



The Front Gate

by Allen Moczygemba, CEO, American Angus Association

The secret to marketing

When I was a teenager, my grandfather once shared with me his insight on how best to navigate the cattle market. He said it was easy — all you have to do is sell when everyone else is buying and buy when everyone else is selling. Of course, he shared that wisdom as we were hauling a load of calves to a sale barn where he hoped he'd get a good price.

Look at the numbers

Obviously, it's not that simple, particularly when it comes to the spring, when bull sales kick into high gear with multiple sales each day. Factor in a soft cattle market that is a victim of significantly more cattle being marketed and weaker exports due to the strength of the dollar overseas, and, not surprisingly, sale averages fall a bit.

For the fiscal year (FY) through April, Angus breeders have marketed 49,401 bulls, which is an increase of 6,898 head (16.2%) vs. the same time period last year. Females have had an even greater increase with 15,180 head marketed, which is a 2,732-head (21.9%) increase vs. the same time period last year. While the average sale price for bulls (\$5,612) fell by approximately the equivalent percent increase of bulls marketed (16.8%), females held their value better with

a decline of only 6.8% and an average selling price of \$4,846.

While certainly not all green-grass-and-plenty-of-moisture type of good news, it's important to keep the downward trend in perspective. While everyone agrees it will be some time before we see the high prices of 2015 again, it's important to note that the "down" prices of 2016 were still significantly better than the comparative 2014 average prices. Keep in mind that 2014 was a bullish market.

In 2014, breeders were in an expansion period as well. Looking at that same April FY benchmark, the number of bulls marketed was 8.2% greater than in the same time period in 2013, and the number of females marketed was 2.7% greater. While the average bull selling price as of April 2014 (\$4,978) was 12.6% higher than in 2013, note that the 2014 average price trailed the

2016 average selling price (\$5,612) by almost the identical amount of increase vs. 2013, with a 12.7% increase. Even more dramatic is the difference between today's average price for females (\$4,846) vs. the 2014 average female price (\$3,497), which shows the 2016 average price increase of \$1,349 (38.6%) higher.

Wrapping it up

So what does it all mean? First, it's important to keep in mind that we're talking about an average price. As with anything, averages can be somewhat misleading. In terms of bull sales this past spring, the No. 1 message sent by buyers is that quality sells. By quality, I mean bulls that not only look good, but also have the genetics behind their looks. Bulls that are somewhat lacking ultimately get hit with a discount — and sometimes a significant one. Females, considering the increase in cattle marketed, are holding their value fairly well, which is indicative of an expanding beef cow supply.

In addition to quality offerings, we've seen that the breeders who have had the most disciplined marketing programs have had an advantage in getting higher prices. It's important to note that discipline doesn't necessarily mean a large marketing budget. Rather, it's about knowing not only how to serve but also how to reach your best prospective buyers.

EMAIL: AllenM@angus.org

AMERICAN ANGUS ASSOCIATION

3201 Frederick Ave., Saint Joseph, MO 64506-2997; phone: 816-383-5100; fax: 816-233-9703; Office hours: (M-F) 8 a.m. to 4:30 p.m. (Central)
email: angus@angus.org • home page: www.angus.org • facebook.com/americanangusassociation • twitter: @AngusAssoc

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Charlie Boyd II, vice president and vice chairman of the Board, 6077 Helena Rd., May's Lick, KY 41055; cell: 606-584-5194; cboyd2@maysvilleky.net
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