Master Cattleman Quarterly

Oklahoma State University

Fall 2008 Preconditioning Calf Sale Results at OKC West: OQBN and Integrity Beef Programs

Clement Ward

OKC West in El Reno sponsored two OQBN (Oklahoma Quality Beef Network) sales last fall. Producers sold 22 sale lots of preconditioned calves following the OQBN protocol at the November 5th sale. OQBN calves numbered 377 head. Prices received were compared where possible with 9,473 head of calves sold in Oklahoma the week of November 3-7. Prices for those calves were reported by the Federal-State Market News program of the U.S. Department of Agriculture and the Oklahoma Department of Agriculture.

At the second sale, December 3rd, producers sold 34 sale lots of OQBN calves. OQBN calves numbered 743 head. Also at this sale, Noble Foundation cooperators sold 17 sale lots of calves which had been preconditioned following the Noble Foundation's Integrity Beef guidelines. Integrity Beef calves numbered 493 head. Prices for OQBN and Integrity Beef calves were compared where possible with 6,075 head of calves sold in Oklahoma the week of December 1-5. Data also were collected on 31 other lots of calves, 712 head, sold at the OKC West, December 3rd sale.

Based on a comparison of prices received for OQBN calves at the November 5th sale with prices reported by Market News for the same week, OQBN steers and heifers sold very well compared to like calves in the lighter weight groups at the November sale. At heavier weights, it appears buyers valued preconditioning less and paid smaller or no premiums for preconditioned calves. A similar comparison for prices received both for OQBN and Integrity Beef calves at the December 3rd sale at OKC West suggested both OQBN and Integrity Beef calves did not sell as well as other calves in Oklahoma that week. However, simple comparisons of average prices have several limitations and can be misleading.

Therefore, as has been done in previous preconditioning research (see list of references at the end of this article), a regression model was estimated to focus specifically on the price difference for alternative management programs. The model accounted for several factors affecting calf prices, including calf weight and sex, breed type, and sale lot size. The base or comparison calves were calves not preconditioned following the OQBN or Integrity Beef guidelines. For these calves, buyers did not know when the calves were weaned and what if any vaccinations calves had received. Compared to these calves were the OQBN calves and Integrity Beef calves; where, in both cases, verifying information was available to buyers regarding weaning time and vaccinations received.

Regression results were consistent with prior research in terms of the importance of average weight, calf sex, breed groups, and sale lot size. Compared to the comparison group of calves (for which little or no information was given to buyers regarding weaning and vaccination), there was a $3.61/cwt. premium for OQBN and Integrity Beef calves combined. These premiums were in line with previous research which has found price premiums typically in the $3-5/cwt. range across sales and years (figure 1).

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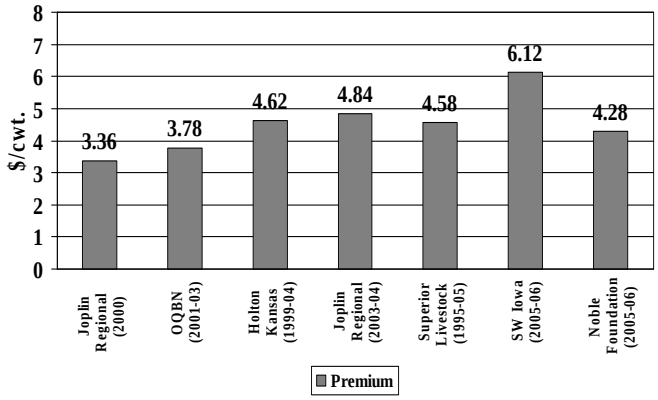
Fall 2009 Preconditioning Calf Sale (cont)

Figure 1. Research Estimates of Price Premiums for Preconditioning at Special Sales



Research in Iowa found there was considerable value, $2.77/cwt. in having third-party verification that producers were following the preconditioning protocol (Bulut and Lawrence 2007). Reputation and seller integrity are important and valuable in the marketing of calves. Certification is a means of building and conveying reputation and integrity.

While receiving a premium price for preconditioned calves is a goal for many producers, the advantages of preconditioning extend beyond price. Calves gain weight on a higher nutritional plane during the 45 days or more calves remain on the ranch in the preconditioning program. Thus, heavier weight, even at a slightly lower price for heavier weight calves, leads to increased revenue for preconditioned calves. Calves are healthier and have a stronger immune system having been weaned for 45 days or more. Thus, for buyers, they are ready to enter a stocker or feedlot program with a lower chance of costly disease problems. Lastly, calves sold in November -December often are sold into the upward portion of the seasonal price pattern, compared with being sold near the bottom of the annual price cycle in October.

Higher revenue from marketing heavier calves, marketing into the upward portion of the seasonal price pattern (when that occurs), and receiving a price premium when sold (when that occurs) all must offset the added costs for preconditioning calves. These include both out-of-pocket costs and management costs.

Research has shown that the premium paid for preconditioning increases when two market-related factors exist (Bulut and Lawrence). First is when the number of calves offered on the day of the sale increases. Second is when the number of preconditioned calves offered on the day of the sale increases. Thus, as more producers commit to preconditioning and to special sales for preconditioned calves, we could potentially see the premium increase. Too, as more buyers gain experience purchasing preconditioned calves and recognizing their benefits, the demand for preconditioned calves may increase.

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Managing Cull Cows for Additional Value

Zakou Amadou[1], Clem Ward[1], Kellie Curry Raper[1], Billy Cook[2], Jon Biermacher[2]

Cull cows represent a significant income source to cow-calf producers. Although cull cows represent from 15% to 30% of a cow-calf herd's revenue, little attention is given to marketing strategies for cull cows. Most cow-calf producers traditionally cull and sell cull cows in the fall after weaning, which means selling when prices are typically at the lowest prices of the year (figure 2). The cull cow market exhibits the strongest seasonal price swings of all cattle classes (Feuz 2001; Peel and Meyer 2001). Prices are usually lowest in November and December when most producers are culling from the herd. Alternative timing of cull cow marketing may increase the net revenue that cull cows bring to the cow-calf operation (Peel and Doye).

The seasonal price upswing generally begins in February and continues through the spring and summer months, typically peaking in mid-summer. Feeding cows beyond culling on forage or a concentrate ration may allow producers to capture additional value from the seasonal price upswing, while potentially increasing pounds sold and the slaughter quality grade of the animal (Feuz, Stockton, and Bhattachary 2006). However, an individual producer has to consider the opportunity cost of holding cows beyond culling. Costs to consider include interest expense, feeding costs, yardage costs, and labor invested in taking care of the cattle. Individual producers may also have different resources and facilities that impact the specific opportunity costs to consider.

Selection of cull cows to be fed is extremely important. Cull cows that are unsound, injured, or simply unhealthy should be sold upon culling. The most desirable type cull cow for feeding is a healthy cow that is in thin to moderate condition. These cattle likely have the ability to gain a substantial amount of weight over the feeding period.

Is it profitable to retain cull cows past culling? Is it better to put cull cows on grass or to feed them a concentrated ration? An ongoing experiment at the Noble Foundation attempts to answer these questions. An experiment involving 24 cows fed on grass (stockpiled forage) and 24 cows fed in a drylot on a concentrated grain ration was conducted at the Samuel Roberts Noble Foundation from October 2007 to April 2008. Cows were culled from the herd on October 3, 2007. Data were collected approximately monthly on weight, USDA grade, dressing percentage, costs (feed, animal health, etc.), and market value. Animal performance measures and cost of gain were calculated for each interval. Estimated USDA grade and dressing percentage were used to assign a market price to each cow at each feeding interval, based on prices reported by the Agricultural Marketing Systems (AMS). Market price and weight were used to estimate a market value for each cow at each interval. This market value, less any costs incurred since culling, determines an individual cow's net returns as compared to marketing the cow at culling. Results discussed here reflect only the first year of the experiment.

Cows in both treatments (grass and pen) gained a significant amount of weight in the first 42 days (figure 3). Cows on grass then began to lose weight on average, yet still maintained a higher weight than at the beginning of the study. Cows in the dry lot continued to gain weight throughout the study period. However, as figure 4 shows, the additional weight did not come without additional cost since the cost of gain was higher for cows in the dry lot than those on grass across all time intervals. Cull cow prices over the study period increased generally in line with the seasonal pattern. Increasing prices combined with modest weight gains led to higher net returns at 111 days (February 12th) for cull cows fed on forage as compared to marketing the cows at culling in October (figure 5). Cows in the dry lot setting lost money when compared to marketing at culling, regardless of days on feed.

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Managing Cull Cows for Additional Value (cont)

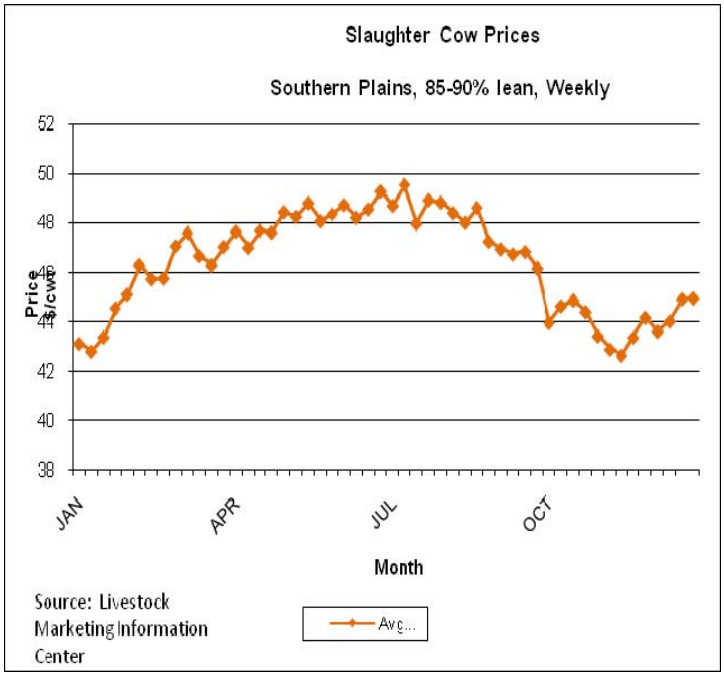

Figure 2.

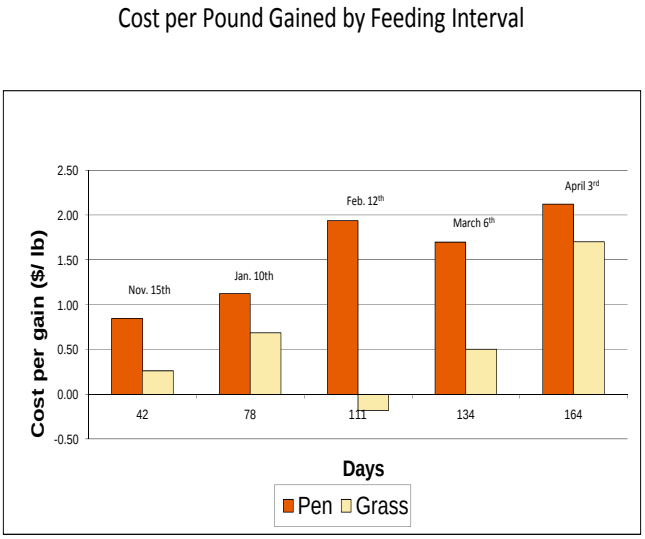

Figure 4.

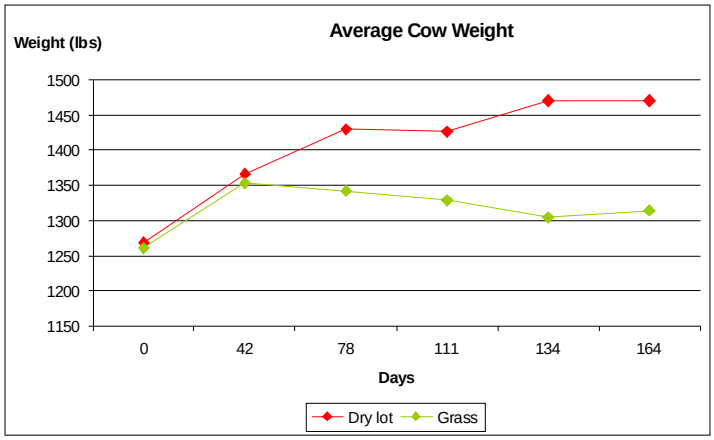

Figure 3.

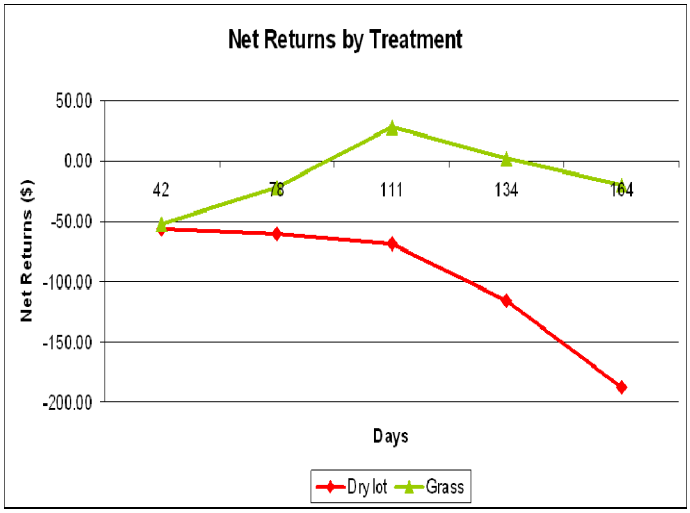

Figure 5.

Two New Livestock Disaster Packages in Farm Bill

By James "JJ" Jones
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There are two new livestock disaster packages in 2008 Farm Bill under the title "Supplemental Agricultural Disaster Assistance" or sure. These programs are the Livestock Indemnity Program (LIP) and the Livestock Forage Disaster Program (LFP). Either one of these programs are meant to help livestock producers in the case of some form of disaster.

Livestock Indemnity Program (LIP)

LIP compensates producers for livestock death losses in excess of normal due to adverse weather that occurs between January 1, 2008 and October 1, 2011.Prodcuers will be compensated 75% of the fair market value as determined by the Secretary of Agriculture for each specific livestock category. No formal disaster declaration has to be made.

Eligible adverse weather events include:

- Blizzard
- Tornado
- Lightning
- Ice storms
- Earthquakes
- Flooding
- Extreme cold
- Extreme heat
- Wildfire – must be related to a weather event
- Disease – must be related to or exacerbated by an eligible weather event

Eligible livestock include:

- Adult/non-adult beef cattle
- Sheep
- Alpacas
- Emus
- Horses used as part of the commercial operation
- Adult/non-adult dairy cattle
- Swine
- Llamas
- Elk
- Adult/non-adult buffalo and beefalo
- Goats
- Poultry
- Deer
- Reindeer

Non Eligible livestock include:

- Show animals
- Hunting animals
- Pleasure animals
- Pets
- Rodeo stock
- Animals kept for home consumption

Producers will need to file a notice of loss with the Farm Service Agency within 30 days of the loss of the livestock. Proof of death of the livestock may also be requested in the form of but not limited to rendering truck receipts, veterinary records, private insurance documents, or a measurement service as requested by the producer and completed by FSA.

LIP will pay up to $100,000 annually including any benefits received from SURE and LFP.

Livestock Forage Disaster Program (LFP)

LFP provides financial assistance to producers who suffered grazing losses due to drought on or after January 1, 2008 and before October 1, 2011. To be eligible for LFP producers must met each one of the following conditions:

- Obtained crop insurance or Non-insured Crop Disaster Assistance (NAP) coverage on the pasture or grazing land that suffered an eligible loss.
- Be an owner, cash or share lessee, or contract grower of covered livestock that provides pastureland or grazing land for livestock.
- Provide pastureland or grazing land that is physically located in a county affected by a D2 or larger drought.

A drought is determined by the U.S. Drought Monitor. A signup period will be announced when the following drought levels are reached:

D2: 8 consecutive weeks in any area of a county during the normal grazing period.
D3: 4 consecutive weeks in any area of a county at any time during the normal grazing period.
D4: any area of a county at any time during the normal grazing period.

The payment rate will be determined by the severity of the drought. D2 drought receives 1 monthly payment per head, D3 drought receives 2 months payment per head and a D4 drought receives 3 months payment per head.

The drought monthly payment rate is equal to 60% of the lesser of the monthly feed cost for all covered livestock using a feed grain equivalent or the monthly feed cost calculated using the normal carrying capacity for the grazing land. The feed grain equivalent is determined by the National Office for the various type of livestock based on the pounds of corn using an adult cow as the base.

Eligible livestock include:

- Adult/non-adult beef cattle
- Adult/non-adult dairy cattle
- Adult/non-adult buffalo and beefalo
- Sheep
- Swine
- Goats
- Alpacas
- Llamas
- Poultry
- Emus
- Elk
- Deer
- Horses used as a part of the commercial operation
- Reindeer

Note: Only livestock that normally graze are considered eligible livestock.

Livestock must be owned, leased or purchased for 60 days prior to the beginning date of the qualifying drought.

LFP will pay up to $100,000 annually including any benefits received from SURE and LIP.

Master Cattleman Quarterly Producer Profile: Russell and Betty Hamil

By David Lalman, Mike Rose and Kent Barnes

Russell and Betty Hamil are masters of the cattle industry in more ways than one. Russell and Betty have been involved in the beef cattle industry since 1973 when they switched from a dairy to a beef cattle enterprise. The operation includes 1,200 acres of owned and 800 acres of leased land, approximately 550 beef cows, development of their own replacement heifers and a stocker program using their ranch raised calves. The Hamils are focused on the beef enterprise as hay production is the only other crop raised on the ranch. The Hamils' management skills and leadership were recognized by the Mayes County Cattlemen's Association in 2008 when they were honored with the Cattleman of the Year award. Even so, the Hamils' continue to look for ways to improve the efficiency of their operation, which is the primary reason why they are current members of the Master Cattleman group from Craig, Rogers, Mayes and Nowata counties.

Russell and Betty Hamil receiving Mayes County 2008 Cattleman of the Year award.

The cow herd is split into spring and fall calving herds with about 50% of the cows in each group. Russell says that the dual calving season has several advantages including twice the number of services per herd bull, multiple marketing dates and seasons, and reduced herd size. The Russel's like the smaller herd size because events requiring intensive labor (such as calving, branding and weaning) are spread out more over time.

The cow herd is primarily Angus based with some Hereford influence. Charolais bulls are used as terminal sires on a portion of the cows. Herd bulls are chosen primarily using EPDs and actual production records, with an emphasis on moderate birth weight, moderate to high growth and moderate milk. Russell strongly believes in the long term investment in good genetics, with an average herd bull purchase price of around $3,000. The Hamils keep extensive production records, including individual identification of each animal, birth dates, weaning weights and weaning dates. Replacement heifers are selected from older cows with good production records, good udders and good attitudes.

The Hamils retain ownership of all calves until they weigh at least 700 to 800 pounds. At the time of weaning, calves are sorted into uniform groups that match appropriate stocking rates for various pastures. This way, uniform groups of steers and market heifers are ready for shipment to the feed yard or to the livestock market. The Hamils had retained ownership of most calves all the way through the feed yard until recent years when the price of corn and thus cost of gain in the feed yard rose dramatically. Since that time, yearlings have been sold through a regional livestock market.

The grazing resource is primarily bermudagrass and fescue pasture, with about 50% of each species. The stocking rate for beef cows averages between two and three acres per cow. The Hamils pay close attention to soil fertility by soil testing pastures every year or every-other-year. In recent years, the Hamils have switched from commercial fertilizer to chicken litter from a local poultry producer. In fact, Russell believes that the legume component in his pastures has increased since he began using chicken litter. Pastures are also limed as necessary to maintain soil pH. In years with abundant precipitation, pastures are baled for hay when they get ahead of the cattle.

Editors note: The Producer Profile is a new feature in the Master Cattleman Newsletter. If you know of a producer that is a good candidate for future Profiles, contact Dave Lalman.

New Publications and Websites of Interest to Beef Producers

All OSU Fact Sheets are accessible at: http://pods.dasnr.okstate.edu

AGEC-256, "Value of Animal Waste Calculator." Eric A. DeVuyst, Hailin Zhang, and Josh Payne, March 2009.

ANSI-3285, "2007 Value-Added Calves Marketed Through Oklahoma Livestock Markets." Doug McKinney, March 2009.

ANSI-3287, "Livestock Tagging." Chris Richards, and Rusty Gosz, April 2009.

ANSI-3400, "Home Slaughtering and Processing of Beef." Harold R. Hedlick and William C. Shingel, and Maurice Alexander, April 2009.

E-861, "Vitamin and Mineral Nutrition of Grazing Cattle." David Lalman and Casey McMurphy, February 2009.

PSS-2904, "Prussic Acid Poisoning, Gary Strickland." Glenn Selk, Hailin Zhang, and D.L. Step, April 2009.

CR-216, "Oklahoma Pasture Rental Rates: 2006-2007, March 2009.

CR-230, "Oklahoma Crop Rental Rates: 2008-2009, March 2009.

A new website from our colleagues at Kansas State University is available to provide cattle producers with resources for managing risk. Check it out at: http://www.agmanager.info/crmil/

Master Cattleman Summit

The popular Master Cattleman Summit will be held on the OSU campus Aug. 13-14, 2009. “Hands on” activities at the Animal Science Building and at OSU’s Range Cow Research Center will focus on forage production and availability, determining appropriate stocking rates, forage management, risk management and minimizing input costs. Chip Ramsey, AgReserves, Inc. will be a featured speaker, discussing keys to profitability on the extensive cow/calf operations that he manages. Dr. Todd Thrift will also be a featured speaker on the topic of simple crossbreeding systems to maximize profitability of commercial beef cow enterprises. You will also have the opportunity to choose among interesting concurrent sessions to help you make better management decisions. Please mark your calendars now as Master Cattleman participants will have the first opportunity to register for this program before registration is offered to the general public.

For more information or registration information, contact Dr. Damona Doye or Dr. David Lalman or visit the Master Cattleman website at: http://www.agecon.okstate.edu/cattleman/index.asp .

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