



Outside-the-Box



Marketing

Video, risk management bring a new twist to selling calves at auction.

Story & photos by Joann Pipkin

Larry McDonald doesn't like to put all of his eggs in one basket, so when the opportunity arose for him to try a different way of marketing cattle through his local livestock market, he didn't hesitate to give it a try.

With commercial-Angus and Angus-cross cattle, McDonald's operation lies on both sides of the Missouri-Oklahoma border near Seneca, Mo. For years he had sold his feeder calves through Joplin Regional Stockyards (JRS) near Carthage, Mo., so when the livestock market branched out into video marketing about 10 years ago, McDonald recognized the opportunity.

Adding stocker cattle to his existing cow-

calf operation would help him diversify and spread out his risk.

"You can't be comfortable with the market at all," McDonald says. "Two weeks from now it's a different ballgame."

Playing to seasonality

McDonald buys heifers to commingle with calves he raises to market on the video sale at JRS.

"You have so much grass you can produce on your farm," McDonald explains. "You can

only stock your farm with so many head. [With stockers] you can add more numbers to your farm and feed them through the lush part of the season."

With much of his pastures in cool-season fescue, McDonald was running out of forage in July and August. "I can sell the cattle (on video for future delivery), so I don't have to feed them through a time when I don't have any grass," he says.

Polk, Mo., rancher Sam Hawk also saw opportunity in the video-marketing program. For him, it was a way to manage the shrink cattle often experience when they are shipped to market. It also offered him flexibility through a no-sale option.

The Angus cow-calf and stocker operator had experienced as much as 6.5% shrink in his cattle when hauling them to market prior to participating in the video program, which now helps him consistently sell with about a 2% pencil shrink.

"The big advantage is the flexibility of the market," Hawk points out. "When you haul cattle to a livestock market you are pretty committed. How many people do you know that haul cattle back home after the market dipped?"

Although he doesn't normally take a no-sale, Hawk says it is reassuring to know the option is there if the market isn't where he wants it on sale day.

"We do a good job of buying, raising, feeding," Hawk explains. "I feel like marketing is our weak link, so [JRS] is a big benefit to helping us sell our cattle."

Risk management

Helping producers like McDonald and Hawk seize opportunity is exactly what JRS co-owners Jackie Moore and Steve Owens had in mind when they developed the video-marketing program at their livestock market.

Video marketing and risk management provide good opportunities to help producers create cash flow, Moore explains, adding that the video program is a way their livestock market can offer another service for producers.

During its tenure, the video portion of JRS has come to market 75,000-125,000 head annually, depending on market conditions.

The risk management through the video-marketing program allows producers the ability to sell load lots of cattle and lock in a price that makes them comfortable in securing a profit. To

"Having the right size of cattle at the right time, and having what the buyer wants is key."

— Sam Hawk

► **Above:** The risk management through video marketing offered at Joplin Regional Stockyards offers producers the opportunity to "lock in" a price that helps them secure a comfortable profit in their cattle. Pictured are (from left) Steve Owens, co-owner, JRS; Larry McDonald, LMC Farms, Seneca, Mo.; Joslyn and Katy Stovall, Wyandotte, Okla.; and Jackie Moore, co-owner, JRS.

participate, a JRS field representative visits the producer's farm to video the cattle being offered for sale. Delivery weights must be between 48,000 and 50,000 pounds (lb.) of either steers or heifers. JRS completes the specifications on the cattle and how they will be marketed. This includes base weight, sex, number of cattle, delivery date and description of the cattle. Freight is paid by the buyer (FOB).

From there, information is prepared so the cattle can be viewed the day of the video sale. When the video auction takes place, the seller has the option to either sell or no-sale the offering. If the cattle sell, then a contract is prepared and a down payment is paid.

Moore hopes to help get more people, especially young producers, involved in the cattle industry through video marketing and risk management.

"Anything we can add to our business that will help with that is what we want to do," he says.

McDonald's daughter Katy Stovall is among those young producers marketing cattle on the video sale at JRS. She and husband Jordan bought a farm near Wyandotte, Okla., where they have a commercial cow herd and help her father with the stockers.

Stovall, who grew up showing registered Angus, says her background in the cattle business has helped her realize the impact quality cattle can have on the market.

"You need to be able to recognize the difference in the quality of cattle, and also how to feed those cattle to get them to delivery weight," she says.

While video marketing and risk management is a bit outside the box for a traditional livestock market, Moore says businesses have to be willing to change with the times. "In the environment we live in today, if you are going to be in the cattle business you have to be willing to step outside the box."

Risk management can be an important tool for today's cattlemen. Owens says with cattle prices at all-time highs, a 10% move in prices represents \$17 per hundredweight (cwt.) or \$136 per head on an 800-lb. steer. That very well could be all of the profit or more, he says, noting that when the opportunity comes to lock in margins, a producer needs to be able to act.

"I believe that the successful producer



► Larry McDonald and daughter Katy Stovall use the video marketing program at JRS to help diversify their existing cow-calf operations. The father-daughter duo builds buyer-seller relationships by attending the video sale, hoping to add validity to their offering.

understands appropriate profit margins and has a long-term outlook on financial success," Owens says. "There is already plenty of risk in a cattle operation. Being able to manage the market lessens that overall risk."

Moore says producers know the concept of video marketing is to make money, but they don't necessarily understand the delivery and slide components of the equation.

"We're educating them on it. They are gradually learning," he says. "If you've never been in the business and done risk management, marketing cattle ahead of time is really Greek to a lot of people."

Both McDonald and Stovall realize the market pendulum swings both ways. "Sometimes you

Markets and management

For some producers, there might be a bit of a learning curve when it comes to knowing the best time to buy and sell.

"You just need to study the curves. Look back five years," McDonald says. "When are the highs, the lows? You have to look at your operation."

Both McDonald and Stovall note the importance of working with a reputable lending institution when it comes to risk management. The fast turn-around in video marketing is often appealing to creditors.

"You have to know your bottom line," McDonald advises.

Owens says ranchers who are happy with the current market can sell based on that market, even though their cattle might not deliver for six months. This takes the market risk out of that transaction.

"This is also something financial institutions like and sometimes require," he says.

While the process of marketing on video is relatively simple, getting top dollar still means producers have to do their homework.

"Management from the time the cattle start out to the time you anticipate delivery is crucial," Hawk explains. "From your health program to nutrition to bunk management, everything plays in to

CONTINUED ON PAGE 44



► JRS co-owner Jackie Moore is hopeful the risk management through the video-marketing program offered at his livestock market will get young producers involved in the industry. He says the marketing option is a great opportunity to help producers generate cash flow.



Outside-the-Box Marketing CONTINUED FROM PAGE 43

helping you hit that target weight.”

McDonald adds, “The hardest part for someone coming into the business of video marketing is knowing what weight you will sell at — and how much the calves will gain. If I want to sell them at 800 pounds, how can I get those cattle to that point? How much will they gain?”

Timing is everything when it comes to the cattle market, explains Hawk. “Having the right size of cattle at the right time, and having what the buyer wants is key.”

To help keep track of how his cattle are performing, Hawk weighs them about 30 days prior to sale date. Then, a second weight is taken two weeks before the sale at the same time the cattle will actually be loaded on the truck.

“You have to be a forward-thinker,” Hawk says. “Know what your cattle will be at when they come out at delivery.”

When it's video sale day at JRS, buyers and sellers gather in the stands to watch TV screens mounted on the walls of the auction market. Jackie Moore takes his place behind



► Management from start to finish is critical for getting calves to their target delivery weight. To help keep track of how his cattle are performing, Sam Hawk weighs his cattle at 30 days and two weeks prior to the sale date.

the microphone on the sale block. One by one, he announces the makeup of each lot that will sell as its corresponding video plays on the screen.

While not every seller is in attendance for the video sale, McDonald is a firm believer in building buyer-seller relationships.

“If I’m sitting here, the buyers can see me and know those are my cattle. It helps validate the cattle if I’m here representing them,” he says.

Stovall adds, “It’s telling the buyers that you care about what you’re selling.”

All in all, McDonald says knowing what he’ll get for his cattle at the end of the day is what he really appreciates about the video sale and risk-management program at JRS. “The market fluctuates so much today. Something happens in Argentina or the Ukraine and, while it might not be affecting the market

right now, it might in the future.”

He notes that there are many worldly intrusions in agriculture today.

“That changes our market,” McDonald says. “We have a world market, not a U.S. market any more. That almost dictates our business more than what happens in the U.S.”



Editor’s Note: Joann Pipkin is a freelancer and cattlewoman from Republic, Mo.

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