

So, You Want To Feed Cattle?

If you have courage, patience and a tolerance for risk, a finishing enterprise can complement your cow-calf operation.

Story by
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What makes a cow-calf producer want to establish a cattle-feeding enterprise? In the past, producers who also raised corn or other feedgrains may have viewed cattle feeding as a way to add value to their crops. At today's grain prices, that's an unlikely reason. It could be, however, that marketing finished cattle looks like the best way to capture more value from the cattle.

If the cow-calf producer has invested well in genetics and quality-focused management, he or she may decide the best payoff comes from marketing finished animals, rather than feeder cattle. And, if selling calves has been a producer's traditional marketing method, the forecast for lower calf prices could give cause to ponder alternatives.

"As feedlot costs of gain climb higher, there is potential for calf prices to be pushed back. More cow-calf producers might want to keep calves longer, at least to background them before selling, but some producers might be thinking of taking their cattle all the way to finish," says John Lawrence, Iowa State University (ISU) agricultural economist.

For the sake of discussion, let's assume you are among the latter — a cow-calf producer giving serious thought to taking all or part of your calves all the way. According to Lawrence, you'll need a good measure of intestinal fortitude, patience and a willingness to accept risk. Lawrence's ISU colleague, animal scientist Dan Loy, agrees, but also notes how a finishing enterprise can complement some cow-calf operations.

"Sourcing cattle can be a big challenge for cattle feeders, particularly if they try to serve specific beef markets. A good cow-calf producer might have that licked," Loy says. "Sourcing feedstuffs can be another challenge. A cow-calf producer that already raises grain and forage, or has easy access to local supplies, might have an advantage. Access to locally produced byproduct feeds also might offer a feed cost advantage."

However, the start-up cattle feeder may face certain inefficiencies or lack of expertise, compared to the well-established "professionals."

"You're competing with large, highly specialized, professional cattle feeders.

Typically, they benefit from the efficiencies of size and scale, and most are taking advantage of the latest technology," Loy adds. "The competition is formidable. That's not to say it can't be overcome."

It takes money

Some 30 years ago, Clifford Hanna started out farming and managing cows near Milburn, Neb. Over time, he added a finishing enterprise for his own calves and eventually expanded to accommodate purchased cattle, too. The best advice Hanna would offer someone wanting to feed cattle at home is to think about the money.

"It takes a lot of it. Today, with the cost of gain approaching \$1 per pound (lb.), the amount you'll put into feeding a calf will probably be greater than its value going into the feedlot," Hanna states.

"And if you have traditionally sold calves, but choose to keep all of them, you won't have any income from cattle that first year. If you decide, in later years, to sell calves again, you'll have income from finished cattle and calves, too, during the same year."

Lawrence says the time to think about finances is before you pour concrete. After that, Lawrence says, "You're committed." The would-be cattle feeder and his or her banker must understand that \$500, \$600 or more will be invested in each calf, over several months, before there is any return. And there is no guarantee of profit.

"Feeding cattle comes with more risk. You're more at the mercy of the market," Hanna adds. "When marketing calves or yearling feeders, you have more flexibility. The marketing window for fed cattle is pretty narrow."

Marketing

How will you market your finished animals anyway? According to Lawrence, you'd better have a well-thought-out plan before you start.

"Do you expect packer buyers to come to your feedlot and bid, or will you market them on a grid? Are your cattle the type that will fit a marketing grid? How far is it to the nearest packers, and what will the freight costs be for the groups of cattle you intend to market? A truckload is 35 fed steers compared to 90 calves, but the costs may be the same. Those questions should be addressed before you ever start feeding," Lawrence states.

Located in southeastern Iowa, near the community of Washington, Mike Hora maintains a modest cow herd and a small feedlot. He finishes his own calves and some custom-fed cattle. Hora's place isn't too far from a major packer's plant, but his low volume makes it hard to attract country buyers. Opportunities for competitive bidding are slim. Consequently, genetics and management



PHOTO BY MICKY WILSON

that target a grid rewarding carcass merit are key elements of his marketing strategy.

"You have to know what the cattle will do, from a carcass standpoint, and manage them accordingly to capture premiums and avoid discounts," Hora explains. "We sort cattle to go when they're ready, marketing fairly small groups. We sell gooseneck-loads, not potloads. I don't think a small feeder can feed for the average. You have to sort, and using ultrasound can help sort cattle into management and marketing groups."

Because there always is potential for loss, Lawrence says the fledgling cattle feeder should be prepared. Products to help manage risk, including futures, options, and price and margin insurance, should be considered as tools for protecting producer investment.

Facilities, equipment and labor

According to Loy, a site layout for constructing pens requires consideration for cattle comfort, efficient feeding operations, ease of maintenance plus environmental compliance and protection. Construction materials can vary from electric fencing, using high-tensile wire and wood posts, to more permanent fences made from pipe or sucker-rod. The choice will vary with cost, availability and producer preference.

The types of feed storage facilities and feed handling equipment will often be dictated by the kinds of feedstuffs used. The goal should be to minimize waste and achieve the greatest efficiency possible.

"Some producers may realize increased efficiencies if tractors, loaders or feed wagons can be shared across enterprises. For example, a feed wagon might be used for the feedlot and also for feeding winter rations to the cow herd. But some feedstuffs may require specialized mixing and feeding equipment," Loy says. "Adding an additional enterprise might also allow for more efficient use of an existing labor force throughout the year. Or, it might require additional labor."

Handling manure

Manure management can be a huge concern, so Hanna's advice is to look ahead when choosing a site and designing a feedlot. In Nebraska, Hanna says, all feedlots of 1,000-head capacity must secure a permit from the state's Department of Environmental Quality. A permit and appropriate manure and runoff management structures (lagoons, settling basins, etc.) may be required of

much smaller feedlots, too, if officials perceive any potential for discharge into waterways. Producers contemplating feedlot construction or expansion should determine what is necessary to comply with their state's regulations, but also consider county or local zoning restrictions.

You have to do something with it, so manure can be a curse, particularly for very large feeding operations that don't have crop acres on which it can be applied as fertilizer. On the other hand, feedlot manure can be a blessing. It may have nearly as much value as the cattle that produced it — if its nutrients can be managed and used.

"It can be an advantage as an alternative to commercial fertilizers," Loy says, "or a disadvantage if getting rid of it represents an added cost."

Manure, or the accompanying odor, as well as dust and flies can create hard feelings among neighbors, too, Hora adds. So location of a feedlot and management of these issues can create unrest, depending on proximity to neighbors and their urban vs. rural sensibilities.

Another option?

For the cow-calf producer thinking about diversifying into cattle feeding, careful consideration of all costs and potential benefits should be considered. If the prospects for success aren't promising for finishing home-raised calves at home, Lawrence suggests a closer look at retained ownership through a custom feedlot.

"We have excess feedlot capacity in the U.S. and a contracting national cow herd. A trend toward lower cattle numbers and placement of heavier cattle may point to an even greater excess of bunk space," Lawrence explains. "Professional feeders are likely to be hungry [for customers]. Despite the cow-calf producer's desire and some good reasons for building his own feedlot, it might be wise to check out the cost of having calves custom-fed."

For those determined to make it work at home, Loy recommends taking a cue from the professionals. Build a network of advisors.

"If they are certain that they can take advantage of some efficiencies by feeding their own cattle, I would encourage those producers to adopt useful technology and utilize experts in nutrition, health and marketing," Loy urges. "Don't be afraid to hire expertise to maintain any advantages you might have."