



Pricing Cattle on *BuyHereford.com*

by **Sara Gugelmeyer**

BuyHereford.com is an innovative online auction system, which hosts monthly sales of cattle, embryos, semen and more. When consignors register their offering they are asked to name a floor or reserve price. This is the lowest price they will accept for that lot.

In the past, managers of the site have actually started the bidding below that number to help get the bidding started. However, that is no longer the case. As of Jan. 1, 2012, the reserve price named by the consignor is the starting or base price. Therefore, that base price should be chosen carefully.

Consignors and buyers alike should keep in mind that the starting bid price and reserve price are one and the same now. Buyers should take care that placing any bids could buy the lot, just like in a live auction situation.

Consignors should choose a base price that is the lowest price they are willing to accept for the lot. Dennis Schock, *BuyHereford.com* manager, encourages consignors to set the base price at what the lot would likely bring at a consignment sale.

"Sometimes I think we all, when we're pricing cattle privately

or otherwise, can be biased when trying to establish a fair market price," Schock says. "Keep in mind what your market is, what can you normally sell cattle for and how have they been selling in the past when determining a base price."

The advantage to *BuyHereford.com* is that oftentimes the base price will be far exceeded. Schock adds, "Sometimes you may set your private treaty price too low and have people willing to pay more, and that's where *BuyHereford.com* can come in. But, if you set the base price too high, it doesn't matter if it's private or you floor them at a consignment sale, you're not going to end up selling."

It's easy to compare your cattle to those being sold for much more. However, it's important to consider that programs that consistently sell the highest priced cattle often incur much more costs in advertising and promotions. Schock says, "When establishing a base price, consider what have you made that animal worth over and above what it is at the market."

John Meents, American Hereford Association field representative, encourages producers to ask themselves these questions when

determining a price for cattle or genetics:

What is my breakeven point?

What profit margin will I be happy with over the breakeven point?

If I were going to price these embryos or cattle or whatever the lot may be to my best friend or nearest neighbor, what would that price be?

What is the market on cattle with similar genetics and similar input costs?

Am I being barn blind? Meaning, do I think my cattle are more valuable or better quality than they really are?

For more information about *BuyHereford.com*, see "Matching Buyers and Sellers," July 2010 *Hereford World* Page 64 and "*BuyHereford.com* Matches Buyers and Sellers" February 2011 *Hereford World* Page 20. **HW**