

Managing Margins as Important as Managing Price

By Larry Stalcup Contributing Editor



Kizziar recently joined Chicago-based CIH Beef Margin Management Service as a manager of business development. But he's officing in Canyon, Texas, not Chi-Town.

Former manager of Caprock Feeders near Dalhart, Texas, and Hansford County Feedyard near Gruver, Texas, Kizziar now works with the CIH Beef Margin Management team to introduce cattlemen to its margin-management approach to marketing.

"I am really impressed with the professionalism of CIH, the people, the tools, the idea of margin management, the whole concept," Kizziar says.

"Knowing the industry, the shape we're in, I feel strongly that this is the approach we need. Feedyard owners and managers may have experience trading futures and options. But they don't have the time, really, to manage positions. They often need some outside expertise."

Kizziar has seen big shifts in fed-cattle ownership over the past decade. "Customer relationships have changed," he says. "Ten years ago we might be 30 percent company cattle and 70 percent custom feeding. Now, it's more like 50-50, and it's not unusual for a feedyard to own 70 percent of the cattle."

All that requires more hours in the day for all facets of running a feedyard. And feedyards that weren't "hedge" yards in the past are realizing that solid risk management is essential. It's a theme stressed regularly by university livestock marketing economists and others.

"With the cash outlays today for commodities and all feed ingredients, it's really important to manage that risk," Kizziar says. "It's hard to buy cattle on the spot market and hedge a profit. But if you're able to look ahead at feeder cattle and corn buying opportunities, there is better potential to improve your margin."

"CIH and its concept of margin management helps cattle feeders and producers not only manage risk of cattle on feed, but we're also looking several months down the road at identifying

opportunities to buy feeders and corn and sell fat cattle – moves that can capture a reasonable margin. There is no silver bullet, but we're in the trenches with customers week in and week out to gather the best possible information."

CIH was established in 1999. Along with Chicago, it has offices in West Des Moines and Sioux City, Iowa. Many Nebraska and Iowa feedyards use its services. Kizziar and the CIH team will help extend those margin management services to feeders and producers in the Southern Plains.

"When you see someone of Bo's stature within the industry not only respond positively to the service, but positively enough to join our team, it makes a statement," says Patrick Gregory, CIH vice president of Finance and Operations. "The margin management approach is clearly resonating throughout the beef industry."

Kizziar has served two terms on the board of directors of Texas Cattle Feeders Association and is former TCFA chairman. He remains heavily involved with the beef industry and currently serves on the NCBA Executive Committee.

For more on CIH Beef Margin Management, go to www.cihedging.com. Contact Kizziar at bkizziar@cihedging.com.

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