

Crush Margin App -Assumptions and Calculations for Market Cattle

The crush margin is the value of a 1400 market steer minus the value of the feeder steer and value of corn used to finish either a 600, 800 or 1000 lb. feeder.

85 bu. of corn for 600 lb. feeder, 64 bu. of corn for 800 lb. feeder, 42 bu. of corn for 1000 lb. feeder

For more background and historical weekly crush margins go to:

<http://www2.econ.iastate.edu/margins/>

Assumed or user input prices for the crush margin application

Futures prices taken from the previous day's Chicago Mercantile Exchange (CME) Settle Price for that contract

Basis values- The basis values can be input by the user or the average basis values for the appropriate contract months from historical basis will be used. Basis value is added to the futures contract price. Average basis values used are from ISU Extension Economics.

<http://www.extension.iastate.edu/agdm/livestock/html/b2-42.html>

<http://www.extension.iastate.edu/agdm/livestock/html/b2-43.html>

or the link on the Crush margin app link

<http://www.iowabeefcenter.org/Crush/CattleCrushBasisInfo.pdf>

Market steer price – Basis adjusted appropriate futures contract price for live cattle. 4, 6 or 8 months from placement for 1000, 800, or 600 lb feeder.

Feeder cattle price - Either your input price per cwt. or basis adjusted appropriate futures contract price for feeder cattle.

Corn price- Either your input price per bu. or the basis adjusted appropriate futures contract price at placement of the feeder

Basic Crush Margin Formulas using basis adjusted futures contract prices :

Crush Margin =

For 600 lb feeders –

14 x CME live cattle price for contract month 8 months from placement-

6 x CME feeder cattle price for appropriate contract at feeder placement –

85 x CME corn price for appropriate contract at feeder placement

For 800 lb feeders

14 x CME live cattle price for contract month 6 months from placement –

8 x CME feeder cattle price for appropriate contract at feeder placement –

64 x CME corn price for appropriate contract at feeder placement

For 1000 lb feeders –

14 x CME live cattle price for contract month 4 months from placement –

10x CME feeder cattle price for appropriate contract at feeder placement –

42 x CME corn price for appropriate contract at feeder placement