

Florida Cattle, Midwest Stocker Programs, and Retained Ownership

Tommy Mann

Rancher

Palmdale, Florida

I have a different perspective of retained ownership than most cow-calf owners. Though I do own an interest in a cow-calf operation, I am a trader at heart, a stocker operator by choice, and a feeder by necessity! As most of you know, I have a partner, Craig Meachum who lives in Clinton, Oklahoma, located in west central Oklahoma in the heart of wheat country. We are and have been actively involved with video auctions since their beginning in Florida and I work with Superior Livestock Auctions as a representative and regional manager.

In Oklahoma, we have a set of receiving and shipping pens, some equipment, and a feed barn and lease pasture to custom graze all our stocker cattle. Having been asked at a gathering what type of calves we ran as stockers, we both answered "those we can't sell"! About half of our business is trading and the other half stocker and feeding operations. We buy a set of your calves, which at delivery time are too high to re-sell at a profit. We sometimes keep them, run them as stockers; and, when they are yearlings and still too high to sell, we send them to a feedyard; and when they get fat, we have to sell them; and if there's any money left, we take it, borrow more, and start over! A year or two more like 1994 and there may not be any left.

Seriously, there are several things to consider when deciding whether to retain ownership in calves:

- Market (present and future)
- Availability of feed or grazing, and costs and location
- Your cash flow (available financing, etc.)
- Type of animal you will market: feeder, light stocker, or replacement heifers.

Market

No one knows 100% what the future market holds, but we can all stay fairly current with the present market. There are numerous market analysts, including extension people, cattle-fax, and others that can predict the future market you will sell on. And you can always consult a commodities trader as to what you place a hedge on your cattle at. Personally, I'd rather gamble.

Availability and Types of Programs, and Locations

You have several options. You can go directly to a confinement type feedyard which, depending on the cost of feed, the time of year, and the size of calf, might be the best option. Another option is to place them in a growing yard, sell them or go to a finishing lot. Another option is to go to some type of grazing (summer or winter) program, go on to another grazing program with a lighter animal; sell them as feeders or replacements, or go to a finishing lot.

Your Cash Flow

This probably influences us more than anything. Most commercial feedyards have some type of financing available. Most will finance from 70 to 80% of the value of the animal going into the lot and all the feed costs. Most will also partner with you in some manner. A few will finance your cattle while outside the yard, from grazing right on through finishing them.

Type of Animal You Will Market

If you have big calves, 500 pounds and up, you are probably locked into selling them as feeders to a feedyard (retaining ownership to heavy feeder weights 700–900+), finishing them in a feedyard, or selling the heifers as replacements. If you start out with a lighter calf, you may have one more option—selling them at around 650 pounds, or less, to go on to another grazing operation.

Our Program

We have tried all of the above programs at one time or another. I guess that if we had our choice we would buy as light as possible so we could own him longer, put as much cheap gain on him as possible, and hope like hell that at some point during that time we can sell him for a profit. I have a simple formula I use to determine the breakeven on an animal when I purchase him. Basically, it is as follows, with minor adjustments depending upon feed and interest costs (Table 1).

As stated above, the costs may vary depending on cost of grazing, feed, and time of year in feedyards.

Receiving Program We have basically *no* health problems on calves received directly off a Florida ranch, regardless of the ranch's vaccination program. We prefer calves that have had their virus and clostridium shots, but most important to us is condition and disposition; and we prefer that they have been dehorned as calves. When they arrive they are weighed off the truck, put in a pen with fresh hay and water, rested a few hours, then processed. They are given a virus shot (IBR, PI3, BVD, and BRSV), a 7 or 8 blackleg shot, dewormed with Ivomec-F®, implanted, branded, eartagged with a tag showing our name and phone number, and dehorned if needed. Depending upon condition of the calves, availability of pasture, etc., they are kept in receiving pens from 3 days to 3 or 4 weeks. In the summer and fall, which is when we receive most of our calves, we quite frequently have to turn them out on

some type of native or rough pasture until wheat pasture is available which is usually between October 15 and November 1. Our biggest health problem on received calves can usually be attributed to a careless truck driver who stays on the road too long. To help eliminate the problem, we reward our drivers who average better than 50 MPH on loaded miles by paying them \$100.00 on top of the normal freight bill. (Of course, if they take 10 hours too long, we may make a deduction!)

Our basic grazing program is to put calves out on wheat pasture in the fall and leave all of them until around March 1–15. At that time the heavier yearlings, weighing 650 lb. and up on heifers, and 700 lb. and up on steers, are either sold or (as this year) sent to the feedyard. Most years all the lighter cattle are left on graze-out wheat until April 15–May 15, at which time heavier cattle are sent to the feedyard, and lighter ones to summer grass where they will stay until September 1–15. There are basically three ways we lease wheat pasture:

- 1) **Guaranteed cost of gain**—this year, the most is \$0.35/lb/gain.
- 2) **So many dollars per head per month**—this year, \$2.50/100 lb. in weight, plus \$2.00/head.
Example: 300 lb. calf \$ 2.50
x 3
 \$2.50/100 lb 7.50
 for care + 2.00
 cost/head/month \$ 9.50
- 3) **Lease pasture for season by the acre**
Example: \$80/acre

We normally try to stock the 1) guaranteed cost of gain leases with heavier calves (400 lb.+), and put lighter calves on the 2) plan because light calves will gain just as much per day and thus make the head cost, or total cost, less.

- Example: **500 lb. calf** \$2.50/cwt = \$12.50
+ 2.00
 cost/head/month \$14.50
- 300 lb. calf** \$2.50/cwt = \$ 7.50

+ 2.00

cost/head/month \$ 9.50

Both calves gain 2 lb./day, or 60 lb./month. Cost of gain may be calculated:

500 calf \$14.50

lbs. gained/month ÷ 60

cost/lb. gained/month \$ 0.24

300 calf \$ 9.50

lbs. gained/month ÷ 60

cost/lb. gained/month \$ 0.16

Summer Pasture Our summer grass pasture is on a cost per acre lease which varies depending on seasons. It normally ranges from 20¢ to 30¢ per lb. gain.

Replacement Heifers In the past, on our fall grazing we have run more heifers than steers; and selecting the top out of them, have bred from 300 to 500 to sell as bred heifers. This has never failed to be profitable. We would expose them from December 15 to May 15; and at palpation sort them into two groups for early and late bred, also grouping them

Table 1. Calculating the breakeven price of cattle.

according to type and color.

This year we did not expose any heifers of our own, but do have a group belonging to a Florida rancher that he weaned in July 1994 and sent to us to look after and expose. They will be returned to Florida in June 1995.

Summary

In summary, I think the next couple of years are going to offer some opportunities for all of us to consider retained ownership. I realize that, because of Craig's and my unique situation as to location, we have an advantage over many of you who may not have a connection with a stocker or feeder. If you are a cow-calf producer, you have one big advantage over us—you already own the rough product, the calf. In these perilous times, we all must be flexible. As you must consider retained ownership, I must consider not selling or buying your cattle, but assisting you by partnering or helping you place your cattle for retained ownership.

	Steer	Heifer
Delivered price to Clinton, OK	400 lb x 85¢ = \$ 340	400 lb x 76.25¢ = \$ 305
Grazing gain 35¢/lb x pounds	300 lb x 35¢ = \$ 105	\$ 105
Processing, interest, & death/loss	\$35/head = \$ 35	\$ 35
Total, above	\$ 480	\$ 445
Breakeven Cost—700 lb. animal	480 ÷ 700 = \$0.6857/lb	445 ÷ 700 = 0.6357/lb
To Feedyard—cost of animal	480.00	445.00
Freight \$1.00/cwt	7.00	7.00
Steer — 52¢/lb/gain x 450 lb.	234.00	
Heifer—54¢/lb/gain x 350 lb.		189.00
Processing, interest, & death/loss	35.00	31.00
Breakeven—1150 lb. steer	\$0.6574/lb	—
Breakeven—1050 lb. heifer	—	\$0.6400/lb