One of the factors a rancher takes into account when deciding when to sell cattle is the current cattle price. Are the prices high enough to justify selling the cattle at that time? Does the rancher believe that selling his cattle at a certain time will result in income that creates a profit? This week we will discuss one of the biggest driving factors of cattle prices, and will offer recommendations for when to sell cattle in order to return the most profit.

Corn prices and cattle prices have an inverse relationship. This means that when corn prices are low, cattle prices are typically high. Of course, the opposite is also a fairly accurate rule of thumb to keep in mind; when corn prices are high, cattle prices are usually low. This correlation is attributed to the feedlot's willingness to pay for the cattle. Because feedlots are able to feed their cattle for less money when corn prices are low, they are able to spend more when they purchase the cattle. Likewise, if corn prices are high, feedlots are not as willing to spend more to purchase cattle that will be consuming a more expensive feed.

Current corn prices are the lowest they have been in two years, and cattle prices continue to rise. Using this information, you may be able to develop a profitable marketing plan for your operation. We believe that this is a good time to feed calves. It may be wise to hold back cattle as long as your pasture will allow because it appears that cattle prices will continue to rise as they have done the past few years. This projection is reflected in the chart below (Figure 1) by Mr. Stan Bevers, who we referenced last week.

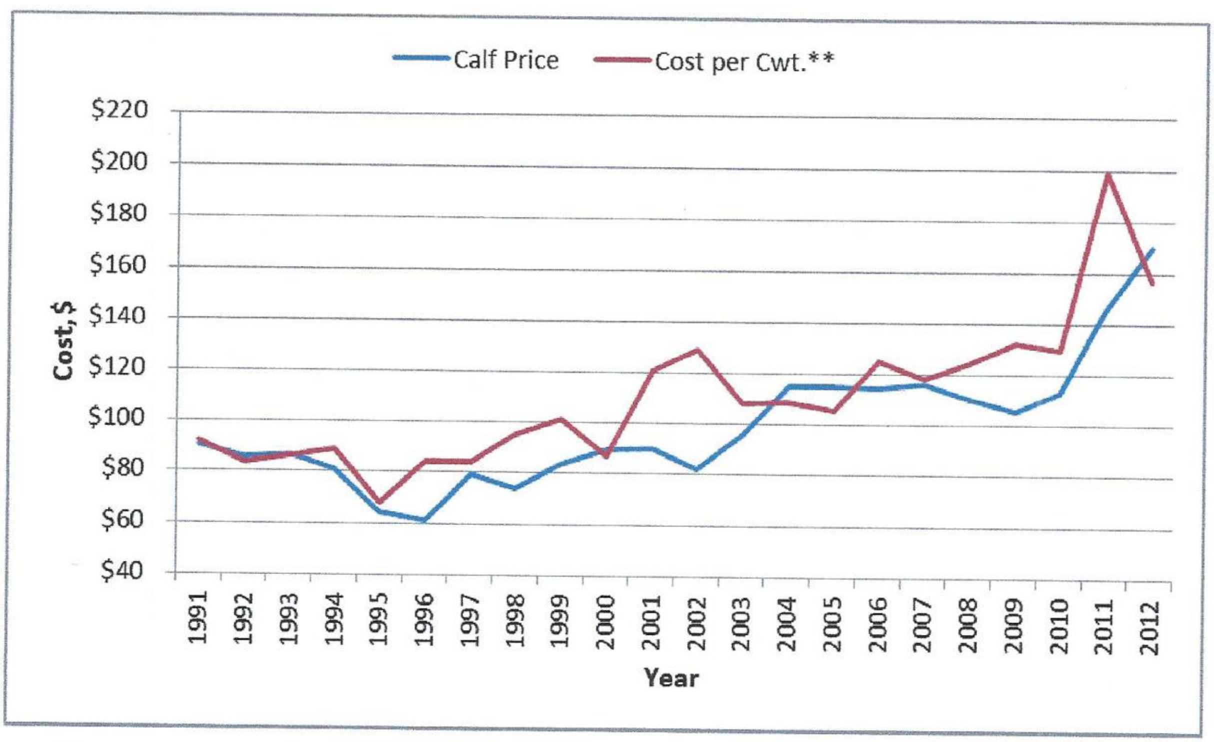

Figure 1.

In his chart, Bevers reveals the correlation between calf prices and the cost per unit of production over the past ten years. As you can see, the lines cross in the years 2011 and 2012, representing a calf price that is higher than the cost per unit of production. This is noteworthy because the chart shows this occurrence only one other time- in the years 2004 and 2005. Calf price surpassed cost per unit of production likely due to low corn prices in those years. It is these times when calf prices are higher than cost per unit of production that the opportunity for profit is at its highest.

Although the recommendations mentioned above are based on trends, it is important to note that one bad turn of events may cause a crash in the market. Keep a steady watch on corn and cattle prices, but don't let trends alone be your marketing guide. Continue to practice good management in the meantime by carefully monitoring stocking rate of your pastures, and managing body condition score of your cattle. For more marketing recommendations please contact us.

Thanks,
Dr. Jesse Richardson, DVM