



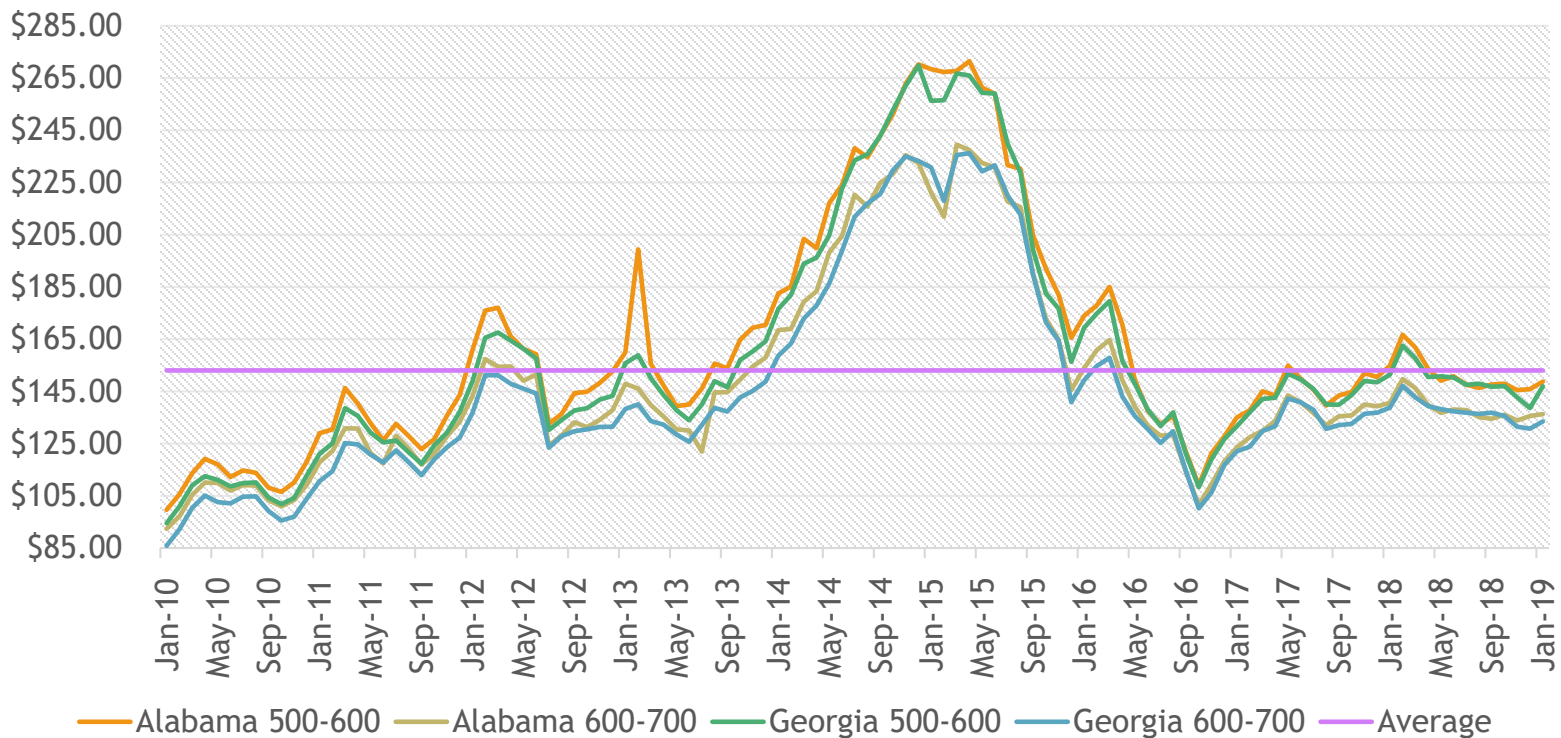
Marketing Options to Improve Income

Ken Kelley
Auburn University



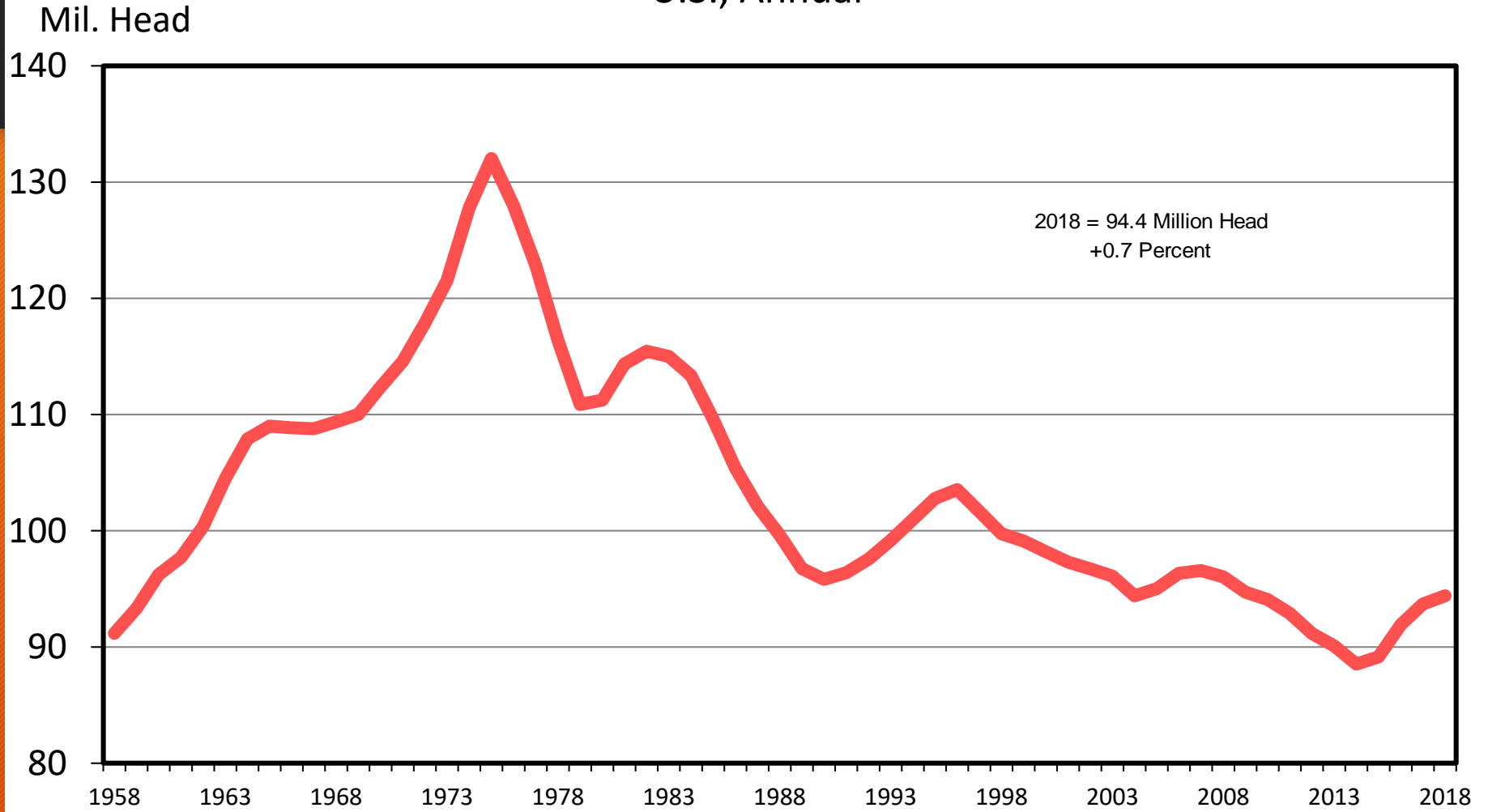
Recognizing where we are at

Alabama & Georgia M&L # 1&2 Feeder Steers



JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual



Data Source: USDA-NASS

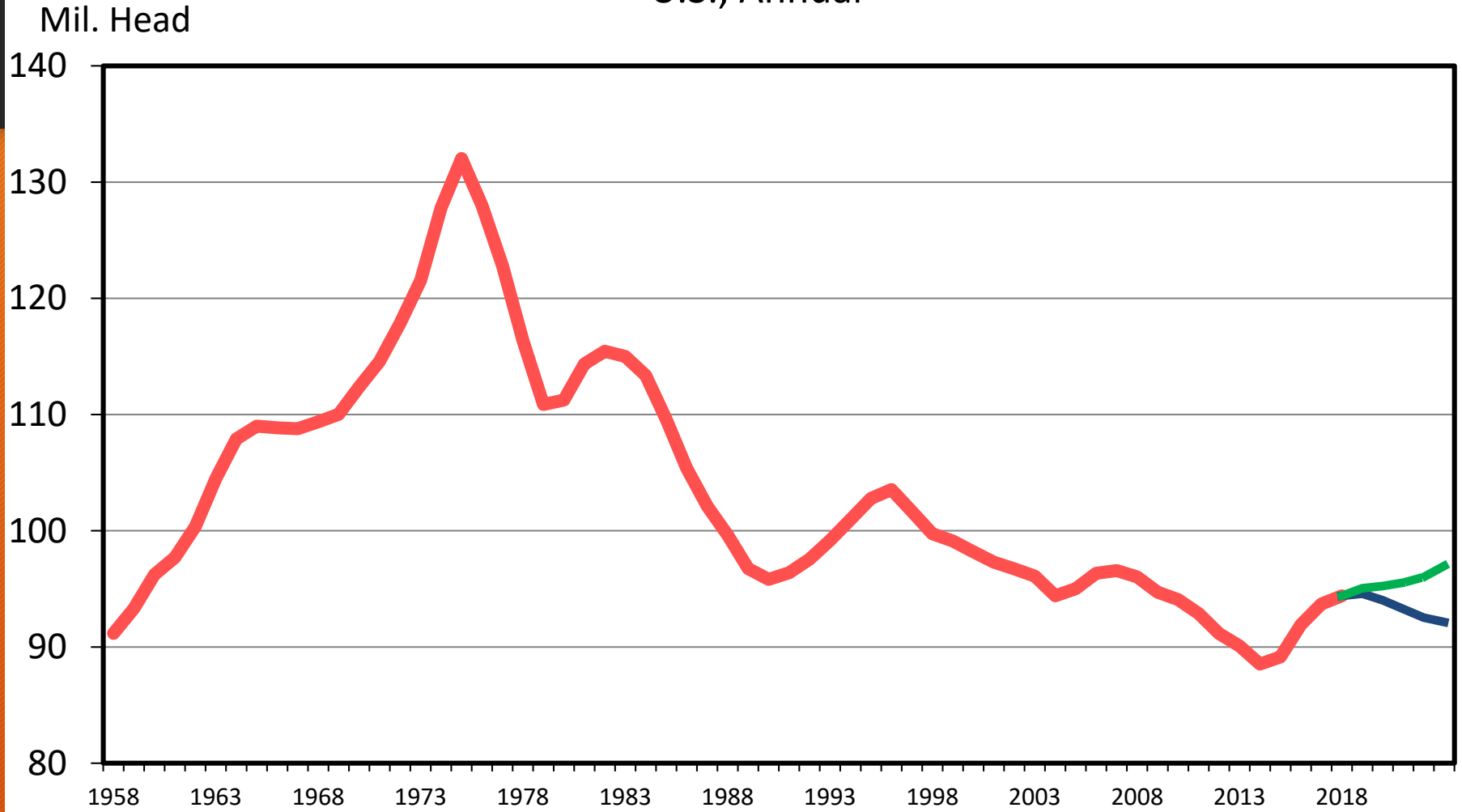
Livestock Marketing Information Center

C-N-01
09/18/18



JANUARY 1 TOTAL CATTLE INVENTORY

U.S., Annual



Data Source: USDA-NASS

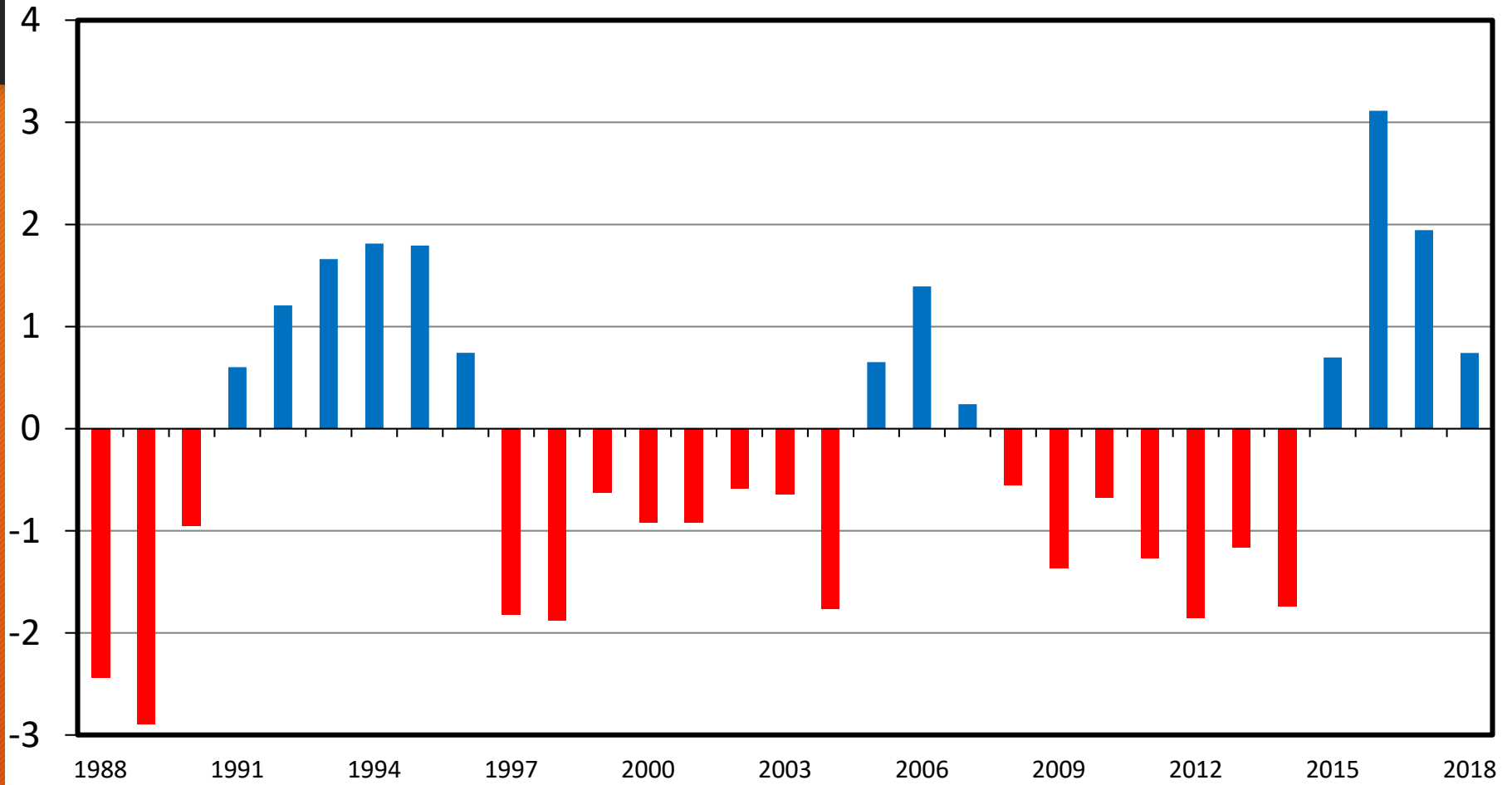
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C-N-01A
09/18/18



PERCENT CHANGE IN CATTLE INVENTORY

U.S., January 1



Data Source: USDA-NASS, Analysis by LMIC

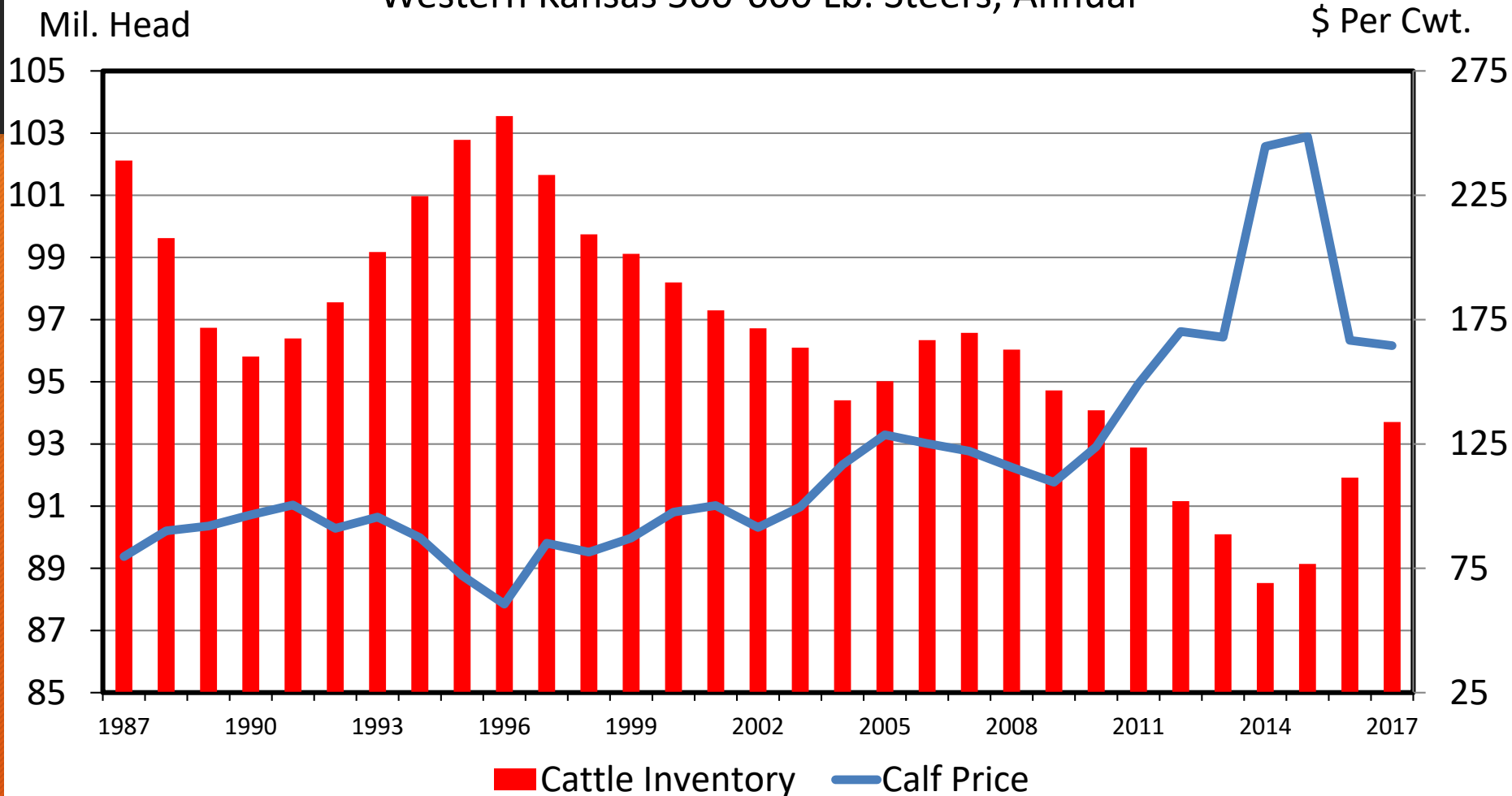
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C-N-48
09/18/18



CALF PRICES AND CATTLE INVENTORY

Western Kansas 500-600 Lb. Steers, Annual



Data Source: USDA-AMS & USDA-NASS Compiled by LMIC

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C-N-41
09/18/18



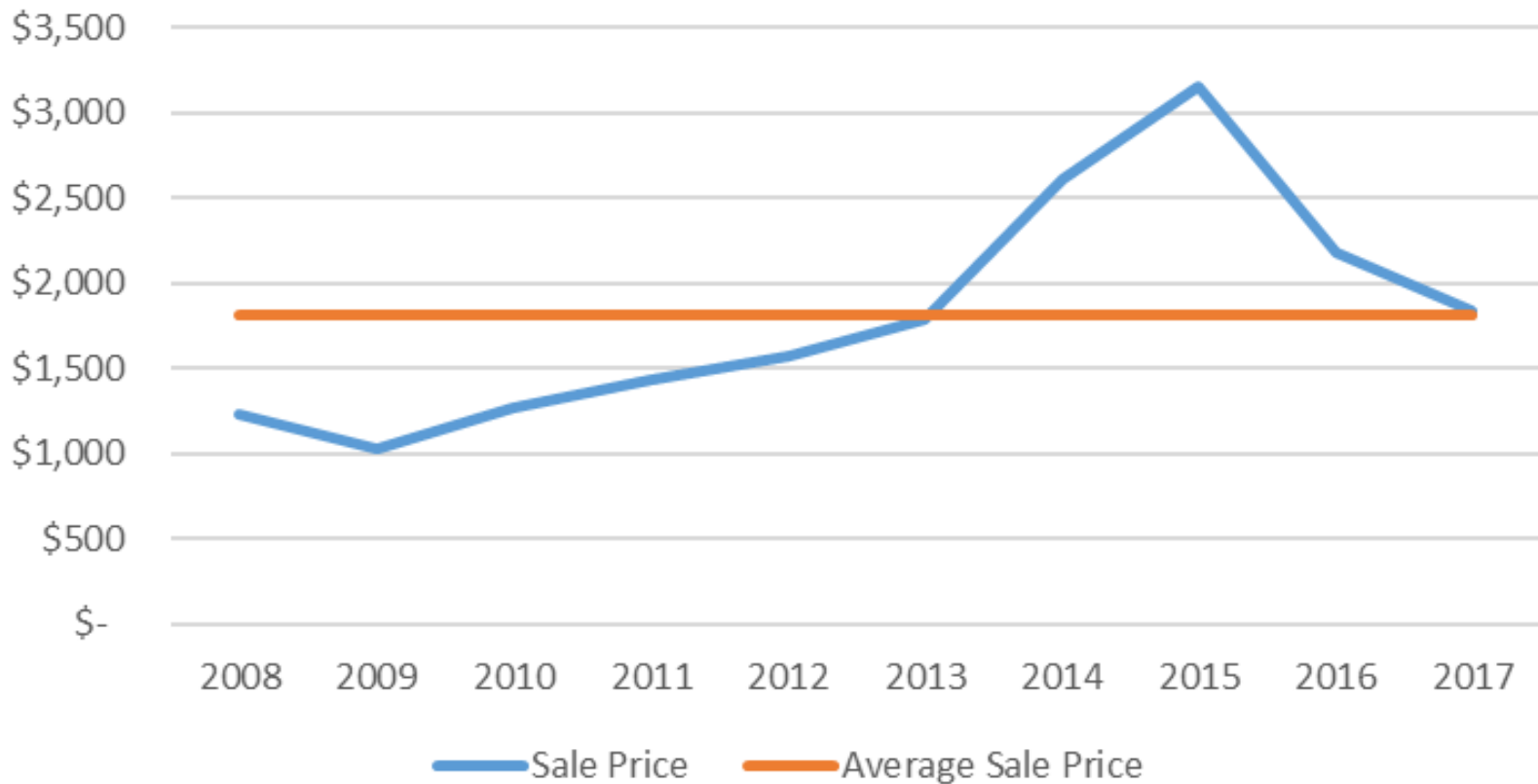
Market timing dictates profitability opportunities

- Replacement Heifers
- Feeding Cattle
- Board Sales/Grouping Cattle
- Price Protection Tools



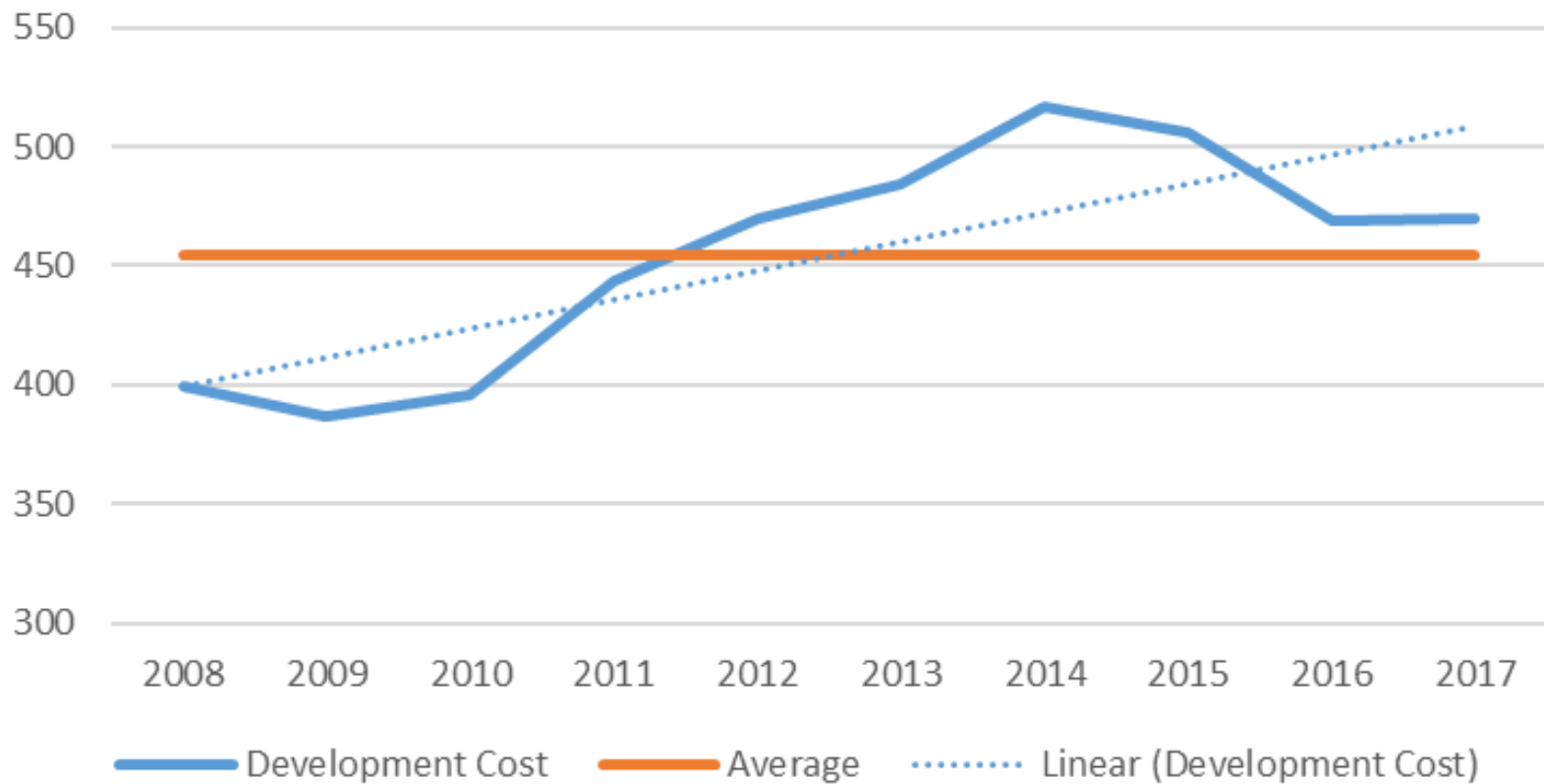
Herdbuilder Receipts

Heifer Sale Average Price Per Head



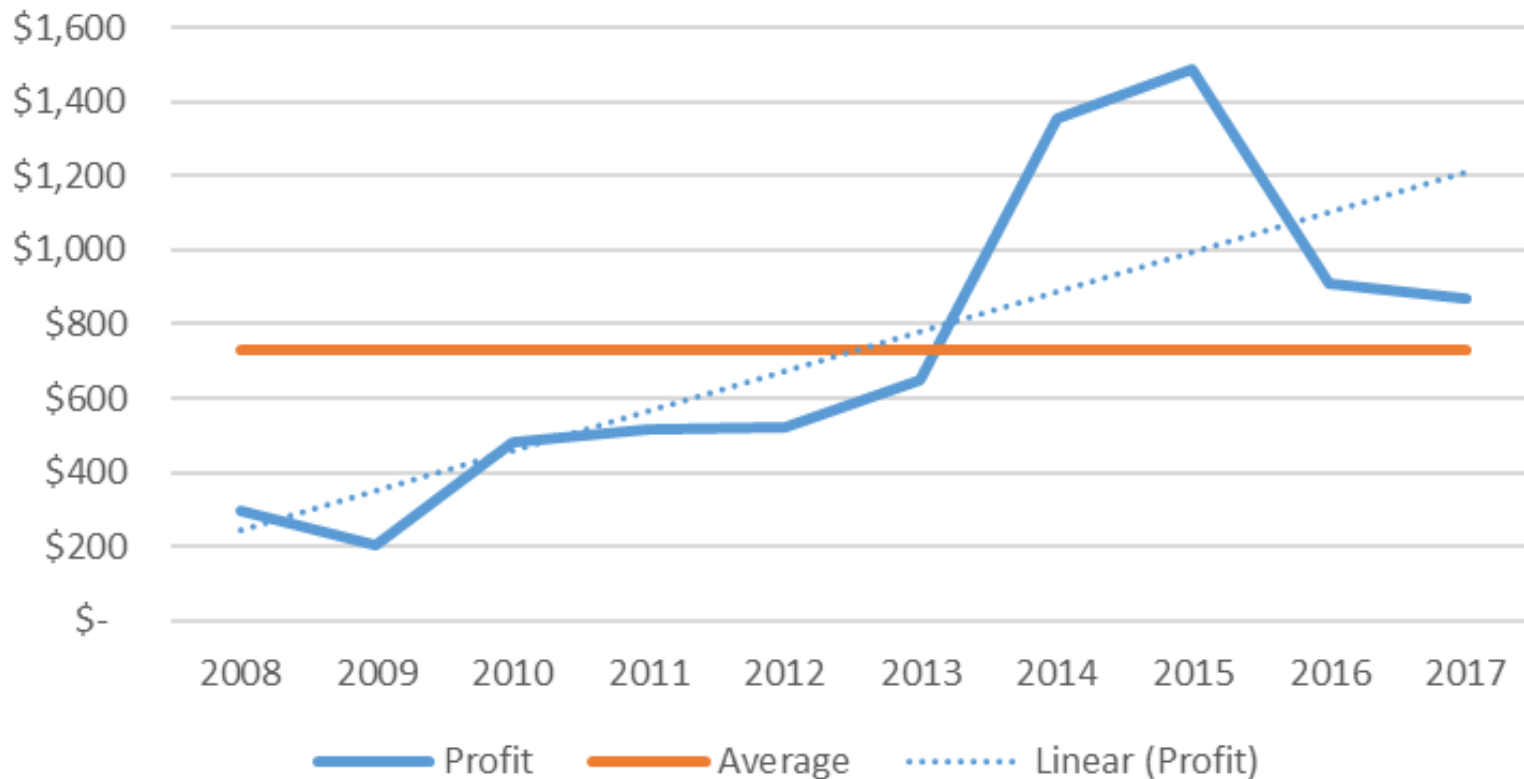
Development Costs

10 Year Calculated Development Costs



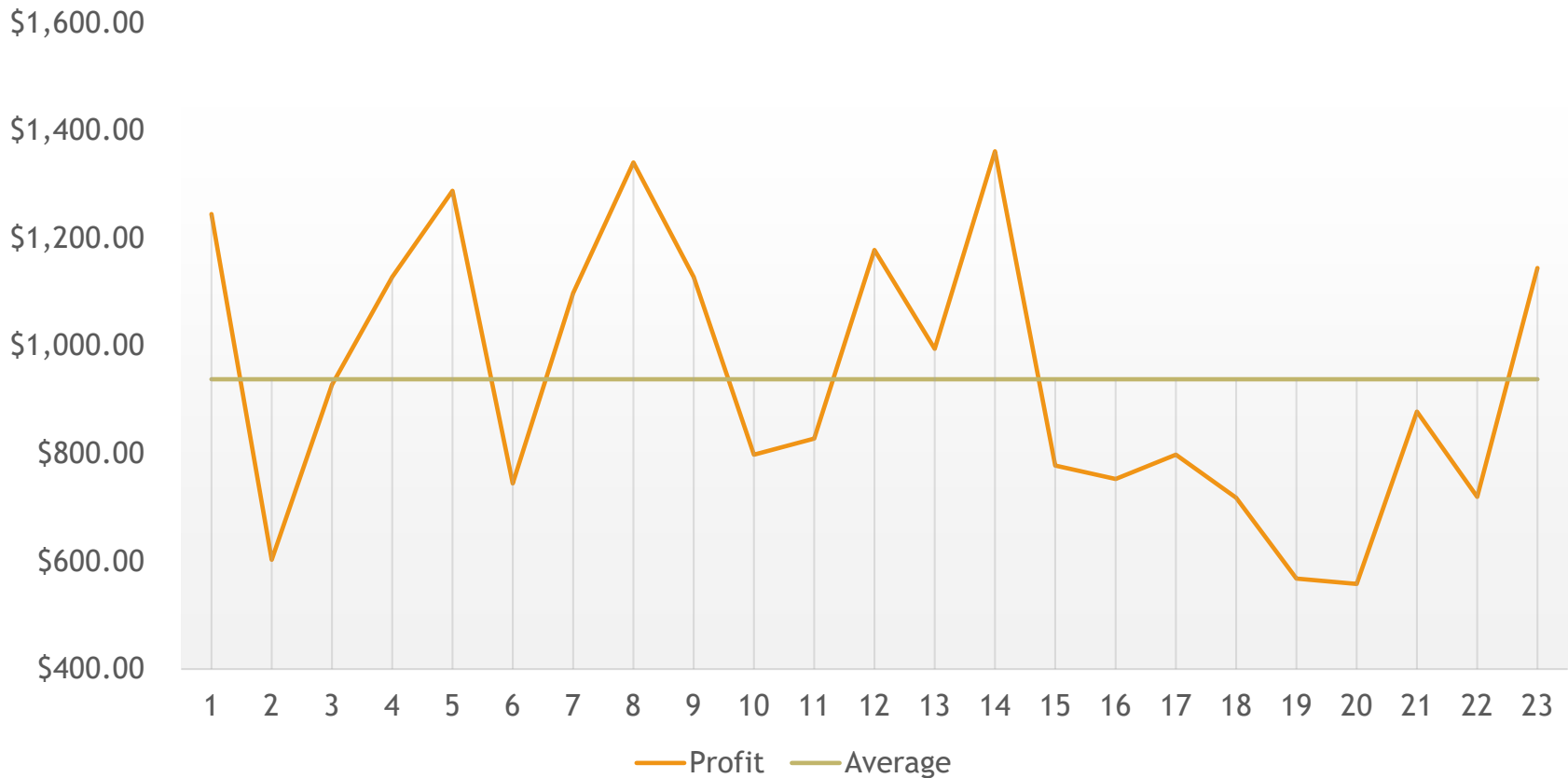
Calculated Returns Over Calculated Cost 2008-2017

Calculated Profit Over Calculated Cost



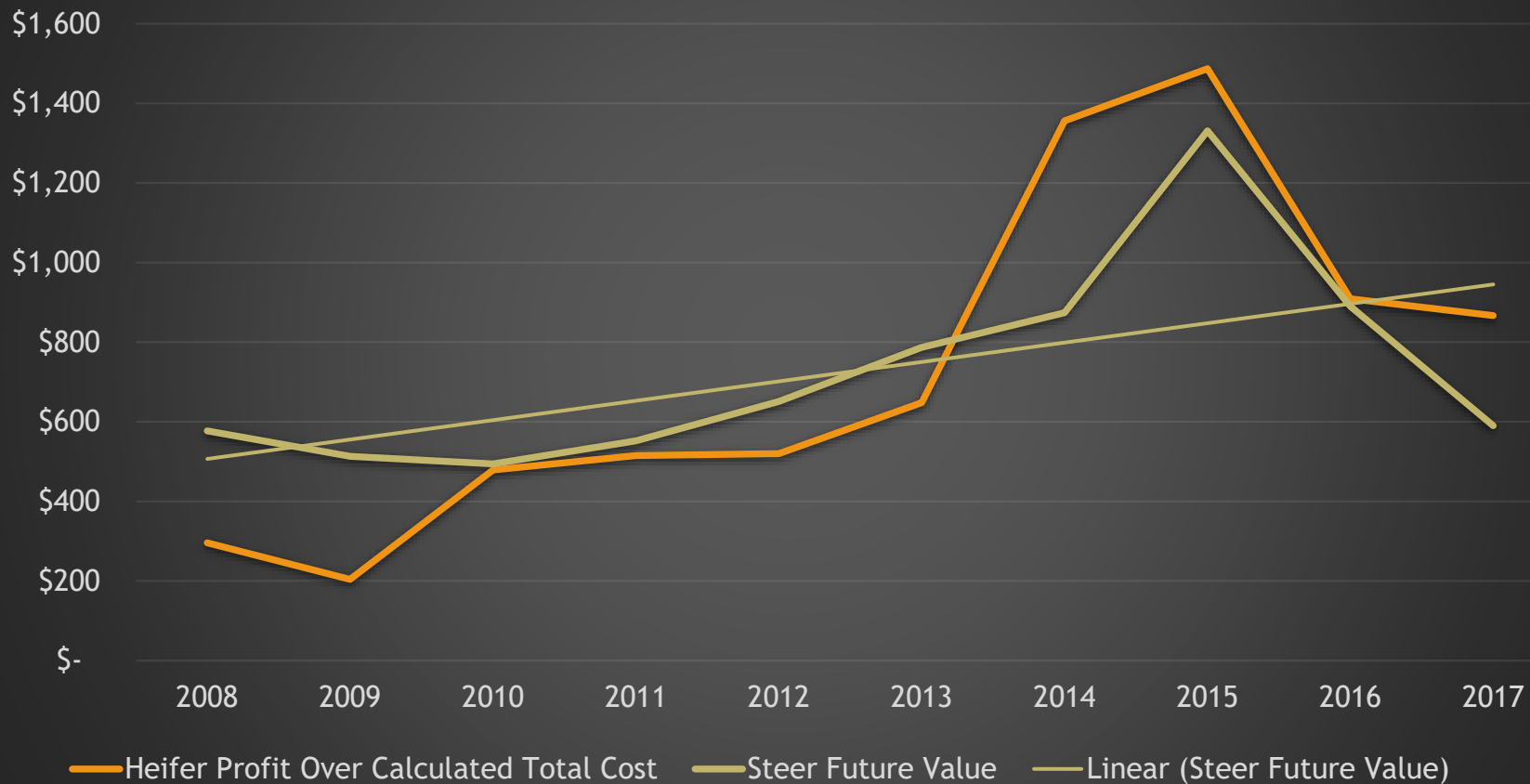
2017 Calculated Profit (Average Price Over Calculated Costs)

2017 Profit by Producer



Calculated Heifer Receipts Over Calculated Total Cost Compared to Steer Prices adjusted for time value of Money

Steer VS. Heifer



Statistical Analysis of Herd Builder Data

- Breed Effects
- Registration Effects
- Calving Dates/Ranges Effects
- Conventional/AI Effects
- Color Effects
- Penning Effects

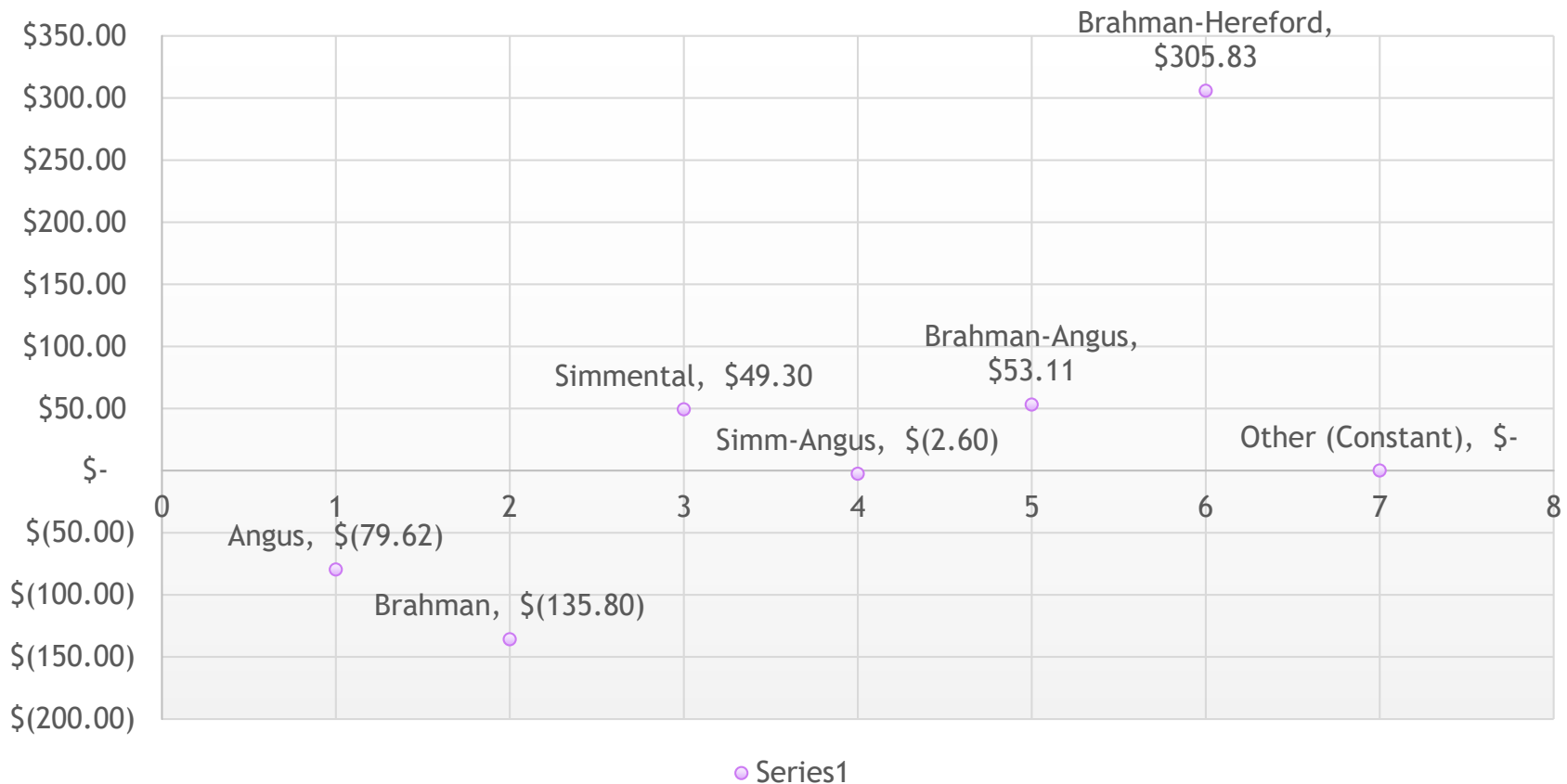
Breed Effects

Angus
Brahman
Simmental
Angus-Brahman
Angus- Simmental
Hereford- Brahman
Other (Constant)

- Single Breed = 50% or greater of that breed with no other significant breed percentages
- Mixes =50% of each of the Breeds
- Other (Constant) = Everything else



Breed Effects on Pen Prices Herdbuilder 2008-2017



Registration Effects

- In Pens of Registered Cattle vs. Pens of Non-Registered Cattle, Registered Pens are worth **\$342.71**  more than Non-Registered.
- ***Caveat - Only registered were angus, which means registered vs. non-registered was limited to angus vs. non-angus. The registered dollars may be overstated and more of a measure of registered angus vs non.

Calving Ranges - Length

For every day of decrease in length
of advertised calving range
There is a subsequent Increase in Pen
Price



2.10 Per Day Per Pen

Calving Range - Months

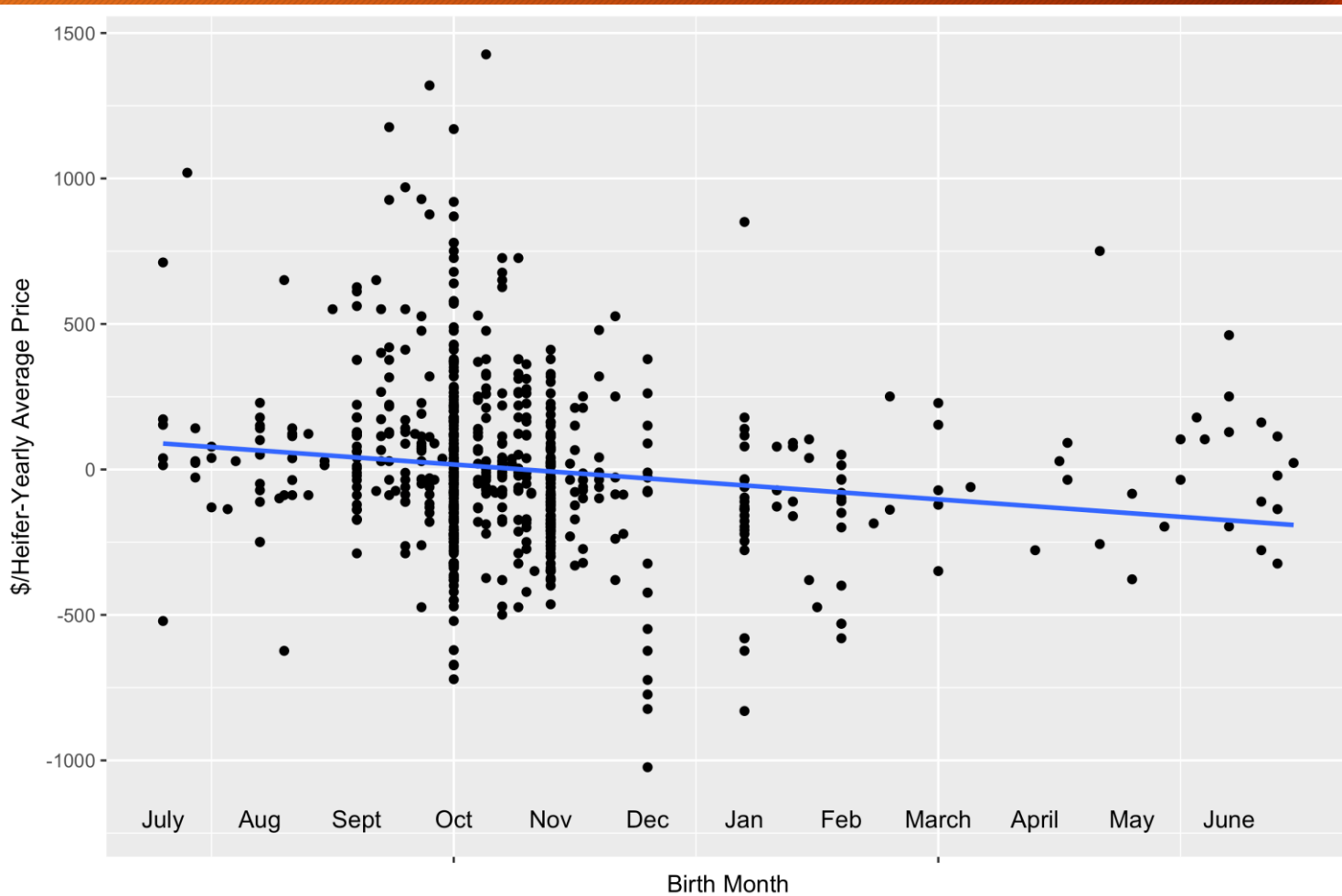
For every increase in initial month of calving range ,

There is a subsequent decrease in price of : 



77.60 Per Heifer Per month

There is likely a correlation between birth months and first month of calving range- and subsequently price..



Conventional or AI?

AI

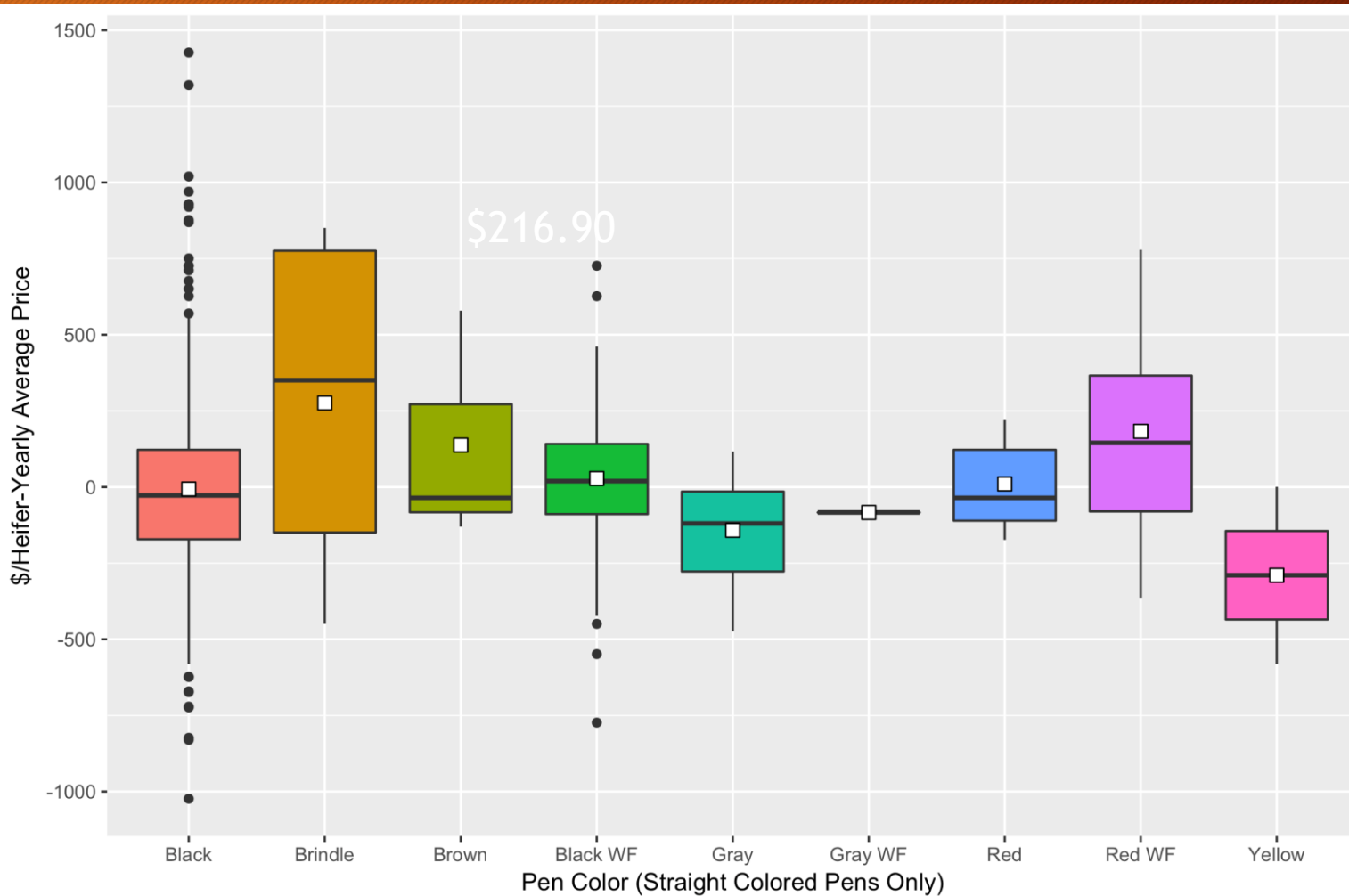
Pens of AI bred heifers bring **\$175.09** more per heifer than pens of only bull service. This included guaranteed AI and AI exposed.



Color

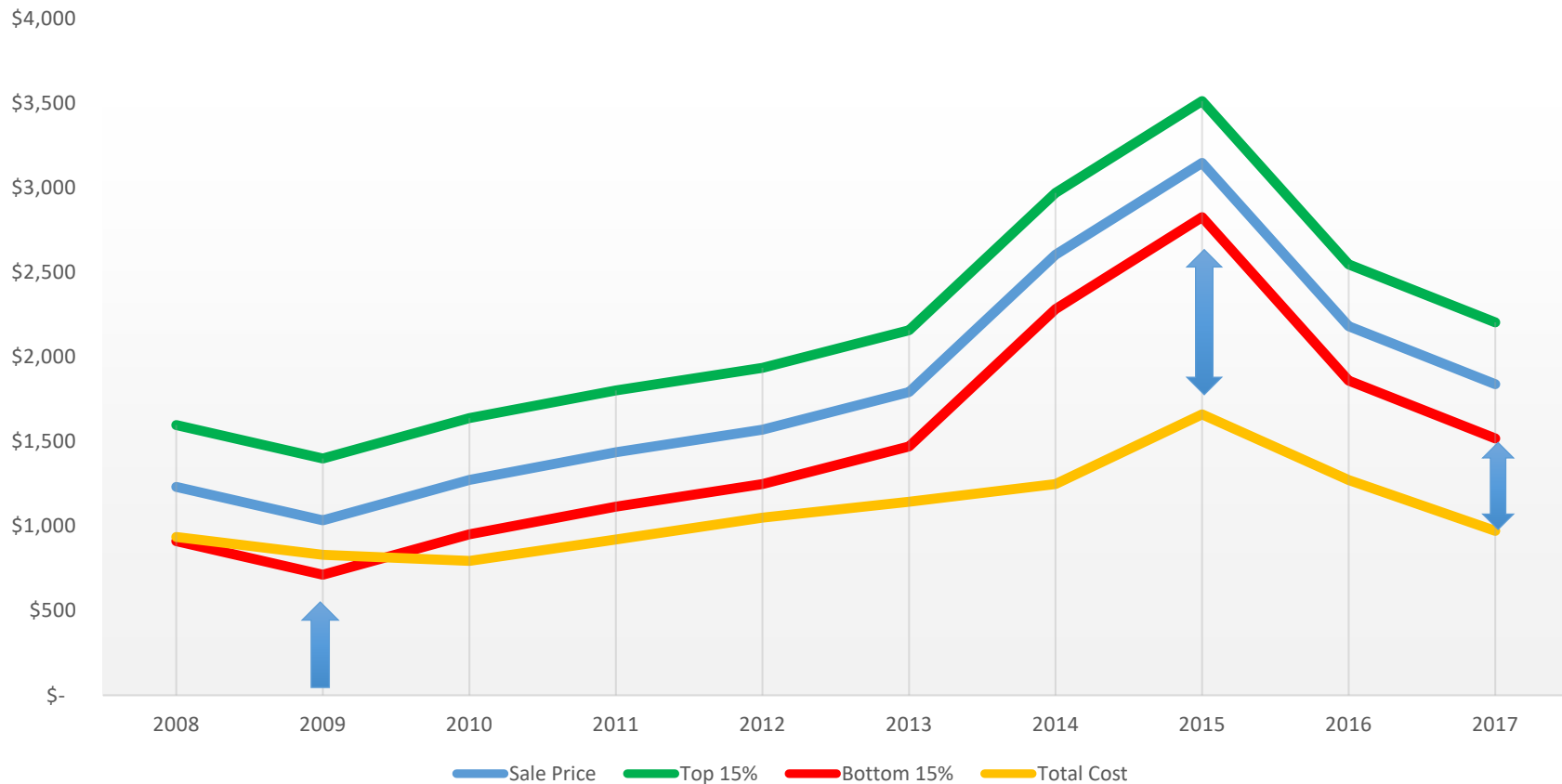
- Same pen color (no mixes of colors, i.e. blacks and b.w.f. in same pen) has a positive relationship with price.
- It is more significant across totals than within years, with the impact ranging from \$32.75-\$128.08 per pen, dependent upon variables and regressions used.

Monochromatic Pens



Top 15 % average + \$365.46
Bottom 15 % average -\$321.23

Herdbuilder Averages with Tops and Bottoms



Thoughts on developing replacement heifers

- Ask yourself if now is the time in the market cycle to be selling replacements ?
- It can add value to your heifer calves
- You have to know your sale - *****not all sales value the same traits that buyers at the Herdbuilder sale value
- In the end, you are paid for quality

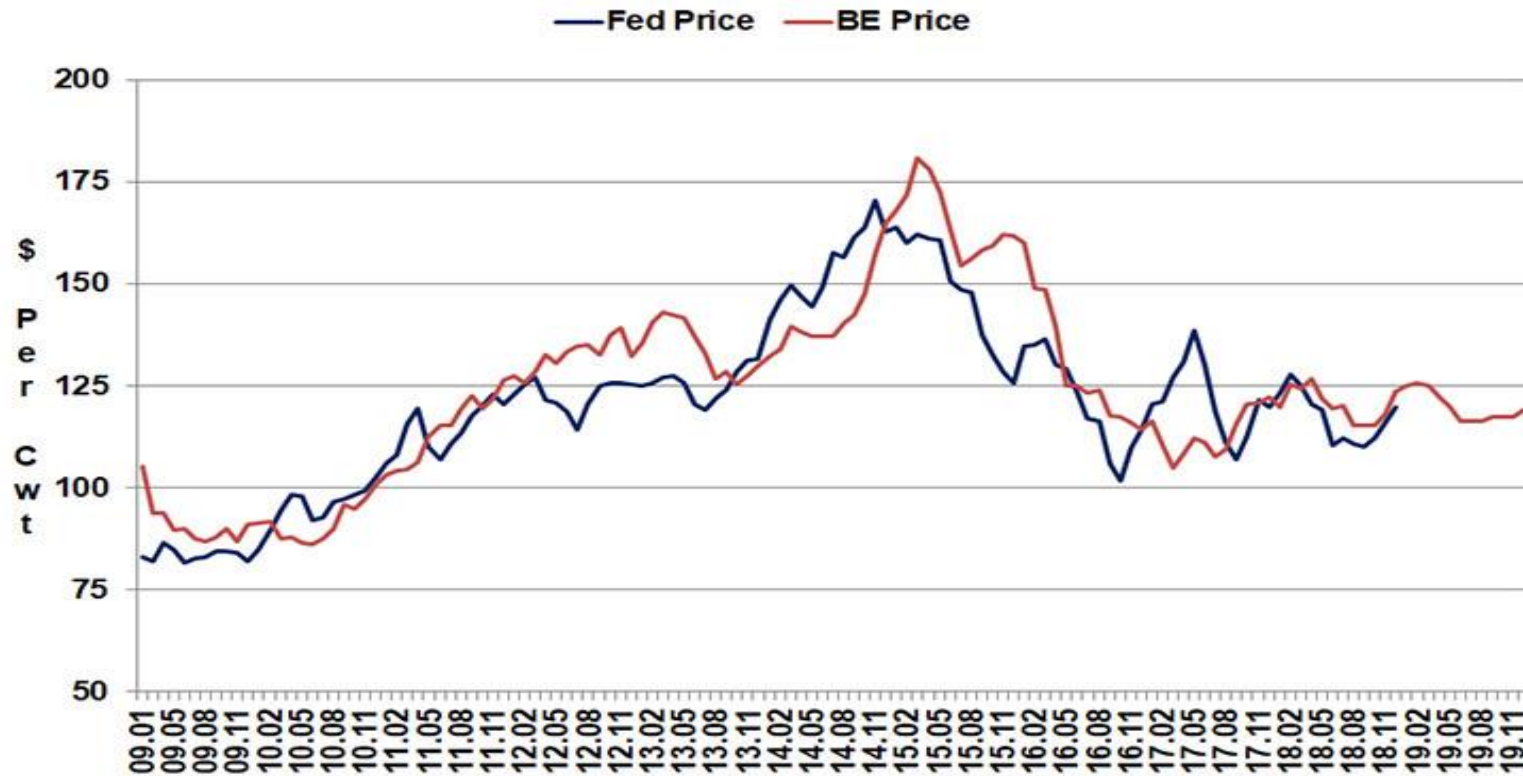


Net Return Prospects for Cattle Finishing in 2019

Michael Langemeier

fdd

Figure 4. Fed Cattle and Breakeven Prices, Kansas

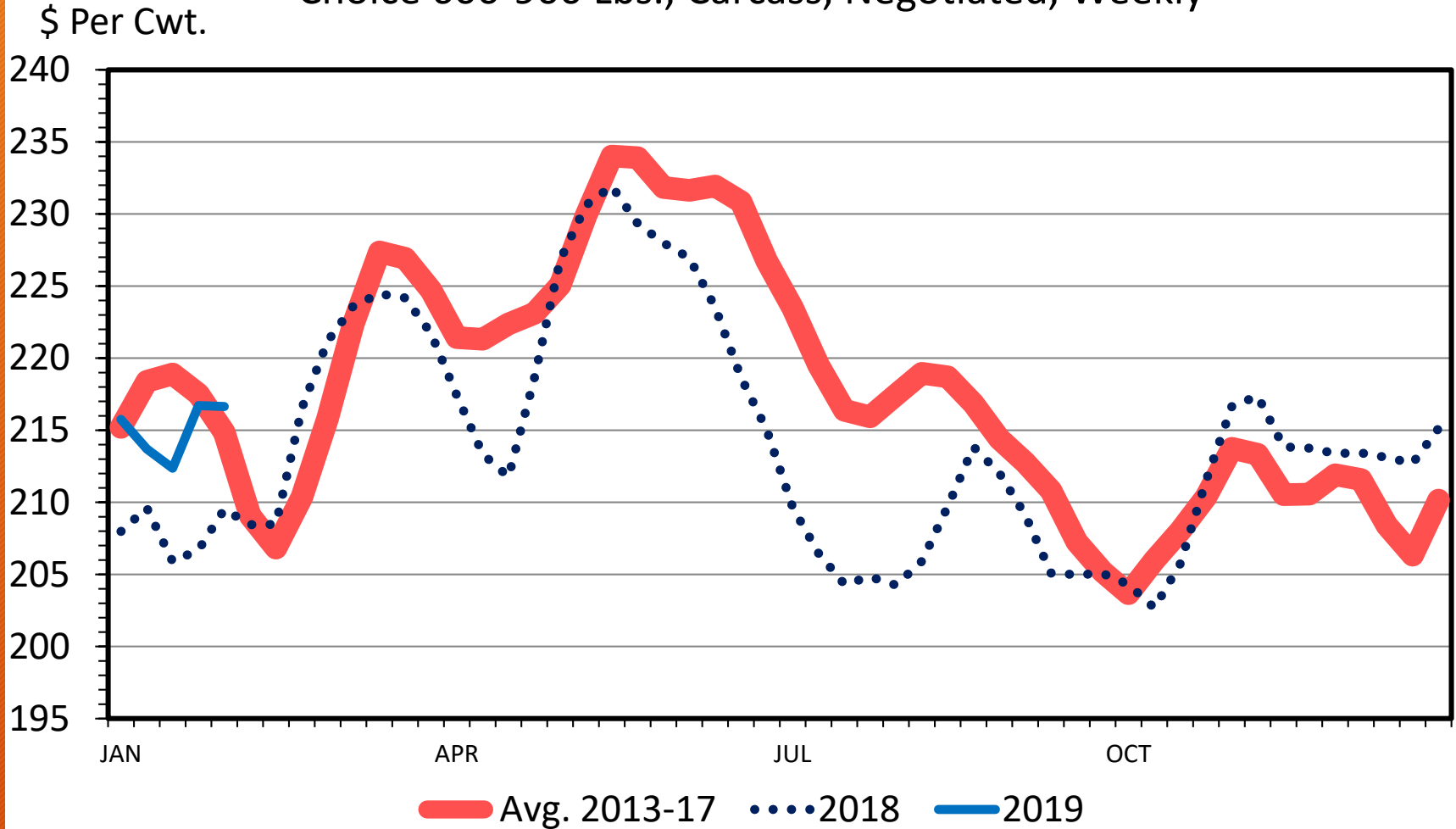


Source: Michael Langemeier, Purdue University



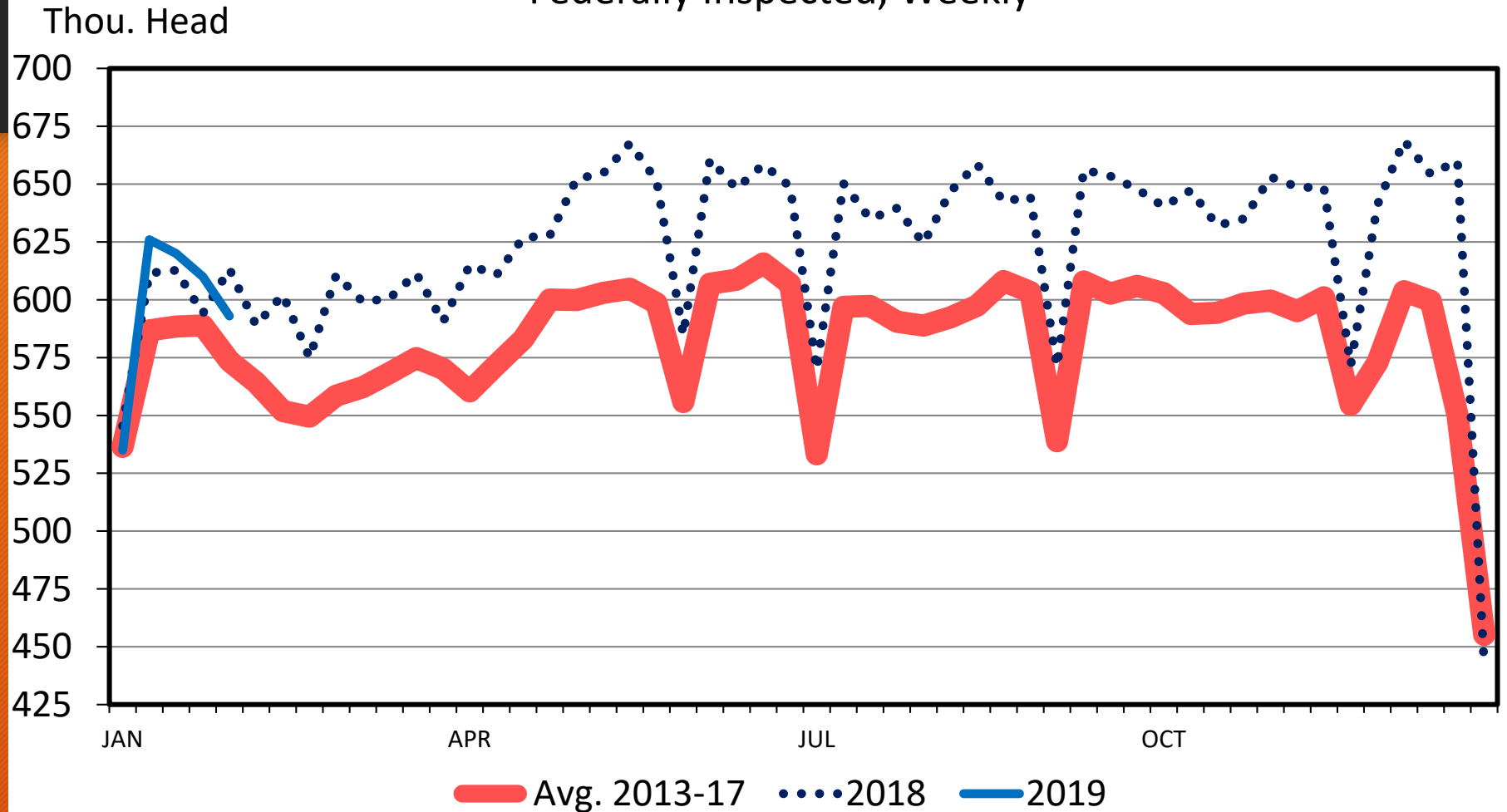
BOXED BEEF CUTOUT VALUE

Choice 600-900 Lbs., Carcass, Negotiated, Weekly



CATTLE SLAUGHTER

Federally Inspected, Weekly



Data Source: USDA-AMS & USDA-NASS

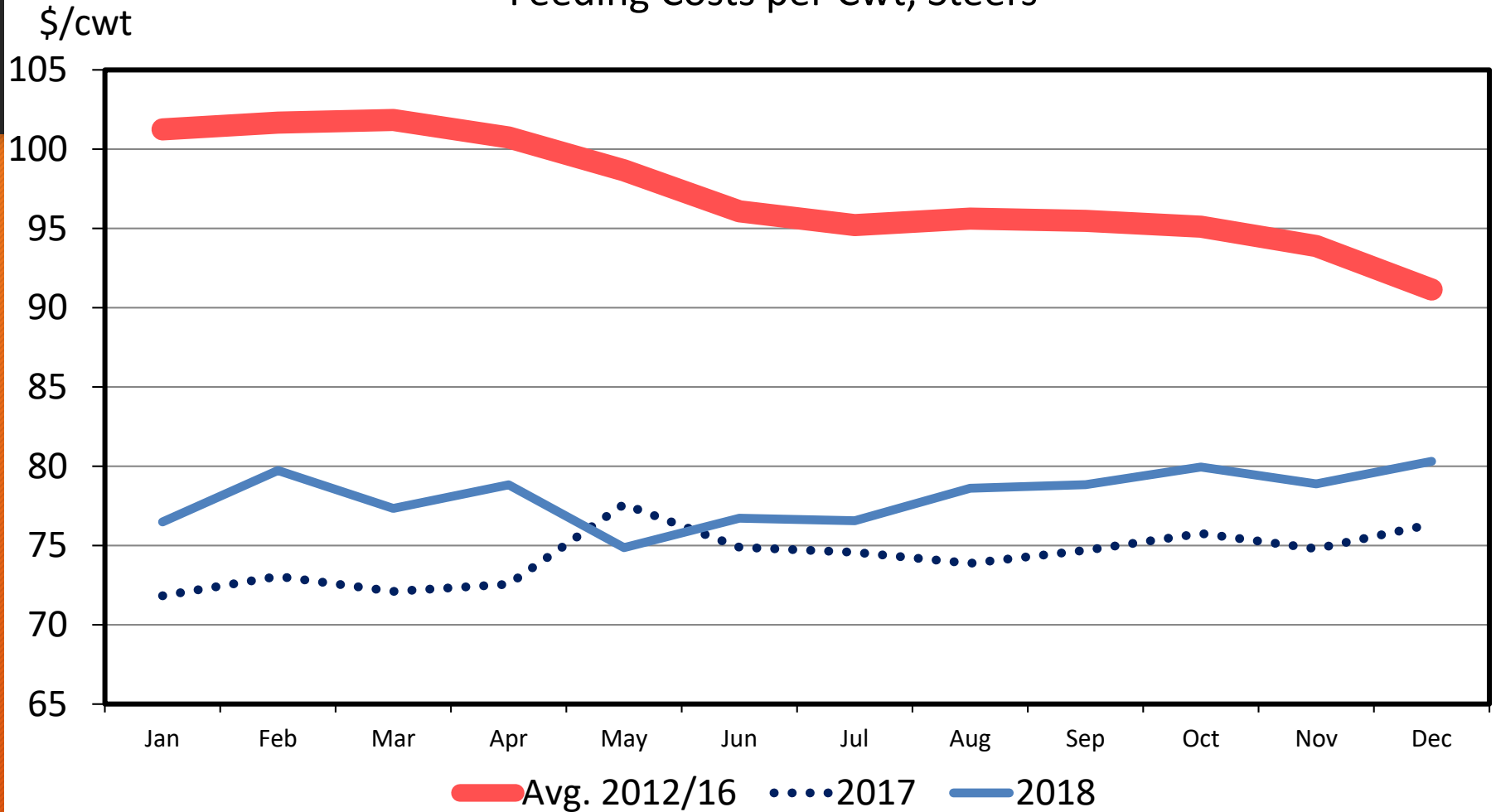
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C-S-08
02/08/19



KANSAS FEEDLOT CLOSEOUTS

Feeding Costs per Cwt, Steers



Data Source: KSU Focus on Feedlots, Compiled by LMIC

Livestock Marketing Information Center

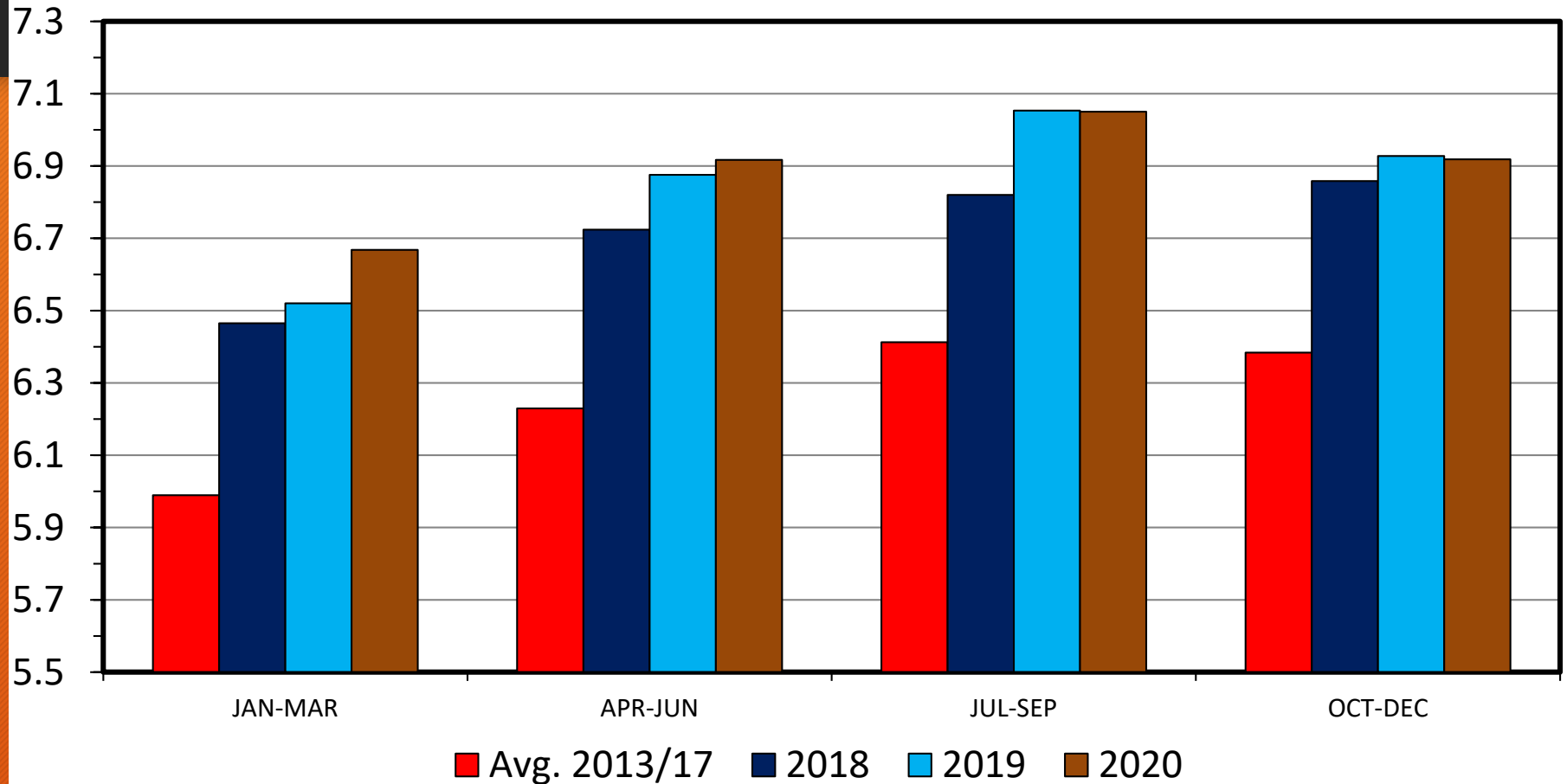
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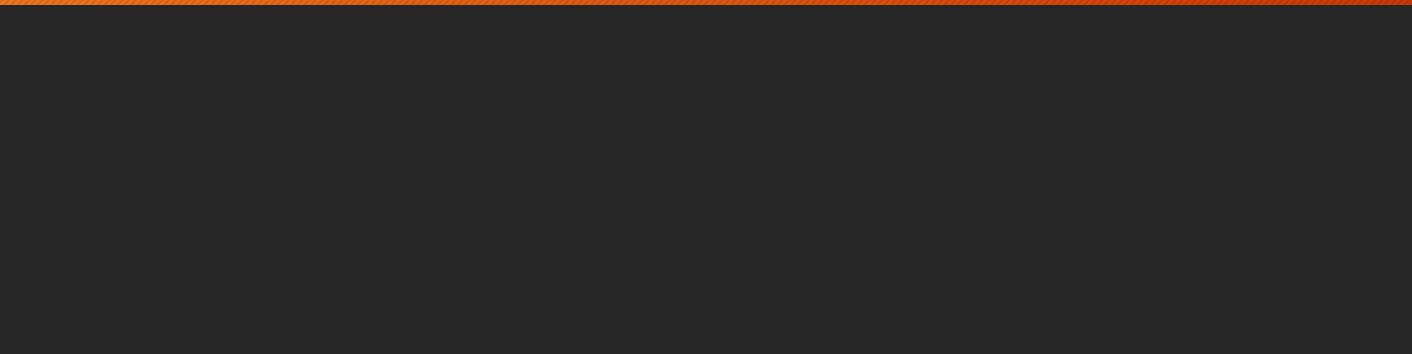


COMMERCIAL BEEF PRODUCTION

US, Quarterly

Bil. Pounds





Thoughts on feeding cattle

- Ask yourself if now is time in the cattle cycle to be feeding your cattle ?
- Know your market
 - Record protein production
 - Robust beef demand
 - Uncertainty in trade
- Consider alternatives for “testing the water” like Pasture to Rail
- In the end, you are paid for quality

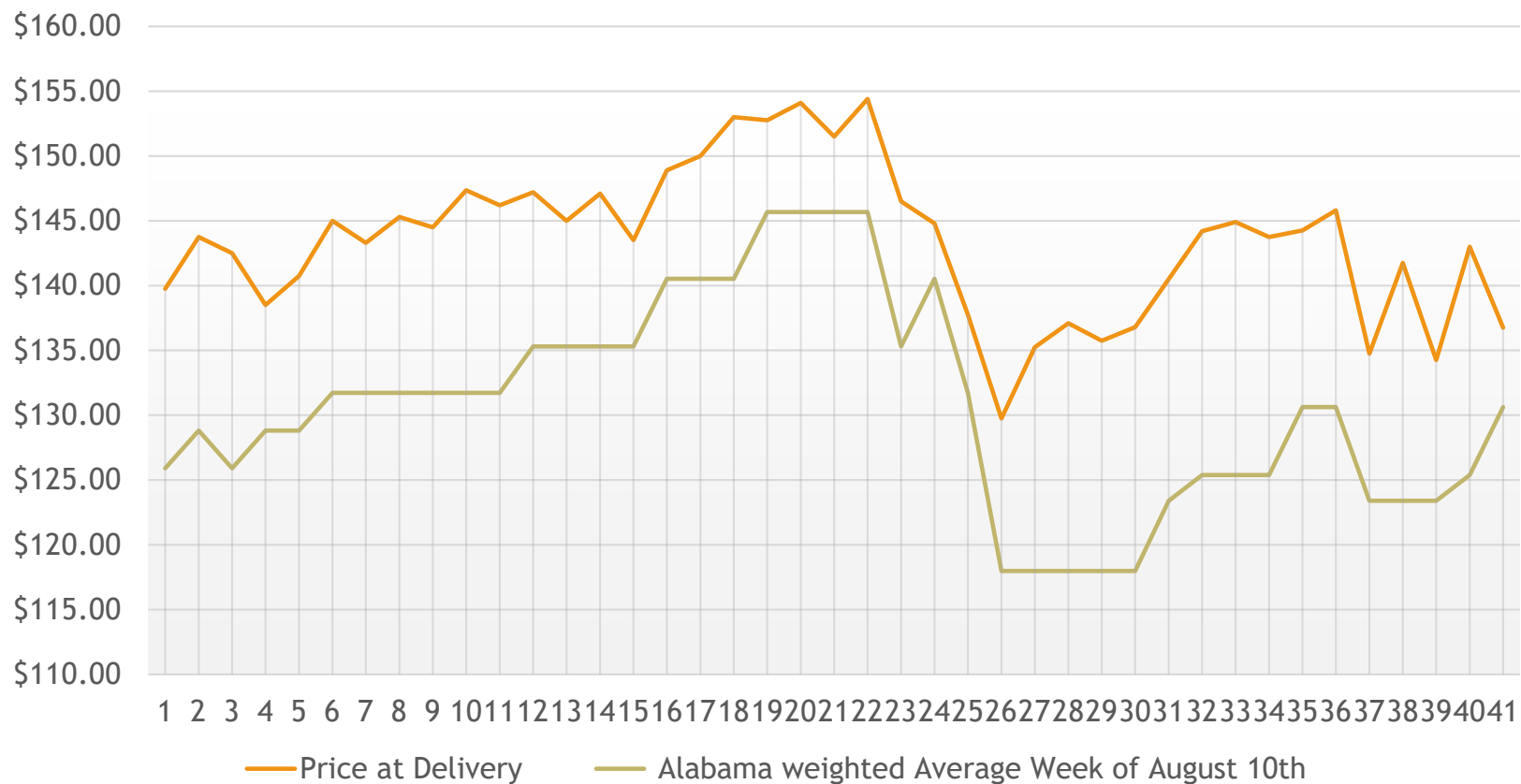
Board Sales/Branded Board Sales

- Stricter requirements for branded board sales
 - Predetermined weaning and preconditioning expectations
 - Predetermined health protocols
 - Predetermined shipping requirements
- Health usually a requirement for premiums



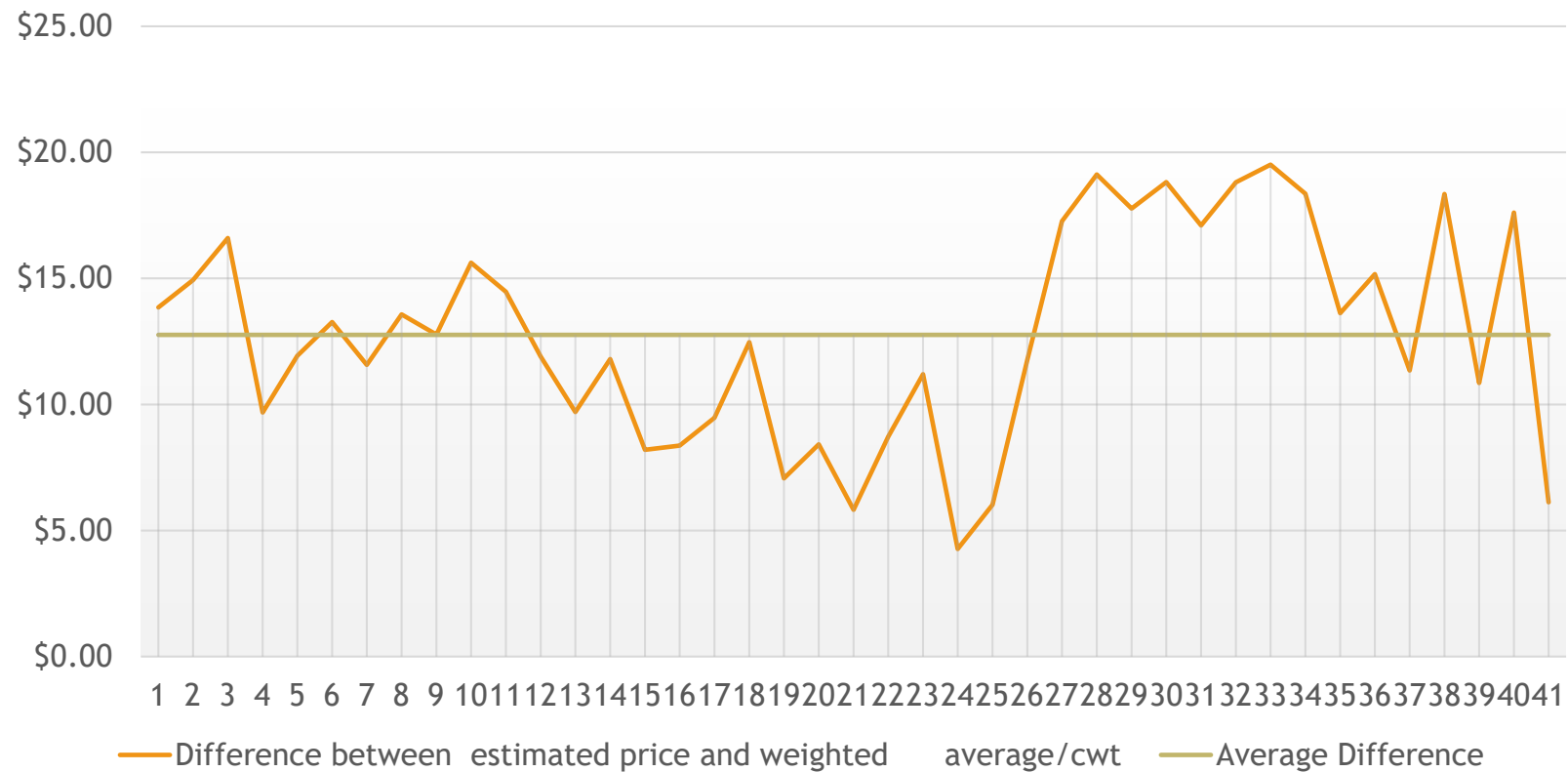
Price per cwt at a 2018 Alabama Branded Board Sale

Sale Results from a 2018 Alabama Board Sale



Difference in price highly variable

Difference between estimated price and weighted average per cwt.



Thoughts on board sales/ branded board sales

- Ask yourself if now in the cattle cycle is a good time to consider board sales ?
- There is a definite chance at added value
 - Increased prices
 - Reduced shrink
- There are definitely more requirements
 - Health and handling
 - Lot size
- You are paid based on quality (somewhat recurring theme)

A recurring trend - paid based on quality

- What does the market look for ?
 - It depends.....
- Is there any one animal/marketing scheme that gets the most for your money ?
 - Probably not...but it depends....



Price Determinants of Replacement Cattle at Mississippi Auctions

Brian R. Williams

Josh Maples

Mississippi State University



Results: General Characteristics

Variable	Estimate	Standard Error	P-Value
Age	-52.88	2.66	<.0001
Cow (Relative to Pairs)	-460.18	21.79	<.0001
Replacement	322.05	10.62	<.0001
Bred	35.78	10.60	< 0.01
Weight	76.17	24.27	< 0.01
Weight Squared	-3.59	1.25	< 0.01
Black	53.43	16.17	< 0.01
Horns	-26.71	12.88	0.04
Month	46.40	5.40	<.0001

Results: Breed (Angus is Base)

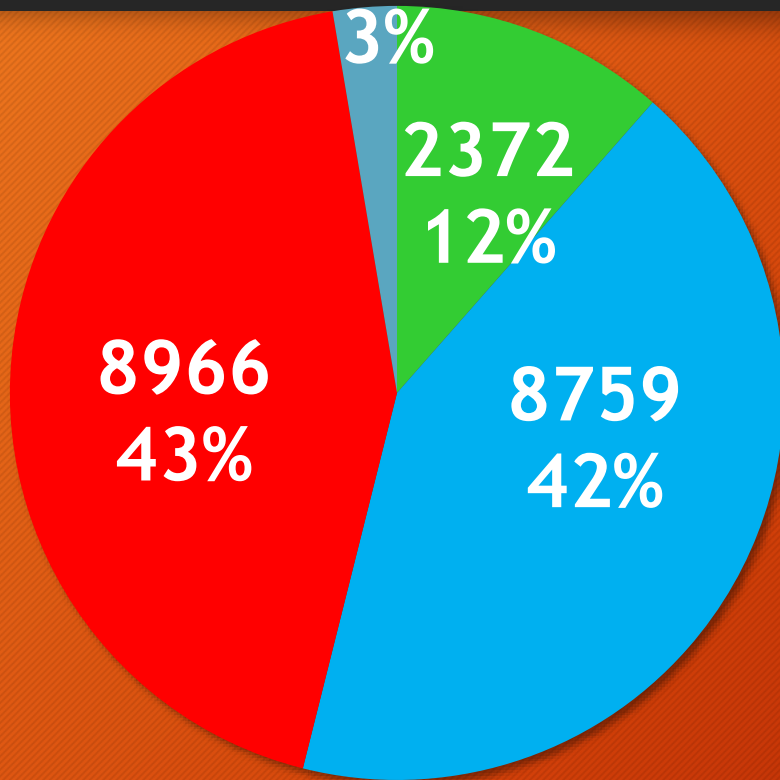
Variable	Estimate	Standard Error	P-Value
Angus Cross	12.35	14.91	0.41
BeefMaster	64.70	37.06	0.08
Brangus	19.62	12.01	0.10
Brangus Cross	78.70	41.53	0.06
Brahman	3.57	38.16	0.93
Brahman Cross	103.80	23.75	<.0001
Charlais	-4.39	27.99	0.88
Charlais Cross	16.94	24.26	0.49
Gelbveigh	207.24	47.04	<.0001
Hereford	-2.27	25.39	0.93
Hereford Cross	-22.84	55.67	0.68
Longhorn	-123.14	27.78	<.0001
Red Angus	-4.49	24.99	0.86
Simmental	18.85	34.25	0.58
Dairy	-108.17	25.31	<.0001
Other	-12.78	20.43	0.53



Feeder Cattle Muscle score

■ 1 ■ 2 ■ 3 ■ 4

550



Muscle score	Effect on Price, \$/lb
1	+\$0.34
2	+\$0.29
3	+\$0.23
4	Base

$n = 20,647$

Thoughts on quality

- Breed isn't as important as quality
- Feeders need something that will grow and produce a desirable carcass
- They use general characteristics (sometimes even breed stereotypes) to help them increase their chances at a desirable end product



PRF

- Pasture, Rangeland, and Forage
- Covers perennial pasture, rangeland, or forage used to feed livestock
- Meant to be a risk management tool to cover the precipitation needed to produce forage



What is it?

- Program of Risk Management Agency (RMA - USDA)
- - Started in 2007- Sold by private insurance agents
- - Significant premium subsidy: 51-59% paid by USDA
 - Can insure grazing land or perennial forages
 - Area-based: uses a grid system
 - Single peril: only insures precipitation



What is it?

- Guarantee from 70% to 90% of normal rainfall
- Coverage per acre
- Policy runs January to December
- Pick time periods you want to insure
 - at least two 2-month intervals
 - maximum of 60% of \$ coverage for any interval



What is it?

- Rainfall index used to determine payoffs
- If rainfall is lower than historical average, a payoff is possible

Well...Does it work?

- Depends on definition of work
- Research suggests that it does insure against low rainfall periods
- Research also suggests that the index may or may not correlate with low forage yield periods
- BUT, overall, PRF is expected to increase returns.

LRP

- Livestock Risk Protection
- Provides for a decline in the CME feeder cattle Price Index while you own cattle
- CME Feeder cattle index is a 7 day weighted average of cash feeder cattle prices across U.S.



Who can use LRP?

- Cattle must weight less than 900lbs. at end of insurance period
- Can insure steers and heifers
- Coverage available for 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 week periods
- Price on cattle weighing less than 600 lbs. at end will be adjusted by 10%



How does it work?

- Want to insure against a price decline
 - purchase LRP for number of head and ending weight
 - choose coverage price (~strike price)
 - end date of coverage
- For this, you pay a premium

Market Alternatives - All can work AND they all can cost you money

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