

2007 Cattle Industry Annual Convention & Trade Show

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Producers Roadmap

Cattle-Fax analyst offers tips for navigating the beef industry in the years ahead.

by Micky Wilson

NASHVILLE, TENN. (Jan. 31, 2007) — Randy Blach, Cattle-Fax executive vice president, kicked off the Cattlemen's College® with a session entitled, "MA101: Producers Roadmap: Navigating the Changing Business Environment" at the 2007 Cattle Industry Annual Convention and NCBA Trade Show. The Cattlemen's College is sponsored by Pfizer Animal Health.

Feeder cattle

Compared to last year, there will be roughly 600,000 more feeder cattle, an increase of about 3%, competing for prices come sale day. "Feeder cattle are a demand-driven market," Blach said. "Don't wait till late in the year to sell your calves."

Putting the numbers into perspective, the U.S. beef market produced 26 billion pounds (lb.) of product last year, about 500 million lb. per week. Those numbers are expected to increase to 28 billion lb. per year, or 540 million lb. per week in 2007.

With this increase, the role of the stocker operator is expected to change in four ways:

1. by becoming an inventory shock absorber;

2. by adding low cost of gain;
3. by becoming a "warehouse" for cattle; and
4. by adding value and improving quality.

Because of the recent increase in corn prices, stocker operations are being encouraged to grow cattle longer. Instead of entering the feedyard at 400 pounds (lb.), cattle will enter at 800 lb., shortening the finishing phase and, thus, costing the yard less to feed the cattle.

"Nearly 8 out of 10 producers believe preconditioning pays," Blach said. He briefly identified 11 habits of high-return producers, sighting genetics, herd health and animal nutrition as the three most prominent.

When selling, cattle of known genetics are bringing more money. But more prominently, he said, cattle of known performance are topping the market.

Tips for the cow-calf sector

"We are in the stage of the cycle where we need to be careful," he cautioned. Beef production numbers have increased 5.5% and are expected to continue to increase, though gradually.

The goal of most operations is to manage a cow for \$1 per day. When managing cattle in poor market years, Blach had five recommendations:

1. watch price seasonality, because it will change;
2. optimize cost and production;
3. add weight;
4. forward sell your cattle; and
5. implement a risk management plan.

He also recommended taking advantage of cull cow markets. Though it is the least advertised method of marketing cows, it has proven successful. But, Blach warned, producers must be patient and wait for the right marketing window.

Among other trends, there are fewer cattle producers with larger herds. The industry saw an almost 20% growth in operations with 200-499 cows during the last 10 years.

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