

# **Making Pre-conditioning Pay: Small Producers**

**Dr. Matt Poore**

**Extension Ruminant Nutritionist**

**North Carolina State University**



**In the future, it will be more and more important for producers to fine tune their production and marketing programs**

- ◆ Use practices and traits that are valued by buyers**
- ◆ Maintain identity on cattle and "assure" value**
- ◆ Use cost efficient practices when adding value**

Larson



"I'm afraid you've got cows, Dr. Poore"

# What Characteristics are Valued?

- ◆ Basic production practices
  - ◆ Castration, dehorning, etc.
- ◆ Genetics/Predictability
  - ◆ Carcass traits
  - ◆ Growth Potential
- ◆ Pre-conditioning
  - ◆ Weaning/Bunk and Water Training
  - ◆ Health/Vaccination Program
  - ◆ Source and age verification
- ◆ Single-source truckload lots



# Types of Producer Mentality in Southeast

- ◆ Producers that will not do anything with their cattle.
- ◆ Producers that will do anything "recommended" because it is "the right thing to do".
- ◆ Producers that are truly profit motivated.

# Size of Operation Influences What is Possible for Producers

- ◆ **Large operations >250 cows**
  - ◆ Sort calves into uniform groups
  - ◆ Economy of scale in all aspects
- ◆ **Medium operations 150-250 cows**
  - ◆ Challenged to put together a truckload of feeder calves. Uniformity might be a problem.
  - ◆ Moderate economy of scale
- ◆ **Small producers <150 cows**
  - ◆ Can't realistically package into truckloads
  - ◆ High costs in many inputs

# Premiums for Preconditioned Cattle

- ◆ Lalman and Smith – \$3 to 8/cwt added value
- ◆ King et al. (2007, Superior Lvstk Auctions) –
  - ◆ Vac 34 \$3.47/cwt
  - ◆ Vac 45 \$7.91/cwt
- ◆ Hall et al. (2008) – \$5 to 8/cwt



# Weaning Programs

- ◆ Are expensive for all size producers
- ◆ Should improve health status and acclimate calves to feedlot conditions including bunk feeding and water troughs
- ◆ Increase risk for cow/calf producers
  - ◆ stress on producer
  - ◆ sickness...minor problem
  - ◆ market decline





# Weaning Programs

- ◆ Pasture or lot weaning are viable
- ◆ Getting calves started on feed in a lot will usually be easier but pasture has advantages
- ◆ Hand feeding preferable to self-feeding
- ◆ Getting calves to eat quickly is the key
  - ◆ Good quality grass hay in bunk with concentrate on top
  - ◆ Palatable, high quality concentrate best in the early period
- ◆ Generally use the concentrate to deliver trace minerals and coccidia control

# Feeding Systems for Preconditioning Calves, McKinnon and Whalberg, 1999

- ◆ Spring-born Angus X calves
- ◆ 42-d program, repeated two years
- ◆ Three post-weaning treatments
  - ◆ Hay + 1% body weight corn-based concentrate (\$220/ton)
  - ◆ Pasture + 1% body weight concentrate
  - ◆ Pasture only
- ◆ Return calculated based on 2007 prices for feed and cattle
  - ◆ Cattle prices based on two sales

# Performance and Return

Item	Hay +Grain	Pasture + Grain	Pasture Only
Start Wt, lb	532	537	539
ADG, lb/d	2.11	2.35	1.78
Final weight, lb	620	636	614
Feed cost, \$	39.81	31.21	21.50
Total cost, \$	58.81	50.21	30.50
Gross return, \$ <sup>1</sup>	24.65	34.10	9.46
Net return, \$ <sup>1</sup>	-34.16	-16.11	-21.04
Gross return, \$ <sup>2</sup>	74.29	84.97	58.57
Net return, \$ <sup>2</sup>	15.45	34.76	28.07

<sup>1</sup> 2008 Commingled graded sale

<sup>2</sup> 2008 VQA Tel-O-Auction truckload

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# How Do You Get to the Next Level of Marketing?

Use a verified calf pre-conditioning program and market in truckload lots



# Virginia Quality Assured Feeder Calf Program

- ◆ Coordinated by the Virginia Cattlemen's Association, Cooperative Extension, and the Department of AG
- ◆ Certified health program
- ◆ 45 day weaning period
- ◆ BQA training required
- ◆ Optional genetic assurance (2 level program)
- ◆ Auditable processing records with the cattle
- ◆ Third party verification



# VQA Feeder Cattle

vs.

## 2006 Graded Sales (L&M1)

### Steers

4-weight	226 Hd.	+ \$5.70
5-weight	750 Hd.	+ \$9.08
6-weight	3756 Hd.	+ \$6.35
7-weight	3176 Hd.	+ \$5.23
8-weight	1335 Hd.	+ \$4.21

### Heifers

4-weight	213 Hd.	+ \$5.80
5-weight	1417 Hd.	+ \$4.63
6-weight	1613 Hd.	+ \$5.77
7-weight	311 Hd.	+ \$7.24

# **Producer Marketing Alliances Help Small Producers Achieve Truckload Prices**

- ◆ **Producers use similar health program**
- ◆ **Calves are either preconditioned together or on their home operation**
- ◆ **Calves generally marketed through tele/video-auction companies or through state operated board sales**
- ◆ **Allows producers that could never achieve truckload prices work together on loads and to create a collective reputation**
- ◆ **Marketing alliances also currently being created by large producers in NC**



# **Southern Virginia Beef Alliance**

- ◆ **Made up of 30+ producers from 5 southern VA counties**
- ◆ **Primarily current and former tobacco farmers trying to make more of their cattle**
- ◆ **Use the VQA Feeder Cattle Program (mostly “Purple Tag”)**
- ◆ **Both individual farm loads and loads commingled day of shipping**
- ◆ **Sell through the VA Cattlemen’s Tele-auction**

# Goose River Farm Case, 2007

- ◆ Small producer, 35 cows, fescue system
- ◆ 2007 calf crop 16 steers weaned May 21
- ◆ Preconditioned 82 days
- ◆ Sold August 10 with the Southern Virginia Beef Alliance
- ◆ Value at weaning based on commingled graded sale at Lynchburg, VA
- ◆ Producer weighed on-farm at 0, 39 and 65 days
- ◆ Producer kept detailed records on feed use, labor and other costs

# Backgrounding Management

- ◆ Calves were fed 9 lbs concentrate per day (blend of soybean hulls and corn gluten feed) plus pasture and mineral.
- ◆ Feed cost \$173/ton (\$204/ton including hauling over 100 miles).
- ◆ Vaccination, dewormer, and parasite control program was as agreed on by the alliance

# Preconditioning Budget (SBVA)

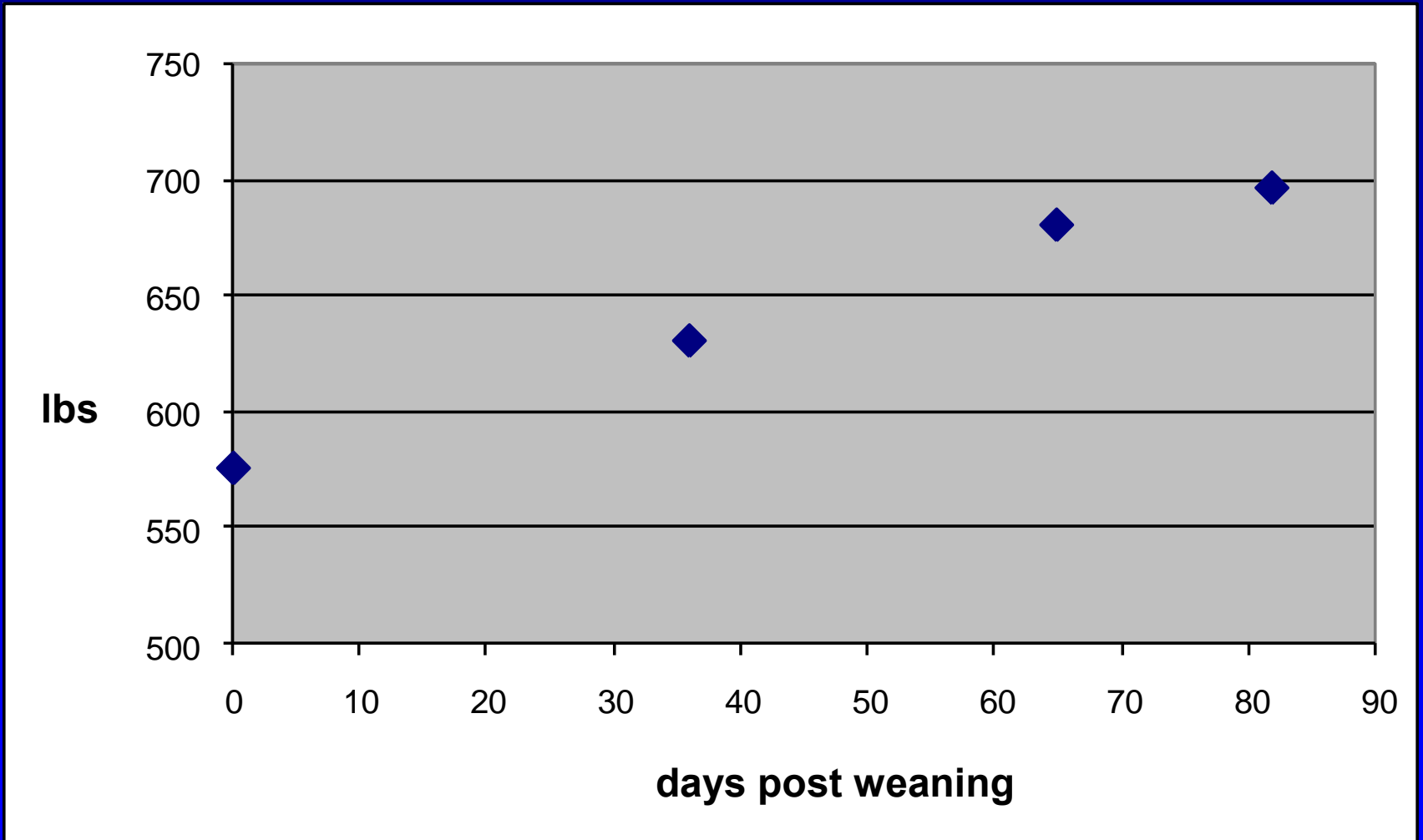
<u>Item</u>	<u>\$/head</u>
Total feed <sup>1</sup>	90.54
Hauling feed	11.77
Vaccines/eartags	5.00
Dewormer	0.45
Labor	30.00
Shipping	6.56
Sales cost	19.51
Misc. Equipment	10.00
<b>Total Cost</b>	<b>\$173.86</b>

<sup>1</sup> Concentrate \$65.12, pasture \$22.96, minerals \$2.46

# **Estimating Net Return, Conditions and Assumptions Made**

- ◆ **Initial value based on 4% shrink from on farm weights at weaning**
- ◆ **90 miles delivery to graded sale, 46 miles to SBV Alliance collection site**
- ◆ **Weights at delivery to alliance were actual sale weights**
- ◆ **Sale weight at the graded sale based on 99% of weight at SVBA collection site**

# Weights Post-Weaning



# Price, Value and Return with Two Marketing Options

Item	Weight	Price	Value	Return
Weaning	543.9	116.22	601.94 <sup>1</sup>	
Precon, GS	689.6	110.70	763.38 <sup>2</sup>	-13.76
Precon, SVBA	696.6	117.80	820.57 <sup>3</sup>	44.77

<sup>1</sup> Includes \$14.10 shipping, \$20.69 sales cost

<sup>2</sup> Includes \$181.24 preconditioning costs

<sup>3</sup> Includes \$172.36 preconditioning costs

# How Can the Cost of Preconditioning Programs be Reduced?





**Feed cost becomes the major issue because it is a large part of the total budget, and the only category where significant savings can be realized.**







# Strategies for Reducing Feed Cost

- ◆ More emphasis on optimizing use of grazed forages
- ◆ Reduced level of concentrate feeding
- ◆ Use of alternative concentrate ingredients
- ◆ Alternative feeding strategies
  - ◆ Reduced frequency of feeding
- ◆ Self-feeding

# Frequency of supplementation of growing calves with a byproduct-based blend

- ◆ Study conducted for 4 years
- ◆ Used a 50:50 blend of soyhulls/corn gluten feed
- ◆ 1% of bodyweight daily concentrate rate
- ◆ 4 years with daily supplement (7X), and Mon, Wed, Fri (3X, 2.3% bwt).
- ◆ Last 2 years also Mon, Thurs (2X, 3.5% bwt)

# Average Daily Gain, Hay Intake, and Feed Conversion of Steers Supplemented 7, 3 or 2 Times a Week with Soyhulls/Corn Gluten Feed

<u>Item</u>	<u>Hay</u>	<u>7X</u>	<u>3X</u>	<u>2X</u>
ADG, lb/day	0.70 <sup>a</sup>	1.87 <sup>b</sup>	1.85 <sup>b</sup>	1.87 <sup>b</sup>
Hay intake, lb/day	12.8 <sup>a</sup>	11.0 <sup>b</sup>	9.7 <sup>c</sup>	9.2 <sup>c</sup>
Feed conversion	18.5 <sup>a</sup>	8.7 <sup>b</sup>	8.1 <sup>b,c</sup>	7.7 <sup>c</sup>

a, b, c P < 0.05

Drewnoski et al. unpublished

# More Information Needed

- ◆ Better understanding of transport shrink
- ◆ Optimum starting feeds for on-farm weaned calves
- ◆ Optimum level and delivery of feed in new concentrate cost environment
- ◆ Dealing with varying value of gain
- ◆ Price risk protection during the preconditioning period



**Pre-conditioning will generally pay if it allows you to move up to marketing in truckload lots. Otherwise, potential for improving profit is marginal.**





