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Drought Marketing of Cull Cows
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Introduction

There are several ways that beef producers can deal with a severe drought including culling cows and early-weaning calves. This paper addresses some marketing issues associated with culling cows. Marketing concerns with early-weaned calves are addressed in “Drought Marketing of Early-Weaned Calves (AGECON-06-115)”.

Current Situation and Response

Some producers may be reluctant to cull cows because they are scared of what may happen if “a bunch of cattle hit the market at one time.” While this may be a valid concern, there is an important point to remember, even if prices decline, **will you lose less money liquidating cows at possibly lower prices now or limping by on feed and then selling?**

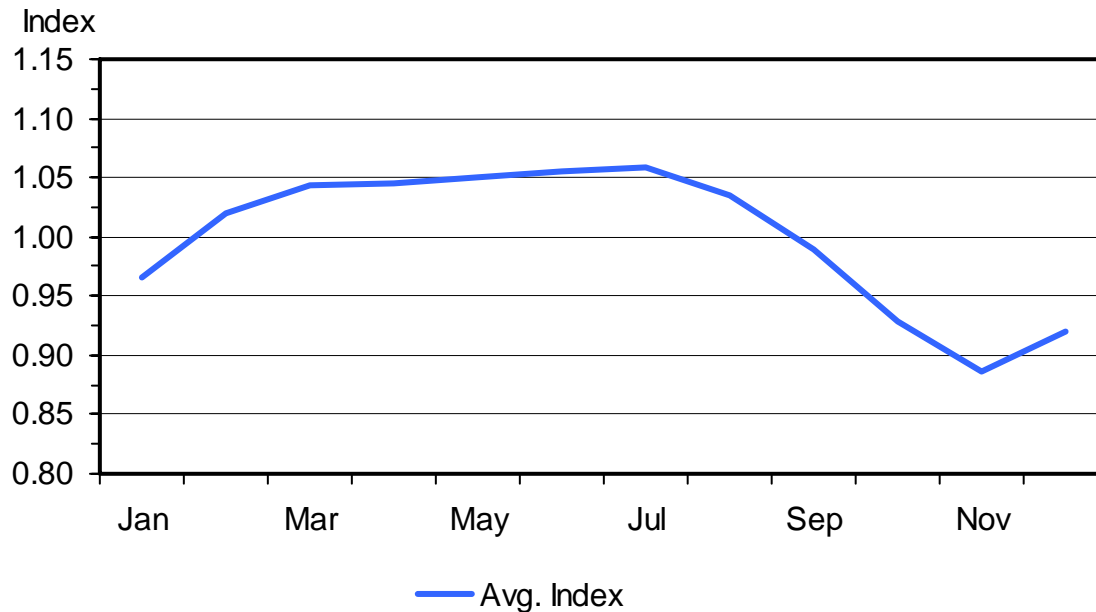
When facing any type of disaster whether it be drought, hurricanes, flood or other events, producers must focus on maintaining what they have or minimizing their losses as opposed to trying to get the highest prices. The formula below should provide a good model for cattlemen to evaluate the economics of holding on to certain cows.

$\text{Profits from holding cow} = \text{Expected Value} - (\text{Cow value today} + \text{Cow costs from now until sale day})$ $\text{Profits} = \text{Sales Weight} \times \text{Sales Price} - ((\text{Current Weight} \times \text{Current Price}) + \text{Feed Costs} + \text{Death Loss})$
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Obviously the two biggest factors in this decision are current and expected cull cow values and feed costs. Like most other commodities, cow prices have seasonal tendencies that usually provide a good estimate of how prices change from month to month. Figure 1 below shows the seasonal tendency of utility cull cow prices in the Southern Plains which is also relevant here in Georgia.

The index for August Utility cows is 1.03 and .93 for October. So if utility prices are \$44/Cwt. in August, they would be expected to be \$39.73 (.93/1.03 x 44) in October. For a 1,100 pound cow this would be a loss in revenue of \$46.97/head.

SEASONAL PRICE INDEX -- UTILITY COWS
Southern Plains, 1996-2005



In addition to seasonalities, two of the biggest value-determining factors are expected lean meat yield and live weight. An important item that cattlemen should realize is that in a drought situation cows in better flesh (but not fat) will bring a better price than cows that are too thin. Also, if feed resources are a concern, cows will likely lose weight. So if a producer is not careful, he may wind up depleting his feed resources and then selling a lighter cow at a lower price. **The bottom line is, in all likelihood it is more profitable to market a cull cow in better condition and save the feed than to deplete feed resources and sell a thin cow for less money.**

Marketing Concerns

The concern about a glut of cull cows hitting the market at one time is certainly a valid concern. In all likelihood cow prices will trend downward in the next several weeks and months possibly by as much as \$7-\$10/Cwt. for the affected period.

However, there are several key points producers should realize. First, this drought has been occurring nationwide since late last fall. As a result, many cows in the major cow-calf regions have already been liquidated. According to data from USDA, cow slaughter from January to July is running almost 15% more than for the same time period last year. Second, the U.S. currently has one of the lowest inventories it has had in many years. For some perspective, beef cow numbers are essentially the same this year as they were in 2001. Also, compared to the last severe drought in 1993, there are 1 million fewer cows than in 1993. **Bottom line, cattlemen should not let concerns about large numbers of cows being marketed keep them from making the correct culling decision.**

Marketing Alternatives for Cows

Cattlemen with several head of cows to market can add value several ways. The first alternative is to try to market productive cows outside of the drought affected areas. In some instances cattlemen may face a situation where they are forced to liquidate cows that are still productive because of feed, financial, or other reasons. If this is case, it may be advantageous to market these productive cows in areas that have not been as impacted by the drought. However, producers should be sure to utilize the services of a bonded marketing agent otherwise they run the risk of not being paid for their cattle.

Another way to add value to cull cows is to market directly to packers. This usually works best for producers who have several head to market. Because the cattle will usually have to be hauled longer distances than to local auction markets, it is important to have enough cows in a load to justify the additional trucking.

Regardless of the market, ranchers who can provide verifiable source identification and birth-date information for their cows can increase the value of their cows. Numerous retail outlets are paying premiums for source verified beef product. As a result, many packers and cow buyers in local auctions are passing some of these premiums on to producers. In some instances, these premiums can approach \$50/cow. Therefore, cattlemen that can show the source of their cows can receive some of this premium. Producers who have birth-date information in addition to being source-verified stand the best chance of receiving the highest premium for their cows.

Summary

The culling decision during a drought is not an easy one. Cattlemen should make their decision based on what will minimize their losses not what will get them the best price. In all likelihood cow prices will decline throughout the fall. However, producers should also consider feeding costs and the future impacts of trying to stretch feed resources on conception rates and calf crop percentages.

Cattlemen that have to market part of their cow-herd should consider marketing productive cows outside of the drought-affected area. Producers with groups large enough to cover the additional trucking should examine their direct marketing alternatives. Regardless of if they are being marketed through a local market or direct to packer, cows that are source-verified and/or have birth-date information should bring more..