



Livestock Farm Management Update

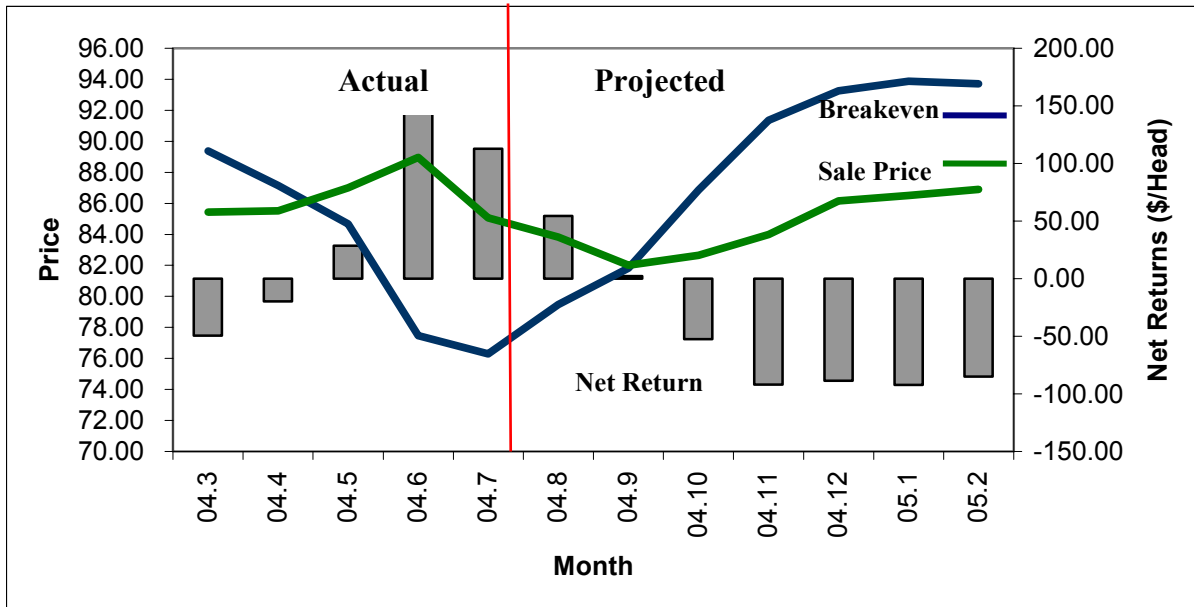
September 30, 2004

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Breakeven projections for current feedlot placement are at historically high levels....2

High current calf prices make wheat pasture cattle ownership decisions difficult...4

The graph on the following page summarizes the returns to steer finishing in Kansas over the past several months, and provides the most current projections for the near future. Net returns turned positive in May, averaging about \$29.00 per head for the average May closeout, and improved significantly going into June and July. The average June steer closeout returned about \$144.00 per head profit, while the average July steer closeout returned nearly \$113.00 per head profit to cattle feeders. Current estimates based on preliminary performance information and sale price estimates indicate that the average August closeout returned about \$54.50 per head, while the average September closeout barely covered the breakeven price needed as higher valued feeder cattle reached finish weight. As indicated on the graph, breakevens will increase steadily over the next several months, and will be in the low to mid \$90.00 per cwt. area by late 2004 and early 2005. Fed cattle prices will need to rebound to levels higher than current forecasts in order to avoid significant red ink on fall and winter closeouts.



Source: KSU Cattle Return Series.

The following budgets provide detailed projections for late September – early October placements. The ration charge has declined by nearly \$10.00 per ton (8-9 %) over the past few months as feed ingredient prices continue to decline. Two factors are more than offsetting the feed ingredient cost decline, resulting in breakeven price projections that continue to increase. First, feeder cattle price continue to be strong. Prices appear to weaken for a given week or two in response to a futures price declines, then rally back to historically high levels. Average feeder cattle prices over the past few months have been higher than the average prices early in the summer when the last cattle finishing update was put together. Second, expected feed conversions and average daily gains for fall placed cattle are significantly worse than for summer placed cattle. For example, the feed conversions for September placed steers are expected to be about 6% worse than the annual average, which is a rapid turnaround from the expectations for summer placements which are above the annual average. Breakeven projections for these current feedlot placements are pushing the \$94.00 mark, high by any historical standard.

**Commercial Feedlot Cattle Finishing Budget
July 2004 Placements (750 lb. steers, 650 lb. hfrs)**

Assumptions	Steers	Heifers
Cost of Feeder (\$/cwt.) ¹	\$116.00	\$116.00
Interest Rate	7.0%	7.0%
Ration Charge (\$/ton) ²	\$112.74	\$112.74
Yardage Charge (\$/head/day)	\$ 0.05	\$ 0.05
Beginning weight	750 lbs.	650 lbs.
Pay weight	1250 lbs.	1100 lbs.
Gain	500 lbs.	450 lbs.
Days on feed	163 days	163 days
Shrink	4.0 %	4.0 %
Pay weight to pay weight:		
Average daily gain	3.09 lbs.	2.76 lbs.
Feed conversion (as fed)	8.79 lbs.	9.04 lbs.
Death loss (in conversion)	0.50 %	0.50 %
Cost Budgets	Steers	Heifers
Feeder		
1. Cost of feeder:	\$870.00	\$754.00
2. Interest on feeder:	\$ 27.17	\$ 23.58
Feed		
3. Total feed cost:	\$247.75	\$229.37
4. Interest on feed:	\$ 3.87	\$ 3.59
Other Costs		
5. Yardage Charge:	\$ 8.14	\$ 8.15
6. Processing Charge:	\$ 7.00	\$ 7.00
7. Vet, drugs, supplies:	\$ 7.00	\$ 7.00
8. Interest on other costs:	\$ 0.35	\$ 0.35
Break-even selling price:	\$ 93.70	\$ 93.91
Total cost of gain / cwt:	\$ 60.26	\$ 62.01
Feeding cost of gain / cwt: ³	\$ 54.82	\$ 56.77

¹ Feeder steer and heifer prices based on recent auction results at major Kansas sale barns.

² Ration charge of \$112.55 is a use-weighted projection over the feeding period based on a corn price of \$2.51 / bu., alfalfa hay price of \$82.00 / ton, supplement price of \$229.46 / ton and feed markup of \$20.00 / ton. An average corn price change over the feeding period of \$0.10 / bu. changes the ration cost \$2.91 / ton. An average alfalfa hay price change of \$10.00 / ton changes the ration cost \$1.20 / ton. An average supplement price change of \$25.00 / ton changes the ration cost \$0.75 / ton.

³ Excludes interest on feeder animal

The following table illustrates the sensitivity of the steer finishing breakeven projection to feeder purchase price and feeding cost of gain.

Commercial Feedlot					
Sensitivity Analysis of Break-even Prices for 750 lb. Steers					
	Feeder Purchase Price				
	\$112.00	\$114.00	\$116.00	\$118.00	\$120.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$51.00	89.74	90.98	92.22	93.46	94.69
\$52.00	90.19	91.43	92.67	93.91	95.15
\$53.00	90.56	91.79	93.03	94.27	95.51
\$54.00	90.81	92.05	93.29	94.52	95.76
\$55.00	91.15	92.38	93.63	94.85	96.09
\$56.00	91.52	92.76	93.99	95.23	96.46
\$57.00	91.90	93.13	94.36	95.60	96.83

Recent moisture in the southern regions of Kansas and north central Oklahoma has provided favorable conditions for planting winter wheat, which will likely yield some prospects for winter wheat pasture programs. Based on recent auction price quotes for 400 to 500 lb. calves, breakevens coming off of traditional winter wheat grazing programs in late February or March are projected to be in the \$108.00 to \$118.00 per cwt range. These projections are based on a 120 day grazing program producing heavy 6 weight steers, or light 6 weight heifers. As always, these projections are economic breakeven projections, meaning that all costs are accounted for including an opportunity charge for owned wheat pasture, operator labor, etc. It appears that cattle operators have bid all of the current projected potential profit (and then some) into calf bids.