



Beef Cattle Management & Marketing Alternatives for Fall 2005

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Introduction

Currently high prices for weaned, feeder, and fed cattle have many producers considering their marketing alternatives. Although profits are available to those cow-calf producers who plan to sell in the next few months, high feeder and fed cattle futures make it appear that there may also be some profit potential in either stockering or custom finishing cattle.

Although there are numerous variations, the most likely scenarios many producers are considering are:

1. Selling at weaning
2. Stockering steers on temporary winter pasture
3. Stockering steers on fescue pasture
4. Stockering heifers to sell as feeders or breed to sell as replacements
5. Custom finishing calves

Within Georgia there are considerable differences in production systems from north to south. For that reason, stocker alternatives are divided into two general regions; North Georgia which includes the fall line hills, piedmont limestone valley, and mountain regions; and South Georgia which includes the upper, middle, and lower coastal plains.

The results of these analyses should be used as a guide only. Printed versions of the budgets used in these analyses are available at <http://www.ces.uga.edu/Agriculture/agecon/new.html>

Producers should always use their own information when possible. Electronic versions of these budgets in Microsoft Excel are available at the link listed above.

North Georgia Stocker Steer Systems

There are almost an infinite number of stocker production systems. However, for ease of comparison, three main systems in North Georgia are evaluated: steers on stockpiled Max-Q fescue, steers on overseeded winter annuals, and steers on corn silage and winter annuals. The winter annuals are assumed to be no-till drilled into an existing stand of Bermuda or fescue. Steers are assumed to be placed into the system in mid-October to early November and marketed in mid-March.

Stocking rates vary by system but range from 1.50 to 2.00 steers per acre. It is assumed that upon entering the program the stockers will consume a receiving ration for about 6 weeks until grass

reaches a suitable grazing height. Since it is highly unlikely that grazing will be available for the entire grazing period, the calves are budgeted to consume a hay and byproduct feed ration that will keep them gaining at 2.0 pounds per day. It is assumed this period is 30 days for those calves on winter annuals and 60 days for stockers grazing fescue.

Table 1
Risk Adjusted Returns from Stockering Steers in North Georgia Fall 2005

| Item | Steers on Winter Annuals | Steers on Winter Annuals & Corn Silage | Steers on Stockpiled Fescue* |
|---|--------------------------|--|------------------------------|
| In Date | 10/15/2005 | 10/15/2005 | 10/15/2005 |
| In Weight (Pay Weight) | 525 | 525 | 475 |
| Stocking Rate (Steers/acre) | 1.50 | 2.00 | 1.90 |
| ADG | 1.75 | 2.00 | 1.85 |
| Out weight (Pay weight) | 788 | 825 | 753 |
| Out/Sales Date | 03/14/06 | 03/14/06 | 03/14/06 |
| Total Cost of Gain (\$/Cwt.) | \$106.75 | \$81.26 | \$87.59 |
| Returns (loss) over variable cost (\$/head placed) | (\$13.99) | \$0.30 | \$27.73 |
| Maximum Breakeven Purchase Price of Calf (\$/Cwt.) | \$106.75 | \$110.06 | \$120.84 |
| Breakeven Sales Price (\$/Cwt.) | \$107.78 | \$99.73 | \$104.02 |
| % Chance of Covering Variable Costs | 43% | 50% | 74% |

**Stockered on novel-endophyte fescue. Stockering on endophyte infected fescue will reduce gains by 0.5 pounds per day and profits by approximately \$65 per head.*

The results of these analyses suggest that stockering steers through this fall and winter is a risky proposition. The high cost of stocker calves and the high cost of winter grazing combine to place breakevens at very high levels. However, by keeping a lid on expenses some producers may be able to eek out a profit.

It is worth noting that one of the most critical factors this fall will be winter grazing expense. Depending on location and the system, winter grazing could approach \$175 per acre. At that cost level, it will be almost impossible for cattle to gain well enough to make a profit. Also, these analyses assume a good stand of winter grass. If weather conditions turn unfavorable the high cost of winter grazing as well as the additional cost of feeding can quickly turn the stockering program into a financial disaster.

South Georgia Stocker Systems

Stocker systems in South Georgia are similar to those in North Georgia with the exception of placing the animals in the stockering program a few weeks earlier and replacing the stockpiled fescue alternative with a scenario that utilizes lightweight steers grazing over seeded cropland. In the lightweight steer alternative, steers are purchased at 425 pounds and placed on cropland that has a winter cover crop. Steers are pulled off in time to prepare the cropland for planting next spring.

Table 2
Risk Adjusted Returns from Stockering Steers in South Georgia Fall 2005

| Item | Steers on Winter Annuals | Steers on Winter Annuals & Corn Silage | Lightweight Steers on Over Seeded Cropland |
|---|--------------------------|--|--|
| In Date | 10/01/2005 | 10/01/2005 | 11/15/2005 |
| In Weight (Pay Weight) | 525 | 525 | 425 |
| Stocking Rate (Steers/acre) | 1.50 | 2.00 | 1.50 |
| ADG | 1.75 | 1.75 | 1.75 |
| Out weight (Pay weight) | 788 | 825 | 688 |
| Out/Sales Date | 02/28/2006 | 02/28/2006 | 02/28/06 |
| Total Cost of Gain (\$/Cwt.) | \$105.43 | \$80.59 | \$90.19 |
| Returns (loss) over variable cost (\$/head placed) | (\$5.96) | \$13.57 | \$34.59 |
| Maximum Breakeven Purchase Price of Calf (\$/Cwt.) | \$110.25 | \$114.59 | \$133.14 |
| Breakeven Sales Price (\$/Cwt.) | \$108.76 | \$100.78 | \$111.91 |
| % Chance of Covering Variable Costs | 49% | 61% | 76% |

As in North Georgia, returns from winter stockering are marginal. The only program that appears to offer significant profit potential is purchasing lightweight steers and grazing them on cropland. The apparent profitability of this scenario is due to lower grazing cost and lower total animal cost of the lightweight steers. Grazing costs are lower in this scenario for two reasons, the seed cost is allocated to the crop enterprise, and the fertilizer costs are reduced due to the presence of residual fertilizer from the previous crop.

Key Considerations

As with any profitability analysis, the difference in the assumptions underlying the budgets and what actually happens usually explains all the differences in profits. For these reasons, readers are advised to closely examine the assumptions used in these budgets and see how they compare to their operation. Key items to consider are:

- **Selling price.** The assumed sales prices for cattle leaving the stocker programs are based on historical buy-sell margins as well as recent history. However, producers should closely examine these sales prices in relation to the expected cost of production and see if they can afford to plan on marketing 750-825 pound steers for close to \$100/Cwt. in their markets.
- **Fertilizer costs.** Winter grazing costs account for 10-14% of the costs in these budgets (calf value accounts for 70%). Much of the winter grazing cost is fertilizer. If producers have access to lower cost fertilizers, or can utilize residual phosphorous and potassium, they should be able to lower their winter grazing expenses. By the same token, any increase in nitrogen or phosphorous prices, (Ammonium nitrate and DAP over \$340/ton) will increase grazing costs considerably.
- **Labor costs.** All budgets in these analyses assume a wage rate of \$9.02 per hour. Operations that utilize unpaid family or operator labor can expect savings of about \$2.00/Cwt. in the total cost of gain. Also, operations that have fixed labor costs with no alternatives to these enterprises may choose to base their decisions on the cost assumed here costs minus labor. However, if there is a choice between which enterprises labor should be devoted to, then labor costs should be included.

Custom Finishing

Custom finishing is a value-adding alternative that increasing numbers of Georgia cattlemen are pursuing. Like stockering, the major factors impacting profits are current calf value, ending value, and cost of gain. Several scenarios with different beginning weights are presented below in Table 3.

Table 3
Risk Adjusted Returns from Custom Finishing Steers, Fall 2005

| Item | Custom Finish 550 Pound Steer | Custom Finish 650 Pound Steer | Custom Finish 750 Pound Steer |
|---|----------------------------------|----------------------------------|----------------------------------|
| In Date | 10/01/2005 | 10/01/2005 | 10/01/2005 |
| In Weight (Pay Weight) | 550 | 650 | 750 |
| Feed Conversion (as fed)* | 7.15 | 7.15 | 7.15 |
| ADG* | 2.85 | 2.95 | 3.10 |
| Out weight (Pay weight)* | 1,125 | 1,160 | 1,200 |
| Out/Sales Date | 04/04/206 | 03/07/2006 | 02/04/2006 |
| Total Cost of Gain (\$/Cwt.) | \$57.83 | \$60.62 | \$64.13 |
| Returns (loss) over variable cost (\$/head placed) | \$64.17 | \$56.51 | \$42.88 |
| Maximum Breakeven Purchase Price of Calf (\$/Cwt.) | \$121.67 | \$108.69 | \$100.72 |
| Breakeven Sales Price (\$/Cwt.) | \$84.49 | \$83.67 | \$84.28 |
| % Chance of Covering Variable Costs | 87% | 83% | 76% |

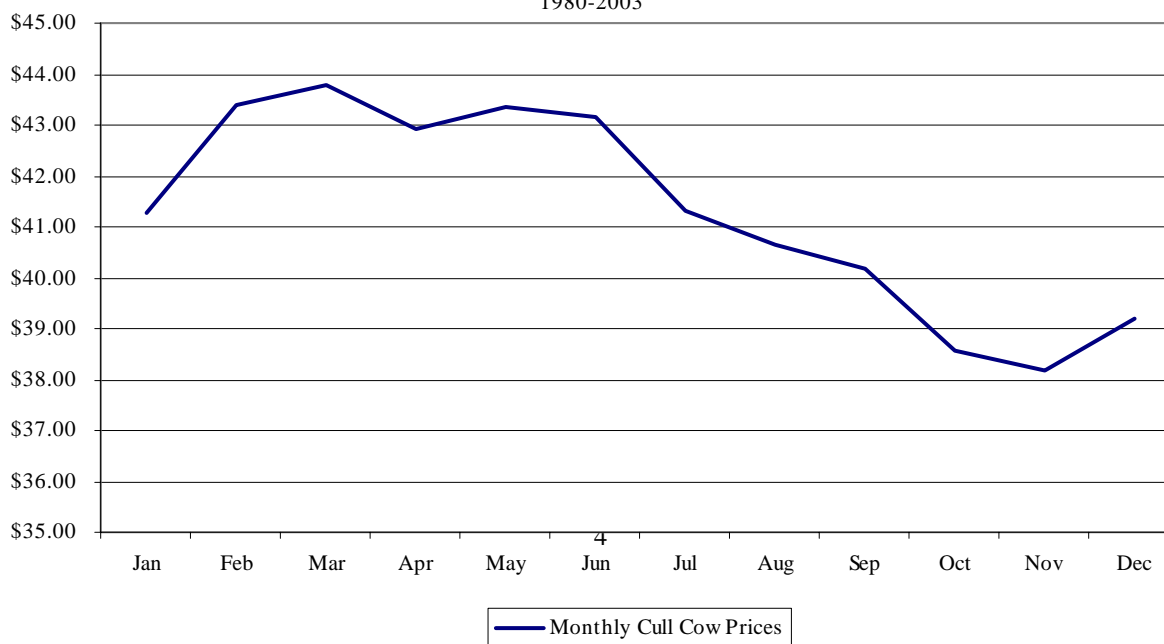
*Based on historical feedlot data from the Georgia Beef Challenge and Kansas State University

From this analysis it appears that custom finishing is a viable alternative for cattlemen this year. Part of the reason is the lower values placed on feeder cattle as well as less expensive feed. As a result, breakevens are about \$5.00/Cwt. lower this year than they were last year.

Cull Cow Management

Fall is the time of year when many producers often cull unproductive or open cows. This is also the time of year when cull cow prices are at their lowest. In Figure 1 below, we see that prices for cull cows are at their peak in February and March and lowest in October and November. For these reasons it may be advantageous for some cattlemen to consider carrying their cull cows through the winter and marketing them next spring.

Figure 1
Monthly Cull Cow Prices
1980-2003



From 1980-2003, prices increased an average of \$4.86 from October-November to February-March. This increase occurred every year with the smallest increase being \$0.24/Cwt. and the largest being \$9.12/Cwt. Using the average price increase, a producer could add anywhere from \$50-\$150 to the value of his cows by changing the time he markets. Obviously, he will have to deduct the cost of keeping the cow(s) (including death loss) for that period of time.

Risk Management

With prices at the currently high levels, any type of stockering or finishing program must incorporate some type of price risk management plan. Even though it appears that profits can be extracted from certain stockering or finishing enterprises, producers should be aware of the severe downside risk that exists in today's cattle markets. At current calf and feeder prices, there is a real possibility that one could pay too much (or hold onto) high priced calves or feeders and sell really cheap feeders or live cattle, resulting in a considerable financial loss.

One way cattlemen can reduce their risk is by utilizing futures and options. Readers unfamiliar with these concepts are encouraged to contact their local county agent or download a free copy of "[Developing and Using Marketing Plans for Georgia Livestock](#)," and "[Grains and Commodity Options as Price Insurance for Cattlemen](#)." Both of these publications are available at <http://www.ces.uga.edu/Agriculture/agecon/pubs/marketpubs/marketpubl.html>

Summary

Cattlemen have a multitude of management opportunities this fall. Current economics suggest that either selling steers right now, or custom finishing them is more profitable than fall stockering programs. However, stockering lightweight cattle may also be a viable alternative.

If you have questions about this publication please contact your local county agent, or email Dr. Curt Lacy at clacy@uga.edu.

Additional Publications

- ④ Custom Finishing Beef Cattle for Fall 2005 – AGECON 05-103
- ④ Stockering Beef Cattle for Fall 2005 – AGECON 05-104
- ④ Winter Grazing Economics for Fall 2005 –AGECON-05-105