Marketing Livestock for More Profit

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FOR More Profit

CONSIDER:
1. Outlook.
2. Consumer demand
4. Best market.
5. Loss prevention.
Marketing Livestock Wisely

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In the field of livestock production many improvements have been made through the years. Breed improvements, better feeds and balanced rations, disease prevention and parasite control are some of many advances which have led to increased production.

Comparing Production and Marketing

While there has been considerable growth and increased efficiency in production, what has been accomplished in the sister field of marketing? What changes have come about in marketing and especially livestock marketing that indicate as much progress as in production?

It is not always a simple matter to compare agriculture's production problems with marketing problems. Production problems are easier to see and deal with than are marketing problems because they lie mostly within the fences of the individual farm.

Marketing problems are different. They arise from economic and physical conditions that are not within a farm but primarily outside. They are more difficult to "get a hold of" than the problems of low cost production. But in some ways they are more fundamental than the problems of production. Marketing questions are raised which must be answered before production is undertaken at all. The farmer's first problem is to determine what people want, what they will pay, and what quantities will be taken before production is started.

Most commercial farmers realize that they are engaged in a business that needs to be handled much like any other business. They recognize that they cannot simply continue to produce crops by traditional production methods, but need to keep up-to-date with the newer productive equipment, new varieties, etc. Similarly, there is a need to keep abreast of new marketing developments and continue to improve old methods in the marketing of their products.

You are producing for the market. You need to study the market like any other manufacturer, observe what changes are taking place in the demand for your products, and produce the type of product that is most in demand.

Marketing problems are as important as the problems of production. High prices attained by following good marketing practices make for higher profits, just as much as producing better quality products mean higher profits.

To bridge the tremendous distances between producer and the millions of consumers, a huge and complicated marketing system has developed over the years. This system is not the sort of thing that
gradually improves until it reaches perfection. Rather, it goes through a continuous changing process in an environment that is rapidly changing. This is not to say that marketing is inefficient or has not made any progress for such is not the case. Simply by the nature of the two fields and the different forms they assume, a comparison of progress between production and marketing would be impracticable. Much has been accomplished in both fields but continuing improvements are needed.

**Aids to Improve Livestock Marketing**

Let us take a closer look at one phase of marketing. What are some of the aids to good marketing practices that livestock producers can use to improve their incomes?

**Outlook Information**

What is “outlook information”? In 1922 the Bureau of Agricultural Economics was organized to assist farmers in the overall planning of production and marketing. Through the means of economic research, monthly reports are prepared and are made available free of charge upon request from the Bureau of Agricultural Economics at Washington, D.C., or the State Crop and Livestock Reporting Service at Sioux Falls, South Dakota.

Some of the monthly reports issued include: The Livestock and Meat Situation, Demand and Price Situation, Feed Situation, Dairy Situation, Poultry and Egg Situation, Marketing and Transportation Situation. There are also pig crop reports issued twice a year in June and November, reports showing number of sheep and cattle on feed, numbers on farms, monthly slaughter and some quarterly reports including stocks of grain.

In addition to the reports by the BAE, the extension services of most colleges are developing local outlook and are adapting national agricultural outlook information to fit local conditions. The South Dakota Extension Service issues, weekly, a one page mimeographed outlook letter and a quarterly pamphlet called the “Farm and Ranch Economic Review.” Your name can be added to the mailing list upon request.

The underlying philosophy of these reports is that farmers should adjust their operations to constantly changing economic forces that are mainly beyond their control. An individual farmer can do very little about these forces; he can only make adjustments, keep fully abreast of economic conditions and plan his production and marketing accordingly.

**Understanding Consumer Demand**

The demand for farm products depends closely upon the buyer’s income; these incomes vary with fluctuations in industrial activity. Over the years, the demand for food and fiber has been very unstable. Farmers need to plan their production with a “weather eye” on the fact that the demand for their products may fluctuate severely and give them lower incomes than they expected when they started production.
Within the general over-all fluctuations of demand there are certain changes in consumer wants or desires that indicate definite trends. One of the most noticeable of these trends is the shift in consumer tastes from heavy, lard-type hogs to lighter, meatier hogs carrying less fat. With more machines to replace physical labor the requirement for foods with high energy content apparently has given way to other foods such as fruits, vegetables and dairy products. Also contributing to a weaker demand for heavy hogs is the trend in substitution of vegetable oils for animal fats, principally lard. This of course has reduced lard prices and, consequently, the price of all hogs.

It is the opinion of many livestock men that even though there is but a small price incentive to produce the meat type hog it would be to the advantage of the entire hog industry to turn more to this type which is desired by consumers. The long-run effect would strengthen the competitive position of pork with other red meats and materially increase the returns to producers by raising the level of pork prices in relation to other meats. Much progress has been made in keeping pace with the trend by marketing hogs at lighter weights. Producing the meat-type and marketing at lighter weights, if done by all hog producers, could do much to raising the general price level of hogs.

The demand in beef has been for younger animals which yield smaller cuts. The production and marketing practices here have followed pretty much in accord with the dictates of consumer taste.

In the case of slaughter lambs there also is a trend in consumer demand that should be reckoned with. This was brought out most vividly during the 1951-52 winter. In the principal consumer markets there was considerable resistance to heavy carcasses and excessively finished cuts. This poses a problem in production as well as in marketing and merchandising. In order to realize the most from the different enterprises we must conform to the demands of the consumer which, in this case, would mean a lighter carcass finished to a less excessive degree.

Knowledge of Seasonal Price Trends

One of the peculiarities of prices is that they tend to have definite seasonal movements. The marketing of livestock is heavier at certain seasons of the year than others but consumers want about the same amount of meat every day. For each product, consumption must be matched by production. This is done by storage and by adjustments which take place as a result of seasonal changes in prices. These seasonal prices are generally low when the commodity is abundant and prices are generally high when it is scarce.

What are some seasonal trends in livestock prices?

Generally slaughter cattle are highest in the fall and sell lowest in late winter. The long-time pattern in the past, shows September and October as the high months and February and March as the low.

Feeder cattle generally sell highest in late spring and early summer and lowest in fall and winter. This has been the long-time pattern in the past.
Good and choice hogs usually sell highest in August and September, dropping to the low point of the year in November and December. In no other class of livestock is there a more pronounced seasonal trend than hogs.

Slaughter lambs generally reach the highest prices in the summer months and the low point in mid-winter. February has been the low month in the long-time average.

Are average seasonal price patterns followed closely each year?

The behavior of prices in any one year may not follow the average price pattern too closely. Even though individual years may show marked differences, over a period of time a pattern is evident that can serve as a rough guide and as a starting point in estimating price. If farmers know the normal seasonal variation for a commodity and supplement it with information on hand (such as outlook), they are in a position to buy and sell to a greater advantage.

Choosing the Best Market

After livestock is ready for market the problem remains of selecting the place to market. Usually there are alternate markets which could be used and the final decision is made after considering several factors.

The buyers of livestock usually represent large firms that, with their buyers and salesmen stationed at numerous points, carry on a good deal of market research. The individual farmer is obviously too small to provide out of his own pocket the market information possessed by the buyers. The federal government therefore has undertaken to provide not only the broad outlook information as mentioned above but the day-to-day market reports that will help them market the stock they produce.

To make the best possible use of market news the farmer must know and be able to recognize different grades of livestock. Before grades of livestock were standardized, market news was confusing and served little use. What was reported as "good" cattle by one market, may have differed considerably to the meaning of "good" on another market. The service provided now is designed to be uniform and understandable in all the marketing centers.

Many times there are other factors in selecting a market which assume more importance than price in the final decision. For example, perhaps the shrink incurred by shipping to the market offering the highest price would more than offset the price advantage. Shrinkage should be considered the most important part of transportation costs. In most cases shrinkage makes up about 70 percent of the total shipping costs.

The class or grade of livestock that you have to sell may be the deciding factor in choosing a market. Some markets, whether they be auctions, terminal markets or direct, are noted for being best for a particular class of livestock. For the beginning farmer and livestock man, perhaps it would be possible to consult an experienced stock man before selling.
Marketing charges and the service at different points vary. On sizeable lots of livestock, savings often can be made by comparing commission charges, yardage, feed charges, etc., at two or more markets.

In order to take advantage of the competition between different market places for your livestock, all factors should be taken into consideration. Price alone or habit or tradition should not necessarily be the sole determining factors.

**Livestock Loss prevention**

One of the most important ways by which farmers could increase their returns from marketing would be by reducing the loss in the marketing process. Figures from Livestock Conservation, Inc., show that in 1950 the national loss from deads, cripples and bruises incurred in the marketing process approximated $50,000,000. A total of 70 million lbs. of meat were lost to human consumption—enough meat to feed a city of 500,000 population for a year!

Farmers are not to blame for all the bruise-loss in this country, but they pay for most of it just the same. You, as an individual, don't lose a large sum, perhaps, but packers consider trimming waste as one of their price factors. Market price would be higher if bruise-loss were lower.

**Here are some good rules to follow in transporting livestock to market.**

1. Select a careful trucker with good equipment for loading and hauling livestock.
2. Avoid improper use of canes, sticks, clubs, wire, etc., to keep bruising at a minimum. Projecting nails, bolts or other sharp objects also may cause bruising.
3. Avoid over-crowding livestock. Over-crowding causes shrink, injury and possible death losses.
4. Partition all mixed loads of livestock to avoid trampling and gouging.
5. Insist upon careful handling of livestock at the market. You retain ownership until livestock is weighed after sale, and you have every right to expect good service.

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