

## Getting Paid for Quality

It all adds up. Genetics, management and marketing combine to maximize quality and profit.

Posted: January 24, 2007

By Troy Smith

### **Drovers/Certified Angus Beef, LLC BEEF QUALITY CONNECTION**

A few years ago, a project headed by Texas A&M University professor Barry Dunn revealed that the profitability of cow-calf operations has little to do with how big they are, or where they are located. Dunn's study suggested that the most profitable operations are those that successfully marry low-cost production with savvy marketing practices.

That information came as no surprise to Barb Downey, of Wamego, Kansas. Downey and husband Joe Carpenter manage Downey Ranch, a vertically integrated operation owned by the couple and members of their extended family. Their management philosophy calls for keeping inputs as low as possible while striving to produce a high-quality product – beef worthy of a premium price. However, the actual capture of premiums is enhanced by gaining some assurance of access to a market that rewards quality.

Downey says the core of their strategy for lowering inputs is making their commercial and registered Angus cows graze as much as possible. Typically, the cows graze Flint Hills pastures in the spring and summer. They graze cornstalks and dormant range in the fall and winter, with a little protein supplement provided. And they graze winter annuals, like triticale, in the early spring.

"We believe in appropriate genetics for cows that fit the environment. And our early retained ownership experience showed the calves performed well in the feedlot. They produced high-marbling carcasses with moderate fat cover. Breeding for the right females still comes first, but we're using carcass information in our genetic selection," states Downey. "We keep fine-tuning our genetics and management – everything from our health program to low-stress, fence-line weaning, and weaning early – to enhance quality."

Downey Ranch will sell some calves when the market is favorable, to increase cash flow. But generally, they prefer to retain ownership and market cattle on a quality-based grid. That's how we are best able to get paid for our genetics, and for management aimed at adding value in terms of quality," Downey adds. "We figure we're better off with retained ownership over 90 percent of the time, realizing \$125 per head more profit (on average) than when selling calves."

Even when the genetic potential is present, insists Downey, considerable credit for consistently hitting a profit-earning quality target goes to the cattle feeder. Downey Ranch sends their calves to be finished by Kniebel Cattle Company, near White City, Kansas. A ruminant nutritionist, MaryAnn Kniebel also assists husband Kevin and other family members in the management of a 1,500-head capacity feedyard as well as commercial and registered cow herds. Except for seedstock sales, the nearly 130-year-old operation always sells finished animals.

"We've learned that you can't manage superior quality into animals with poor genetics. But you definitely can screw up good genetics with poor management," Kniebel offers. "Quality is the sum-total of genetics and management."

Kniebel says management of health and rations is largely about achieving optimum potential for gain and feed conversion, while avoiding potential discounts associated with least desirable yield grades. She and Downey agree that timely marketing is a key element but so is market accessibility. Both believe the latter is improved through participation in a marketing alliance. For

the Downey and Kniebel operations, membership in US Premium Beef (USPB) affords access to a market that rewards quality.

“We’ve aligned ourselves with like-minded producers. And while we aren’t big operators, we can sell our cattle on the same quality-based grid, and qualify for the same premiums for carcass merit as someone marketing huge numbers of cattle,” explains Kniebel.

Downey says cattle age- and source-verification is adding another premium that she believes will increase as access to export markets for high-quality beef improve.

“If foreign buyers insist on a 20-month age limit and cattle traceability, verification of age and source will become hugely important. We’re receiving a \$25 per head premium for age-verification right now, but I expect it to go higher when overseas trade starts flowing more freely,” offers Downey.

Recognizing opportunities to add value to cattle also helps these Kansas producers cash in on quality. Downey and Kniebel cite marketing of cull heifers as an example. Open, 900-pound heifers from both firms could have fetched about \$900 apiece, had they been sold right after failing a pregnancy test in September. Instead, the heifers were kept, fed to finish and ultimately netted \$300 more.

“The genetic potential has to be there,” says Kniebel, “but managing cattle well and paying careful attention to marketing will help you realize more profit from quality.”