



## Your Link to

by **GARY FIKE**, *beef cattle specialist, Certified Angus Beef LLC*



### Closeout close-up shows differences

The lackluster cattle market has some cow-calf producers feeling trapped in a commodity rut. They have tried to upgrade genetics and health program, but didn't see a measurable difference on sale day. Perhaps they didn't follow through by documenting those improvements and sharing information by enrolling the calves in AngusSource®, or perhaps it will just take a little more time.

Many cattle feeders stick with "the plainer kind" because they don't think it pays to upgrade. They've heard that the higher-quality, high-percentage Angus calves cost more to buy (often true), don't gain as quickly (often false), don't convert as efficiently (often false) and don't bring back enough premiums to justify their purchase when compared to those commodity cattle (often false).

#### Dispelling the myths

When the long-term market for calves is bottoming out (now, according to Cattle-Fax) might be a good time to work

with a cattle feeder to help dispel the myths. Evidence continues to build all across the U.S. that may dissuade some of those feedlots from the old notion of buying unknown calves to crank out pounds of below-average commodity beef for the supermarket.

First, that retail supermarket is a center of demand for premium beef. In 2009, the retail industry saw more consumers switch from dining out on a good steak to buying the product to grill at home. Second, it doesn't cost more to feed a good calf than a mediocre one. And finally, when marketed on the grid, the good ones tend to bring back more money. Even if they bring the same return, the high-quality beef enhances demand and supports a future for the industry.

Once the decision is made to aim for higher quality, the key for any cattle feeder is finding the calves or yearlings that deliver the potential for both pounds and grade. Any number of black-hided cattle might look good, but

it takes communication and experience with the source and cattle to see what's really possible in a given program.

The combination of AngusSource calves being fed at a Certified Angus Beef LLC (CAB)-licensed feedlot sets up the potential for progress toward greater success.

Of course, no two cattle are just alike, and that goes for pens as well, making it difficult to compare, but it doesn't hurt to look at examples. Every closeout tells a story, even if you only see the numbers.

#### Real-life examples

Searching through the 1.4-million-

head database of the CAB Feedlot Licensing Program (FLP), it's surprisingly hard to find just two sets of the same gender that came in at about the same time, to the same feedlot, at the same approximate weight, similar breed type, and for about the same price. Weigh-up, weather conditions, distance hauled, frame size, body condition and region of origin can affect the final outcome. But there were a couple of pens that connected most of the dots.

Let's look at two lots of heifers (Table 1) that were enrolled in the FLP last summer:

"Angus-sired on Angus-based cows"

**Table 1: Feedlot performance, beginning value, ending value and profitability**

Item	Lot A1	Lot B1	Advantage to A1
No. of head	75	66	
In wt., lb.	739	670	69
Beginning date	12/5/08	11/8/08	
Age classification	Yearlings	Yearlings	
Source	Ranch direct	Ranch direct	
Beginning value, \$/cwt.*	94.00	97.00	-3.00
Average daily gain, lb.	3.06	2.49	.57
Feed:gain, DM basis	6.55	6.93	.38
Days on feed	136	160	-24
Final wt., lb.	1,163	1,080	83
Cost of gain, \$/cwt.	84.81	92.91	8.10
Sale price, \$/cwt. (grid)**	140.26	136.86	3.40
Profit or (loss), \$/head	(31.76)	(108.39)	76.63

\*Three-cent "slide" on the cattle reflected market conditions at the time according to weight.

\*\*Grid price assumptions: \$138/cwt. on hot carcass weight basis for a low Choice, YG3. Premiums/cwt.: Prime \$10; CAB \$3.50; YG 1 \$4; YG 2 \$1.50. Discounts/cwt.: Select -\$6; Standard -\$20; YG 4 -\$15; <550 lb. carcass -\$15

**Table 2: Quality grade and yield grades**

Item	Lot A1	Lot B1	Advantage to A1
Hot carcass wt., lb.	729	674	54
Dressing %	62.7	62.4	0.3%
% Prime	5.3	6.1	-0.8
% Choice	88.0	83.3	4.7
CAB acceptance %	29.3	37.9	-8.6
% Select	6.7	10.6	3.9
<550-lb. carcass	0	4.5	4.5
% YG 1,2&3	100	88	12
% YG 4&5	0	12	-12

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would describe both pens. There was a 69-pound (lb.) difference in arrival weight, but the lighter heifers arrived four weeks earlier. Both pens were administered the same single-implant treatment and consumed the same ration at the same cost per ton. All heifers were sold and harvested the same week at the same packing plant and on the same grid. Compare the harvest data in Table 2.

Both pens graded very well, with at least twice the industry average share of USDA Prime, and *Certified Angus Beef*® (CAB®) brand acceptance rates were 10 to 17 percentage points above the 2009 average. But the cattle clearly came from different herds. Looking at the advantages to the A1 lot, discounts really come into play, in addition to the final weight difference. One might have expected the lighter heifers to catch up on body weight after their 28 extra days on feed, but they fell short on gain performance even as they pushed the limit on finish.

Despite excellent quality grade and CAB acceptance in lot B1, the cattle had some problems. There were no dark cutters, USDA Standard grades or greater than 30-month outliers, all classified as “no-rolls.” However, grid discounts also apply to carcasses that weigh more than 1,000 lb. or less than 550 lb.; these can take away more than the premiums paid. In this case, lot B1 had three lightweights that each had to take discounts of approximately \$80 per head.

Likewise, B1 had 12% Yield Grade (YG) 4 carcasses, while lot A1 had none. Discounts for overly fat carcasses can amount to \$15 per hundredweight (cwt.) of carcass for a YG4 to \$25 per cwt. for YG5. That would be \$105 to \$175 per head subtracted from the value of a 700-lb. carcass, depending on the grid.

Both pens lost money in the 2009 market, but the A1 lot had a \$76.63-per-head advantage, or \$5,747 better on 75 head. That can be partly explained by heavier carcass weights, sure, but it's underscored by the poor efficiency and gain in lot B1. Grid discounts tallied more than \$1,000 on the B1 heifers, overpowering the \$1,000 earned from hitting the CAB and Prime target.

This discussion only proves there are significant differences in the profitability of high-quality-grade cattle. But, it can be awfully hard to tell that from phenotype. The feedlot rated

both sets of heifers as “average quality.” Both were above average in carcass quality, but lot A1 blew B1 out of the water in the feedlot. Was that difference due to the lighter heifers being smaller-framed and lighter-muscled rather than simply younger? If so, it was likely due to genetics, but only research into sources can begin to reveal the truth. That's a take-home point. In the information age,

greater profit goes to those who can feed cattle of known potential, in the yard and on the rail.

Using this type of information, a cow-calf producer and feeder are on equal footing in price discovery, and they can more confidently enter a feeding partnership on a calf crop. This information can bring together two sides that have sometimes tried to take

advantage of each other. The genetics to do it all exist in the Angus breed today, and if producers take advantage of that fact, rather than the next segment of the industry, they can reap the rewards together, along with millions of satisfied consumers.

