

# Breed, feed, or weed out heifers?

WASHINGTON, D.C. — The long, sharp beef herd liquidation ended last year, and with it the latest cattle cycle. But it's far from certain when the next expansion phase will begin, if it hasn't already, according to USDA's Economics, Statistics, and Cooperatives Service.

That may matter little right now to many producers still trying to regain sound financial footing after the cattle cycle's dizzy, roller-

coaster ride of the last few years. However, the pause between liquidation and expansion may be an ideal time to consider how producers can control herd expansion — once it gets underway — and prevent another major downturn like the one that just ended.

The first step toward an answer is trying to figure how much and how fast the cow herd can grow without overexpanding in relation to consumer demand, says ESCS.

With disposable incomes rising in recent years, consumers have been spending more for meat. However, the percentage of income spent on meat has remained fairly stable, averaging 4 to 5 percent. Consumers pick and choose among the red meats and poultry according to the price of each, which in the short run depends on the relative supplies of these meats.

Of course, beef supplies aren't determined solely by cattle numbers. Other factors include the proportion of fed cattle, the weight of finished cattle, and the mix of steer and heifer slaughter.

In the long run, however, beef supplies rise and fall with changes in the size of the cow herd — both beef and dairy cows. And cow numbers, in turn, increase or decrease with changes in cattle prices.

This complex, never ending circle of change in demand, supply, and prices can be largely boiled down to one simple and useful ratio: the number of cows per 100 people.

This ratio, indicating the

supply-demand balance, has averaged 24.5 cows per 100 people since 1959. (Cow numbers were higher in the early 1950's because of large dairy herds.) A value above 24.5 would tend to indicate an oversupply relative to demand; a lower value, an undersupply.

Multiplying this average ratio by the population gives some idea of the herd size needed for the population level. Historically, during periods when the cow-people ratio was near 24.5, meat and cattle prices were acceptable to consumers and producers alike.

In 1975, the number of cows per 100 people rose to 27 — a 20 year high. And, the price of feeder cattle in constant (1976) dollars fell to its lowest level of the 30-year period.

The cow herd was then liquidated, and the number of cows per 100 people shrank to 22 by the start of 1980. In response, feeder prices — in constant, noninflated dollars — rose toward the level of the early 1970's.

The U.S. population is now about 220 million and is forecast to rise to 241 million by 1990.

Now, assuming that the measuring stick of 24.5 cows per 100 people is a reliable indicator of the supply/demand balance in the 1980's, the cow herd could grow from its present 48 million head to just under 60 million by 1990 without overexpansion. In fact, the cow herd could have been as high as 54 million head at the start of this year (instead of the actual 48 million) without surpassing the stable cow-people ratio of 24.5.

Based on the past herd rebuilding rate and the projected demand for beef, cow numbers could rise to 56 or 57 million by the mid-1980's before reaching the point of overexpansion. Of this total, 10 million would probably be dairy cows (based on projected milk demand).

In the last 3 cattle cycles, overexpansion began in 1953, 1964, and 1973. Right now, ESCS livestock analysts don't expect an overexpansion of the cow herd before 1985. However, by that time it could be too late for producers to prevent excess growth of the cattle herd.

In past cycles, cow

numbers continued to increase another year or so beyond that point due to the large number of heifers already being held. The subsequent slaughter of younger cattle and excess breeding stock caused beef production to mushroom, resulting in lower prices and losses to cattle producers.

The key here is to recognize the potential for oversupply well before it is imminent, says ESCS. If cattlemen were to begin culling more cows and holding fewer heifers for herd replacement 1 to 2 years before an expected trigger point, they could slow growth in the cattle herd to match consumer demand for the rest of the decade.

In other words, by no later than 1983, it would be wise to start closely monitoring herd size and the rate at which replacement heifers are entering the herd. Of course, unforeseen shifts in consumer demand and productivity per cow could alter the timetable.

For now, producers considering herd expansion face many of the same difficult questions as last summer. For example: Should they sell their replacement heifers now, ensuring a good and immediate return? Or do they want to retain them for their beef cow herd?

Obviously, selling now will produce a quick return. Last year, feeder heifers averaged about \$85 a cwt., so a 500-lb. heifer sold for \$425 as a feedlot placement. Feeder prices will be about the same or a little lower in 1980.

If producers keep their heifers as herd replacements, they will of course forego the immediate return of selling them. But, a heifer retained will probably produce 6 or 7 calves — her own replacement and 5 or 6 calves for sale — plus her value as a cull cow. At current prices, this program would produce annual average receipts of \$400 to \$450 per brood cow.

Naturally, not all cattle producers are in the same financial situation right now. Many have had a couple of years to reestablish their financial base. Grazing conditions have been mostly favorable, and there's excess grazing capacity in many areas, ESCS points out

On many crop-livestock farms, however, producers quit the cattle business several years ago in favor of cash grain production, with at least part of the pasture converted to crops. Those who got out then are unlikely to get back in now. Such farmers face higher interest costs as well as sharply higher prices of replacement cows — \$600 to \$800 per head compared with the \$200 to \$250 they got for their cows a few years ago.

A unit of one bull and 20 cows, excluding replacement heifers, could easily cost \$15,000 to \$20,000 today. At an annual rate of 15 percent, the interest cost on such a purchase would total around \$2,500—equal to the value of 4 or 5 calves

Cattle operators still in business, however, can expand without having to raise a lot of outside capital. Most have owned their land for several years. Even if they have not yet paid off their loans, the interest rates and the price they paid for their land are both well below today's high going prices.

While most cash costs will continue rising, feeder cattle prices are expected to remain high enough to cover them and still provide a return for family labor and management. Once a producer has restored a sound financial base, herd expansion should bring favorable returns for several years, concludes ESCS.

## Chianina field day coming

WRIGHTSVILLE — The Northeast Region of the American Chianina Association will be holding the 5th Annual Field Day and Preview Show on Saturday, August 16, announced James Glass, president.

This year's event will once again be held at Lauxmont Farms, Wrightsville, with registration beginning at 8 a.m. and the field day events starting at 9 a.m.

"I want to stress that all 4-H and FFA youth are invited to come and bring their animals with them," Glass said. He added that the field day will be a learning day for all cattlemen, regardless of breed affiliations.

Glass explained that for those youth wishing to bring their heifers and steers to the field day, the following rules apply:

—The Chianina heifers must be accompanied by either an ACA registration certificate or application for registration;

—They must have been calved after January 1, 1979.

—Chianina steers must have been calved during 1979.

—Heifers and steers can be percentage Chianinas, from quarter-blood to full blood.

—There is no entry fee, but the entries are limited to two steers per exhibitor. There are no limits on the heifer entries.

Glass pointed out the prize money for this year's field day is double last year's because of the successful fun auction held in 1979.

The day's events will include a judging contest, for both the individual and county groups, weight guessing contest, and showmanship competition. There will also be a sequel fun auction and a free Chianina roast beef lunch.

Glass said he is hoping to see a good turn out of young people at the field day. He pointed out that last year there were over 800 participants, with 67 weathering the rain to compete in the showmanship contest.

"Come see the Chianinas, and the gentlest bull in the world—Lombard," concluded Glass. He pointed out there were more grand champion Chianina steers nationwide in 1979 than any other breed.

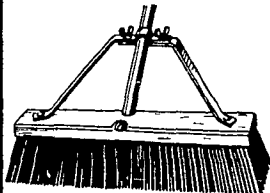
For more information on the field day, contact James E. Glass, 230 Harrison Avenue, Glenside, PA 19038; telephone 215/887-0409.

### BROWN PAPER



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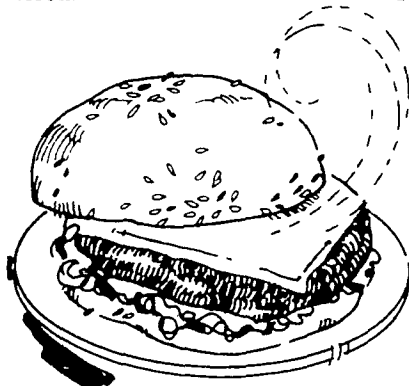
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