

Cattle Business in Mississippi – January 2007 “Stocker Cents” article

Choosing the “Right” Feedlot

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For stocker operators or cow-calf producers who retain ownership of cattle through the finishing phase of production, feedlot selection is a critical decision. Whether feeding cattle for the first time or having had many years of retained ownership experience, choosing the “right” feedlot remains an important step in improving operational profitability through effective cattle marketing strategies. Doing some homework on potential cattle feeders is a worthwhile exercise.

Feedlot Facilities

The cattle feeding region of the U.S. extends from South Texas through the upper Midwest. The location of the feedlot impacts cost of cattle transportation to the feeder and environmental conditions to which cattle will be exposed once at the yard. In addition, feedlot proximity to packing plants impacts marketing alternatives at the conclusion of cattle feeding. Time of year that cattle are shipped combined with the feedlot location can influence the decision on where to feed. For instance, locations known for experiencing harsh winter conditions may not be ideal for cattle shipped for winter feeding that are not well-adapted to handle extreme winter conditions. Effective wind breaks and pen drainage are facilities features worth investigating.

Pen sizes and number of pens available determine the flexibility of the feedlot to accommodate the diverse size and mix of cattle loads sent to the feedlot. Many times it is advantageous to sort cattle based on sex, size, and type. This should be worked out between the cattle owner and cattle feeder prior to shipping.

Many feedyards now have “virtual tours” available on the Internet. It may be constructive to visit the feedlot to get a firsthand look at the feeding operation. Look for potential problems such as stale feed in the bunks, excessive mud, or poor drainage. Take notice of the routine of the employees. Observe the pen riders to see if they are taking the time to look at every calf in the pen. Look to see if the cattle appear content as part of an evaluation of the nutritional program. Watch cattle handling practices. During a feedyard tour, be sure to evaluate the overall maintenance and appearance of the facilities. This may provide some indication as to the level of management at the feedlot. Well-kept, clean facilities reveal pride in the operation.

Nutritional Program

Commercial feedlots are specialists in feeding cattle high concentrate diets to finish cattle to slaughter weights and endpoints. They make money by selling feed and services to producers. Services are commonly charged for as yardage, yardage plus feed markup, or feed markup alone. Gaining an understanding of the feedlot’s nutritional program and process for determining cattle endpoint is important before placing cattle

on feed. Getting the best deal on cattle feeding can take putting a pencil to paper to compare feedlot programs and associated costs.

It is critical that the feedlot manager have experience in cattle feeding management. Many feedlots hire nutritionists to formulate diets and provide advice on feeding management. Proper bunk management and adequate bunk space are critical to a good feeding program. Adequate water sources are an item that should not be overlooked as well.

Cost of gain is a factor that should be discussed with feedlot management to determine the yard's track record with feeding performance and costs in comparison with industry alternatives. Feedlot diets will vary based on local availability and cost of feed ingredients. Some feedlots will even offer backgrounding services in addition to feeding cattle for producers who want to send cattle that are not ready for finishing. Inquire about how often feed is purchased, how feed is processed, and how often cattle are fed each day.

Health Program

Questions to ask related to feedlot health programs include: 1) Does the feedlot have a veterinarian on staff or readily available?; 2) What is the receiving health program and hospital pen protocol?; and 3) What processing, chute charge, medicine, hospital pen, or other health fees can be expected? Hospital pens should include both treatment and recovery areas with adequate shelter available. Find out what records are kept on sick cattle. Morbidity (sickness) and mortality (death) rates are health benchmarks that can be considered in selecting a feedyard.

Financial Services

Many feedlots provide cash advances or will partner on cattle ownership. This eases cash flow and spreads the producer's risk. Feedlots will often offer financing for cattle, feed, trucking, and other costs with interest charges. There may be equity requirements as part of financing arrangements, so it is prudent to check with the feedlot ahead of cattle shipping about their requirements. Assistance with risk management strategies (locking in corn prices or purchasing cattle futures contracts) is another service that many feedlots provide. Customers may also look to feedlot managers to answer questions on breakeven estimations to better plan cattle feeding and marketing strategies.

Marketing Opportunities

Marketing is one of the most important services a feedyard provides to their customers. Determine up front who makes cattle marketing decisions. Ask the manager how many packers bid on the cattle each week. Determine whether cattle are sold "live" or "in the beef", and find out whether or not the feedlot has access to grids, contracts, formula pricing, or marketing alliances. Some value-based marketing programs require that specific cattle feeders and/or packers be utilized to participate in those programs. For example, the Nolan Ryan Tender Aged Beef and the Certified Hereford Beef programs

specify certain feedlots and/or packers be used for cattle to be eligible for their marketing programs.

Feedlot Management and Reputation

Many producers develop a personal relationship with feedlot managers where their cattle are fed. Customer service is an important aspect of the cattle feeding business. Good feedlot managers are professional and help make the cattle owner comfortable with and informed about the feeding and marketing programs. If one feedlot does not offer the level of customer service desired, another competitor may provide it. Regular communication on cattle performance can be obtained from many cattle feeders. Feedlots should also provide regular, timely, and useful written or electronic reports of cattle feeding performance, health, and costs incurred for a given feeding period. More and more cattle feeders now also coordinate data collection and transfer to the farm of origin. These services can be utilized for a nominal charge per head in most cases for individual animal feedlot performance and carcass data reporting.

Learning about a feedyard's reputation is essential in selecting a cattle feeder. Visit with other producers who have fed at a particular feedlot to learn about their experiences with the yard. Checking references on a feedlot may help avoid surprises later. Once feedlot selection has been narrowed down to a few yards, contact the managers directly to visit with them about their cattle feeding programs. For more information on stocker cattle production or cattle finishing, contact your local Extension office.