

# Preconditioning Angus-Sired Calves Pays Off

*Who wants generic cattle when you can buy name-brand calves?*

Story by  
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Lin Jones leans on a fence and watches his Angus-sired calves walk from a pasture into his on-farm preconditioning facility. Late afternoon means chow time, and these fast-growing calves are eager to visit the feedbunk.

Eagerness is contagious as Jones anticipates the upcoming preconditioned feeder-calf sale of the Buckingham Cattlemen's Association (BCA). The commercial producer from Buckingham County, Va., belongs to a unique group of cattlemen who cooperate on an artificial insemination (AI) program using top Angus sires on 1,500 commercial cows. About half of Jones' 2009 calf crop from 200 cows is sired by two popular AI bulls. Cleanup bulls sired the rest of Jones' calves.

One of the AI sires is known for combining calving ease and growth and ranks in the top 10 bulls of the breed for muscle, the top 10% for intramuscular fat (IMF) and the top 20% for ribeye area (REA). The other AI sire ranks in the top 15% of the breed for calving ease and the top 1% for \$W. Hundreds of calves in the BCA sale are offspring of these two bulls, as they were the only two sires used in the AI program. Carefully selected cleanup bulls sired the rest of the calves in the sale.

Based on previous sales, Jones and his fellow BCA members anticipate that feedlot managers and cattle buyers will pay competitive prices for preconditioned calves with Angus-sired genetics, and the replacement heifers from Jones' preconditioning program regularly meet target weights for breeding to become productive brood cows. Jones manages and breeds the top half of his heifers for replacements and sells bred heifers in the annual BCA replacement female sale.

**Although cattle prices are down, a well-managed program should generate a 25% to 39% net return on investment for preconditioning in 2009.**



In August 2008, Jones sold his feeder calves in the BCA preconditioned sale. The central Virginia cattleman filled one truckload with steers from his farm that averaged 655 pounds (lb.). The load sold for \$121.50 per hundredweight (cwt.), or an average of \$796 per head. Jones' calves averaged \$12.47 per cwt. over the similar-weight calves sold in graded sales in Virginia that week. The rest of Jones' calves were commingled with other BCA members' animals to make uniform truckloads.

Jones' 2009 calf crop didn't sell as high as his calves sold in 2008. However, Jones received a premium of \$5 to \$8 per cwt. for steers over similar-weight steers sold in state graded sales. Jones sold a potload of 71 steers averaging 676 lb. per head for \$105 per cwt. Jones' heifers in the BCA sale brought \$10 per cwt. over similar-weight heifers sold in graded sales.

Although cattle prices are down, a well-managed program should generate a 25% to 39% net return



Lin Jones anticipates top prices for preconditioned Angus-sired calves.

on investment for preconditioning in 2009, according to an analysis (based on gains of 1 lb. to 2 lb. per day) provided by economist Kevin

Dhuyvetter of Kansas State University (K-State). The net return changes to 40% if calves gain 2.2 lb. per day during the preconditioning period.

Other producers have discovered the benefits from preconditioning and additional members have joined BCA to market calves. The 2009 BCA sale marketed 1,794 calves compared to 1,698 head sold in 2008.

"The premiums buyers pay tell me that cattle feeders want preconditioned calves and preconditioning is the right thing to do for the health of the calves. I don't care if you sell a truckload or sell one calf in a commingled load, preconditioning pays off," Jones says.

## Benefits beyond sale day

James Kean of Louisa, Va., uses natural-service bulls purchased from Virginia Angus breeders, and he's pleased with the results from selling Angus-sired calves in preconditioned sales. Kean manages 230 brood cows and sends



James Kean nets \$20 to \$26 per head from preconditioning calves.

steadily increased, and his calves have become more uniform.

“The Angus people have a tremendous pool of genetic information, and the data is accurate,” Kean notes.

Kean’s fall-born steers averaged 650 lb., and the heifers averaged 625 lb. at weaning on June 15. By preconditioning them through Goodwin’s facility, Kean has moved his weaning date a month earlier

than when he sold calves directly off the cows.

Early weaning and preconditioning benefits Kean’s operation beyond sale day by:

- helping cows improve body condition before the next calving season;
- stretching supplies of summer forages; and

- improving prices for cull cows sold in late summer compared to cows sold in September.

More than 95% of the bulls purchased for the CVCA cow herds are Angus, according to Orange County, Va., Extension agent Steve Hopkins, who assists members with bull selection.

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140 calves to John Goodwin’s custom preconditioning facility near Orange, Va.

Goodwin preconditions his own calves and hundreds of calves from six other producers. After 45 to 60 days of preconditioning, Kean and Goodwin sell their calves in the Central Virginia Cattlemen’s Association (CVCA) preconditioned sale.

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In 2008, Kean received premiums of \$10 to \$12 per cwt. for preconditioned calves sold in the CVCA sale compared to calves (non-preconditioned) sold at Virginia graded sales that same week. Kean’s costs for preconditioning were \$7 to \$8 per cwt., so he netted \$3 to \$4 per cwt. — or \$20 to \$26 per head — from preconditioning. Based on selling 140 head, preconditioning put approximately \$3,000 in Kean’s pocket. Goodwin preconditions 600 calves from eight producers at his farm, and the calves are commingled with other calves from CVCA members to make truckloads with weight spreads of less than 100 lb.

Kean started in the cattle business with Hereford-Simmental cows from his father’s herd. After watching red-hided cattle get discounted at feeder calf sales, Kean purchased Angus bulls and has stayed with sires from “The Business Breed” for 10 years. He retains replacement heifers out of Angus bulls, and his cows are mostly Angus-sired blacks or black baldies. Through 10 years of using Angus bulls, the Virginia cattleman’s weaning weights have

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“Most of our buyers, especially our Pennsylvania feeders, like a high percentage of Angus influence or Angus-sired calves. We sell some loads made up of all Angus-sired calves,” Hopkins says.

The commercial cattlemen of Central Virginia look for versatility in traits as they select bulls.

“We buy bulls that are above breed average in weaning weight and yearling weight. If the producer retains heifers for replacements, we look for bulls that are at least breed average for daughters’ milk EPD (expected progeny differences) and below breed average in birth weight EPD (below 1.5) to use on heifers. At the same time,

we buy bulls above average in carcass traits and look for thick bulls that have yearling weights above 1,200 pounds,” Hopkins says.

CVCA members are able to find these kinds of Angus bulls in Virginia’s Beef Cattle Improvement Association (VBCIA) sales and in private treaty purchases from local purebred breeders.

**Sweet profits from Angus-sired calves**

Members of the Smoky Mountain Feeder Calf Association headquartered in Sweetwater, Tenn., take full advantage of strong markets for preconditioned Angus-sired calves. After noting demand from buyers, the Tennessee cattlemen began packaging and advertising truckload lots of Angus-sired calves. These loads handily beat the prices received for generic calves in the same preconditioned sale.

From 2005 through 2008, loads of Angus-sired steers outsold generic steers by \$4 to \$8 per cwt. In 2008, the 700-weight loads of Angus-sired steers outsold 700-weight loads of generic steers by \$6 per cwt. The Smoky Mountain success isn’t surprising since previous research shows buyers are willing to pay \$3 per cwt. more for calves advertised as Angus-sired compared to generic calves.

The value of preconditioning and marketing uniform truckloads was confirmed when all of the calves sold in the Smoky Mountain Feeder Calf sale received higher prices than similar-weight animals sold in Tennessee weekly auctions the same week. In 2007, the preconditioned loads of 600-weight Angus-sired steers and 800-weight Angus-sired steers sold for \$14-per-cwt. premiums over the Tennessee weekly auction averages.

“There are a couple of reasons for the success of Angus-sired calves in this preconditioned sale. First of all, buyers are demanding cattle that are more predictable, and Angus cattle are known to have a greater tendency to marble or grade Choice. At the same time, feedlots are having difficulty hiring qualified employees to manage incoming cattle and are willing to pay more for preconditioned cattle that are not as likely to get sick and require treatment,” University of Tennessee economist Emmitt Rawls says.



John Goodwin preconditiones hundreds of Angus-sired calves for members of the Central Virginia Cattlemen’s Association.

Harley Sutton, a veterinarian from Jamestown, Tenn., captured premiums by selling Angus-sired calves in the 2008 Smoky Mountain Feeder Calf Sale. As a veterinarian, Sutton considers preconditioning a key to keeping calves healthy for buyers. He participates in the Smoky Mountain sale because his cows and Angus herd sires match up with the cattle of other association members.

“I’ve recently sold some calves at other sales and the differences were shocking. I’d say the calves in the Smoky Mountain Feeder Calf Association Sale brought 15¢ to 20¢ per pound more. The members of the association have worked hard to produce a uniform product and to promote their sale with buyers. The

sale has grown to attract a large number of calves, and that helps us form uniform loads,” Sutton says.

“Buyers like the vaccination and preconditioning program these calves have been through and Angus genetics work well when the harvested animals are hanging on the rail. All of the calves on

these Angus-sired loads meet the criteria for *Certified Angus Beef*® from our end and buyers certainly like that,” says Monroe County Extension agent Robert Sliger of Sweetwater, Tenn.



## Price outlook for preconditioned calves

The return from preconditioning calves has been excellent during the past five years (2004-2008). Through this five-year period, the net return from preconditioning averaged \$41 per head, with a return on costs of 73%, according to an analysis by economist Kevin Dhuyvetter of Kansas State University.

Dhuyvetter’s budget anticipates a lower net return from preconditioning in 2009. Based on an average daily gain (ADG) of 1.5 pounds (lb.), the net return from preconditioning would be \$27 per head. If calves gain 2 lb. per day, the net return from preconditioning would be \$27 per head, or a 39% return on costs. If the ADG drops to 1 lb. per day, the net return falls to \$16 per head, with a return on costs of 25%.

As the push for efficiency increases, feedlots are finding that buying preconditioned calves is more cost-effective than purchasing medicine and paying employees to doctor large numbers of sick calves that weren’t vaccinated and preconditioned. Research shows that a sick animal in a feedlot costs an average of \$92 in treatment and lost production. Treatment costs average \$29, and lost production adds \$63. In a survey, Texas feedlot operators anticipated a morbidity rate of 9% for preconditioned calves compared to 36% for non-preconditioned calves. The feedlot operators expected a death loss of 1.5% for preconditioned cattle compared to 4% for non-preconditioned animals.

All in all, the net return from preconditioning may not be as exciting in 2009 as the return has been for the past five years, but where else can producers make a 25% to 39% return on investment?