COW/CALF CORNER

The Newsletter

From the Oklahoma Cooperative Extension Service
October 27, 2014

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Fed cattle market reaches new record high

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Some fed cattle traded at $170/cwt. last week, surpassing the summer high and setting a new record; at least for now. Feedlots are facing higher breakevens in coming months but stronger fed cattle prices is slowing the erosion of feedlot margins for the time being. Boxed beef prices dropped at the end of last week after Choice boxed beef rallied to $251/cwt. early in the week. Fed prices have strengthened relatively more than boxed beef prices and continue to keep packer margins in the red.

The latest Cattle on Feed report was well anticipated and should not cause much market reaction but does contain some interesting information. The October Cattle on Feed report pegs feedlot inventories on October 1 at 10.06 million head, down fractionally from last year. This represents the 26th consecutive month of year over year decreases dating back to September, 2012. September placements were 2.0 million head, up one percent from last year's record small level for the month and were the second smallest September placements in the data series. September marketings were 1.68 million head, down less than one percent from last year.

Feedlot inventories have closed very close to year ago levels in recent months despite tighter feeder cattle supplies. The increase in September placements was mostly due to an eight percent year over year increase in cattle weighing over 800 pounds. However, for most of the year, feedlots have placed lighter weight cattle. While total year to date feedlot placements are down 1.2 percent, placements of cattle under 700 pounds are up 4.7 percent; while placements of cattle over 700 pounds is down 4.9 percent for the year. Placing lighter weight cattle that stay on feed longer allows feedlots to maintain higher inventories with a smaller total supply. Recently feedlots have also held cattle to heavier weights which additionally slows the rate of feedlot turnover. Increased feeder cattle imports from Mexico and Canada have also helped offset declining U.S. feeder supplies. Feeder cattle imports are up roughly 40 percent from Canada and 14 percent from Mexico for a combined year to date increase of just over 182,000 head more than last year, based on preliminary weekly import data.

Increased feeder heifer imports, especially the nearly 38, 000 head of additional heifers from Mexico so far this year offsets some U.S. heifer retention as indicated by the number of heifers on feed. Nevertheless, on October 1, heifers on feed were down 3.1 percent from last year and were down 12.4 percent from the 2008-2012 average of heifers on feed for the fourth quarter of the year. By contrast, steers on feed, October 1, 2014 were up 0.8 percent from last year but down 3.4 percent from the 2008-2012 average for October 1. The market pull of current feeder prices in the U.S. is extraordinary, especially with regards to Mexico where increased cattle exports to the U.S. are occurring despite very tight cattle numbers and strong domestic demand for cattle in Mexico. The increase in Mexican heifer exports to the U.S. is occurring despite sharply reduced cow numbers in Mexico and attempted herd rebuilding driven by improved forage conditions in much of the country. Cattle and beef prices in the U.S. and Mexico follow each other closely but the rapid rise in U.S. prices in recent months has not yet been fully reflected in the Mexican market. This provides an incentive for increased flow of cattle from Mexico to the U.S. until prices in Mexico are in balance with U.S. prices. The current rate of cattle exports from Mexico is likely not sustainable for many more months.

Finally, the Cattle on Feed report shows that regional cattle feeding conditions are quite variable. Feedlot placements in the Midwest were sharply higher than in the Southern Plains. For example, placements in Nebraska were 102 percent of last year while Texas placements were 95 percent of year ago levels. Although Texas has been the largest cattle feeding state for many years, Nebraska had equal or higher on-feed totals for four months earlier this year and the same may happen again in coming months. The October 1 Nebraska on-feed total was only 230,000 head less than the Texas total, much smaller than the historical difference at this time of year. Some of this is due to drought-reduced regional availability of feeder cattle. However, current difficulties transporting grain out of the Midwest and Northern Plains and the resulting weak grain basis in the region is creating a significant feed cost advantage for Corn Belt feedlots relative to the Southern Plains. This is contributing to what appears to be a longer term structural shift in cattle feeding back to the Midwest relative to the Southern Plains.

OQBN preconditioned calf sales to start this week!

Gant Mourer, Oklahoma State University Beef Value Enhancement Specialist

The following is a list of several Oklahoma Quality Beef Network (OQBN) sales scheduled this fall across the state. For a producer to take advantage of these value-added opportunities, the cattle must be enrolled in the OQBN Vac-45 program, follow one of three health protocols, weaned by the deadline, and third party verified by extension personnel.

Location	Contact	Phone Number	Sale Date	Wean Date
Cherokee Livestock	Tim Starks	580-596-3361	October 29, 2014	September 14, 2014
McAlester Stockyards	Lindsey Grant	918-423-2834	November 4, 2014	September 20, 2014
OKC West	Bill Barnhart	800-778-9378	November 5, 2014	September 21, 2014
Elk City Livestock	Brandon Hickey	580-497-6095	November 7, 2014	September 23, 2014
Pawnee Livestock	Calvin Buchanan	918-852-5271	November 15, 2014	October 1, 2014
South Coffeyville	Jim Folk	918-255-6200	November 21, 2014	October 6, 2014
Blackwell Livestock	Gary or Grady Potter	580-363-9941	November 22, 2014	October 7, 2014
Tulsa Stockyards	Joe Don Eaves	918-760-1300	December 1, 2014	October 17, 2014
OKC West	Bill Barnhart	800-778-9378	December 3, 2014	October 19, 2014

For additional information or questions about the Oklahoma Quality Beef Network or type of cattle at the sales, contact your local OSU Extension Office or Gant Mourer, OQBN Coordinator at 405-744-6060 or atgantm@okstate.edu. Additional information may also be found at www.oqbn.okstate.edu.

The impact of dressing percent on cull cow marketing

Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

Cull cows that are destined to go to the packing house are graded by their fleshiness. The fattest cows are called “Breakers”. Moderately fleshed cows are “Boners”. Thin cows are called “Leans” or “Lights”, depending upon the weight of the cow. There will be price differences among these four grades. However, within each grade, large variation in prices per hundredweight will exist because of differences in dressing percentage. Cow buyers are particularly aware of the proportion of the purchased live weight that eventually becomes saleable product hanging on the rail. Dressing percentage is (mathematically) the carcass weight divided by the live weight multiplied by 100.

Key factors that affect dressing percentage include gut fill, udder size, mud and manure on the hide, excess leather on the body, and anything else that contributes to the live weight but will not add to the carcass weight. Most USDA Market News reports for cull cows will give price ranges for High, Average, and Low Dressing Percents for each of the previous mentioned grades. As you study these price reports, note that the differences between High and Low Dressing cows and bulls will generally be greater than differences between grades. Many reports will indicate that Low Dressing cows will be discounted up to $8 to $10 per hundredweight compared to High Dressing cows and will be discounted $5 to $7 per hundredweight compared to Average Dressing cows. These price differences are usually widest for the thinner cow grades (Leans and Lights). See examples from last week's sale in Oklahoma City National Stockyards:

http://www.ams.usda.gov/mnreports/ko_ls151.txt

As producers market cull cows, they should be cautious about selling cows with excess fill. The large discounts due to low dressing percent often will more than offset any advantage from the added weight.