

Marketing Cattle During Challenging Economic Times: A State BCIA Perspective

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The Alabama Beef Cattle Improvement Association (BCIA) was established in 1964 and, soon after establishment, has been engaged in the evaluation and marketing of breeding stock. Prior to the establishment of Alabama BCIA, the Auburn University Bull Test, which began in 1951, was evaluating bulls for average daily gain. In 1968, all bulls entering the bull test were required to be from herds enrolled in the Alabama BCIA program. The North Alabama Bull Evaluation Center was established in 1972 to measure average daily gain and weight per day of age on feed. In 1987, the Wiregrass Forage Based Bull Evaluation began to test bulls based on forage performance. All bull evaluations evolved to hold their own sale after completion of the evaluation. Alabama BCIA also hosts bull consignment sales for marketing bulls developed and evaluated on farm. The EPD Bull Sale began in 1990 to rank bulls based on their EPD values. Five years later, the Fall Round Up Sale was established in 1995.

Alabama BCIA started marketing commercial replacement heifers in 1981 with the Chilton County BCIA Heifer Sale, which is still active. Other current sales are the Herdbuilder Replacement Female Sale, begun in 1999, the Ag O Rama and the North Alabama Heifer Sales established in 2001. In 2008, Alabama BCIA launched the BCIA Genetic Verified Heifer Sales to broaden the replacement heifer marketing opportunities for cattle producers in Alabama.

For the past five years, Alabama BCIA has observed a decline in the number of bulls consigned to the bull evaluations and consignment sales. However, despite a statewide drought in 2006 and 2007, as well as tough economic conditions, no considerable change in the average market price per bull has occurred as shown in Table 1.

Table 1: Alabama BCIA Bull Sales: 2004-2008					
	2004	2005	2006	2007	2008
Number of Sales	5	5	4	4	4
Number of Bulls	334	298	298	241	210
Average Price per Bull	\$1,995	\$2,189	\$1,803	\$1,957	\$2,094

Another factor contributing to the decline of bulls consigned is competition from various bull marketing outlets. Many purebred operations have established or expanded their operations through participation in the Alabama BCIA program. As a result, many have established private, on farm production sales. In 2008, nine sales representing 25 breeders sold 770 bulls for an average of \$2,375 per bull through these

on farm production sales. This has contributed to the reduced number of bulls in the Alabama BCIA sales, but it is also a success of the program.

Alabama BCIA replacement heifer sales have also shown a decline in consignments, particularly in open heifer sales. With this decline, mainly as a result of the statewide droughts of 2006 and 2007, the number of open heifer sales has decreased, and it is becoming more difficult to sustain open heifer sale events. However, as reflected in the BCIA bull sales, average prices per heifer do not show a considerable decline as illustrated in Table 2.

Table 2: Alabama BCIA Heifer Sales: 2004-2008					
	2004	2005	2006	2007	2008
Number of Sales	7	7	7	4	4
Number of Open Heifers	286	296	265	180	105
Average Price	\$786	\$881	\$802	\$882	\$773
Number of Bred Heifers	266	281	300	246	234
Average Price	\$1,223	\$1,269	\$1,180	\$1,377	\$1,230

Another factor is the perception that due to the increase in feeder cattle prices more profit can be made by marketing open heifers as feeders instead of as replacements. However, the average prices in local tele-auctions as compared to Alabama BCIA open heifer sale averages do not reflect this thought as shown in Chart 1.

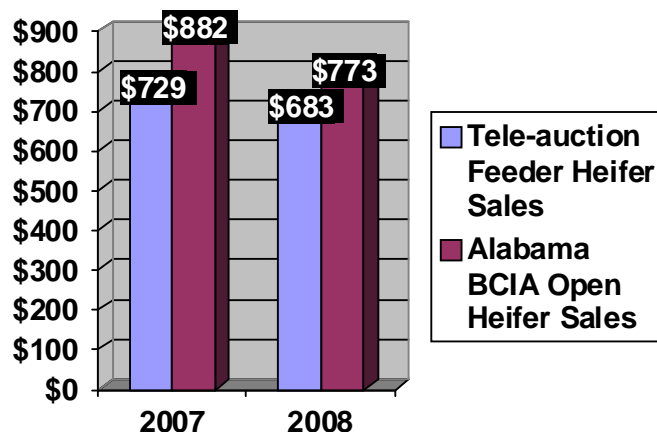


Chart 1: Tele-auction Feeder Heifer Prices vs. Alabama BCIA Replacement Heifer Sales

The basis of these open heifer sales has been marketing replacement heifers with Alabama BCIA commercial record keeping data. Heifers are presented with birth date, breed composition, adjusted 205 day weights and ratios calculated through the Alabama BCIA program. Restructuring within the Alabama Cooperative Extension System in 2004, drought, and tough economic times has led to the decline in the number of participants in the Alabama Commercial Herd Record Keeping Program, as displayed in Table 3. The most significant impact has been within the small herd category, with a decrease of 20 herds in the past 6 years. The medium herd size has decreased by 15 herds, with the large herds being the least effected with only a reduction of 2 herds.

Table 3: Alabama BCIA Commercial Herd Record Keeping Program:2003-2008						
Year	Total Herds	Total Calf Records	Avg. Adj. Weight	Total Small Herds	Total Medium Herds	Total Large Herds
2007-08	45	4,841	570	6	21	17
2006-07	48	4,816	582	11	23	14
2005-06	54	4,926	540	13	27	14
2004-05	60	6,783	549	16	26	18
2003-04	59	5,015	545	16	26	17
2002-03	81	6,108	560	26	36	19

As the number of bull and open heifer consignments decline, so has the total number of head sold each year through the Alabama BCIA. The number of buyers reached by these sales has also dropped, as shown in Chart 2 and 3. However, the beef cow inventory of Alabama as reported by the USDA National Agricultural Statistics Service has also shown a decline in the past five years, as shown in Chart 4.

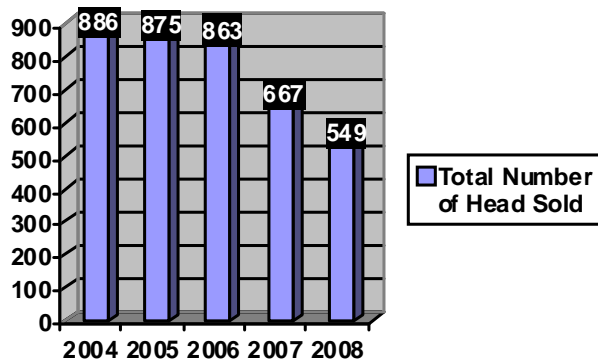


Chart 2: Alabama BCIA Sales: 2004-2008 Total Number of Head Sold

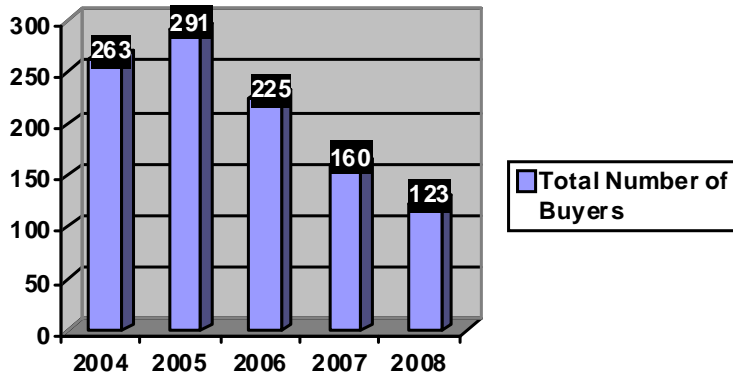


Chart 3: Alabama BCIA Sales: 2004-2008 Total Number of Buyers

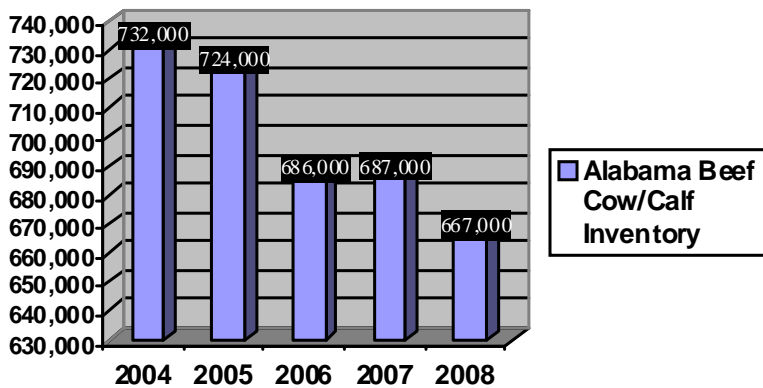


Chart 4: USDA National Agricultural Statistics Service: Alabama Beef Cow/Calf Inventory

In the past five years, efforts have been made by the leadership of Alabama BCIA to address the issues of declining bull and heifer consignments and record keeping participants. Many of these discussions have occurred at the evaluation and sale committee level up to the board of directors. Efforts were made to reduce the costs per bull of both the bull evaluations and consignment sales to increase the net profit per bull for the consignors involved and to attract more participants. Rewards of these efforts were observed in 2005-2006, but with a continued reduction in the total number of bulls and the increase in feed and sales costs, it has been difficult to maintain the control of per bull costs, as illustrated in Table 4 and Table 5.

Table 4: Alabama BCIA Average Evaluation Costs Per Bull: 2004-2008					
	2004	2005	2006	2007	2008
Auburn Univ. Bull Test	\$920.83	\$836.61	Sr.-\$750.51 Jr.-\$815.18	*	*
North	\$903.09	\$686.75	\$726.12	\$813.58	\$884.71

Alabama Evaluation					
Wiregrass Forage Evaluation	Sr.-\$974.63 Jr.-\$856.50	\$875.58	\$783.33	\$847.31	\$788.20
* No Evaluation Was Conducted.					

Table 5: Alabama BCIA Average Bull Consignment Total Sale Commission and Average Per Bull Cost					
	2004	2005	2006	2007	2008
EPD	11.76% \$235.91	12.44% \$242.95	12.61% \$201.76	14.53% \$238.00	14.54% \$264.92
Fall Round Up	11.67% \$255.69	13.2% \$283.67	12.08% \$186.64	10.35% \$226.56	11.16% \$287.70

In conclusion, consignments to bull evaluations and consignment sales are on a decline due to drought, tough economic times, and competition from other various marketing outlets. Consignments are rapidly declining in open heifer sales, and it is becoming more difficult to sustain sale events. However, average prices per bull and heifer are not reflecting a decline. With a reduction in the number of cattle sold, there are fewer buyers and also reduced income from sales commissions for the association. Outside challenges have been a contributor in the decline with the restructuring of Extension personnel in 2004 resulting in fewer Extension agents to work with beef cattle producers and the statewide drought in 2006 and 2007. The Wiregrass Forage Evaluation will not be held in 2009-10 due to the resignation of the evaluation site manager in 2008, and with the current high input costs of fuel, fertilizer, etc., Alabama BCIA has been unable to find another site.

The leadership of Alabama BCIA has worked hard to develop potential solutions to the problems these factors have created. The creation of the BCIA Genetic Verified Heifer Sales in 2008 was to provide Alabama cattle producers another avenue to expand marketing of replacement heifers. This type of sales target open and bred heifers with genetic documentation, group age, and source information. The sales reflect a new concept for the program to reach a broader audience without the requirement of participation in the Alabama BCIA Commercial Record Keeping Program and to support membership and BCIA bull sales. Another potential solution of offering specialized education for seedstock producers was recently launched in 2009 in the Alabama BCIA Seedstock Continuing Education Program. The program will feature a educational manual of resources in 8 sections, which include the following: 1) Introduction-testimonials from leading seedstock producers on the important aspects and lessons learned in being a seedstock producer 2) Business Goal Setting 3) Marketing and Market Positioning 4) Physical Aspects and Carcass Data 5) EPDs and Performance Data 6) Management 7) Reproduction 8) Health. The manual will be available in hard copy and electronically via the internet. Regional field days will be also be held for interested seedstock producers to provide instruction.

Even with challenging economic and environmental conditions, the US beef industry, the Alabama cattle industry, and Alabama BCIA have displayed their

resiliency. Today's national beef industry is also producing more beef with fewer total cattle numbers, as reported from the USDA. In 2008, 637 pounds of beef was produced per cow versus 449 pounds per cow in 1980. This illustrates the effectiveness of the Beef Improvement Federation principles and the efforts of state programs such as the Alabama BCIA. New methods to deliver educational programs and resources to aid Alabama cattle producers to confront these challenges are needed and are being developed by Alabama BCIA.