

# AgInfoLink

## Marketing A Value Added Calf

Glenn Smith  
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## Marketing the Value Added Calf

**Value Added Marketing** is taking a commodity and creating additional value through management practices, and then marketing that commodity in such a way as to be paid for the additional value created.




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## Marketing the Value Added Calf

**Management for Added Value**

- Breed Selection (CAB, CHB, etc)
- Castration
- Weaning
- Pre-conditioning
- Documented Health Protocol (ex: Pfizer SelectVAC)
- Documented feedlot performance or carcass data





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## Marketing the Value Added Calf


**Credence Attributes**  
(those characteristics that are not visible or apparent, require 3<sup>rd</sup> party verification)

- Age Verification (Export Verification for Japan)
- Source Verification
- Non-Hormone Treated Cattle Program (NHTC) (Export to EU)
- Naturally Raised
- Organic

AgInfoLink is a USDA Process Verified Company

For specific claims visit <http://ProcessVerified.usda.gov>



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## Who wants Organic, Natural?

- 21.2% of shoppers purchase natural/organic meat
- 25% of Ground Beef packages have Natural claims
- Organic Beef sales in 2006 were \$65 million (up 34% from prior year)
- Organic meat category has grown 10x in past 5 years to estimated \$364 million in 2007

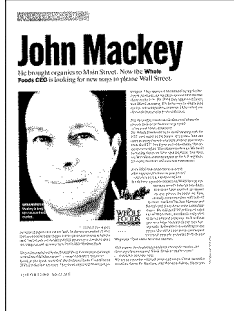
"The desire for organic meat products is based on a general sense that the food supply has the potential to be unsafe... But demand has more than outpaced production, and the U.S. market for organic meats has become highly import-dependent."  
(Mintel research)



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## Animal Welfare Influences Purchasing Decisions

Whole Foods' CEO John Mackey told Fortune magazine, "We're upgrading our animal welfare program, and in London we have introduced our five-step animal welfare process. It's coming to the US soon."  
- Fortune, July 23, 2007



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### Competitive Global Markets

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### Marketing First, Production Second

"Do the marketing first and the production second. Know where and how you will sell the calves you intend to produce, and maybe even who you'll sell them to. Then go back and create the calves that market wants in a way that makes economic sense to you."

- Dr. Bill Mies, Elanco Animal Health

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### Market for Value

"To realize value, you must market value. It does no good to do all the right things and then throw the calf to the marketplace as a generic product."

"The only reason to do anything to increase the value of a calf is because you intend to market the calf to realize the increased value."

- Dr. Bill Mies, Elanco Animal Health

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### Where to Market?

- Auction Markets
- Order Buyers
- Video Sales
- Internet Marketing
- Direct Marketing

• **Market where value add is rewarded.**

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### What Determines Value?

"Few buyers are interested in cattle of questionable health, or those that fail to perform on feed or in the meat, even if they happen to be verified for source and age." - Mies

**Key Factors**

- Healthy and stay that way
- Can convert feed to gain efficiently
- Are able to quality grade high % Choice, at least High Select with Yield Grade no worse than 3
- Carcass weight in tolerance (550 – 950 lbs)

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### Stack Your Options

- Natural, NHTC, Age and Source
- If you have to treat a calf, he is still NHTC and Age and Source Qualified
- If then implanted, still Age and Source Qualified

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## Prove It

"The more records you have on the cattle, the more opportunity you have to increase their value." - Mies

- Rancher must maintain records for calving
  - Minimum date of first calf born and last calf born, defines calving season and group birth date, supported by inventory records
- Vaccines, lot numbers, date of administration
- Dates and animal health protocols for each set of cattle
- Source and performance records on bulls
  
- Feed records
- Records documenting control of all animal health product inventory



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13

## Return on Investment?

- Superior Livestock
  - Preconditioning - \$7.60 cwt (\$38 per head)
  - Age and Source Verification - \$1.77 cwt (\$8.85 per head)
    - CSU 2006 Superior Livestock data
  - Age and Source Verification - \$2-3 cwt
    - Jim Kelly, Superior Livestock, 2007 experience
- Iowa Auction Markets
  - Preconditioning - \$35 per head advantage (added revenue less expenses)
    - Iowa State University
- Natural – Growing market, but know your increased production costs before getting involved.
- NHTC (for EU) – Fed cattle that qualify are bringing \$8-\$10/cwt over market, but it is the most costly value-added characteristic to provide.



December 13, 2007

14

## For more information...

For more information, contact AgInfoLink:  
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December 13, 2007

15