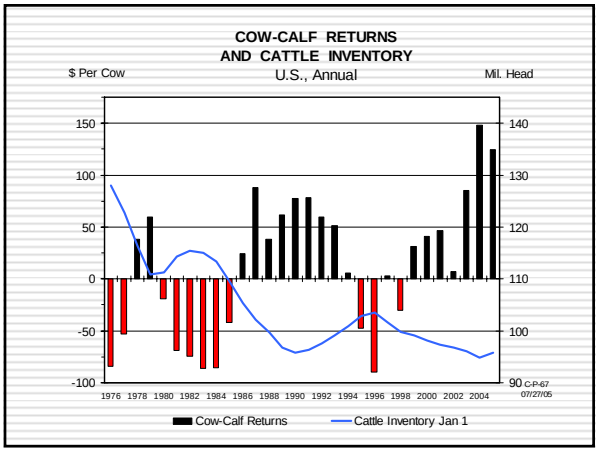
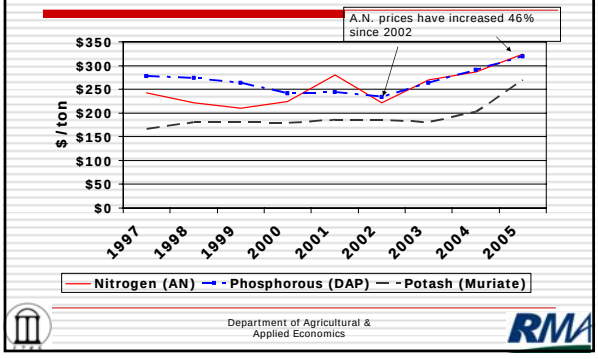
Costs and Profitability Outlook for 2006

Curt Lacy
Extension Economist-Livestock
University of Georgia



Fertilizer Prices – 1997-2005



Impact of Changes in Nitrogen and Potash on Hay Fertilizer Costs Per Acre*

	Potash			
Nitrogen	**$ 0.15**	**$ 0.20**	**$ 0.25**	**$ 0.30**
$ 0.30	$ 117.00	$ 126.00	$ 135.00	$ 144.00
$ 0.40	$ 141.00	$ 150.00	$ 159.00	$ 168.00
$ 0.45	$ 153.00	$ 162.00	$ 171.00	$ 180.00
$ 0.50	$ 165.00	$ 174.00	$ 183.00	$ 192.00
$ 0.60	$ 189.00	$ 198.00	$ 207.00	$ 216.00

*Excludes all other costs

Department of Agricultural & Applied Economics

RMA

Impact of Changes in Nitrogen and Potash on Hay Fertilizer Costs Per Ton*

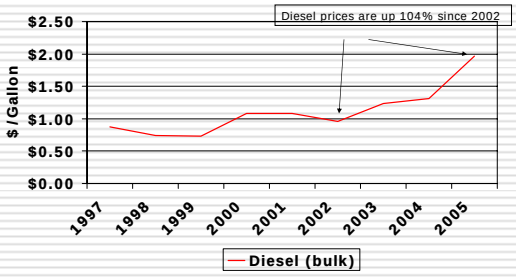
	Yield (Tons/Acre)		
Nitrogen	**3.00**	**5.00**	**7.00**
$ 0.30	$ 43.80	$ 26.28	$ 18.77
$ 0.40	$ 51.80	$ 31.08	$ 22.20
$ 0.45	$ 55.80	$ 33.48	$ 23.91
$ 0.50	$ 59.80	$ 35.88	$ 25.63
$ 0.60	$ 67.80	$ 40.68	$ 29.06

*Excludes all other costs

Department of Agricultural & Applied Economics

RMA

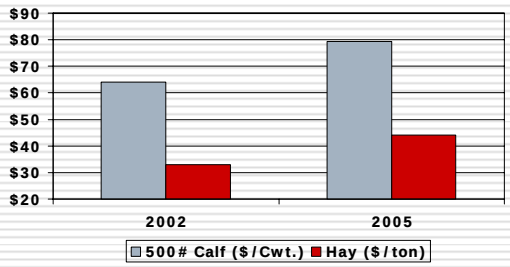
Fuel Prices – 1997-2005



Department of Agricultural & Applied Economics

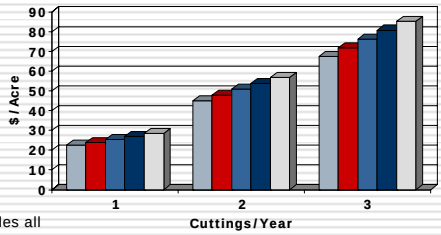
RMA

Impact of Fuel & Fertilizer Prices on Cost of Production



Department of Agricultural & Applied Economics

Impact of Fuel Costs on Hay Costs Per Acre*



*Excludes all other costs

Department of Agricultural & Applied Economics

Replacement Heifer Development Costs

Heifer Development Budget

Item	*Unit*	*Cost/unit*	*Quantity*	*Item cost*
Heifer	cwt.	$ 100.00	5.5	$ 550.00
Winter Pasture	ac	$ 135.00	0.67	$ 90.00
Coastal Pasture	ac	$ 140.00	0.67	$ 93.80
Other Pasture	ac	$ -	0.67	$ -
Hay	ton	$ 65.00	1.65	$ 107.25
Feed - Developing Heifer	lbs	$ 0.05	540	$ 27.00
Feed - Pregnant Heifer	lbs	$ 0.05	300	$ 15.00
Feed - 1st Calf Heifer	lbs	$ -		$ -
Other Feed	lbs	$ -		$ -
Mineral	hd	$ 18.20	1	$ 18.20
Ear Tags	hd	$ 2.80	1	$ 2.80
Vet & Med - Vaccinations	hd	$ 6.12	1	$ 6.12
Vet & Med - Preg check	hd	$ 3.00	1	$ 3.00
Labor	hrs	$ 9.00	1.5	$ 13.50
Total Variable Costs	**hd**			**$ 926.67**
Interest	hd	7.00%	$ 463.34	$ 32.43
Bull Costs	hd	$ 19.20	$ 1.00	$ 19.20
Non-breeders	percent	15.00%	$ 959.10	$ 143.87
Total Costs of Retaining Heifers	**hd**			**$ 1,122.17**
Adjustment for cull heifer sales	hd	$ 85.00	800	$ 102.00
Total net costs for retaining heifer				***$ 1,020.17***

Replacement Female Considerations

- Current economic value = -$218.77
- Breakeven purchase price = $801.40
- Years to breakeven = 7

Expected Profits and Breakeven Prices

Item	Net Returns (Total)	Net Returns ($/weaned Calf)	Breakeven ($/Cwt.)
Variable Costs	$6,495.64	$76.42	$85.41
Total Costs	-$8,352.60	-$98.27	$116.55

Now What? Where can you increase profits?

- Increase conception rates
- Decrease Variable Costs
  - What is your hay cost
  - Where do you store your hay?
  - Do you have alternative fertilizer sources
  - Legumes
  - Soil ph
- Decrease Fixed Costs – Equipment & Females
  - Cull unproductive cows
  - Purchase hay?
  - Custom hiring hay
  - Can you do custom work?
  - Increasing herd size → lease cows instead of raising heifers

Good News-Bad News

- Most cow-calf producers should be able to cover their cash expenses for the next few years
- Cost of production for beef cattle producers has risen considerably in the last 2-3 years
- Fuel & fertilizer prices alone have risen from 46%-105%
- Many will not be able to cover all expenses
- Producers should focus on increasing weaning %, culling unproductive cows and reducing fertilizer and fuel needs

Department of Agricultural & Applied Economics

RMA