

Summer Grazing Outlook - 2019



Tim Petry

Agribusiness and
Applied Economics

Livestock Marketing Economist
www.ndsu.edu/livestockeconomics

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04/30/2019

Will summer grazing be profitable in 2019?

- There may be potential, but not a universal answer
- Carefully compute expected costs and returns!

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Situation

- Beef cow herd expansion with increasing feeder cattle supplies
- Calf prices at seasonal highs in May
- Very good moisture conditions in most of Southern and Northern Plains cattle grazing areas
- Feedlots prefer to purchase heavier (800 lb.) cattle
- Futures prices volatile

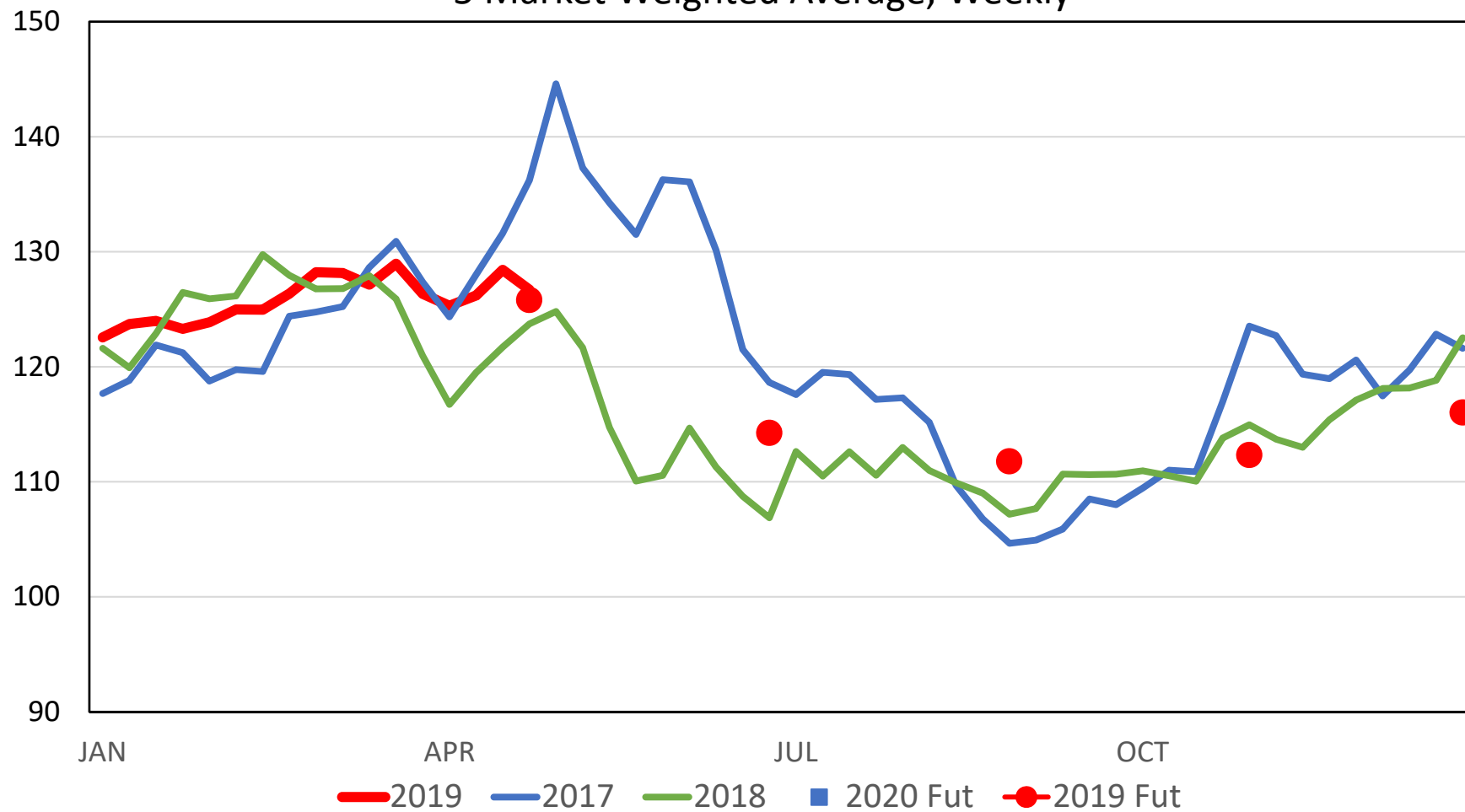


Possible Price Risk

- Fed cattle prices likely to move seasonally lower in mid summer
 - More fed cattle due to increasing cow herd and record beef production
 - Record pork, chicken and total meat production
- Corn price outlook?
 - 3.66 mil. **more** planted acres intended in 2019
 - But poor corn belt weather (late planting or drought) could cause price volatility (remember 2012)

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



BIG CORN CROP



Bearish corn prices



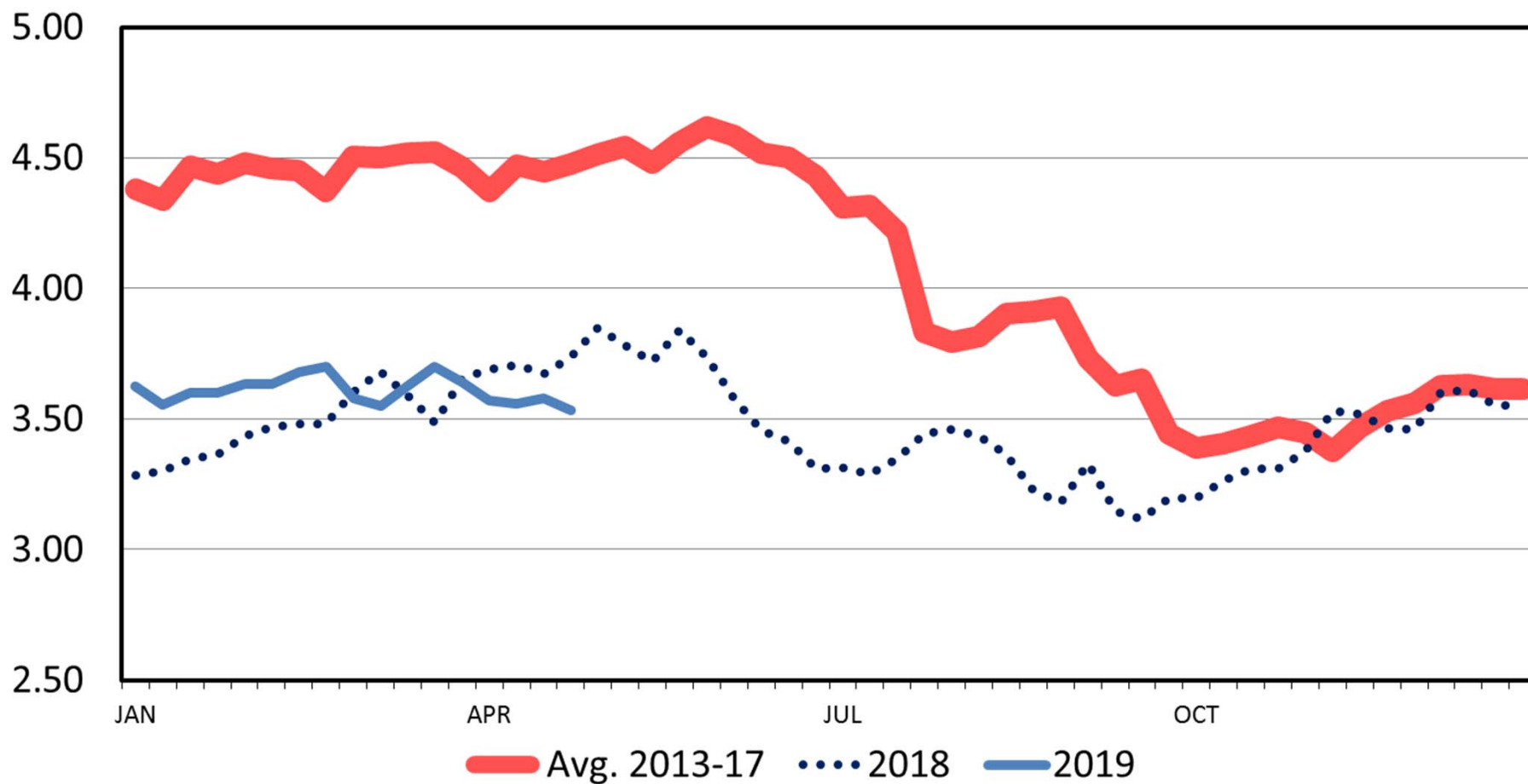
Bullish calf prices



OMAHA CORN PRICES

Weekly

\$ Per Bu.



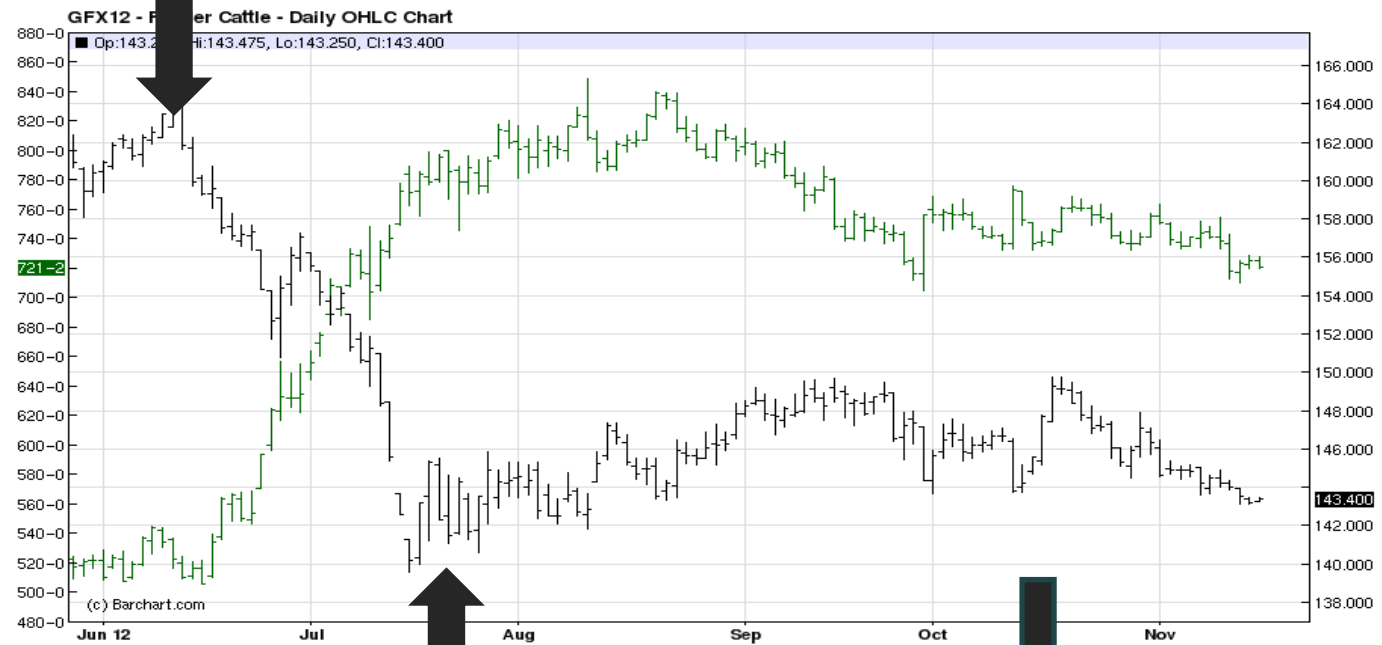
Data Source: USDA-AMS
Livestock Marketing Information Center

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NOV FC vs. DEC CORN

2012
(drought)

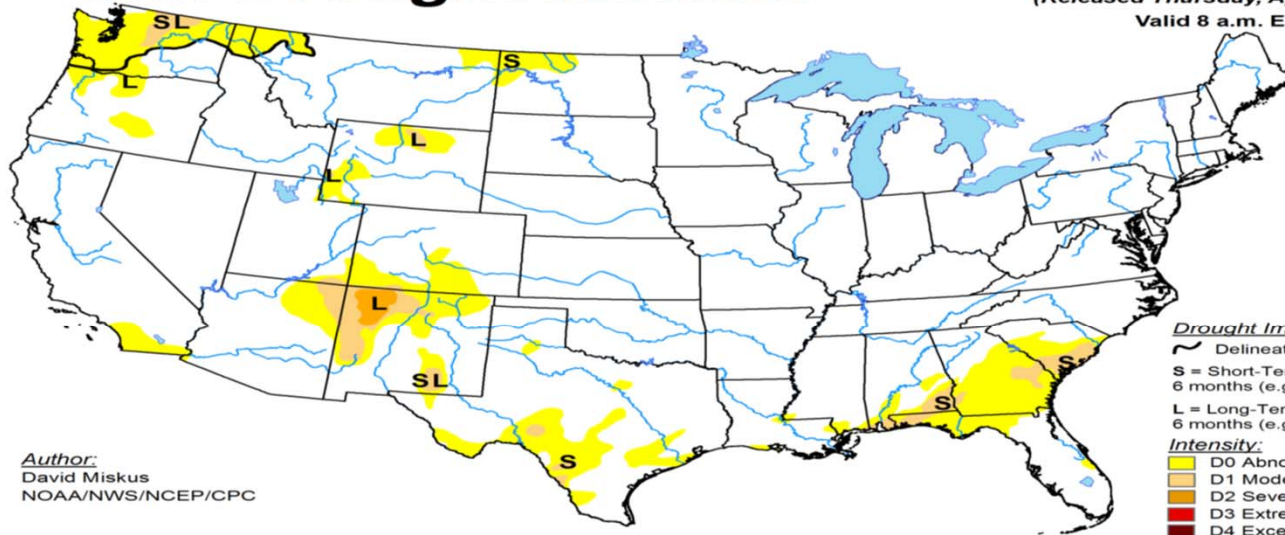


2018
(big
corn crop)



U.S. Drought Monitor

April 23, 2019
(Released Thursday, Apr. 25, 2019)
Valid 8 a.m. EDT



Author:
David Miskus
NOAA/NWS/NCEP/CPC

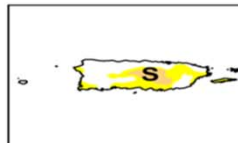
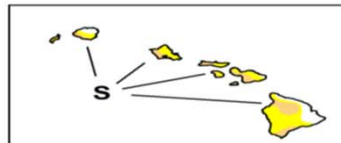
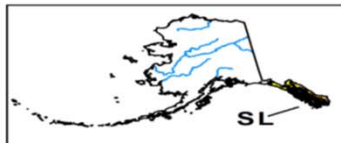
Drought Impact Types:

~ Delineates dominant impacts
S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought

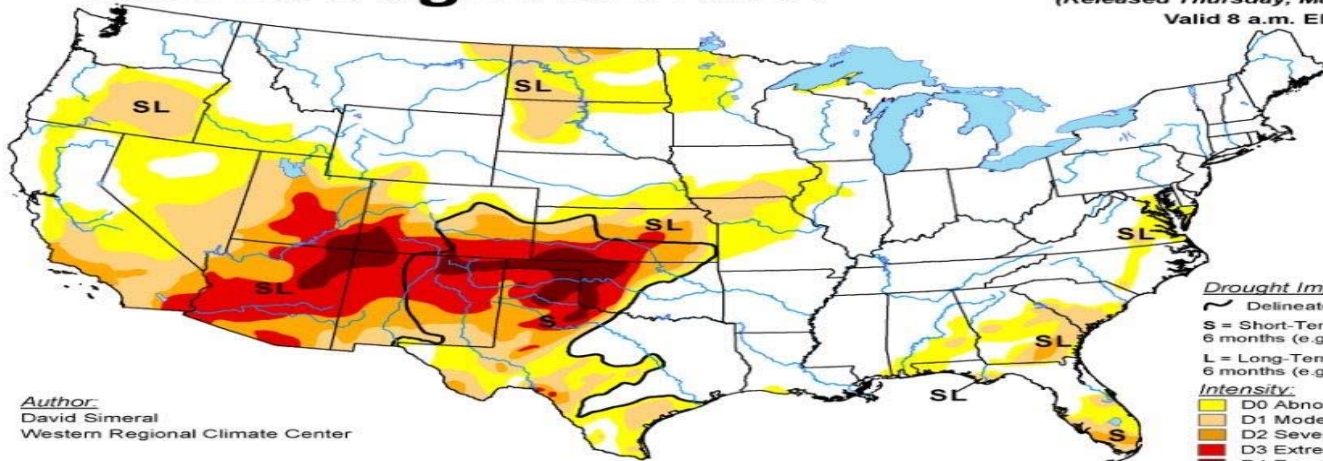
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



<http://droughtmonitor.unl.edu/>

U.S. Drought Monitor

May 8, 2018
(Released Thursday, May. 10, 2018)
Valid 8 a.m. EDT



Author:
David Simeral
Western Regional Climate Center

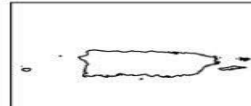
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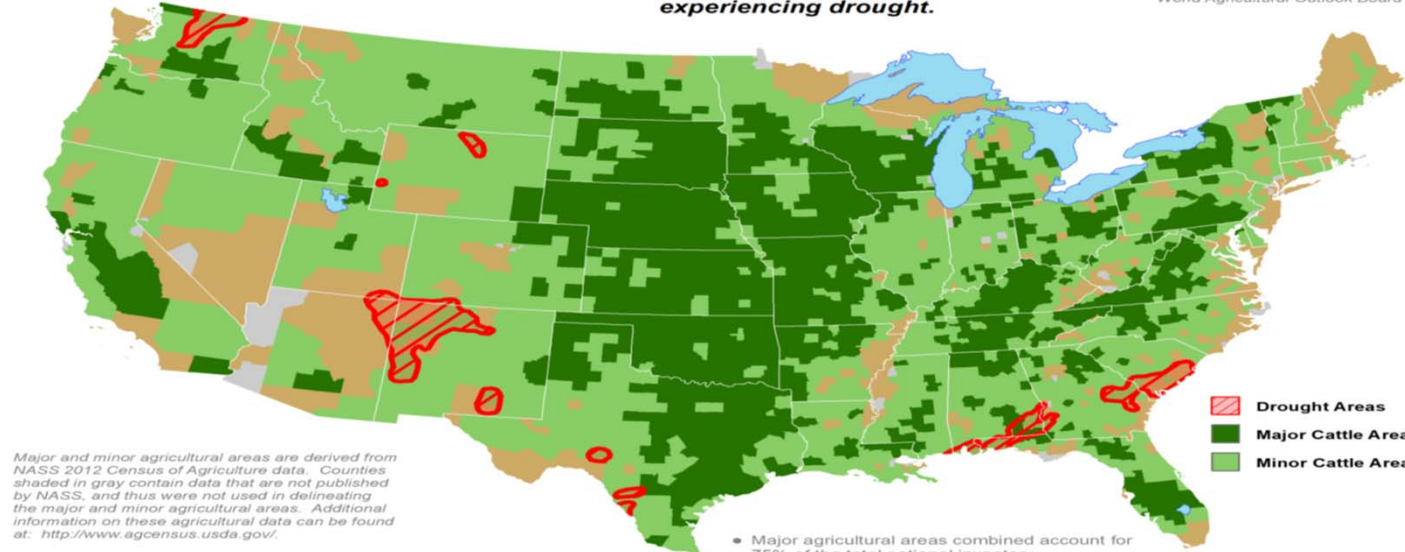
U.S. Cattle Areas Experiencing Drought

Reflects **April 23, 2019**
U.S. Drought Monitor data

Approximately **1%** of cattle
inventory is within an area
experiencing drought.

USDA United States
Department of
Agriculture

This product was prepared by the
USDA Office of the Chief Economist
World Agricultural Outlook Board



Major and minor agricultural areas are derived from NASS 2012 Census of Agriculture data. Counties shaded in gray contain data that are not published by NASS, and thus were not used in delineating the major and minor agricultural areas. Additional information on these agricultural data can be found at: <http://www.agcensus.usda.gov/>.

Mapped drought areas are derived from the U.S. Drought Monitor product and do not depict the intensity of drought in any particular location. More information on the Drought Monitor can be found at: <http://droughtmonitor.unl.edu/>.

- Major agricultural areas combined account for 75% of the total national inventory.
- Major and minor agricultural areas combined account for 99% of the total national inventory.

 Drought Areas
 Major Cattle Area
 Minor Cattle Area

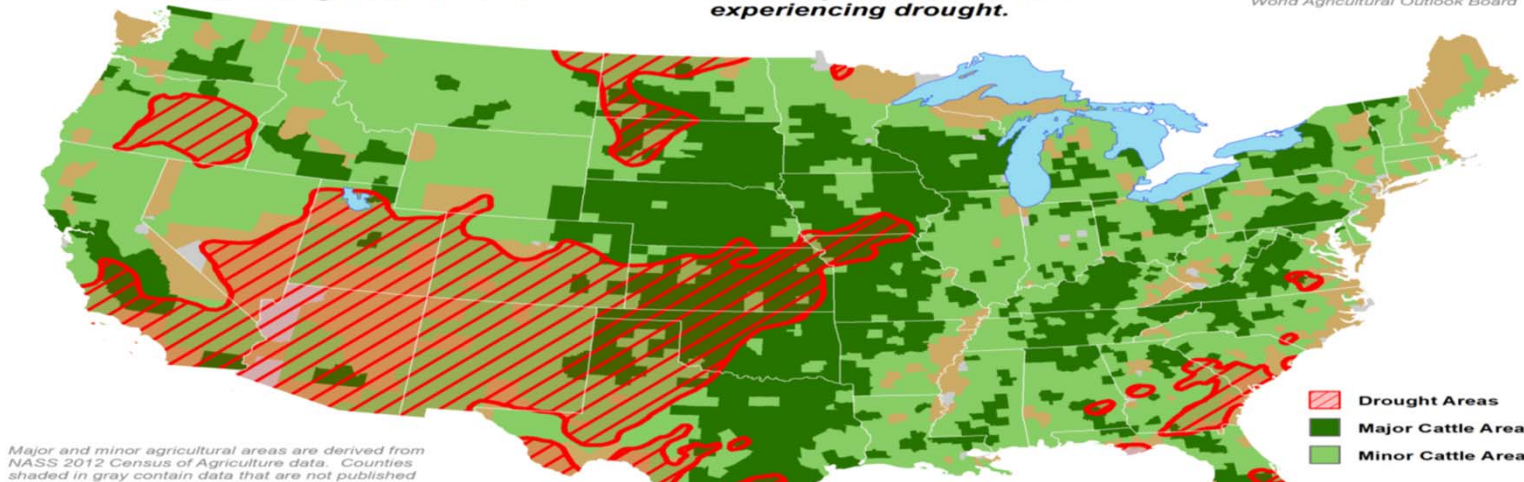
U.S. Cattle Areas Experiencing Drought

Reflects **May 8, 2018**
U.S. Drought Monitor data

Approximately **23%** of cattle
inventory is within an area
experiencing drought.

USDA United States
Department of
Agriculture

This product was prepared by the
USDA Office of the Chief Economist
World Agricultural Outlook Board

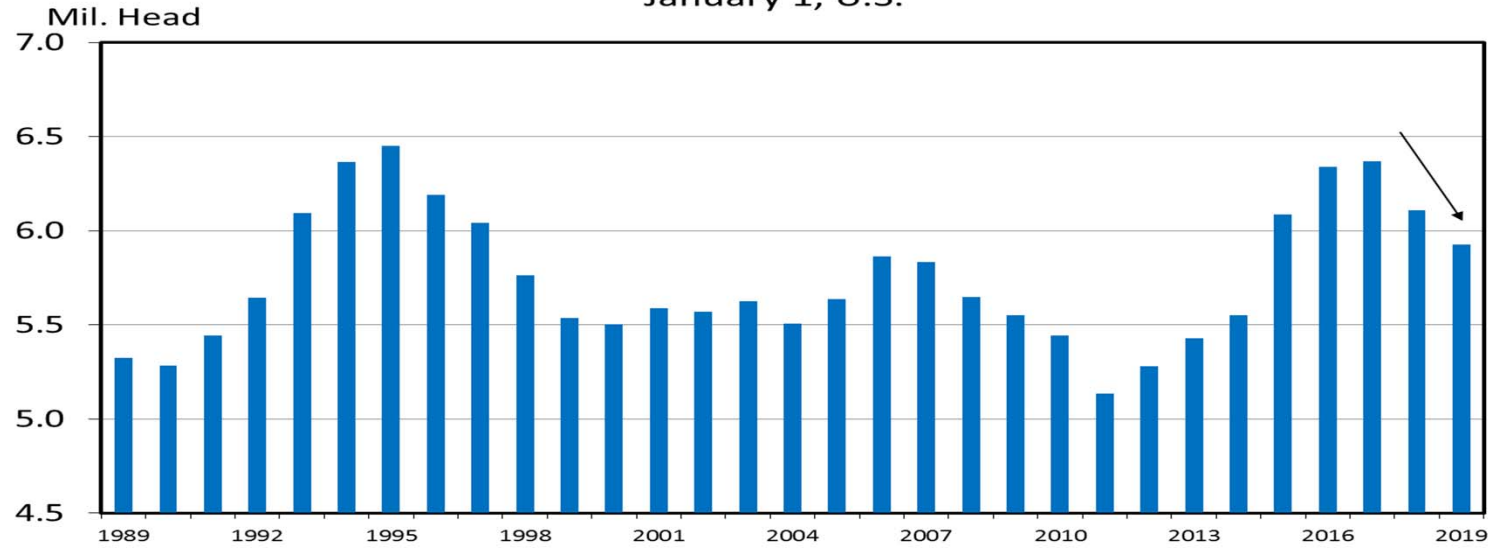


Major and minor agricultural areas are derived from NASS 2012 Census of Agriculture data. Counties shaded in gray contain data that are not published

 Drought Areas
 Major Cattle Area
 Minor Cattle Area

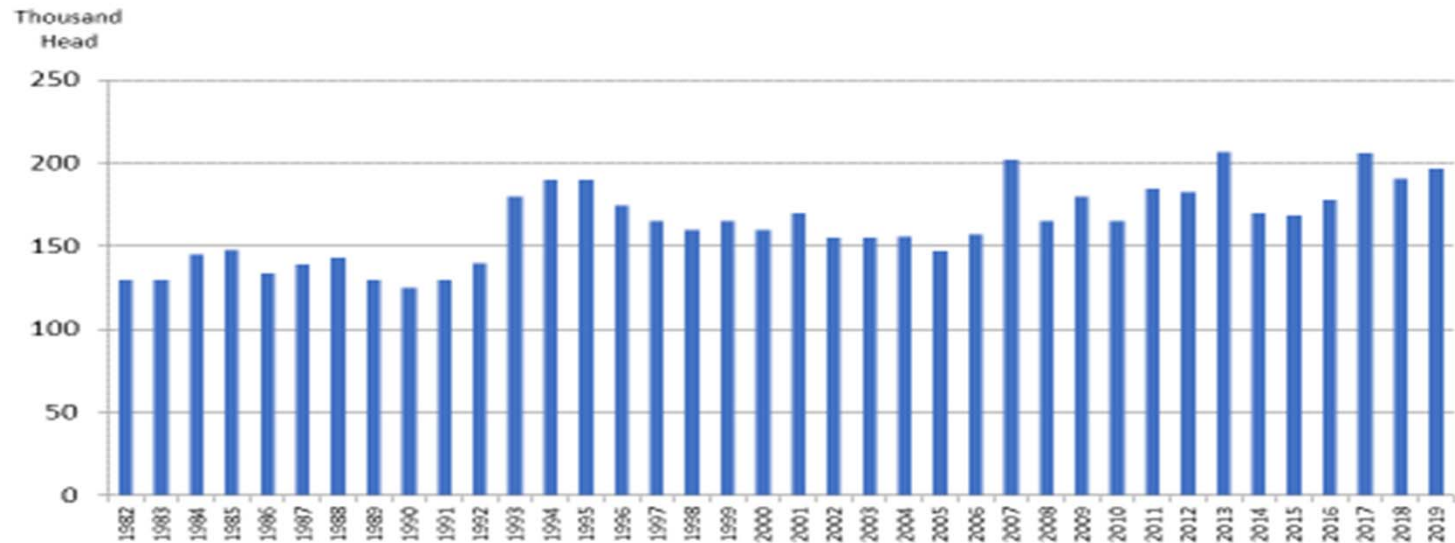
HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



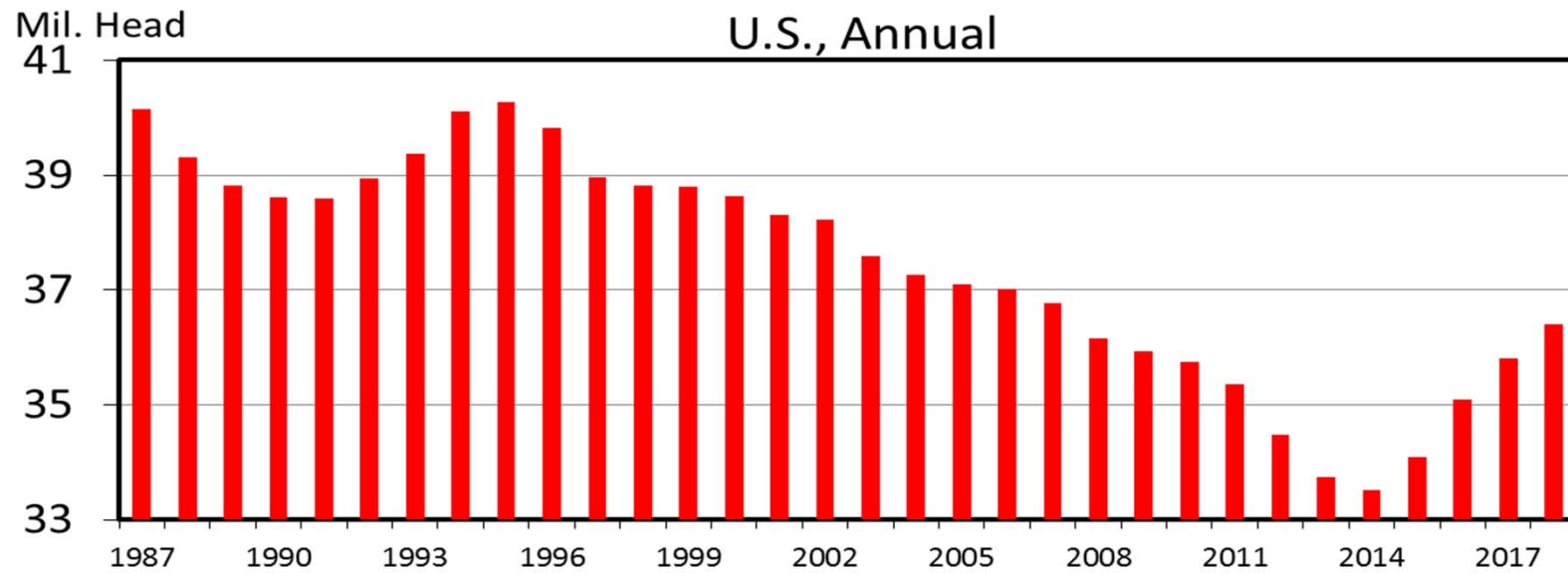
HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, ND



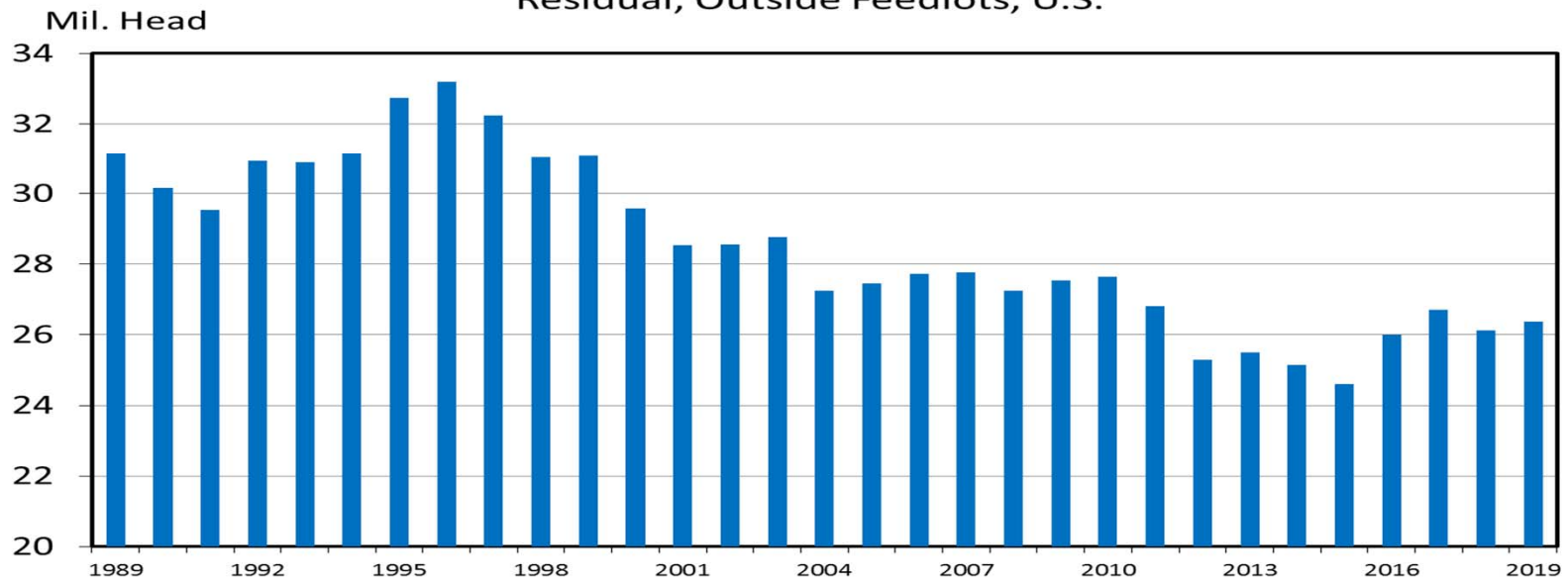
CALF CROP

U.S., Annual



JANUARY 1 FEEDER CATTLE SUPPLIES

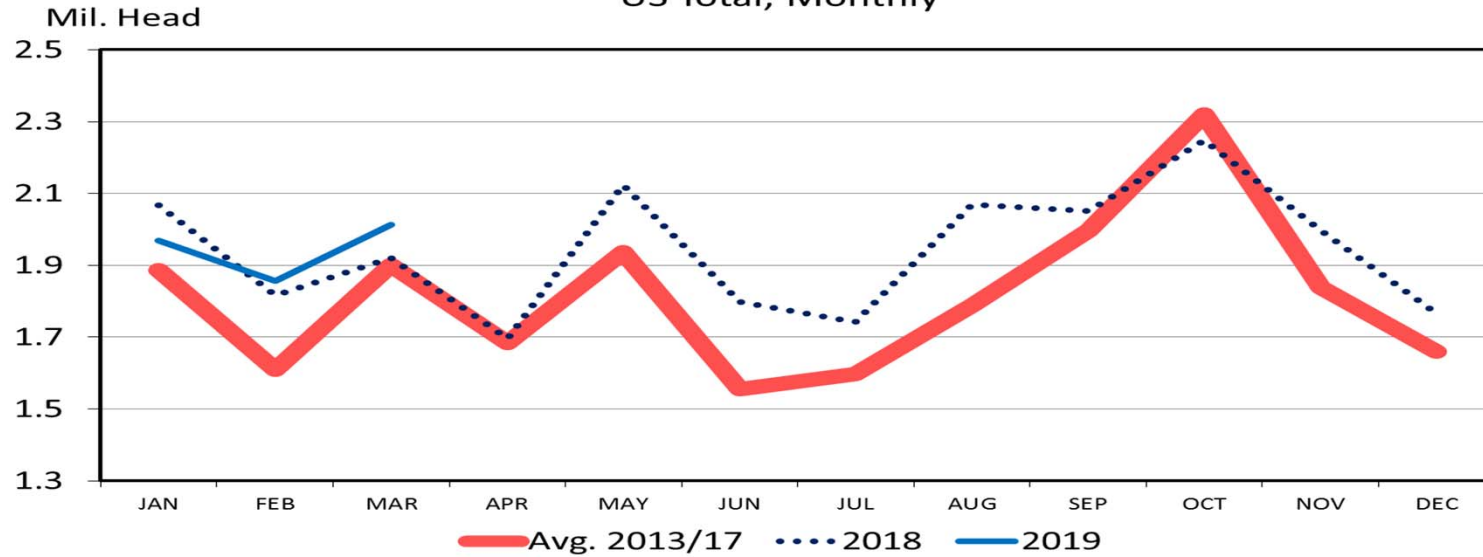
Residual, Outside Feedlots, U.S.



Data Source: USDA-NASS Livestock Marketing Information Center

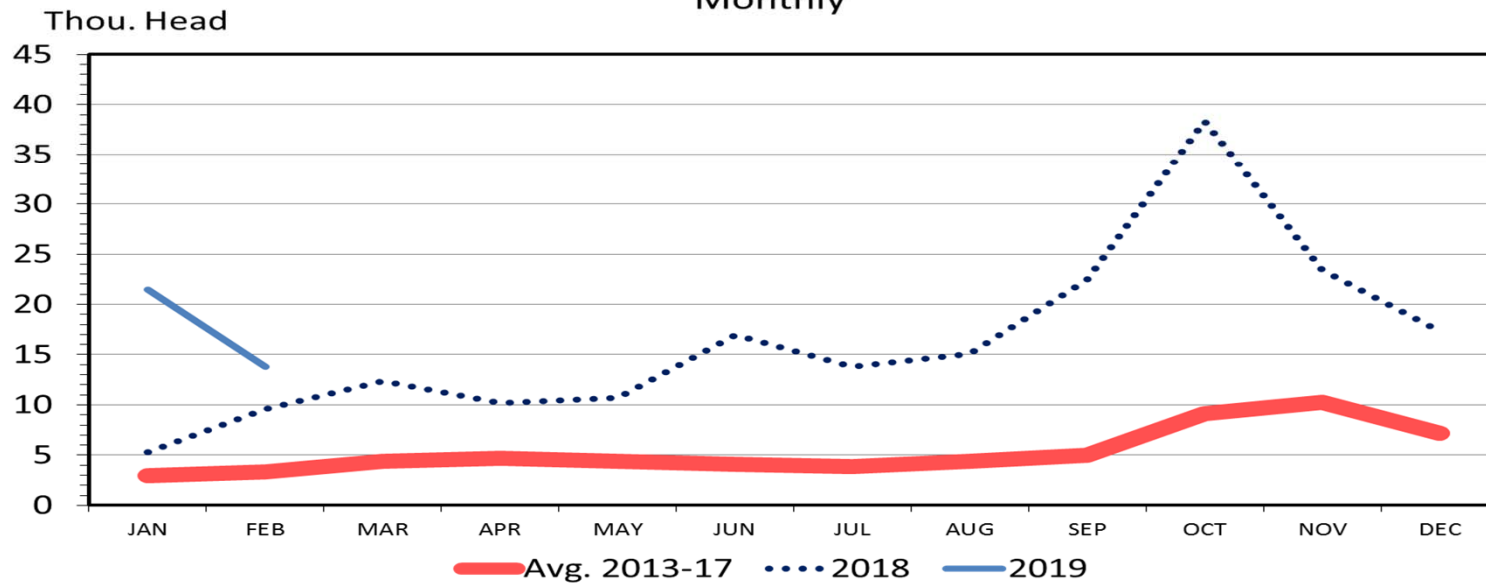
FEEDLOT PLACEMENTS

US Total, Monthly



US FEEDER CATTLE EXPORTS TO CANADA

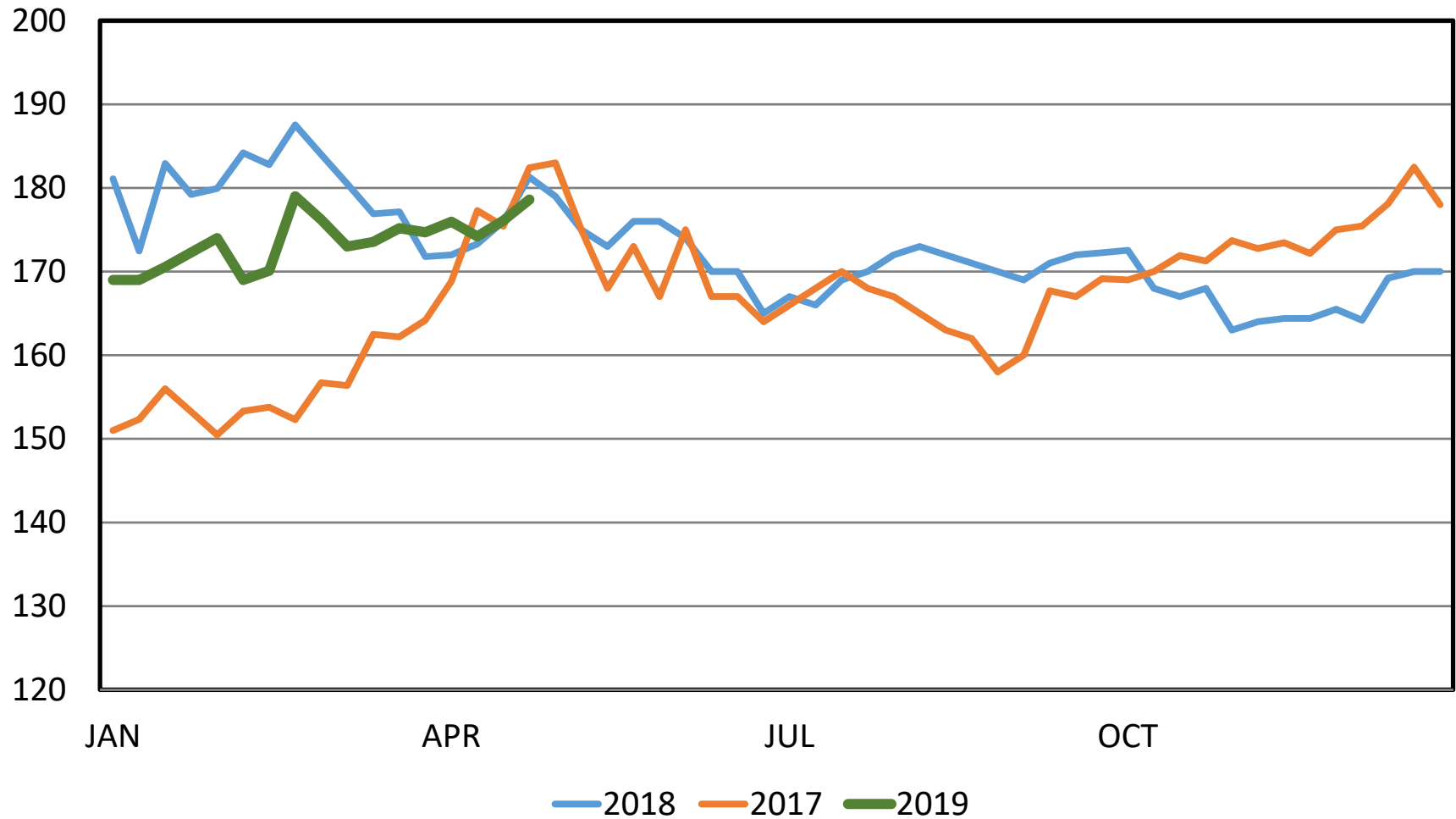
Monthly



Data Source: USDA-ERS & USDA-FAS - Livestock Marketing
Information Center

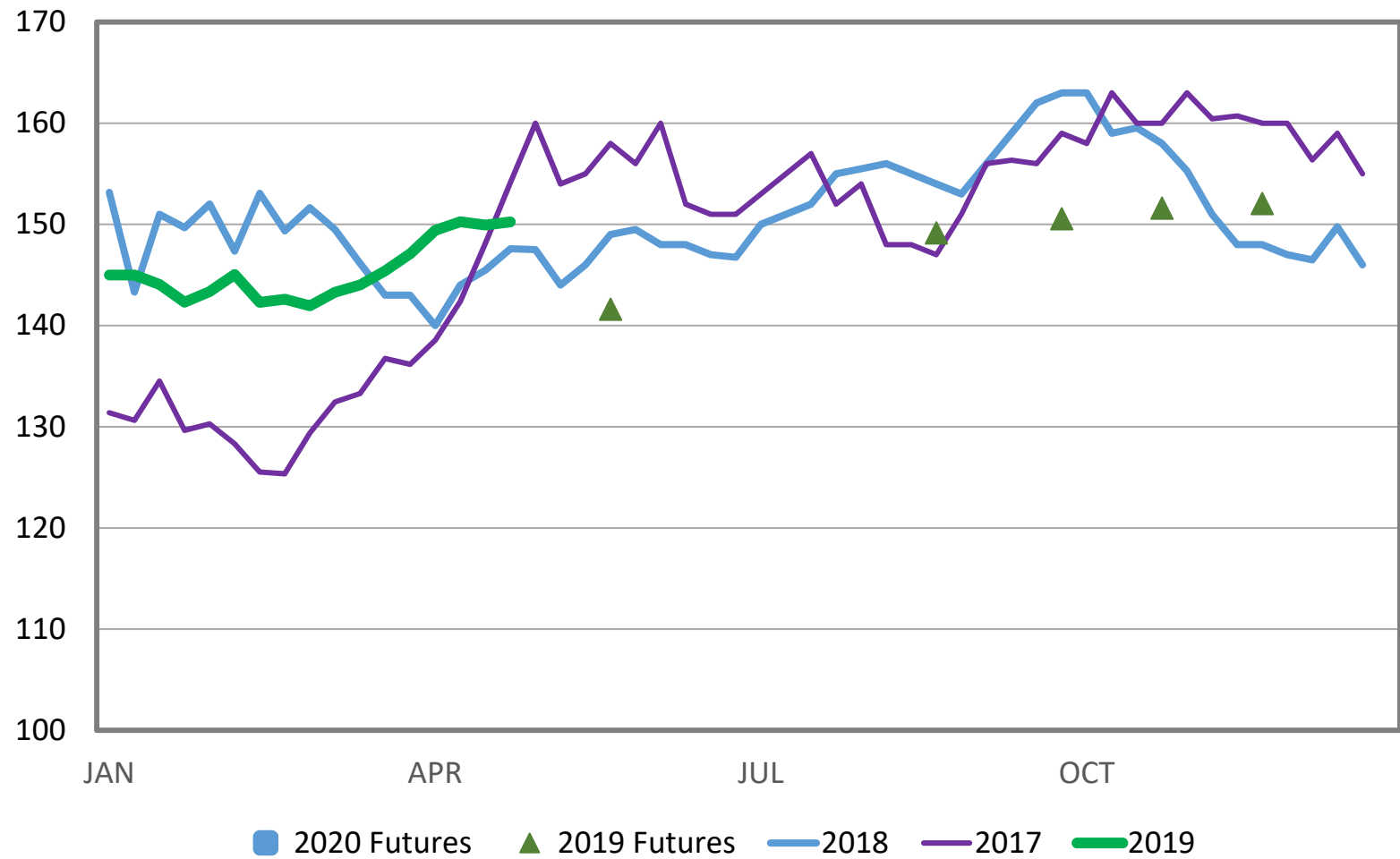
MED. FRAME #1 STEER CALF PRICES

550-600 Pounds, N.D., Weekly



MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



Summer 2019 Grazing Budget (costs - \$/head)

	Example	Your #s
1. Pasture (<u>4</u> A @ \$ <u>20.00</u>)	<u>80.00</u> (<u> </u> A @ \$ <u> </u>)	<u>0.00</u>
2. Minerals, salt	<u>0.50</u>	<u> </u>
3. Purchased Feed and Supplement	<u> </u>	<u> </u>
4. Veterinary, drugs, implants	<u>12.00</u>	<u> </u>
5. Marketing (brand inspection, commission, check off, hauling)	<u>20.00</u>	<u> </u>
6. Shrink	<u>2.00</u>	<u> </u>
7. Utilities, fuel, oil	<u>5.00</u>	<u> </u>
8. Hired Labor	<u> </u>	<u> </u>
9. Repairs (fencing, waterers, etc.)	<u>3.00</u>	<u> </u>
10. Interest on calf and operating	<u>15.00</u>	<u> </u>
11. Death loss (<u>1%</u>)	<u>9.79</u>	<u> </u>
12. Miscellaneous	<u>1.00</u>	<u> </u>
13. Fixed Costs (insurance, taxes, depreciation)	<u>3.00</u>	<u> </u>
 A. Total Production Costs (sum 1 thru 13)	<u>151.29</u>	<u>0.00</u>
B. Operator Labor and Management	<u> </u>	<u> </u>
C. Total Costs (A + B)	<u>151.29</u>	<u>0.00</u>
D. Hundredweight produced	<u>2.5</u>	<u> </u>
E. Feed Cost / cwt gain (1 + 2 + 3 / D)	<u>32.20</u>	<u>#DIV/0!</u>
F. Total Cost / cwt gain (C / D)	<u>60.52</u>	<u>#DIV/0!</u>
G. Beginning calf value (<u>550</u> lbs @ \$ <u>1.78</u>)	<u>979.00</u> (<u> </u> lbs @ \$ <u> </u>)	<u>0.00</u>
H. Sale Weight (cwt)	<u>8</u>	<u> </u>
J. Breakeven Price / cwt (C + G / H)	<u>141.29</u>	<u>#DIV/0!</u>
K. Expected Selling Price / cwt (\$ <u>148.00</u>) Projected profit/hd	<u>53.71</u> (\$ <u> </u>)	<u>#DIV/0!</u>
L. 10% Higher Selling Price (\$ <u>162.80</u>) Projected profit/hd	<u>172.11</u> (\$ <u>0.00</u>)	<u>#DIV/0!</u>
M. 10% Lower Selling Price (\$ <u>133.20</u>) Projected profit/hd	<u>-64.69</u> (\$ <u>0.00</u>)	<u>#DIV/0!</u>
N. Breakeven Purchase Price at Expected Sales Price (\$/lb)	<u>1.88</u>	<u>#DIV/0!</u>

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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?

Sep FC vs CME Cash Settle

GFU19 - Feeder Cattle - Daily OHLC Chart



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N.D. Feeder Cattle Basis

“Rule of Thumb”

- E to W along I-94
800 lb. M&L steers= par with FC futures
(\$0 Basis, but wide range in prices)
Highway 2 deduct \$2-\$4

SF_LS796

Sioux Falls, SD

Mon Apr 29, 2019

USDA-ND Dept of Ag Market News

North Dakota Weekly Auction Summary - For the week ending Apr 27, 2019

Receipts: 9,403

Last Week 4,801

Last Year 8,841

Results of: Kist, Napoleon, and Stockmen's.

	Feeder Steers Medium and Large 1				
Head	Wt Range	Avg Wt	Price Range	Avg Price	
124	346	346	198.00	198.00	
21	425	425	205.00	205.00	
99	456-482	464	163.00-203.00	193.38	
100	504-542	523	169.00-188.00	181.29	
191	557-599	573	167.00-184.50	178.64	
160	601-647	627	162.00-177.00	168.66	
14	606	606	185.50	185.50	Fancy
622	656-699	677	154.25-173.00	161.95	
394	701-746	725	148.50-164.50	157.15	
790	751-796	776	141.50-155.50	150.24	
394	805-849	821	136.50-147.00	143.12	
341	850-897	870	131.75-144.75	138.87	
346	901-941	920	129.00-138.50	135.92	
33	979	979	124.75	124.75	

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Feeder Heifers Medium and Large 1					
Head	Wt Range	Avg Wt	Price Range	Avg Price	
55	338	338	142.00	142.00	
10	375	375	168.00	168.00	
47	401-436	423	156.00-168.00	163.63	
90	463-491	472	150.00-164.00	158.23	
141	507-544	531	144.00-164.50	153.40	
179	555-598	575	140.50-158.50	151.87	
364	603-648	628	136.00-158.00	150.46	
395	652-699	673	136.00-152.00	144.91	
288	701-745	721	127.00-146.75	139.77	
23	717	717	145.50	145.50	Replacement
700	750-799	774	129.50-147.75	133.97	
93	764-769	768	143.25-144.25	143.52	Replacement
185	803-847	829	121.00-129.75	126.51	
141	850-881	870	123.50-130.00	126.35	
5	965	965	120.00	120.00	

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LRP – Feeder Cattle

4/30/19  **United States Department of Agriculture**
Risk Management Agency

	Price	Cost/cwt	End Date	Current Cash Price
800 lb. steer	148	3.77	8/27/19	144.65
	146	2.93		
	149.99	4.67	9/24/19	
	143.99	2.40		
750 lb. heifer	133.20	3.39	8/27/19	130.19
	131.40	2.64		
	134.99	4.20	9/24/19	
	129.59	2.16		

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

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2019: Weather, Volatile Prices, Price Risk Questions!



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