



Upcoming Events

September 19
Beef Stocker
Profitability
Conference
Manhattan, Kan.
Details on page 2.

December 9 - 11
Range Beef Cow
Symposium
Scottsbluff, Neb.

Options for weaned calves

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Livestock production economist

Kansas cattle producers are once again forced to make difficult management decisions due to drought conditions. Effects of moisture shortages are being felt across a broader geographic region than even the past few years.

Earlier than normal weaning of calves is a strategy that has been widely used the past few years to reduce cow feed requirements and take the pressure off valuable forage supplies. Now producers are pondering questions regarding the best and most profitable option for that early weaned calf. Producers who use a more traditional weaning schedule will still be faced with difficult decisions. Fall and winter forage supplies will be tight across the state. On average, concentrated feed ingredient prices are reasonable, but local production shortfalls will most certainly lead to higher-than-average local feed ingredient basis levels and prices than some can afford to pay. Add that to the fact that cattle prices at all levels of the marketing chain have been and remain surprisingly strong, and it all adds up to some tough decisions.

Options for the typical cow-calf producer include selling the calves immediately at weaning, keeping the calves for a short time, or retaining ownership of the calves in a backgrounding or other feeding program. With very few exceptions where there is a known market willing to pay the full cost of a brief "straightening out" phase, short term ownership programs after weaning are difficult to make pay. For most producers, the realistic options to consider are selling

the calves at weaning or retaining ownership for an extended feeding program.

Using average costs, animal performance projections and recent cattle price quotes, let's examine potential outcomes for retaining ownership of various weights of calves. These projected outcomes can be compared to local sale options for weaned calves. Feeding program possibilities in drought-stricken areas are assumed to be limited to various drylot backgrounding or finishing combinations because of lack of available forages for grazing. It would be impossible to examine all possible combinations.

Table 1 on page 3 summarizes a few common programs. The A1 program represents a 150-day backgrounding program for a light (400- to 425-pound) steer calf averaging 2 pounds daily gain. The outcome does not change significantly if we start the program with a very light (300- to 400-pound) calf. The A2 program represents taking that calf through a commercial feedlot after the backgrounding phase. If the backgrounding phase were started now, these calves would be expected to finish in about June of 2004.

The B1 program projects the potential for backgrounding a heavier (525-pound) steer calf for 110 days, again averaging 2 pounds daily gain. Similarly, the B2 program projects the outcome of taking that same calf through a commercial feedlot after the backgrounding phase.

Finally, the C1 program projects the outcome of sending the 500- to 525-pound steer calf directly to a commercial feedlot, targeting rapid gains from the beginning.

continued page 3

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Beef Stocker Profitability Conference

The 2003 Beef Stocker Profitability conference is set for Sept. 19 at the K-State Alumni Center in Manhattan, Kan.

Information is available on the Web at: beefstockerusa.org

To register contact Lois Schreiner, 785-532-1267 or e-mail lschrein@oznet.ksu.edu

Topics:

Stocker-Feedlot Transition Trends in the Beef Industry

Preconditioning: An Economic Analysis

A Practical Approach to Epidemiology: Are Things What They Seem?

Retail Demand for Beef: What Do We Expect From You?

Reduce winter feed costs by planning now

*Sandy Johnson
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Winter is traditionally the most expensive time to feed cattle, and that period will be longer for many producers because of the dry year. Producers can save money by contracting supplements or various co-products now, before increased demand raises prices.

A good place to start pricing co-products is a Web site from the University of Missouri at <http://agebb.missouri.edu/dairy/bull1r.htm>. Prices are updated weekly, and contacts are available to check delivery charges and minimum load size. While it won't pay to transport high-moisture products very far, don't automatically assume transportation costs will be too high on dry products without checking.

Co-products vary in protein content, protein type, starch content, mineral content, nutrient availability, handling and storage characteristics, physical form and palatability. Phosphorus content is often high enough to reduce or eliminate other supplemental sources. Nutrient content in the same product can vary from load to load. Producers should familiarize themselves with the characteristics of products available in their area to determine how they might work into rations. To get the most cost effective use of these products, producers should balance the ration and include checks of degradable and undegradable protein and mineral content.

Characteristics of selected co-products

- Corn gluten feed – 18-20 percent CP (highly degradable), contains little starch. Excellent supplement for beef cows on low quality forages. Not very palatable and can be a problem feeding to calves. Makes poor quality pellets.
- Wet corn gluten feed – Usually better nutritional value than the dry product. Excellent feedstuff for finishing rations. Very good palatability. Moisture content limits the distance it can be transported economically.

- Distiller's dried grains – High protein and fat content and similar to corn in energy. The high bypass protein is good for growing calves, but not as good for cows on low-quality roughages. Good palatability. Unloading can be difficult. Makes poor quality pellets. Can be overheated during drying, reducing rumen degradable protein. Avoid very dark product, a sign of overheating.
- Wet distiller's grains – Similar to the dry product in feed value. Variation in moisture content can make ration formulation difficult. Spoils rapidly in the summer. Moisture content limits the distance it can be transported economically.
- Soybean hulls – Similar to corn in energy in high roughage diets, but lower in value in finishing diets. The highly digestible fiber and absence of starch make it a good supplement to high roughage diets. Low protein content may limit usefulness. Can cause bloat at high levels. Poor pellet quality results in many fines.
- Cottonseed hulls – Low in protein and energy, but useful as a roughage. Very palatable. Difficult to auger and usually handled with flat storage and a front-end loader. Bridges in bins.

Detailed publications on corn gluten feed, cottonseed products and wheat middlings can be found on the K-State Research and Extension Web site at www.oznet.ksu.edu/library/lvstk2/. A publication on distiller's grains is on the University of Nebraska Web site at www.ianr.unl.edu/pubs/fieldcrops/mp51.htm

Focus on Feedlots

The most recent report from *Focus on Feedlots* can be found at: www.oznet.ksu.edu/dp_ansi/nletter/fof.htm To receive e-mail notification of the monthly report contact: Linda Siebold, lsiebold@oznet.ksu.edu or 785-532-1281.

from page 1

Both the A and B programs could be re-evaluated at the end of the backgrounding phase in January or February, with the option of either selling feeder-weight animals or continuing ownership through the feedlot. Beginning values are based on recent sale reports for steer calves at the time of this writing (or expected price projections in the case of A2 and B2). Expected selling prices are based on mid-August futures quotes for the relevant marketing time adjusted by historical basis levels that include adjustments for weight.

For all backgrounding and finishing retained ownership options illustrated, projected break-even is considerably higher than the expected sale price, resulting in substantial projected losses for each program relative to selling the calves now. Similar projections from a year ago, anticipated substantial losses for nearly any retained ownership program. In reality, losses to retained ownership programs beginning in the fall of 2002 were less than projected at that time, and some programs actually rewarded producers with modest profits, especially the longer-term ownership programs. The explanation, of course with the benefit of hindsight, is that futures-based price forecasts for early 2003 (made in August of 2002) were simply too low relative to prices that actually materialized.

There are several possible reasons for the unusually large disparity between projected break-even and expected sale prices. Producers in other regions of the country, particularly the Southeast, have been blessed with sufficient moisture which heightens the prospects for fall grazing. Additionally, some regions of the country

are anticipating large feedgrain crops, which will result in low overall prices and weak feedgrain basis in those regions. Cattle ownership programs in either of these situations will result in lower cost-of-gain projections than drylot confined feeding programs in drought-stricken areas, justifying higher prices for calves that can be shipped to those areas. And similar to last year, there are apparently a significant number of calf and feeder-cattle buyers who believe futures-based price forecasts for early to mid 2004 cattle prices are too low, resulting in higher bids for feeder cattle and calves. In short, there is a lot of optimism built into current calf and feeder cattle prices. Last year, that optimism turned out to be justified. At this time it is impossible to predict whether or not futures based price forecasts are too low.

A second question from the budget projections is how much beginning values or expected sale prices have to change to make the retained ownership option more economically attractive. For example, assuming average performance and recent feed ingredient values, the beginning calf value going into the A1 program would have to be lowered by about \$6.60 per cwt. to project a positive return. Alternatively, the expected selling price for the 725-pound feeder steers coming out of the A1 program would need to be increased by \$4.20 per cwt. to project a positive return. If that same animal is carried through the finishing phase, the final selling price would need to be about \$3.00 per cwt. higher than projected to generate a positive return. Similar price advantages would need to be realized to make the other example ownership programs economically attractive.

continued page 4

Table 1. Cost-return projections for retained ownership of early weaned calves.

Expected Program	Starting Weight*	Beginning Value	Ending Weight*	Breakeven Selling Price	Expected Selling Price	Return \$/hd.
A1 2 lb. ADG, 150 days	425	\$116.00	725	\$92.97	\$88.49	(\$31.86)
A2 Comm Feedlot	725	\$ 88.49	1145	\$75.61	\$74.93	(\$ 7.71)
B1 2 lb. ADG, 110 days	525	\$105.00	755	\$92.50	\$89.56	(\$21.69)
B2 Comm Feedlot	745	\$ 89.56	1201	\$76.05	\$73.34	(\$33.49)
C1 Comm Feedlot	525	\$105.00	1157	\$79.40	\$74.65	(\$84.74)

* in pounds

from page 3

Similar budget estimates were prepared for lighter (300- to 350-pound) calves and compared to selling directly off the cow at recent auction prices. Currently, there is a strong market for these light calves. Estimates were also prepared for heifer calves. It is difficult to project positive returns to any confined feeding program for these calves. Losses similar to those projected in Table 1 result from most budget projections, but there are always exceptions to blanket recommendations. Producers with quality forages available for grazing – crop residues, irrigated wheat or other cool season forages, etc. – can reduce projected cost of gains considerably. Some producers may have an abundance of silage available from salvaging a drought-stressed crop, which has a low opportunity value. These types of feed resources can be priced into cattle ownership budget projections at lower values and may result in more attractive economic outcomes.

In summary, calf and feeder cattle prices are strong from a historical perspective, and

much stronger than when many producers were faced with the same difficult decisions last year. For many producers, there could be substantial profits associated with marketing weaned calves early this fall at current prices. Seasonally, calf prices tend to decline later in the fall as more of the calf crop is marketed. This, combined with projections that it will be difficult for many Kansas producers to reap positive returns to any retained ownership program this fall and winter, suggests that producers might strongly consider weaning early and marketing calves as soon as practical while the market is high.

Resource availability and beliefs regarding the direction of prices later this fall and winter will fuel decisions at the individual farm level. Producers need to make comparisons using realistic cost projections, current calf prices and timely price projections. Timely livestock marketing and management information and spreadsheet templates to develop budget projections can be found at www.agmanager.info.

For many producers, there could be substantial profits associated with marketing weaned calves early this fall at current prices.

K-State, County Extension Councils, Extension Districts, and U.S. Department of Agriculture Cooperating. All educational programs and materials available without discrimination on the basis of race, color, religion, national origin, sex, age, or disability.

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