OMAFRA Virtual Beef

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Marketing Impacts Your Farm Business Success

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The marketing of your cattle or beef has a direct impact on your overall business success. In fact, one of the biggest mistakes made in running a business is producing a product without researching if there is an actual market for it. Success comes in finding ways to encourage the market to choose your product first. Marketing is an ongoing process of understanding your customers/buyers needs and striving to fulfill those needs better than your competition. Marketing is everything that happens before and after the sale that facilitates both current and future sales transactions with your customer/buyer. Unless you have a good knowledge of the sector you operate in, and how your product fits into that sector, it is difficult to focus on anything other than production. Changing consumer demands, local and global competition and other market forces have resulted in the business of agriculture moving from being focused on production to being market focused.

Understanding the marketplace is the first step in positioning a successful product for profit. Market research or an analysis of the marketplace is vital before starting a new business, introducing a new product, maintaining your existing business, or discovering why the demand of your product is declining. Knowing and anticipating your customer's/buyer's needs is important. The challenge for producers is to stay ahead of the curve to anticipate and prepare for marketplace changes.

Through the market planning process, the five P's of marketing need to be considered. The task is focusing on the answers from the marketplace/customer to the various questions posed. The opportunity becomes establishing a customer relationship as opposed to just making a sale. Here are the five P's with some sample questions with cattle or beef being the product:

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Ministry of Agriculture, Food and Rural Affairs

Ontario

- **Product - How does your product satisfy the customer's needs?**
- **Positioning - What is unique about your product compared to your competitor and how does this create a target market for you?**
- **Place - What is the place or distribution channel that makes your product available to the customer? Are there alternatives?**
- **Price - The price of the product must balance the value or benefit to the customer with profit or return to the seller and be competitive with the competition. What are the price risks and are there opportunities to manage price risk?**
- **Promotion - What information and methods can be used to promote your product?**

Marketing should focus on the objective(s) you want to achieve in your marketing plan. Market planning will consider what and how much is produced, when it will be available to market, where it will be sold, and the cost to produce it. Understanding the strengths and weaknesses of the marketing channels available is a key step in market planning. These factors impact the business plan through the cash flow. A marketing plan is like a road map since it provides the details, responsibilities, and actions for marketing your cattle or beef. This minimizes the guesswork and emotion when making key marketing decisions.

So what can be done to facilitate marketing? Besides the prior items discussed, the following list has seven action points to consider:

- **Develop and maintain an understanding of your market trends, impacts, and how it functions**
- **Explore and evaluate alternative market opportunities**
- **Assess your marketing skills and abilities to define your training needs**
- **Determine your cost of production and profit margin**
- **Foster and build relationships within the value chain**
- **Develop a network of market information resources and services**
- **Benchmark and monitor your marketing plan**

If you are looking for marketing resources, check out the marketing section at www.ontario.ca/agbusiness. Further marketing resources are also listed under the Grow Your Farm Profits section.

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The Breed Back Blues

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"Summer time and the living is easy"; or so the song says. Most folks in the farming community might disagree with planting just finished and fencing and haying upon us. It seems like just one more job, but we might want to be keeping a close eye on activity out in the breeding pastures or we might just be singing the blues come fall – The Breed Back Blues!

Last summer is still reaching forward to play havoc with some of our cow herds. We all know last summer's rain made putting up good feed awfully hard, if not impossible. That meant many of our cows went through the winter on poor quality feed and were in lower than normal body condition come calving time. We saw some problems across the province with weaker, less vigorous calves, resulting from poor colostrum. Then, when we think we have the cows out to grass and all is well, there is one more problem cropping up from last year.

Those cows with a poor body condition score (BCS) at calving, will be slower to return to estrous and slower to settle to a pregnancy. So whether your bulls have been out for a bit, or just heading to the breeding pasture, now might be a good time to take a second look at those cows. What body condition were they in at calving? What condition are they in now? Is the pasture good enough to have them on a rising plane of nutrition?

Figure 1. The estrous behaviour shown here by this cow mounting a bull in late Fall is a clear indication that she is not pregnant, at a time she should be.

Numerous studies have shown that only 60-70% of cows, which are thin or in moderate shape at calving, will cycle 90 days out when you want to start breeding. That means 30% or more of these cows will not achieve a 365 calving interval due to them skipping at least one oestrous cycle. One cycle missed is 21 days times 2.5 lbs/day calf gain, resulting in a calf 50 lbs lighter for sale in 2010.

The Tables below, 1 and 2, are adapted from work by William E. Kunkle from the University of Florida. He obtained BCS data from beef herds in Florida, Texas and Oklahoma. Kunkle examined the effects of low BCS in a beef herd (poor conception rates, longer calving interval and not milking to potential) and determined the difference in yearly income per cow. Admittedly, this chart is using lighter birth weight, ADGs, and weaning weights than many Ontario herds exhibit. As well the $1.00/lb is low but certainly illustrates the costs associated with cow herds in poor body condition.

Figure 2. A cow displaying signs of normal estrous will catch the breeding bull's attention.

Table 1. Relationship of parity and body condition score to pregnancy rate, %[a].

Parity[b]	Body Conditon Score[c]			
	≤1.5	2.5	≥4	All
1	20%	53%	90%	84%
2	28%	50%	84%	71%
3	23%	60%	90%	85%
4-7	48%	72%	92%	87%
≥8	37%	67%	89%	74%
All	31%	60%	89%	82%

[a] Rae et al., 1993; Body condition scored at pregnancy testing

[b] Parity is the number of calving opportunities, present age minus age at first calving (years)

[c] Body condition scored at pregnancy testing from 1 to 5, 1.5=thin, 2=borderline, 4=moderate

Note: BCS adjusted from original data to Canadian 1- 5 system for Tables 1 and 2

Table 2. Relationship of body condition score to beef cow performance and income.

Body Condition Score	Pregnancy Rate, % [a]	Calving Interval, days [b]	Calf Weaning Age, days [c]	Calf Daily Gain, lb [d]	Calf Wean Weight, lb [e]	Calf Price $/100 lb [f]	Income $/ Calf [g]	Yearly Income $/cow [h]
1.5	43	414	190	1.60	374	96	359	142
2.5	61	381	223	1.75	460	86	396	222
3	86	364	240	1.85	514	81	416	329
4	93	364	240	1.85	514	81	416	356

[a] Pregnancy rates averaged across trials when scored at calving, breeding, and pregnancy testing

[b] Calving interval from Figure 3 in original report.

[c] Weaning age is 240 days for cows in body condition scores 3 and decreases as calving intervals increase.

[d] Daily gains based on observations.

[e] Calculated as calf age times calf gain plus birth weight (70 lb).

[f] Average auction market price for similar weight calves during 1991 and 1992.

[g] Calculated as calf weight times calf price.

[h] Calculated as income/calf times pregnancy rate times .92 (% calves raised of those pregnant).

Note: BCS adjusted from original data to Canadian 1- 5 system for Tables 1 and 2

If you know your cows were feed stressed this winter, watch them now to see how many are cycling or breeding. Consider feed supplements if they are still very low in condition or at the very least make sure they are well taken care of in the mineral and vitamin category. Take a good look at your cows and act now if need be, to prevent the "Breed Back Blues" being your theme song this fall with open cows or more importantly next year with very late calves!

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Meeting Mineral Requirements at Pasture

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One of the initiatives I am working on as a nutritional technique is an educational campaign regarding the proper use of trace-mineralized salt (TM Salt) and complete mineral premixes on pasture. I think we all agree that complete minerals are expensive, as are their constituent ingredients; of greater interest is the increasing amount of data showing cattle do not need much of what is in it, especially on pasture.

For a starting point, let us accept all cattle in Ontario need some supplementation as this Province's soils are selenium (Se) deficient. We need a selenium source, so 'no supplement' is not an option! Next, fresh grass is far higher in vitamins A and E than any reasonable premix, and vitamin D is synthesized under exposure to the sun, so not one of these is needed in a pasture premix. Considering the cost of vitamin E over the last year, if nothing else, a summer pasture program should lose this ingredient as the #1, no-consequence cost-saving measure! Dr. Kendall Swanson, a beef researcher at the University of Guelph comments that "typical average to good quality pastures in Ontario may not need supplementation of most minerals and vitamins, but there likely are some quite low quality pastures that do." How do you know where your pastures fit in? Read on.

Mineral Requirements

The key to determining what level your animals need to be supplemented at is a forage test. Table 1 illustrates the levels of various minerals I would recommend in cow and backgrounder forages (fresh perennial forages). The upper section are standard minerals reported on, the next two are optional, and then trace minerals which cannot easily be tested for, so should be assumed as deficient. These values are based on requirements for critical stages such as late pregnancy/lactation for replacement heifers, and then extrapolated to cows. It is a 'worst case scenario' for the cow herd for each of the mineral parameters, as those heifer requirements are higher than for cows at any stage of

Nutrient	Unit of Measure*	Cow Herd	Backgrounders	Supplementation Ingredient**
Standard on forage test				
Calcium (Ca)	%	0.30	0.35	Limestone
Phosphorus (P)	%	0.22	0.20	Monocalcium phosphate, Dicalcium phosphate
Potassium (K)	%	0.70	0.60	Potassium Chloride
Magnesium (Mg)	%	0.20	0.10	Magnesium Oxide
Sodium (Na)	%	0.10	0.08	Salt
Sulphur (S)	%	0.15		Sulphur Powder
Zinc (Zn)	ppm or mg/kg	30		TM package
Manganese (Mn)	ppm or mg/kg	40	20	TM package
Optional on forage test				
Copper (Cu)	ppm or mg/kg	10		TM package
Molybdenum (Mo)	ppm or mg/kg	0.5		TM package
Not likely on forage test – separate analysis				
Cobalt	ppm or mg/kg	0.10		TM package
Iodine (I)	ppm or mg/kg	0.5		TM package
Iron (Fe)	ppm or mg/kg	50		TM package
Selenium (Se)	ppm or mg/kg	0.2		TM package

Table 1. Macro and micro-mineral recommendations for cow herds and backgrounded cattle assuming highest level of requirement within that class, as adapted from *Nutrient Requirements of Beef Cattle, 7th Revised Edition, 1996.*

* in total ration or as reported on forage test assuming 100% pasture intake. Ppm or mg/kg are the same unit of measure, both measuring number of units per million units. ** Supplementation ingredient for single mineral, if required

production. Similarly, the same has been done for a grass steer gaining just over 2lbs per day.

Figure 1. In the way of mineral supplements on fresh pasture, cow/calf pairs as well as backgrounded cattle may only need supplemental selenium, which is deficient in Ontario. The best way to assess minerals needs is to compare pasture analysis to requirements.

A farm should build an inventory of forage tests over time to account for seasonal and weather variations on mineral uptake by the pasture. If, over time, the forage test is above the levels in Table 1, then no further action is needed on that nutrient. The rightmost column is what ingredient typically might be used to elevate that parameter (ie used in a customer formulation). In doing this many people farming on high fertility soils will realize there is no need to routinely supplement calcium, phosphorus, potassium, and perhaps other minerals. High phosphorus (P) minerals (1:1 and even 2:1 Ca:P ratio) are typically overkill for P levels, because of the high manure or fertilizer levels in parts of the province that have been farmed for several decades. The only way to be sure is a forage test for minerals. So, this is where the use of trace mineralized (TM) salt may become economical. All cattle in Ontario need Se, and if that can be done with a TM salt, then perhaps that is all a herd on a given farm needs. Some of you on very low P soils may need a source of that macro-mineral, which is absent in TM salt.

Getting Minerals into Cattle

The only way to determine if the mineral premix intake is according to specifications is to read the label of the product as to what intake should be attained per head per day on any product! That said, 100 to 150 g per head per day is pretty typical, and in turn, a 25 kg bag of mineral premix should last 167 to 250 cow-days per bag. This calculation must also be done for TM salt. Since Se deficiency is a big deal in Ontario, and if you are considering a TM salt product, look for TM salt that is 120 mg/kg selenium or formulated for higher intake. There are a few add-ons you may consider with TM salt such as adding a coccidiostat for cocci control in calves, or a TM salt plus mineral ingredients the farm is low on. For example a TM salt + magnesium oxide ('mag-ox') for pasture forages low in magnesium may be practical.

Bottom Line on Minerals at Pasture

The only way to really tell what you need is a forage test, and to accept Ontario is selenium (Se) deficient. Once you have done these two things you can figure out whether you really need a complete premix or a trace-mineralize (TM) salt to meet the mineral needs of your cattle at pasture. And remember, at pasture all of the vitamins A, D, and E cattle could ever need are there for free. Get it while you can!

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What Are Your Home-Grown Feed Costs?

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Cow calf herds rely heavily on home-grown feed. The Benchmark Beef study conducted by the University of Guelph shows that for every dollar of purchased feed the average cow calf herd is spending another four dollars on home-grown feed. But knowing what your home-grown feed costs are can be challenging since the costs can embedded across several expense lines like seed, fertilizer, fuel, repairs, interest and depreciation.

With calculating the home-grown feed cost for your cow calf operation, or any livestock enterprise for that matter, there are two common approaches; using your actual cropping costs or using a market value approach. The first has you keeping all the cropping costs you had for the crops that were fed in the livestock enterprise budget.

The second method extracts all your crop costs out of the livestock enterprise and then "sells" them back to the livestock at market value. Transferring the crop costs at market value back to the cow calf operation can be fairly abstract to wrap your head around. It introduces the concept of opportunity cost which can be equally mind numbing. What this transfer value represents is the value for the crop that you could have received if you sold it instead of fed it. Opportunity cost is what you could have earned with those crops in the next best alternative.

Is one method better than the other? Well they both have some merit.

A common argument against the transfer method is 'I don't ever intend to sell my crop so why do I have to take all my crop expenses out only to "sell" my crop back to my livestock.' It's a valid argument especially if you only grow crops destined to be fed and have no other cash crops. Using your own on-farm records will also accurately reflect the actual costs on your farm.

Where the transfer method comes in handy is at a glance you can quickly find your feed costs because they are clearly labelled as feed (purchased and transferred home-grown feed) and not buried in 8 or 9 different expense lines. To know just how much your home-grown feed cost is using your on farm records you would still need to pull out the crop expenses out of these other expense lines.

The transfer method is also helpful if you have crops that are grown for cash crops as well as crops to be fed. Allocating all the crop costs (feed and cash crops) out and then adding only those costs for the crops that are fed back into the livestock enterprise can give you a purer glimpse of the home-grown feed costs.

One key question the transfer value method answers is whether you are better off producing the feed yourself or is it cheaper to buy in feed. If your home-grown feed costs are less than the transfer value cost it makes sense to grow it as opposed to buying it. It is harder to make that assessment if the crop costs are buried in several expense lines.

Another common argument is 'I can produce feed far cheaper than the market transfer value so my feed costs are lower'. The reality for many cow calf herds is that that is not the case. In the beef cow calf benchmarking study over half of the herds had higher crop costs of production than the market value. From a home-grown feed perspective that suggests that some cow calf herds may be better off purchasing feed than growing it themselves. Or they should at least be having a hard look at their cropping program and figure out ways to put down a less expensive feed package in front of their cows.

Feed costs in the cow calf study were around 60 percent of the total costs. So regardless of the method you use for your cow calf herd it is well worth the effort of pencilling it out.

Calculate your feed costs using OMAFRA's Ontario Enterprise Budgets:
http://www.omafra.gov.on.ca/english/busdev/bear2000/Budgets/oeb.htm

Learn more about calculating and using your cost of production for farm-level decision-making by reading OMAFRA's Guide to Cost of Production Budgeting factsheet:
http://www.omafra.gov.on.ca/english/busdev/facts/08-055.htm

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