

What are Bulls Worth?

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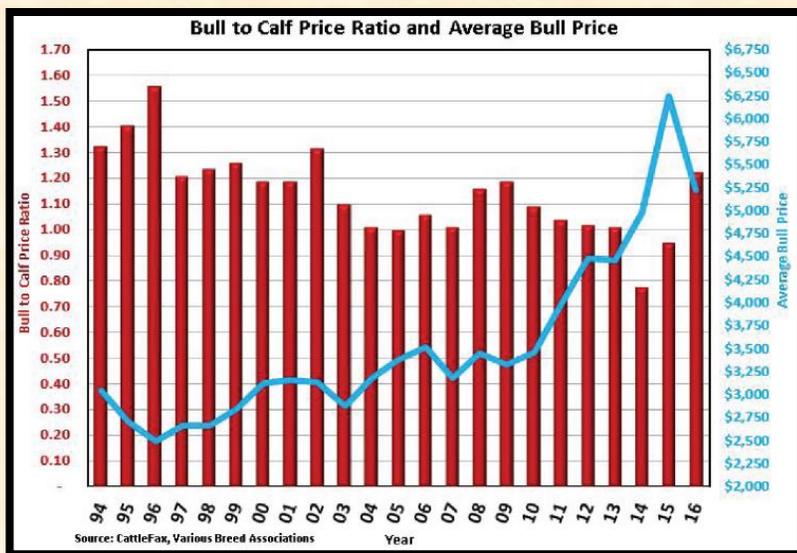
As fall bull sales start to get kicked off and winter and spring bull sales are not too far away, it is time to start having the discussion about what to look for and how much to pay for a bull by taking a look at both the genetic influence as well as the economic influence to your cowherd.

Every decision that a cow-calf producer makes, with regard to adding/culling cows, which heifers to retain and which bulls to use to breed the cowherd, not only has implications for the following calf crop, but has a genetic influence for 5 to 10 years at minimum. These influences accentuate when using your own genetics for replacement heifers. Due to the relatively slow biological nature of cattle, cow-calf producers should be thinking where they want the genetics in their cowherd to be 10 years down the road. Once that decision is made, selection of individuals that best fit that criteria can then also be made. Remember, selecting for extremes in one trait may show rapid progress in said trait, but it will lead to dysfunctional qualities also expressing themselves further down the road. Genetic progress is a slow process when commercial cow-calf operations still have to match cows to their environment.

The question may arise of what genetic path is best to take. That is something that each individual operation will need to answer themselves. Some operations may be able to pursue more market desirable traits, such as grading percentage or feed conversion rates. Other operations may have to rely more on maternal traits to create an efficient and viable cowherd. Each operation will vary and will need to decide the traits their environment will allow them to pursue to create the most economically viable cowherd. It is highly important to not forget that the cows and bulls (to a certain extent) need to be matched to their environment, first and foremost.

After deciding what direction the genetic makeup of your cowherd should be, (this may be something that you have already decided years ago) start the process of finding seedstock producers that fit that criteria. Seedstock producers typically have a certain market or traits that their bulls will excel in – for example, that may be maternal traits, growth traits, calving ease, etc. With a plan in your hand and the right seedstock producer, it is time to decide what to pay for those genetics.

However, before raising your hand at the next auction, there are several other factors to consider when deciding which seedstock producer(s) to work with and buy bulls. Things such as the location where the bulls are raised, how they are developed, how many were culled prior to the sale and the age of the bulls, are all things that should be considered and do not show up on EPDs or genomic testing. If bulls are developed on a high concentrate ration, they may look in great condition at sale time, but what do they look like after being turned out on dormant pasture in November or February? This may be as simple as managing those bulls differently after purchasing them, but could also hide some of the ability of those bulls to thrive in the conditions that are present on your operation. The same can be said for the location in which those bulls were raised. Things to consider are elevation and type of forage/forage availability. Also, seedstock producers should have some quality control. Mother Nature has a way of putting her own fingerprint even on the best matches on paper. Seedstock producers should have a rigorous culling process that leaves only the best representation of their genetics for the sale ring.



An old rule of thumb for the fair price of a bull is the average price of five steer and heifer calves. In other words, take the average, on a value per head basis, of a steer and heifer calf both weighing 550 pounds multiplied by 5. In theory, that is the fair value to pay for a bull. The accompanying chart shows the ratio between the five-calf value figure and the average price of bulls on an annual basis over the same period. Overall the ratio has been in a downtrend, in this case it means that calves are outpacing the value of bulls over the given time period. The right axis (right side of the chart) shows the average value of bulls over the same period and the upward trend that they have been on. This makes sense, as the value of calves continues to increase, the more willing

cow-calf producers are to pay for better genetics. This is clearly visible from 2014 to 2015. In 2014, the ratio was the smallest in the data shown on the chart, as calves made record high prices. The following year, bull prices jumped nearly \$1,300 per head. Conversely looking at the year 2002, with a ratio of 1.31 (near the upper end of the range), the following year bull prices dropped \$300/head, on average.

The long-term average of this ratio is 1.14, meaning that cow-calf producers pay slightly more than the average of five steer and heifer calves for a bull. However, the rule of thumb will vary from year to year, but will get very close to where you need to be. Reputation seedstock operations will be rewarded, financially, above and beyond this number for their genetic success and customer service. Also, remember that there may be added benefits to paying for high-end genetics. These incentives can most likely be realized when it comes time to market the calves. Due to generous participation in the CattleFax Cow-Calf Surveys, we were able to see a premium paid for calves in which producers paid higher than average prices for their bulls. The premium, when paying for above average price bulls was \$133/head/calf and \$128 for 2015 and 2016, respectively.

Each individual operation will have a choice to make on how much they are willing to pay for a bull. Paying another \$2,000 to \$3,000 for a bull may seem like a lot when looking at the sticker value of that bull. However, remember the service life of that bull and the genetic effect he will have on the herd. A reasonable average service life of a bull is 4 to 5 years, producing anywhere from 15 to 40 offspring per year. For this example, assume the bull produces 25 offspring per year, for four years. That is 100 calves (assuming a perfect calf crop) that the bull will have a genetic influence on. If conservatively figuring a \$75/head premium (nearly half of what the cow-calf survey suggested), that is an additional \$7,500 influence that higher quality bulls can add to your bottom line. Paying an additional \$3,000 for a bull equates to an additional \$30/calf cost. Be sure to market your calves in a way that allows you to harness that additional genetic firepower – this may be through retaining ownership, marketing through special genetic sales or simply selling those calves with the moniker of the genetics used. It may also mean that you market the heifer calves as replacements and not a terminal animal. Note: look into carrying some sort of insurance policy on your bulls, there is a lot of injury risk when you put several testosterone-laden males in the same area.

As the cattle markets are cyclical, bull prices and calf prices will fluctuate over time. Currently as calf prices as expected to continue to decline over the next several years, bull prices will as well. Bulls that were bought at the highs in 2015 are still in the bull battery today, increasing breeding costs but in the future that will flip as we enter into another bull market run. Bulls account for the overwhelming majority of the genetic makeup of the cowherd. Do not be hesitant to pursue the best quality genetics that you can afford and use those genetics to your advantage when marketing your calves.

