



Cattle Producer's Handbook

Marketing Section

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Retained Ownership and Custom Feeding

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Retained ownership of beef cattle is a management system where cattle producers own all or a portion of the calves beyond weaning. Examples of retained ownership varies from backgrounding calves through the winter to an accelerated feedlot program. These are alternative marketing programs with varying risks.

Custom feeding of cattle goes hand in hand with a retained ownership program. In a custom feeding situation, a producer will place cattle in a feedlot and is charged for the feed consumed and/or a yardage fee. The feedlot operator is able to sell his management skill. The owner has the opportunity to realize potential benefits from feeding out his own cattle.

Advantages and Disadvantages of Retained Ownership and Custom Feeding

Following are some of the advantages and disadvantages with a retained ownership and custom feeding program.

Advantages

Cattle producers who adopt the retained ownership and custom feeding program may realize the following advantages:

- Economic returns may be increased if the feed costs and cattle prices are favorable.
- Breeding program changes can be made based on feedlot and carcass performance.
- The opportunity to vertically integrate cattle/beef production from birth to the packer.
- Stock producers receive feedback on feedlot performance of their calves.
- Carcass data will be available on the calves that are finished.

Disadvantages

Some disadvantages of retained ownership and custom feeding are:

- Risk increases the longer the cattle are owned.
- The producer may not have enough cattle to make up a pen (usually 100 head).
- More interest (\$) will be paid on the cattle.
- Cattle must have the growth and carcass characteristics necessary to succeed.
- The producer must be able to select a feedlot where the cattle's potential will be realized.
- Bankers may not allow ranchers to retained ownership for cash-flow reasons.
- Changing marketing strategy annually could lead to increased tax, management, and cash-flow problems.

Getting Started

Before a producer decides to adopt retained ownership and custom feeding, the costs and returns of this management system should be analyzed in relation to marketing method currently being used. For the benefit of an example, let's say the producer markets calves as weaners in the fall. To compare the costs and returns of marketing weaned calves vs. fed cattle, see Table 1.

Producers who decide to retain ownership of their cattle past weaning need to be concerned about:

1. Custom feedlot selection.
2. Risk management.
3. Financial management.
4. Preparing cattle for delivery.
5. Marketing method.
6. Feeding heavy vs. light weight cattle.