Tough Times Ahead For Cattle Producers

LITTLE ROCK, ARK.

Higher costs and lower selling prices are expected to rob cow-calf producers in Arkansas and the rest of the nation of profits in 2008. Arkansas cow-calf producers should expect two or even three lean years ahead, said Dr. Tom Troxel, extension professor and associate animal science department head with the University of Arkansas Division of Agriculture.

Troxel said producers could lose $30 or more per cow.

“With the recent decline in calf prices, actual losses in 2008 may be higher than $30 per cow, even though grain prices are dropping,” he said.

Cow-calf producers have only experienced negative returns in three years since 1986. Producers lost from $25 to $90 per head in1995, 1996 and 1998, Troxel said.

Producers began liquidating cows from their herds in the spring because of high carrying costs, which included the increased cost of fertilizer, fuel and feed.

“This really has been a step in a long process that began in the fall of 2006,” Troxel explained. “Cow slaughter usually peaks in November after spring born calves are weaned and before winter weather makes feeding hay and/or supplements necessary.”

He said that the beef industry is apparently not in a position to replace the cows going to slaughter because the July inventory of heifers being held for beef cow replacements was about 2 percent smaller than a year ago. As a result, the national cow herd should be lower Jan. 1 of next year, compared to Jan 1, 2008.

Troxel said that in the past the industry was more or less governed by an eight- to 12-year cattle cycle in which the national herd was reduced because of lower prices, followed by a herd rebuilding phase.

“This cycle is not expected to continue this time,” Troxel said, and he noted that some economists have said the beef cattle cycle is over, and it will be replaced by a flat line.

Plunging cattle prices have also hit yearling prices hard. Prices for yearlings – 700- to 800-pound feeders – dropped by $20 per hundredweight from mid summer through early October. This was driven by lower fed cattle prices and the cumulative effects of cattle feeding losses, according to Troxel.

Cattle feeders have lost $25 to nearly $175 per head over the past year to year and a half.

“Lower yearling prices pressured calf (400- to 500-pound) prices,” Troxel said. Calves are what the majority of Arkansas cow-calf producers sell. Prices, however, have rebounded a bit in recent weeks due to excellent wheat pasture conditions in the nation’s high plains.”

A lower beef supply will drive prices back up for producers and consumers, Troxel predicted.

“But it’s going to be a while for higher prices to take hold,” he said. Cows going to slaughter now had a calf last spring, and those calves won’t get through feedyards until late 2009 or early 2010.

How can Arkansas cow-calf producers improve their chances for profitability?

Producers have to go back to the old tried and true economic practices of keeping a sharp pencil handy and improving production efficiency by employing cost-effective management practices, according to Troxel.

“Eliminating cows that either don’t produce a calf or produce an inferior calf, balancing supplemental feeding programs based on a forage test, base fertilizer applications based on a soil test are just a few management tips to improve efficiency,” the extension specialist said.

He said producers also have to make critical decisions about when calves are sold and at what weight.

“Marketing has always been important to cattle producers,” he said, “but it will become even more important during the next few years.”

Troxel said producers can learn more about improving profitability by talking to their county extension vsiting www.uaex.edu and selecting Agriculture, then Beef. The Cooperative Extension Service is part of the U of A Division of Agriculture. Δ