Tyler Graham

Graham Enterprises, Graham Land and Cattle Company—Gonzales, Texas

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Southern Foodways Alliance
&
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The University of Texas at Austin

Group Members:
Lisa Powell
Marvin Bendele

[BEGIN INTERVIEW] **00:00:00**

Lisa Powell: Today is the sixteenth of November, 2007. This is Lisa Powell, and I'm here with Marvin Bendele, and we are interviewing Tyler Graham in Elgin, Texas, and Tyler Graham is with Graham, Graham Land and Cattle Company. So, just to get the interview started, would you restate your name for the recording and also your birthday?

Tyler Graham: Tyler Graham, my birthday's November 14, 1983.

LP: So, could you tell us what your current line of employment is?

TG: Currently I'm employed with—actually, Graham Enterprises, which is several different businesses. We're going to be talking about Graham Land and Cattle today, which is our feed yard operation in Gonzales, Texas, but my job title is that I directly work for Dr. Graham who owns all the businesses. And I am spread out—a manager between several different businesses, but, um, I would say assistant manager, assistant co-owner to all of Doc's businesses.

LP: Thank you. And so could you tell us how you came to this line of work?

TG: Uh, yeah, I guess I would say that, first of all, you know, I'm Doc's grandson, so that had a pretty good perk to getting the job. But, uh, I am the only—my Dad doesn't work for the company. I—there was one stipulation to coming back to work for the family, and that was that I needed to have a college education. I graduated from Texas A&M with An—a degree in Animal

Science and a minor in economics. And I worked for the family all through high school, but, to—like I said, to take an upper management position, a college education was required. So, as soon as I graduated from A&M, I've been back here, and, uh, like I said, that's kind of—this is where I started and that's where I'm at.

LP: Great, thank you. And we'll probably get back in a little bit to talking more about some of the things you learned at A&M, um, but just to go ahead and get a little more basic information, um, could you go ahead and explain some more about the operations of Graham Land and Cattle?

TG: Graham Land and Cattle is a feed yard facility. It's a pretty basic facility. Uh, we feed cattle for harvest. Uh, we run about 15,000 head on pasture land, which is a, a pre-conditioning program that, uh, we can get into later. Uh, then about another 15,000 on full feed that come into the yard, uh, to—at about 750 pounds to finish for harvest at about 1250 pounds. We are mainly—uh, I'd say ninety-five percent a custom feed yard, meaning that our feed yard, uh, is—most of the cattle in our yard are owned by other people. We do partner slightly on some deals. It's—there's a lot of different deals, but mainly, I would say, we're a custom feed yard. We're—we like to say that we're a big feed store, is what we are. So, that's the, uh, basic gist of our operation.

LP: Thank you. And so let's just go back and talk a little bit more about that pre-conditioning program that you mentioned? Could you explain that to us?

TG: The preconditioning program at our yard is, uh, basically bringing in lightweight cattle—I'd say between—ranging between 300 and 400 pounds and putting them in a—what we call a preconditioning program, meaning that they're not fed in confinement. They're fed in pasture-type situations. Uh, the cattle are supplemented with feed every day, but it's a growing ration. We have several different rations at the feed yard that we feed. It's not one—one feed. But the, the preconditioning program is for lightweight cattle, which is kind of a unusual—for the size that we have it's a—you won't see it at many feed yards in the Panhandle, because the pasture-type situation in the Panhandle's not conducive to that area. Uh, in Gonzales, we're, you know, fortunate to have several thousand acres of land that we can pre-condition cattle on, so the basic point of pre-conditioning the cattle is we get them in at a lightweight, young age. We'll pre-condition the cattle on pasture with supplemental feed from anywhere ranging from 300 to 400 pounds until they reach 750 pounds and they're ready to transition into a full feed, confinement area to finish the cattle.

LP: Thank you. And so just to go back and go through some details of what you were just telling us, could you explain what, or what you mean by ration—what a ration is?

TG: A ration is just basically a different feed—one—in other words, the ration is a different, uh, make-up of feed—I don't know—it's different brand of feed. In other words, there's several different brands of feed, I guess you would say. We have a growing ration, which would be for the lightweight cattle—cattle starting into the feed yard. It's usually less protein—less in pro—less protein-based diet, easier on their stomachs. We have a finishing diet—I guess it's—a ration is basically a different diet, uh, and we have, right now, nine different diets that we feed. Uh, we

mainly use three, but like I said, we make nine different diets. It's—all the feed's made at our yard; we have our own feed mill, so we take raw product and process the feed every day. We're feeding, uh, anywhere between 625,000 to 650,000 pounds of feed everyday—that's made every day. And, uh, like I said, probably—well, not probably, but the main staple of the diet is whole corn that's then brought into our yard and steam flaked to, uh increase digestibility, increase, uh, nutrient intake to the cattle. There's several other, uh, ingredients that go into several different diets, and we can go into that if you want to, but—as far as the question about ration goes ***[phone rings in background]***, I'd say it's just different diets for the cattle.

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Marvin Bendele: Is it a ration in addition to, um, the coastal in the fields, the grass in the fields?

TG: Yeah, the ration is—what I'm talking about when I'm talking about ration—that's just the straight feed. Of course, with the pre-conditioning program, the, uh, pasture land forage that's out there, consisting mainly of coastal and some winter grasses, that—that goes into the diet obviously, they're grazing. Now, when the cattle transition into full feed, or the cattle that are on full feed, they are in a dry lot situation to where the feed that we're giving them every day, that's all that they have to eat. Some—we also use some hay, for cattle that are coming into the feed yard. Uh, we'll use coastal round bales as well as some alfalfa. The alfalfa—I will tell you that the reason alfalfa got into, uh, use is because the price of hay last year and the drought situation, we weren't fortunate to be able to buy coastal. Well, we were, but for the price it was at it was—the alfalfa worked its way into the diet because of the pricing situation.

LP: Thank you. So let's just go back real quick and talk a little bit about some of those ingredients—other feed ingredients in addition to the whole corn?

TG: Uh, in addition to the corn, I guess the main ingredient that I'd like to talk about that's also sort of unique to our yard—it's not , it's not a hundred percent unique—but in our growing ration we use about sixty percent, uh, of a brewer's grain, which is, you know, hops from—comes straight from—it's just what it is—it comes straight from Anheuser-Busch in Houston. It's a brewer's grain that they see as a by-product that we utilize as a very good feed ingredient. Uh, that—like I said, that's used in our growing diet, which is—when I'm talking about growing diet, I'm talking about mainly cattle that are in the pre-conditioning pasture growing program. We also use the brewer's grain in a finishing capacity too, but it's, it's limited to fifteen percent of that diet. That diet's probably sixty percent steamed flake corn. You can't finish cattle without using corn; now that's, that's going to be, uh, any feed yard you go to, all across the country they're going to use corn. So, I'd like—you know, corn is king, and it's the number one influence on our business today. The price of corn goes up, our, you know, cost-to-gain goes up. It's—it's very relative. But the brewer's grain diet, I would say, is the—I mean the brewer's grain is also—it would probably be our second leading, uh, ingredient in our diets, as far as what we're feeding them every day. Uh, we also use rice bran, cotton seed hulls, molasses, a mineral pack that we buy, uh, that contains Vitamin E, Vitamin—all the essential vitamins and minerals—that's supplemented into both diets, uh, along with several other by-products. We use some maize, or milo. Uh, and, like I said, our diets change to some extent during the year, depending on pricing.

MB: Um, can you kind of explain—do you mix the feed, first off, and if—when you get there, explain how I guess the, um, the way the corn comes in? Is it a whole kernel? Or, um, that? Can you explain that a little bit? And the other grains? And then tell us a little bit about the process of mixing and what you guys do, and how many people it takes, things like that.

TG: Uh, as far as corn goes, uh, like I said, we're feeding anywhere between 625,000, 650,000 pounds of a total mix ration, which is—that's TMR, uh, total mix ration is—once we've mixed everything that goes into the feed truck, that's called a TMR, total mix ration. But as far as corn goes, uh we will actually buy twenty-five [million] to thirty million pounds of corn at harvest in surrounding counties, and try and store that, because of pricing issues and stuff like that. Depending on what the market's doing, depending on what the futures look like, but, uh, we do that—what we—like this year, for instance, we probably—we probably right now have about twenty-eight [million] to thirty million pounds of whole corn that's came stra—directly from the field from—by eighteen-wheeler straight to our storage facility. Now, along with that, we have to buy corn every day. Uh, we're buying—there will be five to six truckloads of corn from outside sources come through our feed yard every day. We have two sets of scales, where every truck is weighed. Uh, when they come in, they'll dump that whole corn directly into the two hoppers at our feed yard. Uh, we have 20,000 bushel capacity at the feed mill, that's kind of an in-and-out, uh, uh, system—in other words, I mean, what I'm saying is, we're going to feed fifteen hundred truckloads of corn this year. So, we don't have the storage capacity, nor would we want to buy that because of pricing. You know, it's—it's very, uh, corn prices jump every day and so it's something—like I said, we watch corn a lot. But you know, the whole corn, it comes in on a truck, we unload it at the yard, and, as far as—and, the rest of the product comes

in the same way. I mean everything's trucked in on an eighteen-wheeler. We don't have any kind of rail cars, or anything that comes in on rail. It's all trucked in on eighteen-wheelers and—you know, the brewer's grain—uh, that'd be our second largest inventory. That comes directly from the Anheuser-Busch plant. And that actually is bought through a broker that brokers the trucking, brokers the shipping, and we buy it directly from a broker out of Houston. But, uh, and we'll take most of—we're by far Anheuser in Houston's biggest customer. We'll take most of their brewer's grain that they look at as a by-product. Uh, that is a little bit different; it doesn't go straight into our feed mill. We have a storage facility, because our agreement with Anheuser is that, you know, we take it when they send it. It's kind of a give-and-take deal: they give us a good price, we take it when they need to get rid of it. So, sometimes we'll have up to three to six—three to six months of extra brewer's grain. But it stores very well. It's stored in the open air, outside environment. Uh, we do tarp it, and it is sprayed with some stuff to help it not mold, help it stay. But it's, uh, it's stored in the open-air environment. We tarp it and everything like that. So it's—it would be probably the only product that's not shipped when it comes to our yard directly into the feed mill. Uh, as far as the other products go, they're all there—there, like I said, small quantities compared to corn and brewer's grain. At the feed mill, uh, start every morning at about five o'clock at the feed yard. The process, it's, uh, pretty technical. We—our feed mill manager, like I said, he actually gets there at about four-thirty. He will drive and look at every bunk in the feed yard every morning and see—he'll—he has a laptop he goes around with. He'll—and it's called bunk reading—he drives around a—for example, pen one, and he looks at how much those cattle have left, if they—if there's anything left. And he charts that every day on that laptop. That translates into, when he gets back to the feed yard, whether these cattle need more feed that day, these cattle need less, etc., etc. Whether he thinks they're doing, you know

they have a adequate amount of feed. And so that translates into—directly into how much feed we're going to make that day. And it's not going to change, you know, we're going to feed over 600,000 pounds a day. So it's not like we're going to feed, uh, half, half a million one day and 700,000 the next day. But we try an—like I said, we try and make it as accurate as possible for our customers. We don't want to overfeed, because like I said, we're a feed store. So, we're selling pounds of feed to put pounds of weight on their cattle. Uh, he gets back to the feed mill, and another thing he has to do, skip back to when he first gets there, he starts our boilers. Uh, the boilers in the feed yard, that takes like an hour for those to warm up. The boilers are what actually produces the steam to steam flake the corn. And we'll start flaking corn at about six o'clock in the morning, and we'll flake corn all day for about ten hours, the flakers will be running. It's basically a steam process. The corn is exposed to steam. It's run through a, uh, hammer mill, and it's crimped. And then it's—all the products are—they're not actually—well some of the, some of the rations are mixed at the feed mill, but most of the products are loaded onto a feed truck, you know, one at a time, and then actually the feed truck has a mixing system inside of it. So actually, once all the product is put individually into the feed truck, it starts mixing it. Before they get to the individual pen, it's mixed. So, there's not really a mixing process at the feed mill itself. The trucks mix the product. Uh, all the trucks are digitalized—you know, they have electronic readers on them, so—and the truck drivers certain charts every day of, you know pen one gets 3200 pounds of feed. Pen two, blah, blah, blah, blah, blah. And it's—you know, we try and get—we try and stay within five pounds of each pen, which is—if you can do that, that's pretty accurate. You know, on a 15,000-pound load, if our truck drivers are all fifty-five to sixty-five, to seventy-five pounds, that's accurate. That's acceptable, in our mind.

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LP: To define a term real quick, could you tell us what a bunk is?

TG: OK. A bunk is basically a feeder. It's a concrete trough that's, uh, that the cattle eat out of. To elaborate on that a little bit, we actually make all our own troughs at the feed yard. Uh, we have our own, I guess, little fabrication facility, or whatever you want to call it there, that we pour concrete—they're made out of concrete, steel. We pour those troughs, and so we don't buy any bunks. We, we actually make them, as well as all the pens that are built too. We don't hire any of that off site. That's all done in house, new pens that are built, new construction, etc. But a bunk is basically a feeder.

LP: Thanks. And so how long have you had the relationship with Anheuser-Busch where, um, you're getting their by-product?

TG: We've been doing the Anheuser relationship for—I'm not going to tell you a specific year, but it's been over fifteen years.

LP: And from what you said, it sounded like you primarily use local corn. Is that correct?

TG: Well, not totally. We use local corn—we try and buy local corn that, in other words, um, for the part of the world that we're in, central, south Texas, corn is harvested earlier than it is in the cornbelt, obviously. And so we try and buy the local corn early, late, you know, they start harvesting corn late in the summer around here. And so we'll buy that corn typically early and that's—they'll—we can, we could never buy enough corn locally to get us through the whole

year. And we wouldn't, like, because of price security and everything. So, you know, we're going to buy twenty to thirty percent of what we need for the year locally. The rest of it's come—the rest of it is—most of it comes from the Midwest on a rail system in Gonzales, where it's brought—where we truck it from the rail system to the feed yard.

LP: And, to go back, a bit, um, could you elaborate a little more on the, sort of, features of the Gonzales landscape? And you mentioned a couple of types of pasture that make it better suited than the Panhandle for the type of pre-conditioning program that you have?

TG: Yeah, uh, we're suited better in Gonzales, like I said, because, uh, we have, you know, improved pastures, which is, you know, all pastures that's been taken care of, weed spray, no brush. They're real clean pastures, adequate forage. The difference being in the Panhandle, you know, it's flat and dry—they don't get the rainfall that we get. We're fortunate to be on—we border the Guadalupe River on a lot of our pasture land, and, like I said, the rainfall in Gonzales is, is a lot different. Probably twenty to thirty inches a year, I'm just guessing—maybe more than a lot of parts of the Panhandle. Uh, the Panhandle on the other hand—if you were talking to some guys up there, you know, they'd probably tell you that their confinement feeding is easier, which I would agree with them, because of the dryness. When you're feeding cattle in a dry lot situation, you want it to be dry. So, sometimes in the confinement feeding, that would be the, I guess, the in that they would have one—one-up on us, I guess—the confinement feeding, because of the dry climate up there, the cool climate. They do benefit from that. But as far as the pasture land goes, uh, they would never even attempt to do what we we're doing because they don't have the land resources.

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LP: Do you irrigate any of your pasture?

TG: No irrigation, uh, as of now. We have some lease—we have some lease land that's irrigated, but it's—that irrigated land is mainly used for hay production, not for cattle grazing.

LP: Great, thank you. So, do you find that, in terms of the final market price of the beef product, that there's any difference in, um, cattle that went more through the pre-conditioning program than the full feed program?

TG: Yeah, that's what we try and—we try and get everyone of our customers to go through our pre-conditioning program—put cattle on feed as long as possible. It's a hard concept to sell sometimes. You're telling a guy, well, you can put them in here at 750 pounds and your feed bill's going to be x; or you can put them in here at 350 pounds, and you're going to have to leave them in here for a year, and it's going to be x times two or three. Uh, but the end product is a lot more efficient, if you let us manage the cattle, that's what we do for a living. Your return on investment's usually—typically going to be a lot better. And, yes, I will say, when customers come to us, and they say, Tyler, Jay [manager at Graham Land and Cattle] what would you suggest? Because a lot of people, a lot of our customers, which a lot of people don't realize, they're feeding cattle from—I would say directly a investment standpoint. Not everybody that's feeding cattle with us has a ranch and owns the cows and knows a lot about it. A lot of people are buying cattle, or we're buying cattle for them, as a straight investment. Uh, these guys, you know, they live in cities. It's just like buying a IRA, or doing stocks, or whatever, so, I guess if

somebody calls me and says, you know, what would you suggest? I got x amount of dollars I want to put into it, we will always say to put the cattle on a, you know, pasture land, start them off. Uh, when cattle are born, they start—the day they're born, it starts affecting them, how they're going to do, how they're going to grade, how they're going to yield, until the day you harvest them. So the earlier we can get our hands on them, the more influence we can have on the end product.

MB: Can you talk a little bit about, um, the type of customer that—that puts their cattle with you guys? And I mean, like, how does it break down with people that own ranches? Are there small ranchers, uh, and then companies obviously too so?

TG: Yeah, like I said, our little—our motto at our feed yard is, uh, you can't feed half a calf. So you got to bring us one. But, uh, we'll feed one to however many you've got. But, uh, and we've done that for some customers. We have guys every year that bring us four or five calves, you know. We've got guys that will feed one calf for their—what you call, their freezer steer. You know they're feeding one calf for theirselves. So, uh, basically, that's our motto, you can't feed half a calf. You got to bring us one. But uh, it's uh pretty variable from year to year, between big clients, small clients. I would say that the majority of our feed yard is—is with larger commercial feeders. Uh, we don't allow anybody to—we try not to have one customer have over twenty percent of the cattle on feed at our yard, just for the simple security standpoint. We couldn't have somebody with, you know, 10,000 head in there—we do something wrong, they pull all their cattle out. So, I'd say our biggest customer probably has 3,500 to 4,000 head at the yard right now. And, uh, that particular guy, who I won't name, has—also has cattle in eight or ten other

feed yards. So a lot of—and a lot of the customers we feed for have cattle in the Panhandle. They'll feed a different type of cattle at our yard that they will in the Panhandle, Kansas, Nebraska. But, uh, I don't have a list of the—exactly how many customers and size, but I can get that for y'all if ya'll want it.

MB: When, uh, you have to buy—or you agree to buy—cattle for a customer, where do you get the cattle, first off? And then, kind of, how does that work, the agreement, the process?

TG: Uh, if we have a guy call us and want to buy cattle for him, or help him buy cattle, first of all, we'll ask him what he wants to feed, how many he wants to feed, uh, like I said, what weights he's looking for, how much money he wants to spend—a lot of times the people that are calling to do that know what they want, know—they obviously know how much money they want to spend. And so all those factors go into where we get the cattle from. Now, we do feed a lot of cattle from Mexico. We sell—we—those cattle can come any—anywhere on the border. But we'll ship a lot of cattle—we'll ship—we'll buy a lot of cattle off the border. There's several brokers on the border and that—they'll basically be bought from a broker who gets the, gets the cattle across the border, etc., etc. But, like I said, we'll buy cattle from anywhere—I mean they could come from—a guy calls me and says, "I'm looking to feed Holstein cattle." Well, I might buy them from California, or I'm going to go to the Stephenville [Texas] area. A guy calls me and says, I want to buy, you know, Brahman cattle, I'm not going to buy them in Colorado, you know, like I said, we—the cattle can come from anywhere. Price, transportation, shipping, what he wants to spend, how many he wants to feed—it's—that's—all those factors are brought , uh, what kind of cattle we buy and where we buy them from.

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LP: So, could you talk a bit more about the variety of breeds that you have?

TG: Like I said, now, in our yard, being in south Texas, cattle are—cattle are adapted to different climates. That's why when you go up to Nebraska, Kansas, north—far north in the Panhandle, you're going to see a lot more cattle, uh, that's—that's known as—there's a Bos Taurus breeds, which are, you know, Hereford, Angus, the American breeds, ah, because they adapt better to colder weather, they do better in those climates. When you get down to south Texas—central, south Texas, and our part of the world where it's hot—it's a lot more hot, it's a lot more humid, those cattle—we do feed some of them, but they just don't—they usually just don't convert as well. They usually don't adapt to this climate as well. And so you will see a huge percentage of our cattle have some—what we call ear to them, which basically means they're Brahman-influenced—they have some percentage of Brahman in—in—into them. We don't feed—you won't see a lot of pure-bred cattle in a feed yards, you'll see some—we do feed some pure-bred, you know, Santa Gertrudis, and—I mean, that's not the only pure bred—but we will feed some pure-bred Brahman cattle but, like I said, we're feeding more of a what—on the other side of Bos Taurus, Bos Indicus breeds that are—they're going to have some ear to them and it's—like I said, it's mainly—we feed a lot of the Mexican cattle that, uh, that most of them typically are Brahman-influenced because they—because of where they came from. It's hot in Mexico also. Uh, but it's—the cattle that are in our feed yard, it's—that climate is the main factor that goes into what we feed.

LP: So, do you end up especially feeding some of the breeds that were developed here in Texas at the King Ranch and similar places?

TG: Not—not—well, I guess so, King Ranch did a little Santa Gertrudis and everything like that, but, uh, we'll feed several—yeah, several of the breeds that were developed here in Texas we'll feed. Anything that's got any kind of Brahman influence in it, I would say, would be a general.

LP: Right. And, we will probably come back in the interview at some point to more of the process at the feedlot, but, um, could you tell us what happens with the cattle as they leave the feedlot? And then what the next step is?

TG: When the cattle are ready for harvest, h, between 1250, 1350 pounds—we're closer to 1250, I would say. Uh, they'll be weighed, they'll be processed, and the cattle will be sold first, before they leave the feed yard. We market most of our cattle to Sam Kane in Corpus, uh, because of transportation costs and because we have a really good relationship with Sam Kane. Um, Sam Kane is a kill facility, a packer. Uh, we do send several loads of cattle every year to the Panhandle, and some of the bigger packers up there, but it's, uh, it's, uh, it's not convenient, especially with the price of fuel going up to send cattle that far. So, most of our cattle are sent to Sam Kane. Like I said, we'll sell cattle, usually on—and this isn't every—all the time, but we'll sell cattle on Thursday or Friday, and they'll be shipped on Monday or Tuesday. So, in other words, we'll negotiate a price before the cattle ever leave the feed yard. Um, the cattle will then be loaded, usually on our trucks. We have our own trucking system, Sunset Livestock Carriers. Depending on how many loads of cattle we sell, sometimes we will hire out a third party to help

us haul cattle. But the cattle will leave our feed yard, be shipped directly to Sam Kane—Sam Kane in Corpus, uh, where they're harvested.

LP: And, going back to the feeding process just a bit, what kind of different feeding processes, or ingredients do you use, based on what the desired, sort of, end use of the beef? Maybe that wasn't a very clear question. Do you see your customers saying, I want to sell my beef to this type of industry, for this type of purpose, and then, what—

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TG: Uh, I will say that generally—or, not generally, specifically, our—our finish ration is the same for every cattle in our yard. Now, to get on a specific basis, I guess, you're trying to go kind of towards a value-added beef program. We do feed the majority of the cattle, for Nolan Ryan tender-aged beef, and we are an investor in that company. Uh, we're really good friends with Nolan. His product, and his cattle to be killed, they have like—well they—the spec—the carcass specs—one of them is you have to feed them Vitamin E. Another one is—there's some specific specs on what you can vaccinate them with, what kind of, uh, steroids, or—I hate to say steroid, because that sounds like a negative term, but I guess—implants that you can use on the cattle. And so, for that type, for Nolan Ryan's deal we'll use mainly the Vitamin E in the diet, uh, and then—really, it's not—to make his program, it's not really what they've been fed. It's, uh, it's—it's once they're harvested, what their carcass grades. I will tell you, his program is for a Select product, it's for lean beef type of deal, and we want as many cattle to make his program as possible, but we're feeding cattle to have Choice product, Choice or better, you know. We're not feeding cattle to have Standard to Select product, so basically, I wouldn't say we feed—what we feed cattle is for a specific program. We're not doing any kind of, uh, we're not doing any

kind of a natural beef program at our yard. We're not doing any kind of, uh, well, you know, grass-fed beef or any of the exotic stuff like that.

LP: And could you just explain for the purposes of the recording what a Choice grade means?

TG: Choice grade is just basically they measure inter-muscular fat, intra-muscular fat, it's basically the amount of marbling that's inside the steak. Uh, then, like I said, the carcasses are also going to have a yield grade, which is—the yield grade is the amount of back fat or subcutaneous fat underneath the carcass. It's basically the outside fat on the steak. And so carcasses are given a yield grade and a quality grade. Quality grade being Choice; yield grade being a number one, two—one through five.

MB: Um, I've interviewed a couple of the meat markets and sausage makers like Meyer's—in fact, they're the people that gave me your—your name. And they—they, uh, we talked about inspection, federal inspection, stuff like that. And they have somebody there pretty much every day. And I was just wondering how that works with you guys. And also, is the Choice and the Standard and stuff like that—is that a federal, uh, I guess, code, or something like that?

TG: Yeah, yield grade and choice grade, it's a—it's mandated by USDA, so it's a one and the same all the way across the country. Like I said, uh, yield grades go from one to five, one being the leanest or least amount of fat. Five being the fattest or most amount of fat. Quality grade being Standard, Select, Choice, Prime. And then there's also quality grades in between there—in other words, there's Choice, Slight Choice, or Choice Minus, Choice Plus. You know, Slight

Prime, uh, but that's very unimportant. You get paid on Select Choice, because there are premiums and discounts for different quality grades. There's also premiums and discounts for yield grades. Packers don't like fat cattle. They don't want to pay for fat, they want to pay for lean meat. So you'll get premiums for, uh, yield grades ones and twos; three is a—it's a push; fours and fives you get a discount. And the quality grades are the same way. Select—Select cuts—and this is—this varies also in between packers on how they pay, but Select's usually a push. Anything below Select is a discount; anything above Select is, is a premium.

MB: And then also—also how does federal inspection affect you guys?

TG: Federal inspection at our yard—we'll deal mainly—now at the packer, they're dealing with USDA guys, which they have on their payroll every day they're open. There's a guy from USDA, that's paid by USDA to inspect the meat. Uh, we don't have anybody—feed yards are not mandated to have a USDA inspector. Now we do go under plenty of inspection at the feed yard. I would say federally, the main thing that we have to watch, or take care of, would be more of an environmental standpoint, not a quality assurance from the cattle. I mean, there's not really people that come around—we're a feed yard, so we're not starving the cattle, so I guess we don't get the, uh, I guess that's not a risk or, you know—I'd say it from an environmental standpoint is where we deal with the government, mostly.

LP: And what types of issues does the government have?

00:35:13

TG: Well, they have too many, in my opinion, but ***[Laughs]***, anyway, I just—I couldn't help but say that. Uh, we deal—we deal with drainage. Drainage difficulties all the time, in other words, when you've go 15,000 head of cattle on feed you're—you're having a lot of excretion. Uh, so you'll have drainage issues; you have to have ponds and everything set up to drain. And then, of course, the manure, you can only spread so much manure on a certain amount of acres, because your, you know, nitrate levels and soil tests—so you have soil tests you've got to go through all time. It's mainly soil and water, uh, issues.

LP: And this—if you don't know the answer to this it's fine, but do you have a rough sort of estimate on how much manure might be produced, say, per some period of time? I don't know, day, month, year, by the 15,000 cattle that you keep on hand?

TG: I'm going to go out on a limb—I know I'm not going to be able to tell you a specific number, but I can tell you how much we spread every day. And we'll spread, oh man, depending on—well, we clean pens every day. There's—there's—we have guys that all they do is drive a manure trucks and drive loaders and clean pens. And we'll usually spread, uh, between seven and eight hours a day. Every day of the year. That's one thing about our feed yard; we're open 365 days a year. You can't take a day off. Uh, I would say we spread between eighty—eighty and a hundred tons a day.

LP: And that is spread onto the pastures as fertilizer?

TG: Yeah, it's spread directly onto our pastures. That's another issue of the environmental—like I said pounds, uh, and I don't know the exact requirements, because it changes on how much you put on a certain pasture. But you have to have so many acres per pound—it's actually not per pound but—in other words, you can put as much on there as you want, but when they come out there and test the soil, if it's over, you might not be able to spread on that—that part for several years until the nitrate, potassium levels, and sulfur levels, and all that get back under. So, you know, uh, we try and spread it out, stay under those levels, all the time. And so pretty much that's another—that helps—that also, you know, helps our pre-conditioning program, because we're putting fertilizer that we didn't pay for on our pastures to help grow grass to help feed cattle.

LP: And, is it a relatively recent development, that there has been that sort of concern over the environmental impact of the feedlot? Or is that been around for a long time?

TG: I'll tell you that it's been around forever, but every year it gets a lot more, uh, difficult. Every year they come check more; every year there's a new rule. You know, they're never going to tell you, you can put more cattle in a pen—ever again. It's always going to be, they've got to have more space; you've got to have more pasture land. And so, yeah, the environmental people in, uh, they—it just gets stricter every year.

MB: Do you have people on staff that, um, do nothing but manage the pasture land? Do you do your own soil testing and things like that?

TG: Well, we do our own soil testing as far as—we go take the test and send it to an independent lab. You can't test it yourself; that would be kind of a conflict of interest. I wished you could. But, uh, and we don't have one person that specifically does the environmental job. Maurice Janda, who is our yard manager, not general manager, but he's—what we call our outside manager, manages movement of cattle, manages the feed mill, how cattle are fed. He handles all the environmental regulations and restrictions.

LP: Do you use, um, a rotational grazing program, and if so, what's that rotation look like?

TG: No, we don't use a rotational program. Uh, like I said, we're trying to have every pasture we have full year round. And, I will say, we don't use a—we don't have to use a rotational program because if—in the type of pre-conditioning program we're in, if pasture land gets short in those pre-conditioning programs, we just feed them more. So, it's not a rotational program; we always—we always try and keep enough feed out there. And I guess it would say that the way we manage it is we feed them enough to where they're not going to eat all the grass.

LP: And another source question—we talked a little bit about the source of your corn, uh, when you do feed hay, what is the source of your hay?

00:39:57

TG: We actually grow a lot of our own hay, in Bastrop, Elgin—like I say, we—that we have a lease place in Gonzales that's a—we got about 700 acres of hay down there. However, it's just like corn—you know, we can't produce enough every year, so hay comes from—the alfalfa mainly comes from Oklahoma and Kansas. The coastal will come from anywhere—Corpus,

south Texas, uh, it could come from anywhere. Anywhere in this state, I would say. We don't go outside the state to buy coastal.

MB: Just to get back to the purchase of your cattle, um, or of the cattle you're feeding. Can anyone just pretty much walk up—or not walk up but drive up to the feedlot and buy—what—what's the process of purchasing the cattle, I guess? I know you have a couple of major customers that buy, but tell me a little bit about that, I guess.

TG: Yeah, well, we're a open door to anybody. Now, if Joe Blow comes in off the street, who I don't know, and says, I want to buy, you know, five loads of cattle. Uh, we're just like a bank; we're going to do a credit check on him. I guess if he walked in with cash, that'd be good enough. But, we finance a lot of the cattle; we're—like I said, we're like a big feed store and kind of like a bank. We finance almost all of the cattle that are on feed, unless somebody owned the cattle and sent them to us. But the cattle that are bought—I guess you'd say, we finance a bunch of cattle, and we also finance most of the feed. In other words, you put 120 head of cattle on feed, which is a load—basically a load—and that's very, you know, that could vary—that's a load of, say, three-weight cattle. But you put a—say—I'm just giving a example—you put a load of cattle on feed, you know, your feed bill's going to be between 3500 and 4000 dollars a month, for a year. There's not a lot of people that want to, you know, incur that cost. So we will finance a lot of the feed also. But, yeah, our—we're a open door, I mean, if you got the financing, we want to feed your cattle.

LP: So, could you tell us a little bit about how your company developed the working relationship with Nolan Ryan?

TG: Nolan—I guess you would say we were indirect—indirectly lucky, because Nolan actually owned some ranches right around us. He actually has some ranches that border us. Uh, Dr. Graham's known Nolan for a while; Nolan was in the, uh, Santa—Santa Gertrudis—I mean, I'm sorry—Beefmaster business and we, you know, we fed some cattle for Nolan and whenever he—he worked at—had a good working relationship while we fed cattle with him—with our manager. And whenever he wanted to start his branded meat program, he came to us and, you know, asked us to be a shareholder or partner with him. Uh, our general manager's on his board of directors for his program. And it's just grown ever since.

LP: Thank you. Do—

MB: Yeah, actually I do. You talked about the—I don't know if it was a packer in Corpus Christi? Kane? Sam Kane? Um, kind of place that in the—in the final destination of where the meat ends up—where, where does—where does this packer fall on that kind of continuum?

TG: The packers, like I said, they'll harvest the cattle. And a major packer like Sam Kane—Sam Kane has the capacity to kill 2000 head a day. Now, they don't kill every day, but that's what they have the chain capacity to kill. They're buying meat. Sam Kane, as with most of the packagers, they'll process the meat, cut it into final cuts, and Sam Kane markets most of the individual cuts: steaks, roasts, anything that comes—anything that they make. And all the by-

products also, directly from the—their packing house to a retail outlet. Could be—could be retail store, could be, uh, restaurants, etc. So basically, when it leaves there, it's in a final cut, there's no more—there's no further processing. And it's going to be sold to the consumer.

LP: And so they do the—both—they produce a bulk packaging, that would be for a restaurant, and they also produce an individual package for a market.

TG: Right. They'll—they do, you know, hundreds of different programs, products, but yeah, like, like you said, for—for some restaurants, not all—they'll buy whole primals, which is, you know, a whole side of beef. And they'll cut it themselves. Or they'll cut—they'll but a whole PSMO, which is basically a rib-eye roll, or something like that where they want to cut their individual steaks. Now, I will say, a majority of restaurants don't do that; a majority of restaurants will buy individual steaks or cuts put into a box where there's twenty of them. But—or if it's a retail outlet like HEB, Kroger's—I'm not specifically saying that's who they sell to—but, for example, yeah, they'll sell in bulk. Uh, it's called—it's boxed beef—it's a bunch of cuts put in a box.

LP: Well, you did mention how corn is king, in the cattle-feeding industry, and so, do you see your company possibly looking for any sort of alternatives, or changing in percentages of corn fed as corn prices do increase?

00:45:33

TG: I will say, first of all, no. Uh, corn's going to be fed to cattle until people stop eating beef, I guess you'd say. And it's just going to—it's a sad thing—or, I don't know, it's good for some

people, but—it'll just be, uh, shifted down the price chain. When our price goes up, your price to feed goes up, which the packer is hopefully going up with what they're paying us, and all the way to when you're buying a steak at a restaurant. It's going to go up. But, one avenue that we are entertaining—I'd say it's pretty much a done deal—it's still going to use corn, but we are entertaining building ethanol plant at our yard. And hopefully we'll start construction on that in the next year. Now, that will be using—corn will be going to—the ethanol plant will be using the distiller's grain. That, you know, it's the processed corn, after it's been at the ethanol plant, but we'll still be buying corn, so, first question, no. We're going to feed corn, and until some—somebody figures out a better way to feed cattle, that's what we're going to feed.

LP: And so, could you explain that relationship just a little bit more, between what—the relationship between the feedlot and the ethanol plant will be and why you all decided to take that route?

TG: Uh, we decided to take the route because we believe that the distiller's grain—or the corn by-product that comes from the ethanol plant, uh, it's two-fold. We like the ethanol plant from an investment standpoint, selling the ethanol, as well as the feed product that comes out of—in other words, basically when they—when they make ethanol out of corn, they take the starch out of it. That's basically what they're taking out; they leave everything else—protein, so, you're getting actually you take starch out of something—you take anything out of something, everything else percentage goes up. So, protein percentage, and all the other nutrients that come out of the distilled grain's good, and it's highly digestible; cattle convert on it well, yield on it well, grade on it well. And, it comes from a point, uh, pricing standpoint also that, uh, basically

the process of, you know, ethanol plants buying whole corn, they're selling us a by-product, which we're buying at a discounted price. And so, from a—from a—from the economic standpoint, it's very enticing to—to try and get the by-product. It's also very convenient for a feedlot to build an ethanol plant because we're already trucking in thousands and thousands of pounds of corn a day. So, basically it, you know, both entities need corn. By putting them right next to each other, it's very convenient, uh, to do that.

LP: And, I've, I've sort of witnessed the process of getting the—getting an ethanol plant started in other—in a couple of other locations around the country. Has that been a long process? Or difficult process of kind of getting to the point where you're pretty sure you're going to build it?

[Recording pauses]

LP: OK, so, just to restart the interview, we were talking a little bit about how difficult the process, or extensive the process was of coming to decide to build an ethanol plant.

TG: Um, like I said, initially, it was very enticing and it was a no-brainer. We talked to the guys, a company out of Pennsylvania, actually, that had built several of them. Now, in the past several months, when ethanol prices have, have dropped dramatically because of increased production and decreased distribution, it's been kind of rocky. But, uh, actually we just got back from Nebraska, a big ethanol conference up there. And I'm fairly comfortable that, uh, it's going to work. It's probably going to work better—or, I guess I'd say, I'm more comfortable in our yard because we're building an ethanol plant that's going to service our feed yard. Uh, in other words,

we're not going to have to get rid of any of the by-product. A lot of the mega-plants that are built in the North—the Midwest, I guess you'd say, and some of the Panhandle—they're, they're huge mega-plants, and you know, they don't have a problem getting corn, they don't have a problem getting ethanol, but you've got to get rid of that by-product somewhere. And so they're having to truck that product, which is a huge added cost, whereas we won't have to do that. We'll have a augur system from the ethanol plant directly to our feed mill. When the by-product's ready, they'll ship it right to our feed mill. We—there's no trucking, no—and another aspect of our ethanol plant is, in the Panhandle and some of the Midwestern states, they're a long ways from any major refineries, any major cities. Uh, we're a hundred miles from Houston, Austin, Dallas—which is very enticing to distribute the ethanol itself. So I'd say that—yeah, it's a sort of a risky investment—it's a huge investment. Like I said, we'll just be an investor; there will be several other investors in the actual ethanol plan. But, uh, I'm—I'm pretty comfortable where we're at, with oil prices where they're at, which is—definitely affects ethanol. Oil would have to drop back to forty-five or fifty dollars a barrel before I'd get nervous again, and, uh, I hate to say it, I don't see that happening any time in the near future. So, as far as starting the ethanol plant—it's pretty much a—it didn't even get mentioned or planned until the beginning of this year, and we're fully permitted—fully done all the water samples, soil samples, uh, you know, natural gas, and everything like that. I have a site. And so we're—we're sitting ready to go—hopefully start construction after the first of the year.

00:51:20

LP: And will the product that comes out of that plant be directly ready to be used by consumers? So it would go directly to gas stations? Or will it still need, still need to go through more refining process?

TG: Oh, they will be making one hundred percent ethanol, so it will have to go to a refinery where they blend it with the gas. Because, you know, there—it will be an E-90 or an E-85, uh, product, so it could go to Houston, Corpus, possibly to Austin or some of the smaller—ah, I'm not even going to say that, but it will—it will have to be further refined. Or blended with gasoline, I guess you'd say.

LP: And just going back to a couple of questions that I thought of while we were paused there, um, how much of the responsibility of the care for animal health comes down to your facility and your company, versus the owner of the cattle that are—that you're holding?

TG: Well, when they drop them off at our feed yard, we're one hundred percent reliable, one hundred percent take all the risk of animal health, I guess you would say. Um, they're in our hands; it's not—like I say, when they drop them off to our feed yard, they're in our hands. Now, depending on what customer it is, depending on where the cattle come from—cattle come in in all different sorts—shapes and sizes and amounts. And some cattle come in a lot more healthy than others—that's—that's the owner's risks. Now, if we're buying cattle for people, then that's our risk, you know, where they came from, what quality they are, and so I'd say if we're buying—if we're in the process of buying the cattle, it's our risk. If you bring them to us from your ranch, and they're unhealthy, that's your risk. And we're very frank with customers that bring cattle in that are high risk cattle—is what we call them—I will say something about our feed yard. When you have 30,000 head of cattle, they die. I mean, it just happens. You, you know, especially the way that most of the cattle are grouped, you know. I wish that, uh, more

people raised their own cattle and brought them to us, because, inherently, people that raise their own cattle want to take better care of them. It's just a—it's a natural reaction, I guess you would say. When you get big order buyers that are going to sell more and put groups of cattle together, there's a lot less, I guess, tender-loving care. They're trying to cut costs; they're trying to do as, you know, they're trying to get them on feed for as cheap as possible. They're all about a break-even price. And so, also inherently, when you buy five cattles—five cattle from Elgin, five cattle from Austin, ten cattle from Bastrop, etc., etc., and you put a hundred of them together, they're going to get sick. They came from all different environments, all different programs. Now, most people vaccinate them—there's a great treatment program—god, we spent thousands upon thousands of dollars on antibiotics and vaccinations every year, which goes—is directly billed to the customer. But no, it's—when they get to our yard, animal health—we're a hundred percent reliable.

LP: Thank you. And, we kind of touched on this just a bit, but I did want to clarify, um, especially as some of the audience for this interview will be particularly concerned about the taste of the meat that they like to eat. And, so could you talk just a little bit more about how the content of the feed possibly affects the—the content of the feed and the handling of the animal possibly affects the taste of the meat product?

00:54:56

TG: I would say that the feed—a corn-based diet is—is the biggest factor. What you put in them is what you're going to get out. Now, I probably might hurt some feelings here, but you can't—you can't feed an animal on grass. All this all-natural programs and grass-fed, you know, stuff that's going on—I'm, I'm just going to go out on a limb and say that you cannot feed those cattle

that way. You can't put enough protein in them; you can't put enough nutrients in their meat to make the steak taste like it should taste. In my opinion—in most people's opinion—when it gets on that grill. Now, I will say the handling of cattle also has a pretty major impact—when cattle get stressed—the more they're stressed, the more—it can directly affect their quality grades. And so, you know, we try and put as least amount as possible of stress on the cattle. Uh, we don't use any hotshots—or prods, electric prods—in any of our processing facilities. Uh, cattle are gathered in a, you know, I'd say as orderly fashion as you can gather cattle. We don't rope any cattle and tie them down and treat them, you know, they're all brought to the, you know, we have a—what we call a—it's just real simple—it's our hospital at the feed yard, for sick cattle. There are some cattle that are pulled in—what we call pull-and-treat. They're pulled from the pens and treated and put back in the group, but the, uh, what we call chronics—that have been treated once and may have been treated again, they will be pulled and taken to the hospital. They'll be quarantined—and done everything we can to not lose them. But, like I said, we're trying to keep, on 30,000 head, between one and two percent death loss, which, if you can do that in a feed yard situation, I promise you, you're at the top of the game in the country. And we're—right now our death loss this year is under two percent, which, you know, that's the best that we can do ***[Coughs]***. But, yeah, I'll say that feed—what you feed them, what you put in, you're going to get out. So in my opinion, a corn-based diet—now there's a thousand different diets, a thousand different rations, but corn is—well, that's the main ingredient to get a flavorful, good, consistent eating experience.

LP: Well, and does the impact of feeding corn on the taste differ any between different cuts of beef? Or the way that it would ultimately be prepared, for example, would it be more important for a New York strip to the end taste than, say, a brisket?

TG: No, not really. Uh, like I said, you're—those cuts are all together until you harvest that cattle. So basically, what you put in, it's going to be spread out up—upon the whole calf. I will say to add to that fact about corn, now there are some other things you can do, and there's some—you know, discrepancies—what some people think, what other people think. I'm not going to take either side, because there's good research on both sides of it. But a lot of people don't—don't agree that you can put growth promotants or implant hormones in cattle. They think that affects quality grade. Uh, like I said, I'm not going to say whether it does or doesn't. Personally, I don't think it does, but I'm not going to say it doesn't. So, but I will say you'll, you'll find a lot of research, or a lot of people will give you a strong opinion about hormones, steroid-based implants that are used. They're used in every feed yard—you know, every major feed yard in the country. We use them in our yard, and I'd say that would be the other main factor, if you were looking at something that will affect quality grade and eating satisfaction. Growth promotants would probably do that.

LP: And, you know, you mentioned that your company doesn't do any, sort of grass-fed or natural beef program. Do you see programs like that potentially becoming a major competitor, um, in the industry in the future?

TG: I'm not going to step on my toes and say that they don't—they won't become. It's going to be very hard for those businesses to become commercial. Uh, there's a lot—it's a lot more labor-intensive; it's a lot more capital-intensive. You keep those cattle on feed a lot longer. Uh, it's—it's not at this point in time, economically feasible to do at a major—you know 100,000, 30,000, 40,000 head capacity feeding area. In other words, you've got grass-fed beef, and you want to have 30,000, 40,000 head of cattle, well, hell—you've got—I mean, you've got to have hundreds of thousands of acres to do this on. So, I'm not going to say it's not, because anything's possible, but at, you know, I think it's going to be a long time. And, as far as—now, all-natural programs are occurring. Grass-fed that—we're talking about two different things. There's a lot of all-natural programs—I mean, Nolan Ryan is an all-natural program. We don't use any growth promotants on his beef. It's an all-natural program. But, as far as the grass-fed type of situation, you're—I can't even think of what they call that—it's not all-natural, but it's—it's all-natural but it's, it's grass-fed. You know, they don't use any kind of—they can use corn, but they can't use genetically-modified corn, which is—which, ninety-nine percent of our corn is genetically modified, so they don't use it. But I don't see those—those kind of production systems coming into a big player for a long time to come. It's just not economically feasible in my opinion.

01:00:50

LP: And so, and I apologize if you had said this earlier, but just to make sure I've asked, about what percentage of your, sort of, output does fit in with that—the sort of all-natural, or the Nolan Ryan program?

TG: Well, like I said, on Nolan Ryan's cattle, well—ah, oh man, we'll probably send fifteen, twenty-five percent of our cattle that would be available to his program. Uh, and also, like I said,

you know, a customer comes to us, and they want to do an implant program, or they want to angle at Nolan Ryan's deal, we're all for it, you know, I mean. Uh, so that's also up to a customer, what he—like I said, what kind of cattle he's putting in the yard, and where he wants to go with them, so—but it's a small percentage.

LP: Just to kind of wrap up a little bit, um, going back to a little bit about your background, what—you said you worked in high school and when you were younger in the company. What kind of things did you do then? And how did your—I guess there's—as you mentioned, it enabled you to go into management position, but sort of how did your experience as an Animal Science major kind of change your perspective on the business?

TG: Well, I'll tell you, like I said, I started—I've been running around these ranches since I was little bitty, but, you know, all through high school and pretty much through college working back and forth. I—basically you get started at the grunt level, you know, doing all the—all the not-so-fun jobs at all the different businesses. I've worked at—I worked here at the horse farm, at the feedlot a lot, the sale barn, and so I basically—what I say—I got to—and I'm glad I started at those positions because until you've done that stuff yourself, you—you have a hard time telling someone else how to do it. And so I'm glad that I didn't start sitting here behind the desk, uh, in this management position. But basically, like I said earlier, that was—Doc said, you know, if you're happy with your job now, you know—this is when I was getting out of high school—he said, you can sure have it for the rest of your life, he said. But you're not going to see that office, and you're not going to see a pay raise anytime soon, you know—you know, day labor is day labor, you know. And so, I guess I went from a day laborer, learning the lower positions of all

the businesses first—transitioning into college. I started getting a little bit more responsibility, through, through college—like I said, I worked all through college, back and forth, all the time through all the businesses. Got an Animal Science degree in—specifically in Livestock Production, not—there's, you can do the Science Production or you can do—I mean, you can do the science option or the production option. Mine's mainly behind the—it's the production specific degree, which—education, it definitely helped a lot. But I will say that I learned a lot more hands on everyday, being, doing it, seeing it, talking to people, than I specifically did at school. Uh, I guess I'll just say that the education and the degree just—you know, kind of clarified my position in where, where I got to start at after school. But, like I said, I'm—I've been around all the businesses since I was born. And, you know, you just, you—I've been interested in it forever. I've always wanted to come back and work in the businesses, because—not because it's a good job, but because it's what I've been interested in. So, it just happens to be a really good job also.

LP: Well, is there anything else you'd like to add?

TG: I can't think of anything else. Uh, the only other thing I would add is about—is—as far as—we're talking about the feedlot mainly today, but the only other thing that I would add is that we also own a sale barn and a lot of those cattle from the sale barn transition in—not only our feed yard, but into, you know, every other—lots of other feed yards. And that's the only thing I would add—is, like I said, how those cattle are grouped. You know, in other words, they're coming from hundreds of different sources, grouped by, basically, the order buyers at those yards, transitioned to a feed yard. And so I guess that's the only thing that I would add in about how

cattle get to our yard, if we're not buying them. Because we don't buy all the cattle. We buy a lot of them, but you know, there—it's just, it's a supply chain. They come from the small producers, you know, the average producer in the United States has forty-five head of cattle, so it's very small producers. Related, I see that changing dramatically in the future, but that's the only thing that I would add. A lot of times cattle are grouped from order buyers who send them to us from, you know, we get a pen of a hundred head of cattle, they could have came from fifteen, twenty different ranches. And that does make it difficult on the feed yard situation. Because you're putting—like I said, you're putting a bunch of—it's like a—like when you send kids to day care, you know, you say they get sick because they're around a lot of kids and diseases and germs that they haven't been around their whole life, and so it's kind of the same thing in a feed yard operation. But that's—and like I said, we own a sale—we own two sale barns—and then, you know, we see both aspects of it. Other than that, I can't think of anything else to add.

LP: You see that average of cows, cattle per owner going up? Or?

TG: Now this is just my opinion, but I see it going up. I—I don't know if it's a good thing, bad thing, or right, or indifferent. I think it's better for the beef industry. I think it's worse for the small producers. I think that the cattle industry's trying—it's going to be a long process, but it's trying to become more vertically integrated. Like the chicken industry, like the, uh, pork industry. It's very hard to have a industry that's as large as the cattle industry with that many small producers—getting them all on the same page. I think as the cattle industry transitions into a larger owner-operator, beef quality's going to be better; it's going to be more efficient. Like I said, there's going to be a lot of small producers, I think, go out of business. Uh, if they ever

implement the animal ID system to the full extent—which I think they're far from that. I think that if they ever do that, though, you're going to see the small producer shrink dramatically. They're just not set up for it; they're not willing to go and do the extra miles that they really should do. A lot of small producers, they're weekend warriors, they don't manage their cattle like they really should. And, so I do see in the next five to ten years at, you know, the average number of cattle per farm increasing a lot, because of—because of that specific reason.

LP: And, in addition to the ethanol plant, do you see? What do you kind of see in the big picture of the future of—for both the company and your own involvement in it?

TG: Well, I mean, like I said, we're very fortunate at our yard, right now to be at full capacity—we're actually turning people away, which we hate to do. We're double stacking cattle, is what we say. We're building pens as fast as we can build them, buying land—land's an issue. We're buying land, every piece of land we can pretty much put our hands on that's convenient. And, we'd like to have—our goal is, you know, to have 50,000 head in the next ten years—so that's a big increase, but we think it's very possible, especially where we're located. Gonzales County is the most highly populated cow-calf county in the state. And, so, we're fortunate to have a lot of cattle numbers within a couple hundred miles of our area. So, like I said, we don't really see changing anything that we do—except for the ethanol plant. The major change is just growth.

LP: All right, great. Thank you so much. Today is the sixteenth of November 2007, and we've been interviewing Tyler Graham in Elgin, Texas.

[END] **01:09:08**

