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## **Marketing is More than Selling**

The first step in developing a viable marketing plan is to revisit the operational goals as it's the goals and objectives that define the final product being sold by a producer. Like other portions of a well designed business plan, the marketing plan needs to be constantly re-evaluated given operational constraints, market realities, and stakeholder input. The marketing plan will also provide feedback to management on operational performance and how the operation is progressing towards its goals.

Every operation is different, so there is no cookbook recipe that will work. The marketing plan should be tailored to fit the objectives that were formed by the operation's stakeholders. Formation of the marketing plan is also a good time to re-evaluate basic management decisions such as genetics/breed used, whether to use a controlled calving season, and whether to castrate and dehorn. These decisions have been demonstrated to impact the revenues received by producers and should not be ignored as a marketing plan is crafted. The choice of when to calve (i.e. a fall or spring calving season) can also impact revenues. Nationwide, most calves come to market in the fall leading to lower prices due to increased supply. Prices are typically higher in the spring and may lead to additional revenues although winter feeding costs will be higher.

The amount of programs offering additional value has increased in the past several years including organic, all natural, grass-fed, locally produced, and age and source verified. These potential markets are very targeted and offer higher returns for producers who participate. However, costs associated with these production systems are higher, may be more susceptible to booms and busts, and additional management may be warranted. In addition to market development, the manner in which cattle can be marketed has also changed with video/internet auctions and participation in marketing alliances in addition to marketing at the local auction barn. Each method has its own advantages and disadvantages that need to be evaluated within the constraints of the individual operation.

Understanding the costs associated with production can help producers decide at what price levels to sell their product. Instead of selling animals all at one time, producers may decide to sell a portion of the available calves at different price levels or "triggers." A pre-defined portion of the year's calf crop would be sold each time a trigger has been met. Additionally, it may be wise to have a price level in mind at which all of a year's production is sold. Stakeholder input should be solicited when discussing what these triggers should be as well discussing the possibility of the "when to sell" decision being made by someone other than the manager, e.g. a spouse, business partner, or broker based on the triggers decided by input from all stakeholders. Use of triggers would need to be evaluated on a regular basis especially if conditions lead to calves being held longer and the impact it has on overall costs.

For more information on marketing in relation to the cattle market, please visit the “Managing for Today’s Cattle Market and Beyond” available at <http://www.lmic.info/memberspublic/pubframes.html>. This website has the curriculum mentioned above as well as charts and graphs regularly posted that are of interest to all livestock producers.

The Waxman-Markey bill (American Clean Energy and Security Act, H.R. 2454) or the so-called Cap and Trade Bill has not come to a vote as of this writing (it did pass through a procedural vote earlier today). Chairman of the House Ag Committee Colin Peterson (MN) has announced that USDA and not the EPA would be in charge of the carbon offsets for agriculture. This would be a positive step forward for agricultural and rural interests, but much skepticism remains with the bill due to questions remaining about the effectiveness of reducing greenhouse gas emissions and the benefits/costs associated with the emission reductions. Prior to the USDA being placed in charge of agricultural interests, some in the Senate had expressed skepticism on whether the House version would pass in the Senate without significant revisions. If the bill does not pass, it will likely return to committee for further work before another vote later this summer. Dr. Damian Adams of Oklahoma State has written an article that gives background into the debate and implications for agricultural interests and is available at: <http://tinyurl.com/nrkqkz>.

On Tuesday, the USDA will release its Acreage report which provides the first survey based estimates for acreage and production for the 2009/10 marketing year. The report should provide some insight as to whether or not the wet conditions that prevailed over much of the Midwest at planting time significantly altered producer’s planting intentions. As of Monday, only 7% of the US corn crop was listed in very poor to poor condition while 6 % of the soybean crop was listed as very poor to poor.

Ahead of the report, Dr. Kurt Guidry has provided the following comments. Corn prices seasonally move lower toward the end of June. This generally coincides with crop development – by the time we get to the end of June, the market has a better feel for the condition and size of the crop. So, I think that could be helping put pressure on price along with continued struggles of financial markets and the recent downturn again in crude oil prices. I think that, along with the fact that 70% of the corn crop is rated as in good to excellent condition helps to ease some of the concerns about tight ending stocks. And while there was much made about the wet conditions, if you look at the crop progress reports over the last month, corn plantings and corn emergence were well in line with both last year and the 5 year pace. I think any type of major acreage changes from the planting intentions report to the acreage report next week will likely have as much to do with the changes in prices since the March report. There may have been some acres that couldn’t get planted in the optimum window that might have been switched to soybeans, but given how quickly producers can plant, I wouldn’t think it was overly significant.

June *Cattle on Feed* report summary:

	1,000 head	% of 2008	Pre-Report Estimates	
			Avg.	Range
Placed in April	1,638	86.2	87.7	82.9 – 97.0
Marketed in April	1,952	91.2	90.9	90.0 – 92.0
On Feed May 1	10,407	96.2	96.7	96.0 – 98.5

On the heels of last week's *Cattle on Feed* report, feeder cattle futures markets traded higher most of the week. In the cash markets, feeder cattle prices were also up. Feeder steers in Oklahoma City sold steady to \$3 higher on good demand. Feeder auctions in Georgia were steady to a dollar higher with auctions Missouri reporting steers selling steady to \$3 higher. Sales in Kentucky saw feeders steady to \$3 higher.

Fed cattle futures had a mixed week with front end months posting week to week gains. Wednesday saw the majority of contract months give up some gains with the deferred contract months continuing losses through the end of the week. Feeder cattle contracts started off positively following the *Cattle on Feed* report and finished the week up for the most part. Corn contracts were down this week due to the factors listed above by Dr. Guidry.

Cash fed cattle trade this week started out on Wednesday and Thursday in Nebraska in the \$80 to \$81 range on light with it staying in this range on Friday (dressed prices of \$129 on Friday). Active trade developed in Texas and Kansas on Friday in the \$82 range for live animals with dressed prices in Kansas at \$129.

Compared to last week, Louisiana slaughter cows and bulls sold mostly \$1-\$5 higher. Feeder steers and heifers sold mostly steady to \$3 higher. Pasture conditions are beginning to worsen in the state as 28% of pasture is listed either as very poor or poor in this past Monday's *Crop Progress* report compared to 18% in those categories last week. Nationally, 17% of pasture/ranch acreage is listed as very poor or poor this week compared to 14% last week.

Table 1. Louisiana Auction Prices for the Week Ending June 26<sup>th</sup>, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	\$120-135	N/A	Breaking	\$47-51
250-300	\$110-126	N/A	Boners	\$44-55
300-350	\$110-125	\$95-105	Lean (850-1200)	\$38-48
350-400	\$100-117	\$87-109		
400-450	\$97-111	\$82-99	Bulls, YG 1-2, >1,500 lbs	\$55-64
450-500	\$94-107	\$80-98		
500-550	\$89-105	\$78-97		
550-600	\$89-103	\$80-93		
600-650	\$88-98	\$81-89		
650-700	\$85-95	\$78-84		

Note: All prices are in \$/cwt, steers and heifers are Medium and Large 1-2  
 Price ranges may reflect higher prices received in northern areas of the state in the middle of the week.  
 Source: USDA AMS

Table 2. Louisiana Auction Prices for the Week Ending June 19<sup>th</sup>, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	N/A	\$110-120	Boners	\$38-52
250-300	\$110-128	N/A	Lean (850-1200)	\$30-45
300-350	\$111-125	\$100-106		
350-400	\$107-120	\$85-107	Bulls, YG 1-2, >1,500 lbs	\$52.50-63
400-450	\$97-109	\$77-102		
450-500	\$90-108	\$75-101		
500-550	\$85-102	\$73-98		
550-600	\$86-99	\$81-93		
600-650	\$80-96 <sup>1</sup>	\$70-89 <sup>1</sup>		
650-700	\$80-96 <sup>1</sup>	\$70-89 <sup>1</sup>		

Note: All prices are in \$/cwt, steers and heifers are Medium and Large 1-2

Price ranges may reflect higher prices received in northern areas of the state in the middle of the week

<sup>1</sup> Represents the price was reported in hundred pound increments as opposed to fifty pound increment.

Source: USDA AMS

Table 3. Futures Prices

Month	Live Cattle	Change*	Feeder Cattle	Change*	Corn	Change*
Jun	\$ 82.475	1.550				
Jul					384 1/4	-15
Aug	\$ 82.400	0.275	\$ 98.975	0.875		
Sept			\$ 98.975	0.725	391 3/4	-15 1/2
Oct	\$ 88.125	0.375	\$ 98.575	0.175		
Nov			\$ 98.700	0.100		
Dec	\$ 88.675	-0.200			404 1/4	-15 1/4
Jan			\$ 98.000	0.300		
Feb	\$ 88.800	-1.300				
Mar			\$ 97.000	-0.250	416	-15
Apr	\$ 90.000	-1.450	\$ 97.000	0.100		
May			\$ 97.000	1.500	424 1/2	-15

Source: DTN

\* Change is from the previous Friday's close

Table 4. State and National Market Information

Commodity	This Week	Last Week	Last Year
<b>5 – Area Fed Steer Price</b>			
Live	\$ 80.74	\$ 81.19	\$ 98.26
Dressed	\$ 129.61	\$ 130.56	\$ 154.67
<b>Oklahoma City Feeder Cattle Prices</b>			
5-5.5 cwt Med and Large #1	\$ 109.85	\$ 109.37	\$ 122.14
7.5-8 cwt Med and Large #1	\$ 99.02	\$ 97.95	\$ 111.76
<b>Boxed Beef Cutout Values (weekly average)</b>			
600-900 lb Choice cutout	\$ 139.71	\$ 140.00	\$ 164.25
600-900 lb Select cutout	\$ 132.45	\$ 132.98	\$ 158.07
Georgia Dock Broilers	\$ 88.32	\$ 88.16	\$ 85.74
Georgia B/S Breasts	\$ 158.50	\$ 156.50	\$ 154.00
Georgia Leg Quarters	\$ 52.50	\$ 52.00	\$ 50.50
<b>Meat production (million lbs)</b>			
Beef	516.2	517.7	550
Pork	412	418.4	423.1
<b>Slaughter (1,000 head)</b>			
Cattle	673	675	713
Hogs	2,032	2,062	2,140
Broilers/Fryers	166.893	160.165	170.146
<b>Average Dressed Weight</b>			
Cattle	769	769	774
Hogs	203	203	198
	<b>6/20/2009</b>	<b>6/13/2009</b>	<b>6/22/2008</b>
<b>Poultry Placements (in thousands)<sup>1</sup></b>			
LA Broiler Egg Sets	2,260	2,260	3,651
US Broiler Egg Sets	202,496	203,492	213,178
LA Broiler Chick Placements	1,937	1,942	3,755
US Broiler Chick Placements	170,636	170,579	179,576

Source: USDA Agricultural Marketing Service, USDA National Agricultural Statistics Service and Livestock Marketing Information Center

<sup>1</sup>Note the placements numbers are lagged by one week prior to publishing.