



## **Buying Cattle at Auction vs. Private Treaty**

*Is it better to purchase cattle at an auction sale or private treaty?*

We are going to take a look at the pros and cons of these methods when purchasing cattle for your breeding program. Let's talk about auction sales first. What is the definition of an auction? An **Auction** *is an occasion for selling things to the highest bidder. It is a public occasion when things are sold to the people who offer the most money for them.* It seems that in today's Longhorn industry most cattle are bought and sold at auctions. In the spring there seems to be an auction every weekend. Auctions are a simple and fast way for a seller to sell cattle.

### **What are some of the positive reasons for purchasing at an auction?**

- 1) With consignment sales there is usually a larger variety of genetics or pedigrees available at an auction.
- 2) These different genetics from numerous breeding programs are available in one location.
- 3) At ethically run sales, you know what the true market value of the cattle are on that particular day by what the buying public is willing to pay for those cattle.
  - a. There have been sales where this is not always the case. At some sales a floor or minimum has been set by the sale promoter to keep the sale average higher. They do not let the buyers set the market price for the sale.
  - b. There have been other sales where the crowd attendance has not been good and bidding has been low which has allowed buyers to purchase cattle at below market prices.
- 4) Making purchases at a sale where the buyer's name is called out can be good publicity for your breeding program. You might even get your photo published in one of the breed magazines.
- 5) Attending a sale is also a social event and a good way to meet other breeders.
- 6) Most sales require that all cattle have health papers, so you can be somewhat assured that the cattle are healthy.

## What are some of the reasons for not buying or for being cautious when buying at an auction?

- 1) Always remember that the animal is being offered for a reason.
  - a. Ask yourself “why is this animal being sold?” Is this animal in the sale because it has a defect such as poor fertility, bad udder, poor quality offspring or bad habits. Have you seen this animal in several different sales within the last year? Repeat sale appearances could mean there is a problem with the animal.
  - b. The animal could be in the sale simply because the seller is overstocked, is short on pasture/hay or has kept offspring out of this animal.

*But how do you know which of these is the case. You must be observant when looking at the animal, ask questions of the seller if they are available and check production records.*

- 2) You have to make a buying decision in a matter of a few seconds before the auctioneer slams the gavel and says “sold”.
- 3) You can get caught up in the bidding and end up over spending.
- 4) The consignor will need a higher sale price for the animal due to their added expenses, high consignment fees and commissions that are charged by most sales.
- 5) You should always be aware of who you are bidding against. In some cases it might be a friend or someone who has been instructed to run the bidding up to the price the seller wants for that animal.
- 6) At some sales a floor or minimum has been set by the sale promoter to keep the sale average higher. Sales have the right to do this, but the floor prices should be announced before the sale. This is not always done and it creates a problem for you as a buyer, because you won’t know the true *market value* of the cattle. **Market Value:** *the amount that a seller could expect to obtain for property or goods sold on the open market.*
- 7) Sometimes you can end up traveling to a sale only to have all the cattle you are interested in sell for prices that are out of your price range. You still have the travel expense, but no cattle to show for it.

Now let’s take a look at some of the aspects, both positive and negative, of purchasing cattle by “private treaty”. **Private Treaty** *is the sale of property according to terms negotiated between the buyer and seller.* This method of selling and purchasing cattle generally only involves the seller and the buyer. There is no auctioneer, ringmen, multiple buyers or sale Management Company involved in this type of sale. It is more of a one-on-one approach.

## What are some of the negative reasons for purchasing cattle by Private Treaty?

- 1) May require a great deal of traveling in order to acquire different genetics that you are interested in adding to your program.
- 2) As a prospective buyer you may feel pressured by some sellers to make a purchase. Most breeders will be happy to show you their cattle and program without pressuring you to make a purchase.
- 3) The price is set by the seller and it may or may not reflect the market value of the animal. In other words, if you plan on reselling the animal shortly after you have purchased it, you may or may not get your money back out of the animal. When you consider the price, you need to decide if you are willing to pay that amount to have the animal in your herd. Is the animal worth it to you? It’s that simple.
- 4) You will probably receive little to no public recognition of your purchases unless the seller places a “thank you” ad in a breed magazine. This could be considered a pro or a con depending on the buyer’s perspective.

## **What are some of the positive reasons for purchasing cattle by Private Treaty?**

- 1) This is a more personal way of buying cattle. The buyer and the seller are able to develop a personal relationship.
- 2) Buyers are able to view cattle in their natural state, in the pasture.
- 3) Sellers do not always offer their best cattle at auctions, but will price them and offer them at private treaty.
- 4) The buyer is able to get an overview of the seller's breeding program and their management practices.
- 5) You are able to ask questions of the seller.
- 6) In most cases you will be able to view animals that are related to the animal you are looking at purchasing such as offspring, sire, dam and siblings.
- 7) You do not have to make a buying decision in only a few seconds, you can take your time.
- 8) Most breeders will be happy to show you their cattle without pressuring you to buy cattle. They just enjoy showing their cattle to folks who have an interest in the breed.
- 9) Some breeders offer discounts or package deals on multiple purchases.
- 10) When you contact a breeder about coming to view their cattle you can also ask about their prices. This will let you know if the trip could result in you making a purchase before you spend the money to travel to the breeder's ranch.

In the thirty years that I have been involved in the Longhorn industry I have purchased cattle at auctions and by private treaty. I have found that in most cases I have been happier and more profitable with the cattle I purchased by private treaty. I have also developed long lasting relationships with the breeders I have purchased cattle from by private treaty. I'm not saying that all my purchases at auctions have been unprofitable or that I was unhappy with all of them. I just feel I came out a little better on my private treaty purchases. If you are building a Longhorn herd I would recommend that you give some serious thought to not only purchasing cattle at auctions but also taking advantage of the private treaty method of purchasing cattle. You do have options.