



What are your calves worth?

Farmers and ranchers take pride in their calves' ability to "top the market." If that happens, they may save the market report and circle the weight and price received. They can use those values in financial reports and point to them if anyone wants to buy their calves.

Everyone wants to sell for a premium, but let's look at factors that set the market—both its base and the bonuses. Graziers may buy the light calves, but feedlot buyers go for those 600 lb. and above. Either way, the "break-even" equation sets the base, determining the price to pay for a given weight of calf while covering all costs.

Think of it as (final sale value – enterprise costs) times calf weight at delivery. For a feedlot example, if the final value is that of a 750-lb. carcass times \$1.20/lb., or \$900, and feedlot costs are \$300, divide \$600 by calf weight. You can see that \$1/lb. is the most a feedlot will pay for an average 600-lb. calf.

Feedlots don't want to buy calves that will just break even, however. They may bid themselves into such corners to keep pens full, but when little is known about calf history, the risks are great. Given the break-even example, a feedlot may instruct all buyers to back off a dime for margin, allowing bids up to \$.90/lb. on the 6-weights.

What if the buyer knows what a set of calves can do? A decade of increasingly common value grid marketing has feedlots thinking about grids for calf values. Some have even purchased calves based on what they ultimately do in the yard and on the packinghouse rail.

Data on 12,000 calves fed at a Kansas yard from 1998 through 2001 and marketed on a value-based grid revealed these relative values for the incoming feeder calves, given that \$.90/lb. average:

<u>Grade/ Brand</u>	<u>Value/head at harvest</u>	<u>Value/lb. as 600-lb. calf</u>
Prime	\$992.39	\$1.05
CAB	\$948.59	\$0.99
Choice	\$914.25	\$0.94
Select	\$850.65	\$0.86
Standard	\$731.40	\$0.70

The extreme range shows a calf may be worth anywhere from \$630 to \$420 based on quality grade potential alone. What about ability to perform in the feedlot? Average daily gain among the 12,000 calves was 3.55 lb., but the top 25% gained 4.11 lb./day. Calves that would gain a half-pound per day above average were worth about \$50/head more as 6-weights; of course, those that would fall behind by a similar rate were worth \$50/head less.

North Dakota data suggests proper pre-feedlot management is worth \$50/head, and “the right genetics” can add another \$85/head. Mismanaged, mongrelized cattle should be discounted accordingly.

Many buyers believe they cannot find in the same package calves that will achieve high quality grade as well as gain rapidly and efficiently. Maybe that’s because some of the most efficient feedlot cattle come in with quality grade potential compromised by inadequate nutrition before they get near the feedlot. It will take data on previous calf crops to convince buyers your calves can do it all.

Calf health governs grade and gain ability, so buyers keep a kind of health discount grid in mind. Based on experience and data from Texas and Kansas studies, they know sick cattle must be discounted at least \$.20/lb. If they show nasal discharge or runny eyes, look for a \$.05/lb. dock. Lameness or suspicious lumps cost \$.15/lb. or more, and mud subtracts another penny or two.

Breed type can add or subtract a nickel, and grids can be adjusted for season, location, frame size, sex, muscling, condition, lot size and uniformity. You can probably think of more variables, but the key is to line up as many positive features as possible.

Imagine the value of a sick heifer calf of unrecognized genetics expected to gain a pound less per day than average, without the ability to grade at least Select. Contrast that to the value of a healthy steer with documented preconditioning and genetics and data from last year's brothers showing above average gain and a high percentage Choice or better grading.

Next time in *Black Ink*, we'll look at reproductive efficiency. Questions? Call toll-free at 877-241-0717.

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