

Creating and Being Rewarded for Value in Calves

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Market Drivers - International

- The discovery of BSE in the US nearly 4 years ago may have changed the way the beef industry conducts business evermore.
- The industry has done a good job of explaining the science.
- However, the days of expecting the consumer to blindly trust us are over. (Saunders, 2005)
- We must focus on the end customer and not just what we produce, how it is produced and being appropriately rewarded for meeting those demands.

Market Drivers - Domestic

- Domestic branded beef campaigns continue to expand.
- All in an effort to meet specific consumer needs.
- AND...be rewarded in the process.
- Consumers – domestic as well as international are requiring more standards and verification of marketing claims.

The Beef Industry Response

- Nearly every major change in US beef production has been market driven (Rhinehart 2007).
- International market specifications as well as domestic branded beef programs link;
 - Consumers to the retailer (supermarket/restaurant);
 - And retailer to supply chain (producer/ feeder/ processor/purveyor)
- With responsibility (and the associated rewards) comes accountability.
- The devil is in the details...documentation of the methods to justify the claims.

The Government Response

- AMS/USDA initiated a process to ensure companies and their suppliers the ability to verifiably deliver products to consumers that met their marketing claims
- This system, Process Verified Program (PVP) and later the Quality System Assessment (QSA) are qualified management systems to help ensure product claims.
- Simply ...prove that you are doing what is claimed.
- For example ..."corn fed" claim.
- See <http://processverified.usda.gov/> and <http://www.ams.usda.gov/lsg/arc/qsap>.

What programs are right for you?

- You must consider a number of factors in deciding to participate in a Vac 45, Branded Beef, PVP or QSA program.
 - Does the program meet your marketing objectives?
 - Does it fit your management objectives AND available resources?
 - How much flexibility does it provide to you?

Value Opportunities... Show ME the Money!

- Your decision must be based upon return on investment!
- There are reports of market premiums.
- There are also no guarantees!
- What leverage does documentation provide?
- Frequent communication with the potential buyers is key!



Value Opportunities... Record Keeping – hang-up or advantage?

- Many producers have the necessary records to document requirements.
- Carefully evaluate current record keeping practices.
- Can required information have additional value in your operation?
- What, if any overlap exists?

Value Opportunities... Economically Relevant Traits (ERTs)

- ERTs help define what traits are important to your operation. (Enns et al 2005)
- How do you measure them?
- Example 1: Sell at weaning
- Example 2: Sell at harvest

Example 1: Sell at Weaning

Which cow is better?

Cow A

Cow B



Example 1: Sell at Weaning

Cow A

Cow B



MPPA 89
AVG WW on 5 Calves
377#

MPPA 112
AVG WW on 5 Calves
548#

Example 1: Sell at Weaning

Cow A

Cow B

1885# x \$1.05= \$1,979

2740# x \$1.05 = \$2,877

That's a \$898.00 Difference

Example 1: Sell at Weaning

Cow A



389 days

Cow B



368 days

Average Calving Interval:

Example 1: Sell at Weaning

Cow A

389 Days

Cow B

368 Days

21 Day Interval Difference

21 x 2lb/Day x \$1.05 = \$44.10/Cow Annually
That's \$220.50 over 5 years!

Total Savings

\$1,119 !!!
(\$224 annual)

Example 1: Sell at Weaning

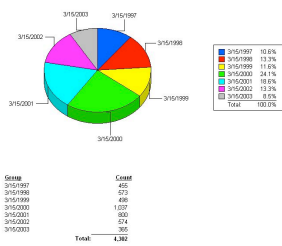
Cow economics: Systematic culling improves the bottom line.

Identify them!



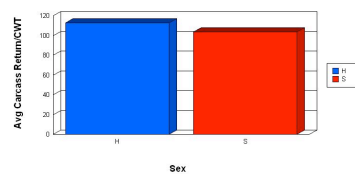
Example 2: Sell at Harvest

Cohort Start Date Breakdown
For 4302 Marked Calves



Example 2: Sell at Harvest

Avg Carcass Return/CWT for Sex
For 4302 Marked Calves



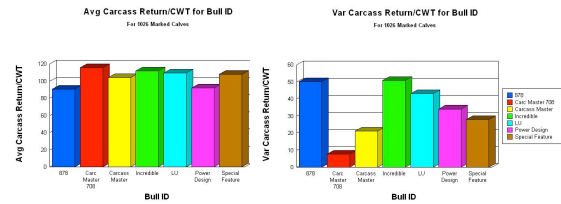
Example 2: Sell at Harvest

The bottom line ...

**How can you
market more
high value
cattle?**

Example 2: Sell at Harvest

Identify them!



Getting Started

- Identify your objectives.
- Set manageable goals.
- Choose your partners.
- Implement, review, revise.
- What resources are available?

Summary

- Is there overlap between required marketing information and more informed management decisions?
- Is current system returning management information necessary?
- Potential Market Premiums + Management Information = Total ROI.
- Early and frequent communication with buyers is critical to determine if there is profit to be made.

Thank you!

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