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Association Commentary

by Greg Comstock, RAAA Executive Secretary

Plan Your Path to Profit...

Become a Low Cost Producer of a High Value Product

After several years of unprecedented profitability at the cow calf sector, ranchers have seen those margins continue to tighten over the past 12-18 months. This first caught our attention with headline grabbing increases in corn and fuel prices, and soon expanded into accelerated land values and forage costs. These increased input costs have more recently intersected with market volatility, which often saw 5 cwt calves bring less per lb than 7-8 cwts, and \$10-12/cwt taken off the fed cattle market.

Most trade journals do a good job of recounting the various factors that are impacting these shifts in profitability: ethanol, increased global demand for grain and fuel, the effect of a strengthening US dollar on trade, and the effect that economic uncertainty has on the domestic demand for our product are a few of the culprits. I don't think it's too much of a stretch to assume that most producers see these as direct or at least potential threats to the beef industry, and are concerned their ranching operation could be collateral damage.

When we perform a S.W.O.T. (Strengths, Weaknesses, Opportunities and Threats) analysis of our individual beef enterprises, we can focus too much on these threats. Certainly, we need to understand and be aware of them, because they influence the environment we operate within, but for the most part, these are things we can't do anything about at the ranch level. Our greatest leverage points - albeit our opportunities - come from developing strategies that overcome or lessen the impact of our weaknesses, and take greater advantage of our strengths.

In any operation there are numerous

areas where these opportunities exist: herd health, marketing, forage utilization, financial performance ratios, debt management, employee retention...and the list goes on. However, with bull sale season right around the corner, let's study one opportunity that can overcome weaknesses within your program and build stronger foundations for years to come. That is genetic inputs.

Before we continue, I'll issue this disclaimer: This isn't an article to rationalize increasing the amount you spend when buying bulls. It is an article about making sure you buy the bull(s) that provide the opportunity to build on your program's strengths, and repair any weaknesses you see in your herd. Once you find the bulls that meet your criteria, buy them right for the greatest value.

So how does your bull selection serve the strategy of becoming a low cost producer? Look at your costs...and not just the ones you have to write a check for. For instance:

- Doesn't a dead calf increase your cost per weaned calf by making you feed a female through the winter that ultimately doesn't bring one to the weaning pen?
- Every two year old that requires assistance during calving drives up your per unit labor cost.
- The higher the percentage of heifers that palpate open-the more grass and feed you've burned and must spread across those that are pregnant.
- Don't those cows that are open or unsound and subsequently leave the herd as 3, 4, 5, or 6 year-olds, cost you by having to develop more replacements? Not to mention they are the ones that often cost you the opportunity to cull a low producing cow, because of your need to maintain critical mass.

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Once the cost represented in lost production is recognized, then selection to overcome any observed weaknesses can begin. However, make sure you are armed with the best information to make those important decisions. Many producers want to look at a bull's individual birth weight to determine whether he is a candidate to breed to virgin heifers. In reality, several non-genetic factors can influence a calf's birth weight. His birth weight EPD includes how that calf compared within his birth contemporary group...he may have had a reasonable birth weight, but still been 10 pounds heavier than average. Was his lower birth weight genetic, or caused by some environmental effect that reduced the birth weights of the entire calf crop? Who knows...but, what we do know is that the EPD includes information on how his half brothers compared in their respective groups all across the country. But what about calf shape, head diameter, gestation length, and all the other genetic factors in addition to birth weight that influence

whether or not a calf is born unassisted? Exactly, birth weight is only estimated to account for about 65 percent of calving ease. Thus, use Red Angus' Calving Ease Direct (CED) EPD to capture all of those other factors - plus Red Angus' CED model includes birth weight variation, so you can still feel comfortable that you are putting selection pressure on birth weight when you utilize the Red Angus CED prediction.

If you plan to keep daughters from this spring's bull selections, look also at Maternal Calving Ease (MCE). This EPD predicts the likelihood of a bull's daughters having their first calf unassisted. Again, it is a prediction loaded with information. For instance, if you are looking at a son of a high accuracy Red Angus sire, his MCE EPD is built using calving ease scores collected on his dam as well as all of his half sisters in all herds. And, we know the female contributes half of the genetics to the calf crop...and this bull's daughters are going to do just that. So, their own

Calving Ease genetics will be passed on to their calves. Thus, the Red Angus MCE uses not only maternal calving ease maternal scores, but also their 50 percent genetic contribution to factors which affect their calves' predisposition to be born unassisted, i.e, birth weight, shape, gestation length, etc.

Given the cost incurred when culling cows in the prime of their life for shortcomings of fertility or soundness, it's a good idea to place selection pressure on keeping cows in the herd. But how? Study the Stayability (STAY) EPD of the Red Angus bulls offered for sale this spring. Once a bull's daughters enter the herd, if they miss calving in years 3, 4, 5, or 6, or if they leave the herd for a bad udder, bad feet or any reason they get a negative Stayability observation. This data accumulated in all the Red Angus seedstock herds across all different production environments sorts out which bulls' daughters are lasting, and which are leaving prematurely.

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Likewise, Red Angus' HPG or Heifer Pregnancy EPD predicts the probability of a bull's daughters conceiving to calve as a two year old. Sure, there is some correlation between the scrotal circumference of the bull you are studying and his daughters fertility, but that correlation isn't nearly as meaningful as a tool which allows you to put selection pressure where it counts...on cutting cost by getting a lower percentage of heifers palpating open.

One common thread that ties the value of all these genetic predictions together is they are all based on data collected through Total Herd Reporting (THR). Red Angus is the only beef breed with multiple generations of data built through the requirement that the produce of every cow be reported annually...that includes dead calves, cows that came up open, cows that were culled from the herd, etc. It also requires that the weaning performance of every calf be reported as a requirement for registration...even the fuzz balls that don't

warrant the purchase of an A.I. certificate. The result is that not only are Red Angus' standard growth EPDs based on the most complete, non-biased data available, but Red Angus has been able to establish EPDs for many "whole herd" measures such as heifer pregnancy and stayability.

Of course, many will argue that there are non-genetic factors that influence fertility - specifically anything that influences energy intake. Others would turn that around and say, "if you don't have 5-7 percent of your cows come up open, you are not challenging them enough" - meaning, you're giving them too much to eat. Producers constantly need to ask themselves, "are we really making genetic progress with fertility, or are we just ignoring that our feed bill is increasing". Enter the Mature Cow Maintenance Energy EPD (ME). It uses mature weight, milking ability and Body Condition Score to establish the energy required for mature cows to maintain their body weight. We find

there is significant variation in this trait, and there are outliers - bulls that sire low maintenance energy requirements yet above average growth and milk. Also, there are bulls that excel for improved Stayability and Heifer Pregnancy with lower ME values.

One can see that when you start combining selection pressure on these traits...low ME, higher STAY, HPG, MCE and CED...it begins to look like an easy keeping herd with: lower feed costs, low replacement rate, calving chains rusting from lack of use, and excess replacement heifers to sell. So you've done it...you've built a profitable cow herd... Not so fast.

The formula for profit has more than one definition, but for a cow herd looks something like: **Value of Production - Cost of Production.**

It's true that Red Angus bulls come with selection tools to allow you to make progress on the second half of the above

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equation. However, if no one wants the product you've produced, profitability will remain a struggle. Fortunately, Red Angus bulls come with added value extras as standard equipment...some of these are by design, and others are inherent, but the value of these benefits is growing more important.

During the highest cattle markets there is often little incentive for producers to change. If they are paid a premium price for commodity cattle, why go to the trouble to enhance their product. However, as market volatility increases, so does the differentiation in value, and the gap between "reputation" cattle and the masses widens.

This is where Red Angus comes in. The breed wakes up every morning with advantages that make them desired by the feeders who buy your calves. USDA Meat Animal Research Center (MARC) data shows that Red Angus sires a higher percentage of USDA Choice grade than any other major

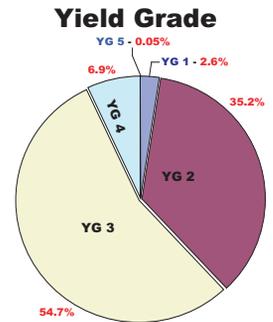
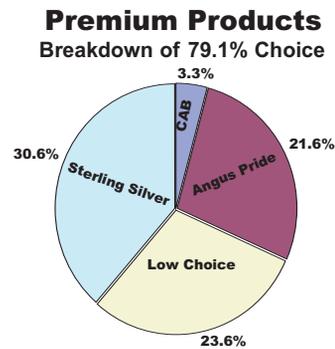
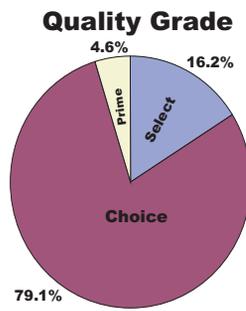
MARC Cycle VII Data Report 22

Breed of Sire	% USDA Choice
Red Angus	89.9
Angus	87.6
Simmental	65.7
Hereford	65.4
Charolais	61.9
Gelbvieh	57.7
Limousin	56.9

breed. That means more choice cattle with fewer days on feed, which translates to more premiums with less corn. But how much waste does one have to

accept to produce a high percentage of choice carcasses, or carcasses that are good enough to earn branded product premiums? Apparently, not much. The Angus America data below may surprise many but it shows that not only can using Red Angus bulls lead to enviable levels of choice and premium cattle, but you can do it with minimal YG 4 discounts and substantial YG 1 & 2 premiums.

Red Angus' inherent benefits aren't limited to just carcass traits. Many feeders comment that the breed's docility is a



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major advantage impacting how quickly the cattle go on feed, how well they stay on feed, and their negligible incidence of carcass discounts for handling related defects such as bruises and dark cutters. In addition, they come genetically dehorned, have a solid red hide color that handles heat better in summer feeding situations, and breeds true - without producing grays or "rat-tails" when mated to some continental breeds.

But capturing value isn't just a matter of genetics. Red Angus sired calves are eligible for premiums through the Red Angus Feeder Calf Certification Program (FCCP) - an economical solution to many producer challenges. FCCP is a USDA approved program for Source and Age Verification, and can earn premiums by making cattle under 21 months of age eligible to supply export markets. How much is that worth? It varies, but U.S. Premium Beef has announced that it will continue to pay a \$35/head Age & Source

premium through May of 2009; other programs are following suit. The FCCP is also a genotypic verification of Angus, and can make cattle eligible for available premiums through the supply of certain Angus product lines. USDA has stated that process verified programs such as the FCCP are approved methods of substantiating Country of Origin (COOL) claims. Of course, one reason the FCCP tag adds value goes well beyond compliance - the tag proves to the buyers that your calves are Red Angus, not just Red-hided. Finally, there are a host of free marketing services that come with using Red Angus bulls and participating in the Red Angus FCCP, visit the Red Angus website - redangus.org or call 940-387-3502 to learn how you can use Pro-Cow and the Feeder Fax.

As you plan to confront the challenges of our dynamic industry, consider the strategy of following the Red Angus bulls with Red Angus Marketing Programs. Red Angus' genetic predis-



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position to reduce costs while increasing value can build your herd's foundation of profitability from the ground up. Furthermore, Red Angus Marketing Programs' commitment to the success of our commercial customers has resulted in a host of added value services - designed to help you reap a higher return on your investment in superior Red Angus genetics. ■