



Summer Management and Marketing Options for Beef Cattle

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Presently high calf and feeder cattle prices have many producers in good mood. However, this optimism is tempered by the fact that most cattlemen know that we still have to get through the summer months and sell a calf crop later this year.

To help producers analyze some of the management and marketing alternatives available in the next few months, this Department of Agricultural and Applied Economics Bulletin was prepared.

In this publication we look at:

- Projected costs of temporary summer grazing
- Projected profits from summer stockering
- Projected profits from finishing

Projected Costs of Temporary Summer Grazing

Temporary summer annuals are good source of high quality forage. Many cattlemen though are reluctant to plant them due to their expense. However, when managed properly, summer annuals can be a very economical feed source.

Projected non-irrigated and irrigated budgets for Tif-leaf 3 millet are shown at the end of this publication. According to these budgets non-irrigated millet will cost about \$121 per acre and irrigated millet will cost about \$146 per acre. Depending on stocking rate and grazing days, even this high cost can be economical.

The cow herd at the Southwest Georgia Experiment Station (SOWEGA) at Plains is an operating commercial cow herd. Detailed records are kept and profits are annually calculated. During the summer, cows are stocked at about three cows per acre on Tif-leaf 3 millet for about 130 days. Using the cost estimates from the non-irrigated budgets and three cow-calf pairs per acre stocking rate works out to approximately \$0.31 per day cow cost. This high stocking rate is able to be maintained because the cows only graze for about four hours per day. The rest of the time they are on permanent pasture.

The implication is that when **PROPERLY MANAGED** summer annuals can be very economical for cow-calf producers. However, if cattle are allowed to continually graze the summer annuals trampling occurs which reduces forage quantity and quality thus increasing cow maintenance costs.

To provide an idea of how stocking rate and grazing days affect daily cow cost, Table 1 was developed. In this table we can see that as stocking rate and grazing days increase, summer annuals become more economical. For instance, if two calf-pairs are grazed for 60 days, then the daily cow cost is \$1.01 per day. If this were the case, it may be more economical to feed a complete feed or supplement cows grazing on Bermuda or bahia pastures.

Table 1
Effect of Stocking Rate and Grazing Days on Daily Cow Cost

Grazing Days	Animals Per Acre				
	1.00	2.00	3.00	4.00	5.00
45	\$2.71	\$1.35	\$0.90	\$0.68	\$0.54
60	\$2.03	\$1.01	\$0.68	\$0.51	\$0.41
90	\$1.35	\$0.68	\$0.45	\$0.34	\$0.27
120	\$1.01	\$0.51	\$0.34	\$0.25	\$0.20
150	\$0.81	\$0.41	\$0.27	\$0.20	\$0.16

Projected Profits from Summer Stockering

Summer stockering is an alternative that receives a lot of attention. Nationally, several marketing and advisory services recommend stockering calves through the summer. However, in Georgia this usually does not work very well because of the severely negative buy-sell margin (BSM) of cattle placed on grass in the late spring and sold in late summer or early fall.

Enterprise budgets for two summer stockering programs, irrigated and non-irrigated were developed using current market conditions and the same cost estimates for millet as was used for cow-calf pairs. Stocking rates of 5.0 and 3.0 calves per acre, and average daily gains of 1.65 were assumed for the irrigated and non-irrigated scenarios, respectively.

Table 2
Risk Adjusted Returns Above Variable Costs, Percent Chance of Covering Variable Costs, and Breakeven Sales Price per Hundredweight For Summer Stockering Programs

Item	Stockers Irrigated	Stockers Non-Irrigated
Net Returns (per head placed)	\$7.50	(\$8.74)
% Chance of Covering VC	54%	47%
Breakeven Sales Price (\$/Cwt.)	\$91.53	\$93.06

Neither scenario appears to be very profitable (Table 2). As is usually the case, the biggest problem is the large negative buy-sell margin (BSM) from spring until late summer/early fall. On average, sales prices for 700-800 pound steers in September will be about 85 percent of the purchase price of 500-600 pound steers in May (Table 3). For instance, if a 500 pound stocker sells for \$100/Cwt. in May, he can be expected to bring about \$85/Cwt. as a 700 pound feeder in September.

Table 3
Buy Sell Margins for Selected Sales Months
Margin Expressed as a Percentage of Purchase Price

Purchase 500-600# Steer in May	Sell 700-800# Steer		
	Sales Month		
	August	September	October
Average	87.49%	85.43%	83.28%
Best	112.5%	113.60%	108.20%
Worst	73.27%	69.41%	76.01%

Net returns in summer stockering programs are VERY SENSITIVE to animal performance and sales price. Average daily gain (ADG) during the stockering period is very important. This is of particular concern during the summer as high temperatures and lack of moisture can significantly reduce forage yields and thus calf gains.

Producers who intensively manage their grazing scheme and achieve higher levels of performance may be able see some profits from stockering. Also, given the tight feeder cattle supply, prices in the fall could well be higher than was predicted in these budgets.

Given the potential variability in returns for these two scenarios, Tables 4 and 5 were developed. These tables show the effects of various price and production combinations on net profits. In Table 4 we see that if calves stockered on irrigated summer annuals sell for \$89.70/Cwt., they will need to gain better than 1.75 pounds per day to turn a profit. However, if prices continue to hold and we see a repeat of late last summer, a calf gaining 1.75 pounds per day will return a handsome profit (\$106.44/head). On the other hand, if the market breaks just slightly cattlemen stand to lose a considerable amount (\$61.76/head).

Table 4
Effect of Sales Price and ADG on Cost of Gain on Net Returns Per Head
Irrigated Summer Annual Pasture

Sales Price	Average Daily Gain (ADG)				
	1.00	1.25	1.65	1.75	2.00
\$72.88	(\$192.62)	(\$169.29)	(\$131.98)	(\$122.65)	(\$99.33)
\$81.29	(\$139.80)	(\$113.78)	(\$72.16)	(\$61.76)	(\$35.75)
\$89.70	(\$86.98)	(\$58.28)	(\$12.35)	(\$0.87)	\$27.84
\$104.52	\$6.09	\$39.54	\$93.06	\$106.44	\$139.88
\$119.34	\$99.17	\$137.36	\$198.46	\$213.74	\$251.93

In Table 5 we see the effects of production and sales price on net profits from stockering on non-irrigated summer annuals. According to this table, calves will have to average almost 2.00 pounds per day to make any money if the market performs normally. Again, if prices go up cattlemen can tolerate lower gains and if prices decline appreciably, no level of performance will be profitable.

Table 5
Effect of Sales Price and ADG on Cost of Gain on Net Returns Per Head
Non-Irrigated Summer Annual Pasture

Effect of Sales Price and ADG on Cost of Gain on Net Returns Per Head					
Sales Price	1.00	1.25	1.65	1.75	2.00
\$72.88	(\$203.10)	(\$179.78)	(\$142.47)	(\$133.14)	(\$109.82)
\$81.29	(\$150.29)	(\$124.27)	(\$82.65)	(\$72.25)	(\$46.23)
\$89.70	(\$97.47)	(\$68.76)	(\$22.84)	(\$11.35)	\$17.35
\$104.52	(\$4.39)	\$29.05	\$82.57	\$95.95	\$129.40
\$119.34	\$88.68	\$126.87	\$187.97	\$203.25	\$241.44

Custom Finishing

Producers with cattle coming off winter grass or early weaning fall-born calves may be considering custom finishing cattle in an attempt to capture additional profits. Thus, projected net returns from custom finishing were estimated. These results are shown below in Table 6.

As is the case with stockers, high calf values makes custom finishing very unattractive at this point. Using current stocker and feeder cattle prices, fed cattle will have to average close to \$90/Cwt. to turn a profit. Even though current cash fed cattle are selling for \$90, custom finishing still appears to be risky venture.

Table 6
Risk Adjusted Returns Above Variable Costs, Percent Chance of Covering Variable Costs, and Breakeven Sales Price per Hundredweight For Custom Finishing Programs

Item	Custom Finishing 500 Lbs.	Custom Finishing 750 Lbs.
Net Returns (per head placed) ¹	(\$81.27)	(\$76.52)
% Chance of Covering VC	19%	20%
Breakeven Sales Price (\$/Cwt.)	\$86.90	\$87.50

¹Cash sales prices were calculated by taking current futures prices for the appropriate months and subtracting the historical basis for that month.

Summary

Cow-calf producers looking for economical grazing should consider using summer annuals. When properly managed, these grasses can be an attractive forage alternative with adequate rainfall or in an irrigated situation.

At current high prices only stockering in an irrigated system seems to offer any profit potential. The current prospects for stockering in a non-irrigated system or custom finishing cattle do not appear very bright. However, with tight feeder and fed cattle supplies, producers who can afford to take the risk may choose to do so because of the potential returns.

Additional References

Pastures in Georgia –B 73

Beef Cattle Buy/Sell Margins Calculator available at
<http://www.ces.uga.edu/Agriculture/agecon/cmpdec.htm>

Summer forage and stockering budgets available at
<http://www.ces.uga.edu/Agriculture/agecon/printedbudgets.htm>

Appendix

Summary Budgets for:

1. Irrigated and Non-Irrigated Millet
2. Purchased stockers on irrigated and non-irrigated Millet
3. Custom finishing 500 pound steers
4. Custom finishing 750 pound steers