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What to Consider When Marketing Feeder Cattle

By *Sandy Russell*
Beef Economist
Livestock Development Branch

Well-defined marketing strategies are an essential component of any successful business, and cattle production is no different. A marketing plan that outlines where, when, how and to whom the business will market its product is a requirement for any successful business. Traditionally, many beef producers kept this information in their heads and seldom reviewed it. Life is more complicated now, and, as the traditional “fall run” approaches each year, the anxiety level increases as decisions need to be made that will affect the financial status of the business for the coming year.

With significant weekly movement in feeder cattle prices in past years, it takes an in-depth understanding of the factors driving the current price in order to determine the optimal strategy for any given cattle business. Regardless of the market you are targeting, a significant amount of planning and analysis needs to be completed before finalizing any decision to sell.

Without a marketing plan, managers often end up making decisions based on what the majority of the industry is doing or what has been done in the past, rather than what may be most profitable for their specific business. No two beef operations are the same, and their advantages and disadvantages are often unique to that enterprise. Following the price trend alone will not necessarily be the most favourable decision for your business.

Flexibility hinges on the current financial situation, which is unique to each enterprise. Even though it may appear economical to retain calves, it may not be the best alternative for some producers because of personal financial resources. It is extremely difficult to make the appropriate marketing decision for your operation until a financial analysis for the business is completed. Specifically, producers

need to be aware of their cost to produce the product and of their yearly cash flow requirements. Once this is known, a comparison of various marketing alternatives can be made and applied to the business. This is the only way to truly identify the most profitable marketing strategy for your calves.

Managers must also consider the quality of their product and where that product best fits in the marketplace. Information on market trends, breakevens and projections needs to be collected and continuously examined to keep on top of changes in the marketplace. This involves monitoring things such as the local cash market as well as various futures markets to project the potential value of cattle and the impact that other factors may have on feeder cattle markets (i.e. the dollar exchange rate, corn prices, etc.).

A variety of marketing routes may also be compared, such as local auction markets, satellite or Internet sales or direct sales to feedlots. Successful managers are continually examining markets, exploring all options, evaluating their marketing plans and adapting to change, if necessary.

Marketing is an essential component of any profitable business. Maximizing the value you get for your product has significant impacts on your business’ long-term viability. Historically, many beef producers have followed their “traditional” marketing approach and have not considered alternative strategies or put much emphasis on the importance of marketing plans. By identifying the financial status of your business and creating a marketing plan, managers will be better able to capitalize on market opportunities and likely sleep a little easier at night, too.

FOR MORE INFORMATION

- Contact the Agriculture Knowledge Centre at 1-866-457-2377.

Key points to consider in order to maximize your cattle marketing opportunities:

- Use all market information resources available. The more market intelligence you use, the better your marketing decisions will be.
- Know your breakeven price, and have a marketing plan developed in advance for your cattle. Markets change quickly, so the plan needs to be flexible, but it is important to have the initial plan.
- Markets are built upon relationships. It is important to build relationships with various participants in the marketplace, both to access information and create opportunities to market cattle.
- Be aware of various pricing methods and delivery alternatives. Understand what types of cattle do best under which pricing method, and what alternatives work best for your business.
- Have a comprehensive understanding of the entire industry, and identify what drives market price. It is important to be aware of what is taking place around you in combination with what is influencing the marketplace. Successful marketers do not isolate themselves from the industry or the marketplace. They are constantly watching and anticipating the market prices.

