



Your Link to



by **LANCE ZIMMERMAN**, marketing manager, Supply Development

Easing the internal conflict

The gavel bangs for the last time on those calves. During this fall auction run, most of you are on the selling side of the transaction, but how you feel about the result depends on your approach. And, of course, the price.

As the next group enters the ring, you let loose a sigh of relief and accomplishment. You think to yourself, "It was a good year. We made a profit. The hard work paid off."

The reverie is broken by the

auctioneer's final call on the pen of cattle in front of you. They're bringing a nickel a pound more! Doubt takes over, and you ask yourself, "Could I have done more? Should I have gotten more?"

Life is full of internal conflicts, yet some are easier to navigate than others. Ranchers seem comfortable with the challenges of managing cattle. There are a slew of options with every decision, but whether it is genetics, health or nutrition, producers have experience, research and experts to guide them.

Marketing calves has always been more of a mystery. Oh, you can sell them easily enough. You can drop them off and wait for the check to see if your hard work paid off. Dropping all pretense, some producers even call it "getting rid of them."

However, to add value and unlock the mystery, you have to market your calves. According to the *Merriam-Webster Online Dictionary*, marketing is the process or technique of promoting, selling and distributing a product or service.

Don't make the mistake of only focusing on the selling. Invest some time and thought into how you can produce calves suitable for promotion, then promote and deliver them to purchasers and partners who recognize the value.

Kevin Dhuyvetter, Kansas State University (K-State) agricultural

economist, offered some clarity on the definition of calf marketing during a presentation at the K-State Beef Conference, in Manhattan, Kan., Aug. 21.

Pointing out the differences between selling, marketing and pricing calves (see Chart 1), he said each element works together in determining the sale price for your calves, but the three terms are not interchangeable.

Look at your marketing approach. Does it more closely resemble Dhuyvetter's characteristics for marketing or selling? What steps can you take toward better marketing or pricing?

The first step could be to adjust your management to produce the most profitable calf. Karl Harborth, Southeast Kansas Extension livestock specialist, and Lee Schulz, K-State doctoral student in agricultural economics, presented factors that influence sale price.

Harborth outlined the influencers on sale price based on market conditions, as well as the genetic, management and marketing characteristics of a group of calves (see Chart 2). Applying these to last season's fall and spring sale runs at the Joplin, Mo., and Dodge City, Kan., sale barns, Schulz was able to develop the K-State Feeder Cattle Price Analyzer.

Available at www.agmanager.info/livestock/marketing/bulletins_2/marketing/default.asp as an Excel file download, the tool helps explain how

genetic, management and marketing characteristics can influence the price offered on a set of calves.

If you're already using registered Angus bulls, much of this has probably occurred to you. But in economic terms, you can only "improve" your calf crop by targeting the production traits that should increase sale price, and promote those qualities to potential buyers. Then, use the added value in your calves as a bargaining chip in the marketplace.

There are a variety of options for marketing high-quality calves, especially those that can garner premiums by earning the *Certified Angus Beef*® (CAB®) brand (see Chart 3). Auction markets, special sales, direct sales and even retained ownership at the feedlot could offer new opportunities to cash in on the added management in your calves.

The chart's arrows up or down are for average cattle. Retaining ownership may offer both greater risk and reward than auction sales, but the risk is less for calves backed by a program that adds value at each step.

The marketplace rewards value-added information through each method of sale. The more details you can share with prospective buyers or partners, the more likely they are to invest a premium bid in your calves.

Picking the right market might be as simple as liking the price you can get for the calves at weaning. However, futures prices and historical trends may point toward a direct sale to a feedlot months before weaning or retaining ownership in the feedlot for later marketing to a CAB-licensed packer.

Success in calf marketing means evaluating every aspect of production as a factor that can add or subtract value from your calves. If you can do that and market them to an informed buyer, you can rest easy that they brought a fair price.

Chart 1: Selling vs. marketing vs. pricing

Selling:

- Identifying the quality or grade that is easiest to produce
- Most convenient time and place
- Whatever price is offered

Marketing

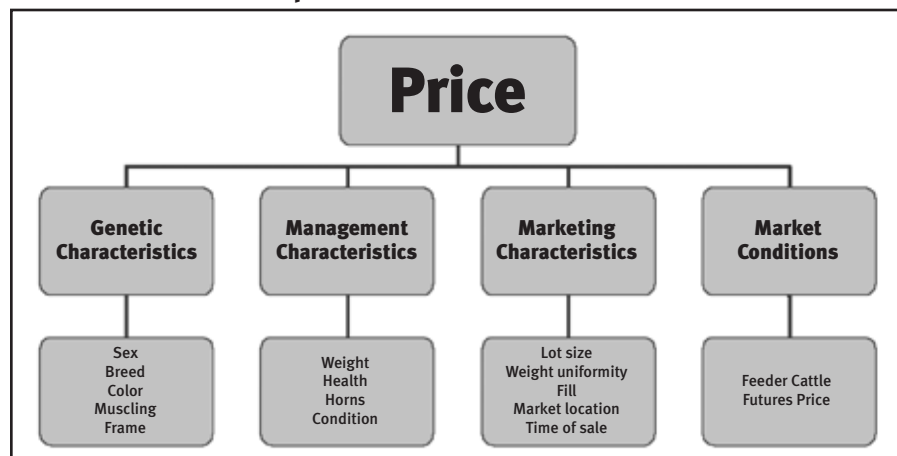
- Identifying quality or grade that is most profitable
- Most profitable time and place
- Retain some control over price and profitability

Pricing

- Use of specific tools to set price and/or basis
- Method of managing short-term price risk

Source: Kevin Dhuyvetter, K-State agricultural economist.

Chart 2: What constitutes price?



Source: Karl Harborth, K-State Area Extension livestock specialist.

Chart 3: Marketing method risks and returns based on known information

MARKETING METHOD	MINIMUM RECOMMENDED LEVEL OF RANCH INFORMATION *	FINANCIAL COMMITMENT	FINANCIAL/VALUE CAPTURE	VALUE-ADDED PREMIUMS
Auction Market	Unknown genetic & management background	↓	↓	↓
Auction market with special sale	Breed and general management at ranch	↓	↕	↓
Direct sale to a feedlot		↓	↕	↕
Direct sale to a feedlot with profit sharing	Breed, sire, specific ranch health and nutrition program, age and source, past feeding history helpful	↕	↑	↑
Retained ownership with a feedlot		↑	↑	↑
		↓ = Low potential	↕ = Medium potential	↑ = High potential

* Assumes later stocker management is based on Best Practices Manual guidelines

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