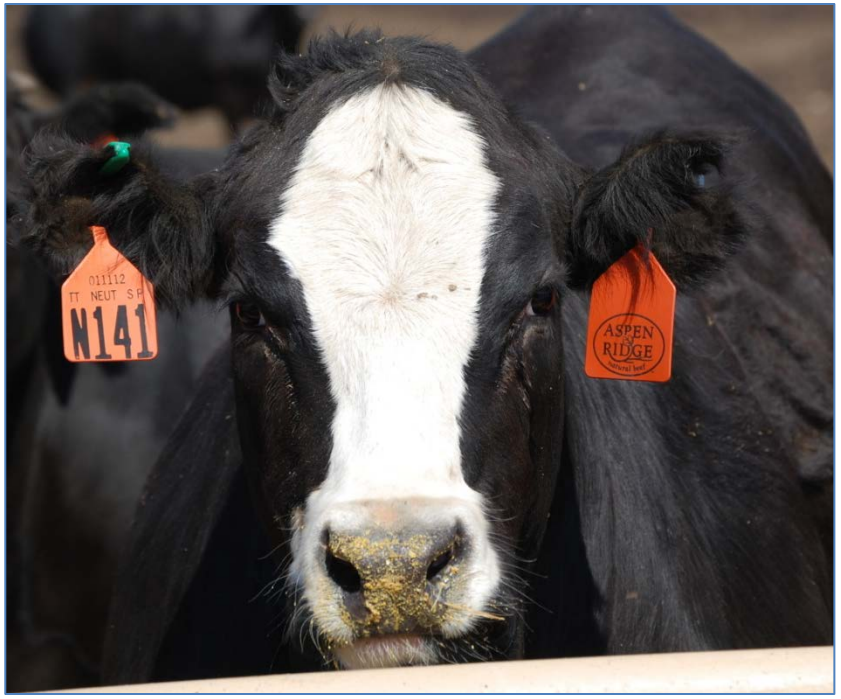
What Value Looks Like to a Feedyard

By Tom Brink

JBS Five Rivers Cattle Feeding, LLC

- Owned since October 2008 by JBS USA
- Twelve feedyards in seven states
- 960,000 head of feeding capacity—1.7 million head sold/year
- Majority sold on grids (formulas)
- Buy 35,000 feeder cattle and use 2.0 mil bushels of corn per week on average

Why should you care about what feedyards and packers want?



Why should you care about what feedyards and packers want? Because…

- You are in the beef business!
- Your income is derived from consumer spending on beef.
- Feedyards buy your customers' cattle…we are your customers' customer!
- Market pays different prices for feeder cattle and calves.
- Your genetics ***MATTER*** to the industry…we need you, and you need us.

Keep this perspective in mind every day….

We are all in the beef business, together.

Let’s discuss specific value traits and profit drivers in the feedyard, and define the what kind of cattle succeed in the feeder/packer segment

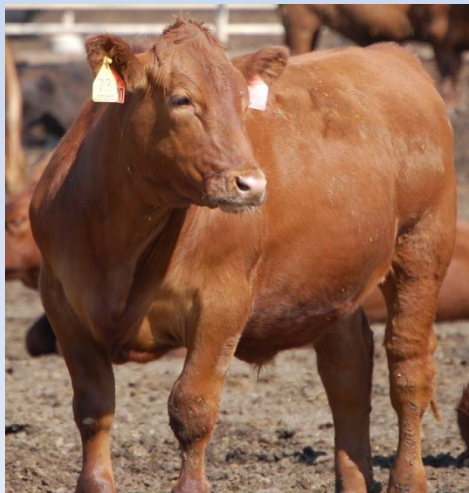
Healthy yearling and short-yearling cattle that grow and grade.

-Minimal Sickness (or none at all)

-High ADG & Low Feed/Gain

-Desirable Finish Weight

-High Quality Grade



Health in Feedyards

Cattle health in the Feedyard

- “Old problem” but still identified as the #1 production problem feedyards face
- Impact on feedyard performance and carcass quality is well documented
- We have the technology and know how to get cattle better prepared to leave the farm or ranch…implementation is lacking

Many cattle still need stronger immunity when they leave home.

Impact of Health & Death Loss*

Death Loss	ADG	DMC	Profit per head
0% - 0.5%	3.25	5.94	$131.69
0.5% - 1.5%	3.19	6.08	$99.34
1.5% +	2.95	6.45	$57.03

*750 to 800-lb. yearling-fed steers sold April thru June 2011

3.17% difference between best and worst groups (0.43% vs. 3.6%).

Genetically speaking…we need cattle that ***GROW & GRADE***

Cattle that grow and grade vs. cattle that don't…

Feedyard Closeouts—Yearling Steers	High Growth High Grade*	Low Growth Low Grade**
Number of Pens	151	113
Total Head	36,266	26,729
Death Loss	1%	1%
Placement Weight (lbs.)	806	797
Finish Weight (lbs.)	1,402	1,282
Days on Feed	166	150
Dry Feed Intake (daily lbs.)	20.66	19.92
Average Daily Gain (lbs.)	3.59	3.30
Dry Feed/Gain (lbs.)	5.77	6.05
Feedlot Cost of Gain ($/cwt.)	88.39	93.64
Dressing Percent	64.6%	64.1%
Prime & Choice	73%	40%
Certified Angus Beef	19%	5%
Yield Grades 1 – 3	89%	95%
Grid Premium (head)	$39	($13)
Value Per Head Sold	$1,415	$1,256
Profit/Loss Per Head	44.28	(35.89)

*1,350 lbs. or heavier finish weight and 65% or better Prime and Choice.

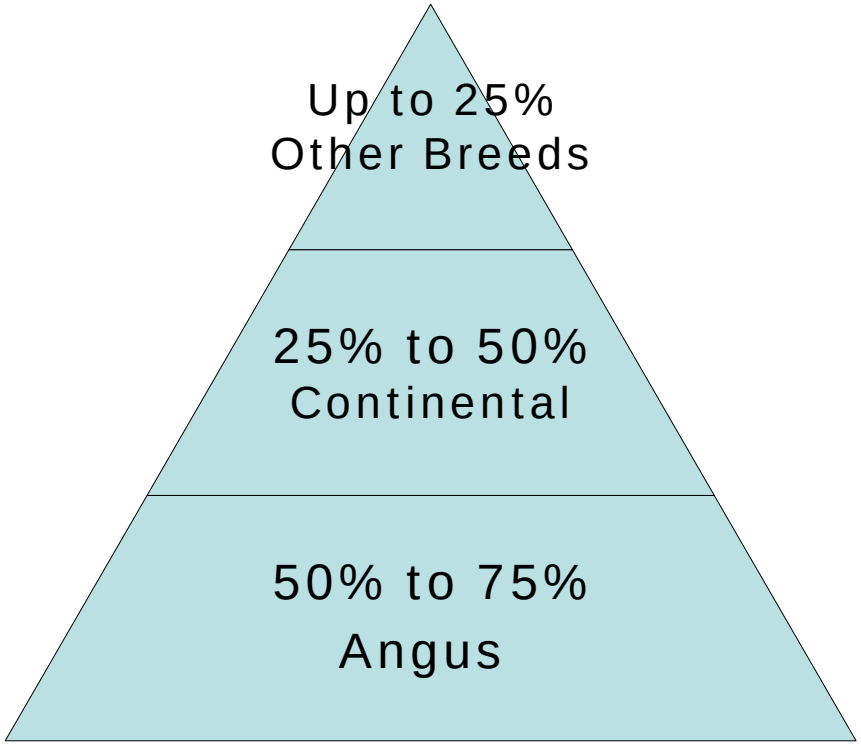
**1,300 lbs. or lighter finish weight with 45% or lower Prime and Choice grades.

Cattle that grow and grade:

- Eat more feed each day and stay in the feedyard longer
- Gain both faster and more efficiently with lower COGs
- Weigh more and dollar up better
- Higher quality grades = larger grid premiums
- Yield grades may not be better than average
- Generate more top and bottom line income for the feedyard…and are therefore worth more as feeder calves

Favorable breed composition can be a great start to producing cattle that work well in the feeding and packing segments (and on the ranch too).

Breed Composition Pyramid: Ideal Feeder Animal



FIVE RIVERS
CATTLE FEEDING

Five Rivers Case Study on a group of Missouri pink-nose Charolais steers

Background:

Eight head of pink-nose (high percentage) Charolais steers raised by one Missouri producer were fed in a pen of 256 head of MFA steers at Kuner Feedyard near Greeley, CO.

The entire group was placed on feed in late January 2012 weighing 774 pounds (average). They shipped to the packing plant for harvest in early July at 1,362 pounds. Feeding performance was good, with an average daily gain of 3.59 pounds and dry feed efficiency of 5.45:1. Carcass results were mediocre. Only 49% of the pen graded Choice.

<u>Key Question</u>: How did the high-percentage Chars perform for growth and carcass traits versus the overall pen average?

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CATTLE FEEDING

Carcass Results:

MFA Producer Steers	Carcass Weight (lbs.)	Backfat (inches)	Ribeye Area (sq. inches)
Total Pen Average---256 head	885	0.40	15.9
Pink Nose Charolais---8 head	801	0.25	15.7
Difference	-84	-0.15	-0.2

The pink-nose Chars obviously did not grow as well as the rest of the pen, so they weighed up light and were not finished (not enough back fat) when harvested.

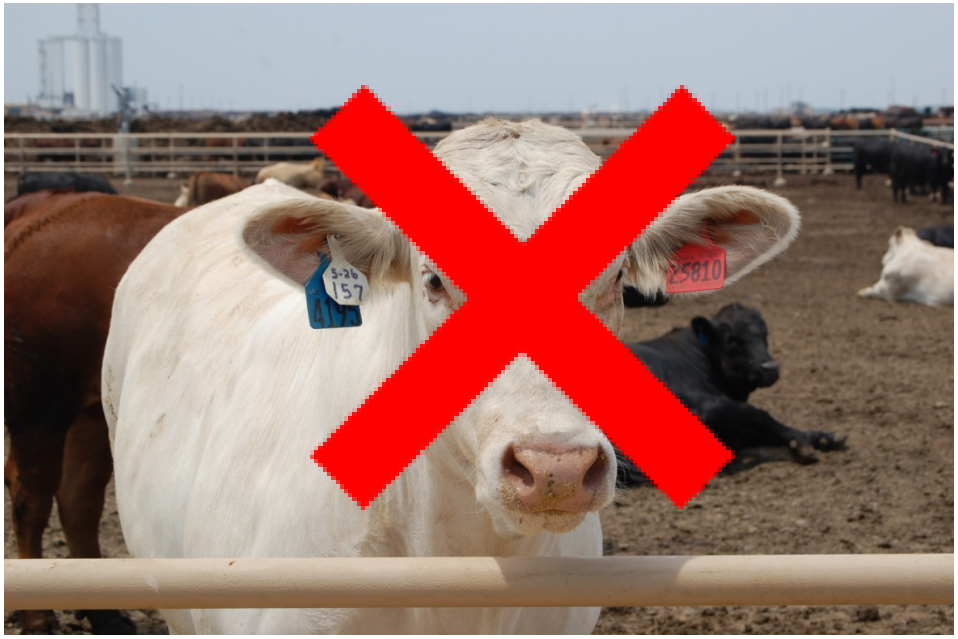
FIVE RIVERS
CATTLE FEEDING

Carcass Results (continued)….

Furthermore, not a single one of the eight head reached the Choice quality grade, or were even close to doing so. Four head had Low Select levels of marbling, while the other four were Standards/No Roll carcasses.

All eight head received quality grade discounts on the grid.

Lower carcass weights and poor quality grades resulted in the eight pink-nose Charolais being worth $238 per head ***LESS*** than the pen average.



Too much of a good thing? YES!

Cattle with Charolais influence are fine. However, as with other Continental breeds, a 25% to 50% breed component (not more) is desirable.

Char x Angus and Char x Red Angus typically make good feeding and good grading cattle. The Angus portion should ideally represent 50% to 75% of the animal's total genetic makeup.

Choice 995-lb. YG2 carcass

Choice 945-lb. YG2 carcass

The same MFA producer with the pink-nose Char steers also had two reds that both graded low Choice and weighed up significantly above the pen average. These steers did “dollar up” quite well.

We’d certainly take more like them!

MFA Steer Carcass Results

- 172 head
- 912-lb. carcass wt.
- 79% Prime & Choice
- 20% Select
- 1% Standard
- 3.07 average YG
- 44% YG 1s & 2s
- 10% YG 4s & 5s
- 9% Heavy carcasses

Your genetics leave an imprint on this industry. Make it a good one!


The End