Cow Country Reporter

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News from your CEO

"In like a lion, out like a lamb or in like a lamb, out like a lion" is an old saying that predicts March weather. If we follow this folk lore, then we will have good weather from mid-March until April Fool's Day (April 1). We need some good news from MA Nature this year!

Louisiana corn farmers got into their fields early and corn planting has a good start. Speaking of good starts, our cattle markets started picking up steam in February and will, hopefully, continue.

A good barometer to see what the future will bring for our calves in July-September, check out Superior Livestock Auction, Gulf Coast Classic being held on March 30-31 in Natchitoches, LA. This sale will give us all an indication of what our calves will be worth. Get with your marketing rep. and adjust your marketing plan accordingly. Also, check out Dwane Link's article in this month's newsletter, "Cow Cost and Breakeven", and put your own figures in his chart to determine what it cost for you to keep a cow for a year. There was a Superior Video sale on March 2 and a few loads of steers weighing 800-875 lbs. brought $170-$176. A mixed load of steers and heifers 700 lbs. brought $179.50/$161.50 for March delivery and a reputation load of steers at 700 lbs. $181.50 for early March delivery.

We are having a CPL Information meeting March 9, 2023 in St. Francisville, LA. Over 50 people have signed up to hear reports from an LSU Beef Cattle Specialist, Feral Hog update, Master Cattleman Update and NRCS program update.

The new year has begun in earnest, are you ready?

Dave Foster, CEO

Replacement Heifer Dynamics

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

Drought-accelerated herd liquidation the past two years has made the beef cow herd the smallest in 61 years. With continuing drought conditions, it is uncertain when, but it is certain that there will strong interest in rebuilding the herd whenever conditions permit. Leaving aside the question of more drought, what is possible in 2023 given current availability of replacement heifers?

The number of beef replacement heifers on January 1, 2023 was 5.16 million head, down 5.8 percent year over year. This follows a 5.5 percent year over year decrease in 2022. Beef replacement heifers represented 17.9 percent of the beef cow herd on January 1, the lowest proportion of beef replacement heifers since 2012. Beef replacement heifers average 18.4 percent of the beef cow herd, and during the last herd expansion, beef replacements reached a cyclical peak level of 21.0 percent of the beef cow herd. The reported inventory of beef replacement heifers consists of bred heifers and heifer calves in development for breeding.

For the past 23 years, USDA-NASS has provided a total number of the beef replacement heifers that will calve in the current year. These bred heifers typically make up about 61 percent of the total beef replacements. The number of bred heifers on January 1, 2023 was 3.17 million head, 61.4 percent of the total beef replacement heifers. The number of bred heifers on January 1 was down 5.1 percent year over year and was the lowest beef bred heifer total since 2011. This follows a 4.8 percent year over decrease in bred heifers in 2021.

Subtracting the number of beef bred heifers from the total beef replacement heifer inventory leaves the number of heifer calves in development to be bred this year. This calculated total of replacement heifer calves for 2023 was 1.995 million head, the lowest in the data series. This total was down 6.9 percent year over year and follows a 6.1 percent

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year over year decline in 2022. These beef replacement heifer calves are assumed to have been retained from last year's calf crop and will become bred heifers next year.

The number of beef replacement heifer calves each year is not enough to account for the total inventory of bred heifers the following year. Over the past 20 years, the number of beef replacement heifer calves represents 63.8 percent of the bred heifers the following year. This means that extra heifers were bred during the year that were not reported as replacement heifers on January 1. These extra heifers are assumed to come out of the inventory of other heifers. For example, on January 1, 2023, the inventory of bred beef heifers was 3.17 million head, made up of replacement heifer calves from last year (2.14 million head) and another 1.03 million head of extra heifers bred out of the inventory of other heifers from last year. This calculated total 1.03 million head of extra heifers bred is the lowest total in the data back to 2001. The calculated number of extra heifers bred decreased 12.1 percent year over year in 2021 and decreased another 1.8 percent in 2022.

The decreased number of beef replacement heifer calves and extra beef heifers bred in 2021 and 2022 helps explain increased heifer slaughter the past two years. Heifers diverted from breeding to feeding contributed to the 4.0 percent year over year increase in 2021 and the 4.8 percent year over year increase in 2022 in heifer slaughter. All of which contributes to the limited number of replacement heifers available in 2023.

The numbers suggest that beef cow herd expansion is not possible in 2023. The available number of bred heifers, combined with a decrease in beef cow slaughter in excess of 20 percent lower year over year, might make it possible to hold the beef cow herd steady this year. A low level of additional herd liquidation is more likely. More likely in 2023 is increased retention of heifer calves and breeding of yearling heifers that will fuel herd expansion beginning in 2024. If that happens, both beef cow and heifer slaughter will decrease sharply in 2023.

Derrell Peel, OSU Extension livestock marketing specialist, discusses latest numbers from the USDA cattle inventory report on SunUp TV's Livestock Marketing segment from February 18, 2023. https://www.youtube.com/watch?v=gpLJ76olUAw&list=PLglOSpV-TcadvUT94k2ZDaOvQF9BRvTGs&index=1&t=27s

Cow Cost and Breakeven

Part 2 of Series

By: Dwane Link - Cattle.lytix Research and Consulting

As we discussed last month, the relevance and value of knowing your production cost could not be more important than right now. While I ink this article we have lost $.53 cents in the spot corn market, down $2.00 per bushel from the April of last year highs. Live cattle on the other hand has steadily climbed to over $32 per cwt from year ago levels, inching ever so closely to the 2014 all-time highs of $169 per cwt, (by the way DEC LC has surpassed $170/cwt.). Feeder cattle has seen a similar steady bullish run at $37 per cwt above year ago levels. Without knowing what our cow cost are, the above information might as well be written on a thin piece of Charmin. I get it, I realize how painful math can be at times and this is what stops us from doing something that is as critical to the survival of the ranch as this is. So bear with me, I promise to condense and simplify it as much as possible. For the economist out there who will surely critique this, there are many ways to get this result, this way is designed to incorporate as many true cost as possible without over complicating things, this is just mine. At the very least it will get you in the ball park of your true cost, and give you a leg up when making your marketing decisions. The goal of this series is to provide a frame work of "how" to build the budget, I challenge all to run the numbers as they pertain to your specific operations, as each operation is unique.

It has been said a picture is worth a thousand words, so instead of boring you with the written details here is an illustration of how you may build a budget for your operation. I call this an enterprise budget, it captures a screenshot of the operation. It is not meant to replace an accounting properly prepared by a CPA. Strictly just to peer into how the cow/calf segment is doing within the scope of the ranch in its entirety.

The numbers above were estimates gathered from local and recent sources. USDA, NRCS, CPL, local feed stores, stockyards, industry professionals.

It would be prudent for producers to take this frame work and pencil out your own numbers to arrive at your cow cost. Once you have researched and completed the math to get your cow cost and breakeven, now you are better prepared to step into the realms of marketing, since you now know what your production cost are and what your breakeven is. It may be a novel idea for a producer to make a budget like this every year and compare last

Cow Cost	Px	Equity		Interest	
	$ 1,200.00	0.7	$ 840.00	0.08	$ 67.20
Yrs Prod.	7		$ 400.00		
Salvage Value	$ 800.00		$ 57.14	Dep	
					$ 124.34
Bull Cost					
	$ 4,500.00	0.7	$3,150.00	0.08	$ 8.40
Yrs Prod.	7		$2,610.00		
Salvage Value	$ 1,890.00		$ 372.86		
#cows / bull		30	$ 12.43	Dep	$ 20.83
Pasture Cost	$/ac		ac/au		Total
Rent	$25.00		2		$ 50.00
Fertilizer	$/#		#/ac		
	$ 577.00		200		$ 115.40
Grazon	$/gal		rate		
	$40.00		1.5		*
Lime	$/ton				
	$48.00		2000		$ 32.00
Application	$10.00				$ 20.00

Pasture Cost	$ 217.40
Vet/Med	$ 26.48
Labor	$ 55.00
Hay/Feed	$ 179.00
Mineral	$ 37.75
Marketing	$ 103.12
Cow Dep	$ 57.14
Bull Dep	$ 12.43
Int on Oper	$ 49.50
Int on Livestock	$ 75.60
Cow Cost	$ 813.42

Cow Cost and Breakeven (part 2)

year to this year. After a few years, and some adjusting of the budget, you will begin to see some places where you can manage certain aspects of the operation to increase margin. After dialing in your expenses, then you may want to venture out into projecting next year's calf crop, and really getting proactive about aggressively merchandising your calf crop. For assistance with your budget or the numbers behind this budget, contact the editor of this publication.

Volatile markets, political uncertainty call for an increased level of focus and discipline. Good numbers will guide you in your decisions. Let us keep our pencils sharp and our thumb on the pulse.

Bull to Female Ratios: Prepare for Breeding Season

By: Mark Z. Johnson

Breeding season is approaching and bull turnout is only six weeks away for herds that plan to start calving next January. The opportunity to invest in genetics to improve the profit potential of your operation leads to several questions and requires planning.

The first goal of breeding season is to get cows bred early in breeding season resulting in more calves born earlier in calving season, shorter breeding/calving seasons, older calves at weaning and ultimately, more pay weight at weaning due to calf age. The typical beef calf gains about 2 lbs./day up until weaning, accordingly a calf born one heat cycle (21 days) earlier will wean off about 40 lbs. heavier. How do we get this accomplished? By having an adequate amount of bulls to get cows serviced. The following shows a conservative expectation of the number of cows we should expect bulls to cover in a defined breeding season.

12 - 15 month old bulls = 10 – 12 females
15 - 18 month old bulls = 12 – 18 females
18 - 24 month old females = 18 – 25 females
24 mo. & older = 25 – 35 females
2 – 6 year old bulls = 25 – 35 females

Rule of Thumb: One female per month of age at turnout (after passing yearling Breeding Soundness Exam)

For example: If I have 60 heifers to breed and plan to turn out 15 month old bulls, I will need four bulls.

What is the typical life expectancy of a breeding bull? Typically up to the age of 6 is "prime of life" for breeding bulls. This isn't to say that all bulls will break down at this age, but is more likely to happen after age six. Often when an older bull goes bad, it isn't discovered until after breeding season when we are doing pregnancy checks.

Social Behavior of Bulls

When you invest in bulls this spring, it is a good idea to pen bulls of similar ages and size together for several weeks prior to start of breeding season to allow for social ranking of bulls. This time together allows bulls to establish a "pecking order" so they will be ready to focus on their job at turnout.

Cattle On Feed Inventories Decline for a Fifth Consecutive Month

By: James Mitchell, University of Arkansas

According to the latest USDA Cattle on Feed report published last week, feedlot inventories were below year-ago levels for the fifth consecutive month. There was an estimated 11.70 million head of cattle on feed as of February 1, 4% lower than February 1, 2022. For perspective, February 2022 feedlot inventories were historically large, partly explaining the 4% decline. That is, comparing inventories this year to a historically large number last year.

On-feed inventories were 4% lower in Kansas and 6% lower in Texas. February 1 feedlot inventories in Nebraska totaled 2.57 million head and were 3% lower than last year's February total. Even larger declines were observed in Oklahoma (11% lower year over year) and Colorado (10% lower year over year). Among the major cattle-feeding regions, Iowa was one of just a few states that reported an increase in February 1 inventories, 620 thousand head or 2% higher.

Feedlot placements have been below year-ago levels since September 2022. January feedlot placements declined 3.4% year over year to 1.93 million head. Except for cattle weighing 700-799 Lbs, placements across all weight categories (<600 Lbs, 600-699 Lbs, >800 Lbs) were all down by more than 3%. Lower placements will have important implications for beef production in 2023.

Looking at forecasts from the February World Agricultural Supply and Demand Estimates (WASDE), USDA expects beef production to decline 6% in 2023. The February beef production forecast reflects an upward revision of 50 million pounds compared to USDA's January forecast, which offers important insights. Higher beef cow and fed heifer slaughter elevated beef production in 2022, reflecting worsening drought conditions. If USDA continues to revise the 2023 beef production forecast upward, it will suggest that drought conditions still need to improve to moderate beef cow and heifer slaughter.

It's calving season

Bless us with kind mamas

or Fast Feet

The Beef and Pork Supply Situation: What's Ahead?

By: Jennifer Shike

Market participants seem to be more focused on the day-to-day trading in the spot meat/livestock markets, and the short-term impact from weather events, Steiner Consulting says in the Daily Livestock Report.

Last week, cattle and hog slaughter were lower than expected as processing plants curtailed production mid□week. The resulting shortfall in supply propped up wholesale prices. The market will pay close attention how the cutout trades following an expected improvement in slaughter this week, Steiner Consulting said.

Total hog slaughter last week was 2.375 million head, 95,000 head less than expectations when the week started. Slaughter on Wednesday and Thursday came in at 409,000 and 371,000 head, respectively. Although some of this was made up on Saturday, slaughter was still 5.2% smaller than the previous week.

"The shortfall had some impact on the cutout and it is possible we will see Monday affected as well. The pork cutout was predictably higher on Thursday but then slipped a bit on Friday, somewhat of a surprise considering the decline in production. This is a reminder that pork demand is at a different spot today than a year ago," Steiner Consulting said.

Wholesale pork demand – the demand from processors, foodservice buyers, retail buyers and export traders – will ultimately reflect the final consumer. But Steiner Consulting points out that in the near term, it also reflects the wholesale buyers' concerns about the future, pushback from other buyers downstream, labor issues and inventory position.

"The latest USDA 'Cold Storage' report was a good reminder that pork supplies in cold storage have returned to a more normal level for this time of year. Total supply of pork at the end of January was 19% higher than a year ago," the report notes.

Inventories aren't as heavy for some items like hams. For others, such as bellies, inventory remains burdensome, up 57% from last year and 44% higher than the five-year average, Steiner Consulting points out.

"Hog slaughter will be lower in the coming weeks/months but high cost of feed continues to incentivize producers to bring hogs to market earlier rather than later. There will come a time when we hit an inflection point," Steiner Consulting says.

But when that happens will be the big guessing game for April and June futures.

Meanwhile, fed cattle slaughter last week was estimated at 480,000 head, 4.6% lower than the previous year and down 83,000 head or 5.4% in the last three weeks, the report says.

Fed cattle weights for the week ending Feb. 11 were 18 pounds or 2% lower than the previous year and Steiner Consulting suspects that trend to continue in the second half of February.

"No surprise then that beef production in the last three weeks has dropped about 7.5%. On feed numbers told us that fed slaughter will continue to track below year ago levels in Q2 and beyond. Cow slaughter has declined sharply as well. USDA currently thinks Q2 beef production will be down 6.7%. If current trends continue, they may not be that far off the mark," Steiner Consulting says.

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