

What is That Bull Really Worth?

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If you sell cattle at auction then you don't have to worry much about setting prices. The market created when several buyers bid against each other in open competition does that for you.

However, if you sell most of your cattle at private treaty you don't have this advantage, or disadvantage, as the case may be. When a potential buyer comes to your place, points to a particular bull and asks, "How much for that bull?" you must have a ready answer, and it should be the right one. Ask too much, and you discourage the customer, ask too little, and you short-change yourself.

So how should you set prices? Most business people figure cost of production and mark it up by a percentage. Using this method an Angus breeder who knows that it costs \$1,000 to raise and advertise a yearling bull might price his yearlings at \$1,500 or \$2,000, a 50 or 100 percent markup.



In this situation selling price is geared to cost of production. It seems a fair and logical way to price cattle, but it probably is not. First, it means that the more efficient breeder, the less profit made per animal. For example, if a breeder can raise yearling bulls for \$900 instead of \$1,000, and marks them up 100 percent then the selling price is reduced from \$2,000 per head to \$1,800 per head. In other words the breeder who cut costs by \$100 would sell bulls for \$200 less. This doesn't make sense.

On the other hand an inefficient producer who placed what seemed like a reasonable markup on his cattle might actually be pricing himself out of the market. If his cost of production is \$1,100 and he marks his bulls up 100 percent he would be trying to sell bulls for \$2,200 while the more efficient producer who used the same pricing system offers the same product for \$2,000 or less.

To accurately set prices you need to take into account your entire cost of doing business, including overhead, labor, interest, depreciation and other costs. People who don't, end up wondering if it's worth the effort of running a registered Angus business, just for the thrill of owning the business.

Another factor that should be considered in pricing registered Angus cattle is the value the animal represents. How much more revenue and income will your cattle produce for a buyer compared to other animals that are available in the area? A bull that will add \$10 each to the value of the 100 or so commercial calves he will sire in his productive life will potentially earn an extra \$1,000. If the seller can convince the buyer of this, it will justify a higher selling price. Even if the buyer pays \$500 more for the bull he should earn it all back plus an additional \$500 before the bull is culled. The deal should be profitable for both parties.

Service is another factor that should help determine price. The more time and money a breeder invests in customer service and guarantees, the more those cattle are worth. Confidence is worth a lot to most buyers, most of whom prefer to do business with someone they trust and who will treat them fairly. Buyers, whether they admit it or not, will pay for service.

Therefore, as you probably already knew, there is no simple, fool-proof way to price registered Angus bulls. No set formula you can use. You have to compete with other breeders, cover all your costs and make a profit. Setting prices is an important function of doing business.

Keep in mind, buyers are not as price conscious as most of us think. Some marketing experts tell us that buying decisions are made based primarily on these five factors, in this order:

- 1— **CONFIDENCE**— Do you and your product instill confidence in buyers? Are they convinced you and your cattle can solve their problems?
- 2— **QUALITY**— Do buyers believe, or know from experience, that you produce a high quality product?
- 3— **SERVICE**— Are buyers treated well and do they believe you will be there when they need you?
- 4— **SELECTION**— Can you provide what the buyer needs?
- 5— **PRICE**— If all four of the above meet the buyer's satisfaction, then price comes into play. But price is not paramount.

It's possible to sell cattle for above average prices in your area of the country. Success depends upon your ability to build a solid, positive reputation, to provide a high quality product and back it with dependable service. Then finally, you need one more thing—a program to effectively communicate all this to potential customers.