

COW/CALF CORNER

The Newsletter

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Stocker and Feedlot Margins a Study in Contrasts

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The stocker and feedlot sectors provide a dramatic contrast in the economics of two beef industry sectors. While the stocker sector sees opportunities with strong values for forage-based gains, the feedlot sector is under increasing pressure as limited feeder cattle supplies, high feed prices and excess capacity combine to result in severe feedlot losses. Cattle feeders are in a fight to the death to see who survives the next couple of years.

Stocker production and cattle feeding are margin operations where the principal determinant of economic potential is the gross margin between the value of purchased cattle versus the value of cattle sold. Within that gross margin, all other production costs have to be paid including feed, veterinary and medicine cost, death loss, labor and interest. The gross margin can be calculated as a value of gain for both stockers and feedlots. The value of gain is a useful way to compare various stocker and feedlot systems using different beginning and ending weights.

Despite high stocker cattle prices, the value of gain suggests considerable opportunity for stocker production. At current prices, the value of gain for added weight on feeder cattle is \$1.10-\$1.15/pound for a wide range of beginning weights and amounts of gain. Current Feeder futures levels allow a producer to lock in a value of gain at about this level. Cost of gain varies considerably for stocker programs but is generally well below the current value of gain, especially using summer grazing.

In contrast, feedlot margins are quite dismal. Feedlot value of gain at the current time is in the range of \$0.70-\$0.85/pound. With a cost of gain well over \$1.00/pound for most feedlots, not to mention other production costs, the losses are severe. Breakeven selling prices for feedlots are in the range of \$130-\$140/cwt in the coming months. It will be at least another month or two before feedlot inventories decrease enough to support significantly higher feedlot prices and even then pushing fed prices up enough to cover breakevens will require higher wholesale and retail beef prices. In a world of high feed and feeder cattle prices and declining feeder availability, the squeeze on feedlots is likely to persist for many months. A record corn crop this year may ease the losses a bit but is not likely to change the overall situation.

Using "Oklahoma Gold" or "Oklahoma Super Gold" for Replacement Heifers

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Fall born replacement heifers have been (or soon will be) weaned and will be at a very critical growing period. It is imperative that they reach the target weight of 60 to 65% of their mature weight by the start of the breeding season. Warm season pastures such as native grass or bermudagrass will be declining in forage quality in the hot dry days of August and September. Also these warm season grasses will be reaching plant maturity which accelerates the decline in protein content. Cow calf producers with fall-born replacement heifers should plan now to provide adequate protein supplement to aid the young heifers in their ability to digest the late summer, mature grasses. Therefore, the young heifers must receive supplemental protein to continue to grow at the necessary pace of 1.3 to 1.5 pounds per head per day going into their first breeding season.

An economical solution would be to give these heifers 1.5 to 2 pounds of the protein supplement called Oklahoma Gold. This is an OSU-developed protein supplement scheme that consists of a high protein (38% - 45%) pellet that contains the label-recommended dosage of one of the ionophores. Ionophores are feed additives (monensin or lasalocid) that improve feed utilization, inhibit coccidiosis, and enhance the onset of puberty in growing heifers. Research from Texas A&M in the 1970's (Moseley, et al.) indicated that heifers receiving an ionophore reached puberty about 2 weeks earlier than counterparts that did not receive an ionophore. Therefore inclusion of the ionophore in the growing program should cause a few more heifers to be cycling early in the breeding season. Very lightweight or very young, weaned heifers that need an added boost while still on late summer pasture may benefit more from the Oklahoma Super Gold supplementation program. "Super Gold" consists of feeding 3 pounds per head per day of a 25% crude protein pellet. Once again, an ionophore is included at the proper dosage and will be beneficial to these young growing heifers. Read more about the Oklahoma Gold supplementation program at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2042/ANSI-3032web.pdf> . The Oklahoma Super Gold program is discussed at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2026/ANSI-3033web.pdf> . These supplementation strategies were designed for efficiently improving gain for stocker cattle on summer pastures.

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