Cow Country Reporter

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In This Issue

Cattle Producers Of Louisiana
P.O. Box 886
Prairieville, Louisiana 70769
Website: www.lacattle.org
Toll Free: 888-528-6999

Dave Foster
Chief Executive Officer
info@lacattle.org

News from your CEO

November has 3 big events, Election Day, Veterans Day and Thanksgiving. A reminder of the freedoms we enjoy in the U.S.A. Again this month, I am reminded of the roller coaster ride we have been on in the year 2016. We have endured Ma Nature, The Markets and Election Day. What a ride it has been. I have been inviting y'all to have meetings to discuss the issues that we in the cattle business are contending with, politics excluded, and am happy to share the meeting held in Region 5 at Sheriff Austin Daniel's Farm. We had 45 people who heard an update from Donny Cupit, Tri Parish Co-op, cover crops/winter forages from producer Wedge Barthe, winter feeding/cow body condition by Dr. Gary Hay, LSU and Beef Cattle Marketing Strategies by Dr. Tim Page LSU. Donnie Ashford from Dominique Livestock and Jonathan Lopinto, Amite Livestock discussed cattle market prices. Dr. Jonathan Roberts, DVM with LDAF gave an informative presentation about a new regulatory initiative going into effect January, 2017, VFD (Veterinary Feed Directive) and VCPR (Veterinarian Client Patient Relationship). He provided a packet complete with rules on how the program would work and in addition the new state Feral Swine Regulations. Not only were the attendees informed and updated but they participated in discussion and sharing time. If you would like a meeting in your area contact me. Ryegrass fields are waiting for much needed rain and hay making is coming to a close. Our cattle runs are getting lighter and cattle prices, (400-600 lbs. steers) are $71.00-$83.00 cwt. lower than the same time last year. Replacement sales, (bulls, heifers, cows) are lower than last year but percentage wise are not as low as our feeder calves. A question I have for you, "are our cattle numbers as high as reported or do we have less cattle as reported by the "Cattle Inventory". Let me know your thoughts.

Dave Foster, CEO

Paralyzed Cattle Markets Undervalue Calves

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

Feeder cattle prices to a large degree reflect feedlot choices as they evaluate the tradeoffs between purchasing lighter or heavier feeder cattle. When feeder cattle markets are in "balance:, prices for lighter weight feeder cattle adjust to account for the cost of gain to put the additional weight on those cattle such that feedlots are relatively indifferent to buying feeder cattle of various weights. This is what we observe on average most of the time. Sometimes, anomalies will develop in feeder markets which create different incentives for producers.

Such is the case this fall. For example, steers with an average weight of 826 pounds (medium/large number 1 at the seven federally reported auctions in Oklahoma) had an average price of $121.59/cwt. last week (October 21, 2016). Given that price, and assuming that feedlot cost of gain is $0.70/pound, feedlots could pay as much as $141/cwt. for a 600 pound steer. However, the average price for 600 pound steers last week in Oklahoma was $119.78/cwt. In fact, the price of 550-600 pound steers was less per pound than all heavier animals up to 850 pounds. There was less than $2/cwt. difference in prices for steers from 600 to 850 pounds. It is very clear that feedlots are placing a large risk premium against lighter

(continued on page 2)

Paralyzed cattle markets undervalue calves

(continued from page 1)

feeder cattle. It could be that feedlots simply don't want lighter weight cattle because there is an ample supply of heavy feeder which they often prefer to feed. However, the year over year decrease in September feedlot placements and the fact that feedlot inventories are barely one percent above last year despite the fact that there lots more feeder cattle would suggest that feedlots are not attempting to grow feedlot numbers very fast.

It will be pointed out that feedlots are losing money and so clearly cannot to pay the full potential price for lighter feeder cattle. However, this analysis is based on what they are paying for heavy feeder cattle when there are lighter weight cattle that are a relative bargain. The bigger problem, it seems, is that feedlots, like everyone else, are gripped by fear of the future. Feedlots appear to be operating very hand to mouth favoring heavy feeders that will finish sooner rather than later. Weak and volatile futures have significantly contributed to this environment.

The point of this is not to second guess feedlot decisions but rather to look at how cow-calf and stocker producers can react to the price signals in the feeder market today. The almost equal prices for cattle from 550 to 850 pounds translate into a value of gain that is almost equal to the price of cattle. In short, the market is encouraging cattle to stay in the country and come to the feedlots later rather than sooner. That creates stocker opportunities. Calf and stocker prices this fall have been sharply undervalued relative to heavy feeder cattle because stocker demand has not yet kicked in to replace weak feedlot demand for these lighter cattle. It seems that stocker producers (and their lenders) in many cases are gripped by the same fear that is affecting the rest of the industry. Stocker producers who find that Feeder futures offer little to help in managing the obvious risk in this market may want to consider one of the oldest tried and true methods of risk management in cattle markets: buy and sell on the same market. Many producers have taken a financial hit the past 15 months or so and are upside-down financially on cattle right now. The history of the cattle industry has been that many successful producers recognize that today's lousy selling price is a buying opportunity. For cow-calf producers with calves to sell, the same signals suggest that retaining calves for stocker or backgrounding should be evaluated. Certainly, pushing lots of calves into a yearling market next year has risks and means that conditions have to be monitored carefully going forward but the big market signal is clear: there is a need to slow cattle down and spread them out over time and that provides opportunities in the country.

Nebraska Cattlemen Encouraging More Cash Deals

Source: Nebraska Cattlemen Press Release via The Stock Exchange

Nebraska Cattlemen's Board of Directors announces the adoption of interim policy concerning severe marketing issues and concerning trends in the nation's negotiated fed cattle trade.

NC leadership and staff have been focused on this issue for over 12 months. Today's interim policy is the product of much thought and research on how the price discovery process has contributed to an increase in volatility in the cash fed cattle and CME Live Cattle and Feeder Cattle futures markets.

Fed cattle prices are feeling the pressure of negative market variables, which have created historic losses for the cattle feeding sector. Recent data from USDA shows the near-record to historically wide spreads between cash fed cattle values and boxed beef and retail prices. This indicates windfall cumulative margins beyond the production sectors of the beef industry.

NC is concerned if cash negotiated sales continue to decrease, it will lead to liquidation in the nation's beef cow herd, continued downsizing of infrastructure, and ultimately a reduction in the availability of quality beef products for consumers in the United States and abroad.

"We will not tell people how to sell their cattle. Any producer can choose their preferred method of marketing. However, the benefit of cash negotiated sales encourages more competition and reduces market and price volatility. This benefits all sectors of the livestock industry," said Barb Cooksley, Nebraska Cattlemen President.

NC will hold a series of meetings throughout the state to educate and gain valuable input from all members. This discussion will culminate at the annual convention in Kearney December 6 – 9, 2016.

The full interim policy is as follows:

WHEREAS, the current state of the nation's negotiated fed cattle trade has diminished to the point it is considered to be the leading factor resulting in an increase in price volatility, and

WHEREAS, the lack of cattle sold on a negotiated cash basis has led to reduced competition resulting in unprecedented market volatility and losses,

THEREFORE BE IT RESOLVED NC strongly encourages sellers of fed cattle to be more active participants in creating a more vibrant cash-negotiated market.

Beef Herd Expansion Status

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

The unexpectedly rapid and harsh adjustment in feeder cattle prices in 2016 has raised many questions about the status of herd expansion late in the year and beyond. Have changes in producer expectations altered herd expansion in 2016 and, more importantly, for 2017 and beyond? Begin with a review of the story so far. On January 1, 2015 the inventory of replacement heifers was a record 20.8 percent of the beef cow inventory. Beef cow slaughter in 2015 was a record low level of 7.6 percent of the beef cow herd inventory. The combination of large replacement heifer inventories and low cow slaughter facilitated the 3.5 percent year over year jump in beef cow inventories in 2015.

On January 1, 2016 the inventory of beef replacement heifers was 20.7 percent of the herd inventory; nearly as large a percentage as the record 2015 level. With large replacement heifer inventories available, the beef cow herd was poised to continue strong herd expansion in 2016. USDA did not provide a July Cattle report so no mid-year update of herd expansion was available. Quarterly cattle on feed inventories show that heifers in feedlots increased year over year in April and have been higher by a consistent amount of roughly 4.5 percent year over year in the July and October quarters as well. The October 1 heifer on feed inventory was still 8.5 percent below the previous five year average for that date. Heifer slaughter was below year earlier levels into early June and has shown year over year increases so far in the second half of the year. Weekly heifer slaughter has averaged 11.7 percent year over year increases since July. The result is year to date heifer slaughter that is up 2.5 percent over 2015 and with continued year over year increases for the remainder of the year is projected to finish with an annual total up roughly 3.5 percent year over year.

Beef cow slaughter started 2016 with the low levels from 2015 but quickly changed to year over year increases by the end of the first quarter. The second and third quarters showed even stronger year over year increases resulting in a year to date increase in beef cow slaughter of 12.1 percent compared to last year. Strong beef cow culling through the rest of the year is projected to bring the 2016 annual beef cow slaughter to a roughly 13 percent year over year increase. More beef cow slaughter is expected because 1) last year's net culling was unsustainably low and 2) the one million head increase in cow numbers last year inevitably means more cow culling. However, the projected rate of 2016 beef cow slaughter would represent a net beef herd culling rate of less than 8.5 percent of the herd, well below the average level of nearly 10 percent. In other words, beef cow culling has not returned to normal levels and the 2016 beef cow slaughter level is consistent with continued modest herd expansion this year.

The rate of beef cow slaughter and modest year over year increases in feedlot heifer inventories since April do not yet indicate herd liquidation but may point to little or no additional herd expansion in 2017. The ratio of steer to heifer slaughter increases during herd expansion and typically peaks and begins declining several months to more than a year ahead of the cyclical peak in cow inventories. The ratio of steer to heifer slaughter (12-month moving average) peaked most recently in July, 2016 (at the highest level since February, 1975) and declined slightly in August and September. This most likely suggests a herd inventory peak at the end of 2017 but will depend on how fast the ratio changes in the coming months.

Forage Management Considerations After Frost

Source: Rory Lewandowski, OSU Extension Educator

We have had a few, light scattered frosts in the area that have generated some questions about forage use after a frost. The two most common questions concern the use of warm season grasses in the sorghum family and grazing alfalfa. The issue with grasses in the sorghum family, which includes sorghum-sudangrass hybrids, sudangrass and Johnsongrass in addition to sorghum, is that they contain cyanogenic glycosides and enzymes that convert those compounds to free cyanide (sometimes called Prussic acid) within their cells. Prussic acid or cyanide is a lethal toxin.

Under normal circumstances the cyanogenic glycosides and the enzymes are held in different locations within the plant cell and don't come into contact with each other. However, when plant cells are ruptured after being frozen, chopped, wilted or crushed, those cell barriers are broken and cyanide can rapidly form. Cyanide is a gas and it will volatilize and leave the plant tissue but it takes some time, thus the recommendation is do not allow livestock to graze frost damaged forages until several days (3-4) have passed. Generally this refers to a hard frost. In the case of light frosts where the temperature is greater than 28 F, there are publications that say to wait 2 weeks until grazing. The highest concentration of prussic acid is found in the leaves of immature plants

(continued on page 4)

Forage Management Considerations After Frost

(less than 18-24 inches tall) while stalks of mature plants (greater than 30 inches tall) contain the lowest concentration.

Probably the safest and least risk practice of utilizing sorghum species forages after frost is as a dry hay or ensiled forage. By the time the plants are dry enough to bale the cyanide gas will have volatilized and dissipated from the plant, so there is no feeding risk. In the case of an ensiled forage or wet wrapped baleage, the cyanide concentration is greatly reduced during the ensiling process. The general recommendation is not to feed these ensiled or baleage forages until at least 4-6 weeks after ensiling or wrapping.

Occasionally there are questions about grazing alfalfa after a frost. Anytime a pure or very high percentage legume is grazed, the livestock owner should take precautions to prevent bloating, but in the case of alfalfa, the risk of bloating is increased for a few days after the plants have been exposed to a hard frost of 25 F or lower. Once those plants start to wilt (in the case of a hard killing frost) or several days have passed, the risk of bloat decreases.

For those livestock owners with tall fescue pasture, frost is actually good news because the sugar content within fescue increases. It is part of the reason that tall fescue works well for stockpiled late fall and winter grazing.

Source: Rory Lewandowski, OSU Extension Educator

CATTLE PRODUCERS OF LOUISIANA
P.O. BOX 886
PRAIRIEVILLE, LOUISIANA 70769
WEBSITE: WWW.LACATTLE.ORG
TOLL FREE: 888-528-6999