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“I’ve been at this for 40 years, and I’ve never seen all of the things that we’ve gone through this year from a market standpoint.” So said Randy Blach, CattleFax CEO, during the recent Cattle Industry Summer Business Meeting in Denver.

Consider some megatrends. First, there are still some long-fed cattle to harvest and plenty of cattle outside feedlots.

“As a result of COVID, we’re going to be down 850,000 [fed cattle marketings] instead of being up 250,000. The result is, our biggest cyclical supply of harvest numbers is going to occur next year,” he said.

That’s because a lot of feeders weren’t placed this spring. Because of that, there will be a hole in market-ready cattle for the next few months, giving the market a chance to clean up the long-fed cattle.

Heavy carcass weights will continue to hang over the market, but will get better as we work through the backlog. That may happen sooner than some predict, including me.

“We will chew through that front-end supply between [late July] and October for the most part if we continue to harvest 520,000 to 525,000 head of fed cattle on a weekly basis,” Blach said.

With wholesale prices at historic lows and beef quality meeting consumer expectations, retailers have incentive to buy beef, and packers have incentive to harvest fed cattle.

**Fed cattle market improvement**

That means we’ll see improving fed cattle prices. “I think we’ll grind higher as these carryover numbers are brought back into control. Over the next 60 to 90 days [from early August], you’re going to see improvement in our fed cattle market,” Blach said.

He thinks that higher grind will continue into 2021. “It will average another $5 higher, and we’ll see that play out into other classes of cattle.”

In fact, Blach is optimistic that we’ve made the lows in calf prices for the year. What’s more, he thinks we’ve seen the lows in cattle prices not just for the year, but for the cycle. That, of course, assumes we don’t have any major COVID-19 setbacks.

Then there’s the cow herd. “The nation’s cow herd is shrinking. It was down 375,000 head last year. It was down 850,000 [fed cattle marketings] instead of being up 250,000. Periodic’s posture paid at Kansas City, MO, and additional mailing offices: Canadian Post Publications Mail Agreement No. 40597023. Canada returns address: IMEX Global Solutions, P.O. Box 25542, London, ON N6C 6B2. POSTMASTER: Send address changes to BEEF magazine, 255 38th Ave., Suite P, St. Charles, IL 60174. Current and back issues and additional resources, including subscription request forms and an editorial calendar are available at beefmagazine.com. SUBSCRIPTION RATES: Free and controlled circulation to qualified subscribers. Non-qualified subscriptions: USA - 1 year, $39.00; 2 years, $78.00; Canada/Mexico - $45.00; Foreign - $80.00. For subscription services or to order single copies, write to BEEF magazine, 255 38th Ave., Suite P, St. Charles, IL 60174; call 800-441-1410 (U.S.), or 630-899-5600 (outside U.S.), or email beefmagazine.com. PHOTOCOPIES: Authorization to photocopy items for internal corporate, personal or instructional use may be obtained from the Copyright Clearance Center (CCC) at 978-750-8400. All inquiries about list rental should be directed to Justin Lyman, 913-967-1377, justin.lyman@farmprogress.com.

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The Economic Impact of Parasitism in Cattle, 9-24.
In this month’s conference telephone call, my study herd manager said his ranch was getting on the dry side, and he was thinking about what his drought management strategy should be for the rest of this year.

I quickly went to the National Drought Monitor webpage, drought-monitor.unl.edu, to see how widespread this summer drought is as of late July 2020. I recommend my readers look at the drought monitor for their region.

Part of western Nebraska and the eastern two-thirds of Wyoming were classified as “abnormally dry.” Colorado was considerably worse, with the eastern, southern and southwestern part classified as “extreme drought.” Basically, there was considerable drought from Montana south into Texas.

Yes, we decided we should focus on potential drought strategies for my study herd manager.

I shared with my study herd manager that I worked extensively with Wyoming ranchers in the 2002 drought and again in the 2006 drought.

Several of us conducted drought management producer meetings in Wyoming and surrounding states focused on drought management strategies. I capitalized on these past drought experiences to published several extensive drought economic analyses for the 2012 drought.

Fire sale strategy

Traditionally, ranchers have sold cows to reduce stocking rates as the drought progresses. Cash income goes up dramatically as the ranch is destocked. Sometimes this money is used to pay down debts.

Then, cash expenses and debt typically go up even more as the ranch is once again restocked after the drought. Restocking prices are normally higher than the fire sale destocking prices.

As an economist, I became quite concerned with this fire sale strategy in the 2002 and 2006 droughts in Wyoming. I argued that selling down the cow herd impacts the financial well-being of the ranch business for the next seven to 10 years — one complete generation of cows.

Either the ranch suffers a substantial drop in gross income for the next few years, or the ranch has to repurchase breeding females — often expensive replacement females.

Visible and invisible costs

During the 2012 drought, I focused on studying the financial impact of a drought, as it has a lasting impact for at least one generation of females. I concluded that the long-run net result of a drought is higher costs of production for the lifetime of the next generation of females.

There are three added economic costs in a drought that can be broken down into visible and invisible costs. First, selling the breeding females, generally at fire sale prices, is a visible drought cost. Later, buying back or raising added replacements after the drought is another visible cost.

Having fewer calves to sell in the years following the depopulation is an invisible cost — sometimes a large invisible cost spread out over multiple years. In many cases, the invisible cost exceeds visible costs.

Destocking vs. depopulating

As ranchers formulate drought management strategies, it is important that they separate “destocking” decisions from “depopulating” decisions.

Destocking concerns removing cows from the grassland, while depopulating removes the cows from ranch ownership.

These are two distinct management decisions, each with its own economic consequences.

You can destock the herd by re-
moving it from grassland and feeding cows in a drylot, or by moving it to grass in another region or state. A lot of cows were moved east from eastern Colorado in the 2002 drought. Some of these experiences were more successful than others.

In my travels in September 2002, I observed a tremendous number of hay trucks heading into Texas and Oklahoma. Apparently, many of these producers decided to not to depopulate.

A second economic point is that optimal drought management strategies vary with the stage in the cattle cycle. When calf prices are high, several alternative drought strategies may be feasible. When calf prices are low, about the only logical economic strategy is to sell cows.

The 2002 drought was characterized by low calf prices and low fire sale prices for beef cows, followed by high replacement prices.

The 2006 drought was during a national herd expansion characterized by higher calf prices, higher fire sale prices and lower replacement prices after the drought. I would suggest that today’s drought situation is similar to the 2002 drought.

**Drought strategies**

In the 2002 and 2006 droughts, I simulated the 10-year implications of different drought strategies. No. 1 was holding back zero replacement heifers for one and/or two years. No. 2 was selling off 30% of the mature females to reduce grass demand. No. 3 was buying back replacement females after the drought ends. And No. 4 was buying feed and keeping the original cow herd in place.

My conclusion was that the 2002 and 2006 droughts both had the potential of reducing the next 10-year net cash flow of the ranch by around 43%!

My studies of the 2002 and 2006 droughts led me to conclude that the optimal drought strategy for the 2006 drought was not the same as the optimal drought strategy for the 2002 drought. This suggests that ranchers should be careful in using previously used drought strategies in the current drought.

One final thought shared with my study herd manager: How your herd has been performing economically should play a critical role in your drought management plan.

Let’s look at his last three years. His 250-cow herd grossed $1,006 per cow in 2018, grossed $944 per cow in 2019 and is projected, before taking the drought into account, to gross $975 per cow in 2020. Total costs per cow were $861 in 2018, $877 per cow in 2019 and are projected at $873 per cow in 2020 before the drought.

The calculated net return to unpaid family labor, management and facilities was $145 per cow in 2018 and $65 per cow in 2019, and is projected before the drought at $111 per cow for 2020.

I suggested that my study herd manager had to be careful of what drought strategy he used in the current cattle cycle price low. It may be a few years to the next price high.

My advice to my study herd manager is for us to do some economic modeling of alternative drought management strategies, where we look at the economic impact of alternative drought management strategies over the next several years.

To start, we should look at 1) supplemental summer feed during the drought, 2) early weaning, 3) culling replacement heifers on grass now, 4) culling this year’s late calving cows, and 5) culling older cows. I plan to share these economic evaluations with my readers in later articles. Stay tuned.

Hughes is a North Dakota State University professor emeritus. He lives in Kuna, Idaho. Reach him at 701-238-9607 or harlan.hughes@outlook.com.
Plan to grow demand

“We want beef to be the protein of choice, and we want the entire U.S. beef industry to be trusted and respected for its commitment to quality, safety and sustainability,” says Kim Brackett, an Idaho rancher and leader of the Beef Industry Long Range Plan (BILRP) task force.

That group unveiled its plan for 2021-25 at the Cattle Industry Summer Business Meeting in Denver. The BILRP — updated every five years since 1995 — is designed to help the beef industry establish a common set of objectives and priorities.

It communicates the industry's strategic direction and offers insight to how the industry can serve stakeholders by growing beef demand.

Try this on for size. By 2025, the goals are to:

• Achieve a Wholesale Beef Demand Index, as calculated by CattleFax, of 124. For 2019, the index was 115.

• Grow packing capacity by 7% (7,000 head per day).

• Grow U.S. beef exports to 17% of U.S. beef production.

• Of all cattle-producing states, 75% will be participating in a nationwide animal disease traceability program (e.g., U.S. CattleTrace).

• Quantify the existing public research funding for beef industry production issues, and grow that funding by 25%.

• At least 75% of producers will agree that the beef industry is effec-
tively addressing opportunities and challenges in a way that enhances the business climate for beef.

Along the way:
• Maintain a cow herd of 30 million to 31 million, with a growth target of 32 million to 32.5 million head.
• Grow Beef Quality Assurance certifications by a cumulative total of 10% per year, and achieve national standardization of the BQA program by 2023.

Those are all specific goals — just some of them — addressing these six core strategies:
1. Drive growth in beef exports.
2. Grow consumer trust in beef production.
3. Develop and implement better business models to improve price discovery and value distribution across all segments.
4. Promote and capitalize on the multiple advantages of beef.
5. Improve the business and political climate for beef.
6. Safeguard and cultivate investment in beef industry research, marketing and innovation.

In turn, those strategies address four main objectives:
• Grow global demand for U.S. beef by promoting beef’s health and nutritional benefits, satisfying flavor and unparalleled safety.
• Improve industrywide profitability by expanding processing capacity and developing improved value-capture models.
• Intensify efforts in researching, improving, and communicating U.S. beef industry sustainability.
• Make traceability a reality in the U.S. beef industry.

“In preparing for battle I have always found that plans are useless, but planning is indispensable,” said Dwight D. Eisenhower, a two-term U.S. president and former commander in chief of the Allied Forces in Europe during World War II.

Leaf through previous industry long-range plans and you’re struck by how prescient the plans were, and how committed the subsequent industry efforts.

You might recall the two decades of demand purgatory endured by the beef industry, which lost about 1% of consumer beef demand for each of those years until about 1998. Planning and long-range plans were part of the subsequent tide-turning.

The defined mission of the new long range plan (beeflongrangeplan.com): “Ensure the long-term prosperity of the U.S. beef industry by sustainably producing the most trusted, highest quality and consistently satisfying protein for consumers around the world.”

Amen.
Selling beef directly to consumers, Part 2

Finding a processing plant is the first hurdle. Marketing your beef directly to consumers is an even bigger challenge. BY GREG BLOOM

In the July edition of Beef magazine, I wrote Part 1 of this article about how to find a processing plant to process your beef. Since then, I’ve received many phone calls and emails from beef producers; most have been frustrated with the search for a small- or medium-sized plant that can process for them.

My advice is, don’t give up! Keep calling the plants in your area using the tips I gave for finding a plant. If the plant says it doesn’t have room in its schedule, call it every month. Or better yet, go and visit the owner and take him or her to lunch and get to know them.

Once you’ve found a plant to process for you, you’ll need to find customers for your beef, and what cuts of beef you are going to offer for sale.

The easiest way to move your beef is by selling halves and quarters to your customers. This way you don’t get stuck with slow-moving items that take up room in a freezer, and you won’t have to keep track of a large inventory of various items.

Make an easy-to-use order form for your customers to order beef halves and quarters. I have an example of one on my website at gregorybloom.com/forms.

Depending on your processing plant’s cutting and packaging capabilities, you may want to venture into the taller grass of selling individual cuts of beef, and even steaks and grinds. Do this only if you have a reasonably affordable commercial freezer to store your beef.

Expect to pay $75 to $100 per pallet per month for freezer space at a meat plant or cold storage facility. Some larger facilities will also have a picking charge to pull your orders. Try to find a small cold storage facility that will let you pull your own orders and have access to your products so that you can take monthly inventory.

If you go this direction, save only the common cuts of steaks and roasts that consumers want and grind the rest. Ground beef in 1-pound packages, 80% lean, is the easiest item to sell. Have all the popular grilling cuts made into steaks.
I’d suggest 10-ounce rib-eyes, strips and sirloins. Have the tenderloins cut into 8-ounce steaks. Have the chuck and round roasts cut and packaged into 1-pound packages. Don’t save the flanks, skirts, hanging tender and other miscellaneous cuts — grind them.

When you price your individual beef items, make sure you do a spreadsheet to show your yields for each item. Then, plug in your sales prices and make sure you’re making a profit on your carcass.

Ground beef should be priced high enough to make your carcass cutout profitable. A very common mistake I see is producers selling their ground beef too cheap, and then losing money on the carcass.

Developing a website

You can develop a professional-looking and easy-to-build website on your own. Don’t spend thousands or even hundreds of dollars with a web development company.

I use bluehost.com to register my domain name and host most of my websites. Bluehost has a free web-building tool using Weebly (weebly.com) that allows you to create a simple, easy-to-build website for free, after you pay for your domain name hosting — which is less than $20 annually.

If you really want to develop a robust, professional-looking website to do e-commerce that will collect payments for you, don’t use Weebly; rather, look at Shopify (shopify.com).

Shopify has a great platform and is easy to learn, with all sorts of free videos. But it will cost you $30 per month, so only do this if your planning on moving beef on a monthly basis. Shopify also has an easy way to create social media ads and collect email addresses to help you market your products.

If you’re reluctant to enter the digital world and have kids or grandkids available near your ranch or operation, have them learn Weebly and/or Shopify. My kids can navigate and build my websites twice as fast as I can, plus they enjoy that sort of work more than I do.

I know this is a lot of work, but remember that Rome wasn’t built in a day. Also, recall the line from “Field of Dreams”: “If you build it, they (your future customers) will come.”

Bloom is owner of U.S. Protein, an international distributor of premium meats, and a columnist for BEEF Cow-Calf Weekly. Contact him at greg@usprotein.com.
Consumer Demand

Beef demand is everything

There’s a reason prices for cattle and beef can run in opposite directions. BY WES ISHMAEL

Prosperity of all beef industry participants hinges critically upon consumer demand,” says Ted Schroeder, noted agricultural economist and director of the Center for Risk Management at Kansas State University (KSU).

“Every new dollar that enters the industry comes from the consumer. Without the consumer, we are out of business. It’s absolutely critical, as an industry, that we recognize that — and that we realize everyone in the industry plays an important role in demand formation,” Schroeder explains.

It’s too easy to think of beef as a singular commodity, rather than the sprawling array of specific products that comprise the market category. As such, it’s also often tempting to consider beef demand as one thing.

In fact, beef demand varies across the carcass at any given point in time for different primals, subprimals, specific cuts, ground beef and beef variety meats.

For our purposes here, though, let’s focus on aggregate beef demand, depicted by the simple demand curve that is familiar to many.

Demand vs. consumption

First, keep in mind that demand is different than consumption. Beef consumption — expressed as pounds of beef consumed per capita — is a function of beef production.

Glynn Tonsor, another noted KSU agricultural economist, explains that domestic beef consumption simply reflects beef availability. It is the sum of domestic beef production and imported beef, minus beef exports — for specific periods of time — divided by the U.S. population, with some minor adjustments made for beef in cold storage.

“If you increase population and nothing else, per capita consumption declines,” Tonsor explains. “If you increase supply and nothing else, per capita consumption increases. It says nothing about demand in either case.”

How demand works

Demand, on the other hand, refers to the quantity of beef consumers will buy at various prices. That’s what the demand curve depicts.

All else being equal, as the supply of beef increases, the price consumers will pay declines. As supplies decrease, consumers will typically pay more. Likewise, the basic supply curve suggests that as prices increase, more supply will be made available, and less as prices decrease.

In the parlance of economists, consumer demand for beef is referred to as primary demand.

“When consumer demand increases, consumers are willing to pay more for the same amount supplied, or they will buy more at the prevailing price,” Schroeder explains. There’s more quantity supplied and more beef demanded at higher prices.
Ultimately, variations in aggregate consumer beef demand support or pressure prices producers receive for fed cattle and feeders.

In fact, according to research by Melissa McKendree, Extension economist at Michigan State University, across decades, a 1% increase in beef demand typically yields a 1.52% increase in fed cattle prices and a 2.48% increase in feeder cattle prices. The opposite is true, too.

“Thata’s how stark the impact of demand is at the producer level,” Schroeder says.

**Why the coronavirus matters**

Demand is why the length and depth of the domestic economic recession spawned by COVID-19 matters so much to producer pocketbooks.

On the one hand, previous work done by Tonsor and Schroeder indicates consumers are becoming less price-sensitive when it comes to meat.

In other words, they’re less likely than they used to be to trade away from beef for a competing protein based on fluctuating price differences. At the same time, though, they’re also more sensitive to total food expenditures.

“If beef demand is more sensitive to income and expenditures, that means it’s becoming more sensitive to macroeconomic conditions,” Tonsor explains.

**Related but different**

Besides primary consumer beef demand, Schroeder explains there is what’s termed derived demand.

Actually, there are several different derived demands (Figure 1). For purposes here, we’ll concentrate on beef flowing through the retail channel, but the same applies to beef destined for food service or export.

Understanding shifts in derived beef demand at specific points in time is complex. For instance, even when consumers are willing to pay more for beef, the retailer buying wholesale beef may not be.

Likewise, the packer may not be willing to pay more for fed cattle. The primary reason in the latter two cases has to do with cost.

**Snug up the cerebral cinch**

Derived demand by grocers reflects the prices they are willing to pay for a given quantity of beef at the wholesale level. There’s a retail beef price and a wholesale beef price.

“The difference in those prices in a competitive market is the cost of getting wholesale beef to the retail meat case for the consumer,” Schroeder explains.

“Costs include transportation, energy to keep the store going, labor, restocking, everything it takes to get beef from the back of the packing plant to the retail counter for consumers.”

Suppose those costs increase. Derived demand by the grocer declines, which equates to a lower wholesale price for the same quantity of beef supplied.

“The primary consumer isn’t changing their demand; it’s the wholesale demand,” Schroeder explains.

“Likewise, if costs decline — if energy costs decline, for instance, or if new technology is adopted that increases shelf life — that would shift derived demand by the grocer upward.”

Schroeder explains the difference between derived packer demand and derived grocer demand is the cost the packer incurs to convert cattle into wholesale beef.

“Suppose the packer has a major labor shortage, and their costs for labor go up significantly. Nothing happens to primary consumer demand or derived grocer demand, but derived packer demand shifts down and farm prices for fed cattle decline,” he says.

**Reality check**

Market reaction in the wake of packer labor challenges spawned by the pandemic serves as a sterling example of how all of this plays out in reality.

Almost overnight, beef packing capacity declined significantly, as plants were forced to close or operate at slower speeds due to added safety precautions.

Sharply increased packer costs shoved derived packer demand lower, meaning lower prices for fed cattle.

At the same time, the quantity of beef supplied declined, pushing wholesale and retail beef prices higher.

“We heard a lot of questions about how it was possible that farm prices could decline while wholesale prices increased, if the market was even halfway functioning,” Schroeder says.

“It’s a market phenomenon. The direction of price change and the magnitude of change is exactly what our demand models suggested. We’re surprised by the veracity of the event every day, but we’re not surprised by what the market responses have been.”

Note: Schroeder and Tonsor shared these insights during the webinar series Intersection of the Cattle and Beef Industries, hosted by Extension services at North Dakota State University, Texas A&M University and West Virginia University’s Davis College of Agriculture. You can find the series at bit.ly/ndsuleiw.
Investigation shows markets work

USDA investigation confirms cattle and beef prices reacted as expected to packing capacity and demand disruption. BY WES ISHMAEL

Beef and cattle prices reacted the way they should have in the wake of the Tyson plant fire in Kansas last summer, and following the massive supply and demand shock imposed by the pandemic.

That’s the bottom-line interpretation of the price investigation completed by the USDA Agricultural Marketing Service (AMS).

Sudden and historically wide price spreads between cash fed cattle prices and wholesale beef values after the fire prompted the investigation.

Then came COVID-19 and even wider price spreads, so USDA added that to the original investigation.

Up front, keep in mind that the USDA Boxed Beef and Fed Cattle Price Spread Investigation Report does not examine potential violations of the Packers and Stockyards Act.

“Findings thus far do not preclude the possibility that individual entities or groups of entities violated the Packers and Stockyards Act during the aftermath of the Tyson Holcomb fire and the COVID-19 pandemic,” according to the USDA report, released July 22.

“The investigation into potential violations under the Packers and Stockyards Act is continuing.”

Instead, the report provides an overview of market conditions and prices before, during and after both “black swan” events.

Massive price gyrations

First, the price trajectory after the fire.

The weekly average Choice boxed beef cutout value (CBCV) the week of the fire (the fire occurred Aug. 9, 2019) was $216.04 per cwt. The price declined 6% to $169.81 during the first week after the fire, but increased the second week after the fire to $172.20 (up 2%).

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Ultimately, negotiated fed cattle prices declined to a low point of $159.06 per cwt the week ending Sept. 14.

So, the spread between the dressed cattle price and CBCV was $36.03 per cwt in the week leading up to the fire. The spread increased 68% to $60.62 the first week after the fire. It was $67.17 the second week after the fire.

At the time, that was the largest spread since the inception of mandatory price reporting in 2001. After the third postfire week, the spread narrowed to $41.77, a 38% decrease from its postfire high.

In his analysis of the USDA report, David Juday of the Juday Group notes the focus by many was on apparent gross margins for beef packers.

“This spread is a metric of just two factors: live cattle prices and wholesale beef prices. It does not reflect all costs incurred in harvesting and processing cattle into beef. The cattle-to-beef margin excludes other operating costs, such as labor costs,” Juday explains.

More importantly, he says, the cattle-to-beef margin ignores fixed costs.

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It hasn’t been fun. In fact, it’s been downright stressful. The severe market gyrations following last year’s Tyson beef plant fire and then COVID-19 gave beef producers a serious head slap. Did packers and retailers take advantage of the situation? Not according to a USDA investigation. It found that the markets reacted as expected.

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“Fixed costs constitute the largest percentage of overhead for meat packers. Overall, per-head margins on processing cattle rise dramatically as slaughter throughput is decreased,” Juday says.

“Fixed costs must be spread out across the volume of cattle processed. Reducing the number of cattle processed by up to one-third, or idling a plant for several days, adds significantly to the per-head cost of slaughter and processing.”

Then came COVID-19

Postfire price reactions pale compared to those associated with the pandemic.

First, there was the demand shock as beef demand switched essentially overnight and almost entirely to retail, and away from food service, as consumers sheltered in place.

The CBCV increased about 23% from the middle of March ($207 per cwt) to the beginning of April ($255). During the same period, average dressed fed cattle prices increased from $173 per cwt to $189.

From mid-March to the beginning of April, the spread increased by approximately 94%, from about $34 per cwt to $66. The spread averaged just under $21 per cwt during 2016-18.

Then came disruptions to packing capacity, beginning in late March and peaking at the end of April, as workers were infected and plants slowed or closed altogether, significantly reducing both beef production and packer demand for fed cattle.

At the same time, there was another surge in retail demand by consumers fearful of shortages.

Weekly average CBCV increased about 80%, from about $255 per cwt at the beginning of April to about $459 by the second week of May. From the beginning of April to the start of May, dressed fed cattle prices declined 18% from $189 per cwt to $154.

From the beginning of April to the third week in May, the spread increased from approximately $66 per cwt to just over $279, ballooning 323%.

From the second week of May to the first week of June, Choice boxed beef cutout value decreased from $459 per cwt to $298. Dressed fed cattle prices increased from approximately $154 the last week of April to $179 the first week of June.

During the first week of June, the spread narrowed to about $119, down from $279 the first two weeks of May.

“This is a decrease of approximately 57%, but the spread is still high by historical standards,” AMS
analysts say. “It is too early to determine if this trend will continue, as uncertainty persists over the recovery of the supply situation at beef plants and the recovery of food service demand amid continued COVID-19 concerns and any continued effects.”

**Economic pain, but no surprises**

“Record-high meat prices are not a surprise,” says Stephen Koontz, agricultural economist at Colorado State University, reflecting on COVID-19 impacts specifically, in his analysis titled “Economic Reasons for What Was Observed in Fed Cattle and Beef Markets During the Spring of 2020.”

“The grocery store supply chain was emptied during the closures of local economies and then had difficulty catching up,” Koontz explains.

“Further, prices associated with specific cuts that consumers typically prepare at home were the highest.

“Prices of cuts sold at restaurants initially dropped to record lows and then rallied as consumers made substitutions and began purchasing cuts they did not buy typically. However, all rallied as total beef supplies diminished with closures and partial operations.”

Likewise, Koontz says the precipitous decline in cattle prices was not surprising.

“If packers cannot run, or cannot run at typical throughput levels — especially if animal supplies are abundant — then the marginal value of that last group of animals that is not sold is close to zero. And the last pen or truckload or group of animals is a perfect substitute for the first,” Koontz says.

“It is the marginal value of the last product that sets the market. This point is critical. In fact, that is what is communicated by economists when supply and demand curves are drawn. The equilibrium quantity and price are what is trad-

packed concentration and price discovery.

“At the core of many of these discussions is the desire by many market participants for improved price discovery, reinvigorated competition and a more transparent relationship between the prices for live cattle and the resulting products,” according to the report. ■
Most producers know that a preconditioning program is important for the success of their calves and will net more money per calf in a typical year. Successful outcomes depend on how the cattle are prepared for the next stage in life, and that starts well in advance of weaning day.

Here are a few tips to make weaning time more successful.

**Preweaning**

About 10 to 14 days before weaning day, introduce calves to feed while they are still nursing, to teach them to eat feed. This will help reduce the time required to get calves on feed, as well as the bawling.

Early feed acceptance helps keep calves in a positive energy balance through the stressful weaning time. Feeding calves with a creep gate in the new weaning pasture can help them adjust during preconditioning and reduce stress on weaning day.

Consider a two-step weaning process with nose flaps. This helps reduce the calf’s physical dependence on the cow’s milk while still letting the calf be at her side for emotional support.

If possible, when putting in nose flaps, administer the first round of vaccinations and deworm the calf. Consult with your veterinarian as to what products can be used for a calf that is still nursing.

**Weaning day**

There are only two things you should do on weaning day: 1) sort calves off the cows, and 2) remove nose flaps if you used them with the two-step weaning process.

Do not vaccinate, even though you have the cattle up. Vaccinating a calf at this time can compromise the immune system’s ability to recognize the vaccine and build a sufficient antibody response. Use the fence-line weaning method to reduce the stress of physical separation.

**Postweaning**

Many producers will double the net value of the calf in the next 45 to 60 days. Preconditioned calves can eat and drink from a bunk and water trough. This reduces the amount of shrink when transported to the sale barn.

If hauled directly to the sale barn from the pasture, a freshly weaned, bawling calf can incur 6% to 10% shrink. For a 500-pound calf, that could be 30 to 50 pounds of lost weight and value.

Attention to vaccinations, health and nutrition management is paramount. If weaning in a drylot, provide calves with the best-quality grass hay available, and clean water. When you are confident they will stay put, get the calves back out on pasture as soon as possible.

Start with 3 to 4 pounds per head per day of supplemental feed. To help calves find feed and water sooner, place the hay, feed trough and water bunks on the perimeter of the pen.

Provide calves with the best pasture. Supplement a feed that is at least 12% crude protein (CP) and 70% total digestible nutrients (TDN) at a minimal of 5 to 6 pounds per head per day. In doing so, they should achieve an average daily gain of 2 pounds per day minimum.

Avoid rates of gain of more than 2.5 pounds per day. This prevents overconditioning, which can cost the producer in two ways: 1) order buyers will discount a fat calf, and 2) you will have spent money on feed that you cannot recover.

Wait for seven to 10 days post-weaning to vaccinate. This allows the stress of weaning to subside and will allow the calves the best opportunity to develop good immunity.

In general, calves should receive at least two rounds of a modified live viral vaccine for the five-way viral respiratory complex, two rounds of an eight-way clostridial vaccine and one round of a shipping fever vaccine.

They should be dewormed prior to leaving the ranch. Work with your veterinarian to develop a proper vaccination plan.

Document the lot or serial number and expiration dates of any product administered. Additionally, record the route of administration, dosage, product name and the location the product was given. Adhere to withdrawal time requirements of any product used. Do not ship an animal that has not cleared its withdrawal date.

Ideally, wean for 45 days, as order buyers will reward longer-weaned cattle. This allows you to put additional weight on the calf while it’s still at the ranch. Typically, a heavier calf is worth more on a per-head basis than a lighter calf, even though the lighter calf will bring more on a price-per-pound basis.

**Shipping day**

Allow calves to have one last meal at home before shipping to reduce...
the amount of time to their next meal at the sale barn or feedlot.

Plan to deliver calves the day before the sale. This gives them time to acclimate, find water and feed, and replenish what they lost in transit. By doing this, producers typically see a reduced shrink — less than 2% — to positive gain.

Plan to ship earlier in the day to avoid inclement weather, including heat. If using a professional hauler, provide written documents that include head count, vaccine information and to whom the check should be written. Additionally, make sure the hauler is bonded and insured for your protection.

Sale day

Be there on sale day. Provide the sale barn staff and auctioneer your vaccination records and a short description of the breeding and management of the cattle.

Better yet, participate in a marketing alliance or program that will help you leverage all the added-value attributes you have built into the calves. Sell on the same day and at the same facility with other preconditioned calves.

If you are the only rancher delivering preconditioned calves to the sale that particular day, and buyers cannot make a full load out of single-sex, similar-weight cattle, they have little incentive to pay a premium. Your calves will be loaded on the truck with commodity calves, and lose their identity and uniqueness.

If the program or auctioneer fails to announce the attributes of the cattle, interject and announce it yourself.

The sale barn is there for your benefit. Most sell on a percentage basis, so it benefits them to sell cattle for as much money as possible.

Ranching is unlike most other businesses that receive a return on their investment throughout the year. Ranchers are paid a few times, if not once, a year.

Intentional practices can assist in getting the highest price offered for your cattle.

By implementing the above recommendations, you are able to help your cattle stand out from the rest.

For additional tips not listed here, visit bit.ly/nriweaningtips.

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‘But I have corn to harvest’

As a Midwestern veterinarian, I have often heard, “But I have corn to harvest.” It is a potential answer to the questions, “When shall we pregnancy-check your cows?” or “What day do you want to process and wean your calves?” Do your cows care about your corn harvest?

Of the hundreds of beef cow-calf clients I have worked for in these “corn states,” less than 1% had beef cow-calf as their primary agricultural enterprise. For most it was corn, so I understand. Harvesting after a snowstorm is never a pretty sight.

Veterinarians want to be an asset to their clients, and I studied my clients who never answered a cow question with a corn answer. They pregnancy-check cows, and process and wean calves before harvest begins. The cows need to move to the cornfields as soon after harvest as possible.

Corn crop residue deteriorates every day after harvest, while standing forage generally holds or improves in quality as the fall and winter progress. Rotate cows to the stalk field after calves are weaned for some very inexpensive corn crop residue grazing.

Some herds graze residue for over 60 days with only a salt-mineral mix to make a balanced ration.

My motto is, “The best day of the year to own a beef cow is the day she goes to the cornstalk field.” If the owner uses strip grazing of the stalk fields, the cows should gain weight prior to winter.

Another advantage of early pregnancy-checking is that open cows can be marketed before the traditional price drop from September through November. Stalks and other winter feed are allocated to the cows that deserve to stay in the herd.

Weaned calves benefit by eating a ration that complements their genetic ability to grow. A beef cow in late lactation consuming end-of-season forage is not providing much milk to her 550-pound calf, as the pasture is likely lacking the nutrition the cow needs.

The conversion of feed to gain on these newly weaned calves can be in the 4-5:1 range. The weather is also generally superior in early fall versus late fall and early winter, which decreases the stress of weaning.

Producers across the U.S. have found economical ways to feed calves so they gain 2.5 pounds to 3.0 pounds per day without getting fleshy.

A producer in Montana told his veterinarian and nutritionist that he wanted to wean a bit earlier in the fall and background his calves for about 70 days to add and capture more value from his high-health, excellent genetic calves.

The veterinarian devised a vaccination program, and the nutritionist worked with his local feed dealer to make a protein cube (cake) with an ionophore. The calves grazed standing forage and ate 4 pounds of the cake per head per day.

The calves gained 175 pounds in 70 days (2.5 pounds per day), and the owner nearly doubled his profit per calf weaned vs. selling the day of weaning. If calves were weaned later and faced weather stress, these gains would have been greatly reduced.

Calf prices also tend to rise from October to December, with the low coming from mid-September to mid-October.

When calves are weaned earlier, backgrounded and sold from late November to December, there are years that the price per cwt for 775-pound calves in December will be the same or higher than 550-pound calves at the end of September. Adding 225 pounds with no price slide is a tremendous advantage.

If you live in a “corn state” or even if you do not, there are many advantages to pregnancy-checking cows, and weaning and processing calves earlier in the fall.

P.S. Don’t tell anyone this “secret,” or the market trends won’t stay as predictable as they have been for the past 20 years!

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Serving America’s Most Essential Industry — Agriculture
Occasionally I hear someone’s description of the ranch of the future. So, I thought I’d add mine. Let’s consider cattle ranches that may include other enterprises.

There are all types and kinds of cattle ranches. There are hobby ranches, where the owners want to have a fancy place with a few cows where they can enjoy the scenery and outdoor activities.

Without wanting to offend, I struggle to call those ranches. They’re really recreation venues situated on a pretty piece of real estate, and I don’t blame anyone for wanting that lifestyle.

Others are owned by wealthy people or organizations that want a place to store and protect wealth. I find most of them to be serious about ranching profitably. If they don’t, they will have trouble protecting their wealth.

There are ranches that have been owned by a family for some time — even several generations. These are the most common, ranging in size from quite large to very small.

Many have one or both spouses working a day job that provides insurance and a basic family living. In some cases, one spouse works full time on the ranch.

Some operators are satisfied to stay at their current small size and just enjoy the amenities offered by owning and operating a small farm or ranch. Others are trying to work their way into larger full-time operations.

There are many types and sizes of cattle ranches. USDA data from 2019 indicate that 62% of the beef cows in the U.S. reside on ranches with 200 or fewer cows.

Ranches with 50 or fewer cows make up 27% of the national herd. In some cases, these smaller herds of cows are part of a grain or cash crop farm. So, trying to define typical is very difficult.

Looking at ranches operated by at least one full-time family member and having more than 200 cows, I think I see a few trends emerging. These are not yet, and may not become, strong trends; but I think they will be important and place a new look on the “ranch of the future.”

One trend is a slow, yet impressive movement to understand principles and adopt practices of soil health improvement. After a decade or more of terrible misuse of the word “sustainable,” I hope we can maintain the proper definition of “regenerative.”

If your practices don’t result in quantifiable improvements in soil health and biodiversity, with attendant reductions in chemical inputs, they are not “regenerative.”

This trend to better management of soil health is bringing cattle and other animals back to farms. Enterprises are being stacked to take advantage of symbiotic relationships, where one plus one equals more than two. There is an increase in mixed-enterprise farms and ranches.

On ranches of more than 200 cows, there is a trend to fewer but larger ranches. This is driving another trend — more separation of ownership and management. While this is slow, it is happening.

People with wealth are seeing ag land as an excellent store of wealth. Its market ups and downs don’t correlate with stocks and bonds, and land will always have intrinsic value.

The operating returns will seldom be high; but operating returns on “well-managed” ranches plus land value appreciation will typically beat the S&P. The problem is that not enough of them are well-managed.

Another trend is rapid adoption of technology. This will continue because there are many inventive people developing new technology, eager salespeople trying to sell it, and farmers and ranchers ready to buy.

This is my greatest area of caution. There is and will be wonderful technology that will make your ranch more profitable. But there will always be some that won’t. I will suggest that much of it will cost more than it returns. Be careful and do your arithmetic.

Teichert, a consultant on strategic planning for ranches, retired in 2010 as vice president and general manager of AgReserves Inc. He resides in Orem, Utah. Contact him at burketei@comcast.net.
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