

Beef Cattle Marketing: *Are Your Investments Paying Off?*



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SelectVAC[®]



Lot 117 SAV, NHTC, Verified Natural, GAP 4, Organic

156 Weaned Steers

Base Wt. 640#

Location Merrill, OR, 16 mi S of Klamath Falls, OR

Breed 90% BLK, BWF, 10% CHARX, RED, RWF; Eng/EngX, few Char cows and Blk Ang bulls

Origin Ranch Raised SAV IMI Global, CCOF Deliver 01/05/18 - 01/08/18

Var Mod Uneven Frame Medium Flesh Medium Bangs N/A Implants No

Feed Chopped Grain & Alfalfa Hay

Shots Vision 8 (3X), Virashield 6 (3X), Inforce 3 (2X)

Weigh Early AM gather, weigh on ground, 3% shrink

Com Good set of home raised steers. Bunk broke and weaned 120 days

Slide .08 off @ 1# over base weight.

Lot 118

75 Weaned Steers

Base Wt. 635#

REAR LOAD TRKS ONLY

Location Cedarville, CA, 180 mi N of Reno, NV

Breed 95% BLK, BWF, RED; 95% Blk Ang Sired

Origin Ranch Raised SAV No Deliver 01/05/18 - 01/10/18

Var Uneven Frame Medium Flesh Medium Bangs N/A Implants No

Feed Shredded Alfalfa, Grain, Grass Hay

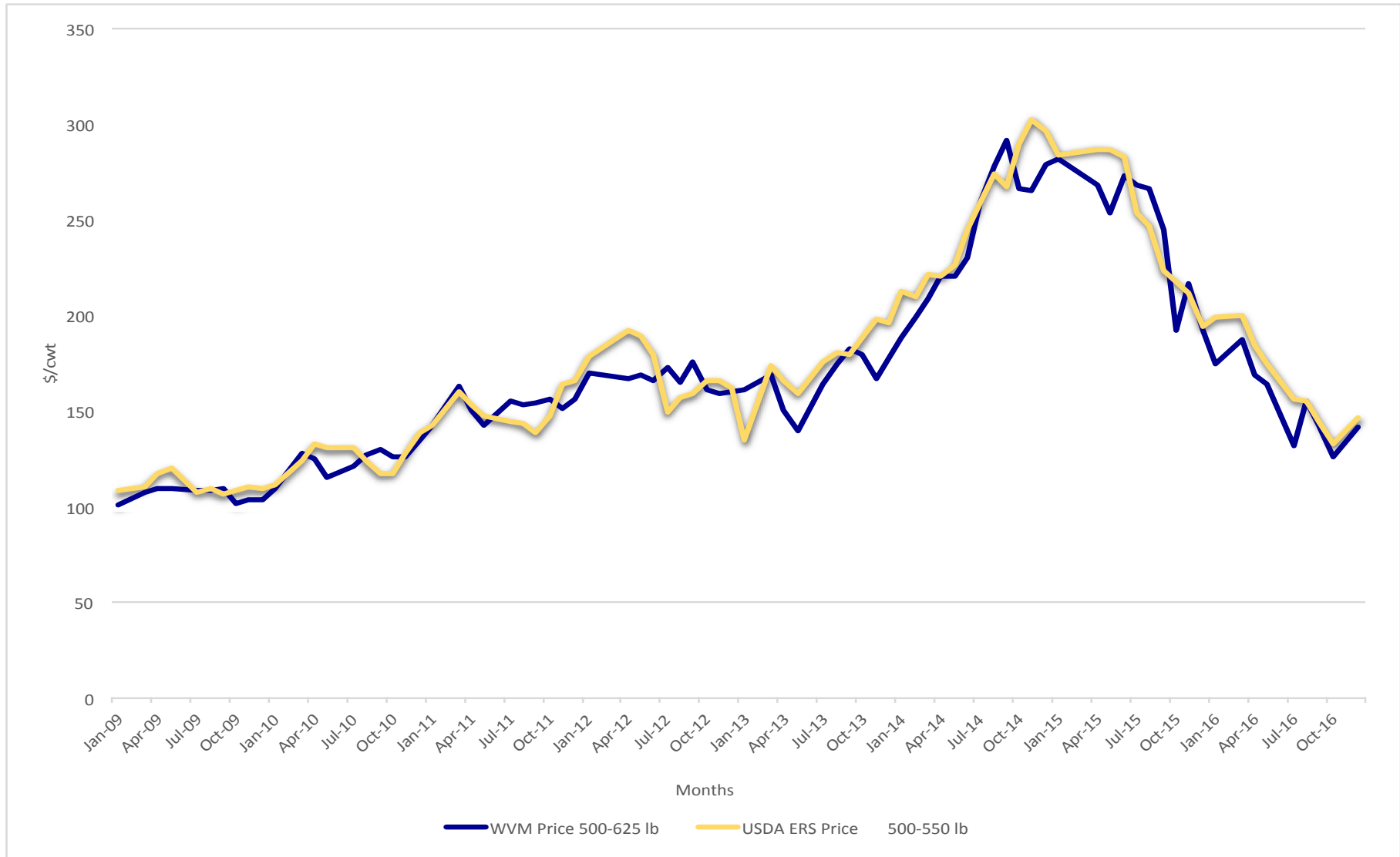
Shots 8-way (2X), Titanium 5 H & P (4X), Mineral Package

Weigh Early AM gather, weigh on ground, 3% shrink

Com Very nice set of Blk Ang steers ready for grass or feedlot. Bunk broke, weaned 45+ days

Slide .12 off @ 1# over base weight.

Calf Prices (2009 - 2016)



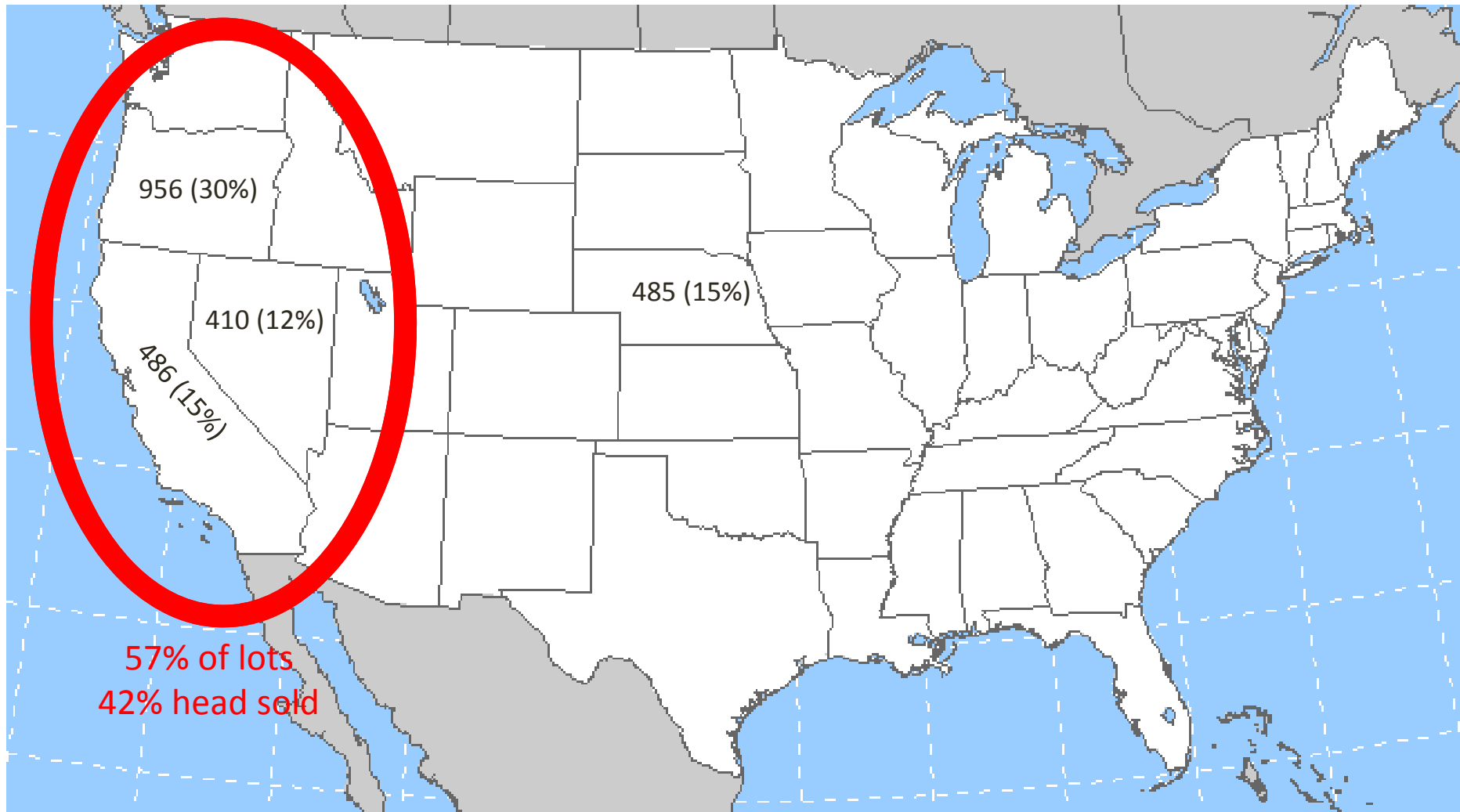


DATA AND ANALYSIS

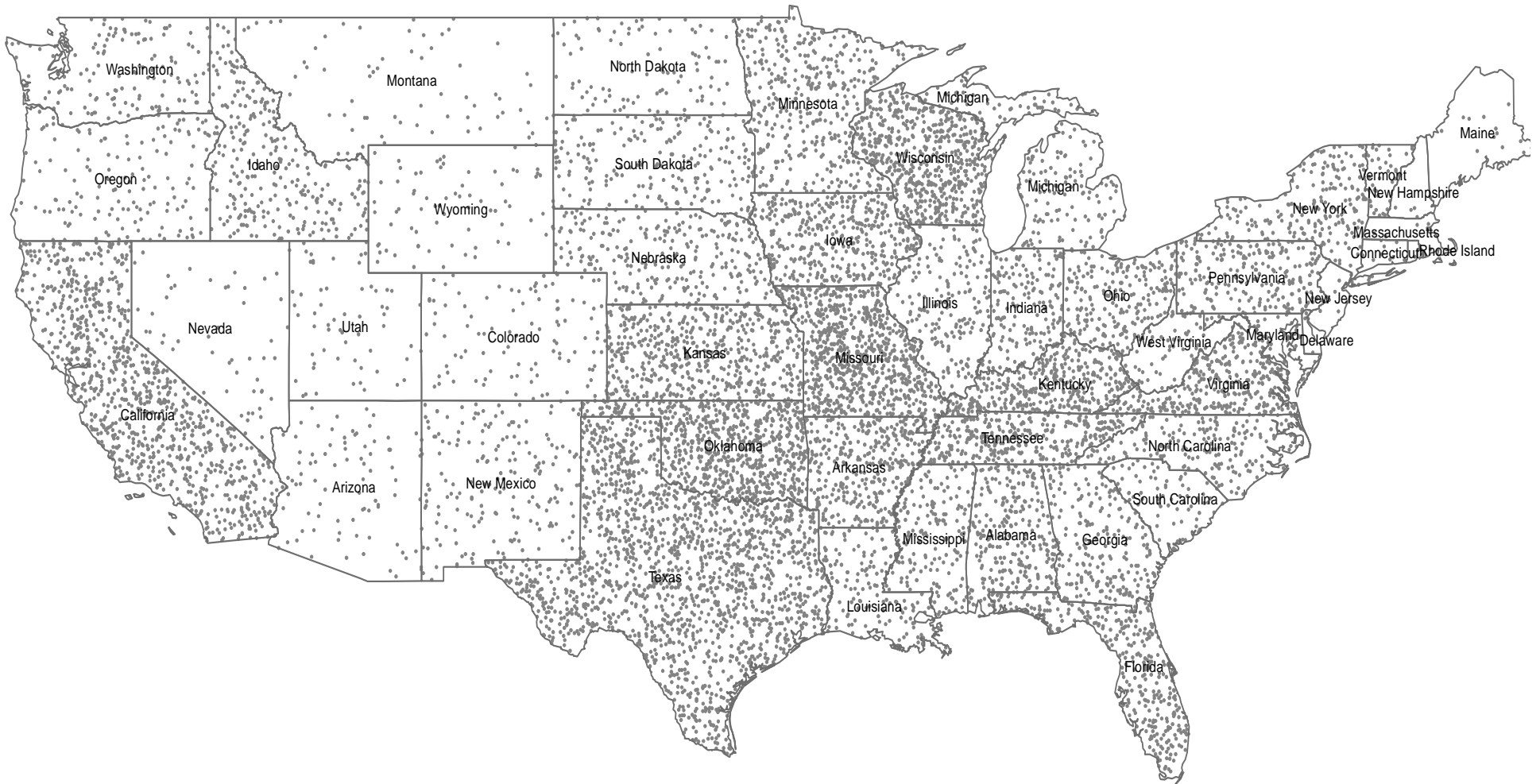
WVM Data

- Data from monthly auctions from 2009 – 2016
 - 3,151 lots (410,106 head) of calves
 - 3,257 lots (480,523 head) of yearlings
- Data for calves and yearlings were analyzed separately
 - Calves: 500 – 625 lbs.
 - Yearlings: 750 – 925 lbs.
- Cattle are priced based on anticipated weight at time of transfer with adjustments for departures (i.e., the “slide”)
- Lots were dropped from the data if:
 - Split loads
 - Holstein or of Mexican origin

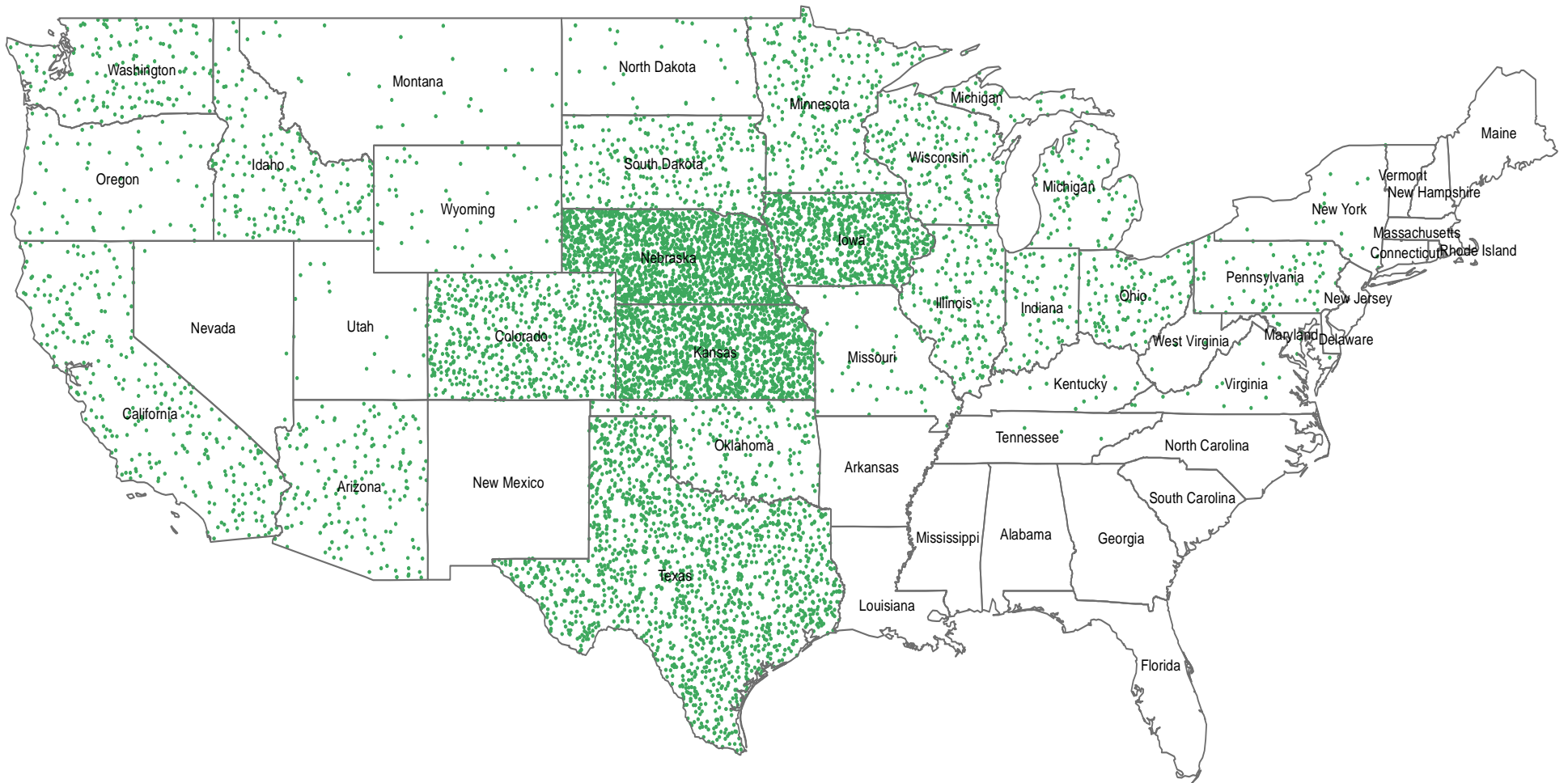
Spatial Composition of Data 2009-2016



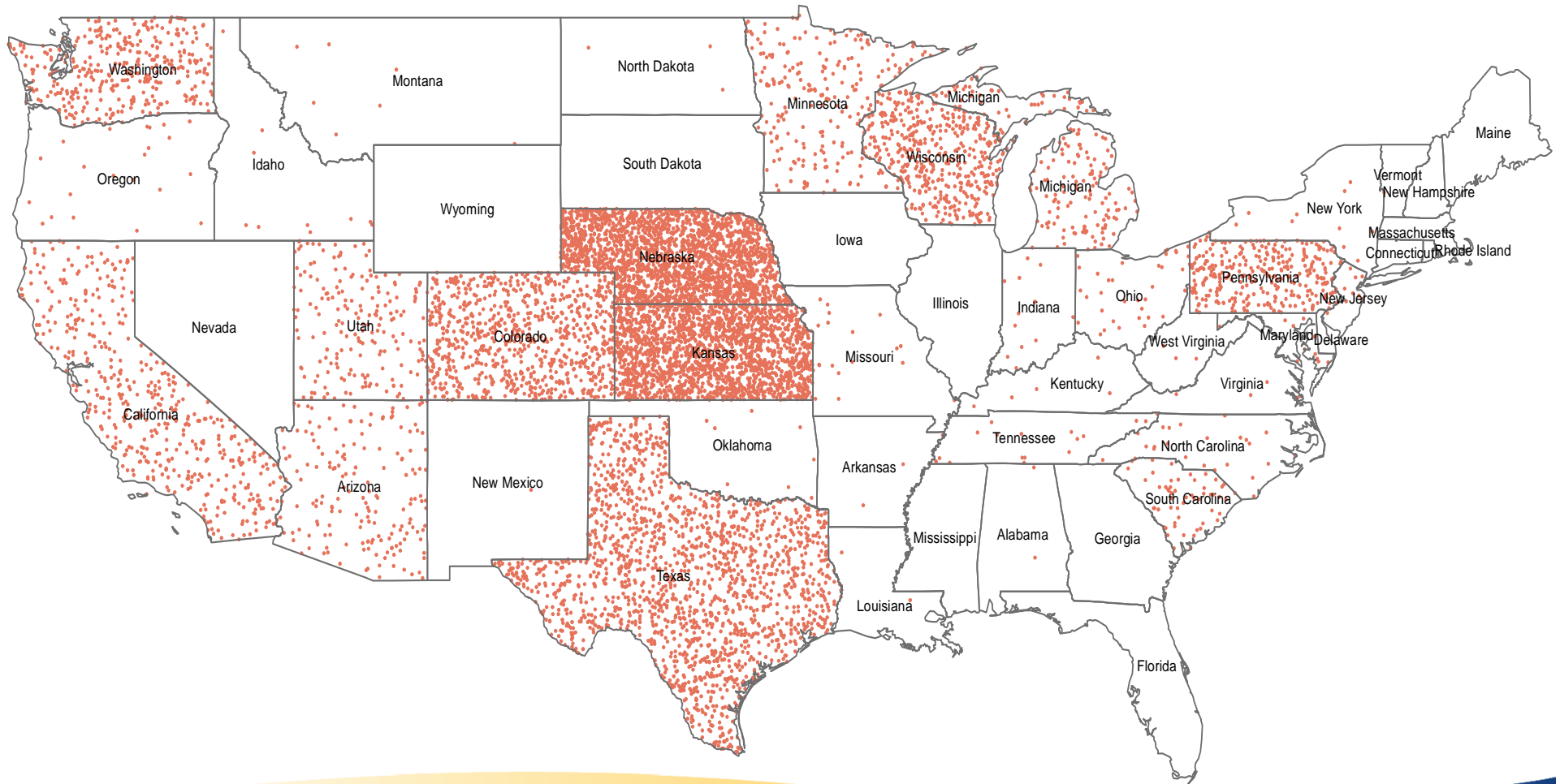
Calf Inventory



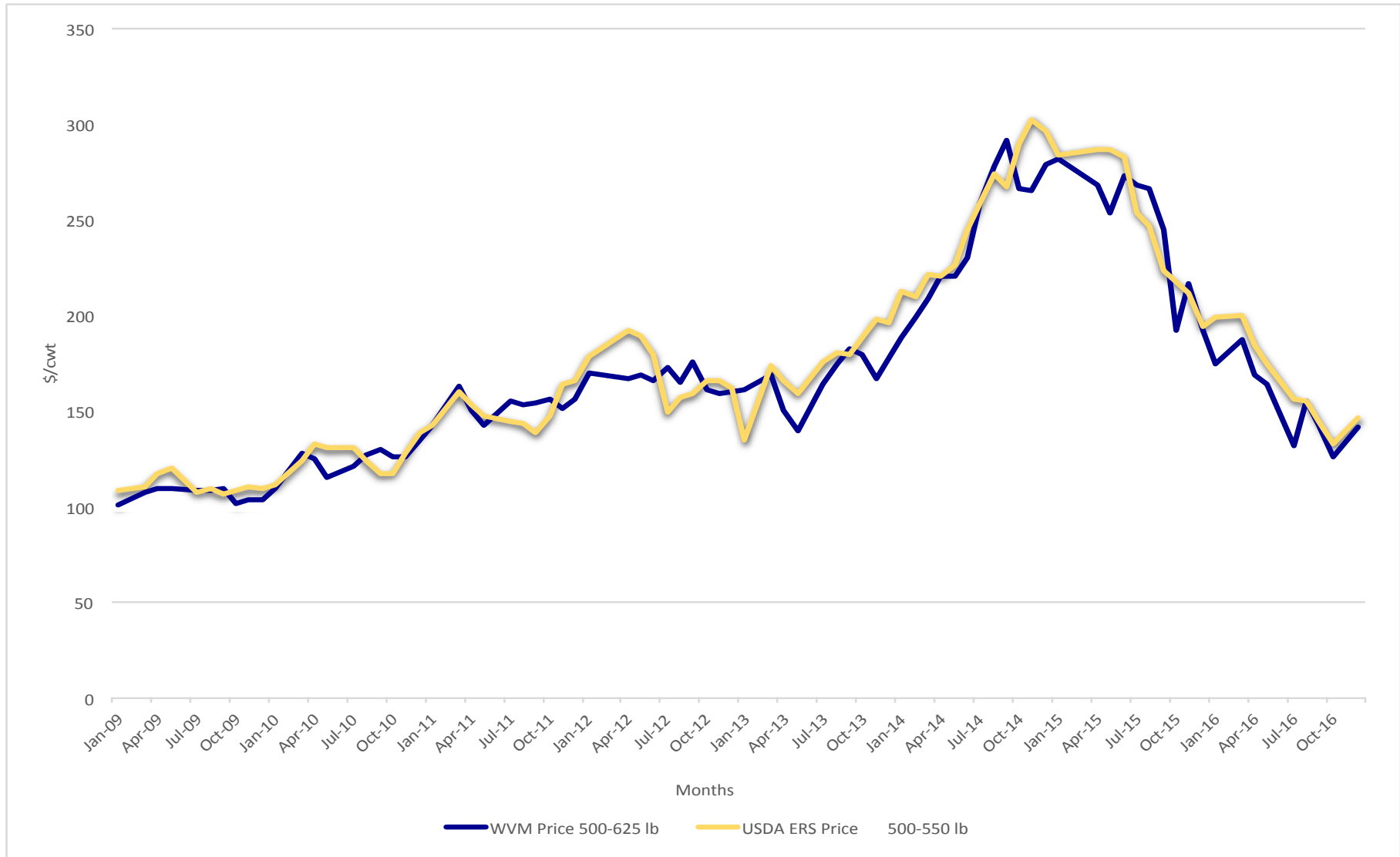
Cattle on Feed



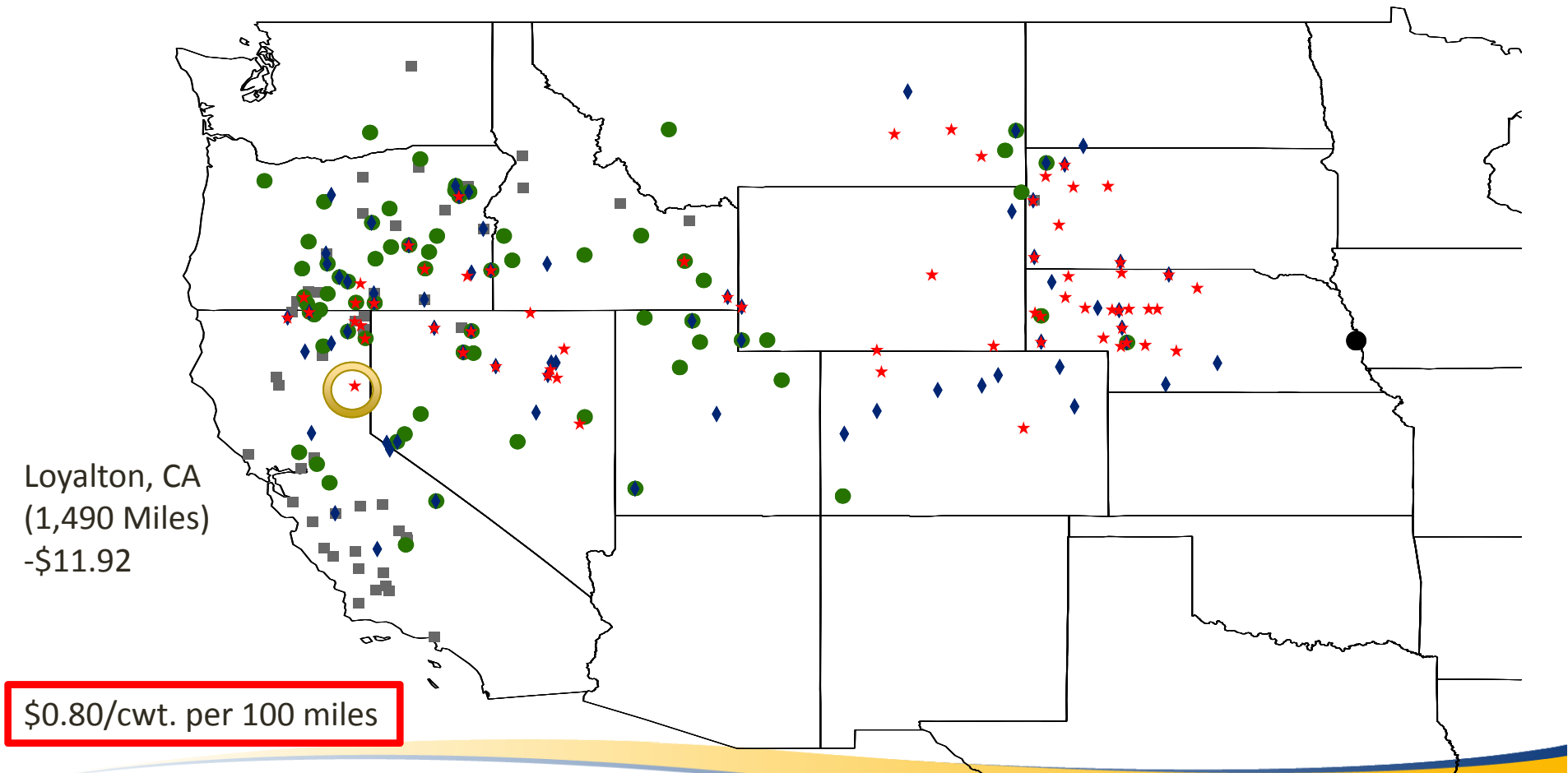
Commercial Slaughter (Annual, Head)



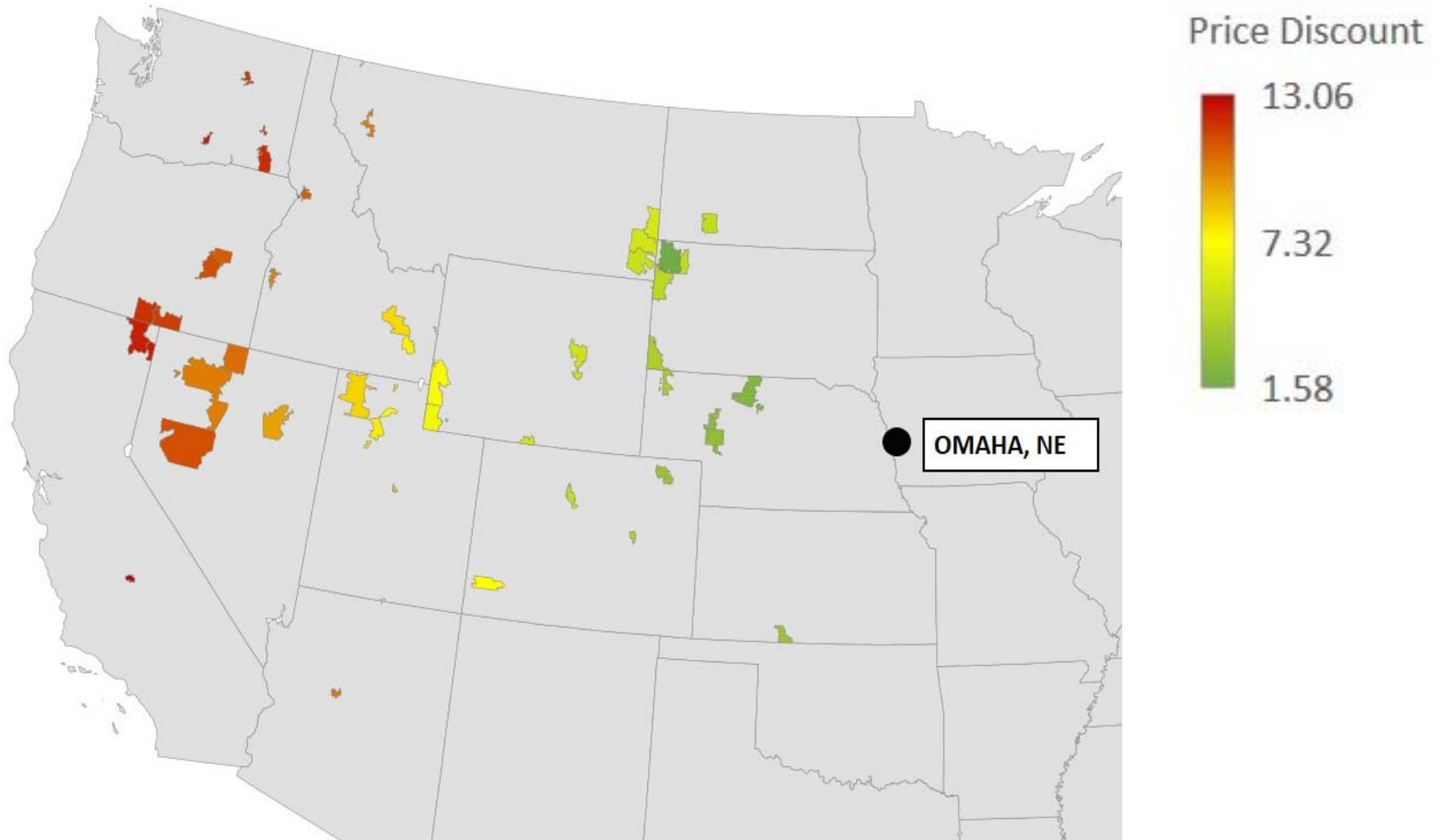
Calf Prices (2009 - 2016)



A Priori Evidence of Spatial Pricing Patterns? (Calves)



Spatial Price Discounts





VALUE-ADDED MANAGEMENT PROGRAMS

Programs

- Age and Source Verification – Needed for export markets
 - USDA Process Verified Program
 - USDA Quality System Assessment
- Natural – never been fed or injected with antibiotics, fed any ionophores, implanted with synthetic hormones, or given supplements containing animal by-products
 - WVM Natural – owner certified
 - Verified Natural – third-party certified; on-site audit, EID tag
- Non-Hormone Treated (NHTC) – animals are not given hormonal growth promotants at any time in their life
- Global Animal Partnership (GAP) – third-party certified, 5-step animal welfare program
 - Only two third-party certification firms in the U.S.

Vaccination Programs



WVM CalfVAC

- Clostridial – 7 or 8-way
- Respiratory – IBR-PI3-BVD-BRSV*
- Pasteurella
- Dewormer Optional

Must be administered 2-6 weeks prior to shipping.

WVM Weaned CalfVAC

- Clostridial – 7 or 8-way (2X)
- Respiratory – IBR-PI3-BVD-BRSV (2X)*
- Pasteurella (at least 1X)
- Dewormer

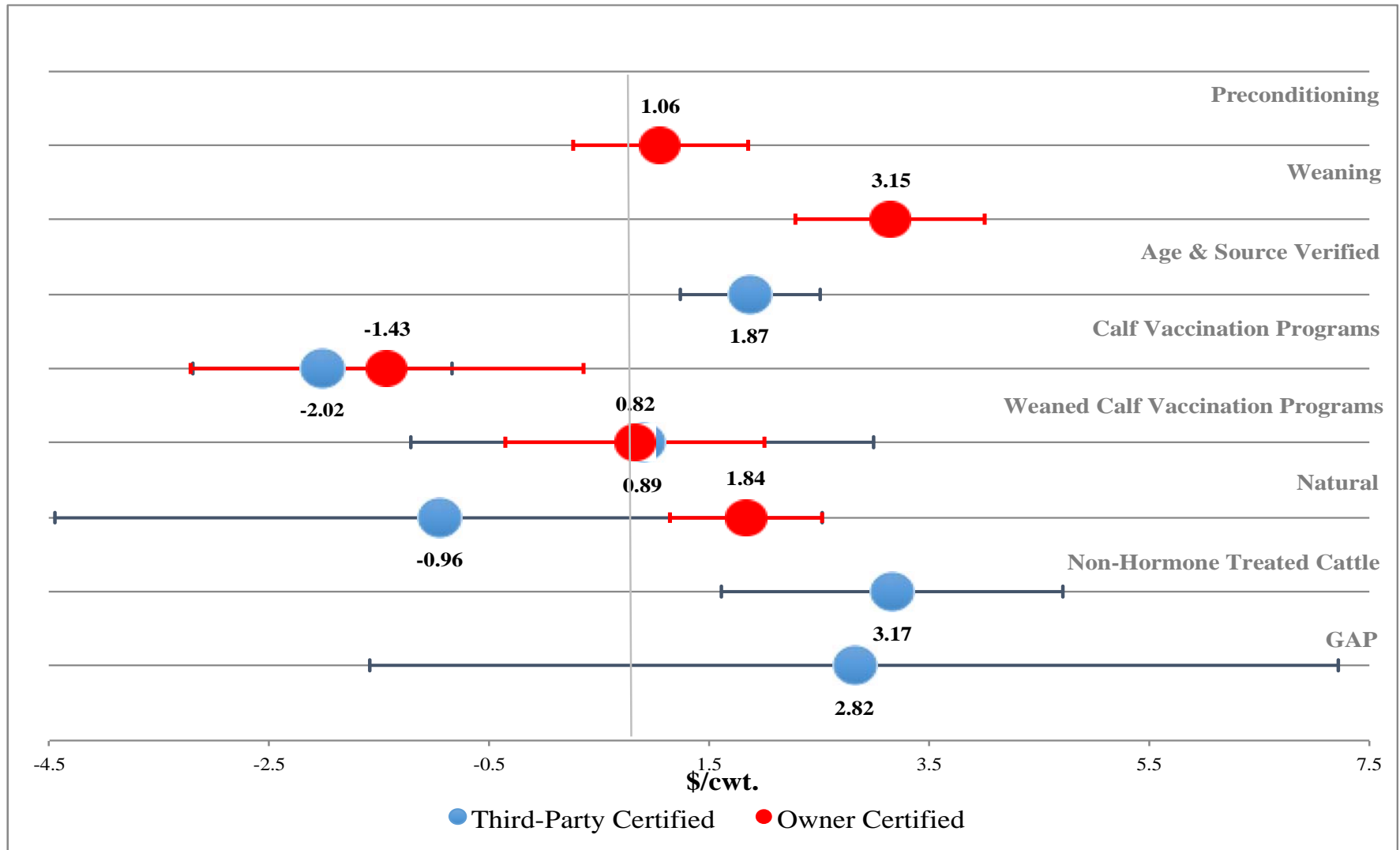
Must be weaned minimum 45 days.

Second vaccination must be at or near weaning.

SelectVAC

<p>✓</p> <p>7- or 8-way clostridial/blackleg vaccine*</p> <ul style="list-style-type: none"> • ULTRABAC® • ULTRACHOICE® • ONE SHOT ULTRA® 	<p>✓</p> <p>IBR-BVD-PI3-BRSV* viral vaccine</p> <ul style="list-style-type: none"> • BOVI-SHIELD GOLD ONE SHOT® • INFORCE™ 3 and ONE SHOT BVD® • BOVI-SHIELD GOLD® 5 • CATTLEMASTER® GOLD • RESVAC® 4/SOMUBAC 	<p>✓</p> <p><i>Mannheimia (Pasteurella) haemolytica</i> bacterin/leukotoxoid</p> <ul style="list-style-type: none"> • BOVI-SHIELD GOLD ONE SHOT® • ONE SHOT BVD® • ONE SHOT® • ONE SHOT ULTRA®
<p>✓</p> <p>Two administrations of clostridial/blackleg vaccine*</p> <ul style="list-style-type: none"> • ULTRABAC® • ULTRACHOICE® • ONE SHOT ULTRA® 	<p>✓</p> <p>Two administrations of viral vaccine</p> <ul style="list-style-type: none"> • BOVI-SHIELD GOLD ONE SHOT® • INFORCE™ 3 and ONE SHOT BVD® • BOVI-SHIELD GOLD® 5 • CATTLEMASTER® GOLD • RESVAC® 4/SOMUBAC 	<p>✓</p> <p><i>Mannheimia (Pasteurella) haemolytica</i> bacterin/leukotoxoid</p> <ul style="list-style-type: none"> • BOVI-SHIELD GOLD ONE SHOT® • ONE SHOT BVD® • ONE SHOT® • ONE SHOT ULTRA®

Value-Added Program Estimates (\$/cwt.)

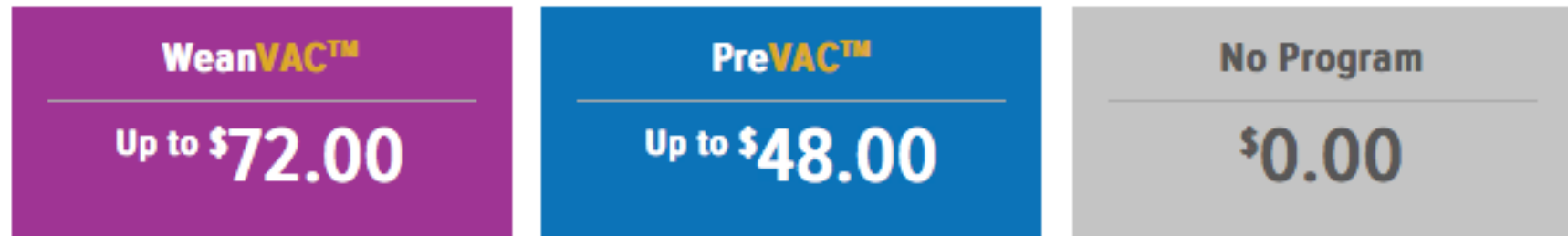


Vaccination Manufacturers Claim Large Premiums

BUYERS SEE THE VALUE OF SELECTVAC® ...AND ARE WILLING TO PAY FOR IT

What is the value of preconditioned calves to buyers?

PRICE DIFFERENTIAL BETWEEN SELECTVAC® CALVES VS. CALVES PRECONDITIONED BUT NOT ENROLLED IN SELECTVAC®¹



³Data on file, The effects of special management programs and preconditioning programs on the sale price of beef calves marketed through Western Video Market January 2014-December 2015. Final Report, Zoetis.

Do We See These Premiums in the Data?

	Avg. Price/cwt.	Lots	S.D.	Min	Max
No Preconditioning	\$240.81	170	39.78	164	319
Respiratory Vacs Only	\$257.79	465	30.13	177	330
WVM CalfVAC	\$253.06	26	22.81	171	299
Zoetis SelectVAC	\$254.83	70	31.49	167	321
WVM WeanVAC	\$250.05	87	34.38	173	321
Zoetis Weaned SelectVAC	\$253.51	67	31.65	177	311

Bottom Line: These advertised premiums don't take into account all factors.

$$(254.83 - 253.06) * 5.68 = \$10.05$$

$$(253.51 - 250.05) * 5.68 = \$19.65$$

$$(253.51 - 240.81) * 5.68 = \$72.14$$

Summary

- Spatial discounts closely approximate shipping costs; consistent with FOB pricing
- Several quality attributes and management programs afford sellers premiums
 - Weaning
 - Age & source verified
 - Natural (seller certified)
 - Non-hormone treated cattle
- Premiums claimed for third-party vaccination programs appear to be overstated