Tri-State
Beef
Conference

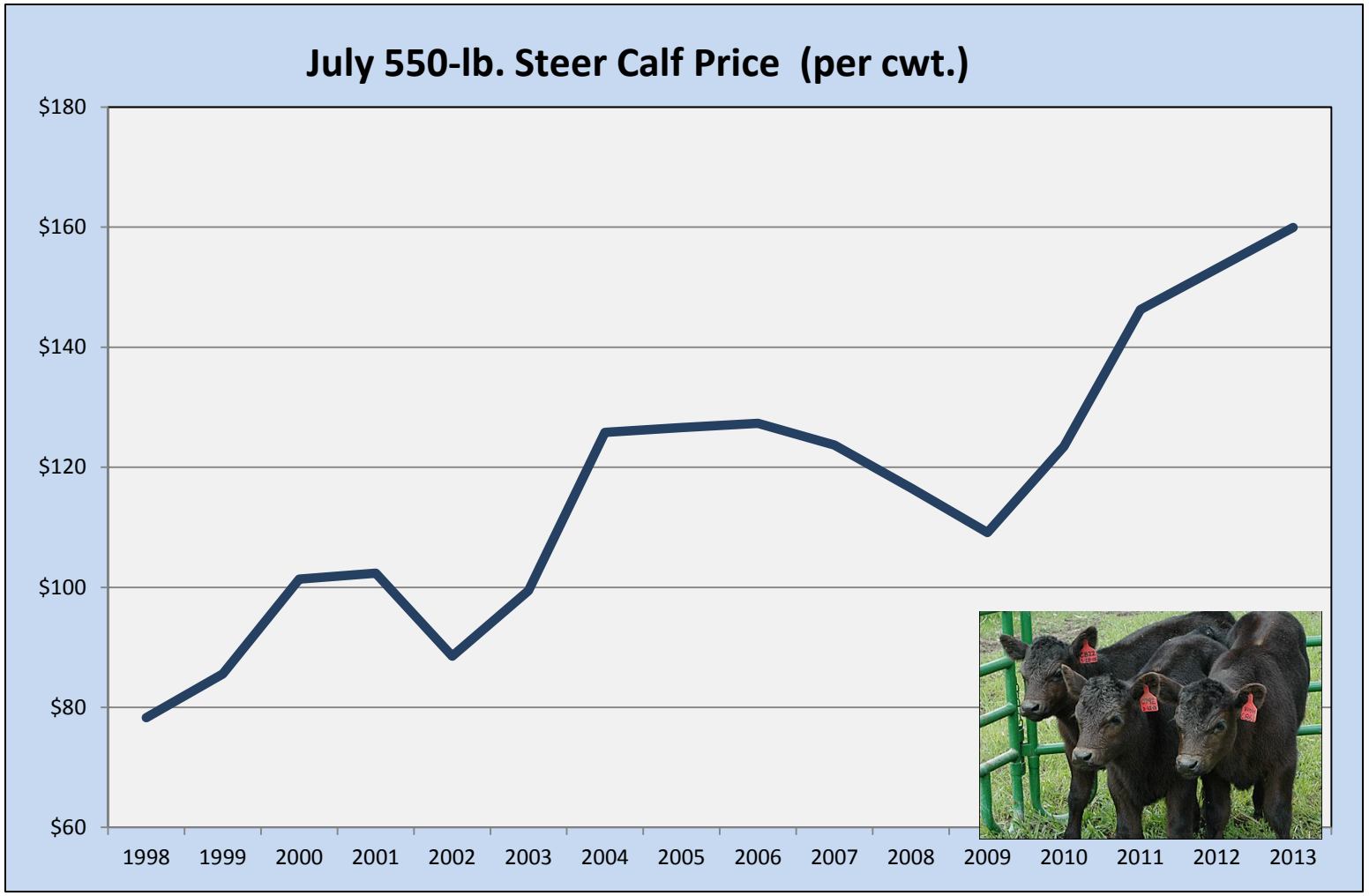
The Big Picture:
Road ahead for the cattle business

By Tom Brink

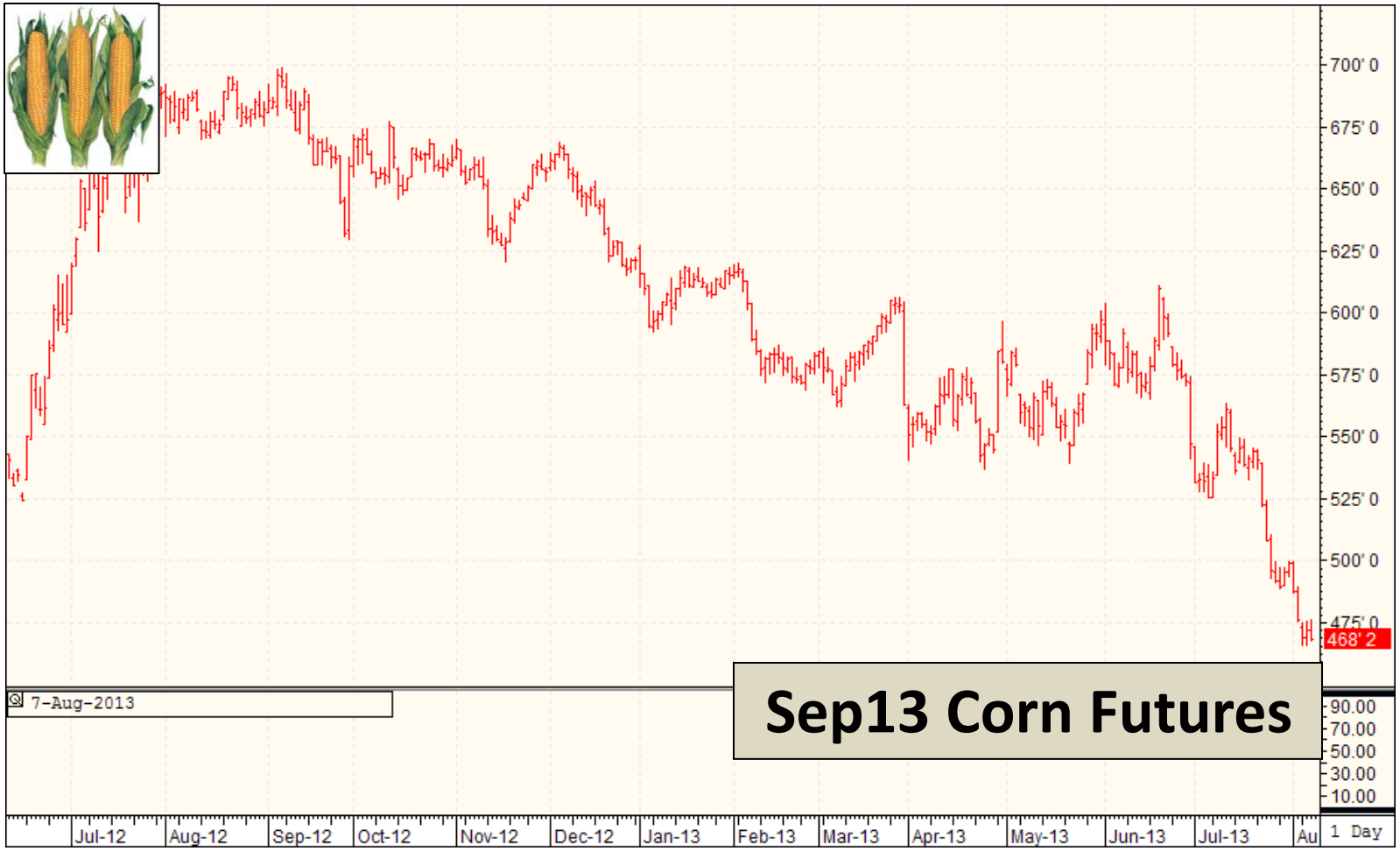
JBS Five Rivers Cattle Feeding, LLC

- Owned since October 2008 by JBS USA
- Twelve feedyards in seven states and Alberta, CA
- 990,000 head of feeding capacity
- Buy 35,000 feeder cattle and use 2.0 mil bushels of corn per week on average
- Majority sold on grids (formulas)

Good Time To Own Cows?



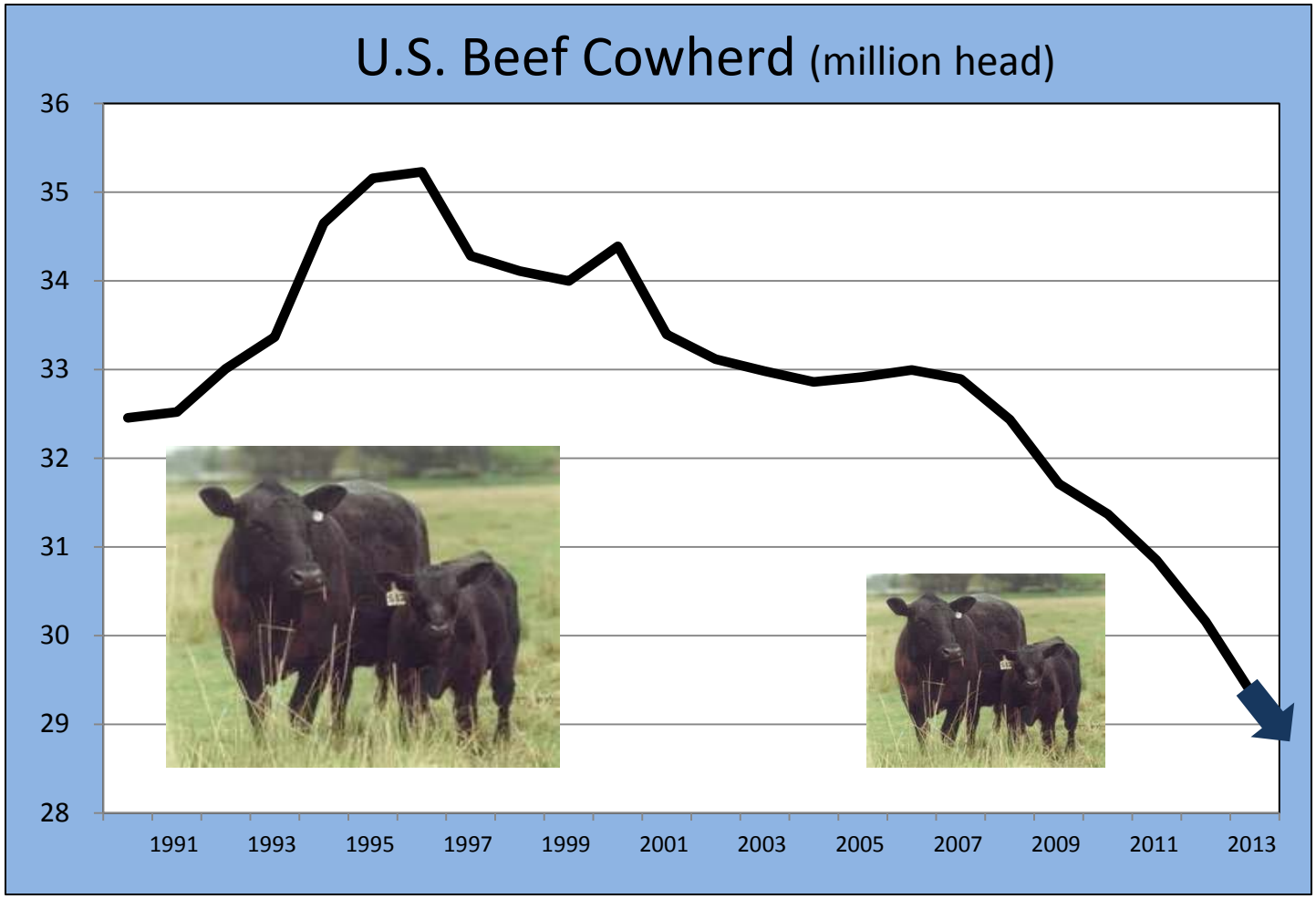
Corn Prices Coming Down…



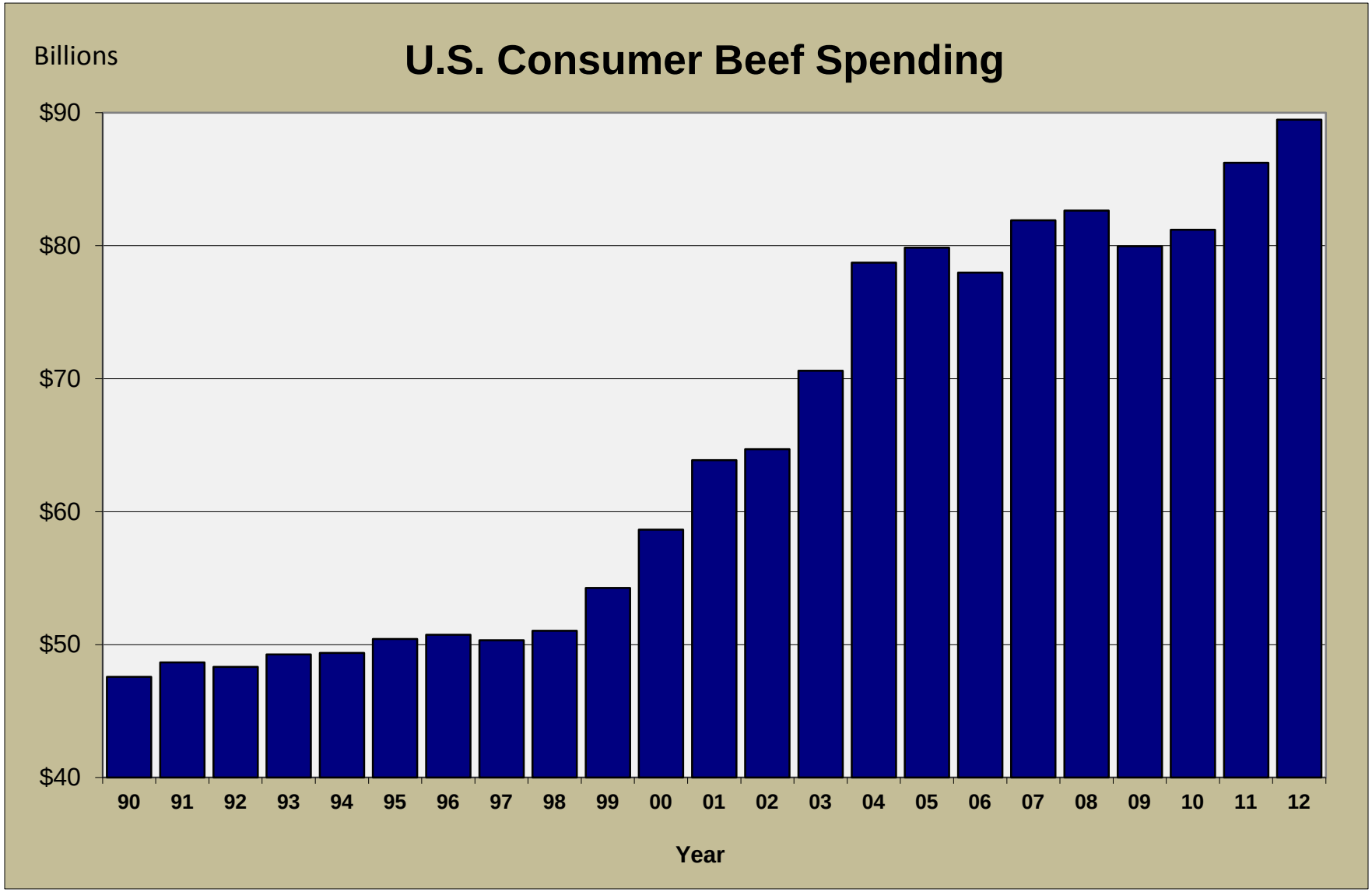
Corn-Calf-Fed Cattle Price Matrix

	Corn	$4.00	$4.50	$5.00	$5.50	$6.00
FED PRICE						
$118		178.32	170.71	163.10	155.49	147.89
$121		185.08	**177.47**	**169.86**	**162.25**	154.65
$124		191.85	**184.24**	**176.63**	**169.02**	161.42
$127		198.61	**191.00**	**183.39**	**175.78**	168.18
$130		205.38	**197.77**	**190.16**	**182.55**	174.95
$133		212.14	204.53	196.92	189.31	181.71

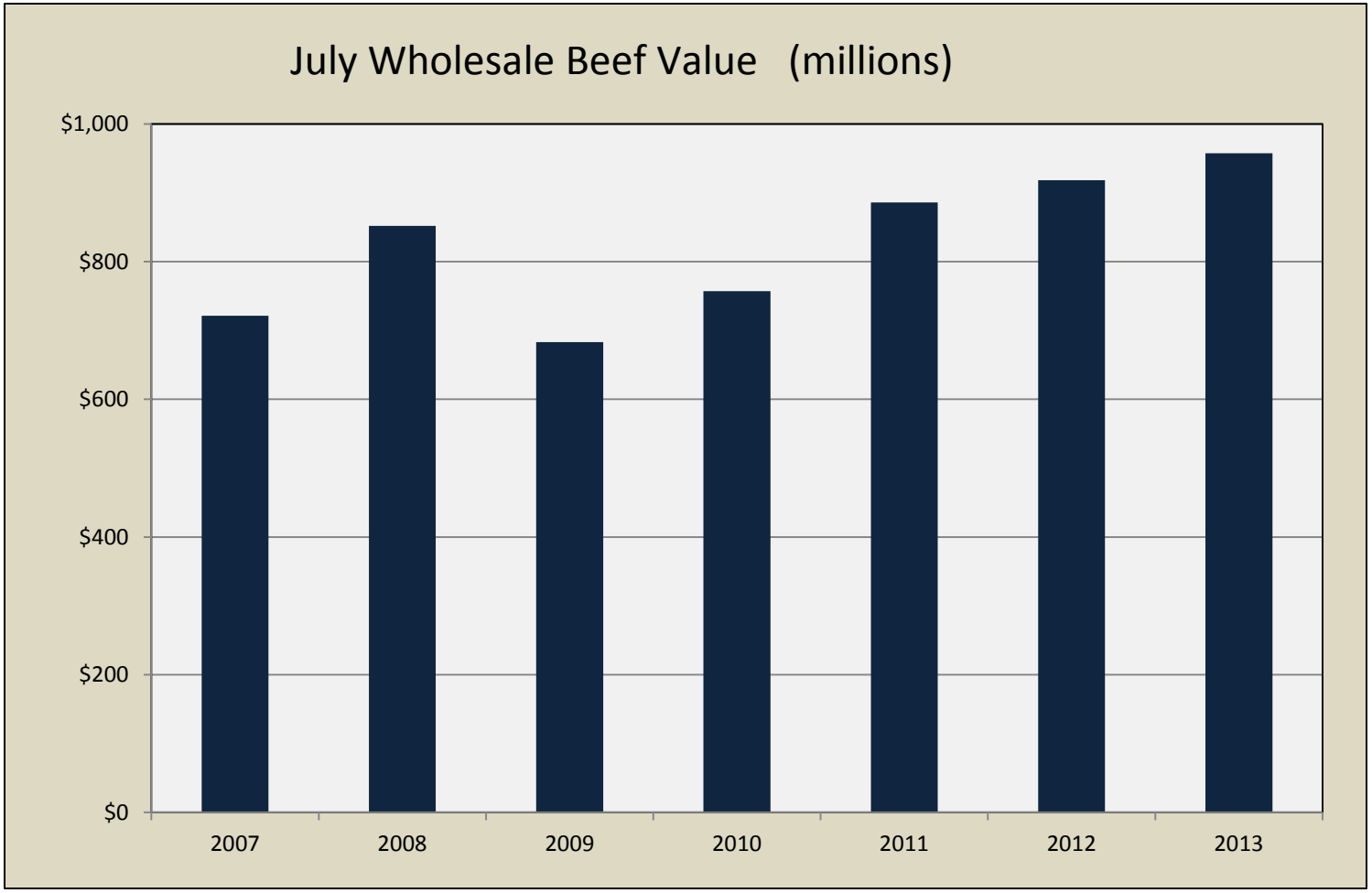
U.S. cow numbers continues to shrink



Beef cowherd down 3% on January 1, 2013



Beef demand is growing, while supplies are shrinking.



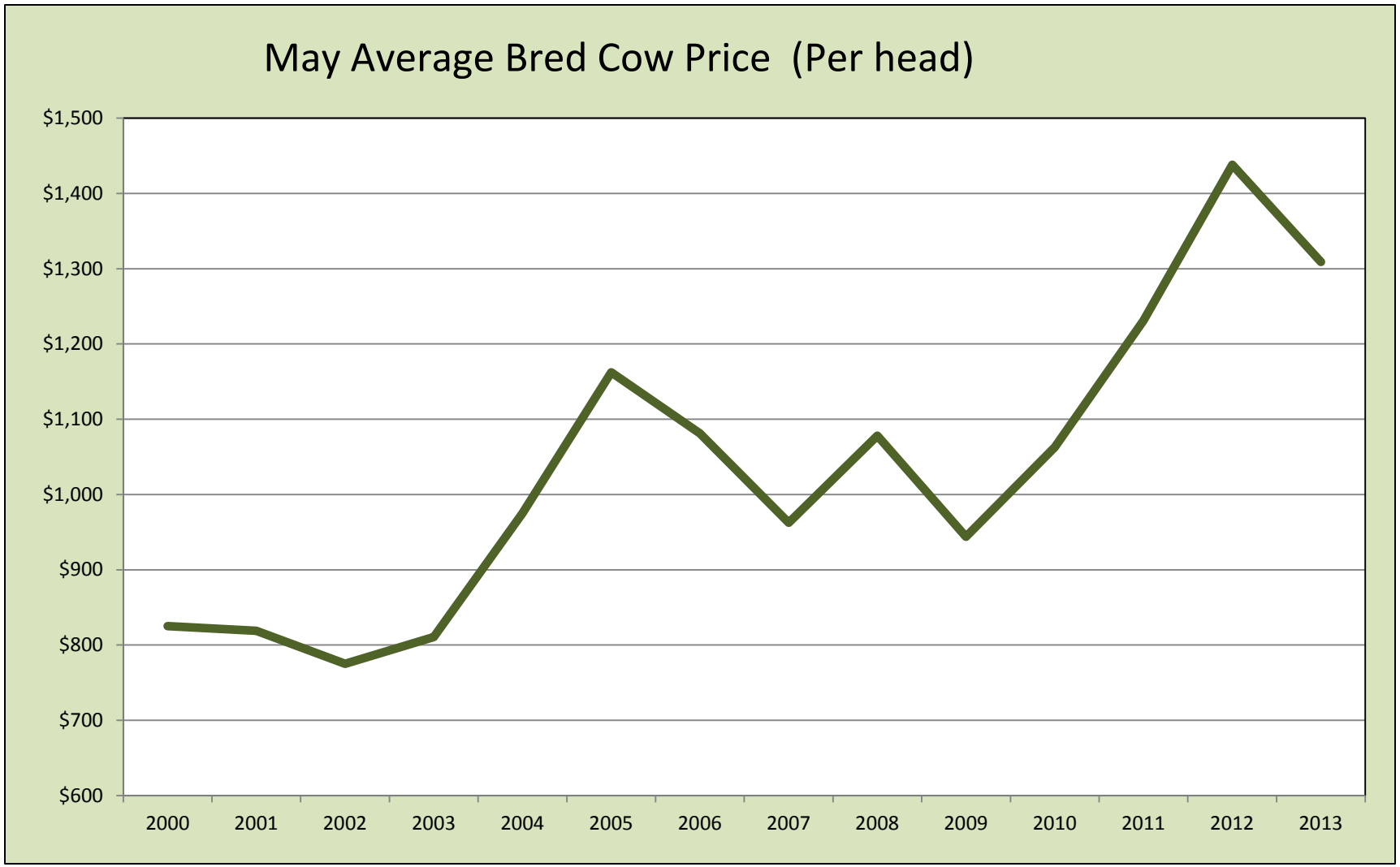
Up 4% versus last year and record high for July.

Non-alfalfa hay price:

June 2012	$143/ton
June 2013	$149/ton

Up 4%

Source: USDA

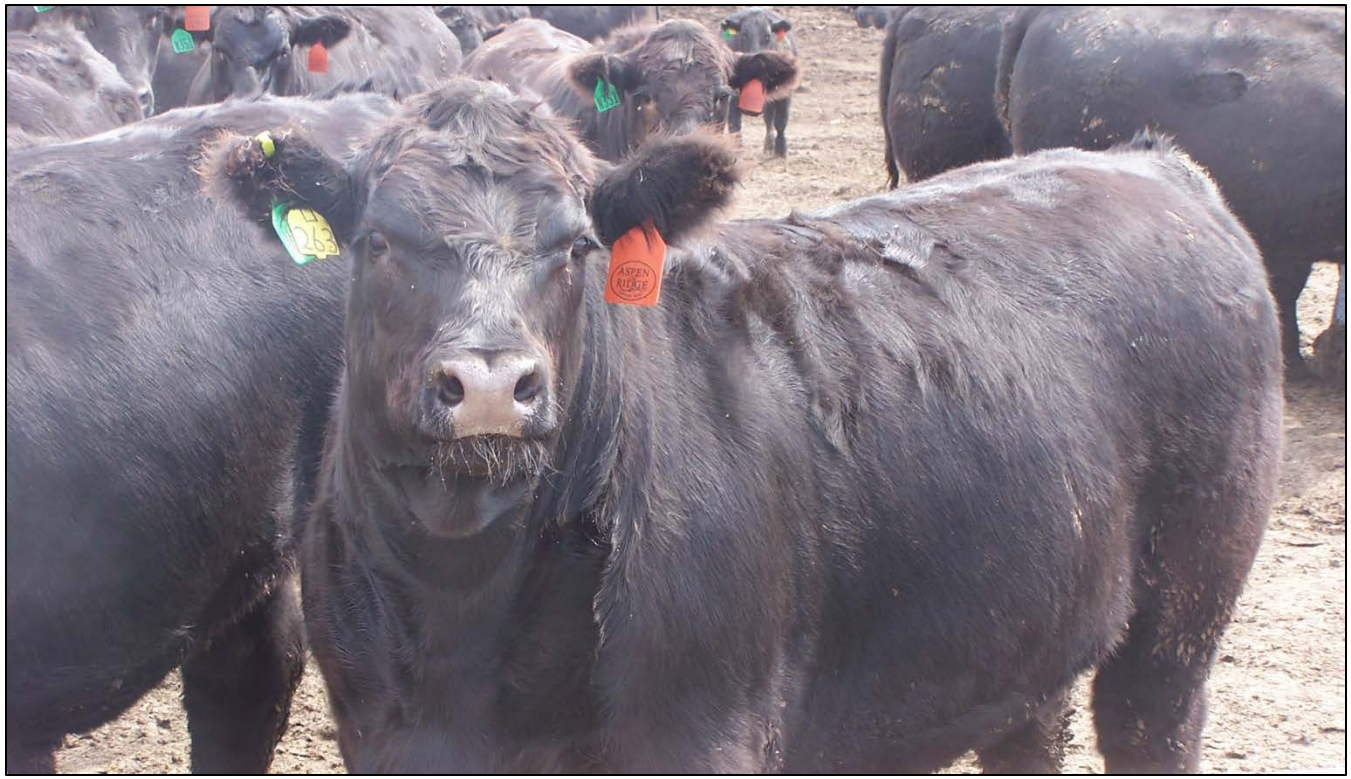


Some price appreciation has occurred…more to come?

GREAT time to own cows, ***IF*** you have a competitive cost structure ***AND*** the right genetics and management to compete in today's marketplace.

The young cows you have now and the heifers bred during the next couple years could be the most profitable cows you'll ever own.

Let’s discuss specific value traits and profit drivers in the feedyard, and define the 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

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* & *GRADE* are Winners!

New Era in Cattle Performance is here!

	ADG	Dry F/G	Grid
Average Performers	3.40 lbs.	6.00 lbs.	+$20
Top 10%-15% Performers	4.75 lbs.	5.25 lbs.	+$85

Source: Five Rivers Cattle Feeding

Total economic advantage for the top performing cattle is +$219 per head.

New Era in Cattle Performance is here!

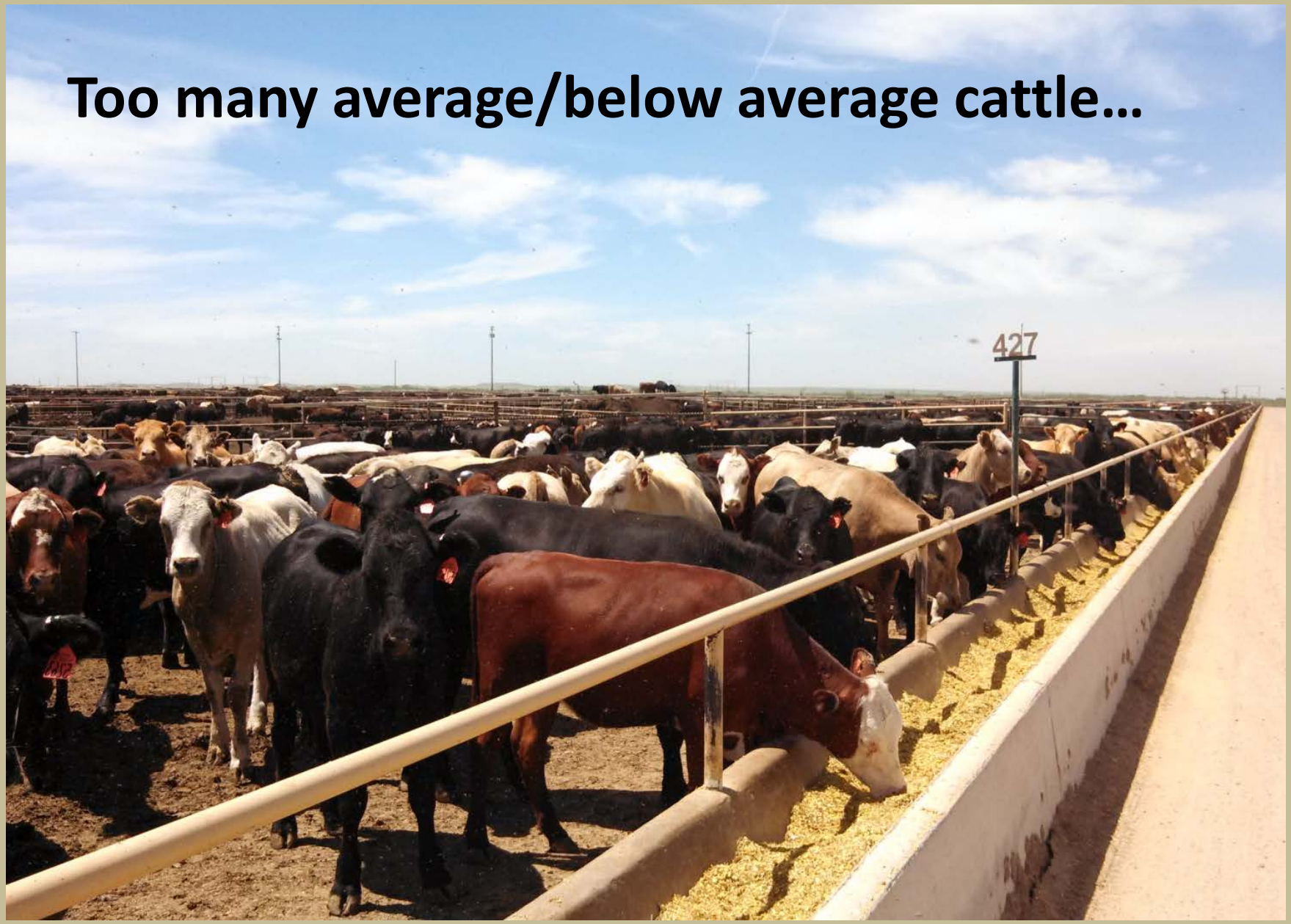
	ADG	Dry F/G	Grid
Average Performers	3.40 lbs.	6.00 lbs.	+$20
Top 10%-15% Performers	4.75 lbs.	5.25 lbs.	+$85

Source: Five Rivers Cattle Feeding

Total economic advantage for the top performing cattle is +$219 per head.

N944
N944
N944

Too many average/below average cattle…



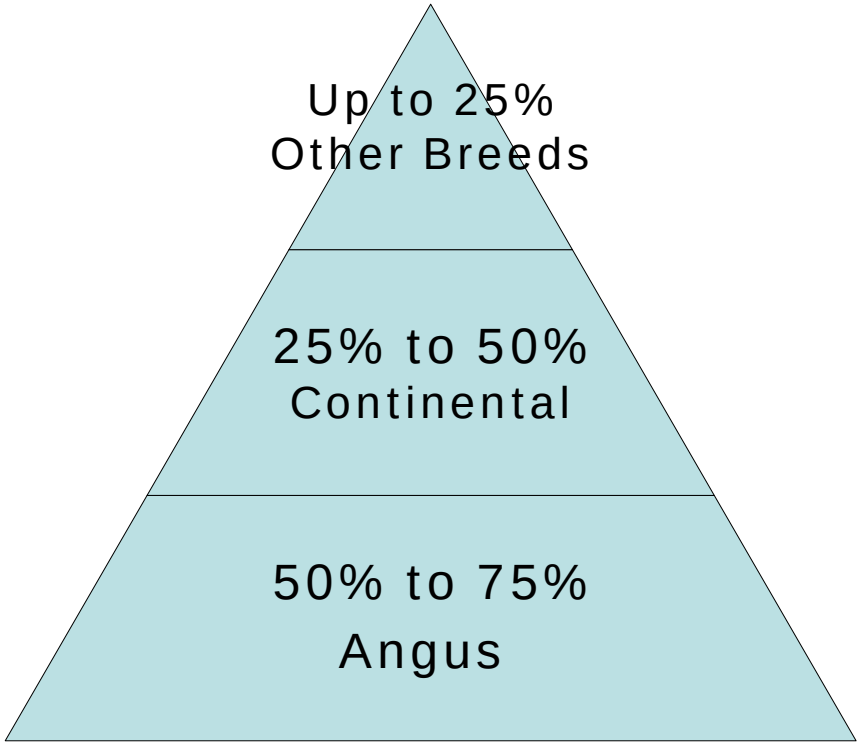
What can one bull do?

Calving Ease	Top 5%
Weaning Weight	Top 2%
Yearling Weight	Top 2%
Carcass Weight	Top 25%
Marbling	Top 1%
Ribeye Area	Top 15%
$W (maternal)	Top 1%
$B (terminal)	Top 1%

One bull can create an amazing amount of value!

Favorable breed composition is 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

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

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

FIVE RIVERS
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

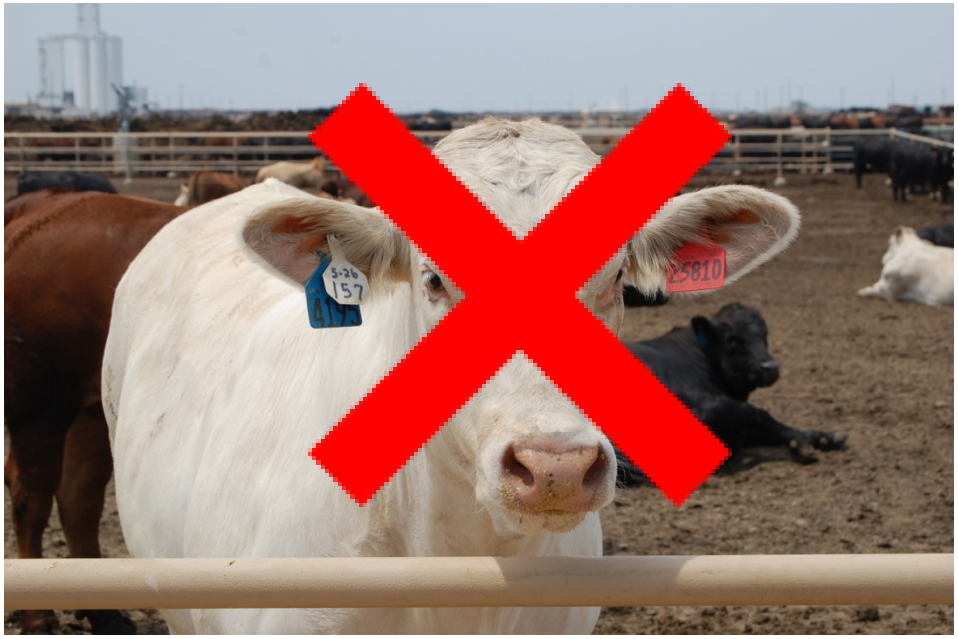
The pink-nose Chars obviously did not grow as well as the rest of the pen, so they weighed up light and were not finished (not enough back fat) when harvested.

FIVE RIVERS
CATTLE FEEDING

Carcass Results (continued)….

Not a single one of the eight head reached the Choice quality grade. Four head had Low Select levels of marbling; 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.



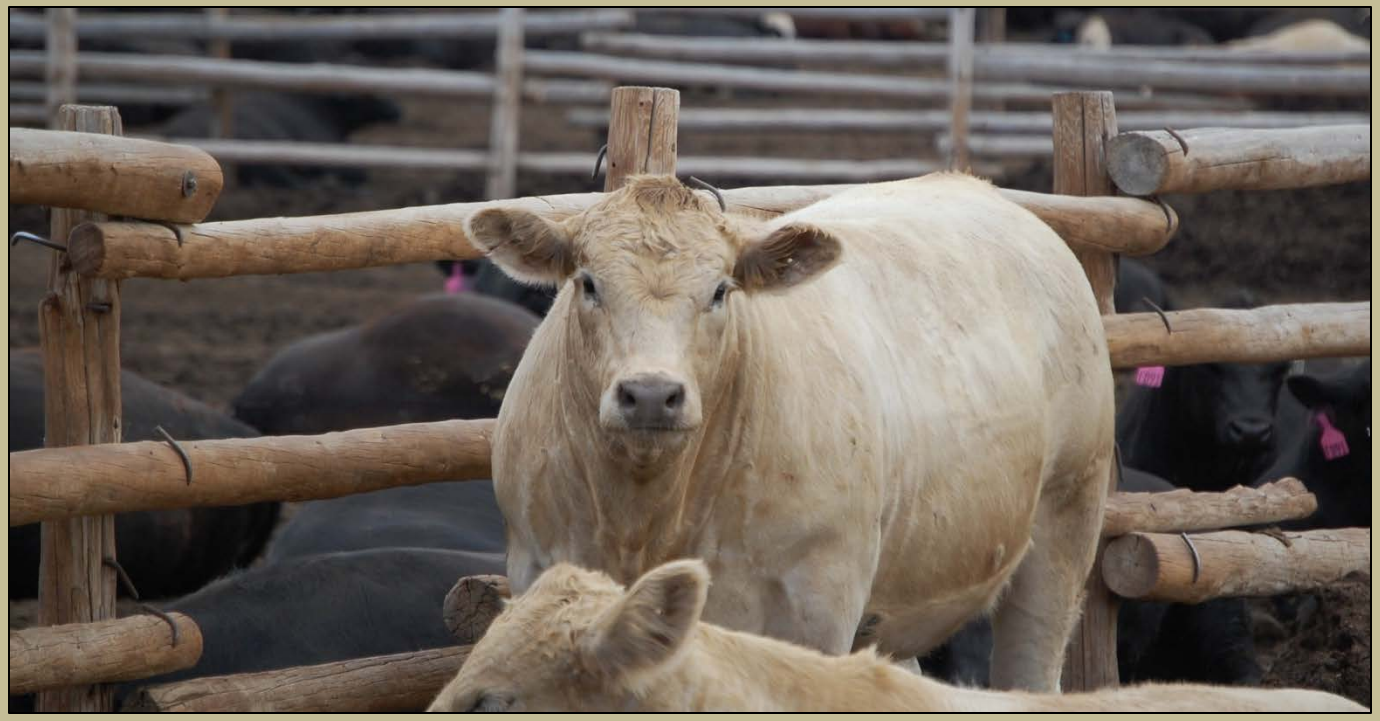
Too much of a good thing? YES!

Cattle with Charolais influence are fine. However, as with other Continentals, a 25% to 50% breed component (usually 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.

N915
N915

N915
N915
N915
N915



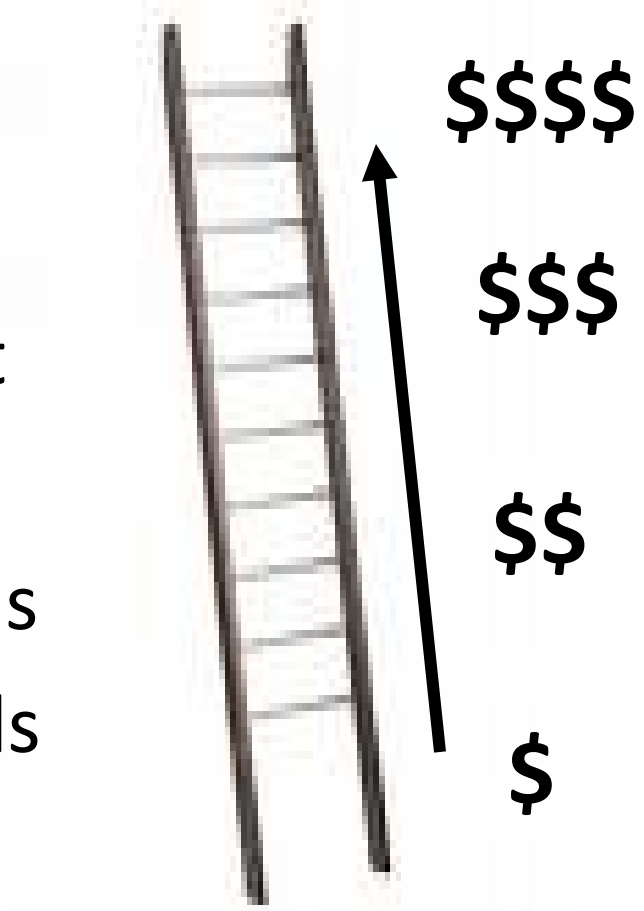
Choice 995-lb. YG2 carcass

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!**

Creating more valuable feeder calves

- Value-added programs
- ***UNIFORM*** load-lot groups
- Post-weaning management
- Health protection
- Right genetics within breeds
- Right combination of breeds

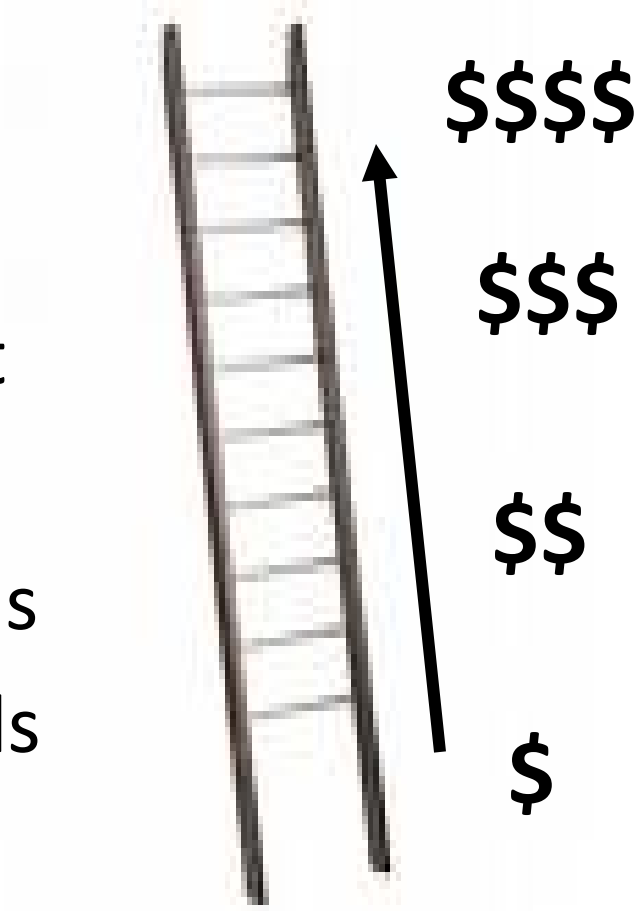


What is the source of uniformity?

Answer: **Sorting stick**

Creating more valuable feeder calves

- Value-added programs
- ***UNIFORM*** load-lot groups
- Post-weaning management
- Health protection
- Right genetics within breeds
- Right combination of breeds



Reputation, Reputation, Reputation…

Best weight for feeder cattle?

Steers

- 700-825 lbs. **(ideal)**
- 825-900 lbs. **(acceptable)**
- 900-950 lbs. **(barely acceptable – must be high performance cattle)**
- >950 lbs. **(unacceptable)**

Heifers

- 600-725 lbs. **(ideal)**
- 725-800 lbs. **(acceptable)**
- 800-850 lbs. **(barely acceptable – must be high performance cattle)**
- >850 lbs. **(unacceptable)**

Slide typically increases to -$6 per cwt. (larger weight discount) on steers above 900 lbs. and heifers above 800 lbs.

The End