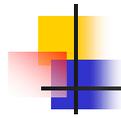


Creating and Being Rewarded for Value in Calves

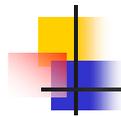
Presented to
2007 Range Beef Cow Symposium XX
December 13, 2007 Ft. Collins CO

Tim Davis, Vice President
Midwest MicroSystems L.L.C.
Lincoln, Nebraska



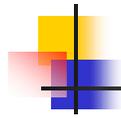
Market Drivers - International

- The discovery of BSE in the US nearly 4 years ago may have changed the way the beef industry conducts business evermore.
- The industry has done a good job of explaining the science.
- However, the days of expecting the consumer to blindly trust us are over. (Saunders, 2005)
- We must focus on the end customer and not just what we produce, how it is produced and being appropriately rewarded for meeting those demands.



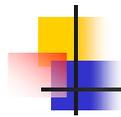
Market Drivers - Domestic

- Domestic branded beef campaigns continue to expand.
- All in an effort to meet specific consumer needs.
- AND...be rewarded in the process.
- Consumers – domestic as well as international are requiring more standards and verification of marketing claims.



The Beef Industry Response

- Nearly every major change in US beef production has been market driven (Rhinehart 2007).
- International market specifications as well as domestic branded beef programs link;
 - Consumers to the retailer (supermarket/restaurant);
 - And retailer to supply chain (producer/ feeder/ processor/purveyor)
- With responsibility (and the associated rewards) comes accountability.
- The devil is in the details...documentation of the methods to justify the claims.



The Government Response

- AMS/USDA initiated a process to ensure companies and their suppliers the ability to verifiably deliver products to consumers that met their marketing claims
- This system, Process Verified Program (PVP) and later the Quality System Assessment (QSA) are qualified management systems to help ensure product claims.
- Simply ...prove that you are doing what is claimed.
- For example ..."corn fed" claim.
- See <http://processverified.usda.gov/> and <http://www.ams.usda.gov/lsg/arc/qsap>.

What programs are right for you?

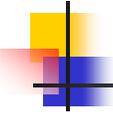
- You must consider a number of factors in deciding to participate in a Vac 45, Branded Beef, PVP or QSA program.
 - Does the program meet your marketing objectives?
 - Does it fit your management objectives AND available resources?
 - How much flexibility does it provide to you?

Value Opportunities...

Show ME the Money!

- Your decision must be based upon return on investment!
- There are reports of market premiums.
- There are also no guarantees!
- What leverage does documentation provide?
- Frequent communication with the potential buyers is key!

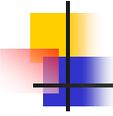




Value Opportunities...

Record Keeping – hang-up or advantage?

- Many producers have the necessary records to document requirements.
- Carefully evaluate current record keeping practices.
- Can required information have additional value in your operation?
- What, if any overlap exists?



Value Opportunities...

Economically Relevant Traits (ERTs)

- ERTs help define what traits are important to your operation. (Enns et al 2005)
- How do you measure them?
- Example 1: Sell at weaning
- Example 2: Sell at harvest



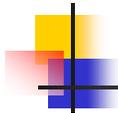
Example 1: Sell at Weaning

Which cow is better?

Cow A



Cow B



Example 1: Sell at Weaning

Cow A



Cow B



MPPA 89
AVG WW on 5 Calves
377#

MPPA 112
AVG WW on 5 Calves
548#



Example 1: Sell at Weaning

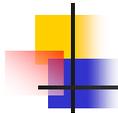
Cow A

1885# x \$1.05 = \$1,979

Cow B

2740# x \$1.05 = \$2,877

That's a \$898.00 Difference



Example 1: Sell at Weaning

Cow A



Cow B



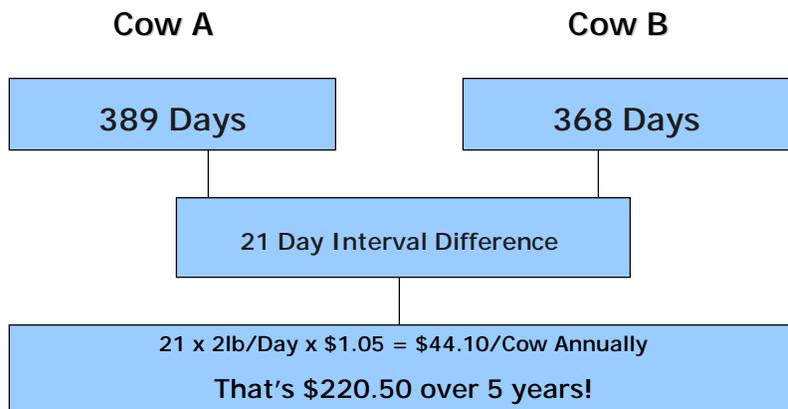
Average Calving Interval:

389 days

368 days



Example 1: Sell at Weaning



Example 1: Sell at Weaning

Total Savings

\$1,119 !!!

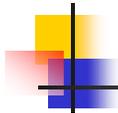
(\$224 annual)



Example 1: Sell at Weaning

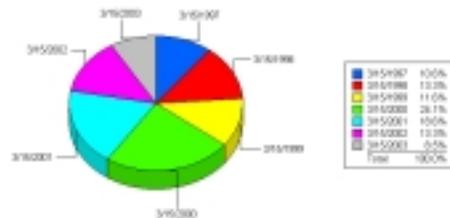
Cow economics: Systematic culling improves the bottom line.

Identify them!

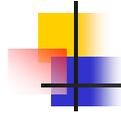


Example 2: Sell at Harvest

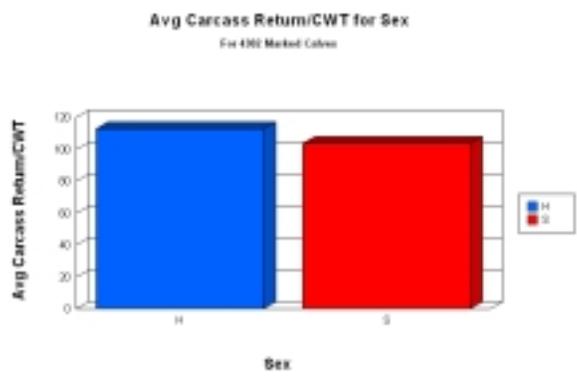
Cohort Start Date Breakdown
For 4302 Marked Calves



Group	Count
3/15/007	430
3/15/008	567
3/15/009	473
3/15/010	1207
3/15/011	810
3/15/012	614
3/15/013	325
Total	4302



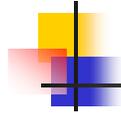
Example 2: Sell at Harvest



Example 2: Sell at Harvest

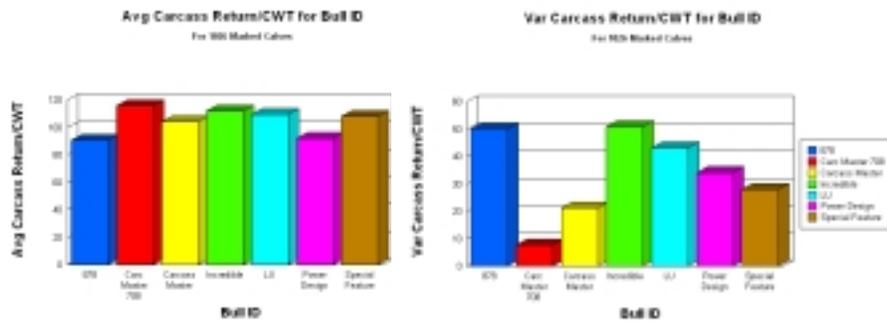
The bottom line ...

How can you market more high value cattle?



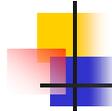
Example 2: Sell at Harvest

Identify them!



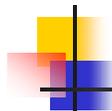
Getting Started

- Identify your objectives.
- Set manageable goals.
- Choose your partners.
- Implement, review, revise.
- What resources are available?



Summary

- Is there overlap between required marketing information and more informed management decisions?
- Is current system returning management information necessary?
- Potential Market Premiums + Management Information = Total ROI.
- Early and frequent communication with buyers is critical to determine if there is profit to be made.



Thank you!

Midwest MicroSystems L.L.C.

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