

COMMON GROUND

The cattle business is a risky business



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I tend to be fairly risk-averse. I am not a gambler by nature, and I like to leave as little to chance as possible.

Of course, avoiding risk altogether isn't really feasible either. If you are in the cattle business, you know all too well there are many factors outside of your control that influence your profitability. In fact, we have little control over several

of the biggest variables — weather, global commodity markets and cost inflation.

With that kind of inherent risk to raising cattle, paying special attention to those factors we can manage and control is even more important.

Factors within your control

For a cow-calf producer, I think of genetic selection as risk management. Considering the bulls account for half of the genetics of the next calf crop, making sure that piece is right becomes paramount. The American Angus Association works with our breeders to provide registered seedstock with documented pedigrees, proven performance and industry-leading expected progeny differences (EPDs). With these tools in hand, cow-calf producers can confidently select bulls that fit their breeding objectives.

Registered Angus bulls are a sure bet to reduce calving trouble, increase pounds at weaning, improve feeding performance and carcass merit, and sire replacement females that will keep you in business.

Ranchers have the opportunity to reduce risk in other ways, such as biosecurity. Not being tempted by that “great deal” on a set of undocumented cows at the sale barn is probably smart strategy for maintaining herd health. Getting breeding soundness exams on your bulls before turnout is likely one of the cheapest ways to avoid a wreck.

Marketing avenues

This guide focuses on feeder-calf marketing, and for good reason. The vast majority of cow-calf producers sell their calves at weaning or after backgrounding. Most

operations get nearly all their revenue for the cattle enterprise on one or two days of the year. That puts an enormous amount of risk around marketing.

Some may want to look into Livestock Risk Protection (LRP) Insurance or consider using the futures markets to hedge. Depending upon your size and situation, these may be viable tools. Beyond those technical risk-management strategies, there are several other ways to reduce risk around marketing that nearly any producer can take advantage of.

It probably goes without saying, but you need to start with a quality product. You can't expect to receive a premium at selling time if your calves are average or below average in quality. If your calves are truly better, you need to document that value. Markets tend to reward value based on the information buyers have available. Without information the bids settle toward a commodity price.

The American Angus Association offers AngusLinkSM to help you document the value in your calf crop. Getting age and source verification along with verification of Angus-sired genetics and the Genetic Merit Scorecard[®] (GMS) is a great place to start.

You can add additional claims through the process-verified programs (PVPs) of AngusLink that fit your operation and marketing method. Simple and cost-effective, these programs are designed to help you get paid for your genetic and management investment.

Maybe the most understated benefit of AngusLink is exposure to more buyers. It is a significant risk to take your calves to market hoping there are enough buyers in the seats hunting the value-added calves you brought. By enrolling in AngusLink, you have the opportunity to share the details of your calves through listing and promotional services that reach hundreds of buyers seeking AngusLink-enrolled calves. That exposure will help make sure your calves have competitive bidding and don't get lost in the sea of commodity calves selling that day.

Risk is inherent to agriculture, but that doesn't mean cattlemen are not able to control their own destiny. Paying attention to some of the smaller details of genetic selection and marketing has the ability to return big results. |

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