

Friona Industries, L. P.

Feeding Supplement

It certainly appears that the cattle industry has finally reached the critical time in our cycle where fed cattle supplies will be significantly lower for the foreseeable future. Lower seasonal placements of cattle during the Spring have given forewarning of what most of us have been waiting for...the expansion phase of the cycle where feedlot supplies are below packer harvest capacity.

The Spring of 2003 should bring opportunity for sharply higher fed cattle prices, particularly if certain areas of the country get any appreciable rainfall and heifer retention begins occurring. Economic signals are present for a significant rally in prices, which could and should return a great deal of equity to operators/producers in our industry. This could certainly be the year that retained ownership pays off.

Friona Industries Cattle Feeding Division has a series of state-of-the art cattle feeding facilities that allow us to produce excellent feeding results for all of our valued customers. Our experienced, seasoned staff provides every conceivable service from low cost, user-friendly financing to multiple ways to properly market fed cattle for maximum value including formulas, negotiated grids, and negotiated cash. Suffice it to say that we are financially strong and professionally capable... and all our people stand ready to accommodate our customer's every need.

Many participants in the cattle industry today seem so intent on focusing on issues that could be self-destructive, that it's sometimes difficult to concentrate on the one issue of primary long-term importance... getting in position to take advantage of the growing trend toward branded lines of case-ready fresh beef.

All segments of our industry from cow/calf to retailer will have the opportunity to be engaged in what the consumer has validated in other products time and time again...consistently great experiences delivered by product that fulfills its promise. As we have mentioned many times to our customers over the last five years, our industry's chance to increase fundamental demand for beef rests on decisions made today to stand accountable for a new series of "promises" to our customers...promises of consistency, safety, tenderness, and convenience that will surely create enjoyment and satisfaction every time.

All of us at Friona Industries are dedicated to putting our customers in a position of advantage for this and other obvious trends in the cattle business. Our plan is simple...work with our customers with respectful professionalism while providing efficient feedyard performance for their livestock with a marketing structure that can achieve maximum value for their product.

By being a leader in the industry trends that create better value and enhanced demand for our cattle, we know we are in a great position to achieve that mission statement for those people who honor us with their trust and loyalty.■

*James E. Herring
President and CEO
Friona Industries, L. P.*

Fall 2002

Volume 2, Issue 1



Grain Market Outlook

*by Gary Holcomb,
Commodity Procurement Manager*

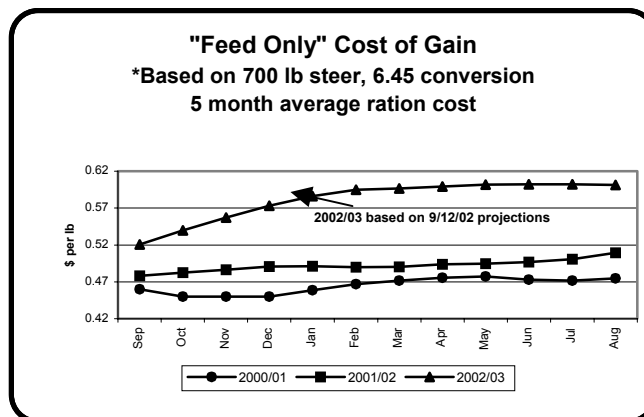
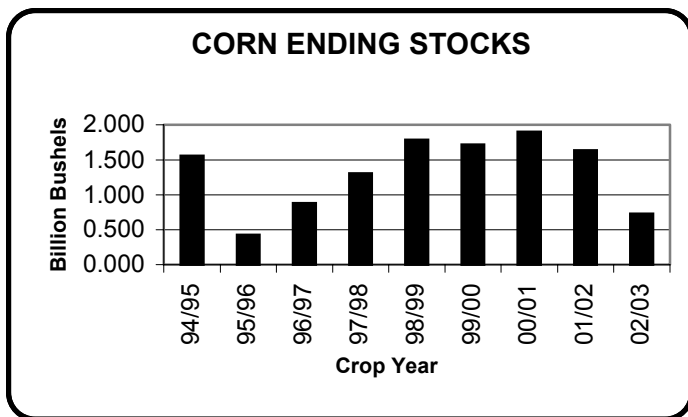
This year's corn growing season started off with rainy weather and delayed planting in the spring. Summer-time brought hot and dry weather. These poor growing conditions have caused corn prices to climb to levels not seen since late 1997.

The USDA's September crop report projected 2002 corn production to be 8.849 billion bushels, down from 9.507 last year and 9.915 in 2000. At the same time, demand continues to grow.

The result is lower ending stocks and higher prices. In addition to supply problems in the United States, world feedgrain stocks are the lowest since 1996. U.S. ending stocks for this year are projected to be 729 million bushels or just 7.5% of estimated usage.

Continued on page 2

The following chart displays projected ending stocks for this year compared to the past 8 years.



Last year at this time, December corn futures were trading around \$2.25 but declined to \$2.00 as yields were discovered to be better than expected. This year most crop forecasters believe yields will not prove better due to the severity of weather during the summer as compared to last year. With December corn currently trading at \$2.90 and our local basis 15 cents higher than last year, corn into local rations will cost in excess of \$6.00 per hundredweight this winter. Ration prices are currently projected to be 15% to 20% higher than last year and would project “feed only” cost of gains close to 60 cents per hundredweight through December.

Cattle feeders need to be concerned with this low feedgrain stocks situation. If we encounter further production problems in the U.S. or the world this or next year, we could see another situation similar to 95/96 when ending stocks were only 426 million bushels and corn futures prices went significantly higher. ■

Reducing the Effects of Stress Through Preconditioning

By Ted McCollum III, PhD, PAS, Texas Cooperative Extension Amarillo, TX

Fall is approaching and everyone is gearing up for winter stocker programs and/or weaning calves. During this time of year, calves are exposed to a number of stressors that can compromise the ability of a calf to adapt to their new management setting, ward off threats from viral, bacterial, and protozoal organisms, and respond to preventative health management (vaccinations). This, in turn, can impact their health in the near-term and future, performance in the future, total carcass value at harvest, and net profit when the books are closed. Implementing management to reduce the number and intensity of stressors, as well as enhance the calf’s ability to withstand the consequences of stress should be a priority.

What stressors are calves exposed to? We can categorize stressors as psychological and physical. Psychological stress on calves results from the sudden absence of their dam at weaning, lack of familiarity with the setting (pens/facilities, people, noise), lack of familiarity with cattle they are commingled amongst, crowding, and techniques employed by handlers, to name a few. Physical stress results from inadequate consumption of feed and water, relatively continuous activity (standing, walking) without adequate rest, climatic fluctuations, dust, and techniques employed by handlers. Both types of stressors can lead to or add to the other type of stress. As we add to the number of stressors and increase the intensity of the stress calves are exposed to, we increase the likelihood we will have problems with the cattle.

Whether retaining ownership, selling at weaning, or buying put-together calves, we all need to pay attention to stress on these calves. Calves are exposed to the same stressors whether they are weaned and kept at home or immediately marketed or moved the day they are weaned. In addition to the familiar stories about problems with newly weaned and shipped calves, we have all heard of folks that had problems weaning calves at home, and folks that weaned their calves at home but they or the subsequent owner had problems later. Ranch calves that are removed from their dam on a warm fall day, pushed down chute for processing, placed in a unfamiliar, dusty, crowded weaning lot with unfamiliar calves from other far reaches of the ranch, and expected to consume unfamiliar feed from an unfamiliar feeder are facing the same stressors as the calves that are weaned and immediately hauled to the sale barn or feedyard. The difference at the ranch is the lack transportation stress and possibly the length and intensity of the stress period.

In addition to reducing exposure to stress, we need to increase the calf's ability to withstand stress and the consequences of stress. Properly applied vaccination and parasite control programs, weaning prior to shipment, increased familiarity with feed troughs, people and handling, etc., all contribute to either reducing the stress level as the calf moves through the production chain or enhancing its ability to ward off the health consequences of a stressor.

Preconditioning calves is an old concept that has enjoyed renewed interest in recent years. These programs serve two basic purposes: (1) allow calves to adapt to life without mom while exposed to relatively low levels of stress and (2) implement preventative health management (vaccinations, etc.) to enhance the calves ability to ward off the consequences of stress that occur later as they move through the production chain.

We can go back 30 or 40 years and find research and extension publications about preconditioned calves. Why did it not catch on? In my opinion, there are three primary reasons.

1) Purchasers became wary because of "bad" experiences with supposedly "preconditioned" calves and therefore were not willing to risk the extra cost.

2) Purchasers did not appreciate the value of the preconditioned calves and therefore were not willing to pay more.

3) Producers felt they were not adequately compensated for their efforts and apparently has different meaning to different people. All of these reasons have equal merit.

Today's world is a bit different. We now have buyers that seek out process-verified preconditioned calves and will pay "premiums" because they realize that they can recapture the added purchase cost through

reduced processing costs, health costs, improved more efficient performance, and higher value at the end. Using 10 years of Ranch-to-Rail data to compare calves that were never treated for sickness versus calves that were treated, calves that remained healthy were worth \$9-21/cwt more at arrival. This is the combined value of lower health costs and death loss, better performance, and higher carcass value.

The merits of preconditioned calves have been documented at the feedyard level. However, there is no reason to believe that the same merits are not available to the stocker producer. In many cases, the stocker operator is more strapped for time and labor than a commercial feedyard.

The extra cost of a preconditioned calf may be more than offset by reduced processing and health costs, more timely and effective treatment of those cattle that become ill, fewer chronics, and overall better performance.

We all know we can go into a set of stockers that have been out on pasture for several weeks and pick out several that are not chronic but suffered health problems and are still behind the rest of the group. The primary challenge for the stocker operator may be finding preconditioned calves in the weight range suitable for their program.

If you are going to retain ownership of your weaned calves, and that program requires those calves be moved to a location other than your ranch, precondition the calves before you move them. Put in a bit more effort at the ranch to raise the level of success with your retained ownership program.

If you are buying preconditioned calves, pay attention to the days weaned and the preventative health management and nutrition program during the weaning period.

If you are preconditioning calves for sale, do not cut corners but at the same time do not overspend on feed and most of all, find a market that will pay for the added-value. The most common problems we have seen with producers that precondition calves for sale and then feel like they were not paid enough is (1) too much expense in the feed column, and (2) failure to present the calves in the right market.

How long should calves be weaned? Data used to develop the VAC-45 program indicates that calves should be weaned at least 45 days before shipment. Calves weaned less than 45 days had treatment rates 2 to 3 times higher than those weaned more than 45 days. For every 7-10 days the weaning period was shortened, treatments costs (\$/head sold) increased by \$2-3/head.

Use a recommended regimen of vaccines and apply them properly – correct intervals between revaccinations/boosters, strict attention to handling the vaccines and syringes, correct route and site of administration.

Develop a nutritional program that promotes your desired rate of gain at the least cost and takes advantage of resources on the farm or ranch.

Reducing the stress load on calves increases the efficiency of beef production by reducing costs throughout the production chain (ranch to packer) and enhances the safety and quality of beef by reducing carcass damage and potential residues from injectable health management products. Preconditioning calves is an effective approach to achieving this end. ■



Texas Cattle Feeders Assn
2002 Annual Convention
October 18-19, 2002
Amarillo Civic Center
Amarillo, Texas

Friona Industries, L. P.

500 S. Taylor, Suite 601
P.O. Box 15568
Amarillo, Texas 79105-5568

We're on the Web!
www.frionaind.com

Reminders:

Friona Industries Customer Services:

- Finance Cattle and Feed
- Available Wheat Pasture
- Partnership Opportunities
- Resale Cattle
- Online Communications

~~~~~  
Would you like more information on our cattle for sale and joint ownership opportunities, or would you like to receive a free estimated breakeven projection, call or email Brad Stout or Mark Hooker.

~~~~~  
Receive this newsletter, Cattle for Sale notices and other important information via email. Just forward us your email address and we will include you on our list.

Our Feedyard Locations

Friona Feedyard
David George, Mgr.
Friona, Texas
(800) 658-6086

Swisher County Cattle Co.
Gene Pool, Mgr.
Tulia, Texas
(800) 658-6064

Littlefield Feedyard
Jonny Miller, Mgr.
Littlefield, Texas
(800) 687-5141

Randall Co. Feedyard
Richard Winter, Mgr.
Canyon, Texas
(800) 658-6063

Corporate Feedyard Division:

David DeLaney, General Mgr.
Brad Stout, Customer Services
Mark Hooker, Customer Services

Friona Industries, L. P.
500 S. Taylor, Suite 601
P.O. Box 15568
Amarillo, Texas 79105-5568

(800) 658-6014
(806) 374-1811
Fax (806) 374-1324
Email FI@frionaind.com

**Check out our
website at
www.frionaind.com**