

Intro to Livestock Marketing Annie's Project



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Livestock Economist

www.ndsu.edu/livestockeconomics

2017

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”

$$5.50 \text{ cwt.} \times \$10 = \$55$$

Identify Your Market

- Most calves, cull cows and bulls, and sheep and lambs are sold at livestock auctions
- Most fed cattle and hogs sold directly to packers
- Specialty livestock such as goats, poultry, organic, grass fed, etc. require you to find and develop markets

Need to know your cost of production

Cost-Return Projection -- Beef Cow-Calf Enterprise (Per Cow), 2016 ¹

	N.D. Avg.	Your Numbers
VARIABLE COST PER COW:		
1. Summer Pasture	\$ 135.00	\$ _____
2. Hay--silage	170.00	_____
3. Other feed	25.00	_____
4. Protein and Mineral	26.00	_____
5. Hired Labor, Custom Hire	25.00	_____
6. Veterinary, Drugs, and Supplies	25.00	_____
7. Utilities, Fuel, and Oil	30.00	_____
8. Facilities and Equipment Repairs	44.00	_____
9. Breeding Charge	10.00	_____
10. Marketing	15.00	_____
11. Miscellaneous	20.00	_____
12. Interest	14.00	_____
A. TOTAL VARIABLE COSTS	\$ 539.00	\$ 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)	\$ 654.00	\$ 0.00
RETURNS PER COW ²		
	Your Numbers	
	%	x Weight x Price
17. Steers: .45 x 560 x 1.52	x _____	x _____
		\$ 383.04
18. Heifers: .26 x 540 x 1.32	x _____	x _____
		185.33
19. Cull cows; .14 x 1300 x 0.70	x _____	x _____
		127.40
20. Cull heifers: .05 x 900 x 1.25	x _____	x _____
		56.25
D. GROSS RETURNS PER COW	\$ 752.02	\$ 0.00
E. RETURN OVER VARIABLE COSTS (D - A)	\$ 213.02	\$ 0.00
F. RETURN OVER TOTAL COSTS (D - C) ³	\$ 98.02	\$ 0.00

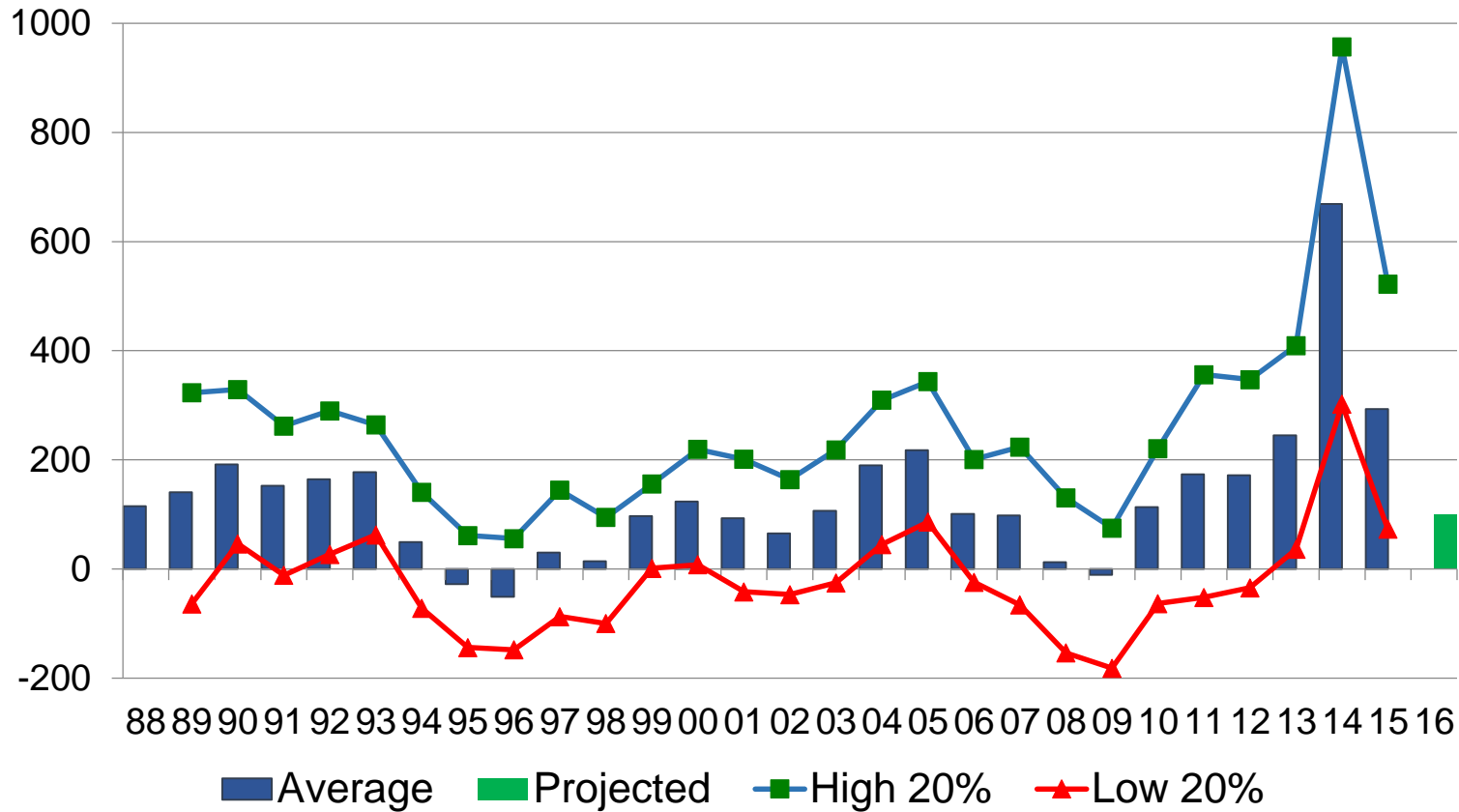
¹ Information in this budget is based on the [North Dakota Farm and Ranch Business Management Annual Report, 2015](#).

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.

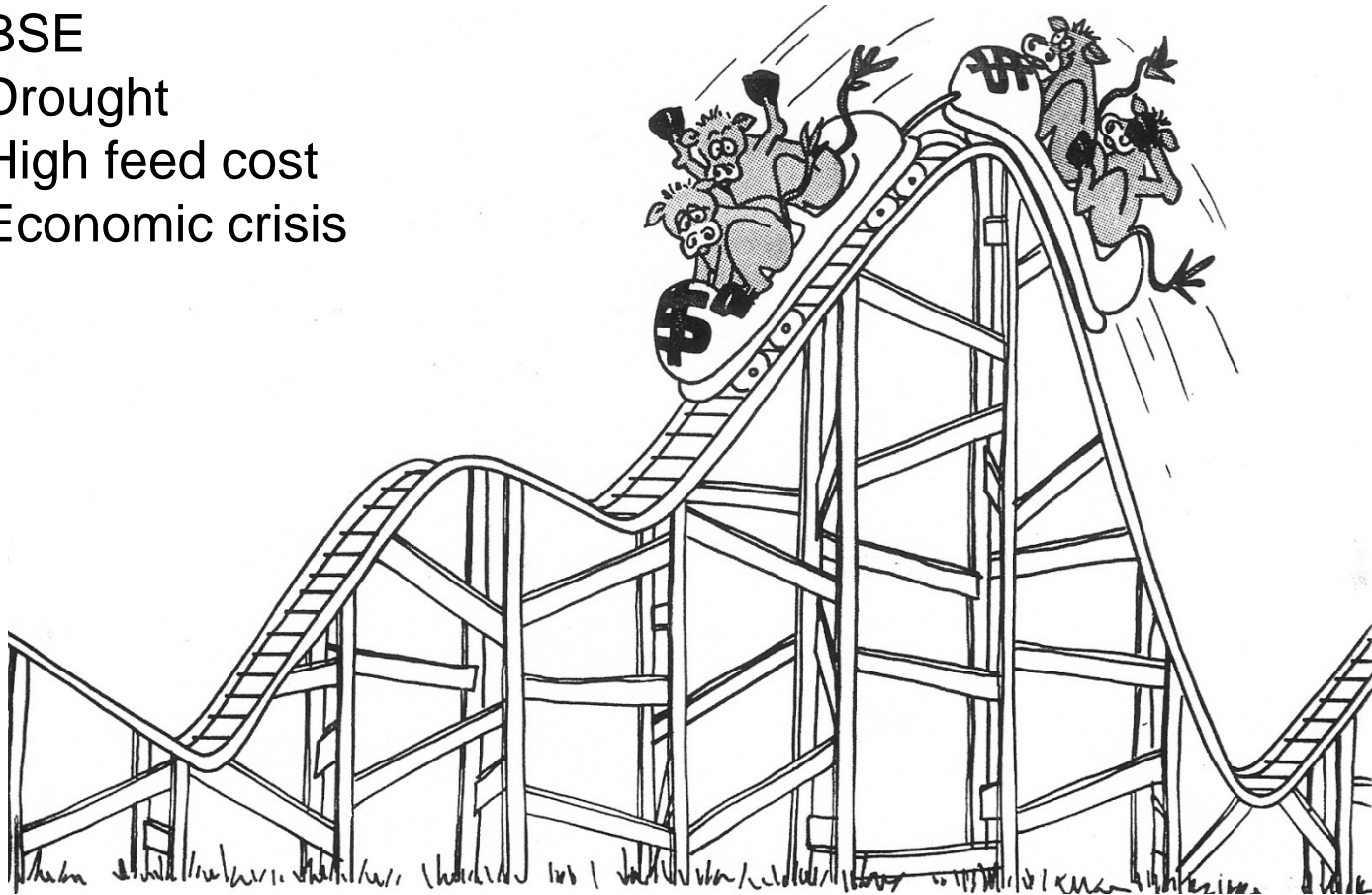
³ Return over total costs is return to unpaid family labor, management, and equity.

Average Net Return to Labor and Management Per Beef Cow

N.D. Farm Business Mgmt., Excluding Red River Valley

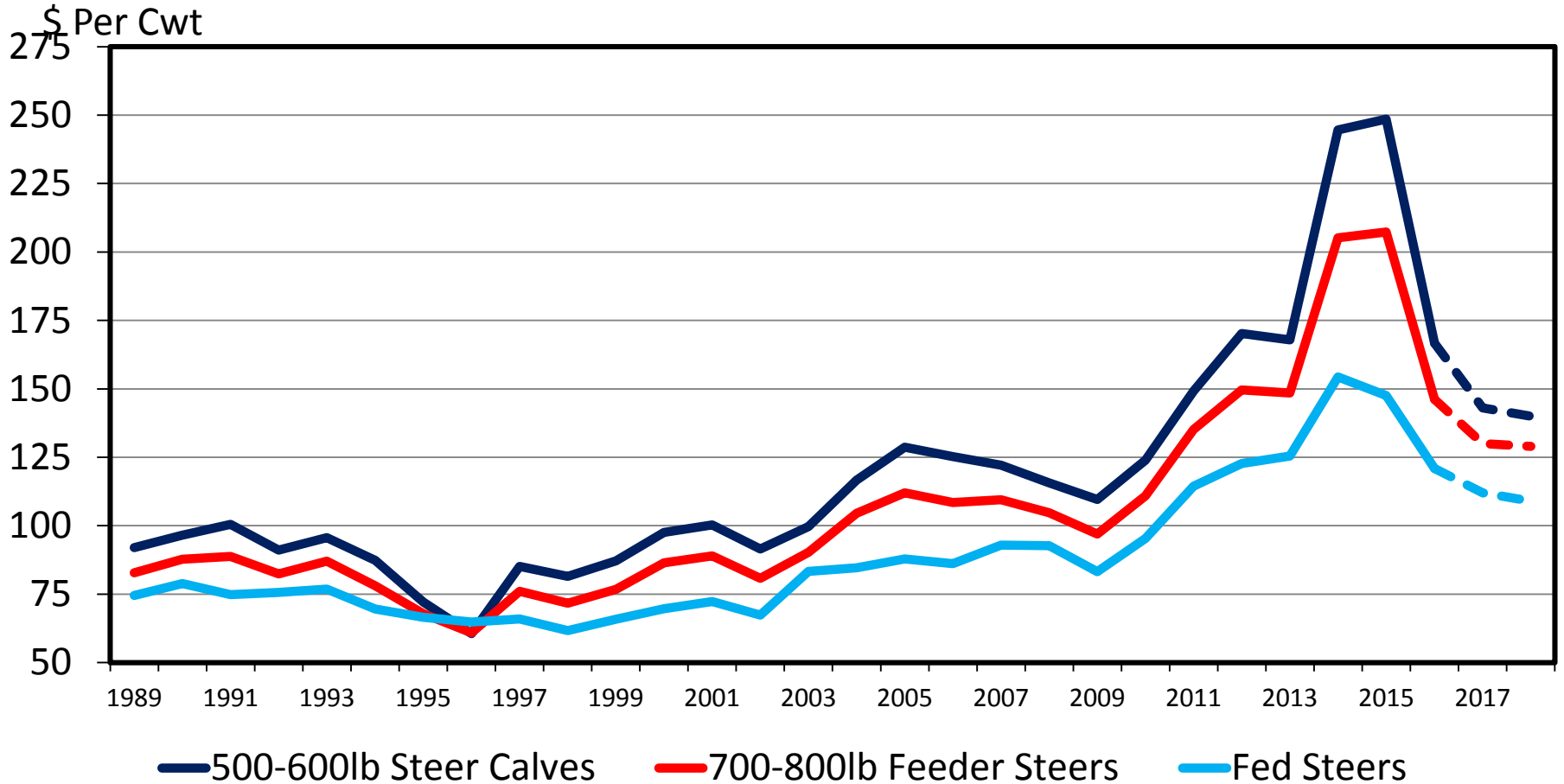


- PRICE CYCLES
 - Use for long run planning
- SEASONAL PRICE PATTERNS
 - Most important marketing tool
 - Reason for forward contracting, futures, options, LRP
- BOTH CAN BE AFFECTED BY CATASTROPHIC EVENTS
 - 9/11/01
 - BSE
 - Drought
 - High feed cost
 - Economic crisis



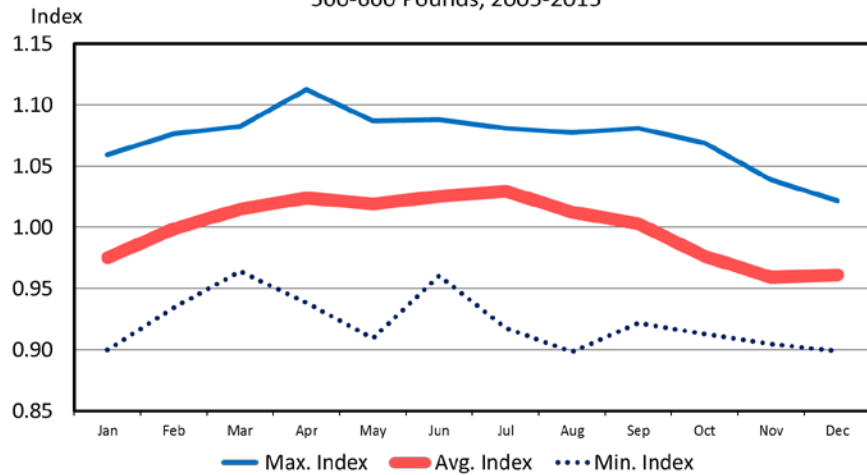
Cattle Price Cycle

AVERAGE ANNUAL CATTLE PRICES

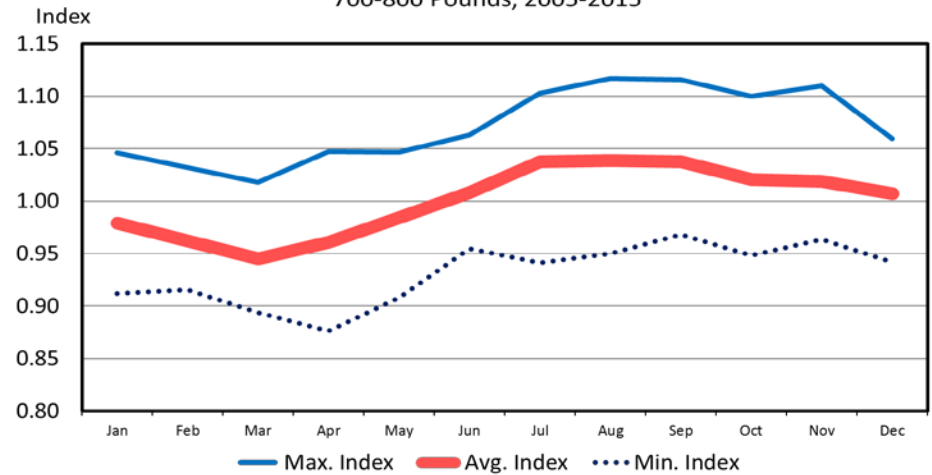


Seasonal Price Patterns

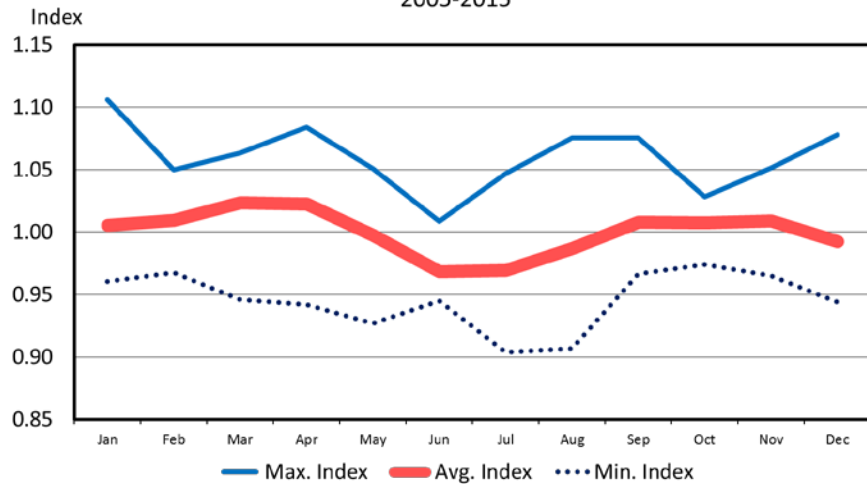
SEASONAL PRICE INDEX – STEER CALVES
500-600 Pounds, 2005-2015



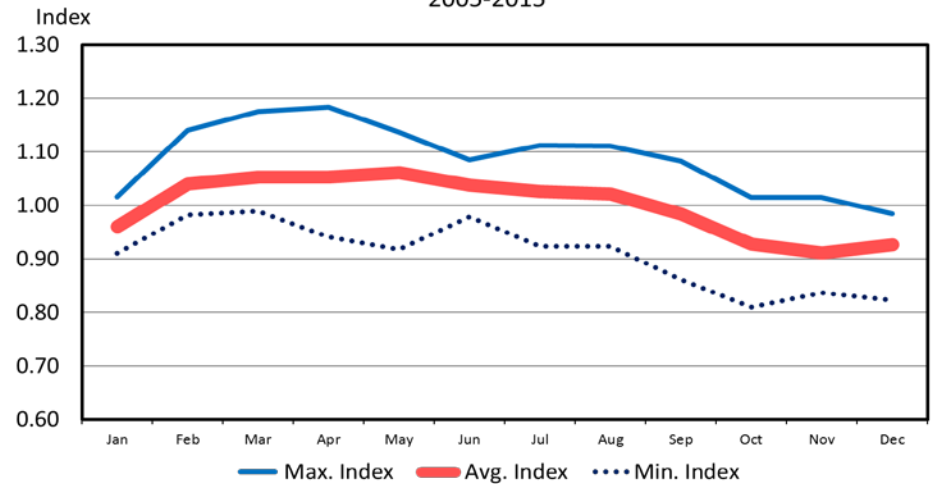
SEASONAL PRICE INDEX – FEEDER STEERS
700-800 Pounds, 2005-2015



SEASONAL PRICE INDEX – FED STEERS
2005-2015



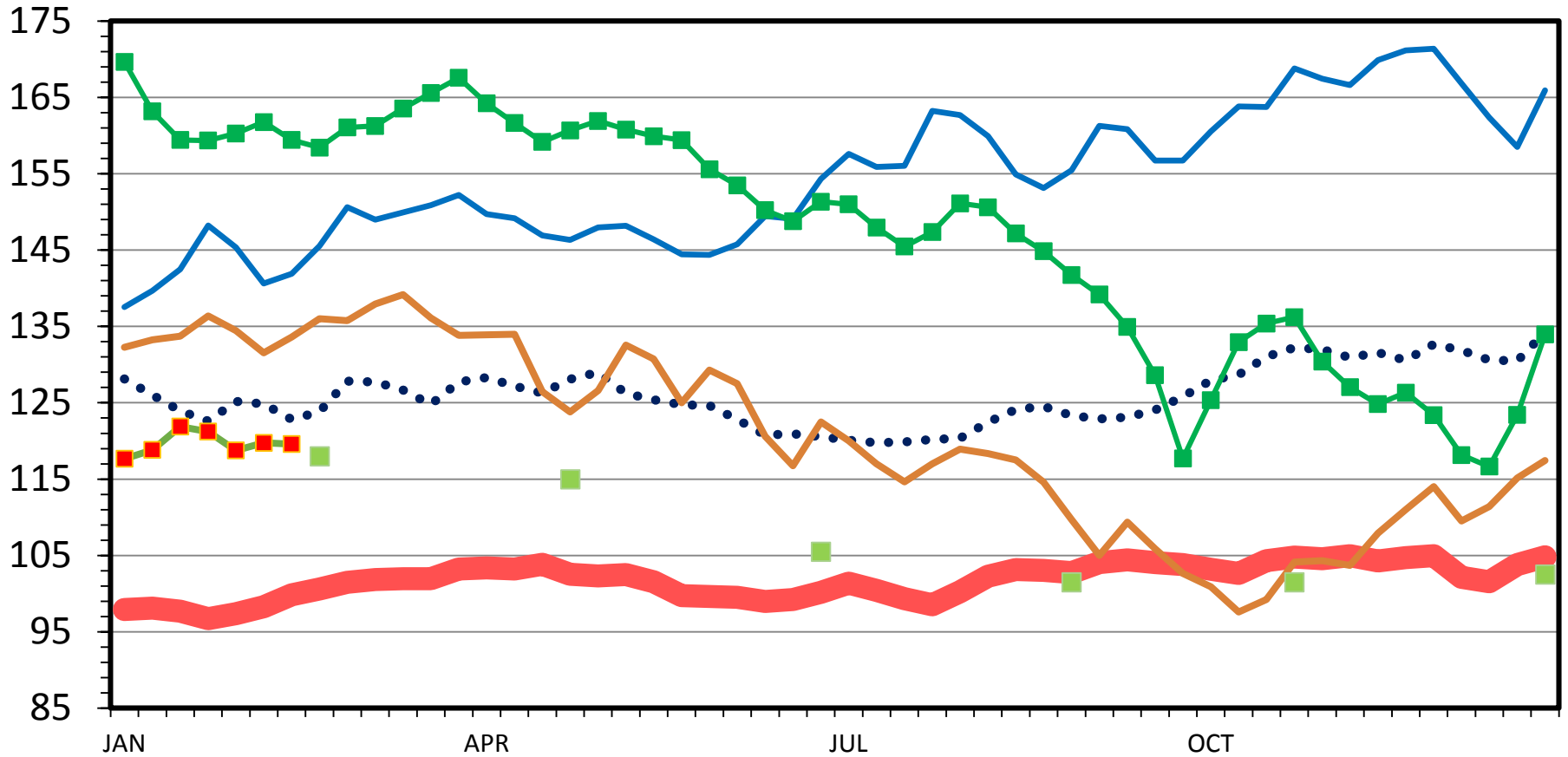
SEASONAL PRICE INDEX – UTILITY COWS
2005-2015



SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

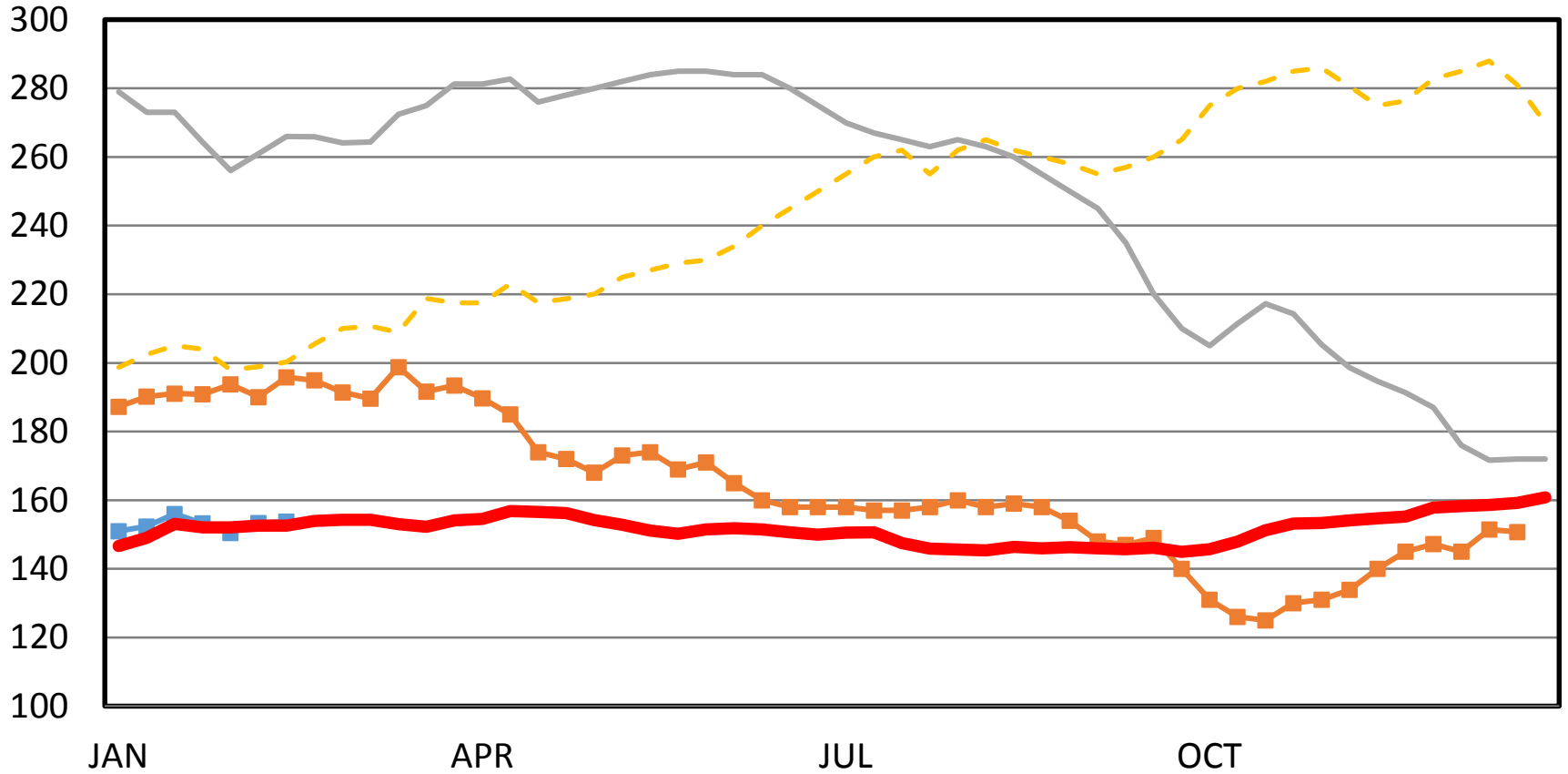
\$ Per Cwt.



— Avg. 2008-12 ···· 2013 — 2014 —■— 2015 — 2016 —■— 2017 ■ Fut 2017

MED. FRAME #1 STEER CALF PRICES

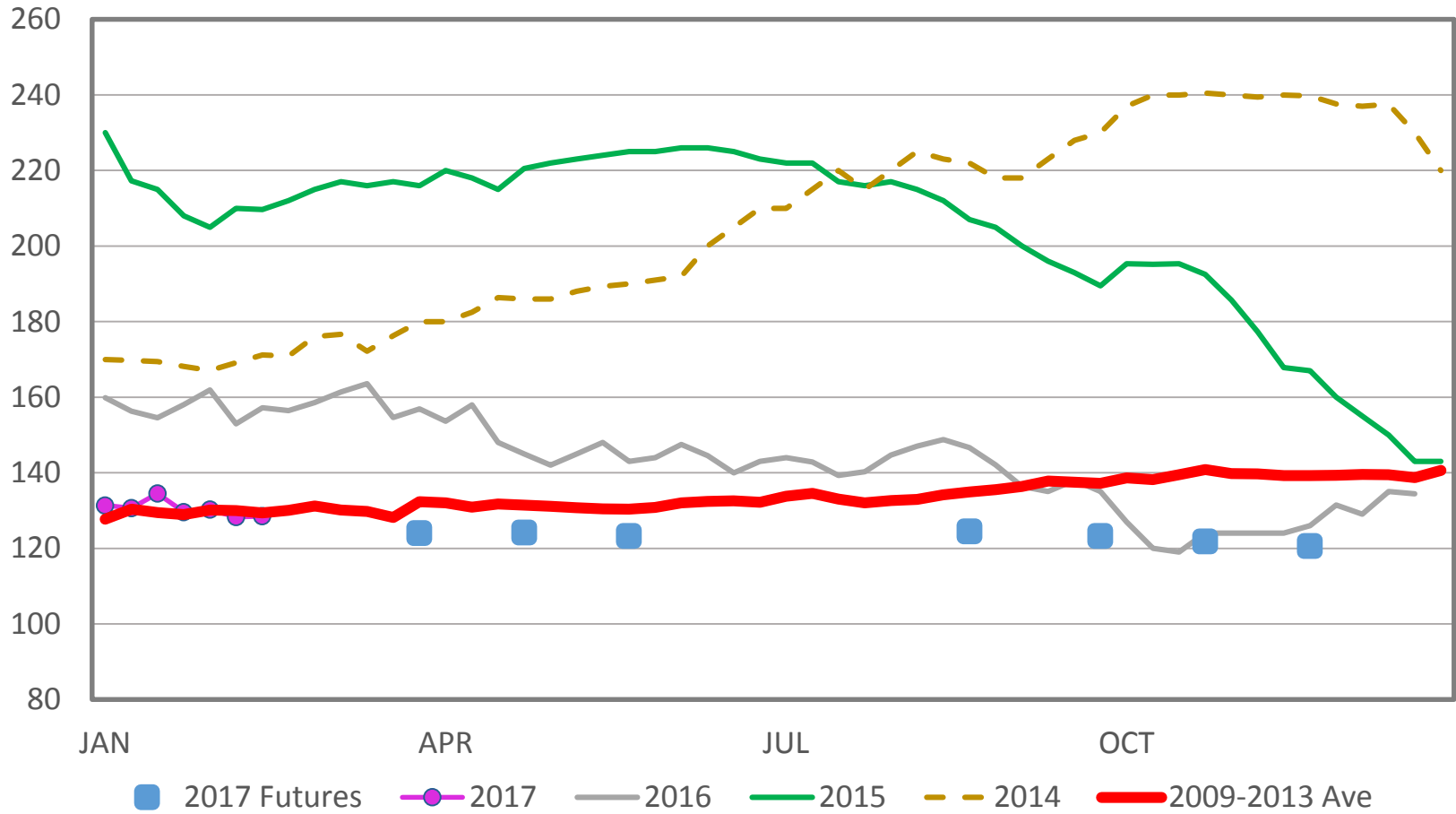
550-600 Pounds, N.D., Weekly



■ 2017 ■ 2016 — 2015 - - 2014 — 2009-2013 Ave

MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



North Dakota Weekly Auction Summary - For the week ending Feb 18, 2017

Receipts: 10,996

Last Week 9,057

Last Year 13,636

Results of: Napoleon, Stockmen's, and West Fargo

Feeder Steers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price	
30	414-436	430	160.00-166.00	162.86	
79	450-490	465	155.00-171.00	164.36	
232	503-549	531	152.00-168.00	160.80	
567	551-597	578	145.00-161.00	153.79	
22	550	550	155.50	155.50	Thin Fleshed
589	601-645	627	135.00-157.25	146.33	
756	650-698	675	130.00-146.00	139.13	
873	700-748	726	125.50-137.75	134.16	
803	752-799	780	121.00-135.00	128.53	
490	801-844	823	118.00-129.75	124.32	
306	851-899	891	117.00-122.35	121.23	
23	872	872	113.75	113.75	Fleshy
609	901-948	923	115.00-122.00	119.28	
67	950-965	955	115.00-115.50	115.17	
22	974	974	113.00	113.00	Fleshy

- Wide range in prices for same weight and grade of calves at same market
- Important to move to top end
- 600-650 lb steers

Low	6.25 cwt. x \$135	=	\$844
Ave	146.33	=	\$915 (+ \$71)
High	157.25	=	\$983 (+ \$68) (+139)

- Check with your market to see how to reach top of range

Premiums likely (but not consistent) for:

- Verified shots (ND VIP)
- Natural (no antibiotics or implants)
- Source/age verified
- Weaned
- Bovine Viral Diarrhea persistently infected (BVD-PI) tested negative
- Beef Quality Assurance (BQA)
- Replacement quality heifers

**Check with your market before selling*

SF_LS796

Sioux Falls, SD

Fri Feb 17, 2017

USDA-ND Dept of Ag Market News

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Last Year 13,636

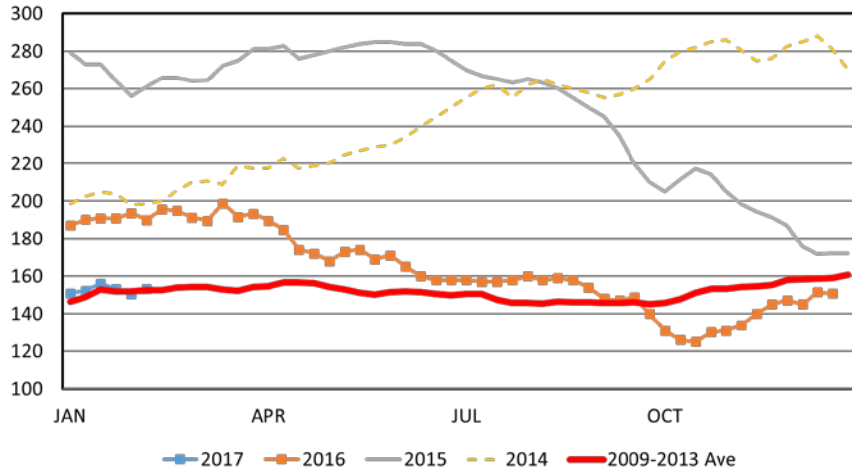
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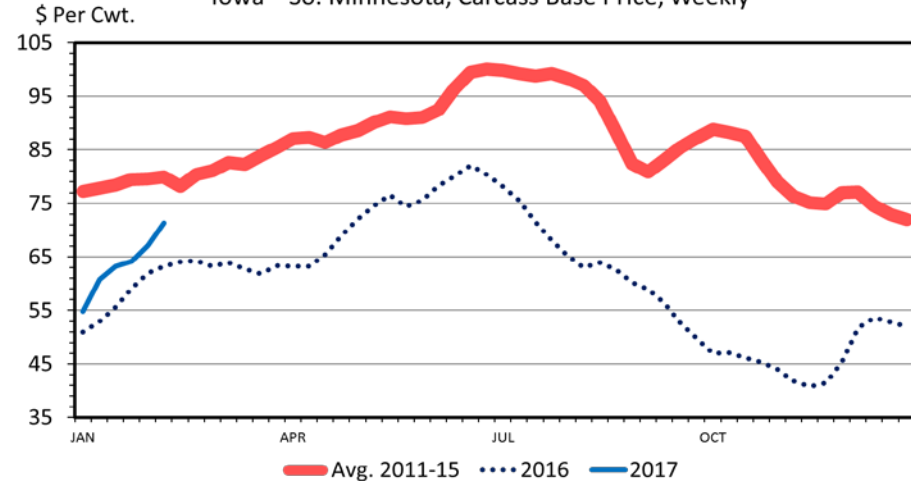
Head	Wt Range	Avg Wt	Price Range	Avg Price	
6	380	380	161.00	161.00	
79	405-449	426	146.00-165.00	150.71	
200	463-498	482	140.00-152.00	147.32	
265	501-546	521	135.00-148.25	141.04	
418	553-593	572	128.50-143.00	136.36	
472	600-643	622	123.25-135.75	129.93	
427	650-697	674	118.50-129.00	124.89	
27	665-675	671	126.00-132.00	129.36	Replacement
219	700-747	722	116.00-131.00	120.94	
317	750-794	764	115.50-121.50	117.75	
40	786	786	140.00	140.00	Replacement
105	816-847	830	113.00-117.25	115.92	
12	870	870	115.25	115.25	
14	897	897	110.50	110.50	Fleshy
20	904-923	909	107.50-115.00	113.10	
28	1002	1002	112.50	112.50	

Volatile Prices Will Continue

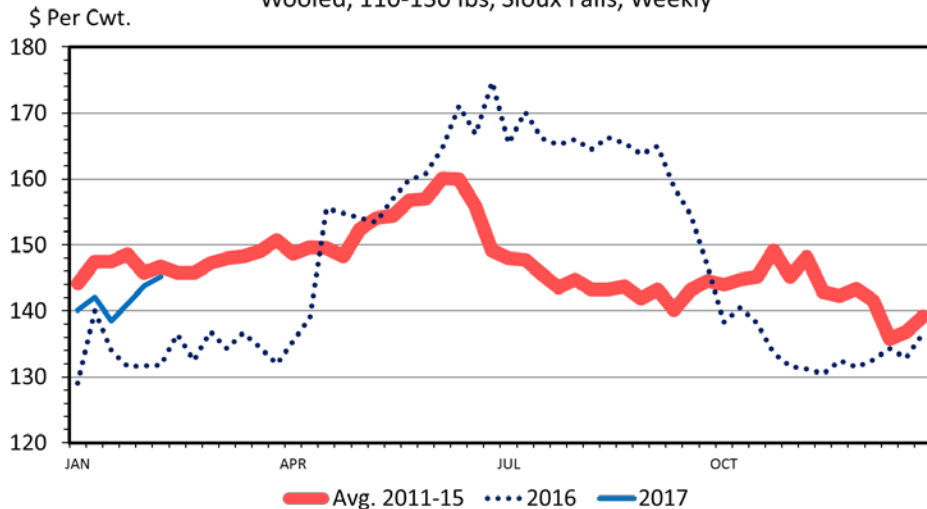
MED. FRAME #1 STEER CALF PRICES
550-600 Pounds, N.D., Weekly



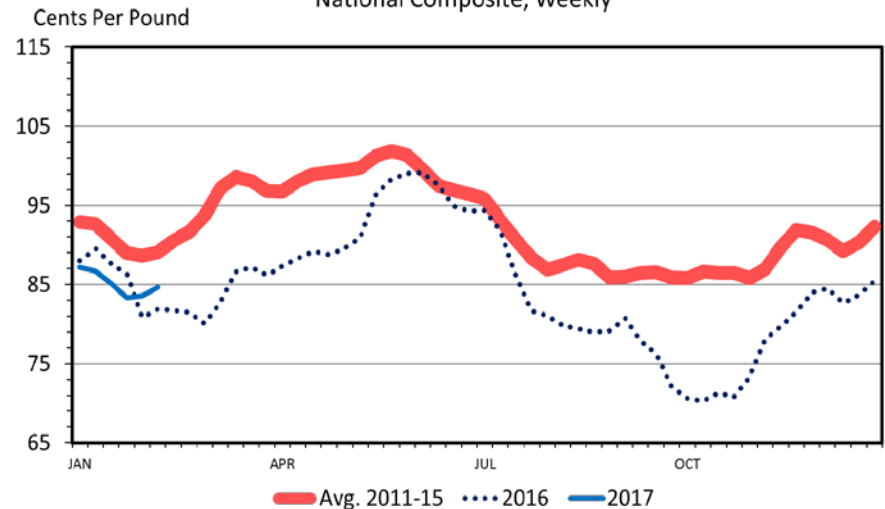
BARROW AND GILT PRICES
Iowa – So. Minnesota, Carcass Base Price, Weekly



SLAUGHTER LAMB PRICES
Wooled, 110-130 lbs, Sioux Falls, Weekly



BROILER PRICES
National Composite, 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?



Livestock Risk Protection (LRP)

A Price Risk Management Tool
for Livestock Producers



Tim Petry

Extension Livestock Economist

www.ndsu.edu/livestockeconomics

Feb. 21, 2017



NDSU EXTENSION
SERVICE

LRP – revenue insurance program that is reinsured and subsidized by the Federal Crop Insurance Corporation (FCIC)

- 2001: pilot program for swine
- 2003: feeder and fed cattle in selected states
- 2004: all 3 available in North Dakota
- 2007: lamb LRP available in North Dakota

LRP

- Insures against price declines
- Similar to put options
- 13% of premium is subsidized
- Crop insurance agents do not have to offer
- List of approved agents at:

www3.rma.usda.gov/apps/agents/index.cfm

Beginning Farmer

- 23% premium subsidy
- 5 yr. or less actively farming
- Does not include years when
 - under 18
 - full time military
 - post-secondary education

MAR FDR CAT

CME:GFH2017 O:123.725 H:124.550 L:123.400 C:123.975



LRP

- Feeder Cattle (beef, dairy, Brahman)
 - Under 600 lbs
 - Steers or heifers
 - 600 to 900 lbs.
 - Steers or heifers
- Fed cattle
- Hogs
- Lambs

LRP – Feeder Cattle

- Based on Chicago Mercantile Exchange (CME) feeder cattle price index which is available at www.cmegroup.com
- 700 to 899 lb., M & L #1, feeder steers at markets reported by USDA-AMS

CME Index and LRP

	Beef Steers	Beef Heifers	Brahman	Dairy
Under 600 lbs	110%	100%	100%	85%
600-900 lbs	100%	90%	90%	80%

Mar FC Fut \$125

CME FC Index \$128

ND \$128 (750-800 steers)

Insurance Period

Policies may be available for the following weekly lengths:

13, 17, 21, 26, 30, 34, 39, 43, 47, 52

Policy Size

- Any # up to 1,000 head per Specific Coverage Endorsement (SCE)
- 2,000 maximum per year (July 1 – June 30)

Actuarials

Coverage prices and rates change daily and are posted on the USDA Risk Management Agency (RMA) web site.

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

Coverage levels will range from 70 to 100 percent of expected price

Indemnity

- Payment based on difference between COVERAGE PRICE (CP) and CME CASH SETTLEMENT PRICE (CS)

$$CP = \$130/\text{cwt}$$

$$CS = \$125$$

\$ 5/cwt payment

- Producers must submit 04-LRP-Claim Form within 60 days of end of contract

Fall Steer Calf LRP Results

July 15 to Nov 15 (17 wk)

Year	Coverage Price	Premium	Actual Price	LRP Payment	LRP Profit
2005	105.78	1.67	127.75	--	-1.67
2006	114.42	1.49	107.55	6.87	5.38
2007	123.20	2.58	119.27	3.93	1.35
2008	127.38	5.46	107.37	20.01	14.55
2009	112.18	3.73	102.94	9.24	5.51
2010	121.02	2.88	122.61	--	-2.88
2011	149.57	5.00	156.92	--	-5.00
2012	155.75	4.00	158.33	--	-4.00
2013	171.29	3.13	181.97	--	-3.13
2014	231.16	7.25	264.95	--	-7.25
2015	229	7.17	199.41	29.59	22.42
2016	145.46	4.97	137.92	7.54	2.57

SF_LS766

Sioux Falls, SD

Thu Nov 17, 2016

USDA-ND Dept of Ag Market News

Stockmans Livestock Exchange

Feeder Cattle Weighted Average Report for 11/17/2016

Receipts: 4879

Last Week: 4922

Year Ago: 3841

Feeder Steers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price	
9	388	388	181.00	181.00	
27	405-416	415	182.00-191.25	190.25	
197	462-492	476	150.50-166.25	158.65	
313	502-548	524	142.50-156.75	150.11	
405	551-591	577	132.75-143.50	137.20	
412	602-646	623	127.25-134.75	132.04	Calves
505	650-695	671	125.00-136.75	130.28	Calves
163	700-730	714	119.00-128.75	125.14	Calves
48	752-767	764	115.00-118.25	117.91	Calves

SF_LS766

Sioux Falls, SD Thu Nov 12, 2015 USDA-ND Dept of Ag Market News

Stockmans Livestock Exchange

Feeder Cattle Weighted Average Report for 11/12/2015

Receipts: 4101 Last Week: 4762 Year Ago: 4553

Feeder Steers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price	
7	308-334	323	286.00-287.00	286.41	
18	364-375	368	259.00-283.00	268.43	
114	406-449	424	226.00-257.00	247.26	
185	455-494	485	211.00-228.00	221.86	
291	501-549	528	205.00-228.00	214.01	
350	551-586	575	190.00-208.00	199.41	
431	613-647	628	183.00-202.25	194.37	Calves
309	652-697	674	180.00-194.50	186.53	Calves
30	727	727	181.50	181.50	Calves

Backgrounding Steer LRP Results

Aug 25 to Jan 20 (21 wk)

Year	Coverage Price	Premium	Actual Price	LRP Payment	LRP Profit
2007-08	116.05	3.70	97.16	18.89	15.19
2008-09	106.01	3.23	95.14	10.87	7.64
2009-10	99.98	2.82	97.46	2.52	-.30
2010-11	116.01	3.56	127.27	0	-3.56
2011-12	129.91	3.72	150.39	--	-3.72
2012-13	143.89	2.96	146.88	--	-2.96
2013-14	154.02	3.09	170.49	--	-3.09
2014-15	204.10	7.17	221.87	--	-7.17
2015-16	188.09	7.29	159.40	28.69	21.40
2016-17	130.04	5.89	133.28		-5.89

SF_LS796

Sioux Falls, SD

Fri Jan 20, 2017

USDA-ND Dept of Ag Market News

North Dakota Weekly Auction Summary - For the week ending Jan 21, 2017

Receipts: 21,976

Last Week 15,867

Last Year 12,153

Results of: Kist, Napoleon, Stockmen's, and West Fargo

Feeder Steers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price	
38	405-446	436	161.50-176.00	165.50	
109	454-495	478	156.50-172.00	163.73	
31	477	477	176.00	176.00	Fancy
357	502-547	530	156.00-172.25	165.42	
638	551-597	570	148.00-164.00	155.98	
976	600-649	627	138.50-155.50	149.14	
20	625	625	137.50	137.50	Calves
14	628	628	138.00	138.00	Fleshy
1599	651-699	671	132.75-149.50	142.90	
1905	700-749	723	131.50-142.00	137.46	
14	707-736	726	126.00-127.50	126.98	Fleshy
1119	751-798	771	123.00-138.25	134.51	
5	757	757	114.00	114.00	Fleshy
875	800-846	821	126.00-136.75	130.88	
380	850-899	871	124.00-133.00	129.48	
91	900-948	920	126.00-131.00	128.20	
21	900-927	922	117.00-122.50	121.48	Fleshy
34	960-965	961	122.00-126.75	126.19	
19	994-998	997	120.50-124.00	122.71	Fleshy

Fed Cattle (Steers or Heifers)

- 1000 – 1400 lb., Select or higher, YG 1-3
- Based on 5-area weighted average 35 to 65 percent choice steer price

www.ams.usda.gov/mnreports/lm_150.txt

- Released each Monday morning
- Any # up to 2000 head per SCE
4000 maximum per year

5 AREA WEEKLY WEIGHTED AVERAGE DIRECT SLAUGHTER CATTLE

Texas/Oklahoma/New Mexico; Kansas; Nebraska; Colorado; Iowa/Minnesota feedlots
(Includes all transactions regardless of delivery day)

For: Week Ending Sunday, 2/19/2017

Confirmed: 108,593

Week Ago: 82,387

Year Ago: 66,294

LIVE FOB BASIS - Beef Breeds

	Head count	Weight Range	Price Range	Avg Weight	Wtd Avg Price
STEERS					
Over 80% Choice	17,159	1,265-1,630	116.75-121.00	1,506	119.53
65 - 80% Choice	18,316	1,240-1,600	117.00-120.50	1,416	119.65
35 - 65% Choice	4,816	1,175-1,445	118.50-120.00	1,301	119.58
0 - 35% Choice	56	1,400-1,400	118.50-118.50	1,400	118.50
Total all grades	40,347	1,175-1,630	116.75-121.00	1,441	119.59
HEIFERS					
Over 80% Choice	12,856	1,188-1,500	117.00-120.50	1,345	119.29
65 - 80% Choice	6,422	1,100-1,450	117.00-120.50	1,254	119.22
35 - 65% Choice	1,550	1,100-1,325	119.00-120.00	1,191	119.87
0 - 35% Choice		-	-		
Total all grades	20,828	1,100-1,500	117.00-120.50	1,306	119.31

Cattle LRP Timetable

MARKET CLASS	MARKET DATE	LRP CONTRACT			
		13	17	21	26
Under 600	Nov 15	AUG	JUL	JUN	MAY
Over 600	Feb 15	NOV	OCT	SEP	AUG
Fed	Jul 15	APR	MAR	FEB	JAN

LRP

Advantages

- Small numbers can be hedged
- ↑600, ↓600, heifers, dairy
- Premium subsidized 13 percent
- No brokerage or margin
- Receive higher prices in bull market
- Available in months where no futures/options
- All coverage prices available daily

Disadvantages

- Not “flexible” like futures and options
- Must own the livestock
- 10 percent rule for calves and heifers

Steps to LRP

1. Submit eligibility application form with insurance agent
2. Select a SCE (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
4. Agent submits SCE form electronically (hours are between 4 p.m. and 9 a.m. (CST), Tues-Sat only)

Calf Marketing Plan

100 Cow Spring Calving Herd

46-575 lb. steer calves

26-550 lb. heifer calves

Expected Market Date Nov. 15

Goal: Preprice 50 % of production

Best Strategy: LRP

Current Price: Steer \$150/cwt.

Heifer \$140/cwt.

<u>Strategy</u>	<u># of Head</u>	<u>Price Objective</u>	<u>Time Deadline</u>
LRP-26 wk.	12 steers 7 heifers	\$160 \$150	May 15
LRP-13 wk.	11 steers 6 heifers	\$175 \$165	Aug. 15
Market	46 steers 26 heifers		Nov. 15

Volatile Prices – Price Risk Management Necessary! Questions!

