

# COW/CALF CORNER

The Newsletter

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In this Issue:

## **Cattle and Beef Markets: What's Next?**

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

## **Interval Feeding of Supplements for Growing Replacement Heifers**

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

## **Cattle and Beef Markets: What's Next?**

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

The Choice boxed beef cutout reached \$231.71/cwt. on Friday, January 17, 2014. That was up 15.5 percent since January 2. Select boxed beef, which had never been higher than \$200/cwt. prior to January 6, was at \$229.32/cwt. on January 17. The 5-Market fed cattle price was at 143.98/cwt., up from a December monthly average of \$131.78/cwt. This dramatic run in fed cattle and boxed beef markets goes well beyond expectations for this early in the year and leads to the questions of what caused this and where do we go from here?

While the rapid advance in these markets happened much quicker and more dramatically than anticipated, the overall price levels are not at all unreasonable relative to conditions that have been building for many months. The general tightening of market supplies of fed cattle combined with moderating carcass weights, no doubt partly reflecting the withdrawal of Zilmax last fall, means that beef supplies were sensitive to any disruptions. The disruptions came with the large winter storms during the holidays that negatively affected fed cattle production and slaughter, and wholesale and retail beef distribution. In addition, while the recent market run should not be taken directly as all due to the strength of beef demand, there clearly is significant demand strength to warrant the buyer fervor that has taken boxed beef to new record levels every day for the past two weeks. It will take some time yet to sort out how much is due to refilling the wholesale and retail pipeline and rebuilding post-holiday inventories and how much is due to continued demand strength in the New Year.

What's next for fed price and the boxed beef cutout? Obviously these are uncharted waters so market predictions are scary and probably humbling. However, a couple of things seem likely to me. First, I doubt that the breathless run of the past ten days will continue much longer. Moreover, I wouldn't be surprised to see both boxed beef and fed prices back up a bit as the market tries to figure out exactly where we are and to consolidate the market fundamentals. Both fed cattle and boxed beef prices could drop back a few dollars and still be well ahead of earlier expectations for this point in time. That said, I don't necessarily see any

reason for a major unwinding of recent market advances and first quarter averages of fed cattle and boxed beef prices are likely to be higher than previously expected. The cash fed cattle market is ahead of futures and provides an incentive to pull cattle forward, which will keep both numbers and weights in check. The market is clearly being driven by short supplies with a decent demand underpinning. Winter time is a difficult time to rebuild supplies under average conditions and means that the market is particularly susceptible to more winter disruptions. More cold weather is forecast across the eastern half of the country this week.

The advances in wholesale beef and fed cattle prices have relieved a lot of pressure on both beef packer and feedlot margins. This is important as feedlots move into higher breakevens ahead due to high prices paid last fall for feeder cattle. Feeder markets have not participated as much in the recent fed cattle and boxed beef price rally, after moving higher in December, but the increase in prices in those markets does much support feeder prices as margins realign in the industry. In the short run, the dramatic increase in boxed beef prices is at the expense of retail margins and will accelerate the pressure to pass on higher cost to consumers with higher retail prices. Over the next several months, that will be the key to how all of this plays out.

Factors to watch right now include winter weather impacts and upcoming data releases. The monthly Cattle on Feed report this week and the annual Cattle report on January 31, along with daily and weekly slaughter and beef production, will provide critical information to sort out the immediate market situation and the overall situation for the next several weeks and months.

## **Interval Feeding of Supplements for Growing Replacement Heifers**

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Interval feeding of supplements has been shown to be an efficient method of feeding supplements to adult beef cows. Less is known about the use of “every other day feeding” for growing weaned replacement heifers. The objective of this University of Florida study was to examine the effects of daily versus three day/week supplementation on growth, age at puberty, estrous synchronization response, and pregnancy rates of yearling Brangus and Angus heifers consuming bermudagrass (12.9% crude protein) round bale silage.

Sixty heifers (30, Angus; 30, Brangus) were sorted by initial body weight, breed, and age and randomly allocated to 12 pens. Pens were randomly assigned to one of two treatments: 1) distillers grains and soybean meal supplemented daily; or 2) distillers grains and soybean meal supplemented three days/week. The total weekly intake of supplement was designed to be identical for both treatment groups. The heifers started at about 600 pounds and received the equivalent of about 4 pounds of distillers grains and ½ to 1 pound of soybean meal per day. The diets were calculated to produce about 1.5 pounds/day average daily gain. Supplement consumption and bermudagrass round bale silage offered were similar for both treatments.

Heifers supplemented daily had similar average daily gain as compared to heifers supplemented three days/week (1.82 vs. 1.79 lb/day). The number of heifers reaching puberty by breeding

tended to be greater for daily fed heifers. Synchronized pregnancy rates and total 28 day AI pregnancy rates were also similar for both treatments. Dried distillers grains had no negative impact on the development of Brangus or Angus heifers. In this study, three days/week supplementation of developing heifers had no effect on heifer growth rates or pregnancy rates as compared to daily supplementation. As producers look at interval or daily feeding with ethanol by-product feeds, they need to have the feed tested for sulfur content. Excessive sulfur intake may cause a toxicity called “polioencephalomalacia”.

Dried distillers grains are not as competitively priced today as they were when this study was conducted therefore other sources of feed ingredients may be the choice today. However, the concept of interval feeding should be still attractive to those producers with replacement heifers in pastures that are some distance from the headquarters. When one considers labor and fuel costs, the interval feeding protocol should be less expensive. (Source: [Austin and coworkers. University of Florida 2009 Beef Research Report.](#))

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