The Stocker Business is NOT for Everybody

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This past fall, the commercial stocker business was extremely kind to producers who took on the risk of ownership starting in June of 2013 and following through to late August and early September. Only considering prices paid for stocker calves during the summer of 2013 and prices received for feeder cattle in the fall and early winter, many stocker producers profited as much as $300 per head. Many readers of this article probably reread that sentence at least twice if not causing readers to stop reading and think about the prospects of buying stocker cattle.

Before running out and purchasing stocker cattle, it may be wise to consider the pros and cons as well as the struggles and rewards of such a decision. Commercial stocker production requires a different skill set than does cow-calf production. It also requires a different business mentality from cow-calf production because the purchase of stocker calves can have just as big an impact if not a larger impact on profitability as the marketing of cattle. Many commercial stocker producers would say that “buying them right” is the most important aspect to profitability in the stocker business. “Buying them right” is not only related to the price, but also to buying animals with a reduced risk of sickness and animals that will grow well on pasture and/or supplemental feeds. Buying stocker calves successfully takes a keen eye and lots of time. Many stocker producers sit in sale barns and buy the cattle themselves while others pay an order buyer, who has more experience buying cattle, to purchase the calves.

Commercial stocker production refers to the purchase of lightweight calves that enter any one of a variety of post weaning growing programs. The purchase and comingling of calves brings with it a host of nutritional and health management challenges that are generally not associated with cow-calf production or retained ownership of homegrown calves. Though cow-calf production and commercial stocker production require different managerial skills, commercial stocker production can complement a cow-calf operation in a number of ways.

The purchase and management of stocker calves may be a method to increase the value of marketing forage and feed resources. Stocker calves can be purchased to be managed separately from homegrown calves or in conjunction with homegrown calves. Some market conditions favor stocker based gains as stockers are generally lightweight animals that have the potential to grow well on forage based diets where as some home raised calves are fleshy compared to purchased stockers and do not demonstrate the same ability to gain weight in forage based production systems.

Secondly, stocker production has the potential to help manage forage and production risk. Due to climatic differences from year to year, forage availability can be highly variable from year to year. Stocker production can be used to reduce the financial stress that can come with variability of forage resources. Stocker production provides the flexibility to increase, reduce or eliminate the stocker enterprise relative to forage availability. In addition, the strategic implementation of cow-calf and stocker production increases the flexibility to adjust to cyclical patterns as it relates to increasing or decreasing the herd size or increasing or decreasing stocker production.

People considering the stocker business should evaluate a number of obstacles and setbacks that can and probably will occur at some point when growing stocker cattle. Commingled cattle have an increased risk of morbidity which also increases the risk of mortality. Therefore, stocker cattle must be observed daily if not multiple times a day during the receiving program to minimize the effects of sickness and reduce death loss. With the increased incidence of sickness comes an increased amount of time and cost associated with “doctoring” cattle. Generally speaking, stocker cattle production requires increased management relative to home grown calves, and it also means a producer is taking on increased risk. However, an increase in risk usually means an increase in the magnitude of the reward.

Stocker producers may have fared well the past few months, but the market conditions that returned $300 a head seem to have passed as quickly as they came. The market condition resulting in $300 per head profits were set up by the short corn crop in 2012 and lingering drought conditions that were whisked away with improved forage conditions and a better corn crop in 2013. These conditions resulted in stocker producers receiving the same price for feeder animals as they paid for stocker animals. This type of market condition is not common. It appears the market has reverted to a more historical tendency. The only major difference now than historically is the capital requirement to purchase stockers is much higher than in years past. Since 2010, the capital requirement to purchase a 500 pound steer has increased a little more than 50 percent. Such an increase in capital outlay can increase financial risk as well as inflating the risk associated with death loss in stocker cattle.