



BeefTalk 668: Good Marketing is Essential to Capture Available Dollars

SUPPORTING MATERIALS

NET RETURNS	
North Dakota Producers with more than 50 Cows	
	Net Return per Cow
Herds in the Upper \$40%	
Average Gross Margin	\$642
Average Price/cwt of calves sold	\$123.54
Average weight of calves sold	600 lbs.
Herds in the Lower \$40%	
Average Gross Margin	\$538
Average Price/cwt of calves sold	\$119.09
Average weight of calves sold	575 lbs.

FINBIN (www.finbin.umn.edu/) related to the cow-calf enterprises for 2012 back to 2008 from the Center for Farm Financial Management, University of Minnesota

Upon further review of the gross margin, some truths started to emerge based on real data.

Do not let big numbers fool you. With good marketing skills, heavy calves will capture more value. If there is one concept cow-calf producers have total control over, it is how they market their calves.

Do not assume a good, solid handshake and slap on the back means top dollar was achieved in marketing this year's calves. Public auction barns and other competitive markets certainly will do their best to get the best value for the calves presented. However, producers need to do their part as well. Some good street sense and a feel for the market are important.

A challenge with today's cow-calf operation is that the market price tends to be three digits. For those who have marketed cattle for years, most of those years have been two-digit numbers. However, don't let the three-digit prices relax your marketing savvy because expenses also are escalating. Producers need every penny they can squeeze out of the

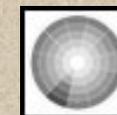
market.

Interestingly, common thoughts are not always the correct thoughts. Through the years, one should add up the number of times producers can be quoted as saying: "It's not the weight of the calf that counts, it's the price per hundredweight." That is a true statement. However, the statement often is used to justify untruths because the best of both worlds would be more weight and a higher price.

Before all the market data fall upon me and crush me, one must acknowledge that market slides are real. As the market weight goes up, the price per hundredweight goes down, so we have the common impression that price is more important than weight.



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In reality, marketing skills are more important than weight or price. Sitting in a conversation a few weeks ago, the central question focused on price and weight. Upon returning home, I did a little review of the North Dakota Farm Management Program, along with FINBIN (www.finbin.umn.edu/) from the Center for Farm Financial Management at the University of Minnesota. These programs provide enterprise analysis for many agricultural operations, including the beef cow.

Upon further review of the gross margin, by using the average price per hundredweight of calves sold and the average weight of calves sold by North Dakota producers with more than 50 cows in the herd, some truths started to emerge based on real data.

If one was to separate the beef enterprise analysis for each producer based on net return per cow from FINBIN by selecting the upper 40 percent and lower 40 percent of producers, one sees a different trend than is assumed by most producers. Those producers who sold heavier calves got more money per pound of calf.

Looking back at the cow-calf enterprises for 2012 back to 2008, those producers who had higher net returns sold an average of 600-pound calves (554 in 2012, 617 in 2011, 615 in 2010, 607 in 2009 and 607 in 2008) for an average of \$123.54 per hundredweight (\$158.27 in 2012, \$141.70 in 2011, \$116.69 in 2010, \$96.35 in 2009 and \$104.70 in 2008).

Those producers who had lower net returns sold an average of 575-pound calves (576 in 2012, 608 in 2011, 523 in 2010, 599 in 2009 and 570 in 2008) for an average of \$119.09 per hundredweight (\$150.26 in 2012, \$140.80 in 2011, \$118.80 in 2010, \$91.92 in 2009 and \$93.65 in 2008).

The bottom line: Those producers who had heavier calves marketed those calves at a higher price per hundredweight, on average, than those producers with lighter calves. This seems contrary to all that we are taught. However, the harsh reality is that simply marketing calves based on price slides is not good enough. Involve good, competitive markets and push buyers to add a couple more bids and the end result will be a larger check.

For this set of producers, better marketing skills added more money to their gross margin, thus more money to work with. The herds in the upper 40 percent of net return per cow had a five-year average gross margin of \$642 per cow. The lower 40 percent net return per cow producers had a five-year average gross margin of \$538. That is more than \$100 in additional money.

Producers who had a higher net return sold heavier calves for more money per pound than those producers that had lower net returns. In stark contrast to popular thought, lighter-weight calves did not bring more dollars per hundredweight of calf, and the additional weight on each calf at a higher value actually accentuated the positive impacts of the good marketing of heavier calves.

The value of marketing is huge. Looking at factors to determine potential increases in gross margins, marketing is going to be the key. Value is worth seeking and, if found, the market will reward value.

May you find all your ear tags.

Your comments are always welcome at <http://www.BeefTalk.com>. For more information, contact the NDBCIA Office, 1041 State Ave., Dickinson, ND 58601, or go to <http://www.CHAPS2000.com> on the Internet.

