

Feedlot Session

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Feedlot Dollars and Cents

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When I was growing up on a small family operation in Minnesota, we fed some cattle along with a lot of other kinds of livestock and even though there were four boys in the family that did a lot of the work, my father had the attitude that he had to be there every day to supervise everything. Those cattle just would not perform without him making every single decision. He kind of imparted the philosophy into us children that the eye of the master fattens the calf, and as I approached my professional career and went through college and continued on to graduate school, it was with that impression that with the more technical knowledge one could gain about the feed of cattle the better cattle feeder you could be. Consequently, I attempted to learn as much as I could about animal science and nutrition and animal health with the idea that I could be a better cattle feeder from it.

When I finished my education, I was working for a feed company as a nutritionist. A lot of my work involved technical service, troubleshooting, as well as nutrition formulation, and on occasion, I had the opportunity to travel from Manhattan, Kansas, back to Chicago one night in a company plane with our company president, Mr. Roy Folk, who I have a lot of regard for and has, since that time, moved up to co-chairman of Continental Grain Co. He is a man who started out sweeping floors in a country elevator and is now running or is co-chairman of Continental Grain. He has made quite a success of himself and he made the statement that to run any business successfully you need to know how to manage money and people. His attitude was that you can hire the expertise you need to get the job done. You can hire veterinarians, you can hire nutritionists, you can hire bookkeepers, accountants, secretaries and salesmen, but to run any business successfully you need to know how to handle money and people.

Quite interestingly, that little conversation we had on the plane that night changed the whole course of my career. He did not know it at the time but he was talking me into quitting my job and going back to school to get more training in those areas of personnel management and money management. That is what I

will talk about this afternoon. It will not be all dollars and cents or economics but somewhat my philosophy on running a feedlot.

I don't want you to get the impression as I am talking that it is the only way a feedlot can be run. This is the way I run my organization. You talk to two or three managers and you will get two or three different opinions on how things can be done. I am only cautioning you not to take out of here that this is the only way things can be done and is the only attitude one can have. I am going to start out talking a little bit about economics and will move on to talking a little about records, touch on nutrition particularly as it affects the animal health and nutrition interplay and end up talking about people.

During my discussion I will be referring to Coronado feeders. Now, everybody has to have a base to draw from. This is my base. This is the feedlot I run and the feedlot that I am pretty proud of. I can use that as an example of how we are doing some things. To give you some background, Coronado Feeders is a 33,000-head feedlot, located at Dalhart, Texas. If you do not know where that is, it is about as far north and west as you can get in Texas and still be in Texas! It is a commercial custom cattle feeding company. We do not own any livestock. We own the facility and we feed cattle for other people, consequently, some of our decisions and some of our management techniques may be different from a wholly-owned company where the company owns the feedlot and the cattle. To give you a little base to draw from in terms of economics, I will paint a little picture, what I call the big picture of dollars and cents here so that you know why we have to make some of the decisions we do. Coronado Feeders being a 33,000-head feedlot with a value today of approximately \$75 per animal unit, so the total value today of that particular facility is around 2½ million dollars. This is just the facility. Replacement costs today even conservatively would be about 105 to 110 dollars per animal unit. So, if you were going to go out and build a feedlot of that size today, you would be investing about 3½ million dollars. Moving on in terms of operating that feedlot to take care of ac-

counts receivable, the inventories, the other operating expenses require approximately 1 million dollars. So, in terms of the operating assets that I have under my control, I am talking about 3½ million dollars. Now, that does not include any cattle. That is just the facility and the operating capital. Over the past two years we have averaged at Coronado Feeders approximately 31,000 head of cattle on feed at all times. We have been down as low as 29,000 head of cattle and had as many as 34,500 in the yard but just on the average 31,000 cattle with an average value half-way through their feeding period of \$350. We have a value of inventory of cattle at any one time of 10.8 million dollars. I throw these figures out at you not because they are not that important but because you need some idea of when you make a decision that affects 31,000 head of cattle you are also making a decision that affects just about 11 million dollars worth of cattle and that is why some of our decisions are made with a lot of thought behind them and that is why we get a little concerned sometimes when something starts going wrong. We are dealing with a big volume of money invested in cattle.

What or why do people invest in cattle? What can it do? I have customers in my feedlot that are farmers in Iowa; I have farmers from Minnesota, Wisconsin; businessmen from Chicago, New York, New Orleans, Portland, Oregon; as well as quite a few local ranchers and businessmen in the Texas Panhandle. Why do these people invest in cattle? Well, to make money. To give you a little bit of the incentive in it for them, to own cattle in a custom feedlot, particularly with the attitude of the bankers we have in the Panhandle one can buy cattle by putting up 30% of the first cost of the money. The bank will put up the other 70% of the money and pay the feed bill. An investor can have a \$450 steer ready to sell with only \$75 of his own money in it. The rest is the bank's money. That animal makes \$20 a head profit which is the kind of a figure we shoot for. You turn them 2½ times a year, that is \$50 a year profit with a \$75 investment that is a 67% annualized return on equity. That is called leveraging.

Most of the people that invest in commercial feedlots invest in cattle to be fed utilize that leveraging. But leveraging can work against you, too. Some of us know that have been involved from 1972 on. I personally had one set of cattle with a partner that lost \$224 a head. When you put up \$75 a head and lose \$224, you still owe that bank \$150 and you have no way to pay it off. So, leveraging can work against you.

I bring this out to let you know when you make some decisions that affect other people's cattle and you are dealing with a \$450 steer but any gain or loss is involved in that \$75 of his equity money. You make him or lose him some money in a hurry. Some of our decisions get magnified through leveraging. How does the feedlot make money? It varies from area to area. We charge all our mark-up in the ration. We add \$11 a ton to the cost of ingredients. We charge our ration

to our customer at our cost of ingredients and add \$11 a ton. That \$11 a ton is our only source of income for providing the services of caring for the man's cattle, getting them feed, buying them, selling them, taking full care of his cattle. In other areas of Kansas, some places in Nebraska, they will charge yardage feed plus a mark-up in the ration. It varies, but on the average it will amount to something equivalent to \$11 or \$12 a ton mark-up. A 650-lb. steer put on feed and fed for 135 days will consume about 1¾ tons of feed. That \$11 gets multiplied by 1¾. Our gross income for feeding an animal for another man is approximately \$19. That is our gross income, or about 14 cents a head a day.

What happens to that in the feedlot? I have 34 people, including myself, to run that feedlot. Our monthly payroll and benefits exceed \$40,000 a month. Our total operating budget on a monthly basis including depreciation and interest is over \$100,000 a month. So, it costs a little bit to run a feedlot the size of ours. But there is also some profit in it. That is why we are there! We own that facility strictly to make money. We are owned by Allied Mills, which is a division of Continental Grain. Their only purpose for being in the feedlot business is to make money. That is the only reason people feed cattle. I say the only reason, but I know better than that. There is still a tax advantage at your end to roll income from one year to the next by investing in cattle and we do get some of that. Sometimes it is referred to as "funny money." It is not the type of customer that I try and cultivate. I want a customer that will be there next month and next year and keep that pen full. I don't make money for the company unless that pen of cattle is full.

Getting into an area that may have a little more interest to you practicing veterinarians, I will talk a little bit about how we handle our animal health. In our particular organization we are fairly well specialized in what a person does. I have a group of six cowboys and their only job is to ride every pen, every day, and look at the cattle. On new cattle they will ride them at least twice a day, sometimes three times a day. Any cattle that look sick or look like they are going to get sick get pulled and taken to the hospital. My cowboys do not do the doctoring as I do have a doctoring crew.

I have a head cowboy in charge of the cowboys and I have a head "doctor" in charge of the doctoring program and they both report to the yard foreman. The yard foreman has more responsibilities than just the health of the cattle as he is also responsible for the total operation of the feedlot outside the mill and feeding. In other words, yard maintenance and anything that has to do with the good of the cattle. The "head doctor" in the feedlot is one of the hardest positions that there is to fill. Sometimes it is a very discouraging job. That "head doctor" and anyone in that doctoring career much like you veterinarians don't get to see 95% of those cattle that do not get sick. You only see the 5% that get sick. No matter

how good a job the “head doctor” does, he loses some patients. Some of them die. It is a challenge to me as a manager and it is a challenge to the veterinarian and a challenge to my yard foreman to help that “doctor”. It is a job in which he can get discouraged and this gets into a very critical area of personnel management. Keep him doing his job and doing it right.

These people have to understand what they are doing. They have to see the total picture. You cannot just give them a syringe and a needle and a bottle of medicine and tell them to go doctor that animal.

Talking about the economics of health, they have to understand what they are doing. Processing cattle. Right today a 650-lb. steer coming into our yard will cost the customer \$2.26 to have that animal processed. This includes dipping, deworming, all the shots, branding, implanting and cutting the switch off the tail. Forty cents of \$2.26 goes to the custom crew for doing the labor. The other \$1.86 is for the medicine. We do not attempt to make any profit off our processing. It is another service we provide. We have drug salesmen that come around and some veterinarians and other people that ask why don't you use this shot or that shot? We use the minimum amount of processing we think we need to get by with. So, another shot of this would cost 50 cents or 35 cents. You add a dollar to that processing charge and that takes away 5% of the customer's profit potential, or it will increase the cost of gain 25 cents a hundred. We are working on a pretty narrow margin there and that dollar is very important.

Talking about the same thing in a doctoring program. I better give you a little background here on how we handle things. When our cowboys pull those cattle, they make out a pull ticket that serves two purposes. One, to keep record that an animal was moved from his home pen to the hospital. Secondly, he indicates why he pulled that animal. My “head doctor” runs that animal in a chute, takes his temperature, visually observes him, looks at why the cowboy pulled him and then he decides what is wrong with him. He decides how the animal should be doctored. There is a very important decision as to how that animal should be treated. My “head doctor” is not a veterinarian or has no formal veterinarian training but has doctored more cattle than most veterinarians in the country. A good “head doctor” is hard to find and if you get one, don't lose him.

In our basic program we deal primarily with respiratory diseases and in the hospital, I guess 75% of all the cattle that are pulled from the pen and go to the hospital have respiratory diseases. Now we are not smart enough to try and differentiate at that point whether it is *Pasteurella multocida* or *P. hemolytica* or IBR or what the respiratory involvement is, but we know it is a respiratory involvement and we are treating 40-50-100 cattle a day that are pulled for similar respiratory diseases and we have to use some basic programs. This program, when dealing with respiratory involvement, is built around

terramycin. A 600-lb. steer coming in will stay in that hospital and be treated for a minimum of three days. Just assuming that our basic program of terramycin-vitamin B complex and antihistamine over a three-day period, the terramycin will cost \$1.80, the vitamin B complex sixty cents and the antihistamine twenty cents, it will cost that customer \$2.60 to have the animal treated.

Our primary goal is to get that animal healthy and get him back to his home pen and gaining weight and making money for his owner. But, we also want to do that at the least cost. Now, some of you that deal with farmer-feeders like my dad used to be are always fighting that problem of charging too much for the drug. We are looking at the same thing but our primary goal is to get that animal healthy. In some situations we need more than this basic program. You bring an animal in and he does not respond and you add 3 cc tylan per hundred pounds of body weight over a three-day period. You add three triple sulfa boluses a day, the tylan will add an additional \$4.20 cost and the triple sulfa boluses will add \$1.60. All of a sudden you have raised that drug cost from \$2.60 to \$8.40 a head. If that is what it takes to get the animal healthy, it is money well spent. But, if that worked on this animal and you start using this on all animals, you have tripled the cost of doctoring your cattle.

We get into this cost-benefit ratio. This is very hard to put your finger on but it is something you have to be cognizant of at all times in the feedlot. For every dollar that we spend of the customer's money we have to know that it is making him money. That is the name of the game.

Where do you draw the line? I had an occasion last night sitting down in the grog shop or whatever that place is downstairs to sit next to three senior veterinary medicine students from one of your leading veterinary colleges and they were relating to each other and they are probably in here today and didn't realize I was overhearing them but they got to talking about some of the experiences they had last summer working for practitioners. They used the term “shotgun” medicine. They went out to treat a dairy cow that was down and they were not sure whether it was ketosis or milk fever or some other reason so they give her everything they could think of and she got well and they referred to that as “shotgun” medicine. We cannot do that in the feedlot. The economics are not there. In fact, we reach a situation sometimes where we have to quit doctoring an animal. Where do you stop? You treat an animal for three days in your basic program and if your animal does not respond, the next thing you do is switch to an alternative program. You add a few more things and we have an alternative program set up. You treat him another three days and he is still not responding. What do you do then? Basically, I believe you stop using medicine. You have already reached that point and you have put \$20 to \$25 in that animal and if he has not responded by then you may continue with some fluid therapy, pumping

water into his rumen, other things into his rumen but it is probably not a place to continue antibody therapy. Now, there are situations where the animal is responding and you know what you are dealing with and you can justify keeping on but in a feedlot situation one has to be aware of the cost-benefit ratio always.

You doctor for three days, it responds and you send him home to his home pen. Within thirty days he comes back with the same ailment. What do you do then? Well, you have to doctor him if he is sick. You probably do not use the same basic program you used the first time because he is back for the same ailment so you switch to an alternative program and you get a response, so you send him back to his home pen and then he comes back a third time. My basic philosophy then is that he will never go back to that pen. Treat them enough to get them well and put them in a railer pen and when he is clear of drugs, then get rid of him.

We operate under a philosophy that anytime we feel that animal has quit making money for his owner then it is time to get rid of him. Sometimes we rail cattle when they have been there only 30 days if in our judgement that animal will cost the owner more than he is going to make for him. We have a railer pen of these cattle and it is generally on the decision of my yard foreman and my "doctor" and together they decide that animal needs to be gotten rid of, salvaged for the best we can do, so we put him in a railer pen and when he is clear of all the drugs he has been administered, he gets railed out for whatever we can get for him. Our owners give us pretty good freedom to do this at our discretion. Sometimes it is a little hard to tell.

When do you quit putting in money and throw in the towel? It has been common for many years as the smaller feedlot grew into the commercial feedlot for some of those cowboys that started out or the farmer-feeder that grew into manager of a larger yard to run them by the seat of their pants! You would be surprised how many decisions in these big commercial feedlots are made by the seat of the pants. If it feels good, do it!

That is not in line with my attitude on running a professional business just because it is a feedlot. My attitude is that you can run it like any other business. You have to have programs. Now, a cowboy "doctor" can be dangerous as they do not know enough about medicine to understand it yet they know what makes that animal look better.

We had a situation a few years ago at a previous feedlot where we were shipping in a lot of cattle from the Southeast, four, four and one-half weight, fresh-cut bulls, steers. Doctoring was pretty heavy. We set up a specialized program and kept all the cattle in one section of the yard and the cowboys rode the cattle and also did their own doctoring. We felt under that particular situation with those cattle those guys could do a better job. Those cowboys stumbled on the cure of the century. They thought that a combination

of pen-strept and "Pre-def" was easy to administer. The next day those cattle looked pretty good. They treated them again the second day, and the third day they were flying high. They gave them another shot and sent them home.

They kept their hospital cleaned up. Treated the cattle three days and sent them home, but you can imagine what happened! Those of you that understand the means of inducing IBR through a corticosteroid know that in about seven days those cattle started coming back and there was no bringing them back. My only point is that even in the feedlot, as experienced as some of these "doctors" become, they do need some supervision. They need to follow programs and you need to know what is working and what is not working. You get to the point where you do not keep track of things just by if it feels good, do it. You get into this area of keeping records. We have one of the most extensive record systems at Coronado Feeders that any feedlot has and I am proud of it. I like it. We have our own in-house IBM system 32 computer and there are a lot of things that a computer can do and we just keep adding to it. We think we have a pretty good system of records. I know Max Garrison is going to talk about records later on, particularly as it relates to animal health in animals but I would like to impart some of my philosophy on records.

Why are good feedlot records necessary? Well, some of the things are obvious-inventory control. We don't own any of the cattle so we have to account for all those cattle and guarantee the number so we have to know where every animal is. When it comes time to ship a pen of cattle, we have to know how many are in the pen, how many are in the buller pen, are there any in the railer pen, are there any in the hospital, how many have died, how many have been shipped out before. We have to keep track of those things. We must account for every animal so there is the obvious reason why we must keep records. You have to know where you are. What you have in inventory, what is your inventory shrink, what cost of sales. You have to know what things are costing you and what is in your inventories.

The same is true with drugs. You have to account for everything. You can allow a little bit for shrink, breakage, but there has been some situations where drugs have disappeared other than through use in the feedlot and if you are going to find out about that you have to keep pretty good control of the inventory of drugs. It is pretty easy to stick \$1,000 worth of implants in your pocket and walk off. Now you have to trust your people, and I do. But I also watch my inventory. You have to have decent records for charging. Our only source of income, as I told you, is selling that feed. We have to know how much feed we have sold. I do not want to charge a customer for anything his cattle did not get and on the same token I do not want to give him anything. I am going to charge for anything I do. I want it to be accurate. You need good records. Other things we need to charge for we put out are long hay, salt, drugs, processing, manure sales.

You have to charge for all these things. You have to keep records.

We also need records for financial reporting responsibility. We have got to account to the owners. Our monthly billings, the closeouts when the cattle go out. I think it is obvious why they are necessary. We have to account to the feedlot owners our finances at the end of every month. I have pretty complete freedom to run my feedlot, but I am accountable for the bottom line on the operating statement every month. My boss looks forward to getting that and wondering what it is going to say. You need good records to be able to show him what we are doing.

You need records for management decisions. We have instigated a program through the use of our computer where we classify all of our cattle. The type of cattle, origin, in-bound shrink, what part of the country they come from, what their background was, what kind of weigh-up we have. You develop a history over time. Some of the things you thought were right probably are not right. This gets back to many cattle today are bought by the seat of the pants decision. It feels good, so buy them.

You get two or three years' experience for foremen for different areas of the country and different sources and different classification of cattle and that thing looks a little different from what you thought. So, records become very important in some of these areas. Also, ration systems, deciding when to sell cattle. My assistant manager and I drive the cattle every weekend and we decide which pens we will show the next week, but we also look at the yard sheet to see what the end-weigh was and how many days the cattle had on feed.

We need to keep track of these things. We also use records to keep track of our people. I have six cowboys and I have my feedlot divided into six sections. I keep track of what is the poor rate in each section. How many cattle die out of that section? Why did they die? Did they die in the hospital or did they die in the pen? When they get to the hospital how well do they respond? Were they pulled early enough? One day late? Two days late? Anyone can see a sick steer when he is standing out with his head in the ground, slobbering all over the place, but that cowboy that can pick him out the day before he is getting sick, get him to the hospital just when his temperature starts to rise, before he is really off feed. You get a lot better response than you do two days later.

I can tell that by looking at the records—seeing the kind of success rate. I have one section of the feedlot that the cowboy only gets heifers. Every heifer that comes to the feedlot is pregnant. You know his success as far as death loss is not as good as some of the others. But there is an explanation for that. I have to take that into consideration. You will need records to know what is going on.

How well do you have to keep records for the FDA? Through a good record system we got ourselves out of a drug quarantine one time. We were able to demonstrate to the FDA inspector that everything

that happened in our feedlot was accounted for. There was nothing done without a charge made for it. He thought he had us on a dihydrostreptomycin residue. We were able through our record system to demonstrate to him that in that pen of cattle no animal ever received any source of it. He accepted it. He was satisfied with our record system. So, they become important in some areas like that.

Some of the places you are required to keep records gets kind of sickening, such as for the OCEA, the Equal Opportunity Employment Commission, and some of these things. You go ahead and do it and keep track of how much rain falls every day and that is not hard in Texas! The last rain we had was last August. When I left Amarillo yesterday, it was 75°F and the sun was shining. It has been the most beautiful fall for feeding cattle in Texas you can ever imagine. I talked to my father in Minnesota and it is 40°F below! I just invited them to come to Texas!

How do you acquire and maintain good records? Max may touch on this. My philosophy is you start at the end and work backwards. You first determine what records you want. What records are necessary. Then after you have determined that, you work backwards and determine the source of information you need to complete those records. You get your people involved. This becomes very important. You tell somebody to keep this record on this, don't tell them why or what it is going to do or how it can be used to better operate the feedlot or help him out or help the manager out, he will not get very involved. But if he understands why he is doing it and understands the final outcome, what his input is going to have on the final outcome, he will do a better job. He will also maintain more accuracy. Records without accuracy are no good. They are probably worse than no records at all. The other thing is that you must set up a system for handling your records, the flow of information. From the source document to the final summary form, where does the information go? Who handles it and who does what? Everybody has to understand this.

When I first got involved in the feedlot I started watching some of these things and scratching my head and wondering when this form is filled out and what does it do? I eventually worked up through the organization and got more insight, got to see where some of them go. I also got to see that some of them did not go anyplace. Somebody was just filling out a record just because they used to fill it out. There were other things on the charging end. Somebody assumed that somebody else was taking care of that. So everybody has to understand where they fit into it. You need to summarize on a meaningful basis. It does not do any good to collect information just for collecting's sake. That is a waste of time. If there is something to be gained from it, I truly believe in good records.

Terminology becomes important. You talk to some people about cost-to-gains and they say I'm feeding them such and such. I do not usually ask the question

but if it seems out of line I ask now on what basis is that? Well, that is feedlot weight to feedlot weight. You do not take that figure to the bank. The only thing that is meaningful in performance is pay weight to pay weight. From the weight you paid for to the weight you sell. Off-truck weight is only important from the standpoint of checking your inbound shrink. That is knowing what kind of weigh-up you had on the other end and how those cattle were handled. When you start talking about term performance the only terminology that is meaningful is pay weight to pay weight.

The same way with “deads in” or “deads up.” Why would you take the deads out? The deads-in is what you take to the bank. In a research trial, if you want to ask the question what would have happened if that animal had not died, that performance may have some bearing. But the figures you take to the bank are pay weight to pay weight on a deads-in basis, and total costs to gain. I have people talk about their feed cost-to-gain is such and such. I don’t care. In addition to the feeding as I told you before, right now, on a 600-lb. steer we are charging \$2.26 for processing. Texas Cattle Feeders assessment fifty cents, hospital and drugs on an average somewhere between a \$1 and \$2 per head, one-half percent death loss, \$1.30; \$12 per head for interest. There are \$18 in addition to the feed cost. Four hundred pounds to gain, that is \$4.50 to a hundredweight. That makes quite a difference.

On our close-out we don’t reflect the interest. That is just our election because some of our people are borrowing a higher percent of their money than others. Some of them are getting better interest rates so we figure it on all costs rather than interest. I don’t want to dwell a lot on this area of terminology. It is just some of the things I think are important from my standpoint.

I said I was going to touch a little bit on nutrition. The interplay of nutrition and animal health is the greatest the first month in the feedlot. Now, I could go on being a technically trained nutritionist and talk for hours on just nutrition. But I am not going to. Our starting program at Coronado Feeders is pretty simple. I am not advocating that everybody ought to use it. It works for us. When you have a program of any kind that works, you better stick with it. I have people argue with me. They don’t like the way I am doing this or that. But I will stack my cost-to-gain against anybody’s in the industry. When we start out, all of our new cattle get oat hay. Some people say you cannot beat prairie hay. Well, if that is your attitude, feed prairie hay but I will buy the best quality oat hay I can find. Some people say fill that bunk up with oat hay and let them eat that and come by and put the ration on top of it. I do it the other way. I put the ration out first and put the hay on top of that. Why? When you have 33,000 cattle to look after and 206 pens of cattle and we try and buy 2,000 cattle every week and they usually come in on Monday and Tuesday nights, you have to look at the reality of getting things done and coordinating things. Get that ration

in and the hay on top and then when the cattle do get there they eat through that hay and they finally get to the ration. But they get filled up on hay first.

Generally, we use good quality oat hay the first two days. My attitude is when that animal gets to the yard he has got to start producing gain the first day. I don’t want to wait a week. People talk about, well, get him straightened out and get that rumen soothed and get them feeling good and then you can worry about getting gain. To get the kind of performance I demand, you have to start getting gain the first day in the feedlot. We push our cattle. Sometimes too hard. We don’t use a real high roughage starting ration. I guess our starting ration is equivalent to about 35% roughage equivalent dry matter basis. When you are pushing cattle like that, you are on the verge right from the start of some acidosis. We have learned how to anticipate some of these things with the change in barometric pressure and change in weather and we think we do a pretty good job, but I will be the first to admit that once in awhile we create some problems for ourselves. But my reasoning there is that we demand maximum performance out of these cattle and we are going to get it and we are going to push it from the day we start. That is economics.

We use a high level of antibiotics. Higher than most people early in the feeding period. The first ten to twelve days. We do not stick with high level up until a certain time and then drop it, like some people do. We go to a higher level early and then step it down some and gradually come off it. By gradually coming off we can elevate some problems with the drug withdrawal. We will have some breaks in the respiratory complex along about the 34th day if we drop that antibiotic too abruptly. We can step down and come off it gradually. But performance is the name of the game and we have to push these cattle and what these cattle do the first three weeks in the feedlot has a bearing on what they do the next 120 days. Maximum consumption is what we are going for. You teach those cattle to eat the first three weeks and you will have no problem getting them to eat all the way through. But, if you cannot get them to eat their first three weeks in the feedlot, you have problems.

Basically, that is my attitude on nutrition and animal health, and that is, in the early period you have to push them and be cognizant of the problems you can create and sometimes you do create. Now, there is no way with 33,000 cattle and sometimes 34,000 and sometimes 31,000 that I can keep track of everything. I try. I would like to get out and see those cattle every day. In fact, I enjoy driving the alleys and looking at the cattle. There are days that I will spend from six in the morning to seven at night and never get outside my office other than to get down and read the ticker tape once in awhile.

You have to have people. The greatest asset I have in my organization is my people and I truly believe that. Your people are the most valuable asset you have in operating any business. Managing people is

quite an interesting undertaking. It has sure been interesting for me. There has not been a day that goes by that I do not continue to learn. If you are going to operate any business like Mr. Folks told me, you have to know how to handle people and you have to know how to handle money. You have to be able to put the round pegs in the round holes and square pegs in the square holes. People must have a challenge. Do not take a trained accountant and put him in a feed truck and expect him to do a good job. He will do a good job for a while but he will lose interest.

Don't over-challenge your people. Inasmuch as I know this and believe it, I have made some mistakes. One clear-cut situation—you know I talked about the two hardest jobs to fill in the feedlot are the "head doctor" and the other one is the head feeder. Some people call them bunkriders, whatever, or feed foremen. It is a hard job to fill with the right man. I had an occasion here a year or so ago when I had hired a feed truck driver that was a good one and brought him along and was grooming him as an assistant head feeder. I just had the job started and he had all the makings of being a good employee someday. Then my head feeder quit. I was right in a situation where I could sit back and make excuses and we were trading a lot of cattle and I was doing a lot of things. I did not really have the time to get myself involved so I threw the job on the assistant feeder and said it is yours, take it. I ruined a good man. I burned him out and it was because he just was not ready. I gave him too much of a challenge before he was ready. One has to be careful in handling people. Keep them challenged but not too challenged.

It takes more than money to keep people happy.

You take a cowboy out here and give him a pen of cattle to look after and he rides that pen of cattle every day for 135 days and he gets to know those cattle in there, some of them individually. Then all of a sudden one day the cattle are gone. I believe in going back to that man and telling him how those cattle did. Let them know what is happening. Let them know if the cattle did well or badly, or if the drug cost was high or low. Let people know what is going on in the organization. Let people feel a part of it. I make a special effort to do this. I get my people involved. We are moving on through the middle of September, the feedlot is not too full and I buy a couple of strings of cattle and all of a sudden I have 10,000 cattle coming in the next two weeks. I let my people know they are coming and what to expect, what we are going to do, and they accept it a lot better. They get together and when the cattle come in they make sure they get their part done. You also need to let your people know that you appreciate their contribution. Pay raises are fine, but when somebody is working a little extra, particularly in the fall of the year when we receive a lot of cattle, when you have some problems and people put in extra hours trying to solve those problems and get that job done, when the bad weather hits and they put forth that extra effort, let them know you appreciate it.

They always enjoy that raise whenever it comes, but let them know you appreciate what they are doing on timely basis. And then be generally concerned about your personnel. I like to drive the feed alleys like I told you. You would be surprised how much good it does if one of the cowboys is riding the pen and up close to the bunk and you stop and visit with him. It does not matter what you talk about. Those cowboys love their horses. Comment about their horses. Tell him about his fine looking horse or ask him about him. Sometimes if these cowboys thought as much of the feedlot cattle as they do of their horses you would not have any problem.

But, you have to recognize that. They are concerned with their horses and visit with them about them.

My total point is that it takes people to run a feedlot and run it successfully. I want you to understand from a manager's standpoint the people are the greatest asset in the feedlot.

What about this other area, the expertise, the technicians, the veterinarian, consultant, nutritionist? What do I look for in a veterinary consultant? First of all I want a knowledgeable person. I want somebody who really knows what is going on. I don't want somebody who understands the animal health he learned in college and the books. I want him to understand how that relates to feedlot cattle. In fact, I kind of think the veterinarian who is going to be a consultant should feed a few cattle to get the total picture, not just see the animal health area of it. I want them to understand when some of these decisions are made, how do they affect the economics. What is the cost-benefit ratio? I want them to think about that. Not just think what is the simplest way to treat respiratory involvement, scours, whatever you are treating. I want a veterinarian who is an individual that is devoted to the feedlot industry. In this time of technology, not only in veterinary medicine but in nutrition and human medicine, things are changing. There is no way a veterinarian can keep up with the changes in beef cattle, animal health, along with dairy, pigs, sheep, chickens, goats, cats, dogs, and keep up with everything. I tend to look towards the specialist who is devoted to the feedlot industry, so he can attend meetings like this bovine meeting here. Also, he can attend other meetings and stay abreast of what is going on and pick up some of the new ideas.

In many situations the general practitioner cannot do that. When I have problems, I want that veterinarian consultant to be available. I don't want him off taking a calf by caesarean in some farmer's pasture, treating a bunch of dogs, giving rabies shots, whatever else people do, I want him available for the feedlot. There are times he cannot come to me. I want a veterinary consultant that deals with other feedlots. On the day-to-day operation, I can handle things. I can know what is going on there but sometimes one tends to become complacent with what he is doing. He gets satisfied. I don't hire that veterinarian to solve problems I have, I hire him to make me a better

manager. I might have the best-run organization in the industry but I still want to get better. If he comes to me with a suggestion on how I can change something or do something better, something he has seen operate better at another feedlot or something he picked up, you would be surprised how some of the veterinary consultants pick things up from the cowboys or from the "doctors" in the feedlot, not that they have so much knowledge but they stumble across some ideas that have some merit. This veterinarian working with these other feedlots can bring some of this information to me. I want him to have other clients other than myself.

The greatest thing is that I do not want any buck-passing. I had an occasion when I was working for Allied Mills as a nutritionist. I was not a feed salesman, but I was sent out on an occasion or two on technical problems where a farmer had problems. I traveled a lot through the Midwest and dealt with the farmer-feeders and invariably the veterinarian at Alerbritton called and his first thing was, "It is that feed you're feeding. Here's what you do, change the feed." And many nutritionists would get out there and say that veterinarian should have done this or should have done this. I do not want any buck-passing in my organization. If I have problems, even if my veterinarian thinks it is nutrition related, I want him to sit down with my nutritionist and talk about it. Let us not point a finger and say this is the cause of the problem. Let us rationalize and I would have to say that my veterinary consultant and nutritionist both have the attitude of a team approach. Because of a team approach and the way we handled a problem, we got to the basis of it. To this day I do not think that nutritionist knew what the problem was, but we solved the problem and I know what the problem was in my own mind.

I do want that team approach and I want the attitude that we have to do what is going for the good of

the cattle. I do not want anybody to pass the blame on to somebody else. I look for much the same in a nutritionist. I am a trained nutritionist. I can go out and formulate rations for anybody. Being a nutritionist in a feedlot is much more than feed formulation. It is easy, the science of nutrition is not that great. It is not that hard. It is easy to put together a ration. Whether you use a computer or not, it is a little easier with a computer than without one, but I hire a nutritionist from our organization, even though I have the abilities to do it myself. This nutritionist has to know more than just what nutrients it takes to get the gain. Once he puts that ration together, will it mill? Will it go through my mill? It might go through somebody's mill, but will it go through mine? Will I have any problems with bridging? Will it feed out of the feed trucks? Will the cattle eat it? Will there be wind loss? These are some of the considerations he has to be cognizant of when he is putting that ration together. And also set some of the limitations on the maximum-minimum amount of certain ingredients you want. Here again I want a man with experience, somebody that is working with other feedlots. Much of the things I said about the veterinarian I am looking for in a nutritionist.

That is another reason I do not do it myself. My nutritionist can bring me a lot of ideas that he sees in other places. He can keep up on nutrition and I cannot run a feedlot and keep up on the technical advances in nutrition as much as I cannot in veterinary medicine. So I don't attempt to. These are some of the things I look for in hiring this expertise in a veterinary consultant and a nutritionist.

I told you when I started I was not going to talk an hour and I think I lack five minutes. I am going to quit now. You have been a very attentive audience and I appreciate the chance to come and talk with you.