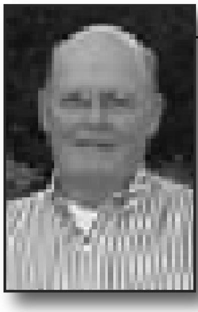
A Bird In The Hand



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For the past two years, we have seen a strong rally in feeder cattle prices in the first half of the year and a rush to market calves, or cash them in. Does it pay to deviate from a production and marketing plan? Several things need to be considered. Tennessee beef producers have learned how to recognize a good price when they see it, and that has caused the early movement of calves to market the last two years.

I firmly believe cow-calf producers and even stocker/backgrounders should consider the economics of marketing versus retaining cattle to some heavier weight or other production alternative. First, the cow-calf producer can market at weaning, which can be anywhere between about three and 10 months. Producers who have marketed very light calves based on prices higher than the recent past, take the "bird in hand" approach. While that price is assured, weights are going to be considerably lighter than a more normal market weight at 7 to 9 months of age. Marketing decisions based on recent price history also ignore the strong seasonal tendencies of prices and the cost of gains on grass, assuming a normal growing season. Furthermore, cattle buyers prefer weaned calves that have been preconditioned using acceptable vaccination protocols including modified-live respiratory vaccinations. The availability of qualified labor and likelihood of sickness and increased death loss have made feedlot buyers wary of buying stockyard calves that have had little or no health management program. Our own data from the Tennessee Beef Evaluation program has shown that calves that have to be treated following arrival at the feedlot make considerably less money than calves that do not have to be treated. Preconditioned calves have less than one-half the incidence of sickness compared to calves that have not been preconditioned.

Returns from a post-weaning program, whether a shorter 45-day program or one longer where 200 to 300 pounds are added, come from three sources: value of gain versus cost of gain, seasonal changes in prices and marketing method. First is having the gain in value of the calf ex- ceed the cost to add the weight. Value of gain is simply the gross dollars an unweaned calf might have received sub- tracted from the gross dollars or sale price times weight at the end of the post weaning period. The seasonal or month-to-month price movement can certainly affect the value of gain. The fall to spring price increases are well documented. Most years also see prices improve in August versus June and July. Heavier feeders usually sell for a lower price than lighter ones, so this also affects the value of gain. Therefore, value of gain and cost of gain are two important keys to profitability in a post-weaning program. Regarding the risk of a price decline, the Livestock Risk Protection insurance sold by crop insurance agents is a safe means of protecting from falling prices during the post weaning period.

In addition, the marketing method selected is a significant factor in allowing one to capture the value that has been added in a post-weaning program. We have more opportunities to market calves in special preconditioned sales in the state than ever before. Some are age and source (PVP) verified but most are not. Graded sales or alliance sales where calves are graded and commingled are the way most producers can capture the full value for production and management practices conducted to precondition calves. Such sales that do not commingle calves to make truckload or near truckload offerings will not capture the full value of preconditioned calves. Tennessee Beef Alliance sales last year captured $75.77 per head over weekly auction prices. When considering a marketing plan simply to catch the "bird in hand," look forward as well as back. With lower cattle numbers, prices are expected to continue strong for the next two to three years. Δ

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