INFO SHEET

Veterinary Services

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Down Market Effects in Beef Cow-Calf Herds

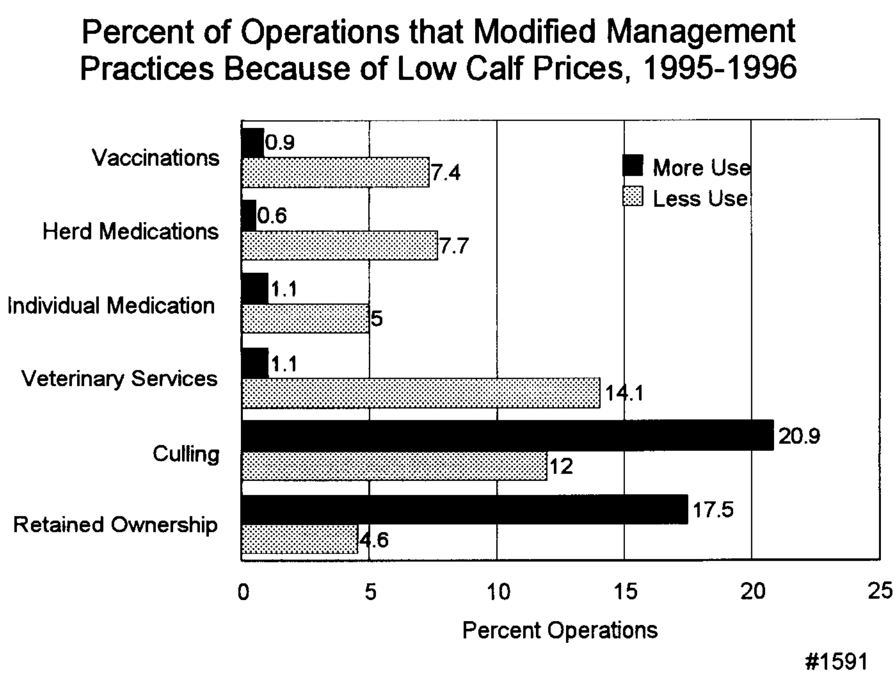
For many producers, the main source of income from the cow-calf operation is the sale of calves at the end of the production year. This income is determined by the number and weight of calves sold and the price received for them.

Producers can use various management tools to modify the weaning percentage and weaning weight of calves. However, the price the operator receives is determined by market fluctuations that cannot be controlled by the individual producer. In 1995 and 1996, prices received for weaned calves were at the lowest point for the current cattle market cycle. As a result, some producers elected to change their management practices.

The USDA's National Animal Health Monitoring System (NAHMS) collected data on management practices that were affected by the down market. The NAHMS Beef '97 Study included 1,190 producers with five or more beef cows from 23 of the leading cow-calf states[1]. This study represented 85.0 percent of all U.S. beef cows on January 1, 1997, and 66.3 percent of all U.S. operations with beef cows.

Most producers did not modify their management practices in response to the down market (Figure 1). There was no common strategy to deal with the low prices since some producers increased usage while others decreased usage of different management practices. This variation is not surprising considering the individuality of each operation.

Figure 1



[1]Alabama, Arkansas, California, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Virginia, and Wyoming.

Among those producers who made changes, the tendency was to cut costs in the health management of the cow herd. This category is easy to trim in the short term but may have effects on production in the future. Vaccinations against infectious diseases was one area of herd health practices that were reduced. Overall, 7.4 percent of operations decreased vaccination usage in the cow-calf herd, while only 0.9 percent increased vaccinations. However, if the herd health program is neglected there may be an increased risk of infectious diseases such as abortions in cows or scours in calves. An increase in disease incidence can decrease production (loss of calves or decreased growth) as well as increase costs associated with treating sick animals.

Another herd health management category with decreased use was herd medications such as deworming or pour-ons for grubs and lice. Overall 7.7 percent of operations decreased herd medications, while only 0.6 percent increased herd treatments. Again, this strategy may cut costs for the current year but could result in an increased parasite problem or in quality defects of hides in the future.

Producers also decreased the amount of veterinary services used on the operation. This category includes pregnancy palpation, semen evaluation, calving assistance, and other consultations. Use of veterinary services decreased more than any other category at 14.1 percent of operations. Along with veterinary services, there was also a decrease in individual cow or calf treatments. Producers cannot cut their health programs for long without risking the herd production. Cows must be in good health to produce at their optimum.

Many producers made cuts in operating costs to save money during the down market. Most of these cuts focused on veterinary services and the herd health program. Although some money can be saved, the detriment to health may not be worth the risk, particularly since herd health is a small percentage of the total operating costs. It may be more beneficial to focus on larger expenditure areas such as nutrition.

For most operations feed costs account for over 50 percent of total operating expenses. Careful examination of the nutrition program may reveal areas that can be reduced without affecting the production of the cow herd. Since feed costs are large, even a small reduction may save more money than cutting the entire health program.

Overall, one out of five producers (20.9 percent) increased culling of cows. This increase in culling was probably an effort by producers to generate cash-flow while decreasing total costs due to feed expenses. Another factor in the higher cull rate may be a decrease in veterinary services and medical treatments. Some producers may have sold sick animals rather than treating them. This strategy may increase cash-flow in the short run, but if production is to be maintained, these cows will need to be replaced, which can be expensive.

Some producers (17.5 percent) elected to retain ownership of more of their calves into other segments of the beef industry. This practice can allow the cow-calf producer to capture profits that would normally accrue to the backgrounder or feedlot operator. This type of strategy can increase the potential profit but is not without risk. Death losses in the feedlot or an increase in corn costs can erode profits dramatically. Producers must pay careful attention to the health program if they are planning to retain ownership of calves.

The best strategy for producers is to not make drastic changes for a short-term problem. A business plan that addresses ways to cut costs and has goals for future production is the producer's best blueprint for success. When a plan is available, producers can make short-term changes to ensure profit while not losing site of the ultimate goals for their operations.

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