



Priorities First

Identifying Management Priorities in the Commercial Cow-Calf Business
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Marketing Value Begins in the Pasture

Marketing completes the top five priorities, making this aspect of the business a high management priority for cow-calf producers. More than 80% of a typical operation's revenue comes from the sale of calves and yearlings, making it the marketing sweet spot in the cow-calf business.

“It's no secret that production costs for cow-calf operators have been rising... . As a result, producers are becoming more oriented toward marketing and are working harder to add value to their calves... . Their goal is to increase revenue and bring more profitability to the bottom line.”

—Randy Blach, Cattle-Fax, Englewood, CO

According to *Beef Marketing Alternatives Livestock Technical Note*, under conventional production and marketing, half of the value of beef is added after cattle leave the farm or ranch. Net returns to the cow-calf producer for the “raw” product is less than the returns realized up the food chain. Today's marketing systems offer greater opportunities to increase profit per head for producers, large and small, willing to seek alternatives. Retaining ownership beyond weaning, higher quality grades and improved yield grades, careful culling management and minimizing production costs are all opportunities to increase profitability.

Producers seeking to add value at marketing must develop a production and marketing strategy specific to their environment and management abilities. Non-genetic programs such as well designed health, nutrition and management programs also increase value. For example, Texas A&M University's Ranch to Rail program consistently reported calves going through such programs tend to have lower sickness and death, gain faster and more efficiently, and yield more valuable carcasses. These traits can result in higher prices for the cow-calf producer if effectively marketed. If ownership is retained, the producer benefits directly from better performance as stockers or feeders and greater carcass value.¹

Preconditioning programs consistently add value to calves at marketing. A study commissioned by Pfizer Animal Health with Colorado State University and Superior Livestock documented that premiums averaged \$4.58/cwt for preconditioned calves over an 11 year period.²

Source and age verification programs add value at marketing by verifying the ranch of origin and age and provide the necessary documentation to meet the requirements for global export. Programs such as AngusSource® also guarantee the calf is at least 50% Angus. Most producers retaining ownership are currently receiving a \$15-\$35/hd premium for source and age verified calves.

Producers may choose to add value to their beef by developing markets outside the conventional system. Niche markets such as natural, organic, lean beef, grass fed, locally raised and hormone/antibiotic free are alternative markets being developed successfully by small to medium sized

Marketing Options Can Include:

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|----------------------------|-------------------------|
| ■ Local Sale Barn | ■ Alternative Markets |
| ■ Retained Ownership | Natural |
| ■ Alliances & Cooperatives | Organic |
| ■ Calf Pools | Lean Beef |
| | Grass Fed |
| | Hormone/Antibiotic Free |

producers, most of which market their beef locally and directly to the consumer. While developing or producing beef for niche markets or marketing direct to the consumer may increase profits, it is more labor-intensive and time consuming and, many times, requires additional skill sets such as sales expertise to be successful.

Adding value begins with knowing the genetics, determining a market that fits a producers environment and implementing pre-sale programs in demand up the food chain.

MARKETING PRIORITIES FOR ADDING VALUE³

- Know the genetics
- Know individual production costs
- Preconditioning
- Retained ownership
- Source, age and genetic verification programs
- Develop resources for current conditions & trends

¹ Value Added Calf (VAC) Management Program, Texas A&M University Department of Animal Science Extension Beef Cattle Specialists, 2005.

² Pfizer Animal Health, *Tech Notes*, 2007

³ Retained Ownership Strategies for Cattlemen, Davis, et al., Texas Agricultural Extension Service, 1999.

Priorities First: Identifying Management Priorities in the Commercial Cow-Calf Business, by Tom Field, Ph.D., Fort Collins, Colorado, and sponsored by the American Angus Association, is the first comprehensive effort to prioritize management and economic issues for cow-calf producers. (A detailed summary can be found at www.angus.org or contact the American Angus Association, 816.383.5100 to obtain a printed copy of *Priorities First*.)