COW/CALF CORNER

The Newsletter

From the Oklahoma Cooperative Extension Service

January 2, 2012

In this Issue:

Supplement or Replacer - What's the Difference?

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Although February and March are still a few weeks away, looking ahead to the spring calving season requires that producers be prepared for those situations where mother-nature needs a little boost. Beef cow calf producers occasionally will need to provide commercial colostrum to baby calves that are born to two-year old heifers with very little milk, or to calves after a difficult birth. Some of these calves are very sluggish and slow to get up and find the teat. Therefore, they may not get the colostrum that they need to achieve successful passive transfer unless colostrum is provided by the cattle manager. Knowing which products to use in different situations can be very helpful. Colostrum supplements are less expensive to purchase than colostrum replacers, but they may not be the best choice for the situation at hand.

The following excerpt from a Pennsylvania State University publication that is published on the E-Extension website helps to sort out the differences: “Colostrum products that contain

Immunoglobulin G (IgG) are regulated by the USDA Center for Veterinary Biologics. Supplement products are unable to raise the blood concentration of IgG above the species standard, which is 10 mg/ml. Any product that is able to raise serum IgG concentration above 10 mg/ml may be called a colostrum replacer.

Typically, colostrum supplements contain less than 100 g of IgG per dose and are composed of bovine colostrum, other milk products, or bovine serum. Colostrum supplements can be used to increase the amount of IgG fed to calves when only low or medium quality colostrum is available. However, supplements cannot replace high quality colostrum. Even when a supplement is added to low quality colostrum, the IgG is often absorbed poorly, and antibody absorption is reduced compared to high quality maternal colostrum.

A limited number of products designed to replace colostrum are now on the market. These are bovine serum-based products and contain at least 100 g of IgG per liter plus fat, protein, vitamins, and minerals needed by the newborn calf. Colostrum replacer contains more immunoglobulin than supplement products and provides more antibodies than poor or moderate quality colostrum. In research trials, calves fed colostrum replacer have performed as well as calves fed maternal colostrum with no differences in IgG levels, efficiency of IgG absorption, incidence of scours, or growth rates." (Source: E-Extension website "Colostrum Supplements and Replacer", Authors: Sylvia Kehoe, Coleen Jones, Jud Heinrichs, The Pennsylvania State University, Department of Dairy and Animal Science).

Beef Demand is the Key to Cattle Prices in 2012

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

Beef and cattle prices increased to new record levels in 2011 and are expected to push even higher in 2012. Several years of declining cattle inventories culminated in late 2011 with a projected 3.0 percent decrease in slaughter that combined with lighter carcass weights to result in a 3.8 percent less beef in the fourth quarter of 2011 compared to a year earlier. For 2012, slaughter is forecast to drop another five plus percent and, even with an expected increase in carcass weights, will result in a nearly four percent drop in beef production for the year. Decreasing beef production ensures that wholesale and retail beef prices will be pushed even higher in 2012. Cattle supplies that are even tighter, on a relative basis, likewise ensure that fed and feeder prices will be pushed to the limit and maintain strong negative pressure on feedlot, packing and retail margins. Weather conditions that determine whether the drought in the South continues or abates will determine whether feeder cattle supplies remain merely very tight or move to extremely tight should heifer retention accelerate in 2012.

While supply is clearly the main driver pushing cattle and beef prices upward, it is consumer beef demand that will determine just how far prices will go. It is not really a question of whether prices will be higher but rather a question of how much higher. Ignoring trade for a moment (though it continues to play an increasingly important role in the U.S. beef industry), it is domestic demand that is the biggest unknown in 2012. Consumer demand for beef (or indeed any product) is a combination of "willingness" and "ability" to purchase a given quantity of a product at a given price. Typically, when nothing else changes, consumers will pay higher prices when quantity is less and will only purchases greater quantities at lower prices. Declining beef production in 2012 already suggests higher prices for this reason.

However, other factors can change that affect the overall level of demand. Among the "willingness" factors for beef is the underlying desire that consumers have for beef or what are commonly referred to as the preferences for a product. There is no significant indication that consumer preferences for beef have declined. Even as consumers have been forced to adjust spending patterns in recent years (discussed below), beef preferences remain strong. However, beef is not one product but many different products and there are questions of whether consumer preferences have changed in terms of the mix of beef products desired. Steak, though still popular, may be viewed now by consumers as more of a special occasion meal, while ground beef demand continues to grow, including demand for premium ground beef products. It will take time before the extent and permanency of these apparent changes in preferences is determined.

Other short run factors may also affect willingness to purchase beef products. Consumer decisions are driven by value, which is a combination of preferences and price of a product relative to other products that may be substitutes. In the case of beef, these are other meat products, mostly pork and poultry. Therefore, beef demand at any point in time, will be determined in part by the prices of pork and poultry relative to beef. In 2011, pork prices, like beef, moved to new record levels thus maintaining a relative balance between beef and pork prices. Through the first 11 months of 2011, retail beef and pork prices both increased about 10 percent year over year. During the same period, retail broiler prices increased only about 2 percent. This is another sign of strong beef preferences relative to chicken. Anticipated decreases in broiler production in 2012 should support broiler prices and provide additional support for higher beef prices.

Since 2008, the "ability" part of beef demand has played a bigger role in beef demand than for many years prior. The recession of 2008 and 2009 caused significant adjustments in consumer spending and may have permanently changed spending patterns. Macroeconomic measures provide a general backdrop for consumer spending ability. Post-recessionary GDP growth in 2010 was followed by weaker than expected growth in 2011in the U.S. economy and many other countries as well. The tsunami in Japan and the continuing fragile economic situation in the Euro area limited global growth. General expectations for 2012 are for continued anemic macroeconomic performance in the U.S. and most major developed and developing countries.

In the U.S., unemployment, though down from recessionary peaks, remains stubbornly high with little decrease through most of 2011. Inflation-adjusted personal disposable income decreased slightly from 2010 levels in the second and third quarters of 2011. Data for the fourth quarter are not yet available. However, personal savings rates, which jumped sharply during and immediately after the recession, fell back to a more modest level in late 2011 and likely supported additional consumer spending. Anecdotal indications of strong holiday spending suggest that consumers have adjusted to the post-recession environment. Recent stories of large winter crowds at vacation venues such as Disney World are indications that consumers are moving past recession-induced retrenchment to more typical consumption, albeit with continued belt-tightening. Beef middle meat prices improved noticeably in the last quarter of 2011 and the Restaurant Performance Index, which has improved erratically during the recovery, moved towards a strong finish for the year with the latest November data.

Cattle and beef prices will be higher in 2012 but just how much higher depends on consumer demand. Continued fragility of the U.S., as well as the global, economy make demand the biggest question mark for the beef industry in the New Year. Though consumer preferences for beef remain strong, they may have changed. Consumer reaction to higher prices may result in additional changes in demand for middle meats relative to end meats and for away-from-home versus at-home beef consumption. In the absence of major U.S. or global macroeconomic weakness, beef demand is sufficiently strong to support higher beef and cattle prices in 2012 but exactly how that demand will be manifest across different cuts and qualities of beef remains to be seen.