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 Stocking

- **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.
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

![Graph showing monthly average steer prices from January to December, 2007-2012. The graph displays the average prices for different steer weights: 350, 450, and 750. The prices fluctuate throughout the year, with peaks and troughs.](image-url)
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

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<thead>
<tr>
<th></th>
<th>Fall - Spring</th>
<th>Fall - Summer</th>
<th>Continuous</th>
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<tbody>
<tr>
<td>In-weight</td>
<td>450</td>
<td>350</td>
<td>400</td>
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<tr>
<td>Out-weight</td>
<td>750</td>
<td>750</td>
<td>750</td>
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<tr>
<td>Grazing Period</td>
<td>150</td>
<td>240</td>
<td>180</td>
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<tr>
<td>Receiving period (days)</td>
<td>21</td>
<td>21</td>
<td>21</td>
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<tr>
<td>Supplemental feeding (days)</td>
<td>90</td>
<td>90</td>
<td>90</td>
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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

44% Soybean Meal Southeastern US
Prices Paid for Georgia Cash Corn
Net Returns from Three Stockering Systems by Year
2001-2011

- Buy 350
- Buy 450
- Continuous
Total Variable Costs from Three Stockering Systems

- Buy 350
- Buy 450
- Continuous
Value of Gain from Three Stockering Systems
Risk Levels from Stockering in Three Different Systems

Returns over Variable Costs ($/head)

- Buy 350
- Buy 450
- Continuous

The University of Georgia Cooperative Extension
College of Agricultural and Environmental Sciences
College of Family and Consumer Sciences
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.
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.
COW – On Farm Hay Stocks Historically Low
July 20, 2013, Dr. Curt Lacy in Economic, Forage / Weed Management, Marketing, Newsfeed

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. [...]