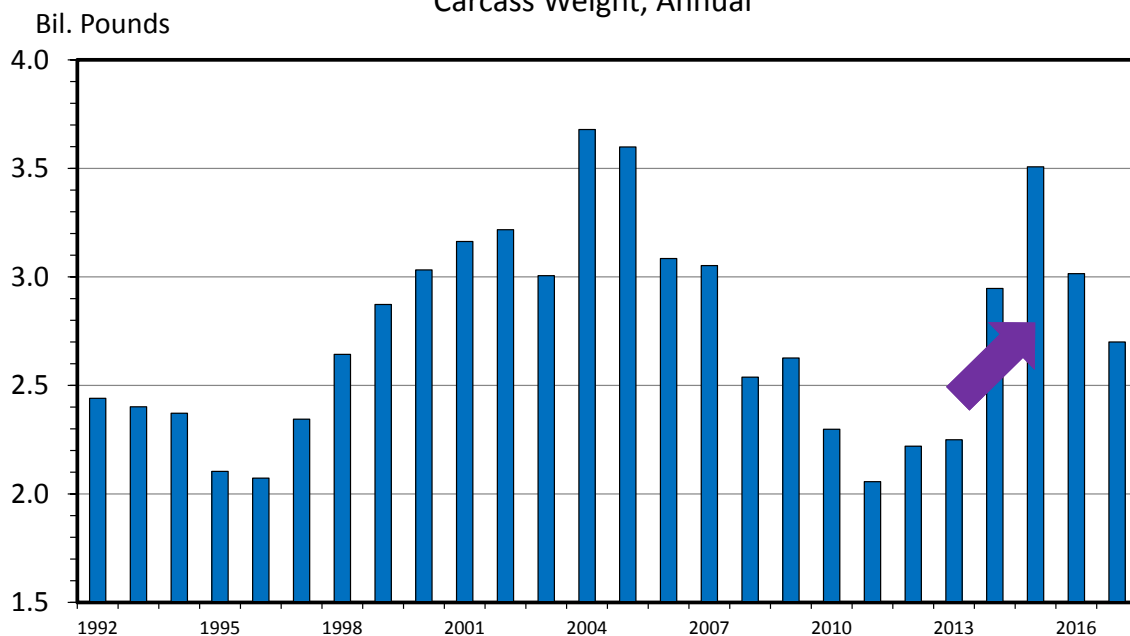


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-07
10/13/15

US BEEF AND VEAL IMPORTS

Carcass Weight, Annual

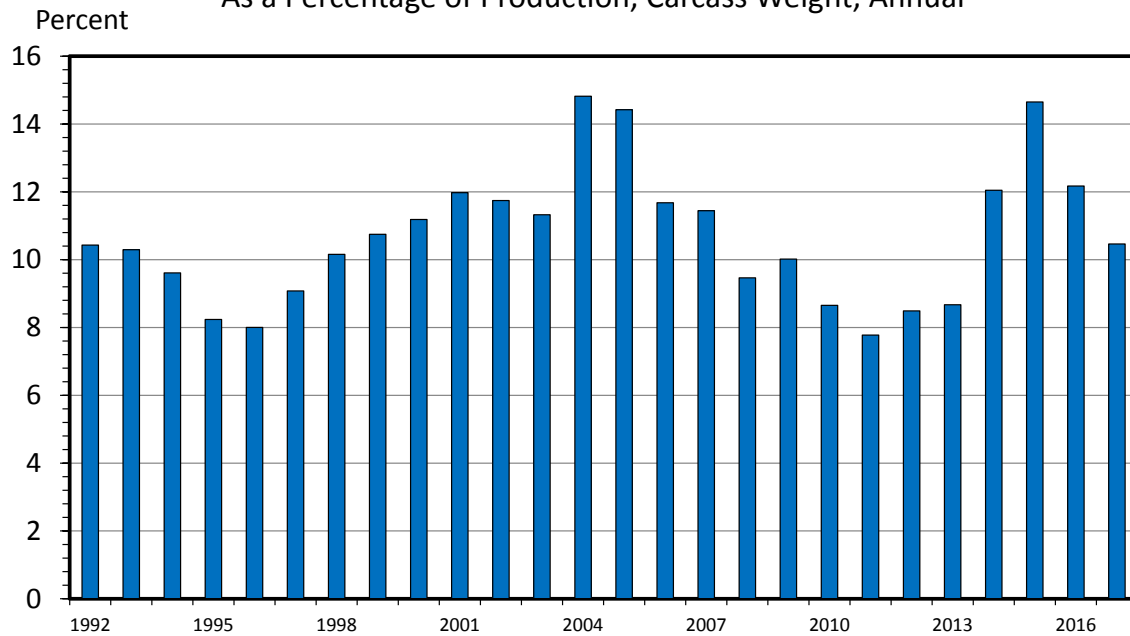


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-12
10/13/15

US BEEF AND VEAL IMPORTS

As a Percentage of Production, Carcass Weight, Annual

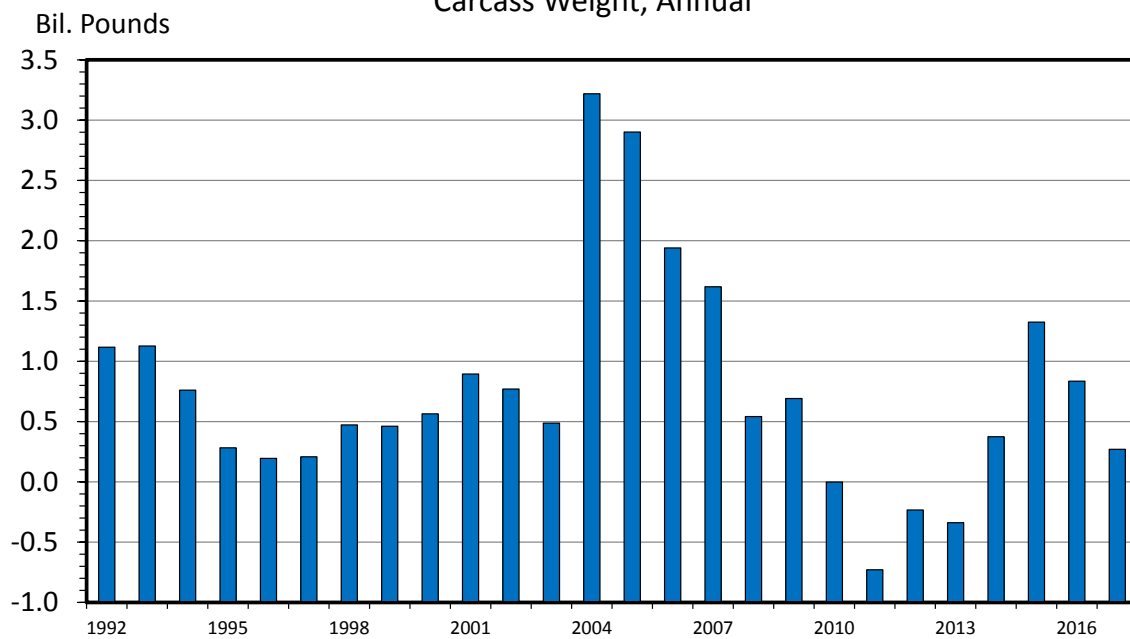


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-08
10/13/15

US BEEF AND VEAL NET IMPORTS

Carcass Weight, Annual

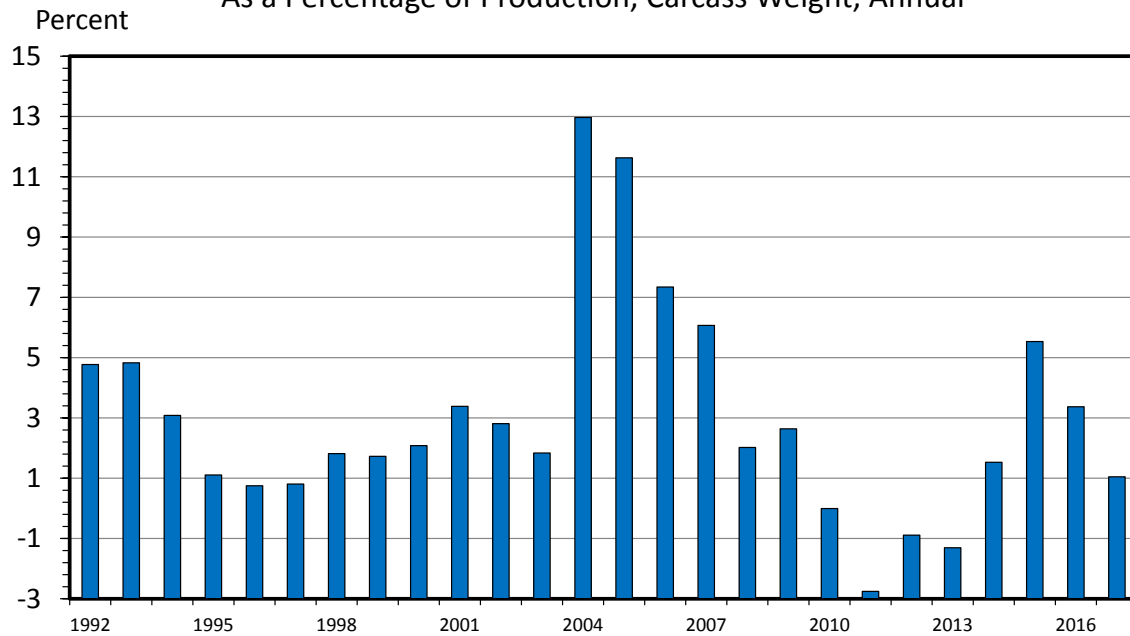


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-28
10/13/15

US BEEF AND VEAL NET IMPORTS

As a Percentage of Production, Carcass Weight, Annual

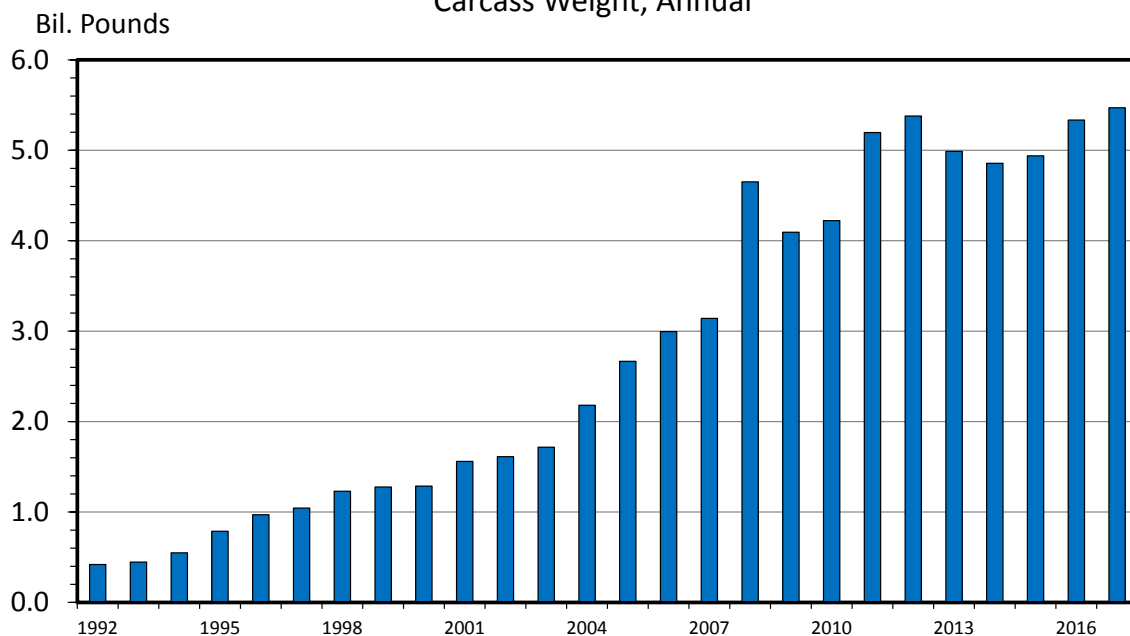


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-11
10/13/15

US PORK EXPORTS

Carcass Weight, Annual

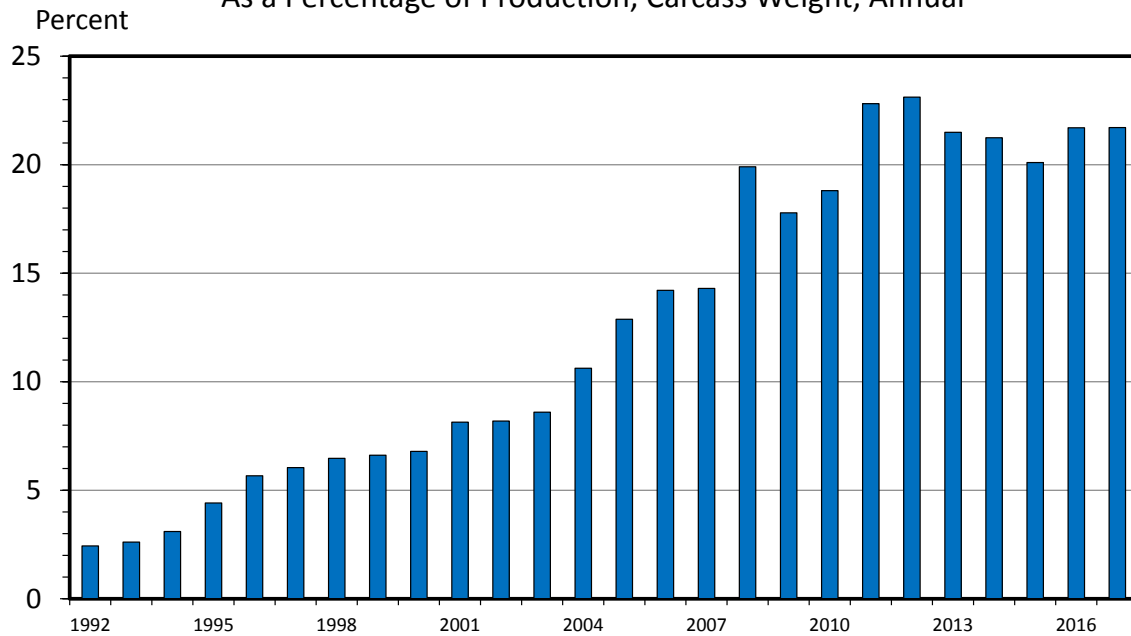


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-05
10/13/15

US PORK EXPORTS

As a Percentage of Production, Carcass Weight, Annual

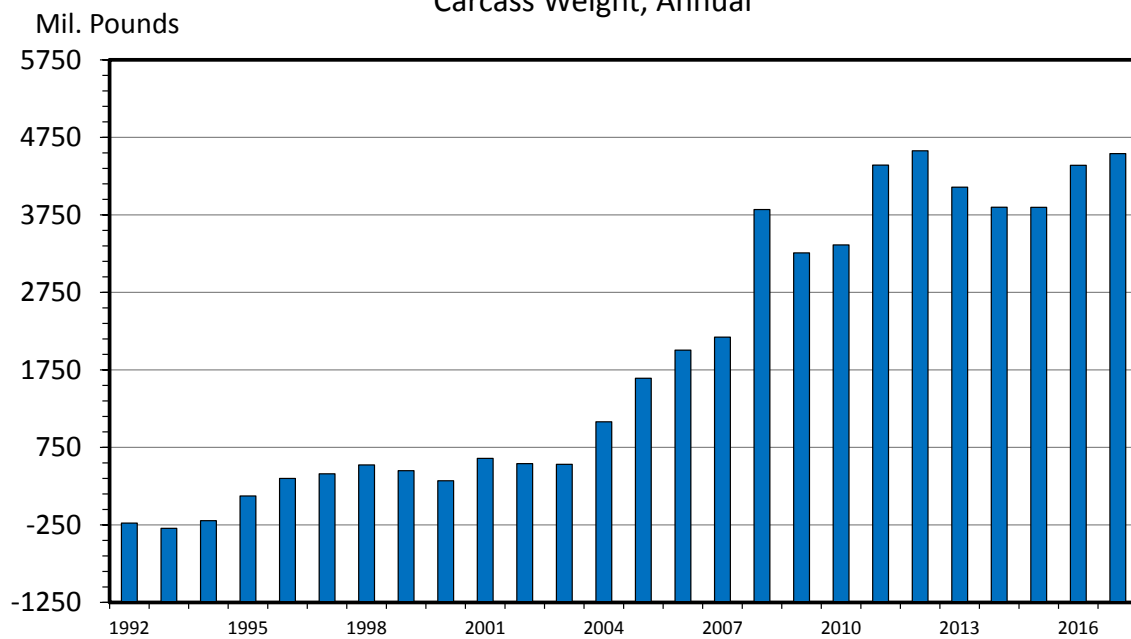


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-60
10/13/15

US PORK NET EXPORTS

Carcass Weight, Annual

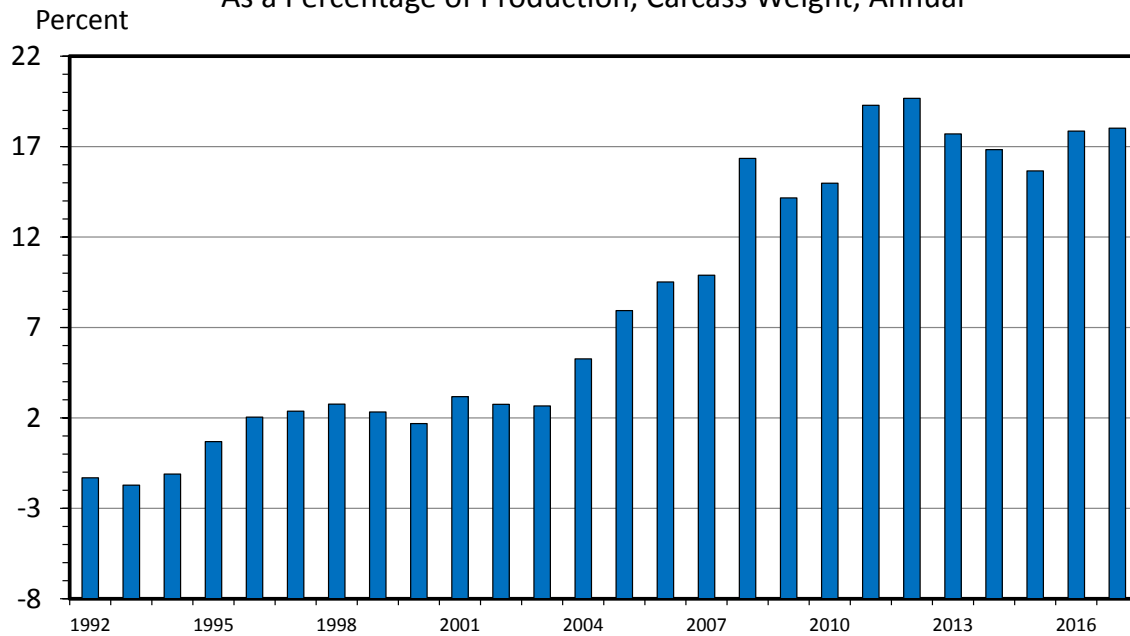


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-33
10/13/15

US NET PORK EXPORTS

As a Percentage of Production, Carcass Weight, Annual

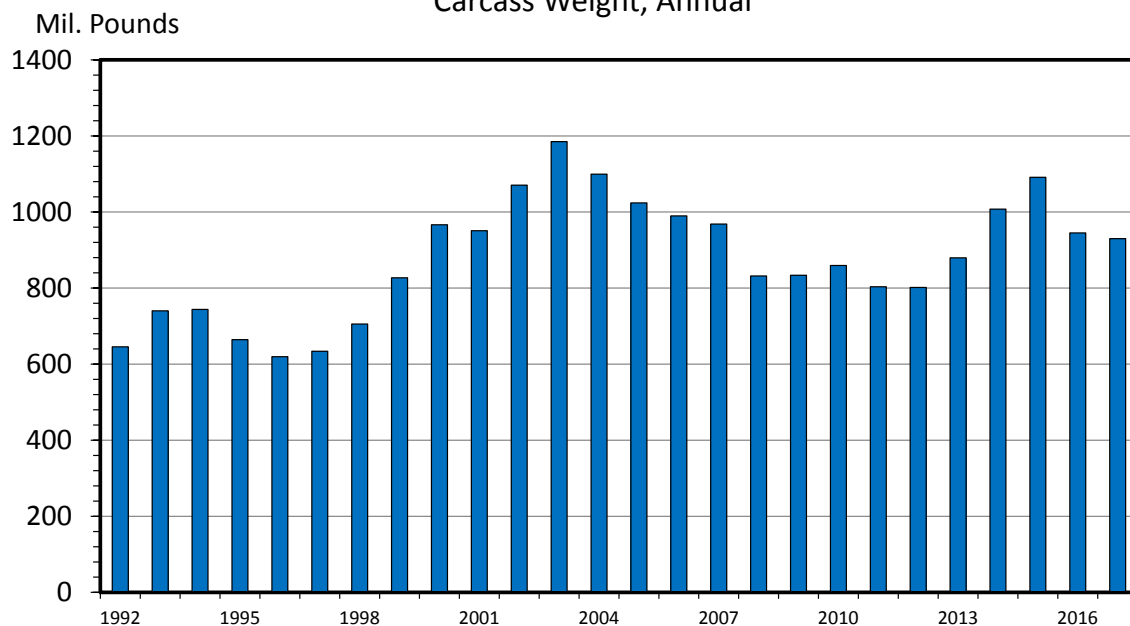


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-62
10/13/15

US PORK IMPORTS

Carcass Weight, Annual

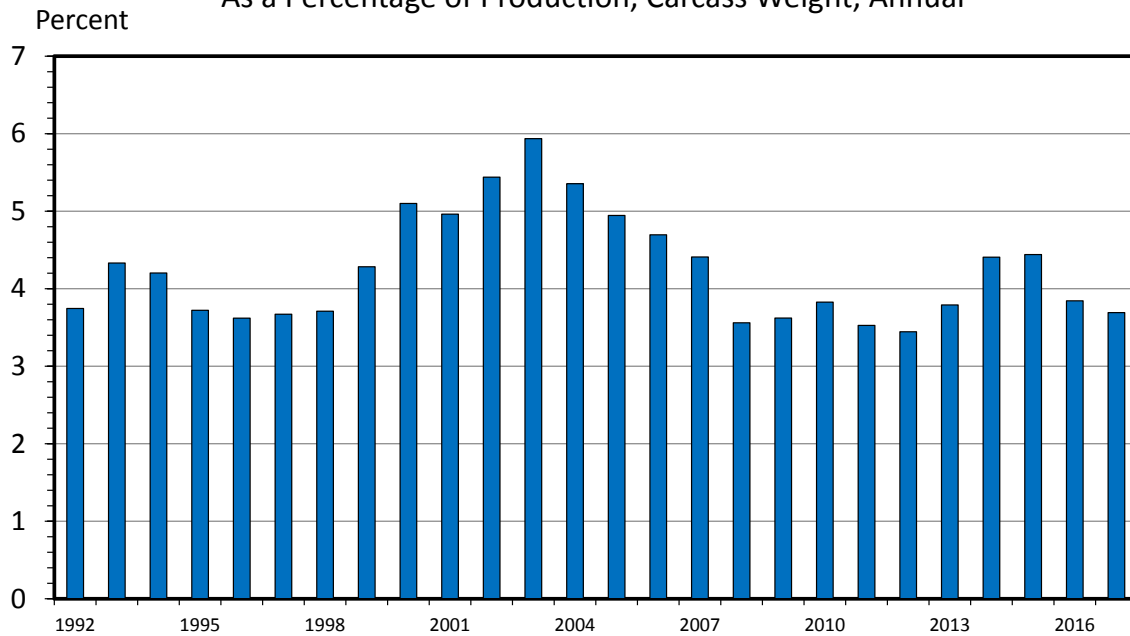


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-34
10/13/15

US PORK IMPORTS

As a Percentage of Production, Carcass Weight, Annual

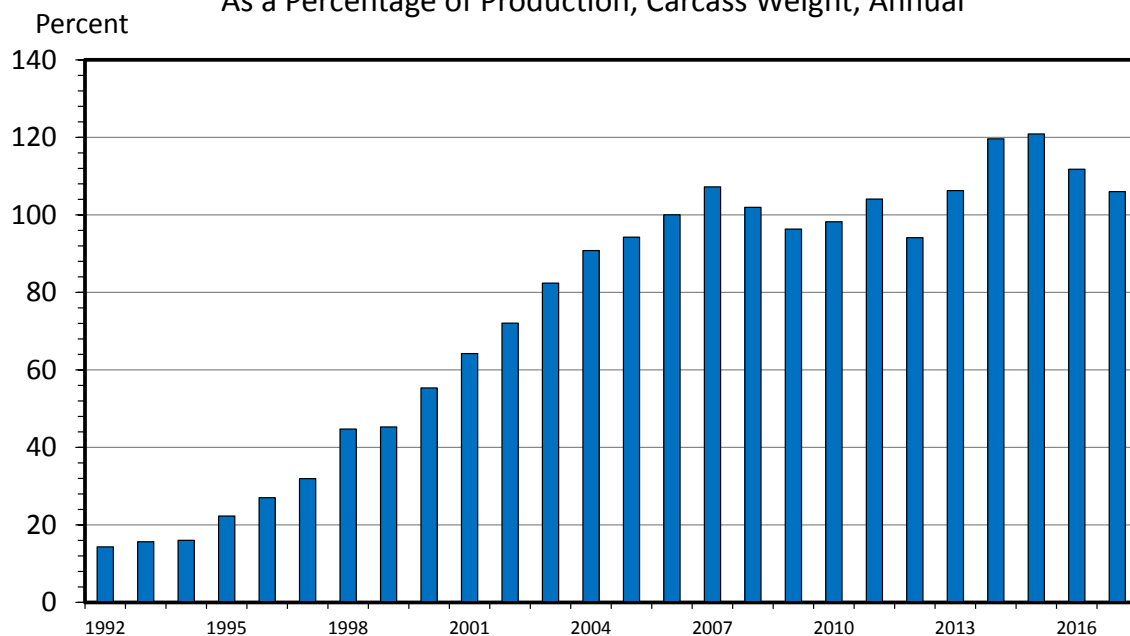


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-61
10/13/15

US LAMB AND MUTTON IMPORTS

As a Percentage of Production, Carcass Weight, Annual

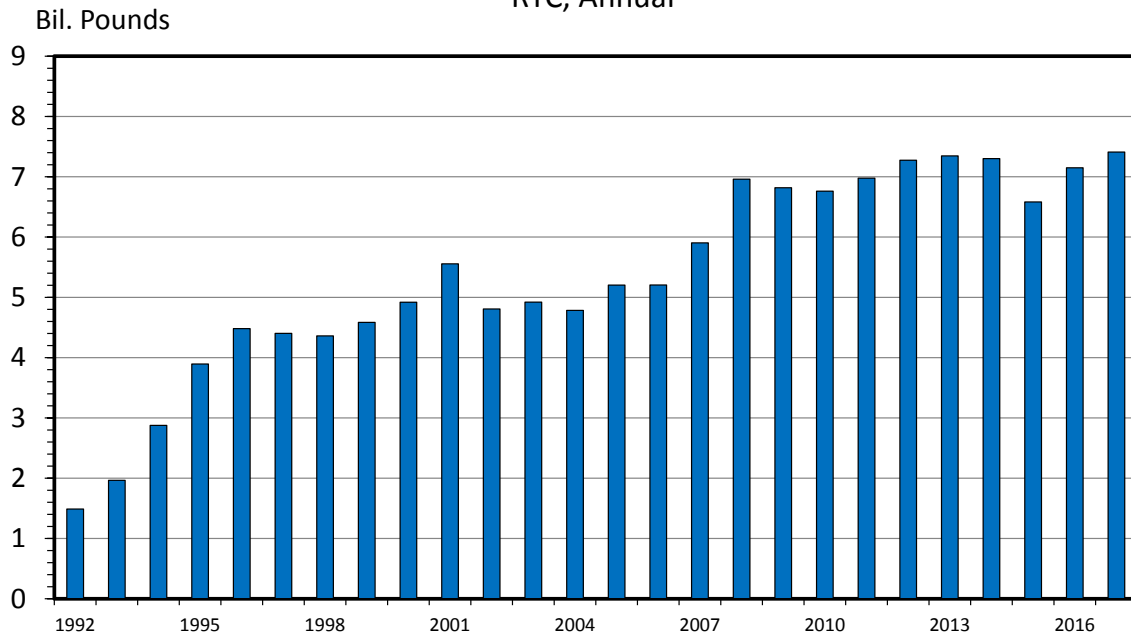


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-48
10/09/15

US BROILER EXPORTS

RTC, Annual

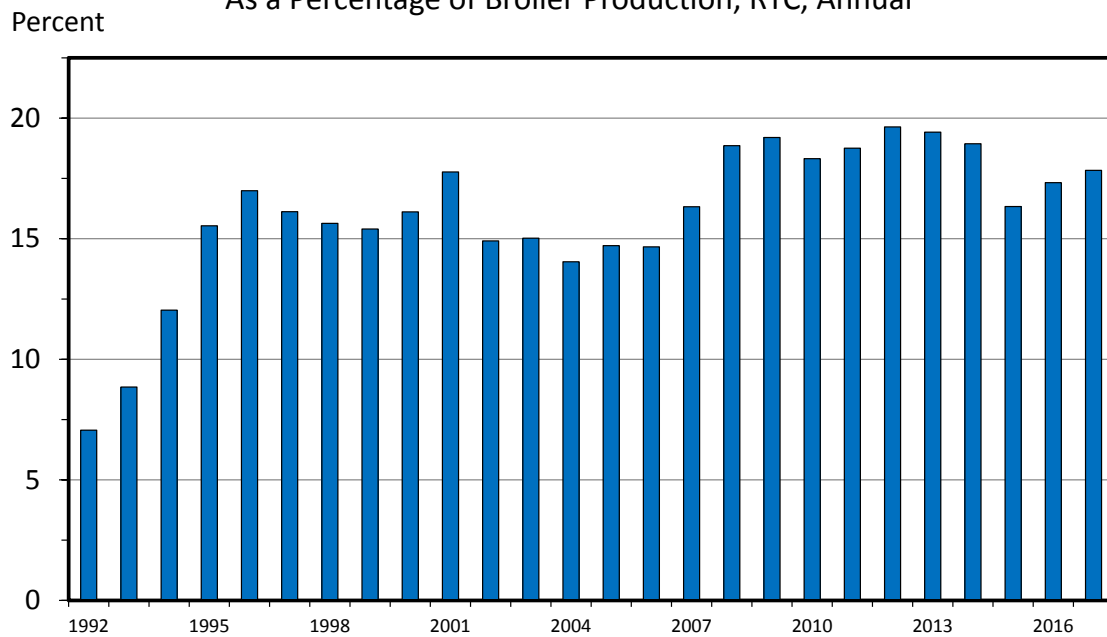


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

I-N-52
10/13/15

US BROILER EXPORTS

As a Percentage of Broiler Production, RTC, Annual

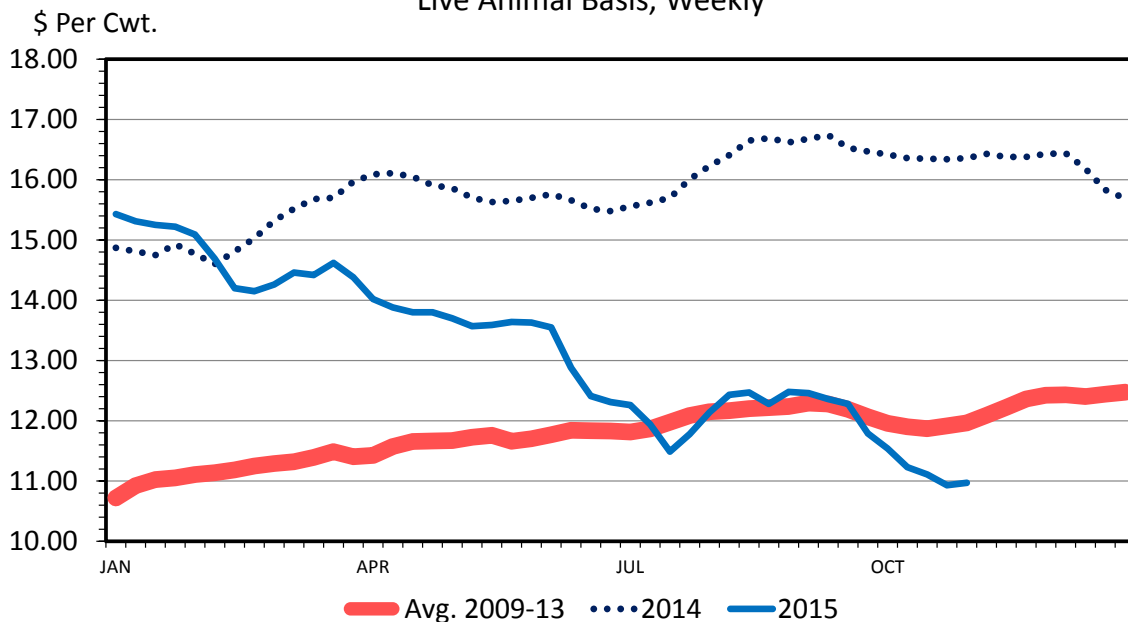


Data Source: USDA-ERS & USDA-FAS, Compiled & Analysis by LMIC
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I-N-51
10/13/15

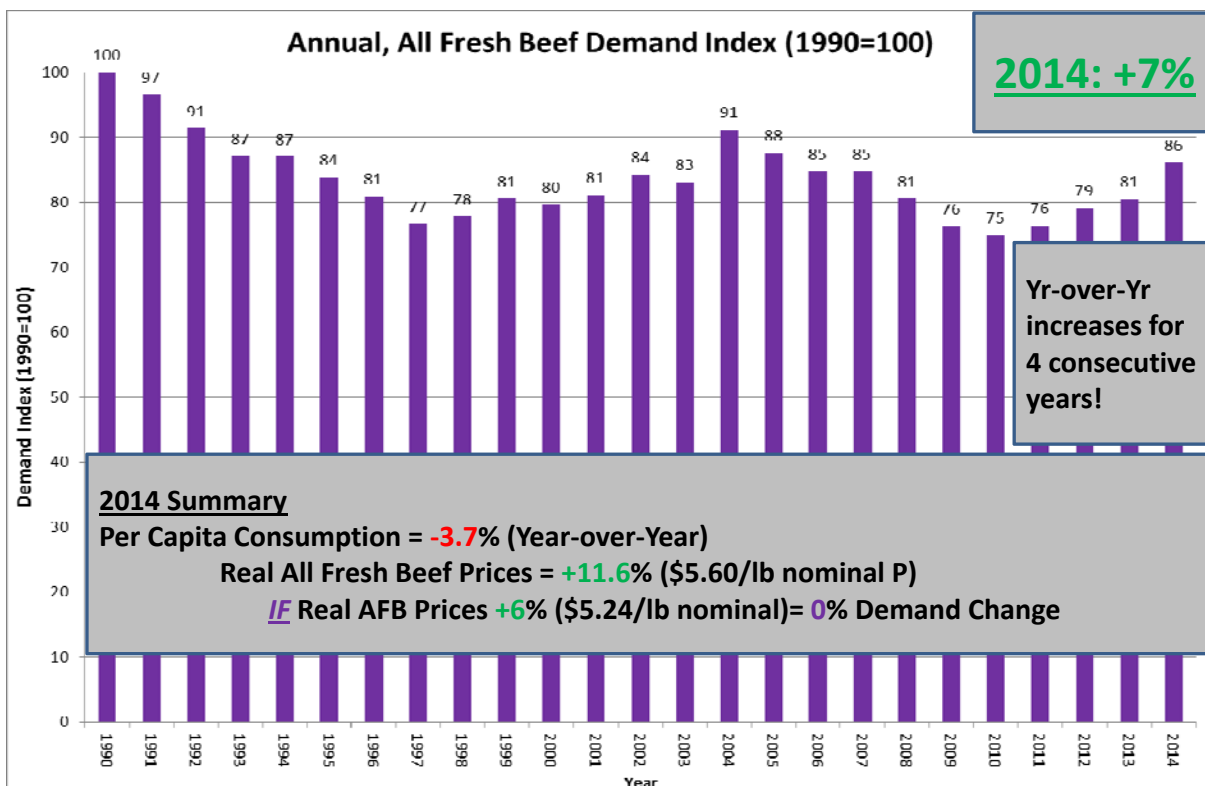
STEER HIDE AND OFFAL VALUE

Live Animal Basis, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-39
11/09/15

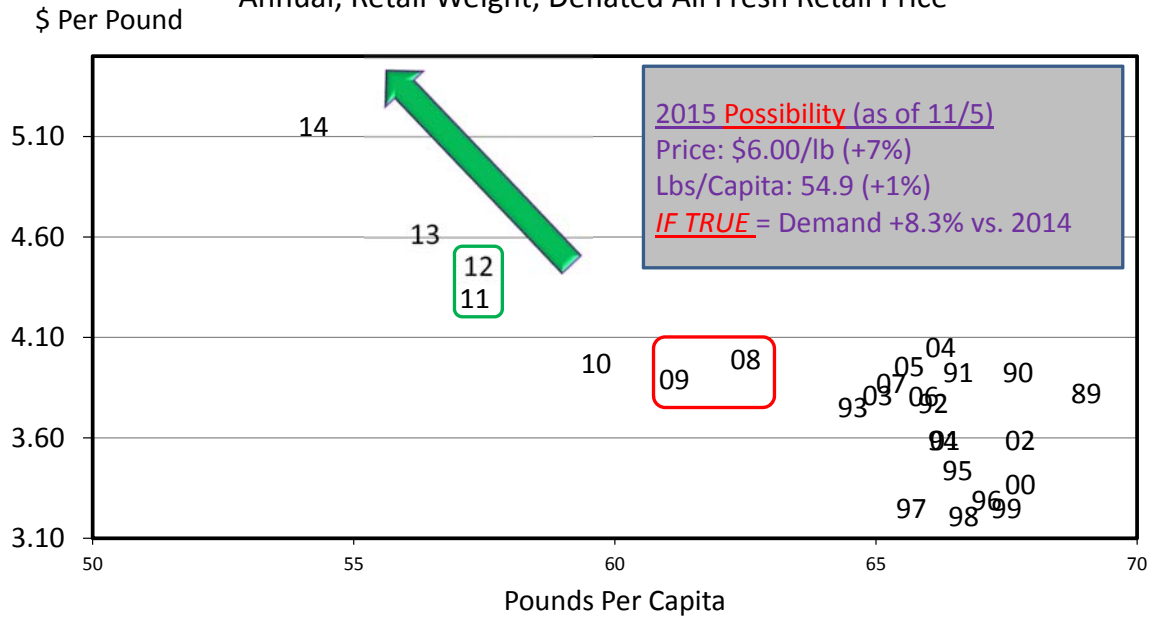


Source: Glynn T. Tonsor, Kansas State University, Jan. 2015

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

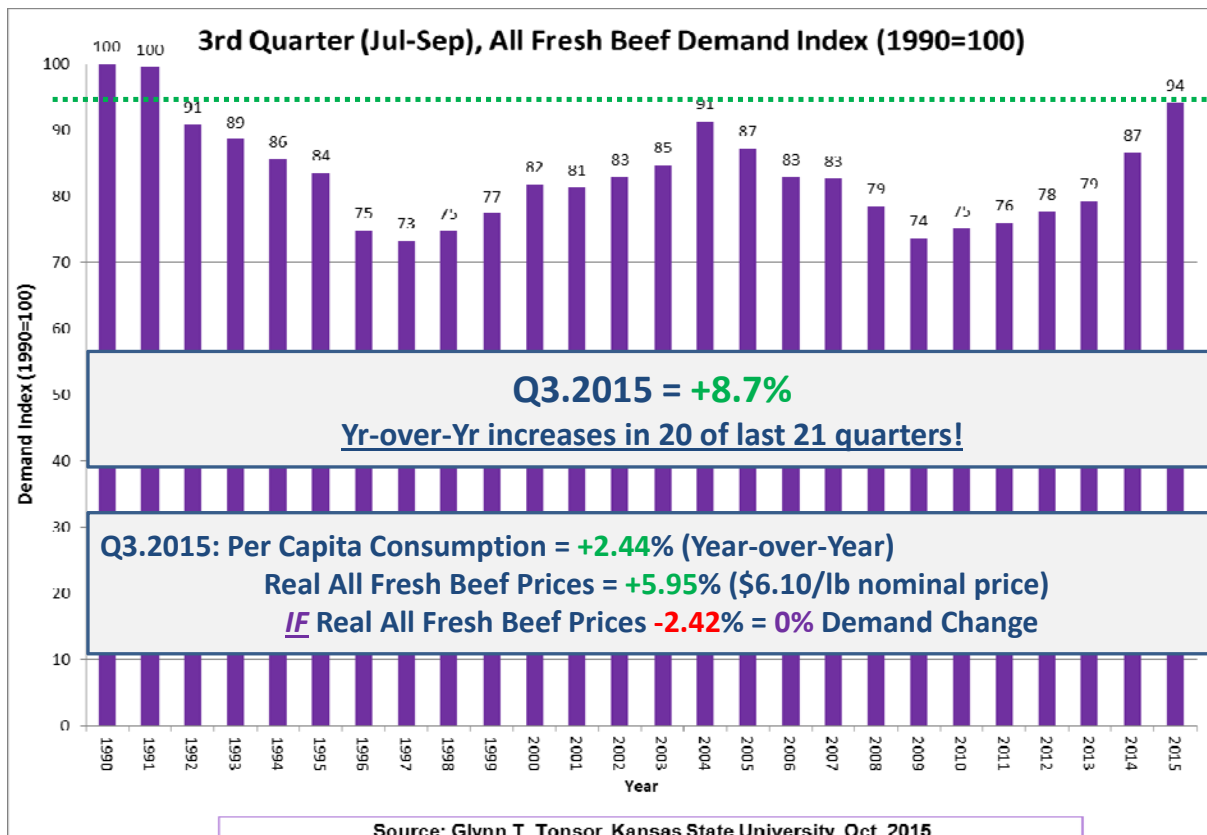
BEEF PRICE-QUANTITY RELATIONSHIP

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
 10/30/15



Take-Home Summary Points

- Industry at tipping point on role of tight supplies
- **Demand's role will become clearer going forward**
 - http://www.agmanager.info/livestock/marketing/Beef%20Demand/BeefDemand_08-28-15.pdf
- Identifying & acting upon comparative advantage will increasingly be key!

More information available at:



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

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