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Feed 'em or Sell 'em?

Cheap corn. Recent decline in feeder cattle prices. Last week's strength in slaughter cattle prices. Movement towards regaining key Asian beef markets. All those things have ranchers considering whether to retain ownership of their fall calf crop and feed them out or sell the calves at weaning. Certainly, these factors have all combined to make feeding and retained ownership more attractive. But, depending upon the cost of gain and the risks the feeder may be taking, it may be that selling now isn't a bad strategy to consider either.

A 600 lb. feeder steer has been selling for about \$116/cwt in Nebraska, or almost \$700/head. At a corn price of \$1.75/bu and a total ration charge of \$95/ton (including a \$20/ton markup), the feeding cost of gain is about \$45/cwt. When factoring in yardage charges, interest, processing costs, and other variable costs, the total cost of gain approaches \$50/cwt. If the feeder steer gained about 2.9 lbs/day for 208 days, it would have a breakeven selling price in early June of \$83/cwt. June live cattle futures at \$80.30/cwt, combined with a historical June basis of \$0.17/cwt in Nebraska, suggest an expected selling price of about \$80.50/cwt. If the breakeven can be lowered by more than \$2.50/cwt through better performance or cheaper ration costs than these averages, it may be possible to lock in a modest profit.

Is it worth it to take the risk of continuing to own the cattle? It depends on the individual. It's hard to pass up the historically high feeder cattle prices that will generate a sizeable profit for most operations. Further, it's difficult to depend on a significant price rally from regaining the Asian export market (see the Oct. 25, 2004 *In the Cattle Markets*). And, while resuming live cattle trade with Canada won't likely occur for several months, it could occur before the June marketing date in the scenario above, putting some pressure on price. Even if the cost of production is low enough to project a profit at prices offered by today's market, it might be that a bird in the hand is worth two in the bush.

The Markets

Kansas slaughter cattle prices were up \$3-4/cwt last week, ending the week at about \$85. In Nebraska, dressed sales were steady to \$1 lower at the beginning of the week, but closed the week \$2-4 higher. Choice boxed beef declined \$1.80/cwt last week while the Choice-Select spread narrowed to \$6.27/cwt. Average feeder steer and calf prices in Kansas and Nebraska were down slightly last week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$84.97	\$81.86	\$99.26
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$129.06	\$128.83	\$159.37
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$109.76	\$110.05	\$104.97
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$124.65	\$126.20	\$112.13
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$106.73	\$107.21	\$109.22
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$123.57	\$124.21	\$113.79
Choice Boxed Beef Price, 600-750 lb. carcass	\$132.31	\$134.11	\$169.41
Choice-Select Spread, 600-750 lb. carcass	\$6.27	\$7.32	\$21.46