COW/CALF CORNER

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Cattle Markets Adrift with No Fundamental Landmarks in Sight

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What can you hang your hat on in cattle markets these days? The answer is not much with any certainty. Most of the market fundamentals are changing and volatile. About the only consistent thing is an undercurrent of tight supplies that continues to support markets and minimize some of the downside volatility. This last week was a good example of all this with new information on several fronts and market fundamentals moving in inconsistent ways.

USDA’s latest crop production figures include a reduction in the estimated corn crop as planting delays have reduced corn acreage. Current projections are for corn planted acreage of 90.7 million acres, down from last month's estimate of 92.2 million acres. This resulted in an estimated production of 13.2 billion bushels, down from 13.5 last month. Although not a particularly large decrease, this drop in production reduces the estimated ending stocks for 2011/2012 crop from an already tight 900 million bushels to 695 million bushels. This implies that the current record low stocks to use ratio of just above 5 percent will continue for another year and could potentially tighten even more. In short, there is little possibility for lower corn prices and considerable upside risk as the 2011 crop is a long ways from being in the bin.

Despite higher corn prices, both Live and Feeder Cattle futures mostly higher last week before ending the week lower on Friday. Cattle futures markets have stabilized the past two weeks after the big slide from the April highs as the market tries to rebuild the fundamental base after much of the outside money moved out of the market the last two months. Cash fed and feeder cattle were higher last week, moving against both higher corn prices and lower boxed beef prices.

Beef demand concerns abound amid a roughly $5/cwt. drop in boxed beef prices last week. Seasonally large cattle slaughter is pushing against a precarious wholesale and retail beef market meaning that demand is a key to maintaining boxed beef prices and consequently fed cattle prices through the summer. Though cattle slaughter numbers will remain seasonally large for another month or so, feedlots have an incentive to keep carcass weights in check thus minimizing the seasonal beef production increase. Feedlot cost of gain is very close to fed cattle price so feedlots have no incentive to overfeed cattle. Feedlots are mostly in the red now and likely to stay that way for the remainder of the year.

The latest trade data provides the one clear bright spot for cattle markets. April beef exports were up 26 percent and the year to date total is up nearly 31percent. Exports are up to most major markets, led by South Korea, which is up over 2.5 times from last year. For the year to date, South Korea is the ahead of Mexico as the leading U.S. beef export market. Japan is also up sharply followed by modest growth in Canada. Mexico is just about equal to last year for the year to date totals.

In short, it's a mixed bag of market fundamentals, most all of which are very dynamic at this time. On the negative side, is high corn prices; questionable domestic beef demand due to continued weak macroeconomic and international environment; and, short term, seasonally larger slaughter supplies. On the positive side, generally tight cattle numbers and declining beef production in the last part of the year; and continued strong beef exports. It continues to be very necessary to consider all these and other market factors to have any chance to sort out the market. There are no fixed landmarks in sight.

Weaning Fall-born Calves

Glenn Selk, Oklahoma State University Professor Emeritus

Many cow/calf operations with fall-born calves will wean the calves in mid to late June. Weaning during very hot summer weather is stressful enough to the calves. Therefore any management strategy that can reduce stress to the calves should be utilized. “Fenceline weaning” is such a strategy that should be applied.

California researchers weaned calves with only a fence (Fenceline) separating them from their dams. These were compared to calves weaned totally separate (Separate) from dams. Calf behaviors were monitored for five days following weaning. Fenceline calves and cows spent approximately 60% and 40% of their time, respectively within 10 feet of the fence during the first two days. During the first three days, Fenceline calves bawled and walked less, and ate and rested more, but these differences disappeared by the fourth day. All calves were managed together starting 7 days after weaning. After two weeks, Fenceline calves had gained 23 pounds more than Separate calves. This difference persisted since, after 10 weeks, Fenceline calves had gained 110 pounds (1.57 lb/day), compared to 84 pounds (1.20 lb/day) for Separate calves. There was no report of any differences in sickness, but calves that eat more during the first days after weaning should stay healthier. A follow-up study demonstrated similar advantages of fenceline contact when calves were weaned under drylot conditions and their dams had access to pasture. To wean and background, even for short periods, fenceline weaning should be considered. (Source: Price and co-workers. Abstracts 2002 Western Section of American Society of Animal Science.)

During the hot summer days, having adequate water available for the cattle is a **MUST**. Experienced ranchers that utilize fenceline weaning have found that having plenty of water in the region where the cattle are congregated can be a challenge. Plan ahead before you begin the weaning process to be certain that sufficient water can be supplied to both sides of the fence.