

## Chapter 5 – Marketing

Marketing is the payoff for adding value. Traditional methods typically pay on averages, discounting the best cattle to subsidize the poor ones. If you've made an investment in time, resources and risk, your next steps must be marketing in a way that generates a return on those investments.

### Document Value

The first step is documenting the value in your calves. Then, play an active role in promoting that value, regardless of the marketing avenue. Here's a short list of the primary value factors to record:

- Weight
- Location and proximity to feedlot
- Health program – vaccine companies and veterinarians offer systems to validate your program. These give assurances to buyers and add value to your calves.
- Genetics – breed profile of cows; breed and EPD profile of sires.
- Age range – oldest to youngest calf in the group. With requirements for export markets often determined by age, this record adds value to your calves, especially if done through a USDA Quality Systems Assessment (QSA) or Process Verified Program (PVP).



The AngusSource® program is a USDA PVP that can help qualifying herds document and supplement marketing efforts. Calves sired by registered and transferred Angus bulls can be enrolled into this American Angus Association program that documents age, source and genetics. The AngusSource® program can also list your calves to buyers around the country. To learn more, go to [www.angussource.com](http://www.angussource.com) or call 816-383-5100.

You want to capture all or most of the value you add to your calves. The amount you can capture through marketing depends on the risk you are willing to stand and amount of ownership you are willing to retain. Retained ownership through finishing may not be best for producers of unknown genetics or those who take no steps to coordinate health and weaning. However, it may be the best way to realize the full feeding and carcass value of a set of cattle. The following marketing scenarios are ranked based upon their ability to capture value.

### **Option 1 - Full- or partial-retained ownership (plus grid marketing)**

- Retain up to 100% ownership in the calves through finishing and sell the cattle on a value-based marketing grid or formula. Many feedlots will partner with you on a set of calves with varying levels of ownership from 75% or more to less than 25%. Many also offer up to full-term financing for the feedlot phase, using the cattle as equity.
- Select a feeding partner. That's not as daunting as it once was. Certified Angus Beef LLC (CAB) has taken the first step by identifying feedlots that have demonstrated an ability to feed cattle for the brand. CAB Feedlot Licensing Program (FLP) partner yards are great candidates for starting your search. Access the list of FLP yards at [www.CABpartners.com/feedlots](http://www.CABpartners.com/feedlots).
- Conduct several phone conversations to narrow the list, then personal visits to find a feedlot partner matching your goals.
- Finally, pick a feeding partner with whom you are comfortable. Get to know the management personnel and their philosophies. Success in feeding your cattle will be highly dependent on your comfort, trust and communication with each other.
- Note: Some of the calves from your herd may not be ideal for feeding with the group. Those born far earlier or later than average may present feeding challenges. Sort those very heavy or light ones out, along with any outliers for health (chronics) or genetics (neighbor's bull), and market them as feeders. The older and younger cattle may still bring a premium from a buyer with orders to fill. Outliers may take a discount, but that would likely be amplified if you try to feed them with the rest of your calves.

## Here are a few considerations when selecting a feeding partner:

- What is the company's strategy for maximizing the value of your cattle?
- Does this yard have experience feeding cattle similar in genetics and origin to yours?
- What cost of gain (COG), average daily gain (ADG) and feed conversion (F:G) does the yard typically achieve for cattle like yours?
- What are the specific costs, such as yardage, processing, corn, etc.?
- What is the yard's marketing expertise? If it markets on grids, with what types of grids (quality vs. cutability) does it have experience?
- Does the yard sell a whole pen at one time or sort pens for marketing?
- If it fits your situation, can the yard work with a number of producers pooling their calves together in one pen (apportioning feed bills, etc.)?
- Is assistance with risk management provided?
- Are financing packages offered? If so, on what terms?
- Are partnering options offered? If so, what are the partnering terms?
- What is the yard's experience in capturing and returning carcass data?
- What are some of the unique services and benefits of the yard?
- Can the yard arrange trucking to suit your schedule?
- Can it provide a list of customers who could be contacted as references?

### **Option 2 - Direct feeder sale with opportunities for later premium sharing**

This relatively new concept is already offered by several progressive feedlots. Cow-calf producers sell their calves to the feedlot at a high percentage of an agreed upon price, with a provision for obtaining bonuses based upon the cattle's health, performance and carcass merit. These bonuses would be paid to the cow-calf producer after the fed cattle are marketed.

CAB has developed a feeder calf value-discovery pricing system that may be used as a model for innovative partnering options. The following example shows how the program might work. Feedlots offering such deals will probably include bonuses for those general areas of health, performance and grade. However, the exact bonuses and complexity of the arrangement will vary among feedlots.

## CAB FEEDER CALF VALUE-DISCOVERY SYSTEM EXAMPLE

### INITIAL PAYMENT

- 95% of the negotiated base price paid upon delivery
- Negotiated terms of shrink, weigh-up and slide

### BONUS PROGRAM – Paid on per-head basis for all finished cattle marketed

- **Health**
  - Lot closed out with 1.1% to 2.9% death loss = \$5/hd.
  - Lot closed out with 1% or lower death loss = \$10/hd.
- **Average daily gain (ADG)**
  - Base: Steers = 3.0 lb.; heifers 2.8 lb.
  - Every tenth of a pound over base = \$5/hd.
- **Feed conversion (F:G)**
  - Base: 6.2 for steers or heifers
  - Every tenth under the base = \$5/hd.
- **CAB acceptance**
  - Base = 15%
  - Every percentage point (ppt) over the base = \$1/hd.

### DEMONSTRATION:

- 200 steers weighing 700 lb.
- Negotiated base price of \$1/lb.
- Initial payment 95% of base = 700 lb. @ \$1/lb. X 95% = \$665
- Cattle performance
  - 0% death loss; ADG = 4.1; F:G = 5.7; 36% CAB
- Bonuses
  - Health = +\$10/hd
  - ADG = 4.1 - 3.0 (base) = 1.1 or 11 tenths @ \$5/tenth = +\$55/hd.
  - F:G = 6.2 (base) – 5.7 = 0.5 or 5 tenths @ \$5/tenth = +\$25/hd.
  - CAB = 36 – 15 (base) = 21 ppt @ \$1/ppt = \$21/hd.
  - Total = \$111/hd. x 200 hd. closed out = \$22,200
- Advantage over the \$1/lb. base = \$76/hd. or \$15,200 on 200 hd.
  - Feeder calf equivalent price = \$1.11/lb.

*Please note: The values used in this example are for demonstrative purposes only.*

### Option 3 - Special feeder calf sales

Many state, regional and county livestock organizations and universities hold special sales in cooperation with auction market operators or video/internet auction services. These sales aim to assemble truckload lots (~50,000 lb.) of calves of like weight, sex, health and genetics, often in multiple-owner, co-mingled lots.

- Investigate the options and consider using a sale that works for your scenario. Each sale has some unique requirements for participation.
- Enlist the assistance of your seedstock provider and visit with your local auction markets about their willingness to hold the event if a sale is not organized that fits your needs.
- Consider working with other producers who have similar goals and organizing your own event. If you don't have enough for an entire sale, try to get a section of an existing sale devoted to your group.
- Promote your participation in any sale to prospective feedlots and order buyers.
- Investigate any means of tracking calves after the sale. The AngusSource® program can certainly help with promotion, and it may help facilitate future transfer of information back to the ranch.

### Conclusion

This manual is no more than a set of guidelines for those who want to produce high-quality beef, and reap the rewards for doing so. Its foundation ideas and theories are science-based, but like all science, they are subject to being replaced as the body of knowledge grows. Moreover, many are in need of local adaptation to environment and resources.

Management practices have this in common with the dynamic and improving cowherd: perfection will never be attained. Proceed with the certainty that you can always do better. Use the best information available now, but maintain a standing inquiry into every channel that could yield better management practices than those considered “best” at this writing. From information to management to the ultimate ideal represented by CAB brand products, welcome to the quest for the best.

# Supporting Literature

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