

This Isn't Your Grandfather's Sale Barn

Internet auctions put cattlemen in the driver's seat.

by Boyd Kidwell

For years, Brett Crosby tried to find a better way of marketing calves from Crosby Ranch's 900 commercial Angus cows. Crosby had a couple of choices: He could truck the calves 90 miles from his ranch at Cowley, Wyo., to a sale barn in Billings, Mont., or he could sell them to order buyers in his area.

About three years ago, Crosby began marketing cattle through a third option – internet auctions. And, he reports, he's extremely happy with the online option. While his calves remain grazing on the ranch, buyers across the country bid on them through the Superior Stampede internet auction. The Wyoming rancher is convinced that he receives fair prices for his calves based on the many cattle sales he watches roll across the online auction.

"The key to internet sales is price discovery. I place my cattle on the sale site

and put my asking price up there. People all over the country can bid on them. Before listing them on the site, I can also see what comparable calves are bringing," Crosby says.

The merger in 2003 between Superior Livestock Auction Inc. and Stampede Cattle Co. of Visalia, Calif., created the country's largest internet livestock marketing company (www.stampedecattle.com) with field representatives in most western and Midwestern states. Since the merger, internet sales have increased from 80,000 head annually to 150,000 head per year, Chris Nelson of Superior Stampede reports.

"The internet opens up options that make producers more involved in marketing their cattle," Nelson says. "We expect internet marketing to continue growing. It's a tool that makes marketing cattle more flexible and takes less time than traditional cattle markets."

Traditional sale barns are also turning to internet auctions. Bluegrass Stockyards (www.bgstockyards.com) has been selling cattle in Lexington, Ky., for more than 50 years. By embracing internet marketing, the central Kentucky sale barn has turned a local stockyard into a hub for the cattle trade east of the Mississippi River.

In its first year of internet marketing (2002), Bluegrass Stockyards sold 14,000 head in online auctions. During the 2006 marketing year, Bluegrass sold 52,016 head from producers in 11 states through internet sales. During the same year, Bluegrass Stockyards sold 273,000 head in its salering.

Bobby Shugert of Shugert Farms in southeastern Ohio has sold cattle on Bluegrass Stockyard's internet sales for five years. Shugert manages 1,700 brood cows, including 400 registered Angus cows, in southeastern Ohio. He sells 300 bulls annually, but he markets steers and heifers in uniform truckloads through online auctions.

In preparation for the sales, Shugert weans and preconditions his calves. He's confident that internet sales capture top market prices.

"I like knowing the price before we ship cattle off the farm. Internet sales also expose our cattle to the maximum number of bidders," Shugert says.

Online selling process

To begin the internet sales process, Jim and Glenna Gibson traveled from Bluegrass Stockyards in Lexington to Shugert Farms and videotaped Shugert's cows and calves in their pastures. This video session took place a few months before the sale date. Prior to the online sale, Bluegrass Stockyards notified its extensive list of cattle buyers and advertised the internet auction. DVAuction of Lincoln, Neb., (www.dvauction.com) broadcast the sale on the internet.

The bids were received at Bluegrass Stockyards in Lexington, and Shugert was connected by phone from his Ohio headquarters. Once a bid was accepted, Shugert and the buyer agreed on a pickup place and time. On delivery day, a Bluegrass field representative attended the weigh-up and issued a check from the stockyards based on the final weight and sale conditions.

"Our internet sales depend on accurate representation of the cattle and the integrity of the field representatives. Many buyers are repeat customers, and they know what to expect from our field representatives," says Glenna Gibson, who coordinates internet marketing for Bluegrass Stockyards.

Mark and Marty Dykes of Columbia, Ky., have marketed cattle through Bluegrass

Market model

Internet sales of commercial cattle work like this.

- ▶ An auction company hires marketing representatives to photograph, video and work with sellers to describe cattle for sale.
- ▶ Sellers provide comments about the cattle and set sale conditions (shrink, slide, dates for pickup, etc.)
- ▶ Sale company arranges an internet auction and sends information to qualified buyers.
- ▶ On sale day, descriptions and videos (or digital photos) of animals are available on the auction web site.
- ▶ Bids are accepted, and the buyer sends a truck at the designated time.
- ▶ On delivery day, a marketing company representative attends the weigh-up.
- ▶ Based on the weight and sale conditions (shrink, slide etc.), a check is issued to the producer from the sales company, which collects payment from the buyer.

Stockyard internet sales for three years. The Dykes brothers manage 700 cows in central Kentucky and say they like being able to lock in prices months before their cattle are ready for market. In 2006, the Dykes brothers sold their calf crop in a June internet sale and actually loaded the cattle for delivery in October.

"Prices can go both ways. We have locked in sales and prices have gone up. But prices are usually better when we sell cattle in early summer than in October when the run of cattle is on in our area," Mark says.

While the cost of hauling cattle to a sale at Bluegrass Stockyards in Lexington would be prohibitive, the Dykes's calves remain on the farm until buyers send trucks to pick them up. Maintaining the calves in familiar surroundings causes less stress for the animals and prevents diseases through reduced contact with other cattle in sale barn facilities.

On transportation day, a representative from Bluegrass Stockyards oversees sorting of the animals into uniform loads. After the cattle are weighed, the brothers receive a check from Bluegrass Stockyards, which collects payment from the buyer. Bidders from hundreds of miles away have purchased the Dykes' cattle the past two years.

"We've developed repeat business from a couple of buyers in Minnesota who've fed our cattle and seem to like them," Mark says.

LMA expanded

Recognizing the efficiency and growing popularity of internet sales, the Livestock Marketing Association (LMA) recently launched an internet auction site. In just more than a year, www.lmaauctions.com has established 31 broadcasting auctions with thousands of registered viewers and bidders. Livestock markets are beginning to use more internet sales because they can greatly increase the volume of animals with little additional cost for expanded facilities.

"The LMA online auction service is responding to requests by our member markets to get involved with internet sales," Kristen Hendricks of LMA says.

Tennessee Livestock Producers has marketed 10,000 head of cattle through the LMA internet auction this year, according to Sales Manager Darrell Ailshie.

"We see internet marketing as an opportunity for us to expose

Advantages of internet sales:

- ▶ The internet exposes cattle to a large audience of buyers.
- ▶ The seller sets sale conditions and delivery date.
- ▶ Cattle remain on seller's property during the sale.
- ▶ If bids aren't accepted, the seller can no-sale cattle (a processing fee may be incurred.)
- ▶ Transportation costs are reduced.
- ▶ Producers may lock in prices by selling cattle for future delivery.
- ▶ Stress and shrink on animals are reduced.

Drawbacks to selling on the internet:

- ▶ It works best for selling truckload lots.
- ▶ Success depends on integrity of the internet sales company.

producers' cattle to the greatest number of buyers. It's working, and we're receiving bids over the internet," Ailshie says.

While he's happy with the results from online sales, Ailshie sees a continuing role for live auctions. "Internet marketing is a good tool, but we don't want to get too impersonal," he says.

Since internet cattle auctions are relatively new, there's little data on price advantages for producers or benefits in animal health. However, producers list the following advantages.

- ▶ Online sales attract additional buyers.
- ▶ Sale prices are set before animals leave the ranch.
- ▶ Transportation costs are lower.
- ▶ Stress and shrink are reduced.

The big disadvantage is that online buyers usually purchase truckload lots of cattle. This requirement limits most internet marketing opportunities to producers with large herds that can provide truckloads of uniform cattle.

Cheap entertainment

If you enjoy cattle sales, internet auctions provide great entertainment as well as a good way to keep up with markets. Most online auctions allow spectators to register and view ongoing livestock sales at no charge.

In addition to cattle, specialty online auctions include goats, sheep and horses.

"I love to watch cattle and horse auctions on the internet," says Larry Patterson of Bradford, Tenn. "The other day I saw a miniature donkey sale. I had no idea miniature donkeys were going for \$3,000 to \$4,000 per head."

These sites welcome spectators to register and view livestock auctions:

www.stampedecattle.com
www.dvauction.com
www.lmaauctions.com

There are other options for marketing cattle that are still viable. Much of the early success for online auctions can be attributed to the positive experience producers have had with video sales, University of Tennessee economist Emmitt Rawls says.

"Internet sales can be important tools for producers selling load lots, but video sales, graded sales and weekly auctions will remain important as ways for producers to market cattle," Rawls says.

Seedstock salering

Internet marketing is also playing a role in purebred cattle sales. In March 2005, Larry Patterson of BoPat Farms in Bradford, Tenn., hosted the first purebred internet sale east of the Mississippi River. DVAuction set up cameras in the salering with a live feed provided by the telephone company. Internet sales accounted for 14 of the 100 lots sold that day, Patterson reports.

"I was pleasantly surprised by the success of internet sales," Patterson says. "I had originally thought we might get a little more exposure over the internet, but we received bids from several buyers who couldn't be at the sale in person. We'll include the internet setup in our sale next March."

In November 2005, Tom Judy of Summitcrest Performance Angus included the internet as part of the ranch's annual production sale in Fremont, Iowa.

"We attracted a few buyers that might not have attended the sale in person, and we sold some cattle over the internet. The internet setup more than paid for itself, and we'll use it again in this year's sale," Judy says.

However, the Angus breeder wants buyers to keep showing up in person. "The internet won't take over the marketing of purebred cattle, but it can play a role," Judy says.

