

Keying In On Calf Improvement

Cattle feeders say improvement at the cow-calf level is vital to the future of the beef industry. Their advice: Keep the best; get rid of the rest.

Story by
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Three prominent cattle feeders from different areas and sizes of operations agreed that among the biggest challenges facing the U.S. beef industry is improving genetics and management at the cow-calf level. Speaking at the Certified Angus Beef (CAB) Program's annual conference in Minneapolis in late August, Friona Industries' president, James Herring, said the future of beef is branded, but there are many obstacles.

"The public loves our product," he said. "But they would value it more if it were more consistent, cost-efficient and convenient." Herring also pointed out, "If we create consumer demand, we must supply the raw material. The problem is, 80% of producers are still in the disposal business."

Friona is the seventh-largest cattle feeding firm in the United States, with additional enterprises in the feed, animal-health and stocker-cattle areas.

Jerry Bohn, CEO of Pratt Feeders, the 18th-largest feeder with three yards in Kansas and one in Oklahoma, set up the same need for consumer focus. He showed the familiar graph of commodity beef's loss of market share since 1980. Then he said beef must be able to answer six consumer questions affirmatively: "Is it safe? Does it taste good? Can I afford it? Is it kind to the planet? Does it take little time to prepare? And is it good for me?"

Bohn cited the same problem with inconsistent "raw material" in the form of cattle placed on feed. "There are too many breeds and too much variation within and between them. There are good individuals, but the challenge is to identify the best and get rid of the rest," he explained.

Completing the team of speakers was Mike Martz, manager of Larson Farms,



"There are too many breeds and too much variation within and between them," Jerry Bohn, Pratt Feeders, told attendees of the CAB Program's annual conference. "There are good individuals, but the challenge is to identify the best and get rid of the rest." [PHOTO BY SHAUNA HERMEL]

Maple Park, Ill., a Corn Belt feeding company that has developed a reputation for superior service and quality. He agreed it is difficult to change supply quality from small producers. About 92% of all cow-calf producers have fewer than 100 cows, Martz pointed out, but these produce 58% of the total calf crop.

To respond to the increasing number of "hobby" or "part-time" producers, Larson Farms changed from its standard 120- to 200-head pens to a range of 35- to 150-head pens. The firm also increased emphasis on service, especially tracking individual calf performance for cow-calf retained-ownership customers.

Cooperation needed

"If we are going to take it to the consumer, we've got to address the raw-material side," Herring said. "We spend a lot of time and have great economic incentive to bring the cow-calf guy forward, to change raw materials and give us something to work with."

Comparing the beef industry's adversarial segments to the cooperation behind

the competing meats of pork and poultry, Herring said, "We have a long way to go — but the beef industry is in a renaissance of understanding, and that's new."

The reality of industry concentration is daunting to the "most important, but least informed" segment. "Cow-calf customers want to know how to fight back," Herring said. "They feel disenfranchised." But that need is an opportunity, he added.

Friona began exploring alliance ideas with the cow-calf segment in the mid-1980s, and that effort grew into its "Producer's Edge" program for those with 200 or more cows.

Bohn and Herring had suggestions on how to get the cow-calf producer's interest: Give them a financial stake in change.

Friona's Producer's Edge program helped the Texas Agricultural Extension Service document the savings possible with coordinated health practices in the VAC-45 program. In Bohn's comments, he built on the \$86/head loss reported in the Texas Ranch-to-Rail study for calves that have been sick.



One of the main problems with current forms of value-based marketing is that most of the 47% of cattle sold on grids have their base value set by the 53%, presumably lower-average-quality cattle, that continue to sell on the cash market, said **Jerry Bohn**, CEO of Pratt Feeders. [PHOTOS COURTESY OF CAB PROGRAM]



To respond to the increasing number of small-scale producers, Larson Farms changed from its standard 120- to 200-head pens to a range of 35- to 150-head pens, said **Mike Martz**, manager of the Maple Park, Ill., feeding company.



"When there is a 400- to 440-pound weight range, even on a grid, then marketing is simply disposal," said Friona Industries' president **James Herring**, discussing variation in carcass size. "That's got to stop — no other industry in the world would tolerate that."

"The use of effective preweaning health programs improves profit \$20 to \$30 per head," Bohn said. But watch out for overuse of vaccine with no intersegment coordination. "The industry used

five to six times more doses of clostridials in 1993 than there were cattle," he observed. "And those were 5-milliliter (mL) products, the leading cause of injection-site abscesses."

Again citing Texas data, Bohn noted VAC-45 calves delivered savings across the board at six feedlots last year. These calves required 55% fewer pulls into hospital pens, \$15 less average medicine per head, up to 15% better daily gains, 9% better feed conversion and 8% more Choice or better carcasses, compared to unweaned calves placed on feed.

Producers can say "yes" to all the right consumer questions by participating in a "vertically coordinated system," Bohn said. "The ideal system would have all segments cooperating in commerce and profits divided equally among the segments according to their contribution within the system."

He noted the Harris Ranch program, in which cow-calf producers get a premium for calves that hit the product target, even when they don't retain ownership on feed, calling it a model for the future.

Herring cited the U.S. Premium Beef cooperative as the kind of system that will improve the raw material coming into feedyards, suggesting the industry "reuse that template where the producer is rewarded."

Small feedlot operators are having trouble finding rewards, too, Martz said. "The future is one of integration and concentration of suppliers and buyers. Feedlots will continue to get larger [Herring noted that the 25 largest firms, including Friona and Pratt, sell 34% of the nation's fed beef] and may practically disappear east of the Mississippi."

Small feeders in the eastern Corn Belt must overcome escalating facilities costs, dwindling financing sources, a generational drift away from the farm and tighter environmental regulations. In addition, the lure of crop-income security from the U.S. Department of Agriculture (USDA) favors specialization in program crops rather than cattle feeding, Martz noted.

Opportunity

Yet, he sees opportunity. "There will be more product-specific markets, more selling by carcass weight or on a grid system, and more emphasis on high-Choice and Prime beef." To play at that higher

level, feeders "will need better records, innovative feedstuffs, true cost accounting (don't kid yourself with 10¢ yardage), knowledge of specific markets and the ability to obtain known-source, predictable cattle," Martz said.

He showed examples where a supposedly uniform set of black feeder cattle from one farm resulted in a 400-pound (lb.) weight variance. Larson Farms makes use of individual weights and ultrasound sorting to optimize finish on all fed cattle, while providing feedback to cow-calf producers that can help them improve uniformity of future calf crops.

Sorting is nothing new, but a kind of *Back to the Future* idea, Martz said. "For years and years the cattle feeders sorted to sell. Then [during some period of producer market advantage] we said, 'No, you have to take them all, the whole pen.' When you see the 400-pound variance, you see what the packer is up against, and what we have done to consistency in the beef industry."

Herring gave specific target advice to the audience of CAB Program licensees and staff that many would say was too conservative in its reach for quality, only striving for 62% Choice or better. He later said that his perspective on that part of the target may be influenced by the location of the Friona customer base — central Texas.

The local cattle may improve in the next few generations, however. "Producer's Edge ranchers are turning them blacker with Angus and Brangus bulls. Calves are becoming more moderate in size and more consistent in quality."

A smaller bull's-eye

Overall, there is "way too much variation in carcass size," Herring said, and that is unfortunately supported by "value-based" marketing. "When there is a 400- to 440-pound weight range, even on a grid, then marketing is simply disposal," he said. "That's got to stop — no other industry in the world would tolerate that."

He suggested all grid-writers help the industry by offering an inner bull's-eye on carcass weights. That would penalize those less than 650 lb. and more than 850 lb. with discounts of perhaps \$1/hundredweight (cwt.). "You want to keep your middle-meat steaks an inch thick, but a [16-square-inch ribeye cut 1 inch

thick] weighs 26 ounces, costs \$15, and that isn't what the consumer wants."

Bohn said adjustments are painful for cow-calf producers. "It's hard to be big enough to take it when you have put years into cattle that just don't work anymore." Performance and carcass information will tell the story that will be required reading for producers who want to stay in business.

Larson Farms makes all performance and carcass data available to cow-calf producers. "Our scale head calculates the rate of gain, and the ultrasound scan screen figures that into an optimum feeding time for each animal," Martz explained. "If you want 100% Choice, for example, the computer generates a probability curve, showing how many days it will take, and what that will do to Yield Grade. Then

you can pick an optimum number of days along that curve."

Martz is sold on the advantages of ultrasound sorting after six to eight weeks on feed. Besides significant savings in feed efficiency, it allows fed-cattle sales over 60 days to spread market risk and to sell to target markets. "Buyers like to know what they are getting. Now they want to see the ultrasound data on our cattle for sale," he noted.

One of the main problems with current forms of value-based marketing, said Bohn, is that most of the 47% of cattle sold on grids have their base value set by the 53%, presumably lower-average-quality cattle, that continue to sell on the cash market. "That's wrong. It needs to change, maybe by tying into the boxed beef market or the futures market. How-

ever, the way we're going, each alliance may have its own means of price discovery," he said.

Future price discovery may include technology factors, Bohn added. "When we can classify beef by tenderness, there may be a 0.5 to 1.5 price multiplier in the grid formula."

Once it is easily measured, tenderness would be another requirement for branded beef, the speakers agreed. Only about 10%-12% of all beef is branded now, and most of that is *Certified Angus Beef*TM product. Herring believes that figure can nearly triple in the next five years. It must if the beef industry is to recover significant market share.

