Niche marketing expands cow-calf producer opportunities

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Cattle prices were once again favorable for most cow-calf enterprises throughout the 2014 production year. Yet, it was about this time last year that analysts were warning that our bubble was about to burst and prices would soon “level off” and possibly start to decline. Their reasoning was based primarily upon consumer sensitivity to red meat prices compared to alternative (poultry and pork) animal protein sources, an export market that offered few expansion opportunities and heifer retention that was already underway. For the most part, these demand-side prognostications held true. Omitted during these discussions was a reduction in supply-side expenditures, most notably corn, keeping cattle prices elevated beyond early projections.

Will 2015 be the year we finally see a softened cattle market? The reality is, no one knows. Yet, we must continually remind ourselves that commodity markets – including cattle – are cyclical and somewhat unpredictable due to both internal and external factors. A complacent mindset is easily adopted. Therefore, reminding ourselves of a potential market softening is often overlooked when conditions are good, yet this is the best time to plan for the next market bottom.

One such way to minimize the impact of a cyclical low is by taking steps to differentiate your operation from others, particularly those in your geographic area (i.e., your direct competition). At the surface, this sounds relatively easy – just do the opposite of what your neighbor is doing. However, two very important concepts, especially for cow-calf producers, have to be employed to find a successful niche: scalability and market acceptance. In other words, the addition of true long-term value for cow-calf producers depends on implementing management practices that provide positive differentiation and do so at a level that meets logistical needs (i.e., approximately 100 calves weighing 500 pounds).

The average U.S. cow herd is roughly 40 head, so scalability is often the most difficult obstacle to overcome due to the size of an individual producer’s cow herd. However, the implementation of management practices such as a defined calving season, purchasing bulls to meet specified objectives, adopting a well-thought-out preventative vaccination program and recognizing the importance of proper animal husbandry can go a long way in meeting both scalability and acceptability requirements. These practices are often minimum requirements for participation in any value-added calf marketing program or alliance due to their positive contribution to overall animal performance and meeting consumer preference.

Central to this discussion is the importance of record keeping. If the proper paperwork is not in place, then the benefits of implementing the management practice can’t be fully realized in many marketing programs. The same information kept and utilized during the managerial decision-making process is often required to meet participation criteria. The demands of export markets as well as heightened consumer awareness have significantly increased the potential benefits for producers to participate in a value-added program. The difficulty arises in finding one that fits your management style and is feasibly available in your location.

The decision on whether or not to participate in one of these programs will ultimately determine what information is required to be kept and the required level of scrutiny (e.g., affidavits, certification, etc.). Many producers implement the aforementioned
management practices and keep the records necessary to assist in operational management decisions. If so, you may want to investigate which value-added marketing programs are available to you and if any additional requirements are necessary to participate. If such practices are foreign to your operation, then you may want to consider their implementation because change is always easier to swallow during the good times.