

doing a better job

MERCHANDISING

by Keith Evans, Director of Communications and Public Relations

How do you put a fair price on your bulls? Maybe a more important question is how do you convince potential bull buyers that your prices are fair and that your bulls will produce a sound return on investment?

My experience is that a great many Angus bulls are under priced and poorly sold. After investing time and money to produce a genetically superior product, far too many breeders sell bulls for little more than fat cattle prices—far less than what the bulls are worth to commercial cow-calf producers. If you've had this problem, you may want to investigate my "bologna-bull, genetic-package" approach to pricing and sales.

What is an Angus bull, anyway? Basically, he's a bologna bull that carries around a genetic package. Your registered bull is much like any bologna bull that is sold through the local auction ring. Both can walk, bellow, knock down fences and breed cows. What's more, the price of bologna bulls is set by competitive bidding. To find out their current value, you just check the market quotations. In one respect, every bull is worth what he will weigh out, and too many good bulls are sold for little more.

The genetic package that you've bred into your bulls is the characteristic that distinguishes them from the fodder for a bologna factory. Genetics, documented by performance records, are what make your bulls valuable members of the Angus breed. So keep this in mind when you price and sell your cattle. If you start with the basic bologna-bull price, then add on the value of the genetic package, it may surprise you what your cattle are worth. Better yet, you will help your customers understand the true costs and benefits of using your bulls.

Most people don't think about it, but a bologna bull costs almost nothing to own. A 1,200-lb. yearling is worth about \$650 even on today's depressed fat cattle market. If he is used for five years and grows into a 1,900-lb. chunk of bologna bull, he will, at

50 cents a lb., have a \$950 salvage value. And the \$300 increase in value of the bull will pay the interest on this portion of the bull investment. Consequently, this base price shouldn't be considered an expense in bull selection. The buyer will eventually get it all back, plus interest. Once you have established this point, you are ready to get down to the important merchandising task, selling the genetic package.

For this example, let's assume that a potential customer who has just

self at a sale price of \$2,400 in five years, through added production.

As an Angus breeder, however, you have more to sell than weight gains. If your AHIR records document calving ease, this bull may well provide a four percent better calf crop. That's one more calf to sell for each 25 cows he settles—five more during his useful life. An extra 500-lb. calf at \$70 per cwt. is worth \$350, and in five years that adds up to \$1,750. Your bull is now worth \$4,150 in added earning power to the customer.

How to Sell A \$4,000 Bull

come to your place is a commercial producer who sells everything as feeder calves and raises his herd replacements. Let's also assume that any bull you have for sale will sire a modest 25 calves a year: 20 that will be sold as feeder calves and five that will be kept for herd replacements.

If your bull will add 20 lb. to the weaning weight of the buyer's feeder calves, then the 20 calves sold will weigh 400 lb. more than the average of the buyer's calf crop the year before. Figuring \$70 per cwt. feeder cattle prices, your bull will earn an extra \$280 for the new owner the first year, or \$1,400 in five years. If you price this bull at \$2,050 (\$650 base price and \$1,400 additional earning power) the buyer can expect to get all his investment back over a five-year period. In addition, he can take advantage of investment credit and tax depreciation, which should cover interest costs.

But this bull offers even more. The five heifers that go back into the herd as replacements represent considerable added genetic value. I am not sure how you figure this value, but if the five heifers were just sold with the rest of the calves, their added weight would make them worth an extra \$70 a year, or \$350 in five years. This means that the bull will pay for him-

self. Then too, you can guarantee a more uniform appearing set of Angus-sired feeder calves. This is particularly valuable if your customer's cows are a mish-mash of colors and breeds. Uniformity, on some markets, can be worth 50 cents to maybe a dollar a hundred more. And if the black calves can qualify for the Certified Angus Beef program, this will help them sell, at least in some parts of the country.

Finally, you have the other traditional Angus benefits to offer. The Angus bull will dehorn nearly all the calves "just for the fun of it," as one breeder wrote in his advertising. The reduced calving difficulty will lower labor costs and help the buyer sleep easier during calving. There will be no snow-burned udders or cancer eye in the replacement heifers, and they will be easier calvers, too. All are tangible assets.

So before you offer your next bulls for sale, do a little more advance planning. Figure what your bulls can earn for your customers, and be prepared to show them in black and white. The "bologna-bull, genetic-package" approach to selling can help you document the value of your bulls and may boost your average selling price.

I'll bet you have more \$3,000 and \$4,000 bulls in your herd than you think you do. **AJ**