



EXTENSION

Economics of Retaining Calves this Fall

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Here is the story...



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- Producer has roughly 100 head that weigh about 550 pounds on average
- Normally runs them on wheat, but drought has that in question...

Wheat pasture has been in the \$.75-\$.85 per pound of gain recently...

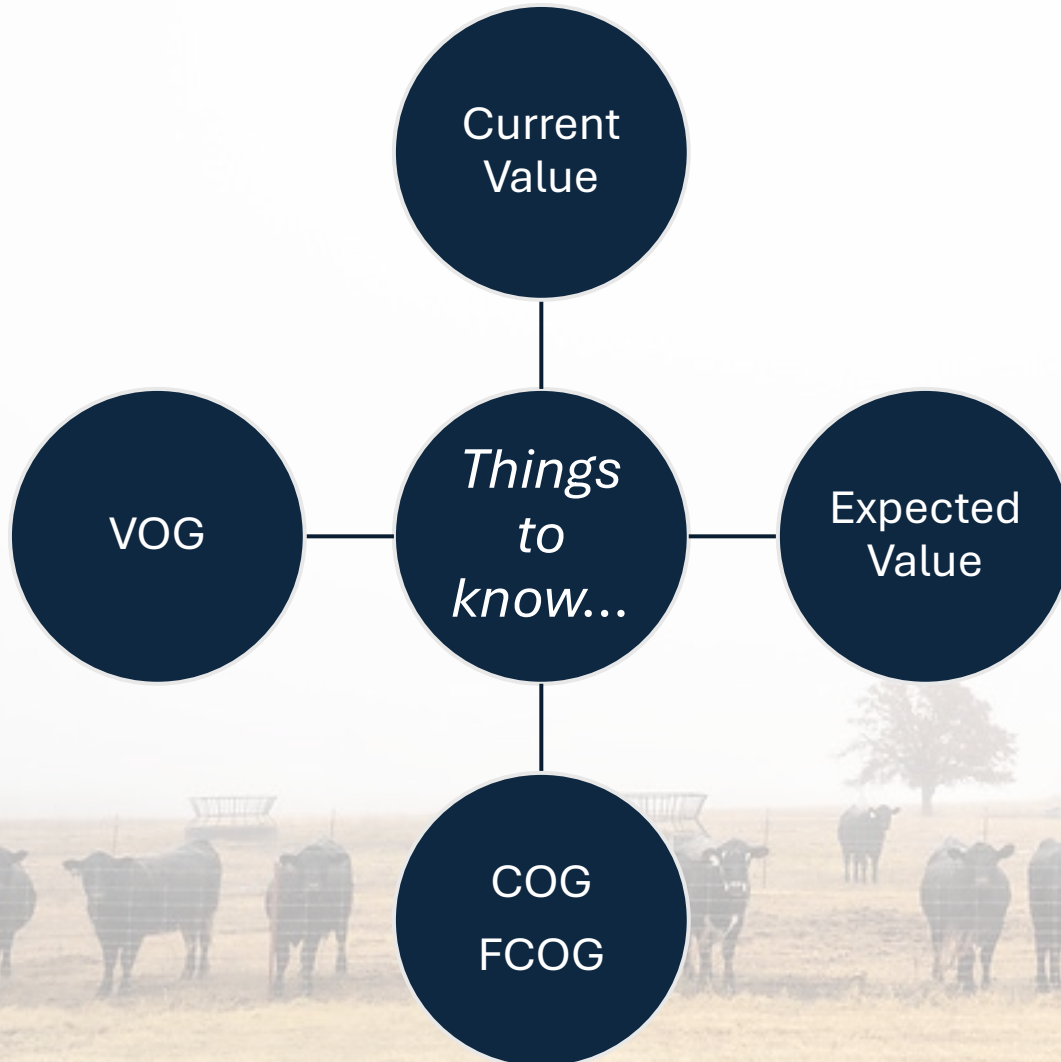
- Has some hay on hand *Something to discuss here...*
- Is there enough margin there to feed them instead of put them on wheat?



What do we need to know?



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1. What is the buy/sell margin?
Is there even any reason to continue the calculations?
2. What is the COG/VOG comparison?
3. Everything after cow-calf is a **MARGIN BUSINESS...**

Then it is the producer's job to determine if they can or want to do it.

What is the gross margin?



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- The Buy/Sell Margin is just referring to...
 - What are they worth now?
 - What do we expect them to be worth at the end of the feeding period?

Today

550# x \$2.77/# =
\$1,523 /hd.

<https://www.ams.usda.gov/market-news/livestock-poultry-grain>

Variables

Feed to weight? 750#

Feed to date?

ADG? 1.5#/day

Variables

200# / 1.5ADG =

133 days

=mid Feb marketing date

How do we know what 750#
steers will be worth in Mid
Feb?

www.beefbasis.com

Mid Feb

750# x \$2.38/# =
\$1,785 /hd.

\$261/hd

Next step...



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- There are several ways to tackle this from here, but my preference is to look at cost and value per day...

\$261/hd

Value of Gain

$\$261 / 200\# =$
 $\$1.31 / \text{lb.}$

SO, that's where the nutrition folks come in...

**5 pounds a day and get
1.5# ADG.**

Feed Options	# fed	Feed cost/hd./day
\$200/ton (\$0.10/#)	5	\$0.50
\$250/ ton (\$0.125/#)	5	\$0.625
\$300/ton (\$0.15/#)	5	\$0.75

Completing the discussion...



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Description	Cost (\$/hd)	Balance
Margin		\$261
Feed @\$250/ton	-\$83	\$178
Hay*	-\$0	\$178
Vet	-\$15	\$163
Death loss	-\$25	\$138
Fuel, etc	-\$10	\$128
Price Protection	-\$40	\$88
Total Margin/hd		\$88

Estimates

****Hay should be valued at its market price for an economic analysis. Producers may choose to consider this a sunk cost as shown.***

Other costs to consider: Interest, shipping, repairs, additional equipment needed, etc.



Base Producer Decision...



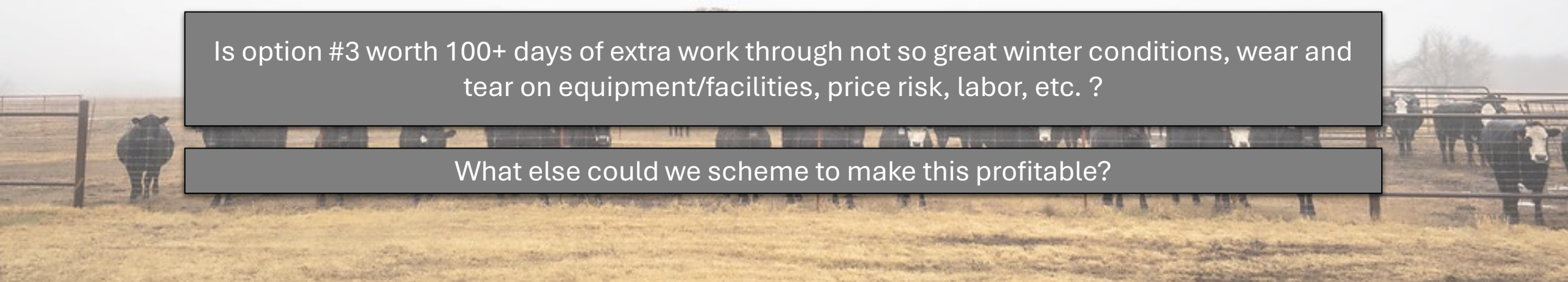
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#1		#2		#3	
Sell calves today, hold hay		Sell calves and hay today		Retain calves	
100 Steers	\$152,300	100 steers	\$152,300	100 steers	\$152,300
		100 bales @\$40/bale	\$4,000	100 steers margin @ \$88/hd	\$8,800
Total	\$152,300	Total	\$156,300	Total	\$161,100

No sales commission included...

Is option #3 worth 100+ days of extra work through not so great winter conditions, wear and tear on equipment/facilities, price risk, labor, etc. ?

What else could we scheme to make this profitable?



Real cost data via agmanager.info



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<https://agmanager.info/2023-state-enterprise-summary-beef-backgrounding>

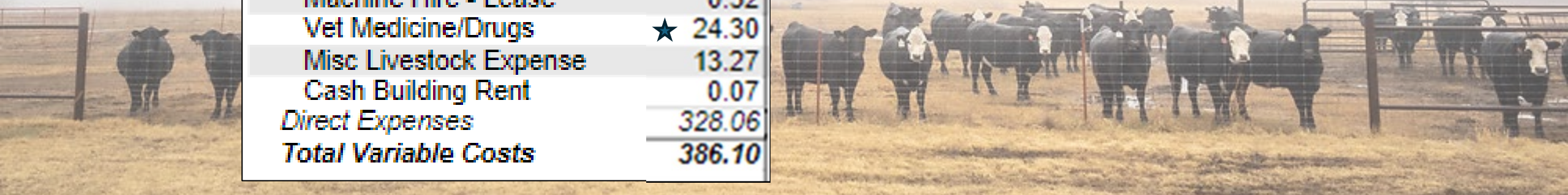
EXPENSE	\$/head
Labor Hired	8.76
General Machinery Repairs	14.03
Interest Paid	★ 16.07
Gas, Fuel, Oil	9.04
Auto Expense	0.13
Fees, Publications, Travel	1.71
Personal Property Tax	0.60
General Farm Insurance	3.56
Utilities	4.12
Indirect Expenses	58.03
Feed	★ 276.49
Pasture	13.61
Machine Hire - Lease	0.32
Vet Medicine/Drugs	★ 24.30
Misc Livestock Expense	13.27
Cash Building Rent	0.07
Direct Expenses	328.06
Total Variable Costs	386.10

2018-2022 avg. backgrounding cost

- 337 lbs added
- Roughly 550-900lb

	\$/cwt
Feed Cost / CWT	85.88
Non-Feed Cost / CWT	52.93

Sums to \$1.39 COG...





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THANK YOU!

