

Cattle Business in Mississippi – March 2011 “Stocker Cents” article

Assessing the Stocker Operation Using Benchmarks

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What death loss percentage is typical for a stocker operation? What average daily gain is realistic? Are many stocker operations grouping cattle into uniform, truckload lots? How does this stocker operation stack up against all the others? These are questions that many stocker operators ask themselves.

Information from recent stocker cattle surveys provides some answers to these and similar questions. They establish some benchmarks by which to judge a stocker operation. Surveys cited in this article include *BEEF* magazine’s National Stocker Survey reported in 2008, a survey of 178 stocker operations who received the Oklahoma Beef Cattle Manual reported in 2008, and an Extension survey of 100 Arkansas stocker cattle operations reported in 2007.

Health Benchmarks

Cattle health was recognized as one of the top limitations by Arkansas stocker operators. The National Stocker Survey shows that what percent morbidity (illness) due to BRD (bovine respiratory disease) is considered high-risk or low-risk depends on who is asked (Table 1). Generally, 7% or less morbidity was considered low-risk, while approximately 30% or higher was considered high-risk.

Table 1. Calf morbidity rates considered low- or high-risk by stocker operators

	Low-risk morbidity rate	High-risk morbidity rate
Pure stocker operators (not also cow-calf or feedlot operations)	6.6%	27.5%
All stocker operations running 2,500+ head	7.1%	31.5%
Stocker operators younger than 35 years of age	6.9%	30.2%

Percent mortality (death loss) can make or break a stocker operation. Typical death loss within the first 90 days as reported nationally by pure stocker operators was less than 1%, according to 43.5% of those surveyed, and more than 4%, according to 9.4% of those surveyed. Large stocker operations running 2,500 or more head reported slightly higher death loss percentages than smaller operations (Table 2). This could be because the larger operations were more likely to receive cattle hauled longer distances.

Table 2. Calf mortality rates during the first 90 days by stocker operation size

Operation size, number of head	Mortality (death loss) rate
1-199	1.2%
200-499	1.2%
500-999	1.4%
1,000-2,499	1.7%
>2,500	1.9%

Implementation of good health management practices is vital in a stocker operation. An overwhelming majority, 93%, of stocker operations surveyed in Oklahoma dewormed their stocker calves. In addition, 61% used modified live vaccines, and 25% used killed vaccine products. Interestingly, larger producers and those who depended more on income from the stocker operation were more likely to use modified live vaccines. Four out of five stocker operations administered intramuscular injections in the neck as recommended by the Beef Quality Assurance program. Going against best management practice recommendations, 8.8% of pure stocker operations nationally marketed calves testing positive for PI-BVDv through local auctions without identifying them as such.

Financial Benchmarks

Keeping track of financial information is essential to monitoring the financial status of the stocker operation. About one in two Oklahoma stocker operations had a long term business plan and used a computerized recordkeeping system. Approximately two out of three of them entered receipt and expense data into a recordkeeping system at least monthly and prepared cash flow statements annually. In addition, at least four out of five of these operations prepared annual balance sheets and income statements. According to the National Stocker Survey, profit and loss data was the most commonly collected performance measure by stocker operations, with about seven in ten collecting it.

Input costs were recognized as both a top current limitation and future threat by Arkansas stocker operators. This was also seen in the national survey. Specifically, feed costs were cited as the most limiting factor to stocker business competitiveness within a 5-year outlook.

This survey data do not spell out specific financial benchmarks such as cost of gain and profit per head. That information should be collected at the individual operation level and compared year-to-year to monitor changes over time and identify problems. The surveys do indicate that stocker operations usually keep track of that information.

Marketing Benchmarks

For the individual stocker operation, breakeven purchase and selling prices are often a first thought when it comes to marketing. The stocker surveys do not address this directly, but instead report on marketing strategies. For instance, grouping cattle into uniform groups and building alliances were opportunities revealed by the Arkansas survey. The Oklahoma survey demonstrated that 43% of producers surveyed marketed

cattle in truckload lots. A strong majority, 74%, of those surveyed marketed cattle in uniform lots.

The Arkansas stocker cattle production survey identified improving calf quality and enhancing the state's beef cattle reputation as future opportunities. Despite the popular notion that most stocker operations try to make a profit by purchasing, sorting, and straightening out mismanaged calves, the national survey data indicate otherwise. Only 23.9% of pure stocker operators claimed to buy cattle below the average to straighten out, while 65.3% said they buy cattle at market average. Another 10.8% said they buy cattle over the market average. The national survey demonstrates that operations most likely to buy problem cattle are younger producers and producers involved from cow-calf production through cattle feeding.

A majority, 58.4%, of stocker operators targeted buying high-quality cattle to manage market risk, whereas only 21.6% managed risk by purchasing cheap cattle. In Oklahoma, 32% of operations purchased at least a percentage of their cattle as preconditioned. Similarly, about one in three Oklahoma stocker operations used futures, options, or cash contracts for risk management purposes. Nationally, about one in four operations used futures contracts to manage market risk.

The National Stocker Survey brought to light some key marketing differences among stocker operators in different age groups. Older producers with more experience in the business were more likely to retain ownership through the feedlot on half or more of their cattle. Younger producers were more likely to target value-added markets.

Conclusions

Stocker operators should compare each stocker enterprise not only to other stocker operations, but also to itself at least annually. This helps determine if progress is being made in production and marketing practices and identifies problem areas. Within a stocker operation, it is beneficial to document and compare additional specific measures beyond those mentioned previously, such as average daily gain and return on investment. For more information on stocker cattle production, contact an office of the Mississippi State University Extension Service.