

Cow Country Reporter



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If you have not renewed your membership, please take a moment and do so now!

August in Louisiana is the beginning of our "fall run" for cattle. Spring-born calves are coming to market and calves sold on the video market are being delivered. Receipts at our local sale barns will be increasing. Buyers will have a bigger supply of calves to choose from and cow processors will be in the market to secure inventory. Historically, prices are lower heading into fall, however the wheat growing country has had ample moisture and so far the corn crop in the Midwest may be close to a record harvest. What does this situation mean to cow/calf producers in Louisiana? Our calves come to market before the "big runs" in the mountain states. The majority of our calves weigh less than 600 lbs., therefore buyers can start to stockpile calves going to wheat pasture and secure some

calves over 600 lbs. to go directly to the feedlot to be fed "cheap" corn. Early wheat pasture grazing coupled with lower cost of gain in the feedlot will help improve demand for our calves. A word of caution! Prices will not be as high as last year and one needs to be posted on the market. Check out our weekly market update by calling 888-528-6999 and go to option 3. Also check with your marketing agent to assist you in your marketing decisions. Hopefully all our members will attend the "Beef Marketing Strategies + Beef Added Value = Beef Profits Conference" held in Alexandria, LA on August 11, 2016 from 9:00 am to 3:00 pm. Cow/calf producers work hard all year getting a calf crop ready for market, PLEASE don't get caught on the wrong end of the market. Again call your marketing rep, sale barn owner, order buyer, video rep and CPL to assist you in your marketing decisions. Enjoy the coming of Fall.

Dave Foster, CEO

MANAGING BEEF COW MARGINS: GRAZING COST

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

Cow-calf revenues have decreased dramatically in the past few months and are expected to remain lower for the next couple of years. Producers must focus more attention on cost management to help maintain net returns in this environment. A reasonable question to ask is: don't producers always attempt to minimize costs in order to maximize profits? The answer is generally yes but the fact is that there are ways to manage costs that require more effort and intensive management and may not be routinely employed or may not have been previously used by a producer.

Information from Kansas State University (http://www.agmanager.info/livestock/budgets/production/beef/FeedCosts_2015.pdf) indicates that total pasture plus non-pasture feed costs represent 45-50 percent of total annual cow costs. Non-pasture cost includes both harvested forages and supplemental feeds. Total feed cost is the single largest component of annual cow costs and arguably the best opportunity for cost management. The breakdown between pasture and non-pasture costs is particularly useful because it focuses on the forage, which is the primary production of cow-calf and stocker operations, and the management of that grazing resource compared to the use of harvested forages and supplemental feed to augment the quantity and quality of grazed forages. Often tradeoffs are possible in the efficient use of grazed forage

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MANAGING THE "HERD" BELOW GROUND IMPROVES PRODUCTION ABOVE IT FOR TEXAS BEEF PRODUCER

By Ron Nichols

Donnie Dippel has always understood that the name of the game in the cattle business is grass – high-quality grass. But during the past four years, he's come to understand another important lesson: "You have to work just as hard below ground as you do above ground," he says.

The realization that productivity above ground is driven by what's going on below ground has transformed the 65-year-old's approach to managing his LaGrange, Texas, ranch. Like an increasing number of farmers and ranchers throughout the country, Dippel, who farms 500 acres and raises Brangus cattle, has come to recognize that he also has important livestock below ground.

Those subterranean herds of microorganisms, he understands, are the key to enabling and enhancing the production above it.

Throughout the past several years, Dippel has been learning how best to feed and care for those microorganisms. Working with Willie Durham, a soil health specialist with USDA's Natural Resources Conservation Service (NRCS), Dippel has implemented a soil health management system that reduces tillage, uses winter cover crops to keep living roots in the soil and he utilizes diverse plant species.

"Everyone just takes it for granted. It's dirt. It's just there. No one is thinking about what's going on in the soil," Dippel says.

That's no longer true for Dippel. And while science may not be able to completely explain the elegant symbiosis between soil microorganisms, plants, and the animals feeding upon those plants, Dippel is seeing the positive impacts of managing for soil health on his farm. Those benefits include:

- Reduced weed pressure
- Improved cattle weight gain
- Increased soil organic matter
- Lower soil PH levels (in soils with normally high levels)
- Increased production on historically lower quality pastures
- Reduced need for applying micro-nutrients on pastures
- Better overall pasture production and resiliency, especially during dry periods

One of the most important benefits, however, is how cover crops provide additional forage during the winter months when supplemental feeding would normally occur.

"It's a win-win for us," Dippel says. "Producing hay is expensive, and by reducing the need for hay, we're way ahead of the game. A mouth full of green in the winter time goes a long way."

Dippel says his cows, now grazing on diverse plant species throughout the year, are happier and healthier, too. "We've had fewer problems birthing and other health issues. If anything my wife says our cows are too fat."

A part-time farmer who also manages the Texas Ag Industries Association, Dippel sees growing opportunity for agricultural retailers in the soil health movement.

"By using cover crops, we've been actually able to bring more acres into production," he says.

And though he's been able to reduce the application of micro-nutrients on his pastures, he still uses fertilizers as he brings more acres back into production. "We're not discontinuing the use of fertilizers or herbicides. Our goal is to make better use of what we do use," he says. "And to understand how everything works as a system."

But Dippel urges patience as other producers find out what works best on their farms and ranches. He'll tell you "there's no one-size-fits-all system" and it takes a little time for the soil's biologic processes to respond.

"I've seen some farmers who put in a cover crop the first year, with only modest results," he says. "But don't give up the first year. It gets better every year."

Dippel admits that some farmers will likely never embrace a farming approach rooted in soil health. They consider it a fad. But Dippel sees it differently.

"It's not a fad," he says. "On this farm, it's the future."

Ron Nichols is a public affairs officer with the USDA-Natural Resources Conservation Service

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FEEDYARD REVENUE: WHY IT MATTERS TO YOU

By Nevil Speer

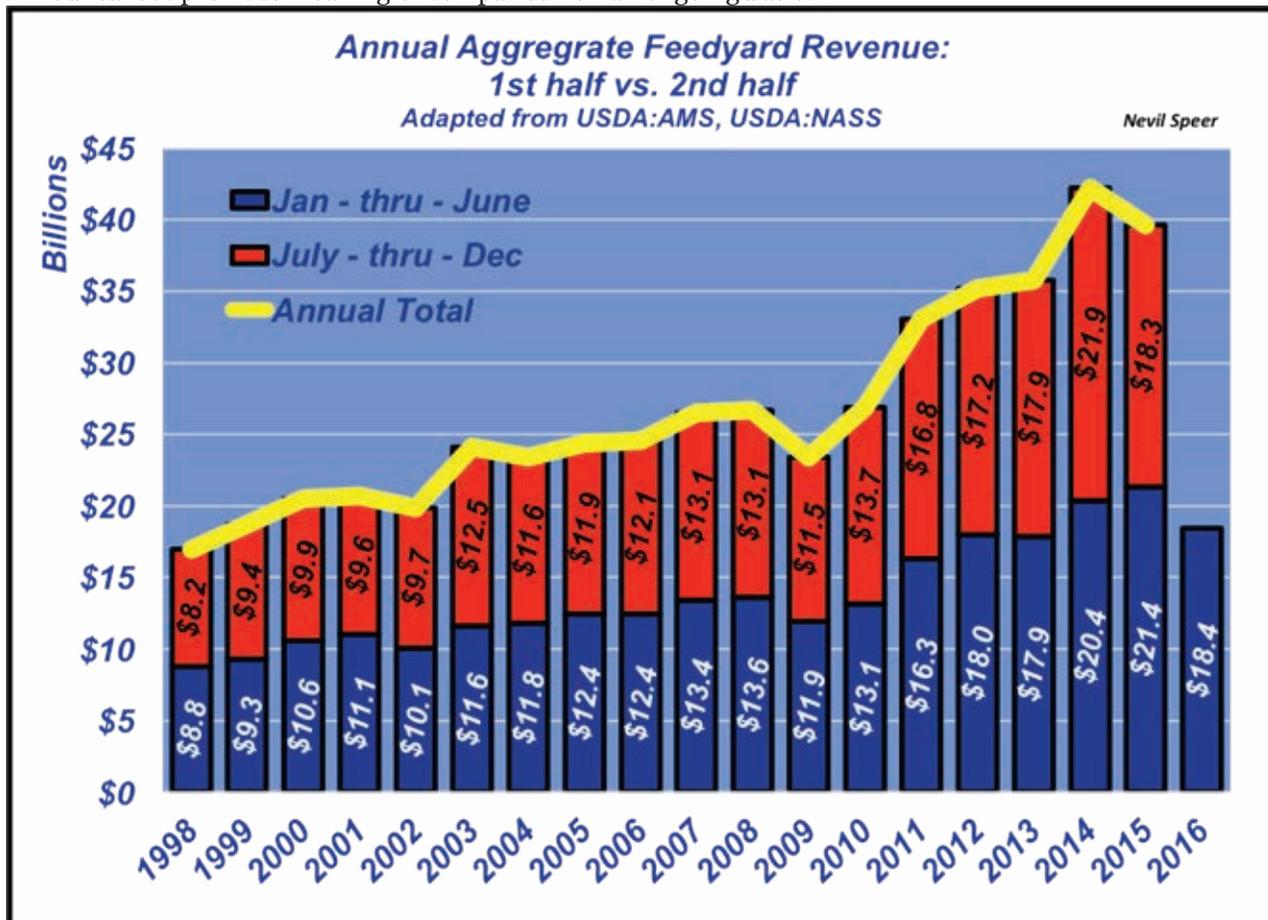
Estimating total feedyard revenue is an important measure for the beef industry. The estimate is an indicator of total dollars entering the production sector. It's those dollars that are ultimately available upstream. In other words, feedyard revenue eventually makes its way back into the hands of backgrounders, stockers and cow-calf operations.

The revenue trend is important to assess over time. More revenue coming into the feedyard means more dollars available to the production sector – and vice-versa. If the trend is positive, there are new opportunities for growth and expansion. Conversely, if the trend is negative, the opposite is true.

It should be noted that the revenue estimate is not an indicator of profitability and shouldn't be interpreted as such. The calculation is straightforward and a function of three key components:

1. live weight
2. number of fed steers and heifers marketed
3. the live market

This week's illustration highlights feedyard revenue trends; first vs. second-half of the year along with annual total. The breakout provides meaningful comparison on an ongoing basis.



Not surprisingly, this year's first-half mark is sharply lower on a year-over-year comparison: 2016 revenue through June was \$18.4 billion compared to last year's \$21.4 billion. But remember that last year marked the best-ever first half – that reversed direction sharply during the second half.

This year's January through June revenue mark is on par with 2012 and 2013. In other words, 2016 has stepped backward for the first time in several years. That is having, and will continue to have, an influence on the beef complex going forward.

How do you foresee the revenue squeeze playing out in the production sector? Will it result in further consolidation going forward? How might it influence expansion plans in the year(s) to come? Does declining revenue force a shift in terms of chasing new opportunities for your operation? Leave your thoughts in the comments section below.

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MANAGING BEEF COW MARGINS: GRAZING COST

compared to the use of more expensive harvested forages and purchased supplemental feeds. Of course, all of this takes place against the backdrop of herd nutritional management as an important component of herd health, reproductive efficiency and overall productivity. Both feed quantity and quality are critically important in herd nutritional management.

In order to evaluate and make good decisions about feed management and the tradeoffs between grazing and non-pasture feed costs, it is critical to know the cost of grazed forage. Published pasture rental values in Oklahoma provide a means to understand the cost of grazed forage. A wide variety of pasture types are used in Oklahoma including native range as well as introduced warm season forages such as Bermuda or old world bluestem and cool-season grasses such as fescue and ryegrass. When differences in rental rates, stocking rates and grazing season length are accounted for, the cost of grazed forage is very consistent across forage types at about 1.5 cents per pound of grazed forage. Thus, grazed forage costs about \$30/ton. For a cow eating 30 pounds of forage per day, this is \$0.45/head/day. The grazing season reported for pasture rental is roughly 270 days for warm season grasses; less for cool-season forages. However, combinations of warm and cool season forages, and delayed grazing on stockpiled pastures can extend the grazing season by 30 - 60 days. Again, the key is increased management in the form of planning pasture use, deferment and fertility (for introduced grasses). Forage alternatives, such as grazing small grain (e.g. wheat) pasture, winter annuals (radishes, turnips, et.) and including more legumes in introduced pastures may significantly impact seasonal forage quantity and quality and should be evaluated to determine feasibility in specific situations.

Understanding pasture value also highlights decisions about pasture management. In situations where invasive species, such as eastern red cedar, have a direct impact on available forage, the value of control, or alternatively, the cost of not controlling the loss of grazing to these pests becomes much clearer. When hay is used to replace grazing, the cost is always higher. A future article will look at hay costs in more detail.

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