COOPERATIVE EXTENSION SERVICE
UNIVERSITY OF KENTUCKY COLLEGE OF AGRICULTURE, FOOD AND ENVIRONMENT, LEXINGTON, KY 40546

Beef Newsletter

UNIVERSITY OF KENTUCKY
College of Agriculture, Food and Environment

AGRICULTURE & NATURAL RESOURCES

April - May 2016

Cooperative Extension Service
Wayne County
255 Rolling Hills Blvd.
Monticello, KY 42633-9004
(606) 348-8453
Fax: (606) 348-8460
www.ca.uky.edu/ces

Inside this issue:

Beef Quality Assurance & Cattle Handling and Care

classes being offered Tuesday May 3, 2016 at 7:00pm at the Wayne County Extension Office.

If you are interested in applying for Phase I Large Animal *(Genetics, Handling Facilities, or Milk Production)* Cost Share funds you must have a current BQA certification #. This certification is current for three years. If you are unsure of your certification, please call the Extension Office. We will serve a meal that evening so please call the extension office if you are planning to attend this class. (606)348-8453

Kentucky State University has purchased a portable cattle handling system for Small Farm Assistant Danny Adams' Program. This can be borrowed and used by Wayne County Cattle Producers. It will also be a good resource for farmers who need this portable working facility in order to be able to participate in the Stewardship Verified Program. Please call the Extension Office if you are interested in using this resource.

Glen D. Roberts
Wayne County Extension Agent for
Agriculture and Natural Resources
/and

Timely Tips

Dr. Roy Burris, Beef Extension Professor, University of Kentucky

Spring Calving Cow Herd

● Watch cows and calves closely. Save every calf (you can cull/sell them later). Calves can be identified while they are young and easy to handle. Commercial male calves should be castrated and implanted. Registered calves should be weighed at birth.

● Prevent grass tetany! Provide magnesium in the mineral mix until daytime temperatures are consistently above 60oF. Mineral supplement should be available at all times and contain a minimum of about 14 percent magnesium. Make sure that your mineral mix also contains adequate selenium, copper and zinc or you can ask your feed dealer for the UK Beef IRM High Magnesium Mineral.

● Cows that have calved need to be on an adequate nutritional level to rebreed. Increase their feed after calving. Don't let them lose body condition.

● Don't "rush to grass" although it can be really tempting. Be sure that grass has accumulated enough growth to support the cow's nutritional needs before depending solely upon it. Cows may walk the pastures looking for green grass instead of eating dry feed. This lush, watery grass is not adequate to support them. Keep them consuming dry feed until sufficient grass is available to sustain body condition. We've spent too much money keeping them in good condition to lose it now!

● Purchase replacement bulls at least 30 days prior to the start of the breeding season. Have herd bulls evaluated for breeding soundness (10-20% of bulls are questionable or unsatisfactory breeders). Get all bulls in proper condition for breeding.

● Make final selection of heifer replacements. Consider vaccinating with a modified-live BVD vaccine.

● If you are going to use artificial insemination and/or estrus synchronization, make plans now and order needed supplies and semen.

● Prebreeding or "turn-out" working is usually scheduled for late April or May - between the end of calving season and before the start of the breeding season (while cows are open). Consult your veterinarian about vaccines and health products your herd needs. Make arrangements now for products needed and have handling facilities in good working order. Dehorn commercial calves before going to pasture.

> "Don't "rush to grass" although it can be really tempting"

Fall Calving Cow Herd

● Pregnancy check cows now and cull open ones at weaning.

● Consult with your veterinarian about a preweaning working of the herd.

● Reimplant feeders.

● You may let calves creep-graze wheat or rye, if it is available. Calves will benefit from extra feed until spring grass appears.

● Plan marketing strategy for feeder calves.

Stockers

● "Condition" purchased calves prior to grazing. They should be processed and fed a conditioning diet prior to being placed on pasture. You can also use this time to introduce them to electric fences which are used in rotational grazing.

● Don't go to pastures too soon, give plants some growing time. Then stock at two to three times the July rate and rotate rapidly.

● Provide a good mineral supplement which contains a rumen modifier (Rumensin, Bovatec, etc.) along with adequate levels of copper and selenium. The UK Beef IRM Stocker mineral with Monensin will work well in this case.

General

● We've made a muddy mess this winter, so be prepared to reseed bare spots.

● Make plans to improve hay feeding areas to avoid muddy conditions like we have faced this winter. Consider geotextile fabric with gravel or concrete feeding pads.

● Get everything ready to make high quality hay in May! Have equipment serviced and spare parts on hand. Order baler twine now. Be prepared to harvest an adequate supply of hay when you have the opportunity. Re-supply the extra hay that you fed out of the barn. This past winter caused most producers to exhaust their hay supply, so it's time to re-stock.

● Prepare for the grazing season. Check fences and make necessary repairs. Check your corral, too.

● Plan now for fly control ... decide what fly control program that you will use but don't put insecticide eartags on cattle until fly population appears.

Lessons Learned from the 2014 and 2015 Cattle Markets

Dr. Kenny Burdine and Dr. Greg Halich, University of Kentucky Department of Agricultural Economics

The last couple of years have been nothing short of a roller coaster ride for beef cattle producers. We saw prices rise to record levels and then fall as sharply as we have ever seen. A combination of factors such as cattle inventory, production of competing meats, increasing slaughter weights, and international trade were all at play in the market. At the same time, producers were making management decisions in a rapidly changing environment. If the old adage is right and history repeats itself, it's worth taking a look back to reflect on some things that can be learned.

1) If Calf Prices Seem too Good to be True, They Probably Are

There is a long time adage by agricultural economists that the cure to high prices is high prices. The implication is that producers respond to high prices by increasing production, which then brings down prices. As basic as this may seem, it is easy to get caught up in the euphoria of historically high calf prices and try to find reasons why it is different this time. Perhaps it may have been different in terms of how high prices rose, but it was no different in terms of how producers responded to high profits and how quickly these prices came crashing back down. Don't expect prices that seem too good to be true to last, they never do.

2) The Cattle Cycle Isn't Dead

Over the last 10 years, many "experts" stated that the cattle cycle is dead or no longer exists. We have never agreed with this logic, and feel part of that reason is that we may define the cattle cycle differently that most people. To us, the cattle cycle is primarily about cow-calf operators responding to profits by expanding their cow herds and the time lag between this decision and the associated supply impact. Two major external events in the last half-dozen years impacted the current cattle cycle, and changed its dynamics. First, historically high grain prices from 2008-2013 caused significant conversion of pasture and hay-ground to row crops. This conversion was occurring during the liquation phase of the last cattle cycle and thus caused cow numbers to drop quicker than what we would have normally seen in this phase. Second, during a portion of this same time period, 2011-2013, a major drought hit a large section of the Southern Plains and forced a massive liquidation in the cow herd, further dropping cow numbers during the liquidation phase. This was in an area that made up roughly 25% of our entire U.S. beef cow herd at the time.

The combined effect was that cow numbers continued to drop during a time period when they normally would have been expected to start increasing. By 2012, calf prices (and cow-calf profits) were likely high enough to justify heifer retention. However, the combination of severe drought and pasture conversion led to cow-herd liquidation at a time when calf prices would have suggested expansion. As weather improved and cow profits soared in 2014 and 2015, expansion took a firm foothold. This cow herd is currently growing, and doing so at a swift pace as beef cow numbers are up over 4% over the last two years. While it is true that many other factors impact cattle prices than the size of the cow-herd, we are not yet ready to bid farewell to the notion of the cattle cycle.

3) Expansion Isn't Just About Heifers

Traditional cattle cycle mentality is that expansion comes from heifer retention and this is true from a long-term perspective. However, the age of the cow herd cannot be ignored in the short-run. A factor that drove beef cow numbers so low from 2011-2013 was extremely high cow slaughter. Most of this came from the Southern Plains as they dealt with widespread severe drought. When increased moisture was overlaid with strong calf prices in 2014 and 2015, most of the initial increase in cow inventory came from reduced beef cow slaughter. The overall age of the herd was younger, fewer cows were near the end of their productive lives, and profit was there. It made logical sense to cull fewer cows during these two years and this worked to jump-start the expansion phase of this cycle.

4) The Impact of Competing Meats

In the US, beef, chicken, and pork are the primary consumer meats and 2014 was a banner year for profitability in all three. So, it is no surprise that expansion occurred in all of these

Lessons Learned from the 2014 and 2015 Cattle Markets continued...

markets. However, the pace at which growth can occur in these markets is different. Due to shorter gestation periods and younger age at harvest, pork and poultry producers can increase production much faster than beef producers. It is likely that 2016 will be the first year that we actually see increased beef production (boxed beef), while significant increases have already been seen in the pork and poultry markets. Since these proteins compete in the meat case, beef prices were pressured in late 2015 from increased pork and poultry supplies before beef supply increased significantly.

5) Exports are a Double-Edged Sword

There is no doubt that increased exports have a positive impact on price, holding everything else constant. Increased exports reduce domestic consumer supply, which drives prices upward at home. However, over time we respond to these higher price levels with increased production. Then, as shocks occur in international markets that lead to decreased exports, all that extra supply is left on the domestic market, and prices fall. Last year, 2015, was a good example of how this can play out. Exports were down drastically due to increased price levels, a stronger US dollar, and weakening economies for some of our trading partners. The decrease in exports piled onto an already decreasing market, with the net effect being a price implosion. This is not to say that we should stop exporting beef. We just need to be aware that exports can cut both ways.

6) Learn to Manage Price Risk

Few people predicted cattle prices would increase as quickly as they did during 2014 or decrease as quickly as they did in 2015/2016. These price swings represented hundreds of dollars in cattle revenue and meant the difference between profit and loss for many stocker/backgrounders. They also represented over $300 in value per calf for cow-calf operators. Many producers, especially those in the first few years farming, simply can't self-insure this type of market risk. Cattle producers who could have self-insured against the normal volatility of a typical cattle cycle need to learn to manage today's price risk and volatility through futures markets, LRP insurance, forward contracts, or any other means available. This will mean that in some years money will be left on the table, but other years it will avoid huge losses that could destroy the financial well-being of the operation. For more information on using the futures market as a tool to manage price risk in feeder cattle see the following publication: http://www.uky.edu/Ag/AgEcon/pubs/ext2013-0128.pdf.

7) Don't Take a Short-Term Perspective on Long-Term Decisions

While we don't think many people expected calf prices to stay in the $2.50 per lb range forever, most of us were surprised how sharply prices came down in 2015. The folks hit hardest by this drop will be the ones who made decisions in the last couple years as though calf prices were going to stay at $2.50 for years to come. As was discussed in lesson #1, if there is one certainty about agricultural markets it is that abnormally large profits won't exist for long. Supply will increase until profits reach more normal levels. Long term investments in land, breeding stock, equipment, facilities, etc. need to be made from a long term perspective. It appears that a lot of producers made investments over the last couple of years based on the assumption that those incredibly high prices were here to stay.

Possibly the most extreme example of this is bred heifer prices. Given reasonable cow maintenance costs, weaning weights, and weaning rates over the life of the heifer, calf prices would have needed to stay above $2 per lb for 5-8 years to justify the prices that were being paid for bred heifers. This was the focus of an article in the November 2015 issue of Cow Country News and a decision aid created to help determine what can be paid for bred heifer given the users assumptions and cost estimates. It can be found at the following link: http://www.uky.edu/Ag/AgEcon/pubs/BredHeifer.xlsx.

These examples aren't just limited to breeding stock. Similarly, it is easy to justify purchasing a new piece of equipment during a year of abnormally high profits on the basis that you can avoid paying taxes by using a Section 179 depreciation allowance. But also understand that decision will impact your long-run profitability negatively if it is a piece of equipment you could really do without.

"...One certainty about agriculture markets is that abnormally large profits won't exist for long."

Lessons Learned from the 2014 and 2015 Cattle Markets continued...

Summary

While there is no simple success recipe for cattle producers to follow, we felt the last couple years provided an excellent opportunity to reflect on what we saw and what we can learn. While it is impossible to know if, and when, we might see markets like we saw in 2014 and 2015, it would be naïve on our part to assume that we would never see something like that again. Many of the "lessons learned" we discussed in this article apply to all cattle cycles, but the extreme market swings of the last year or two amplified their importance. We've heard it said before that challenging times show who the better managers are and we believe this will play out in the next few years. The producers who made wise decisions over the last couple years will be the ones who are in the best position moving forward with lower prices. period, we will be less likely to make some of the same mistakes Hopefully, by reflecting on some things learned during this time period, we will be less likely to make some of the same mistakes the next time it comes around.

Upcoming Events

COOPERATIVE EXTENSION SERVICE

UK UNIVERSITY OF KENTUCKY College of Agriculture, Food and Environment

Date	Event	Time	Location
05/03/2016	Beef Quality Assurance & H&C	7:00pm	Wayne County Ext. Office
T B A	Cow College	5 two day sessions	University of Kentucky
	**Please call the Extension Office for more information*		
05/17-05/18	Kentucky Grazing School	2 day Session	Woodford County Ext. Office