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

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Tifton Campus
Mission: Go to Gap, Buy a Pair of Pants

Female

Time: 3 Hrs 26 min
Cost: $876

Male

Time: 6 min
Cost: $33

JC Penny
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

*The University of Georgia*

College of Agricultural and Environmental Sciences
Let’s Start With the Basics
## Marketing Concepts

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>● Usually “guaranteed” markets.</td>
</tr>
<tr>
<td>● Price discovery is not really difficult.</td>
</tr>
<tr>
<td>● Many sellers and many buyers.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>“Specialty” Markets – Differentiated products. Some opportunity to gain value and extract consumer surplus.</th>
</tr>
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<tbody>
<tr>
<td>● Markets not usually as well-developed.</td>
</tr>
<tr>
<td>● Price discovery can be an issue.</td>
</tr>
<tr>
<td>● Fewer sellers and fewer buyers.</td>
</tr>
</tbody>
</table>
How are calf prices set?
Evaluating Value-Added Marketing Opportunities

- Goals
  - Profits
  - Convenience
  - Other

- Resources
  - Land
  - Labor
  - Capital
  - Management

- Risk Tolerance
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

<table>
<thead>
<tr>
<th>Number of head</th>
<th>75</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Alternative - Sell 500# Weaned Calf</strong></td>
<td>525</td>
</tr>
<tr>
<td><strong>Alternative 1 - Sell 650# November</strong></td>
<td>650.00</td>
</tr>
<tr>
<td><strong>Alternative 2 - Sell 855# April 2010</strong></td>
<td>709.65</td>
</tr>
<tr>
<td><strong>Alternative 3 - Finish and Sell in Feb. 2010</strong></td>
<td>1,080.00</td>
</tr>
</tbody>
</table>

| 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
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
Preconditioning

- Weaned
- Bunk broke – includes water trough
- Males castrated
- At least two rounds of vaccinations for respiratory and other diseases
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.
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.
Georgia Weekly Average Auction Prices for M/L 1-2, Bulls/Steers
2004-2008

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

$115.00
$110.00
$105.00
$100.00
$95.00
$90.00
$85.00
$80.00
$75.00

- 400-500
- 500-600
- 600-700
- 700-800
Gross Stocker Margin for 450-750 Lbs. Steers
2004-2009

Month Placed

$/Head

$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00

Stocker Margin
Fall Stockering
Summer Stockering
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.
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.
AVERAGE RETURNS TO CATTLE FEEDERS
Feeding 725 Lb. Steers, S. Plains, Monthly

$ Per Steer

Latest Data: August 2009

C-P-22
09/16/09
Feeding Profits for GA Producers, 1999-2009

Average Profits/Hd.
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
Results from Southwest Georgia Feeder Cattle Sales, 2009 Steers*

*Load lots, pre-conditioned, PVP and EID
Alternative Markets
Alternative Production Systems/Markets

- Natural
- Local/Direct-marketing to consumers
- Grass-fed
- Organic
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
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.
## Results from NW GA Cattle (2007 & 2008)

<table>
<thead>
<tr>
<th>Date</th>
<th>Natural</th>
<th>Conventional</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weaning</td>
<td>543</td>
<td>575</td>
<td>33</td>
</tr>
<tr>
<td>B/E Sales Price ($/Cwt.)</td>
<td>$76.15</td>
<td>$72.02</td>
<td>$4.14</td>
</tr>
</tbody>
</table>

- 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.
Results from GA Feeder Calf Sales of Natural Cattle in August 2009*

*Load lots, pre-conditioned, source-verified, VAC45®, EID
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.
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.
## Retail cut Composition of a Beef Carcass

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

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