

Capitalizing on Profit Potential

Value-added marketing has the potential to increase profitability in the commercial, cow-calf, and seedstock sectors.

“There is power in numbers,” Mike John, MFA Inc.’s Health Track Operations director, says.

In the cattle business, numbers drive genetic selections, purchasing decisions, buying intentions and more. Value-added marketing options are no different.

Today’s cattle producers have more tools to help increase profit than ever before. That does not mean every producer capitalizes on these opportunities, though. Participating in value-added marketing is a management decision. While most cattle producers undoubtedly work to ensure sustainable and productive herds, operational decisions should be based on what is best for herd management and profitability; sometimes that looks different for producers.

Adding value

“Value-added calf” is a phrase coined long ago in the beef industry. According to the University of Nebraska-Lincoln, it can be an all-encompassing term developed on the premise of profit. With a variety of meanings and interpretations, value-added marketing is best defined as creating additional value through management practices and being compensated for that value created.

“Value-added marketing really can be as simple as paying attention to timing, or it can be as complicated and as involved as DNA markers, specific genetic information and certain preconditioning,” John explains. “It is all over the board, but value added, to me, means you are going to net more dollars per cow by making the management changes.”

As producers work to evaluate and develop value-added plans, there are many factors and components to consider, some of which can be controlled and some of which cannot. The known constants, according to University of Nebraska-Lincoln research in value-added markets, include weight, premium breed-based programs, preconditioning, source verification, age verification and natural beef programs — just to name a few. Whether it be making the management decision to vaccinate, castrate or dehorn, these management decisions impact the value of your calf crop.

“It is a management decision, and [the decision] has to be based on how it is going to help you,” John says.

Talking finances

As producers select locations to market their calves, stockyards across the country are investing back into their programs. By offering premium sales, video-marketing and price reward for detailed recordkeeping, stockyards remain an integral part of the value-added marketing process. Producers just have to take advantage of that.



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— Mike John
MFA Inc.’s Health Track
Operations director

“We have a very traditional industry. Many producers are comfortable with where they sell their cattle, when they sell their cattle and who buys their cattle,” John explains. “But, my fear is that [producers] get locked in and are not willing to explore opportunities and do the kind of recordkeeping that it takes to know if they do have value-added gain.”

As the value-added market continues to evolve, many researchers note the necessity for producers to continue to adapt along with it. According to John, by not doing common management practices like dehorning, castrating or vaccinating, producers miss out on value-added

markets. Other variables producers can control, which also impact prices at market, include weight gain and when you choose to sell calves.

“If you are selling a calf in October and November, that is probably the lowest price for that class of cattle. Nearly 80% of calves born in a year are born in the spring. So, nearly 80% of calves are marketed in the fall, and

rewarded and choosing to sell groups of calves could be financially beneficial.

“For spring calvers, if [producers] want to add a bunch of value, they need to get them heavier at that October and November time period, and weaned and backgrounded, in order to pull them out of what is usually that discount period,” John shares.

Opportunities for Hereford producers

Aside from the value-added opportunities surrounding herd health and recordkeeping, genotype is increasing its market influence. Many stockyards across the country offer special calf sales for consignors, as well as various other marketing incentives.

For some producers, accurate records and proven genetics can serve as a marketing tool. According to John, the majority of breed associations have existing marketing programs available for producers.

“There are all those purebred breeders out there whose customers market calves out of their genetics, and they know what their genetics mean,” John explains. “It is now possible to communicate the growth, performance and carcass value that your genetics have because you can now identify and enumerate what those values and benefits are, and that is the tip of the iceberg.”

You can find a list of upcoming Hereford-influenced feeder calf sales on page 16.

For Hereford producers, there are multiple options for adding value to feeder cattle and replacement females. The American Hereford Association manages four main value-added marketing programs, including the Hereford Advantage Program, the Premium Red Baldy Program, the Maternal Advantage Program, and Certified Hereford Beef®.

As with any form of marketing, the choice to capitalize on value-added programs is up to the producer. It is important to note, however, whether your primary segment in the industry is commercial-based, cow-calf-driven or seedstock-focused, there are value-added opportunities available for you. Why limit your profit potential? **HW**

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