

# Range Cow Logic

PART 4

*Symposium addresses management and business aspects of ranching.*

In Part 4 of our published coverage of the 19th Range Beef Cow Symposium (RBCS), we provide overviews of the presentations during the management and business and marketing sessions. The Dec. 6-8, 2005, symposium in Rapid City, S.D., was sponsored by the Cooperative Extension Services and the animal science departments of South Dakota State University

(SDSU), Colorado State University (CSU), the University of Wyoming (UW) and the University of Nebraska. For Angus Productions Inc.'s (API's) online coverage of the event, which includes summaries of all the sessions and a link to audio/video of the presentations, log on to the newsroom at [www.rangebeefcow.com](http://www.rangebeefcow.com).

## MANAGEMENT

### Estate Planning and Family Communication



Randy McKee

PHOTOS BY LYNN GORDON

Without good communication and a well-thought-out plan, transferring a family farm to the next generation often yields disagreements, hurt feelings and legal action. Randy McKee, a certified estate planner and financial adviser, spoke to RBCS attendees about the importance of family communication in agricultural operations and gave tips for staying focused on the most important farm asset — family relationships.

"Having seen some good, smooth transitions and some bad ones, I can tell you that the most important thing that gets squandered is the relationships," McKee said. "When there's money involved, people get really stupid."

McKee told attendees that valuable outcomes can only be achieved with a plan — one created after directly addressing the critical issues and actually making decisions. He said the best plans are flexible and allow for change with time, since situations can change.

He recommended the first thing people do is "get a good, durable power of attorney — one for health care and one for asset management. Then look at setting up a trust."

McKee cautioned families against establishing a limited liability partnership (LLP), or any other business entity, before the entire

family is ready, willing and able to commit to the legal implications. However, when families are ready, those business entities can have advantages.

When starting the estate planning process, McKee said, "You first have to understand the difference between quarrelling and arguing. Then you have to understand what respectful listening is.

"Arguing is presenting ideas supported by evidence and reason. Quarrelling is presenting opinions on an emotional basis," he continued. "What we want to do is have lots of arguments throughout this process, but keep quarrelling to a minimum."

McKee emphasized that everybody's opinion counts, especially to them. "It counts way more to them than your opinion counts to them," he said. "The thing you have to remember is that in today's environment it costs only 35¢ to call a lawyer ... and the most likely person to call is the one whose opinion is not listened to."

McKee recommended using the Family Vision Matrix® to "get all the cards on the table" when planning estate transfers. To receive the Family Vision Matrix or to ask McKee estate planning questions, visit his Web site at [www.estateplanning.20m.com](http://www.estateplanning.20m.com) or call (605) 721-7519, Ext. 201.

— by Meghan Soderstrom

### Decoding Animal ID and Marketing Programs

Jack Whittier, CSU, helped clarify some of the "alphabet soup" of government programs related to animal identification (ID) and marketing. Whittier has researched animal ID and cost-reduction techniques for beef producers.

It's crucial for cattle producers to understand these programs, he said, because consumers place their trust in the government. In a survey that asked consumers who they trusted or who they would rely on to certify food-related products, Whittier said,



Jack Whittier

"almost two-to-one, they said the government."

Of the governmental departments, Whittier noted, "Each has a different mission." Perhaps the most well-known, the U.S. Department of Agriculture (USDA), contains a variety of programs within it. Of those programs, the Agricultural Marketing Service (AMS); Animal and Plant Health Inspection Service (APHIS); Food Safety and Inspection Service (FSIS); and Grain Inspection, Packers and Stockyards Administration (GIPSA) are the four Whittier noted as being the most involved in animal ID and marketing.

Two parts of APHIS — Veterinary Services (VS) and Animal Care (AC) — he said, have the most to do with disease surveillance and documenting how animals are cared for, which are fast becoming components of many certification programs. FSIS monitors harvest processes, and the GIPSA Packers and Stockyards Programs (P&S) "assures commerce is done fairly for both sides," he noted.

Whittier also discussed three major types of programs that he said are changing the beef industry: the USDA Quality Systems Assessment (QSA) Program, USDA Process Verified Programs (PVPs) and certified programs.

Using the examples of AngusSource<sup>SM</sup> and Certified Angus Beef LLC (CAB), Whittier detailed the processes an entity must go through to be certified or verified by

the government. The importance of such programs, he said, is first to show customers a certain level of credibility.

"[Consumers] have trusted USDA, and then we are aligning ourselves and the industry around some of those parameters," he said.

Secondly, he noted, such programs help capture value.

Whittier closed by providing an optimistic look at the National Animal Identification System (NAIS). "We're still struggling a little bit as an industry to determine a lot of unanswered questions," he said. "I think most of the industry has recognized the value of having some safeguards in place, and the marketing opportunities do seem clear."

— by Brooke Byrd

### Managing and Marketing Cull Cows



Cody Wright

SDSU Extension beef specialist Cody Wright encouraged beef producers to think of cull cows as a profit-making opportunity rather than a "headache." Wright concluded Wednesday's management session at the 2005 RBCS.

"Cull cows account for 20% of the income in most cow-calf enterprises," Wright said, "so you don't want to ignore them."

Wright suggested producers rethink selling cows in October and November as is traditionally done

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because that is when prices are lowest. “Seasonal price trends indicate there are advantages to selling cull cows at different times of the year, such as spring and early summer,” he pointed out.

Ways to avoid the lows and get in on seasonal price highs may include selling cows that lose a calf early, selling cows that have early-weaned calves right away and ahead of most of the market, and/or feeding cows to add weight and improve their grade, Wright said.

When feeding cows, he encouraged producers to think of nontraditional means, such as wintering them on range, if available, and/or crop residues. With current cheap corn prices and the abundance of alternative feedstuffs, Wright said drylot situations to boost cull cow weights and grades may also be economical.

However, he cautioned producers that before marketing cull cows they should, be certain they are open. “It’s not uncommon for pregnant cows to be sold as open. So make sure you’re not leaving money on the table. If they are bred, sell them as bred, and you’ll get more money,” he said.

Bottom line, Wright said, producers need to push the pencil and do some analysis to see what cull cow management and marketing strategy best fits their operation.

“There is no profit guaranteed; this isn’t a magic bullet, but there are opportunities,” he said.

— by *Kindra Gordon*

He said South Dakota has two certification programs that consistently earn producers \$30-\$60 premiums per head — South Dakota Certified™ Enrolled Cattle and South Dakota Certified Beef. The certified beef program has been trademarked in the United States, Japan and South Korea, and it is

in the process of being trademarked in Taiwan.

Gabriel said the two separate certification programs are needed.

“One is a meat program, and it entails a certification mark that can go on a package of beef. It is trademarked as South Dakota Certified, and it pertains only to beef,” he

explained. “And then we have a live-cattle program. It pertains to feeder cattle and fat cattle. The only way you can sell beef with the trademark on it is that the beef has got to come from cattle that were enrolled in the live-cattle program.”

The programs require the cattle be

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## **BUSINESS AND MARKETING**

### **Certification Increases Profitability**



**Larry Gabriel**

South Dakota Secretary of Agriculture Larry Gabriel told RBCS attendees that certification programs and export markets are opportunities to increase producer profitability and to keep young people in agriculture.

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born, raised and processed in South Dakota. In order to become a licensed producer of South Dakota Certified cattle and beef, producers must be state residents and must sign a licensing agreement to use the state's intellectual property. Gabriel said the licensing agreement is "similar to signing an agreement with Microsoft to

use their Windows® program."

"Producers must agree to keep records [for five years] and be held accountable that you're doing what you say you are doing. The cornerstone of it is the Beef Quality Assurance (BQA) program," he said.

In fact, the programs' requirements are so strict that Gabriel can't enroll his own

calves in them. "One of the rules says you cannot have an ownership interest in any of the animals that you conduct audits on," he explained. "The way it's organized right now is all the auditors work for the South Dakota Department of Agriculture. As long as I'm the secretary, I can't be in the program."

But Gabriel says he strongly believes in certification programs, so he enrolled his calves in the American Angus Association's AngusSource program. "Enrolling your cattle in these programs (South Dakota Certified and AngusSource) pays you more because then you can get into the lucrative export markets," he said. Gabriel added that the export potential for high-quality, well-marbled cattle is going to be "huge."

"Don't get concerned when you read these comments in the paper that say more than 70% of people in Japan don't want U.S. beef; 70% of people in Japan don't eat beef!" he said. "They have so many people that if 25% will eat our beef and eat it in the quantity that they were eating it [before the border closed], then we're going to have a very healthy and growing export market."

Gabriel closed by encouraging producers to participate in programs that improve their profitability. "I think we have opportunity in these certification programs and branded beef programs — we have opportunity to add value. Whether it's right for you on your ranch is up to you. But, we in production agriculture have to be willing to change, or I think we're destined to be forced out of the business."

"The out-migration of young people from our farms and ranches is one thing that scares the heck out of me," he continued. "The best way to reverse that is to make farming and ranching profitable — and we have to do it ourselves."

— by *Meghan Soderstrom*

### Key Indicators of Profitability in Ranching



**Barry Dunn**

How can a ranch determine if it is successful? Barry Dunn, former SDSU Extension livestock specialist now at the King Ranch Institute for Ranch Management in Texas, challenged symposium attendees to evaluate their ranch success by looking at it from different perspectives.

Six areas are important to a balanced approach toward ranch success, Dunn said. They are:

- learning;
- cattle;
- financial;

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- natural resources;
- customers; and
- people.

Dunn proposed that ranchers put together a report card for themselves on each of these areas to assess how they are doing. As an example, he suggested ranch operators set goals to attend educational events and seminars, then evaluate if they meet those goals. When it comes to natural resources, determine if you are matching carrying capacity and stocking rate.

From a cattle perspective, Dunn said the most important thing is to measure pounds weaned per cow exposed. "That's the measure of efficiency. It's the whole package," he said.

He added, "You want a balanced scorecard, and it builds from learning on through to people. The better job you do at being a lifelong learner, the better you'll be able to meet your cattle, natural resource, customer and people goals."

Dunn told the audience that when evaluating these categories, they need to be able to identify leading and lagging indicators. "Lagging indicators are in the past, and you can't change them — such as a diploma or a photo point. Leading indicators you can change, and [they] may offer tremendous opportunities," he concluded.

— by *Kindra Gordon*

to any part of a production system, you have to evaluate the whole system."

Hixon said increasing numbers of producers have moved up their weaning dates in recent years. In many drought-ridden parts of cow country, the decision grew out of a need to save grazed forage and hay — both of which were in short supply.

Early weaning to halt milk production and reduce nutrient requirements for cows will reduce the amount of feed cows must eat to maintain adequate body condition as they go into fall and winter, Hixon said. He cited research suggesting forage consumption is reduced by as much as 27%.

For mature cows, the primary benefit of early weaning stems from feed savings. For first- and second-calvers, early weaning can enhance reproductive performance as well.

Hixon said maintaining body condition is particularly important for 2- and 3-year-old females. They are still growing and

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### Determining the Best Time to Wean



**Doug Hixon**

When considering the factors that direct management strategies for cow-calf operations, savvy managers always consider the costs associated with various practices. And, nothing affects cow maintenance costs more than investment in cow nutrition or feed.

The time of year a producer chooses to calve certainly influences the kind and cost of feed needed, said Doug Hixon, UW animal scientist. The other primary driver, he said, is time of weaning.

"I think producers have to consider time of weaning as a management tool," Hixon said. "But they have to remember, anytime you make changes

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have higher nutrient requirements. When these young females nurse a calf well into the fall or early winter, when grazed forages have declined in nutrient value, the females can easily lose body condition. According to Hixon, failure to maintain at least average body condition [body condition score (BCS) 5] increases chances

for reproductive failure during the next breeding season.

Especially for 2- and 3-year-olds, Hixon said, early weaning can be an economically feasible management option.

— *by Troy Smith*

### A Producer's Experience with Summer Calving

Wyoming rancher Mark McCarty shared with RBCS attendees why his family made the switch to summer calving. "We used to do things the hardest way

possible," he said. "We calved at the coldest time (February and March). We calved every animal through the barn, fed hay, etc."



**Mark McCarty**

Then, in the mid-1990s, Mark and his dad dispersed their small herd of purebred Gelbvieh and acquired an additional ranch to manage along with their family ranch. The new acquisition was the Two Dot Ranch, formerly part of Deseret Ranch. The cows they also acquired were bred to calve in June. So, McCarty began a comparison of winter-calving their family cow herd vs. summer-calving the Two Dot herd.

He quickly realized he liked summer calving and, after evaluating if they had enough forage resources to graze year-round, decided to make the switch to summer calving in the family cow herd as well. They are now going into their third cycle of exclusively summer calving.

McCarty says the first thing he noticed after they made the switch was elimination of their scours problem. "As a result of that, we are shipping more calves than we used to at weaning," he said. Their weaning rate per cow exposed has increased from about 91.5% to 93.85%.

McCarty said another benefit from summer calving is reduced feed costs. Specifically, he reduced annual hay cost by \$76 per cow and feeds hay for only 35-40 days per year, which equates to less labor as well. By matching their cows' needs to the available forage, the McCartys have been able to reduce mineral needs by 19 pounds (lb.) per cow per year and supplemental protein costs by \$12 per head per year.

As a pleasant surprise, the weight per day of age (WDA) of the summer-born calves has increased by about 1 lb. per day, said the Wyoming cattleman.

McCarty said he likes the flexibility his summer-calving program offers. "We can wean light calves and sell them right off the cow and take advantage of good prices — as we've done the last couple years — or we have the ability to over-winter the calves, depending on the market, and sell them as stockers the following spring."

Cows have performed well with the new system. Pregnancy rates have

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improved from 93% to 96%, which McCarty attributed to the cows' ability to better maintain BCSs with summer calving.

McCarty concluded by saying summer calving won't be for everyone. He pointed out that to make it economical, you've got to have the ability for year-round grazing.

"It worked for us, and I'm definitely glad we made the switch," he said

— by *Kindra Gordon*

to sell as natural. Recordkeeping, as well as intensive management, is crucial for producers working for the natural market. "Feeder calf premiums are significantly impacted by health," Stovall noted.

Stovall stressed the importance of buyer confidence and seller reputation. If a ranch creates a good reputation by

reliably producing quality calves and being trustworthy, then buyers will come back, he said.

"Buyers are starting to assess the total management of the yard," Stovall explained. Buyers also need confidence in their sellers because buyers must report to their customers — the packers.

"We have to get more intelligent about what we're doing," Stovall said. "In natural beef production, there is tremendous reward ... but we have to understand the risk."

— by *Brooke Byrd*



### Performance of Cattle on Natural Beef Programs



**Turk Stovall**

The demand for natural beef is exploding, said Turk Stovall of OriGen, Huntley, Mont. "The demand is here; they just can't find the supply," he noted. Stovall discussed what it means for beef to be "natural," and explained the risks and benefits that go along with raising natural beef.

While the official USDA definition of "natural" is simply "unprocessed," Stovall said the marketplace is differentiating the product category itself. Most natural beef programs, he said, rely on the "never-ever" rule: never any hormones, implants or antibiotics.

Each individual producer must weigh the pros and cons of using implants or maintaining eligibility for natural beef programs, Stovall said. While pounds are usually lost by not using implants, their loss must be weighed against the possible premiums garnered through natural beef programs. He also noted that natural beef programs usually bring a 5%-10% increase in quality grade, as well as a \$5- to \$10-per-hundredweight (cwt.) increase in premiums. Producers who can raise and market natural beef, especially yearlings under 20 months of age (to qualify for export markets), are in place to make a great profit.

To manage risk, health is the No. 1 thing a buyer considers when looking for natural cattle, he said. "That is the number one thing we're gambling on." While treatment is not allowed, Stovall emphasized that "vaccines and vaccinated calves are essential for a natural beef product."

In a natural beef program, a calf that becomes sick and must be treated is considered an "out" and isn't eligible