



PHOTO BY ANGIE STUMP DENTON

# Cashing in on the Black Market

*Hereford-sired calves go head to head with Angus and prove profitable on the grid.*

by Patti Long

When Jeff Palmer assumed management of a 1,800-head cow-calf operation six years ago, he wanted answers to some of the industry's most vexing questions.

First and foremost, he wanted to know which breed or breed combination would work best in — and generate the greatest economic returns for — his eastern Oregon environment.

In 2008 Palmer, who manages Ironside Associates of Ironside, Ore., got some of his questions answered when he fed out two groups of calves and compared the results.

The first set consisted of primarily straightbred Angus cattle. The second set was a group of crossbred Hereford and Angus calves — “black

baldies,” as they're known in the industry.

Both pens of cattle were finished at Beef Northwest, a feeding company based in North Powder, Ore. All of the 300 head group were managed under identical conditions. Both pens entered the feedlot at the same time, received the same ration and were marketed on the same day.

When the closeout data came back, Palmer was surprised. He had odds on the black cattle, but when the results were tallied, the baldies had the best bottom line.

“It was a real eye opener,” says Palmer, who expected the straight blacks to bring more money. “The straight black calves performed a little better on the grid, but our profit per head was better on the white-faced calves. That was a pretty big one for me.”

While the solid black cattle produced higher-grading carcasses (90% Choice and Prime), the baldies (77% Choice and Prime) had lower input costs and, thus, made more money. There were marginal differences in most aspects of the comparison (including conversion and gain per day), but the bottom line — the one that counts the most — was in favor of the baldies by \$7.12/head.

The Certified Angus Beef (CAB) acceptance for the solid blacks was 30% and 20% for the crossbred calves, both better

than the national average of 18%. The Hereford-sired calves made more money even though their acceptance rate was 10% lower. Both groups returned about \$4 per hundredweight (cwt.) over the commodity price.

These two groups of cattle were high-quality cattle (the top two pens at the packer that week), which made the comparison even more interesting.

The baldies' increased profit margin was because of their crossbreeding, Palmer says. He credits the effects of heterosis, or hybrid vigor, for the increased profitability of the crossbred calves. Heterosis is a boost in productivity that takes place when a producer mates two unrelated breeds to produce more vigorous and economically efficient offspring. “I think heterosis goes clear through to the rail,” he says.

Crossbred cattle, for instance, are almost always more healthy and productive and perform better in ranch and feedlot settings than their purebred counterparts.

Other segments of agriculture have taken advantage of heterosis and reaped the benefits, or profits, for years. The corn industry recognized this boost in productivity and began producing and marketing hybrid seed corn. Today, virtually all swine and poultry are hybrids. And, for more than 30 years now, cattle producers have also

benefited from crossbred cattle and boosted the productivity of their livestock. Most people in production agriculture are trying to balance their books. And if they can cut expenses or reduce input costs, they can put more money in their pockets and be more profitable. Crossbreeding doesn't increase costs but can increase profits.

Simply put, “with heterosis, you are getting more bang for your buck,” explains Ron Rowan of Beef Northwest.

## Working together

One of the primary functions of Rowan's position is developing alliances and partnerships among seedstock producers, ranchers, the feedlot and the packer as a way of ensuring quality and adding value to beef.

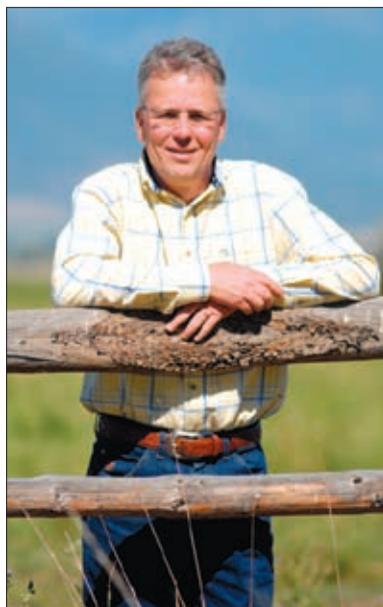
During the last three years, Beef Northwest worked closely with Harrell Hereford Ranch and Thomas Angus Ranch, Baker City, Ore., to form Northwest Premium Genetic Partnership.

Underpinning this effort is the belief that breed complementarity and heterosis is the most efficient way to achieve profitability and quality end products.

“Our belief is that we need to work together to get a better, more efficient product,” explains Rowan. “Heterosis — through disciplined and planned crossbreeding — is an example of how it can work.”

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— Ron Rowan



As part of this alliance, both the Harrells and the Thomases host their annual spring bull sales during the same week. This arrangement (plan, schedule, collaboration) allows commercial customers to purchase genetics from both programs as a way of fostering heterosis in their own programs.

“We’re not an island in this industry — in any segment of it — and if we are, I don’t think business can be as successful as if we are working together,” Rowan says. The feedlot has a good relationship with the packer and with the producers who supply the raw product.

“We have a vested interest in getting the best cattle we can for these feedlots,” says Rowan. “We’re dependent on the raw product, and our raw product is cattle.”

The feedlot manager knows what the packer wants and has a responsibility to pass the information on to the cow-calf sector, where the process begins. The sharing of information and collaboration from each segment is crucial to quality end product. With data collected from the feedlot to the rail, producers can analyze their product and make adjustments accordingly.



Rowan agrees, and he works with producers to make sure the lines of communication are open. “We’re trying to keep customers on the leading edge by giving them information so they can make changes in their operations”

Often times, a producer can make genetic adjustments that cost no more money but pay dividends in the form of premiums. And every bit helps.

Increasing ribeye through selection of the right bull can be a great benefit of heterosis too. “If you have calves that did well in the feedlot and had a high percentage Choice, but they didn’t have that many 1s and 2s, producers could increase ribeye, use a ribeye bull and increase their yield grade,” he says. Beef Northwest takes part in Country Natural Beef, a program that pays premiums for ribeye area.

“Many people think you can’t make it work with another breed,” says Bob Harrell. “But what Jeff Palmer’s comparison proves is that you can maintain quality while achieving greater economic returns by using a disciplined crossbreeding program. There was a 10% difference in the Certified Angus Beef acceptance rate, but the Hereford-influenced cattle still made money.

“If the people are buying your cattle because they know they will make more money, they’ll pay you more money for those calves,” Harrell says. “If you retain ownership, you have seen the added value in the form of premiums paid by the packer.”

Perhaps the biggest advantage is in the increased health of crossbred calves — particularly when they enter the feedlot.

Data on more than 75,000 cattle harvested from Five Rivers Feeding Co. in 2006 show the importance of ensuring healthy calves in the feedlot.

The groups with no death loss were \$40/head more profitable.

Feedlots that focus on calf-feds are particularly sensitive to keeping cattle healthy. And that’s why many feeders like Beef Northwest have begun

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pushing for cattle with heterosis as a way of decreasing sickness and death loss.

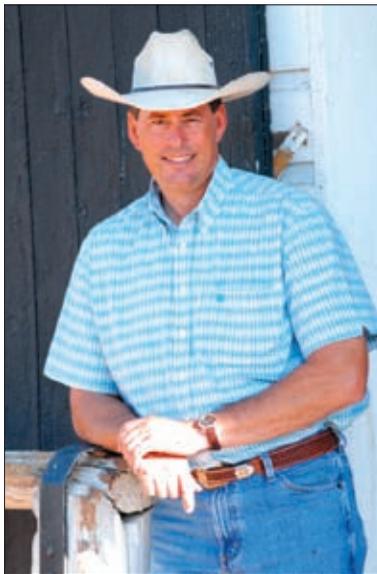
“Health, feed conversion, rate of gain: those are three big advantages of heterosis in the feedlot,” Harrell says.

#### **It all starts back at the ranch**

Perhaps the biggest advantage of heterosis is back at the ranch, however.

“The most important thing for us is the production end and getting a live calf,” says Palmer. “Our cattle are all outside, they calve on their own, and we expect a 95% calf crop without helping them. We don’t think we could do that without crossbreeding and hybrid vigor.”

“Heterosis will always give you a boost in fertility and calf survivability,” explains Harrell. “Those are things you don’t



usually put a dollar value on because you don’t get paid for it. An open cow or a sick calf costs money. You might not see any money changing hands because of it, but you can feel the loss in your wallet.”

To keep on the plus side of the ledger, you have to equip yourself with the right tools. “People who aren’t taking advantage of crossbreeding are just missing those pieces that can help them be profitable. You can’t do the best job if you don’t have the right tools and you are not prepared,” Harrell says.

Riverside Ranch of Prairie City, Ore., has filled its toolbox with the right stuff. The family has taken advantage of the Hereford-Angus cross and has been producing F1 black baldies for years.

The ranch, which is owned by the Jacobs family, runs about 1,000 cow-calf pairs in the high country near the Malheur National Forest. “We run in big country,” says Justin Jacobs. “We need cattle that have some go to them and can get to the top of the mountain. We need cattle that have some ruggedness to them.”

With their baldie cow herd, they see a boost in productivity over the straightbred herds they’ve run before.

“With the F1 cross, our weaning weights have significantly increased compared to the straightbred cattle we have bred in the past. We don’t have actual data to compare, but I would estimate 10-20 lb. at weaning,” Jacobs says.

Jacobs says he also believes he’s improved the feed efficiency of his cow herd because of the heterosis.

“If you feed each cow even 2-3 lb. less per day than what you would feed a 1,300-lb. straightbred cow over the course of the winter, that’s a significant amount of savings,” says Jacobs. “We didn’t have any idea the feed prices would get to

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where they are now. We’ve been doing the F1 deal for eight years. In hindsight, it looks like we made a pretty good move.”

Jacobs adds that in addition to feed efficiency, the qualities they appreciate about the F1 baldie cow are their fertility, easy fleshing ability, temperament and reproductive health.

Perhaps most of all, what Jacobs and Palmer like best about their black baldie calves is that they’re easy to sell; they know there’s strong buyer interest in them because the industry now recognizes the value of quality cattle with hybrid vigor.

“There’s a strong market for the calves. When you get to the feedlot, you’ve got a nice product,” Jacobs says.

The cattle buyers know the advantages, and they understand heterosis can translate into profit.

“Anytime you get an extra person to raise their hand, and they go back and forth a couple of times, pretty soon that’s a buck or two a hundred more on a six-weight animal; that’s \$12 to \$15 a head more. That’s sure a difference,” he says.

Jacobs has seen the advantages with using heterosis and understands sometimes you have to adapt to change. “It doesn’t matter how much you like your cattle. If the market doesn’t like them, what are you doing it for?”

His adaptation has added value to his herd, and the demand is solid. “In the past, with the straightbred cows we would have about 5% of the calves that couldn’t go with the rest. We would just have to take those to the local auction barn. Now it’s really nice. When we ship, most everything goes.” Jacobs says. “The uniformity with the F1 cattle is outstanding. We’ve had great success marketing the cattle. The people who have bought them in the past keep coming back.” **HW**