

VALUE ADDED PROGRAMS REVISITED

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- ▶ Lots of research showing value-added practices increase sale prices on average (Williams et al. 2012; Williams et al. 2014; Mallory et al. 2016)
- ▶ But not every lot of value-added calves will earn premiums at auction
- ▶ Even if value-added practices improve prices received, not guaranteed to improve profitability!

DO VALUE ADDED PRACTICES IMPROVE
COW-CALF PRODUCER RETURNS?

- ▶ To get a better understanding of how prices and returns are influenced by value-added practices, we recently revisited some research from about 10 years ago
- ▶ Williams et al. (2014) looked the impact of individual and bundles of value-added practices on the probabilities of higher prices and positive returns

DISTRIBUTIONS AROUND AVERAGE PREMIUM AND AVERAGE RETURNS



- ▶ Individually: Weaned, Vaccinated, Dehorned/polled
- ▶ Bundles: Weaned+Vaccinated, Weaned+Vaccinate+Dehorned, Weaned+Vaccinated+Dehorned+Third-party verified
- ▶ Weaned, Weaned+Vaccinated, Weaned+Vaccinate+Dehorned assumed 21-days weaned with 2 lb/day gain
- ▶ Weaned+Vaccinated+Dehorned+Third-party assumed 45-days weaned with 2 lb/day gain

PRACTICES

	Wean	Vac	Dehorn	Wean+ Vac	Wean+ Vac+ Dehorn	3 rd Party Verified
Baseline	\$569	\$603	\$603	\$569	\$569	\$529
Value added	\$630	\$639	\$631	\$629	\$649	\$660
Add exp	\$24	\$8	\$5	\$33	\$38	\$71
Net	\$606	\$631	\$626	\$596	\$612	\$598
Difference	\$37	\$28	\$23	\$27	\$43	\$68

AVERAGE REVENUE & RETURNS PER HEAD

Practices	Average Price Effect	Probability of positive returns
Weaned	\$5.23	62%
Vaccinated	\$6.79	60%
Dehorned	\$5.26	57%
Weaned+vaccinated	\$4.86	60%
Weaned+vaccinated+dehorned	\$8.78	68%
Certified	\$12.46	79%

PROBABILITIES OF INCREASED RETURNS

- ▶ All practices and bundles averaged positive returns and earned price premiums
- ▶ All had reasonable probabilities of positive returns and price premiums, ranging from 57% to 79%
- ▶ Substantially higher probability (79%) of positive returns from a 3rd party certification program
- ▶ But breed and phenotype still matter!
- ▶ https://okstatecasnr.az1.qualtrics.com/jfe/form/SV_5p5tXKy7N8RGYaW

TAKE AWAYS