

CATTLE MARKETS: A BUMPY RIDE AHEAD

BY BRETT CROSBY, CUSTOM AG SOLUTIONS

Cattle producers are headed for a bumpy ride this fall as uncertainty will continue. Low inventory numbers paint a rosy picture for deferred-month beef prices, but a near-term influx of cattle from drought stricken pastures may continue to pressure live cattle prices for the fourth quarter of 2012 and the first quarter of 2013. Cattle feeders may see margins pushed further into negative territory as corn prices rise to all-time highs, and the size of this year's corn crop is the multi-million dollar question that everyone wishes they could answer. Cow-calf producers, who began the year optimistic and looking for a year of record profitability, are now faced with the possibility of lower prices while production costs have soared as a result of skyrocketing hay prices. Near term, everything depends on corn.



Everybody believes this year's corn crop will be smaller than last year's, but nobody knows for sure how small the 2012 crop will be. That leaves the market trying to determine how much demand will have to be reduced, and how high prices will have to go to match demand with supply. Many cattle producers remember 1995-96 when corn spiked negative price slides occurred as the cost of gain skyrocketed, and they wonder if the same market conditions will be repeated this year. While that is possible, and calf prices will certainly be affected by a smaller corn crop, a historically low beef cow inventory and calf crop will work to support the calf market. This will put the squeeze on feedlots, and ultimately the retail beef consumer.

Looking forward, all producers are strongly encouraged to consider some sort of price risk management. Forward contracts, futures and options, or Livestock Risk Protection (LRP) insurance all offer price protection and help offset the wide price swings driven by uncertainty. Basis forecasts for the next two quarters still suggest prices substantially higher than the 5-year average, and the downside risk can be catastrophic if the corn crop comes in smaller than expected. Long-term, however, the low inventory numbers are very bullish, so risk management strategies that allow for the capture of upside price movement may be the best bet for producers, especially in an environment where production costs are rising.

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The market looks to stay strong all through the fall. Let me know if you need help marketing your cattle this fall. We appreciate your business!

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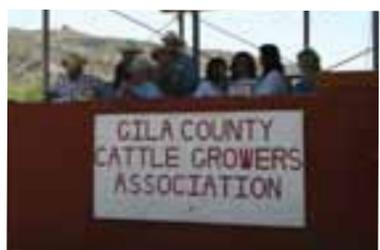
SPECIAL FEATURE: GILA COUNTY CATTLE GROWERS SALE

BY JANICE BRYSON

Cattle and copper were the economic engines that drove Gila County's economy from territorial days to statehood. Open range was in full swing during the 1800s and area roundups were held. Globe's newspaper, *The Arizona Silver Belt* noted in 1884 that at a meeting of the stockmen at Coon Creek on Oct 27th, Mr. Patrick Shanley was elected "Judge of the Plains" for a rodeo to begin on about 11/13 and included ranges at Coon Creek, Cherry Creek, McMillan and those of Joe Redman and George Roggenstrough. Shanley reported that when the roundup was completed, a large number of calves were branded and perfect harmony prevailed among workmen interested.

Territorial ranchers had many challenges and cattle theft was a constant problem. In 1881 one rancher placed an ad in the *Silver Belt* offering a \$100 reward for the detection and conviction of any person driving or handling any of his cattle. This apparently did not have much of an effect as he increased the reward to \$250 in 1883. Arizona ranchers began to form associations for mutual protection such as the Territorial Stock Raisers Association formed in 1874. Various counties within Arizona Territory also began organizing stock grower associations. Gila County was no exception, forming the Globe Stock Growers Association of Gila County. An ad offering a \$500 reward for the conviction of individuals accused of stealing or killing cattle from Association members ran in the *Silver Belt* beginning in 1886.

The Arizona Cattle Growers' Association was founded in 1903 and many Gila County ranchers were early members. During the hardships of the Great Depression, Gila County ranchers banded together to form their own local association, the Gila County Cattle Growers, on August 11, 1934. 104 members joined from Young, Globe, Payson, Miami, Roosevelt, Tonto Basin, Coolidge Dam, San Carlos and Thatcher. Twenty members were elected to a Board of Directors and the three officers included President Stephen L. Bixby, Sr.



At the 2012 Sale

and the Gila cattlemen benefited from the sale of 75,000 pounds of meat through the Gila Meat Packing Company to be distributed to the needy. Louie Horrell noted in 1935 that the cattle industry in Gila County had declined greatly since 1925. 15,000 head of cattle were in the County in 1935 as compared to 30,000 a decade before.

Miriam Boice's research on the Gila County Cattle Growers Association could fill a history book with the story of the organization. Information in this article regarding the Association's annual cattle sale taken from Miriam's notes highlights the rich history of the cattlemen in Gila County. Thanks also to Association members from whom I sought information.



Many challenges faced the cattlemen of Arizona including screwworm eradication, forest and public land administration and rules, as well as Brucellosis certification. Gila County also established a reward fund for cattle rustling. Through the years, Gila County cattlemen have been supporters of both the state and local beef organizations.

In July, 1945, 9,000 head of cattle valued at \$600,000 were shipped from Globe per Buster Mounce, Gila County Cattle Inspector. Half went to eastern markets where they were sold to be pastured and fattened. The remaining cattle went to Imperial Valley for fattening. The average weight was 585 pounds, somewhat higher than the past several years. In addition, 1,200 head were sold directly to Daou Packing Company. Most of the minutes for the Association in the 1950s have been lost. Ranchers in that decade throughout Arizona suffered from low cattle prices and terrible drought conditions.

Mitchell Holder wrote an article on the Gila County Cattle Growers Association noting that as the rest of the West sold their cattle in the Fall, it was always difficult for Gila County to get market prices. The buyers knew that all yearlings had to be removed by June 1 or a trespass would occur and the rancher's permit would be jeopardized. This had been especially true in the bad years of the 1950s. County Extension Service Director Pat Gray assisted members in creating a marketing committee. They worked hard to secure more buying competition by advertising more and sooner. In April, 1966 the marketing committee reported that the listing had been out for a week and nothing had been heard from prospective buyers. The members voted to hold an association sponsored auction on May 25. Holder noted that, "The marketing committee and Gray put together a 'Sellers School' to acquaint prospective consigners to what he or she should do to get their yearlings bunched into saleable groups."

Jack Nelson from the Willcox Livestock Auction clerked the sale for 1% of the gross. Buster Mounce was in charge of the yard and yard men, provided the facilities, classed the cattle and fed the hay for 50 cents a bale. He received 1.5% of gross sales. The total auction expense was 2.5% with a maximum charge of \$3.00 per head. The

committee advertised fresh cattle that were brucellosis free with trucks, railroad and telephone facilities available. This first sale was a huge success and almost all of the 1,515 yearlings went to Colorado at above market prices. Eleven consignors and eight buyers had participated in the sale.



Ranchers who did not participate in 1966 were ready in 1967 and 3,511 cattle were consigned. Facilities were not adequate and two sale dates had to be established; May 17 and May 27 at the Globe Stock

Yards. After the success of the sale, a decision was made to search for property and assess the cost of building a sale yard that would probably be used once a year. Steve Bixby Sr. and a committee were appointed to begin a search for property to fit the needs of the auction. The goal was to sell steers one day at the new facility and heifers the next day at the Globe Stockyards. Bixby and Bob Boice were able to get a large tract of mine property at an excellent rate from Miami Copper Company near Burch, Arizona. Construction of 76 steer pens at the Burch Yards began in April, 1968. Consignors received promissory notes for \$10.00 per head advanced for construction costs.

The College of Agriculture at the University of Arizona published an article in the September/October, 1968 issue of *Agriculture in Arizona* stating "Cattlemen and their bankers alike say the Gila Cattle Auction is the modern way to market cattle." Due to the success of the sale, the Association began to receive letters from outside

Gila County requesting to join the annual sale. The by-laws dictated that anyone that did not ship from Globe in the past could not participate in the sale. The steer sale was held in the morning at the Burch Sale Yard and in the afternoon, heifers were sold at the Globe Stockyards. 1970 saw the largest sale to date with 2,709 steers at Burch and 1,937 heifers at the Stockyards. In 1976, the Gila County Cowbelles offered to serve lunch between the steer and heifer sales. The lunch was a welcome addition to the sale and continues today. Gila Cowbelles Diana Hemovich, Bonnie Benne and Velma Tucker all agree that while it is work, it's a day to greet old friends and help make the sale a success.



Eddie Conway and Chas Erickson helping in the alley.

In January, 1977, Buster Mounce stated he was dissatisfied with the heifer sale at the Globe Stockyards for various reasons. The Board of Directors voted to build heifer corrals at the Burch Sale Yard. It was decided to build 66 pens with a capacity of approximately 1900 head. A note was signed with the Valley Bank in March, 1977 for the construction of the new pens. The sale that year included 2,152 head of steers and 7,791 head of heifers sold at the Burch Sale Yard with a selling fee of \$4.00. The fee was raised to \$6.00 in 1979 to cover the expense of the note with Valley Bank. This fee would vary through the years depending upon the circumstances surrounding the auction. The sale rules were relaxed so that other producers could be invited to consign cattle due to cattle numbers being down because of the dry season and Forest Service Permit cut.

The Association continued through the years to make constant improvements to the Burch Sale Yard. In 1983, in addition to purchasing a storage room for the yard, it was decided to have a permanent telephone installed at the yard. Imagine having one telephone available as we now depend on our cell phones. Due to the drought condition that year, an early sale was considered. After much discussion, a compromise date of May 9th was selected. Dates in May varied at times and a May 20th date was adopted for the sale in 1986. There was a lack of buyers that year as many buyers had already filled their orders. The 1988 sale income set a record \$1,016,047.95 with 2,270 head sold.

The sale continued with success
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Sale office crew members Sarah Sowers, Elaine McBride, Judy Melms, Cindy Shelton and Melva Enders.

through the 1990s. The 1991 sale had the highest average per head amount of \$494.12 for the 1,464 steers and 1,195 heifers. The average amount per head increased to \$559.23 in 1993. A million and a half in sales occurred in 1994 with gross sales of \$1,577,532.08 for 2,033 steers and 1,444 heifers. Although sales remained good; the amount of steers and heifers sold yearly during the remaining 1990s did

not match the record 1994 sale.

Even with the large decrease in grazing number permits, the Association was still able to have a spring sale in May, 2000, drawing cattle from a widespread area. Association President Bill Brake's encouragement for the membership to consign cattle and to volunteer labor to save money was credited for the success. However, the 2001 sale numbers were down with only 941 steers and 817 heifers sold to the ten buyers attending. The 2002 sale was held in April due to drought conditions and the need to move cattle off the range with 866 steers and 620 heifers sold. No sale was held in 2005 as there was a lack of cattle on the forest. Through the encouragement and hard work of member John Fowler, the Association held their sale again in 2006.

Grant Boice, who has clerked the sale in recent years, is impressed by the number of volunteers who work so hard to make the sale a success. Sale Chairmen through the years have included Steve Bixby Sr., Bob Boice, Louie Horrell, Leroy Jones, Leroy Tucker, Bill Bohme and Chas Erickson.

I caught up with a busy Terry Wheeler as he was doing range monitoring near Vernon. I wanted his perspective as both a Gila County rancher and Mayor of Globe, as to the economic impact of the sale to Gila County. Terry notes the sale has a fourteen million dollar economic impact on Gila County for both the ranchers and businesses in Globe and Miami. The cost of the sale has been greatly reduced by the many volunteers who donate their time. He feels the sale is a drop in the bucket of what it could be if the Tonto Forest could be stocked at more than the present 20%. Terry advises it is important to let people know the issues in the Tonto Forest as the access to land is an important resource base for Gila County.

The 2012 sale was dedicated to pioneer cattleman Jack Nelson, who was the auctioneer for the early sales, and Bob and Miriam Boice. As President of the Gila County Cattle Growers' Association, Bob was instrumental in building the community sale yard and conducting the first Association yearling sale which continues today.

Gila County Cattle Growers President Therese Hicks notes, "The May, 2012 Gila County Cattle Growers Association 45th annual replacement /stocker sale grossed over \$2.1

M for our ranchers. This was the most financially successful sale in the history of the Association, both in dollar per head and overall revenue." There were 1,384 steers sold averaging 608 pounds and sold for an average of \$1.53.51 per pound. The 1,084 heifers averaged 559 pounds and they sold for an average of \$1.48.56 per pound. That is an average per head of \$792 for heifers and \$933 for steers. This is a considerable increase over prior years.

Therese's *Silver Belt* article on behalf of the Officers and Board of Directors of the Gila County Cattle Growers Association extended sincere thanks to the ranchers and their teams, who volunteered their time and resources to make 2012 Annual Auction one of the best ever. There was a stellar staff sorting cattle, running the scales and keeping the books that made a \$2 million day look like something they do every day, not just once a year.



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