Backgrounding Cattle June 13, 2014

If you have been around cattle producers or the cattle industry for any length of time chances are that you have heard the term "backgrounding". But, do you know what this term fully means? Further, are you aware of the role it can play in making your operation profitable? In the coming weeks we will discuss backgrounding, and look at the factors that affect backgrounding in a cattle operation.

Most producers say that backgrounding is a way for a producer to add value to his cattle by the way he manages them. Rather, it is probably best defined as a way to prevent your calves from being discounted at sale time. A common type of backgrounding system is where yearling operators buy 400 pound calves and feed them until they reach about 750 pounds. 95% of the cattle sold as weaned calves are either going to stocker operators as 400 and 500 pound calves, or to the feedlot as 600 and 700 pound calves. On any given day, a calf is worth a certain commodity price based on the demand for it that day. The price actually paid to the producer is equal to the commodity price minus the cost of preparing the calf and shipping it to its new owner. Anything that a producer can do to reduce the shipping and preparation discount will result in a net price closer to the commodity price on that given day of sale.

Next we will look at the things a producer can do to reduce this preparation and shipping discount, and how you can calculate the unrealized costs associated with this. In the meantime, please let us know if you have any questions.

Thanks,
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