



Questions &  
Answers

# Answers To All Your Questions About Cattle Feeding

*Now is the time to consider a retained ownership management plan for your operation.*

**But how do feedyards work?**

*Here are some of the most commonly-asked questions about cattle feeding — and the answers.*



**Q - What will the cost of gain be?**

**A -** The cost of gain will vary on each pen of cattle depending on many factors. Feed costs, genetics, flesh condition, weather and especially health of the cattle is critical in achieving an efficient cost of gain. For healthy steers in the Texas A&M Ranch to Rail Program, the average feed cost of gain over four years was \$48.93 per cwt. and the total cost of gain (feed cost of gain plus interest) averaged \$52.71. For calves that got sick, the four-year average feed cost of gain was \$52.13 and total cost of gain was \$61.80. More importantly, sick calves lost \$22.66 per head while the healthy calves made \$69.60 per head.

**Q - How do you determine cost of gain?**

**A -** Cost of gain is figured by dividing the total cost by the total pounds gained. If your total cost to feed your cattle from 600 lbs. to 1,150 lbs. (550 lbs. gain) was \$300

per head, your cost of gain would be 54.55¢ per pound (\$300 total cost divided by 550 lbs. gain). Feedyards can estimate the cost of gain on your cattle, but normally will not guarantee a cost of gain because of the many factors that affect the bottom line—many of which the feedyard has little control over.

**Q - What will my breakeven be?**

**A -** Just as with cost of gain, breakeven on each pen of cattle is influenced by many factors. Over four years, cattle in the Ranch to Rail Program had an average breakeven of \$65.79, with a high of \$70.82 and a low of \$62.78.

**Q - How do you determine breakeven?**

**A -** Breakeven is the figure that tells you at what price you need to sell your fed cattle in order to break even on the transaction. It's a simple division, taking the estimated cost to produce a fed animal divid-

ed by its expected endweight. Feedyards can predict fairly accurately what the feed bill, medicine bill, interest and other expenses will be and estimate a breakeven on your calves. As an example, assume you purchased 600 lb. calves at \$80 per cwt. with a 3% pencil shrink for an average cost per calf of \$465.60. Other costs are estimated to total \$300 for total expenses per head of \$765.60. If the calf weighs 1,150 lbs. when sold to the packer (including a 4% pencil shrink), the breakeven is \$66.57 (\$765.60 divided by 1,150). If you paid \$90 per cwt., the breakeven jumps to \$71.63.

**Q - How many times do you feed per day?**

**A -** Most feedyards feed cattle twice a day, some three times. An employee called a bunk reader drives the feedyard and checks consumption on every pen. The bunk reader then adjusts the amount of feed delivered to each pen to ensure no feed is wasted, yet the cattle

receive all they can eat. Electronic scales on board the feed truck weigh the feed delivered to each pen to ensure you're only billed for the feed your cattle are given.

**Q - What will the ration cost be?**

**A -** Feed costs represent 80% to 90% of the total cost of gain and ration prices are reported on either a dry matter or as fed basis. Feedyards generally price feed ingredients into the ration at cost and add a "markup" to cover operational costs. Ration costs, usually priced per ton, vary from feedyard to feedyard, with moisture and net energy levels accounting for most of the variation.

**Q - What other costs will the feedyard charge?**

**A -** Feedyards typically charge for initial processing when the calves arrive at the feedyard, plus any medicine used when a calf needs individual treatment. Feedyards will also collect for the \$1-per-head beef checkoff and TCFA dues of 45¢ per head.

**Q - Do you finance the feed bill?**

**A -** Many feedyards will finance the feed bill for customers, and some will finance the cattle, too. Interest rates vary and are usually based off the prime rate.

**Q - How do you bill monthly or bi-monthly?**

**A -** Billing varies between feedyards, but most bill monthly.

**Q - What weight cattle should I feed?**

**A -** Feedyards can handle cattle of all weights and types, ranging from 200 to 300 lb. calves up to 800 to 900 lb. yearlings. However, because packers prefer animals between 1,100 and 1,200 lbs., the most common weight of cattle placed on feed ranges from 500 to 700 lbs.



**Q - How much money do you have to put up to get a pen of cattle financed?**

**A -** The amount of equity you'll be asked to put up will depend on your relationship with your lending institution. However, a common rule of thumb is for the customer to put up 25% to 30% of the value of the cattle for equity.

**Q - What are your pen sizes?**

**A -** Pens vary in size, from pens that can hold fewer than 50 head to those that hold several hundred. However, the normal pen size is 50 to 100 head.

**Q - How many cattle are minimum?**

**A -** Feedyards will be flexible in accommodating a customer. If you don't have enough calves to fill a pen, some feedyards will partner with you and buy enough calves to accommodate the pen size.

**Q - Will my cattle be mixed with other cattle?**

**A -** Your cattle will be identified, usually with an eartag, and not mixed with cattle owned by other customers.

**Q - Can I feed steers and heifers together?**

**A -** Many feedyards will feed a mixed pen for customers. However, the feed conversion is usually negatively affected to some degree. All cattle receive the heifer ration, so feed costs will be higher than when steers are fed alone.

**Q - Do you use a veterinarian and nutritionist?**

**A -** Most feedyards retain a consulting veterinarian and nutritionist who work with feedyard personnel to set up animal health and nutritional programs. This ensures that your cattle receive the best health care possible and are fed a balanced, best-value ration. If you're thinking of retained ownership, the feedyard's veterinarian and nutritionist may be available to help you set up a pre-conditioning program at home that will help your calves hit the ground running when they arrive at the feedyard.

**Q - Do you offer insurance?**

**A -** Many feedyards can help you get named peril insurance on your cattle. Check with the feedyard about availability and cost.

**Q - Will you buy my cattle?**

**A -** Depending on the quantity, many feedyards will buy all or part of your calves directly from your operation. If you're considering retained ownership feeding, yet need cash flow, consider selling part of your calves to the feedyard and feeding the rest.

**Q - Do you resell feeder cattle to customers?**

**A -** Many feedyards maintain an inventory of feeder cattle that can be resold to customers. In addition, the feedyard may help you arrange pasture grazing for your cattle, should you wish to background them before they go on feed. Check with your feedyard representative.

**Q - How long does it take to finish a pen of cattle?**

**A -** The amount of time your cattle spend in the feedyard depends on how much they weigh coming in, their rate of gain and mature size potential. Feedyards feed cattle to finish around 1,100 to 1,200 lbs., the weight that packers prefer. A 600 lb. steer that gains 3 lbs. per day will be on feed 167 days to reach 1,100 lbs., while a 750 lb. yearling will be on feed 133 days to reach 1,150 lbs.

**Q - What will my cattle sell for after feeding?**

**A -** While that question is impossible to answer down to the penny, there are seasonal movements in the fed cattle market that affect price. In addition, the price for fed cattle is affected by total cattle supplies and supplies of competing meats. Feedyards in the TCFA area of Texas, Oklahoma and New Mexico have all four major packers located in their region, as well as others in neighboring states that often reach into Cattle Feeding Country to fill their needs.

**Q - How are cattle sold?**

**A -** About 50% of the cattle in Texas, Oklahoma and New Mexico are sold on a live weight basis, where packer buyers visit the yard and negotiate a cash price for the cattle. On a cash trade, you have control over whether to sell or not. When the manager feels a pen of cattle is ready to sell, he puts them on his showlist. A cash price is negotiated between the packer buyer and the feedyard, then you are contacted with the opportunity to accept the offer. If you sell, the packer must pay by the close of business on the next business day after the cattle are shipped.

Other types of sales transactions include formula pricing and grid marketing. Not all feedyards participate in these types of pricing mechanisms—check with the feedyard representative about individual services.

**Q - Can I lock in a profit?**

**A -** Most feedyards offer risk management help for their customers. While using options and futures can't always guarantee that you'll lock in a profit, they can help you manage your investment by protecting you from downside moves in the market and give you an idea about your income at the end of the feeding period.

**Q - Why do you process the cattle when they have already had their shots?**

**A -** For the feedyard, processing all cattle on arrival is a form of insurance. Feedyards buy lots of cattle from many different sources and often don't know the background of the calves when they arrive. Therefore, they process all calves on arrival so they have a baseline starting point. In addition, the products used are often designed specifically for cattle feeding and offer more efficiency.

Some feedyards have recognized the advantages of buying cattle from known sources and of known management. The Ranch to Rail Program found death loss in healthy calves averaged 0.5%, compared with a 2.7% average in calves that got sick. Based on the difference in cost, high-risk calves should have been priced at \$16.19 less per cwt. when placed on feed. If you're considering retained ownership of your calves, it may be well worth your time to work with a feedyard to set up a pre-conditioning and health management program.

**Q - How are non-doer or railer cattle handled and why?**

**A -** "Railer" cattle are those animals that, for a variety of reasons, don't perform very well. Since railers cost more money than they'll make if fed with the rest of the pen, they are usually sold on the rail ahead of time.

**Q - Why should I feed cattle with a TCFA feedyard rather than a feedyard in another area?**

**A -** Feedyards in Cattle Feeding Country of Texas, Oklahoma and New Mexico offer several advantages: (1) The area's central location may mean less transportation costs. (2) An ample harvest of locally-grown feedgrains and volume shipments from the Midwest ensure a plentiful supply of feed. (3) Relatively mild winters and good summer weather have helped the three-state area earn its reputation as "Cattle Feeding Country." (4) Lenders in the area understand the industry and are willing partners. (5) All major packers have located large, modern plants in the area, ensuring a market for finished cattle.

**Q - Will you do a good job?**

**A -** Feedyards build their reputation on trust and on servicing their customers in the best way possible. That relationship of trust between the feedyard and its customer is one of the most important factors in your decision to feed cattle. Talk to several different feedyards, talk to their customers and talk to your bank. If you wish, some feedyards will include a legal contract as part of the feeding arrangement, with provisions to ensure cattle count. You'll have no trouble finding a feedyard with which you feel comfortable investing not just your calves, but your trust.