

# Considering Retained Ownership as a Marketing Option

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Marketing options which add value to the calf crop are an important component of successful cow-calf enterprises, particularly during tight economic times. There are a variety of strategies which can and should be explored, and among these is retained ownership to harvest. Retained ownership provides the greatest opportunity for cow-calf producers to realize the true value of their cattle as the returns for genetics, health and management are most fully realized. At the same time, retained ownership also has its challenges, including increased risk associated with market conditions, cattle performance and production risk, and additional time and cost. The first step to considering retained ownership as a marketing option is to appreciate the many factors involved, and to establish baseline information regarding herd genetics and health so that informed decisions can be made regarding the expected performance of the calf crop under a retained ownership venture.

The Virginia Retained Ownership Program provides cow-calf producers the opportunity to retain ownership on a small portion of their calf crop (as few as 5 head). This program, and others like it across the country, allow producers to pool their calves and feed them together in order to gather objective data regarding the feedlot performance, carcass merit, and health of their cattle. This information can be used to make herd decisions regarding genetics and management - ultimately helping the herd improve and become more profitable regardless of how the calf crop is marketed in future years.

So why should cow-calf producers consider participating in retained ownership at this time? As stated earlier, retained ownership provides the greatest opportunity to realize the full value of the calf crop. With tight margins in the cow-calf business, the importance of attaining maximum value for calves and minimizing costs is amplified. However, retaining ownership with little knowledge or history of feedlot, carcass, and health performance is a risky proposition. “Testing the waters” with a few calves minimizes this financial risk, and more importantly provides data and experience which can be beneficial in the future.

The following table presents information from the Virginia Retained Ownership Program for cattle fed March 2008 through March 2009. This summary includes 10 pens of cattle and a total of 979 head shipped on five different dates. All cattle were fed in feedyards associated with the Tri County Steer Carcass Futurity program in Southwest Iowa. Presented is the average value across all 979 head for several important variables. The table also reflects the range in average pen performance for each of the traits. During the period, steers and heifers participating in the program returned an additional \$20 per head through retained ownership compared to selling through graded feeder cattle sales. This \$20 per head premium is substantially better than the \$50-200 per losses which have been reported for the feeding sector over the same time period.

Historical data gathered through the Virginia Retained Ownership Program and elsewhere establish the following common variable for profitable retained ownership:

- Excellent health (minimal sickness and low treatment costs)
- Strong growth performance, which equates to heavy live weights and carcass weights at harvest
- Desirable carcass merit with high percentage low Choice or better

Collectively, these factors equate to low costs of gain and optimum gross returns. Risk management strategies for feed and slaughter cattle prices are also important components of successful retained ownership ventures.

The range across pens of cattle indicate that there is considerable variation in production parameters. These differences are the result of variability in genetics and health of the cattle as well as market conditions (feed and cattle prices). Just as much variation commonly occurs within pens of cattle and it is common for there to be a \$200 spread in the true value of cattle fed in the same pen based on differences in performance, health, and carcass merit.

### **Virginia Retained Ownership Program Summary for Cattle Shipped March 2008 Through March 2009**

	<b>979 Steers &amp; Heifers Average</b>	<b>Range in Pen Averages(10 Pens)</b>
IA delivery wt., lb.	690 lb.	593 to 776 lb.
ADG, lb./day	3.41 lb/day	3.12 to 4.00 lb/day
Feed:gain	6.73 lb.	5.84 to 7.41 lb.
Quality Grade Low Choice or better, %	67.1%	36.7 to 85.5%
Carcass price, \$/cwt.	\$137.16	\$129 to \$157
Cost of gain, \$/cwt.	\$77.69	\$69.06 to \$99.03
Retained Ownership Profit/loss, \$/hd.	\$20	-\$91 to \$169
Net return to the cow, \$/hd	\$570	\$491 to \$688

The key component for considering retained ownership as a marketing option is to be able to predict, with some degree of confidence, how your cattle will perform. This is much more effectively predicted with some feeding history on your cattle.

The Virginia Retained Ownership Program ships steers and heifers multiple times each year (September, November, December, March). Producers can participate with as few as five head. A 45-day weaning and backgrounding period is required prior to shipment. There is a minimal consignment fee of \$5, and all expenses are financed through the program (deducted from proceeds - no interim feed payments required). An advance of \$300 per head is available to producers sending ten or more head. For detailed information, including consignment forms, on the Virginia Retained Ownership Program visit the Virginia Tech Beef Extension site at <http://www.vtbeef.apsc.vt.edu/> or contact Dr. Scott Greiner, 540-231-9163, [sgreiner@vt.edu](mailto:sgreiner@vt.edu).