COW/CALF CORNER

The Newsletter

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Mexican Beef Market Impacts on the U.S. Beef Industry

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The Mexican beef cattle industry has been severely impacted by the drought the past two years, much as the U.S. has been impacted. Additionally, changes in Mexican domestic beef consumption and beef trade have significant implications for the interaction of the Mexican and U.S. cattle and beef industries in the coming years.

Mexico emerged as a major customer for U.S. beef in 1997, replacing Canada as the second place export destination behind Japan. Mexico remained the number two market until 2004 when it became the number one export market for U.S beef following the first BSE case in the U.S. Mexico remained the top beef export market until 2011 when it dropped to number two behind Canada. In 2012, Mexico dropped again to third place behind Canada and Japan. Beef exports to Mexico have declined every year since 2008, with 2012 levels less than half of the peak exports in 2008. More disturbingly, beef exports to Mexico have declined while pork and poultry exports have continued to expand. U.S. pork exports to Mexico have increased 77 percent since 2008, while poultry exports have increased 31 percent over the same period. U.S. beef dropped from 36 percent of total meat exports to Mexico prior to 2009 to less than 13 percent of total meat exports to Mexico in 2012.

The decrease in U.S. beef exports to Mexico seems to be part of a bigger issue of stagnant or declining beef consumption in Mexico. While general economic conditions, including a struggling economy, no doubt contribute to weak beef demand, the issues seem to be more specific to the beef market with sharply higher beef prices and changing relative values for specific beef products contributing to changes in Mexican beef demand. The role of U.S. beef in the Mexican market and the potential for beef exports to Mexico may well have changed compared to the past 15 years.

Simultaneously, Mexico continues to grow as a beef exporter. This has been facilitated by rapid expansion of boxed beef processing with the Mexican beef market relying less on carcass trade. In 2012, Mexico exported nearly 250 thousand metric tons of beef, with over 40 percent of that to the U.S. Though data is limited, it appears that Mexico is exporting between 10 and 15 percent of total domestic beef production. U.S. imports of Mexican beef have grown sharply the past four years and Mexico has been the fourth largest source of beef imports since 2010, following Canada, Australia and New Zealand. Mexican beef exports to the U.S. consist primarily of middle meat cuts which have higher value for export compared to the domestic Mexican market. The combination of reduced domestic supplies due to exports and the change in proportions of middle and end meats in the Mexican market appears to have contributed to a relatively larger increase in end meat values in Mexico. This may be a significant part of the price impacts which are limiting beef consumption in Mexico. As beef values in the U.S. and Mexico continue to approach an economic balance, the impetus for beef exports to the U.S. may moderate resulting in slower expansion of Mexican beef into the U.S. market.

The combination of high U.S. cattle prices and drought in Mexico has contributed to increased U.S. imports of Mexican feeder cattle the past two years. In fact, U.S. imports of Mexican cattle have increased each year since a low in 2008 but only in 2011 and 2012 did the levels reach the second and third highest levels since the peak level in 1995. These recent export levels are not sustainable and appear to have contributed to both reduced domestic beef consumption in Mexico and herd reductions that will limit beef production and cattle exports in the coming years.

In 2011, the 16 percent year over year increase in Mexican cattle imports included a 12 percent increase in steer imports and a 48 percent increase in heifer imports. In 2012, steer imports declined 11 percent while heifer imports increased 84 percent, with heifers accounting for 26 percent of total Mexican cattle imports. On average, heifers have accounted for less than 10 percent of U.S. imports of Mexican cattle. Since 2010, an extra 400,000 head of Mexican heifers above average have been imported. Mexican cattle imports declined in the second half of 2012 and are down 34 percent so far in 2013. For the year to date, heifer imports are down 37 percent while steer imports are down 33 percent compared to last year. So far this year, heifers represent 22 percent of total Mexican cattle imports, a rate that likely suggests continued liquidation in the Mexican cow herd. The current rate of cattle imports implies an annual total less than one million head and additional decreases are possible as cattle numbers continue to tighten.

Enhancing Profitability through Preconditioning

Part I

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Drought in Oklahoma and the rest of the southern plains the last two years has made management decisions for cattle producers challenging to say the least. Decisions that are effected by lack of standing forage, high feed prices, the absence suitable drinking water and thankfully, for the most part, high cattle prices. Producers have mixed feeling about weaning and precondition practices in times of drought. Some believe input costs restrict profitability and they can market a calf directly off the cow without risk. While others will not market an animal till they know it is straight no matter what the cost. Whatever the thought, the question remains the

same… are weaning and preconditioning programs still profitable? The answer is yes, if done right.

Pre-weaning health and nutrition of calves have significant impact. Virtually all early life disease protection comes from passive immunity of immunoglobulin in colostrum and lack of passive immunity to a calf makes it three times more likely it will be treated for BVD in a feedlot. Unfortunately, calf blood immunoglobulin concentration immediately following birth is decreased when the dam is in negative energy balance and lower body condition, like she may be in drought (Odde, et al., 1986). This is a reflection of the substantial increase in morbidity and mortality we have seen this winter in feedlots and grower yards. Many producers brand calves at two or three months of age. This may also present opportunity to vaccinate calves at "branding" and help increase protection from respiratory disease within the cow herd.

Early weaning of calves at 6-8 weeks of age is a good way to reduce nutritional needs of your mature cow herd while at the same maintaining body condition to prepare cows for breeding season or increase salvage value if a producer is culling the herd due to drought. Early weaned fall calves may be a nice option if producers are waiting to see if standing forage is available for calves in the spring. They will still gain fairly well and if drought persists, with little forage available, calves can then be marketed. Spring calving cows can be a little trickier. A producer must calve out those calves in early spring and hope forage is available throughout the summer for pairs. Once old enough calves could then be weaned early, and turned out on cool season grasses such as wheat or rye translating into high rates of gain on high quality forage.

Facilities play a major role in the decision to proceed with a preconditioning program of ranch raised calves and finding ways to reduce stress on cattle is the most important factor in a successful weaning program. Traps and pens don't have to pretty just functional. This includes easy access to water for cattle and easy access to feed bunks for a producer. In choosing a location to wean calves, it may be important to think about using a fence line weaning system to reduce stress and having fences durable enough to maintain separation. After the initial "bawl" is out of the calf and the calf is comfortable finding water and using feed bunks it may be beneficial to turn out into a small trap. This will allow calves more room out of dust or mud, but still allow producers to keep a close eye on calves in case they "break" and need to be doctored.

The next article (Part II, next week) will look more in-depth at the affects of the nutritional program during preconditioning, costs associated and also the importance of marketing cattle after weaning.

Try to Avoid Body Condition Loss Now

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Cows in many Midwestern herds are calving in marginal body condition. Short hay and standing forage supplies as well as expensive supplemental feeds, are partially to blame. Unfortunately, this is a season where maintaining or gaining body condition on spring calving cows is really quite difficult. Warm season grasses have not yet begun to grow. Dormant grass (what little is left) is a low quality feed. Cows cannot, or will not, consume a large amount of standing dormant grass at this time year. If the only supplement being fed is a self-fed, self-limited protein source, the cows may become very deficient in energy. Remember, the instructions that accompany these self-fed supplements. They are to be fed along with free choice access to adequate quality forages.

There is another factor that compounds the problem. A small amount of winter annual grasses may begin to grow in native pastures. These are the first tastes of green grass many cows have seen since last summer. The cows may try to forage these high moisture, low energy density grasses, in lieu of more energy dense hays or cubes. **The sad result is the loss of body condition in early lactation beef cows just before the breeding season is about to begin**.

Body condition at the time of calving is the most important factor affecting rebreeding performance of normally managed beef cows. Nonetheless, condition changes after calving will have more subtle effects on rebreeding especially in cows that are in marginal body condition. Body condition changes from the time the cow calves until she begins the breeding season can play a significant role in the rebreeding success story. This appears to be most important to those cows that calve in the marginal body condition score range of "4" or "5". An Oklahoma trial illustrates the vulnerability of cows that calve in the body condition score of 5. Two groups of cows began the winter feeding period in similar body condition and calved in very similar body condition. However, after calving and before the breeding season began, one group was allowed to lose almost one full condition score. The other group of cows was fed adequately to maintain the body condition that they had prior to calving. The difference in rebreeding rate was dramatic (73% vs 94%). Again this illustrates that cows that calve in the body condition score of 5 are very vulnerable to weather and suckling intensity stresses and ranchers must use good nutritional strategies after calving to avoid disastrous rebreeding performance.

Cows should calve in moderate to good condition (scores of 5 or 6) to ensure good rebreeding efficiency. Ideally, cows should be maintaining condition during mid to late pregnancy and gaining during breeding. The goal of the management program should be to achieve these body conditions by making maximum use of the available forage resource.

Continue feeding a source of energy, such as moderate to good quality grass hay free choice and/or high energy cubes until the warm season grasses grow enough to provide both the energy and protein that the lactating cows need. Yes, the feed is high-priced. But the cost of losing 21% of next year's calf crop is even greater!