

The Quality Switch is ON

BY STEVE SUTHER

Change is constant in the cattle business, but that doesn't make it easy. Value-based marketing grids have made large strides across the commercial feedlot industry in the last couple of years, says John Stika, director of feeder-packer relations for Certified Angus Beef (CAB) LLC. "Fortunately that coincides with the beginnings of the CAB Feedlot Licensing Program (FLP) in January 1999.

"One of the greatest challenges faced by the Feedlot Licensing Program has been shifting the feeding industry's focus from commodity production to the quality market that CAB® offers," Stika says.

The 50 licensed feedlot operators have made the switch to a large degree, but the move to quality continues. Some feedlots have moved from 100% cash sales live to 50% or more grid selling. Even feeding high-percentage Angus cattle has been an adjustment for many of the partner yards, but usually that part has been easy.

"Moving from 'No. 1 Okies' to high-

quality Angus was a pretty significant shift for us," says licensee Allan Sents, manager of McPherson County Feeders Inc., Marquette, Kan. "It's been kind of gradual, but we've been encouraged by both performance and marketing opportunities.

"I've been pleasantly surprised. I thought we would have to give up some performance as we went toward higher percentage Angus, the three-quarter and higher, but if anything, the opposite is true," Sents reports. "Our CAB Program cattle, especially some of the single-ranch-origin pens, have outperformed the average cattle here."

Profitable sort

Sorting helps the feedlot make grid marketing pay. Having sold nearly all CAB cattle on grids to the four major packers, Sents only had one group in a year that didn't return a premium to cash. "We sort the enrolled cattle at least once, usually topping off some at 100 to 120 days and holding the bulk of them for a few more days on feed."

Program-wide as of June 1, among the 55,357 cattle enrolled through licensed feedlots, 36.5% (20,205 head) have been or will be sorted at some point prior to harvest. That's primarily by visual appraisal, although there is some use of ultrasound.

"Regardless of the method, sorting provides a viable opportunity for feeders and their clients to realize more value in Angus-type cattle," Stika says. "Considering the current Choice-Select spread and the discounts for 'out cattle,' sorting is more justifiable today than perhaps any time in the past."

Sents agrees and is building new sorting pens this summer to make the task easier.

New direction

Typical of most licensees, McPherson County Feeders began its commitment by shifting procurement attention toward Angus cattle. Now it is moving to the next level that involves data interpretation and sourcing Angus calves by origin.

"We've got one pen in particular where we have sire and dam information and are just now getting complete individual information on — we're excited about that," Sents says. "We also fed a group of calves from the Northern Missouri Angus Breeders



PHOTO COURTESY OF ALLAN SENT'S

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Alliance, and we are looking forward to going over that data with Mike Kussman so he can take it back to producers."

Missouri is a source for many of the cattle fed in CAB licensed feedlots, along with the Plains states leading up to Montana. Of course, most of the enrollments have been in the home states of the licensees, with Kansas, Nebraska, Iowa and the Pacific Northwest leading the way (see Chart 1).

"We are moving on to identifying more of the specific breeding and working with people on that, encouraging more cow-calf retained ownership," Sents notes. "We're looking forward to tying it together so we can build a track record as we go along."

Every feedlot licensee finds unique ways to make the FLP work. Sents uses his existing stocker and backgrounding customers as willing intermediaries to carry signals back to the cow-calf level.

Calf expectations

"It will be crucial that any cattle coming in here from the cow have been preconditioned in some way," Sents says. "Some of our backgrounders definitely have an interest in coordinating that on the ranch, and they recognize the value of building that track record with the individual."

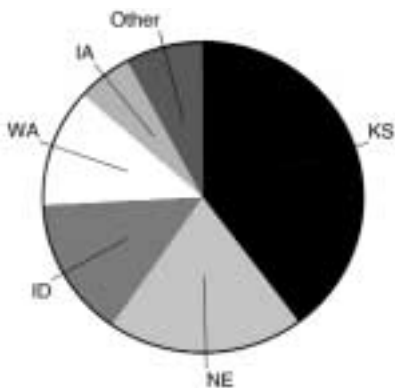
Some 32% of all cattle enrolled in the FLP to date have been classified as retained ownership. "We've seen a great desire to gather information and improve genetics, even in the face of \$1 to \$1.10 per

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Chart 1: Overall Feedlot Licensing Program Statistics

10/1/1998-6/1/2000

State	Head enrolled
Kansas	21, 983
Nebraska	11, 145
Idaho	7, 963
Washington	6, 750
Iowa	3, 116
Other	4, 400
Total Enrolled	55,357



hundredweight feeder prices,” Stika says.

These new retained-ownership customers can require a higher level of service, but that doesn't bother service-oriented feeders. “We can put some time into customer service if we don't have to spend that time doctoring cattle,” Sents volunteers. “That's a trade we like.”

Among those enrolled cattle that had carcass data reported by June 1, 22.5% achieved CAB acceptance, compared to 19.1% in the overall industry during that period. “The weight distribution (see Chart 2) is centered around the sweet spot of 700 to 800 pounds, taking in 42% of the cattle,” Stika points out.

“Our challenge now is to maintain quality grade and CAB acceptance with that weight range while improving yield grade,” he says, looking at the distribution across all enrolled carcass data. “About 59% of all the CAB feedlot cattle since the fall of 1998 were Choice, Yield Grade 3 or better. In more-recent months, the cattle are showing improvements,” Stika adds, notably in the area of CAB acceptance, which is tracking a few points higher for the calendar year.

Chart 2: Grand Summary – Carcass Data Collection

