



## Strategies for sound retained ownership decisions

*Sandy Johnson, Animal Sciences and Industry; Kevin Dhuyvetter and Rodney Jones, Agricultural Economics*

### Upcoming Events

#### Range Beef Cow Symposium XVII

Dec. 11, 12 & 13, 2001  
Events Center  
Casper, Wyoming

For more information contact:

Steve Paisley  
307-766-5541

Sandy Johnson  
785-462-6281

<http://www.uwyo.edu/ces/RBCS/default.htm>

#### Cattlemen's Day

March 1, 2001

### Contributors

#### Dale Blasi

Stocker and Forages  
Nutrition & Mgt.  
785-532-5427  
dblasi@oznet.ksu.edu

#### Frank Brazle

Livestock Production  
316-431-1530  
fbrazle@oznet.ksu.edu

#### Ron Hale

Livestock Production  
620-275-9164  
rhale@oznet.ksu.edu

#### Sandy Johnson

Livestock Production  
785-462-6281  
skjohnso@oznet.ksu.edu

#### Gerry Kuhl

Feedlot Nutr. & Mgt.  
785-532-1250  
amurphy@oz.oznet.ksu.edu

#### Twig Marston

Cow-Calf Management  
785-532-5428  
tmarston@oznet.ksu.edu

This time of year producers are considering different retained ownership strategies for the calf crop. Should you background at a fast or slow rate of gain, go directly to the feedlot, or sell right off the cow? Those questions are best answered with a sharp pencil and a calculator.

Let's look at what can be learned from taking some average costs and animal performance figures and projecting the outcomes. The projections below have been made for either 425 or 575 pound calves at weaning, and backgrounding at slow or fast rates of gain post weaning and then continuing through the feedlot phase. Each phase of growth has been evaluated individually. Expected selling prices are based on mid October futures quotes for the relevant marketing time adjusted by historical basis levels.

Based on these projections it appears that producers who are weaning lighter calves, and have the resources to retain ownership in a slow-growth program, can increase returns relative to selling at weaning. At this

time, the prospects of holding onto those calves through a summer grazing program or a finishing program next year do not look good, although those decisions need to be re-evaluated after the initial retained ownership program. Producers with heavier calves will find the retained ownership decision much more difficult because projected returns of backgrounding are only slightly better than breakeven.

Typically, profit maximizing managers should make decisions based on expected variable costs (i.e., those costs that will be incurred as a result of further production), and not fixed, sunk, or previously incurred costs (i.e., those costs that have already been incurred or will be incurred regardless of production level). At weaning time for the cow/calf producer, the cost it took to produce the calf is a "fixed cost" in terms of future production decisions. But from a risk standpoint, producers may benefit from knowing this information as they make decisions about retaining ownership. From our Kansas Standard Performance Analysis (SPA) data set, we find that the breakeven price ranges from \$.55 to \$1.25 per pound per weaned calf. Obviously, producers with

*See RETAIN, page 2*

**Table 1.** Cost projections for backgrounding and feedlot calves.

Program		Starting Weight	Beginning Value	Ending Weight	Breakeven		Expected Return \$/head
					Selling Price	Selling Price	
A1	1 lb ADG, 180 d	425	\$106.00	605	\$93.89	\$97.50	\$21.53
A2	Graze 75 d	605	\$97.50	755	\$91.57	\$88.05	(\$26.33)
A3	Comm. Feedlot	755	\$88.05	1,148	\$76.71	\$74.29	(\$27.60)
B1	2 lb ADG, 150 d	425	\$106.00	725	\$87.71	\$87.90	\$1.34
B2	Comm. Feedlot	725	\$87.90	1,145	\$75.37	\$69.88	(\$62.47)
C1	2 lb ADG, 90 d	575	\$92.50	755	\$86.87	\$88.27	(\$4.44)
C2	Comm. Feedlot	755	\$88.27	1,179	\$74.85	\$70.71	(\$48.63)
D1	Comm. Feedlot	575	\$92.50	1,193	\$74.85	\$70.71	(\$48.94)

# Tips for spring-calving cows

Twig Marston

## Cowherd Management

- Pregnancy Check
- If candidates for culling were not selected in September or October, they should be selected now.
- Consider feeding cull cows to increase body weight, value, and use cheap feedstuffs.
- Body Condition Score
  - Provide thin cows (body condition score 3's and 4's) extra feed now.
  - Take advantage of weather, stage of pregnancy, lower nutrient requirements, and quality feedstuffs.
- In late fall and early winter, start feeding supplement to mature cows using these guidelines:
  - Dry grass 1 - 2 lb supplement/day of a 40% CP supplement
  - Dry grass 3 - 4 lb supplement/day of a 20% supplement
  - Dry grass 10 lb good nonlegume hay, no supplement needed
  - Compare supplements on a cost per pound of nutrient basis.
- Utilize crop residues.
  - Strip graze or rotate fields to improve grazing efficiency.
  - Average body condition cows can be grazed at 1 to 2 acres/cow for 30 days

assuming normal weather. Available forage is directly related to the grain production levels.

- Limiting nutrients are usually protein, phosphorus, and vitamin A.
- Discontinue feeding tetracycline if used for anaplasmosis control.
- Control lice

## Calf Management

- Participate in National Level Breed Association Performance Programs CHAPS, and(or) other ranch record systems.
- Finalize plans to merchandise calves or to background through yearling or finishing programs.

## Forage/Pasture Management

- Plan winter nutritional program through pasture and forage management.

## General Management

- Document cost of production by participating in Standardized Performance Analysis (SPA) programs.
- Review management decisions. Lower your costs on a per unit of production concept.
- Plan your marketing program, including private treaty, consignment sales, test stations, production sales, etc.

---

*RETAIN, from page 1*

breakevens at the lower end of the range will have a higher net return at weaning. Let's examine how knowledge of costs of production up to weaning and individual risk perceptions might influence the retained ownership decision.

Assume an operation with a breakeven cost to produce a 575-pound calf to be \$92 per hundredweight. Calves of this weight were valued at \$92.50 in our projections based on recent auction market quotes, so this producer currently sees almost no net return to the calf crop. If this calf is retained in a 2 pound per day backgrounding program for three months, we currently project an expected return of around \$-4.44 per head. This producer may be willing to take the chance that market conditions will

improve or performance will exceed expectations in order to ultimately achieve a positive return for the calf crop. On the other hand, consider a producer with a breakeven cost to produce that same calf of \$78 per hundredweight. This producer is looking at a net return to his calf crop of about \$83 per head if sold at weaning. Given the prospect of losing from \$5 to \$50 per head based on current projections in any retained ownership program, this producer may decide to "take the money" and not risk losing money in a retained ownership program.

Producers should make similar comparisons using their own costs, and re-evaluate at various ownership stages to account for changing market conditions and future price

*continued on page 3*

# Reduce Losses When Feeding Hay to Beef Cattle

Dale A. Blasi

Large round bales are the forage packaging system most widely used by beef producers in Kansas. This is undoubtedly due to labor-saving considerations, since this approach is about as close to a one-person operation as any hay-harvesting system can be.

When feeding large round bales, significant forage waste can occur if certain details are ignored. Hay losses during feeding can be expected with any feeding system with the amount of losses varying with the particular system used. Factors that contribute to waste include forage subjected to trampling, leaf shatter, chemical and physical deterioration as well as urine and fecal contamination. The extent of these losses depends upon the feeding method, interval between feedings, amounts fed at one time, weather conditions and number of animals being fed.

In light of the disappointing growing conditions experienced by many beef producers across Kansas this past summer, stretching their existing forage supplies by reducing forage waste is especially impor-

tant. When feeding large round bales, consider the following factors:

1. Feed hay in smaller amounts or in a feeder to minimize waste. When fed smaller quantities at feeding time, cattle have less opportunity to trample forage. If a multiple day feed supply is provided, consider the use of a rack or hay ring to minimize waste (see Table 1).

2. Feed your forage in well-drained areas. Rotate your feeding areas among well-drained sites on a regular basis. This practice will avoid pasture scarring and also reduce the amount of wasted/residual forage. Dr. Alberto Broce at K-State has recently demonstrated that wasted forage helps create ideal breeding areas for horn flies. So attention to this rather tedious management practice may pay off by reducing the number of flies the following summer.

No matter what size of hay package or feeding style you use, some hay will be lost or wasted. Attention to proper feeding management will reduce these losses. Since hay is expensive this year, it makes sense to try to keep waste as low as possible through good management practices.

**Table 1.** Estimated losses (expressed as a percent of hay offered) from different hay-feeding methods.<sup>a</sup>

Bale Type	With Rack		Without Rack	
	1-day supply	7-day supply	1-day supply	7-day supply
Small square bales	4%	4%	7% <sup>b</sup>	
Large round or square bales	5%	5%	12% <sup>b</sup>	43% <sup>b</sup>
Formed haystacks	9%	15%	23%	41%
Small round bales (fed in place on pasture)	–	–	10%	30%

<sup>a</sup> University of Missouri, 2000

<sup>b</sup> Bales spread or unrolled across pasture

*RETAIN, from page 2*

expectations to make the best decision for their own operation. Additional timely information can be found in monthly issues of the Livestock Management Update at: <http://www.agecon.ksu.edu/livestock/Livestock%20Update%20Newsletters/K-State%20Ag%20Update.html>. This month's issue, for example, provides a price sensitivity analysis of taking 550-pound calves directly to the feedlot.

Some producers likely looked at calf marketing contracts this summer and decided to let that option pass thinking prices would be better in the fall. Hindsight is a great thing isn't it? It is a reminder of a marketing principle that is easy to forget when we have a generally increasing market, and that is that we shouldn't strive to hit a marketing home run every time, but need to recognize when we can make a good profit, accept that price and move on.

COOPERATIVE EXTENSION SERVICE  
 U.S. DEPARTMENT OF AGRICULTURE  
 KANSAS STATE UNIVERSITY  
 MANHATTAN, KS 66506-3403

OFFICIAL BUSINESS  
 PENALTY FOR PRIVATE USE, \$300

## Kansas Feedlot Performance and Feed Cost Summary\*

Gerry Kuhl, Feedlot Specialist, Kansas State University

### August 2001 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 Sept.-Placed Cattle
Steers/16,493	1,281	161 (150-174)	3.30 (3.07-3.50)	6.01 (5.84-6.19)	1.36	\$48.88 (47.39-51.10)	\$46.00 (45.00-48.00)
Heifers/28,034	1,158	156 (142-177)	2.95 (2.61-3.28)	6.36 (5.87-7.00)	1.71	\$52.50 (50.21-55.18)	\$48.00 (47.00-50.00)

### Current Feed Inventory Costs: Mid September Avg. Prices Range No. Yards

Corn	\$ 2.32/bu	\$ 2.10-2.40	7
Ground Alfalfa Hay	\$103.11/ton	\$95.00-111.20	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.

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.

**Cooperative Extension Service**  
 K-State Research & Extension  
 244 Weber Hall  
 Manhattan, KS 66506

*Dale A. Blasi*  
 Dale Blasi, Extension Specialist

\*\*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.