

Premium Advantages

An innovative production alliance promises to open opportunities for Northwest cattle producers.



It's easy to understand the deep connections the Wilson family has to rural America when you drive from their ranch headquarters near North Powder, Ore., toward the mountains that rise in the west.

Here, hayfields spread out along the river. Cows and calves graze the meadows and sagebrush hillsides. And an old homestead cabin, nestled among a stand of Ponderosa Pine, provides a welcome respite from a hot July afternoon.

“I always like to come here,” Ron Rowan reflects. “It puts things in perspective.” ⇨



Bull power. The Northwest Premium Genetic Alliance is built on the widespread use of proven genetics. Eligible producers must use bulls produced by Thomas Angus Ranch or Harrell Hereford Ranch, Baker City, Ore.

Rowan joined the Wilson enterprise — called Beef Northwest Feeders — in 1995. He heads up the commodity procurement and alliance development efforts for the feeding operation, and is deeply committed to seeing that ranching families like the Wilsons continue to run cattle into the future.

The Wilsons homesteaded in Oregon's Baker Valley in the late 1800s. They've since built their operation into one of the region's largest beef production enterprises, combining cow-calf and stocker operations with three feedlots in Oregon and Washington with a one-time capacity exceeding 90,000 head.

The feeding operation was formed in 1991 by John and Jim Wilson, who are actively involved in the day-to-day activities of the extensive operation.

In recent years, Beef Northwest recognized it must do more to improve the genetics, quality and consistency of the cattle it was feeding, so in the fall of 2006, they began working with Thomas Angus Ranch and Harrell Hereford Ranch to build an innovative beef production and information-sharing alliance.

Ranchers Rob Thomas and Bob Harrell are lifelong friends and business colleagues. Their Baker City, Ore., operations are the state's largest seedstock operations, and

they've shared in the belief that cooperative efforts between them were the key to securing their future.

The three operations dubbed their alliance "Northwest Premium Genetic Partners" and set the ball in motion to build both cattle numbers and rancher participation.

"It made a lot of sense for us to work with the Thomases and the Harrells to develop a reliable supply of genetically superior, source- and age-verified cattle," Rowan says.

It's also made a lot of sense for commercial producers, too.

"This alliance is really about three ranching families, which have been in the cattle business for generations, that have come together to work together," Rowan says. "We want to involve other ranching families. We want to build relationships with ranchers and families. And we want to make this alliance strong so that all of us can benefit economically from it."

How it works

The alliance provides Thomas and Harrell customers with a wide array of marketing options when it comes to feeding or selling their cattle — and capturing premiums in the marketplace.

Participants can sell their calves directly



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to Beef Northwest. They can partner with Beef Northwest to own or sell a portion of them through the feeding period. Or, they can retain exclusive ownership of their cattle and sell them through a pricing formula with Tyson.

“We’re not just saying, ‘we’ll shoot you a price on your cattle,’” Harrell says. “This is a partnership that involves everyone — our customers, ourselves and Beef Northwest. It’s a way of looking at the entire system with the primary goal of producing high-quality beef, and then determining what is the best way for each individual to market and produce their cattle to make that possible.”

The alliance pays premiums to producers who maintain at least 25% Thomas and/or Harrell bulls in their herd bull battery.

Premiums increase on a per-head basis as the percentage of Thomas Angus Ranch or Harrell Hereford Ranch genetics increases in customer calves.

Premiums are also paid for cattle that grade 70% Choice or higher.

“We’re trying to add value to what the producers are doing,” Rowan explains. “We can give them options. We can show them where the premiums are. We can pay them some premiums, and give them a sense of what the true value of their cattle is. What we really want to do is to put ourselves and our customers on the leading edge of what’s happening within our industry.”

An added benefit for commercial producers is that they can use complementary Thomas and Harrell genetics to maximize heterosis in their cow herds. Both seedstock producers have positioned their spring bull sales so that they take place on consecutive days in March. That gives commercial producers a wide selection of bulls to choose from, and allows them an enormous competitive advantage when it comes to improving fertility, health, performance and survivability through applied crossbreeding.

Information sharing

Central to the alliance’s success is the belief in leveraging information gleaned from the feedlot and kill floor.

Performance and carcass data will be shared with all participating partners, from Beef Northwest to Harrells and Thomases and to their customers. This will allow all participants to evaluate which genetics work well and which didn’t maximize profit, and to make continuous improvements in the

quality, consistency and performance of their cow herds.

Alliance participants also stand to benefit from the pressure both the Harrells and the Thomases have placed on improving carcass quality and performance.

The Thomases, for instance, have used artificial insemination (AI) on an exclusive basis for many years, breeding all of their cowsto industry-leading Angus sires. They also have one of the most extensive embryo transfer (ET) programs in the country.

The Harrells, too, have focused on developing and using bloodlines that lead the Hereford breed and have made extensive use of both AI and natural service. Both breeding programs have placed emphasis on balancing the needs of commercial production with consumer traits like marbling and tenderness.

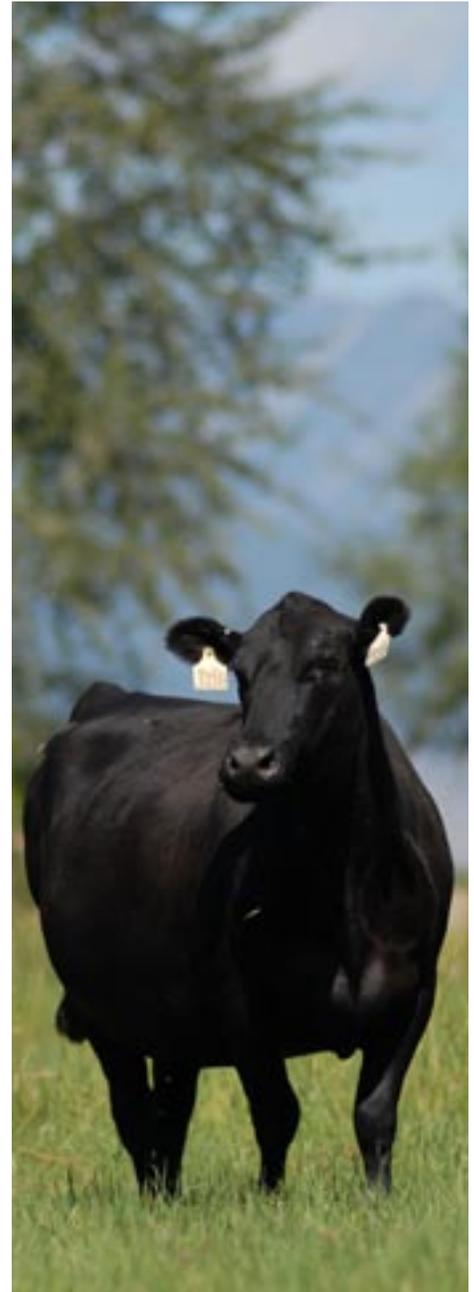
“This is really a system for sharing information between all industry sectors,” explains Rance Long of Thomas Angus Ranch. “Participants receive the information they need to get better, and we have the added benefit of knowing which genetics work across and which ones don’t.”

Perhaps most importantly, all alliance cattle must be age- and source-verified. This means participating producers will need to maintain birth date and premises records of their entire calf crops in order to be eligible for participation.



Customer orientation. “We want to provide marketing opportunities for our customers, and help secure their future,” say Lori and Rob Thomas.

**“This is really a system of sharing information between all industry sectors.”
— Rance Long**





Opportunity. A new dawn in Oregon's Baker Valley will allow ranchers to capitalize on heterosis between industry-leading Hereford and Angus genetics, as well as capture premiums through a carcass-pricing formula with Tyson Fresh Meats.

By arming itself with this information, the alliance hopes to have the flexibility to tap an array of international and domestic markets, everything from the growing natural foods sectors to the high-quality Japanese markets.

"We've got a lot of experience in working with a wide number of branded beef programs," says Harrell, "and we can move cattle in a lot of different directions — everything from Country Natural Beef and Niman Ranch to Certified Hereford and *Certified Angus Beef*®."

Rowan adds: "We want to open up opportunities for all of us, and it's becoming clear that for us to remain competitive in the domestic and international marketplace, we must do a better job of documenting the source and age of our cattle."

Since 2005, for instance, following the halt of major beef export markets, it's estimated the U.S. beef industry is losing \$3.5 billion per year, or roughly \$150 for every fed steer and heifer marketed each year.

"We need to be working hard to reopen those marketing possibilities, and that's a big reason we've built this alliance with the idea of opening up new opportunities for all of us," Rowan says.

The benefits of improved information management aren't limited to just export markets, either, Thomas adds.

Research shows that beef products produced through source- and age-verification programs can often fetch 50% to 100% more money than products produced in a commodity manner.

The natural beef segment has grown to a \$1 billion industry. It's growing by 20% every year.

"The U.S. beef market is fragmenting into multiple opportunities — from natural and organic to high-end, white-table cloth restaurants — all of which are requiring third-party verification of their production and processing practices," Thomas says.

"We want to be positioned to capture these opportunities," he adds.

"What cow-calf producers should realize is that this is no longer a generic marketplace. We've talked for years about getting premiums in the marketplace for producing quality cattle, and those premiums are finally here. Producers need to realize what those premiums are, and how they can take advantage of them. This alliance is built on the premise that ranchers, feeders and packers working together can make that a reality," Rowan says.



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