



# Your Link to

by **Paul Dykstra**, *feedlot specialist, Certified Angus Beef LLC*



## The trusty partner

Now, more than ever, cattle feeders and cow-calf operators are rejoining forces as feeding partners to squeeze every dime out of a narrow-margin industry. It's not a new concept, but it's one that gets increasing attention as we move toward value-based marketing. It makes sense that these trends go somewhat hand in hand.

Opportunities to gain extra dollars above the weekly average feed-cattle market exist for those who are selling cattle that achieve a measured carcass specification, such as the *Certified Angus Beef*® (CAB®) brand. Of course, the USDA Choice-Select spread is the first hurdle to clear, and almost half the fed cattle stumble there.

Many astute feedlot operators take solace in the idea that they can feed

better, more expensive calves that will return premiums over the average price. Increasingly, they rely on higher-quality placements on feed to help ensure that their investments do more than break even. The issue is particularly sharp when inflated calf and feeder prices negate the opportunity to manage "commodity" market risk upon purchase of cattle.

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### Enter the partnership

As more feedlots count on grid premiums in their marketing programs, they must find a consistent supply of calves they can feed year after year. Whether

producers want to retain ownership or sell directly to the feedlot, they hold the cards — progeny from one ranch or cow herd, captured into a system for multiple years to build a track record of feedlot and carcass performance.

The simplest way to create these results is a business relationship popularly called "partnering," where feedlot and cow-calf producer share an undivided ownership in calves and split all costs accordingly. This gives both parties an interest in the well-being of the cattle from preconditioning through the feedlot and, finally, hanging in the packing plant. Perhaps more importantly, the arrangement builds trust and commitment.

### Elements of trust

Although grid marketing demands high-quality genetic potential, the basics of beef production still dominate. Ask any cattle feeder and he'll tell you the most important financial trait that cattle can possess is solid health. As basic as this might sound, it's often the dividing line between profit and loss. If cattle aren't preconditioned properly or backed by a sound mineral foundation at the ranch, they can make feedlot profits scarce.

As a commercial producer of Angus cattle, this is not the place to cut

corners; honesty is the only acceptable policy. If calves advertised as having "had all their shots" begin to get sick upon delivery, then the ranch of origin begins to take on a negative "brand" image in the minds of feedlot staff. That does not bode well for future business between producer and feeder.

If one party can't trust the word of the other, then someone has to lose. Conversely, positive brand images abound in this business. Feedlot managers can't get their hands on enough calves that start easily on feed, gain rapidly, convert feed efficiently and achieve premiums on the rail. It's not easy to hit every base, but partnerships created through trust can make it happen with time.

### Seedstock ties

Some seedstock producers have for many years offered "buy-back" programs for calves from bull-buying customers. The concept has also grown into breeder-influence special sales at

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livestock auctions. It's just good business sense that a commercial producer will more readily purchase bulls from someone who shows commitment to providing an outlet for the calves that those bulls will sire.

The seedstock operator is saying, "Calves sired by my bulls are going to

have additional value in the marketplace, with this built-in opportunity to make money over the industry average." It's another arrangement built on trust. Both parties agree to trust each other to create a valuable product that will be worth purchasing year after year.

Once the seedstock producer has purchased his customer's calves, he needs to have a place to go with them.

That's where feedlots are called upon to enter the picture, often through partnering.

### Licensed partners

Since most businesses operate with some limit to their available capital, it makes sense that the seedstock operation can purchase twice the number of its customers' calves if a

feedlot will partner on 50% of those cattle through the feeding phase. In some cases, additional "investor" partners can be found who are part of the tradition of trust.

Everyone must trust the seedstock operator to produce only calves that will hold true to brand quality, brought up with acceptable management practices.

Feedlots are reworking their way in to specific marketing arrangements that include grid pricing premiums and the supply of branded products. They want to partner on your cattle in successive years to get something predictable that can be built upon for reliable results in the areas of health, growth and carcass value.

If you want to get ahead in today's beef industry, take another look at the old West tradition. Be worthy of trust, and get to know a CAB-licensed feedlot you trust where you can place your cattle.



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