

COW/CALF CORNER

The Newsletter

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Higher Prices are Nice but Higher Profits are the Real Goal

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

The rally in cattle prices so far this spring has largely been a surprise... a pleasant surprise in most cases. The result has been considerable optimism among cattle producers tempered with some very prudent caution. There are a number of reasons to remain quite optimistic about cattle prices in general, but there are also a number of risk factors that should not be ignored going forward. The recent setback in the stock market, reflecting concerns about the European situation, is a reminder that the global economic situation is still precarious and quite fragile. At home, domestic beef demand appears to be gaining momentum, but there is still long way to go. Risk management plans to address market price volatility should not be abandoned but may need to be reviewed and modified as market conditions change.

Moreover, higher prices imply higher revenue but that is still only half of the profit equation. There are two important cost considerations to keep in mind. First, higher prices for the things we sell imply, in many cases, a tendency for higher prices for the inputs that we use for production. Feed, fuel, fertilizer and other input prices will likely be pressured upward as a more robust recovery takes hold. Secondly, most sectors of the cattle and beef industry are margin operations. Stocker producers, feedlots, packers and retailers all face the squeeze between purchase prices and selling prices. In the short run, a dramatic market run like this causes a very dynamic margin environment with margins initially expanding as lost cost product sells at higher prices. This is followed by subsequent sales that must cover significantly higher cost inputs. In reality, margin based sectors are less concerned with whether prices are high or low than how purchase prices relate to selling prices. The level and volatility of the margin are the key factors that affect profitability and risk.

At the current time, the high cost of wholesale beef has not been passed on at the retail level so we really do not know how much resistance there will be at that level. Once retail prices adjust, then in domino fashion, wholesale beef, fed cattle and feeder cattle prices will adjust to reflect the underlying market reality. It will continue to be a dynamic situation for some time yet and there will be considerable pushing and shoving among the various industry sectors for much of the rest of the year.

Cow Disposition Affects Pregnancy Rate

Glenn Selk, Oklahoma State University Extension Cattle Reproduction Specialist

Now we have another good excuse to cull cows due to bad temperament. Producers that routinely breed cows artificially realize that cows that are unruly and nervous are less likely to conceive to artificial insemination. Presumably the lowered conception rates were because they have been stressed as they are passed through the working facilities and restrained while being synchronized and inseminated. Now it seems that, even in the serenity of a natural breeding pasture, cows with bad dispositions are less likely to conceive when mated with bulls.

University of Florida animal scientists recorded disposition scores over two years on 160 Braford and 235 Brahman x British crossbred cows. They wanted to evaluate the effects of cow temperament and energy status on the probability to become pregnant during a 90-day natural breeding season. Cows were scored as 1= calm, no movement to 5= violent and continuous struggling while in the working chute. Also a pen score assessment was assigned as 1= unalarmed and unexcited to 5 = very excited and aggressive toward technician. An exit velocity speed score was measured as the cows exited the working chute as 1= slowest and 5 = fastest. An overall temperament index score was calculated by averaging the chute score, pen score and exit velocity score. Blood samples were analyzed for cortisol concentrations. Cortisol is a hormone released when mammals are stressed or excited. Increased cow temperament score and elevated plasma cortisol concentrations both were associated with decreased probability of pregnancy. These results suggest that excitable temperament and the consequent elevated cortisol concentrations are detrimental to reproductive function of cows. These authors concluded that management strategies that improve cow disposition, enhance their immune status, and maintain the cowherd at adequate levels of nutrition are required for optimal reproductive performance. Source: Cooke and co-workers. 2009 Florida Beef Research Report.

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