

IMPROVING FEEDLOT PROFITABILITY

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What a difference a year makes! A year ago, feedlot costs of gain were around \$.50 per pound of gain; today, they are roughly double.

Will they improve? Three of the biggest factors influencing profitability are purchase cost, selling price, and feed cost. One of the most important feeds influencing feed cost for Iowa producers is the cost of corn. USDA projects the average price for corn this year at \$5 to \$6 per bushel, well above last year's forecast of \$4.10 to \$4.40 per bushel. So, the challenge is "How can feedlot producers improve profitability?" Here are some tips to ruminate on!

Keep good records. Monitoring feedlot performance and costs not only tells you where the feedlot is currently, but allows you to make mid-course corrections as feed costs or cattle prices change. Knowing the current cost of production is essential to making timely marketing decisions and reducing corn use. Feedlot monitoring software can be purchased through ISU Extension and commercial vendors.

Budget carefully. The cost of the feeder animal is often the largest cost in finishing a beef animal. Running projected breakevens is extremely important when profit margins are narrow. Previous closeouts and records on cattle from a source are useful in estimating future performance. Buying the "cheapest" cattle may not be the most profitable if performance and efficiency are lower. When running breakevens, be conservative in your figures and be prepared to run new breakevens as pricing opportunities arise for feed or feeder cattle.

Consider seasonal price trends and hedging the cost of inputs. Typically, feeder cattle and corn are cheaper in the fall when there is a large supply of cattle coming off grass and harvest is concluded. Co-product price tends to follow the cattle-on-feed numbers and is often cheaper July through August when cattle numbers are reduced. Producers may want to consider hedging strategies or contracting their feed needs. But, be prepared to take advantage of "fire sales" when the opportunity arises.

Closely manage feedbunks. Feed efficiency is improved when sub-acute acidosis is reduced. Proper feed mixing and weighing of ingredients will ensure a consistent, uniform diet and avoid overfeeding expensive nutrients or the risk of deficiencies. A bunk scoring system can reduce feed waste and improve animal performance and efficiency by reducing the day-to-day variation in feed consumption. Feed efficiency can also be improved by slightly restricting feed intake to levels that are 95-97% of full feed intakes.



Consider alternative feedstuffs. These may partially substitute for corn, and local feeds may have a transportation cost advantage. Usually higher moisture feeds, such as corn co-products, have a limited transportation range that is economical. Alternative feeds may include corn co-products (corn gluten feed, distillers grains, and condensed distillers solubles), corn screenings, discounted corn, and bakery by-products. Work with your nutritionist if you are considering substituting feedstuffs.

Use feed additives. Ionophores (Bovatec, Rumensin, Catalyst) will improve feed efficiency 4-10%, depending upon the diet. Feeding Optaflexx or Zimax the last 28 days on feed can increase carcass weights at least 10-15 pounds without changing feed intake.

Use implants. Implanting cattle may improve feed efficiency by ten to fifteen percent, but choose the one that matches your cattle and management. There may be tradeoffs in cattle weight and carcass quality grade to consider when choosing the right implant strategy.

Market cattle timely and wisely. Timely marketing can reduce production costs. Marketing 50 pounds lighter can reduce the amount of corn needed to finish a steer by six to seven bushel or \$36-42 with corn at \$6 per bushel. However, consider the USDA Select discount as Select carcasses are typically discounted more through the summer months. This trend makes high-priced corn even more valuable in the summer.

Evaluate protein and mineral supplementation. Protein is usually adequate in rations containing high levels of co-products. Evaluate protein levels and avoid unnecessary protein supplementation. On high-grain rations, supplemental phosphorous is usually not needed. Free-choice mineral mixes should be high in calcium and low in phosphorous.

Improve cattle comfort. Stressed cattle are less efficient. Evaluate your facilities and cattle for heat and cold stress. Check the stocking density, cleanliness and air-flow of your pens and facilities.

Do the “little things.” Basic management can provide big rewards. This includes routine water maintenance and cleaning, feeding cattle at the same time every day, handling cattle to reduce stress, and maintaining quality control on all inputs such as feed, pharmaceuticals and labor.

In the current era of high-priced feeds, the Iowa Beef Center has developed a special section of their website dealing with managing feed costs. This site may be accessed at www.iowabeefcenter.org/managingfeedcosts.html and will soon include an assessment tool to help feedlot producers evaluate their own operation for ways to reduce feed costs, improve animal performance and enhance profitability. Once identified, a producer can determine which changes are most important and develop a plan to make those changes.

We're in a challenging but exciting time in the beef business. Now is the time to “saddle up” and “forge your own, new frontier.”

