

## Mixed Group Compared with Large Group Purchasing of Calves

Farmers buying cattle for a backgrounding program can choose between buying large groups of cattle or smaller groups of unknown quality. Depending on the farm situation and management skills of the manager, there may be significant profit opportunities on this buying side of the backgrounding program.

The following is an analysis of one example situation. In this example, we are assuming that the calves are similar in type (have same potential sale value), but will start out with more stress. So, on a health basis, the quality is lower.

1) Starting point: 400 to 500 lb. steers,  
Market Price: \$84 avg., \$10 range (from \$80 to \$90)  
Figure a \$8/cwt. difference between groups of 20 - 30 head and small lots (1 to 4 head)

2) Purchase cost differences:

If you buy 50 head @ \$90/cwt. in large groups, the cost will be:

\$20,250 (\$405 per head)

If you buy 50 hd. @ \$82 in groups of 1 to 4, the cost will be:

\$18,450 (\$369 per head)

**There is a difference of \$1,800 in purchase cost**

3) With the smaller groups of unknown quality, death loss will probably be greater.

Assume a 2% death loss for the larger groups, a 4% death loss for the small groups.

Death loss: 2% = \$405  
4% = \$738 = \$333 difference

4) Not only will more calves die, but more will get sick as well. We assume that 20% more of the small lot calves will need to be treated.

Sickness:

Treat 10 more calves @ \$15/hd. = \$150

5) Due to the sickness problems, feed efficiency will be lower.

Added Feed Cost: \$350

6) **There is a difference of \$833 in production cost**

7) Summary Net gain: \$1,800 - \$833 = \$967 or \$19 /hd.

Bottom Line: Different ways of putting cattle together can have a major influence on the cost and performance of the backgrounding program. This example is somewhat of a worst case scenario. With a good health program for example, many of the costs might be reduced and gains could be substantially higher. Alternatively, if more calves were sick or if the calves got a lower price at sale time, the small lot purchasing plan would lead to lower profitability.