



Staying the Course



Veteran CAB partner in western Nebraska hits a high mark for quality and service.

Story & photos by Steve Suther

Darnall Feedlot, Harrisburg, Neb., aims for the high-quality beef market, despite higher fuel and feed prices and somewhat uncertain premiums. The Certified Angus Beef LLC (CAB)-licensed partner yard was honored at the CAB Annual Conference Sept. 13 in Coeur d'Alene, Idaho, with a Quality Focus Award for feedlots with more than 15,000-head capacity.

The feedlot achieved a mark of 33.3% *Certified Angus Beef*® (CAB®) and Prime on 2,237 cattle enrolled and harvested from last June through the end of May.

"We've had unbelievable markets and still a lot of excellent cattle this year," says Gary Darnall, who runs the feedlot and ranch with his son, Lane. The men credit their customers for sending them top-quality genetics to feed. The list includes several CAB "Commitment to Excellence" honorees, including this year's

commercial winner, Peterson Livestock LLC, Rawlins, Wyo.

The Darnalls also manage a commercial Angus herd that helps set the pace for quality, and customers appreciate their ability to see both sides.

"We know we're in a transition period, and we don't know what's ahead," Gary says. "But we don't see any incentive to reduce quality grade on the ranch or in the feedlot."

He admits to less grid marketing this year, partly because packers pay the freight on cash sales. "When we do sell on a grid, plant location has become more important," he adds.

The Darnalls use the Angus GeneNet grid more than others,

especially when they want to maintain control of delivery dates.

"On cash sales, the packer may put us

off two or three weeks if they want the added weight," Gary notes. "That can be a challenge when you're aiming for better feed efficiency, so it leads us back to grid marketing."

Sometimes quality pays more than at other times, but it always pays, he says. "We have a tendency to produce for as much quality as we can with the genetics, and feed long enough to let the cattle express their potential with efficient conversions. We won't back away from that because it ties in with weight. Of course we want pounds along with the quality," Gary says.

Risk management

After the market surprises of 2008, the Darnalls are planning a much more active risk management program. "We'll buy corn and sell cattle on the board, but we will not leave ourselves open to as much risk in the coming year," Lane says.

The 20,000-head feedlot draws down in July and August before the fall run of ranch cattle. "Five years ago we were 70% customer-owned cattle," Gary says. "It may be down to 65% now, but we stay up there because our ranch customers are so dedicated to quality and retained

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Quality Focus Award >15,000 Capacity

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Still, the volatile markets cause concern.

“We are anxious to see what the fall brings,” Gary says. “Some of our customers have fed with us for 18 years, and they have made a profit more times than not. But we don’t know if we can advise them to retain ownership with all this risk.”

Another issue that comes up is financial planning. Selling two calf crops in one year may be more of a factor than feed costs, and although the premiums for quality were modest in 2008, “the mix changes from year to year,” Gary says. “Will they change plans because of poor projections, or stick with it because of tax ramifications? We don’t know.”

Like most large feedlots, “We have more space than cattle,” he says. Across the industry, that will bring more consolidation. At Darnall Feedlot, it simply makes it easier to sort.

“If we ultrasound scan, we may sell a pen in three drafts, or sometimes just two — the finished versus those not quite there,” Lane says. “Since we deal with so many ranch cattle with 60- to 90-day calving seasons, sorting is always important.”

But ultrasound use depends on the Choice-Select spread. “If it’s high enough to pay freight, we’ll fine-tune our sorting,” he says. “This year we have not done it as much and probably sold most of them



► Sometimes quality pays more than at other times, but it always pays, says Gary Darnall (left). Gary and son Lane (right) partner in Darnall Feedlot, winner of CAB’s Quality Focus Award for feedlots with more than 15,000-head capacity.

live, because the grid discounts remained quite severe.”

Feed conversion is on every customer’s mind, and the Darnalls have studied their records closely. “It may not have to do with quality, but it sure has to do with time of sale, which can indirectly affect quality,” Gary says. “A difference in the feed-to-gain ratio between 5.5 and 6.5 conversion is 12¢ per pound of gain, and after a tough winter we had some groups of calves with 2-lb. variation in conversion.”

Many customers do not have weaning facilities. “We wean a lot of calves here,” Lane says. “Looking at the health and conversion history has a huge impact on our advice. We think any improvement in health means a similar improvement in conversion and grade. People who have fed with us a couple of years start looking at ways to improve their herds to beat our customer-average numbers.”

The correlation between ranch and feedlot efficiency remains unclear, he adds. “Our customers can cull cows based on progeny feeding efficiency, and that trait may move up in the ranks, as long as their herd function doesn’t suffer in the long run,”

Lane says. “They have to look at how many things they’re affecting by adding this pressure, and that’s why it can’t be the main thing.”

Far from depressed at the prospect of one more factor in selection, Gary says, “That’s the fun of discovery.” In the near term, the Darnalls don’t see any big changes. “We’ll just stay vigilant,” Lane says. “See how genetics work at every level in our herd and for our customers.”

Longer term, the higher grain prices cause some concern because they will take land away from forage. “It’s a shrinking grass world,” Lane says. “We started early-weaning five or six years ago because of drought and stayed with it because of improved cow condition and stretching our grass resources. Maybe my son will have to drylot his cows.”

They can’t help but wonder what else it will take to produce high-quality beef a generation down the road. “A few years ago,” Gary recalls, “a banker said it took \$5 million in assets, 400 cows, no more than 50% debt and a wife with a job. Of course, the wife had to help after she got off work.”

The commodity outlook can still bring an uneasy grin, but the Darnalls and their customers face the future with more confidence than a banker’s average because of their united focus on quality. Whether on the range or in the feedlot, they keep the consumer dollar in mind, and that brings it closer to the wallet.



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