

KNOW THE LINGO

BY KIM KANZLER HOLT

Marketing knowledge can lead to wiser purchases and fewer unwanted surprises.

Today's Angus genetics are offered in all types of packages, thanks in part to the sophistication of today's cattle business. Buyers have unlimited

marketing options from which to choose; however, understanding these options can be confusing for the seasoned breeder, let alone for novices.



ANGIE STUMP DENTON PHOTOS

This article's intent is to help you interpret the terms and footnotes often found in sale books and to offer advice to help you make more-informed decisions that lead to wiser purchases.

Buying an interest

Where interest is concerned, there are multitudes of options that can be created between buyers and sellers. "You can set up a deal pretty much any way you want," says Rod Wesselman, American Angus Association regional manager for Idaho, Oregon, Utah and Washington state.

For instance, a buyer and a seller may split both interest and possession in a half-interest, half-possession partnership. One breeder may use the bull for breeding purposes in the fall and the other, in the spring, while both share revenue from any semen sales.

If split possession is involved, Wesselman recommends that breeders buy insurance on the bull until they build a semen bank. "This ensures you of some salvage value if the bull gets hurt or dies," he says. Before entering into any interest or partnership agreements, Wesselman recommends these ground rules:

1. Be sure your partner is reputable. If you don't know, ask around. Consult fellow Angus breeders or your regional manager;
2. Ask questions and be sure you understand the agreement; and
3. Put the agreement in writing.

Don Laughlin, regional manager for Iowa and Missouri, says, "When you buy an interest in a bull, you need to know what you're buying." Laughlin says that he has seen some buyers shy away from purchasing interests in bulls. Established ground rules can help these breeders understand that someone isn't going to come a week into their breeding season, pull out the bull, and send him to stud for collection.

Dick Beck, Louisburg, N.C., is an Angus breeder and a marketing agent for other Angus breeders. He also stresses that you need to know your potential partner. "An Angus partnership is like a marriage — the honeymoon is always sweet, and the divorce is always messy. Get a written contract or purchase agreement from the seller that defines the terms of the partnership. Memories fade and friends become foes when money is involved."

Beck also recommends that semen sales be clearly defined between the buyer and the seller. He says recognized breeders often offer their expertise in promoting and marketing semen from a bull, and they customarily charge the gross sales account a percentage (10% is common) for handling the bookkeeping and sales records. Both

Marketing terms glossary

Interest — Generally defined in terms of percentage share of ownership of an animal. The percentage is used to allocate expenses for collection of semen or embryos and to divide revenue from sales.

Possession — Possession is just what it implies, possession of an animal. It may be defined by a percentage or the time frame of a breeding season. Unless otherwise noted, the owner of possession assumes management, daily care expense and risk of death loss and is entitled to all salvage or resale value of the bull.

In-herd use — In-herd use indicates that the seller will only use semen from a given bull to breed cows that he owns.

Revenue sharing — All parties with interests in a bull share the costs of semen collection and related expenses, in addition to the profits from semen sales.

Syndication — Multiple parties own a designated percentage and/or possession in a bull. Owners have first rights to semen for in-herd use and share in the revenue and expenses from semen sales.

parties need to define how to divide the costs of advertising, promotion, semen collection and semen storage.

Retaining an interest

Buyers will find that more breeders are keeping an interest in the bulls they market. Breeders keep interests in bulls because:

1. They want to hedge their bet that the bull will progeny-test well, will become well-known and will sell a great amount of semen; and
2. As a means of endorsement, reasoning buyers often make their decisions based upon the input of a breeder they respect.

Another factor, says Laughlin, is that the opportunity to get carcass data back from commercial herds is now greater than in the past. "With the advent of more people following commercial cattle through to the carcass stage, breeders have realized that chances to identify a superior bull are greater today. In the past, when bulls went into commercial herds, the chance to gather data was almost nonexistent."

How much interest should be retained in sale bulls is a question Wesselman is frequently asked by breeders. He tells them that if a bull they're selling is good enough for someone else, they may need those same genetics in their own herd. Plus, it's a way to keep their name tied to the bull for future marketing, and it can help attract prospective customers.

Marketing options such as interests in bulls that are offered by seasoned Angus breeders are opportunities for buyers.

"The top breeders of Angus cattle have a strong track record at identifying the young sires with potential to become popular AI

(artificial insemination) sires," says Beck. "The day of selling semen on an unproven young sire just because he topped a sale somewhere is long past; but with the high degree of accuracy of our present system of EPDs, it isn't rocket science to identify the young sires with the probability of success. Use the knowledge of a recognized breeder as an aid in selection, and use his expertise at maximizing future revenue from a young sire."

Syndication

Syndicates spread the risk of promising or valuable cattle among multiple owners. The primary reason to invest in a bull syndicate is to add a genetic package to your program that has a balance of phenotype, pedigree, EPDs and actual performance that will benefit your herd.

There are no formal guidelines for setting up syndicates. Each one is different, based on the wants and needs of buyers and sellers. They are often established, however, to conform to the American Angus Association's rule that allows only three owners' names on the registration certificate.

A syndicate may be organized as follows:

A breeder retains half-interest in a bull he sells for \$25,000. The other half-interest is split between five people. Each buyer pays \$5,000 to own a partial interest. These five buyers will share in the expenses and in the revenue earned from semen sales. Possession of the bull would be determined by the owners.

Everyone has input in a syndicate, but there needs to be one person who is the

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designated decision maker. "It's like a mini-corporation," says Louisa Krebs of Whitestone-Krebs, Gordon, Neb. "There needs to be a general manager."

Krebs says that if guidelines or a general agreement is in place, most decisions usually are common sense for this person. For instance, everyone agrees the bull is going to a stud, but someone has to decide what stud he'll go to and how long he'll stay.

Syndicates also need a designated person to manage the books. Krebs is this person for several bulls syndicated by Whitestone-Krebs. All income for the bulls is tracked through her books. She also pays expenses and mails to owners a quarterly financial report, which shows a breakdown of expenses and income.

Syndicates offer opportunities for breeders to utilize top genetics of a bull that may be out of their price range if they were to try to buy him outright, says Laughlin. Since breeders don't have to put up the whole sum themselves, "they're basically spreading the risk around," says Krebs.

Most bulls that get syndicated are young, unproven bulls. "Breeders can get in on the

ground floor of some good bulls if they're willing to take a risk that the bulls will prove valuable in the long run," says Laughlin.

Syndication ownership entitles owners to first rights of semen before it becomes available to the general public. Syndicates vary; typically, says Wesselman, owners may get 50 or 100 straws before breeding season and the semen goes on the open market.

Whitestone-Krebs doesn't limit semen to syndicated owners. "We look at it that all owners own the same amount of semen as they own ownership in the bull," says Krebs. "If they own 5% of the bull, they own 5% of the semen bank."

Syndication also offers advertising benefits and an opportunity for name recognition, so people can get to know you. Plus, says Wesselman, they can be an investment for buyers who speculate and invest in a bull because they think they can sell his semen.

Syndicates can be more difficult to manage with a greater number of people. For instance, it's harder to get 10 people to agree vs. only three. Wesselman says, "Everyone may have a different idea of

what to do with the bull, and if revenue-sharing is involved, it cuts the pie pretty small."

If you're joining a syndicate for the first time, Laughlin offers this advice: Find out where the bull will be housed, what percent ownership you're buying, who will handle semen and certificates and what these services will cost, how much advertising will be done, and who is responsible for the cost and placement of the advertisements.

"Get the terms in writing before closing the deal," he says.

Krebs advises, "Know the people you're dealing with. Take a really close look. Usually, if you all have the same basic goals, aspirations and philosophies, it (the syndicate) works pretty well."

Embryo transfer sales

As a general rule, frozen embryos sold at auction come without a guarantee of any kind. The seller supplies the buyer with a certificate of embryo transfer (ET) provided by the veterinarian who collected the eggs, and it's usually accompanied by thawing instructions (since there are now several different freezing techniques commonly used).

The buyer is responsible for AI certificates and the cost of registering the calf that results from a frozen embryo. Beck says that some breeders who sell frozen embryos at private treaty do offer guarantees of conception, but most do not.

The conception rate on frozen embryos can vary greatly. "If everything is managed to the highest level possible, it is not uncommon to average 60% to 65% on frozen embryos. Some embryo transfer programs will achieve higher rates than that," says Diane Marie Broek, Trans Ova Genetics director of marketing and customer service.

Recipients

Embryo pregnancies sold at auction generally come with a guarantee that the recipient is pregnant on the day of the sale. There are no guarantees, however, that she will carry the calf to term or that she will deliver a live calf. Beck says some sellers do provide that guarantee, and you can get insurance coverage for that scenario. He has worked with sellers who were willing to share the cost of that coverage with the buyer.

If the sex of an embryo pregnancy is guaranteed in a sale book, this indicates the seller will replace the pregnancy if the calf is

Embryo transfer glossary

Embryo transfer (ET) — The procedure by which embryos are recovered from superovulated donor dams and transferred into recipient females that serve as surrogate mothers.

Embryo interest — Generally speaking, a buyer is entitled to an interest or share in future embryos produced by a given dam.

Flush — Also known as an embryo collection, flushing is the procedure by which embryos are recovered from superovulated donor dams.

Donor — The female from which embryos are harvested.

Recipient — A female that serves as a surrogate mother.

Fresh embryo — A fertilized egg that is intended to be transferred to a recipient the same day as the donor is collected or flushed.

Frozen embryo — A fertilized egg that has been frozen using a cryoprotectant. The embryo is frozen at a controlled rate in a prelabeled straw. Once frozen, the embryo straws are stored within canes in liquid nitrogen tanks until they are retrieved for thawing.

Transferable embryo — An embryo that could produce a pregnancy upon transfer. Embryos are classified or numbered as to transferable qualities. Additionally, embryos are graded from 1 to 4, with 1 being excellent and 4 being poor.

Sexed embryo — An embryo of known sex as determined at 7-7½ days of age.

Pregnant recipient — A recipient that is confirmed pregnant at 60-90 days after transfer.



“Know what you are buying before you raise your hand at an auction or before you write a check in payment for a future flush,” warns Dick Beck, Angus breeder and marketing agent. “The reputation of the seller is the only recourse available in embryo transactions.”

not the sex indicated. Again, this does not imply a guarantee of a live calf unless the seller specifically says he will ensure one. Beck says that in the past few years, selling a pair of embryos (one guaranteed bull-calf pregnancy and one guaranteed heifer-calf pregnancy) has become a common practice designed to demonstrate that the donor cow has the potential to produce a herd sire and a great daughter.

Most ET practices will provide a confirmed pregnancy at 60 days, says Broek. (With ultrasound, a pregnancy can be confirmed as early as the 27th day.) It is not uncommon, however, to encounter miscarriages in the first trimester. Therefore, many sellers will confirm a pregnancy to be safe at 90 days.

Embryo flushes

“Every variation known to man has been tried by someone,” says Beck, referring to the topic of embryo flushes. He says there are common terms of sale for the right to flush a cow to the bull of a buyer’s choice. Generally, the purchase price applies to the cost of four confirmed pregnancies in

recipient dams provided by the seller at his cost. These pregnancies are the result of a single embryo mating to the bull chosen by the buyer, for which the buyer will supply semen.

If the flush results in less than four pregnancies, the seller has the option to repeat the mating to try delivering four pregnancies. As an alternative, the purchase cost can be prorated (divided by four), and that amount times the actual number of pregnancies produced is collected. Generally, if more than four pregnancies result from the first flush of the cow, the buyer has the option to buy those pregnancies at the prorated cost of the first four.

Most sellers want one-third or one-half of the bid price for four pregnancies before the mating is done, with the balance due when the pregnancies are confirmed at 60 or 90 days.

Laughlin advises buyers to find out exactly what they’ll receive in a flush option. “Sometimes the sale books are not real clear, and terms are used interchangeably,” he says.

The average number of embryos produced by an Angus cow when flushed will vary greatly from cow to cow and between adult cows and heifers. “Angus females, as a whole, produce embryos very well,” says Broek. “The average for all types of cows, all ages, would be approximately nine to 10 total embryos produced per flush. Of these embryos, approximately six to seven would be of a transferable nature. If you were to transfer these embryos, you would average approximately four pregnancies per flush.”

Look at the details

Buyers need to be aware of numerous details when dealing with frozen embryos, pregnant recipients and future flushes.

“Find out what kind of terms and guarantees there are,” advises Laughlin. “Will all the eggs be grades 1, 2 or 3? Are the flushes prorated on the number of eggs recovered, or are you dealing with a total throw of the dice? If you get no fertilized eggs, is it just tough luck? Are the pregnant recipients carrying sexed embryos, and are

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the recipient cows something you want — for instance, a Brahman recipient due to calve Jan. 15 in Wisconsin? Read the fine print and, once again, get it in writing!”

Details aside, buyers can benefit from the genetics obtained by purchasing embryos, pregnant recipients and flushes.

“All three are ways to add genetics to a program without a massive outlay of cash in one area,” says Laughlin. “There are some good buys out there if a breeder will take the time and expense to do his or her homework.”

Broek adds that embryos are easily transported, disease-resistant and can be implanted anytime you wish so as to produce the calving dates ideal for your herd.

Buying pregnant recipients allows you to be much closer to a live calf from the genetics you want than does an embryo. “Recipients also eliminate the hassle of doing ET work if you are not familiar with it or don’t have the time to do it,” says Laughlin. Also, if the fetus has been sexed, you may be able to purchase a recipient carrying a calf of the sex you desire.

“Flushes give breeders an opportunity to utilize some of the most current and up-to-date genetics in the Angus breed,” says Wesselman, who’s in his seventh year representing the Association. “This technology enables you to find a good cow and flush her to one of the most proven bulls in the breed to obtain better cattle.”

Trans Ova Genetics outlines these advantages to flushing:

- You can frequently purchase flushes on elite cows that may be too expensive for you to purchase outright.
- Some producers will not sell their best cow, but they will sell a flush out of her, allowing you to participate in these elite genetics.
- If the flush works well, your cost per embryo may be well below the price you would have to pay for individual embryos purchased from this donor.
- With a purchased flush, you may have the option to implant all of the embryos obtained fresh, thus achieving a slightly higher conception rate than if the embryos were frozen.

Know the terms

Whether buying genetics at auction or private treaty, there are steps you can take to ensure buyer and seller disagreements are kept to a minimum.



Where interest is concerned, there are multitudes of options that can be created between buyers and sellers.

Do business with reputable people. Try to find out something about the person with whom you’re doing business, and buy accordingly.

Read the terms and conditions of the sale *before* buying cattle at a production or dispersal sale. Also, listen for announcements preceding a sale of an individual lot for any adjustments to the terms and conditions. Sale announcements take precedence over anything printed in the sale book. Also, be aware that terms and conditions are different for production and dispersal sales.

Do business on paper. “You can do business on a handshake with most Angus breeders,” says Wesselman, “but it’s like any other business. If you do get into legalities, the only thing you have is that signed contract.”

Often times, if a bull won’t breed or a cow doesn’t flush, exchanges or credits will be given to the buyer. This isn’t the case in all situations, so be sure you know who you’re doing business with and what terms and conditions they follow.

If you do sell high-dollar livestock, “put the money in the bank and hold it until the deal is complete,” says Wesselman. In the

event a bull won’t breed or a cow won’t flush, a cash refund may be the only option.

Buyers need to beware, especially when purchasing flushes. “Know what you are buying before you raise your hand at an auction or before you write a check in payment for a future flush,” warns Beck. “The reputation of the seller is the only recourse available in embryo transactions.”

The Association’s “Suggested Terms and Conditions of Sale” (published in the *Breeder’s Reference Guide* available through the Association) do not address embryos, so all terms of the sale are those defined by the seller. The Association will arbitrate sales of live cattle using their suggested terms, but any problems regarding embryo sales will need to be resolved between the buyer, the seller and the legal counsel for each party.

Unless a disagreement is specifically addressed in the terms and conditions suggested by the Association or in a contract or purchase agreement between the buyer and the seller, any recourse is dependent upon the seller’s reputation and commitment to customer satisfaction.

“Do business with breeders who warrant their product,” Beck advises.

