

Risk & Profit
CONFERENCE



K-State Dept. of Agricultural Economics
August 22-23, 2019
K-State Alumni Center
Manhattan, KS

Policy Perplexity:
Farm Bill, Trade, and Profitability

K-STATE
Research and Extension

Beef Industry Outlook

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Overarching Beef Industry Economic Outlook

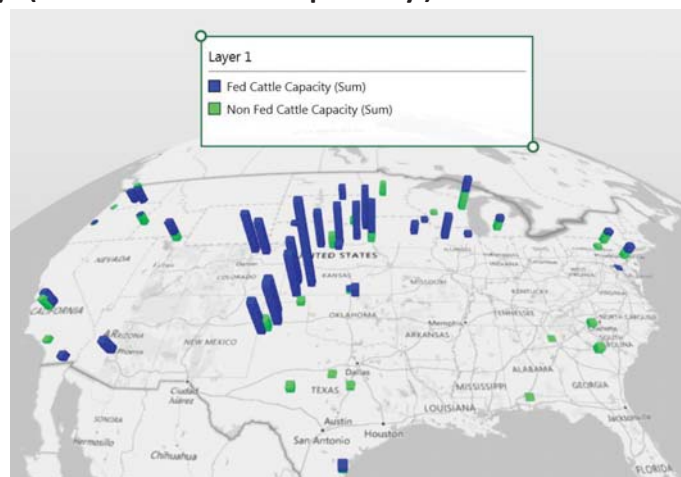
- Supplies
 - Commercial Beef Production Up, Increases Moderating
 - +3.8% in 2017, +2.6% in 2018, +1.2% in 2019, +1.0% in 2020

Overarching Beef Industry Economic Outlook

- Supplies
 - Commercial Beef Production Up, Increases Moderating
 - +3.8% in 2017, +2.6% in 2018, +1.2% in 2019, +1.0% in 2020
- Demand
 - Key (particularly export) to supporting prices

Holcomb-Tyson Plant Fire

- Date: August 9th
- Processing Capacity Involved: 6k/day
 - ~5% of US Capacity (~24% of KS Capacity)
- Processor Map



Holcomb-Tyson Plant Fire

USNews CIVIC

Tyson Officials Say Welding Spark Likely Caused Holcomb Fire

Tyson officials say a spark from welding during maintenance is the likely cause of a fire that damaged the company's plant in Holcomb.

By Associated Press, Wire Service Content Aug. 15, 2019

8/21/2019

Tyson Foods slaughterhouse fire ignites U.S. beef prices - Reuters



Markets

Livestock Markets Jolted by Tyson Beef Plant Fire

By Lydia Mulvany
August 19, 2019, 12:29 PM CDT

- ▶ Retail buyers are in a bidding frenzy, fearing shortfalls
- ▶ Pricier beef may be coming to consumers sooner than expected

8/21/2019

Fire That Destroyed Top U.S. Beef Plant Upends Livestock Market - Bloomberg

Holcomb-Tyson Plant Fire

- Price Impact on Cattle

- Expected:

- Derived Demand Decline = Cattle Price Decline

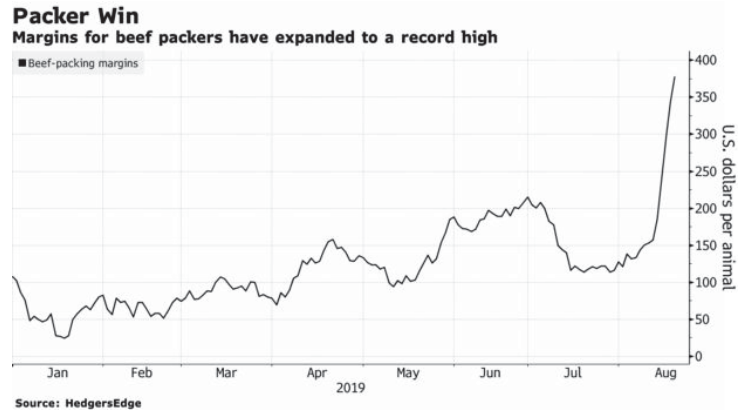
- Realized:

- CME limit down 1st two days
 - LC Cash down \$5-\$7 1st week; FC Cash down ~\$10

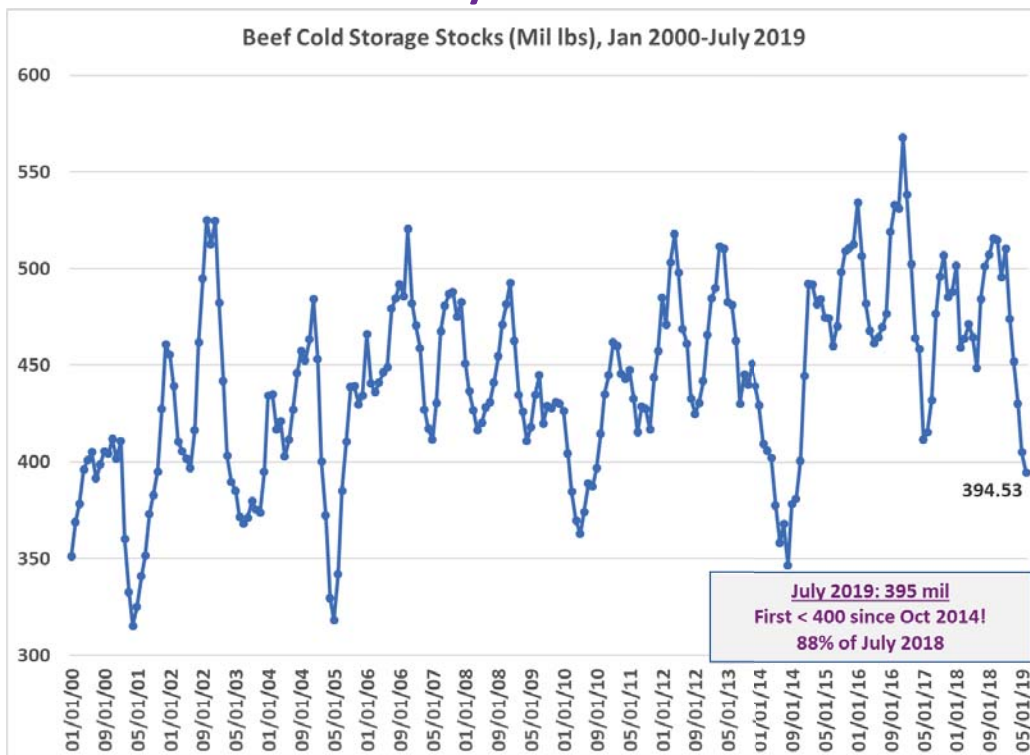


Holcomb-Tyson Plant Fire

- Price Impact on Beef
 - Expected:
 - Processing Cost Up = Beef Price Increase
 - Realized:
 - Two largest daily cutout price increases on-record (post-MPR)



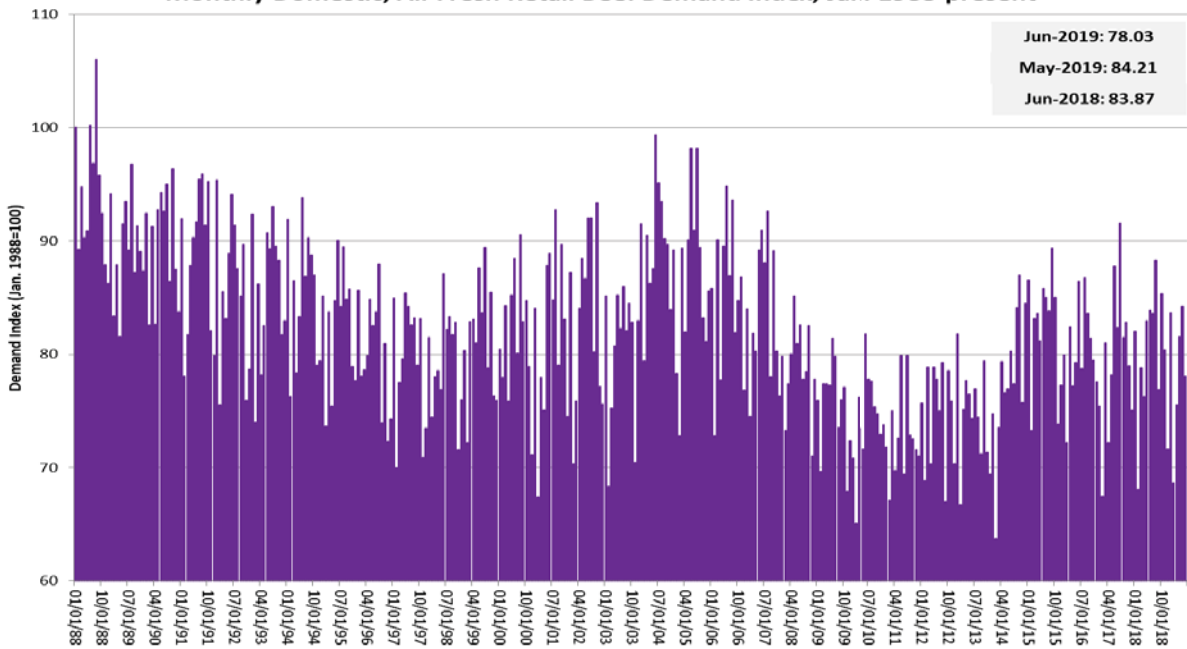
Holcomb-Tyson Plant Fire



All-Fresh Beef Retail Demand Index

(Monthly, Jan 1988=100)

Monthly Domestic, All-Fresh Retail Beef Demand Index, Jan. 1988-present



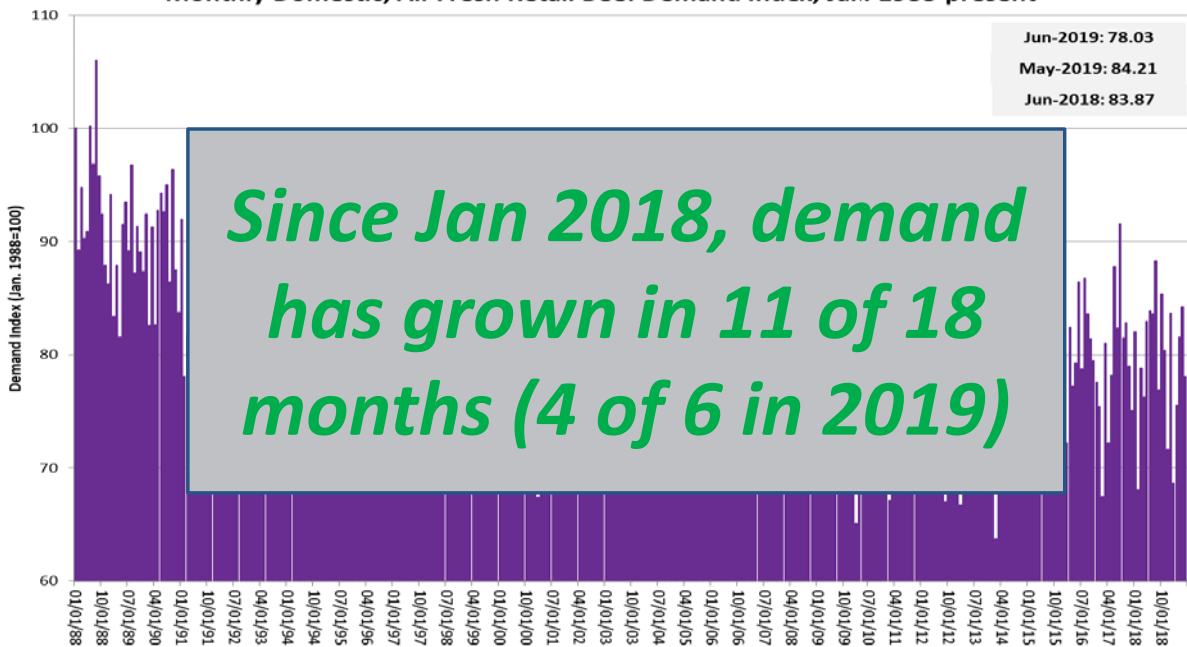
Source: Glynn T. Tonsor, Kansas State University

<http://agmanager.info/livestock-meat/meat-demand>

All-Fresh Beef Retail Demand Index

(Monthly, Jan 1988=100)

Monthly Domestic, All-Fresh Retail Beef Demand Index, Jan. 1988-present



Source: Glynn T. Tonsor, Kansas State University

<http://agmanager.info/livestock-meat/meat-demand>

Beef Demand Overview

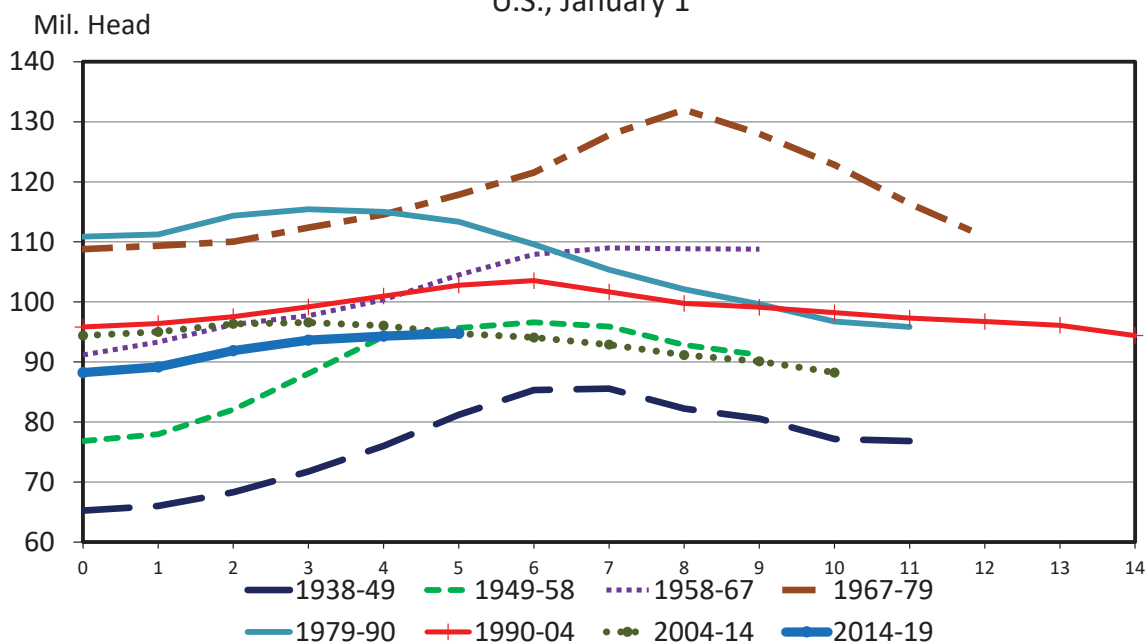
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Committee Leadership Summit
Denver, CO
December 11, 2018

<https://www.agmanager.info/beef-demand-overview>

TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1

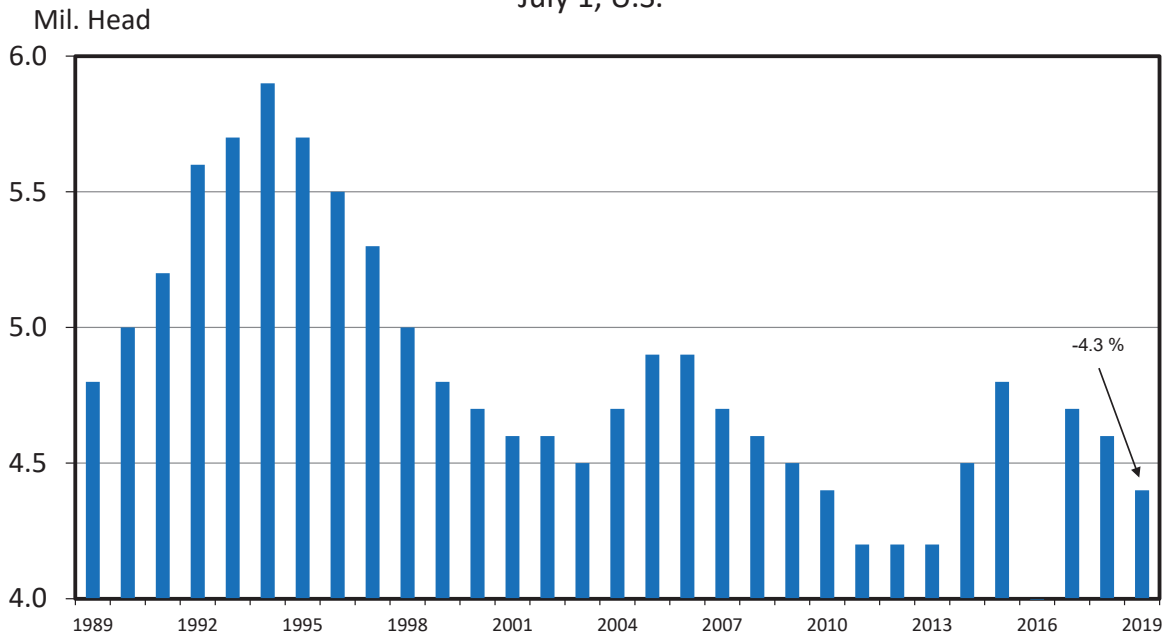


Data Source: USDA-NASS
Livestock Marketing Information Center

C-N-40
07/19/19

HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.



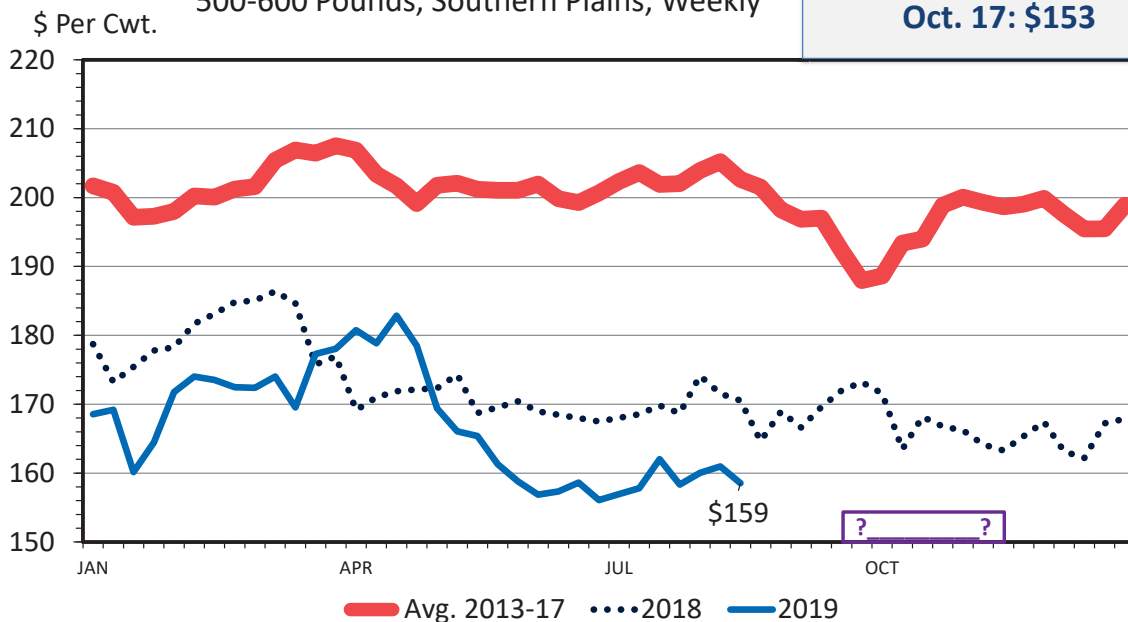
Data Source: USDA-NASS; 2013 Was Unreported -- LMIC Made Estimates
Livestock Marketing Information Center

C-N-37
07/19/19

MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly

BeefBasis.com, Salina,
KS 2018 Projections
(as of 8/22/19):
Oct. 17: \$153

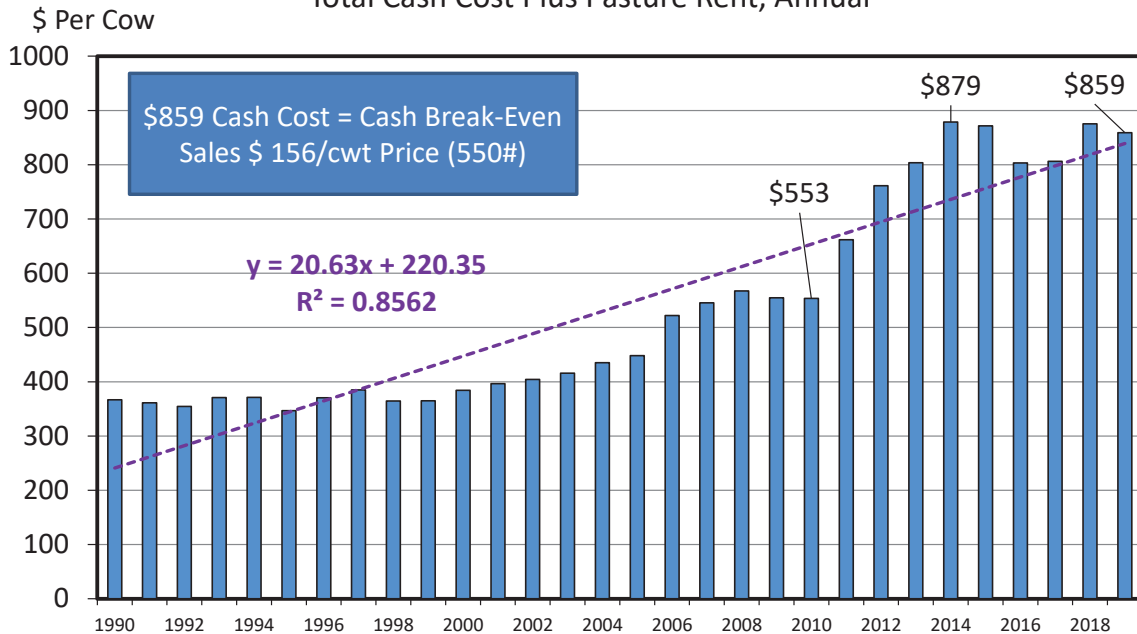


Data Source: USDA-AMS
Livestock Marketing Information Center

C-P-54
08/19/19

ESTIMATED AVERAGE COW CALF COSTS

Total Cash Cost Plus Pasture Rent, Annual

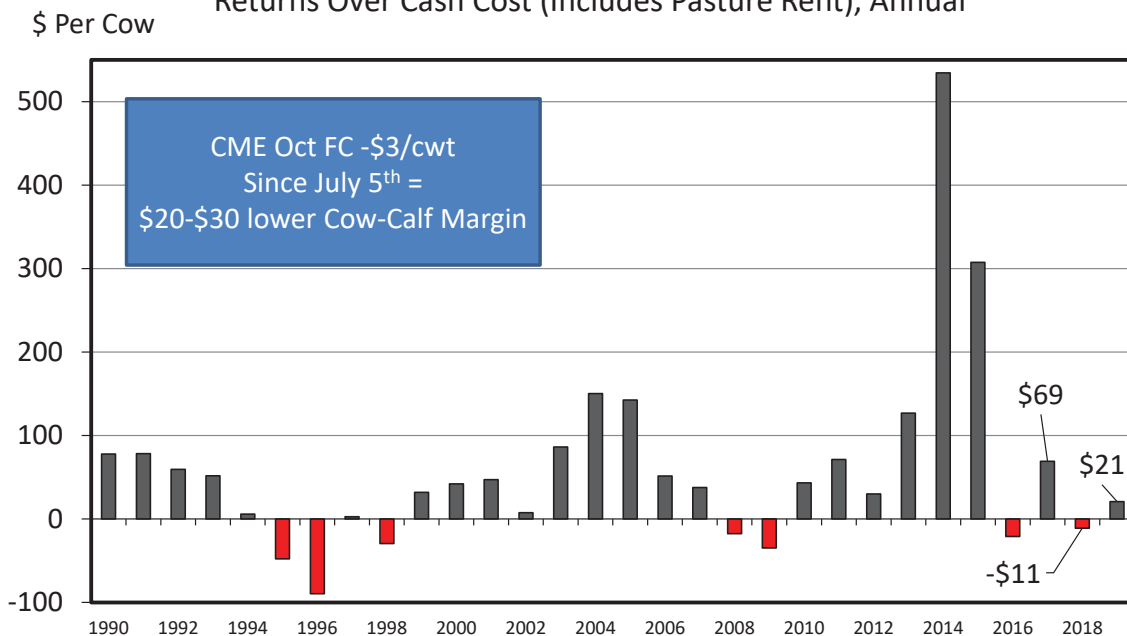


Data Source: USDA & LMIC, Compiled by LMIC
Livestock Marketing Information Center

06/06/19

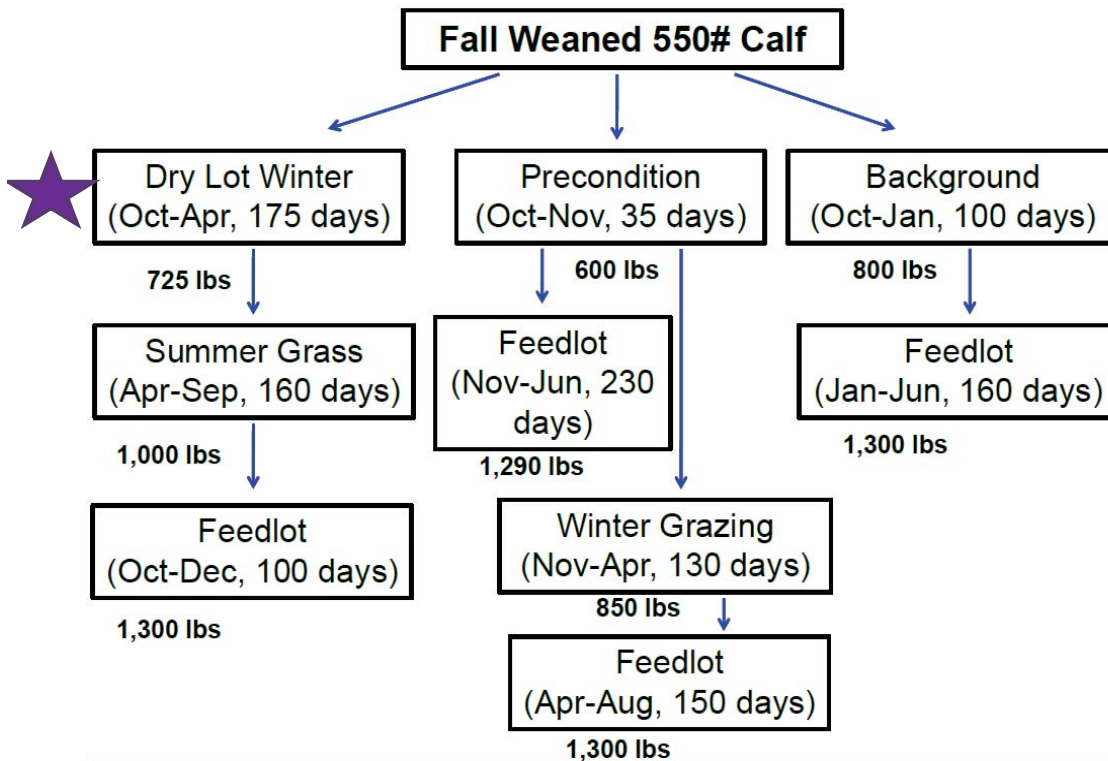
ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



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

C-P-66
07/05/18



CattleFax | THE DECIDING FACTOR

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

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

Economic Outlook Overview: Post Weaning *Forward-Looking Margin Perspective*

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

- Salina, KS 8/22/19 Dry-Lot Wintering situation:
 - Buy/Retain 550 lb steer on 10/16/19 (\$153)
 - Sell 750 lb steer on 4/15/20 (\$138) {1.1 ADG}
 - VOG: \$98/cwt
 - Compare to COG & Assess “stomach” for volatility

USDA LRP Changes July 1

(<https://www.rma.usda.gov/News-Room/Press/Press-Releases/2019-News/USDA-Announces-Enhancements-to-Livestock-and-Dairy-Insurance-Programs>)

4/29/2019

USDA Announces Enhancements to Livestock and Dairy Insurance Programs | RMA



United States Department of Agriculture

News Release

USDA Announces Enhancements to Livestock and Dairy Insurance Programs

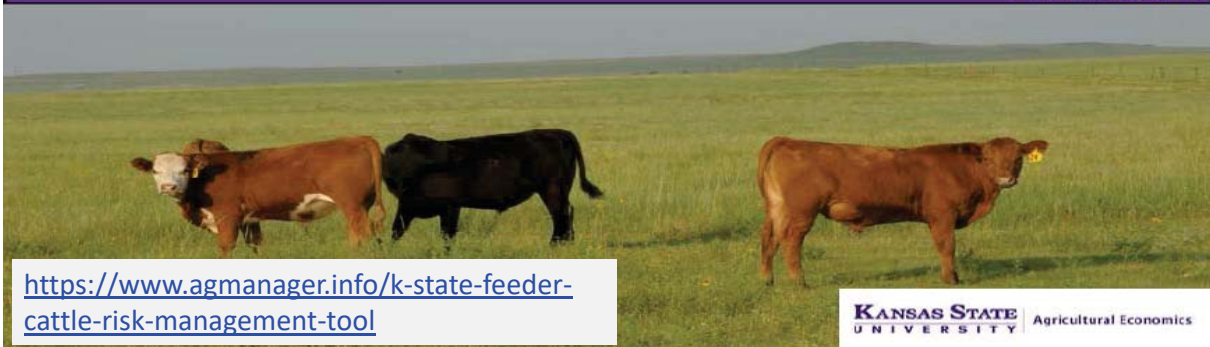
KSU-Feeder Cattle Risk Management Tool

An Excel spreadsheet for evaluating feeder cattle risk management strategies



AgManager.info

Version- 4.24.2019



<https://www.agmanager.info/k-state-feeder-cattle-risk-management-tool>

KANSAS STATE UNIVERSITY | Agricultural Economics



United States Department of Agriculture

<https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>

Farm Service Agency
LIP

Livestock Indemnity Program

FACT SHEET
July 2019

The Agriculture Improvement Act of 2018 (the 2018 Farm Bill) authorized the Livestock Indemnity Program (LIP) to provide benefits to eligible livestock owners or contract growers for livestock deaths in excess of normal mortality caused by eligible loss conditions, including eligible adverse weather, eligible disease and attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators. In addition, LIP provides assistance to eligible livestock owners that must sell livestock at a reduced price because of an injury from an eligible loss condition.



United States Department of Agriculture

<https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>

Farm Service Agency
LIP

Livestock Indemnity Program

FACT SHEET
July 2019

DATE OF LIVESTOCK DEATH AND/OR INJURY	FINAL DATE TO FILE NOTICE OF LOSS	FINAL DATE TO SUBMIT AN APPLICATION FOR PAYMENT
Calendar year 2019 and all subsequent years	30 calendar days of when the loss is first apparent	60 days after the calendar year in which the eligible loss condition occurred

“Yes, Republic County, Kansas has about 110 Notice of Losses filed for 2019 LIP – compared to last year with zero Notice of Losses filed under LIP. The majority of the Notice of Losses were filed due to the extreme cold, there are a few losses due to blizzard as well,” said Sarah Heeger, County Executive Director/Republic County FSA in Belleville, Kansas.

Economic Outlook Overview: Feedlots

- 2019 remains rough

Historical and Projected Kansas Feedlot Net Returns (as of 8/15/19')

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

June 19': **-\$125/steer**

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

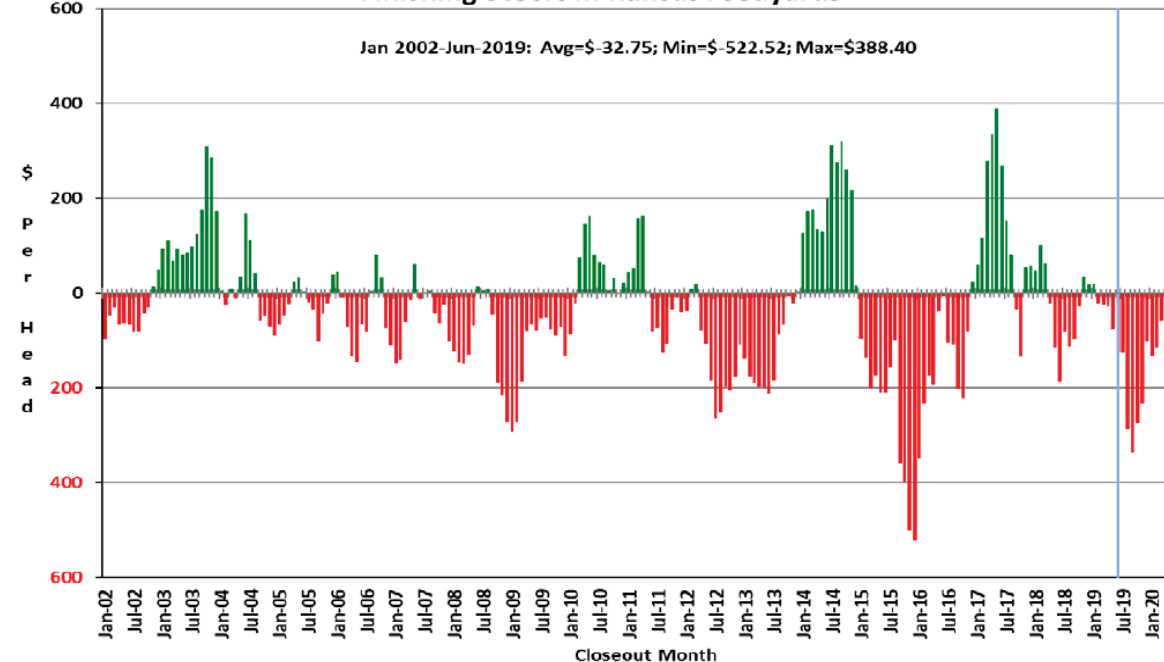
Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Fed Futures	Fed Basis	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jul-19	-124.67	88.31	111.03	107.55	3.48	141.78	67.37	120.22	125.39
Aug-19	-285.91	89.39	100.10	98.53	1.58	141.45	42.52	120.61	104.99
Sep-19	-337.29	89.99	98.84	98.53	0.32	143.04	33.01	122.78	101.77
Oct-19	-272.67	89.56	105.55	104.28	1.27	148.98	45.44	124.95	114.36
Nov-19	-233.21	91.49	106.20	104.28	1.92	144.22	55.42	122.50	114.47
Dec-19	-100.57	92.11	110.99	109.55	1.44	135.57	76.30	118.07	122.76
Jan-20	-131.77	92.97	110.69	109.55	1.14	138.96	72.03	120.16	121.66
Feb-20	-116.46	98.89	112.67	112.00	0.67	134.44	79.28	121.11	119.62
Mar-20	-58.70	98.43	115.83	112.00	3.83	133.24	88.27	120.24	125.46
Apr-20	-117.73	94.41	108.62	105.65	2.97	132.43	74.85	117.41	116.45

Representative Barometer for Trends in Profitability

Historical and Projected Kansas Feedlot Net Returns (as of 8/15/19')

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

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



Quarterly Forecasts (LMIC: 7/28/19)

Year	Comm'l	% Chg.	Average	% Chg.	Comm'l	% Chg.
Quarter	Slaughter	from	Dressed	from	Beef	from
		Year Ago	Weight	Year Ago	Production	Year Ago
2018						
I	7,878	2.1	820.9	0.5	6,466	2.6
II	8,426	4.3	798.2	0.6	6,726	5.0
III	8,361	1.3	815.5	-0.1	6,819	1.2
IV	8,341	2.4	822.7	-0.6	6,862	1.8
Year	33,005	2.5	814.2	0.1	26,872	2.6
2019						
I	7,934	0.7	808.4	-1.5	6,414	-0.8
II	8,573	1.7	794.8	-0.4	6,814	1.3
III	8,599	2.8	817.2	0.2	7,027	3.1
IV	8,355	0.2	829.0	0.8	6,926	0.9
Year	33,461	1.4	812.3	-0.2	27,182	1.2
2020						
I	7,996	0.8	818.1	1.2	6,542	2.0
II	8,489	-1.0	808.9	1.8	6,867	0.8
III	8,480	-1.4	831.8	1.8	7,054	0.4
IV	8,247	-1.3	847.8	2.3	6,992	0.9
Year	33,212	-0.7	826.6	1.8	27,453	1.0



Quarterly Forecasts (LMIC: 7/28/19)

CME Since July 28:
LC down ~\$8
FC down ~\$7

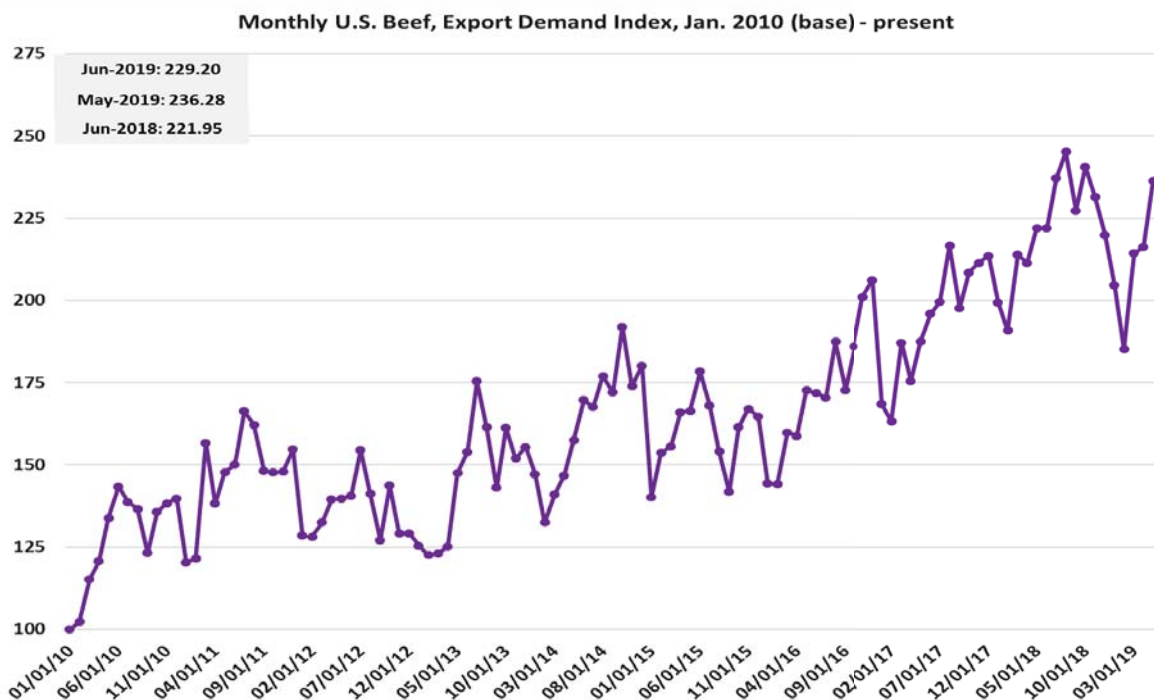
Quarter	Live Slt.	% Chg.	Feeder Steer Price	
	Steer Price	from	Southern Plains	
	3-Mkt Avg	Year Ago	7-800#	5-600#
2018				
I	125.60	2.1	148.73	180.01
II	116.72	-12.1	144.52	170.11
III	111	-1.7	156	170
IV	115	-2.4	151	166
Year	117	-3.7	150	171
2019				
I	125.27	-0.1	142.87	171.41
II	118.79	1.5	143.23	167.22
III	110-112	0.2	143-146	156-160
IV	114-117	0.2	143-147	156-161
Year	117-118	0.3	143-145	163-166
2020				
I	122-126	-1.0	140-145	160-167
II	118-123	1.4	143-149	161-169
III	106-112	-1.8	144-151	163-172
IV	113-120	0.9	146-154	163-174
Year	116-119	0.0	144-149	163-169



Trade & Total Meat Context Update

U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)



<http://agmanager.info/livestock-meat/meat-demand>

U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

Monthly U.S. Beef, Export Demand Index, Jan. 2010 (base) - present

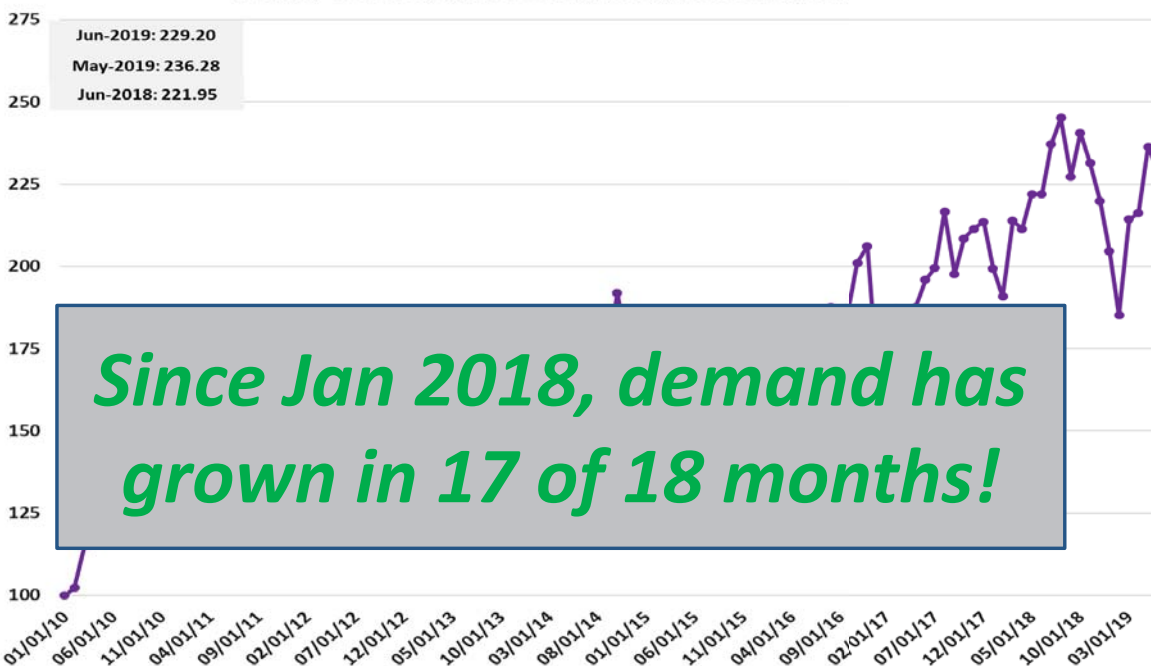


<http://agmanager.info/livestock-meat/meat-demand>

U.S. Beef Export Demand Index

(Monthly, Jan 2010=100)

Monthly U.S. Beef, Export Demand Index, Jan. 2010 (base) - present



<http://agmanager.info/livestock-meat/meat-demand>

2018 Beef Exports were stellar!

- USMEF, 2018 (estimated) vs. 2017:
 - **U.S. exports +15% in value** (~ \$8.3 Billion)
 - ☐ U.S. export growth: Korea, Japan, & Taiwan

- Global trade value +9%
 - China accounts for 80% of global trade growth
 - ☐ Dominated by South America & Australia (U.S. ~2% share)

https://www.usda.gov/oce/forum/2019/speeches/Erin_Borrer1.pdf

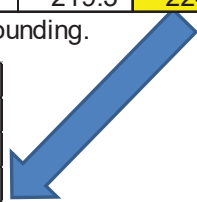
USDA Long-Term projections

3/13/19 report (<http://www.usda.gov/oce/commodity/projections/>), **October 2018 Projections**

Per capita meat consumption, retail weight				
Item	2018	2019	2020	2028
Beef	57.2	58.8	59.7	58.4
Pork	50.8	53.1	53.4	54.3
Total red meat	109.3	113.2	114.4	114.0
Broilers	92.4	93.4	93.7	94.3
Turkeys	16.2	16.4	16.2	15.5
Total poultry	110.0	111.1	111.2	111.2
Red meat & poultry	219.3	224.3	225.6	225.2

Note: Totals may not add due to rounding.

Year	Total Red Meat & Poultry
1995	205.4
2000	214.4
2005	219.7
2010	207.5
2014	200.1



Additional Fodder for Thought...

❖ *When/will the ASF-Asia “export boost” occur?*

8/23/2019

FAO ASF situation update - African Swine Fever (ASF) - FAO Emergency Prevention System for Animal Health (EMPRES-AH)



Click to enlarge - Source: China: MARA, Viet Nam: WAHIS & media information, Other: WAHIS.



Additional Fodder for Thought...

❖ *What is role of “alternative proteins” in future of U.S. livestock?*

BUSINESS NEWS

AUGUST 19, 2019 / 1:13 PM / 3 DAYS AGO



Plant-based meat alternatives crowd U.S. grocery stores

1. Beyond Meat (Whole Foods, Kroger, Albertsons)
2. Impossible Foods (July 31st FDA approval to sell in grocery stores)
3. Nestle (Awesome Burger in Germany, US plans for fall 2019)
4. Tyson Foods (Vegetarian-Mixed Protein lines; nuggets in already)
5. Smithfield Foods (Plant-based burgers – Kroger, Sprouts, Target)

Additional Fodder for Thought...

❖ *What is role of “alternative proteins” in future of U.S. livestock?*

BUSINESS NEWS

AUGUST 19, 2019 / 1:13 PM / 3 DAYS AGO



Plant-based meat alternatives crowd U.S. grocery stores

***& IMO:
Role in Food Service is even greater...***

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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AgManager.info**

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AgManager.info website is a comprehensive source of information, analysis, and decision-making tools for agricultural producers, agribusinesses, and others. The site serves as a clearinghouse for applied outreach information emanating from the Department of Agricultural Economics at Kansas State University. It was created by combining departmental and faculty sites as well as creating new features exclusive to the AgManager.info site. The goal of this coordination is to improve the organization of web-based material and allow greater access for agricultural producers and other clientele.



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