



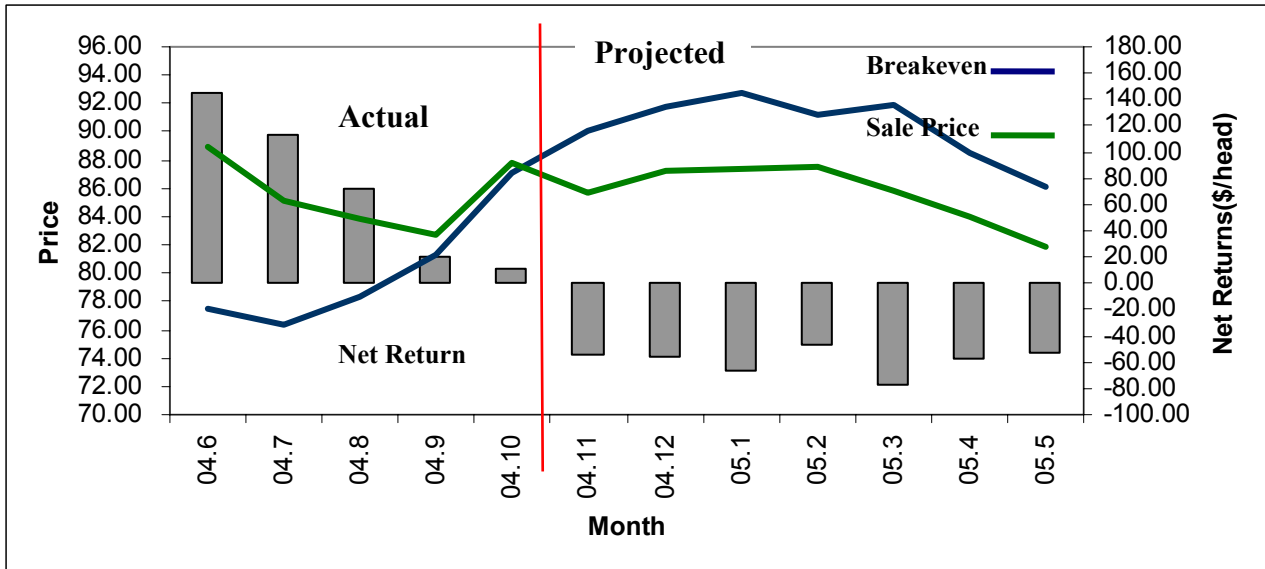
## **Livestock Farm Management Update**

**December 6, 2004**

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### *Breakeven projections decline as losses return to cattle feeding ...2*

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. The average September steer closeout returned about \$20.00 per head profit, while the average October steer closeout returned only about \$10.50 per head profit to cattle feeders. Preliminary projections suggest that returns were significantly negative for cattle finished in November, with average break-even selling prices around \$90.00 per cwt., and average selling prices for the month around \$85.75. Calculated returns from that scenario likely averaged around \$-55.00 per head, with similar negative returns currently projected for average December closeouts. Average break-evens are projected to remain in the low \$90's through March, declining to the upper \$80's by April. Current selling price projections suggest losses in the \$50 to \$75 per head range through the first few months of 2005.



Source: KSU Cattle Return Series.

The following budgets provide detailed projections for December placements. The ration charge projection continues to decline as feed ingredient prices continue to fall. In addition, feeder cattle prices continue to retreat from the high levels of early fall. These factors are driving break-even projections lower. Expected feed conversions and average daily gains for late fall placed cattle are significantly worse than for summer placed cattle. Both feed conversions and average daily gains for December placed steers are expected to be about 5% to 6% worse than the annual average. The net result is a break-even projection that is in the mid to upper \$80's. If feeder cattle prices continue to decline, as futures based price forecasts suggest they might, break-evens for early 2005 placement will decline to levels near the \$80.00 per cwt. mark.

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

Assumptions	Steers	Heifers
Cost of Feeder (\$/cwt.) <sup>1</sup>	\$107.00	\$107.00
Interest Rate	7.0%	7.0%
Ration Charge (\$/ton) <sup>2</sup>	\$102.10	\$102.10
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	167 days	170 days
Shrink	4.0 %	4.0 %
Pay weight to pay weight:		
Average daily gain	3.02 lbs.	2.65 lbs.
Feed conversion (as fed)	8.70 lbs.	9.07 lbs.
Death loss (in conversion)	0.50 %	0.50 %
Cost Budgets	Steers	Heifers
Feeder		
1. Cost of feeder:	\$802.50	\$695.50
2. Interest on feeder:	\$ 25.74	\$ 22.65
Feed		
3. Total feed cost:	\$222.07	\$208.36
4. Interest on feed:	\$ 3.56	\$ 3.39
Other Costs		
5. Yardage Charge:	\$ 8.36	\$ 8.49
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:	\$ 86.13	\$ 86.61
Total cost of gain / cwt:	\$ 54.82	\$ 57.17
Feeding cost of gain / cwt: <sup>3</sup>	\$ 49.67	\$ 52.14

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

<sup>2</sup> Ration charge of \$102.10 is a use-weighted projection over the feeding period based on a corn price of \$2.23 / bu., alfalfa hay price of \$75.00 / ton, supplement price of \$179.10 / 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.

<sup>3</sup> 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				
	\$103.00	\$105.00	\$107.00	\$109.00	\$111.00
	-----Break-even Price----- (\$ / cwt.)				
\$47.00	82.58	83.82	85.06	86.30	87.54
\$48.00	82.98	84.22	85.46	86.70	87.94
\$49.00	83.38	84.62	85.86	87.10	88.34
\$50.00	83.78	85.02	86.26	87.50	88.74
\$51.00	84.18	85.42	86.66	87.90	89.14
\$52.00	84.58	85.82	87.06	88.30	89.54
\$53.00	84.98	86.22	87.46	88.70	89.94