



Livestock Farm Management Update

November 17, 2003

Prepared By Rodney Jones, Associate Professor / Extension Livestock Production Economist,
Kansas State University, November 17, 2003.

In This Issue....

How long will cattle feeding profits continue? 2

Cattle Production Budgets and Returns

By Rodney Jones, Extension Livestock Production Economics

Recent Placements Have Historically High Break-Evens

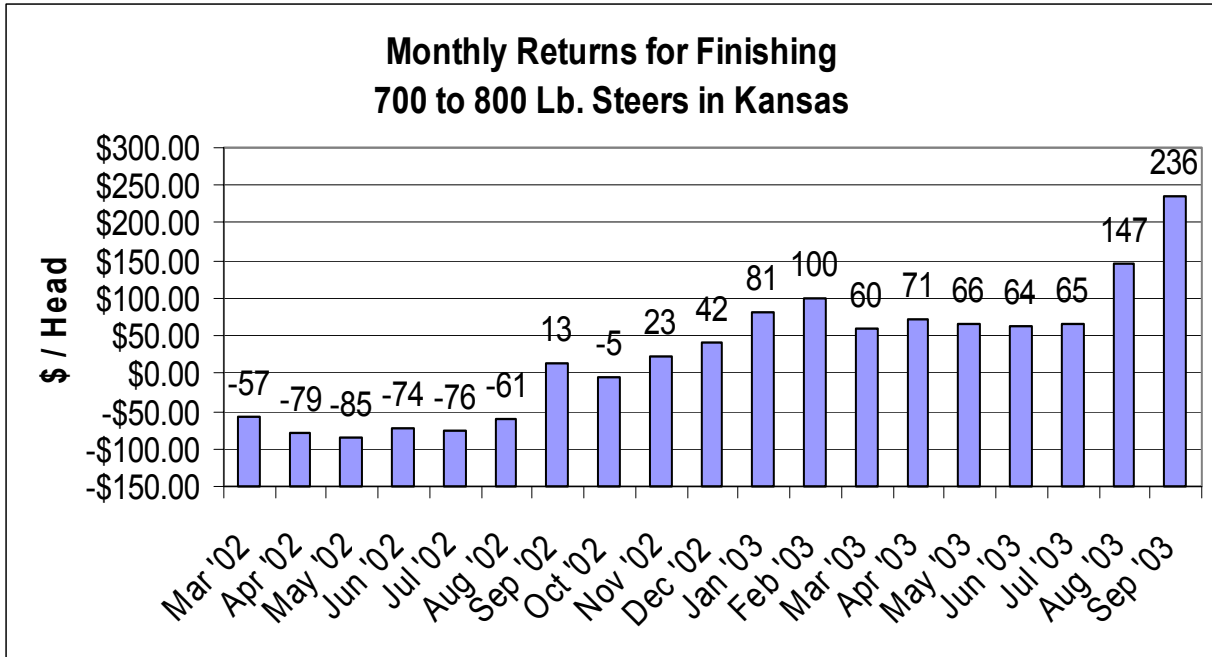
Based on this month's traditional cattle finishing budgets for 750 pound steers and 650 pound heifers, the expected break-even prices for November placements are high by historical comparison. The projected break-evens, for cattle expected to finish in April, are in the \$85.00 to \$86.00 per cwt. range for heifers and steers. Even so, these break-even projections for April closeouts are not as high as the projections for March closeouts, where average break-evens will be close to \$90.00 per cwt. due to the higher prices paid for feeder animals last month. The ration charge projection has increased slightly from the last update (a few month's ago) as feedgrain prices inch upward, and supplement prices increase significantly. Finally, performance expectations are at their lowest point of the year for fall placements. Feed conversions and average daily gains for November placements are expected to be about 8% worse than annual averages.

A use-weighted combination of placement month corn, hay, and supplement prices, and projections for ingredient prices over the following four months, is used to estimate a ration charge, and subsequently a feeding cost of gain projection for current placements. Combining the ration charge projection with late November placement performance expectations results in a feeding cost of gain projection of \$56.28 per cwt. for traditional weight November steer placements, and \$58.51 per cwt. for traditional weight November heifer placements. These are significant increases relative to the summer projections. In addition to feed ingredients, yardage, processing, medication, and death loss are

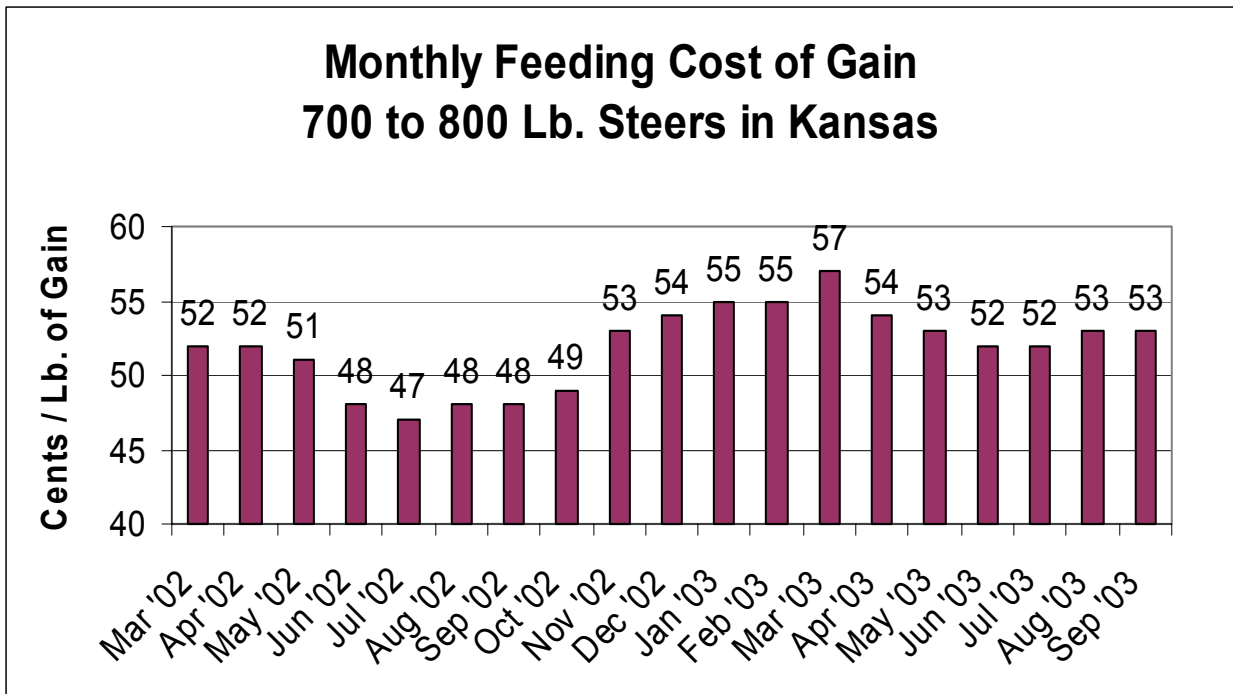
accounted for in feeding cost projections. Estimates are most sensitive to changes in feed conversions, daily gains, grain prices, and hay prices. Based on fall placed performance expectations, each \$0.10 per bushel change in corn price changes feeding cost of gain by \$1.30 per cwt. In addition, each \$10.00 per ton change in hay price changes feeding cost of gain by \$0.48 per cwt.

Feeding Profits at Historically High Levels

Final average September steer closeout returns came in much higher than anyone could have predicted. The average September steer closeout returned about \$236.00 per head. Sale prices during September varied significantly from week to week and from pen to pen due to substantial quality premiums, so some closeouts returned significantly more than the calculated monthly average, while others returned significantly less. Preliminary calculations suggest that average returns on October and November closeouts may approach \$340.00 per head. Break-evens are currently in the very low \$70's on a per cwt. live basis, with sale prices over \$100.00 on many pens. The question then becomes how long will these historically high returns to cattle feeding programs continue? Projections suggest that break-evens will increase to the upper \$70's by December, and will reach the middle \$80's by February. Current estimates indicate that feeding programs will likely remain profitable through early 2004, though per head returns will likely not remain at current levels. Net returns could turn negative by March, as higher priced feeder animals begin to finish.



Source: KSU Cattle Return Series.



Source: KSU Cattle Return Series.

Commercial Feedlot Cattle Finishing Budget
November 2003 Placements (750 lb. steers, 650 lb. hfrs)

Assumptions	Steers	Heifers
Cost of Feeder (\$/cwt.) ¹	\$102.00	\$99.00
Interest Rate	7.0%	7.0%
Ration Charge (\$/ton) ²	\$114.96	\$114.96
Yardage Charge (\$/head/day)	\$ 0.05	\$ 0.05
Beginning weight	750 lbs.	650 lbs.
Pay weight	1250 lbs.	1075 lbs.
Gain	500 lbs.	425 lbs.
Days on feed	170 days	162 days
Shrink	4.0 %	4.0 %
Pay weight to pay weight:		
Average daily gain	2.94 lbs.	2.63 lbs.
Feed conversion (as fed)	8.91 lbs.	9.12 lbs.
Death loss (in conversion)	0.50 %	0.50 %
Cost Budgets	Steers	Heifers
Feeder		
1. Cost of feeder:	\$765.00	\$643.50
2. Interest on feeder:	\$ 24.95	\$ 19.94
Feed		
3. Total feed cost:	\$254.40	\$222.79
4. Interest on feed:	\$ 4.15	\$ 3.45
Other Costs		
5. Yardage Charge:	\$ 8.50	\$ 8.08
6. Processing Charge:	\$ 7.00	\$ 7.00
7. Vet, drugs, supplies:	\$ 7.00	\$ 7.00
8. Interest on other costs:	\$ 0.37	\$ 0.34
Break-even selling price:	\$ 85.71	\$ 84.85
Total cost of gain / cwt:	\$ 61.27	\$ 63.20
Feeding cost of gain / cwt: ³	\$ 56.28	\$ 58.51

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

² Ration charge of \$114.96 is a use-weighted projection over the feeding period based on a corn price of \$2.50 / bu., alfalfa hay price of \$82.65 / ton, supplement price of \$305.00 / 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.

³ 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.)				
\$53.00	81.87	83.11	84.35	85.59	86.83
\$54.00	82.27	83.51	84.75	85.99	87.23
\$55.00	82.67	83.91	85.15	86.39	87.63
\$56.00	83.07	84.31	85.55	86.79	88.03
\$57.00	83.47	84.71	85.95	87.19	88.43
\$58.00	83.87	85.11	86.35	87.59	88.83
\$59.00	84.27	85.51	86.75	87.99	89.23

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

	Feeder Purchase Price				
	\$95.00	\$97.00	\$99.00	\$101.00	\$103.00
Feeding Cost Of Gain (\$ /cwt.)	-----Break-even Price----- (\$ / cwt.)				
\$55.00	80.97	82.21	83.46	84.71	85.95
\$56.00	81.36	82.61	83.86	85.10	86.35
\$57.00	81.76	83.00	84.25	85.50	86.74
\$58.00	82.15	83.40	84.65	85.89	87.14
\$59.00	82.55	83.79	85.04	86.29	87.53
\$60.00	82.94	84.19	85.44	86.68	87.93
\$61.00	83.34	84.59	85.83	87.08	88.33

Feeding Cost of Gain For Steers By Closeout Month (\$/cwt.)

	% Change Previous Year	2004	2003	2002	1990-2002 Average
January		50.77 ^P	54.99	49.08	52.15
February		54.76 ^P	54.79	52.12	53.90
March		56.29 ^P	56.94	52.24	54.71
April		56.28 ^P	54.08	51.99	53.76
May		55.14 ^P	52.60	50.58	52.38
June	+ 9.0		51.85	47.56	50.66
July	+11.7		52.16	46.66	49.58
August	+ 9.3		52.53	48.05	51.13
September	+11.2		53.31	47.96	50.28
October			48.92 ^P	49.16	50.73
November			48.55 ^P	52.64	51.10
December			49.26 ^P	53.69	51.28

^P Values for this month are projected

Source of Actual Historical Feeding Cost of Gain: Focus on Feedlots Newsletter, KSU Extension Animal Science and Cooperating Feedyards.

Break-even Prices for Finishing Steers (\$/cwt.)

	% Change Previous Year	2004	2003	2002	1990-2002 Average
January		79.69 ^P	71.69	75.49	71.09
February		84.78 ^P	71.98	76.77	71.59
March		89.98 ^P	72.72	76.90	71.63
April		85.71 ^P	73.33	74.15	71.58
May		82.74 ^P	73.49	72.22	71.42
June	+ 2.3		71.17	69.56	70.69
July	+ 0.6		69.40	69.02	69.77
August	+ 1.0		68.48	67.80	69.28
September	+ 8.2		69.86	64.55	69.09
October			71.31 ^P	65.83	69.25
November			73.52 ^P	68.35	71.28
December			74.47 ^P	69.42	71.92

^P Values for this month are projected

