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EDITORIAL

For once, I think I am going to be slightly early getting this quarter's newsletter out. I hope it is a sign that we are going to be ahead of the game for 2015. I would like to wish you all a safe, enjoyable and prosperous Christmas and New Year and a more optimistic beef industry to look forward to though I can't see anything on the horizon for the near future that is going to take the peaks and troughs out of the industry in terms of price and demand. I'm sure that most of us have some, at least, of the answers and are frustrated that the decision makers don't seem to see things the same way as we do. Personally, I am quite certain that if some of the things I have discussed in recent newsletters and in this one in terms of grazing and range land management were implemented some of the price fluctuations, at least, could be better controlled.

I do actually have somewhat of a catalyst for producing this newsletter a little early and that is that we are travelling to Tasmania for a family event over the Christmas/New year period and if I leave it until we get home it will be well into January before I am likely to get it completed. If you know the depth of my allergy to travelling during holidays, you will appreciate that this is a fairly significant event for our family (nieces wedding). We will be travelling south around the 17 – 20th. Dec. and back again from the 3 -5th Jan 2015 so if you would like to catch up during that time, please just let me know. We will have a flexible schedule so can take time to catch up with anyone who so desires, though I know it is a busy time of year for most and many of you will have other plans.

I am always interested in discussing any items of interest in the newsletter and welcome any topics. I still have a couple left to work on that have already come in, but more are always welcome.

WHAT'S (BEEN) HAPPENING

* This section is going to be much shorter this edition because I am not going to include several of the topics and activities that we have been involved in recently again. Suffice to say that all the company restructure is complete and if you would like to refresh your memories on where that is please refer to the last newsletter. We still have investment memorandums available for interested parties and hope to be meeting with investors interested in developing the beef industry over the next few weeks. There is a growing interest in investment in Australia and Africa in particular from overseas interests keen to ensure security of food for their countries in the future. The same as above applies to our aim to develop a meat marketing system for interested clients. As I have stated previously, we consider our support to any of our clients to establish their own market will otherwise be part of our service.

*The annual meeting of our company was held on October the 11th. There were no really new items on the agenda and most of the meeting was spent re-inforcing our current direction and consolidating the recent changes to our company structure and re-organisation. We have a number of projects and ideas we are developing and hope to be implementing them as the resources become available in the future.

* We have completed our final evaluations on the use of ultra-sound images of the jaw and/or rib bone to translate into a score complimentary to our current hand method of evaluating. An ultra-sound machine has been purchased thanks to the support of one director in particular and contributions from a couple of others. We are now mastering its use and will be practicing and learning its use

over the next few weeks so that it will be available for field use in the next few weeks.

*We will have an outside site S150 at Beef Week 2015 in Rockhampton next May. We were unable to get a site in the cattle area so will not be able to have cattle on site to demonstrate the ultra-sound machine or linear measuring unfortunately. However, we are negotiating with a couple of breed societies to have access to cattle on their sites so that we can do these demonstrations. We had hoped to be able to do some taste tests as well but Workplace Health and Safety regulations prevent us from being able to do this. We will have further details in the next newsletter.

* We have done some taste tests at restaurants in Canberra and Melbourne over recent weeks with the aim of getting some testimonials to use to assist in promoting CLMS graded meat in specific markets. We do have at least one party interested in promoting high quality meat in an overseas market. The Melbourne restaurant we took samples to, the Steer Bar and Grill specialises in highly marbled meat and so the samples we took to them were not marbled enough. I would estimate that their product would be in the top 1% for marbling in cattle in Australia. It is a highly specialised market. Two comments of interest from the head chef there were that the flavour of our samples was excellent, very natural and he could tell they were grass fed and also that some of the marbled meat that they serve there was even to rich in fat for his own taste. The feedback from the Canberra restaurant's, though was excellent, both in terms of flavour and tenderness. We were using samples from three different properties and with slightly different grades in regard to tenderness. The chefs at these restaurants were able to identify the more tender samples and some slight taste differences. I would like to than Doug and Jan Paton, Ian and Jill Coughlan and

Clare and Sam Johnson for making samples available for these tests. The feedback was good on all samples and there were just a few slight variations in grades that were put in to see if they could be detected.

Overall, it was a good exercise and we hope to do some more similar tests in the future.

* We are still very keen to hold more field days in localised areas over the next few months so if you would like one in your area, please let myself, Albert Hancock (0267334666) or other company directors know and we will get it under way. We have one planned in late February/early March in the Dorrigo area of NSW which will include a taste test of cattle we will grade live prior to the day and then have samples of their meat for people to try on the day. We also plan to demonstrate the use of the ultrasound machine at this event. We will advise all those who are interested in attending closer to the time when we have the exact date. We are favouring a Saturday at this stage.

* During the next three months I will be heading south to New South Wales and Victoria to meet clients and carry out herd evaluations so if there are any producers in NSW and Victoria who would like to catch up, please let me know so I can make sure I have time to call.

I will also be heading into Central Qld. to do some evaluations for breeders in that general area.

* We have not yet had the results from the samples of meat we sent to the Victorian Department of Primary Industries for testing using the Warner Bratzler shear force test. As I explained earlier, these samples came from cattle that were graded prior to processing for bone shape and then taste tested and scored using our system. The main reason for these tests is to fine tune the tenderness part of our

grading system still further. The main focus will be on identifying any tenderness variations when there is a difference in the bone shape on one side of the jaw to the other or variations in shape between the jaw and the rib. We know these differences exist so we feel we need to quantify these more accurately.

*We are still keen to get some marketing of graded cattle going so we are happy to advertise for any of our clients here in the newsletter.

#We also have a client looking for some graded Brahman females so if anyone has any for sale we would be happy to put you in touch with our buyer.#

#Another client has 20 CLMS graded Angus heifers for sale. These are an even line of consistent young females that would be ideal to use to build a herd on.

#We have breeders with some Red Poll x Brahman bulls for sale. This cross is fairly new in Australia and there have been some impressive animals bred over the last 2 – 3 years. There are also breeders interested in purchasing well-muscled Red Poll bulls.

Grazing management options

I am following up in this newsletter with further discussion and some figures to give an idea of what might happen from a financial perspective if you change your grazing system. In many ways, it is an extension of the figures I used in the last newsletter.

I have focused on what might happen in a drought situation and done some ball park calculations in regard to the impact of what this might have on beef herds run under different grazing management systems that I thought you may be interested in. There is quite a bit of reading here so you may not want to go through it all – some is a

little repetitious. I have based these figures on the closest I can estimate as being realistic enough to provide a guide for those of you who are interested and on work I have done in real situations for clients in past droughts.

I've worked on a 1000 cow breeding herd and these figures can generally be adjusted to suit herd size. Likewise the sale prices etc. can also be adjusted to suit local situations but I have tried to keep the calculations as close as possible to expected prices and costs. I have just compared three broad systems and it may provide you with a start to do some sensitivity analysis on your own enterprises.

1. Traditional set stocking managed operation.

- (a) Stock held as long as possible hoping drought will break – neighbours doing likewise.
- (b) Drought continues – worsens – cattle start to die – have to sell at least 800 head.
- (c) Keeps 200 head of best breeders in hope on little remaining feed.
- (d) Sale situation at that time – market flooded with poorly conditioned stock maximum price - \$200/head – net income - \$160,000 less freight, commission and yard dues.
- (e) Assume remaining 200 head survive till drought breaks say 12 months later.
- (f) Drought breaks – feed grows – after 3 months – plenty of feed – no cattle.
- (g) Breeder needs to buy replacement cows – first year only – 300 head at \$600/head (conservative) cost = \$180,000. Already cost \$20,000 more to replace part of herd than the 800 sold returned.

- (h) Second year – buy another 300 head – cost = \$600/head = \$180,000
- (i) Third year – buy another 200 head to return herd to original size at \$600/head = \$120,000
- (j) Loss of production over the five years –
 - Year 1 – drought year – no calves – cows too poor to get in calf.
 - Year 2 – Assume generous 80% calving rate for remaining 200 head of cows – 160 calves – very light – sold at 12 months for \$250/head = \$40,000.
 - Year 3 – Add 300 cows and increase calving rate to 85% - better condition yearlings – 425 yearlings sold at \$300/head = \$127,500
 - Year 4 – Add 300 more cows and increase calving rate to 85% - better condition yearlings – 680 yearlings sold at \$300/head = \$204,000
 - Year 5 – Back to full production – 850 yearlings plus culls sold at \$300/head av. = \$255,000.
- (k) Income without drought = \$1,275,000
 Income over actual drought years = \$626,000
 This equates to a loss of income of \$649,000 over the five years.
 Cost of replacing cows = 800 head at \$600 = \$480,000

2. Controlled grazing operation – cell grazing.

The following are the assumptions that I will consider with this type of program.

We will accept that managers using this system do an ongoing feed budget of the pasture availability for the future or at least

monitor the amount of grass left when they move a herd and know what they have in front of them in the form of feed reserves to meet future needs. Our experience has shown that when using a controlled grazing program, there will be at least a month's more feed available at the end of the growing season or the onset of drought when compared with a herd that has been set stocked in the traditional manner.

- (a) After assessing feed availability, the manager sells 300 head of cows as drought worsens one month after those producers using set stocking sell theirs. Controlled grazing means that he has more feed and his cows have maintained a store condition.
- (b) He is able to maintain 700 head at this stage on his controlled grazing program.
- (c) Sale situation at that time – market is starting to improve given that the set stockers have sold the majority of their herds. Slight increase in price - \$250/head – net income - \$75,000 less freight, commission and yard dues.
- (d) Drought continues and on re-assessment of future feed available a decision is made to sell another 300 head to ensure remainder survive 3 months later. Further slight increase in price because there is a real shortage of any type of cattle at this stage - \$300/head – net income - \$90,000 less freight, commission and yard dues.
- (e) Assume remaining 400 head survive till drought breaks say 12 months later and there is a 50% calving from these remaining cows.
- (f) Drought breaks – feed grows – after 3 months – plenty of feed – cattle numbers down.

- (g) Breeder needs to buy replacement cows – first year only – 300 head at \$600/head (conservative) cost = \$180,000.
- (h) Loss of production over the five years –
 - Year 1 – drought year – 200 calves – sold off mothers at 6 months of age - \$150per head = \$30,000.
 - Year 2 – 400 original cows – 80% calving – 320 yearlings sold at \$250.00 per head = \$80,000.
 - Buy another 300 head – cost = \$600/head = \$180,000
 - Year 3 - Assume generous 80% calving rate - 700 cows – 560 calves – very light – sold at 12 months for \$250/head = \$140,000.
 - Buy another 300 cows – cost = \$600/head = \$180,000
 - Year 4 – Increase calving rate to 85% - better condition yearlings – 850 yearlings including culls sold at av. \$300/head = \$255,000
 - Year 5 – Continue full production – 850 yearlings including culls sold at \$300/head = \$255,000.
- (i) Income without drought = \$1,275,000
 Income over actual drought years = \$760,000
 This equates to a loss of income of \$515,000 over the five years.
 Cost of replacing cows = 600 head at \$600 = \$360,000

3. Controlled grazing plus fodder conservation.

Assume similar assumptions as for above re grazing management detail although managers following this program will probably be more likely to be using an intensive feed budgeting program so that they know when to conserve fodder – i.e. when there is more than 3200kg/ha DM immediately in front of the herd they will close those

paddocks up and cut for silage within a week to 10 days at the first appearance of any seed heads on the plants. The other thing is that there will be some added cost to clearing and preparing ground so that harvesting machinery can be used. However, this is a one off cost. The fodder can be conserved as either hay or silage, the preference being a management decision. Hay will usually be a little cheaper, but generally has a lower nutrient value. The other factor is that silage harvesting machinery has developed significantly over the last 35 year in Australia and the whole operation apart from sealing the stack/pit etc. for air tightness can be done from the tractor seat including feeding out. Equipment now ensures the clamp face of pits and stacks remains un-disturbed after each day's ration is taken thus reducing wastage caused by air.

I am going to use wilted or high DM silage in this example because it will not have any effluent discharge and therefore loss of nutrients from the conserved grass during the conservation period.

Again, I have taken the liberty of making a few assumptions. However, I hope they can be adapted to suit individual properties and breeding programs. There is also a considerable variation in contract rates which I have based these costs on depending on the type of harvest system used to make the silage. Most of the costs are also quoted per hectare or per hour so need to be converted to cost of DM per tonne.

- (a) Let's assume that we are going to feed the 1000 head for the full 12 months of the drought.
- (b) Each cow will require around 15 kg/day of high DM silage to maintain body condition and rear an average calf. I will allow for a lower conception rate during this drought period because cows may be in a lower body condition or heat affected.

- (c) Therefore the 1000 cows will require 15 tonne of DM silage per day or 2x8 tonne feed-out wagon loads that will be loaded with a tractor with a silage cutter mounted on the front end loader.
- (d) To feed the 1000 cows over 366 days will therefore require 5490 say 5500 tonnes of 30 – 35% DM silage.
- (e) Assume a grass yield of wilted silage to be 10 tonne per hectare, then about 550 hectares will need to be conserved.
- (f) Cost of conserving 5500 tonne of DM silage
- (g) 10 tonne per hectare at \$30/tonne (includes mowing and raking) over 550HA. into a pit or clamp = \$165,000.00
- (h) Feed out 15 tonne per day – 4 hours max. at \$12 per tonne = \$180 per day or total = \$66,000.00.
- (i) Total for fodder conservation program = \$231,000.00

COST ANALYSIS for the HERD FEEDING PROGRAM.

The main thing to remember is that this silage will have been harvested during prior seasons of good feed. It is usual for managers in this situation to have a fodder reserve that will get them through a drought and then if they have a surplus over their drought requirements they have the option of feeding to weaners or fattening etc.

- (a) After assessing feed availability at the onset of a drought and when the manager estimates that the cows are going into pastures with less than the 30 – 3200 kg. DM. per hectare, the manager will start feeding an equivalent amount of silage as a supplementary feed to bring the feed available for the herd up to 3200 kg. DM per hectare for as long as he can sustain it into the drought.

(b) As the drought worsens, there will be less pasture feed available so the amount of supplementary feed will increase. Probably at about 3 – 4 months into the drought the manager will see that there is no more natural feed available for the herd and so won't be able to maintain the 3200kg. DM per cow so will then make the decision to cut back to 15 – 20 kg. of DM silage per head and accept that his stock will lose condition. However, with this quantity of feed, they will not have to be sold. Calving rates and weaning weight may have to be adjusted as it is likely that there will be some drop off in the cow's productivity.

(c) So if the whole 5500 tonne of silage is used up until the time of the drought breaking, the cost will be \$231,000.00 to maintain the herd numbers though in a lower body score condition.

The overall financial analysis will be as follows:

- (a) Year 1 – assume an 80% calving rate. Sell 800 yearlings at \$300 after drought sale slump because of controlled grazing feed available = \$240,000.00
- (b) Drought breaks – feed grows – after 3 months – plenty of feed – back into full grazing management program.
- (c) Year 2 – assume 70% calving rate because of drought impact on fertility etc. from last year and yearling's lower condition. Therefore 700 sold at \$250 = \$175,000.00. However, remember that there will be a shortage of young cattle for feedlots etc. at this stage and so they may be more valuable.
- (d) Year 3 – Continuing controlled grazing program with the 1000 breeding cows. Back to 85% calving rate = 850 yearlings to sell at \$300 per head = \$255,000.00 return.

(e) Year 4 – Continuing controlled grazing program with the 1000 breeding cows. Back to 85% calving rate = 850 yearlings to sell at \$300 per head = \$255,000.00 return.

(f) Year 5 – Continuing controlled grazing program with the 1000 breeding cows. Back to 85% calving rate = 850 yearlings including culls to sell at \$300 per head = \$255,000.00 return.

(g) Income without drought = \$1,275,000

Income over actual drought affected period = \$1,180,000.00

This equates to a loss of income of \$95,000 over the five years with no replacement costs – the herd is self-replacing.

Now the cost of the silage operation is \$231,000 which when added to the loss of income through the drought from cattle - \$95,000.00 = \$326,000.00

SUMMARY

System 1. – COST OF – Replacement cows = \$480,000.00 plus loss of production income affect from drought of \$649,000.00 = total loss of \$1,129,000.00

System 2. – COST OF - Replacement cows = \$360,000.00 plus loss of production income affect from drought of \$515,000.00 = total loss of \$875,000.00

System 3. – COST OF - \$326,000.00 - No replacement cow costs. No real interruption to breeding program.

BREED OF THE QUARTER **SCOTTISH HIGHLAND**

I realise we featured a breed from the United Kingdom in the last newsletter, but since then I have read a book called “Steak” by a Canadian author and meat entrepreneur, Mark Schatzker, who travelled the world in search of the best steak. He documented his travels and eating experiences in this very interesting and informative book. The reason I decided to feature the Scottish Highland breed was because he considered a grass fed steak from one of this breed to be as good or better than any he had ever tasted. The Highland Cattle are an old breed known to have grazed the rugged Scottish landscape since the sixth century. There is still debate about the actual origin of the breed as to whether they were an origin of Scotland or imported from Scandinavia perhaps with the Vikings when they invaded Great Britain. The origins of the ancient breed of Highland Cattle are therefore the subject of speculation (albeit educated speculation). Another theory is that they are the results of the blending of two ancient Asiatic breeds, the 'Bos Longifrons' and the 'Bos Primigenius'. The Longifrons gave them the long horns and the Primigenius gave them their hairy looks. Both breeds had migrated from the Far East and Mongolia to the region of the Black Sea. The evolving breed migrated slowly west and north to the Baltic shores approximately 6000 years ago. From there, emigration to the Highlands and Islands of Scotland was a very small step for invading forces such as the Vikings.

The Highlands are known as a hardy breed due to the rugged nature of their native Scottish Highlands, with high rainfall and very strong winds. The Highland's long coat is made up of two layers — an under-down and longer, coarser outer layer, which protects them

from excessive cold and wind. Highland cattle have been successfully established in many temperate countries and indeed in countries where winters are substantially colder than Scotland's such as in central Europe and Canada. Breeding stock has been exported to the rest of the world, especially Australia and North America, since the early 20th Century. The Scottish Highland Cattle Society was formed in 1884 with most of the animals registered in the early herd books being black. The first herd book contained only bulls (561), the second 866 pedigree cows and 63 bulls and the third a record of awards to Highland Cattle at shows of the Highland and Island Agricultural Society from 1822 - 1884.

They are a small hardy animal that is suited to harsh, colder climates and to small acreages. They are generally docile animals that have high conception rates despite often adverse conditions, calve easily and the cows can produce to at least 18 years of age in many cases.

Their hair gives protection during the cold winters and their skill in looking for food allows them to survive in steep mountain areas. They both graze and browse and eat plants which many other cattle avoid. Highland Cattle carry very little surface fat but do have a certain amount of fine marbling throughout. Although they are slower to mature than many other breeds, the wait is worth it. The meat is tender and succulent and is very much in demand in the home freezer market. The meat tends to be leaner than most beef because Highlands get most of their insulation from their thick shaggy hair rather than subcutaneous fat. Highland cattle are able to produce beef at a reasonable gross margin from inhospitable land that would otherwise normally be incapable of rendering a profit agriculturally. Today, many Highland cattle breeders have been forced to use a terminal sire such as a Shorthorn or Limousine over their cows to produce a carcass that is more in demand in today's

market than the straight Highland cattle with their smaller cuts and also increases their gross margin.

The cattle have for generations been a source of meat and milk for the "Crofters", small farmers of the high country who lived principally by fishing and by subsistence agriculture. The hair too was useful in the process of spinning yarn. The calves were bought and sold at the annual trysts or cattle sales. The most famous of the Trysts took place in Stirling, Scotland. Cattle from the Islands were swum ashore and herded along ancient drove roads to Stirling. Often after the sale they were driven south on the drove roads to England for resale. In the days of the drove roads and the Stirling Trysts most of the Highland Cattle were black. The black highlanders which were found mainly on the Islands were referred to as Kyloes. They tended to be small, very hardy but slow to develop, so it is not surprising that they have been superseded by the larger framed red animals of the mainland. (Modern breeding practices have virtually eliminated any genetic variation associated with colour).

Proof that Men Have Better Friends....

Friendship among Women:

A woman didn't come home one night. The next morning she told her husband that she had slept over at a friend's house. The man called his wife's 10 best friends. None of them knew anything about it.

Friendship among Men:

A man didn't come home one night. The next morning he told his wife that he had slept over at a friend's house. The woman called her husband's 10 best friends. Eight confirmed that he had slept over, and two said he was still there.

The statistics on sanity are that one out of every four persons are suffering from some sort of mental illness. Think of your three best friends -- if they're okay, then it's you.

I would welcome any feedback from you on any subject that is discussed in this newsletter. I have had some feedback over the time we have been publishing it and it is most appreciated and helpful. Please keep the feedback and comments coming.

Thank you for your continued interest in our newsletters, our website and our book. Please feel free to order one of our books and become familiar with the CLMS system and the directions we are taking in the overall scheme of animal and food production for human consumption
PLEASE FEEL FREE TO CONTACT US ABOUT ANY ITEMS IN THIS NEWSLETTER, ON OUR WEBSITE OR IN OUR NEW MANUAL. WE WELCOME PRODUCER INPUT AND INTEREST AND WANT TO INVOLVE YOU IN WHAT WE ARE DOING.
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