Truth Begets Profit

How do your cattle compare to those in other programs?

Story & photos by ***Steve Suther***

►"We're identifying the outliers, the unique individuals that have balance," says Bill Wilson, Cloverdale, Ind., of the PMB programs. "Five or 10 years ago, I questioned if you could select for high marbling without messing up another trait. Today, it's pretty evident that we can. ..."

►"Genetic Alliance producers make breeding decisions taking input from our test on the performance side and acceptance by commercial cattlemen based on the price their bull brings," says Dave Bittner (right), shown with test and operations manager Albert Paul.

Dave Bittner admits he's in it for the money.

"Who isn't?" he asks, inviting all who share that goal to get involved as customers or clients in the Profit Maker Bulls (PMB) program. The vertically integrated cooperative is based in Ogallala, Neb., and has tested nearly 12,000 bulls so far, but Bittner has opened new doors for commercial customers in the last two years.

Drawing on his background in corporate financial analysis and information processing, Bittner launched PMB 18 years ago from his Silver Plume Ranch Angus herd in Colorado. The herd, approaching 100 cows, now resides in the Nebraska Sand Hills.

"We weren't large enough to have our own production bull sale then, so I wanted to pool bulls with several other Angus breeders, test the bulls and market them jointly," he says.

Cooperating to Get Information

There were a few takers, but the idea caught fire when it found a receptive ear in Bill Wilson. At that time, he was manager of Premier Angus Inc., Cloverdale, Ind. With 1,000 Angus cows, Premier was among the largest registered herds in the country in 1984. It was owned by Granada Corp., a high-profile Texas-based tax shelter and research dynamo of that era, which was fueled by millions of venture capital dollars.

"We were first attracted to the idea for its commercial bull market," says Wilson, now owner of Wilson Cattle Co., Cloverdale, Ind., "but the performance testing of whole calf crops turned out to be a major influence in our breeding decisions."

In the early stages, PMB fed bulls in commercial feedlots, but soon built its own 1,000-head capacity facility with 1.5-acre pens.

"Cattle get a lot of exercise, and we don't have any hoof problems when they go out," says test and operations manager Albert Paul. Built 15 years ago and partly funded by other breeders interested in centralized testing, PMB guaranteed a 10% return on capital and bought out its other investors after four years.

Changing structure

"When Granada was at its peak, we had Charolais and even Shorthorn bulls here, too," Bittner says. "The tax law change in 1986 eliminated the shelters that were the basis for Granada's capital and the pioneering research work they were doing — so they sold out within a few years.

"They say it is a fatal error if more than 5% of your business is one customer, but they were 70% of ours," Bittner recalls. "We scrambled around, found other breeders and breeds, and managed to stay in business for several trying years." At the low-water mark, 116 different breeders sent bulls in one year.

"I couldn't effectively communicate with that many people. The guy with two bulls would expect you to know them by sight and to recite all their statistics when he called every week. The guy who sent 100 bulls took less attention," Bittner says, shaking his head. "I wanted to get back to the original idea, to bring together a few people with

CONTINUED ON PAGE 116

similar thinking who could own some herd bulls together, where the genetics would have commonality and where we would have a single purpose."

Today's 15 PMB Genetic Alliance member-breeders comprise such a community, diverse in size and location, and they own 3,500 registered cows. "I have not been seeking additional breeders for the last five years, though we would still consider some requests," Bittner says. "The largest [ranch] we work with is Kiowa Creek Ranch at Elbert, Colorado."

It is part of a 14,000-cow operation owned by telecommunications entrepreneur John Malone. Kiowa Creek's Ric Miller, who manages the 1,400 registered Angus cows, as well as several thousand commercial cows, appreciates the high-quality beef target. "When you look at the steakhouses in Denver where you wait an hour to be seated, that's *Certified Angus Beef*® (CAB®)," he says. "CAB created the whole branded beef movement, and the premiums."

Miller maintains the partnership with PMB not only for market access but to compare the results of his breeding program to those of other PMB Genetic Alliance breeders. And he wants to find answers, such as why there are differences between ultrasound and carcass data. "We need to maximize the carcass potential of these cattle without losing the maternal side, and we need to feed where people know how to handle high-quality Angus cattle," he says.

That's why he was glad to see PMB evaluating three detail- and quality-minded feeders — Samson Inc., Platte Center, Neb.; CSA Cattle Co., Leoti, Kan.; and McLeod Farms, Morse, Texas. Samson and CSA are currently Certified Angus Beef LLC (CAB) licensed.

Other PMB breeders include Meadow Mist Farm and South Branch Farms in Pennsylvania, Bear Creek Cattle Co. and North Fork Angus in Montana, Snepp Farms in Indiana, and Profit Maker's own cow herd in Nebraska. Several more "small herds with exceptional quality" from Illinois, Michigan and Wisconsin to Oklahoma and Colorado are included as well.

The alliance also works with several commercial operations in Nebraska as cooperator herds for a growing embryo transfer (ET) program. PMB holds three bull sales annually in Ogallala; Abilene, Texas; and Riverton, Wyo., in addition to selling many at private treaty.

►"All of our customers are becoming more data-oriented, because they know the problems that come up when we don't know the genetics or background of cattle," says Craig Sheppard, CSA Cattle Co., Leoti, Kan.

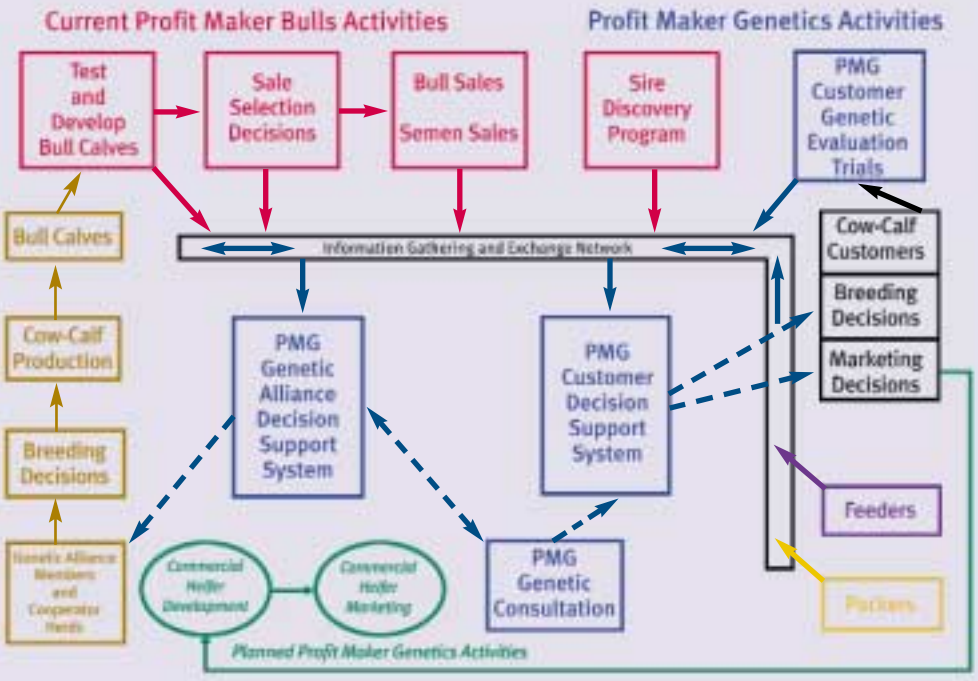
Sire discovery

PMB has a strong background in obtaining and using ultrasound data, even before it was part of the American Angus Association's criteria for expected progeny differences (EPDs), Bittner says. Its background in sire testing using progeny carcass data is also strong. The new Sire Discovery Program (SDP) aims to cover all bases and includes multi-trait economic comparisons, all going into the PMB Genetic Alliance Decision Support System.

"Two years ago, this project was just an idea," Bittner says, "but now we have sire groups on test." SDP compares the progeny of two high-accuracy reference sires to those of promising young sires, mated randomly to a registered Angus test herd of at least 400 cows. The program envisions a herd of 700 cows to net several sire groups of 50 head. At weaning, bulls are sorted into sibling pens to measure feedlot performance by sire. Ultrasound data, once Iowa State University (ISU) releases the "carcass-equivalent" formulas, will allow grid valuation and sire comparisons in dollars, Bittner says.

"Decisions are simplified when you can just look at the dollars," he says. "It's one figure,

Fig. 1: Activities and flow of information in the growing Profit Maker Genetics network and decision support system



Note: The commercial heifer development and marketing are in the planning stages.

compared to more than 20 EPDs, which can be difficult to sort through and decide on the interactions. Besides getting the indicator EPDs, customers could project the siring difference in dollars for a series of scenarios," Bittner explains.

The goal is greater precision. By mating 1,000 cows to two bulls, EPDs are accurate on the average, Bittner says. "But the reality is a bell curve. We can give the bull customer this average, but we don't know where his herd is genetically, and we really need to complement his cows through the choice of bulls."

Whether you are trying to produce replacement heifers, feedlot cattle, or both, "you'll see which traits should get the emphasis, then quantify the difference on the basis of that whole group of traits," he says. In the SDP, bulls are tested at PMB and heifers are turned out on grass for the summer, then fed at PMB for 60 days before ultrasound scanning. "We want to get as many progeny of each bull as we can, comparing weaning weight, and feedlot and carcass differences, to find those value differences between sires," Bittner says.

"I think we'll find some young sires that will do as well as the high-accuracy reference sires. Currently, a tremendous number of young bulls go out that are lost to the industry that could be better than anything we've identified. This way, we'll know before the sire is 3 years old."

Turning it up a notch

PMB customers have long been included in the decision support system, but another new program will kick that up a notch this fall, with Customer Genetic Evaluation Trials (CGET). It will take in 5-10 representative steers from two dozen customers at a time, for 200 steers to be fed at the PMB facility. "We'll calculate the rate of gain, cost of gain and feed efficiency, then sell on a grid and come up with individual economic values."

Bittner looked at the Kansas Angus Association's steer test, specifically the data from Downey Ranch, Wamego, Kan., to develop the PMB decision support system for customers. The resulting model considers virtually every cost and value opportunity, including a means to decide whether it pays to feed. CGET will provide a "net return report" that looks at variations.

"It will identify exactly why some steers are worth more money than others," Bittner explains. "If the average is $700, this one is $904, another is $497, what caused the plus or minus $200? You could see that one was a 116-pound (lb.)-heavier carcass than average, worth $145; premiums of $9 per hundredweight (cwt.) above average, worth $83; but in order to get those advantages you had a $24 per head greater feedlot cost. It's a bit of a trade-off because you need more feed to maintain a heavier animal."

At the low end, you'd see similar documentation, such as a carcass 158 lb. below average for $198 less value, combined with a discounted grid price of $11 per cwt. below average to subtract $74, countered by a $69 lower feed cost for the smaller animal.

Customers will be able to look at comparisons to individuals or groups such as the top and bottom 10% by value, helping to find cattle that combine feedlot performance and carcass value. "Being able to build genetics on this kind of data is the last real opportunity for commercial cattle people," Bittner says.

"Being able to build genetics on this kind of data is the last real opportunity for commercial cattle people."
— Dave Bittner

The analysis reports are designed to be compatible with Angus Beef Record Service (BRS) inputs, he adds.

The most important comparisons for both Genetic Alliance breeders and their customers are those between herds.

►The Sire Discovery Program compares the progeny of two high-accuracy reference sires to that of promising young sires, mated randomly to a registered Angus test herd of at least 400 cows, explains Dave Bittner.

"We can see if we are in the top, middle or bottom third, and where the greatest genetic opportunity lies," Bittner says. "You can work and build data for many years, evaluating and comparing cattle within your own herd. If you feed and get data back, you reach a new level, but you still can't rank your herd — you don't know what's possible."

Discovering the truth

When you bring bulls in from a dozen or more breeders, some have cattle that are a lot better than others, he notes. "Yet everybody began by thinking their cattle were really good. The only way to find out the truth is to see your net dollar compared to other net dollars."

The search for truth only starts with the SDP and CGET numerical data. The next step is identifying the top and bottom 10% by DNA tests and using the feedback — both the good and the bad news.

"You'd better have the truth, because without that you don't have anything," Bittner declares.

Wilson agrees: "We have bull tests in Indiana and Illinois, but you only take a few bulls to those. At Profit Maker, we test entire calf crops and just sell the ones that are worthy, at prices determined by commercial producers."

Those customers, in turn, can use CGET data to improve their herds and profits. "If they want to feed, they will know what they are getting into," Bittner says. "We want to put customers in a position of knowledge, both to command more money for their calves — or in deciding to retain ownership when that makes sense — and to make genetic decisions to ratchet net profits upward."

The CGET can only handle about 20-30 customers at a time, but the idea is that they would graduate from the test to independent feeding relationships within the network of feedlots currently being evaluated. Over the next five years, Bittner hopes any of PMB's 400 customers who are interested will take advantage of CGET.

Working with various feedlots, the PMB data system seeks to adjust for location and management to standardize performance values. "We are treating feedlots as though they were all the same, but in the evaluation process each provides

CONTINUED ON PAGE 118

Truth CONTINUED FROM PAGE 117

us with individual performance information on the steers, test costs and other data we need for our decision support system," Bittner explains. They also agree to take DNA samples and cooperate in storing them until the samples are needed or released.

Scott Mueller, owner-manager of Samson Inc., says his Nebraska feedlot collected information on a pen of PMB steers this spring, using electronic identification (EID) and recording individual weights at processing, "to better understand the growth cycles while on feed." He merged that information with the carcass data to file a comprehensive report in a format compatible with the PMB system.

At CSA Cattle Co., manager Craig Sheppard says the Kansas yard fed a pen of steers that were brothers to PMB bulls, and data reports were arranged by sire group. "We're ready to do whatever they want in management and reporting," he says. "All of our customers are becoming more data-oriented, because they know the problems that come up when we don't know the genetics or background of cattle. Profit Maker has a very extensive plan."

The feedlots use packer grids based on top value for a given market day. If there is a big downward spike in the market, for example, a grid based on a two-week moving average is less affected. Conversely, a big spike up favors grids more responsive to short-term changes.

"We are working with some CAB feedlots because we want the same things — high-quality beef produced at a profit. The feeder must know how to deal with high-quality cattle, to sort for enhanced value as they are marketed, to use judgment on where to sell, and to be willing to put up with all of our data requirements," Bittner says. PMB will eventually funnel customer cattle into an identified feedlot network, depending on customer wishes. "The feeder network should enhance calf values through proof of what each calf is capable of doing," he says.

PMB is developing a sire-leasing program to make it easier for more commercial producers to join the network. To ensure the same quality among leased bulls, Bittner says they may be selected literally by "gate cut," and pricing may be determined by bid at auction, the actual cash outlay being one-third of the winning bid.

"If you leased a $4,000-value bull each year for four years, you'd still be dollars ahead compared to owning and salvaging, because of the cost of maintenance during the other nine months and risk of loss," Bittner says. "Those bulls would still be able to sire calves for the CGET and could win a retest in the SDP that could identify them as AI sires. Commercial producers could afford a better bull by leasing; the key will be convincing them the quality is there."

Wilson, a former American Angus Association president and CAB Board member, is excited about the progress already made in value discovery in the breed, and he looks forward to bigger gains through PMB programs. "We're identifying the outliers, the unique individuals that have balance," he says. "Five or 10 years ago, I questioned if you could select for high marbling without messing up another trait. Today, it's pretty evident that we can, and with AI and ET, we can change and advance the breed quickly."