

# COW/CALF CORNER

The Newsletter

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## **Current feeder cattle prices and the economics of stocker production**

Derrell S. Peel, Oklahoma State University Extension Livestock Marketing Specialist

The rollback in price between stocker purchase price and feeder sales price, along with overall price level, is the principal determinant of the gross margin, i.e. value of gain, for stocker production. For example, Oklahoma feeder prices last week indicate that the value of 250 pounds of gain for a 450 pound steer was \$1.24/lb. for a steer sold at 700 pounds. An additional 200 pounds to a 900 pound ending weight has an average value of gain of \$1.28/lb. for the entire 450 pounds of gain. The value of gain is actually a bit stronger for gains towards the heavy end of feeder weights. A 600 pound beginning weight has a value of gain of \$1.37/lb. for 300 pounds of gain up to 900 pounds. These values suggest that stocker producers have considerable flexibility about what weight to buy and how much weight to put on stocker cattle at this time.

The analysis above does not account for the time lag to produce the heavy feeders and how the price may change in the interim. Thus, the question is whether feeder prices will maintain the current relationship through the fall and winter. The value of gain for stocker production is usually closely related to the feedlot cost of gain and any imbalance between them is generally corrected quickly. Such an imbalance exists today with current feedlot cost of gain in the range of \$0.80-0.85/lb, down from roughly \$1.00/lb early in the year. Moreover, with a record corn crop nearly assured, feedlot cost of gain is expected to drop to the low \$0.70/lb range this fall and winter. These cost of gain values are well below the current stocker value of gain and suggest that the value of gain will be pressured lower this fall. The current value of gain developed over the summer as feeder prices increased to new record levels. An adjustment to a

lower value of gain will occur in one of two ways: either stocker prices rise relative to heavy feeders or feeder prices fall relative to stocker prices; or some combination of both.

More often than not, with feed prices falling, lightweight stocker prices will rise until the value of gain drops to near the level of feedlot cost of gain. This happens because feedlots are willing to feed lighter animals when feed prices are lower. This additional demand for lightweight animals would push stocker prices beyond current record levels. For example, given the current price of \$212/cwt. for 825 pound steers and \$0.85/lb. feedlot cost of gain, the price of 575 pound steers would have to be about \$267/cwt compared to the current price of \$248/cwt. to bring the stocker value of gain into balance. At a feedlot cost of gain of \$0.70/lb., the implied 575 pound steer price would be even higher, roughly \$274/cwt.

Another possibility is that heavy feeder price could fall to bring to bring stocker value of gain in line with feedlot cost of gain. At \$0.85/lb. feedlot cost of gain, the price of 825 pound steers would need to drop to under \$200/cwt to bring stocker value of gain into balance with feedlot cost of gain. Though it is more common to have stocker prices adjust, heavy feeder prices are extremely high at the current time. Heavy feeders placed today have feedlot breakevens of \$165/cwt. or higher. These breakevens are well above Live Cattle futures levels this fall and feedlot returns are likely to be negative unless fed cattle prices are able to push significantly higher this fall and winter. That said, the reason heavy feeders are overpriced is because of the extremely limited supply of feeder cattle relative to feedlot demand; a situation that is not likely to change this fall.

What does all this mean about stocker prospects this fall? Stocker prices typically decrease seasonally in the fall, but the possibility of decent winter grazing prospects combined with the likelihood of cheaper feed driving stronger feedlot demand for lightweight placements may keep stocker prices steady or stronger this fall. Though feeder markets appear once again to have topped recently, there is little reason to expect any significant decrease in feeder demand for any weight of feeder cattle. Feeder cattle supplies will remain extremely tight this fall. Unless or until stocker prices push significantly higher this fall, the relatively high value of gain for stockers may persist for some time with markets unable to correct feeder price relationships as quickly as normal. As long as heavy feeder prices remain at current levels, stockers are relatively underpriced and the value of gain provides an opportunity for stocker production.

## **Fall-calving season begins ahead of schedule!**

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Fall-calving season is here. In fact, the start of the fall calving season often begins before some producers expect it. The target date for the beginning of fall calving very often is September 1. Most printed gestation tables predict that calving will take place 283 days (some 285 days) after artificial insemination or natural breeding. Cows and heifers that gestate in hot weather will often calve a few days earlier than expected.

Oklahoma State University physiologists studied early fall (August) and late fall (October) calving cows. Data from two successive years were combined for 60 Angus X Hereford

crossbred cows. The “early” and “late” fall calving cows had been artificially inseminated in early November or early January, respectively. Semen from the same sire was used for all cows. All cows were exposed to a single cleanup bull for 35 days at 4 days after the AI season. The weather prior to calving was significantly different for late pregnancy in the two groups. The average maximum temperature the week before calving was 93 degrees F. for the “early” fall group. The average maximum temperature the week before parturition in the “late” calving group was 66 degrees F. There was a 100% survival rate for calves in both groups and both groups of cows had very high re-breeding rates (90% and 92%, respectively).

The average gestation length for the “early” cows was 6 days shorter (279 days) as compared to the “late” cows (285 days) in year 1. The average gestation length for the “early” cows was 4 days shorter (278 days) as compared to the “late” cows (282 days) in year 2. Keep in mind that the gestation lengths listed are AVERAGE. This means that about half of the cows calved earlier than that. Producers with early fall-calving cows should expect calves to start coming several days ahead of the “textbook gestation table” dates. **They should begin their routine heifer and cow checks at least a week to 10 days ahead of the expected first calving date.**

Source: Kastner, Wettemann, and co-workers. [2004 Oklahoma State University Animal Science Research Report](#).

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