



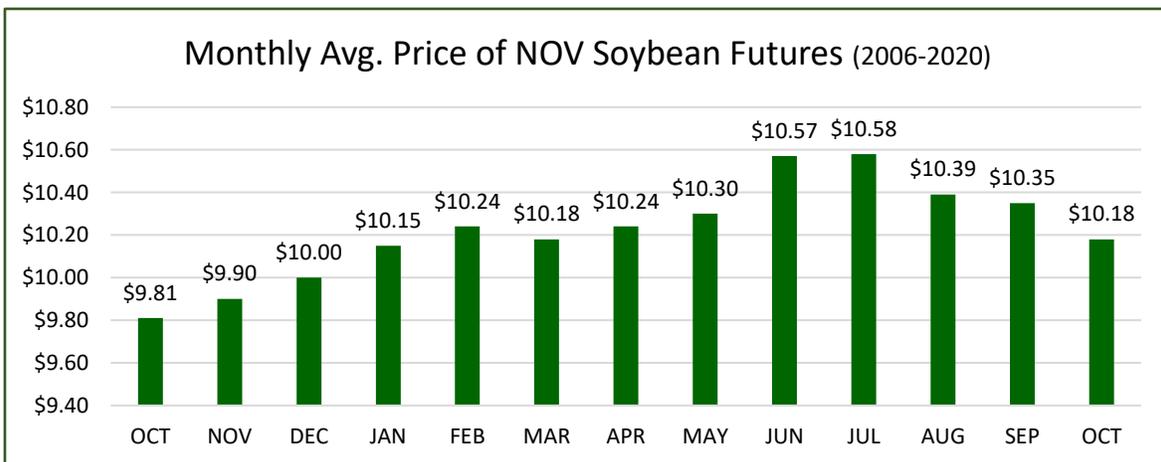
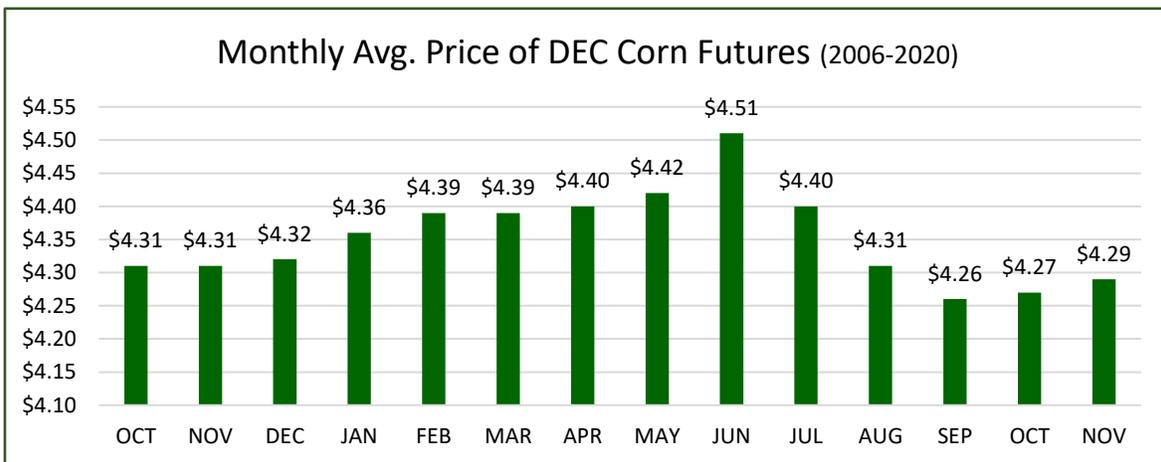
Monthly Newsletter – March 2021

Grain:

Taking Advantage of the Markets

Due to abnormally high prices for corn, soybeans, and wheat, many farmers have forward contracted for the 2021 harvest and sold most, if not all of their delayed price crops from 2020. It is important for farmers to keep in mind that the prices may drop at any time. We encourage farmers to calculate their input costs and 5-year average yield for each crop to determine a profitable price and begin contracting in small amounts. Keep in mind that you don't need to hit a homerun; a base hit every time will score more runs than striking out.

White Commercial Corporation has made charts for farmers that show how the harvest prices change throughout the calendar year for the past 15 years. We can see that the June and July months are best for forward contracting corn and soybeans in an average year. We believe that these charts show that farmers should take advantage of the higher prices early and make small contracts (typically a minimum of 250 bu.) as the prices keep moving upward.





Average Pricing Contracts

In 2020, it did not work as well for farmers to use Average Pricing Contracts. We would like to encourage farmers to revisit them and look at the pros and cons of this contract type.

What is an Average Pricing Contract?

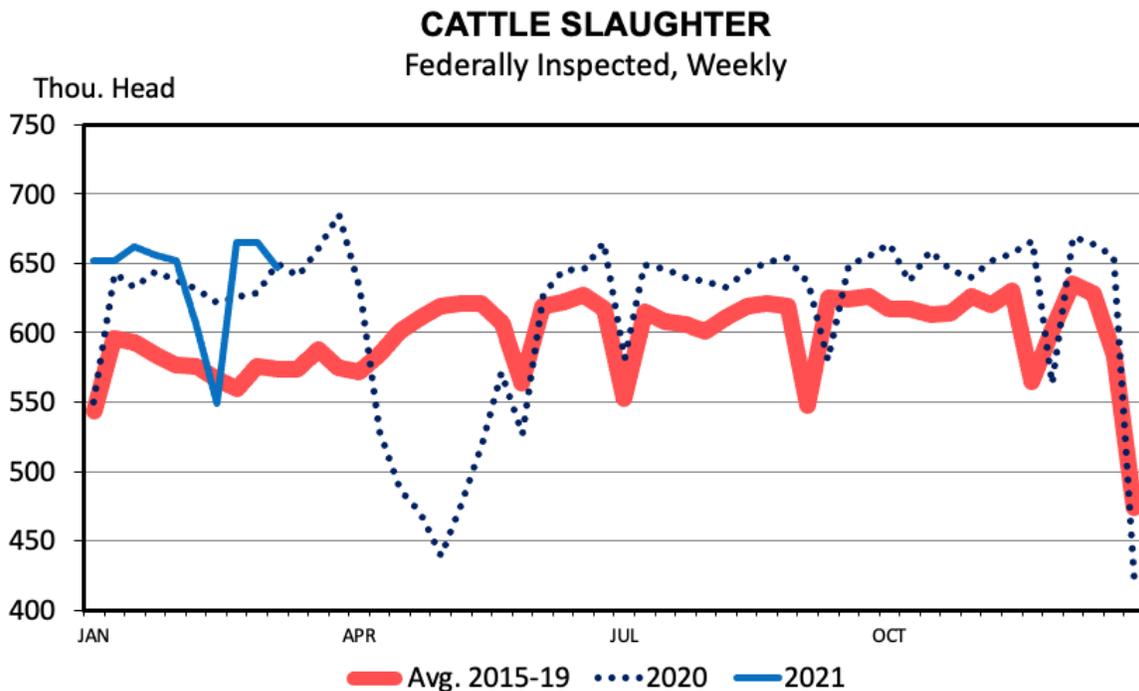
Average Pricing Contracts are a commitment by farmers to forward contract a certain amount of grain over a 10-week period. We are able to work with each farmer individually to decide how many total bushels are appropriate, then we will record the prices on the close of a certain day each week for 10 weeks and will write one contract for the total amount of bushels at the average price over that period of time. If farmers are happy with the price at any given time during those 10 weeks, they do have the option to use that price for the remaining weeks.

When is the best time to start an Average Pricing Contract?

We would like to see farmers start their average pricing contract any time between now and the second week in May because the harvest futures prices that we are seeing now are great for this time of year. In a typical year, the 10 weeks following the first week of May are the best time to utilize an Average Pricing Contract.

If you have any questions or would like to work on an Average Pricing Contract that fits your operation, please give us a call at (419) 446-2547 and we will be happy to assist you.

Feed:



Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center

Instead of reviewing COVID, we thought we would discuss a new data challenge that will become more apparent as April approaches. You might have noticed from reading CMN that we like to provide month-over-month, year-over-year, and historical comparisons when discussing data. These types of comparisons provide context when USDA publishes new estimates and projections. Without historical context, estimates from a USDA report are much harder to appreciate and interpret. However, year-over-year comparisons will become challenging, and perhaps misleading, in the coming weeks and months as these comparisons will be based on time periods in 2020 when COVID was having major impacts on the beef sector.

Let us consider an example to see how making comparisons between 2021 and 2020 could be misleading. The graph provided at the top of this newsletter is weekly FI cattle slaughter. The solid blue line is 2021 cattle slaughter, and the dotted blue line is 2020 slaughter. Notice the sharp decline in 2020 slaughter for April and May. This decline was a direct result of COVID. This year, it is highly unlikely that we will observe the same decline in weekly cattle slaughter. Thus, if we compare the second quarter (Q2) of 2021 to Q2 of 2020, there will appear to be a significant increase in cattle slaughter. LMIC is currently forecasting Q2 2021 cattle slaughter at 7.9 percent above last year. Does this mean that cattle slaughter has significantly increased in 2021? Not necessarily, and it would be misleading to make such a conclusion without clarification. We are comparing Q2 2021 slaughter to a very small number for 2020.

Analysts will need to be careful when making data comparisons between 2021 and 2020. Perhaps, a better comparison is between 2021 and the five-year average (red line in the graph). For example, if weekly cattle slaughter remains elevated above the five-year average, we can conclude that slaughter is historically high. Context matters, and failing to acknowledge the unprecedented events of 2020 would be a mistake. Cattle slaughter is just one example, but it highlights an important point. The same caution will be needed when making any comparisons to 2020, including the prices reported in our Cattle Market Report and Futures Price tables in Cattle Markets Notes.

– James Mitchell (University of Arkansas), Kenny Burdine (University of Kentucky), and Josh Maples (Mississippi State University)

Meeting Protein Requirements When Protein is Expensive

In the case of forage-based diets the first thing we need to do in order to assess protein supplementation is to get a forage test! Without a forage test we are simply taking a stab in the dark at what protein is being supplied in the forage, and what needs to be supplemented. This can lead to under or over supplying protein, both of which can have negative economic impacts. For example, if we had distillers grains priced at \$235/T and were feeding 3 lbs per day

to 30 head over a 90-day period it would cost approximately \$950 dollars. If we had a forage test that showed, we only needed to be supplementing 2 lbs per head per day the cost would have been approximately \$635 dollars. In Kentucky forage testing can cost anywhere from \$10-25 dollars, and in this example, we saved approximately \$315 dollars by completing a forage test and using the information. In situations where we are under feeding protein, money might be saved on the feed bill, but what you are giving up is performance which can be a bit more difficult to track. Once cows become thin ($BCS \leq 4$), we see negative effects on reproductive performance. In growing cattle under supplying protein can lead to decreased ADG, which means we are leaving pounds on the table (or at the feedbunk in this case).

When comparing commodities, it is helpful to look at them on a price per unit basis whether that unit is protein or energy. This comparison should be made on a dry matter basis in order to truly make a fair comparison since differences in moisture across feed stuffs can dilute concentrations of other nutrients. While a lot of producers have come to rely on purchasing individual feedstuffs, another potential alternative is purchasing a protein supplement from a feed company. These products may contain plant sources of protein, or a combination of both plant and non-protein nitrogen (NPN) ingredients. It is important to note that these products may contain supplemental minerals and that should be factored into the cost of the product.

For cattle on diets high in rapidly fermentable carbohydrates such as starch coming from corn or other cereal grains, NPN can be an economical way to increase protein in the diet, while decreasing the inclusion of crude protein contributing feed stuffs such as distillers grains and soybean meal. The most common source of NPN is urea, which analyzes at 287.8% CP, making it by far the cheapest source of CP on a per unit basis. However, caution must be taken to ensure the safety of cattle when feeding urea, as this ingredient can be toxic when inclusions or intakes are too high. General guidelines to consider is that no more than 1/3 of the total diet CP should be derived from NPN, and the diet should include no more than 1.5% urea on a DM basis. Always work with a nutritionist when formulating diets that contain urea, as this ingredient is not appropriate for all diets and classes of cattle. Also work with a trusted feed-mill to ensure urea is mixed properly to ensure safety!

As with a lot of things in beef production, there is not one single solution to decreasing the price of protein supplementation. However, sitting down and looking at your current costs and evaluating potential alternatives that are available to you may lead to savings, or at least ensure that performance is not being sacrificed.

– Katie VanValin, Assistant Extension Professor, University of Kentucky