

# Stocker Economics: The Final Answer

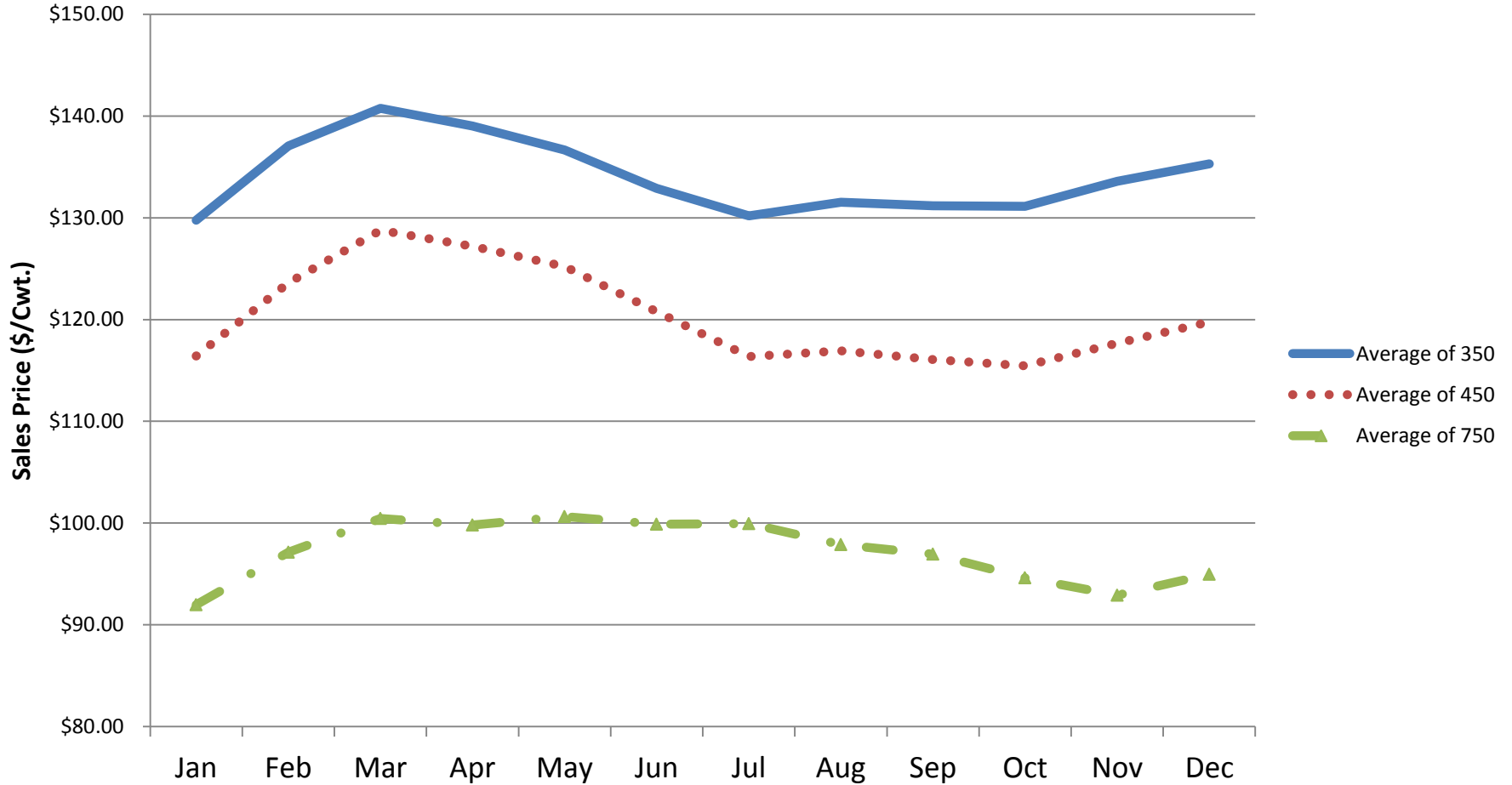
Deep South Stocker Conference

August 8-9, 2013

Athens, GA



# Monthly Average Steer Prices, 2007-2012



Source: USDA-AMS and GA Dept. of Agriculture  
Market News Service

# Important Considerations in Stockering

- Goals
  - Profits
  - Risk preference
- Resources
  - Land
  - Labor
  - Capital
  - Management



# Three Scenarios Popular in the Deep South

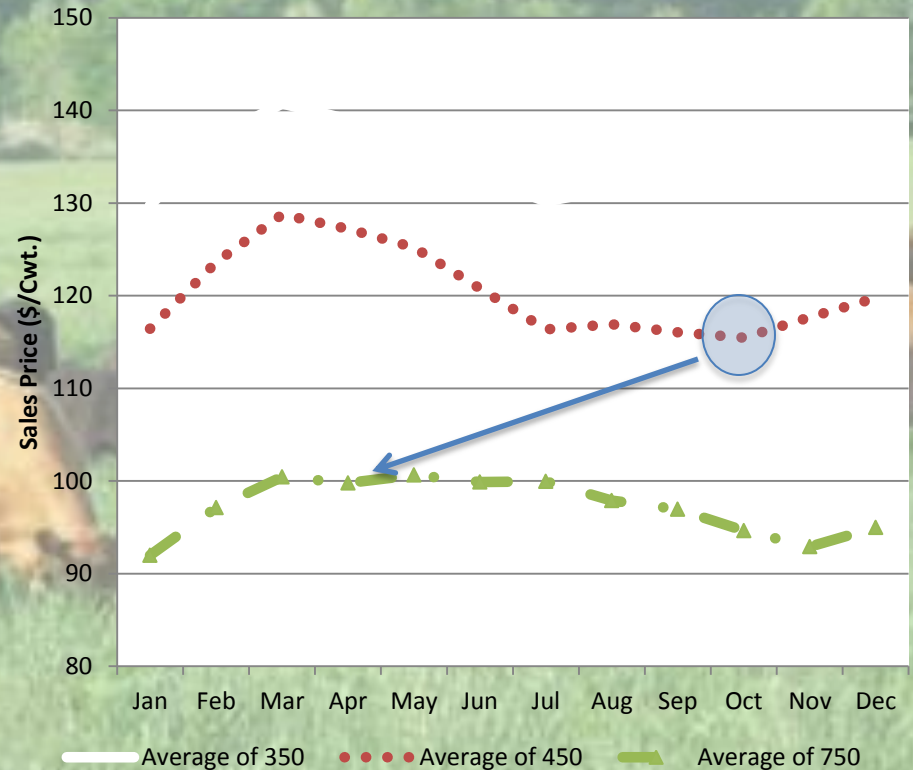
1. Buy fall-sell spring using winter annuals.
2. Buy fall – sell mid-late summer using winter annuals and permanent pasture.
3. Continuous system on annual and permanent.



# Buy Fall-Sell in Spring

- Works well for row-crop producers.
- Relies almost exclusively on winter annuals.
- Can utilize stockpiled fescue.
- Need prices to improve by late-winter/early-spring.

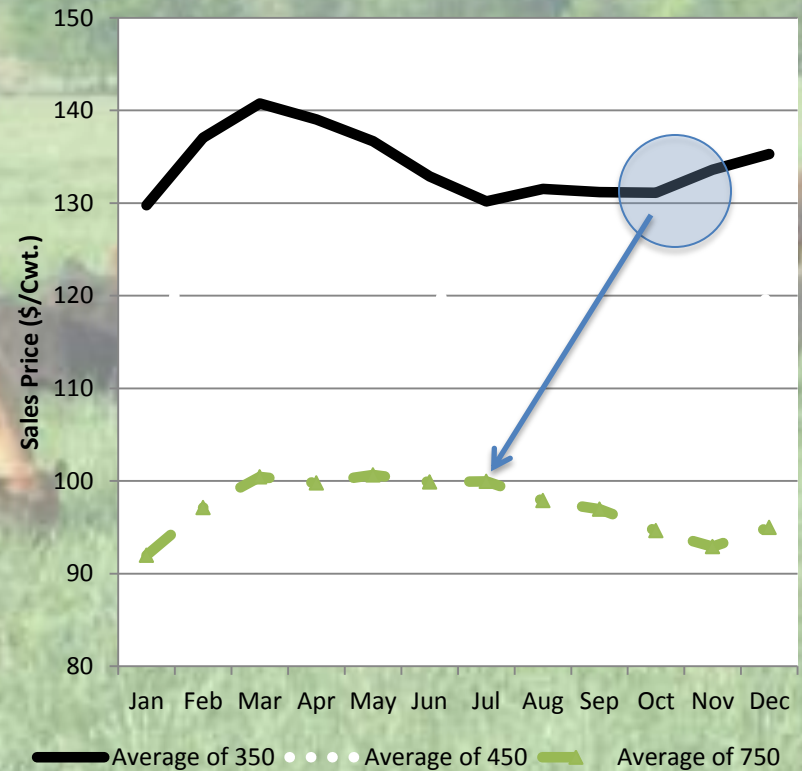
Monthly Average Steer Prices, 2007-2012



# Buy late fall/early winter Sell in summer

- Can work well on suitable cool and warm-season perennials.
- Usually utilizes some type of winter annuals.
- Longer marketing window.
- Lighter calves can make this scenario more risky.

Monthly Average Steer Prices,  
2007-2012



# Continuous System

- Utilizes a variety of forages and feedstuffs.
- Continual cash-flow.
- Dollar-cost averaging on cattle.



# Estimated Historical Returns

- Based on UGA Stocker budgets.
- Set ADG.
- Set stocking rates.
- “Actual” gross margins and input prices from 2001-2011.

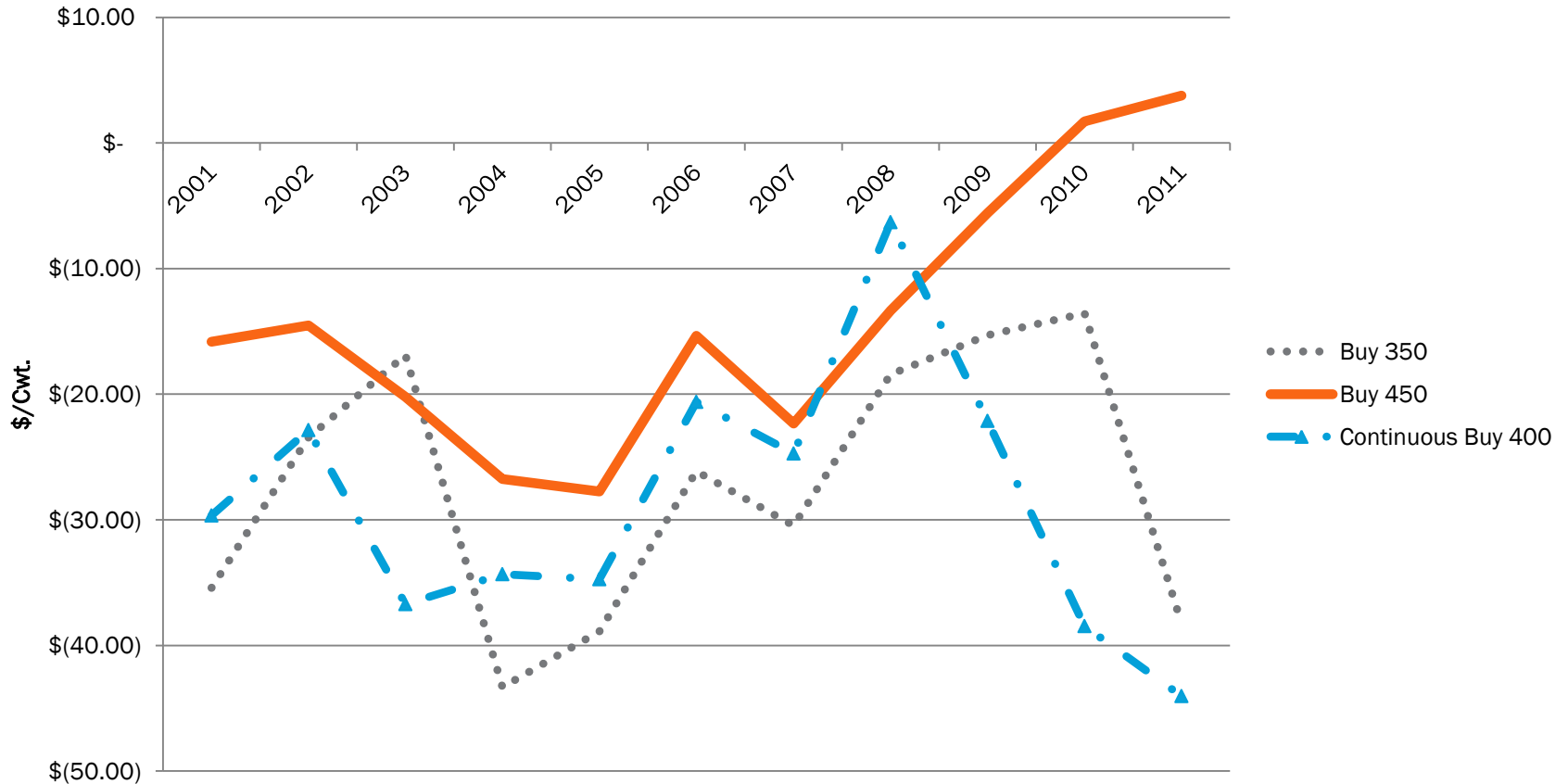


# Assumptions

	Fall - Spring	Fall - Summer	Continuous
In-weight	450	350	400
Out-weight	750	750	750
Grazing Period	150	240	180
Receiving period (days)	21	21	21
Supplemental feeding (days)	90	90	90

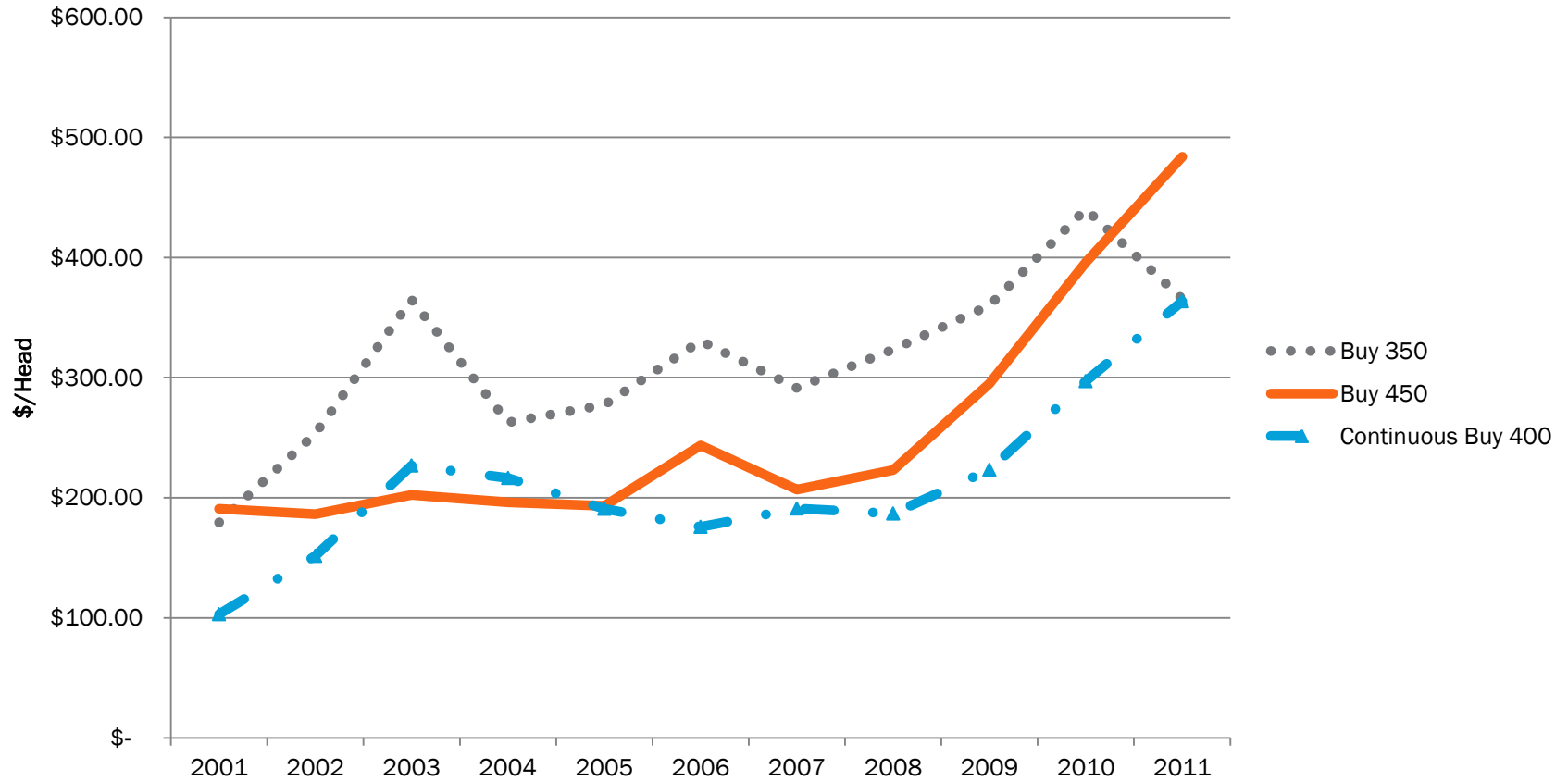
# Buy Sell Margins (BSM) since 2001 for 3 scenarios (\$/Cwt.)

## Historical Buy-Sell Margins for Stocker Cattle in Georgia

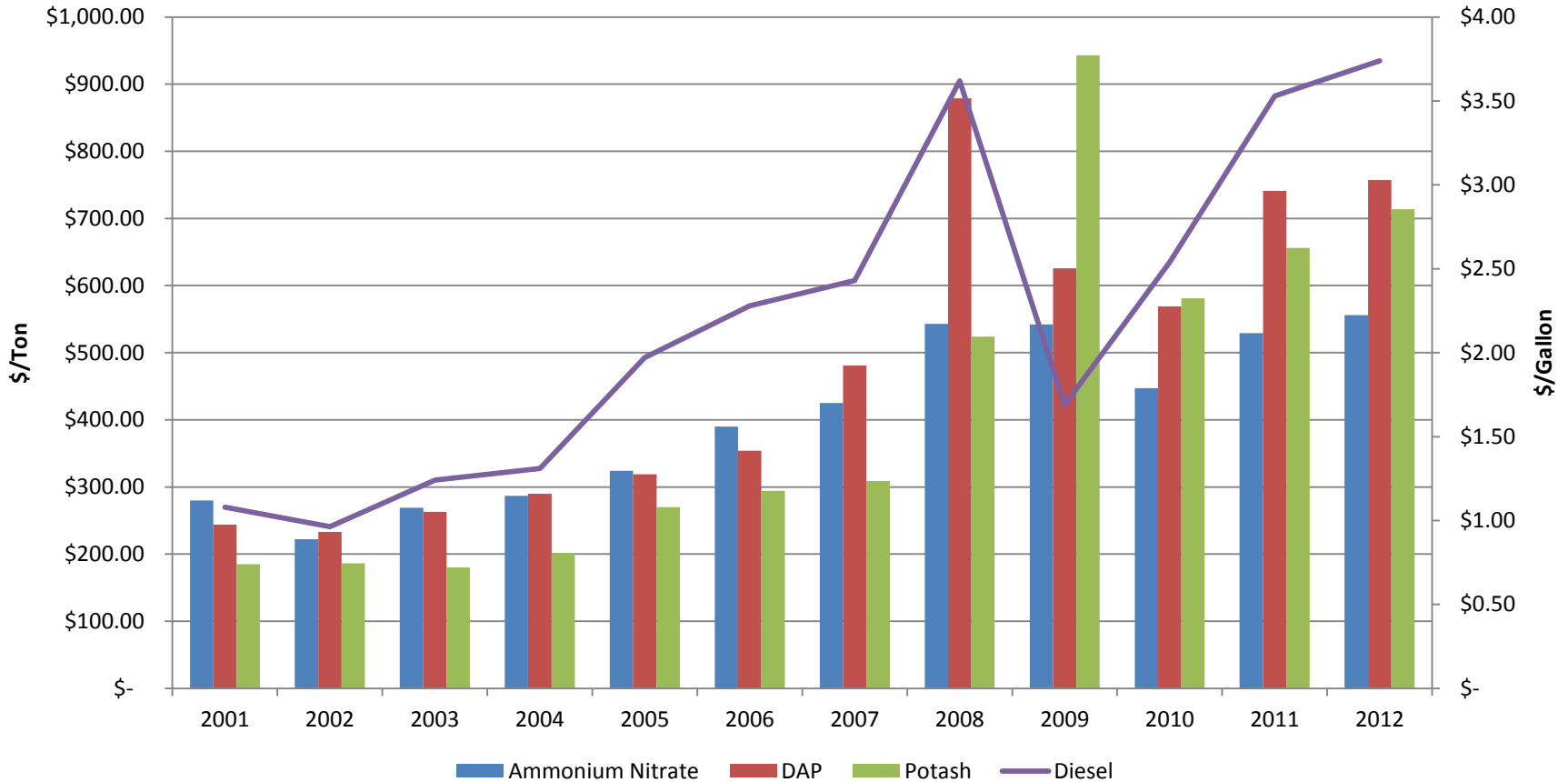


# Estimated Gross Margins since 2001 for 3 scenarios (\$/Head)

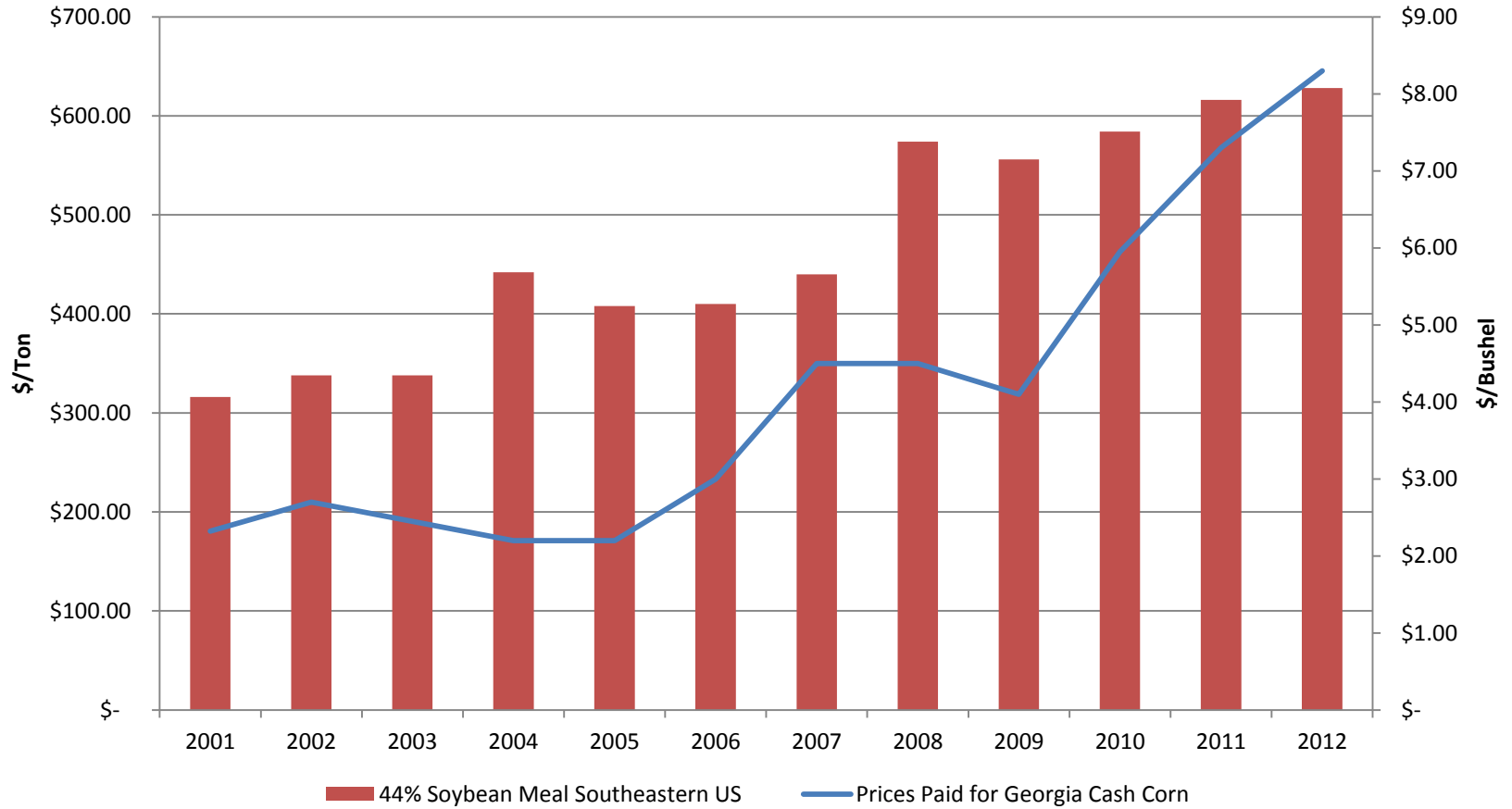
## Historical Gross Margins for Stocker Cattle in Georgia



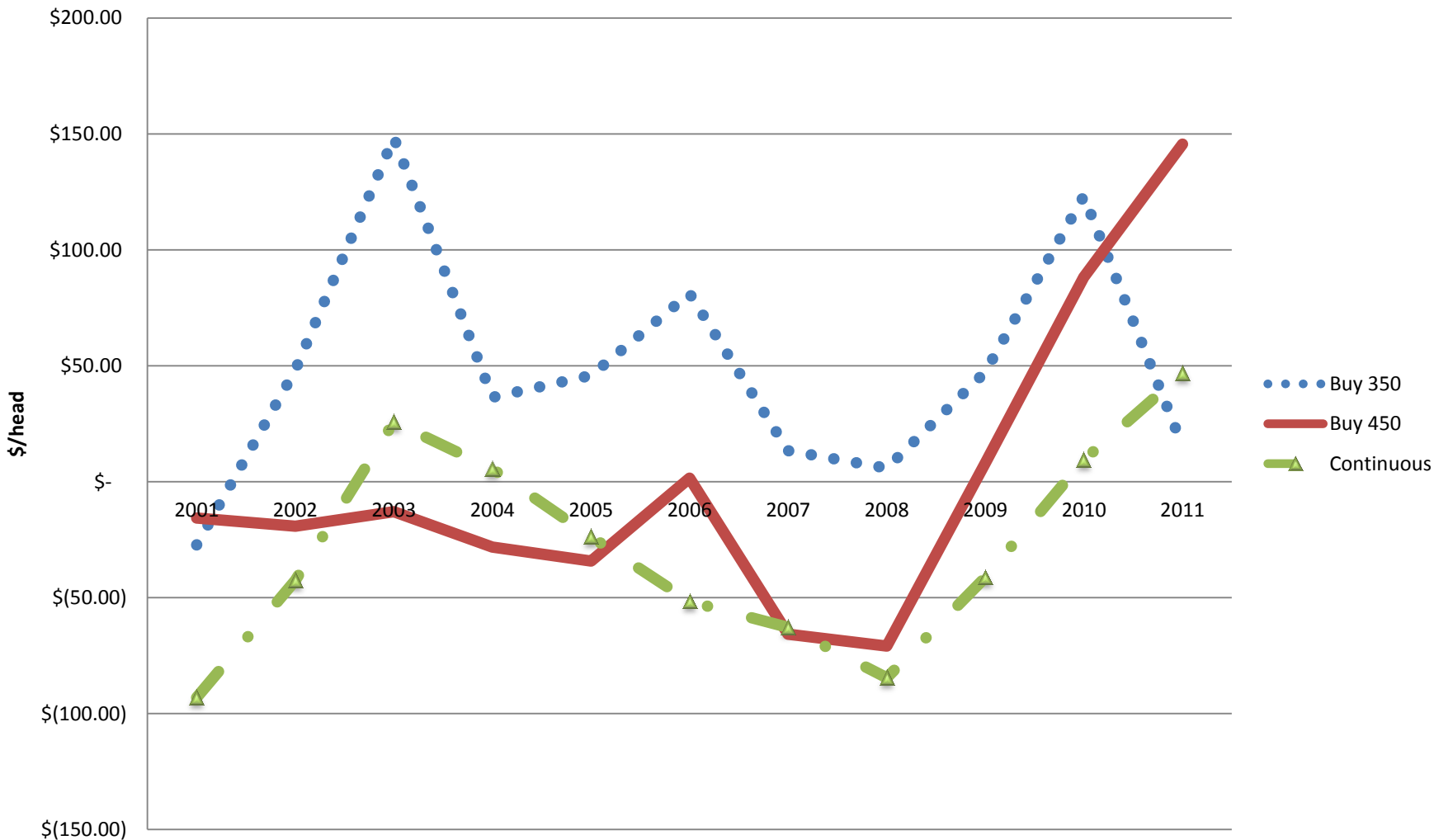
## Prices for Major Pasture Fertilizers and Diesel Southeastern US



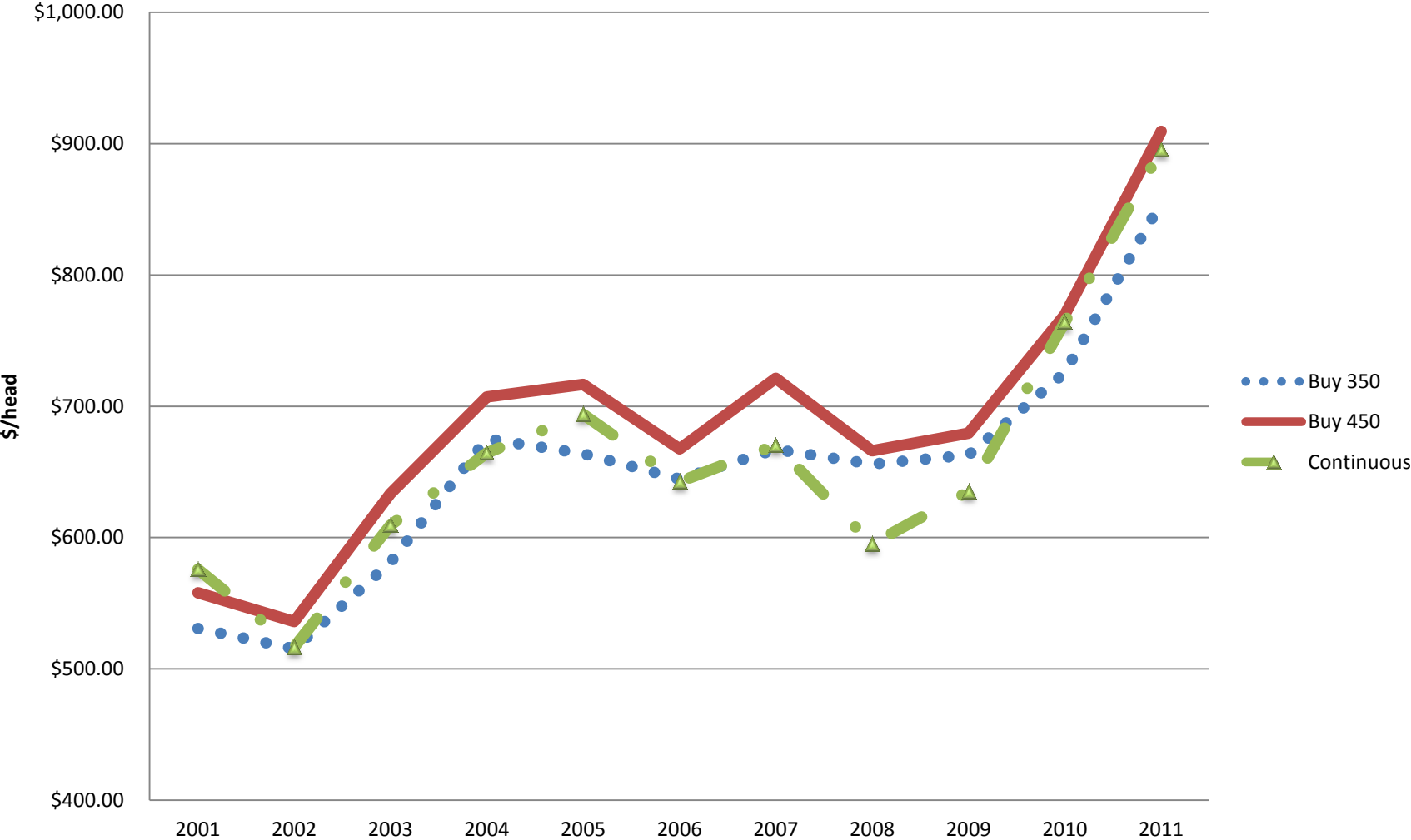
## Historical Prices of Major Feed Ingredients



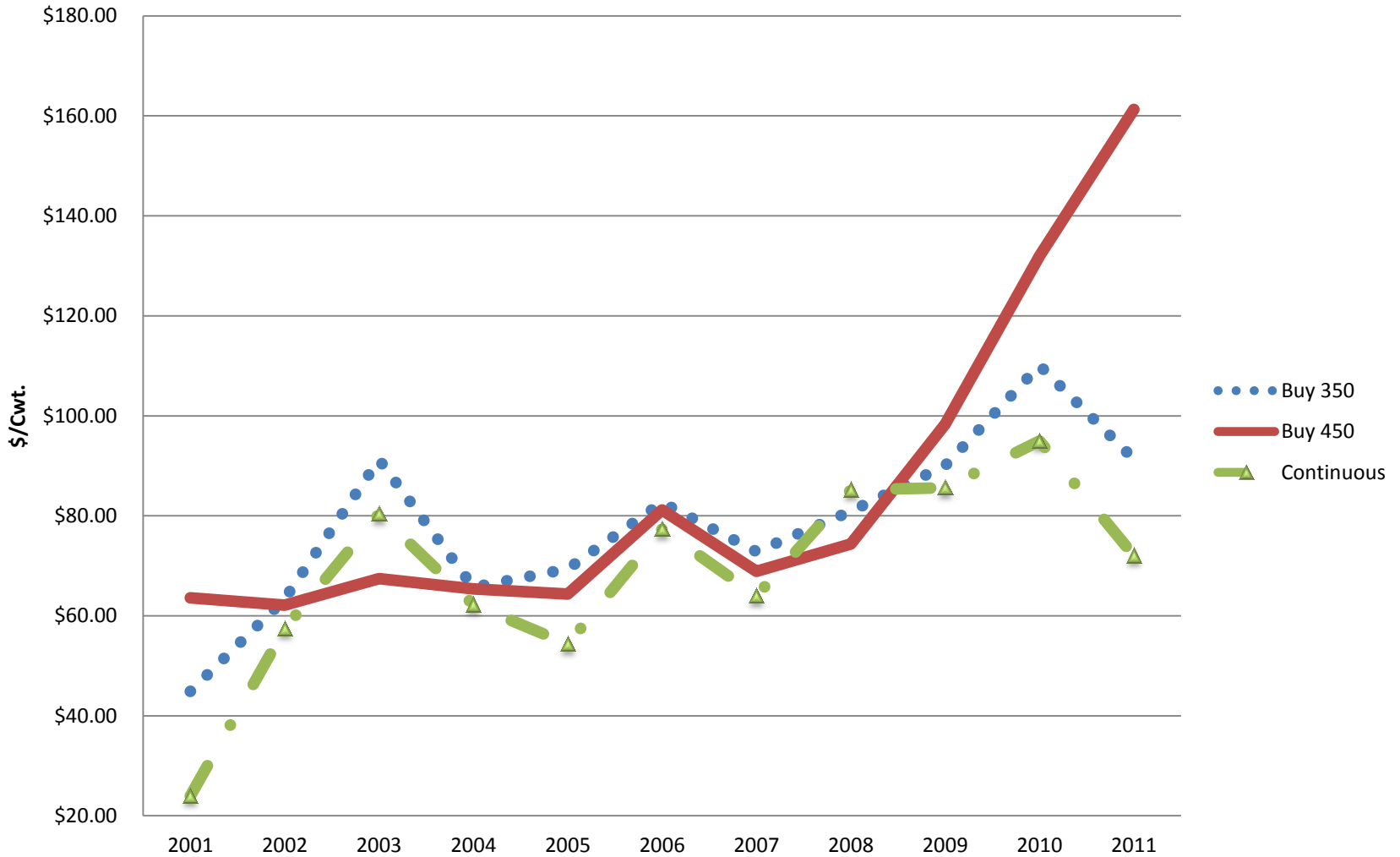
## Net Returns from Three Stocking Systems by Year 2001-2011



# Total Variable Costs from Three Stocking Systems

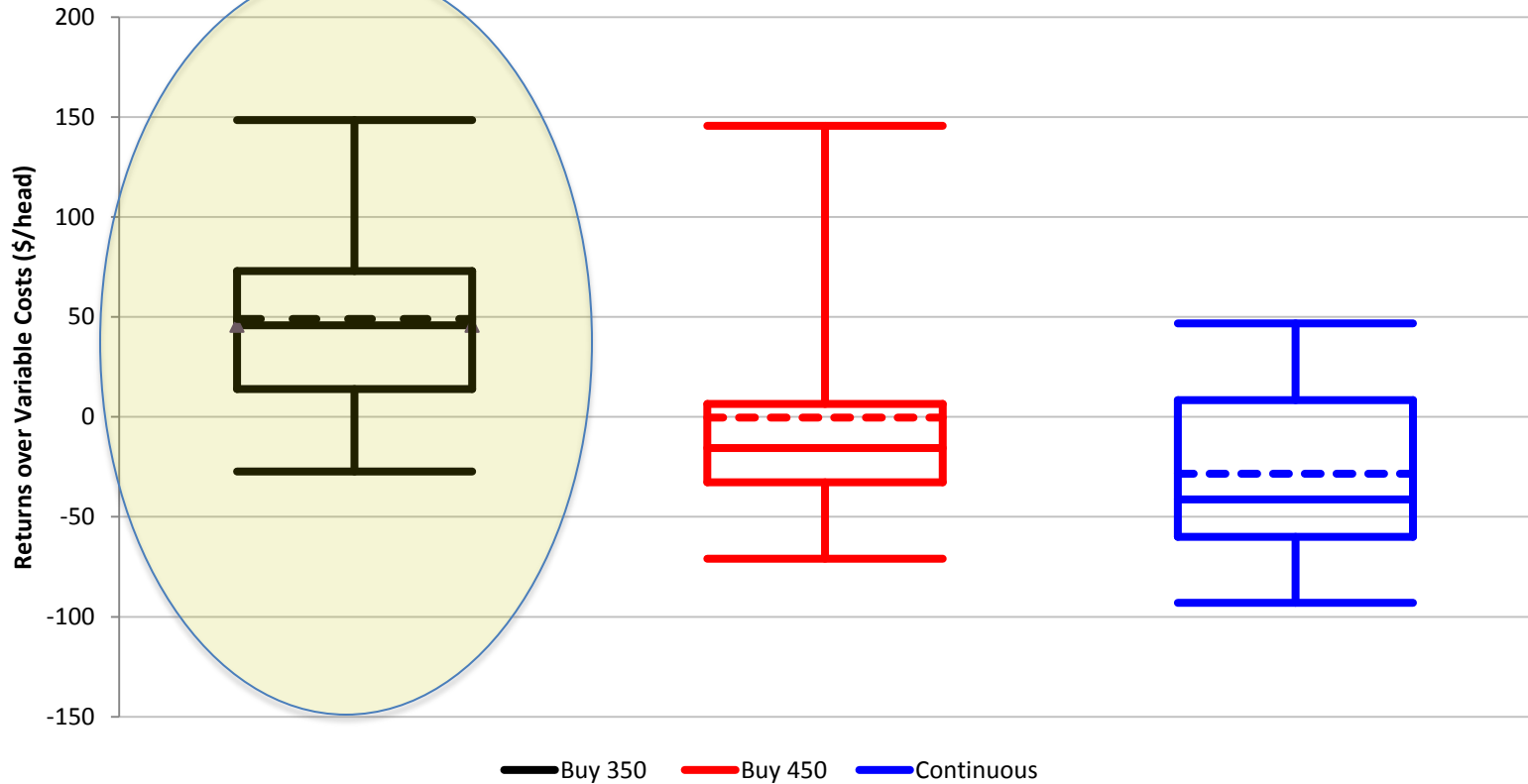


# Value of Gain from Three Stocking Systems





## Risk Levels from Stockering in Three Different Systems



# Summary

- Costs, returns, and risks from stockering have increased significantly in the past 7-12 years.
- Aside from death loss and COG, managing the BSM is the most critical component of profitability in stockering.
- It is very difficult to pencil buying 1-2 as singles and selling them as singles.

# Summary

- Based on available data, it appears that buying light-weight calves and stockering for a longer period of time is the most profitable system of stockering.
- Stockering slightly heavier calves a shorter period of time can also be profitable.
- Continually buying and selling does not appear to be profitable. However, analysis of this system may be incomplete.

# NOTICE

**We have not succeeded in answering all of our questions. In fact, we are confused now more than ever. However, we are confused on a higher plane about more important things.**

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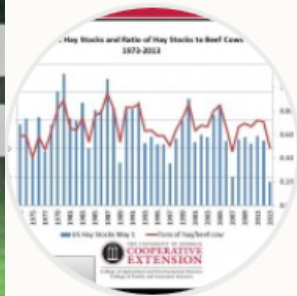
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Cattle market, production management, and risk management information service provided to cattle ranchers by an Extension Team from the University of Georgia, Auburn, Florida, and Clemson.

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## COW – On Farm Hay Stocks Historically Low

July 20, 2013, Dr. Curt Lacy in Economic, Forage / Weed Management, Marketing, Newsfeed [Leave a comment](#) [Edit](#)



Dr. Curt Lacy (UGA) Recently USDA released the May 1 Hay [Stocks](#) numbers. This is an important statistic because it gives an idea of the ending hay inventory for the US. The next hay statistic that will be reported is the December 1 Hay Stocks which provides an estimate of the hay stocks entering winter. [...]

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