



## Your Link to

by **LANCE ZIMMERMAN** supply development marketing manager, Certified Angus Beef LLC



### Don't keep it under your hat; detail pays in the marketplace

It's time to cock your hat and get aggressive. Experts warn it will take extra effort to make money in the cattle business in 2007. Increasing cattle supplies and higher input costs will challenge the industry to dig deeper to pull out a profit.

Commercial Angus producers can do it if anyone can. Under those weather-beaten hats, synapses fire some of the brightest minds, schooled by education and experience.

A single focus on success takes diverse talents: accountant, human resource manager, crisis management specialist, inventor, mechanic, politician, scientist and grunt worker. In general, the most profit goes to those who best apply all those skills on the ranch.

Considering the forecast for this year, marketing might be the best talent to pull out of the hat next. It is an easy skill to use, but many producers are reluctant to apply it on the ranch.

Marketing has many definitions, the most common referring to how you sell calves. In this instance, let's refer to marketing in the same light as promotion. Don't confuse marketing with bragging. You can be a humble promoter and still get the job done.

#### Don't beat yourself up

Somewhere out there you will find "Joe Producer" — you know, that reserved guy who hates to say much. He'd rather just do his thing and get paid for it. Unfortunately, Joe usually feels like eating his hat when a neighbor gets a higher price for similar calves. Maybe you can relate to Joe.

He wasn't outdone on calf management. The local vet puts most customers on the same health program. Joe wasn't beat on genetics. In fact, he and the neighbors go to the same bull sales and often share their best sires on top-producing cows. And the auction market he chose wasn't the difference either. Most years the neighbors haul each other's calves to the same sale barn for the annual fall feeder calf sale.

But when the sale ended last fall, Joe's calves sold as average, while the calves down the road brought a premium. He was out-marketed. With a little recordkeeping and promotion at sale time, Joe could have received a

similar premium to the guys down the road.

Studies prove marketing can improve bottom-line profits.

#### The power of marketing

Superior Livestock Auction is arguably the largest cattle marketplace in the United States. With the help of Pfizer Animal Health, data were collected on the effect of breed, as well as value-added health programs, in 49 of Superior Livestock's video auctions from 2000 to 2005.

The data included price, health and breed information on nearly 2 million cattle in 16,840 lots. The results show proper management and marketing pay.

They also confirmed what many already know — preconditioned Angus calves bring more money at auction. However, a marketing detail lies in the premium difference between "primarily Angus" and "black or black-white-faced" calves.

There was a \$1.16-per-hundredweight (cwt.) advantage for cattle that carried the word "Angus" in their description, compared to those described as just "black." Order buyers know that other black cattle may look like Angus, but some won't raise their hand unless they know the Angus details. Maybe the blacks weren't Angus. But if they were, someone missed out on an extra dollar.

That is the power of marketing to the tune of more than \$5 per head for a calf, regardless of whether it was preconditioned.

Doesn't that make you think twice about calling your cow herd a "nice group of blacks?"

It pays to tell potential buyers you have Angus calves. Today's order buyers do their homework. It usually doesn't hurt to mention specific sires and where they were purchased. The more

information the buyer has, the more confidently he can bid on your cattle.

#### Market your management decisions

The same data revealed that most producers precondition their calves to capture more money at sale time.

Health data were collected from Superior auctions beginning in 1995 when only 3% of calves were part of the VAC-45 program (value-added calf; vaccinated and boosted against clostridial, pasteurilla and respiratory-tract viruses; and weaned 45 days) and 45% weren't viral vaccinated at all. By 2004, the tables had turned and VAC-45 calves represented 27% of sales, while non-viral-vaccinated calves accounted for only 4% of the offering.

Just 10 years ago, a sales manager could say "these calves have been vaccinated," and that was enough to convince buyers they deserved extra money. Now, with more producers realizing the value of preconditioning programs, order buyers are demanding proof before they bid.

Even terms like VAC-45 and the less rigorous VAC-34 carry a premium difference to non-viral-vaccinated calves. Bidders learned those differences and paid premiums of \$5.97 per cwt. and \$2.57 per cwt., respectively, compared to calves with no history.

It shows that producers can capture more value if they provide a detailed summary of vaccinations. Your veterinarian will be happy to document and sign the summary. You may find added value in following the guidelines for an animal health company's trademarked preconditioning program.

These premiums exist today, and the spread from top to bottom will likely widen as supplies increase and beef prices fall.

(Continued on page 74)

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**Table 1: The effect of breed and value-added health program on the sale price of beef calves sold through 49 Superior Livestock Video Auctions from 2000 to 2005**

Factor	Number of lots	Avg. sale price, \$/cwt.	Avg. price difference, \$/cwt.
<b>Sex of the lot</b>			
Steers	10,146	105.83 <sup>a</sup>	8.43
Heifers	6,694	97.40 <sup>b</sup>	0.00
<b>Breed description of the lot</b>			
Mixed English, English cross <sup>e</sup>	1,786	101.48 <sup>a</sup>	2.90
English-Continental cross <sup>e</sup>	7,876	101.51 <sup>a</sup>	2.93
Primarily Angus <sup>g</sup>	1,062	104.16 <sup>c</sup>	5.58
Black, BWF <sup>f</sup>	3,280	103.00 <sup>b</sup>	4.42
Cattle with ear <sup>e</sup>	2,486	98.58 <sup>d</sup>	0.00
<b>Value-added health program administered to the lot</b>			
Vac 34	7,943	101.67 <sup>a</sup>	2.57
Vac 45	3,290	105.07 <sup>b</sup>	5.97
Non-viral-vaccinated	1,576	99.10 <sup>c</sup>	0.00

<sup>a,b,c,d</sup>Values within a factor without a common superscript differ (P < 0.05).

<sup>e</sup>Lots of calves in these breed classes may have contained some black cattle, but the lot was less than 90% black.

<sup>f</sup>Lots of calves in this breed class were at least 90% black.

<sup>g</sup>Lots of calves in this breed class were at least 90% Angus.

The model was adjusted for the effects of sale year, the random effect of sale date within year, frame score of the lot, flesh score of the lot, weight variation of the lot, whether the calves did or did not have horns, lot size, the quadratic effect of lot size, base weight, the quadratic effect of base weight, and the number of days from sale date to delivery date.

## Your Link to CAB (from page 73)

### Capturing information

In marketing, information can be your best friend. New technologies coupled with source and age verification can make it easier.

The AngusSource® program provides a system to work within, tracking genetics, birth dates and management practices.

Plus, it gives you the marketing benefit of sending potential buyers information about your calves, once you determine a sale location and date.

Communicating good news in the feeding history of your cattle can help, too. Past feedlot performance, carcass data and long-term health information

can provide buyers with a glimpse of a profitable future for those cattle.

A producer who makes measurable improvements over time captures the attention of order buyers. In today's data-driven market, if you want to follow your calves' progress after the sale, it adds confidence in the bidder's mind. It might be worth noting at sale time that you'd offer a per-head rebate if the buyer has a

way to get you feedlot and carcass data.

Are your cattle eligible for a natural program? Producers are starting to promote their cattle as "natural eligible," but that's too general in today's market. A few minutes online or on the phone can determine exactly which programs your cattle fit. While finding out if they qualify, you might even persuade program buyers to bid on them.

Also, keep detailed records of your sire groups. Collect their expected progeny differences (EPDs), and track them back to individual cows if possible. It takes work, but buyers like numbers. In time, you could humbly note that your calves come from a number of generations with above-breed-average EPDs for marbling, yearling weight and ribeye area.

These figures all build confidence in your cattle, and the bids will be placed accordingly. With a little extra marketing effort, you will be able to tip your hat proudly as the auctioneer acknowledges the genius who raised the cattle in the ring.



**Editor's Note:** Lance Zimmerman is supply development marketing manager for Certified Angus Beef LLC.

## Convey the information

Specific management will only pay if you let it be known. Consider putting together a half-page description of your sale cattle with copies of all supporting documents at sale time. Here's a checklist to use as a guide.

- When was the first and last calf of the sale group born?
- What is the breed of your cow herd?
- What is the breed of the bulls you used?
- Do the bulls or cows come from any popular sires?
- From which breeder did you purchase your bulls?
- Can you provide sample EPDs of the sires of your calves?
- What vaccinations have the calves received, and when did they receive them?
- Are the calves eligible for any natural beef programs? If so, note if any calves in the group have been treated with an antibiotic.
- Did your calves receive implants? If so, when were they given, and what brand and type of implant did you give them?
- How many days have the calves been weaned?
- What past feeding and carcass data can you provide buyers?
- Are you willing to offer a per-head rebate if a buyer supplies you with specific information from these calves after harvest?