

COW/CALF CORNER

The Newsletter

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In this Issue:

The important role of expectations in the beef industry

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Don't let those heifers slip now!

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

The important role of expectations in the beef industry

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Cattle and beef prices are at record levels in every industry sector, from cow-calf to retail beef prices. These record prices are obviously supported by a very unusual set of supply and demand circumstances. So far in 2014, markets- especially fed cattle and wholesale beef markets-have displayed unprecedented volatility as industry participants try to sort out these unusual market fundamentals in a very dynamic market environment. Both producers and consumers are reacting, not only to current record prices, but also to their evolving expectations for market conditions over the coming weeks, months and years.

Much attention is focused on the low cow herd inventory and the need to rebuild. After many years of liquidation, the result of a variety of factors impacting the beef industry, the current situation reminds us that it is the cow-calf sector that is primarily responsible for supply in the beef industry. Until cow-calf producers can and will expand the cow herd, the industry's ability to maintain beef production will be limited. Cow-calf producers make decisions about herd rebuilding by considering, not only current price levels, but also their expectations about how high prices will go and how long they will persist. The cattle industry has a long history of production and price cycles so producers recognize that high prices now will likely lead to lower prices at some point in the future...it's the old adage that the best cure for high prices is high prices.

However, the current situation is one of excess liquidation due to external factors that have taken cattle inventories to a much lower level than would have otherwise happened. The beef cow herd was poised to begin expansion in early 2011, prior to the last three years of drought. The beef cow herd then was some 1.8 million head larger than today. Moreover, the last cyclical expansion began in 2004 with a beef cow herd of 32.5 million head, with some 3.49 million more beef cows than today. That expansion was brief and truncated by feed and input market shocks; recession; and drought that contributed to the subsequent liquidation since 2007. The path to the current herd level was long and the recovery will similarly take several years which should factor into producer expectations for most of the rest of the decade.

Demand is also affected by consumer expectations. There is considerable industry concern about how beef demand will react to the growing pressure for higher wholesale and retail beef prices. So far it appears that beef demand is holding up well. Pork supplies are dropping now as a result of the PED virus and higher pork prices ahead will help support higher beef prices. However, abundant broiler supplies and relatively cheap poultry prices have, somewhat surprisingly, led to little substitution of chicken for beef so far. Consumers may be reacting differently to higher beef prices, in part, because of the expectations they have for the future. Considerable media attention has been drawn to the fact that beef prices will likely be high for an extended period of time. If consumers believed high beef prices were a short term impact, they would very likely avoid the high prices and substitute away from beef. However, the prospects for high prices for an extended period of time may be causing consumers to have more of a “get it while you can before the price goes even higher” attitude. Consumer preferences do not change easily or quickly. Consumers resigned to higher beef prices will make some adjustments but will continue to purchase beef.

Don't let those heifers slip now!

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

As we get closer to April and the breeding season for replacement heifers that are destined for a spring calving herd, proper nutritional management is more important than ever. If your operation was fortunate enough to receive moisture this year and grow wheat pasture, the yearling heifers may have been grazing a very high protein and energy diet. In other situations this winter, the heifers have been fed supplement and hay.

The heifers will be turned in with the bulls or put on a synchronization program to be bred in April. In some cases this means that the heifers must be moved from one location to another that is closer to working facilities. The trick, of course, is to not let those heifers go on a steep downslide in energy intake as we approach the breeding season. Dormant bermudagrass or native pastures will be very low in energy and protein until “green-up” occurs later in the spring. Research has shown that if heifers (near the time of reaching puberty) undergo a severe reduction in dietary intake of protein and especially energy, breeding success may be disappointing.

Oklahoma State University researchers have studied the impact of short term energy restriction on ovulation rates of cycling replacement heifers. This trial is reported in the [2001 OSU Animal Science Research Report](#). The effects of acutely restricting nutrition on ovulation and metabolic hormones were evaluated in Angus x Hereford heifers. All of the heifers were housed in individual pens in a barn and fed a diet supplying 120% of their maintenance requirements for protein and energy (1.2 M) for 10 days to allow time to adjust to the environment and diet. All of the heifers were determined to be cycling at the conclusion of this adjustment period. Then the heifers were split into two groups. Half of the heifers were then fed a diet supplying either 40% of their maintenance requirements (.4 M). The other half of the heifers were continued on the original diet that supplied 120% (1.2 M) of the maintenance requirements. All heifers were injected with prostaglandin so they should ovulate on about day 14 of the trial. Seventy percent

(7 of 10) of .4 M heifers did not ovulate as a response to the injection, whereas all of the 1.2 M heifers had normal ovulation.

In this study, restricting nutrient intake for 14 days prevented ovulation in a large percentage of beef heifers without altering visible body condition. Heifers should be managed to avoid short-term nutrient restriction to maintain normal estrous cycles.

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