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Putting the Ranch Business Plan in Action with a Marketing Strategy

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With a new calf-crop on the ground and the breeding season in full swing, it is a good time to think about how you are going to market your calves. Several factors must be taken into account when deciding on the marketing program for your operation. Much of the decision will be based on personal preference and experience. However, well developed financial records and a clear ranch business plan can provide additional insight into the performance and needs of the marketing program on your ranch.

A ranch marketing strategy can consist of several different facets. These include decisions such as age to market, whether or not to retain ownership, whether to use financial markets, and where to market. Which decisions you make will depend on several factors such as size of operation, cash flow needs, and others. Many extension type programs focus on these factors, and each one could provide a complete article on its own. Therefore, what is presented here is a simple overview of the points to consider for your ranch marketing strategy.

One of the first details of marketing your cattle will be to decide on when you wish to sell. The weight they will be sold at is an important consideration in determining your ability to produce a truck load lot. The ability to produce the truckload lot will open up a whole host of marketing venues that would otherwise be unavailable. This is also the time when one must decide whether or not to retain ownership. Plus, the decision to retain ownership is not an all-or-nothing decision as you can choose to retain ownership in any percentage of your cattle. The key in making these decisions will depend on the financial situation of the ranch and the need for cash flow. Having a clear understanding

of the timing of the inflows and outflows of cash through budgeting will make the decision easier and less stressful.

Once the timing has been determined, the venue can then be decided. If for instance it is clear that you will not have a truckload, then marketing in a venue other than a traditional auction market or an order buying station is not feasible unless you enter a cooperative agreement with another producer or set of producers. That in itself has a complete set of its own issues to be determined. Again, determining the method of marketing can be straight forward once the goals of the operation have been determined and outline. Understanding how your cattle fit different marketing options is key to the decision as well. These points all direct back to the management of production and understanding of the financial performance needs of the operation.

Now that market timing and venue have been determined, you can decide on your position in the market. Will you be a pure speculator? Will you be fully hedged? Will you be somewhere in between? These are the questions that need to be answered when deciding to enter in to the futures and options markets. Timing will make a difference because of the basis differences, and if you retain ownership, you will be looking at a completely different set of contracts if you will own up until slaughter. By purchasing no futures or options contracts, you are a pure speculator. If you purchase more futures contracts than you have truckloads of cattle, you again become a speculator, but there can be degrees of speculation in the market. For instance, you can have two truckloads of calves and only buy one futures contract leaving you only partially hedged. Put options, can be used as a type of insurance. In making this decision, it is not only important to know the cash flow needs of the operation, but also the risk tolerance of the owner whether it be yourself or someone else.

Each of these issues have only been lightly touched on in this article. Understanding the financial situation and needs of the operation will help make the decision process less stressful and likely simpler. A sound business plan should be in place as to effectively implement a sound marketing strategy. A sound business plan depends on a clear understanding of the financial nuances of the operation and a clear set of operational objectives. With all of the tools for sound decision making in place, one can focus on the issues that make the business enjoyable.