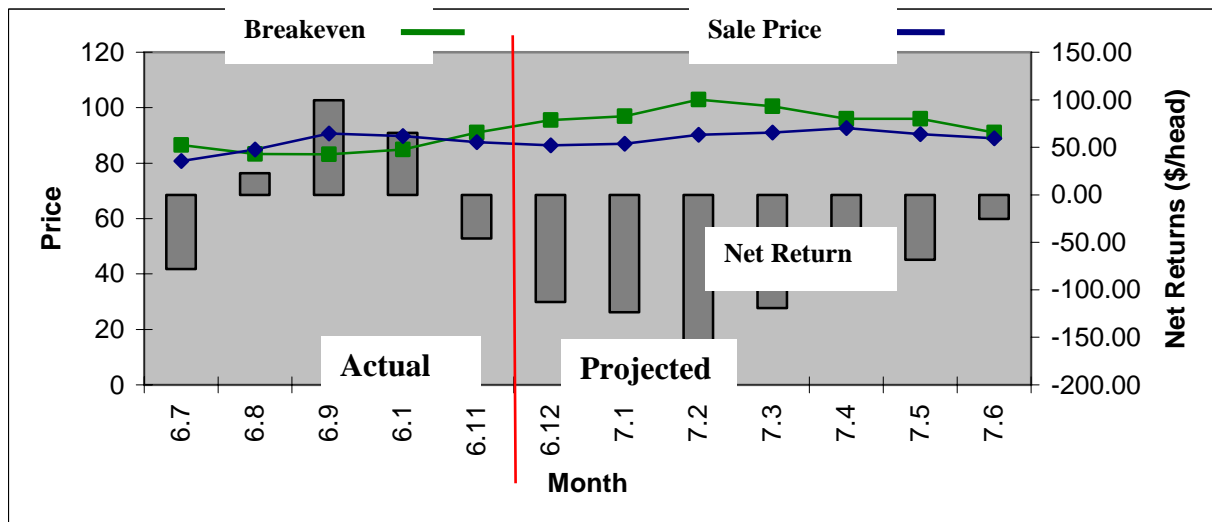


# Livestock Farm Management Update

January 24, 2007

Prepared By Rodney Jones, Associate Professor / Extension Livestock Production Economist, Kansas State University, January 24, 2007.

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 October steer closeout returned around \$65.00 per head, following profits of around \$100.00 per head on September closeouts. The impact of higher feed prices, and higher priced summer purchased feeder cattle, really began to be felt on November closeouts, with returns averaging a negative \$46.00 per head. Preliminary calculations suggest that returns worsened for cattle finished in December. Average breakevens were \$95.50 per cwt., which combined with average selling prices of just under \$86.50 likely resulted in returns around negative \$113.00 per head. Based on average performance (feed conversions and daily gains) early 2007 losses would be expected to range from around \$123.00 per head for January closeouts, to around \$158.00 per head for February closeouts. These projections are based on the rapid run up in feed prices. Feeder cattle prices retreated significantly into November and December, lowering break even projections for March and April closeouts and improving the profitability projections (lowering the loss forecasts to around \$50.00 per head). *Unfortunately, we have some reason to believe that performance will be below average for early 2007 closeouts. Historical data indicates that overall feed conversions for cattle finished in the first few months following major storm events can be impacted by as much as 15 to 20%. A 15% increase (worsening) of feed conversions with today's feed prices results in \$4 to \$5 per cwt increases in the breakevens, translating to around \$50.00 per head decline in profit prospects per head holding all other assumptions constant.*



Source: KSU Cattle Return Series.

The following budgets provide detailed projections for late January placements. Kansas cash feeder cattle prices have declined dramatically, but feed cost projections have increasing rapidly. One year ago the average ration charge was around \$110.00 per ton, while today the projections suggest about \$175.00 per ton, and continued feed price uncertainty remains an important consideration. The net result is a break-even projection that is around \$91.00 per cwt. for June finished cattle. The breakeven 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, or more adverse feeding weather. Given current futures based fed cattle price forecasts these break evens seem a little high. However, a few dollar rebound in fed cattle futures prices would put these projections in the black. Sensitivity Tables are included to reveal the sensitivity of the projected breakeven to feeder prices and feed costs.

**Commercial Feedlot Cattle Finishing Budget  
January 2007 Placements (750 lb. steers, 650 lb. hfrs)**

| Cost Budgets                             | Steers                     | Heifers                  |
|--|----------------------------|--------------------------|
| <b>Feeder</b>                            |                            |                          |
| 1. Cost of feeder:                       | \$723.75 (@\$96.50 / cwt.) | \$611.00 (@94.00 / cwt.) |
| 2. Interest on feeder:                   | \$ 27.88                   | \$ 24.04                 |
| <b>Feed</b>                              |                            |                          |
| 3. Total feed cost: <sup>1</sup>         | \$357.17                   | \$333.30                 |
| 4. Interest on feed:                     | \$ 6.88                    | \$ 6.46                  |
| Break-even selling price: <sup>2</sup>   | \$ 91.03                   | \$ 90.66                 |
| Total cost of gain / cwt:                | \$ 82.83                   | \$ 85.85                 |
| Feeding cost of gain / cwt: <sup>3</sup> | \$ 77.26                   | \$ 80.50                 |

<sup>1</sup> Based on a ration charge of \$175.51 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                     |         |         |         |          |
|---------------------------------------|---|---------|---------|---------|----------|
|                                       | \$92.00                                   | \$94.00 | \$96.00 | \$98.00 | \$100.00 |
| Feeding Cost<br>Of Gain<br>(\$ /cwt.) | -----Break-even Price-----<br>(\$ / cwt.) |         |         |         |          |
| \$74.00                               | 86.93                                     | 88.17   | 89.42   | 90.67   | 91.91    |
| \$75.00                               | 87.33                                     | 88.57   | 89.82   | 91.07   | 92.31    |
| \$76.00                               | 87.73                                     | 88.97   | 90.22   | 91.47   | 92.71    |
| \$77.00                               | 88.13                                     | 89.37   | 90.62   | 91.87   | 93.11    |
| \$78.00                               | 88.53                                     | 89.77   | 91.02   | 92.27   | 93.51    |
| \$79.00                               | 88.93                                     | 90.17   | 91.42   | 92.67   | 93.91    |
| \$80.00                               | 89.33                                     | 90.57   | 91.82   | 93.07   | 94.31    |

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

|                                       | Feeder Purchase Price                     |         |         |         |         |
|---------------------------------------|---|---------|---------|---------|---------|
|                                       | \$90.00                                   | \$92.00 | \$94.00 | \$96.00 | \$98.00 |
| Feeding Cost<br>Of Gain<br>(\$ /cwt.) | -----Break-even Price-----<br>(\$ / cwt.) |         |         |         |         |
| \$78.00                               | 87.18                                     | 88.41   | 89.64   | 90.87   | 92.10   |
| \$79.00                               | 87.59                                     | 88.82   | 90.05   | 91.28   | 92.51   |
| \$80.00                               | 88.00                                     | 89.23   | 90.46   | 91.69   | 92.91   |
| \$81.00                               | 88.41                                     | 89.64   | 90.87   | 92.10   | 93.32   |
| \$82.00                               | 88.82                                     | 90.05   | 91.28   | 92.50   | 93.73   |
| \$83.00                               | 89.23                                     | 90.46   | 91.69   | 92.91   | 94.14   |
| \$84.00                               | 89.64                                     | 90.87   | 92.09   | 93.32   | 94.55   |