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STAFF PAPER

Feedlot Risk Management and Benchmarking Survey Summary

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Feedlot Risk Management and Benchmarking Survey

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Objectives:

1. Understand how feedlot operators and their team of experts make decisions regarding price and animal health risk.
2. Benchmark feedlot industry characteristics.

Key survey information:

- Survey developed by Melissa McKendree, Glynn Tonsor, and Lee Schulz and vetted by state cattlemen associations, independent cattle feeders and beef systems specialists to ensure that input from various stakeholders was considered prior to final approval and survey administration.
- Online survey was programmed in Qualtrics.
- Survey invitations were emailed to state cattlemen association members by the Colorado Livestock Association, Iowa Cattlemen's Association, Kansas Livestock Association, Nebraska Cattlemen, Texas Cattle Feeders Association, and subscribers of Feedlot Magazine.
- The survey was open from January 19, 2017 to February 14, 2017.
 - Partners sent invitations on:
 - Colorado Livestock Association: February 8
 - Feedlot Magazine: January 19 and 26
 - Iowa Cattlemen's Association: January 19 and 26
 - Kansas Livestock Association: January 19 and 30
 - Nebraska Cattlemen: January 23 and 30
 - Texas Cattle Feeders Association: January 24 and 30
- There were 588 total respondents with 354 useable responses. Respondents had to be involved in feedlot production and had to play a role in price risk and/or animal health risk management decisions to be included in the analysis.

Acknowledgements:

We would like to thank the Colorado Livestock Association, Iowa Cattlemen's Association, Kansas Livestock Association, Nebraska Cattlemen, Texas Cattle Feeders Association, and Feedlot Magazine for their efforts in distributing the survey. Thank you to all participants who took time to complete the survey. In particular, we had notable participation from cattle feeders in Iowa.

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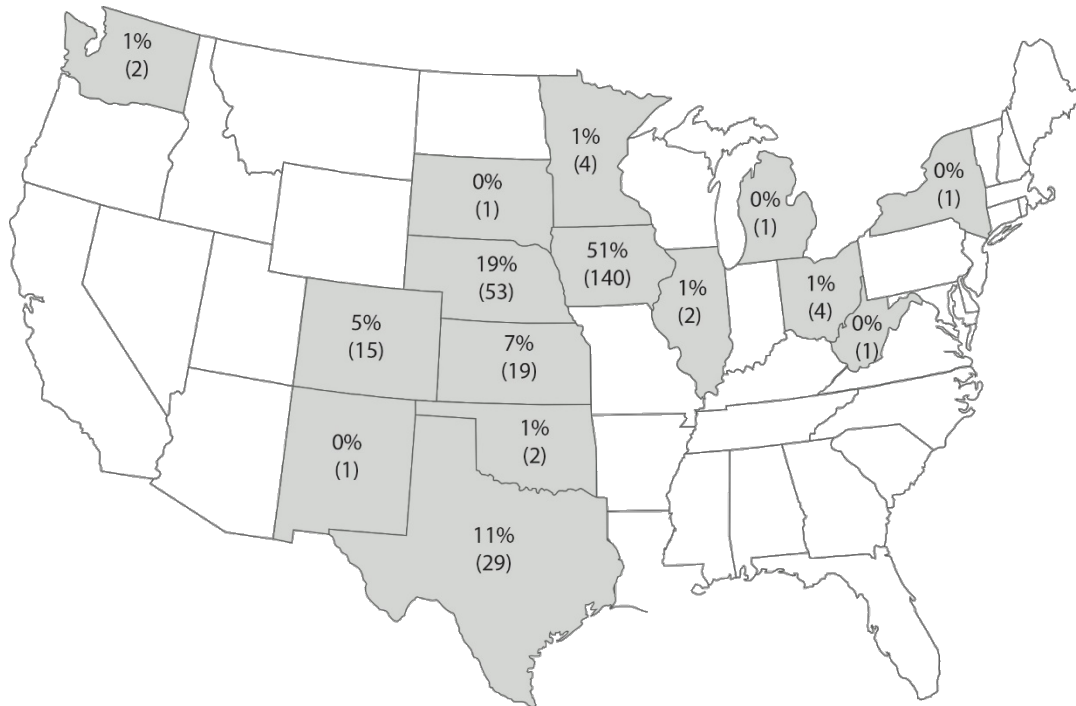
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Participating Feedlot Producers by State



According to the 2012 Census of Agriculture these 15 states represent 70% of U.S. feedlot operations, and 86% of the U.S. feedlot inventory. The top five states for feedlot operations are Iowa, Minnesota, Illinois, Nebraska, and Ohio. The top five states for feedlot inventory are Texas, Nebraska, Kansas, Iowa, and Colorado. As such, the survey sample provides a representative cross section of the U.S. feedlot industry.

Qualification Questions

Please describe your cattle operation by indicating the percentage of your operation devoted to each segment of the beef cattle industry (should sum to 100%)

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Seedstock percent	473	3.21	13.69	0	100
Cow-calf percent	476	21.98	30.66	0	100
Backgrounding percent	475	12.37	25.22	0	100
Feedlot percent	475	59.91	41.38	0	100
Other percent*	476	2.71	15.78	0	100

	Seed Stock		Cow-calf		Backgrounding/Stocker	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	426	90%	238	50%	334	70%
1-25%	32	7%	91	19%	66	14%
26-50%	6	1%	78	16%	35	7%
51-75%	2	0%	28	6%	15	3%
76-100%	7	1%	41	9%	25	5%
Total	473	100%	476	100%	475	100%

	Feedlot		Other*	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	112	24%	459	96%
1-25%	31	7%	4	1%
26-50%	60	13%	1	0%
51-75%	40	8%	0	0%
76-100%	232	49%	12	3%
Total	475	100%	476	100%

*Other: AHI Distributor, Beef Cattle Nutrition, Cattle sold to our retail meat sales company, Charity, Commodity Trader/ex CME, Crops, DVM, Engineering, Hogs, n/a, No longer have cattle, Nutrition and health, Nutritionist (2), Order buyer and cattle feeder, Retain heifers for breeding and sale

Do you play a role in price risk management and/or animal health risk management decisions?

	Number Reporting	Percent Reporting
Yes, both price risk and animal health risk decisions	394	83%
Yes, price risk management decisions	22	5%
Yes, animal health risk management decisions	47	10%
No	9	2%
Total	472	100%

Producer Demographics

For the feeding operation I am the:

	Number Reporting	Percent Reporting
Owner and manager	204	74%
Owner	18	7%
Manager	42	15%
Other*	11	4%
Total	275	100%

*Other: Buyer, Father is the Owner, Investor, Member of family operation, Partner, Pen rider, feeder, help with marketing, Ranch Hand/ Manager, Risk Manager (4)

I am _____ years old.

	Number Reporting	Percent Reporting
23 to 30	28	10%
31 to 40	47	17%
41 to 50	63	23%
51 to 60	74	27%
61 to 70	53	19%
71 to 80	9	3%
81 to 85	1	0%
Total	275	100%

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Age	275	49.32	12.85	23	85

The best description of my educational background is:

	Number Reporting	Percent Reporting
Did not obtain high school diploma	0	0%
High school graduate	38	14%
Some college	54	20%
Technical training (Certification or Associates Degree)	42	15%
Bachelor's (B.S. or B.A.) College Degree	110	40%
Graduate or Professional Degree (M.S., Ph.D., D.V.M., Law School)	30	11%
Other*	1	0%
Total	275	100%

*Other: Working on Masters

Operation Characteristics

What is the average placement weight of calves your feeding operation places in March?

	Number Reporting	Percent Reporting
Under 600 lbs	83	25%
600 to 699 lbs	96	29%
700 to 799 lbs	93	28%
800 to 899 lbs	51	15%
900 lbs or more	9	3%
Total	332	100%

On average, what percentage of feeder cattle does your operation source from (should sum to 100%):

	Traditional auction		Satellite/video auction		Purchased direct from seller (ranch)	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	62	19%	234	70%	128	38%
1-25%	61	18%	72	22%	117	35%
26-50%	78	23%	21	6%	53	16%
51-75%	46	14%	4	1%	23	7%
76-100%	86	26%	3	1%	14	4%
Total	333	100%	334	100%	335	100%

	Home raised from own cow-herd		Custom fed, so I did not buy or own animals		Other	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	198	60%	264	79%	320	96%
1-25%	77	23%	33	10%	0	0%
26-50%	24	7%	15	4%	5	1%
51-75%	2	1%	10	3%	4	1%
76-100%	30	9%	13	4%	6	2%
Total	331	100%	335	100%	335	100%

*Other: Order buyer (7), Cattle broker, Country deals through an auction operator, From a livestock dealer direct from the farm, Holstein feeder ranch, Mexican imports (3), Order Buyer direct from farm

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Traditional auction	333	46.41	34.93	0	100
Satellite/video auction	334	7.08	15.33	0	100
Purchased direct from seller (ranch)	335	20.02	25.03	0	100
Home raised from own cow-herd	331	14.96	28.85	0	100
Custom fed, so I did not buy or own animals	335	8.81	22.06	0	100
Other	335	3.19	15.51	0	100

What percentage of the cattle fed on your operation in the last 12 months were (should sum to 100%):

	Commercial beef cattle		Dairy cattle		Beef and dairy cross cattle	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	19	7%	222	80%	232	84%
1-25%	6	2%	31	11%	22	8%
26-50%	15	5%	14	5%	3	1%
51-75%	14	5%	4	1%	2	1%
76-100%	222	80%	5	2%	16	6%
Total	276	100%	276	100%	275	100%

Other		
	Number Reporting	Percent Reporting
0%	273	99%
1-25%	1	0%
26-50%	0	0%
51-75%	0	0%
76-100%	1	0%
Total	275	100%

*Other: Natural special, Wagyu

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Commercial beef cattle	276	85.76	29.50	0	100
Dairy cattle	276	6.28	17.19	0	100
Beef and dairy cross cattle	275	7.58	24.43	0	100
Other	275	0.42	5.63	0	90

How many fed cattle were sold on your operation in the last 12 months?

	Number Reporting	Percent Reporting
Less than 1,000 head	99	36%
1,000 to 1,999 head	40	14%
2,000 to 3,999 head	41	15%
4,000 to 7,999 head	17	6%
8,000 to 15,999 head	21	8%
16,000 to 23,999 head	13	5%
24,000 to 31,999 head	10	4%
32,000 to 49,999 head	7	3%
More than 50,000 head	28	10%
Total	276	100%

Of the animals placed on feed in the last 12 months, what percentage of calves placed did your operation own (as opposed to someone outside the operation retaining ownership)?

	Number Reporting	Percent Reporting
0%	6	2%
1 to 20%	20	7%
21 to 40%	25	9%
41 to 60%	24	9%
61 to 80%	21	8%
81 to 100%	178	65%
Total	274	100%

What is the one-time capacity of your feedlot?

	Number Reporting	Percent Reporting
Less than 1,000 head	111	41%
1,000 to 1,999 head	42	15%
2,000 to 3,999 head	33	12%
4,000 to 7,999 head	20	7%
8,000 to 15,999 head	16	6%
16,000 to 23,999 head	7	3%
24,000 to 31,999 head	13	5%
32,000 to 49,999 head	9	3%
More than 50,000 head	23	8%
Total	274	100%

Risk Management Practices

Please answer the following questions:

	How often does your operation use futures markets to hedge corn for feeding?		How often does your operation use futures markets to hedge feeder cattle?		How often does your operation use futures markets to hedge fed cattle?	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
1-Never	135	40%	166	49%	70	21%
2-Sometimes	118	35%	109	32%	84	25%
3-About half the time	33	10%	28	8%	53	16%
4-Most of the time	38	11%	26	8%	89	26%
5-Always	16	5%	11	3%	44	13%
Total	340	100%	340	100%	340	100%

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Corn hedging	340	2.06	1.17	1	5
Feeder cattle hedging	340	1.84	1.07	1	5
Fed cattle hedging	340	2.86	1.36	1	5

Please rate your level of agreement or disagreement with the following statements.

	I usually like “playing it safe” (for instance, “locking in a price”) instead of taking risks for market prices for fed cattle.		When selling/marketing fed cattle, I prefer financial certainty to financial uncertainty.		When selling/marketing fed cattle, I am willing to take higher risks in order to realize higher average returns.	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
1- Strongly Disagree	12	4%	3	1%	7	3%
2- Disagree	27	10%	10	4%	23	8%
3- Somewhat disagree	41	15%	16	6%	46	16%
4- Neither agree nor disagree	40	14%	34	12%	36	13%
5- Somewhat agree	69	25%	71	25%	113	40%
6-Agree	63	23%	104	37%	52	19%
7- Strongly agree	28	10%	42	15%	3	1%
Total	280	100%	280	100%	280	100%

	I like taking financial risks with my feeding operation.		I accept more risk in my feedlot than other feedlot operators.		With respect to the conduct of business, I dislike risk.	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
1- Strongly Disagree	31	11%	23	8%	3	1%
2- Disagree	80	29%	70	25%	22	8%
3- Somewhat disagree	63	23%	35	13%	44	16%
4- Neither agree nor disagree	37	13%	62	22%	68	24%
5- Somewhat agree	54	19%	57	20%	60	21%
6-Agree	13	5%	30	11%	69	25%
7- Strongly agree	2	1%	3	1%	14	5%
Total	280	100%	280	100%	280	100%

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
I usually like “playing it safe” (for instance, “locking in a price”) instead of taking risks for market prices for fed cattle.	280	4.53	1.64	1	7
When selling/marketing fed cattle, I prefer financial certainty to financial uncertainty.	280	5.29	1.32	1	7
When selling/marketing fed cattle, I am willing to take higher risks in order to realize higher average returns.	280	4.40	1.34	1	7
I like taking financial risks with my feeding operation.	280	3.18	1.46	1	7
I accept more risk in my feedlot than other feedlot operators.	280	3.58	1.56	1	7
With respect to the conduct of business, I dislike risk.	280	4.51	1.40	1	7

Feeder Cattle Procurement

Compared to calves sourced from auctions with unknown backgrounds, how do you believe calves from a single source ranch perform (i.e. average daily gain, feed conversion, morbidity) in the feedlot?

	Number Reporting	Percent Reporting
Much worse	1	0%
Somewhat worse	6	2%
About the same	42	13%
Somewhat better	170	51%
Much better	112	34%
Total	331	100%

In the past 12 months, what do you believe is the average premium paid nationally in the market for feeder calves sourced from a single known ranch versus multiple unknown sources?

	Number Reporting	Percent Reporting
Discount	1	0%
No premium	28	9%
Premium less than \$1/cwt	9	3%
\$1 to \$1.99/cwt premium	51	16%
\$2 to \$2.99/cwt premium	60	19%
\$3 to \$3.99/cwt premium	42	13%
\$4 to \$4.99/cwt premium	40	13%
\$5 to \$5.99/cwt premium	53	17%
\$6 to \$6.99/cwt premium	10	3%
\$7 to \$7.99/cwt premium	6	2%
\$8 to \$8.99/cwt premium	3	1%
\$9 to \$9.99/cwt premium	7	2%
Premium greater than \$10/cwt	10	3%
Total	320	100%

How important are the following traits for the feeder cattle you buy?

	Weaned at least 30 days		Weaned at least 45 days		Vaccination history	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
5- Extremely important	79	29%	61	22%	89	33%
4- Very important	83	30%	79	29%	97	36%
3- Moderately important	65	24%	76	28%	64	23%
2- Slightly important	32	12%	39	14%	17	6%
1-Not at all important	15	5%	19	7%	6	2%
Total	274	100%	274	100%	273	100%

	Third-party health verified		Animal care/handling practices		Castrated	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
5- Extremely important	18	7%	51	19%	136	50%
4- Very important	40	15%	92	34%	84	31%
3- Moderately important	98	36%	74	27%	27	10%
2- Slightly important	67	24%	47	17%	18	7%
1-Not at all important	51	19%	9	3%	9	3%
Total	274	100%	273	100%	274	100%

	Dehorned		Implanted		Specific sire/genetic information	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
5- Extremely important	63	23%	18	7%	4	1%
4- Very important	72	26%	29	11%	34	12%
3- Moderately important	69	25%	72	26%	80	29%
2- Slightly important	44	16%	70	26%	81	30%
1-Not at all important	26	9%	85	31%	75	27%
Total	274	100%	274	100%	274	100%

	Breed background information		Reputation of seller		Weight	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
5- Extremely important	20	7%	49	18%	50	18%
4- Very important	65	24%	124	45%	105	38%
3- Moderately important	95	35%	74	27%	72	26%
2- Slightly important	58	21%	19	7%	29	11%
1-Not at all important	36	13%	8	3%	18	7%
Total	274	100%	274	100%	274	100%

	Frame		Condition		Number of head in a lot	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
5- Extremely important	56	20%	106	39%	23	8%
4- Very important	143	52%	121	44%	60	22%
3- Moderately important	61	22%	42	15%	104	38%
2- Slightly important	11	4%	5	2%	44	16%
1-Not at all important	3	1%	0	0%	43	16%
Total	274	100%	274	100%	274	100%

	Uniformity of head in a lot		Sex of animal		Age and source verified	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
5- Extremely important	29	11%	68	25%	14	5%
4- Very important	113	41%	68	25%	26	9%
3- Moderately important	89	32%	69	25%	52	19%
2- Slightly important	30	11%	29	11%	67	24%
1-Not at all important	13	5%	40	15%	115	42%
Total	274	100%	274	100%	274	100%

	Naturally raised		Organically raised		Non-hormone treated	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
5- Extremely important	8	3%	1	0%	79	29%
4- Very important	7	3%	2	1%	83	30%
3- Moderately important	20	7%	6	2%	65	24%
2- Slightly important	43	16%	18	7%	32	12%
1-Not at all important	196	72%	247	90%	15	5%
Total	274	100%	274	100%	274	100%

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Weaned at least 30 days	274	3.65	1.17	1	5
Weaned at least 45 days	274	3.45	1.18	1	5
Vaccination history	273	3.90	1.00	1	5
Third-party health verified	274	2.66	1.13	1	5
Animal care/handling practices	273	3.47	1.08	1	5
Castrated	274	4.17	1.06	1	5
Dehorned	274	3.37	1.26	1	5
Implanted	274	2.36	1.21	1	5
Specific sire/genetic information	274	2.31	1.05	1	5
Breed background information	274	2.91	1.12	1	5
Reputation of seller	274	3.68	0.94	1	5
Weight	274	3.51	1.11	1	5
Frame	274	3.87	0.82	1	5
Condition	274	4.20	0.76	2	5
Number of head in a lot	274	2.91	1.16	1	5
Uniformity of head in a lot	274	3.42	0.98	1	5
Animal care/handling practices	274	3.35	1.35	1	5
Age and source verified	274	2.11	1.20	1	5
Reputation of seller	274	1.50	0.95	1	5
Organically raised	274	1.15	0.51	1	5
Sex of animal	274	1.77	1.12	1	5

Fed Cattle Marketing

In the past 12 months, what percentage of finished cattle did your operation market as (should sum to 100%):

	Live weight, negotiated price (includes auctions)		Live weight, formula price		Live weight, forward contract	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	138	43%	301	93%	277	86%
1-25%	65	20%	7	2%	27	8%
26-50%	31	10%	1	0%	7	2%
51-75%	19	6%	3	1%	6	2%
76-100%	71	22%	10	3%	5	2%
Total	324	100%	322	100%	322	100%

	Dressed weight, negotiated price		Dressed weight, formula price		Dressed weight, forward contract	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	185	57%	287	89%	291	90%
1-25%	21	6%	8	2%	13	4%
26-50%	33	10%	6	2%	13	4%
51-75%	17	5%	4	1%	4	1%
76-100%	68	21%	16	5%	4	1%
Total	324	100%	321	100%	325	100%

	Grid (dressed, grade and yield)		Other	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	220	67%	313	96%
1-25%	39	12%	7	2%
26-50%	19	6%	2	1%
51-75%	3	1%	1	0%
76-100%	45	14%	3	1%
Total	326	100%	326	100%

*Other: 280 market custom feeding, Custom kill for branded beef, Direct consumer market, Fed Cattle Exchange, Freezer beef, Local locker, Natural beef, Sale barn, Sold private label meat

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Live, negotiated	324	31.85	39.34	0	100
Live, formula	322	4.08	18.34	0	100
Live, forward	322	4.67	15.86	0	100
Dressed, negotiated	324	29.47	39.20	0	100
Dressed, formula	321	6.73	22.54	0	100
Dressed, forward	325	4.20	14.83	0	100
Grid	326	17.96	33.49	0	100
Other	326	1.65	11.10	0	100

In the past 12 months, what percentage of the following pricing methods did your operation use for marketing finished cattle (should sum to 100%):

	Spot cash market		Forward contract or marketing agreement		Futures hedge	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	55	17%	201	63%	192	60%
1-25%	58	18%	40	13%	48	15%
26-50%	46	14%	31	10%	43	13%
51-75%	30	9%	15	5%	17	5%
76-100%	129	41%	32	10%	20	6%
Total	318	100%	319	100%	320	100%

	Options hedge		Livestock Risk Protection (LRP) Insurance		Livestock Gross Margin (LGM) Insurance	
	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting	Number Reporting	Percent Reporting
0%	257	80%	318	99%	321	100%
1-25%	29	9%	2	1%	0	0%
26-50%	24	7%	1	0%	0	0%
51-75%	6	2%	0	0%	0	0%
76-100%	5	2%	0	0%	0	0%
Total	321	100%	321	100%	321	100%

	Other	
	Number Reporting	Percent Reporting
0%	314	98%
1-25%	0	0%
26-50%	1	0%
51-75%	0	0%
76-100%	6	2%
Total	321	100%

*Other: Custom feeding, Negotiated price, Ours and local restaurants

Variable	Number Reporting	Mean	Standard Deviation	Minimum	Maximum
Spot cash market	318	55.02	39.67	0	100
Forward contract or marketing agreement	319	18.66	31.25	0	100
Futures hedge	320	17.49	28.11	0	100
Options hedge	321	7.35	18.12	0	100
Livestock Risk Protection (LRP) Insurance	321	0.20	2.24	0	30
Livestock Gross Margin (LGM) Insurance	321	0.00	0.00	0	0
Other	321	1.96	13.65	0	100

What was the average cost of gain for feeder cattle placed over the past 12 months on your operation?

	Number Reporting	Percent Reporting
Less than \$60/cwt	19	7%
\$60 to \$64.99/cwt	50	18%
\$65 to \$69.99/cwt	81	30%
\$70 to \$74.99/cwt	66	24%
\$75 to \$79.99/cwt	38	14%
\$80 to \$84.99/cwt	13	5%
\$85/cwt to \$89.99/cwt	6	2%
Total	273	100%