

## Budget Summaries

Backgrounding programs for 1999-2000 are projected to be moderately profitable. Low feed prices are being offset to some degree by relatively high stocker calf prices. Thus, while feed costs will be comparable to last year for most producers, returns to backgrounding will not be as high as last year since a good deal of the profitability of the programs seems to be being bid into stocker prices. Still, there are some profits to be made in backgrounding this year. Table 1 summarizes a number of different full-feed backgrounding programs:

Table 1: Cost and Return Projections for 125 day Steer Backgrounding Programs

Rations	I	II	III	IV
Soybean hulls		5.25		10.7
Corn gluten		5.25		
Wheat midds			10.0	
Shelled corn	9.0			
Soybean meal	1.3			0.5
Fescue hay	3.0	3.0	3.0	3.0
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Costs				
Feed C.O.G.	0.34	0.33	0.31	0.35
Total C.O.G.	0.51	0.50	0.48	0.53
Break-even over VC	\$76	\$75	\$75	\$76
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Returns				
750# steer price = \$75/cwt				
Ret. over feed & calf	\$38	\$40	\$45	\$34
Ret. over VC	-\$5	-\$3	-\$2	-\$9
750# steer price = \$77/cwt				
Ret. over feed & calf	\$53	\$55	\$60	\$49
Ret. over VC	\$10	\$12	\$17	\$6
750# steer price = \$79/cwt				
Ret. over feed & calf	\$68	\$70	\$75	\$64
Ret over VC	\$25	\$27	\$32	\$21

Note: 500# steer price is assumed to be \$88/cwt.

Based on market outlook information, a price somewhere between \$77 and \$79/cwt on 750 pound steers is a fairly realistic expectation for March. At this price level, all of the backgrounding programs listed here will cover variable costs; however, probably none of programs will cover all fixed costs (including operator labor) even at the \$79/cwt price.

This year, the deciding factor in determining whether or not backgrounding will be profitable is probably going to be an individual producer's access to low cost feed. Producers who can, for example, purchase by-product feeds in truckload quantities should be able to reduce the price of their feed by as much as \$10/ton over what is listed here. That would greatly improve the profit outlook for backgrounding programs which use by-products as the primary feed. In addition, producers who are able to purchase corn off of the farm directly can also reduce feed costs considerably.

The budgets presented above do not include information for heifers. Heifers can, of course, be purchased for less than steers; however, they generally do not convert feed as efficiently. Therefore, cost of gain will be higher than for steers. Overall, budget estimates (not presented here) indicate that backgrounding heifers will be very comparable, in terms of profitability per head, with backgrounding steers.