Valuing Feeder Cattle It's time to reconsider how you market your calves!

Tom Brink
Lee Leachman

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Valuing Feeder Cattle

It's time to reconsider how you market your calves!

WHY DID YOU BECOME A RANCHER?

Because you love being a salesman?

NOT EXACTLY!

IF YOU WERE GOOD AT MARKETING YOU WOULD BE RAISING SEEDSTOCK!

• You would love calling people on the phone and asking them to come buy cattle from you.
• You would relish sitting at a trade show booth to have the chance to talk to the next stranger that walks by about what you have for sale.
• You would like thinking of catchy sayings to put on advertisements to sell your products.
• Is that you, NOT EXACTLY…

NEWS FLASH: THIS IS NOT EFFECTIVE MARKETING…

WHAT IF I SOLD BULLS THE WAY YOU SELL CALVES?

• Put them in an auction and don’t call any potential buyers to tell them they are selling.
• Refuse to put my brand on the bulls because I don’t want the liability of them tracing a problem back to me.
• Don’t offer any performance guarantees or other warranties.
• Sell them with no EPDs or other predictions of how they will perform for the buyer.
• When buyers ask about hard health, tell them the bulls have had “all the shots.”
• Make sure that only one potential buyer knows the true value of the animals that are selling…
• Three of the largest buyers ask if the bulls could be fed for an extra 45 days and be given vaccinations for anaplasmosis and leptospirosis. If not, they are not interested – but you respond, “No thanks, sorry, but I’m not going to do that extra work…..”

WHAT ARE THEY REALLY WORTH?

THEY DON’T KNOW…. AND YOU DON’T EITHER!
WHAT ARE CALVES REALLY WORTH?

A $600 Spread from Top Herds to Bottom Herds!
From 185,000 steers at DCFY in Oberlin, KS

TRAITS THAT DRIVE CALF VALUE

- Shrink / condition
- Health
- Carcass weight
- Carcass value (marbling and cutability)
- Gain and conversion = cost of gain

TABLE OF TRAITS

<table>
<thead>
<tr>
<th>Trait</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>35% Conversion</td>
<td></td>
</tr>
<tr>
<td>30% Grid</td>
<td></td>
</tr>
<tr>
<td>18% Carcass Wt</td>
<td></td>
</tr>
<tr>
<td>17% Health</td>
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</table>

A PARADIGM SHIFT

WHY NOT TELL BUYERS HOW YOUR CATTLE WILL PERFORM FOR THEM!

“Our study concludes that this is the percentage of our customers who will buy from us without any effort whatsoever on our part.”

De-Commoditizing the Feeder Calf Market: Providing Objective Information to Buyers

How to get a premium price on your calves

2015 Range Beef Cow Symposium

Tom Brink, Top Dollar Angus, Inc.

Why information matters

Moving from a commodity to a differentiated feeder calf market.

What information matters?

- Frame size & flesh condition
- Health program (especially on calves)
- Genetics

Objective vs. Subjective?

Sometimes if we had more hard information on a group of feeder cattle…they’d be worth less.
What information matters?

**Frame size & flesh condition**

Buyer will see this on arrival.

*Which description will “up” the price?*

1. Medium/large frame & medium flesh
2. Medium/small frame & medium+ flesh

Current pictures or a video provide more objective “data” on frame and flesh condition.

Recent set of Montana calves

**Health Program:**
- Multimin 90 and banded at birth (born mid February through March).
- One Shot Ultra 8, Inforce 3, Dectomax, & Ralgro at branding.
- Preconditioning (Sept. 11th):  Ultrabac 7?Somubac, Bovi-Shield Gold
- One Shot, Dectomax.
- Weaned on September 11th.
- Boosted with In Force 3 on October 16th.

**Genetics**

Top Dollar Angus feeders calves are verified via historical bull use (top 25% for BJP) and/or DNA results.

Health & Marketing rolled into one.
There are **HUGE** differences in the value of cattle!

<table>
<thead>
<tr>
<th></th>
<th>Carcass Weight</th>
<th>Marbling Score</th>
<th>Ribeye Area</th>
<th>Backfat</th>
<th>Per Head Value</th>
<th>Loss Slaught. Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 10 steers</td>
<td>939</td>
<td>517</td>
<td>16.4</td>
<td>0.61</td>
<td>$1,945</td>
<td>$144.15</td>
</tr>
<tr>
<td>Bottom 10 steers</td>
<td>819</td>
<td>407</td>
<td>13.9</td>
<td>0.59</td>
<td>$1,940</td>
<td>$144.12</td>
</tr>
<tr>
<td>Difference</td>
<td>156</td>
<td>110</td>
<td>2.5</td>
<td>0.02</td>
<td>$45</td>
<td>$0.77</td>
</tr>
</tbody>
</table>

Top steers grew faster, had heavier weights, more marbling, larger muscle, same degree of finish. They were healthier and had better genetics.

Is this a **PREMIUM** producer with **PREMIUM** cattle?

**YES**

Is this a **PREMIUM** producer with **PREMIUM** cattle?

**YES**

These are truly **PREMIUM** genetics.

Heifer GMK Focus Scores in an Iowa Herd

These are **NOTHING SPECIAL** genetics.

Average Igenity Score For Growth & Marbling: Angus Heifers

Average = 6.76
Poor results...group needs significant improvement in bull selection.

Caution: You are now entering the era of specification feeder cattle

More programs built around the best genetics

Premium prices will be (are being) paid for cattle with known genetics that are superior for growth and carcass traits.

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Genetic Certification & Marketing — “It’s all about the PREMIUM”

Verified Beef’s Reputation Feeder Cattle Program

How to build better cattle AND get paid for doing it!

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REPUTATION FEEDER CATTLE (RFC)

PILLARS OF DIFFERENTIATION AND INCREASED VALUE OF CATTLE

Predicts the value of the Genetic potential in your calves. Good bulls pay off.

Contracting Management

Documents calf management. High quality, vaccine, and nutrition programs are valued by buyers.

Verifies your herd of origin, are the same cattle represented by the RFC certificate. Increases buyer confidence.

HOW WE ESTIMATE GENETIC MERIT:

• Utilize information on your herd:
  – EPDs on the bulls you have used.
  – Breed(s) of your cowherd.
  – DNA on the cows or heifer mates.
  – Expected age and weight at sale.
• Simulation model to predict the expected outcome with current market values for feed cost, grid value, and fed cattle.
• Compare to a national average based on all registered bulls used over the previous 10 years.
VALUING THE GENETIC POTENTIAL

DOES THE GENETIC MERIT SCORECARD WORK?

• Data from 2014 born calves in O'Neil, NE:

<table>
<thead>
<tr>
<th></th>
<th>Group A</th>
<th>Group B</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFC</td>
<td>+20.94</td>
<td>+33.27</td>
</tr>
<tr>
<td>Feed:Gain</td>
<td>5.9 : 1</td>
<td>5.3 : 1</td>
</tr>
<tr>
<td>Feed cost</td>
<td>$652</td>
<td>$576</td>
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<tr>
<td>Carcass Value</td>
<td>$2,010</td>
<td>$2,164</td>
</tr>
<tr>
<td>Advantage per head</td>
<td>+$230</td>
<td></td>
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</tbody>
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EXAMPLE RFC CERTIFICATE

QUESTIONS?

• Tom Brink
tom@topdollarangus.com
(303) 478-4331

• Ralph Peterson
Reputation Feeder Cattle
rpeterson@verifiedbeef.net