Econ 337 Agricultural Marketing, Spring 2018 In Class Activity 3, March 20, 2018

1. Use the Basis and Price Forecast tool from BeefBasis.com. Use the information provided to forecast feeder cattle prices. Record the basis estimate, feeder cattle futures price, and calculate the cash forecast.

| State | Kansas | | | Kansas | | | |
|---------------|----------------|-----------|----------|---------------------------------------|---------|----------|--|
| Location | Pratt Livestoc | k Auction | | Winter Livestock Auction – Dodge City | | | |
| Sex | Steer | | | Steer | | | |
| Frame | Lg & Med/Lg | 7 | | Lg & Med/Lg | | | |
| Grade | 1 | | | 1 | | | |
| Weight | 750 lbs/head | | | 750 lbs/head | | | |
| Head | 100 | | | 100 | | | |
| Expected Sale | | | Cash | | | Cash | |
| Date | Basis | Futures | Forecast | Basis | Futures | Forecast | |
| 3/23/2018 | | | | | | | |
| 3/30/2018 | | | | | | | |
| 4/6/2018 | | | | | | | |
| 4/13/2018 | | | | | | | |

Which expected sale date and auction market is expected to offer the highest price?

 Use the Value of Gain tool from BeefBasis.com. Consider the case of buying 700-pound steers on March 23, 2018 and selling them at 750, 800, or 900 pounds in the future using the Farmers and Ranchers Livestock Commission – Salina, Kansas 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.

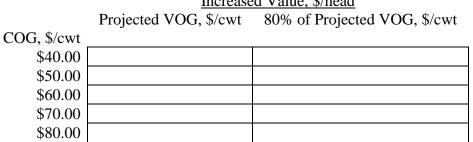
| | | | | Weight | | |
|-----------|-----------|-------------|-------------|----------|---------------|--------------|
| Placement | Marketing | Placement | Marketing | Gain, | Value of | Value of |
| Date | Date | Weight, lbs | Weight, lbs | lbs/head | Gain, \$/Head | Gain, \$/cwt |
| 03/23/18 | 04/14/18 | 700 | 750 | 50 | | |
| 03/23/18 | 04/20/18 | 700 | 750 | 50 | | |
| 03/23/18 | 05/28/18 | 700 | 800 | 100 | | |
| 03/23/18 | 06/16/18 | 700 | 800 | 100 | | |
| 03/23/18 | 06/11/18 | 700 | 900 | 200 | | |
| 03/23/18 | 07/01/18 | 700 | 900 | 200 | | |

3. Use the following projected value of gain estimate and cost of gain estimates (e.g., \$40, ... \$80) to calculate the increased value per head. Also, make this calculation for 80% of the projected value of gain.

Placement Date: 3/23/2018 Marketing Date: 4/14//2018 Placement Weight, lbs: 700 Marketing Weight, lbs: 750 Weight Gain, lbs/head: 50 Value of Gain, \$/cwt: \$67.50

Hint: Increased Value, \$/head = Value of Gain (VOG) – Cost of Gain (COG) = (VOG * Weight gain) - (COG * Weight Gain)

* Be sure to use consistent units for weight gain, i.e., lbs or cwt.



Increased Value, \$/head

Based on the value per head calculations, should you consider adding additional weight to these feeders before marketing? If so, under what circumstances?