



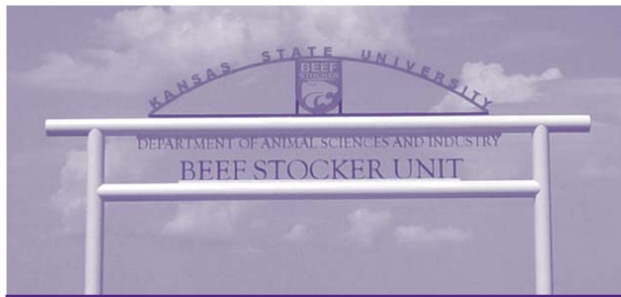
K-STATE
Research and Extension



**BEEF
STOCKER**
2011

**Field
Day**

September 22, 2011
Kansas State University
Manhattan, Kansas




KANSAS STATE UNIVERSITY
DEPARTMENT OF ANIMAL SCIENCES AND INDUSTRY
BEEF STOCKER UNIT

2011 KSU Beef Stocker Field Day Program
Thursday, September 22, 2011

**How Much Can I Pay
for Grass?**

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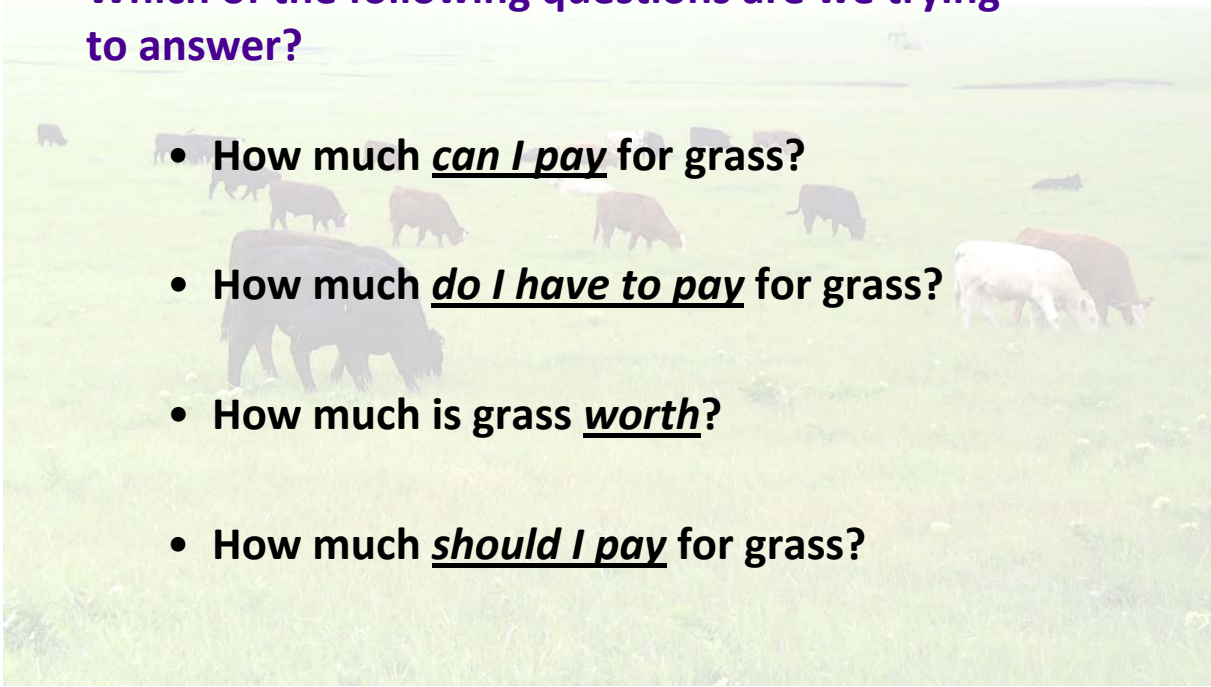


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Everything is in the words we use...

Which of the following questions are we trying to answer?

- 
- How much can I pay for grass?
 - How much do I have to pay for grass?
 - How much is grass worth?
 - How much should I pay for grass?



Different ways of determining rental rates...

- How much can I pay for grass?
 - Estimated based on value of gain and non-pasture cost of gain in two different summer grazing programs
 - Short-season (SS)
 - 75 days (May 1 to Jul 15)
 - ADG = 2.2 lbs (total gain of 165 lbs/head)
 - Full-season (FS)
 - 150 days (May 1 to Oct 1)
 - ADG = 1.75 lbs (total gain of 262.5 lbs/head)

How much can I pay for grass? -- Value of gain

Cattle_Seasonals_Cash.xls is a spreadsheet of historical cattle prices in Kansas that can be used to examine seasonal price patterns and value of gain for different weights of cattle.

Last updated: 9-9-11

Class of cattle -- Prices
Kansas 5-6 cwt. steers

Class of cattle -- Value of gain
7-8 vs 5-6 cwt. steers (3 mo lag)

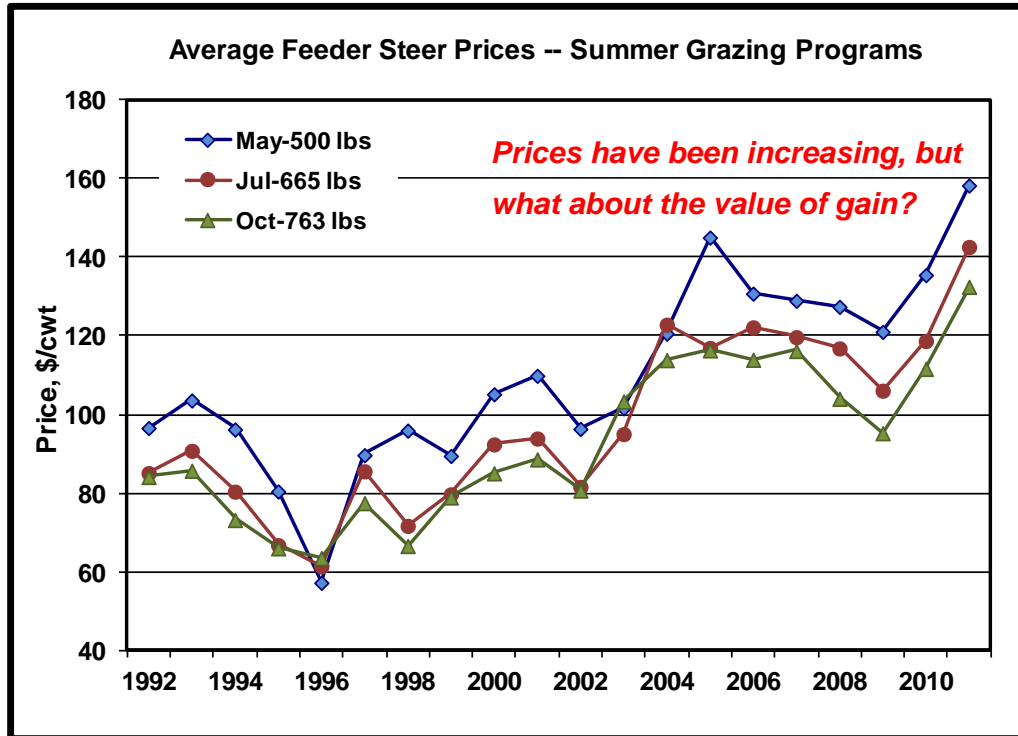
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User-specified Value of gain	Scenario					
	1	2	3	4	5	6
Starting month (Jan=1, Feb=2, etc)	4	5	10	10	5	5
Class (weight/sex) of Cattle - Starting	550 lb str	550 lb str	350 lb str	350 lb str	550 lb str	550 lb str
Ending month (Oct=10, Nov=11, etc)	7	10	1	3	8	10
Class (weight/sex) of Cattle - Ending	750 lb str	850 lb str	550 lb str	650 lb str	750 lb str	850 lb str
Weight gain	200	300	200	300	200	300
Months / Average daily gain (ADG)*	3 / 2.19	5 / 1.97	3 / 2.19	5 / 1.97	3 / 2.19	5 / 1.97

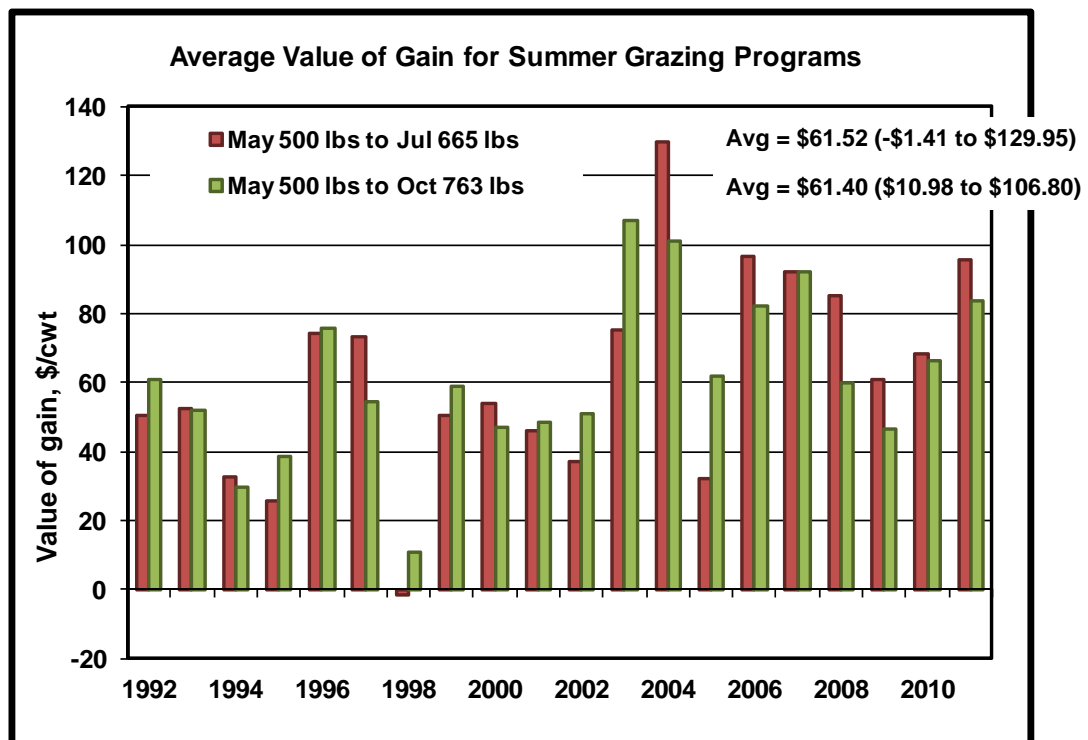
* Months between starting and ending periods and calculated average daily gain (ADG) assuming 30.4 days per month.

Monthly average prices from 1992-2011 (forecasted several months with www.BeefBasis.com)

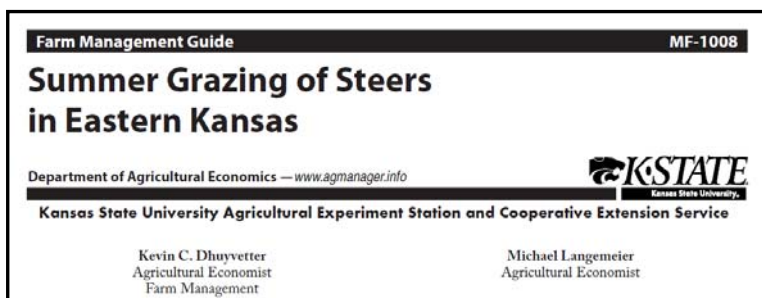
How much can I pay for grass? -- Value of gain



How much can I pay for grass? -- Value of gain

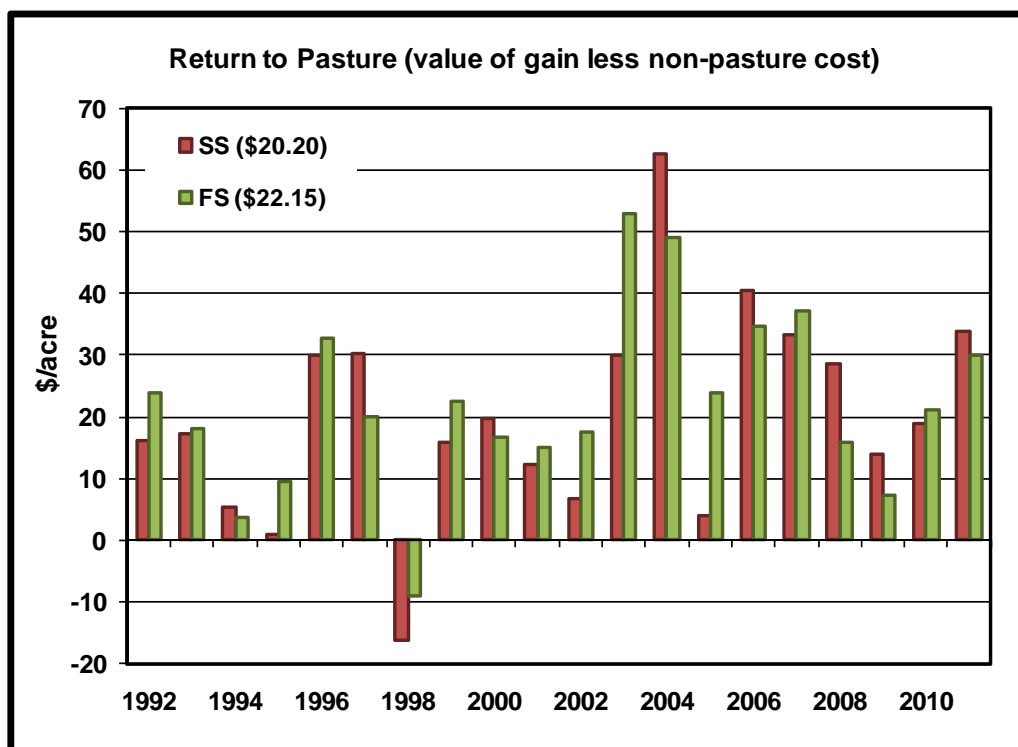


How much can I pay for grass? -- Cost of gain

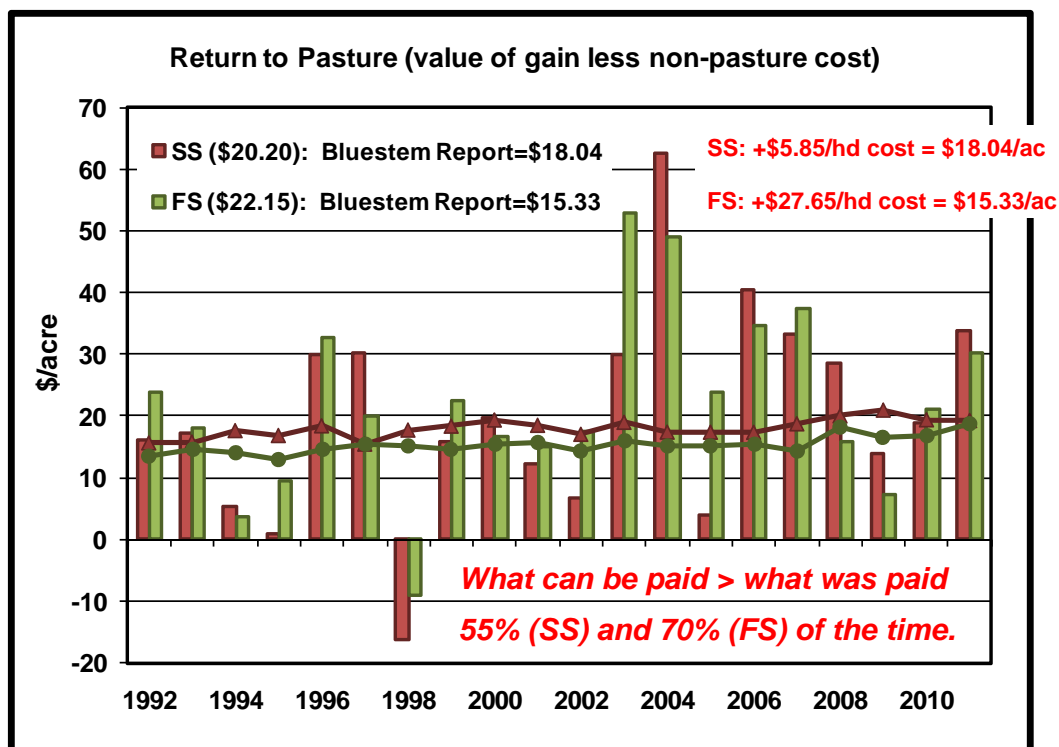


- **Non-pasture costs based on historical projected budgets (total costs included)**
 - **Short-season (SS)**
 - Per head: Average = \$46.83 (\$35.45 to \$66.20)
 - Per cwt: Average = \$28.38 (\$21.48 to \$40.12)
 - **Full-season (FS)**
 - Per head: Average = \$71.42 (\$56.07 to \$97.45)
 - Per cwt: Average = \$27.21 (\$21.36 to \$37.12)

How much can I pay for grass?



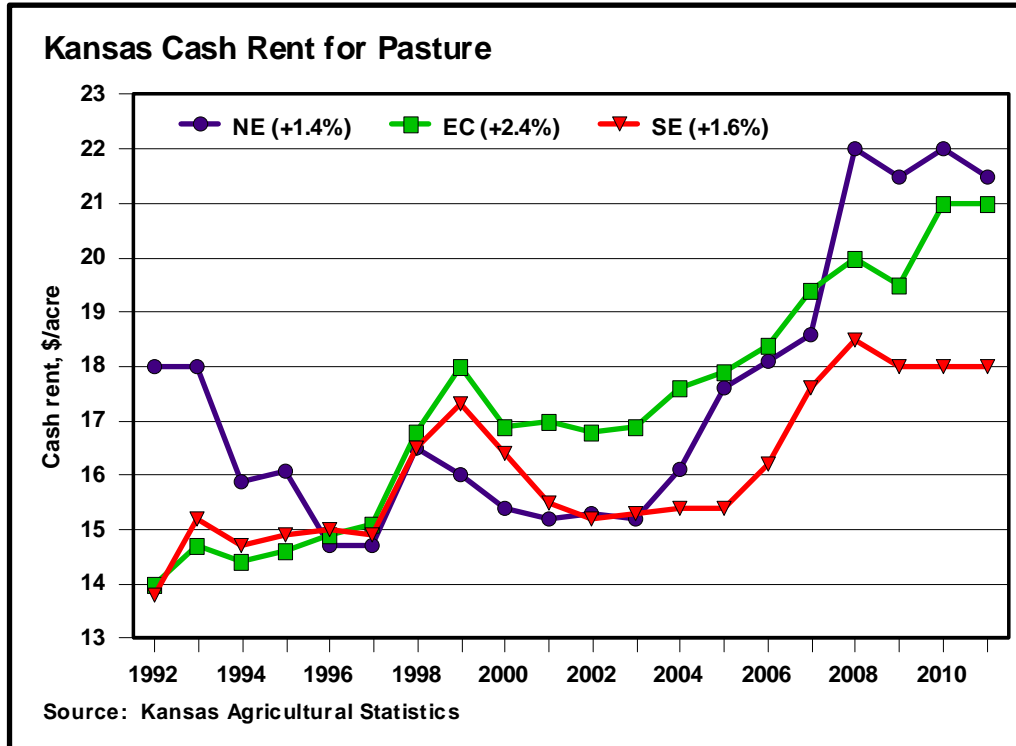
How much can I pay for grass?



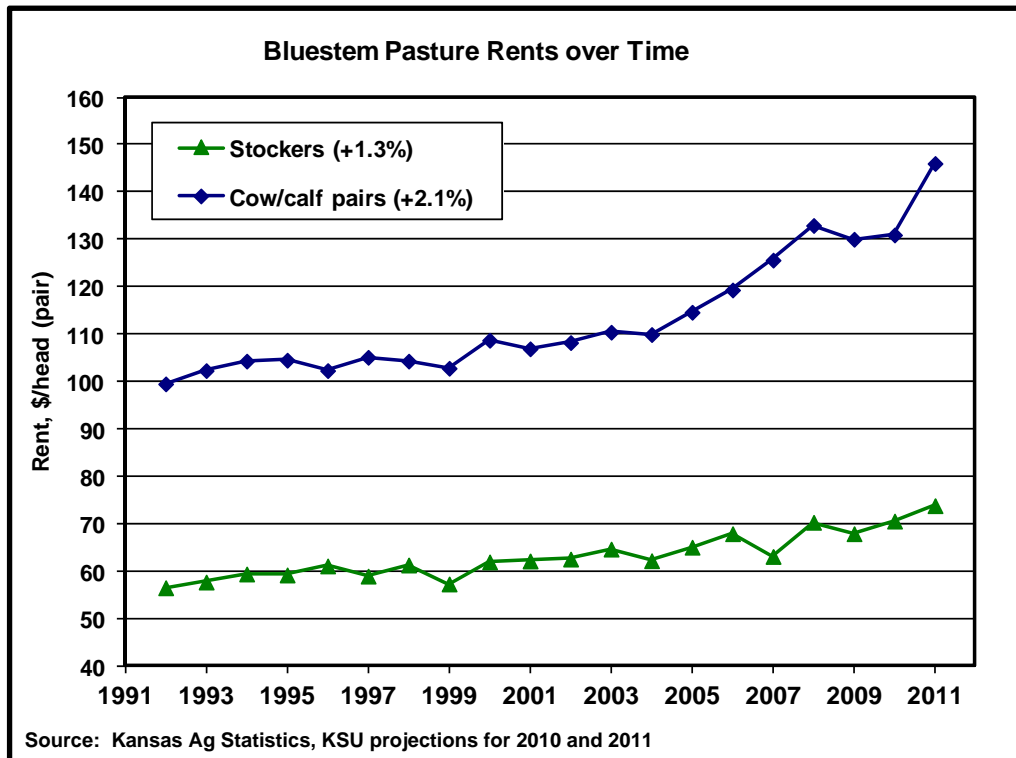
Different ways of determining rental rates...

- How much do I have to pay for grass?
 - Only “need” to pay what it takes to get the land rented (what are others in the area paying?)
 - Average rental rates reported by USDA/KAS
 - CRD / County-level (1972-2011)
 - Bluestem pasture report (1978-2009)
 - Potential problems with reported averages
 - Do the averages reflect your situation?
 - Many reasons rates should vary from what others are paying
 - Averages are likely biased relative to market for “new” land
 - \$/ac rates have little meaning (use for indexing?)

How much do I have to pay for grass?



How much do I have to pay for grass?

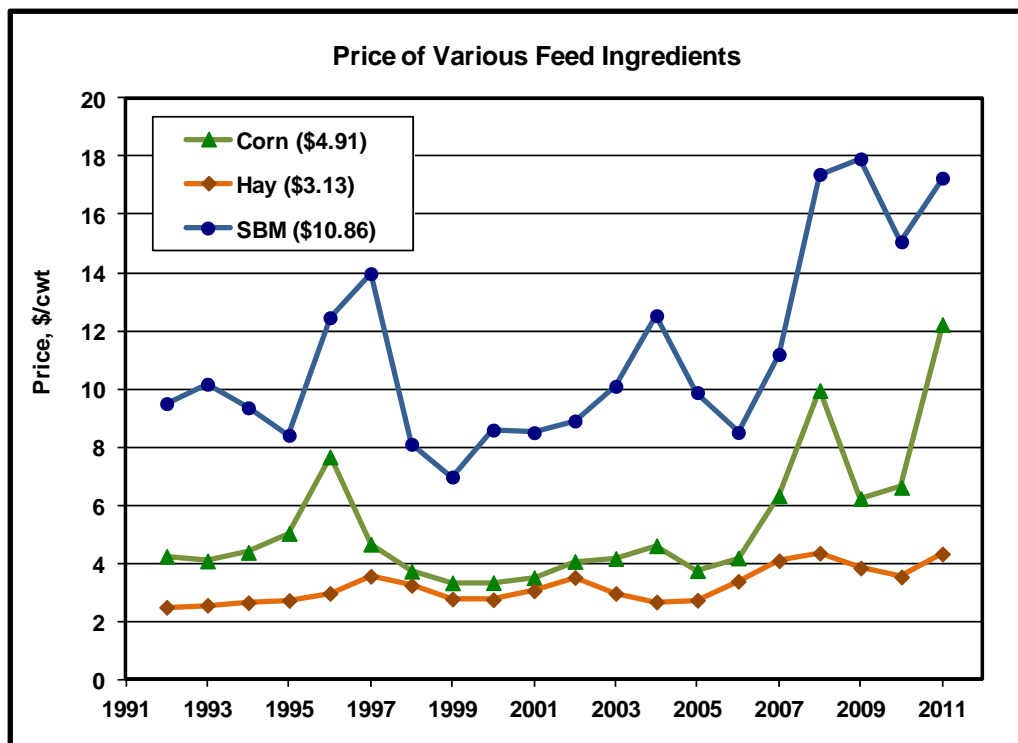




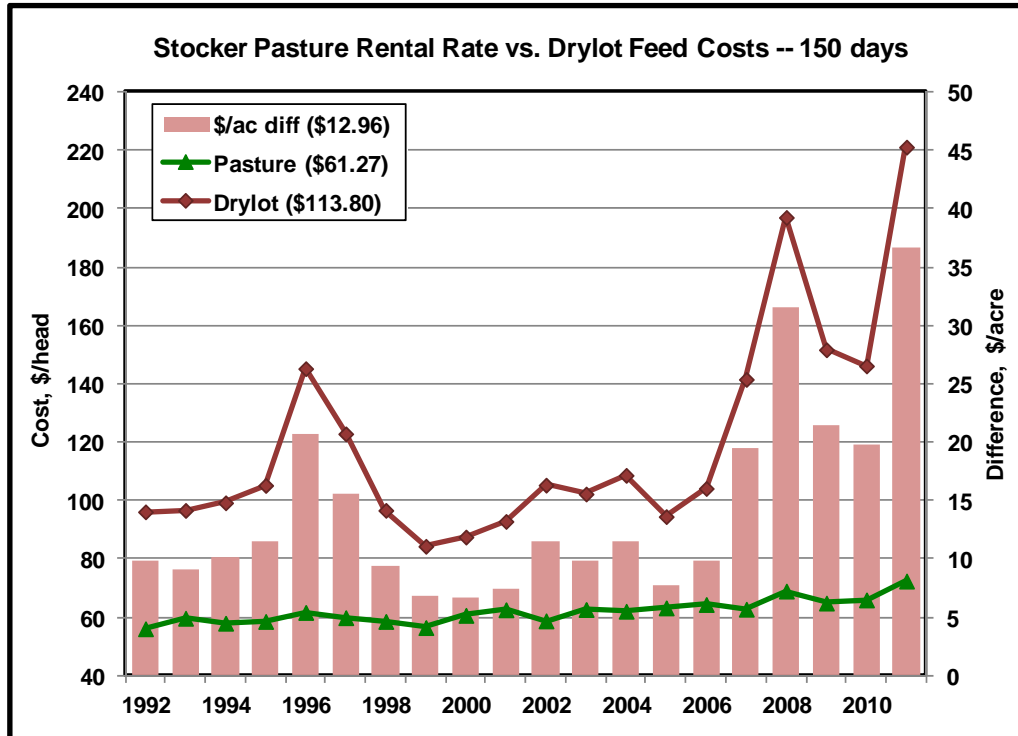
Different ways of determining rental rates...

- How much is grass worth?
 - Calculated based on cost of gain from drylot program
 - SS/FS stoker programs versus drylot gain
 - SS daily feed: 5 lbs hay, 8.65 lbs corn, 1.7 lbs sbm
 - FS daily feed: 8 lbs hay, 7.25 lbs corn, 1.4 lbs sbm
 - Cow-calf (spring calving) versus drylot
 - Daily feed: 26 lbs hay, 2.0 lbs corn, 1.0 lb sbm
 - Monthly average prices for May-Oct
 - Difference vs Bluestem rental rate -- \$/hd, \$/ac, %

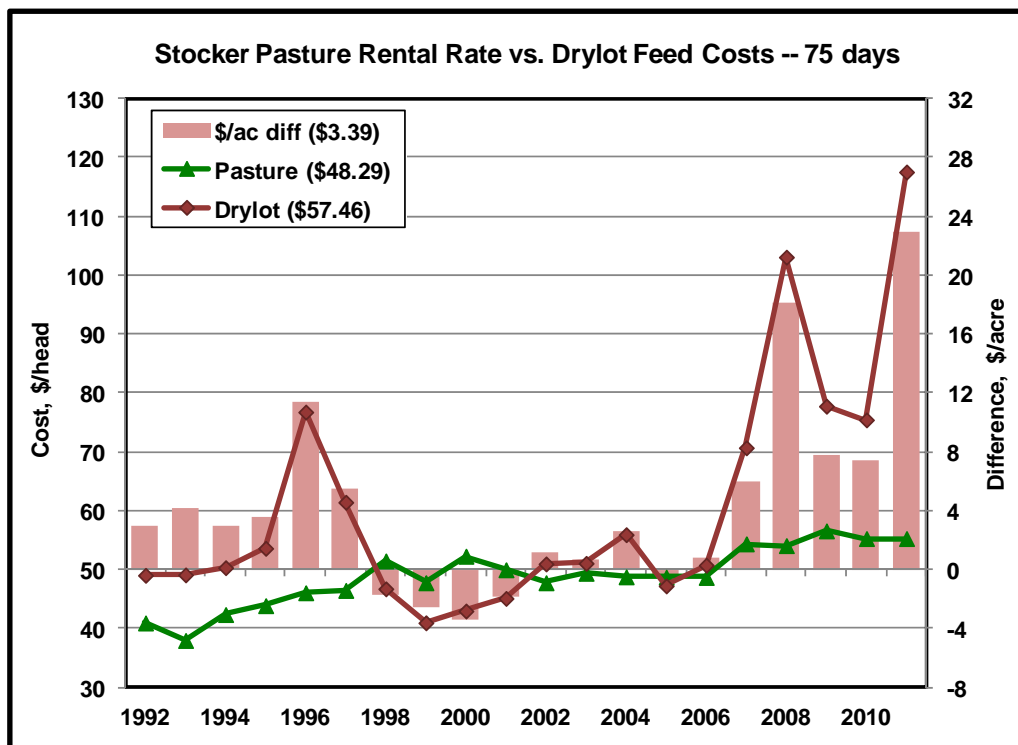
Prices of other feedstuffs are up significantly...



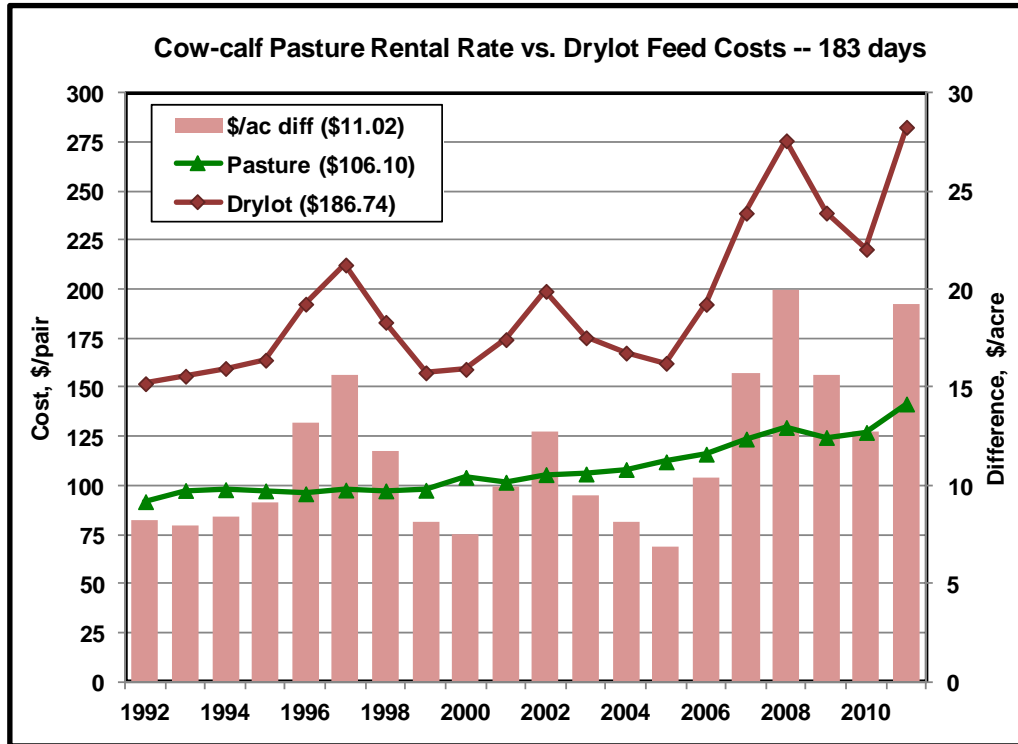
How much is grass worth?



How much is grass worth?



How much is grass worth?



Different ways of determining rental rates...

- How much should I pay for grass?
 - Very normative question, thus there is not a “right” answer to this question.
 - However, if your rent has not changed for 5, 10, or 20+ years, likely you *should* be paying more than you are...



Summary...

- How much can I pay for grass and what is grass worth?

Difference between what could be paid for grass and what grass is worth compared to Bluestem Report rate (all values are \$/acre)

Time period	Value of Gain		Alternative Feedstuffs		
	SS	FS	SS	FS	Cow-calf
1992-96	-\$2.93	\$3.68	\$5.00	\$12.26	\$9.38
1997-01	-\$5.52	-\$2.21	-\$0.79	\$9.18	\$10.60
2002-06	\$11.05	\$20.40	\$0.94	\$10.05	\$9.52
2007-11	\$6.03	\$5.42	\$12.47	\$25.79	\$16.65
1992-11	\$2.16	\$6.82	\$3.39	\$12.96	\$11.02

- While values vary, hard to argue that pasture rates won't be increasing in the future...



For more information and decision tools related to farm management, marketing, and risk management go to www.AgManager.info

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