

# Bridging a Segment Gap

Angus producers with networking experience profile retained-ownership customers for CAB-licensed feedlot operators.

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Ken Stielow



Ben Eggers



Ray Ramsey

When calf prices are high, one of the few reasons to retain ownership is education. In fact, data may be more important than profit to some cow-calf producers, according to seedstock alliance panelists at last April's Certified Angus Beef LLC (CAB) "Peak Performance" seminar. The two-day annual educational event for CAB's partners in the Feedlot Licensing Program (FLP) took place in Fort Collins, Colo.

Licensed feedlots are especially interested in sourcing high-quality Angus genetics that are more easily managed to achieve *Certified Angus Beef*<sup>™</sup> (CAB<sup>®</sup>) carcass acceptance. That means finding cattle of known background; for custom-feeding companies, it means courting retained-ownership customers.

"I'll warn you now, you have to take a personal interest in each pen and each customer," said Ken Stielow, whose Bar S Ranch Inc. near Paradise, Kan., won a CAB Commitment to Excellence Award in 1992 as a cooperating commercial test herd for Angus sire evaluation.

"It takes open and continuous communications," he told cattle feeders, recalling past battles to gain individual carcass data. "You will deal with problems you don't face with a corporate investor that may come in and take over a fourth of your pen space. He's only interested in the bottom line — now you're on the other end of the spectrum."

Stielow, whose registered Angus, Red Angus and Charolais ranch markets 150-200 bulls annually, also owns an

interest in Ward Feedlot Co., Larned, Kan., and maintains alliance relationships with bull customers.

## Education and responsibility

"When a rancher sends you a pen of cattle, that might be 80% of his planned income for the year, and he's not really familiar with risk management," Stielow emphasized. "He's not feeding cattle to lose money, but profit may not be his primary goal. He's more interested in finding out how the individual cattle did. However, if he loses \$115 per head, he won't be back feeding cattle with you next year. So if you want to capture this customer base, think about how to provide the best chance for profit, as well as data."

Ben Eggers, manager of Sydenstricker Angus Farms, Mexico, Mo., winner of the 1997 CAB Seedstock Commitment to Excellence Award, agreed with the need to educate retained-ownership customers. "You will need to work to inform them before they feed, while they are feeding and after the harvest," he said.

Eggers, who markets 150 Angus bulls annually, detailed two alliances he helped form in Missouri, a state where 60,000 producers keep an average of 27 cows. The structure of an alliance helps satisfy the need for education and communication, Eggers said.

He encouraged feedlots to focus on four keys to successful alliance relationships:

1. Identify genetics that work and don't work.
2. Identify management

systems that work and don't work.

3. Provide information so that those on the right track, as well as those on the wrong track, know where they are.

4. Foster a cooperative attitude, the spirit of working together instead of against each other.

Fellow panelist Ray Ramsey, MLE Marketing livestock director, said coordinating with small producers is even more challenging when spread across half a continent east of the Mississippi River, where the division of Southern States Cooperative does most of its business.

## Think first, then act

"When calves are \$1 a pound, people don't care what they use — our first goal is to get them to think before they breed their cows," Ramsey said. With 80 breeds contributing to the cattle population, plus regional and environmental differences requiring adjustments, small producers need help, he noted.

"Some 400,000 calves are produced and weaned by 8% of U.S. producers, and those 240-head operations are easy to work with. The other 92% — 736,000 producers with 30 head or fewer — are in my territory," Ramsey said. "The question is how do we get these folks to cooperate, to get the uniform load lots for you folks to feed?"

MLE's primary answer is its sire lease-to-buy-based Beef Improvement Program (BIP), with a seamless system of producing "Quality Uniform Identified and Documented"

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(QUID) cattle. Ramsey said sales are coordinated via the Internet through eMerge.

Feeding is coordinated so that MLE gathers, backgrounds and maintains individual identification on calves that are sent to Corn Belt feedlots and to ConAgra's Colorado feedlots. East Coast packers buy most of the fed cattle (some 40,000 last spring) on a value-based grid with "CAB-type cattle" at the top of the premium list.

Genetic improvement in one generation has been impressive, with Ramsey reporting a CAB acceptance rate that increased from 12.7% to 47.6% in BIP's Quality Focus segment. "We got there by using balanced Angus sires that excel in marbling EPD (expected progeny difference)," he said, noting, "three or four of the top 10 Angus bulls for marbling EPD are well-

balanced in other areas."

Eggers said his alliance partners have had similarly impressive results using bulls that have a positive marbling EPD, and the results are favorably compounded through additional generations.

### **Quality and data**

Ramsey said MLE customers would feed at CAB-licensed feedlots and offered cooperation to coordinate programs. "Logistics is more of a challenge than genetics in some of our area, where there is a tradition of high-quality Angus cattle," he said.

However, Stielow said many producers with Angus cattle of excellent appearance still don't know how they will perform postweaning.

"You may have to be brutally honest with them. If calves are

dying in your feedlot, find out why and then go back and work out a health program on the ranch so they learn not to do that again." Similarly, if cattle don't perform well or don't grade well, he advised looking at on-ranch management to find changes that could help.

Customers who think they have had high-quality Angus cattle "in the family for generations" may be upset if the cattle don't achieve a high quality grade, Stielow cautioned. "When we started progeny testing, I learned all Angus cattle are not created equal. You know that, but your customers may believe you didn't feed their cattle right."

Many cow-calf producers realize data collection is important in marketing, but as one feeder pointed out, "they know just enough to be

dangerous." Another questioned the validity of producer-supplied data in general. Such information needs to have an alliance or university connection and clearly explain performance in terms of starting and ending live weights, shrink, and other details, the feeders agreed.

Once management is quantified, the way is clear for genetic assessment. "If you're going to keep feeding cattle from a particular ranch, you may want them to consider a course correction," Stielow noted.

He said the American Angus Association has the numbers producers need to get on course. "Angus cattle are the predominant breed in the U.S. not because they are black-hided, but because of what we know about the cattle and the

ways we can improve the cattle with that knowledge,” he said, holding up a copy of the *Sire Evaluation Report*. “You are going to have to be conversationally literate on this.”

### **Sending signals**

As CAB-licensed feedlot operators learn more about EPDs and genetics, they pass that knowledge along to customers, Eggers noted. “I would urge you to take that a step farther to include your order buyers and procurement staff. They need to know both the production and carcass traits and what makes up top-quality genetics,” he said.

When buyers learn something, it is reflected in the market and begins to change the industry, the speakers agreed. Many of Stielow’s

customers sell at a special calf sale.

“We provide all the information we can, and from what we hear, the quality is getting better over time,” he said. “But I can’t say the calves are out of certain bulls because they are a mix in the pastures, including bulls from other seedstock operations.

“If that’s going to change, the commercial producer is going to have to see market signals that you want certain genetics,” he told the feedlot operators. “The way it is now, a lot of people go around to bull sales for a few weeks and buy here and there because they like the people or the way a bull looks.”

Ramsey said it may take a stronger message from packers before producers feel the need to channel specific genetics.

“Maybe we need a \$20 premium for Prime and discount the heck out of Select on a consistent basis. If that’s what you want, and you will pay for it, you will get it.”

In the 1970s, those who fed Angus cattle “would scream and holler at the buyer, trying to get another 50¢ because they were black,” Stielow recalled. “And maybe we got a quarter. I used to wonder if we’d ever get paid for quality, but now you have significant premiums for *Certified Angus Beef* [carcasses].”

That brought up summarizing points: “When you take on the responsibility for feeding cattle for our bull buyers, you also take on the responsibility of making sure they are marketed to their full potential,” Stielow said. “You need the channels set up ahead

of time so you can realize the premiums — and many times the discounts — whereby we learn. If we do everything else right and market the cattle wrong, all we got was the experience, and we’re not only in this for the experience. It takes dollars to pay the bills.”

“Bottom line,” Eggers added, “if you provide superior cattle and superior management, you will produce more carcasses that qualify to become CAB, and that’s good for the beef industry.

“CAB is a time-proven premium target with stability,” he said. “We need more of it, and that will help overall beef demand more than anything else we can do.”

