



LIVESTOCK MARKETING ANNIES PROJECT

Tim Petry

Extension Livestock Marketing Economist

www.ndsu.edu/livestockeconomics

February 25, 2021

EXTENDING KNOWLEDGE >> CHANGING LIVES

Agribusiness and
Applied Economics

ND SU

EXTENSION

Always excuses NOT to market!

- Marketing takes time and planning

Look for excuses TO market!

- Get \$10/cwt. more for every calf, regardless of price level
- $\$10/\text{cwt.} \times 500 \text{ lb.} = \50
- Easier than reducing costs by \$50/head



Six most expensive words in marketing

"WE'VE ALWAYS DONE IT THAT WAY!"

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EXTENSION AGRIBUSINESS

Agriculture By the Numbers

February 2021

NDSU Extension Agribusiness and Applied Economics

The Most Important Market You've Never Heard Of

Cattle Feeders and Finishers Will Find 2021 More Challenging With Higher Feed Costs

Wings Not Just for the Super Bowl Anymore

How Tight Will Old-crop Soybean Supplies Get?

The Most Important Market You've Never Heard Of

By David Ripplinger, NDSU Extension Bioproducts/Bioenergy Economist

While many North Dakota farmers closely follow futures markets in Chicago, Ill., and Minneapolis, Minn., and cash prices at their local elevator, a market based in Sacramento, Calif., few are familiar with its growing importance to Midwestern agriculture.

The market is for carbon credits created as part of California's Low Carbon Fuel Standard, commonly referred to as the LCFS. The LCFS is a cap-and-trade system that mandates the average carbon footprint of transportation fuel marketed in California each year.

www.ag.ndsu.edu/farmmanagement/agriculture-by-the-numbers-newsletter

Monthly Agricultural Markets Webinar Series

To learn more about the webinar series and to register for future webinars, visit <https://www.ag.ndsu.edu/farmmanagement/outlook>. Recordings and presentations from completed webinars will be archived on that page.

Webinars are scheduled for:

March 11, 2021

April 15, 2021

May 13, 2021

Thursday 1-2 pm

SEE YOUR EXTENSION AGENT TO SIGN UP

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Identify Your Market

- Most calves, cull cows and bulls, sheep and lambs, and goats are sold at livestock auction markets
- Most fed cattle and hogs sold directly to packers, feeder pigs to hog finishers, milk to processor
- Specialty livestock such as breeding livestock, poultry, bison, direct to consumers, organic, grass fed, free-range etc. may require you to find and develop markets

Need To Know Your Cost Of Production

www.ag.ndsu.edu/livestockeconomics/Budgets



Cost-Return Projection -- Beef Cow-Calf Enterprise (Per Cow), 2021 ¹

	N.D. Avg.	Your Numbers
VARIABLE COST PER COW:		
1. Summer Pasture	\$ 135.00	\$
2. Hay--silage	180.00	.....
3. Other feed	30.00	.....
4. Protein and Mineral	25.00	.....
5. Hired Labor, Custom Hire	20.00	.....
6. Veterinary, Drugs, and Supplies	30.00	.....
7. Utilities, Fuel, and Oil	25.00	.....
8. Facilities and Equipment Repairs	40.00	.....
9. Breeding Charge	10.00	.....
10. Marketing	15.00	.....
11. Miscellaneous	19.00	.....
12. Interest	15.00	.....
A. TOTAL VARIABLE COSTS	\$ 544.00	\$ 0.00
FIXED COSTS PER COW		
13. Depreciation	\$ 30.00	\$
14. Interest	10.00	.....
15. Insurance	10.00	.....
16. Cow interest, death loss	65.00	.....
B. TOTAL FIXED COSTS	\$ 115.00	\$ 0.00
C. TOTAL COSTS PER COW (A + B)	\$ 659.00	\$ 0.00
RETURNS PER COW ²		
	Your Numbers	
	%	x Weight x Price
17. Steers: .45 x 590 x 1.65	 x	\$ 438.08
18. Heifers: .26 x 570 x 1.40	 x	207.48
19. Cull cows: .14 x 1300 x 0.55	 x	100.10
20. Cull heifers: .05 x 900 x 1.25	 x	56.25
D. GROSS RETURNS PER COW		\$ 801.91
E. RETURN OVER VARIABLE COSTS (D - A)		\$ 257.91
F. RETURN OVER TOTAL COSTS (D - C) ³		\$ 142.91

¹ Information in this budget is based on the North Dakota Farm and Ranch Business Management Annual Report, 2019.

² Returns are based on a 90 percent weaning rate, 45 steers sold, 26 heifers sold, 19 heifers kept for replacement, 14 cull cows sold, and 5 cull heifers sold. Prices are projected for fall.

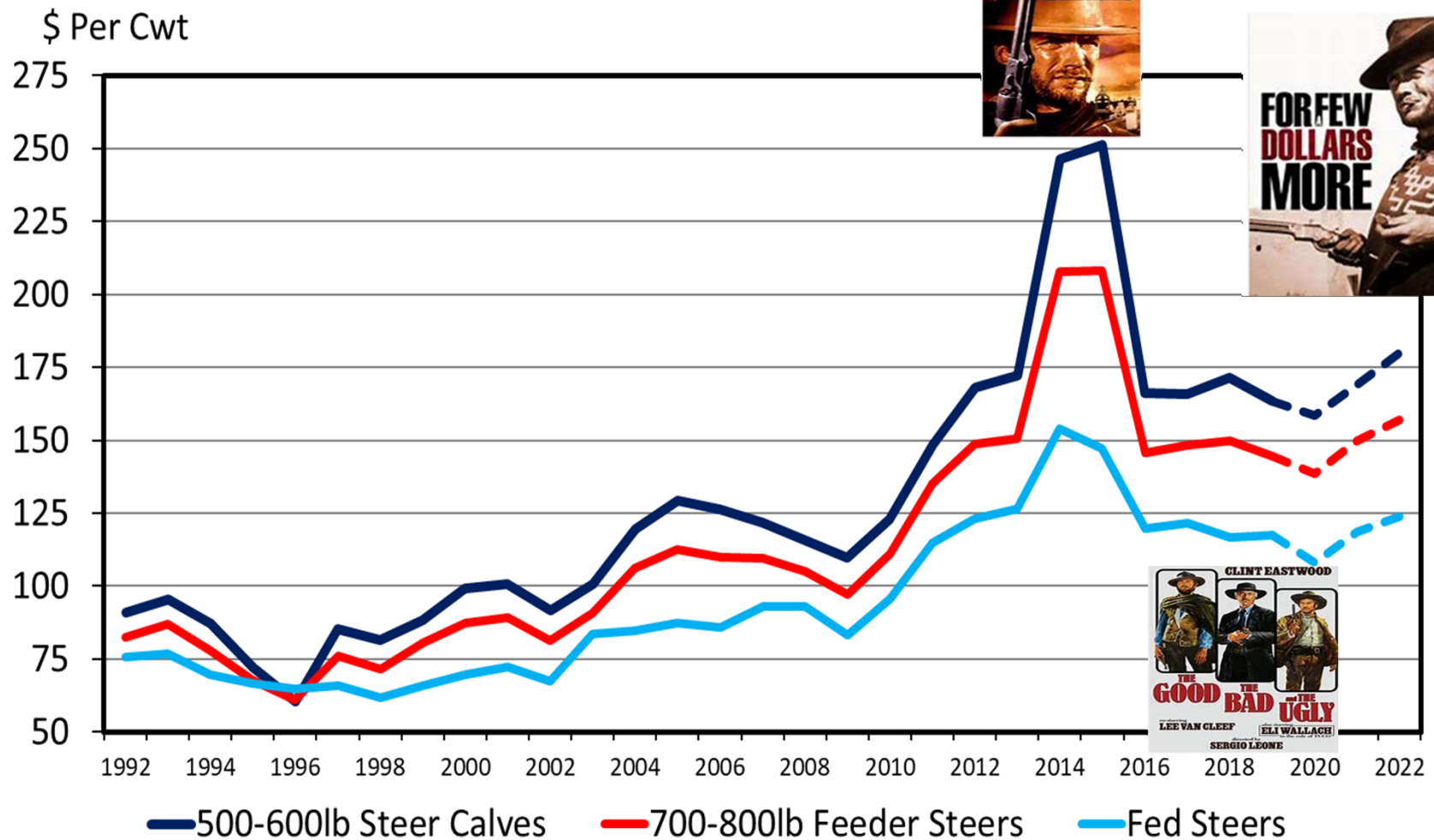
³ Return over total costs is return to unpaid family labor, management, and equity.

- **PRICE CYCLES**
 - Use for long run planning
- **SEASONAL PRICE PATTERNS**
 - Most important marketing tool
 - Reason for price risk management strategies
- **BOTH CAN BE AFFECTED BY UNEXPECTED EVENTS**
 - **COVID-19**
 - Tyson packing plant fire-2019
 - Drought
 - Volatile corn prices
 - BSE-2003

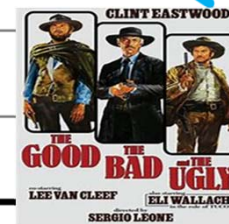


CATTLE PRICE CYCLE

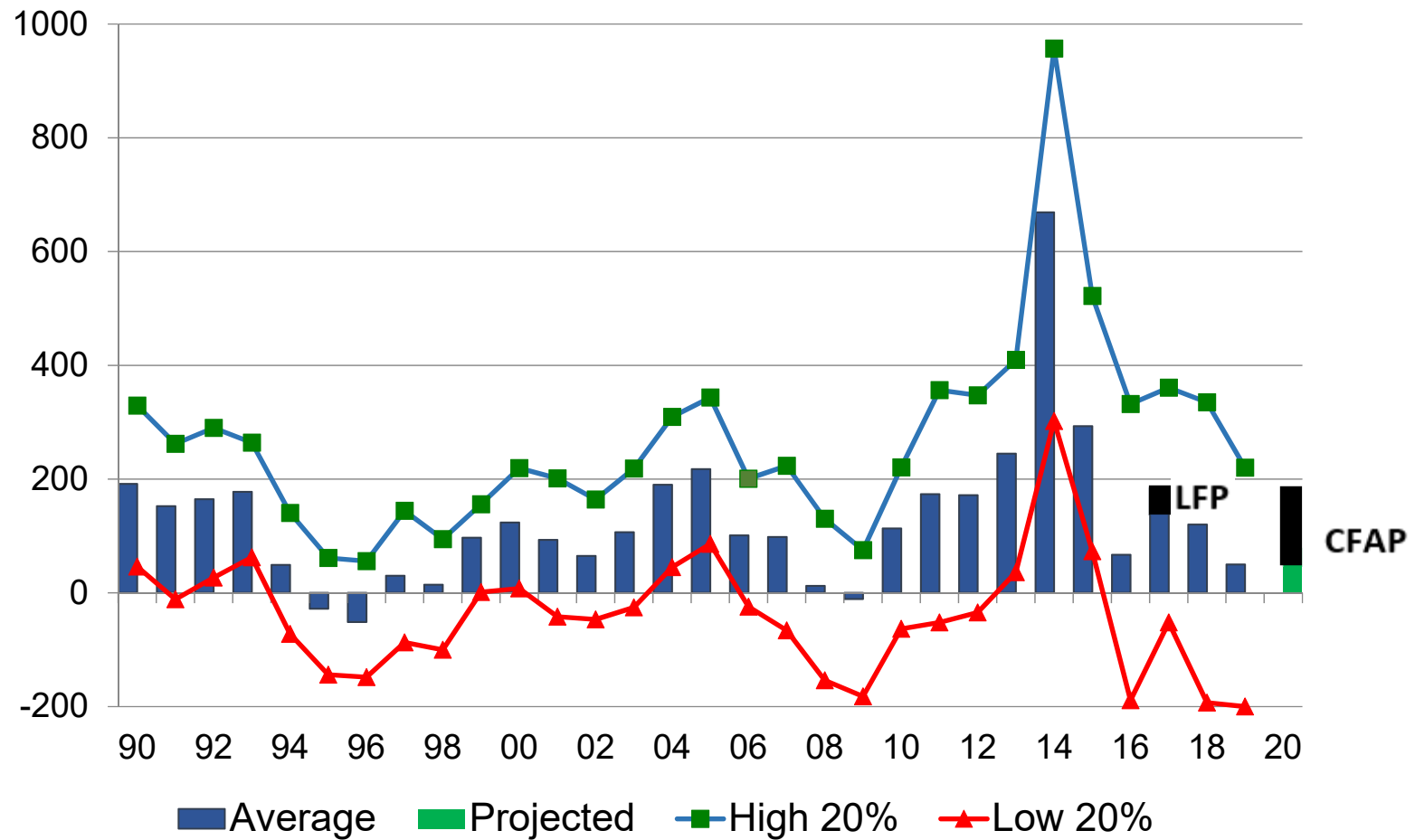
AVERAGE ANNUAL CATTLE PRICES



Data Source: USDA-AMS Forecasts by LMIC



Average Net Return to Labor and Management Per Beef Cow N.D. Farm Business Mgmt., Excluding Red River Valley

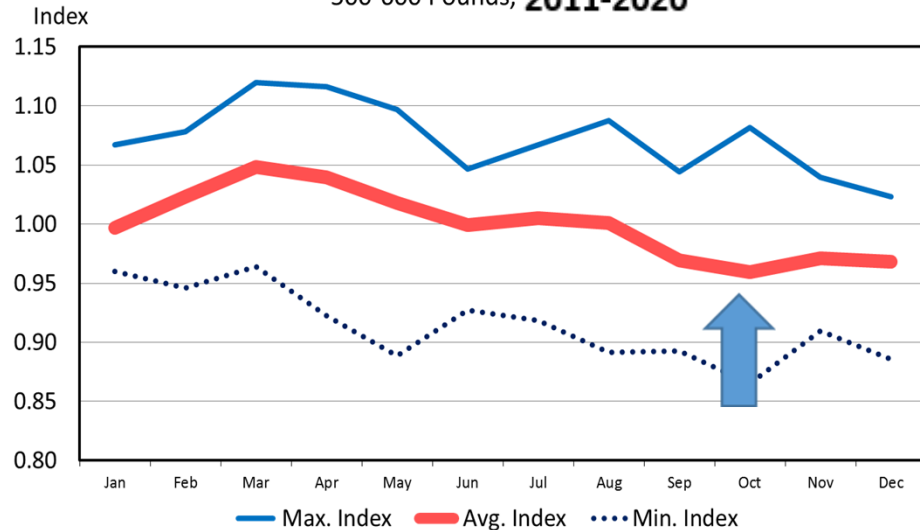


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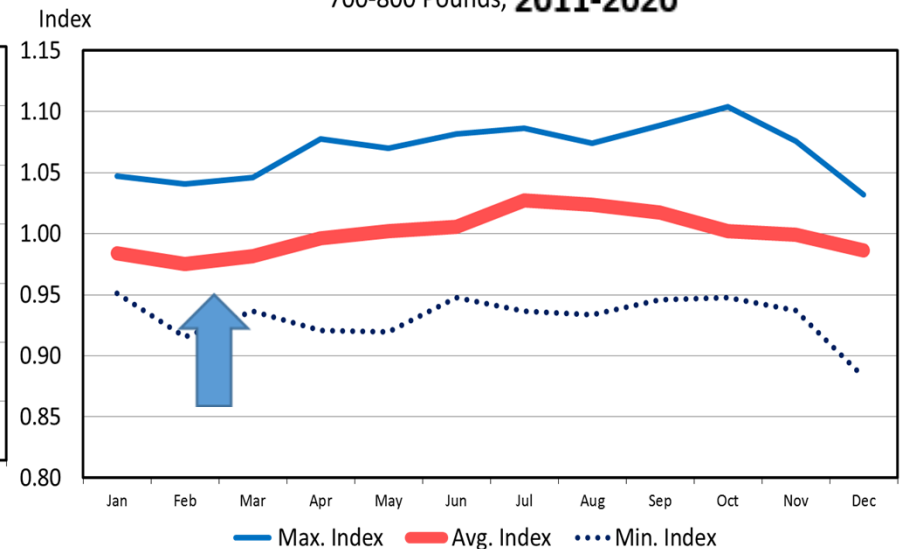
EXTENSION AGRIBUSINESS

Seasonal Price Patterns are the Most Important Marketing Tool

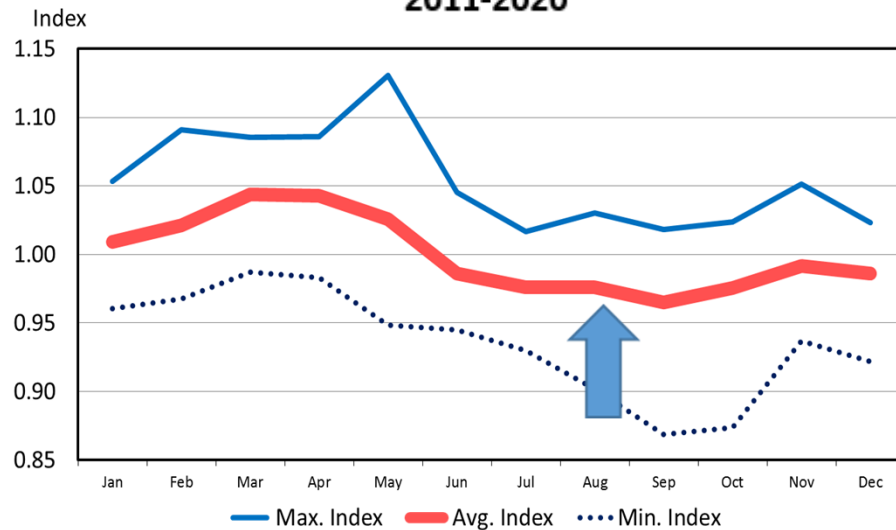
SEASONAL PRICE INDEX – STEER CALVES
500-600 Pounds, 2011-2020



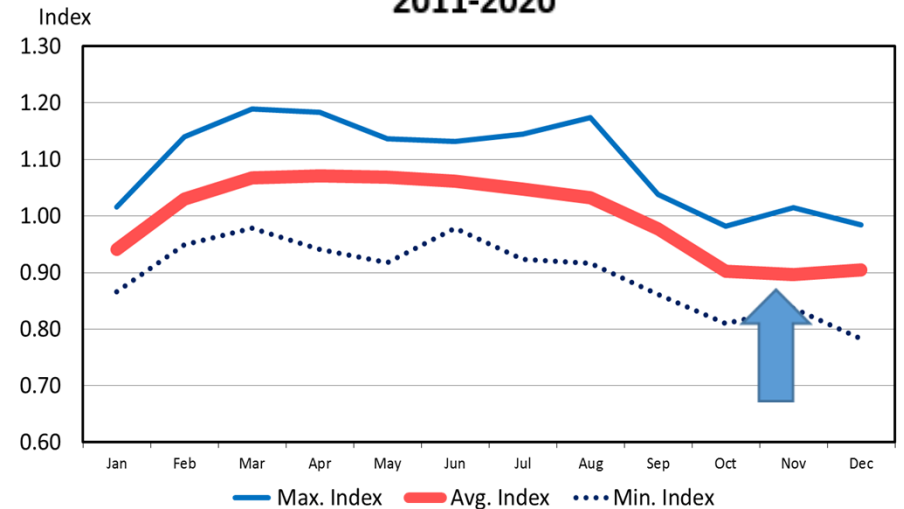
SEASONAL PRICE INDEX – FEEDER STEERS
700-800 Pounds, 2011-2020



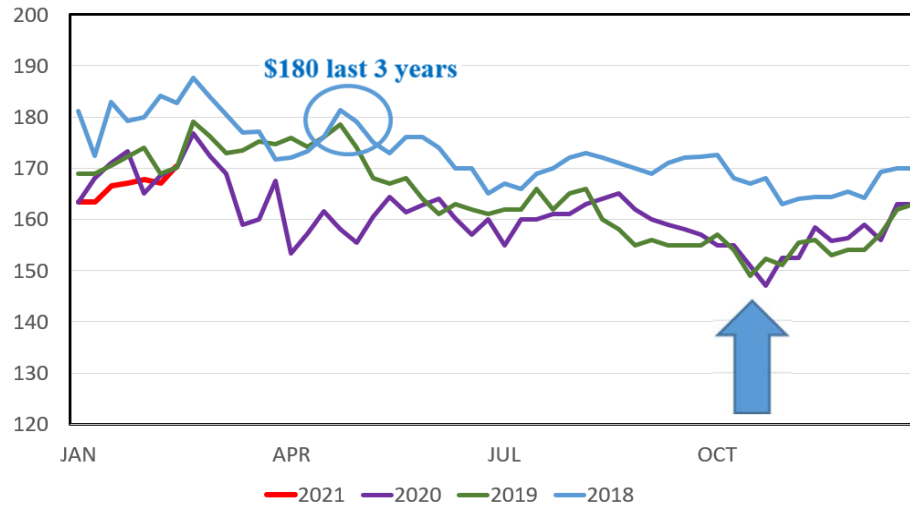
SEASONAL PRICE INDEX – FED STEERS
2011-2020



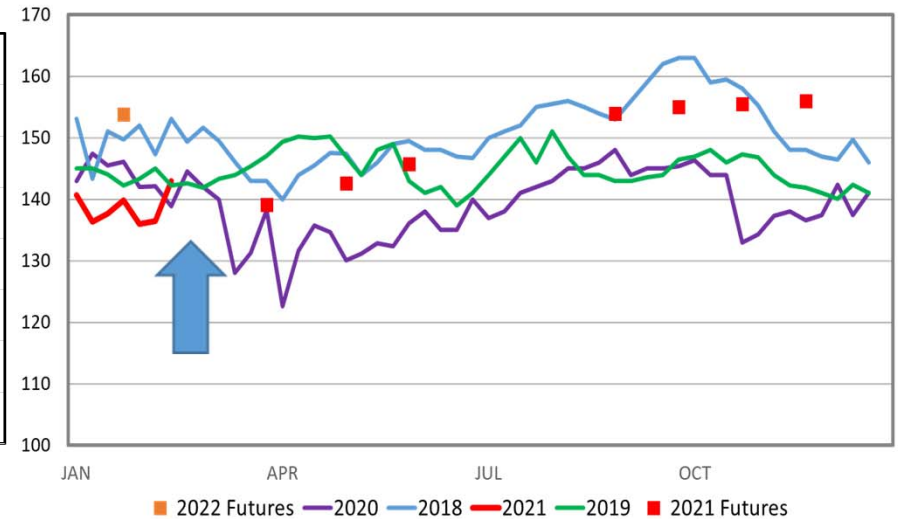
SEASONAL PRICE INDEX – CULL COWS
2011-2020



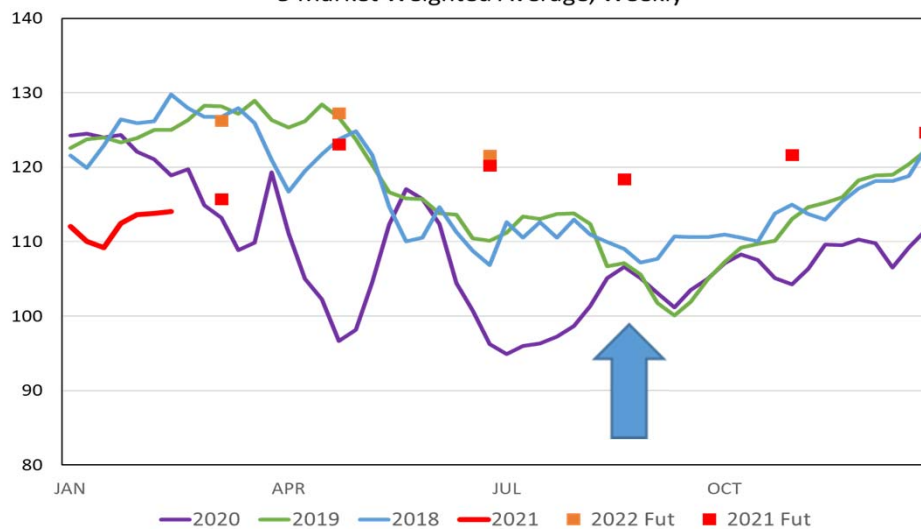
MED. FRAME #1 STEER CALF PRICES 550-600 Pounds, N.D., Weekly



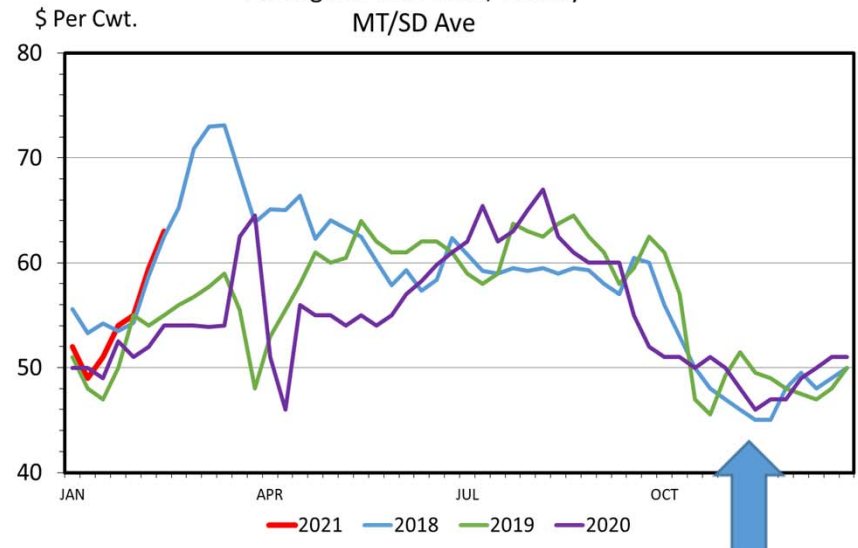
MED. & LRG. #1 FEEDER STEER PRICES 750-800 Pounds, N.D., Weekly



SLAUGHTER STEER PRICES 5 Market Weighted Average, Weekly

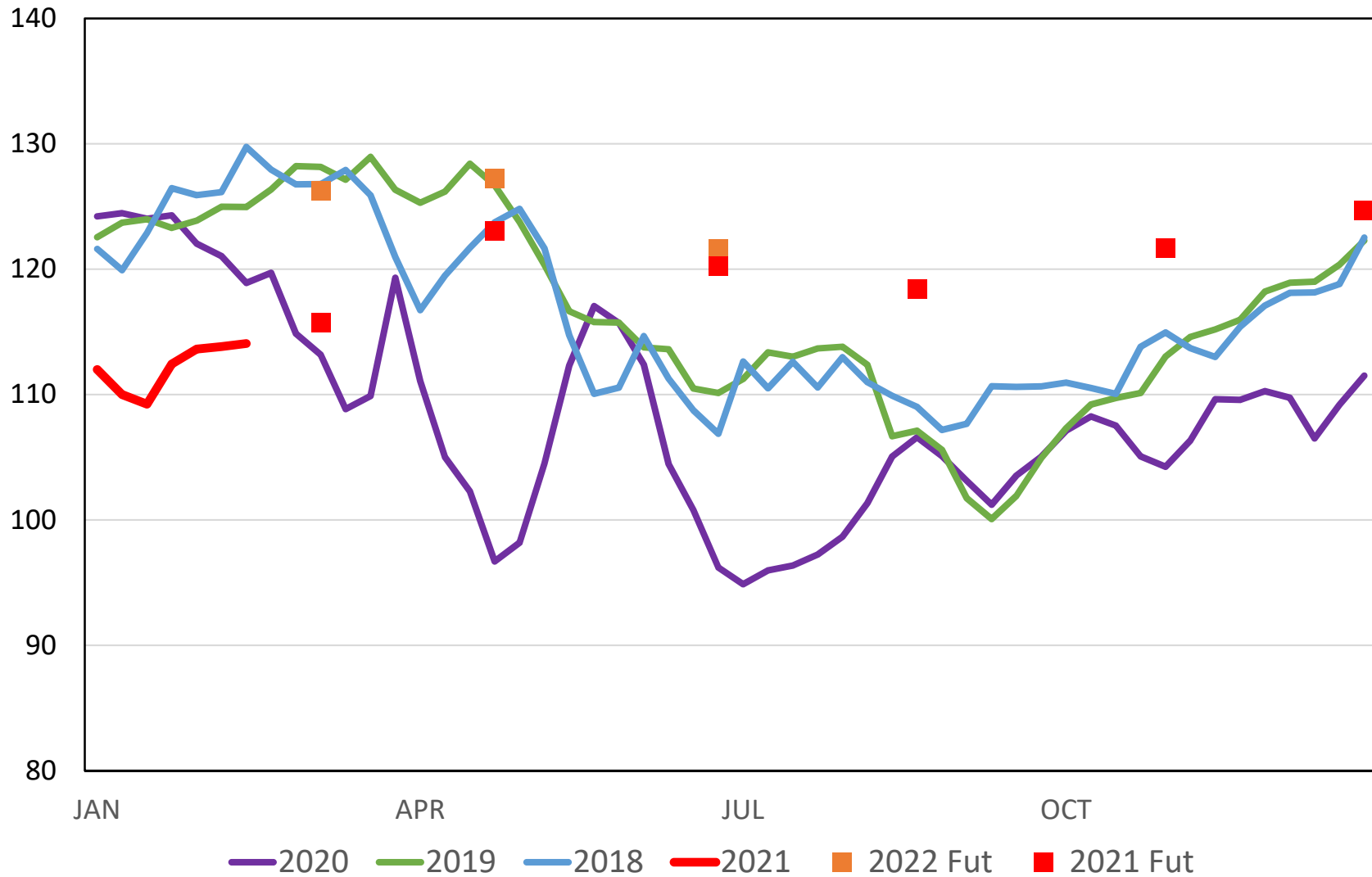


BEEF CULL COW PRICES Average 85-90% Lean, Weekly MT/SD Ave

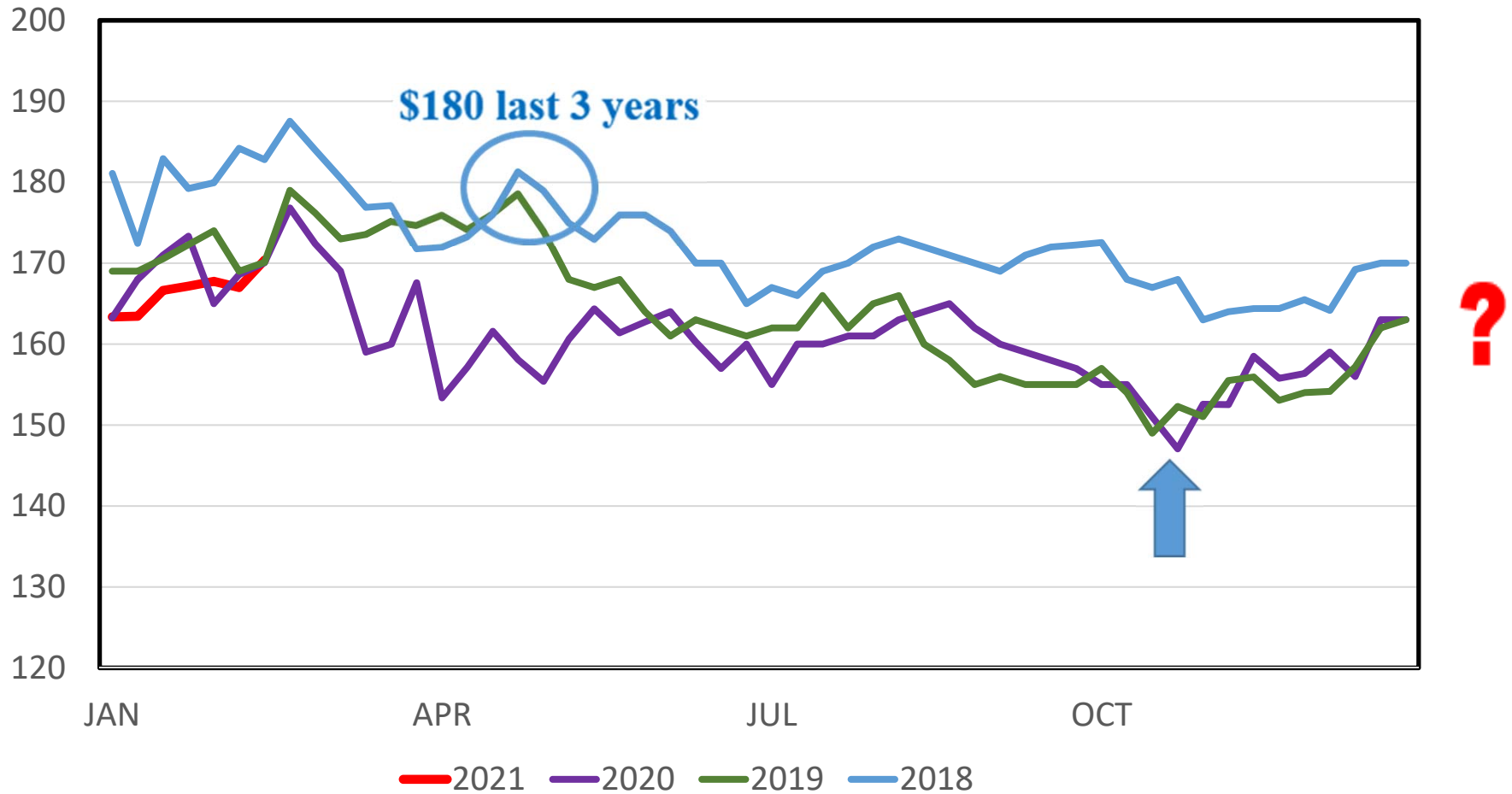


SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

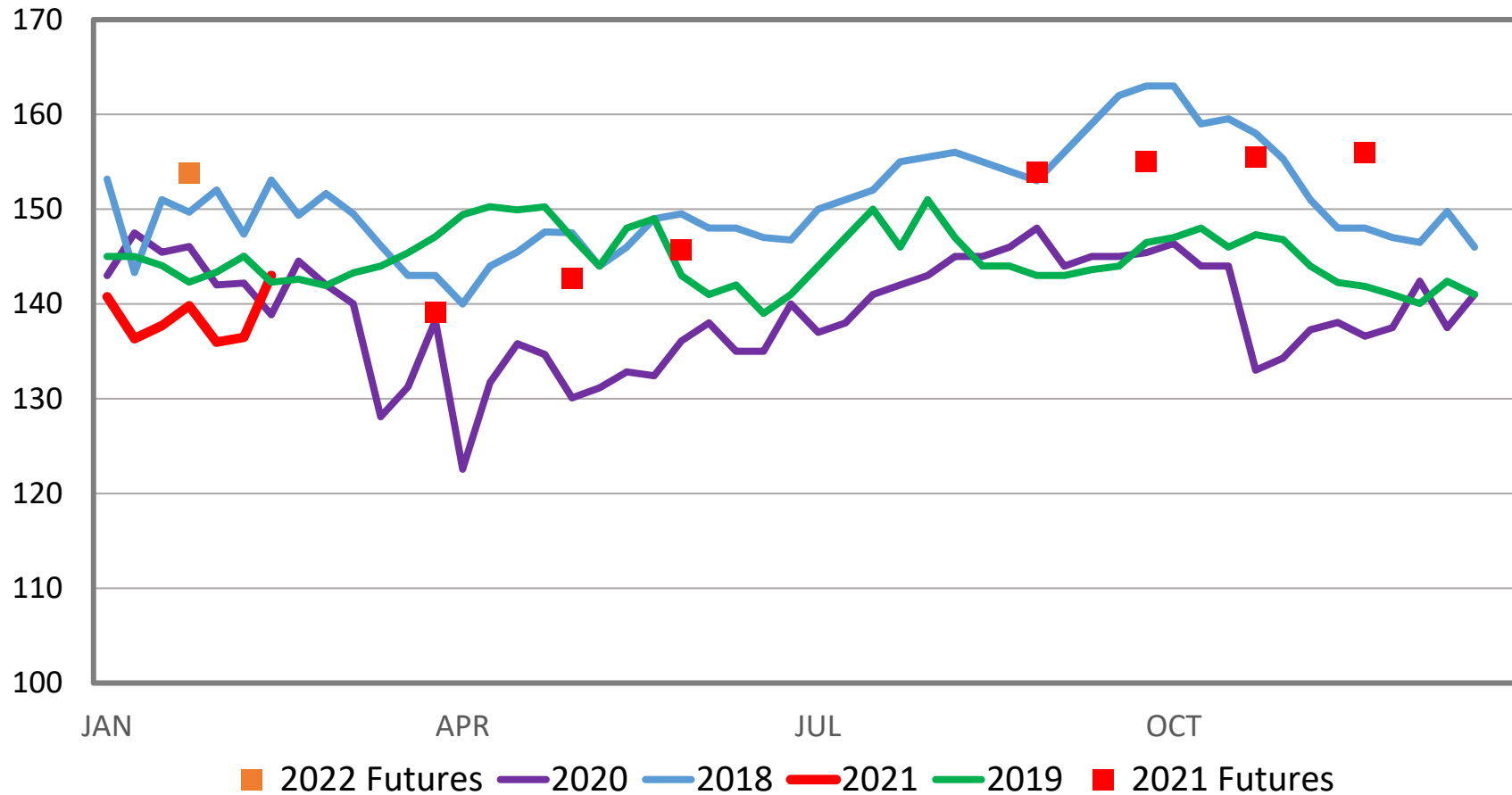


MED. FRAME #1 STEER CALF PRICES 550-600 Pounds, N.D., Weekly



MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



MARKETING IS IMPORTANT

- Wide range in prices for same weight and grade of calves at same market

Important to move to top end



North Dakota Weekly Cattle Auction Summary

AMS Livestock, Poultry, & Grain Market News

North Dakota Dept of Ag Mrkt News

Mon Feb 22, 2021

STEERS - Medium and Large 1 (Per Cwt / Actual Wt)

<u>Head</u>	<u>Wt Range</u>	<u>Avg Wt</u>	<u>Price Range</u>	<u>Avg Price</u>	
2	313	313	219.00	219.00	
1	380	380	212.00	212.00	
19	400-442	438	190.00-195.00	194.52	
57	452-494	485	178.00-192.00	183.37	
124	515-546	529	173.00-183.00	178.33	
244	554-597	571	160.00-181.00	\$21/cwt. 170.38	\$121/head
230	602-649	632	145.00-161.50	155.64	
373	660-697	677	141.00-154.50	150.51	
454	702-749	726	135.00-149.50	144.28	
6	741	741	126.50	126.50	Fleshy
500	751-796	774	128.50-147.25	143.03	
675	802-843	821	125.00-144.25	139.01	
16	816	816	150.00	150.00	Fancy
5	813	813	124.00	124.00	Fleshy
402	852-887	869	124.00-135.75	133.70	
590	901-945	922	124.00-134.00	131.28	
258	956-980	969	127.50-129.85	128.46	
59	1017	1017	126.10	126.10	

\$212/head

Adding Value To Calves

- Weaned
 - Verified vaccination program
 - Source/age verified/no implants
 - Natural (no antibiotics or implants)
 - Beef Quality Assurance (BQA) –packers requiring
 - Replacement quality heifers
- * *The more information you provide the better*
- * *Check with your market before selling*



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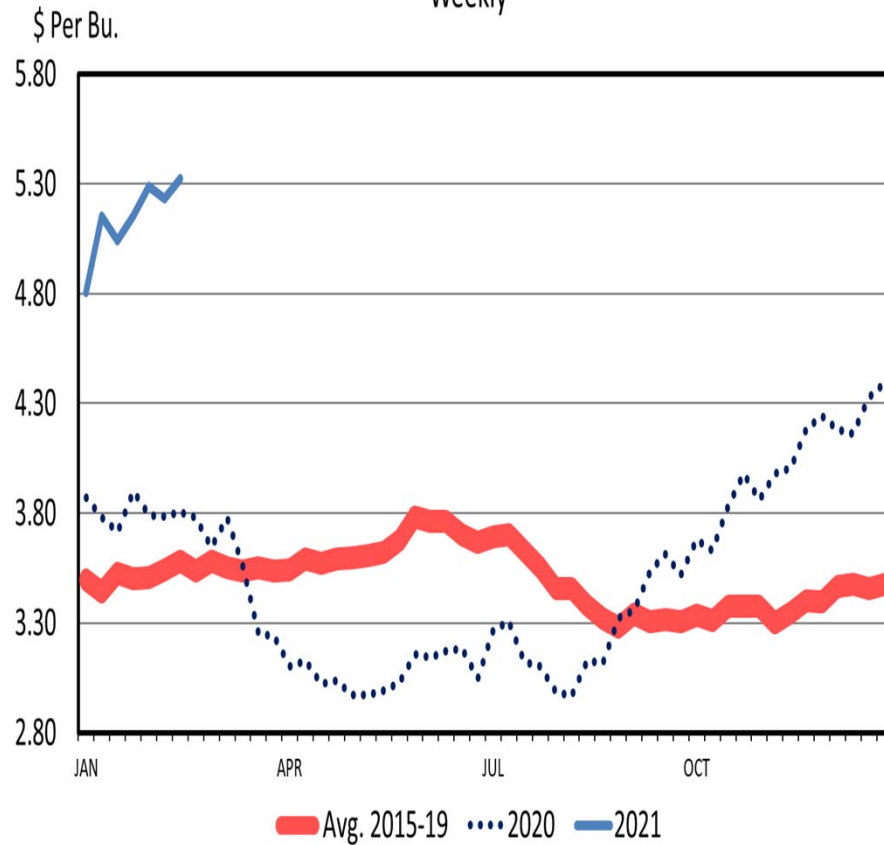
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244	554-597	571	160.00-181.00	170.38
230	602-649	632	145.00-161.50	155.64
373	660-697	677	141.00-154.50	150.51
454	702-749	726	135.00-149.50	144.28
6	741	741	126.50	126.50
500	751-796	774	128.50-147.25	143.03
675	802-843	821	125.00-144.25	139.01
16	816	816	150.00	150.00
5	813	813	124.00	124.00
402	852-887	869	124.00-135.75	133.70
590	901-945	922	124.00-134.00	131.28
258	956-980	969	127.50-129.85	128.46
59	1017	1017	126.10	126.10

HEIFERS - Medium and Large 1 (Per Cwt / Actual Wt)

Head	Wt Range	Avg Wt	Price Range	Avg Price	
30	360-398	384	164.50-168.00	165.66	
10	433-447	444	160.00-166.00	161.17	
12	452-480	466	155.00-166.00	160.67	
173	503-549	517	142.50-165.25	158.74	
292	551-596	581	141.00-157.50	148.64	
96	598	598	152.00	152.00	Replacement
364	601-649	630	126.00-157.00	141.24	
10	616	616	172.50	172.50	Replacement
576	650-696	674	127.50-140.00	134.43	
29	662-691	681	134.00-140.00	135.51	Replacement
617	702-749	729	120.00-133.00	129.22	
68	731-743	734	151.50-152.00	151.62	Replacement
316	751-797	775	121.00-132.00	126.10	
177	750-794	777	127.00-158.50	140.98	Replacement
235	801-846	833	120.50-128.50	123.61	
5	846	846	112.00	112.00	Fleshy
184	802-848	823	126.00-161.00	151.31	Replacement
339	850-892	859	121.00-124.00	123.53	
100	873-881	880	129.50-158.50	134.44	Replacement
6	912	912	114.00	114.00	

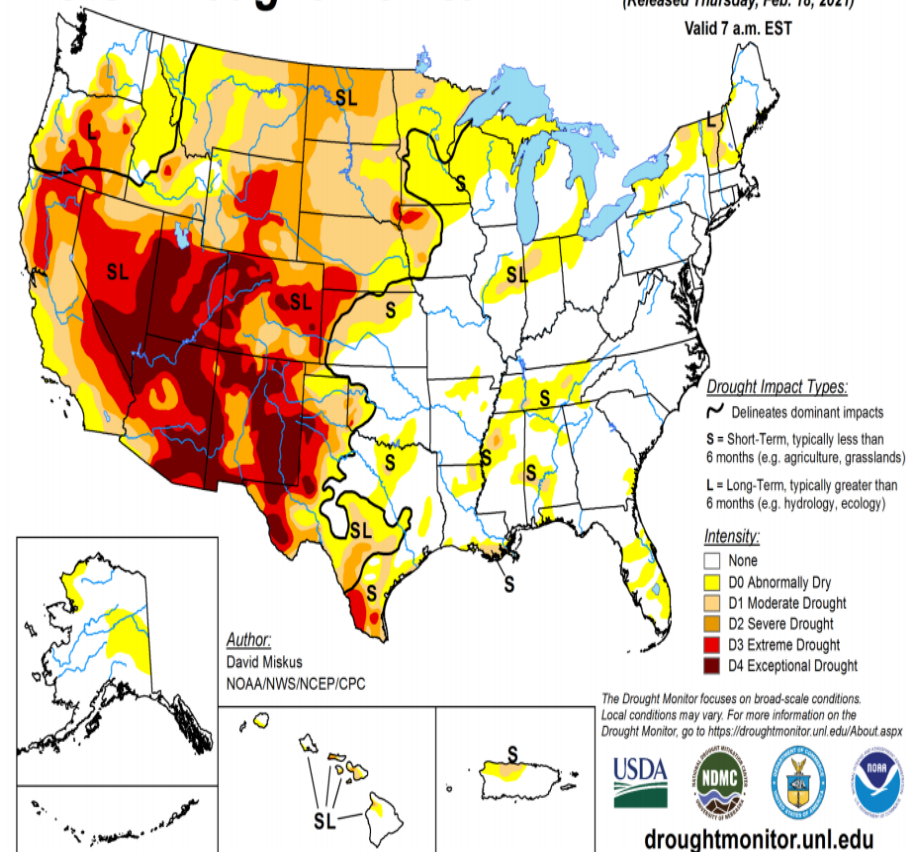
Volatile Prices Will Continue

OMAHA CORN PRICES
Weekly



U.S. Drought Monitor

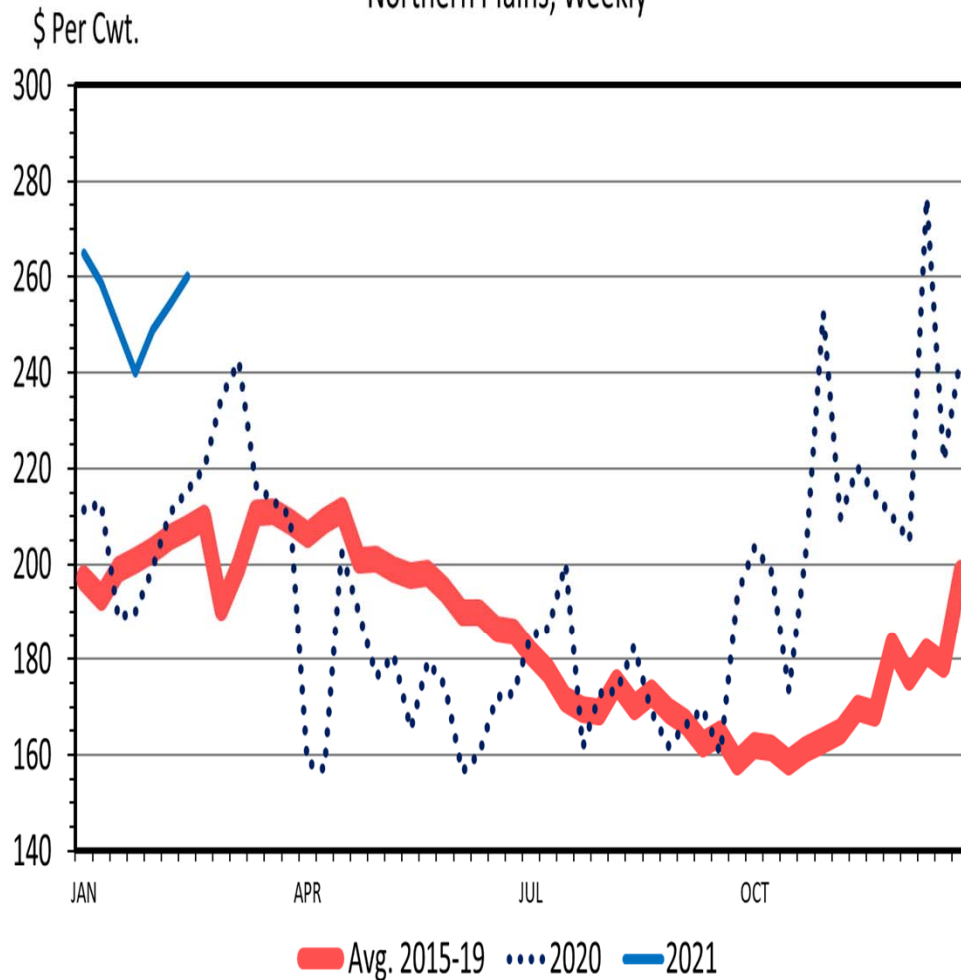
February 16, 2021
(Released Thursday, Feb. 18, 2021)
Valid 7 a.m. EST



Volatile Prices Will Continue

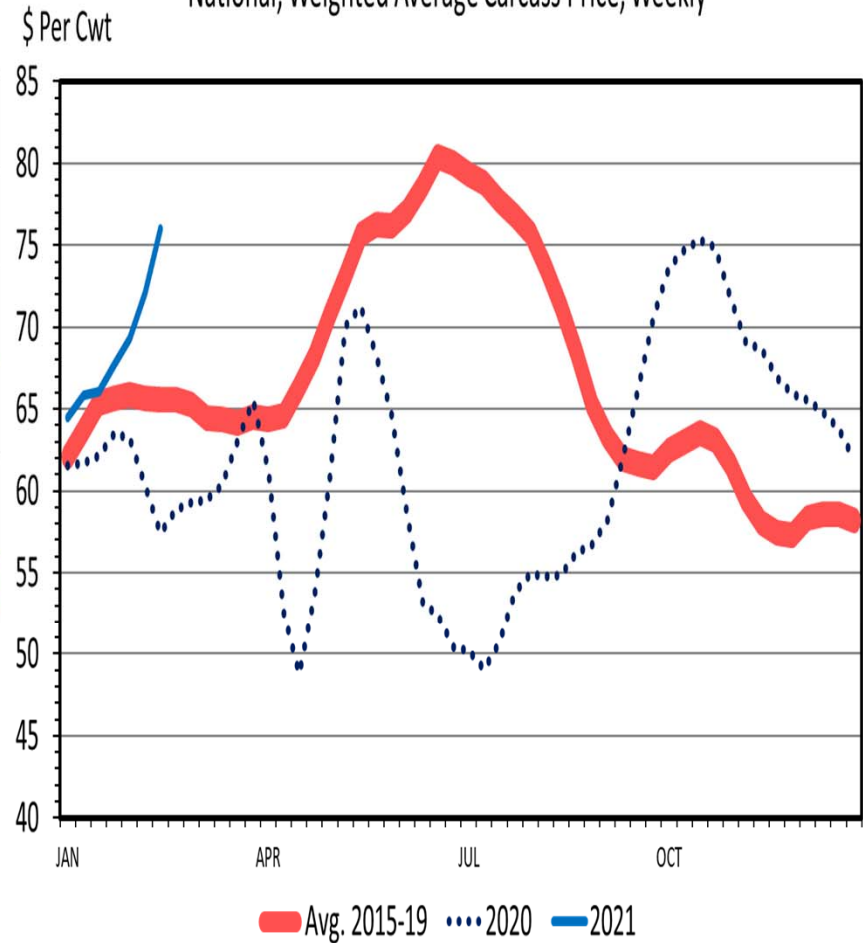
FEEDER LAMB PRICES

Northern Plains; Weekly



BASE SLAUGHTER HOG PRICES

National, Weighted Average Carcass Price, Weekly



Price Risk Management Tools

- Cash forward contract
- Video and internet auctions
- CME futures
- CME options
- Livestock Risk Protection (LRP)
- Which one or combination fits your marketing plan?
- **“If you don’t manage risk, risk will manage you”**

FEEDER CATTLE FUTURES

- 700 – 899 lb.- ave. 800 lb. (72-56 hd) steers
- 50,000 lbs., 500 cwt.
- Jan, Mar, Apr, May, Aug, Sep, Oct, Nov

MAY FDR CAT FUTURES and MAR CORN



Is there something easier?

LRP CONTRACTS

- Feeder Cattle (beef, dairy, Brahman)
 - Under 600 lbs
 - Beef steers or heifers
 - 600 to 900 lbs.
 - Beef steers or heifers
- Fed cattle
- Hogs
- Lambs – temporarily suspended

Steps to LRP

1. Submit eligibility application form with livestock insurance agent
2. Select a policy (coverage prices and premiums are available **after 3 p.m.** (CST) except holidays)
 1. Number of head
 2. Policy length closest to marketing date
 3. Estimated average market weight
 4. Choose coverage price
3. Pay premium to agent-~~Premium~~ **Pay at maturity** 
4. Agent submits form electronically (hours are between **4 p.m. and 9 a.m.** (CST), Tues-Sat only)

LRP Advantages

- Small numbers (1 head minimum) can be hedged
- ↑600, ↓600 steers **AND** heifers, fed steers and heifers, hogs, lambs
- Premium subsidized 35-55 percent
- No brokerage or margin
- Receive higher prices in bull market
- You pick market weight
- Sold by livestock (crop) insurance agents
- **Good way for beginners to learn**

www3.rma.usda.gov/apps/livestock_reports/main.aspx

Over 600 lb. Feeder Steers



35% Subsidy

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 02/23/2021

X.65

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	205 Endorsement Ending in May Yr1	2021	145.087	\$143.990	0.992400	0.033544	4.830 3.14	05/25/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	205 Endorsement Ending in May Yr1	2021	145.087	\$141.990	0.978700	0.027960	3.970 2.58	05/25/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	205 Endorsement Ending in May Yr1	2021	145.087	\$139.990	0.964900	0.023002	3.220 2.09	05/25/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	205 Endorsement Ending in May Yr1	2021	145.087	\$137.990	0.951100	0.018545	2.559 1.66	05/25/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	205 Endorsement Ending in May Yr1	2021	145.087	\$135.990	0.937300	0.015008	2.041 1.22	05/25/2021

40%

MAY FDR CAT Futures - \$145.10/CME FC INDEX-\$140.39

<https://public.rma.usda.gov/livestockreports/main.aspx>

2021 Calf Marketing Plan

100 Cow Spring Calving Herd

46-575 lb. steer calves

26-550 lb. heifer calves (20 replacement)

Expected Market Date Nov. 15

Goal: Pre-price 50 % of production

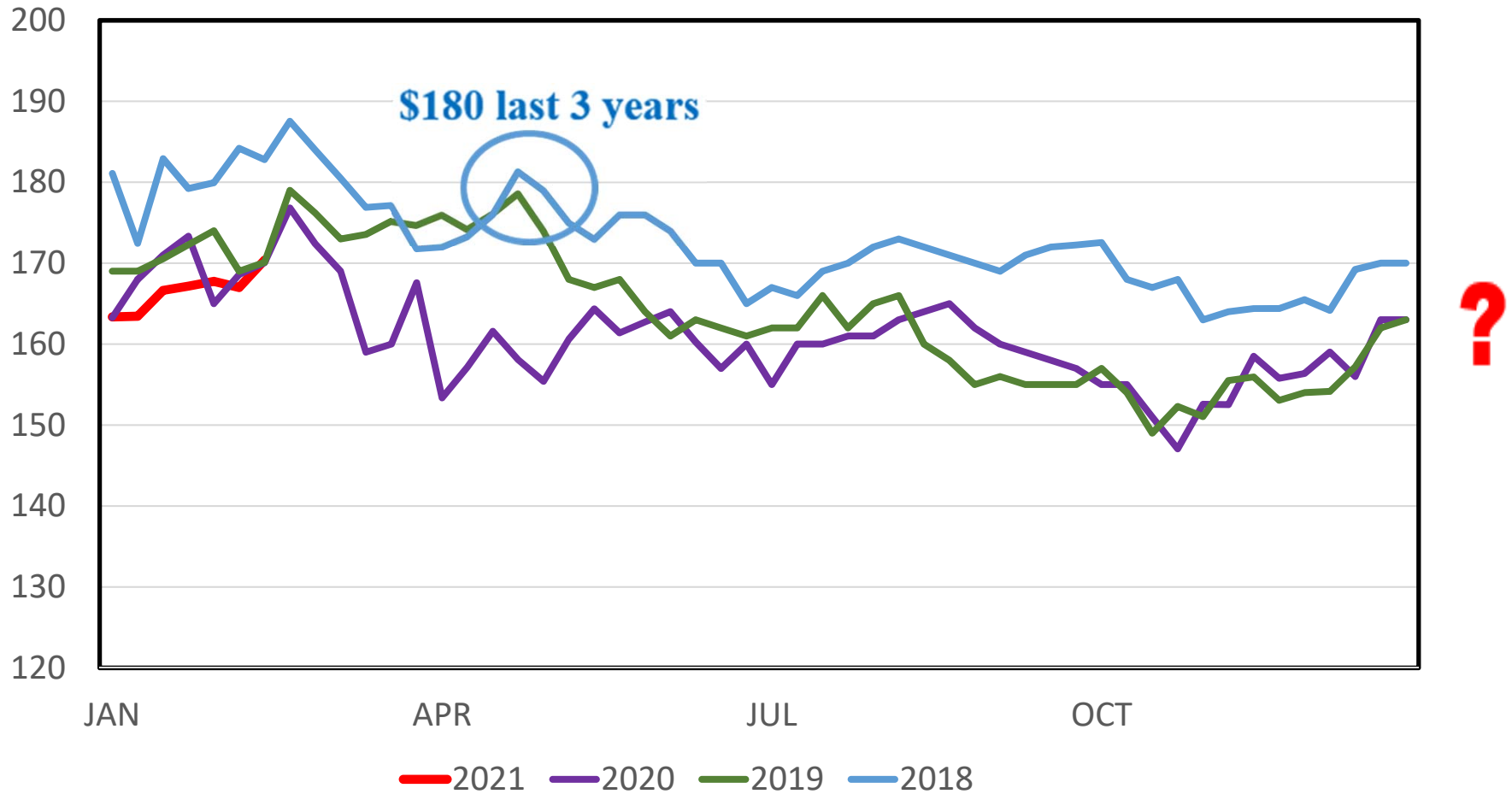
Expected price trend Up BUT?

Best Strategy: LRP-Under 600 lbs.

<u>Strategy</u>	<u># of Head</u>	<u>Price Objective</u>	<u>Time Deadline</u>
LRP-26 wk.	12 steers	\$165	May 15
	7 heifers	\$145	
LRP-13 wk.	11 steers	\$175	Aug. 15
	6 heifers	\$155	
Market	46 steers		Nov. 15
	26 heifers		

MED. FRAME #1 STEER CALF PRICES

550-600 Pounds, N.D., Weekly



LIVESTOCK MARKETING CAN BE FUN!



Questions?

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