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Backgrounded Calves

A number of cow-calf producers and farmer feeders like to feed 5-weight calves for 100 days and then market them this time of year. How profitable has that been this year and should ownership be maintained until slaughter? In mid October, 550 pound steer calves were selling for \$136 per cwt. in Nebraska auctions, a \$748 per head value. If those calves were fed for 100 days at a 2.5 pound daily gain, they would now weigh 800 pounds. This past week in Nebraska, 800 pound steers sold for \$116 per cwt., \$928 per head. Your feeding margin is \$180 per head. Valuing all feed sources at market price, accounting for death loss, interest, yardage and other costs, I assume a \$52 per cwt total cost of gain, or \$130 per head. That results in a nice return of \$50 per head for each steer that you backgrounded.

If you hold those steers until slaughter at 1300 pounds in mid June, the futures market would suggest you might be looking at a sales price of \$88 per cwt., \$1144 per head. I assume the total cost of gain for that additional 500 pounds is \$240 per head, \$48 per cwt. of gain. Your return from feeding the steer to slaughter would be -\$24 per head (\$1144-\$928-\$240). By continuing to feed the steer you will lose half of the return you currently have. Unless you are optimistic that the sale price for fed cattle in June will be \$90 per cwt. or higher, I would sell those backgrounded steers now.

The Markets

Slaughter cattle prices were generally steady in the south with trade occurring on Friday and were \$2.00 lower in the north with trade on Thursday and Friday this last week. Trade volume was modest and there are likely a number of lots with carry-over cattle. Prices were \$94 in the south and mostly \$149 in the north. Choice boxed beef prices were also lower for the week. The Choice-Select spread increased and is wider than the historical level. Feeder cattle prices were higher for the week on decent volume for all weight classes. Prices for calves were a few dollars higher, while heavier feeders were steady to a little higher in Nebraska and Kansas.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$93.90	\$94.01	\$88.10
Neb. Fed Steer Price, dressed weight	\$148.67	\$151.32	\$139.73
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$114.42	NA	\$105.80
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$138.30	NA	\$128.02
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$118.83	\$117.75	\$106.30
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$146.01	\$140.00	\$128.61
Choice Boxed Beef Price, 600-900 lb. carcass	\$155.58	\$158.19	\$140.76
Choice-Select Spread, 600-900 lb. carcass	\$15.04	\$14.49	\$7.06