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COST OF LAMB FEEDING IN NORTHERN COLORADO

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As another lamb feeding season approaches, we find the air filled with questions and inquiries. The outlook never seemed less certain. At such a time one should secure every possible item of information that might prove helpful in making future plans.

In spite of the unknown factors involved, it is still true that accurate records of the past are one of the safest guides for the future. It is with this thought in mind that I wish to review briefly some of the work of the Department of Economics and Sociology of the Colorado Agricultural College.

Starting in the year 1922 we have secured detailed records from representative farmers in Weld County. Eight feeding seasons are covered by this study. There is a wide variation in the number of lamb feeding records secured each year, and in the conditions associated with the feeding season. The past year, since it is still so fresh in our minds, I shall consider separately. During the first seven years we secured complete costs on 6 separate feedlots, and cash costs on several additional farms.

The seven year average (not including the season of 1929-30) shows the following results. Lambs weighing 52.83 lbs. each at time of purchase, cost $12.13 per cwt. on the range or $7.82 per head. The freight and receiving expenses were 67 cents per cwt. or 42 cents per head, making them cost $8.04 per head in the feedlot.

The death loss was 2.7 percent which amounted to 22 cents per head sold. Paid interest was 24 cents per head sold; marketing cost 50 cents per head; other cash items 8 cents; water pumping charges 8 cents; equipment and corral 15 cents; man labor 30 cents; horse labor 12 cents; overhead 8 cents, or a total of $2.29 costs other than feed per head sold.
They were on feed 135 days. Feed cost $3.06 per head or $2.27 cents per day. They gained 27.19 pounds based on market weights as compared to purchase weights. They weighed 90.02 pounds and sold at $15.08 per cwt. or $13.58 per head. This was an actual margin of $2.95 per cwt. or $5.96 per head. Feed cost $3.06 per head, all other costs $2.29, or a total of $5.35, leaving a profit of 61 cents per head. A man feeding every year would have received pay for all costs and had 61 cents per head profit plus the value of the manure produced. A sale price of $14.41 or a margin of $2.28 above the purchase cost on the range which was $12.13 per cwt. would have been necessary to break even on the feeding operations, if the value of manure was not considered.

The 1929-30 season is most recent and vivid in our memories. For that reason, let us consider it separately. Preliminary records are available from eight feedlots. The farmers operating these farms purchased lambs weighing 65 pounds each at $11.61 per cwt. on the range, making them cost $7.66 per head. They had freight and receiving expenses of 86 cents per cwt. or 57 cents per head. The death loss was only 2.23 percent or 18 cents per head sold. Feed cost $3.17 per head for a 145 day feeding period or 2.19 cents per day. They gained 28.2 pounds to sell at 94.2 pounds for $9.57 per cwt. or $9.02 per head. All costs other than feed were approximately $2.40 per head or a total of $5.57 including feed. The original purchase was $7.66 per head, making a total cost per head sold of $13.23 or $13.95 per cwt. sold. This would require a margin of $1.34 to cover costs. They sold for $9.02 per head or a loss of $4.21 per head. The alfalfa hay fed to these lambs was valued at practically $12 per ton, which was the previous seven year average price. Other costs were very similar to the average. The cause of loss was as everyone knows the sale price received.

It is interesting to note that the average profit per head for the first seven years was 61 cents or a total of $4.27 for seven years, providing one fed every year. The loss in 1929-30 of $4.21 would practically wipe out the previous seven years' profit and show 6 cents total profit for the eight years or about 1 cent per head per year. Actually no farmer did this well, because in profitable years less lambs were fed and in unprofitable years more lambs were fed, so for the area as a whole the eight years show considerable actual loss from lamb feeding. This, as previously stated, does not consider the value of the manure produced. In five months one lamb should produce approximately one-fourth ton of manure, according to studies made in eastern states.

There are some who maintain that lambs should be fed just for the manure as the manure will increase crop yields. These same men will doubtless insist that one of the chief profits of the sugar beet industry comes from feeding the by-products so that they can show a profit from the livestock. Actually each branch of the farming business should pay its way or be subjected to careful scrutiny leading to ways to increase its profit.
This study disclosed two distinct types of men feeding sheep. First, the farmer who looks upon lamb feeding as a method of utilizing his surplus feeds. Second, the man who looks upon lamb feeding as a speculative business venture. The point of view of each varies widely. The farmers will doubtless feed sheep as long as they are repaid for their out of pocket costs including farm feeds at market prices. The speculator will feed only so long as he can see a chance for making a profit above all costs on the transaction.

This difference has an important bearing on the coming season. No matter what losses the range men may face, they will find small support among feeders for the theory that feeders should share this loss with them. Men who are in business for a profit are not inclined to share. They buy where they can to best advantage and sell the same. The speculative feeder does not object to alfalfa at $7 per ton as it means that he can put cheaper gains on his lambs with hay purchased at such a figure. The farmer faced with $10 hay will doubtless favor feeding it in hope of making a profit, rather than sell the hay. It cost $13.22 per ton to produce alfalfa during the period covered by this study as shown in Colorado Station Bulletin 353.

Feeding $7 hay and showing a profit on lambs is just a matter of words. A farmer who has lost $5-6 in lambs and made some money on his lambs by feeding cheap hay may find that taking both together he has a total loss on the year's operations.

So in purchasing lambs farmers should consider that larger prospective profits on lambs are needed to offset their loss on the hay which they raised, provided alfalfa prices do go down to low levels. Doubtless alfalfa costs too much to produce in the valley, but that is another story.

Coming now to the outlook for 1930-31. What do we find? Let us review the items of cost previously given. What changes can be anticipated? Feed. Will it be higher or lower? The purchased feeds may be somewhat lower than the average. Farm raised feeds may have a lower market value, but they will be produced at a loss if this is the case. Let us then use the average feed cost as found in this study for the purpose of present discussion. Freight and marketing costs will remain about the same. So will water charges, equipment and corral charges, and other cash costs. Man labor and horse labor may show a slight reduction in cost. Overhead may possibly come down a little. Death loss costs are based on the value of the lambs purchased. If the loss is normal in numbers, the cash value of low priced lambs lost will obviously be less. Paid interest will show less cost for the same reason.

For the purpose of illustration let us work out the situation for lambs costing $5 per cwt. on the range or $3.14 per head for 62.83 pound lambs. Feed we will estimate the same as the average or $3.06 per head. Death loss will be reduced to 9 cents per head. Paid interest to 10 cents. If we knock off 2 cents for possible reduction in labor and overhead, the total will be $5.05 per head or $3.20 for a lamb laid down at the market, including the original cost. With a 135 day feeding period and the average of 27.19
pounds gain this would give a 90.02 pound lamb which must sell for $9.10 per cwt. to break even or a necessary margin from range to market of $4.10 per cwt. The speculative feeder, if he can buy alfalfa at $7 per ton for example, and assuming that all other costs stay as shown in these averages, will find his costs reduced by 45 cents per lamb, making a 90 pound lamb cost him $7.75 per head or $8.60 per cwt. or a necessary margin of $3.60 per cwt. to break even.

This indicates that a market of $8.50 to $9 in the spring of 1931 is necessary to show a profit on lambs purchased on the range at $5 per cwt. next fall, provided costs in 1930-31 remain about the same as they have been in recent years. Where individual items of cost can be reduced a lower sale price would be sufficient to break even.

Will lambs sell for $8.50 to $9 in 1931? Well, they did in 1930. There are more of them coming along to be fed this year than were fed last year.

Industry isn't over-optimistic. People are not buying fancy lamb meat when they are out of work. Those are some of the things to consider before answering the question. There is little reason for a farmer to base his plans too much on hope, neither should he be guided too much by despair. There are many things that can happen between now and the time lambs are put in the feedlots in November.

If a normal supply of lambs go on feed this fall it will require some optimism to expect better prices than last spring. But suppose pessimism prevails, and only a relatively few lambs are put on feed in Colorado this fall. Then next spring may well show a profit.