Cow Country Reporter

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News from your CEO

My hope is everyone has sold their calf crop, got over the "sticker shock" and you are planning for the next season. Let's just say between the weather and the market, 2016 has not been an ideal year for agriculture in Louisiana. We are not alone. My wife and I went back to where we grew up in upstate New York for ten days (Sept. 28-Oct. 8) and our friends there in agriculture have had the same problems with weather and market prices. The apple crop in western N.Y. was hit with frost during the blossom stage, followed by hail storms during development. Our friends in the dairy business are dealing with $14.00/cwt milk prices and trying to determine how to survive. So we in agriculture need to tell our story of how we are good stewards of the land and treat our animals humanely. We are truly at a cross roads. Can we continue to produce all the food and fiber for the U.S. and many parts of the world and be sustainable or will our customers allow us to charge more so we can stay in business? Lets have some area meeting to brain storm, discuss and find solutions for the situation we are in. The cattle market continues to erode and will do so as long as supplies are adequate. We all learned some valuable lessons in 2016. Take what did not work and be a little more flexible in your marketing. Look into soil health and more combinations of forages. Change is not easy, however, it may be a way of life to survive the near future. May the month of October be a time to review, develop a game plan and explore new management/ marketing alternatives.

Dave Foster, CEO

Wheat Pasture, Cattle on Feed and Beef Production

By: Derrell S. Peel, Oklahoma State University Extension Livestock Marketing Specialist

I traveled across much of western Oklahoma last week to see large amounts of wheat acres planted and a significant number of acres emerged. Last week, NASS estimated that Oklahoma wheat planted acreage was at 19 percent, up from one percent the week before and higher than the 11 percent five-year average for that date. A significant additional jump in planted and emerged wheat acreage is expected in this week's USDA Crop Progress report. Early planted wheat is more vulnerable to disease and pest challenges and some producers are already reporting problems with armyworms, which can quickly wipe out small wheat. Both producers and lenders are reporting lots of interest in wheat grazing as the best possibility for returns on wheat acres. Stocker cattle prices will likely strengthen some in the coming weeks as wheat pasture demand develops, perhaps a bit ahead of the bulk of the fall run of calves in late October and November.

The September Cattle on Feed report showed on-feed inventories at 101.5 percent of last year. August placements were 115.1 percent of last year with marketings at 117.6 percent of one year ago. Placements and marketings were distorted by two extra days this August compared to 2015. Nevertheless, both placements and marketings were up year over year. While feedlots are clearly moving more cattle through, the on-feed total is not growing on a year over year basis as marketings outpaced placements in August. The strong pace of marketings is confirmed with August cattle slaughter up sharply year over year. Heifer slaughter outpaced steer slaughter in August, up 13 percent from last year (on an adjusted daily average basis) compared to steer slaughter up 5.4 percent year over year.

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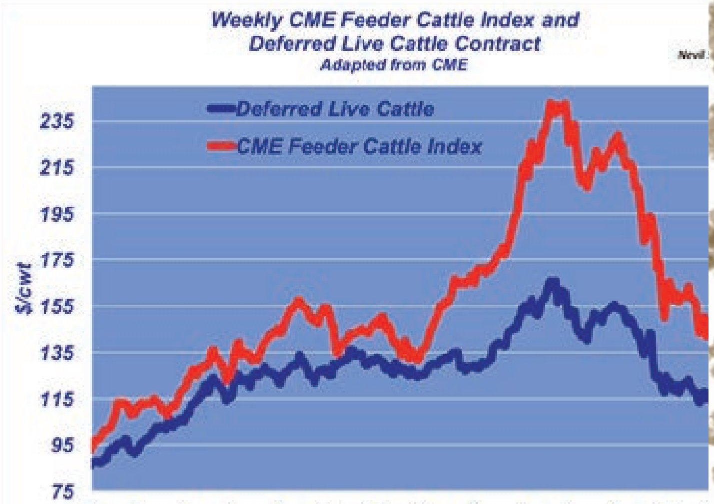
Feeder cattle market trends

Has the feeder cattle market reacted in tune with the fed cattle market's decline?

Clearly, the fed market's decline over the past 22 months has been extremely painful for cattle feeders. While current losses are not as steep versus last year at this time, the market's negative trend has kept closeouts in the red for an extended period of time. With that in mind, this week's illustration takes a look at that potential influence on the feeder market.

This column has previously looked at the relationship between fed prices and the feeder market from a variety of perspectives. The most recent column featuring that topic noted, "Following steep losses in 2015, the expectation would be for the [fed-feeder] relationship to revert back to the longer-run relationship. That is, the feeder market would begin to soften with respect to the deferred fed market and rotate to a relationship that looks more like 2005-to-2013. But that hasn't happened thus far in 2016. In fact, the pattern is remarkably similar to 2014 and 2015."

This week's illustration addresses that pattern from a different perspective – simply depicting the spread between feeder cattle and the deferred fed market over time. The graph reveals the widening spread and risk appetite among cattle feeders while the fed market was on the march to higher prices. It was that widening spread that contributed to last year's sharp losses when the fed market reversed course into negative territory.



The difference between feeder and deferred fed futures prices bottomed out in early 2013; the 26-moving average settled around $7.50 per cwt at that time. Alternatively, the spread peaked in late 2014 at nearly $85 per cwt as feedyards were betting on the come for the fed market on the other side of purchasing those replacements.

Meanwhile, in light of the continued string of losses, the spread remains fairly sizeable with respect to longer-run historical norms – the current difference between deferred fed futures and the CME feeder cattle index is running around $30 per cwt.

What influence might continued losses have on the feeder market going in 2017? Will cattle feeders begin to ratchet back their risk appetite and implement softer bids for feeder cattle in coming months? Or have we established a new norm at the current level? Leave your thoughts in the comments section below.

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Wheat Pasture, Cattle on Feed and Beef Production

For the balance of the year, steer slaughter is expected to moderate, still up but by a smaller amount on a year over year basis, while heifer slaughter will continue sharply higher compared to last year.

On a daily average basis, August beef production was up 6.9 percent compared to one year ago and is up 5.9 percent on a year to date total. Cattle carcass weights have been increasing seasonally for several weeks. Steer carcass weights were 903 pounds in the latest data, up 44 pounds from the seasonal low 16 weeks ago. This compares a 55 pound seasonal increase last year over the same 16 week period. This seasonal increase in carcass weights does not indicate a lack of currentness in the feedlots. Steer carcass weights currently are 13 pounds less than the same date last year and there are indications that feedlots have pulled fall marketings ahead in August and early September. Carcass weights will likely continue increasing to a seasonal peak in about another month but are expected to remain well below year ago levels. This will partially offset increased slaughter thus moderating year over year increases in beef production in the fourth quarter. It has been noted that cheap feed can encourage heavier carcass weights and indeed that is a danger. However, it is better stated that cheap feed encourages cattle feeding and as long as feedlots have incentives to market cattle aggressively, carcass weight increases beyond normal seasonal levels are not expected. Ample supplies of feeder cattle and favorable feeder prices should encourage feedlots to maintain a high turnover rate and avoid the wreck that resulted from extremely heavy carcass weights last year.

Cow-calf Economics and a Peek Behind the Averages

It is a good time to be thinking about the costs and returns of your cow-calf business. Look for ways to better maximize your resources and to minimize the losses that keep your payday check lower.

Fall calf sales are coming up and visions of plump checks may be dancing in the heads of some cow-calf producers. Whether feeder calf sales are coming closer or just another week of sending calves to the auction barn, these days are paydays. That is why it is a good time to be thinking about the costs and returns of your cow-calf business.

Michigan State University Extension Beef Team worked with cow-calf producers around the state in 2013 to better understand the costs and returns these producers experienced. Data from 13 herds from the Lower to the Upper Peninsula were obtained, and round bales were weighed to track feed amounts and costs.

The herds in the study sold a total of 667 steer calves at an average price of $1.65 per pound in 2013. They sold 513 heifer calves at $1.54 per pound. Although nothing like the “once in a lifetime” prices of 2014, these were good prices.

It is not all about price, however. On average, the Cash Cost breakeven price was $1.74, an amount higher than the average sale price for the calves. So, on the average, these farms lost money in 2013. But who is average? And do averages really tell us an accurate story? Averages hide the range. They really need to be unpacked to see what is behind them.

When we start looking at the farms, we can detect many differences. One of the first that I see is the percentage of calves (steers and heifers) sold that were born. It is useful to separate the 13 farms into four quartiles and to look at the average percentage of calves sold per quartile.

First Quartile (3 farms):	66%
Second Quartile (3 farms):	76%
Third Quartile (4 farms):	81%
Fourth Quartile (3 farms):	92%

Some of the heifers were likely kept for replacements. Maybe some farms lost calves to sickness and death. Maybe some calves just weren’t ready to sell, but this is a business about producing calves to sell, so it seems that the farms in the Third and Fourth Quartiles did that better than the other farms. For a herd of 50 cows that all calved, the difference between the Third Quartile and the First Quartile is seven calves. If we assume a 600 pound sale weight at $1.65 per pound, the difference is more than $6,930.

Another glaring difference between these herds is that of the steer sale weight. The average was 621 pounds, but the range between the averages for farms was 545 to 715 pounds. That is a difference of 170 pounds! Yes, it is likely there was a difference in calving dates, but I believe the greater difference is in average daily gain, and that is a function of management and genetics.

When those steers went to sale, there were differences there as well. If we group the farms by the average steer sale weight, we see the typical price variation per lb. But look inside the sale price data at the range even within similar sale weights.

545–600 lbs.	Average price $1.67	Range: $1.50 – $1.85
601–650 lbs.	Average price $1.65	Range: $1.40 – $1.85
651–715 lbs.	Average price $1.60	Range: $1.60 – $1.60

There is a variation of $0.45 per pound within the calves that sold at 601-650 pounds. If a producer gained just $0.20 per pound for 50 calves sold, they would net $6,250 more at the sale.

But did the heavier calves cost more to raise? That question is a key one to answer because sometimes we spend money that does not make more money for the producer. What about here? When we group farms by their average steer weight and look at the cash cost of production and the cash cost breakeven price, it tells a powerful story.

	Average steer weight	Total Cash cost/cow	Cash cost breakeven price
First quartile (3 farms)	557	$1,119	$2.07
Second Quartile (4 farms)	593	$1,084	$1.98
Third Quartile (3 farms)	627	$1,013	$1.61
Fourth Quartile (3 farms)	692	$993	$1.50

The cost of production and the cash cost breakeven price needed for calves decreased as steer weight increased. The data from these farms show that there is greater profitability in producing and selling heavier calves.

Where do you stand? Comparing to others can help us realize the differences between herds and where you may have strengths or weaknesses. As you send calves to sale this fall, do some analysis of how your calves compare. How do your weights compare to others, and what do they do to raise heavier calves? How do your prices compare to others with similar weights, and why do buyers like their calves better?

We would also encourage you to calculate the percentage of calves born live that make it to sale. Calculate your costs of production. Look for ways to better maximize your resources and to minimize the losses that keep your payday check lower.

Source: Phil Durst, Michigan State University Extension

New White Clover Variety Released, Ideal for Grazing Livestock

Researchers at The Samuel Roberts Noble Foundation and University of Georgia (UGA) have developed a new white clover variety called Renovation to help agricultural producers improve and maintain healthy, productive pastures.

Renovation is the first white clover released by the Noble Foundation and the first commercial product of the joint breeding effort. The goal for the Noble-UGA forage breeding program was to develop new white clover (a legume) varieties that could help restore perennial grass pastures throughout the southern United States.

“Renovation was developed to extend the life of perennial grass pastures and improve forage quality,” said Mike Trammell, Noble Foundation plant breeder. “Its genetic makeup results from a southern clover variety bred with a large-leaf variety to produce excellent overall persistence and animal performance.”

Renovation white clover is ideal for grazing livestock and wildlife food plots, and helps maintain healthy soils by controlling erosion and providing slope stabilization.

“This white clover variety can also be used in other areas around the world that have similar ecological systems,” said Joe Bouton, Ph.D., retired Noble Foundation Forage Improvement Division director who led the initial research. “We believe the new variety will have a positive impact for agricultural producers and the longevity of their pastures.”

Once established and properly managed, Renovation can provide protein-rich food for livestock and wildlife while reducing fertilizer costs thanks to the legume’s ability to fix its own free nitrogen. Users can plant Renovation with cool-season and warm-season grasses.

Renovation is available for purchase through Smith Seed Services. For more information, please visit https://renovationclover.com/.

Source: The Samuel Roberts Noble Foundation News Release

I just wanted to express my sincere appreciation for your help in setting up our grocery store demonstration at Zuppardo’s yesterday. We had 18 people from our group that included ranchers from Montana, South Dakota, Colorado, Nebraska, Kansas, and West Virginia. We were at the grocery store for a little over 2 hours and served about 150 samples of beef brisket. It was a great experience for our group! We enjoyed the opportunity to talk to people about our way of life.

I don’t know if you are on Facebook, but if you are you should check out Dairy Carrie. One of our guest speakers was Ryan Goodman. Ryan works with Carrie and he put some video on her Facebook page about our experience.

Thanks again so much for your help!! I could not have made it happen without your help!

If there is anything I can assist you with in the future please do not hesitate to let me know!

Sarah Thorson

U.S. Beef Marketing and Education Manager

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