



Managing for Today's Cattle Market and Beyond

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Introduction

By

DeeVon Bailey, Utah State University

Chris Bastian, University of Wyoming

James Robb, Livestock Marketing Information Center

“Managing for Today’s Cattle Market and Beyond” (MFTCMB) is a set of informational fact sheets prepared by extension economists from the Cooperative Extension Service and other academic and industry professionals. MFTCMB was first published in 1996 to provide critical management and marketing decision-making information and analysis to cow-calf producers facing low cattle prices during the mid-1990s. Thousands of copies of these materials have been distributed and used since 1996 by cow-calf producers, educators, and academic professionals throughout the United States. Both the American Agricultural Economics Association and the Western Agricultural Economics Association recognized the original materials for excellence in 1997 when both associations gave the project their outstanding group extension award.

We are now pleased to present the first update of the MFTCMB materials. This update was undertaken recognizing that management and marketing decisions and strategies are influenced by fluctuating cattle prices and a changing cattle and beef market environment. Because the cattle market is dynamic, it is necessary to continue to update these materials to keep them current and relevant. The original fact sheets that have not been updated remain part of the MFTCMB publication since many of the topics they cover remain as relevant today as when they were first published in 1996. New and updated fact sheets are dated to identify them from

the original fact sheets remaining in the publication, which are not dated.

As before, the fact sheets in this publication deal with the following topic areas: 1) Integrated Management which includes fact sheets that present easily applied tools to analyze your operation, business planning and goal setting, cost reducing strategies and financial management. This update includes new or updated fact sheets dealing with managing production costs, cow leasing, the economics of purchased versus raised replacement heifers, matching production and marketing alternatives, and the tax implications of weather related sales; 2) Marketing which includes fact sheets on value added strategies such as retained ownership, feeding cull cows, and price risk management topics such as evaluating your marketing opportunities, futures and options contracts, basis, and developing a marketing plan for your operation. This update has a number of fact sheets dealing with grid pricing, a relatively new development in pricing fed cattle. Fact sheets on value-based marketing and niche markets are presented as well as new or updated fact sheets on contracting with futures and options, basis contracts, price slides, and price seasonality; 3) Strategy Implementation which includes fact sheets on the use of learning teams as a way to develop and implement effective strategies and also things to consider when you try something new in your

operation; 4) Cattle Market Environment which includes updated and new fact sheets on packer concentration, captive supplies, trade, price discovery, and the demand for beef. A number of new and updated fact sheets also deal with possible management and marketing strategies dealing with the cattle cycle; 5) Beef Industry Future which includes a new fact sheet that presents prescriptions for a healthy beef industry.

These fact sheets do not answer all of the questions that cow-calf operators and others in the beef industry may be asking about the changing beef market. But, they are designed to provide producers and others with as much information as possible to help them deal with today's cattle market and take better advantage of changes as they occur in the market.

Possible Uses by Producers

These materials are designed to help cattle producers develop individual strategies to deal with fluctuations in cattle prices. The organization of the fact sheets is done to facilitate this by 1) helping the producer analyze the financial position of his or her operation, 2) based on the analysis in 1), help the producer examine possible management and marketing strategies, 3) help the producer develop a plan for implementing the selected strategy(ies), 4) provide valuable information about what has created and influences the current cattle market environment, and 5) give the producer information about the possible future of the U. S. cattle industry so that long-term planning can be done. These materials are designed to stimulate ideas about what can be done now in your cattle operation and hopefully help you decide what to do in the future.

The materials could be read and worked through as a complete educational package to familiarize producers with the overall concepts and method that could be used to develop and implement strategies. Or, particular sections could be used if the producer knows a general management or marketing topic he or she is interested in learning about. For example, the producer may only be interested in examining value-added marketing strategies, and could refer to this section for information on an array of possible value-added marketing alternatives. Or, the producer may be interested only in specific topics such as strategies

dealing with cull cows and could refer to the fact sheet(s) dealing with that topic.

Producers can examine and work through the materials individually, and this may be a good initial first step. However, others with expertise in finance, economics, or marketing could also be asked to provide some additional help and advice if more information is needed on a specific strategy. People who could be asked to provide additional expertise might include extension specialists, county agents, your banker, or your accountant.

The basis of developing a good strategy is to understand an operation's individual strengths and weaknesses and the feasible alternatives available to the operation. To accomplish this, we suggest that the producer begin with an individual assessment of his or her operation and then move on to the other sections of the publication for possible strategies that are available for dealing with specific needs. For example, after conducting an analysis of the operation the producer may discover that his or her operation's costs are high relative to other similar operations. This would point the producer to considering strategies designed to reduce costs. Consequently, we first provide a section dealing with analyzing the producer's operation followed by strategies that might be pursued to address specific situations. The categories of possible strategies that have been incorporated in this publication consist of cost reduction strategies, financial management, and marketing strategies including value added and price risk management strategies. We believe these represent the best set of strategies that could be considered by most cattle producers attempting to increase their operation's profitability.

Possible Uses of These Materials in Educational Programs

These fact sheets could be used as supporting materials for short courses or workshops, or could be given to producers on an individual basis. For example, a facilitator, such as a county agent, could organize a short course for producers inviting persons with expertise to discuss topics related to each of the sections in these materials. The topics in the short course could include 1) analyzing your operation, 2) selecting the best strategy for your operation to increase profitability, 3) developing a plan to implement a strategy, 4) understanding the economic forces effecting today's cattle industry,

and 5) a discussion of the future direction of the U. S. cattle industry. These materials can serve as a guide and/or supplemental material to such a short course. Persons that could be used as resources to teach such a short course could include the county agent, extension specialists, bankers, accountants, financial analysts, producers, or others with special expertise and interest in the cattle industry.

The materials can be used in workshops or meetings addressing particular topics of interest to producers. For example, a meeting designed to address a specific issue such as grid pricing could draw on the fact sheets dealing with that topic that are found in the publication. A meeting or workshop dealing with a broader set of issues such as the effect of trade and packer concentration on cattle prices could use a set of fact sheets or perhaps an entire section of the publication such as “Cattle Market Environment.”

It is critical that educators identify the needs and interest of producers and/or lenders and then determine which fact sheet(s) would be most appropriate in developing an educational package to meet those needs. We suggest discussing what the interest and needs for education are with producers and other knowledgeable persons who serve the industry such as extension specialists, bankers, etc. to help develop an education program. Based on these discussions, an educator can then decide which experts and fact sheets should be used in the program.

Besides using the materials in organized educational activities, we encourage educators to copy these materials and give them to producers and others interested in a topic or topics discussed in the fact sheets when appropriate. Additional copies of the materials are available from the extension marketing specialist with the Cooperative Extension Service in your state. The materials also are available on the World Wide Web (WWW) at <http://ag.arizona.edu/arec/wemc/TodaysCattlePub.html> and may be on other Extension WWW sites.

Concluding Remarks

The contributors to this publication want these materials to be as useful as possible to producers and educators. It is hoped these materials will be provided in a timely manner to as many producers and other interested individuals and groups as possible. This can be done effectively in a number

of ways including direct dissemination, electronic dissemination, meetings, or short courses. We wish to thank you for considering using these materials to address whatever your particular interests or needs are relative to the cattle market. A list of each author, their affiliation, address, and e-mail address is provided as an addendum to these materials. Please contact the author(s) of the individual fact sheets if you have questions about the fact sheet or need additional information.

Recognition of Those Who Made This Possible

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Addendum: List of Authors

David Aadland
Utah State University
Department of Economics
Business Bldg. Room 604
Logan, UT 84322
Phone: (435) 797-2322
E-Mail: aadland@econ.usu.edu

Dwight Aakre
North Dakota State University
Department of Ag. Bus. and Applied Econ.
301 Morrill Hall
Fargo, ND 58105
Phone: (701) 231-7378
E-Mail: daakre@ndsuxext.nodak.edu

David Anderson
Texas A&M University
Department of Agricultural Economics
Blocker Building
College Station, TX 77843
Phone: (979) 845-8694
E-Mail: danderson@tamu.edu

DeeVon Bailey
Utah State University
Department of Economics
Business Bldg., Room 606
Logan, UT 84322
Phone: (435) 797-2316
E-Mail: dbailey@econ.usu.edu

Chris Bastian
University of Wyoming
Department of Agricultural Economics
Box 3354, Univ. Station
Laramie, WY 82071
Phone: (307) 766-4377
E-Mail: bastian@uwyo.edu

Stan Bevers
Texas A&M University
Research and Extension Center
Box 2159
Vernon, TX 76384
Phone: (940) 544-9941
E-Mail: s-bevers@tamu.edu

Gary Brester
Dept of Agricultural Economics and Economics
306 Linfield Hall
P.O. Box 172920
Montana State University
Bozeman, MT 59717-2920
Phone: (406) 994-7883
E-Mail: gbrester@montana.edu

Kenny Burdine
University of Kentucky
Department of Agricultural Economics
412 C.E. Barnhart Bldg.
Lexington, KY 40546
Phone: (859) 257-7272 ext.229
E-Mail: kburdine@uky.edu

Darren Chase
Alberta Agriculture, Food & Rural Development
JG O'Donoghue Bldg.
300, 7000-113 St
Edmonton, AB T6H 5T6
Phone: (780) 422-4056
E-Mail: darren.chase@gov.ab.ca

Richard Clark
University of Nebraska
West Central Res. and Ext. Center
461 W. University Drive
North Platte, NE 69101
Phone: (308) 532-3611
E-Mail: rclark3@unl.edu

Tim Cross
University of Tennessee
Agricultural Extension Service
302 Morgan Hall
Knoxville, TN 37901
Phone: (865) 974-7112
E-Mail: tlcross@utk.edu

Ernest Davis
Department of Agricultural Economics
Blocker Building
College Station, TX 77843
Phone: (979) 845-4351
E-Mail: eed@tamu.edu

Kevin Dhuyvetter
Kansas State University
Department of Agricultural Economics
306B Waters Hall
Manhattan, KS 66506
Phone: (785) 532-3527
E-Mail: kdhuyvet@agecon.ksu.edu

Damona Doye
Oklahoma State University
Dept. of Agricultural Economics
529 Ag Hall
Stillwater, OK 74708
Phone: 405-744-9813
E-mail: ddoye@okstate.edu

Dillon Feuz
University of Nebraska
Panhandle Res. and Ext. Center
4502 Avenue I
Scottsbluff, NE 69361
Phone: (308) 632-1232
E-Mail: dfeuz1@unl.edu

Terry Glover
Utah State University
Department of Economics
Business Bldg., Room 607
Logan, UT 84322
Phone: (435) 797-2297
E-Mail: tglover@econ.usu.edu

Bruce Godfrey
Utah State University
Department of Economics
Business Bldg., Room 510
Logan, UT 84322
Phone: (435) 797-2294
E-Mail: bruceg@ext.usu.edu

Duane Griffith
Montana State University
Department of Agricultural Economics
210B Linfield Hall
Bozeman, MT 59717
Phone: (406) 994-2580
E-Mail: acxdg@montana.edu

John Hewlett
University of Wyoming
Department of Agricultural Economics
Box 3354, Univ. Station
Laramie, WY 82071
Phone: (307) 766-2166
E-Mail: hewlett@uwyo.edu

Neal Hooker
The Ohio State University
Dept. of Ag. Env. & Dev. Economics
323 Agric. Admin Building
2120 Fyffe Road
Columbus, OH 43210
Phone: (614) 292-3549
E-Mail: hooker.27@osu.edu

Harlan Hughes (Retired)
North Dakota State University
30 Ramble A Road
Laramie, WY 82070
Phone: (307) 742-2364
E-Mail: harlan.hughes@gte.net

John Ikerd (Retired)
University of Missouri

Rodney Jones
Kansas State University
Department of Agricultural Economics
Waters Hall
Manhattan, KS 66506
Phone: (785) 532-1957
E-Mail: jonesrd@agecon.ksu.edu

Dennis Kaan
Colorado State University
181 Birch
County Courthouse Annex
Akron, CO 80720
Phone: (970) 345-2287
E-Mail: dkaan@coop.ext.colostate.edu

Stephen Koontz
Colorado State University
Department of Ag. and Res. Econ.
B-324 Clark Bldg.
Fort Collins, CO 80523
Phone: (970) 491-7032
E-Mail: skoontz@agsci.colostate.edu

John Lawrence
Iowa State University
Department of Economics
468 heady Hall
Ames, IA 50011
Phone: (515) 294-6290
E-Mail: jdllaw@iastate.edu

John Marsh
Montana State University
Department of Ag. Econ. and Econ.
306 Linfield Hall
Bozeman, MT 59717
Phone: (406) 994-5621
E-Mail: jmarsh@montana.edu

Tom Marsh
Kansas State University
Department of Agricultural Economics
Waters Hall
Manhattan, KS 66506
Phone: (785) 532-4913
E-Mail: tlmarsh@agecon.ksu.edu

John McKissick
University of Georgia
Department of Agricultural Economics
201 Conner Hall
Athens, GA 30602
Phone: (706) 542-9080
E-Mail: jmckissick@agecon.uga.edu

Dale Menkhaus
University of Wyoming
Department of Agricultural Economics
Box 3354, Univ. Station
Laramie, WY 82071
Phone: (307) 766-5128
E-Mail: menkhaus@uwyo.edu

Lee Meyer
University of Kentucky
Department of Agricultural Economics
416 C.E. Barnhart Bldg.
Lexington, KY 40546-0276
Phone: (859) 257-7272 ext. 228
E-Mail: lmeyer@uky.edu

Steve Meyer
Livestock Marketing Information Center
655 Parfet St., Suite E310
Lakewood, CO 80215
Phone: (720) 544-2941
E-Mail: steve@lmic.info

James Mintert
Kansas State University
Department of Agricultural Economics
Waters Hall
Manhattan, KS 66506
Phone: (785) 532-1518
E-Mail: jmintert@ksu.edu

Gene Murra (Retired)
South Dakota State University

Don Nitchie
Colorado State University
Northeast Region
181 Birch, Courthouse Annex
Akron, CO 80720
Phone: (970) 345-2287
E-Mail: dnitchie@coop.ext.colostate.edu

Derrell Peel
Oklahoma State University
Department of Agricultural Economics
519 Agriculture Hall
Stillwater, OK 74078
Phone: (405) 744-9816
E-Mail: dpeel@okstate.edu

Walter Prevatt
Auburn University
Department of Ag. Econ. and Rural Soc.
208 Comer Hall
Auburn University, AL 36849
Phone: (334) 844-5608
E-Mail: jprevatt@acesag.auburn.edu

Emmit Rawls
University of Tennessee
114 Morgan Hall
2621 Morgan Circle
Knoxville, TN 37996-4500
Phone: (865) 974-7271
E-Mail: elrawls@utk.edu

James Robb
Livestock Marketing Information Center
655 Parfet St., Suite E310
Lakewood, CO 80215
Phone: (720) 544-2941
E-Mail: robb@lmic.info

Brian Roe
The Ohio State University
Dept. of Ag. Env. & Dev. Economics
225 Agric. Admin Building
2120 Fyffe Road
Columbus, OH 43210
Phone: (614) 688-5777
E-Mail: roe.30@osu.edu

Greg Rose
Eastern Idaho Ag. Credit Assoc.
455 Constitution Way
Idaho Falls, ID 84305
Phone: (208) 785-1510

James Sartwelle, III
Texas A&M University
Department of Agricultural Economics
Blocker Building
College Station, TX 77843
Phone: (979) 845-5913
E-Mail: j-sartwelle@tamu.edu

Ted Schroeder
Kansas State University
Department of Agricultural Economics
Waters Hall
Manhattan, KS 66506
Phone: (785) 532-4488
E-Mail: tschroed@agecon.ksu.edu

Norris Stenquist (Retired)
Utah State University
Department of Animal, Dairy and Vet. Sci.
Logan, UT 84322-4815

Russell Tronstad
University of Arizona
Department of Ag. and Res. Econ.
Economics Bldg., #23
Tucson, AZ 85721
Phone: (520) 621-2425
E-Mail: tronstad@ag.arizona.edu

James Unterschultz
University of Alberta
Department of Rural Economy
515 General Services Bldg
Edmonton, AB T6G 2H1
Phone: 780-492-5439
E-Mail: jim.unterschultz@ualberta.ca

Clement Ward
Oklahoma State University
Department of Agricultural Economics
515 Ag. Hall
Stillwater, OK 74078
Phone: (405) 744-9821
E-Mail: ceward@okstate.edu