

Calf Prices Could Continue Upward In 2011

LITTLE ROCK, ARK.

Smaller cattle inventories in 2010 mean Arkansas cattle producers can look forward to higher calf prices in 2011, said Tom Troxel, associate director of animal sciences for the University of Arkansas Division of Agriculture.

"Cattle and calf numbers for Arkansas were up 5 percent, even though the cattle numbers for the nation were down," he said. "The U.S. beef cow herd has decreased 12 of the last 14 years, dropping from a cyclical peak of 35.3 million head in 1996 to the January 2010 level of 31.3 million head – a number that represents the smallest beef cow herd since 1963."

Troxel said the 2010 calf crop is expected to be 35.4 million head, the smallest U.S. calf crop since 1950. Total U.S. cattle inventory, including both dairy and beef, decreased by almost 10 million head since 1996 to the January 2010 level of 93.7 million head, the smallest cattle inventory since 1959.

In contrast, total beef production has not changed accordingly. In fact, 2010 beef production is projected at 25.9 billion pounds, slightly higher than the 1996 level of 25.4 billion pounds, he said.

"With the decrease in cattle numbers, prices received for a 500-pound calf in 2010 were high, averaging around \$118 per hundred-weight, which was about \$18 above 2009 prices," Troxel said.

For producers, 2010 was a mixed bag weather-wise.

"On the positive side, subsoil moisture was plentiful since most of the state received above-average rainfall in 2009 – as a matter of fact, some areas of the state received more than 100 inches of rain in 2009," he said.

On the down side, the winter of 2009-2010 was very cold and wet. As a result, cattle consumed more hay than normal.

"Most cattle producers fed the entire 2009 hay

crop, plus all of the reserve hay they had," Troxel said. "Entering the 2010 hay season, most hay barns were completely empty."

The 2010 weather pattern for the rest of the year did not lend itself for a good hay crop. "From January to November, monthly average temperatures were above normal and rainfall amounts were below normal for nine months," he said. "Many cattle producers harvested 40 to 50 percent less hay during the 2010 hay season as normal."

Producers, who rely on growing stockpile forages for winter grazing, didn't get much cooperation from the weather, either.

"Many stockpiled fields had only one-third of the grass stockpiled as expected," Troxel said. "This will result in a decrease in the number of grazing days, leaving producers no other choice than to feed hay."

Feeding hay generally costs \$1.15 to \$1.20 per cow per day. If a producer must feed hay an extra 45 days, cow cost will increase approximately \$52, a significant addition to the cost of production.

Still, the outlook for better prices in 2011 provides hope for cattle producers.

"Cattle and beef markets have jumped sharply, and both live and feeder cattle futures prices suggest that we are in for an extended period of largely unprecedented cattle prices," Troxel said.

Calf prices should go higher until there is sufficient incentive to increase cow-calf production, he said.

If there is a tempering effect on the market, it's feed prices.

"One prevailing signal is the need to reduce use of expensive feed grains and encourage more cattle gains on forages," Troxel said, adding that "despite very high prices, especially for calves, the value of additional weight gain continues to be very strong, encouraging more weight gain outside of feedlots." △



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