Cow Country Reporter

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News from your CEO

November is here and so is the drought. Over 90% of Louisiana, as of the first two weeks in November, is in severe to extreme drought. Cattle receipts at our local sale barns stayed high through October due in part to drought and high cattle prices. These numbers will decrease as we go into December. Many cow/calf producers I have talked with are concerned about their ryegrass production, if they planted it at all. Hay supplies are limited and producers are hopeful that their supply will last through March. Many cattle marketed late Summer, early Fall are bringing $400.00-$500.00 per head more than the same time last year, however input costs are also higher than a year ago.

What will 2024 be like for the cow/calf producer? There will be less cattle for sale which hopefully will result in higher prices. Replacement heifer and cow prices should also be higher. If Ma Nature is kind to us, the next couple of years will be profitable. November also has holidays that remind us that we live in the greatest country in the world. We enjoy the freedom of the right to vote, Nov. 7. We are protected by a powerful military, Nov. 11. We give thanks for the many blessings we enjoy in this Great nation on Nov. 23. May you be blessed with a profitable calf crop.

Dave Foster, CEO

Ensuring High Cattle Prices Longer

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

Higher placements and reduced marketings resulted in an October 1 feedlot inventory of 11.58 million head, 0.6 percent higher than one year ago. This was the first monthly year-over-year increase in 13 months and the second highest October on-feed total in the data series back to 1996. The October USDA Cattle on Feed report showed September feedlot marketings down 10.6 percent year over year. This marketing total reflects one less business day in the month compared to last year and was slightly less than average pre-report estimates for marketings. September feedlot placements were up 6.1 percent from one year ago. Placements were expected to be up year over year, but this total was larger than pre-report estimates.

Despite ever smaller feeder cattle supplies, feedlot inventories have temporarily halted the slow decline of the last year with the September surge in placements. Sixty-eight percent of the increase in September placements were between 700 and 900 pounds, which means that the bulk of the cattle will be marketed in the first quarter of 2024. The remaining increase in placements were cattle weighing less than 700 pounds and will be marketed in the second quarter of the year. Some of the placements were likely drought-forced early feeder sales and may be offset by some reduction in feeder numbers in the fourth quarter. Increased placements no doubt also reflects many producers selling feeder cattle to take advantage of the sharply higher prices this fall.

Continued heifer feeding made up the biggest part of the increase in feedlot inventories. October 1 feedlot inventories were up 71,000 head from one year ago and heifers made up 60,000 head (84.5 percent) of the increase. The number of heifers on feed was up 3.7 percent from July and up 1.3 percent over last year. This is the largest October heifer on feed total in the data series back to 1996. Heifers currently represent exactly 40 percent of the total cattle on feed, up fractionally from July and are at the highest percentage of feedlot inventories since October 2001.

The industry continues to liquidate females. Monthly slaughter data through September shows that total female (cow + heifer) slaughter has averaged 51.8 percent of total cattle slaughter for the past twelve months. This is the highest twelve-month average female slaughter percentage since August 1986. The latest slaughter data and the latest Cattle on Feed report

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Ensuring High Cattle Prices Longer

both suggest that heifer retention is not beginning in 2023. Year-to-date beef cow slaughter is down 12.9 percent from last year but will still result in a net culling rate over 11.5 percent for year - indicating continued liquidation. The beef cow herd will be smaller in January 2024, and it increasingly looks like the best that could happen in 2024 is to stabilize the herd with significant growth delayed until 2025 or beyond.

Beef production is down 5.2 percent thus far in 2023. This is a significant decline from 2022 record beef production but is less of a decrease than would be the case if herd liquidation were not continuing. Smaller beef cow inventories are ahead and more dramatic reductions in cattle slaughter and beef production – and higher cattle prices - will occur when herd rebuilding gets rolling. This process looks to continue into 2026 at least. This latest Cattle on Feed report may be taken as bearish for cattle markets in the short term, but it is certainly bullish for cattle markets in the coming years.

Derrell Peel, OSU Extension livestock marketing, explains why herd rebuilding is at a standstill on SunUpTV from October 14, 2023. (11) Livestock Marketing - Oct. 14, 2023 - YouTube

Ten Activities that Improve Profitability of Your Cowherd

By: Paul Beck - Oklahoma State University

We have tight cattle supplies and record cattle prices, but costs of production have also increased. The industry is still in a place that if you are not in control of your production costs selling calves for record prices may still be below breakeven. There are 10 activities that are, in my opinion, important for managing a profitable cow-calf operation.

1) Know your costs of production - Beef cattle Standard Performance Analysis of cowherds across the Great Plains show that high net income producers have 43% lower cost of production than low net income producers. It also allows for more effective marketing, risk management and setting production goals and makes it easier to identify places for improvement.

2) Have a defined calving season that matches your environment - Produces a more uniform calf crop to market, larger uniform groups at auction markets receive $5/cwt compared to single head lots. This also allows for better health and nutritional management and management of calves pre and post weaning. This is the foundation for development of least cost winter nutrition programs.

3) Selection of replacement heifers for fertility and longevity – Heifers that have their first calf early in the calving season tend to rebreed earlier and calve early in subsequent years, and heifers that reach puberty before their first breeding are more fertile. Assessing Reproductive Tract Scores of heifers 30 to 60 days before their first breeding season can help sort out the heifers that have not reached puberty and are more likely to breed late.

4) Pregnancy testing and culling cows – Culling open cows obviously will decrease winter feeding costs, but also culling old cows, infirm cows, unsound cows, and cows with poor dispositions can improve calf performance and decrease calf death losses. Culling open cows and not selecting heifers out of these cows as replacements will improve reproductive efficiency over time and increase calving rate.

5) Improve forage management – The forage resource is the foundation of cow production. Improved management will increase carrying capacity of the land, improve cow and calf nutrition, increase productivity of livestock, and decrease cost per unit of forage produced. Reduced reliance on feed and hay is a key to decreasing costs and increasing profitability.

6) Hay testing and least cost supplementation – knowledge of hay quality will allow you to match the hay being fed to the cow's nutrient requirements, and has the potential to reduce or totally replace supplementation. The supplement being fed and supplement rates can better match what is needed by the cow.

7) Crossbreeding with a superior sire – Heterosis or hybrid vigor is the only free thing you can expect in the cattle business. Crossbred cows with hybrid vigor have higher conception rates, weaning rates, weaning rates, and longevity. These benefits combine to increase the pounds of calf weaned per cow exposed to a bull by 15 to 25%. Increasing sire quality leads to higher weaning weights, post-weaning growth, and improved marketability.

8) Have a designed herd health program – A close veterinary-client relationship pays dividends for your business. A good herd health program will reduce cow death loss and increase cow productivity. More productive cows with good immune systems will produce more and better colostrum which will reduce calf morbidity and death loss...and makes for more productive calves.

9) Add value with preconditioning and retained ownership past weaning – Preconditioning added $15 to $20/cwt premium on calves over the last few years. Extending ownership will allow you to capture more of their true value. This can be a good thing or bad thing, depending on your calf's quality.

10) Reduce debt and keep expenses low – Referring again to the beef cattle Standard Performance Analysis, high profit producers have lower costs of production with less invested per cow in all asset categories than low profit producers, but especially less invested in machinery and equipment and real estate. Low profit producers have more total debt on a per cow basis.

The most profitable producers tend to have higher pregnancy rates, calving and weaning percentages, and thus higher pounds weaned per cow exposed to a bull than the least profitable producers. Profitability of the cow-calf enterprise is controlled by a web of production and economic factors but is rarely associated with maximized weaning weight.

Happy Thanksgiving

Profit Tracker: Feed Costs Decline, Margins Improve

By: Greg Henderson

Cattle feeding margins gained $30 per head the week ending Oct. 21, and average profits were estimated at $327 per head, according to the Sterling Beef Profit Tracker. Beef packer margins were nearly steady and remain about $75 per head underwater. The packer-feeder margin spread was $402 per head advantage cattle feeders.

For the week ending Oct. 21, cash cattle prices averaged $186.48 per cwt., up about $1.59 per cwt. from the previous week. That price is 20% higher than last year's $150.53 per cwt. cash price.

Wholesale beef prices posted an average of $300.31 per cwt., a $3.18 per cwt. gain from the previous week. The Beef and Pork Profit Trackers are calculated by Sterling Marketing, Vale, Ore.

Cattle sold last week carried a total feed cost of $511 per head, down about $7 per head from the previous week, and about $53 less than feed costs for cattle sold the same week a month ago.

Cattle marketed last week had a breakeven of $163.15 per cwt., while cattle placed on feed last week have a breakeven of $177.02 per cwt. Cattle placed last week are calculated to have a purchase price for 750-800 lb. feeder steers at $242.59 per cwt., and feed costs of $388.02 per head. The feeder steer price is 28% higher than last year.

The estimated total cost for finishing a steer last week was $2,284 per head, up 15% from last year's estimate of $1,950 per head.

Fed cattle slaughter totaled an estimated 493,174 up 16,233 head from the previous week and 23,820 more than the same week last year. Packing plant capacity utilization was estimated at 84.2% compared to 90.4% last year.

Farrow-to-finish hog producers saw losses of $13 per head last week, about $2 per head decline compared to the previous week. Pork producers saw profits of $18 per head the same week a year ago. Lean carcass prices averaged $74.58 per cwt., down $1.38 per cwt. from the previous week.

Pork packers closed the week with $20 per head profits, down $5 per head from the previous week. Last year pork packer margins were about breakeven. Hog slaughter was estimated at 2.610 million head, up 1,000 head from the week before and up 40,000 head from last year.

Pork packer capacity utilization was estimated at 96.0% compared to 93.1% last year.

(Note: The Sterling Beef Profit Tracker calculates an average beef cutout value for the week in its estimates for feedyard and packer margins. Other prices in the weekly Profit Tracker also are calculated weekly averages. Feedyard margins are calculated on a cash basis only with no adjustment for risk management practices. The Beef and Pork Profit Trackers are intended only as a benchmark for the average cash costs of feeding cattle and hogs. Sterling Marketing is a private, independent beef and pork consulting firm not associated with any packing company or livestock feeding enterprise.)

Calculate and Manage Your Largest Cost as a Cow-calf Operator

By: Kenny Burdine, University of Kentucky

As we turn the page on October, winter feeding will move into the forefront of cow-calf operators' minds. Most cow-calf operations have already begun feeding hay or will do so very soon. Winter feed costs are likely the largest cost for a cow-calf operation and are impacted by the number of days an operation feeds hay, the cost of the hay (or other feeds) that is fed, and the efficiency of the feeing program.

The number of winter feeding days is largely a function of stocking rate and pasture conditions throughout the grazing season. At the national level, the percentage of pasture rated poor and very poor has been lower than last year, but higher than the average of the previous 5-year period. In the Southeast, pastures are generally in worse condition than last year and considerably worse than the 2017-2021 average. In my home state of Kentucky, a lot of cow-calf operations have been feeding hay for a while and will see a higher than normal number of feeding days this winter.

At the same time, hay values are not always easy to estimate because most operations produce their own hay. What hay does get sold is typically sold privately, so there is limited public data on the market price of hay fed by cow-calf operators. Hay is also unique in the sense that there can be wide ranges in hay values across regions due to the high costs associated with moving hay from one area to another. For these reasons, producers really have to put a value on the hay they feed based on what it cost them to produce it or what they paid for it, if purchased.

Finally, feeding efficiency is sometimes the forgotten factor in winter feed costs because it can be hard to observe and quantify. There is always a loss associated with feeding as cattle don't utilize 100% of the hay that is produced or purchased. This is typically a function of hay storage and feeding method and there is merit in looking for economical ways to limit losses at these two points.

I use the table below in Extension programs as a way to discuss the variation in winter feeding costs based on hay values and losses associated with storage and feeding. Costs are expressed on a daily basis with the assumption of a 1,300 lb cow consuming 2.25% of her body weight each day. The number of hay feeding days can be multiplied by the daily cost to estimate hay cost per cow through the winter.

Over the last couple of years, hay values in my area have seemed to shift from the left half of the table to the right half and that has had a significant impact on the cost of wintering cows. For illustration, a $20 per ton increase in hay value leads to an increase of $0.34 per day at the 15% loss level and increases at higher loss levels. While lowering storage and feeding losses will likely come at some cost, reducing this loss from 30% to 15% results in gross savings of $0.37 per cow per day when hay is valued at $100 per ton, and increases as hay becomes more valuable. Having a feel for winter feeding costs can be a crucial first step in understanding cow-calf profitability and is definitely something that cow-calf operators should seek to manage.

Winter Wheat Grazing Hopes Revived

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

Most of Oklahoma has received significant rain in the past week reviving hopes for wheat pasture. The majority of the state was blessed with 1.5 to over 6 inches of rain. Only the northwest and panhandle regions missed out this time.

Wheat stands around the state are quite variable with some bigger wheat all the way down to wheat barely emerged. The latest Crop Progress report shows that 71 percent of Oklahoma wheat is planted, two percent more than last year but less than the 75 percent 5-year average. In recent extension meetings, many producers have indicated that they expect to have wheat pasture, if somewhat later than usual in many cases. Some producers have already purchased stockers, betting on the come, while others will be in the market now. Figure 1 shows prices for stocker steers this fall in Oklahoma. Prices for the preferred stockers under 500 pounds have not decreased seasonally this fall. In fact, average prices for 450-500 steers in October were higher than September. Prices for heavier feeder cattle over 600 pounds have decreased about 10 percent in recent weeks.

Both Live and Feeder futures have seen a huge downward correction in the past six weeks after months of trending higher. Both markets have dropped precipitously in the last half of October but appear to be stabilizing now. A profit-taking correction is not surprising and has been made worse by recent global events and enhanced market volatility. March Feeder futures are currently priced at about $238/cwt., down from roughly $255/cwt. just two weeks ago. Current cash and futures prices imply a value of gain from November 1 to early March of about $1.50/pound for a 475-stocker steer. Depending on specific cost assumptions, this is about equal to the breakeven for winter grazing, providing returns to wheat pasture and labor but nothing beyond that for the cattle. If feeder futures rebound somewhat, as I expect, there may be better opportunities to lock in additional returns in the coming weeks.

Reduced feeder auction volumes reflect the decreasing supplies of cattle in the country. Oklahoma combined auction feeder volume is down 10.6 percent year over year thus far in 2023. The auction volume has been down every week for the last ten weeks and is down 14.7 percent compared to the same period one year ago. The biggest weekly volumes of the year typically occur in the next six weeks but are likely to remain below year-ago levels. With smaller volumes and stronger wheat pasture demand, stocker calf prices are unlikely to show any seasonal weakness in the coming weeks and may move higher, depending on the impact of broader market uncertainty and volatility.

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