PERSPECTIVES

Angus Stakes

▶ by ***Shauna Rose Hermel,*** *editor*

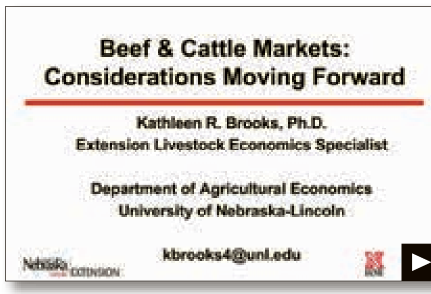
Weaning signals decision time

June signals the approach to weaning and the need to make some decisions regarding how best to manage and market calves. It's a complicated enough decision for commercial cattlemen selling market steers and heifers. It gets more complicated to consider what those commercial decisions mean to the bull market, the bred-heifer market and the market for cow-calf pairs a year from now, then infuse that into decisions regarding how many bull calves to develop, how many heifers to keep and for how long, and how to manage your herd inventory to position yourself for the best return.

Consider the market

According to USDA, beef cutout values May 9 reached a record $204.91 per hundredweight (cwt.) — or $2.05 per pound (lb.) — with the Choice-Select spread at $13.83.

Cow-calf producers have enjoyed some record feeder-calf prices of their own. Kathleen Brooks, extension livestock specialist for the University of Nebraska, noted in a May 7 webinar (available online at *http://bit.ly/134ykZe;* digital readers can click graphic at right) that prices for steer calves, feeder steers, Choice fed steers and cow prices have been record-high for the past three years. The reason, she said, is largely due to per capita availability of meat supply.



Tight supplies would suggest continued high prices until the national cow herd rebounds, which we have been anxiously anticipating for the last couple of years.

However, the weather just hasn't allowed for either a replenishment of feedstocks or expansion of the cow herd. Regional drought two years ago, a near national drought last year, and drought or flooding coupled with abnormally cool weather this spring open wide the window of "what if."

While fed-cattle prices are also rebounding from what appeared to be a March high, feedlots are still posting losses due to high input costs.

There also appears to be some push back on beef prices, most recently the announcement by McDonald's that the company would discontinue the Angus Third Pounder burger line. It will be interesting to see if this affects cattle markets.

Fortunately for Angus producers, as Certified Angus Beef LLC (CAB) has documented for us, premium-quality beef has been better able to retain its value, which also insulates the value of cattle that can supply the *Certified Angus Beef*® brand.

Your weaned calves

On May 3, medium to large No. 1-2 calves weighing 500-550 lb. were bringing $1.52 per lb. in Oklahoma ($836 for a 550-lb. calf). If you apply the rule of thumb that a base bull price should be roughly the price of four or five weaned calves, that would put the value of the average young bull at $3,350-$4,200 based on a 550-lb. calf.

What that number will be a year from now will be an interesting adventure. If prices drop to $1.25, that bull value would translate to $2,750-$3,450; if calf prices were to increase to $1.70, bull value, according to this rule of thumb, would be $3,740-$4,675.

With cow numbers still tight and little indication of immediate expansion in the national cow herd, how many bulls can the cow herd support?

At some time the herd will rebound, meaning a market for females and, thereafter, a market for bulls. Where will development expenses pay off more this year? Next year? When herd expansion does come, it can only come in the form of heifer retention, which translates to even greater focus on calving ease.

The crop report is due out soon and will factor into futures prices. What gets planted by the time this issue reaches your mailbox will have a large impact on the price of feedstuffs and, subsequently, the cost to develop stock — for feedlots, commercial cattlemen and seedstock producers.

In an uncertain environment, value can be achieved by adding certainty. That may well be your greatest competitive edge as a seedstock supplier. Use the tools provided by the American Angus Association to add certainty to your selection decisions and those of your customers.

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