

DE-COMMODITIZING THE FEEDER CALF MARKET: PROVIDING OBJECTIVE INFORMATION TO BUYERS

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DE-COMMODITIZING

Beef is no longer a commodity as it is presented to consumers. Name brands and greater differentiation are everywhere. Fed cattle aren't really a commodity either. Close to 70% of all fed cattle are sold on grids and formulas, which price these animals individually, according to their actual carcass value. Commercial bulls have been de-commoditized for years. Bulls in all major breeds are now sold with a plethora of specific and detailed information (even videos on individual animals) that allows prospective buyers to evaluate and compare bulls in a detailed and sophisticated manner, similar to how we might compare pickup trucks when it's time to buy a new one.

So where is this headed? It suffices to say that the feeder calf market is next. There is little doubt that more information will accompany most groups of cattle as we work to de-commoditize the feeder cattle market in the years ahead. We must, however, realize that information itself is just a conduit. If a group of cattle are truly superior, sharing more specific information about them is beneficial. It adds to their value and increases the odds that a premium price will be received. Conversely, if the cattle are average or below average, sharing more information about them can lead to a lower sales price (even though it's the 'right' thing to do). Inferior cattle thrive on the limited information transfer that has been the historical hallmark of the U.S. feeder cattle market. Superior cattle are held back and hurt by it.

Superior Feeder Cattle + More Information about Them = Higher Sales Price

Inferior Feeder Cattle + More Information about Them = Lower Sales Price

The good news is that times are changing. Producers with top shelf genetics and management are increasingly motivated to communicate the extra value their cattle possess to prospective buyers. They are doing this in a myriad of ways---some of which are effective, some not so much. We do not want to simply throw a long list of random information at buyers and hope something sticks. That approach is certain to fail. We need to first determine what buyers care about and what they want to know—then we

can build an appropriate list of information and keep it short enough not to waste their time with superfluous data.

Before we jump into the list of what buyers actually care about, here are a few big picture points about what the nature and character of that data/information should be like. Descriptive information that accompanies any group of feeder cattle or calves must be (1) truthful, (2) as objective as possible, and (3) third-party verified where appropriate. Honesty and objectivity is paramount for building a positive reputation in the cattle business. Third-party verification certainly has its place as well, particularly in the case of genetics and potentially health.

WHAT INFORMATION DO BUYERS WANT?

Here are the basics for what buyers want. Estimated number, weight, and sex of the cattle become the obvious place to start. In the case of steers calves, make sure to include how they became steers (knife cut or banded) and age at castration. Are they all home-raised/single source cattle? If yes, make a point to say so.

Flesh condition is always high on the list. Call this accurately in your description. If they are a little fleshy, honestly say so, even though it will cause the bidder to back up. If the cattle are of medium flesh, say that too. Medium flesh condition is market neutral. There is no price advantage or disadvantage associated with cattle being in average flesh. Thin cattle will likely bring a premium above the average market price more times than not. But there is usually no net advantage to the seller. Having fewer pounds to sell will offset the higher price. One way to make a buyer mad is to present cattle as being in medium flesh and they show up even mildly over-conditioned. Do not plan for any repeat business if that happens. Buyers care a great deal about the condition of cattle they bid on and buy, so don't take it lightly. The key takeaway message is this: do not allow your calves or yearling to become over-conditioned. You are wasting money if that happens. At the same time, thin cattle will cost you money too. Monitor the condition of your calves and yearlings closely. Sort if necessary to make sure the groups you sell are all in average flesh.

Health is next, and its importance can not be understated. Buyers typically want detailed information on specific health treatments and corresponding dates/ages when these products were administered. This is an absolute requirement on calves, and beneficial on yearlings. The days of saying "these calves have had all their shots" are over. You can still say that, but there is no value added in doing so. Buyers want specifics on health programs---then they will decide what its worth to them. VAC 34 and VAC 45 programs have become widely recognized in our industry. Most buyers can tell you with a fair amount of detail what each means. Cattle that sell under these labels are essentially "health branded" cattle. There is no doubt that value is added when you can honestly say my calves are VAC 34 or VAC 45, then back it up with an accurate list of both the timing of treatment and specific products you used. Another point is to think about marketing day as you decide with your veterinarian what health protocol to follow. The questions you should ask are (1) what products and management practices cover all the bases needed to keep these cattle healthy when they leave the ranch? And (2) what else might I do to make my health program increase the marketability of my calves? In

short, create and follow a top-notch health program, then promote that program to prospective buyers.

Let's finish our discussion with genetics. Here too, subjective information is on the way out, while objective data/information is becoming increasingly important. We have historically used many generic descriptors in place of hard information. A few examples include, "they're the front-end kind," "some of the best cattle that walk," or "this is a really powerful set of steers." That's great but what does it mean? Unless buyers have had first hand experience with the cattle, such lofty expressions will be taken with a big grain of salt. I'd also suggest that in most cases, a list of seedstock operations where you bought your bulls is of limited value. It is simply too subjective to mean much. ABC Ranch may produce a lot of good genetics. But what if I bought their bottom end bulls three years in a row and then promoted ABC as my genetic source? At best, it does not tell prospective buyers much about my genetics. At worst, it's misleading information that misrepresents my cattle.

It's better to provide objective information, which is what Top Dollar Angus® and Reputation Feeder Cattle™ do for their customers. With Top Dollar Angus qualified cattle, buyers can be certain they are buying Angus/Angus-based feeders that rank in the Top 25% of the breed for growth and carcass traits. Genetic guesswork is gone. Third-party verification assures prospective buyers that objective criteria have been utilized to determine which cattle qualify and which do not. Cattle that qualify, and are sold under the Top Dollar Angus brand-name, are like Starbucks coffee amidst a row of generics (see picture below). The label on the outside accurately reflects the quality on the inside. We can not readily observe genetic differences from one group of feeder cattle to the next. Thus, accurate "genetic labeling" becomes important. Efforts to differentiate the best cattle from the rest of the bell curve are sure to continue. Top Dollar Angus is one such program that does exactly that. There will be more to come.

Which cup would you pay a premium price to get?

