

# Hereford Bull Prices Reach Record Highs

The kick-off of the 2011 sale season has been nothing less than remarkable. Breeders are receiving record prices for Hereford bulls while at the same time cow-calf producers are receiving record prices for feeder calves.

CattleFax reported record prices for all classes of calves and feeders in 2011. Calves weighing 550 lb. have averaged an unheard of \$141 per hundredweight (cwt.) during the first six weeks of 2011. Likewise, from the opening of the 2011 Hereford bull sale season, American Hereford Association (AHA) staff has reported at *HerefordMarketplace.com* 15 bull sales through Feb. 13 (nine production sales and six consignment sales), and the combined sale average has reached a staggering \$4,534 per head on just under 900 bulls marketed.

Yes, rediscovering heterosis and commercial utilization of crossbreeding with Hereford is definitely in play. The buzz in the business today can certainly be attributed to the renewed interest and market-

share shift in the Hereford breed, but a great deal of it also has to do with economic fundamentals driving demand on breeding bulls.

## Record high feeders

Today, the nation's cow herd is the smallest it has been since the early 1950s. CattleFax reported at the recent Cattle Industry Convention in Denver that cow numbers were down another 600,000 as of Jan. 1.

Everyone would expect that lower cow numbers would have an adverse effect on bull sales – the reduction of 600,000 cows should reduce the demand for bulls by 24,000 head. However, the incredible prices paid for feeder cattle have made the cow-calf sector extremely profitable.

Smaller than normal calf supplies, due to fewer mother cows, coupled with tremendous domestic and export beef demand are creating a feeder calf market condition of the likes producers have never seen before. There is a very

strong historic correlation between feeder calf prices and the price cow-calf operators are willing to pay for breeding bulls. The combination of a higher number of willing buyers along with higher cow-calf profits has certainly created a “firestorm” of activity for Hereford range bulls.

Your favorite cheeseburger has something to do with high bull sale averages also. Ground beef is the dominant protein sold in the supermarket meat case today, and demand for it has reached an all-time high.

The great recession of this millennium has changed consumer buying habits as food shoppers trade down proteins to reduce their grocery expense. The fastest growing restaurant chains in the country are not focused on steaks but are promoting gourmet hamburgers. Most of ground beef production comes from cull cows and bulls or the import of boneless manufacturing product from Australia, and both sources are short supplied.

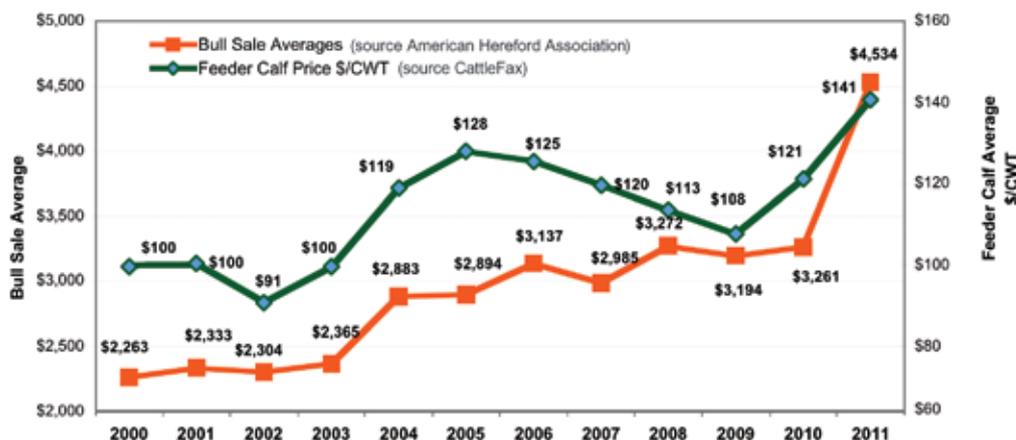
Growing demand and shrinking supplies can only mean one thing — high prices for cull cows and bulls. Cull cows are bringing over \$60/cwt., up 8% from a year ago. Salvage value for older cows and bulls has become a major income driver for most farms and ranches, putting the brakes on any thoughts of expansion. As old bulls go to town, cow-calf operators are taking the opportunity to reload with new genetics, which is also having a major effect on the seedstock bull market.

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Craig Huffhines

**Relationship between feeder calf price and Hereford bull sale averages from 2000-2011**



### **Trich slows down purchases**

Sale barn bulls are a major Trichomoniasis (“trich”) risk. Historically, surveys have shown that 5% to 9% of producers purchase their breeding bulls out of sale barns. Unknown, undocumented breeding bulls have become a serious liability to cow-calf operators because of the increased measured incidence of trich, a devastating sexually transmitted disease (see Page 80).

The cost of such a disease is way too detrimental to an operation today. Producers who have tried to keep their breeding bull cost down are now finding it much more appealing to purchase virgin bulls from a reputable source. The potential of adding 5% to 9% more buyers to the production sale auction seats is another obvious positive effect to bull prices.

So there is good reason to be optimistic about the Hereford business. Calf prices are expected to remain strong for the next four to five years. It will take years to grow the Hereford bull battery to a level to meet the expected demand. All of these factors remain strong indicators for the prospects of a growing registered Hereford cow herd and a growing AHA membership, provided input costs can stay somewhat reasonable.

The “fly in the ointment” that producers will have to keep a close eye on is the volatility in the grain and fuel markets that can take back everything they have earned up to now. With the growing export boom, it is likely that the cow-calf sector can ride out a little volatility. **HW**