

## Marketing Plans Need to be Formulated Now

By Kris Ringwall  
Extension Beef Specialist  
NDSU Extension Service



How many times do we hear the words “break even” in the cattle business? And, is “break even” enough to sustain an agricultural enterprise in an ever-competitive market?

A good business plan certainly protects herd finances and avoids catastrophic loss. Once protected, there needs to be a savvy understanding of the market and an approach to business that can provide producers with sufficient profit to meet current family living expenses beyond the operational expenses of the farming or ranching enterprise. This concept, however, is a real dilemma facing the young family trying to make ends meet.

Did you raise what you brought to the market? Or are you selling something you previously purchased? The Pacific Ocean is not wide enough to reflect the difference in implications behind those two questions.

Real value and worth rests in the basic commodity being marketed — the calf. The producer who owns the calf at birth most likely will not own the calf at harvest. Only the original producer is anchored; future buyers float and work on margins. What does that mean?

The concept becomes very evident when discussing value-added marketing. A popular trend is retained ownership: the original owner adds value to the calf by contracting for subsequent services, which are paid for and guaranteed with a lien on the cattle. The most the original producer can do is to attempt to lock in a value that guarantees some value that will come close to what is owed. The service provider can guarantee a negotiated profit through a contract and by placing a lien on the cattle. Not all is easy for the service provider, but risk is significantly reduced.

If you look at trends toward contract production in other livestock, most notably swine and poultry, the value of the animal is not an issue for those producers. Their services, feeding livestock, are contracted by the livestock owners, which in most cases market the final product to the consumer. For the producer, the cost of feed and labor are the major concerns

In most cases, if the animal breaks even, the service providers still profit. Poultry and swine owners have an opportunity for added value at the consumer level,

allowing for more flexibility for profit at the different levels of production.

In the beef business, most producers don’t sell product direct to the consumer and most processing and marketing companies don’t own cow herds. That break in the ownership chain limits flexibility in passing profits from one end of the production chain to the other.

Should the beef business look like the swine, poultry or even the dairy business? In an increasingly service-orientated industry, what is the value of the calf? When should you own the calf and when should you sell? There are no easy answers.

Perhaps a discussion of calf marketing seems out of place at this time of year. Most of us still have a few cows to calve, bulls to test and cows to breed. But fall arrives all too fast, and marketing plans need to be in place well in advance. The decision to retain ownership and feed this year’s calf crop should be based on an analysis of your enterprises. It is not a spur-of-the-moment decision.

The North Dakota State University Dickinson Research Extension Center has fed calves and acquired all the carcass data from those calves. The data is used to evaluate genetic and management systems at the center. We will continue to retain ownership and encourage cow-calf production from conception to consumption. However, the squeeze is on – the producer’s share of the retail dollar continues to shrink.

According to USDA-ERS, in 1990 the farmer’s share was 60 percent of the retail value of the calf. In 1998, the share was 47 percent— a decrease of nearly 22 percent.

As a cow-calf producer—the one who is anchored—every link in the chain that is paid out as service leaves fewer links to pay for the calf. Make sure you count your links before next fall.

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 BT0091.

---

# SHARE

## The Producer's Shrinking Share

Year	1990	1998
Retail price	2.81	2.77
\$/lb net farm value	1.68	1.31
Producer % of retail value	60	47
Producer-earned price for feeder steer (5-market value)	0.79	0.62