



Kevin & Mary Ann Kniebel
428 S. 2600 Rd.
White City, KS 66872
785-349-2821



DOWNEY RANCH, Inc.
Joe Carpenter & Barb Downey
38703 Wabaunsee Rd.
Wamego, KS 66547
785-456-8160

How We Got Started.

Kniebel Cattle Co. (KCC) and Downey Ranch, Inc. (DRI) both became founding members of US Premium Beef (USPB) in 1997. However, we had different reasons for doing so.

KCC has a unique heritage. Since homesteading the ranch in 1878, all calves raised (except replacements) have been fed for the finished market. In the early 90's, it became apparent that the smaller feedlots were going to have a hard time competing to sell cattle without being discounted. Our primary reason for being a founding member of USPB was initially the market access that it provided (at the top of the market!). Membership insured our ability to continue raising and feeding our own cattle without being held hostage at marketing time. The fact that we can receive carcass data and premiums was a bonus. Before selling through USPB, information sharing was very limited, knowing only basic information on how the cattle killed such as yield, and 'they did alright'. We concentrated more on feeding performance and cow type then. Now that we can receive carcass data on each animal, we utilize that data to improve the carcass quality of our finished animals while still improving the feeding performance and raising quality replacements.

As a commercial feedyard customer, DRI was instead looking for an aggressive grid that paid cattle based on what their individual carcasses were worth and returned data. We spend a lot of time and effort handling our cattle just so, selecting the right genetics, AI'ing and keeping up with the latest research. Rightfully so, we want to get paid for that time and effort. Therefore, since 1991, we'd been selling cattle on a grid, first through Certified Angus Beef's Carcass Value Project, then through feedlots with access to grid marketing alliances. When USPB was under development, our family saw it as a perfect opportunity to continue the grid payment program while acquiring more control over where, when and how we feed our cattle. In addition, we were excited about the opportunity to have control over our own destiny, as owner or shareholder in a conception to consumption program. USPB has worked well for our family's operation, allowing us to fully reap what we have sown. In fact, since 1997, we have sold almost all of our finished cattle through USPB.

What Do We Do?

Kniebel Cattle Co. & Downey Ranch have followed very similar paths over the years and have coordinated a lot of our production practices as our end goal has been identical. That end goal is the efficient production of a high grading carcass that fits industry needs as determined by price signals. Over the years, both operations have incorporated many genetic, handling, production & feeding practices that have helped the bottom line. In addition, both operations maintain seedstock

*K-State Beef Conference "Adding Value to Calves – Grid Marketing"
Kniebel Cattle Co. & Downey Ranch Inc.*

herds, with DRI producing registered Black Angus cattle while KCC produces registered Red Angus seedstock. Those animals are marketed at our joint production sale held the first Friday in November (next date: November 2, 2007) at DRI headquarters SE of Manhattan. In addition to 20 month old Black & Red Angus bulls, both operations offer commercial bred replacement heifers.

Genetics - While our end goal is high quality beef (and seedstock capable of producing that beef) our first goal is to get a live calf on the ground every year with a minimum of assistance from us. Both operations have made our primary focus a solid range cow with good structure, fleshing ability on grass and natural fertility. KCC maintains a 3 way rotational cross breeding program with Red Angus, Black Angus and Horned Hereford in the mix. While some would contend RA x An is not a true cross, we at KCC feel there are significant outcross effects to be had. At DRI, we maintain a predominantly Angus cowherd and utilize Horned Herefords to create F-1 Black Baldies. Cross breeding utilizing English genetics has helped us take advantage of heterosis, both on the individual and maternal ends. Both operations are focusing on selecting genetics, regardless of breed, that:

- Produce functional females with the traits outlined above,
- Produce calves that have a fast growth curve that peaks out at a moderate mature weight,
- Produce feedlot animals with the ability to gain and grade choice or better with acceptable fat cover.

To do that, both operations utilize AI with a synchronization program for heifers. In addition, both operations AI extensively in their registered herds. Finally, DRI will also AI for about 30 days in their commercial mature cows. Selection of natural service sires reflect the traits outlined above.

Handling Practices – It is our firm belief (backed up by research) that anything we can do to make life less stressful on the animal will make life easier for both the animals and their caretakers while improving the bottom line. DRI implemented the Sandhills Calving System after having a scours wreck 5 years ago. Realizing that a history of calving scours can impact an animal all the way through production, we knew we had to act. Since then, we have had 0 scours deaths, have treated only a 3 or 4 head (mildly scouring calves at that) and have watched direct treatment dollars (\$\$'s & labor) go to almost \$0 and indirect scours effect dollars increase who knows how much. KCC uses dedicated calving pastures that hold about 100 head each for the calving season to reduce scours incidence.

DRI & KCC have both used early weaning to differing degrees. DRI had already planned to implement early weaning in 2006 when drought made the plan a necessity. Spring calves were all weaned July 15. KCC weans typically in September but weaned in August 2006 due to drought. Early weaning, combined with a suitable nutrition program for those calves is a valuable carcass management tool. Properly handled early weaned calves go on to grade better with end weights and fat cover similar to traditionally weaned calves. Early weaning is also an incredible grass & cow management tool, reducing the grazing pressure on native pastures at a time when production is declining and allowing body condition scores to improve rapidly, helping all ages of cows go into winter with adequate reserves that can help decrease winter hay supplementation. As a bonus, any cull cows will be in better condition and able to hit a cull market that hasn't yet incurred typical seasonal declines.

In addition, DRI has built very simple facilities to allow for fenceline weaning of large groups. Again, with the research backed idea that anything that reduces stress on an animal sets it up to express more of its genetic potential in the feedlot, it was an easy decision. Cows are penned in a 1-2 acre lot with shade, water & hay while the calves continue to graze the grass surrounding the

pen. Bawling, fence walking and dust exposure are greatly reduced while feed & water consumption stay up. It is also considerably less stress on people!

Finally, anything both operations do with cattle is done with a quiet, calm attitude. Again, keep the stress on animals (& people!) to a minimum. In the last couple of years, DRI has been implementing animal handling practices based on the teachings of Bud Williams and Dr. Tom Nofsinger. Both emphasize thoughtful placement of facilities and yourself to take advantage of the natural behavior patterns of animals.

Production & Feeding Practices – Again, with our focus on the end product & what we get paid for it, we are always looking to improve carcass quality, performance and optimize any premiums available. Our production practices reflect that.

First of all, individual ID has been a tenet of both operations for a very long time. While it started as a management tool, it has been obvious for a number of years that it would become mandated. By having an established ID system already in place, we were set up to source and age verify our cattle with only some additional paperwork filings. Currently, USPB pays us \$25/head for age verified cattle. For that there is a minimum amount of additional record keeping on the ranch level, with a bit more on the feedlot level. However, it's as close to free money as you're going to get.

Knowing that a sick calf incurs performance costs through the finishing phase, our herd health programs are tuned with that in mind. It starts with the cow. KCC & DRI annually vaccinate all cows with a respiratory complex, 7-way and are on a parasite control program. This helps insure adequate transfer of maternal antibodies. While we don't pre-wean vaccinate early weaned calves because of age, we will any traditionally weaned calves. Early weaned calves will receive their first weaning vaccinations after they are through the stress of weaning. All calves receive boosters 3-6 weeks later. In addition, all calves are PI tested. We don't want any exposure to a PI animal anywhere, including the feedlot as this has well documented effects on performance and carcass quality.

Our implant programs are designed to take advantage of boosts in performance while minimizing effects on carcass quality. Both operations will implant steer calves going to grass in the spring with Synovex-C. Weaned and started calves consuming adequate calories will receive a non-aggressive implant such as Ralgro or Synovex. USPB has developed a program called Naturewell which requires no implants or antibiotics in the last 120 days. In addition, safe and humane animal handling practices must also be documented and audited. For this, USPB currently pays \$1.75 on a live base (\$21 for a 1200 lb. animal). Our non-aggressive implant program positively affects marbling deposition and increases grid premiums too. However, we have used much more aggressive implant regimes (TBA) and have still been satisfied with grid performance.

How animals are fed both before and in the lot certainly helps determine carcass quality. Both operations feed at the KCC feedlot. We make sure our animals consume adequate calories at critical stages in their development (this is one of the reasons early weaning works well) and continue that in the feedlot. While steam flaking grain can increase performance, it reduces the amount of glucose that reaches the small intestine and that reduces marbling deposition. We feel the trade off in performance is made up in lower feed costs and improved carcass quality.

Finally, sorting cattle into slaughter groups is another excellent production practice. With a traditional sweep the pen ship, you have some cattle at the optimum, but you have a lot that are either over-fed or under fed, and that means dollars out of your pocket. KCC does a lot of visual sorting of cattle for shipping while DRI has relied on ultrasound sorting. Both operations ultrasound sorted this past year with tuning of each groups' processing date done using historical data and a well trained eye to tell us if the cattle were where they were supposed to be.

What's in it for Me?

Very simply, you can get paid for what you produce. We target the quality grid, which pays premiums for:

- Any prime carcasses
- Any Certified Angus Beef or Black Canyon Premium beef
- Any choice carcasses above the 50% target
- 95% or greater steer carcasses
- Naturewell qualified cattle
- Age verified cattle
- Any YG 1's or 2's above plant average

With the good, comes the bad however. In this case, there are discounts for exceeding plant average YG 4's & 5's. In addition, any ungraded (standard & below), hard bones or cattle over 30 months are subject to discounts as are over & underweight carcasses. USPB also offers a yield grid, designed for cattle that do just that; yield high amounts of red meat. For more information, contact USPB. Whatever the grid, it becomes very important to know how your cattle perform in the feedlot and on the rail before jumping in with both feet. We help our seedstock customers do just that with as few as 5 head. In addition, there are state & breed sponsored programs that commingle and feed smaller numbers of cattle for individual producers.

In addition to the grid, we get full carcass data, free of charge on every animal we send. This helps both operations track baselines and trends in our herds. We always keep in mind that all the grid premiums in the world won't overcome poor reproductive or feedlot performance, period.

Cows, COG's and performance remain of primary importance.

Along with the grid premiums from USPB, we have seen our stock investment increase significantly. Currently, USPB stock is worth approximately 245% of its original cost. In addition, if the company is making money, a dividend may be declared. Finally, the level playing field for small and large producers alike, in terms of freedom to make your own feeding & marketing decisions along with access to the grids can not be overemphasized.

What has USPB done for KCC & DRI?

On the next page, you will find examples of carcass data from both operations. Remember, this data is free to all producers who process cattle through USPB. KCC has summarized their entire history with USPB as an overview of how they've been paid since 1997. DRI has pulled its entire data set from the spring calves processed in 2007 as an example of what early, fenceline weaned calves handled and vaccinated to ensure maximum feedlot & grid performance can do. Both operations have more extensive data & information available on their websites:

www.KCattle.com and www.DowneyRanch.com

We invite everyone to come out to our joint Annual Production Sale to be held Friday, November 2, 2007 at 12:30 pm at the DRI headquarters. We'd be happy to add you to our mailing list, answer any questions you may have and show you the operations. Just e-mail or give us a call. We look forward to meeting you in person.



**Summary of all Cattle Sold Through US Premium Beef
1997 - 2007**

| # head | Avg Age | % prime | % CAB & BCP | % choice & up | YG 1 | YG 2 | YG 3 | Live wt | DOF, wean to finish | ADG, wean to finish | premium per hd |
|--------|---------|---------|-------------|---------------|------|------|------|---------|---------------------|---------------------|----------------|
| 4502 | 14 mos | 9.3 | 21.2 | 80.4 | 3.3 | 43.2 | 50.3 | 1221 | 195 | 3.15 | \$50.56 |



DOWNNEY RANCH, Inc.

**Summary of 139 head of Calves Sold Through US Premium Beef
Spring 2007**

| Date | # head | \$\$\$ | premium per hd | live wt | % prime | % CAB up | % ch up | YG 1 | YG 2 | YG 3 |
|----------------|------------|-------------------|------------------|-------------|-------------|--------------|--------------|-------------|--------------|--------------|
| 25-Apr | 31 | 1246.48 | 64.15 | 1230 | 0 | 38.31 | 80.57 | 0 | 15.48 | 81.19 |
| 21-May | 34 | 1289.90 | 148.19 | 1172 | 11.81 | 45.85 | 97.53 | 0 | 56.32 | 40.85 |
| 28-May | 38 | 1347.13 | 116.12 | 1224 | 5.31 | 48.48 | 95.24 | 0 | 9.03 | 86.18 |
| 18-Jun | 36 | 1258.49 | 154.29 | 1213 | 8.49 | 83.51 | 97.72 | 2.65 | 53.57 | 43.78 |
| 5/24/07 | 139 | \$1,287.73 | \$ 122.26 | 1210 | 6.54 | 54.64 | 93.17 | 0.69 | 33.57 | 63.00 |

1. With all feeding costs (including 1 dead, 2 sold 4-H calves and one pulled for the locker) and interest, these calves were worth \$1.92 on 8/15/06 weighing 480 lbs.
2. These are spring cattle. Typically, the fall born calves will ship at 17 mos., weigh 1325 and grade much higher % prime.