

## Winter Feeding Alternatives

Winter ryegrass costs will be lower than last year as fuel and fertilizer prices have plummeted from a year ago levels and these costs have fallen about \$30/acre since the LSU AgCenter enterprise budgets were published earlier this year. Current projections have total ryegrass costs at roughly \$100/acre for a prepared seedbed and \$91/acre if overseeding. For producers interested in backgrounding their own calves as a retained ownership strategy, this translates into a breakeven cost of gain of \$0.36/lb to cover cash costs and \$0.44/lb to cover all costs associated with ryegrass production. The weight at which cattle start and end any winter feeding program will affect these costs as well as the usage of hay and purchased feed until ryegrass is ready for grazing.

Wheat producers in Oklahoma and Kansas that were reluctant to use planted wheat acres as pasture last year have changed their tune this year as there appears to be little upside to the wheat market currently. Their projected cost of gain is \$0.30 to \$0.50/lb. Consider the following retained ownership scenarios:

	Custom Winter Wheat grazing	Ryegrass grazing (Cash Costs)	Ryegrass grazing (All Costs)
Beginning Weight	512 lbs		
COG	\$0.40/lb	\$0.36/lb	\$0.44/lb
Yardage	\$0.15/head/day	N/A	
Days in Program	119 days	132 days	
ADG	2.00 lbs	1.92 lbs	
Death Loss	2%		
Transportation	\$28.60/head		
Interest	6.50%		
Medicine	\$14/head		
Marketing	\$15/head		
Ending Weight <sup>1</sup>	750 lbs		
Selling Price <sup>2</sup>	\$99.10/cwt		
Estimated Revenue	\$753/head		
Total Cost	\$183.83/head	\$156.34/head	\$176.53/head
Returns to Stocker Phase	\$559.42/head	\$586.91/head	\$566.72/head
Cow/Calf Production Costs <sup>3</sup>	\$519.92		
Total Returns	\$39.50/head	\$66.99/head	\$46.80/head

<sup>1</sup>Includes 2% shrink

<sup>2</sup>Closing price for March feeder cattle contract on Friday

<sup>3</sup>\$600/head production costs minus \$80.08 in non-calf revenue adjustments

If the animal in question was sold at the average price for 500-550 steers in LA this week, it would have brought \$483.84/head representing a loss of \$36.08/head. Given the price risk inherent with stocker operations, it is highly advisable to hedge spring feeder cattle or forward contract the cattle that will be sold if a retained ownership strategy is pursued. Although death loss is included in the custom winter wheat grazing strategy, the cattle may not perform up to these expectations and lower returns to that phase and to the owner. Additionally, the ryegrass assumption assumes the producer has the necessary resources to retain ownership without negatively impacting the cow/calf portion of his/her operation.

	1,000 head	% of 2008	Pre-Report Estimates	
			Avg.	Range
Placed in August	2,110	102.4%	100.9	96.6 – 112.0
Marketed in August	1,810	96.1%	95.3	93.0 – 96.5
On Feed September 1	9,882	98.8%	98.5	97.0 – 100.6

Unlike last month higher than expected placements, there were no real surprises in this month's *Cattle on Feed* numbers with USDA estimates falling within trade's estimated ranges. In general, the report can be viewed as neutral to slightly bearish because of the placements being ahead of last year. Concerns over the economy, specifically sluggish demand, will likely weigh more heavily on the market than this report. Oversupply of pork is going to put some downward pressure on beef prices for the foreseeable future as that industry tries to right the ship. Cattle placed in August weighing less than 600 pounds was down from 30,000 from July to 425,000 with the major year to year changes occurring in drought stricken Texas.

The mere mentioning of the word "frost" spooked the grain markets to near limit up levels on Monday which were unable to maintain most of those gains through the end of the week. Grain crops in the Midwest are behind recent averages in terms of progress, but the belief is now that any frost that was to occur would certainly reduce yields, but not be devastating to projected production. This pushed feeder and fed cattle futures down combined with sell-offs on Wall St. Feeder cattle were able to find some strength on Friday ahead of the *Cattle on Feed* report with fed cattle futures pushed lower based on live animal trade on Thursday and Friday being lower than hoped.

Current corn yield projections are for this to be a new record high yield of 161.9 bushels per acre in the latest *WASDE* report issued last week. Total projected use of the 2009/10 corn crop was adjusted upward with stocks projected to be slightly tighter relative to last year's carryout (1.635 billion bushels this year relative to 1.695 billion bushels last year). Projected corn price for the rest of the current marketing year was also adjusted downward to \$3.05 - \$3.65. No major changes were made to price projections for livestock species for the remainder of this calendar year or next year.

Live cattle futures were further pushed down by the lack of strength in the cash market (asking prices in the south were in the \$85-86 range and \$133 for the north). Trade on Thursday ranged from \$83 to \$84.50 for live cattle and \$130-131 on dressed animals. Cleanup sales in Texas and Kansas today ranged from \$84-\$84.50.

Compared to last week, LA slaughter cows sold steady to \$2 higher. Slaughter bulls sold mostly steady. Feeder steers and heifers sold steady to \$4 higher early in the week, trending mostly steady to \$2 lower mid-week.

Table 1. Louisiana Auction Prices for the Week Ending September 18, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	\$102-135 <sup>1</sup>	N/A	Breaking	\$44-49
250-300	\$102-135 <sup>1</sup>	\$82-105	Boners	\$37-50
300-350	\$92-112	\$81-108	Lean	\$31-44.50
350-400	\$94-107	\$78-104		
400-450	\$92-108	\$77-90	Bulls, YG 1-2, >1,500 lbs	\$51-60
450-500	\$88-107	\$77-100		
500-550	\$86-103	\$71-99		
550-600	\$80-99	\$72-96		
600-650	\$81-94	\$72-89 <sup>1</sup>		
650-700	\$84-91	\$72-89 <sup>1</sup>		

Note: All prices are in \$/cwt, steers and heifers are Medium and Large 1-2

Price ranges may reflect higher prices received in northern areas of the state in the middle of the week

<sup>1</sup> Represents the price was reported in hundred pound increments as opposed to fifty pound increment.

Source: USDA AMS

Table 2. Louisiana Auction Prices for the Week Ending September 11, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	\$103-128	N/A	Breaking	\$39-45.50
250-300	\$97-114	\$84-114	Boners	\$36-49
300-350	\$93-119	\$80-104	Lean	\$30-45
350-400	\$90-115	\$79-103		
400-450	\$90-113	\$72-102	Bulls, YG 1-2, >1,500 lbs	\$48-58.50
450-500	\$82-107	\$70-101		
500-550	\$80-105	\$70-100		
550-600	\$80-100	\$70-99		
600-650	\$85-94 <sup>1</sup>	\$72-90 <sup>1</sup>		
650-700	\$85-94 <sup>1</sup>	\$72-90 <sup>1</sup>		

Note: All prices are in \$/cwt, steers and heifers are Medium and Large 1-2

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<sup>1</sup> Represents the price was reported in hundred pound increments as opposed to fifty pound increment.

Source: USDA AMS

Table 3. Futures Prices

Month	Live Cattle	Change*	Feeder Cattle	Change*	Corn	Change*
Sept			\$ 97.250	-1.925		
Oct	\$ 85.550	-1.675	\$ 97.025	-2.300		
Nov			\$ 97.425	-2.325		
Dec	\$ 84.900	-2.025			318	-1 3/4
Jan			\$ 98.550	-1.775		
Feb	\$ 85.725	-1.825				
Mar			\$ 99.100	-1.300	331 1/2	-1 1/2
Apr	\$ 88.000	-1.850	\$ 100.500	-0.750		
May			\$ 101.000	-0.750	340 1/2	-2
Jun	\$ 84.975	-0.900				
Jul					349	-2 1/4
Aug	\$ 85.400	-1.050	\$ 101.050	-0.950		
Sept					357 1/4	-2 1/4

Source: DTN

\* Change is from the previous Friday's close

Table 4. State and National Market Information

Commodity	This Week	Last Week	Last Year
<b>5 – Area Fed Steer Price</b>			
Live	\$ 83.55	\$ 82.83	\$ 98.24
Dressed	\$ 129.71	\$ 130.43	\$ 150.72
<b>Oklahoma City Feeder Cattle Prices</b>			
5-5.5 cwt Med and Large #1	\$ 107.78	N/A	\$ 118.34
7.5-8 cwt Med and Large #1	\$ 98.94	N/A	\$ 110.61
<b>Boxed Beef Cutout Values (weekly average)</b>			
600-900 lb Choice cutout	\$ 142.04	\$ 142.12	\$ 160.67
600-900 lb Select cutout	\$ 134.29	\$ 134.13	\$ 153.84
Georgia Dock Broilers	\$ 84.31	\$ 84.89	\$ 87.72
Georgia B/S Breasts	\$ 131.50	\$ 135.50	\$ 140.50
Georgia Leg Quarters	\$ 41.00	\$ 42.50	\$ 55.00
<b>Meat production (million lbs)</b>			
Beef	507.6	442.6	537
Pork	462.9	408	458
<b>Slaughter (1,000 head)</b>			
Cattle	645	562	686
Hogs	2,310	2,038	2,335
Broilers/Fryers	166.578	149.828	170.276
<b>Average Dressed Weight</b>			
Cattle	790	790	785
Hogs	201	201	196
	9/12/2009	9/5/2009	9/14/2008
<b>Poultry Placements (in thousands)<sup>1</sup></b>			
LA Broiler Egg Sets	3,394	3,409	3,501
US Broiler Egg Sets	193,493	195,152	197,833
LA Broiler Chick Placements	2,953	3,016	3,425
US Broiler Chick Placements	165,888	166,682	170,671

Source: USDA Agricultural Marketing Service, USDA National Agricultural Statistics Service and Livestock Marketing Information Center

<sup>1</sup>Note the placements numbers are lagged by one week prior to publishing.