

Health Study Raises Cost-Saving Advantage, Natural Market Still Sees Higher Premium

by Rhonda McCurry

Ranchers are in business to make money. And a study by John Lawrence, Iowa State University professor of economics, finds traditional breeders may already have cost-saving strategies in place.

The study states pharmaceutical technologies such as parasite-control products, growth-promotant implants, sub-therapeutic antibiotics, ionophores and beta-agonists save U.S. beef producers an average of \$360 per head. The improvement in growth and efficiency produced by these products affects all phases of beef production including cow-calf, stocker and feeder by significantly increasing volume and decreasing costs.

Technologies allow the animal to utilize forage and grain resources more efficiently to produce beef to meet consumer demand. The results of Lawrence's study were analyzed using the Food and Agricultural Policy Institute model of U.S. agriculture to estimate the effect on beef production, price and trade if the technologies were removed from the market.

Lawrence says there is a high adoption rate of these technologies currently in place at feedlots and in cow herds.

Producers need to understand the cost for individual farms if these technologies didn't exist or if ranchers should choose not to use them.

Many food companies are asking for all natural or organic products, which are growing categories of the food industry. The American Meat Institute (AMI) defines natural as meat that does not contain artificial or synthetic ingredients and coloring additives and are not more than minimally processed. Meat and poultry companies

produce more "natural" products than they do "organic."

Not all ranchers are able to use the pharmaceutical technologies, says Lawrence. His study looks at the technologies in a broad sense of what production would cost if they weren't available.



John Lawrence's study takes a broad look at what production would cost if pharmaceutical technologies weren't available.

Pharmaceutical companies that wanted to see the value and economic effect of their technologies approached Lawrence. The study also addressed the important question of the growing market for natural beef.

"Is that price premium enough to offset cost if I don't use these technologies?" Lawrence questions. "I encourage producers to dig deeper and do their homework before making that commitment."

Labeling beef as natural can be justified with testimonials and affidavits that no chemicals, antibiotics

or pesticides were used in the animal's production.

In traditional beef programs, antibiotics, pesticides, vaccinations and growth stimulants are used to maintain health under stressful conditions. The majority of our current

generation's consumers thrive on traditionally produced foods.

Selling prices would have to increase by 36% to cover the increase in costs without these technologies, Lawrence says. As costs increase, ranchers would pay less for calves. At the end of the day, the cost would be passed down to the cow herd.

Producer perspective

Dave Wiese, Wiese Farms operations manager, Manning, Iowa, says he utilizes deworming and sub-therapeutic antibiotics with his herd because of the number of cattle. With 400 registered cows plus 175 yearling and 2-year-old Hereford, polled Hereford, Red Angus and Angus bulls, Wiese doesn't have room for sick cattle. His pens are full already.

"We have to keep in motion to be successful," Wiese says. "I can't afford to isolate the sick ones. They have to be taken care of right away and move on."

Wiese spends between \$15-17 per head to implement pharmaceutical technologies. Considering a \$360 savings per head is only part of the deal; the rest is that he saves time and energy by avoiding sick cattle.

Parasite control, such as Ivomec and Cydectin, and a broad-based antibiotic, such as Baytril, are pharmaceuticals that Wiese chooses to utilize. Deworming is critical to Wiese Farms during calving seasons, and he treats heifers the month prior to calving.

"We worm heifers with parasite control because we feel anytime there is a situation that will make the individual feel and do better, that's going all the way through to the colostrum, which is the most important milk for the calf," he says.

Baytril is used on Wiese Farms, along with an anti-inflammatory, because it is reasonably priced and covers all the bases, Wiese says. If he's still breeding and growing heifers, he will put out tubs with ionophores to help with conception and growth.

Because deworming programs have a significant effect on pregnancy, survival and weaning rates, Lawrence says the overall effect of eliminating these combined technologies on the cow-calf segment was a 47%

Natural vs. Organic: What is the difference?

Both natural and organic are trendy, niche markets for products that claim to be free from antibiotics and grown in environmentally friendly programs. But what are the differences between natural and organic beef in the U.S.?

Natural animal origin products are from animals grown without growth stimulants in a sustainable environment of naturally grown foods to which no chemical pesticide, herbicide or fertilizer is applied. They are also minimally processed.

Natural programs do not prohibit vaccinations. Instead, producers are encouraged to vaccinate their calves to help ensure the animals have a minimal amount of health problems related to respiratory disease.

Their environment accommodates the natural behavior of the animals, which, in turn, reduces stress resulting in disease control without intense vaccination or use of antibiotics and pesticides.

Organic products have these same criteria but differ from "natural" labeled foods because of stringent requirements by law applied by a U.S. Department of Agriculture (USDA) approved organic certifying entity using National Organic Standards.

USDA requires "organic" foods to meet a set of national standards, whether they are grown in the U.S. or imported

from other countries. These requirements were set in motion Oct. 21, 2002.

Organic meat, poultry, eggs and dairy products come from animals that are not given antibiotics or growth hormones and are produced without conventional pesticides, fertilizers made with synthetic ingredients, bioengineering or ionizing radiation. A government-approved certifier inspects the farm where the food is grown to ensure the farmer is following all rules necessary to meet USDA organic standards. In addition, companies that handle or process organic food before it arrives in the supermarket or restaurant must be certified.

Organically produced food should be labeled differently from conventionally produced food. Check out the package labels and watch for signs in the supermarket. The USDA organic seal also indicates a product is at least 95% organic.

Natural and organic are not interchangeable. Truthful claims, such as free-range, hormone-free and natural can still appear on food labels. However, don't confuse these terms with organic. **HW**



increase in breakeven selling prices, or \$225 per head.

Pharmaceutical technologies also had a significant effect on breakeven selling prices in the feedlot segment. Implants, ionophores, antibiotics, beta-agonists and dewormers combined affected breakevens by 12% or \$126.

Nancy and Tim Keilty purchased their farm, Cottonwood Springs, and its first cattle in 1982. In addition to emphasizing performance genetics and raising show cattle, the Keiltys felt the need to branch into another area of the beef industry. They began raising and selling natural beef five years ago.

Located in the resort area of Leelanau County in northern Michigan, Nancy Keilty says she knew this endeavor was risky business but is now pleased with the profits. Her ground beef patties sell for \$4.50 per lb. Some customers, however, tell her they would have paid \$8 per lb., which they do back home in California.

Keilty says she may raise her price to \$4.80 per lb. because of increased fuel costs.

Leelanau Natural Beef is a pasture-raised, natural, premium ground beef sold at the farm and local farmers markets. Between 10 and 12 steers and heifers are raised each year on grass in the warmer months and hay with little supplement in the winter.

Keilty promises her customers that Leelanau Natural Beef is “never-ever,” which means cattle have not been treated with antibiotics or implants during their lifetime.

Animals are processed at 1,100-1,300 lb. at an U.S. Department of Agriculture (USDA) inspected facility. The product is then sold off the farm at a self-serve stand year-round and at local farmers markets in the summer.

Keilty says her customers want to know exactly where their food comes from, which is why her business has been successful.

“Getting started was really an iffy thing as we didn’t know how it would be perceived,” Keilty says. “Now, I’ve reformed vegetarians. People love the meat. Grass-finished meat takes longer to finish, but we have to harvest early because the demand is so great.”

All natural, no problem

Wiese says he is a fan of organic and natural beef production because it is a strong consumer market. Time constraints and herd numbers keep him from considering his own natural-labeled beef program.

Wiese, who thinks consumers should be proud to grill out, says, “I want everyone to have a safe, healthy steak.”

It’s also important to Wiese to allow cattle to perform at their best. This means using technologies that will allow each animal to return to health as quickly as possible.

“With high cost of production that goes through operations today, any time we have the opportunity to have a healthy individual, they’ll perform and do better,” he says. “I’ll take on the challenge of saving one with pharmaceutical technologies rather



Nancy Keilty promotes her Leelanau Natural Beef as “never ever,” which means the cattle were not treated with antibiotics or implants during their lifetime. She sells her product at a year-round self-serve stand and at local farmers markets.

than deal with a bad situation.”

Keilty can understand the need to use pharmaceutical technologies since her family also raises purebred Hereford cattle. However, she recognizes her new role of “teacher” to consumers who want a name and face associated with their food.

“A gal stopped by recently who goes to various farm stands and collects food, then takes food back and a chef prepares the meal,” Keilty says. “It’s important to her to look me in the eye and see the farm where she buys her beef.” **HW**