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News from your CEO

November is a special month where we have an opportunity to reflect on what a great country we live in and how agriculture plays a major role. We have the freedom to vote for who we want on Election Day. We can recognize who provides this freedom when we honor our military on Veterans Day. We can give thanks for the many blessings we received on Thanksgiving.

Our row crops, hay and rice are harvested. We are well into the sugarcane harvest, our calf crop is mostly sold and some may be wondering, "what shall I do with my cull cows?" The market has been in the $40.00-$50.00 cwt. for the last several weeks which is a far cry from where it was this past summer. Which reminds me, CPL is having an information meeting on November 9, 2017 at Austin Daniel's place in St. Francisville at 6:00 p.m. to discuss what to do with your cull cows, sell now or carry over to Feb./Mar. 2018. Local sale barn reps will be there to add their perspective on this subject. Call me for more information. Speaking of sale barns, now that most of you have sold your calf crop it may be a good time to sit down with your sale barn manager, order buyer and/or video rep. to discuss your marketing plans for 2018 and to review what happened in 2017. A great time to "Monday morning quarterback" your marketing decisions during 2017. Have a great month and give thanks for all your blessings!

Dave Foster, CEO

Perspective On The Cull Cow Market

Source: Livestock Marketing Information Center via The Cattle Range

The bulk of U.S. beef cattle operations wean calves in the fall months, and that is also when they select cows for culling and begin to sell them. Many cow-calf operations in the drought impacted northern High Plains states have already pregnancy checked their cows, which is earlier than normal. Most of those cows already have or will soon be sent to market.

Over a cattle inventory cycle (typically 10 to 11 years), seasonally cull cow prices typically are lowest in the fourth (fall) quarter of the calendar year (usually November and sometimes October or December). The long-term average decline in cull cow price is about 10% between September and November -- last year's drop in the Southern Plains was 19% (about $13.25 per cwt.). (Note that in 2016, December posted the lowest cull cow price.) Then prices rise into the new calendar year, often rather dramatically. But in some years, the new calendar year does not bring much, if any, price increase. Holding cull cows did not pay from the fourth quarter of both 2014 and 2015 into the next year. Last year (between November 2016 and the first several months of 2017), the normal seasonal price increase returned. In 2016, per cwt. price increases were $5.25 between November and January; $12.00 November-February; and $20.50 November-March.

Several factors underpin the seasonal pattern in cull cow prices. First, as already mentioned, the supply of cull beef cows is largest in the fall which dampens prices and after those large supplies are marketed prices increase. Second, fed cattle prices are typically highest in the winter and early spring months (i.e., February through May) which supports slaughter cow prices. Other factors that can significantly

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Perspective On The Cull Cow Market

influence cull cow prices are the level of dairy cow slaughter and the amount of beef imported from Australia and New Zealand (that beef competes mostly in the "cow-beef" market and not as much with meats from fed steers and heifers).

Cull cow prices this fall are expected to decline compared to recent levels by average percentages. Forecasts are that fed cattle prices into the first few months of 2018 will strengthen, but remain below 2017's levels. Levels of beef imports and national dairy cow slaughter may be slightly higher year-over-year (due to lower milk prices received by producers) but are not forecast to be enough to take all the seasonal increase in cull cow price away. Cull prices into early 2018 are forecast to increase, but not reach the levels of early 2017. Cow-calf producers that are set-up to economically add some weight to cull cows and then sell in the first few months of 2018 instead of this fall at the seasonal price low, might want to put a pencil to that soon.

Something for everyone in current feeder cattle markets

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

You know that old saying about a gift horse and its mouth…this is no time to be checking the teeth on current feeder cattle markets. Feeder cattle markets have stayed stronger than expected this fall and offer a number of opportunities for all types of cattle producers. Calf prices have dropped very little this fall from summer levels…much less than the normal seasonal decline. Oklahoma calf prices this October are about 27 percent higher than this time last year. Cow-calf producers are selling weaned calves for $150 to $200 per head more than last year.

Heavy feeder cattle prices have not declined seasonally rather they have increased this fall. Seven-weight steers are up about six percent in October from August and are 25 percent higher than last year. An increase in heavy feeder price relative to stocker price increases the value of gain and is a stocker signal to put more weight on cattle in the country. For example, adding 250 pounds to a 500 pound steer currently has a value of gain of about $1.35 per pound at current prices. Feedlots are bidding heavy feeders higher and that increases the signal for stockers to add weight to cattle prior to feedlot placement.

Of course, current value of gain is only the buy signal and does not include the market risk between now and when the 750 pound steer in the above example will be sold. However, Feeder Cattle futures have been remarkably strong and currently offer an opportunity to lock in good margins for feeders sold in the March to May time period. The 750 pound steer will likely have a breakeven of $140-$145/cwt in March, depending on gain and costs. March Feeder futures at the time of writing this article were about $153/cwt. suggesting a rare margin opportunity for winter grazing. Stocker producers, and cow-calf producers with potential to retain weaned calves as stockers, should pencil out the opportunities depending on beginning weight and expected timing and weight of later sales. While cash market fundamentals are solid, spring Feeder futures are arguably overpriced and subject to correction at any time. The best opportunities may be fleeting!

Earlier in the fall, feedlots were losing some money and appeared to be paying too much for feeder cattle and thus jeopardizing feedlot margins for the coming months. However, cash fed cattle prices have improved recently, increasing current margins. Cost of gain is expected to stay very favorable for the foreseeable future. Moreover, Live Cattle futures prices have pushed higher recently to levels that come close to supporting current feeder prices for cattle finishing through next April. As with Feeder futures, the Live Cattle futures pricing opportunity may be short-lived.

Strong demand is what makes all of this possible. Boxed beef prices have recovered about $10/cwt. from the early fall lows. Retail beef prices are holding close to year ago levels despite a four percent increase in beef production in 2017. Demand is strong in both domestic and international markets, with year to date exports up over 14 percent. Strong demand is the key to allowing all sectors of the industry to have decent margins simultaneously and will be the key as beef production continues to grow in 2018.

Dairy Cattle Impact on Beef Supplies

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The dairy cattle sector is a vital contributor to U.S. beef supplies. With fluctuating beef cow inventories over the past decade, the U.S. dairy herd has offered a stable source of both feeder cattle and cull cows to fill beef demand. In 2016 the dairy sector contributed 5.7 billion pounds (22.7%) of beef through cull cows and finished dairy steers and heifers to the U.S. beef supply chain.

The percent contributed by the dairy industry has grown since 2002 when beef from dairy cattle contributed 17.9% of the U.S. beef supplies to 22.7% in 2016. While growth in the amount of beef produced from dairy steers and cull cows has not been steady, it is has less variability than beef from native cattle. Over the period of 2002 to 2016, U.S. commercial beef production peaked in 2002 at 27 billion pound, of which 4.8 billion pounds was from dairy cattle. Beef production in 2016 was 25.2 billion, of which 5.7 billion of those pounds was from dairy cattle.

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Stockpiled Forages Reduce Need, Cost of Hay, Supplemental Feed

Source: Texas A&M AgriLife

OVERTON – Stockpiled forages and winter annuals can reduce the need for and cost of hay and other supplemental feed for beef cattle producers in regions with adequate annual rainfall, said a Texas A&M AgriLife Extension Service expert.

Dr. Jason Banta, AgriLife Extension beef cattle specialist, Overton, said producers can reduce the need for hay and supplements by providing stockpiled forage mid-November through December and winter annuals October through May.

"If they choose these options, we want them to know how to best utilize them," Banta said.

For stockpiled Bermudagrass and bahiagrass, producers should bale the field for hay or graze the pasture 3-6 inches tall in the first part of September each year. Then fertilize and allow growth until the first frost, which is typically by mid-November in East Texas, Banta said. After the frost, the forage can be utilized until the first part of January.

"Utilizing stockpiled forage helps us avoid feeding hay for 4-6 weeks potentially," he said.

Banta said producers should "strip graze" the pasture by using electric fencing to restrict cows' access to the forage if possible.

"Provide access to what they could eat in two to four days," he said. "Then every few days move the fence to allow more access. Restricting access will help prevent the cattle from wasting the available forage."

The forages should be utilized by the first of January to mid-January in high rainfall areas because rain will begin to reduce quality and palatability for cattle, Banta said.

"If we fertilize and have good growing conditions, the stockpiled forage should meet all nutrient requirements for dry cows," Banta said. "Additionally, it will meet the requirements for most lactating cows. However, in some situations small amounts of supplements may be needed depending on the forage quality, milk production and body condition score of the lactating cows."

In those cases, Banta said lactating cows should generally receive 1-2 pounds of a high-protein supplement per cow per day.

Legumes and winter annual grasses such as ryegrass, small grain rye and wheat, can also be used to reduce the need and cost of hay.

"Those forages will be extremely high in both protein and energy," he said.

However, utilizing winter annuals and legumes differs for replacement heifers, pregnant females in late gestation, and cow/calf pairs, Banta said.

"If abundant winter annual forage is available, pairs and replacement heifers can be grazed full time in lieu of feeding hay," he said. "In contrast, pregnant females in late gestation should be limit grazed on winter annuals to avoid potential increases in calf birth weights and calving problems."

Banta said late-gestation cows should be limited to two-hour grazing sessions daily.

"After a couple days, the cows should be used to the routine and become easier to remove from the winter annual pastures," he said.

Grazing dry cows or pairs on winter annuals or legumes should also negate any need for protein or energy supplements, Banta said. Producers should, however, provide minerals with moderate-to-high, 5-13 percent, magnesium to reduce the chances of grass tetany in lactating cows.

"If utilized effectively, grazing stockpiled forages and winter annual forages can tremendously reduce winter feeding costs for producers," he said. "Whatever is spent on seed and fertilizer can be more than made up in quality forage."

Dairy Cattle Impact on Beef Supplies

Finished dairy steers contribute more to U.S. beef supplies than culled dairy cows. Finished dairy steers contributed 2.9 billion pounds (10.8%) of total pounds harvested in 2002 and 3.5 billion pounds (13.8%) in 2016. Continued contributions from dairy steers can be expected with the dairy cowherd surpassing 2015 levels and reaching a new high since 2002. Increased cow numbers lead to more calves and in turn more steers reaching harvest. Cull dairy cows contributed 1.6 billion pounds (5.8%) in 2002 and 1.9 billion pounds (7.5%) in 2016. Dairy heifers provided 349 million pounds (1.3%) of beef in 2002 and 356 million pounds (1.41%) of beef in 2016.

Often overlooked is the amount of prime beef contributed by dairy animals, particularly dairy steers. With 85-90% of dairy animals being Holstein, Holstein steers contribute the largest portion of dairy beef. While traditionally discounted, Holsteins, particularly when managed as calf feds, have the potential for quality and yield premiums. Due to more predictability in feeding and genetics, finished Holsteins, when compared to beef breeds, will produce a larger percentage grading prime or choice. Between 2002 and 2016, Holstein steers have contributed between 32 and 60% (depending on the year) of prime beef harvested in the U.S.

Since 2002 the dairy industry has continued to be vital to beef supply and therefore prices. Dairy steers, heifers, and cull cows provide a significant percentage of the U.S. commercial beef production, and as such have an impact on market prices.

The 4 R's of Feeding the Cow Herd

By: Al Gahler, OSU Extension Educator, Sandusky County (originally published in the Ohio Farmer on-line)

The end of the growing season is near, and for cattle producers in Ohio, that means the beginning of the season that challenges the profitability of a cow/calf operation more than any other aspect. That's right, feeding a cow through the winter is the number one cost of production, and the days of $2.50 and higher feeder calves that made it pretty easy to pay the winter feed bill are a fond but distant memory. The difference between the producer that has had and will have continued success in a slightly different economic climate and the ones who have and will struggle, will come down to management. Not just marketing management, but input management, or in other words, feed and nutrition.

Most anyone involved in agriculture in Ohio has very likely heard about the concept of 4R management in agronomic crop production in order to preserve the soil and ensure water quality – using the 'right' fertilizer or pesticide product, putting it in the 'right' place, at the 'right' rate, at the 'right' time. The cattle producer who will be the most cost effective at getting his/her cows through the winter while maintaining proper body condition and herd health will likely be the one making the most money come weaning time on the next calf crop. That producer will be feeding the 'right' amount of the 'right' feedstuff to the 'right' contemporary group of cattle at the 'right' time of the year.

How does one know what those 4 "R's" are for feeding the cowherd? Well, there are 4 main factors a producer needs to consider – the nutrient value of available feedstuffs, the cost of production or purchase price of those feedstuffs, the storage of those feedstuffs, and the nutrient needs of each age group of cattle. To simplify the rest of this discussion, we will focus on the one main feedstuff utilized to winter most beef cows in Ohio – hay.

- Nutrient content of feed – 2017 was a challenging year to make quality hay in Ohio. Yield was significant on most farms, and most producers consider a big crop to be a good crop. But is it? How do you know what the nutrient content of that hay is without a forage test? Was the hay made dry with no rain after being cut? Is any bale of hay you can purchase for a reasonable price that looks or smells good going to have enough protein and energy to maintain your cows? A nutrient test on hay will cost anywhere from $20-50. So if you have 3 cuttings from the same field, $150 will tell you what is inside the bale. Compare that to the cost of one lost pregnancy, or one 2 year old that does not breed back.
- Cost of production – Many producers raise their own hay and therefore, have no real cost in it other than the fuel in the tractor and a little bit of fertilizer, right? What about opportunity cost of making that hay and using the ground for extended grazing or crops, then purchasing your hay? There is realistic market value for that hay which must be applied in order to accurately make best management decisions.
- Storage – Where is that hay stored? In a barn, on a field edge under a tree line, in a stack of round bales alongside the barn? Was that hay brought in from the field

right after baling, or did it sit for 2 weeks and collect rain or flood water first? When you take that forage sample, do you sample it at the time of baling, or at the beginning of the feeding period so you can account for storage loss?

- Age groups – Do weaned heifer calves, bred heifers, coming 2 year olds, and mature cows all have the same nutrient requirements? What about fall calving – does that cow hitting peak lactation on November 1 have any different nutrient needs than a mid-gestation spring calver?

Most producers know the answers to these questions on each of the 4 factors presented or know how to get the answers, and for those that do, their key to success is choosing to utilize that information. For those that do not know the answers, or how to find them, seek out advice from your County Extension Educator, nutritionist, feed salesman, veterinarian, or all of the above, and learn how to become a "4R" cow/calf producer. Your cows and your pocketbook will thank you.

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