

ECONOMICS

What Will Cows Cost in the Future?

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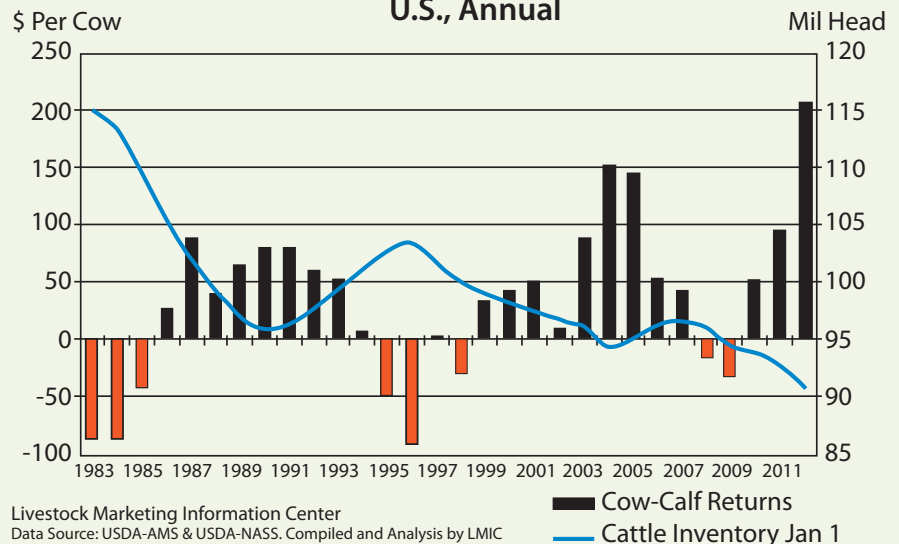
With the challenges of the 2011 drought, the beef cow inventory declined 3.1 percent for an annual inventory of 2011 and prospects for further

decline are evident unless changes occur in cow slaughter and heifer retention. With this decline, the 2012 U.S. calf crop stands at 35 million head, the lowest in 60 years.

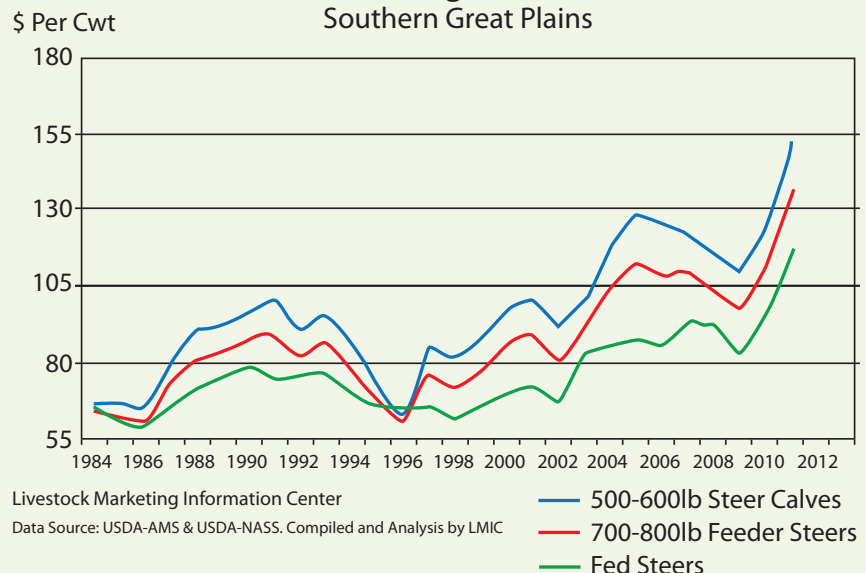
With low cow numbers, historical high prices for weaned calves and the cost of cows at all-time highs for the foreseeable future, what does this mean for the cow/calf producer wanting to rebuild the herd? It means good producing cows are going to be hard to find and will be higher priced than in previous years – possibly exceeding \$2,000 per cow. In addition, it will be more critical to cull unproductive cows because input costs are increasing as well.

How much could cows cost? Based on a \$550 annual cow cost, 88 percent calf crop, \$180 per hundredweight average price for a 525-pound calf over five production years and \$2,000 cost per pair, a cow/calf pair purchased in spring of 2012 would yield a 10 percent return on investment. ▶

Cow-Calf Returns and Cattle Inventory
U.S., Annual



Annual Average Cattle Prices
Southern Great Plains



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There are a number of questions that should be asked when determining what to pay for a cow. Are more cows needed? Is there enough grass for more cows? Is there a better alternative use for the grass than grazing cows (e.g., retained ownership of calves or purchased stockers)? Are the existing or proposed annual cow

production costs low enough to make a profit? Can financing be secured for cows at the higher price?

If cows are the best option, you have to decide when to buy them. Because of the cow cost and the value of the calves, the timing of the purchase can make a significant difference in the value of the cow. For example,

a cow is typically more valuable the closer it is to the sale of a calf.

All of these factors should be considered when making the decision to buy cows because it can be the difference between making and losing money. Doing so is especially important when cow and calf prices are at all-time highs. ■