



Cow-Calf Management Guide

IX. Developing a Marketing Plan

Management Objective—Maximize net returns by evaluating production and marketing alternatives and planning the timing and method of sales.

Operating costs—Those that change with the level of production (e.g., feed, medical, labor).

Ownership costs—Those that are incurred whether anything is produced or not (e.g., depreciation, taxes).

Profit—This is the earnings returned to the resources invested.

Points to Remember

“If you don’t know where you are going, then any road will take you there.”

The single most important groundwork that can be laid is to know your cost of production.

- What prices do you need for various classes of cattle to cover *operating costs*, *ownership costs*, and *profit*? How much profit do you need to cover family living, scheduled principal payments, and required capital purchases?
- Production costs vary widely from ranch to ranch due to differences in production systems, use of inputs, managerial ability, and personal preferences, so it is important to know the costs on your ranch. Ranchers need to complete a balance sheet, income statement, cash flow budget, and partial budgets for potential production and marketing alternatives to have a basis for determining price and profit goals.

CL900, 930

CL935, 950,
951

Write down your price targets to meet minimal cost and profit objectives.

Marketing plan—A written set of goals for pricing and sales strategies that is updated periodically.

Ranchers need to review current market factors and price trends as an aid in selecting production and marketing alternatives. After reviewing market factors, make price level projections.

- First project the highest prices thought to be possible under conditions this year. Next project the lowest prices thought possible. Now project the most likely prices based on current outlook information. Write these prices down. **CL810, 816, 822, 823, 845**
- Several market news sources are available other than the local media. **CL810, 845**
- Because of seasonal price cycles, ranchers need to decide whether they will sell weaned calves, backgrounded calves, or retain ownership through all or part of the finishing period early in the production year. **CL800, 820, 825, 832, 855**
- After a decision of length of time that ownership will be retained is reached, ranchers need to examine alternative marketing methods. **CL212, 213, 815, 830, 832**

Plan Ahead

Once your current position and costs are determined you can formulate a *marketing plan*, which is your strategy to price your calf crop. This strategy can be refined to reflect various marketing situations you might face during the year. Some of the more common strategies are:

1. **Achieve yearly average prices**—During most years, many producers fail to achieve the yearly average price for calves or cull cattle. This strategy is one of the easiest to achieve. Timing of sales within the year or selling part of the calf crop for delivery at weaning and backgrounding the remainder to provide more marketing periods during the year reduces risk and provides more income stability than a single marketing at weaning. **CL823, 843, 845**
2. **Achieve higher than average yearly prices**—This strategy requires more refinement and effort than achieving average prices. You will need to study supply trends and feed production to determine what the likely average price for the year will be under expected conditions. Keeping price charts, following the markets and feed production forecasts, knowing historical price patterns, and staying current on the market indicators can all help achieve this strategy. **CL822, 823, 828, 843, 845**

3. **Obtain a “reasonable” profit**—Costs of production and profit levels required must be known to be able to identify the prices that will produce your definition of “reasonable” profits. Being realistic is important. The price target must be within the realm of possibility for the year. CL843, 930

4. **Meet cash flow objectives**—While most years offer some profit opportunities, some do not. When the price outlook suggests that profits may not exist, the best strategy for ranch survival may be to take advantage of pricing opportunities that will meet cash flow needs and cover as many fixed costs as possible. It may be appropriate to adjust the timing of cash needs as much as possible to fit the marketing periods. CL820, 822, 935, 965

5. **Market an increasing proportion of cattle on an uptrending market**—Too often, ranchers hesitate to sell or price cattle in an uptrending market, expecting prices to continue to climb. In other words, they are trying to “top the market.” Then as prices begin to decline, they hold, hoping the market will turn around. These ranchers usually end up selling at substantially lower prices than they could have realized had they sold while the market was on the way up. “Topping” the market is not marketing—it is an impossibility. Implementing this strategy might consist of marketing heifer or steer calves as more conservative price targets are reached, then marketing the other sex as prices move toward more optimistic price targets. CL800, 820, 823, 828, 843, 845, 850

Execute the Plan

- The final step in your marketing plan is to implement the strategy developed and monitor changes in markets and events that may affect markets. In the planning step, after reviewing your individual cost situation and market trends, you set price targets and timing decisions—when during the year to make a sale and at what price. Execution deals with the form of the sale decision. CL285, 800, 810, 815, 823, 828

- If a decision to forward contract calves is reached (either through a video sale or country contract), ranchers must determine the terms or specifications of the contract (shrinkage, contract weights, price slides, price spreads, etc.). CL285, 815, 816, 835, 850

Summary

By developing a plan, you can reduce the pressure to sell by “need” and the stress from feeling like a victim of “the system.” Defining your production costs and price objectives will assist you in recognizing profitable marketing opportunities. CL107

- The knowledge required to develop and execute an effective marketing plan is available to all ranchers. Acquiring it does require some effort. There is no single marketing plan that will fit every ranch or that can be used year after year. **CL107, 285, 800, 820, 830**

Plans must be:

- Tailored to fit each situation depending on the year and phase of the price cycle. **CL820, 822, 855**
- Flexible enough to allow adjustment for changing market conditions. **CL810, 828, 843, 845**



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