

Hereford Bull Prices Expected to Climb



There are many factors that affect the average price paid for range bulls across the industry, but none are as highly correlated as the price of feeder cattle. On an individual seedstock operation basis, average prices can vary widely across the industry based on producer reputation, genetic profile, phenotypic quality and condition of the bulls, and breed popularity.

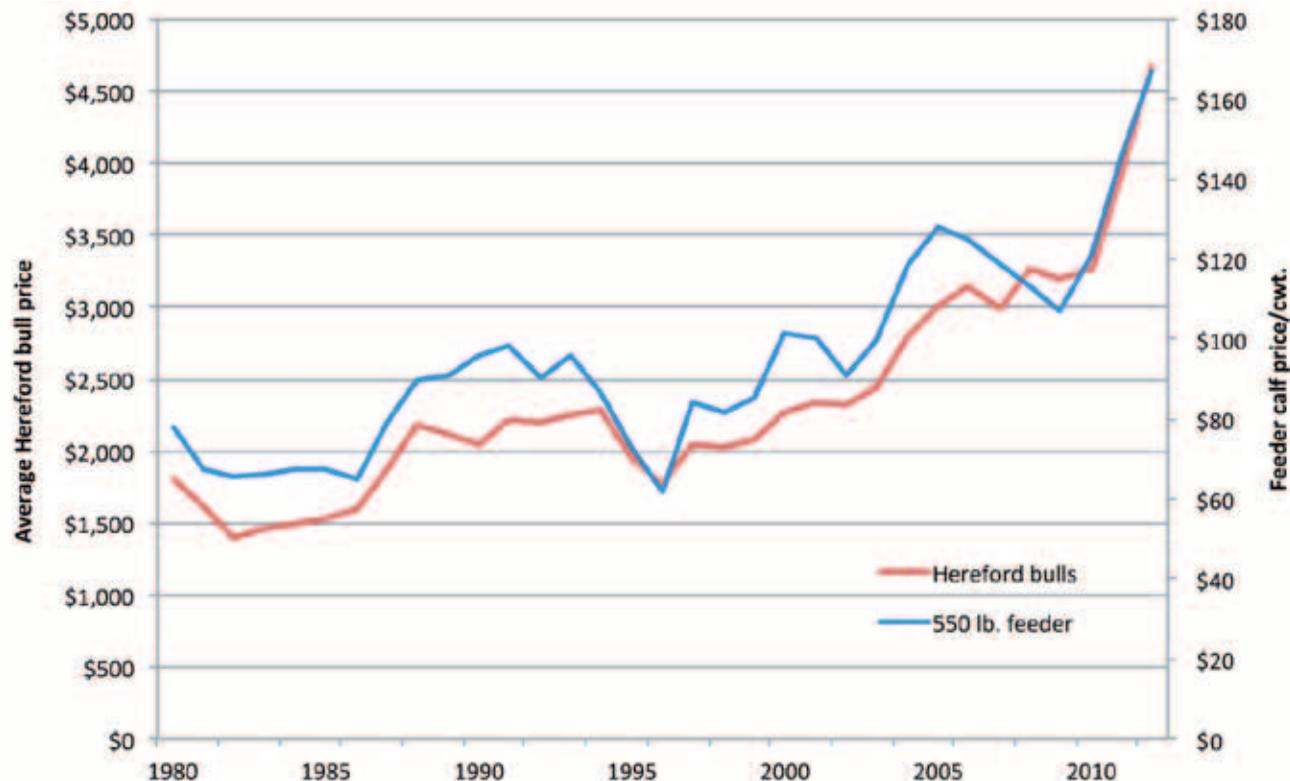
However, American Hereford Association (AHA) production sale data tracked since 1980 reveal a very strong correlation between average feeder calf price and price paid for range bulls at auction. Since 1980 the average price paid for a Hereford bull (at auction) has equated the price paid for four and a half feeder calves weighing 550 lb.

Since 2008 the price ratio has increased to 1 to 5 at a time when feeder calves have been on a record climb in value. This stronger price paid for Hereford bulls in relationship to feeder calf price in the last four years is another indicator of the growing demand for Hereford genetics in the commercial marketplace. In fact, Hereford breeders are seeing new buying competition on the auction seats, which is being reflected in this ratio.

Based on the data, it is anticipated that Hereford bull sale prices should continue to climb in 2013. Fall 2012 feeder calf prices were on average \$10 per hundredweight (cwt.), higher (6.8%) than in 2011, \$159 versus \$149 respectively.

If drought conditions break across a large part of the U.S. this spring, the cow herd expansion signal will be on full go, and heifer retention will take additional feeder cattle out of the marketplace adding to the already

Historic average Hereford bull price versus historic average 550-lb. feeder price



Source: CattleFax and American Hereford Association

bullish calf market. It will be easy to justify the genetic enhancements and economic kick that Hereford heterosis will deliver to cow-calf producers.

Aside from the differences in real and perceived values of individual seedstock programs, the Hereford breed as a whole has been on track to win back market share. Much has been said about the industry's need to introduce maternal heterosis while at the same time maintaining beef quality, which has long been the Hereford breed's mission.

Both new and historic scientific studies suggest that the Hereford cross

will add 7% in pregnancy rates along with a 3% increase in growth, not to mention longevity, to a cow's lifecycle, which is a real cost-cutting measure for any operation.

Under the right feed conditions, future feeder calf prices could drive well beyond \$200/cwt. A 10% increase in pounds of calf available to sell at the top of the market will be an undeniable truth to the profit picture of the cow-calf industry.

As an organization, the AHA is most proud of our objective to continue to push the envelope in breed improvement, whole-herd recording

and, now, genomic-enhanced expected progeny differences (GE-EPDs).

No other breed in the world has such a large database on whole-herd female production records leading to a very sound economic assessment of the population. This commitment to breed improvement is allowing breeders and commercial customers to make selection decisions with confidence.

This confidence in Hereford genetics in addition to the value that crossbreeding brings to the producer's profit picture is creating strong stimulus in the marketplace for Hereford genetics. **HW**