

NEMO Premier Beef Marketers: A Marketing Option

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Introduction

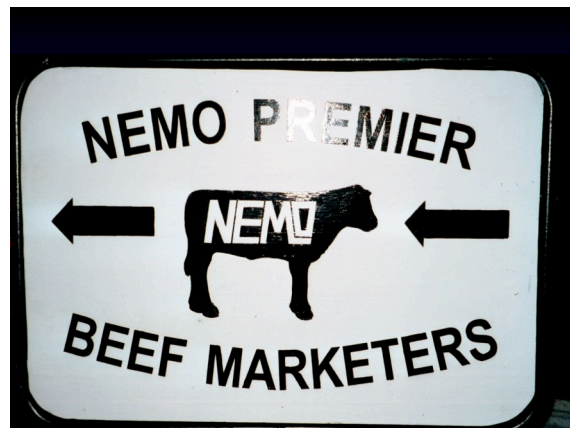
■ Initial Goals:

- » Find out how their cattle perform in a feedlot and at the packer
- » Develop long-term relationships with individuals in the feedlot and packing industry
- » Provide buyers with more information and reduced risk
 - » Genetics, health program, and / or performance during backgrounding
- » Provide potload lots of uniform cattle which had been commingled for 45-60 days
- » Gain experience with retaining ownership into the feedlot
- » Eventually profit from the added value through feedlot and packer performance

Introduction

■ Scenario

- » Involved formation of a business alliance among 10 small cow-calf producers for the purposes of learning how our cattle perform beyond our own farms and getting paid for that performance
- » Handshake agreement between members
 - » Membership from year to year is not compulsory



NEMO Premier Beef Marketers

■ Program Overview

- » Develop production and marketing criteria that members can agree upon and then implement on their farms.
 - » Genetics similar
 - » Divide calves into weight ranges on commingling day
 - » Vaccinated according to the MS/FQAP Red tag standards
 - » Heifers guaranteed open
 - » Producers enrolled in the Age/Source Verification Program

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■ Commingling Day

- » All calves are weighed and sorted into similar weight ranges
- » All calves are frame scored
- » All calves are eartagged with a NEMO Premier Beef Marketers eartag
 - QSA tags already in place
 - Double tags proved more effective in maintaining data collection



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- They are then loaded and sent either directly to the feedlot or to a backgrounding facility



NEMO PBM Marketing Summary

	Steers	Heifers	Total
1999	223	101	324
2000	480	219	699
2001	448	295	743
2002	388	215	603
2003	263	165	428
2004	211	167	378
2005	247	116	363
2006	235	169	404
2007	263	144	407
2008	312	142	454
2009	349	125	474
Total	3419	1858	5277

NEMO PBM Marketing Summary

- Generally 50% retained ownership

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Feedlot Phase

- Have dealt with 9 different feedyards
 - Retained 25%- 75% ownership – usually 50%
 - Financed feed through the feedyard
 - The feedyard may or may not handle risk management for NEMO Premier Beef Marketers' share just as they handled their own share of risk management
 - Carcass data was collected by selling on a grid or purchasing data collection
 - Have now settled on one feedyard with which we deal

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Is retaining ownership into the feedyard a smart choice?



NEMO PBM Feedlot Summary

Steers	1999	2000	2001	2002	2003
Avg. Carcass \$\$	\$929.83	\$922.46	\$826.63	\$953.88	\$1062.80
Avg. Carcass Wt.	843 lb.	762 lb.	783 lb.	792 lb.	783 lb.
Avg. Live Wt.	1322 lb.	1243 lb.	1263 lb.	1295 lb.	1250 lb.
ADG Feedlot	3.77	3.29	3.67	3.52	3.54
Profit/hd.	\$34.65	\$23.02	(\$6.19)	\$49.60	\$43.85
Total Profit	\$7726.07	\$11,048.33	(\$2774.67)	\$17,259.33	\$9954.71

NEMO PBM Feedlot Summary

Steers	2004	2005	2006	2007	2008	2009
Avg. Carcass \$\$	\$1130.57	\$1114.57	\$1252.14	\$1271.97	\$1141.92	\$1302.82
Avg. Carcass Wt.	797 lb.	841 lb.	849 lb.	826 lb.	819 lb.	800 lb.
Avg. Live Wt.	1270 lb.	1324 lb.	1333 lb.	1316 lb.	1285 lb.	1284 lb.
ADG Feedlot	3.50	3.37	3.27	3.55	3.69	3.25
Profit/hd.	\$18.08	\$58.89	\$14.97	\$74.82	\$26.28	\$150.73
Total Profit	\$3092.26	\$10,071.00	\$2828.68	\$13,691.39	\$8199.26	\$44,464.76

NEMO PBM Feedlot Summary

Heifers	1999	2000	2001	2002	2003
Avg. Carcass \$\$	\$832.57	\$837.76	\$739.52	\$821.01	\$1005.97
Avg. Carcass Wt.	757 lb.	716 lb.	706 lb.	665 lb.	719 lb.
Avg. Live Wt.	1194 lb.	1162 lb.	1137 lb.	1072 lb.	1152 lb.
ADG Feedlot	3.49	3.20	3.35	3.03	3.16
Profit/hd.	\$35.07	(\$1.35)	\$26.78	\$55.31	\$7.07
Total Profit	\$3542.21	(\$295.45)	7901.15	\$11,890.96	\$1167.10

NEMO PBM Feedlot Summary

Heifers	2004	2005	2006	2007	2008	2009
Avg. Carcass \$\$	\$995.62	\$972.79	\$1131.51	\$1197.36	\$1044.06	\$1210.92
Avg. Carcass Wt.	708 lb.	750 lb.	808 lb.	765 lb.	747 lb.	733 lb.
Avg. Live Wt.	1139 lb.	1168 lb.	1245 lb.	1209 lb.	1173 lb.	1167 lb.
ADG Feedlot	3.51	2.95	3.18	3.29	3.29	2.92
Profit/hd.	\$43.10	\$51.42	\$19.12	\$92.29	\$16.49	\$167.06
Total Profit	\$7198.26	\$5707.23	\$3230.65	\$13,197.88	\$2342.05	\$13,532.05

NEMO PBM Feedlot Summary

Steers Total	\$125,561.12
Heifers Total	<u>\$69,414.09</u>
Total	\$194,975.21
Per Head	\$37.65

NEMO PBM Feedlot Summary



Did individual producers make money by retaining ownership?

Overall Profitability

- **Only 6 producers have lost money by retaining ownership**
 - » 4/6 - One-year members
 - » 3/6 - Less than 10 head represented
 - » 2/6 - Late calves and few numbers
 - » Results in late season marketing when prices are lower

Example

- Herd of ~200 head
- 2000-2004 - 60-65% Choice
- Tried making wise natural sire choices

Example

- 2006 – Timed AI advances
- AI'd ~70 head
 - Could we make it work?
 - How fast would the calves come?

Example

2008					
Sire	Carcass Weight	% Ch or better	REA	Backfat	Gr. Carcass \$\$
N8	824	100.00%	13.66	0.40	\$ 1,308.49
AI3	849	66.67%			\$ 1,297.88
N7	814	92.31%	13.40	0.51	\$ 1,277.11
AI5	813	100.00%	13.28	0.51	\$ 1,276.37
N3	810	81.82%	13.93	0.48	\$ 1,254.75
N5	791	89.66%	12.75	0.51	\$ 1,233.59
N6	795	85.71%	13.69	0.37	\$ 1,230.78
AI4	764	100.00%	12.53	0.43	\$ 1,219.51
AI1	788	57.14%	12.74	0.38	\$ 1,207.11
N4	792	62.50%	12.92	0.46	\$ 1,206.00
AI2	769	66.67%	13.11	0.43	\$ 1,186.95
N1	765	75.00%	14.11	0.33	\$ 1,083.18
N2	765	64.71%	14.11	0.33	\$ 1,083.18

Example

2009					
Sire	Carcass Weight	% Ch or better	REA	Backfat	Gr. Carcass \$\$
AI8	849	100.00%	14.24	0.43	\$ 1,203.61
AI5	829	100.00%	13.64	0.51	\$ 1,186.81
AI7	820	100.00%	14.31	0.53	\$ 1,175.36
N8	824	77.78%	13.54	0.37	\$ 1,174.81
AI6	822	72.73%	14.12	0.49	\$ 1,137.93
N10	789	71.43%	14.66	0.40	\$ 1,109.66
N11	798	33.33%	13.94	0.37	\$ 1,109.13
N3/5	776	92.86%	13.55	0.47	\$ 1,101.21
N1	777	41.67%	12.76	0.32	\$ 1,098.94
N9	762	75.00%	13.94	0.44	\$ 1,058.16
N2	767	14.29%	13.39	0.42	\$ 1,035.48

Example

2010					
Sire	Carcass Weight	% Ch or better	REA	Backfat	Gr. Carcass \$\$
N12	847	50.00%	13.27	0.34	\$ 1,369.98
N11	805	80.00%	14.28	0.46	\$ 1,312.62
AI5	803	95.65%	13.10	0.47	\$ 1,312.28
N13	808	50.00%	13.90	0.33	\$ 1,305.84
N1	811	53.85%	13.22	0.44	\$ 1,300.93
AI7	786	100.00%	13.80	0.46	\$ 1,297.90
AI10	795	80.00%	13.35	0.41	\$ 1,283.22
N2/8	789	63.64%	12.81	0.45	\$ 1,274.73
N3	772	100.00%	12.65	0.51	\$ 1,254.33
N10	766	87.50%	13.68	0.37	\$ 1,248.12
AI9	759	100.00%	11.99	0.46	\$ 1,242.91
N9	761	75.00%	13.02	0.39	\$ 1,223.79

Conclusions

- **Cattle must perform in all areas for highest profit potential**
 - » Must grow well in the feedlot
 - » Must attain a heavy carcass weight without becoming a "heavy weight"
 - » After all, we are still selling pounds!
 - » Must fit the grid's targeted quality and yield grades
 - » Don't get carried away "chasing" one trait in bull selection

Conclusions

■ Risks Associated Retained Ownership

- » Health - treatment costs and death loss in feedlot
- » Growth Performance - high cost of gain
- » Carcass Performance - financial penalties associated with non-conforming carcasses in the event ownership is retained
 - » 29 lbs. of carcass weight above 975 lbs. resulted in a discount of \$296.85...\$15.00 cwt. of carcass
- » Price - risks associated with inopportune marketing windows
- » Unrealistic Expectations - producers looking for a windfall or unprepared for the increased time, labor, and management investment

Conclusions

■ Benefits of Retained Ownership

- » Information is returned to genetic decision-makers
 - » Growth, health, and carcass performance
 - » Enables customized production for specific target markets or alliances
- » Producers gain experience with additional segments of the beef industry through the marketing process
 - » Promotes an appreciation for the constraints under which other segments of the industry operate
 - » Allows diversification and improved risk management
- » Producers become aware of post-backgrounding profit potential
 - » Goal was to break even and gain performance information
 - » Received that information and made money, too!!!
- » A sense of accountability develops toward the customer, leading to an industry that is improved overall

