

# Beef Producers look Into Value-added Calf Programs

*Pre-conditioning and feedlot test programs help Pennsylvania producers gather information, market their performance-bred cattle, and gain a little industry respect.*

BY JANET MAYER

Marketing a calf crop for a respectable price has always been a top goal for cow-calf producers throughout the country. Cattle buyers, in return, expect to buy (at the lowest price possible) healthy calves with good genetics that will turn a profit.

Pennsylvania beef producers and cattle buyers are no different. Although both sides share a common goal, in many incidences they have not been able to bridge the needs of the other.

To solve their marketing problems, numerous Pennsylvania beef producers have begun trucking their cattle out of state to be sold while, ironically, many Pennsylvania feedlot operators and purebred breeders are buying cattle from surrounding states and trucking them in.

If there are good cattle for sale in the state, then why are the state's feedlot operators going out of state to buy their feeder cattle?

Most feedlot operators will respond that they're looking for feeders which will

eat big, gain big and stay healthy. In other words, they are looking for efficiency and performance in feeder cattle and will travel to other states to find them.

Is the problem insurmountable? Not according to Pennsylvania State University Extension beef specialist John Comerford. "I feel many of the marketing problems confronting the state's breeders arise from the fact that cow-calf producers in the state are largely part-time operators with relatively small herds. This results in variations in genetics and management practices. Thus, competitive marketing is difficult for these producers compared to a larger breeder, and for many it is a struggle.

"In an endeavor to help state producers market their cattle more efficiently and to improve herd management, Penn State has initiated two programs under the guidance of Comerford and colleague William

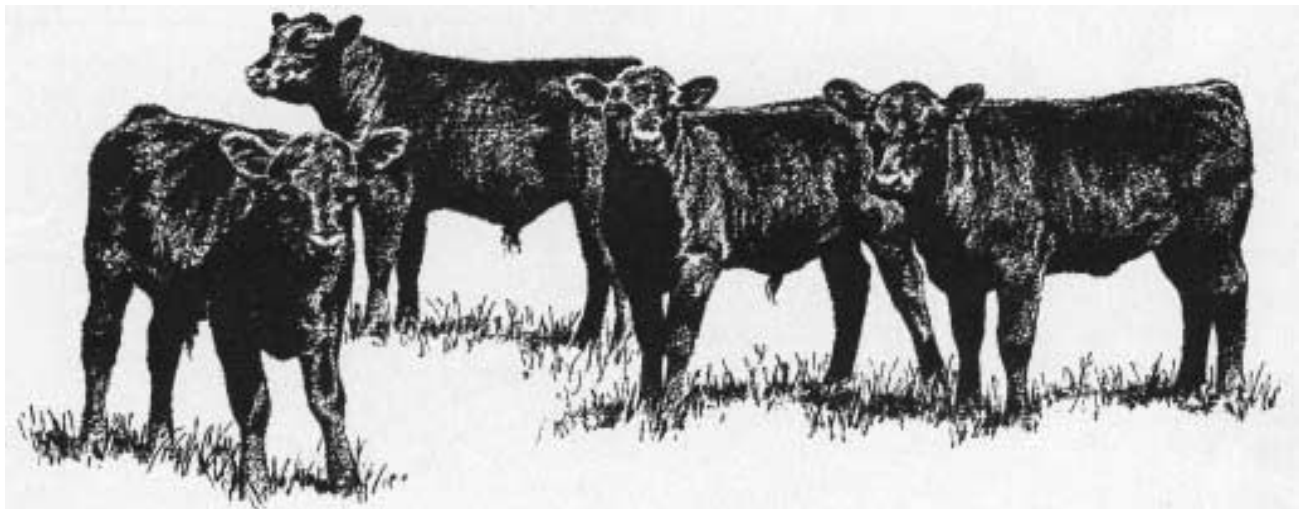
Henning, a meat specialist at Penn State. One of the new programs, the Feeder Calf Pool, was started last fall.

"I think everyone has come to the realization that the cooperative feeder calf sales have had their time, and we need to be looking at alternative methods of marketing," Comerford explains. "It's a fact that feeder calves of uniform size are most effectively marketed in lots of 40. Our intentions are to market calves which have received effective health management prior to shipment, in larger lots."

Calves targeted for this program receive a prescribed on-farm health management program, including vaccinations and boosters, deworming, implanting of growth promotants and ear tagging. The calves will be shipped to a weaning location the early part of October, where all will be fed the same medicated diet. The proposed cost of this program will be about \$30 per calf prior to marketing.

Another marketing opportunity for breeders is the Pennsylvania Feedlot Test. Initiated in 1993, this program gives breeders the opportunity to retain ownership of their calves through a feedlot phase. Breeders can evaluate the growth and economic performance of their feeder calves in a commercial feedlot and gather carcass data while offering a marketing alternative.

Comerford says many problems arise from the fact that most of the feeder cattle marketed in the state are co-mingled with those from other herds, and calf producers have little idea how their cattle perform once they are sold. This prevents producers from making necessary



adjustments in their breeding and management programs that could enhance the value of their calves in the marketplace.

"Don't misunderstand, there are many producers who do an excellent job of genetic and health management in their herds," he says. "But marketing for them often becomes a problem because their calves are often valued similarly to the 'average' calves."

Comerford believes information that breeders gain from a retained ownership program can only enhance the genetics and management of their cow herds. Contracts are drawn between the breeders and the feedlot owner, with Comerford and Hering acting as intermediaries.

"This type of program is not new; it's well established in Georgia and several other states," he says. "In the Southeast, herds are about the same size as ours, but their overall number of farms is greater. I'd surmise that many Georgia breeders use their program mainly as a marketing tool. Our program is somewhat different because we're looking at two aspects: marketing and carcass data. Another difference between our program and those of other states is that we don't send our cattle to a major feedlot. For the past two years, cattle in our program have been sent to a feedlot in southern New York."

Prior to the initial test in November 1993, Pennsylvania breeders were made aware of the program through Extension Service offices, the state cattlemen's association and its publication, and through other industry publications. The result was 66 calves consigned from 17 different breeders the first year.

There is no restriction on number of calves a breeder can enter. Comerford says that in the first two years, breeders have sent as few as one and as many as 20 calves. So far, all have been spring calves with weights ranging from 400 to 800 pounds.

**Prior to entering** the test, breeders receive directives recommending the backgrounding of calves by vaccinating, deworming, implanting and weaning before they are transported as a group to the feedlot early in November. At the feedlot, the calves are fed as a group but are kept segregated from the other feedlot cattle.

Monthly weights and progress reports on individual cattle are collected to provide information to the owners. Costs

## Angus Breeders Gain Golden Opportunity

Angus breeders Bill and Cheryl Fairbairn, Coatesville, Pa., have discovered the benefits of progeny testing. The Fairbairns have entered steers in the Pennsylvania feedlot test for the past three years,

When they first heard about the program, they decided it would provide them with a golden opportunity to collect data on their cattle,

"My husband and I looked over the information and felt this would be a good thing to enter since our operation is geared toward selling feeder calves and bulls to commercial producers," Cheryl recalls. "We wanted to see how our cattle would stack up against others in the state,"

The retained ownership of cattle was another aspect of the program the Fairbairns liked. They lack the facilities and labor to finish cattle on their farm.

The Fairbairns have been breeding registered Angus cattle for the past 13 years. They maintain a herd of about 50 brood cows on a 65-acre farm plus 300 leased acres.

By the time the Fairbairns heard about the feedlot test late in the summer of 1993, most of their calf crop had been promised as project animals. They decided to send one steer, which later proved to be the high-profit steer of the 1993 test. In 1994 the Fairbairns again did well with a pen of three steers.

In addition to the Fairbairns, five other Angus breeders from their county sent steers that first year. Cheryl says she feels the project has proven to be a good learning experience for all, including those whose cattle didn't do too well.

"I think projects like this one emphasize good management in a herd, especially in learning the value of feeder calves receiving effective health management prior to shipment to the feedlot."

During the test the Fairbairns found that if they had questions or concerns, the feedlot operator was accessible to talk with them and to furnish them with information. Progress reports were sent to the breeders on a regular basis, which the couple found to be informative.

The Fairbairns followed their steers' progress through the test, seeing some pull ahead and others fall behind. At the project's conclusion, they inspected the steer carcasses, seeing firsthand their fat thickness, ribeye area, grade and dressing percentages.

"We learned everything we wanted to know about our cattle," Cheryl says. Most of this information is unavailable from a regular feedlot. Do the Fairbairns intend to keep on sending steers to the feedlot test? "You bet," Cheryl says. "In addition to all of the information we received, it's good for advertising. Believe me, we have told those commercial producers who are potential customers about our having the high-profit steer. It's what they are wanting to hear. After all, the purpose of raising feeder cattle is to make money for somebody. Being able to supply performance cattle to the industry is what our operation is geared around."

incurred by the consignors include yardage at 40 cents per head per day and 31 cents per pound of gain. Additional costs are applied for drugs and implants in the lot and transportation. Costs to consignors start with a charge of \$30 per head and then \$30 per month. A close-out report detailing all costs is forwarded to each consignor at the end of the test.

When the cattle reach market weight the feedlot operator has total control over

marketing, Comerford says. Consideration is given to getting a reasonable price, which is contingent on the market at the time. The cattle must also be judged to have a good opportunity to grade as high as possible without getting into yield grade problems. Cattle are usually marketed in groups of 10 to 15 to ease collection of carcass data by Penn State personnel.

The 1995 feedlot test was moved to

## Value-Added Calf Programs cont.

York County, Pa. Comerford believes the change will attract more breeders to enter the program by eliminating the long haul of the cattle to New York.

Although test consignor numbers fell off somewhat in 1994, Comerford says this is a normal occurrence in the second year of most programs. "You always have those people who didn't do well the first year. They aren't going to jump in there and get bit again," he says. "We have some purebred breeders who have been happy with the program because they got valuable information on their cattle performance."

**The extra incentive** of profit also draws producers. "The breeder whose steer made more money last year will probably also have the top steer again this year," Comerford says. "It shows that breeder needs to be retaining ownership of his or her cattle to get added value instead of selling through a feeder calf sale. If breeders have good genetics in their breeding program, they should be the ones to get paid for this, not somebody else. These are the types of things

breeders are learning from our feedlot program."

## Look Before You leap

*South Dakota beef specialist says value-added calf programs should be examined carefully.*

Cow-calf producers should carefully consider all of the costs when trying to decide if a value-added calf program is a viable option for their cow herd, says John Wagner, Extension beef specialist at South Dakota State University.

Value-added calf programs are said to make the feeder calf more resistant to disease, less likely to die, and start on feed more readily in the feedlot. The costs associated with these practices, however, need to be subject to a cost-benefit analysis.

"Unfortunately, few controlled research studies have been conducted on this topic," says the nutritionist. "Most of the controlled research has suggested limited benefits to many components of value-added calf programs."

Proponents of value-added programs often cite the Texas A&M University Ranch-to-Rail Program as supporting the use of these programs. But the Ranch-to-Rail Program only partially documented that sick calves are not as profitable in the feedlot as calves that stay well.

"The Ranch-to-Rail Program did not document a cause-and-effect relationship between pre-feedlot arrival management and feedlot performance," Wagner says.

Wagner recommends looking at two components of the value-added program:

**1. The vaccination program** — It's difficult to document the effectiveness of a vaccination program. Still, the practice is sound from a medical perspective and should be designed through communication with a local veterinarian and ideally with the veterinarian where the calves are to be received.

## 2. The pre-shipment feeding programs

-These are intended to teach calves how to eat but have proven costly for ranch producers.

The problem is there are two type of feedlots: those that have the facilities, equipment and technical expertise to successfully start calves on feed, and those that have historically fed yearlings and have an extremely difficult time in starting calves.

Rather than change their management, some feeders are asking the cow-calf producer to change the calf to better fit their management program a component which Wagner questions.

"I have a difficult time believing that a cow-calf producer with a 5-gallon bucket of starter pellets can do a better job starting a calf on feed than an experienced calf feedlot," Wagner says.

Many pre-shipment feeding programs actually transfer the cost of starting calves from the feedlot to the cow-calf sector. "Less death loss and sickness occur in the feedlot as a result of these programs," Wagner explains. "But it doesn't disappear, it occurs on the ranch."

Another problem Wagner sees is that the cost of added gain for heavier calves that leave the ranch often exceeds the value of added gain. "Producers really need to examine this," he says.

When producers compute the value of added gain they should take into account several things associated with heavier calves, such as negative price slides, higher transportation cost, and discounts for increased fleshiness.

If producers are considering retained ownership, another overlooked cost may be marketing delays for the cattle in the spring, Wagner says. Potentially, this could result in a lower market due to seasonal discounts.

Value-added programs are controversial and have stimulated many discussions, Wagner adds. "I challenge producers to use a sharp pencil and carefully examine the cost versus the benefits of these programs before diving in."

— *South Dakota State University  
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