

Cow-calf producers are becoming more and more interested in retaining ownership. The market is telling them there is more chance for profit the longer they own a set of calves — providing those calves are capable of efficient performance and beef production. In this stage of the cattle cycle in particular, the market says weanling calves may be undervalued, so retained ownership stands an excellent chance of improving the profit picture.

Though interest has been building for years, most cow-calf producers still don't know what to expect from a custom feeder.

In general, expect a lot, says Max Deets, but be sure you understand all the details before you enter the business relationship. Deets is a consultant to the Certified Angus Beef (CAB) Program, former president of the National Cattlemen's Beef Association (NCBA) and former manager of Solomon Valley Feeders, Beloit, Kan. He joins two managers of feedlots licensed by the CAB Program in answering some basic questions.

Where should I feed?

Look into several commercial feedlots that seem logical in terms of location — and that does not necessarily mean close to your cow herd.

"You have to look at a yard's proximity to feedstuffs and packing plants," says Dan Hammond, manager of Snake River Cattle Co., American Falls, Idaho. The 20,000-head Agri Beef-owned yard gets cattle from all western states and Canada.

"You also want to look at services offered," says Hammond. "A lot of retained-ownership customers are interested in getting carcass information. We are ready and able to provide it, and that is certainly enhanced by our CAB® licensee status."

A compatible personality can be as important as any other factor, says David Trowbridge, yard manager at Gregory



# Holding Your Interest

*Thinking about retaining ownership for the first time? Here are some tips on what to expect.*

BY STEVE SUTHER & SHAUNA ROSE HERMEL

Feedlots, Tabor, Iowa. "Find someone that you get along with. A lot of people don't feed cattle with Gregory Feedlots — they feed with Jim Gregory."

Owner-manager Gregory says the 10,000-head yard has customers who have retained ownership on 10 or more calf crops already.

"They're putting a lot of responsibility on you when they put their cattle in here," Trowbridge points out, noting the yard may handle half or even all of some customers' calves. "They want someone they can talk to and trust."

What kind of cattle should I feed?

Many feedlot managers would like to see a genetic history of the cow herd, Deets says, especially if they will be part owners. But the fact that you are willing to retain ownership often says enough to satisfy first-year information needs. The more you know about the cattle you will feed, the less risk involved for everyone. Check with your seedstock supplier for more

genetic information.

Gregory says English-breed types have been most profitable for most of their customers. He reminds cow-calf producers of a basic fact: "They're meant to eat — in the past we've lost sight of that. We have to get back to the basics and to moderate-size animals that will grade easily and produce a consistent product."

Being in the service business, he says, "We'll feed whatever they have. But it'd be nice if they were all blacks and black baldies or something, because they'd be easy to market."

Trowbridge says packer buyers certainly notice the Angus-type cattle. "They're going to notice the black cattle and keep track of them. When they're ready to go, they'll be the first ones to get the bids."

How many head do I need?

The industry is partly based on the number of cattle that will fit in a semitrailer, normally 50,000 pounds (lb.). If you are shipping weaned calves to a commercial yard, 70-100 head may provide efficiency in

transportation. That's why many commercial feedlots have pen sizes starting at 70 head. Some service-oriented feedlots may take smaller loads. Gregory and Snake River, for example, will accept as few as 50 head.

You can feed a mixed pen of steers and heifers if they have been together prior to feeding, Hammond notes, although the practice may require more sorting as heifers will reach Choice sooner than steers.

Hammond also advises producers to get started by just feeding what they believe are their best calves. "Send the big end of your steers to the feedlot. Some customers sell the steers and feed the heifers because they can't get as much for the heifer calves, but I'm certainly inclined to feed the top end. They've done the best as calves, and they will generally do the best in the feedlot."

What about health programs?

More and more commercial feedlots provide advice to retained-ownership customers in the area of health programs, Deets says. Hammond tells customers which on-ranch treatments and management practices have had the most positive effect on calf health after placement on feed in the Snake River yard.

"Almost all of our repeat customers vaccinate their calves twice before we get them, so they are totally vaccinated," says Trowbridge. "Processing on the front end [on the farm] cuts their health problems down to a minimum."

Calves and yearlings come from all over the Midwest, Northern Plains and the South, he notes. The southwestern Iowa feedlot specializes in custom processing on arrival, coordinating needs with origin and owner.

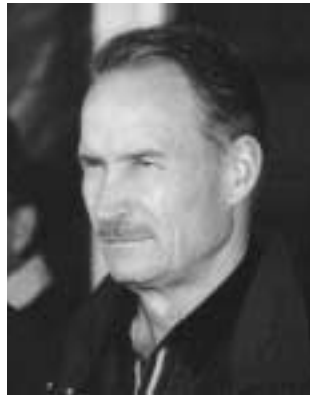
Is it important to wean calves at home?

There may be nothing that is more important than weaning. "We'd like to see them weaned for 30 to 40 days," says Trowbridge. "The customers



Max Deets

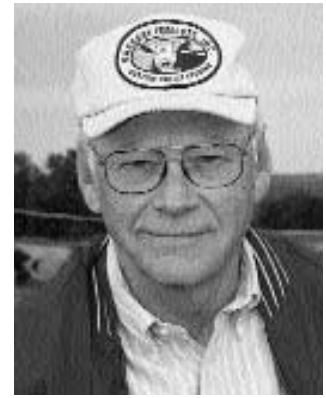
Jim Gregory



Dan Hammond



David Trowbridge



that do it never go back to bringing them in unweaned.”

Says Hammond, “We strongly believe the weaned cattle will start better, perform better and finish better. Weaning is more important even than knowing what vaccinations calves have had coming into the yard.”

Weaning in the feedlot is extremely stressful right when you and your calves can least afford it. “They walk around the pen for a few days,” Hammond says. “By the time they do eat, the bugs have gotten to them, and they just don’t ward off the diseases as well as the weaned calves. Plenty of studies put the ideal weaning period close to the 45-day mark.”

What if I need income at weaning?

Many commercial feedlots offer financing of cattle or joint ownership of 50% or more equity interest.

“A few operations will ‘partner’ or split ownership of your pen of calves on a percentage basis or simply require a minimum level of retained ownership equity, say \$125 or \$150 per head,” Deets explains. Returns to ownership are generally divided on a percentage basis at sale time.

“Sometimes a rancher’s bank won’t let him feed, but we have programs that let him pay down a huge amount on debt and still retain a percentage of

ownership,” says Hammond. Gregory, too, offers financing and partnering on cattle.

Virtually every commercial yard will finance 100% of your feed requirement until fed cattle are sold, Deets says.

Is there value in sorting?

When cattle are finished, the

industry standard expects the entire pen to be finished. The reality is that differences in age and type make for more than one ideal market date. Many service-oriented feedlots offer sorting to improve uniformity and profit potential.

Both the Idaho and Iowa feedlots accept groups as small

as 50 head and sort for a uniform marketing end point with as few as 20 head in a load.

Start the sorting process at home, Hammond advises. “We don’t demand uniformity in the cattle we feed, but it does help. If we get in a pen that is very uniform and we don’t have to sort them, that’s better for the cattle,” he explains.

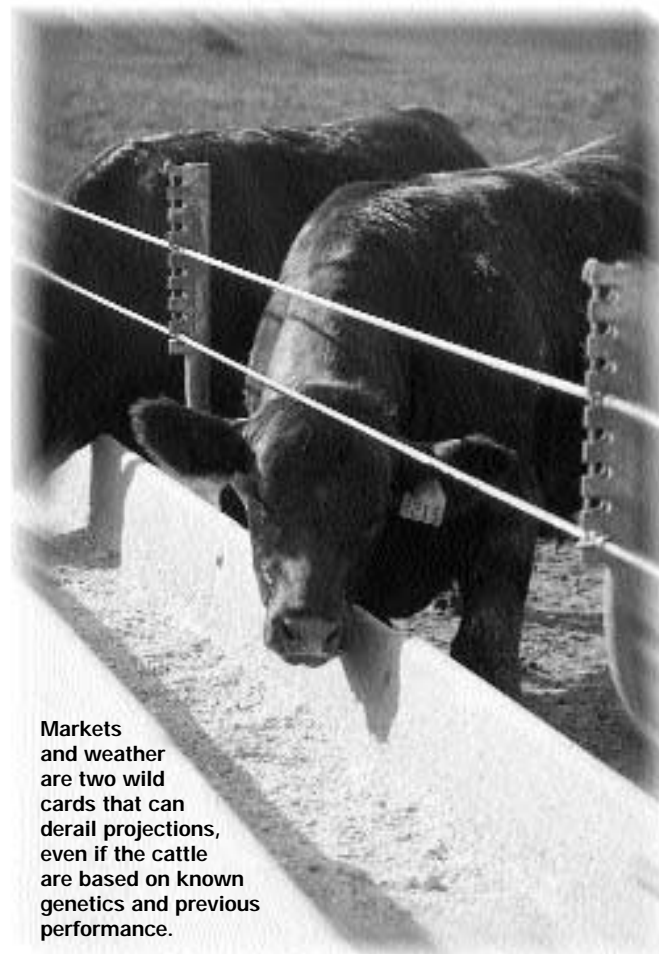
“Normally we will sort to get the best price and uniformity at the end. Prior to that we like to take off any cattle that are just not keeping up with their pen mates and send them to the auction or packer, depending on how much they weigh,” he says. “We counsel people to look at the cattle before sending them and sort off the ‘out’ cattle.”

What can go wrong?

That’s a good question to ask. Keep in mind that you can head off a lot of trouble through regular and open communication, but there are natural risks involved. Markets and weather are two wild cards that can derail projections, even if the cattle are based on known genetics and previous performance.

New customers can find such news upsetting. “They don’t know what weather does to cattle performance,” says Trowbridge.

Sometimes the market changes abruptly and a first-time experience becomes a money loser, Gregory notes.



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BRAD PARKER PHOTO

“That’s not what they expected. Some of them handle it real well. Some just don’t understand it.” Retained ownership isn’t for everyone, he notes.

In general, cow-calf producers “aren’t used to paying feed bills and getting death loss reports or feeding reports — so that’s kind of a shock for those first-year retained owners,” Trowbridge says. “When they start sending us cattle, they don’t really expect everything to be perfect, but they’d like to think they’re [near perfect].”

If the feedlot is partnering with you, it will share in the risks associated with value discovery, or pricing cattle based on their value to consumers.

What data can I collect?

Your routine feedlot closeout will tell you the average daily gain and feed efficiency on your calves. Some yards may be able

to offer individual on-feed daily gain information.

“It’s easy to get herd data,” Hammond says, “but we have to weigh each one to get the individual data. You have to be very careful in your handling, but we do that to suit the customer.”

Gregory Feedlots is a member of Precision Beef Alliance, and Snake River works with several regional alliances, as well as their own Agri Beef program. Such organizations do a good job of helping cow-calf producers recognize the importance of individual data and the effect that guided change can have on profitability.

Ironically, Trowbridge says customers back away from carcass data requests when profits are scarce. Fees of up to \$7/head or more don’t set well on a down market, even though the data can help improve

profitability down the road. With the arrival of \$2/head individual carcass data through CAB Program-licensed feedlots, producers have less reason to put data gathering on hold.

What can be learned through retained ownership?

Producers are acting on the data they already have gathered, and results are starting to show, Trowbridge says. “Most [customers] have made some pretty dramatic changes. It doesn’t take very long to realize, once you start looking at the information, what you need to do. We’ve seen a lot more people going to black bulls and black cows.”

Hammond says you can expect a continuing education from feeding. “As a feeding period goes along, we learn things and send out paperwork to try to keep customers

updated.” As an example of a lesson learned, he says, “Sometimes we will tell them, maybe next time you could sell the hay and bring the cattle in earlier to hit a different market.”

That’s fine for next time. But as any professional cattle feeder will tell you, never try to hit a different market once your cattle are finished.

“The most important thing is to market them on time,” Gregory says. Not only will you avoid more price risk, you will avoid the inefficiency and cost of overfeeding. Trowbridge aims to market Angus-type cattle at least by the time they would grade 80% Choice. “After that, your cost of gain will eat you up.” That’s one lesson better absorbed before you feed cattle.

