

2016

RAM II

**(Advanced Risk-
Assessed Marketing)**

Workshop

January 25, 2016

**Kaw Valley State
Bank**

1015 Kaw Valley Park Circle

WAMEGO, KS

2016 RAM II

(Risk Assessed Marketing)

Workshop



Feeder Cattle Price Risk Management

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**What about retained ownership from
fall 2015 calf crop?**

Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

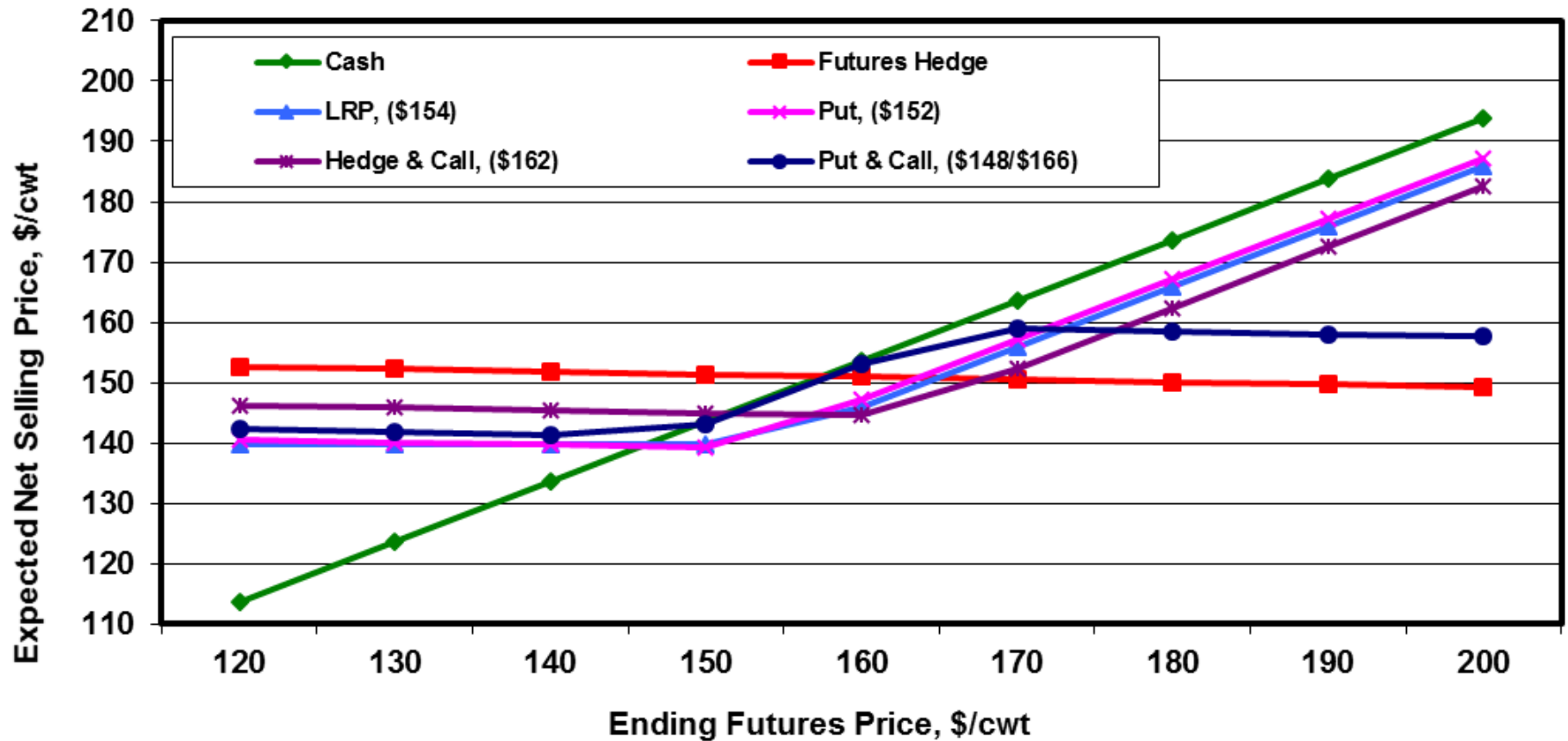
- Salina, KS 1/25/16 situation:
 - Sell 800 lb yearlings on 5/20/16 (\$151.22)
- Considering price protection on May sale
 - Or for stocker/feedlots consider for buy in May
 - **USE: *FeederCattleRiskMgmtTool.xlsx***

Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

- Case of 60 hd @ 800 lbs =
 - Compare alternatives:
 - a) 60 hd on LRP, b) 1 FC Futures Contract (+/- 63 hd per contract), c) 1 FC Options Contract or d) Cash
 - MAY FC: \$157.50 & Exp. Basis: -\$6.28 (Exp. Cash = \$151.22)
 - LRP Coverage Price: \$154.02 & Premium: \$7.82
 - MAY Put Option @ \$152.00: \$6.15 premium

Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

Comparison of Alternative Expected Net Selling Prices



Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

	Futures	LRP	Put	Call	Put	Call
Number of contracts	1	60	1	1	1	1
Strike price(s), \$/cwt		\$154.02	\$152.00	\$162.00	\$148.00	\$166.00
Premium, \$/cwt		\$7.824	\$6.150	\$6.075	\$4.875	\$4.450

Expected Net Selling Prices						
Futures price	Cash	Hedge	LRP	Put	Hedge & Call	Put & Call
\$120.00	\$113.72	\$152.66	\$139.92	\$140.52	\$146.27	\$142.26
\$130.00	\$123.72	\$152.24	\$139.92	\$140.11	\$145.85	\$141.84
\$140.00	\$133.72	\$151.82	\$139.92	\$139.69	\$145.43	\$141.42
\$150.00	\$143.72	\$151.41	\$139.92	\$139.27	\$145.02	\$143.15
\$160.00	\$153.72	\$150.99	\$145.90	\$147.25	\$144.60	\$153.15
\$170.00	\$163.72	\$150.57	\$155.90	\$157.25	\$152.45	\$158.92
\$180.00	\$173.72	\$150.16	\$165.90	\$167.25	\$162.45	\$158.51
\$190.00	\$183.72	\$149.74	\$175.90	\$177.25	\$172.45	\$158.09
\$200.00	\$193.72	\$149.32	\$185.90	\$187.25	\$182.45	\$157.67
\$10.00	<= futures price increment				Signifies maximum price in row	

What about fall 2016 calf crop?

Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

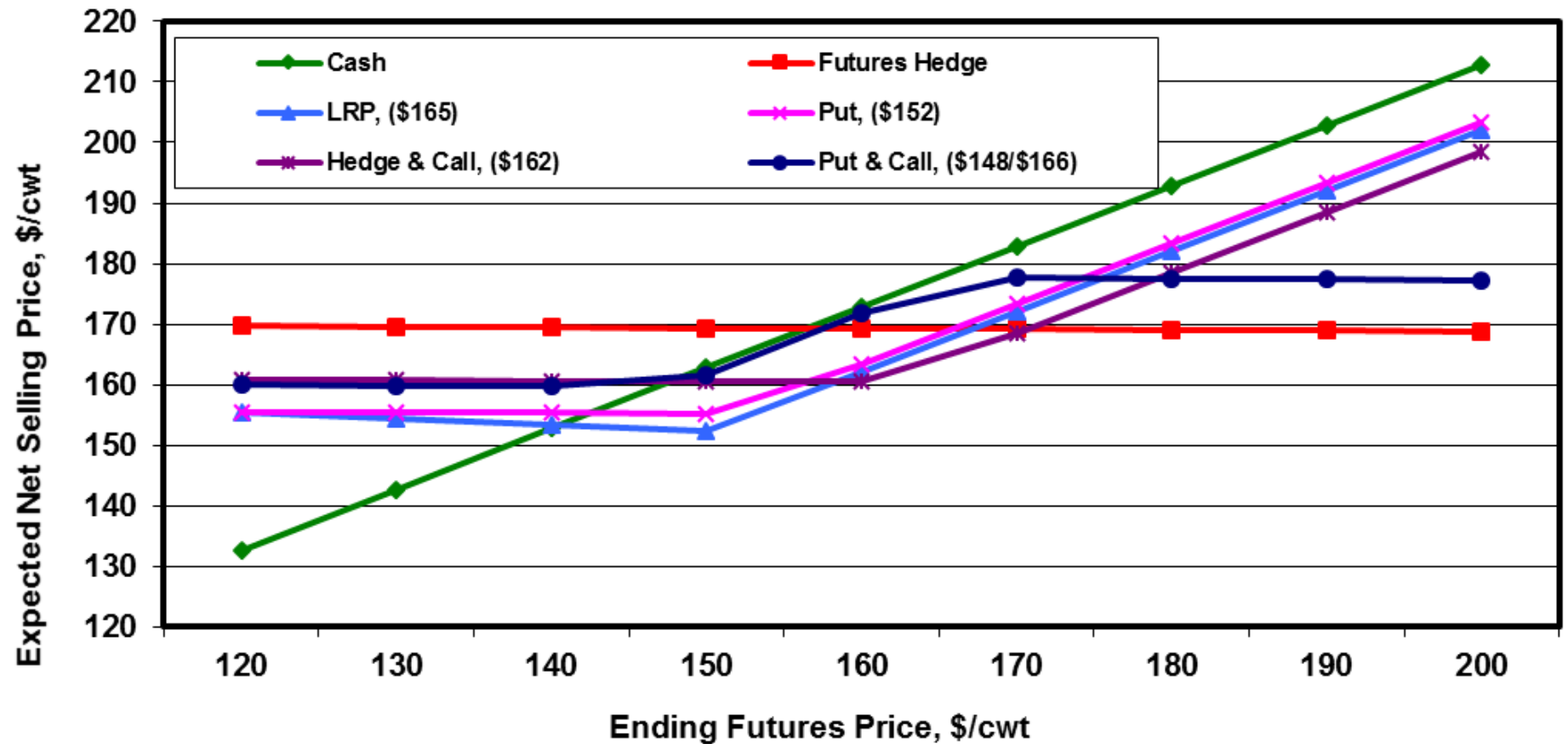
- Salina, KS 1/25/16 situation:
 - Sell 550 lb calves on 9/16/16 (\$169.44)
- Considering price protection on Sept sale
 - Or for stocker/feedlots consider for buy in Sept
 - **USE: *FeederCattleRiskMgmtTool.xlsx***

Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

- Case of 90 hd @ 550 lbs =
 - Compare alternatives:
 - a) 90 hd on LRP, b) 1 FC Futures Contract (+/- 91 hd per contract), c) 1 FC Options Contract or d) Cash
 - SEPT FC: \$156.675 & Exp. Basis: \$12.76 (Exp. Cash = \$169.44)
 - LRP Coverage Price: \$165.34 & Premium: \$10.736
 - SEPT Put Option @ \$152.00: \$9.35 premium

Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

Comparison of Alternative Expected Net Selling Prices



Cow-Calf Output Price Hedging Considerations (as of 1/25/16)

	Futures	LRP	Put	Call	Put	Call
Number of contracts	1	90	1	1	1	1
Strike price(s), \$/cwt		\$165.34	\$152.00	\$162.00	\$148.00	\$166.00
Premium, \$/cwt		\$10.736	\$9.350	\$8.675	\$7.850	\$6.925

Expected Net Selling Prices						
Futures price	Cash	Hedge	LRP	Put	Hedge & Call	Put & Call
\$120.00	\$132.76	\$169.68	\$155.36	\$155.52	\$160.86	\$159.93
\$130.00	\$142.76	\$169.58	\$154.36	\$155.42	\$160.76	\$159.83
\$140.00	\$152.76	\$169.48	\$153.36	\$155.32	\$160.66	\$159.72
\$150.00	\$162.76	\$169.38	\$152.36	\$155.21	\$160.56	\$161.70
\$160.00	\$172.76	\$169.28	\$162.02	\$163.25	\$160.46	\$171.70
\$170.00	\$182.76	\$169.18	\$172.02	\$173.25	\$168.38	\$177.60
\$180.00	\$192.76	\$169.08	\$182.02	\$183.25	\$178.38	\$177.50
\$190.00	\$202.76	\$168.98	\$192.02	\$193.25	\$188.38	\$177.40
\$200.00	\$212.76	\$168.88	\$202.02	\$203.25	\$198.38	\$177.30
\$10.00	<= futures price increment				Signifies maximum price in row	

More information available at:



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