K-STATE Kansas State University
Beeftips
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Weigh facts before deciding fate of calves

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Drought conditions across Kansas are forcing cattle producers to make difficult management decisions. Weaning calves earlier than normal is one strategy used to reduce cow feed requirements and take the pressure off valuable forage supplies. The question then becomes, what is the best option for that early-weaned calf?

Options 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. Typically, producers have found it difficult to get paid for 30 to 45-day preconditioning programs. Those that have been successful have located a market with buyers who recognize and are willing to pay for the improved quality. So for producers unwilling to risk their marketing skills on a preconditioning program, the options to consider include selling the calves at weaning or retaining ownership for an extended feeding program.

Using average costs and animal performance projections and current Western Kansas feed ingredient prices, let's examine the potential outcomes for retaining ownership of some various weights of calves. These projected outcomes can then be compared to local sale prices for early-weaned calves. Feeding program possibilities in drought-stricken areas are assumed to be limited to various drylot backgrounding or finishing combinations because of the lack of available forages for grazing. It would be impossible to examine all possible combinations, but Table 1 summarizes a few common programs. First, the A1 program represents a 150-day backgrounding program for a light, 400- to 425-pound steer calf, targeting an average 2-pound daily gain over the entire period.

As discussed later, the outcome does not change significantly if we start the program with a light, 300- to 400-pound calf. The A2 program represents taking that calf through a commercial feedlot after the backgrounding phase. The B1 program projects the potential for backgrounding a heavier (500-pound) steer calf for 115 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,

continued

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

Program	Starting Weight	Beginning Value	Ending Weight	Breakeven Selling Price	Expected Selling Price	Return $/hd.
A1 — 2 lb. ADG, 150 d	425	$ 95.00	725	$82.24	$77.75	($31.94)
A2 — Comm Feedlot	725	$77.75	1145	$69.31	$66.31	($34.14)
B1 — 2 lb. ADG, 115 d	525	$87.00	755	$80.83	$77.48	($25.04)
B2 — Comm Feedlot	755	$77.48	1179	$69.63	$67.27	($27.69)
C1 — Comm Feedlot	525	$87.00	1143	$72.17	$69.51	($30.03)

Beef Stocker Profitability Conference

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from page 1
targeting rapid gains from the beginning. Both the A and B programs could be re-evaluated at the end of the backgrounding phase, 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 price projections in the case of A2 and B2). Expected selling prices are based on early August futures quotes for the relevant marketing time adjusted by historical basis levels. For all backgrounding and finishing retained ownership options illustrated, the 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. Several questions arise from these projections.

Q *Why is there an unusually large disparity between the projected break-even and the expected sale price (resulting in the large loss projections) for these example programs?*

A Calf prices have remained relatively strong in the face of rising feed grain and hay prices. Producers in other regions of the country have been blessed with sufficient moisture, heightening the prospects for fall and winter grazing (wheat pasture in Oklahoma and Texas, cool-season pastures in the Southeast, etc.) These programs result in lower cost-of-gain projections than drylot confined feeding programs in drought stricken geographic regions, justifying higher prices for calves that can be shipped to those areas. In addition, there are apparently a significant number of calf and feeder cattle buyers who believe futures based price forecasts for early 2003 cattle prices are too low, resulting in higher bids for feeder cattle and calves.

Q *How much would beginning values or expected sale prices have to change in order to make the retained ownership option more economically attractive?*

A Assuming average performance, and recent feed ingredient values, the beginning calf value going into the A1 program would have to be reduced by $6.50 per cwt. in order to project a positive return, for example. Alternatively, the expected selling price for the 725-pound feeder steers coming out of the A1 program would need to be increased by $4.25 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 $3.00 per cwt. higher than projected in order to generate a positive return. Similar price advantages would need to be realized in order to make the other example ownership programs economically attractive.

Q *What about lighter-weight calves, heifers or other combinations not illustrated in Table 1?*

A Similar budget estimates were prepared for lighter (300- to 350-pound) calves, and compared to selling directly off the cow at recent auction prices. (There appears to be a fairly strong market for these light calves.) Estimates also were prepared for heifer calves. In short, 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 producers with quality grazable forages available (crop residues, irrigated wheat or other cool season forages, etc.) can lower projected cost-of-gains considerably. Some producers may have an abundance of silage available (from salvaging a drought stressed crop, for example) with a very low opportunity value. Unlike grains and most hay crops, once silage is put up, it is fairly expensive to transport, and may be difficult to sell to others at an attractive market price. These types of feed resources can be priced into cattle ownership budget projections at lower values, and may result in more attractive economic outcomes. Producers need to make their own comparisons using their own realistic cost projections, current calf prices, and timely price projections. Timely livestock marketing and management information can be found at *www.agecon.ksu.edu/livestock.* Spreadsheet templates to help producers develop budget projections can be found at *www.agecon.ksu.edu/rdjones*.

Dealing with drought

Sandy Johnson and Rodney Jones

This summer's conditions make it necessary to make hard decisions. Here are some important considerations in dealing with the impact of drought on your herd:

- Anticipate the need for less grazing pressure next year; fewer animals and/or shorter season. What is your plan if the drought continues?
- Estimate cow feeding costs from now to next green grass using best-and worst-case scenarios.
- Can you afford it? Average annual feed costs including summer pasture run $240 to $275. If it looks like you will be much higher than that, closely scrutinize the cow ownership deci sion.
- Information is valuable — a careful evaluation of all costs associated with the cow-calf enterprise consistent with SPA guidelines is especially important during difficult times.
- Calf prices must remain strong for several years into the future in order to make up for the losses sustained by the high cow-maintenance cost over the next year.
- Drought conditions must improve to reduce cow maintenance cost in future years. Average producers certainly cannot afford abnormally high cow maintenance costs for more than one season.
- You must be willing to sell cows in the future if cow values rebound to abnormally high levels. (Commercial producers cannot afford to have $1,000 cows in the herd.)
- Can you lower overall costs?
- Which cows can you afford to keep?
- If you decide to withstand short-term financial losses, hoping for increased cow values or improved calf prices a few years in the future, understand the risk you are taking and the factors that have to fall into place to make that strategy work.
- Pregnancy-check cows early so open cows can be culled.
- If you cull 20 cows, cull at least one bull.
- Early wean to reduce cow nutrient demand and grazing pressure on pasture, to improve cow body condi tion, and reduce cow winter nutrient needs.
- Don't provide free-choice forage to light-weight calves (less than 500 lbs. or younger than 11 months); a complete mixed ration will give better performance.
- Ammoniate wheat straw or other low quality forages (>3 and < 5% crude protein, 70 to 80% neutral detergent fiber) to increase digestibility and crude protein. The reaction process is temperature sensitive and works best in warm weather.
- Explore various byproducts as a means to reduce ration costs.
- Be prepared to plant fall crops (e.g., oats, turnips, wheat, triticale, rye) for fall and winter grazing should moisture come.
- Analyze nutrient content of feedstuffs, and balance rations to reduce costs from over-or underfeed ing.
- Test representative forage sample for nitrates (grazing, hay or silage) and prussic acid (grazing or green chop) before feeding. Sample should reflect the variability within the field and the part of the plants the animal will consume.
- Harvest plants containing high nitrates as silage rather than hay.
- Wait for at least 10 to 14 days after a drought-ending rain to harvest or graze forages that may have had high nitrates.

For details, contact your local K-State Research and Extension office.

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Kansas Feedlot Performance and Feed Cost Summary*

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June 2002 Closeout Information**

Sex/No.	Final Weight	Avg. Days on Feed	Avg. Daily Gain	Feed/Gain (Dry Basis)	% Death Loss	Avg. Cost of Gain/Cwt.	Projected Cost of July - Placed Cattle
Steers/18,627	1,293	161 (138-183)	3.38 (3.16-3.65)	5.83 (5.54-6.20)	1.73	$47.56 (46.19-48.86)	$50.50 (49.00-52.00)
Heifers/26,068	1,158	160 (131-183)	2.94 (2.59-3.15)	6.26 (5.71-7.24)	1.97	$51.75 (48.38-56.00)	$52.50 (51.00-54.00)

Current Feed Inventory Costs: Mid-July	Avg. Prices	Range	No. Yards
Corn	$ 2.42/bu	$ 2.25-2.74	7
Ground Alfalfa Hay	$103.27/ton	$83.90-120.00	7

*Appreciation is expressed to these Kansas feedyards: Brookover Ranch Feed Yard, Decatur County Feed Yard, Fairleigh Feed Yard, Hy-Plains Feed Yard, Kearny County Feeders, Pawnee Valley Feeders, and Supreme Cattle Feeders.

**Closeout figures are the means of individual feed yard monthly averages and include feed, yardage, processing, medication, death loss and usually sold FOB the feedlot with a 4% pencil shrink. Interest charges normally are not included.

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