

# **COW/CALF CORNER**

## **The Newsletter**

**From the Oklahoma Cooperative Extension Service**

**March 12, 2012**

### **In this Issue:**

#### **Trade Implications of Changes in the Mexican Cattle and Beef Industry**

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

#### **Take Advantage of the Drought of 2011**

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

## **Trade Implications of Changes in the Mexican Cattle and Beef Industry**

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

The drought that is affecting the Southern Plains extends into central Mexico. Drought conditions in northern Mexico remain very severe and the region has shared little of the moisture that has been received this winter in some parts of Texas and Oklahoma. Though no comprehensive data is available, indications from producers in northern Mexico indicate that significant herd liquidation is taking place across the region. There is little doubt that the 1.42 million head of Mexican cattle imports in 2011, the largest annual import total since 1995, was significantly enhanced by the drought. This level of imports is not sustainable and will be offset by sharply reduced imports in the future. However, without better data, is uncertain how much additional liquidation might occur in 2012 if the drought persists and thus what level of imports might be possible this year. I suspect that imports may drop some from 2011 levels but weekly data so far this year indicates that Mexican cattle imports are currently up 27 percent year to date from last year. Certainly strong U.S. cattle prices will attract Mexican feeder cattle if there are cattle available for export.

Data from the USDA Foreign Agriculture Service indicates that beef production in Mexico increased by 4.5 percent in 2011 compared to a year earlier. It is very likely that some of this increase is also due to drought-forced liquidation. Anecdotal reports from Mexico indicate that cow slaughter is up indicating that the drought extends beyond increased feeder cattle exports and suggests significant herd reduction. At the same, beef consumption in Mexico, which was negatively impacted by the recession in 2009, remains weak and decreased an additional 2.8 percent in 2011 from 2010 levels. U.S. beef exports to Mexico have decreased since 2008 and the combination of decreased consumption and drought-enhanced beef production in 2011 explains why Mexican imports of U.S. beef in 2011 was virtually unchanged from the previous year. These changes in beef consumption and production in Mexico have also brought the country much closer to a balance between consumption and production. The data indicate that production fell short of consumption by a mere 3 percent in 2011. This contrasts with 2008, when domestic production in the country fell short of consumption by 18 percent.

Mexico remains one of the major exports markets for U.S. beef despite dropping to second place in 2011 following sharp growth in exports to Canada, Japan and South Korea (Canada is the top export market by a small amount). However, something new has emerged in the market. In the last two years, U.S. imports of Mexican beef have increased sharply and Mexico was the fourth largest source of beef imports into the U.S. in 2011. U.S. imports of Mexican beef are up over 250 percent since 2008, from very small beginning levels. The U.S. is still a significant net exporter of beef to Mexico (488 million pounds of exports compared to 155 million pounds of imports). However, the change to bilateral trade of beef products indicates that the economic basis for beef trade with Mexico is changing. Trade is becoming less focused on supplying production deficits Mexico and is evolving more into trade to improve product mix and enhance value in both markets.

Beef consumption in Mexico is tied closely to general macroeconomic conditions, much as it is in the U.S. Mexican beef consumption will likely stabilize and recover somewhat in the next year or two given continued, albeit slow, recovery of the Mexican economy. The drought impacts suggest that both beef production and cattle exports will likely drop at some point in the future perhaps in 2012 if persistent drought does not provoke additional culling conditions. The consumption gap may widen once again and support continued beef imports in Mexico. However, the potential for boxed beef trade to support product specific beef trade means that there will continue to be opportunities for bilateral trade of beef between the U.S. and Mexico.

## **Take Advantage of the Drought of 2011**

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

The hot, dry weather of 2011 across the Southern Plains certainly created a hardship for commercial cow calf operations that are short of standing and stored forage. Water supplies also are limited in many areas. It is difficult to see a silver-lining to this "lack of clouds". However, some producers are using this as an opportunity to tighten the management and change the genetic makeup in their cow herd. Culling has been more rigorous in this situation than in most years. Therefore, this has been an uninvited opportunity to identify inefficient cows and remove them from the herd.

Although some areas of the country are "rebuilding" the cow herd, (just look at replacement heifers prices for proof), many in Oklahoma and Texas are limited by the lack of forage and surface water. Therefore cattle numbers on native pastures will be kept low to allow the range condition to improve with the better rainfall in 2012. (My fingers are crossed, I knocked on wood, and said another prayer!).

Rather than blindly rebuilding numbers in the cow herd, why not use this as an opportunity to tighten the management in your cow herd?

- 1) Shorten the breeding season and therefore the calving season. Marketing a uniform set of calves that are born and raised together will have a price advantage versus selling one or two calves at a time.

- 2) Examine when would be the best time to breed the cows—in the late spring/early summer or in the late fall/early winter? Your answer may depend on the forage base, your other farming enterprises, and off-farm job responsibilities. Fall-calving makes a lot of sense in Oklahoma if the owner/manager can make it work with other responsibilities. Avoiding the intense heat of an Oklahoma summer during breeding will improve reproductive efficiency.
- 3) Keep only the cows that have been weaning a calf that is very near or at 50% of the mother's body weight. It is very difficult for 1400 pound cows to meet this criteria. The biggest cows are not often the most efficient cows. Select only replacement heifers that will grow into cows that fit your environment.

Everyone can think of other management ideas that can improve efficiency as we go forward, but these three would be a very good start.

Oklahoma State University, in compliance with Title VI and VII of the Civil Rights Act of 1964, Executive Order 11246 as amended, Title IX of the Education Amendments of 1972, Americans with Disabilities Act of 1990, and other federal laws and regulations, does not discriminate on the basis of race, color, national origin, sex, age, religion, disability, or status as a veteran in any of its policies, practices or procedures. This includes but is not limited to admissions, employment, financial aid, and educational services. References within this publication to any specific commercial product, process, or service by trade name, trademark, service mark, manufacturer, or otherwise does not constitute or imply endorsement by Oklahoma Cooperative Extension Service.