



BeefTalk 630: Am I Short of Feed or Short of Cash?

SUPPORTING MATERIALS

What is the Real Question?

Do I need Cash?

— Or —

Do I need Feed?

The real question is the ratio of replacement heifers and cull market cows.

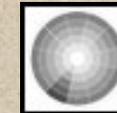
Today, cattle producers market cows and bulls in much the same way they market the annual production of calves.

However, here is something to keep in mind: If a typical beef producer marketed all the cattle last week that normally would be sold off the operation, approximately 50 percent of the check would be from the value of steer calves, 30 percent from the value of heifer calves and 20 percent from the value of market cows and bulls.

Let me explain by re-examining the 2011 year production benchmarks from those producers involved with the North



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Dakota Beef Cattle Improvement Association.

Let's assume a typical producer exposed 100 cows to the bull. The producer would have 91 calves in the fall. If the male-to-female ratio was 45 steers and 46 heifers, this producer would have approximately 25,740 pounds of steers (572 pounds per steer) to market and 25,070 pounds of heifers (545 pounds per heifer) available as replacements or to market.

The calves would average 190 days of age. The replacement heifers (15 percent) would account for 8,175 pounds, which would leave 16,895 pounds of market heifers.

If herd size is to stay constant, approximately 14 percent of the cow herd inventory will be reduced, which would account for 19,544 pounds (1,396 average cow weight). If a bull also is replaced, an estimated 2,000 pounds of market bull would be available for this assumed NDBCIA herd of 100 cows.

Using the U.S. Department of Agriculture's North Dakota Weekly Auction Summary for the week ending Sept. 22, the value of the calves and the total sale dollars could be calculated.

The marketed steer calves, at 25,740 pounds, should bring \$155.17 per hundredweight (average price) for a total of \$39,940.76. The 16,895 pounds of heifer calves should bring \$140.92 per hundredweight (average price) for a total of

\$23,808.43. The 19,544 pounds of market cows (estimated at 80 to 85 percent lean) should bring \$75.62 per hundredweight (average price) for a total of \$14,779.17. The bull, at \$92.75 per hundredweight, should have grossed \$1,855. This would bring our total gross sales check to \$80,383.36.

How would the drought change the picture, assuming one wants to continue as a cow-calf producer? The real question is the ratio of replacement heifers and cull market cows.

Even though all the calves may not be sold, they are pulled off the pasture and fed. This places all the calves in a different enterprise, which needs to stand on its own. As a producer, one needs to allocate feed to each enterprise if one exists on the operation. We have the cow, backgrounding, replacement and even the feedlot enterprises. The reality of the drought means that a producer has to decide what enterprise goes. The simplest logic is to start backward and eliminate mouths.

The first to go would be the feedlot enterprise. After that, it's the producer's preference to eliminate the replacement heifer or the backgrounding enterprise. If feed is very short, the replacement heifers are only 15 percent of the breeding cow herd. Meanwhile, maintaining the backgrounding enterprise means feeding 100 percent of the calf crop.

Logic would advise selling the feeder calves or retaining ownership and moving them to a location with accessibility to cheaper feed.

Do we need to keep the replacement heifers? At least last week, the feeder heifers were bringing \$768 per hundredweight, while the market cows were bringing \$1,056. The future of the herd and the industry rests on the answer to the question.

Typical average culling rates have been less than 11 percent in high-retention years and up to 17 percent in high-turnover years. Although these values would be indicative of herd expansion or reduction, the overriding producer reaction is probably a "seat of the pants" assessment of future input costs versus future output value.

Ironically, drought is just one of the many factors that producers need to factor into deciding whether to expand, maintain or reduce herd numbers. That being said, initiating a drought response and doubling the culling rate to 28 percent and selling an extra bull will increase this year's income by approximately 20 percent to \$97,017.53.

By keeping the same culling rate and eliminating the replacement heifer enterprise, this year's income will increase to slightly more than 14 percent at \$91,903.57.

The reduction in feed will be the difference between feeding 14 fewer mature cows or 15 fewer growing heifers. Come next spring, if the culling rate is doubled, the herd would be short 14 cows. If the replacement heifers were sold, the herd still would have 100 producing cows.

Is it feed we are looking for or cash? To be continued.

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.

