

Name: _____

**ECON 337: Agricultural Marketing
Spring 2014**

**Homework 4: Livestock Marketing
Due: 03/25/2014**

1. Use the Price and Basis Forecast tool from BeefBasis.com to forecast feeder cattle prices.

a. What is the date and time that you made your forecasts?

March _____, 2014 at _____.

b. Use the information provided to forecast feeder cattle prices. Record the basis estimate, feeder cattle futures price, and calculate the cash forecast.

State:	Iowa				Iowa		
Location:	Dunlap				Bloomfield		
Sex:	Steer				Steer		
Frame:	Lg & Med/Lg				Lg & Med/Lg		
Grade:	1				1		
Weight:	750 lbs/head				750 lbs/head		
Head:	100				100		
Expected Sale Date	Basis	Futures	Cash Forecast	Basis	Futures	Cash Forecast	
4/1/2014							
4/8/2014							
4/15/2014							
4/22/2014							
4/29/2014							

c. Which expected sale date and auction market offers the highest price forecast? Explain why. Hint: Your explanation should include discussion of the location (basis estimate) and futures price.

2. Use the Value of Gain tool from BeefBasis.com to project value of gain.

a. What is the date and time that you made your projections?

March _____, 2014 at _____.

b. Consider the case of buying a 550 pound steer on April 1, 2014 and selling it at 650, 750, or 850 pounds in the future using the Dunlap, Iowa market location for appraisal. Assume Lg & Med/Lg frame, grade 1, and 100 head. Record the projected value of gain, \$/cwt, in the table below.

Placement Date	Sale Date	Placement Weight, lbs	Marketing Weight, lbs	Weight Gain, lbs/head	Value of Gain, \$/cwt
04/01/14	05/15/14	550	650	100	
04/01/14	05/28/14	550	650	100	
04/01/14	06/28/14	550	750	200	
04/01/14	07/24/14	550	750	200	
04/01/14	07/30/14	550	850	300	
04/01/14	08/29/14	550	850	300	

b. Which expected sale date offers the highest value of gain projection? Explain why. Hint: Your explanation should include discussion of the buy price and sell price, i.e., the buy/sell margin.

c. Use the table below to compare your value of gain (VOG) projection for a placement date of 04/01/14 and a sale date of 06/28/14 with the provided costs of gain (COG) to determine potential profitability. Record the projected VOG and calculate and record 80% of the projected cost of gain, in \$/cwt, in the first row. Then calculate and record the increased (decreased) value, in \$/head, for each combination of projected VOG and COG.

	Projected VOG (\$/cwt)	80% of Projected VOG (\$/cwt)

COG (\$/cwt)	Increased Value (\$/head)	
\$90.00		
\$100.00		
\$110.00		
\$120.00		
\$130.00		

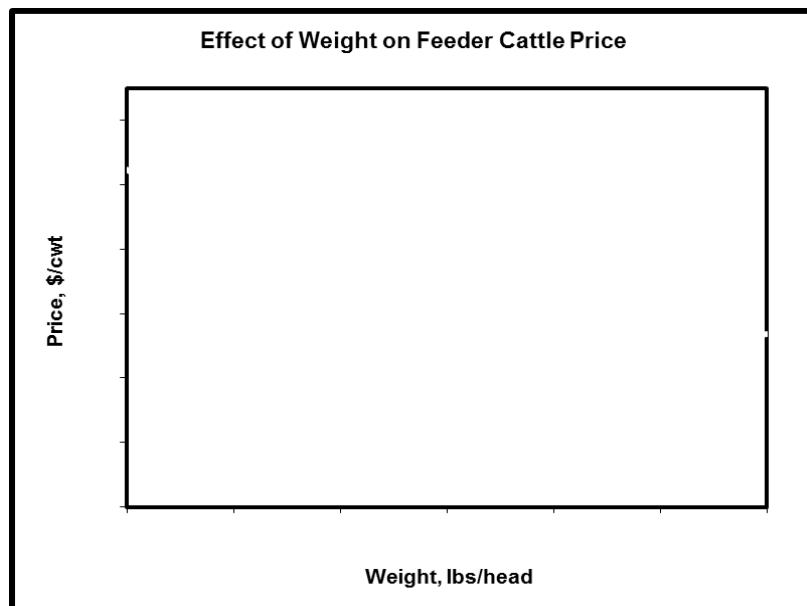
d. Discuss the relationship between projected VOG (80% of projected VOG) and COG with the increased value in \$/head. Hint: Your discussion should indicate under what circumstances you are projected to increase valued per head.

3. You plan to market 100 Black Angus steers weighing 750 each at the Joplin auction. You plan to market these steers in the next few days (Spring) and the auctioneer told you that your steers will be sold in the 2nd quarter of the sale. You guess your steers are of moderate condition, full fill, heavy muscling, and large frame size. Your steers do not have horns, are healthy, and the lot is uniform. Use the K-State Feeder Cattle Price Analyzer from AgManager.info to analyze how weight affects price for your steers. Use the C. Analyzer-Weight tab.
- a. Record the cattle and market characteristics. Use the nearby feeder cattle futures price.

Cattle Characteristics	
Sex (Steer, Heifer, Bull)	_____
Weight, lbs/head	_____
Season (Fall, Spring)	_____
Lot size, number of head	_____
Breed (Angus, Hereford, Angus X Hereford, Other English X, Exotic X, Longhorn, Brahman, Dairy, Mixed)	_____
Color (Black, White, Red, Mix)	_____
Condition (Very Thin, Thin, Moderate, Fat, Very Fat)	_____
Fill (Very Gant, Gant, Average, Full, Very Full)	_____
Muscling, (Light, Average, Heavy, Extremely Heavy)	_____
Frame size (Small, Medium, Large)	_____
Horns (None, Some, Predominant)	_____
Lot uniformity (Yes, No)	_____
Healthy (Yes, No)	_____
Expected Feeder cattle futures price, \$/cwt	_____
Auction Location (Joplin or Dodge City)	_____
Time of Sale (Qtr 1, Qtr 2, Qtr 3, Qtr 4)	_____

- b. Record how weight affects price and sketch the price-weight slide.

Weight	Predicted Price
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____



4. You plan to market 100 Black Angus steers weighing 750 each at the Joplin auction. You plan to market these steers in the next few days (Spring) and the auctioneer told you that your steers will be sold in the 2nd quarter of the sale. You guess your steers are of moderate condition, full fill, heavy muscling, and large frame size. Your steers do not have horns, are healthy, and the lot is uniform. Use the K-State Feeder Cattle Price Analyzer from AgManager.info to analyze how lot size affects price for your steers. Use the D. Analyzer-Lot Size tab.

a. Record the cattle and market characteristics. Use the nearby feeder cattle futures price.

Cattle Characteristics	
Sex (Steer, Heifer, Bull)	_____
Weight, lbs/head	_____
Season (Fall, Spring)	_____
Lot size, number of head	_____
Breed (Angus, Hereford, Angus X Hereford, Other English X, Exotic X, Longhorn, Brahman, Dairy, Mixed)	_____
Color (Black, White, Red, Mix)	_____
Condition (Very Thin, Thin, Moderate, Fat, Very Fat)	_____
Fill (Very Gant, Gant, Average, Full, Very Full)	_____
Muscling, (Light, Average, Heavy, Extremely Heavy)	_____
Frame size (Small, Medium, Large)	_____
Horns (None, Some, Predominant)	_____
Lot uniformity (Yes, No)	_____
Healthy (Yes, No)	_____
Expected Feeder cattle futures price, \$/cwt	_____
Auction Location (Joplin or Dodge City)	_____
Time of Sale (Qtr 1, Qtr 2, Qtr 3, Qtr 4)	_____

b. Record how lot size affects price and sketch the price-lot size slide.

Lot Size	Predicted Price
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
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_____	_____
_____	_____
_____	_____

