

Let's Get Aggressive



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Times have been extremely good the last couple of years as evidenced by record-high feeder calf prices and tremendous bull demand. January and February Hereford production sales at auction reported an average Hereford bull price of \$3,223, which is \$308 higher on average than a year ago with an increase in volume of almost 10%.

Private-treaty sales, although elusive to get your hands around, are reported to be just as strong. Demand for straight Hereford commercial females and registered female seedstock are off the charts as well. January and February registered female sales averaged \$2,072, an advantage of \$283 compared to a year ago.

Certainly we've seen a demand shift in Hereford market share as made evident by the volume increase in bulls sold. What's even more impressive are the new people entering the business as Hereford breeders and the new commercial cow-calf operators who are either buying a Hereford bull for the first time or coming back to Hereford after several years or more.

Market share surge

What are the drivers that are creating such a stir for Herefords? For one the timing could not be better for the Hereford breed. Our own research indicates that the national cow herd is predominantly black (at least 75%) and predominantly Angus.

Research indicates that by crossing two straightbred breeds a producer can expect a 17-20% increase in weaning weight on the first cross. This means that a calf crop out of straight Angus cows, with an average weaning weight of 500 lb. per calf (lb./calf), will wean a calf 85-100 lb. heavier when sired by a Hereford bull. Today's calf market has been pushing \$1.20/lb. for the last couple of years. Heterosis alone in a Hereford and Angus cross could deliver an extra \$100/calf in weaning weight. One would have to be incredibly stubborn to ignore

that bonus. Not to mention the fact that the baldie calves are bringing premiums as well.

Some might say that other breeds on Angus might do just as well. The difference is Hereford is the only real maternal breed alternative that will maximize cow herd efficiency and still produce a product eligible for virtually every breed-specific branded beef program in the country.

Calf market drives bull prices

Undoubtedly, the record-high calf market has had a big influence on bull prices. Extra income at the cow-calf sector drives enthusiasm and a more aggressive approach toward improving genetics. An old rule of thumb is you can expect bull prices to be between five to eight times the price of a feeder calf.

Table 1 reports the average 550 lb. calf prices from 1980 to present (reported by Cattle-Fax) with Cattle-Fax predictions of where the calf market may fall over the next five years.

Average Hereford bull prices have followed the same trend as the feeder market for the last two decades. In other words, Hereford bull prices have the same cyclical nature as the beef market.

The industry has been experiencing record-high feeder-calf prices the past two years and consequently there is more excitement and more income available for upgrading genetics. There is one big glaring difference, however, compared to years past. There are a lot more new commercial producers on the seats buying Hereford bulls. This is more indicative of a market share shift as opposed to solely calf-market influence.

Take advantage of the market

As a breed now is the time to be aggressive. Paying attention to detail means more now than ever before. With new customers come new expectations. Let's not short these new customers the quality of service and product that they expect. **HW**

Table 1: Average Hereford Bull Price Versus Average 550 lb. Feeder Calf Price

(Historic Feeder Prices Reported by Cattle Fax)

