




Cattle Feeding Return Risk Analyzer©

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2007 K-State Risk and Profit Conference

Funding support provided by
USDA, Risk Management Agency



An Exercise Quantifying Risk

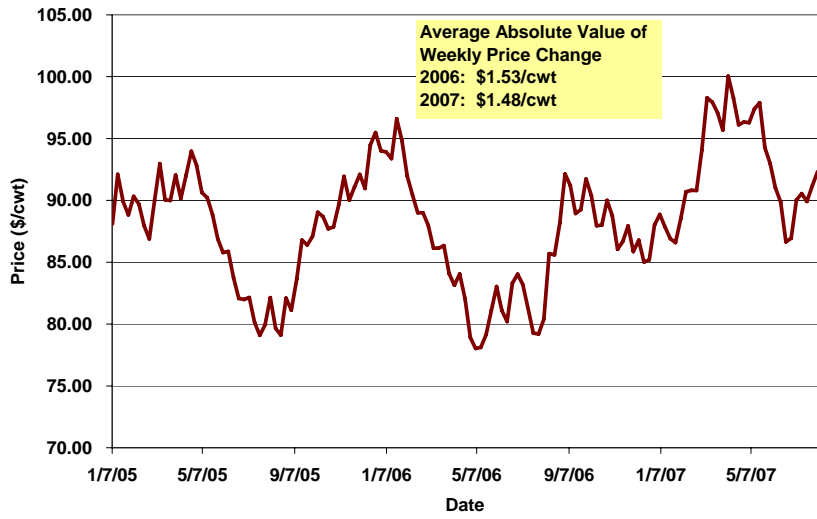


Why Develop Cattle Return Risk Calculator?

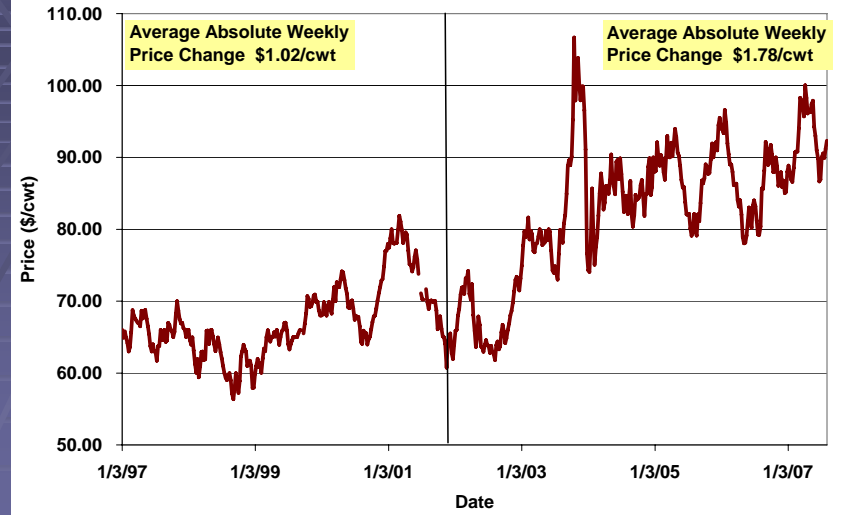
- Cattle feeding is very risky with risk arising from:
 - Feeding efficiency and daily gain
 - Death loss
 - Animal health management costs
 - Input prices
 - Output prices
- Most risk management tools and insurance products (e.g., Futures Markets, and LRP) consider only the last two sources of risks



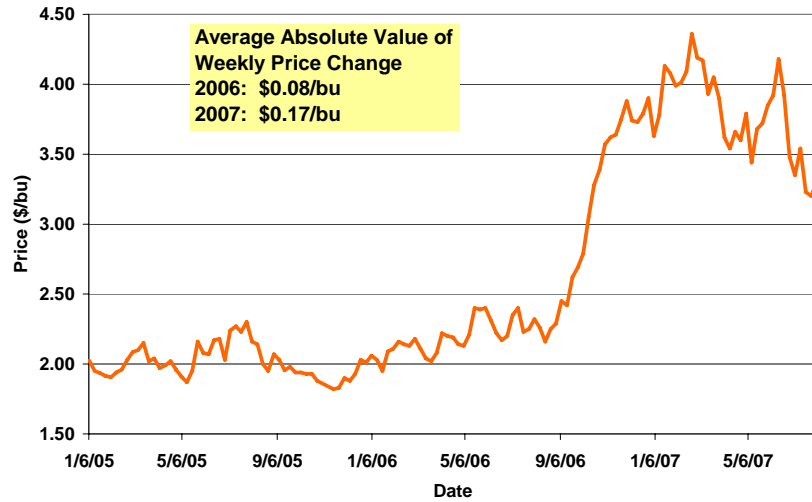
Weekly Western KS Slaughter Steer Price, 2005-August 2007



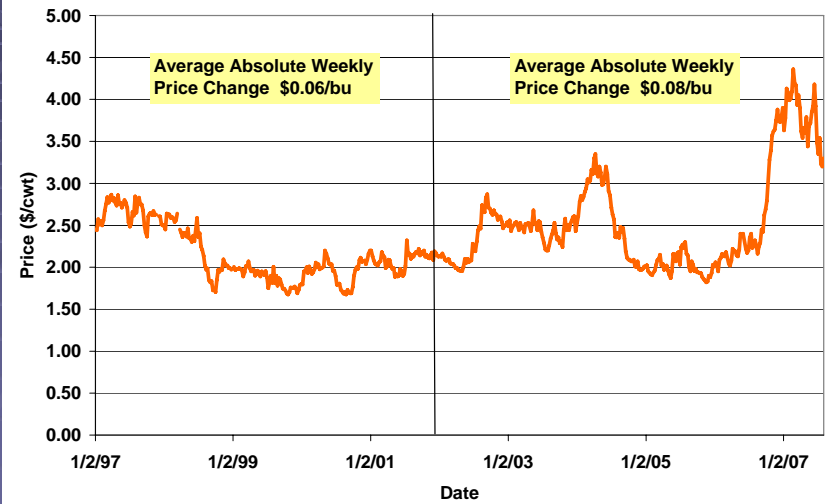
Weekly Western KS Slaughter Steer Price, 1997-August 2007



Weekly Garden City, KS Corn Price, 2005-Aug 2007

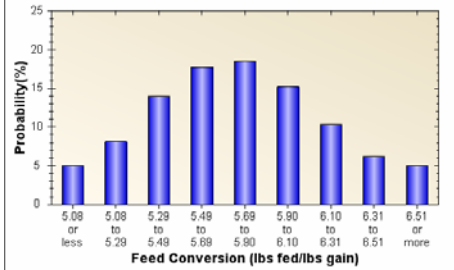


Weekly Dodge City KS Corn Price, 1997-August 2007

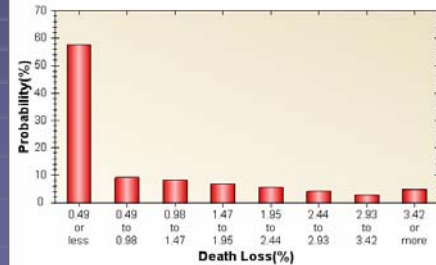


Expected Feed Conversion and Mortality of Placing a 750 lb Steer in KS in August and Selling Finished in December 2007

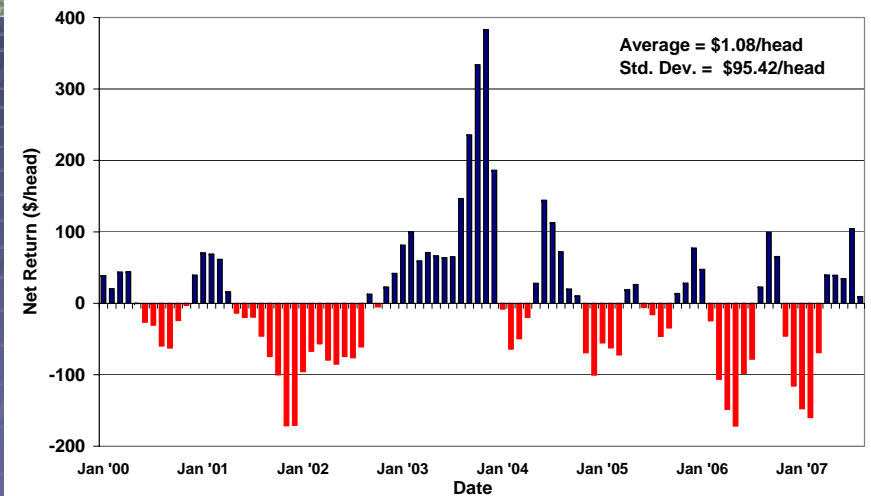
Expected Dry Matter Feed Conversion Distribution



Expected Mortality Distribution



Monthly Returns to Feeding Cattle in KS, 2000-August 2007

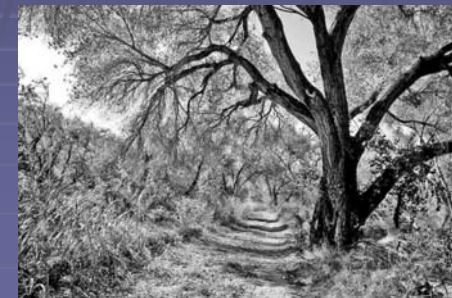


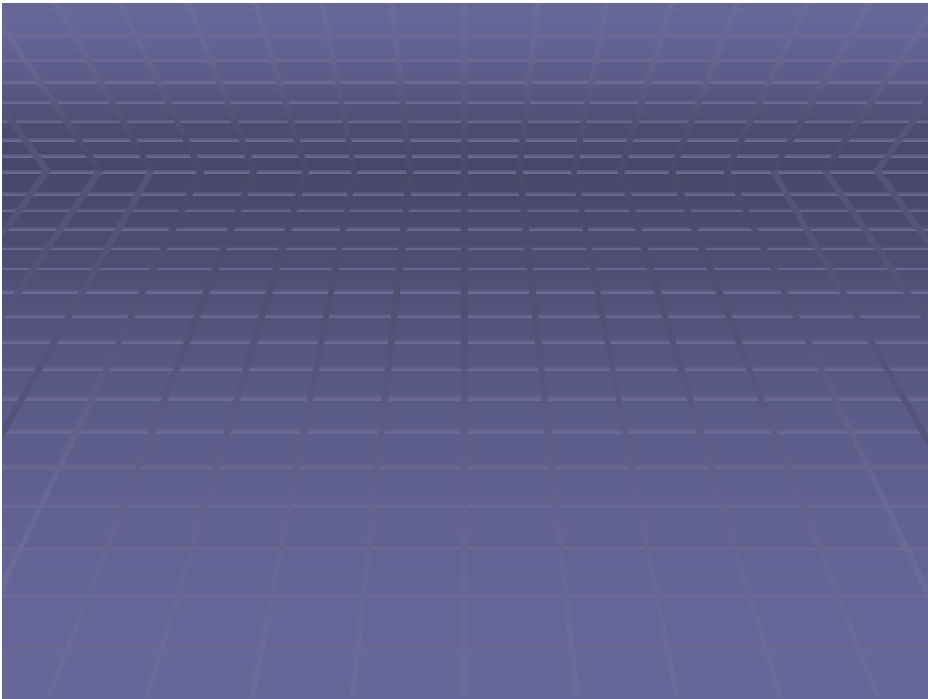
Source: R. Jones, Kansas State University



The Road Ahead - Extensions

- Adding analysis of risk management strategies has just been funded by RMA (e.g., what happens to distributions if fed cattle are hedged?)
- How do risk and distributions change when cattle are sold using grid pricing instead of live pricing?





600 lb steer in KS placed August,
Sold February 2008



800 lb steer in KS placed August,
Sold December

