

# Beef Cattle Seedstock Marketing



## Seedstock Cattle Versus Commercial Cattle

Seedstock cattle are breeding cattle typically registered with a breed association. They have documented pedigrees and estimates of genetic merit, such as expected progeny differences. Seedstock operations are considered genetic suppliers, and genetic improvement is often a key focus of a seedstock cattle operation. Seedstock operators are also called breeders.

Commercial cattle are usually not registered animals, may be crossbred, and may or may not be offered as breeding herd replacements. Commercial cattle can include purebred animals eligible for breed association registration; these animals are used as commercial cattle where registrations are not maintained or pursued. These cattle are often referred to as grade animals.

## Seedstock Marketing Approach

Marketing seedstock cattle differs greatly from marketing commercial cattle. There are differences in products, product values, price fluctuations, target audiences (customers), marketing flexibility, and amounts of seller influence on price between the two types of marketing. Opportunities exist to add value to cattle and cattle products for both seedstock suppliers and their commercial customers.

Marketable products for seedstock producers include purebred or registered bulls, cows, heifers, semen, and embryos as value-added beef cattle genetics. A breeding animal's base value depends on its salvage value. A breeding animal's value above slaughter value is based on its ability to produce live calves. The overall quality of those calves can impact the value of marketing a breeding animal as a replacement. Cow-calf producers affect the marketability of their calves when selecting breeding stock.

A quality product is something worth marketing. Each breeder has the decision to produce cattle to meet their own desires and preferences, to produce cattle to meet the desires of potential buyers, or to produce cattle that satisfy both conditions. Perceptions of "quality" differ among beef industry participants. Individual seedstock suppliers and the rest of the industry benefit from breeder commitment to a quality product.

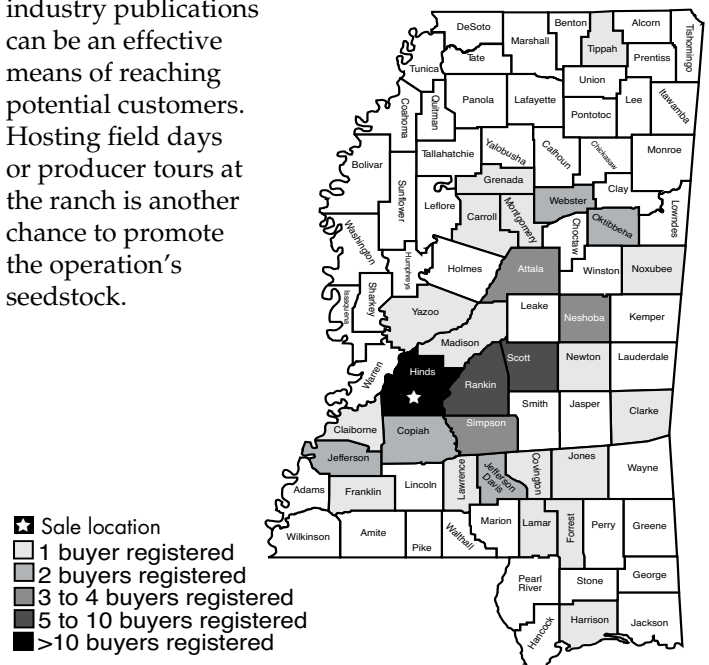
While cattle of all qualities can be sold, carefully consider the quality of cattle to offer. Marketing few quality animals and selling many cull animals can damage a breeder's reputation. Promoting poor quality products only further contributes to a poor seedstock supplier

reputation. Reputation is essential in marketing; produce cattle worth marketing. Then focus on marketing a quality product for operational profitability.

Marketing effectiveness is measured by profitability and customer satisfaction. A common goal of successful beef cattle operators is to produce profitable cattle. Profitability should be achieved by both buyer and seller.

When making marketing decisions, know cost of production and breakeven prices. Be aware of the operation's product value and how well it will perform or be valued by other industry segments. Understand current prices and trends. Seedstock operations must sell at higher than breakeven prices to realize profits. Beef cattle breeders must successfully market their cattle to remain in business.

Promotion is the act of furthering the acceptance and sale of merchandise through advertising and publicity. Investment in promotional efforts is an important part of the marketing process. Creating ranch logos and business cards is an important first step in promoting seedstock cattle. Electronic advertising of seedstock cattle is now common. Many seedstock operations maintain ranch websites. Current contact information and production offerings provide website visitors with information to pursue cattle purchases. Some ranches distribute periodic electronic or printed newsletters to prospective customers. Advertisements in breed association, state cattlemen's association, or other industry publications can be an effective means of reaching potential customers. Hosting field days or producer tours at the ranch is another chance to promote the operation's seedstock.



## Customer Identification and Satisfaction

In the marketing plan, identify potential customers, assess the competition, point out product uniqueness, and evaluate ranch resources to cover production costs and marketing budgets. Marketing program development involves knowing who has purchased cattle during the last three years that might be interested in the same quality of animals the ranch offers. Recognize the wants, needs, and desires of potential customers. Learn the location of potential customers. Analysis of Mississippi Beef Cattle Improvement Association bull sale buyers showed that, while bulls often sold into states surrounding Mississippi each sale, the majority of bull buyers resided within 200 miles of the sale location.

The registered livestock business is a people business. The role of a seedstock salesperson is to satisfy the customer. Seedstock producers should do the following:

- Listen to learn their customer's needs.
- Inquire about the prospective customer's breeding and management programs.
- Visit customer operations when possible.
- Learn the customer's herd needs and price range.
- Match bulls and replacement females accordingly.
- Help the customer with breeding and marketing goals after the sale.
- Provide buyer services and programs:
  - cattle hauling
  - breeding guarantees
  - calf buy-back or placement programs

## Information for Marketing Purposes

Many cattle buyers desire relevant information on seedstock cattle and are willing to pay more for this added value. An increasing percentage of seedstock customers insist on certain pieces of information, such as expected progeny differences on prospective herd sires. Information needed for seedstock marketing purposes includes but is not limited to the following:

- Cattle identification/registration number
- Pedigree/breed composition
- Birth date
- Weaning date
- Performance information
  - birth weight, weaning weight, age of dam, yearling weight, adjusted weights and ratios
  - ultrasound body composition scan results
    - ♦ ribeye area
    - ♦ intramuscular fat percentage
    - ♦ backfat thickness
    - ♦ rump fat

- Expected progeny differences
- Management practices
  - Creep feeding
  - Nutrition
  - Weaning/preconditioning
  - Herd health program
    - ♦ vaccinations
    - ♦ internal and external parasite control
- Breeding soundness evaluation
  - physical exam
  - scrotal circumference
  - semen motility and morphology
- Pregnancy determination results
  - rectal palpation
  - ultrasound
- Artificial insemination breeding and bull exposure dates
  - registration numbers of sires to which exposed

## Seedstock Marketing Alternatives

Seedstock suppliers can choose from a variety of marketing methods. Understand the pros and cons for each marketing alternative for the specific operation. Evaluate different marketing alternatives, considering ranch marketing goals and resources. Marketing is an ongoing effort, not an occasional event. Determine how various marketing methods might contribute to a year-round marketing program. Use a combination of marketing alternatives when appropriate.

## Private Treaty Sales

Private treaty sales are direct sales from seedstock suppliers to customers. Overhead costs are generally lowest with private treaty sales compared with other marketing methods. Spending money on advertising is still warranted in many cases, though.

Developing customer relationships that elevate the reputation of the operation and result in new and repeat buyers is a primary focus of private treaty sales efforts. Offering quality cattle is important in achieving this. Private treaty purchases can develop into lasting marketing relationships when the seller provides a desirable product and associated customer service to result in a repeat buyer. Some breeders also try to entice volume buyers. Volume discounts, customer service, and a large cattle offering providing more selection opportunities can attract volume sales.

A primary drawback of private treaty sales is the time needed to be successful. Private treaty purchases let buyers interact with sellers individually. The buyer can visit the seller's ranch and view the operation while asking

the seller questions about individual head of cattle and the ranch management program. Seedstock operations need to have someone available and willing to visit with prospective customers throughout the year and often on short notice.

Private treaty sales require excellent knowledge of the cattle offering and current cattle markets. Know current market conditions, the overall quality of the cattle being offered, and the recent sale history of similar genetics in the region. The seller must be able to price cattle to visitors and then close the deal on sales. There is more room for haggling with a private treaty purchase than with many other marketing alternatives. This is both an opportunity and a risk for the buyer and seller.

Sellers must be accessible to prospective buyers. Willingness to answer and return phone calls, respond to email messages, and host visitors at the ranch is needed. Work with customers to determine their needs and match cattle that best fit their programs. Visits to customer operations can be useful in assisting customers in finding the appropriate cattle. Some customers also request production and marketing advice from seedstock suppliers.

The seller develops a reputation (good or bad) depending on the experiences of potential and actual buyers. Cattle purchased through private treaty are often farm-fresh with less disease exposure than commingled cattle. Special arrangements can sometimes be made for later delivery, volume discounts, sight-unseen satisfaction guarantees, and many other situations. Discuss sale terms and conditions, and make certain all parties understand them in detail to avoid future confusion or related problems.

## Open House Sales

A seedstock operator who decides to host an open house places cattle on display for designated dates and invites potential buyers to visit during this time. This marketing method allows a large volume of cattle to be sold at once but requires less time showing cattle to potential customers compared with private treaty sales.

Sellers can set minimum prices on cattle and sell only cattle that receive bids at or above minimum prices. This protects the sellers from situations where bidding competition is lower than expected or desired. The seller can retain ownership of some cattle for sale at a later date, if needed, while selling other cattle if desired prices are offered.

Effective advertising and a good operation reputation contribute to the success of open house sales. Prepare cattle to be well-presented for this event. Make sure the site of the open house creates a good impression on prospective customers.

Cattle at an open house may be displayed by price range. Customers may also be provided with a list of prices for individual cattle lots. Bidding on cattle may be allowed until a set time in a silent auction format, or cattle may be offered at set prices on a first-come, first-served basis.

Marketing middle- and bottom-end cattle is often the most difficult part of open house sales.

## Consignment Sales

Consignment sales involve multiple cattle owners' consigning cattle to each sale. Many breeders who do not have the herd numbers, facilities, or interest in putting on a production sale participate in consignment sales instead. Sale costs are divided among consignors.

Professional sale management typically handles sale logistics. Screening cattle is common before acceptance of consignments to a sale. The Mississippi Beef Cattle Improvement Association bull sales are examples of consignment sales. Breed association field representatives and reputable sale managers are good contacts for learning more about specific consignment sales.

Consignment sales are usually arranged by professionals. While many sale managers do a good job for clients, do not assume that all sale managers act professionally and effectively. Wide variations exist in sale management abilities, willingness to accommodate client and customer requests, communication efforts, marketing effectiveness, and follow-through. Similarly, sale manager fees vary significantly. Inquire with previous clients about their experiences with specific sale managers. Visit with sale managers about their fees and procedures before consigning cattle to a sale.

The potential to reach new customers and further advertise seedstock is an advantage to consignment sale participation. Selecting quality cattle for these sales can help a breeder develop a good reputation. These sales provide breeders with opportunities to expand their market areas and can increase private treaty sales. Producers may want to participate in local, regional, and even national consignment sales before hosting a production sale. Consignment sales promote breeders, individual cattle, and breeds. These sales can provide price benchmarks and help establish values for private treaty cattle.

Consignment sales allow buyers to compare cattle from multiple operations at once. Because each consignor's cattle are compared to other breeders' cattle, cattle must be of sufficient quality to be competitive. Depending on the sale, quality and consistency can vary. Learn about what types of cattle have sold well in a particular consignment sale in the past. This helps in selecting the right cattle for the sale.

Be aware of consignment deadlines and check-in times to the sale site. Keep the sale manager's phone number handy in case of a delay in hauling cattle to the sale site. Pay consignment or nomination fees on time, and submit required paperwork, including nomination forms or registration certificates as requested.

Many sales require evidence of passed breeding soundness evaluations, pregnancy determinations by licensed veterinarians, vaccination records, or test results or herd certification for diseases such as Brucellosis. Plan

far enough in advance to schedule necessary veterinary work and to condition cattle properly for a sale.

## Production Sales

Production sales offer the products of one or more ranche for purchase. These types of sales may be located at the ranch or another livestock marketing facility. They are often held on a regularly scheduled annual date. The Mississippi Agricultural and Forestry Experiment Station Livestock Production Sale is an example of a production sale. Both seedstock and commercial cattle are usually marketed at this annual sale.

As with private treaty sales, encouraging farm visits from and making advance contacts with the prospective customers to a production sale are a good use of time. Both private treaty sales and production sales allow buyers to see the total ranch program. Consider not selling cattle private treaty before a production sale. This could reduce the quality and quantity of the sale offering if cattle are picked over in advance of a sale. Instead, work to ensure that current private treaty customers feel comfortable with purchasing cattle in an auction setting.

For a production sale to be successful, an adequate number of cattle lots are needed to attract buyers and reduce per-lot sales cost. Target a minimum of 40 to 50 lots per sale. When trying to achieve an acceptable number of lots, do not include inferior cattle to increase the sale offering. These cattle may detract from the sale offering, negatively impact breeder reputation, and command less-than-desirable prices.

Production sales offer both breeder control and breeder risk. The breeder typically controls all sale arrangements. Professional sale management may be retained, but the breeder should approve important aspects of the sale, including the catalog.

A well-run sale results from effective breeder and sale managers planning and cooperation. Cattle do not compete with those of other breeders unless invited to participate in the sales. However, breeders marketing through production sales risk not attracting enough buyers to meet the expected sale price average. All or most ranch

marketing occurs at one event. Weather can impact buyer turnout. If a sale is unsuccessful, an entire season or year of production is affected.

## Internet/Satellite Auctions

Internet and satellite sales feature video of cattle lots over designated websites or satellite channels. Professional sale services are usually required to put on one of these sales. Video presentations are developed by sale managers in advance of the sales. High-quality video clips and careful editing are essential for a good presentation. Production and consignment sales can be presented via Internet or satellite sale service. Bidding normally occurs online for Internet sales and by phone for satellite sales.

Internet and satellite sales are good forms of seedstock advertisement. Many people watch these types of sales even if not interested in purchasing cattle at the particular sale. These individuals may develop good impressions of operations represented in Internet or satellite sales and then purchase cattle from these ranches later.

Internet and satellite auctions offer prospective buyers the convenience of not having to attend a sale in person and instead bidding from a remote location. This eliminates or reduces buyer travel expense and time off from work. Weather conditions are not likely to impact buyer participation. Downsides to Internet and satellite auctions include a lack of comfort among potential cattle buyers with bidding and possibilities for technical difficulties.

## Conclusions

Effective marketing is essential to profitability for beef cattle seedstock suppliers. Many marketing methods can work for seedstock marketing. Develop an individual marketing program, including product development, promotion, and customer service that best fits the specific operation. Continually evaluate and adapt seedstock marketing programs as products, marketing resources, and markets change. For more information on beef cattle seedstock marketing, contact your local county MSU Extension office.

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