

NDSU
Extension Service

Photo courtesy of Judy Jacobson, Watford City

Cattle Situation and Outlook

Backgrounding Cattle - 2014

Tim Petry – Livestock Economist
www.ndsu.edu/livestockeconomics
October 14, 2014

All beef and cattle market classes
broke price records the last several years



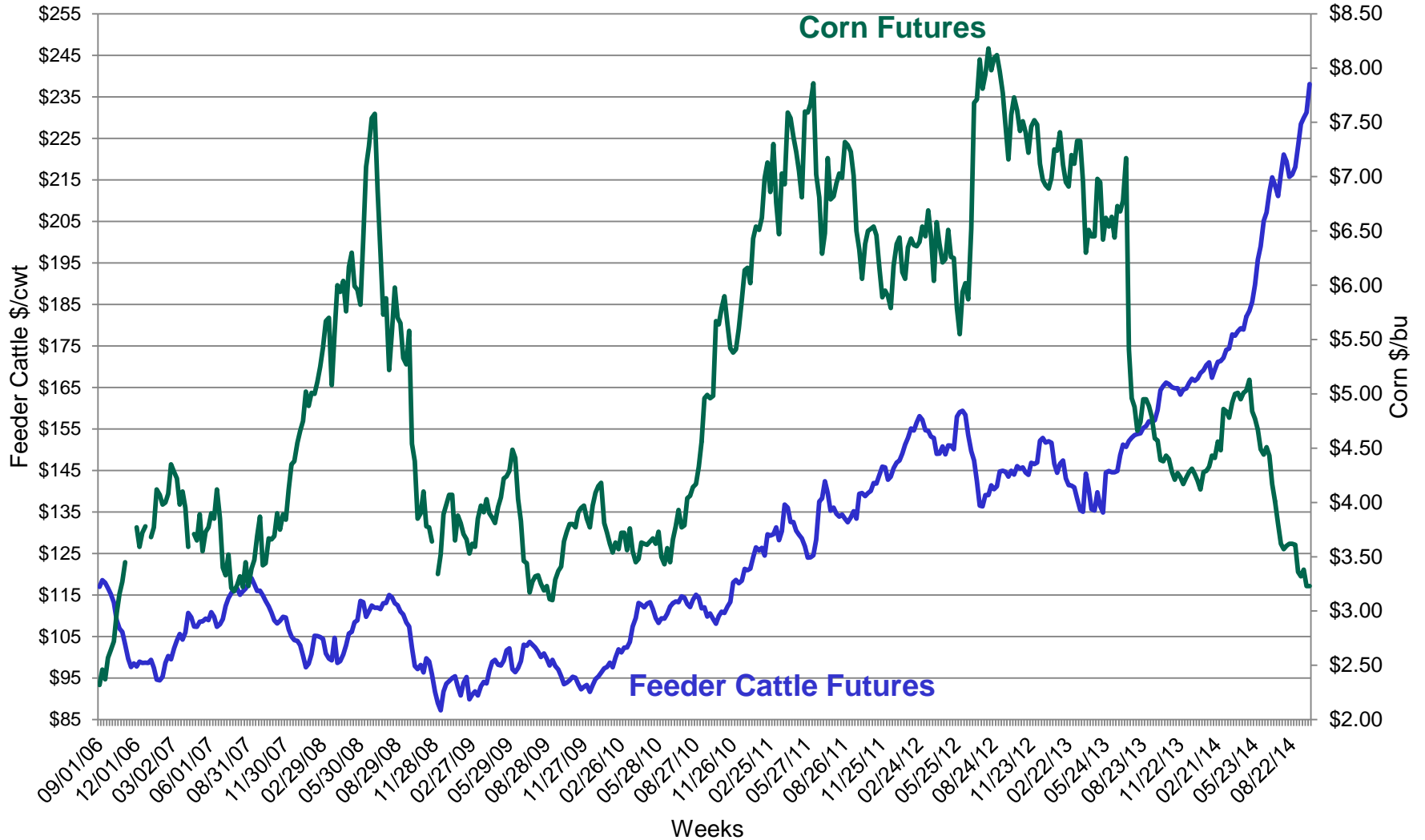
What could derail prices?
2015?

HIGHLIGHTS

- Short Supply
 - Feeder cattle supply tight
 - Heifers retained
 - Beef production down 6%
 - Steer slaughter ↓ 3%
 - Heifer slaughter ↓ 9%
 - Beef cow slaughter ↓ 18%
 - Dairy cow slaughter ↓ 10%
- Good Demand
 - Beef exports strong
 - Quantity up 1% through August
 - Value up 13%
 - By-product value record high
 - Domestic demand improving
 - Economy
 - Lower pork/poultry production than expected

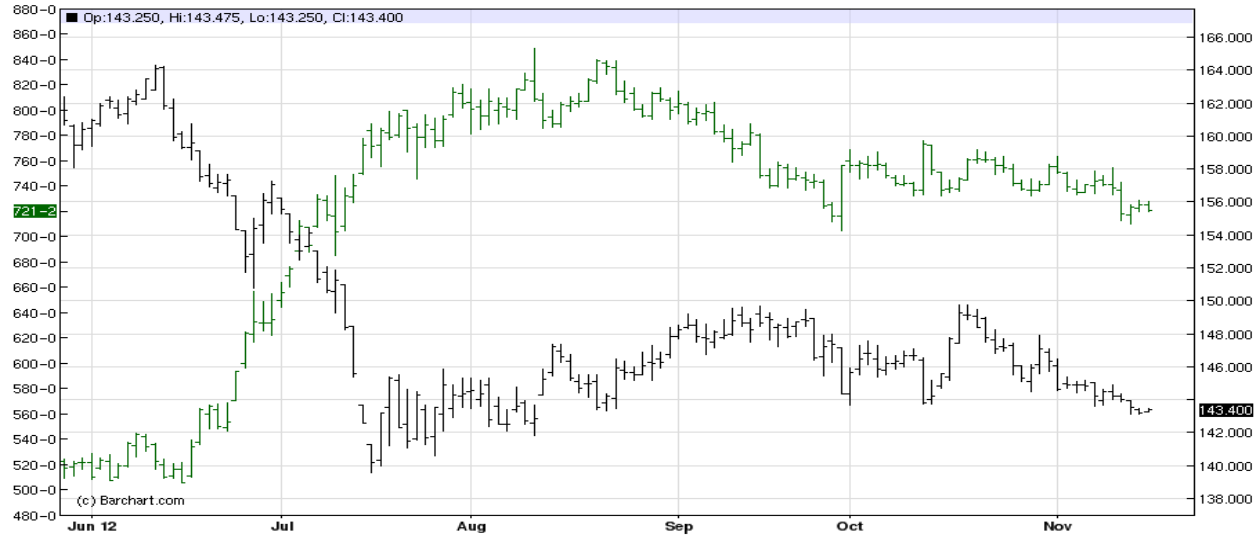
Price Volatility!

Weekly Nearby Corn and Feeder Cattle Futures



2012

NOV FC vs DEC CORN



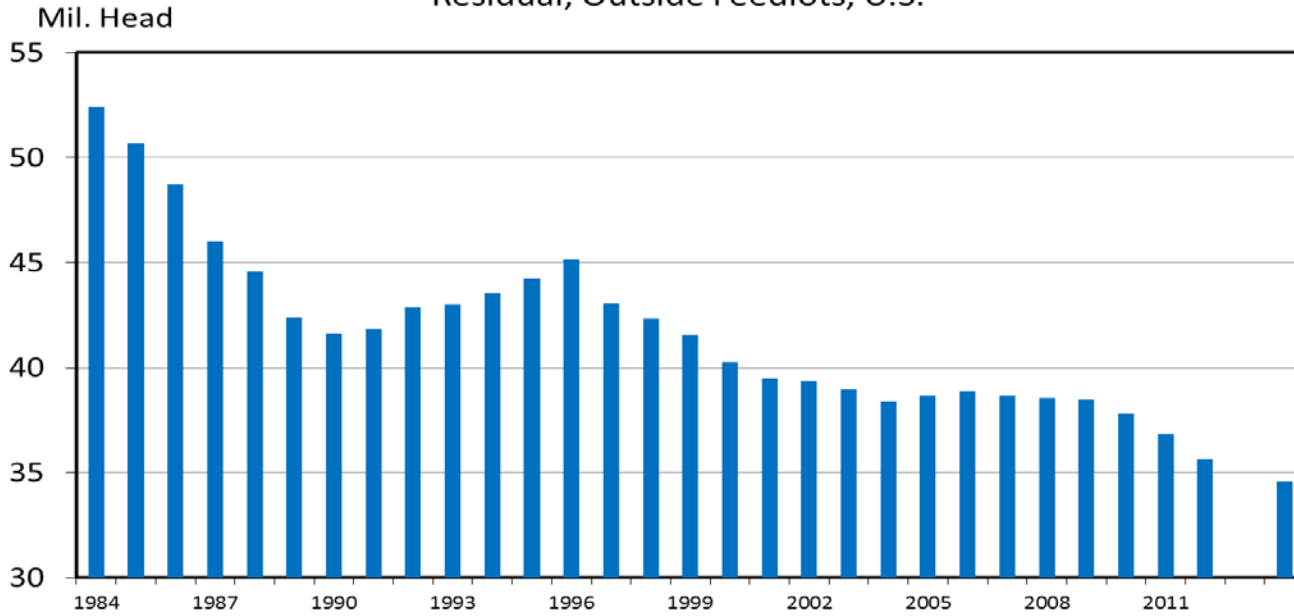
2014

NOV FC vs DEC CORN



JULY 1 FEEDER CATTLE SUPPLIES

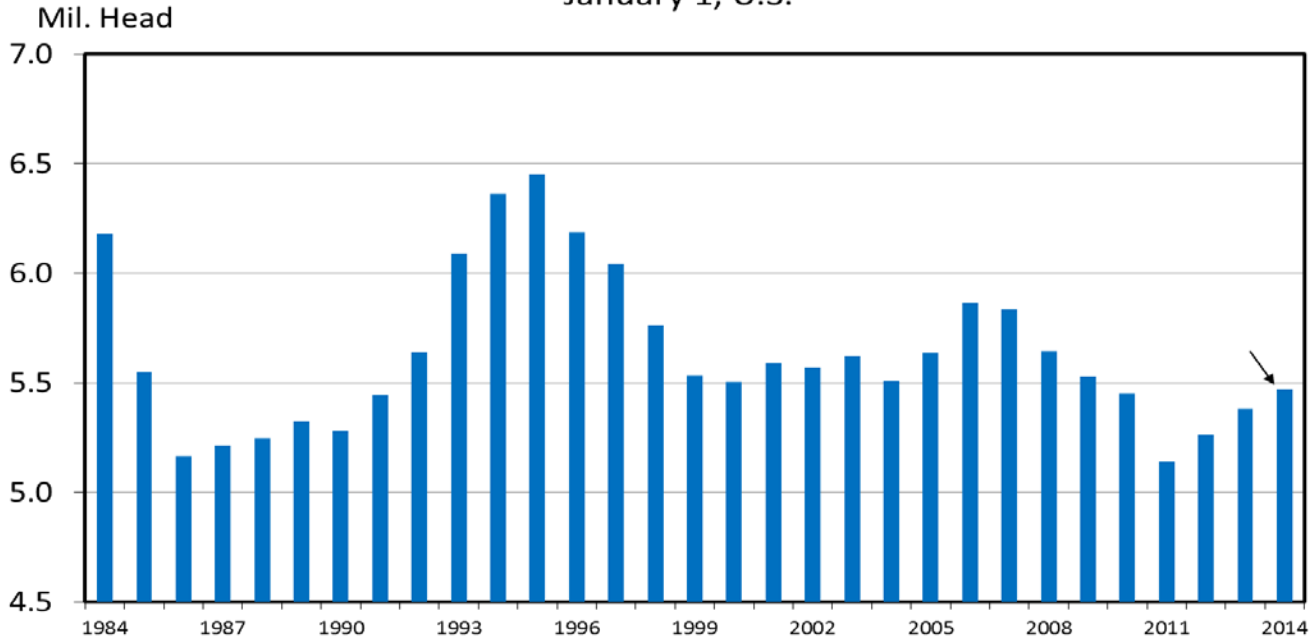
Residual, Outside Feedlots, U.S.



C-N-32
09/05/14

HEIFERS HELD AS BEEF COW REPLACEMENTS

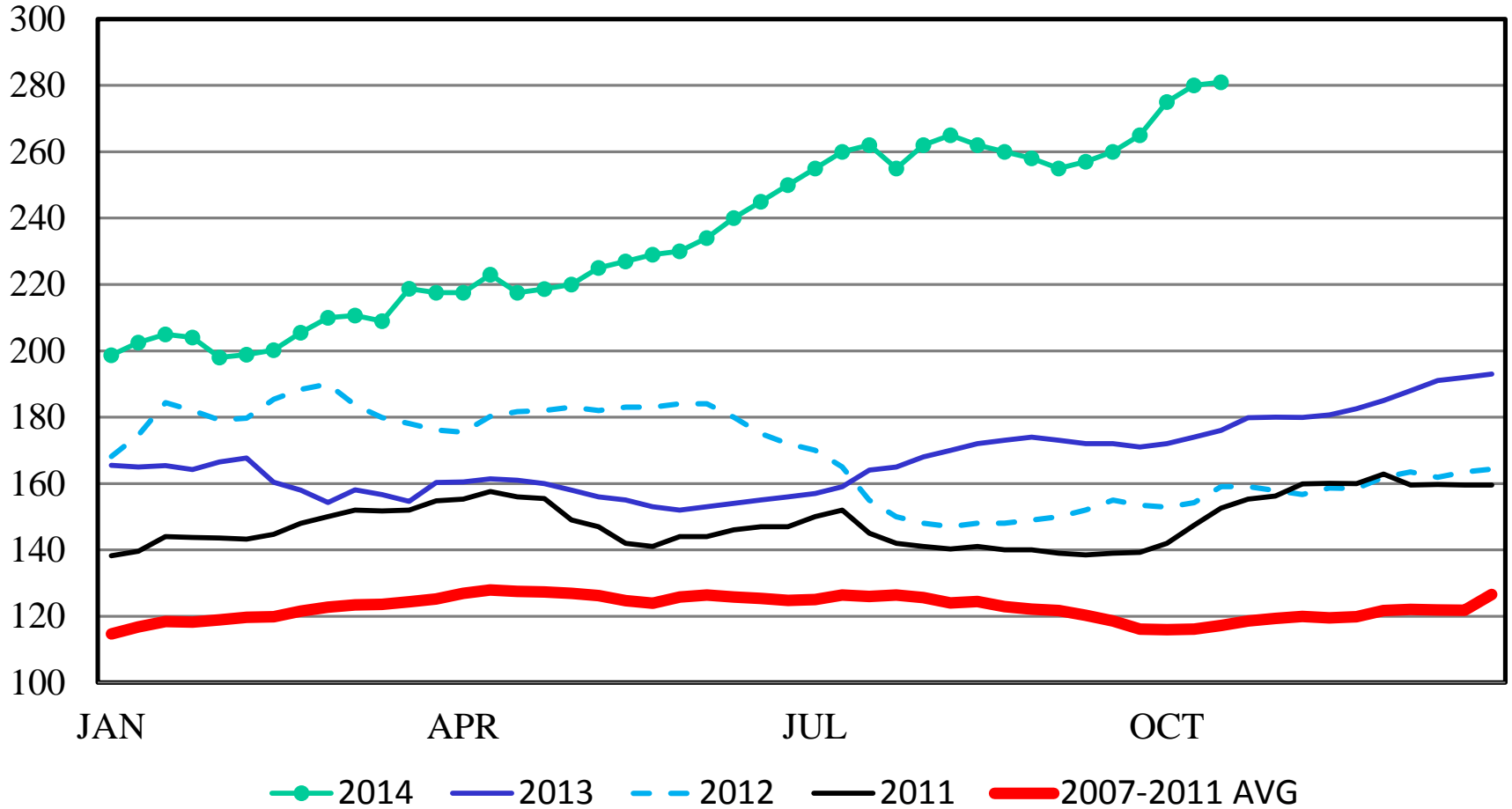
January 1, U.S.



C-N-38
09/05/14

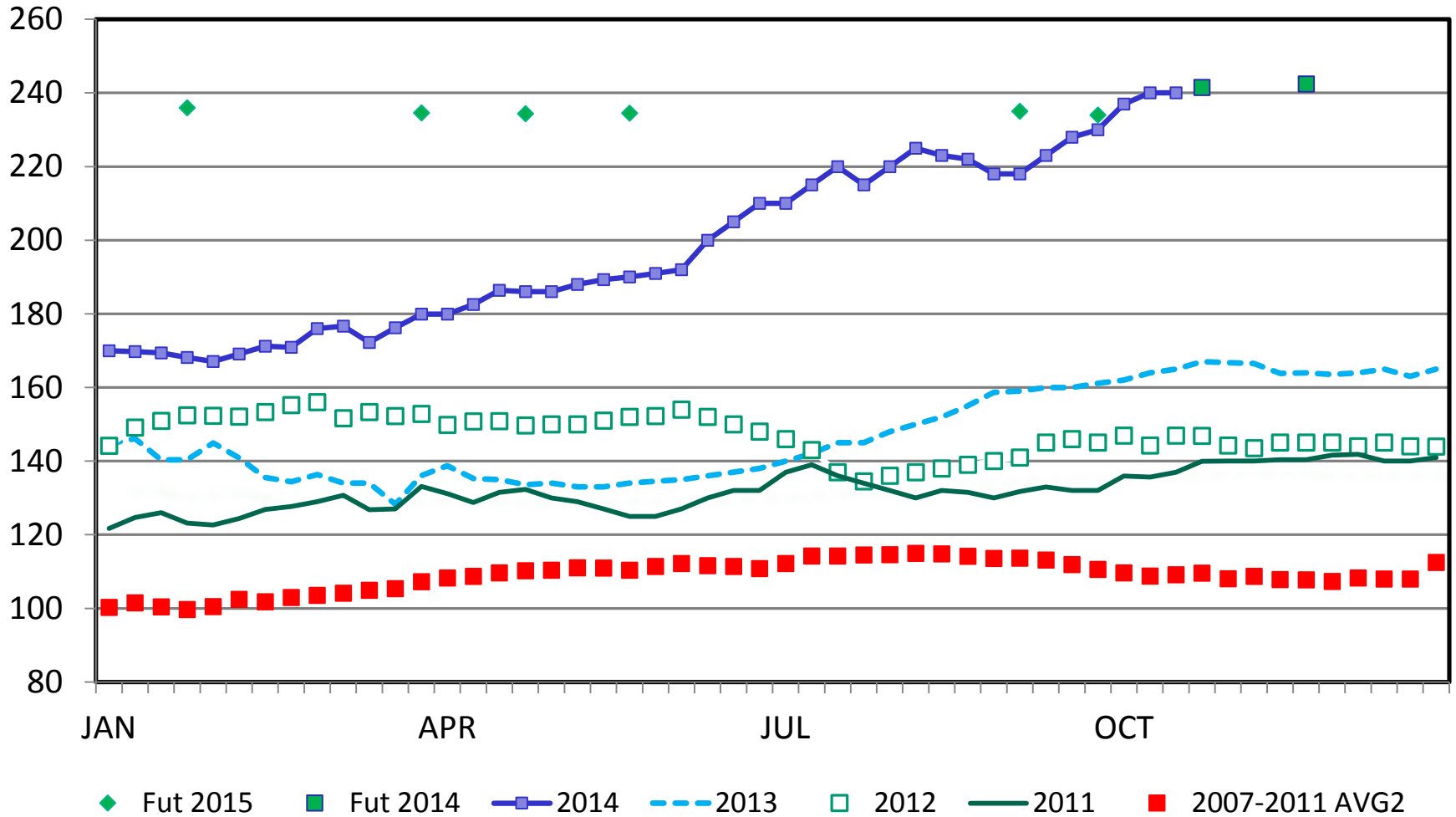
MED. FRAME #1 STEER CALF PRICES

550-600 Pounds, N.D., Weekly



MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



SF_LS796

Sioux Falls, SD

Fri Oct 10, 2014

USDA-ND Dept of Ag Market News

North Dakota Weekly Auction Summary - For the week ending Oct 11, 2014

Receipts: 2,500

Last Week: 1,812

Last Year: NA

Results of Kist and Stockmen's

Feeder Steers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price	
8	388	388	400.00	400.00	
26	404-441	425	352.00-370.00	358.10	
56	452-478	464	327.00-335.00	328.58	
68	501-548	531	295.00-309.00	304.20	
105	555-575	566	265.50-290.00	281.30	
10	550	550	297.00	297.00	Fancy
78	606-642	617	265.00-274.00	271.93	
17	617-619	617	265.00-267.00	266.53	Calves
22	661-669	664	254.00-264.00	260.79	
55	710-725	723	258.00-259.00	258.84	
17	742	742	237.00	237.00	Calves
68	750-798	773	229.00-245.00	238.28	
126	800-848	810	221.00-244.50	239.63	
26	884-896	891	223.50-227.50	225.03	
18	909-914	912	229.00-233.00	231.45	
3	963	963	205.00	205.00	

SF_LS796

Sioux Falls, SD

Fri Oct 10, 2014

USDA-ND Dept of Ag Market News

North Dakota Weekly Auction Summary - For the week ending Oct 11, 2014

Results of Kist and Stockmen's

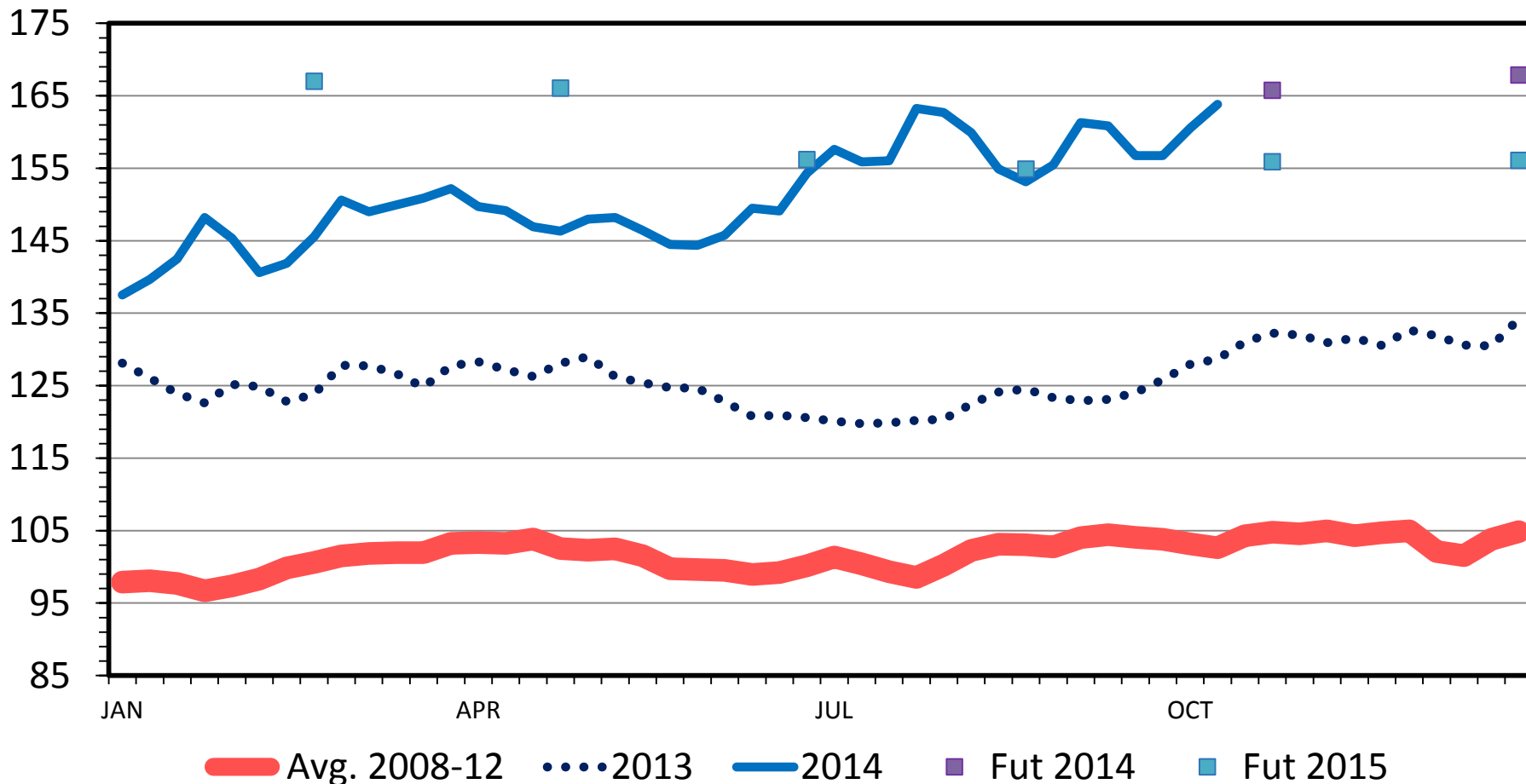
Feeder Heifers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price	
11	300-320	305	327.50-342.50	331.79	
31	371-394	379	290.00-344.00	310.11	
19	400-423	419	312.50-313.00	312.92	
84	450-494	478	275.00-288.00	281.91	
24	454-469	462	300.00-307.00	303.44	Fancy
58	516-542	522	269.00-276.00	271.09	
66	554-597	577	244.00-263.00	256.39	
6	552	552	302.50	302.50	Fancy
43	600-640	628	241.00-249.00	246.46	
4	691	691	242.00	242.00	
100	708-740	722	226.00-241.75	237.48	
59	765-798	779	221.00-228.50	224.73	
62	826-837	829	219.00-223.25	221.16	
72	854-891	877	211.00-218.50	216.48	
23	908-921	914	207.50-213.75	210.74	
19	979-990	982	204.00-208.50	207.78	
6	1001-1018	1010	202.50-203.00	202.75	

SLAUGHTER STEER PRICES

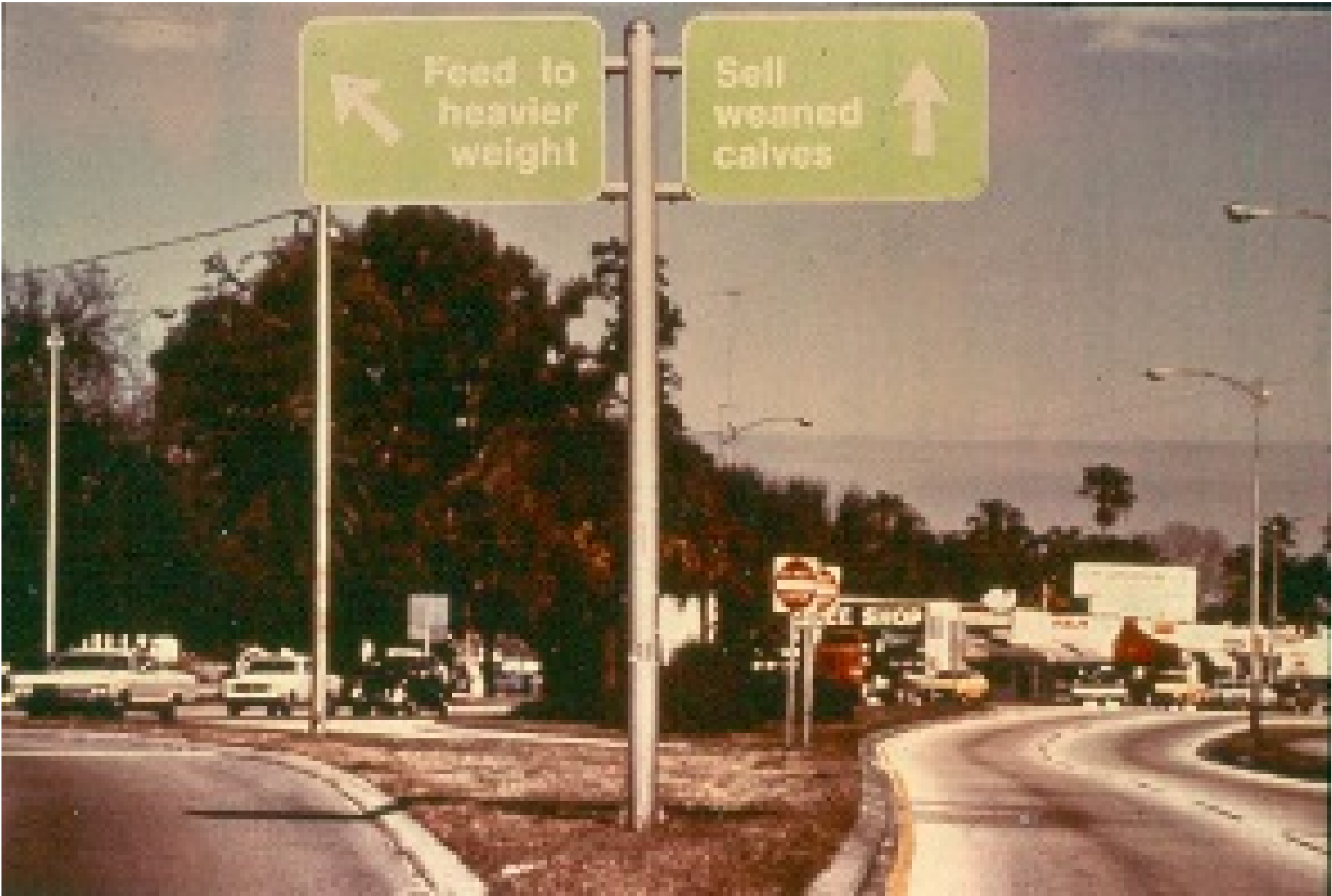
5 Market Weighted Average, Weekly

\$ Per Cwt.



← Feed to heavier weight

Sell weaned calves ↑



BACKGROUNDING 550 LB. STEERS - HIGH RATE OF GAIN

Weaning weight	550lbs.		
Average Daily Gain	2.77lbs.		2013
Days on Feed	72		
Market Weight	749lbs.		
Projected Selling Price	\$230.00per cwt.		155.00
Total Income		\$1,723.71	
Beginning Value	\$280.00per cwt.		174.00
minus shrink if sold	3percent	\$1,493.80	
Gross Margin		\$229.91	
Feed Cost	\$0.94per day	\$67.97	
Return Over Feed Cost		\$161.94	
Interest on Beginning Value	5percent	\$14.73	
Interest on Feed, Vet & Med	5percent	\$0.38	
Vet. and Med.		\$10.00	
Lot Cost	\$0.10per day	\$7.20	
Marketing (Brand			
inspection/Checkoff/Commission)		\$10.00	
Trucking (additional)	\$0.75cwt.	\$1.50	
Shrink	3percent	\$51.71	
Death Loss	1percent	\$17.24	
Direct Cost Subtotal		\$112.76	
Return to Labor, Management and Risk		\$49.18	\$49.18 \$50.75

Ration for Backgrounding - 2.77 lbs. ADG

<u>Feed</u>	<u>Price</u>	<u>Ration % as fed</u>	<u>Lb/hd/day as fed</u>	
Alf-grass hay	\$75.00	24.7%	5.00	
Corn grain	\$2.60	71.7%	14.50	4.00
Limestone	\$110.00	0.5%	0.10	
Sunflower meal	\$160.00	3.0%	0.60	
TM salt	\$190.00	0.1%	0.024	
Vit ADE premix	\$1.00	0.0%	0.009	
Ration Cost per day	\$0.94		20.2	

Projected Calf Backgrounding Profit

550 lb. to 750 lb.

\$2.60/bu. Corn, \$75/T Hay, \$160/T Sunflower Meal

Sales Price	Calf Purchase Price (\$/cwt)					
	245	255	265	275	285	295
190	-50	-104	-158	-212	-266	-320
200	22	-32	-86	-140	-194	-248
210	94	40	-14	-68	-122	-176
220	166	112	58	4	-50	-104
230	238	184	130	76	22	-32
240	310	256	202	148	94	40
250	382	328	274	220	166	112

Jan FC Fut \$231

Mar FC Fut \$230

Current CME Cash Index \$242

Breakeven Prices for 750lb Backgrounded Steers

550 lb. to 750 lb., ADG = 2.77 lbs

72 Days on Feed (Example: Oct. 30 – Jan. 11)

Calf Price (\$/cwt.)	Corn Price (\$/bu.)				
	2.20	2.40	2.60	2.80	3.00
245	196	196.50	197	197.50	198
255	203.50	204	204.50	205	205.50
265	211	211.50	212	212.50	213
275	218.50	219	219.50	220	220.50
285	226	226.50	227	227.50	228
295	233.50	234	234.50	235	235.50

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?

Which Is Best?

Depends on expected price trend

Uptrend: cash market

Downtrend: futures

cash forward contract
video and internet auction

?: options or LRP
(will always be 2nd best)

MAR 2015 FDR CAT

GF H5 [10] - FEEDER CATTLE-GLOBEX

LAST: 229.70

CHANGE: ▼ 3.00

HIGH: 232.68

LOW: 229.70

10/14/2014



CME Group

MAR 2013 FDR CAT

GFH13 - Feeder Cattle - Daily OHLC Chart



MAR 2014 FDR CAT

GF H4 [10] - FEEDER CATTLE-GLOBEX LAST: 178.55 CHANGE: ▲ 0.80 HIGH: 178.82 LOW: 177.95 3/27/2014



**Harvest usually brings
out the bears**



Questions?