

Marketing Insights:

# Talking Points

A focus on the basics — and an eye on the trends — can help keep you successful in the seedstock business.

by Eric Grant

**S**uccess in the seedstock business isn't just about selling cattle anymore. It's about providing a wide array of products and services — and developing unforeseen, value-added opportunities for the people who buy your bulls.

## Customer expectations

Most progressive seedstock producers spend a lot of time talking and listening to their bull-buying clients. The information they gather — and the connections they make — are very valuable to the success of both parties.

“As a seedstock producer, you need to ask yourself this question every day: Do you know what makes your clients happy and keeps them profitable? You should realize that bull buyers have many options when it comes to buying their bulls. Your

job is to constantly find new ways of providing better service to them,” says John Evans, who is a project manager for the California Department of Agriculture and one-time manager of Oklahoma State University's (OSU's) central bull test station.

Today, bull buyers are spending good money to buy bulls, and with that increased level of investment comes an increased level of expectations. Like never before, bull buyers expect that their seedstock provider will stand behind their product.

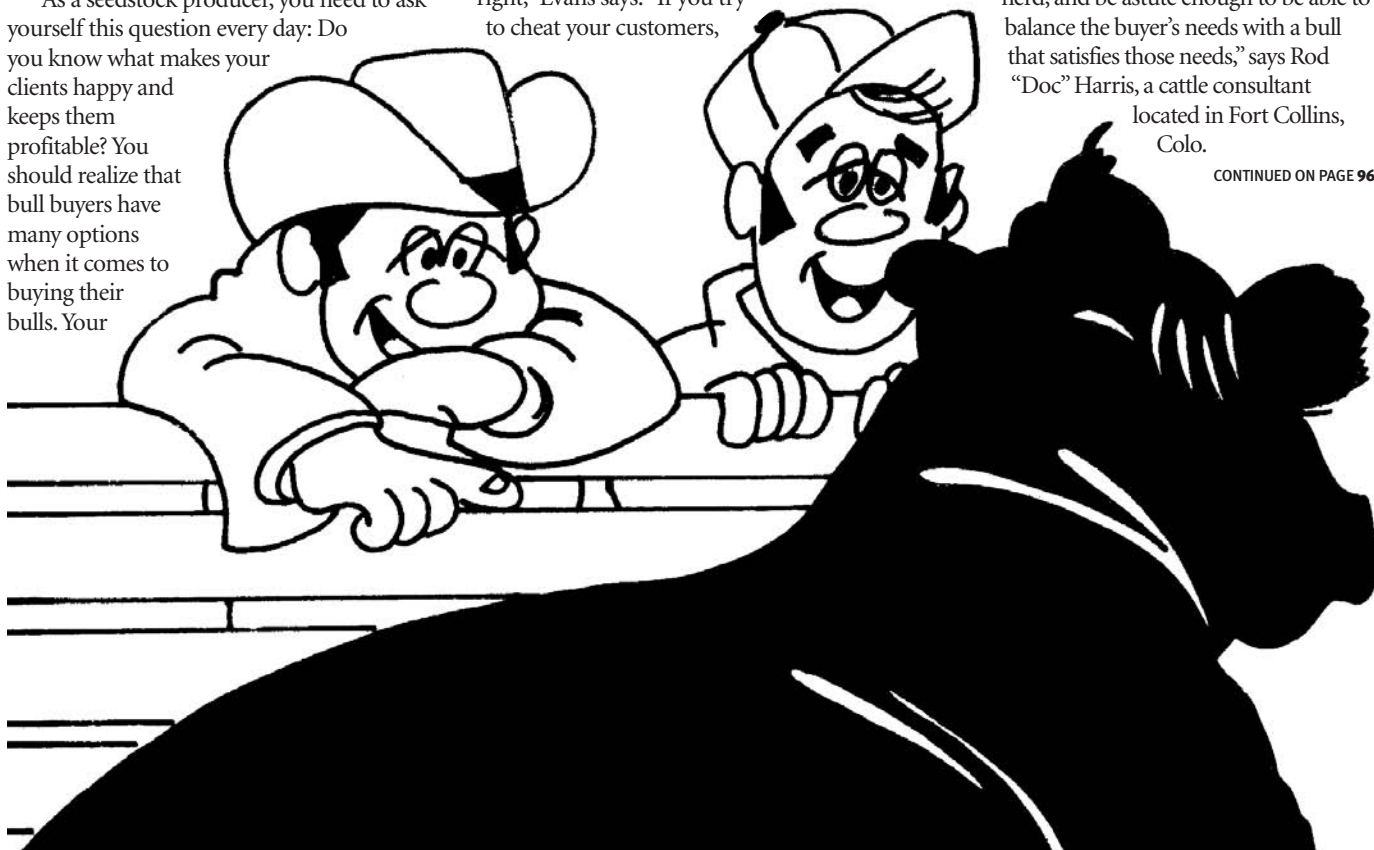
“If a bull does not meet expectations, you need to work with your customer to make it right,” Evans says. “If you try to cheat your customers,

you will not be in business for the long term. It takes years to build a good reputation in this business and a very short period of time to tear it down.”

Other emerging expectations include providing customers with a wide array of information, so they can make educated buying decisions. That might include the ability to evaluate the calf's sire and dam, to view his health records, his ancestors' performance records and historical production records.

“In turn, the seedstock producer should have an understanding of the buyer's cow herd, and be astute enough to be able to balance the buyer's needs with a bull that satisfies those needs,” says Rod “Doc” Harris, a cattle consultant located in Fort Collins, Colo.

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### Proper bull development

The biggest challenge in developing young bulls for sale is the temptation to get the bulls too fat, Evans says.

“Buyers prefer bulls that are heavier conditioned,” he says. “This can be a challenge at consignment sales because, all things being equal, buyers tend to purchase the higher-conditioned bull.”

But often these buyers get frustrated when they get home, and their bulls melt down. Many seedstock producers get equally frustrated with this issue because they get complaints from the buyers.

“The economic signals favor the heavier-conditioned bulls,” Evans says. “If a producer is a sole supplier in their area or it is their sale, I encourage them to avoid getting the bulls too fat and to keep them in athletic condition. In the long run, the less-conditioned bulls will last longer and perform better as breeding animals. If the bulls are heavy-conditioned at the sale, it is valuable to give your buyers a feeding plan to get the bulls back in breeding shape and avoid the melt-down effect.”

It’s also important to grow and develop bulls gradually, and to avoid excessively high gains, Evans cautions.

Many bulls experience health problems

when they are pushed too fast to gain at excessive rates. They’re susceptible to a wide variety of digestive disorders. They exhibit problems with their joints and feet. And, they simply get too fat.

“There are a few studies that document a higher incidence of joint problems in bulls fed at higher rates of gain compared to a gradual rate of gain.

“One approach that can work well is to limit-feed your bulls for a target gain per day,” Evans says. “This is a very effective way to develop cattle, but it requires high-quality feed management by the producer. You cannot be sloppy with feeding cattle and use limit-feeding. If you attempt to use this program, it is very important to consult with someone who understands the principles of limit-feeding cattle.”

A primary consideration should also be ensuring your management and feeding program doesn’t negatively affect your bulls’ fertility.

“The most critical and paramount trait with which a bull buyer should be concerned is fertility,” Harris says. “The only justification for purchasing a bull is to impregnate the cow herd, and if that bull is lacking in fertility, he is a liability until the breeder can replace him.”

### Expanding into new markets

Building a larger, more national market begins with having a solid, local customer base — and a strong reputation among your neighbors — already in place.

“You need to take care of the local business first before going out to a new audience,” Evans advises. “Your local clients are going to stay with you through the good and the bad times. And you need to be prepared from a staffing standpoint not only to continue servicing your local clients, but when you take on an expanded role of moving into a larger marketplace. Your expenses, too, will likely go up to accommodate the increased marketing, advertising and travel.”

Producers seeking to expand into the nationwide arena should also start small by extending their markets within their region or state first.

“It’s better to build your business at a gradual pace and maintain a good reputation over time — without becoming overextended,” Evans says. “Bull buyers in new regions will be cautious, and possibly resistant, to buying products from you until you’ve earned their trust.”

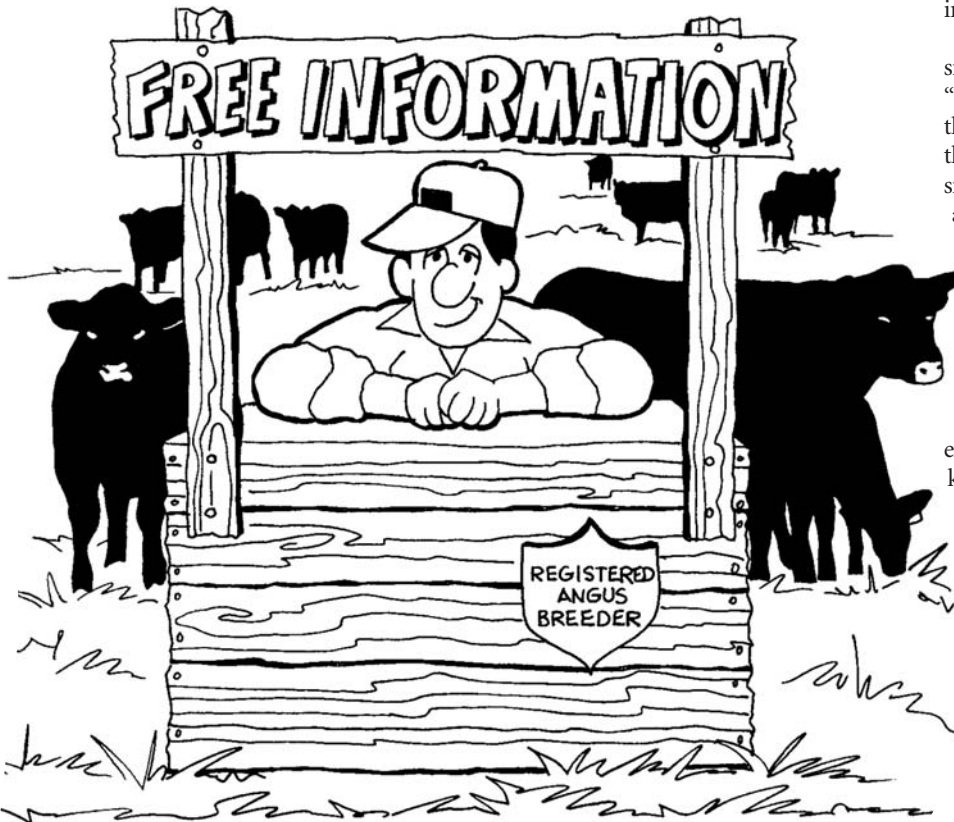
You should also take a look at effective marketing and advertising strategies in other industries.

“Producers need to keep their message simple and straightforward,” Evans advises. “Many seedstock producers like to overload their producers with too much information the first time, instead of providing them with simple, easy-to-remember information about their breeding programs. You want people to remember you in a positive way. You don’t want to overwhelm them with too much stuff about your breeding program.”

A key part of expanding your markets is investigating marketing venues and services in the regions where you’d like to expand. Seedstock producers should have a keen understanding of the magazines, direct mail services, publishers, cattle buyers and other influential people who can provide you with assistance and save you considerable time and money in the long run.

It’s also important to tell your story — because by telling your story, people who share your vision will be drawn to your business and could play a key role in expanding your operation’s scope.

That involves determining who you are, what makes you different, and developing an advertising and marketing strategy that can



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help you communicate your story to a wide audience of existing customers and potential buyers.

“In any effort to seek, find and develop new markets, careful thought must be paid to establishing goals and the methods of achieving those goals — and the most obvious way is to advertise, instruct, advertise, instruct, and advertise and instruct,” Harris says. “This is expensive, but it’s absolutely compulsory if new markets are to be acquired.”

“One of the traps that people fall into is lumping advertising and marketing into the same pile,” says Wayne Bollum, a seedstock producer and national advertising manager from Northfield, Minn. “Marketing is communicating. Advertising is promoting. Marketing involves face-to-face meetings with your clients, developing a newsletter to instruct people about your breeding program and philosophy. Advertising informs people about specific sale dates or animals that you want to sell, but without effective marketing underpinning your advertising, your ads won’t work.”

Adds Evans, “You need to spend a lot of time on the phone, talking to your clients. And when you call your clients, you need to maintain a log book with notes about your clients. This is a key way of getting to know who they are and what they expect. You should review your notes each time before you call or visit a client, so you remember important aspects about their business and themselves personally.”

Finally, a key part of tapping growing opportunities within the seedstock business is positioning yourself as a resource for important information among your customers. If a commercial producer is having problems with their nutrition program, for instance, seedstock producers should have the ability to point them in the right direction to key people in Extension service, universities and consulting firms.

“As a seedstock producer, you can facilitate your clients success by pointing them in the right direction for any help they may need,” Evans says. “Make your customers’ lives easier. Help them in any way you can, and understand that your business is not just about selling them bulls.”

### Consignment sales

“Sometimes, the best way to move into a new market is to enter a few cattle into consignment sales in those areas,” Evans says. “It’s a good way for you to develop a reputation in other states, and for people there to get to know what your breeding program is all about. You also have the opportunity to visit with potential customers in person, understand the unique challenges and opportunities of their region, and to identify cattle within your own breeding program that best match their needs.”

The advantages of consignment sales, particularly for smaller seedstock producers, are many. There’s less stress involved than if you conducted your own production sale. You assume less financial risk. And, you’ll probably draw a larger crowd because potential customers will have a larger number of cattle to view. That provides you with the opportunity to expose your breeding program to a bigger number of potential buyers.

“It’s very difficult to draw a good crowd

when you only have 10 to 20 bulls to sell each year,” Evans says. “The cost per bull to host your own sale is prohibitive. So participating in consignment sales can really help a producer develop a reputation in the business while they grow their program.”

The disadvantages are that producers have less control over the sale itself. The sale management must satisfy the wishes and demands of multiple sale participants, not just one.

“If the sale manager is good, they will keep the problem producers out of the sale; however, a few poor-quality consignments can damage the reputation of the sale,” Evans says.

“It can be frustrating for new producers because they don’t have the reputation yet to draw a higher price for their cattle,” Evans says. First-time producers need to be patient while they build their reputation among bull buyers. It can take years of hard work and financial investment before a producer realizes the demand and price for their cattle to match their expectations.

### Changes to expect in the bull business

Probably the biggest change seedstock producers can expect is the increased demand for customer service, say industry experts.

For instance, some seedstock producers are offering delayed delivery on purchased cattle until their producers need the bulls for the breeding season.

Others are offering cost-efficient delivery programs, or making available warranty programs on purchases and discounts for long-term customers.

Some producers are educating their commercial bull buyers about new marketing opportunities through which they can sell their genetics. And, more producers are standing behind their herd-health programs by selling cattle that come from programs tested for bovine viral diarrhea (BVD), leptospirosis, brucellosis, trichomoniasis and Johne’s disease.

“Forward-thinking cattlemen recognize the importance of reading, studying, learning and accepting the increased knowledge that has been propounded by universities and commercial businesses associated with agriculture and



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beef production,” Harris says. “The advent of EPDs (expected progeny differences), ultrasound, DNA technologies, the prediction of tenderness potentiality, the utilization of different feedstuffs — all types of techniques to assist the producer in improving his life and profit potential have taken the beef producer out of the work-hard-with-little-potential-for-the-future class, and provided him with the opportunity of realizing wonderful results with improved management techniques in breeding quality stock.”

By accepting these things as part of their business practices, Harris says, seedstock producers can accelerate their breeding and marketing operations.

“It’s incumbent upon the seedstock producer to have faith, confidence and belief in his products, his services and ideas, and be respondent to the needs of his customers,” Harris adds. “The seedstock producer must help to educate his buyers, show them that he is vitally interested in how his bulls perform for his customers, and have a constant, ongoing contact with his buyers because they are an extension of his business and a predictor of his future.”

### Capturing opportunities

Capturing opportunities requires information, planning and execution. And seedstock producers should frequently evaluate their goals and objectives to see what’s working and what’s not working in their breeding and marketing efforts as a way of determining if they’re positioned well for new opportunities.

Leann Saunders of IMI Global, a leading animal identification (ID) company, believes cattle producers need to recognize there are more value-added opportunities available today than in the entire history of the cattle business. The key is understanding where you, your products and your customers fit into the big picture of world-wide beef production.

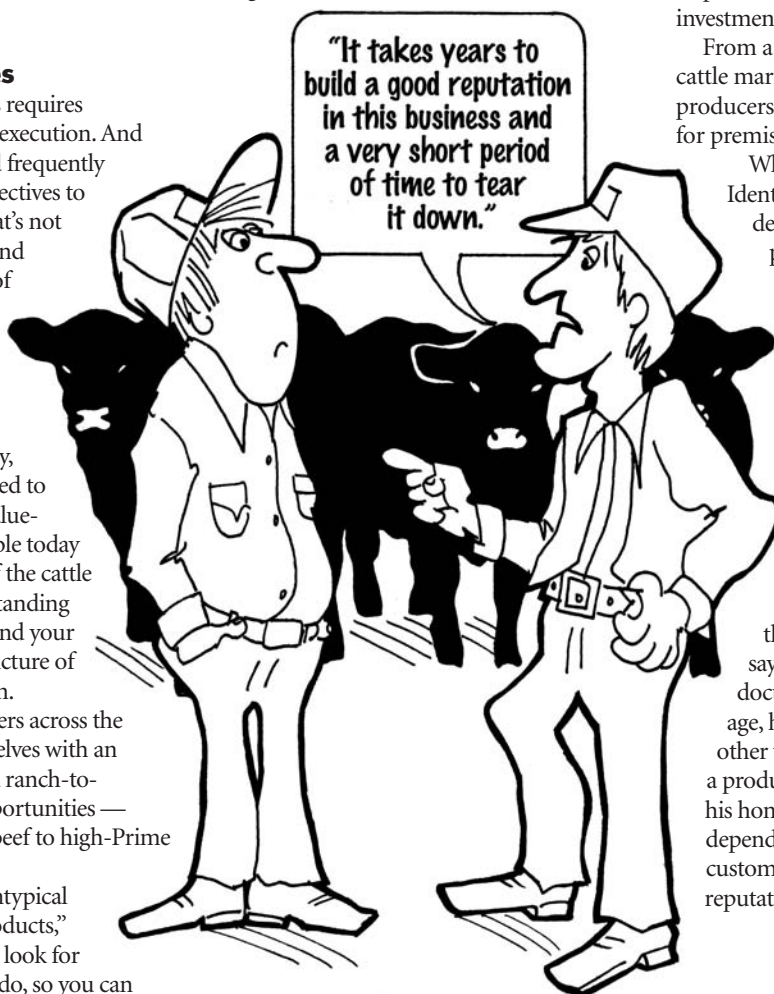
Today, seedstock producers across the country are aligning themselves with an array of ranch-to-retail and ranch-to-restaurant value-added opportunities — everything from grass-fed beef to high-Prime branded products.

“You need to look at nontypical ways of marketing your products,” Saunders says. “You have to look for ways of verifying what you do, so you can

leverage those practices into these new opportunities. There have never been so many value-added opportunities as there are today. And the more you know about your product, and the more you write it down, the more value you will add. This is a two-tiered marketplace today, and you need to work hard at documenting the features and benefits of your product.”

Seedstock producers shouldn’t just focus on their own business, either. Since their livelihoods depend on their customers, they need to work with their bull buyers, too, in determining what potential opportunities exist for both parties.

“A seedstock producer can provide a great deal of help to their commercial clients by helping them develop a strategy for the next five to 10 years,” Evans says. “By sitting down with your customers and evaluating their goals and objectives, you not only go a long way in helping that person remain in business, but you also help build a long-term business relationship with them. The lines of communication are open, and you’re working together to accomplish the same things.”



### Effects of animal ID on seedstock

“From a production standpoint, using an animal ID program in a seedstock setting alone does not make you a better producer,” Evans says. “But it should complement any existing data management software programs that you’re currently using, and make data procurement much easier and more reliable.”

In addition, the increase in information procurement precipitated by individual animal ID should help seedstock producers improve their own genetic selection programs and facilitate more efficient information flow to their customers.

“At the same time, the relative change in data capture by seedstock producers may be smaller compared to other industry segments, because most progressive seedstock producers are already engaged in gathering as much information as they can,” Evans says. “I think the big changes will be the efficiency of data capture. But it will still be important for producers to effectively use these records, no matter how they’re gathered, and it will still be the producers’ responsibility to make the necessary investment and changes to implement it.”

From a marketing standpoint, some cattle marketing programs, commercial producers and feedlots are already asking for premises ID.

While the voluntary National Animal Identification System (NAIS) is designed to address animal-health purposes, the system can be used to facilitate marketing opportunities that can leverage some of the information gathered for NAIS.

“An all-encompassing method of tracking, identifying and verifying legitimacy of parentage and source is going to be the order of the day, and acceptance is going to be obligatory if one is expecting to merchandise their produce either by seedstock sales or through feedlot activity,” Harris says. “By being capable of accurately documenting the source, genetics, sex, age, health care specifics, origin, and other vital bits of necessary information, a producer will be able to firmly establish his honesty, integrity, truthfulness and dependability among all potential customers, and therefore solidify his reputation in the marketplace.”

