



BEEF'S NEW ERA

A longtime beef producer chimes in on the changing industry

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With cheaper corn, cattle prices at record highs and cattle numbers at record lows, nobody doubts the cattle industry is about to enter a rebuilding phase. That means lots of young breeding cattle are being eyed as replacements to become mamas that will be around, making or losing money, for years.

Consider the prices being asked for replacement cattle. This is not a decision to be taken lightly unless you believe in a future of forever high-priced calves and cheap corn.

That's not what James Henderson of Memphis, Texas, sees. A lifelong student of the beef industry, Henderson expects a future of

tougher intrasector competition and more intersector coordination in which everybody in the chain strives to enhance his or her own position by working better with others.

Henderson has worked with others in all facets of the business, and he has a bit of cautionary advice: There has never been so much change, so fast, in the beef industry. And it's "only going to accelerate."

Price levels have changed, but so have consumers, packing procedures, retailers, auction markets and feed yard procurement policies and expectations. Today's system is better able to differentiate, and reward or punish the "right" and "wrong" products. As the ability to differentiate strengthens, the rewards and punishments will continue to grow.

"It's been an evolution, but if you look at the last 20-25 years, you can

see how far we've come," Henderson says, having spent the last few years as a consultant. He's helped people and companies, from cow-calf producers to some of the largest feeders, packers and retailers in the country, prepare for those changes.

Starting point. He says everybody should know more about how everybody else operates and be willing to adjust their own efforts to enhance the efforts of other sectors.

Looking back, Henderson realizes he was on the ground floor for the value-based revolution that has transformed the industry's production and marketing practices.

A student and member of the meats judging team at Texas A&M University in 1975 when Dr. Gary Smith and his colleagues started thinking like W. Edwards Deming >

about the beef production chain, Henderson was among the students working nights dissecting carcasses so that producers, retailers and packers could finally measure some of the problems beef faced in the fast-changing marketplace.

Later, Henderson managed a group of Texas packing plants and a supply chain of plants in Uruguay, which processed jerky for import into the U.S. His efforts with processed meats introduced him to the Certified Angus Beef program, where he was instrumental in getting CAB to broaden its focus from fresh meats to licensing roast beef, corned beef and pastrami products.

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It was Henderson’s expertise in managing packing plants that finally got him back in the cattle business.

Minnie Lou and Mary Lou Bradley (the future Mrs. Henderson) started B3R in 1986—the downside of that cattle cycle—seeking an outlet for beef from the family’s Bradley 3 Ranch near Memphis, Texas. They were beating the roads marketing natural beef from their registered Angus herd. That’s when they decided to build their own packing facility at

nearby Childress, Texas. They hired Henderson to manage it in 1993.

That’s when his addiction to numbers, measurements and systems management really paid off. Under his guidance, B3R created a value-based marketing system that helped producers measure and improve their herds, as well as increase profits.

Reaching back to Deming’s principles, the Bradleys and Henderson improved their product by creating relationship-based systems, working on every step of the process from genetics to the meat case. Suppliers, buyers and consumers were happy.

In an effort to create a national brand, Petaluma Poultry bought B3R in 2002. At that time, B3R was handling 30,000 head a year. Henderson went along as president of red meats. Henderson says Petaluma’s plan was based on the wrong premise. An important selling point for natural niche customers is the desire for a more local relationship.

At B3R, “we could tell you which ranch any steak came from,” he recalls. It worked for B3R. But the process didn’t scale up easily. In 2004, Henderson left the company, and he and Mary Lou returned to the ranch.

The Ranch Matters. After working together 10 years at B3R, Henderson and Mary Lou Bradley took their partnership to the altar in 2004. In managing the ranch, they work jointly with Mary Lou’s mother, Minnie, who is a former president of the American Angus Association.

With more than 10,000 owned acres bordering the Prairie Dog Town Fork of the Red River and 10,000 acres of leased land, the

ranch was a well-respected Angus outfit before Henderson arrived.

In recent years, it has received several national awards. In 2013, the Beef Improvement Federation awarded them its Seedstock Producer of the Year medal.

The Hendersons’ experience and ability to think outside the ranch gates to how a cow and calf fit into the complex mechanics of a manufacturing and food system have been instrumental in enhancing the ranch’s image for quality seedstock.

Heed the Buyer. “I’ve noticed that good students of history always perform well in a crisis,” Henderson says. “I’ve studied the history of the industry. I’ve looked at how they impacted every major transition. We are in a huge transition now.”

The roots of the transition are many. Consumers today buy meat differently than earlier generations. More than 55% of beef is now ground. Henderson says that while tenderness and juiciness are crucial elements in satisfaction, “it doesn’t matter if it’s going in the grinder; you’re tenderizing it there.”

A loyal Angus fan, Henderson raves about the effect of CAB on the industry and the value of the breed. But he started a Charolais herd a few years ago. He likes the growth and efficiency and believes that in a world of expensive feed and ground beef, those attributes will be valuable.

As the industry has become more Angus-centric, Henderson says even CAB hasn’t erased the value of heterosis. “Feeders and packers tell me the Angus-Charolais cross is hard to beat,” he says, smiling.



Ask about “fitting the box” with big cattle, and he notes that Tyson included a new floor for oversized carcasses in its Dakota Dunes plant. “When they talk about fitting the ‘box,’ they really mean fitting the plant,” he says. As more packers are marketing their own brands and providing beef for other narrowly targeted branded programs, their demands become more specific.

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“We’ve got four packers with different philosophies and buyers with different philosophies,” he says. Feeders need to provide more predictable lots of cattle, and that requires new rules and management from the feedyard back. Each year, feedyards learn more about how to sort and

feed cattle to more predictable end-points. They are interested in the sort of uniform, healthy cattle to profitably provide a more uniform end.

But they are a long way from perfect. Henderson, having jumped on genetic testing the first chance he got, believes that genomics will provide a new set of tools even feeders will be able to use. As the price of gene testing decreases and the scope of predictability grows, we can go in when a calf is born and tell so much about him, Henderson shares.

This information will allow a producer and feeder to adjust their programs accordingly. “Some cattle probably lose you money every day after 400 pounds,” Henderson says. “They might as well die before you put a lot of expensive feed into them,” he says. However, others go to the packer too early.

Henderson grimaces as he talks about asking feeders why they still consider cost-of-gain on a live weight basis, even though they’re selling in beef. He says those late days on a steer always show high costs-of-gain.

But if you look at conversion figures, it’s at that period that cattle gain most efficiently based on yield.

“Everybody is worried about yield grade 4’s,” he says. “You should never cull over yield grade 4’s. You might feed differently, but never cull them.”

Genetics Lead. The industry has come a long way in improving end-point culling, but Henderson predicts the bigger spurt will come in five to 10 years when bulls, replacement heifers and even feeders will be sorted on their genetic markers. That will require a larger database than is available, more markers and more markers that can be applied to other breeds and crossbreeds.

“We probably have a greater opportunity to improve the quality of beef through genetics than we do through nutrition,” says Clint Krehbiel, Oklahoma State University professor of animal science.

That will prove a powerful accelerant to beef industry productivity and a boon to those, like Henderson, who are on the cutting edge. **TP**

ADVICE FOR COW FOLK’S FUTURES

With a broad view of the future, what advice does James Henderson have for folks looking at heifers to fit into the commodity cycle?

It might surprise you, but Henderson says the most important elements haven’t changed since John Wayne domesticated longhorns—longevity and the capability of putting live calves on the ground year after year.

One of his clients determined they could add a million dollars to their bottom line by increasing longevity by six months. That’s less than one calf per cow. Admitting that it was a big client, Henderson says the principle applies to any herd. The cost of developing heifers is so high that adding a calf or two on the end of the cow’s life is surprisingly important.

Nationally, the ratio of cows-bred to calves-weaned has hovered in the high-70 to low-80 percent range for decades. Producers put plenty of emphasis on weaning



weight averages, Henderson says. But too often, producers don’t realize how much their low calving percentages impact profitability.

For example, Henderson says if you have a 650-pound weaning rate on 80% of your calves, the average is 520 pounds per calf. If 90% of weaned calves weigh 650 pounds, that increases the overall average to 595 pounds or 75 pounds each. “There’s not much else you can do from a production standpoint to add 75 pounds to every calf,” he says.

In his home herd, as well as in the herds of ranches seeking his advice, Henderson says they are trying to identify the cattle that will do more with

fewer inputs and consistently put calves on the ground. He says growth, conversion and carcass are all important, “but nothing comes close” to those same primary maternal traits producers have known about for generations.