

Alternative Cattle Marketing Strategies for the Changing Economy

James Baldwin
11-10-08

Introduction

- Background
- Focus
- Assumptions
- Data
- Methods
- Results
- Conclusions and recommendations



Background

- Differences in the market environment
- High input prices
- Maximizing returns of cattle



The Focus of the Research

- Evaluation of selling calves in the fall as compared to retaining calves through the winter and the following summer to long yearlings.
- Which strategy earns the highest net returns?
- Sensitivity analysis of hay being produced and purchased and their effect on the net returns from the cattle

Assumptions

- Research was conducted within Albany County, Wyoming
- 300 head of steers to market every year
- Cost of land, taxes, and replacement stock are constantly equivalent in both strategies
- Time period 1996-2006
- Enough forage was available for the additional summer for the yearling steers

Assumptions Cont.

- Weaning weight of steer calves was 500lbs. And yearling steers were sold weighing 850 lbs.
- Daily feeding ration of 15 lbs. of hay, 2 lbs. of cake, and 3 oz. mineral per animal

Data

- Cattle prices were representative of eastern Wyoming and western Nebraska
- Cost of calf production and feed prices came from the records of Albany County producers
- Calf production cost are representative of the cost to produce one calf and include all cost in its production

Data Cont.

FEED PRICES

Cost of Hay	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
cost of hay produced \$/ton	36	38	38	38	39	39	41	42	46	47	51
cost of hay bought \$/ton	76.5	85	76	65	84.5	109	110	79	73.5	74.5	101
cost of cake \$/ton	164	168	168	168	174.4	176	185.6	192	216	224	228.8
cost mineral \$/ton	430	440.17	447.02	456.9	472.26	485.7	493.37	504.62	518.05	535.61	552.88
hay feeding cost \$/ton	14	14	14	14	15	15	15	15	16	16	16

CATTLE PRICES

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
cost of calf production/ calf	398.2	405.9	411.4	418	420.2	425.7	429	432.3	436.7	440	447.7
price recived on calves \$/cwt	66.88	95.42	84.46	102.34	110.48	109.29	95.94	122.75	140.65	140.06	138.59
price recived on yearlings \$/cwt	62.31	73.5	67.27	77.15	83.26	83.56	78.58	102.14	107.97	87.75	86.08

Methods

- The total amounts and costs of all the feed required for the yearlings were determined for the entire herd
- The revenues from the cattle were determined as well.
- The two figures were compared to show a net return or loss
- This was done for every year in the time period for both classes of cattle

Schematic of Method

Revenue from calves

Less cost of calf
production

Equals net return from
calves

Revenue from Yearling steers

Less cost of hay

Less cost of cake

Less cost of mineral

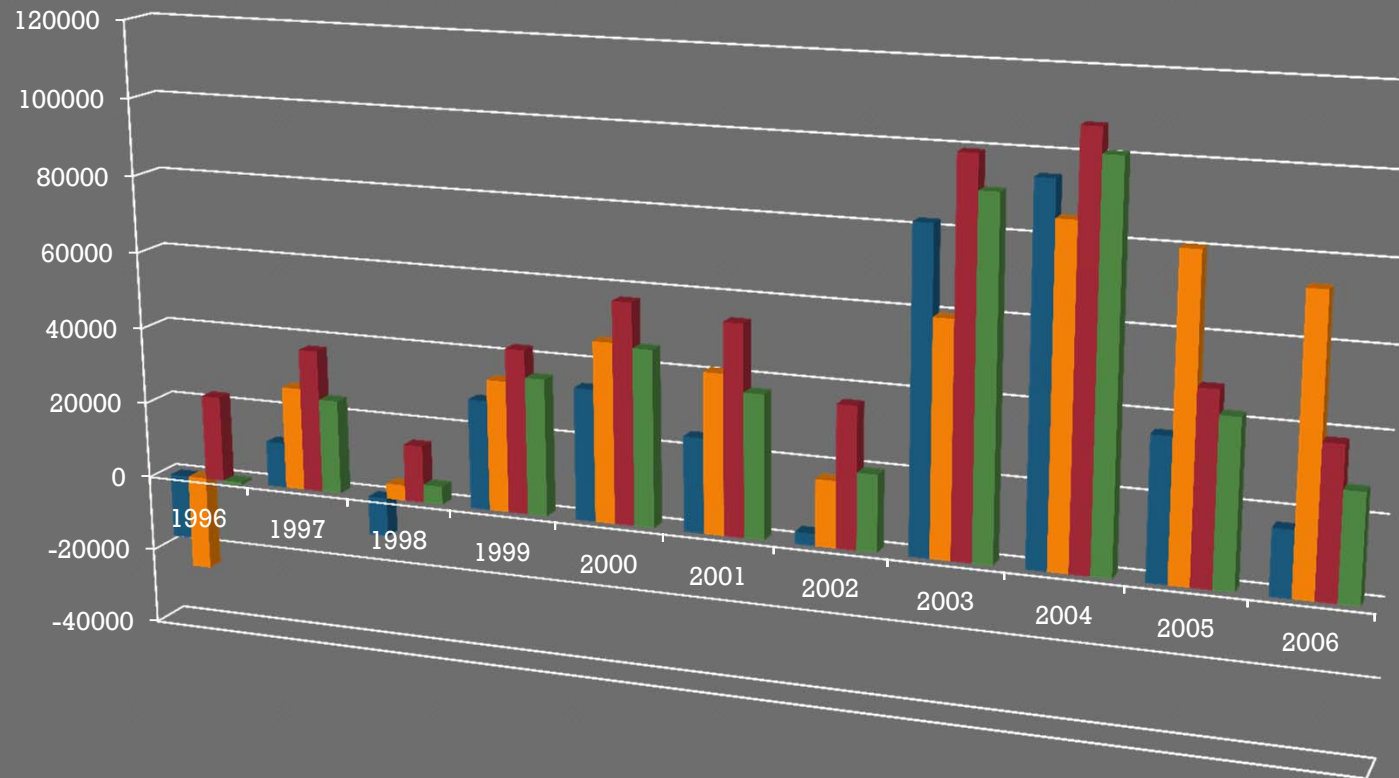
Less feeding cost

Equal net return from yearling steers

Sensitivity Analysis

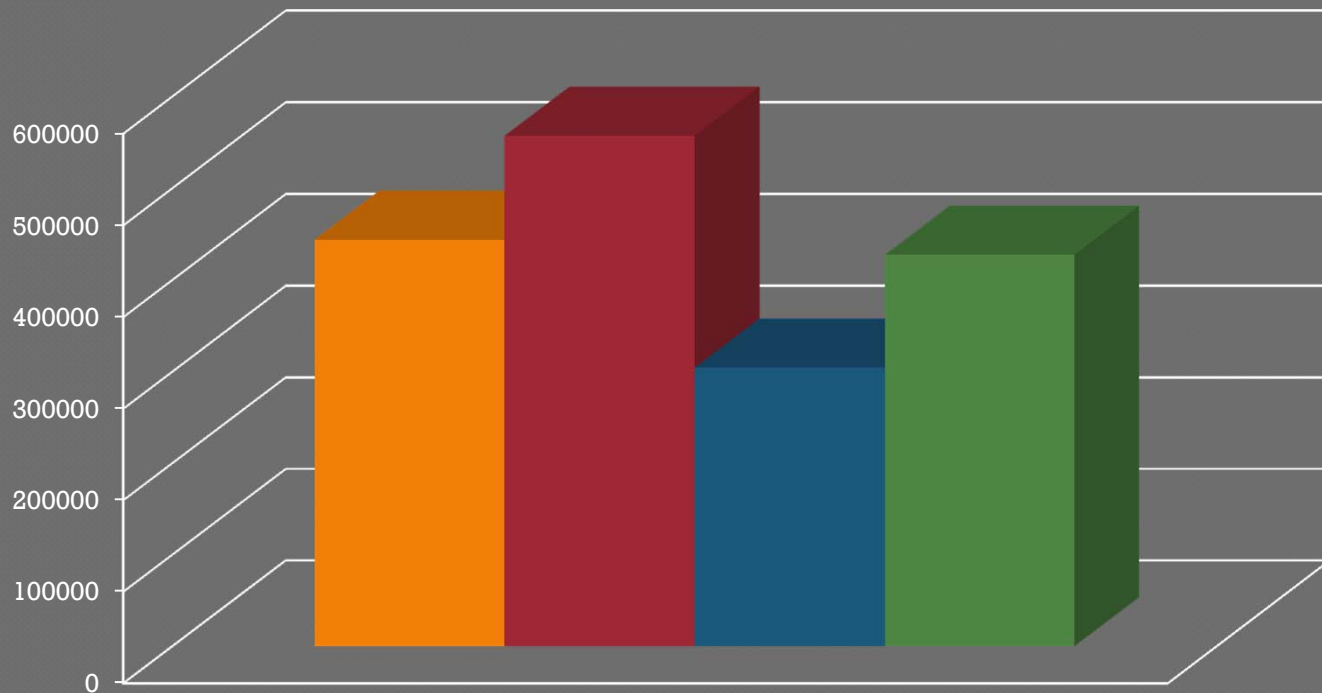
- Evaluated the effect on the net returns of producing your own hay and purchasing hay
- Calculated the cost of hay when all of it was produced, all of it was purchased, and half of each.
- The cost of hay for each level was applied to the analysis of the yearlings to evaluate its effect on the net return

Year to Year Net Returns



■ Adjusted net return on yearling steers hay purchased ■ Adjusted net return on steer calves
■ Adjusted net return on yearling steers hay produced ■ Adjusted net return on yearling steers hay 50/50

Total Net Returns from 1996-2006



- Total net return from 1996-2006 on steer calves
- Total net return from 1996-2006 on yearling steers hay produced
- Total net return from 1996-2006 on Yearling steers hay bought
- Total net return from 1996-2006 on yearling steers hay 50/50

Conclusions and Recommendations Cont.

- Yearlings steers with all of their hay produced proved to be the best strategy in the time period
- If less than half the hay required is produced then selling calves is the best alternative
- If half the hay was produced then it becomes a management decision between selling calves and yearlings

Questions

???

