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ECONOMICS

2019 Preconditioning and Stocker Outlook



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They say time flies when you're having fun. I must be having a great time because it's hard to believe it's already time to start looking at how fall preconditioning and stocker cattle outlooks are

shaping up.

In the October 2018 *Noble News and Views* article "Gauging the Current Outlook for Preconditioning Cattle," available at www.noble.org/gauging-preconditioning-outlook, I discussed Value of Gain (VoG) and Cost of Gain (CoG) and how to calculate them. I won't go into much detail on how to calculate them in this article, but we will be using them to calculate this year's outlook.

PRECONDITIONING

This year's preconditioning outlook looks to have tighter margins than what we've seen in the past couple years. A couple of factors may be the cause of this. In the last year, the price of cattle has dropped close to \$10 per hundredweight. Combine that with corn prices that are around \$1 per bushel more, and cow-calf producers are seeing their profitability slowly dropping. As we move into fall, forage availability will become an issue as more

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of the area is starting to develop drought conditions.

That's not to say there aren't opportunities available.

By managing costs and keeping an eye on the markets, backgrounding cattle for more than 45 days in a preconditioning program looks to be profitable.

As of this writing (Aug. 5), a 500-pound steer at weaning in mid-September is estimated to bring a total of about \$750, based on the Oklahoma combined average. By preconditioning that steer for 60 days with an average daily gain (ADG) of 2.5 pounds, that steer should end weighing about 650 pounds. The estimated value of this animal is now close to \$950 per head. The increase of \$200 per head less an estimated cost of

preconditioning at \$90 per head leaves about \$110 per head to be made.

WINTER WHEAT

You should have some winter wheat available by now. Winter stocker cattle looks to be as profitable as backgrounding.

At an ADG of 2.5 pounds for 120 days, a steer starting at 650 pounds would finish at 950 pounds. This 950-pound animal in mid-March is now worth an estimated \$1,225. If we use the same value for the 650-pound steer as we did in the preconditioning estimate (\$950), the increase in value is \$275 per head. Dividing this by the 300 pounds the animal gained, the VoG is about 90 cents per pound. Last year, we saw an average CoG for winter stockers of 50 cents per pound. Using the same CoG as last year, every pound is looking to pay you about 40 cents. This would come out to a net of about \$120 per head.

SHOULD YOU PRECONDITION OR RUN STOCKER CATTLE?

The examples I just went through are based on averages and estimates. Every operation is unique and has its own set of challenges. If you decide you want to precondition your cattle or run stocker cattle, look at your production history and go through everything to make sure it's worth your time. If the margins are too slim for you, maybe you can pass on it this year and look at other opportunities. 🐮