

Top Producers Talk Bull Marketing

A look at the nation's beef business and how it affects regional Angus bull marketing efforts.

BY LISA HAWKINS MOSER

It's time for many Angus breeders to gear up for the bull selling season. While all beef producers are thinking of ways to increase their profit margins, each individual has to address issues which impact their respective bull market.

For beef producers in the Northwest the federal grazing fee debate is top of the mind, while Midwestern producers are factoring in the effects of corn prices into the market potential. Each region of America holds its own environmental challenges as well as its own client-base. Following are personal insights into regional differences and similarities of Angus bull marketing.

NORTHWEST



Rob Thomas
Thomas Angus Ranch
Baker, Oregon

Producing top quality bulls is the focus at Thomas Angus Ranch. Over the last 25 years, the Thomas Family has worked to develop one of the top supplies of Angus range bulls in the Northwest.

Today the Thomas Family maintains 700 registered Angus cows, all of which are bred by artificial insemination (AI). They sell 300 bulls each year primarily to commercial cow-calf producers in a five state area. The Thomas Family merchandises their bulls two ways — through a fall production sale and by private treaty.

"The top half of our bulls are sold through our production sale in October," says Rob Thomas. "Something unique about our program is that we sell our bulls right off the cow at nine- to ten-months of age."

Thomas attributes the success of this merchandising method to his customers' desire to raise the calves on their respective ranches. Buying the bulls at this age allows them to become acclimated to their new environment during the winter. Selling the bulls as calves also enables the customers to see the calves' dams at the time of the sale.

The remainder of the calves are placed in the ranch feedlot and maintained on a high-roughage diet throughout the winter. By winter's end most of the bull calf crop is sold.

"We sell every bull at or near a year of age," says Thomas.

This type of demand has been consistent at Thomas Ranch for the last 10 years. Still, they have observed changes in the overall demand for Angus cattle in the Northwest.

"We are seeing lower quality cattle being sold right now because the demand for Angus cattle is so high," says Thomas.

In the Northwest, Thomas believes, the purebred demand is driven by the packers' request for black-hided cattle. This causes greater demand for black-hided fed and feeder cattle. Therefore, commercial cattlemen of the Northwest are turning to Angus bulls. Thomas says changes in the cattle market affect prices producers are willing to pay for bulls.

"The No. 1 factor in determining bull prices is the feeder cattle market. If the commercial cattleman is not making a profit with his feeder calves, then he will not be able to spend as much for bulls as he would otherwise," says Thomas.

When this situation arises, Thomas Angus Ranch has to modify its marketing plan. "When the market goes down we realize we have to make adjustments. We cannot keep asking the same amount for

our bulls if feeder calf prices have fallen from \$1 to 73 cents," says Thomas.

The other factor affecting Northwest beef producers is legislation regarding public lands use. In this region public land is regulated by the Bureau of Land Management and U.S. Forest Service. The majority of Thomas' customers maintain cow herds ranging between 300 to 1,500 head, and quite a few of them utilize federal lands for grazing.

"Without federal land, our customers will have to cut back on the number of cows in their herd, thus reducing the need for bulls," says Thomas. "So far we haven't seen the federal land issue affect our bull market, but it's a concern."

In looking toward the future, Thomas believes the Angus outlook is good as long as breeders are meeting the needs of the commercial segment.

"The future is up to us as Angus breeders to breed the type of cattle that will fit into the commercial, feedlot and packing industries. If we can stay focused, I think our future is bright," says Thomas.

SOUTHWEST



Richmond Hales
Hales Angus Farms
Canyon, Texas

Richmond Hales and his son, Rick, own and operate

eight farms in the panhandle of Texas as part of Hales Angus Farms.

Hales established the farm in 1962, with the primary focus of selling Angus bulls to commercial cow-calf producers. Currently, he and his son maintain 150 registered Angus cows, with plans to expand the herd to 300 brood cows in five years. The cow herd expansion is dependent on the Hales' ability to obtain additional grassland to maintain the herd.

Hales Angus Farms market approximately 60 bulls each year primarily through private treaty sales. A few bulls are sold annually through bull test sales.

Hales believes bull test sales give his program considerable visibility and enhance his private treaty client-base. "At bull test stations a wide group of people can view our bulls as well as study the performance figures," he says.

He also attributes his bull marketing success to more than 30 years in the Angus business. Because of their emphasis on performance and carcass traits Hales Angus Farms customers keep coming back year after year.

"A bull has to have carcass information or we won't use him," says Hales. For this reason, Hales uses artificial insemination to breed 85 to 90 percent of his herd. He tries to mate his cows to bulls with a positive marbling expected progeny difference (EPD).

In terms of performance, Hales sets some general guidelines to match what his customers want. "I won't use a bull with a birth weight EPD of +5 or greater. I prefer a bull with a birth weight EPD of +3 or +4 for my cows, and +1 for my first-calf heifers," he says.

Although his females may be producing the type of calves he likes, Hales still has some obstacles to overcome in the Southwest. Drought is one

problem for beef producers in the Southwest.

"If your customers don't have moisture, they won't spend money on bulls that they would otherwise," says Hales. Often drought will cause producers to sell a portion of their cow herd.

The other challenge for Hales Angus Farms customers are shifts in the cattle market. "I believe the drop in cow prices in 1993 led to a decrease in prices paid for our bulls at the slaes," says Hales.

When these situations arise Hales tries to adjust his bull merchandising. "We continue to merchandise to people through the tough years because we know they will be back to buy bulls from us next year," says Hales.

NORTH CENTRAL



Pat Goggins
Vermilion Ranch
Billings, Montana

Vermilion Ranch is home to 1,200 registered Angus cows and 2,500 commercial Angus cows. Owner Pat Goggins sells 1,000 open and 500 bred commercial heifers yearly. In addition, he merchandises on average 500 bulls per year.

Goggins has been in the business for 30 years and since the beginning he has sold his cattle through public auction. Bulls are semen tested before they are sold. Performance information and EPDs are maintained on all his reg-

istered cattle.

During his time in the cattle business Goggins has seen a lot of shifts in the cattle market. He says in Montana, as well as the rest of the country, the demand for Angus cattle has been on the rise.

"In 1985 market share for Angus cattle was a little more than 28 percent nationwide. In 1994 Angus market share was at 43 percent. Angus cattle have enjoyed a 15 percent increase in nine years. I think that is a good indicator of the changing demand," says Goggins.

This cattleman attributes the increasing demand to the carcass and maternal traits Angus cattle offer. He also credits the Certified Angus Beef (CAB) Program.

"CAB Program has a lot to do with demand for feeder cattle with a black hide. If the packers are looking for black-hided cattle, then commercial cattlemen will be buying Angus bulls to generate black-hided calves," says Goggins.

Goggins lists four factors he believes affect customers' bull-purchasing strategy:

1. Psychology of the cattle market;
2. How well they sold their own cattle;
3. How well your cattle worked for your customers;
4. How your customers liked their herd's progeny from the bull you sold them.

For 1995 Goggins believes the demand for top quality Angus cattle will be good. However, he projects the demand for medium- to low-quality cattle will decline because of the changing cattle market, and a surplus of yearling Angus bulls.

"There will be more Angus yearling bulls than the market is going to absorb since the amount of bred heifers is on the decline," he says.

Based on years past, Goggins believes there is a strong correlation between purebred prices paid and the commercial market. "When the commercial market is soft, typically there is a one year lag before the purebred industry feels the brunt of it. And as the commercial market improves, there is a one year lag before the purebred industry gets better," he says.

Aside from swings in the market, Goggins says there are no regional factors that affect bull marketing in Montana. However, he admits a combination of negative factors could impact bull sales.

"If the cattle market goes down, and the calves and fed cattle get cheap, and grazing fees rise, and John Deere tractors are more expensive, then yes, you will feel it right in the pocketbook when selling bulls," he says.

The Angus breed has a bright outlook in Goggins' crystal ball. "In the next 20 years I believe the Angus cow will do for the beef industry, what the Holstein cow did for the dairy industry in that she is going to take over the range," says Goggins.

MIDWEST



Henry Bergfeld
Summitcrest Farms
Summitville, Ohio

In the Midwest Summitcrest Farms has been a source of Angus seedstock for

years. And since 1966 Henry Bergfeld has guided Summitcrest Farms through necessary changes to meet the fluctuating demands of the commercial and registered industries. Most recently, Summitcrest Farms established ranches in Fremont, Iowa, and Broken Bow, Neb.

"When I started with Summitcrest we were only breeding 125 cows. This year we will calve 425 cows at the farm in Ohio, and 415 and 425 cows at the ranches in Iowa, and Nebraska, respectively," says Bergfeld. All the cows in the Summitcrest operation are registered Angus.

This increase in the cow herd has broadened Summitcrest's bull market. In fact, the desire to meet the demands of the commercial bull market led Summitcrest to set up ranches in Iowa and Nebraska. "We were just not close enough to the commercial cattle industry in Ohio," says Bergfeld.

Soon after the ranches were established, Summitcrest merchandised more than 300 bulls each year. Bergfeld plans on selling 375 bulls in 1995. The majority of these bulls will be sold to commercial cow-calf producers, with approximately 5 percent sold to registered producers.

Summitcrest markets bulls primarily one of two ways. "Our main marketing method is our auction in Broken Bow, Neb., where we will offer 225 bulls for sale in 1995. At the other two places we have gone to marketing on a pre-price system," says Bergfeld.

With the pre-price system all the cattle have an assigned value. Summitcrest holds "open-houses" in Iowa and Ohio, for producers to buy the pre-priced cattle. On the day of the open-house, if two producers want the same bull the bidding is opened between the two of them. Bergfeld says the open-house system works well. Summitcrest has held three open-houses in Ohio

and four in Iowa.

The bulls sold in Ohio and Iowa are developed on their respective ranches. The bulls sold through the sale in Nebraska represent a select group of cattle from Ohio, Iowa and Nebraska.

Part of the success of the Summitcrest sales is attributed to the strong demand for Angus cattle. Bergfeld believes the feedlot demands for black-hided cattle are driving the increased demand for Angus bulls in the commercial market.

"The Angus bull market has grown over the last several years because of the demand for black-hided cattle. And the CAB Program is ultimately the driving force behind the demand; he says.

In 1995 Bergfeld predicts the demand for the high-quality bulls will be as good as ever. However he predicts the middle- to lower-quality bull sales will be off 20 percent from 1994.

As in other parts of the country, Bergfeld believes the overall economy affects the amount of money his customers are willing to pay for a bull. "If my customers are making money, they will pay more money for their bulls," he says.

Regionally speaking, corn and hog prices have an impact on the bull market. "Producers in the Midwest are affected more by corn prices than any other factor," says Bergfeld.

He also notices differences in the type of beef producers in his region. "Commercial cattlemen of the West are more conscious of soundness than the ones of the East. Also, the fellows in the West are more concerned with EPDs than the Eastern guys," says Bergfeld. "Most of our Eastern customers are not large operators, and the cattle business is not as much of their livelihood as our customers in the West."

With the variation in his customers' needs, Bergfeld

works as best he can to meet their demands. "You don't overcome your regional challenges, you only work with them," he says.

SOUTHEAST



Harvey Lemmon
Lemmon Cattle
Enterprises
Woodbury, Georgia

Over the last 24 years Harvey Lemmon has built a reputation as an Angus seedstock source in the Southeast. In 1971 Lemmon started his operation in Woodbury, Ga., which today maintains approximately 200 registered Angus cows. In addition to his own herd, Lemmon consults for two other Georgia operations. Among the three herds, Lemmon merchandises 150 bulls per year.

More than 90 percent of Lemmon's customers are commercial cow-calf producers in the Southeast. Each fall Lemmon sells 75 bulls through a sale in central Florida. A few bulls are merchandised through Georgia bull tests with the remainder of the bulls sold by private treaty.

Due to the climate conditions in the Southeast, producers are able to calve year-round, and as a result, everybody is not looking for a bull at the same time. Also, Lemmon's Florida customers prefer to buy three-year-old bulls because of the Florida climate. The heat and humidity coupled with the low-quality for-

age, add more challenges to the bulls during breeding season. Lemmon says older bulls are able to handle the climate conditions better.

In order to meet his Florida customers' demands for older bulls, Lemmon breeds part of his cows to calve from January through March. These calves will be marketed in Florida when they are 19- to 20-months old. The rest of the cows calve in October and November.

"The fall yearling bulls will generally be sold to customers north of the Florida line," says Lemmon. Another regional priority with the majority of Lemmon's customers is a desire for cattle maintaining a larger frame than the national trend. "Our bull buyers like more frame than the national average," says Lemmon.

In addition to added frame, Lemmon says, a majority of Southeastern beef producers do not emphasize low birth weight EPDs unless the bulls are being mated to heifers.

"Our commercial customers will buy a bull calf with a higher birth weight EPD (than in other regions) because most of the crossbred cows in the Southeast have Brahman breeding in their background," says Lemmon.

Like the rest of the nation, feeder calf prices affect bull prices in the Southeast. However, with the cattle feeding and packing industries located in the Midwest and West, weak feeder calf prices are especially tough for producers in the Southeast.

"It takes about a nickel a pound to haul these calves west. So if the cattle buyers can get all the calves they need locally, it's tougher for our customers to sell their calves," says Lemmon.

In addition, the long haul west is hard on the calves' health. "The Southeast has had a bad reputation for cattle with poor genetics and health. But we in the Southeast are working to improve the health

and genetics of our calves," says Lemmon.

In terms of Angus demand, Lemmon says it has been on a steady rise over the last few years. "We have gone from the 'year of the ear' when Angus didn't count, to having the most demanded breed in the Southeast today," says Lemmon. He expects the strong demand for Angus cattle to continue in 1995.

As indicated by the previous comments of Angus breeders across the country, Angus demand has been on the rise for the last five to seven years. Richard Spader, American Angus Association executive vice president, cites several reasons for this demand.

"To begin with, many commercial cowmen are trying to put more consistency in their herds. The quickest way to do that is through the use of Angus bulls," says Spader. He also believes the Angus data-

NATIONWIDEOUTLOOK



Richard Spader
American Angus
Association
St. Joseph, Missouri

base is appealing to commercial cattlemen because of its reliability. And thirdly, Spader credits the Certified Angus Beef Program for helping to create awareness of the value of black-hided cattle.

"The Certified Angus Beef

Program has focused attention not only on Angus cattle, but the importance of having a quality product," says Spader.

The top factor affecting Angus bull prices in Spader's mind is changes in the feeder calf market. "Bull prices are affected more by feeder calf prices than anything else because the majority of commercial cowmen sell their calves at weaning time," says Spader.

Looking ahead, Spader predicts the trends of the purebred industry will be six months to a year behind the changes in the feeder calf market.

"We are looking at a certain percentage decline today in the price of feeder calves versus a year ago. Within the year we will probably see some adjustment in the value of registered bulls. This value will fall in line with the adjustment made in the price for commercial Angus and/or finished cattle," says Spader.

Although the beef industry

may be facing a down market, the outlook is good for Angus breeders. "In the cattle cycles I've observed over the last 25 years, this is the first time we are the breed of choice. In being the breed of choice, we will feel less effect of the down cycle, than a lot of other breeds," says Spader.

Regardless of the market, Spader believes Angus cattle have a lot to offer, including fertility of females and consistency of the end-product. He also feels programs such as AHIR (Angus Herd Improvement Records), National Sire Evaluation and CAB Program have a significant effect on bull buying decisions.

"When you combine these factors with the number of good operators across the country who offer their customers quality 'home-town' shopping, it's easy to see why we have the demand for Angus cattle that we do today."

