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***Extremely Difficult Time
for the U.S. Meat Industry***

The situation may be difficult for packers; however they are generally well capitalized and can handle being down for a period of time.

Additionally, retailers can handle getting shorted product by either raising prices to ration out demand or mixing and matching products that are available.

2

***Extremely Difficult Time
for the U.S. Meat Industry***

Producers, on the other hand, cannot tell their cattle, hogs, or chickens to stop growing for a while until plants open back up. There is a flow of animals that moves through the farm and if you stop what goes out the door, the entire system breaks down.

Therefore, this is an extremely difficult time for producers and, like with any natural disaster, immediate support and assistance is needed to assure their survival.

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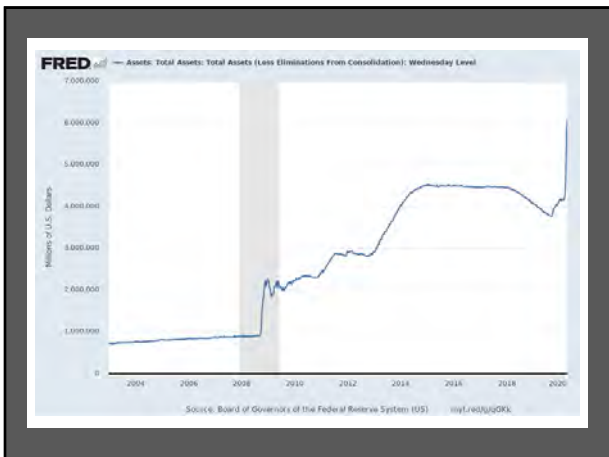
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COVID-19 Pandemic and Cattle Markets

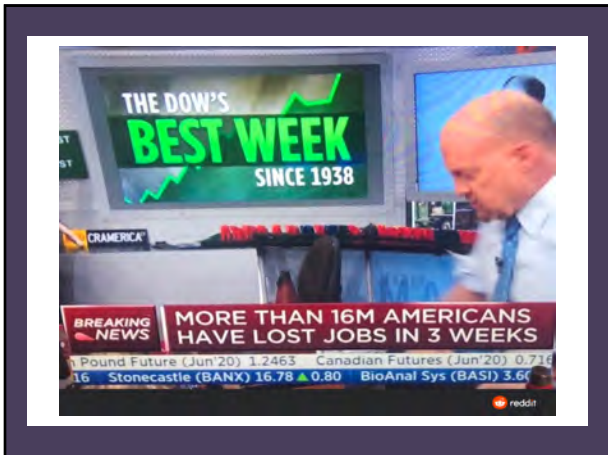
U.S. Economy likely in a Recession

Global Economy likely in a Recession

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COVID-19 Pandemic and Cattle Markets

Beef Cattle Market Price Projections – Uncharted Territory

Major Changes in Domestic and Global Consumer Beef Demand

Major Disruptions in the Supply Chain – Both Inputs & Outputs

Consumer and Governmental Reactions to COVID-19 will likely affect our future way of producing beef.

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THINGS THAT WILL IMPACT US IN 2020

- CORONAVIRUS
- MEAT PLANTS CLOSING
- AFRICAN SWINE FEVER
- TRADE WARS
- THE BORDER
- RISK OF RECESSION
- INTEREST RATES - INFLATION
- BALANCE SHEET WRITEOFFS
- COST OF PRODUCTION
- TIGHT MARGINS
- WEATHER RELATED IMPACTS

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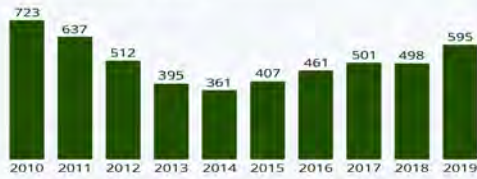
Outlaw – Texas A&M (2018)

- I am not going to say that all farmers are broke and we are headed for a 1980s 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 the record yields experienced over the last few years temporarily changed the outlook and put off a disaster—for now

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U.S. Farm Bankruptcies Reach Eight-Year High

Number of Chapter 12 bankruptcies filed in the U.S. by year*



* Chapter 12 is a part of the federal bankruptcy code that's designed for family farmers and fishermen.
Source: United States Courts

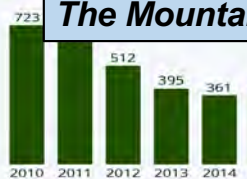


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U.S. Farm Bankruptcies Reach Eight-Year High

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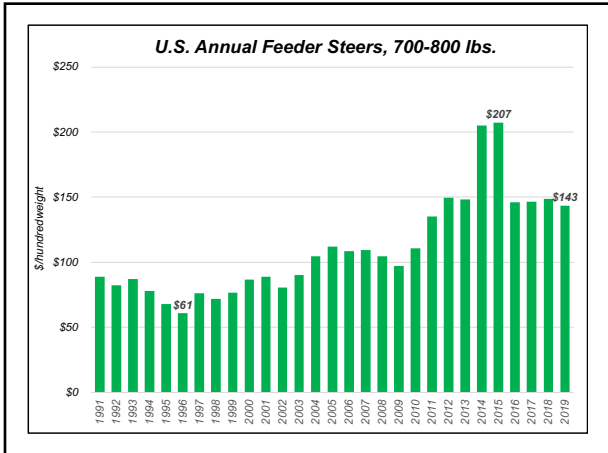
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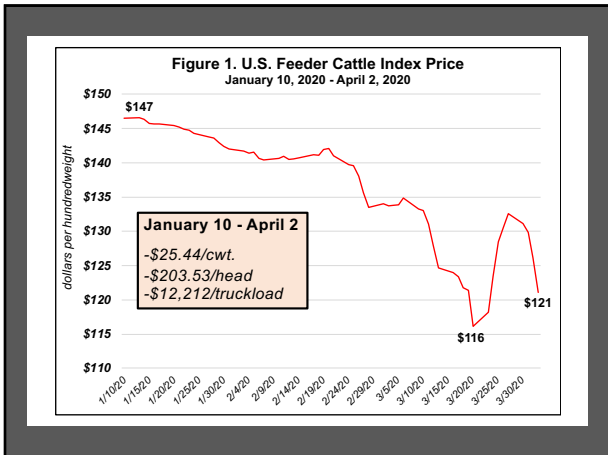
Don't Fall Off The Mountain



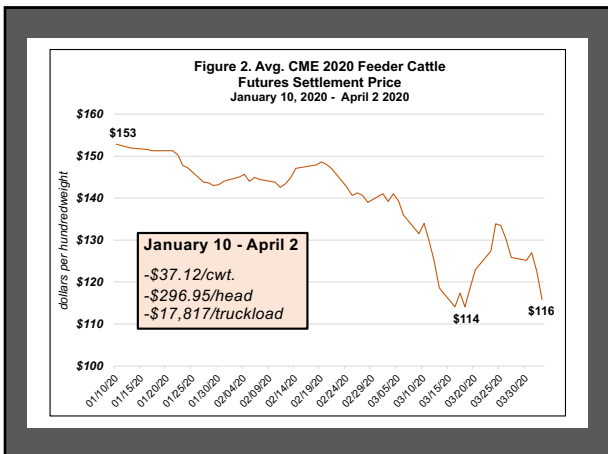
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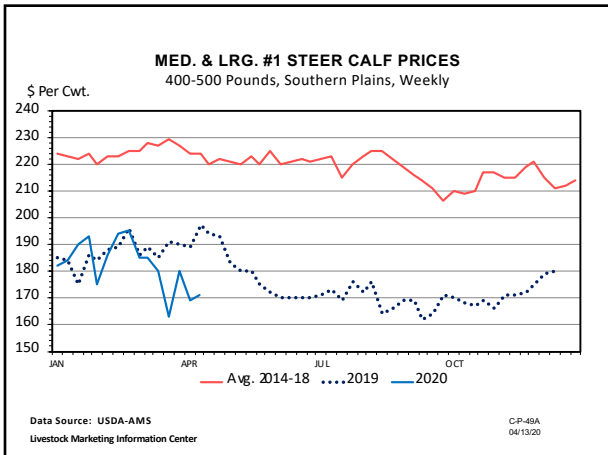
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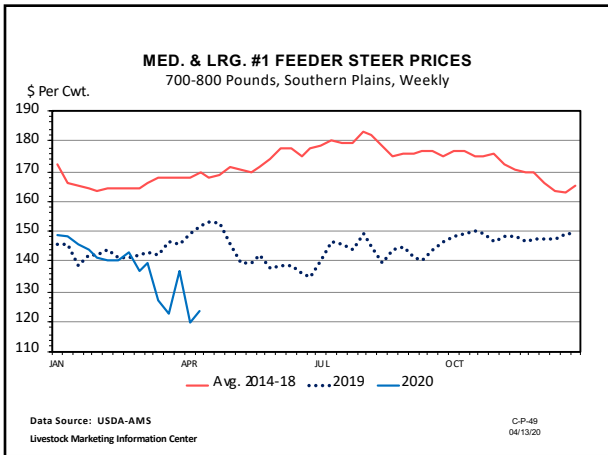
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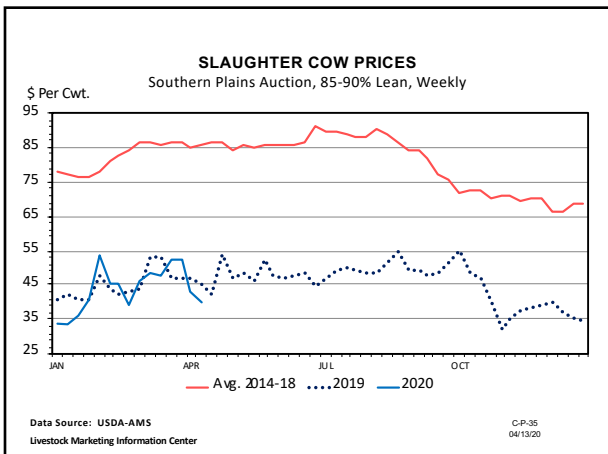
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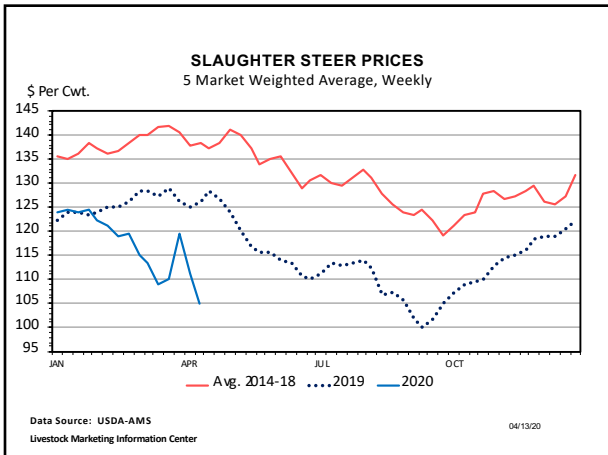
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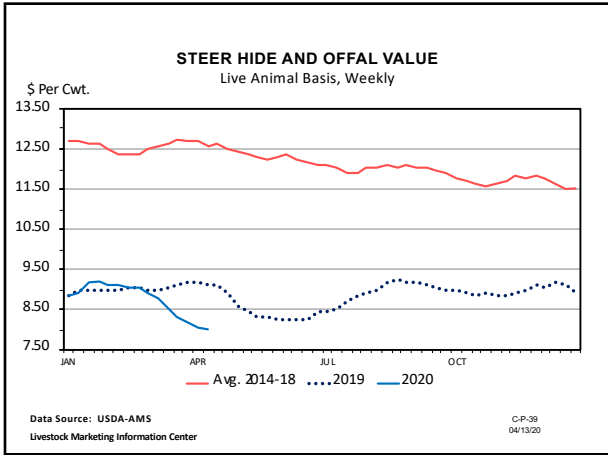
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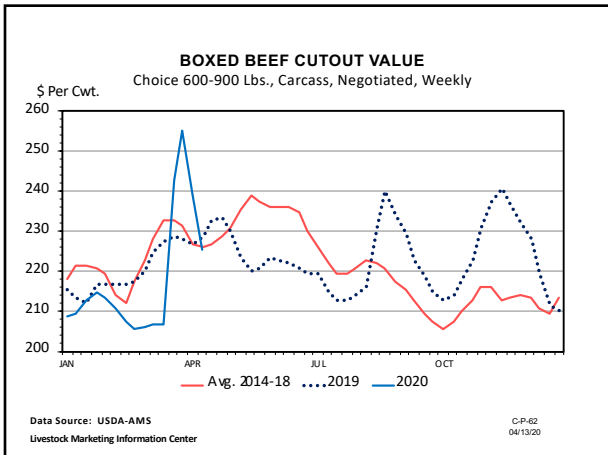
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Beef Cattle Price Cycle

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

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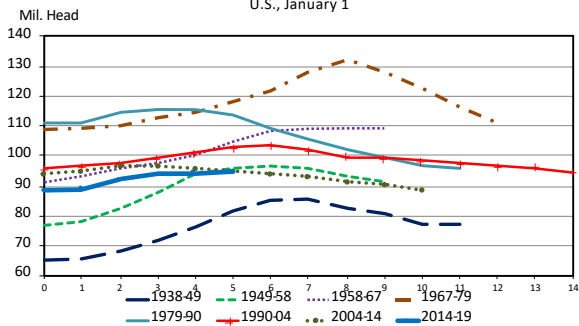
Projected Cattle Prices and Cow-Calf Profits During the Four Phases of the Cattle Price Cycle

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

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TOTAL CATTLE INVENTORY BY CYCLE

U.S., January 1



Data Source: USDA-NASS
 Livestock Marketing Information Center

C-N-40
 03/02/19

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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
<p><i>*Projected Cattle Prices and Cow-Calf Profit Trends are based on previous Cattle Cycles.</i></p> <p><i>**Cattle Price Cycle occurs from U.S. Cattle Herd Expansion.</i></p> <p><i>***Increases in Beef Production cause a transition to cyclically lower cattle prices. Herd expansion continues until prices approach most producers cost of production.</i></p>	

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

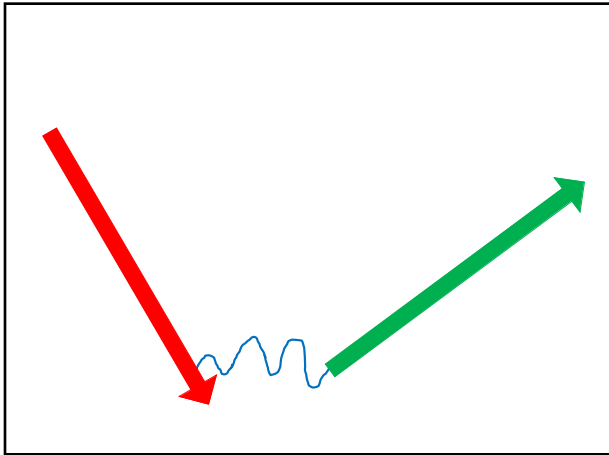
Phase of the Cattle Price Cycle	Projected Cow-Calf Profits/Losses
Top of the Price Cycle (2013 – 2015)	
Downward Price Transition (2015 – 2019)	
Bottom of the Price Cycle (2019 – 2021?)	
Upward Price Transition (2021 – 2027?)	

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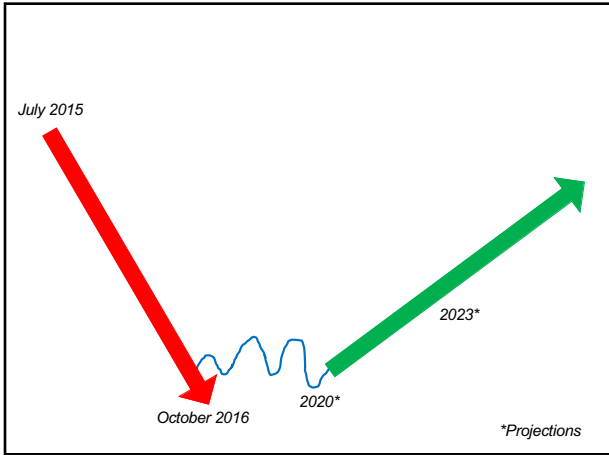
**Projected Cattle Prices and Cow-Calf Profits
During the Four Phases of the Cattle Price Cycle**

Phase of the Cattle Price Cycle	Projected Cow-Calf Profits/Losses
Top of the Price Cycle (2013 – 2015)	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>

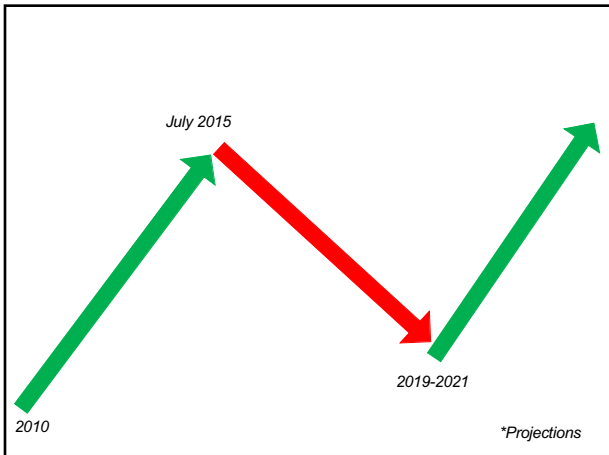
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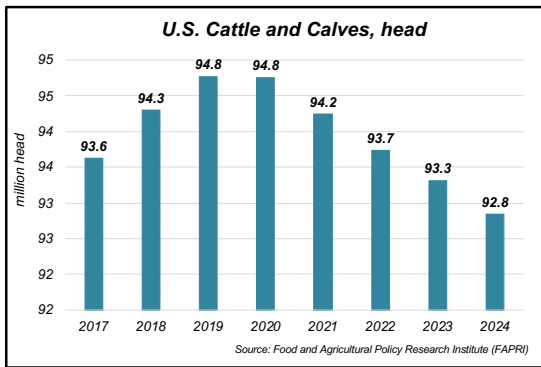


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**Food and Agricultural Policy and
Research Institute (FAPRI)**

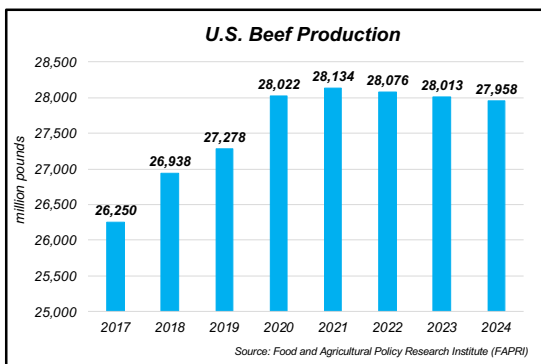
5-Year Projections for Beef Cattle

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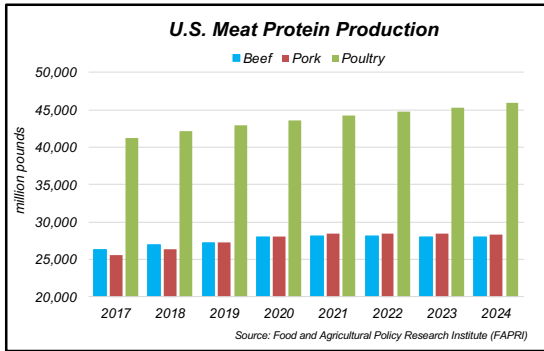
Supply fundamentals are supportive of prices going forward.

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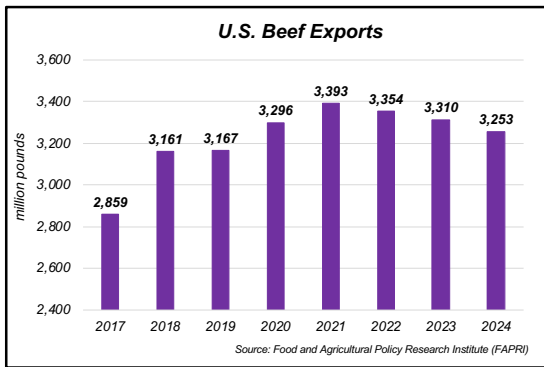
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WHO IS GONNA EAT ALL THIS MEAT?



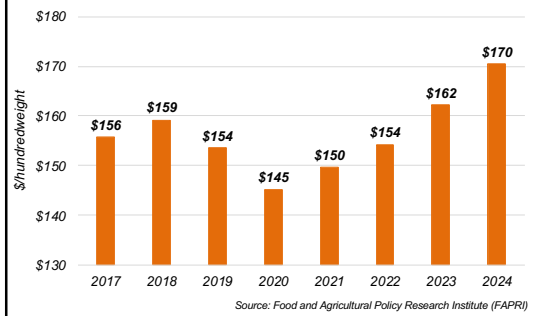
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Can Exports Save The Day?

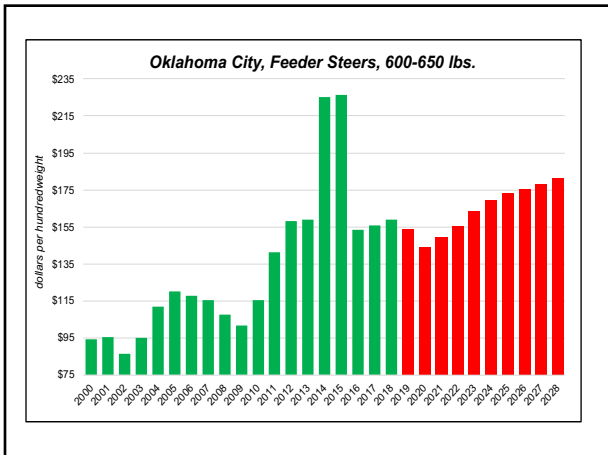


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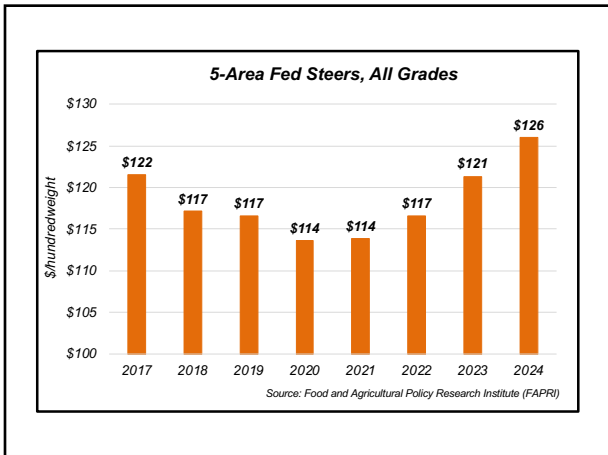
Oklahoma City Feeder Steers, 600 - 650 lbs.



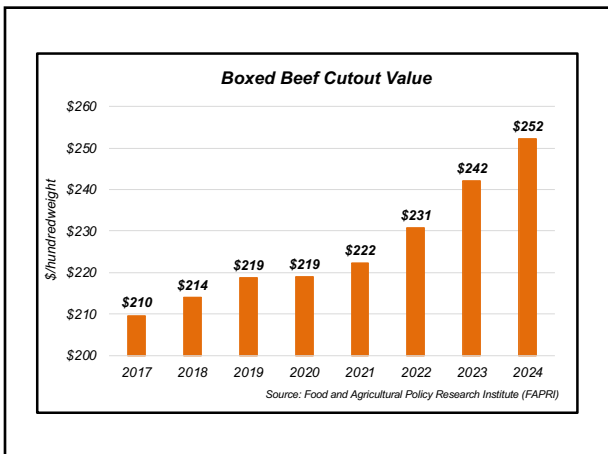
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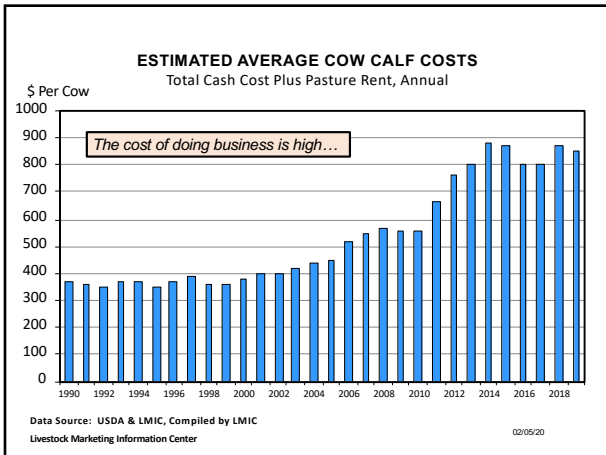
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The Market Makes the Rules

- *What do we have the work with?*
- *This is what we have... let's allocate it out*

Revenue

- Fixed Costs
- Variable Costs

Net Returns

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Profit Equation

Revenue – Cost = Profit

What You Get – What You Put In = What You Keep

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**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)

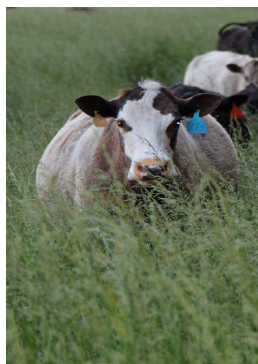
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Cow-Calf Producers Need to Focus On:

- **Survive Then Thrive**
- Continue to do the things that got you here
- Wage a war on forage and feeding costs (focus on mgt. & resources)
- Prepare for the next drought...



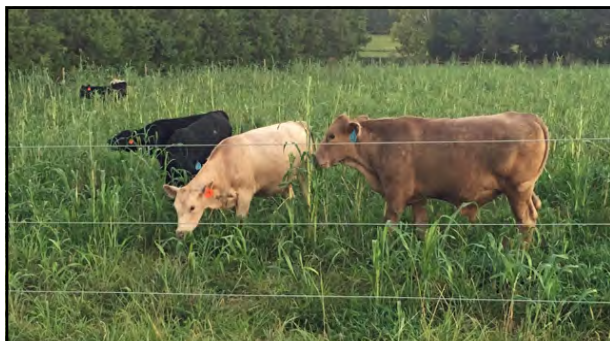
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Summary

- Volatile changes are occurring in U.S. and foreign economies, 2020 has the potential for some **BIG** price swings.
- Lower U.S. cattle prices for feeder calves, feeder cattle, and fed cattle are expected during 2020 due to further increases in beef production and competing meat proteins.



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***Thank you for your attention.
I hope you have a profitable 2020!***

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Next Ona Highlight Webinar

The May Ona Highlight will feature guest presenters with UF/IFAS Extension: Lauren D. Butler (Okeechobee County) and Lindsey Wiggins (Hendry County).

They will be providing an overview of the UF/IFAS South Florida Beef Forage Extension Program and providing information on utilizing UF/IFAS Extension Resources during COVID-19.

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