

MAXIMIZE YOUR BULL CALF VALUE

Looking Beyond Adequate Colostrum Intake

Mark Quinn, DVM

Bull Calves are A Huge Part of Our Business

- We ship about 75,000 per year



A HOT MARKET !!!

Just completing longest cattle cycle in US history

- Years of relatively cheap corn
- Calf Fed Holstein Carcass – Ideal for fabrication
- Specialized Packers – Focusing on Calf Feds
 - ◆ Competition to line up supply
 - ◆ Easily documented for Age and Source
- Large efficient Calf Ranches
- Improvements in Milk Additives and Substitutes

LONG BULL MARKET

- One to two years left before we see a major shift in psychology
- At this point, Feedyards and Packers are still willing to bet on a higher market
- Calf ranches are able to contract calves without an underlying futures market to support contract prices
- A lot of new people that don't remember 1993 through 1996
- We turned calves down that would have been delivered free

Figure 1. Long-run steer calf planning prices
500-600-lb. animals in Northern plains

Harlan Hughes

Beef Magazine Jan, 2006

Fall weaning prices

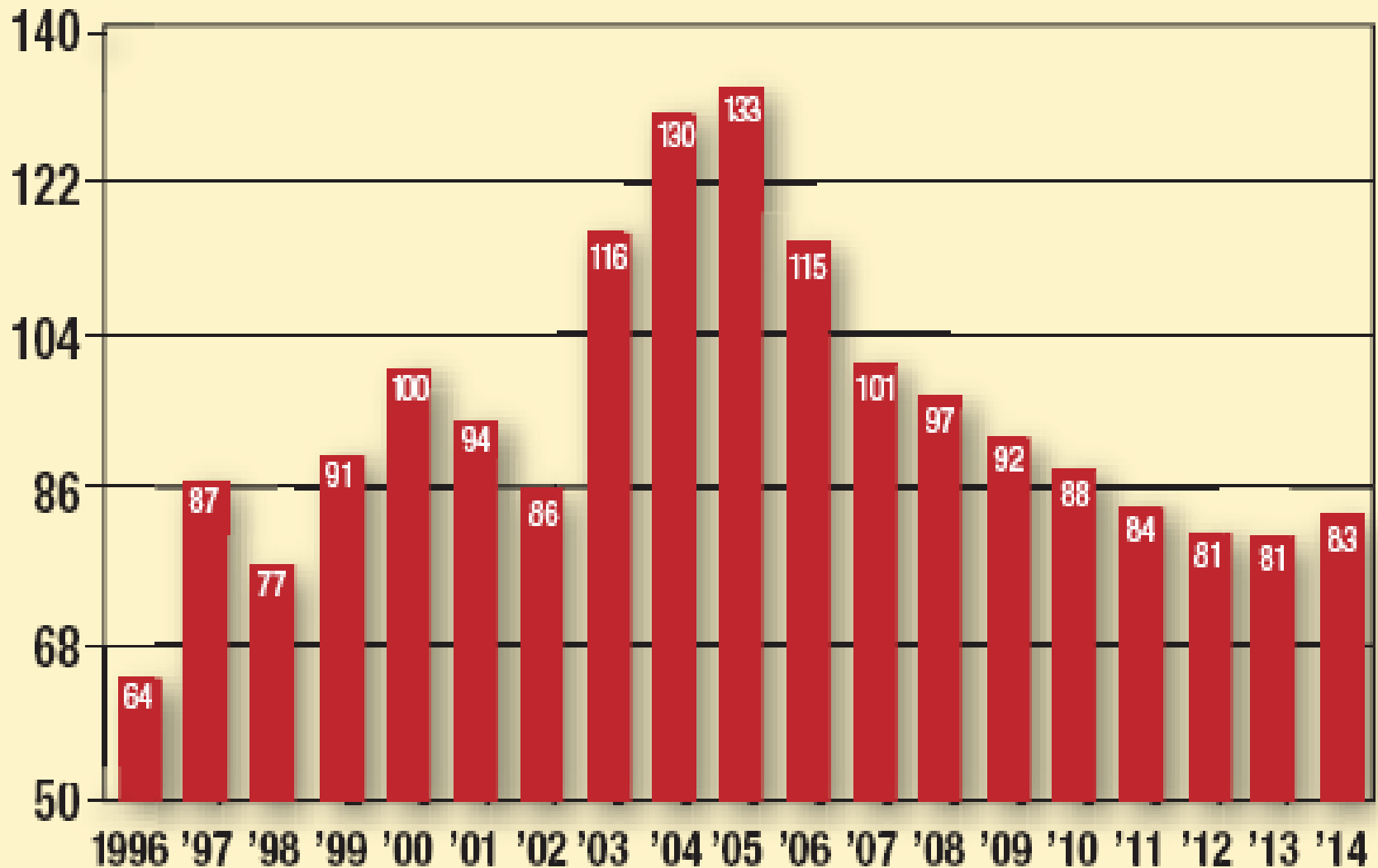


Figure 3. Slaughter steer planning prices

1,150-1,250-lb. animals in Central Plains

Harlan Hughes

Beef Magazine, Jan, 2006

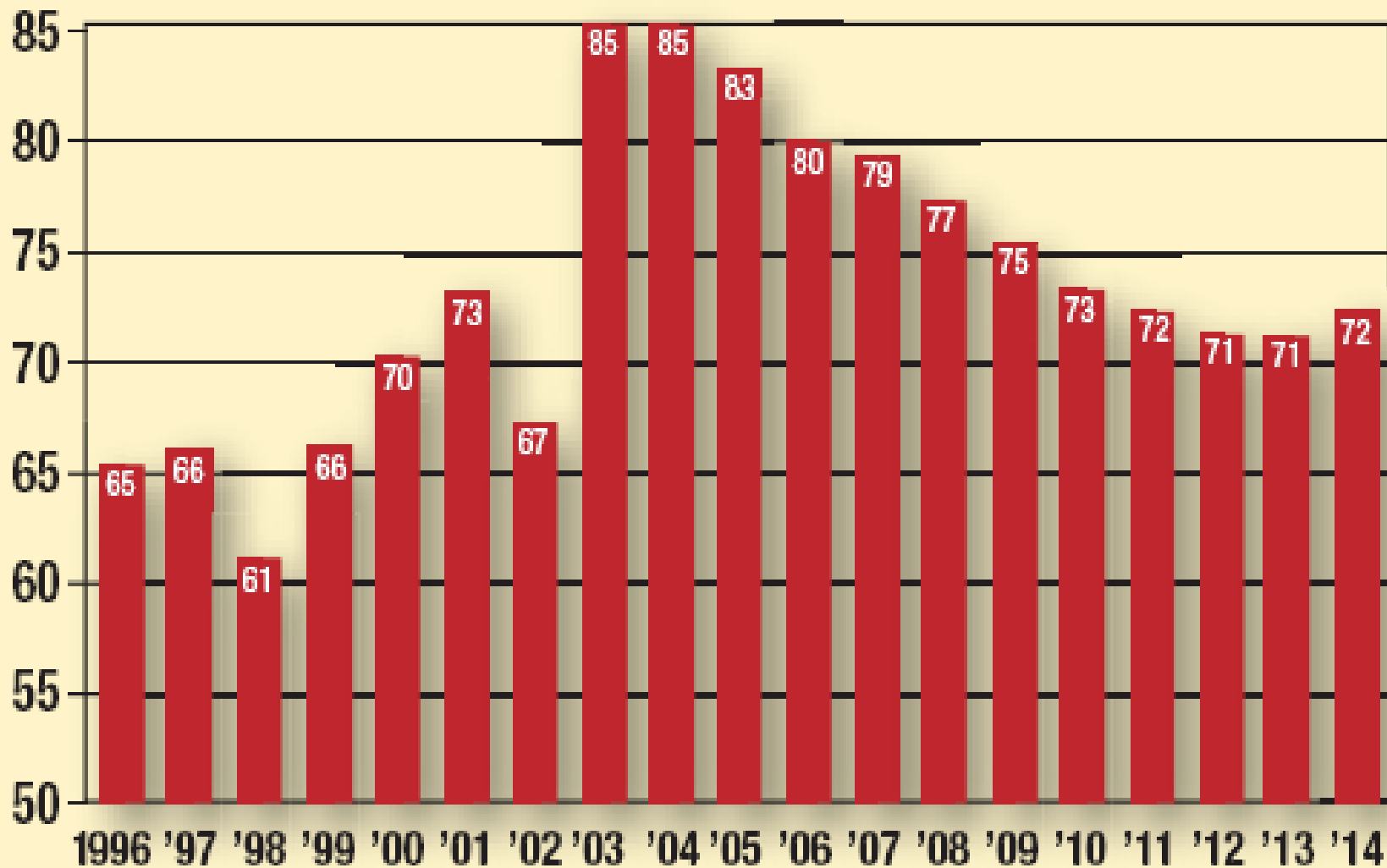


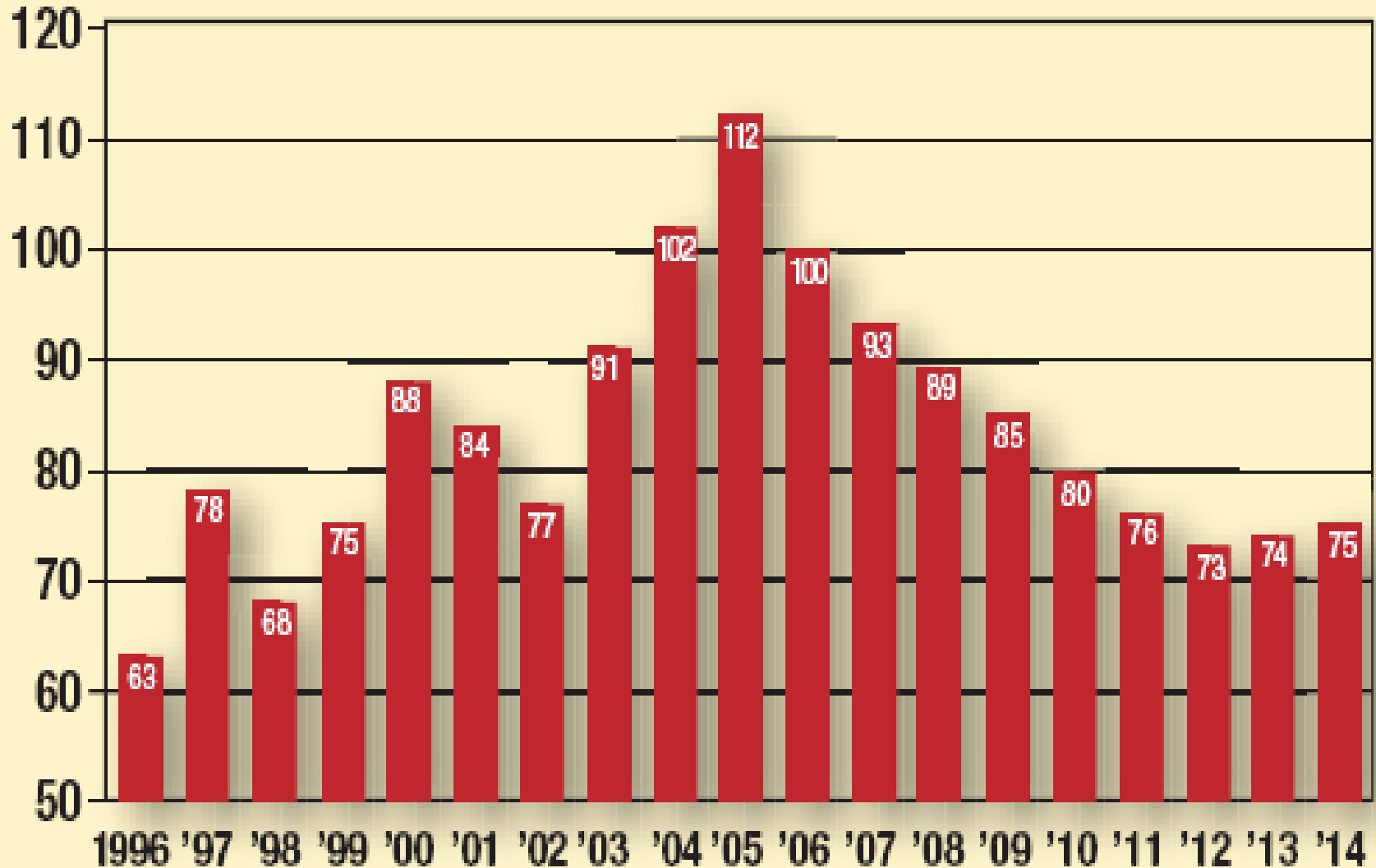
Figure 2. Feeder steer planning prices

700-800-lb. feeders in Northern Plains

Harlan Hughes

Beef Magazine Jan, 2006

Annual prices



CHEAP CORN

- Every bull calf purchased consumes 100 bushels of corn
- Government has had a cheap corn policy
- Budget deficits are changing this scenario - Farm Bill – 2007
- Ethanol production is growing at unsustainable levels
- Net effect will be higher priced corn – cheaper calves

Value Added Processing

- Holstein carcass is ideal for further processing
- High quality, consistent product
- Smaller Rib Eye is not a disadvantage
- Much less trimable fat versus native cattle
- Consistent supply that is manageable for forward pricing and scheduling

SPECIALIZED PACKERS

- Packerland is a national force driven by Smithfield culture
- Culture is to produce quality product as economically as possible
- Five Rivers – Joint venture with Smithfield and Continental Grain
- 811,000 head one time capacity
- Brawley Beef – same scenario
- National Beef – starting to be competitive
- All are part of the higher demand seen today

PACKERLAND / SMITHFIELD

- Aggressively growing their capacity
- Largest Plants in Phoenix and Green Bay
- Will Forward Contract – set price on the board
- Scott Walker – 920-406-1110
- Look for them to build a plant on the High Plains

PACKERLAND CONTRACT

- Arizona Plant Specifications
- -\$3.50 Texas / Oklahoma price
- 57% Choice or Prime
- 61% Yield
- 650 to 900 pound carcass
- 280 days on high energy ration
- Industry Standard discounts and premiums apply
- No Premium for Age & Source Verification

BRAWLEY BEEF

- Seven Feedyards built this Plant
- Focus is on Holstein Calf Feds
- Mike Tanner – 760-351-2761
- Need to feed calves in one of the member yards

BRAWLEY BEEF RESULTS

- Averages about \$3 to 4 back of Texas / Oklahoma Price
- 65% Choice Standard
- 61% Yield Standard
- All cattle must be Age and Source Verified – Pays \$2 / Head for EID

NATIONAL BEEF

- One plant in Garden City, Ks
- Art Wagner 816-713-8500
- Partly Owned by Cattleman
- No Contract – Buyer Approval
- No Specifications
- \$4-6 Back of Texas / Oklahoma
- \$2 / Cwt Premium for Age & Source Verification

LARGE EFFICIENT CALF GROWERS

- Professional calf ranches have greatly improved calf raising efficiencies
- Greatly reduced costs through better livability, feeding technologies, marketing, and moving through the production chain
- Everyone is vying to line up supply to feed their production chain
- Same reason heifers are high today

MILK SUBSTITUTES AND ADDITIVES

- Cheap government skim milk -
Drought States only
- Industry is getting better at using
byproducts for proper nutrition and
cheaper raising costs
- Antibodies and other additives are
improving livability

AGE AND SOURCE VERIFICATION



- Highly probable your calves are already being verified
- Calf ranch needs a paper trail that is auditable
- Calf ranch usually tags calves with dairy source and date of birth
- Calf given an EID and entered into a database
- This information follows him through his production stages

Difficult to Add Value in Today's Market

- May already be overvalued
- Competition has really driven up prices
- As Cattle Cycle continues – opportunities to grow value should occur
- Competition for market share and corresponding supply is driving market today

BLACK & WHITE COOP

- Strategic Alliances or a Marketing Coop could be a great way to add value
- Calf Ranches and Feedlots would be willing partners
- Need a Processor that has **ADDED VALUE CAPABILITIES**
- This is imperative to capturing the true value of the Holstein steer
- Extremely difficult to do – Need multiple talents and staying power

ADDED VALUE

- Fabricate the carcass into portion control items for food service
- Age and Source verified hamburger is bringing a \$.10 to .20 per pound premium
- Consistent, tender, flavorful steaks with a supply chain like you have is powerful
- The Black & White theme is also a great marketing tool
- Braums now sells meat in their stores

Don't Underestimate The Power of the Cattle Cycle

- In the 70's, I watched my parents loose their equity
- In the 80's, I watched my employer loose much of his equity
- In the 90's, I watched myself loose my equity
- In the 00's, can we manage around this?????