

Raise The Bar In 2010



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As you reflect on your costs and returns for 2009, consider raising your expectations for what you can accomplish in 2010. Prices for 2009 have averaged about \$5 per hundred less than 2008. Demand – the willingness and ability of the consumer to spend dollars on the more expensive beef – has been the culprit, and it may take several months for demand to improve. However, there are ways you can directly impact price received for calves and profit. Think of these things as price- or value-determining characteristics. In addition, aim to bank the most net dollars on the calves and not focus on price alone.

Price- or value-determining characteristics can be divided into four categories: genetic (breed, color, muscling and frame size), management, and marketing characteristics and market conditions.

If your calves are not bringing prices near the top or above the auction price range on the day you market, chances are breed, color, muscling, frame size, or a combination of those genetic factors was the reason. These characteristics can all be changed by the person making the genetic decisions, the beef cattle owner/operator and the bull. If calves have genetics for above-average gaining ability or carcass traits, merchandise them with other calves with similar traits.

The second category of characteristics is management. One of my early mentors, Dr. Haley Jamison, said, "When you make a management decision, you have made a marketing decision." Management characteristics that directly impact the price received for feeder cattle include weight, health, horns, condition (fleshy or thin especially in the spring), sex (castrated males), and age and source information. Weight is an important part of the total return equation. Lighter weights sell for more per pound because the buyer wants to make money by putting on weight. At times unusual market conditions make prices for heavier calves lower than normal compared to lighter calves. Evaluate decisions to add weight based on normal market conditions. Healthy preconditioned calves bring a higher price if marketed using a method which

recognizes these higher valued calves. There are more opportunities to do that than ever before, and the Tennessee Agricultural Enhancement Program (www.state.tn.us/agriculture/enhancement) is sweetening the pot by \$15 per head when properly documented.

Horns are not a huge issue nowadays, but selling bulls is. Castrated male calves bring higher prices than bull calves, and an implant can offset the fact that a bull calf will weigh heavier than a non-implanted steer. In the November summary of market prices for the Tennessee auctions, between the weights of 300 pounds and 550 pounds there were 37 percent more bull calves sold than steer calves. These calves had no other defects. Those producers selling bull calves left about \$8,700 on the table or gave it to the buyer. Condition or fleshiness of a calf affects the performance for the next owner. With decent grass, buyers do not make a lot of price difference in the fall, but in the spring, the thinner calves always sell higher as they will take off on grass quicker than those grained through winter. Age and source verification is a matter of good recordkeeping and identifying the calves when born. Getting approved for it helps validate other attributes that add value to a calf crop.

Market characteristics include lot size, uniformity, market location and date of sale. Graded calf sales are the most effective means for a small producer to gain a price premium for the size of lot offered to buyers. Some sales are attempting to have age and source (PVP) sales and still sell by ownership. It may require different book work and penning arrangement, but calves need to be commingled into larger groups to capture full value. You can market a load of accurately described uniform calves most anywhere, but smaller groups will not fetch as high a price.

Market location, shrink and transportation all affect net dollars, so evaluate your alternatives. Market conditions such as fed or finished cattle price, the price of corn, current feeding profitability, and the general level of feeder prices are factors you as a producer cannot impact on a given day. However, retaining calves while adding weight and managing the price risk on the calves and purchased feed can provide more control. Δ

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