

Investing in a New Light

Enterprise analysis puts sire contribution in perspective.



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by **MIRANDA REIMAN,**
Certified Angus Beef LLC

Many people have a distinct strategy for purchasing a new pickup. They want certain features; they're willing to pay more for this, but not that. They figure value and how much it'll be worth for resale X-number of years down the road.

When those same ranchers go to buy a bull, though, it's hard to follow such a plan. Action at the auction can lead to price "opportunities" and buying less than they really wanted.

Jim McGrann, emeritus ranch management economist at Texas A&M, says bull-buying should be more like a vehicle purchase and less like shopping the bargain bin on an after-Christmas sale.

"When you put it in the proper perspective — what does it mean in terms of depreciation per female serviced — it's really a low-cost number when one takes into account increasing salvage value," he says, noting investment minus salvage should be spread over three to five years.

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"The seedstock people do a poor job of marketing because they're always talking up that they're price-sensitive and price-competitive," McGrann says. "They never really talk about when you purchase a bull, you're making a long-term investment."

Calculating cost per calf

McGrann authored an Excel spreadsheet (available at <http://agrisk.tamu.edu/herd-bull-investment/>) that helps calculate what different bulls could mean to cow costs. Increasing bull purchase price by \$200 only moves the annual cost per hundredweight (cwt.) of calf weaned by 42¢. A \$2,900 bull covering 25 cows per year divides out to \$9.31 per cwt. of calf weaned. For a \$3,100 bull, that moves to \$9.73.

Add another \$1,000 to the bull purchase price, up to \$4,100, and that per-cwt.-of-calf cost would increase just \$2.10 to \$11.83.

"Buying genetics is investing in the future to conform to market demands," McGrann says. It's important to choose bulls that help meet what the next owners of your calves want, all the way to the consumer, he says.

When genetics help add value to the herd, the cost decreases.

The above figures are based on an average 550-pound (lb.) weaned calf. If a particular sire adds 20 lb. per animal, the cost per cwt. of calf weaned drops to \$8.98 on a \$2,900 bull and to \$11.41 on a \$4,100 sire.

Notch that up by 100 lb. to a 650-lb. weaning weight average and that cost drops by \$1.33, or more than 10%.

Advanced goals

Selection for more carcass merit will drop net bull cost as well, given any way to capitalize on the added value. Though such qualitative traits aren't part of this calculator, the point is part of a larger fact.

"Genetics is a cheap input," McGrann says. "You are not going to make any money or save your costs by buying low-quality sires. There's no way."

Reproduction is still key, so any sire that improves that area on the balance sheet will pay more than his fair share.

The examples assume an 85% ratio of weaned calf per cow exposed. If a particular bull excels in calving ease or heifer pregnancy traits, perhaps that number could inch up to 90%. In that case, the bull cost per cwt. of weaned calf drops by 52¢.

Compounding some of those factors — like a bull that increases reproduction and adds more pounds — makes the dollars even more apparent.

McGrann's calculator is based on producers selling calves at weaning, but he says that does not mean that weight is the only factor that matters in those calves.

"They have to be in tune with the market," he says. "If ranchers want to get one-on-one with a feedyard guy, he'll be straight with them. He'll take them around pen by pen and show them what he wants."

That includes cattle that finish heavier and ultimately sell on a quality-based grid, McGrann says.

Maternal value

Of course, for many ranchers it's not



just about the cattle that are sold, but also the females retained in the herd. That's not always easy to measure, but it's an important consideration, says Matt Perrier, Kansas Angus producer.

"The offspring of the bulls that they purchase are going to be in their herd and are going to affect the bottom line for years and years down the road," he says. "They aren't going to find out what those females are worth as soon as they would figure weaning weights on calves, but it's probably an exponential payout when we're talking about a female that's in the herd for 10, 11, 12 years down the road." She may also contribute several generations from daughters to great-granddaughters and beyond.

Deciding what makes one bull worth more than another on the female side isn't as easy to calculate, but paying attention to certain traits helps.

"I think the dollar-W (\$W) index is probably one of the unsung heroes of the multi-trait selection indexes," Perrier says. It combines traits like weaning weight and calving ease, but also measures traits associated with cow costs, like mature height, mature weight and milk.

Placing pressure on that in tandem with the \$B index helps his Dalebanks Angus customers raise calves that excel in the feedyard, with sisters that work in the herd.

"We've got quite a few who retain ownership through the feedyard and sell on a quality-based grid, so \$B is pretty important," Perrier says. "But even customers who are selling commercial calves at weaning shouldn't kid themselves because the buyers of those calves are tracking how those cattle gained and how healthy they were and how they performed on a grid. They are making buying decisions for the next year accordingly."

A producer can spend more on a dual-purpose bull that's maternal and carcass-oriented — but do they exist?

"With enough data, we can have our cake and eat it, too," Perrier says, noting

it takes work, but they've found many of their cattle that are in the top 10% to 15% of the breed for both \$W and \$B. "If folks simply rely on assumptions and antagonisms that people perceive between maternal and carcass traits, they won't get there."

Once ranchers have their target in mind, it's more important to infuse the herd with good genetics than to save a

couple hundred bucks on a bull, McGrann says.

"To say that a higher-quality calf costs more to produce, boy that is not right, because the inputs that affect quality, particularly genetics, are really low-cost," he says.

McGrann says producers also need to adjust their mind-set to account for today's economics.

"If you told somebody that they had to pay \$4,000 for a bull, they would have gone mad five years ago. But today, when you put it in perspective of \$180 calves, it's a completely different world."



Editor's Note: *Miranda Reiman is assistant director of industry information for Certified Angus Beef LLC.*

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