

## BACKGROUNDING / STOCKER PROFITABILITY CONFERENCE



University of Kentucky  
College of Agriculture,  
Food and Environment  
Cooperative Extension Service



A huge thanks to the Agricultural Development Board for funding this program through the Kentucky Beef Network!



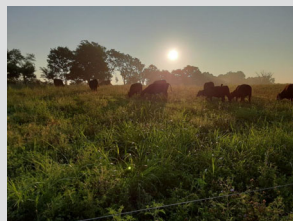
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Extension Livestock Economist  
UK Agricultural Economics

## Market Implications for Backgrounding / Stocker Operations

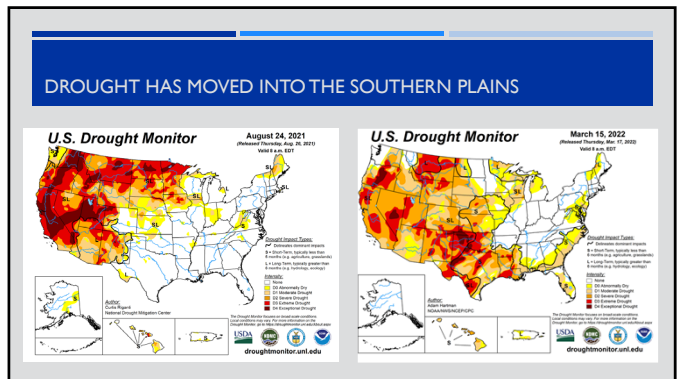
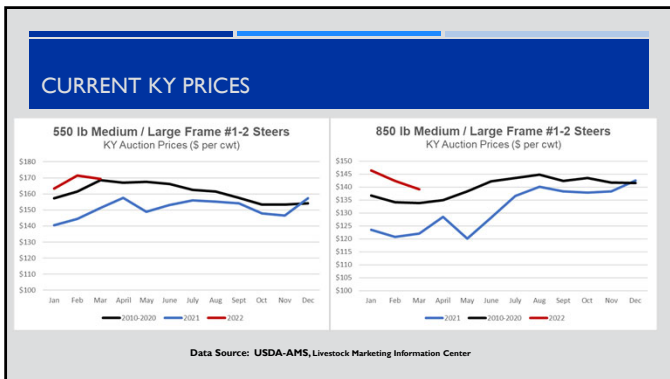
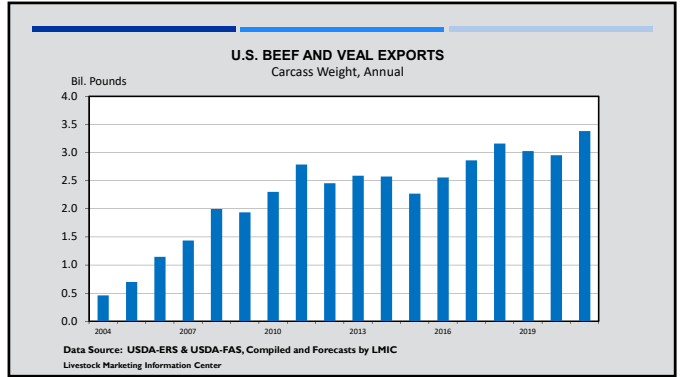
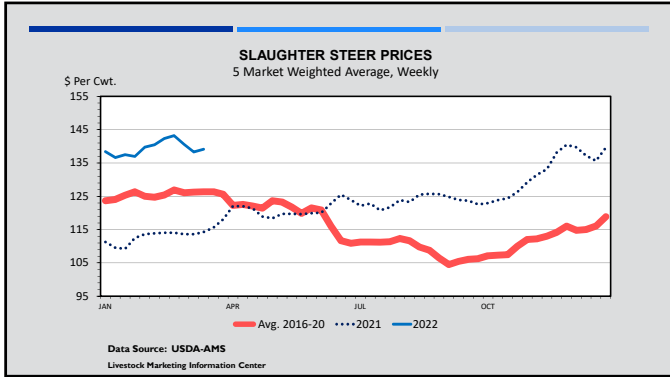
### THOUGHTS ON CURRENT MARKET

- Market fundamentals have improved
  - Risk factors exists
- Feed costs are extremely high
  - Cost of gain and value of gain
- Significant carry in futures' market
  - Expectation of rising prices
- Look for opportunities and grab when available



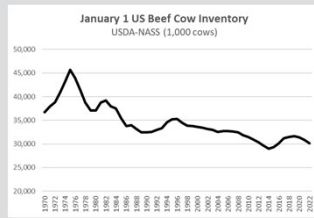
### ERS PRODUCTION FORECASTS

	2021	2022
Beef	+2.8%	-2.8%
Pork	-2.2%	-1.3%
Broilers	+0.7%	+0.7%



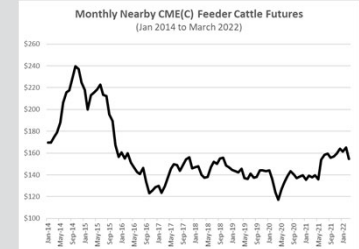
## BEEF COW NUMBERS FOR 2022

- Cow herd down 2.4% from 2021
  - After 314 M reduction to 2021
- 1.5 M (5%) fewer cows than 2019
- Heifer retention down 3%
- Herd reductions to continue



## RECENT TRENDS – CME FUTURES

- Early 2021 - highest price levels since 2015
- Recent uncertainties obvious in March
- Fall board remains in \$180's
  - Pricing opportunities have existed



## LOTS OF CARRY IN THE MARKET – CME® FEEDER FUTURES (3-21-22)

- \$23 per cwt carry – April to November
- Expectation of much higher fall prices
- Implications for calf values
- Current market not good indicator of fall

MONTH	OPTIONS	CHART	LAST	CHANGE	PRICE PER CWT
MAR 2022 GF22	CALL	UI	155.800	-1.200 (-0.76%)	157.000
APR 2022 GF22	CALL	UI	161.825	-1.300 (-0.80%)	162.325
MAY 2022 GF22	CALL	UI	165.725	-1.725 (-1.03%)	167.450
AUG 2022 GF22	CALL	UI	179.150	-1.550 (-0.86%)	180.700
SEP 2022 GF22	CALL	UI	181.750	-1.225 (-0.67%)	182.975
OCT 2022 GF22	CALL	UI	183.700	-1.100 (-0.60%)	184.800
NOV 2022 GF22	CALL	UI	184.500	-0.300 (-0.16%)	185.400
JAN 2023 GF23	CALL	UI	184.525	-0.300 (-0.16%)	184.825

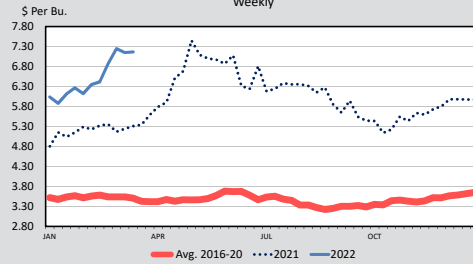
## WHAT ARE THE RISK FACTORS FOR 2022?

- Market is trying to price in the war in Ukraine
  - Grain markets, input costs, demand concerns (fuel / other prices)
- Feed price
  - New crop corn on board over \$6.50 in March!
  - What would a 2022 drought do?
- US economy
  - Rapid inflation, sustainability
- Consider ways to manage these risks

## MARGIN OPERATIONS AND MARKET VOLATILITY

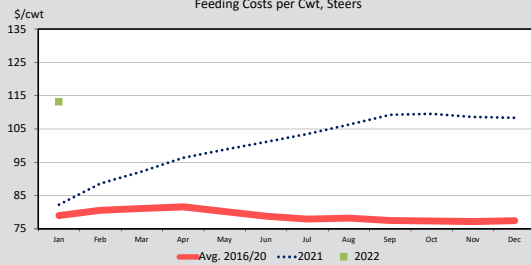
- Overall price levels matter less for margin operators
  - More about buy / sell margin, costs, and timing
- 2020 was total mixed bag
  - Winter cattle hit hard
  - Spring buying opportunities
- 2021 - generally a good year, especially for grazers
- 2022 – opportunities exist – budgeting is key!
- Manage risk, but keep financial house in order

## OMAHA CORN PRICES



Data Source: USDA-AMS  
Livestock Marketing Information Center

## KANSAS FEEDLOT CLOSEOUTS



Data Source: KSU Focus on Feedlots, Compiled by LMIC  
Livestock Marketing Information Center

## VALUE OF GAIN / FEED COST DYNAMICS

- Don't focus on feed cost alone
- High feed price incentivizes placement of heavy feeders
- Narrower price slide = higher value of gain
- Supports grazing returns



## CONTACT INFORMATION

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