

Is Expansion in the Future?

The stars are aligned, or are they? Record beef prices with the prospects of \$1.10 fat cattle, steady and stabilized domestic beef demand, rising export demand, and tightened beef supplies are all factors that should add up to major profit opportunities for cow-calf producers during the next few years; but will profitability be enough to entice producers to hold on to more females and begin to expand numbers?

It's hard to say whether we'll see expansion like more traditional cycles of the past; however, it's certain that those who do grow cow numbers will reap the reward from what has become a shrinking industry with tremendous demand opportunity.

No doubt, there have been regional differences in cow herd decline in the last five years. According to U.S. Department of Agriculture (USDA) reports, there has been a major migration of the nation's cow herd to the plains region of the U.S.

Since 1996 replacement female levels have dropped by 4% in the Southeast and 2% in the Northwest while other regions have remained flat to up. The Northern and Southern Plains regions have witnessed a 2% increase in replacement females the last five years. Factors such as transportation cost, land values, public land regulations and feed availability may all have had an affect on regional shifts, but the economic recession may have had the biggest foot on the neck of expansion across the country.

It has been described that for average producers with less than 20 cows, their cow herds are more or less

like a piggy bank. Cows are a fairly liquid asset that, when times are tough, can be cashed in for emergencies.

Couple an extremely lucrative beef and cull cow market with a 9.6% unemployment rate and stagnant economic growth; it appears that many piggy banks have been broken open, turning cows to cash. This could very well be the case in the Southeast, where the cow herds are traditionally smaller in number. Regardless of region of the country, smaller cow herds make up a very sizable portion of our business. According to the 2007 USDA census, producers with less than 20 cows make up 54% of all beef producers and account for 10% of total production.

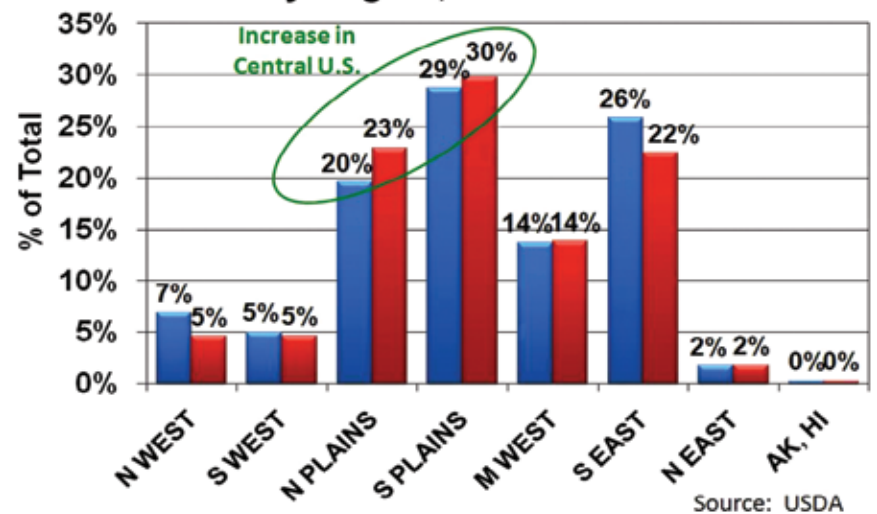
The Southeast and, for that matter, all regions of the U.S. may be due a significant rebound provided the economy gradually comes back, the unemployment rate is addressed and the government decides it wants to be business friendly again. The natural grass resource in the Southeast is remarkable. Granted, more and more grass land is being broken up and planted to crops, but there is still a tremendous resource there that may soon be taken advantage of, considering the profit potential the cow-calf sector projects.

The Hereford opportunity

The prospects of expansion bring about a few questions for Hereford seedstock breeders. For starters, what kind and type of cattle will cattlemen be looking for? What traits will be deemed important or possibly more important than in the past?



Percentage of Beef Replacement Heifers by Region, 2010 vs. 1996



2010 Vance Publishing research revealed to seedstock producers those issues that are becoming increasingly important to commercial cattlemen. First, seedstock must be user-friendly. With more than 54% of producers relying on non-farm income as their major source of livelihood and with the aging population of all involved in beef cattle production, producers will obviously want to raise cattle that are "idiotproof."

In other words, they want them to be gentle and easy to handle, to be fertile and easy to breed, and to calve unassisted with no problems. In addition, they will want them to be efficient, producing more pounds with less input cost. The Hereford breed is poised to deliver those traits that are important to virtually all cattlemen regardless of region or size.

Final Harris report

Along with this issue, you will find the final report of the Harris Ranch Heterosis Project. The report includes exciting information regarding the economic "hybrid-kick" that the Hereford breed offers to commercial Angus herds.

The true economics of heterosis in a real-world scenario coupled with the convenience traits of docility, fertility, ease of fleshing and longevity make Hereford a logical choice for those producers who will be rebuilding in the future.

The report is also available online at Hereford.org/HarrisHeterosisProject, or members can also order copies to distribute. To order, contact Angie Stump Denton at 785-363-7263 or adenton@hereford.org. **HW**