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### **Will Green Grass Turn Into Black or Red Ink For Summer Grazing?**

Pasture and range conditions are highly variable across the U.S. according to recent USDA-NASS Weekly Weather and Crop Progress bulletins. While conditions in the Southern Plains are significantly worse than last year due to precipitation shortfalls, other areas in the Great Plains and Cornbelt have improved since last year. The amount of forage available and resulting stocker cattle weight gains is important for producers to budget closely this summer as it may mean the difference between a profit and loss.

Consider, for example, the prospects of running 550 lb. steers on eastern Nebraska pasture for five months this summer. Those steers would have been purchased in April or May for \$133.45/cwt, or \$733.98/head. Summer pasture rental rates in eastern Nebraska are approximately \$25/AUM, leading to total pasture costs of about \$87.50/head. Mineral, veterinary, utilities and facilities, insurance, labor, death loss, and interest expenses totaling about \$91/head are also included in this budget. The sale weight of the steer at the end of the grazing season in late September will depend on its weight gain from grazing. Suppose that moisture conditions were sufficient to produce forage to support an average daily gain of 2.0 lbs/day. The breakeven selling price for this 850 lb. steer would be \$107.42/cwt. If, however, poorer gains (1.75 lbs/day) result from limited precipitation, the steer's weight drops to 813 lbs. and the breakeven increases by nearly \$5/cwt to \$112.38/cwt.

October feeder cattle futures closed at \$107.32 last week. Basing an expected sale price on October futures and a historical basis for 800-900 lb. steers of \$1/cwt suggests a profit can be made based on these budgeted costs if average daily gain is high enough. Should performance drop off, however, losses would be more likely. Black ink could also be achieved for producers that can save on other cost areas of the budget (particularly charges for grass pasture).

What should producers do from a marketing and management standpoint? First, watch for opportunities to create hedges or minimum price floors using futures, options, or livestock risk protection insurance. If October feeder futures were to continue on its current uptrend (which probably isn't that likely), there might be an opportunity to lock in a profit. Second, producers should be prepared to consider pulling cattle off grass early and selling them if there is a profit that might erode due to drought, etc. Third, depending upon corn prices and other feeding costs, producers might evaluate the prospects of taking the cattle off grass early and feeding them. Feeding cost of gain will likely make that a sub-optimal choice, but a fourth alternative might be to supplement the steers on grass with dry distillers grains or other ethanol co-products if they can be obtained cheaply enough.

## The Markets

Last week, fed cattle prices were steady to stronger than the previous week. Live weight prices in Kansas were up nearly \$2/cwt to average \$81.10/cwt and Nebraska dressed prices increased about \$1/cwt to \$126.13/cwt. Choice boxed beef prices improve \$1.48/cwt to average \$146.41 for the week while the choice-select spread widened slightly to \$20.34. Yearling steer prices were steady last week in Nebraska and up nearly \$2/cwt in Kansas. Sales of 500-600 lb steers were limited in Nebraska last week, but were about \$1 higher in Kansas.

	<b>Last Week</b>	<b>Previous Week</b>	<b>Last Year</b>
Kansas Fed Steer Price, live weight	\$81.10	\$79.14	\$86.88
Neb. Fed Steer Price, dressed weight	\$126.13	\$125.23	\$138.14
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$108.45	\$106.58	\$115.58
500-600 lb. Feeder Steer Price, Kansas 4 market average	\$124.99	\$123.84	\$135.71
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$109.54	\$109.79	\$120.66
500-600 lb. Feeder Steer Price, Neb. 7 market average	--	\$132.79	\$152.70
Choice Boxed Beef Price, 600-900 lb. carcass	\$146.41	\$144.93	\$153.39
Choice-Select Spread, 600-900 lb. carcass	\$20.34	\$20.11	\$12.47