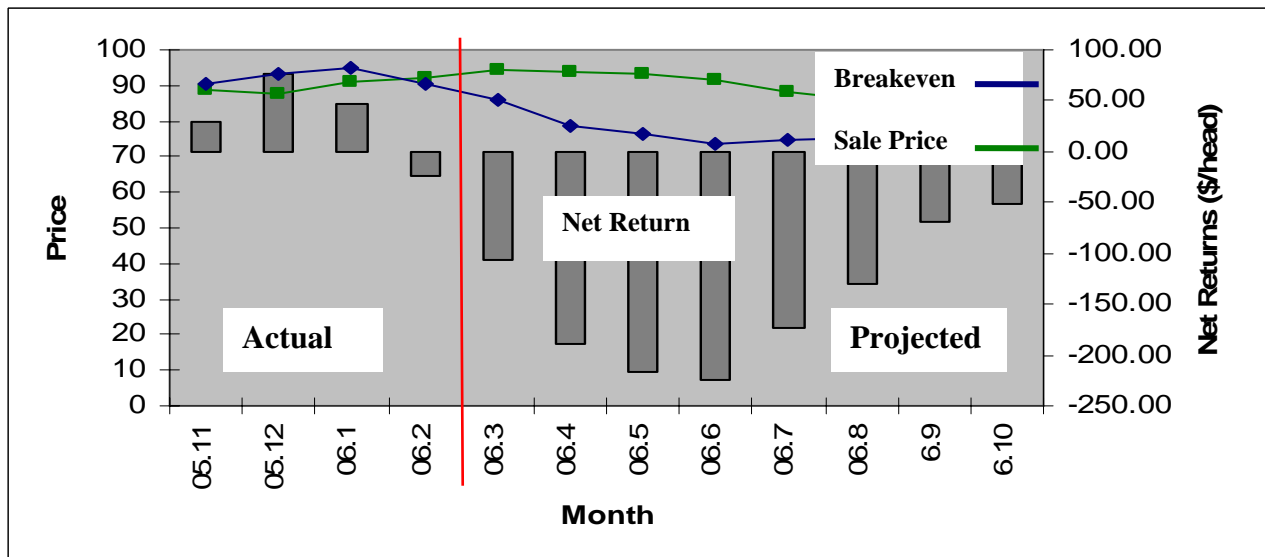


Livestock Farm Management Update

April 10, 2006

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The following graph summarizes the returns to steer finishing in Kansas over the past several months, and provides the most current projections for the near future. The average November steer closeout returned a profit of nearly \$30.00 per head. Average fed cattle prices rallied into December, resulting in average profits of around \$77.50 per head. Higher priced feeder cattle pushed average returns for January closeouts lower, to about \$47.50 per head. Continued higher feeder cattle price inventories, combined with declining fed cattle prices pushed returns into the negative territory for February closeouts, with losses averaging around \$25.00 per head. Preliminary calculations suggest that losses became more severe for cattle finished in March, and will continue to worsen. With average break-even selling prices for steers finished in April and May in the \$93.00 to \$94.00 per cwt. range, and selling prices projected in the upper \$70's to low \$80's, losses could be as large as \$150.00 to \$200.00 per head on average over the next few months. Average feeder cattle prices declined in early 2006, relative to late 2005 levels, resulting in the break evens steadily declining for both steers and heifers finished expected to finish in the late spring and summer. Current summer break even projections are in the mid to upper \$80's. Unfortunately, fed cattle price forecasts have declined as well. Combining the break even projections with current futures based price forecasts suggest a sustained period of heavy losses to cattle feeders through the summer.



Source: KSU Cattle Return Series.

The following budgets provide detailed projections for April placements. Kansas cash feeder cattle prices continue to work lower, but not as fast as fed cattle price projections. In addition, the ration charge projection has increased in recent weeks, and there appears to be significant feed ingredient price risk over the next several months with the corn crop uncertainty. The increasing ration charge is partially offset by better than average expected performance of spring placed cattle. The net result is a break-even projection that is in the \$84.50 to \$86.00 range for September finished cattle, and could be higher than that for feeder cattle purchased at the upper end of recently reported price ranges, or if feeding costs come in higher than projected due to corn price increases. Given current futures based fed cattle price forecasts these break evens appear to be high. It is tough to find a time in history when feeders were “locking in” a margin this negative at placement time. Sensitivity Tables are included to reveal the sensitivity of the projected breakeven to feeder prices and feed costs.

**Commercial Feedlot Cattle Finishing Budget
April 2006 Placements (750 lb. steers, 650 lb. hfrs)**

Cost Budgets	Steers	Heifers
Feeder		
1. Cost of feeder:	\$765.00 (@\$102.00 / cwt.)	\$669.50 (@103.00 / cwt.)
2. Interest on feeder:	\$ 26.20	\$ 23.86
Feed		
3. Total feed cost: ¹	\$237.85	\$226.01
4. Interest on feed:	\$ 4.07	\$ 4.03
Break-even selling price: ²	\$ 84.39	\$ 85.95
Total cost of gain / cwt:	\$ 57.97	\$ 61.32
Feeding cost of gain / cwt: ³	\$ 52.73	\$ 56.02

¹ Based on a ration charge of \$120.73 per ton, which is based on a use-weighted feed ingredient price over the feeding period, and accounting for seasonal performance expectations for this placement time period.

² Includes the listed specific costs, plus a yardage charge and an expected processing and veterinary charge per head.

³ Excludes interest on feeder animal.

Commercial Feedlot
Sensitivity Analysis of Break-even Prices for 750 lb. Steers

	Feeder Purchase Price				
	\$98.00	\$100.00	\$102.00	\$104.00	\$106.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$50.00	80.81	82.05	83.30	84.54	85.78
\$51.00	81.21	82.45	83.70	84.94	86.18
\$52.00	81.61	82.85	84.10	85.34	86.58
\$53.00	82.01	83.25	84.50	85.74	86.98
\$54.00	82.41	83.65	84.90	86.14	87.38
\$55.00	82.81	84.05	85.30	86.54	87.78
\$56.00	83.21	84.45	85.70	86.94	88.18

Commercial Feedlot
Sensitivity Analysis of Break-even Prices for 650 lb. Heifers

	Feeder Purchase Price				
	\$99.00	\$101.00	\$103.00	\$105.00	\$107.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$53.00	80.27	81.50	82.72	83.95	85.17
\$54.00	80.68	81.91	83.13	84.36	85.58
\$55.00	81.09	82.32	83.54	84.77	85.99
\$56.00	81.50	82.72	83.95	85.17	86.40
\$57.00	81.91	83.13	84.36	85.58	86.81
\$58.00	82.32	83.54	84.77	85.99	87.22
\$59.00	82.73	83.95	85.18	86.40	87.63