



Livestock Farm Management Update

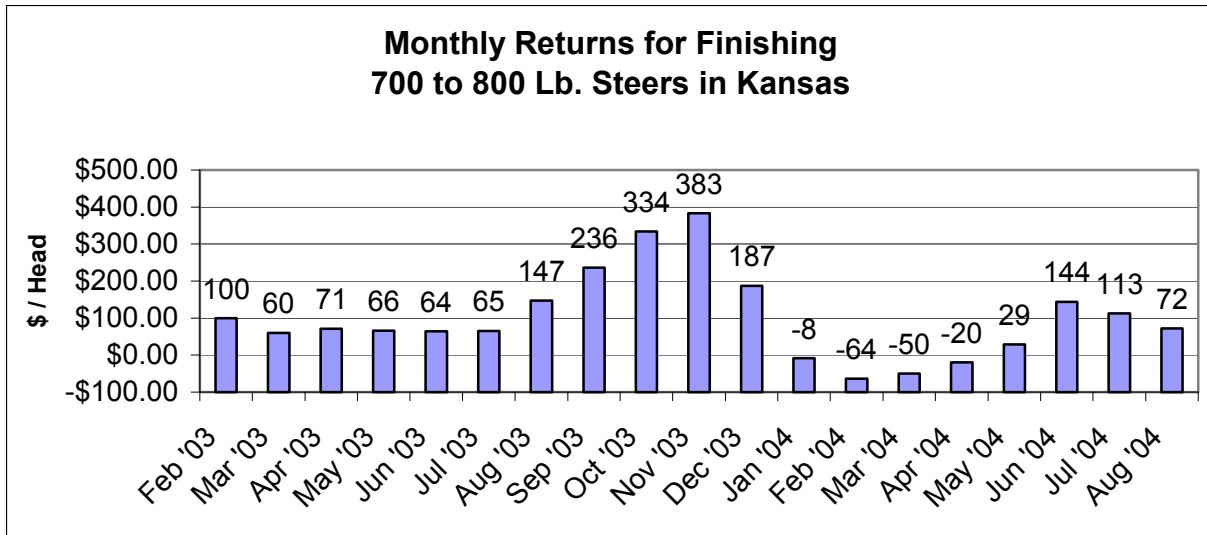
October 29, 2004

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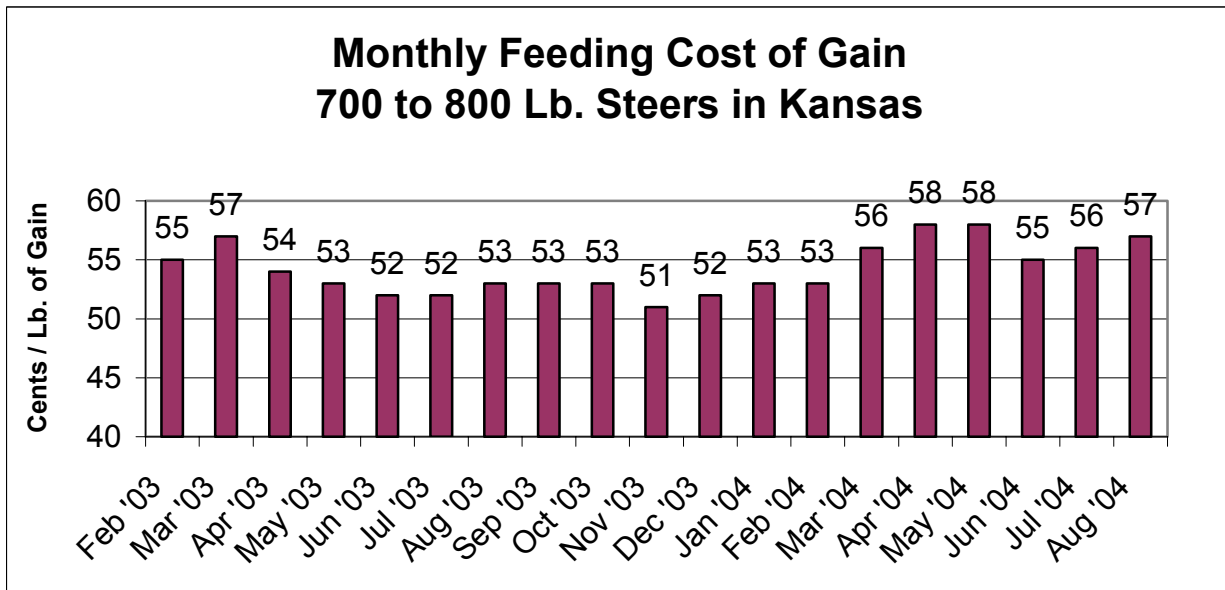
Breakeven projections finally decline (slightly)...2

High current calf prices make retained ownership decisions difficult...5

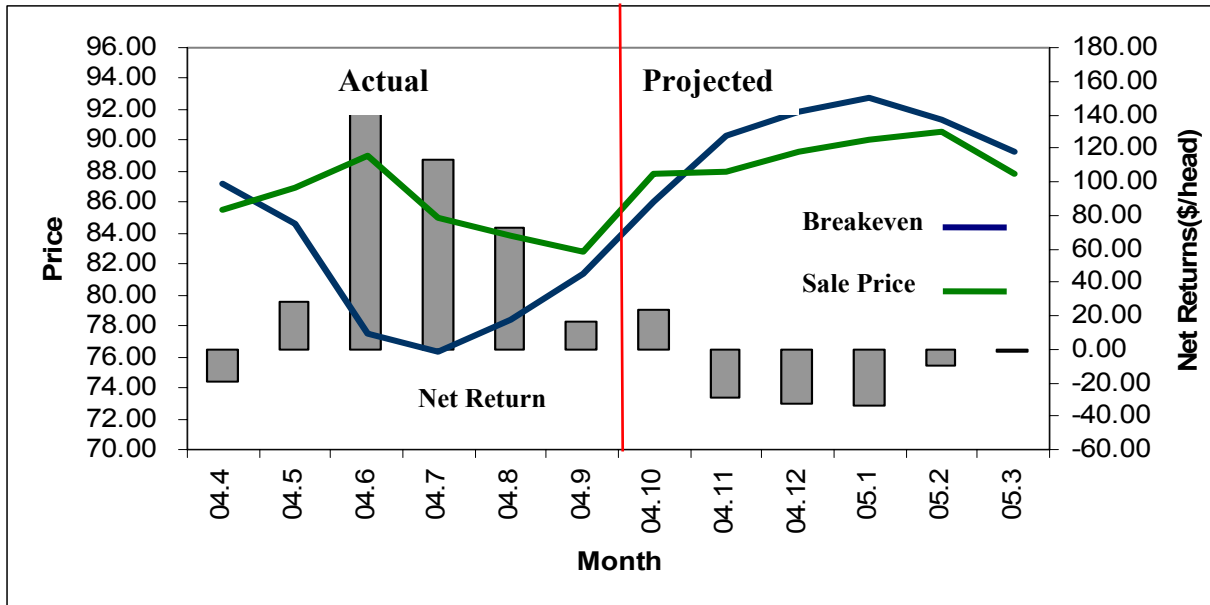
The graphs on the following pages summarize the returns to steer finishing in Kansas over the past several months, and provide the most current projections for the near future. The average June steer closeout returned about \$144.00 per head profit, while the average July steer closeout returned nearly \$113.00 per head profit to cattle feeders. The average August closeout returned about \$72.00 per head, and current projections suggest that returns declined significantly for average September and October closeouts. Returns will likely be negative for late 2004 and early 2005 closeouts. As indicated on the graph, breakevens have increased steadily over the past several months, and are currently in the low to mid \$90.00 per cwt. area. However, the breakeven projections for cattle finished between now and March have been revised downward slightly as a result of declining feed costs projections.



Source: KSU Cattle Return Series.



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The following budgets provide detailed projections for late October – early November placements. The ration charge projection continues to decline as feed ingredient prices continue to fall. In addition, feeder cattle prices have retreated slightly from the high levels of recent months. These factors are driving break-even projections lower. On the other hand, expected feed conversions and average daily gains for fall placed cattle are significantly worse than for summer placed cattle. Both feed conversions and average daily gains for October placed steers are expected to be about 8% worse than the annual average. The net result is a break-even projection that is in the \$89 to \$90 per cwt. range.

Commercial Feedlot Cattle Finishing Budget
Oct - Nov 2004 Placements (750 lb. steers, 650 lb. hfrs)

Assumptions	Steers	Heifers
Cost of Feeder (\$/cwt.) ¹	\$111.00	\$111.00
Interest Rate	7.0%	7.0%
Ration Charge (\$/ton) ²	\$102.43	\$102.43
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	166 days	171 days
Shrink	4.0 %	4.0 %
Pay weight to pay weight:		
Average daily gain	2.98 lbs.	2.63 lbs.
Feed conversion (as fed)	9.01 lbs.	9.35 lbs.
Death loss (in conversion)	0.50 %	0.50 %
Cost Budgets	Steers	Heifers
Feeder		
1. Cost of feeder:	\$832.50	\$721.50
2. Interest on feeder:	\$ 26.52	\$ 23.68
Feed		
3. Total feed cost:	\$230.73	\$215.49
4. Interest on feed:	\$ 3.68	\$ 3.54
Other Costs		
5. Yardage Charge:	\$ 8.31	\$ 8.56
6. Processing Charge:	\$ 7.00	\$ 7.00
7. Vet, drugs, supplies:	\$ 7.00	\$ 7.00
8. Interest on other costs:	\$ 0.36	\$ 0.37
Break-even selling price:	\$ 89.29	\$ 89.74
Total cost of gain / cwt:	\$ 56.72	\$ 59.03
Feeding cost of gain / cwt: ³	\$ 51.41	\$ 53.77

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

² Ration charge of \$102.43 is a use-weighted projection over the feeding period based on a corn price of \$2.23 / bu., alfalfa hay price of \$78.00 / ton, supplement price of \$184.00 / 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					
Feeding Cost Of Gain (\$ /cwt.)	Feeder Purchase Price				
	\$107.00	\$109.00	\$111.00	\$113.00	\$115.00
	-----Break-even Price----- (\$ / cwt.)				
\$48.00	85.45	86.68	87.92	89.16	90.40
\$49.00	85.85	87.08	88.32	89.56	90.80
\$50.00	86.25	87.48	88.72	89.96	91.20
\$51.00	86.65	87.88	89.12	90.36	91.60
\$52.00	87.05	88.28	89.52	90.76	92.00
\$53.00	87.45	88.68	89.92	91.16	92.40
\$54.00	87.85	89.08	90.32	91.56	92.80

The breakeven projections for winter wheat grazing programs remain unchanged from the last update, as lightweight calf prices remain at historically high levels. 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.

In addition, I calculated expected break-evens for a couple of alternative weaned calf drylot background feeding programs. For example, a light (425-450 lb.) calf backgrounded until early spring would breakeven as a light feeder at around \$107 - \$110 per cwt. That same animal then placed in a feedlot would subsequently breakeven as a finished animal in mid-summer at around \$86 per cwt. A larger weaned calf (525 – 550 lb.) placed in a drylot backgrounding program is currently expected to breakeven in the spring as a traditional weight feeder animal at about \$110 - \$112 per cwt. That same animal then placed in a feedlot would breakeven in early summer as a finished animal at around \$85.00 per cwt. Going straight to the feedlot with a weaned calf (525 – 550 lb.) results in an expected breakeven in the late spring in the very high \$80's.

In summary, calf prices are currently very strong from a historical perspective, and much stronger than when many producers were faced with these same difficult decisions last year. For most cow-calf producers, there would be substantial profits associated with marketing weaned calves this fall at current prices. Seasonally, calf prices have a chance of declining later in the fall. This, combined with projections that suggest positive returns to retained ownership programs may be difficult to obtain this fall and winter, suggests that producers may want to consider marketing calves as soon as practical while the market is high. Resource availability, and individual beliefs regarding cattle price forecasts will drive decisions at the individual farm level. Timely livestock marketing and management information can be found at www.agmanager.info. Spreadsheet templates to help producers develop budget projections are available as well.