

Integrated Marketing Systems

Dan Goehl, DVM

Canton Veterinary Clinic, LLC, Professional Beef Services, LLC, Canton, MO 63435

Abstract

Marketing the calf crop is a primary economic driver in the cow-calf business. A year's worth of work, and the resulting profit or loss can be determined in a matter of minutes in an auction ring. Marketing tends to become less important in some producers' minds when calf prices are high, and as a result cattle are often less likely to be pre-conditioned, put through marketing programs or other steps taken that may increase the profit margin. As tighter margins return to the cow-calf industry, more attention is diverted to marketing. Producers who historically deliver cattle to an auction barn on the same day of the same month every year may need to re-evaluate their marketing strategy. Advantages can be gained by cooperatively feeding and marketing cattle. Producers can take advantage of economy of scale for cost of production and gain marketing advantages. Data collected after the cattle have left the original farm can also allow producers to modify management to increase efficiency.

Résumé

La mise en marché des veaux est l'un des moteurs économiques essentiels dans les élevages vaches-veaux. La valeur d'une année de travail, et les profits ou les pertes qui en découlent, peut se jouer en quelques minutes à l'encan. La commercialisation prend souvent moins d'importance aux yeux des producteurs lorsque le prix des veaux est élevé. Dans ce cas, le bétail est moins souvent pré-conditionné ou sujet à des programmes de commercialisation qui peuvent accroître la marge de profit. En raison d'une marge de profit moins élevée, la commercialisation reprend alors de l'importance. Les producteurs qui par habitude emmènent leur animaux à l'encan toujours au même jour du même mois chaque année devront peut-être réexaminés leur stratégie de commercialisation. Il y a des avantages à nourrir et à commercialiser les animaux en coopération. Les producteurs peuvent prendre avantage de l'économie d'échelle pour les coûts de production et obtenir des gains de commercialisation. Les données recueillies après le départ des animaux de la ferme d'origine peuvent aussi permettre aux producteurs de modifier leur régie pour accroître l'efficacité.

Introduction

Many steps can be taken to improve the marketability of feeder calves. Some of these will work for one operation, but may not fit the business plans of others. Some of the most basic steps are to pre-condition calves on the farm, market them in pot-load size same-sex groups, and have similar quality genetics in all calves. There are also advantages in cost structure of production and structure of a marketing system when groups of cattle are fed together. A program to take advantage of these incentives, Missouri Verified Beef (MVB), has marketed cattle and returned data to clients over a period of seven years. A program in Illinois has marketed cattle via forward contracts and helped multiple producers market as one conglomerate group. There are opportunities to manage these efforts, and possibly to work with feedyards to start cattle in a lower-stress environment to improve performance on arrival at the feedyard.

Preconditioning

Most veterinarians are familiar with pre-conditioning programs that involve vaccination programs and/or weaning. These help supply the stocker operator with calves with decreased health risk. The literature has shown that bovine respiratory disease (BRD)-affected calves have a lower rate of weight gain, lower hot-carcass weights, and decreased likelihood to grade USDA choice.^{1,2} McNeill *et al* evaluated Texas A & M Ranch to Rail health data (7,723 head, 27.5% morbidity) and found a \$92.26 per head difference in net return between sick and healthy animals in the feedlot, although the difference in net return due to illness exhibited a wide variation over time, ranging from \$49.55 in 1995 to \$151.18 in 2001.³ It is beneficial for veterinarians to be involved in this process. Handling of vaccines and timing of vaccination can have a positive or negative effect on future health.⁴ Data from Superior Livestock sales showed that calves vaccinated and weaned for 45 days brought \$7.61/cwt more when sold than those not weaned or vaccinated. Cattle properly vaccinated and on a good nutrition program perform and have lower health risk in the stocker phase compared to non-pre-conditioned cattle. Cattle in the MVB program were

vaccinated and weaned at the farm of origin before shipment to a central backgrounding location. In the western Illinois program, cattle are backgrounded at home and forward marketed on video auction; they are not commingled until the day of sale. Table 1 illustrates data reported from pre-conditioned calves in the MVB program.

Marketing

The next step is to provide enough cattle of same sex and size to fill semi-trailer lots. A semi-trailer will haul approximately 50,000 lb (22,680 kg) of cattle, therefore 70 head of 700-lb calves are needed to fill a semi-trailer. In geographical regions where cow herds are smaller in number, it can be difficult to assemble load lots of this class of animals for sale. According to the National Agricultural Statistical Service 2007 Census of Agriculture, farms with fewer than 100 beef cows account for 90.4% of all farms, and 45.9% of all beef cows. Producers with 100 beef cows find it difficult to have large groups of uniform calves after sorting for sex and weight. Producers that wish to offer truck-load lots of animals to the market must work together to pool groups of cattle. By doing this, they can provide the size groups the industry demands, as well as have the data returned to them to make future management decisions. When sale groups of near 50,000 lb are offered, there are opportunities to market calves direct to feedlots or video auctions. Decreased bodyweight shrink and lower or no sales commission helps justify the marketing aspects of these programs.

Data Return

As the beef industry tries moving away from a commodity business, the information that transfers

with calves at sale will become more valuable. This information exchange is valuable for both the buyer and the seller. It will help the buyer to derive a fair market value, and it will help the seller to better manage his herd to produce more marketable cattle. Individual information was collected on each calf at the beginning of the backgrounding phase in the MVB program. These animals were then backgrounded at a common location for 120 to 150 days before being marketed to the feed lot. All carcass information was collected when possible. This information was summarized and returned to producers, who then consulted with their local veterinarian to make management decisions. The western Illinois program does not return data after the point of sale, and because of this there are fewer requirements from the producer. This has proven an advantage in producer involvement.

Conclusions

In helping to organize a marketing alliance, I have come to realize some of the benefits and shortcomings of these programs. We have effectively gathered and marketed calves for producers across the state of Missouri. This allowed producers immediate advantages in areas of economy of scale, shrink, trucking, and feed expense. This cooperative system also allowed them to promote a more marketable product, the coveted 50,000 lb of commingled, same-sex cattle. Marketing as a group does require giving up some of the freedoms of individual marketing. This program required interaction between the producer and veterinarian on multiple levels, with an end goal of linking the many segments of the beef production system, including birth to weaning, backgrounding, feedlot, packer, retail, and consumer.

Many producers are comfortable marketing animals the way they have done in the past, but for those

Table 1. Number of farms, morbidity, and mortality among calves enrolled in the Missouri Verified Beef program during 2000-2005.^{4,a}

	Farms	Head	BRD Morbidity		BRD Mortality	
			Head	%	Head	%
2000 fall	8	103	8	7.8%	0	-
2001 fall	18	224	20	8.9%	1	.4%
2002 fall	23	332	78	23.5%	1	.3%
2003 fall	20	370	108	29.2%	0	-
2004 fall	7	139	8	5.8%	0	-
2005 fall	9	186	17	9.1%	0	-
Total	85	1354	239		2	

^aMorbidity and mortality percentages are presented on an annual basis, and each percentage represents the number of head diagnosed with BRD or died due to BRD within each year's enrollment.

producers willing to try new marketing techniques the payoff can be worth the extra effort. Veterinarians can increase interaction with clients by helping coordinate such interaction between cow/calf producers and feedlots.

References

1. Busby W D, Strohbahn DR, Beedle P, Corah LR: Effect of post-weaning health of feedlot performance and quality grade. *Iowa State University Animal Industry Report*, Ames, IA, 2004.
2. Gardner BA, Dolezal HG, Bryant LK, Owens FN, Smith RA: Health of finishing steers: effects on performance, carcass traits, and meat tenderness. *J Anim Sci* 77:3168-3175, 1999.
3. King ME, Seeger JT: Ten-year trends at Superior Livestock Auction: calves in value-added health programs consistently receive higher prices, in *Pfizer Animal Health Technical Bulletin*. 2005, Pfizer Animal Health, Exton, PA.
4. White BJ, McRenolds S, Goehl D, Renter DG: Effect of vaccination and weaning timing on backgrounding morbidity in preconditioned beef feeder calves. *Bov Pract* 42:111-116, 2008.