



Colorado State University Extension CSU Western Campus

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Marketing Advice for Cow-Calf Producers 2020
-by-
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(Grand Junction, Colorado) 2019 wasn't very enjoyable from a cattle marketing perspective. The fed cattle market fell out of bed at the end of April and pulled the feeder cattle market with it. Then the Holcomb fire sank the market at the end of summer. So, in January, I was looking forward to a normal year for 2020. I was looking to the seasonal peak in the spring and then the big numbers through the fall. 2020 has been anything but typical.

There are two main problems. First, packing and processing can't run at normal speeds. Individual plants are closed. And plants that are running have reduced labor availability. Second, the supply chain is rather disrupted. Half of beef production goes to food service and now has to find a home somewhere else. These have hammered cattle prices and elevated beef prices. But focusing on these points is pointless. We need to plan on both happening for the foreseeable future. Let's plan on it until it stops.

The market is communicating, "Slow things down, spread things out, and drag things on." The APR and MAR feeder cattle futures contract prices are sub-\$120. The feeding industry does not want feeder cattle this spring. The feeding industry is planning on delayed marketings into August for sure and possibly October. Live cattle futures are sub-\$100 for all 2020 contracts. The fall feeder cattle contracts are all priced higher through the calendar: AUG @ \$128, SEP @ \$129, OCT @ \$130.25 and NOV @ \$131.35. Those are the approximate closes for Tuesday April 28, 2020. "Slow things down." "Market later than normal." OCT is usually at a discount to NOV but rarely at a premium to AUG and SEP. (Futures contract expiration months are all caps.)

Now an at-the-money NOV Put option is better than \$10/cwt. That's over \$5,000. Ouch! And out of the money options are not much better. A \$122 strike price for NOV is \$6.35/cwt. \$10 out of the money should be closer to \$2-\$4/cwt. Not this year. The risk is priced into the

insurance. I don't want to buy that NOV Put with a \$122 strike price – and I don't think I want to sell on either. Too much risk.

The only price protection you can buy right now for the fall locks in 7-9 cwt feeder cattle at \$115. (And there's more 7 weights in that mix during the fall.) That's actually worse than things are now. I'll pass. I could be wrong and often are. But I'll pass.

Slow things down and stretch things out. Market as late as you are able. Manage your costs and watch the hay market. All we don't need is a dry year. And watch your charts of the fall contracts. If the NOV contract presses support at about \$118 then that will not be good news. And if NOV presses resistance \$137.50 then that will good news.

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