

Where are the Numbers?

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Last month in this same column, the January 1 cattle inventory report was discussed. That report provides a healthy quantity of information related to beef and dairy cow inventory. It also provides information related to heifer retention and the previous year's calf crop as well as gauging metrics important to decision making across the cattle industry. However, a bit of disappointment came recently with the announcement that USDA-NASS (National Agricultural Statistical Service) would not produce a July cattle report.

The July cattle report is not as an extensive of a survey as the January report and some may be willing to say it is not as important. However, industry folks know there is value in information and who is going to say a cow is born with four legs but she may be more productive without the left rear? It is true that conducting surveys, compiling the data, and summarizing the data has a cost, but the bigger question is does the benefit of the survey outweigh the cost of the survey. Some will say it cost too much which seems to be what has been said by NASS officials. Alternatively, others may say there is more benefit than cost.

It may be difficult to put a complete value on the benefits of conducting the survey while it is equally as hard to calculate the cost of not having the information. There is no doubt that not having the information is negative towards cattle producers as this information is used by cattle producers to make long-term decisions in some instances. The July report provides insight into the current year's calf crop as well as heifer retention and herd expansion or contraction. Producers can then use this information in their decision making process related to the number of cattle they maintain. Retaining or marketing heifers can impact the herd for the next seven to ten years and may actually have longer term implications on those operations and their profitability.

The reduction in information can also negatively impact the margin operators such as stocker producers and backgrounding operations as the calf crop information provides insight to the number of calves that are coming down the line for the fall marketing time period. It is somewhat of a shorter term implication for these margin operators, but it can influence markets and may result in less efficient markets. Margin operators such as the feedlot and packers do have a monthly cattle on feed report that provides regular information to the number of cattle on feed and provides some information to help project beef production in the following months. However, feedlot managers use this information for longer term planning as well to determine how, when and with what weight class they will fill their pens.

The cattle industry participant is the 'obvious loser' in the case of reducing available information. However, producers may not be the 'biggest loser.' The biggest loser of value due to the cancellation of the July cattle report may actually be the people who do not even know this report exists and that is the consumer.

Efficient markets require a free transfer of information and the lack of information will eventually cause markets to react in a manner that is not consistent with the way the market would operate had there been available information. The market values all information with some information carrying a heavier weight than other information. However, at what point does the market realize there is not enough information to work efficiently? At what point does the inefficiency result in the consumer paying prices that are too high or the producer being paid prices that are too low? Prices are what drive cattle herd expansion and contraction and the lack of information related to beef herd size does not allow the market to react in a timely manner to supply and demand issues due to the biological production cycle.

This is not to say that markets operate with perfect efficiency. Markets rely not only on information but on reliable information to work efficiently. Another reason the July cattle report is an integral piece of information is because the January cattle report is not always completely reliable. The 2016 January report made several revisions to the 2015 report. Thus, how much value can be placed on the 2016 report as cattle producers make long-term decisions? The answer is that it is the best information we have and it has to be used accordingly. Be thankful for the information that is collected and disseminated, but also be vigilant when information is taken away because the failure of producing the July report does not only impact 2016, but it can impact the beef business for many years to come. Information has value and using that information to make decisions results in more profitable decisions and more efficient markets.