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# Current market impacts on future cow herds

By John F. Grimes, OSU Extension    October 13, 2015 | 8:07 am EDT

Anyone who follows beef cattle markets closely is well aware of the price volatility that currently is in place. No better example of this is the cash fed cattle market. Current fed cattle prices are just now falling below prices seen two years ago in 2013. During the past two years, the fed cattle market has experienced two of the most extreme moves in the history of the cattle market.

What are the reasons for such extreme moves in the market? In both years, there was a "Perfect Storm" of sorts that created both positive and negative pricing situations. In 2014, fed cattle prices were positively impacted by the smallest beef cow herd in decades, tighter supplies of pork and poultry, strong domestic demand, and exports increasing in volume and value. This year, market variables such as a backlog of fed cattle in certain regions of the country, large carcass weights, a slowdown of the global economy which has reduced export sales, and increased supplies of pork and poultry have all combined to create significantly lower prices.

What does the price volatility in the cattle market mean for the cow-calf producer? Obviously, the significant drop in fed cattle prices has also impacted feeder calf prices downward as well. Cull cow prices have declined due to increased imports of lean beef and a gradual increase in domestic production. Prices for bred cows and heifers have declined slightly from the previous year but are relatively stable compared to other sectors of beef production.

Understandably, many cattle producers are a bit nervous over recent changes in market prices. We have just experienced an 18 – 24 month run of historically high prices so these recent price declines seem even more dramatic than usual. While the swings in prices over the past two years are unprecedented, the short- to mid-range outlook for cow-calf producers remains very positive. According to CattleFax, cattle numbers will increase in 2016-2018 but the nation's cow herd is expected to remain below pre-2011 levels. Cow-calf producer margins have peaked, but will remain profitable. In fact, CattleFax projections expect cow-calf profitability from 2016-2018 to be higher than any year prior to 2014 over the past 35 years.

So how does this information impact your plans for your cow herd in the immediate future? Regardless of the prices in the cattle market at any point in time, any management practices implemented by the producer should have the bottom line in mind. There are numerous production traits that the producer can choose to emphasize in their operation. However, the areas that will have the greatest impact on future profitability of any operation are fertility (conception rates) and calving ease (calf survivability). If the producer achieves a high rate of efficiency in these two areas, then the producer can put selection pressure on additional traits of importance such as growth, maternal, and carcass traits.

One particular of concern that I have in today's beef industry is the potential impact of current market dynamics on the mature size of the typical brood cow. There is no question that harvest weights of fed cattle have climbed steadily for several years. In fact, reports indicated that average dressed steer weights reached 923 pounds during the week of September 19, 36 pounds heavier than a year earlier. At a dressing percentage of 62%, this translates to a live weight of approximately 1,490 pounds. These heavier carcass weights can be directly attributed to the need to generate more pounds with fewer head and less expensive feedstuffs.

Cow-calf producers have historically shown they are fairly responsive to market signals. Here are a few examples. Continental breeds grew in popularity in the 1970's to improve growth and carcass yields. British breeds later saw resurgence in popularity to moderate cow size and improve calving ease. The success of branded beef programs such as Certified Angus Beef saw a growth in popularity in black-hided cattle produced by Angus and other breeds. I'm sure you can think of other examples.

I would caution cow-calf producers from increasing the mature size of their brood cows in an effort to produce feeder calves that can produce the current typical harvest weights of fed cattle. While some of the increase in harvest weights is a result of cheaper feed costs, breed association data and other research indicates that nearly all major breeds have increased weaning and yearling weight Expected Progeny Differences (EPDs) steadily for several years. As a result, mature weights of breeding females have also risen.

A sound cow-calf production strategy would be to keep mature cow size moderate relative to your available forage base. A 1,000 pound cow may struggle to produce a calf that can achieve 1,400 pound harvest weights. A 1,600 pound cow will require higher annual maintenance costs and may not reach an adequate plane of nutrition that allows for annual conception and delivery of a calf. Both of these extremes in cow size have their issues. It is more efficient to keep cow size in check and get more of the calf crop's growth and performance from the sire. I would rather maintain one larger herd sire than many larger cows.

The ideal size of mature brood cow has been a hotly debated subject at auction markets, feed stores, and coffee shops for as long as I can remember. There is no universal correct answer as cow size should be based on the cow's ability to conceive and calve in a 12 month period in their given environment. Think about the annual rainfall and forage differences for producers in the eastern Corn Belt to the Gulf Coast to the Great Plains to the Far West. The brood cow that can thrive in these varied environments will come in several different shapes and sizes. Choose the cow size that best fits your operation.

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