



## Now is the time to start thinking about marketing opportunities for calves this fall.

by **Kelly Bruns**, Nebraska Extension beef specialist, and **Erin Laborie**, Nebraska Extension educator

**N**ow is the time to start thinking about marketing opportunities for calves this fall. While prices are well below what was received last year at this time, considerations can be given to the seasonal aspects of feeder cattle prices and the opportunities that may exist to utilize risk-management tools. Seasonal increases in feeder cattle prices have occurred in late July and early August during 10 of the past 14 years.

Analyzing summer feeder cattle sales and the futures market in July will help determine the outlook of prices this fall. A run-up in prices may create an opportunity to purchase Livestock Risk Protection (LRP) for feeder cattle during a

time when prices are seasonally higher than entering into the fall run. Additional information on utilizing LRP can be found in the NebGuide "Livestock Risk Protection Insurance for Fed Cattle" ([extensionpublications.unl.edu/assets/pdf/g2257.pdf](http://extensionpublications.unl.edu/assets/pdf/g2257.pdf)).

When evaluating whether to retain or to sell calves, value of gain ([go.unl.edu/tak3](http://go.unl.edu/tak3)) becomes an important factor. Value of gain is calculated as the difference in final and initial value of the animal, divided by the pounds of weight gain. The example below demonstrates how to calculate the value of gain of a 600 lb. steer that will be grown to reach 850 lb. by the end of the backgrounding phase.

# Marketing Calves — Already?

### Calculating the value of gain of a 600 lb. steer that will be grown to reach 850 lb.

- **Initial value:** 600 lb. steer at \$1.45/lb. = \$870
- **Final value:** 850 lb. steer at \$1.30/lb. = \$1,105
- **Difference in value:** \$1,105 - \$870 = \$235
- **Weight gain:** 850 lb. - 600 lb. = 250 lb.
- **Value of gain:** \$235/250 lb. = \$.94/lb.

## Strong May results for U.S. beef exports

by **Melissa Jackson**

U.S. red meat exports gained momentum in May with shipments of beef increasing significantly year-over-year and reaching 2016 highs, according to statistics released by the United States Department of Agriculture and compiled by the U.S. Meat Export Federation (USMEF), contractor to the beef checkoff.

May beef export volume increased 12% from a year ago to 219.3 million lb. Export value (\$533.3 million) was 4% lower than a year ago but still the highest since July 2015. For January through May, export volume moved 3% ahead of last year's pace at 975.8 million lb., while value was down 11% to \$2.37 billion.

Exports accounted for 14% of total beef production in May and 11% for muscle cuts only — each up about 1% from a year ago. For January through May, these ratios were 13% and 10%, respectively, steady with last year's pace. Export value per head of fed slaughter cattle was \$264.98 in May and \$249.67 for January through May — down 9% and 14%, respectively, from a year ago.

### Japan, Korea and Mexico drive beef export growth

May beef exports to Japan were the largest since September 2014 at 51.1 million lb., up 29% from a year ago, while value climbed 22% to \$130.1 million. For January through May, exports were 8% higher in volume (212.7 million lb.) and down 2% in value (\$552.8 million).

Exports to South Korea reached 34.1 million lb. in May, up 59% from a year ago and the largest in more than five years. Through the first five months of 2016, exports to Korea totaled 134.6 million lb. (up 26% from a year ago), valued at \$359.7 million (up 5%).

"With domestic beef supplies being very tight in both Japan and Korea, our spring marketing campaigns have focused on presenting U.S. beef as a high-quality, reasonably priced alternative," said USMEF President and CEO Philip Seng.

"For example, USMEF-Japan's training and support programs highlighting new merchandising techniques and cooking styles, including 'Thick Cut American Beef' and 'American BBQ' have greatly expanded sales of U.S. beef in regional supermarket chains, displacing domestic product as well as foreign competition. These regional retailers continue to work with USMEF in adding more beef cuts and utilizing new merchandising ideas, which is helping the U.S. industry win back market share in Japan," Seng said.

Despite the continued weakness of the peso, beef exports to Mexico gained momentum in May, increasing 33% from a year ago in volume (49.3 million lb.) and 13% in value (\$90.4 million). Through May, 2016, exports to Mexico totaled 202.4 million lb. (up 1%), valued at \$399.3 million (down 11%).

"From a price standpoint, the Mexican beef market is certainly one of our most challenging," Seng said. "But with U.S. beef prices moderating in recent months, this creates excellent opportunities to win back customers — especially by promoting economically priced alternative cuts, which add quality and variety to restaurant menus and have also gained traction in the retail sector."

Complete January-May export results are available from USMEF's statistics web page ([usmef.org/news-statistics/statistics/](http://usmef.org/news-statistics/statistics/)). Monthly charts for U.S. beef export volumes are also available at [usmef.org/u-s-red-meat-exports-monthly-volumes/](http://usmef.org/u-s-red-meat-exports-monthly-volumes/). **HW**



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Developing and maintaining a marketing strategy will better assist producers in achieving production objectives and managing risk.

Retained ownership of calves is a cost-effective option when the value of gain is greater than the cost of gain. Backgrounding provides an opportunity to grow calves to heavier weights using inexpensive byproducts, forages or crop residues. Calves can then be sold at a more favorable time after the surplus of newly weaned calves is sold in the fall.

Average cost of gain summarized by Kansas State University Extension for Kansas feedyards in April averaged \$81.65/cwt. for 32,178 steers with an incoming weight of 789 lb. and

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an outgoing weight of 1,388 lb. ([asi.k-state.edu/about/newsletters/focus-on-feedlots/](http://asi.k-state.edu/about/newsletters/focus-on-feedlots/)). This compares to the average cost of gain for steers in 2015 of \$85.15/cwt., 2014 of

\$92.35/cwt. and 2013 of \$120.07/cwt. The higher costs of gain were driven primarily by higher corn prices, which averaged \$4.18, \$4.70 and \$6.72 per bushel for 2015, 2014 and 2013, respectively.

Cattle feeders have remained current in their marketing in the second quarter. Rather than holding on to cattle, feeders have kept pace in marketing, and packers have increased slaughter, resulting in slaughter weights below last year. The five-area weekly weighted average steer price has traded below the five-year average for much of the

last three months. The cattle on feed report for June reported the greatest number of cattle on feed since 2011.

Developing and maintaining a marketing strategy will better assist producers in achieving production objectives and managing risk. For more information on creating a marketing plan, see “Marketing Plans for Your Livestock Operation” ([go.unl.edu/gqqs](http://go.unl.edu/gqqs)). **HW**