



Your Link to

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



What can you pay for a bull?

The auctioneer chants, “Who’ll give me thirty-five, now four thousand, now four and a half, now five? C’mon boys, look at that solid bull, everything you want there forty-five, now five?”

In that moment, it’s hard to calculate the specific difference in those investments. How will a 20-pound (lb.) improvement in weaning weight change your calf crop and thus your bottom line? Does it matter if you buy a bull with a marbling expected progeny difference (EPD) of +0.2 vs. +0.6?

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That homework must be done long before sale day. Identify production goals, look at your financial picture and then set your target range, both in genetic values and economics. There are many variables to consider.

A few years ago, I interviewed Jim McGrann, emeritus ranch management economist at Texas A&M, about a calculator he built to help cattlemen analyze what their bull investment looks like on a per-cow basis.

It’s still the best tool I could find when considering the question, “What can I afford to pay for a bull?”

In 2013, McGrann said, “Genetics is a cheap input. You are not going to make any money or save your costs by buying low-quality sires. There’s no way.”

Instead, look to save money where it might matter. “Don’t get ‘iron disease,’” he said. Scrutinize equipment purchases and other high-dollar costs.

We were using a \$180 per hundredweight (cwt.) calf price then. Is McGrann’s advice still on target in light of prices that could be more like \$120 per cwt.? When you’re trying to cut costs, how much would it help to tighten your bull budget?

I ran some numbers to find out.

Running the numbers

For example, take a \$4,000 bull, keep him around for five years, breeding an average of 25 females per year. That average service cost comes to \$60.67 per cow. If you’re at the same sale and decide to bid \$250 more for a bull, that figure per cow increases by less than \$3, to \$63.07. That incrementally steps upward — \$65.47 for a \$4,500 bull, and so on.

You might have to decide between two different classes of bulls. Going from average to above-average might look more like a \$3,000 price tag vs. \$5,000. In that example, the price per service changes approximately \$20, from \$50.07 to \$70.27.

Still, you have to be sure the investment is worth that extra \$20. Consider what could offset that investment.

In a \$120 per cwt. feeder-calf market, you’d need to add nearly 18 lb. of weaning weight to pay for that better bull. That would mean moving from a bull in the top 75% of the Angus breed for weaning weight EPD (WW) at +41 to one in the top 15% (+59). Then you could expect that bull to add another 18 lb. of weaning weight.

Depending on overall herd genetics, the age of current sires and many other factors, it wouldn’t be out of line to say a bull could add 50 lb. just through its

genetic gain improvement. That would easily surpass the markup.

Pounds are not only measure

Of course a better bull doesn’t just mean added pounds. It could mean better docility to improve working conditions for generations to come. It could mean hitting a specific target for milk or calving ease. It should mean looking beyond the ranch gates and paying attention to what matters for the buyers of your calves — not only because it’s the right thing to do, but also because it makes financial sense. When good genetics add value to the herd, their cost is diluted over an increased profit potential.

I’ve heard many say before that they’d rather sell a pound of gold than a pound of lead. That’s true through all segments in the beef business.

Mark McCully, CAB vice president of production, spoke at the 2016 Angus Convention, where he reminded us, “Not all beef is created equal and not all beef brings the same price out in the marketplace.”

That’s why grids were created. “We had end users that are willing to pay more for certain product, and that sends the signal downstream to cattlemen to produce more of these types of products and less of the other,” he said.

In a market where there is an average \$35 per cwt. difference between Prime and Select, your customers (cattle feeders) want more of the kind that can make the grade and gain. Genetics are a big part of that puzzle.

To look at it from a feeder’s

perspective, McCully shared an example of three different sets of finished cattle — poor, average and excellent (see Fig. 1). The poor ones had 0% Prime, half the national average CAB acceptance at 14% and managed just 50% Choice. The “excellent” group moved up at 15% Prime, 55% CAB and 85% Choice.

Applying average carcass premiums and discounts, that shows a \$116.82 difference in carcass value, keeping weights and everything else equal. That’s true whether finished steers are selling for \$160 per cwt. or \$100 per cwt.

Commercial producers have a healthy incentive for producing high-grading cattle, and all indications are that it will remain strong.

When we talked several years ago, McGrann observed what is ever-important today: “Buying genetics is investing in the future to conform to market demands.”

When you’re looking to cut costs, to get a leaner budget for lean times, you should absolutely look at every line item. But don’t forget to consider the lasting impression sires will have on your herd, their effect multiplied if you save replacements and their value amplified if you retain ownership through feeding.

Don’t shortchange your herd for a relatively small savings in the long run.

When you look at the data, you’ll usually find expensive bulls aren’t as costly as “cheap” ones.

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

Fig. 1: Grid marketing examples

When prices fall, quality premiums make a bigger share of the grid payment. In this example, the difference from lowest to best cattle at \$160 per cwt. is 5.3%, but at \$100 per cwt. that increases to 8.3%.

Example 1, \$100 per cwt. live cattle	Poor	Avg.	Excellent
Grid adj., \$/cwt.	-\$3.15	+\$1.84	+\$9.83
Carcass base (\$160) + adj.	\$156.85	\$161.84	\$169.83
Hot carcass wt., lb.	900	900	900
Value, \$/hd.	\$1,412	\$1,457	\$1,528

Example 2, \$160 per cwt. live cattle	Poor	Avg.	Excellent
Grid adj., \$/cwt.	-\$3.15	+\$1.84	+\$9.83
Carcass base (\$250) + adj.	\$246.85	\$251.84	\$259.83
Hot carcass wt., lb.	900	900	900
Value, \$/hd.	\$2,222	\$2,267	\$2,338

