Changing Pace

Educational seminar shares how grids, feedlots and producers have changed the way the beef industry attains CAB®.

Story & photos by
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More than 100 ranchers joined Certified Angus Beef LLC (CAB) for a special seminar the night before the 18th Range Beef Cow Symposium in Mitchell, Neb., Dec. 8, 2003. The educational event was called Black Ink Basics, after CAB's popular industry information column.

Larry Corah, CAB vice president, opened by pointing out the increased role of information in the beef industry. "Everyone recognizes carcass data is a big driver in the market today, from bull value to demand for high-quality beef," he said. "Our focus is on how that can add value to your cattle."

When Angus GeneNet began in 1995, less than 20% of cattle were sold on value-based grids, but last year the figure increased to more than 50%, said company president Ken Conway. He addressed the importance of data, as reflected in the GeneNet marketing alliance with Swift & Co., which bought 300,000 cattle on grids last year. Swift's Tim

Schiefelbein contributed to Conway's presentation.

Referring to Cattle-Fax statistics, Conway said the average cow-calf producer has made $3 per head throughout the last 22 years. "The high-return third only lost money in two of those years, while the hobby farmers in the low third only made money two years," he said. "If you are not getting carcass data to find out where your cattle fit — if you're not retaining ownership to capture the value you're adding — you'll find, in 10 or 15 years, you'll be left with the hobby farmers."
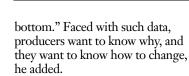
Grid marketing

Grids, whether based on weighted averages or bids, are replacing average live pricing, Conway said, and that makes uniformity more important.

"There is serious money between top and bottom cattle," he said. "The owner of a set of 30 Angus steers hadn't sold on a grid before, and thought these were like peas in a pod," Conway said. "He didn't see a dime's difference, but there was a $300 spread on the grid from top to

> "The top guys I work with don't make decisions based on the market, but rather on the cattle."
>
> — Ken Conway

Known Angus genetics are key for reaching CAB targets. [PHOTO BY ERIC GRANT]

bottom." Faced with such data, producers want to know why, and they want to know how to change, he added.

Conway said yield grades have changed little since 1995, with a slight shift to more Yield Grade (YG) 3s and 4s. "The main factors in value are the Choice, CAB® (*Certified Angus Beef®*) and Prime premiums," he said. The difference between Choice and Select exceeded $30 per hundredweight (cwt.) some weeks in late 2003, and hitting Prime earned premiums of more than $50 per cwt.

"We know such wide spreads are a temporary thing, but also a look at what's coming," Conway said. Yield grades may not bring big premiums on the grid, but they are critical to overall value, because failure to achieve at least YG 3 can mean big discounts.

"Producers must know likely yield grades on their cattle to recognize how long they can feed to achieve quality premiums," he said. "Some guys who tried the grid five or six years ago and had their heads taken off on yield grade discounts are the guys hitting home runs today — sometimes you have to run into that wall before you take action."

The Choice-Select spread has increased in 10 years, from $4 per cwt. to $13 per cwt. last year, and, Conway says, "Growth in the foodservice share of consumer spending supports that trend, and we will continue to export more beef, with 95% of exported beef being Choice and above."

The spread is likely to narrow somewhat in 2004, but it will remain higher than in 2002, he said.
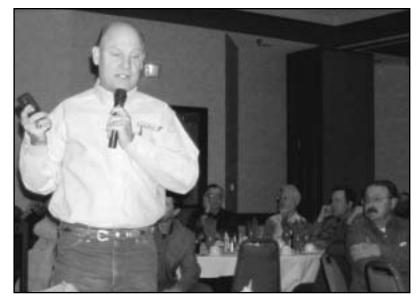
Making the grade

Schiefelbein had provided Conway data on the value of 200,000 known Angus cattle to Swift. They graded 3.5% Prime, vs. the 1.5% commodity cattle average, adding $5 per head to the Angus cattle average. They achieved 24% CAB vs. the 7% commodity average (all hide colors), adding $6.80 per head. They graded 69% Choice vs. the 51% commodity average, which added $20 per head premium. But the 34% YG 1-2, compared to the commodity cattle's 58%, cost $6 per head, and the 9.7% YG 4s vs. 4.5% for the commodity cattle cost another $6 per head. The low incidence of Standard grade Angus added a final $2 per head, giving the breed a net advantage of nearly $22 per head in value above the commodity average.

"That's the value of genetics," Conway said, noting the Angus sire database illustrates progress toward balance and serves as an effective guide to selection. "Ten years ago, we thought you could not get Yield Grade 2 along with CAB and Prime. The genetics are there today," he said. "Now we see those consistently from producers who paid attention to data, used the sire summary and got it done."

He summarized Angus GeneNet data on 500,000 cattle and premiums of $20.76 per head. The

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Changing Pace *(from page 75)*

CAB feedlot specialist Paul Dykstra addressed how to get data efficiently.

Terry Enfield, Arthur, Neb., became a sire evaluation cooperator for a seedstock operation, gaining detailed data on up to 50 steers per year for eight years. [PHOTO BY ROD SCHOENBINE]

top 75% made $31 per head, the top 50% made $42 per head, and the top 25% made $50 per head. "That's not including the last five months when we have had top groups make $180-per-head premiums," Conway added.

How can producers move into the upper 25% group? "The top guys I work with don't make decisions based on the market, but rather on the cattle — 80% of the time that makes the most money," Conway said. "Otherwise you guess and wait until you can't even put them on the grid, then take $5 per hundredweight less. Or, just the

opposite in 2003, you move them three or four weeks too early to use the grid. There were many cases where those with patience and known genetics made more." Overall, GeneNet has generated $10 million in customer premiums since 1995.

Capturing data

CAB feedlot specialist Paul Dykstra addressed how to get data efficiently. "Some producers know their pedigrees back six generations but have no carcass data," he noted. "Many of them are doing well because there are many ways to profit. You can have cattle that will gain and grade well, or focus on the other end, managing your efficiencies and input costs," Dykstra said, adding that a third alternative is to work on both ends. "Look at your goals to decide if you need to pay attention to data," he suggested.

It's a real challenge to get data back when selling at auction markets, he said, but it's sometimes possible if you find who bought the cattle and where they went. It's also a challenge to get carcass data when selling finished cattle live, unless they are sold through a CAB-licensed feedlot.

"If you own all the way to the rail, you will get data because it is tied to payment on the cattle," he explained. But what does the data mean? "If you simply have a tag so

you know which one to doctor, individual data won't mean anything to you," he said. Group data without tag correlation costs little or nothing, and it does illustrate the range in value of individuals.

"You might want to step up to tag transfer data with individual quality and yield grades and carcass weights if you have ear-tag numbers that mean something, and that costs $2 to $3 per head," Dykstra said. Detailed data, at $5 to $6 per head, adds marbling score, ribeye area, and external and internal fat measures.

Feeder's view

Terry Beller, Lindsay, Neb., addressed the group on behalf of his family's Beller Feedlots, a 2003 CAB Feedlot Partner of the Year. Data collection is easier when producers work through a CAB feedlot, and that has improved with time. Beller said reports to producer-customers are also easier as a licensed feedlot.

In 1999, when the CAB Feedlot-Licensing Program (FLP) started, but before Beller was licensed, data tracking was hit-and-miss. The combination of missed opportunities at both feedlot and CAB levels made for a 48% success rate in getting data back to the cow-calf producer. With experience and the addition of excellent partners, such as Beller, the success rate was 86% last year.

Beller buys full interest in top-

quality Angus cattle, and returns full information, if he feels confident in both producer and cattle. "We do a lot of homework before bidding on any cattle at an auction," he explained. "We go look at them on the ranch before they go to the sale, and get past performance and carcass data if we can."

Producers' views

Two cow-calf producers shared ideas on managing and marketing with carcass data. Terry Enfield, Arthur, Neb., manages 650 commercial Angus cows, 70% of which calve in spring. "We started in 1988 getting percentage data by calling the packer (63% Choice), though we really had no way to know if it was accurate," Enfield explained. In 1991 he entered six steers in the CAB Value Discovery Project. All were Choice, with five achieving CAB acceptance. "The cattle we had in the feedlot were 78% Choice that year, but I decided I would use carcass data and selection to get them all to grade Choice or higher."

Soon he became a sire evaluation cooperator for Summitcrest Farms, Summitville, Ohio, and he obtained detailed data on up to 50 steers per year for eight years. Five years ago, he started feeding at home, with a focus on nonimplanted cattle, running in the high 90s in Choice percentage. In 2002, steers sold on

GeneNet slipped to 88% Choice but returned a $56-per-head premium.

"Using carcass data for genetic improvement showed us we needed more muscle, up to a certain point, and I still look for positive marbling," Enfield said. "The benefits of carcass data enabled us to hang a carcass we can bet will be high quality, [we] exposed our calves to more buyers, and [it] enabled us to sell replacement heifers guaranteed to produce quality if bred to high-quality bulls."

Mike Kasten, Millersville, Mo., manages 350 commercial Angus

cows that have been bred with artificial insemination (AI) and proven cleanup bulls for 30 years. He helps manage 250 more cows through an alliance with 10 neighbors. He leases bulls to the smaller producers, sells them females, contracts to buy their calves and has kept records on the cattle for more than 10 years. Kasten has been a sire evaluation cooperator for Sydenstricker Genetics since 1988.

"From a marketing standpoint," he told the seminar crowd, "we can make the decisions based on how we know they will do. We know what

"Everybody ought to retain ownership at least once every five years to remind themselves how the cattle industry really works and how their cattle fit," Mike Kasten, Millersville, Mo., said.

Panelists answered questions toward the end of the Black Ink Basics seminar the night before the 18th Range Beef Cow Symposium in Mitchell, Neb., Dec. 8, 2003.

Changing Pace *(from page 77)*

they will return if we feed them. That has given us a big plus with repeat buyers on replacement heifers."

Kasten said, "Everybody ought to retain ownership at least once every five years to remind themselves how the cattle industry really works and how their cattle fit. As a cow-calf producer, I used to sell my calves every year at weaning and said how great they were. When I finally put my money where my mouth was, I learned a lot about what it takes to make it work, the expense, the risk."

He put the data to work, too. "We've been stacking the pedigrees that work for a number of years," Kasten said. Stressing balanced expected progeny differences (EPDs), he said progeny from bulls with a marbling EPD of 0 or lower have graded 25% CAB, 31% lower Choice and 43% Select. One positive marbling generation nets 8% Prime, 52% CAB, 36% lower Choice and 4% Select. With two stacked pedigrees positive for marbling, progeny are 31% Prime, 56% CAB and 13% lower Choice. Three stacked pedigrees produce 53% Prime and 47% CAB.

"We sold a few finished heifers with a $53-per-hundredweight premium Prime over Select in November, so it really does pay off," Kasten says. Premiums have averaged $85 per head for the last few years, but progress is slower now that so many cows are proven over time. "If you don't have as many generations of positive marbling as you'd like but she's still a good cow, you can't cull her just for that — it takes a long time to get the stacked pedigrees."

In response to questions, Kasten and Enfield said they are not interested in producing 13-square-inch (sq. in.)-ribeye cattle. Kasten said their cattle average 11.2, and he would like to add 1-1.5 sq. in. of ribeye. While Enfield has settled into maintaining moderately positive carcass EPDs, Kasten continues to aim for bulls with marbling EPDs of about 0.4. He said he has not noticed problems with scrotal circumference while keeping to that standard.

The ranchers agreed the milk EPD should be limited, ideally to no more than 20 pounds (lb.), to maintain efficiency on pasture. They want highly proven bulls, moderate in size and frame. Enfield says weaning weight targets are a minimum of 40, and yearling weight EPDs should exceed 70. They both collect semen from purchased bulls to use for AI.

Kasten described how alliance producers market through U.S. Premium Beef. "We may put together semitrailer loads every other week or so, and if you have one or five head, we work them in. We are trying to make it as simple as possible for the packer," he explained. "Members bring their cattle in a few at a time. We cut the old ear tag out and tag them in a 1, 2, 3 order that we correlate to the original producer's tag in our records. The cattle are sold under one man's name, he gets the check and distributes the money and information." So far, Kasten has individual data on 2,000 head through the program.

Beller, who is starting his own cow-calf herd, says data-driven producers have to use EPDs. "To know what numbers you need to look for in a bull, you have to get data on your calves. So what I would look for in a feedlot is, first of all, get me the data."

He is one of an increasing number of feeders who will group individually identified calves from multiple producers to retrieve data at harvest. All of the panelists agreed the search for the right, data-oriented feedlot means finding the right people, not companies.