

Black Ink The Top Line

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If Wal-Mart were in the cattle business, it would probably serve as an operating definition of “least-cost producer.” People might refer to its cowherd enterprise as the model for slashing expenses.

That’s the way to make more money in this margin business, isn’t it? The simple economic equation is income minus expenses equals profit, so it’s only natural to want to shrink fixed costs. But it might pay to give some thought to the top line.

Wal-Mart’s trademark smiley face happily rolls back prices. On the outside of every store are four words that no beef producer would be proud to utter at the coffee shop: “We sell for less.”

After all, bragging rights belong to those who top the market, to those who best the fetching price of all their neighbors’ calves.

In that same equation, increased income while holding expenses steady would also get you more net profit.

With today’s markets and the uncertainty surrounding many issues that could take away from your bottom line, it makes sense to take a long, hard look at areas where you can become more efficient. That’s a worthy goal, but not necessarily if it comes at the cost of long-term income potential.

Let’s say in the name of savings you back off your vaccination program or give it the axe altogether. Buyers will notice. You might get a lower price this year, or buyers may take note of the increased health risk and refuse to bid on your calves again.

A lower quality bull could fill the basic needs with a smaller initial price tag, but at what cost? Lighter and slower growing calves, decreased demand, lower quality grades and less desirable replacements? The same goes for cutting pasture inputs or giving up a mineral program. These are effects that could cut your bottom line more deeply than they save a buck today.

Turning your focus to the other profit variable will help with lasting results.

Documenting age and source will allow you to capture premiums. Research proves if you market calves in load-lots you’ll get a higher price. For smaller producers, that might mean pooling with a neighbor or getting involved in an alliance program. Graded, breed- or breeder-sponsored calf sales can add value and give you exposure to more buyers.

Improved genetics for growth, marbling and muscle can increase profit and actually cut costs if you keep cowherd function in mind.

Communicating all of this added-value is the key to capturing it. Even Wal-Mart announces when it’s investing in new stores or a new product line.

Create a resume for your calves so all of their qualities are announced from the auction block. Or, consider retaining ownership. You know better than anyone how much those calves are worth.

You might have to reverse your thinking. Get out of the cutting and slashing mindset and you won’t have to keep rolling back prices to sell your calves. Embrace an attitude of building, growing and adding income. Just think of it as a more stable route to your ultimate goal of putting more black ink on your bottom line. Δ

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