

TOP PRODUCERS Talk Bull Marketing

One Year Later

A look at how some of the top producers in 1995 are preparing for the tightening of the bull market in 1996.

BY LISA HAWKINS MOSER

As the beef industry enters the 1996 bull marketing season, many Angus producers are planning their national and regional selling strategies. For some, the plan of action is to continue on what has been done in the past, while others are experimenting with innovative marketing techniques.

To learn about marketing trends, I spoke again with the five top producers featured in the March 1995 issue of the *Angus Journal*. These producers shared with me the challenges of marketing cattle in their respective regions.

In 1996 the areas of top concern across the regions are declining feeder calf prices and increasing grain costs. They agreed times ahead will be tough, but believe their fellow Angus breeders will fare the best of all purebred producers in the pricing war. Following are their reviews of the 1995 marketing season and their personal insights into the Angus bull business in 1996.

Members of the Thomas Family have seen many trends over their 48 years in the cattle business. This ranch maintains 700 registered Angus females, all of which are bred by artificial insemination (AI). They sell 300 range bulls each year, primarily to commercial cattle producers in a five-state region. The top half of the nine- to 10-month-old bull calves is sold right off the cow through the ranch's production sale in October, with the remainder being sold through private treaty.

In reflecting back on fall of 1995, Rob Thomas says, "Angus bull sales in the Northwest were as strong as ever." He adds, however, that "Our customers today are a lot more price conscious than they

NORTHWEST



Rob Thomas
Thomas Angus Ranch
Baker, Oregon

were a year ago."

Thomas attributes the increased price consciousness to the decline in feeder calf prices. "The feeder calf price situation has the greatest impact on our commercial customers' 1996 budgets," says Thomas.

In order to compensate, the Thomas Family has adjusted their input costs and their asking prices for their bulls. "We've lowered our prices considerably. We are at least 30 to 40 percent down in our asking prices from last year," says Thomas.

A tight cattle market and intense competition have led the Thomas Family to make those adjustments. "People are comparative shoppers. If they can buy a comparable bull at a lower price somewhere else, they will probably do that. Therefore, we are trying to provide a quality bull at a reasonable price," says Thomas.

To help keep the ranch profitable, Thomas continually works at minimizing input costs. The feed bill is one place he and his family have trimmed costs. "We've cut our rations to a fraction of what we fed before," says Thomas. "Fortunately, we did not rely on grain much in the past."

One area the Thomases will not cut expenses in is the cost of developing genetics. "Selecting herd sires, using artificial insemination, and raising quality females all factor into our genetic cost and that is an area we will not skim on," says Thomas.

Part of the genetic commitment includes guaranteeing the bulls that are sold. "We promote satisfaction guaranteed all the way through the first breeding season on every bull that is sold," says Thomas. He believes these guarantees keep his customers coming back both now and in the future.

"Our customers are still willing to spend an increased dollar for an above average bull, but they are being more selective and are buying from herds that have better guarantees on their bulls," says Thomas.

In looking toward the marketing season of 1996, Thomas believes the prices paid for Angus bulls will be down from past years, but will average higher than any other breed because of a strong demand. The cattle feeders' demand for black-hided calves, Thomas says, is driving the demand. "We are seeing the biggest spread we've ever seen between black-hided calves and other colored calves at the sale barn."

Still, Thomas says tough times call for creative marketing strategies. As a way to entice volume bull buyers, the Thomas Family offered half price wintering of the bulls for the purchasers of five or more bulls at their fall sale. Those who bought 10 or more bulls were able to keep the bulls at the Thomas Ranch through the winter at no charge.

"Because we sell calves, we felt it was a service we needed to provide to our customers," says Thomas. "Other breeders in our area give cash discounts for repeat customers and volume bull buyers."

The second new marketing strategy the Thomas Family implemented was an open house held Jan. 4. The open house was held on the day the yearling weights were taken on the bulls.

"We invited our fall buyers and the private treaty customers to come out and watch the bulls being weighed," says Thomas.

On that day, 35 bulls were sold and Thomas expects that number to rise as producers gear up for the breeding season. "The open house was a creative way to market our private treaty bulls as well as a time saving technique to show all the bulls in one day," says Thomas.

These creative techniques have paid off for the Thomas Family, and they recommend other producers re-evaluate their programs and look for innovative ways to stay competitive in the future.

SOUTHWEST



Richmond Hales

Hales Angus Farms
Canyon, Texas

In a time when many ranchers are downsizing, Richmond Hales and his son Rick added 50 Angus cows to their 150-head cow herd in 1995. The two cattlemen plan on continuing their expansion to 300 head within the next four years.

One reason for the expansion is to help satisfy the

Hales' increased demand for their Angus bulls. "We have a lot of interest in our bulls right now," says Richmond Hales. He adds the demand for bulls in 1995 was as high as ever.

In 1995 the Hales sold approximately 60 bulls primarily through private treaty. "All of our bulls sold before they were 18 months old," says Hales.

Positive word-of-mouth generated from more than 30 years in the business keeps the customers coming to his operation, says Hales. Successful customers have also helped build the Hales' client base.

"One of our customers, Marjorie May Russell of Russell Ranch, Menard, Texas, entered the top pen in the Certified Angus Beef (CAB) Program's Value Discovery Program. Her success with our bulls helps to generate new customers," says Hales.

Hales expects the bull demand in 1996 to maintain its strength. "Everybody wants Angus bulls. Several of my customers used to have bulls of other breeds, but they realized that at the feedlots Monday morning the black-hided calves sell first," says Hales.

While Hales expects the demand to be solid, he predicts the prices paid by his commercial customers will be less than in the past. "I'm sure our customers are not going to spend as much money as they did when the calves were bringing \$1 per pound," says Hales. "The customers who spent \$2,500 to \$3,000 for a bull in 1995 are more likely to pay \$2,000 to \$2,200 for the same quality of bull in 1996."

In order to cope with this decreasing profit margin, Hales is looking at ways to trim the expenses. "We are trying to hold our feed costs down, but that is almost impossible with the grain prices what they are today," says Hales. Buying less feed equates to a new bull marketing strategy for Hales. "We're growing our bulls, rather than feeding them for

performance gain this year on account of cost. We are going to have the bulls in good condition to breed cattle, but they won't be fat," says Hales.

As in 1995, drought is still an area of concern to cattlemen in the Southwest. Hales noted one inch of rain in his area between September and late January. He believes without moisture, ranchers are unable to raise as many cattle and will require fewer bulls than they would otherwise.

A new marketing strategy for the Hales' operation in 1996 is an on-farm sale in March. "We wanted to make our bulls available to our customers all at once," says Hales.

One selling point to his customers in 1996 are the increasingly important expected progeny differences (EPDs) He expects EPDs to continue to be an important factor in bull marketing both in 1996 and thereafter.

"There are more commercial people relying on EPDs than I've ever seen," Hales says. "Today's cattlemen are businessmen, not like the good ol' ranchers they used to be."

Angus breeders in the Northern Plains and Rocky Mountain area had strong sales throughout the fall. It appeared many folks who never used black bulls before were buying Angus and shipping their bulls of other breeds to market," says Pat Goggins as he gives his spin on the 1995 Angus cattle marketings.

NORTH CENTRAL



Pat Goggins

Vermilion Ranch
Billings, Montana

Tracking Angus sales is part of his job as publisher of the *Western Livestock Reporter*. Goggins also has a vested interest as he oversees 1,200 registered Angus cows and 2,500 commercial Angus cows at Vermilion Ranch. He annually

merchandises 1,000 open and 500 bred commercial heifers and 500 bulls.

Goggins attributes the Angus demand to two reasons. "The demand for Angus is strong because of the livability of calves and the salability of the black-hided cattle," says Goggins. He credits the Certified Angus Beef (CAB) Program with generating the interest in the black-hided cattle.

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In 1996 Goggins predicts the declining feeder cattle prices will have a significant impact, particularly on the lower quality bulls. Rising feed costs are also of concern to North Central ranchers.

To prepare for the tightening of the market, Goggins is altering his management strategies. "We are castrating more bulls. This fall we shipped to market or otherwise sold the aged cows in both our registered and commercial herds," he says.

Although profit margins will be smaller, Goggins foresees a strong demand. "Ranchers still have cows and they will still need to breed them. Not as many people are breeding heifers, however, so there may be a softer market for the lower quality bulls that typically go to heifer breeding," says Goggins.

In respect to qualities, Goggins' bull customers are interested in thick bulls with carcass EPD information. "We are doing an extensive amount of carcass testing on our sires and getting that information to our buyers quickly. Phenotypically, we are selling cattle that are thick and long-bodied," says Goggins. "The ranchers want bulls that will sire calves on the heavy side at sale time."

When advising other ranchers on marketing, Goggins says, "If you have quality cattle with genetic potential, now is the time, as bad as it might seem, to double your advertising budget because the competition is going to be keen."

The diversification of Midwestern farms will likely prove to be an asset in the tough times ahead for the cattle business, says Henry Bergfeld, manager of Summitcrest Farms.

Headquartered in Ohio, Summitcrest also has ranches in Iowa and Nebraska.



Henry Bergfeld
Summitcrest Farms
Summitville, Ohio

The three operations maintain about 400 cows each.

Summitcrest Farms sold 375 bulls in 1995.

Over his 30 years with Summitcrest Farms, Bergfeld has adapted to many changes in the cattle business. Summitcrest's customers have had to flex with not only

changes in the cattle business, but in their other farming entities as well.

"Corn and hog prices will have an

impact on how the cattle sell in the Midwest because most of those people don't rely on cattle as their total income base," says Bergfeld.

When either corn or hog prices are down, many of Summitcrest's customers will limit their bull buying budget and when those prices are high just the opposite will happen.

In evaluating the farming situation for 1996, Bergfeld says corn and bean prices are going to be a definite asset to his customers this year. The hog markets are also improved over 1995.

While Bergfeld believes the other farming entities may be profitable, he is still cautiously optimistic about his customers' spending in 1996. "Most of these folks have been in business for a long time and realize the markets will turn around."

Unlike some other regions, Bergfeld says prices paid for Angus bulls in the Midwest were down about 10 percent in 1995 from past years. He expects the prices to drop another 10 to 15 percent in 1996 because of the declining feeder calf prices.

Although the prices may be down, Bergfeld believes the demand for Angus bulls in 1996 will be strong. "The demand in 1996 will at least be as strong as it was in 1995," he says. "In some areas, I believe the demand will be stronger because of the cattlemen with other breeds who are looking to use Angus bulls."

Bergfeld's reason for the increased interest in Angus bulls relates to the CAB Program. He believes the CAB Program generated the interest in black-headed cattle at the packing plants and sale barns. This demand of black genetics will enable Angus producers to fare better than their fellow cattle producers.

"When 1996 is over, I think we will prove Angus bulls sold better than those of the other breeds, realizing we will all probably get less for our bulls than we would like," Bergfeld says.

Marketing his 25th year as head of Lemmon Cattle Enterprises, Harvey Lemmon says the demand for Angus cattle in the Southeast has never been better.

"The demand, especially for breeding-aged bulls, is the best it has ever been," says Lemmon.

In addition to his 200 head registered Angus herd, Lemmon is a consultant for other area Angus breeders and consequently, merchandises 150 bulls per year.

Unlike the other regions, Lemmon has not noticed a downward turn in the prices

paid for his cattle in Georgia. "The decline in the feeder calf prices has not hurt us through our private treaty seestock sales," says Lemmon.



Harvey Lemmon
Lemmon Cattle Ent.
Woodbury, Georgia

Although the prices on his bulls sold in Florida were down from the previous year, Lemmon does not view that as a negative situation. "The bulls I took to Florida averaged \$175 less per head than they averaged in 1994. However, if you consider the number of calves a producer has got to trade to buy a bull,

the bulls sold as well as ever," says Lemmon. His rationale factors in the low feeder calf prices of 1996.

In anticipation of future prices, Lemmon believes declining feeder calf prices will affect his bull marketing. "Our customers will not be able to pay as much for bulls as they did when calves were bringing 30 cents per pound more," he says.

The other merchandising factor for Southeastern producers is the perceived health status of the calves. In recent years, producers in several Southeastern states have started certifying the health of their calves. Lemmon believes those types of programs help improve the industry's perceptions of Southern cattle.

"We are continuing to work on improving our calves' health image through the Georgia Pride health program," says Lemmon. "Many of our fellow producers are putting their cattle through the most complete health program they ever have."

Still, Lemmon believes maintaining healthy calves could be tough for cattle producers in the lean years. "Some of my friends in the pharmaceutical industry tell me they sell significantly less vaccine when cattle prices are down," says Lemmon.

While Lemmon works to keep his inputs cost-effective, he also believes there are areas where he will not eliminate. "I don't feel I can cut corners and continue to produce the animals I want to sell," says Lemmon.

In planning his marketing strategy for 1996 Lemmon plans on raising superior cattle which have the genetics the market needs. "Then I will work at selling those bulls every day of the year," he says.