

Things are looking up for Steve Peterson, Lebanon, Kan., because he relies on data and always looks ahead. He doesn't describe anything around Peterson Feedlots as being "more than" some goal. The crop farming side encompasses "close to 5,000 acres," and the data-guided commercial Angus cow herd of "nearly 500" makes a base for the retained ownership program in the feedlot that Peterson says "will hold 5,000 head by next year."

"We've been full with our 2,200- and 1,000-head feedlots," Peterson says. "We had to turn customers down, and there have been more inquiries, so we're going to add another 1,800 head on the south hill of this main yard next year."

The impetus comes from Montana demand, which has grown by word of mouth since the first customers began telling friends about their successes feeding in Kansas. It started in 1995, and last year several different Montana neighbors fed there.

Peterson had been feeding cattle on a small scale since shortly after he started farming in 1974. He grew up around the family-owned restaurant in nearby Smith Center, knowing his grandfather had given up farming in the Dust Bowl of the 1930s.

"People said there was no way I could farm, but I started feeding pigs and renting farm ground anyway," he says. "I found out if you did things right, you could make more money, but my wife, Marcia, supported my farming hobby for many years."

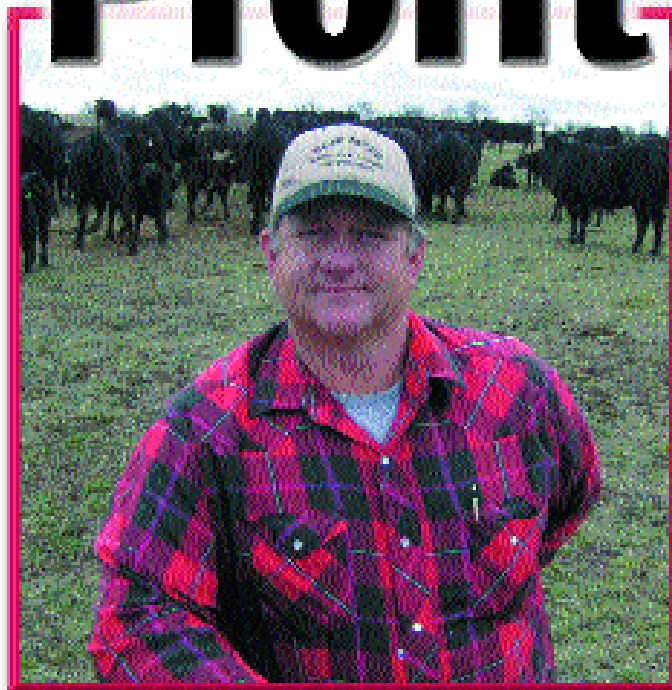
Dubuque Packing Co. operated a plant in Mankato, Kan., in those days, stimulating interest in finishing cattle. "We saw this was a great feeding area," Peterson says, "but we were just feeding our own [cattle]."

When a couple of neighbors approached him about feeding commercially, he explored the idea with Steve Christensen, owner of Montana Livestock Marketing, Helena, Mont. Finding interest among ranchers there and locally, he formed MPK LLC with Kastle Family Partnership and began to expand.

"It has just snowballed for the eight years since then," says Peterson, who bought out the Kastle partnership in 2001. The business now includes Marcia, their son Anthony and top hand Doug Rippe.

Christensen is somewhere near the core of that success snowball, even in July. Each summer Peterson gathers reports and joins his Montana contact for a 10-day tour, explaining data and talking herd

# Aiming for Profit



## Information and a CAB-quality focus guide a Kansas feeder's expansion.

Story & photos by *Steve Suther*



ultrasound to get the most bang for our buck, as far as the end product," Peterson explains. Individual weights are recorded off the truck, ultrasound is done at reimplant and final live weights are calculated from the hot carcass weight.

"Every summer I put everything on a spreadsheet. CAB helps coordinate data from five different grids, and we're members of U.S. Premium Beef (USPB). So we put all the data together with those weights and what each one did. That way we can make our bull selection decisions," Peterson says. The spreadsheets show net profit or loss per calf to include performance, not just carcass value.

"There's more to it than weaning weight and performance, however," he notes. "You can tell a lot when you compile the reports; we see it on our own herd. We may think that's the best cow we have, but it gives us a Select 2 calf on the rail, and the one that was middle of the road for performance but gives us a Prime 2 calf, may give us a \$150 or even \$200 advantage."

In the Peterson herd the standout is a 7-year-old Angus cow with a solid weaning weight average of 560 pounds (lb.), though far from

improvement with customers. Last January, Christensen also organized a four-location seminar series with Peterson and Montana State University (MSU) animal scientists.

"We spoke to 180 guys who represented half a million cows, so that's where some of our growing inquiry is coming from," Peterson says. "Every feeder has been saying they will get data back; some never delivered, and others did but never sat down with them and talked about how to use it. I just tell them what we can do to help their bottom lines. If I can make their bottom lines better, that's what I enjoy doing."

### Data management

When Peterson became a Certified Angus Beef LLC (CAB) partner feedlot in 2002, the buzz only intensified, sending a stronger signal to find room for more high-quality Angus cattle. From long-term plans to daily management, Peterson tries to avoid action not backed by data or logic. He isn't expanding in hopes of realizing some economy of scale, or just to hit the round figure of 5,000.

"We manage cattle on an individual basis here, sorting to size and marketing by

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► **Above:** Though feedlot management takes most of Steve Peterson's attention, he says, "There's nothing I enjoy more than our cow herd." The herd includes 180 fall and 310 spring calvers.

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the top in that category. “Last year her steer had 4.5 pounds average daily gain (ADG) in the feedlot and her calves have been Prime four out of five years.” She only had one daughter early on, but Peterson is considering flushing her for an embryo transfer (ET) trial.

He focuses on finding those standouts for all retained-ownership customers.

“Some of the guys I work with take individual cow weights and know what it costs to carry each cow all year,” he says. Even without cow weights, “we can help most of them find the bottom 10% to 15% of their cows that are costing them money in terms of end product value. If we can pinpoint those outliers and get them out, it makes a lot of difference.”

If the poorest cows offer opportunity, the best ones may offer more. “A lot of our customers, once they have some data, take the top 25% of the herd and AI (artificially inseminate) to the best maternal Angus bulls they can find.” Replacement heifers are drawn from those progeny, while the rest of the herd gets natural service from “the best meat sires they can find.”

Peterson has Aled his best cows for 10 years and uses Angus-Limousin composites for that terminal cross. He points out that the data allows further sorting into pastures with cows that need more marbling and those that need more muscle or growth. “Some customers feel they have the best of both worlds that way and can be a little more extreme in selection,” he says.

Buying his composite bulls from a long-time feeding customer has allowed Peterson to increase the average dressing percent of progeny from 62.2% six years ago to 64% now. Yield grades (YG) on those crossbred calves moved from 3.4 to 2.9, while the proportion of USDA Choice has been pushing 90% for all calves. *Certified Angus Beef*® (CAB®) and Prime rates have been near 50% in some pens and 35%-45% for all his own calves.



▶ Peterson has identified a standout Angus cow in his herd and is considering flushing her for an embryo transfer trial.

In a summer following an open spring with a wide Choice-Select market spread, a high base price and good cattle, Peterson has a lot of good news to share with customers. A set of Montana Angus heifers broke a yard record with 4.24 lb. ADG.

“Even on a narrower spread last year, we had customers who made \$20 or \$30 per head profit. This year I can show some guys where they went from no premiums to a \$40-per-head herd average, and some made as high as \$90 — that’s what makes my business work,” he says.

A few years ago, he recalls, “I fed these good cattle while some guys fed plainer, lower quality kinds. When we sold, they got \$70 and I got \$70. Now there’s a difference

in price to go with the difference in cattle.” Peterson knew it was coming, based on decades of feeding hogs. “The last few years we were in it, everything was sold as percent lean — you couldn’t even sell a hog live.” More than 30% of cattle sell on grids today, he says, but that may double in a few years.

“There will always be some commodity cattle, especially from very small producers,” Peterson says. Many large producers believe they can focus exclusively on cost control, letting beef quality fall where it may, but Peterson sees that changing. “I have investors who feed with me, and their attitudes have changed. Today, if cattle don’t have carcass or performance data, they don’t want them. There are enough cattle out there now that do.”

### Finding quality

Some of the best cattle aren’t available for investors because ranchers hold them till harvest, like the 25% Prime cattle that earned \$90 per head in premiums. Producers usually start with largely unknown cattle, but Peterson will partner with them.

“Guys [new to feeding] have heard the horror stories from their bankers of cattle that lost \$200 per head, and 9-11 (Sept. 11, 2001) was a tough deal for cattle that weren’t hedged,” he admits. “But we can work on risk management.”

I’ll partner with people to show I’m not out there to take the money and run,” he says. Peterson sticks with partners whose cattle lose money — as long as they’re willing to work together on improvement. “We sit down and pick out bulls,” he says. “We dissect the data, maybe try to find a bull that has a high percent retail product if the cattle have great quality but poor yield. With the wide variety of Angus bulls available, we can mix and match to improve any herd.

There will always be unknown risks in feeding, based on reactions to news or rumors. And regulations may tighten for all production agriculture, from country-of-origin labeling or something else. However, Peterson is ready for whatever may come, reflecting on his 95-year-old neighbor’s comment on why he stays in the cattle business. “There’s always a new twist — I just want to see what happens next.”



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