



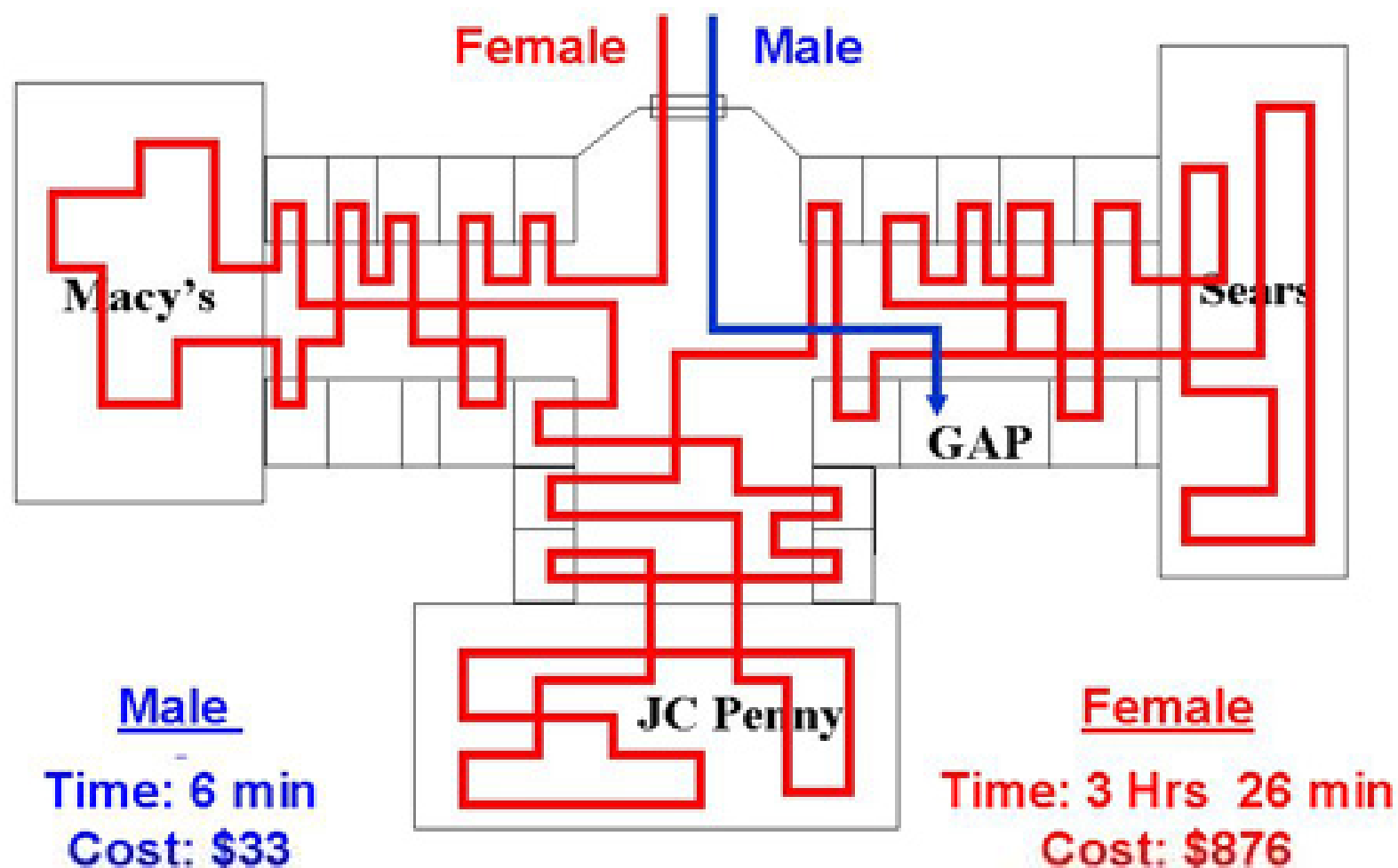
# Decisions, Decisions, What do I do with my calf crop?

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## Mission: Go to Gap, Buy a Pair of Pants



# Are you a Seller or a Marketer?

- Sellers → Focused on **Convenience**

- Produce what is easiest to sell
- Sell at the most convenient time
- Sell at most convenient place
- Price taker

- Marketer → Focused on **PROFITS**

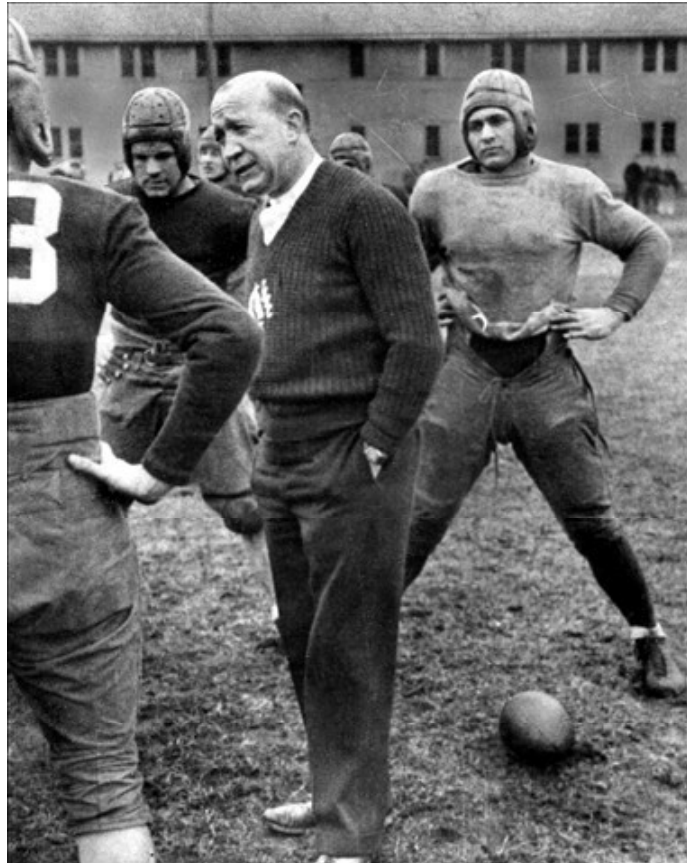
- Produce what the market wants
- Market at the most profitable time
- Market using the most profitable method
- Have some control over price



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# Let's Start With the Basics



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# Marketing Concepts

Commodity Markets – “Similar” products. Long-run price approaches cost of production.

- Usually “guaranteed” markets.
- Price discovery is not really difficult.
- Many sellers and many buyers.

“Specialty” Markets – Differentiated products. Some opportunity to gain value and extract consumer surplus.

- Markets not usually as well-developed.
- Price discovery can be an issue.
- Fewer sellers and fewer buyers.



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# How are calf prices set?



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# Evaluating Value-Added Marketing Opportunities

- Goals
  - Profits
  - Convenience
  - Other
- Resources
  - Land
  - Labor
  - Capital
  - Management
- Risk Tolerance



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# Evaluating Marketing Alternatives

- The preferred marketing alternative is the one that puts the most NET dollars in your pocket, not the one that bring the highest price.





# UGA MARKETING ALTERNATIVES CALCULATOR

Number of head	75			
	Base Alternative - Sell 500# Weaned Calf	Alternative 1 - Sell 650# November	Alternative 2 - Sell 855# April 2010	Alternative 3 Finish and Sell in Feb. 2010
Ranch Weight	525	650	855	1200
Market Shrink	0.00%	0.00%	0.00%	0.00%
Pencil Shrink	0.00%	0.00%	0.00%	0.00%
Net Sales Weight (lbs.)	525.00	650.00	855.00	1200.00
Sales Price (\$/Cwt.)	\$ 88.00	\$ 78.00	\$ 83.00	\$ 90.00
Gross Revenue	\$ 462.00	\$ 507.00	\$ 709.65	\$ 1,080.00
Sales Commission (percentage of gross)	4.00%	4.00%	2.00%	0.00%
Yardage (\$/head)	\$ -	\$ 1.00	\$ 1.00	\$ -
Other Marketing Fees - (\$/head for checkoff and other marketing expenses)	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Transportation & Hauling (\$/head)	\$ -	\$ 8.00	\$ -	\$ 50.00
Total Transactions Cost (\$/head)	\$ 19.48	\$ 30.28	\$ 16.19	\$ 51.00
Additional production cost (preconditioning, etc) (\$/head)		\$ 50.00	\$ 261.00	\$ 472.50
Death Loss %		1%	1%	2%
Total Additional Pounds		8,887.50	24,108.75	48,825.00
Total Cost Including Opportunity Cost and Death Loss		\$ 39,606.06	\$ 54,523.71	\$ 73,930.10
Total Dollars Received	\$ 33,189.00	\$ 37,644.75	\$ 52,691.51	\$ 79,380.00
Alternative advantage compared to base		\$ (1,961.31)	\$ (1,832.20)	\$ 5,449.90
Net Dollars Received Per Head	\$ 442.52	\$ 426.72	\$ 432.46	\$ 556.50
Dollars/head advantage		\$ (26.15)	\$ (24.43)	\$ 72.67
Breakeven Sales Price		\$ 82.06	\$ 85.89	\$ 83.82
Breakeven Cost per Head		\$ 59.41	\$ 260.03	\$ 615.88

[www.georgiaforages.com](http://www.georgiaforages.com)

# Selling at Weaning

- Advantages
  - Money now
  - No production risk
  - Minimal facilities required
- Disadvantages
  - May not receive true value of calf
  - Higher marketing cost – shrink
  - No opportunity to take advantage of price increases



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# Preconditioning

- Weaned
- Bunk broke – includes water trough
- Males castrated
- At least two rounds of vaccinations for respiratory and other diseases



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# Preconditioning

- Advantages
  - Reduced shrink.
  - Preconditioned calves usually bring more.
  - Opens more marketing alternatives.
- Disadvantages
  - Additional cost.
  - Requires additional facilities.
  - Marketing calves can be an issue.



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# Stockering



- Advantages
  - Extends the marketing window.
  - Put additional gains on calves with lower cost forage.
  - Allows you to cull poor performing calves before going to feedlot.
- Disadvantages
  - Additional cost.
  - Production risk.
  - Price risk if stockered into fall.

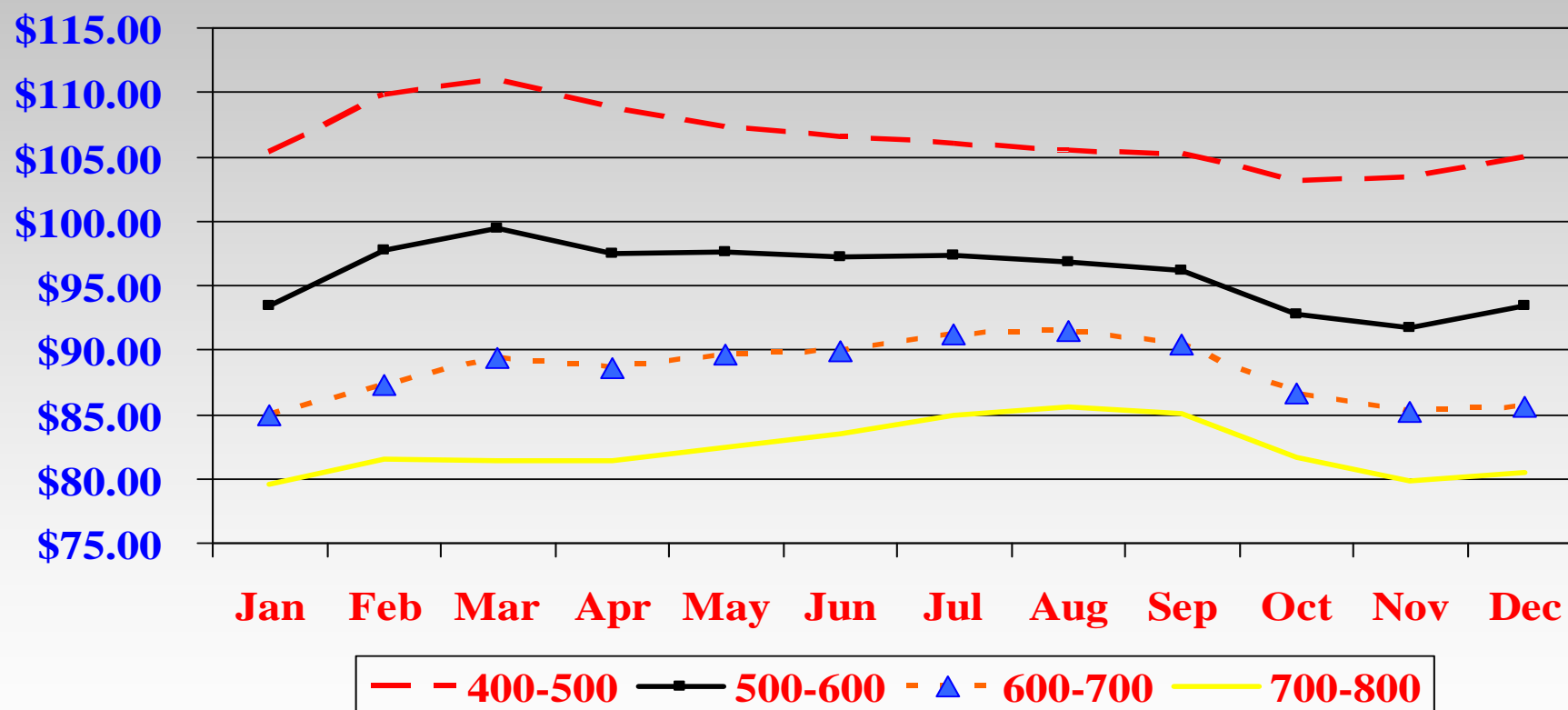


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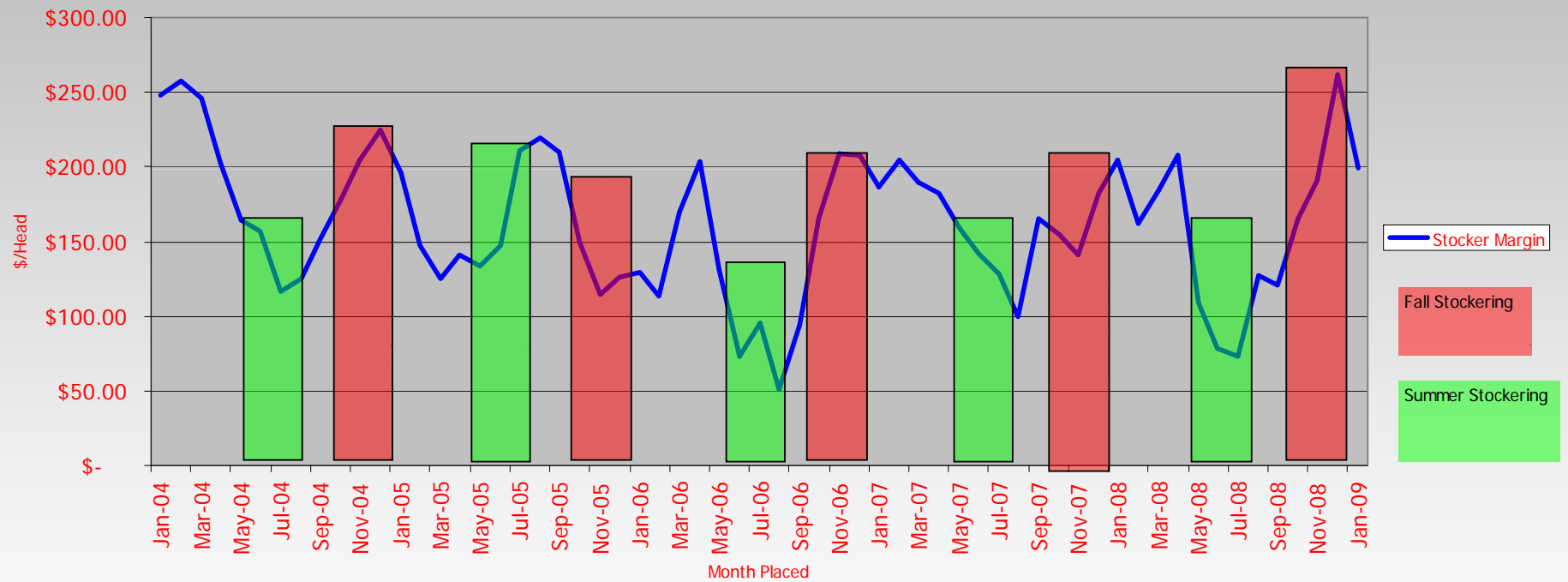
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## Georgia Weekly Average Auction Prices for M/L 1-2, Bulls/Steers 2004-2008



## Gross Stocker Margin for 450-750 Lbs. Steers 2004-2009



# Finishing

- Feeder calves are fed a high-grain ration in a feedlot.
- Fed to an ending weight of 1100-1300 lbs. and backfat thickness of .40-.50 inch.
- Cattle are marketed on a live, dressed, or carcass basis.
- Producers pay feedlot for feed plus feed markup or daily yardage. Producers also pay for any processing and vet cost.

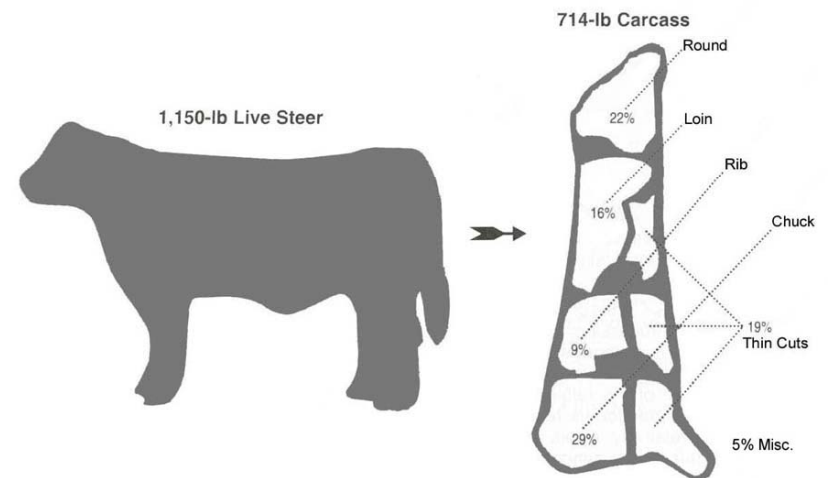


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# Finishing

- Advantages
  - Allows you to receive true value on animal.
  - Can increase returns per calf.
  - Extends marketing window.
- Disadvantages
  - Additional time and cost involved.
  - True value of calf may be less than thought!
  - Price and Production Risk.
  - Locating a feedlot.
  - Marketing on Carcass or Liveweight Basis can be tricky.

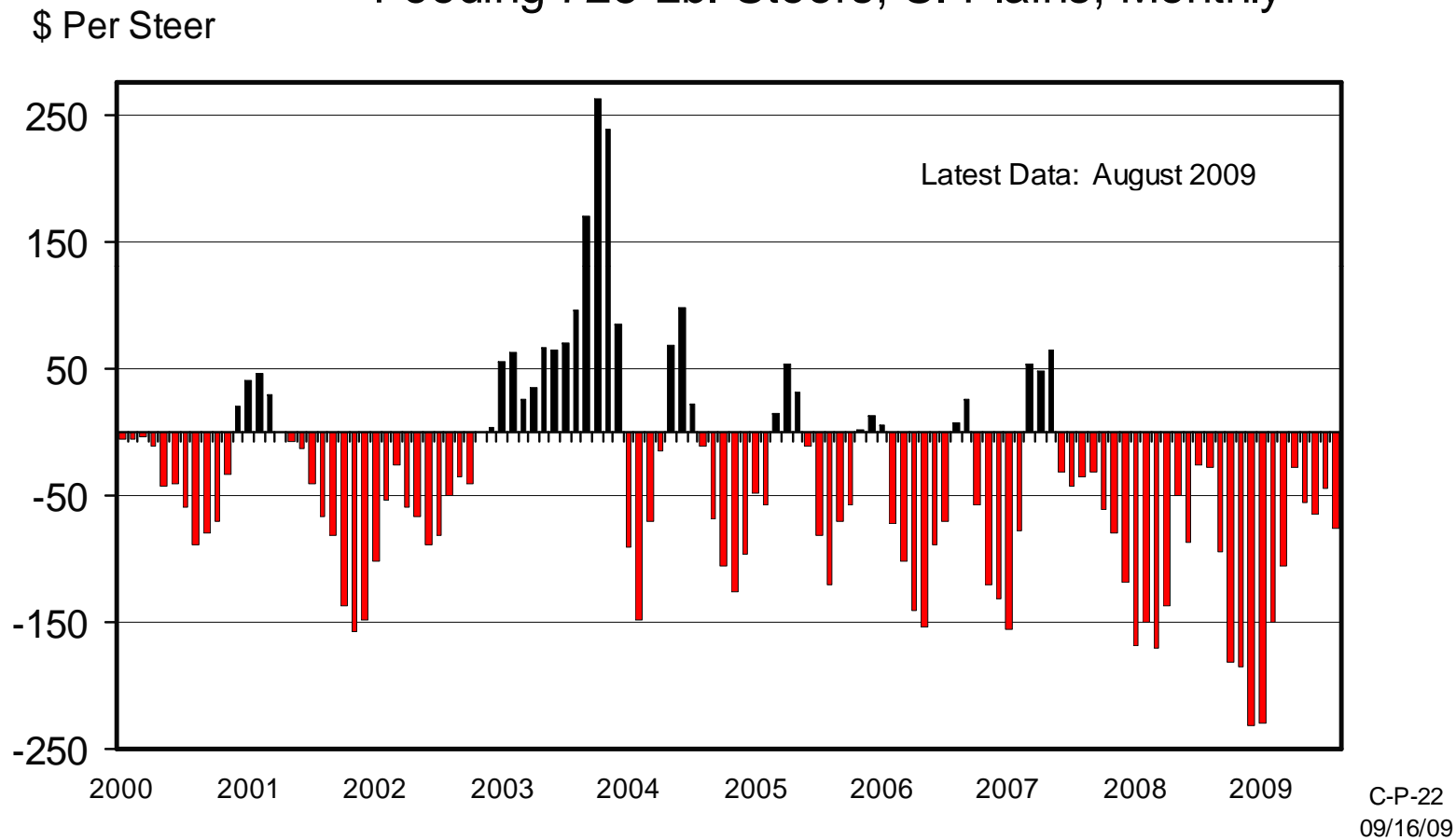


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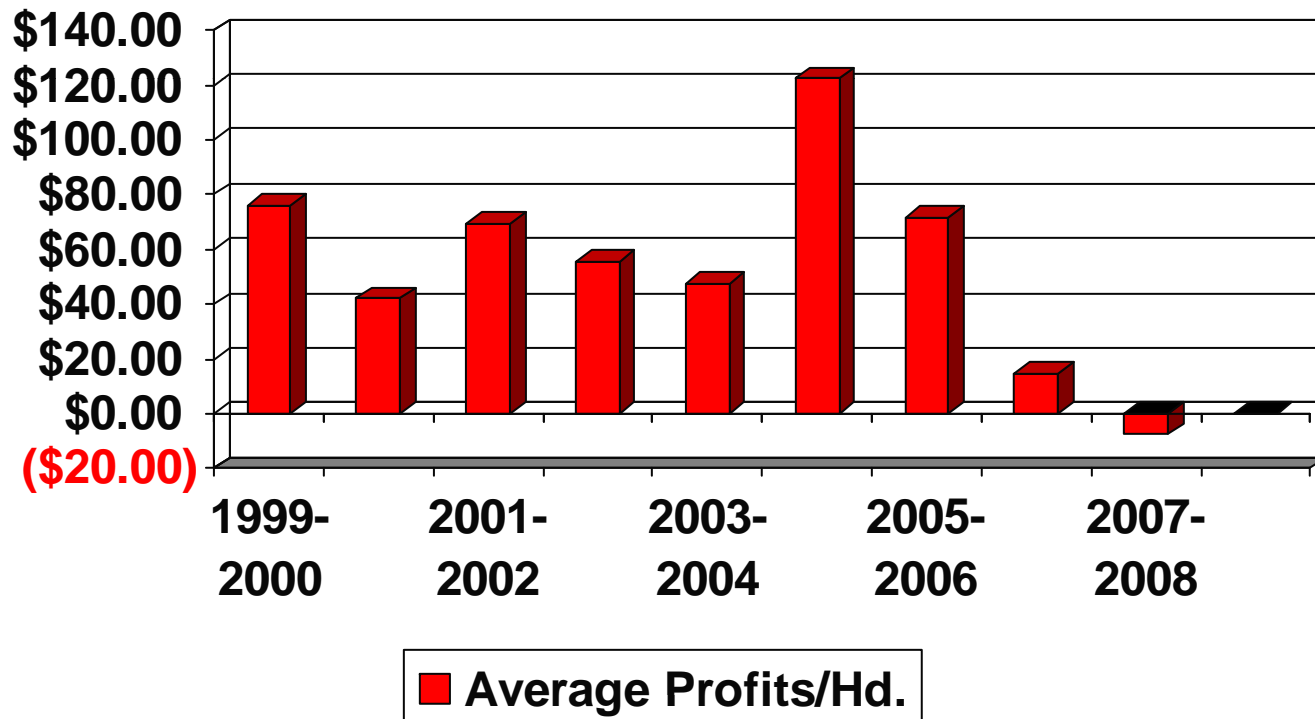
# AVERAGE RETURNS TO CATTLE FEEDERS

Feeding 725 Lb. Steers, S. Plains, Monthly





# Feeding Profits for GA Producers, 1999-2009



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A large red shape, resembling a stylized 'C' or a bracket, frames the left side of the slide. Inside the white space of this shape is a white semi-circle. The title text is centered within this semi-circle. A thick black horizontal bar is positioned below the semi-circle, extending from the red shape towards the right edge of the slide.

# **Collective Marketing of Feeder Cattle**

# Producer Marketing Groups/Networks

- Four Examples
  - Red Carpet Cattlemen's Association\*
  - SE GA Feeder Cattle Marketing Association
  - SW GA Feeder Cattle Marketing Association
  - Madison County Cattleman's Association
- Cattle preconditioned and described prior to sale.
- Cattle are videotaped/photographed digitally and then marketed via a tele-auction.
- Cattle marketed in early-mid August for August-October delivery.

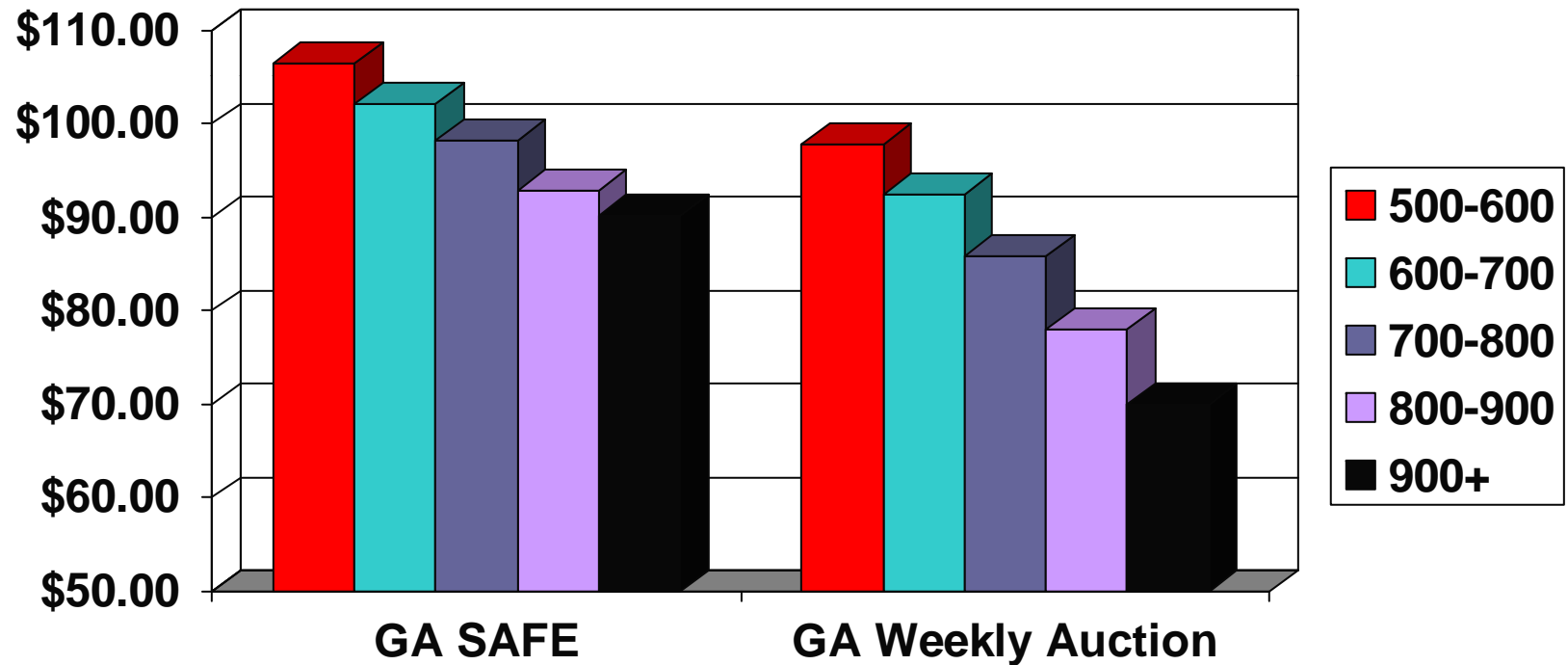
\* Red Carpet does not require pre-conditioning and conduct auctions/delivery monthly



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# Results from Southwest Georgia Feeder Cattle Sales, 2009 Steers\*

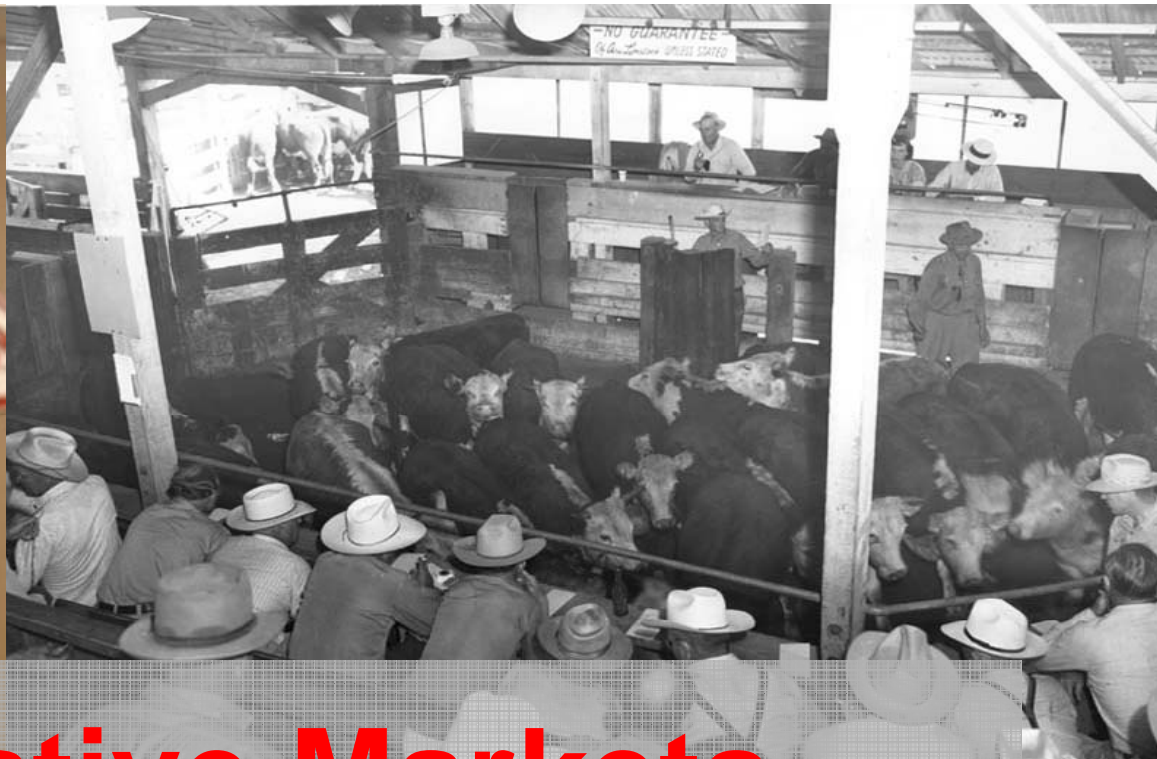


\*Load lots, pre-conditioned, PVP and EID



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# Alternative Markets





# Alternative Production Systems/Markets



- Natural
- Local/Direct-marketing to consumers
- Grass-fed
- Organic



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# Major considerations

1. Do you have a market?
2. Do you have a market?
3. Can you market in a timely manner?
4. Are there additional costs?
5. Are there premiums?
6. What's the downside?



# General Observations

- Consumer's are mostly concerned about
  - Antibiotics
  - Hormones
- They are also concerned about animal welfare.
- They want to help the “small/local” producer.
- Increasing concern about origin of our food.
- They are willing to pay some premium for these products.



# Common Threads of Most Alternative Production Systems

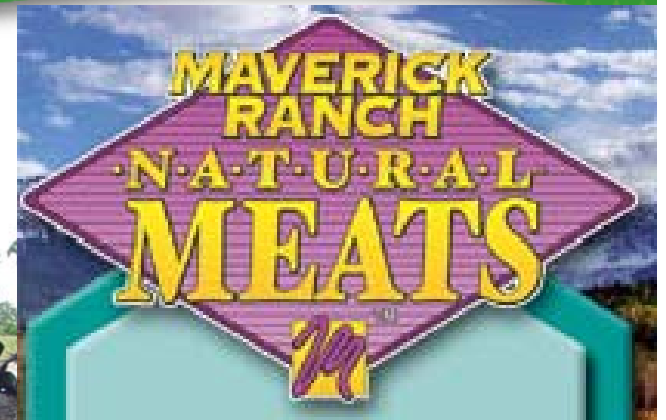
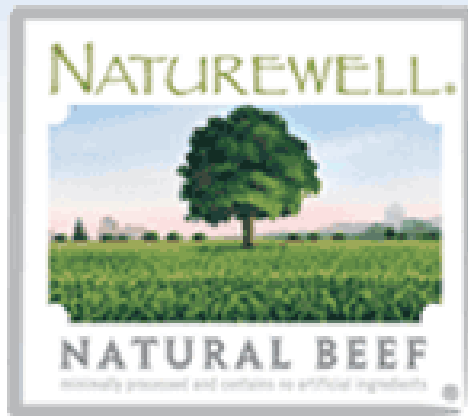
- Reduction or complete elimination of:
  - Antibiotics
  - Implants
  - Growth promotants (ionophores/ beta-agonists)
  - Animal derived proteins
- Increased record-keeping requirements
- More planning for marketing





# LAURA'S LEAN BEEF®

Cattle never given antibiotics or added growth hormones.





# Natural Beef

- Consumer's definition of "Natural" is different from current USDA definition of minimally processed.
- Approximately 20 different lines of natural beef being offered.
- Natural is essentially grain-fed beef without antibiotics, hormones or ionophores.



# Natural Beef

- All natural beef programs place limitations on:
  - Antibiotics
  - Implants
  - Ionophores/Beta-agonists
  - Animal derived proteins
- Usually fed in selected feedlots



# Economic Tradeoffs

- Cow-calf
  - Reduced implant and antibiotic costs
  - Lower weaning weights (possibly)
  - Increased vet expenses?
- Finishing Phase
  - Reduced implant and antibiotic costs
  - Slower growth
  - Higher feed conversion
  - Higher feed expense
  - Increased vet expense
  - “Fall-out” rate around 10-20%
  - Higher percentage of cattle grading Choice (10-15%)



# Short-story

- Cow-calf producers need \$4.00-\$6.00/cwt. premium for weaned calves.
- Backgrounded/preconditioned cattle need \$7.00-\$9.00/cwt. (depending on morbidity and feed conversion).
- Slaughter cattle need \$12-\$15 carcass cwt. (\$7-\$9/cwt. live).



# Real-world data from North Georgia

- North Georgia

- AN and ANx cow-calf pairs from NW GA Experiment Station (Calhoun) divided into two groups prior to calving (2007 & 2008).
- One group treated conventionally the other group treated as natural (no implants, no antibiotics).
- Both groups weighed at weaning, preconditioned for 60 days and sent to SW IA to be fed in GA Beef Challenge.



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# Results from NW GA Cattle (2007&2008)

Date	Natural	Conventional	Difference
Weaning	543	575	33
B/E Sales Price (\$/Cwt.)	\$76.15	\$72.02	\$4.14

- 15% (12%-17%) fall-out in calf phase from foot-rot on natural calves.
- At weaning needed \$4-\$5/cwt. to cover difference in weight.
- After 60d precon needed \$2-\$4/cwt.(\$0-\$6.50) to cover difference in weight.

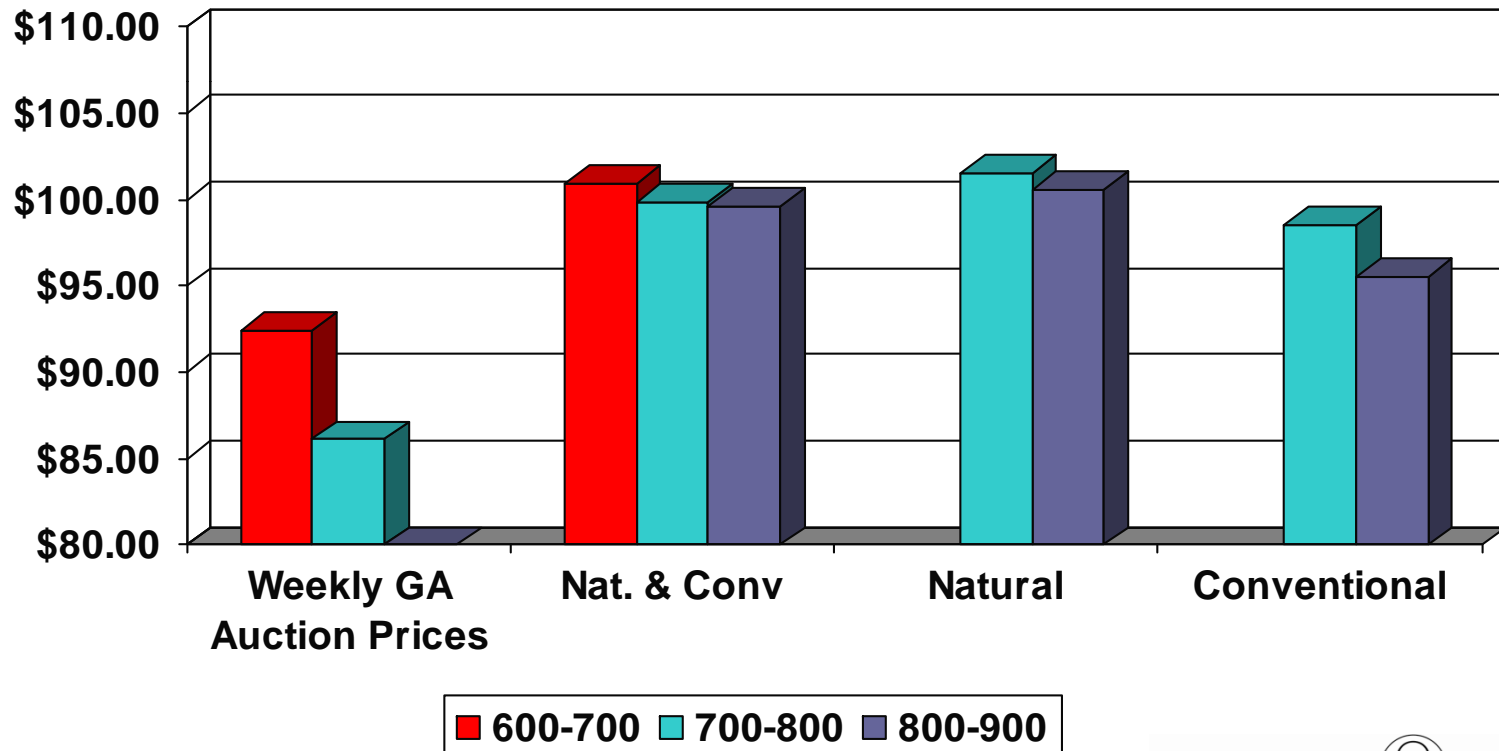


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# Results from GA Feeder Calf Sales of Natural Cattle in August 2009\*



\*Load lots, pre-conditioned, source-verified, VAC45®, EID



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# Other Considerations on Natural Cattle-Retained Ownership

- Realizers.
- Often no CAB premium.
- Probably no Prime premium.
- Select discount may not be as severe.
- Delays in slaughter can increase Y4s.
- Heifers can be a problem →  
Light carcass discount = \$20-\$30/cwt. vs. \$15 in conventional.



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# Direct-Marketing

## Advantages

- Ability to receive more of the retail value of your product.
- Sometimes a good outlet for healthy, discounted calves (sex, color, etc.).
- Good way to diversify market risk.

## Disadvantages

- Additional resources (land, labor and capital).
- Market development is critical.
- Slaughter and processing can be an issue.
- Requires knowledge and application of state and federal codes.
- Not everything in the carcass is a ribeye.



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# Retail cut Composition of a Beef Carcass

Live animal wt	1000	
Number/Year	1	
Item	% Retail of Live	Pounds
Chuck roast	2.71%	27.10
Stew Meat	2.10%	21.00
Ribeye steaks	1.62%	16.20
Strip-teaks (bone-in)	2.23%	22.30
Tenderloin steaks	0.73%	7.30
Top sirloin	1.52%	15.20
London Broil	2.66%	26.60
Eye of the round roast	0.85%	8.50
Cube steak	1.52%	15.20
Flank steak	0.26%	2.60
Skirt steak	0.14%	1.40
Brisket	0.90%	9.00
Ground beef	20.24%	202.40
Neck bones	0.93%	9.30



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# Summary

- There is no one best alternative.
- Producers can and should be creative in developing alternatives.
- The “right” decision will often change by the year and sometimes during the year.
- Probably best not to go “whole-hog” on any new marketing strategy.
- Evaluations should be made in light of the bottom line NOT highest price!





Questions?





# Tri-State Cow/Calf Conference



The conference is presented under a grant from the Southern Region Risk Management Education Center with additional support from the University of Tennessee Extension, Virginia Cooperative Extension and North Carolina Cooperative Extension.



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