



Managing for Today's Cattle Market and Beyond

Introduction

By

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“Tough times,” is an understatement when it comes to describing what cow-calf operators have faced since 1993 in this most recent downturn in cattle prices. The market environment faced by the U. S. cattle industry during the first half of 1996 has been nothing short of disastrous for many producers. A poor corn crop during 1995 pushed corn prices to near record levels, drought conditions in the southern plains forced liquidations of many southern beef cow herds, record meat supplies, and large farm-to-retail price spreads for cattle and beef, all point to the lowest cattle prices in over a decade. This market environment has been complicated by trade issues, especially relating to the North American Free Trade Agreement (NAFTA), which have heightened producers’ concerns about the overall health of the U. S. cattle industry. Those who try to make a living in the cattle industry and those who serve the cattle industry are looking for answers to tough questions. What is causing this market environment? What are captive supplies, packer concentration and NAFTA doing to prices? What is the future of the beef industry? How do I survive until prices come back? These are some of the tough questions being asked.

This publication has been prepared by Cooperative Extension Service specialists and industry experts from across the United States with those tough questions in mind. These authors pooled their collective expertise to develop this publication which is designed to provide valuable educational information to those trying

to make a living from cattle and those trying to serve the cattle industry. The publication consists of a series of fact sheets, each addressing an individual issue relating to the current market environment and how to survive it, but which, taken together as a whole, also comprise a package of information which can be collectively used to better understand and manage for today’s cattle market and beyond.

The fact sheets in this publication deal with the following topic areas: 1) Integrated Management - which includes articles on easily applied tools to analyze your operation, business planning and goal setting, cost reducing strategies and financial management; 2) Marketing - which includes articles on value added strategies such as marketing pools, retained ownership, feeding cull cows and price risk management topics such as evaluating your marketing opportunities, futures, options, basis and developing a marketing plan for your operation; 3) Strategy Implementation - which includes articles on the use of learning teams as a way to develop and implement effective strategies and things to consider when you try something new in your operation; 4) Cattle Market Environment - which includes articles on packer concentration, captive supplies, trade, price discovery and the demand for beef; and 5) Beef Industry Future - this section includes two articles which look at trends in various sectors of the meat industry and draw conclusions about what the beef industry in general and individual producers will need to consider and do to be

competitive in the future. While these fact sheets may not answer all the tough questions being asked by producers, they are designed to provide producers with as much information as possible to help them deal with today's cattle market and better take advantage of future price increases and market opportunities in the beef industry.

Possible Uses By Producers

These materials are designed with the purpose of helping cattle producers develop individual strategies to deal as best possible with low cattle prices and to strategically plan for the future upturn in prices. The organization of the fact sheets was done to facilitate this by 1) helping the producer analyze the financial and competitive position of his or her operation, 2) based on the analysis in 1), help the producer examine possible management and marketing strategies, 3) help the producer develop a plan for implementing the selected strategy(ies), 4) provide valuable information on what has created the current cattle market environment, and 5) give the producer information about the possible future of the U. S. cattle industry so that some planning for the future could be done. These materials are designed to stimulate ideas on what can be done now in your cattle operation and hopefully help you decide what to do in the future.

The materials could be read and worked through as a complete educational package to familiarize producers with overall concepts and methods which could be used to develop and implement strategies. Or, particular sections could be used if the producer knows a general management or marketing topic he or she is interested in learning about but wants more information to decide which specific strategy would be best. For example, the producer may only be interested in examining value-added marketing strategies, and could refer to this section for information on an array of possible value-added marketing alternatives. Or, the producer may be interested only in specific topics and could refer to the fact sheet(s) dealing with that one issue. For example, the producer might be interested in strategies dealing with cull cows and could refer to that fact sheet.

Producers can examine and work through the materials individually, and this may be a good initial first step. However, others with expertise in finance, economics, or marketing could also be asked to provide some additional help and advice if more information is needed on a specific strategy. People who could be asked to provide additional expertise might include

extension specialists, county agents, your banker, or your accountant.

The basis of developing a good strategy is to understand a firm's individual strengths and weaknesses and the feasible alternatives available to the operation. To accomplish this, we suggest that the producer begin with an individual assessment of his or her operation and then move on to the other sections for possible strategies which are available for dealing with specific needs. For example, after conducting an analysis of the operation the producer may discover that his or her operation's costs are high relative to other similar operations. This would point the producer to considering strategies designed to reduce costs. Consequently, we first provide a section dealing with analyzing the producer's operation followed by strategies that might be pursued to address specific situations. The categories of possible strategies which have been incorporated in this publication consist of cost reduction strategies, financial management and marketing strategies including value added and price risk management strategies. We believe these represent the best set of strategies which could be considered by cattle producers attempting to deal with the current price situation.

Possible Uses of These Materials in Educational Programs

These fact sheets could be used as supporting materials for short courses or workshops, or could be given to producers on an individual basis. For example, a facilitator, such as a county agent, could organize a short course for producers inviting persons with expertise to discuss topics related to each of the sections in these materials. The topics in the short course could include 1) analyzing your operation, 2) selecting the best strategy for your operation to deal with low cattle prices, 3) developing a plan to implement a strategy, 4) understanding the economic forces effecting today's cattle industry, and 5) a discussion of the future direction of the U. S. cattle industry. These materials can serve as a guide and/or supplemental material to such a short course. Persons who could be used as resources to teach such a short course could include the county agent, extension specialists, bankers, accountants, financial analysts, producers, or others with special expertise and interest in the cattle industry.

The materials can be used in workshops or meetings addressing particular topics of interest to producers. For example, a meeting designed to address a specific issue such as whether producers should liqui-

date their herds or not could draw on the fact sheets dealing with financial assessment of the operation and the decision to sell cows or to keep them. A meeting addressing a broader set of issues such as the reason cattle prices are low might use a number of fact sheets from the "Cattle Market Environment" section.

It is critical that educators identify the needs and interests of producers and/or lenders and then determine which fact sheet(s) would be most helpful in developing an educational package to meet those needs. We suggest discussing what the interests and needs for education are with producers and other knowledgeable persons who serve the industry such as extension specialists, bankers, etc. to help develop an educational program. Based on these discussions, an educator can then decide which experts and fact sheets should be used for the program.

Besides using the materials in organized educational activities, we encourage educators to copy these materials and give them to producers and others interested in a topic or topics discussed in the fact sheets when appropriate. Additional copies of the materials are available from the Cooperative Extension Service in your state with the extension marketing specialist being the contact person or from the University of Wyoming Cooperative Extension Service.

Concluding Remarks

The contributors to this publication want these materials to be as useful as possible to producers and educators in dealing with the current crisis in the cattle industry. It is hoped these materials will be provided in a timely manner to as many producers and other interested groups as possible. This can be done effectively in a number of ways including direct dissemination, meetings, or short courses. We wish to thank you for considering using these materials to address whatever your particular interests or needs are relative to the current cattle crisis. A list of the authors, their affiliation, address, and e-mail address is provided as an addendum to these materials. Please contact the author(s) of the individual fact sheets if you have questions about the fact sheet or need additional information.

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