



Jan Feb

# FCS Financial Ag Symposium

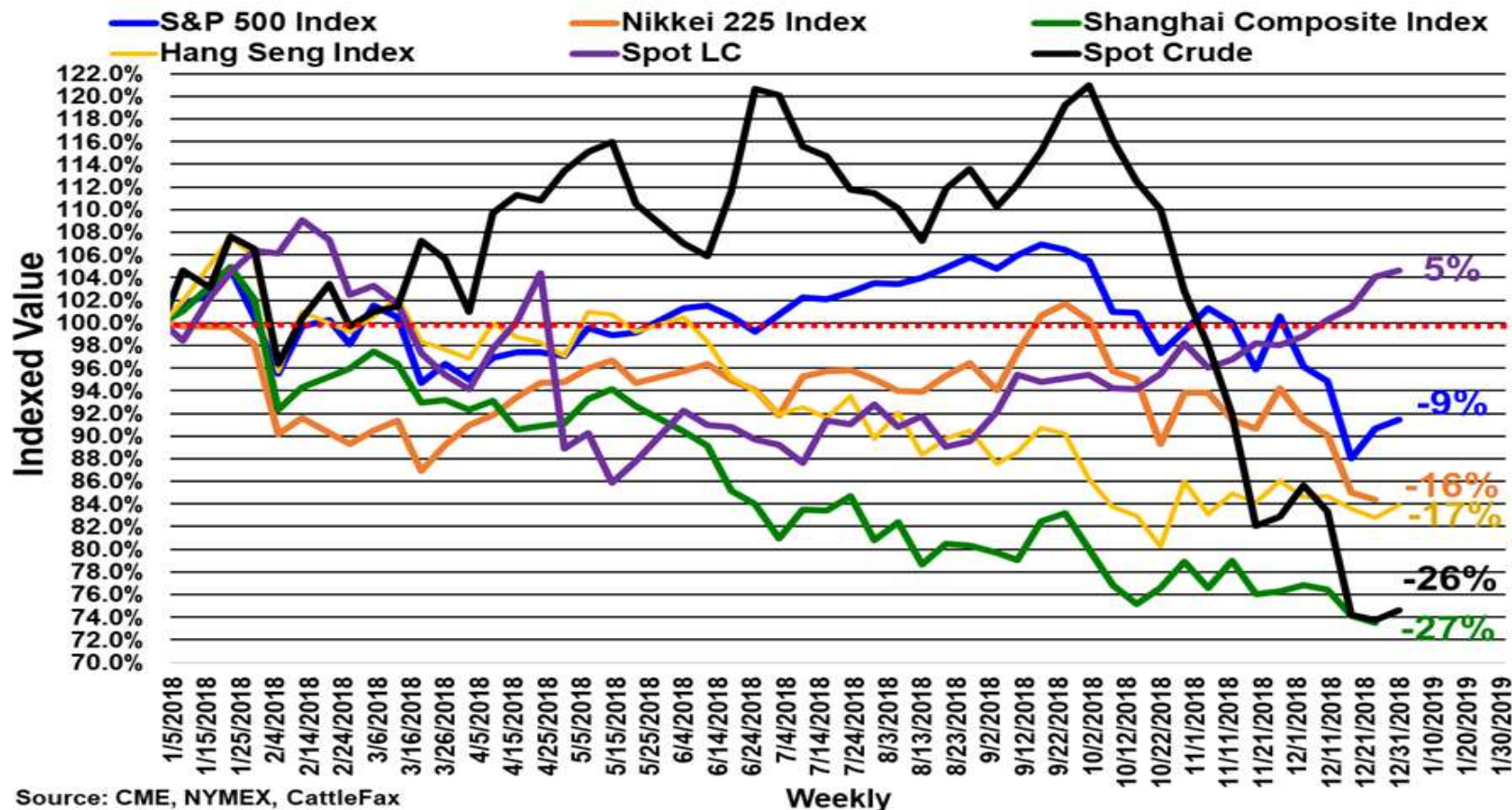
**Farming's Future: Market Situation and Outlook**

Randy Blach, CEO, CattleFax



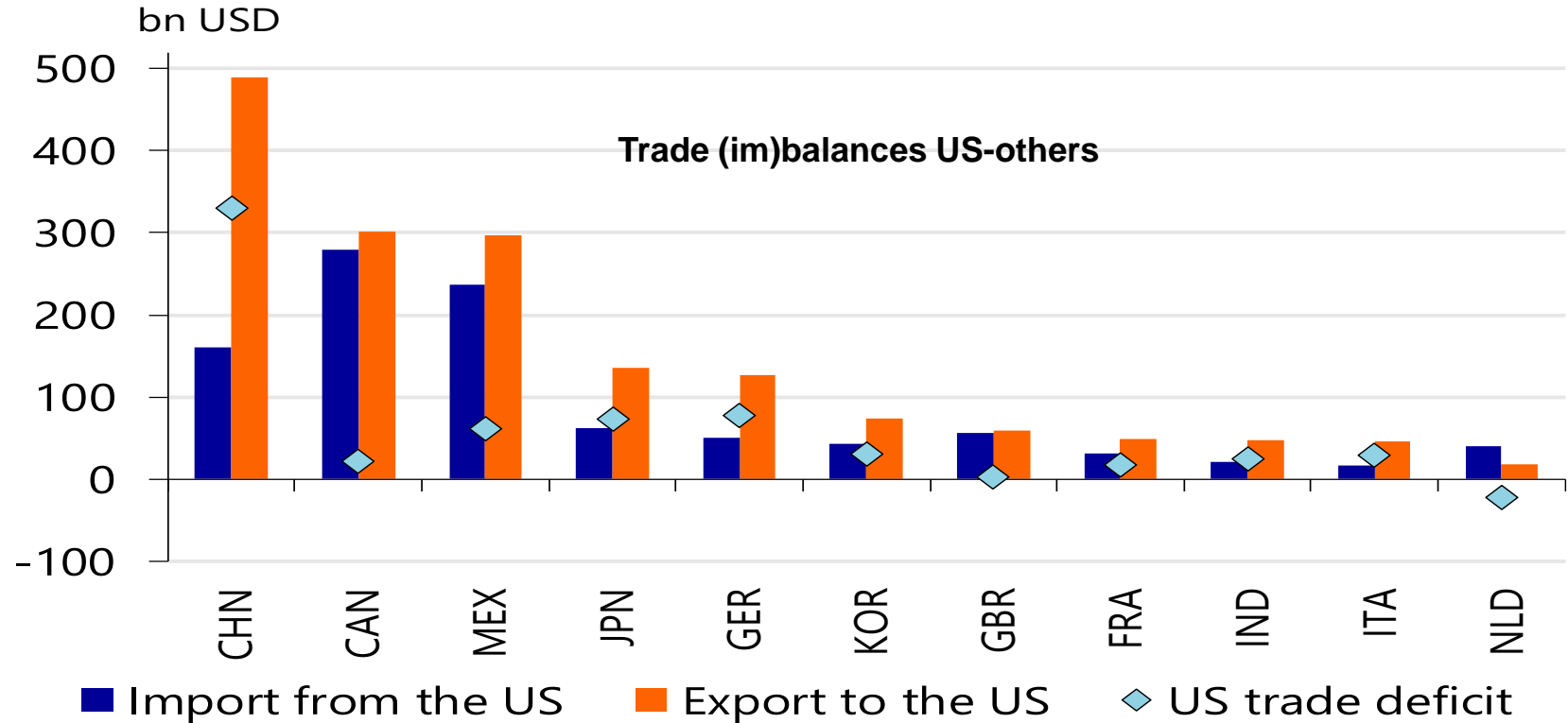
# Weekly Equity vs Commodity Index Chart

Performance since Jan. 2 2018

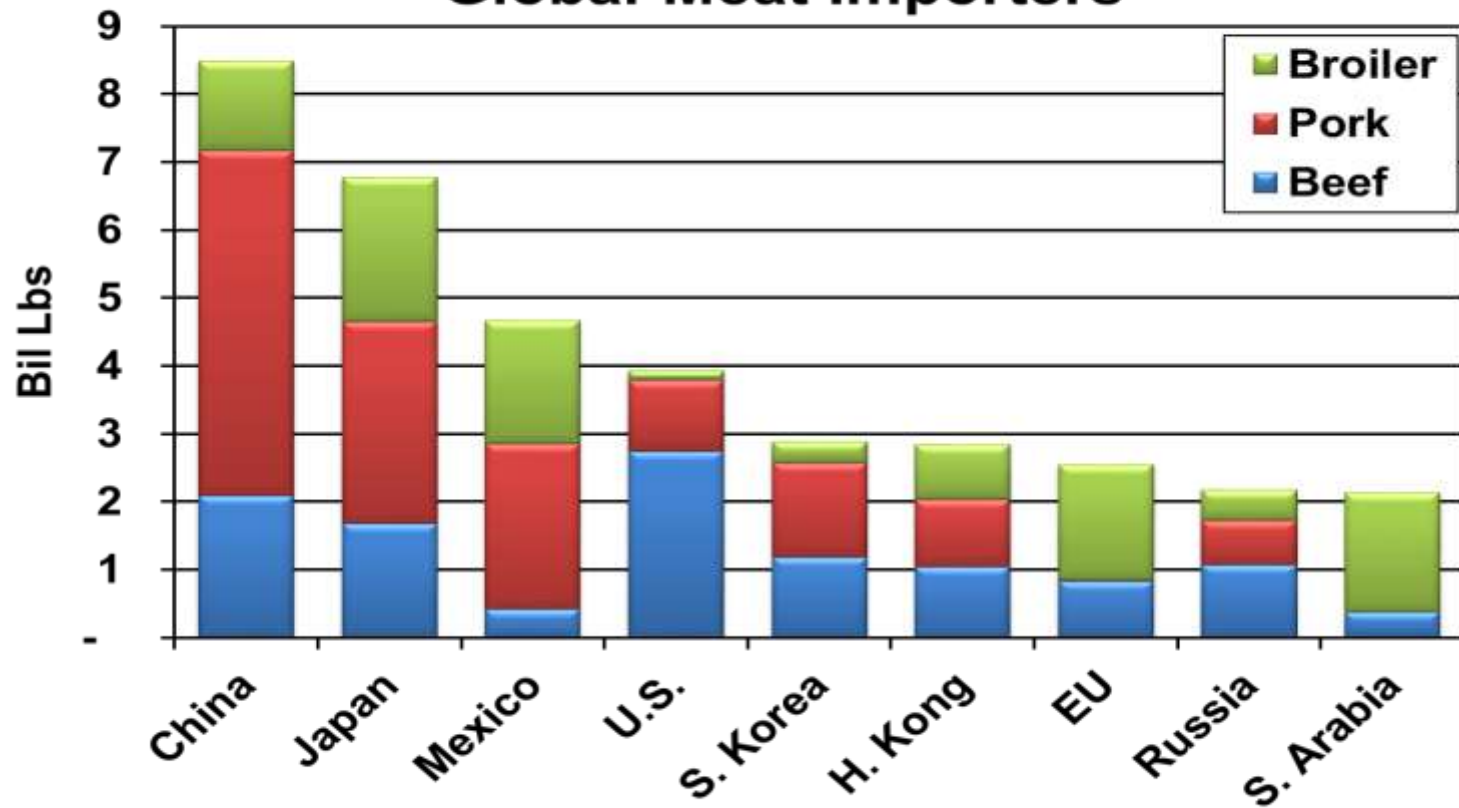


Source: CME, NYMEX, CattleFax

# Trade Issue with China not going away anytime soon!



## Global Meat Importers



Source: USDA/FAS, 2018F, beef and pork in carcass-weight equivalents

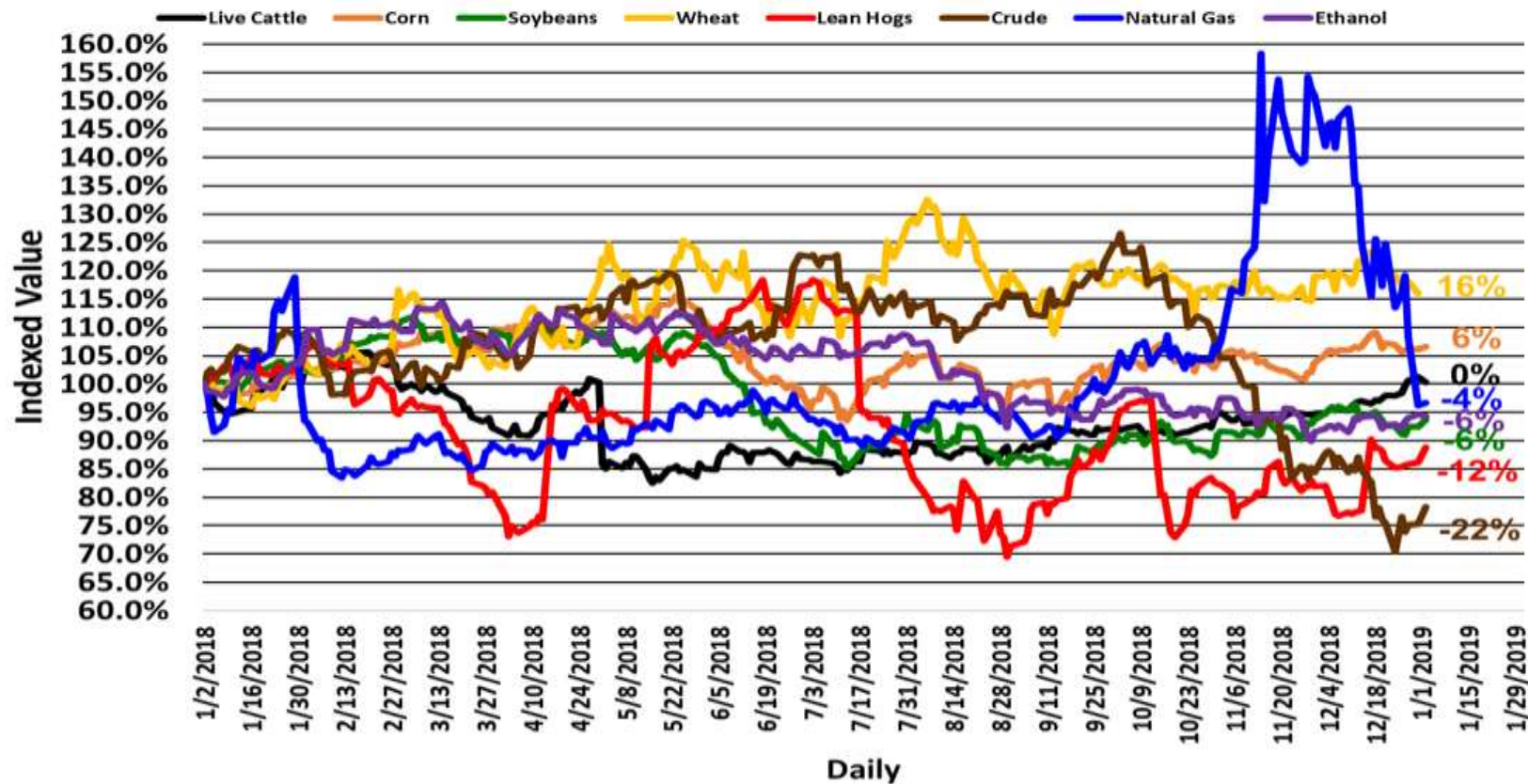
# U.S. Stock Market 2012-2018



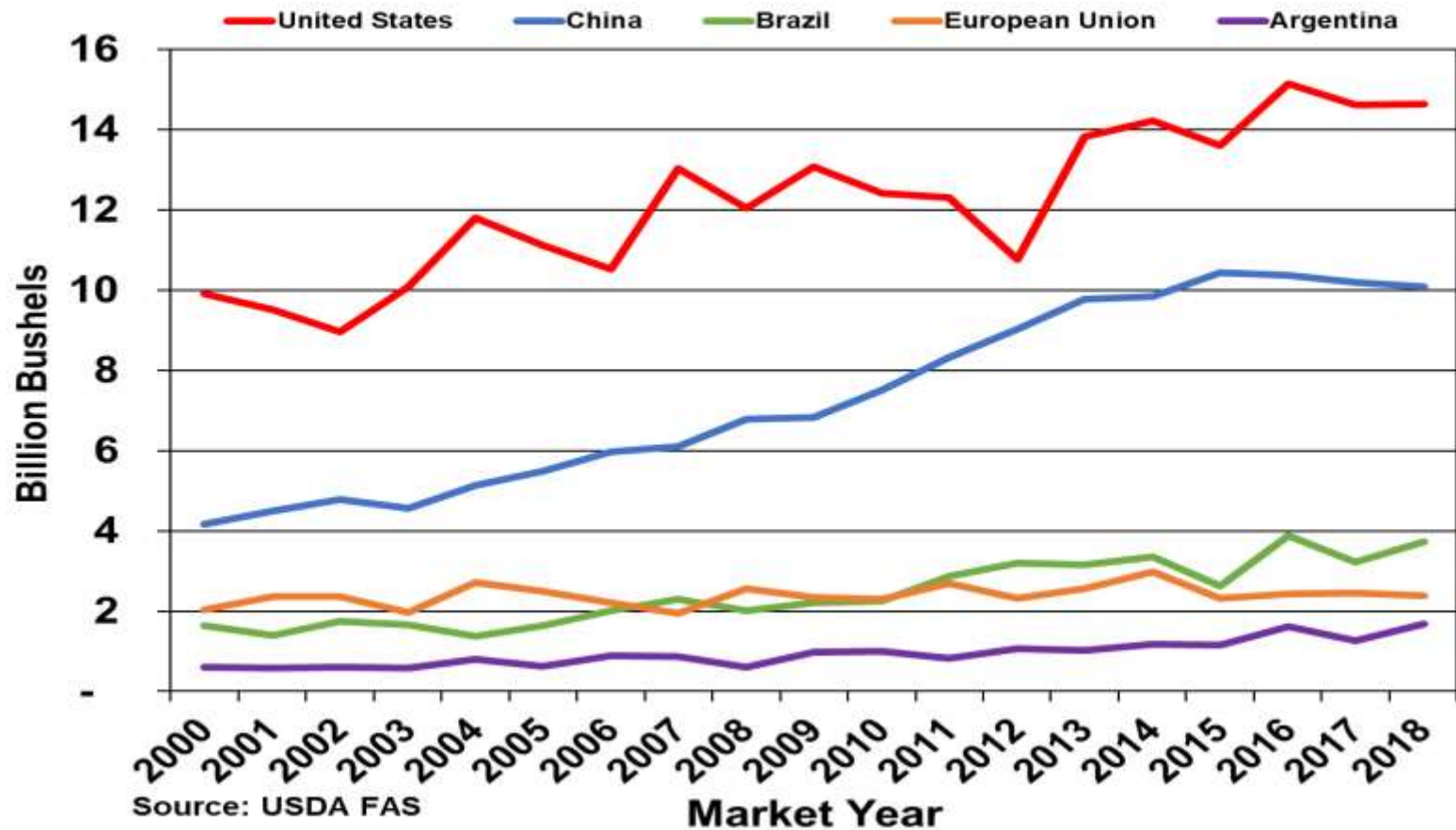


# Daily Commodity Price Indexes

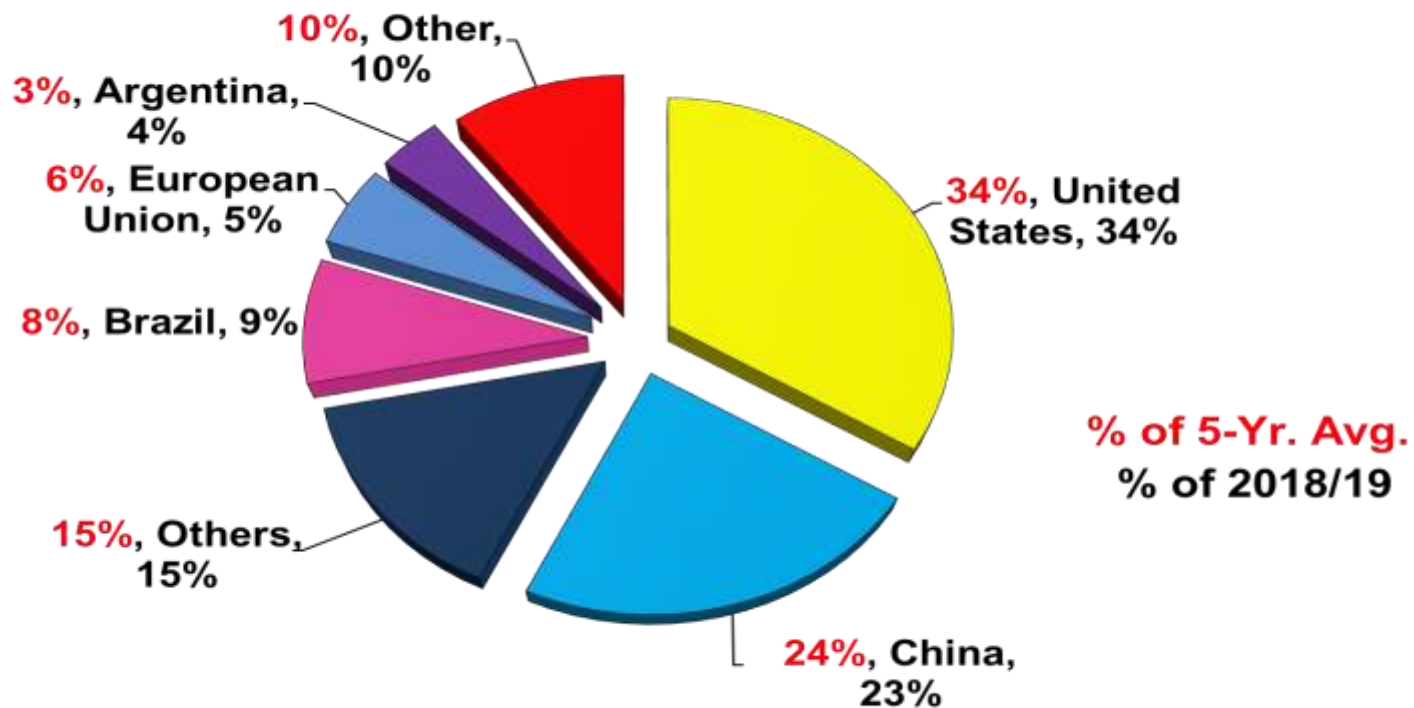
Performance since Jan. 2 2018



# Global Corn Production



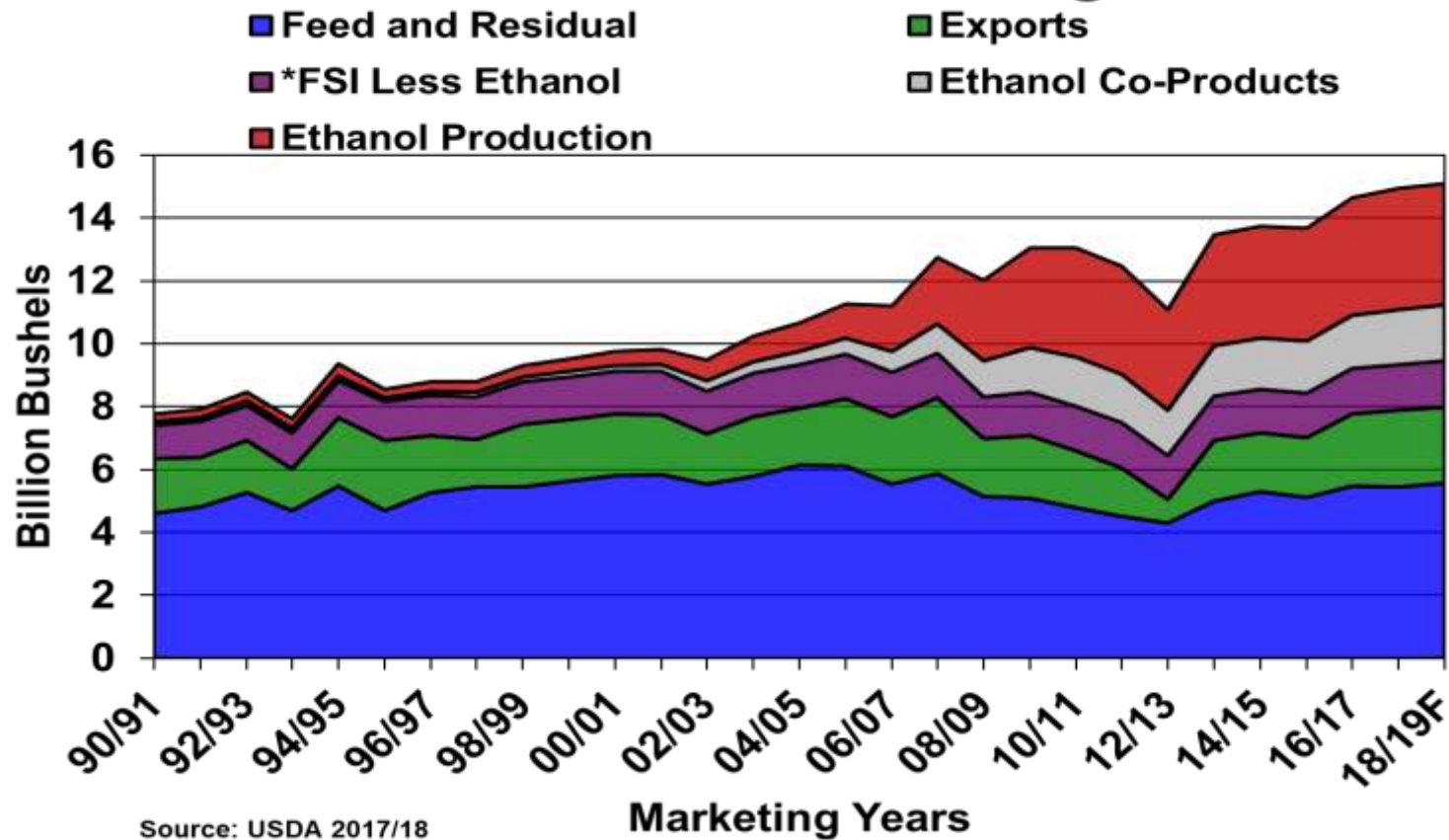
## Principal Corn Producing Countries



Source: USDA, CattleFax



# Total U.S. Corn Usage



Source: USDA 2017/18

\*FSI (Food/Seed/Industrial)

# U.S. Corn Fundamentals – 2019/20

- **Supply**

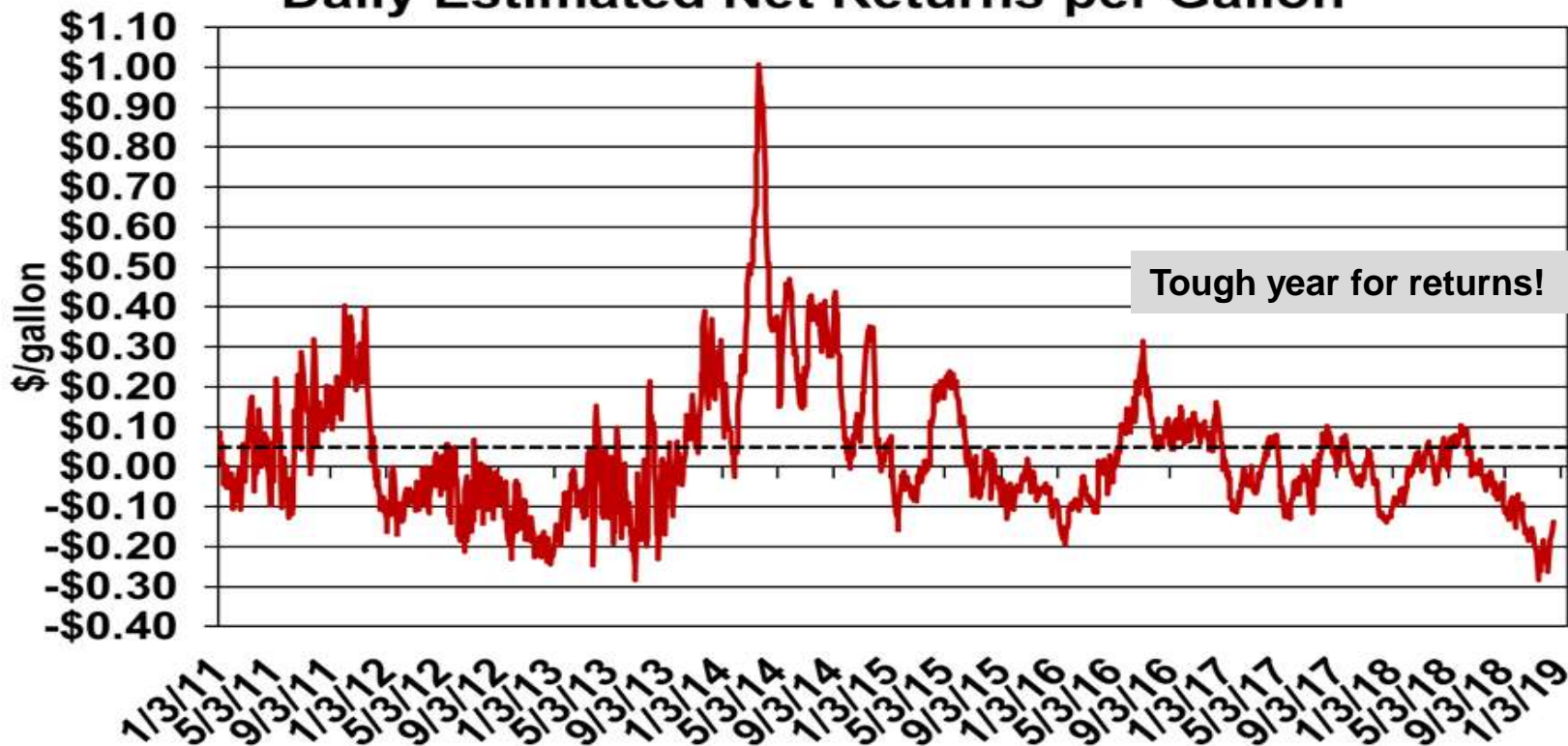
- Beginning stocks at 1.8 Billion Bushels
- Corn Acres Up 2 Million Acres to 91 Million
- Yield 180-181 bu./acre
- Production 15 Billion Bushels

- **Demand**

- Expansion Across all three proteins supporting Feed and Residual Demand
- 15 Percent Allowable Ethanol Blend Rate
- Stocks to Use 12-13% - Ending Stocks 1.7 Billion Bushels
- Still stuck in a trading range, prices at breakeven to slightly above.
- **Price: \$3.45-\$4.15 range for the year.**

# Iowa Ethanol Profitability

## Daily Estimated Net Returns per Gallon

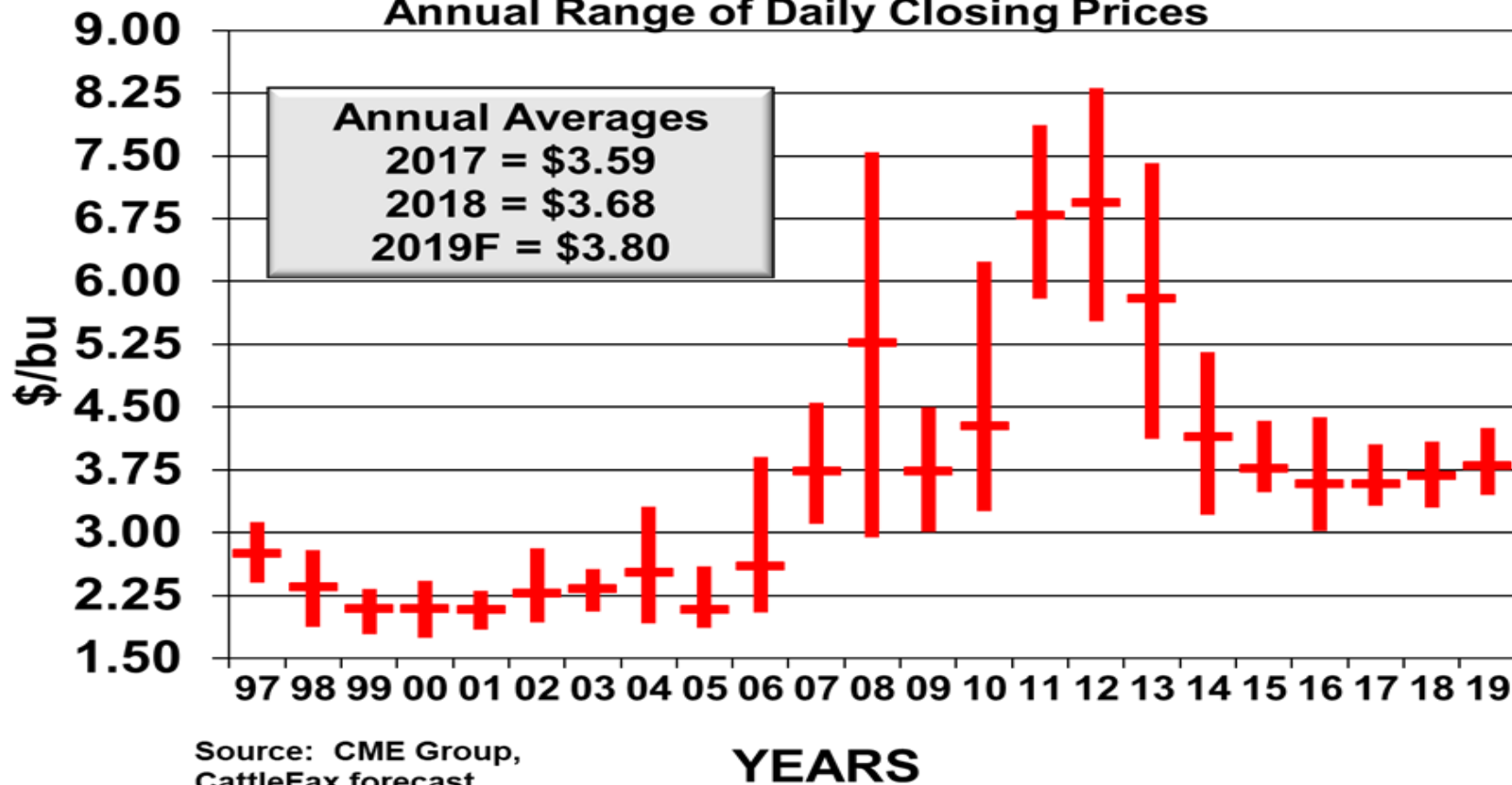


Source: Iowa State Extension,  
CME and CattleFax

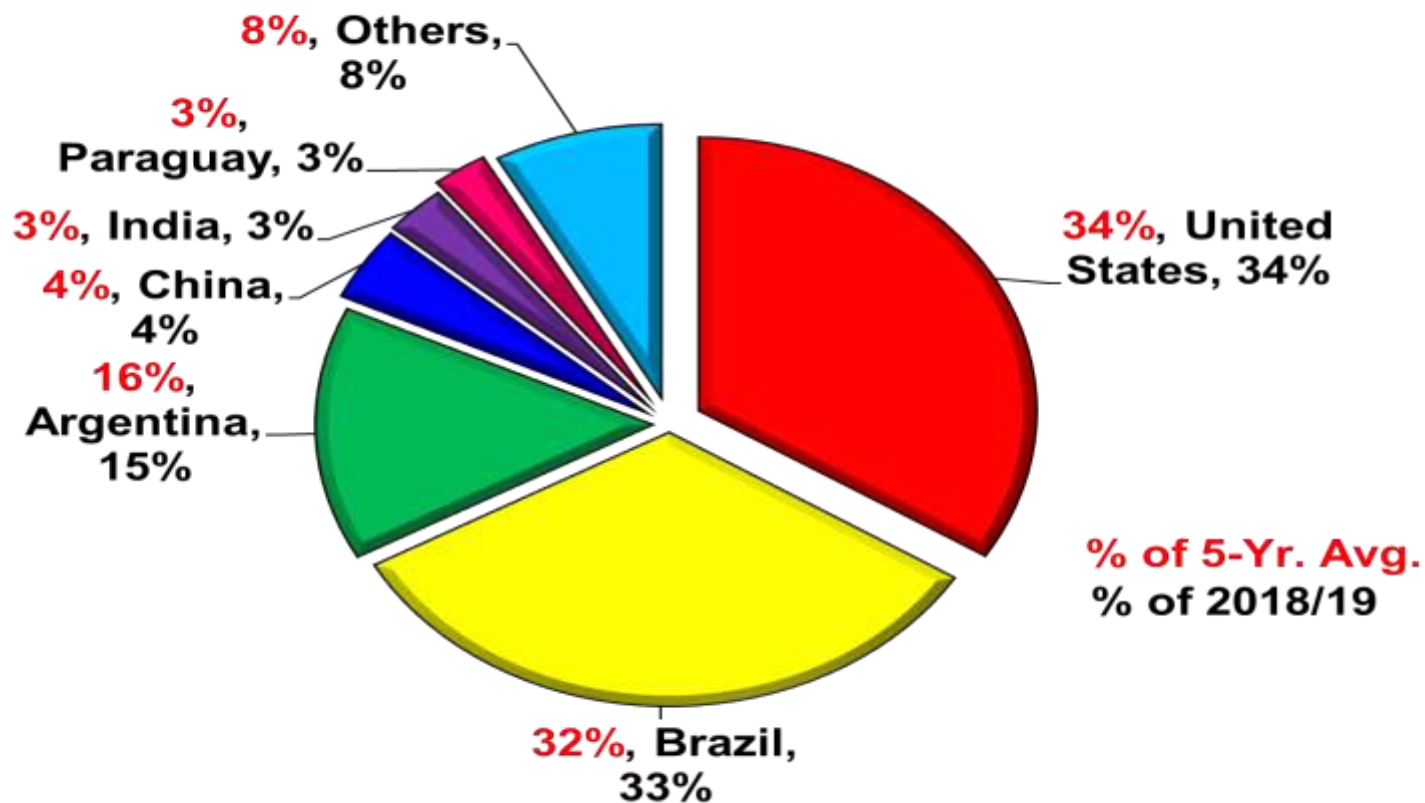
Date

# Spot Corn Futures

Annual Range of Daily Closing Prices



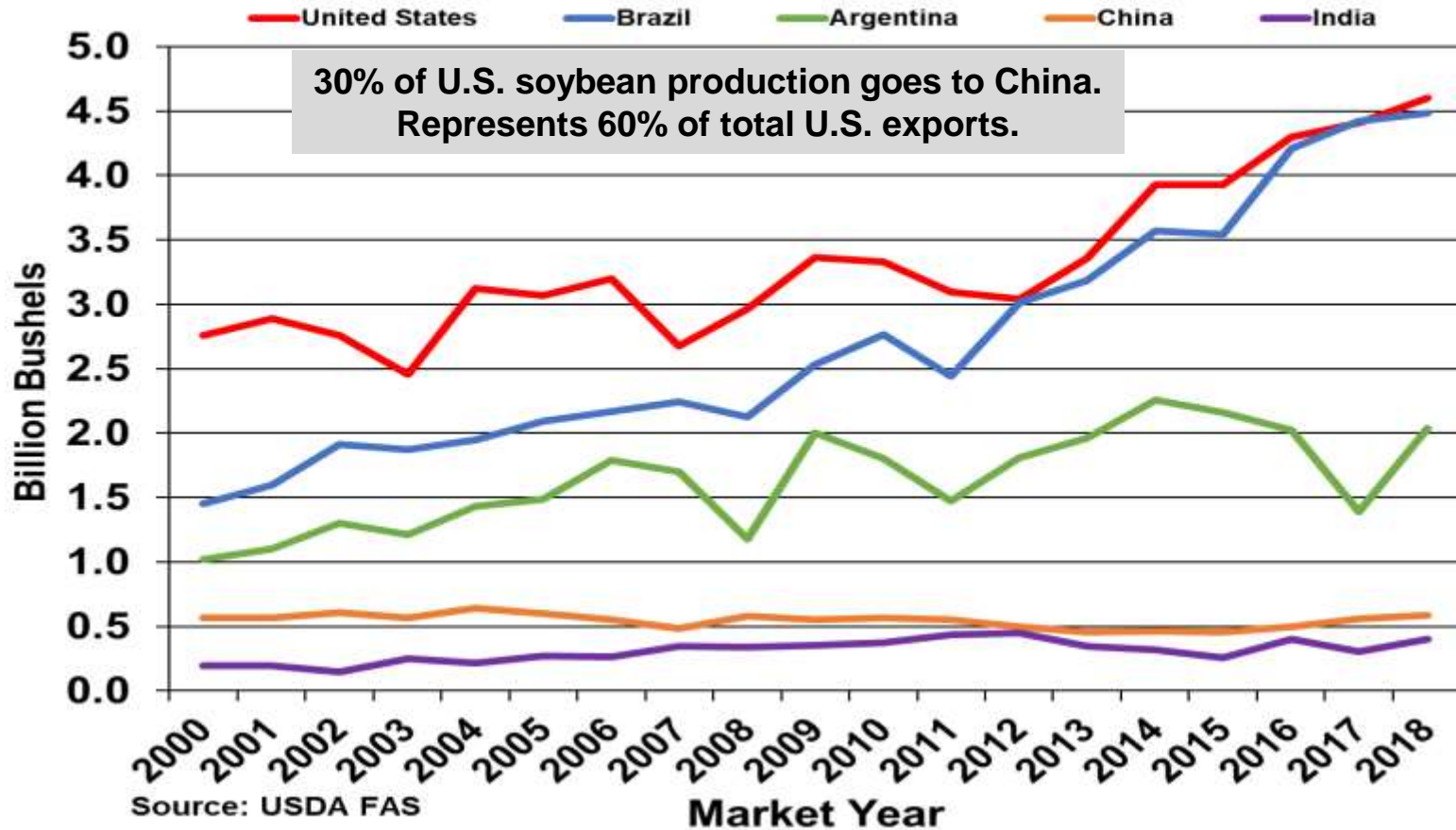
## Principal Soybean Producing Countries



Source: USDA, CattleFax

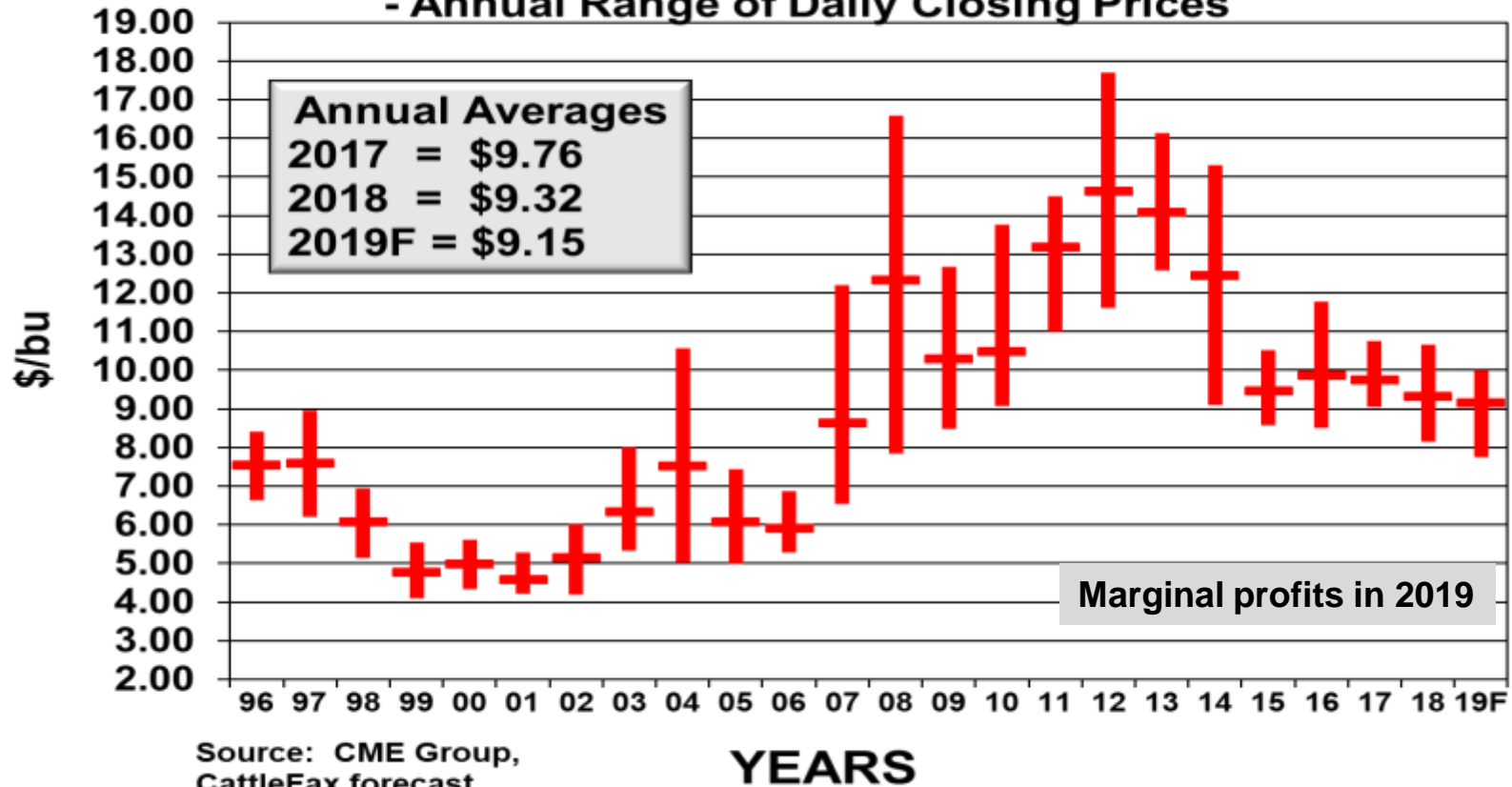


# Global Soybean Production



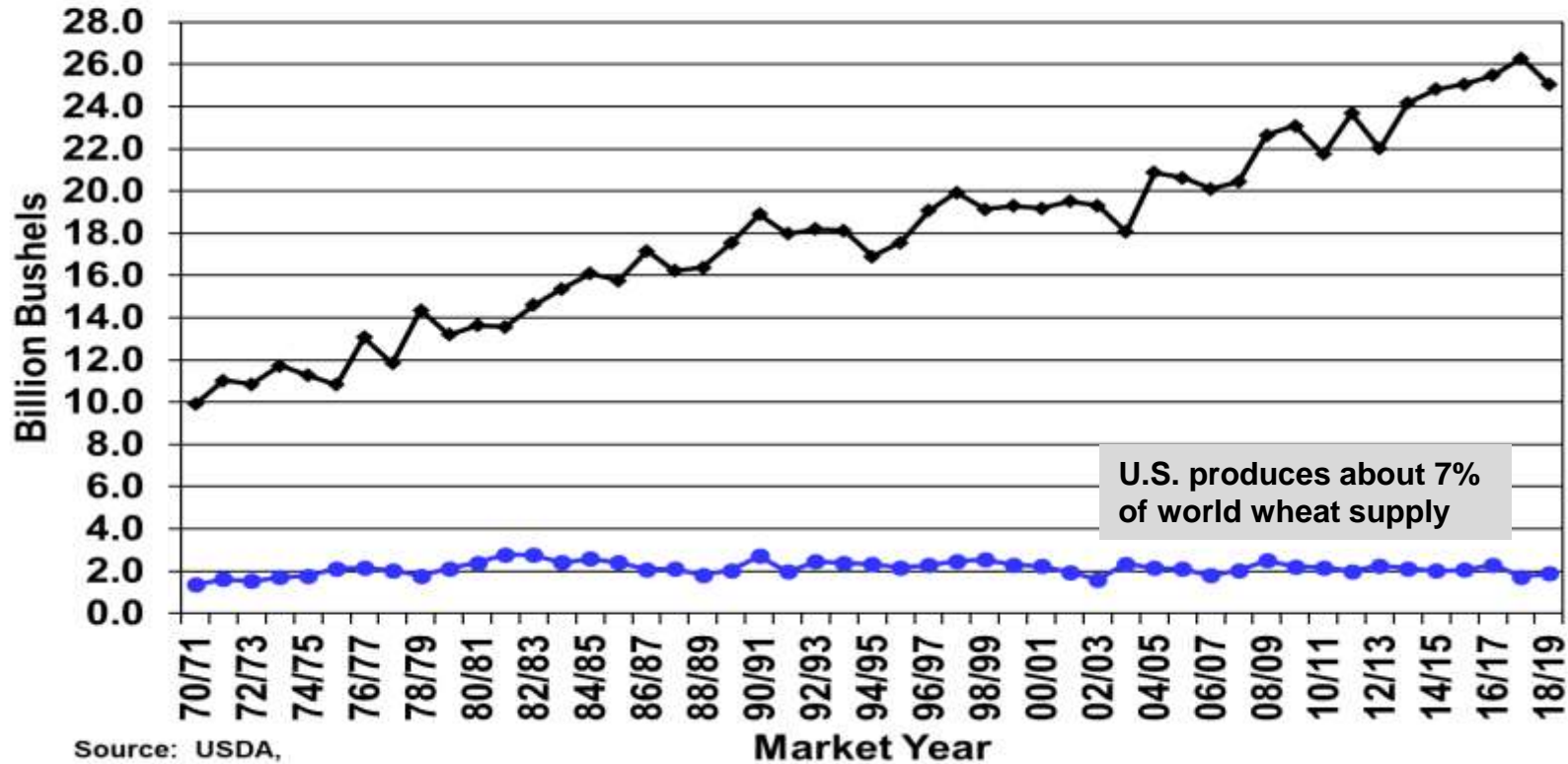
# Spot Soybean Futures

- Annual Range of Daily Closing Prices



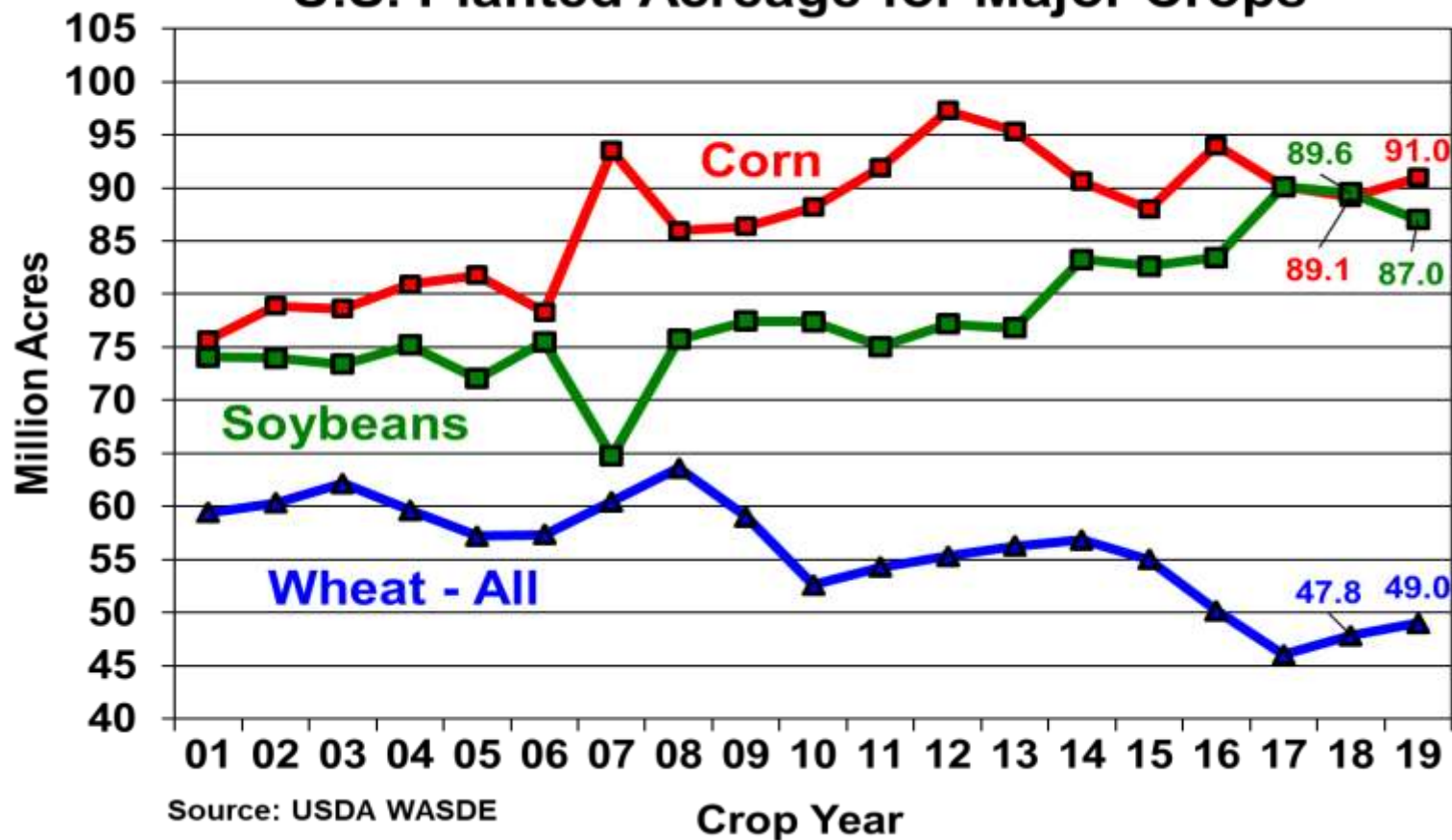
# Wheat Production

—●— U.S.    —◆— World Less U.S.



Source: USDA,  
CattleFax

## U.S. Planted Acreage for Major Crops





## **Livestock Situation and Outlook**

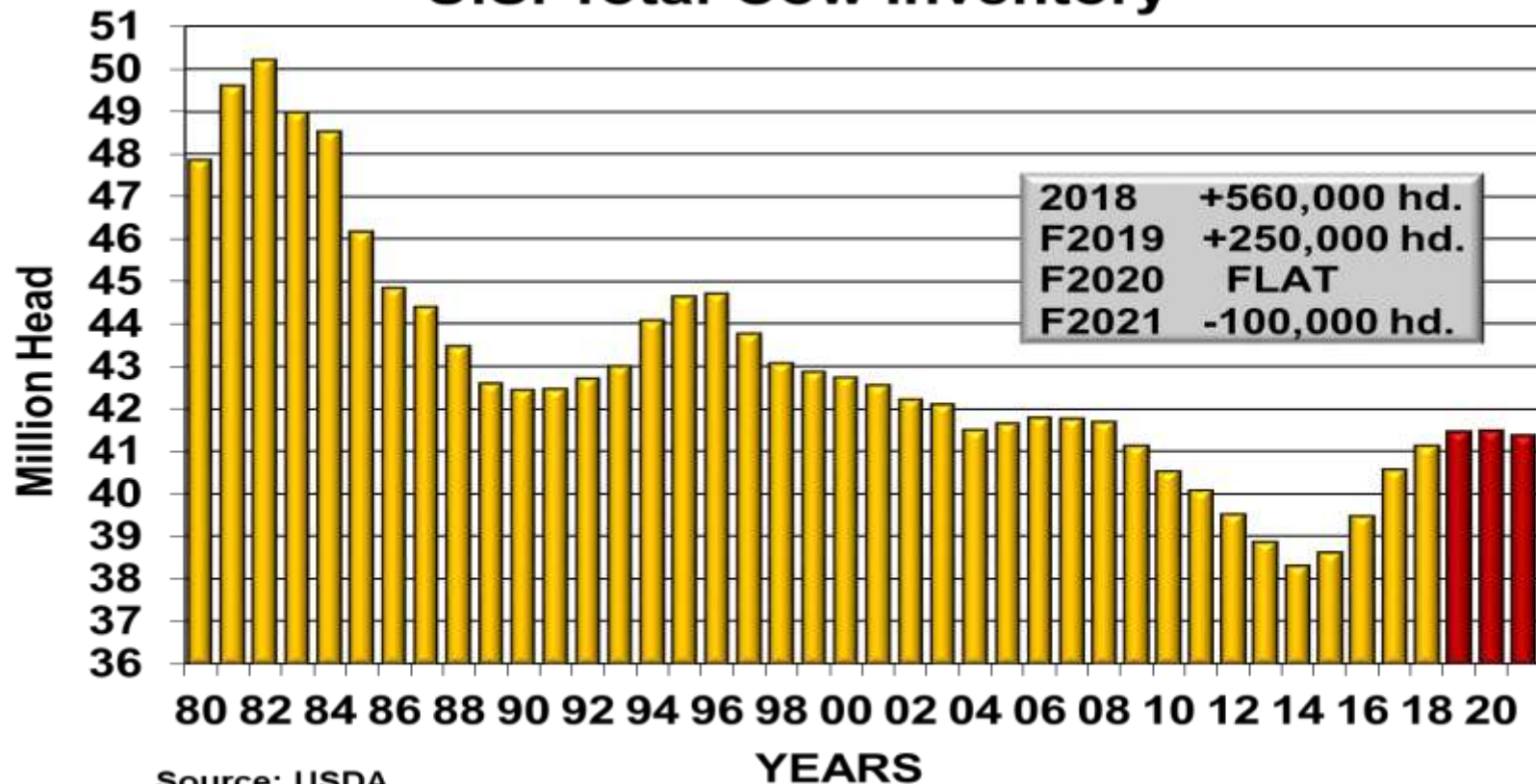


## Top 10 Cattle Countries in the World 2018 Est\*

<u>Rank</u>	<u>Head (000)</u>	<u>Percent of Total</u>
1. India	373,700	29%
2. Brazil	281,850	22%
3. China	147,850	11%
4. U.S.	132,804	10%
5. EU-28	117,845	9%
6. Argentina	68,065	5%
7. Australia	35,500	3%
8. Russia	24,845	2%
9. Mexico	24,321	2%
10. Turkey	19,500	1%
World Total	1,302,078 +1% vs. 2017	

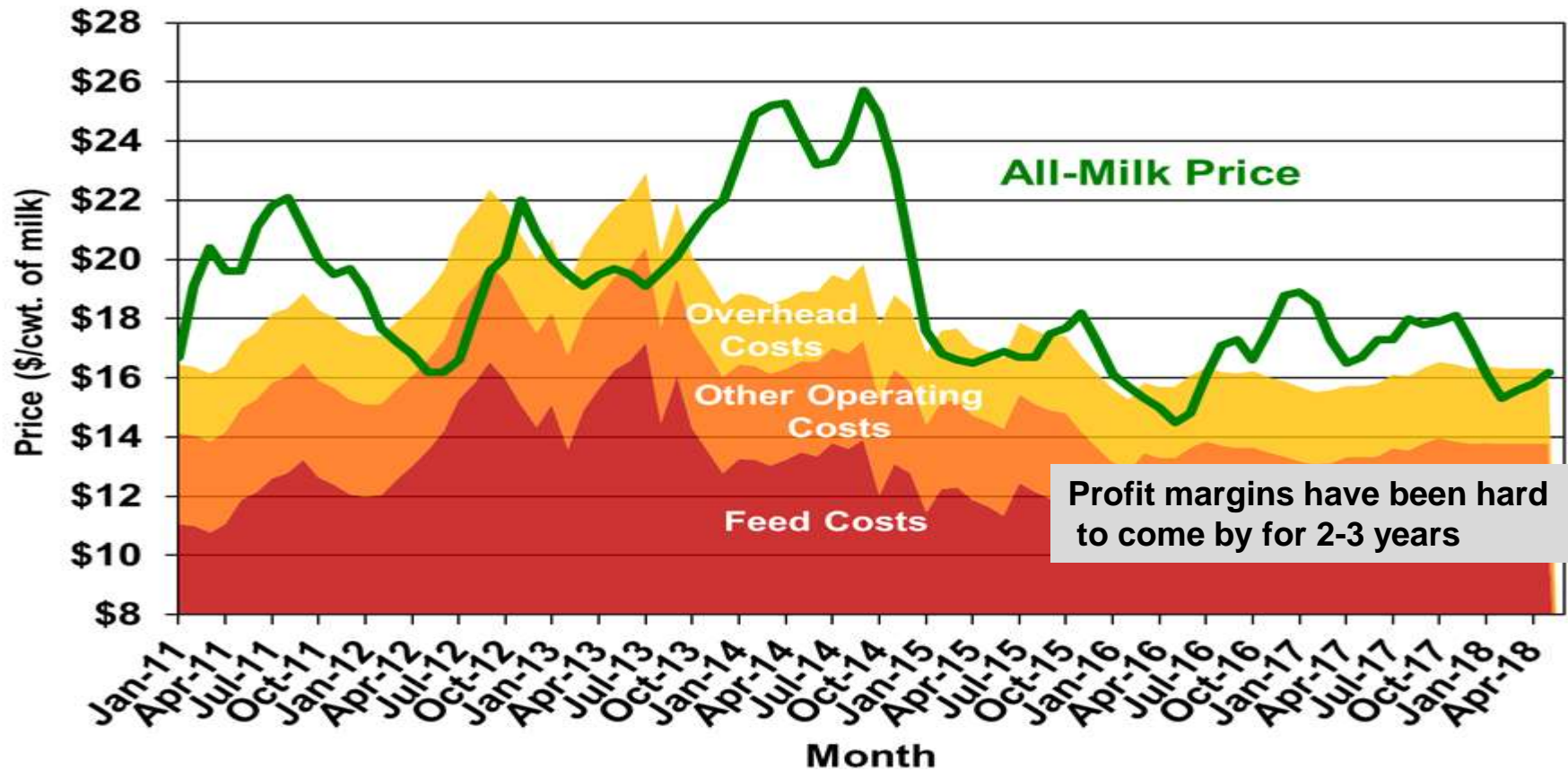
Source: USDA/FAS

# U.S. Total Cow Inventory



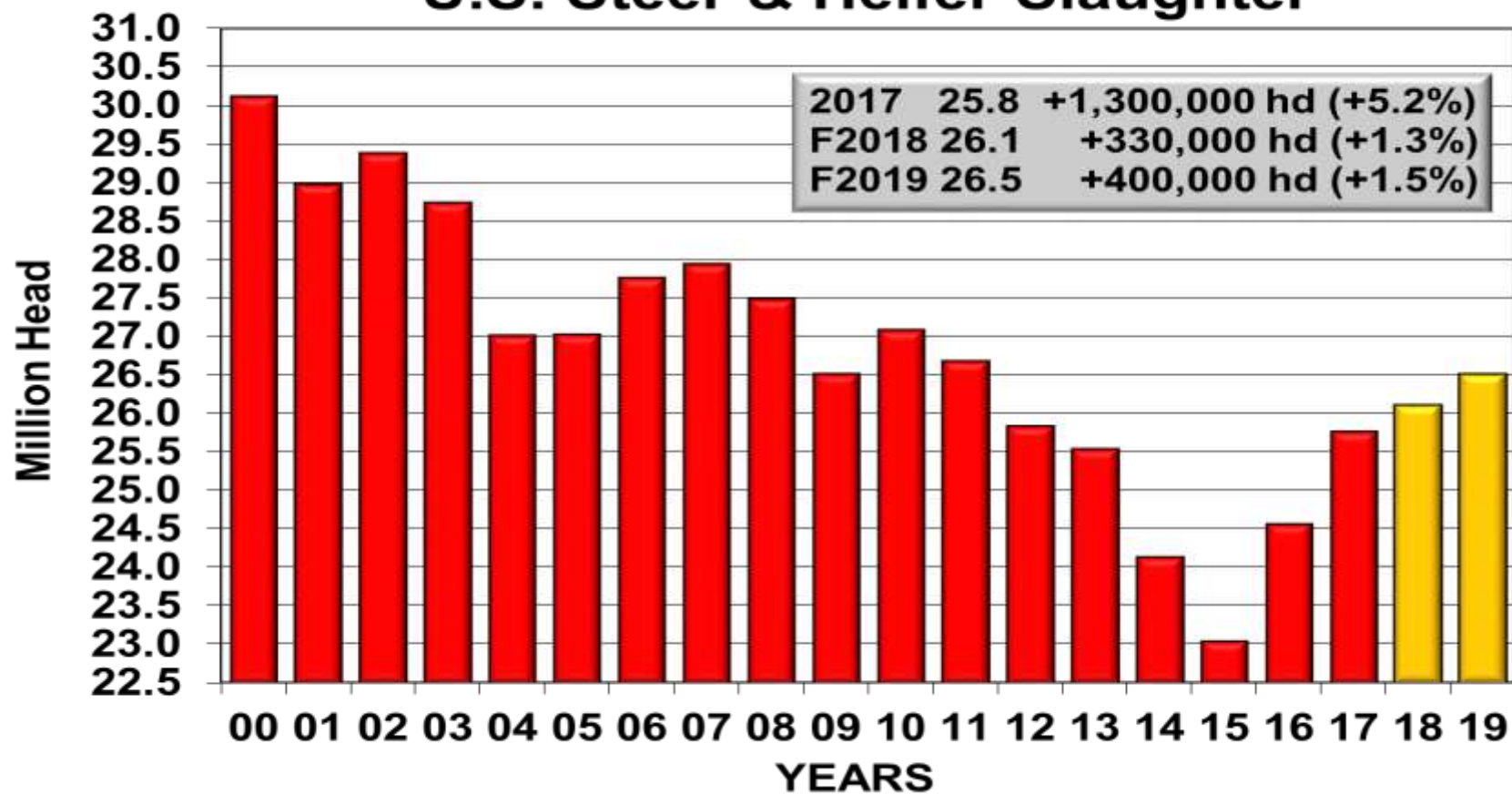
Source: USDA  
Projected 2019-2021

# USDA Milk Prices and Costs of Production



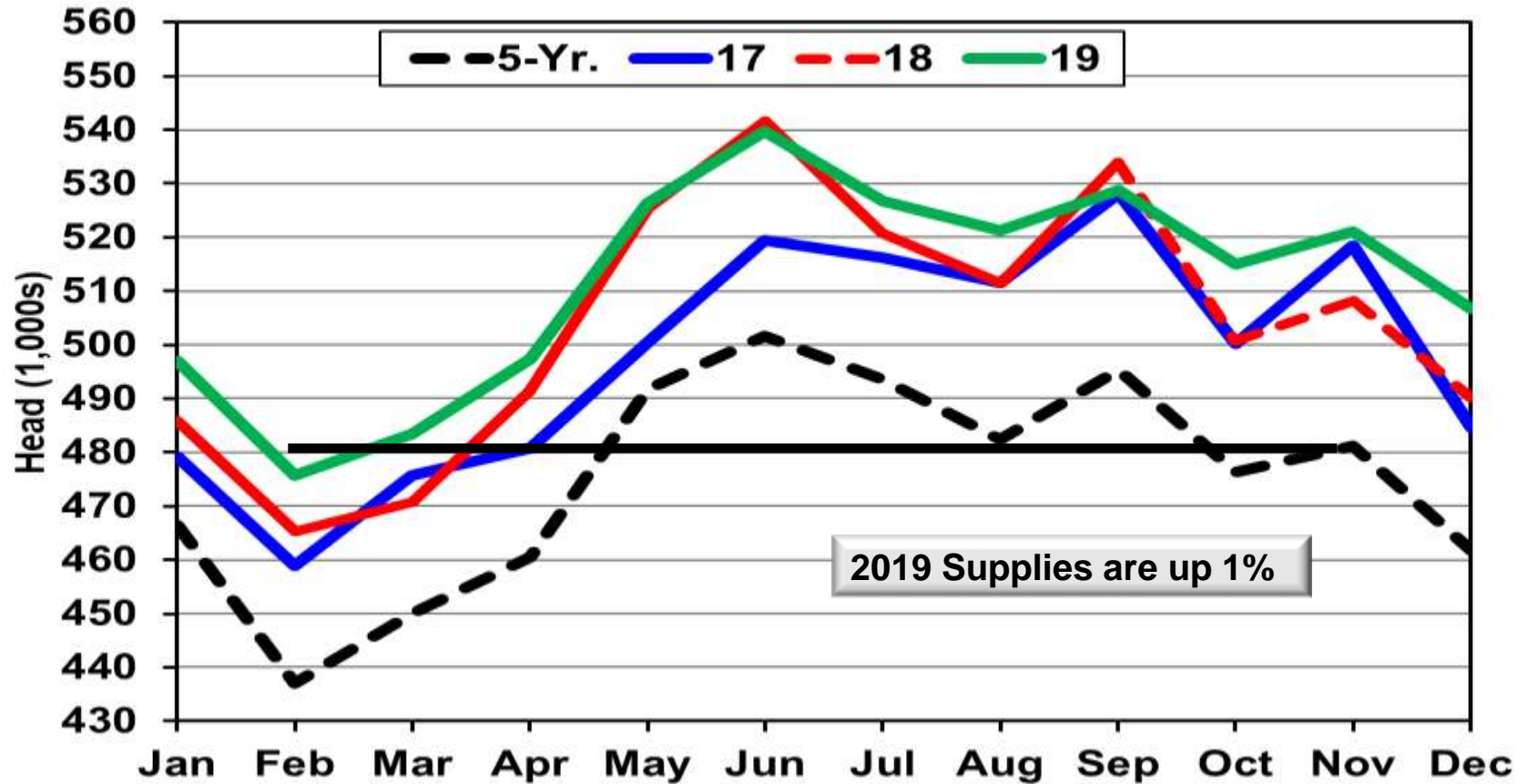
Profit margins have been hard to come by for 2-3 years

# U.S. Steer & Heifer Slaughter



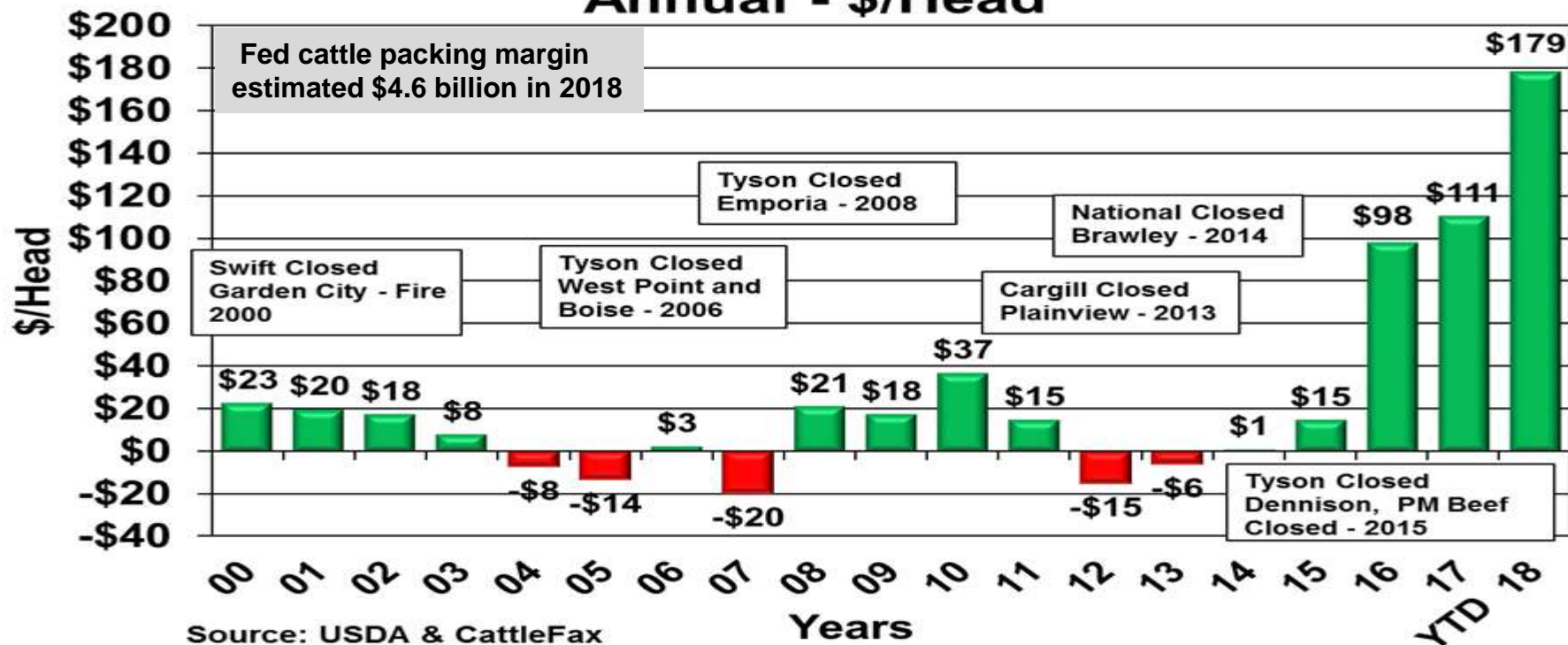
Source: USDA, CattleFax projection

# Wkly. Avg. F.I. Steer & Heifer Slaughter





# Estimated Fed Packer Margin Annual - \$/Head



Source: USDA & CattleFax

\*Profit(Loss) measurement excludes risk mgmt

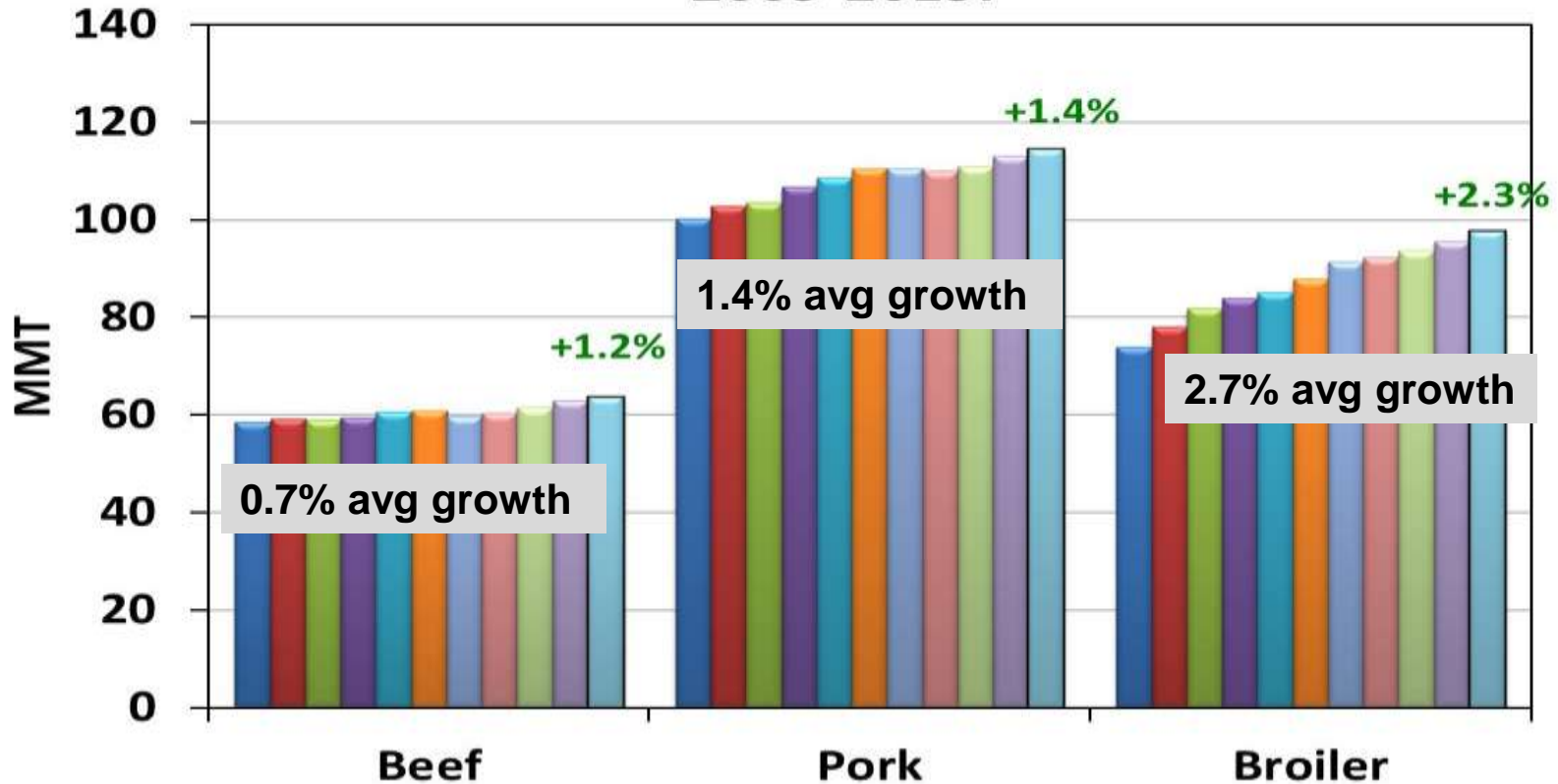
Based upon composite cutout

# Summary

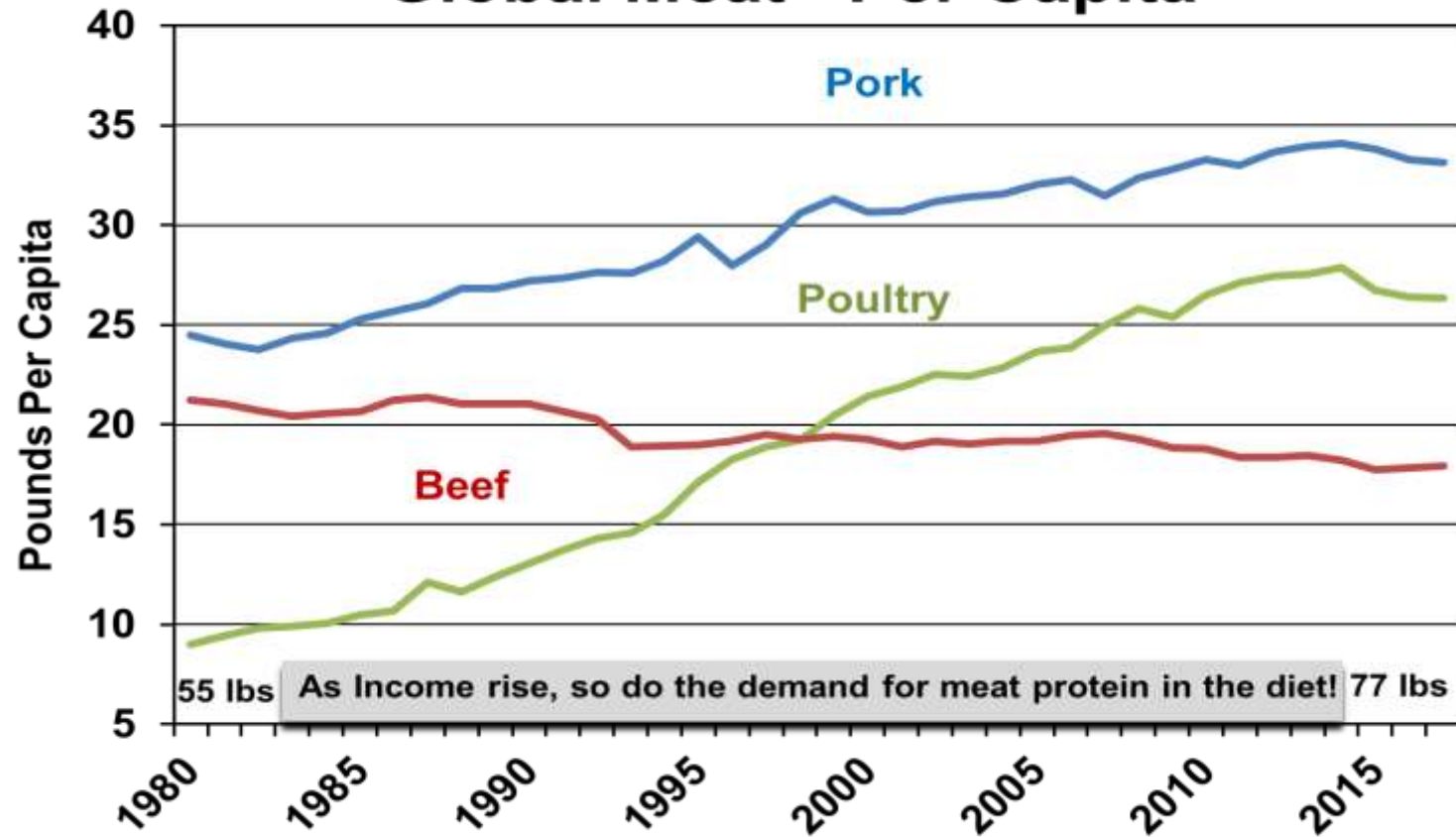
- Cattle/Beef supplies larger in 2019
- Beef cow herd expansion to continue in 2019 at a slower pace
  - Heifer slaughter increasing, but still at an expansion pace
  - Replacement heifers numbers slowing
  - Cow slaughter increasing limiting expansion
- Flat per capita net beef supplies in 2019
- Larger competing meat supply is a limiting factor for beef
  - Total per capita meat supplies will be larger in 2019
- Leverage will continue to be a challenge. Increased kill capacity is needed to offset the increasing cattle supply

# Global Meat and Broiler Production

## 2009-2019F

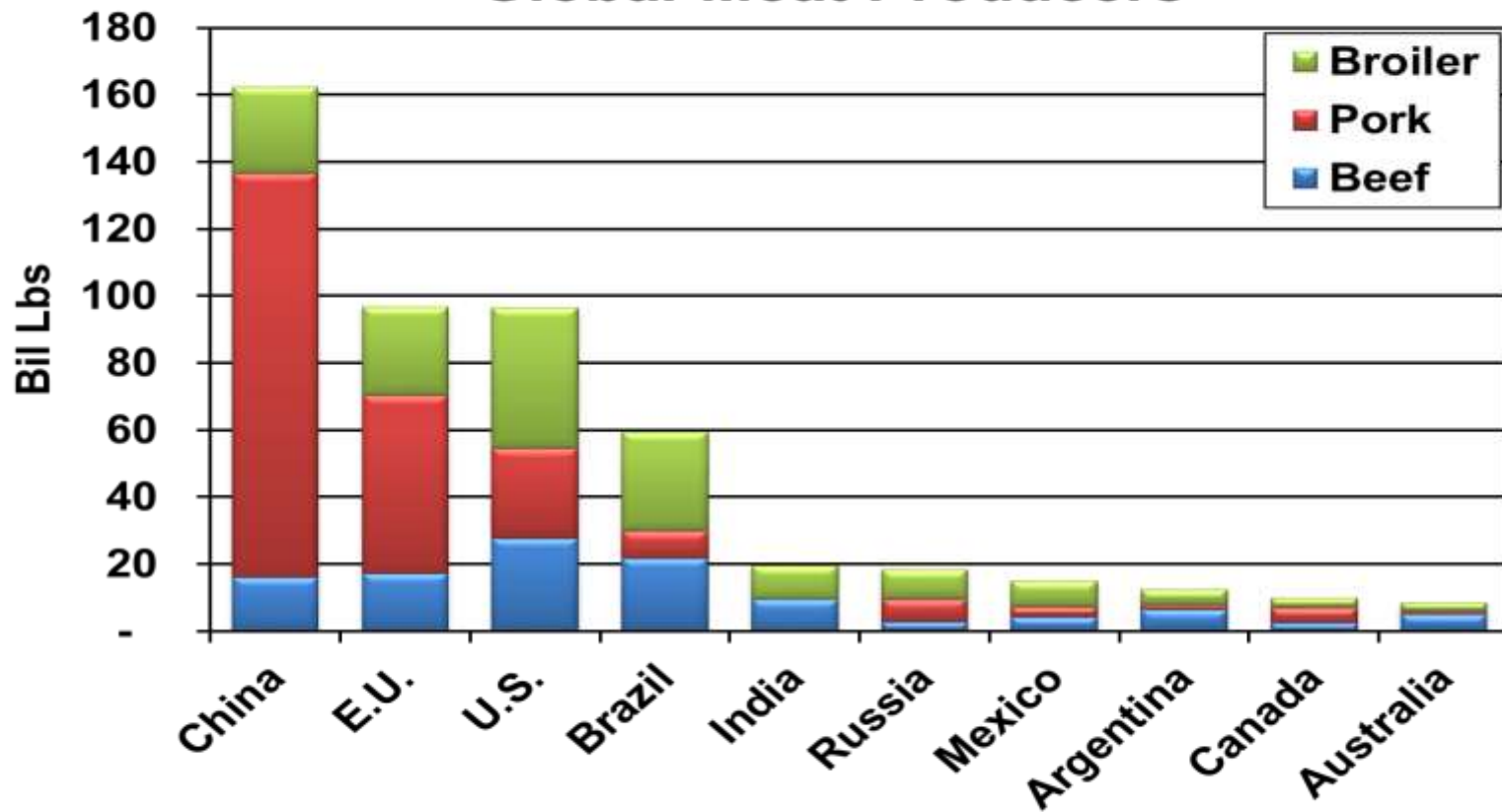


# Global Meat - Per Capita



Source: USDA/FAS

# Global Meat Producers

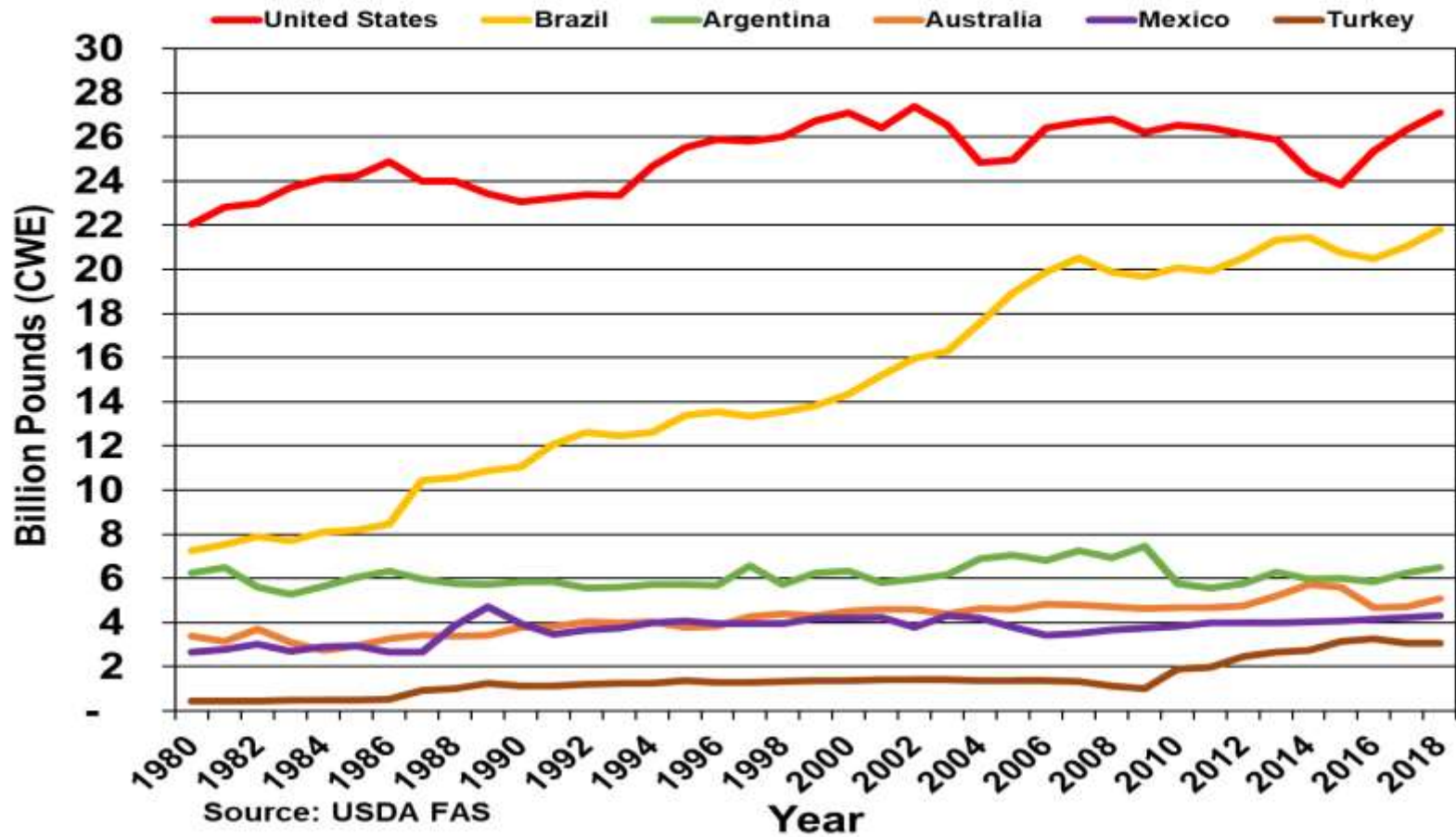


Source: USDA/FAS, 2018F, beef and pork in carcass-weight equivalents

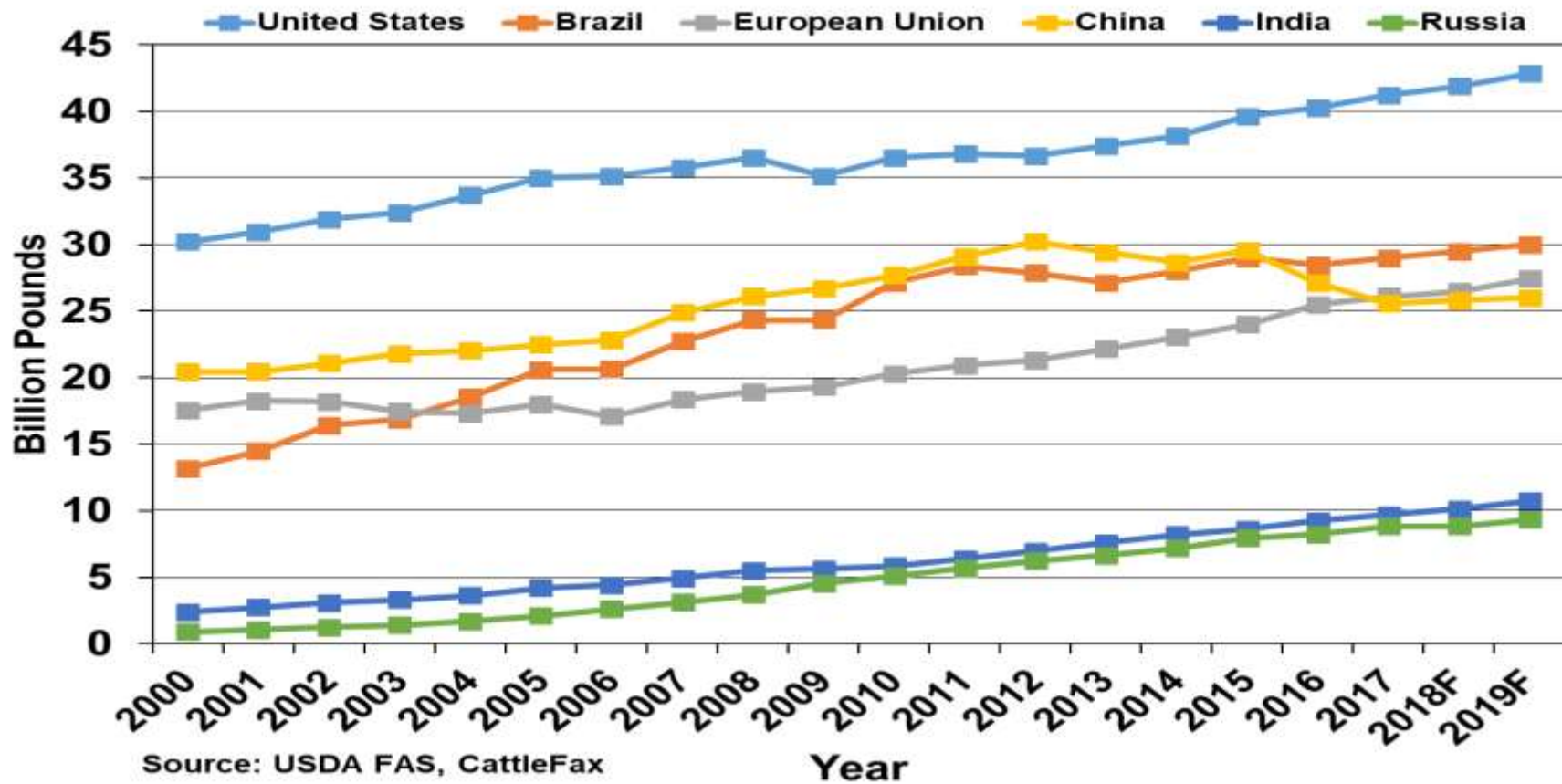
China pork production is 20% of global meat supply-ASF is a big deal.



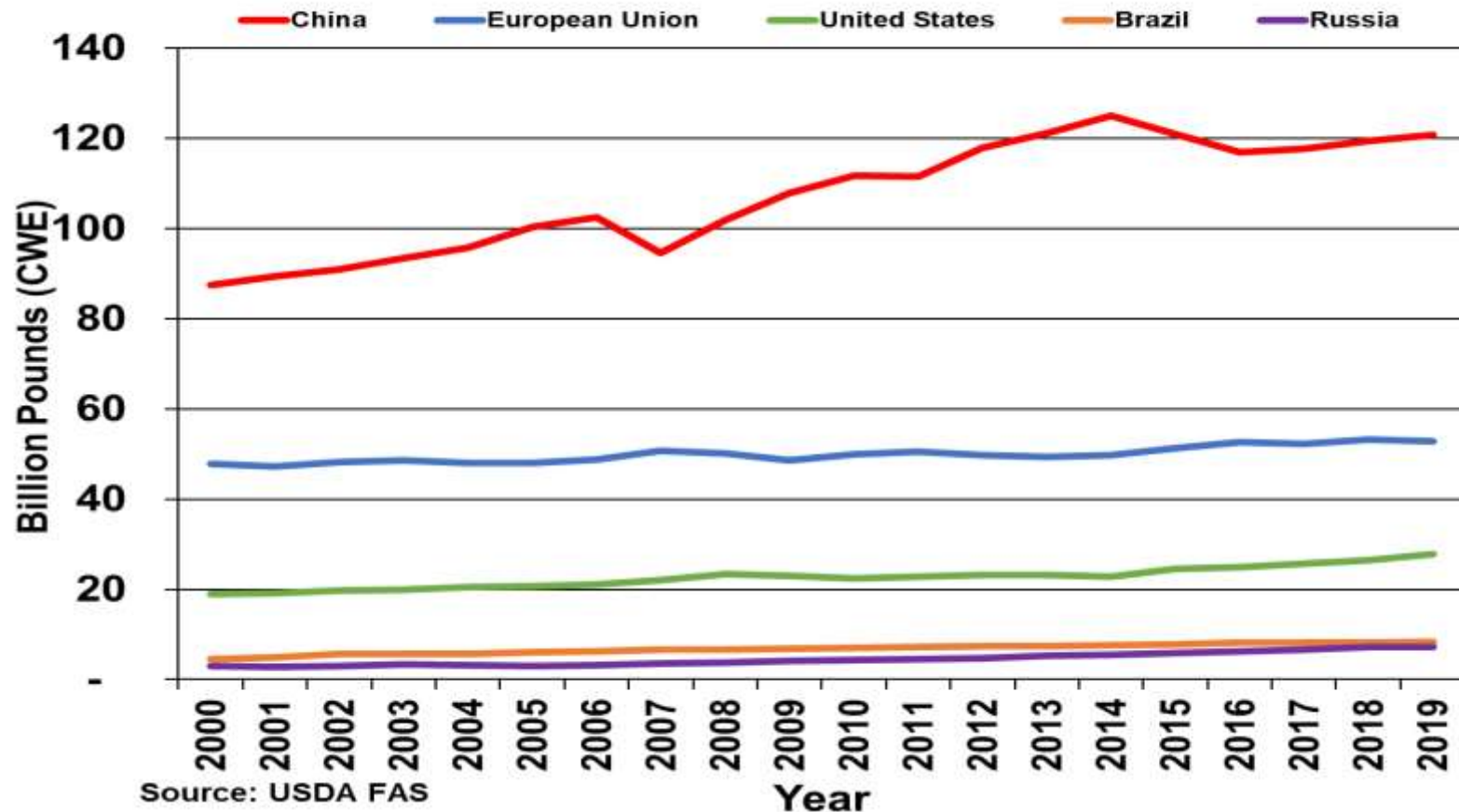
# Global Beef Production



# Broiler Production



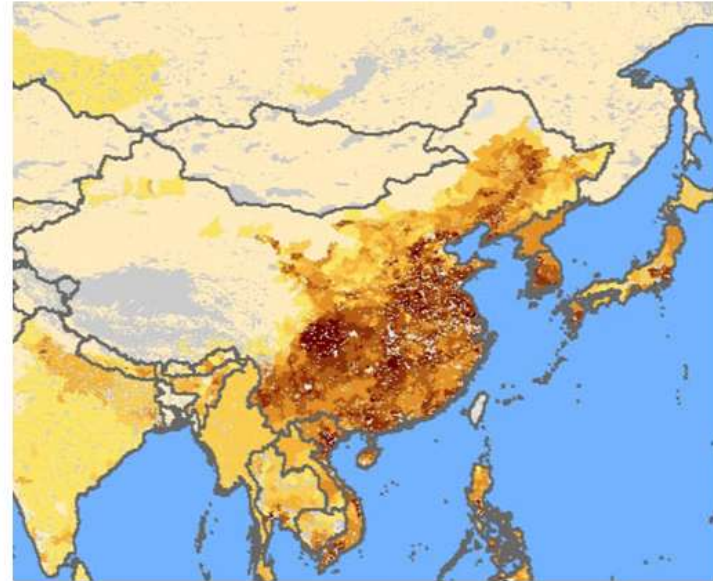
# Global Pork Production



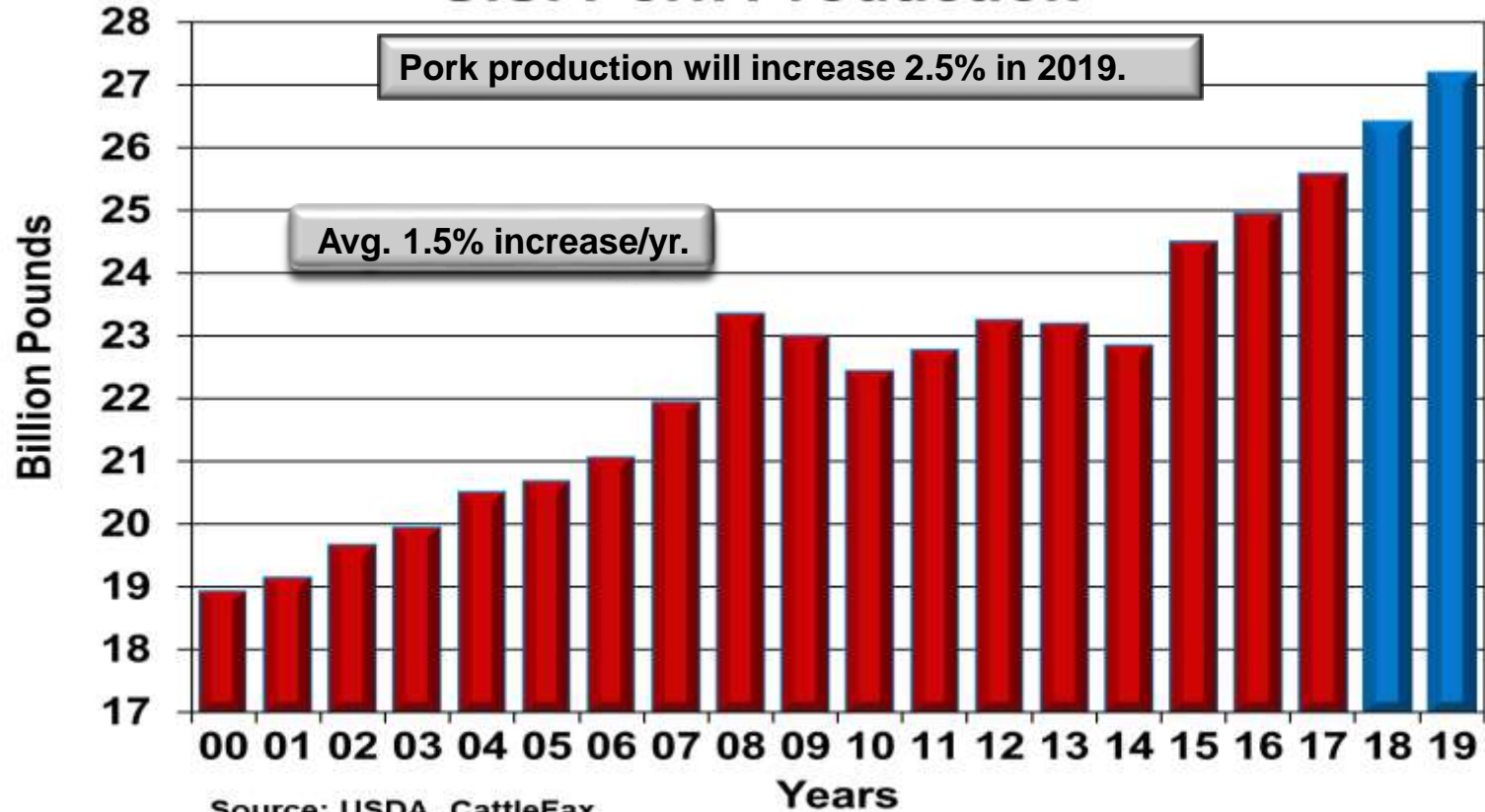
# Why ASF is a BIG DEAL

- Half of the world's pigs
- **20% of global protein**  
(Chinese pork)
- Shortages could drive global pork (and poultry and beef) markets higher
- The situation continues to unfold, stay tuned!
- The most feared hog disease globally; no vaccine, high mortality

China Hog Density



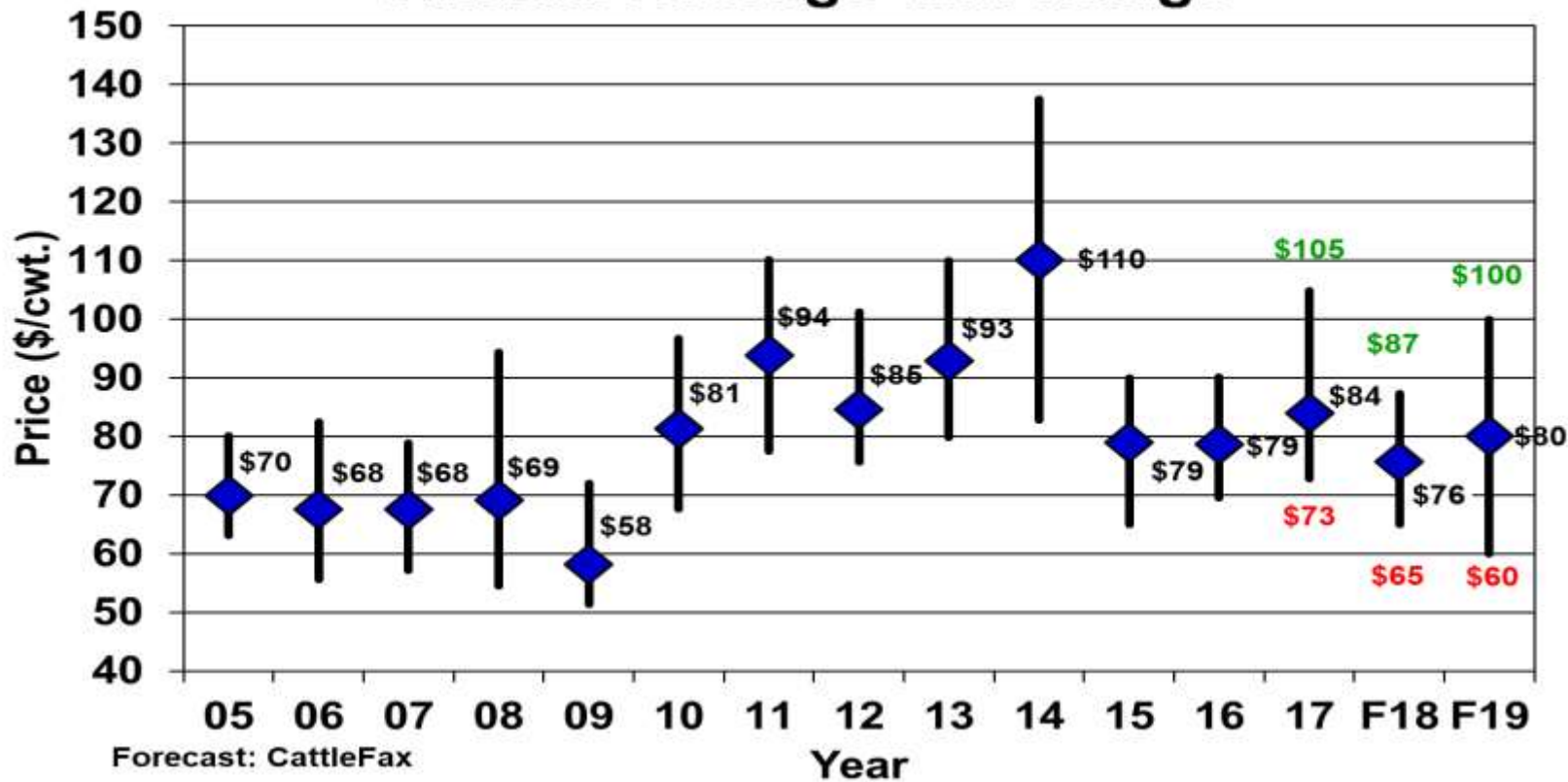
# U.S. Pork Production



Source: USDA, CattleFax  
Forecast 2018-2019

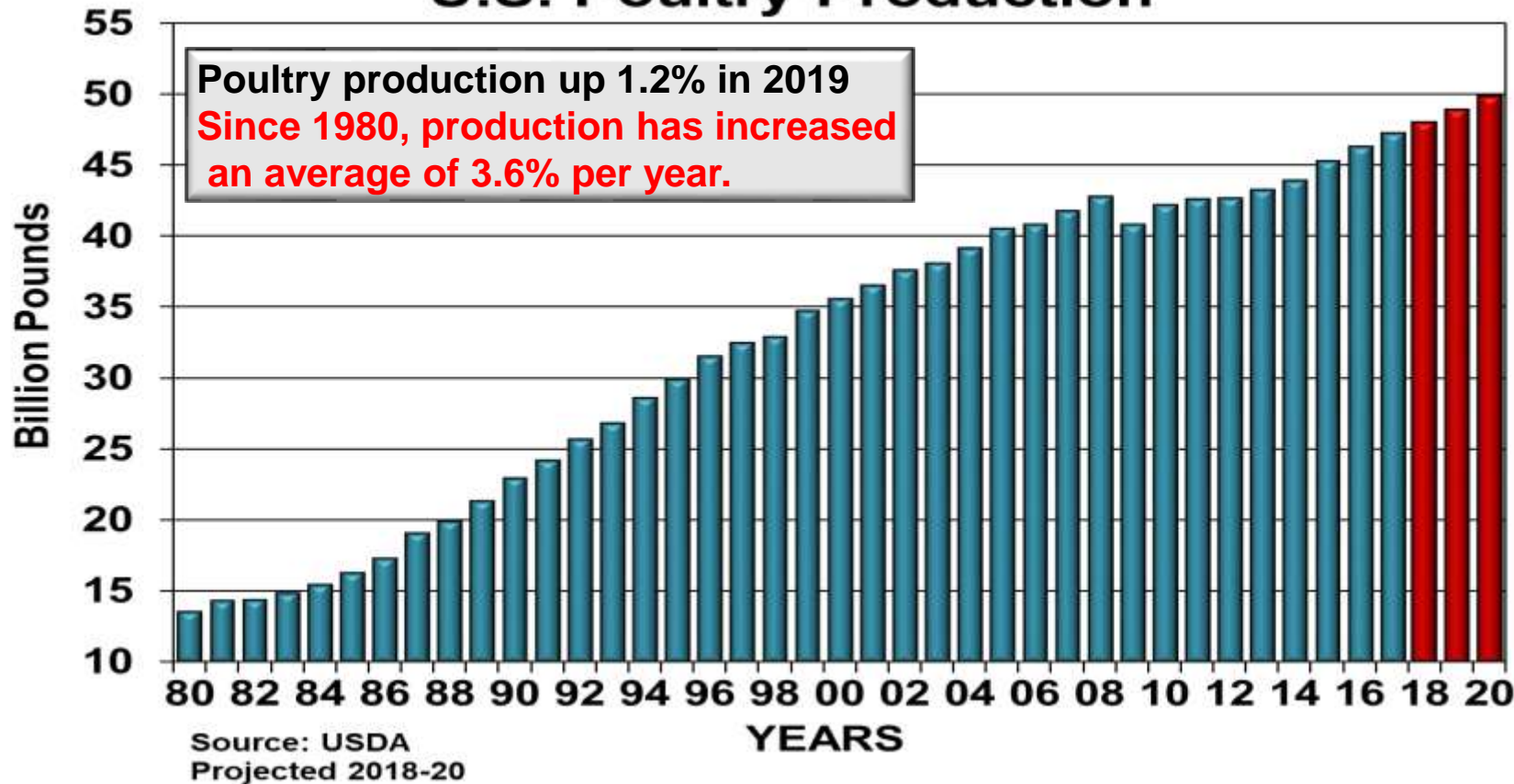
# USDA Pork Cutout

## Annual Average and Range

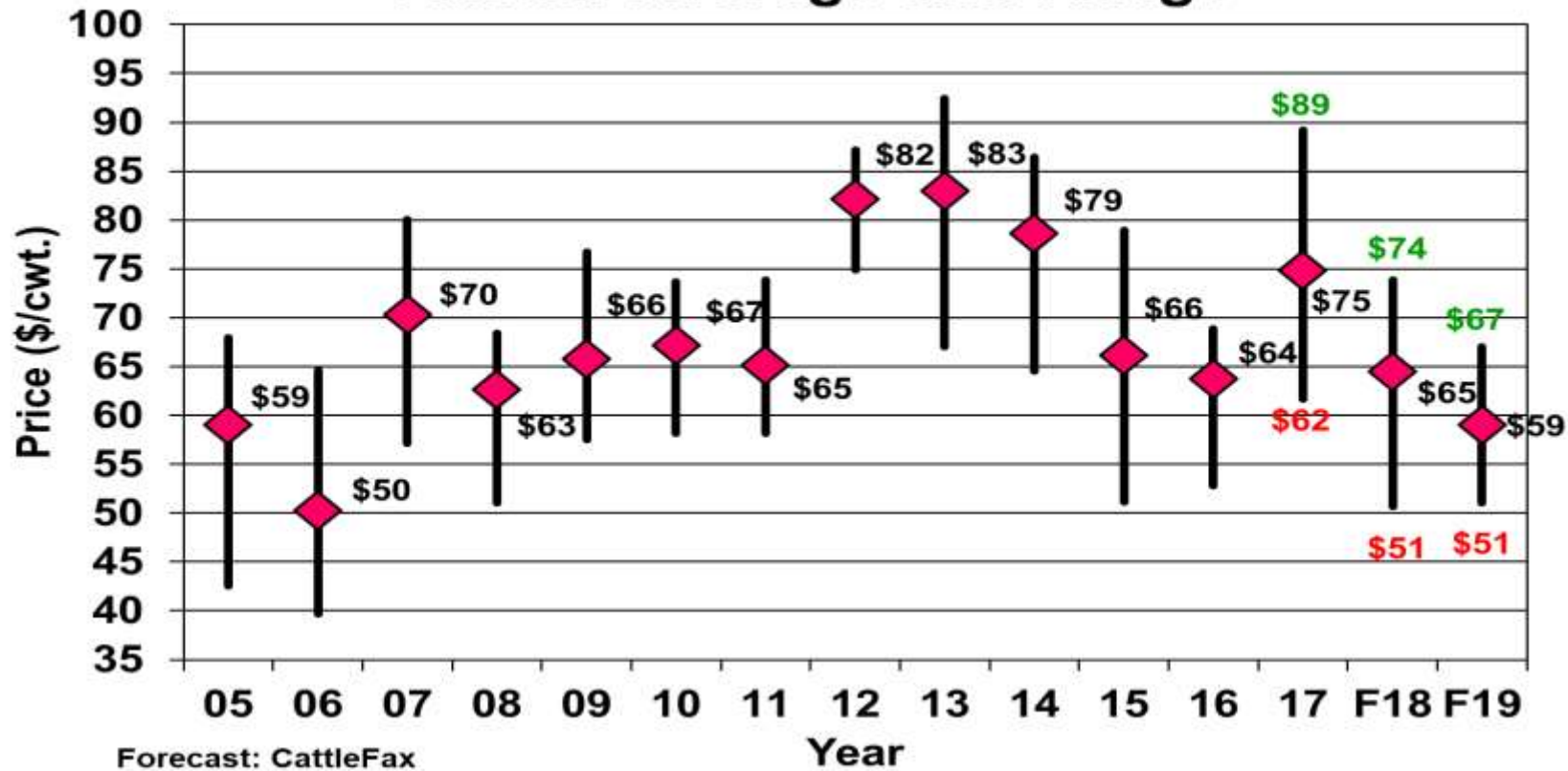




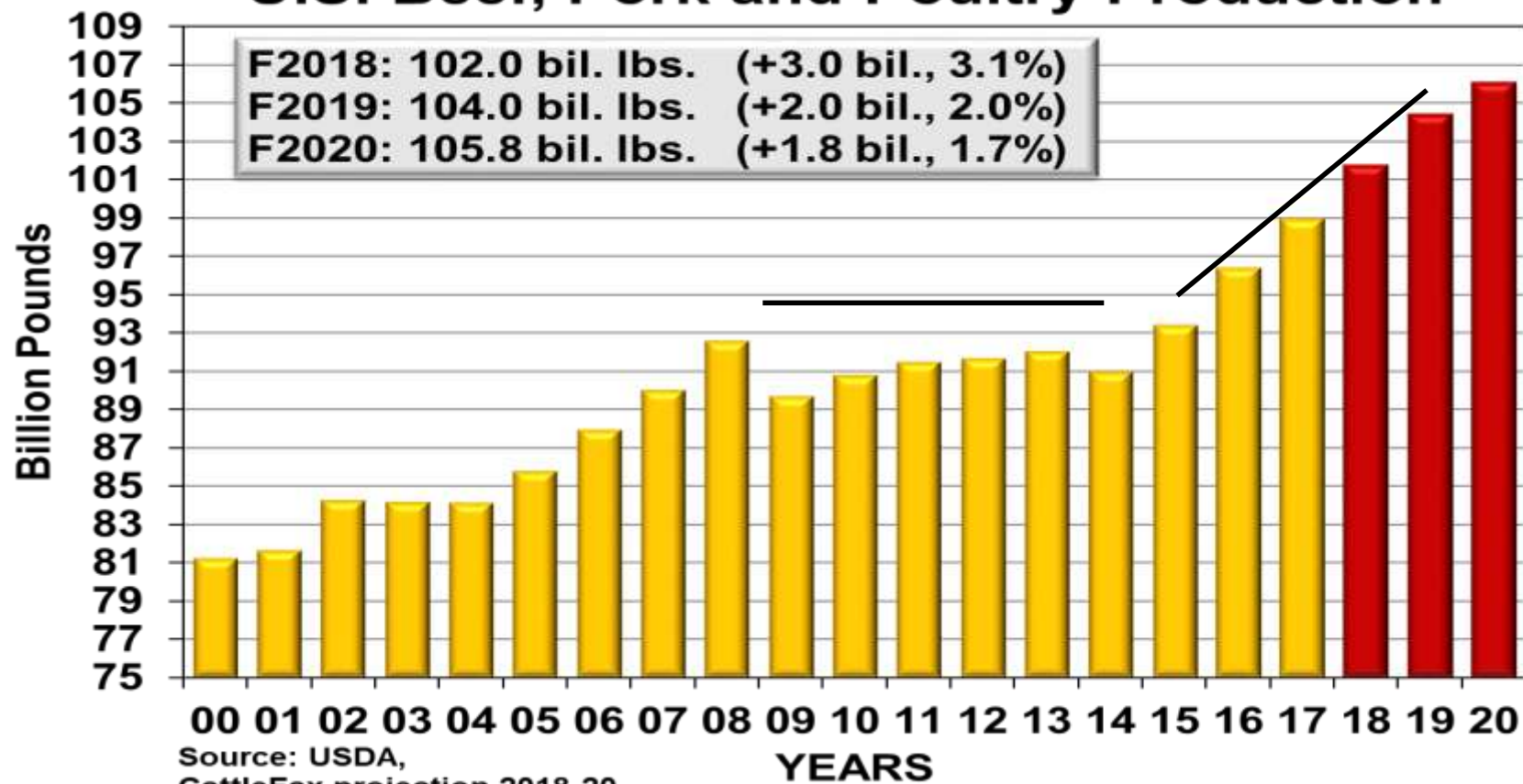
# U.S. Poultry Production



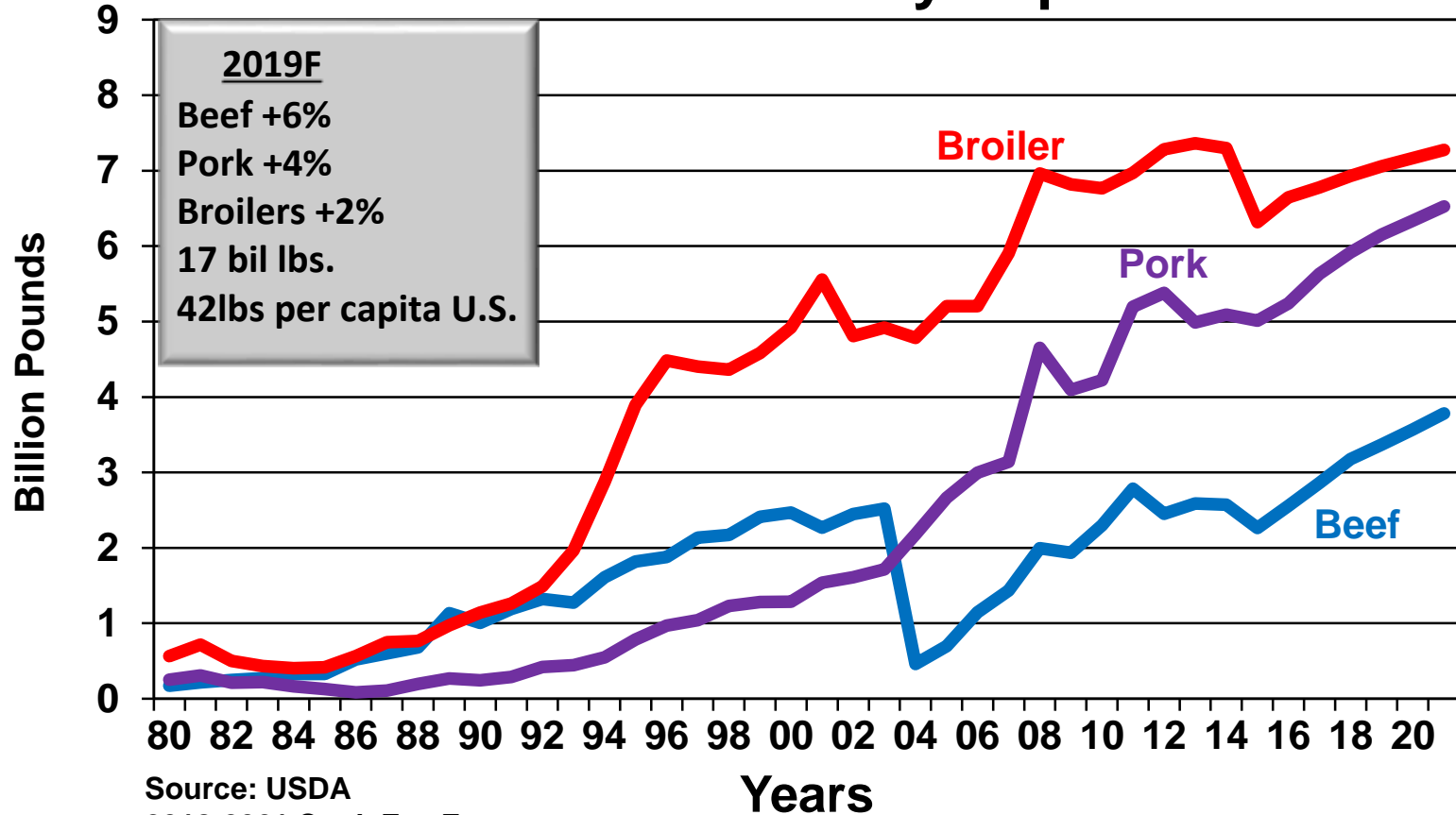
# Urner Barry Chicken Index Annual Average and Range



# U.S. Beef, Pork and Poultry Production



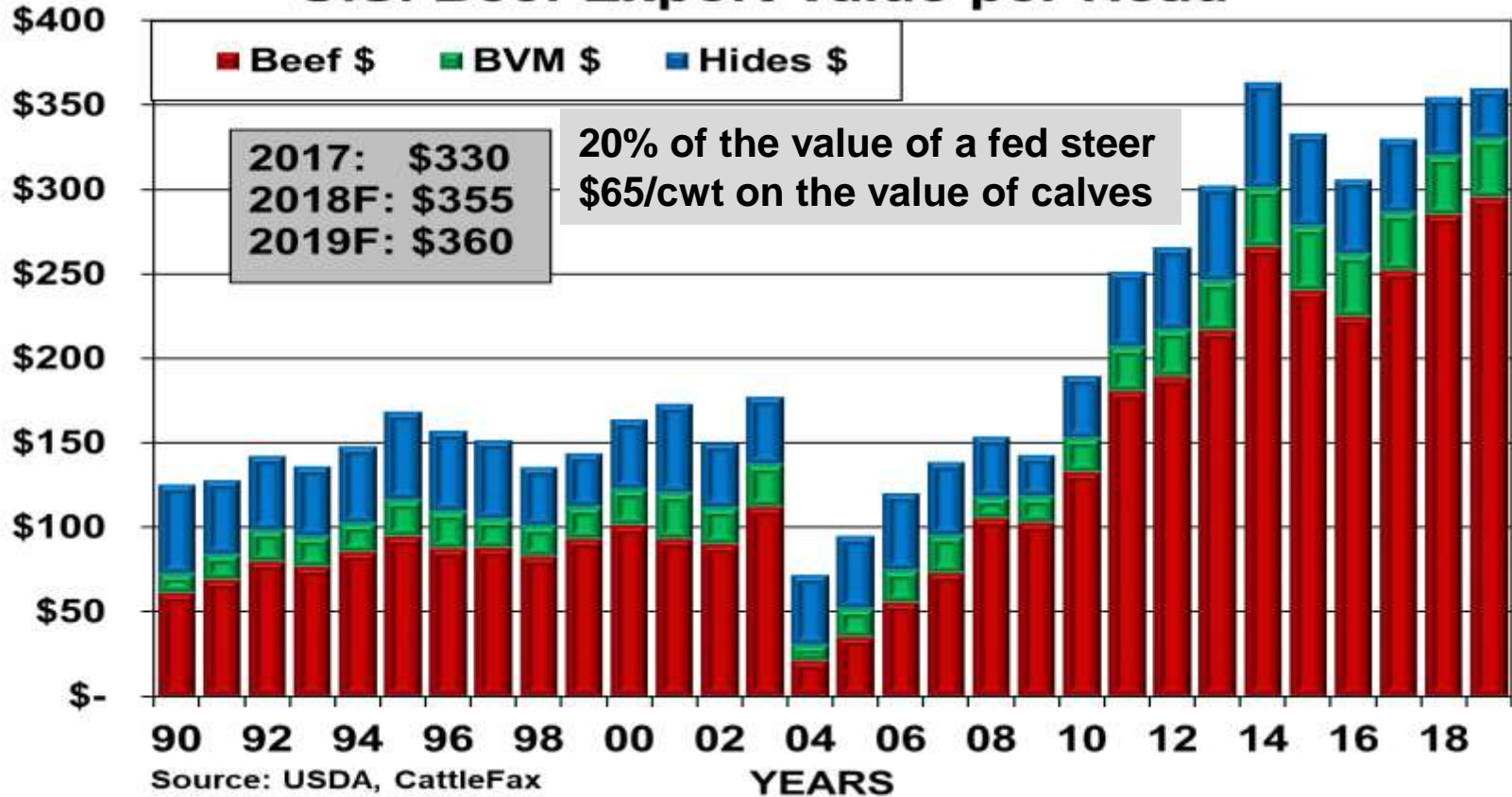
# U.S. Meat/Poultry Exports



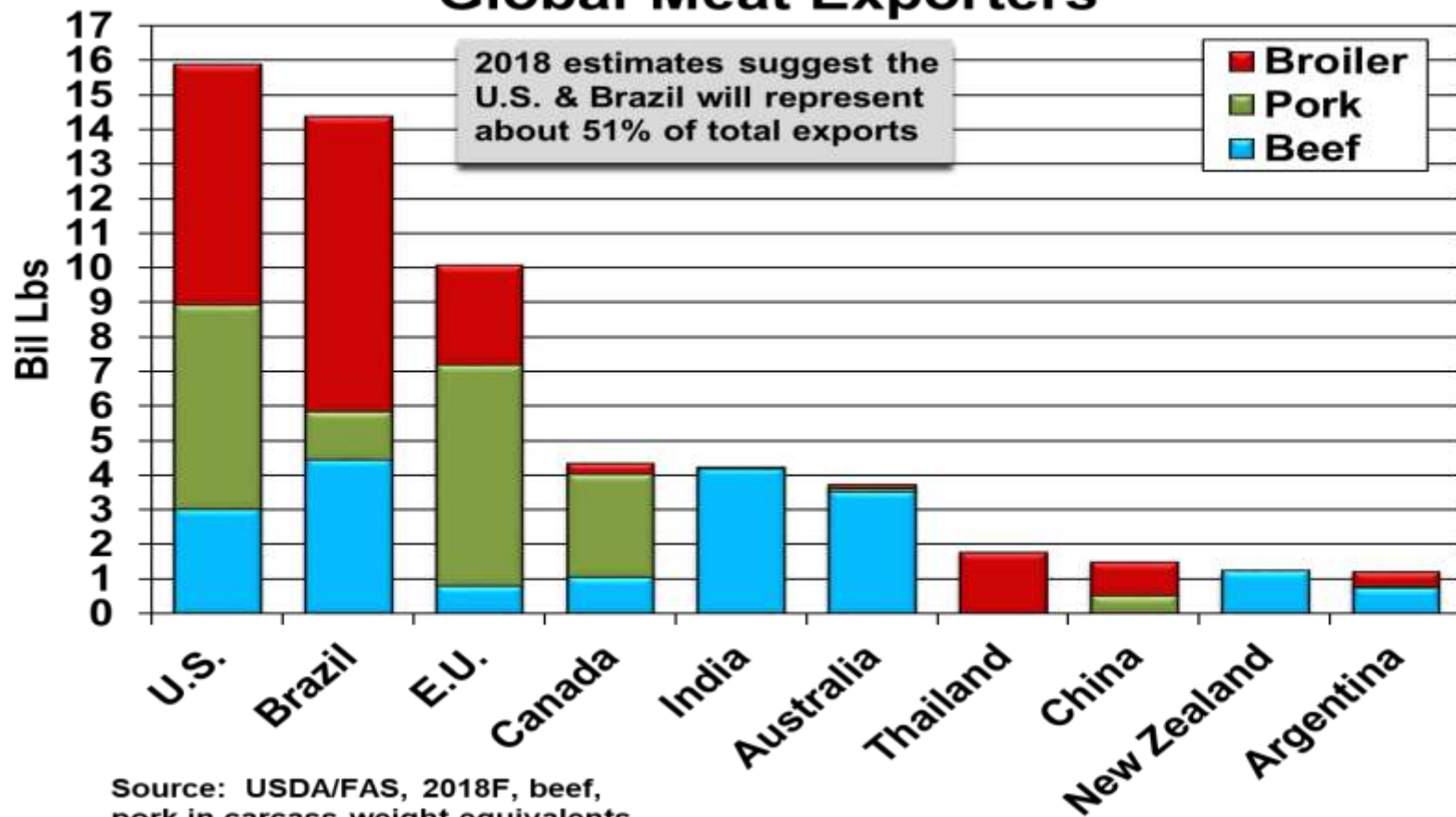
Source: USDA

2018-2021 CattleFax Forecast

# U.S. Beef Export Value per Head



# Global Meat Exporters



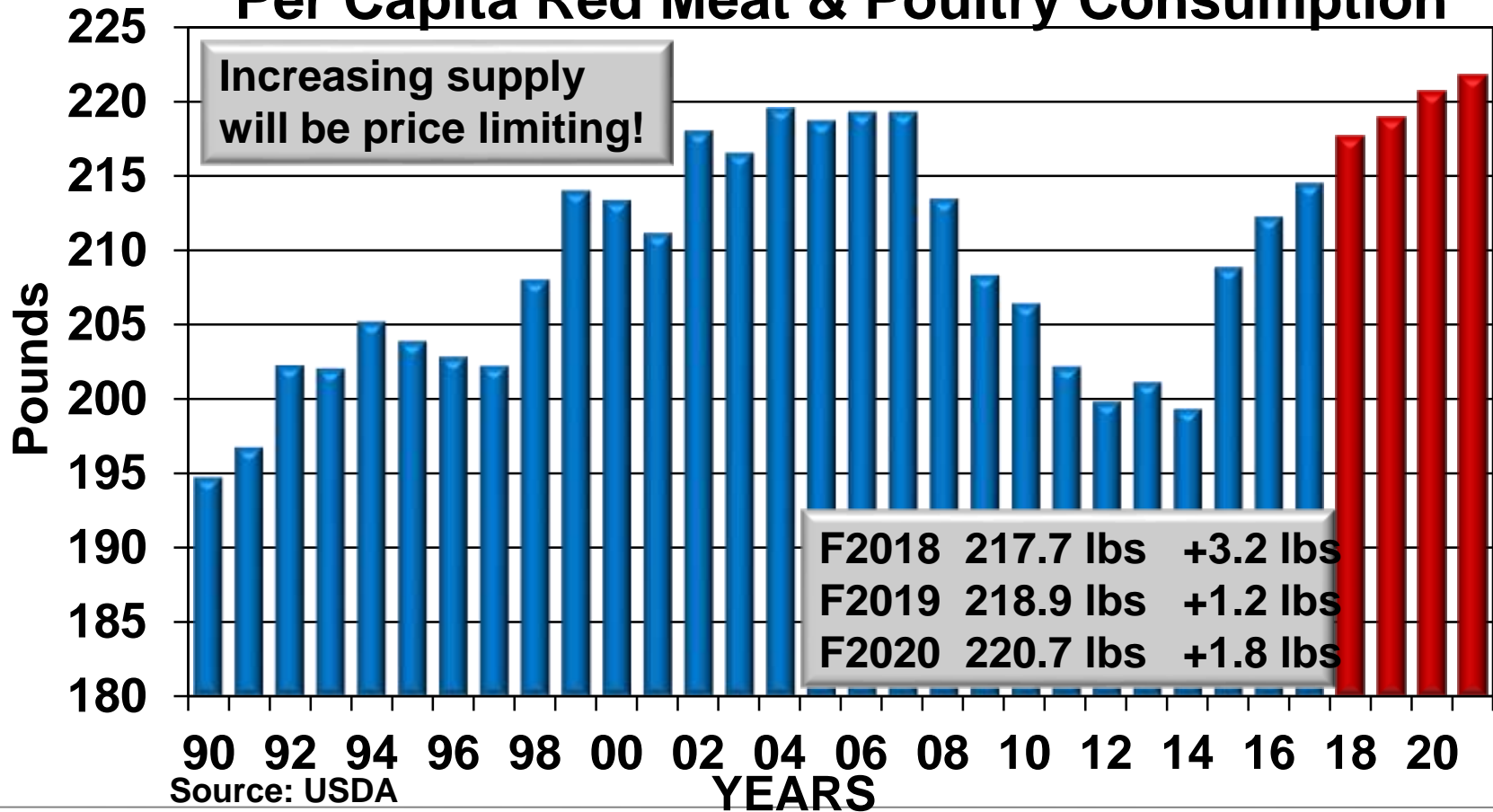
Source: USDA/FAS, 2018F, beef, pork in carcass-weight equivalents



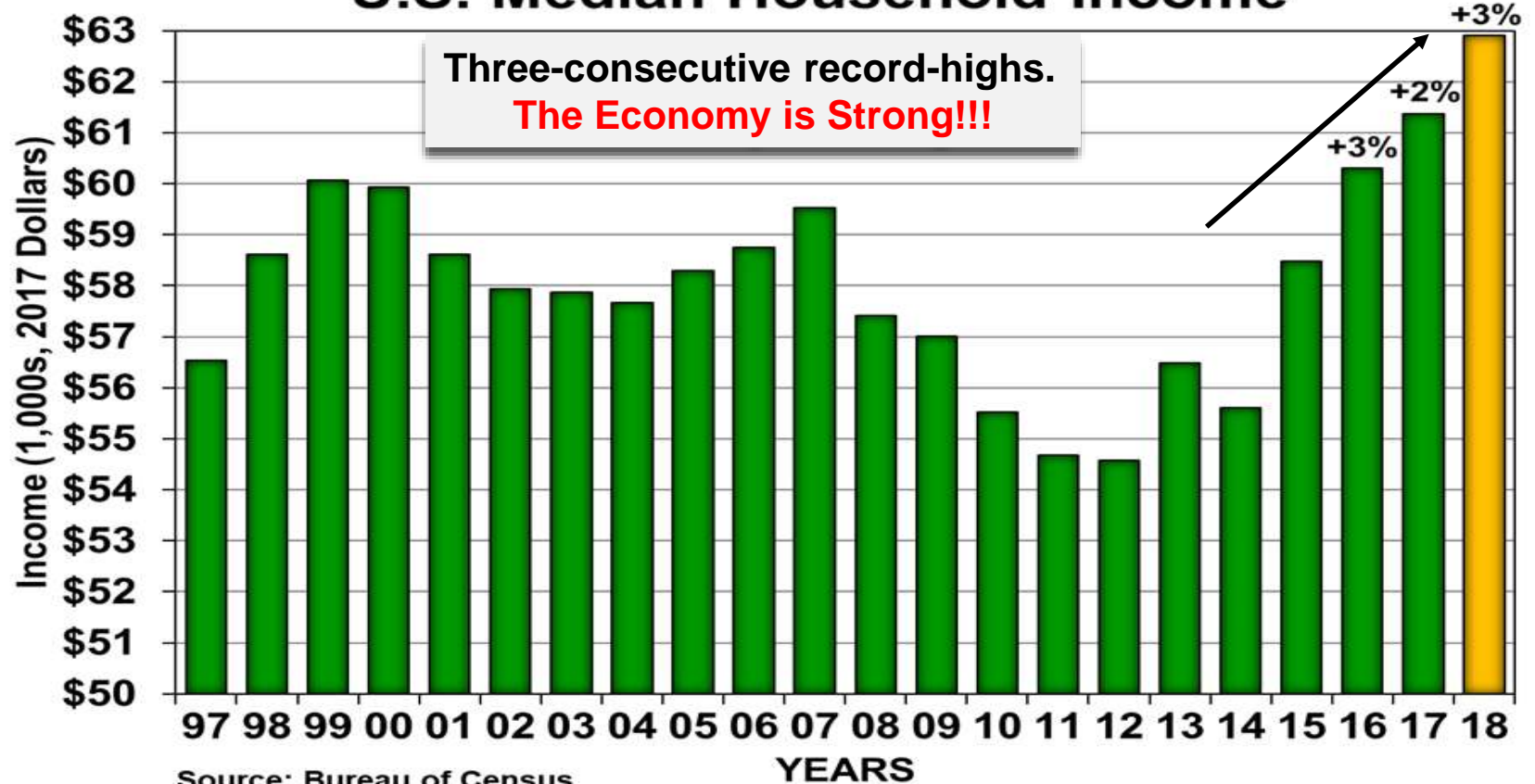


## Consumer Trends, Demand and Expectations

# Per Capita Red Meat & Poultry Consumption



# U.S. Median Household Income



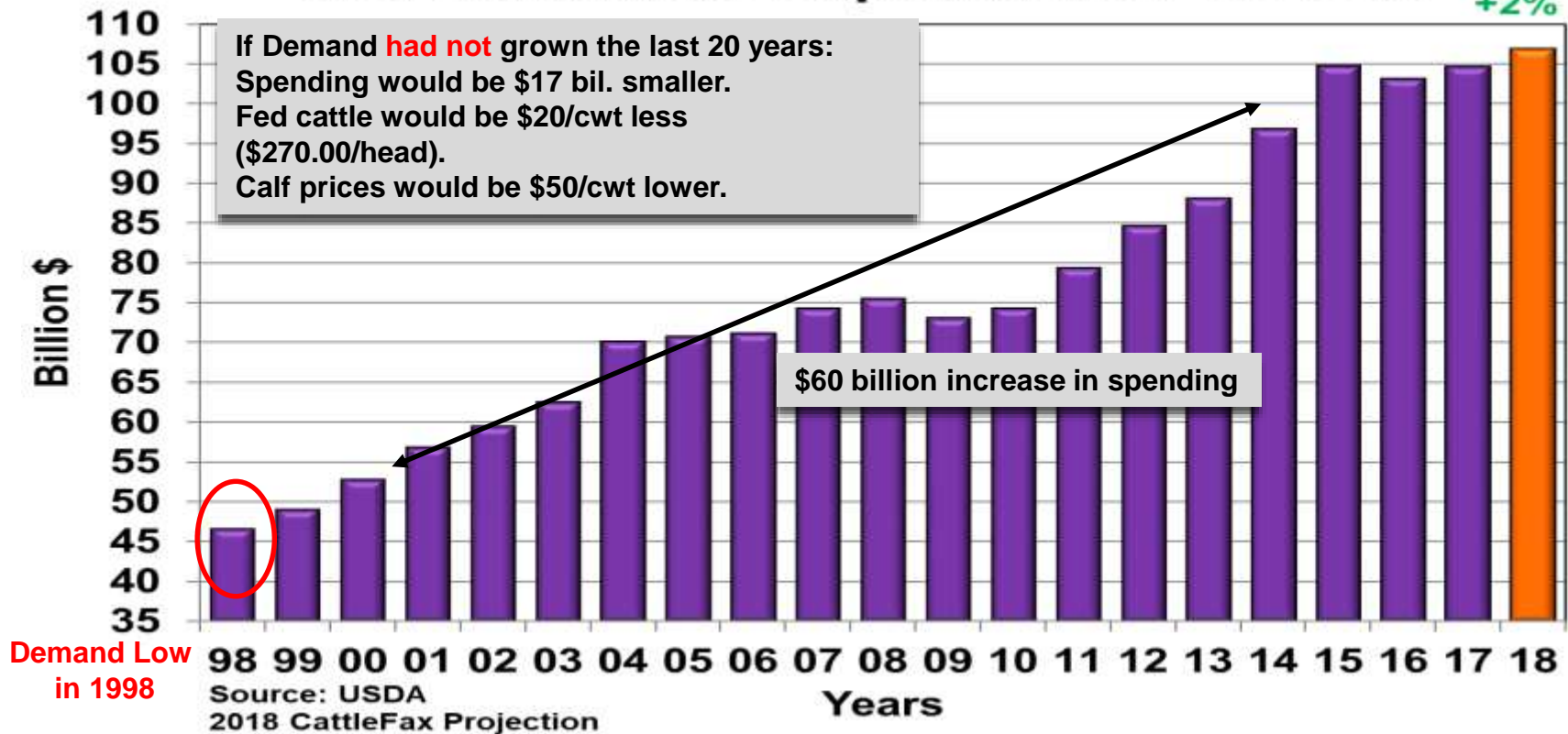
Source: Bureau of Census  
CF Projection 2018

# Change in Foodservice & Grocery Store Sales

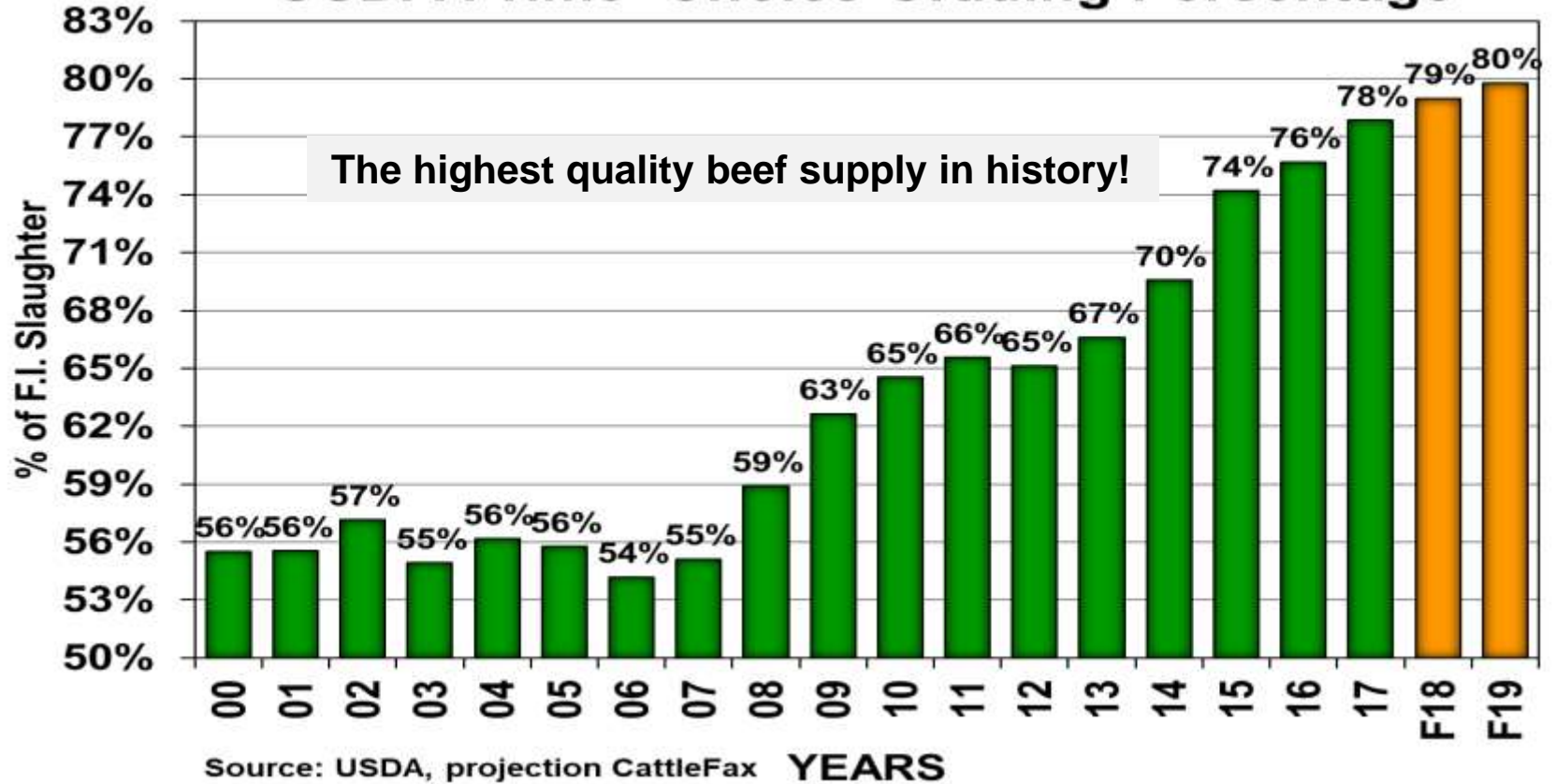
*Jan. 2009 to Nov. 2018, Year-Over-Year*



# U.S. Consumer Expenditures on Beef

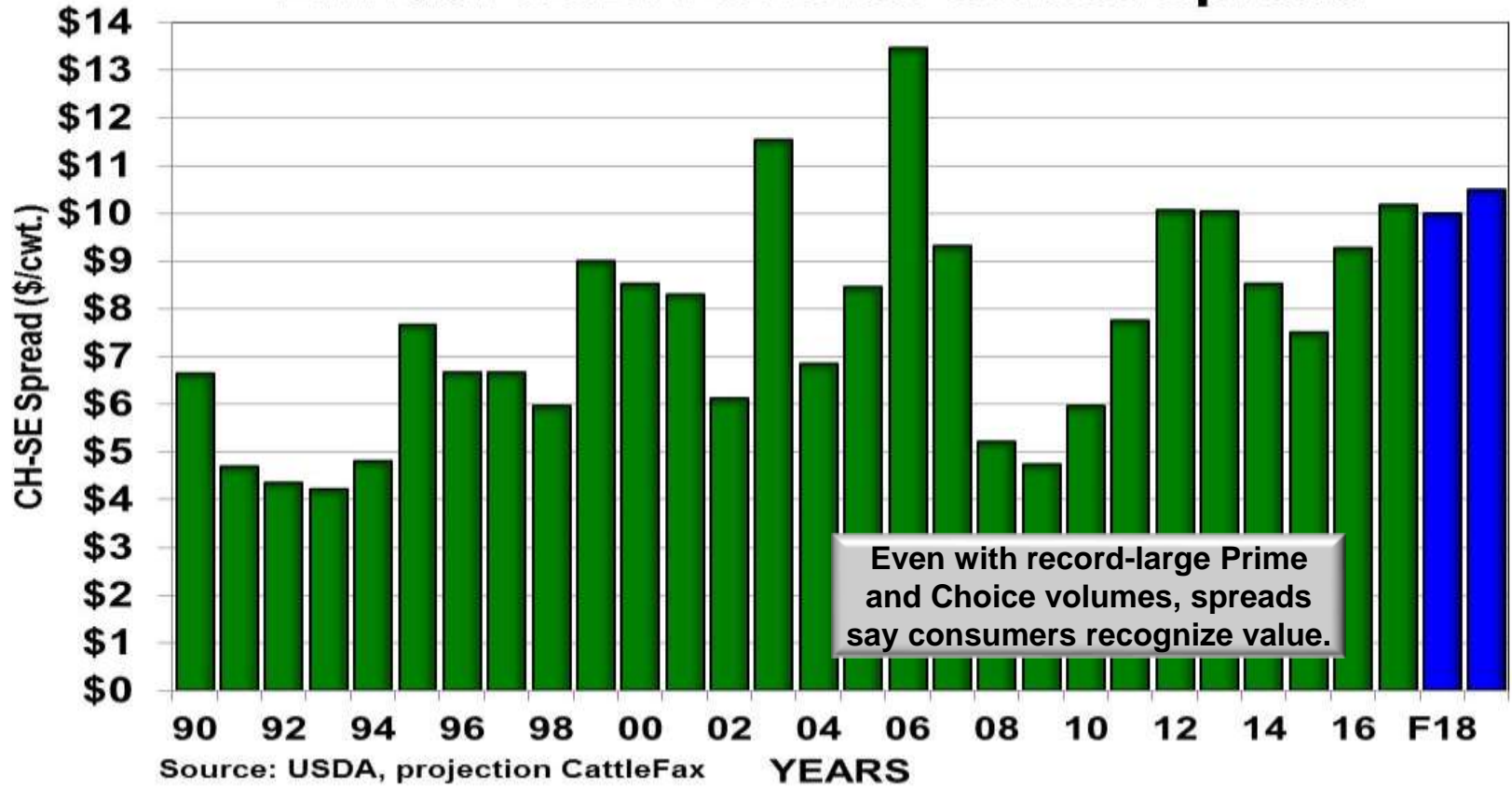


## USDA Prime+Choice Grading Percentage





# Annual USDA Choice-Select Spread





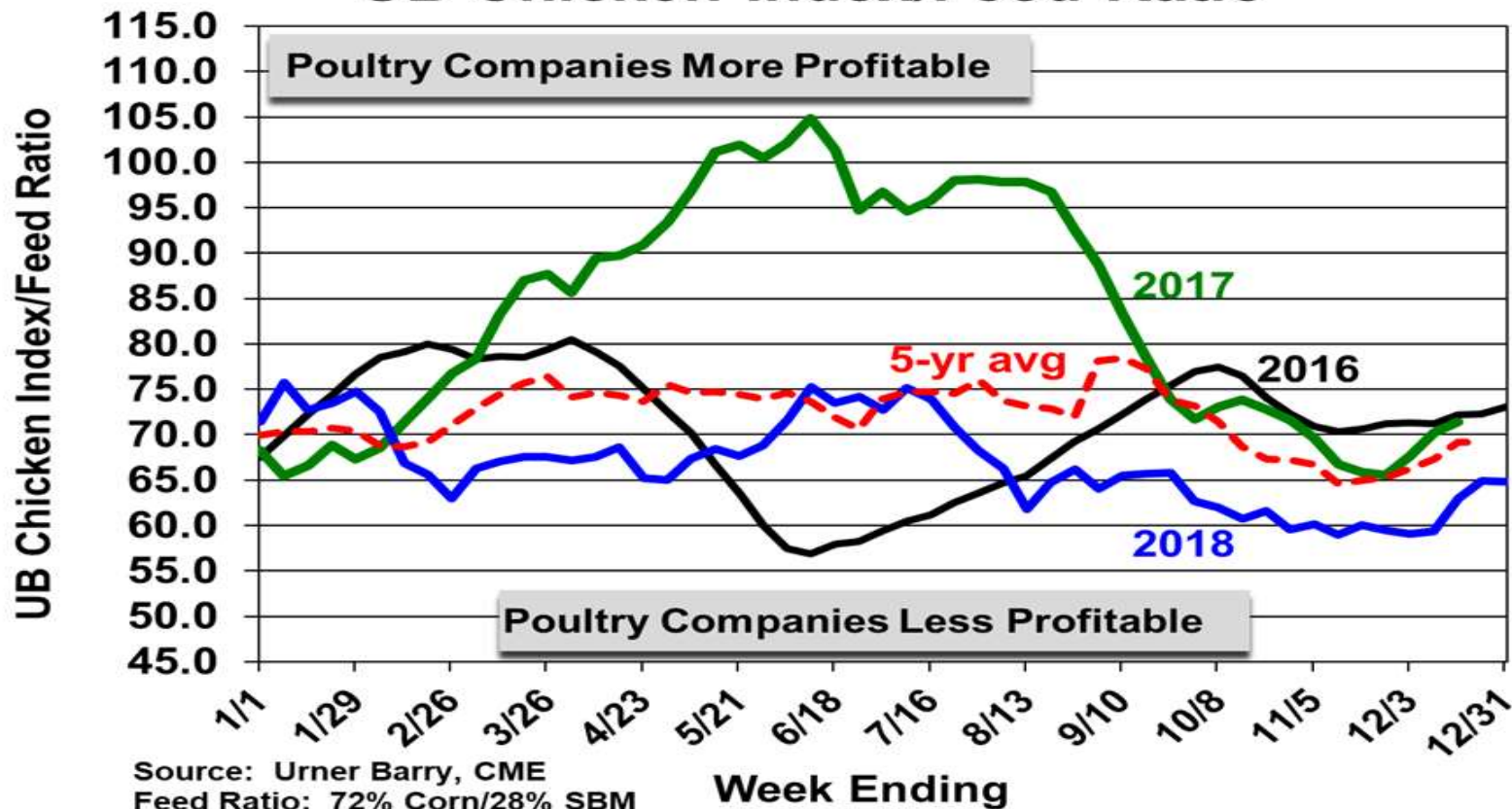
**Putting the pieces of the puzzle together.**

**Corn and beans= another marginal year, China deal critical on beans.**

**Wheat got along OK in 2018, 2019 will be more difficult.**

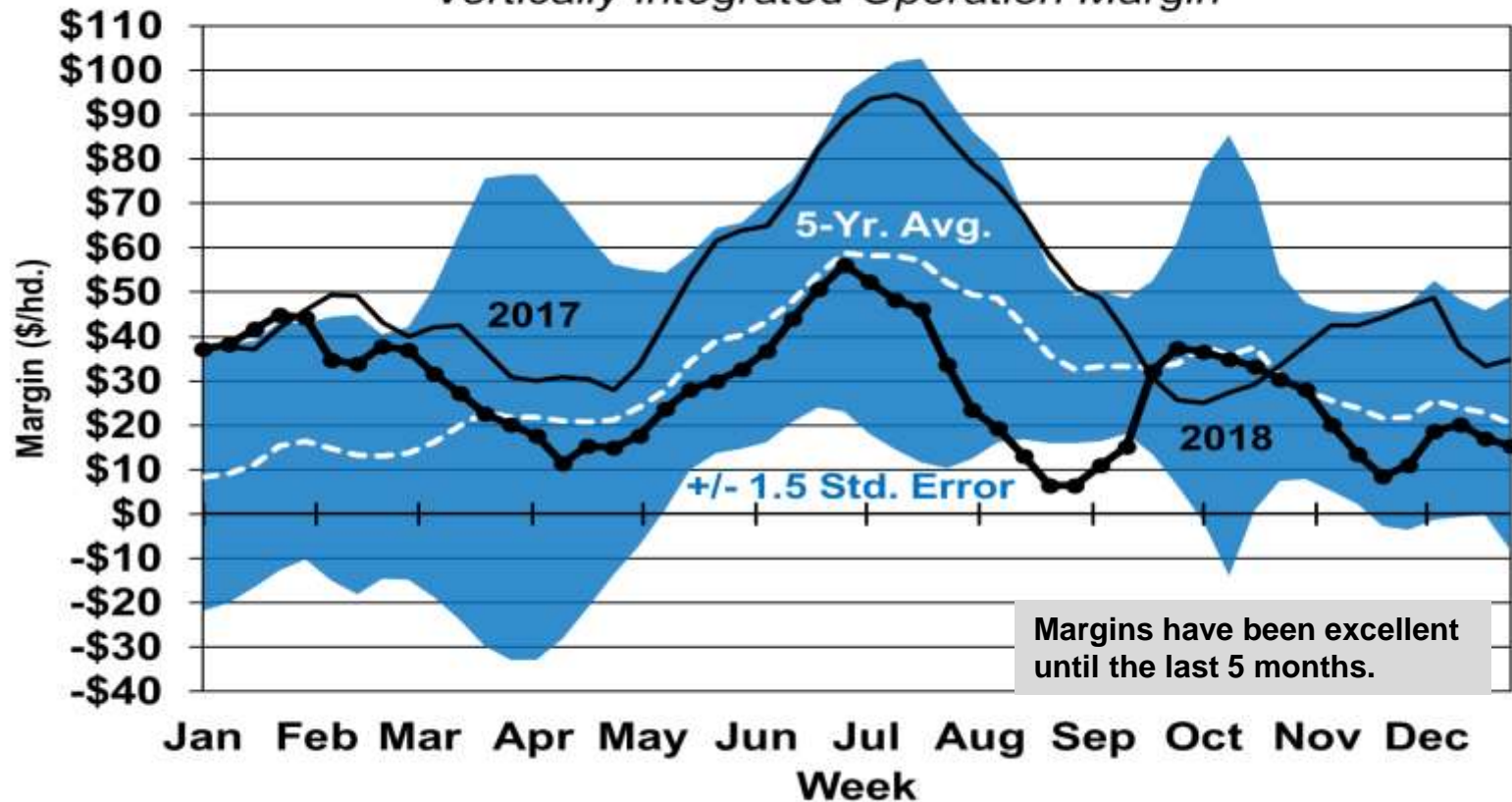
**Livestock markets have had a good run but can this continue?**

## UB Chicken Index/Feed Ratio



# Dow Jones Est. U.S. Pork Packer Margin

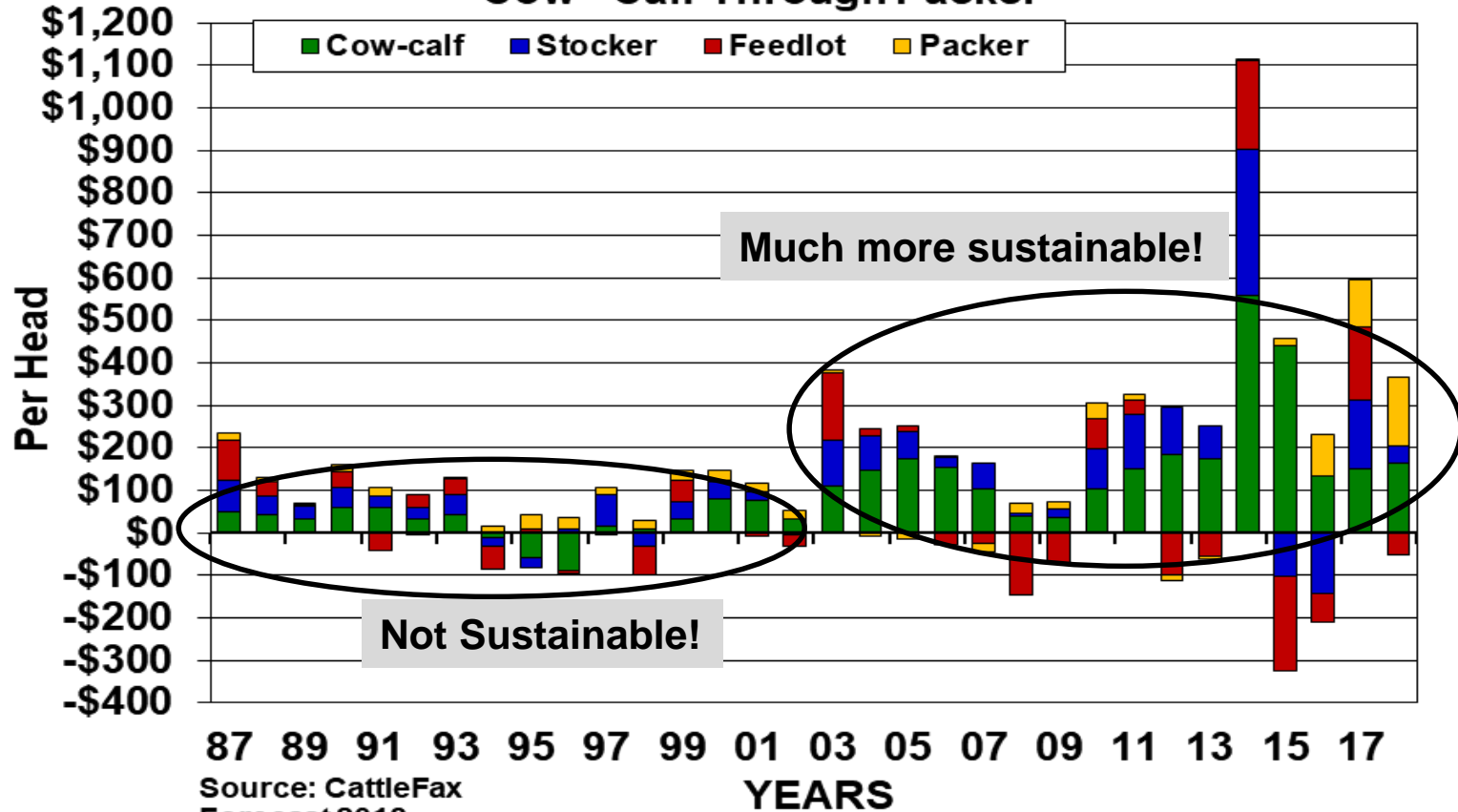
*Vertically Integrated Operation Margin*



Margins have been excellent until the last 5 months.

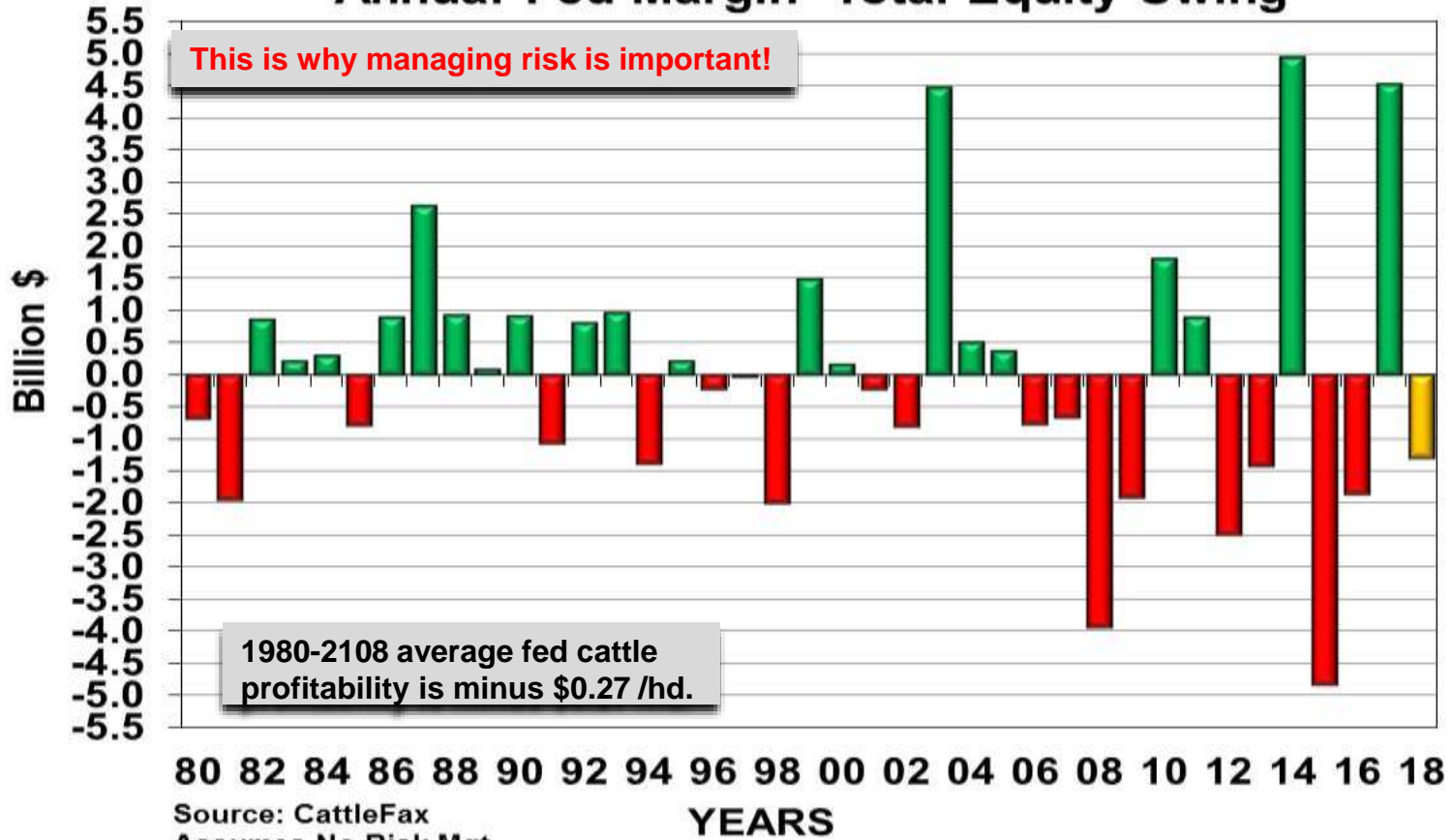
# Industry Profitability

## Cow - Calf Through Packer



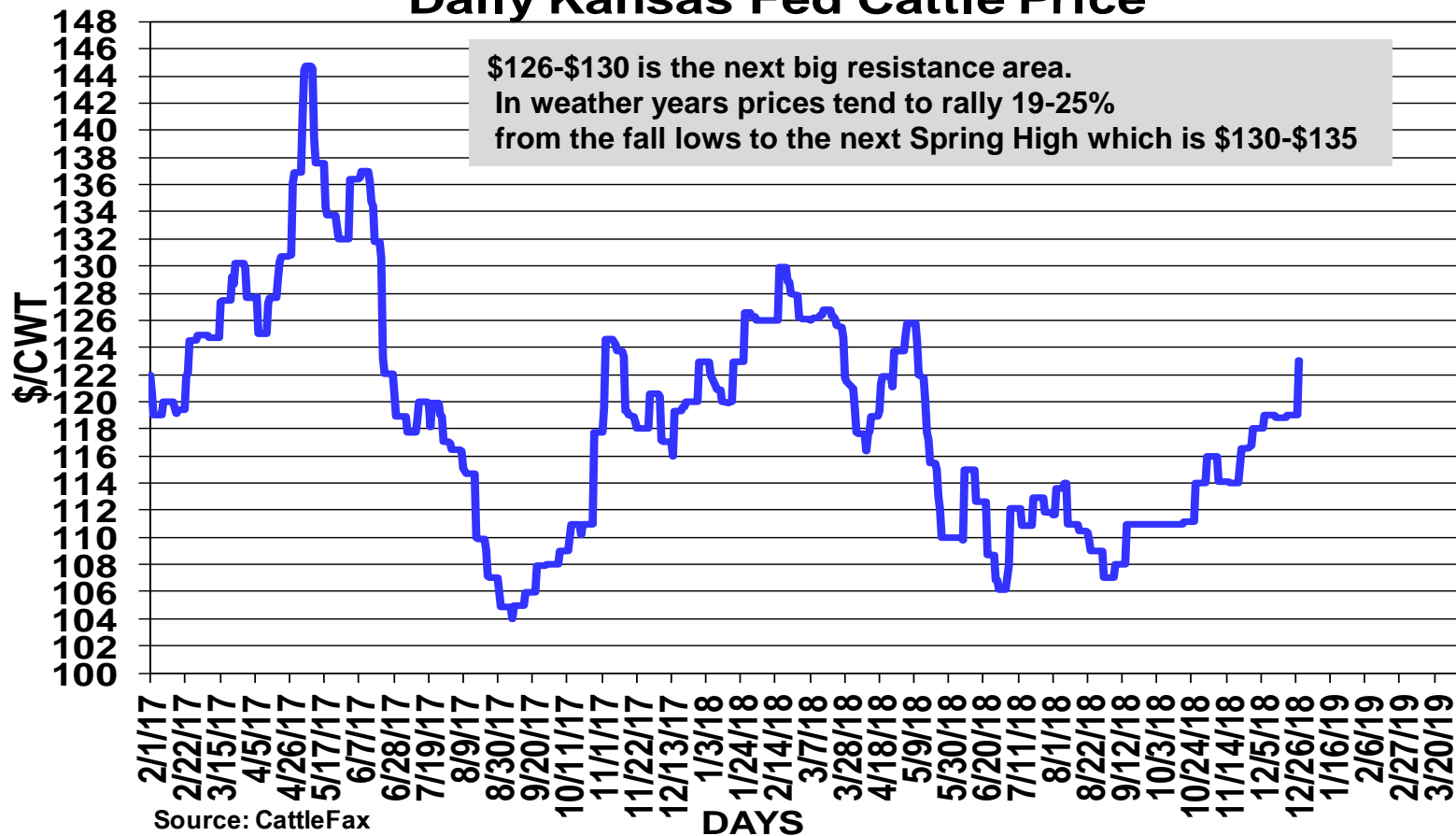
Source: CattleFax  
Forecast 2018

## Annual Fed Margin- Total Equity Swing





# Daily Kansas Fed Cattle Price



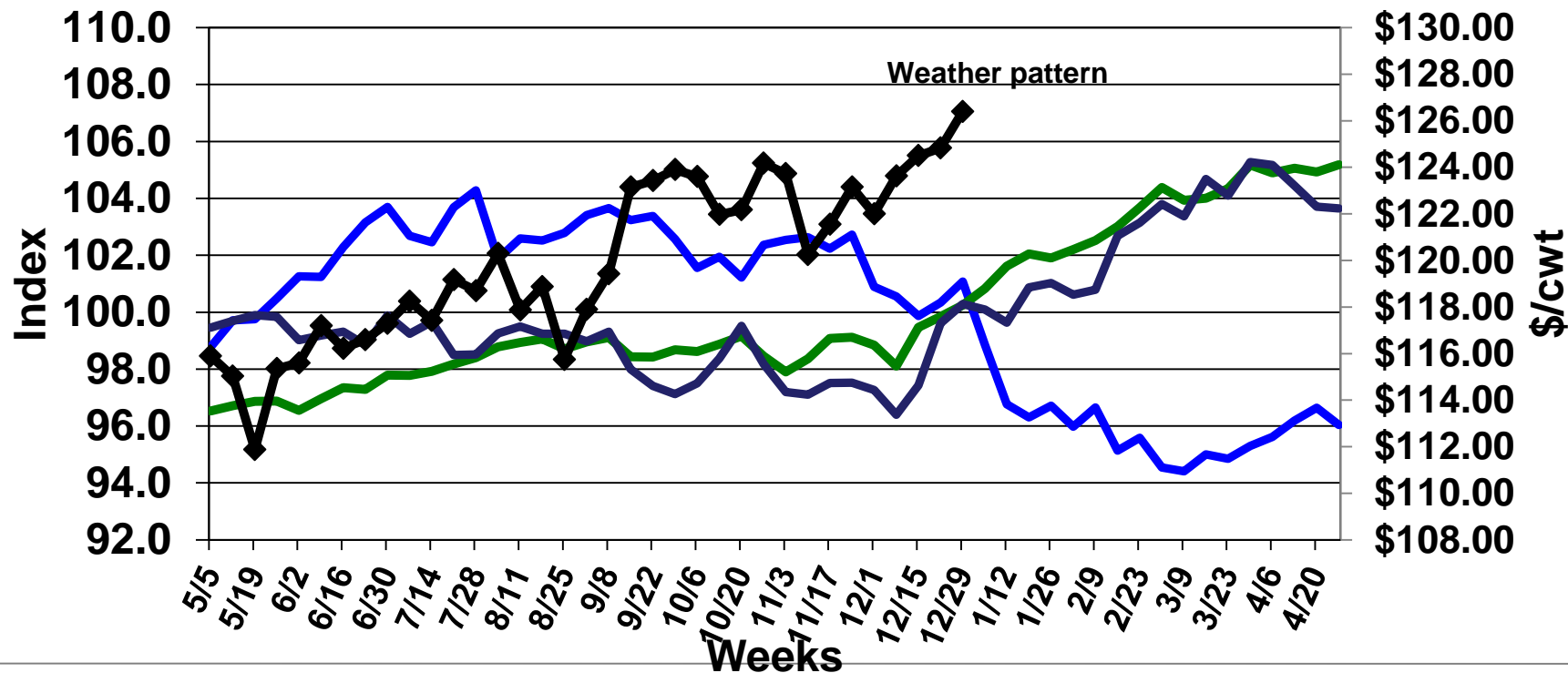
# April Live Cattle Seasonals

— Bear Fed Market Years

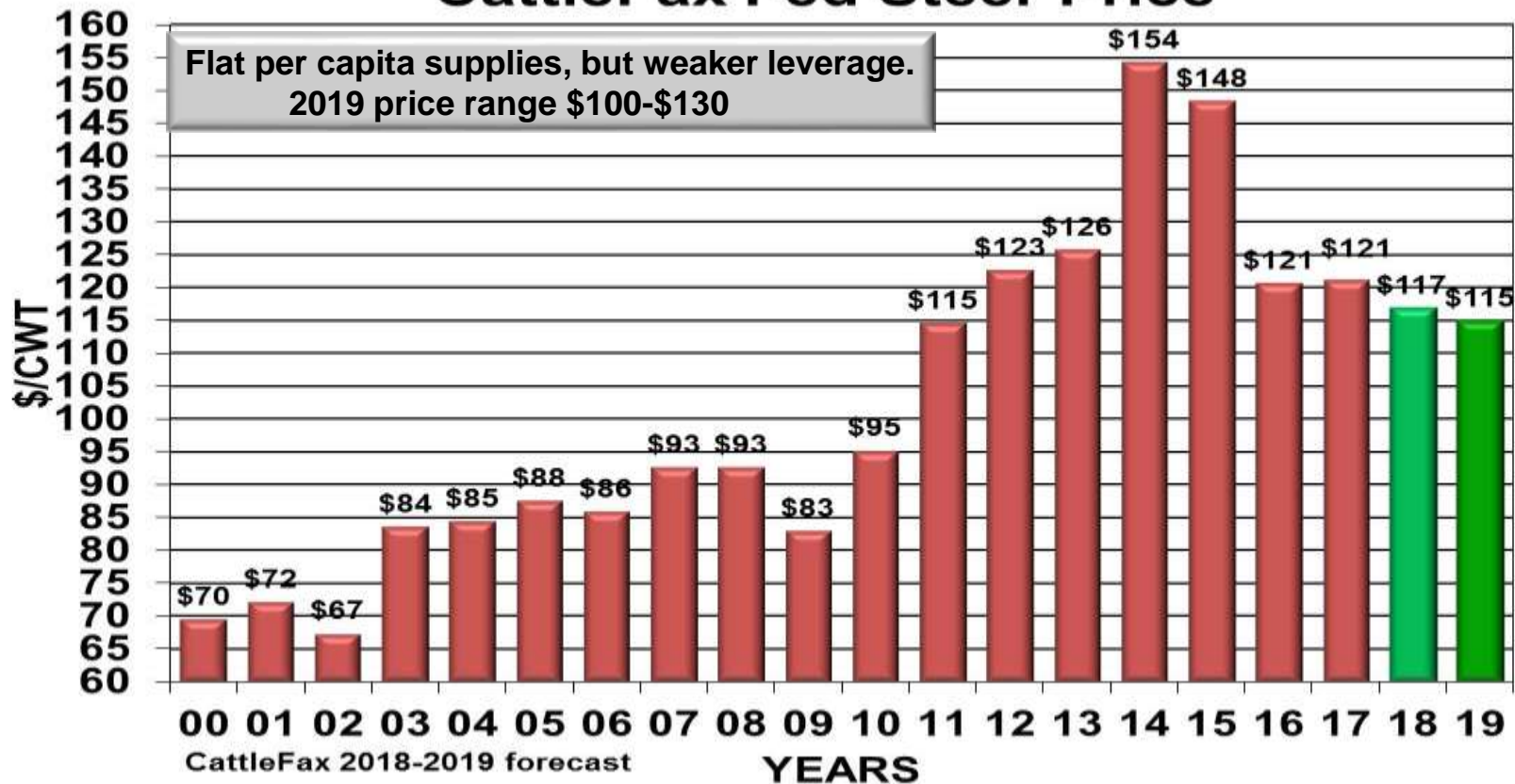
— Last 20 seasonal years Index

— Weather Years Seasonal

◆ 2019 \$/cwt



# CattleFax Fed Steer Price

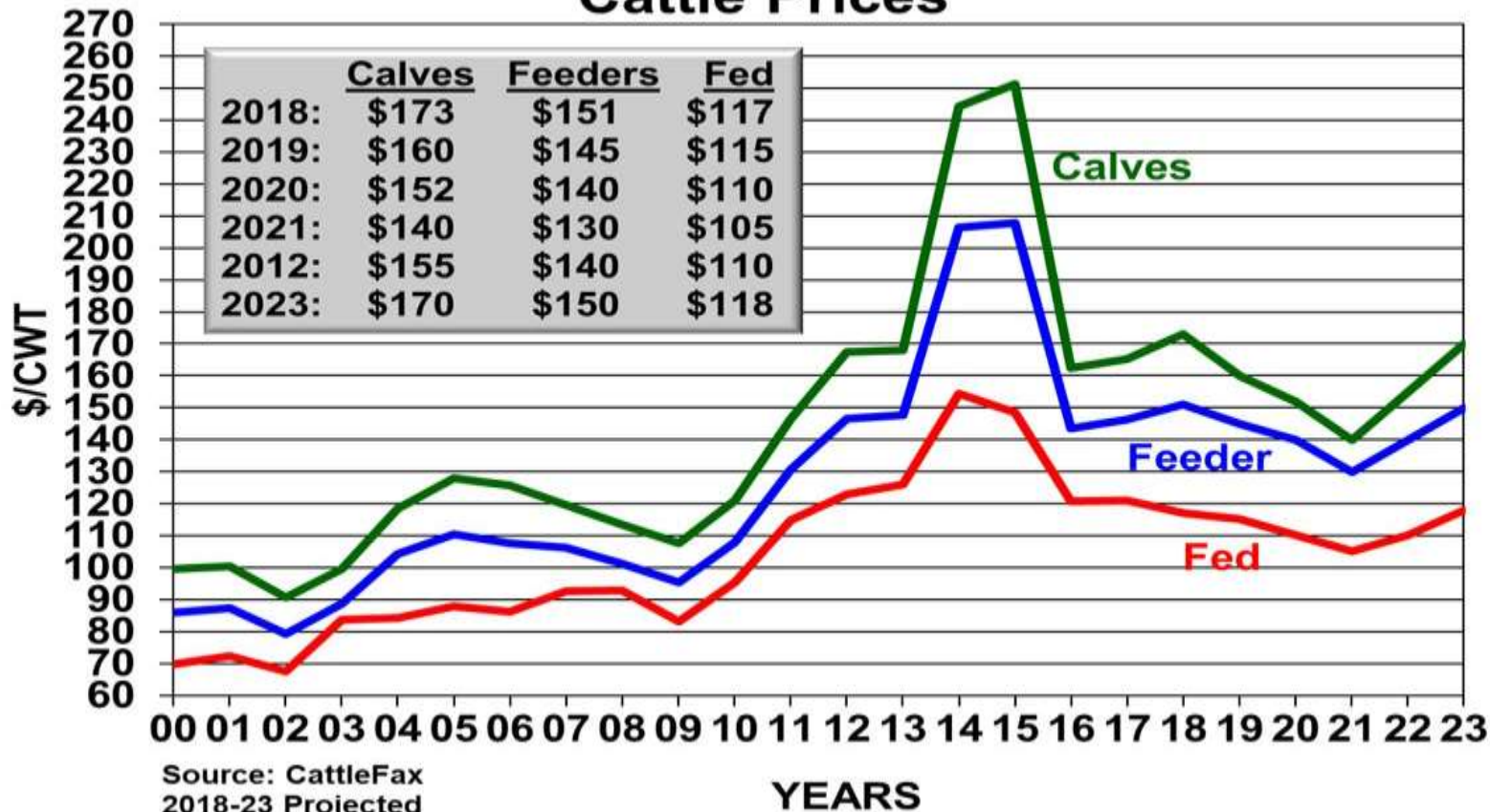


## Qtrly Range and Average 550-lb. Steer Price



Source: CattleFax

# Cattle Prices





## **What Should Be On Your Radar Screen?**



**Volatility will continue in 2019. 64 days in 2018 that S&P moved more than 1%, 5 in 2017.**

**Overdue for recession but we don't see one in the next 12-18 months.**

**Strong economy drives spending and growth, record tax collections in 2018!**

**Congress will likely continue to struggle to get much done.**

**Record slaughter and production in U.S. for all species. Global production levels record high for all major proteins.**

**Fake meat will become more cost competitive and will gain market share.**

**Exports must continue year over year growth. China resolution possible in first qtr of 2019**

**African Swine Fever spreading in China could lead to shortages, trade disruptions in 2019.**

**Managing risk and margins will continue to be important**

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