



WES ISHMAEL PHOTOS

# Climbing Outside the Box

*Programs like Beef 706 help producers see beyond the pasture.*

BY WES ISHMAEL

**W**hen you're shivering in a dank cutting room, up to your elbows in fat, trimming a money-losing carcass your eyes told you

was a crackerjack live animal, the beef industry takes on a whole new perspective.

Look beneath the hide, and the muscle horse that inspired envy may actually cost the industry money because it's too heavy and it doesn't have enough marbling to grade Select, let alone Choice. A premium for Prime may be too little to make up for the dressing percentage in that fat-but-flat black steer that reeked of quality. Look further back, and you may discover the carcass winner lost money every day of his life until then.

"You come away with a whole new view of the industry. Reality sets in, and you start asking, 'Will my cattle fit?'" says Brad Jones, who operates a commercial cow-calf operation at Telephone, Texas, with his wife, Charlotte.

"When I came home from the Beef 706 program, I started hunting bulls with some carcass data. It put the writing on the wall that this was the way the industry was moving, and I want to be on the front end of it," says Jones.

He's describing his participation in the innovative Beef 706 program that Texas A&M University (TAMU) and the Texas Beef Council (TBC) began offering to cattle producers and feeders nationwide in 1993.

In a nutshell, Beef 706 is an intense hands-on workshop that allows producers to get a handle on what has value to each industry segment. During the process participants look at cattle live, estimate their industry worth, then discover the real value of those same cattle by fabricating the carcasses into subprimals. Besides learning about carcass value drivers like quality grade, yield grade and dressing percentage, participants begin to see the reason why things like health management and vaccination protocols are vital to total quality of the end product.

### Seeing is believing

"It really blew my mind what was under the hide, the bone and fat they went through, and having to deal with substandard carcasses," says Jones. "You've heard bits and pieces, but when they take the hide off, you start to see."

Until producers start learning what's beneath the hide and how it affects the next customer in line, it's just too easy to give money away. According to the 1995 National Beef Audit Quality (NBQA), losses due to nonconformity and quality cost the industry \$138 for every fed steer and heifer, or \$3.9 billion annually. Even if producers take these numbers to heart, they have little meaning unless you see a cross section of the industry hanging on a rail. When you actually see an injection-site blemish and the amount of muscle that must be discarded, it's easier to understand why it costs the industry \$7.05/head. When you learn what a dark cutter looks like and the stresses that can cause the condition, its \$6.08/animal price tag makes more sense.

"You have to take baby steps before you can take big steps. First, people have to be aware the problems exist," says Richard Wortham, TBC executive vice president. "With the release of the 1991 Beef Quality Audit, we could see not only was this an industry problem, but it was a Texas problem. We felt we needed to start educating producers about lost economic opportunity due to nonconformance." Since its inception, approximately 1,600 producers have attended 50 Beef 706 programs. Other states have modeled programs after it.

"If participants haven't had any exposure to the meat industry, they're amazed at the variation in dollars, positive and minus, when they get through," says Davey Griffin, TAMU associate professor and Extension



Those planning to change once the economic incentives are in place will be too late, says Davey Griffin, TAMU Extension meat specialist.

meat specialist. For perspective, it's not uncommon to see \$150 difference across eight steers. In a session held this fall, the difference in value ended up being \$250 across the six steers (pictured on pages 236 and 237) evaluated and fabricated by participants. "A lot of it is the quality grade and yield grade combinations, in how they perform," says Griffin, explaining the difference.

### False perceptions

As well, Griffin says, participants are often surprised to discover the higher-priced middle meats many think about first only comprise about 12% of the carcass. In fact, while the unit price is lower, lean trimmings destined for ground beef products account for more total dollars in the carcass than those fancy steaks.

More than anything, some folks are amazed at the way cattle perform compared to their long-standing beliefs. "There are a lot of perceptions associated with breeds and value differences," says Griffin. "There are general beliefs that all animals within a breed will cut this way, marble this way and yield this way. ... Very seldom do they stack up the way participants think they should."

Inevitably, before a session is complete, one or two producers in the crowd will ask

the instructors what breeds they should be using. "We try to emphasize that there are good cattle in all breeds," says Scott McNeill, TBC beef quality manager. The program helps them understand the best choice within a given breed depends on their individual resources, management and goals.

"I believe there are many breeding and management schemes that will hit the target. The problem is, do you know what the target is?" says Dan Hale, professor of animal science with the Texas Agricultural Extension Service.

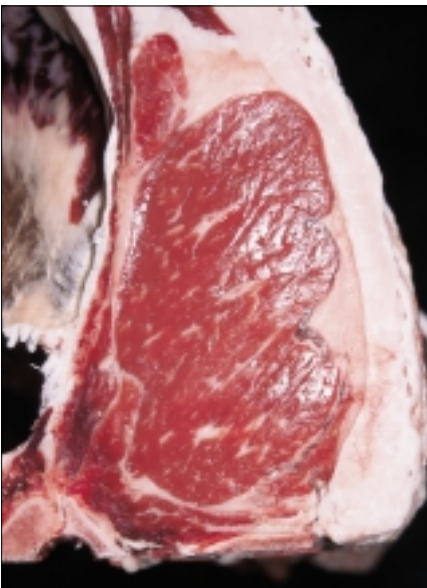
In identifying the target, Wortham says one program participant walked away with this summation: "We need to have a better understanding from the consumer back, rather than from the cow forward. Even though we're selling pounds, we have to understand more about who is buying them."

### Real-life application

With that in mind, along with learning what has value in each industry segment, Hale says, "We encourage producers to get more into information feedback. How do your cattle perform in the feedlot and on the rail?"

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CALF A



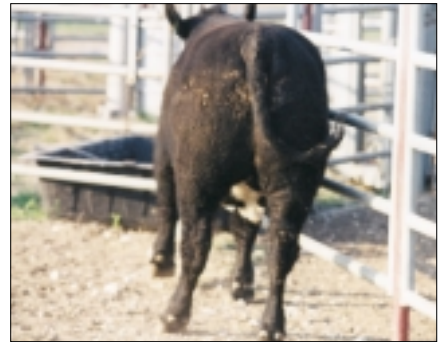
CALF A

CALF B



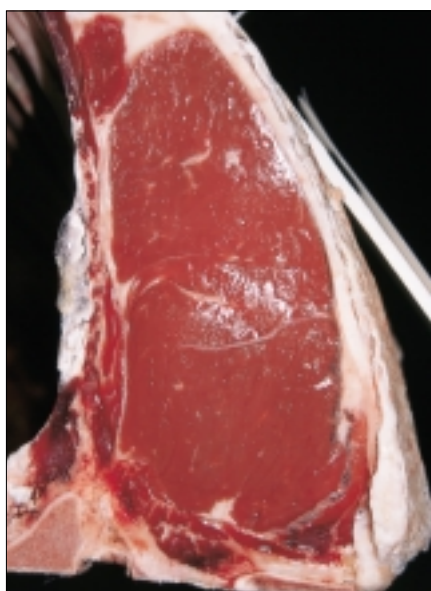
CALF B

CALF C



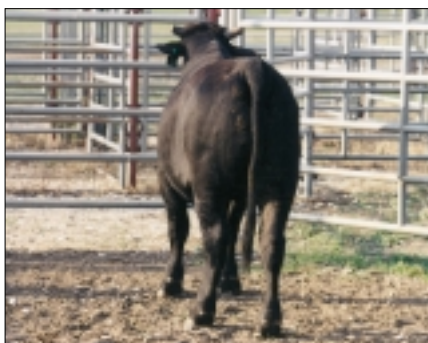
CALF C

CALF D



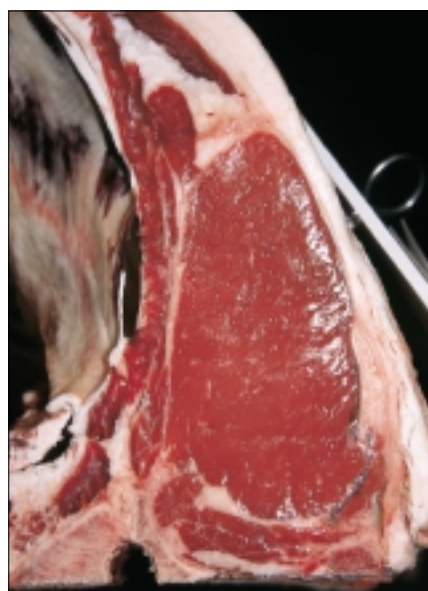
CALF D

CALF E



CALF E

CALF F



CALF F

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“Even if you’re not retaining ownership and you’re just selling calves, I think you can use some of that information to decide what animals to breed to, in order to meet some of the targets laid out to the industry,” says Griffin. He emphasizes that means selecting for carcass and feedlot performance in addition to — not in place of — other traits like reproduction and growth.

As an example, Jones doesn’t currently retain ownership in his cattle, but he has gathered feeding and carcass data by sending sample sets of calves through the state’s ranch-to-rail program. The results led Jones to use more Angus bulls and to be more selective about the genetics he uses within the breed. Along with the reproductive and growth efficiency he demands of the herd, Jones says, “Now I want to know if it’s a Choice carcass and what it will yield.”

With the goal of gearing his cattle toward

a branded beef program, Jones explains, “The reason for the black cattle is the predictability. I think I can get the quality, consistency and predictability in the Angus cattle, and they will function in the environment I put them in and do it on an economic basis.”

Jones says the move in his program away from Continental bulls is costing some weaning growth; but, he explains, “We carry all of our cattle into the stocker phase, so I can carry some lighter weaning weights and go onto wheat pasture with them.” Of course, the reason he’s able to make these fine-tuned decisions is because he knows what his cattle are doing and he knows what direction he’s heading.

**Profit on information**

“The more information producers know about their cattle, the better off they are in marketing them. It opens up a whole new

world of opportunity,” says Hale.

Information gleaned from the Beef 706 program is helping other producers make significant changes in their programs.

For instance, after going through the program, one feedlot started collecting data on its cattle. This operation discovered it was money ahead by marketing some of its cattle on the rail and on particular grids, rather than selling them all live, the way it always had.

Moreover, producers who can step back and see the big picture should find expanding opportunities to add and retrieve value from their genetics and management, according to Hale. “When we were first talking about starting Beef 706, we believed the time would come when there would be severe discounts for certain types of cattle.” Back then, calves would trade in the market, top to bottom, within \$2-\$3 of each other. Today the spreads are more like \$10-\$15,

How good are your eyes?



Plenty of people think they know what cattle are worth, but no one knows for sure until they peel off the hide and look underneath.

The six steers pictured on pages 236-237 were part of the Beef 706 program. They were purchased from a sale barn in central Texas and fed for 171 days at the Texas A&M University research feedlot in McGregor. Before analyzing tables 2 and 3, look at the pictures and at the live data in Table 1 and see if you can figure out which was the most valuable once carcasses were fabricated into closely trimmed subprimals. In other words, which delivered the most valuable carcass to the industry?

By the time carcass discounts and premiums are applied to the actual pounds of product produced by each steer and the costs of fabrication are included, it’s easier to understand that some cattle are undervalued when they’re sold for an average live price, while others are getting well more than they’re worth.

**TABLE 1: Live reality**

Steer ID	Description	In wt., lb.	Daily gain, lb.	Finish wt., lb.
A	<i>Bos indicus</i> X	695	4.29	1,428
B	Red white-face	635	2.98	1,144
C	Black white-face	640	3.13	1,176
D	Continental X	735	3.57	1,346
E	<i>Bos indicus</i> X	715	3.18	1,258
F	Black, brown poll	665	3.47	1,258

based on everything from breed type to health management to the documentation of feedlot and carcass performance.

Hale points out Beef 706 helps producers understand they don't have to be perfect every step of the way, just better than average. "Cow-calf producers sometimes have the idea they must have this super carcass, and they look to extremes," he explains. "In reality, they need cattle that are Yield Grade 2, preferably Choice, but at least in the upper end of the Select Quality Grade."

While that goal isn't unique or that tough to achieve, participants in Beef 706 also learn the industry has lost 1% of its market share every year for the past two decades because too many producers fail to deliver a complete package.

"I think a lot of people have felt it was worth their time just to get out of the compartment of the beef industry they



Many breeding and management schemes will hit the target, says Dan Hale, Extension animal scientist. The problem is knowing what the target is.

happen to be involved in and to be able to take a holistic view of the whole industry and how we have to function with the same end-product goal," says Griffin.

For those who wonder if there is enough economic incentive to merit taking the time to look beyond the pasture today, Griffin says, "I still believe if you have the opinion

you will do some of these things when the economic incentives are in place, you'll be too late."

For more information about Beef 706 or how you can participate in the program, contact Scott McNeill at (512) 335-2333.



TABLE 2: Carcass reality

Steer ID	Live wt., lb.	Pay live price, \$/cwt.	Total live price, \$	Dress. %	Carcass wt., lb.	12th-rib fat, in.	Ribeye, sq. in.	Yield Grade	Quality Grade
A	1,371	62.00	849.95	65.1	893	0.75	15.0	3.9	Ch <sup>+</sup>
B	1,098	62.00	680.91	66.3	728	0.55	12.6	3.4	Se <sup>+</sup>
C	1,129	62.00	699.96	64.5	728	0.55	12.6	3.3	Se <sup>+</sup>
D	1,292	62.00	801.14	64.6	835	0.20	15.3	2.0	St <sup>+</sup>
E	1,208	62.00	748.76	62.7	757	0.35	13.2	2.6	Se <sup>+</sup>
F	1,208	62.00	748.76	64.2	776	0.30	12.2	3.3	Se <sup>-</sup>

TABLE 3: What they're worth\*

Steer ID	Live value, \$	Carcass value <sup>1</sup> , \$	Fabricated value <sup>2</sup> , \$	Live to fab profit/loss <sup>3</sup> , \$	I Packer value, \$/cwt. live	II Breakeven, <sup>4</sup> \$/cwt. live	Live/fab. profit/loss, \$/cwt. live
A	849.95	901.93	996.97	147.02	65.79	67.61	5.62
B	680.91	640.64	756.71	75.80	58.35	62.54	0.53
C	699.96	640.64	746.96	47.00	56.74	59.96	(2.04)
D	801.14	684.70	804.10	2.96	53.00	56.82	(5.19)
E	748.76	681.30	828.84	80.08	56.40	62.82	0.83
F	748.76	682.88	831.17	82.41	56.53	63.01	1.03

Remember, if you were selling these steers at the time, you could have sold them live for \$62/cwt. or on the rail for \$101/cwt. with carcass premiums and discounts applied. Only one steer would have been undervalued if it had been sold live (column I). Even after the carcasses were fabricated, packers would have lost money on two of the steers (column II). Across these six steers, for all the variation, there was a net profit of 78¢/cwt. That's why the beef market remains a business of pennies and why it's so challenging to move beyond average marketing. This also illustrates the opportunity producers have to increase the value of the industry by getting rid of the negative outliers.

\*10/19/98. • 1If cattle were sold on the rail at \$1.01/lb. • 2Includes drop credit • 3Fabricated value - live value • 4Fabricated carcass value - \$70 slaughter and fabrication cost.