



Issue Brief

Dairies Use Genetics to Manage Through Beef Price Decline

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Executive Summary

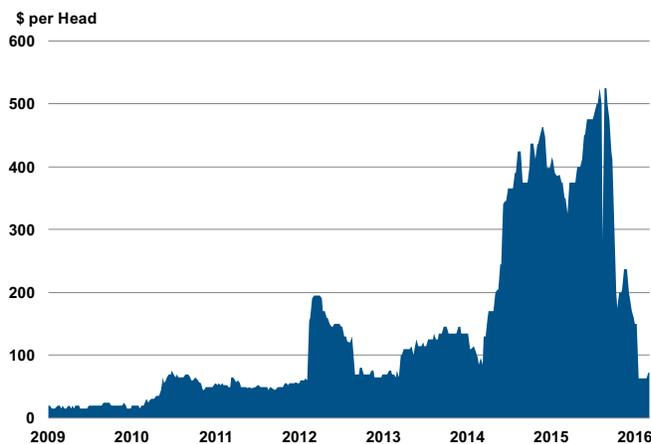
In 2016, U.S. dairy margins are being slugged with a 1-2 punch of soft milk prices and slashed cattle prices. Milk prices have now fallen 40 percent from their high in late 2014. But until a few months ago, dairy producers were partially insulated from this painful decline due to record high cattle prices and lucrative sales of bull calves and cull cows. Dairies benefited substantially from historically tight beef supplies and record high beef prices. But this bonanza has also ended. Now that calf and slaughter cow prices have retreated to their historical averages – down roughly 90 percent and 40 percent, respectively, from their

2015 highs – dairies are innovating to improve efficiencies and remain viable. (See Exhibits 1 and 2.)

Price Swings Changing the Dairy Herd

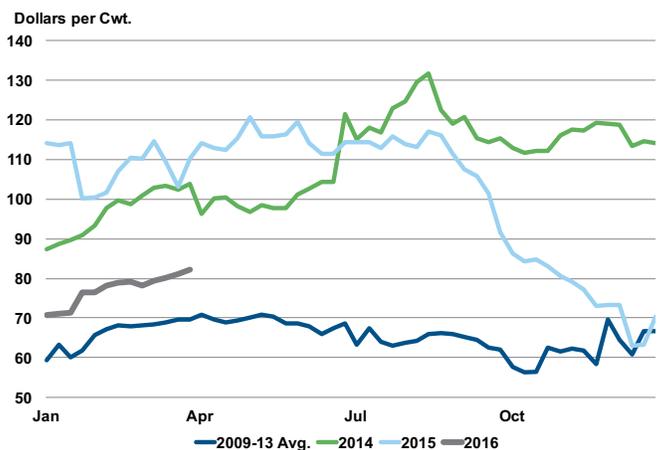
Prior to 2014, the revenue received for cull cows and bull calves contributed very little to dairy producer margins. However, in an environment of high beef prices in 2014-15, calf and cull cow sales provided a significant boost to margins. (See Exhibit 3.) Our analysis suggests that the incremental revenue from the sale of cull cows and bull calves contributed as much as one-third to dairy

Exhibit 1: Weekly Day-Old Holstein Calf Prices



Source: CattleFax, CA Origin

Exhibit 2: Weekly Cull Cow Prices, Southern Plains



Source: USDA-AMS, Livestock Marketing Information Center