

Beef Talk: Understanding things we do not control

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Discussing beef value always generates a lively response. The relationship between seller and buyer always rests in fairness. However, the documentation of what is fair is difficult, if not impossible.

The world of beef is a commingling

of many different groups. As producers present calves or other cattle for sale, the product sold represents years of thought and hard work that was molded by some anticipation of what would sell the best. The thought and hard work aspect of the cow-calf business is beset with time

offsets. In other words, calves marketed today are not valued for today's market. They are valued for some future market that is unknown.

To make things even more difficult, those bulls selected for breeding this spring will not have progeny on the rail for three years. In reality, producers who buy bulls today are speculating on calf prices two to three years down the road.

Given this massive time offset, there is little surprise that this commingling of those involved in the beef business is always apparent when carcass value is discussed. It would be great to say that all these discussions are congenial. However, any time a seller brings a product for sale, there always will be that lingering question of what is the real value of the product.

Did the seller get the appropriate value? Did the buyer underprice or overprice the product? To further complicate the question, in the beef business, there are several mechanisms that can be utilized to sell cattle.

There are the public markets, private treaties, video auctions or various combinations of marketing processes that also have varied delivery terms and/or ownership percentages.

As has been noted already, to further complicate the process, this sale may be occurring several months to more than a year before the final product, the carcass, is valued on the rail. Individual speculation as to the actual value of the carcass is based on market projections, demand estimates and myriad governmental-type trade agreements that are subject to change.

These changes can be very well-planned or simply done overnight. A shipment of beef actually could be en route to its final destination but then turned back.

The cow-calf producer, in general, does not calculate margins and does not have the option of increasing the price to cover yesterday's losses.

Well, we all could agree that this discussion seems to be getting somewhat removed from the feeder-calf market; but, in reality, it is not. The value of any calf, cow or bull is just a projection of what that value will be on the rail. Even for breeding stock, producers buy selected animals based on the projected progeny value on the rail.

Therefore, it does not take long to realize that a difference of opinion

Marketing Cattle:

The time offset from conception through harvest

- Winter of 2012 — buy bull
- Spring/Summer of 2012 — breed cows
- Spring/Summer of 2013 — calve cows
- Fall/Winter of 2013/14 — wean calves
- Spring/Summer/Fall 2014 — finish calves
- Mid-2014-Late 2015 — harvest calves

certainly will influence congeniality within the beef industry. To confound the matter even further, those who are involved in the margin-based businesses (feedlots and packers) have the flexibility to push back current losses or stimulate current profits. This further camouflages the real value of the current market offerings.

The buy and sell margins are easy to calculate for the feeders and packers. Hardly a week will go by without these numbers being discussed and market adjustments calculated.

To add further difficulty to the market environment, the cow-calf producer, in general, does not calculate margins and does not have the option of increasing the price to cover yesterday's losses. Therefore, it is easy to understand that the cow-calf producer does not have the flexibility to adjust markets.

It also would go hand in hand that a certain amount of frustration will be evident when the topics of cattle marketing, fair marketing or carcass value are discussed. However, understanding the market and how it works is paramount to success in the beef business, whether one is a cow-calf producer, feeder or packer.

The tools available to each are somewhat different and the risks are not the same throughout the industry. Protecting oneself from the risk of unplanned market change is critical and needs to be understood.

There is no easy answer. Therefore, business plans need to reflect the breeding and management plans, plus the marketing plan. For the cow-calf segment of the industry, it means teaming up with the right people to make sure marketing risk is in the business plan.

May you find all your ear tags.

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