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**To Retain Or Not To Retain?**

That's the question many cow-calf producers are pondering as they prepare to wean their calves this fall. For those considering retained ownership of their cattle through backgrounding or finishing this year, the decision is difficult given strong feeder cattle prices brought on by a historically high slaughter cattle market. Still, interest in retaining ownership remains high in light of some current feedyard closeouts earning \$200-plus profits.

Cow-calf producers that wean and sell calves in October/November can forward contract sales of 550 lb. steers for about \$109 in the North Central states. At least three alternatives that could be considered include: 1) selling the steer calves for October/November delivery, 2) backgrounding the steers until they reach 750 lbs. in late January, or 3) finishing the steers to 1,250 lbs. by June. Under alternative #1, the producer will receive \$600 revenue and not be exposed to downside price risk. For alternative #2, the January selling price for the 750 lb. steer is \$91.14/cwt (based on January feeder cattle futures at \$89.60 and Nebraska 3-year average basis of \$1.54). Total feeding costs would be about \$100/head based on a feeding cost of gain of \$50/cwt, putting the breakeven at about \$93.33, or about \$2/cwt more than the expected selling price. Under alternative #3 (finishing the steer calf), the total feed expenses would be \$350 using a feeding cost of gain of \$50/cwt. Again valuing the placement cost of the steer at \$109/cwt, the breakeven for this scenario is \$76. With June live cattle futures at \$72.30 and an expected basis of \$0.17 in Nebraska, the expected selling price of \$72.47 is still about \$3.80/cwt lower than the breakeven. Alternatives #2 and 3 also include more risk for the producer (feed costs and sale price risk) unless these risks are hedged (note that the breakevens above do not include hedging costs). Thus, based on current market prices, it appears that the highest return is to sell calves now. Of course, backgrounding or feeding programs that utilize more roughage (e.g., wheat pasture, silage cut due to drought, etc.) may lower feeding costs enough for some producers to project some profits to retaining ownership. Still, it looks like the pencil will have to be sharpened pretty closely.

**The Markets**

Last week, slaughter cattle prices were \$0.58 lower on a live weight basis in Kansas, at \$88.95. Dressed trade in Nebraska was up \$0.40 to \$144.47. The Choice-Select wholesale beef price spread widened another \$6 last week, to \$32.57, due to lower availability of Choice-grading cattle. Choice boxed beef prices declined \$0.46 last week. Last week, Nebraska yearling steer prices were most steady, while steer calf prices were up \$1. In Kansas, yearling steer prices increased \$1.30, but steer calf prices declined \$1.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight (35-65% Choice)	\$88.95	\$89.53	\$65.90
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$144.47	\$144.07	\$102.47
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$104.78	\$103.48	\$82.08
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$109.47	\$110.47	\$88.88
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$104.39	\$104.20	\$86.59
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$113.15	\$112.09	\$89.44
Choice Boxed Beef Price, 600-750 lb. carcass	\$161.41	\$161.87	\$115.75
Choice-Select Spread, 600-750 lb. carcass	\$32.57	\$26.57	\$9.17