

# Cow Country Reporter



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News from your CEO

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Hope everyone got their CPL renewal notice!

We are in some exciting (and maybe scary) times in the cattle business. Will the cattle market get higher or lower? When should I sell my calves- sooner or later than normal? All great questions and unlike anytime in the cattle business no one is comfortable making a prediction. For us in Louisiana, we had an indication that things were changing on April 21 when the Superior Livestock Auction held their second Gulf Coast Classic Sale in Natchitoches and prices were sharply higher, especially for our June to August delivery calves. We can all be proud of our Louisiana cattle industry! There are many factors that are affecting cattle prices; lower beef imports (cattle & beef), higher exports, good beef demand from retailers, lower carcass weight, less cattle coming to market compared to the same time last year, grazers excepting

heavier cattle to put on grass/wheat (over 600lbs) and these are just a few of the positive factors, however, don't get lollid to sleep. Be aware of the current market prices by talking to your marketing rep and know your breakeven on your calf crop. Be flexible in your marketing and don't lose a sale just because your neighbors calves brought more price per pound. Only you know what costs you have in your cow herd, so act accordingly.

I am getting some calls for meetings, keep them coming. The more informed you are the better decisions you make. The market price can change, so be ready to change with it. Your local auction barn manager can be a great asset whether you have 20 head to sell or 2 truck loads, they can help. Remember June and July are the months here in Louisiana where demand for our calves pick up to go to summer grass, so don't miss the boat. Make the call. Enjoy green grass and baby calves!

*Dave Foster, CEO*

## HOW BEEF TRADE ADDS VALUE TO THE BEEF INDUSTRY

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

The U.S. is the fourth largest beef exporting country and the largest beef importing country. The U.S. is often a net importer of beef, with the quantity of beef imports exceeding beef exports. Occasionally, beef exports exceed the quantity of beef imports. Most often however, the value of beef exports exceeds imports making the U.S. a net exporter of beef in value terms. Given the relatively close balance between beef exports and imports, just how important is beef trade to the U.S. beef industry?

Most obviously, beef exports add value by increasing the quantity of total beef sales allowing the U.S. to sell more beef to more places. Secondly, beef exports add value by selling beef at higher prices. In some cases this is because high valued products in the U.S. have even more value in global markets. Often, however, it is because products that have a relatively low value in the U.S. have a higher value in some global market. Beef offals are a long time example of this but it is true for numerous other beef products as well. The beef industry produces a vast array of products from different parts of the carcass and of varying quality (e.g. Choice versus Select).

Finally, beef exports add value by optimizing this diverse set of beef products in the domestic market. Beef demand is often characterized with pork and poultry as the primary substitutes for beef. In reality, the biggest substitute for any particular beef product is usually another beef product. As beef is perishable, the entire set of beef products will be consumed

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## HOW BEEF TRADE ADDS VALUE TO THE BEEF INDUSTRY

on average each year, including products less preferred in the U.S. market. Lower valued products will be priced to ensure consumption, even at the expense of stronger underlying demand for higher valued products. Anyone who has ever put a side of beef in the freezer knows that the steaks are gone long before other parts of the carcass are consumed...but those other products must be cleaned out before more steaks are added to the freezer. The same is true in total in the bigger domestic market. Export markets provide a way to ship out some of those lower valued cuts thereby focusing domestic demand on higher value. Every pound of lower-valued beef product exported is one less pound that competes with increased total demand (and value) for beef in the domestic market. This role of beef exports to improve the domestic product mix and optimize beef demand is often overlooked but is arguably the most important component of total beef export value.

Beef imports are largely driven by the enormous market for ground beef in the U.S. Roughly 72 percent of beef imports are lean trimmings used primarily to make hamburger. In 2016, ground beef consumption was estimated at 25 pounds per capita, making up 45 percent of total U.S. retail beef consumption. Imported beef is used to supplement domestic supplies of lean trimmings which are mixed with the fatty trimmings from fed cattle to make ground beef. Without additional lean, some of those fed trimmings would have, at best, value as tallow rather than as ground beef.

Without imported beef trimmings, one of several outcomes would impact the U.S. beef industry: 1) less ground beef would be produced, reducing the value of the nearly 150 pounds of fed trim from each carcass; 2) some steers and heifers (roughly 10-15 percent) would need to be raised and slaughtered as nonfed beef for lean (...think Australian range beef...) and would be valued roughly the same as cow carcasses or 3) additional lean from fed carcasses could be ground for hamburger rather than being used for whatever higher value it currently has. In each case the value of U.S. beef production is lower than it is when supplemented with imported beef. Imported beef compliments domestic production to improve product utilization in the domestic market and increase the total value of production.

Beef imports are often viewed as (partially) offsetting beef exports thus reducing the net value of beef trade. In reality both beef exports and imports add value to the U.S. beef industry. Beef trade, both exports and imports, helps to sort out the complex set of beef products in domestic and international markets to maximize the value to U.S. beef producers.

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## PRIME, BRANDED BEEF: MORE PRODUCT, STEADY PREMIUMS

*High-quality beef, thumbing its nose at conventional economic wisdom, continues to keep consumers coming back to the meat case.*

By: Nevil Speer

Scarcity is a fundamental economic concept that ultimately dictates the function of price for any given product or service. In general, as something becomes more scarce, price will correspondingly increase, regardless of whether the underlying cause is related to supply or demand. Conversely, declining scarcity (more abundance) generally causes the price of a service or good to also decline.

Therefore, in an environment in which demand remains steady, if supply of a specific good increases, the relative price should decline. With that in mind, let's apply the principle to the beef industry. During the past several weeks, this column has focused on the implications of an improving quality grade trend over time.

This week's illustration highlights the steady supply increase of Prime and branded beef product in the marketplace during the past 13 years. During that time, availability of high-quality beef has tripled – the industry annually producing nearly 1.6 billion pounds more in the Prime and branded categories versus 2004.

Hence, that product has become less scarce and should be worth relatively less over time – at least, that's the basic economic premise. But demand for high-quality beef has kept up with supply. That's evidenced by the fact that price spreads for Prime and branded product have remained relatively flat – the spreads haven't changed over time despite being pressured by more product availability.

Clearly, demand is the differentiator. It's a great example of the importance of decommunitizing the beef segment. Consumers like purchasing beef at the high end of the market – it tastes better and is more consistent. This is a key driver toward building sustainable demand and establishing pricing power in the marketplace.

How do you envision the top end of the beef market progressing in the years to come? Is this a trend that will likely continue, or find some resistance in the near future? What have you done within your production systems that have helped contribute to this trend of more Prime and branded product? What changes might you make to take advantage of these spreads? Leave your thoughts in the comments section below?

Nevil Speer is based in Bowling Green, Ky., and serves as vice president of U.S. operations for AgriClear, Inc. – a wholly-owned subsidiary of TMX Group Limited. The views and opinions of the author expressed herein do not necessarily state or reflect those of the TMX Group Limited and Natural Gas Exchange Inc.

## **BEEFTALK: IMPROPER GRAZING STEALS FROM THE FUTURE**

*Correct pasture stocking rates and grazing plans are essential.*

Proper cattle management means proper pasture management.

Correct pasture stocking rates and grazing plans are essential for the short run and the long-term survival of a beef operation. Producers have many approaches to grazing systems. The key point is to have a plan because improper grazing steals from the future.

Simply utilizing grass or forage of any type on a production whim is a mistake. Minor stocking rate adjustments are all right because of above-normal or below-normal precipitation. Adjustments need to be minor, and even the adjustments need to be options within the plan.

Cattle allotments and pasture assignments are being planned for the pastures the Dickinson Research Extension Center (DREC) manages. Beef producers should be doing the same for their summer grazing units.

The basic grazing system should not change from year to year. Keeping up and monitoring the system is important.

Let's look at an example. This year, one unit the center manages has not had a consistent annual grazing plan. That's because the center has not always managed the unit. Now that the center again is managing the unit, the question is, "How many cow-calf pairs should the center stock within a re-implemented twice-over grazing system?"

This is not "lean on the gate and guess" but rather an answerable question. As with any grazing unit, stock conservatively at the start and plan for stocking rate adjustments as the grassland or forage base improves.

What numbers do you use? Begin by consulting a grazing expert. In the center's case, Lee Manske is the DREC range specialist, so we have good advice. For producers, start with a visit with the neighbors, the local county office of the Extension Service and the Natural Resource Conservation Service office.

For the unit in question, Manske reviewed ecological site maps and determined the unit has a stocking rate of 1.92 acres per animal unit month (AUM), or 790 AUMs of forage for the 1,519 acres of pasturelands. This information gives us what we need to know.

The grazing system is 4.5 months, early June to mid-October. The 790 AUMs are divided by 4.5 months (or actual days) to determine the actual number of animal units available. Dividing by the number of months or days of grazing spreads the total AUMs over the full grazing season. In this case, 175 (790 divided by 4.5) animal units are needed to graze for 4.5 months.

An animal unit is defined as a 1,000-pound cow plus the calf, so one could say 175 cow-calf pairs with the cows weighing 1,000 pounds each. In this case, 175 1,000-pound cows could be anticipated for a total herd weight of 175,000 (175 times 1,000) pounds.

Not all cows weigh 1,000 pounds, so now an adjustment is made for the actual average weight of the cows that are going to graze. The average weight of the cows is critical for proper AUM stocking and percentage of utilization. The center's cows average 1,462 pounds, so the center could stock 120 (175,000 divided by 1,462) cow-calf pairs on this grazing unit.

Then, each producer needs to predetermine the percentage of utilization desired. Pastures in poor shape require lower utilization, with the anticipation of greater utilization in future years as the pasture improves. The goal is 100 percent utilization of the calculated AUMs available through a proper grazing system.

For the center and this grazing unit, the plan is to stock at only 65 percent of the previously calculated full stocking rate. That would be almost 114,000 (175,000 times 65 percent) pounds of cattle in early June. So, at the desired percentage of utilization, the center could stock 78 (114,000 divided by 1,462) cow-calf pairs.

That is lots of math, but the answer is to know what is proper for this point in time to achieve the desired grazing outcome. If the center continues to manage this unit, the goal is to approach 120 pairs gradually.

The point is that the unloading of cattle at a pasture gate is not a "lean on the gate" decision.

Perhaps one wonders why weather is so often the first thing in a conversation, but once one appreciates weather impacts, one understands why we start the day with the weather news. In the ranching community, weather is serious and, even though ranchers cannot control Mother Nature, plans can be developed and put in place to accommodate the weather.

Beef operations with effective grazing systems in place are in a position to manage through drought and wet times without upsetting the focused direction of the ranch operation. I cannot tell a producer how the summer is going to turn out. I can tell anyone that the cattle will have grass, the cows will re-breed and the calves will gain well because the center has a plan that supports long-term grass production.

No one at the center will panic; they'll just have options if needed. Develop a plan and stick to it.

May you find all your ear tags.

Source: Kris Ringwall, Beef Specialist, NDSU Extension Service



## IS CREEP FEEDING RIGHT FOR ME?

By: Marci Whitehurst for Progressive Cattleman

Creep feeding provides supplementary nutrition to nursing calves. It can increase a calf's daily rate of gain, as well as weaning weight. Whether it will benefit your production depends on several factors.

"Economics should drive the decision [to creep feed or not]," says Matt Luebbe, a feedlot and nutrition specialist at the University of Nebraska – Lincoln. "If the return or the cost of gain is too much, it isn't worth it."

Luebbe recommends assessing your current feed sources in relation to creep feed. Likewise, Dan E. Eversole, a beef nutrition and management specialist at Virginia Tech, writes, "If high-quality pasture is inadequate or unavailable, supplemental creep feeding may be a viable alternative." Both Luebbe and Eversole encourage considering the cost in relation to the benefit.

"The decision to use creep feed is ranch specific and depends on management production," Luebbe says. Each producer must ask themselves if their feed supplies are limited to the point of capturing the value of the creep feed. If feed supplies are restricted or if you're trying to meet an April market with a spring-born calf, then creep feed may help finish the animal. "We must evaluate maximum and optimum," Luebbe says. Pushing for a calf's highest daily gain will put him at his maximum weight, but it may not be his optimal. "Producers must look at the cost of the extra feed inputs. If a calf is gaining an extra half-pound a day, is the cost of feed for that half-pound going to exceed the price point of the extra weight?"

Eversole states, "Generally speaking, the most efficient conversion of creep to added weaning weight exists when nursing calves are unable to attain normal weaning weights without supplemental feed. Best results from creep feeding generally occur when, one, forage is too mature for utilization by nursing calves; two, forage quantity is inadequate due to drought or overgrazing; or, three, calves are born to poor milking cows or first-calf heifers."

Creep feed needs to be high in protein for the calves because young animals are putting on muscle and frame, whereas older calves are adding fat for finishing. Creep feed that is high in protein and also palatable for the calves can add the weight needed.

Looking at a producer's long-term herd plan also helps make the decision. "It depends if the calves are going to a feedlot or if they're headed to winter pasture. If the calves are headed to a feedlot and the goal is pushing their gain, then creep feed may help you reach your goal if it's cost-effective. On the other hand, if you're holding the calves longer, then the cost of pushing the weight will likely exceed your production goals," Luebbe says.

Eversole adds that creep feeding replacement heifers may affect milk production. Fatty tissue can collect in the udder and decrease milk production. "When milk production and forage conditions are adequate for heifers to wean at acceptable weights, a good recommendation is to avoid creep feeding heifers that may be retained."

Eversole cautions that creep feeding is extremely difficult if calves are pastured with companion grazers such as sheep or goats. These animals will also access the creep feeder.

Calves will start nibbling feed at a couple weeks, but don't really consume measureable amounts until they are 6 to 8 weeks old. If creep feeding is chosen by a producer, calves will learn to feed by watching dams at bunks or from older calves. Feeders placed near water and shade will increase calf interest. Take care to watch for acidosis and consider intake inhibitors to regulate feed.

"Producers will set up good conditions for their cattle. They don't want them too fat or it affects rebreeding and isn't good for their health. Likewise, being too thin is problematic," Luebbe says. Finding the optimal weight for your herd and then using the resources available will produce good cattle and a favorable return. Luebbe encourages, "The decision is up to each producer based on their management practices. Use feed that will achieve good body condition and be cost-effective. Consider the price of feed in relation to current cattle market trends. Economics should drive the creep feeding decision."

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