

COW/CALF CORNER

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Rebuilding the Cow Herd Requires a Cycle of Producers as Well as Cows

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Much has been written in recent months about the need to rebuild the beef cow herd and why it taking so long to jumpstart herd expansion this time. While the general economic signals for expansion seem to be in place, there are a variety of structural factors at work as well. Of course, the question is moot for 2011 as the drought in the south will trump cyclical expansion signals in other regions and ensure additional herd liquidation. However, at some point, the question of what it takes to rebuild the herd will emerge once again.

By itself, a cattle cycle operates mostly on expectations of profitability and historically that has meant that cycles of cattle prices were the principal drivers of herd expansion and contraction. Cattle prices are historically high but that is not enough to spark herd expansion because it has not yet translated into widespread expectations of sufficient profitability to warrant heifer retention. For some producers this is the result of skepticism about how long high cattle prices will last. It is also suggested that increased input costs means that profitability is not yet high enough to support herd expansion. Efficient producers with relatively low costs appear to be amply profitable now but high cost producers, who typically rely more heavily on purchased feed, fertilizer and fuel, continue to struggle with profitability. To top it all off, increased volatility of output and input prices means that there is more risk and producers struggle to identify and adopt effective risk management strategies in this new economic environment.

Along with the basic market factors, a variety of structural and demographic factors are uniquely important in the current situation. Land use factors appear to be playing a more important, though regionally varied, role in the ability of the industry to expand. In more and more areas,

direct competition with other agricultural production is limiting or reducing land available for pasture and hay production. In other areas, more pasture land is being diverted to recreational use or for development. Crop and pasture land values and rental rates are increasing rapidly adding an additional challenge to expansion, particularly for young producers.

The financial environment has changed for most producers as well. The capital requirements for production are significantly higher in an environment of high output and input prices. Old lines of credit are often insufficient to meet the needs of higher operating and risk management costs. The equity requirements are increased for financing and many producers face limited credit availability without significantly changing their production systems or business plans.

The age of cattle producers is often suggested as a reason for the lack of herd expansion. Age itself is perhaps less of the reason in many cases than age combined with the factors listed above. Many older producers are simply unable or unwilling to make the changes to operate in a new business environment; to take on the additional risks or debt; or to rewrite business plans to access needed credit. However, age, as a labor issue, is a direct consideration as some producers simply are unable to handle the physical requirements of an expanded cow-calf operation. Many older producers are content to hold at current herd size while others are switching from cow-calf to stocker operations to reduce labor requirements.

At the same time, the longstanding challenges for young producers are even greater in the current environment. Higher investment costs along with increased capital and equity requirements make it especially difficult for young producers to build a successful operation. Risky and volatile profit margins make the financial risk particularly high for highly leveraged producers. And there are continual challenges in the regulatory and legal environments that producers must navigate in order to operate their business.

What does it all mean? Is the industry destined to continue shrinking? I don't believe so. High cattle prices indicate that there is considerable opportunity for the industry. Growing global food demand and especially meat demand provides the backdrop for continued viability of the beef industry, albeit with considerable need to adjust to changing production and market conditions. The market is trying to encourage increased production but so far has been unable to overcome the challenges of input market shocks; changing land use patterns; more stringent financial requirements and producer age demographics.

However, markets work and will eventually attract the investment and producers needed to expand production to meet market needs and opportunities. Progress is slow in the face of the rigidities outlined previously but markets are persistent and will eventually prevail. If current price levels are not sufficient to provoke herd expansion, markets will increase the incentives to encourage a new generation of producers to invest in the industry. I believe there is considerable potential in the cattle industry in new market opportunities. Certainly there are plenty of challenges as well. The industry is transitioning from what it was to what it will be and that takes time...but it will happen.

This Year Test the Forage Before You Cut!

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Hot dry summer weather brings about heat and drought stress on summer annuals. Stressed plants such as the forage sorghums can occasionally accumulate dangerous concentrations of nitrates. These high nitrate plants, either standing in the field, or fed as hay, can cause abortion in pregnant cattle, or death if consumed in great enough quantities. Nitrates do not dissipate from suncured hay (in contrast to prussic acid), therefore once the hay is cut the nitrate levels remain constant. Therefore, producers should test hay fields before they cut them for hay. Stop by any [OSU County Extension office](#) for testing details. Testing the forage before cutting gives the producer an additional option of waiting and allowing for the nitrate to lower in concentration before harvesting the hay. The major sources of nitrate toxicity in Oklahoma will be summer annual sorghum type plants, including sudan hybrids, sorgo-sudans, sorghum-sudans, millets, and Johnsongrass.

Drought-stressed corn plants have been recently sampled in North Central Oklahoma and have been reported to test well above the 10000 ppm nitrate concentration that is considered potentially lethal to cattle. Other plants also may accumulate nitrates. See [OSU Fact Sheet PSS-2903](#).

Some of the management techniques to reduce the risk of nitrate toxicity (Note: the risk of this poisoning cannot be totally eliminated), include:

- 1) Test the crop before you harvest it. IF it has an elevated concentration of nitrates, you still have the option of waiting for normal plant metabolism to bring the concentration back to a safe level. And experience tells us that we cannot estimate nitrate content just by looking at the field.
- 2) Raise the cutter bar when harvesting the hay. Nitrates are in greatest concentration in the lower stem. Raising the cutter bar may reduce the tonnage, but cutting more tons of a toxic material has no particular value.
- 3) Know the extent of nitrate accumulation in the hay and the levels that are dangerous to different classes of cattle; ie, pregnant cows, open cows, or stocker steers. If you still have doubt about the quality of the hay, send a forage sample to a reputable laboratory for analysis, to get an estimate of the nitrate concentration. This will give some guidelines as to the extent of dilution that may be necessary to more safely feed the hay.
- 4) Allow cattle to become adapted to nitrate in the hay. By feeding small amounts of the forage sorghum along with other feeds such as grass hay or grains, cattle begin to adapt to the nitrates in the feed and develop a capability to "digest" the nitrate with less danger. Producers should avoid the temptation of feeding the high nitrate forage for the first time after a snow or ice storm. Cattle will be stressed, hungry, and unadapted to the nitrates. They will consume unusually large amounts of the forage and be in high risk for nitrate toxicity.

- 5) Be sure to read [OSU Fact Sheet PSS-2903](#) closely before cutting and feeding any summer annual hay.

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