

COW/CALF CORNER

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Cattle Markets Clouded by Uncertainty

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

Cattle markets have displayed a noticeable lack of direction lately, marked by a weak or stagnant undertone despite generally strong fundamentals. Much of this tone is due to external factors and seems more the result of uncertainty about possible negative outcomes or uncertainty about the impact of negative outcomes than to the direct impact of decidedly negative situations.

Not all the factors are external. The beef industry has had plenty of negative news in the past month with concerns over lean finely textured beef (LFTB) and the fourth case of Bovine Spongiform Encephalopathy (BSE). The worst of the direct impacts of LFTB is past but lingering effects will likely impact markets for several more weeks. The beef trimmings market, where prices briefly dropped by half, has recovered much of the lost value. On the other hand, the BSE case had almost no impact on cash markets with the negative impacts confined largely to rumor-based futures trading ahead of the official USDA announcement of the case. Most of the drop in Live and Feeder futures was recovered within a few days. Though U.S. beef exports have been largely unaffected, the situation created a breath-holding situation that has hampered markets the past two weeks.

The U.S. and global macroeconomic situation presents a bigger and growing cloud of uncertainty over cattle and beef markets. Though little overtly negative news has emerged regarding the U.S. macroeconomic situation, lackluster performance such as the recent jobs data perpetuate uncertainty about the pace of growth in the economy. The persistent threat of widespread fallout due to financial collapse in several European countries was increased by recent elections in France and Greece. Concern about economic problems in Europe leads to jitters in the U.S. stock market and financial industries that not only cloud overall economic performance but lead to more direct impacts, such as additional volatility in agricultural futures markets.

Significantly higher prices have increased the capital requirements for all participants in the cattle industry. That fact, combined with rising and volatile input prices, has many producers hesitant to act aggressively despite strong cattle market fundamentals. Lenders, with close oversight by bank regulators, are likewise moving cautiously, either hesitant or limited in their ability to provide capital for livestock producers. The resulting equity requirements limit the ability of many producers, especially young producers, to participate in the current market. In the Southern Plains, this financial environment is contributing to a slow recovery from the drought forced reductions in cattle numbers so far in 2012.

On another front, beef exports so far in 2012 have weakened from the sterling performance of the past two years. While a slowdown in exports was not a surprise, lower exports so far this year creates uncertainty about the strength of beef exports for the remainder of the year.

Not all the news is bad. High gas prices, which surely impacted beef demand earlier this year, have begun to drop. Wal-Mart has announced a major beef promotion which may help jumpstart summer beef demand. Early planting of nearly 96 million acres of corn with good yield prospects may bring some feed price relief in the next crop year. But there is lots of time and uncertainty before a record 14 billion bushel corn crop is a done deal.

Though cattle and beef markets have stalled a bit recently, it is important to remember that prices remain close to the record levels of the spring and it should not be surprising that it takes a bit of time for markets to regroup before moving higher. Seasonal tendencies, though perhaps muted or altered in the current market, will still affect markets through the summer period. The market fundamentals of decreasing beef production and continued tightening of animal inventories provides plenty of fuel for higher prices but the many clouds of uncertainty limit how fast and when those fundamentals will prevail.

Storing Large Round Bales

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Research has shown that storage losses in large round bales stored outside and unprotected can be far greater than hay producers realize. University of Tennessee animal scientists conducted a trial to compare different methods of storing large round bales of grass hay. The hay was cut and baled in June in Moore County, Tennessee. The bales were weighed at the time of harvest and storage. Then they were weighed again the following January at the time of winter feeding. The following table lists the type of storage and the resulting percentage hay loss.

Losses of Hay Stored using Six Methods of Storage

Type of Storage	Percentage (%) Hay Loss
On ground, no cover	37%
On tires, no cover	29%
On ground, covered	29%
On tires, covered	8%
Net wrap on ground	19%
In barn	6%

Obviously, it would be ideal to store the hay inside, but that will not often be practical. The next best option is when the hay is stored on something that gets the hay off of the ground under a rain shedding cover. Different areas of the country may have different results due to variation in rain and snow fall. (Source: Dr. Clyde Lane, University of Tennessee Department of Animal Science).

The amount of precipitation that falls on unprotected bales can affect storage losses. However, precipitation alone is not a good indicator of projected losses. Oklahoma State University researchers found that storage losses were related to precipitation combined with air temperature and humidity. Much of the dry matter loss associated with outside storage is the result of microbial respiration where carbohydrates in the plant tissue plus oxygen are converted to carbon dioxide, water, and heat. Read more about storage of big round bales by downloading the [Oklahoma State University Fact Sheet BAE-1716 Round Bale Hay Storage](#) written by Dr. Raymond Huhnke, Oklahoma State University Extension Agricultural Engineer. (Note: Current prices of hay and storage materials may vary from those reported in this fact sheet.)

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