

Developing a marketing plan to capture added value for your calves

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Last month, we discussed the common phrase, “you can’t improve what you don’t measure”. Perhaps another phrase that is just as important is that you can’t capitalize on what you don’t market. A sound marketing strategy allows a producer to capture added value in a group of calves. All too often, producers leave dollars on the table by not having a marketing plan in place for a group of calves prior to the day they’re ready to be sold.

An analysis of the Mississippi Feeder Calf Board Sales to date was presented at the 2012 Deep South Stocker Conference, and perhaps one of the most interesting outcomes of this analysis was that buyers paid more for groups of cattle with a known status. For example, buyers paid a premium for calves with known implant status, calves that were implanted and those not implanted, than for calves where that information wasn’t reported. In other words, buyers were willing to pay a premium for knowledge. This is an important point to remember when developing a strategy.

Regardless of whether calves are marketed at weaning, after a brief backgrounding period, or after a stockering phase, a sound marketing strategy should be in place for each set of calves. Typically, local auction markets are the predominant market avenue for smaller producers, with larger producers using alternative strategies. However, with a little cooperation and planning smaller producers can take advantage of alternative marketing as well.

A marketing plan should take into account month or season, market fluctuations, calf weight, number of calves, uniformity of calves, breed type, and reputation. While this plan may seem daunting, several simple steps can make it easier to tackle and implement.

The first step involves making a few estimations or assumptions. The first estimation is how much weight you expect to market. If calves are home raised, this can be done by determining the number of cows exposed and expected calving percent. From this point, factor in an expected death loss, and a target end weight. Multiplying the number of cows exposed by the expected calving percent gives an expected number of calves born. Factoring in a cautious 2% death loss will give the number of calves you can expect to market at your target end weight.

The second step is selecting a target market date. This date is often selected based on historical averages. This date could be calculated based on an average breeding date. Based on this breeding date, a calving date, and then weaning date can be estimated. Depending on the forage base and supplementation plan, the days to target weight can be estimated to give the anticipated marketing date.

Once a target weight, number, and date are determined, it’s time to calculate production costs. From these production costs, a breakeven price can be determined, and perhaps just as importantly a price objective should be determined. This price objective can be estimated based on production costs with added projections for living costs, opportunity costs, and operation growth projections. This price objective then becomes the target price for this set of calves.

There are numerous options available to Mississippi producers including auction markets, private treaty sales, board sales, video auctions, and marketing alliances. Each option has both advantages and disadvantages, and these can change with market conditions and with each animal marketed. It is important to analyze each market carefully.

Another important point to include in a marketing plan is advertising and promotion. The best set of calves can't sell themselves if no buyers know they're there. This goes back to the original statement above. Buyers need to know not only that calves are available for sale, but also the description and background of the calves. If calves are marketed through a special board sale or other type of promoted auction, this is often handled by sale management. Often as a producer sells cattle over the years a reputation is developed among potential buyers for producing profitable cattle.

The last and final step after a marketing plan has been developed and executed is to evaluate that plan. Did the plan work? Was it able to produce the desired price objective? Were your estimations of calf numbers and weight accurate? Were you satisfied with your marketing plan?

A sound marketing strategy can allow a producer to decrease risk and take advantage of added value when marketing a group of calves. It is important that the plan is both reasonable and well plan to ensure its success.

For more information about beef cattle production, contact an office of the Mississippi State University Extension Service, and visit msucares.com/livestock/beef.