

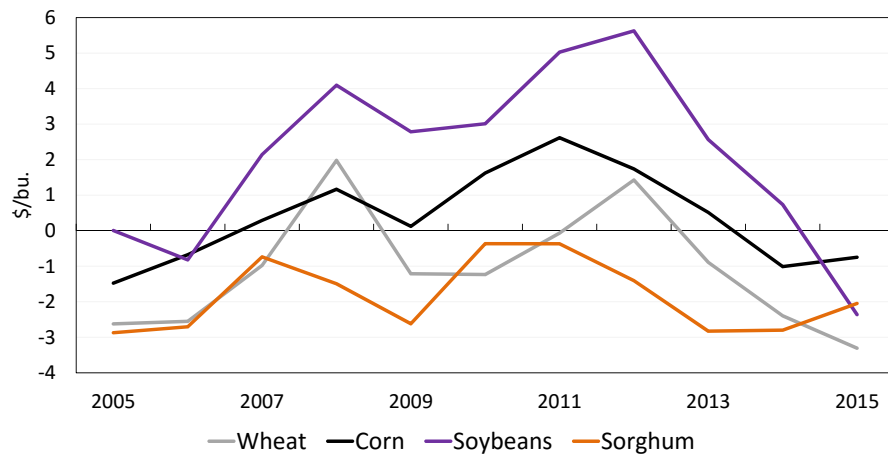
Should We Return to Diversified Crop-Livestock Operations?

Dustin Pendell, Glynn Tonsor, Mykel Taylor
2016 Ag. Lenders Conference
October 4th/5th
Garden City/Manhattan, KS

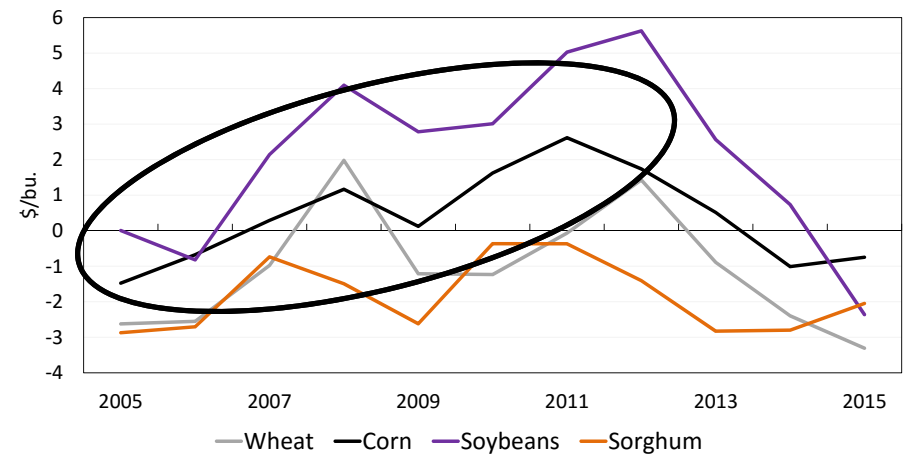
What is Diversification?

- What is diversification?
- Why diversify?
- Ways to manage risk?

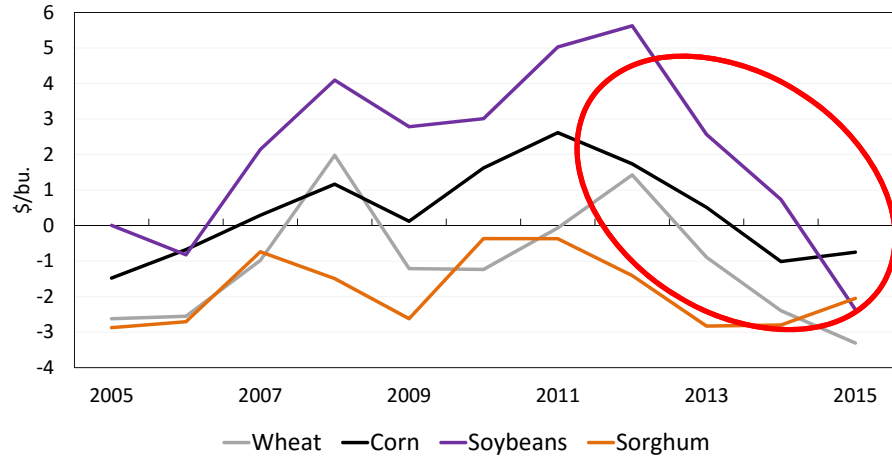
Crop Returns, \$/bu.



Crop Returns, \$/bu.

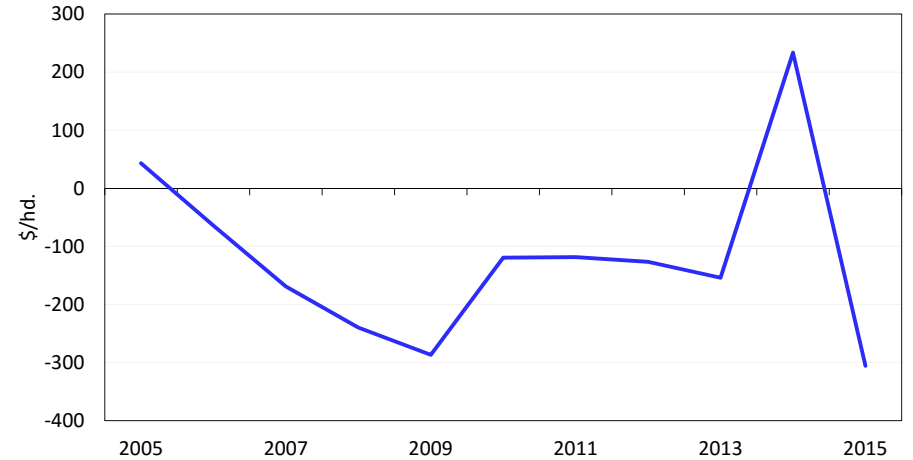


Crop Returns, \$/bu.



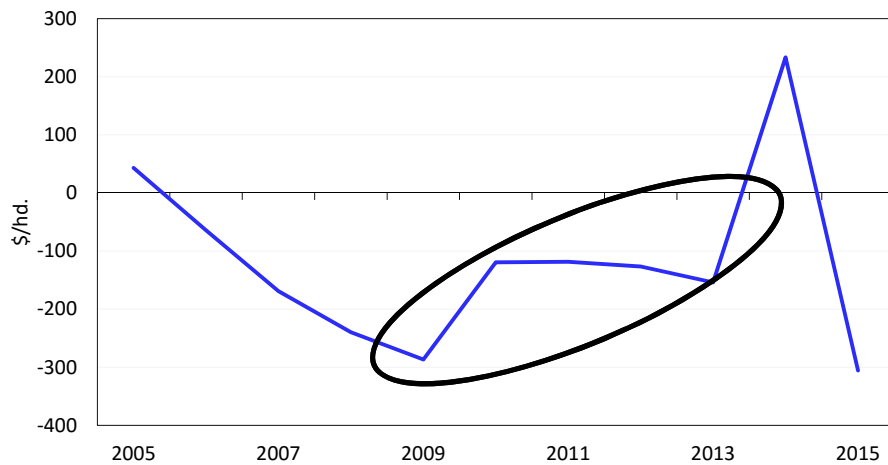
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Cow-Calf Returns, \$/hd



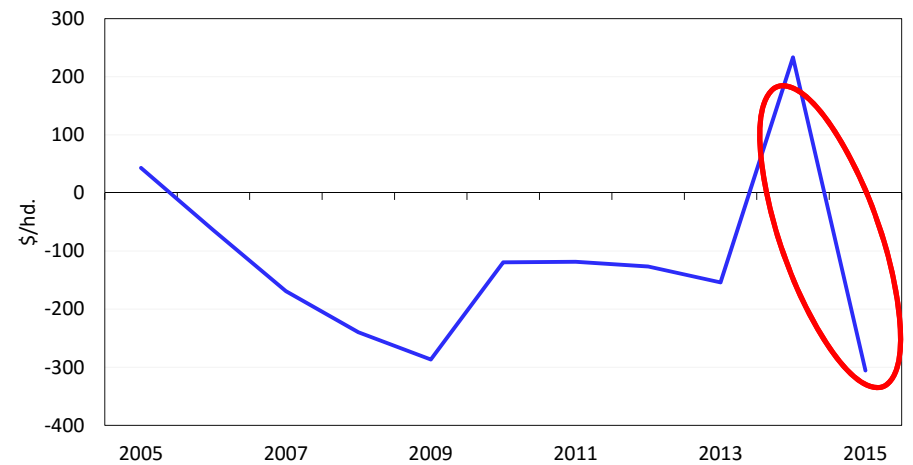
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Cow-Calf Returns, \$/hd



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Cow-Calf Returns, \$/hd



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Correlation between Crops and Cow-Calf

- Return over Variable Costs

- 1975-2015: +0.176

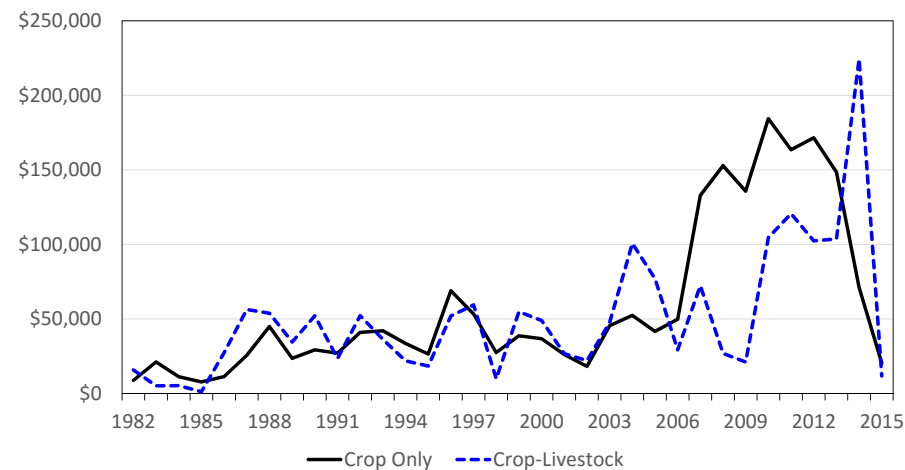
- 1975-1979: +0.468

- 1980-1990: +0.141

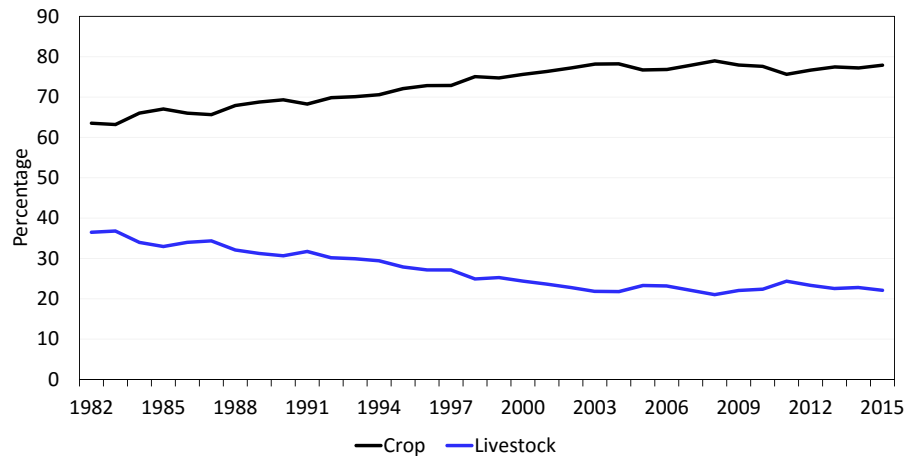
- 1991-2004: -0.095

- 2005-2014: -0.150

Net Farm Income by Farm Type



Crop and Livestock Labor, %



Why Less Diversification/More Specialization?

- More crop insurance
- Less rangeland/pasture
- Economies of scale
- Labor/technology/age
- Vertical coordination

Pros of Diversification

- Risk
- Cash flow
- Labor
- Equipment
- Agronomic
- Land use
 - Crop/pasture and cover crops

Cons of Diversification

- Labor
- Equipment
- Economies of scale
- Agronomic
- Management

Should We Return to Diversified Crop-Livestock Operations?

- Correlations for corn and cow-calf returns
- NFI for crop and crop-livestock operations
- More specialization

Should We Return to Diversified Crop-Livestock Operations?

Dustin L. Pendell
Associate Professor
dpendell@ksu.edu
www.agmanager.info