Stocker Initiative

“Stocker cattle: Using underutilized grasslands to improve economic viability of the Southern Tier while providing viable careers for beginning farmers”
Stocker Initiative

- $627,055 grant from NYSDAM
- The $5 million Southern Tier Agricultural Industry Enhancement program
- Objective - reduce number of idled acres
Stocker Initiative

“Put land back into production using stocker cattle”

But WHY?
Stocker Initiative - WHY

“By WHY I mean what is your purpose, cause or belief? WHY does your [farm] exist? WHY do you get out of bed every morning? And WHY should anyone care?”
Stocker Initiative - WHY

Grazing “rush”
Stocker Initiative - WHY

“Creating and maintaining open space:
• preserving our agricultural economy,
• landscape diversity
• scenery
Contributes to the tourism industry in NY State.”

Rich Taber, CCE Chenango/Farmer
“Cattle grazing perennial pastures and generating income is much more appealing to landowners than growing multi-flora rose or having the land cropped to death”

Brett Chedzoy, CCE Schulyer/Farmer
Stocker Initiative - WHY

- Improve the environment
- Growing demand for protein more sustainably met
- Marching to the beat of a different drummer
- Create and maintain a sustainable ecosystem
- Run on solar power w/o use of chemical inputs
- Grazing lets cattle be cattle

Ken Jaffe, Slope Farms
Stocker Initiative - WHY

- Re-build the rural economy
- Beat the odds
- Will change agriculture in the ST and statewide
- Will change the perception of viability of beef cattle
- Making a living with beef cattle
Voyage of the Endurance
Men Wanted for Hazardous Journey. Small wages, bitter cold, long months of complete darkness, constant danger, safe return doubtful. Honor and recognition in case of success.

(Ernest Shackleton)
Looking for those that belonged
They loved insurmountable odds
Those that applied were survivors
They believed what Shackleton believed
He found the good “fits”

Fulfillment of a dream in case of success.
"If we were all rational, there would be no small businesses, there would be no exploration, there would be very little innovation... It is the undying belief in something bigger and better that drives that kind of behavior."
Are you a good fit?

Fulfillment of a dream in case of success.
Stocker Initiative

I. Stocker Summit
II. Stocker Short Course
III. USDA Market News Reporters
IV. Research (PhD student)
I. Stocker Summit - Purpose

• Definition
• Create awareness
• Exploration/vetting
• Promotion
• Additional resources needed
Resources

AGRICULTURAL REGIONS OF THE EASTERN UNITED STATES

SPRING WHEAT REGION
HAY AND PASTURE REGION
CORN BELT
COTTON BELT
SUB-TROPICAL COAST

ADAPTED FROM USDA, BAE 1920
Resources - vacant land

Courtesy Dr. Jenny Ifft, AEM, Cornell
Resources - Consumers

Value of direct-to-consumer sales, by county, 2007

Legend:
- Median sales or less
- $123,000 up to $1 million
- $1 million up to $2.5 million
- $2.5 million or more
- Not available/disclosure issues
Resources - markets

Grass finished
Organic
Free range
Non-GMO

Grain finished
Natural
No antibiotics
No added hormones
What is a stocker enterprise?

While the industry is characterized by notable heterogeneity, the most common stocker operation can best be described as managing for 141 days, targeting a 1.90 ADG, and placing multiple sets of cattle each year from auction markets without knowledge of source ranches. Collectively, this information is useful in better understanding management practices within the stocker segment.
What is a stocker enterprise?

1. Acquire in spring; remove in fall
2. Increase weight inexpensively (grazing)
3. Warehouse for cattle
4. Enter a finishing program
What is a stocker enterprise?

5. Utilize unmarketable farm forages

6. Add value to lightweight feeders
   a. Health
   b. Lot size
   c. Consistency
Models

Feeder calf
350 - 600 lb
(owned or custom)

Background

Pasture
(owned or custom)

Market
600 - 900 lb

Grass finish

Feedlot
✓ Beef or dairy breeds
✓ Heifer replacements
✓ Cows (dry or cull)
Difference between Cow/calf operation and Stocker/Grower & Feedlot

• Cow/calf enterprise is a fixed cost operation

• Stocker/Grower & Feedlot are margin operators (packer and retailer are also margin operators)

  ❖ Margin operators focus on the buy and sell

  ❖ Margin operators manage their inputs
Margins by Sector: Cost Structures

• **Cow/calf**: **BUYS** labor, fertilizer, fuel, equipment, genetics;
  
  **SELLS** calves
  
  Bulk of costs are not linked to sales

• **Stocker / Feeder**: **BUYS** cattle, feed, etc.;
  
  **SELLS** cattle

Costs are linked to sales, profit opportunities in high/low markets
Advantages

1. Convert extra grass to profit
2. Minimize equipment and facilities
3. Annual flexibility vs cow/calf
4. Initial cash outlay minimal allowing new enterprise
5. No calving season
6. Focus on one phase of production
7. Can be started as a part time enterprise
8. Might fit with other interests - agroforestry - maple in winter months
9. Is beef the right fit?
10. Livestock market less risky than stock market?
Risks

Management critical to profit:
- Pasture
- Purchase and sale
- Animal health
- Performance predictability
- Costs
- Markets
Risks

- Credit Availability & Worthiness & Rates
- Basis risk
- Corn and protein cost risk
- Fuel, energy and fertilizer price risk
- Currency risk
- Government Regulation and Policy
Managing risk

Across all ages and categories, the most commonly cited risk management tools are:

- focus on low cost production
- buying high quality cattle
- retained ownership
Putting Together a Sound Risk Management Plan

Things to know:

- Breakevens (Corn impact on breakeven)
- Analyze cash fundamentals trend (up, down, sideways)
- Analyze basis trend (strong, weak, sideways)
- Analyze futures technical trends (up, down, sideways)
- Set realistic profit objectives/narrow losses - ROI
- Have flexibility to change

Key: Have the discipline to follow through and act on profit opportunities and trend changes
550 and 750 lb steer price index

Source: CattleFax
Stocker Cattle Profitability
Summer Grazing Program

Source: CattleFax

~$70/hd
Oklahoma Wheat Stocker Budget Generator
Oklahoma State University
Oklahoma Cooperative Extension Service
Oklahoma Agricultural Experiment Station
Stillwater, Oklahoma

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Steers-low</th>
<th>Steers-high</th>
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<tbody>
<tr>
<td>Expected purchase date</td>
<td>May 1 2016</td>
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<tr>
<td>Days in receiving program</td>
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<tr>
<td>Days grazed</td>
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<td>Expected sale date</td>
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<td>Purchase weight (lb/head)</td>
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<tr>
<td>Purchase price ($/cwt)</td>
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<tr>
<td>Purchase cost ($/head)</td>
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<tr>
<td>Receiving Program ADG (lb/day)</td>
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<tr>
<td>Grazing ADG (lb/day)</td>
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<td>Death loss (percent)</td>
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<td>Stocking density (head/acre)</td>
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<td>Marketing cost ($/head)</td>
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<td>Other costs per month ($/head)</td>
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<td>Feed cost of gain ($/lb)</td>
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<tr>
<td>Interest rate (%)</td>
<td>5.5%</td>
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EXPENSES

Steer 550 lb x $1.55 = $852
Receiving cost = $15
Vaccines, sickness = $15
Pasture ($18/mo/6 mo) = $108
Other (labor, minerals) = $18
Marketing (2.5%) = $28
Death loss (1%) = $8
Interest (5.5%) = $23

Total expense = $1,067
RECEIPTS (1.5 lb/d)

Steer 820 lb x $1.33/lb = $1,091

Total expense = -$1,067

NET = $24

RECEIPTS (2.0 lb/d)

Steer 910 lb x $1.285/lb = $1,169

Total expense = -$1,067

NET = $102
## Economics

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<tr>
<th>Variable</th>
<th>Unit of change</th>
<th>Influence on net profit</th>
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<tr>
<td>Purchase price</td>
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<td>ADG</td>
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<td>Length of grazing season</td>
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<td>Sale shrink</td>
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<tr>
<td>Sale price</td>
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McNeill, TAMU #BCM-67A
Is this the right fit?

Do you like volatility?
Are you willing to search for answers?
Can you live with flux?
How about numbers?
Willing to go it alone?
QUESTIONS??