COW/CALF CORNER

The Newsletter

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Crunch time for beef demand

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

Beef demand has been a pleasant surprise so far this year. Wholesale and retail beef prices have increased fast enough to maintain decent margins for beef packers and allow feedlots profitability for the first three quarters of the year. Retail beef prices are up year over year an average of nearly 11 percent for the year to date through August, with August monthly prices up nearly 17 percent from one year earlier. Boxed beef prices are up an average 21-22 percent for Choice and Select so far this year, with August up 32-34 percent year over year. Retail prices do not currently reflect all of the wholesale price increase and the coming months will be even more important for beef demand as retail adjustments continue.

Moreover, while boxed beef prices have declined in September, the pressure for higher prices is not over. Total cattle slaughter has been down over seven percent since the beginning of August with heifer slaughter down nearly 11 percent and cow slaughter down nearly 17 percent. Each of these continue to push the year to date totals lower with heifer slaughter down 8.8 percent and cow slaughter down 14.6 percent so far this year. Steer slaughter has been down 1.9 percent since the beginning of August, a slightly smaller decline than the year to date total decrease of 2.9 percent. More steers in the total slaughter mix (steers represent two percent more of total slaughter than last year) combined with heavier steer carcass weights, up 15-20 pounds year over year in recent weeks, have mitigated declining beef production somewhat in recent weeks. Beef production in August and September was down 5.5 percent, less of a decrease than the year to date total which is down 6.1 percent. Limited beef supplies will continue to challenge beef demand.

Competing meats may play a bigger role in late 2014 and into 2015. Retail pork prices are up over 11 percent so far in 2014 but may be under more pressure in coming months. The latest

USDA Hogs and Pigs report indicated that the swine industry is looking to expand production on the heels of record hog prices this year. Farrowing intentions are up as much as 4 percent in coming months. For the past 17 months, the Porcine Epidemic Diarrhea virus (PEDv) has resulted in significant piglet mortality to keep 2014 pork production modestly down year over year. The disease is not controlled and is expected increase this winter but the pork industry is attempting to increase farrowings enough to more than compensate for losses due to the disease. Pork production is expected to increase year over year in 2015. Higher pork prices have helped support beef prices in 2014 but may be less help in 2015.

Broiler production has increased modestly in 2014, up less than 2 percent but is poised to increase nearly double that amount in 2015. Retail broiler prices are up an average 3.3 percent in 2014 including a 5.6 percent year over year increase in August. Beef prices has shown less sensitivity to poultry prices in 2014 than expected, but abundant poultry supplies will increase the challenge for beef prices to push higher in 2015.

The export component of demand will be more important in coming months as well. The latest trade data for July showed the first signs that beef exports may be beginning to dampen with high prices. Beef exports in July were down year over year to all major beef destinations except South Korea. It is not surprising that export demand for U.S. beef is rationed at higher prices but the export market response to even more price pressure in coming months will be very important.

Recent declines in boxed beef values have raised concerns that beef demand may have reached a limit, although there is no specific indication of that as yet. Packer margins turned negative as boxed beef prices have declined more than fed cattle prices. Feedlots will face increasing breakevens in the fourth quarter due to high feeder cattle purchase prices. Feedlot margins may turn from profits to losses if fed cattle prices are unable to increase. If beef demand is limited, the packer and feedlot margin squeezes could persist as part of the lengthy process of the beef industry adjusting to a demand-limited size. Eventually feeder cattle prices would adjust as well but it would likely take several months. A more likely scenario is that demand will continue to grind higher but perhaps at a slower pace than in the first half of 2014. Packers and feedlots may face more margin squeeze as limited input supplies push input costs up faster than output prices are able to increase. As it has been for many months and even more so in the coming months, beef demand is the key.

Sorting cows for more efficient winter supplemental feeding

Dr. Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

First calf heifers have historically been the toughest females on the ranch to get rebred. They are being asked to continue to grow, produce milk, repair the reproductive tract, and have enough stored body energy (fat) to return to heat cycles in a short time frame. Two-year old cows must fill all of these energy demands at a time when their mouth is going through the transition from baby teeth to adult teeth.

If these young cows are pastured with the larger, mature cows in the herd, they very likely will be pushed aside when the supplements are being fed in the bunk or on the ground. The result of these adverse conditions for young cows very often is a lack of feed intake and lowered body condition. Of course, lowered body condition in turn results in delayed return to heat cycles and a later calf crop or smaller calf crop the following year.

North Dakota State University data of commercial cow herds recorded over a 21 year period illustrated the differences in size and body condition of very young cows and the very mature (10 year old+) cows. The North Dakota data clearly show that the average 2 year old is about 20% smaller than her full grown herd mates. There is little wonder that the younger cows get pushed away from feed bunks, hay racks, or supplements fed on the ground. The results of the size differences and the need to continue to grow are manifest in the lower body condition scores noted in the very young cows. The very old cows are experiencing decline in dental soundness that make it difficult for them to maintain feed intake and therefore body condition. Over the 21 year data set from North Dakota, the 2-year old cows and the 11 year-old and older were significantly lower (0.3 or more units) in body condition score than middle-age cows.

Consequently, it makes sense to sort very young cows with the very old cows and provide them with a better opportunity to compete for the feed supplies. By doing so, the rancher can improve the re-breeding percentages in the young cows and keep the very old cows from becoming too thin before culling time.

From this data one can formulate three logical groups of cows to be pastured together for feeding efficiency.

Group 1: The two-year old first calf heifers. They have higher nutrient needs than other cows that are not growing. They are too small to compete with larger, older, boss cows for the supplement.

Group 2: The old cows (10 years and older) and the 2nd calf heifers. In addition, this group should include any of the middle aged cows that were thin and needed extra supplement. Cows that were Body Condition Score 4 or less would be considered.

Group 3: The remaining cow herd. This is the group that is mature in size and in adequate condition to enter the winter feeding period as at least Body Condition Score 5.

If only two groups are possible, putting groups 1 and 2 together would be the logical other combination. Ranchers, then want to be certain that the feeding program is adequate to have cows in each group calve as BCS 5 or 6 next spring.