

# COW/CALF CORNER

The Newsletter

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## **Mixed emotions in the beef industry**

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

The beef industry is experiencing a wide range of emotions at the current time. The level of excitement is obvious as cattle and beef prices have pushed even beyond record levels of earlier this year. Cattle prices are at values unimaginable just a few years ago. Higher cost of production and reduced herd sizes notwithstanding, many cow-calf producers will experience record returns in 2014. Coupled with the excitement, however, is a certain level of disbelief of current price levels. There is almost a “pinch me to see if I’m awake” feeling among many cattle producers. Though producers have been expecting strong prices as a result of declining cattle inventories and reduced beef production, the recent meteoric rise in cattle and beef prices is even beyond what only a few imagined and none would predict.

Coupled with disbelief is a growing level of skepticism, especially regarding beef demand. The most common question I get from producers is “when do we price ourselves out of the market?” or “when do people stop eating beef?” It’s almost as if we have no confidence in our product or our consumers. There are a multitude of beef products and some adjust more than others but it is becoming more apparent that many beef products are less price-sensitive than we might have imagined. Beef wholesale prices have pushed sharply higher the past month and the impacts will be felt in retail prices in the coming weeks. It takes time for retail markets to fully adjust and, while wholesale prices may cycle lower again after Independence Day, general upward pressure on wholesale and retail prices will continue for many months. Pork prices, partly due to impacts of the Porcine Epidemic Diarrhea virus (PEDv), and poultry prices have also increased. How those industries respond in coming months will be important. Certainly we are challenging beef demand in a manner unlike ever before and we must be sensitive to how retailers and consumers

respond to rising price levels but both domestic and international beef demand are proving to be quite robust so far.

Disbelief and skepticism lead, understandably, to a certain level of caution in the industry. Among some producers (and lenders) there is caution, directed, not so much to the current price levels, but for how long we may experience them. There is a feeling that whatever is happening now, it cannot last. The wisdom of the old adage that “the best cure for high prices is high prices” should not be forgotten and will likely be true at some point in the future of the beef industry. The cattle cycle may have been deeply masked in recent years but it still exists and will be evident at some point. In the meantime, the multitude of factors that have masked the cattle cycle and extended herd liquidation for several years have left cattle inventories so limited that herd rebuilding and recovery of beef production will take several years. The cyclical response of the industry that will lead to lower prices cannot happen much before the end of the decade. Along the way, the industry is still subject to a host of potential external shocks and that, along with increased values in the industry, mean that financial and market risk is still an important consideration. Production and marketing plans should certainly include appropriate risk management components.

Caution should not, however, prevent producers from taking advantage of the opportunities in the current market. The temptation to sell everything at current market prices should not cloud the implementation of a well developed production and marketing plan for the next several years. In situations where herd expansion is likely at some point in the future (especially in situations of drought recovery), rebuilding is likely to be a multi-year process and should be guided by a plan based on resource management as well as animal production/marketing considerations. Other producers, tempted by high feeder prices now and cautious about high breeding animal values, face the greater risk of waiting to see how long high prices last then jumping in and being among the last to pay high prices for heifers or cows. Additionally, high cattle prices now should not be viewed as a substitute for pursuit of better cattle management and quality. While most any animal standing will bring record dollars today, there is considerable additional value potential in improved genetics and management and with alternatives such as preconditioning programs; added stocker weight gain; and marketing heifers differently and separately from steers. Producers have considerable flexibility to utilize forage in a variety of ways to realize additional value for cow-calf and stocker production and should not become complacent with current high prices. All too often cattle producers are defensive marketers and are thus content with covering production costs plus a little more rather than taking full advantage of those rare opportunities when they are in the driver’s seat.

Cattle producers thrive on adversity; an essential quality in an industry so fraught with adversity. Certainly it has been several years characterized by a variety of adverse conditions which have precipitated the current market situation. Despite the best efforts of producers (hampered by drought most recently) to respond to intensifying market signals, beef production will fall for the next couple of years; and the process of rebuilding cattle inventories, which appears to be just beginning, will take several years. Lack of supply is the major issue in the industry and cow-calf producers are the source of industry supply. In a rare circumstance for the industry, high cattle prices seem just as inevitable as the challenges of weather, disease, and managing the cost of production for the foreseeable future. Cattle producers not only thrive on adversity; they

sometimes seem ill-equipped to handle prosperity. The current situation provides an opportunity for cow-calf producers to add an often underutilized feeling to the mix of emotions...the ability to really enjoy cattle markets.

## Time of day of harvest and impact on nitrate concentration

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Forage sorghums are used by cattle producers for summer grazing or harvested for hay. Forage sorghums can be very productive and high quality, but can also accumulate toxic levels of nitrate when stressed. In the past, the assumption was made that the plant continues soil nitrate uptake during nighttime hours, followed by accelerated conversion of the nitrate to protein during daylight hours. Therefore past recommendations have been to wait until afternoon to cut forage sorghum for hay if anticipated nitrate levels are marginally high. You have heard the old adage: *“Never assume anything....”*

To evaluate the significance of the change in nitrate concentration in forage sorghums during the day, Oklahoma State University Extension County and Area Educators collected samples at two hour intervals from 8 AM to 6 PM. Five cooperators' fields (“farm”) were divided into quadrants. Three random samples, consisting of ten stems each, were taken from each quadrant at the specified interval. The samples were analyzed at the Oklahoma State University Soil, Water, and Forage Analytical Laboratory to determine the level of nitrates, in parts per million (ppm).

As expected, differences between “farms” were substantial and significant. The mean concentration of nitrate for individual farms varied from only 412 ppm to 8935 ppm. The mean nitrate concentrations across all farms were 3857, 3768, 4962, 4140, 4560, and 4077 ppm for samples at 8 AM, 10 AM, noon, 2 PM, 4 PM, and 6 PM, respectively. Remember, most laboratories consider nitrate concentrations at, or above 10,000 ppm potentially lethal. **There was much more variation between farms than between harvest times.** Time of day of harvest did not impact nitrate concentration or proportion of dangerous samples of forage sorghum hay. Don't be misled and believe that cutting the hay late in the day will solve all of the potential dangers of nitrate toxicity. [Source: Levalley and co-workers. 2008 Oklahoma State University Animal Science Research Report.](#)

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