Marketing Cull Cows this Fall

Andrew P. Griffith
University of Tennessee Agricultural Economics

The beef cattle herd in many regions of the country is in expansion mode. Cattlemen expand the herd by retaining heifers or by holding older cows for an additional year or two. Both options for herd expansion can be risky as it can be expensive to develop a heifer with no guarantee of a live calf while older cows have a higher probability of facing physical problems. Considering older cows, many operations have economic losses from holding an older cow one year too long. Older cows are only ever held one year too long, because they end up being buried on the farm instead of being marketed and harvested for valuable products.

Market cows, known as cull cows to most readers, account for 15 to 20 percent of gross income for most cow-calf operations. This is a large portion of income for a cow-calf enterprise and can be the difference in having a profitable year or recording losses for the year. Thus, the decision to cull and market cows should be considered carefully.

There are a number of factors to consider when making a cow-culling decision. Factors may include pregnancy status, poor performance of offspring, age, mouth, udder, structural soundness, health problems, disposition, etc. Regardless of why the decision to cull and market a cow is made, it is important to consider the timing of marketing to maximize profits.

Many operators with spring calving herds make cow culling decisions in the fall after the calves are weaned and pregnancy evaluation is performed on the cow. Subsequently, cattle producers sell market cows immediately after making the culling decision. The decision to market immediately is often made because producers do not want to carry a cow through the winter and incur the costs associated with winter feeding. Additionally, marketing cows in the fall can provide cash flow. Each of these factors must be considered by individual producers to meet the needs of the operation.

Traditionally, marketing cows in the fall results in the cow being sold on the lowest market of the year. Using the last ten years of data, market cow prices have been 15 to 20 percent higher in the May and June time period than in the October through December time period. Thus, the price differential alone could result in a total revenue difference of $120 to $240 per head for a 1200 pound cow when considering prices experienced the last ten years. Additionally, increases in revenue may be possible for cows in poor body condition if they are fed to replace body condition and then marketed at a later date.

After having said all of that, there are high expectations for market cow prices this fall. Year to date cow slaughter through the end of July is 13.4 percent lower than the same time period in 2013 and was 17.9 percent lower in the months of June and July compared to the same two months a year ago. That is to say that there are a limited number of cows being harvested this year which has supported prices and will continue to support prices.

Prices for market cows in Tennessee started off the year at $85 per hundredweight and steadily increased through the end of June to $105 per hundredweight. The price of market cows then fluctuated between $100 and $105 per hundredweight leading up to the writing of this article. If last year's market cow prices are any indication of what will happen this year then prices are not expected to be pressured too much through the fall and winter.

Not everything in the market cow sector smells like roses. Since March of 2013, five U.S. cow processing plants have ceased operations and the sector continues to face over capacity. Cow processing facilities that have closed include operations in San Angelo, TX; Godwin, NC;

St. Paul, MN; Milwaukee, WI; and San Antonio, TX. The closure of processing plants is largely due to the reduced availability of cows for processing caused by previous years of drought sell off and now retention of cows to reestablish cattle herds.

Due diligence should be taken by producers the next several months as cow-culling decisions are made. There has been and will continue to be potential for producers to garner high returns and receive a high salvage value for market cows ready to exit the cow herd. Though market cow prices are traditionally at their lowest point in the fall, prices for market cows in the fall of 2014 may not dip as low as previous years. Producers should consider current prices, expected future prices, and current resources when making the culling decision, because the cow must pay for herself over any time period she is retained. One thing is certain, a live animal sent to the market is always more valuable than an animal a producer has to bury.