

Truths of Cattle Marketing

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The title of this article seems very ambiguous. On top of ambiguous, the article title may conjure thoughts that there is sure to be something less than truthful in this article. Maybe the title of the article is completely off base and should be something similar to “Cattle Marketing 101: Does it get any easier?” or “Squeezing Nickels from a Cow Turd.” However, there are several truths about cattle marketing that cattle producers should be aware of and utilize to their benefit.

The first truth is that the cattle market always offers an opportunity. The market can either be a seller’s market or a buyer’s market and in some cases it can fit both parties. Many producers have complained about prices being too low when they are ready to sell calves. If prices appear to be too low then maybe the producer should be purchasing cattle to take advantage of low prices instead of selling cattle. The previous statement makes it sound easier than it really is because most people do not have a place to physically keep and feed more cattle. There are ways of managing through this situation such as physically marketing the cattle and then buying a futures contract that will be sold at a future date, but this method is a speculative method and could result in gains, losses, or no change. The only difference is that the producer does not incur feed costs.

The second truth in cattle marketing is that it is much easier to predict the futures market trading to some level over a given time period than it is to predict the cash price on a given day, week, or month. This means producers who have the cattle numbers to take advantage of using futures and options should consider using them if a profitable price becomes available. This does not mean a producer should use price risk management tools all the time, but locking in a profitable price sure helps reduce stress and worry.

The third truth in cattle marketing is that a buyer always exists, but a profitable price is not always offered. A cattle producer has several alternatives for physically marketing cattle and it can occur any day of the week. However, producers must focus on producing cattle that are demanded by the market and control costs to increase the probability of experiencing a profitable return. The failure to manage production costs and the failure to produce cattle demanded by buyers will likely result in disappointment.

Truth number four, a producer needs to have some concept and a partial understanding of the entire cattle and beef value chain to understand why cattle are priced the way they are on a given day. Cattle prices are ultimately determined by consumer demand for products produced from cattle. The primary value of cattle comes from beef items which include several cuts and grind from seven primal cuts in a carcass. Demand differs across each of these products and the price of each product is determined by demand and the total supply of the product. Similarly, other components of the animal contribute to cattle prices including the hide and offal items. If a person does not have at least a vague idea of these markets then it may be difficult to understand price changes in the cattle market.

The final truth to discuss in this article is that marketing can be made as simple or as difficult as a person desires. Simple does not mean it is poor marketing and difficult does not mean it is good marketing. The key is for producers to develop a marketing plan and to know what their breakeven value is for the animals they intend to market. If a person knows the breakeven value and has a marketing plan then that producer can take advantage of prices that will result in positive returns to the operation when they present themselves. Alternatively, producers who do not pay any attention to these aspects of the business will likely have more disappointments than successes.

On second thought, the title of this article is appropriate. The primary failure of the article is touching on all the truths that are associated with cattle marketing. The hope is that readers of this article begin managing their marketing strategy as much as they manage for reproduction, nutrition, and

health. For the producers that do not do any of that, I have no clue what the hope is. The hope may be that the cow is a better employee than the producer is a manager!