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Cull Cow Marketing

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CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

Cull Cow Marketing

Market Report	Yr Ago	4 Wks Ago	9/16/05
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$84.12	\$78.96	\$86.90
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	127.52	133.76	135.09
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	119.17	114.67	121.16
Choice Boxed Beef, 600-750 lb. Carcass	133.95	134.41	139.07
Western Corn Belt Base Hog Price Carcass, Negotiated	76.97	70.41	65.45
Feeder Pigs, National Direct 45 lbs, FOB	46.77	49.36	48.67
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	73.69	73.88	71.20
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	93.00	91.00	93.25
National Carcass Lamb Cutout, FOB	217.06	243.73	245.12
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.46	3.14	*
Corn, No. 2, Yellow Omaha, bu	1.99	1.65	1.53
Soybeans, No. 1, Yellow Omaha, bu	5.07	5.82	5.26
Grain Sorghum, No. 2, Yellow Columbus, cwt	2.95	2.79	2.45
Oats, No. 2, Heavy Minneapolis, MN , bu	1.84	1.77	1.79
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	117.50	117.50	117.50
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	37.50	37.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	52.50	52.50
* No market.			

Every year, about this time of year it seems that someone asks me to speak about cull cow marketing. The date they want me to speak is generally the week before Thanksgiving. The problem with that talk then, is I am always a couple of months late with my advice. So I am getting my advice out early, or perhaps I should say on time, this year. Cull cow sales likely account for 20-25 percent of gross revenue on most cow-calf ranches. It is therefore worth considering different cull cow marketing strategies.

Let's first examine the market. I have examined prices from Billings, MT, Sioux Falls, SD and Torrington, WY and they all have one thing in common: November has the lowest cull cow prices of the year. The price in September is generally near the annual average price, while the price in November is about 10 percent below the annual average. So for example, if the current price is \$55 per cwt. then one would expect a price of \$50 per cwt. in November. That is a decline of \$5 per cwt., or on an 1,100 pound cow, that is a decline of \$55 per cow.

Cow weights and body condition also likely decline from the end of August into November. Research done in the Nebraska Sandhills showed a 50 pound decrease, which represents about a half of a body condition score on the cows. So really, the difference in value of a cull cow in September and November is probably over \$80 per head ($1150 \times \$55 = \632.50 compared to $1100 \times \$50 = \550). I can almost guarantee you increased returns from selling cull cows in August rather than in November. I say almost, because in the last 20 years there has been one

year, 2003, when the price in November exceeded the price in September.

As with almost all ranching decisions, it is not that simple. If you sell cull cows in September versus November what are you going to do with the calf? If you sell the calf in September, you will likely receive a higher price, but you will have far fewer pounds of calf to sell. If you keep the calf until a later date, there are additional feed costs that are not incurred if the calf remains with the cow. If you typically wean a 500 pound calf in November, then those calves are probably not much over 350 pounds right now. If you sold a 350 pound calf now for \$1.50 per pound, that is \$525 per head. That compares to selling the 500 pound calf for \$1.25 per pound in November, \$625 per head. That is a loss in revenue of \$100 per calf. You don't want to sell the calf now.

My beef nutritionist colleagues tell me that if the calf remains on grass, then it takes very little supplement at this time of year to make up for mother's milk. Depending upon the source of supplement, \$15-18 should get the calf to 500 pounds. Therefore by culling now, weaning early and supplementing the calves, your net returns could be increased by about \$65 per cull cow (\$82-17). This assumes that you only wean the calves early from the cows you cull and sell.

If you only want to wean once, and you wean the whole herd now, then your net may be zero or negative. You would incur the additional supplement cost on all the calves, while you are only selling about 10 percent of the cows as culls. Your cows will likely be in better body condition going into the winter if they haven't had a calf on them in the fall, and that could reduce your overall feed costs this winter.

If you choose not to cull cows now, but wait until the traditional late October early November time frame, then you may want to consider feeding the cull cows for 100 days before selling them. Research from South Dakota State indicates that many cull cows fed for 115 days on a high energy concentrate ration will gain 3 pounds per day, and will improve their cull cow grade by one or two grade levels. During that 100 days the cows are gaining weight, the market is typically rising and the cows are moving into higher market grades that are also higher priced. My projections would be that rather than selling an 1,100 pound cow in November for \$.50 per pound, \$550 per head, you could sell that cow in March weighing 1,445 pounds for \$.60 per pound, \$867 per head. The cost of feed, yardage interest, etc., for the feeding period would be about \$187 per cow. The net return from feeding the culls would be $\$867 - 550 - 187 = \130 per head.

I know numbers always look better on paper. However, I think there are some real economic advantages to either selling cull cows now, or feeding them for a few months if you do not cull until November.

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