

# Major New Millennium Events

(If you are bored and not confused, you're not paying attention)

2000 – 2013

## Does Semi-Confinement Beef Cow Production Have a Place?

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### Major Cattle Industry Events (Short Version)

#### Past 13 Years

1. Relentless beef cow liquidation
2. Relentless land value increase
3. Severe drought first in Southern Plains and spreading to Central Plains and Southwest
4. Cows and offspring are getting larger, gaining faster with excellent carcass traits. But how about efficiency (82% average weaned calf crop?)

### January 1 Cow Numbers, Million Head

Year	Beef	Dairy	Total
1950	15.95	22.00	37.95
1960	25.68	17.65	43.33
1970	36.39	12.09	48.78
1975*	45.71	11.22	56.93
1980	37.11	10.76	47.47
1990	32.43	10.02	42.47
2000	33.57	9.19	42.76
2010	31.38	9.08	40.05
2011	30.86	9.15	40.01
2012	30.20	9.20	39.40
2013	29.30	9.20	38.50

### Average Land Price \$/Acre

2000	1,090.00
2001	1,150.00
2002	1,210.00
2003	1,270.00
2004	1,360.00
2005	1,650.00
2006	1,900.00
2007	2,160.00
2008	2,350.00
2009	2,400.00
2010	2,500.00
2011	Crop land 3,020.00 Pasture land 1,090.00
2012	Crop land 3,550.00 Pasture land 1,150.00

\*Individual states much greater increase, e.g. Nebraska land prices up 36% in 2011

## Cattle Fax Cattle and Corn Prices

	<b>10/26/01</b>	<b>10/14/11</b>	<b>7/20/12</b>	<b>7/12/13</b>
Slaughter Steer (CWT)	\$64.97	\$119.24	\$113.00	\$119.50
550 lb. Calf (CWT)	\$91.34	\$145.21	\$149.00	\$158.00
750 lb. Yearling (CWT)	\$86.05	\$135.15	\$133.00	\$143.00
Utility Cow (CWT)	\$39.12	\$65.67	\$77.00	\$80.00
Bred Cow	\$800.00?	\$1200.00?	\$1,300.00?	\$1,400.00?
Omaha Corn (but)	\$1.80	\$6.28	\$8.12	\$7.14
May Feeders Future	\$75.00	\$148.47	\$150.30	\$150.12 (August)

### **3 Years of Records, 2011 – 2013**

1. More of the same, but weaker feeder and cow market
2. Record drought in South Plains (Texas, Okla. & N. Mex.) and then in Central Plains and Southwest
3. Record corn prices
4. \$132.00 Fat Cattle
5. \$210.00 Calves
6. \$160.00 Yearlings
7. \$95.00 Packer Cows
8. \$105.00 Packer Bulls
9. \$1,400 - \$2,000.00 Bred Cows
10. \$1,800 - \$2,200.00 Bred Heifers

### **Major Cattle Industry Events**

#### **Net Results**

1. Massive Cow Liquidation in TX, OK & NM in 2011 and in Central Plains in 2012
2. Smallest Beef Cow Herd in over 50 years
3. Continued Excess Feedlot Capacity
4. Record High Cattle Prices, especially Calves and Yearlings but now disappeared with record feed prices and shortages
5. Transfer of Wealth to former “Have not’s”
6. Semi-Confinement Cow Production
7. (A necessity in some area and an opportunity in other areas.)

## **Possible Short & Long Term Repercussions**

**Let's hope it doesn't occur but,**

### **1. According to the Texas State Climatologist Dr. John Nielson-Gammon**

"Another 5 – 10 More Years of Drought is a Strong Possibility"

### **2. The 12 month period beginning September 2010 was the hottest and driest on record in Texas**

- a) Resulted in Record Cow movement and Liquidation
- b) Feed Shortages and Record Feed Prices
- c) At very least it has been a Short Term "Game Changer" not only for Texas but the entire South Plains and in 2012 drought moved north to Central Plains (KS, NE, CO & WY)
- d) Should the Drought persist for several years it will change the face of the entire Beef Industry, 25% of the Beef Cows reside in Texas and Oklahoma
- e) It is difficult to feed your way out of a drought with high priced hay

### **3. Some Good News**

- a) Good rains East of 98th Meridian from Texas to Canada in 2013 but West Texas, NM, CO, AZ and CA remain extremely dry.
- b) However, even with more rain, Cow Liquidation is continuing and perhaps accelerating.
- c) When repopulation in Texas is possible, other species such as Sheep, Goats, Deer etc. may be considered. However, predators are a major problem.

## **Potential Advantages of Semi-Confinement**

**Cow Systems**

- 1. Reduced Cow Unit Carrying Capacity Cost
- 2. Reduced Cow Energy Requirements
  - a) Reduced Programmed Intake Increases Digestibility.
  - b) Reduced Movement Reduces Maintenance requirements.
  - c) Reduced Gut and Liver Size Reduces Maintenance requirements.
- 3. Calf Weaning & Preconditioning made easy.
- 4. Easier to apply all types of technology.
- 5. **Major disadvantage** — If land acquisition, accumulation and possible appreciation is your goal, owning ranch land is a good excuse to own cows and vice versa.

## **Cow Trading in a Drought (Better to buy than sell?)**

### **Buyer Advantages**

- 1. Cheaper cows because of depressed market, poor body condition and lighter weights.
- 2. Poor condition bred cows may be low maintenance cows

### **Buyer Disadvantages**

- 1. Shortage of grass — Dry lot alternative.
- 2. You may buy someone else's problems (Bad temperament, health problems, etc.)
- 3. You may be the new kid on the block

## **Future Expansion**

1. When will the cow herd expand?
2. Where will it expand? (Feed Follows the Water, Cattle Follow Feed)
3. Should the Cow Herd Expand? (Cattle are getting larger and beef demands may be declining)

Many base herd expansion forecasts on weather, numbers and economics only. True, increasing expenses and the drought are important. However, expansion or lack thereof is also determined by other factors.

This includes an aging rancher population made up of individuals who have spent a lifetime in what has previously been essentially a break even business with occasional profits coming from land appreciation. The old adage that "A Cow Man who dies rich has died before his time" contained more truth than fiction. Due to current higher land and cattle prices many may opt to "take the money and run".

A major factor which some may like to "sweep under the rug" is many cowmen are suspicious of current consolidation occurring in the packing and Feedlot sectors and what this could do to their bargaining power. Cowmen

may not be the smartest guys in the room but, they didn't just fall off the turnip truck. They can see what has happened to the fat cattle market and the independent feedlot operator where often a "cash market" is non-existent. The old ten year cattle cycle was a disaster for many cowmen and they don't want to see it return.

In spite of significant profits cow numbers have steadily declined since the beginning of the millenium. This sends a powerful message that the cow-calf industry is undergoing significant changes.

## **Final Thoughts**

1. Times are changing and always will.
2. Be flexible and have an exit strategy.
3. Listen to, but be skeptical of expert opinions.

Expert opinions in late 70's (I was there) included:

- a) Global cooling will be a major problem
- b) World population will peak at 6 billion, then decline
- c) No more grain fed to cattle

**Thank You**

**Kenneth Eng Ph.D.**

# **Good Times Don't Last Forever!**

**Remember 1974, 1986, 2003 2008, etc.**

**Occasionally we have a "Good News Overdose"**

The harvest was good & feed prices low  
The pastures are green & the creeks all flow  
Health is no problem cause the pens are dry  
Performance is great & cattle prices high

The bankers relaxed & sit there smiling  
I feel nervous; cause there's no reason for lying  
He grins and asks, "Can we lend you more money"  
I should be happy, but I feel sort of funny

There just something missing, a mysterious void  
I've called my physic & I'm reading on Freud  
I'll write Ann & Abby when I get back  
If that doesn't work, I'll call Baxter Black

I talked to my bartender who's experienced & loyal  
We had several sessions, along with Crown Royal  
He said "you're like a cow given too much hot feed  
You've had too much good news & now you've O.D"

You're accustom to bad news, it may sound strange  
But, the business you're in, good news will change  
I drove back to the ranch, met the wife at the gate  
She said "we've got problems & you're 7 days late"

"The truck is stuck in the furthest field  
The buyer is mad cause the cattle didn't yield  
The banker called & they hired a new staff  
They took your values & cut them in half"

"Our foreman is in the hospital, got thrown off his horse  
The cook went home and filed for divorce  
The vet looked at the sick calves, the advice he gave  
It's too late to worry cause there's not many to save"

She said, "let's go to bed, you've done enough harm  
The furnace isn't working & you can keep me warm"  
Then she whispered in my ear about some IRS letter  
It must be the bad news; I'm starting to feel better

By K. S. Eng