

Seasonality of Cow Prices

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INTRODUCTION

While feeder calves are the most important output from cow-calf operations, sales of cull cows will typically represent 15-20% of total revenues to a cow-calf producer. Thus producers should consider marketing alternatives for cull cows in their farm plan.

Florida cow-calf producers have a wide range of cull cow marketing alternatives. If producers choose not to sell cull cows immediately, several feeding options could be considered including confinement feeding or pasture feeding. Regardless of the feeding program under consideration, three factors should be carefully evaluated:

1. The gross margin, that is, the difference between current price and the expected price at the end of feeding program.
2. Cost of gain in the feeding program.
3. The risk associated with the feeding program.

In this paper, the focus will be on the gross margin. Are there predictable seasonal price movements for cull cow prices? If so, are these price movements of sufficient magnitude to provide profit opportunities from feeding cull cows?

There has been considerable research conducted by animal scientists regarding the performance of cull cows in feeding programs (West). The consensus of these studies is that cull cows can experience significant weight gain when

placed on a high energy diet. There is less information available regarding weight gain by cull cows on forages. Even though weight gain may be high, cost of gain is still the more important factor in determining the profitability of a cull cow feeding program.

SEASONAL MOVEMENTS OF CULL COW PRICES

Nearly all cattle prices exhibit some degree of seasonality. Seasonality is present because forage production declines in the fall, and the majority of producers throughout the U.S. elect to sell feeder calves and/or cull cows in the fall to reduce feed costs for retained animals through the cool season. The consequence of seasonal marketings is seasonal price movements. Prices for cull cows follow a similar seasonal pattern.

To document the seasonality in cull cow prices, monthly prices were collected for Florida cull cows over the 1971-1991 period (Fla. Dept. of Agr.). Prices for utility and cutter/canner grades were considered separately. Next, the prices were deflated using the Consumer Price Index (CPI). This was done to eliminate the effects of inflation over the study period. The deflated prices were averaged, and all prices were divided by the average price and multiplied by 100 to create price indices. The price indices for each month were averaged over the 21-year study period giving average monthly price indices. These monthly price indices for Florida utility grade slaughter cows are shown in Figure 1. Monthly prices for cutter/canner cows show a similar pattern.

It can be seen in Figure 1 that slaughter cow prices exhibit a seasonal pattern. Prices tend to peak in the March-May period and are lowest in the

September-December period. Prices in May are approximately six percent above average while prices in October are five percent below average.

IMPLICATIONS FOR FLORIDA CATTLE PRODUCERS

The seasonal price indices presented in Figure 1 are average values estimated over a 21-year period. A relevant question is how predictable is the seasonal movement? Do prices move seasonally every year or is there a tendency for seasonal price changes, but it is not predictable? To investigate this question, prices over the 1979-80 through 1990-91 period were evaluated. In Table 1, October and the following April prices are shown for utility grade cows. These prices have not been deflated. In 10 of the 12 years shown, the April minus October price differential is positive. The average differential is \$3.37 per cwt. These data suggest that seasonal price movements for slaughter cows are fairly predictable.

Another issue is the possibility that feeding cull cows will improve their quality grade. To evaluate this scenario, cull cow prices in October are compared with utility prices in April. This information is presented in Table 2. In all 12 years, the April minus October price differential is positive, and the average differential is \$7.23 per cwt. Clearly, the option of buying (or retaining) lower grade cows in the Fall, holding through Spring and moving the animals into a higher grade is consistently profitable on the basis of the gross margin.

A problem in issuing blanket recommendations to Florida cow-calf producers regarding marketing of cull cows is that the date of the culling decision differs based upon period of calving and forage availability. For a south Florida producer with a December-January calving period, the culling decision may be made in the summer after pregnancy testing of determined which cows are open. Based upon the seasonal price indices shown in Figure 1, if the culling decision is made by August or earlier, the safest strategy may be to immediately market. If the culling decision is not made until after August, then opportunity may be present to delay cull cow marketing and place culls into a feeding program to be marketed in the March-May period,

CONCLUDING REMARKS

Cull cow prices follow seasonal price patterns with prices peaking in spring, and lowest prices observed in late fall. Depending upon the date of the culling decision and the availability of feed, retention of cull cows may offer the opportunity of increased profits. Producers should carefully evaluate the cost of gain and their willingness to accept risk before undertaking a cull cow feeding program.

REFERENCES

- Florida Department of Agriculture and Consumer Services. Florida Livestock Market Report, weekly reports, 1971-1991.
- West, R.L. "The Feeding of Cull Cows for Improved Marketability" Proceedings of the 1981 Beef Cattle Shortcourse, Animal Science Department, University of Florida, pp 123-130.

Table 1 Florida average utility grade cow prices for October, April, and the April minus October differential, 1979-91.

Year	October	April	April-October
79/80	50.20	49.35	-0.85
80/81	44.42	42.53	-1.89
81/82	38.59	40.92	2.33
82/83	39.75	43.68	3.93
83/84	36.21	42.19	5.98
84/85	35.92	40.65	4.73
85/86	33.30	33.49	0.19
86/87	34.45	44.08	9.63
87/88	42.98	50.86	7.88
88/89	46.24	48.30	2.06
89/90	48.22	52.82	4.60
90/91	51.10	53.00	1.90

Table 2 Florida average October cutter grade prices and April utility grade prices and their difference, 1979-91.

Year	October	April	April-October
79/80	45.50	49.35	3.85
80/81	39.50	42.53	3.03
81/82	34.35	40.92	6.57
82/83	34.67	43.68	9.01
83/84	30.82	42.19	11.37
84/85	31.35	40.65	9.30
85/86	30.71	33.49	2.78
86/87	30.81	44.08	13.27
87/88	39.52	50.86	11.34
88/89	42.49	48.30	5.81
89/90	44.58	52.82	8.24
90/91	48.02	53.00	4.98

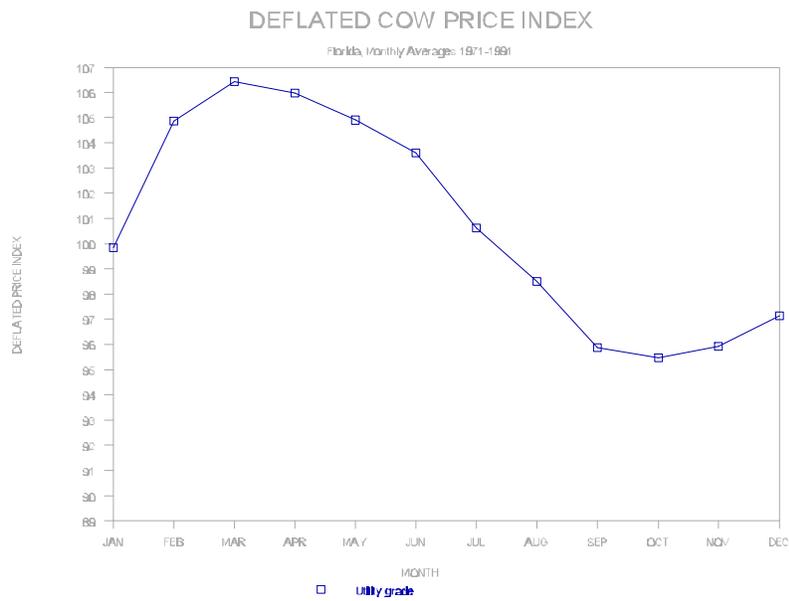


Figure 1.