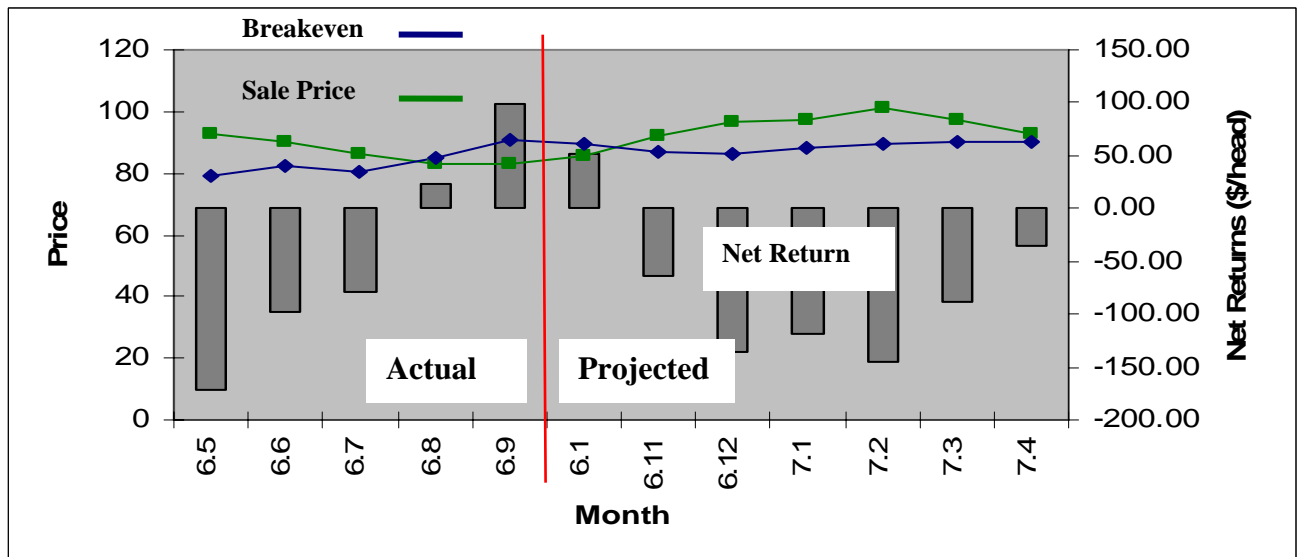


# Livestock Farm Management Update

November 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 May steer closeout lost about \$171.50 per head for Kansas cattle feeders. Losses continued for June and July closeouts, averaging about \$98.00 and \$78.00 per head respectively for the two months. Lower priced feeders combined with increasing fed cattle prices pulled returns into slightly positive territory for August and September. The average August steer closeout returned nearly \$2300 per head, with profits averaging around \$100.00 per head on September closeouts. Preliminary calculations suggest that returns declined for cattle finished in October. Average breakevens were \$85.50 per cwt., which combined with average selling prices of just under \$90.00 will likely result in returns around a positive \$51.00 per head. With current fed cattle prices, and rising feed costs beginning to take a toll, November losses are expected to average around \$63.00 per head, and average December losses may well be in the \$135.00 per head area. Higher feed prices will really be felt on January and February closeouts, pushing break evens to the very high \$90's if not \$100 per cwt. Combining that with projections for fed cattle prices under \$90 indicates that substantial losses may continue well into early spring. Feeder cattle prices retreated significantly throughout October and into November, lowering break even projections for March and April closeouts and improving the net return forecasts.



Source: KSU Cattle Return Series.

The following budgets provide detailed projections for November placements. Kansas cash feeder cattle prices have declined dramatically, but so feed cost projections are increasing rapidly. The ration charge projection has increased nearly 50% over the past few months, and feed price uncertainty remains an important consideration. The increasing ration charge is magnified by lower average expected performance of fall placed cattle. The net result is a break-even projection that is in the \$92.00 to \$93.00 range for April 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 continued 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  
November 2006 Placements (750 lb. steers, 650 lb. hfrs)**

Cost Budgets	Steers	Heifers
<b>Feeder</b>		
1. Cost of feeder:	\$765.00 (@\$102.00 / cwt.)	\$650.00 (@100.00 / cwt.)
2. Interest on feeder:	\$ 32.08	\$ 27.42
<b>Feed</b>		
3. Total feed cost: <sup>1</sup>	\$336.82	\$306.60
4. Interest on feed:	\$ 6.98	\$ 6.47
Break-even selling price: <sup>2</sup>	\$ 92.79	\$ 92.14
Total cost of gain / cwt:	\$ 78.97	\$ 80.78
Feeding cost of gain / cwt: <sup>3</sup>	\$ 72.55	\$ 74.69

<sup>1</sup> Based on a ration charge of \$149.41 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				
	\$98.00	\$100.00	\$102.00	\$104.00	\$106.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$69.00	88.87	90.12	91.37	92.62	93.87
\$70.00	89.27	90.52	91.77	93.02	94.27
\$71.00	89.67	90.92	92.17	93.42	94.67
\$72.00	90.07	91.32	92.57	93.82	95.07
\$73.00	90.47	91.72	92.97	94.22	95.47
\$74.00	90.87	92.12	93.37	94.62	95.87
\$75.00	91.27	92.52	93.77	92.02	96.27

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

	Feeder Purchase Price				
	\$96.00	\$98.00	\$100.00	\$102.00	\$104.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$72.00	88.58	89.81	91.04	92.27	93.50
\$73.00	88.98	90.22	91.45	92.68	93.91
\$74.00	89.39	90.62	91.86	92.09	94.32
\$75.00	89.80	91.03	92.27	93.50	94.73
\$76.00	90.21	91.44	92.67	93.91	95.14
\$77.00	90.62	91.85	93.08	94.32	95.55
\$78.00	91.03	92.26	93.49	94.72	95.96