

Marketing Options

Kim McLean, PhD, PAg
Provincial Cattle Specialist
Regina

Selling Cattle

- Auction Mart
- Direct off the farm
- Online Marketing
- Paper, Website, Social Media, etc

Know what you are selling!

- Listing of your animals is crucial
- ACCURATE weights and predictions
- Highlight:
 - Cattle type, frame size, breed, colour, condition, lot size, health, uniformity, weaning conditions, vaccinations, preconditions, defects

Auction Mart

Advantages

- Competitive Price
- Always sold
- Dealer manages \$\$
 - 3 days later you have \$\$
- Any size of load, odd balls
- Spread out risk

Disadvantages

- Price set that day
- Commission, feed, insurance, extras
- Hauling to location
- Buyer dependent
- Mixing of calves

Direct Marketing

Advantages

- No fees
- Cattle health
- Trucking paid
- Connection with buyer/dealer
 - Reputation

Disadvantages

- Price uncertain
- Connection with a buyer/dealer
- Need to know who you are dealing with

Online Marketing

Advantages

- Can accept a bid or not
- “Feel the market out”
- Cattle don’t have to leave, animal health
- Increased exposure to buyers
- Agent or not

Disadvantages

- Price competition
- Minimal fees
- Lot size
- Uniformity is important
- Descriptions/pictures

Auction #FC819

TEAM Feeder Cattle Sale

Friday, July 22, 2016 - 09:00 MT

Sequence # 1
Lot # 1

[Next Lot »](#)

Total Head:	118	Consignor:	
Sex:	Steers	Location of Cattle:	
Average Weight:	1030	Described by:	
Minimum Weight:	950	Agent:	
Maximum Weight:	1100	Stags: 0	Bulls: 0 Horns: 0

Breed Description (%)		Frame Size & Quality (%)			Condition (%)	
80	Black & Black X	Lg	Med	Sm	Green:	0
20	Red & Red X	Good:	80	20	0	Light: 100
		Medium:	0	0	0	Medium: 0
		Plain:	0	0	0	Heavy: 0

Veterinary work: **Cows on Express 5. Full herd health as calves and done again @ weaning.**

Age Verified: **Yes**

Implants: **Component last fall @ weaning**

Bid basis: **FOB Ranch**

Price slide: **.10**

Feeding program: **Grass**

Weigh location: **Truck scale 4 miles away**

Weigh conditions: **Round up early am, weigh less 4% on truck**

Delivery: **Next week (Mon-Thur)**

General comments: **Outstanding set of home-raised steers! Right off the grass for immediate delivery! Lots of stretch, lots of hip. AAA kind. You won't find 'em any better!**

Currency: **\$CDN**

Images - (Click on image to view larger version)



[Video/Map](#)

Angus X Steers

Settings YouTube

Images - (Click on image to view larger version)

Auction #FC819

TEAM Feeder Cattle Sale

Friday, July 22, 2016 - 09:00 MT

Click on image to view larger version)



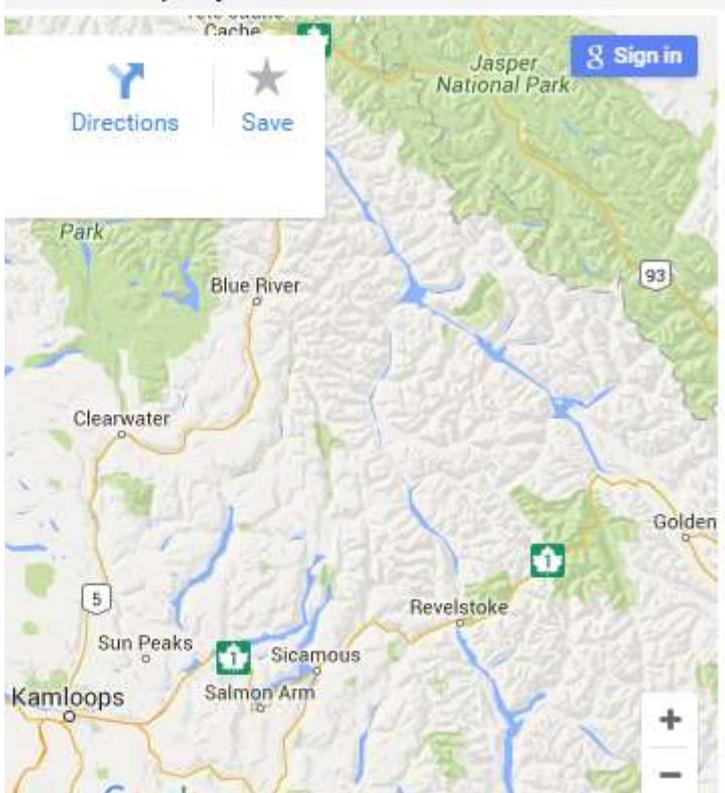
Sequence # 3
Lot # 3

Total Head:	62	Consignor:	
Sex:	Steers	Location of Cattle:	
Average Weight:	985	Described by:	
Minimum Weight:	900	Agent:	
Maximum Weight:	1080	Stags: 0	Bulls: 0 Horns: 0

Breed Description (%)		Frame Size & Quality (%)			Condition (%)	
90	Black	Lg	Med	Sm	Green:	0
10	Red	Good:	50	50	Light:	0
		Medium:	0	0	Medium:	100
		Plain:	0	0	Heavy:	0

Veterinary work:	Ivomec, Bovishield Gold @ weaning
Age Verified:	Should be
Implants:	No
Bid basis:	F.O.B. Scale
Price slide:	.10
Feeding program:	Hay & screening pellets
Weigh location:	Nicola Ranch scales
Weigh conditions:	Haul 30 kms & weigh less 4%
Delivery:	Immediate
General comments:	Top quality Angus steers! Qualify for Natural Beef. Light ration, should do well on heavy feed. Finish 1400 plus. 6 big steers pulled. A few long toes, nothing hurting.
Currency:	\$CDN

Video/Map



Images (Click on image to view larger version)

Paper, Website or Social Media

Advantages

- Inexpensive
- Can be as in-depth as you want for details
- Price Negotiation
- Instant and no risk

Disadvantages

- Location
- No dealer to speak on your behalf
- Payment

Forward Contract

Advantages

- Securing a price in advance
- Limits downside risk
- Prices “locked in”
- No margin calls

Disadvantages

- Not as flexible
- No upside gains
- Need a buyer
- Uniformity is important

Shrink

- The amount of weight an animal loses after being hauled to its next location.
 - Loss of body contents in belly, digestive tract and bladder.
 - Tissue shrink happens after animal is dehydrated.
 - Sorting, standing, trucking or off feed for long periods have a direct impact on this.
- Age, weight, feed, water, weather, loading and unloading, mixing of animals and transit are all factors that affect shrink.

Shrink

- “Pencil Shrink”- specified before the animal leaves for the next operation.
- “Overnight Stand”- Animals need to be in the yard by 6 p.m. prior to weigh day, no feed or water till after weighed the next morning

Pencil Shrink

Miles	Percentage
0-25	4
26-35	3.75
36-45	3.5
46-55	3.25
56-65	3
66-75	2.75
76-85	2.5
86-95	2.25
96-125	2
126-150	1.5
151-175	1
176-200	0.5
Over 200	0

- 600 lb calves, 40 miles
- Shrink: $600 \times 3.5\%$
 - 21 lbs lost on transport
- Pay weight:
 - 600 lbs – 21 lbs
 - 579 lbs

 - Weigh after travel

Slide

- A given price for a predicted weight bracket in negotiations
 - Actual weights are never exact
- Incentive to guesstimate correctly, feeders need to do their own end marketing
- Lighter calves worth more per cwt
- Spread can be wide or narrow,
 - Possibly wider for lighter and narrower on heavier calves
- Typical spread 10 cents/lb

Auction #FC819
TEAM Feeder Cattle Sale
 Friday, July 22, 2016 - 09:00 MT

Sequence # 1
 Lot # 1

[Next Lot »](#)

Total Head:	118	Consignor:	
Sex:	Steers	Location of Cattle:	
Average Weight:	1030	Described by:	[
Minimum Weight:	950	Agent:	
Maximum Weight:	1100	Stags: 0	Bulls: 0 Horns: 0

Breed Description (%)	Frame Size & Quality (%)			Condition (%)		
		Lg	Med	Sm	Green:	Light:
80 Black & Black X					0	
20 Red & Red X	Good:	80	20	0		100
	Medium:	0	0	0	Medium:	0
	Plain:	0	0	0	Heavy:	0

Veterinary work:	Cows on Express 5. Full herd health as calves and done again @ weaning.
Age Verified:	Yes
Implants:	Component last fall @ weaning
Bid basis:	FOB Ranch
Price slide:	.10
Feeding program:	Grass
Weigh location:	Truck scale 4 miles away
Weigh conditions:	Round up early am, weigh less 4% on truck
Delivery:	Next week (Mon-Thur)
General comments:	Outstanding set of home-raised steers! Right off the grass for immediate delivery! Lots of stretch, lots of hip. AAA kind. You won't find 'em any better!
Currency:	\$CDN

Images - (Click on image to view larger version)

Weight 1030

Slide 0.10

Actual weight:
 1130 lbs

Bid is -162.00



Agreed Upon Price	162		
Slide (lb)	0.10		
Estimated (lbs)	1030	1668.6	/head
Actual (lbs)	1130		
Shrink (lbs)	45.2		
Pay Weight (lbs)	1084.8		
Difference in weight (lbs)	-54.8		
Difference in pay (cwt)	-5.48		
Adjusted Price (cwt)	156.52	1697.93	/head

Slide

1030 lbs

Actual-1084 lbs

1130 lbs

1.62/lb

1.52/lb



1.57/lb

Risk Management

- Producing commodities many factors contribute to our production and marketing risks
- Ways to mitigate marketing risks:
 - Futures Market
 - Western Livestock Price Insurance Program

Futures

- A means of selling standardized good across the world
- Each contract will have a specified amount of weight, quality and common delivery point
- Chicago Mercantile Exchange (CME), Toronto Stock Exchange (TSX), Winnipeg Commodity Exchange (ICE)

Contract Specifications

Commodity	Feeder	Live Cattle	Corn	CAD/USD
Contract Size	50,000 lbs	40,000 lbs	5,000 bu	\$100,000
Price Quote	¢/lb	¢/lb	¢/bu	\$
Trading Hours	Mon-Fri 8:30 a.m. - 1:05 p.m.		Sun - Fri 7 p.m. - 7:45 a.m., Mon - Fri 8:30 a.m. - 1:20 p.m.	Sun-Fri 6p.m. - 5p.m.
Minimum Price	0.00025		¼ cent/bu	0.00005
Contracts	Jan/Mar/Apr/May/ Aug/Sept/Oct/Nov	Feb/Apr/Jun/Au g/Oct/Dec	Mar/May/Jul/Sept/Dec	Mar/Jun/Sept/Dec
Change/ Day	\$0.045 - 0.0675	\$0.03 - 0.045	0.25-0.40	0.00004
Quality	650-849 lb Med to Large Frame Strs	55% Choice, 45% Select, YG 3 Strs or Hfrs	#2 yellow @ contract price, 1.5 cent/bu premium or penalty	

Hedging

- A form of risk management that reduces the risk of price change
- To **hedge** is to have an equal and opposite position on cash and futures market.
- Typically has a “cash” position to offset this. (When in the futures market you have the cattle you are buying contract for.)
- Speculator- only have either the cattle or the futures contract expecting to make money.

How does one hedge?

- Brokerage account
- Margin calls need to be maintained
- Figure out production amount
- Follow market
- Set your target price
- Open hedge by selling futures contract in month close to delivery month
- Meet margin calls
- Deliver and price actual cattle, close futures hedge by buying the same quantity in the same month

- Forward Pricing – Locks in a price and a basis
- Hedging – locks the futures price in but no basis.

- In Canada, need a futures contract on cattle but also the dollar

Cattle Futures Management

- Owner of the cattle is “Long” cattle and needs to buy a contract for said commodity
- Someone who needs these cattle sells this contract and is “short” cattle

Decision Making

Strong Futures/ Weak Basis

- Sell futures, buy put, wait for basis to improve/target basis

Strong Futures / Strong Basis

- Sell cash, deferred delivery
- Sell futures/basis contract, buy put options/basis contract, minimum price contract

Weak Futures/ Weak Basis

- Keep cattle, store/feed grain

Weak Futures /Strong Basis

- Deliver and price, reopen upside by buying futures and/or buy call
- Basis contracts, target futures, buy put option and target futures

Marketing 101

- Know what you have to sell
- Follow the market
 - Get in the know!
- Operation dependent
- Year to year may vary
- Stick with it

Kim McLean, PhD, PAg
Provincial Cattle Specialist, Regina
306-787-4675
Kim.mclean@gov.sk.ca

saskatchewan.ca