Location, Location

Can producers overcome regional price differences with management, marketing?

by Troy Smith, field editor

Where cattle come from can and does influence their market value. Just ask a cow-calf producer from the southeastern United States. They can tell you how feeder-cattle prices can vary relative to region of origin. Those producers can explain how geographic location leaves them at a disadvantage to their counterparts operating within the Great Plains.

There in the middle of the country is where the majority of cattle are fed to finish and ultimately harvested, with both industries concentrated in the five states of Texas, Nebraska, Kansas, Colorado and Iowa. Therefore, buyers typically bid less for feeder cattle located greater distances from the centralized hub of cattle feeding and beef processing. It's a matter of freight costs. It's not likely to change — unless the U.S. cattle industry undergoes some major restructuring.

To illustrate how much feeder cattle prices can differ regionally, consider prices reported in USDA's *National Weekly Feeder and Stocker Summary* during the most recent fall season. That's the time of year, every year, when a majority of cow-calf producers market their spring-born calves. In the summary dated Oct. 12, 2021, the North-Central Region's weighted average price for 600- to 700-pound (lb.) steers was $167.33 per hundredweight (cwt.). For the Southeast Region, the reported average price for calves in the same weight range was $136.17. That's a difference of just more than $31 per cwt.

"To maximize returns, producers ought to think about whether it's possible to sell cattle in load lots — typically 50,000 pounds — and they need to think about the timing of the sale." — *Chris Prevatt*

Above: Both the feeding and packing industries are concentrated in the five states of Texas, Nebraska, Kansas, Colorado and Iowa.

"The reports can show differences of $30 to $40 per hundredweight," offers Glynn Tonsor, ag economist at Kansas State University.

He claims economists have been asked again and again to explain the sometimes wide regional variation in prices. Most agree that the "law of one price" holds true.

"Assuming that groups of animals fit the exact same specifications — the same sex, age, weight, breed composition, *et cetera* — and the only difference is their geographic location, then the prices we see over time are the same after you account for transportation costs," explains Tonsor. "Those regional price differences aren't so large after you consider what it costs to transport Southeastern

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Approved by FDA under NADA # 141-143

Noromycin® 300 LA
(oxytetracycline injection)
ANTIBIOTIC

Each mL contains 300 mg of oxytetracycline base (equivalent to 323.5 mg of oxytetracycline dihydrate).

For Use in Beef Cattle, Non-lactating Dairy Cattle, Calves, Including pre-ruminating (veal) calves

BRIEF SUMMARY (For full Prescribing Information, see package insert.)

INDICATIONS: NOROMYCIN 300 LA is intended for use in treatment for the following diseases when due to oxytetracycline-susceptible organisms:

Beef cattle, non-lactating dairy cattle, calves, including pre-ruminating (veal) calves:

NOROMYCIN 300 LA is indicated in the treatment of pneumonia and shipping fever complex associated with *Pasteurella* spp., and *Histophilus* spp. NOROMYCIN 300 LA is indicated for the treatment of infectious bovine keratoconjunctivitis (pink eye) caused by *Moraxella bovis,* foot-rot and diphtheria caused by *Fusobacterium necrophorum;* bacterial enteritis (scours) caused by *Escherichia coli;* wooden tongue caused by *Actinobacillus lignieresii;* leptospirosis caused by *Leptospira pomona;* and wound infections and acute metritis caused by strains of staphylococcal and streptococcal organisms sensitive to oxytetracycline.

Swine: NOROMYCIN 300 LA is indicated in the treatment of bacterial enteritis (scours, colibacillosis) caused by *Escherichia coli;* pneumonia caused by *Pasteurella multocida;* and leptospirosis caused by *Leptospira pomona.*

In sows NOROMYCIN 300 LA is indicated as an aid in control of infectious enteritis (baby pig scours, colibacillosis) in suckling pigs caused by *Escherichia coli.*

PRECAUTIONS: Exceeding the highest recommended level of drug per pound of bodyweight per day, administering more than the recommended number of treatments, and/or exceeding 10 mL intramuscularly or subcutaneously per injection site in adult beef cattle and non-lactating dairy cattle and 5 mL intramuscularly per injection site in adult swine, may result in antibiotic residues beyond the withdrawal time.

Consult with your veterinarian prior to administering this product in order to determine the proper treatment required in the event of an adverse reaction. At the first sign of any adverse reaction, discontinue use of the product and seek the advice of your veterinarian. Some of the reactions may be attributable either to anaphylaxis (an allergic reaction) or to cardiovascular collapse of unknown cause.

Shortly after injection treated animals may have transient hemoglobinuria resulting in darkened urine.

As with all antibiotic preparations, use of this drug may result in overgrowth of non-susceptible organisms, including fungi. The absence of a favorable response following treatment, or the development of new signs or symptoms may suggest an overgrowth of non-susceptible organisms. If superinfections occur, the use of this product should be discontinued and appropriate specific therapy should be instituted.

Since bacteriostatic drugs may interfere with the bactericidal action of penicillin, it is advisable to avoid giving NOROMYCIN 300 LA in conjunction with penicillin.

WARNINGS: Discontinue treatment at least 28 days prior to slaughter of cattle and swine. Not for use in lactating dairy animals. Rapid intravenous administration may result in animal collapse. Oxytetracycline should be administered intravenously slowly over a period of at least 5 minutes.

CAUTION: Intramuscular or subcutaneous injection may result in local tissue reactions which persists beyond the slaughter withdrawal period. This may result in trim loss of edible tissue at slaughter.

Intramuscular injection in the rump area may cause mild temporary lameness associated with swelling at the injection site. Subcutaneous injection in the neck area may cause swelling at the injection site.

ADVERSE REACTIONS: Reports of adverse reactions associated with oxytetracycline administration include injection site swelling, restlessness, ataxia, trembling, swelling of eyelids, ears, muzzle, anus and vulva (or scrotum and sheath in males), respiratory abnormalities (labored breathing), frothing at the mouth, collapse and possibly death. Some of these reactions may be attributed either to anaphylaxis (an allergic reaction) or to cardiovascular collapse of unknown cause. To report a suspected adverse reaction call 1-866-591-5777.

Livestock Drug - Not for Human Use.
Restricted Drug(s) California. Use Only as Directed.

Manufactured by:
Norbrook, Inc.
Lenexa, KS 66219

MADE IN THE UK

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Norbrook®

feeder cattle to feedlots in the middle of the country."

Areas of improvement

While freight costs account for most of the regional variation in feeder-cattle prices, there are other influential factors. While they can't control the cost of diesel fuel, Tonsor says cow-calf producers do have some control over the other things that can detract from calf value. To capture the best possible prices, producers must manage and merchandise cattle to more closely match what buyers want.

Chris Prevatt agrees. A University of Florida Extension beef cattle and forage economist, Prevatt admits it's not necessarily easy. Most Southeastern producers own small herds. Historically, many have sold relatively lightweight calves, often straight off the cow. Even a 600-lb. steer in Alabama or Florida may not be the same kind of animal as a Kansas steer of that weight.

Still, even small-scale producers can add value by managing cattle to maximize calf health and uniformity. Weaning calves for 45 days or longer and implementing a documented vaccination protocol and parasite control program provides a "history" of management that appeals to many buyers.

That said, many producers question whether they will be sufficiently rewarded for implementing value-added practices like those described. In fact, they may not be adequately compensated if they sell small numbers of calves through traditional markets.

Fill the trailer

"To maximize returns, producers ought to think about whether it's possible to sell cattle in load lots — typically 50,000 pounds — and they need to think about the timing of the sale," says Prevatt. "Is it possible to wean the calves and add weight? Would making the calves bigger allow them to fill a semitrailer? Is it possible to take advantage of price seasonality by selling those heavier calves later and at a higher price?"

Prevatt notes the market currently rewards producers for putting additional weight on calves at home. It may pay well if they can do it economically. Prevatt says grazing the weight on is likely the most economical, using resources such as stockpiled pasture or planted annual forages, and supplementing the diet with byproduct feeds.

For producers unable to make load lots and unable to grow their calves postweaning, there still may be alternatives to hauling small groups to the local auction market. According to Prevatt, some producers have forged relationships with stocker operators who buy small bunches of calves from multiple sources, grow the commingled calves and sort them into uniform load lots for resale.

"Connecting with a stocker operator that wants your kind of calves and will buy them at private treaty can be a win-win for both parties. The buyer gets calves that were not exposed to the sale barn, and the seller pays no commission," offers Prevatt.

Another alternative is to market calves collectively, in cooperation with other producers who can't fill a truck by themselves. Such cooperative efforts involving multiple producers are sometimes referred to as marketing alliances.

"I'm all for it if it's done properly,"

states Prevatt, "but it takes commitment among all participants. They have to follow through on agreed-upon practices for managing health and increasing uniformity."

Ag economist Andrew Griffith of the University of Tennessee also recommends consideration of a marketing alliance model that mimics the traditional stocker operation by turning calves from multiple sources into one-owner animals.

Griffith notes how, after managing calf health, adding weight and sorting them for sex and size, savvy stocker operators sometimes merchandise their uniformly packaged calves at prices rivaling those paid at Plains-area markets. Through a marketing alliance, small-scale cow-calf producers might do even more to bolster calf quality and uniformity.

"We're seeing more alliances where two, three or more producers get together and agree on what kind of genetics all members will use. They decide when the members are going to calve and what kind of health program all will use. They decide when they will wean and how the calves will be managed — maybe commingling for 45 to 60 days, or longer — making them like one-owner cattle," explains Griffith.

"The alliance can then build 50,000-pound loads, which is a big deal," adds Griffith. "But all of the calves also are the same kind. They've received the same or very similar management, including vaccination protocol. The health risk is lower. It all lends predictability to how the cattle are expected to perform. Altogether, it can add a lot of value."

Increasing uniformity, whether through stocker arrangements, marketing alliances or genetic selection, adds premium opportunities.

PHOTOS BY KASEY BROWN

"Think first about management practices that help increase uniformity but don't require changing your operation very much. That's the low-hanging fruit." — *Glynn Tonsor*

The ear factor

So far, nothing has been said about how the breed makeup of feeder cattle, and specifically the Brahman influence, can affect price. It does.

"If you're sitting in a South Dakota sale barn, you're going to see English and Continental breeds represented — not much ear, if any — and eared cattle won't figure into the price reports. In the Southeast, it's the other way around, so you're not comparing apples to apples," comments Griffith, adding that many Southeastern producers cite pretty good reasons for maintaining some level of Brahman blood, given the challenges of their production environment.

"It's not always a negative thing when selling feeder cattle," adds Chris Prevatt. "Some cattle feeders in Texas are looking for the Brahman influence."

Tonsor says tinkering with breed makeup is something producers can consider for the long term to capture the best possible feeder-cattle prices. In the short term, he suggests they think about management strategies for making the calf crop more uniform. Tightening the breeding season, thus shortening the calving season, might be a place to start.

"Think first about management practices that help increase uniformity but don't require changing your operation very much. That's the low-hanging fruit. For the long term, you can consider herd health protocols and management practices that qualify feeder cattle for certain markets. And you can look at genetics. For some producers, that might mean tweaking the breed mix, nudging it one direction or another," offers Tonsor.

"Just remember there is a benefit-cost to every decision," he adds. "Be sure to consider the costs."

Editor's note: Troy Smith is a freelance writer and cattleman from Sargent, Neb.