

NDSU

EXTENSION

EXTENDING KNOWLEDGE **>> CHANGING LIVES**



Cattle Situation and Outlook Backgrounding

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www.ndsu.edu/livestockeconomics

NOV 2019

Agribusiness and
Applied Economics

BackgroundingOutlook11-05-2019.pptx

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FALL CALF PRICE FUNDAMENTALS

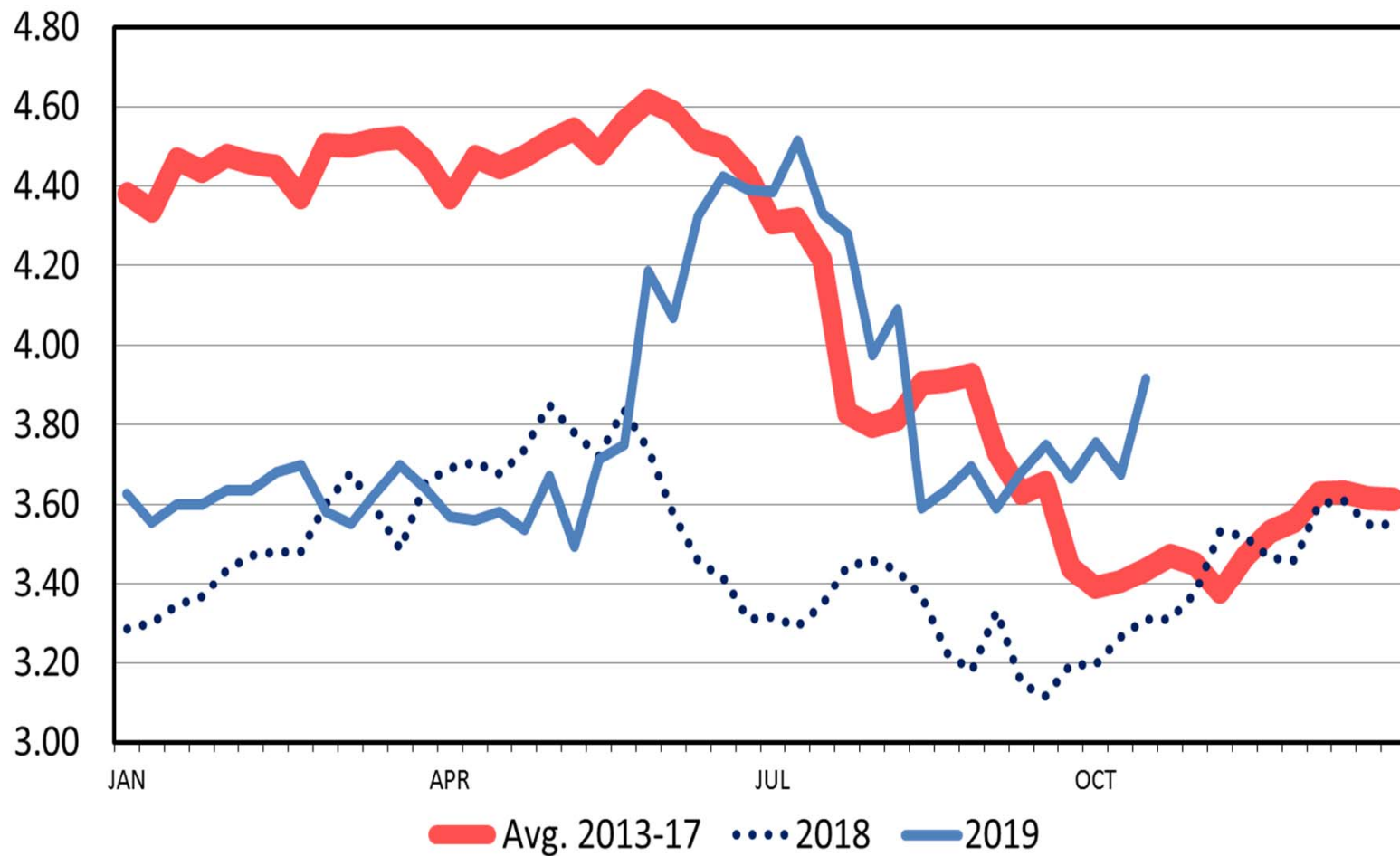
- Normal fall run seasonal decline tendency
- Corn prices 60 cents higher in Omaha and ? 
- SE US drought causing forced calf sales
- Dryness in winter wheat-planting behind
- Extremely wet in Corn Belt
- Snow in Northern Plains
- Farmer feeders busy with harvest/wet lots/ no buying interest
- APR LV CAT -\$125.82 = very good demand for over 700 lbs.
- JUN LV CAT -\$117.95, AUG -\$115.65 = negatively impacts calf prices
- BIG discounts for un-weaned/short ears or tails/muddy



OMAHA CORN PRICES

Weekly

\$ Per Bu.



Data Source: USDA-AMS

Livestock Marketing Information Center

Nov Fdr Cat vs Dec Corn

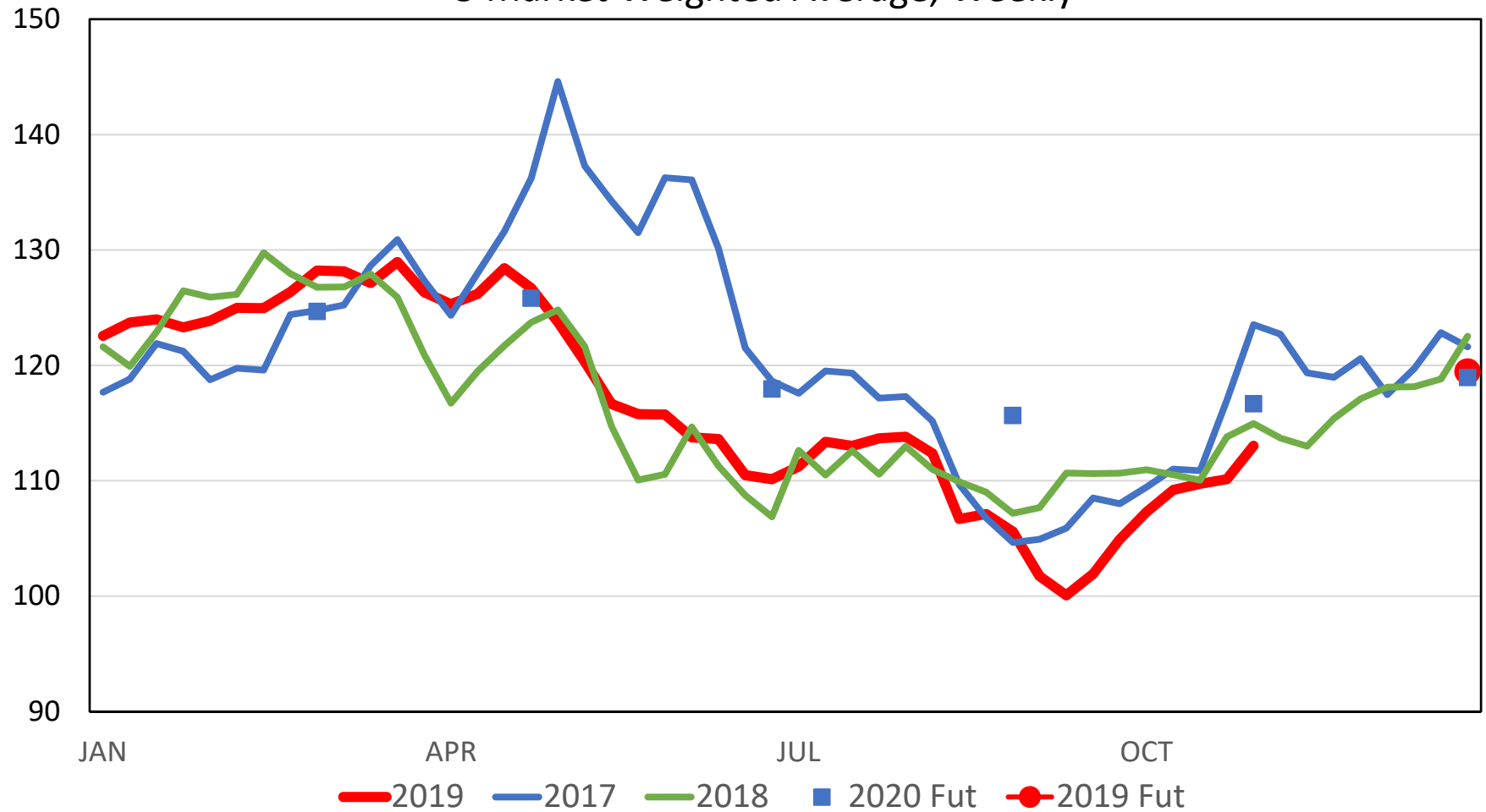


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SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly

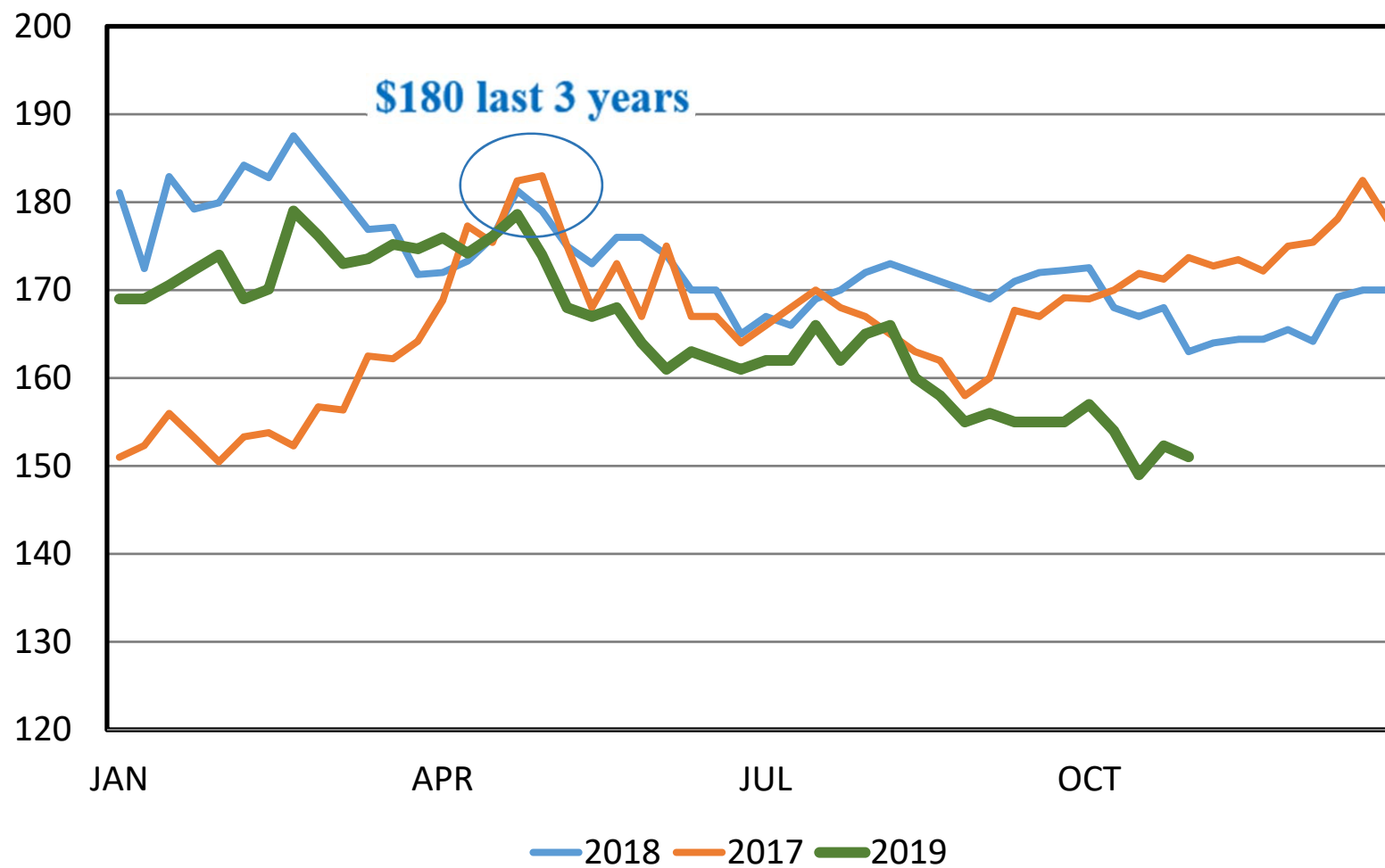


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MED. FRAME #1 STEER CALF PRICES

550-600 Pounds, N.D., Weekly

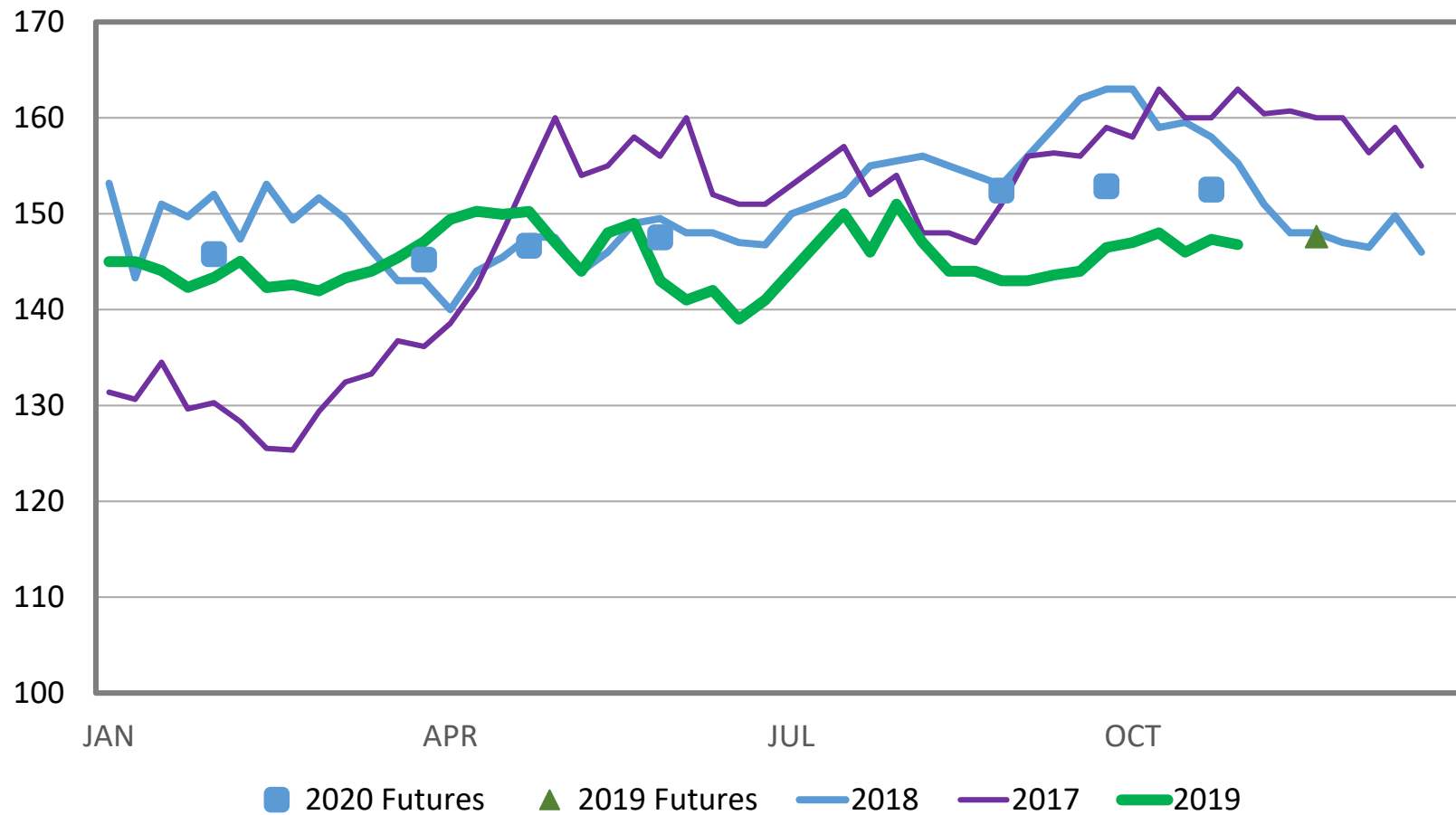


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MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



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North Dakota Weekly Cattle Auction Summary
AMS Livestock, Poultry, & Grain Market News
North Dakota Dept of Ag Mrkt News

Fri Nov 1, 2019

Livestock Weighted Average Report for 10/25/2019 - 10/31/2019

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	340	340	177.50	177.50	
32	362-398	378	164.00-177.50	173.57	
121	402-448	429	148.00-176.50	156.74	
40	430-444	434	181.50-185.75	184.66	Fancy
392	451-498	486	146.50-171.50	159.06	
445	505-548	530	145.00-161.00	153.35	
977	553-598	574	131.00-159.75	151.04	
1190	600-649	627	132.00-151.75	147.42	
760	651-699	672	137.00-156.25	147.59	
491	700-749	724	132.00-147.25	143.74	
178	759-792	779	136.00-153.25	146.78	
124	803-805	803	138.00-148.00	142.84	
10	851	851	130.50	130.50	Fleshy
6	948	948	137.50	137.50	
57	957-981	975	130.50-137.75	136.72	



North Dakota Weekly Cattle Auction Summary
AMS Livestock, Poultry, & Grain Market News
North Dakota Dept of Ag Mrkt News

Fri Nov 1, 2019

Livestock Weighted Average Report for 10/25/2019 - 10/31/2019
HEIFERS - 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>	
17	301-347	320	147.00-152.00	149.77	
58	363-395	382	137.50-148.00	139.14	
262	400-449	432	138.00-156.50	145.81	
15	433	433	160.00	160.00	Fancy
162	453-498	479	135.00-153.50	144.47	
754	501-548	519	127.50-144.75	137.42	
784	550-598	576	124.00-140.75	134.13	
526	601-641	616	124.50-140.25	133.84	
248	650-691	670	126.50-147.75	135.87	
119	705-735	711	139.00-147.00	144.90	
309	752-796	779	124.50-146.00	140.76	
374	811-835	822	135.50-141.00	139.50	
33	855-888	861	130.00-135.75	134.67	
180	921-944	935	133.75-134.25	133.93	
26	966-985	973	132.00-134.75	133.07	

BACKGROUNDING 550 LB. STEERS - HIGH RATE OF GAIN					
Weaning weight		550	lbs.		
Average Daily Gain		2.77	lbs.		
Days on Feed		72			
Market Weight		749	lbs.		
Projected Selling Price		\$140.00	per cwt.		
Total Income					\$1,049.22
Beginning Value		\$155.00	per cwt.		
minus shrink if sold		3	percent		\$826.93
Gross Margin					\$222.29
Feed Cost		\$1.11	per day		\$80.15
Return Over Feed Cost					\$142.14
Interest on Beginning Value		5.5	percent		\$8.97
Interest on Feed, Vet & Med		5.5	percent		\$0.49
Vet. and Med.					\$10.00
Lot Cost		\$0.30	per day		\$21.60
Marketing (Brand inspection/Checkoff/Commission)					\$10.00
Trucking (additional)		\$0.75	cwt.		\$1.50
Shrink		3	percent		\$31.48
Death Loss		1	percent		\$10.49
Direct Cost Subtotal					\$94.53
Return to Labor, Management and Risk					\$47.62

\$3.09/bu. corn
\$90/T hay

Projected Calf Backgrounding Profit

550 lb. to 750 lb.
\$3.09 corn, \$90 hay

750 lb. Sales Price	550 lb. Steer Purchase Price (\$/cwt)					
	140	145	150	155	160	165
125	21	-6	-33	-59	-86	-113
130	57	30	3	-24	-50	-77
135	93	66	39	12	-14	-41
140	129	102	75	48	22	-5
145	165	138	111	84	58	31
150	201	174	147	120	93	67

JAN FC - \$145.77

MAR FC - \$145.20

CME CS - \$146.24

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?

DO YOU HAVE 2020 VISION?



Exports
Record Meat Production
Trade Agreements
Drought/Bizzards/Floods
TYSON FIRE
Consumer Demand
Corn Prices
COMPETING MEATS

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New LRP Premium Subsidy Rates

<u>Coverage Level %</u>	<u>Subsidy Rate %</u>
95-100	20
90-94.9	25
80-89	30
70-79	35

Previous rate 15%

Risk Management?



Background Steers to Feb

20% Prem. Subsidy

X.80

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 11/05/2019

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	997 No Practice Specified	2020	145.677	\$144.480	0.991800	0.033437	4.831 3.86	02/04/2020
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	997 No Practice Specified	2020	145.677	\$142.480	0.978100	0.026944	3.839 3.07	02/04/2020
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	997 No Practice Specified	2020	145.677	\$140.480	0.964300	0.021135	2.969 2.38	02/04/2020
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	997 No Practice Specified	2020	145.677	\$138.480	0.950600	0.016414	2.273 1.82	02/04/2020

JANFDRCAT-\$145.77/CME CASH INDEX-\$146.24

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

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LRP – Feeder Cattle

11/05/19

	Price	Cost/cwt	End Date	Current LRP Cash Price
800 lb. steer	144.48	3.86	2/04/20	146.24
	144.10	4.34	3/03/20	
	144.93	5.15	3/31/20	
750 lb. heifer	130.03	3.48	2/04/20	131.62
	129.69	3.90	3/03/20	
	130.44	4.64	3/31/20	
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N.D. Feeder Cattle Basis

“Rule of Thumb”

- E to W along I-94
- 800 lb. M&L1 Steers = Par (CME Cash Index)
- Highway 2 deduct \$2 to \$4

RISK MANAGEMENT

JAN FDR CAT vs. CME CASH INDEX

GFF20 - Feeder Cattle - Daily OHLC Chart



2020: Corn Prices and Trade Issues?
Causing **Volatility** and **Risk** , especially on
seasonal basis. Flexible marketing plans
should include risk management tools

