

Cow Country Reporter



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News from your CEO

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Over 1,000 Counties Approved for Emergency Haying and Grazing



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This month we celebrated July 4, Independence Day and it gave us time to stop, pause and reflect on what we have in America; Freedom, Independence and Choices. As we enter into the last 6 months of 2021, let us in the cattle business focus on where we are today and where we want to be in the future. For our members who have not sold their calves, get with your marketing rep. and assess your marketing options. The calf market looks to be making a path to higher prices. We in Louisiana market our calves ahead of the Northern and Western states, so we have the advantage of a lighter supply during July to September which suits buyers looking for wheat/ryegrass cattle and also fit the demand for feedlots refilling their pens for our 650-700 lbs. calves. Be prepared to be flexible and adjust your marketing plans to upticks in the marketplace. The weather has not allowed us to put up "early hay" like normal, however, our pasture conditions continue to improve with abundant

rainfall.

There are a few bills being presented to Congress, OFF Act (Opportunities for Fairness in Farming), Grassley-Tester bill (50/14) and the Transparency Act which looks to expand cash sales of fed cattle and keep a record of all contract sells between sellers and packers. These bills are a direct result of four major packers controlling 85% of cattle harvested. These bills will help cow/calf producers to stay in business in the future. Slaughter cow kills are up 7% through June as a result of producers in drought areas in the U.S. reducing their inventories, so there will be less cattle next year. If we could get the processing plants to increase their kills back to normal, prices for finished cattle would increase.

Keep current with the market, keep your calves gaining weight, check out these legislation bills and call your representative to support them.

Dave Foster, CEO

GRINDING THROUGH FED CATTLE SUPPLIES

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

The latest USDA Cattle on Feed report showed a June 1 feedlot inventory of 11.699 million head, almost unchanged year over year from 11.671 million head in 2020; and fractionally lower than the June 1, 2019 level of 11.728 million head. May marketings were 1.87 million head, up 23.4 percent year over year and down 9.7 percent from the May 2019 level. Feedlot placements in May were 1.911 million head, down 6.9 percent year over year and down 7.4 percent from 2019 levels. The placement number was slightly smaller than expected but within the range of pre-report estimates, while the marketings and on-feed totals were very close to expectations.

The big question is whether the feedlot situation is improving to a point where the fed cattle market can emerge from the capacity cap that has limited the market in 2021. The answer is that, yes, the situation is improving but we are not quite there yet. The February 1 on-feed total was the highest of any month since February 2006 and reflected the buildup of feedlot inventories carried over from pandemic disruptions last year. Feedlot inventories have dropped by 3.4 percent from February to June, the largest decrease in that period since 2012. The average change in feedlot inventories from February to June in the five years from 2016-2020 has been a slight increase of 0.3 percent.

Figure 1 shows the twelve-month moving average of feedlot inventories. This provides a longer-term view of the feedlot situation by removing seasonal variation and allowing month-to-month comparisons of average feedlot inventories for the previous 12 months. Since March of this year, the

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twelve-month moving average has been at record levels, increasing each month. The most recent value for June 2021 is higher again at another record level. This shows that the feedlot industry has not yet turned the corner to begin reducing average feedlot inventories. I expect this will happen in the next month or two. The decline in monthly feedlot inventories since February is encouraging and represents progress in moving to cyclically smaller feedlot production.

The current fed cattle market will show improvement faster than the moving average in Figure 1 (which takes time to reflect changing conditions) and that appears to be happening. Cash fed cattle prices last week averaged \$122/cwt., the highest level in eight weeks. Barring some new disruption, feedlot inventories should drop below 2020 (and 2019) levels in the next month or two and remain there going forward. However, the ongoing drought could represent such a disruption if dry conditions force feeder cattle into feedlots sooner than usual. Drought could slow down the process of tightening beef supplies in 2021 but increased cowherd liquidation would lead to even smaller supplies in the coming years.

MANAGEMENT PRACTICES TO ADD VALUE -PART 1

By: Mark Z. Johnson, Oklahoma State University Extension Beef Cattle Breeding Specialist

Cow-Calf production represents a long-term investment in land and cattle. Accordingly, there is considerable economic value in correctly managing the genetics, calving seasons, weaning and marketing program. Historically, the commercial cow-calf sector of beef production has marketed calves as a commodity. Yet in a rapidly evolving beef industry, the needs of the market have become more specific over the past 20 years which has greatly increased the opportunity for cow-calf producers to market through value added programs most of which require specific genetics, production focus and management commitment. This week we focus on preconditioning and marketing practices which can be used by commercial cow-calf producers to add value to weaned calves.

Preconditioning Calves

Preconditioning typically bundles the management practices of castration, dehorning, deworming, feed bunk training with a nutritional program to accommodate a 45-day on ranch weaning period, and two rounds of vaccinations (e.g. respiratory, blackleg) which can be documented and used as a marketing tool. Preconditioning programs with varying names and management requirements are sponsored by cattle organizations, livestock markets and pharmaceutical companies. One such program is the Oklahoma Quality Beef Network (OQBN), which provides producers the opportunity to certify calves and participate in special sales. Information about the OQBN, which is sponsored by the Oklahoma Cattlemen's Association and Oklahoma Cooperative Extension Service, is available at <http://www.oqbn.okstate.edu>. The value of preconditioning management practices implemented on the ranch is well documented and leads to potential price premiums. After preconditioning, calves are marketed with added weight and a stronger immune system which enables them to better cope with the stress of transportation, handling, commingling, new diet and new surroundings. Research shows preconditioned calves perform better as stockers, through finishing and in carcass form. Through preconditioning, cow-calf operators can influence the market value of their calves by following industry accepted management practices.

Preconditioning calves does come with additional expense of time, vaccines, feed, facilities, etc. and should be weighed against the potential added benefits. A budgeting tool is available at <http://www.agecon.okstate.edu/faculty/publications/3943.xlsx>. In regard to capturing the added value of preconditioned calves, producers should also consider the possibility of retained ownership and marketing them later as yearlings or fed cattle.

A producer's final decision regarding adopting preconditioning practices and marketing strategies is based on many things, including time, tradition, labor availability, accessibility to marketing options and upfront cost like facilities versus the potential premiums. That being said, research at OSU and other universities has shown preconditioning is not only beneficial to animal health and performance, but also returns more dollars when sold at market.

NEVER UNDERESTIMATE THE POWER OF THE PASTURE

In the inventory triangle of cattle, feed is a key part of the foundation. What are you doing to maximize the grass you have?

By: Doug Ferguson

It's just grass. That sums up the attitude most people have. They fail to see the value in grass. I wonder if it's because they see grass as a problem that must be dealt with. What I mean by that is they have to mow the lawn or roadsides. So from that viewpoint grass would actually cost money rather than make money. Or maybe people don't respect grass because some of the people who are trying to earn a living off the crop don't respect it.

Your second greatest advantage in the cattle business is knowing how to manage the inventory triangle of cattle, money, and feed. Remember feed and money are on the bottom of the triangle because they are the foundation of our business, and cattle go on top implying they are the least essential. This should not come across as an implied hint, I think it is very direct, we are grass farmers.

If we are grass farmers, then we should probably be good at it. Most of us think we are inherently great at it, I used to be one, but we are not. Like I wrote recently we must do the best we can until we know better, then we must do better.

Boosting pasture value

Here's an example. A friend of mine practices holistic management and his neighbors do not. This area has been terribly dry for some time. They did catch some good moisture this winter and spring. My friend has abundant grass growing on his place while the neighbors are panic buying hay.

This is what's happening there. Grass is a solar panel capturing free energy from the sun. With better grazing management we can improve pastures (both grass and soil) which will give us a better solar panel. At better solar

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panel enables us to be better used sunlight salesmen. That is what my friend is doing. He sold some of his cattle that were overvalued and replaced with undervalued stock. Some of his replacement buys were thin cows. Now these cows are grazing on a buffet and are grass popping. Grazing management allowed him to profit from trading stock and will allow him to profit again in the future by upgrading the thin cows. He will capture the value of his feed resource.

A great one liner about marketing and grass management is to “Love your grass and hate your cattle”. All hating your cattle means is being willing to sell them. Marketing skill and inventory management can alleviate the burden of drought. Most ranchers love their cattle, and this is why they refuse to sell them during a drought. This causes severe damage to the pasture and that in turn will require more time for the ranch to recover. We must save the pasture by destocking in a timely manner. As evidenced by my friend the pasture will recover quicker when it does rain again.

I like to compare a ranch to a hardware store. A good hardware store has a robust inventory consisting of tools, nails, electrical, and plumbing. They do not deplete their inventory by selling everything out to the bare walls. This is what ranchers do when they graze every blade of grass depleting the pasture to zero. This is ignoring one of mother nature's rules: it takes grass to grow grass.

My friend mentioned that people in his area are panic buying hay and that seems to be happening everywhere. It is common sense that we cannot feed our way out of a drought, yet people always try it. They take money, which is part of the inventory base and try to replace the other half of the inventory base which is feed. When we run out of one or the other the triangle will collapse which can be the end of being in business.

Judge the true cost of cattle feed

Here is a comparison to illustrate. If we take the current hay price and assume a cow will be eating nothing but that hay, and compare it to the price of five weight calves (for reference this is west of the Mississippi River) the cow and calf can eat for roughly eight months until the feed bill outweighs the value of the calf. This assumes the pair doesn't waste any hay

This may sound unrealistic. Thing is, last year I read a statistic that the average cow consumes six to nine bales of hay per year so really the example in the previous paragraph is normal. This practice means we are always depleting the base of the triangle, of feed and money.

I will admit I have struggled with the thought of what the value of grass is for several years. I wanted to be able to assign a monetary value. During the phone conversation my friend said something that made me give up on that idea and accept what I already knew. He told me he was helping at a branding on a neighboring ranch and they are still feeling the burden of drought. We all know that feeling and it is stressful and no fun. He made the comment to me that if they would just change their grazing management ranching could be profitable and fun and secure a good future for that rancher's kids. There it is, the true value of grass

A year ago I wrote about the value of grass and how people abuse their pastures. I received a handful of emails that gave me feedback from that post. They were all from bankers and they all touched on the same thing. They expressed how frustrating it is to them to help someone get financing to buy a pasture only to drive by that pasture a few years later and see it depleted and abused. It is mind boggling to them that people don't take better care of something that costs that much. With better grazing management we can double the carrying capacity. This is like buying two ranches for the price of one.

Another point of interest I read this week was on the topic of cedar trees. This article stated that a density of 200 trees per acre reduces forage production by one third due to moisture use and shading. Here is what that means to me personally. I spend several hours per week during the summer cutting trees. By deflecting this decrease in forage production and what that translates to as far as carrying capacity, grazing days, and value of gain this is some of the more valuable time I put in.

This week Ranching for Profit had a great article on sell/buy marketing in this week's Profit Tips blog: Sell/Buy Lessons

Market update

Looking at the markets this week one thing that gets me excited is the Value of Gain on heifers. Their VOG is higher this week with some auctions having a VOG of over \$1 through the spectrum. It has been quite some time since we've seen that. This is set up by heifers having a much tighter slide, making it much easier to make profitable trades with heifers. The best VOG once again lies with flyweight cattle. Another thing to note is the roll back from steers to heifers making the girls a more attractive buy.

Geographical spreads are strongly noted right now. A few hours ride on a truck can save a buyer thousands of dollars on a buy back. When I say that I am talking about piecing a load together as load lots caught a premium again this week.

The fat to feeder relationship has most feeder cattle overvalued. There were a few auctions that sold heavy weight heifers that will work as a profitable buy back against fats.

My definition of value added marketing means you must capture the added value. There were some Non-Hormone Treated Cattle cattle at auctions this week that caught a very slight premium at best. It wasn't worth the time or money to enroll them. Unweaned cattle were 10-20 back.



OVER 1,000 COUNTIES APPROVED FOR EMERGENCY HAYING AND GRAZING

By: Greg Henderson

USDA has now authorized emergency haying and grazing on Conservation Reserve Program land in 1,021 counties in the U.S., most of them in the West. The list of counties has grown 4% in the last week.

Every week, USDA updates a map of counties eligible for emergency haying and/or grazing. As of June 24, the most recently published list of counties with permitted haying and grazing on CRP land includes 1,021 counties, or 32% of counties.

Of those counties, 860 have been designated in 2021. In June alone, emergency haying and grazing on CRP acres was authorized in 196 counties. Between June 17 and June 24, 39 counties were added to the designation list, an increase of 4% in one week.

In order for CRP haying and grazing to be authorized, USDA staff reviews each county's status every Thursday using the U.S. Drought Monitor. Counties are approved for emergency haying and grazing when they are designated as level "D2 Drought - Severe" according to the U.S. Drought Monitor.

Counties may request emergency haying and grazing status through the Farm Service Agency County Committee in the event of a livestock emergency, the threshold for which is a documented 40% or greater loss of forage production due to the disaster event. Before haying and grazing, producers should contact the local USDA FSA County office to verify their county remains eligible and/or to obtain a modified conservation plan.

When a county is designated as D2 Drought – Severe and emergency haying and grazing is authorized, producers can use their CRP acreage for their own livestock or may grant use to another producer. For emergency haying, producers are limited to one cutting and are permitted to sell the hay. Participants must remove all hay from CRP acreage within 15 days after baling and remove all livestock from CRP acreage no later than one day after the emergency grazing period ends.



*Be safe in the
extreme summer heat!*

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