November 2004 Department of Animal Sciences and Industry

http://www.oznet.ksu.edu/ansi/nletter/beeftips.htm

What to do with high-value weaned calves

Rodney Jones
livestock production economist

Physical and market conditions are once again forcing Kansas cattle producers to make tough management decisions.

Moisture conditions have improved, but abnormally dry conditions persist in some regions. Forage supplies are more plentiful than in recent years. This fall, producers are again questioning the best and most profitable option for weaned calves. Concentrated feed ingredient prices are reasonable, with large fall crop harvests expected in Kansas and across the United States. Cattle prices at all levels of the marketing chain remain surprisingly strong. These physical and market conditions create a difficult situation for cattle producers.

Options for cow-calf producers include selling calves immediately at weaning, keeping calves for a short time or retaining ownership of calves in a backgrounding or other feeding program. Short-term ownership programs after weaning are not beneficial unless there is a market willing to pay the full cost of a brief "straightening out" phase. The realistic options for most producers are to sell the calves at weaning or retain ownership for an extended feeding program.

Using average costs, animal performance projections and recent cattle price quotes, producers can examine the outcomes for retaining ownership of calves of various weights. These outcomes can be compared to local sale options for weaned calves. Feeding program possibilities in the northern regions of the state 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 common programs.

First, the A1 program is a 150-day backgrounding program for a light steer calf (400 to 425 lb.) with a target of a 2-lb. average daily gain for the entire period. The outcome does not change significantly if you start the program with a calf of a slightly different weight. The A2 program takes that calf through a commercial feedlot after the backgrounding phase. If the backgrounding phase started now, these calves would finish about July 2005. The B1 program projects the potential for backgrounding a heavier steer calf (525 lb.) for 110 days, with a 2-lb. average daily gain. Similarly, the B2 program projects the outcome of taking that same calf through a commercial feedlot after the backgrounding

continued on page 2

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	Projected Return $/hd.
A1 2 lb. ADG, 150 d	425	$138.00	725	$106.82	$104.36	($17.45)
A2 Comm Feedlot	725	$104.36	1,145	$86.01	$83.00	($34.23)
B1 2 lb. ADG, 110 d	525	$129.00	755	$110.22	$105.00	($38.48)
B2 Comm Feedlot	745	$103.43	1,201	$84.96	$82.97	($23.84)
C1 Comm Feedlot	525	$129.00	1,157	$90.94	$85.00	($68.01)

Upcoming Events

KDAH Premises ID Listening Sessions
Nov. 3, 4 and 5
Four locations.
Details on page 5.

Feed, Forage and Pasture Conference
Nov. 30 – WaKeeney

Beef Nutrition and Management Series
Nov. 30 – Concordia
Dec. 1 – Tonganoxie
Dec. 2 – Junction City

Kansas Hay and Grazing Expo
Dec. 14-15
Hutchinson

Tri-State Cow/Calf Symposium
Jan. 29
St. Francis, KS

Contributors

Dale Blasi
Stocker, Forages Nutrition & Mgt.
785-532-5427
dblasi@oznet.ksu.edu

Joel DeRouchey
Livestock Production
785-532-2032
jderouch@oznet.ksu.edu

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

Larry Hollis
Extension Beef Veterinarian
785-532-1246
lhollis@oznet.ksu.edu

Sandy Johnson, Editor
Livestock Production
785-462-6281
sandyj@oznet.ksu.edu

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

from page 1

phase. Finally, the C1 program projects the outcome of sending the 500- to 525-lb. steer calf directly to a commercial feedlot with rapid gains from the beginning. Both the A and B programs could be re-evaluated at the end of the backgrounding phase in February or March, 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 late September 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, projected breakeven is higher than expected sale price, resulting in substantial losses for each program compared to selling the calves now. Similar projections from the past few years projected substantial losses for nearly any retained-ownership program. In reality, losses to retained-ownership programs beginning in the fall of 2002 and the fall of 2003 were often less than projected, and some programs rewarded producers with substantial profits. For example, cattle marketed as feeders or finished animals in the late spring or early summer of 2004 resulted in significant positive returns. In hindsight, the explanation for the difference between projections and actual results is that futures-based price forecasts for early 2003 (made in August of 2002), and early 2004 (made in August of 2003) were simply too low relative to prices that materialized. On the other hand, calves that were retained to be finished in the late summer and early fall of 2004 continue to result in substantial losses.

The reasons for the large disparity between the projected breakeven and expected sale prices (resulting in the large loss projections for most ownership programs) are complex, but the result is not that uncommon. Producers in wheat-pasture country have received sufficient moisture, which heightens prospects for fall and winter grazing. Additionally, most regions of the country are anticipating large feed-grain crops, which will result in low overall prices and weak feed-grain basis in those regions. Cattle ownership programs in these situations will result in lower cost-of-gain projections than the averages projected here, justifying higher prices for calves that can be shipped to those areas.

In addition, similar to last year, there are 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. There is a lot of optimism built into current calf and feeder cattle prices. Over the past few years, that optimism turned out to be justified for many retained-ownership programs. At this time, it is impossible to predict whether or not futures-based price forecasts are too low. Will the strong demand for beef continue? When will the Japanese and other export markets open? When will the Canadian border open to cattle imports? These uncertainties, combined with high prices, suggest there could be significant negative market risks.

A second question about the budget projections is, "How much would beginning values or expected sale prices have to change to make the retained-ownership option more economically attractive?" Assuming average performance and recent feed ingredient values, the beginning calf value going into the A1 program would have to be about $3.97 per cwt. less for a positive return. Alternatively, the expected selling price for the 725-lb. feeder steers coming out of the A1 program would need to be increased by $2.46 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 $4.54 per cwt. higher to generate a positive return. Similar price advantages would need to be realized in order to make the other ownership programs economically attractive.

Similar budget estimates were prepared for heifer calves, different weights and slightly different drylot feeding programs. It is difficult to project positive returns to any confined feeding program for these calves. Most budget projections predict losses similar to those in Table 1.

Timely livestock marketing information and budget spreadsheets can be found at: www.ag manger.info

continued on page 3

from page 2

There are always exceptions to blanket recommendations. Producers with quality, grazable forages (crop residues, wheat or other cool-season forages, etc.) can reduce projected cost-of-gains. For example, based on recent calf prices, breakevens coming off of traditional 120-day winter wheat grazing programs with a heavy, 6-weight steer are in the $108 to $118 per cwt. range. The mid-range of these projections is consistent with current futures-based price forecasts for that weight of steers, resulting in projected economic per-head returns consistent with what one would expect ($0).

Some producers may have abundant silage available (from salvaging a drought-stressed crop, for example) with a low opportunity value. Unlike grains and most hay crops, once silage is put up, it is expensive to transport and may be difficult to sell 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.

Calf and feeder-cattle prices are strong from a historical perspective and much stronger than when many producers were faced with these difficult decisions last year. For most producers, there would be substantial profits associated with marketing weaned calves early this fall at current prices. Calf prices tend to decline later in the fall as more of the calf crop is marketed. This decline, combined with projections that it will be difficult for producers to reap positive returns from retained ownership programs this fall and winter, suggests that producers should consider marketing calves as soon as practical while the market is high.

Resource availability and individual beliefs regarding where prices may be headed later this fall and through the winter will drive decisions at the individual farm level. Producers should make comparisons using realistic cost projections, current calf prices, and timely price projections.

For timely livestock marketing and management information, as well as spreadsheet templates to help producers develop budget projections, go to *www.agmanager.info.*

Feed, Forage and Pasture Conference Set for Nov. 30

Targeting forage issues unique to northwest Kansas is the goal of the Feed, Forage and Pasture Conference scheduled for Nov. 30 at the Trego County Fairgrounds in WaKeeney. Producers can choose from a variety of breakout sessions and visit with industry representatives at display booths. Educational sessions include *Planning a Year-Round Forage Program, Weed Control in Forages, Brown Mid-Rib and Photoperiod Sensitive Forages, Supplemental Forages, Tips for Improving Silage Quality, Land Lease Issues* and several more.

For complete program information see *www.oznet.ksu.edu/agronomy-block2/* or contact Brian Olson at 785-462-7575.

Nutrition, management focus of beef meetings

Managing a successful and profitable beef enterprise is the theme of a series of meetings scheduled for northeast Kansas Nov. 30 through Dec. 2. Topics and speakers, all from K-State Research and Extension, are *Balancing Stocking Rates and Pasture Production*, Walt Fick, range management specialist; *Preconditioning Calves: Does it Add or Subtract Value?* and *Estimating the Costs of a Replacement Heifer*, Kevin Dhuyvetter, farm management specialist; and *Minimizing Winter Feed Costs* and *Using Production Records to Maximize Herd Profitability,* Twig Marston, cow-calf management specialist. The program begins with registration and a meal at 6 p.m. on Nov. 30 in Concordia. Preregistration is $10 if received by Nov. 23 or $15 at the door.

Nov. 30 - Concordia
Cloud County Community College
Todd Whitney, 785-243-8185

Dec. 1 Tonganoxie, Kan.,
Leavenworth County Fairgrounds,
Leon Stites, 913-250-2300

Dec. 2, Junction City, Kan.,
JC Livestock Sales
Chuck Otte, 785-238-4161.

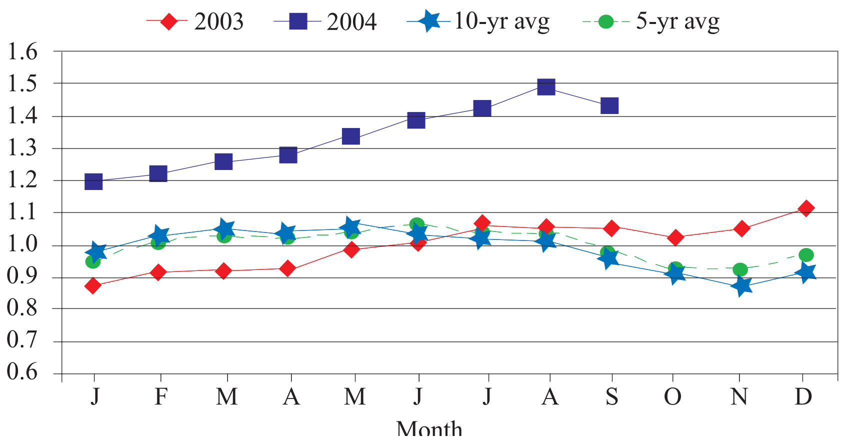
Marketing cull cows

Cull cows generally comprise 15 to 20 percent of the cow/calf enterprise income. Thus, it is beneficial to consider when and how those animals will be marketed. Many areas of the state have more than adequate forage supplies and other low-cost feed alternatives available, which makes feeding cull cows more attractive.

The following excerpt on maximizing the value of cull cows comes from an article written by Ron Gill, a beef specialist with Texas Cooperative Extension. Titled, *Marketing Cull Cows: Understanding What Determines Value*, it is available at *http://animalscience.tamu.edu/ansc/*. Follow links to Publications and Beef Cattle.

- Add weight to thin cows before selling, particularly when cows are BCS 3 or lower at culling. High quality forage replenishes muscle mass on cows (as would a high grain diet). Extremely old cows may not gain as efficiently as younger cows. Target a BCS of 5 for light muscled cows and BCS 5 to 6 for heavier muscled cows.
- Cull old cows before they lose their teeth, decline in body condition and fail to breed.
- Explore selling directly to a packer on a prearranged price. Exercise caution. Bids are often more competitive at local auctions. Only a knowledgeable producer should attempt to market good quality cows directly to a packer.
- Sell cows before they become fat (BCS 8 to 9). Fat cows are discounted for low lean yield regardless of their potential to classify as breaking utility.
- Sell cows outside seasonal marketing trends. Cull cow prices are normally lowest in October and November. If possible, consider marketing between February and September when slaughter rates are lower.
- Consider cull cows as a valuable asset and handle them as such. Bruising is a major problem with cull cows. Most bruises are caused by rough handling and hauling.
- Be cautious and concerned about withdrawal times when marketing cows that have been treated with animal health products.

Seasonal Price Index for Kansas Lightweight Cows



Animal identification system moves forward

Sandy Johnson, livestock specialist

Development of a national identification system is moving forward. A priority for the National Animal Identification System (NAIS) in 2004 was to establish a national premises allocator and repository and begin allocating premises identification numbers to cooperating states and tribes. Each state is responsible for administering and maintaining a premises registration system for the region under its authority.

In Kansas, industry groups have met to develop a state premises definition. Producers can learn more about the NAIS and the proposed state premises definition at one of the meetings listed at right. The Kansas Animal Health Department (KAHD) is seeking producer comments on how "premises" should be defined in Kansas.

Another priority in Phase I of the NAIS was to fund cooperative agreements to assist implementation. This includes research for pilot projects that develop, test and offer solutions for administering animal identification and collecting animal movement data. Kansas was the recipient of one of these cooperative agreements.

Co-investigators are the Kansas Department of Animal Health, the Kansas Motor Carriers Association and K-State faculty Dale Blasi and Mark Spire. This project will work on a system that uses RFID readers attached to trucks to record individual animal IDs during trailer loading and unloading. This work is just getting underway.

A new reference, *Questions and Answers on the National Animal Identification System* is available at: *www.aphis.usda.gov/lpa/pubs/fsheet_faq_notice/faq_ahaids.html.*

The following meetings are scheduled:

November 3 – WaKeeney, 1 to 3 p.m., 4-H Building, Trego County Fairgrounds.

November 3 – Dodge City, 7 to 9 p.m. High Plains Journal Communications Center, 1500 E Wyatt Earp Blvd. Enter east side of building. Parking across the street.

November 4 – Parsons, 1 to 3 p.m. at the KSU SE Agricultural Research Center, Junction of Highways 400 and 59, 1 mile west, 1 mile south on Ness RD (32nd St), east on Pefley.

November 5 – Rossville, 10 a.m. to noon at the Rossville Community Center.

Kansas Hay and Grazing Expo

The Kansas Hay and Grazing Expo will take place Dec. 14 and 15 at the Kansas State Fairgrounds in Hutchinson. A trade show of hay, forage and grazing products will be on display. Breakout sessions include *Weed and Brush Management*, *Using Crabgrass, Turnips, Ryegrass, or Eastern Gamma in Your Forage Program, Managing Ranch for Wildlife, Irrigated Pasture Management, Grass-Fed Beef, Alfalfa Production for High Quality Users, Machinery Cost Analysis* and many more.

Advanced registration is $70, or $120 at the door, and includes three meals and a meeting notebook. To register call KFRM radio at 888-550-5376.