

Herefords Are the Answer

Despite escalating input costs and severe drought in a large portion of cattle country, demand for Hereford seedstock has remained strong. During last spring's sale season, record prices were paid for bulls and females, and this fall seems to be holding to that trend.

Hereford breeders have reclaimed market share as the industry recognizes the trait benefits the Hereford breed delivers. Disposition, cost-cutting feed efficiency, hardiness during tough climate conditions and the heterosis effect the breed has on much of the nation's cow herd have driven the breed to a new level of popularity. Change in the beef industry's economic dynamics and environmental stresses across the agriculture sector have put a strain on the beef industry in general, but the genetic capabilities of the Hereford breed make it a good tool for addressing these issues from a genetic selection standpoint.

Fiscal year 2011 proved to be an interesting year as it relates to seedstock numbers for the Hereford breed, reflecting a stable supply of genetics during unstable economic and environmental times. Bull and female registrations were even with a year ago at 65,000. Cow herd inventories

were down 4% from a year ago at 97,400 cows, much of which can be explained by timing variance of when breeders submit inventories. Although the Southwest continues to experience a 500-year drought, with its bulk of registered Hereford cow numbers located in Texas and Oklahoma, it actually experienced a 1% increase in registered Hereford cow inventory.

Perhaps we have not yet experienced the full long-term effect of drought conditions on registered seedstock cow numbers, but for the time being, we have seen a carryover of optimism from last spring's sale season reflected in these August fiscal year-end inventories. That is not, however, the case in the commercial cow-calf industry. U.S. Department of Agriculture reports that commercial beef cow inventories have continued to decline and that total beef production could be off as much as 4% in 2012. Record numbers of cows have been run out of the Southwest region to the Midwest, where grass is plentiful, or to one of a few cow packers running at full capacity.

Continued pressure on energy and grain prices have put stress on total U.S. protein production. During a time of



inflated grain prices, beef cows narrow the efficiency gap with pork and poultry when grass is plentiful. Remember that 50-60% of finished weight of a fed steer or heifer is produced from forage and 100% of the weight of market hogs and broilers is produced from grain. There is a silver lining behind the staggering trends of unprecedented increases in global energy and grain costs as they relate to the beef industry, and whenever the drought breaks, commercial cow and replacement female value is going to trend even higher.

The American consumer continues to favor beef in the meat case even though cheap pork and poultry prices have resulted in the erosion of beef being featured at retail and on restaurant menus in recent months. We have been spoiled in the U.S. with a long history of cheap food and energy. The ballgame is changing. The result of higher corn prices brought on by massive demand from China and reported declining corn yields due to the summer heat wave in the Midwest has put an enormous toll on the pork and poultry industries.

As the price spread between pork and poultry prices narrows with beef prices, beef will capture a larger share

of consumer spending for protein. Beef prices will remain high for the foreseeable future, particularly in light of the fact that cow inventory decline has not yet leveled out. Beef demand will remain strong because of growing export markets and a more competitive price in relation to competing proteins.

Today, if you are a Hereford seedstock producer, you may have had a couple of thoughts cross your mind: 1) Do I sell off cows now while the market is extremely high? or 2) Do I take advantage of the opportunity cost these Hereford cows hold for returning profit for years to come?

If your feed resource is manageable, I would vote for the latter. Never before have we seen such opportunity if you want to be a seedstock supplier. If I'm a commercial producer, I may be thinking about reducing feed inputs, quieting down the disposition of my herd, increasing breeding rates and percent calf crop weaned, or maybe even increasing my weaning weights. If you think that these traits are important during these volatile times, then Hereford is your answer. **HW**