

MARKETING A SUPERIOR COMMERCIAL BREEDING PROGRAM

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The marketing of those cattle that eventually become beef cannot generally be viewed with pride in the United States. Stocker cattle, feeder cattle and even finished feedlot cattle are generally bought and sold on averages without adequate price differentials for the highly superior cattle or the really inferior cattle.

This lack of marketing sophistication has been a serious detriment to the breeding of cattle that exhibit superior growth rate and efficiency and that produce superior carcasses.

Any discussion of a superior breeding program in a commercial cattle herd must consider all those performance traits which affect net profit in the operation. Any change that does not improve the net profit (or reduce the loss as the case may be) of the commercial operation cannot be viewed as an improvement. Some of these traits such as reproductive performance, calving difficulty and maternal ability (milk production) almost exclusively concern the cow-calf operator himself. Any improvement in these traits will accrue directly to the cow-calf operator in additional pounds of calf weaned.

Improvement in growth rate and efficiency directly profit the commercial producer to varying degrees depending on how far into the growth period he owns the cattle. The operator who sells calves at weaning will generally own the cattle through about half their total growth period. Thus he directly profits from improved growth rate and efficiency on the first half of the calf's growth. He is then faced with marketing the calf in such a way that he can also profit from superior growth rate in the remainder of the animal's growth period.

The producer can realize more from his calves superior growth rate by owning them for a longer period of time. In some areas calves may be weaned and grazed on small grain pasture or on native grass and then put into the feedlot for finishing. Many producers choose to sell yearlings that have been through a postweaning grazing period to feeders who finish them in the feedlot.

The producer who is not able or not willing to own his calves past the weaning stage is faced with a difficult marketing problem. This is particularly true if he has a small herd with only a few calves for sale. The producer must in some way convince the buyer of his calves that they are the product of a superior breeding program and worth more money. This involves developing a favorable reputation for the calves from that herd.

In the cattle industry there have always been reputation herds whose owners have done an excellent job of marketing. Unfortunately in past years this reputation has often been based primarily on uniformity of color and conformation. When considered alone, uniformity of color and conformation have little economic value to the industry. Although uniformity of age, size and growth potential in a group of calves simplifies management, the primary performance factor that determines the profitability of a set of calves is their potential for efficient growth. It is important that commercial producers know the performance ability of their cattle to do a good job of selling them. This may involve feeding samples of the calf crop themselves if reliable feedback cannot be obtained from customers who do feed the cattle.

A good health and weaning management program is very important to the commercial operator who is attempting to establish a reputation for producing superior calves. Preconditioning is not a popular topic with some people but the producer who is hoping to establish a reputation for superior performing cattle must sell cattle that are likely to stay healthy after weaning and sale. Preconditioning generally involves preweaning calves and teaching them to eat plus a veterinary health program that is recommended for the area.

Organized programs to aid in measuring herd performance levels and in establishing herd reputations have been developed by cattlemen's groups, breed associations and extension service groups. These programs have generally been well designed but have often been unsuccessful as marketing programs. A good example is the Oklahoma Certified Feeder Calf Program. This was an excellent educational program that gave many producers their first real exposure to postweaning gain and carcass information on their cattle. As a marketing program it was not a success; although, I believe the potential was there if producers had felt the need to stay with the program.

Without an organized program to aid a producer in demonstrating the postweaning gain and carcass merit of his calves the development of a reputation may be very slow. The best hope of such a producer is to develop repeat customers who recognize the worth of his cattle and are willing to pay a premium to own them. Finding such customers may require that producers advertise the product they have for sale. Advertising superior cattle for sale in appropriate publications may enable a producer to locate buyers willing to pay a premium for his cattle.

Marketing superior growth rate has been difficult but not so difficult as marketing superior carcass merit. Those of us who sell our finished cattle to packers have generally been unable to profit from the sale of superior carcass cattle. It is true that we have avoided discounts directed at Yield Grade 4 cattle but that is very faint praise. A few packers in some areas have begun to pay a small premium for Yield Grade 2 Choice cattle. If Yield Grade 2 Choice cattle are really more desirable than Yield Grade 3 and 4 cattle, even a small price

premium would greatly increase the numbers of these cattle available to the packers over a period of time.

In my opinion the best way for a commercial producer to profit from his superior breeding program is to own the cattle as far along the production chain as is possible. This method can also be very educational to the commercial producer. He may discover that his breeding program isn't as superior as he thought.

For most cattlemen there is a limit to how far this integration can go depending on pasture situation, financial condition and perhaps other considerations. In our Davison and Sons operation we maintain ownership of our calves and carry them for a grazing season on native grass and then into a commercial feedlot for finishing. There are many possible variations of this program depending on the individual situation.

Ownership of cattle by the breeder all the way to slaughter increases industry efficiency because changes of ownership and unnecessary transportation and marketing costs are avoided. Stress and health problems are also reduced making beef production more efficient.

The ownership of cattle past the feedlot may be possible in some cases, but few cattlemen have the knowledge or financing necessary to become successfully involved in the slaughter or retail industries. I recognize that integration to this extent may be possible and profitable but it will not be considered further in this discussion.

Additional marketing flexibility may be realized by the producer that owns his cattle further along the marketing chain. If cattle cannot be profitably marketed at one stage they may be retained until they can be marketed at a profit. Tax considerations may dilute part of this advantage in some cases.

Whenever the producer retains ownership of his cattle for a longer period of time greater financial resources are needed. Finishing cattle in the feedlot in particular takes more financing.

In order to do the best job of marketing cattle produced in a superior commercial breeding program the following points must be observed. The producer must measure and document the actual performance ability of the herd. The producer himself must take advantage of this superior performance as far as possible in his own program. However the producer chooses to sell his cattle he must make prospective buyers aware of their superior performance ability.