Value-Based Marketing of Cattle

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Six years ago in 1995 a group of UF/IFAS extension faculty and Florida cattlemen toured the feedlot industry in Oklahoma and Texas. At that time most fat cattle were sold on a cash or weight basis at the feedlot. Little emphasis was placed on value-based marketing or carcass merit.

This past March (2001), Payne Midgette and I toured several feedyards in the Texas panhandle, and oh what a change. It is estimated that 60% of fat cattle are now being sold on a grid. A grid is a formula that pays for carcass merit. Premiums are paid for high quality grades (choice and prime), high yielding carcasses (yield grades 1 and 2), large rib eyes (> 12.5 square inches), and a low back fat thickness (< 0.50 inches). Grids discount low quality grades (select and especially standard), low yielding carcasses (yield grades 4 and 5), small loin eyes (< 12.5 square inches), and a high back fat thickness (> 0.50 inches).

There are several grids, each placing emphasis on specific quality traits. Most grids heavily discount dark cutters, and heavy (> 949 lb) and light (< 600 lb) carcasses. Some grids even discount brands, implants, and kidney fat.

One Texas rancher-feeder shared a print-out or spread sheet on a pen of heifers finished at McLean, Texas and sold on a grid. We were amazed at the amount of information that the packer provided on each carcass to establish market value. The spread sheet gave rib eye area, carcass grade, back fat thickness, carcass weight, dressing percent, and % kidney fat. These data could also be used back at his ranch to cull cows, select heifers, and improve his bull buying plans.

Most interesting about the above carcass data was the $300 difference in the price paid for the lowest and highest value carcass. A good proportion of this value difference was due to carcass weight; but grade, yield, and muscling (rib eye area) had high dollar effects.

With the technology to identify calves at birth or weaning and follow them with scanners and computers all the way to the rail and meat counter, value-based marketing is here. More and more Florida calves will be purchased on their ability to gain well and
efficiently in the feedlot, and produce a good-quality, high-yielding carcass.

Even for cattlemen that sell small lots of calves through public auction markets, the technology is available to identify their calves and follow them to the rail. This will allow any cattlemans to develop a sound breeding and production program that will be recognized by the feedlot and packing industry. Cattlemen that make an effort to develop good reputation calves will be rewarded with premiums, and those that do not will have their calves discounted accordingly.

For questions or comments regarding this publication contact Findlay Pate