

## ECONOMICS

# Is Herd Liquidation Inevitable?

by Job Springer / jdspringer@noble.org



### Conditions

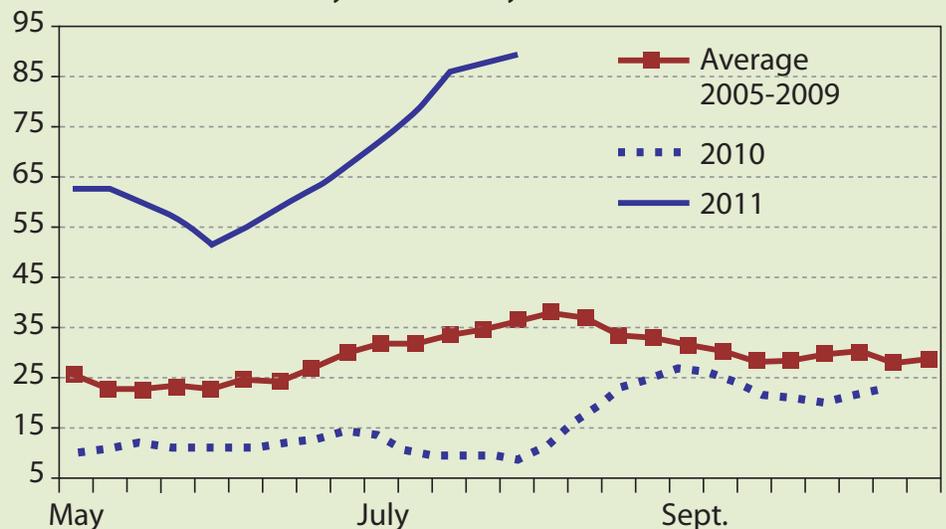
throughout 2011 have been tough in the Southern Great Plains, especially in Texas and Oklahoma, home to about 23 percent of U.S. beef

cows. With triple-digit temperatures and very little rain, the livestock industry is feeling the effects of drought. The United States Department of Agriculture (USDA) has rated 90 percent of pasture conditions in the region as very poor. To make matters worse, most livestock water sources are drying up or have reached a point where water quality is a major concern.

All of these issues have area cattle producers strategizing as to what their ranch management plan should be in the near future. They are evaluating how many days of quality water they have left or how many days of standing forage and hay are available. The hardest question for any cow/calf producer to face is now being asked by countless ranchers – will I have to liquidate my cow herd?

While the Noble Foundation's website has calculators to help with water and feed concerns, we do not have a simple calculator to determine the need for herd liquidation. However, considering certain factors can

### Southern Plains Region Range and Pasture Condition Percent Poor and Very Poor, Weekly



Livestock Marketing Information Center  
Data Source: USDA-NASS Compiled and Analysis by LMIC

help you make the decision for your circumstances.

The first step is to determine the current value of one's cows; that is, to calculate the value of your cows if they were sold in today's market. While this is an uncomfortable issue to face, it is important. The Agricultural Marketing Service (AMS) of the USDA has a website that reports market prices of livestock in select auction facilities across the United States. These

reports can be found by going to [www.ams.usda.gov](http://www.ams.usda.gov) and then drilling down to the markets of interest under the "Market News" section or directly at <http://1.usa.gov/nhlyFi>. In August 2011, the Oklahoma City market was showing an average 2- to 7-year-old cow, bred or not, worth \$700. While this price is more than \$300 lower than the same time in 2010 for a bred cow, one must consider the increased number of cows that have been or are

going to market.

This brings up the second determination that needs to be made – costs. To decide if herd liquidation is the best option, it is important to understand what the costs are expected to be from today until we have green grass in April or May of 2012. Due to the drought, area pastures have little to no grass left and most producers stocked for an average rainfall year. If you are considering feeding through the winter, realize that starting from the release date of this article at the beginning of September and continuing to the end of April would require 242 days of feed.

Hay in the marketplace is not only limited, but is more than double the price of one year ago. Average prices for grass hay have been between \$120 and \$180 per delivered ton in the southern Oklahoma and northern Texas area. Furthermore, it is look-

ing like we are not going to catch a price break on feed. Prices for many by-product feeds are about \$260 per ton, and 38 percent cubes are about \$380 per ton.

If a cow consumes 3 percent of its body weight (including waste) and we have 242 days to spring green-up, then a 1,200-pound cow is going to consume 8,712 pounds ( $1,200 \times .03 \times 242$ ) of forage during this time. At \$150 per ton, hay will cost \$653.40 per cow ( $8,712 \div 2,000 \times 150$ ). Most of the hay brought into the area will not meet the total nutrient requirements of the cow, especially during lactation. This is where by-product feeds or cubes are needed. Hay quality, cow weight, milk production, calving season and weather will all have an effect on how much and what type of supplement is needed. An estimate for supplement cost is an additional \$85.50 per cow.

Mineral, fuel, machinery use and other costs through the winter will add up to over \$100, and by the end of April the cow will have \$838.90 in costs. If the cow is worth approximately \$700 today and we spend an additional \$838.90 on her by the end of April, her value to the producer in the spring is \$1,538.90.

The last consideration then has to do with replacement options. Could a producer buy a cow or a pair at the end of April for \$1,538.90 or less? If so, it is time to sell and buy back in the spring. Realize that some of the cows going to market are going to greener pastures elsewhere and not necessarily to the packer. This means that there will be cows to buy when we get rain. Our recommendation is to create a ranch management plan for your operation that includes your specific inputs to determine the most profitable option for you. ■

# ECONOMICS