

2003 National Angus Conference attendees learn how to

# Take Initiative

by *Shauna Rose Hermel, Angie Stump Denton & Corinne Blender*

**T**ake the time to plan for success," Daryl Strohbehn advised attendees of the 2003 National Angus Conference in Mandan, N.D., Sept. 25. More than 450 cattlemen — from 32 states, Canada and Denmark — were on hand as the Iowa State University (ISU) beef Extension specialist and keynote speaker set the stage for the conference.

Strohbehn pointed out that attendees had taken the first step in preparing for a successful future in the cattle industry by attending the conference. He advised them to use the conference and tour to hone their skills and improve their business strategy and savvy.

"That's what this is all about," he said, "being able to visit with your contemporaries and finding out what they're doing that's a little bit different, and how you might be able to steal something and take [it] back to South Carolina or California or Arizona or wherever you might be."

Strohbehn reviewed past beef industry trends, then pointed out current trends and where those trends might lead.

Source and animal identity. Verifying of production processes. Quality assurance. Production supply chains. Cattle care guidelines. "Those are the buzzwords you are going to be living by here in the next decade or so," he said.

The case-ready revolution is here in a big way, Strohbehn told attendees. It's forcing the packing industry to sell beef with zero trim, and that will affect grid and formula pricing.

"We're going to see fewer cattle sold on a live basis and more of them going into grid markets," Strohbehn said.

Strohbehn predicted that the commercial sector would retain ownership more to capitalize on genetic and management

investments; and commercial cattlemen would demand seedstock to position themselves correctly for the supply chain in terms of end product quality, cutability and weight.

Supply chain access will require source and process verification, and market targets will be better defined, he said. Database management and analysis will be necessary.

Seedstock producers should prepare to be full-service providers, providing not only specification seedstock, but also feeder-cattle merchandising, assistance with retained-ownership programs, contract matings, embryo services, replacement heifer programs and seedstock alliances, Strohbehn said. "Most of all, you're going to have to be information managers."

## Take it to the bank

ISU ag economist Earl Heady said in 1952, "Net profit (net income) can no longer be used as a gauge of whether resources are used efficiently." But most folks in agriculture have continued to misuse net income for the past 51 years, said Barry Dunn, South Dakota State University (SDSU) ag economist.

Cattlemen usually think of profit as net income, which is gross revenue minus total expenses adjusted for inventory. The problem of using it as a measure of efficiency is that there is no denominator, Dunn said. Net income, similar to pounds gained, is a measure of output. To calculate efficiency, you have to have a denominator — for example, the pounds of feed it took to get the gain.

Dunn said return on assets (ROA) is a more appropriate definition of profit efficiency. Calculated by dividing net income by the investment it took to obtain that income, ROA is a measure of managerial efficiency, he said.

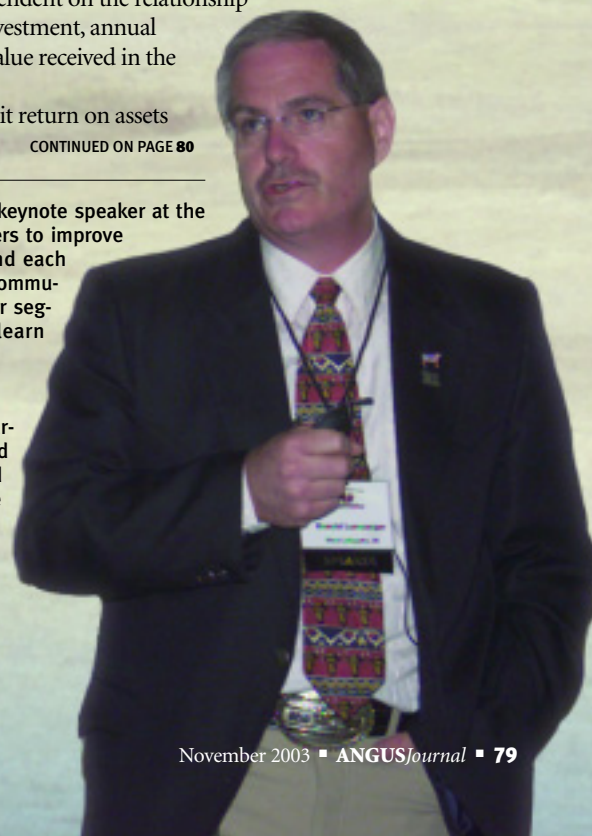
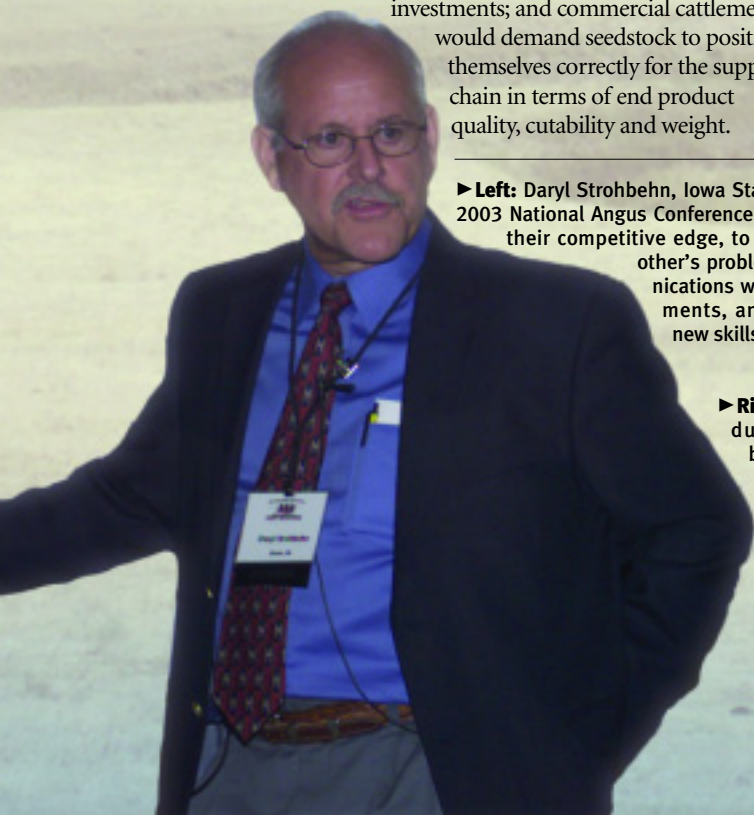
"Profit is determined by a set of relationships," Dunn said. Return on assets is dependent on the relationship among asset investment, annual expenses and value received in the marketplace.

"Double-digit return on assets

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► **Left:** Daryl Strohbehn, Iowa State University, was the keynote speaker at the 2003 National Angus Conference. He encouraged breeders to improve their competitive edge, to try to better understand each other's problems, to improve their communications with customers and other segments, and to do their best to learn new skills.

► **Right:** Ron Lemenager, Purdue University, advised beef producers to build résumés for their cattle that document genetic history, source verification, management practices, and feedlot and carcass history.





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should be the goal for every one of you," he told attendees.

Dunn provided an example (on a per cow basis) where \$425 gross income, \$385 total expenses and \$2,300 in asset investment provided an ROA of 2%. By lowering expenses to \$250 and investment in assets to \$1,500, an ROA of 10% could be achieved even with a lowered income of \$400.

Producers can withstand a higher annual cow cost if they have a low investment and/or good marketing, he explained, citing specific examples. Producers with high investment costs can also achieve double-digit ROAs by putting pressure on cow costs and exceptional marketing.

Cattlemen have room to improve, Dunn said. The average ROA for businesses in the United States is about 10%. The average ROA for cattle enterprises across the nation is 2%-3%.

"That's not a competitive business. If you want to really get to the roots of rural out-migration," Dunn said, "this in my opinion is the driver — we're noncompetitive in our business.

"In a competitive, capitalistic economy, you don't have a choice to stay at a 2% or 3% return on assets and watch your kids leave home or leave the community and wonder why. If we want to be competitive, if we want to stabilize this industry, we need to be profitable," he added.

Dunn presented an overview of field research using Standardized Performance Analysis (SPA) standards to evaluate the factors affecting profitability of 148 herds. ROA on the low-profit 16% of the herds averaged -15.5%, while the ROA of the high-profit 16% of the herds averaged 18.2%.

### Take care

The goals of a cattle producer's health program should be to process and to protect. "Our goals should be to process in a manner to minimize tissue (carcass) damage while providing maximum

protection [with] the products we use," explained Philip Widel, technical services veterinarian for Boehringer Ingelheim Vetmedica, Inc. (BI).

"To understand protection is to understand immunity to disease," Widel explained. "Immunity is the ability to protect against specific diseases by producing antibodies and cellular immunity against those disease organisms."

Vaccination is the application of a vaccine, and immunization is the process of making immune.

When vaccinating, producers can choose between modified-live-virus (MLV) and killed vaccines. Killed vaccines include killed or inactivated viruses, bacterins and toxoids. According to Widel, the advantages of killed virus vaccines are that they are safe in pregnant animals and are labeled for use in calves nursing pregnant cows. There is no mixing with a killed vaccine, and it is very stable.

The disadvantages of killed vaccines are that they require a booster, they can cause injection-site reactions, and there is a slower immune system response, Widel added.

MLV vaccines, Widel said, provide rapid, longer-lasting protection; stimulate antibody and cell-mediated immunity; stimulate interferon production; stimulate immune response more similar to natural infection; are less expensive and are less likely to irritate cattle.

The disadvantages of an MLV vaccine are the handling considerations — sensitivity to UV light exposure, temperature, mixing and storage — and label precautions for pregnant animals.

Widel said, "A successful immunization requires a health-susceptible animal, proper administration and a safe, viable and potent vaccine."

### Take charge

"It's all about the five Ps," said Ron Lemenager of Purdue

## Peer panel said, 'Take me for instance.'

There are many resources to utilize for information about the beef industry. University specialists and pharmaceutical companies all provide valuable research and data, but it's also important to consider hands-on application of management techniques on the producer level.

The audience at the 2003 National Angus Conference got the opportunity to listen to a group of peers as Daryl Strohhahn, Extension beef specialist at Iowa State University (ISU), moderated the discussion.

Gene Harris, Killdeer, N.D.; Vance Uden, Franklin, Neb.; and Kevin Yon, Ridge Spring, S.C., shared how their operations are managed before fielding questions from the audience.

Harris and his family operate a commercial straightbred Angus cow-calf operation. The operation's management philosophy focuses on three goals, Harris said. The No. 1 philosophy is, "if it rusts,

rots or depreciates, the cows can't afford it." Equipment investment costs are kept to a minimum, he added.

Their second goal is to produce the best quality beef they can afford (genetic selection), and their third goal is to stay environmentally defendable at all costs to preserve human interests and grass/ranch resources.

Uden has been operating TC Ranch Inc.



► 2003 National Angus Conference attendees were able to hear from three peers about their operations and management philosophies. The peer group consisted of (from left) Kevin Yon, South Carolina; Gene Harris, North Dakota; and Vance Uden, Nebraska.

since 1952. He says it's vital for the industry to focus on fertility, longevity, structure and profitability — a complete package. Uden culls 35% of his bull crop to maintain a high-quality offering and to collect valuable carcass information. He also explained some of the management practices, such as early weaning and fall calving, that his program has used to deal with drought conditions.

Yon and his family have been operating Yon Family Farms for seven years. They have focused on offering bulls to commercial producers and providing customer service. Yon managed an Angus operation before purchasing his own operation. They have 350 Angus cows and 200 commercial cows.

### Question and answer

One topic of specific interest to the crowd was the early weaning/pasture weaning program Uden has



► Boehringer Ingelheim Vetmedica, Inc., was the major sponsor of the 2003 National Angus Conference and Tour. During the conference participants could learn more about BI's products by visiting its booth in the hotel lobby.



production, whether that is carcass information, marketing plans or production records. For many, a simple way to track information important to their individual operations is a step they are willing to take — and AngusSource allows producers to do just that. Producers can take ownership of their individual management practices and document them accordingly.

University and the Five States Beef Initiative (FSBI). “People, pride, profit, product and partnerships.”

Lemenager asked Angus enthusiasts to consider, “How can we compete in a commodity market? And what does the future hold?”

“The beef industry is in a state of change, moving away from producing commodity beef,” he said. “By 2007, 70% of the product will sell through alliances, branded programs, forward contracts or value grids (30% daily cash market).”

Lemenager explained the purpose and structure of the FSBI and its vision to increase producer profitability. He told producers a partnership like the FSBI can create the infrastructure that will allow producers to target and meet one market at a time.

He stressed the importance of data management and how producers need to build a résumé for their cattle. He explained that a good résumé includes documentation of an animal’s genetic history, source verification, management practices, and feedlot and carcass history.

AngusSource allows cattlemen to enroll their calves in a program that documents genetic information, herd location (source) and management protocols to potential markets by simply tagging calves before they leave the operation. The cost of the ear tag, enrollment in the program and a marketing document to present to potential buyers is \$1 per calf.

Perrier says that being progressive and continuing to explore necessary industry advancements is a commitment that Angus producers need to make — one that the American Angus Association is committed to helping producers make.

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### Take ownership

There are many ways beef producers can take ownership of their industry. Matt Perrier, director of commercial programs at the American Angus Association, says commercial producers who use Angus bulls can take ownership of their genetics by using the AngusSource program.

Cattlemen can also take ownership of many other aspects of

**Editor’s Note:** To listen to the speakers, view their PowerPoints and review synopses of the presentations, click on the speaker’s name in the conference schedule at [www.angusjournal.com/nationalconference](http://www.angusjournal.com/nationalconference). The site, which is sponsored by Boehringer Ingelheim Vetmedica, Inc., also contains biographies of the speakers and tour stops.

used to manage for drought conditions during the last two years.

Uden said he weaned April calves in early August last year. He said the calves stayed healthy, and pasture weaning probably played a role in that. But he warned, “Do not turn them in a big pasture with a lot of trees because it’s hard to get them out of it.”

Atop many producers’ minds was how to provide customer service and still manage their operations.

Yon and Uden said that as the beef industry continues to progress, customer service will continue to become more and more important. Uden said, “It takes customer service to achieve customer loyalty.”

From a commercial man’s standpoint, Harris said, most importantly, he wants a seedstock supplier to take care of him if a problem arises with the genetics he purchased.



► Audience members were able to ask the producer panel questions. Many questions focused on the management practices they use on their operations.

higher to be in this business, and not necessarily do we get any more for our bulls. ... But we feel strongly enough about it to help our producers.”

However, Yon warned, “You do have to keep in mind that every service you provide does come [at a] cost. ... I think if we are going to be economical, we are going to have to evaluate what services are truly important and what services will pay their way. If you’re in an operation like ours, where we have certain agreements we’ve got to meet with our banker, we can’t give our farm away to sell bulls. We feel strongly about providing service and providing a quality product, but it won’t always be at the lowest cost. It’s tough to get all three (service, quality and affordable prices) at the same time.”

Yon helps market his bull customers’ cattle by putting together a group of cattle and marketing them to feedlots to help return carcass data to the producers. He said the list published in the *Angus Journal’s* “Resource Edition” is a great source for feedlots seeking Angus genetics.

“We laugh,” he said. “It always seems like we have got to run faster and jump