

# Rediscovering the Stocker Segment

According to cattle market analyst Troy Applehans, a role in which stocker operators collectively serve is that of the



**Troy Applehans**

[PHOTOS BY TROY SMITH]

cattle industry's inventory shock absorber. That's certainly been the case in recent months, as finishing yards backed away from purchases of calves due to high feedgrain prices and the associated rise in cost of feedlot gain. Consequently more calves were sold to stocker operators planning to winter the cattle on less-costly forage-based rations and add 250 pounds (lb.) to each animal's weight.

The re-emergence of the stocker operator's role was the topic of discussion at a Cattlemen's College session Wednesday during the 2009 Cattle Industry Convention. Applehans and fellow Cattle-Fax analyst Mike Murphy said this industry segment has become more important to managing the flow of cattle into finishing operations.

Applehans said Cattle-Fax data shows "typical" winter stocker operators growing calves from November to February (95 days) and achieving an average daily gain (ADG) of 1.5 lb. were profitable for 24 of the last 29 years. On average, summer grazing programs were profitable in 19 of

28 years. Of course, like finishing yards, stocker-growers are margin operators and must focus on opportunities to buy and sell cattle to their best advantage.

"And as the old saying goes, bought right is half sold," said Applehans, noting that purchase cost represents more than 80% of the stocker operator's total costs. Just a 10% difference in calf cost can alter the breakeven price by as much as \$8 per hundredweight. In other words, buying calves at 10% lower cost is worth about \$65 per head on the other end.

Mike Murphy said purchase price is important, but so is sale price. He urged stocker operators to remember the key drivers of feeder-cattle value. One driver is the correlation between prices, corn futures and live (fed) cattle futures. In recent years they have been more closely correlated.

Murphy said another significant factor influencing feeder-cattle value is the basis relationship between fed-cattle cash price and fed-cattle futures price. When the futures price is above that of cash,



**Mike Murphy**

cattle feeders are willing to pay more for feeder cattle. Take that premium out of the market, said Murphy, and the value of feeder cattle goes lower.

Murphy reminded the audience of how feeder-cattle prices declined when corn dropped from \$8 per bushel to about \$3. Normally, he said, you would expect feeder-cattle prices to go through the roof.

"They didn't because the premium was gone from the live-cattle futures market," he explained. "It's a different environment. The real driver of feeder-cattle price is the back end of the fed cattle market."

— by **Troy Smith**

## Cost Management Strategies

During the 2009 Cattle Industry Convention, one of the best-attended Cattlemen's College sessions offered insight to the cost-control strategies applied by successful managers from the cow-calf and cattle-feeding segments. Explaining their respective approaches to managing rising input costs were Chip Ramsey of Nebraska's Rex Ranch and Tom Brink of Five Rivers Ranch Cattle Feeding Inc.

Ramsey said the basic systems for managing the Rex Ranch's cow-calf and yearling enterprises were in place when he became manager in 2006. He credits those systems for positive trends in pregnancy rate, weaning rate and average weaning weight. However, the cost per weaned calf is also trending higher. He is looking at the areas of greatest cash expenditure — labor and feed — and searching for opportunities to trim costs.

Seeking efficiency of labor, the ranch employs just one person for every 800-1,000 animals, and strives to provide appropriate compensation, including health insurance and retirement benefits.

Ramsey doesn't see how the number of employees could be cut further than it has been in recent years and views labor as a nearly fixed cost.

"We're considering calving even later — delaying the start of calving season from April to May. That should reduce the amount of hay fed during winter, especially for mature cows," Ramsey said.

**As a defense against high input costs, Five Rivers is buying heavier cattle that require less corn to finish.**

"We're also looking for ways to enhance the flexibility of our stocking rate. That way, we may be able to change our cow-yearling ratio, have more drought flexibility and increase our efficiency of (grazed forage) use. We might do that by increasing meadow grazing."

Ramsey said he is also looking at alternative enterprises such as a wildlife program and marketing of carbon credits.

Tom Brink said the current economic environment has been particularly challenging for cattle feeders. He called Five Rivers very conscious of where the money goes, with the largest expenditures going toward the purchase of feeder cattle and corn, labor and energy.

"We're taking a more disciplined

approach to buying feeder cattle, and we're not trying to feed to full capacity," Brink stated.

As a defense against high input costs, Five Rivers is buying heavier cattle that require less corn to finish. The company is turning to more alternative feedstuffs, including byproducts and increased use of fat in rations.

Another cost-cutting measure is to reduce days on feed. Equipment use is being evaluated, to match the appropriate equipment to each job and conserve energy. Another goal is to reduce the number of employees at 10 Five Rivers' feedyards from 640 to 600 or less.

— by **Troy Smith**



**Tom Brink**



**Chip Ramsey**

# BVDV Control Requires Integrated Approach

An integrated approach is essential to controlling bovine viral diarrhea virus (BVDV), emphasized Dan Grooms, a veterinarian and associate professor in the Department of Large Animal Clinical Sciences at Michigan State University, during his presentation to attendees at the applied science session of the 2009 BVDV Symposium Jan. 27, 2009, in Phoenix, AZ.

“The beef industry is moving toward raising the bar on BVD control – with the eventual goal of eradication in North America,” Grooms said. He noted that several bull tests and livestock shows now require BVD testing, and many private seedstock operations test bulls for the virus and advertise that their sale offering is free of the disease.

Grooms explained that persistently infected, or PI, animals are the major source of spread of the BVD disease. A PI calf is created if it is exposed to BVDV as a fetus between Day 40 and Day 125 of gestation. These animals then carry and shed the disease for life.

Studies have shown the effects of a PI

animal within a cow-calf herd can decrease pregnancy rates by 5% and cost \$14-\$25 per year per head in decreased returns.

At the feedlot, a PI animal can

increase morbidity rates, and one study showed the cost of exposure to a PI animal to be \$41-\$93 per animal exposed. “So there’s a significant economic impact if we don’t control BVD,” Grooms said.

Controlling BVD within the herd — and the industry, Grooms said, could increase productivity, increase economic return, decrease health risk, and increase animal welfare.

He suggested a four-step approach to BVD control:

**1. Understand herd goals and risk tolerance.** Grooms said how much risk a producer is willing to tolerate and the goals of the operation will dictate the type

of control program that is implemented. For instance, a diagnostic testing program for an operation that focuses on selling replacement heifers would be conducted

differently than a testing program designed to clean up BVD in an infected herd.

**2. Develop a prevention control plan.** A control plan should reduce the risk of BVD entering the operation — primarily through biosecurity

methods. To design such a plan, operators need to understand the sources of BVDV exposure, such as through fence-line contact with other herds, exposure to wildlife, or, Grooms notes that commonly animals being brought into the operation may carry a transient or persistent BVD infection. This means bulls, replacements, show cattle, embryo recipients and semen

should be considered potential sources of the disease.

**3. Identify and eliminate PIs.** “There are a lot of effective tools to detect BVD infection,” Grooms said. Among the options are the ELISA blood tests, the IHC skin ear notch test, or PCR pooled tests that use skin or blood samples. If PI animals are found, they should be removed from the herd.

**4. Improve herd immunity.**

Immunizing cattle against BVD through vaccination is also an important tool to help control BVD. Grooms reported there are more than 150 BVD vaccines or vaccine combinations available commercially. “So the vaccines can be used in a variety of different management settings,” he said. He also shared that in most studies where a modified-live vaccine (MLV) was used, the ability to protect the fetus from BVD appeared to be greater.

However, he cautioned that vaccines should not be viewed as a silver bullet. “Vaccines are not 100% effective in preventing BVD infection. They are a useful tool, but not the only answer to controlling BVD,” he concluded.

Instead, Grooms emphasized that BVD control requires several tools: biosecurity, diagnostic testing and vaccination. “If we effectively use the entire toolbox in a planned BVD control program, we can make great progress in controlling the disease not only in individual herds but across the entire industry,” he said.

— by **Kindra Gordon**

