

# Outside the Box **Looking over the fence**

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While most cattle producers pride themselves on their independent nature and not putting their noses in other people's business, most of us do occasionally glance over the neighbor's fence to see how their grass is growing, to check on the comparative size of their

calves, and to gauge the general condition of their herd, buildings, equipment and crops.

We don't mean to be invasive, but we want to find a standard of comparison, a benchmark against which we can gauge our performance. It's just in our nature.

While comparisons can be misleading, it is useful to have an ongoing system of accumulating and reporting data that allows cattle producers a perspective about the management practices and decisions of the industry in total.

## **Industry benchmark**

An excellent data set is collected by the National Animal Health Monitoring System (NAHMS) of the U.S. Department of Agriculture (USDA). It is based on a survey of nearly 2,800 cow-calf operations across the United States. The *Beef 2007-2008* report provides a useful description of the production practices, marketing strategies, information systems and general management of the cow-calf sector.

Eighty-three percent of all surveyed operations maintained some form of recordkeeping system, with handwritten records being the predominant methodology regardless of herd size. Only 20% of operations kept computer-based records, although about half of herds with greater than 200 head utilized electronic data management. The take-home message is that handwritten records (calving books, tally sheets, etc.) are convenient, cost-effective and functional in the realm of cow-calf production.

It is interesting to note that the first NAHMS results in 1993 showed only about two-thirds of producers maintaining cattle records. The significant increase in the percentage of producers who maintain records is an important trend, indicating that the cow-calf sector perceives value in the information being collected.

Producers surveyed in 2007 and 2008 reported that about two-thirds of their cattle were targeted to a conventional marketing program, with 28% of operations managing at least part of their calf crop for a "natural" marketing channel.

Nearly 14% aligned with a breed-based marketing channel, but only about 8% of producers reported an effort to qualify at least part of their production for source- and age-specific markets.

Herds of greater than 200 head were the most likely to target breed-based, age- and source-verification, and natural programs, with approximately

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30% of these larger operations managing a portion of their calves toward each of the aforementioned markets. About one-third of all operations provided buyers with information about their calf health programs. However, 75% of herds of more than 200 head provided information, while nearly 60% of herds between 100 and 199 head did the same. For operations providing health program information, in 60% of the cases the information was provided via oral communication.

Ten percent of the calf crop was forward-priced by survey respondents in the most recent study — an increase from the approximate 5% forward-priced in 1992-1993. Within herds utilizing forward pricing, about two-thirds of their calf crop was marketed under this system — an increase from 46% of the calf crop being forward-priced in 1992-1993.

The largest herds were more likely to use forward pricing, with nearly 20% of herds with more than 200 head choosing the approach. Of the calf crop marketed with forward pricing, about 65% were forward-cash-priced with the remaining priced using futures and options.

### **Take-home message**

While the adage that “good fences make good neighbors” is valuable advice, history has proven that neighbors working together have attained more progress than going it alone. The NAHMS results provide important perspective about the cow-calf business:

1. Data recording is valuable whether in handwritten or electronic form, and the number of producers collecting data is growing.
2. Producers are targeting one-third of the calf crop to nontraditional market channels.
3. Increasing numbers of producers are communicating information about the management of the cattle offered for sale.
4. Cow-calf producers are seeking risk management opportunities from forward-pricing systems.
5. The largest cow-calf enterprises are most likely to collect data, communicate information to buyers representing nonconventional channels, and to seek risk management pricing.

The shifts in the marketplace toward better risk management coupled with alignment of market channel and supporting information have been most clearly interpreted by larger enterprises. Yet, the opportunities to participate in value-added approaches are not limited to larger herds.

To capture these opportunities, small- and mid-sized herds will likely need to work collaboratively. Buyers typically

desire purchase opportunities in load-sized lots with comparable management and genotype, thus collective approaches provide herds with less than 200 head greater opportunity to gain market access and to participate in cash-based forward pricing such as video sales.

Instead of just looking over the fence, cattle producers ought to consider taking a walk on down the lane to have a conversation with their neighbors.

Working together might just be the tonic to the headaches of these economic times.



**Editor's Note:** Tom Field is a rancher from Parlin, Colo., and executive director of producer education for the National Cattlemen's Beef Association.