

Gill Red Angus Newsletter

FALL - 2011

Hello,

Wow, what a year! As most of the southern part of the country is currently having one of the worst droughts in history, the Dakota's, MT and parts of NE and WY are having one of the wettest on record. We sure hate to see some suffer due to drought, but it does make us appreciate the year we and most of our customers are having when it comes to hay and grass. Our land is producing more hay per acre than nearly any other year before.

The calf market is great and has actually gotten stronger since last fall. There has been several video sales happening this summer and I've got to tell you, these prices are GREAT! It doesn't take much of a steer calf to bring \$800 or more. But even though these prices are good, it doesn't mean you should settle. As you read this newsletter, you will see that we are strong believers in doing all you can do to get the highest price you can for your calves. Sale day is your day, and you need to get paid for it.

We are in a time where the expenses are crazy high, and we all need to figure out how to make our businesses prosper. You will see different ideas that can improve your bottom line throughout the newsletter. It doesn't look like we can all continue doing what we have always done when it comes to income and expenses. We all need to figure out how to improve our net income.

We will have our next bull sale on February 21st and will be selling around 200 bulls, which will consist of 100 yearlings and 100 coming two's. We will also have a couple hundred commercial replacement heifers in the sale. This will be one of the largest Red Angus bull sales in the country, and we are very proud of the quality that will be offered.

Have a good Fall!

*Thanks,
The Gills*



Gill Family News

Several things have happened around the ranch this past spring and summer. The first, Kenny and his wife Laura decided to go out on their own. They will keep living where they have been and are currently putting in a feedlot at this location. They plan to custom feed calves, yearlings, & cows. They will be missed as Kenny had a big role in Gill Red Angus. We wish them all the luck in the world. Kenny has been helping us out when we need it, mainly cowboy work, and hopefully this will continue.



Secondly, Larry & Janet became grandparents again, twice this summer. Brent & Emily had their first baby born on June 21, Evelyn Rose. (Rose is Emily's Grandma) She is the first Gill girl born in 72 years! Then Bryan and Kristen had their 3rd son born on July 26th, Gracen Elmer. (Elmer is Kristen's Grandpa)



Our Cowherd

This summer we are breeding more cows than ever before and it is getting more fun all the time, as the quality in our cowherd is stronger than ever before.

Every year we sell about 25% of the cow herd that we don't think will help the progression of our program. We cull a good 10% every year that just need to go, but we also sort off around 80 head of cows that we are breeding for April calving that are good enough to remain a cow, but we don't think they are good enough that we should be selling seed stock out of them. This summer we are breeding 160 head of heifers that will replace these cows we are selling. If we are doing anything right, these heifers should be the best

genetics on the ranch. This leads me to another reason why our cowherd's quality is getting stronger all the time. Like all ranchers, we put a lot of time and energy into them. This summer we put in about 100 more embryos. These embryos represent the absolute best genetics we have! We also went out and spent a lot of money on a couple new herd sires. We think these two bulls will take us to the next level. They are both very powerful bulls and come out of extremely strong cow families. Cow families are very important to us. We believe that if you use a strong cow family you will get daughters that will make great cows. Also, the bulls we used this summer are out of either a donor cow or a cow that should be a donor cow. If the bull's dam isn't a great cow that raises a top calf on time every year, or if she doesn't have the look that we like, which is deep ribbed, easy keeping, long bodied, sound feet and legs, and has a good udder under her, we just won't use him.

So by using the absolute best bulls we can find, and breeding them to the best cows and cow families we have, the quality has been getting better and better.



Let us know in advance

When selling your calves please let us know a couple weeks in advance when and where you are selling. If we don't know you are selling, we can't help. Plus if we don't have enough time to make all contacts to gather as much interest as we can in your calves, we are usually leaving money on the table. We don't like that, and we know you don't either.

Gill Red Angus (VAC) Vaccination Recommendations

Vaccinate your calves prior to weaning to the following: 4-way • 7-way • Pasteurella

Pre-weaning Shots

It only makes sense to get this done. The cost to give pre-weaning shots is hardly anything when you will get at least an \$8/cwt or \$45 return on your investment (assuming a 550 lb calf). Go buy the vaccine and vaccinate your calves; it pays!

Another perk of being a Gill Red Angus customer is you will qualify for a 3% discount on all your vet supplies through a couple different locations. DeTye vet supply out of Sturgis, SD has been working with us now for eight years. New this year out of Washburn, ND, River Ag has also agreed to the same discount. Both DeTye and River Ag already have the least expensive vet supplies in the area, but then you add the discount and you really see the difference. Whether you want to buy from a North Dakota or a South Dakota company, make the call today and get your fall vaccinations from either company, you will be glad you did.



All Gill customers can receive a 3% discount on all vet supplies through DeTye Vet Supply or River Ag!



Source-verified worth more to consumers, feeders

- Greg Henderson, Editor, Associate Publisher

Age and source-verified cattle can earn premiums in the marketplace, and consumers are willing to pay more for beef from age and source-verified animals. That's according to two recent studies that examined sale results and consumer preferences.

Research at Kansas State University evaluated the genetic, management and marketing characteristics of calves sold on the Superior Livestock Auction video auction market from 2004 to 2010. The study suggests small details in management and marketing can influence the premiums calves receive at sale time, including age and source-verification.

The research, which was the subject of a Master's thesis by Lance Zimmerman, now with Cattle-Fax, revealed that age-and-source verification has been featured in Superior Livestock Auction lot descriptions since 2005 and has consistently generated premiums for steers and heifers throughout that time.

And source-verified beef can also earn premiums at retail, according to research conducted by the University of Nebraska and Nebraska Department of Agriculture. The research included online surveys and in-restaurant taste tests of consumers in Connecticut and Arizona.

The research found about two-thirds of participants in the in-restaurant taste testing ordered steak with either the state or farm-of-origin description. Compared to a non-source verified steak, those consumers were willing to pay \$4.74 more for the steak with a state-of-origin description, and \$8.75 more for a steak with a farm-of-origin description.

The online survey of consumers found:

- Besides the cut of beef, other attributes that participants used to make a decision when ordering steak in a restaurant included price, USDA Quality Grade and if there was a guarantee of tenderness.
- Attributes that participants considered less important were the breed of cow or the brand of the product.
- When the price of steak from an unspecified source was listed as \$20.95, 63 percent of participants indicated they would be willing to pay more for a steak that was source-verified. About 26 percent indicated they would only pay the same amount for the source-verified steak.

The Kansas State study of Superior Livestock Auction sales found a premium of \$1.50 to \$2 per hundredweight for age- and source-verified cattle. Those premiums have continued to hold – reaching a high in 2008 – as participation in age-and-source verification has grown to nearly 50 percent of all calves sold by Superior in 2010.



“You buy our bulls, we will bid on your calves!”

Feeding the World

We are now in a time where the world is in a shortage of both corn and beef. I am not sure if we have ever seen this before. In turn we are seeing record prices for all ends of agriculture. The world's current population growth rate is about 1.3%, representing a doubling time of population in 54 years. In turn this means we will need to produce more food and our products should be worth more as well. I am not sure if this is good or not, as it also means more people will more than likely go hungry. But if we do what we do best, which is grow food, we will get paid better than we have ever before. We are and will see a true supply and demand type market for our products in



The Gill Red Angus Customer Service Program...#1 in the Industry

You Buy, We Bid

This is a program we started nearly 10 years ago. All you need to do to qualify is become a Gill Red Angus customer. (The more loyal you are to us, the harder we will work for you.)

We believe that if we are lucky enough to be your seed stock provider, then we should do more than just sell you a bull. We also provide you with a service. All ranchers are great at ranching, but their weakest part of their business is marketing. That is where we come in. If you tell us in advance when and where you are selling your calves or yearlings, we will do all we can to locate bidders and buyers. This service has helped put several thousand extra dollars into our customer's pockets. We don't get them all bought, but we do make them all bring more. There has been several times when we have had 2 or 3 different bids on the same set of calves. If you purchased your bulls from someone who doesn't provide marketing assistance, you would be missing out on these bids. Every bid helps your pocket. So remember, let us know at least a week in advance so we can do all we can to help you out.



Feed Efficiency, Genetics and Marketing!

My first visit to Gill Red Angus made a believer out of me. Marketing your cattle is very difficult without feed efficient high grading cattle. Red Angus genetics have improved the feed efficiency and yield on my calves. By adding a yellow Red Angus Association (FCCP) eartag and using Gill Red Angus marketing I was able to gain 6-8 cents per pound on my calves last year. We are all spending more on feed and other expenses to make a calf crop possible. I encourage all producers in all breeds to purchase Gill Red Angus genetics and allow them to help you market your calves. Above all use the Red Angus age and source verification eartags and a good honest vaccination program, and watch your profits grow. Bottom line is, it's working for me. Can't we all use more profit?

Gill Red Angus Bull Customer

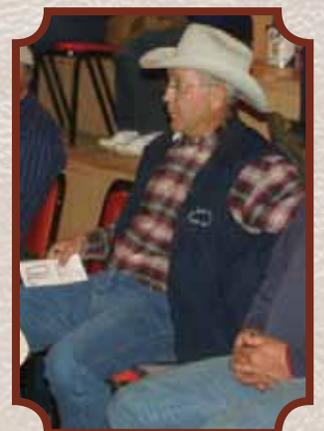
-Jon Tebelius: Bowdon, ND



Gill Red Angus vs. Your Seed Stock Supplier

There is a lot of competition out there when it comes to selling bulls, no matter what the breed or color you have. Along with the tough competition, there is also some very good genetics being sold and used. Several different breeders out there through artificial insemination are using most of the same genetics. Even though we may not use some of the more popular lines, we have sold two bulls to ABS, one to Select Sires, are partners on two bulls with ABS, one with Accelerated Genex, and raised the dam to an up and coming star with ABS. So as you can see, good genetics are all over the place. So why should you buy a bull from Gill Red Angus over some other good seed stock supplier throughout the country? Here are a few things to consider that Gill Red Angus does that may be different than your current bull supplier:

1. Experience - Gill Red Angus has been raising registered Red Angus now for 32 years.
2. Service - Gill Red Angus puts on thousands of miles every year visiting our customers to get to know them a little better and to see if our bulls are doing what they are bred to do.
3. Quality - We have an extensive culling routine. Every Fall we sell around 100 cows that are hard to part with, but we feel our replacement heifers will take us where we are going faster.
4. Quality - Every year we flush our top quality cow families to bulls that we feel will move our program forward. We annually implant around 100 eggs.
5. Service - We either bid on or find bids for all of our customers yearlings and calves to help them earn top dollar.
6. Service - In 2010/2011 season, we bid on approximately 15,000 head and placed 45% of them.
7. Service - We deliver bulls free up to the first 300 miles.
8. Service - We mail out newsletters to help stay in touch with our customers.
9. Customer Focus - Our coming two-year-old bulls are raised to last, as they are never pushed on feed over the winter months and are summered on grass alone.
10. Variety - We sell aged advantage coming two year olds and yearling bulls.
11. Volume - We sell a large amount of bulls to fill the needs of every size commercial ranch out there.



(Gill Red Angus vs. Your Seed Stock Provider: CONTINUED)

12. Vet Supply discount - All Gill Red Angus customers qualify for discounted vet supplies.
13. Semen discount - All customers qualify for discounted semen on Gill Red Angus bulls.
14. Lifestyle - We are a family owned ranch. Gill Red Angus consists of 2 brothers and their families plus Dad and Mom. When you call and visit with someone here, you talk to someone that makes a living off this business.

Now take a look at your seed stock supplier and compare who they are and what they do for you. If you think you need a change, I invite you to look at our program. I truly believe that we have the best customer service in the industry and some of the best cattle in this great breed.

Adding Value Still Pays

- By Wes Ishmael, www.beefmagazine.com

Increased market volatility means buyers covet proven value-extras even in a down market. Cow-calf producers can be more than price takers.

That's true even as currently tight cattle numbers lift the price floor, while anemic beef demand squeezes the price ceiling. "You're always subject to the whims of the marketplace, but there are things you can do to broaden your buyer base and make your calves worth more," says Richard Stober, general manager of Superior Livestock Auction. He's referring to what the Superior folks term "advantage programs" value options the market pays for, things like weaning and preconditioning, source and age verification, as well as compliance with natural beef program requirements. "It seems like all the cattle selling in the top third of our sales are these value-added cattle," he says. The market is too volatile for it to be otherwise. So much equity has drained from the industry that cattle buyers and their lenders are looking for every opportunity to manage risk.

Many producers already manage cattle in ways that qualify them for various value-added programs, but Mark Harmon, Joplin Regional Stockyards marketing director, explains some don't take the final step to market those advantages. That usually means managing and marketing within programs that recognize the value. For instance, unless you can verify the vaccination program applied to your calves, it has no value to buyers. For those who can verify it, buyers will pay more.

In Superior's 10 largest sales last year, VAC-34 calves (MLV respiratory, clostridial 7-way, plus Mannheimia, given 2-4 weeks prior to the sale) were worth about \$2/cwt. more than calves not complying with a verified program. In their sales, Stober says the value was even higher for SelectVAC-34 calves — same basic protocol but utilizing specific vaccines from their animal health partner, Pfizer Animal Health. Compared to the other VAC-34 calves in those sales, SelectVAC-34 calves brought an additional \$1.97/cwt.

For contrast, Tim Dietrich, Kentucky Department of Agriculture beef marketing coordinator, explains calves selling in that state's Certified Preconditioned for Health program (CPH-45) average a \$5-\$8/cwt. premium. In addition to receiving pre-weaning and weaning vaccinations, these calves are weaned for at least 45 days before they are sold through special CPH-45 sales. Even with that state's extreme drought the past two years, Dietrich adds that producer participation remained stable.

Added Value Reduces Risk

More than anything, buyers are paying to reduce risk, and not necessarily the risk producers usually think about. Stober and the Superior crew visited more than 200 feedlot managers last spring and asked them about their key concerns. It wasn't cattle health, the price of corn and other inputs. Their chief concern was labor — how tough it is to find and keep qualified help. "When a producer installs these advantage programs, he's giving the buyer an opportunity to reduce labor," Stober says. It works the same for source and age verification. Buyers paid a \$3.70/cwt. premium (basis 550 lbs.) for it in Superior's 10 largest sales last year. Even if Japan ultimately widens the age window of cattle it will accept, Stober believes exports there will still require an auditable trail. Likewise, source verification programs take the guesswork out of complying with rules for mandatory country of origin labeling, especially when it comes to commingling cattle.

Non-Hormone Treated Cattle (NHTC) also require an auditable trail. Stober says cattle qualifying for NHTC brought \$2/cwt. (basis yearlings) more in Superior's 10 largest sales last year. "It has yet to be determined how broad that market is," he explains. Incidentally, the cattle in those sales eligible for mainstream all-natural programs fetched an additional 70¢/cwt. Stober says it remains low because so many cattle qualify and so many lose their eligibility before slaughter and because consumer demand has declined with the nation's recession. Supply and demand are fundamental to value-added premiums. Derrell Peel, Oklahoma State University Extension livestock marketing specialist, explains if enough demand for a new attribute springs up, premiums are paid to entice producers to supply the demand. But a critical mass of supply must also accompany the demand. **(CONTINUED ON THE NEXT PAGE)**

Adding Value Still Pays - (CONTINUED)

- By Wes Ishmael, www.beefmagazine.com

That's why the jury is still out on how much of a market might develop for other value-extras such as testing for persistent infection with bovine viral diarrhea. If and when demand is saturated, Peel explains, the premium declines or goes away. If enough of the system adopts the new attribute, then it becomes the new industry standard whereby the bar has been raised and those not achieving it are discounted. That's why bull calves and horns are discounted in the marketplace, for example.

Assessing & Exploiting Value

"Why wouldn't you market them in way to retrieve the added value?" Harmon wonders. Of course, there are those who have tried and been disappointed with the results. Cattle value is still the product of myriad variables, everything from season, to weekly buyer needs, to the futures market that day, to grass availability. "Someone will say, 'I did all of that and I didn't get paid for it,'" Stober says. "Keep doing it. The buyer of those calves this year will see the benefits and he'll bid for them again next year. There's a process and buyers have to discover the value of the deliverables. Adding value is about delivering on the promises made."

Plus, Harmon cautions producers weaning and preconditioning calves to consider what they received, relative to what they would have gotten selling unweaned calves. That difference in revenue, minus the cost of adding the value, represents the net return or loss associated with managing and marketing for the value of weaning and preconditioning. Too many compare prices received to prices paid for similar weight cattle sold in the same area at the same time. Harmon emphasizes the easiest calves to sell are the ones representing solid management practices. "If producers can get one round of shots in a calf and castrate the bulls, that's a good foundation. The end product is further enhanced for producers who can wean the calves, give two rounds of shots and turn them out to graze," Harmon explains. "Being able to validate a health protocol, along with the possibility of age and source verification, makes calves worth even more." He adds that using the latest, proven genetics is a must.

Likewise, Superior recently began a new advantage program — Superior Progressive Genetics — aimed at identifying and rewarding producers utilizing genetics proven to offer buyers value. "Anyone using high-end genetics and installing these advantage programs is putting money in their pocket and growing their buyer base," Stober says.



The Red Angus FCCP Source & Age Tag (The Yellow Tag)

As a Red Angus seed stock provider, we would rather our customers use the Red Angus tag, for a few reasons. First, the more calves that go through the program, the more industry respect there is for our breed, which in turn will open up new marketing programs for Red Hided calves. Secondly, it is by far the most affordable Source and Age program there is at only 99 cents a calf! But if you choose not to use the Red Angus tag, we strongly encourage you to use some sort of a Source and Age program, so you are eligible to receive a top price. Remember, if you don't, you will automatically eliminate all the buyers who want to feed only Source and Aged cattle. Why eliminate a potential buyer? Every extra bid is another dollar in your pocket!



New Herd Sires

Grand Statement



Victory



Grand Statement & Victory - A couple bulls added to our battery this Spring!

Calf Sales

We have talked a lot about Source and Age programs throughout this newsletter, and as you can tell, we are big believers in doing all you can to receive top dollar for your calves. But, that isn't the only thing you can or should do. There are several things you can do to set yourself apart from similar cattle on sale day. I encourage you to check out the following programs.

1. **NHTC (Non-hormone Treated Cattle)**
2. **GAP – Global Animal Partnership**
3. **Certified Natural**



Most ranches would qualify for these programs, but they either don't know about them, or don't want to go through the process to get it done. Each of these programs will generate a nice premium for the Fat animals when they are harvested, in which will be passed down to the producer on sale day. It is even better if you use one of these and the Source and Age program. If you don't know what these program are, give us a call and we would be glad to discuss it and explain your options. They may not fit your program, but if they do, it could bring you back a healthy premium!

Be sure to check out our website www.gillredangus.com for the latest information and photos.

Bull Sale: February 21, 2012 - 1:00 (MT)

Selling: 200 Bulls

- 100 Coming Two Year Olds
- 100 Yearling

Selling: 200 commercial open replacement heifers

Every year we are excited about the quality of the bulls that we have for sale. This year is no exception. We culled quite hard on the coming two-year-old bulls this spring when they went to grass. We will again when we take them off in September. These bulls are as good as or better than any we have ever raised before. They are fed almost like a replacement heifer the first winter and they go on grass in April. This is home to them until September. The fall born bulls are kept on their dam until mid April and then they are summered on grass as well, growing out slower and more natural. The yearling bulls are weaned in September and are fed for 2.5 lbs a day gain. These bulls are raised with you in mind and will last a long time for their new owner. All of the embryo transplant bulls will be found in the yearling division as well. I promise you will be impressed with the quality of bulls in this sale.

The heifers are all consigned to our bull sale by Gill Red Angus bull customers, and as another service to our customers, we invite them to sell some replacement heifers through our sale. These heifers are proven to make great cows and a Red Angus replacement heifer is not the easiest thing to find. So come check them out, and take some home.

Auction Format – Video Sale – What is it?

We will have all the bulls and heifers where we always do on sale day, which is in the pens for you to view. But inside the barn will be several TV's and instead of a sale ring there will be either a projector or a big screen TV. All the bulls will be on video and when it is their turn to sell, their video will come up on the TV's. We think it should be a good thing for a few reasons. Most years we have guys working out back, who are also bull customers. It is awful hard for them to both work and bid at the same time. Last year on sale day, it was -30 when we woke up. I know I sure don't like to work in that weather, so we don't think we should ask anyone else to either. Also last year we had a bull that refused to come out of his pen, so he never got sold. With having a video sale, everyone can sit inside the heated barn and enjoy the sale.





The Gill Red Angus Customer Marketing Program

Something we offer that most of our competition does not is a Customer Buy Back Program. Our slogan is "You buy our bulls and we will bid on your calves." This has really helped our customers on selling day. We ran some calves up as much as \$5 per hundred weight. You add that up on a load of 600-pound steers, and you made an extra \$2,500 just by being our customer. Compare that to our sale average the last couple years --- that's nearly a free bull! How can you go wrong?

Here is how it works:

- ✓ First you must be a Gill Red Angus customer. At marketing time, contact Gill Red Angus with the marketing option you wish to pursue:
 - *Complete Retained Ownership*
 - *Partial/Partnership Retained Ownership*
 - *Livestock Auction or Off-the-Farm Marketing* - Sell 100% of your calves off-the-farm or at the stockyards and a Gill staff member will be there to place a bid on them for you.
 - *Replacement Heifer Marketing* - Market your top-quality open and bred heifers through our annual production sale in February. (We have spent thousands of dollars on advertising over the years. Use our past advertising and known name to market your replacement females.) Call for more information.
 - *Discounted semen and vet supplies available to all customers.*
- ✓ When possible, we will work with our customers to help form co-mingled loads of calves.
- ✓ Upon harvest, if possible, Gill Red Angus will prepare a report, complete with feed yard and harvest data, for your use. The Gill staff will then schedule a meeting with you to discuss ways we can help add profit to your bottom line.
- ✓ We are also available for consultations regarding breeding, replacement heifer procurement, and all marketing options. We will help you in any way we can to make your bottom dollar grow.



"You buy our bulls, we will bid on your calves!"



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