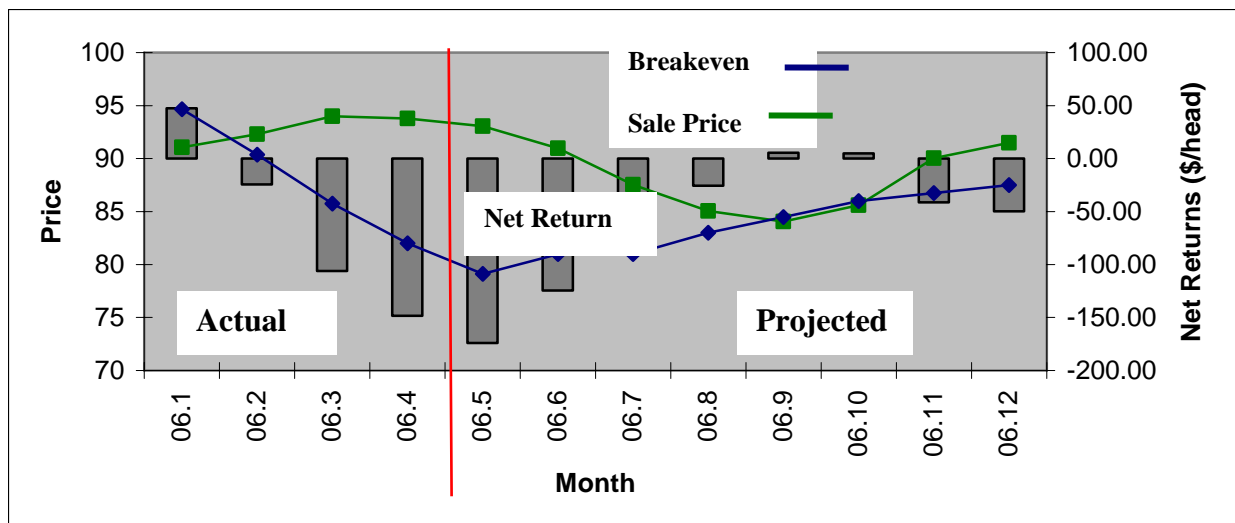


# Livestock Farm Management Update

June 21, 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 January steer closeout returned about \$47.50 per head profit to Kansas cattle feeders, however higher priced feeders combined with declining fed cattle prices pulled returns significantly lower after that. The average February closeout lost nearly \$25.00 per head, with losses averaging around \$106.00 per head and \$148.00 per head on March and April closeouts respectively. Preliminary calculations suggest that losses became more severe for cattle finished in May, with average breakevens around \$93.00 per cwt., combined with average selling prices of around \$79.12. With current fed cattle prices, June losses are expected to average around \$125.00 per head. Average feeder cattle prices declined in February, March, and April, resulting in the break evens that will steadily decline from July through September. Combine that with projections for slightly increasing fed cattle prices, and profits should improve as the summer progresses. Average returns are currently projected to turn slightly positive by September and October.



Source: KSU Cattle Return Series.

The following budgets provide detailed projections for June placements. Kansas cash feeder cattle prices have rebounded, but so have fed cattle price projections. The ration charge projection has increased slightly relative to a few months ago, 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 higher average expected performance of June placed cattle. The net result is a break-even projection that is in the \$90.00 to \$91.00 range for November 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 seem a little high. However, the negative margin that would be “locked in” on these placements is not nearly as large as the negative margins that appeared to be locked in a few months ago. Sensitivity Tables are included to reveal the sensitivity of the projected breakeven to feeder prices and feed costs.

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

Cost Budgets	Steers	Heifers
<b>Feeder</b>		
1. Cost of feeder:	\$832.50 (@\$111.00 / cwt.)	\$721.50 (@111.00 / cwt.)
2. Interest on feeder:	\$ 28.26	\$ 25.72
<b>Feed</b>		
3. Total feed cost: <sup>1</sup>	\$239.06	\$226.01
4. Interest on feed:	\$ 4.06	\$ 4.03
Break-even selling price: <sup>2</sup>	\$ 90.04	\$ 90.84
Total cost of gain / cwt:	\$ 58.61	\$ 61.73
Feeding cost of gain / cwt: <sup>3</sup>	\$ 52.95	\$ 56.02

<sup>1</sup> Based on a ration charge of \$120.59 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.

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

<sup>3</sup> Excludes interest on feeder animal.

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

	Feeder Purchase Price				
	\$107.00	\$109.00	\$111.00	\$113.00	\$115.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$50.00	86.38	87.62	88.86	90.10	91.34
\$51.00	86.78	88.02	89.26	90.50	91.74
\$52.00	87.18	88.42	89.66	90.90	92.14
\$53.00	87.58	88.82	90.06	91.30	92.54
\$54.00	87.98	89.22	90.46	91.70	92.94
\$55.00	88.38	89.62	90.86	92.10	93.34
\$56.00	88.78	90.02	91.26	92.50	93.74

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

	Feeder Purchase Price				
	\$107.00	\$109.00	\$111.00	\$113.00	\$115.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$53.00	85.12	86.34	87.57	88.79	90.01
\$54.00	85.53	86.75	87.97	89.20	90.42
\$55.00	85.94	87.16	88.38	89.61	90.83
\$56.00	86.34	87.57	88.79	90.02	91.24
\$57.00	86.75	87.98	89.20	90.43	91.65
\$58.00	87.16	88.39	89.61	90.83	92.06
\$59.00	87.57	88.80	90.02	91.24	92.47