Introduction

To the smart livestock producer, marketing means more than selling. Smart marketing is the entire planning process required to produce, promote and price a commodity.

The initial step in the marketing process is selecting the type of stock a livestock producer wants to produce. Other essential components of the process include: estimating production costs, calculating cash flow needs, knowing what type and quality of animal have been produced and which buyers will be interested in that type of animal. A final step in the plan is evaluating the pricing and delivery alternatives.

Once the final sale has been made, it’s useful to review the marketing process to determine what worked well and what needs improving.

This module outlines how the marketing process can be organized into seven logical steps. The livestock section of the marketing manual contains many relevant modules that focus on these individual marketing steps. More detailed discussions of these steps to marketing livestock can be found in other modules.

The Seven Steps of Marketing

1. Estimate costs

The first step involves accurately estimating costs of production and cash flow needs. This step is listed first because of its importance. While it can be done at any time, it is best to do this step as early as possible.

By estimating both production costs and cash flow requirements, a producer can decide what type of animal to produce and when it will have to be sold to meet payment schedules. These estimates, along with price forecasts, should be used to determine how the animal will be marketed. (see Breakeven Analysis for Feeder Cattle).
By knowing past production costs and future price forecasts, a producer can also determine when to retain female stock for expansion or to cull more heavily. Breakevens or production cost estimates are critical in setting a series of target prices that should be watched for in the changing market.

2. Gather information, including market outlook

Following market trends and projected livestock prices aids a livestock producer when deciding what to produce in order to bring the greatest returns. For example, deciding whether to sell weaned calves, yearlings or slaughter cattle depends upon the market outlook for each of these animals. (see Predicting Feeder Cattle Prices). In some cases a producer will watch the United States market for export opportunities, so a decision could be made to finish animals to a weight preferred by American buyers. (see Exporting Cattle to the United States).

3. Know your product

The quality and type of livestock for sale must be known before a producer can seriously evaluate the different pricing and delivery alternatives. By knowing what you have for sale, you can contact interested buyers. And if there are any premiums in the market for top quality products, then a producer can capitalize on them.

Knowing your product also involves presenting them favourably. Sorting animals into lots of similar size and weight will make them more attractive to buyers. Selling clean and healthy animals assists in reassuring buyers they are paying for a quality product. (see Marketing Alternatives for Feeder Cattle).

4. Set several target prices

A livestock producer can set target prices by knowing production costs and what the market is paying, or is expected to pay. The level and timing of these targets should be set based on outlook information, cost of production figures and cash flow needs rather than expected profit levels. The advantage of setting several target prices rather than just one price allows a producer room to respond to changing market trends. Staying in touch with the market is crucial when trying to hit a target price.

5. Evaluate pricing and delivery alternatives

Producers should evaluate all available alternatives for pricing and delivering their livestock. Each alternative has specific features that may make it more suitable than another.
When pricing livestock, there are several choices available for a given strategy. A forward contract offers a producer an opportunity to lock in a price for his livestock ahead of an expected sale date. Other alternatives are available for pricing livestock such as open bids at auction markets, producer or breed association sales, video auctions, electronic auctions, direct sales to packers, sales to livestock order buyers or using the futures market and a hedging strategy. As a pricing alternative is considered, producers should keep in mind their target prices.

For each of the market delivery alternatives listed above, there are a variety of pricing methods that can be used. Producer returns will also be influenced by these because pricing methods determine such things as whether an animal is sold live or rail graded and whether it is sold with a pencil shrink or not. All pricing agreements will have a direct influence on the final returns a producer receives.

When evaluating marketing alternatives, producers should keep in mind how their animals will be delivered to the buyer and if this delivery method will influence the settlement price. Transporting methods means both the operating costs of the truck and the costs of lost quality or weight of the animals. These factors should be kept in mind as producers decide how and where to have their livestock priced.

Pricing and delivery decisions are typically made together when selling. The pricing decision will sometimes dictate what the delivery method will be. However, both pricing and delivery methods can be negotiated when reaching a settlement price with a buyer. By knowing production costs, cash flow needs and current market conditions, a producer can readily determine if the price being negotiated is suitable for the producer’s needs and a reasonable price for current conditions.

6. Stick to your plan

A livestock marketing plan involves all the steps listed above. By executing these steps, producers will have a thorough understanding of how their business is functioning. They should also have the confidence to stick to their plan as they watch the market change daily. Changing plans on the spur of the moment is as bad as having no plan at all.
7. Evaluate your plan

All plans must be evaluated to determine what worked and what can be improved upon in the future. This also applies to the seven step marketing plan. By looking back on livestock sales and how the returns received matched the needs of a business, a producer will continue to learn more about what factors influence his operation. This learning process will provide opportunity for growth in the future.

Summary

The livestock section of the marketing manual expands on the topics that have been briefly mentioned in this module. You are encouraged to seek information from this guide or the many other sources including local Alberta Agriculture, Food and Rural Development staff and livestock marketing courses such as CattleSim and FutureSim.

Marketing is more than just selling. For your farm to be a successful business today, it must include marketing as part of the overall farm management operation.

Additional Information

1. Livestock Marketing Video Series available from Broadcast Media Branch
   Alberta Agriculture, Food and Rural Development
   7000 - 113 Street
   Edmonton, Alberta T6H 5T6
   Phone (780) 427-2121

2. District Video Libraries
   Alberta Agriculture, Food and Rural Development Offices

   Alberta Agriculture, Food and Rural Development

4. CONTACT LIST - available on the Internet:
   [http://www.agric.gov.ab.ca/economic/marketing_manual/contact_list.html](http://www.agric.gov.ab.ca/economic/marketing_manual/contact_list.html)