



Winter Wheat Graze-Out

Department of Agricultural Economics



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Kansas is known as the No. 1 wheat producing state. Wheat is an excellent grazing crop, so producers may want to look at income from forage as well as the grain. Producers can consider three basic wheat grain and forage strategies: harvest the wheat as grain only, as forage and grain, or as forage only (graze-out). This guide looks at the graze-out option, which generally follows a spring grazing program. The budget focuses on the last 60 days of grazing since the decision to graze-out wheat should be made independent of previous decisions.

The graze-out period is from jointing until the cattle are removed. That time varies depending on moisture, stocking rate, etc. The government program also may dictate when the cattle have to be removed. The stocking rate is about twice that of fall and winter wheat grazing, or enough cattle to assure uniform grazing. The cattle should be implanted. During lush growth, cattle are susceptible to bloat, so management is important. Including an ionophore with supplemental feed can improve daily gains and reduce bloat.

There are a number of alternative arrangements for wheat pasture leasing: 1) dollar per hundredweight per month; 2) dollar per pound of gain; 3) dollar per head per day; or 4) dollar per acre. The lease may dictate the amount and type of supplemental feed. Producers who graze their own cattle on their own wheat should consider the lease charge as an opportunity cost of their forage.

Cost-Return Budget

This budget estimates short run costs and returns for both a steer and heifer wheat-grazing program. Projected 1997 input and output prices are used for illustrative purposes. Farm Management Association summary reports are used as a basis for estimating other variable costs. Producers should use their own prices and costs when using the budget. Break-even prices are particularly sensitive to changes in average daily gain, pasture rental charge, and feeder cost. Because of this sensitivity, it is important to analyze the feasibility of alternative programs at the beginning of each grazing season.

Production Level

Costs per unit and net returns in livestock production are highly dependent on production levels. The following estimated budget includes two different production levels.

Production levels vary for a number of reasons including livestock quality or genetics, weather, input levels, and management. The two production levels included in this estimated budget primarily reflect production variability due to weather and management. Budgeting at multiple production levels can help producers examine the financial risk of a livestock enterprise that is directly related to production risk.

This wheat graze-out budget includes columns for two alternative performance levels for both steer and heifer grazing systems. Performance varies due to differences in average daily gain. The values assumed are included in Table 1 and are deviations from long-term averages.

Table 1. Factors Used for Cost-Return Budget

Performance level	Steers		Heifers	
	Level 1	Level 2	Level 1	Level 2
Days on feed	60	60	60	60
Average daily gain	2.2	1.8	2.0	1.6
Purchase weight	450	450	425	425
Purchase Price (\$/cwt)	81.85	81.85	71.85	71.85
Sale weight	582	558	545	521
Sale price (\$/cwt)	74.19	75.25	68.65	69.85
Feed				
Pasture (months)	2	2	2	2
Grain sorghum (lbs)	120	120	120	120
Mineral and salt (lbs)	15	15	15	15
Value per head				
Investment in fence		\$2.00		\$2.00
Life of fence		5 yrs		5 yrs
Investment in equipment		\$ 31.00		\$ 31.00
Life of equipment		10 yrs		10 yrs
Salvage value on buildings and equipment		35%		35%
Interest rate on fence and equipment		10.00%		10.00%
Insurance rate on fence and equipment		.25%		.25%
Tax rate on buildings and equipment		1.50%		1.50%
Interest rate on variable costs and purchased livestock		10.00%		10.00%
Labor hours		.35		.35
Labor price per hour		\$10.80		\$10.80

COST-RETURN PROJECTION — WINTER WHEAT GRAZE-OUT

	Steers		Heifers		Your Farm
	Level 1	Level 2	Level 1	Level 2	
VARIABLE COSTS PER HEAD					
1. Pasture (\$2.00/cwt per month)	\$ 15.75	\$ 15.75	\$ 14.88	\$ 14.88	\$
2. Silage (____ lbs @ \$17.36/ton)	_____	_____	_____	_____	_____
3. Hay (____ lbs @ \$____/ton)	_____	_____	_____	_____	_____
4. Grain (1.20 cwt @ \$3.82/cwt	4.58	4.58	4.58	4.58	_____
5. Supplement (____ lbs @ \$____/lb)	_____	_____	_____	_____	_____
6. Mineral and salt	3.30	3.30	3.30	3.30	_____
7. Feed processing (____ bu @ _____per bu)	_____	_____	_____	_____	_____
8. Labor (0.35 hr @ \$10.80 per hr)	3.78	3.78	3.78	3.78	_____
9. Veterinary, drugs, supplies	7.00	7.00	7.00	7.00	_____
10. Marketing costs	3.50	3.50	3.50	3.50	_____
11. Hauling/Yardage	5.00	5.00	5.00	5.00	_____
12. Utilities, fuel, oil	_____	_____	_____	_____	_____
13. Buildings and equipment repairs	4.00	4.00	4.00	4.00	_____
14. Miscellaneous	2.00	2.00	2.00	2.00	_____
15. Interest on purchased livestock + 1/2 Variable Costs @ 10%	6.55	6.55	5.49	5.49	_____
A. TOTAL VARIABLE COSTS	\$ 55.46	\$ 55.46	\$ 53.53	\$ 53.53	_____
FIXED COSTS PER HEAD					
16. Depreciation on equipment	\$ 2.28	\$ 2.28	\$ 2.28	\$ 2.28	_____
17. Interest on equipment ¹ @ 10%	1.65	1.65	1.65	1.65	_____
18. Insurance and taxes on equipment and facilities @ 1.75%	0.58	0.58	0.58	0.58	_____
B. TOTAL FIXED COSTS	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	_____
C. TOTAL COSTS PER HEAD (A+B)	\$ 59.96	\$ 59.96	\$ 58.03	\$ 58.03	_____
RETURNS PER HEAD					
19. Market animal (see Table 1)	\$ 431.80	\$ 419.88	\$ 374.14	\$ 363.92	_____
20. Less cost of animal:					
Steers: (see Table 1)	-368.33	-368.33	_____	_____	_____
Heifers: (see Table 1)	_____	_____	-305.36	-305.36	_____
21. Less death loss (2% of line 19)	-8.64	-8.40	7.48	7.28	_____
D. GROSS RETURN PER HEAD	\$ 54.84	\$ 45.16	\$ 61.30	\$ 51.28	_____
E. RETURNS OVER VARIABLE COSTS (D – A)	\$ -0.62	\$ -12.30	\$ 7.77	\$ -2.25	_____
F. RETURNS OVER TOTAL COSTS (D – C)	\$ -5.13	\$ -16.80	\$ 3.27	\$ -6.75	_____
G. AVERAGE SELLING PRICE NEEDED:					
22. To cover variable cost and feeder (A + 20) ÷ (net selling weight) ²	\$ 74.30	\$ 77.50	\$ 67.20	\$ 70.29	_____
23. To cover total cost and feeder (C + 20) ÷ (net selling weight) ²	\$ 75.09	\$ 78.32	\$ 68.04	\$ 71.17	_____
H. TOTAL FEED COST (lines 1 through 7)	\$ 23.63	\$ 23.63	\$ 22.76	\$ 22.76	_____
24. Hundredweight produced	1.20	0.97	1.09	0.86	_____
25. Feed cost per hundredweight (H ÷ 24)	\$ 19.64	\$ 24.41	\$ 20.86	\$ 26.59	_____
I. ASSET TURNOVER (D ÷ INVESTMENT) ³	13.66%	10.75%	18.12%	15.15%	_____
J. NET RETURN ON INVESTMENT					
[(F + 15 + 17) ÷ INVESTMENT] ³	0.76%	-2.14%	3.08%	0.11%	_____

¹ One-half the investment in buildings and equipment at the interest rate shown in Table 1.

² Net selling weight = selling weight - (death loss % 5 selling weight).

³ Investment equals total cost of purchased animal and value of buildings and equipment.

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