

Funding of AMS Cattle Price Reporting

January 2010

This paper provides a brief overview of the issues surrounding the funding for “official” cattle price reporting at both the Pratt and Salina Livestock Auctions. The primary issue is that State budget cuts in FY09 eliminated State funding for these two auctions. A temporary fix was implemented to continue coverage for FY10 but there is the potential for elimination in FY11.

Background

Most livestock auctions will advertise any known consignments prior to a sale in order to maximize the number of potential buyers and then will also likely provide a summary sheet of the weights and prices of animals sold. While this summary sheet, which is often tied to an advertisement, can be helpful to sellers as an indicator of animal value, it should not be confused with an official, USDA-AMS based, Market Report. USDA-AMS Market Reports are created by trained price reporters who take into account not only the weight and price received but the grade and condition of the animal, providing a more accurate and unbiased indicator of animal value.

Only feeder cattle price data from USDA-AMS Market Reports are used to calculate and track feeder cattle basis data at sites such as BeefBasis.com for use by producers, hedgers and academics analyzing and managing feeder cattle price risk.

Additionally, only official USDA-AMS based, Market Reports are used when developing the CME Feeder Cattle Index, which is a seven-day weighted average index of feeder cattle sales in several hundred markets throughout the Midwest and western U.S. for 650-849 lb. medium and large frame, #1-2 feeder steers. The CME Feeder Cattle Index is both the underlying cash price for the CME Feeder Cattle Futures contract and the price used when calculating indemnities for producers using Livestock Risk Protection (LRP) insurance policies.

In Kansas, there are three feeder cattle auctions, along with a summary of direct sales that are officially reported by trained price reporters, Winter Livestock, Dodge City; Pratt Livestock, Pratt; and Farmers and Ranchers, Salina. Below is a report from the Farmers and Rancher Livestock Auction as an example.

DC_LS754

Dodge City, KS Wed Jan 6, 2010 USDA-KS Dept Ag Market News

Farmers & Ranchers Livestock commission Co., Salina, Kansas
Feeder Cattle Weighted Average Report for 01/05/2010

Receipts: 3121 Last sale: 12/17/09 5784 Year Ago: 2600

Compared to last week: First sale of the 2010 season. All steers and heifers were farm and ranch raised, weaned at least 30 days, having had their vaccinations, and all heifers were guaranteed open. Feeder supply 66 percent steers and 34 percent heifers.

Feeder Steers Medium and Large 1					
Head	Wt Range	Avg Wt	Price Range	Avg Price	
9	414	414	125.00	125.00	
37	471-493	482	114.00-120.00	118.54	
35	507-527	514	113.00-116.00	113.97	
42	550-565	559	108.50-113.50	110.12	
213	602-637	619	98.25-103.50	101.48	
415	653-698	674	95.00-100.25	97.65	
377	705-749	728	94.00-100.00	97.81	

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179	757-793	778	93.75-98.25	96.84
183	801-848	813	93.75-95.85	95.11
73	857-892	860	89.25-95.00	94.43

Feeder Steers Medium and Large 1-2

Head	Wt Range	Avg Wt	Price Range	Avg Price
5	442	442	116.00	116.00
52	506-545	519	106.00-112.50	111.40
77	556-598	589	97.00-105.00	103.21
30	610-648	621	95.00-96.00	95.73
28	670-687	682	95.00-95.50	95.14
36	710-720	712	93.00-94.00	93.83
59	764-796	788	91.00-94.75	94.11
25	805-842	828	88.00-91.85	91.36

Feeder Steers Medium and Large 2

Head	Wt Range	Avg Wt	Price Range	Avg Price
11	466-482	476	107.50-110.00	109.11
13	503-527	513	99.50-103.00	100.68
6	555	555	92.00	92.00
60	612-647	634	88.50-94.50	90.05
12	658-665	662	87.00-88.75	87.88
13	715	715	90.00	90.00

Feeder Heifers Medium and Large 1

Head	Wt Range	Avg Wt	Price Range	Avg Price	
14	428-433	429	106.00-107.00	106.29	
64	461-499	482	102.00-105.00	104.07	
61	518-541	533	97.50-102.00	98.55	
87	550-574	565	92.25-99.00	94.17	
222	600-649	620	88.00-92.50	90.39	
161	650-687	677	87.00-92.00	89.99	
56	709-746	718	86.00-92.00	89.58	
127	702-735	718	95.00-100.00	98.67	Replacement
29	760-794	789	86.00-90.00	89.47	
48	807-809	808	86.50-89.50	88.50	

Feeder Heifers Medium and Large 1-2

Head	Wt Range	Avg Wt	Price Range	Avg Price
10	412-445	435	97.00-103.00	101.30
7	486-490	488	97.00-101.00	99.28
10	533-534	533	92.00-94.00	93.20
54	561-588	575	88.00-91.75	90.55
27	617-646	630	85.00-86.75	85.19
21	652-653	652	82.50-85.00	84.28
8	721-728	724	82.50-83.00	82.69

Source: USDA-KS Dept of Ag Market News, Dodge City, KS
 Dena Tabor - Rich Hruska OIC, 620-227-8881
 24 hour Market News 620-365-9311
www.ams.usda.gov/mnreports/DC_LS754.txt
 The Farmers and Ranchers Livestock Report is provided by
 Kansas Dept of Ag with technical oversight from USDA AMS

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Funding for these unbiased reports has historically been provided through a federal/state partnership with additional financial assistance provided by the Chicago Mercantile Exchange. Originally, reporting for the Dodge City sale has been federally funded by USDA-AMS and handled out of the AMS Office in Dodge City. Reporting for both the Salina and Pratt sales have been funded by state funds through a cooperative agreement with the Kansas Department of Agriculture (KDA) and the National Agricultural Statistics Service (NASS). Through this agreement, NASS is considered the Statistics Division within KDA.

Budget Woes – Kansas Department of Agriculture budget cuts that occurred in July of 2009 (FY10) resulted in the elimination of state-based funding for the Salina and Pratt cattle sales. Official feeder cattle price reporting has continued though, by way of a “one year fix” that includes:

- a) Additional AMS dollars supporting one cattle sale.
- b) The reassignment of a state employee to report on the other sale; with
- c) NASS federal dollars funding the mileage of the state-based reporter.

The “one year fix” ends on June 30, 2010. For one of the auctions, NASS federal dollars will continue into FY 2011 to pay the State employee’s mileage and through the cooperative agreement between NASS and KDA, the state employee will continue to collect the auction data. However, this option may not continue if there are further Kansas Department of Agriculture budget cuts in 2010 or 2011. If there are further state budget cuts to the Statistics Division of KDA, those cuts will likely mean the elimination of jobs. The job for the state employee currently doing one of the auctions would be at risk, and if this position is eliminated; the auction coverage would also be eliminated at that time. For the second auction, there is nothing currently in place to continue the AMS dollars into FY 2011 (e.g. after June 30, 2010).

The table below compares the number of USDA-AMS reported feeder cattle auctions in Kansas relative to the four states surrounding Kansas; focusing on the number of reporting locations in each state that had at least three feeder cattle sales during the month of March, 2009 and the number of beef cows in the state as of January 1, 2009. **Note that Kansas is already the least represented state of the five and if funding is cut, Kansas feeder calf price representation will be even less.**

State	Auctions	Beef Cows (1,000’s of head)	Cows/Auction
Kansas	4	1,508	377
Colorado	3	720	240
Nebraska	6	1,851	309
Missouri	19	1,992	105
Oklahoma	9	2,038	226

Some would argue that it is vital that Kansas continue to provide price reporting for those two auctions. Not only will we lose the data (for analysis and basis estimating) but Kansas input into the CME Feeder Cattle Index will be cut in half.

Should Kansas Farm Bureau strongly advocate for the continued funding of these two cattle auctions?

If so, should that funding come at the expense of other state programs or should alternative funding solutions be developed (possible sources being the sale barns themselves or more likely, farmers and ranchers)?