



Land & Livestock Post

To market, to market: Identify your markets in the business plan

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A producer may raise the best cattle in the world, but failure to operate the ranch from a business plan usually results in lost profit. Tommy Perkins, PhD, Executive Vice President of the International Brangus Breeders Association discussed business plans during a recent Texas A&M Beef Cattle Short Course. Unless otherwise noted, this article is mostly taken from Dr. Perkins' presentation.

The first topic in the business plan should describe the overall operation. Will outside income support losses and is the primary purpose of the operation to provide tax benefits or is the business meant to economically sustain itself? What are the sources of income? Some of the possibilities are seedstock or commercial bulls and purebred or commercial replacement females. A good business plan evaluates financial conditions, production decisions, equipment needs and technology uses.

Marketing plan

A very important part of the business plan is the marketing plan which differentiates the really successful operation from the average. Cattle are generally equal from a genetic and phenotypic standpoint, but the elite breeder has an excellent marketing plan. The multiplier breeder exerts little to no effort toward marketing.

One of the components of a marketing plan is the advertisement program. The options are endless and include print, digital, television, direct mail, website, e-blasts and outdoor advertising (billboards and/or signs). Ask customers or potential customers where they obtain information to use in their buying decisions. Listen to their answers and then select the advertisement methods that will reach them. Immediate response to inquiries is a very important aspect in deriving benefit from an advertising program.

Marketing versus selling is normally the primary focus of an effective plan. Successful marketing is accomplished by producing cattle that the market desires, marketing at the right time, using the best outlet, and recognizing good alternatives.

Listen to customers when determining what the market desires. Learn what animal characteristics are important to the people buying cattle. Normally buyers want low birth weight, high weaning weights, large scrotal circumference, high marbling and long stayability genetics in breeding stock. Remember that appreciative genetic improvements don't happen quickly. There are long

generation intervals in cattle. The type of product, that you will sell, also helps determine genetic selection. All-natural beef, grassfed calves, replacement heifers and market steers all have different characteristics. Time of marketing may vary from year to year, due to weather, forage availability, rate of gain or market conditions.

Marketing possibilities

Possible ways to market cattle are numerous. Marketing method selection usually depends on the type and number of animals for sale.

An auction barn is a convenient place to sell cattle and is open 52 weeks out of the year. A producer does not require any marketing knowledge to sell through this outlet. Any lot size is accommodated, which provides marketing opportunities for small producers. Another advantage of marketing through an auction barn is that cash is paid on the day of sale. Disadvantages are the seller has little control over the sale, spread of disease is sometimes an issue and it is a challenge for the producer to establish a good reputation through this marketing method.

“Purpose of regional graded sales is to group similar cattle from different producers into uniform lots,” said Geoff Benson, PhD, Professor Emeritus, North Carolina State University. “Grouping allows buyers to minimize assembly and transportation costs, thus increasing cattle value. Cattle are sorted on sex, weight with a maximum spread of 100 pounds, grade according to USDA feeder cattle grading standards and breed. Graded sales typically market feeder calves in the fall and stockers in the spring.”

“Marketing costs are shared among the sellers in graded sales and are appropriated according to number of head sold,” Perkins explained. “Graded sales can increase each class of cattle offered for sale which increases value. Disadvantages of graded sales are the producer must help market his cattle, individual producer identity is often lost, grading /judging results may be disappointing, possibility of disease spread and higher overhead cost per sold unit.”

Andrew Griffith, PhD, Assistant Professor and Extension Economist – Livestock, University of Tennessee provided the following four general steps of the video auction marketing process:

1. The producer must contact a representative from a marketing agency that conducts video sale auctions and express his/her interest in marketing cattle via video auction.
2. The marketing agency representative will then visit the farm or ranch to film the livestock, as well as write a physical description of the cattle and delivery details.
3. The producer consigns the cattle for a specified sale date. On the specified sale date, the auction is conducted with buyers bidding on the cattle through the internet or by telephone.
4. The buyer generally takes delivery on farm or at a designated location during the specified delivery period, and the seller receives payment through the marketing agency.

“The typical video auction consists of buyers watching a short video of the livestock while the marketing agency solicits bids for the cattle,” said Griffith. “Prior to the auction, buyers receive the

written description of the cattle that was prepared by the marketing agency representative. The buyer takes delivery at a date ranging from a few days to a few months after the sale.”

“Video auctions cause less stress on cattle than live sales,” said Perkins. “This type of auction also increases number of buyers because travel to the sale is not required. It may also reduce marketing costs. Requirements of a video auction are a commitment to take good videos and a good auctioneer who can build sale day excitement. A disadvantage in video auctions is that an internet delay can leave money on the table.”

In direct selling through private treaty, the seller controls the marketing process. There is little to no stress on the animals and there is minimal disease risk. Private treaty is the least cost marketing method; however, marketing knowledge is a must. Disadvantages of the system is the seller assumes all payment risks and there is little to no buyer competition.

If retained ownership is utilized, the producer receives return on investment (ROI) for value-added management. Retained ownership allows the producer to receive valuable carcass data from the packer and performance numbers from the feedyard. Disadvantages are increased financial risk, delay in income receipt, additional costs and more nutritional and animal health consequences.

There are approximately 100 different cooperative branded programs in the United States. Examples are Certified Angus Beef, Cargill Meat Solutions Sterling Silver, Swift Chef’s Exclusive, SYSCO Butcher’s Block Reserve Beef, Certified Hereford Beef, Nolan Ryan’s Tender Aged Beef and 44 Farms Premium Natural Black Angus Program. Branded programs allow producers to receive premiums for specific cattle and rewards for some management practices. Reputation establishment is much quicker through branded programs. Disadvantages of these programs are requirements for producers to help market their cattle, critical record keeping and higher input costs. In a branded program, a producer may have to give up his or her breeding philosophy and adopt those of the brand.

In summary, a good business plan with realistic goals and objectives is necessary for successful producers. It is important to include a marketing plan within the business plan. Plans must contain flexibility because conditions will change. A producer should participate in multiple marketing options, provide strong customer service and remain honest. Integrity is important for maintaining a good reputation.