

THE COST OF VARIABILITY

Profit Tip

Price discovery in the cattle business is largely a matter of weight and quality. Variations within a feedlot pen make management and marketing a great challenge, especially when selling on a carcass merit basis. The more uniform a pen of calves, the more marketing opportunity, less risk of grid discounts, and less need for sorting finished cattle to several outcome groups. That adds efficiency.

Averages and Variation Ranges Within Feedlot Pens for Economically Significant Factors

Variable	Average	Average Variation	Range in Variation	
			Top 25% (Least Variable)	Bottom 25% (Least Variable)
In Weight (lb.)	666	401	268	555
Final Weight (lb.)	1191	546	388	750
Hot Carcass Weight (lb.)	733	322	239	415
Average Daily Gain (lb./day)	3.24	2.56	1.84	3.44
Total Carcass Value (\$)	\$1401.35	\$695.03	\$505.87	\$912.93
Carcass Price (\$/cwt.)	\$191.24	\$31.36	\$20.14	\$44.92

The Facts

A nine-year study of 67,000 calves shows average pen range in carcass value was \$695.03. Why?

Carcass weight variation was an average of 322 pounds (lb.)/pen

Feedlot average daily gain (ADG) varied 2.56 lb. for the feeding period

Receiving weight varied by 401 lb. in pen, widening to a finished-weight range of 546 lb.

ADG and final weight differences aside, carcass premiums and discounts account for most (\$229.87/head) of the total pen variation in carcass values, at the average 733-lb. carcass weight

Top 25% (Most uniform pens for each trait):

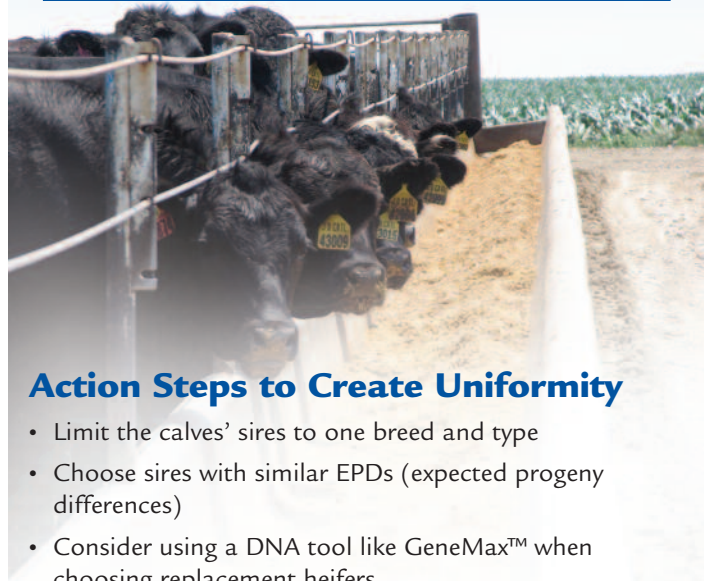
- Differed by 268 lb. for in-weight
- Differed by 1.84 lb. in ADG, a \$357/head effect
- Ranged 388 lb. in finished weight
- Sold within a window of 25 days
- Carcass value varied by \$20.14/cwt., or \$148/head

Bottom 25% (Least uniform pens for each trait):

- Differed by 555 lb. for in-weight
- Differed by 3.44 lb. in ADG, a \$668/head effect
- Ranged 750 lb. in finished weight
- Sold over a period of 56 days
- Carcass value varied by \$44.92/cwt., or \$329/head

\$695.03

The average range in value, top to bottom, from weight, ADG and carcass merit.



Action Steps to Create Uniformity

- Limit the calves' sires to one breed and type
- Choose sires with similar EPDs (expected progeny differences)
- Consider using a DNA tool like GeneMax™ when choosing replacement heifers
- Create uniformity in the cowherd through genetics and culling for phenotype and mature size
- Shorten the calving season
- Sort by weight and type prior to placing on feed
- Sort cattle prior to harvest for fat cover and weight

Materials and Methods

- Data representing 67,108 head (684 lots) of cattle fed in the Iowa Tri-County Steer Carcass Futurity from 2002 to 2010.
- Dollar values were based on the 2012 CAB example grid* values.

*Example grid can be found at www.CABpartners.com/marketing/CABexamplegrid.pdf



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Questions?

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