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WHAT DOES THE CATTLE BUYER LOOK FOR IN FEEDER CATTLE?

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INTRODUCTION

This subject is steeped with opinion, prejudice and fact in a recipe similar to politics. Some issues are understood, definable and reflected in market prices. We all are aware of body weight, fill, frame, and flesh influences on price and value. Unfortunately, these four factors are inadequate for identifying as much of the profit potential differences between feeder cattle as we would like. As the industry pushes to find sources of profitable cattle, a much broader range of issues is being addressed. The motives and rationales behind these promotions deserve serious scrutiny. We need to distinguish between opinion, prejudice and fact. Ranchers, growers and feedlot operators all need to recognize the factors that improve the total biologic and economic efficiency of producing beef. Then, they need to identify realistic, complimentary management strategies between each segment of beef production.

The first step in analyzing the system is to recognize everyone's primary business objective. Ranchers are trying to generate cash from grass and fodder resources. Feedlots are trying to increase the cash value of grains. Custom feedlots are trying to sell a unique service. Stocker-growers are trying to generate cash from forages and/or may be offering services by upgrading "quality" in feeder cattle. Packers are offering another unique service.

Since the primary business objective differs between each segment of the industry, the marginal value of various factors changes. Feed cost/gain has little influence on the value of the packer service. Reproductive efficiency is of no direct concern when feedlots are increasing the value of corn. Even so, we are all highly dependent upon the economic viability of each other and need to respect the needs in each segment of the industry. The purpose here is to outline industry needs that ranchers can influence.

CONCERN FOR FINAL PRODUCT

All segments of the beef industry exist at the whim of retail beef consumption. There are product specifications that must be met to maintain beef consumption at profitable prices. Many of these specifications are primarily influenced by genetics, making them a rancher responsibility. Unless we move to restructured products, the size of carcasses will continue to be an issue. A moderate degree of muscling in cattle slaughtered at 1200 lb will meet this need. Do the frame and muscle of your cattle meet this criteria? Does your calf crop hit this average without extremes? An overweight carcass is currently discounted \$200. The large framed growthy steers that are easy to admire at weaning can actually become a liability. They certainly have no value in programs that include an extended grower phase. Lightweight

carcasses are not being discounted for size but do reflect high production costs within a set of cattle at the feedlot because they failed to grow.

The industry would benefit if the proportion of choice carcasses could be increased. There is a shortage of high choice and prime beef produced. Table 1 shows the influence of % Choice in a target weight set of cattle. Calculations were based on a \$15/cwt spread between Choice and Select carcasses. While black hides do not insure marbling, you can see how feeders and packers are drawn to that bias. The \$50/head difference in value would prompt them to believe and demand anything that may help their cause. All other factors being equal, the 40% Choice steers merited a \$10/cwt discount as 500 lb calves.

Table 1.

| % Choice | Final Body Weight, lb | Hot Carcass Weight, lb | Choice-Select Spread, \$/cwt | Value Adjustment For Select, \$/cwt | Value Difference Per Head |
|----------|-----------------------|------------------------|------------------------------|-------------------------------------|---------------------------|
| 85 | 1200 | 750 | \$15 | \$2.25 | \$16.00 |
| 40 | 1200 | 750 | \$15 | \$9.00 | \$67.50 |

Attention to sire marbling traits and uniformity of type and age of the calf crop become important at this point. So do records. If you want to sell calves that are not black and do want the buyer to believe that they will grade, you need last year's kill data. If the genetics are right but calving season is spread over 80 or 90 d, you still may not meet your goal. Consider the calf weaned at 600 lb and capable of reaching slaughter weight at 13 mo. of age. With a 90 d calving season, these cattle go to slaughter at 11 to 14 mo of age. In an accelerated system like this, those three months have a critical influence on carcass quality, size and fatness.

EFFICIENCY (COST) OF GAIN

Even during periods of cheap feed, feed efficiency is the most costly concern in the feedlot. Obviously genetics plays a major role. Bigger does not necessarily mean better. Larger framed cattle grow faster, but they also eat more feed. When taken to comparable body fatness, biological efficiency is not improved by increasing frame size. This means it is still reasonable to pursue the 1200 lb steer.

The perceived advantages of frame size have in part been a misreading of the circumstances. If a feedlot fills two pens with 600 lb steers and one pen is finished at 1100 lb and the other at 1300 lb, feedlot profits are greater for the pen of larger framed steers. There were more pounds gained per unit of purchase cost. There is less shrink, processing cost and death loss per unit of feedlot gain. The dilution of these and other feedlot inputs by more total weight gain is cost effective. It is in fact total weight gain, not frame size that creates the economic advantage. That has driven feedlots to consider younger cattle and created a whole

new set of concerns about calf history.

The economic impact of total feedlot gain influences the value of creep feeding and calfhood implants. Both procedures are intended to increase weaning weight. If market weight and frame size are fixed, then increasing weaning weight reduces total feedlot gain. This translates into greater feedlot cost of gain and subsequently lower calf value.

Ranchers who retain ownership of calves will find total production costs are lowered if grain is fed at the feedlot. The implants add additional concerns. Some growth models assume that sequential use of implants is additive, others have concluded that as more implants are used there is diminished response to subsequent implants. In other words, if you implant at the ranch, my feedlot implant won't be as effective. One thing is for certain, after the rancher puts a fly tag, an ear tag and an implant in a calf's ears, three prime implant sites are lost. If the feedlot cannot find suitable sites for following their implant strategy, there is a significant cost. The steer calf with frozen ears is indeed worth \$50 less. It is not his appearance, it is the lost value when implants can not be used.

These relationships are sensitive to weaning weights and ranch conditions. When grass is marginal, supplemental feed can be used to bring cattle back to typical condition. There would be no disadvantage in the feedlot as long as creep feeding did not cause digestive tract damage via episodes of over-consumption of creep feed. Younger or lighter calves that won't be suited for the feedlot for several months are consequently good candidates for early fall implants. They may also need supplemental feed as cows begin to dry off in the fall.

PRE-SHIPMENT MANAGEMENT PROGRAMS

We are in the phase of the cycle where pre-shipment management is once again a hot topic. Vaccination and weaning programs are the primary focus. Pre-shipment vaccination makes sense in the same context as life insurance. You hope you never need it and most times you don't. When you do need it the situation is critical and there is no opportunity to go back and do it over. The unique aspect of pre-shipment vaccination is that there is no evidence of how much it actually helps because you cannot tell how often it may have prevented a wreck from happening. There appears to be ample evidence that the vaccinations work, and pre-shipment vaccination will probably become as common as castration and dehorning. The most significant problem for ranchers today is following a vaccination program that matches needs in the feedlot. Here, feedlot management must take the first step. The need to identify their specific and standardized needs. There should not be moving targets for which ranchers must aim.

The bunk breaking involved in some programs is more questionable. Many feeding facilities have specialized in starting wet nosed calves. They can do so in a cost effective manner. Other feedlots, by virtue of their lack of expertise or because of the logistical hurdles imposed by their size, cannot effectively handle calves. These yards and their management and staff were built to handle older cattle. Now they want the younger cattle, but they do not want to change their methods of operation. It then behooves them to convince ranchers to produce a product more similar to a yearling without the age. More similar to yearlings has many

connotations. Upon feedlot arrival the pre-weaned calf is not suffering stress of separation from its dam, it knows how to eat, its immune system is somewhat more mature and is probably less naive. The cattle are over bunk crawling as a hobby. It also means that many non-eaters, immuno-incompetents, bloaters, suicides and chronics will be left at the ranch. This increases value at the feedlot but does not necessarily improve ranch economics. Research to date has not demonstrated a feedlot value change that will offset production costs of ranch pre-weaning.

This isn't a question of right or wrong. It is a matter of knowing your costs and which product you wish to produce. Clearly, the added investment and risk is justified only when a market exists that will pay for this service. Backgrounders that assemble pens of cattle from small, lower cost packages have found a way to make this principle pay. Ranches with larger packages of calves will not see the same financial rewards because of the inherently higher value of their calves at weaning.

PACKAGING

Trucks haul 50,000 lb. Pens fill and empty based upon truckloads. Pens that fill quickly and empty in a single day are more cost effective than pens operating at partial capacity. The feeder calves that fill a load will all be processed similarly. The value added to a set of calves at the ranch is lost when these calves are mixed in a load and subsequently into a pen. Calves adequately vaccinated will be re-vaccinated. They all get a new implant, regardless of calf implant history. Mixing pre-weaned and bawling calves into a pen creates significant problems for starting cattle on feed. A narrow calving season, which is desirable to optimize management and carcass merit, will not provide a feedlot with a uniform pen of cattle to merchandise at slaughter if there are only 50 steers in the ranch group.

Packaging problems dominate all other issues in livestock production. The swine and poultry re-organization is package oriented. These production packages subsequently fit retail packages. If ranches and feedlots could get on the same wavelength to define packages, we would add value in a dramatic fashion. There is the potential for smaller ranchers to coordinate production with neighbors to create packages by pooling calf crops and truly improve the biologic and economic efficiency of beef production.

SUMMARY

The beef industry has defined end product targets. Because we are capitalizing on the underutilized forage resources provided in a variety of environments, we need to be able to reach the various final products by differing pathways. Although we are forced to vary our production methods and genetics, some issues are constant realities for all ranchers. To maintain adequate consumer demand for beef, packers must have a constant supply and consistent quality of cattle. For feedlots to obtain true value for superior cattle they must provide packers with a consistent supply and consistent quality of cattle. The most cost effective way to do this is with desirable packages.

Packages need to fill pens. They need to be consistent in their age, genetic make-up and

phenotype. They need to produce a merchandisable entity. Not all packing houses are seeking the same product. Consequently, the merchandisable entity for a given feedlot varies with their proximity to specific packing houses. This causes the value of feeder cattle to vary between feedlots. Ranchers need to realize this and make their product known to feedlots that can capitalize on the inherent value of their calf crop. Ranchers also need to realize that feedlots will buy their calves regardless of compatibility with the feedlot program if the bid price on the feeders is low enough.

Feedlots make money based on total weight gained while on feed. Therefore, ranch management steps to increase weaning weight (other than genetics) cut into feedlot profit potential. Consequently, bids are justifiably lower when extra calf weight caused by excess ranch feed or implants is part of the deal.

If the total stress load imposed upon feeder cattle is minimal it is advantageous for them to be protected against viral diseases before entering the feedlot. To maximize value, that protection, i.e. ranch vaccinations, needs to be complete and to match feedlot health needs. It also needs to match the package of cattle assembled for the pen. Vaccines alone are not a cure all here. An adequate plane of nutrition for calves prior to shipment is essential for the immune system to function. Protein, energy, vitamins and trace minerals all play a role at this point.

It is not a given that calves need to be pre-weaned and held at the ranch prior to entering a feedlot. Some feedlots prefer this type of management, others prefer that calves be wet-nosed. Pre-weaning should be perceived as a service that is appropriately compensated. Ranchers need to evaluate whether they are better suited to sell pre-weaned or wet-nosed calves and then seek the market that prefers their product.

The bottom line on all of this is that there is no single, uniform calf-management program that the industry must pursue. The weaknesses we are currently experiencing are based on misinformation which is rooted in inadequate communication. Value will be quickly added to the system when each feedlot better defines the feeder calf that best suits them and ranchers learn to represent their product to the markets that can capitalize on the inherent value they have produced.