

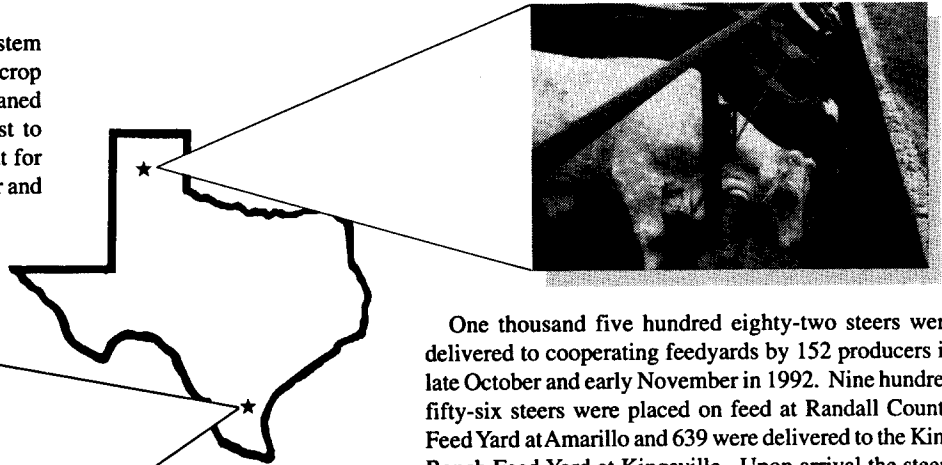


Texas Agricultural Extension Service

The Texas A&M University System

1992-93 Texas A&M Ranch to Rail Summary Report

The Texas A&M Ranch to Rail program is a system that allows producers to learn more about their calf crop and the factors that influence value beyond the weaned calf phase of beef production. It is not a contest to compare breeds or breeders, but provides a format for information exchange between the cow-calf, feeder and packer segments of the industry.



One thousand five hundred eighty-two steers were delivered to cooperating feedyards by 152 producers in late October and early November in 1992. Nine hundred fifty-six steers were placed on feed at Randall County Feed Yard at Amarillo and 639 were delivered to the King Ranch Feed Yard at Kingsville. Upon arrival the steers were eartagged, weighed and processed. Each steer was assigned a per hundredweight value based upon current local market conditions by Federal-State Livestock Market News Service personnel to serve as a basis for calculating theoretical breakevens and the financial outcome of the program. The steers were sorted into

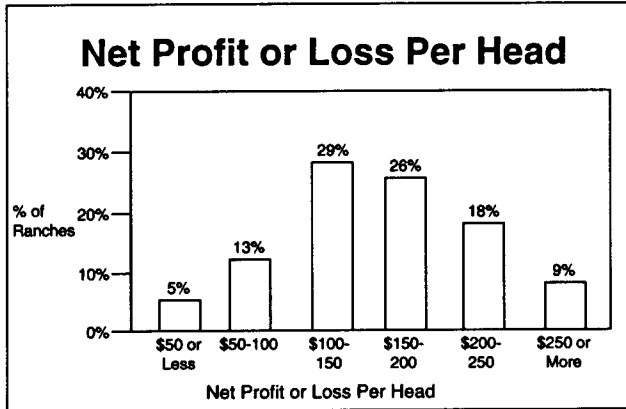
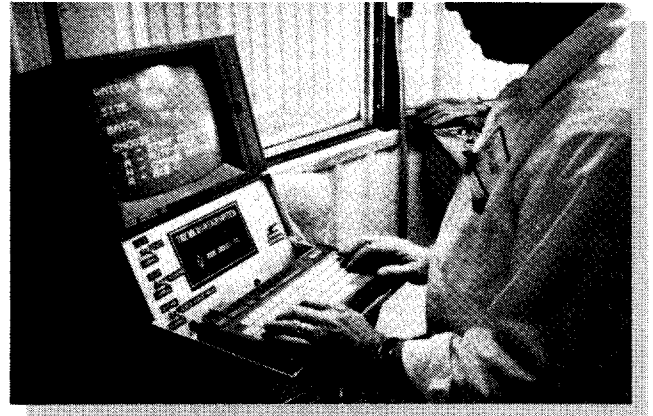
feeding groups based upon weight, frame, flesh condition and biological type. Management factors such as processing, medical treatments and rations fed to the steers in Ranch to Rail were the same as the other steers in the feedyards. Individuals were slaughtered when they reached the weight and condition regarded as acceptable for the industry and market conditions by the feedyard manager. The cattle were sold on a carcass basis with premiums and discounts for various quality grades, yield grades and carcass weights. Feed, processing and medicine costs were financed by the feedyards. All expenses were deducted from carcass income and proceeds were sent to the owner along with detailed performance, carcass and financial summary reports.

Financial Information

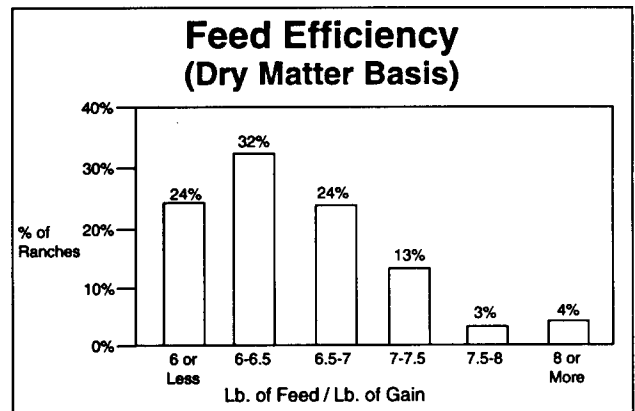
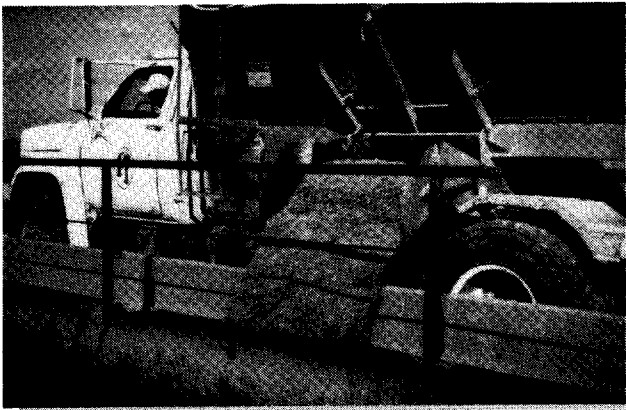
An extremely strong fed cattle market resulted in a profitable return for practically all entries. The budget below shows that the average net return per head sold was \$155.56. This figure does not include freight costs for delivery to the feedyards or interest on the steer value during the feeding period. The range in returns per ranch entry varied from a loss of \$.21 per head to a profit of \$307.03 per head for the 152 cooperating ranches.

Financial Summary 1992-93 Texas A&M Ranch To Rail	
Income / Head	\$932.45
Value on Arrival	\$486.16
Feed	\$257.15
Processing	\$ 10.41
Medicine	\$ 5.80
Interest	\$ 5.51
Death Loss	\$ 7.08
Other	\$ 4.78
Total Expense	<u>\$776.89</u>
Net / Head	\$ 155.56

The distribution of net returns is shown in the graph below. Only 5% of the entries failed to make at least \$50 per head while 82% netted in excess of \$100 per head. The extremely profitable entries were characterized by high rates of gain, efficient feed conversions, low or no medicine costs and high grading, lean carcasses. There were individual steers that made in excess of \$400 profit and 149 steers had a return of over \$300. However, there were 88 steers, not counting steers that died or were railed, that lost money due to low rates of gain, inefficient feed conversion and high production costs.



Feed efficiency (pounds of feed per pound of gain) was calculated on a 100% dry matter basis to account for differences in the moisture content of the rations at the two feedyards. Feed consumption for each steer was determined by dividing the total pen consumption by head days for the pen and each steer was assigned its prorated share based upon its days on feed. This is based upon the assumption that all steers had equal access to feed. To help assure this, steers of similar size and type were placed in the same pen. Steers that gained faster had better calculated feed efficiencies since feed consumption was divided by net gain to calculate feed efficiency. Feed efficiencies averaged 6.3 pounds of dry matter per pound of gain and the range was from 5.1 to 10.4.

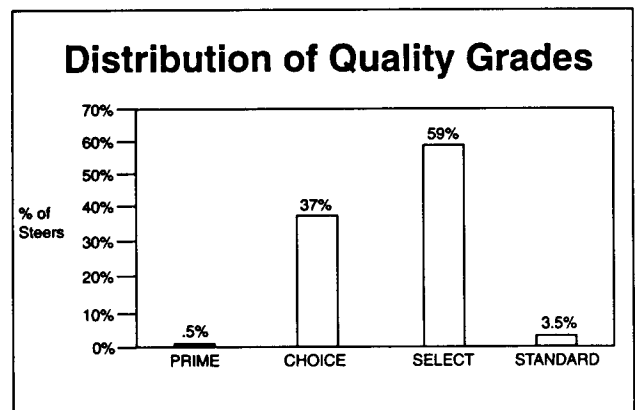
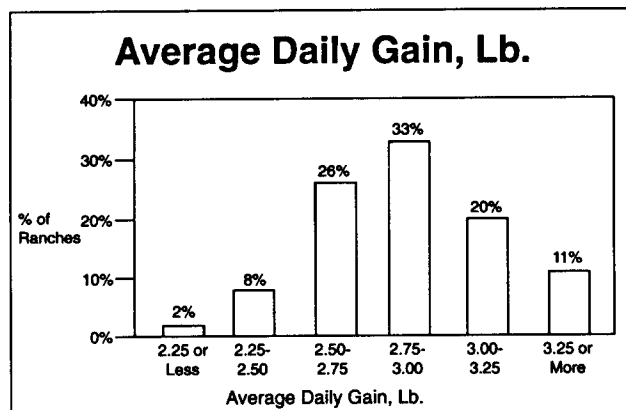


Performance Information

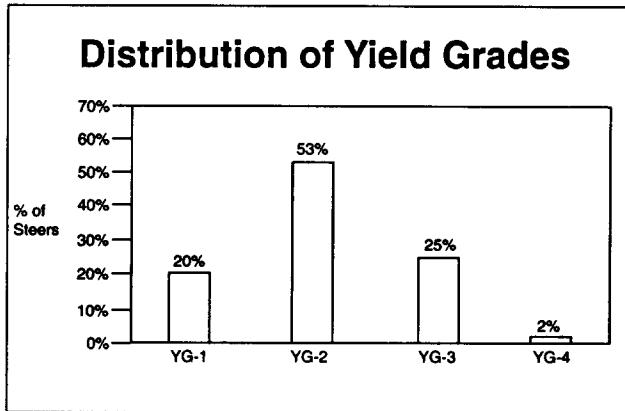
The average off-truck weight upon arrival at the feedyards was 593 pounds. The average sale weight (gross weight minus a 4% pencil shrink) was 1,180 pounds for an average net gain 587 pounds. Days on feed ranged from 166 to 235 with an average of 205 days to result in an average daily gain of 2.87. The difference between off-truck arrival weight and sale weight was used to calculate gain for each ranch. Entries that had steers die or have to be prematurely sold due to poor performance resulted in lowered rates of gain for the ranch unit. Average daily gains ranged from 1.70 to 3.64 for the ranch entries. The chart below shows that 10% of the entries gained less than 2.50 pounds per day while 11% had daily gains in excess of 3.25.

Carcass Information

The steers were sold on a carcass basis with premiums and discounts based upon weight, quality grade, yield grade and defects. The average carcass price received was \$123.58 per hundredweight. The highest price received was \$132.50 per hundredweight for a Prime yield grade 1 and the lowest was \$96.00 for a Standard grade, "dark cutter". The entire group averaged 37% Choice or better and had only 3.5% Standards.

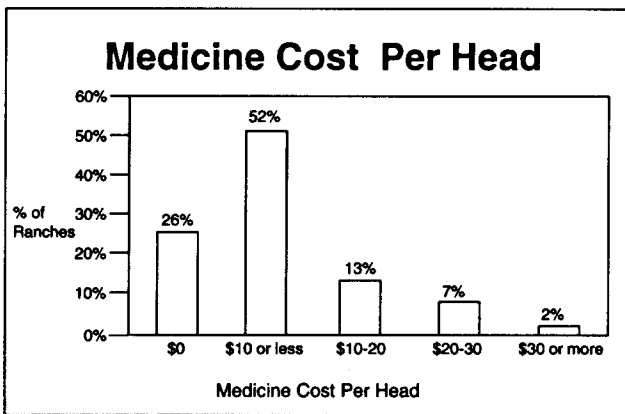


Most of the carcasses were considerably leaner than the industry average with 73% Yield Grades 1 and 2. Only 2% fell into the Yield Grade 4 category.



Effect of Health on Performance and Profit

The health status of steers in the feedyard has a major impact on performance and profit. The average medicine cost above processing was \$5.80 per head. However, the range for the ranch entries varied from \$0 to \$42.61 per head. Twenty-six percent of the ranches incurred no medicine expenses and 52% had costs per head of \$10 or less. However, 9% of the entries had average medicine costs in excess of \$20 per head.



Steers that get sick not only incur additional medicine costs, but they also generally gain less, are less efficient and grade lower. Shown below is a comparison of all steers that got sick vs. those that required no treatment at the feedyard.

Item	Sick	Non-Sick
Head In	347	1,235
Head Out	337	1,229
Deaths	10	6
%Death Loss	2.9%	.5%
In Weight, Lb.	579	596
Out Weight, Lb.	1,148	1,183
In Value/Cwt.	\$79.61	\$78.77
Out Value/Cwt.	\$77.43	\$79.67
Avg. Daily Gain, Lb.	2.68	2.88
Total C.O.G./Cwt.	\$59.67	\$50.36
Medicine Cost/Head	\$27.36	\$ 0.00
Profit/Loss Head	\$85.15	\$176.38
% Prime	0%	1%
% Choice	28%	40%
% Select	70%	55%
% Standard	2%	4%

Non-sick steers made an average of \$91.23 more profit. Steers that got sick not only incurred an average of \$27.36 more expense in medicine costs, but there was \$63.87 in "lost value" due to reduced efficiency, lowered gain and reduced sale value. Calves that got sick were worth \$.16 less per pound upon arrival than steers that never required treatment (\$91.23 ÷ 579 lb.).

Non-Sick Profit	\$176.38
Sick Profit	- 85.15
Difference	\$ 91.23
Difference	\$ 91.23
Medicine Cost	- 27.36
"Lost Value" Above Medicine Cost	\$ 63.87



Fitting the Needs of the Industry

Beef production is a business. Segments of the business that are not generating an adequate return on investment, that are producing at a sub-standard level of efficiency, or turning out a product that doesn't meet industry standards need to be corrected. The average total expense per steer was \$776.89. A profit of \$25 from the feedyard phase of production would be an annualized return of 5.7%. If this figure is used as a minimal level of financial productivity and the other standards shown below are used to determine whether or not the cattle fit the needs of the total industry, we can determine what corrective actions need to be made to produce cattle that are more acceptable.

1992-93 Ranch to Rail Minimal Standards

Profit	\$25.00/Head
Average Daily Gain	2.25
Feed Efficiency (Dry Matter Basis)	7.5
Quality Grade	Low Select
Yield Grade	3.9
Carcass Weight	550 - 950 Lb.
Not Die or Be Railed	

The majority of the individuals entered in Ranch to Rail fit the needs of the beef industry. However, 33% of the 1,595 individual steers in the program had deficiencies. Some missed the mark on a single parameter, whereas others missed on multiple factors. Animals with deficiencies get hidden when averaged with those that excel.

Reason(s) Cattle Didn't Fit the Industry

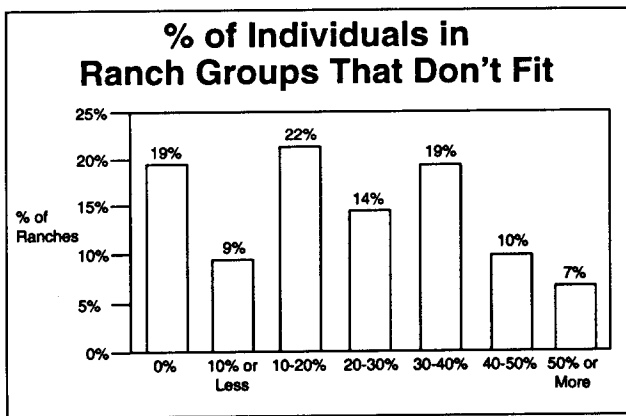
Reasons	Head
Feed Efficiency	155
ADG - Feed Efficiency	71
Net	65
Quality Grade	55
ADG	43
Yield Grade	35
Net - Quality Grade	19
Died	17
Net - Feed Efficiency	16
Railed	15
Net - ADG - Quality Grade	11
Carcass Weight	11
Quality Grade - Yield Grade	8
Net - ADG - Feed Efficiency - Quality Grade	2
Feed Efficiency - Quality Grade - Yield Grade	2
Feed Efficiency - ADG - Net - Carcass Weight	2
Feed Efficiency - Carcass Weight	1
Feed Efficiency - Net - Yield Grade	1
ADG - Net	1
ADG - Net - Quality Grade - Carcass Weight	1
Yield Grade - Carcass Weight	1
<hr/>	
	532

33% Don't Fit

Some had deficiencies that can be corrected with only minor management changes. An effective health program at the ranch level can reduce sickness and medicine costs, enhance performance, increase quality grade and boost profits. Other deficiencies can only be changed by modifying the genetics, changing biological types, etc. Producer: need to assess their situation and implement cost effective management procedures to produce cattle that are adapted to their environment that possess the traits that the industry demands.



Only 19% of the ranches had all of the individual steers in their entry meet all of the minimal standards. Thirty-six percent of the ranches had at least 30% of the individual steers in their entry fail to meet the minimal standards.



For additional information contact:

Dr. John W. McNeill
 Texas A&M University
 Department of Animal Science
 110 Kleberg Center
 College Station, Texas 77843-2471
 (409) 845-3579

Texas A&M Ranch to Rail

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