

Ranchers Who Have Retained Ownership After Weaning

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Retained ownership is not for everybody and is certainly no “get rich” scheme. There are numerous decisions that should be made and actions taken before retaining ownership, i.e.

- I. Size of Ranching Operation - Size is not important so long as producer can load a semi-truck with approximately 50,000 pounds of reasonably uniform calves. They can be mixed sex if necessary to make the load, but feeding cost increases with mixed group.
 - II. Reason for Retaining Ownership
 - A. Economical aspects:
 1. Shift income to another year;
 2. Alter cash flow; and
 3. Potential to increase profits.
 - B. Data collection:
 1. Carcass data collection to evaluate cattle produced and determine breeding needs for improvement; and
 2. Use data to build herd reputation for future sales of cattle.
 - III. Selecting Feed Yard
 - A. There are many feedyards, both large and small, available for retained ownership. I would suggest that a producer visit several feedyards, talk to feedyard customers, and talk to your neighbors and friends that retain ownership for references. Select a feedyard that is willing to work with you to provide you the data desired and with which you feel comfortable. If feeding more than one load of cattle, one might want to feed at more than one yard, which will spread risk and exposure to more than one type and location of feeding operation.
 - B. Partnering might be an option. Most feedyards are willing to partner with a producer by buying an interest in the cattle at time of delivery to feedyard. First-time retaining ownership might feel more comfortable if they partner in the beginning. Risk is reduced and cash flow can still be affected to some degree.
- IV. Preparing Cattle for Retained Ownership
 - A. Preconditioning is not an absolute must, but is highly recommended.
 - B. The selected feedyard will suggest a vaccination and preconditioning protocol, and the more suggestions that can be performed; the more likely you will have a successful experience at retaining ownership. Pharmaceutical companies offer suggested protocol for preparing cattle before shipment to feedyard.
 - V. Profit Potential - A general rule of thumb is that more money is made feeding cattle when feeder prices are cheap than when prices are high. In very simple terms:

Example with cheap prices:

600 lb feeder steer
<u>x.70</u> lb cost
\$420 value at ranch
1,200 lb finished weight
<u>.70</u> lb selling price
\$840.00 gross proceeds
<u>- 420.00</u> less cost/value at ranch
\$420.00
<u>- 300.00</u> less cost to feed (600 lb gain at .50/lb)
\$120.00
<u>- 30.00</u> less .05 lb. freight
\$ 90.00
<u>- 10.50</u> interest on cattle & feed or loss of use of money at 5% for 6 months

\$79.50 Potential Profit

Example with high prices:

600 lb feeder steer
x .90 lb cost
\$540.00 value at ranch

1,200 lb finished weight
 .70 selling price
\$840.00 gross proceeds
- 540.00 cost/value at ranch
\$300.00
- 300.00 cost to feed (600 lb x .50/lb)
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- 30.00 freight to feedyard (.05 per lb)
- 13.50 interest on cattle & feed or loss of
 use of money @ 5% for 6 months

\$43.50 Potential Loss

- VI. Price Protection - Price protection is a variable from year to year and should be discussed with feedyard who usually has personnel or contacts with expertise to competently advise you of your options based upon current market futures and options.
- VII. Other Considerations
 - A. Shrink - Shrink is a major loss in sale of calves though sale barn, however, this can be recaptured or at least reduced by proper handling of cattle in a retained ownership.
 - B. Alliances or Special Marketing Groups - Depending on your breed
- VIII. Downside - Along with the potential to make a profit by retaining ownership comes the “risk” of losing money.
 - A. The adage, “What can go wrong, will go wrong” comes into play.
 - B. The longer you own cattle, the better chance of death loss due to sickness, injury or weather.
 - C. The increased labor costs, costs of vaccination and feed for preconditioning increases your costs in calves.
 - D. Market fluctuation in price of finished cattle and feed can result in loss.
- IX. Conclusion - The bottom line is, it is a “learn as you go” endeavor, and I would strongly suggest that if you are considering retained ownership for whatever reason, that you take the time to sit down with someone who has participated in a retained ownership program and fully discuss it with them.

Then, start slowly.

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