

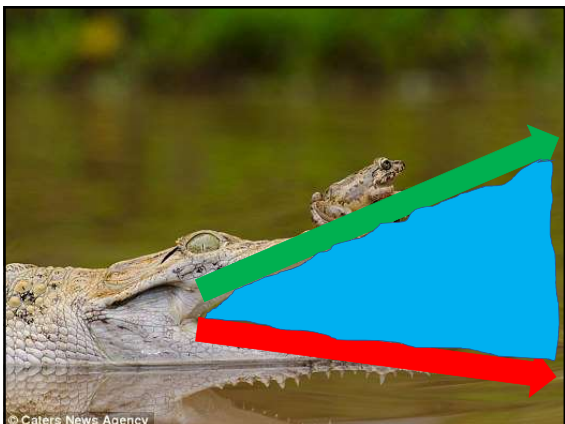
Cow-Calf Management Strategies for the Bottom of the Cattle Price Cycle

Chris Prevatt
Beef Cattle and Forage Economist
UF/IFAS Range Cattle REC

THINGS THAT WILL IMPACT US IN 2019

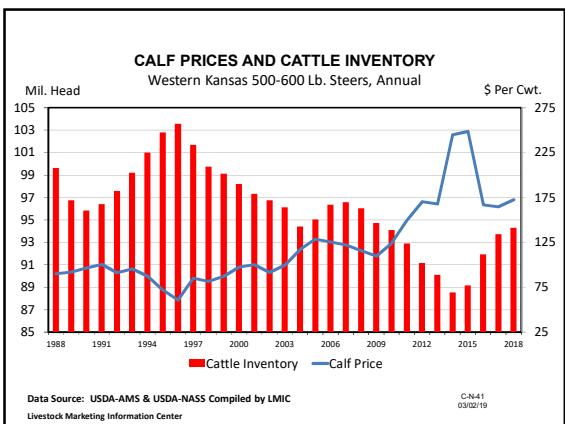
- **AFRICAN SWINE FEVER**
- **TRADE WARS**
- **THE BORDER**
- **RISK OF RECESSION**
- **HIGHER INTEREST RATES**
- **BALANCE SHEET WRITEOFFS**
- **COST OF PRODUCTION**
- **TIGHT MARGINS**
- **WEATHER RELATED IMPACTS**

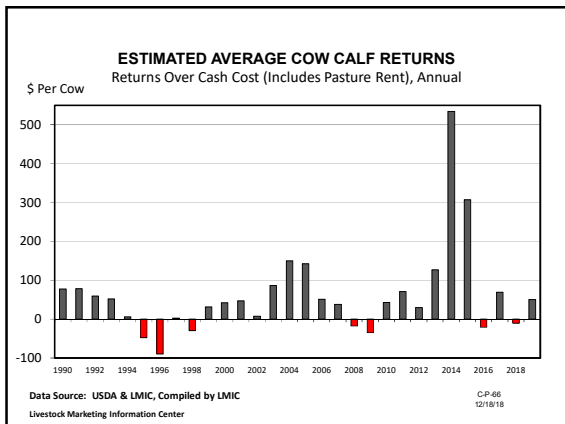


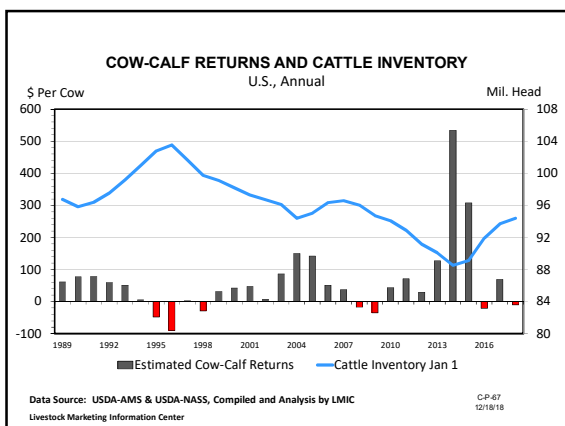


Agricultural Returns are Cyclical in Nature

- Years of good returns are generally followed by years of poor returns.
- Profitability in the Ag Sector from 2006 to 2012 was greater than the 40 previous years combined.
- Very few businesses fail from paying income taxes.







Projected Cattle Prices and Cow-Calf Profits During the Four Phases of the Cattle Price Cycle

Phase of the Cattle Price Cycle	Projected Cow-Calf Profits/Losses
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> *Projected Cattle Prices and Cow-Calf Profit Trends are based on previous Cattle Cycles. </div>	

Projected Cattle Prices and Cow-Calf Profits During the Four Phases of the Cattle Price Cycle

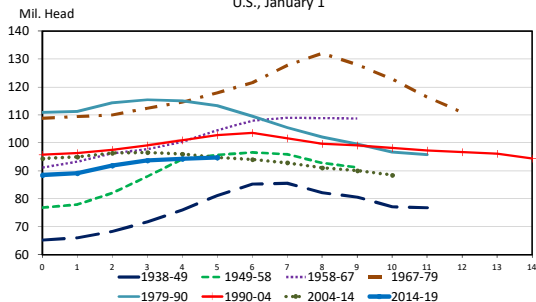
Phase of the Cattle Price Cycle	Projected Cow-Calf Profits/Losses
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**Projected Cattle Prices and Cow-Calf Profit Trends are based on previous Cattle Cycles.*

***Cattle Price Cycle occurs from U.S. Cattle Herd Expansion.*

****Increases in Beef Production cause a transition to cyclically lower cattle prices. Herd expansion continues until prices approach most producers cost of production.*

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



Data Source: USDA-NASS
Livestock Marketing Information Center

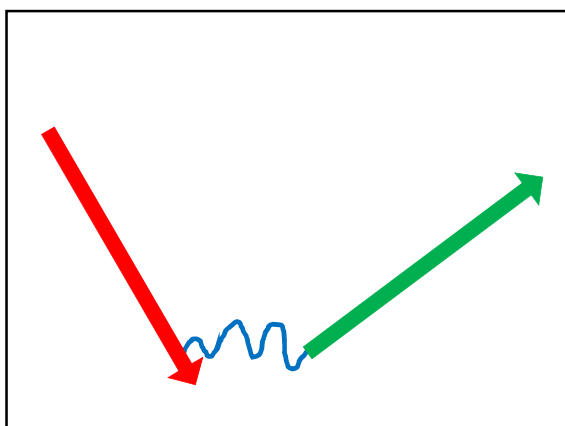
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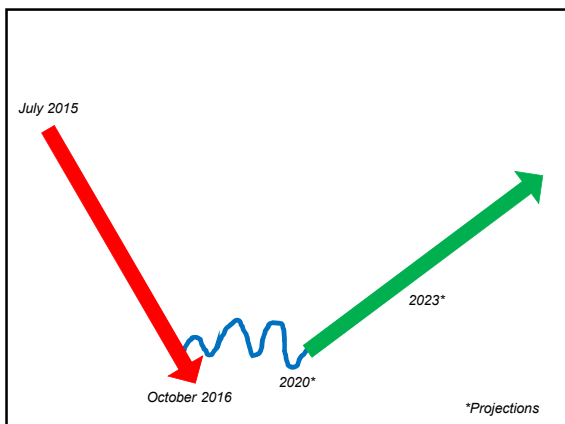
Projected Cattle Prices and Cow-Calf Profits During the Four Phases of the Cattle Price Cycle

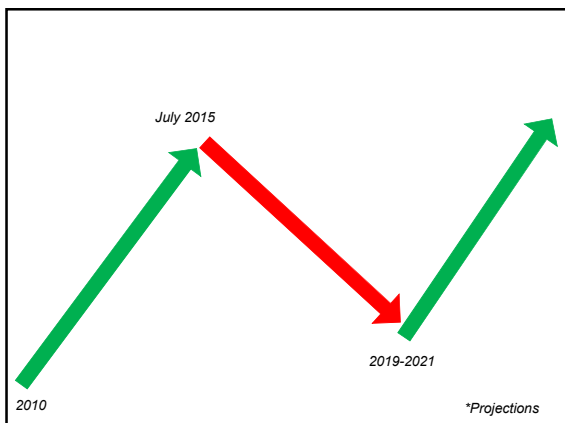
Phase of the Cattle Price Cycle	Projected Cow-Calf Profits/Losses
Top of the Price Cycle (2013 – 2015)	
Downward Price Transition (2015 – 2019?)	
Bottom of the Price Cycle (2019 – 2021?)	
Upward Price Transition (2021 – 2027?)	

**Projected Cattle Prices and Cow-Calf Profits
During the Four Phases of the Cattle Price Cycle**

Phase of the Cattle Price Cycle	Projected Cow-Calf Profits/Losses
Top of the Price Cycle (2013 – 2015)	Significant Profits
Downward Price Transition (2015 – 2019?)	Profits/Losses <i>Declining Profitability</i>
Bottom of the Price Cycle (2019 – 2021?)	Significant Losses
Upward Price Transition (2021 – 2027?)	Profits/Losses <i>Improving Profitability</i>







Projected Cattle Prices and Cow-Calf Profits During the Four Phases of the Cattle Price Cycle

Phase of the Cattle Price Cycle	Projected Cow-Calf Profits/Losses
<i>What is our strategy for the bottom of the Cattle Price Cycle?</i>	
1) <i>Survive.</i>	
2) <i>Analyze Investment Potential of Herd Expansion.</i>	
Bottom of the Price Cycle (2019 – 2021?)	Significant Losses
Upward Price Transition (2021 – 2027?)	Profits/Losses <i>Improving Profitability</i>

Projected Cattle Prices and Cow-Calf Profits During the Four Phases of the Cattle Price Cycle

If I am a producer with a High Level of Management, instead of making a small profit or breaking-even during the Bottom of the Price Cycle, expansion would cause your operation to incur a loss... for the opportunity of future profits in the years ahead.

Value Investing

Bottom of the Price Cycle (2019 – 2021?)	Significant Losses
	Profits/Losses

THIS STRATEGY REQUIRES CASH FLOW.
RISK

Analyze Investment Potential of Herd Expansion

Business is about making Money, NOT CATTLE.

If cattle are not making money, then our strategy must change.

Analyze Investment Potential of Herd Expansion

• The value of a beef cow to any rancher is the sum of net income generated from all the calves she produces, plus her cull cow income.

• Do you want the majority of your females calving during the price-increasing or price-decreasing years of the beef price cycle?

U.S. Cattle Price Cycle

• If you do the right thing at the wrong time, things don't always work out so well.

• You have to do the right time at the right time to have financial success in this business.

**Most Valuable Female Owned
During the Last Beef Price Cycle**

- A Heifer Calf Born in 2006.
- Developed in 2007.
- Had her first calf in 2008.
- Had Six More Calves, 2009-2014.
- Then was culled in 2014.

**Cull Cow Income is a big contributor to the lifetime value of a beef cow.*

**Second Most Valuable Female Owned
During the Last Beef Price Cycle**

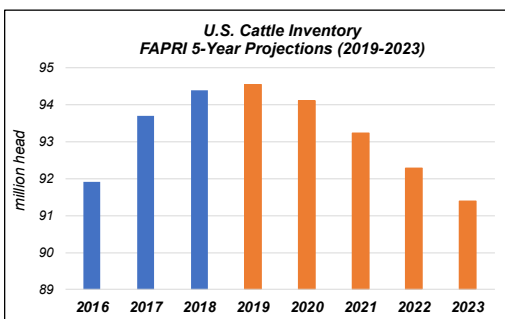
- A Heifer Calf Born in 2007.
- Developed in 2008.
- Had her first calf in 2009.
- Had Six More Calves, 2010-2015.
- Then was culled in 2015.

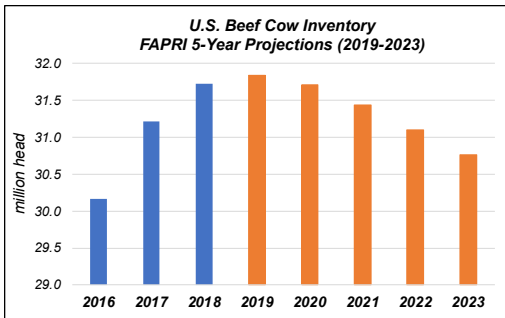
**Least Valuable Female Owned
During the Beef Price Cycle***

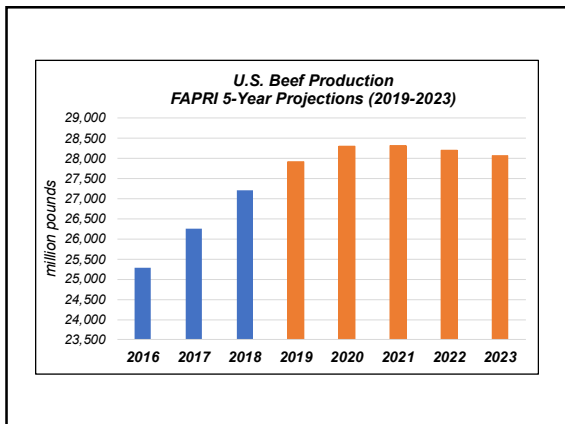
- A Heifer Calf Born in 2014.
- Developed in 2015.
- Had her first calf in 2016.
- Had Six More Calves, 2017-2022.
- Then was culled in 2022.

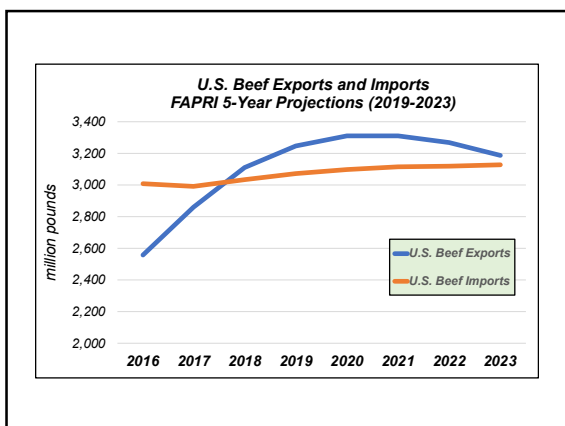
Second Least Valuable Female Owned During the Beef Price Cycle*

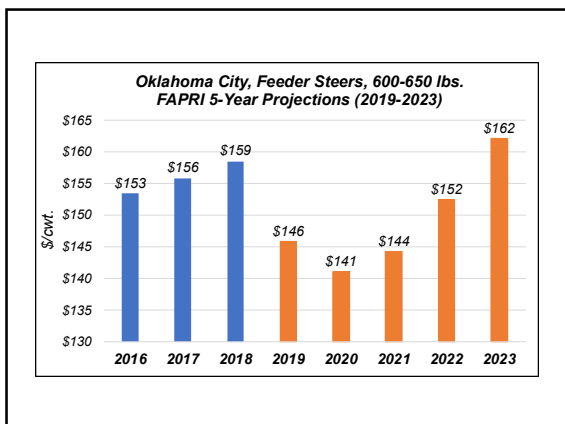
- A Heifer Calf Born in 2015.
- Developed in 2016.
- Had her first calf in 2017.
- Had Six More Calves, 2018-2023.
- Then was culled in 2023.





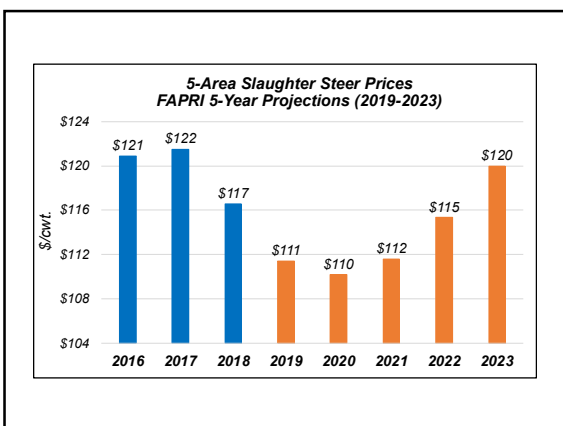


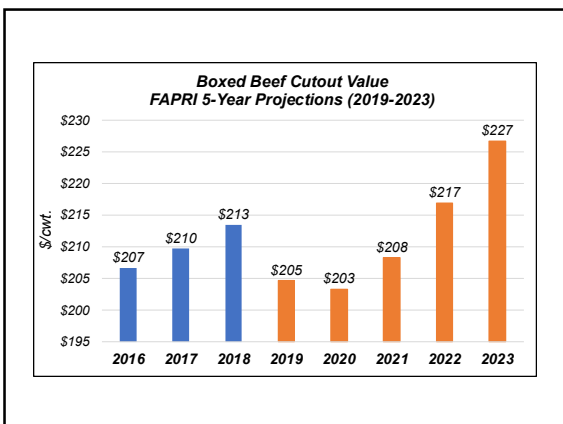




	2018	2019	2020
\$/cwt.	\$159	\$146	\$141
Change from 2018, \$/cwt.		-\$13	-\$17
Change from 2018, \$/head		-\$78.75	-\$109.06

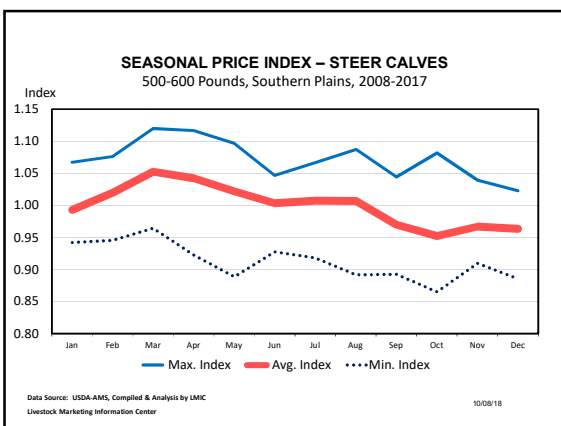
*OKC, 625 lb. Feeder Steer

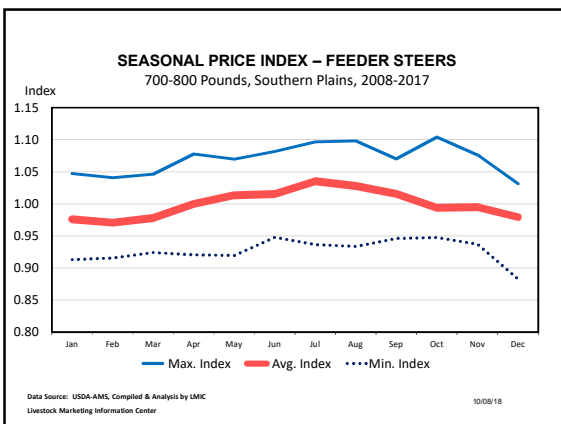


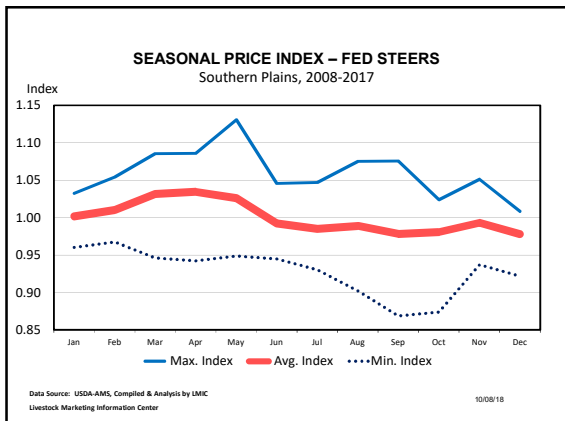


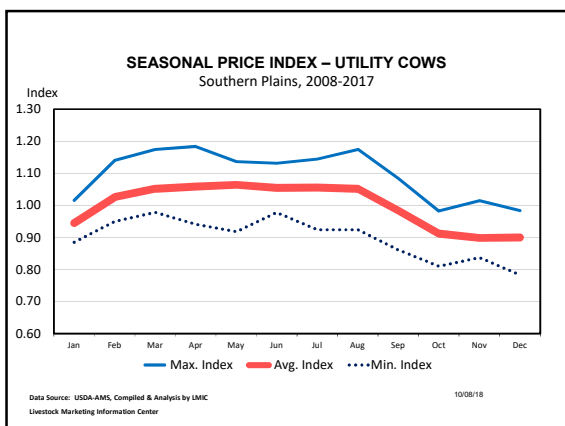
***Cattle Prices are Expected to Decline,
What Can Producers Do?***

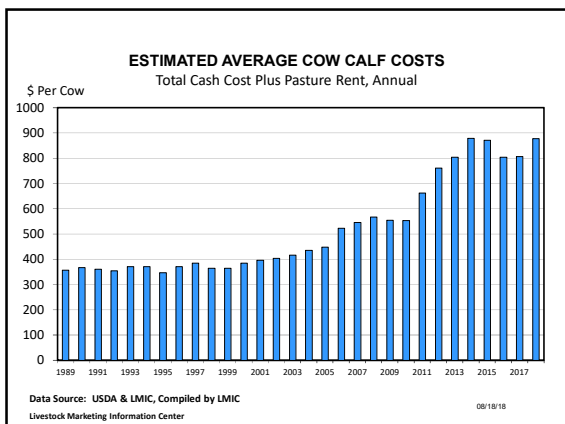
- 1) Search for ways to lower unit cost of production (such as more efficient use of inputs, reduce wastes, scrutinize capital purchases, debt, etc.)
- 2) Identify opportunities to enhance cattle market prices (improve quality and quantity, identify economical weights, months to sell, price protection, etc.) in order to achieve higher levels of profits during the bottom of the cattle price cycle (2019 – 2021)

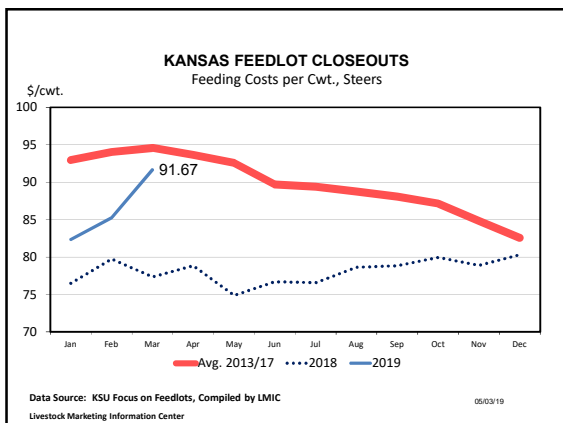


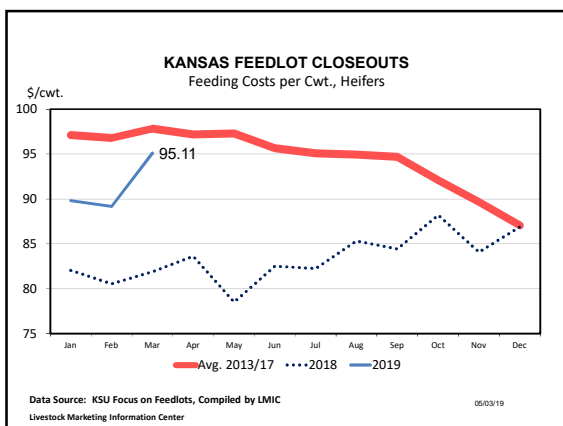












Joe Outlaw – Texas A&M

- I am not going to say that all farmers are broke and we are headed for a 1980's type crash...
- What I think is true is that for the 300,000 to 400,000 real farmers in the U.S., the likelihood of failure is equal to the likelihood of staying in business – some just don't realize it
- Across the country record yields experienced over the last few years temporarily changed the outlook and put off a disaster – for now...

Beef Cattle Market Summary

- Volatile changes are occurring in U.S. and foreign economies, 2019 has the potential for some **BIG** price swings.
- **Under normal circumstances**, lower U.S. cattle prices for feeder calves, feeder cattle, and fed cattle would be expected during 2019 due to further increases in beef production and competing meat proteins.



***Thank you for your attention.
I hope you have a profitable 2019!***

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