Weigh facts before deciding fate of calves

Rodney Jones, Livestock Production Economist

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,

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

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

continued
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 owner-
ship 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 illus-
trated, the projected break-even is consider-
ably 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 dispar-
ity between the projected break-even and the
expected sale price (resulting in the large loss projections) for these example pro-
grams?

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 Okla-
homa 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 appar-
ently 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 illus-
trated 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,
one 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 manage-
ment 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 decision.

■ 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 condition, 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 underfeeding.

■ 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.
**Kansas Feedlot Performance and Feed Cost Summary**

Gerry Kuhl, Feedlot Specialist, Kansas State University

June 2002 Closeout Information**

<table>
<thead>
<tr>
<th>Sex/No.</th>
<th>Final Weight</th>
<th>Avg. Days on Feed</th>
<th>Avg. Daily Gain (Dry Basis)</th>
<th>Feed/Gain</th>
<th>% Death Loss</th>
<th>Avg. Cost of Gain/Cwt.</th>
<th>Projected Cost of July - Placed Cattle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steers/18,627</td>
<td>1,293</td>
<td>161</td>
<td>3.38</td>
<td>5.83</td>
<td>1.73</td>
<td>$47.56</td>
<td>$50.50</td>
</tr>
<tr>
<td>Heifers/26,068</td>
<td>1,158</td>
<td>160</td>
<td>2.94</td>
<td>6.26</td>
<td>1.97</td>
<td>$51.75</td>
<td>$52.50</td>
</tr>
</tbody>
</table>

**Current Feed Inventory Costs: Mid-July**

<table>
<thead>
<tr>
<th>Feed Item</th>
<th>Avg. Prices</th>
<th>Range</th>
<th>No. Yards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$2.42/bu</td>
<td>$2.25-2.74</td>
<td>7</td>
</tr>
<tr>
<td>Ground Alfalfa Hay</td>
<td>$103.27/ton</td>
<td>$83.90-120.00</td>
<td>7</td>
</tr>
</tbody>
</table>

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*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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Sandra K. Johnson
Livestock Specialist