



Field Notes

► by John Dickinson and Vern Frey, regional managers, American Angus Association

Marketing signals

Regional managers John Dickinson and Vern Frey offer their perspectives on the current cattle market, resulting management strategies, and the general mood in the country.

With the recent downturn in cattle prices, what's the mood in your area?

John Dickinson: Most producers have been through a cow cycle or two in my area, and I don't think anyone expected the record prices paid the last two years to last forever. There is a lot of speculation regarding the corn market, cattle-on-feed (COF) levels, and amount of stocker ground available due to drought.

There are a lot of influences outside our industry that have put pressure on our market prices (whether legitimate or not), and I think the best word to describe the "mood" of producers would be *cautious*.

Calf prices were not a critical issue the past run, as everything seemed to trade well — regardless of genetics, performance, health protocol or reputation. Other management issues were of top concern, but I'd agree that future calf and beef prices dominate the "coffee shop talk" now.

A large portion of the calves and yearlings in my territory have already been sold, so there's

not as much guessing and strategy at this point. The worry might come from the larger grass operators that bought in before the sharp decline, but these producers will need to be a little more aggressive in their marketing and tight on their inputs.

One thing is certain, however, good *beef demand* can help at all sectors.

Vern Frey: I'd say the mood in my area is concern for what's ahead. Breeders in the Dakotas and Minnesota are not only worried about the downturn in prices, but drought and feed shortages are still a huge problem. We need significant amounts of snow to replenish dams, dugouts, wells and ground moisture.

I understand that our area is not unique, because reportedly the whole center of the country, from North Dakota to Texas, is affected by the drought.

On the other hand, fuel prices have come down some, and the weather has been mild. As I write this Thanksgiving morning, there is no snow on the ground. I can't remember when it's been like this in north central North Dakota. This type of weather will

certainly help the feed situation, especially with the cost of feed going up.

Are commercial producers in your area changing their management or marketing plans because of market prices?

Dickinson: Producers are looking at their current marketing presentation very closely and will try to maximize the value in those calves. I think we'll see more weaning practices and better, more detailed vaccination schedules. The amount of age and source verification will rise along with cattle that qualify for natural beef programs. All the aforementioned items seem to add value to calves and, in a tighter market, the spread between the "haves" and "have-nots" will increase. Documented information will be key.

An advantage that producers in my part of the world have had this past year is ample moisture. The extra grass has allowed some flexibility to take on more yearling cattle or retain more heifers in the cow herd. With last year's market, I still don't think our retention has been maximized; so another generous winter (knocking on wood as I write this) would give our producers an outlet for calves hanging off the recessed market conditions.

Frey: This is a mixed bag; some sold early because of short supplies of grass and feed. They benefited from good prices. Several sold with prices as good as or better than last year. Now, with the upturn in corn prices, some are waiting it out and hoping corn will level off or drop, and that cattle prices will rebound. Yet others are selling, and in some instances, taking a loss of \$100 or even more compared to the price they sold calves for earlier. Some producers bought heifers last winter and spring to breed and resell. We will probably see some breeders keep those bred heifers and calve them themselves.

Are seedstock producers in your area changing their marketing strategies?

Dickinson: Seedstock producers realize their income is largely based on their customers' income, so the current price



trends and futures have not gone unnoticed. I don't foresee any drastic changes in marketing strategies, but I would anticipate some adjustments in management and selection.

Whether the markets are up or down, the one fact that is very evident is that customers pay for *quality*. At every level or sector of our industry, when the product changes hands there are premiums paid for more quality. That quality may be in the form of marbling, group consistency or genetic potential for growth, but the rewards will be available to those who can deliver.

Where this comes back to the seedstock industry is that we have to maintain a desirable level of quality control and management. If you don't want to be left behind without a marketplace, improve the quality level of your offering with firm culling practices.

Based on trends, one would say that next year's commercial bull market will soften if calf prices continue in a downward trend. I'd agree the average price might settle back, but I also feel those "premium" range bulls will stay in the same price range they have been in because buyers know they can make the extra investment back on a "premium" set of calves.

Frey: Yes, with the selling down of cow herd numbers, some seedstock producers are going to cut back on how many bulls they're going to sell. Some of the producers with older bulls to sell (2-year-olds) are moving or trying to move sale dates earlier. We could see more producers offering to board bulls until late spring.

What is in highest demand in your area?

Dickinson: In the commercial sector, breeding cattle have traded very well throughout the fall. With the extra grass and this high demand for bred cattle, I believe there was a good deal of heifer retention in our area. Consequently, the market for calving-ease bulls was very solid, as it was last year.

A strong buying trend we've also witnessed is the desire to buy half and three-quarter brothers to close down the genetic variation and achieve greater consistency.

In the big marketing picture, the driving force behind our bull demand has been the performance information. With solid heritability, commercial producers are making bigger strides toward their own personal production goals. It has gotten to the point where there are not really premiums paid for the genetic predictability, but you can be assured there will be discounts for the sires marketed without it.

I think our commercial cow-calf sector is pleased with the American Angus

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Association's efforts to simplify their selection process with the introduction of our dollar value indexes (\$Values). We're seeing more use out of those selection tools, and producers enjoy the "cost" side of their calculations that help improve efficiency. More knowledge and promotion of these figures will help your customers make money.

Frey: The uncertainty of feed prices and feeder calf prices is of concern; however, I just worked a sale the day after Thanksgiving, and the purebred market was strong. I think as we approach the first of the year, through bull season, we will see strong demand on good bulls. If we get substantial amounts of late winter or early spring moisture and the promise of good grass, we'll see excellent demand in all classes of females.

Do you have a unique and/or effective example of a good way to market bulls or heifers?

Dickinson: The best way I've seen to market bulls happens after they leave the ranch. As silly as that sounds, we're seeing a great deal of commercial producers aligning with specific seedstock suppliers. That

alignment is based partly on the product they purchase, but not solely.

If you've looked at the Association's numbers from fiscal year (FY) 2006, you'll see that our artificial insemination (AI) percentage and embryo transfer (ET) numbers are still climbing very well. I'm not going to say our product is identical when you look at nearly 350,000 registrations last year, but a statement that it's becoming similar might not be far off. And when the product becomes the same, intangibles like customer service and reputation put your program ahead. This theme will grow in the near future.

It's no different selling purebred heifers or even widgets for that matter: *Take care of your customers, or someone else will.*

Frey: There are many unique and effective ways to market, but I feel you have to market within your limits — what suits your program or situation. I think for one thing, you should keep AngusSource® in mind. This program is growing, yet it is still somewhat in its early stages. The program will be of significance in the future.

