



NALF REPORT

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Taking Advantage of New Marketing Trends in the Beef Cattle Industry

The cattle feeding industry in the United States continues to evolve and branch out into different programs that are becoming more utilized throughout the business. Cattle feeding continues to be a margin-oriented business with great competition for the nation's feeder cattle supply. More cattle are going through programs that range from age and source verification and natural programs to NHTC (Non-Hormone Treated Cattle). These programs have increased in popularity as both ranchers and feedyards look to achieve premiums on cattle that meet the qualifications specified by these programs.

This is an opportunity we can capitalize on because the product we produce works perfectly for these markets. We must assist our commercial customers with marketing their cattle into these and other programs. By offering this extended service to our customers, we will further grow demand for our product. The rapid growth over the past five years in natural cattle feeding programs will continue to grow in popularity. Packers are jumping on board and offering incentives to procure these cattle because of the premiums they achieve at the retail case and the increasing consumer demand for the product.

Most of you are familiar with the Laura's Lean® brand that targets a lean product for its customer base. There is also increasing demand for a natural product that grades Choice or Prime. Meyers Natural Choice Beef® has been in the natural business as long as anyone. Tyson Fresh Meats® has been procuring cattle over the last few years that are being sold as natural products in the retail case, and have also purchased their share of NHTC cattle that qualify for export to Europe. National Pack® also offers a product to its retail customers and supply chain called Naturewell® that receives no implants or antibiotics and is doing well in the retail case. Recently, Five Rivers Cattle Feeding® has begun purchasing natural cattle to feed that will most likely be offered at J.B.S. through its retail customers.

The Limousin breed has advantages and adds extra value to these programs with their enhanced carcass characteristics in terms of both yield grade and dressing percentage. When crossed with their English-based counterparts, they positively increase average daily gains and feed conversion rates when implants can't be used. Over the course of the next year, NALF will focus heavily on programs that educate its membership on the availability and function of these programs to increase commercial acceptance of the breed.

This objective of NALF's Strategic Plan is to put more Limousin-influenced cattle into commercial cattle operations throughout the U.S. In addition, many feedyards are finding out that Limousin-influenced cattle are grading exceptionally well without the use of implants.

For those not familiar with added-value programs, the following will describe the basics of these programs. NALF provides links on its website to Process Verified Programs (PVP) that offer third-party United States Department of Agriculture (USDA) approved certification to farms and ranches that wish to qualify cattle for these programs. Most options producers elect to market their cattle through will require verification through a USDA third party PVP. This third-party, independent verification process is offered by 25 companies approved to offer independent audits for source, age and other specific programs. Companies such as IMI Global and Tri-Merit are examples of companies listed on the USDA's website as approved PVP suppliers.

Age and source cattle command premiums in the feeder cattle trade because of their ability to qualify for export markets such as Japan (currently requires cattle under 20 months of age), Hong Kong, Mexico and Canada where the age requirement is 30 months or less to qualify for export. Most ranches participating in these programs are certified for Beef Quality Assurance (BQA), and are providing individual I.D. on their calf crop with calving dates from first calf to last calf born. Documentation and good record keeping is the key to qualifying for most PVP programs. A third party audit will need to verify eligibility for cattle to qualify for the export market. Records of vaccinations, worming, and if the cattle were implanted, are required in most cases.

Many producers have elected to take the extra step of qualifying their cattle for natural programs once they have met age and source requirements with third-party verification. Most of these natural programs simply require cattle have received no antibiotics, ionophores, or hormones through implants, injections or feed. If cattle are treated with antibiotics for health reasons, they typically need to be tagged and documented since they will no longer qualify as natural. Most programs also require cattle are fed no animal by-products (meat, bone meal, tallow, blood, etc.).

With natural markets expanding both in the U.S. and abroad, premiums for fed cattle can range from \$150-200 per head. This premium received for fed cattle is not

always a net profit for supplying cattle into these programs. Cattle moving into natural feeding programs have to be the better-end genetically, since 40-60 percent of the premium will be given back in the form of higher feed costs because implants and ionophores can't be utilized. Feedyards supplying natural cattle quickly learn that feeding the "good ones" in terms of performance, average daily gain, dry matter conversion and superior carcass quality, is essential to capturing and retaining the premium offered for feeding cattle in these programs.

Many cattlemen are beginning to provide NHTC cattle into the feeder cattle supply. NHTC cattle are attractive to feedyards, because they can be doctored (antibiotic use is not prohibited on NHTC cattle) to receive a premium. Ranches and feedlots must be cleared through an initial on-site evaluation by a USDA-approved program with NHTC verification to represent their cattle as NHTC. Cattle must be obtained from and traceable to an approved company that is listed on the USDA Agricultural Marketing Service website. Cattle qualifying as NHTC must have a unique individual identification and cannot be commingled with other cattle. Another attraction to this program for feedlots is that Rumensin® can still be used on NHTC cattle which helps feed conversion yet is not allowed in natural feeding programs.

For those of you selling Limousin bulls into commercial herds this is a good time to educate yourself and your customers about these programs and help them capitalize on the premiums their feeder cattle have available. Percentage Limousin cattle are working well in natural programs headed for the Choice market because they increase feed efficiency, improve yield grade and are still able to grade Choice or above without the use of implants.

If you have questions about these programs, contact NALF. NALF is launching the LimMark and LimChoice tagging programs which offer flexibility to producers be it for the Select market or Choice programs. Both programs offer a panel tag that designates LimMark or LimChoice with a corresponding E.I.D. button-tag for individual source verification.

Once again, the future is bright for Limousin and Lim-Flex® cattle going into these programs over the next 10 years. Consumer trends are changing and major industry players are seeing the value of the programs both domestically and abroad. Stay informed about these options and utilize the assistance of your NALF staff as we move forward into the next decade! LW