



## BeefTalk 600: The World of Genetic Marketing

### SUPPORTING MATERIALS

#### Which calf was most profitable?

Calf	Carcass Value	Carcass Weight	Total Value
A	\$211.48	680	\$1,438.06
B	\$185.48	1,017	\$1,886.33

*Producers that are successful in raising livestock in balance with their own lives understand when things are not right*

Which calf was the most profitable? Was it a calf with a carcass value of \$211.48, carcass weight of 680 pounds and a total value of \$1,438.06 or a calf with a carcass value of \$185.48, carcass weight of 1,017 pounds and a total value of \$1,886.33?

Perhaps that statement is a little bold. However, to the typical cow-calf producer and the feedlot operator, to some extent, cattle marketing is challenging. The impact of those markets and the actual payout in relation to genetic plans is difficult to

evaluate. However, markets work and the free market is still the best available.

The real complications on marketing involve cattle producers who are trying to produce for the market. Production decisions impact market timing and, at the root of all cow herds, are genetics.

The geneticist spends a lot of time evaluating traits that can be recorded directly or indirectly. The direct traits, such as weight or skeletal size, are easy to understand even if the calculation of expected progeny differences seems a bit distant at times.

The indirect traits, such as milk production and disposition, are likewise included with some buffering. The new concepts involving DNA technology also are available and offer further refinement to the selection of breeding stock.

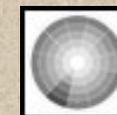
With these tools, the breeder and cattle producer establish a cow herd. This cow herd then can be utilized to produce calves for a desired market. The desired market really is the discussion today.

As one reviews carcass data sheets and scans them for useful information, the complexity of this business is what really stands out. For any given set of calves, regardless of where they came from, there is a market. That market will differentiate the positives and negatives on the rail but will not always coincide with the goals of the producer who raised the calves.

In the process of marketing, cattle are evaluated for many criteria. As was noted earlier, some observations of a



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feeder calf, stocker, yearling or finished steer may directly relate to the anticipated value on the rail. However, most do not. Most traits give a perceived plus or minus response. Through the eyes of the buyer, the plus and minus responses are summed up to create a purchase offer.

The base bid generally is a regional supply and demand offer. Occasionally, a particular offering of cattle may be outside the normal range of acceptable finished cattle, but the base bid still reflects supply and demand.

The base bid is fairly predictable, at least in the short and midterm. The base bid is market dependent and generally does not reflect the merits of individual cattle but rather the merits of the entire pen.

Of course, anyone buying the cattle will aggressively seek cattle that will hang more positives than negatives on the rail and will speculate with a higher bid if there are enough records to justify speculated rail performance. Once the base bid is established and accepted, the real carcass value slowly unfolds.

For those who know their cattle, they will speculate on bringing more positives than negative additional value on the rail. For most cattle producers, this phase of the industry is passed by. Why? The market is complicated.

Let's review a typical offering. A recent set of steers offered by the Dickinson Research Extension Center had a choice yield grade 3 price of \$205.48 per hundredweight of carcass on the rail. Therefore, those producers who are shooting for choice yield grade 3 cattle have a base value. On that day, the choice/select spread was a discount of \$7.64 for select carcasses. Beside the \$7.64 discount for select cattle, the actual value of each carcass is dependent on other plus and minus factors.

On the positive side, three additional market programs, quality grade prime and yield grade 1 and 2, all offered positive price adjustments. On the potential discount side, quality grade standard, utility, hard bone and no roll were all discounted. Other possible discounts included dark cutter, callus, damaged, stag, yield grades 4 and 5, carcass weight below 550 pounds or in excess of 999 pounds and 30 month or more carcass age.

In this set of 24 carcasses, 15 carcasses had a carcass value per hundredweight equal to or more than the choice yield grade 3 value. The highest valued carcass per hundredweight came in at \$211.48. However, the carcass also had the lowest total value at \$1,438.06.

In stark contrast, the carcass with the most discounted value (\$185.48) was the fifth most valuable carcass in terms of total value at \$1,886.33.

Translating those numbers back to the feedlot and cow-calf producer needs some more thinking.

More on that later.

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.

