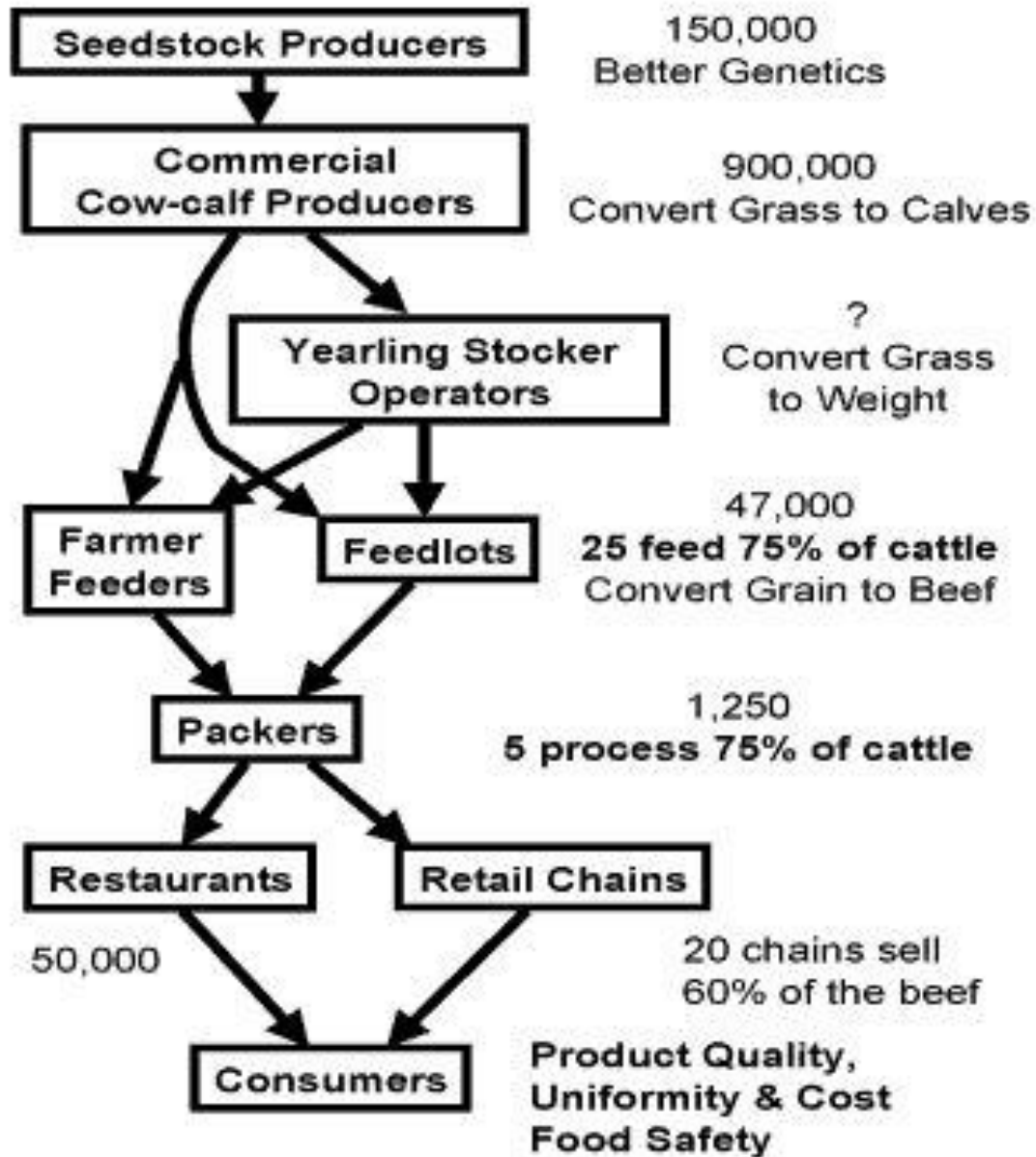


Beef Cattle Marketing Considerations

Craig Gifford
Extension Beef Cattle Specialist



“Value-Added”

- To What?
- Important to establish a baseline and know where your operation is at before considering “Value-Added”.
 - Your efforts might be better served on “traditional management” which adds value!

First Question

- How do you market your calves and how much time do you have to put into marketing?
 - Niche marketing requires time and commitment especially to get started.

Management Value-Added

“Management Value-Added”

- Mixed undesirable breeds
- Horned
- Bulls
- Fresh-weaned
- High stress
- Likely the biggest bang for your buck is cleaning these up

“Uniform Program”

- Sale barn commission and fees
- Varies but often somewhere around 3% + fees
- Is a discount for operations large enough to fill a truck otherwise
- Example: 80 steers means you need to run about 200 cows to sell on the ranch. Yearly = sale barn

Calf Discounts

Journal of Agricultural and Resource Economics 41(3):458–480
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ISSN 1068-5502

Calf and Yearling Prices in the Western United States: Spatial, Quality, and Temporal Factors in Satellite Video Auctions

Steven C. Blank, Tina L. Saitone, and Richard J. Sexton

The logo for New Mexico State University, featuring the letters 'NM' stacked above 'STATE' in a white serif font, set against a dark maroon square background.

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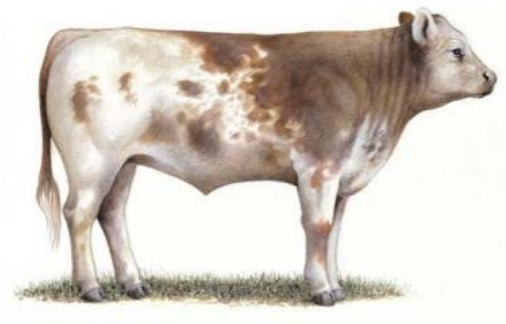
A decorative horizontal bar composed of several overlapping rectangular segments in shades of teal, yellow, orange, and grey.

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“Uniform Program”

- Highly variable lots -\$1.48 cwt
- Small lots -\$1.32 cwt
- Means you lose ballpark of \$40 on commissions, fees, and discounts for variability associated with year round calving

“Quality Program”



Large



No. 1



Medium



No. 2



Small



No. 3

“Quality Program”

- Assume selling 550 lb steers
- Price break of \$18 between L1 and M2
- Difference is about \$100/calf
- If a bull breeds 25 cows, then a good bull can yield \$2500 premium in a single year
- *Highly variable

“Healthy Program”

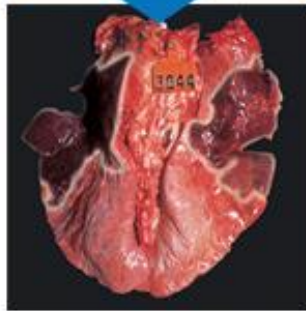
- Bovine respiratory disease
- Remains the largest challenge facing the beef industry.
- Cost is \$500 million+ annually
- Fresh weaned, naïve calves are the most susceptible.

Bovine Respiratory Disease

Healthy Lungs



Effects of Pneumonia



Irreversible Lung Damage

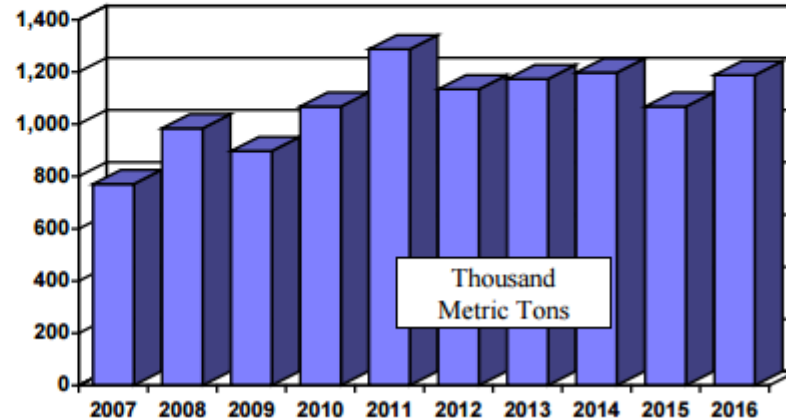


Marketing: Why your buyer cares

TOTAL U.S. BEEF EXPORTS 2007-2016 (Including Variety Meat)



	Volume (Metric Tons)	Value (\$Billions)
2016	1,187,050	6.343
2015	1,067,614	6.302
2014	1,196,752	7.135
2013	1,172,792	6.157
2012	1,133,940	5.511
2011	1,287,259	5.420
2010	1,067,279	4.078
2009	897,376	3.082
2008	984,712	3.619
2007	771,196	2.617



- Approximately \$260 per head for fed slaughter is added in value back to U.S. Beef Producers from exports.

Country Folks



A cattle feeder's perspective on profitability

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by Sally Colby

- *The top 10 percent of calves' value was \$2.40/day more than the bottom 10 percent.*
- *The top 10 percent of calves were worth an average of \$494.40 per head difference to the feedlot when fed.*
- *The top 10 percent of calves' average daily gain was 1.54 pounds per day greater than the bottom 10 percent.*
- *"We know where the cattle are coming from," he said, "and how much we can pay for these calves."*



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What Does This Mean

- Health Matters!
- Age and Source Matters!
- Quality Matters!

2017 ACES HIGH Sale Results

STEERS					
Weight	ACES	Value	Non-Value	ACES VS. Value	ACES VS Non-Value
400-449	\$ 194.76	\$ 187.66	\$ 177.16	\$ 7.10	\$ 17.60
450-499	\$ 186.23	\$ 177.70	\$ 167.81	\$ 8.53	\$ 18.42
500-549	\$ 172.55	\$ 157.31	\$ 158.64	\$ 15.24	\$ 13.92
550-599	\$ 168.21	\$ 153.88	\$ 142.39	\$ 14.33	\$ 25.82
600-649	\$ 147.29	\$ 140.69	\$ 143.15	\$ 6.59	\$ 4.14
650-699	\$ 147.66	\$ 141.95	\$ 129.71	\$ 5.71	\$ 17.95
700-749	\$ 144.50	\$ 130.14	\$ 129.69	\$ 14.36	\$ 14.81
750-799	\$ 141.53	\$ -	\$ 122.58		\$ 18.95

Age and Source Verification

- Links animal to premise ID and tracks animal through production.
- Requirements
 - First and last calf born
 - 840 EID tag
 - 3rd Party Verification

Shrink

- “Pencil Shrink”: Shrink is pre-agreed upon prior to sale and shipment of cattle.
- Sale-barn shrink: actual shrink experienced by calves at sale-barn.

Shrink

- 100 calves averaging 550 lbs = 55000 lbs
- 3% pencil shrink = -1,650 lbs
- 9% actual shrink = 4,950 lbs
- 1,650 lbs X \$2.80 = -\$4,620
- 4,950 lbs X \$2.80 = -\$13,860
- Over \$92/calf difference

What's Ahead?

Crystal Ball

- Cow herd is shrinking (1960s)
- Past year cow and heifer slaughter is almost 52% of the total = highest since 1986
- Heifers are 40% of total cattle on feed (highest since 2001) and October heifer heifer on feed is highest since 1996

What's that mean?

Flexibility!

- Adapt and capitalize on the unique market conditions.
- Good prices are here but so are high input costs.
- Watch segments and remain flexible,

Questions?

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