

If you keep track of cattle prices you have likely noticed that calves sold in load lots generally bring more dollars per hundred weight than calves sold through a sale barn auction. In the weeks to come we will discuss various factors that affect the selling price of calves. Further, we will explore ways that producers can use this information to avoid getting discounted on their cattle.

Last week we sold three steers at the local sale barn. These calves, two black, and one yellow, averaged 650 pounds each and had similar frame size, body condition, and genetics. They were source verified and vaccinated twice with blackleg, and a modified live respiratory virus, qualifying them for the Vac 34+ program. At selling, the calves averaged \$2/lb, or \$1300 per calf. A load lot of 77 calves in central Texas were also sold last week. These calves also averaged 650 pounds each, and were similar genetically, and physically. As with the first group mentioned, the load lot was source verified and qualified for the Vac 34+ program. Calves in this lot averaged \$2.13/lb, or \$1384.5 per calf. That is \$84 more than extremely similar calves that were sold through a sale barn auction. Below (Figure 1) is a table that outlines some of the causes for the extreme differences in price, and lays out some of the key benefits of marketing cattle through load lots.

<u>Load Lot</u>	<u>Sale Barn Auction</u>
Buyer has more information about the cattle	Cattle bought with no information
Lower risk calves	Higher risk calves
Recognizes that value has been added to the cattle	Value of things (vaccination, weaning, etc.) that have been done to cattle cannot be realized
More uniform cattle assembled readily	Difficult to assemble uniform lots of cattle
Timing of transaction is more exact and can be instituted quickly	May take two weeks to assemble cattle, which may increase fluctuation of price
Cattle purchased as a load from one location	Cattle assembled from several locations, held, then shipped as a load lot

Figure 1.

Because calves sold at the sale barn are often bought to group into load lots, this requires more of the order buyer's time, thus reducing the amount of money that they are willing to initially pay for the cattle. After the cattle are purchased and grouped together into a lot that will total between 48,000 and 52,000 pounds, they will likely be resold for a greater price per pound. That is, it is often more cost effective for a producer to sell their calves as a load lot than at the sale barn. Figure 2 below outlines two popular methods of selling calves, and depicts the scenario that occurred with the cattle sold last week.

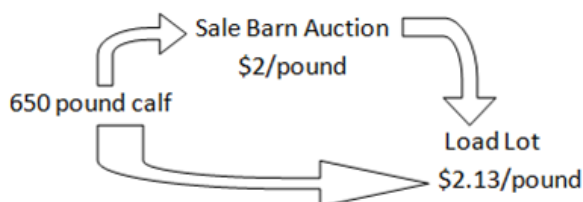


Figure 2.

In the coming weeks we will take a closer look at each of the benefits that load lot marketing has to offer. In the meantime, please let us know if you have any questions.

Thanks,

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