

CAPTURING THE EXTRA \$ VALUE FROM SUPERIOR GENES AND BREEDING PROGRAMS

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SUMMARY

“Benjamin Franklin may have invented electricity, but it was the guy who invented the meter box that made the money”. Like electricity, the value of genetic improvement needs to be established in the market place.

Keywords: Value adding genes, seedstock breeders, commercial breeders.

INTRODUCTION

A basic rule that one learns at marketing school is that, for a product to succeed, the seller needs to demonstrate benefits to the buyer.

In the vertically-integrated intensive poultry and pig industries based on a small number of large breeding populations, and where the breeder’s and the marketer’s needs are one of the same, capturing the extra \$ is relatively easy.

In the partly-integrated dairy industry where the benefit is measured twice a day and marketing of the end product is well organised, the job of capturing the extra \$ from genetic improvement is straight forward.

In the non-integrated, extensive industries (beef and sheep/wool) there are a large number of breeders with small herds operating in an largely unpredictable environment, working with species that have low reproductive rates and long generation intervals.

Add the difficulties of targeting a broad range of market specifications in a “dog eat dog” politically influenced global marketing arena, short term survival rather than long term improvement becomes the primary focus of the individual operator, and the job of demonstrating the benefit of, let alone capturing the extra \$ from genetic improvement is obscure and difficult.

Until now, seedstock producers in the extensive industry have not been able to capture any real \$ value for their efforts because the commercial breeder had no benchmark with which to measure the benefits to be obtained.

Where the trusted agent tells his commercial client to “put a bit more muscle into your cattle, mate” or “a bit more growth wouldn’t go astray” the marketing of genes becomes a random event, with the best marketer rather than the best genes more often getting the \$\$\$ benefit.

It is only now, with increasing market place pressure to comply with objectively defined end-user specification that capturing the extra \$ from superior genes and breeding programs becomes a possibility in the extensive livestock industries.

DISCUSSION

How can the seedstock sector get a greater share of the extra \$s? Buy a feedlot, an abattoir, a boning room and a supermarket and become vertically integrated. If that's too hard, then the seedstock breeder must go as far as he can in forming alliance with his commercial clients and the packer.

Expecting a premium for supplying what the market wants is an illusion - what other industry pays you extra for producing to specification. Rather, they discount you if your product doesn't comply with specification, and so it will be in the beef seedstock industry. The "premium for supplying superior genetics will be survival in the market place.

What do seedstock breeders need to get a greater return on their investment? The most common heard complaint by seedstock breeders about performance recording is the cost. Is it a valid complaint ?

The author recently conducted a survey amongst a group of seedstock breeders whereby the cost of performance recording of the whole herd was assigned as a marketing cost and averaged over the draft of sale bulls. The relativity of the various marketing costs showed that even if the true cost of performance recording was trebled (to account for mustering etc) it was a relatively minor cost.. For example

Breedplan and Group Breedplan (of whole herd) =	2%	of sale price of each bull sold
Breed society fees (of whole herd) =	3%	"
Stock Agents fees =	6%	"
Advertising etc =	12%	"
feed costs =	20 to 45%	"

Seedstock breeders who have truly embraced the performance ethic and who have educated their clients to appreciate what it all means have shown that they can virtually eliminate those costs associated with advertising, feeding and agents commission - a increase in profit per bull sold of some 50% - not a bad return on a 2% investment.

There are a number of opportunities that the seedstock breeder can take to get a greater return on his investment, and they all revolve around establishing an alliance with his commercial client, by assisting his client to define his breeding objectives and selection criteria, and then matching his genetics to those objectives and criteria.

* host client workshops to better understand the needs of his clients and to educate his clients to better understand and utilise genetic technology.

- * assist his clients to benchmark their herd performance by coordinating and/or facilitating steer grow-outs and carcass feedback trials.
- * fine tune his herd management to ensure high accuracy EBVs, and be innovative in recording new traits.
- * facilitate a network between his clients and a feedlot and/or packer to gain the benefits of marketing large line of genetically documented steers.
- * offer customised multi-trait indexing (BreedObject) to his individual clients. This of course needs to be preceded by effective client education.
- * Send his clients a Christmas card - all the best marketers do that so it must work! The next best thing is a newsletter to keep your client up to date with developments in your breeding and recording program, your herd's latest genetic trends, feedback trial results etc.

How can breed societies value add genes and genetic programs for benefit of seedstock & commercial breeders? Because the beef seedstock industry is made up of a large number of small breeders (some 12000 breeders registering an average of 12.5 calves per year) the "average" seedstock breeder is not well placed to initiate many of the issues identified and thus needs to rely on an umbrella organisation to help out. - breed societies have a real role and responsibility in providing a support system that includes

- * An annual Group Breedplan analysis providing a multi-herd genetic comparison.
- * Anticipate and facilitate the recording of new traits to allow the estimation of genetic parameters, EBVs etc for those traits.
- * Provide educational opportunities (I prefer to think of them as "professional development" opportunities) so that their members and clients better understand and utilise genetic improvement technology.
- * Provide professional/technical support personnel who in-turn have "ownership" of the success and the problems.
- * Position the breed in research programs such as the CRC and Southern crossbreeding program to better understand breed strengths and development needs.
- * Tell their members "what they need to hear" rather than "what they like to hear", often creating a steep learning curve for all concerned.

An useful example of the range of activities that a breed society can conduct to value add members efforts is the *Herefords for the Year 2000* program conducted by the Australian Hereford and Poll Hereford societies. This program, aimed to better link the whiteface breeds to the quality needs of the feedlot and processing sectors of the industry included

- * conducting some 40 each **Learning to Live with Breedplan and Meeting the Market** workshops aimed to improve members and clients understanding of genetic evaluation, Breedplan, bench marking and market based breeding objectives.
- * conducting, on a user pay basis, **Closer to Your Client** workshops aimed at linking seedstock breeders to the needs of their clients.
- * providing a **Carcase Feedback Service** that gives detailed carcass feedback of carcass performance under commercial feedlot conditions.
- * introducing a **AAA Rating system** for sale bulls to identify bulls with above breed average performance for traits that influence saleable meat yield.
- * providing a computerised **Sire Selector Service** that enables commercial breeders to request a listing of young sires meeting specified Group Breedplan EBV criteria
- * producing a wide range of technical bulletins as well as ad-hoc technical support
- * publication of an annual **Genetic Evaluation Report (Sire Summary)** listing Group Breedplan EBVs for growth, milk, carcass and reproduction traits of some 1500 progeny tested sires based on some 1,000,000 performance records.
- * establishing a branded product marketing scheme (*Hereford Prime*) to provide a reward to the commercial breeder for having defined breeding goals and a balanced breeding program. This is the environment that places a market value on superior genes.

Other major breed societies including the Angus, Shorthorn, Limousin and Simmental employ graduate staff to provide a similarly focused range of breed development and technical support to members.

CONCLUSION

The commercial breeder needs to understand the cost-benefit from superior genes in balanced breeding programs before the seedstock breeder can expect to capture any extra value for their efforts. This realisation is only possible given clearly defined breeding objectives, and a marketing system based on penalty or reward.