

Cow-Calf Economics

Kevin C. Dhuyvetter
785-532-3527
kcd@ksu.edu

2011-2012
Kansas State University
AG PROFITABILITY CONFERENCE

January 11, 2012

Girard United Methodist Church Fellowship Hall
West 47 Highway
Girard, KS

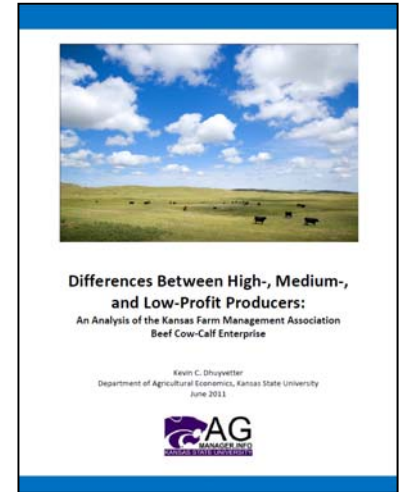


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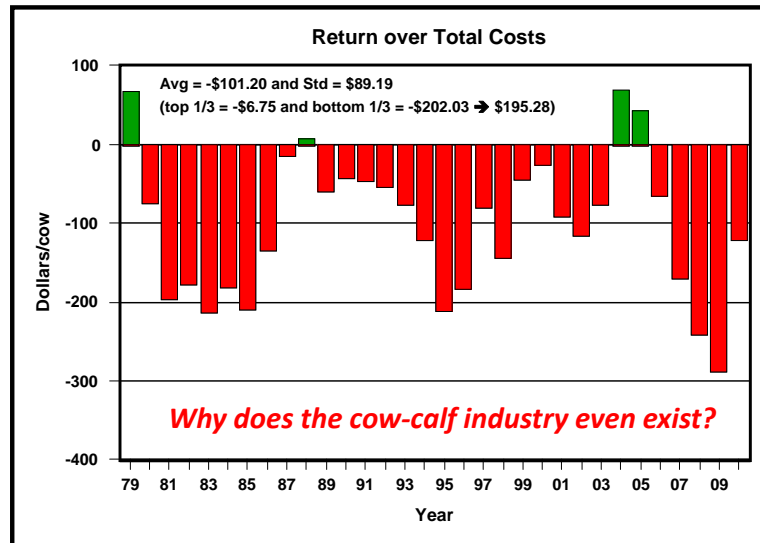


Cow-calf profitability drivers...

- Analysis of KFMA cow-calf enterprise analysis returns
 - 1979-2010 all operations (examine time effect)
 - 2006-2010 operations with at least three years of data (examine producer effect)
- Paper available on web (www.agmanager.info)

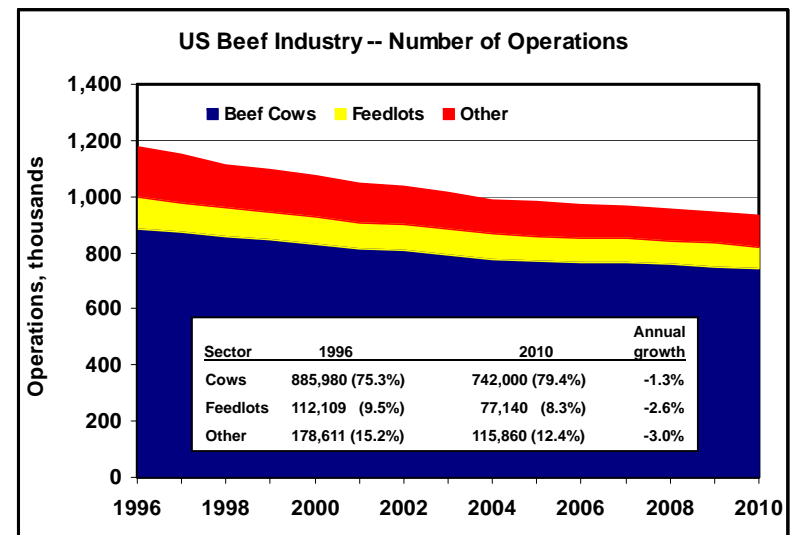


Average returns are highly variable over time...



Source: Kansas Farm Management Association (KFMA) Annual Enterprise Analysis Reports

Fewer operations in all sectors of the beef industry...



Financial importance of cow-calf operation...

Contributions to Income and Labor Input

Reason	Percent of Operations				
	Herd Size (Number of Beef Cows)				
	1-49	50-99	100-199	200+	All
Primary source of income	5.3	24.1	42.8	65.0	14.3
Supplemental source of income	78.0	68.3	50.9	31.7	71.9
Other	16.7	7.6	6.3	3.3	13.8

Source: USDA NASS APHIS, Beef 2007-08, NAHMS report.

One of the characteristics of the beef cow-calf industry slowing consolidation is that many participants are not necessarily motivated by economics...

... and it shows in their management practices.

Castration

	Herd Size (Number of Beef Cows)				
	1-49	50-99	100-199	200+	All
Operations that castrated any bull calves before sale					
Percent of operations	50.3	75.0	85.1	95.3	59.2

Implanting Calves with a Growth Promotant Prior to or at Weaning

Implant Practice	Percent of Operations				
	Herd Size (Number of Beef Cows)				
	1-49	50-99	100-199	200+	All
Any calves	7.0	19.9	27.3	31.1	11.9
Heifers intended for replacement	2.1	6.7	9.7	9.8	3.8
Other calves (nonreplacement)	6.7	19.7	25.2	30.8	11.4

Source: USDA APHIS, Beef 2007-08, Part I: Reference of the Beef Cow-calf Management Practices in the United States, 2007-08

Average herd size and distribution

Average beef cow herd size increased from 40.4 in 2000 to 42.3 in 2010, but averages can be somewhat deceiving...

Farm size (cows/farm)	Percent of operations		Percent of inventory	
	2000	2010	2000	2010
1-49	78.8	79.2	29.5	28.0
50-99	12.0	11.1	19.1	17.4
100-499	8.5	8.9	36.7	38.0
500+	0.7	0.8	14.7	16.6

Roughly 10% of the operations control over 55% of the cows (diverse cow-calf sector)



Returns are more variable across producers...

Beef Cow-calf Enterprise, 2006-2010 (min of 3 years)*

	All Farms	Profit Category			Difference between High 1/3 and Low 1/3	
		High 1/3 Head / \$	Mid 1/3 Head / \$	Low 1/3 Head / \$	Absolute	%
Number of Farms	88	29	30	29		
Labor allocated to livestock, %	36.9	47.3	32.0	31.5		
Number of Cows in Herd	134	187	131	85	103	121%
Number of Calves Sold	122	173	118	77	96	126%
Weight of Calves Sold	576	587	570	573	14	3%
Calf Sales Price / Cwt	\$105.99	\$107.19	\$105.07	\$105.73	\$1.46	1%
Gross Income	\$517.70	\$561.41	\$525.20	\$466.24	\$95.16	20%
Feed	\$353.91	\$306.48	\$361.24	\$393.76	\$27.6%	-22%
Interest	\$123.81	\$106.20	\$124.66	\$140.53	-\$34.33	-24%
Vet Medicine / Drugs	\$18.99	\$18.25	\$17.92	\$20.84	-\$2.60	-12%
Livestock Marketing / Breeding	\$13.01	\$10.86	\$13.24	\$14.93	-\$4.07	-27%
Depreciation	\$34.39	\$25.53	\$33.96	\$43.71	-\$18.18	-42%
Machinery	\$71.05	\$56.93	\$72.72	\$83.46	-\$26.54	-32%
Labor	\$107.81	\$86.28	\$91.21	\$146.52	-\$60.24	-41%
Other	\$36.20	\$25.87	\$40.22	\$42.38	-\$16.50	-39%
Total Cost	\$759.19	\$636.40	\$755.16	\$886.14	-\$249.74	-28%
Net Return to Management	-\$241.48	-\$74.99	-\$229.97	-\$419.89	\$344.90	

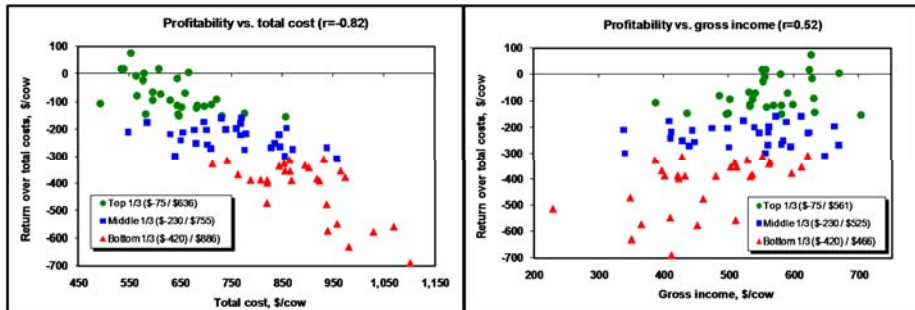
* Sorted by Net Return to Management (Returns over Total Costs) per Cow

Compared to \$195 between top and bottom third years.

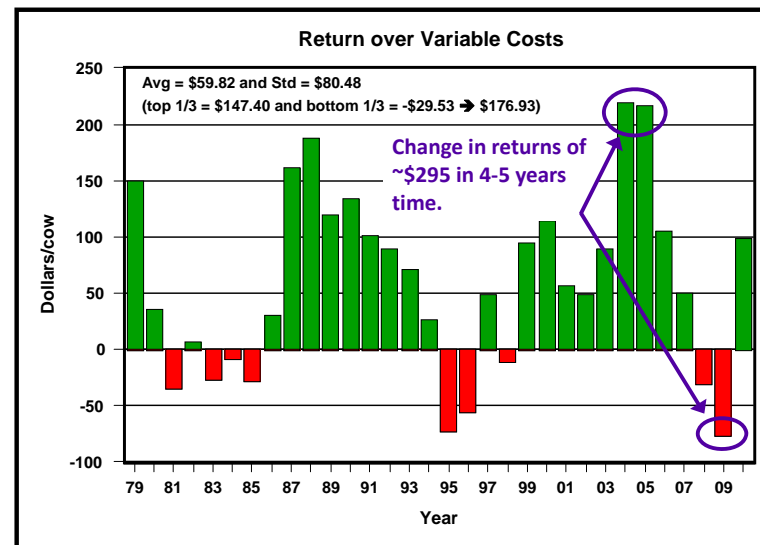


Cow-calf profitability drivers...

- Returns are more variable across producers at a point in time than they are on average over time (i.e., even in “hard times” some producers are profitable)
- Cost differences explain a bigger portion of profitability differences across producers than does income differences



Big changes can occur quite rapidly...



Source: Kansas Farm Management Association (KFMA) Annual Enterprise Analysis Reports



Returns over VC are slightly less variable...

	Beef Cow-calf Enterprise, 2006-2010 (min of 3 years)*				Difference between High 1/3 and Low 1/3	
	All Farms	Profit Category			Absolute	%
		High 1/3 Head / \$	Mid 1/3 Head / \$	Low 1/3 Head / \$		
Number of Farms	88	29	30	30		
Labor allocated to livestock, %	36.9	46.2	39.0	25.3		
Number of Cows in Herd	134	165	124	114	51	45%
Number of Calves Sold	122	153	114	101	51	51%
Weight of Calves Sold	576	595	570	565	29	5%
Calf Sales Price / Cwt	\$105.99	\$106.24	\$106.95	\$104.74	\$1.51	1%
Gross Income	\$517.70	\$567.55	\$532.72	\$452.31	\$115.24	25%
Feed	\$353.91	\$307.04	\$367.32	\$386.91	43.8%	-79.87 -21%
Interest	\$28.12	\$20.39	\$27.77	\$36.20		-\$15.81 -44%
Vet Medicine / Drugs	\$18.99	\$16.93	\$18.53	\$21.53		-\$4.60 -21%
Livestock Marketing / Breeding	\$13.01	\$11.18	\$11.78	\$16.13		-\$4.95 -31%
Depreciation	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00 n/a
Machinery	\$71.05	\$56.61	\$74.54	\$81.89		-\$25.27 -31%
Labor	\$10.72	\$11.73	\$5.71	\$14.91		-\$3.18 -21%
Other	\$36.20	\$27.06	\$40.19	\$41.22		-\$14.16 -34%
Total Variable Cost	\$532.02	\$450.94	\$545.85	\$598.78	56.2%	-\$147.85 -25%
Return over Variable Costs	-\$14.31	\$116.61	-\$13.12	-\$146.47		\$263.08

* Sorted by Net Return to Management (Returns over Variable Costs) per Cow

Compared to \$175 between top and bottom third years.



Department of Agricultural Economics

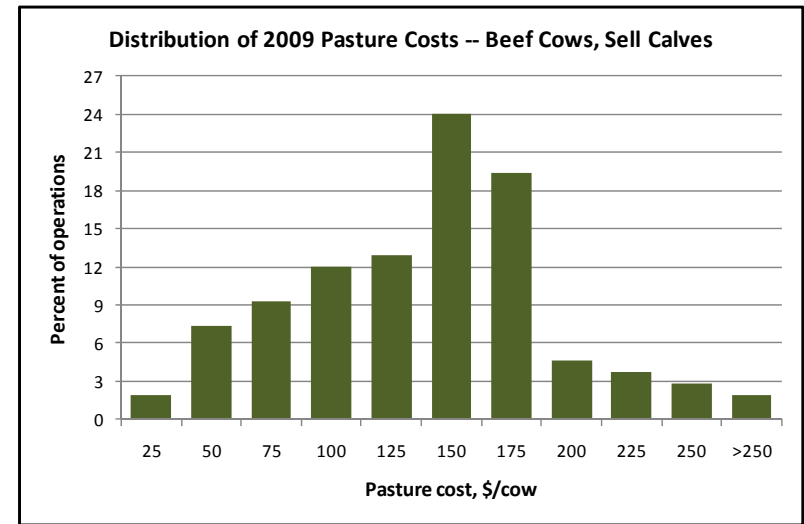
Feed costs

Pasture vs. Purchased Feed

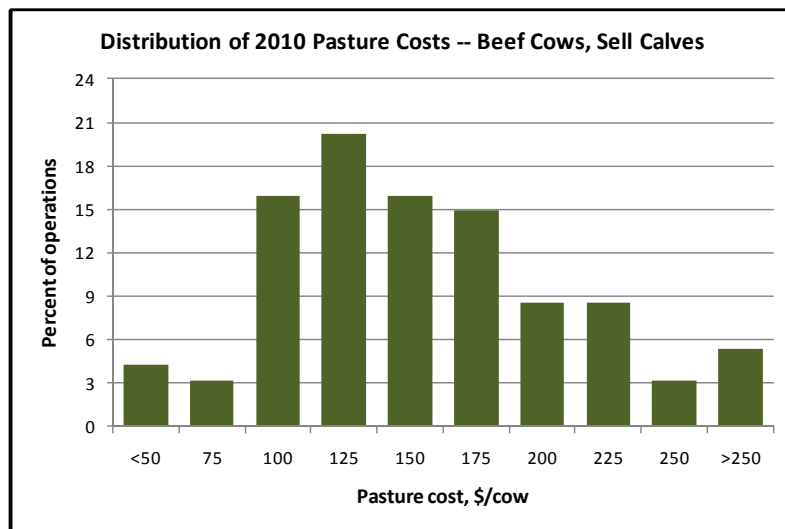


KANSAS FARM MANAGEMENT ASSOCIATION PROFIT CENTER ANALYSIS: 5-YEAR AVERAGE & 2009 BEEF COWS, SELL CALVES: STATE AVERAGES						
	2004-2008 Average			2009		
Number of Farms	104			108		
Number of Cows in Herd	121			127		
Number of Calves Sold	102			107		
Average Weight Calves Sold	581			566		
Calf Selling Price / Cwt	\$110.61			\$96.84		
Gross Income / Cow	\$699.95			\$462.60		
Feed Cost / Cow	\$303.29			\$387.37		
Nonfeed Cost / Cow	\$334.61			\$381.93		
Pounds Beef Produced / Cow	572			546		
GROSS INCOME	\$69,191.60	\$69,611.56	\$569.95	\$58,750.14	\$64,791.44	\$462.60
EXPENSES:						
Labor Hired	\$1,781.34	\$2,561.48	\$146.67	\$2,091.63	\$3,032.02	\$164.47
General Machinery Repairs	3,916.24	5.64	32.26	4,874.27	7.03	38.38
Interest Paid	3,137.28	4.52	25.84	3,859.23	5.57	30.39
Feed Purchased	36,819.92	53.01	303.29	29,202.31	42.14	229.94
Pasture	-	-	-	17,454.24	25.19	137.43
Machine Hire - Lease	301.06	0.43	2.48	311.97	0.45	2.46
Farm Opg Fees / Travel / Publ	591.85	0.85	4.87	688.33	0.99	5.42
Vet Medicine / Drugs	1,825.05	2.03	15.03	2,340.85	3.23	17.64
Livestock Marketing / Breeding	1,283.63	1.85	10.57	1,536.50	2.22	12.10
Gas / Fuel / Oil	2,583.85	3.73	21.36	3,077.38	4.44	24.23
Personal Property Tax	210.43	0.30	1.73	232.13	0.34	1.83
General Farm Insurance	963.90	1.39	7.94	1,007.12	1.45	7.93
Utilities	1,358.38	1.96	11.19	1,441.19	2.08	11.35
Auto Expense	413.82	0.80	3.41	436.55	0.83	3.43
TOTAL VARIABLE COSTS	\$55,196.33	\$79,461.46	\$454.66	\$68,452.70	\$98,791.44	\$539.00
RETURN ABOVE VARIABLE COSTS	\$13,995.27	\$20,151.10	\$115.28	(\$9,702.56)	(\$34,000.00)	(\$76.40)
Depreciation	\$3,626.85	\$5.22	\$29.88	\$4,286.61	\$6.19	\$33.75
Real Estate Tax	624.97	0.90	5.15	557.98	0.81	4.39
Unpaid Operator Labor	8,124.53	11.71	67.01	11,126.94	16.06	87.61
Interest Charge *	9,858.77	14.19	81.21	10,737.62	15.50	84.55
TOTAL FIXED COSTS	\$22,245.11	\$32.02	\$183.24	\$26,709.05	\$38.55	\$210.31
TOTAL EXPENSE	\$77,441.44	\$111,483.48	\$637.90	\$95,161.75	\$137.34	\$749.31
NET RETURN TO MANAGEMENT	(\$8,249.83)	(\$11,880.36)	(\$67.96)	(\$36,411.61)	(\$52.55)	(\$286.71)
NET RETURN TO LABOR/MGT	\$1,666.03	\$2.40	\$13.72	(\$23,193.14)	(\$33.47)	(\$182.62)

Starting in 2009, total feed costs are classified as "Pasture" and "Feed Purchased."



Total of 108 farms (avg = \$127; range = \$19-\$327) – 96 farms between \$50-\$250 (avg \$133)



Total of 94 farms (avg = \$144; range = \$30-\$335) – 85 farms between \$50-\$250 (avg \$140)



Range of Bluestem Pasture Lease Rates, 2009, Full Summer Season							
Type of Lease	Lease Price Range per Head for Full Season (Dollars)						
	Steers and Heifers				Cow/Calf Pairs		Price for Pastures Rented on Per Acre Basis
	Under 500 Pounds	500-699 Pounds	Under 700 Pounds	700 Pounds Or More	With Fall Calves	With Spring Calves	
14 COUNTY BLUESTEM PASTURE AREA							
With Service	60-122	50-153	50-153	58-185	50-185	90-225	50-225
Without Service	25-100	25-100	25-100	25-120	25-300	25-245	25-300
Combined Average Lease Rate	25-122	25-153	25-153	25-185	25-300	25-245	25-300

Wide range across all cow/calf lease types surveyed.

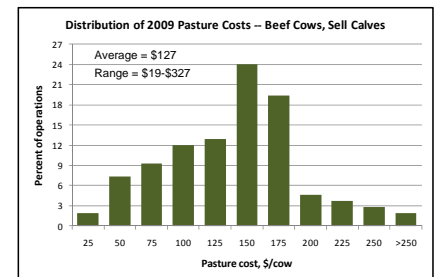
Bluestem Report (combined average lease rate)

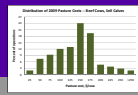
Average with fall calves = \$127.60

Average with spring calves = \$131.30

Overall average = \$130.10

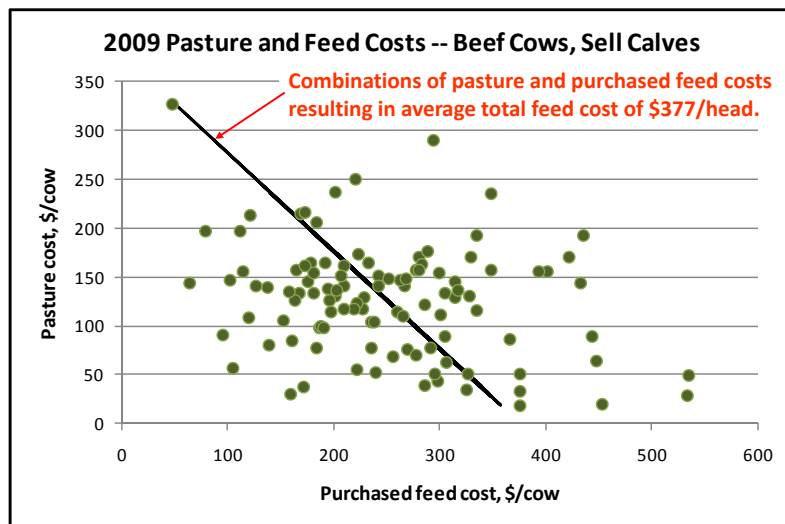
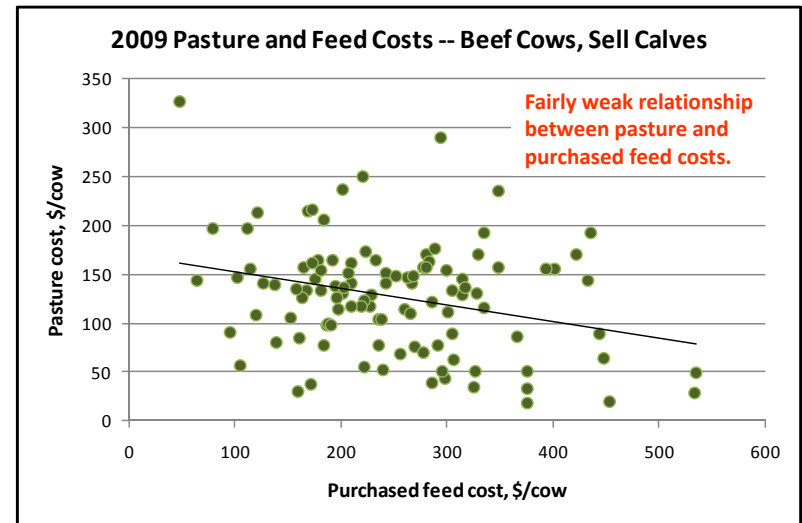
KFMA producer enterprise data and Bluestem survey data match up quite well!



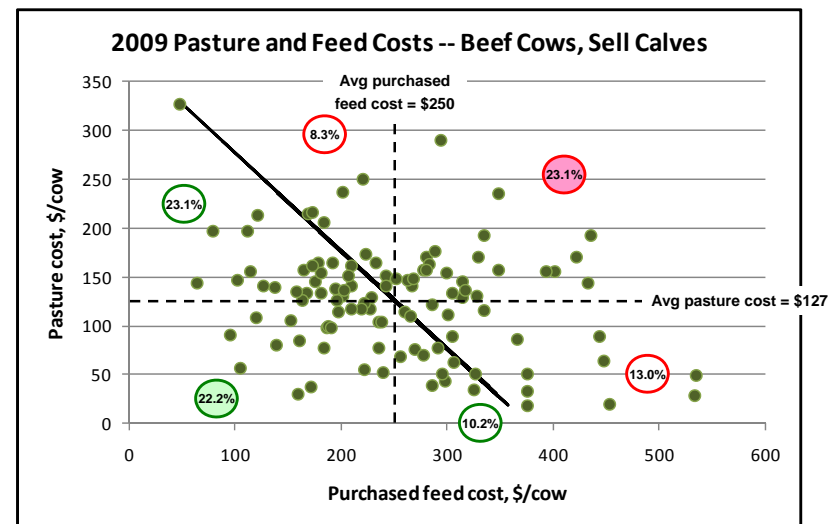


What is driving variability across producers?

- Length of grazing season
 - Trade-off between pasture cost and purchased feed cost
 - Ability to graze stalks in late fall/winter
- Pasture management / intensity
 - Rotational grazing
 - Pasture size / efficiency of use
- Lease rate paid
- Other?



60 of 108 (55%) operations are to the left of the line and 48 (45%) are to the right of the line.



Identifying where your farm falls on this figure (and why) is an important benchmark.

Pasture rental rates



Kansas Agricultural Statistics surveyed market rental rates (available at http://www.nass.usda.gov/Statistics_by_State/Kansas/index.asp)

USDA National Agricultural Statistics Service, Kansas Field Office
AGRICULTURAL LAND VALUES & CASH RENTS
 Kansas Agricultural Statistics
 Released: September 10, 2011

2011 Kansas Farmland Value Up 14 Percent
 The average value of all farmland and buildings for 2011 in Kansas is estimated to be \$1,292 per acre. This compares with \$1,136 in 2010 and \$1,230 in 2009. Kansas' average value of all farmland and buildings increased 14 percent from 2010 to 2011. Irrigated cropland values rose 13 percent from 2010 while non-irrigated cropland increased 14 percent in value from last year. The value of Kansas pasture land increased 3 percent from 2010 to \$810 per acre.

2011 Cash Rents Up From Previous Year
 The 2011 average cash rent farmers pay for non-irrigated cropland in Kansas was \$44 per acre, up from \$43.50 in 2010. The cash rent rates for non-irrigated cropland ranged from a low in the Southwest District of \$30.50 per acre to the high in the Northeast District of \$64.50 per acre. Following the Northeast District was the East Central with \$48.00, down \$1.50 from 2010, and the North Central with \$47.50 per acre.

The 2011 cash rental rate for irrigated cropland in Kansas averaged \$101 per acre, up from \$95 per acre in 2010. The Northeast District had the highest rent with \$120 per acre, followed by the North Central at \$100 and the Northwest at \$110 per acre. The Southwest District had the lowest irrigated rent with \$63 per acre, followed by the Central District with \$65.50 and East Central with \$64 per acre.

The pasture cash rent averaged \$16 per acre in 2011, up from \$15.50 in 2010. The rent for pasture in Kansas ranged from \$9.00 per acre in the Southwest District for a low to \$21.50 per acre in the Northeast District for the high. The Northeast District was followed by the East Central with \$21 and the North Central with \$19.50. Compton County has the highest average cash rental rate in Kansas at \$33 per acre, up \$1 from last year.

Kansas Farmland Values and Cash Rents, 2002 - 2011

Year	Cropland			Pasture and Rangeland		All Farmland	
	Irrigated	Non-Irrigated	All Crop Land	Value	Rent	Value	Total Value
2002	1,380	630	670	72.00	36.00	300	42.00
2003	1,380	640				440	30,430
2004	1,380	650					
2005	1,190	770					
2006	1,200	820					
2007	1,240	850					
2008	1,400	980					
2009	1,500	1,000					
2010	1,600	1,100					
2011	1,800	1,292					

* Rental rates are for land only. * \$68 to be paid

BLUESTEM PASTURE RELEASE - 2009
 KANSAS DEPARTMENT OF AGRICULTURE
 In Cooperation with the National Agricultural Statistics Service
 2100 West 10th
 Topeka, Kansas 66604-1004
 (785) 233-2225

Released: April 24, 2009

Bluestem pasture condition in the Flint Hills region is rated at 2 percent poor, 18 percent adequate, 57 percent good, and 23 percent excellent going into the 2009 grazing season. As of April 20, topsoil moisture conditions were rated mostly adequate to surplus across the Bluestem region. Sources of stock water being used are ponds, 50 percent streams, 30 percent wells, 7 percent and spring developments, 4 percent. Water supplies are rated adequate to surplus, with 92 percent reporting adequate or better supplies.

The percentage of pastures that are always completely of mid-April, about 10 percent are under partial lease for the full year, both early intensive grazing systems. The average summer season contracts for the grazing starting date for pastures is 22. The average number of days for steers and heifers under 700 pounds is 68 days.

Partial season contracts have been broken into two categories: contracts with ninety grazing days or less and contracts with more than ninety grazing days. In winter stoker grazing arrangements, the average reported price is \$2.40 per head per month with 8.2 acres guaranteed. For winter cow grazing arrangements, the average reported price is \$12.30 per head per month with 7.5 acres guaranteed.

Seventy-eight percent of the respondents reported burning of pastures, down 10 percentage points from last year. The average burning date was April 6.

Services provided by the landlord or caretaker in full summer season leasing arrangements are reported as follows:

The average price per acre for pasture is \$24.00 per acre provided, and \$20.00 per acre where no price per head was reported for steers and heifers under 700 pounds, averaged \$57.40 with a guarantee of 2.5 acres. Without care, the price per head averaged \$55.10 with 2.9 acres guaranteed.

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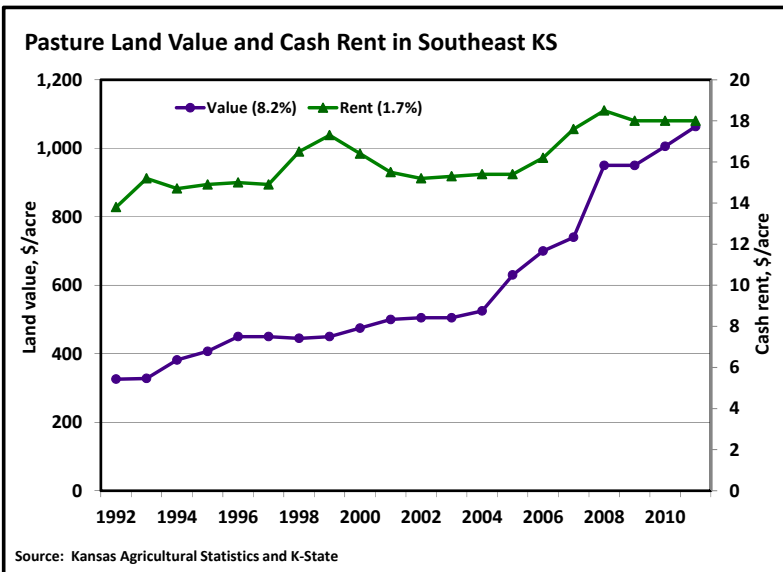
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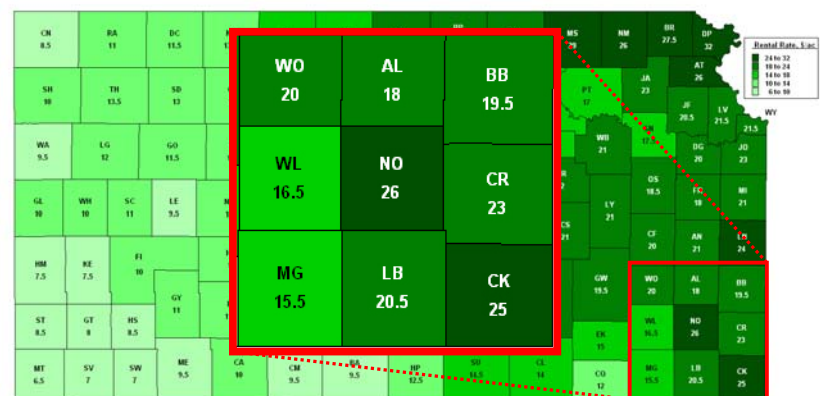
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Switched to county-level rents in 2009, dropped CRD-level land values after 2010)

Pasture values growing faster than rents...



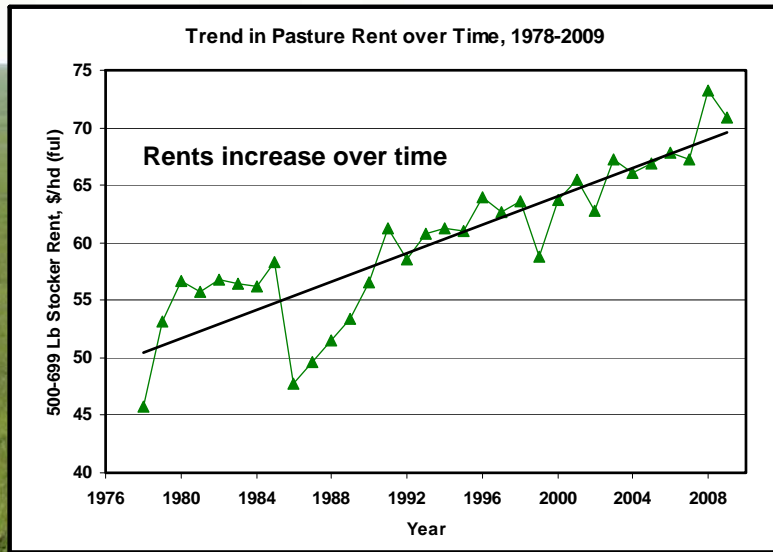
2011 Kansas county-level pasture cash rents...



* Cash rent values as reported by USDA NASS and Kansas Agricultural Statistics (KAS).

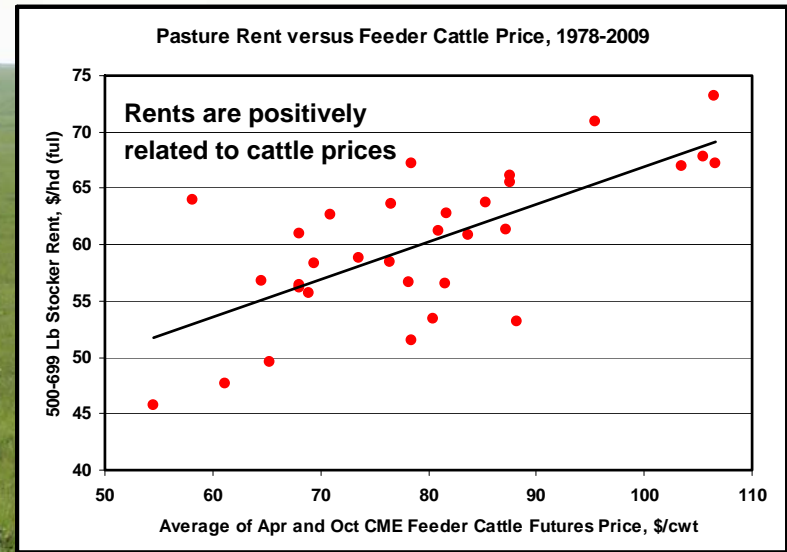
How useful are pasture rent values on a per acre basis?

What drives pasture rental rates?



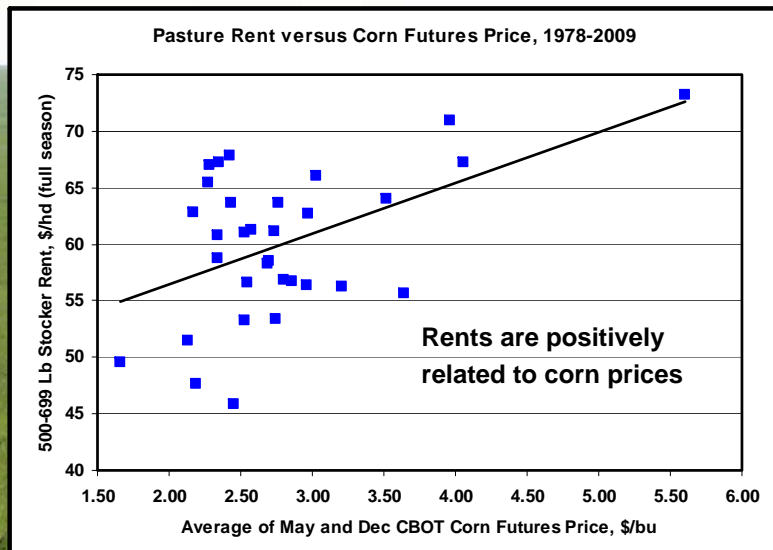
Source: Bluestem Pasture Report, KAS and K-State

What drives pasture rental rates?



Source: Bluestem Pasture Report, KAS and K-State

What drives pasture rental rates?



Source: Bluestem Pasture Report, KAS and K-State


What drives pasture rental rates?



Determining Pasture Rents in the Flint Hills of Kansas

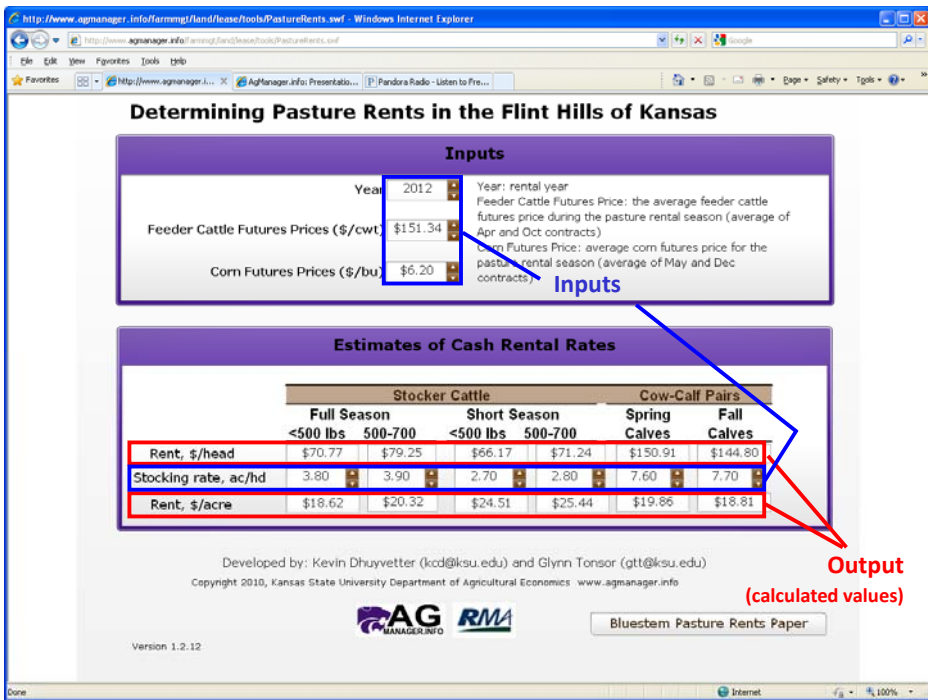
Kevin C. Dhuyvetter and Glynn T. Tonsor

Department of Agricultural Economics, Kansas State University
November 2010

www.agmanager.info 

Publication on *agmanager.info* that reports historical pasture rents and equations that can be used to forecast future rents (where forecasts are a function of time, feeder cattle prices, and corn prices).

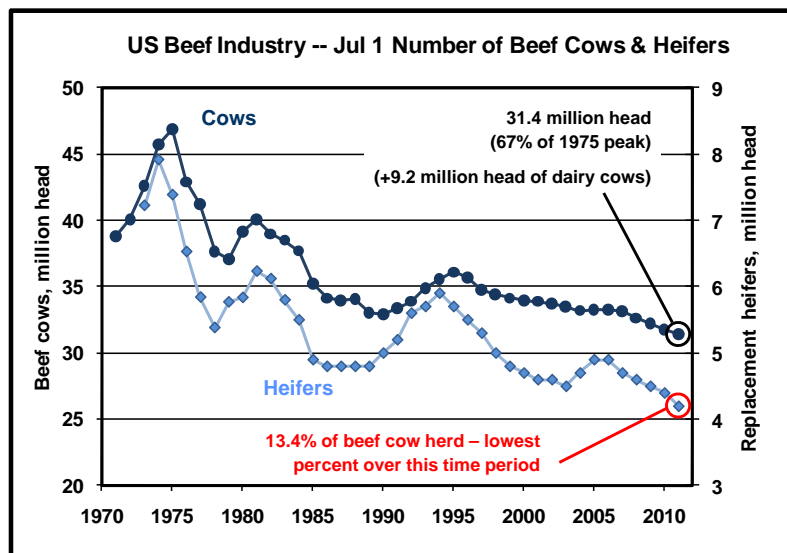
Equations are also built into an online web tool...



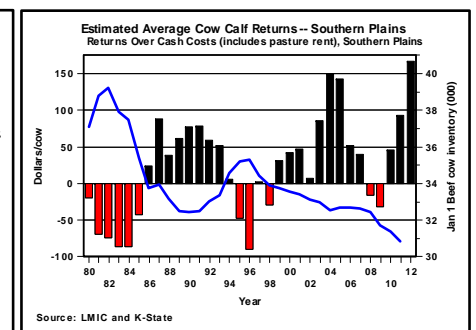
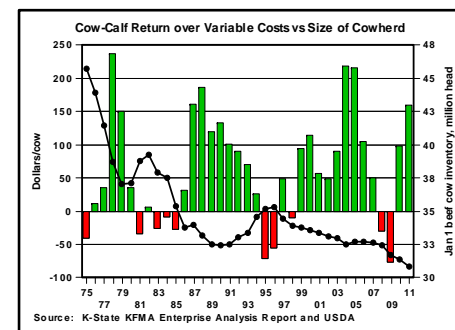
Kansas State UNIVERSITY
 Department of Agricultural Economics

Importance of knowing costs (and how you compare to average)

U.S. beef cow inventory is at lowest level in 40+ years, is now the time to be expanding?



Outlook for cow-calf sector...

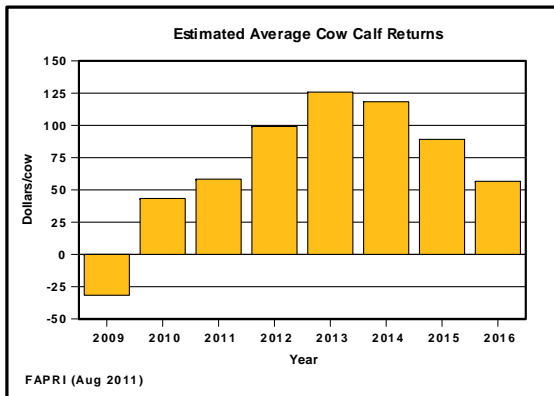


While absolute values for cow-calf returns vary based on source/methodology, projections for 2011 suggest returns will be up considerably from 2010 and projections for 2012 are better yet...

Outlook for cow-calf sector...



Things look quite positive for the cow-calf sector beyond 2012...



So the question is, how much can I pay for a replacement?

How much can I pay for a heifer/cow if I want to expand?

Input Assumptions

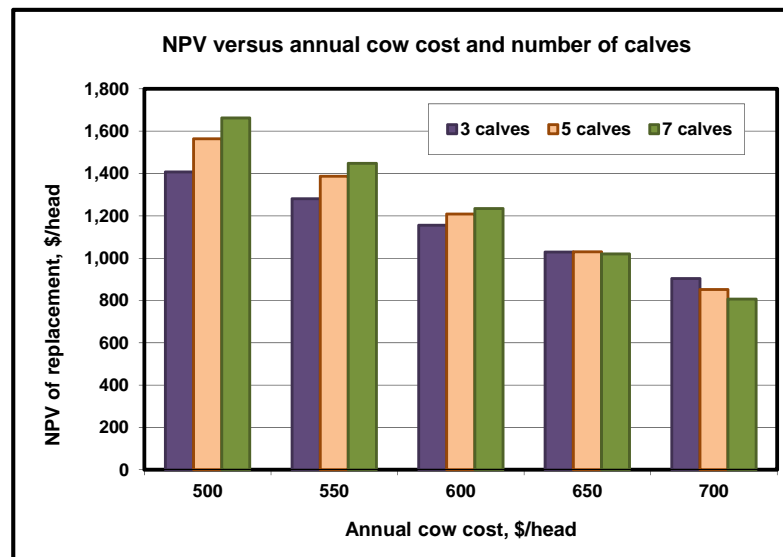
Number of replacements purchased	100	Percent marketable calves (1 - death loss)	97.0%
Year of purchase	2012	Annual cow death loss	0.5%
First year for calf sales	2012	Annual cull rate	12.0%
Cull cow weight, lbs/hd	1,250		
Annual cow costs, \$/year	\$600	Annual inflation rate on costs	1.0%
Price scenario to use (1-3) (Adjusted FAPRI)	3	Annual increase in average weaning weight	0.0%
Weaning weight scenario to use (1-3)	1	Discount rate (interest rate)	6.5%

Net Present Value Analysis

Year	Cows at		Prices, \$/cwt		Calf Income	Cull Income			Net Income	Discount factor	NPV**	
	BOY*	Calf	Calf wt	Calf		Cull	Annual	Age				Cost
2012	100.0	1	542	\$140.78	\$66.40	\$740	\$99.60	\$730	\$600	\$240	1.0000	\$970
2013	87.5	2	552	\$143.48	\$67.80	\$672	\$88.99	\$653	\$530	\$231	0.9390	\$1,069
2014	76.6	3	562	\$144.88	\$68.90	\$605	\$79.13	\$577	\$469	\$215	0.8817	\$1,155
2015	67.0	4	567	\$140.98	\$66.00	\$519	\$66.32	\$487	\$414	\$172	0.8278	\$1,191
2016	58.6	5	572	\$137.68	\$63.20	\$448	\$55.57	\$403	\$366	\$137	0.7773	\$1,208
2017	51.3	6	572	\$135.38	\$60.90	\$385	\$46.85	\$343	\$323	\$109	0.7299	\$1,225
2018	44.9	7	567	\$134.48	\$60.00	\$332	\$40.39	\$293	\$286	\$86	0.6853	\$1,234
2019	39.3	8	565	\$133.90	\$59.10	\$288	\$34.81	\$251	\$253	\$70	0.6435	\$1,241
2020	34.4	9	562	\$136.58	\$59.70	\$256	\$30.77	\$224	\$223	\$63	0.6042	\$1,253
2021	30.1	10	559	\$130.66	\$57.00	\$213	\$25.71	\$185	\$197	\$41	0.5674	\$1,246
				\$137.88	\$62.90							

* BOY = Beginning of year 562 \$137.88 \$62.90 ** Net present value if replacement is sold in this year

How much can I pay for a heifer/cow if I want to expand?



Prices / Marketing



What drives/determines feeder calf prices?



Home / Livestock Marketing

Market Outlook and Newsletters	Charts and Databases	Marketing Extension Bulletins	USDA News, Reports, Futures Market Prices	Budgets, Economics, LRP and Policy	Related Sites	Cross-Subject Areas
In The Cattle Markets	Livestock & Hay Charts	Marketing Strategies	USDA News	Projected Budgets	BeefBasis.com	Animal ID & Traceability
Livestock Outlook Radio	Livestock Databases	Financial Analysis	Futures Market Prices	Historical Budgets	NAIBER	Animal Well-Being
Cattle Finishing Returns	Beef Demand Charts	Trade and Demand	Pork Price Reporting	Production Economics	LMC	CLPER
	Grain Supply & Demand	Price Risk Management	Interest Rate Forecasts	LRP Insurance		

Livestock & Meat Marketing

- Marketing / Returns / Forecasting Tools**
In the Cattle Markets; newsletter; Livestock Outlook Radio program; "Cattle Finishing Returns" newsletter.
- Charts / Databases / Beef Demand**
Livestock & Hay Charts; Livestock Databases; Meat Demand Charts.
- Marketing Extension Bulletins**
Marketing Strategies; Financial Analysis; Trade, Demand and Contracting; Price Risk; Management
- USDA News / Reports / Futures Market Prices**
USDA News; Futures Market Prices; Pork Price Reporting.
- Budgets / Economics / LRP / Policy**
Projected Budgets; Historical Budgets; Production Economics; LRP Insurance; Policy
- Related Sites**
BeefBasis.com; NAIBER; LMC; RMA's LRP Calculator.
- Cross-Subject Areas**
Animal ID and Traceability; Animal Well-Being; CLPER (Connecting Livestock Producers with Recent Research).

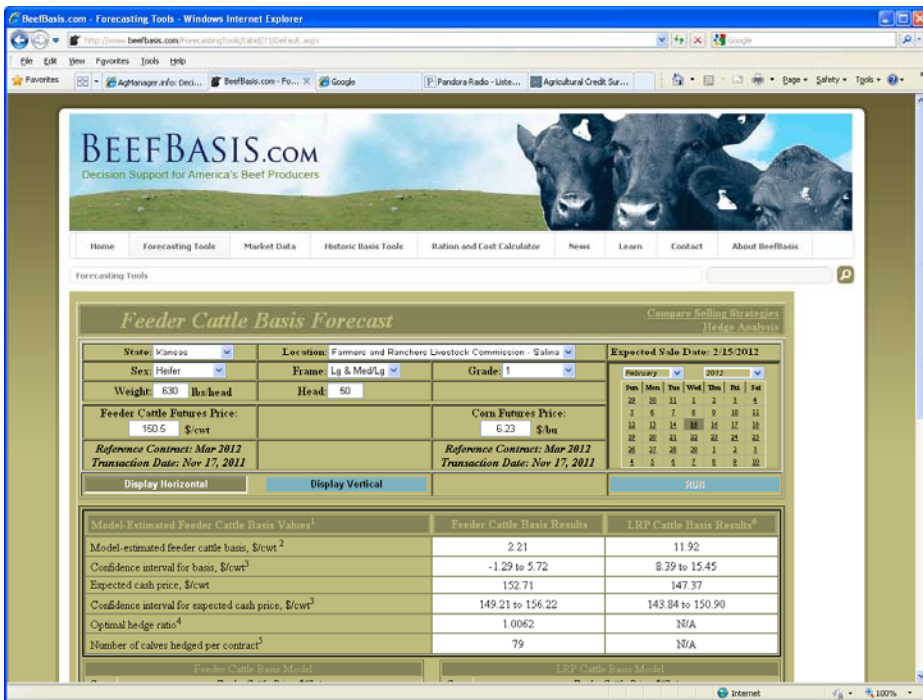
Home / Decision Tools

AgManager.info Decision Tools

POLICY & RISK MANAGEMENT	CROP PRODUCTION ECONOMICS	MACHINERY	LAND LEASING & PURCHASE	LIVESTOCK	MISCELLANEOUS
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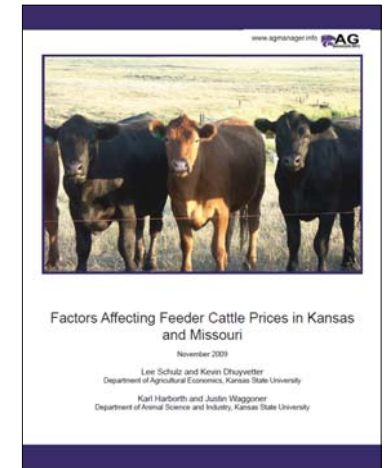
Some of these files require the Adobe Flash Player. To download or to update your Flash software, please click [HERE](#), or go to: <http://get.adobe.com/flashplayer/>

Title	Author	Excel	Corresponding Paper (PDF)	Web Dashboard	Audio (MP3) or Video (WMV)
LIVESTOCK DECISION TOOLS					
BEEF					
KSU-Cow Wintering Costs	Obuyvetter	Download	Download		
KSU-Beef Replacements	Obuyvetter	Download			
SUPPCOST	Obuyvetter, Blasi, and Smith	Download			
Beef-Cow-Lease	Obuyvetter and Fausset	Download	Download		
K-State Feeder Cattle Price Analyzer	Schutz and Obuyvetter	Download	Download		
Cattle Breakdown Selling and Purchase Prices	Obuyvetter	Download		View	
Determining Pasture Rents in the Kansas Flint Hills (KSU-Graze.xls)	Obuyvetter, Chamber, and Tansor	Download	Download	View	
Pricing DDGs in Feedlot Rations	Tansor	Download		Instructions Paper	
K-State Feeder Cattle Risk Management Tool	Obuyvetter	Download			
FM-Guides-Beef-(2010).xls	Obuyvetter and Liewitzo	Download			
CattleSeasonalsCash	Obuyvetter	Download			
KSU-CRP HAYorGRAZE.xls	Taylor, Obuyvetter, Kastens	Download	Download		
Estimating Costs of RFID Systems	Obuyvetter, Blasi	Download			
Impact of Com and Fed Cattle Prices on Feeder Cattle Price Slides	Obuyvetter, Schroeder, Prewitt	Download	Download		
DAIRY					
Economics of Bunkers, Piles, or Bags for Dairy	Obuyvetter	Download	Download		



What do premiums/discounts indicate...

- Lot size and uniformity are very important
- Breed/color impact price
- Time of sale important (probably hard to manage)
- Dehorn and castrate early
- Market healthy cattle
- Stay away from extremes (frame, condition, fill)
- Results written up in paper on www.agmanager.info



What about preconditioning your calves?

- Premiums of +\$6/cwt when calves are vaccinated and weaned
- Premiums tend to be higher for steers than heifers

Figure 5.4 - Steer Vaccination and Weaning Program Value, 2008 to 2009

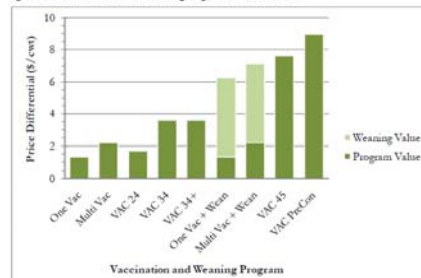
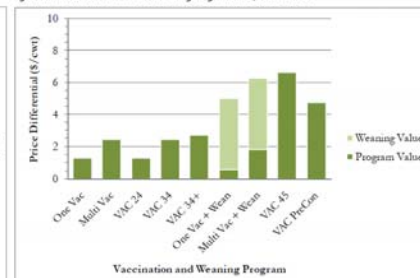


Figure 5.5 - Heifer Vaccination and Weaning Program Value, 2008 to 2009



Source: Factors Influencing the Price of Value-Added Calves at Superior Livestock Auction (Lance Zimmerman MS thesis, 2010 – Kansas State University)

- So, does it pay to precondition your calves?

What about Age & Source Verification programs?

- Premium of around \$1.50-\$2.00 per cwt pretty consistently over last several years

Figure 5.23 - Price Effect and Percentage of ASV Steer Lots, 2004 to 2009

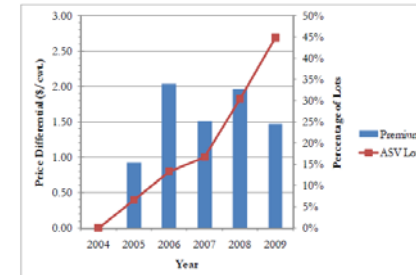
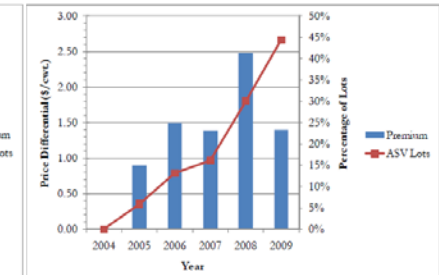


Figure 5.24 - Price Effect and Percentage of ASV Heifer Lots, 2004 to 2009



Source: Factors Influencing the Price of Value-Added Calves at Superior Livestock Auction (Lance Zimmerman MS thesis, 2010 – Kansas State University)

- Will premium disappear as ASV becomes more common?

Who is doing “value added” marketing?

Marketing Channels for Calves Produced


Marketing Channel	Percent Operations				All
	1-49	50-99	100-199	200+	
Breed-influenced program	11.7	15.9	16.1	28.6	13.6
Age-and source verification program	5.2	11.7	14.9	29.0	8.2
Conventional	60.5	68.7	68.4	67.8	62.8
Natural	28.8	25.3	24.4	30.8	28.0
Certified organic*	1.2	0.2	0.3	1.3	1.0
Other	1.4	0.8	2.6	2.3	1.5

* Operation certified by USDA

Source: USDA NASS APHIS, Beef 2007-08, NAHMS report.

Summary...

- More variability in returns between producers at a point in time than on average for an industry over time
➔ management is more important than “cycles”
- Most of the variability in returns is explained by cost differences as opposed to revenue differences
➔ Feed is big driver – important to know why they are low
➔ Fixed costs are important – driven by economies of size
- Knowing where one stands relative to average regarding costs is important to make sound management and investment decisions.
- Marketing – focus should be on delivering what the market wants rather than trying to out-guess market



For more information and decision tools related to farm management, marketing, and risk management go to www.AgManager.info

Kevin Dhuyvetter
785-532-3527
kcd@ksu.edu

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