

“Hamburger Helper” – Dairy Livestock & Milk Prices to ZOOM UP!

by Pete Hardin

The U.S. dairy industry is on the receiving end of a so-called “Hamburger Helper” that will create dramatic, upwards propulsion under dairy livestock and milk prices.

For the past year, *The Milkweed* has been warning that serious shortages in the nation’s beef cattle herd would drive up prices for cull dairy cows. But little did we suspect that, as this long-awaited upswing in dairy beef prices is starting, that the impact could be so dramatic, so fast. Look for a dramatic shortage of U.S.-sourced, hamburger-style beef that could last for several years. Just the very beginning of the dairy cull price uptick, some dramatic adjustments in values for all dairy animals are already being witnessed. From bull calves to old milk cows ... and virtually all critters in between ... the U.S. dairy industry is in for a wild, upwards ride.

Beef herd down/hamburger demand up

What’s happening? U.S. commercial beef herd is at its lowest numbers in nearly 60 years. This year, USDA projects that the nation’s cattle herd will be at its lowest numbers since 1952! Short-term: few beef animals are available for slaughter right now.

Meanwhile, Americans are on a hamburger diet. Finances for many American families are tight. Steaks are sitting on the supermarket meat cases’ shelves, but hamburger is flying off the shelves. Strong consumer demand for hamburger is squeezing meat packers. Thus, prices offered for cull dairy cows are strengthening.

Seems sort of ironic ... Dairy farmers have been kicked in the seat of their pants for the past year-plus, in terms of everything they sold (milk, beef, heifers) and much of what they own (animals, farms and farmland values). Suddenly beef prices threaten to lift up the dairy industry by its keister to unexpected heights! Of course dairy farmers have been down, financially, for so long, that down looks normal. So take a close gander at these recent trends:

*** Top-end dairy cull prices reaching into the “60s” (cents per pound) in numerous markets.** Fat old dairy cows are a top source for lean hamburger, particularly prized by fast-food restaurants. In

numerous markets across the country, *The Milkweed* is hearing reports of top-end dairy cull cows reaching across the \$.60 per pound price barrier. At \$.60 cents per pound, that means a well-fleshed, old dairy cull cow at 1500 pounds is worth \$900 at the auction barn, before any deducts are taken. Common dairy culls are bringing prices from the “high 40s” into the “50s.” These price trends are just the beginning.

*** One source told *The Milkweed* incredibly, that one top-end Holstein cull recently sold in the Mid-East region for \$.80-something per pound.** Imagine that!

*** Dairy heifers contracted for kill price of \$.95 live weight next fall!!!**

Hard to believe this one, but it comes from a 100% (well, 99.4%) reliable source: Robert Filhart, operator of dairy auctions at Rosebush, Michigan and Angola, Indiana. Filhart reports that he was told of a dairy farmer who recently contracted to kill a lot of dairy heifers for the live-weight price of \$.95 per pound next fall. Ninety-five cents per pound, *live-weight*.

Future impacts on dairy livestock prices ...

At current prices for good cull cows and #1 Holstein springers, a dairy farmer can “trade in” three culls and come home with two nice springing heifers, just about ready to milk. Besides potentially upgrading milk output, such a transaction lets the farmer upgrade the youth of the milking herd, add a couple calves, and likely reduce veterinary costs.

Expect continued increases in prices that will be paid for cull dairy cows ... and these values will push prices higher for dairy heifers. Even bull calves are gaining in value – some markets report

that bull calf prices are closing in on prices paid for baby heifer calves.

The price of everything with four legs that moos is headed up.

Future impact on milk production ...

Fast-rising dairy cull prices threaten to pull down U.S. milk production. These high cull prices, which are just starting, promise to move out low-end milk cows dramatically. That movement will reduce farm milk output. Even before the recent spikes in dairy cull prices took place, *The Milkweed’s* analysis for U.S. milk production in the second half of 2010 was for less milk than 2009.

In some cases, the demised finances for some dairy farmers will mean that their creditors will pounce – grabbing the animals while they’re suddenly appreciating in value. By hook or by crook, these fast-rising cull cow prices will put a lot of pressure on dairy animals. Short-term price opportunities mean that even some heifers go to slaughter instead of the milking string.

Strategies

Pay close attention to local cull prices and values for dairy livestock. Don’t get too far behind upwards trends in private sales of dairy animals.

Realize that these higher price levels are just the beginning! Don’t rush animals to slaughter. The fundamental basis for these suddenly higher dairy cull prices is not going to change.

Milk prices will follow. The U.S. and the world are suddenly going to realize milk and dairy product shortages.

Don’t sign any fixed-price contracts for anything you’re selling, except advice.
