

**A to Z
Retained Ownership, Inc.
2004 Year-End Summary**

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Agricultural Economics Extension Series No. 04-07
September 2004

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A TO Z RETAINED OWNERSHIP, INC.

2004-Year-End Summary

INTRODUCTION

The A to Z Retained Ownership, Inc. program was started in 1992 as a cooperative venture by cow-calf producers, the Bruneau Cattle Company feedlot, veterinarians, packers, bankers, allied industry representatives and the University of Idaho Cooperative Extension System. The primary goal of this educational program is to provide information to cow-calf producers on how their cattle perform through the feeding and carcass grading phases. This report presents the results of the twelfth year of the retained ownership program.

OBJECTIVES

In an effort to provide Idaho ranchers with information concerning retained ownership, marketing alternatives and individual animal performance, an educational program was started by University of Idaho Cooperative Extension System faculty during the fall of 1992. Over the last twelve years, the A to Z program has expanded to provide this opportunity for ranchers throughout the Pacific Northwest.

Specific project objectives are to provide cattle producers with:

- A process for selecting a custom feedlot,
- A process for selecting a financial institution to finance feeding,
- Feedlot performance information for their cattle,
- Individual animal carcass information at slaughter and experience with value based carcass pricing,
- Marketing alternatives available during the feed program, and

- Economic evaluation of retained ownership for individual operators and the pen of cattle.

PROGRAM FORMATION

Initiation

The idea of a retained ownership program was broached with the District II Beef Advisory Committee and county agents in the spring of 1992. University of Idaho faculty conducted a review of other retained ownership programs (Sims et al., 1991; Wagner et al., 1992). A small group of producers was asked to form a steering committee to set up the basic ground rules for the program and to make initial decisions in devising the program.

Feedlot selection

Preliminary work involved surveys of five feedlots on their management, feeding, and billing programs. University of Idaho faculty conducted this survey, based upon information requested by the steering committee. Survey information was summarized and presented to the committee. After review of the information, Bruneau Cattle Company in Bruneau, Idaho was selected by the steering committee as the custom feedlot for the retained ownership program.

Financing

A similar approach was followed to secure financing for the feeding program. University of Idaho faculty surveyed four lending institutions regarding terms and conditions of a feeding program loan.

Several banks required additional steps in order for the A to Z cooperative to secure financing, including the necessity of having a producer/lender-signed form specifying that the cattle were lien-free, the necessity of an additional lien to the prospective lender, creating a non-profit corporation, and others. After much discussion by the steering committee, members selected Idaho State Bank in Cambridge, Idaho to finance the program annually. US Bank finances the program currently after a series of bank mergers in the late 1990s.

Program Design

Once the feedlot was selected and financing secured, the feeding program was ready to begin. In October 1992, the steering committee met once to lay out the specific guidelines for the program and once with the feedlot operator to coordinate transfer of the cattle into the feedlot. At the second meeting, the feedlot's consulting veterinarian designed a preconditioning program. Allied industry representatives provided technical and financial support for the pre-weaning/receiving program.

A mid-year meeting held in January at Bruneau provides producers with the opportunity to view their cattle in the feedlot, along with animal performance data and a review of the marketing plan. Cattle are finished and sold by Bruneau Cattle Company to Tyson Fresh Meats of Boise. Carcass data is gathered for individual animals by University of Idaho faculty with assistance from the USDA Grading Service. Feedlot performance information, carcass data, and costs and returns are gathered throughout the program and summarized for each owner's individual steers or heifers and each pen of cattle, as a whole. These data form the basis for the final educational programs held in Fruitland and Mackay,

Idaho, conducted after all cattle are marketed. Producers and numerous other guests attending the meetings receive animal performance (feedlot and carcass) data, as well as the proceeds from the sale of their cattle. All of the information is explained and evaluated during the educational session. In addition, a questionnaire is distributed to the participants in order to evaluate the program and make suggestions for future programs.

The twelfth year feeding phase had 271 cattle consigned to the program including 119 steers and 152 heifers. Data gathered during the project are tabulated and analyzed in computerized format.

PROCEDURES

Sixteen ranches consigned 119 steers and 152 heifers to the A to Z Retained Ownership, Inc. program in November 2003. Steers selected were to weigh between 550 and 750 pounds upon arrival at the feedlot. The heifers were to be 50 pounds lighter (500 to 700 pounds). The cattle were to be dehorned, castrated, weaned at least 21 days prior to feedlot delivery, and accustomed to feed bunks, waterers and trace mineral salt. Calves received their first set of vaccinations at the ranch 13 or 14 days prior to receiving their booster shots at the feedlot. Initial vaccinations included Lepto-5 (bacterin), IBR, BVD (killed vaccine), PI₃ (heat sensitive) and BRSV (modified live vaccine Cattle Master 4+L5, Pfizer*) and 7-way blackleg and *H. somnus* (Ultrabac 7/Somubac, bacterin-toxoid, Pfizer*). Backup A to Z identification eartags were placed in the cattle at the ranch. Owners provided breed-of-sire, breed-of-dam, color,

* Reference to brand or trade names does not indicate or imply an endorsement of the product or representation that comparable products may not be available.

calving date, weaning date, tag information, and ownership information necessary to secure financing for the program..

The cattle arrived and were weighed on a truckload basis at the feedlot on November 10 and 11, 2003. On November 17, 2003 they were individually weighed (assessed a percentage shrink back to truck weight), administered boosters to vaccines, treated for internal and external parasites, including liver flukes (Ivomec Plus, Merial Ltd.*), tagged with a duplicate eartag for individual identification if necessary, measured for hip height, and implanted with a growth promotant (Ralgro, Schering-Plough*). A coccidiostat (Deccox, ALPHARMA*) was used in the receiving ration.

Steers were initially valued at \$100.00/cwt for a 600 lb. base weight animal with a \$2.00 slide. Steers weighing 500 lbs were valued at \$111.00/cwt with an \$11 slide. Steers weighing 700 lbs were valued at \$98.00 with a \$2 slide. Heifers were valued at \$100.00 for a 500 lb. animal with a \$7.00 slide. All owners were responsible for salvage, medicine and death loss charges incurred by their cattle. Feedlot costs encumbered by a calf that died or was salvaged were deducted from sale proceeds of the owner's remaining animals. Only for analytical purposes were death loss and medicine charges averaged across all cattle in order to relate the current year to previous years' data.

Steer and heifer pens were placed on the finishing ration on January 26, 2004. The cattle were individually weighed (assessed a 5% shrink) on January 16, 2004. They were given a clostridial booster and reimplanted that same day.

Dry matter intakes were determined on an individual calf basis for the receiving and

start-up rations combined, and for the finishing ration. Feed intakes were adjusted for average live weight and average daily gain during each period using the net energy for maintenance (NE_m) and net energy for gain (NE_g) equations of Owens et al. (1984).

The outdate for finished cattle was determined by Bruneau Cattle Company personnel using days on feed and visual observation as indicators of cattle reaching the Choice quality grade. Market conditions also entered into the marketing decision. Cattle were processed at Tyson Fresh Meats of Boise on April 23, 2004 (87 heifers and 40 steers), May 7, 2004 (63 heifers and 74 steers), and May 14, 2004 (1 steer) The final steer was an animal that had been treated and was awaiting the required drug withdrawal period.

Base carcass value was determined according to the formula for average cash price for cattle in the Texas/Oklahoma Panhandle during the current week and adjusted for quality grade, yield grade and carcass non-conformity discounts according to the RTMV (Real-Time Market Value) pricing grid. Prices received are reported in Table 6.

Carcass data collection and grading were accomplished the first work day following a weekend carcass chill, after each kill date.

Calculations for final yield grade and percent cutability were taken from Beef Improvement Federation proceedings (BIF, 1990). The equation for calculating frame scores for steers was an average of the frame score equations for bulls and heifers (BIF, 1990). Profitability of cattle feeding on an individual owner basis was determined by subtracting feedlot costs (feed, yardage, processing, medicine, death loss and interest on feedlot costs), initial value of the animal,

and opportunity costs on the initial value (6 percent interest for the duration of the feeding period) from the total carcass value of the animal (less transportation, brand inspection, and checkoff).

RESULTS AND DISCUSSION

Animal Performance

Initial information on the two pens of cattle is reported in Table 1. Average age of the steers entering the feedlot was 256 days (equaling a February 27, 2003 average calving date), with an initial weight of 574 pounds. Heifers had an average age of 260 days (February 23, 2004 average calving date) and weighed 550 pounds.

Animal performance for the start-up period, which lasted 66 days, is reported in Table 2. Steers averaged 726 pounds at the first weigh period (January 16, 2004). Performance averaged 2.30 pounds of gain per day, with feed efficiency of 9.05 pounds of feed (dry matter basis) per pound of gain. Average dry matter intake was 19.92 pounds per day. From delivery through the end of the grower rations, four steers died. Two died from bloat, 1 downer, and 1 from clostridial.

Heifers averaged 683 pounds at the first weigh period (January 16, 2004) and gained 2.01 pounds per day. Feed efficiency for the heifers was 10.12 pounds of feed per pound of gain, with average dry matter intake of 19.05 pounds per day. No heifers died during the initial grower phase.

Quite often there is some concern expressed at the mid-year meeting over the lack of performance of the cattle during the start-up

period. The data collected over the last twelve years of the program actually suggest a low correlation between animal performance during the start-up period and overall performance during the total feeding period. Average daily gain correlations are 22 percent and 27 percent for the steers and heifers, respectively.

Performance for the finishing period is reported in Table 3. Average finish weight of the steers was 1135 pounds, with steers consuming 22.80 pounds of dry matter per day and gaining 3.83 pounds per day. Feed efficiency was 6.02 pounds of dry matter per pound of gain over the 107-day average finishing period. Final death loss was 3.36 percent, as four steers died.

Heifers finished at an average weight of 1078 pounds, consumed 22.11 pounds of dry matter per day and gained 3.82 pounds per day, during the finishing phase. Feed efficiency was 5.76 pounds of feed per pound of gain over the 104-day average finishing period. Final death loss was 1.32 percent as two heifers died.

Performance for the combined start-up and finishing periods is reported in Table 4. Over the entire feeding period, steers gained 3.24 pounds per day, consuming 21.69 pounds of dry matter per day. Average feed efficiency was 6.71 pounds of dry matter per pound of gain and the average days on feed was 173 days. Heifers gained 3.11 pounds per day, consumed 21.07 pounds of dry matter and converted 6.77 pounds of feed to a pound of gain over an average of 170 days on feed.

Table 1. Initial animal performance receiving 11/10-11/03.

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Weight, lb	115	573.90	390.38	798.62	88.27
Hip height, in	115	46.38	42.00	50.00	1.90
Frame score	97	5.68	3.24	8.13	1.03
Age, days	97	255.69	169.00	313.00	27.26
Initial value, \$/head ^a	115	575.35	406.75	766.90	77.89
<u>Heifers</u>					
Weight, lb	150	549.85	349.31	731.00	71.68
Hip height, in	150	46.08	42.00	51.50	1.85
Frame score	130	5.49	2.81	8.16	1.02
Age, days	130	259.05	169.00	342.00	26.10
Initial value, \$/head ^a	150	527.09	386.16	612.80	41.50

^a Initial value of the steers was \$100/cwt for 600 lb base weight with a \$2.00 slide. Steers weighing 500 lbs were valued at \$111/cwt with an \$11 slide. Steers weighing 700 lbs were valued at \$98 with a \$2 slide. Heifers initial value was \$100/cwt for a 500 lb base weight with a \$7 slide.

Table 2. Animal performance receiving through start-up period (11/10-11/03 to 1/16/04).

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Weight, lb (1/16/04)	115	726.18	532.00	902.50	78.39
Average daily gain, lb/day	115	2.30	-0.16	4.76	0.93
Dry matter intake, lb/day ^a	115	19.92	7.29	35.36	5.13
Feed efficiency, lb feed DM/lb gain ^b	112	9.05	6.36	15.16	1.79
<u>Heifers</u>					
Weight, lb (1/9-10/02)	150	683.08	503.50	888.25	75.72
Average daily gain, lb/day	150	2.01	-1.34	3.79	0.73
Dry matter intake, lb/day ^a	150	19.05	2.35	32.15	4.95
Feed efficiency, lb feed DM/lb gain ^b	147	10.12	6.88	27.12	2.39

^a Individual animal dry matter intake was calculated by adjusting for live weight and average daily gain (Owens et al., 1984).

^b Three steers and three heifers lost weight or gained minimal amounts during the start-up phase. To provide meaningful information, these six animals were excluded in the calculations of feed efficiency in start-up phase.

Table 3. Animal performance finishing period (1/16/04 to out-date).

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Finished weight, lb ^a	115	1134.83	901.59	1434.92	95.94
Average daily gain, lb/day	115	3.83	0.57	5.37	0.65
Dry matter intake, lb ^b	115	22.80	8.51	33.51	4.03
Feed efficiency, lb feed DM/lb gain	115	6.02	5.01	14.86	0.91
<u>Heifers</u>					
Finished weight, lb ^a	150	1077.69	757.14	1409.52	113.14
Average daily gain, lb/day	150	3.82	1.42	5.80	0.70
Dry matter intake, lb ^b	150	22.11	8.79	40.77	5.02
Feed efficiency, lb feed DM/lb gain	150	5.76	4.89	7.02	0.40

^a Calculated from hot carcass weight using a standard 63% dressing percentage.

^b Individual animal dry matter intake was calculated by adjusting for live weight and average daily gain (Owens et al., 1984).

Table 4. Animal performance total feeding period (11/10-11/03) to out-date).

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Average daily gain, lb/day	115	3.24	1.86	4.89	0.49
Days on feed	115	173.35	164.00	185.00	6.79
Dry matter intake, lb ^a	115	21.69	15.02	31.00	3.29
Feed efficiency, lb feed DM/lb gain	115	6.71	5.66	8.83	0.54
<u>Heifers</u>					
Average daily gain, lb/day	150	3.11	1.26	4.70	0.51
Days on feed	150	170.35	164.00	179.00	6.77
Dry matter intake, lb ^a	150	21.07	9.80	36.69	4.13
Feed efficiency, lb feed DM/lb gain	150	6.77	5.56	7.96	0.48

^a Individual animal dry matter intake was calculated by adjusting for live weight and average daily gain (Owens et al., 1984).

Carcass data for the cattle is reported in Table 5. Average hot carcass weight for the steers was 715 pounds, with a yield grade of 2.95 and a 12.40 in.² ribeye. Average marbling score was small (6.35) and average quality grade was high-select (11.41). Heifers average carcass weight was 679 pounds, with a yield grade of 2.69 and a 12.61 in.² ribeye. Average marbling score for the heifers was small (6.73) and quality grade was high-select (11.67).

All A to Z cattle were sold through Tyson Fresh Meat's Real-Time Market Value

(RTMV) pricing grid system. Base price (USDA Choice yield grade 3) is established as in previous years (weekly average price for fed cattle in the Panhandle feeding region). Individual carcass incentives and discounts were then applied using the RTMV pricing grid. Market dates, number of steers and heifers marketed on those dates and incentives and discounts for specific traits are outlined in Table 6. Base price remained relatively constant over the marketing period, ranging from a high of \$144/cwt to a low of \$143. The USDA Choice/Select spread ranged from -\$13.00/cwt to -\$8.00. USDA yield grade 2's

received an additional \$2.50/cwt, while yield grade 1's received a \$6.50/cwt premium over 3's with these premiums remaining constant over the marketing period. Yield grade 4 discounts were \$20/cwt through the marketing period. Light weight carcasses were discounted (\$25.00 to \$21.37/cwt). There were no heavyweight carcasses. Carcasses

qualifying for Certified Angus Beef (CAB) received premiums ranging from \$6.50/cwt to \$7.50/cwt, while the USDA Prime premium for the May 7, 2004 marketing date was \$22.00/cwt. There were no USDA Prime carcasses on the April 23, 2004 marketing date.

Table 5. Animal performance carcass data.

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Hot carcass weight, lb	115	714.95	568.00	904.00	60.44
Final yield grade	115	2.95	0.97	4.61	0.71
Ribeye area, sq in	115	12.40	10.10	16.70	1.29
Kidney, pelvic & heart fat, %	115	2.32	1.00	3.50	0.39
Backfat, in	115	0.50	0.20	0.90	0.15
Marbling score ^a	115	6.35	3.00	15.00	2.48
Quality grade ^b	115	11.41	9.00	15.00	1.41
Carcass price, \$/cwt	115	141.96	115.00	168.50	8.85
<u>Heifers</u>					
Hot carcass weight, lb	150	678.95	477.00	888.00	72.28
Final yield grade	150	2.69	1.20	4.23	0.66
Ribeye area, sq in	150	12.61	8.60	16.00	1.58
Kidney, pelvic & heart fat, %	150	2.20	1.50	3.50	0.39
Backfat, in	150	0.48	0.15	1.00	0.16
Marbling score ^a	150	6.73	2.00	19.00	2.60
Quality grade ^b	150	11.67	8.00	16.00	1.39
Carcass price, \$/cwt	150	142.48	103.00	168.50	9.16

^a Marbling score: Standard ≤ 2; Slight = 3, 4, 5; Small = 6, 7, 8; Modest = 9, 10, 11; Moderate = 12, 13, 14; Abundant ≥ 15.

^b Quality grade: ≤ 8 = Standard, 9 = Select⁻, 10 = Select⁰, 11 = Select⁺, 12 = Choice⁻, 13 = Choice⁰, 14 = Choice⁺, ≥ 15 = Prime.

Costs and Returns

Costs associated with the custom feeding operation on a per animal and per pound of gain basis are reported in Tables 7 and 8. For analysis only, processing, medicine, death loss and interest were assessed on a fixed basis and were the same for each animal. Death loss was calculated as the initial value of the animal less any feedlot

cost incurred to the time of mortality. These values were summed and divided by the number of finished animals to derive a death loss cost per head. On a cost per pound of gain basis, these costs are lower for animals with higher average daily gains. Total feed cost per steer averaged \$282.25 and heifers averaged \$270.85 per head. Total feeding cost (feed, yardage, processing, medicine, death loss, interest,

and opportunity cost) averaged \$384.16 for the steers and \$354.00 for the heifers. Feed and yardage costs per pound of gain averaged 59 cents and 61 cents for steers

and heifers, respectively. Total cost of gain (on a \$ per pound of gain basis) was 65 cents and 66 cents for steers and heifers, respectively.

Table 6. A to Z Calf Prices, 2003 and 2004. Premiums (+) and Discounts (-) in relation to Choice 3 Base Price (\$/cwt, Real-Time Market Value Grid).

	4/23/04 Calves 87 Heifers 40 Steers	5/7/04 Calves 63 Heifers 74 Steers	4/25/03 Calves 136 Heifers	5/2/03 Calves 15 Heifers 209 Steers
Pr	-	+22.00	+12.60	+13.35
CAB	+7.50	+6.50	+5.70	+8.15
YG1	+6.50	+6.50	+6.50	+6.50
YG2	+2.50	+2.50	+2.50	+2.50
Ch 3 Base	\$143	\$144	\$127.07	\$125.15
Se	-8.00	-13.00	-7.10	-7.40
YG4	-20.00	-20.00	-15.00	-15.00
< 525	-21.37	-25.00	-17.29	-18.41
> 950	-	-	-11.29	-8.41
Heifers	0.00	0.00	-1.52	-0.21

The overall break-even prices and profitability of the feeding program are shown in Table 9. Profitability, as represented here, is for the feeding period only. It is not a net income value for that calf since the total annual cow costs are approximated with the initial value. Overall break-even live price was \$84.54 per cwt for steers and \$81.95 per cwt for heifers. Break-even feeder price (the price that would have been paid for the steer or heifer going into the feedlot which would produce \$0.00 profit/loss for the retained ownership program) was \$111.40 for steers and \$112.73 for the heifers. In other words, if the average price for steers in the fall of 2003 was less than \$111.40, then the retained ownership program was more profitable than selling the weaned steers in the fall. The average profit was \$55.22 per steers and \$88.16 per heifers.

Critical factors that affected profitability were initial animal value, feedlot average daily gain, quality grade, and marketing date.

Steers were initially valued at \$100.00/cwt for a 600 lb. base weight animal with a \$2.00 slide. Steers weighing 500 lbs were valued at \$111.00/cwt with an \$11 slide. Steers weighing 700 lbs were valued at \$98.00 with a \$2 slide. Heifers were valued at \$100.00 for a 500 lb. animal with a \$7.00 slide. Using these market prices, initial values of the cattle going into the feeding program averaged \$575/steer and \$527/heifer. The opportunity cost of not selling the animal at weaning (an interest expense tied directly to the initial value of the) averaged \$16.37/head and \$14.75/head over the feeding period, for steers and heifers, respectively.

Animal performance was below last year's program, with steers gaining 3.24 pounds per day and heifers gaining 3.11 pounds per day. Feed efficiency decreased (more pounds of feed were required per pound of gain) by 0.72 pounds for steers and 0.59 pounds for heifers over last year's performance. Feed efficiency last year was

5.99 pounds of feed per pound of gain for the steers, while heifers converted at 6.18 pounds. Feed efficiency this year was 6.71 pounds of feed per pound of gain for the steers, while heifers converted at 6.77 pounds.

Table 7. Costs associated with custom feeding on a \$ per animal basis.

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Total feed ^a	115	282.25	200.24	390.33	37.21
Yardage ^b	115	48.54	45.92	51.80	1.90
Processing ^c	115	5.63	5.63	5.63	--
Medicine	115	3.93	3.93	3.93	--
Death loss	115	15.76	15.76	15.76	--
Interest ^{cd}	115	3.59	3.59	3.59	--
Opportunity ^e	115	16.37	11.90	22.44	2.16
Total Cost	115	384.16	302.25	500.25	37.35
<u>Heifers</u>					
Total feed ^a	150	270.85	134.30	459.23	50.17
Yardage ^b	150	47.70	45.92	50.12	1.90
Processing ^c	150	5.68	5.68	5.68	--
Medicine	150	1.78	1.78	1.78	--
Death loss	150	1.92	1.92	1.92	--
Interest ^{cd}	150	3.59	3.59	3.59	--
Opportunity ^e	150	14.75	11.30	17.63	1.12
Total Cost	150	354.00	220.11	543.50	50.78

^a Individual animal dry matter intake was calculated by adjusting for live weight and average daily gain (Owens et al., 1984).

^b Yardage costs were \$.28 per animal each day.

^c Fixed cost shared by owners on a per animal basis.

^d Feeding period financing costs, including interest at 5.00 percent and a loan origination fee.

^e Opportunity cost was calculated at 6 percent interest on the initial value of each animal for the duration of the feeding period

Table 8. Costs associated with custom feeding on a \$ per lb of gain basis.

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Total feed ^a	115	0.51	0.43	0.64	0.04
Feed and yardage ^b	115	0.59	0.52	0.79	0.05
Total cost of gain	115	0.65	0.56	0.94	0.06
<u>Heifers</u>					
Total feed ^a	150	0.51	0.42	0.60	0.36
Feed and yardage ^b	150	0.61	0.51	0.82	0.04
Total cost of gain	150	0.66	0.57	0.96	0.50

^a Individual animal dry matter intake was calculated by adjusting for live weight and average daily gain (Owens et al., 1984).

^b Yardage costs were \$.28 per animal each day.

Table 9. Break-even price and profitability associated with custom feeding.

	<i>No. of Animals</i>	<i>Mean</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Standard Deviation</i>
<u>Steers</u>					
Break-even live price, \$/cwt	115	84.54	74.96	96.43	3.83
Break-even feeder price, \$/cwt	115	111.40	71.47	158.69	16.16
Profit/Loss, \$/steers	115	55.22	-187.08	278.98	82.83
<u>Heifers</u>					
Break-even live price, \$/cwt	150	81.95	77.91	95.76	2.74
Break-even feeder price, \$/cwt	150	112.73	55.11	163.23	15.59
Profit/Loss, \$/heifers	150	88.16	-227.56	350.48	74.51

SUMMARY

The late fall of 2003 proved to be an interesting time to place cattle on feed in a retained ownership program. Fall feeder cattle prices were at near record high levels. On December 23, 2004 the announcement by USDA was made of the first BSE positive animal in the United States. Although foreign borders closed to US beef imports and prices dropped initially, sound science seemed to prevail. Strong demand and tight supplies helped prices to rebound where they remained very solid throughout the 2003-2004 A to Z Retained Ownership, Inc. program feeding period.

For the 2003-2004 feeding program, steers had an average daily gain of 3.24 pounds per day and heifers gained an average of 3.11 pounds per day during the feeding period. Dry matter intake was 21.69 and 21.07 pounds per head daily for steers and heifers, respectively. Feed efficiency was 6.71 pounds for the steers and 6.77 pounds for the heifers (expressed in a pounds of feed per pound of gain basis). Hot carcass weights were 715 pounds (steers) and 679 pounds (heifers). Sixty-five percent of the steers and 69 percent of the heifers graded choice or higher. In addition, 21 percent of all the steers (28% of the black steers) and 13 percent of all the heifers (22% of the black heifers) met Certified Angus Beef (CAB)

specifications and qualified for premiums under the RTMV pricing grid. Profits averaged \$55.22 per steer and \$88.16 per heifer. The range in profits and losses was large for both steers (+\$278.98 to -\$187.08 per head) and heifers (+\$350.48 to -\$227.56 per head). Prime and choice grades and CAB carcasses were responsible for the high-end of prices received and carcasses that were discounted for being light weight, not grading or yield grade 4 were on the low-end of the profitability scale. Animals that were treated for sickness or those that did not gain weight were also on the low end of the profitability scale. Feedlot average daily gain and quality grade accounted for most of the variation in profitability. Initial value accounts for much of the difference in average profitability between steers and heifers.

Overall the 2003-2004 A to Z Retained Ownership, Inc. program was deemed a success by participants. Evaluations were conducted at the year-end meetings in Fruitland and Challis. A review of the questionnaires filled out by the participating ranchers at the year-end meetings indicated satisfaction in the way the program was run during the year. A majority of the ranchers would participate in this retained ownership program again and expressed an interest in feeding cattle for 2004-2005. This year ranchers indicated that the highest value of the A to Z Retained Ownership, Inc. program was the opportunity to gather information on their cattle and the opportunity to critically evaluate their cattle. Other areas where the A to Z program was deemed very useful are: selection of replacement heifers and bulls, keeping abreast with changes in the beef industry, retaining ownership of a calf crop, and fine-tuning ranch management. All suggestions, interests and comments will be considered in designing future retained ownership educational programs.

Cattle performance, feed costs and profitability for 2003-2004 compared to the previous ten years are shown in Appendix B. Incoming value of cattle, feed costs, feed efficiency, and carcass prices are variable over years and contribute greatly to the variation in profitability. Cattle performance is much less variable from year to year.

End Note

Ms. Bobbi Wilhelm completed her MS degree in Agricultural Economics in May, 2004. Her research and thesis dealt with an analysis of the A to Z Retained Ownership, Inc. program over the period from 1995-2003. The abstract of her thesis follows:

Two separate analyses of cattle feeding profitability were completed in this thesis. The first analysis focused on determinants of cattle feeding profitability in the Inland Northwest. The analysis utilized data on cattle consigned to A to Z Retained Ownership, Inc. from 1995-2003.

Regression analysis was used to identify variables that were significant in influencing cattle feeding profitability over time (1995-2003). The results indicate that grid base price, corn price, feeder cattle price, days on feed, feed conversion, average daily gain and marbling score were all significant in explaining the variation in profits from feeding cattle. Results also showed that heifers were \$12.21/head more profitable to feed than steers.

The second analysis focused on year-to-year trends in cattle feeding profitability. Regression analysis was used to evaluate factors that influenced profitability in individual years. Results show yearly differences in significant variables that influence cattle feeding profitability, indicating the dynamic nature of the cattle industry and the inputs into the cattle industry. Naturally, as prices of inputs

fluctuate, so should their relative importance in explaining cattle feeding profitability. Variables such as days on feed and marbling score differ in their relative impacts from year to year. As a result, cattle ranchers need to pay attention to market signals and adjust decision making processes for retaining and selling cattle. More importantly, it is necessary for cattle ranchers to understand the dynamic nature of the cattle industry. Although significant factors that influence cattle feeding profitability change over time, it is still important to consider each factor embodied within this paper when selecting weanlings to retain and sell, keeping in mind that their relative significance will change over time.

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Appendix A
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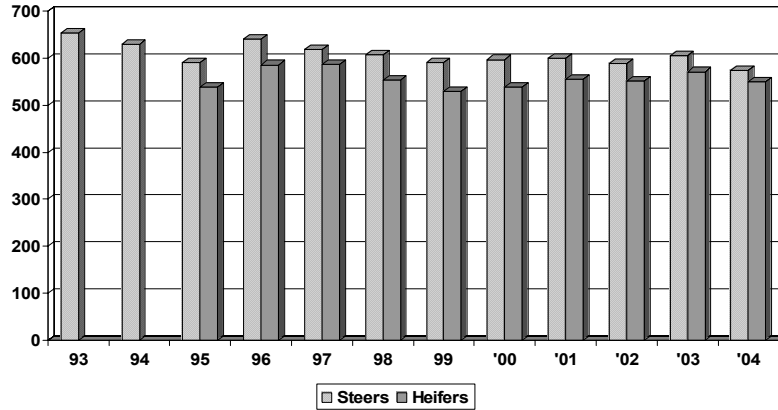
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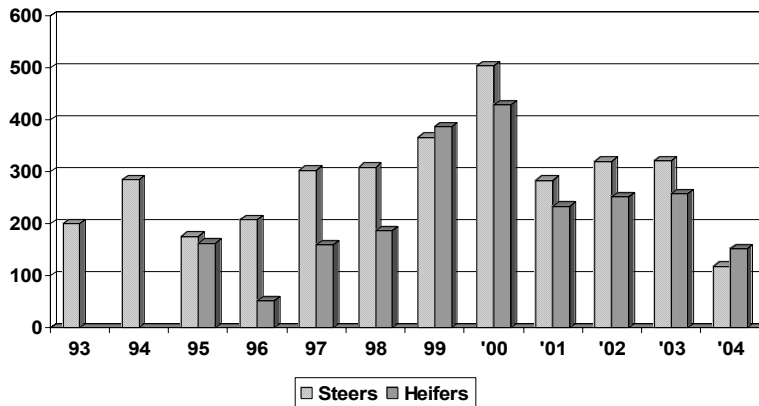
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Appendix B

A to Z Receiving Weights Calves

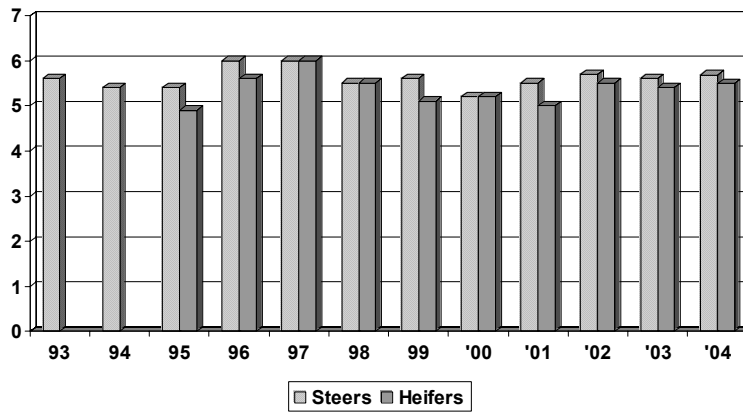


A to Z Consignments Calves

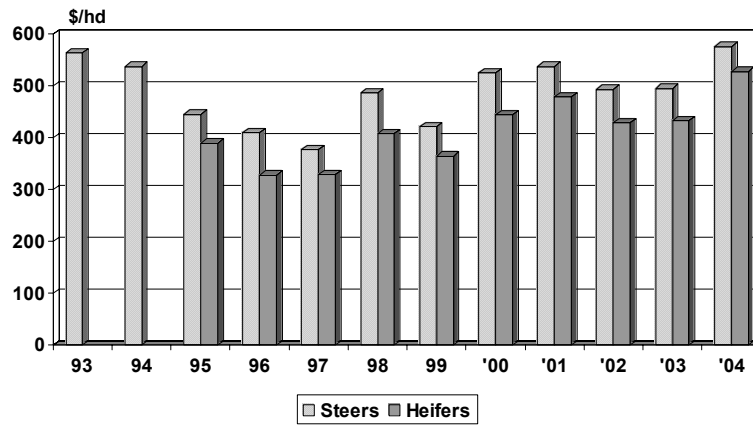


5,096 Head Total

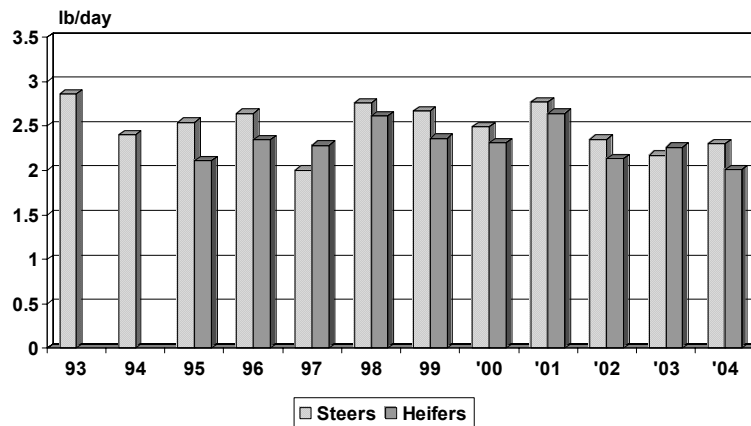
A to Z Frame Scores Calves



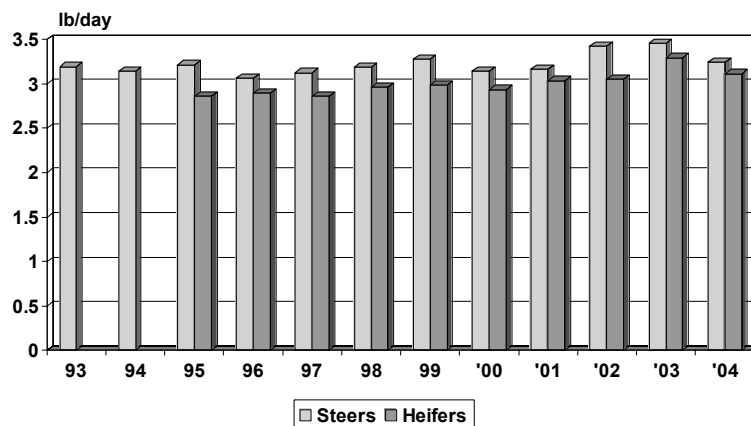
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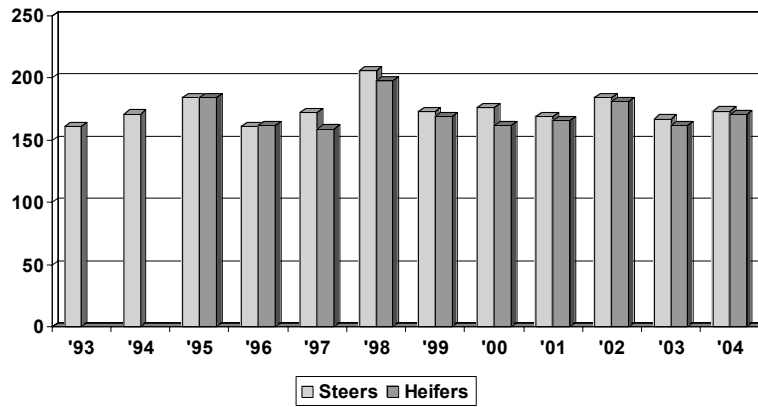
A to Z – ADG (Receiving – Startup) Calves



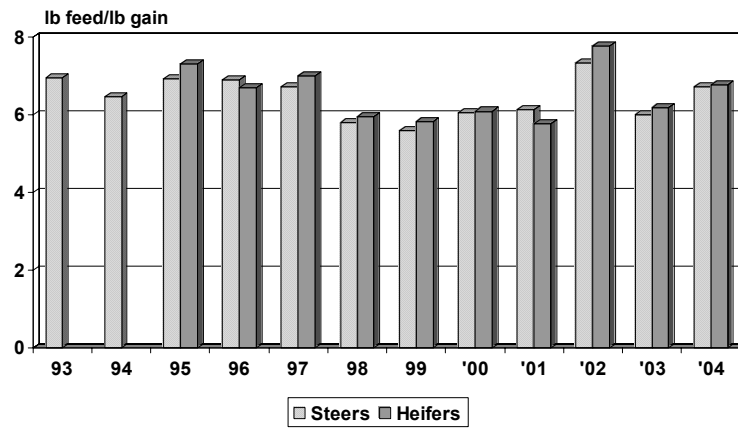
A to Z – ADG Total Calves



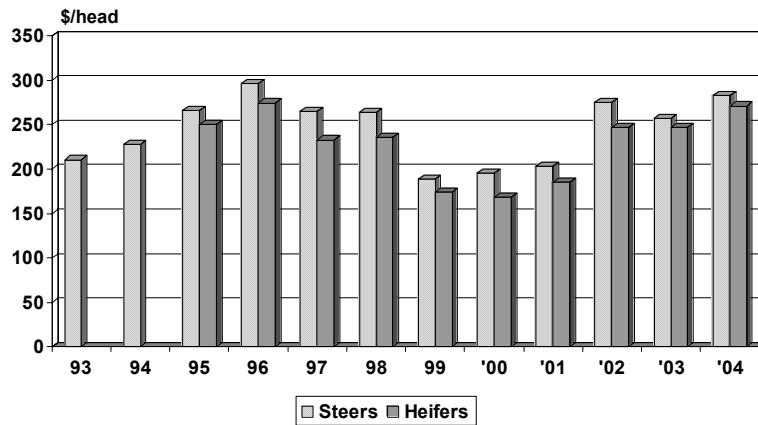
A to Z – Days on Feed Calves



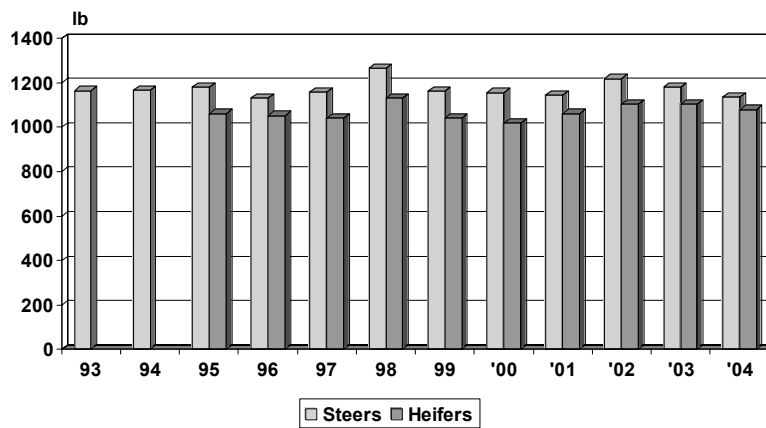
A to Z – F/G Calves



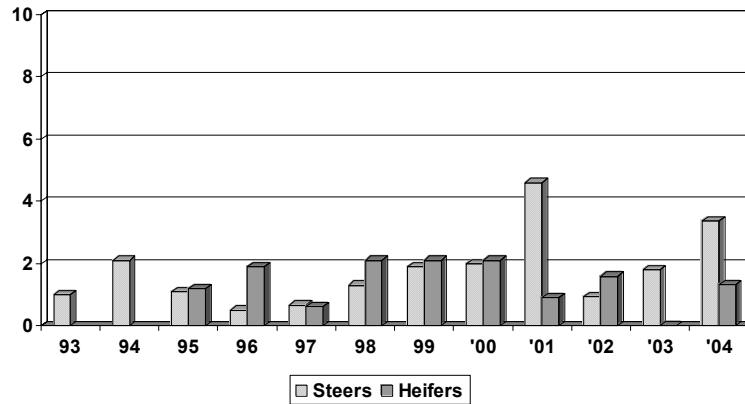
A to Z – Feed Cost Calves



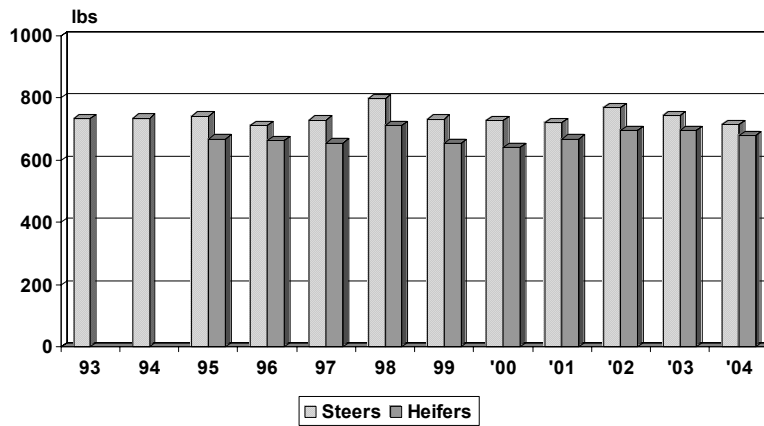
A to Z Finished Weights Calves



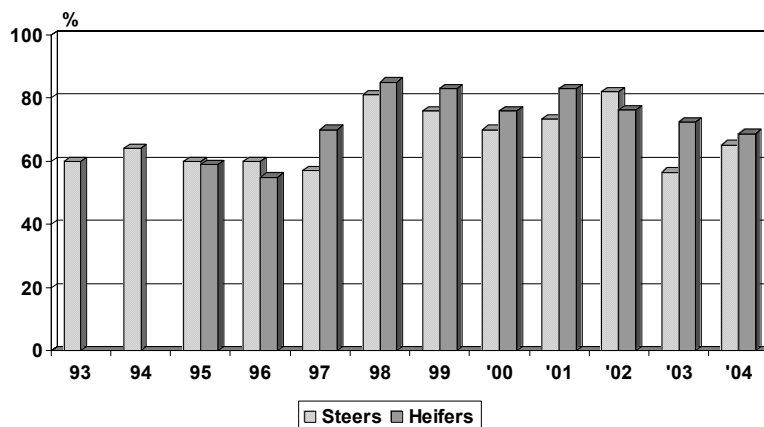
A to Z Death Loss (%) Calves



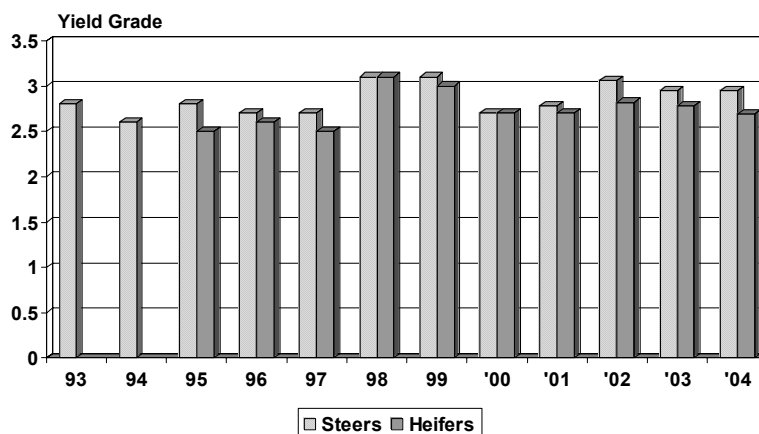
A to Z Carcass Weights Calves



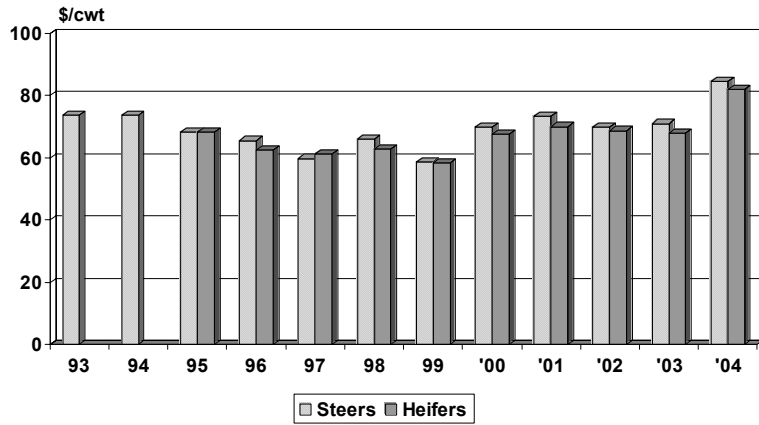
A to Z Quality Grade (% Ch and Pr) Calves



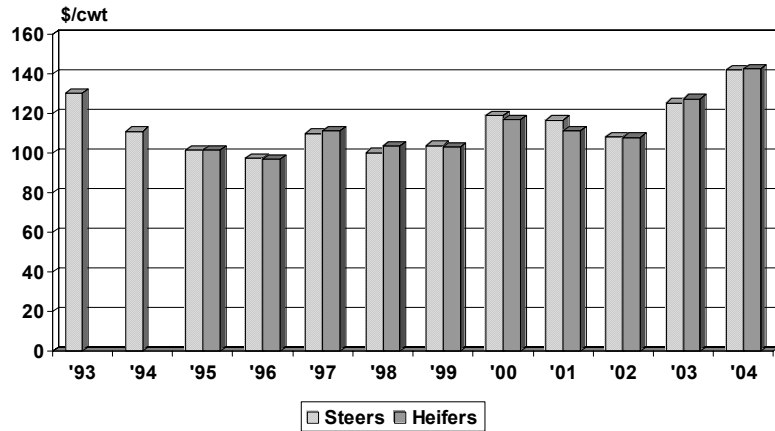
A to Z Yield Grades Calves



A to Z – Break-Even Calves



A to Z Carcass Price Calves



A to Z – Profit Calves

