

## **Sell Them Now or Later?**

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“Sell them now or later” is a question cattle producers have asked for ages, and the question is running rampant in the cow-calf sector due to record high calf prices. But, why would the decision process to answer this question be any different today in a strong cattle market than it was a few years ago when cattle prices were much lower? The answer, the process should remain the same. The decision process should not change due to changes in market price. What might change is the final decision or result of the decision process.

Assuming the objective of every cattle producer is to maximize profits, a number of factors must be considered and evaluated to answer the question to sell calves now or later. Some of the on-farm factors that should be considered include evaluating land constraints, feed resources, labor resources, ability to cash flow, condition of cows with calves, ability to precondition calves, marketing alternatives for preconditioned calves, price risk, potential for death loss, and a number of other producer specific factors. Producers should also examine cattle industry dynamics such as international trade and geopolitical issues during the decision making process. Ultimately, a producer must use today’s information to determine if selling calves later will result in a greater profit than selling them now. A producer must also determine if he or she is willing to take the risk associated with cattle production to achieve the greatest expected profit.

The decision making process should be the same regardless if cattle prices are high or if cattle prices are low. However, it does not mean the result of the decision making process will be the same under different cattle market price conditions. Thus far, cattle prices have been strong given the market conditions experienced in 2014. Conditions supporting cattle prices include the smallest national cattle herd in more than a half century, relatively inexpensive feed, moving U.S. beef into the Chinese market via Hong Kong, and Mexico beginning to accept beef from cattle older than 30 months of age among a number of other factors occurring in the industry.

The oddity of well supported and relatively high cattle prices in most producers’ eyes is at least two fold when it comes to the decision making process. The first is when producers recognize the opportunity to market calves at the highest price they have ever witnessed and sometimes the greatest profit they have ever received. However, recognizing high prices and positive profits alone do not mean cattle are not more profitable when marketed at a different time period. The second is in relation to the risk of cattle prices falling. When prices are strong, most producers selling cattle are constantly concerned with the potential of cattle prices falling and thus want to capitalize on the current market even if there is potential for a higher return at a later date. This is a real concern and some market conditions call for a producer to consider price decline potential with more scrutiny. Some market conditions are short term while others are long term and it is necessary to implement such information into the decision making process.

Alternatively, when prices are extremely low cattle producers’ view point sometimes changes. Producers figure prices will not decline further and thus the producer holds out for higher cattle prices, because the thought is that it cannot get any worse. Additionally, many producers feel any positive information to the cattle industry will supply the boost in prices that justifies growing calves for a longer period of time.

None of these thought processes are necessarily incorrect. What is incorrect is if these are the only thoughts that cross a producer’s mind. There are methods of protecting against calf and feeder calf price declines such as the use of futures, options, and livestock risk protection

insurance. Cattle prices can be volatile and there is no shame in playing the cattle marketing game to protect against price declines on a seller's market.

With that being said, market conditions are set to continue supporting cattle prices of all classes of cattle. The small national cattle herd leads the way when discussing price support and it will continue to do so for the next several years. There is always the risk of drought, some media event casting beef and cattle in a negative light, or international political tensions that could disrupt cattle markets in the short term, but the long term risk of these situations is relatively small. Producers should look for continued strength in cattle markets and evaluate their management decisions and marketing alternatives to maximize returns. So the answer to "sell them now or later" is "yes." It is up to each producer to decide what risks he/she is willing to take.