



# **National Diploma Plant/Animal Marketing Agri-Products**

## **Handout 16**

### **Marketing Mix for Beef Enterprise**

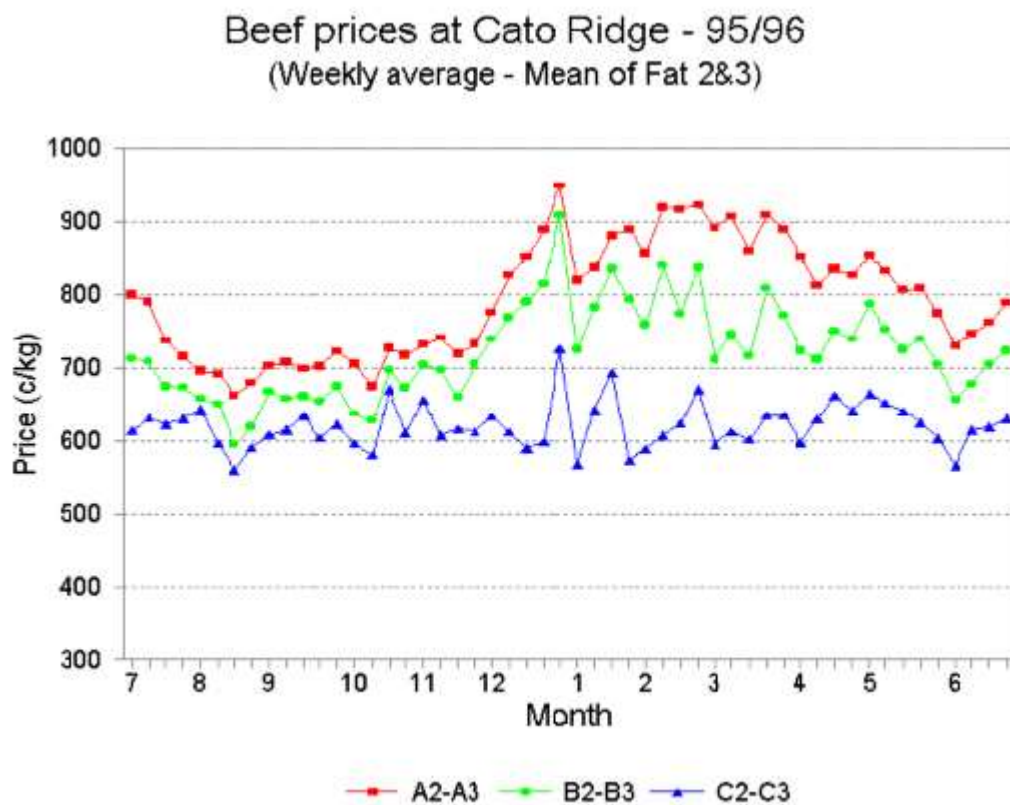
## Beef Price Changes

Carcass prices tend to fluctuate sharply, and a thorough study is necessary to determine the best time to sell. Factors that should be considered include the fact that at some abattoirs all carcasses slaughtered in a day must be sold the same day. At other abattoirs, carcasses are loaded into fridges over some days, after which they are all put on auction.

It is noteworthy that abattoirs are considered quarantine areas and any animal entering the area may not leave it again *i.e.* it must be slaughtered.

### *Daily, weekly and monthly carcass price fluctuations*

Beef prices at controlled abattoirs fluctuate over the day, different days of the week, different months of the year. Daily and weekly fluctuations tend to be unpredictable and can move sharply from a low to a relatively high price. Average weekly prices at Cato Ridge abattoir for the period July 1995 to June 1996 are reflected in Figure 4.2.



**Figure 4.2** Weekly beef prices at Cato Ridge abattoir for the period July 1995 to June 1996.

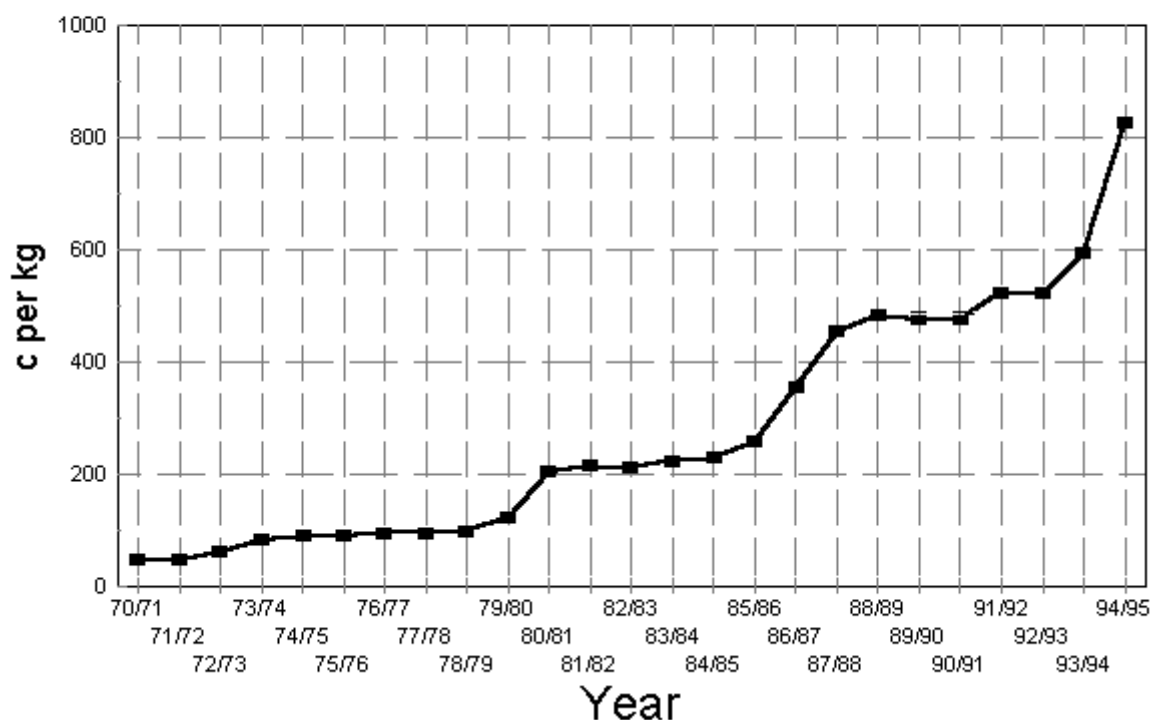
Daily and weekly price fluctuations are difficult to predict and are affected by supply and demand, as well as factors such as short weeks when a holiday within a week plays a role or by strikes which arrest slaughtering.

On average, over the year, prices tend to rise from September/October to December, where after they gradually decline to June and remain relatively constant up to September. Although this is the pattern, many factors can affect the pattern.

#### Seven-year beef price cycle

In the past, beef carcass prices tended to remain relatively stagnant for a period of 5 years, after which there were sharp increases over a two-year period when prices doubled. Thus, from 1980/81 to 1985/86, the average price of carcasses at City Deep abattoir (Figure 4.3), remained relatively constant, where after prices doubled up to 1987/88. Prices again remained relatively stagnant for five years before the price increases of 1992/93, although a doubling of prices did not materialise at that time. Up to 2001, prices fluctuated between R8.00 and R10.00 per kg. Although it can be expected that a tendency for prices to rise sharply followed by periods characterised by small increases will continue, it is likely that these cycles will follow the American trend, where the cycles occur, but the time period is very variable. In any event, in South Africa, it seems that imports are placing a ceiling on the price of local beef.

### BEEF PRICES - CITY DEEP weighted average price



**Figure 4.3.** Average price of beef carcasses at City Deep Abattoir over all grades from 1970/71 to 1994/95.

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It is noteworthy that during the 5-year periods of relatively stagnant prices, weaker price relative to carcass prices were high at the beginning of this period, where after the weaker prices declined to relative levels much lower than the carcass prices.

**Table 4.1** Example of costs associated with marketing a steer.

<b>COSTS</b>	
Steer - 250 kg at R4.50/kg	R 1125.00
Feed for 150 kg gain at 6,5:1 and cost of R490/ton	R477.75
Veterinary costs	R15.00
Management, labour and transport	R20.00
Mortality (1% of mean value)	R11.25
Interest at 17,25% for 100 days (on value of steer only)	R53.17
<b>MARKETING</b>	
STEER - 400 kg - 54% - R4.86/kg	R1944.00
Offal and hide	R215.00
Agents commission, transport, slaughter fee etc.	R242.56
Profit/Loss	R214.27

### Marketing cull cows

#### *Categories of cull cows*

1. Cull heifers.
2. Empty cows that have lost their calves.
3. Empty cows that did not reconceive.
4. Old cows.
5. Cows that must be culled because of injury.

#### *Major options*

1. Sell soon after weaning (May)
2. Hold and fatten for sale later
3. Overwinter cheaply and fatten on veld next summer

The calculations for selling cull cows are the same as for sending a steer to the abattoir.

Profitability of on-farm feedlotting is affected by:

1. Buying price (or initial value).
2. Selling price.
3. Feed cost - which is dependent on the cost of the feed and the feed conversion ratio.
4. Marketing cost.
5. Mortality.
6. Veterinary costs.
7. Management, which includes:
  - Feedlot management.
  - Ability to predict selling price.
  - Evaluation of suitability of animal for feedlotting.

Ability to obtain cheap food either by effective buying or by using home grown feeds.