

Closeout Performance of a North Dakota Cattle Feeding Club

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Developing alternative income sources for beef cattle producers continues to be paramount. Four years ago, a local cattle producers group investigated the development of a large-scale feedlot (5000 head, one-time capacity). Through a feasibility study and business planning process, the cattle producers noted that a profitable feedlot needed to be operating near or at capacity to be profitable. Since owning cattle requires substantial capital as compared to building and operating a feedyard, the cattle producers investigated methods for owning cattle with reduced risk.

These local cattle producers coordinated the development of the limited liability partnership for owning cattle. A business plan was developed, financial institutions were approached, and equity capital was recruited. The partnership identified a local feedyard where cattle would be fed.

The business required a ramp-up phase of 6-8 months to organize and commence finishing purchased cattle. The partnership met monthly to discuss feeding performance, management, and the closeouts that were developed after every pen of cattle was sold.

The cattle were purchased locally, fed to finish in a North Dakota feedyard, and shipped to a Nebraska packing plant. Total number of cattle sold between March 1999 and March 2000 was 1350 in eight pens. The average pen size was 168.8 head. Death loss was less than one percent (0.74%).

Average days on feed among pens was 125.1. Overall average daily gain was a modest 2.46 pounds. Feed required per gain was 8.232, dry matter basis. Overall cost of gain including feed, yardage, veterinary, shipping, interest and miscellaneous was \$0.548 per pound of gain.

Breakeven was \$68.787 per hundredweight of fed cattle sold for the March 1999 - March 2000 period. Profit per head ranged from a \$73.52 loss to a \$133.24 gain with an overall per head profit of \$14.98. Profit or loss per head was considered the return to management and equity. Total gain for the period was \$20,222.42 or \$19,373.18 per 365 days. Yearly return on equity was 23.503%.

However, due to losses incurred due to startup and other factors, return on investment since inception (May 1998) was -6.684%. The adjusted yearly return on investment was -3.806%.

Cattle feeding through use of a limited liability partnership to develop a cattle feeding club can be advantageous. Reduced risk occurs by marketing more pens of cattle, marketing more total cattle, and marketing throughout the year as compared to an individual with limited capital resources. Combining the losses with the gains still resulted in an attractive return on equity for cattlemen investing in cattle feeding during the March 1999 - March 2000 period. Results from the cattle feeding club's closeouts suggest that cattle feeding in North Dakota can be profitable.

Closeout performance for a North Dakota cattle feeding club, March 1999-March 2000

Report Number	Average sale date	Number of Head	Death Loss	Days on feed	Average Daily Gain	DM per lb. Gain	Feed cost per lb. Gain	Total Cost per lb. Gain	Breakeven, \$/ Cwt.	Profit (loss) per head
1	10-Mar-99	251	2	156	2.277	10.89	\$0.44	\$0.70	\$69.97	(\$64.77)
2	25-Jun-99	274	0	157	2.686	8.04	\$0.33	\$0.54	\$64.68	\$7.06
3	25-Jul-99	101	2	179	2.209	9.038	\$0.45	\$0.71	\$69.49	(\$73.52)
4	22-Aug-99	122	3	145	2.636	8.941	\$0.37	\$0.58	\$64.13	\$13.34
5	17-Nov-99	64	0	152	2.913	8.167	\$0.32	\$0.52	\$64.04	\$64.09
6	25-Nov-99	344	1	59	1.992	6.235	\$0.23	\$0.42	\$74.70	\$50.68
7	27-Dec-99	159	2	108	3.273	7.55	\$0.29	\$0.48	\$65.06	\$133.24
8	25-Mar-00	35	0	106	2.267	8.735	\$0.34	\$0.63	\$74.23	(\$67.93)
Total		1350	10							
Average		168.8	1.25	125.1	2.462	8.232	\$0.33	\$0.55	\$68.79	\$14.98
Standard Deviation		109.73	1.17	38.83	0.42	1.34	0.07	0.1	4.46	74.05