

Retained Ownership of Southeastern Feeder Cattle

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Abstract

By retaining ownership of feeder calves, cattle producers in the southeast can potentially capture additional profit as well as performance and carcass data that is out of their reach in traditional marketing avenues. However, with these benefits also comes greater risks. Alabama Pasture to Rail is an educational program that allows producers to retain ownership of their calves with the reduced risk of sending fewer animals to the feedyard. This paper highlights the structure of Alabama Pasture to Rail, as well as some of the resulting data collected from 2016 through 2019. Additionally, retained ownership economics and an introduction to health management of feeder calves is discussed.

Keywords: beef calves, feeder cattle, retained ownership, backgrounding, preconditioning

For a cow-calf producer in the Southeast, one of the most advanced options for marketing feeder calves is retained ownership. Retained ownership offers cattle producers the opportunity to capture all of the profit their calves potentially generate for the subsequent owners in the stocker and feedyard phases, by providing a mechanism for cow-calf producers to maintain ownership of the animals as they are custom finished and sold at harvest. Additionally, retained ownership is one of the only options for a producer to obtain carcass data on their cattle. Unfortunately, many

cow-calf producers do not consider retained ownership as a marketing strategy for their calves due to one or more of the following reasons:

1. They don't know this option exists.
2. They don't understand how the process works.
3. They don't produce enough calves to sell a truck-load (~50,000 pounds), and therefore incorrectly assume that retained ownership is not an option for them.
4. Valid concerns about the additional risk of morbidity and mortality once their calves arrive in the feedyard.

Alabama Pasture to Rail is a retained ownership program through the Alabama Cooperative Extension System with the objective of providing producers the opportunity to retain ownership of a portion of their calf crop, regardless of the size of their operation, and learn the basics of this marketing strategy. By consigning as few as three calves, a producer can obtain full performance, carcass, and health data on their calves. Many producers use this to get a snapshot of their health and genetic programs with minimized risk, but others have used Alabama Pasture to Rail as a way to gradually build into retaining ownership of their entire calf crop. Either way, Alabama Pasture to Rail is an educational tool producers can use to learn more about how their cattle perform in the feedyard and how retained ownership functions.

Consignors are asked to precondition their calves prior to shipment. Simple guidelines for vaccinations, nutrition, and management are provided to producers. Additionally, it is recommended that calves are weaned at least 60 days and arrive at the shipping location

weighing no less than 600 pounds, but preferably 700-850 pounds. Upon arrival at the shipping location, calves are weighed, tagged, and graded based on USDA feeder calf muscle and frame scores with a value assigned based on current market prices. Calves are then commingled and shipped to the feedyard.

Since 2016, 1484 calves from 41 farms across Alabama and southern Tennessee have been shipped to Hy-Plains Feedyard in Montezuma, KS as part of the Alabama Pasture to Rail Program. On average, these calves leave the southeast weighing 737 pounds and are on feed for 169 days. At that time, they are harvested at one of the four major processing facilities in southwest Kansas. By then, these calves have averaged gaining 3.43 pounds per day and finish at 1305 pounds. From a health standpoint, 12.74% of these calves were treated during the feeding period and 2.36% died or were marketed prior to slaughter as chronically sick cattle. Calves in the program average \$68.75/head greater return to the producer than if they had been marketed locally, however, health is a tremendous driver of profitability. Calves that go untreated have averaged \$99.42/head profit above what they would have brought if sold locally in Alabama, while calves that were treated a single time lost an average of \$48.94/head.

Economic factors that impact retained ownership of feeder cattle

There are many factors that influence the relative profit or loss associated with retaining ownership of feeder cattle, some of which include beef supply and demand, feed and fuel prices, carcass quality and yield, feed conversion, average daily gain, health, etc. Factors such as beef supply, demand, and commodity prices are largely out of an individual producer's circle of

influence. However, on-farm genetic selection and management can have a direct impact on carcass quality, yield, and animal health and performance, thus influencing the economics associated with retained ownership, particularly when calves are sold on a grid.

Marketing finished “fat” cattle can take many different forms. For most producers in a retained ownership situation, in which carcass data is desired and premium carcasses are expected, many utilize a grid marketing system. A typical grid will use a negotiated base price for a Yield Grade (YG) 3, Choice carcass on a carcass weight basis. Additional premiums are assessed for cattle that generate YG 1 and 2 carcasses, as well as those that grade USDA Prime or reach one of several USDA Certified Beef Programs like Certified Angus Beef. Discounts are incurred on fatter carcasses (YG4 and YG5) and cattle that grade USDA Select or less, as well as carcasses larger than 1050 pounds, smaller than 575 pounds, or those that have some type of quality defect (i.e., Dark Cutters).

Maintaining the health of feeder cattle

As mentioned previously, the health of calves enrolled in the Alabama Pasture to Rail Program has been a major factor in determining the success and profitability or the financial losses associated with retained ownership. Three factors that greatly influence health are weather, working with a feedyard that has competent and dependable pen-riders that can accurately identify potentially sick calves, and on-farm post-weaning management of feeder calves. Weather is again largely out of a producer’s control, with the exception of choosing the time of year to ship calves to the feedyard. Working with the right feedyard requires sound advice,

experience, and good relationships, while post-weaning management of feeder calves is directly controlled by cattle producers.

Feeder calves that are properly preconditioned will be older and have more robust immune systems that are more capable of handling the stress of transportation and subsequent exposure to new and/or additional pathogens. Properly preconditioned feeder cattle will shrink less during transportation, and will also be able to more readily adapt to their new surroundings in the feedyard by knowing how to drink out of a water trough and eat out of a feed bunk. More information about recommended preconditioning practices can be found in these proceedings under the title *Preconditioning Systems and Management Practices for Beef Calves*.