



Your Link to

by **KARA LEE**, *Certified Angus Beef LLC*



Make sure they're worth keeping

Heifers. That's what more and more cattlemen are talking about this fall. They may start a conversation with weaning and health or how they're marketing calves, but the conversation comes around to heifers.

Feedlots do more than talk or think about filling pens before winter, and like cow-calf producers, they're looking

for every opportunity to improve their position. All of them have to be opportunistic. At any gathering of cattlemen, you can bet they're discussing the replacement-heifer market. How will it affect the supply of cattle on feed bound for harvest? How will it affect the future performance and quality of calves in those pens?

As parts of the country rebound from drought, some herd managers have seized the day. Not only can they restock now, but the growing market for replacement heifers for other herds is an opportunity too good to pass up. No doubt there's an element of consumer demand for a high-quality product that's worth today's higher prices, but the modern heifer has to do it all.

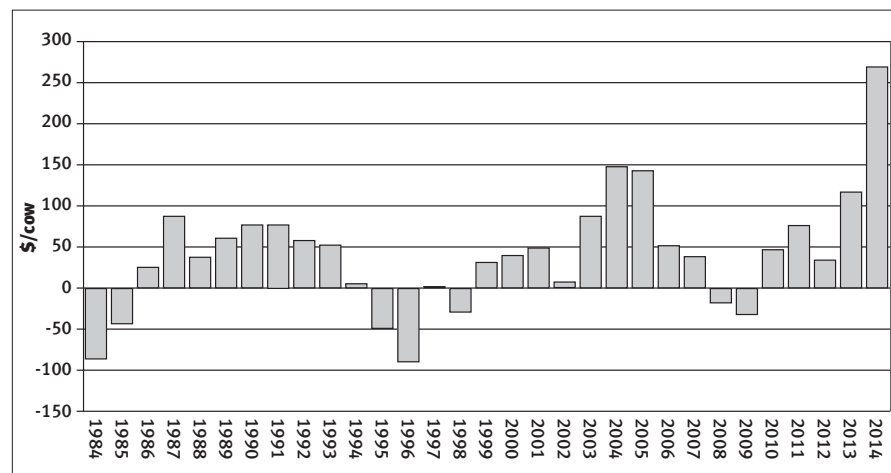
At Certified Angus Beef LLC (CAB), we constantly hear licensees on the product side talk about the "price vs. value" relationship. They know selling commodity beef is an easier one-time sell. Customers get the price point they want, considering there is beef in that shopping bag, and they pay the price.

The profit of that easy sell does not outweigh the cost of losing a repeat customer due to an unsatisfactory experience. The value of investing in a higher-quality product for the meatcase is realized when customers consistently spend their hard-earned money on *Certified Angus Beef*® (CAB®) cuts. They know the value is there; they won't be disappointed.

Profit opportunity

This summer at the Beef Improvement Federation (BIF) meeting, J&F Oklahoma Holdings President Tom Brink said feeding 1.6 million cattle per year at Five Rivers Feedlots has shown him too many commodity cattle produced without a

Fig. 2: U.S. cow-calf margins



Source: AgResource Co., Chicago, Ill.

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plan. If they can't grade at least Choice, they don't make money, he said. Profit opportunity comes only with high-quality cattle.

Each of these consumer and feedlot examples highlight the idea that average is not good enough anymore — if it ever was, and it certainly isn't the most profitable in our business. Keeping a measurable quality focus on the replacement heifers we're keeping can ensure they don't fall into the commodity category where value and profit are all too often not even an option.

The cattle cycle was ready for expansion a couple of years ago, but drought turned that into two years of more liquidation. Now we can really feel confident in the commercial heifer market over the next two or three years.

Yet that's not all good if you're a buyer facing the considerable financial risk of investing in those herd rebuilders. There will be a greater need (demand) for the heifers that can make them the most money with the least risk.

Evaluating individuals

Having a strong résumé on replacement heifers may be more important now than ever, and it may need to be more substantial at the time of marketing than in the past.

Integrating DNA technology into commercial heifer selection is a great way to identify the individual genetic merit of females. A potload of heifers may have the same or closely related sires, with the same health plan, all bred to the same or similar bulls to calve within a narrow window. All of those are typical practices that increase the value of heifers as a group.

What none of those practices account for is the variation of quality that may occur between individuals. We have worked with customers using GeneMax™ (GMX), a DNA tool for evaluating commercial Angus cattle for marbling and

Fig. 1: Replacement-heifer costs estimate

Value of heifer at weaning	(550 lb. x \$1.65 per lb.)	=	\$907.50
Cost of gain: weaning to breeding	(\$0.80 per lb. x 200 lb.)	=	\$160
Bull cost [purchase (\$5,000) less salvage value (\$2,000) per 25 cows per 3 years]	[((\$3,000 ÷ 25) ÷ 3]	=	\$40
Grazing and feeding cost: breeding to calving	(\$1.20 per day x 283 days)	=	\$339.60
Veterinary medical vaccinations		=	\$40
Death loss: weaning to breeding	(1.5%)	=	\$13.61
Interest at 5%	(cost of gain, bull cost, grazing and feeding, veterinary, death loss)	=	\$29.66
Total		=	\$1,530.37

Source: CattleFax.

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National Junior Angus Association

Members of the National Junior Angus Association pay an annual fee of \$20, and junior privileges expire at age 21. Junior members have access to all services offered by the American Angus Association, and they receive two issues of the *Angus Journal* per year and the NJAA newsletter, *Directions*.

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gain potential. They have seen well over a 70-point spread on a 100-point scale between the genetic potential that even half-siblings may have for those two profit-driving traits.

Stacked generations of smart genetic selection give heifers the potential to pass on those traits, but how do you communicate that message to a customer without having any harvest data on so much as one calf crop? Today's DNA technology allows us to look at her potential without having to wait for the first set of calves to perform in the feedlot or on the rail.

For those with goals of retaining their own heifers over the next year, economic trends — including their value as feeder cattle — may cast doubts that keeping them is the best decision unless they have solid confidence in their potential.

CattleFax recently reported on the high cost of developing replacement heifers, sharing several considerations to balance. With an average investment topping \$1,500 per head (see Fig. 1), it is essential to know you're keeping the right ones. A solid foundation of females obviously still has to pass traditional selection methods, not discounting structure and functionality, but adding tools to the workbench can add confidence that their \$1,500 investment was justified.

In August, Dan Basse, president of the AgResource Co., outlined a very bullish market in the coming years for the beef industry. Financial margins in the cow-calf sector are expected to set records in 2014, with profit margins projected at more than \$250 per cow on the top end (see Fig. 2). Falling grain markets would also indicate that the cost of feeding cattle is expected to fall.

Depending on how those cards fall, there could be some very strong market signals that may not make heifer retention look quite so enticing in the short run. Your goal may be in-herd growth, or you may be looking to sell a set or two of your fanciest females.

Regardless of the purpose, if heifer retention truly is the goal, it will need to be a well-calculated, quality-driven selection process. You'll need to consider additional tools, such as commercial DNA testing to identify outliers on both ends and confidently move forward with the best genetic potential your herd can offer.



Editor's Note: Kara Lee is supply programs manager for Certified Angus Beef LLC. For more information from the 2013 BIF Symposium, visit www.bifconference.com, the Angus Journal's online coverage site of the event.