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Backgrounded Calves

Many cow-calf producers choose to background calves until sometime after the first of the year, rather than sell them in the fall. There are numerous reasons for doing this, for example to shift tax liability into the next year, to feed home raised grain or forages, and to sell a heavier calf in a different marketing window. Ultimately, those who background calves are hoping to net additional dollars from the calves. So, has the strategy paid off this year?

In mid October 475 pound steer calves sold for \$93.50 per cwt. in Nebraska, or about \$444 per head. If those steer calves were fed to gain 175 pounds at a total cost of gain of \$57 per cwt. of gain, then the cost of the feeding program would have been \$100 per head. The market for 650 pound steer calves in Nebraska this past week was \$89 per cwt., or \$579 per head. There was \$35 per head return (\$579-\$100-\$444) to this backgrounding program. A 550 pound steer in November @ \$90 per cwt. was worth \$495 per head. The total cost of 100 pounds of gain would be \$57. The return would have been \$27 per head (\$579-\$57-\$495).

If these steer calves are fed to gain an additional 100 pounds and sold in February what additional return could be expected? March feeder cattle futures are priced at \$82.50 at the time of this writing. The February basis in Nebraska the last five years has averaged \$1.50 per cwt. over the board. If 750 pound steers sell for \$84 per cwt., or \$630 per head, then the additional 100 pounds of gain will have to be put on for less than \$51 to be profitable (\$630-\$579).

The Markets

If the wrong team won the New Year's bowl game, cattle feeders were smiling by the next day as the markets moved higher. Slaughter cattle prices were \$2 higher in the southern plains, with the bulk of the trade occurring at \$75. Prices were \$3 higher in the north with slaughter cattle prices at mostly \$118 dressed. Boxed beef prices were a little lower for and the Choice-Select spread narrowed. Feeder cattle prices were generally steady in Kansas and Nebraska for 700 lb and heavier cattle but calf prices were higher.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$74.91	\$73.14	\$65.93
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$117.93	\$114.64	\$106.00
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$85.07	No trade	\$85.61
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$95.82	No trade	\$97.74
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$86.52	No trade	\$85.96
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$97.13	No trade	\$102.25
Choice Boxed Beef Price, 600-750 lb. carcass	\$121.73	\$122.59	\$109.67
Choice-Select Spread, 600-750 lb. carcass	\$4.62	\$4.90	\$4.29