

# MESSENGER-INQUIRER



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## Regardless of the Market, Don't Stop Doing the Little Things

Prolonged drought in the southwest and southern plains have caused a near continuous liquidation of the beef cattle breeding herd over the past three years. Without adequate rain to promote pasture growth and limited hay production on non-irrigated land, there has been a steady decline in cow numbers. This period of fewer breeding cows has naturally resulted in fewer calves being born. Cows only have one calf a year and it takes nearly two years from birth for a heifer to be ready to breed. The result is a return to higher prices as the supply of calves being fed out for slaughter is lower than the number needed to meet consumer demand. In fact, the current feeder cattle prices far exceed the average prices in recent years.

Dr. Kenny Burdine, Extension Beef Cattle Economist for the University of Kentucky College of Agriculture, provided the following article pertaining to maximizing profitability during this period of high prices. He shares some observations of cattle farmer profit psychology that he has experienced in his career.

It's mid-May and a lot of fall-born calves have moved through markets at price levels that have not been seen for quite some time. Others have been placed into growing programs with the anticipation of strong feeder cattle price levels this fall. Even a quick look at the drought

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monitor suggests that rainfall conditions have improved in a lot of areas from where they stood last fall. Given tight supplies, there is reason to expect relatively strong calf prices to persist over the next of couple years.

I wanted to discuss something that comes up occasionally as I talk with producers at Extension programs. In strong markets like the current one, I will sometimes hear producers say something implying that prices are high enough that they are less inclined to add value through common management practices. For example, someone might say something like “bulls are bringing such good prices, I don’t think I am going to castrate” or “with green calf prices this high, I am not going to wean my calves prior to sale”. Ironically, I hear similar statements in lower price times as producers are sometimes less inclined to sell value-added calves when prices are down because the price of the value-added calves does not seem sufficient.

In reality, management decisions like these should always be considered marginally. By that, I mean that the overall price level is not as important as the potential increase in value compared to the additional costs of the practice being considered. In the case of preconditioning, a realistic value should be placed on the calves at weaning, which becomes the starting point for the evaluation. Then an estimation of additional costs should be made during the preconditioning period (feed/pasture, health, labor, interest, death loss, etc.). The expected value of the preconditioned calf should exceed the value of the calf at weaning, plus all anticipated expenses, and provide a satisfactory return to the time and risk of the operator. Preconditioned calves typically bring a price premium and there is value in the additional pounds being sold. The same is generally true for selling steers, rather than bulls. Farmers just have to determine if the return is sufficient and if it makes sense for their operation.

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In a strong cattle market like we are currently enjoying, producers should avoid being satisfied and should continue to look for ways to add value and increase profits. I would argue that good management practices make sense in most markets and producers should always strive to sell the types of cattle that the market wants. In truth, there are operations that have an entire business model based on purchasing calves that need some attention, upgrading/grouping them, growing them for a period of time, and re-selling them. Put simply, value is going to be added to a lot of the calves that move through markets; it is just a question of who is going to add that value. In a strong market like this one, don't stop doing the little things.

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