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EXTENSION

EXTENDING KNOWLEDGE >> CHANGING LIVES



Cattle Situation and Outlook Backgrounding

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www.ndsu.edu/livestockeconomics

OCT 2020



Agribusiness and
Applied Economics

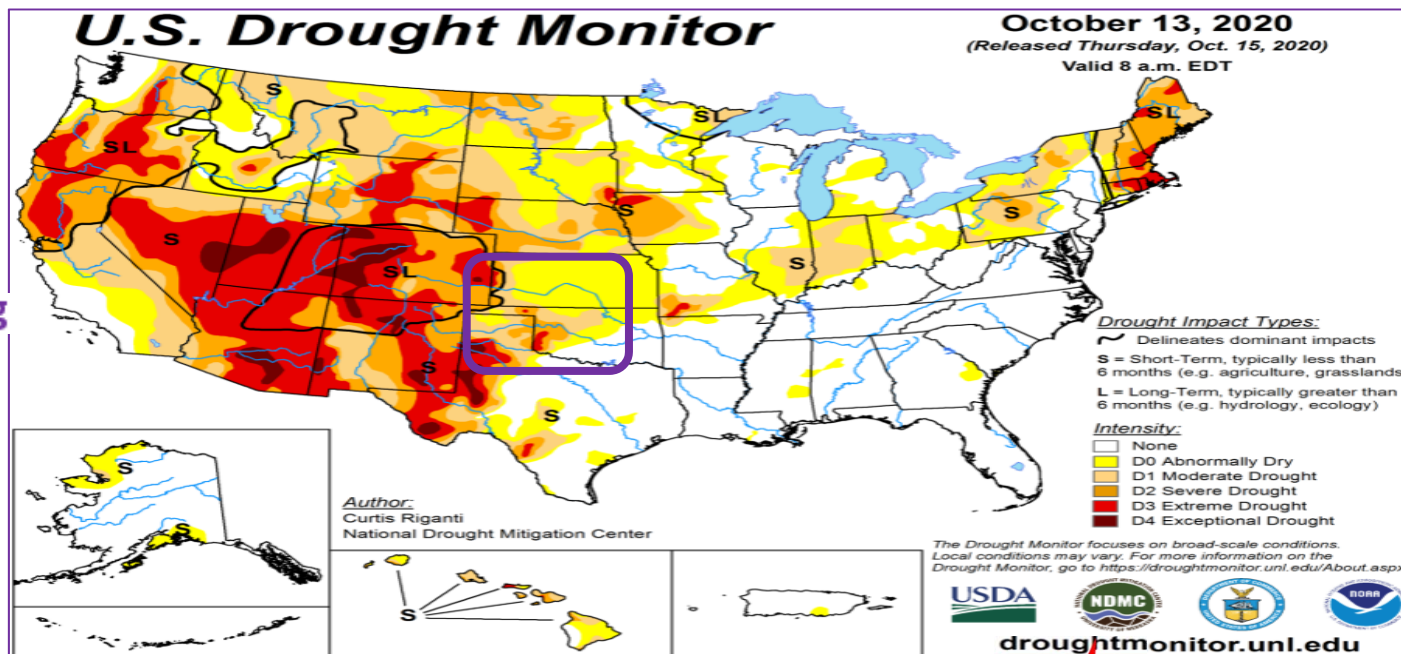
BackgroundingOutlook10-16-2020.pptx



BACKGROUNDING PRICE FUNDAMENTALS

- Both corn and fed cattle prices important factors
- Corn prices increasing-supply still uncertain/trade issues 
- Smaller calf crop
- Drought in winter wheat grazing area
- Drought in Northern Plains
- Funds selling cattle futures and buying corn/soybean futures
- APR LV CAT- \$114= good demand for over 700 lbs.
- JUN LV CAT- \$107, AUG-\$106=negatively affects calf prices
- Discounts for un-weaned calves/no shots

wheat
grazing



U.S. Cattle Areas Experiencing Drought

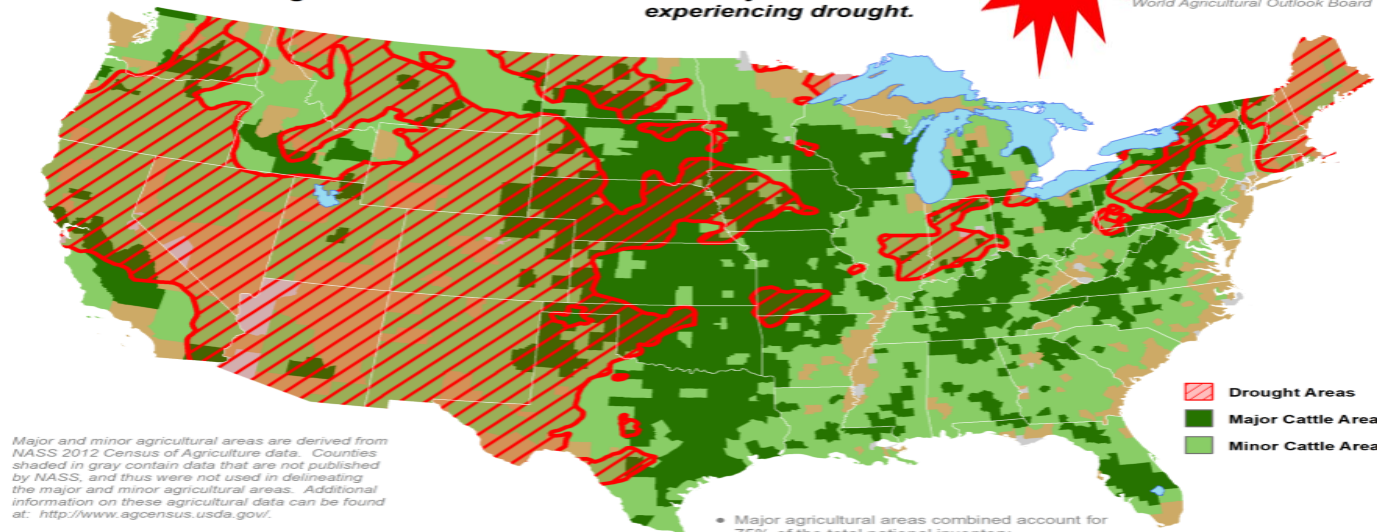
Reflects **October 13, 2020**
U.S. Drought Monitor data

Approximately **40%** of cattle
inventory is within an area
experiencing drought.



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/>.

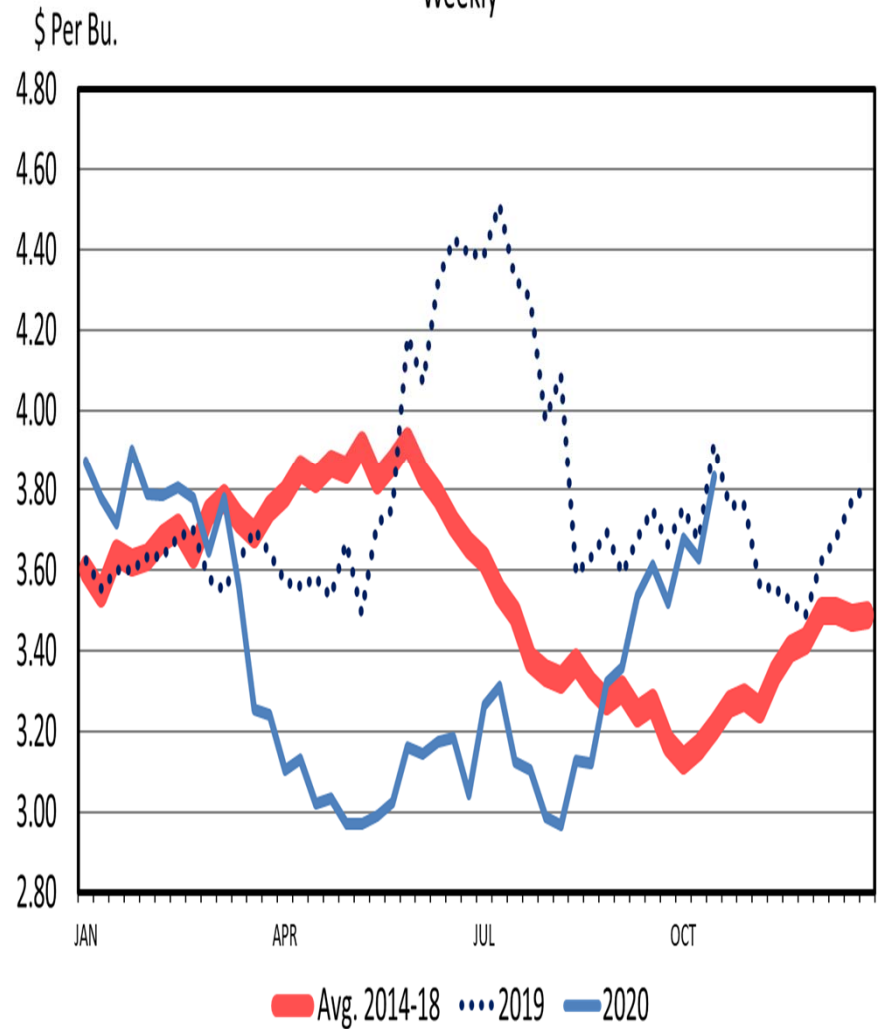
- Major agricultural areas combined account for 75% of the total national inventory.
- Major and minor agricultural areas combined account for 99% of the total national inventory.

CALF PRICES FROM **COVID-19** TO CORN PRICES

JAN FDR CAT and DEC CORN

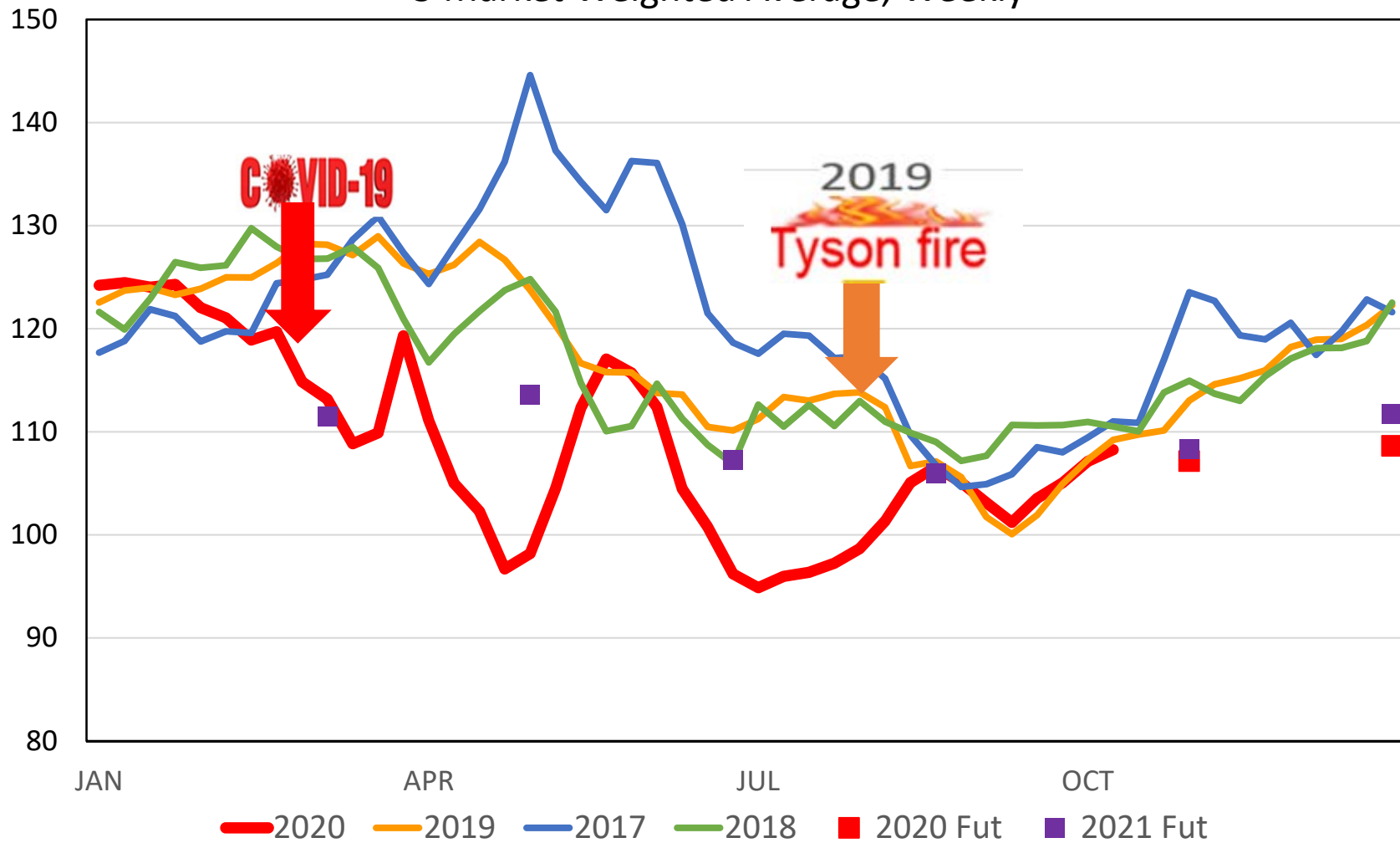


OMAHA CORN PRICES
Weekly



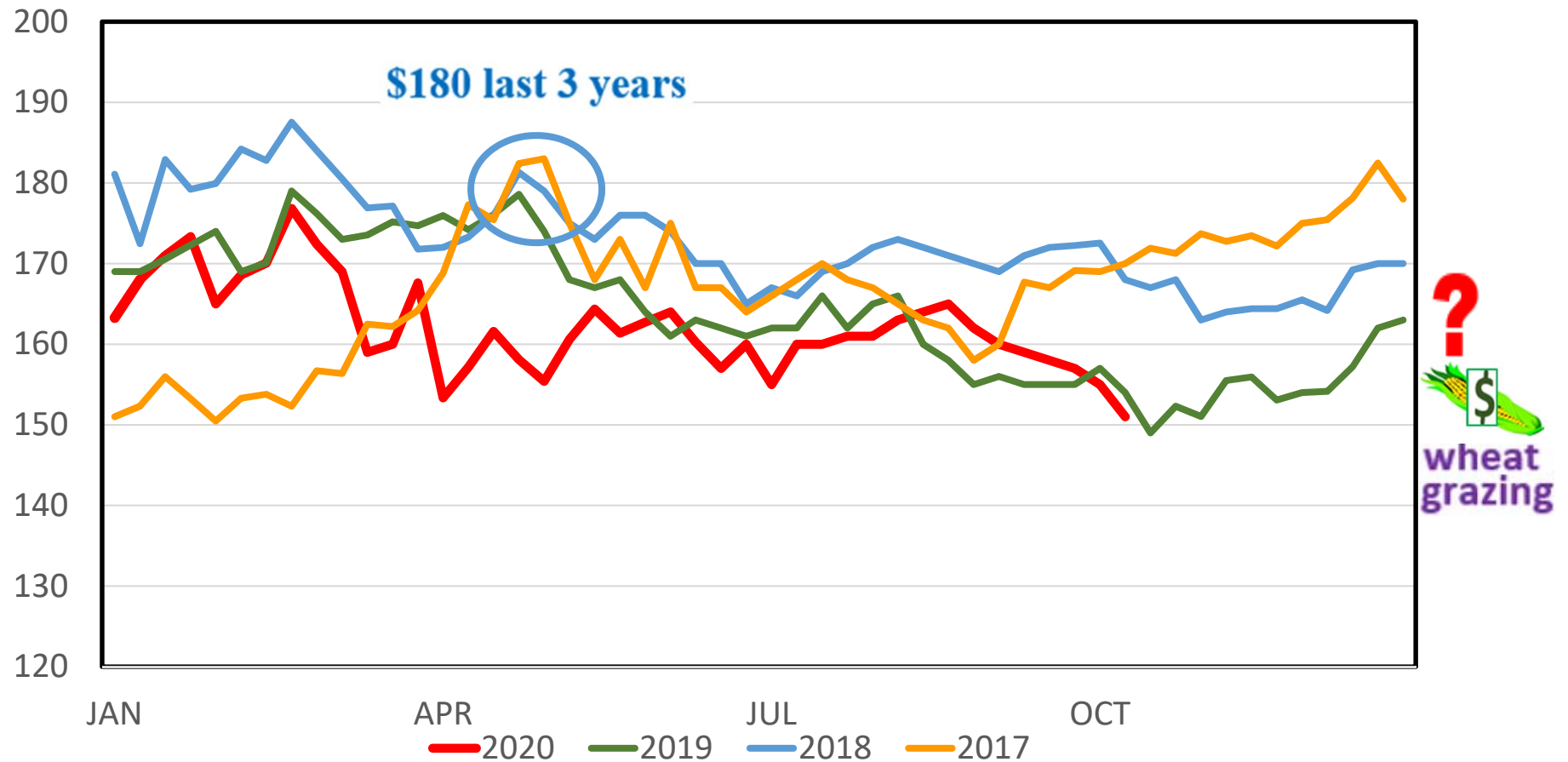
SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



MED. FRAME #1 STEER CALF PRICES

550-600 Pounds, N.D., Weekly

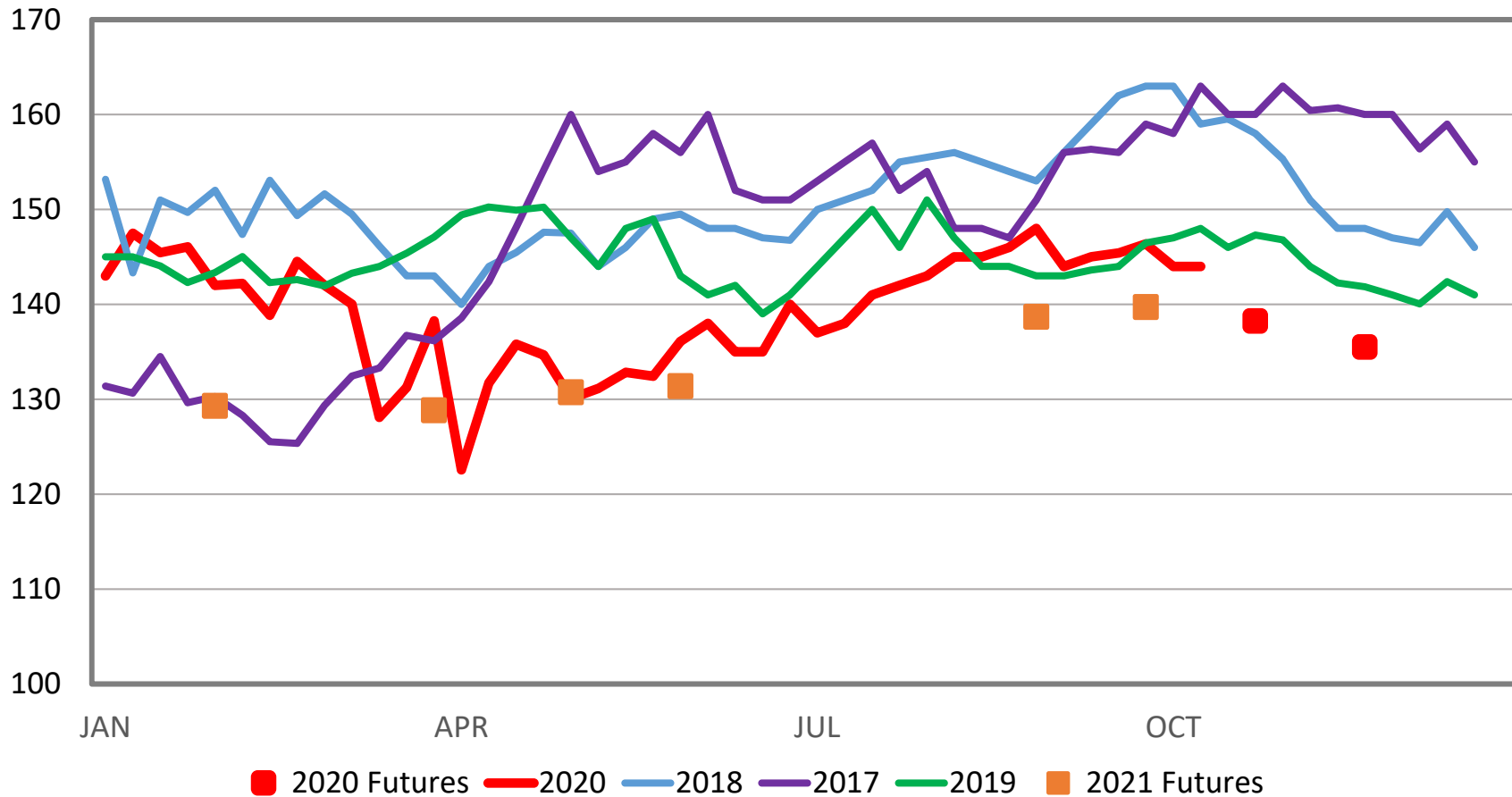


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MED. & LRG. #1 FEEDER STEER PRICES

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 Oct 16, 2020

	Current Week	Last Reported 10/5/2020	Last Year
Total Receipts:	6,291	2,865	2,980

STEERS - Medium and Large 1 (Per Cwt / Actual Wt)

Head	Wt Range	Avg Wt	Price Range	Avg Price
8	311	311	167.00	167.00
12	382-396	390	180.00	180.00
98	408-449	428	150.00-173.50	162.24
136	462-496	480	151.00-172.25	161.16
203	505-548	531	144.00-162.50	153.94
650	550-599	575	139.00-158.00	150.87
9	592	592	140.00	140.00
468	601-649	627	139.00-153.00	148.66
20	606	606	140.00	140.00
655	651-698	676	137.00-154.00	149.18
374	705-749	729	140.00-149.00	146.06
21	736	736	135.50	135.50
8	786	786	138.25	138.25
135	809-845	819	139.50-149.50	146.93
92	885-897	891	139.00-142.00	141.00
20	922-939	935	137.50-139.50	137.99
21	987	987	132.50	132.50

HEIFERS - Medium and Large 1 (Per Cwt / Actual Wt)

Head	Wt Range	Avg Wt	Price Range	Avg Price
3	347	347	135.00	135.00
29	374-391	382	148.00-165.50	157.53
115	414-449	435	132.50-157.50	145.64
94	453-495	469	131.50-160.75	148.39
357	504-549	528	120.00-144.50	137.77
302	554-596	570	124.50-137.50	132.58
216	601-645	635	122.00-139.50	133.76
24	665-670	667	126.00-139.00	133.56
18	680	680	120.00	120.00
245	705-746	732	128.00-141.75	139.03
43	779-782	780	132.00-138.50	136.49
42	826-834	827	127.00-132.50	127.92
143	852-888	867	126.00-139.00	134.99
29	913-949	930	123.75-131.50	127.52
171	959-986	962	124.25-126.25	124.67

Unweaned

Unweaned

Unweaned

Projected Calf Backgrounding Profit

www.ndsu.edu/livestockeconomics/Budgets

550 lb. to 750 lb.
\$3.20 corn, \$90 hay

North Dakota Weekly Cattle Auction Summary

505-548 531 144.00-162.50 153.94

550-599 575 139.00-158.00 150.87

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	\$132.00 per cwt.		
Total Income			\$989.26
Beginning Value	\$150.00 per cwt.		
minus shrink if sold	3 percent		\$800.25
Gross Margin			\$189.01
Feed Cost	\$1.15 per day		\$83.01
Return Over Feed Cost			\$106.00
Interest on Beginning Value	5.5 percent		\$8.68
Interest on Feed, Vet & Med	5.5 percent		\$0.50
Vet. and Med.			\$10.00
Lot Cost	\$0.25 per day		\$18.00
Marketing (Brand inspection/Checkoff/Commission)			\$10.00
Trucking (additional)	\$0.75 cwt.		\$1.50
Shrink	3 percent		\$29.68
Death Loss	1 percent		\$9.89
Direct Cost Subtotal			\$88.25
BREAKEVEN 129.50			
Return to Labor, Management and Risk			\$17.74

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

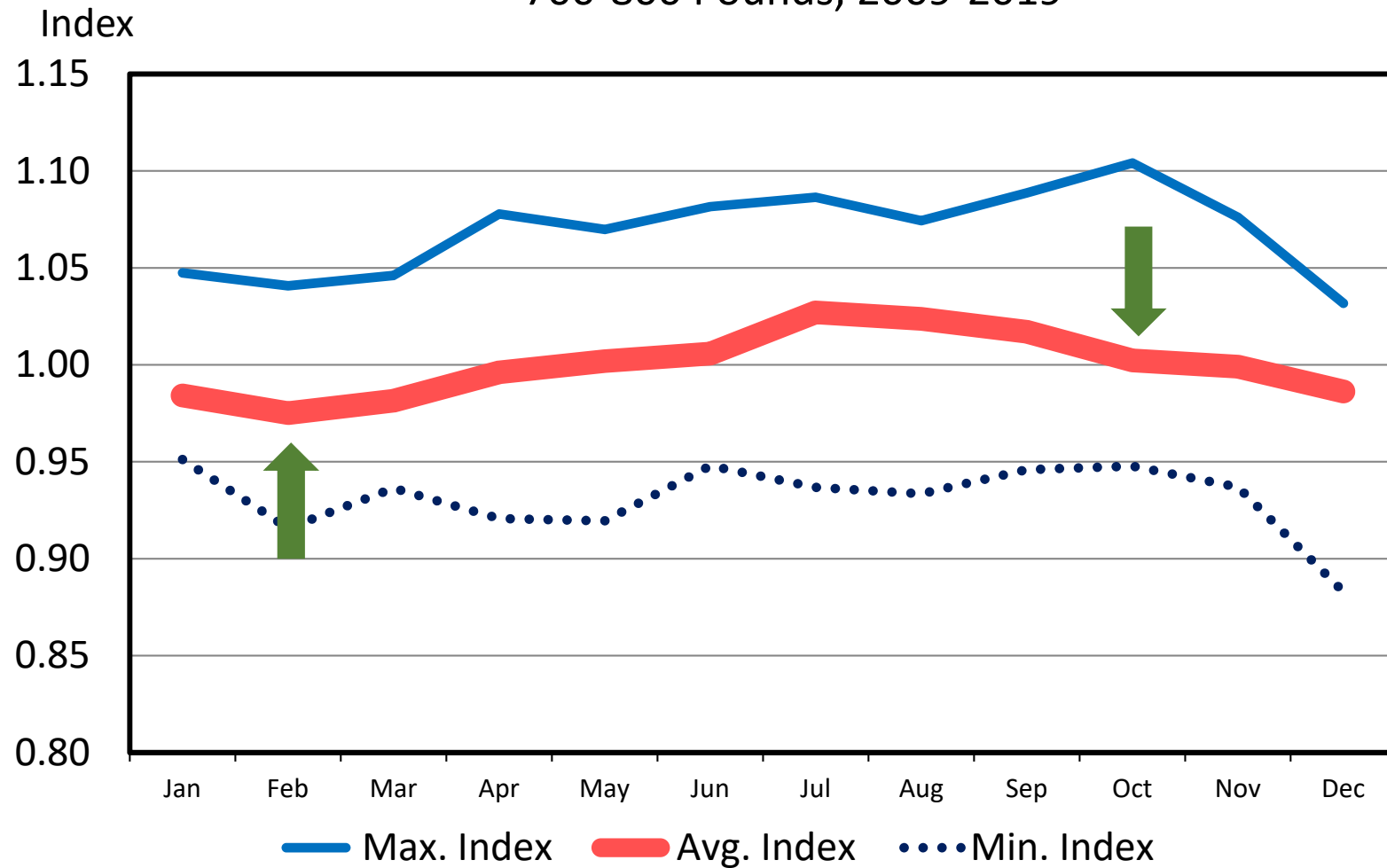
JAN FC - \$129.32

CME CS - \$140.41

ND 750 - \$144

SEASONAL PRICE INDEX – FEEDER STEERS

700-800 Pounds, 2009-2019



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”



Risk Management?

JAN FDR CAT/CME CASH INDEX



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



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**

Over 600 lb. Feeder Steers



35% Subsidy

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 10/16/2020

X.65

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	201 Endorsement Ending in January Yr1	2021	129.519	\$128.190	0.989700	0.041719	5.348 3.48	01/15/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	201 Endorsement Ending in January Yr1	2021	129.519	\$126.190	0.974300	0.035042	4.422 2.87	01/15/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	201 Endorsement Ending in January Yr1	2021	129.519	\$124.190	0.958900	0.029141	3.619 2.35	01/15/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	201 Endorsement Ending in January Yr1	2021	129.519	\$122.190	0.943400	0.024012	2.934 40%- 1.76	01/15/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	201 Endorsement Ending in January Yr1	2021	129.519	\$120.190	0.928000	0.019527	2.347 1.41	01/15/2021
38 North Dakota	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	201 Endorsement Ending in January Yr1	2021	129.519	\$118.190	0.912500	0.015636	1.848 1.11	01/15/2021

JAN FDR CAT Futures - \$129.33/CME FC INDEX-\$140.22

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

LRP – Feeder Cattle/Highest Coverage

10/16/20

	Price	Cost/cwt	End Date	Current LRPCash Price
800 lb. steer	128.19	3.48	1/15/21	140.26
	128.26	4.20	2/12/21	
	128.03	4.51	3/12/21	
750 lb. heifer	115.37	3.13	1/15/21	126.24
	115.43	3.78	2/12/21	
	115.22	4.06	3/12/21	
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2021: COVID-19, Trade, and Economy?
Causing Volatility and Risk , especially on
seasonal basis. Flexible marketing plans
should include risk management tools

