

## **Traditional Marketing May Not Work This Time Around**

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Nearly every facet of production agriculture is currently feeling the drought that has hit much of the country this year. We are about to learn the extent of grain yield reductions as harvest has begun in portions of the Corn Belt. The market obviously expects significant yield reductions given the rapid price increases we have seen for corn and soybeans. These price increases have quickly been reflected in feed costs not only in the raw commodities but in by-product feeds as well.

The drought has certainly impacted the livestock industry and, in particular, the beef industry. While Ohio cattle producers have been hurt by varying degrees of dry conditions, large portions of "cow country" have been ravaged by significant drought and the resulting lack of forage and water. This has led to large numbers of females being culled from herds to cope with feed shortages. In many cases, calves have been weaned and feeder calves have been sold much earlier than normal. This has created an interesting dynamic as feedlots contain larger numbers than usual for this time of year. Nearly all industry projections expect a smaller U.S. calf crop in 2012 and a smaller cow herd by January 1, 2013.

So what does all of this mean for Ohio cattlemen? There is no "one size fits all" answer that will fit every situation around the state. We need to consider the management decisions that will put the producer in the best position to deal with this year's issues without putting the future of the operation in significant peril.

There never is a good time to keep an open cow on the books but an open cow this year is particularly expensive. Typically cull cow prices reach their lows in mid-fall as marketings peak. Historically, there have been opportunities to feed cull cows into the winter and market heavier animals at higher prices. Current feed prices will not justify this practice. Identify open cows as early as possible and market them before larger numbers of cows later this fall after weaning. Save your feed resources for pregnant cows and add pregnant females to the herd later on if you desire to maintain a consistent herd size.

Like much of the country, Ohio's cow herd predominantly calves in February-April. Most of operations are dedicated solely to cow-calf production and do not retain ownership in their calves. The majority of feeder calves are traditionally marketed in the October-November timeframe when a plentiful supply of calves typically softens prices. If we are fortunate enough to receive some late summer-early fall rains to encourage forage growth or you have not experienced drought conditions thus far, this may be the year to consider marketing your calves later at heavier weights.

Recent history has shown that many feeding operations now prefer calves enter their lots at heavier weights. This trend is sure to increase if corn prices continue to fall in the \$7.00-\$8.50 range. Feedlots simply cannot absorb extended cost of gain losses on lighter weight calves. If you have extra pasture growth from stockpiling or can utilize annual forages such as oats or rye

to extend the grazing season, there may be an opportunity for you to add profitable gains to your feeder calves.

If you are considering an alternative marketing scenario, Dr. Lee Schultz, Iowa State Extension Livestock Economist has developed two spreadsheet tools that allow folks to compare the costs and revenue under with different timeframe scenarios for both cows and feeder calves. These spreadsheets can be found at the following website:

<http://www.extension.iastate.edu/agdm/livestock/html/b2-35.html>

If you have culled more cows than usual due to poor reproductive performance, you may have enough grazing or harvested forage resources to carry your calves to the higher priced feeder calf markets that we typically see in the spring. Then again, a fall calving season would allow you to produce calves and routinely capitalize on prices seen in seasonal markets. But that is a discussion for another day!