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What I Look For in Feeder Calves

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If the title of my talk is, "What I Look for in Feeder Cattle," then it could be subtitled "Pounds Times Dollars" because that's how you and I make money. If I could sum up in one word what I look for in feeder cattle, that word would be "profit."

Basically, I'm a grain farmer who chooses to market his grain through cattle instead of shipping it to the Gulf in a railroad car. The problem with this talk is that what I look for in feeder cattle and the kind of calves you should try to produce may not be the same thing. Of course, you try to ship only healthy cattle and I try to buy only healthy cattle. That is the first criterion for both of us.

However, once I have established that the cattle are healthy, I try to buy someone else's mistakes, someone else's bad management. And I try to buy them cheap. Hopefully, you are the good managers who don't make such mistakes, who don't have to take less money because of errors in genetics or conditioning. Let me give you an example of how buying a breeder's mistakes can benefit a feeder.

Last April we bought small framed British breed cattle at $2 to $3 under the average cost of 500-lb cattle. These cattle gained less than larger framed cattle, but their efficiency was such that the actual cost of gain was the same. The end result was that in October we sold these 100 head of cattle at a final weight of 1000 pounds and at a $1 under what heavier cattle would have brought. Since they were 98% choice and 100% 2's and 3's, we made $40 per head, but only because of the lower price we paid the producer. We couldn't have made that profit if we had paid the extra $2 or $3 that was the going price at that time. I have to say, then, that if you people can afford to produce lighter weight calves and even take less money per hundredweight for them, I'll sure buy them. However, when you multiply pounds times dollars, I don't think you producers can afford to sell that kind of cattle.

It seems I should address compensatory gain here. Just like all feeders, I try to buy green cattle. That's healthy cattle that someone half starved. Even though we know compensatory gain is cheap, a lot of feeders are scared of gaunt cattle. Since it takes a good eye to buy them healthy and hungry, sometimes you can really get them cheap. Again, a skillful feeder will benefit from a producer's mismanagement.

How about performance tested cattle? My wife has run a performance tested Simmental herd for 15 years and has tested her yearling bulls with the Iowa Beef Improvement Association and in our own feedlot since 1970, so I know something about performance records and I know they are of tremendous value to you breeders. I believe in performance testing and I believe the commercial breeder must buy bulls with performance records in order to maximize his own herd's potential. But, if you think I'm going to pay more for your calves because you have a computer, you're crazy. I don't pay a premium for performance tested cattle until they are proven in my own lot. And then I can't afford to pay you so much premium that you realize all the profit from their genetic superiority and I realize none. We have to share the genetic superiority and both make money because of it. As I said, I'm willing to pay a premium for performance cattle but only if their herd mates from a year ago were tested and proven superior in my feedlot. It doesn't mean a thing to me if you won some contest at some state fair.

You grass and forage farmers came here to find out how to gross the most dollars from your grass and forage. Pounds times dollars. Maybe you're interested in what this cattleman thinks is the best feedlot calf.

First, let's talk about breeds. You and I both know which breed of cattle is best for the feedlot. The best calf in the feedlot is a crossbred calf. If you are still raising straightbred cattle to feed out, you should cross those cows with something else. Not only will you obtain the benefits of hybrid vigor, but also that vigor will carry over into the feedlot. What type of crossbreeding you do depends upon your individual ranch conditions, i.e., rainfall, grass, etc. As far as I'm concerned, though, there are a few "don'ts."

Don't sell straightbred Herefords to the feeder because he has to sell them at a discount to the packer. He sells them at a discount to the packer because that same packer has found that too many Herefords reach the high 3 and 4 yield grades to make choice. Maybe your Herefords aren't like that, but the packer is going on past experience and he's putting the screws to me and I have to put the screws to you to make Herefords work.

I don't understand why you South Dakota Angus breeders are concentrating so hard on size that you are willing to give up calving ease and grading ability. People who once used Angus bulls for calving ease have rediscovered the Texas Longhorn. Longhorn crossbreds never seem to gain very well and mature at too light a weight. Who needs them? I'll take them at a good discount, empty.

What about size? The best prices are paid for 700- to 900-lb steer carcasses. I'm talking, now, about the prices the feeder gets from the packer. That means the packer prefers 1150 lb or above live weight or medium-large to large framed cattle. And the feeder prefers large framed cattle because he can improve his efficiency by adding more pounds per steer, thus minimizing his one time start up costs. Start up costs are expenses associated with transportation and shrink, processing and vaccinating, low gains when the calves are getting used to new feed and facilities and initial sickness. The easiest way to get medium-large and large framed cattle is to make sure one of the breeds in your crossbred calves is a large exotic such as Simmental or Charolais. Using tested sires and culling poor cows also means you'll produce better feeders.
You've probably noticed that I haven't mentioned anything about grade and yield. Dressing percent is determined by the feeder. Carcass and yield grades are genetically established, but the feeder must recognize the end point to which these steers must be taken. In the final analysis, he determines these carcass characteristics. You, as breeders, can make greater impact by concentrating on other economically important traits.

Preconditioning is another topic that has been bandied about for the last several years. Like performance testing, it means different things to different people. In these times an extra dollar from anywhere will help, and preconditioning may add that extra dollar. Again, feeder and producer alike must share the benefits of this additional management tool. As far as I'm concerned, weaning and bunk breaking your calves are the most important aspects of preconditioning. Let me add that, if they have had every shot in the book but are snotty nosed upon arrival, they are substandard. Preconditioned cattle are healthy, bunk broke and weaned. Of course, I like to know they've been vaccinated and implanted.

I've tried to describe for you my version of the ideal feeder calf. He is a healthy, large framed, performance bred, preconditioned, crossbred steer. Let's say he yours. Now, what are you going to do with him? Are you going to sell him to me? I've already told you that I can't afford to pay much premium unless his big brother made more money than all the other calves in my feedlot last year. Remember, I'm still looking for your neighbor's mismanaged cattle that my fellow feeders are discounting. I'm counting on my own management ability to turn cheap cattle into dollars. So, even if I do buy your steer, chances are I won't pay you all the premium he's worth. How do you, the producer, and I, the feeder, both make a profit with this calf instead of trying to beat each other?

I think it's obvious that you should retain ownership of your own superior feeder calves. Put them in the feeder's custom lot. He doesn't charge any more to feed winners than he does to feed losers. He receives a guaranteed return for his grain, labor and facilities, but you reap all the benefits of your superior cattle from birth to death.

In order to make retained ownership work, you need to look at three things. One, are you confident that your calves are feedlot winners? Are they healthy, large framed, performance bred, preconditioned and crossbred?

The second consideration is the feeder's ability. Have you visited his feedlot and checked the quality of his feed, his death loss, his treating facilities? Just as there are mismanaged cow herds, there are mismanaged feedlots.

And the third item that should concern you is the actual written contract the feeder presents to you. How does it stack up with other custom feeding contracts? Your extension department might be able to help you here.

Custom feeding may not be right for all of you, but it is certainly an option you should not overlook. Obviously, another six months of ownership can cause cash flow problems. This is not my field of expertise. You should sit down with your banker and map out two strategies, listing the financial benefits of both selling at weaning and retaining ownership of your calves.