

SDSU Extension

ADDING VALUE TO OUR PRODUCT:
A Cow/Calf, Feedlot and Meat Industry Perspective


Range Beef Cow Symposium
November 20, 2019 Mitchell, NE



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Marketing fed cattle has changed drastically over the last 20+ years

- Economic returns are more impacted by quality of cattle
 - Changing marketplace
 - Changing consumer demands
- Very few producers maintain ownership of cattle from birth through harvest
 - Important for participants in all segments of the industry to understand the end product and how value can be added



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Industry Panel

- Meat Industry:** Paul Dykstra, Certified Angus Beef
- Feedlot:** Gary Darnall, Darnall Feedlot
- Cow/calf:** Britton Blair, Blair Brothers Angus Ranch

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Meat Industry Perspective
Paul Dykstra – Certified Angus Beef

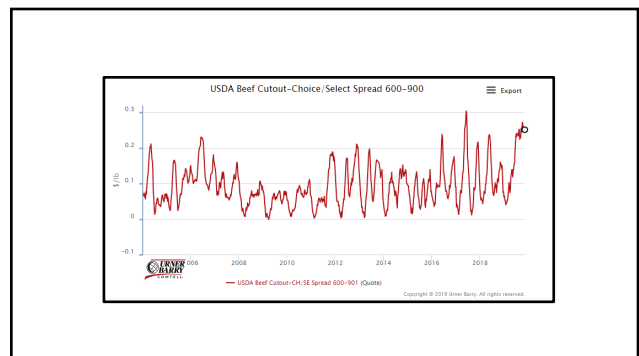
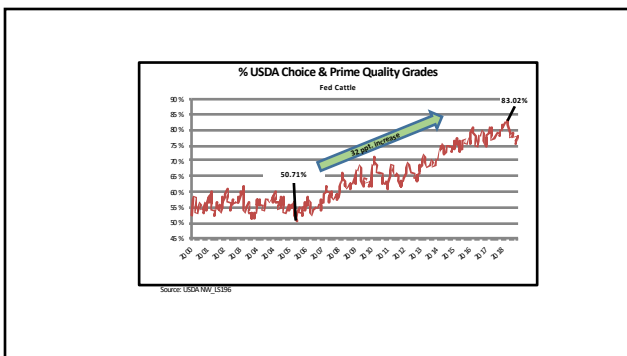
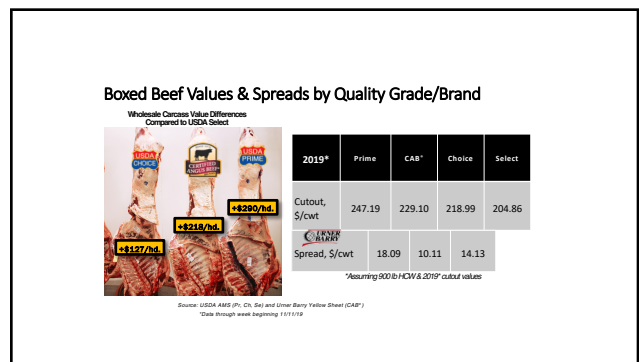
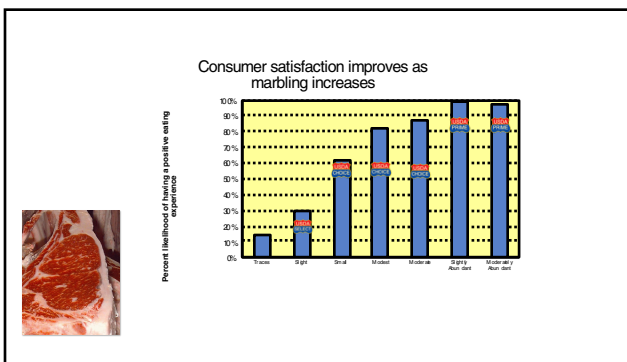
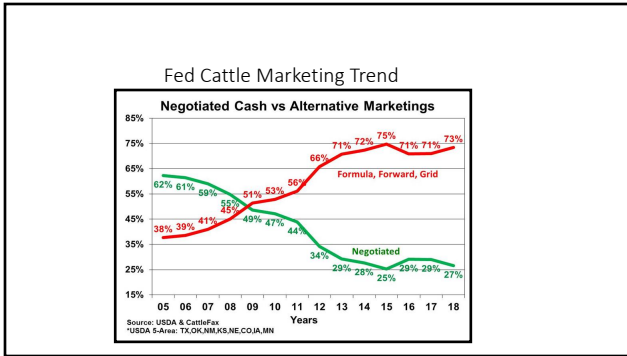
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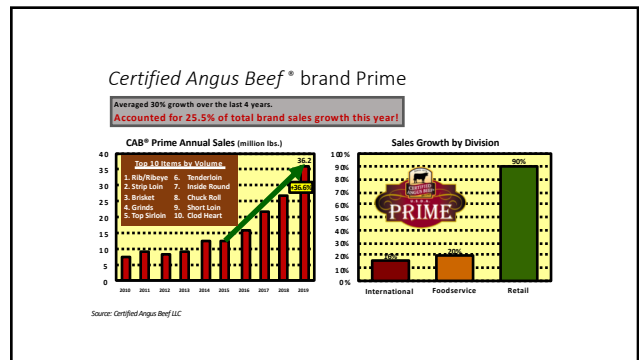
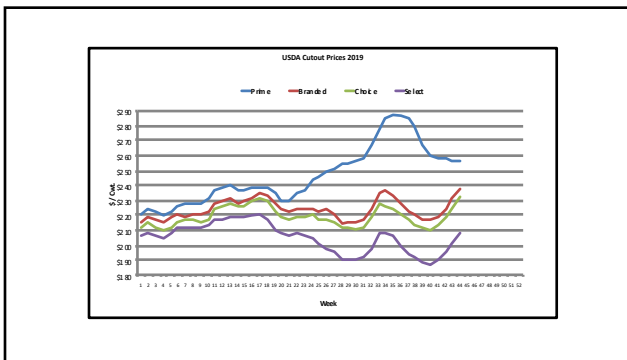
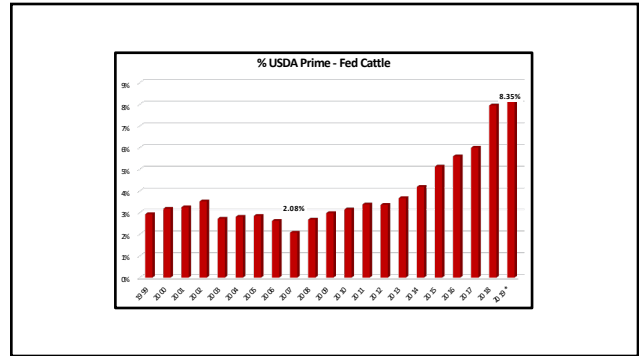
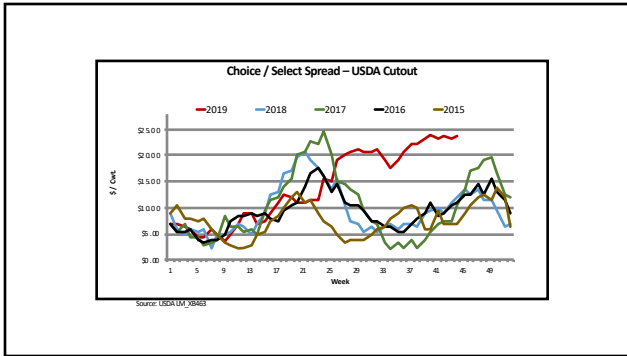
Good or bad, most cow/calf producers don't participate in the true value differentiation of our product.



18% of Cow/Calf Operators Retain Ownership through the Feedlot
(2017 Survey of CattleFax Members)



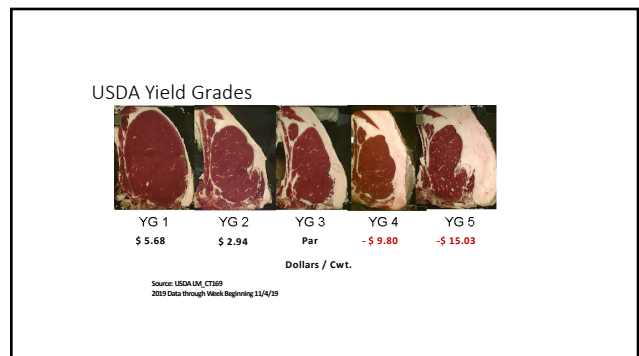




✓ 1400 lb live weight
 ✓ 63.5% dress
 ✓ 890 lb HCW
 ✓ YG 3
 ✓ \$1.71/lb. carcass price
Cash Carcass Avg: = \$1,529

Grid:
 Select = **\$1,386**
 Choice = **\$1,591**
 CAB® = **\$1,629**
 Prime = **\$1,772**

Grid Assumptions: C = \$22.25/cwt, CAB = \$4.25/cwt, Prime = \$20.42/cwt, YG 3 = 19%, Plant Avg = 70% CH
USDA Reported Prices - Weeks 7/22/2019 through 9/29/2019




Grid Marketing

Quality Grade	Yield Grade				
	USDA 1	USDA 2	USDA 3	USDA 4	USDA 5
USDA PRIME	\$\$\$\$\$	\$\$\$\$	\$\$\$	\$\$	\$
USDA CHOICE	\$\$\$\$\$	\$\$\$\$	\$\$	\$	-\$
USDA SELECT	-\$	-\$	-\$	-\$	-\$
Standard	-\$	-\$	-\$	-\$	-\$

Getting Value Back to the Cattle


- Carcass merit baseline:
 - USDA CHOICE **70%**
- Priced at roughly 30% of the Choice/Select spread
 - USDA 3
- So far in 2019 the average premium is **\$39.15/head** for Choice/YG3



Carcass Value Back to Feeder Calf Price


550 Lb. Calf Premium

\$4.92/cwt. **Average** \$8.44/cwt. **Better** \$14.47/cwt. **Best**



Yield Grade Adjustments

Yield Grade Category	2019 U.S. Average	Grid Value Effect \$/Cwt.
1	5.5%	\$0.31
2	34.2%	\$1.01
3	47.8%	\$0.00
4	10.8%	-\$1.06
5	1.6%	-\$0.24
Net Effect		\$0.02/CWT




Live Weight	Dress %	Hot Carcass Weight	Weight Offsets	\$ Per Head Difference
1400 lb.	62.3%	873	14 lb.	\$36.66

Source: USDA LM, CTM Pricing Data 2019 through week of 11/4/19
USDA National Summary of Hurdle Graded (in Sep 2019)

ANGUSLINKSM

VALUE ADDED PROGRAMS



- USDA PVP for Age and Source
- Ability to add PVP claims of
 - ✓ Angus-sired genetics
 - ✓ NHTC
 - ✓ Never Ever 3 (natural)
 - ✓ Cattle care and handling (BOA)
- Optional Genetic Merit Scorecard
- Access to more bidders and buyers

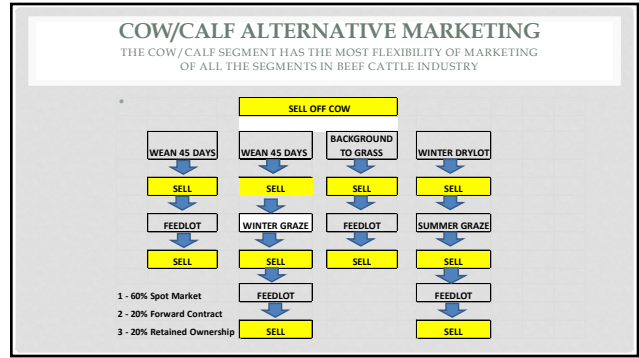


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Feedlot Perspective

Gary Darnall – Darnall Feedlot

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- ### COMMON QUESTIONS
- 1. What do you think about these markets?
 - 2. How much will it cost me to feed these cattle?
 - 3. How do you charge?
 - 4. Do you finance cattle and/or feed?
 - 5. Where do you market cattle in your feedyard?
 - 6. How do you bill?
 - 7. How many head do I have to put in or what is your pen size?
 - 8. How do you take care of the health on the cattle?
 - 9. Can I get data back on how the cattle performed after they leave the feedlot?
 - 10. Do you do Risk Management?

BREAKEVEN PROJECTION

CATTLE BREAKEVEN ANALYSIS			
DARNALL FEEDLOT			
PURCHASE WEIGHT	600	FINISH WEIGHT	1290
PURCHASE PRICE/LB	1.3300	INTEREST RATE	5.00%
AVE DAILY GAIN	3.00	FREIGHT IN/CWT	0.00
COST OF GAIN/LB	0.80	FREIGHT OUT/CWT	0.00
DEATH/LOSS %	2.00%	VET. COST/HEAD	25.00
INTEREST/HEAD	34.23	FREIGHT/HEAD	0.00
FEED & NET COST/HEAD	577.00	TOTAL COST/HEAD	1,409.23
PURCHASE COST/HEAD	798.00	DAYS ON FEED	230
BREAKEVEN COST/LB		1.1147	
PEN PROFIT ANALYSIS			
DESCRIPTION:	Helpers to Feedlot	SEX:	helpers
LOCATION:	Anywhere, USA	NUMBER OF HEAD	100
PEN #:		LOT NUMBER:	
IN DATE:	October 25, 2019	ESTIMATED DAY OUT	June 11, 2020
PURCHASE WEIGHT	600		
PURCHASE PRICE/LB	1.3300		
PURCHASE COST OF PEN	798.00	June futures	
TOTAL FEED & VET COSTS FOR PEN	57,700.00	TARGET PRICE	1,1900 Estimated value
TOTAL INTEREST COST FOR PEN	3,423.22	FINISH WEIGHT	1290
TOTAL PRODUCTION COST OF PEN	140,923.22	GROSS INCOME	149,175.00
TOTAL FREIGHT IN FOR PEN	0.00	NET INCOME	8,252.38
TOTAL FREIGHT OUT FOR PEN	0.00	PROFIT/HEAD	82.52
TOTAL COSTS OF PEN	140,923.22		

**TAKE ADVANTAGE OF YOUR GENETICS
RETAINED OWNERSHIP CAN ADD VALUE OF \$100+/HD ABOVE
CASH MARKET**

GRID RESULTS EXAMPLE

Item	Unit	Price	Quantity	Total
Net Yield	53.45	1		
Choice	50.72	1		
Avg Live Wt.	1270			
Avg Dressed Wt.	806			
Net Live Price	116.35			
Net From Disc	132.46			
Head				
Net Dressed Price	183.21			
Difference	10.43			

Item	Unit	Price	Quantity	Total
Choice/Select Spread				24.21
Choice 13 Price (Base Dressed Price + Cost to Clean)				119.48

Item	Unit	Price	Quantity	Total
Net Live Register Totals				176.45
US Quality Grade Adjustments				2,250.00
Other Adjustments				1.00
Prison Yield Adjustments				444.81
Head Weight Adjustments				1.00
Head Price Cattle Premium				113,400.76
Head Brd. Frt. Carc. Bala. etc. / AIG Imp. Settlement Summary				113.00
Use to Detail Settlement Summary				44.76
Total Net Cattle Proceeds				115,145.54



Cow/Calf Perspective

Britton Blair – Blair Brothers Angus Ranch

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Thank You

Please join us for the Bull Pen Session tonight

Upcoming Program: SDSU Beef 2020; Jan 7-9, 2020