

Cattle Buyer Perspectives on the Value of Seller Reputation



By Savannah T. Jones and Kellie Curry Raper

Savannah T. Jones is a Graduate Research Assistant

in Agricultural Economics at Oklahoma State University, Stillwater, Oklahoma, and Kellie Curry Raper is Professor of Agricultural Economics and Extension Livestock Marketing Specialist at Oklahoma State University (corresponding author; Kellie.raper@okstate.edu).

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Abstract

Seller reputation has long been considered to impact feeder cattle price by those in the cattle industry, yet from a research perspective, it has proven difficult to quantitatively measure that impact. Physical attributes and management attributes are either observable or certifiable. However, regularly recorded market data does not capture a measure of seller reputation since it is not physically observable. This research reports cattle buyer responses to a survey

designed to characterize those cattle buyers and to begin to understand the market value of seller reputation by eliciting bids for varying layers of management and marketing practices with seller reputation.

INTRODUCTION

Cattle buyers incorporate multiple factors into their willingness to bid for feeder cattle at auction or in a direct sale negotiation. It is well known that both physical characteristics and management attributes impact feeder cattle market prices (e.g., Peel et al., 2024; Williams et al., 2012; Bulut and Lawrence, 2007). Physical factors are generally visible to buyers and include characteristics such as breed, hide color, sex, frame, muscling, dehorning, lot size, and weight. At auction, other management characteristics, such as vaccinations or extended weaning, are not visible at marketing but may be communicated to buyers by the auctioneer. When included as part of a preconditioning program, third-party verification may also be included. This third-party verification of preconditioning through programs such as Iowa Green or Gold Tag, Oklahoma Quality Beef Network, breed associations, or animal health companies increases trust that protocols have been followed. Certification could be a proxy for seller reputation when no prior knowledge exists.

However, one attribute that cannot be accounted for in regular market data is the seller's reputation. It is often considered anecdotally that reputation, either positively or negatively, affects the price that feeder cattle bring at auction. However, it is difficult for researchers to measure, as regularly recorded market data does not capture a measure of seller reputation since it is not physically observable or verifiable through records like third-party programs. Bulut and Lawrence (2007) suggest that reputation has little consequence in feeder cattle markets since most sellers only sell calves annually or biannually and therefore do not have the time to develop a reputation. All other examples and anecdotal evidence suggest that even though most sellers are not marketing more

than a handful of times a year, buyers remember and discuss the results those cattle have achieved in the past. This points to the usefulness of survey work to capture reputation value, building on work done by Boline (2016).

Previous work addressing the influence of seller reputation on feeder cattle price includes Turner, McKissick, and Dykes (1993), a seminal piece of literature in this area of study. They used tele-auction data from Georgia feeder calf sales containing seller information. Using seller information as a proxy for seller reputation, their findings suggest that seller reputation may influence buyers' bids. Schulz, Dhuyvetter, and Doran (2015) examined the effects of reputation and other factors in the state-specific preconditioning programs of Iowa Green and Gold Tag programs, along with regular sale data. Reputation was proxied by attaching seller names with preconditioning information to lots at preconditioned feeder cattle auctions in Iowa. The implicit value of reputation was calculated by measuring premiums or discounts relative to the benchmark price. Approximately 21% of lots brought prices higher than the benchmark price, suggesting a seller reputation premium.

While current literature suggests that black-hided, Angus-influenced calves in large, uniform, lots of preconditioned steers garner the highest relative prices at auction, research on the value of reputation is scarce. Professionals have very little literature to help make straightforward suggestions to producers about the value of maintaining a positive reputation as a feeder calf seller. This research uses survey methods to assess the value of seller reputation by soliciting cattle buyer input directly to estimate the value of seller reputation in feeder calf auctions.

METHODS AND DATA

A survey was designed to determine the value of management and reputation characteristics in cattle by soliciting bids from cattle buyers when different management and reputation characteristics were applied in different combinations to the same set of cattle (Oklahoma State University IRB-24-517). Data were collected via Qualtrics surveys from cattle buyers recruited (1) in-person at sale barns across Oklahoma, (2) through social media, and (3) through direct email recruitment to known cattle buyers. Participants were actively recruited from November 2024 through January 2025. Of 120 total responses, 53 of those were deemed usable. Usable responses were defined as those responses that answered the base bid question and placed a bid on at least some of the nine

different reputation and management combinations presented.

Cattle buyers were first shown a video of a lot of feeder steers in the 500- to 599-pound weight range assessed by USDA's Agricultural Marketing Service (USDA-AMS) as slightly fleshy Medium and Large No. 1 Steers. They were asked to place a bid based on the current market in their location with no further information regarding the cattle. Current USDA-AMS market reports were accessible for reference via active links for buyer reference if needed. Buyers were then asked to bid on the same cattle given varying combinations of management and reputation information, including seller reputation (positive, negative, or unknown), preconditioning (preconditioned or not preconditioned) and preconditioning certification (certified or uncertified). The terms were defined as follows:

- *Positive reputation.* You or someone you know has previously purchased cattle from the seller, and performance and quality were satisfactory.
- *Negative reputation.* You or someone you know has previously purchased cattle from the seller, and the performance and quality were inadequate.
- *Unknown reputation.* You have no previous knowledge of the seller's cattle.
- *Preconditioned.* Management practices on the ranch to strengthen calves' immune systems before calves move to the next production phase.
- *Not preconditioned.* Calves are marketed with no known preconditioning practices implemented beyond castration and dehorning.
- *Certified.* Calves have third-party verification that the bundle of preconditioning practices has been implemented.
- *Non-certified.* Calves are marketed as preconditioned, but without verification.

The nine combinations of these attributes are shown in Table 1.

Buyers were asked to bid on the cattle in the video, assuming the same weight and AMS grade characteristics, but for each reputation and management combination as described in Table 1. In total, buyers placed 10 bids—one for the cattle with no knowledge of management or reputation and then one bid for the cattle for each of the nine possible combinations of management and reputation. In addition to cattle bid questions, buyer questions included:

- Rank questions on the valuation of seller reputation, including personal knowledge of the seller, past performance of the seller's cattle, and preconditioning information;
- Buyer-focused questions like where, how frequently, how many, and for whom they purchase cattle;
- Preferences for purchasing a full truck of cattle of unknown quality or a partial truck of cattle that are of known quality; and
- Demographic questions (age, gender, education).

RESULTS AND DISCUSSION

Demographic questions were asked in order to better understand the perspectives of the survey participants. Of the survey respondents, 2% were female and 98% were male. Figure 1 illustrates cattle buyer age. Percentages across age groups are relatively similar and range from 13% to 24%. The exception is the under-25 age group where there are notably fewer respondents at only 4%.

Figure 2 illustrates that the education level across respondents is relatively evenly distributed, with most respondents holding a bachelor's degree or higher. Respondents with an associate's degree or some college represent 33% of the buyers, while 53% hold a bachelor's degree or higher. Only 14% had a high school diploma or less, making this sample of respondents 86% college-educated.

Forty percent of respondents bought more than 1,000 head of feeder cattle annually, and the majority of cattle buyers indicated that they were buying for personal use. Figure 3 illustrates the breakdown of all buyer motivation responses.

Cattle purchase venue is illustrated in Figure 4, with buyers indicating the percentage of cattle purchased directly and at auction. Each bar represents an individual buyer and the proportion of cattle they purchase from each option annually. Only one buyer purchased all cattle directly from the ranch, as indicated by the single solid blue bar on the left side of the chart, while 33% of buyers purchased all cattle at auction, indicated by the solid orange bars on the right. Bars that are mixed colors indicate that buyers purchased at least some cattle through both the direct purchase channel and through auction markets. Approximately 28% of buyers purchased 60% or more of their annual purchases directly from the

seller. Sixty-three percent of buyers purchased 75% or more of their annual purchases through auction markets. On average across individual buyers in this study, the proportion of cattle purchased at auction is approximately 63%. USDA-AMS reports that in 2024, 67% of feeder receipts were sourced at auctions. While a direct comparison is not possible since the survey does not ask for exact annual head counts but rather a head count range, on average, the numbers would suggest that cattle buyers in this survey source cattle in a manner that would result in similar proportions across purchase options.

Buyers were also asked questions to indicate factors that influence their buying decisions. The survey presented respondents with a list of factors that could affect a seller's reputation and asked them to rank them in order of importance. The list of factors included third-party preconditioning verification, preconditioning announcements at sales, knowledge of the seller, previous performance, and others. The most common first-place answer was the previous performance of cattle bought from that seller. All response rankings are shown in Figure 5. When rankings 1 and 2 are combined, 70% of cattle buyers ranked either the previous performance of a seller's cattle or knowledge of the seller as the most likely to positively impact their cattle purchases. That said, preconditioning announcements and third-party verification are not unimportant, as they also garner significant 1, 2, and 3 rankings.

Finally, the series of bid questions provides insight into feeder cattle buyers' preferences for cattle lots with different management and reputation attributes through both their willingness to bid and differences in the magnitude of bids for specific combinations of attributes. Figure 6 shows the average bid for each lot type as well as the percentage of buyers who chose not to bid on that lot. The highest bids are garnered for the lot with a positive seller reputation and preconditioning management practices that have been third-party certified. Prices decrease steadily as across reputation level and preconditioning levels decrease. A positive reputation generally gains a higher average bid relative to unknown and negative reputations, regardless of the applicable management or certification. Certification of preconditioning does bolster bids for unknown reputation, likely serving as a proxy for reputation when it is unknown. Note that the line represents the percentage of buyers who chose not to bid on that specific combination of management, certification, and reputation. The percentage of no bids is well below 10% for positive reputation cattle regardless of management

characteristics and remains below 20% for options with unknown reputation. However, for all negative reputation options, the percentage of no bids skyrockets to over 50%, that is, over 50% of cattle buyers will not even place a bid on cattle when the seller's reputation is negative.

Those involved in the industry often agree that buying cattle that have a positive outcome is a learned skill that requires practice. Buyers who purchase more frequently and in higher volumes have more opportunities to hone these skills. Figure 7 sorts buyers into sizes according to annual purchases, with those purchasing less than 200 head per year considered small-volume buyers and those purchasing greater than 200 head per year considered large-volume buyers. In Figure 7, average bids by buyer size are shown for each lot type. Bids are relatively close between large- and small-volume buyers except for lots with a negative reputation, where large buyers substantially decrease their maximum bid amounts, but small-volume buyers do not. Recall from Figure 6 that 50% of buyers will choose not to bid at all on cattle when the seller's reputation is negative. In addition, p-values are reported for tests of equal means between large- and small-volume buyers for each lot type. When p-values are less than 0.10, we can say with 90% confidence that the average bids are different between large- and small-volume buyers. For two of the three negative reputation options, the p-value is 0.05 or less, indicating with 95% confidence that the small-volume buyer and large-volume buyer bids are statistically different, with small buyers bidding more for negative reputation cattle than large-volume buyers. This is another indicator of how a negative reputation can decrease a buyer's willingness to bid for cattle.

Finally, cattle buyers were asked to choose whether, when purchasing feeder cattle, they would rather partially fill a truck with cattle of known quality or purchase a full truck of cattle of unknown quality. Figure 8 indicates that 85% of buyers said they would rather buy a partially full truck of cattle of known quantity than a full truck of unknown quality, that is, they would choose quality over quantity, even when it may mean they are paying full shipping costs for a partially empty truck. This is a powerful indicator of how much quality matters to cattle buyers.

SUMMARY AND CONCLUSIONS

Results from this survey increase our understanding of cattle buyer preferences and behavior with respect to seller reputation as well as preconditioning practices and third-party verification of those

practices. Cattle buyer responses indicate that reputation does influence the price they are willing to pay and, importantly, whether they are willing to bid at all on a specific lot of cattle. Simply put, reputation is an important component of price and influences a buyer's willingness to take risks on your cattle. A positive reputation enhances market prices received by sellers, even when the cattle are certified preconditioned. Conversely, a negative reputation has a negative impact even on certified preconditioned lots. Certification of management practices may be at least a partial proxy for a positive reputation when reputation is unknown because it provides an element of trust.

In the feeder cattle market, the reputation of a seller can be built or broken with every transaction. The cattle industry is interconnected, particularly locally or regionally, and buyers often share information about performance of past purchases. Understanding the reputation your cattle may have with cattle buyers is a helpful marketing tool, so it is important to ask buyers how cattle have performed, look for an honest answer, and strive for continued improvement. Understanding the value of seller reputation in the cattle market can be a powerful incentive to improve calf health management on the ranch and to be intentional in marketing those cattle.

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Cattle Buyer Age Distribution,
Oklahoma Cattle Buyer Survey, 2024

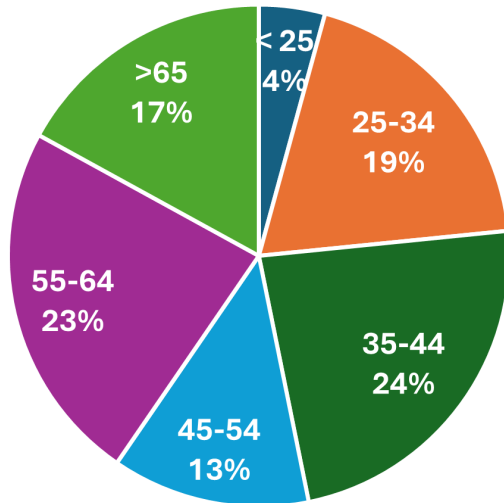


Figure 1. Cattle buyer age distribution, Oklahoma cattle buyer survey, 2024

Cattle Buyer Education Level,
Oklahoma Cattle Buyer Survey, 2024

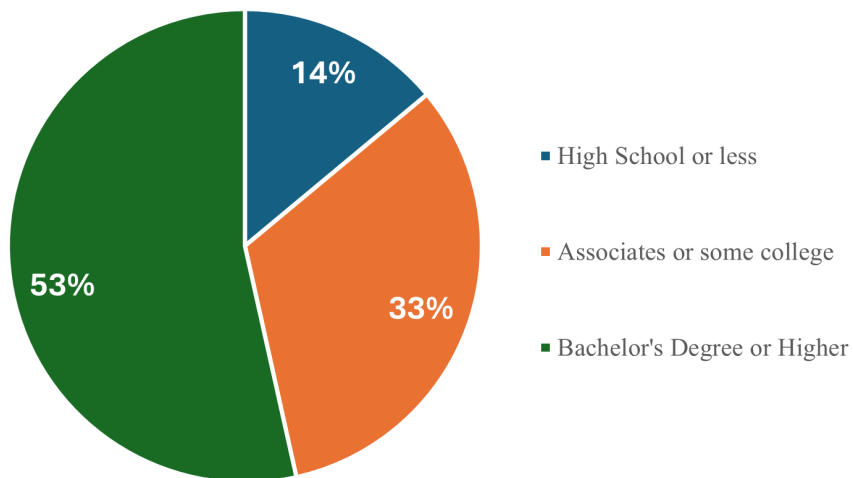


Figure 2. Cattle buyer education level, Oklahoma cattle buyer survey, 2024

Cattle Buyer Motivation for Feeder Cattle Purchases, Oklahoma Cattle Buyer Survey, 2024

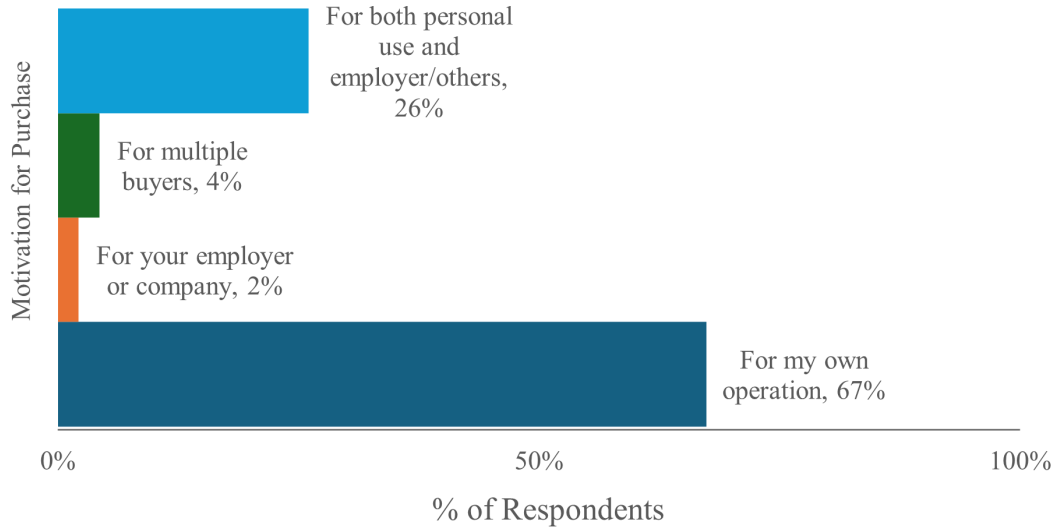


Figure 3. Cattle buyer motivation for feeder cattle purchases, Oklahoma cattle buyer survey, 2024

Cattle Buyer Annual Purchase Source, Oklahoma Cattle Buyer Survey, 2024

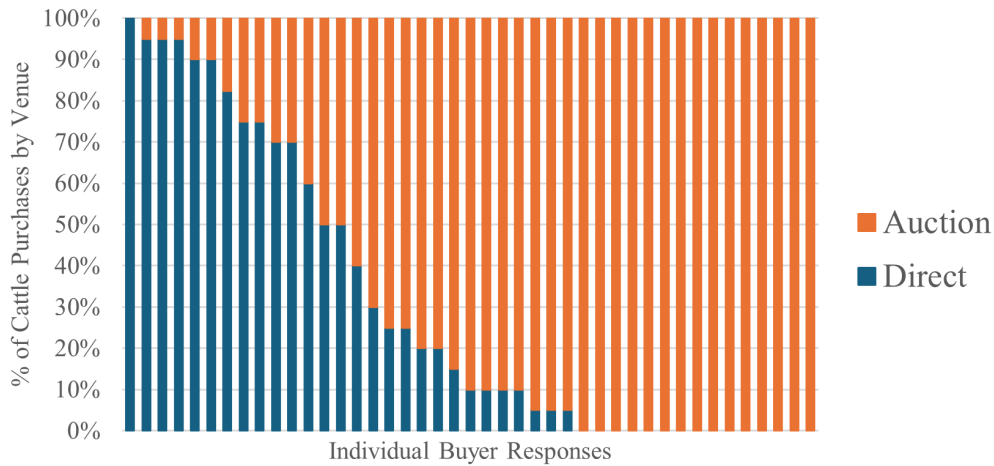


Figure 4. Annual purchase source by individual buyers, direct versus auction, Oklahoma cattle buyer survey, 2024

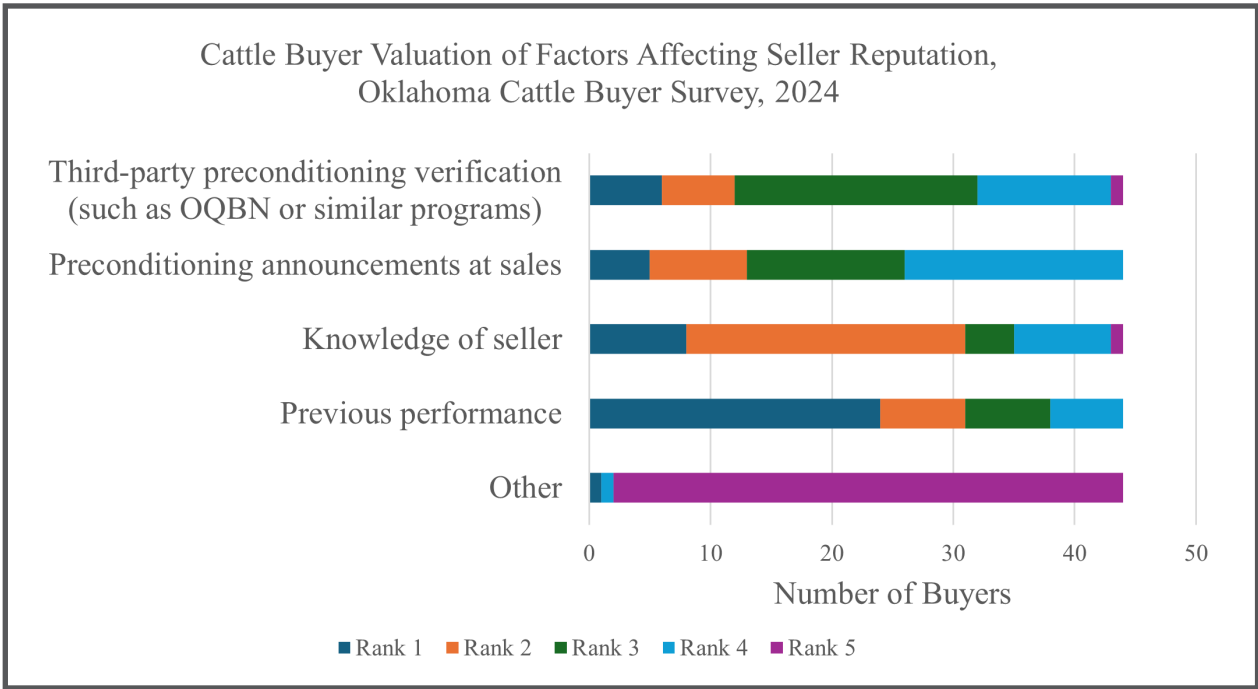


Figure 5. Cattle buyer valuation of factors affecting seller reputation, Oklahoma cattle buyer survey, 2024

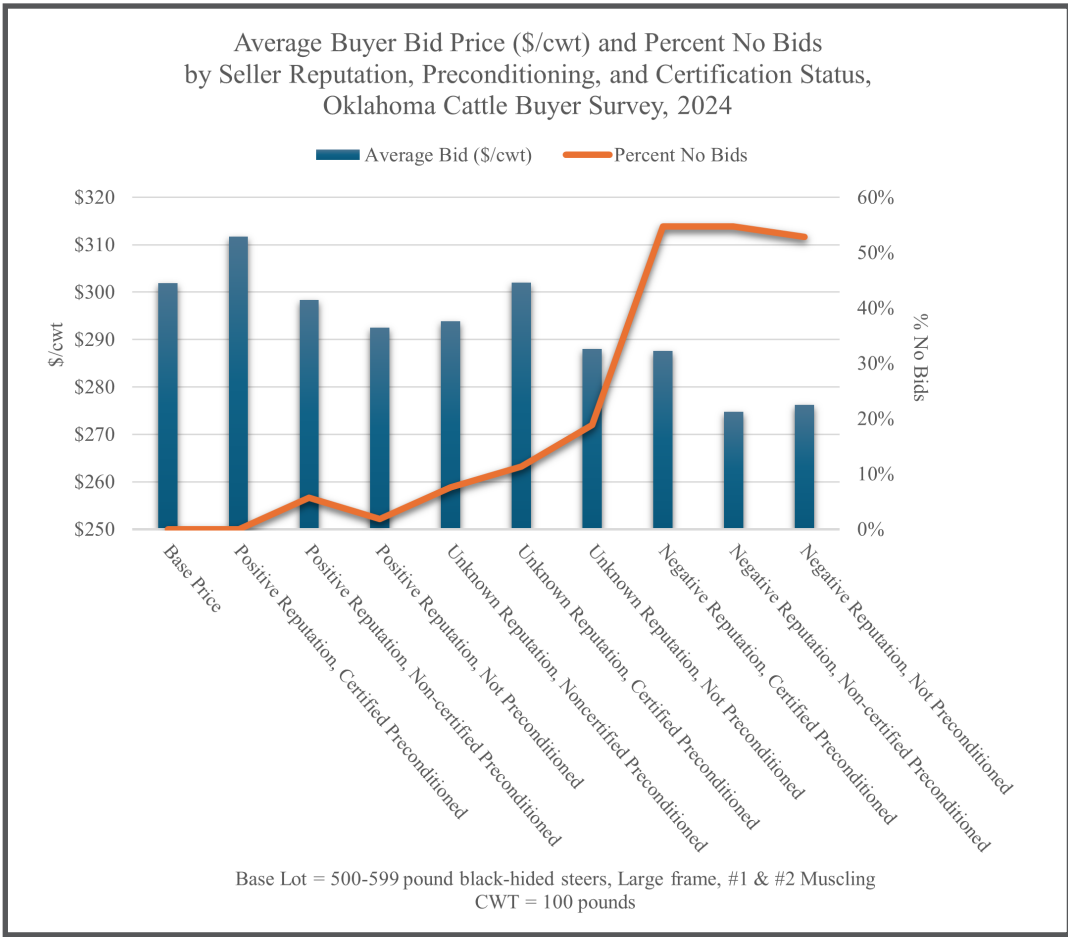


Figure 6. Average buyer bid price (\$/cwt) and percent no bids by seller reputation, preconditioning, and certification status, Oklahoma cattle buyer survey, 2024

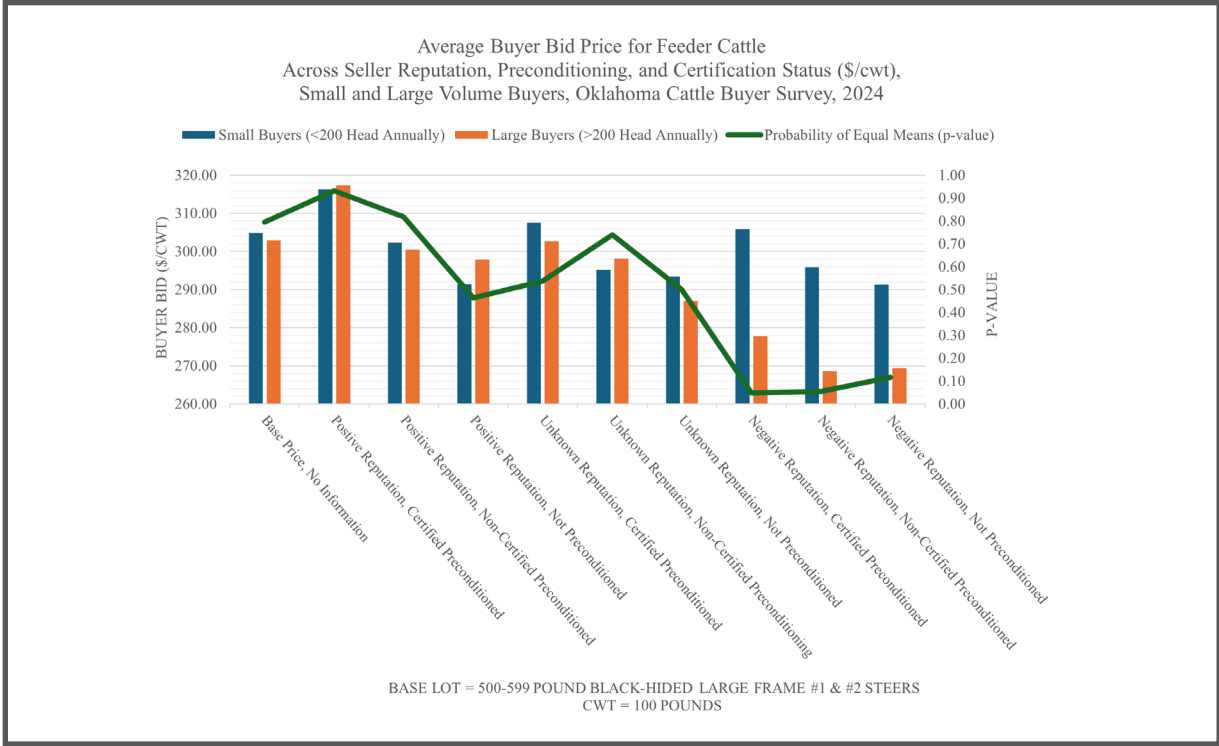


Figure 7. Average buyer bid price for feeder cattle across seller reputation, preconditioning, and certification status (\$/cwt), small and large volume buyers, Oklahoma cattle buyer survey, 2024

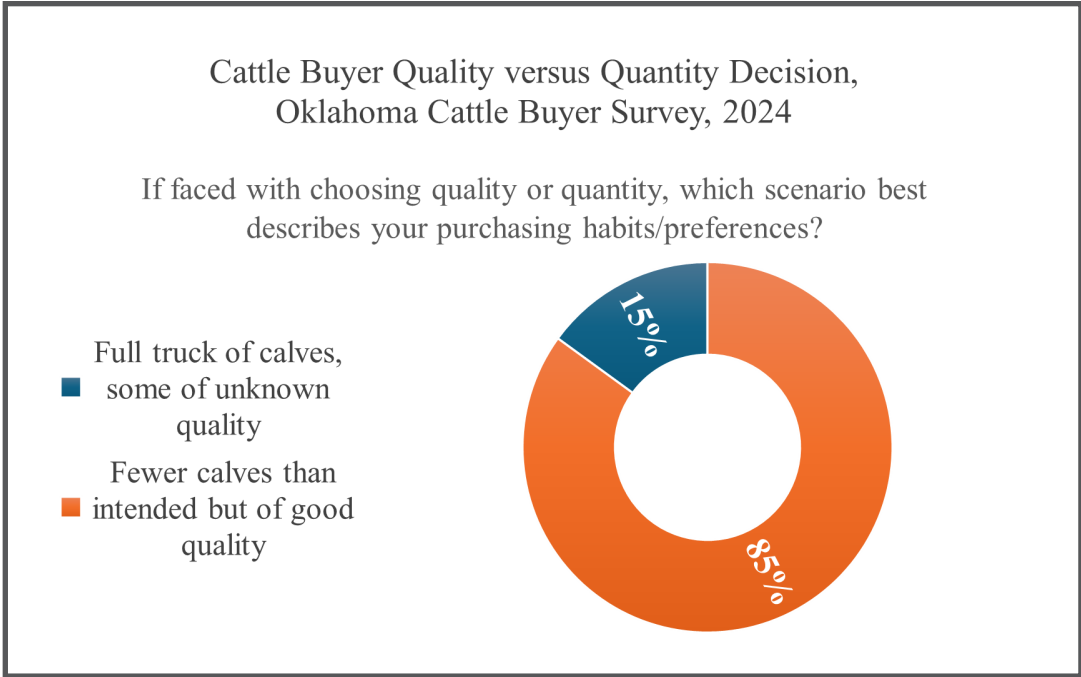


Figure 8. Cattle buyer preference for quality versus quantity in feeder cattle purchases.

Table 1. Feeder Cattle Lot Characteristic Combinations Presented to Cattle Buyers for Bid Solicitation, Oklahoma Cattle Buyer Survey, 2024

Positive Reputation Preconditioned Not Certified	Negative Reputation Preconditioned Not Certified	Unknown Reputation Preconditioned Not Certified
Positive Reputation Not Preconditioned	Negative Reputation Not Preconditioned	Unknown Reputation Not Preconditioned
Positive Reputation Certified Preconditioned	Negative Reputation Certified Preconditioned	Unknown Reputation Certified Preconditioned