Preconditioning Considerations For Spring-Born Calves

LEXINGTON, KY.

With fall just around the corner, Kentucky beef producers will soon begin crafting marketing plans for spring-born calves. Even though producers were enjoying a less-challenging weather pattern this summer, many cow-calf producers have struggled to cover rising costs on a softer calf market, said University of Kentucky Agricultural Economist Kenny Burdine.

"This makes post-weaning marketing plans especially important this year," Burdine said. "Many cow-calf producers sell calves at weaning each year, regardless of what the market is doing."

But, Burdine warned that weaning and preconditioning those calves can potentially increase their market value and also allow the producer to add some additional pounds before sale time.

Fall 2008 turned out to be a tough time for preconditioning programs like CPH-45. Since the 2008 summer was a dry one, it meant forage was scarce. Most producers primarily fed calves with purchased feeds during the preconditioning period. Then the other shoe dropped from August to December as the overall calf prices sharply fell in response to mounting concerns about how the economy would affect demand.

So, while price premiums were as strong as they usually are, the overall price drop from weaning time to sale time left many Kentucky beef producers in situations where they were not able to cover their preconditioning costs and weaning value. In other words, many would have been better off had they sold calves at weaning time, Burdine said.

"I just want to encourage producers to look at 2009 with a fresh set of eyes and not base this year's decision strictly on last year," he continued. "The calf market is stronger than it was last winter, and feed prices will likely be lower. So, sit down and work through a breakeven."

Burdine said first it is important that producers assess their value at weaning time. They should spend time poring over market reports and examining prices for calves similar to their own. Producers should estimate what they truly think the calves will bring when weaned, he said. That becomes the starting point for preconditioning analysis.

Burdine urged producers to also estimate preconditioning costs. That means figuring expenses for feed, mineral, medicine, labor, interest and any other legitimate expense to the program. Whenever possible, producers should quote actual costs for purchased inputs, he added.

Finally, Burdine said producers should figure a breakeven by adding the weaning value to those preconditioning expenses.

"This is the amount of revenue that you will need to have for the preconditioning program to be profitable," he said. "Then, simply divide the breakeven value by the expected weight of the calf to figure a breakeven price per pound."

Burdine said once producers have figured their breakeven price, they are ready to make a decision.

"Look at the current market report and see how your breakeven price compares to the current prices for calves in that expected weight range," he said. "You can also look at the futures market and examine seasonal price indices for some expectation of market direction."

Above all, Burdine emphasized that working through this process helps producers decide if preconditioning in 2009 makes sense for them and not be biased by outside factors. Δ