



Calculating Target and Market Prices

2016 Information Sheet

Risk Management Program

Risk Management Program (RMP) for livestock includes the following four plans:

- RMP: Cattle
- RMP: Hogs
- RMP: Sheep
- RMP: Veal

Complete details about all four RMP for livestock plans are available on agricorp.com and in the participant handbook and accompanying information sheets. See the last page for more information.

Calculating the target price

The target price is based on cost of production data and is taken from both industry records and Agricorp's AgriStability database. Farms in the AgriStability database are included in the sample if they:

- Participated in AgriStability two years prior to the program year.
- Earned at least 80 per cent of their AgriStability allowable income from the sale of applicable livestock.
- Submitted all required income, expense and inventory information to AgriStability for the applicable years.

The highest cost producers (with production costs in the top 30 per cent) on a per unit basis are removed from the sample, which is consistent with how the cost of production is calculated for many supply-managed commodities in Ontario.

Support levels

Support levels are equal to the target price (average cost to produce the animal) multiplied by your selected coverage level of 80, 90 or 100 per cent. The payment summaries mailed to producers will show the individual support levels for the calculation period.

For full particulars on calculating the target price, please refer to the program guidelines.

Cattle plan

Livestock purchase costs

Purchase costs of replacement animals are determined separately for each cattle category.

For cow-calf, purchase cost data is taken from the AgriStability program year, two years prior to the program year indexed forward to the program year using changes in the Eastern Canada Animal Production Farm Input Price Index.

For backgrounder and feedlot cattle, purchase cost is based on the cost of purchasing an average-sized steer or heifer using the average of weekly CANFAX prices for Alberta, Saskatchewan and Manitoba for 24 to 28 weeks before the payment period plus a transportation cost of \$0.1333 per pound.

Feed costs

For cow-calf, feed cost data is taken from the AgriStability program year, two years prior to the program year indexed forward to the program year, using changes in the Eastern Canada Animal Production Farm Input Price Index.

For backgrounder steers, assume 133 calendar days on pasture at 1.9 pounds per calendar day of gain and a cost of \$0.5424 per pound gained plus feed costs assuming 42 pounds of feed per calendar day based on an as fed intake with 94 per cent corn silage and 6 per cent concentrate and 46 calendar days on feed. For backgrounder heifers, assume 133 calendar days on pasture at 1.7 pounds per calendar day of gain and a cost of \$0.5424 per pound gained plus feed costs assuming 39 pounds of feed per calendar day based on an as fed intake with 94 per cent corn silage and 6 per cent concentrate and 65 calendar days on feed.

For feedlot steers, the cost of feed is based on the average cost over 26 weeks to feed 1,802.4 pounds of corn silage, 3,715.4 pounds of corn, 964.9 pounds of distillers dried grain and 272.4 pounds of concentrate to take a steer from 900 to 1,500 pounds at 3.25 pounds of gain per day. For feedlot heifers, the cost of feed is based on the average cost over 26 weeks to feed 1,817 pounds of corn silage, 3,749 pounds of corn, 974 pounds of distillers dried grain, and 275 pounds of concentrate to take a heifer from 850 to 1,400 pounds at 3.01 pounds of gain per day.

Feed prices

The price of corn silage is based on the weekly number 2 yellow Chatham Ontario corn price as reported by Ridgeway Campus's Farm Market News adjusted to include a \$15 per tonne transportation cost multiplied by 0.1616 to represent the value of corn silage on a weekly basis. The weekly corn silage price is then averaged over the appropriate weeks on feed for the respective cattle category.

The price of corn is based on the weekly number 2 yellow Chatham Ontario corn price as reported by Ridgeway Campus's Farm Market News adjusted to include a \$15 per tonne transportation cost. The weekly corn price is then averaged over the appropriate weeks on feed for the respective cattle category.

The price of distillers dried grain is based on the weekly distillers dried grain price as reported by Ridgeway Campus's Farm Market News adjusted to include a \$30 per tonne transportation cost. The weekly distillers dried grain price is then averaged over the appropriate weeks on feed for the respective cattle category.

The price of concentrate is based on the weekly soymeal price as reported by Ridgetown Campus's Farm Market News multiplied by 1.43. The weekly soymeal price is then averaged over the appropriate weeks on feed for the respective cattle category.

Hog plan

Livestock purchase costs

Purchase costs of replacement animals are calculated separately for each hog category.

For hogs, purchase cost is based on the average cost of purchasing a 7 kilogram early wean or a 25 kilogram feeder, calculated weekly.

Feed costs

For early wean hogs, feed costs are based on 1,100 kilograms of feed on an as-fed basis per sow consisting of 78.55 per cent corn, 16.06 per cent soymeal and 5.39 per cent premix.

For feeders, costs are based on 32 kilograms of feed on an as-fed basis per hog consisting of 63.95 per cent corn, 22.74 per cent soymeal, and 13.31 per cent premix.

For grower/finishers, costs are based on a feed conversion of 2.8 and the Ontario average market dressed weight for the week converted to live weight less the 25 kilograms starting weight per grower/finisher on an as-fed basis consisting of 78.95 per cent corn, 17.65 per cent soymeal, and 3.4 per cent premix.

The price of corn is based on Ontario feed corn prices as reported by Ridgetown Campus's Farm Market News on a weekly basis. The weekly corn price is then averaged over the appropriate weeks on feed for the applicable hog category.

The price of soymeal is based on the soymeal price as reported by Ridgetown Campus's Farm Market News on a weekly basis plus a \$20 per tonne transportation cost. The weekly soymeal price is then averaged over the appropriate weeks on feed for the applicable hog category.

Sheep plan

Livestock purchase costs

For sheep, purchase cost data is taken from the AgriStability program year, two years prior to the program year indexed forward to the program year, using changes in the Eastern Canada Animal Production Farm Input Price Index.

Feed costs

For lambs, feed cost data is taken from the AgriStability program year, two years prior to the program year indexed forward to the program year, using changes in the Eastern Canada Animal Production Farm Input Price Index.

Veal plan

Livestock purchase costs

For veal, purchase cost is based on the average weekly price of fancy to good calves from the Ontario Live Auction Report, 32 weeks prior to sale.

Feed costs

For veal, feed costs are based on the average cost over 32 weeks to feed a calf 745 kilograms of corn, 246.25 kilograms of soybean meal and 28.25 kilograms of milk replacer formula, plus \$25 per head to account for supplements.

The price of corn is based on the weekly number 2 yellow Chatham Ontario corn price adjusted to include a \$15 per tonne transportation cost. The weekly corn price is then averaged over the appropriate number of weeks on feed for the veal category. The price of concentrate is based on the weekly soymeal price as reported by Ridgetown Campus's Farm Market News, multiplied by 1.12 and adjusted to include a \$20 per tonne transportation cost. The weekly soybean price is then averaged over the appropriate number of weeks on feed for the veal category.

Yardage

Yardage consists of the non-animal and non-feed costs incurred by a farmer in producing livestock. The yardage calculation includes all expenses claimed by a farmer for income tax purposes other than livestock purchases, feed purchases, family labour costs, inventory adjustments and direct crop production costs. Yardage costs are taken from the AgriStability program year, two years prior to the program year indexed forward to the program year, using changes in the Eastern Canada Animal Production Farm Input Price Index.

Yardage also includes a per animal labour cost based on the earnings of a skilled equipment operator for a full-time farm of a typical representative size for each livestock category.

Market price data

Market prices for each livestock category are collected and calculated by OMAFRA using the frequency and data sources shown below under each livestock plan.

The payment calculation summaries mailed to producers will show the livestock market prices for the calculation period.

For full particulars of market price data, please refer to the program guidelines.

Cattle plan

Cattle category	Frequency	Data source
Cow-calf	Twice per year: • Jan 1 – June 30 • July 1 – Dec 31	For steers and heifers, the sum of: • Weighted average of the weekly 500–599 lb. large and medium frame steer price and heifer price (as reported by the Beef Farmers of Ontario for these two periods in the program year) • \$25 per head adjustment to reflect cattle sold at higher value sales
Backgrounder	Weekly, at end of business day each Friday	For steers: • Weekly weighted average 900–999 lb. large and medium frame steer price* For heifers: • Weekly weighted average 800–899 lb. large and medium frame heifer price*
Feedlot	Weekly, at end of business day each Friday	For steers: • Weekly weighted average large and medium frame 1,250+ lb. steer price* For heifers: • Weekly weighted average large and medium frame 1,000+ lb. heifer price*

*as reported by the BFO for each week of the program year

Hog plan

Hog category	Frequency	Data source
Early wean	Weekly, determined on sale date	Calculated using the following formula weighted equally (1/3, 1/3, 1/3): 1. Per cent of cost of production for producing an early wean pig to 7 kg for the week \times 100% formula price* \times seasonal factor 2. 26% of the 100% formula price* 3. USDA early wean pig value (US\$/pig) minus \$2 per animal for transportation converted to Canadian dollars
Feeder	Weekly, determined on sale date	Calculated using the following formula weighted equally (1/3, 1/3, 1/3): 1. Per cent of cost of production for producing a feeder hog to 25 kg for the week \times 100% formula price* \times seasonal factor 2. 41.25% of the 100% formula price* 3. USDA 40 lb. pig value (US\$/pig) plus $(\$0.35 \times 15 \text{ lb.})$ minus \$3.50 per animal for transportation, converted to Canadian dollars
Grower/finisher	Weekly, determined on slaughter date	Calculated using: $100\% \text{ formula price}^* \times 1.095 \text{ index} \times \text{Ontario average market dressed weight for the week}$

*100% formula price means the weekly average price calculated using the Ontario Base Price Formula as calculated by Ontario Pork.

For operations with more than one category (e.g., farrow to finish, early wean to finish, or farrow to feeder), market prices for the categories prior to the sale category will be determined as follows:

For farrow to feeder operations, the early wean price will be seven weeks prior to the feeder sale date.

For early wean to finish operations, the feeder price will be 13 weeks prior to the slaughter date.

For farrow to finish operations, the early wean price will be 20 weeks prior to the slaughter date, and the feeder price will be 13 weeks prior to the slaughter date.

Sheep plan

Market prices for lambs will be collected weekly and calculated by OMAFRA six times per year following each two-month payment period. The market price for lambs is calculated using the following steps:

1. Obtain the weekly prices for a 100 pound lamb.

Use the reported OSMA weekly weighted average market price for the 65 – 79 pound category that is reported in hundredweight (based on the Ontario Stockyards Inc., Ontario Livestock Exchange, Brussels Livestock and Embrun Livestock Exchange Ltd.).

2. Calculate the weekly prices for a 75 pound lamb.

Multiply the weekly prices obtained in step 1 by 75 per cent to get the price for a 75 pound lamb.

3. Determine the market price for the two-month payment period.

Total all the weekly prices from step 2 for the two-month payment period and divide by the number of weeks to obtain the average weekly price for each two-month payment period (e.g., Jan-Feb, Mar-Apr, etc.).

Veal plan

Veal	Frequency	Data source category
Grain-fed and milk-fed	Weekly	The average over 600 lb. price from the Ontario Veal Association Weekly Market Information Report

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- RMP: Cattle
- RMP: Hogs
- RMP: Sheep
- RMP: Veal

Complete details about all four RMP for livestock plans are available on agricorp.com and in the participant handbook and accompanying information sheets, described below:

- **RMP for Livestock Participant Handbook** –
The participant handbook outlines what you need to know about the RMP for livestock plans, how to enrol and your responsibilities as a participant. The participant handbook applies starting with the 2015 program year and will continue to apply for subsequent program years, until it is cancelled, amended or replaced. You should retain the participant handbook as it will not be updated annually. If there is any conflict between the participant handbook and an information sheet, the information sheet takes precedence.
- **Rates, Dates and Program Changes Information Sheet** –
This information sheet works as part of your participant handbook to provide details specific to the program year, and is updated annually. You will receive the information sheet when you enrol in the program and with your annual renewals. It is also available on agricorp.com.
- **Calculating Target and Market Prices Information Sheet** –
This information sheet shows how the target and market prices for the RMP for livestock plans are set and is a complementary document to the participant handbook. The data is specific to the program year and is updated annually. You can find the information sheet on agricorp.com or request a copy by calling Agricorp.

For full particulars of RMP terms and conditions, refer to the documents listed below in effect for the current program year:

- RMP: Cattle Guidelines
- RMP: Hogs Guidelines
- RMP: Sheep Guidelines
- RMP: Veal Guidelines
- Order-in-Council No. 1309/2011, as amended (Ontario Risk Management Program)
- Order-in-Council No. 1310/2011, as amended (Business Risk Management Review Committee)

Where there is any conflict between the participant handbook, information sheets and the guidelines, the guidelines take precedence. To obtain copies of the guidelines, please contact the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).

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