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Cattle Buyer Assessment of the Value of Seller Reputation

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Amy Boline, *Oklahoma State University Agricultural Economics Graduate Student*
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Introduction

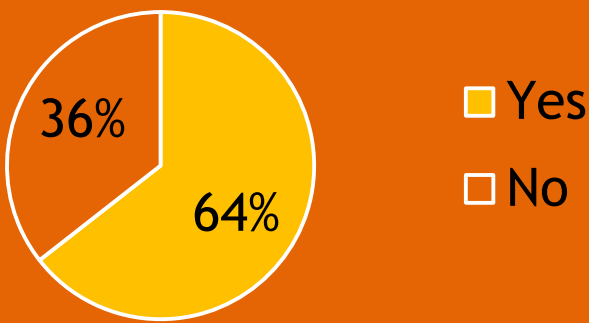
The market value of seller reputation in cattle markets is discussed anecdotally as an important component of the price paid by the buyer, but has not been observable with standard market data. A positive reputation may be built over time by marketing cattle that perform well for buyers’ needs. That performance is linked to a host of things, including calf management practices and cattle genetics. Likewise, a negative reputation is possible as well.

When sellers do not have an established reputation, it is possible that third-party certification of management practices at least partially substitutes for an established reputation regarding market value.

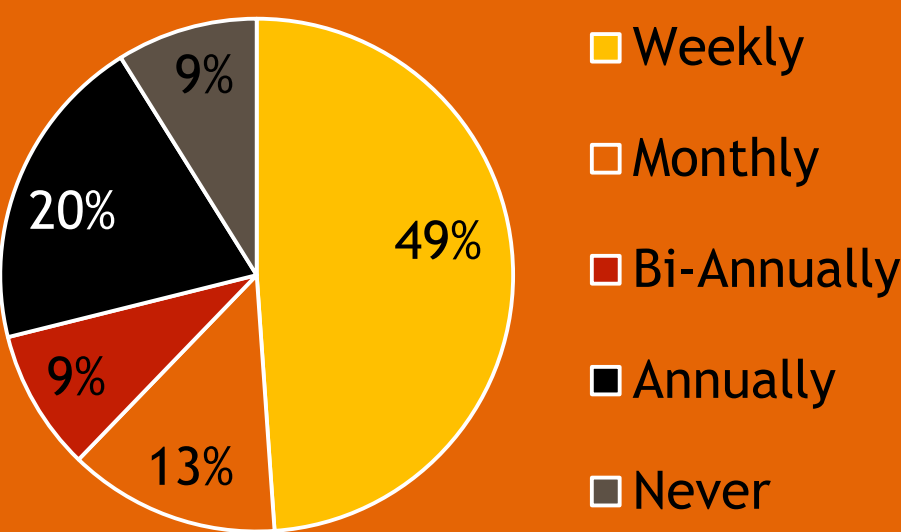
Objective

To assess market premium assigned to various levels of reputation and preconditioning by cattle buyers. Also relevant is the buyer demographic information.

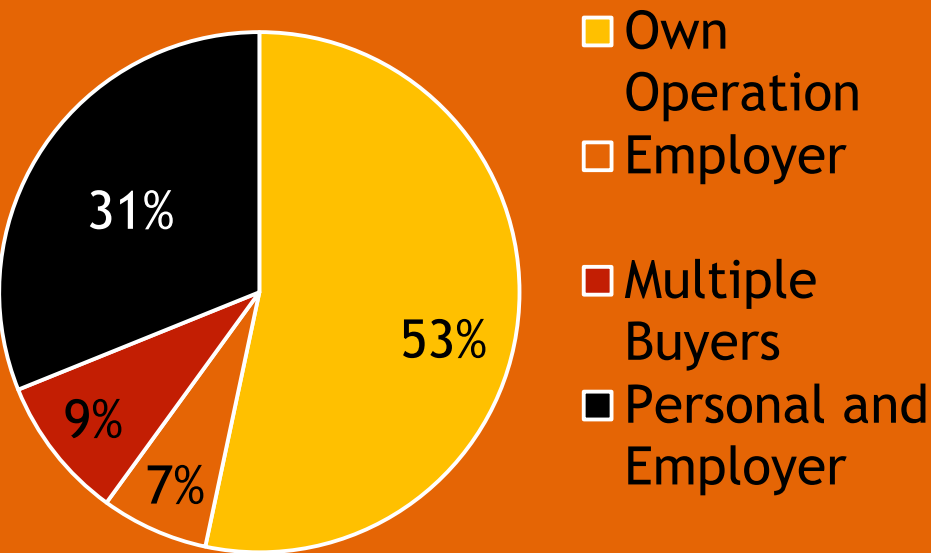
Did Reputation Play a Part in Your Last Purchasing Decision?



Frequency of Purchasing



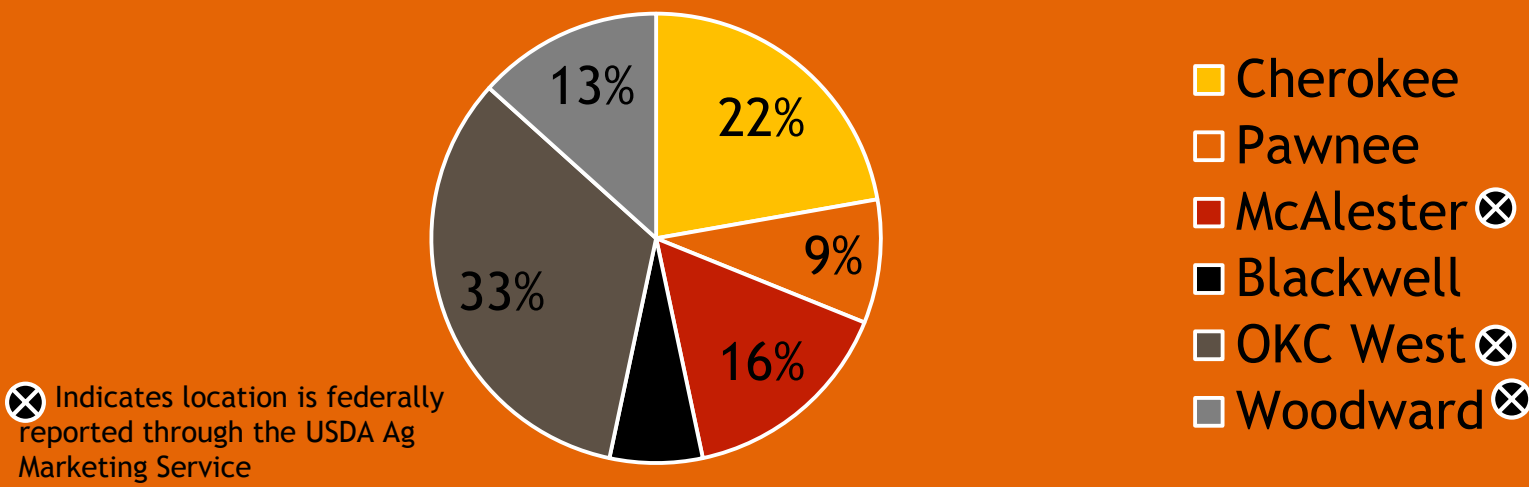
Who Buyers are Purchasing For



Data Collection

- Data collected via electronic survey using Qualtrics software
- Responses solicited directly outside the sale ring at live cattle auctions across Oklahoma
- Willingness to pay method where dependent variable was price and independent variables were various levels of preconditioning and reputation

Respondents by Location



Definitions

Respondents were asked to choose a market price that represented the highest they were willing to bid on an identical lot of calves with varying levels of preconditioning and seller reputation.

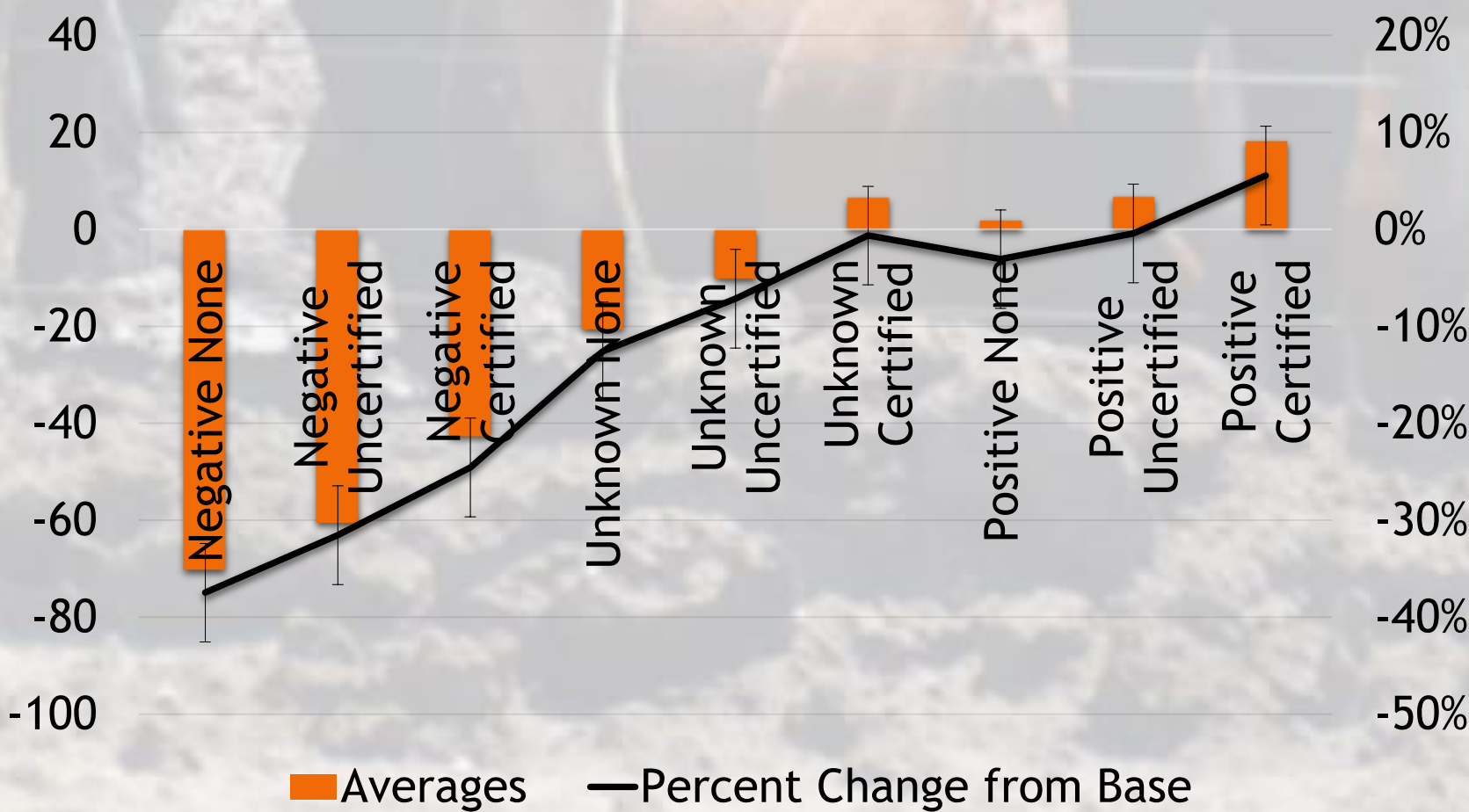
Preconditioning

- Certified preconditioned: Calves have third-party verification that the bundle of preconditioning practices have been implemented.
- Non-certified preconditioned: Calves are marketed as preconditioned, but without verification.
- No preconditioning: Calves are marketed with no known preconditioning practices implemented beyond castration and dehorning.

Reputation

- Positive reputation: You or someone you know has previously purchased cattle from the seller and performance and quality was satisfactory.
- Negative: You or someone you know has previously purchased cattle from the seller and performance and quality was inadequate.
- Unknown: You have no previous knowledge of the seller/cattle.

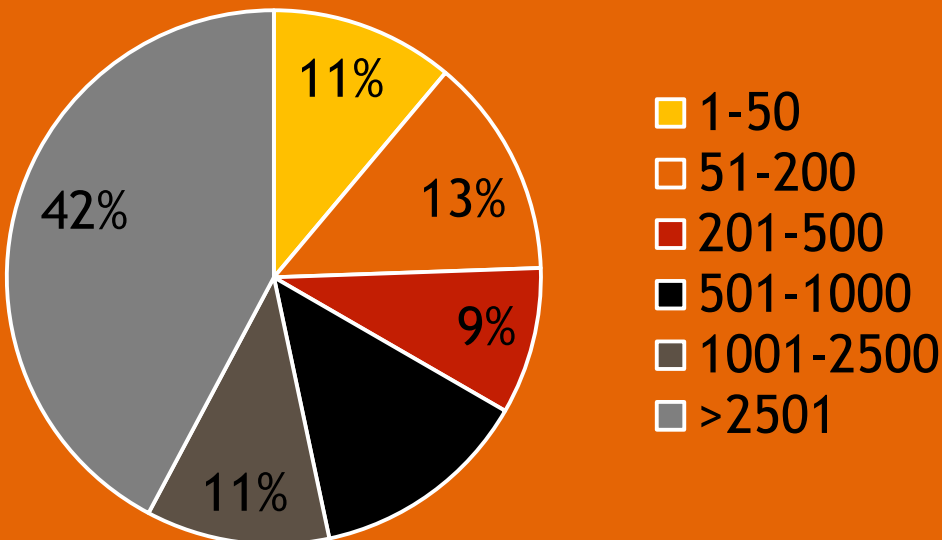
Averages and Percent Changes from Base Price



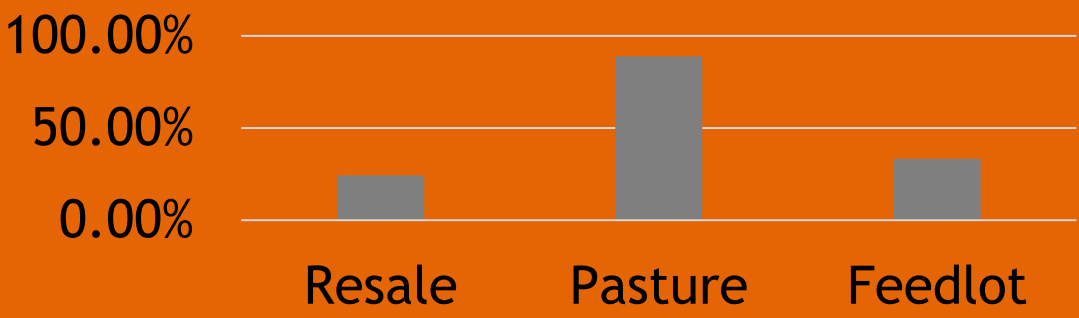
Data Summary

- 45 total responses across 6 sale venues
- Majority (95.56%) of the respondents were male
- 91.11% chose quality over quantity
- No buyers under the age of 25; majority 45 years or older
- Diverse education level
- Buyers on average bought 71.8% at auction and 37.33% directly from ranch
- Almost half of respondents bought weekly; near ¼ only buy annually
- Majority (53.33%) buy only for own operation; 31.11% buy for both personal use and employer
 - 65% employer, 35% personal use
- Most often (88.89% of the time), calves first destination after sale is pasture
- 64.44% of buyers said that reputation played a part in their last purchase
- Majority of buyers responded they were buying over 1000 head a year

Head Purchased Over a Year



Immediate Destination of Bought Calves



Conclusion

After preliminary analysis, we find that the percent change from the buyer listed base price is greater when negative. This could imply that it is worth it to precondition and have positive reputation in order to avoid losses more than to produce gains.

The results will benefit cattle producers as the relative value of establishing a reputation or substituting third-party verification for reputation determines the incentives for adopting and/or certifying recommended management and marketing practices.