



The Angus Link

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Fundamentals of adding value

The basic fundamentals were always the first lesson learned in playing sports. Whether playing basketball, football, baseball or roping, the fundamentals are the basics for any action. First learning the basics, then advancing to combine those with skill to eventually perform a masterful event is the task at hand.

Take, for example, calf roping. This event requires so many fundamentals that I will not belabor you with details, but when they all come together to make a successful run in a fast time, it's a beautiful sight and an awesome feeling.

What is success? Is it having a 78% conception rate the first round of artificial insemination (AI), keeping death loss below 2% at calving time, receiving more money for your calves at the local auction market than your neighbor, or simply knowing that your calves are better quality than the previous year?

How are you measuring success on your operation? Success must be measured each year for each operation. Identifying a benchmark to evaluate yearly performance is a good practice.

“Success is neither magical nor mysterious. Success is the natural consequence of consistently applying the basic fundamentals.”

— *Jim Rohn*

As Tom Field, of Colorado State University and Cattle-Fax, said, “Don’t let your success get in the way of your opportunities.”

Run of profitability

According to Cattle-Fax, cow-calf producers have experienced 10 consecutive years of profitability (if they have been lucky enough to escape the ongoing regional droughts). This has been the longest run of profitability in more than 40 years.

Here in the U.S., calf prices averaged about \$120 per hundredweight (cwt.) for a 550-pound (lb.) steer during 2007. This was about \$5.50 per cwt. less than a year ago and \$8 per cwt. less than in 2005, when the price cycle highs were made. Yet, if we look at the price cycle of the 550-lb. calf price, the market softens

later in the year when the majority of producers are marketing cattle.

This gives producers more incentive to differentiate their calves from other commodity cattle. Apply the fundamentals of genetics, weaning, preconditioning and enrolling cattle in programs that verify age and source.

Recently, a producer in Kansas realized the value of applying the fundamentals to the cow herd. At a value-added feeder calf sale, the calves had a winning combination of genetics, were preconditioned, weaned and tagged with a process-verified program. These AngusSource®-tagged calves weighed 430 lb. and averaged \$1.54 per lb. The numbers and breakdown of weights are as follows:

- 100 calves weighing 499 lb. brought \$1.44;

- 118 head weighing 422 lb. brought \$1.56; and

- 75 head weighing 355 lb. brought \$1.64.

Comparing this to the Cattle-Fax data of same weight and class of cattle, the calves received a \$30-per-cwt., or \$129-per-head, premium. That equates to a \$37,797 gross premium for the set of calves.

Other data support

Data analyzed from a video auction this past summer (King, 2007) overwhelmingly indicates that producers are receiving premiums for adding value. The data consisted of 756 lots showing that unweaned calves brought \$4.13 per cwt. less than calves that were weaned. Calves that were AngusSource-tagged brought \$2.20 per cwt. more than cattle that were not verified for age and source. The premium for Angus and black-hided calves was approximately \$2.00 per cwt. more than other breed types of cattle. Also, as the lot size increased by 100 head, the price increased by \$1.32 per cwt. This gives producers with smaller cow herds more incentive to commingle their calves with other producers' calves or develop a marketing arrangement to gather more numbers.

As Karen Lamb noted, “A year from now you may wish you had started today.”

Start today by re-evaluating your operation and the basic fundamentals that make you profitable to ensure success for many years.

