Western Beef Resource Committee *Third Edition*

Cattle Producer's Handbook

Marketing Section 828

Should I Join an Alliance?

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Alliances are not new to the cattle industry. They date back to the late 1800s. Participation in alliances has varied over time but, recent changes in the industry have increased interest in alliances. They are more prevalent, and more producers are joining alliances.

Numerous changes are driving the demand for alliances. These include consolidation in the retail and processing sectors, demand for reliable large supplies, and an increased desire for improved quality and consistency of product. Producers are also interested in increased financial returns.

What Is an Alliance?

Alliances by definition are an organized collection of producers in the farm-to-plate beef production chain. The organization of an alliance and its participants can be tightly integrated, including many levels in the production chain, or it may be loosely affiliated individuals focusing on a single aspect of production.

Those people belonging to alliances make tradeoffs to be in the alliance and benefit from what it has to offer. For example, an alliance linking cow-calf producers to a feedlot and processing facility provides a consistent market for calves for the cattle producer and a reliable supply for the feedlot and processor. The cow-calf producer gives up the opportunity to go into alternate markets that may cyclically offer a higher price. Similarly, the feedlot and processor cannot seek other sources of calves. Generally, alliances mean giving up flexibility in exchange for increased stability or reliability.

Access to Expertise

Alliances usually affect many aspects of an operation and are not easily evaluated. One often overlooked and perhaps the most valuable aspect of alliances is the opportunity for access to additional expertise and sharing of knowledge. Most cow-calf operations are sole proprietorships, with decisions made by a single individual. Alliances expand the base of knowledge to include "partners" who can provide knowledge and perhaps strengthen the long-term decision-making. The "partners" in production are usually much more familiar with specific segments of the industry than the cow-calf producer providing valuable guidance in areas such as processing and retailing.

To evaluate or consider specific alliances, producers need to consider areas of their operations that need improvement and alliances that may solve those weaknesses. Frequently, producers are concerned about fewer buyers, reduced outlets for sales, and with market volatility when marketing on a single day. To address those issues, some alliances will link producers to feedlots and processing so every calf crop is sold to the alliance. The alliance specifies how calves will be priced, so producers can decide if they wish to join the alliance. Once joined, calves will be priced as determined by the alliance rules.

In some cases cow-calf producers find alliances that guarantee premiums for specific production practices. For example, specific vaccinations and weaning before sale and shipment may increase sale price. Producers need to fully understand the specific details of an alliance before joining one, just like the details of a contract should be known before agreeing to the contract.

Most calf marketing alliances will use a specified, widely available market price for the liveweight pricing of calves, often with adjustment factors. Some alliances require retained ownership. Hybrid alliances combine calf sales with premiums for carcasses meeting specified criteria. Numerous additional factors may be included in the alliance terms. Some of these are listed: