



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

137
Oct. 1973

Challenges in Range Lamb Marketing

by
John O. Early
University of Idaho

I came to this meeting with a prepared paper. You'll find it out in the hall to be picked-up. Read it on the plane home or tomorrow evening when you have your feet up by the fire. Since you can all read I'm going to talk about something else that has been brought out in this very symposium.

I may never be asked to come to another range sheep meeting as I'm going to say some things you know but aren't willing to admit even within your industry circles.

This symposium is entitled "Profitable Range Sheep Production".

Take out your program and underline the first 6 letters of that title.

Profit

What are profits? Profits are the residual from Gross Sales minus all costs, variable, and fixed.

$$G.S. - A.C. = Pr.$$

Let's break a portion of this formula down into its lesser components.

Hundred weight delivered X Price/cwt. = Gross Sales

$$W \times P = G.S.$$

Price is $\frac{1}{2}$ of the above formula.

Price: how is it determined?

A.E. Series No. 137. Actual Presentation at Sheep Industry Development Symposium, Denver, Colorado; October 23-24, 1973.

Price is where marketing fits into the Gross Sales Dollar. In fact your Gross Sales Dollar is affected as much by the job of marketing you do as by all the production know-how you put forth.

Many range operators spend 364 days per year producing their lambs; being concerned with buying or breeding better ewes and bucks, lambing out the flock, protecting the ewes and lambs from predators, distributing sheep over range land, gathering the sheep from summer range, etc., etc. Then the production is sold in a few minutes. From discussions I've heard, some Range Flock Producers sell their year's efforts over a drink in town.

Gentlemen, is this the best situation for negotiating the most important single activity of the year for your range sheep operation?

Who has the most knowledge and market power on that particular P.M. - you or the buyer? Who has the biggest advantage? Are you in a price negotiating position or are you only a price acceptor? You may be able to talk the buyer out of another 25¢ or 50¢ per cwt., which is about 25¢ to 50¢ per head, from his first offer but have you talked him up to his planned buying price or gotten more than his planned price?

Did you open the price negotiation or did he? Whose price is the base for the negotiating? Did you agree to his bid or thereabouts or did he accept your offer? Were you in a position to reject his final offer or counter offer? Did you have an alternative market or way to go with your lambs? I say the market power was on the side of the buyer.

Lamb Price Negotiation: Market Power

Let's talk about a way to strengthen your bargaining position in selling your year's production. Let's look at a method of moving from a purely competitive position toward a monopolistic position. A competitive position has many sellers while a monopolistic position has only one seller.

We can't and don't want to be in a completely monopolistic position but neither do we want to be completely at the mercy of the buyer. How can we as men interested in saving a dieing industry, and incidentally keeping ourselves in business, go about changing our competitive situation?

We have federal statutes which allow farm and ranch producers to band together because of the attamistic nature of their business (many relatively small producers). Industrial corporations are prohibited from collusive action as this would be restraint to trade but farmers may still join together in their selling efforts.

I'm suggesting that Range Sheep Operators joining together, pool their lambs, grade them for use, quality, and weights and sell accordingly. By so doing you have control over a greater supply of lambs.

Some of you larger range operators will say, I have 2,000 or 4,000 head or whatever, so I can get buyers to bid. Can you? Do you? How many bids are received? What portion of a good size packer's bill does your crop of lambs make up? A day's kill-even several days kill, but do you individually have a major influence on a packer's supply of lambs? Again I have to say "No".

Banded together into an area pool would give you much greater market power. A regional pool would greatly enhance your competitive position. There is no reason a national pooling could not work. Lamb buyers need your lambs. Lamb is a profitable meat to the slaughterer and the retailer. Mark-up on lamb is greater than any other meat.

The lamb buyers themselves will probably resist a marketing cooperative and attempt to divide and conquer you because they will lose control of their area supply. This they have done in the past. For example: You men from Western Colorado, Utah, Idaho, and Nevada; lambs from your areas were selling 4, 5, and even 6¢ below quoted Denver market. Does it cost that much to ship

the lamb from your area to Denver? Or was this differentiated because you were at the mercy of one or two major buyers?

How can we as Range Flock Producers solve this marketing problem? I have a suggestion which is the subject of the paper on the table. Simply it is a pooling, grading, and telephone auction system. Several of these are in operation in other species of livestock. One has been quite successful in lamb marketing. This pool auction handles farm flock lambs in the Virginia-Carolina area. Why not have one in the Range Flock Area? We are in the process of starting a tel-o-auction in Southeast Idaho and Eastern Oregon with Farm Flock Producers. We hope to have it in operation by next spring.

Two men here at this meeting are involved along with others and myself. Dr. John Miller, Ext. Meat Specialist, Idaho and Dr. John Landers, Ext. Livestock Specialist, Oregon, are in the audience. Discuss the opportunities to sell your lambs cooperatively with anyone of us.

We're planning to use organizations already set up: established Wool Pools with in the area. These people and organizations are working for sheep producers already handling a sizable quantity of wool. They can function in selling lambs also.

The Eastern Lamb Producers Tel-o-auction has changed their situation from a monopolistic structure--one dominate buyer--to a more competitive structure--with bids being submitted from packers throughout the Eastern and East-Central United States. "The most tangible advantage of Eastern Lamb is that all lamb prices in the area have been raised \$.50-\$1.00 per hundred weight when comparing Virginia-Carolina markets with national markets both before and after the cooperative started operation in April 1971" says David Holder, Marketing Specialist, Cooperative Extension Service from Virginia Polytechnic Institute, Blacksburg, Virginia.

Mr. Holder lists the following advantages for the Tel-o-auctions system as conducted by Eastern Lamb Producers:

The advantages to the producer are:

- (1) Slaughter animals (not feeder animals) are graded on the farm and stay there. Hence, they can be "no saled" if price is not high enough.
- (2) Increases the number of buyers bidding on a lots of animals.
- (3) Some farmers have complained a little about getting animals "up" twice--once to grade and again to load. But this is a small inconvenience, and the grader, especially of lambs, can often encourage farmers to hold lighter animals to heavier, more profitable weights.

The advantages to the packer are:

- (1) Save travel time and expense.
- (2) Can pick up animals at any time (after proper notice) within seven days of sale, thereby he can fit them into his kill schedule.

Current charges for the Tel-o-auction are \$.70/head which compares favorably with auction market charges of \$.35 - \$.50/head plus 1% of selling price.

In conclusion, the Lamb Pool using telephone or teletype connections with prospective buyers over a wide geographical region should increase the competition for lambs from a local area. Increased competition should result in increased returns to individual lamb producers. The integrity of the grader appears to be of utmost importance in the success of the venture.

Grading Lambs on the Basis of Use: Custom Feeding

Currently many of you are selling your lambs all together. The packer, buyer, or representative takes the production from your production cycle, splits it up into fatts, feeders, etc. Why does he buy the feeders-that's easy-because he makes a profit from them either by selling them to a feed-lot operator, an investor, or he feeds them out himself. Why not reap this

additional profit yourself. By feeding out your own lambs either at home or in a custom lot you gain from your improved breeding program. If your lambs are not genetical good gainers, then you should work to improve them or at least sell them to someone else. Custom feeding does offer you an additional alternative for your range lambs.

A New Program Emphasis: Marketing Rather Than Predators

Gentlemen, I'd like to challenge you with one other jab before closing.

How much of an increase in the price of your lambs is needed to overcome a 10% lamb loss to coyotes? If the price is 28¢/cwt., a three cent increase per pound will overcome the loss. Have you been putting forth as much effort to improve your marketing as you have attending meetings and trying to reduce coyote population?

Don't get me wrong, I'm on your side. I want to see predation cut to a minimum also. I also want to see better sanitation and disease control used by Range Flock Operators. I want to see viable Sheep Industry in this country. But I'm afraid we've been blaming the coyote for too many of our problems rather than attacking these problems vigorously.

I hope I've stirred you up, maybe even gotten some of you mad enough to do something to improve your lamb marketing. I have appreciated this opportunity to participate in your Symposium. I know this industry has gone through some real shake outs, but I'm confident the men in this audience can pull the industry together and cause it to survive.

Thank you.