

FLYING H GENETICS CATTLEMAN'S CHRONICLE

Spring Newsletter

2011

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2011 - A YEAR FOR JUSTIFIED OPTIMISM

By TROY MARSHALL, ALLIED GENETIC RESOURCES

With cattle prices for nearly every class of cattle at or near record highs, it isn't a big stretch to make the claim that 2011 is going to be a very good year from a price standpoint. In fact, fundamentally, the market is on as good of footing as I've ever seen it.

As I'm writing this, USDA has not released its Jan. 1 cattle inventory report, but most people are projecting cow numbers to be down around 600,000 head. That is significant when one considers that the 2010 number was the lowest beef cow number since 1959.

Heifers, as a percent of feedyard placements, were up around 4% compared to last year, which indicates that expansion has not begun. From a supply standpoint, we are looking at a minimum of 4-5 years of tight numbers and historically high price levels. Ironically, when expansion begins it will actually tighten up supplies even more for a

time, as fewer cows are sold and fewer heifers are placed into feedyards.

On the supply side of the equation, there aren't too many questions to be answered. We are historically tight and we will be for the foreseeable future. Admittedly, cow numbers can be a little misleading in that we have proven we can produce more beef with fewer numbers due to improved genetics and feeding technologies. Secondly, the reality is that the subsidization, tariffs and mandates associated with ethanol production have shifted the base price of corn up significantly, and that equates to a smaller cattle industry, without offsetting increases in beef demand. The question everyone is asking is

when will expansion begin and how robust will expansion be when it finally does take place.

Of course, moisture conditions will always play a significant role in the timing of cowherd expansion. I certainly do not have a crystal ball that can project moisture conditions for the next 4-5 years, but currently, the country as a whole, is in relatively good shape and is not expected to be a limiting factor in 2011. I will however make the argument that expansion is going to be slower in coming than in years past, which will make this period of unprecedented prices last longer than the typical cattle cycle.

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There are several reasons why I believe that expansion will be slower, and as a result, this period of higher prices will last longer than in the past. One is a matter of demographics.

Cattle producers are getting older, and there is a subset of producers that are simply less likely to expand as a result. Secondly, expansion has always been driven by profitability, and along with near record prices that are actually expected to continue to improve, we are also experiencing increasing production costs. Also, with bred heifers and cows moving towards new highs and land values increasing, the investment required to run a cow/calf pair is growing. That means that the threshold profitability levels needed to trigger expansion are increasing. In the past, \$50/head profits were enough to start full blown expansion; today, producers will demand \$100-\$150/

head profits to start robust expansion. Also the structure of the marketplace is changing.

Industry economists have always used price averages in the past, and those worked great in a commodity system where everyone was receiving the same price. But, the industry is continuing to move towards price and value differentiation. It is not uncommon to see value differences on similar weight of cattle ranging from \$100 to \$300/head depending on what part of the marketing system they are being marketed. Producers with superior genetics and management are going to be making tremendous returns; while below average producers will be experiencing marginal returns even with record price levels. I think we will have to see five weight calves average consistently in the \$150/cwt range before we see robust expansion.

The supply side looks great, but it is only half of the equation. Demand will be the other factor determining just how good the next 4-5 years will be for cow/calf producers. While the U.S. and overall global economy remains weak, beef demand has done better than expected through the global recession. It is difficult to be very bullish on the economy, but there are signs that we may be entering a period of slow growth.

Ironically, U.S. debt and financial problems are likely to drive the value of the dollar lower and that is actually good news for U.S. beef prices as it will help to fuel export growth. It has been a long hard road to recover the markets lost as a result of BSE, but when the final numbers for 2010 are released, it looks like we will be close to pre-BSE levels. That is particularly impressive when one looks at Japan and Korea which were

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FLYING H BULLS. REAL WORLD TESTED...

...CATTLEMAN APPROVED!

"We've purchased bulls from Flying H Genetics for over 30 years and have only visited the ranch one time. We use their video and catalog to buy over the phone and have never been disappointed. Their bulls have built us a better cowherd and our calves are in demand every year. We trust them and will continue to buy bulls from Flying H Genetics."

**Brenner Ranch
Colorado Cattle Family**

"We placed 75 steers stemming from many generations of Flying H Herdbulls on feed for 183 days beginning in January 2008 right when corn prices were hitting \$6.00. Harvest weight averaged 1502 pounds, because they were age and source verified and destined for the Japanese market without over weight discounts. They produced the following data: ADG - 4.15, FE - 6.29, COG - \$82.39, % Choice - 86%, Profit per head - \$103.30."

**Taylor Ranch
Nebraska Cattlemen**

"Our 70 year old commercial cattle herd in North Alabama has been using as our seedstock source Flying H Genetics for ten years. We have and are using Red Balancer bulls (Red Angus x Gelbvieh) with excellent results. Our steers consistently grade 95% choice with a 65% cutout when finished in the feedlot. Our heifers also are maternally strong with over 92% conception rate in the first year.

When selecting bulls to put on our cow herd, one of the most important ingredients for us is the integrity of the breeder. Dick Helms and his family always offer cattle that are based on accurate and honest parameters. Their bulls are better than advertised. They are not over conditioned but are ready to go to work and sire good calves.

Over the years, our purchases of bulls from Flying H Genetics have left us pleased with the way they were represented. Many things in the cattle business vary, but one can always count on pure genetics breeding true. We appreciate the Helms family providing us with good genetics for our herd which has become an asset, more than just a purchase."

**Raymond B. Jones, Jr.
G.W. Jones & Sons Farms
Northern Alabama Cattle Family**



ADD POUNDS— ADD PROFIT—SUBTRACT HEADACHES! WITH PLANNED CROSSBREEDING

The beef industry is an ever-changing environment. Today, all sectors of the beef industry are facing the challenges of higher feed and input costs, volatile market prices, and producing a product U.S. and international consumers can trust. As we move into the breeding season, commercial beef producers should be thinking about making appropriate herd sire selections to be able to produce the next calf crop that will not only make for easy spring calving but also bring top market prices come fall.

“I would prefer to buy all Continental-British cross cattle. As I see cattle come in the feedlot, there is a big advantage to Gelbvieh cross cattle for their cutability and performance. Color doesn’t make as much of a difference in the feedyard, its conversion and performance that drive price and Gelbvieh cross cattle are outstanding in that regard.”

Bill Sleigh, manager of Hays Feeders, Hays, Kansas.

“If you are looking for additional fertility and production from your cowherd, Sim x Angus or Sim x Red Angus females are the way to go. In over 48,000 comparisons from our heifer development program, we routinely observe an 8 to 10% increase in fertility from these hybrid-line females when compared to straightbreds. This combined, with superior milk and maternal traits, make these females hard to beat in any production system.”

Dr. Patsy Houghton, President/General Manager, Heartland Cattle Company, McCook, NE

JIM MILLER, MILLER RANCHES, SANTANA, KANSAS

The right combination of genetics for heterosis, heavier weaning weights, and quality momma cows is probably what every commercial cow-calf producer strives for and Jim Miller of Santana, Kansas is no different. Many years ago, he started off trying several breeds of cattle to mate his Hereford, black and black-baldy cows. After seeing how a pen of Gelbvieh-sired feeder cows out performed all the other pens in the feedlot he owned and managed, he was convinced to buy three Gelbvieh bulls. That was about 25 years ago and he hasn’t looked back since.

At the age of 72, Jim has a commercial cow-calf operation which now consists of about 1,200 Gelbvieh and Red Angus cross cows on three ranches located in Ashland, Kansas; Clayton, New Mexico; and Elkins, New Mexico. The Cows are either 3/4 Red Angus bred to a Gelbvieh bull or 3/4 Gelbvieh bred to a Red Angus bull.

“We maintain a two-way cross of Gelbvieh and Red Angus and feel this is the premier cross in all livestock.”

One of the reasons Jim has con-

tinued with Gelbvieh for so many years is the fertility of the Gelbvieh female. As any good commercial cow-calf producer knows, an open cow doesn’t turn a profit. The conception rates Jim gets with his Gelbvieh cross females are outstanding and are probably higher than any other breed of cattle. This year, the ranches in New Mexico were in a tough drought and still had conception rates of 97.4 percent at Clayton and 93.5 percent at Elkins. The conception rate of the herd at the Kansas ranch, with good grass, was 97.25 percent said Jim.

Buying and managing bulls is something Jim is very experienced at as he buys on average eight bulls each year. “You have to buy a good bull if you want to improve your cows,” Jim adds. “It is amazing the difference in weaning weights we have made by purchasing quality bulls. It’s been money well spent as over 25 years of only buying the best Gelbvieh bulls we have been able to double our weaning weights compared to the weights of our calves 35 years ago.”

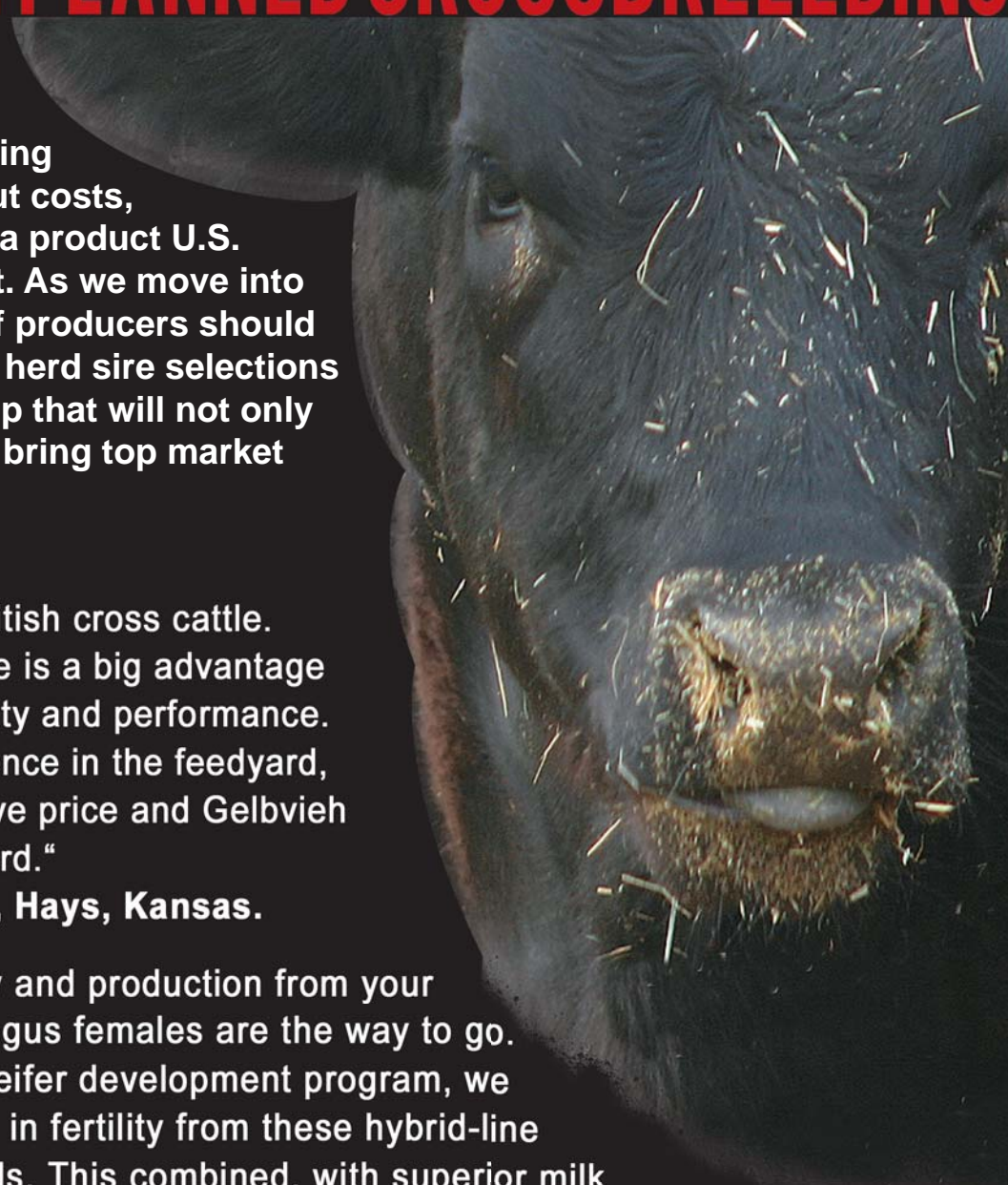
For anyone who may still be questioning what a Gelbvieh bull can do in a commercial herd, Jim offers up a Challenge: “For commercial producers who have a straight Angus cow herd and consis-

tently use straight Angus bulls, put a good black Gelbvieh bull on those cows this spring and you will get at least 50 pounds more of weaning weight on those calves.”

Jim has been in the business long enough and has seen firsthand the added pounds and profit of Gelbvieh, not only in his herd but in his neighbors as well, that he is confident you will be more than impressed with Gelbvieh-sired Calves.

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IF YOU WANT TO IMPROVE YOUR
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IT IS AMAZING THE DIFFERENCE
IN WEANING WEIGHTS WE HAVE
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BULLS.”**

**SOME OF THE PICTURES & TEXT APPEARING
ON THESE PAGES ARE REPRINTED FROM
AGA & ASA PUBLICATIONS.**



HERD MANAGEMENT MADE EASY!

THE "PUREBRED"



GELBVIEWH & SIMMENTAL

THE LOGICAL COMPLIMENTS TO ANGUS & RED ANGUS

- IMPROVED FEED EFFICIENCY
- SUPERIOR CARCASS GENETICS
- SIGNIFICANTLY IMPROVED MATERNAL VALUE & FERTILITY
- POWER UP YOUR COWS AND PUT THE MISSING POUNDS BACK INTO YOUR CALF CROP!

THE "HYBRID"



BALANCER & SIMANGUS

THE CONVENIENT WAY TO CAPTURE BOTH HETEROISIS & VALUE

- IDEAL BALANCE OF MATERNAL AND CARCASS TRAITS
- THE DESIGNED CONTINENTAL X BRITISH COMPOSITE SOLUTION
- THE MOST FLEXIBLE AND EASY TO USE CROSSBREEDING SYSTEM
- THE LONGEVITY OF CROSSBRED COWS IS WELL DOCUMENTED

SIMPLY ADD CROSSBRED VIGOR!

STEP 1

Angus/Red Angus cows X Gelbvieh or Simmental Bulls = crossbred calves

ADVANTAGES: Added pounds and better replacement heifers from heterosis in the calves will add profits.

STEP 2 Crossbred cows X Balancer or SimAngus Bulls = crossbred calves

ADVANTAGES: Added pounds, fewer open cows and more calves from improved fertility; cows will last longer and increased feed efficiency in both the cows and calves from heterosis will increase profits, from both the cows and the calves.

AN OPTION TO ADD EVEN MORE CROSSBRED VIGOR:

Balancer sired cows X SimAngus Bulls = crossbred calves with 3 breed heterosis

SimAngus sired cows X Balancer Bulls = crossbred calves with 3 breed heterosis

ADVANTAGES: Added crossbred vigor, larger genetic selection and excellent calves for both feeding and breeding. And more profit by just rotating sires.

our two biggest export markets prior to BSE, and in both those countries, we are not close to pre-BSE levels. The growth opportunities remain tremendous looking forward. The U.S. is the low-cost producer of high quality corn fed beef which is the preferred product throughout the world. Not only does 96% of the world's population live outside of our borders, they are growing more affluent. If we can stabilize domestic beef demand, the future looks bright in the near term. If we can actually grow domestic demand, and if we can make inroads into China, well, we could be looking at the golden era for beef production.

It isn't all good news. Many are concerned about declining supplies and keeping beef in the center of the plate as consumption levels are expected to continue to decline.

Poultry's significant price advantage will continue to widen over the next few years. And then there is the corn market. Corn is the one variable that really has the potential to negatively impact a very favorable outlook. The simple reality is that we need to have a bumper crop every year without a significant price risk. Volatility and price risk is the new paradigm in the corn market.

In summary, the next 4-5 years

are expected to see the highest prices ever experienced over a 5 year period in the cattle industry. Record prices don't necessarily equate to record profits. Genetics and management will continue to be rewarded and become more important going forward. As long as producers produce a product that works for the industry's entire supply chain, they can expect some of the most profitable times in the beef industry. The focus for most producers is how to best capture the opportunities that are going to be presented to us. The exciting time is that the window is fairly large; we still have time to position ourselves for these higher prices.



**LOOKING
FOR TOUGH,
HARD-WORKING
RANGE READY BULLS?**

**Try Roughage N Ready Bulls
from Flying H Genetics!**

**30 YEARS OF TOP PERFORMANCE & CARCASS
GENETICS IN A TOUGH, READY TO WORK PACKAGE!!!**

Gelbvieh • Balancer • Angus • SimAngus • Simmental



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Generation  PAGE
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- ✓ **OBSERVE PICTURES & VIDEOS OF BULL SALE LOTS**
- ✓ **GET INSTANT ACCESS TO FHG'S GUARANTEED
QUALITY STANDARDS & SERVICES!**

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**COME & SEE
WHAT ALL THE BUZZ
IS ABOUT!**

260+ Bulls

Roughage N Ready

Nebraska Sale - March 5 - Arapahoe, NE

Grown on Grass™

Missouri Sale - March 19 - Joplin Stockyards

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AND DVD CALL, TEXT,
OR EMAIL FHG!**



Gelbieh - Balancer - Angus - Simmental - SimAngus

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years*

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