

When in a pinch; change your bra, your shoes and your marketing strategy!

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What are you marketing?

Marketing Goal

In 2020, my marketing goal is

Tools

Monitoring Markets

- Market reports
 - Radio _____
 - TV _____
 - Ag Publications _____
 - Internet Resources
 - Web pages
 - <https://www.cmegroup.com/trading/agricultural/>
 - Sale barn reports
 - Kearney <https://hussauction.com/auction-summary/>
 - Lexington <https://www.lexlivestock.com/auction-summary/>
 - USDA AMS – <https://www.ams.usda.gov/market-news/feeder-and-replacement-cattle-auctions>
 - Cattle-Fax – www.cattle-fax.com
 - Livestock Marketing Information Center – www.lmic.info/
 - Apps
 - Cattle Market Mobile
 - Beef Market Central
 - Cow Calf Today
 - Email Newsletters
 - Daily Livestock Report – <http://www.dailylivestockreport.com>
 - Cattle Market Weekly – <https://www.beefmagazine.com/cattle-market-weekly>
 - CAB Insider: Text “FEEDLOTNEWS” to 22828
 - What is today’s feeder cattle price for October 2020? _____
 - What is today’s live cattle price for June 2021? _____

Valuing Calves

- Know your breakeven
 - <https://www.extension.iastate.edu/agdm/livestock/html/b1-21.html>
 - <https://agecon.unl.edu/publications/cattle-budgets>
- Forecasting tools – www.beefbasis.com
 - Basis = Cash price – Futures price
 - Weight, sex, type, location, historical
 - What is your model-estimated feeder cattle basis, \$/cwt _____
 - What is your expected cash price, \$/cwt _____

Market Alternatives

- Sale Barns/Auction Yards
 - _____
- Forward Contracting
 - Private Treaty
 - _____
 - Video Auctions
 - Superior Video Auction – www.superiorlivestock.com
 - Northern Livestock Video Auction – www.northernlivestockvideo.com
 - Western Video Market – www.wvmcattle.com/site/
 - _____
 - Internet Auction
 - _____
- Branded Programs
 - <https://www.ams.usda.gov/sites/default/files/media/LPSCertifiedBeefProgramComparison.pdf>
 - Programs you want to research
 - _____
 - _____
 - _____
- Retained Ownership
 - _____

Market Alternatives Terminology

- **Pay weight**-Actual live weight minus a “pencil” shrink.
- **Shrink**-Weight loss when held off feed and water
- **Pencil shrink**-A calculated weight adjustment if cattle are weighted at or near source. Typically 2-3% for feeder cattle, 4% for finished cattle.
- **Price slide**-A predetermined adjustment in the sale price of cattle, which is included in the contract or description of the cattle being sold. Live weight and the magnitude of the slide are inversely related. As live weights increase, the slide will usually decrease.

- **Right or up slide**-Used when the weight of delivered cattle is heavier than expected. Locks in the maximum price to be paid
- **2-way or both way slide**-Typically used in calves under 600 lb. that have more variability and are more difficult to predict weights due to environmental conditions. Protects the buyer if cattle are heavier than expected and ensures a fair price for the seller if they are lighter
- **Down slide**-Used when the delivered weight is lighter than expected. Locks in the minimum price to be paid.

Risk Management

- Understanding Livestock Markets Course
 - <https://www.cmegroup.com/education/courses/understanding-livestock-markets.html>
- Hedging with Livestock Futures and Options
 - https://www.cmegroup.com/trading/agricultural/files/AC-215_SelfStuy_GuideNYMEX.pdf
- Livestock Risk Protection Insurance
 - <https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Livestock-Risk-Protection-Feeder-Cattle-2018>
 - <https://beef.unl.edu/beefwatch/livestock-risk-protection-lrp-insurance-update>

Activities

Price Slide Activity

Right or up slide example

Calves are contracted in August for \$170/cwt for delivery on November 1 at an anticipated weight of 575 lb. with a \$10/cwt price slide. What will the calves be worth if they weigh 610 lb. at delivery with a 2% pencil shrink?

Formula	Calculation
Actual weight x % pencil shrink = lb pencil shrink	610 x 0.02 = _____ lb pencil shrink
Actual weight – lb pencil shrink = pay weight	610 - _____ = _____ lb.
Pay weight – expected weight = weight difference (if positive, slide goes into effect)	_____ - 575 = _____ lb.
Expected price – (price slide x weight difference in cwt) = Adjusted price	\$170/cwt – (_____ x _____ cwt) = _____ \$170/cwt – (_____) = _____/cwt
Cwt x adjusted price = \$ per head	5.98 cwt x _____ = _____/head

If the pay weight was the contract weigh of 575 lb. they would have brought 5.75 cwt x \$170 = \$977.50

2-way slide example

Calves are contracted in August at \$170/cwt for delivery on November 1 at an anticipated weight of 575 lb. with a \$14/cwt 2-way slide with a 2% pencil shrink. What will the calves be worth if they actually weigh 550 lb. at delivery? Since calves are lighter, price/cwt will increase.

Formula	Calculation
Actual weight x % pencil shrink = lb. pencil shrink	$550 \times 0.02 = \underline{\hspace{2cm}}$ lb. pencil shrink
Actual weight – lb. pencil shrink = pay weight	$550 - \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$ lb.
Pay weight – expected weight = weight difference (if negative, add slide; if positive, subtract slide)	$539 \text{ lb.} - 575 \text{ lb.} = \underline{\hspace{2cm}}$ lb.
Expected price +/- (price slide x weight difference) = Adjusted price	$\$170/\text{cwt} + (\$14/\text{cwt} \times \underline{\hspace{2cm}} \text{ cwt}) = \underline{\hspace{2cm}}$ $\$170/\text{cwt} + (\underline{\hspace{2cm}}) = \$\underline{\hspace{2cm}}/\text{cwt}$
Cwt x adjusted price = \$ per head	$5.39 \text{ cwt} \times \underline{\hspace{2cm}} = \$\underline{\hspace{2cm}}$

What will the calves be worth if they weigh 600 lb. at delivery?

Formula	Calculation
Actual weight x % pencil shrink = lb. pencil shrink	$600 \times 0.02 = 12 \text{ lb pencil shrink}$
Actual weight – lb. pencil shrink = pay weight	$600 - 12 = \underline{\hspace{2cm}}$ lb
Pay weight – expected weight = weight difference (if negative, add slide; if positive, subtract slide)	$\underline{\hspace{2cm}} - 575 = \underline{\hspace{2cm}}$ lb
Expected price +/- (price slide x weight difference) = Adjusted price	$\$170/\text{cwt} - (\$14/\text{cwt} \times 0.13 \text{ cwt}) =$ $\$\underline{\hspace{2cm}}/\text{cwt}$
Cwt x adjusted price = \$ per head	$5.88 \text{ cwt} \times \underline{\hspace{2cm}} = \$\underline{\hspace{2cm}}$

Steps you will take in the next 3 months to change your marketing strategy

1. _____
2. _____
3. _____
4. _____
5. _____

Marketing Plan

Enterprise _____ Date _____

1. Production Level and Risk-

Write down what you reasonably expect to market. Be reasonable about death loss and pounds of animal marketed.

2. Financial Situation-

Note any major financial implications for the plan.

3. Price Targets-Translate financial goals into prices.

Use the breakeven price as a benchmark. Have targets of “needs” “wants” and “hopes”

4. Fundamental Outlook-

Identify some knowns of the market. What are seasonal patterns and trends?

5. Tools and Strategies-

State when you will sell, how much you will sell and by what method.

6. Evaluation –Maintain a history of performance.