

Finishing Analysis

Factors favoring custom finishing of feeder cattle include: low feeder cattle prices, low corn prices and expectations of modestly increasing slaughter cattle prices. These are all positive factors, but what are the details, in terms of cost of gain, breakeven prices and expected net returns?

If a 600 lb. steer is placed on feed on Nov 1., here is the cost/return situation:

Production Information:

Date Placed on Feed	11/01/1999
Expected Sale Date:	late April, 2000
# of Head	80
Feeder Purchase Weight	600 lbs.
Cost: \$68/cwt.	
Sale Weight	1,150 before shrink
Expected Sale Price	\$69/cwt
Ave. Daily Gain	3.5 lbs/day
Feed Conversion	6.8 (DM basis)
Corn Price:	\$2.00/bu
Expected Death Loss	1.0%

Financial Summary:

Breakeven Price	\$66	per cwt.
Feed Cost of Gain	\$0.31	per lb of gain
Other Costs	\$0.09	per lb of gain
Total Cost of Gain	\$0.40	per lb of gain
Feed Cost	\$0.98	per head/day
Ration Cost	\$100.14	per ton (DM basis)
Expected Net Returns	\$30	per head

Summary/Considerations: Slaughter cattle prices are expected to remain in the high \$60s for late winter of 1999, perhaps moving into the low \$70s by Spring 2000. This fed cattle price outlook (along with low feed prices) makes custom finishing look fairly attractive. However, custom finishing involves exposure to both production and marketing risk. Cattle may not gain as well as expected—especially through winter months when weather can be volatile. A 10% reduction in feed conversion can reduce net returns by \$20 per head. Market prices also may not maintain current levels (though the futures market currently presents some fairly attractive hedging opportunities).