

Summer Grazing Outlook - 2021



Tim Petry

Livestock Marketing Economist

www.ndsu.edu/livestockeconomics

4/27/2021



NDSU

EXTENSION AGRIBUSINESS
EXTENDING KNOWLEDGE >> CHANGING LIVES

Will summer grazing be profitable in 2021?

- Economics are favorable, but drought conditions and corn prices a concern
- Carefully compute expected costs and returns!
- Price risk management suggested

Situation

- Beef cow herd declined with declining feeder cattle supplies supportive to prices, BUT?
- Calf prices volatile with **COVID-19**, **Corn\$**, **Drought**
- Severe drought in Northern Plains and West
- High corn price-feedlots prefer to purchase heavier (800 lb.) cattle
- Futures prices volatile



Possible Price Risk

- Fed cattle prices volatile **COVID-19**, demand?
 - Record beef production
 - Record pork, chicken and total meat production
- Corn price outlook?
 - Prices have increased \$3.50/bu. since August
 - Continued price volatility-planted acres? crop development? Exports?

NDSU

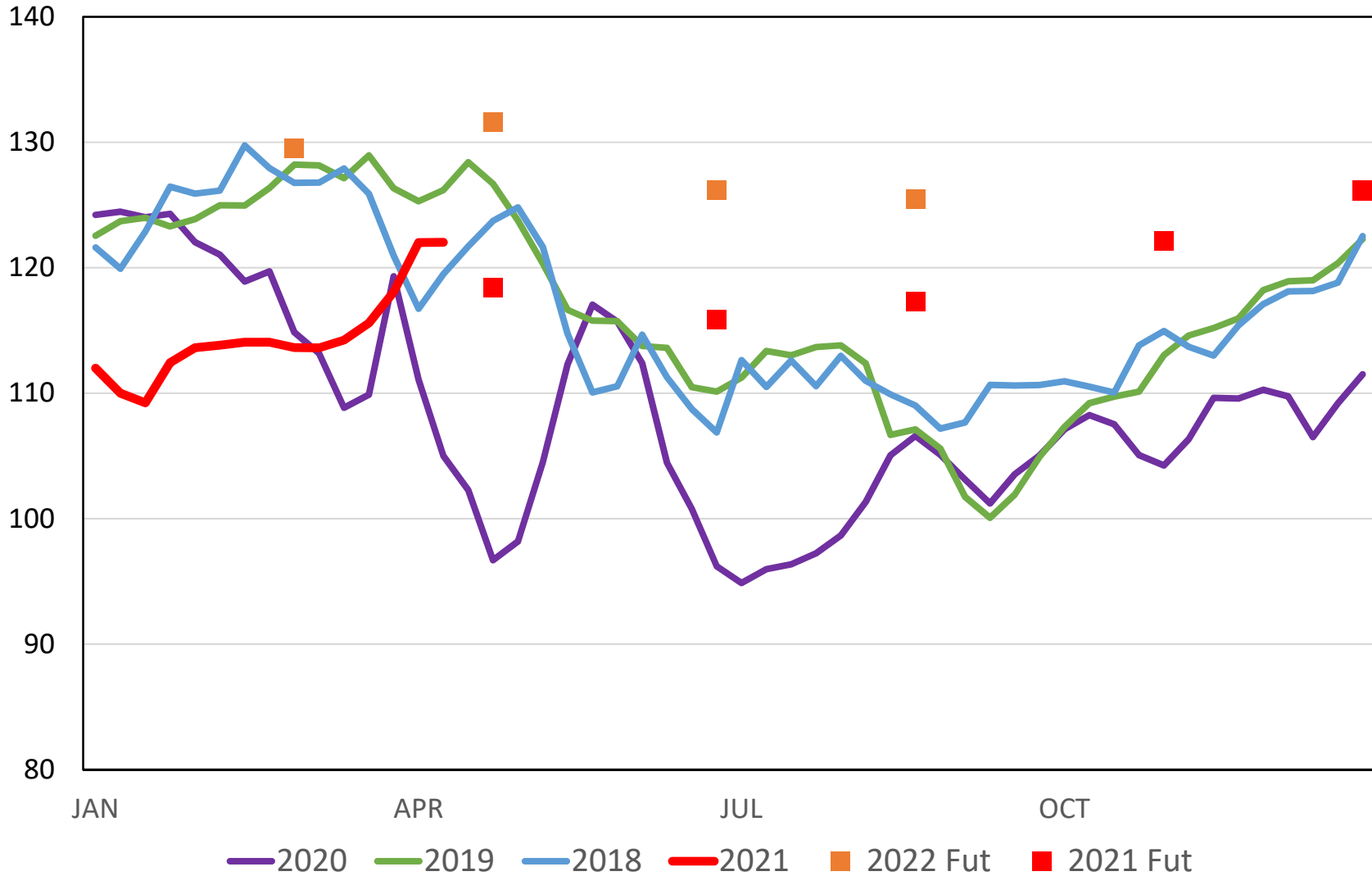
EXTENSION AGRIBUSINESS
EXTENDING KNOWLEDGE >> CHANGING LIVES

NDSU

EXTENSION

SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



HINDSIGHT IS 2020 BUT 2021?



African Swine Fever

Record Meat Production



Exports



Trade Agreements



Drought/Blizzards/Floods

Corn Prices

Consumer Demand

COMPETING MEATS

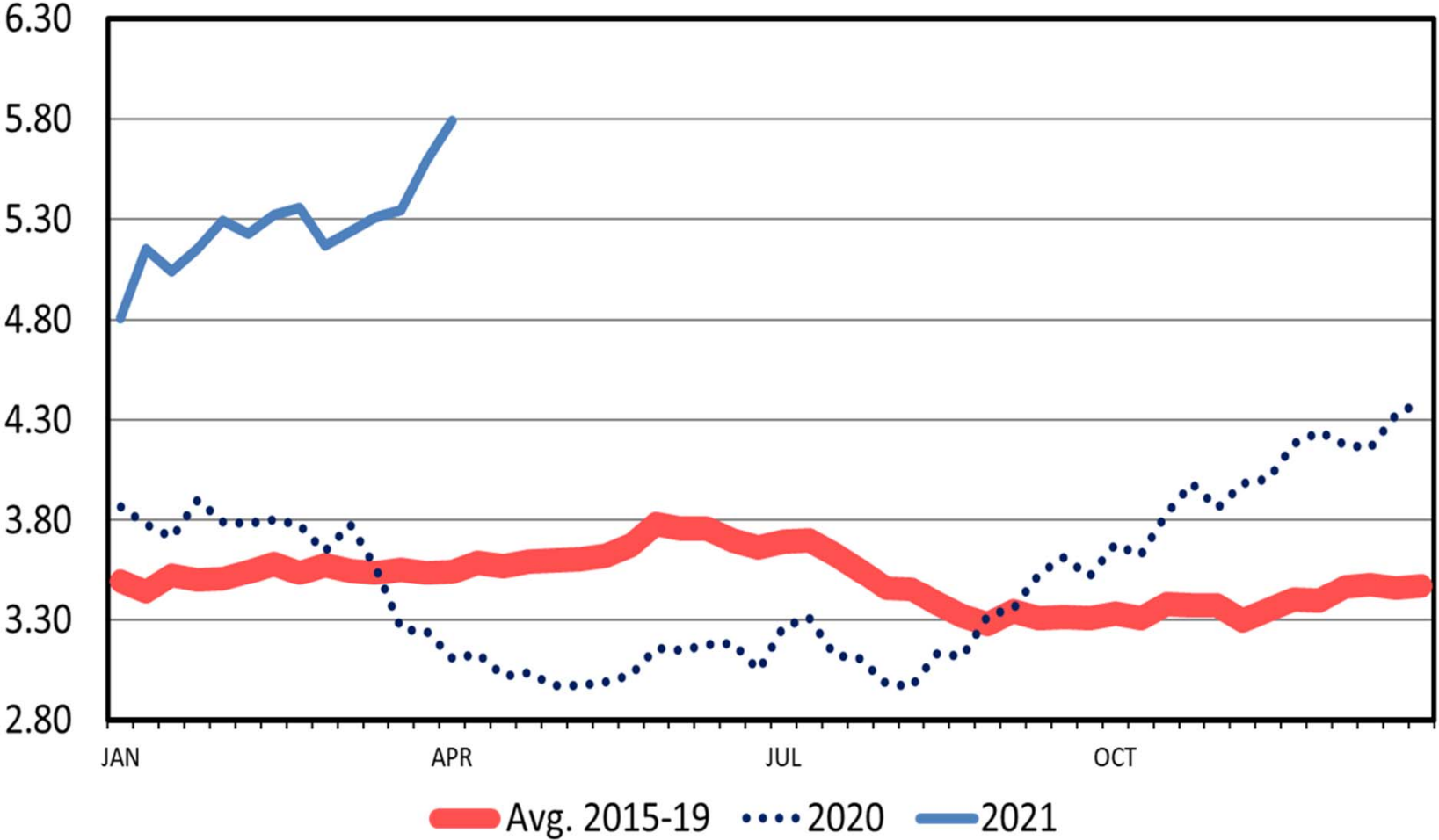
NDSU

EXTENSION AGRIBUSINESS
EXTENDING KNOWLEDGE >> CHANGING LIVES

OMAHA CORN PRICES

Weekly

\$ Per Bu.



EXTENSION AGRIBUSINESS
EXTENDING KNOWLEDGE >> CHANGING LIVES

Volatile Prices Will Continue

“Change corn .10/bu. change calf price \$1 in opposite direction”

MAY CORN FUTURES



MAY FDR CAT FUT

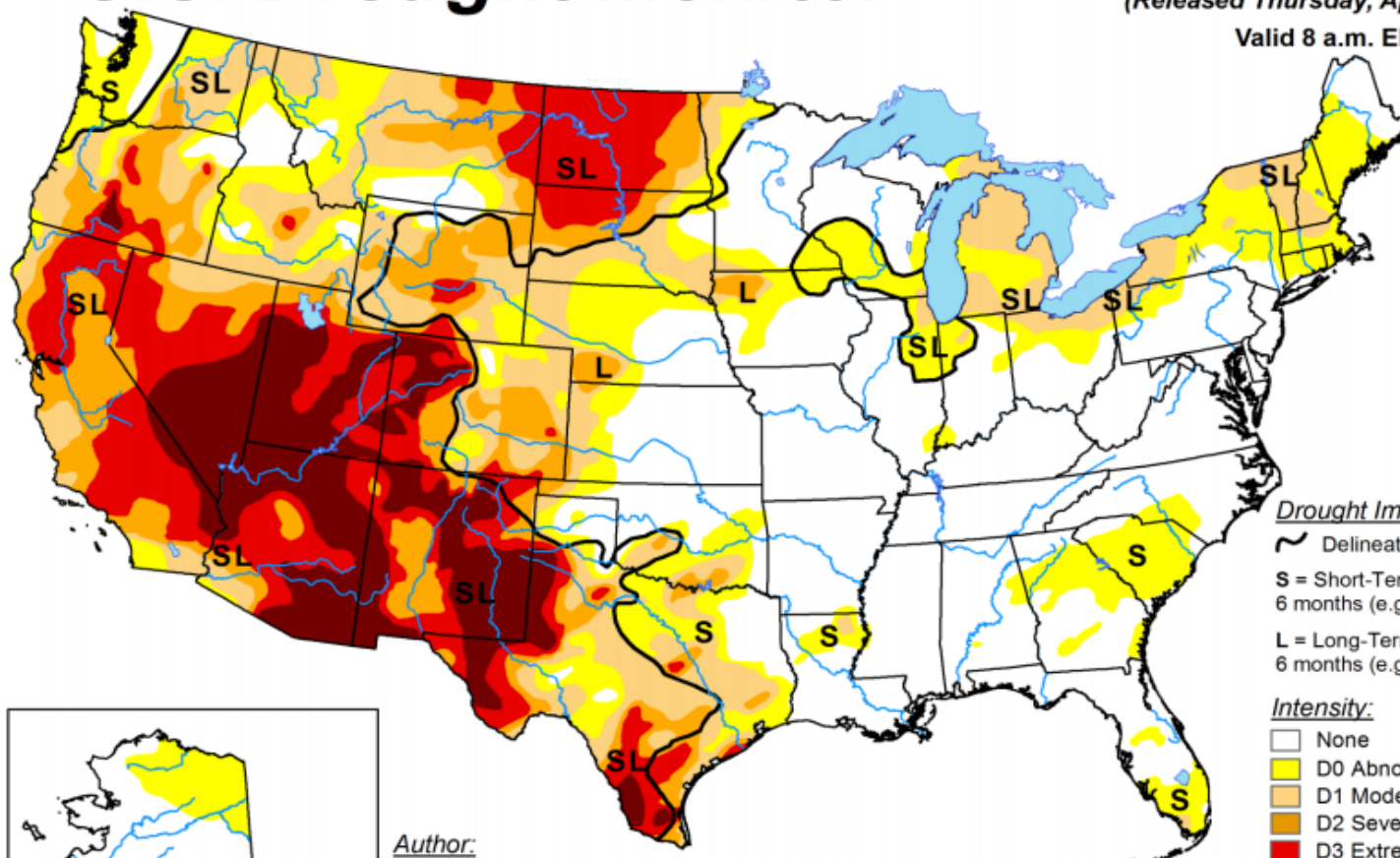


U.S. Drought Monitor

April 20, 2021

(Released Thursday, Apr. 22, 2021)

Valid 8 a.m. EDT

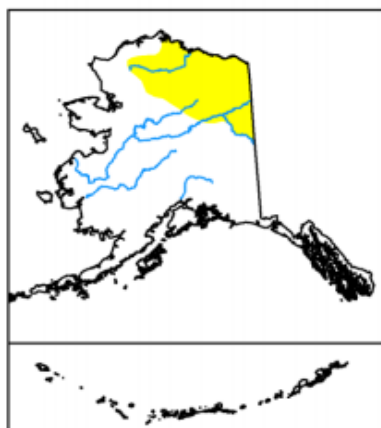


Drought Impact Types:

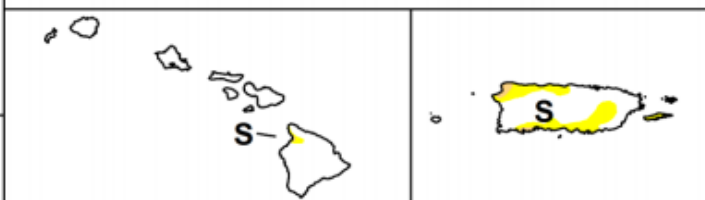
- Delineates dominant impacts
- S** = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L** = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought



Author:
Richard Heim
NCEI/NOAA



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



droughtmonitor.unl.edu

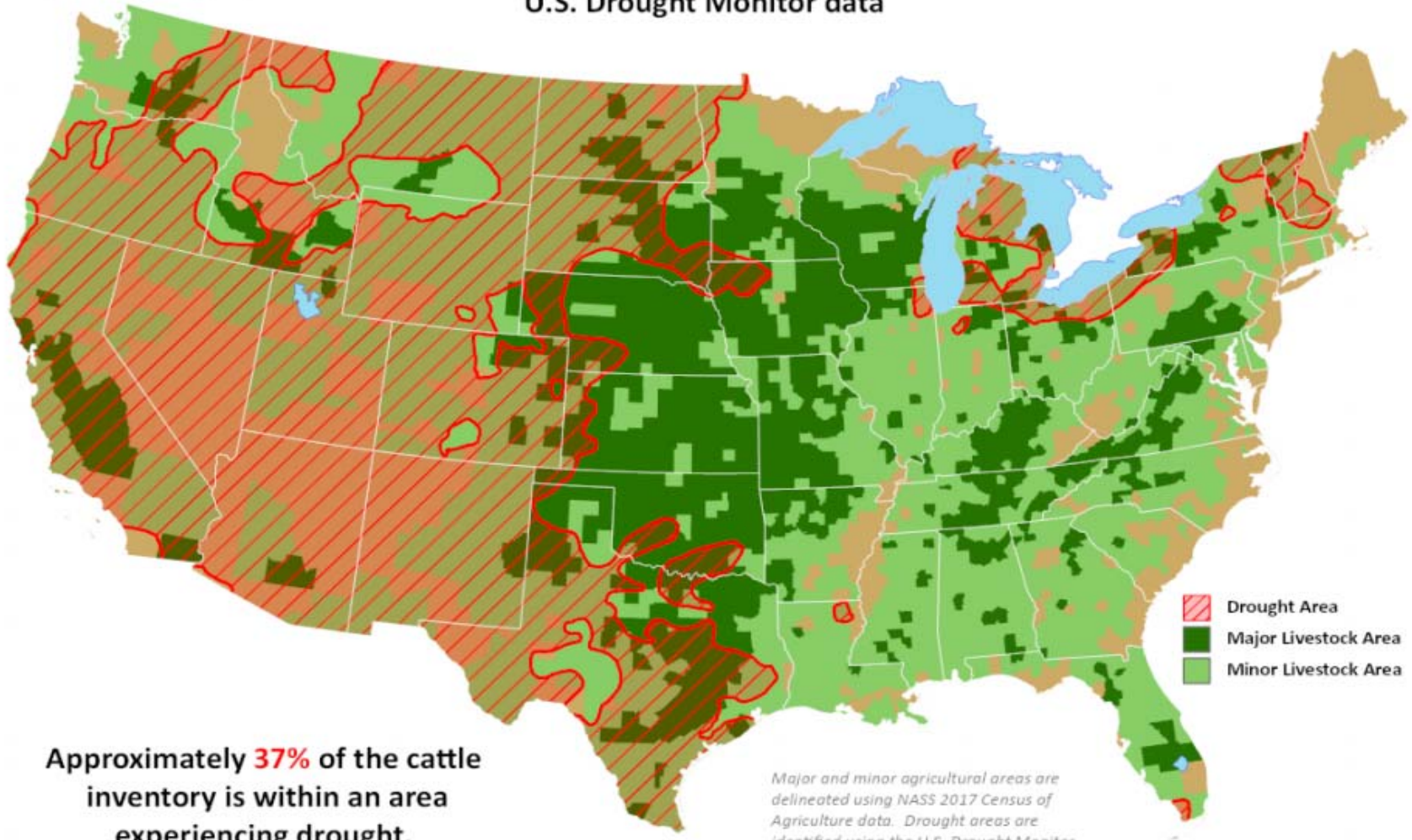


United States
Department of
Agriculture

*This product was prepared by the
USDA Office of the Chief Economist (OCE)
World Agricultural Outlook Board (WAOB)*

Cattle Areas in Drought

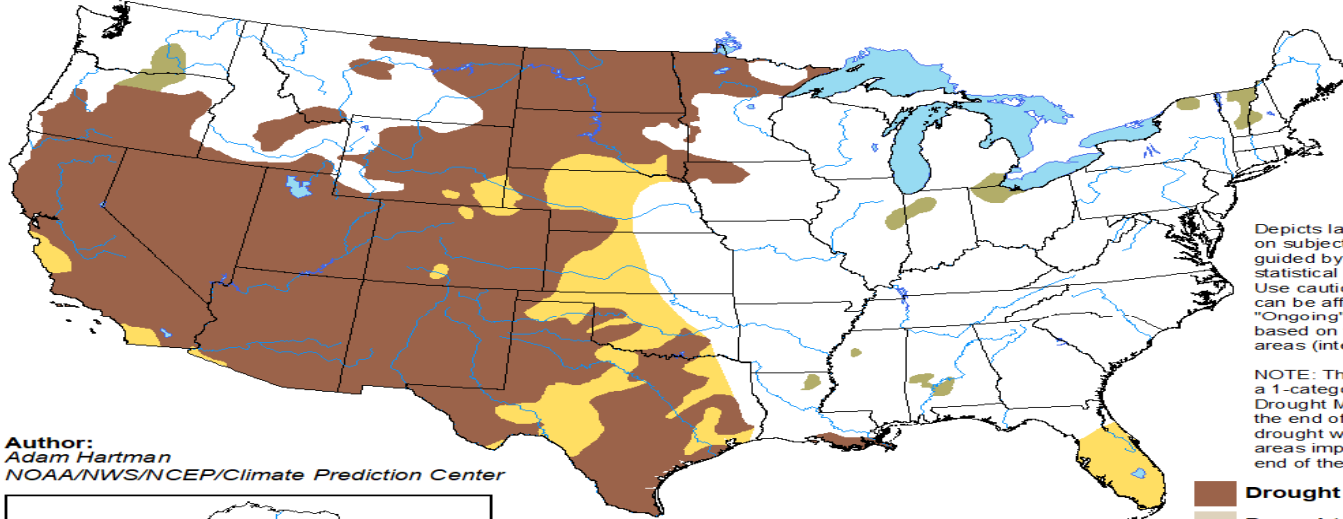
Reflects **April 20, 2021**
U.S. Drought Monitor data



U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period

Valid for March 18 - June 30, 2021
Released March 18



Author:
Adam Hartman
NOAA/NWS/NCEP/Climate Prediction Center

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

- Drought persists
- Drought remains but improves
- Drought removal likely
- Drought development likely



<http://go.usa.gov/3eZ73>

NDSU | EXTENSION

Navigating Drought Webinars

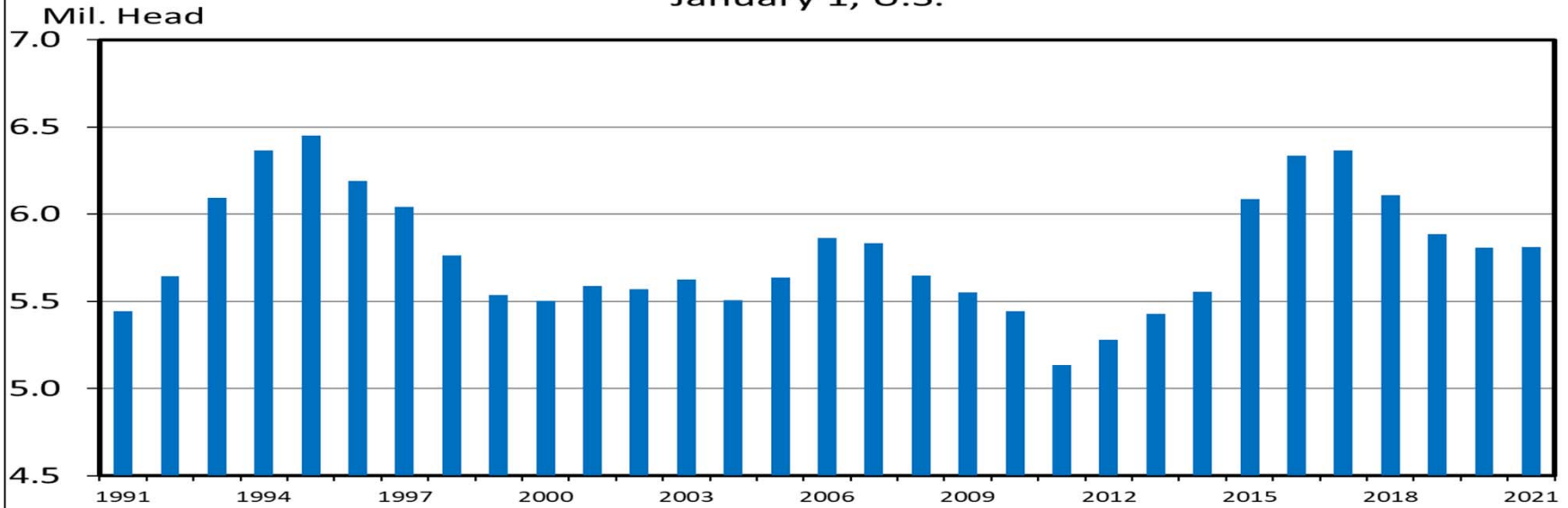
Join us the last Thursdays of the month

Apr 29, 2021 01:00 PM
May 27, 2021 01:00 PM
Jun 24, 2021 01:00 PM
Jul 29, 2021 01:00 PM
Aug 26, 2021 01:00 PM
Sep 30, 2021 01:00 PM

www.ag.ndsu.edu/drought

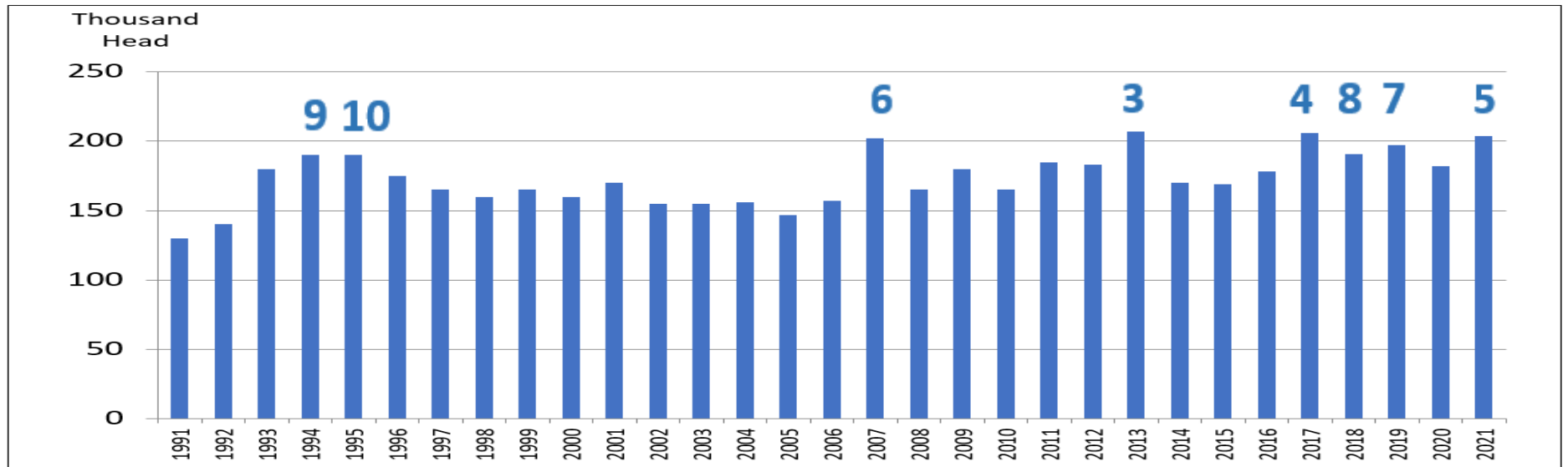
HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.



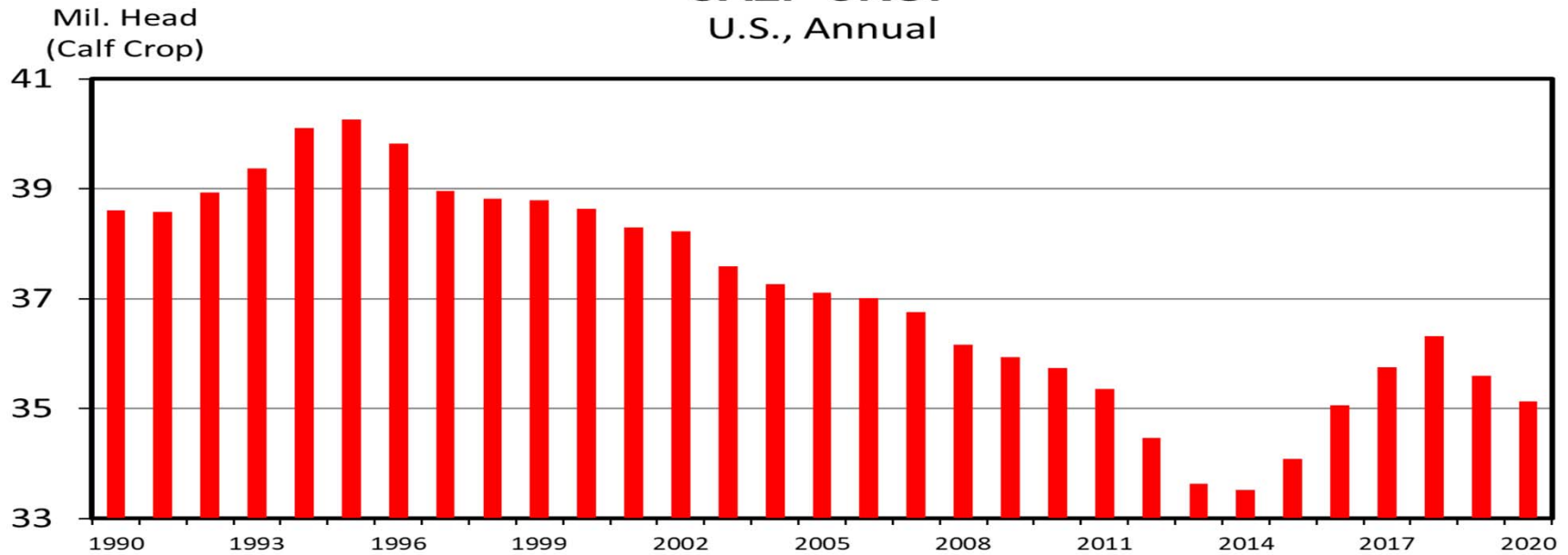
HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, ND



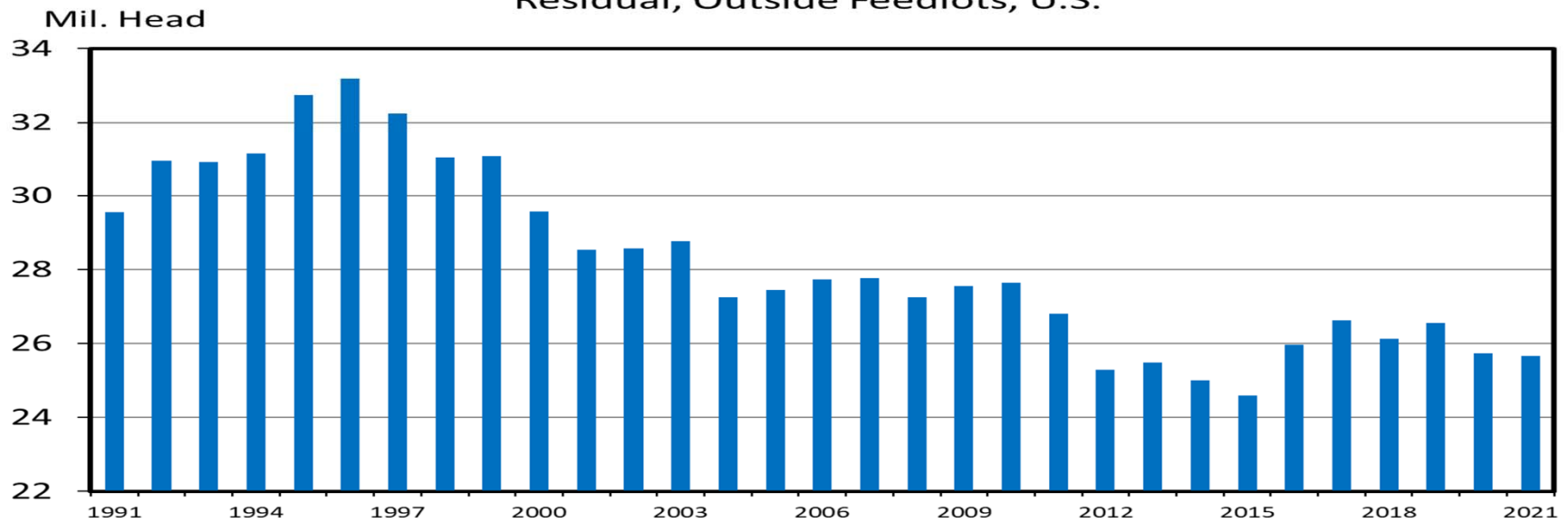
CALF CROP

U.S., Annual



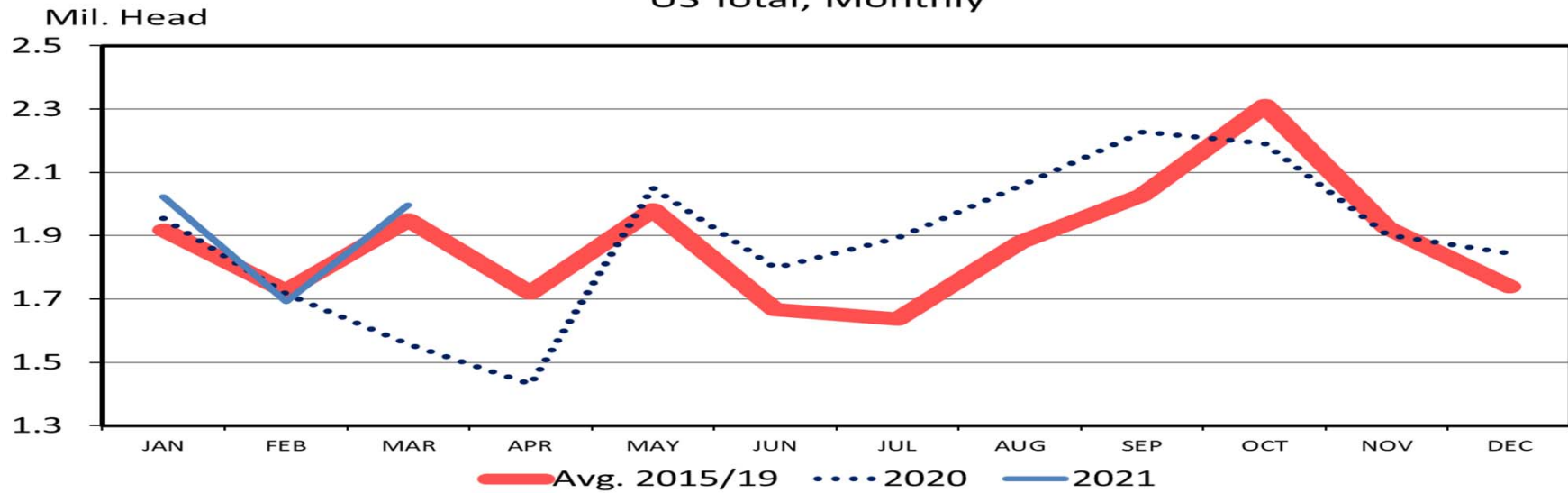
JANUARY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

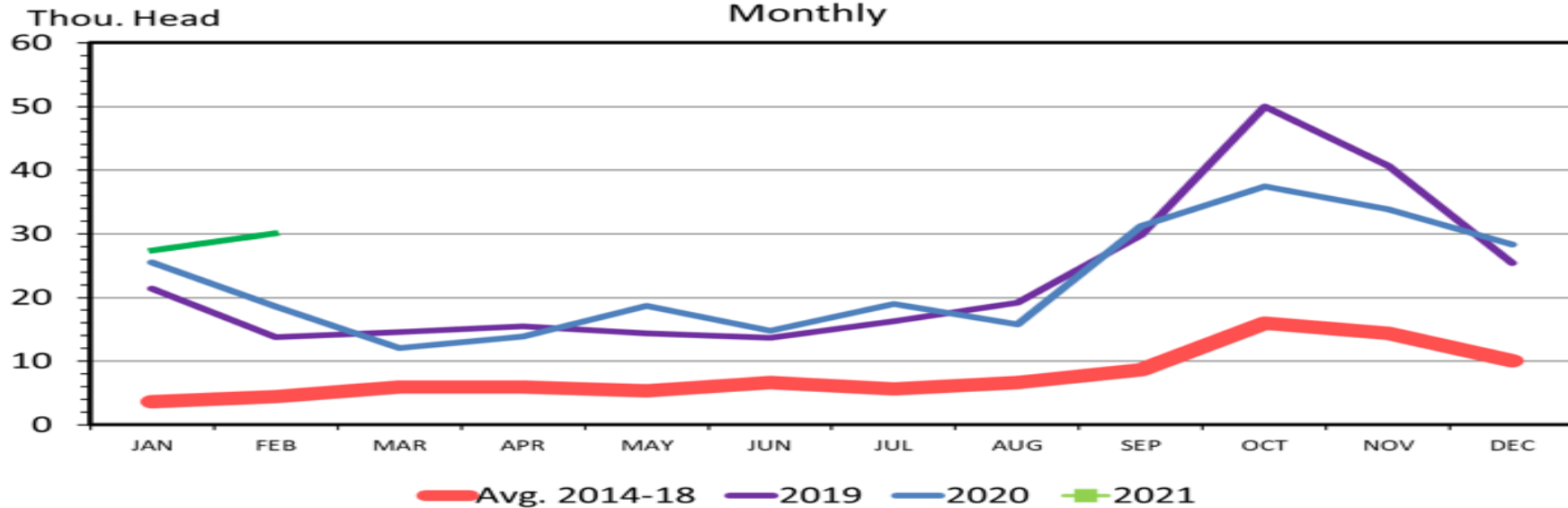


Data Source: USDA-NASS Livestock Marketing Information Center

FEEDLOT PLACEMENTS US Total, Monthly

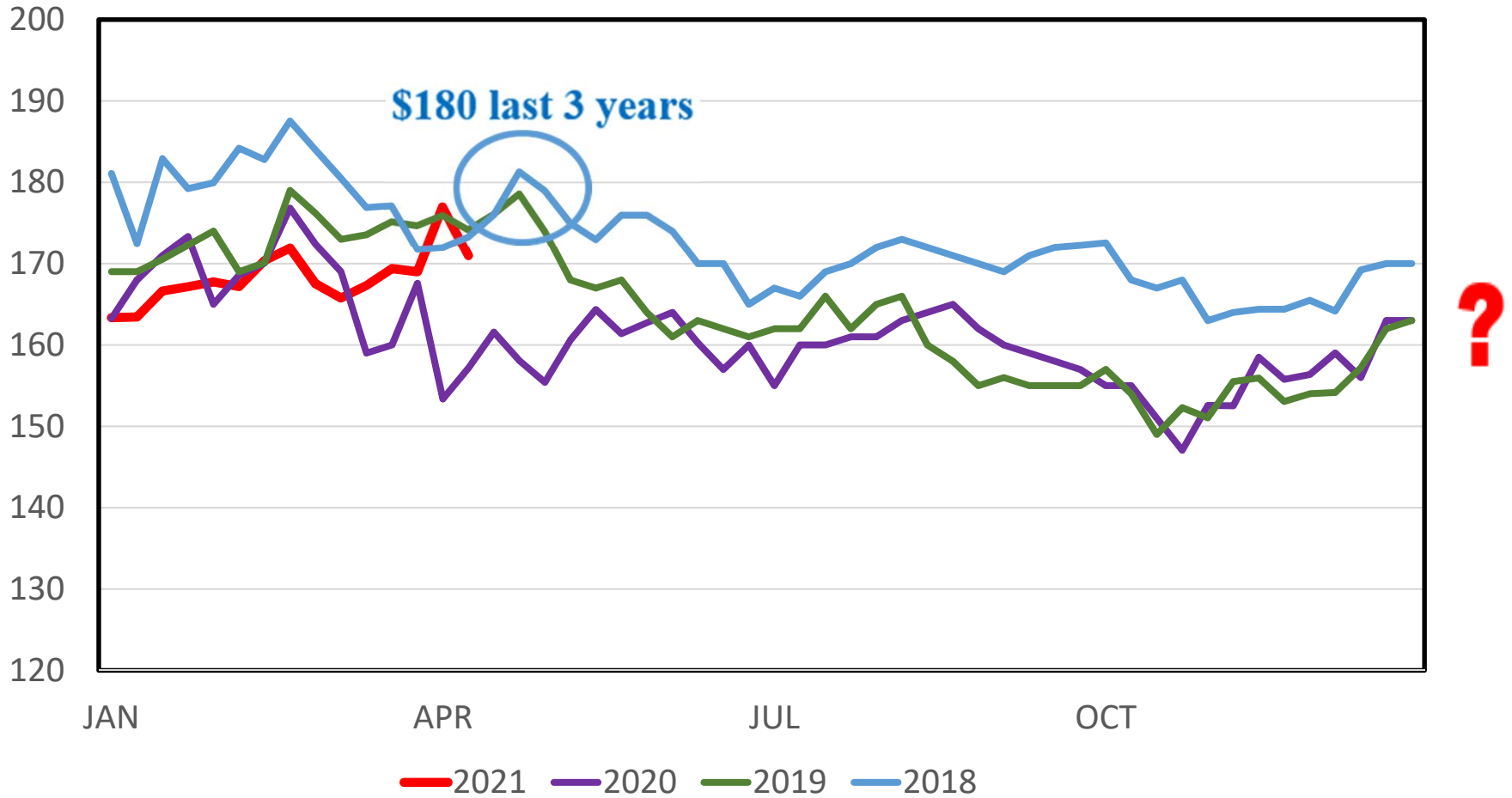


US FEEDER CATTLE EXPORTS TO CANADA Monthly



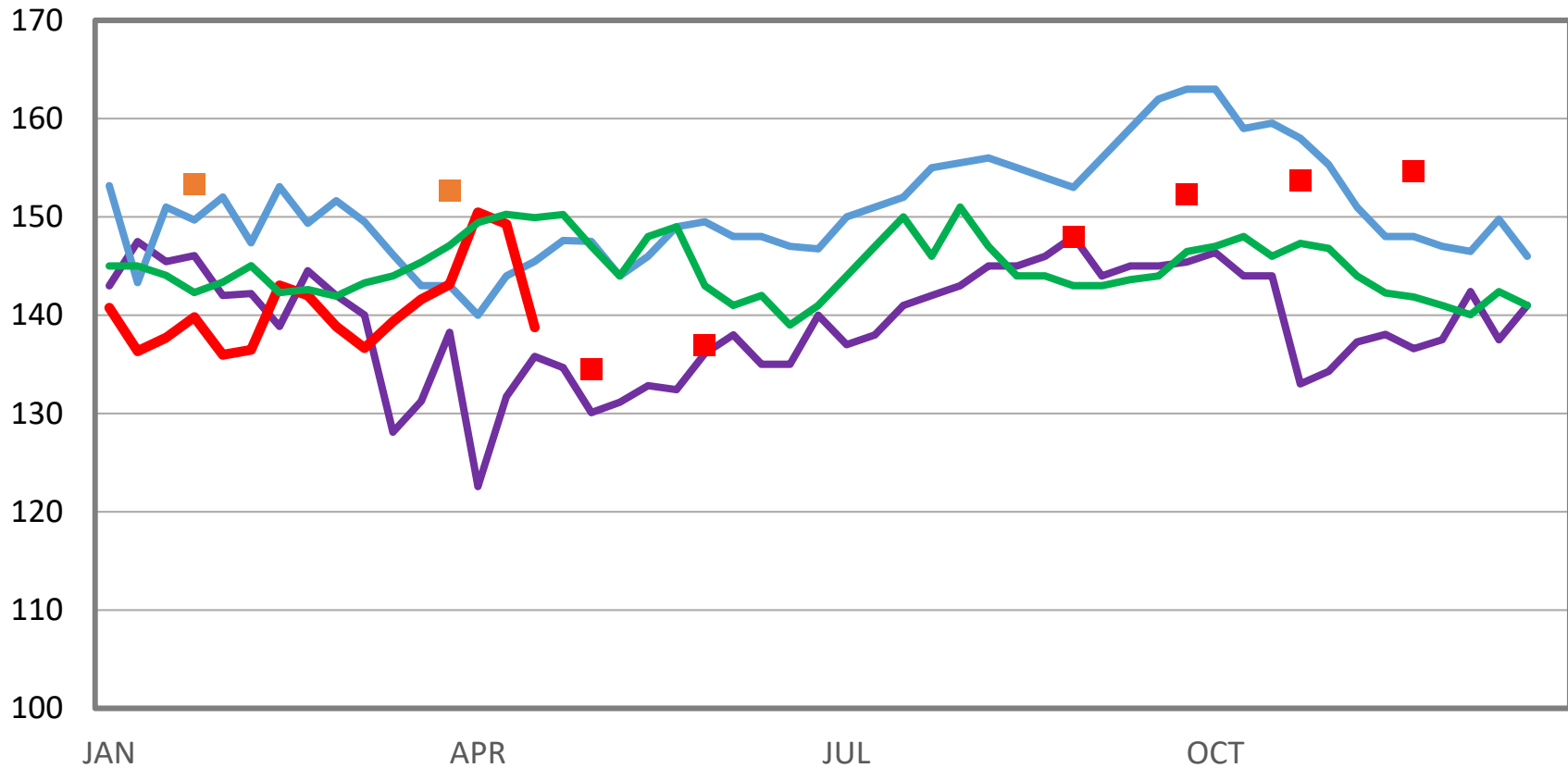
**Data Source: USDA-ERS & USDA-FAS - Livestock Marketing
Information Center**

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



MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



2022 Futures 2020 2018 2021 2019 2021 Futures



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	365	365	188.00	188.00
21	422-430	427	170.00-183.00	176.05
59	466-498	479	173.00-190.50	180.95
50	511-535	530	162.00-176.00	167.09
98	554-599	578	153.00-176.00	164.35
51	604-646	626	153.00-161.00	156.26
172	650-698	684	141.00-150.00	145.58
93	700-748	722	139.00-146.75	144.05
125	750-794	776	133.00-140.50	138.77
209	813-844	826	131.50-136.25	132.95
19	897	897	125.00	125.00
45	907-948	925	120.00-126.00	123.67

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>
6	333	333	162.00	162.00
19	373	373	156.00	156.00
46	413-425	417	150.00-156.00	152.96
68	457-487	476	142.50-161.00	152.90
158	503-548	520	146.00-159.00	152.25
282	551-597	570	139.00-161.00	150.40
231	600-642	627	136.50-151.00	146.45
190	651-696	674	127.00-147.00	134.77
393	711-745	733	125.50-137.00	132.08
287	750-798	761	121.00-132.25	127.56
197	802-847	822	117.00-123.00	121.42
31	852-859	854	115.50-119.75	118.39
126	909-939	916	115.00-121.25	118.88



Summer 2021 Grazing Budget (costs - \$/head)

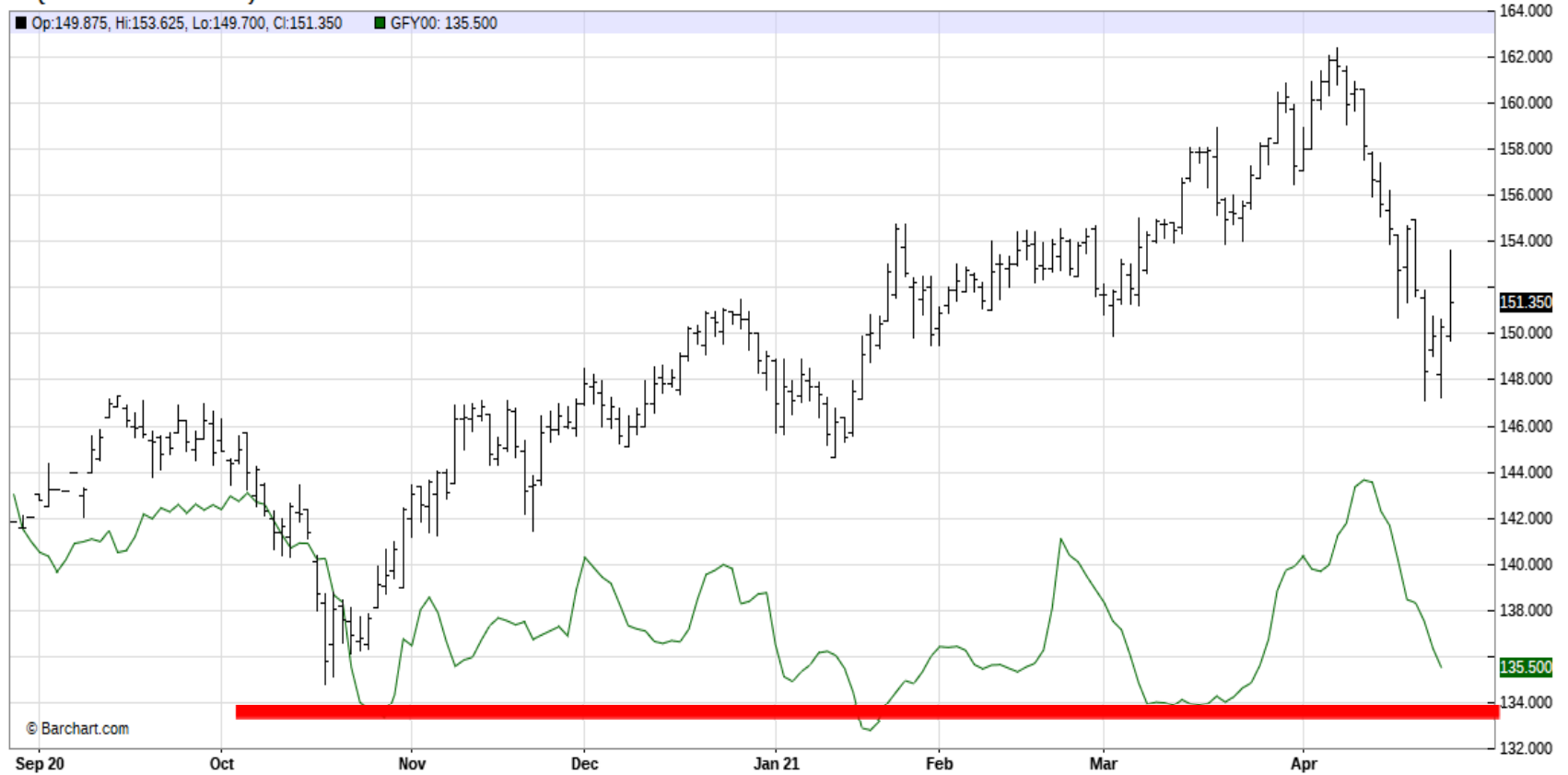
	Example		Your #s
1. Pasture (<u> 4 </u> A @ \$ <u>20.00</u>)	80.00	(<u> </u> A @ \$ <u> </u>)	0.00
2. Minerals, salt	0.50		
3. Purchased Feed and Supplement	_____		
4. Veterinary, drugs, implants	12.00		
5. Marketing (brand inspection, commission, check off, hauling)	20.00		
6. Shrink	2.00		
7. Utilities, fuel, oil	5.00		
8. Hired Labor	_____		
9. Repairs (fencing, waterers, etc.)	3.00		
10. Interest on calf and operating	15.00		
11. Death loss (1%)	9.19		
12. Miscellaneous	1.00		
13. Fixed Costs (insurance, taxes, depreciation)	3.00		
A. Total Production Costs (sum 1 thru 13)	150.69		0.00
B. Operator Labor and Management	_____		
C. Total Costs (A + B)	150.69		0.00
D. Hundredweight produced	2.5		
E. Feed Cost / cwt gain (1 + 2 + 3 / D)	32.20		#DIV/0!
F. Total Cost / cwt gain (C / D)	60.28		#DIV/0!
G. Beginning calf value (<u> 550 </u> lbs @ \$ <u>1.67</u>)	918.50	(<u> </u> lbs @ \$ <u> </u>)	0.00
H. Sale Weight (cwt)	8		
J. Breakeven Price / cwt (C + G / H)	133.65	BE	#DIV/0!
K. Expected Selling Price / cwt (\$ <u>144.00</u>) Projected profit/hd	82.81	(\$ <u> </u>)	#DIV/0!
L. 10% Higher Selling Price (\$ <u>158.40</u>) Projected profit/hd	198.01	(\$ <u>0.00</u>)	#DIV/0!
M. 10% Lower Selling Price (\$ <u>129.60</u>) Projected profit/hd	-32.39	(\$ <u>0.00</u>)	#DIV/0!
N. Breakeven Purchase Price at Expected Sales Price (\$/lb)	1.82		#DIV/0!

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”**

AUG 2021 FDR CAT/CME FDR CAT INDEX

GFQ21 - Feeder Cattle - Daily OHLC Chart



BE

NDSU

EXTENSION AGRIBUSINESS
EXTENDING KNOWLEDGE >> CHANGING LIVES

N.D. Feeder Cattle Basis

“Rule of Thumb”

- E to W along I-94
 - 800 lb. M&L 1 steers par with FC futures
($\$0$ Basis, but wide range in prices)
 - Highway 2 deduct $\$2$ - $\$4$



NEW LRP Premium Subsidy Rates

Coverage Level %

Subsidy Rate %

95-100

35

90-94.99

40

85-89.99

45

80-84.99

50

70-79.99

55

Effective 9-14-2020/Retroactive to 7-1-2020

(13% Subsidy for many years)



Pay premium ~~to agent~~ - Pay at maturity

Risk Management?

USDA United States Department of Agriculture
Risk Management Agency

800 lb. Steers

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 04/27/2021



State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	Producer Premium Per CWT	End Date
38 North Dakota	998 All Counties	17	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2021	150.075	\$150.000	0.999500	0.048100	7.215	4.69	08/24/2021
38 North Dakota	998 All Counties	17	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2021	150.075	\$148.000	0.986200	0.042020	6.219	4.04	08/24/2021
38 North Dakota	998 All Counties	17	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2021	150.075	\$146.000	0.972800	0.036322	5.303	3.45	08/24/2021
38 North Dakota	998 All Counties	17	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2021	150.075	\$134.000 BE	0.892900	0.013970	1.872	1.03	08/24/2021

AUG FDR CAT-\$150.07/CME CASH INDEX-\$135.22

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

NDSU

EXTENSION AGRIBUSINESS
EXTENDING KNOWLEDGE >> CHANGING LIVES



LRP – Feeder Cattle

4/27/21

	Price	Cost/cwt	End Date	Current LRP Cash Price
800 lb. steer	150.00	4.69	8/24/21	135.22
	134.00 BE	1.03		
	151.86	5.26	9/21/21	
	135.86 BE	1.25		
750 lb. heifer	135.00	4.22	8/24/21	121.17
	133.20	3.64		
	136.67	4.73	9/21/21	
	134.87	4.11		

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

2021: COVID-19, Corn\$, Drought Issues?
Causing Volatility and Risk , especially on
seasonal basis. Flexible marketing plans
should include risk management tools

