By-Product Feeds Could Help Trim Dollars From Feeder Costs

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LANCASTER (Lancaster Co.) — Feeder cattle are becoming more expensive to finish. So producers have few alternatives to rescue the bottom line — other than using alternative, by-product feeds to survive in a volatile grain market, according to several industry experts here Tuesday.

The feeder-to-fed price "may be the widest in history," said Dr. Harold Harpster, Penn State ruminant nutrition specialist. "It will take all your management savvy . . . to make a profit. We'll have to be pretty creative in getting cost of gain down."

Harpster spoke at the Penn State-sponsored Lancaster Cattle Feeder's Day.

An alternative to grains are food by-products available from food processors. They include cookie meal, bread, potato chips, pretzels, and other items.

Harpster spoke about one Penn State study that analyzed the feed efficiency of cookie meal from Griffin Industries. The cookie meal measures two points higher in protein and has triple the fat of conventional corn.

The study examined the use of 60 percent cookie meal, at $90 per ton, on crossbred steer yearlings fed in a 112-day period. The cookie meal was more efficient than corn over a cumulative period in terms of feed per pound of gain. However, in the last 20 days of the feeding cycle, "feed efficiency took a dive," said Harpster.

In Pennsylvania, producers feed cattle to higher degrees of finish and higher weights, according to Harpster. Compared to the Midwest, regional feeders tend to place 100 pounds more on the final weight at slaughter and put the cattle on 20 days longer than others in the U.S.

To remain competition, area producers should look more at the genetics of the cattle they are buying. Producers may be "encouraged, if not forced, to sell on value in the future," said Harpster. Already finishing operations can be subject to "tremendous discounts for cattle not falling into correct market category, having a lack of quality or cutability," he said.

In the past, per animal, the margin from feeder price to finish was a positive amount per head. These days the reverse is true — which puts increasing demands on the skills of a feedlot manager.

Feeders are doing better on managing the cost of gain, a real critical issue for the next couple of years, noted the Penn State specialist.

The key is to measure the benefits of putting more gain on, with feed efficiency dropping, when the animal begins to grade beyond Low Choice. At 150 pounds over Low Choice, producers need 12 percent more feed per pound of gain. At 1,250 pounds, feeders need 20 percent more feed per pound of gain. At 1,350 pounds, 30 percent more feed per pound of gain is required.

The way to success, noted Harpster, is "buy low, feed cheap, and sell high." And that's tough to do in an era of high calf prices, low slaughter prices, high feed prices, and high operating costs.

New technologies are coming on all the time to help producers market good stock. Harpster noted that ultrasound measuring of calves, providing a picture of the entire interior of the animal, is not far from reality.

Pennsylvania feeds more cattle than any state in the East, having more than 150,000 fed cattle on lots. There are two major beef processors the area, the Penn State nutrition specialist noted, with cash cattle sales in Pennsylvania alone at $360 million.

Jim Hogue. feedlot specialist and nutritional consultant with Agri-Basics, Inc., Manheim, reviewed the strengths and weaknesses facing feedlot owners and operators.

Foremost, though, feedlot managers "have to get out of the paradigms that (say) you have to own the cattle or you can't get any money out of them," said Hogue. Producers, however, struggle with the realities of the high price of feed, worries about future prices, but "it's better than milking cows," he said.

Hogue noted that the area is an excellent source for quality feeder cattle with premium cattle markets and large packers located near metropolitan areas. The area has excellent crop yields with some of the most productive cropland in the U.S., has good facilities and stable, predictable climate, and there are many sources of less expensive, alternative feeds.

The downfalls: Pennsylvania is a corn deficit state, using more grain than it can produce, and relying heavily on grain imports; fewer packers, which could mean a lack of good competition; high overhead and low unemployment, which means higher wages and operating expenses; tighter and costly environmental regulations; and the ever-present risk.

The Certified Angus Beef (CAB) program, a subsidiary of the American Angus Association, has experienced rapid, dynamic growth since it was established 22 years ago, noted Bryce Schumann, assistant director, CAB Program feeder-packer relations, at the cattle feeder's day.

Schumann said in 1999 the brand program marketed 493 million pounds of certified Angus meat, and hopes to eclipse half a billion pounds this year.

The value-added beef production program, operated as a non-profit entity of the American Angus Association, has several goals. Through the licensing program, feedlot operators can not only get some superior field genetics, but a database can track what genetics work best from field to plate.

The CAB Program owns no cattle. They merely provide a licensing and database effort, which provides a logo and other marketing tools, for a small cost, to producers who sign up. Any size producer can sign up for the program, not just large feedlot operators.

New director of certification programs for the Blueprint for Success from Penn State is Wendall Landis, right. John Comerford, Penn State beef specialist, welcomes Landis to the new position at the Cattle Feeder's Day.

The key: market hide color that has a minimum of 51 percent solid black fed steers and heifers.

The specifications: carcass upper 2/3 choice, Modest 00 or higher degree of marbling (medium to fine marbling), and an "A" grade in color, texture, and firmness.

The licensing allows more accurate identification of quality of the meat. Those who sign up for the program must pass quality assurance and other specifications to meet the program requirements.

Eighty percent of the packer base is licensed to produce CAB. In 1999, 1.9 million cattle were CAB licensed. By 2004, the program hopes to have 4.73 million cattle in the program, Schumann noted.

In 1999, the program assistant director noted that 44 percent, or 9.5 million head, of cattle were Angus or Angus-type cattle. In 2000, 2.1 million head will be CAB certified.

The program hopes to facilitate the sharing of information to make feedlots with CAB profitable. "If it's not economical, not many people are going to do it," Schumann said.

Cost for the license: 50 cents per head, which include tag costs, carcass data, and access to the CAB database. At 25 cents per head, the cattle can still be marketed CAB but no other CAB programs are available.

The program seeks to further refine what has already been an accepted and successful "integrated information system" to make feedlots more profitable, according to Schumann.

The program can be fitted for the small packer. Schumann said there are a lot of opportunities "for the small packer if they work together with others to get units in terms of sale."

For 2000, the cattle market production was predicted by the USDA to decrease 4 percent in terms of total number of pounds of meat marketed. However, according to H. Louise Moore, Penn State economist, the real number will be down about two percent.

Moore provided his cattle forecast at the cattle feeder's day.

In 2000, 28 billion pounds of cattle meat will be marketed. In 1999, the amount actually marketed, though it was projected to decrease from 1998, was actually up about 2.5 percent.

About 20 billion pounds of hogs are expected to be marketed, down 4 percent; as for broilers, they lead the meat market, at 31.9 billion pounds projected in 2000, up seven percent.

Total meat expected to be marketed is 80.9 billion pounds, before exports.

Moore noted that the U.S. has just experienced its longest growth ever in peacetime, a 10-year period. Unemployment is the lowest it can be, consumers are confident in the future, and, despite some recent fuel shortages which will impact agriculture, in general the economy is doing really well, he said.

Though many producers want the government out of agriculture, 39 percent of the national U.S. net farm income is from government subsidies.

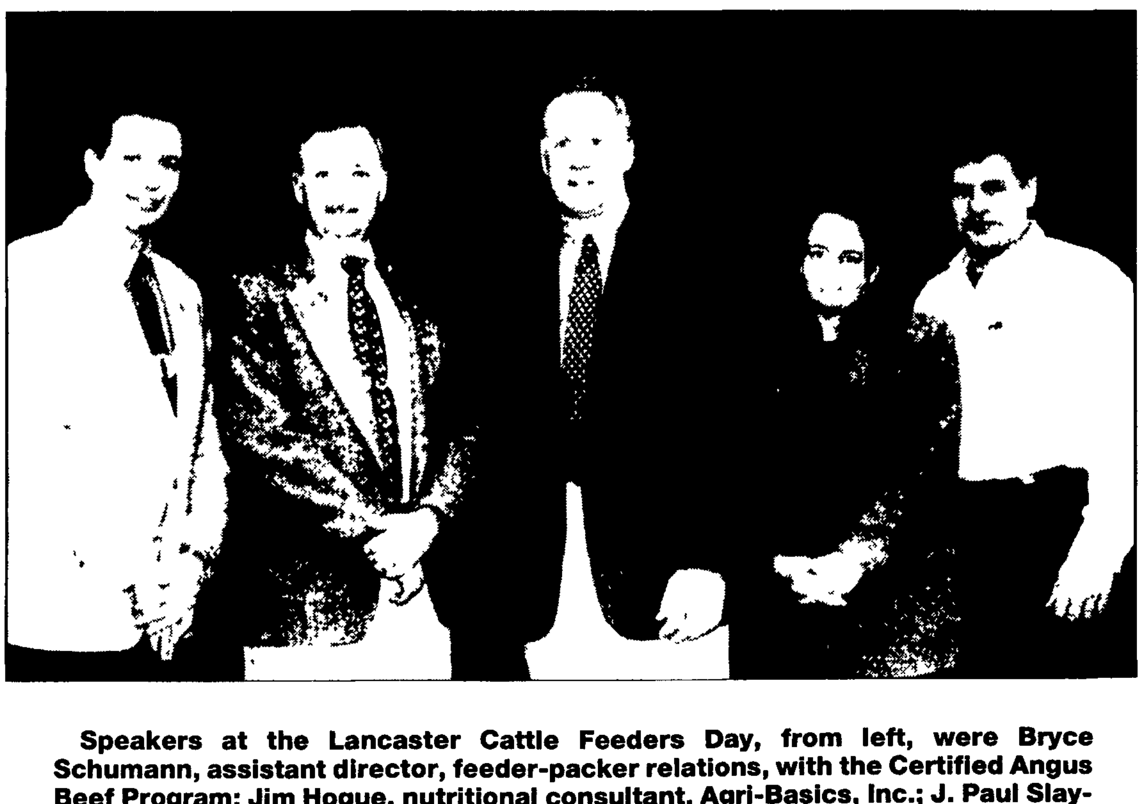
The real worries: a continuing downturn in the Russian markets, which are not doing as well as expected, according to Moore. The U.S. has stopped shipping broiler parts to Russia simply because Russia can't afford to pay.

Another worry is the overvalued stock market. Sooner or later, there will be an "adjustment" to stock prices to bring us closer to reality, noted the Penn State economist.

Some financial advisers predict that a recession, to adjust for the overvalued market, has to take place some time.

J. Paul Slayton, new executive director of the Pennsylvania Beef Council, spoke about the work of the council as the "clearinghouse for your checkoff dollars."

Carrie Bomgardner, promotions director for the council, provided information on the "meat case of the future," which includes special food preparation labels and instructions for the consumer. Also, a new barbecue beef, from the freezer, precooked for the consumer, was presented at the cattle feeder's day.



Speakers at the Lancaster Cattle Feeders Day, from left, were Bryce Schumann, assistant director, feeder-packer relations, with the Certified Angus Beef Program; Jim Hogue, nutritional consultant, Agri-Basics, Inc.; J. Paul Slayton, executive director, Pennsylvania Beef Council; Carrie Bomgardner, promotions director, Pennsylvania Beef Council; and Harold Harpster, Penn State ruminant nutrition specialist.

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