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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Drought Decisions for Range Livestock Producers

Market Report	Yr Ago	4 Wks Ago	3/14/0 3
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb			
Omaha, cwt	\$74.30	\$77.27	\$76.07
Feeder Steers, Med. Frame, 600-650 lb			
Dodge City, KS, cwt	89.83	82.63	81.58
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	93.86	88.23	88.20
Carcass Price, Ch. 1-3, 550-700 lb			
Cent. US, Equiv. Index Value, cwt	115.59	117.32	116.91
Hogs, US 1-2, 220-230 lb			
Sioux Falls, SD, cwt	36.50	*	36.50
Feeder Pigs, US 1-2, 40-45 lb			
Sioux Falls, SD, hd	40.00	38.50	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	103.00	97.25	91.50
Slaughter Lambs, Ch. & Pr., 115-125 lb			
Sioux Falls, SD, cwt	60.30	*	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	142.66	171.35	191.74
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W.			
Omaha, bu	2.91	3.77	3.47
Corn, No. 2, Yellow			
Omaha, bu	1.87	2.34	2.24
Soybeans, No. 1, Yellow			
Omaha, bu	4.43	5.64	5.64
Grain Sorghum, No. 2, Yellow			
Kansas City, cwt	3.57	4.47	4.10
Oats, No. 2, Heavy			
Minneapolis, MN, bu	2.43	2.32	1.98
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better			
Platte Valley, ton	110.00	150.00	125.00
Alfalfa, Lg. Round, Good			
Northeast Nebraska, ton	65.00	82.50	77.50
Prairie, Sm. Square, Good			
Northeast Nebraska, ton	92.50	115.00	115.00

* No market.

Severe drought conditions existed over a large portion of the Rocky Mountains and Northern Great Plains regions of the U.S. for most of 2002. There has not been much relief of these drought conditions in January or February of 2003 for most of the impacted areas. For some of the area, this is the third year of an extended drought. How has this drought impacted the cattle industry? What have producers done to cope with the drought and what are some alternatives for this year if drought conditions persist? Providing answers to these questions is the goal of this article.

The USDA cattle inventory numbers released January 31, 2003 provide some insight into where liquidation of beef cows has occurred, and the extent of that liquidation. The beef cow inventories for Wyoming, South Dakota and Colorado were down from the previous year by 109, 106 and 95 thousand head, respectively. On a percentage basis that was a decrease of 13, 6 and 12 percent for the three states, respectively. Inventories of beef cows in Montana and North Dakota were also down 3 percent. Inventories of beef cows in Oklahoma, Missouri, Texas and Kansas were all greater than the prior year by 109, 56, 49 and 20 thousand head, respectively. Nebraska's beef cow inventory was essentially unchanged from the prior year. On a national basis, the total beef cow inventory was down one percent from the prior year. It would appear that the majority of beef cows that were liquidated from drought stricken areas did not go to slaughter, but were shipped to other areas of the country that were not impacted by the drought.

Western Nebraska and the Nebraska Sandhills region was in a severe drought, but as a state, beef cows were not liquidated. One explanation for why beef inventories were



not impacted in Nebraska is that there are more alternative feed resources in Nebraska compared to Wyoming, Colorado and South Dakota. Many producers in Nebraska who were faced with limited or no pasture grazing resources were able to wean their calves earlier than normal and place both calves and cows in drylots and feed them relatively cheap concentrate diets. The availability of corn and other feed resources in Nebraska provided that opportunity. Once corn was harvested, many herds of beef cows were placed on corn stalks for most of the fall and winter. States to the north and west of Nebraska did not have those alternatives. For many ranchers in those states, not only did they not have the pasture resources to graze, but there was also no harvested forages to feed through the winter.

Range ecologists in these states have raised concerns about the 2003 grazing season. They are concerned that even if we get average spring moisture, plant production on many range lands will still be far below average production levels. That raises a concern for Nebraska producers who still may have all their beef cows. Will they have more cattle than their range will support? If producers follow their normal operating procedures with respect to dates cattle will be turned-out on pastures and with respect to the number of beef cows and yearlings turned-out, then the answer is a definite YES.

What alternatives do ranchers have if they have more cattle than their range will support? The first consideration would be to reduce the number of yearlings. Comparing USDA July 1 cattle inventory numbers for total cattle and calves, beef cows and calf crop with the USDA July 1 cattle on feed report, gives some indication of the number of yearling cattle that are on pasture. In Nebraska, for July 1, 2002, it appears about 22 percent of the rangeland resources were devoted to yearlings. The same calculation for Colorado would indicate about 28 percent of the rangeland was devoted to yearlings. The number of cattle on feed is not reported for Wyoming, but it is likely that the percent of yearlings in Wyoming would be similar to Colorado. Therefore, by not turning out yearlings on grass, the rangeland utilization could be reduced by more than 20 percent in most of the drought stricken areas. Another consideration for producers is to delay the date in which they turn cattle out on to rangeland pastures. This will not only reduce the total usage of the rangeland, but also give the vegetation a better chance to recover from drought.

These procedures may be adequate for some producers. However, others may still face the need to liquidate all or a portion of their herds if the drought persists. What is the "best" time to liquidate? Are there different time periods in a year when liquidating the herd will generate more net dollars?

For beef cows that do not have a live calf following the spring calving season, now is the time to sell them. The market for cull, open cows is seasonally high from April through July, and then it declines to a seasonal low in November. Therefore, when forage resources are short, it is advantageous to sell dry cows as soon as they can be identified. In times of plentiful forage it may be advantageous to put additional weight on these cows through the early summer, but during a drought, these scarce forage resources should be used to sustain the productive beef cows.

What about selling cow-calf pairs this spring versus feeding those cows and calves until late summer or early fall? According to data from Cattle-fax, cow-calf pair prices have averaged \$875 per pair the last three years in the April/May time frame. Bred cows in August/September over the last three years have averaged \$725 per cow. Calf prices in August/September for 400 lb. calves have averaged \$1.05 per pound. Adjusting for a five percent death loss of calves, calves have averaged \$400 per cow the last three years. Therefore, selling cows and calves in September has grossed \$1,125 per cow compared to selling cow-calf pairs for \$875 in May. If you can feed the cow and calf for 120 days for less than \$250, you would be better off to keep them until fall.

In consulting with beef cattle nutritionists, it would appear that cow-calf pairs can be fed in a drylot for a cost of \$1.25 to \$1.50 per day. The difference in ration costs are based on availability and price of concentrates and the percentage of roughage in the diet. In any case, the cost of the drylot program would be \$150-\$180 for a 120 day feeding period. By not liquidating the cows and calves until the August/September time frame, an additional \$70-\$100 per pair can be earned.

Based on these numbers, I would recommend for producers who are facing a shortage in grazing resources that they 1) reduce the number of yearlings they are running, 2) cull and sell any cow that does not have a live calf after calving season, and 3) not sell cow-calf pairs this spring but keep them in a drylot if necessary, and then sell them as bred cows and as weaned calves this fall. If the good Lord is willing, and the rains return, then the third option of selling bred cows may not be necessary.

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