



BeefTalk 594: \$1.43 short

SUPPORTING MATERIALS

Wow, Did You See Those Prices!

Dickinson Research Extension Center Steer Prices

The whole lot of steers averaged 851 pounds on the rail, average carcass value was \$207.03 per hundred weight for an average total value of \$1,760.94 per steer.

Producers buying replacement bulls and heifers realize that, even within the industry, costs are increasing. As hard as calf dollars are to generate, the dollars do not tend to remain in the producer's hands for long.

Have you ever been shorted by \$1.43? It is quite irritating, especially if one is not talking candy bars.

Spending money on bulls is a time to ponder. No one wants to part with hard-earned dollars, and it seems like it is easier to pay those outside one's industry than the neighbor. Perhaps there is the rationalization that one has no control over those suppliers that are not cow-calf based. In contrast, while purchasing within the beef business, one would hope that at least some acknowledgement of the low-cost principle in the beef business would happen.

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As input prices climb, the impacts hit hard. Perhaps there is some consolation that product value also is going up. The increasing value of beef and the general tendency for increased input prices, along with being shorted by \$1.43, are the main points of this story. One can be frustrated when one feels shortchanged.

The story starts with the calves born in 1996 at the Dickinson Research Extension Center. At that time, the center started to retain ownership of all the calves that were produced and then followed them through the harvest chain. This process continues today.

The carcass data, like all data, tends to wait for evaluation and reporting. However, occasionally, a piece of data rolls by that simply cannot go unnoticed. The latest set of center steers was harvested Jan. 4. One had to look twice at the check after it arrived because it was short by \$1.43.

Granted, I was thinking faster than I was reading, but the top steer in the lot brought \$1,998.57, which was \$1.43 short of \$2,000. How could a company deny one the right to claim a \$2,000 steer on the rail?

Perhaps other producers already have had this experience, but the center has not. As the sun sets, the center still has not had the opportunity to claim a \$2,000 steer on the rail. The center still has cattle on feed, so waiting for the season's final home run is worth waiting for.



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In reviewing the data, the steer brought \$210.82 per hundredweight and graded out as certified Angus choice. Two steers graded prime and actually brought more per hundredweight than the top-dollar steer.

The prime price was \$219.82 per hundredweight. Those steers brought \$1,925.62 and \$1,732.18. We all live in the world of "what ifs." If the 948-pound carcass had graded prime, the carcass value would have been \$2,083.89, but that did not happen. However, at \$2.11 per pound, if the carcass had weighed 949 pounds, the carcass value would have been \$2,000.68, so it was only a pound shy. Granted, wishful thinking does not pay the bills, but the value on the rail for this lot of steers was impressive.

The whole lot of steers averaged 851 pounds on the rail. The average carcass value was \$207.03 per hundredweight for an average total of \$1,760.94 per steer. The beef business remains a low- input, cost-conscious business, but the dollars exchanged are getting larger.

Back to the original thought of how much one should pay for a bull or replacement females. At least growing up, the budget was kind of sketchy. To be honest, I don't think there was a budget. However, there was a saying that a new bull should be worth three steers. Right or wrong, this principle is not up for debate, so the new bull should be worth \$5,282.82.

Of course, those producers who sell early may have a different equation. Regardless, as the price of cattle goes up, the price of bulls and replacements will follow. The real message is the same: Make sure one buys the right bull. The need to bid a little higher is evident, but so should the need to understand what one is buying.

In this set of steers, there were various premiums and discounts. The ability to avoid discounts is managerially driven. On the other hand, the opportunity to obtain premiums is a function of genetically driven growth and the ability to marble. Once a steer is harvested, the high-dollar meat industry needs quality, so the industry is very quality driven.

The ability to hang large carcasses that grade choice or prime is very lucrative when the market is seeking high-quality meat.

What has not been calculated with this set of steers is total profit, but having the ability to bring home significant premiums certainly adds more dollars to the pot when the bills are paid. Many an agricultural opportunity has been passed by waiting for one more penny that never gets here.

Happiness still comes even without the \$1.43. The next bull sale will see a few more nods to the auctioneer, so take care of the new bulls because the expectations are getting larger.

May you find all your ear tags.

Your comments are always welcome at <http://www.BeefTalk.com>. For more information, contact the NDBCIA Office, 1041 State Ave., Dickinson, ND 58601, or go to <http://www.CHAPS2000.com> on the Internet.

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