

Home to Quality



After a half-century of learning to mass-produce beef cattle, feeders are turning back to a quality emphasis.

COMMENTARY BY LARRY CORAH

It's time to rediscover our roots. The commodity cattle-feeding industry was born in the Midwest in the economic boom that followed World War II. Farmers saw cattle feeding as a way to add value to their forage and grain, and that led to a big increase in grain-fed beef production.

Consumers ate it up, at an increasing rate, well into the mid-1970s. The demand boom ushered in a transition from relatively small farmer-feeders to the custom-feeding industry of today. Now, 2,000 companies produce nearly 85% of U.S. beef.

To operate the big custom feedlots, managers felt pressure to leave behind farmer-feeder practices. When the grain-feeding industry was new, farmers sorted off the top end of each pen for shipping to a terminal or packer market. Specialized management and sorting were routine. But when a few people were expected to handle thousands more cattle, labor-intensive practices were minimized. That led

to grouping and feeding in large pens and selling entire groups on average pricing.

Generations of cattle feeders spent half a century learning to mass-produce beef cattle, so it's no wonder most of them still do business as if a steer were a steer. But consumers have found other loves. They discovered not all beef is created equal, and some of it is a poorer value than chicken or other protein sources.

Switching gears

The industry can't continue a "business as usual" approach if it is to build on the recent recovery in consumer demand. Value-based marketing and producing for targeted markets led the way back to consumers, but until now that has been primarily a marketing option rather than a feeding focus.

That's changing with the advent of feedlots aligning management to hit quality-driven marketing grids, but it's not an easy shift. The Certified Angus Beef LLC (CAB)

Feeder-Packer Relations Division has found its greatest challenge in converting potential Feedlot Licensing Program (FLP) partners from a commodity to a quality mentality.

Max Deets, former National Cattlemen's Beef Association (NCBA) president and CAB feedlot consultant, points out a major factor in coming over to the quality side: Everyone on the feedlot team must take ownership in the new approach.

He identifies four strategic areas that are dramatically different in feeding for targeted markets: feeding management, cattle health, marketing and service to cattle owners.

Feeding strategies for quality

- Sorting is a must, but it requires added labor.
- Information — from prior management to expected progeny differences (EPDs) — has a strong influence on feedlot performance.
- High-quality cattle tend to
 - a) be more docile in general but more aggressive with their appetites, requiring closer bunk management — especially when bringing cattle on feed;
 - b) carry a higher degree of natural flesh going on feed, requiring different management strategies;
 - c) be black or gray, so shade and water sprinklers are more desirable to lessen summer heat and humidity stress; and
 - d) build pride among feedlot employees in being a part of these programs.

Marketing strategies

- Owners of quality cattle expect distinct premiums, even when the market doesn't offer them.
- High-quality cattle
 - a) should be sold by the load or sorted lot vs. the traditional selling of commodity cattle as a whole pen;
 - b) tend to attract considerable attention from **all** buyers; and

The transition from a commodity-focused cattle-feeding industry to one that produces for a consumer target will evolve over the next 10 years as feedlot managers let the market help them decide on which side they should be.

Commodity-based

Make money at the expense of other segments of the beef industry (that is, "mismanaged cattle")

Price taker

Aim for profits from "compensatory gain"

Base risk management and marketing on cattle cycles

Sprinkle in "black" cattle to make sure a pen will sell

Focus on the pen

Base management and marketing on the "eyeball of the master feeder"

Gradually adopt new technology

Focus on cost of gain and feed efficiency

Accept the fact that consumers will have bad eating experiences

VS.

Quality-based

Make money by producing animals with the carcass characteristics consumers want

Price creator

Aim for profits by ensuring a calf never has a bad day

Strive for price stability

Capitalize on superior Angus genetics to enhance production efficiency and carcass parameters

Focus on individual animals

Data- and information-driven

Technology-driven

Focus on cost of gain, feed efficiency *and* producing a quality carcass

Strive for a positive eating experience by every consumer

- c) have predictable feedlot performance and carcass quality, yet these attributes have not been fully accepted by the marketing system.
- Feedlots recognize that filling their pens with mostly high-quality cattle makes their yard more attractive to both prospective customers and finished cattle buyers.

Animal health management

- The term “farm- or ranch-fresh cattle” may not guarantee animal health in the feedlot.

- High-quality cattle
 - a) usually bring opportunities to work closer with their source of origin; and
 - b) can be more difficult to medicate because of their greater degree of flesh.
- Individual identification (ID) can be an advantage in treatment.

Service expectations of the cattle owner

- Feeders of high-quality cattle
 - a) may be first-time feeders requiring more communication and education;
 - b) have more interest in — but less

- understanding of — feedlot performance, which requires considerably more time;
- c) often require additional paperwork for specific markets; and
- d) often have unrealistic expectations of what their cattle will do in the feedlot and on the rail, making them difficult customers with whom to deal.



Editor's note: *Larry Corah is vice president for supply development of Certified Angus Beef LLC.*