

Name: _____

ECON 337: Agricultural Marketing -- Spring 2016
Homework 3: Livestock Marketing
Due: 04/07/2016

1. Use the Price and Basis 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	Iowa			Iowa		
Location	Dunlap			Tama Auction		
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
4/19/2016						
4/26/2016						
5/3/2016						
5/10/2016						

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

2. Use the Value of Gain tool from BeefBasis.com. Consider the case of buying 700 pound steers on April 19, 2016 and selling them at 750, 800, 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	Marketing Date	Placement Weight, lbs	Marketing Weight, lbs	Weight Gain, lbs/head	Value of Gain, \$/cwt
04/19/16	05/11/16	700	750	50	
04/19/16	05/17/16	700	750	50	
04/19/16	06/02/16	700	800	100	
04/19/16	06/15/16	700	800	100	
04/19/16	06/18/16	700	850	150	
04/19/16	07/03/16	700	850	150	

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: 4/19/2016
 Marketing Date: 7/3//2016
 Placement Weight, lbs: 700
 Marketing Weight, lbs: 850
 Weight Gain, lbs/head: 150
 Value of Gain, \$/cwt: \$40.98

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.

COG, \$/cwt	<u>Increased Value, \$/head</u>	
	Projected VOG, \$/cwt	80% of Projected VOG, \$/cwt
	\$40.98	\$32.78
\$40.00		
\$50.00		
\$60.00		
\$70.00		
\$80.00		

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