

# BULL BUSINESS NEWS

Fall 2007

## Tradition. Business.

Can the two concepts coexist?

by Matt Perrier

Traditional management practices in the cattle business might conjure up visions of horse-drawn equipment, year-round calving seasons and 350 pound weaning weights. We think of one-room schoolhouses, single-stall outhouses and trips to both that were “uphill both ways in the blinding snow and scorching sun.”

Traditions in agriculture run rampant and deep, and in most industry editorials and discussions, they are not always viewed as a favorable phenomenon. Quite often, traditions and the mindsets that surround them are blamed for many of our industry’s shortfalls. While history can be a wonderful teacher, it also has a tendency to hamper our creativity and desire to make progress.

I represent a bit of a paradox. You see, I would usually rather be horseback than about anywhere else. While I realize that there are times when an ATV or pick-up is the more time-efficient tool to utilize, I still prefer four legs to four wheels.

However, I also detest paper and filing cabinets, and would rather read or reference everything on a computer hard drive where I never have to see it until I *need* it.

That is why during this year’s Young Cattlemen’s Conference, I was impressed with a quote that I heard one of my counterparts use in conversation. Jason Peeler and his family operate a diversified agricultural entity that encompasses a cow-calf herd, stocker operation, commercial feed yard and a grain elevator in south Texas. Near the end of our conference, Jason shared the following statement with our group, “We all talk about the traditional nature of our industry, but the biggest tradition in the cattle business is BUSINESS.”

While this might be considered a contradiction in terms, Jason went on to explain his theory. Farms and ranches have come and gone, but the majority of operations that have existed through the decades have one tradition in common—they treat their operation as a business. Some might use horses, others might ride 4-Wheelers. Some might farm, others buy feed. Some keep the books on paper, others do them “online.” But nearly all of them hold one tradition dear—their business.

Regardless of our management style or practices, let us all share this common tradition—for the sake of our industry, if nothing else.

-MDP

“We all talk about the traditional nature of our industry, but the biggest **tradition** in the cattle business is **BUSINESS.**”

-Jason Peeler,  
San Antonio, TX



## Long-term Marketing Strategies

Cow-calf producers have had an incredible marketing situation for the past three to five years...actually longer than that. Nearly everything aligned to reward us with record-high prices. During this period, selling calves or yearlings was usually the most profitable way to market our commercial progeny. Hopefully these profits helped pay down debt, invest in equipment and possibly stash some savings away in long-term investments.

However, much of the industry information being distributed lately shows several factors that suggest that future profits – **especially for high-quality calves of known genetics** – will be made at the fed cattle level, instead of as marketed calves. Several factors from source verification to branded beef programs are the principle drivers of this occurrence. Plus, as economist and consultant Bill Helming of Olathe, KS, stated in the July 07 issue of *BEEF*, small to mid-sized feed yards struggle to source customers who wish to buy and feed cattle.



*"[Helming] says the well of outside capital in the feeding sector has dissipated. Where 'customer' cattle made up 75-80% of feed yard populations in the 1960s through mid 1980s, the money has fled to other investments. 'Those customers have dramatically declined and continue to do so,' Helming says. 'Their exit places a major financial burden on feed yards formerly dependent on customer feeding...'"*

For these reasons, we continue to encourage our customers to do two things:

- A) Consider the option of retaining ownership on at least a portion of your home-raised calves in the near future.
  - a. Get to know potential custom feed yard managers and/or owners. If you would like for us to introduce you to a few options, we will be happy to help. Many of these will "partner" with customers, by purchasing 50% of the cattle upon arrival to the yard, thus reducing your risk.
  - b. Save a portion of this fall's profits to serve as a "transition fund" for the first few years that cattle are retained through the feed yard (since payment will come later in the year-when fed cattle are marketed)
- B) Add end-product merit traits (intramuscular fat and ribeye area—or simply \$Beef Value index) to your selection criteria when purchasing bulls.
  - a. **Do NOT "replace" other profit-driving traits you already use in selection.** You might have to lower your sights a bit when adding additional selection criteria, but don't forget about what "brought you to the dance." Dalebanks certainly has not.
  - b. If you have been selecting for these end-product traits already...you're that much closer to being profitable when you sell cattle on a grid.

Some of our customers have expressed disappointment after feeding one or two groups of cattle years ago. Our request is this: do not give up on this option! In the past five to seven years, the Angus breed has found bulls that have drastically improved the performance, marbling and cutability in our genetic base...due in large part to ultrasound technology and EPDs. Many of these bulls have been used extensively at Dalebanks, and we believe that our customers who have purchased these bulls will be pleasantly surprised the next time they market cattle on a value-based grid.

We understand that commercial producers demand options when marketing their cattle. Labor, management and risk tolerance should all be considered before making this decision. **All** options should be considered –and reconsidered every few years--so the most profitable choice may be made.



Tom & Carolyn Perrier

620-583-6956 [tperrier@dalebanks.com](mailto:tperrier@dalebanks.com)

Matt & Amy Perrier

620-583-5033 [mattperrier@dalebanks.com](mailto:mattperrier@dalebanks.com)

Discover Dalebanks' history at: [www.dalebanks.com](http://www.dalebanks.com)

## 1<sup>st</sup> K-State Beef Conference held

Matt attended this meeting in August and heard from several very good speakers and producers. The take-home message of the entire conference was “communicate the info about your cattle to your customer... regardless of where or when you sell.” Entities from sale barn owners to packers all echoed the concept on which the Angus Source program was based back in 2002: *premiums will not be paid on cattle, they will be paid on the information about the cattle.* This is proving true today...in fact we have heard others use this exact prediction in the last year or two.

Along these lines, David Lehman, KSU Marketing Instructor, jokingly told us of a quote his grandfather often used, ***“I’ve never lost money in ranching...but I’ve paid a LOT for several educations along the way.”*** Another of the speakers used an adage that helped remind us to remember to always *market* our product to our customer, instead of just expecting someone else to “sell it for top dollar.” Shelby Horn, Farm Management Company stated, ***“If you only talk to yourself, pretty soon you’ll be the smartest person you know.”***

KSU faculty plan to continue this conference, and we encourage all of our customers to attend if possible. Talking—and especially listening—to others seems to always help in our own operations, if we just give it a chance. These seminars might save us from experiencing more costly “educations” in the future. Tom and Matt try to get to a few of these each year and will be happy to share info from these events.



## Here Are Two Important Issues To Bear In Mind

*The following editorial appeared in the July 27, 2007 issue of BEEF Cow-Calf Weekly. Most agricultural producers make the incorrect assumption that the animal rights and environmental movements are still being carried by radical “left-wing” groups around our nation. In actuality, it now has support from across the world...even right here in our nation’s heartland. Although beef producers rarely talk about meeting this challenge proactively (we often prefer hiding from it, hoping it will run its course), it’s high time for us to start deciding how to stand up for ourselves in this arena.*

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*by Troy Marshall*

Those who follow the efforts of animal-rights groups to get their initiatives included in the new farm bill understand just how committed these people are to depriving us of our way of life. These efforts are picking up momentum, and it's reflected in everything from Wendy's offering premiums for animals raised in a certain manner, to animal rights rhetoric being included in everything from Disney Channel programming to sitcoms.

Interestingly, in the District of Columbia, a major animal rights bill, "The Animal Protection Amendment Act Of 2007," has been proposed. According to the Animal Agriculture Alliance, LB 89 would:

Change the phrase "animal owner" to "animal guardian/owner."

Authorize non-economic damages for the owner of a pet.

Authorize non-profit humane societies to file lawsuits against violators of the district's animal cruelty laws.

Require the D.C. Board of Education to provide instruction on the "humane treatment and protection of animals."

Another area that hasn't garnered much industry attention but has received non-stop consumer-press coverage is the environment. It's an issue playing a big part in political positioning for the 2008 election cycle. The environment is becoming a part of everyday conversation, and anyone who questions its importance need only consider the scope of the recent worldwide music concert held on behalf of raising public awareness on global warming.

These are two issues that will increasingly pressure the U.S. cattle industry in the next few years. Get ready.

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**Calving spring '08 – bred to top AI and natural herd sires**

**Priced from \$1750 to \$2750 – call or email Matt for details on these tremendous females**



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## Annual Bull Sale

**Saturday, November 17, 2007 12:30 pm**

At the ranch, 3 ½ mi NW of Eureka

Selling **140 bulls** – 95 coming 2 yr olds and 45 fall yearlings

All ultrasounded, fertility tested and ready to work

*Sired by: Precision 1023, Retail Product, New Design 878, Lead On, Grid Maker, Nebraska, Rito 1i2, Freightliner, Foresight, Future Direction and others.*

*Average EPDs of ALL bulls selling:*

<u>CEd</u>	<u>BW</u>	<u>WW</u>	<u>YW</u>	<u>SC</u>	<u>Milk</u>	<u>CEm</u>	<u>IMF</u>	<u>REA</u>	<u>\$W</u>	<u>\$F</u>	<u>\$G</u>	<u>\$B</u>
7	1.6	46	85	.25	23	8	.25	.37	\$28.10	\$26.40	\$19.00	\$41.16