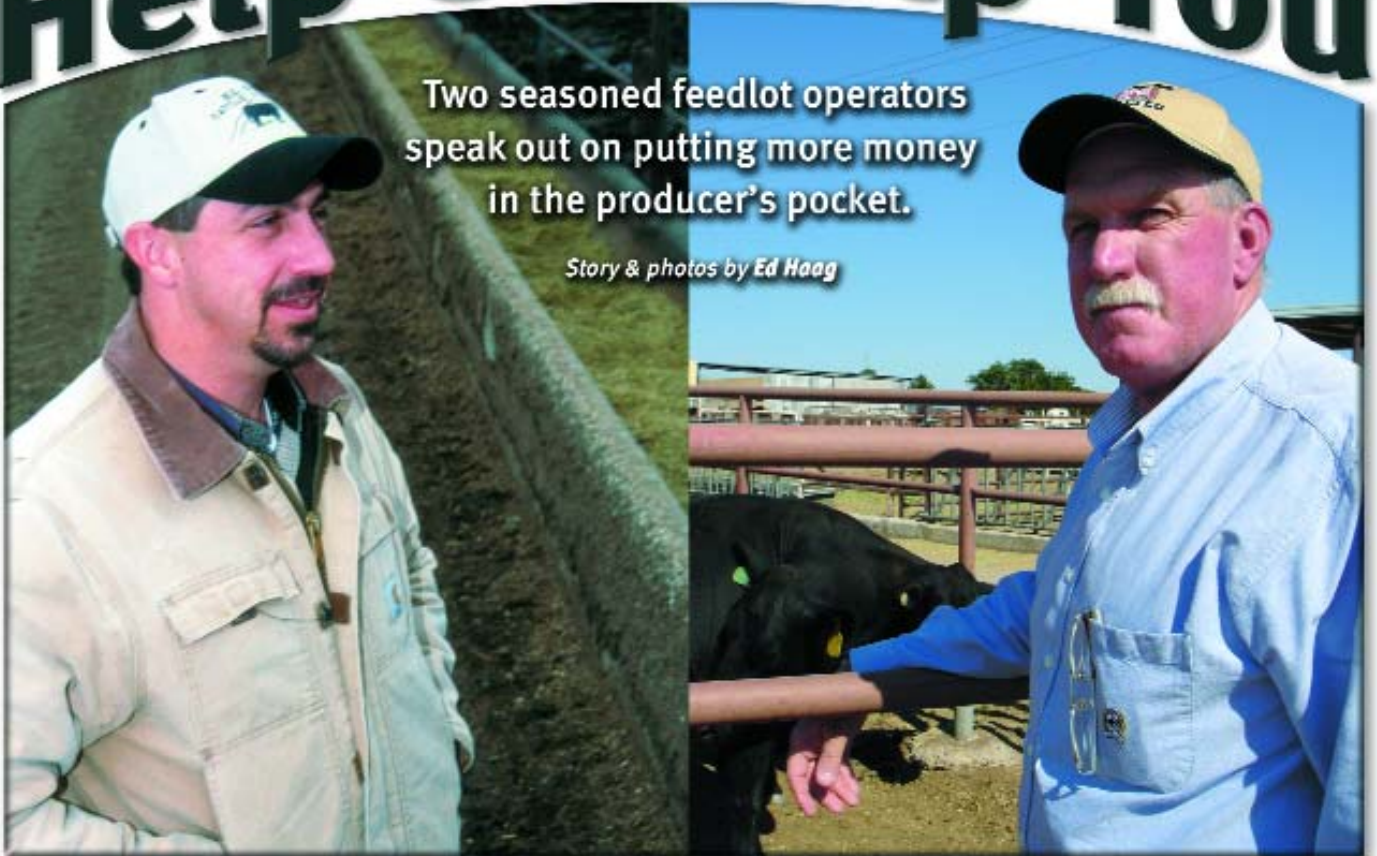


# Help Us Help You

Two seasoned feedlot operators speak out on putting more money in the producer's pocket.

Story & photos by Ed Haag



**S**ome beef producers view feedlots as the mouth-end of the corporate agribeast, but considering the fact that feedlot operators spend their lives assessing the market potential of literally hundreds of thousands of animals, it might be time to consider their advice.

From 1992 to 2005 Wayne Smith was manager of Hergert Feeding Co., a 10,000-head feedlot operation at Mitchell, Neb., that was named Feedlot Partner of the Year in 2003 by Certified Angus Beef LLC (CAB). At other points in his career he has worked with both seedstock and cow-calf operations. He is currently manager of the Culver Cattle Operation, Owl Creek Ranch, Walden, Colo.

Smith's advice to beef producers is simple: We are living in an information age, and no one is exempt from the consequences. Producers can no longer afford to operate in what he views as an informational vacuum.

► **Above left:** David Secrist, general manager of Agri Beef's 60,000-head El Oro Cattle Feeders feedlot at Moses Lake, Wash., finds individuals who stubbornly stick with animals that don't work in the feedlot a major source of frustration.

"The days of putting them on the truck and waving goodbye are over," he says. "If you expect to get top dollar for your cattle, whether they are calves or stockers, you have to have the data to go with them."

He adds that beef producers who intentionally withhold information from the feedlot are only hurting themselves. Secrecy benefits no one, and it only helps promote an adversarial relationship between producers and those who purchase their cattle while squelching the possibilities of developing any mutually profitable working relationships between the two sectors.

The opposite is true for those producers who are willing to collect and share data. It is the first step to opening communication links between all segments of the industry, which, in turn, will maximize profit potential for everyone in the business of bringing beef to the retail market.

"The flow has to go from the seedstock operators to commercial producers to the feedlots, all the way up to the packers and back down again," he says, adding that none of that can efficiently happen without the producer's input.

## New options available

Smith notes that, as a feedlot operator, he has to know the complete history of an animal in order to do his job properly.

"I have to know their breeding program, their health program and their feeding history," he says. "If I've got all that information, I can make those dollar signs at the bottom as green as possible."

One way Smith can enhance the profitability of animals that come with individual histories is by looking at the data and helping the producer decide which ones should be sold as live or carcass weight — both of which are priced, on average, for the pen — and which ones should be sold through a value-based marketing system where animals are judged on individual merit and producers are paid for quality grade and/or yield grade.

Smith admits that in making that

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► **Above right:** As the number of producers who share data with the feedlot operator grows, so do the premiums generated through the grid system, points out Wayne Smith, manager of the Culver Cattle Operation, Owl Creek Ranch, Walden, Colo.

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determination there are some critical factors to consider that will affect profitability. They include the quality and dressing percent of cattle under consideration, the Choice-to-Select market price spread, the production and feeding cost differences associated with working with a particular price grid or packer, the price and quality distribution of the cattle being considered, and, very importantly, the ability of the person doing the sorting to select animals that meet the

criteria of the particular grid or formula.

It is with this last factor that the expertise of the feedlot operator can prove invaluable, Smith says. This applies both to his ability to make a visual selection based on years of experience as well as to him possessing the knowledge needed to properly interpret the data that are available on the animals.

An important predictor of how an animal will perform on a value-based or grid system is the carcass data generated from cattle with

the same genetics. Smith adds that having some degree of predictability on how each animal will perform at harvest reduces the risks associated with marketing on the grid.

### Beef on the grid

Grid marketing traditionally offers a premium over the live-weight price in quality cattle, but penalizes those animals that rank low on the grid. Even a few lower-quality cattle can offset the premiums for higher-quality animals. The bottom line results might be a price that is lower on average than a live-weight or dressed-weight cash price. The more data you have on an animal, the more likely you are to make the right decision, Smith says.

He cites as an example of what is possible when information is shared a group of cattle with known genetics, known vaccination program and known feedlot history that sold on Swift's GeneNet Grid in May 2004.

"We were able to do everything we could to maximize our return," he says. "The premium we received, \$84.94 a head, was the largest I have ever received for a customer."

Smith is quick to point out that home runs like that are rare, but as the number of producers who share data with the feedlot operator grows, so do the premiums generated through the grid system.

### Things have changed

David Secrist, general manager of Agri Beef's 60,000-head El Oro Cattle Feeders feedlot at Moses Lake, Wash., agrees that while a growing number of beef producers are recognizing the importance of sharing data and working with the feedlot to improve their herds and maximize profitability, there are still those individuals who, for one reason or another, are reluctant to take that first step.

"You have guys that fall in love with certain lines of cattle and they lose track of what is making money in the industry," Secrist says, adding that what worked for granddad doesn't necessarily work in today's highly competitive beef market. "The bottom line is that you have to pay attention to genetics and performance, and for that you need the data."

Secrist finds those individuals who stubbornly stick with animals that don't work in the feedlot as a major source of frustration.

"I try to tell them, in a nice way, but they don't seem to want hear what I am telling them about their cattle," he says. "We would be more than willing to work with them if they asked for our input."

## Get the data

For those commercial producers who want to improve the profitability of their herds, Secrist recommends starting with a coldly honest assessment of a herd's potential. He admits that this can be a task that cuts against a cattleman's grain.

"I've talked to guys about cattle from South Texas to North Dakota to Arkansas to California, and everywhere you go, just ask where the best cattle are raised and they will tell you right there," Secrist says.

He says feedlot staff can play an important role in helping commercial producers separate reality from fantasy.

"If you are a regular customer and your cattle aren't doing well, then I guarantee you that we will know," Secrist says. "That is our job."

A key part of assessing a herd is collecting data. The seedstock producer can provide the sire data, but it is up to the beef producer to collect the relevant data from birth to

weaning or to the point the calf enters the feedlot. Most feedlots now routinely collect feeding and carcass data for their various marketing programs, and often producers can enter into an agreement with the feedlot to secure necessary data all the way to, and through, the packers.

For Secrist, establishing a comprehensive database on a client's herd is a win-win proposition. He admits that cattle with good records make his job a lot easier and considerably more predictable. Secrist will pay \$3-\$5 per hundredweight (cwt.) more for cattle with a good pedigree and track record over ones that arrive with nothing more than a shipping invoice.

"There is a huge difference in the value of cattle on the back end," he explains, "and if you got genetics that you can count on year after year, it is certainly worth extra money."

One of the obvious goals behind collecting data is to use it to identify ways to improve the herd. Secrist believes those improvements should first focus on traits that, if improved, will financially benefit the producer.

"We are all in the business of raising meat efficiently while producing a quality carcass," he says. "We are looking at feed conversion, grade and health,"

He adds that all three rely heavily on

selecting the right genetics. Again, feedlot operators, with their broad experience in evaluating cattle, are often able to recommend seedstock producers with the genetics needed to make the necessary improvements.

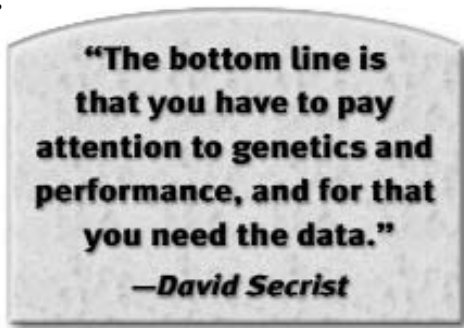
## New partners

Secrist admits that with the high prices being offered for live calves and yearlings, most beef producers are now choosing to sell them that way.

"It just makes sense," he says. "I'd probably do the same."

But this hasn't prevented some quality beef producers, who normally would retain ownership, from staying in the

game. "I've had clients with real good genetics come to me and say that they normally retain ownership, but this year with the prices so incredibly high they just can't pass up the live weight



price," Secrist says. "Often they end up partnering with the feedlot."

He adds that it is an excellent way to pull a portion of their money out in the fall and possibly make more down the line. "These calves that have come into the feedyard in the fall over the last couple of years have made money," Secrist says, adding that even more important to the producer is the fact that such a partnership allows him to continue to track the data on his best animals and make the appropriate modifications to his breeding program.

For Secrist, these feedlot-producer partnerships are not just about optimizing return on investment and collecting data — they represent an education process for both parties. For the feedlot operator, these partnerships give him a chance to get to know his customers better and establish a working relationship based on trust. For the producer, there are similar opportunities.

"Whether a producer uses our services all the time or just occasionally, these partnerships give him a chance to see what we do and allow him to figure out how we can help him make more money," Secrist says, adding that everyone's long-term goal should be one that focuses on establishing a win-win working relationship.

