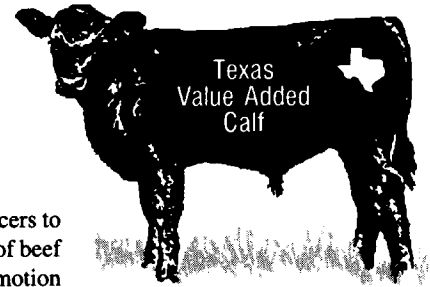




1994-95 Texas A&M Ranch to Rail North / South Summary Report

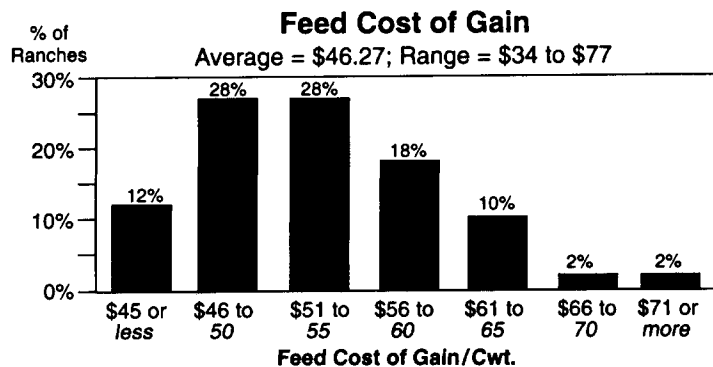
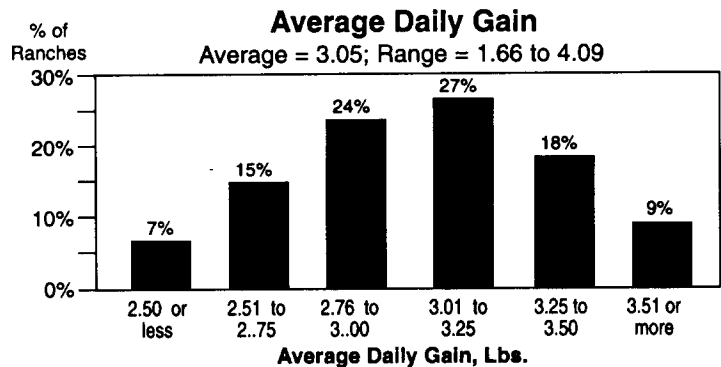


The Texas A&M Ranch to Rail program is an information feedback system that allows producers to learn more about their calf crop and the factors that influence value beyond the weaned calf phase of beef production. It is not a contest to compare breeds or breeders and it is not a retained ownership promotion program. It creates an opportunity for producers to determine how their calf crop fits the needs of the beef industry and provides the information needed to determine if changes in genetics and/or management factors are warranted in order to be competitive in beef production.

Entries from 250 ranches totaled 2,873 head that were placed on feed in October 1994 at Randall County Feed Yard at Amarillo and at 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 cattle 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 managers. 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.

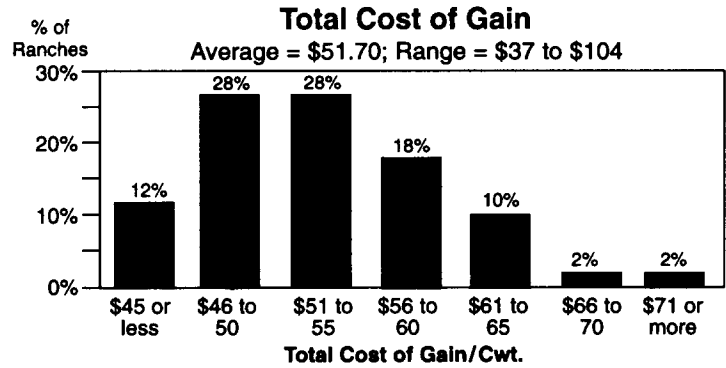
Performance Information

Weights used to determine gain were off-truck arrival weight and sale weight (final weight less a 4% pencil shrink). Average off-truck weight was 601 pounds and average sale weight was 1,183 pounds. Days on feed averaged 191 and ranged from 111 to 252. The average daily gain for all steers was 3.05 pounds while the range for the ranch entries varied from 1.66 to 4.09 as shown in the following graph. Fifty four percent of the entries gained over 3.0 pounds per day while 7% gained 2.5 pounds per day or less. Most of the low rates of gain were due to death loss in a ranch entry since total sale weight minus total off-truck weight divided by total head days was the calculation used to determine the performance of each ranch group. The range in off-truck weight varied from 318 pounds to 1,060. Sale weight (not including those railed) ranged from 768 to 1,627 pounds. Management of the extremes in off-truck weight was a problem since some of the extremely heavy steers were likely overfed until a truckload lot was available for the first shipment and the very light calves were marketed in the last marketing group when they might not have been at their optimum.



Feed consumption for each steer was determined by dividing total pen consumption by total 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 more desirable feed costs of gain since feed cost was divided by net gain to calculate feed costs of gain. The chart to the left shows that the average feed cost of gain was \$46.27 per cwt. and the range varied from \$34 to \$77 per cwt.

Total cost of gain per cwt. averaged \$51.70 and ranged from \$37 to \$104 as shown below. Entries with low total costs of gain were characterized by high rates of gain and low, or no medicine costs.



Carcass Information

The steers were sold on a carcass basis when the feedyards determined that each steer was at its optimal market condition. Steers were sold in 20 groups based upon current market demands. Prices were relatively strong when the first groups were sold, but weakened in May. The highest price paid was \$120/cwt. for Choice Yield Grade 1's and the lowest was \$71/cwt. for dark cutters. The spread between Choice and Select widened when the carcass prices became lower. Also, the discounts for Yield Grades 4 and 5, overweight and underweight carcasses and dark cutters became more severe as the market weakened.

The steers at Randall County Feed Yard were sold to either IBP at Amarillo or Excel at Friona. Yield Grades 2 and 3 were priced on a split yield grade (i.e. 2a/2b and 3a/3b). Yield Grade 2a would be all steers with a Yield Grade between 2.0 and 2.49, whereas 2b would be 2.5 to 2.99. All Standard carcasses received the same price regardless of yield grade. Carcasses that weighed over 950 or less than 550 received a discount.

CARCASS PRICES RECEIVED CARCASS 1994-1995 RANCH TO RAIL-NORTH (\$/lb.)

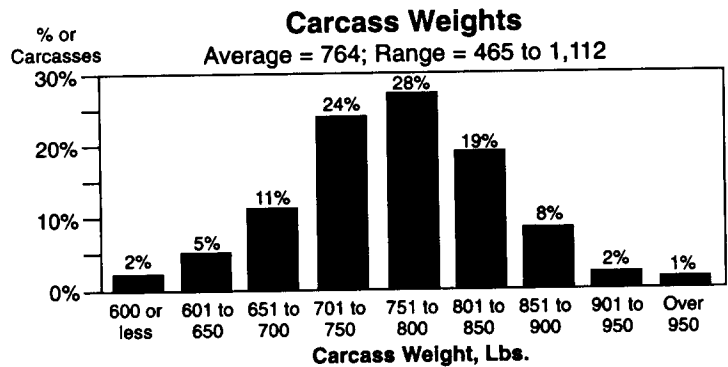
| DAYS ON FEED | | 146 | 160 | 175 | 188 | 195 | 200 | 202 | 216 | 223 |
|---------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| DATE SOLD | | 3-7 | 3-21 | 4-5 | 4-18 | 4-25 | 4-30 | 5-2 | 5-16 | 5-23 |
| QUALITY GRADE | YIELD GRADE | | | | | | | | | |
| PRIME/CHOICE | 1 | 1.20 | 1.145 | 1.12 | 1.07 | 1.085 | 1.11 | 1.085 | 1.07 | 1.09 |
| PRIME/CHOICE | 2a | 1.19 | 1.135 | 1.11 | 1.06 | 1.075 | 1.10 | 1.075 | 1.06 | 1.08 |
| PRIME/CHOICE | 2b | 1.18 | 1.125 | 1.10 | 1.05 | 1.065 | 1.095 | 1.065 | 1.05 | 1.07 |
| PRIME/CHOICE | 3a | 1.17 | 1.115 | 1.09 | 1.04 | 1.055 | 1.085 | 1.055 | 1.04 | 1.06 |
| PRIME/CHOICE | 3b | 1.16 | 1.105 | 1.08 | 1.03 | 1.045 | 1.06 | 1.045 | 1.03 | 1.05 |
| PRIME/CHOICE | 4 | 1.04 | 0.975 | 0.90 | 0.88 | 0.895 | 0.93 | 0.895 | 0.92 | 0.94 |
| PRIME/CHOICE | 5 | 0.99 | 0.925 | 0.85 | 0.83 | 0.845 | 0.83 | 0.845 | 0.87 | 0.89 |
| SELECT | 1 | 1.17 | 1.115 | 1.09 | 1.04 | 1.045 | 1.035 | 1.045 | 0.98 | 0.99 |
| SELECT | 2a | 1.16 | 1.105 | 1.08 | 1.03 | 1.035 | 1.03 | 1.035 | 0.97 | 0.98 |
| SELECT | 2b | 1.15 | 1.095 | 1.07 | 1.02 | 1.025 | 1.025 | 1.025 | 0.96 | 0.97 |
| SELECT | 3a | 1.14 | 1.085 | 1.06 | 1.01 | 1.015 | 1.015 | 1.015 | 0.95 | 0.96 |
| SELECT | 3b | 1.13 | 1.075 | 1.05 | 1.00 | 1.005 | 1.005 | 1.005 | 0.94 | 0.95 |
| SELECT | 4 | 1.01 | 0.945 | 0.87 | 0.85 | 0.855 | 0.855 | 0.855 | 0.83 | 0.84 |
| SELECT | 5 | 0.96 | 0.895 | 0.82 | 0.80 | 0.805 | 0.805 | 0.805 | 0.78 | 0.79 |
| STANDARD | | 1.06 | 1.025 | 1.00 | 0.95 | 0.955 | 0.865 | 0.955 | 0.92 | 0.90 |
| DARK CUTTER | | 0.90 | 0.835 | 0.71 | 0.71 | 0.795 | 0.765 | 0.795 | 0.74 | 0.71 |
| OVERWEIGHTS | | (.11) | (.14) | (.18) | (.16) | (.16) | (.10) | (.16) | (.12) | (.12) |
| UNDERWEIGHTS | | (.13) | (.20) | (.18) | (.21) | (.21) | (.12) | (.21) | (.24) | (.23) |

The steers at King Ranch Feed Yard were sold to Sam Kane Beef Processors at Corpus Christi. Yield Grades 2 and 3 were not split as they were at Amarillo and prices received for Standard carcasses were dependent upon yield grades. There were no weight discounts.

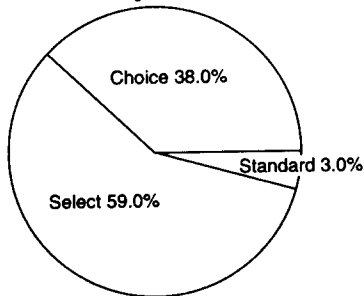
CARCASS PRICES RECEIVED 1994-1995 RANCH TO RAIL-SOUTH (\$/lb.)

| DAYS ON FEED | | 111 | 147 | 167 | 174 | 187 | 203 | 210 | 216 | 223 | 238 | 252 |
|---------------|-------------|------|------|------|------|------|------|------|------|------|------|------|
| DATE SOLD | | 2-14 | 3-21 | 4-11 | 4-18 | 5-1 | 5-17 | 5-24 | 5-31 | 6-6 | 6-21 | 7-5 |
| QUALITY GRADE | YIELD GRADE | | | | | | | | | | | |
| PRIME/CHOICE | 1 | 1.19 | 1.14 | 1.09 | 1.07 | 1.09 | 1.06 | 1.05 | 1.06 | 1.06 | 1.06 | 1.06 |
| PRIME/CHOICE | 2 | 1.17 | 1.13 | 1.08 | 1.06 | 1.08 | 1.05 | 1.04 | 1.05 | 1.05 | 1.05 | 1.05 |
| PRIME/CHOICE | 3 | 1.16 | 1.11 | 1.06 | 1.04 | 1.06 | 1.03 | 1.02 | 1.03 | 1.03 | 1.03 | 1.03 |
| PRIME/CHOICE | 4 | 1.06 | 1.01 | 0.96 | 0.94 | 0.96 | 0.93 | 0.92 | 0.93 | 0.93 | 0.93 | 0.93 |
| PRIME/CHOICE | 5 | 0.96 | 0.91 | 0.86 | 0.84 | 0.86 | 0.83 | 0.82 | 0.83 | 0.83 | 0.83 | 0.83 |
| SELECT | 1 | 1.17 | 1.12 | 1.08 | 1.06 | 1.04 | 0.98 | 0.97 | 0.97 | 0.97 | 0.98 | 0.97 |
| SELECT | 2 | 1.16 | 1.11 | 1.07 | 1.05 | 1.03 | 0.97 | 0.96 | 0.96 | 0.96 | 0.97 | 0.96 |
| SELECT | 3 | 1.14 | 1.09 | 1.05 | 1.03 | 1.01 | 0.95 | 0.94 | 0.94 | 0.94 | 0.95 | 0.94 |
| SELECT | 4 | 1.04 | 0.99 | 0.95 | 0.93 | 0.91 | 0.85 | 0.84 | 0.84 | 0.84 | 0.85 | 0.84 |
| SELECT | 5 | 0.94 | 0.89 | 0.85 | 0.83 | 0.81 | 0.75 | 0.74 | 0.74 | 0.74 | 0.75 | 0.74 |
| STANDARD | 1 | 1.14 | 1.11 | 1.06 | 1.04 | 1.03 | 0.96 | 0.95 | 0.95 | 0.95 | 0.96 | 0.95 |
| STANDARD | 2 | 1.13 | 1.10 | 1.05 | 1.03 | 1.02 | 0.95 | 0.94 | 0.94 | 0.94 | 0.95 | 0.94 |
| STANDARD | 3 | 1.11 | 1.08 | 1.03 | 1.01 | 1.00 | 0.93 | 0.92 | 0.92 | 0.92 | 0.93 | 0.92 |
| STANDARD | 4 | 1.01 | 0.98 | 0.93 | 0.91 | 0.90 | 0.83 | 0.82 | 0.82 | 0.82 | 0.83 | 0.82 |
| STANDARD | 5 | 0.91 | 0.88 | 0.83 | 0.81 | 0.80 | 0.73 | 0.72 | 0.72 | 0.72 | 0.73 | 0.72 |

Carcass weights averaged 764 pounds. However, 18% were outside the range of 650 - 850 pounds generally preferred by most packers. Carcass weights ranged from 465 to 1,112 pounds.



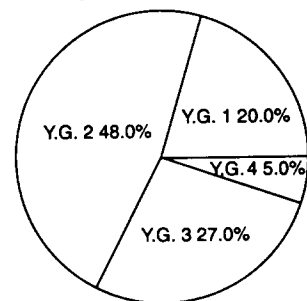
Quality Grades



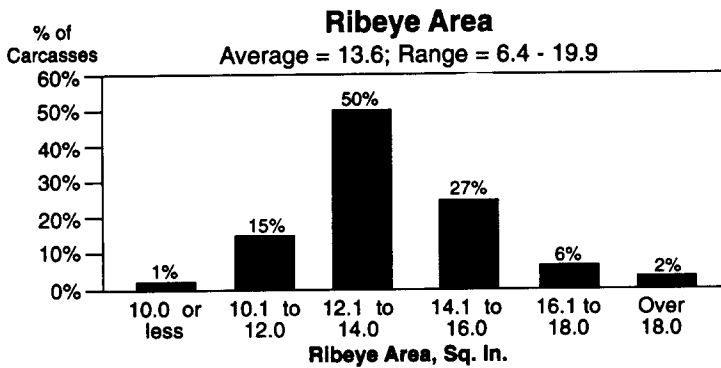
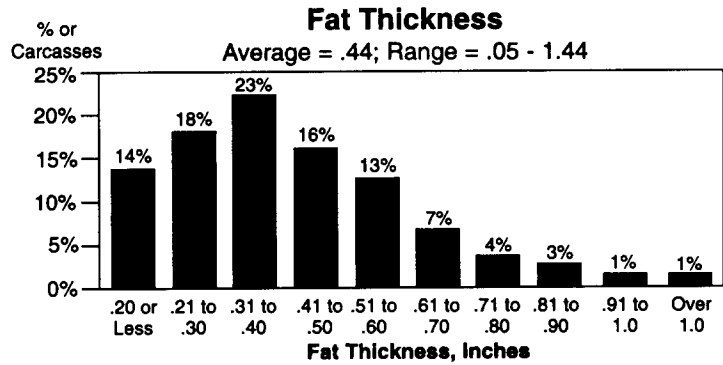
Thirty eight percent of the carcasses graded Choice, 59% were Select and 3% graded Standard. Forty carcasses did not receive a quality grade because they were dark cutters and one because it was classified as a bloodshot. Both of these conditions are related to temperament and stress.

Sixty eight percent of the carcasses were Yield Grades 1 and 2 and only 5% were Yield Grades 4 and 5.

Yield Grades

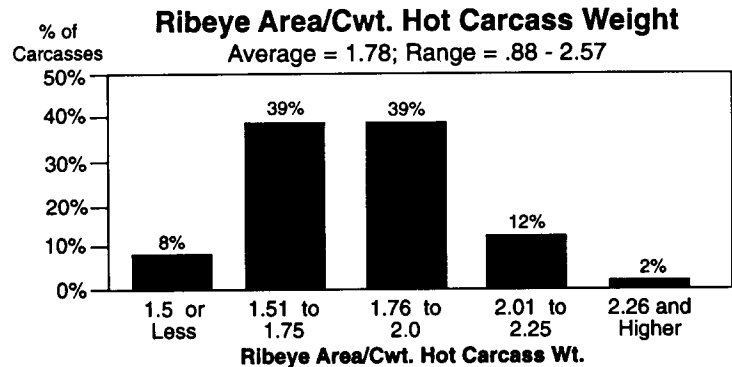


Fat is one of the major factors that influences yield grade. Average fat thickness over the ribeye was .44 inches. The range was .05 to 1.44 inches. Some of the extremely fat carcasses were the result of overfeeding and the genetic predisposition to accumulate fat. Carcasses that are extremely lean often do not possess adequate marbling and are more prone to produce cuts that are tough due to cold shortening. Carcasses with .25 to .45 inches of external fat are more optimal.



Ribeye area is a primary indicator of carcass muscularity and lean meat yield. The average ribeye area was 13.6 square inches. The range varied from 6.4 to 19.9 square inches. Extremes in ribeye size present problems in fabricating cuts. Ribeyes that range from 11.0 to 16.5 square inches generally have more utility in the beef industry.

Ribeye area is greatly influenced by carcass weight. Heavier carcasses tend to have larger ribeyes. Ribeye area per 100 pounds of hot carcass weight provides a measure of relative muscling. The average was 1.78 square inches per cwt., while the range was .88 to 2.57 square inches per cwt. Higher values indicate increased muscling, but production related factors such as calving ease necessitate not selecting for extreme muscling.



Carcass Premiums and Discounts

The following table shows the impact of quality grades and yield grades on net return. For calculation purposes, Choice Yield Grade 3 was used as the basis. The calculations are based upon the prices actually paid by the packers for Ranch to Rail cattle marketed this year. There were 381 Choice Yield Grade 3 steers marketed. There were 119 Choice Yield Grade 1 carcasses that brought an average of \$3.30/cwt. premium to the Choice Yield Grade 3 carcasses which amounted to a total of \$3,015.46 in increased value for an average of \$25.34 per head. There were 451 Choice Yield Grade 2 steers that accounted for \$6,781.85 in premiums for an average of \$15.03 per head.

Discounts had a major impact on net returns. Choice Yield Grade 4 carcasses were discounted an average of \$13.28/cwt. to the value of Choice Yield Grade 3 carcasses. The 86 Choice Yield Grade 4's received almost as much in discounts (\$9,253.55) as the Choice 1's and 2's received in premiums. Other discounts such as dark cutters had a major impact on returns since they brought an average of -\$29.23/cwt less than Choice 3's or -\$224.81 per carcass that was a dark cutter.

Quality grades also impacted returns. Select 3 carcasses were worth an average of \$4.50/cwt. less than Choice 3's and Standard 3's were worth an average of \$6.58/cwt. less than Choice 3's. This graphically points out the need to eliminate non-conforming carcasses and emphasizes the need to select for both quality and cutability.

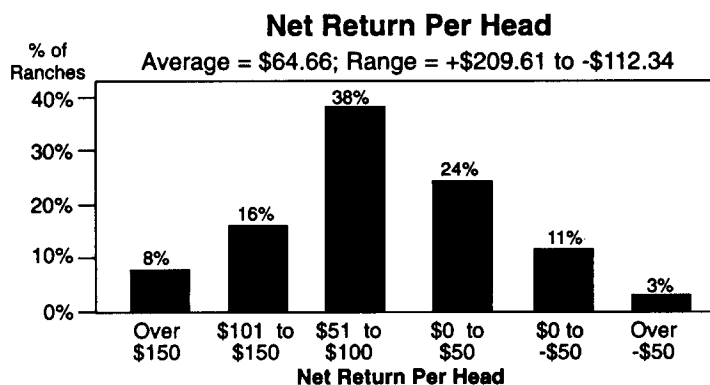
Value Received Relative to Choice Yield Grade 3 Carcasses

| Quality Grade | Yield Grade | Head | Premium or Discount to Choice 3, \$/Cwt. | Value/Carcass | Total Value |
|---------------|-------------|------|--|---------------|--------------|
| Choice | 1 | 119 | +\$ 3.30 | +\$ 25.34 | +\$ 3,015.46 |
| Choice | 2 | 451 | +\$ 1.97 | +\$ 15.03 | +\$ 6,781.85 |
| Choice | 3 | 381 | Par Value | Par Value | Par Value |
| Choice | 4 | 86 | -\$13.28 | -\$107.60 | -\$ 9,253.55 |
| Choice | 5 | 8 | -\$19.37 | -\$163.14 | -\$ 1,305.11 |
| | | | | | |
| Select | 1 | 421 | -\$ 2.49 | -\$ 18.60 | -\$ 7,831.49 |
| Select | 2 | 837 | -\$ 2.77 | -\$ 20.80 | -\$17,410.97 |
| Select | 3 | 356 | -\$ 4.50 | -\$ 34.53 | -\$12,294.10 |
| Select | 4 | 33 | -\$20.39 | -\$164.99 | -\$ 5,444.63 |
| Select | 5 | 5 | -\$25.62 | -\$210.56 | -\$ 1,052.81 |
| | | | | | |
| Standard | 1 | 20 | -\$ 5.02 | -\$ 34.20 | -\$ 684.08 |
| Standard | 2 | 37 | -\$ 4.64 | -\$ 33.81 | -\$ 1,250.96 |
| Standard | 3 | 8 | -\$ 6.58 | -\$ 52.89 | -\$ 423.11 |
| Standard | 4 | 8 | -\$15.60 | -\$125.70 | -\$ 1,005.63 |
| | | | | | |
| Dark Cutter | | 40 | -\$29.23 | -\$224.81 | -\$ 8,992.57 |
| | | | | | |
| Bloodshot | | 1 | -\$25.50 | -\$220.58 | -\$ 220.58 |
| | | | | | |
| Measles | | 2 | -\$45.06 | -\$352.59 | -\$ 705.18 |
| | | | | | |
| Overweight | | 18 | -\$14.53 | -\$142.50 | -\$ 2,564.91 |
| Underweight | | 4 | -\$23.06 | -\$118.72 | -\$ 474.89 |

Financial Information

The budget below shows that the average net return per head sold was \$64.66.

| 1994-95 Ranch to Rail Summary Financial Results | |
|--|-----------------|
| Income | \$784.91 |
| Expenses | |
| Feeder Steer Value | \$419.04 |
| Feed | 269.54 |
| Medicine | 4.76 |
| Processing | 12.08 |
| Death Loss | 4.16 |
| Fees | 1.40 |
| Interest | 6.58 |
| Other | 2.69 |
| Total | \$720.25 |
| Net | \$ 64.66 |



The range in returns per ranch varied from +\$209.61 to -\$112.34 per head for the cooperating 250 ranches. The distribution of net returns is shown in the graph below. Eighty six percent of the ranches had a positive net return. Profitable entries were characterized by high rates of gain, low medicine costs and high grading, lean carcasses.

These figures do not include trucking cost to ship the steers from ranch of origin to the feedyard due to lack of access to all records to determine that figure. They also do not reflect interest on steer value or an opportunity cost. These factors and others need to be considered when determining the profitability. The NCA-IRM-SPA Stocker/Feeder guidelines provide excellent methodology to determine full cost analysis to more accurately assess the economic and financial results.

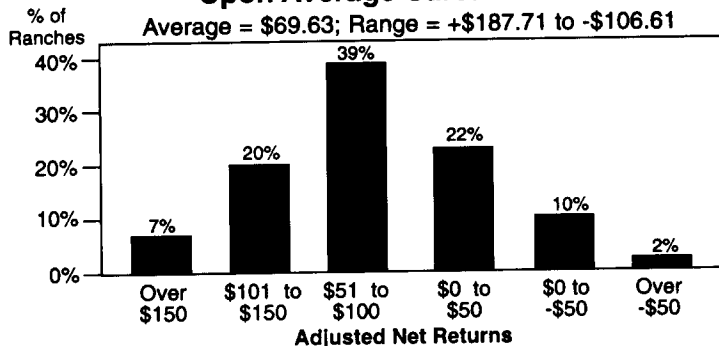
“Adjusted” Budget Results

Steers that sold earlier in the feeding period generally had larger net returns due to higher carcass prices, less severe discounts for non-conforming carcasses and a narrower price spread between the various grades. In order to more accurately measure relative financial returns due to differences between steers within a ranch entry and to compare overall ranch economic outcomes, an “Adjusted” budget was developed based upon the average prices received for the various quality grades, yield grades and carcass weights. The table to the right reflects the difference in average income. Theoretical income increased to \$789.88 from \$784.91 when the average carcass prices were used to compute returns. Since expenses remained the same, the average net increased by \$4.97.

“Adjusted” Budget Results Based Upon Average Carcass Prices

| | |
|--------------------|-----------------|
| Income | \$789.88 |
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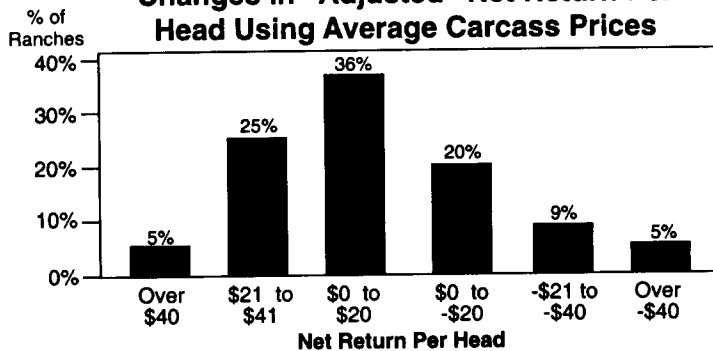
“Adjusted” Net Returns Based Upon Average Carcass Prices



The average net increased from \$64.66 to \$69.63 when the average prices were used to calculate income and the range for net was reduced on both the top and bottom ends. There were only minor changes in the percentages that received various levels of net return. However, there were some dramatic changes in individual ranches calculated income using the average prices.

While the average change in net return per head was +\$4.97 when using the average carcass prices, the range varied from +\$54.85 to -\$75.56. Thirty percent of the ranches would have received over \$20 more per head in increased income. These were primarily those ranches that had a major portion of their entry sold when the market was at its lowest level. Five percent would have received over \$40 per head less in average net income. These were primarily the ranches that sold the bulk of their entry in the first marketing group before the market declined. These figures were used only for comparison purposes. Producers were paid based upon the actual outcome of their carcasses.

Changes in “Adjusted” Net Return Per Head Using Average Carcass Prices



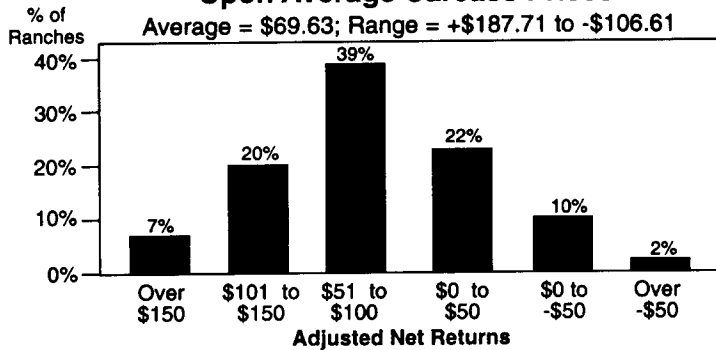
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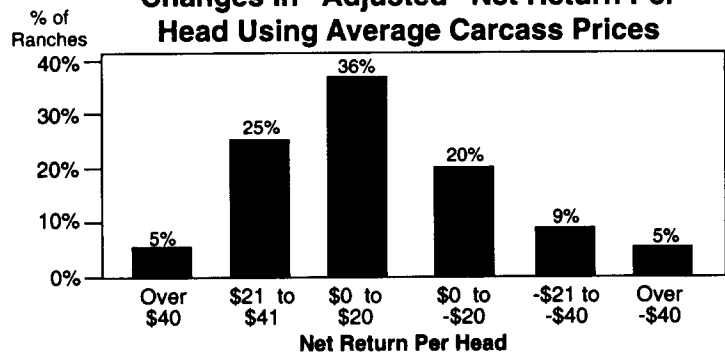
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Changes in “Adjusted” Net Return Per Head Using Average Carcass Prices



Railed Steers

Steers that were sold prematurely due to poor performance or in order to salvage their value due to conditions such as chronic bloat or water belly are referred to as railers or realizers. They accounted for a total loss of \$4,092.70. This includes their initial value, processing cost, feed and other expenses incurred prior to sale. Some of these steers actually returned a profit, whereas others contributed to a sizeable loss. Seventeen head were railed (0.6%) at an average loss of -\$240.75 per head.

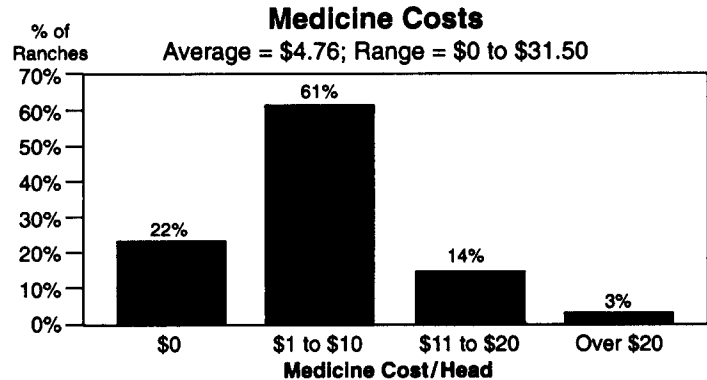
Death Loss

Twenty one steers died for a 0.7% death loss with an economic impact of \$11,850.31. Shown below are the diagnosed causes of death.

| Death Losses | |
|-----------------------|------|
| Diagnosis | Head |
| Bloat | 5 |
| Pneumonia | 5 |
| Enterotoxemia | 3 |
| Heart Failure | 2 |
| Broken Leg | 2 |
| Bovine Viral Diarrhea | 1 |
| Bleeder | 1 |
| Anaphylactic Shock | 1 |
| Old Trauma | 1 |

Effect of Health on Performance and Profit

The health status of steers in the feedyard had a major impact on performance and profit. The average medicine cost above processing was \$4.76 per head. However, the range for the ranch entries varied from \$0 to \$31.50 per head. Twenty two percent of the ranches incurred no medicine expenses and an additional 61% had costs per head of \$10 or less. However, 3% of the entries had average medicine costs in excess of \$20 per head. **Medicine costs were much lower than previous years largely due to improved vaccination and weaning management programs at the ranches of origin prior to shipment to the feedyards.**



Steers that got sick not only incurred additional medicine costs, but they also generally gained less, were less efficient and graded lower. Shown below is a comparison of all steers that got sick vs. those that required no treatment at the feedyard.

| | Sick | Healthy |
|--------------------|----------------|----------------|
| Head | 667 | 2,206 |
| Death Loss | 1.7% | 0.5% |
| Avg. Daily Gain | 2.99 | 3.02 |
| Feed Cost of Gain | \$47.03 | \$46.69 |
| Total Cost of Gain | \$54.46 | \$50.67 |
| Medicine Cost | \$20.76 | \$ 0.00 |
| Net Return | \$26.14 | \$75.69 |
| Quality Grade | | |
| Choice | 33% | 39% |
| Select | 63% | 59% |
| Standard | 4% | 2% |

Healthy steers had an average of \$49.55 more favorable return. Steers that got sick not only incurred an average of \$20.76 more expense in medicine costs, but there was \$28.79 in "lost value" (\$49.55-\$20.76) due to reduced efficiency, lowered gain and reduced sale value. Calves that got sick were theoretically worth \$8.65 less per hundred weight upon arrival than steers that never required treatment. This figure is lower than previous years. That does not infer that healthy calves are now worth relatively less. It is lower because fewer sick steers died and sick steers responded to treatment quicker, thereby requiring less medicine. All of these factors are benefits of proper backgrounding

| Difference in Value | |
|--|----------|
| Healthy | \$75.69 |
| Sick | - 26.14 |
| Difference | \$ 49.55 |
| Avg. In Weight of Sick Steers = 573 | |
| $\$49.55 \div 573 = \$8.65/\text{cwt Less as Feeders}$ | |

Summary

Extremes in net return, health costs, performance factors and carcass parameters among the Ranch to Rail entries reflect the variability that exists in the beef industry. Reduction of these variables and production of a product that meets the needs of all segments of the beef industry must be each producers goal. Ranchers need to assess their operations, implement cost effective management factors and adjust the genetics of their herd to make sure they are on target. Value based marketing at all levels of the industry is rapidly becoming a reality, and those that know what constitutes value and have a product that meets those demands will be competitive in the market place. The purpose of Ranch to Rail is to provide feedback to producers to allow them to make decisions to enhance their production efficiency, profitability and contribution of a satisfactory product in the beef industry.

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