

Marketing Cattle

Sometimes we get so bogged down in the situation at hand that we forget to look ahead, and plan for the future.

Doing so causes us to miss out on many opportunities that lay before us. This applies to the cattle market and market cycle as well. When the cattle market is down our only concern is to get past it. Therefore, we are seldom able to capitalize on the rising market that follows. When the market is up we become overjoyed and tend to believe there will never be another bad day. This belief causes us to have our pastures overstocked with rapidly depreciating cattle when the market takes its next nose dive.

The cattle market cycle isn't that difficult to forecast. Every down is followed by an up, and every up is followed by a down. History teaches us that this market cycle will repeat itself approximately every ten years. We should not have to be afraid of the cattle cycle, instead we should capitalize on it.

As cattlemen we tend to be somewhat shortsighted. We don't plan ahead. Success, however, is available to those who plan for it. Not only should we be positioning ourselves to capitalize on the upcoming "up" cycle, we should also be making some plans for the next "down" market.

It doesn't take much of a genius to figure out that we should buy cattle during a down market, and destocking we the market is up. Some believe that the problem with this is knowing exactly when we are at the bottom or at the top. Usually the window of opportunity is much wider than perceived. In most cycles the bottom and the top will usually last for at least two years.

Allan Nation, editor of *The Stockman Grass Farmer*, suggests that we watch the fat cattle market. He says, "This is the engine that pulls the rest of the cattle train." When the fat cattle market has turned the corner the other markets will soon follow. There is usually a significant lag time between the fat market and the cow market, so at this point you should still have plenty of time to take action.

So what should we be doing now?

Now is the time to start producing and saving some good replacement heifers. Heifer calves aren't worth much now, but in two or three years they may be raising some calves that are worth a lot. In 4 or 5 years, these heifers may be worth over \$1000 as young bred cows. If you can enter the "up" market with a herd full of young productive cows you should be in the driver's seat. Sell those high priced calves for a few years, and then sell the cow. When your cows are worth more than you'd be willing to pay for them, then it's time to sell most of them. Don't forget to destock at the top of the market!

Put that money in the bank, and then you can sit back and eagerly wait for the next "down" market to start. Be assured that it will come again. While the market is on bottom, invest in cheap stockers. Last spring you could have purchased four head of 400 pound steers for the same money that you sold just one of those high priced cows for. If they gained 300 pounds through the grazing season, then you would have some 700 pound feeder steers with a breakeven price of around \$40/cwt. If my calculations are correct, you could have received a 60% return on your investment, in just 6 months. Who would have thought that it was possible to make that kind of profit in a "down" market?

I believe that the key to success is to take action before the rest of the industry catches on. If you wait until the "experts" tell you to buy or sell, it's probably too late. Sometimes it pays to actually do the opposite of what is being promoted.

So, is it time to start producing and saving heifer calves? Should you be stocking from the bottom? Absolutely. If you haven't already done so.