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# Retained Ownership- *Is it an Option for Progeny Testing?*

by Lori Maude

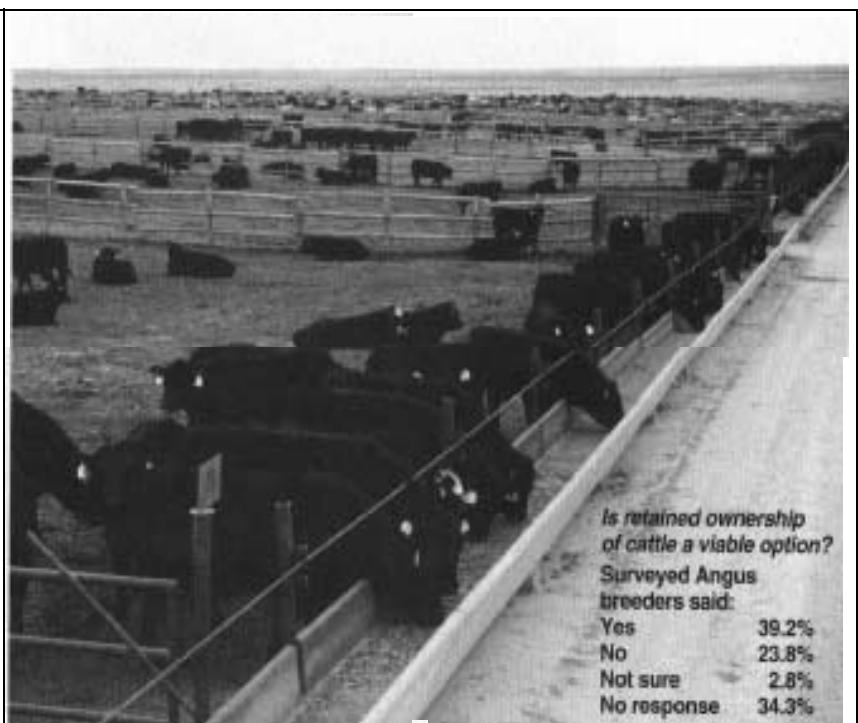
*In part 1 we discussed the profitability of retained ownership as a marketing strategy. University research shows retained ownership is profitable if the cattle fed are faster gaining and have the ability to grade Choice. In part II we will focus on retained ownership as a tool in progeny testing bulls for carcass traits. In a survey of 298 Angus breeders, questions arose about its viability.*

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Retained ownership is one of the new buzz words in the industry. It has been around for years, but it was never as highly publicized as it's been in recent years. Commercial feedlots and university researchers have taken notice of the growing interest in retained ownership. State after state has initiated steer feedout programs to allow producers a chance to feed a limited number of cattle and gather carcass information. Commercial feedlots are advertising their willingness to work with producers on retained ownership.

We know retained ownership can make a profit for the producers — if the market conditions are right and the cattle being fed are the right type. Up to now we have discussed retained ownership as a marketing option for primarily the commercial cattle producer. What about the purebred seedstock producer? Can retained ownership work for you? Angus breeders responding to a survey say yes and no.

In order to get opinions of a large number of Angus breeders, a written survey was sent to 298 Angus breeders who register 50 head of cattle or more a year. By



limiting the survey to those who register 50 or more head of cattle it targeted breeders who potentially have enough cattle to participate in retained ownership. Of the 298 surveys sent, 146 were returned and 27 states were represented.

I thank all of the producers for their time and effort in filling out the survey and returning it. A lot of good questions and issues were addressed in the comments producers shared.

I took the survey results and the questions producers asked and went to the people who might be able to supply the answers. The following questions and comments were the ones most frequently mentioned by the survey respondents.

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## What actually is retained ownership?

Retained ownership is a marketing strategy involving maintaining ownership of calves beyond weaning. Ownership may be retained up to the packer or it may be terminated sooner than the packer, depending on the desires of the producer. Usually ownership is retained up to the packer in order for carcass data to be collected or for increased profit depending on the market.

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## Is retained ownership profitable?

Kansas State University research showed a profit in 10 of 14 years during a retained ownership research project.

## Angus Journal Retained Ownership Survey Results

Surveys sent: 298  
 Number of states sent to: 30 states  
 Surveys returned: 146  
 Percent returned: 48.7%

Number of states represented by returned surveys: 27

Type of Operation  
 Registered: 60%  
 Registered and Commercial: 40%

Size of Operation  
 50-100 9.7%  
 100-200: 35.9%  
 200-400: 31%  
 400 or more: 22.8%  
 No Response: .06%

Percentage of bulls sold to commercial cow-calf producers  
 Less than 50% 4.7%  
 50 to 99% 75.8%  
 100% sold to commercial 19.5%

Method of follow up on bulls sold  
 Correspondence 15.3%  
 Telephone call 41%  
 Personal visit 38.3%  
 No follow up 3.8%  
 No response 1.5%

Participation in retained ownership  
 Yes 27.8%  
 No 70.8%  
 No response 1.4%

Reasons for not participating  
 Lack of interest 11.3%  
 Lack of Financing 9.2%  
 Lack of available program feedlot 19.9%  
 Not enough cattle 39%  
 Other 19.1%  
 No response 1.4%

Retained ownership viable option  
 Yes 39.2%  
 No 23.8%  
 No response 34.3%  
 Not sure 2.8%

Considered carcass EPDs in sire selection  
 Yes 66.9%  
 No 26.9%  
 No response 6.2%

Use of carcass EPDs in the future  
 Less 2.8%  
 More 58.2%  
 Same as past 22%  
 Not sure 5.7%  
 No response 10.6%  
 Going out of business .07%

### How Calf Crop is Marketed

Registered Seedstock  
 0-30% 23.3%  
 31-60% 29.5%  
 61-100% 45.9%

Commercial Replacement Heifers  
 0-30% 43.2%  
 31-60% 5.5%  
 61-100% 1.4%

Feeder Steers and Heifers  
 0-30% 39%  
 31-60% 13.7%  
 61-100% 8.9%

No. 1 trait cow-calf producers look for  
 Calving Ease 62.3%  
 Weaning Weight 22.6%  
 Yearling Weight 12.3%  
 Milk 4.1%  
 Carcass traits 4.1%  
 Balanced traits 2.05%  
 No response .7%

Traits Angus Breeders Select For  
 Calving Ease 41.1%  
 Weaning Weight 19.2%  
 Yearling weight 21.2%  
 Milk  
 Carcass 3.4%  
 Balanced traits 3.4%  
 No Response 3.4%

South Dakota State University research supported the findings in Kansas. The most profitable cattle were heavier at delivery, exhibited higher rates of gain and had the ability to grade Choice at a younger age. The less profitable cattle didn't gain as well or grade Choice when slaughtered.

Retained ownership is less of an option on years when the fall feeder calf market is higher and stronger versus a declining spring fed cattle market. You as the producer need to do some pencil work and decide if it will make you a profit to keep your calves and feed them or sell them as feeders in the fall. Retained ownership isn't a marketing option that you jump in and out of quickly because of the financing needed to feed the cattle to finish.

Taxes are also another issue to worry about. For example, you may retain ownership and sell fed cattle in the spring. Then the feeder calf market is high in the fall and you decide to sell your calves to take advantage of the strong market. Two calf crops were sold in one year and taxes on the income could take away a chunk of your profit.

### Can I retain ownership with a limited number of cattle?

Retained ownership isn't just for large herds of commercial cattle. Registered breeders can look into retaining ownership and feeding the lower end of their breeding stock through state steer feedlot programs. Many states have developed retained ownership programs through their state Extension researchers where a producer may consign a lot of five or six steers to a central commercial feedlot.

The steers are fed at the feedlot, with all expenses paid by the producer. When it appears the steers will grade Choice they are sent to the packer. University Extension personnel gather carcass data on the cattle and information given back to the producer.

Each steer feedout program varies in cost and rules for entry. Contact your Extension beef specialist to see if your state has a steer feedout or retained ownership program open to you.

If your state doesn't have a program, the Certified Angus Beef Program can offer Angus breeders another option. The

Certified Angus Beef Program began a Feedlot Gain and Carcass Contest in the fall of 1990. The cattle are entered in lots of five or six and must meet the live animal requirements for the CAB Program. The steers consigned must be sired by registered Angus bulls. CAB would prefer that each steer's sire be identified, but in some cases where the cattle came out of a large ranch situation where a multiple sire system was used, the sire can't be positively identified. Cattle are fed at Decatur County Feed Yard, Oberlin, Kan., and processed at EXCEL's Ft. Morgan, Colo., plant. Carcass data is collected and the information compiled for all of the program participants.

The name of the CAB contest was recently changed to the CAB Value Discovery Project to emphasize the educational aspect of retaining ownership. CAB feedlot and packing operations director Kelly Elkins says Angus breeders need to look at the project as a way to compile carcass trait information on bulls that can be used down the road by producers who want to improve the carcass traits in their herd.

Many purebred producers will work

with one of their commercial buyers to find five or six steers to enter in the contest and the breeder will sponsor the cattle by paying for the entry fee, says Elkins. For example, the reserve champion entry in the 1992 CAB contest was Dean Eakins of Drakesville, Iowa. His pen of cattle was sponsored by Summitcrest Farms Inc., the breeder of the bull Eakins used.

Special programs allow producers to retain ownership on a small number of cattle, so the financial risk isn't as great and it allows smaller breeders a chance to collect carcass data on their sires.

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If I feed my own cattle, is there a way to gather carcass information?

A Nebraska producer wrote, "The packing company always loses carcass identification, refuses to give information, or just doesn't give me results — even after I pay for this service."

Several breeders echoed this statement. They had difficulty getting large or small packing plants to collect carcass data on their cattle. Producers with smaller pens of cattle said it was even tougher for them to get carcass data.

Certified Angus Beef Program has a carcass collection data service available to

Angus breeders. CAB requires the cattle be sired by registered Angus bulls. If the sire is identified on each animal the cost for carcass collection is \$2.50 per head. If the sire can't be identified then the cost is \$4 per head. Kelly Elkins says the price break is given to encourage producers to gather carcass information on specific sire lines, which will be more useful to the breeder in the future.

Elkins says the advantage to the CAB Carcass Data Collection service is the breeder doesn't need to own the calves at the time the data is collected. They only need to tell Elkins where the cattle are being fed and who owns the cattle presently. If the breeder still owns the cattle, CAB will contact the feedlot and arrange to be called by the feedlot to find out when and where the cattle are sent for processing. The breeder doesn't have to make any arrangements, they simply need to call CAB.

However, if the original breeder doesn't own the cattle the data needs to be collected on, permission needs to be given by the present owner before CAB can arrange to have data collected. Most buyers are willing to work with breeders if they explain it is a progeny test to gather information on sires. The new owner needs to agree to contact CAB when the cattle are sold in order for CAB to collect

the data at the packing plant.

Elkins adds, "It takes an effort on the producer's part to keep track of where the cattle were sold or where they are being fed, but in the long run it is worth it."

CAB has a cooperative agreement with the National Cattlemen's Association's (NCA) data collection service. Director John Stowell says data has been collected on more than 15,000 head since the program was implemented on March 1. They hope to increase that number to 40,000 to 50,000 cattle next year.

NCA provides the people to collect data in the packing plants. Usually NCA contacts universities near the packing plants for graduate or undergraduate students willing to collect the information. The information is sent to NCA, where Stowell compiles the data and puts it into a report for the producer. If the data belongs to CAB Program cattle, Stowell sends the report to Elkins, who adds sires to the report. After Elkins finishes the report it is sent to the producer who requested it.

NCA has agreements with all of the major packers to conduct this carcass collection in the plants. However, in some cases a packer may refuse to cooperate and NCA must respect their wishes. Producers are charged only for the data collected.

You don't have to be an NCA member to take advantage of the carcass data collection service. For groups under 50 head the price is a flat fee of \$200. More than 120 head is \$3 per head and 50 - 120 head is \$4 per head.

"Many packing plants aren't necessarily geared to collect the extensive data that producers want. They will collect certain information for in-house purposes, but can't get detailed data on marbling, ribeye area or fat thickness," says Stowell.

Stowell adds that many collection services have failed because they aren't reliable. NCA has missed data on only 200 head out of the 15,000 carcasses collected this year. Many times a carcass may be railed off the system in the plant for one reason or another and come through an hour or two later. The collection staff is instructed not to wait for these carcasses that are railed off, explains Stowell. If the data collection is for a structured sire test or contest then the staff is instructed to wait for those carcasses.

"Usually we miss one or two carcasses a trip, but if a producer sends in 150 cattle one or two doesn't affect the majority or quality of information," says Stowell.

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Why should we produce seedstock with high quality carcass traits, when we aren't paid a premium for a better product?

Value-based marketing is coming, experts say. Producers who produce high quality cattle want to be paid accordingly on the market. When asked if they plan to use carcass EPDs more, less or the same as the past, 58 percent said they would use carcass EPDs more. Most said they will look at carcass EPDs more in the future if their customers are paid a premium for a quality product.

Roger Reeves, manager of GM Feedlot, Appleton City, Mo., says they receive a flat price from the packer that is usually \$2 to \$4 a hundredweight higher than market. The packer knows that cattle from GM Feedlot consistently grade Choice and they have a good working relationship. This is a form of value priced market set up between an individual feedlot and packer.

"Value-based marketing will be in place within five years," predicts Reeves.

Reeves says producers who have retained ownership on cattle for several years have improved the type of cattle they put in the feedlot and on the market. This helps GM Feedlot market a more consistent product to the packer.

Breeders responding to the survey say they believe it will be seven to 10 years before value-based marketing will be in place. Until then, many say carcass traits

are last on their top five trait selection criteria list. Other breeders want to be ready when the time comes for commercial producers to ask for carcass information on bulls.

Grayling Farms, Villa Ridge, Mo., is one of the farms choosing breeding stock based on carcass traits. Manager Bob Harriman is a strong believer in retained ownership and its value as a progeny testing tool. Harriman works with his commercial cattlemen customers in order to gather carcass information on his bulls.

"With the opportunity now to get individual carcass data I think it's a must to retain ownership and gather the informa-

tion," says Harriman.

He sees the demand for Certified Angus Beef on the increase and believes more producers will want to get in on the program. In order to produce high marbling cattle, some producers will look for pure-bred breeders who have been stacking pedigrees for high quality carcass traits.

Harriman admits there is a risk in retaining ownership, but says the information, selection and improvement you can get in a cow herd outweigh the risks.

In spite of the demand for value-based marketing, it is slow in coming. Gradually the industry is seeing a need and it is

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working its way in the right direction.

"I agree that premiums are needed to encourage production of a quality product," Elkins says. "However, the people doing it (carcass data collection and selection on carcass traits) now will be farther ahead when the premium system arrives."

#### Where To Go From Here

The tools are in place, now it is up to you — the purebred or commercial cattle producer — to use them. Value-based marketing will arrive and when it does the demand for high marbling, good qual-

ity Angus cattle will increase. Each breeder knows what sells in their part of the country, but they also need to look to the future and try to predict what the commercial cattle producer will be demanding in five years. Progeny testing of your cattle today will ensure you are ready for the future.

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## Carcass EPD is Best Tool for Improvement

One important area Angus breeders are exploring is carcass EPD, an important addition to American Angus Association Performance and AHIR Programs.

Several breeders responding to the *Angus Journal* retained ownership survey said they felt Carcass EPD was a needed and reliable tool to use in their programs and planned to do so in the future. A couple of breeders, however, expressed concern over the accuracy, reliability or over-emphasis of EPDs.

We took this question of EPD accuracy and reliability to a source that has spent the last 11 years of his career building, improving and explaining the EPD system. John Crouch, American Angus Association director of performance programs, did not hesitate to provide an answer:

"It (EPD system) works. It absolutely works. There's no question about it."

In cattlemen's language, Estimated Progeny Difference (EPD) is the estimate of how future progeny of each animal are expected to perform in each of the traits listed. EPD is expressed in pounds, either plus or minus, from the breed average of all animals born in 1977.

Traits measured in the Angus breed are birth, weaning and yearling weights, milk and mothering ability expressed in pounds of daughter progeny weaning weight, mature daughter size and carcass traits.

EPDs are the result of National Cattle Evaluation Analyses at the University of Georgia for growth and maternal traits, and at Iowa State University for mature daughter size and carcass traits.

Contrary to popular assumption, carcass EPD for the Angus breed is not new. Testing sires for carcass merit began in 1972 with the first structured Angus Sire Evaluation program and has continued each year since.

While growth data exists in abundance in the Angus data base, carcass data is still somewhat limited due to the inconvenience of collecting and processing carcass data. Data used in the computation of carcass EPD are from structured conception to processing programs.

Certified Angus Beef and the Associa-

tion work together to gather information and data on sires. A seedstock producer who wants to test a sire for carcass information contacts CAB's director of cattle production programs. The sire donor must be willing to provide enough semen from the test sire and reference sires to breed at least 150 cows or heifers.



John Crouch,  
Director of  
Performance  
Records

The cooperating herd provides at least 150 females who are randomly mated to the test sire and the reference sire in equal numbers. The selection of test and reference sires is left up to the cooperating herd owner. Usually it works best if the seedstock producer can work with a commercial producer who is already a customer. If that isn't possible then the Association can help locate a cooperating herd.

In the ideal situation the matings will produce 20 male progeny from the test sire and 20 male progeny from the reference sire; which are fed and processed to collect carcass data. If the number of steers falls short for the test, then some heifers may also be used. All remaining heifers may be kept by the cooperating herd owner.

Through the random matings the differences between the cows are washed out and the remaining genetic differences are those contributed by the sire.

Data collected is entered into the data base and the sire's carcass EPD is calculated. Currently the only way to get the data is to feed out and slaughter the progeny of the bulls. Crouch predicts with the advancements being made in ultrasonic research we will soon be able to gather data without slaughtering the

animals. Technology will increase the amount of data and more sires will be evaluated.

Some producers don't understand the EPD system and are insulted by the suggestion that their way of selection isn't the right way. It isn't a matter of right or wrong, but a question of using all tools available for selection of sires. The individual EPD numbers on one bull don't mean a whole lot. On the other hand, if you have EPDs on two bulls then you have a comparison and the numbers are valid and mean something.

For example, Bull A is a +20 on weaning weight. What does that +20 mean? He is 20 pounds heavier based on what? Now we have also looked at Bull B who is +5 for weaning weight. In comparing the progeny of these two bulls, if they are randomly mated to an equal amount of cows, the offspring of Bull A will be an average of 15 pounds heavier at weaning than the offspring of Bull B.

Some breeders have ranges on EPDs they consider ideal for their cow herd. Some won't use a bull who is over +2 for birth weight on heifers. Others emphasize higher EPDs in yearling weight. Those ranges depend on the emphasis of the breeder and what they want to improve in their herd.

Improvement is another area where conflict enters the picture. In the last 10 to 15 years improvement was associated directly with bigger and growthier cattle. With every increase in one trait, another trait is being bred out of the cattle.

"We perhaps need to redefine improvement. Improvement could be stacking similar genetic values in successive generations to make them predictable," says Crouch.

The accuracy and reliability of the EPD system will always be an area of debate. There are those who may never use EPDs, and if they are meeting the goals of their operation, they won't want to change. EPDs are there to be utilized as a tool for producers who want to make selections on predictable genetics. It should be used as only a tool and not the sole selection criteria.

— Lori Maude