

## Long-term value is better than short-term premium

By Kris Ringwall  
Extension Beef Specialist  
NDSU Extension Service



The phone rang and I picked it up. The question was focused: “What premium will I receive if I put in these EID tags?”

The premium dollar question is valid and has been asked many times. Many state beef cattle improvement associations and state Extension Services fell victim to the concept when the “green tag” programs were going full force.

The green tag program, for those who have forgotten, was a calf management and health program with defined protocols. In North Dakota, calves were certified for marketing purposes with a green tag. (Others states may have had different color tags, but the concept was the same).

I can recall placing green tag posters in local livestock auction barns proclaiming \$2 to \$3 premiums for calves wearing the “green tag.” The concept was sound, but the premium dollars seemed somewhat elusive. Several studies found a slight trend for properly managed and certified calves, but sitting at the sale barn, the premiums were not easily recognizable.

Webster defines premium as “a reward or recompense for a particular act or a sum over and above a regular price paid chiefly as an inducement or incentive.” The bottom line: There were no premiums for “green tag” calves.

For one segment of the industry, such as a feedlot, to provide another segment of the industry with an incentive to implement a change requires an associated increase in profit back to the feedlot. Sustained change requires increased profit to the system. Just placing a tag in a calf’s ear and claiming significant benefits does not guarantee additional dollars.

Premiums are not the focus of cattle identification. Value should be the focus. Webster defines value as “a fair return or equivalent in goods, services or money for something exchanged or the monetary worth of something, i.e., marketable price.” True value or fair market value is all that can be expected from the sale of a calf.

Increasing the value of the calf, in other words, value-added management practices, is a component of economic principles at work, not to mention basic supply-and-demand principles. As factors affecting demand within the market-

place shift, price or value will increase or decrease, depending on supply.

In the case of the green tag, early responders increased calf value as demand for the calves increased with no increase in supply. As soon as the supply of green-tag calves increased, along with implementation of significant look-alike programs, the increased value diminished.

Are there premium dollars associated with tagging calves? The answer is no.

Can the value of calves with electronic tags be increased? The answer is yes, provided the information transmitted to the buyer has value.

What creates the value? The consuming public, which is a society that places monetary value on knowing the history behind the meat the people eat. At this point, significant societal trends are indicating that a true demand may be imminent.

For the present cow-calf producer, the price of the tag is an expense and needs to be applied against the cost of the cow-calf operation. As an expense, if a producer opts to spend \$5 to tag a 500-pound calf, the tag decreased net return.

The pessimistic camp is not a place cow-calf producers need to stay at overnight. The optimistic camp is a better campground. At least the optimistic camp is preparing for a societal change, and may capture some return as demand for information goes up.

Perhaps the best camp to be in is the better business camp. With the motto of self-improvement, the better business camp can go a long way with good data.

May you find all your ear tags.

Your comments are always welcome at [www.BeefTalk.com](http://www.BeefTalk.com). For more information, contact the North Dakota Beef Cattle Improvement Association, 1133 State Avenue, Dickinson, ND 58601 or go to [www.CHAPS2000.com](http://www.CHAPS2000.com) on the Internet. In correspondence about this column, refer to BT0241.

---

## What is your EID to you?

- An opportunity for a premium price
- An opportunity to increase value
- An expense item only