Ranching 101
Livestock Marketing

April 18, 2017

Agenda
- Livestock marketing options
- What happens at livestock markets
- Preparing to market cattle
- What are they worth
- Niche markets

Cattle Class Terminology

<table>
<thead>
<tr>
<th>Name</th>
<th>Weight</th>
<th>Prices</th>
<th>Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calves</td>
<td>0 – 400 lbs.</td>
<td>$175/cwt</td>
<td>$450/head</td>
</tr>
<tr>
<td>Stockers</td>
<td>500 – 650 lbs.</td>
<td>$143/cwt</td>
<td>$780/head</td>
</tr>
<tr>
<td>Feeders/Yearlings</td>
<td>700 – 900 lbs.</td>
<td>$135/cwt</td>
<td>$1,080/head</td>
</tr>
<tr>
<td>Live/Fed Cattle</td>
<td>1100 – 1500 lbs.</td>
<td>$128/cwt</td>
<td>$1,660/hd</td>
</tr>
</tbody>
</table>

Cattle Class Terminology

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Prices</th>
<th>Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pairs</td>
<td>2 – 8 Years</td>
<td>$1,200/pair</td>
<td>Ranchers</td>
</tr>
<tr>
<td>Replacement Females</td>
<td>&lt; 3 Years</td>
<td>$1,000/head</td>
<td>Ranchers</td>
</tr>
<tr>
<td>Slaughter Cows</td>
<td>Any</td>
<td>$70/cwt</td>
<td>$700/head</td>
</tr>
<tr>
<td>Bulls</td>
<td>Any</td>
<td>$90/cwt</td>
<td>$1,100/hd</td>
</tr>
</tbody>
</table>
Key Marketing Decisions/Factors

- What are the goals for your operation?
  - Marketing or operational plan
- What resources do you have available?
  - What are you buying/selling?
  - Small or large volume?
  - Cattle type?
- Who is buying?
  - When, where, what?

Your Marketing Options

- Livestock markets
- Premium/Commingled sales
- Direct trade/private treaty
- Forward contracting
- Online/Video sales
- Online/Country Cattle Listings
- Retaining ownership and feeding partnerships
- Do nothing
- Other options are available

Livestock Markets

**Advantages**
- Full benefit of price advances
- Very good price discovery
- Convenience
- Market stands payment risk, insures legitimacy of buyers

**Disadvantages**
- Full risk of price declines
- Value-added cattle have trouble bringing full potential
- Transportation, shipping, and selling costs are higher

Premium/Commingled Sales

**Advantages**
- Allows small operators to maximize the price potential of their cattle
- Very good price discovery
- Market stands payment risk, insures legitimacy of buyers

**Disadvantages**
- Cost to participate in the sale may be prohibitive
- Infrequent sales require advance planning
- Transportation, shipping, and selling costs are higher because few markets hold these sales

Direct Trade/Private Treaty Sales

**Advantages**
- Terms may be tailored to specific situations
- Easier to develop a reputation for good cattle

**Disadvantages**
- You have to work to find buyers
- You stand payment risk

Example Bill of Sale
Forward Contracting

**Advantages**
- Terms may be tailored to specific situations
- Allows long-term planning to a specific delivery date
- Allows basis contracts and hedging

**Disadvantages**
- Greater knowledge required due to involvement of risk management tools
- Upside price potential may be limited
- You stand payment risk

Satellite/Online Video Sales

**Advantages**
- Larger, targeted buyers from large areas can view your cattle
- The video sale assumes payment risk

**Disadvantages**
- Large lots of cattle required, minimum of a truckload (60-70 calves)
- Requires advanced planning

Satellite/Online Video Sales

Satellite/Online Video Sales

Satellite/Online Video Sales

Satellite/Online Video Sales
Satellite/Online Video Sales

Advantages
- Larger, targeted buyers from large areas can view your cattle
- The online service may or may not assume payment risk
- Large, truckload lots may not be required

Disadvantages
- Cattle may not sell
- Disadvantage to buyers: Sellers generally set unrealistically high prices

Country Cattle Listings

Advantages
- Opportunity to take advantage of cattle that perform well
- Some years this makes a lot of money

Disadvantages
- Generally, large lots of cattle required, minimum of a truckload (60-70 calves)
- Requires advanced planning
- Generally requires additional equity
- Some years this loses a lot of money, greater risk

Why Mileage Matters

Assume $4.00 per loaded mile

Caldwell: $2,052
Graham: $1,176

$876 / 45,000 pounds = $0.0194/pound or $1.94/cwt
45,000 pounds / 600 pounds = 75 head

All things being equal, animals sold in Graham would be worth $11.68/head more than in Caldwell.

Online/Country Cattle Listings

Retaining Ownership/Feeding Partnerships

Advantages
- Opportunity to take advantage of cattle that perform well
- Some years this makes a lot of money

Disadvantages
- Generally, large lots of cattle required, minimum of a truckload (60-70 calves)
- Requires advanced planning
- Generally requires additional equity
- Some years this loses a lot of money, greater risk
Before Committing to a Sale Type

- Know what you have in the cattle
- Know what it will cost to hold cattle longer
- Understand what resources you have available
- Fully understand the risks at hand: what can you gain/lose

What Really Happens at a Livestock Market?

What really happens at a livestock market?

Unload Your Cattle

Cattle Counted and Identified, Seller Information Collected

Brand Information Recorded
Cows May Be Preg-Checked, Mouthed for Age, or Bled

Cattle May be Commingled/Separated for Merchandising

Cattle Sold by Lot and/or Pen

Cattle Weighed Post-Sale

Cattle Penned by Buyer

Buyers: Pay for and Load Cattle
Seller: Pickup Your Check

Making Sense of the Check: Example 1 - Cows

Making Sense of the Check: Example 2 – Calves:

More Information
- Southern markets generally rely on price commissions: 3-4% of sale price
- Northern markets generally rely on per head commissions: $25-35/head
- Most markets will not publish their commission models
- Most markets will charge some form of yardage for feed/water
- Beef checkoff and market inspection deductions are standard

Insider’s Notes: Market Timing
- Best Times:
  - June through August
  - November through March
- Worst Time:
  - Late September through October
Insider’s Notes: Maximizing Value

1. Quality
2. Condition
3. Uniformity of Group
4. Time of Year
5. Castrating ($15/cwt)
6. Weaning ($10+/cwt, seasonal)
7. Value-added shots (7-way is not value-added)

Insider’s Notes: How to Top the Market

- English or exotic cross
- Some condition to the animal
- Castrated
- Weaned
- Not crazy
- If in a group, uniform size and condition
- Black color, but not required

Insider’s Notes: Who is Buying Volume

<table>
<thead>
<tr>
<th>Sale Type</th>
<th>Order Buyers</th>
<th>Local Ranchers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular sale</td>
<td>80% of calves/yearlings</td>
<td>20%</td>
</tr>
<tr>
<td>Older Cows</td>
<td>100% packer buyer</td>
<td>0%</td>
</tr>
<tr>
<td>Younger Cows</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>Premium Sale (yearlings)</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Replacement Heifers</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>Special Replacement Sales</td>
<td>5%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Cattle Sales vs. Cattle Marketing

Questions

- Who pays if the animal is hurt or killed?
- When does title transfer?
- Do I have to sell the animal if I do not like the price?
- When is payment for purchases due?
- When is the market required to pay me?
- What if the check bounces?
Preparing to Market Cattle

How Do You Make More?

- Give Buyers Convenient Way to Reduce Risk and Opportunity to Make Money
- Convenience:
  - Larger lots of like animals
  - Provide what the buyer wants: may or may not be quality
- Reduced Risk:
  - Healthy animals
  - VAC-45, VAC-34, etc.
- Opportunity to Make Money:
  - More information on cattle
  - Lighter weights vs. heavier weights

What Information Do Buyers Want?

Who Is Your Competition?

- January:
  - Scarce, hard to find
  - Some double rotation calves
  - South TX sale barn calves
- February:
  - Early wheat cattle
  - South TX winter weeds and market cleanup
- March:
  - TX Panhandle, OK, KS wheat yearlings
  - Few sale barn cattle
- April:
  - End of wheat cattle
  - GA, AL, FL fresh calves
- May:
  - Graze-out cattle from wheat and TX oats
  - MS rye grass cattle
Who Is Your Competition? (cont’d)

• June:
  – Sale barn calves and graze-out cattle

• July:
  – OK Osage and central TX yearlings
  – Light FL calves

• August:
  – FL calves
  – Few south TX calves

• September:
  – NM grass and KS Flint Hills yearlings
  – CO weaned calves

• October:
  – NM and CO high country calves
  – Clean-up grass yearlings
  – TX weaned calves

• November:
  – Clean-up all classes
  – Sale barn lightweights

• December:
  – Mexican border, if open
  – Clean-up trade for first 15 days

Key Questions:
– When is trade volume highest and lowest?
– When are feedyards most full?
– Which cattle perform the best?

What Are They Worth?

Calf and Feeder Prices

• Primary Influences:
  – Supply of like cattle
  – Demand: primarily feedyard profitability
  – Availability of/Cost to grow animals:
    • Pasture, hay, etc.
    • Corn: rule of thumb is that a $0.10/bu change in corn = $1.00/cwt change in feeder cattle
  – Other factors such as consumer demand at retail have some effect but it is muted due to the mature of the supply chain

![CattleFax U.S. Weekly Average Cattle Prices](chart1.png)

![Seasonal Utility Cow Price](chart2.png)
**Cow Prices**

Number of 550 lb Steer Calves Needed to Pay for a Bred Cow

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Cow Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.20</td>
<td>76</td>
</tr>
<tr>
<td>1.25</td>
<td>82</td>
</tr>
<tr>
<td>1.30</td>
<td>84</td>
</tr>
<tr>
<td>1.35</td>
<td>86</td>
</tr>
<tr>
<td>1.40</td>
<td>88</td>
</tr>
<tr>
<td>1.45</td>
<td>90</td>
</tr>
<tr>
<td>1.50</td>
<td>92</td>
</tr>
<tr>
<td>1.55</td>
<td>94</td>
</tr>
<tr>
<td>1.60</td>
<td>96</td>
</tr>
<tr>
<td>1.65</td>
<td>98</td>
</tr>
<tr>
<td>1.70</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: CattleFax*

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**Numerous Market Reports**

Free Reports:
- See handout
- Most markets self-report

Paid Services:
- CattleFax
- DTN

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**USDA Market Reports**

- Free Reports:
  - See handout
  - Most markets self-report

- Paid Services:
  - CattleFax
  - DTN

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**Private Market Reports: Decatur**

**MARKET REPORT**

**Consignments from April 10, 2017**

- **Steers**: 1,030 head including 50 bulls, 281 Cana, 108 Steers, 64 Heifers, 128 Heifer Calves, 177 Feeder Steers, 99 Feeder Heifers, 96 Steer Calves, 96 Heifer Calves

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**Private Market Reports: Gainesville**

**MARKET REPORT**

**Consignments from May 12, 2017**

- **Steers**: 1,200 head including 60 bulls, 300 Cana, 120 Steers, 90 Heifers, 150 Steer Calves, 150 Heifer Calves

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**Private Market Reports: Sulphur Springs**

**MARKET REPORT**

**Consignments from June 15, 2017**

- **Steers**: 800 head including 40 bulls, 200 Cana, 160 Steers, 120 Heifers, 200 Steer Calves, 200 Heifer Calves

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Private Market Reports: Eastland

Private Market Reports: West

Private Market Reports: San Saba

Private Market Reports: CattleFax

Things to Remember About Market Reports

• Why was that animal the highest price?
• What quality was it?
• What condition was it in?
• What did it weigh?
• How many were sold at that price?
• What had been done to that animal?
Niche Markets

- Producing a product for a unique, specialty market: organic, natural, grass fed, etc.
- Why?:
  - Additional value
  - Unique resources
- Why not?:
  - Where are the buyers?
  - Extensive investment may be hard to recoup
- Consider your business plan and resources before starting to produce for a niche market

Organic Beef

- Advantage:
  - Some premiums available
- Disadvantages:
  - Beef must be verified through USDA National Organic Program (NOP)
  - Significant startup and ongoing verification
  - Difficult process to master and sustain

Grass Fed Beef

- Advantage:
  - Some premiums available
- Disadvantages:
  - Beef must be verified through USDA AMS
  - Some startup and ongoing verification, though much easier than organic
  - Forage supply must be a priority
  - Higher cost of gain and longer time to get paid

Non-Hormone Treated Cattle (NHTC)

- Advantage:
  - Good premiums available through mainstream feedyards and packers
- Disadvantages:
  - Beef must be verified through USDA AMS
  - Some startup and ongoing verification, though easier than grass fed and organic
  - Good documentation is required
Export Markets: Japan, Taiwan, Russia, etc.

**Advantage**
- Premiums have been minimized

**Disadvantages**
- Require USDA program verification
- Require additional record-keeping
- Require some supply chain controls
- Need to connect with downstream premiums

Specialty Breeds: Wagyu, Akaushi, etc.

**Advantage**
- Premiums may be available

**Disadvantages**
- Significant initial investment
- Require additional record-keeping
- May have supply chain requirements
- “Coop” approach does not work for all

Marketing Your Own Beef

- Difficult, time-consuming process
- Federal and state regulations apply
- Find a knowledgeable processor

Questions?
SAMPLE LIVESTOCK PURCHASE CONTRACT

Seller:  
Business Name: ____________________________  
Contact: ____________________________  
Address: ____________________________  
City, State: ________ Zip: ________  
Phone: ____________________________  
Email: ____________________________

Buyer:  
Business Name: ____________________________  
Contact: ____________________________  
Address: ____________________________  
City, State: ________ Zip: ________  
Phone: ____________________________  
Email: ____________________________

Seller will provide livestock and services to Buyer, and Buyer agrees to pay ____________ ____________, as specified in this Agreement.

This Agreement begins on the date signed below and deposit is received by ____________. This Agreement ends when livestock is transferred to Buyer or upon written agreement between the parties. Thereafter, Seller and Buyer are relieved of all obligations and liabilities pertaining to this Agreement.

Type and Number of Livestock
___________________________________________________________ $_______ each
___________________________________________________________ $_______ each
___________________________________________________________ $_______ each

Total Livestock Price  
______________________________
Deposit Paid  
______________________________

$ ________________  $ ________________

Deposits and Final Payment of Livestock Price

For intact breeder, feeder or show livestock: Deposit due prior to placement on Seller’s reserve list. Final payment due four weeks prior to pick-up date (this is to allow for payment to clear Buyer’s bank).

Payment must be made in U.S. Dollars. Payment form may be PayPal, cash, checks or other compensation agreed to by both parties. All forms of payment must clear the customer’s bank before livestock will be transferred.

Deposits, including partial deposit payments, are only refundable if Seller fails to provide livestock. Deposits, including partial deposit payments, will not be refunded if Buyer cancels Agreement without concurrence of Seller, if Buyer fails to make final payment as agreed to above, if payment fails to clear Seller’s bank or if Buyer fails to accept transfer of livestock by pick up date (unless agreed to in writing by Seller). This is necessary as Seller prioritizes its breeding schedule and commitments based on deposits received and will incur costs to board and re-market livestock.

Customer may have to wait for a later delivery if the anticipated livestock do not have enough appropriate livestock for this order; this situation does not automatically require a refund of deposit.
**Services and Fees**

Veterinarian health certificate: If requested by Customer, Seller will obtain an appropriate certificate from its veterinarian. Cost will be according to the quote from the veterinarian, plus a transportation fee. Livestock that require blood tests will require Seller to make a second trip to the veterinarian and incur a second transportation fee. Fees due at time of final payment to allow for adequate time to schedule vet appointment and have necessary tests completed.

Import certificates: Customer’s responsibility.

Transportation by third party shipper: Customer’s responsibility.

Registration fee: Seller will pay for animal registration. Individual registration fee is Customer’s responsibility.

Further Agreements:
- Seller agrees that livestock provided will be of sound health at transfer.
- Seller is not responsible for the health or welfare of livestock, including any latent (hidden) physical defects or illness (including inability to breed or nurture offspring as breeder livestock), after transfer to Customer.
- Customer agrees to provide name(s) of any persons who will act as Customer’s representatives (third party shipper, including airline company). Transfer of livestock to Customer’s representative has the same effect on this Agreement as if livestock were transferred directly to Customer. Seller is not responsible for the health or welfare of livestock after transfer to Customer’s representative.
- Title to the livestock will transfer to Customer upon payment of all agreed fees and delivery to or pickup by Customer or Customer’s representative.

Both parties agree that this contract will be interpreted under the applicable laws of the State of _____________. If any provision this Contract is held unenforceable all remaining provisions of this Contract shall remain in full force and effect.

This Agreement may be modified only in writing and signed by both parties. Email messages confirming agreement by both parties will suffice and be considered as modifications to this contract.

**For Seller:**
Signature: __________________________
Name: __________________________
Date: __________________________

**For Buyer:**
Signature: __________________________
Name: __________________________
Date: __________________________
Market Reports

Free Options

- TSCRA website: [http://tscra.org/information/links/](http://tscra.org/information/links/)
- USDA:
- USDA/ERS report subscription: [http://usda.mannlib.cornell.edu/MannUsda/homepage.do](http://usda.mannlib.cornell.edu/MannUsda/homepage.do)
- Livestock Marketing Information Center: [http://www.lmic.info/](http://www.lmic.info/)
- Most livestock markets post their latest market report on their website

For-Fee Options

- Livestock Weekly: [http://www.livestockweekly.com](http://www.livestockweekly.com) (some of their content is free)
- Cattle-Fax: [http://www.cattlefax.com/](http://www.cattlefax.com/)