Most cattle produced in Georgia come from cow-calf farms and ranches. With cow-calf operations, as with other farm enterprises, making a profit is the only thing that will keep you in business. How much profit you make depends largely on your ability to market your calves.

**Selling Versus Marketing**

Profitable cattle marketing involves more than just getting the highest price. It involves producing the type of calf the market desires, marketing that calf through the best outlet and at the best time. Unfortunately, most cow-calf producers simply sell their calves. They produce calves that are the easiest to raise, sell at the most convenient market outlet and sell at the most convenient time. As a result, they are price-takers.

Marketing means making choices about how or what product to produce, where to market it and when to price. As a result, marketers have some control over the price they receive.

The first step in becoming an effective cattle marketer is to recognize all your alternatives and evaluate each in light of potential cost and returns, selecting the most profitable rather than the most convenient alternative.

This publication addresses several issues associated with marketing calves -- most notably, cost considerations, market structure, the type of calf to produce, market outlets and seasonal price considerations.

**Know Your Cost**

The first step in any successful marketing plan is to know the unit cost of production (UCOP). In fact, for many small or medium-size cow herds, the cost of production is a larger profit determinant than the marketing method. Regardless of the size of the herd, for cow-calf producers this means knowing the cost per pound of calf sold. The best way to make this determination is to begin with a budget similar to the one shown in Table 1.
Note that while the cost per cow is shown, the emphasis is placed on \$/Cwt. The cost per hundredweight sold is used because it captures not only total herd costs but also calf crop percentage and weaning weights.

In the example budgets shown, there are two numbers highlighted -- the first one being variable cost in \$/Cwt. Variable costs (VC) are also called Direct, “Out of Pocket” or Operating Costs and include items such as feed, seed fertilizer, fuel and labor. These are the costs that must be covered each year because they are the measure of profitability. It is also critical to cover variable costs because any returns above variable costs (ROVC) go toward paying overhead or fixed costs.

Returns above total costs (ROTC) is the measure of the long-term economic sustainability of an enterprise. Total costs (TC) include not only VC but also fixed costs (FC) such as depreciation, cost of capital, management, taxes, etc. FC are those costs that occur regardless of the number of head produced. Some people also refer to FC as overhead or indirect costs. Regardless of the terms used, the total cost (TC) per hundredweight is the price a cow-calf producer must average in the long run if they want to remain in business.

Knowing the VC and TC per hundredweight allows producers to set target prices and evaluate their costs in relation to the market. While weather and input costs can be volatile in the short term, which will impact cost per hundredweight year-to-year, producers who consistently have break-even prices above market prices will need to find ways to lower their costs in order to stay in the business.

### Table 1. Example summary budget for a cow-calf enterprise in Georgia.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>$/Cwt.</th>
<th>$/Cow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable Cost</td>
<td>$137.14</td>
<td>$609.06</td>
</tr>
<tr>
<td>Less: Value of cull cows, bulls and heifers</td>
<td>($26.88)</td>
<td>$119.40</td>
</tr>
<tr>
<td><strong>NET VARIABLE COST</strong></td>
<td><strong>$110.25</strong></td>
<td><strong>$489.66</strong></td>
</tr>
<tr>
<td>Annual Livestock Fixed Costs</td>
<td>$11.43</td>
<td>$50.76</td>
</tr>
<tr>
<td>Annual Buildings &amp; Facilities Fixed Costs</td>
<td>$7.16</td>
<td>$31.82</td>
</tr>
<tr>
<td>Annual Equipment Fixed Costs</td>
<td>$21.02</td>
<td>$93.37</td>
</tr>
<tr>
<td>Annual Land Fixed Costs Excluding Taxes</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Annual Real Estate Taxes</td>
<td>$1.37</td>
<td>$6.11</td>
</tr>
<tr>
<td><strong>TOTAL COSTS</strong></td>
<td><strong>$149.87</strong></td>
<td><strong>$665.61</strong></td>
</tr>
</tbody>
</table>

Source: 2012 UGA beef cow-calf budgets

**Plan for the Market**

The old saying goes that if you don’t know where you’re going, any road will take you there. But if marketing your cattle at a profit is where you want to go, then planning for the market will help get you there. Planning requires information. A good way to start becoming a better cattle marketer is being sure you understand the cattle marketing system and how your cattle prices are determined. Then you need to recognize all the market alternatives available to you. Finally, you need to know where to get the information to help you decide on a marketing plan.

**The Georgia Feeder Cattle Market**

In Georgia, as in the Southeast, feeder calves are produced and sold as feeder calves after weaning. About 70 percent of all Southeastern calves are weaned and sold during the fall. This is the major reason behind the normal seasonal price swings shown in Figure 1: prices are normally lower during the fall and higher during the late winter and early spring.
There are around 17,000 cattle producers in Georgia with an average herd size of fewer than 50 head. With so many small producers, it is natural that most Georgia feeder calves are sold through local auction markets.

Calves weighing between 300 and 500 pounds will usually move into some type of forage-based stockering programs, where another 300 to 400 pounds will be added. As heavyweight feeders, between 600 and 800 pounds, they then will typically move directly into feedlots.

Normally, 70 to 75 percent of all U.S. beef comes from cattle fed in feedlots. Feedlots have become fewer but larger in size. The top three feedlot states (Texas, Nebraska and Kansas) now market almost 60 percent of the cattle fed in the United States. Figure 2 illustrates the concentration of the cattle feeding industry in the United States as of January 1, 2012.

---

**Figure 1.** Seasonal prices of feeder steers and bulls in Georgia auction markets. 2007-2011.


**Figure 2.** Cattle on feed in yards with more than 1,000 head (January 1, 2012).

Source: Data provided by USDA-NASS, “Cattle” Report. Chart developed by the Livestock Marketing Information Center (LMIC).
While there are definite segments to the beef production system, the important point to remember is that the consumer eventually makes the final pricing decision. The retailer wants a certain type of product because the consumer wants it. This is relayed back to the packer, who relays it to the feedlot, who relays it to the feeder cattle producer. The “relay” for all these messages is the price. Unfortunately, because of all the messengers in the market, the signals sometimes get mixed or muted. However, if we pay close enough attention, we can recognize them. By understanding how the beef cattle markets work, feeder cattle producers will be better able to recognize changes that may make a higher profit.

Feeder cattle prices are derived from their next market. The calves’ value is based on what they are expected to be sold for, either out of the feedlot or out of a backgrounding operation, less the cost of gain. As the expected price of finished animals goes up or the cost of gain goes down, feeder calf prices will increase. The weight to be added is factored in with the expected price of finished cattle. A 1,200-pound finished steer weighs 2.40 times as much as a 500-pound feeder calf and 1.60 times as much as a 750-pound yearling. Therefore, a $1-per-hundredweight increase in the expected selling price of a finished steer would cause a buyer to bid $2.40 per hundredweight more for a 500-pound feeder calf or $1.60 more for a 750-pound steer.

The cost of finishing the calf will also affect the price of the feeder. The cost of putting a pound of gain on a calf depends on feed cost, non-feed costs such as interest, and the efficiency of the calf itself.

Table 2. Prices that can be paid for a 550-pound feeder steer at alternative fed-cattle selling prices and cost of gain.

<table>
<thead>
<tr>
<th>Cost of Gain ($/Cwt.)</th>
<th>Sales Price of Finished Cattle ($/Cwt.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 105.00</td>
<td>$ 149.55 $ 172.27 $ 195.00 $ 217.73</td>
</tr>
<tr>
<td>$ 115.00</td>
<td>$ 136.82 $ 159.55 $ 182.27 $ 205.00</td>
</tr>
<tr>
<td>$ 125.00</td>
<td>$ 124.09 $ 146.82 $ 169.55 $ 192.27</td>
</tr>
<tr>
<td>$ 135.00</td>
<td>$ 111.36 $ 134.09 $ 156.82 $ 179.55</td>
</tr>
<tr>
<td>$ 145.00</td>
<td>$ 98.64  $ 121.36 $ 144.09 $ 166.82</td>
</tr>
<tr>
<td>$ 155.00</td>
<td>$ 85.91  $ 108.64 $ 131.36 $ 154.09</td>
</tr>
</tbody>
</table>

A feeder buying a 500-pound calf and finishing it to 1,200 pounds is putting on 700 pounds of gain, or 1.40 times the original weight. Finishers buying 750-pound yearlings and finishing to 1,200 pounds are putting on 0.64 times the original weight. Each $1 change in the cost of gain will raise or lower the price finishers can pay by $1.40 for a 500-pound calf and $0.64 for a 750-pound feeder. Table 2 shows the break-even purchase prices that could be paid for a 550-pound steer given alternative fed-cattle prices and cost of gain. Of course, feeder calves produced in Georgia are likely to be transported to the feedlot states. Thus, a feedlot will also have to discount the feeder price in Georgia by the cost of transporting the calves to the feedlot.

CHANGES IN BEEF AND LIVE CATTLE MARKETING

For years most live cattle (also called slaughter or fat cattle) were marketed on a pen-average basis. That is, feed yards were paid one price for all of the cattle in the pen. However, over time that has changed. Now close to 60% of all slaughter cattle are sold on a carcass basis where each carcass is individually weighed and graded for quality (marbling) and yield (percentage of retail meat). Since there are different prices for different yield and quality grades, each carcass ends up with an individual or customized price. The net effect is that price transmissions from the packer back to the cow-calf producer are much clearer now than in the past.
While it is the cost and return from finished cattle that give feeders their value, it is the overall supply and demand for beef that determines fed-cattle prices. Figure 3 illustrates the factors that affect fed-cattle prices. It is important to note that there are many things that affect the price of cattle and beef that cow-calf producers cannot control. However, by being aware of these factors, cattlemen can have some idea of expected prices and plan accordingly.

Figure 3. Factors that affect feeder cattle prices.

The variables are shown by different size squares depicting the relative importance of each. For example, fed steer and heifer slaughter contributes the most to beef supplies, followed by commercial cow slaughter, non-fed steer and heifer slaughter, beef imports and exports, and bull and stag slaughter.

On the demand side, per capita disposable income, total population and competing meats (poultry and pork) are all important factors. Other factors, such as the value of by-products and the cost of slaughter, processing and marketing (farm-to-retail margin), will also affect farm prices.

Feeder Calf Marketing Alternatives
Webster’s Dictionary defines “marketing” as the process or technique of promoting, selling and distributing a product or service. It is important to keep in mind what your product is. Ultimately, a feeder calf producer’s product is beef. Georgia feeder calf producers have three major marketing decisions: what to produce, where to market their product and when to price their calves. While some or possibly all of these decisions are set for
the producer, alternatives most likely exist. The selection of these alternatives will have a dramatic impact on the profitability of the cattle operation.

**Which Cattle to Produce**

The cow-calf producer influences the marketability of his cattle the day he selects his breeding stock. While it is true that almost any type of cattle can be sold at a price, the Georgia cattle producer should be raising the most profitable cattle. There are many factors that determine the value of a feeder calf. Some of these factors can be influenced through an operation’s breeding and genetics program and others through good management practices. These factors include:

- Breed
- Color
- Frame
- Muscling
- Condition/Flesh
- Weight
- Sex
- Background
- Horns
- Fill
- Personal Preference
- Vaccinations

**Breed.** The breed of the calf can influence prices independent of grade. Certain breeds or breed-types bring a higher price because of perceptions by the order buyer as to how these breeds will perform in the feedlot. While these perceptions may or may not be correct, they do exist. One way to get around breed perceptions is to take advantage of breed association-sponsored marketing programs. Crossbred calves have traditionally been in higher demand than purebred calves because of the advantage of hybrid vigor. However, in recent years, that trend has been challenged. Calves with a high percentage of dairy or Brahman influence are typically discounted through the sale barn.

**Color.** Calf color can also impact the determination of value because it can be a clue into the calf’s breeding. According to a study done in Arkansas in 2005, there was a $13.07/Cwt. spread between selling prices of calves of various colors.

**Table 3. Price adjustments for various breeds.**

<table>
<thead>
<tr>
<th>Calf Color</th>
<th>Average Selling Price (Value/Cwt.)</th>
<th>Deviation From Overall Average (Value/Cwt.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>yellow-white face</td>
<td>$120.44</td>
<td>$2.34</td>
</tr>
<tr>
<td>yellow</td>
<td>$120.29</td>
<td>$2.19</td>
</tr>
<tr>
<td>black-white face</td>
<td>$120.03</td>
<td>$1.93</td>
</tr>
<tr>
<td>black</td>
<td>$119.24</td>
<td>$1.14</td>
</tr>
<tr>
<td>gray</td>
<td>$117.66</td>
<td>-$0.44</td>
</tr>
<tr>
<td>gray-white face</td>
<td>$116.79</td>
<td>-$1.31</td>
</tr>
<tr>
<td>white</td>
<td>$116.01</td>
<td>-$2.09</td>
</tr>
<tr>
<td>red-white face</td>
<td>$114.58</td>
<td>-$3.52</td>
</tr>
<tr>
<td>red</td>
<td>$113.92</td>
<td>-$4.18</td>
</tr>
<tr>
<td>spotted or striped</td>
<td>$107.37</td>
<td>-$10.73</td>
</tr>
</tbody>
</table>

Source: Improving the Value of Feeder Cattle, FSA 3056. Arkansas Cooperative Extension.
Frame. The United States Department of Agriculture has official grades for feeder cattle based on frame size, thickness and thriftiness (overall health). Frame size refers to the animal’s skeletal size – its height and body length – in relation to its age. Frame size is related to the weight at which, under normal feeding and management, an animal will produce a carcass of a given grade. Large-frame animals require a longer time in the feedlot to reach a given grade and will weigh more than a small-frame animal would weigh at the same grade. Animals are assigned to three frame sizes - Large, Medium and Small. Table 4 describes the expected minimum live weights at which these calves would produce U.S. Choice carcasses.

<table>
<thead>
<tr>
<th>Frame Size</th>
<th>Steers</th>
<th>Heifers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>1250</td>
<td>1150</td>
</tr>
<tr>
<td>Medium</td>
<td>1100-1250</td>
<td>1000-1150</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 1100</td>
<td>&lt; 1000</td>
</tr>
</tbody>
</table>


Muscling. Muscling is evaluated by looking at the thickness of the animal. Thickness in feeder cattle refers to development of the muscle system in relation to skeletal size and is the amount of muscling present in proportion to bone and fat. Thicker-muscled animals will have more lean meat. The four thickness or muscling grades are No. 1, No. 2, No. 3 and No. 4.

No. 1. Feeder cattle that possess minimum qualifications for this grade usually display predominate beef breeding. They must be thrifty and moderately thick throughout. They are moderately thick and full in the forearm and gaskin, showing a rounded appearance through the back and loin with moderate width between the legs, both front and rear. Cattle show this thickness with a slightly thin covering of fat; however, cattle eligible for this grade may carry varying degrees of fat.

No. 2. Feeder cattle that possess minimum qualifications for this grade usually show a high proportion for beef breeding and slight dairy breeding may be detected. They must be thrifty and tend to be slightly thick throughout. They tend to be slightly thick and full in the forearm and gaskin, showing a rounded appearance through the back and loin with slight width between the legs, both front and rear. Cattle show this thickness with a slightly thin covering of fat; however, cattle eligible for this grade may carry varying degrees of fat.

No. 3. Feeder cattle that possess minimum qualifications for this grade are thrifty and thin through the forequarter and the middle part of the rounds. The forearm and gaskin are thin and the back and loin have a sunken appearance. The legs are set close together, both front and rear. Cattle show this narrowness with a lightly thin covering of fat; however, cattle eligible for this grade may carry varying degrees of fat.

No. 4. Feeder cattle included in this grade are thrifty animals that have less thickness than the minimum requirements specified for the No. 3 grade.

Inferior. This grade includes those feeder cattle that are not expected to perform normally in their present state and those that are “double-muscled.” Cattle in this grade may have any combination of thickness and frame size.
Thriftiness refers to the apparent health of an animal and its ability to grow and fatten normally. In these standards, unthrifty animals are those that are not expected to perform normally in their present state due to such factors as disease, parasitism, severe emaciation or any condition that must be corrected before they could be expected to perform normally. Unthrifty feeder cattle may have any combination of thickness and frame size.

Several market studies have been conducted in the mid-South and Plains regions since 2000. While the exact numbers for each of these studies varies, the clear message is that that smaller-frame, lighter muscled calves are discounted compared to medium-large frame, heavily muscled animals. An example from a study conducted in Arkansas is shown below in Table 5.

<table>
<thead>
<tr>
<th>Trait</th>
<th>Discount ($/Cwt.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 1 Muscling</td>
<td>Base</td>
</tr>
<tr>
<td>No. 2 Muscling</td>
<td>-$8.94</td>
</tr>
<tr>
<td>No. 3 Muscling</td>
<td>-$32.41</td>
</tr>
<tr>
<td>No. 4 Muscling</td>
<td>-$57.18</td>
</tr>
<tr>
<td>Large Frame</td>
<td>Base</td>
</tr>
<tr>
<td>Medium Frame</td>
<td>0.14</td>
</tr>
<tr>
<td>Small Frame</td>
<td>-$22.10</td>
</tr>
</tbody>
</table>

Source: Improving the Value of Feeder Cattle, FSA 3056. Arkansas Cooperative Extension.

**Preconditioning.** Preconditioning programs involve a series of management practices on the farm to improve the health and nutrition of calves. Preconditioning adds value to calves for buyers. When preconditioned calves are marketed in a system that recognizes the value that has been added, cow-calf producers benefit from the higher prices.

Preconditioning is not a new idea, but has received considerable attention in recent years with interest in value-added programs for cow-calf producers, beef quality assurance programs and strategic alliances in the beef industry. There are various preconditioning programs with different names and management requirements. Most programs require a 45-day post-weaning phase with a sound nutritional program, specified animal health procedures, dehorning, castration of bull calves and bunk feeding. The purpose of preconditioning programs is to reduce stress from shipping calves at weaning, improve the immune system, and boost performance in post-weaning production phases (i.e., stocker production and cattle feeding) and in carcass performance (i.e., higher grading carcasses with fewer defects).

One common question is whether or not preconditioning programs add sufficient value to feeder calves to offset the added cost. Common preconditioning programs cost cow-calf owners about $60/head, depending on the cost of the ration, health of calves and length of the preconditioning program. As a result, cattlemen will need to receive in excess of $60 (or their cost) per head to make pre-conditioning pay. It is important to remember that the additional revenue can come from reduced shrink and/or a higher price. The main point is that those producers considering preconditioning should not focus just on receiving a higher price.

No matter the type of cattle produced, dehorned, well-managed, clean, healthy-looking calves will always bring top-dollar prices. A Kansas State University study of more than 140,000 head of feeder calves sold at auctions showed that cattle that were not in good health, had physical impairments or were muddy received large discounts. Muddy calves or calves with dead hair typically were discounted 2 percent, stale animals 7 to 9 percent and sick animals more than 25 percent. Castrated calves may not bring premiums at auction markets since buyers don’t have time to confirm each calf as he comes through the ring, but they will bring premiums through...
other market methods that allow for seller identification. Specific health practices may also bring premium prices when the market allows for the recognition of such practices.

The addition of these management practices to a producer’s operation means there is a need for adequate facilities to perform them. The ability to safely and efficiently pen and restrain calves to perform preconditioning tasks is vital to achieving their maximum value.

**Where to Market**

Georgia cattle producers have several market outlets. No one system fits every producer’s needs, so there will continue to be many alternatives. The market outlets available to you will depend on the number and uniformity of cattle you have to sell at one time. This generally is the key ingredient in gaining higher prices through different marketing methods. Figure 4 shows the price premiums that larger uniform groups of similar cattle could be expected to bring. This chart is based on survey data collected from Kansas auction markets.

The correct way to interpret this chart would be to compare the values reflected by the line to a base price for a single-head sale. For instance, if a single-head lot were expected to bring $125/Cwt., a semi-trailer load would be expected to bring 5 percent, or $6.25, more. As the number of head in the lot increases to more than 100 head, the increase begins to decline, but it is still larger than the base.

Essentially, the ability to form truckload lots (around 48,000 pounds) of uniform cattle will generally result in even higher prices and open up marketing methods beyond the single-head auction.

![Figure 4. Effect of lot size on sales price.](source)

No matter your size herd, you can capture some of these benefits by having a defined, short breeding season so your calves will be uniform in weight. Uniformity in cattle color and grade will be a product of your breeding herd. Lack of uniformity in cattle color can become a problem if not properly planned in the crossbreeding system.
Choose the Right Marketing Method

Some of Georgia’s cattle market alternatives, along with their advantages and disadvantages, are described in this section.

Auction Markets

Auctions are the traditional way of selling livestock. Most auction markets hold their sales on a particular day of the week.

*Auction Market Advantages:*
- The auction market can provide competitive bidding.
- Most markets are open 48-50 weeks out of the year.
- It is convenient.
- It is open to all sellers and buyers.
- There is prompt cash payment.
- All types of livestock can be marketed.
- It provides a place where cattle prices are determined and known to all.
- It is supervised by the federal government.
- It requires absolutely no market knowledge by the producer.
- It requires no minimum number of cattle.

*Auction Market Disadvantages:*
- The seller has little control of prices.
- It encourages multi-handling, speculative-type trading.
- Overhead cost is high.
- Excessive stress and shrinkage of livestock may occur.
- There is a lack of volume and uniformity of animals at many markets.
- No permanent system exists for identifying livestock and producers after a sale.
- Producers may find it hard to establish a reputation for selling high-quality, well-performing livestock.
- The grade and price information can be hard to interpret.
- Prices are uncertain.
- Disease spread is more likely.
- The number of buyers may be small, reducing competitiveness of bidding.

Even when marketing through auctions, prices for cattle are not uniform. However, you can have some influence on the price you get by communicating with your auction operator. Find out before you deliver your cattle what the operator expects in buyers and cattle numbers to be sold during various marketing times. Let the operator know ahead of time what you will be bringing to market. If you have a group of uniform calves to sell, ask about the possibility of selling as a group.

Graded and Pooled Sales

Graded and pooled selling is the combination of small lots of livestock into larger, uniform lots of animals. This can be done informally by people “pooling” their animals before selling or through more formal arrangements. For example, area livestock producers may organize to develop a graded and pooled sale.

*Pooled Sale Advantages:*
- Can put large, economical lots of livestock together.
- Cost savings for buyers are passed along to sellers.
- Large numbers of livestock attract more buying competition.
Pooled Sale Disadvantages:
- Grading, sorting, weighing and penning before sale can be time-consuming and expensive.
- Individual producers lose their identity.
- Many marketing facilities may not be designed for efficient processing for this system.
- It’s hard to get a large number of producers to agree on all terms of sale.

Tele-Auctions
A tele-auction is the use of a telephone conference call to allow separation of livestock, buyers and the auction process. Producers with truckload lots of cattle can be sold directly from the farm. Producers with partial truckloads can be matched with other producers “on paper” and sold together. The tele-auction could also be used with a pooled arrangement for smaller producers.

Georgia producers have a long history of using feeder cattle tele-auctions. In fact, Georgia cattlemen have been using tele-auctions since 1977. Since that time, advances in technology have made it possible to utilize videos in the marketing of cattle. Even so, many marketing agencies still use the telephone when taking bids for cattle.

Tele-Auction Advantages:
- Potentially increases competition.
- Direct buyer-to-seller transportation reduces stress, shrinkage and death loss.
- Reduces buyer and marketing cost.

Tele-Auction Disadvantages:
- Requires prior producer commitment.
- Reduces marketing flexibility.
- Requires partial or full truckload lots.

Video Auctions
Video auctions are very similar to tele-auctions except that videos of the cattle are made for advance viewing or for viewing by satellite telecast while the cattle are sold. Other than that point, many of the considerations for tele-auctions also apply to video auctions.

Digital recordings are often used in combination with tele-auctions. Video auctions were once exclusively sponsored by national companies; however, in recent years many local auction markets as well as some regional marketing agencies have gone to marketing load-lots of cattle using video auctions. Regardless of the size of the marketing agency, video or tele-auctions allow buyers to select from hundreds or thousands of cattle coming from a wide geographic area in a short period of time, which reduces transportation costs and health risks.

Video Auction Advantages:
- Largest number of potential buyers of all market methods.
- Potential for reduced buyer cost passed along to seller.
- Direct buyer-to-seller transportation.
- Delivery schedules are very flexible. For instance, cattle can be sold in July for delivery in October.

Video Auction Disadvantages:
- Marketing cost can be generally higher than tele-auction.
- Requires producer to have on-farm truckload (and preferably more) of uniform cattle.

Private Treaty
Private treaty selling of livestock was widely used in the early 1920s when many country buyers operated throughout the state. As auctions became more prevalent, producers shifted to auction selling. Private treaty sell-
ing is a closed-sale method; it is a private negotiation between seller and buyer. The price and terms of sale are usually known only by the seller and buyer.

Sellers and producers of breeding stock have used this method for centuries and continue to use it. Producers with large herds often use this method. Private treaty selling of cattle is increasing because many buyers prefer to have their calves conditioned to their specifications and prefer to buy from sellers whose production practices meet their needs and demands.

**Private Treaty Advantages:**
- Seller controls the marketing process.
- Costs less than other marketing methods.
- Producer can establish a reputation.
- Animals are farm fresh with no stress.
- Disease spread is minimal.
- Producer can condition animals to buyer specifications.

**Private Treaty Disadvantages:**
- Requires excellent marketing knowledge by seller.
- There is no supervision by the federal government.
- Producer assumes risk of payment collection.
- May be little or no buyer competition.

**Retained Ownership**

Retained ownership involves holding cattle longer than would normally be the case or to the next one or two stages of production. In other words, if you are a cow-calf producer, you retain ownership of your cattle through the stocker phase, and if you are a stocker operator, you retain ownership in the feedlot phase of production. There is also the option to retain ownership all the way from birth to harvest. There are many factors that should be considered before retaining ownership of calves. Each factor should be evaluated by each producer for each situation. Calculation of break-even costs under different retained ownership alternatives will help the producer estimate profit potential.

**Retained Ownership Advantages:**
- Receive a return for value-added management and use of superior genetics.
- Receive data (carcass and feeding performance) back to be utilized.

**Retained Ownership Disadvantages:**
- Increased risk associated with market conditions, cattle performance and production.
- Postponement of revenue.
- Additional time, labor and interest costs.
- Requires some knowledge of performance capabilities of calves.

**Branded Beef Programs**

Branded beef programs guarantee a consumer a set of standards (e.g., lean, natural, organic, breed-specific, grain-fed, grass-fed, tender, etc.). In general, branded beef programs can be broken into three categories: breed-specific branded programs choose cattle from a specific breed or breed type; company-specific programs choose
beef from all breeds but include other criteria in terms of grade, marbling, size, types of feed used and/or restrictions on the use of pesticides, antibiotics and hormones; and store-branded beef, which is exactly as the name describes. Some grocery store chains are now branding their own beef products. Most programs can be further classified into one of three groups: light/lean beef, organic and/or natural beef, and high-palatability beef.

**Branded Beef Advantages:**
- Branded beef companies will pay premium for specific cattle.
- Producers are rewarded for management practices and/or herd genetics.
- Increased ability for the producer to establish a reputation.

**Branded Beef Disadvantages:**
- Requires producer to switch from “selling” to “marketing” cattle.
- Good record keeping system must be established.
- May require additional input costs to meet program requirements.
- Potential performance and morbidity (losses from health problems) from producing natural/organic cattle.

**When to Market**
In addition to providing the right product at the right place, profitable marketers also market at the right time. Prices for cattle are influenced by supply and demand, which fluctuate throughout the year. These fluctuations are usually somewhat predictable; therefore, astute stockmen can use these tendencies to develop a profitable marketing plan.

Figure 5 shows the relative prices for 500-600 and 700-800 pound steers and bulls in Georgia auction markets. The lines on the chart reflect price indices or relative prices throughout the year. By using 100 percent as the average for the year, interested cattlemen can make some inferences about the way prices typically behave. For instance, from 2007-2011, prices for 500-600 pound steers and bulls sold in March were 6 percent higher than the yearly average. On the other hand, prices for the same calves in November were 8 percent below the annual average.

It is important to note that the indices change for different weight classes. For instance, prices for 500-600 pound calves tend to peak in the spring and then decline the remainder of the year. Conversely, prices for 700-800 pound feeders tend to gradually increase throughout the year and peak in July and August. In both instances, prices tend to be lowest in the fall.

Figure 5. Seasonal price indices for steers and bulls in Georgia auction markets.
Consider not only the highest (or lowest) prices, but also the cost of production. For instance, even though 500-600 pound calf prices peak in the spring, it may be more cost effective to actually sell the calves later in the summer. The implication is that cattlemen should do their homework on not only when prices are the highest and lowest, but also on what the associated cost of production is.

The actual price received by most calf producers for their calves will be determined when they sell their cattle at a specific market. This need not be the case for producers who have near-truckload lots of cattle to sell at one time. These producers can set a price before they will actually sell their cattle by using the feeder cattle futures market. By using the feeder cattle options market, producers also can set a minimum price they will take for their cattle before the actual sell date. Both the feeder cattle futures and option contracts are traded on the Chicago Mercantile exchange. By trading a 50,000-pound contract, a cattle producer in Georgia can set the price for as much as a year in advance of the time he or she actually sells cattle.

Producers who will be selling close to the 50,000-pound contract size at one time may want to investigate these pricing alternatives if they need to reduce the risk of unfavorable price changes. Producers keeping cattle through stockering, and especially those feeding cattle, are encouraged to consider forward pricing alternatives as they are most susceptible to short-term price changes.

**Feeder Cattle Market Alternatives Summary**

Most Georgia cattle producers have several alternatives for when, where and how they market their cattle. Consider each of these alternatives separately in light of its advantages and disadvantages.

No one combination of alternatives can be considered a superior cattle marketing program for all farms. What works for one producer may not necessarily work for another. However, there can be no doubt that proper attention to a marketing program can pay great dividends.

**Keeping Up with the Market**

Successfully implementing a cattle marketing program will require the producer to keep tabs on the market, particularly when a market decision is at hand.

The following is a list of price and important supply reports that may be useful.

**Price Reports by Phone:**


**Published Price Reports:**

Most price reports are now available online or via e-mail subscription. However, the Georgia Department of Agriculture’s Livestock Market News office in Thomasville, Ga., still delivers the daily and weekly auction reports via a recorded message. This information is available by calling 229-226-1641.

Many reports can be accessed through the Southeast Cattle Advisor website at www.secattleadvisor.com. Specific market reports can be obtained via e-mail subscription through USDA’s Agriculture Market News at http://usda.mannlib.cornell.edu/MannUsda/homepage.do

Weekly, monthly or annual production information such as cattle inventory numbers, cattle slaughter and beef production can be obtained at the USDA National Agricultural Statistics Service (NASS) website at www.nass.usda.gov
References


For more information on beef cattle marketing and economics, visit the Southeast Cattle Advisor website at www.secattleadvisor.com