

# Cow Country Reporter



April 2018

Volume 10 Issue 4

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I need to confess, in early March I was bullish about the calf market for both our fall-born calves (marketed June/July) and our spring-born calves (marketed Aug/Sept) however, Ma Nature and the packers now have me a little bearish. Let me explain! Our winter season has lingered into early April coupled with meat packers convincing feedlot operators to sell their cattle with 15-30-day delivery on them. As of the end of March, packers had 265,000 head of formula cattle for April, couple this stat with 100,000 head of deferred (15-30- day delivery) slaughter cattle and we have the start of a lower slaughter cattle market. As the finished cattle market goes lower

the feeder market is dragged down also, this "big wall" of market ready cattle coming in May is certainly negative and with summer grass developing later than normal our calf market may be in trouble. However, with all the moisture available combined with warm weather, grass will grow. Beef demand seems to be good, so let's pray that our neighbors in the northeast want to get out in the backyard and start eating beef. Also remember we in the south have forages available so we can adjust our marketing of calves. Be flexible, talk to your marketing rep. and call our toll- free number (888-528-6999 ext. 3) and get posted on the market every Saturday.

Enjoy your April!

*Dave Foster, CEO*

## CUBBAGE: AGRICULTURE IS BEING LEFT IN THE DIGITAL DUST

By Steve Cubbage

The often-quoted line from the movie Talladega Nights: The Ballad of Ricky Bobby—"If you ain't first, you're last!"—is funny, but applied to the next bit of news, it's not so funny.

Agriculture is the least digitized of all major industries, according to the McKinsey Global Institute's Digitization Index. That's right. Agriculture is dead last for living up to its digital potential. It's never good when you realize you're even being outflanked by slow-moving sectors such as government and education. In the digital horse race, our industry is being left in the dust. When you're being beat by a bureaucracy, you know you've got serious problems.

Think of it this way. Agriculture today is a lot like Walmart, which derived its efficiency from its sheer size and scale. That's how the company beat the competition back in the day.

However, digitization has given rise to companies such as Amazon that have put a traditional retail giant such as Walmart back on its heels. Digital disruption also can be seen as companies such as Uber take over the taxi business and Facebook stimulates the demise of the hometown newspaper. The fact is, right now agriculture does not currently have an Amazon. At least it doesn't yet.

In the world of big data, self-driving tractors and combine yield monitor tech that was introduced more than a quarter century ago, one has to ask how modern agriculture is last in terms of digitization. Even with the amazing advancements in technology that mainstream agriculture has seen during the past two decades, the McKinsey report exposes just how far agriculture is behind compared with other industries.

Although the most advanced sectors, companies and individuals may be pushing the boundaries of technology use, the total U.S. economy is realizing only 18% of its digital potential, according to the report. But that's good compared with agriculture, which hasn't even cracked double digits.

So which industries are on top in terms of digitization, and just what are the metrics used to develop such rankings? At the top is the information and communications technology sector, which includes the businesses supplying the devices, software and services that are fueling this whole digital

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## **CUBBAGE: AGRICULTURE IS BEING LEFT IN THE DIGITAL DUST**

explosion. But at only 5% of U.S. gross domestic product, it is only a sliver of a much broader phenomenon. Media and finance were also near the top, and they were followed by asset-intensive industries such as oil and gas and utilities.

More than 27 different indicators were used in the McKinsey index to capture the many ways that industries and companies are digitizing. Those indicators were divided into three main buckets: digital assets, digital usage and digital workers. In a simplified example, businesses that spend heavily on computers and, more specifically, robots received high scores in this particular study. Also very important was the number of workers that had received training for and could execute certain digital-related tasks on a regular basis.

This disturbing digital state of affairs within agriculture should not be a profound revelation to anyone in agriculture who really looks closely in the mirror. We like to pat ourselves on the back when university and media studies show mass adoption of precision technologies such as yield monitors and grid soil sampling.

But the reality is adoption and utilization are two totally different metrics. If a farmer has auto-steering on his or her combine but does nothing with the yield data, then in reality you're not going to score many digital points for just being along for the ride.

There are many fingers to point to the root causes of just how agriculture ended up in the rearview mirror. First, one could point out that it's a generational thing. Agriculture as a whole is manned by one of the oldest workforces of almost any industry, and by nature, change doesn't come easily or willingly. The other obvious reflection is that agriculture, especially at the production level, is extremely fragmented, and in a digital world, that makes things even harder to connect.

But if there is any silver lining here, then being last means there is only one way to go, and that's up. In a follow-up report, the same group ranked agriculture near the top of industries that would benefit from digitization and automation moving forward.

Agriculture is ripe for the picking in terms of benefiting from its digital potential. And it is for this very reason that you continue to see so much venture capital money flow into an industry mired in an economic downturn. Change will come, and it will likely happen fast.

This leaves two questions. Who will be the agent to drive this change, and who is agriculture's Amazon?

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## **AMERICAN ASSOCIATION OF BOVINE PRACTITIONERS**

### ***AABP Creates Position Statement on Raised-Without-Antibiotics Programs***

The American Association of Bovine Practitioners encourages producers and veterinarians using these programs to always consider the health and welfare of cattle.

(ASHLAND, Ohio) March 27, 2018 – Raised-without-antibiotics (RWA) programs for cattle production have become increasingly popular with consumers. However, when an animal in one of these programs needs antibiotic treatment for an illness or injury, they typically cannot stay in this type of marketing program. "As this segment of the cattle industry develops, producers and processors have looked to the bovine veterinary community for guidance on structuring these programs to both meet the needs of consumers as well as the cattle in our care," says Dr. Brandon Treichler, chair of an American Association of Bovine Practitioners (AABP) task force that addressed RWA programs from a cattle care standpoint.

The AABP task force created a position statement on RWA programs, which can be found at [http://aabp.org/Resources/AABP\\_Guidelines/AABPrwaPSfinal.pdf](http://aabp.org/Resources/AABP_Guidelines/AABPrwaPSfinal.pdf). The task force was formed to determine the need for AABP to have a position statement on what animal care and health factors are critical components of programs that raise cattle without antibiotics, and make recommendations on what would constitute planning for and providing of care for ill or injured animals in RWA programs as is done for cattle raised in conventional systems.

"Animal welfare is one of our primary obligations as veterinarians," adds AABP President Dr. Mike Apley. "We are not making any kind of statement as to the acceptability of these programs, but rather how veterinarians can best work with producers in RWA programs to ensure animal welfare is at the forefront. Supporting our clients in the husbandry of their animals is very important to us."

The three major tenets of the AABP RWA position statement include:

- Within the context of a written Veterinarian-Client-Patient Relationship (VCPR), there must be documented strategies in place that allow for responsible use of antibiotics when needed.
- Responsible RWA programs should recognize that some cattle will still develop diseases or sustain injuries that require antibiotic treatment.
- Responsible RWA programs must also include alternative marketing plans for those animals that do require antibiotic treatment.

"The entire cattle industry is committed to the care of the animals in our care, and this position statement can serve as a framework to help producers achieve that level of care.

The task force identified that having a veterinarian integrally involved in RWA programs to guide diagnosis and treatment decisions is important. "Developing programs to emphasize disease prevention and to guide the decisions when the switch to conventional antibiotic therapies is in the best interests of the animal is also important," says Treichler.

Apley adds: "We are committed to animal welfare in all types of systems; the unique situation in the case of RWA programs is that antibiotics are not an available tool if the animal is to stay in the program, which requires some different approaches in how producers and veterinarians plan for and respond to disease challenges."

The Raised-Without-Antibiotics Position Statement can be found at [http://aabp.org/Resources/AABP\\_Guidelines/AABPrwaPSfinal.pdf](http://aabp.org/Resources/AABP_Guidelines/AABPrwaPSfinal.pdf), and are available to members and the public. Additional AABP guidelines and position statements can be found at [www.aabp.org](http://www.aabp.org) under the Home tab. Guidelines and position statements are reviewed one and three years after approval for updating as needed.

AABP is a membership-based, not-for-profit organization serving over 5,000 cattle veterinary medicine professionals across the United States, Canada and other countries. Visit [www.aabp.org](http://www.aabp.org) or like us on Facebook.



## **DIFFERENCES BETWEEN HIGH-, MEDIUM-, AND LOW-PROFIT COW-CALF PRODUCERS**

By Aaron Berger, Nebraska Extension Educator

Source: University of Nebraska-Lincoln

This study by Dustin L. Pendell Ph.D. and Kevin L. Herbel can be found at the Kansas State University website <http://www.agmanager.info/>. Review and summary by Aaron Berger, Nebraska Extension Educator.

Dr. Dustin Pendell and Kevin Herbel recently published a paper that highlighted the differences between 61 different producers with cow-calf enterprises that are part of the Kansas Farm Management Association. The paper examined both returns over variable costs and returns over total costs in 2016. The authors broke out participants in the study into three groups of high-, medium- and low-profit producers. Here are differences that stood out between producers from the data when looking at returns over total costs.

- Differences in costs between operations outweighed revenue differences. High-profit operations spent \$198 less per cow than low-profit operations.
- High-profit operations generated more revenue per cow, \$136.03, than low profit operations.
- Major differences in costs between high profit and low profit herds were found in feed expense. High-profit herds spent a total of \$494.95 per cow on grazed and harvested feed, while low-profit herds spent \$596.38. This is a difference of \$101.43 per cow!
- Labor, depreciation and interest expenses were all lower on a per cow basis for the high-profit operations than the low-profit operations. High-profit producers had a \$61.63 advantage over low-profit producers in this area.
- High-profit operations generated a positive net return to management of \$35.22 per cow, while low-profit operations had a negative return of -\$298.91 to management in 2016.

The Kansas Farm Management Association cow-calf enterprise data provides insights into the differences between high-, medium- and low profit producers. Participants in the data set have the necessary production and financial records to know what their production costs are and then can use that information to make management decisions to improve profitability. In this data set, producers who aggressively controlled costs while producing more pounds of calf to sell per cow than their competitors were the most profitable.

An interview with Dr. Dustin Pendell and Kevin Herbel that gives more background on the study and their perspective on consistent characteristics of high- profit producers is available at <https://go.unl.edu/podcast>.

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## **USING EARLY SEASON FORAGE GROWTH — IS THERE ENOUGH FOR GROWING, CALVING HEIFERS?**

By Karla Jenkins, UNL Cow/Calf Specialist

Source: University of Nebraska-Lincoln

As spring approaches most producers are anxious to get cows out of the lot and make use of early spring grazing. While there are certainly some advantages to sending pairs out into fresh air and wide open spaces, there are some forage availability and diet quality considerations producers need to evaluate.

A lot of rangeland in Nebraska is warm season dominate and is typically considered to provide on average 0.6 animal unit months (AUM) of grazing per acre. This estimate however, is developed from season long growing, which is typically June-October. Therefore, that amount of forage is not actually available early in the spring, such as early May, in this example.

A light stocking rate in May on typical Sandhills range would be approximately .20-.22 AUM/acre while a heavy stocking rate during that time would be around 0.30-0.33 AUM/acre. This basically means that stocking at half the normal stocking rate in early spring is still too heavy which could have negative impacts on the future range condition, but could also negatively impact the expected performance of the cattle.

A study conducted at the Gudmundsen Sandhills Laboratory near Whitman, NE utilizing esophageally fistulated cows indicated that at both 0.22 and 0.33 AUM/acre stocking rate, within one week of May grazing, cows began to select less digestible forage with lower protein than when initially turned out. Data from clipped forage samples from grazed pastures compared to ungrazed pastures indicated this was due to the fact the cows were eating more dormant, previous year growth as the month progressed.

First calf heifers present a unique challenge to producers as these heifers have increased nutrient demands for both their own continued growth, the onset of lactation, and the return of estrus. If this growing, lactating heifer can eat ad libitum of this green forage, she can meet her nutrient demands. However, if the heifer is only able to get about half of her daily intake from this early forage and must get the rest from hay or dormant range, she will not be able to meet her nutrient demands. Providing 2 lb of supplemental dried distillers grains would provide the energy and protein the grazing did not. However, most producers find cattle first turned out to green grass often will not eat supplement, making it less effective.

If producers are concerned about the nutrients available to meet the needs of the young lactating heifer grazing warm season dominated pastures this spring, managers could consider stocking at a lighter rate (around 0.20 AUM/acre), or retaining heifers in a drylot where nutrient intake can be more controlled for two to three weeks, giving the grass time to accumulate substantial growth and to adequately meet the needs of the young cow.



## **BEEF'S TASTE KEEPS IT IN THE DEMAND FOREFRONT**

*For now, U.S. consumers search for more taste in their meat. That demand drives prices upward.*

By Duane Dailey

"As long as demand outpaces supply, you're going to like being in the livestock business," says University of Missouri ag economist Scott Brown. "However, growing supplies can be troubling."

That's because as supplies increase, prices tend to go down. Usually. However, that didn't happen in 2017, Brown says. Growing beef demand worked last year. As supply increased, prices continued up.

With growth in all major meat sectors expected in 2018, what's the outlook? Just as in 2017, to maintain prices, demand is critical, Brown says.

Brown says a basic shift among customers brought the change in demand. "Taste matters. Consumers found that in beef." It was not so much in pork and chicken.

For beef producers, it is not just steaks. Hamburger has an upscale trend going. Burgers are found in more than fast-food joints, as upscale dining includes hamburgers. Ground beef prices have gone up 54% since 2010. In the same time, pork chop prices barely budged upward.

Looking at feed grain baselines in the 2018 U.S. Baseline Outlook from the MU Food and Agricultural Policy Research Institute (FAPRI), Brown sees bright spots for livestock. Crops also outgrow population growth. That can mean lower feed costs, which helps livestock profit margins.

In addition, exports remain vital to strong livestock prices, Brown says. Livestock producers grow more meat than U.S. consumers eat. As incomes grow in other countries, the first expenditures are for better food. That includes protein in meat grown by U.S. livestock farmers.

China finally allowed the import of U.S. beef. For now, China's consumption tops 10 pounds of beef per person per year. That compares with almost 80 pounds for U.S. consumers.

While the export trade potential remains high, baseline projections can change in a day, Brown says. It could happen if the North American Free Trade Agreement (NAFTA) fails. Or change could be a growing threat of drought. "The U.S. Drought Monitor looks a lot like pre-2012," Brown says. A severe drought hit in 2012.

For now, U.S. consumers search for more taste in their meat. That drives prices upward.

For FAPRI's 72-page 2018 U.S. Baseline Outlook, go to [fapri.missouri.edu](http://fapri.missouri.edu).

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