

Marketing Opportunities for AI Bred Heifers and AI Sired Progeny


October 8, 2014
Applied Reproductive Strategies in Beef Cattle
Stillwater, OK

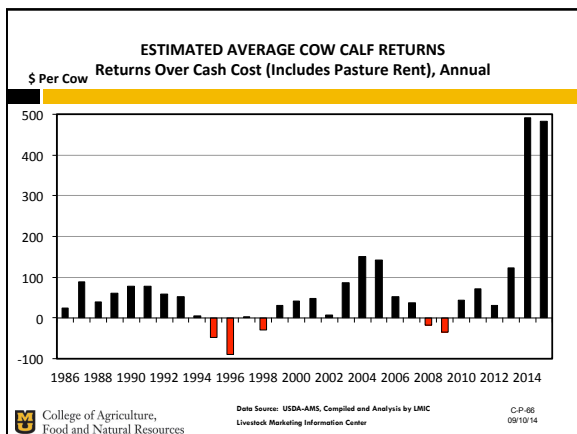
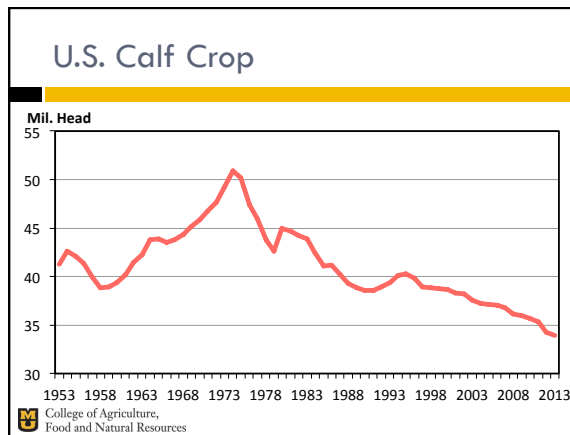
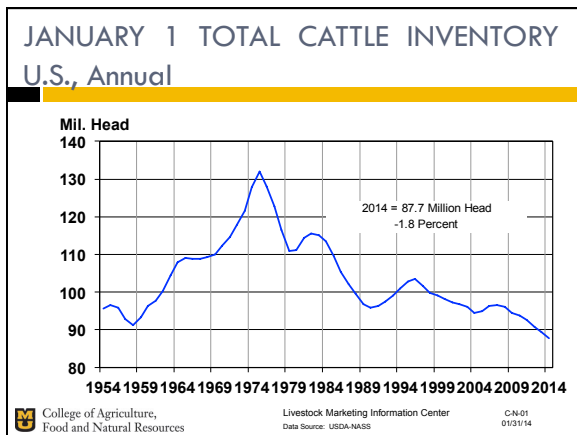
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Before Digging Into AI Value


- In today's market, everything works!
 - ▣ Record cattle prices
 - ▣ Much lower feed costs
- We need to focus on the future
 - ▣ We won't have record cattle prices forever
 - ▣ Feed costs will rise with the next drought
- Given today's record cow-calf returns
 - ▣ Cattlemen must address future lower returns
 - ▣ Better genetics could be one risk reducing alternative

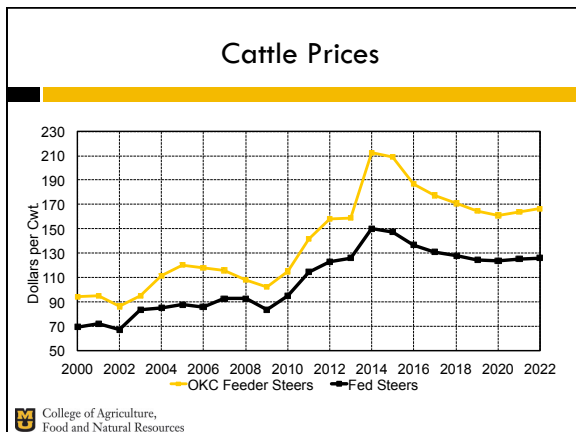
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You Need To Start With Projected Cattle Prices

- Given today's market, looking forward is a tough business
- University of Missouri, August 2014 baseline prices used here today
- These WILL be wrong
- However, looking backwards is not useful
- Use this as a baseline to compare alternatives

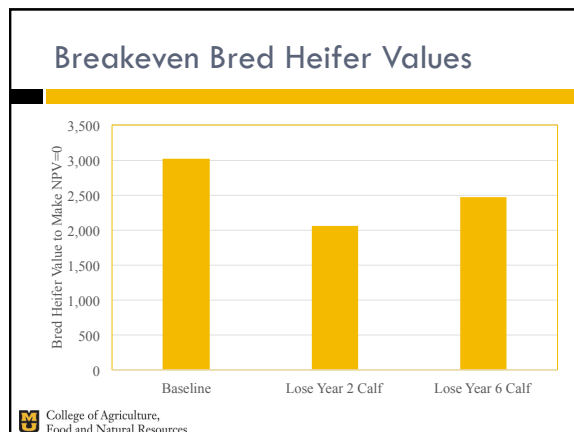
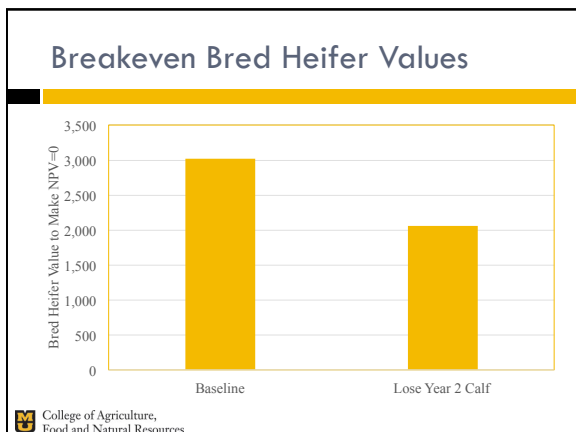
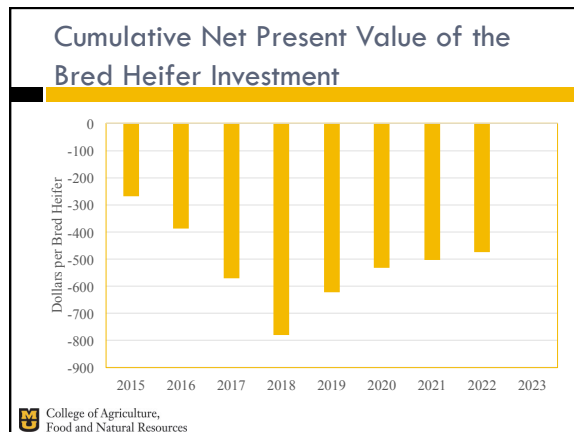
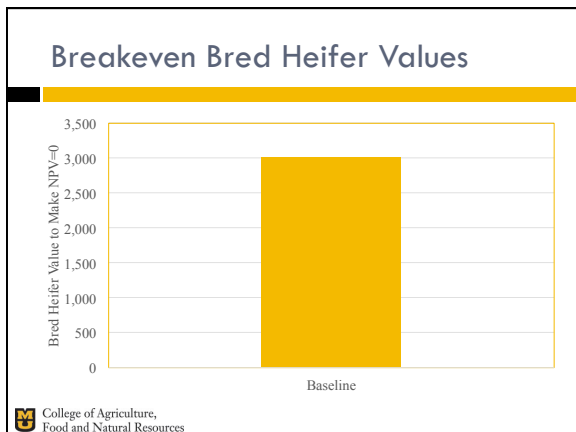
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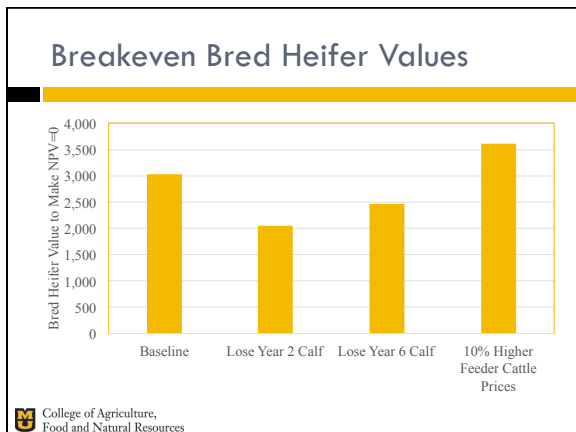


Net Present Value Approach To Bred Heifer Values

- Assumptions
 - Future input and output prices
 - Discount rate
 - Calving success
 - Bred heifer loan assumptions
- Output
 - Return on investment
 - Breakeven price
- <http://beef.missouri.edu/tools/index.htm>

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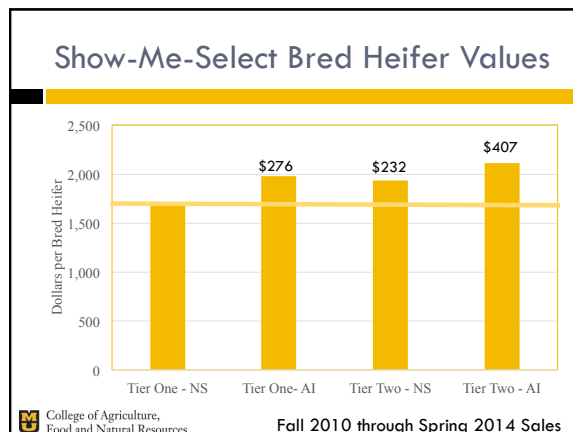


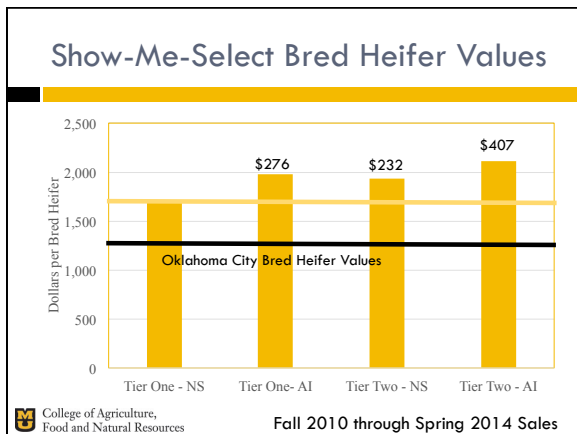


- ### SHOW-ME-SELECT™ Accomplishments and Impacts
- First statewide, on-farm beef heifer development and marketing program in the nation
 - Producers are utilizing available technologies for on-farm heifer development that are now spilling over into the cowherd
 - Increased interest & adoption of estrus synchronization and AI
 - Successful application
 - Differential in sale prices
 - A growing interest in expanded use of AI to the entire herd
 - Reproductive management
 - Genetic improvement
- "Use and application of what we know to create knowledge"*

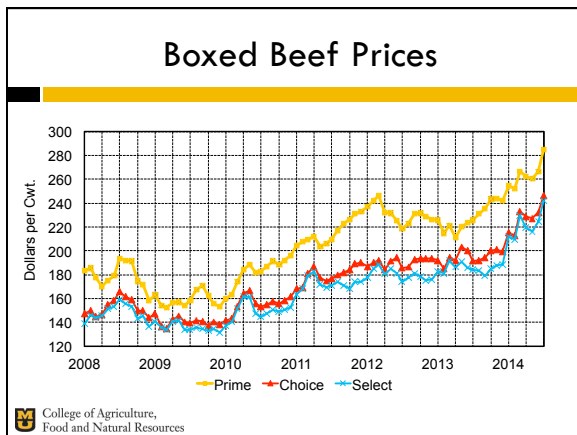
- ### SHOW-ME-SELECT™ ACCOMPLISHMENTS AND IMPACTS
- **Since 1997.....**
 - 776 farms
 - 243 veterinarians
 - 115,597 heifers enrolled
 - 10 regional livestock coordinators
 - 17 regional livestock specialists
 - Contributed > \$75 M to Missouri's economy

- ### SHOW-ME-SELECT™ ACCOMPLISHMENTS AND IMPACTS
- **The marketing component.....**
 - 128 sales at 10 locations
 - 27,361 heifers sold
 - \$34,336,250 in gross sales
 - 9,032 prospective buyers
 - > 700 out of state
 - 3,101 successful buyers
 - > 200 out of state
 - 18 states





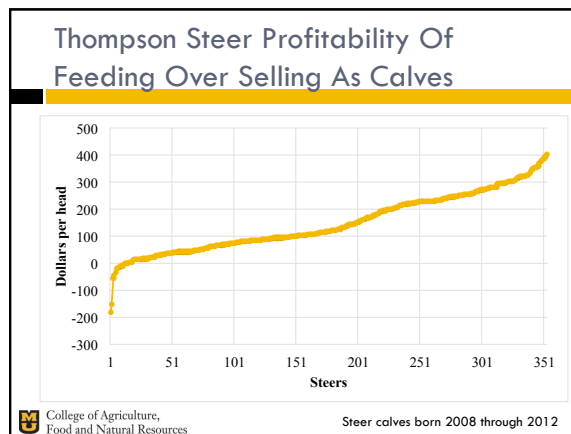
- ### Work Underway At Missouri
- Master's Thesis – Jillian Steiner
 - Demand Estimation by Quality Grade
 - 2005 – 2013 monthly
 - Assumptions
 - Loads translate into consumption
 - Wholesale prices by quality reflect consumer prices

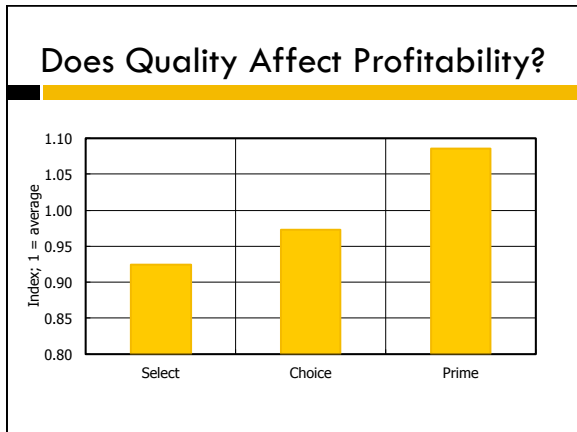


Demand Estimation By Quality Grade

	R-sq	Prime	Choice	Select	Pk/Ck	Income	Trend
Prime	0.6985	-2.33	1.53	1.18	0.21	1.34	0.16
		-4.36	1.7	1.34	0.68	0.78	6.44
Branded/Choice	0.6451	0.25	-1.04	0.22	0.23	0.03	0.07
		0.7	-1.73	0.37	1.13	0.02	3.99
Select	0.7398	0.30	0.13	-1.24	0.30	1.26	-0.05
		0.84	0.22	-2.13	1.46	1.12	-3.2

- ### MU Thompson Research Center
- A focus on better genetics by Dr. David Patterson
 - Higher accuracy AI studs used
 - Research on FTAI protocols
 - Steers have been fed in Kansas
 - Data on profitability
 - Multiple years
 - What do you see in these cows?
-





- ### Let's Tie Everything Back Together
- Academic approach to bred heifer valuation
 - Net Present Value of future earnings stream
 - Approach using today's information suggests heifers that calve every year are worth \$500 to \$1,000 more than heifers that lose one calf
 - Selling calves for above average market values adds \$591 to the bred heifer
 - These values frame the added value from an AI approach that increases genetics more quickly
 - No certainty here but there is the ability to increase quality grade, feed efficiency and reduce calf loss
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- ### Let's Tie Everything Back Together
- Real world data
 - Thompson steers had average profitability increase of \$125 over a period of time of tough feeding with record feed costs
 - SMS bred heifer sales show differences between value of NS and AI bred heifers as well as higher accuracy sires. A \$800 spread between the highest quality SMS bred heifers and Oklahoma City bred heifer values
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- ### Summary
- Academic approaches show the value of better genetics
 - Real world data also show the added value available through the use of better genetics
 - Record profitability in the cattle industry!
 - NOW is the time to invest for the longer term
 - Cattle prices will not remain at record levels
 - The use of AI may provide cow-calf producers with a great long-term risk mitigation strategy
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