

# Cow Country Reporter



April 2024

Volume 16 Issue 4

News from your CEO

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### News from your CEO

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The cattle market was moving higher in March for both slaughter and feeder cattle, when along came the Avian Bird Flu in dairy cattle (TX, NM, KS, ID). So, what will happen as we move into April? All the hype tanked the Futures Market the first week in April, however, as I have said forever, the Futures Market is NOT the cash market. We need to see what happens as we move into April. Supply of ready market slaughter steers and heifers are lower. Demand for beef continues to be good and auction markets continue to post record prices for cull cows and feeders. For us in the cow/

calf business in Louisiana look to see what our Louisiana calves sell for on Sept 18,19 at the Superior Video Auction in Natchitoches, LA. for late summer delivery (July-September). Sometimes too much information is dangerous. The bulk of our Louisiana calves are marketed from June to early October and we get ahead of the rest of the calf run that starts in the big cattle states in late October to December. Keep in touch with your marketing rep., have a game plan and be flexible. Enjoy the green forages and keep those calves alive and growing.  
*Dave Foster, CEO*

## KEEP YOUR EYE ON TODAY AND NOT THE FUTURE

*Don't let the fear of government regulations impact today's cattle marketing.*

*By: Doug Ferguson*

I had to get a new tire mounted on my pickup this week. As the tire shop owner was balancing it, he told me that it has gotten much harder to get wheel weights this year. The biggest manufacturer closed their doors due to too much government regulation. Right away the first thing that flashed through my mind was all the regulations and taxes the government will attach to mandatory EID tags.

I have been getting this question a lot lately from people who are interested in sell/buy marketing. They are concerned that they will have to start spending a lot of time in a sale barn to figure out what is over and under-valued. This is not the case; that is what market reports are for. After getting an education in legit sell/buy marketing, the market reports will take on a completely different meaning.

Cattle market what if's

We can spend an awful lot of time this week talking about bird flu, plant fires, cattle numbers being down, cattle on feed reports and how the board reacted. This is all meaningless information; it doesn't tell us what we can do in order to prosper right now. The bid is the perfect distillation of all that information. It is perfect, because we can do algebraic equations with it and figure out what we can and cannot do right now to generate positive cash flow.

Value of Gain

This week we saw the trough effect again surrounding six weights. Cattle lighter than that had handsome Value of Gain (VOG). Cattle weighing over 600 pounds became a bit of a guessing game. At some auctions the VOG may have stayed extremely low. At other auctions there may have been a weight that broke out and had a high VOG. Leapfrogs became a regular thing this week on the heavier weights of feeders. I am not concerned about any of this at the moment. This market has run straight up, and it needs to find a bit of equilibrium. This will sift out soon enough.

Unweaned calves were up to 15 back, the heavier the bawler the bigger the discount. Feeder bulls were up to 20 back.

Demand in markets = females

On the female side of the market a few things are clear. Demand for females is high. The one sale I watched this week and market reports from

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## **KEEP YOUR EYE ON TODAY AND NOT THE FUTURE**

a few others all showed the same thing. Everything except first calf heifers that are in the first period are selling over their Intrinsic Value (IV). Some of these are selling well into four figures over their IV. The high prices of weigh cows and calves is making the IV high as well.

Last week we proved the cozeners wrong and proved the value of old cows. Here's a fun one, it was like shooting fish in a barrel selling short solid (SS) and broken mouth (BM) pairs and replacing with the under-valued bred heifer. This trade was so cash heavy a skilled marketer would find themselves in a situation where they could sell one and buy two or have enough cash to pay all expenses to run the bred heifer for over a year! It was also possible to sell SS and BM bred cows and replace with the bred heifer.

### **Bred heifer markets**

The bred heifers in the first period were so far off the pace that the quickest way to get them to appreciate in value is to give them a shot of Lutalyse. They will go up \$350 in value. There is also high demand for open replacement heifers as they are catching up to \$20 premiums right now.

Couple the premium and the Cost to Keep (CTK), and it is clear that the bred heifer and heifer pair market will have to skyrocket just to get a return of the money. Let's face it, \$4,000 pairs don't look so whoopie when we do this math. I should also point out that even though OCV heifers are catching big premiums right now, weigh cows are selling for more dollars per head.

When examining the relationships between females, it is hard not to notice the size of the calf at side down to the stage of pregnancy is having a huge effect on the actual value. The closer she is to weaning the calf the more she sells over her IV. The female market has factored in Time Value of Money (TVM).

### **Time value of money**

TVM means money in hand today has more earning potential, and we can turn money in hand today into more money tomorrow by investing it. Getting the same amount of money tomorrow is less valuable to us than getting money today. With the biggest premiums being paid for pairs with big calves and smaller premiums being paid for bred cows, it is clear that producers are in a hurry to get to weaning time and get their hands on the calf check.

As investors, we spend time, or at least some of us do, thinking about making more money. The best investors don't just think about making more money; they also think about making it sooner. That's because thanks to TVM, sooner usually leads to more.

Go back to what I wrote up above, the monster trade was to sell the pair and put more time between yourself and weaning. The unskilled marketers have bought into the narrative of needing to produce calves to wean, and because they don't have awareness, which is knowledge of a particular subject, they are betting on the come and overpaying for the females that will get their calves to weaning the soonest.

The reason something is overvalued is because that is what everyone is bidding on. The skilled marketer will sell them what they want and replace it with something they don't want and pocket the difference along the way. So really, the producer that is capturing the TVM is the skilled marketer, but he his doing it in a manner that is contrary to what others are thinking.

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## **FUTURES TUMBLE ON HUMAN HPAI NEWS IN TEXAS**

By: Drovers Editors

Cattle futures traded on both sides of unchanged before heavy selling emerged in the afternoon sending prices sharply lower into the close. Selling intensified after news of a human case of highly pathogenic avian influenza after contact with an infected dairy cow in Texas.

June live cattle futures closed \$4.925 lower to \$175.325, while nearby April futures dropped \$4.925 to \$180.075. May feeder cattle futures plunged \$6.025 to \$242.675.

The Texas Department of State Health Services (DSHS) reported the first human case of novel avian influenza A(H5N1) in Texas. The patient became ill following contact with dairy cows presumed to be infected with avian influenza, DSHS said in a release.

The patient's primary symptom was conjunctivitis. This is the second case of avian influenza A(H5N1) identified in a person in the United States and is believed to be associated with the recent detections of avian influenza A(H5N1) in dairy cows announced by the Texas Animal Health Commission. DSHS along with local, regional, state, and federal partners, is investigating this ongoing situation. Avian influenza A(H5N1) viruses have only rarely been transmitted from person to person. As such, the risk to the general public is believed to be low; however, people with close contact with affected animals suspected of having avian influenza A(H5N1) have a higher risk of infection.

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## **SLAUGHTER COWS AND GROUND BEEF**

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

One of the principal ingredients in many ground beef formulations is 90 percent lean beef trimmings (90s). The wholesale price of 90s reached a record level of \$338.56/cwt. the last week of March and appears to still be moving higher. Nonfed beef (cull cows and bulls) is the source of 90s. Fed beef (fed steers and heifers) produce fatty trimmings, commonly reported as 50 percent lean trimmings. The current wholesale price of 50s is \$102.84/cwt. A reference formulation of ground beef consists of a 5:1 ratio of 90s to 50s, that is, five pounds of 90s and one pound of 50 percent lean, producing an 83.3 percent lean ground beef product. This wholesale ground beef formulation is currently priced at \$299.27/cwt., also a record level.

Cull cows and bulls contribute to nonfed beef production, which is calculated as cow slaughter multiplied by cow carcass weight plus bull slaughter multiplied by bull carcass weight. Monthly average nonfed beef production peaked cyclically in January 2023 and has dropped 8.1 percent in the last 14 months. By contrast, fed beef production has decreased 4.4 percent since the recent cyclical peak in 2022. Thus, the supply of nonfed beef is tightening faster than that of fed beef.

## SLAUGHTER COWS AND GROUND BEEF

Cull cow prices are increasing in response to the demands of the nonfed beef market. The price of average dressing Boning cows in Oklahoma auctions the last week of March was \$133.96/cwt., a new record high. Cull cow prices the same week ranged from \$139.02/cwt. for high dressing Breaking cows to \$118.08/cwt. for low dressing Lean cows. Total cow slaughter is down 12.8 percent year over year for the first 11 weeks of the year, with dairy cow slaughter down 14.2 percent and beef cow slaughter down 11.3 percent thus far in 2024. Beef cow slaughter is expected to decrease more sharply if herd rebuilding conditions are favorable this year. This will further decrease nonfed beef production and add to the imbalance between 90s and 50s in the ground beef market.

Each fed steer and heifer produces roughly 150 pounds of 50 percent lean trimmings. In average terms, the 5:1 ground beef ratio therefore requires 750 pounds of 90s to produce ground beef from one fed steer or heifer. This is more or less the boneless trimmings from two head of cull cows. Domestic nonfed beef production is only enough lean to match a fraction of the 50s produced in fed beef production. Imported beef trimmings are used to augment domestic lean beef supplies and utilize more 50s to increase the total ground beef supply. Imported beef trimmings are increasing in response to declining lean beef supplies in the U.S. Current prices for 90s (and, indirectly, cull cows) in the U.S reflects the net impact of imported beef on U.S. market values.

Declining total beef production is pushing beef prices generally higher. Ground beef is even more important in this high beef price environment, but ground beef supplies are declining even faster. Beef supplies will continue to decline, led by decreasing nonfed beef supplies and leading to still higher beef prices ahead.

*Derrell Peel, OSU Extension livestock marketing, looks at the inventory numbers in the 2022 Ag Census on SunUpTV from March 24, 2024. <https://www.youtube.com/watch?v=dtU4KyZxm7o>*

## CRABGRASS: A WEED CAN BE A FORAGE

By Mike Trammell, Oklahoma State University Southeast Regional Forage Agronomist

Crabgrass is an annual, warm-season grass that is fast growing, easy to establish, and capable of natural and prolific reseeding, all of which allows it to excel as a "weed."

Despite its bad reputation, crabgrass was originally used in Europe as fodder before being introduced into the United States, likely around the mid-1800s, as a forage for grazing livestock. During the past 30 years or so, there has been an enormous change in the perception of crabgrass with forage and livestock producers. It is now considered a legitimate forage crop.

In 1988, the Noble Research Institute was the first to publicly release a crabgrass cultivar, which was named Red River. During its history, Red River crabgrass became the main commercial cultivar, promoting the use of crabgrass as an important warm-season annual grass for forage and livestock operations. This initially occurred in the southern Great Plains but now has spread throughout the southern United States. Since then a handful of new forage crabgrass cultivars have been developed and released.

These improved crabgrass varieties are not weeds' but high-producing, high-quality forages that are broadly adapted. The nutritive value of crabgrass is often superior to other warm-season forage options during summer for both haying and grazing. Forage crabgrass has high crude protein (8-14%) and high digestibility, which promotes average daily gains of livestock that can easily reach 2 pounds per head per day. It is also an excellent choice in many double-cropping systems, especially with winter annual forages like wheat, to extend the grazing period.

Crabgrass is widely adapted and can be used in both till and no-till forage production systems and is often managed in many livestock grazing operations as a reseeding crop, thereby reducing the cost of seed and other annual costs. In addition, crabgrass can also be used as a component in warm-season annual and perennial forage systems. It is particularly productive in dryland situations, but it also performs well under irrigation and across a range of soil pH levels (5 to 7.5). It can be used for silage or hay production and is an excellent choice for conservation purposes. It covers critical areas quickly due to its rapid growth and establishment.

Crabgrass seed is light and fluffy which can interfere with its ability to flow through a seed drill. Crabgrass seeds are rough in texture, resulting in individual seeds sticking together to form large clumps. The clumps not only cause problems when drilling but with the broadcasting of seed as well. To overcome these issues, crabgrass seed is sometimes mixed with a carrier, such as a fertilizer, to aid in seed flow through the machine when planting. Planting coated seed is also an option. Coated seed can also improve establishment results by adding bulk and weight to the seed, allowing it to be easily drilled or broadcast.

For best results, plant crabgrass mid-spring to early summer for the best forage production. Since yield is dependent on rainfall, avoid planting after mid-summer. Seeding rates should range from 4 to 6 pounds of pure live seed (PLS) per acre and planting depth should be 1/4-inch deep. Crabgrass' excellent ability to reseed makes re-establishment each year easy, which can potentially reduce costs; however, it is recommended to add low rates of additional seed annually to the production system. Adequate fertility must be provided for improved forages to be successful, and crabgrass is no exception. Always soil test and apply nitrogen, phosphorus and potassium accordingly.

Crabgrass works well when planted following small grains such as cereal rye or wheat. The small grains provide forage for late fall into spring and the crabgrass fills in during the summer and early fall to provide high-quality forage. Light tillage is recommended when the cereal forage is done being grazed or harvested in the spring. This improves seed germination and promotes better volunteer crabgrass stands for the summer.

In the summer, begin grazing crabgrass stands when plants are 4 to 6 inches tall, which typically occurs 30-40 days after seedling emergence. For hay production, cut crabgrass pastures in the boot to heading stage (normally 18 to 24 inches high), which will allow for at least two harvests per year. Regrowth is supported by remaining leaves and not by stored root and crown reserves, so avoid cutting crabgrass pastures lower than 3 inches.

Crabgrass has been building momentum in the last couple of years, and I suspect that it is due to those producers willing enough to try something "off the wall." After all, this weed has great potential to extend the grazing season and provide nutrient-dense forage to grazing livestock.

## PROSPECTIVE PLANTINGS, FEED PRICES AND IMPLICATIONS FOR FEEDER CATTLE MARKETS

By: Kenny Burdine, University of Kentucky

Input prices have been a major topic of discussion over the last couple of years. As I write this, we are enjoying some extremely high cattle prices. But those high prices have been at least somewhat offset by increases in production costs. This has been true of feed, fertilizer, fuel, machinery, labor and many other inputs. On the heels of USDA's Prospective Plantings report, it seemed to be a good time to discuss recent trends in feed prices and the impact this tends to have on feeder cattle values.

For some recent perspective, the US average corn price per bushel is tracked in the figure above from January 2020 through February 2024. One can quickly see the low-price levels during COVID, price levels exceeding \$7 per bushel during 2022, and the significant price decreases seen through the 2023 season. Corn tends to be the market leader and trends in corn price are typically representative of other feedstuffs. Clearly, the corn price dynamic has changed over the last year and will likely continue to do so in the coming months.

The demand for feeder cattle is derived from the demand for fed cattle. So anything that impacts the profitability of finishing cattle will impact the value of feeders. For this reason, feeder cattle values are heavily impacted by the cost of taking those feeder cattle through to finish, and feed prices are the most significant cost of doing that. I am also showing projected cost of gain from Kansas State University's Focus on Feedlots monthly reports in the second chart. Note how closely projected cost of gain follows corn price per bushel. As corn price rises and feedlot cost of gain increases, this gets reflected in lower feeder cattle values – feedlots cannot pay as much for feeders. As corn prices decrease, lower feedlot cost of gain leads to higher feeder cattle values as feedlots place feeders in the lower cost environment. While there are a large number of factors behind the strength of feeder cattle prices over the last year, lower feed prices have been part of story.

Finishing costs also impact value of gain on feeder cattle, which is reflected in the market through value differences across cattle at different weights. When finishing costs are high, feedlots tend to bid less aggressively on smaller calves and lean towards placing heavier feeder cattle. This tends to result in higher prices for heavy feeders relative to calves. This is sometimes described as a tightening, or narrowing, of price slides. As this happens, the value of lbs that are added prior to feedlot placement increases, and more incentive is created for cow-calf and growing operations to sell heavier feeder cattle. As feed prices have fallen recently, this incentive has also changed a bit. By no means am I suggesting that incentives to sell larger feeders don't exist, but I do think the value of gain on feeder cattle has decreased from where it was this time last spring.

Coming full-circle, planting intentions impact feeder cattle markets because they impact the supply of feedstuffs and that has feed price implications. Late March's Prospective Plantings report suggested a significant shift was expected with nearly a 5% decrease in corn acreage from 2023. The report also projected a 6.3 million acre decrease in prospective plantings of all principal crops, which would seem to suggest there is potential for more acreage to be planted in 2024. CME© corn futures did increase after the report came out, but were down a bit as I wrote this on Monday April 1st. In reality, this is just the beginning and actual planted acreage will respond to this information and many other factors this spring. But it definitely suggests the potential exists for tighter corn supplies going forward. The full Prospective Plantings report can be found here.

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