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Kansas custom cattle feeding practices

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Kansas Custom Cattle Feeding Practices[1]

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Summary

A survey of Kansas custom cattle feedlots was conducted in the fall of 1987. This paper summarizes the survey and discusses some of the custom cattle feeding services and charges being offered.

Introduction

Custom cattle feedlots offer a variety of services to feeding customers. However, the types of services offered and the charges for specific services vary among feedlots. It is important that prospective cattle feeders be aware of the different types of services a particular lot offers and their associated costs. Additionally, the cattle feeder should clarify whether the feedlot or the owner assumes the responsibility for cattle performance, cost of gain, death loss, and catastrophes.

Survey Results and Discussion

A mail survey of all licensed custom cattle feedlots in Kansas was conducted to determine the typical practices and ranges of services being offered to prospective cattle feeders. In total, 66 custom cattle feedlots responded to the survey. The one time feeding capacity size distribution of the lots is reported in Table 25.1. The largest 10% of the lots accounted for 45.8% of the one time feeding capacity. Thus, a fair amount of feedlot capacity is concentrated in a few yards. Table 25.2 reports the cattle selling methods most often used by custom feeders. The vast majority of the cattle (88.4%) are sold live, FOB the feedlot, with a 4% pencil shrink.

The percentage of custom feedlots offering specific marketing and financing services is reported in Table 25.3. Almost all of the lots (83%) offer cattle forward contracting; however, only 63% offer futures market hedging and 58% offer options services. Feed and service financing is offered by almost all feedlots. However, cattle financing is offered by just over half of the lots. In addition, the required minimum owner's equity in order to qualify for cattle financing averaged about 27.5%. Very few lots offer guarantees on cost of gain or maximum death loss. Percentages of lots offering different types of feeding services are reported in Table 25.4.

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The average cattle and feed handling charges are shown in Table 25.5. Cattle processing costs average $5.31/head, and average yardage charges, for those feedlots that charge explicitly for yardage, is 6 cents/head/day. Feed markup for lots not charging explicit yardage fees is 23%, and average markup for lots that charge separately for yardage is 16%. These values are averages and do not represent the charges of any given lot. In addition, since different feedlots frequently charge different amounts for different services, a feedlot with a higher yardage fee may well have a lower feed markup, and vice versa. Similarly, feedlots offering more "free" services may charge higher fees for basic services in order to cover total service costs.

Table 25.6 summarizes the average daily gains and average feed conversions reported by the feedlots. It is important to note that these rates of gain may reflect "optimal" conditions. Extreme weather conditions or unhealthy cattle would likely result in significantly lower performance. Of more value than the absolute rate of gain values may be the differentials in performance between yearlings and calves and between heifers and steers.

The accuracy of all figures reported in this summary is dependent upon the quality of data the survey respondents had at their disposal, their interpretations of the question being asked, and our interpretations of their responses. We appreciation the cooperation of the Kansas feedyards that responded to this survey.

Table 25.1. Lot Size Distributions of Custom Feedlots Responding to Survey

	One-time Feeding Capacity, number of head			
Item	Under 10,000	10,000 to 19,999	20,000 to 29,999	30,000 and above
Number of Lots	21	25	8	6
Percent of Lots	35.0	41.7%	13.3%	10.0%
Percent of Cattle Capacity[a]	10.6%	29.2%	14.4%	45.8%

[a]Total one-time capacity represented was 1,191,600 head.

Table 25.2. Finished Cattle Selling Methods

Selling Methods	Percent of Cattle
Live, 4% pencil shrink, FOB feedlot[a]	88.4%
Packer Contract, owner pays freight	8.9
In the Beef (carcass wt alone), owner pays freight	1.7
USDA Grade and Yield, owner pays freight	1.0
Terminal or Local Auction Market	0.0[b]

[a]Average number of regular buyers bidding per feedlot was 4.7 with a range of 2 to 7 buyers.
[b]Less than .1%.

Table 25.3. Marketing and Financial Services Offered by Feedlots

Service Offered	Percent of Lots
Cattle Forward Contracting	83%
Cattle Hedging	63
Cattle Options	58
Feed Cost Forward Pricing	70
Prepayment of Feed Costs	97
Financing of:	
Feed and Services	99
Cattle[a]	57
Partner on Customer Cattle	88
Cattle Fed on Predetermined Cost of Gain Basis	9
Guaranteed Maximum Death Loss	3

[a]Average minimum owner equity required by feedlots in order to offer cattle financing was 27.5%.

Table 25.4. Percentage of Feedlots Offering Various Custom Feeding Alternatives

Feeding Services Offered	Percent of Lots
Finishing	100%
Growing/Backgrounding	68
Limit-fed Growing	39
Preconditioning	28
Wheat Grazing	39
Summer Grazing	35
Lots that will custom feed:	
Yearling Steers	100
Yearling Heifers	100
Heiferettes	95
Cull Cows	86
Young Bulls	56
Holsteins	100
High % Brahman	84
Lots that will:	
Sort Incoming Cattle into Uniform Lots	97
Top Out Finished Cattle	88
Feed Steers and Heifers in Same Pen	74

Table 25.5. Average Handling Charges of Feedlots

Activity	Average of Lots
Cattle Processing on Arrival	$5.31/hd
Cattle in Sick Pen, excluding medication	$ .095/hd/day
Cattle in Buller Pen	$0.62/hd/day
Yardage Charge[a]	$0.06/hd/day
Average Feed Markup, with separate yardage charge	16%
Average Feed Markup, with no yardage charge	23%

[a]Includes only lots that explicitly charge for yardage (88% of lots surveyed).

Table 25.6. Average Cattle Performance in Feedlots Surveyed

Cattle Type	Average Daily Gain (lb/head)	Average Feed Conversion (lbs dry matter/lb gain)
Yearling Steers	3.22	6.48
Yearling Heifers	2.91	6.75
Steer Calves	2.80	6.45
Heifer Calves	2.58	6.87