

HEALTH & HUSBANDRY

Value-added, or value-captured?

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Established as a method to decrease disease in calves after weaning, preconditioning

has been around a long time. The goal is to better prepare cattle for the next production phase by using a variety of management techniques. It often includes a vaccination program, nutritional management, parasite control, weaning and techniques to minimize stress. Though a variety of programs are available, not all producers precondition.

Vaccinating calves prior to disease exposure decreases their risk of illness and its negative consequences. Calves that become sick lose weight, and their performance can be affected for life. Therefore, preconditioned calves always make money for the cow-calf producer.

If the first two statements are true, then the third must be accurate, right? Not necessarily. While the calves may be less likely to get ill, the ability for the cow-calf producer to capture this value is dependent on postweaning management and marketing systems.

Cow-calf producers also add value to their herd by genetic selection and management. Time and effort are spent on selecting ideal bulls, saving appropriate replacement heifers, and culling nonproductive animals to create better calves each year. Genetic progress in the cow herd is a long-term goal and adds great value to the calf crop, but again, a value-capture system needs to be in place to capitalize on these investments.

Information transfer

One of the best ways to capture value from preconditioning or genetic progress is having an accurate information transfer system between seller and buyer. This can occur informally, as many cow-calf producers have repeat buyers for their calves each year.

A more active mechanism is participation in a specific value-added or preconditioning program.

Capturing value through information transfer starts with having good records listing what has (or has not) been done to a specific set of calves.

Describing the health program facilitates capturing value in calves, but relatively few producers transfer health information.

According to the USDA National Animal Health Monitoring System (NAHMS) 2017 Cow-Calf Survey, only 42.5% of all operations provided information on calf health programs to calf buyers. Larger operations were more likely to provide the information (78.8%) than smaller operations (35.2%).

One of the challenges with transferring information to buyers is having a specific mechanism to easily pass the appropriate records between buyer and seller. Preconditioning and value-added programs provide an opportunity for producers to transfer pertinent information more readily.

Participating in a calf marketing program can help capture value. Producers should select a program that best fits their operational goals. Evaluate programs available in your area. Breed-, region- and company-specific preconditioning and genetic programs are often tied to specific marketing systems or sales.

An advantage of participating in an existing program is the specifications

of the program are outlined. This allows clear communication between buyer and seller as to the specific procedures performed on the calves. Preconditioning and value-added programs that have been going for several years often have developed a reputation, which can lead to repeat buyers and higher prices.

Preconditioning and value-added programs also offer benefits by including cattle from more than one producer, allowing buyers to purchase larger groups of cattle. Preconditioning is most valuable at a group level, and group size is dictated by truckload-size lots (approximately one hundred 500-pound calves) or feedlot pen size (generally 80-400 head). Buyers are often looking for same-sex groups within a weight range, and this means they may be purchasing many cattle to fill a pen.

Purchasing some preconditioned cattle and mixing with cattle not prepared for the next phase limits the value of preconditioning. When buyers can purchase the correct sized lot of all preconditioned calves and manage them as a group, the health performance should be better.

Working with a preconditioning or value-added program can help smaller producers capture value from the additional inputs for preparing the calves.

Ownership

Another method to capture value from calves is to own them long enough to reap some of the benefits in the next production phase. This could mean owning the calves for a period beyond weaning.

If the cattle have good growth genetics and have been preconditioned, one way to capture value is to feed them postweaning and gain the benefits of decreased illness. In this scenario, the producer is paid not just for having

backgrounded calves, but also paid more per calf due to increased calf weight during the feeding period.

Prior to feeding calves postweaning, a specific budget should be evaluated to determine if the value of weight gain will be greater than the cost of gain (including feed and housing).

Some producers are also considering retained ownership or partnership/partial retained ownership through the feeding phase. This is an opportunity for producers who have invested in herd improvements to capture this value by partnering with a feedyard to finish the calves economically.

For producers typically selling at weaning, this can be a big adjustment to both cash flow and risk. Fully evaluate this option to determine if it fits your operation.

Conclusions

From planning the breeding program to selling the calf crop, cow-calf producers have often invested 18 months in creating a high-quality product. Many producers add value to these calves at multiple time points prior to sale of the calves.

Adding value to feeder calves is relatively straightforward, but this needs to be coupled with the appropriate value-capture system for your operation to gain optimal benefits. Transferring information and retaining ownership are two potential value-capture systems. Each operation should decide if these mechanisms can allow them to better achieve their goals. ■

Editor's note: "Health & Husbandry" is a regular *Angus Beef Bulletin* column devoted to the care and well-being of the herd. Author Brad White is on faculty at Kansas State University College of Veterinary medicine and serves as director of the Beef Cattle Institute. To learn more on this and other beef herd health topics, tune in to the weekly Beef Cattle Institute *Cattle Chat* podcast available on iTunes, GooglePlay or directly from KSUBCI.org.

Capturing
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