

COW/CALF CORNER

The Newsletter

From the Oklahoma Cooperative Extension Service

October 17, 2011

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Wide Choice/Select Spread Reflects Changing Beef Market Conditions

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

Recent changes in wholesale beef price levels and relationships indicate a number of changes occurring in beef markets. Most obvious is the dramatic increase in the Choice/Select spread in the past two months. Since a summer low of \$3.30/cwt. the Choice/Select spread has swelled to a weekly average of \$16.68 this past week. This spread is the largest since the highs in December of 2006 and 2007. The Choice/Select spread typically widens at the end of the year but the increase has been larger and earlier than usual this fall.

The Choice/Select spread is the net difference in prices from two markets: the Choice and the Select beef markets and is thus influenced by the supply and demand in either market. Thus, in general, there are four ways for the Choice/Select spread to change. For example, an increase in Choice demand; a decrease in Choice supply; a decrease in Select demand; or an increase in Select supply could all cause the Choice/Select spread to widen. Because of the many factors that may be involved, it is not always easy to understand what is driving changes in the Choice/Select spread.

Undoubtedly there are several factors behind the \$13/cwt. increase in the Choice Select spread over the past 8 weeks. First, total beef production is falling; beef production has been below year ago levels for 8 of the last 9 weeks. Secondly, cow slaughter is currently a higher percentage of total slaughter compared to last year which means that the decrease in fed beef is even more pronounced than the total would imply. A third factor is that the Choice grading percentage in 2011 has remained mostly even with year ago levels. For the past several years, a growing Choice grading percentage has contributed to a generally narrow Choice/Select Spread.

These factors all combine to result in lower total beef supplies and proportionately lower Choice supply compared to Select beef supply. The unusual demographics of this year contributed to these changes and more impacts are expected in the coming months. The drought forced many younger, smaller cattle into feedlots, which is likely to temper carcass weights and may continue to limit Choice grading percent. High feed costs and lack of feedlot profitability is a growing incentive to minimize days on feed which is likely to further limit Choice grading percentage.

Wholesale beef values indicate some strength in middle meat demand in recent weeks. Prices for Tenderloin and Ribeye products have risen above year ago levels in recent weeks, while prices for Chucks and Rounds continue well above last year's levels. Beef demand appears to be improving, albeit slowly. The forthcoming decreases in total beef production and especially for Choice beef supply will continue to push wholesale and retail beef prices higher and provide a critical test of demand. It is unclear just how high beef prices can rise before demand will be choked off. Clearly, the foreign component of demand in terms of beef exports has been critical for the past 24 months. While export demand is expected to remain strong into 2012, it is unlikely that we can maintain the 20-30 percent pace of increase of 2011. Domestic beef demand is still sluggish but sharp reductions in supply are expected from late 2011 through 2013. With a strong ground beef demand as a base, tight supplies of Choice middle meats along with strong exports of some high-end products, may continue to support higher wholesale and retail beef prices in general, and at the same time, strong middle meat prices and a relatively wide Choice/Select Spread.

Knowing Hay Quality Affects Supplementation Strategy

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Producers have purchased hay from unknown sources or have harvested hay that usually they would have left for deferred grazing because of the drought. Meeting the supplemental protein needs for the cows and replacement heifers consuming that forage will be a challenge this fall and winter. Protein is a vital nutrient for the ruminant because protein is necessary for the multiplication of and the feed digestion by the microbes in the rumen. The microbial population in the rumen of cows is largely responsible for digesting cellulose in standing or harvested forages.

Higher quality forages are more readily digested in the rumen and have higher rate of passage through the digestive tract of the cow than do lower quality roughages. Therefore the cow can consume more of the high quality forage on a daily basis and receives more total digestible nutrients (TDN) from each pound of feed consumed. If adequate protein is available to cows consuming lower quality roughages, then the rate of passage and the digestibility is improved compared to cows that are inadequately supplemented while consuming the same low quality forage.

Producers may be surprised to know the large differences in protein supplement needed to meet the cow's requirement depending on the quality of forage that makes up the majority of the diet.

Below is a table of the pounds of 40% protein supplement needed daily for moderate-sized (1100 pound) beef cows in different stages of production and consuming differing quality of grass hays. (Table is adapted from Richard, Lalman, and McKinney; *Cattleman's Management Record Book*.)

Needed 40% protein supplement (lb/hd/day) to meet protein requirement of 1100 pound mature beef cow			
	Hay Protein Concentration (%)		
Stage of Production	4%	6%	8%
Mid Gestation, Dry	2.2	1.1	0
Late-Gestation, Dry	3.1	1.7	0
Early Lactation	4.7	3.3	1.5
Late Lactation	3.5	2.1	0.4

Larger cows and cows that produce above average milk production will consume more forage and need even more supplement to match their requirements. The table above describes the protein-only needs of the beef cow. Energy deficiency may occur and result in some weight and body condition loss. Energy needs will be increased if cows are already in thin body condition and must be improved before calving next spring. Also winter weather conditions can greatly increase energy needs. In many instances, the energy requirements can be met with lower protein supplements (for example 20% protein range supplements) fed at about twice the rate as noted in the table above.

Forage quality differences are important, whether the supplement choice is high protein (40%) or lower protein (20% protein). Learn about testing hay for protein content by visiting with your [OSU County Extension office](#) or downloading [Oklahoma Cooperative Extension Fact Sheet PSS- 2589 Collecting Forage Samples for Analysis](#).

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