



## It Takes Price and Pounds To Make Dollars

The above chart shows that price per pound declines as weight of steer increases. But, dollars per head increases as weight increases. Thus, it takes pounds as well as price to make gross dollars. On the other hand, cost of growing heavier steers must be taken into account to determine the most profitable weight.

by Robert G. Gray and C. Curtis Cable\*

After three years of growth, and the experiences gained in the development process, Gila County Cattle Auction's participating ranchers have asked that their program be studied.

As they say, "we know we are doing better," but we want to know "are we doing the best we can to make every possible dollar from our auction?"

It must be emphasized that the auctions are not a one-way street in favor of sellers, only; buyers have benefited as well. And, participating ranchers are interested in improving the auction to benefit themselves as well as buyers — keeping it a two-way street.

The association's files contain numerous letters and comments from buyers expressing their satisfaction with the auction and encouraging continuation of this method of selling.

Having the cattle concentrated at

one location substantially reduces buyer costs.

Also, having the cattle separated into fairly uniform lots makes it easier for buyers to fill their particular needs for cattle. The evidence is clear that the auction is advantageous to both ranchers and buyers.

And, yet, ranchers are not willing to rest on their laurels. It is for this reason the authors have been analyzing the records of the auctions. As a result a publication has been produced and is available from Pat Gray, Gila County Extension Service, P. O. Box 7, Globe, Arizona 85501.

Highlights of the report are presented in this brief article. The report may help pinpoint certain things that ranchers, as individuals or as a group, can do to realize optimum benefits from the annual cattle sale.

The number of ranchers increased

from eleven to thirty in the three year period. They consigned 1,515 head of cattle the first year and 3,599 head in the third year. During the first year 62 per cent of the steers weighed less than 500 pounds; the third year, 43 per cent weighed less than 500 pounds.

Many reasons could be accountable for the heavier cattle in 1968. Data to measure the effects of any one cause are not available from the records of the auction. It is suggested that ranchers carefully study the various means for profitably increasing the selling weights of their cattle. As will be shown, it takes both pounds as well as price to make dollars!

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## *Prices per Hundredweight*

As is true in most cattle markets, there was an inverse relationship between the price received and the weight of the cattle — prices decline as weights increase.

For example: the average price for 1968 steers weighing less than 400 pounds was \$33.03 per cwt., but only \$25.88 per cwt. for steers weighing 700 to 799 pounds.

Prices for heifers averaged about three to five cents per pound less than for steers of comparable weights in each of the three auctions.

Are these differences in prices which are due almost entirely to sex justified on the basis of differences in finishing cost and packing house value?

Although an analysis of average prices is indicative of the prices being received by ranchers as a group, it does not reflect the whole story on prices received for each lot consigned by any individual. For example: why did one lot of 1968 steers weighing 450-499 pounds sell for \$26.80 per cwt., while another lot in the same weight group sold for \$32.60 per cwt?

This difference of \$5.80 per cwt. may be entirely justified. But, the important thing is to determine —

Why there was this difference, and if the seller of the lot bringing \$26.80, or the association, could have done something to entice buyers to bid a higher price.

Was the size of lot, the quality, breed or some other cause responsible for this wide range in prices?

The same question could be raised relative to the similar range in prices received for lots of 1968 heifers in the same weight group.

## *Dollars Received per Head*

Although prices per pound declined as weight of cattle increased, dollars received per head increased as weights of cattle increased. And, when the sale is over, it is dollars that the rancher carries to the bank that counts, not prices per pound. Thus the statement made earlier — It takes both price plus pounds to make dollars — should be remembered by every rancher. And, the fact that pounds is equally important as price in making dollars becomes very obvious from "dollar-per-head" comparisons.

An example: 1968 steers weighing 50-499 pounds and selling at an av-

erage price of 31.04 cents per pound returned \$148.63 per head; those weighing 400-449 pounds and selling at an average price of 32.46 cents per pound returned only \$139.02 per head.

The lower price, higher weight steers returned \$9.61 more per head to the rancher than the higher price, lower weight steers. Or, stated differently, the "sacrifice" of 1.42 cents per pound in selling price was more than offset by selling roughly 50 more pounds per head; that is, offset to the tune of \$9.61 more dollars per head.

The simple formula — price times pounds equals dollars — could well be the slogan of each rancher. Alternatives for making both pounds and price larger should be considered.

Total pounds sold and price per pound as determined by quality are affected by production management decisions. However, when considering alternatives for making price and pounds larger, the costs involved must be carefully weighed. Some "improvements" may cost more dollars than they make!

When all of these considerations are taken into account then, and only then, will the rancher tend to realize the "most dollars possible" from his annual calf crop.

## *Consider Marketing Costs*

Yardage, auctioneer fees, advertising, reserve fund, inspection fees, hay and feeding, and trucking are additional costs. Most of these charges are made on a per head basis, thus on a per-pound basis they decline as weight of animal increases.

Few, if any, of these costs are incurred when cattle are sold at the ranch by private treaty. But, the private treaty buyer considers his personal expenses and cattle hauling costs in determining his offer price. Most ranchers selling at private treaty pay these costs, indirectly of course, by taking a price which is less than the going market price.

Shrink is another expense which should also be evaluated for both methods of selling — private treaty or auction — before making a final decision as to which method is best in terms of net dollars.

Therefore the rancher must compare the net price received at the auction with the estimated or expected price he would have received at private treaty. This comparison will

provide a rough measure as to which method of selling is most profitable.

## *Handling and Selling Practices*

Participating ranchers repeatedly stress that long-run success and survival of an auction is dependent upon a marketing organization which is beneficial to both buyers and sellers.

For this reason Gila County ranchers established rules and operating procedures to govern the conduct of their auction.

Some of the more important ones are:

*The association enters into contract with each individual rancher giving guarantee of cattle delivery to auction pens, costs to be deducted by the association and other sale terms.*

*Conduct auction on two consecutive days as one large sale — first day for steers, second day for heifers.*

*Begin sale with lightest-weight steer lot, followed by successively heavier lots up to the largest. This applies to heifer sale on second day, as well. Highest price cattle are therefore offered first to set general price level.*

*Weigh each lot immediately before entering sale ring.*

*Sort cattle into fairly uniform lots with respect to weight and grade.*

*Unmerchantable cattle should not be consigned to the sale. Do not over-fill cattle at ranch.*

*Deliver cattle at least two days prior to sale.*

*Feeding and watering at pens should be timed to guard against over-and under-filled conditions at sale time.*

*Loading and unloading cattle should be done during daylight hours for more efficient sorting and handling at pens.*

*Penning instructions to yardmaster should accompany each load.*

*The association must have accurate and timely clerking for the sale.*

*A cross-check of all pertinent sales data is an absolute necessity to assure accuracy and equitable treatment to all sellers and buyers.*

*Buyer satisfaction should be the goal of every auction in order to repeatedly maintain and attract adequate buying power to the sale.*