Cow Country Reporter

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News from your CEO

Where is the sun? That was the concern in January as cow/calf producers were starting their Spring-calving season. Wet, muddy conditions was the norm. Let's hope the ground hog saw his shadow on Feb. 2 so that "winter" will be short lived as opposed to having 6 more weeks of it.

The cattle markets opened the year 2020 sharply higher and slaughter cows at the local markets got out of the 50's for top cows and were selling in the 60's with a few individuals reaching $70 cwt. Feeder calf prices also started the new year with a higher trend, however, in mid-January prices started lower. Some blame this drop on the "Futures Market" as a result of the Coronavirus, but for us in the Southeast reduced numbers coupled with a "clean-up" type supply could be the problem. Our 300-450 lb. calves continue to see good demand. The future looks brighter for us with the bulk of our calves marketed at weights less than 650 lbs. which can go to a wheat pasture grazeout or to summer grass. Demand for replacement heifers and cows also looks promising.

The total receipts of cattle marketed through our seven auction markets in 2019 were down 11% (213,192; 240,150) compared to 2018 according to LDAF. The Cattle Inventory report that was released January 31, 2020 showed total numbers of all cattle in the US down slightly (400,000), LA down 2%, all cows and calves down 1%, LA down 2%, beef cows down 1%, LA down 2%, calf crop down 1%, LA down 1%. So, we enter into 2020 with less cattle which should be a positive. There are two major events in February that has an impact on beef consumption, Valentine Day and the beginning of Lent. Lent does not have the affect that it used to (meatless Fridays) however, it does affect beef consumption, whereas Valentine's Day is a huge consumption day.

Speaking of events, CPL is hosting two meetings this month, check them out on our website. One in Oak Grove, LA Feb 18, and one in St. Francisville Feb. 20 Enjoy the shortest month of the year, even with an extra day!

Dave Foster, CEO

Large feedlot inventories to start 2020

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

The latest monthly cattle on feed report showed the January 1 inventory in feedlots (over 1,000 head) at 11.958 million head, 102.3 percent of one year ago. This is the largest January on-feed total since 2008. Placements in December were up 3.5 percent year over year, the highest December level since 2011. December marketings were 5.3 percent higher year over year, the largest level since December 2010. December 2019 had one additional business day compared to a year earlier making daily average marketings for the month about equal to 2018. The January cattle on feed report was well anticipated with placements, marketings and on-feed totals all close to pre-report expectations. The report is not expected to provoke much market response.

December feedlot placements consisted of 5.3 percent more cattle over 700 pounds compared to one year ago and 1.7 percent more year over year for cattle under 700 pounds. In fact, in the last four months, total placements have increased 5.3 percent year over year with placements of cattle over 700 pounds up 7.8 percent year over year and cattle under 700 pounds up 2.5 percent over last year. These heavyweight placements represent much of the feedlot supply that will be marketed in the first quarter of 2020.

Among major feeding states, current feedlot inventories are shifted to the southern plains and mountain states with lower feedlot totals in the

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Large feedlot inventories to start 2020

Midwest and northern plains. January feedlot inventories were up year over year in Texas (108 percent of last year); Colorado (108 percent); Kansas (104 percent); and Oklahoma (105 percent). Feedlot inventories are lowest in Nebraska (96 percent of last year); Iowa (97 percent) and South Dakota (100 percent).

With total cattle inventories at or just past a cyclical peak, feedlot inventories will likely peak in the next few months. However, average feedlot inventories are currently record large. After peaking last August then declining for two months, the twelve-month moving average of feedlot inventories moved higher the last three months and is currently at 11.639 million head, record large for the current data series back to 1996. The twelve-month moving average removes seasonality and allows month-to-month comparisons of annual average feedlot inventories.

The January Cattle on Feed report also contained quarterly numbers of steers and heifers on feed. The inventory of steers on feed was 7.373 million head, up 1.3 percent year over year and the highest January level since 2008. Steer inventories declined year over year each quarter in 2019 but picked back up in the latest report. The inventory of heifers on feed was 4.585 million head in this latest report, up 4.0 percent year over year and the largest January heifer inventory since 2001. Heifer feedlot inventories increased year over year starting in April 2016 and has been larger each of the last 16 quarters.

Cattle slaughter is expected to decrease in 2020, including a slight year over year decline in steer and heifer slaughter and lower cow slaughter. However, large current feedlot inventories confirm that slaughter will be higher early in the year before decreasing in the second half of 2020. Total annual beef production is expected to be slightly higher year over year as heavier carcass weights offset lower slaughter. Beef production in the first half of the year will be higher on increased slaughter and larger carcass weights before lower slaughter pulls beef production down late in the year.

A football analogy may be appropriate given that it is college bowl season. Success in the cattle business is a matter of being on offense as much as possible. Weather and markets may force you into defense at times but management can minimize the amount time you spend on defense and help you get back on offense quickly and effectively. I wish everyone in the cattle business a Happy New Year and a prosperous and successful 2020.

5 Tips for Winter Cow Feeding

Parameters for meeting cow herd protein and energy requirements vary, but all are important.

By B. Lynn Gordon

Along with the colder temperatures, snow, and other challenges that winter brings with its arrival, beef producers also face the task of determining how to utilize their forage resources best. “Supplementation of forages is a risk management tool for cattle producers trying to manage the risk of reproductive performance,” says Tryon Wickersham, animal nutritionist at Texas A&M University.

Recently, during a webinar sponsored by NCBA, Wickersham addressed five areas important to understanding supplementation decisions when faced with low-quality winter forages and explained the importance of gathering relevant information about your cows and your forages.

1. Why supplement?

“Supplementation is focused around sustaining or increasing body weight or body condition score (BCS) of the animal,” says Wickersham, “and this is most effectively done by enhancing the utilization of the forage resource available or replacing the forage resource.”

He notes if cows come into the winter season with a lower-body condition score, producers will want to add weight to allow the cow the best preparation for going into winter and preparing for spring calving.

2. Determine cost/revenue ratio

It’s easy to want to offer supplementation for your cow herd, but doing so means added cost. “You can spend a lot of money to improve reproductive performance if that is a focus you want, but you need to calculate on a per cow basis, what the cost of supplementation is to achieve your goals,” says Wickersham.

Producers should determine how much they can afford to spend to get the outcomes they are seeking or what would be the loss of revenue if they did not supplement.

3. Seasonality of energy requirements

Matching the animal’s energy requirements to the timing of supplementation is a target to aim for, explains Wickersham. “A good measuring stick to remember is, energy requirements are highest during calving and early lactation, they fall off during the mid-lactation period and then begin to rise again after the cow is bred and moves into their first trimester.”

Energy requirements increase before calving when the goal is to maintain BCS and often when forage quality is decreasing. Supplementation at this time can help to maintain BCS.

Immediately after calving is often another time when supplementation may be considered. Energy needs of the animal are higher than forage resources allow during this period. Thus, supplementation provides the opportunity to balance out the gap in energy needs and resources. “However, if management prior to calving did not focus on maintaining BCS, doing so at this time is not as cost-effective.”

4. Identify forage quality

“When supplementing protein, we want to try and be as close to the requirements as possible, and the way to do that is to conduct a forage test and look at how much you anticipate your cows will eat and require.”

Wickersham explains if you go above the requirements you are spending money on protein that is not going to positively impact your returns. Forage testing will identify the quality parameters of crude protein and total digestible nutrients (TDN) in the forage resource producers are aiming to incorporate into the ration. When crude protein levels increase, intake levels off.

“A rule of thumb is, when crude protein levels are 7% or higher in forages, supplementation will not be as effective.” TDN levels, which are an indicator of energy content, are difficult and more expensive to measure. Thus, he encourages producers to check with their local or state Extension service or grazing associations, as

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these organizations may have historical data on TDN levels for your geographical area. “If you are meeting a cow’s TDN requirements, you are usually meeting the cow’s protein requirements.”

5. Calculate forage quantity

Track how much forage is available and how much the cows are willing to consume. For example, if you are feeding round bales of hay, counting and keeping track of how many bales you put out per cow will help in tracking consumption levels.

“The more they eat, the more TDN they will get in their body and the more crude protein they will get.” With low-quality forages that are synonymous with winter, focusing on supplementation of protein “will allow for utilization of the forage resources available, give the greatest intake available, and overall result in the greatest intake of forage utilization.”

B. Lynn Gordon is a freelance writer from Brookings, S.D.

You Kept Your Calves; Now What?

There are several options to market your calves. Selling right after weaning is one but is that the best choice as far as return on investment? Or is backgrounding the answer? How about retained ownership? All of these questions are best answered with a budget analysis.

By: Harlan Hughes

Marketing is a real challenge at the bottom of the beef price cycle, and my study herd manager is feeling the current financial pressure in marketing his 2019 calves. This Market Adviser will share the analysis I prepared and discussed with my study herd manager in our November meeting.

Selling weaned calves in mid-November. Mid-November local sale-barn prices did not improve any over mid-October (Figure 1). Normally, feeder steer prices trend downward, as the October line does; however, note the upward turn in the November price line for steer calves 800 pounds and greater.

The mid-November price line took on a very unusual shape for the heavier-weight feeders. This upturn in price as weight rose is highly unusual. I can only suggest this upturn was due to the strengthening slaughter cattle market in the first half of November. Obviously, cattle feeders wanted these heavier feeders.

However, the November price line was quite normal in the weight range relating to the marketing of my study manager’s calves. The pertinent November feeder cattle marketing prices were slightly lower than the October prices.

Marketing my study herd manager’s 2019 calves in November is still projected to generate a substantial drop in earned net income from his beef cow herd, compared to 2018. The decision not to sell in November was again made.

My study manager simply needs more net income from his 2019 beef cow herd. His 2018 earned net return to family resources from the beef cow herd was $37,500. If he sold his 2019 calves in November, his earned net income from the beef cows would be $16,900. “Not interested in selling” is what I heard loud and clear.

Preconditioning weaned calves. Our conversation soon changed to preconditioning his calves for 60 days and then marketing them this month at the local sale barn. Preconditioning means to prepare the calves to enter the stocker phase of the beef industry, or to be directly placed in the feedlot.

The preconditioning process usually includes activities such as weaning, supplemental nutrition, dehorning, castration , and implementing an animal health program including both deworming and vaccinations. Cow-calf producers can influence the market value of their calves through these industry-accepted management practices.

Of course, there always remains a key question for cow-calf producers who consider preconditioning . Are the additional vaccination, added feed costs and time spent associated with preconditioning economically feasible for a cow-calf producer? This question is best answered with an appropriate budget.

Marketing decisions around preconditioning calves also get more complex. One has to become aware now of not only the market price of the sold calves, but also of the market value of the added weight. With a downward-sloping price line as presented in Figure 1, the value of added weight is always less than the market price of the sold animals.

Each month, I routinely project feeder steer calf prices into the future. Figure 2 presents the appropriate portion of my current January 2020 price projection table generated for mid-November 2019. The preconditioning analysis presented is for 584-pound weaned steer calves preconditioned for 60 days and projected to be marketed this month.

The preconditioned calves are projected sold this month with a projected weight of 674 pounds at a projected price of $149 per cwt. The original weaning price (for mid-October) was projected for 584-pound steer calves selling at $168 per cwt.

When we are adding weight to calves, pricing gets more complex. What becomes critical is the value of the last pound, referred to as the “value of added weight.”

With a downward-sloping price line (see Figure 1), the value of the last pound is always less than the market price. How much less? That is determined by that week’s market price slide.

Based on my price projections for January 2020, the value of the last pound for a steer calf going to 674 pounds is $105 per cwt, not the market price of $149 per cwt. How can that be when the market price at the sale barn is $149 per cwt?

The problem is that even the original 584 pounds at weaning is not valued at the weaning price of $168 per cwt. After preconditioning, those original pounds are now valued at $149 per cwt, for a drop of $19 per cwt. Thus, the value of added weight has to be adjusted for the lost income on the original weaned weight.

Let’s look at this same issue but from another perspective. The value of the original 584-pound weaned calf is $981 per head, and the value of the projected preconditioned calf is $1,004 per head — for an added value from preconditioning of $23 per head before expenses.

Figure 3 presents my preconditioning budget for this group of 2019 steer calves. Item 4 presents the total variable costs of preconditioning of $87.53 per head.

You kept your calves; now what?

With a total gain of $23.14 per head preconditioned, with the added preconditioning cost of $87.53 per head, we were not interested in preconditioning his calves.
Even after my study herd manager suggested that I added a premium of $5 per cwt for preconditioned calves, I still could not recommend that my study rancher precondition his 2019 calves.
In summary, for any of my readers considering preconditioning their 2019 calves, put together your own budget numbers tailored to your specified beef cow herd and feeds available. Then, draw your marketing conclusions from your own budget numbers.
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Annual boxed beef sales show consumer preferences

Consumers want the best beef you can produce and are willing to pay for it.

By: Nevil Speer

The Choice-Select spread during 2019 was nothing short of remarkable—not only in terms of the magnitude, but also the amount of time the spread remained unseasonably wide. In other words, the price signal in the market was both big and enduring.
That's no accident. That's been something in the making for a long time. Over and over, consumers are voting with their dollars; they want higher quality, more consistent beef and are willing to pay up for it. And best of all, the industry has proven successful in reacting to that demand signal.
But it doesn't end there. In fact, consumers are yearning for the very best in beef quality. Thankfully, yet again, the industry has been able to produce product to meet that demand. That's best illustrated by this week's illustration—it highlights annual boxed beef sales by category (Prime and Branded).
Just 10 years ago, total sales in those two categories combined was roughly $3 billion. Fast forward to 2019, and wholesale revenue now surpasses $7 billion! Perhaps most important when considering the importance of beef quality to the industry, Prime sales have grown nearly five-fold during that time period.
There was a day when many argued that beef would price itself out of the business. That high prices would create demand destruction and indirectly generate increased market share for pork and poultry.
Just the opposite has proven true; de-commoditizing beef and ensuring better quality and consistency has underpinned beef demand and allowed the industry to separate itself in the protein market. Over the long run, that spells more committed customers and subsequently a more resilient industry.

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