

**Darrell R. Mark, Ph.D.**  
**Asst. Professor, Department of Agricultural Economics, University of Nebraska**

**Sell Cattle Off Grass, Feed Them, Or Feed Something Else?**

Nationally, only 4% of the pasture and range was in excellent condition last week and 31% was rated good. This is a decrease from the 57% rated good to excellent at the beginning of the growing season. Pasture and range condition declined precipitously throughout July and almost steadily throughout the summer. As of August 29, the condition index was 297 (100=very poor, 500=excellent), down from 351 at the beginning of May this year. Although this rating is above the previous five-year average for this time period (283), it is well-below the 331 index rating for the end of August last year.

With relatively poorer conditions and the end of the summer grazing season, stocker operators are contemplating the annual decision of whether to sell yearling cattle off grass or finish them in a retained ownership program. At current prices, a 775 lb. steer is worth at least \$115/cwt (basis Nebraska), or nearly \$900/head. Feeding that same steer for 154 days to 1250 lbs. at a feeding cost of gain of \$47/cwt would result in a breakeven selling price at the beginning of February of \$91.45/cwt. Currently, February 2006 live cattle futures are at \$86.75/cwt. With an historical average basis of -\$2.00/cwt, only an \$84.75/cwt selling price could be hedged for the steers if they were retained. This would equate to a loss of \$6-7/cwt, or over \$80/head. Unless the steers can be fed substantially cheaper than in this commercially budgeted case, it appears that selling the steer off grass now would be more profitable, and certainly less risky.

For producers wanting to feed cattle this fall (those with abundant, cheap new-crop corn), an alternative to feeding the heavier steers off grass might be to sell those steers off grass and forward contract lighter calves for October/November delivery. Currently, 525 lb. feeder steers can be forward contracted for about \$130/cwt (basis Northern Plains). If they were grown up to about 750 lbs., there is a chance to hedge them at a profit, depending upon feeding cost of gain and local feeder cattle basis late next winter.

**The Markets**

The fed cattle market was \$1/cwt lower last week. Live cattle in Kansas traded at \$81 to 81.50 last week, while dressed sales in Nebraska occurred at mostly \$127-128. Choice boxed beef increased about \$1.80/cwt last week, while Select beef remained unchanged at \$124.54. Thus, the Choice-Select spread increased \$1.80/cwt to \$10.26/cwt. Prices for 700-800 lb. feeder steers were more than \$2/cwt lower in Kansas last week and were steady in Nebraska. The average price for a 500-600 lb. steer jumped over \$4/cwt in Kansas last week, while Nebraska prices were mostly steady.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$81.13	\$82.10	\$80.35
Neb. Fed Steer Price, dressed weight	\$127.19	\$128.12	\$127.78
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$114.59	\$117.21	\$113.63
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$131.31	\$126.80	\$128.96
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$119.45	\$119.27	\$119.12
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$135.79	\$136.01	\$137.68
Choice Boxed Beef Price, 600-900 lb. carcass	\$134.80	\$133.01	\$133.09
Choice-Select Spread, 600-900 lb. carcass	\$10.26	\$8.46	\$4.45