



Manitoba Beef Review

Volume 2, Issue 1

Manitoba Agriculture and Food - Animal Industry Branch Winter 2002

Cattle Nutrition Workshop a Success

Melinda German - Cow/Calf Specialist - MAF

This winter the Animal Industry Branch offered a 'Cattle Nutrition Workshop', across the Province. The workshop evolved as a result of the AIB consultations with the Manitoba Cattle Producers Association. It involved a full day of presentations by the Provincial Animal Nutritionist and Cow/Calf Specialist, and covered topics such as protein/energy metabolism and feeding, the importance of minerals and vitamins, feed additives, processing, feeding for Manitoba winters, and practical ration formulation calculations. Alberta Agriculture and Food's 'Cattle Nutrition Course Manual' was used to supplement the material presented.

The workshop was offered at nine locations across the province and they included Neepawa, Boissevain, Arrow River and Brandon in the Southwest Region; Inglis in the Northwest Region; Gladstone and Morden in the Central Region; and Fraserwood and Vita in the Eastern/Interlake Region. In total 175 people attended the workshop (145 producers, 19 staff and 11 industry/other, which included PFRA employees from across the province and Saskatchewan). Due to the high level of continued interest, there are plans to continue with the program this fall. A number of Ag. Rep. offices and feeder associations have expressed interest in hosting a Cattle Nutrition Workshop in their district.

The presenters wish to thank participating staff for their excellent job in organizing the meetings in their areas. Their time and effort was appreciated and ensured the success of the workshops. Special thanks also go out to MCPA for their support of this initiative and assistance in making it a success.

A Silage Production Workshop is currently being developed by several provincial specialists, with hopes of being offered in the winter of 2003, with the assistance of provincial and regional staff. General topics to date include the biochemistry of making good silage, forage species selection, feeding, regional experience and activities, and the economics of production.

DROUGHT PROOFING YOUR HERD IN 2002

Lyle McNichol - Northwest Livestock Specialist - MAF

The severe drought conditions in Alberta and Saskatchewan have resulted in a major drain of hay supplies from Manitoba. The out of province hay trucks have been rolling steadily since last June 2001. There also has been a large influx of Alberta and Saskatchewan ranchers seeking pasturing and wintering opportunities in Manitoba.

This has had a major impact on our local cattle producers. The first being a sharp increase in price of hay. The second impact has been that extra pasture available for rent has all been taken up.

There, therefore exists a potential feed shortage for Manitoba producers who may have to purchase extra hay this year. The mild winter to date has helped to reduce the feed demands of the cowherds. I am aware of several producers who are short of feed and who are looking at moving purchased hay up to 100 miles. One might speculate that if this drought continues into 2002 that the potential for an extended feeding period exists. The PFRA drought watch reports indicate that most of the western half of Manitoba has very low subsoil moisture levels and low dugout water levels. This could mean a slow start for our pastures unless timely substantial spring rains occur.

The price of feed barley, oats and grain screenings has risen sharply from 50 - 70% and grain screenings are in short supply. This can present a problem in obtaining supplies of them in a timely manner.

Producers should be doing an inventory of their feed supplies now and planning to feed the cow herd until at least June 1, 2002.

When looking at alternative feeds such as cereal straws, out of condition or high fusarium grain, forage seed straws there are a number of considerations:

Cereal straw - most desirable are oat and barley straw followed by wheat, then rye straw. The low digestibility of straw requires that cattle receive adequate levels of protein. These alternate protein sources should be investigated for levels of calcium, phosphorous, trace minerals and vitamins. Many of these protein sources such as block tubs and lick tanks can be used in conjunction with grain or screenings. However consumption of these protein sources can vary widely due to cold severe weather. Some forage seed straws such as perennial ryegrass and certain type of fescue straw can contain dangerous levels of endophytes and should be tested before use.

Producers with beef or dairy cattle can utilize high fusarium grains. Any barley or wheat carrying fusarium levels over 1% DON which are rejected by feed mills and hog producers can be considered by cattle producers. Recent feeding trials in Manitoba with dairy cattle at University of Manitoba found dairy cattle can tolerate levels of 8.4 ppm in total diet with no effects on milk production or reproduction.

Trials at the University of Minnesota and North Dakota with DON levels at 12-18 ppm has been feed to growing cattle and sheep with no effect on feed intake, average daily gain or feed efficiency.

When feeding any moldy (heated) grains producer need to take into account other quality issues associated with molds, (example: palatability and energy loss). Moldy feeds should be avoided with pregnant females.

Manitoba Agriculture and Food also maintains a hay and pasture listing service which can be accessed on our Website: <http://www.gov.mb.ca/agriculture/> or by contacting any Manitoba Agriculture and Food office.

Manitoba Agriculture and Food offers a ration formulation service free of charge to producers. This ration formulation will allow producers to evaluate different options and can assist in lowering your feed costs. Contact any Manitoba Agriculture and Food office for further information and assistance.

Market Update

Michael Buchen - Feeder/Feedlot Specialist - MAF

The average recession lasts approximately ten months. BSE in Japan, dry weather conditions, increased feed costs and the events of September 11th have driven the fall fat cattle market to the lowest fall quarter price average since the fall of 1998 when prices averaged 61.30.

The cash price rally that began in late December continued throughout January and most of February as steer prices reached \$62.00 the week ending February 9th. Over the next several weeks additional price strength could be limited by the fact that cattle feeders continue to market cattle at very heavy weights. But, despite the heavy marketing weights a reduction in slaughter cattle supplies during late winter and early spring is still expected to push cash prices into the low to mid \$70's

Consumption was up 5.5% over 2000 and this is the third consecutive yearly increase over the competition. Interestingly, 2001's calf crop was the smallest since 1952. The smaller calf crop should lead to smaller placements of cattle on feed during 2002.

Japan's exports were offset by dramatic increases to Mexico (+20%) and South Korea (+64%). Continued strength in other major export markets could reduce the impact of the Japanese export decline.

Feeder cattle price direction this year will be determined in large part by strength in slaughter cattle prices. Don't forget fat markets are the driving forces behind calf and yearling prices.

Due to drought and high calf and yearling prices no heifer retention to build the national cowherd has started. If it starts to rain, heifer retention will start in 2002. With heifer retention feeder supplies will tighten and feeder prices will strengthen. The price spread from fats to feeders will not be as large as past years due to historically high losses incurred in the feedlot industry.

Grass cattle are still trading at a high level, but be cautious, the large profits of grass cattle last year won't be seen again until we cycle again.

Cow/calf profits should continue the same as your last three yearly averages. If you are a provider of bred heifers, this rebuilding of the national cowherd and drought areas will show some substantial profits. Don't forget heifers purchased in high times historically speaking produces calves that enter cyclical lower markets.

Due to a historically low Canadian dollar and cheap corn in the U.S. movement of feeder cattle has been totally south. Feedlot alley, Alberta has been out of the market because of drought, high feed costs and huge losses on the fat side of things.

In Western Canada particularly Saskatchewan and Alberta the only issue is moisture. Don't forget about our two major competitors, pork and chicken, their supply chains and production are at record levels creating equal food demand for the consumers dollar. The increase in retail beef demand is encouraging, especially if the economy continues to recover.

These are Good calf Prices! But what about the cow?

Scott Atkins - Eastern Livestock Specialist - MAF

All you hear about these days and, probably always, is the price of calves selling in the auction mart, or the trading price at the CME of feeders. Has anybody ever sat down and thought even for one second... producers, especially cow/calf producers have NO CONTROL over the selling price of their product or the economics that go along with that fact. About the best that they can do is continually shave costs on the cowherd until there is nothing left to shave. At this point cost amputation comes into practice, for example, pasture feeding to eliminate bedding and manure removal costs.

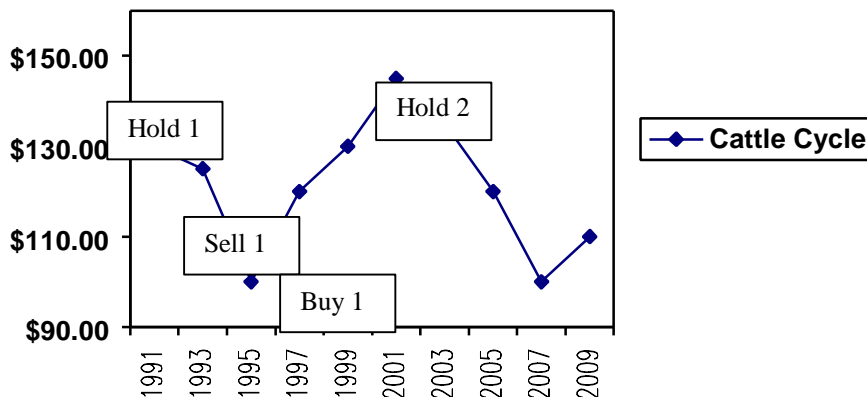
Maybe there is a set of economics that is sometimes over looked., that is the COW! Producers do have control of the cowherd, the numbers in that herd, culling and expanding decisions. They have control on the time and how much they want to pay for replacements, and when they may be looking at liquidating.

That's right if you don't like the high priced bred heifers today wait five years, I'll bet the price will be different. That may sound harsh but that is fact, at least based on the cattle cycles dating back to 1870.

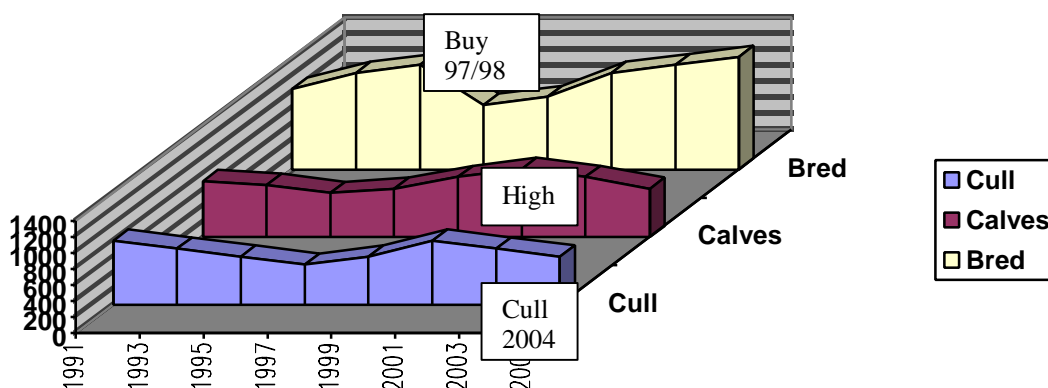
I am sure that you are all aware of the Harlan Hughes's strategy of changing culling techniques for different market environments in the cattle cycle. The fact is, most cow/calf producers cull and buy (keep) replacements at the same rate of growth throughout the cattle cycle. With a small liquidation at the bottom (usually to pay bills or debt service) and a small expansion at the top because they can now afford to buy back some of the numbers they were forced to sell at the bottom of the cycle. This is one of the factors of what causes the cattle cycle. Price extremes at the top and bottom of the cattle cycle can create even greater expansion and contraction to maintain a 10 year average in cattle numbers of farms.

According to market analysts like Harlan Hughes it would be advised to maintain herd size at the top of the cycle. Liquidate cow numbers near the bottom and buy back (keep) heifer calves (because the calf market is depressed). Then carry on this accumulation through the bottom of the cycle and up that side of the curve and eventually never keeping back any calves for replacement. Then ride the wave of high prices over the top again.

These strategies sound great if producers can get their systems set up to accommodate this type of a program. The sides of a cattle cycle curve is the areas that can create problems, when the prices are not great and it is not the right time to expand or contract. Preparation must be made for this time because of annual or seasonal price swings that could be stressful to cash flows. The income near the bottom of the cycle can come from bred cow sales. The income near the top of the cycle comes from the high price of calves.



The cow/calf producer is always two years behind the trends. This can be seen in the fact that at the top or the bottom of the cycle on "calf prices", COWS are still trading fairly high or low depending on the environment. Two years of these calf prices go by then the cow/calf producer stops his expansion or liquidation of females because he is getting the price signal. So why does the producer not make a change after the first year? Because by selling time the first year the cows are already bred for the second and it takes another full year for the cycle to complete itself.



What about the pure economics of the cow and her cull value? We are always looking for ways to lower cost, how about cutting losses? When animals are culled out of a herd a loss is expected, but how do we minimize this loss? Buy/Retain females when they are at their cheapest, and cull them when they are the highest.

-If we purchase \$1300 cows at the top of the cycle when they will be culled at the bottom they will be worth \$700 for a difference of -\$600.

-If we purchased \$850 cows at the bottom of the cycle and culled her at the top for \$700 the loss is only -\$150

-This equates to a \$450 savings on the loss side of cow economics.

If you look at the two scenarios mentioned you would see that I did not even account for the probable drop in the cull value from the top to the bottom of the cattle cycle, nor did I incorporate the selling price of the calves. This was simply an exercise to demonstrate the economics of the RIGHT time to buy cows, if there was debt servicing on this example it just becomes more exaggerated due to the fact of interest.

The positive spin on this with regard to the calves and greater net income would be, if young cows were purchased at the bottom of the cycle her most valuable calves (3rd -6th calf) happen right at the top of the cycle.

This model on the economics of the COWHERD is a model that could create long term financial sustainability on today's farms and ranches and one that can not be forgotten when expanding or starting a cow/calf enterprise.