



# Selecting a Custom Feedlot

Many producers want to retain ownership of their calves through to slaughter, or want to feed out purchased calves. Unfortunately, producers may lack the feeding or marketing expertise to make this happen. An alternative to doing it yourself is to use a custom feedlot. When choosing a custom feedlot there are numerous factors to consider. This factsheet is designed to help you work through the process of finding the right custom feedlot for your needs.

## Feeding expertise and performance records

Commercial feedlots specialize in starting and feeding cattle on high concentrate finishing rations. Rations vary from region to region, but all feedlots feed a diet that's high in grains or grain byproducts. In all cases, the manager should have experience feeding high concentrate diets to slaughter cattle.

Many feedlots use the services of a private or feed industry nutritionist to formulate rations and provide technical advice on feeding management. When researching potential feedlots, ask about the feedbunk management and cost per pound of gain. This allows you to do comparisons against industry standards.

Records and performance data are important tools that feedlots offer their customers. Close out records and pen performance information help determine the efficiency of both the feedlot and the cattle. Individual carcass data may or may not be available from a commercial feedlot. This may indicate a feedlot's interest in carcass characteristics.

## Facilities and location

The quality and location of feedlot facilities are important when choosing a custom feedlot. The design of the feedlot must include handling facilities that allow for the humane and efficient processing of cattle. All facilities must be kept clean, well drained and in good repair to allow for the safe handling of cattle. To allow for good gains while on feed, cattle must have adequate bunk space, protection from the wind and a good water source. It's also important for the feedlot you choose to have an emergency plan in place to deal with feeding equipment breakdowns, water supply interruptions or power outages. This is important to ensure that cattle on feed don't have their routine disrupted.

Since cattle are frequently moving in and out of feedlots, it's important to have good access roads for cattliners, and a scale for weighing cattle to monitor performance.

## Qualified staff

A key part of finding a good custom feedlot is recognizing a facility with good staff. A feedlot requires a sufficient number of well-trained and qualified staff to carry out the many technical jobs related to feeding cattle and feedlot maintenance.

Also critical is the availability of an office where information can be processed, stored and discussed. The proper complement of qualified staff and good facilities can in large part determine your success.

## Feedlot health

It's no secret that healthy calves are worth more than sick calves, but just how more valuable are they? An analysis of the Texas A & M Ranch to Rail Retained

*Records and performance data are important tools that feedlots offer their customers.*

Ownership Program provides an estimate of the value of a healthy calf in the feedlot. Healthy calves had a lower death loss, lower cost of gain and higher net returns. In fact, healthy calves returned over \$90 more per head than sick calves. Of this return, \$60 per head was attributed to increased efficiency and \$30 to decreased medicine cost. Most feedlots have instituted a health protocol. Developed specifically for their feedlot by a veterinarian, these programs recognize quality assurance standards. The computer tracking of treated animals enables feedlots to easily calculate mortality and morbidity rates.

## Environmental plan

In the quickly changing business of cattle feeding, it's important to select a custom feedlot that's aware of how the industry is progressing, and is keeping pace with the evolving industry. Today, environmental aspects play a major role in the industry. Feedlots need to have an environmental plan to deal with run-off control, manure management and a good neighbor policy. The goal of an environment plan is to minimize the feedlot's impact on surrounding water, soil and residences. Those feedlots that embrace this philosophy show a pro-active grasp of where the industry is heading and foster a sustainable business approach.

## Marketing expertise

Check to see if the feedlot offers marketing as part of its service. Custom feedlots sell large groups of fed cattle to packers on a regular basis and have a marketing advantage over producers who feed a limited number of animals at certain times of the year. The custom lot has the expertise to accurately describe the weight, condition and type of cattle, along with providing the days on feed, expected yield grade and marbling percentages.

Your custom lot should know the best method to sell various types of cattle: live or rail graded, flat-rail or formula. Other questions to ask any potential custom feeder are:

- Do you have experience selling into the U.S.?
- Can you feed for a specific alliance or branded beef program?
- Are all fed cattle contracted to one packing plant under a formula or grid pricing arrangement?
- Can you individually weight-in your cattle and access individual animal grades to assist in making future management, culling and breeding stock selections?

A number of custom feeders can arrange forward pricing contracts for clients. Hedging is another marketing technique where the custom feeder may be able to help you by providing access to a broker. In either case, the

experience and marketing expertise offered by a custom feedlot is a valuable part of the service that should be investigated.

## Buying expertise

Some custom feedlots offer cattle order-buying services. You should know whether the custom feedlot you are considering offers order-buying from a large area through a number of experienced, licensed and bonded order buyers. A careful examination of buying procedures is important as, "Well bought cattle are half sold." Keep in mind that the largest cost in feeding is the purchase price of the feeder. Also, the cost per pound of gain is a reflection of the performance and feed conversion of the feeder. Therefore, one of the keys to making a profit is the ability to buy or land quality feeder cattle at a reasonable cost.

It's also important to inquire about a feedlot's flexibility for cattle procurement arrangements. Some custom lots offer the flexibility of buying a percentage share of an existing pen of cattle that is already put together and started on feed.

Use the management and experience of your custom feedlot to help research and compare the cost of cattle landed into the lot (including trucking and buying costs). Choose a custom feeder who is on top of market information, understands the market cycles, is familiar with the seasonality of the cattle market and is willing to share this knowledge with you. The custom feedlot operator should also be fussy and critical about the cattle being received on your behalf. The custom feeder is acting as your agent when receiving your cattle.

## Cash flow issues

With retaining ownership of calves comes the issue of cash flow. If you have sold your calves in previous years, money has been available to pay your bills. By retaining ownership of your calves, not only do you not have the revenue coming in, but you are also faced with the cost of ownership. Actually, your bills not only continue, they may even increase. While feeding calves at home, the major expenses are inventory costs associated with feed. By feeding calves in a custom lot, those expenses change to cash costs.

When looking for a custom feedlot, the issue of cash flow is important. Ask the custom feedlot about your financing options. Often, feedlots finance the feed bills at prearranged interest rates. Compare these rates to rates charged by your bank. Also, custom feedlots are often willing to purchase a percentage of the value of your calves. The selling of a percentage of your calves serves two important purposes.

First, selling a percentage of your calves frees up money to pay bills. It also reduces the impact of the upcoming feed bills for the total group.

Second, selling a percentage of the cattle gives the custom feedlot operator personal interest in your calves. This may be beneficial to the care and marketing of the entire group of calves. If the feedlot owns a percentage of your pen of calves, make sure you have taken the proper steps to secure your assets. This is important should the feedlot be required to liquidate its assets.

## Reputation check

As with any business in a small community, reputation of past performance is critical. This applies to the custom feeding business too. The reputation of the individual feedlot operator is important and can be a determining factor in your choice of a custom feedlot. Custom feedlots can't guarantee a profit on feeding cattle, but they can offer to do the best job of caring and marketing your cattle, within a given economic environment. In most cases attitude determines whether a custom feedlot is known for doing a good job or for being sloppy in its management practices. Search out a good attitude.

The best way to research a custom feedlot's reputation is by talking to a number of people who have fed cattle at the custom feedlot you are considering. Be careful not to get trapped in measuring a feedlot's reputation by whether or not the cattle fed were profitable. Instead, ask whether the feedlot operator was honest, approachable and willing to make the best of your cattle feeding venture. Attitude and realistic expectation is key to developing a healthy custom feeding arrangement. Often, a good arrangement can be predicted by doing a reputation check.

Having a clear written agreement that outlines the costs associated with the custom feeding of your cattle also helps reduce the number of misunderstandings and surprises.

## Summary

It's important for an individual to know how to rank and choose a good custom feeder. Because most producers don't have the opportunity to feed cattle in a number of different feedlots and do costs and returns comparisons, it's a difficult task to make the right choice. In addition to the information already provided, there are a number of key areas to pay close attention to. The following questions will give some insight into the success of the operation being considered.

1. Will the manager provide you with customer references and the close-outs of pens of cattle for assessing and comparing cost of gain?
2. Will the manager provide information on death loss and morbidity?
3. Does the custom feedlot have an aggressive and effective animal health program in place?
4. Is the custom feedlot willing to offer share-pen arrangements with clients and provides complete records on a monthly basis (total cost, feed and animal days)?
5. Is the custom feedlot expanding and/or is feeding progressively more of their own cattle?
6. Is it hard to obtain pen space in the lot even during summer months?
7. Does the custom feedlot have a large, respected clientele or a clientele that's limited to a few large customers?

### For more information

Producers who are looking for a custom feedlot can consult either the annual August feedlot issue of *Alberta Beef* or the annual *Alberta Cattle Feeders' Association Business Directory*. The Alberta Cattle Feeders' Association can be contacted at:

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For additional information, contact the Alberta Agriculture, Food and Rural Development beef specialist in your area.

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# Checklist

The following is a checklist of the topics discussed in this factsheet. It's designed to help producers select a good custom feedlot.

**Checklist for:** \_\_\_\_\_ **(name of feedlot)**

	<i>Poor</i>	<i>Okay</i>	<i>Good</i>		<i>Poor</i>	<i>Okay</i>	<i>Good</i>
<b>Feeding Expertise and Performance Records</b>				<b>Environmental Plan</b>			
Cost/lb of gain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Good reputation with neighbors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Feed bunk management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Adequate land or agreements with neighbors to spread manure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Close-out records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Run-off strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pen performance records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Marketing Expertise</b>			
<b>Facilities and Location</b>				Will they market my cattle – receive bids on outgoing cattle?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Facilities for proper handling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Do they market in large numbers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Treatment pens	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Buying Expertise</b>			
Cleanliness of pens	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Purchase cattle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Feed bunks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Buyer connections	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Roads in good repair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Cash Flow Issues</b>			
Fences in good repair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Financial services available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shelter from wind	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Retained ownership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water supply	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Reputation</b>			
Feeding equipment – back-up	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Compare costs of custom against home feeding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scale for weighing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Phone references inquire about expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sufficient staff to do good job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Summary</b>			
Staff training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Expanding lot	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Office facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Feeding progressively more of their own cattle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Three phase power	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Hard to get into especially in the summer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Natural gas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Close proximity to markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Weather/climate (slope of lot – south good)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Feed storage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<b>Feedlot Health Management</b>							
Health protocol	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Mortality/morbidity rate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				