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What's He Worth?

A look at what drives the value of a Hereford feeder calf.

by Angie Stump Denton

On Oct. 29 a total of 1,008 age-, source- and health-verified Herefords and Hereford-crosses brought \$55,000 in premiums for more than 75 Tennessee Hereford Marketing Program sale consignors. The Certified Hereford Beef® (CHB) and Hereford Verified eligible calves from seven states — Alabama, Georgia, Kentucky, Mississippi, North Carolina, Ohio and Tennessee — were sold at the Tennessee Livestock Producers' (TLP) Barn in Columbia, Tenn.

A University of Tennessee analysis revealed that compared to the week's Tennessee auction average, some consignors earned on average an additional \$69.15 per head by participating in organized marketing

efforts, bringing together the numbers and verification that feeders demand.

Led by the Tennessee horned and polled Hereford associations and backed by a strong team of representatives from this year's consigning states, the sale has met and far exceeded its initial goal: to obtain the quoted average price of all cattle seen in auctions across the state of Tennessee.

John Woolfolk, American Hereford Association (AHA) board member, Hereford breeder and TLP marketing specialist, says the Hereford cattle topped the Tennessee sales for the week because they were part of a program.

"These cattle were feedlot ready," he explains. "Our producers listened

to what the feeders demanded in a health program and weaned the calves and gave the proper shots weeks before the sale. We limited the number of problem cattle like late cuts, poor doers and sick cattle. We sorted the calves into feeding outcome groups and created invaluable uniformity."

Woolfolk adds that a key point to the sale's success is that it is a group effort. He says that producers, Merial Animal Health, the Tennessee Department of Agriculture, the University of Tennessee and the AHA all exhibited a spirit of cooperation with their minds focused on the feedlot customer.

"The future success of the program depends upon everyone continuing to work together and staying committed to our goals," Woolfolk says.

The 2007 sale marked the group's ninth annual sale. The concept was developed when a group of Tennessee Hereford breeders met with marketing professionals from TLP to pose a challenge. They were tired of their calves being discounted at local sale barns.

Through the years, the group learned what drives the value of a feeder calf. They actually talked to buyers and asked what those buyers expected from cattle. The group shared those needs with consignors and by implementing strategies to meet those needs have developed a successful marketing program.

There are other similar success stories from across the U.S.: examples of producer groups and producers who have taken the time and effort to add value to feeder calves. The fact is the process of earning a premium in the marketplace — whether in the sale barn, off the farm or on the rail — begins at home.

Understanding the demand

Value in the marketplace is determined by the prices customers are willing to pay for a certain product, and if they are satisfied, they will return to buy that product again. The same is true in the cattle industry.

Feeder calf buyers demonstrate their preferences through the prices they pay — on or off the farm. The value of various traits can vary widely from sale to sale and depends on market conditions. However, over time, a good estimate of what buyers prefer can be determined. Reviewing trends can help cow-calf producers determine what is important to buyers; then those producers can use that information as

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a guide in making management and marketing decisions.

According to Gary Smith, Colorado State University (CSU), the factors that drive the value of a feeder calf are its sex class, weight, frame size, muscle score, health status, bloom and freshness.

Today cattle that have a good reputation along with some feeding history and a solid health program typically earn the most money in the marketplace. "The market dictates the value of what management and marketing practices a producer chooses to do," says Jim Williams, CHB LLC vice president of supply.

Several land grant universities, as well as private industries, have tracked feeder calf demand. An Internet search finds a wealth of knowledge from different regions of the U.S. In an Oklahoma project, buyer preferences were estimated with data from 20 Oklahoma Quality Beef Network sales during 2001, 2002 and 2003.

The research found that buyers paid a premium for:

- steer calves compared to heifers, bulls or mixed-gender sale lots;
- medium-frame calves compared to large- and small-frame calves;

- heavy-muscled calves compared to moderately and thin-muscled calves;
- thin-fleshed calves compared to average and fleshy or fat calves;
- polled or dehorned and healed calves compared to horned calves;
- healthy calves compared to unhealthy or unhealthy appearing calves;
- uniform sale lots compared to non-uniform lots; and
- larger sale lots, even 10-15 head, compared to single-head lots.

Oklahoma State University (OSU) researchers say cow-calf producers have the ability to influence and manage nearly all of the feeder calf traits identified in the above list in order to receive the maximum value possible from their calves.

Another research study conducted by the University of Arkansas (U of A) documented the traits and management practices that can add value to a feeder calf. In 2000 and 2005, U of A staff worked with U.S. Department of Agriculture (USDA) livestock market news reporters to track data from 17 markets across the state.

The data collected included: the number of cattle sold at a time, gender, breed or breed type, color, polled or horned, frame (large, medium or small), muscle score (1, 2, 3 or 4), fill (gaunt, shrink, average, full or tanked), condition (very thin, thin, average, fleshy or fat), age (calf or yearling), health, weight and price.

The U of A results were similar to the Oklahoma results.

Some highlights include:

- Discounts for unhealthy calves ranged from \$13 to \$38 per hundredweight (cwt.)
- Muscle was a major factor that affected selling price regardless of calf weight.

Getting the most value

"If you want to increase the value of your calves, produce exactly what the feeders are demanding," Williams says. "Same sex loads, calves that are light in flesh, like-in-kind, preferably weaned, with a history of good feedlot performance and carcass merit, and use a proven health program."

Williams says the first step is investigating — becoming educated on what you can do to better market your calves. "Find out what other people are doing; call neighbors and

customers and ask what they are doing; determine what management and marketing strategies can work the best for you," he explains.

Tim Petry, North Dakota State University livestock marketing economist, says, "The key to enhancing calf prices is to start the marketing process early. Don't wait until sale day to haul the calves to market and expect to top the market."

He encourages producers to contact their markets at least several weeks prior to selling for tips on management and marketing practices that can help calves bring the highest possible price.

"Calves that have documented appropriate vaccinations are bringing strong prices," he says. "Age- and source-verified calves may bring a premium because beef exported to Japan must be verified as coming from cattle that are 20 months of age or less. Documenting the feedlot performance of past calf crops, beef quality assurance programs and special feeder calf sales sponsored by state or local purebred cattle associations are other possible ways to enhance calf value."

Williams stresses the importance of a good solid health program: "Research shows the big loss in the feedlot is due to health," he says. Producers should work with their local

Understanding carcass value

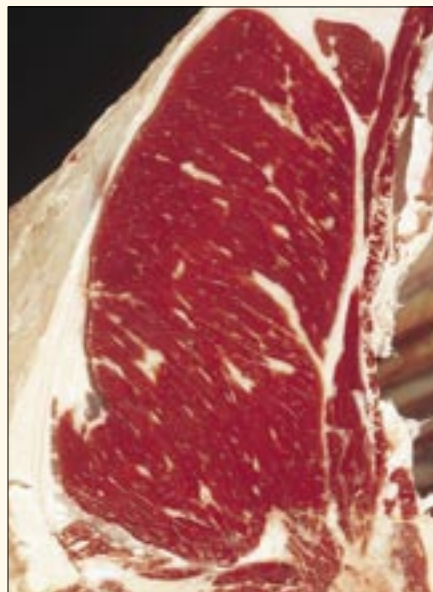
Gary Smith, Colorado State University, says the value of a beef carcass is determined by its weight, sex class, USDA Quality Grade, Yield Grade (YG) and freedom from defects — dark-cutting beef, bruises, yellow fat — plus supply and demand for carcasses of its kind at the time of sale.

"There are discounts for carcasses that do not grade Choice, for carcasses that are of Yield Grades 4 or 5, for carcasses that are too heavy and for carcasses with bruises or dark-cutting muscle," Smith says. "In general those discounts are reflective of the lower commercial value of the cuts from such carcasses or of the lower percentage of saleable product from such carcasses."

Quality grade is an expert's (U.S. Department of Agriculture [USDA] beef grader's) estimate of the expected palatability — flavor, juiciness and tenderness — of the cooked beef derived from a carcass. Yield grade is an expert's (USDA beef grader's) estimate of the percentage of a carcass that can be sold as boneless, closely trimmed retail cuts from the chuck, rib, loin and round. Smith says USDA grades should not be confused with the USDA inspection for wholesomeness. The packer does USDA grading on a voluntary basis.



U.S. Prime



U.S. Choice

What is quality grade?

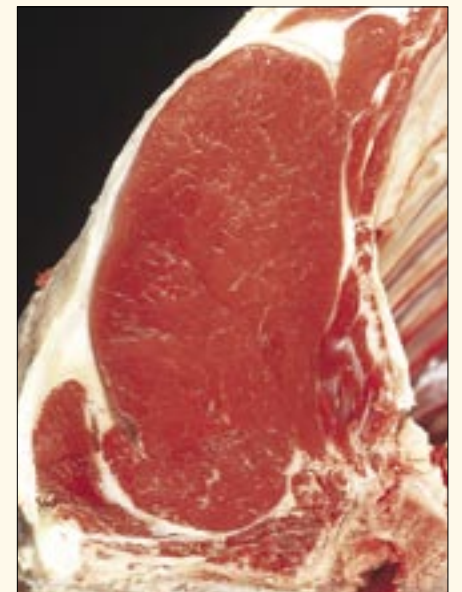
Quality grades indicate the factors related to the sensory characteristics of tenderness, flavor, color, texture and juiciness. The quality grade is intended to reflect the cooked product's overall acceptability. Beef quality grades are determined by two factors — marbling and maturity. Marbling is the small flecks of fat found within the muscle. Marbling helps keep the meat juicy, adds flavor and has a slight correlation to tenderness of the meat.

Maturity is based on characteristics of the carcass, such as the amount of bone cartilage that has turned to hard bone, but relates to the actual age of the live animal. Meat from young animals is lighter colored and finer textured compared to older beef. Generally, a fine-textured lean will be more tender than a coarse-textured lean. Carcass maturity is closely related to beef tenderness. As the animal matures, changes in the connective tissue cause the meat to be less tender.

The quality grades for "A" maturity animals — nine to 30 months of age — are Prime, Choice, Select and Standard. Marbling is divided into different degrees or ranges from Abundant to Practically Devoid. Prime is considered the highest quality grade and has the most marbling. Nationwide, only about 2% of carcasses grade Prime. Choice is the next highest quality grade and is divided into thirds: High Choice, Average Choice and Low Choice. The Select grade is divided into High Select and Low Select. Standard grade carcasses have the least marbling.



U.S. Select



U.S. Standard

PHOTOS COURTESY AMERICAN MEAT SCIENCE ASSOCIATION

veterinarians or contact their feeders for a recommended health program.

Along with a good health program, another consideration for adding more value is backgrounding.

Williams says the longer you develop a calf at home after weaning the more immunity it develops and that immunity reduces the risk of sickness in the feedlot. "Through the years, calves that sell unweaned or short-weaned have been getting discounted in the marketplace," Williams says.

"Hereford cattle that are long-weaned or yearlings very rarely see discounts in comparisons to other breeds of cattle."

Source and age is another value driver today. "It's huge," Williams says, "and it is going to become an even

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More than 600 source- and health-verified Herefords and Hereford-crosses brought more than \$20,000 in premiums for 34 consignors to the first Greater Midwest Certified Hereford Feeder Calf Sale Dec. 6. The Certified Hereford Beef® (CHB) and Hereford Verified eligible calves from eight states — Illinois, Indiana, Iowa, Kentucky, Missouri, Pennsylvania, West Virginia and Wisconsin — were sold at the Carthage Livestock Sale Barn in Carthage, Ill. An analysis of the sale results revealed that compared to the week's Illinois auction average, some consignors earned on average an additional \$57.50 per head by participating in organized marketing efforts, bringing together the numbers and verification that feeders demand.



PHOTO BY JIM WILLIAMS

What is yield grade?

Beef yield grades (YG) provide an estimate of how much lean, edible meat the carcass will produce. Yield grades are 1, 2, 3, 4 and 5 — with 1 being a lean, heavy-muscled carcass that will yield a high percentage of lean meat and 5 being an overly fat, light-muscled carcass.

If all the bones and fat are removed from the major portions of the carcass (the round, loin, rib and chuck), roughly 53-55% of a YG 1 carcass will become saleable, retail meat. From a YG 1, 800-lb. carcass, you would expect approximately 430 lb. of meat. From an 800-lb. YG 5 carcass, you could expect a 43-45% yield, or about 350 lb. of meat.



Four different factors are used to calculate YG including:

- external adjusted fat thickness at the 12th rib (more fat = less desirable yield grade)
- hot carcass weight (HCW) (heavier weight = less desirable yield grade)
- percentage of kidney, pelvic and heart fat (KPH) (more fat = less desirable yield grade)
- ribeye area (REA) at the 12th rib (larger ribeye = more desirable yield grade)

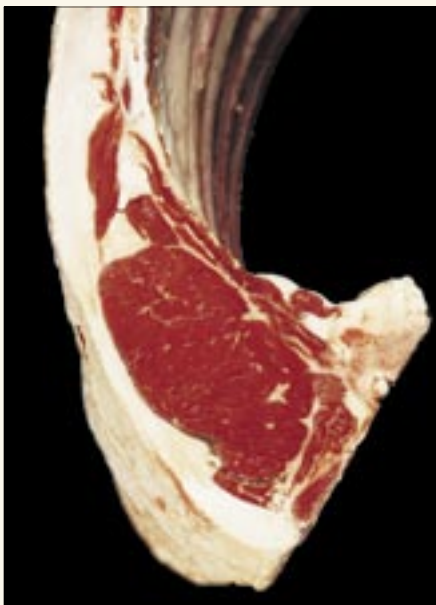
These measurements are used in the official USDA formula:

$$YG = 2.5 + [(2.50 \times \text{adjusted fat thickness, inches}) + 0.2 \text{ percent of kidney, pelvic, and heart} + (0.0038 \times \text{hot carcass weight, pounds}) - (0.32 \times \text{area rib eye, square inches})]$$

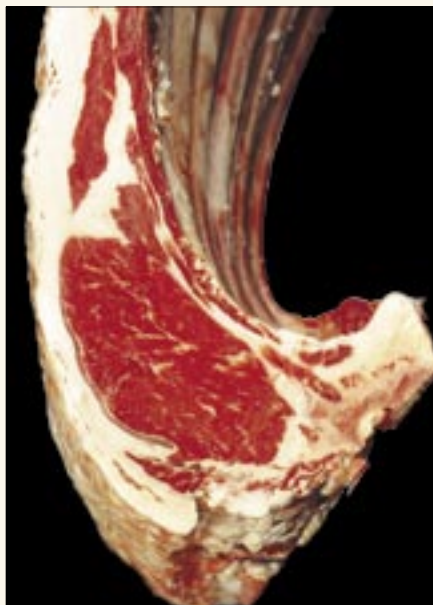
When computing yield grades, any decimal is dropped; yield grades are presented as whole numbers. Care and accuracy of these measurements are essential to derive reliable estimates of the cutability. The USDA grader, in practice, estimates the factors and uses a short-cut formula. **HW**



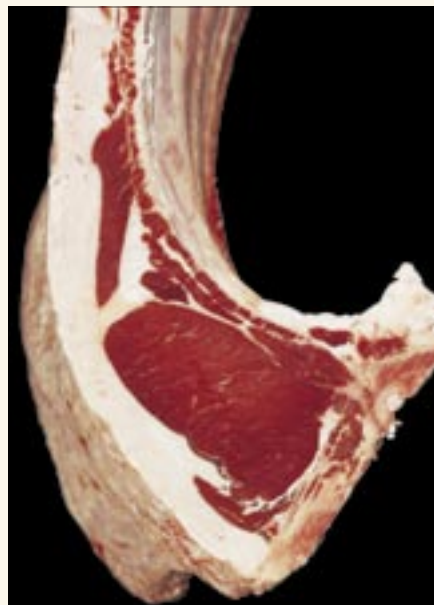
Yield Grade 1



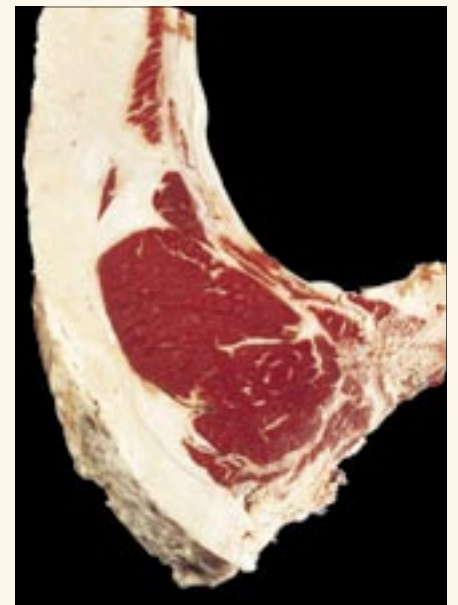
Yield Grade 2



Yield Grade 3



Yield Grade 4



Yield Grade 5

bigger value over time. It's out there, it's real. It can be anywhere from a \$25-35 per head premium."

In August 2005, AHA and CHB LLC introduced Hereford Verified: a program that helps producers benefit from CHB demand by validating the source, age and genetic makeup of CHB-eligible feeder cattle and pays real premiums to program participants. For more information about the program, visit HerefordVerified.com or contact Williams at (308) 222-0170.

The whole package

Historically the average cow-calf producer has not worried about calf performance beyond weaning. Today cow-calf producers need to understand the importance of feed efficiency, gainability and carcass quality and collect data to quantify how their cattle perform in the feedlot and on the rail.

Just like the producers who participate in the Tennessee Hereford Marketing Program Sale listened to what feeders were demanding, Williams says progressive producers should take the time to visit with those who feed their cattle. "Request feedlot and harvest data," he suggests. "But don't just put it on a shelf and forget about it. Take the time to review the data and learn what you can do to improve your genetics. Then make those changes to enhance the product you are producing."

End product value is not always easy to understand. See "Understanding carcass value" on Page 6 for some basic information about quality and yield grades.

A team effort

Getting the most value for Hereford feeder cattle is becoming more of a team effort. From the seedstock producer to the cow-calf producer to the feeder and the packer, everyone needs to work together to produce the best product possible for the consumer, which in return will add more value for all links in the chain.

Smith says seedstock producers can help their customers get the most value for their cattle by "providing them with feedlot and packing-plant performance data from the lines or strains of cattle that you have sold them." He says seedstock producers should encourage their customers to retain ownership through the feedlot and sell their cattle on a grid to a packer that offers a premium for carcasses qualifying for CHB.

Williams agrees with Smith, adding that seedstock producers should do everything they can to help their customers. He says some progressive seedstock producers are developing buy-back programs — purchasing customers' feeder cattle and then marketing them to feeders in bigger groups or retaining ownership and feeding the cattle themselves.

Seedstock producers can help customers by sharing with them information about available marketing options such as HerfNet, Hereford Verified, Hereford and Hereford-influenced feeder calf sale dates and locations, and contact information about feeders who are in the market for Hereford and Hereford-influenced genetics.

Take the time and make the effort to understand what drives the value of Hereford feeder cattle, and then implement strategies to meet the demands of the feeder, and you, too, could earn premiums in the marketplace, just like participants in the Tennessee Hereford Marketing Program Sale. **HW**

Information resources

There is a wealth of information available for producers wanting to learn more about marketing feeder cattle as well as resources to help producers understand feedlot and carcass performance. Here's a list of possible contacts or Web sites to visit:

Jim Williams, Certified Hereford Beef (CHB) LLC vice president of supply

jwilliams@herefordbeef.org or (308) 222-0170

Williams can assist producers with feeder calf marketing options.

HerfNet.com

The HerfNet Feeder Cattle Listing Service is a free resource for buyers and sellers of Hereford-influenced feeder cattle. It allows producers to advertise to CHB feedlots, order buyers, stocker operators and commercial feeders.

HerefordVerified.com

Hereford Verified is a program that helps producers benefit from CHB® demand by validating the source, age and genetic makeup of CHB-eligible feeder cattle and pays real premiums to program participants.

Missouri Feeder Calf Marketing Guide

www.ag.ndsu.edu/news/columns/livestockma/market-advisor-fall-feeder-calf-marketing-update/view

Finding appropriate strategies to add value to feeder calves depends more on the motivation of the beef producers involved than upon the location, breed or size of operation. The "Missouri Feeder Calf Marketing Guide" allows you to pick which motivation best describes your operation and then guides you to discovering appropriate opportunities to improve your cattle marketing. **HW**