



CAB Corner on Quality
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High Corn, High Stakes for High Quality

By Larry Corah, CAB Vice President

The cattle business has taken on some aspects of a high-stakes poker game. Strong fed-beef and calf prices have won the chips for a few years, but rising input costs have forced all players to up the ante. Now, higher corn prices push land prices higher to call this hand.

Panic overtakes a few observers, who say grain-based cattle feeding will have to fold, but that's just not in the cards. Even when the chips are down, Angus producers need have no fear of higher corn prices. Especially not if they have included efficient postweaning gain and carcass merit in genetic selection.

Before we get too far into the game, let's look at some likely scenarios:

- Calves will probably spend more time between leaving the cowherd and entering the feedlot.
- With so much infrastructure set up for corn processing, higher corn prices will probably stay high for a while.
- With escalating land prices, higher feed costs may include higher grazing costs. Overall, it could cost 20% or even 40% more for postweaning gains, putting added pressure on calf prices.

Can quality grade stay in the game? History says yes, or at least maybe, because high corn prices in the mid-1990s lowered calf prices but not quality grades. The big question is how calves will be managed:

- If calves are weaned and placed on corn stalks, dry grass, winter fescue or sparse wheat pasture, quality grades will be reduced. That's because mere maintenance diets compromise marbling potential.
- If calves with growth potential gain 2.25 to 2.50 lb./day through the growing phase, quality grade should be maintained. But health, weaning management and known genetics become even more important.

So, what kind of cattle fit today's economic climate?

During periods of high feed cost, the right genetics in the feedlot count much more than during times of "cheap" feed. Cattle that can grow and convert feed simply have added value with higher corn prices.

Feed efficiency is rapidly becoming the industry's "buzz" phrase. No wonder: while cost of gain in the feedlot used to vary from 45 to 55 cents/lb. of gain, now it will vary from 60 to 80 cents/lb. of gain. A lot of that variance comes from feed conversion rates that vary due to genetics and prior management.

Because so many cattle have poor feed conversion, high corn prices likely mean fewer days on feed, which will drive wider Choice-Select and Choice-Certified Angus Beef[®] spreads. Ironically, that will make

the demand for high-quality beef even plainer to see – all because consumers want an enjoyable beef eating experience.

Will Angus cattle fit today's economic climate? Absolutely.

Angus producers are blessed with a breed that makes great mother cows, which in turn create calves that match the quality eating experience consumers want, over a wide range of production systems.

Sure, it's going to cost more to put any animal in the feedlot, but the jackpot is getting bigger for Angus cattle that can grow and grade. The future for the right kind of Angus genetics has never been brighter.

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