

# Cow Country Reporter



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News from your CEO

## In This Issue

### News from your CEO

Many factors affecting beef market prices and volatility

How 'Brexit' Might Affect U.S. Agriculture

Dairy Influence on Beef Markets

Pregnancy Checking Provides Management Options



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The year 2016 is half over! The cattle price roller coaster we have been riding has been mostly downhill. When one compares calf prices to early 2016 one would say, "I should have" and then compared to the last week of June 2015 we are looking at prices \$550.00-\$650.00 per head cheaper. Looking forward into 2016, prices will continue to be under pressure. We as cow/calf producers generally sell our calf crop once a year, so one needs to look at last year to make marketing decisions if you haven't sold your calf crop. In 2015, after the July 4th break (most auction markets closed) the calf market got lower and continued lower to the close of 2015. Therefore, it is so important that if you haven't sold your calves check with your marketing agent NOW, even if you don't sell until late Summer/early Fall. The feedlots have moved cattle ahead in May and June and packers have been aggressive buyers. To my

delight the retail sector has moved beef during Memorial Day, Father's Day and July 4th. This will help us in a cow/calf state where buyers will be looking for our good Louisiana calves to go to wheat, a grow yard or feedlot. To provide more information about the Fall, Dr. Tim Page, LSU Beef Cattle Specialist, has put together a program titled, "Beef Marketing Strategies + Beef Added Value = Beef Profits". This program is sponsored by the LSU AG Center School of Animal Science, McNeese State University and Hitch Enterprises, Guymon, OK. He has put together a range of speakers. This event will be at Dean Lee Research Station in Alexandria, LA on August 11, 2016 from 9:00 am- 3:00 pm. Check out our website for details. CPL will be on the program. If you haven't paid your annual dues, they are due now!

May your summer be productive and profitable!

*Dave Foster, CEO*

## **MANY FACTORS AFFECTING BEEF MARKET PRICES AND VOLATILITY**

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

A wide variety of internal and external factors are impacting beef and cattle price levels and volatility. Beef production is at a seasonal peak in June with weekly beef production since late May estimated to be nearly 7 percent above year ago levels. Fed cattle prices have dropped and could be near an early seasonal low with feedlots ahead of schedule for summer marketings. Year over year cattle slaughter is up while cattle carcass weights are lower compared to last year, moderating beef production increases somewhat. With Independence Day meat already booked, wholesale beef values have dropped sharply the past ten days to support sales of seasonally large beef supplies. If the three-day July 4 weekend results in strong retail beef movement, beef markets may maintain good momentum through the summer doldrums between July 4 and Labor Day meat sales in August. The latest retail beef prices indicate that beef prices are declining quite slowly; in fact, the all fresh beef price for May was up slightly from April. Overall indications are that beef demand is holding strong in the face of growing beef supplies. Beef movement this spring has been good; indicated in part by the drawdown of large beef cold storage supplies to levels six percent below year earlier levels in the latest report.

The June Cattle on Feed report was very close to expectations and should not provoke much market reaction. The report did confirm strong marketings

(continued on page 4)

## HOW 'BREXIT' MIGHT AFFECT U.S. AGRICULTURE

Britain's departure from the European Union would have little direct effect on U.S. agricultural trade but could slow Indiana's economic growth tied to manufacturing, Purdue University agricultural economists say.

Their greatest concerns are whether the current shakeup in the financial markets from Britain's vote last week to leave the EU is short-term or longer, whether an already-strong U.S. dollar would continue to rise in value and how access to global markets might be affected.

"The indirect effects will matter the most," said Philip Abbott, a professor of agricultural economics who researches international trade and agriculture. "The effects on agricultural trade will be through the exchange rate mechanism and through any negative business cycle effects involving global demand. How big those are depend on whether this is a temporary or longer-term situation and how long the very recent changes in exchange rates and interest rates persist."

He pointed out that a strong dollar makes U.S. exports more expensive to the rest of the world and that a widely held belief in the agricultural industry is that trade and a weak dollar are good for U.S. agriculture.

Still, agricultural exports to the United Kingdom amount to a very small portion of U.S. exports worldwide, Abbott said. In 2015, the United States exported \$8.3 billion in corn globally but only \$62,000 of the crop to Britain. Of the \$18.9 billion worth of soybeans the United States exported worldwide, \$76 million of that went to Britain.

Of the \$133 billion in overall U.S. agricultural exports, \$1.8 billion went to the U.K. Exports of what the U.S. Department of Agriculture calls "consumer-oriented products," including wine, nuts, fruits and vegetables, meat and dairy products, amounted to \$62 billion worldwide, \$1.1 billion of it to the U.K. Wine led in that category with U.S. exports of \$282 million to Britain.

The Britains' vote of June 23 drew more attention to the issue of globalization versus nationalization – essentially open or closed markets – said Mike Boehlje, distinguished professor of agricultural economics. Supporters of the referendum to withdraw contend that the influence and sovereignty of Britain has suffered under the EU's trade and economic regulations and its policies on immigration and the free movement of people within the 28 European countries in the bloc. Similar issues have come up in the current U.S. presidential election campaigns.

"Generally, agriculture is much more dependent on international trade than other parts of the economy," Boehlje said. "Globalization is important to U.S. agriculture to keep markets open to access."

Boehlje said openness also is important to agriculture for immigrant labor it needs and for sharing of innovations that promote growth.

"These are probably the more important longer-term issues," he said. "We don't know what the answers are yet."

Source: Keith Robinson, Purdue Agriculture

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## DAIRY INFLUENCE ON BEEF MARKETS

Beef is a by-product of the dairy industry and rarely has a major influence on dairy industry production decisions. However, dairy animals contribute a significant portion of total animal slaughter and beef supply. The impact of dairy on beef markets varies over time depending on long term trends and short term market conditions in both beef and dairy markets. This article summarizes the dairy industry's impact on beef production in the 20 years since 1996.

The dairy cow herd has been relatively stable over the last 20 years varying less than 4 percent from 9.0 to 9.3 million head. By contrast the beef cow herd has varied by over 18 percent from 29.0 to 34.5 million head over the same period. Dairy cows as a percent of all cows have averaged 22.3 percent but have been at a record high of 24 percent in 2014 and 2015 as a result of low beef cow inventories.

The nature of dairy production means that basic herd dynamics are very different for dairy compared to beef. Dairy cows are culled more quickly so dairy herd turnover rates are much faster. Dairy cow slaughter averages 30 percent of the January 1 inventory of dairy cows each year compared to less than 10 percent for beef cows. On average the number of dairy replacements held each year is about 47 percent of the cow inventory. This represents about 48 percent of the estimated dairy calf crop and is nearly all the heifers born to dairy cows. This compares to beef herds where replacements heifers are roughly 18 percent of the cow inventory. About 64 percent of replacement dairy heifers enter the herd, which implies that overall about 30 percent of the estimated dairy calf crop is used for breeding. For beef herds, an average of 10 percent of the estimated beef calf crop is used for breeding females.

The primary contribution of the dairy industry to beef production is male calves and cull cows, along with some cull heifers. Most veal slaughter is from dairy calves. Adjusting for veal slaughter, male dairy calves average about 10 percent of the total (beef + dairy) calf crop. In 2015, that percentage was a record large 12.1 percent due to a low beef calf crop compared to a stable dairy calf crop and low veal slaughter. Veal slaughter has trended down for many years but reached record low levels in recent years due to the high value of feeder cattle.

New technology provides the dairy industry other ways to adjust relative to beef markets. Sexed semen and

(continued on page 3)

## **PREGNANCY CHECKING PROVIDES MANAGEMENT OPTIONS**

Checking cows for pregnancy is nothing new, yet its adoption rates are still incredibly low. According to the 2008 United States Department of Agriculture (USDA) survey on cow/calf management practices in the U.S., only 18 percent of all operations and 58 percent of operations with 200 head or more check cows for pregnancy status. The USDA is currently conducting an update to this survey. My hope is that we see adoption rates for this practice increase because there are many benefits to pregnancy checking and multiple options available to do so.

Knowing the pregnancy status of the cow creates additional management options. It essentially gives us a glimpse into the future so that management options can be analyzed and implemented now rather than several months from now. Maintaining an open cow for a year is rarely a sound decision. An open cow can be sold, retained as a stocker cow, or transitioned to a different calving season such as spring to fall. This knowledge allows the producer to make the best management decision given current market conditions. Without this knowledge, the producer is forfeiting a large amount of management control and potential profit.

Other potential benefits based on the method chosen are the ability to sort early calvers from late calvers, determine sex of the calf, identify reproductive abnormalities and provide time with your veterinarian to discuss overall herd health. The latter benefit may become more important for some individuals as the need for a veterinary feed directive goes into effect for some products in 2017.

There are three very good options for determining pregnancy in females: 1) rectal palpation, 2) ultrasound and 3) blood testing.

Rectal palpation is likely the most recognized method by producers. It gives immediate results so that animals can be sorted out of the chute. Accuracy of this method is generally very high at 45 to 60 days post-breeding. A downside is that the skill level of the technician must be accounted for.

Ultrasound is another method and displays higher accuracy slightly earlier at 28 to 35 days post-breeding. It also gives immediate results so that animals can be sorted out of the chute. In addition, this method gives the ability to determine sex of the calf.

Both rectal palpation and ultrasound allow the technician to physically evaluate the reproductive tract and estimate age of the fetus.

Another method is the BioPRYN blood test. This method essentially removes the variable of operator skill level. The test's ability to detect open females is 99 percent accurate, and its ability to detect bred females is 95 percent accurate. The blood must be drawn at least 28 days post-breeding and 75 days post-calving. The biggest advantage is the ease in which producers can learn to pull blood themselves and perform the test as their schedule allows. Downsides of the test are that all females must be individually identifiable. Since the blood must be tested, sorting out of the chute is not an option. Results are generally available within a couple days. Knowledge gained from this test is more limited than rectal palpation and ultrasound. It simply reports a female as bred or open.

The three methods are generally competitive in price. The most important thing is that producers determine what information they want to ascertain through pregnancy checking, then choose the method that provides this information while being logistically feasible.

Source: Bryan Nichols, The Samuel Roberts Noble Foundation

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## **DAIRY INFLUENCE ON BEEF MARKETS**

genomic testing are being used to target some dairy cows for production of replacement heifers. Conversely, cows not used to produce replacements are, in some cases, being crossbred to beef breeds to produce a better feeder animal. Dairy feeder cattle are discounted compared to beef breeds because of differences in productivity, efficiency and yield. However, dairy animals have some advantages in feedlots. Because of the uniformity of dairy genetics, these animals are very predictable in finishing. Dairy calves are often placed on feed at very light weights and may take a year to finish. Because of the predictability, dairy cattle produce carcasses of consistent quality and, for example, typically produce Prime carcasses at two to three times the rate for beef breeds.

Although dairy cows only represent about 22 percent of all cows, they represent an average of 47 percent of total cow slaughter. In 2015, dairy cow slaughter represented a record level of 57 percent of total cow slaughter. Dairy cows typically have heavier carcass weights, though increased beef cow weights over time has closed that gap somewhat. Reported cow carcass weights are an average across both beef and dairy cow slaughter and changes in cow carcass weights are sometimes more of a reflection of changing proportions of dairy and beef cows being slaughtered than changes in cow weights.

The impact of the dairy industry on beef production is always significant and has been larger than usual recently due to low beef cattle numbers. Increased beef cattle inventories as the beef herd rebuilds will reduce this impact to more typical levels in the coming years.

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

## **MANY FACTORS AFFECTING BEEF MARKET PRICES AND VOLATILITY**

that suggest that feedlots continue to be very current, as evidenced by declining carcass weights. The report also confirmed continued year over year increases in feedlot placements meaning that feedlot production will be cyclically higher late in the year. The increased placements were all in the heavy weight categories and will be marketed out of feedlots in the fourth quarter of the year. June 1 feedlot inventories were 102 percent of year ago levels. Despite larger feedlot inventories and big feedlot placements, feedlots are in significantly better shape now compared to this time last year and well positioned to handle the challenges of increased feedlot production in the coming months as long as marketings continue at a good pace.

Last week's Brexit vote, with the United Kingdom opting in a close vote to exit the European Union, sent shock waves through global markets and especially for currency exchange markets. The U.S. dollar strengthened, not only against the British pound, but also against most other currencies. The Japanese yen also strengthened sharply as global markets turned to the safe havens of the dollar and the yen. It is likely that a good deal of the uncertainty surrounding the UK departure from the European Union will subside but the timetable is unknown and some impacts will persist for extended periods or permanently. Meantime, U.S. beef and other meat markets are hampered by the additional headwinds of a stronger dollar slowing exports and supporting imports.

Soybeans led a crop price rally over the last month, mostly on crop concerns out of South America. Corn followed suit supported by ample fund buying which all crashed down last week on the reality that the U.S. corn crop is large and in very good shape at this point in the year. Higher average soybean prices are expected in the coming crop year, with U.S. corn prices close to year earlier levels. This week's crop acreage report could show some shift of corn acres to soybeans although total planted acreage could be bigger with less prevented plant acres expected compared to last year. Corn, soybean and wheat acreage could all shift somewhat with this next report. Major impacts on crop markets and prices are not expected but the uncertainty is there. In general, beef market fundamentals are quite strong but broad-based market volatility will continue to be a challenge for producers.

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