COW/CALF CORNER

The Newsletter

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Cattle and beef trade reacts to U.S. market situation

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International cattle and beef markets are reacting as expected to record U.S. market prices. The latest monthly trade data for July confirms that beef exports are declining; and beef and cattle imports are increasing as markets adjust to shrinking U.S. beef and cattle supplies. While U.S. cattle and beef prices are not the only factors that affect international trade but the price influence is strong and likely to be a major determinant of trade flows in coming months. The discussion below focuses on quantity adjustments in trade flows. Trade values, of course, reflect the high prices that are resulting in trade flow adjustments.

After increasing the first half of the year, beef exports are decreasing year over year to most major U.S. beef destinations with July total exports down 13.5 percent leading to a slim 1.4 percent year to date beef export increase compared to the first 7 months one year ago. Beef exports to Japan were down 9.5 percent in July and are down 7.8 percent for the year date compared to last year. Beef exports to Hong Kong are still up 36.2 percent for the year to date but were down 32 percent in July compared to last year. Hong Kong, which emerged as the fourth largest beef export destination in 2013, had sharp year over year increases through June before dropping dramatically in July. Mexico, likewise, changed from year over year increases each month the first half of the year to an 11.2 percent decrease in July compared to last year. Beef exports to Canada have been down each month this year with July down 25.9 percent and a year to date total down 21.8 percent compared to one year ago. Among major U.S. beef export destinations, only South Korea is still increasing, with the July 22.2 percent year over year increase, the fifth consecutive monthly increase, leading to a year to date 21.6 percent increase compared to 2013.

Despite starting the year with year over year decreases in January and February, U.S. beef imports have increased each of the past five months; with the July increase of 37.1 percent the largest monthly increase of the year. U.S. beef imports, which include a high proportion of processing beef, are reacting strongly to the sharp decrease in U.S. cow slaughter, now down over 14 percent so far this year, and extremely tight U.S. supplies of lean beef for ground beef. Australia, the largest source of U.S. beef imports, started the year with two months of slight year over year decreases, switching to dramatically higher monthly imports the past five months. Imports from Australia were up 71.1 percent in July compared to one year earlier contributing to a year to date increase of 41.4 percent compared to one year ago. U.S. beef imports from Canada have increased each month this year with a year to date total up 11.3 percent, including a July increase of 10.3 percent over last year. Beef imports from New Zealand were mostly down through April but increased sharply in June and include a July total up 39.8 percent from one year earlier. Year to date beef imports from New Zealand are up 7.5 percent compared to last year. Beef imports from Mexico, also down early in the year, have increased sharply in the last three months of data from May through July. The July import total was up 36.2 percent, the largest monthly increase from Mexico so far this year, and contributes to a year to date increase of 11.4 percent in total beef imports from Mexico.

Live cattle imports are reacting to unprecedented U.S. cattle prices as well. Feeder cattle imports, in particular, have increased as a result of tight U.S. supplies and record prices. Feeder cattle imports from Canada have increased each month this year, up 40.9 percent for the year to date, including a 25.4 percent year over year increase in July. Imports of Canadian cattle for immediate slaughter were down for the first half of the year and are down four percent for the year to date but did post a 22.5 percent increase in July, compared to last year. Imports of Mexican feeder cattle were down early in the year but have increased sharply since May with a July total up 76.4 percent from last year and a year to date increase of 12.4 percent of Mexican cattle imports.

The pull of the U.S. market is resulting in these live cattle trade flows despite the fact that cattle numbers are tight in Canada and Mexico, much as they are in the U.S. Weekly Mexican cattle import data suggests that imports of spayed heifers are up 20 percent year over year compared to an 11 percent increase in Mexican steer imports. This increase in Mexican heifers shipped to the U.S. market is occurring despite the need for herd rebuilding in Mexico and Mexican policy efforts to encourage heifer retention in the country. This level of Mexican cattle shipments to the U.S. is not sustainable but it is not clear how far unsustainable cattle flows out of Mexico might be extended in response to record U.S. cattle prices.

U.S. beef and cattle trade flows have switched to decreased U.S. beef exports; increased U.S. beef imports; and increased cattle imports. These are signs of markets working exactly as they are supposed to and not a reason for major concern in the U.S. In the case of Canada and Mexico, whose overall situation is similar to the U.S. (reduced cattle inventories and tight beef supplies) the adjustments will moderate in coming months as supply and demand conditions equalize and relative cattle and beef prices rebalance on the North American continent. Despite these adjustments in trade flows, international trade remains an important, growing and supportive component of the U.S. cattle and beef industry.

Feeding weaned calves during a pre-conditioning program

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Spring born calves have already been, or soon will be weaned to meet the 45 day requirement for value-added calf sales. A minimum of a 45-day weaning period is recommended to maximize the benefits of pre-conditioning. (See a list of sale dates and corresponding weaning dates at OQBN website.) A balanced nutrition program during this period is critical to ensure profitability for the cow/calf producer and maximum immune system function during the stressful weaning period and later production phases.

Calves targeted for a VAC-45 sale (i.e. Oklahoma Quality Beef Network) should gain 1.5 to 2 pounds per head per day from weaning to marketing to greatly enhance the likelihood of profitability of the pre-conditioning program. Research has repeatedly shown that calves that begin eating soon after shipping or weaning will have reduced health issues and certainly gain weight more quickly and consistently. Low stress "fenceline weaning" has been shown to help calves start to eat sooner and begin weight gain more quickly than calves that are weaned away from the cows.

Providing a high quality ration that meets the nutritional needs of the young calves can be accomplished in a number a ways. Producers should download a copy of the Oklahoma Cooperative Extension Fact sheet ANSI-3031 to obtain several rations to be mixed for weaned calves. Rations are available for very young, lightweight calves as well as for 7 to 8 month old traditional 400 – 600 pound weaned calves. Some rations will include by-product feeds such as wheat-mids and dried corn distillers grains if these are available at a competitive price. The Fact sheet will also discuss other management tips for early weaning, traditional weaning, and receiving shipped-in stocker calves. The URL for this important fact sheet is http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1957/ANSI-3031web.pdf .