

# Carthage Swine Conference



**Reicks View Farms**

GRIT AND RISK MANAGEMENT

# About Me

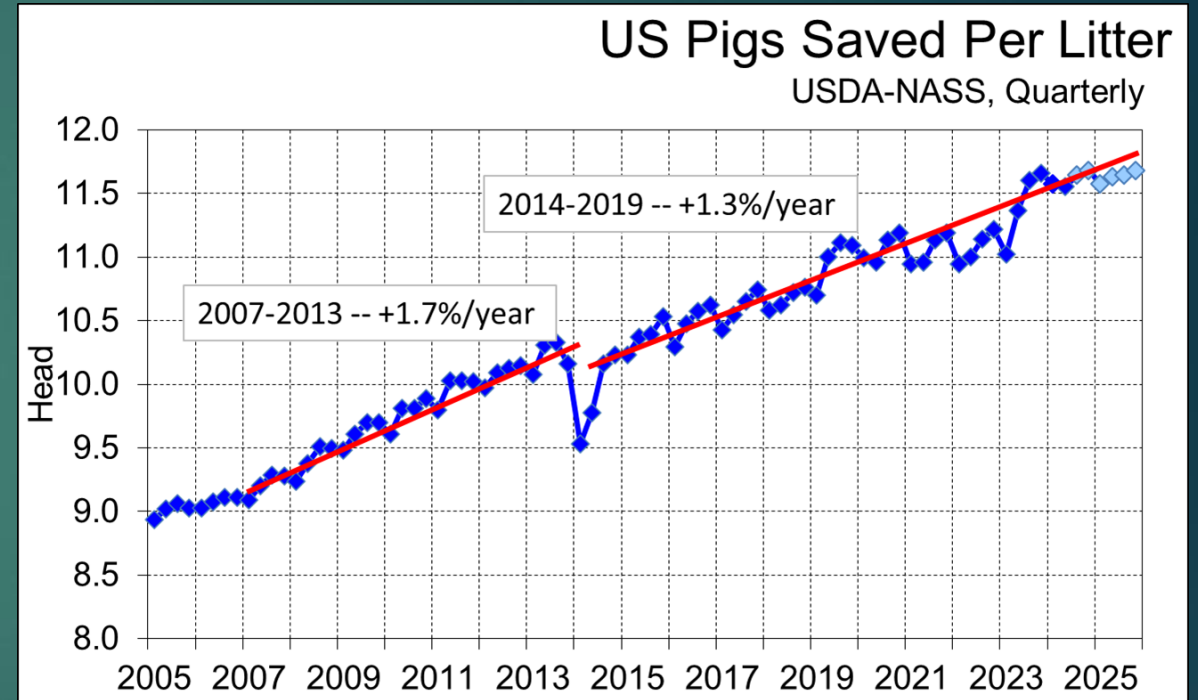
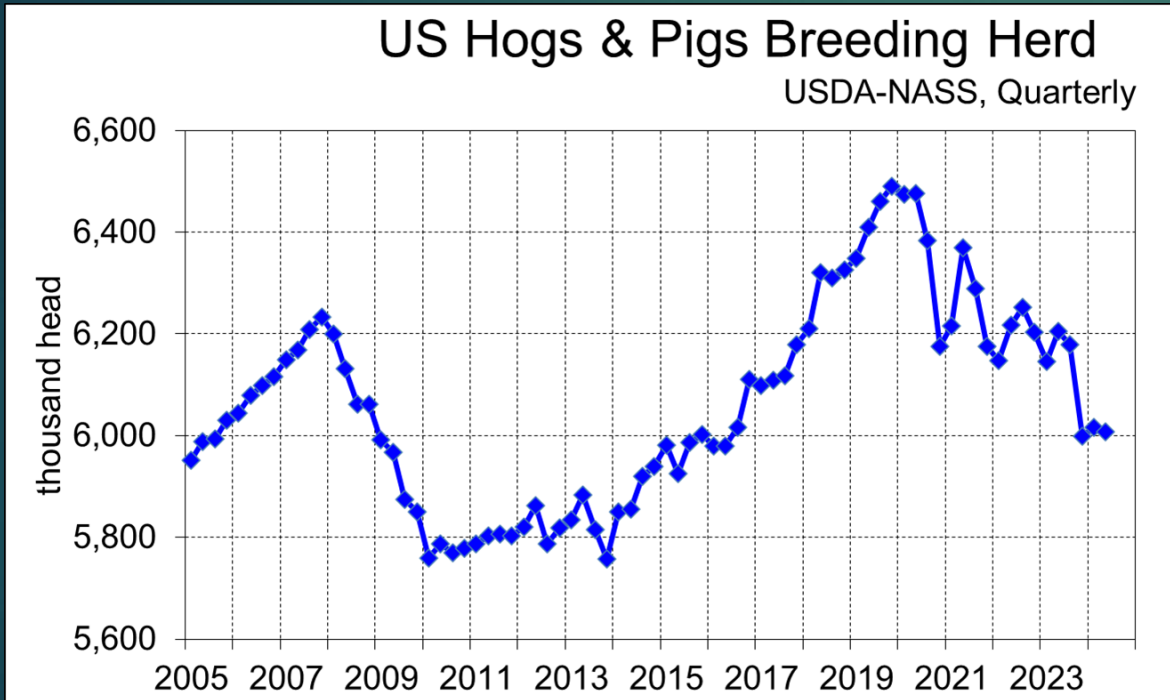
- ▶ 6<sup>th</sup> generation pork producer based in NE IA
  - ▶ Our family owns and operates 60k+ sows Farrow to Finish
- ▶ Married to my wife Tessa
  - ▶ 3 children (10,7,4)
- ▶ Iowa State University College of Business Grad (2008)
- ▶ 2008-2010 -- Wells Fargo Home Mortgage
- ▶ 2010- 2014 -- Kerns and Associates (now EverAg)
- ▶ 2014-Current – RVF



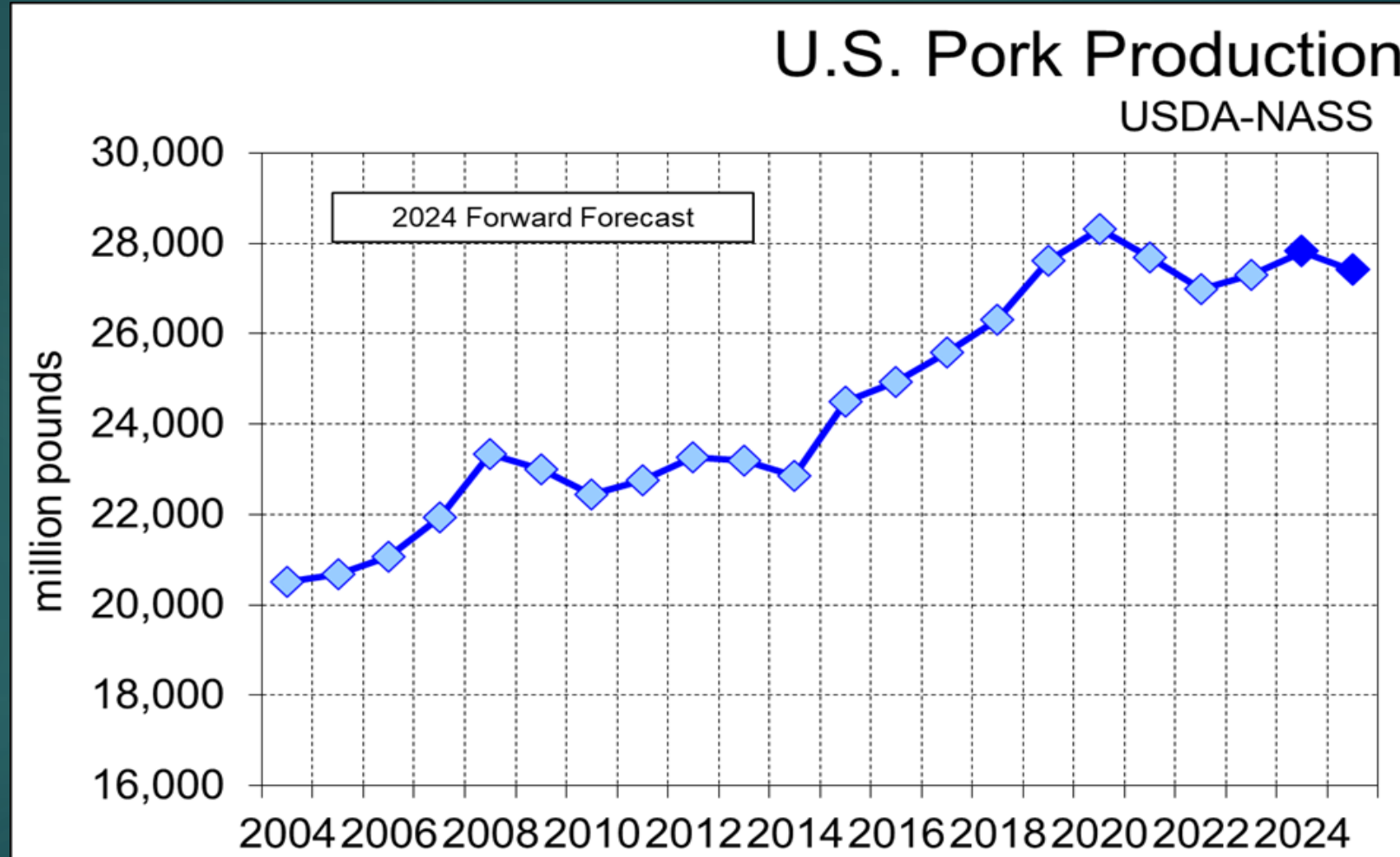
# Agenda

- ▶ Hog Outlook
- ▶ Feed Outlook
- ▶ Margins and Hedging
- ▶ RVF Approach

# Hog Production

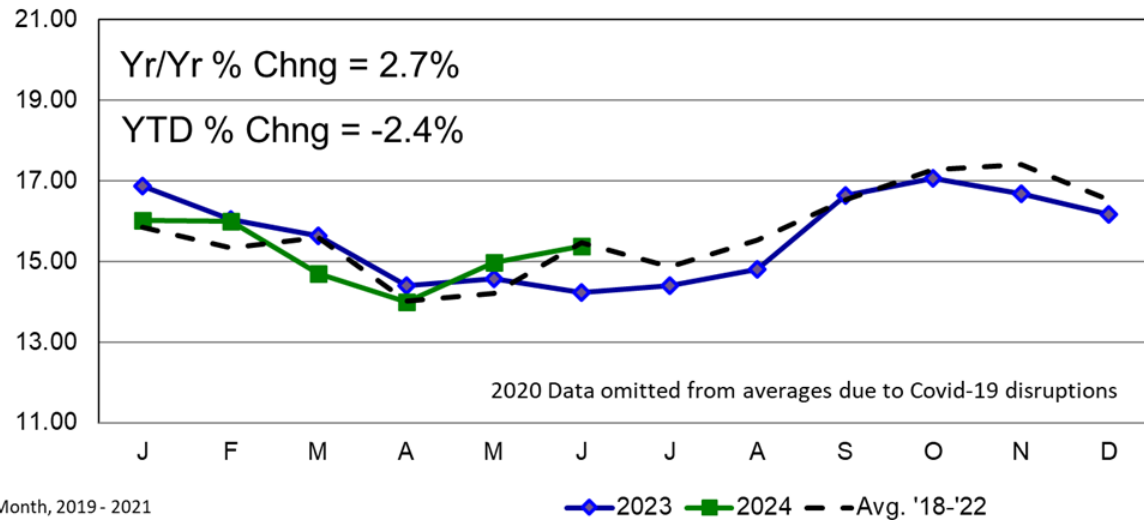


# Supply

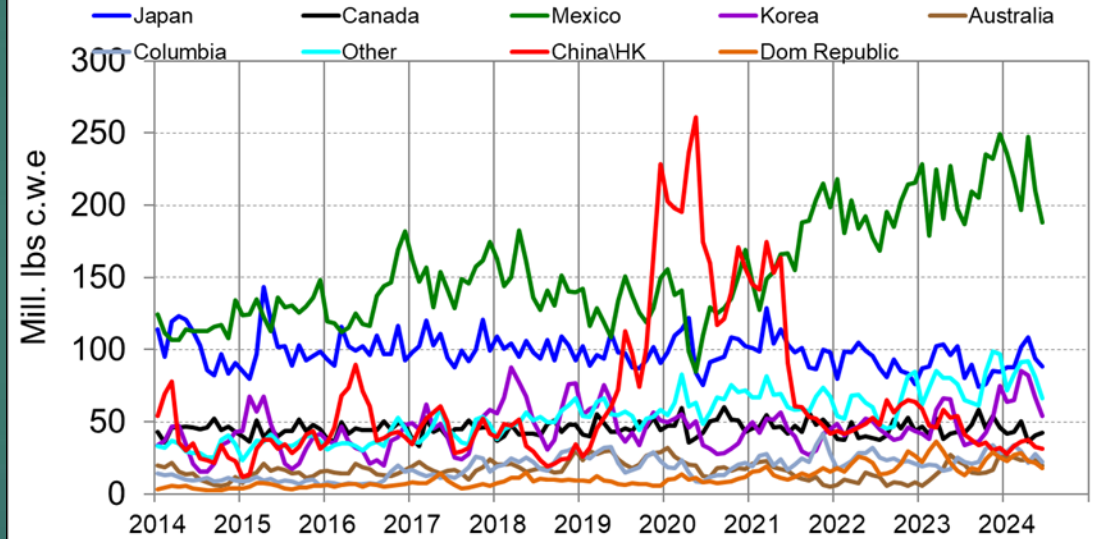


# Demand

## REAL PER CAPITA EXPENDITURES PORK



## U.S. PORK EXPORTS BY DESTINATION USDA-ERS, Monthly



# Corn

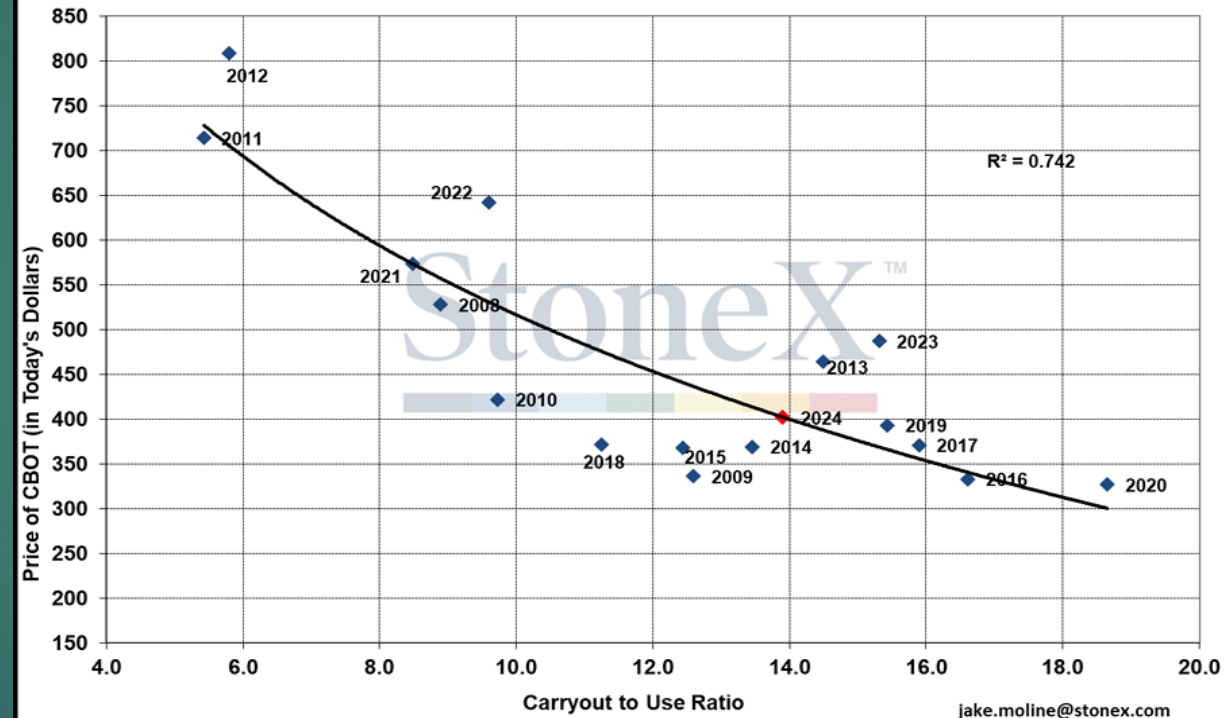


## WASDE Supply and Demand: Corn

Million Bushels (Source: USDA WASDE Report)

August-24	2022/2023	2023/2024	Jul 2024/2025 Proj	Aug 2024/2025 Proj	Proj % Δ	Yr/Yr % Δ
Acres Planted	88.2	94.6	91.5	90.7	-0.87%	-4.12%
Acres Harvested	78.7	86.5	83.4	82.7	-0.84%	-4.39%
Yield	173.4	177.3	181.0	183.1	1.16%	3.27%
Beginning Stocks	1,377	1,360	1,877	1,867	-0.53%	37.28%
Production	13,651	15,342	15,100	15,147	0.31%	-1.27%
Imports	39	30	25	25	0.00%	-16.67%
Supply, Total	15,066	16,732	17,002	17,038	0.21%	1.83%
Feed & Residual	5,485	5,775	5,825	5,825	0.00%	0.87%
Food, Seed, Indus.	6,558	6,840	6,855	6,840	-0.22%	0.00%
Ethanol & By-Prod	5,176	5,450	5,450	5,450	0.00%	0.00%
Domestic, Total	12,044	12,615	12,680	12,665	-0.12%	0.40%
Exports	1,662	2,250	2,225	2,300	3.37%	2.22%
Use, Total	13,706	14,865	14,905	14,965	0.40%	0.67%
Ending Stocks	1,360	1,867	2,097	2,073	-1.14%	11.03%
Avg Farm \$/bu	6.54	4.65	4.30	4.20	-2.33%	-9.68%

## Corn Price Analysis based on USDA AUG (New Crop) Supply/Demand w/ No Inflation



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# Cost Matrix

## IOWA FARROW-TO-FINISH BREAKEVEN COSTS -- PER ISU COST & RETURNS PARAMETERS

Corn Futures, \$/bu	Soybean Meal Futures, \$/ton											
	275	300	325	350	375	400	425	450	475	500	525	550
2.50	70.64	71.61	72.58	73.55	74.52	75.49	76.46	77.43	78.40	79.37	80.34	81.31
2.75	72.10	73.07	74.04	75.01	75.98	76.95	77.92	78.89	79.86	80.83	81.80	82.77
3.00	73.55	74.52	75.49	76.46	77.43	78.40	79.37	80.34	81.31	82.28	83.25	84.22
3.25	75.01	75.98	76.95	77.92	78.89	79.86	80.83	81.80	82.77	83.74	84.71	85.68
3.50	76.46	<b>77.43</b>	78.40	79.37	80.34	81.31	82.28	83.25	84.22	85.19	86.16	87.13
3.75	77.92	<b>78.89</b>	79.86	80.83	81.80	82.77	83.74	84.71	85.68	86.65	87.62	88.59
4.00	79.38	80.35	81.31	82.28	83.25	84.22	85.19	86.16	87.13	88.10	89.07	90.04
4.25	80.83	81.80	82.77	<b>83.74</b>	84.71	85.68	86.65	87.62	88.59	89.56	90.53	91.50
4.50	82.29	83.26	84.23	<b>85.20</b>	86.17	87.14	88.11	89.07	90.04	91.01	91.98	92.95
4.75	83.74	84.71	85.68	86.65	87.62	88.59	89.56	90.53	91.50	92.47	93.44	94.41
5.00	85.20	86.17	87.14	88.11	89.08	90.05	91.02	91.99	92.96	93.93	94.90	95.86
5.25	86.65	87.62	88.59	89.56	90.53	91.50	92.47	93.44	94.41	95.38	96.35	97.32
5.50	88.11	89.08	90.05	91.02	91.99	92.96	93.93	94.90	95.87	96.84	97.81	98.78
5.75	89.56	90.53	91.50	92.47	93.44	94.41	95.38	96.35	97.32	98.29	99.26	100.23
6.00	91.02	91.99	92.96	93.93	94.90	95.87	96.84	97.81	98.78	99.75	100.72	101.69
6.25	92.47	93.44	94.41	95.38	96.35	97.32	98.29	99.26	100.23	101.20	102.17	103.14



# Forward Thoughts

- ▶ With supply and productivity levels, margin outlook may be tighter for 2025, but historically the market still gives producers hedging opportunities at times
- ▶ Know your cost structures and break evens
- ▶ Agree on and have GOALS for Risk Management
  - What is necessary for YOUR business?
  - What situations need to be avoided?

# RVF Risk Management Overview

- ▶ Owned Mill (85% of Feed)
  - ▶ Use separate mill (and hedging account) P&L to track basis
    - ▶ This also allows for family owned corn to be priced and hedged separately
  - ▶ Full time grain/ingredient buyer with assistance from a 3<sup>rd</sup> party specialist
- ▶ Keep toll mills (15% of Feed) accountable on ingredient cost and milling fees
- ▶ Livestock Hedging
  - ▶ CME Futures and Options (Long Corn/SBM, Short Hogs)
  - ▶ LRP/LGM
- ▶ Multiple brokers and advisors

# What is RVF Focusing On?

- ▶ Cost
  - ▶ Thin margins mean knowing your cost is as important as ever
- ▶ Continue to monitor where best return is
- ▶ What are our financial goals?
  - ▶ This is probably more important than “what will the market do?” right now
- ▶ Measure your price discovery on the revenue side
- ▶ Historical Margins
  - ▶ The last 10 years vs the next 10 years – what is possible?

# Thanks

