

Commercial Wagyu Farming:

Commercial as in profitable; not stud versus commercial. Is there profit in Stud Wagyu breeding? Is there a profit in commercial Wagyu farming?

Introduction

If you can't answer these questions positively then you may as well stay home and mow the lawns, for that won't cost you money!

I will talk about my farming decisions and some reasons why I have reached the decisions I have made so far. I might change my mind tomorrow if I can find a profitable reason to change.

I have a saying that I always revert to "You must farm with your brain and not your heart". Correct use of your brain will make you much more money than your heart. I understand that many regions in Australia are different, in both climate and fertility. Many farms are different in a particular region. Many of those farms have different farming methods and levels of expertise. A farmer breeder may find a niche market. I am talking today what suits our farming program. It may not suit anybody else in Wagyu.

I should give a background in my involvement in Wagyu. I 'found' the Wagyu at Don Lively's foundation farm in Texas USA in 1988. Those genetics constituted what has become known as American Purebred. I had an exclusivity agreement with Don and imported embryos and semen into Australia and two bulls live. In 1993 cattle started to arrive in the USA from Japan. The first shipment included only three females and two males. This fullblood semen was used initially over existing purebred cows but as more donors arrived into America from Japan the importation of Fullblood embryos, semen and live cattle eventuated. We imported (on behalf of our clients) genetics from Mannett, J.V.P, Takeda (we still have an exclusivity agreement with Takeda Farm) and Heartbrand. It's hard to judge but we probably imported over 80% of the Wagyu genetics that came into Australia.

Initially we brought our own Purebred embryos but upon the availability of Fullblood embryos we sold out of Purebred in favour of a Fullblood herd.

At this time we started breeding F1 cattle initially from Angus Holstein cross dams and slowly increased our herd with Angus cows.

We started feeding our first F1 steers in June 1997 and slaughtered our first carcass in June 1998. Numbers have gradually built up where for the last couple of years we have slaughtered monthly. All cattle currently going on feed now are F2, F3, Purebred (F6-F9) and six weeks ago we put our first pen of Fullblood steers on feed. We currently run a breeding herd of 1200 breeders made up of 150 Angus Holstein cross, 450 F1, 100 F2 and 500 Angus used as recipients for our Fullblood program.

Our agency business has helped finance our farming enterprise. We currently source cattle for two Japanese feedlot programs in Australia and one export enterprise. We also have clients who feed cattle with our program and we market those carcasses to Japan. We market Takeda Farm semen and genetics.

Now to get back to the original question; Is there a profit in Stud Wagyu breeding? Is there a future in Stud Wagyu breeding?

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Allow me to produce the following scenario;

Following is the effort that it takes to breed a top Holstein bull:

- There are 10,000,000 Holstein cows in the USA
- Of these 4,000,000 are milk fat and protein recorded
- Of these 827,500 are registered
- Of these 8,275 are elite cows (top 1%)
- Of these 3,200 are classified as V.G. 85 or better (type assessment)
- Of these 1,600 have V.G. maternal sire and V.G. dams
- From these, 600 sons enter AI centres
- After proving their daughters in a minimum of 30 herds and 70 daughters and minimum reliability of 75%

(Note the reliability in Washington State University trials when you make your breeding decisions)

- The top 10% return to service = 60 bulls for use in USA herds
- 1% or 6 bulls become elite sires to sire the next generation
- It takes a minimum of 6 years from selection to a proven sire

How hard do you think it is to breed a genetically superior Wagyu bull?

We are now feeding our steers on feed for 500 days. With the cost of grain increasing it is costing us between \$1,200 and \$1,500 (depending on purity). Understand that on cattle that grade marbling score 4 or less we lose money.

Why would you as a business person expect feedlots to buy calves sired by unproven Wagyu bulls (probably sired by an unproven AI sire) that have the risk of producing calves that after feeding 500 days make a loss. The feedlots can buy calves sired by proven bulls (mostly AI sires) that produce progeny with marbling score 4-6 on F1's and make money. They can afford and do pay a premium for steers sired by proven sires.

It is important to get some proven genetics in Australia. It takes a long time, it costs a lot of money, but the longer it is put off the longer it takes to get a result. Now with the outbreak of BSE (mad cow disease) in Japan, it is unlikely we will get any more genetics from Japan. This makes it imperative that a progeny test program is started in Australia; one that the Japanese understand and have confidence in, one that related to Japanese grading system and market, and one that has the utmost reliability. This breed and the industry as a whole, needs this program.

We run a private sire proving program. We are testing about 40 bulls. Every week I get people ringing me asking for the latest results from our carcasses, and what sires they should use. This information so far has taken us 6 years to obtain and has cost us a lot of money to produce. More importantly it has commercial value to us when we deal with buyers of our carcasses and cattle.

Why should we divulge this information? Why isn't there an industry or breed program underway that looks after this breed? You should be asking your board why this hasn't been done. At the same time as asking, don't forget to offer your financial assistance, it costs a lot of money.

I still believe that Wagyu cattle are the most profitable breed in Australia. I don't believe that the stud industry has a big future. It is always going to be more profitable for feedlots to buy calves sired by an AI proven bull. At best the stud industry can supply back up bulls for AI breeding program.

The future of Wagyu is to produce quality not quantity. We can receive big premiums for supplying the market what it wants – quality.

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Don't think that I am saying one thing and doing another. We have bred over 400 Fullblood calves; 200 males so far this year. We have castrated every calf. In fact we have only sold 4 bulls of our own in our entire Wagyu breeding program, and those four are in our progeny test program. We believe we can make more money from Fullblood steers than we can from Fullblood bulls.

Now my second question; Is there a profit in commercial Wagyu farming? Note I say 'commercial Wagyu farming' and not 'commercial Wagyu breeding'. To receive the premiums on offer there are some fundamental facts that must be taken into consideration.

1. You must be a good farmer and produce a quality product.
2. You should have a minimum of 100 breeders so that lines of 50 of each sex can be produced. Feedlots prefer lines that are already socialised and can go into pen sizes of around 100 head.
3. You must use the right genetics.

The production of a quality product starts at conception and finishes at slaughter or in the case of farmers who produce feeder cattle, at delivery time. If your breeders are in the right condition through pregnancy, your birth weights will be good, not big calves with difficult births from fat cows, and not small weak calves from light cows.

The calf has a good start, then in effect the cycle starts again but the calves on the ground should be raised with no set backs. I don't need to go into management further and talk about internal and external parasite control.

Weaning and back grounding is important, for example calves sired by Tajima bloodlines do panic more than other Wagyu bloodlines when in confined areas. Six try to fit through a gate only big enough for four. They run to the other side of the pen and pile on top of one another. They show the symptoms of absolutely wild cattle, but in the paddock they are quiet and inquisitive.

All cattle should be weaned through the yards until they quieten down, enough so they stop panicking. This can take a couple of weeks. Good hay and water should be ad-lib. Walk through the cattle two or three times a day. The female's cycle early, so pregnancy test them. We buy females for the feedlot but only if guaranteed not in calf. The heifers when purchased must accompany a veterinary certificate stating that they have been pregnancy tested empty.

It is easy to breed F1 Wagyu cattle by simply joining Angus cows to Wagyu sires. Unfortunately I estimate that only about 35% of F1's are qualifying the Japanese B3 market. If a higher % isn't going to make this market, smaller premiums will be paid by feedlots.

Early results show that about 80% of F2's make the B3 market, of which 30% make the B4 market. To produce F2's takes a more concerted effort by farmers to get it right. Wagyu cattle are not as hardy as Angus cattle, but good premiums currently being paid make the effort very worthwhile.

We believe that producing Fullblood calves by ET is also profitable. I work on the theory that there is less competition at the top end market, and therefore turn all our farm production off as carcasses. Hopefully the best carcasses will be by breeding Fullblood.

A client asked me recently "what future the breed has if the females can't raise their own offspring?" I have severe reservations that a Wagyu cow can successfully rear its own calf. It gave me a serious headache for a couple of days trying to figure out an answer. It then dawned on me that the most successful meat industry in the world in the last 20 years was the chicken industry. It has been a long time since a hen sat on her own eggs and rose her own brood scratching around a farmyard. That industry 'thought outside the square'. Does not the use of ET and

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recipients compare to the use of incubators and the use of chicken feed sheds compare to the use of feedlots to obtain a consistent quality product?

It works, it's profitable, and we can supply what the customer wants. I have always found it is easier for the purchaser to want to buy my product, than for me to try and sell a product to a customer that is not satisfied with the product.

In round figures, historically Japan's beef consumption has been made up of 30% from USA, 30% from Australia, 30% produced domestically and 10% from other countries. That was prior to BSE or mad cow disease. In two weeks beef consumption ceased in Japan. Of the handful of carcasses being offered in Japan, prices have dropped 50% over all grades. Slaughtering and export from Australian has ground to a stand still, feedlots are full and cool rooms and storage in Japan is full. Short term the beef industry with Japan looks difficult, to say the least.

Long term things look much brighter. Wagyu production from Australia will not compete with the 70% of existing imported beef, but will find its own niche market, slighter cheaper and below Japanese F1 beef. Also it was told to me that as most Japanese farmers are old, that this may just be the reason that a lot of them are looking to retire. We should see a big drop in production of domestic beef over the next couple of years.

It's my conclusion that Wagyu farming should be to produce a high quality product, one that our customers want to buy, and looks very profitable for the rest of my life.

ARTICLE: DAVID BLACKMORE (ADDRESS TO THE WAGYU AGM – OCTOBER 28, 2003)