

# Livestock Price Insurance: Tips from a Beef Producer

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MANAGING CATTLE PRICE RISK DURING COVID 19

WEBINAR – JUNE 2, 2020  
AT 7:30



# Tyler Fulton – Tyton Farm Ltd

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Beef Producer from Birtle, Manitoba

- 600 Cow/calf operation and typically background the calves
- Manitoba Beef Producers District 7 Director and First Vice-President

Work part-time for H@MS Marketing Co-op – Director of Risk Management

- 20 years of experience
- Develop tools and strategies to help hog producers manage price risk



# COVID 19 Beef Market Factors

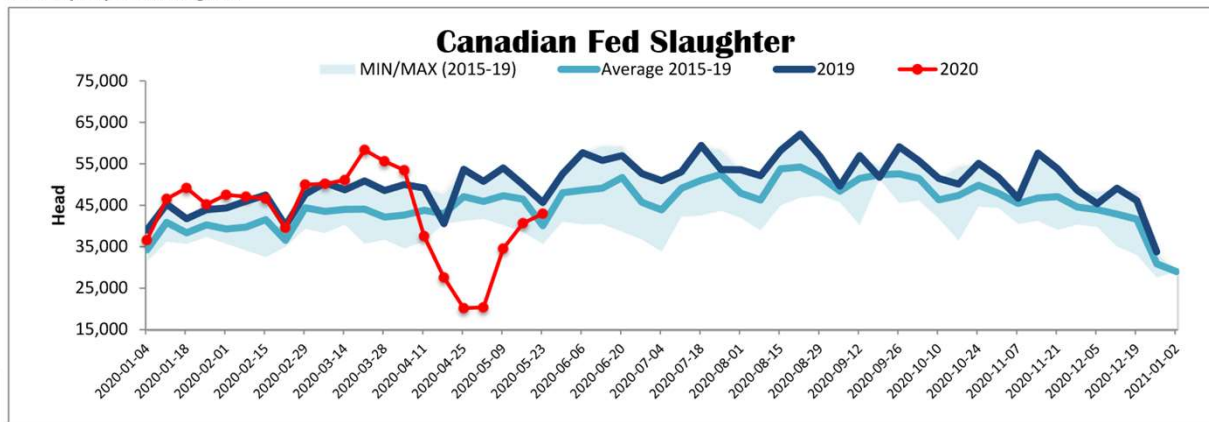
## Bullish Factors

- Exceptional 'at home' beef consumption
- Packers are recovering and have strong incentives

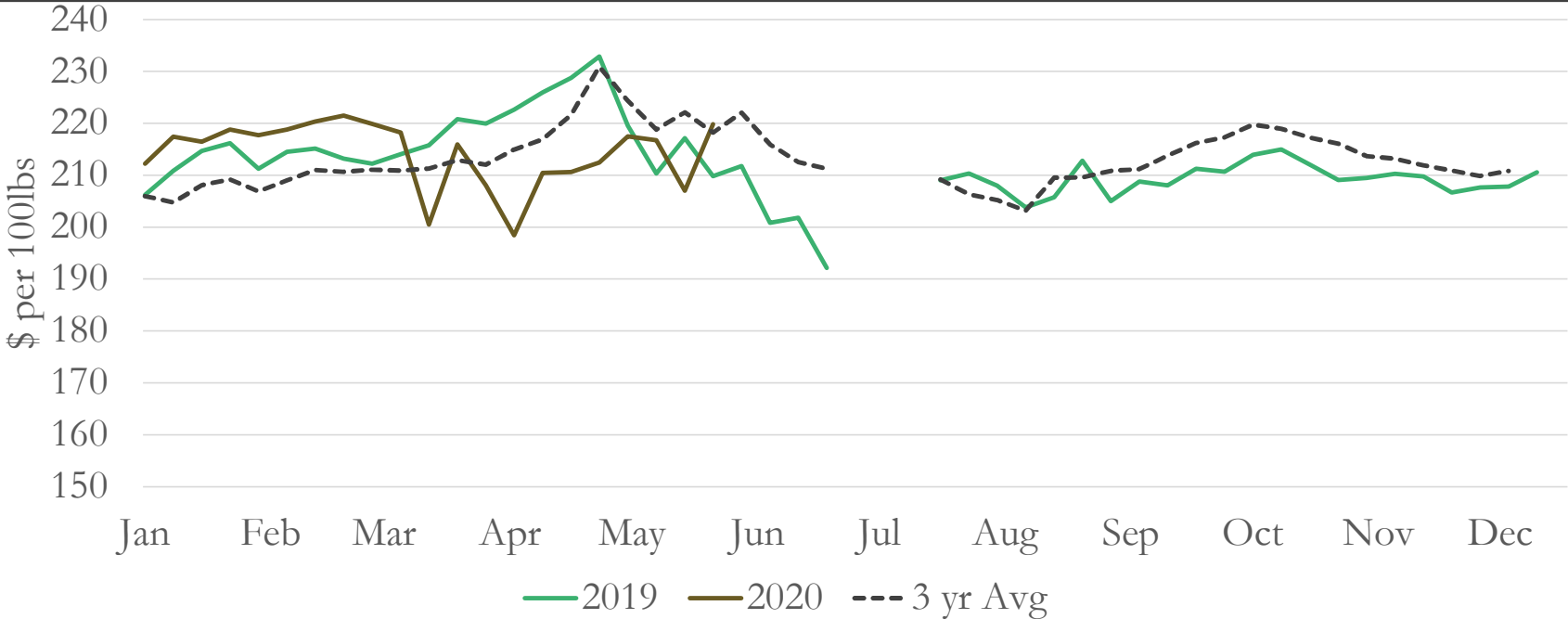
## Bearish Factors

- Backlog of 150,000 market ready cattle
  - Live cattle exports are down 12%
  - Beef exports down 8%
- High Valued, Middle Meat cuts are predominantly consumed in Restaurants
  - Restaurant sales are still down more than 20%
- Economic recovery will take months/years and this impacts meat demand

Year to Date for the Week Ending May 23, 2020  
Federally Inspected Slaughter



# Sask Calf Prices – 600lb



Source: Canfax

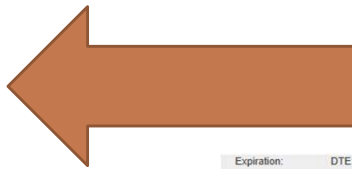


# WLPPIP – How it works?

## WCPIP-Calf SaskMan Premium Table as of : 28-May-2020

Note: These premiums and coverage levels change on a daily basis.

Insured Index (\$/cwt)	Premium (\$/cwt)			
	16 weeks 21-Sep-2020	20 weeks 19-Oct-2020	24 weeks 16-Nov-2020	28 weeks 14-Dec-2020
212	6.41			
210	5.90			
208	5.43	6.69		
206	5.01	6.22		
204	4.63	5.65	6.78	
202	4.24	5.14	6.13	
200	3.92	4.66	5.54	7.06
198	3.61	4.27	4.96	6.45
196	3.36	3.95	4.49	5.74
194	3.08	3.49	4.03	5.16
192	2.78	3.13	3.61	4.65
190	2.57	2.86	3.22	4.13
188	2.32	2.65	2.93	3.69
186	2.12	2.48	2.55	3.24
184	2.02	2.24	2.36	2.84
182		2.03	2.22	2.50
180		1.87	2.06	2.26
178			1.84	2.08
176			1.69	2.00
174				1.83
172				1.74



# Calf Policy Example

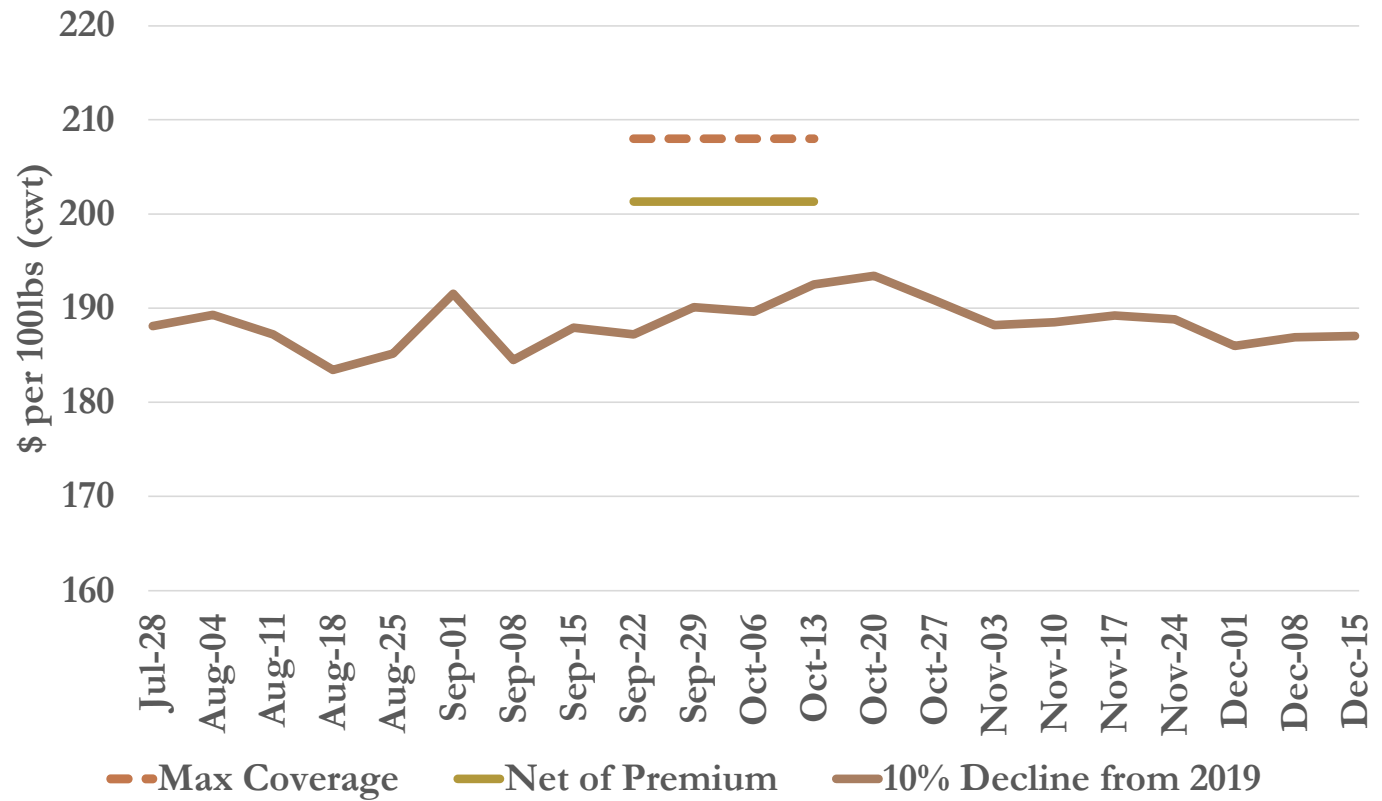
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- ❑ A Rancher in Manitoba runs a 200 head Cow/calf operation
- ❑ The ranch typically sells their calves just after Thanksgiving and does not intend on keeping any replacement heifers
- ❑ In order to mitigate some market price risk, they decide to purchase a Calf policy in the Spring of 2020 to cover their steer calves (100 head).
  - ❑ Their average weight at shipping is normally 600 pounds or 6 hundred weights (cwt)
  - ❑ The size of their policy is calculated as follows:  $100 \text{ steers} \times 600\text{lbs} = 60,000\text{lbs}$  or 600 cwt
- ❑ Let's explore different Scenarios to help evaluate the relative value of a calf policy

# May 28 – Current Coverage Scenario

WCPIP-Calf  
SaskMan Premium Table as of : 28-May-2020  
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182		2.03	2.22	2.50
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178			1.84	2.08
176			1.69	2.00
174				1.83
172				1.74



Rancher:

Buys a 20 week, 208 policy for \$6.69

Sells steers on October 6 for \$190/cwt and claims his policy

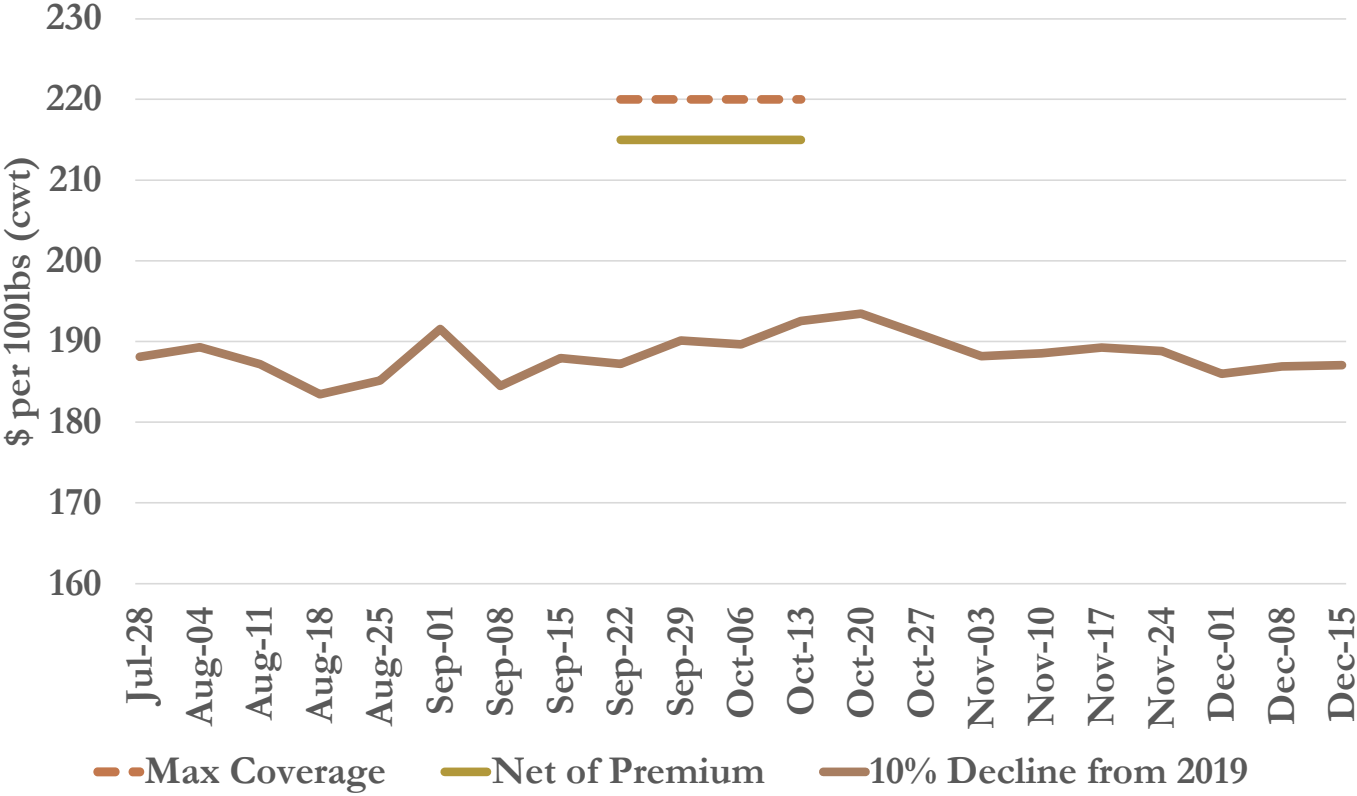
Earns \$8.73/cwt and receives \$5,238 or about \$52 per calf

# Feb 4 – Best Coverage in 2020

WCPIP-Calf Print Close  
 SaskMan Premium Table as of : 19-Feb-2020  
 Note: These premiums and coverage levels change on a daily basis.

Insured Index (\$/cwt)	Premium (\$/cwt)	
	32 weeks 05-Oct-2020	36 weeks 02-Nov-2020
220	4.99	5.92
218	4.34	5.09
216	3.65	4.29
214	3.11	3.62
212	2.54	2.89
210	2.10	2.30
208	1.69	1.88
206	1.33	1.41
204	1.04	1.05
202	0.82	0.79
200	0.72	0.69
198	0.61	0.61
196	0.55	0.54
194	0.49	0.48
192	0.44	0.42

Rancher:  
 Buys a 32 week, 220 policy for \$4.99  
 Sells steers on October 6 for  
 \$190/cwt and claims his policy  
 Earns \$25.00/cwt and receives  
 \$15,000 or about \$150 per calf





# Apr 2 – Worst Coverage in 2020

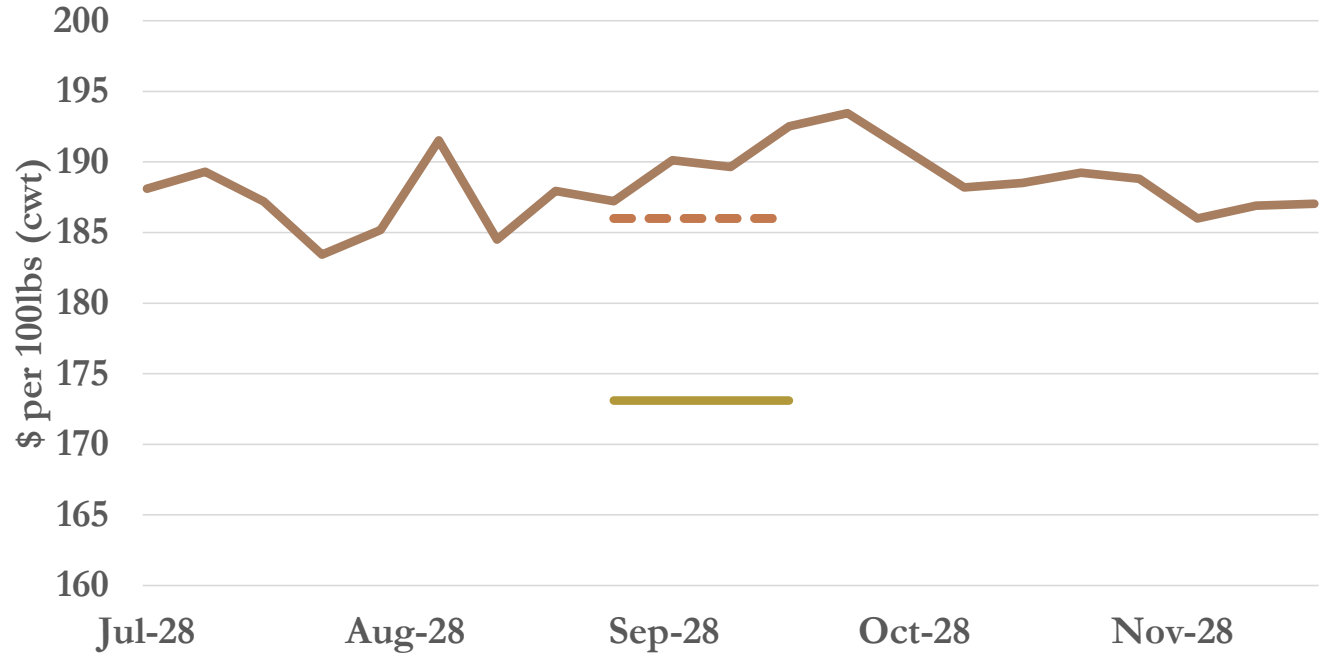
WCPIP-Calf

SaskMan Premium Table as of : 02-Apr-2020

[Print](#) [Close](#)

Note: These premiums and coverage levels change on a daily basis.

Insured Index (\$/cwt)	Premium (\$/cwt)			
	24 weeks 21-Sep-2020	28 weeks 19-Oct-2020	32 weeks 16-Nov-2020	36 weeks 14-Dec-2020
188	13.10			
186	12.48	12.89		
184	11.75	12.08	13.20	
182	11.00	11.28	12.40	13.68
180	10.30	10.53	11.50	12.59
178	9.61	9.73	10.78	11.71
176	9.03	9.14	10.03	11.05
174	8.41	8.45	9.27	10.02
172	7.88	7.82	8.64	9.37
170	7.33	7.20	8.04	8.43
168	6.94	6.78	7.33	7.85
166	6.59	6.38	6.73	7.16
164	6.28	6.03	6.41	6.55
162	5.99	5.73	6.17	6.19
160	5.52	5.46	5.75	5.88
158		5.19	5.49	5.58
156			5.19	5.34
154				5.00



Rancher:

Buys a 28 week, 186 policy for \$12.89/cwt

Sells steers on October 6 for \$190/cwt and there is no claim

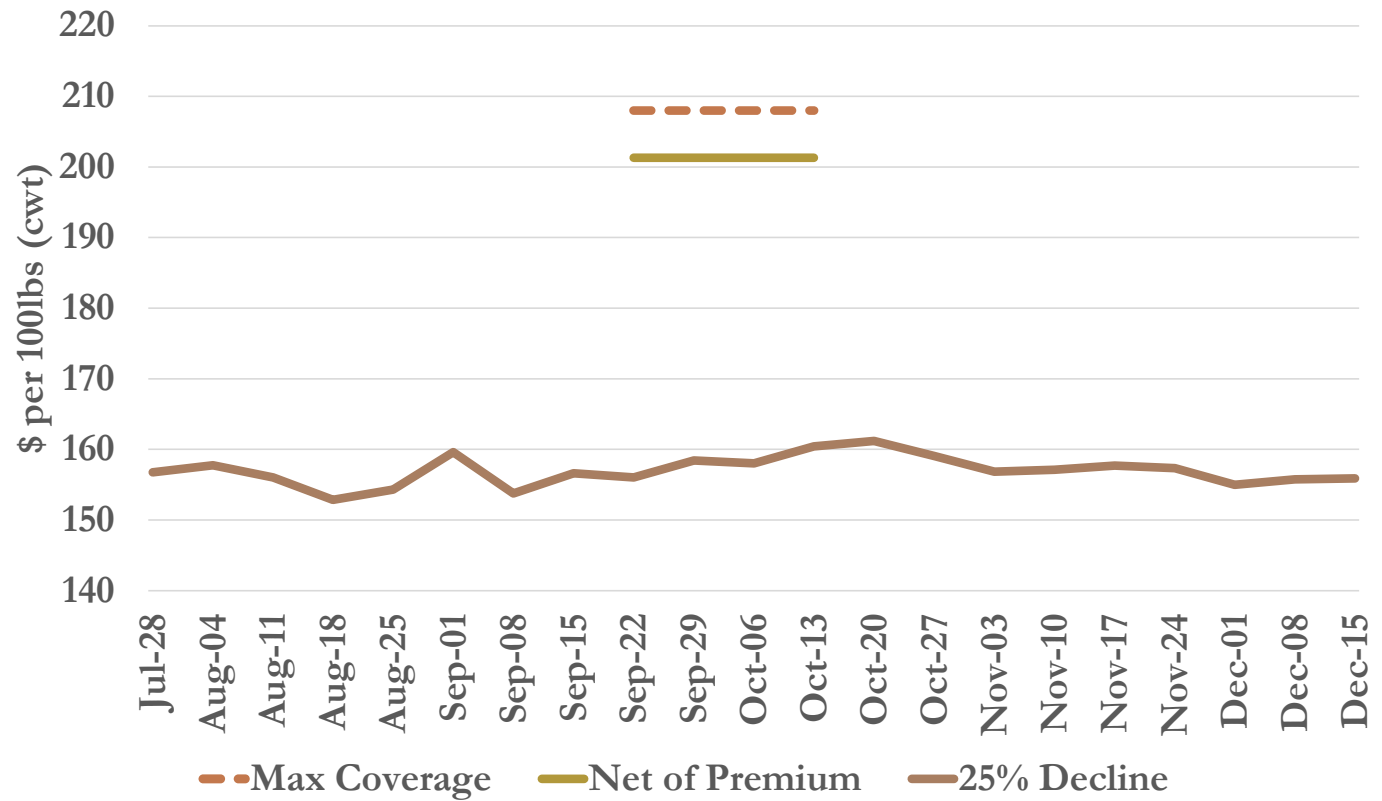
Earns nothing on the policy and receives the market price for calves

--- Max Coverage    — Net of Premium    — 10% Decline from 2019

# May 28 – Market price falls 25% from 2019

WCPIP-Calf  
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182		2.03	2.22	2.50
180		1.87	2.06	2.26
178			1.84	2.08
176			1.69	2.00
174				1.83
172				1.74



Rancher:

Buys a 20 week, 208 policy for \$6.69

Sells steers on October 6 for \$158/cwt and claims his policy

Earns \$43.31/cwt and receives \$25,986 or about \$260 per calf

# Tips to Help Manage Price Risk

- ❑ Take time to review Cattle and Beef market news on a regular basis
  - ❑ Canfax and Cattlefax
  - ❑ Daily Livestock Report
  - ❑ Twitter
- ❑ Develop a Plan that sets target coverage levels and premiums where you will take action
  - ❑ Market View – What's the probability the market will go higher vs lower
  - ❑ Risk Tolerance – Farmers are risk takers, but individuals vary and this can be a way to manage stress
  - ❑ Financial situation – New farmers/ranchers and those that have recently made large investments can be highly leveraged that could put their operations at greater risk of financial failure
- ❑ Stay Disciplined to your plan
  - ❑ Record what decision you made and why you made it, it will help you minimize the regret that you will inevitably feel and help you learn from your mistakes

## WCPIP-Calf

### SaskMan Premium Table as of : 02-Jun-2020

Note: These premiums and coverage levels change on a daily basis.

Insured Index (\$/cwt)	Premium (\$/cwt)			
	16 weeks 28-Sep-2020	20 weeks 26-Oct-2020	24 weeks 23-Nov-2020	28 weeks 21-Dec-2020
206	7.07			
204	6.53			
202	6.03	7.41		
200	5.65	6.75		
198	5.16	6.16		
196	4.79	5.65	6.98	7.41
194	4.40	5.17	6.45	6.72
192	4.08	4.74	5.83	6.14
190	3.77	4.32	5.26	5.47
188	3.52	3.94	4.74	4.92
186	3.24	3.47	4.22	4.44
184	2.93	3.13	3.82	3.95
182	2.73	3.02	3.42	3.53
180	2.47	2.79	3.07	3.12
178	2.27	2.47	2.73	2.73
176		2.37	2.52	2.56
174		2.17	2.34	2.31
172			2.20	2.14
170			2.04	2.06
168			1.83	1.92