

In The Cattle Markets
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To wean or not to wean?

This year, cow/calf producers will see an increase in cost of production due mainly to the rise in feed and fuel prices; however, a corresponding increase in feeder cattle prices has not yet occurred. The drought has exacerbated these high feed costs as high-quality grazing opportunities are limited, forcing some producers to begin supplementing with hay and silage earlier than normal.

The prolonged drought and high temperatures have 42% of US range and pasture conditions rated at poor or very poor, compared to 30% during this same week in 2020 and only 19% on average over 2015-2019. Hay supplies are also well below average and some producers are running out of forage. Drought like conditions have caused some western ranchers to sell cattle 30 to 45 days earlier than normal, basically starting the fall calf run for 2021.

Weaning/selling calves earlier, in August or early September, rather than October/November, is a management practice often used during drought situations. Not only do calves eat a fair amount of pasture, but lactating cows also require more feed. The balancing act is determining whether the additional days you can keep cows on pasture, thereby reducing over-wintering costs, is greater than the hit you will take from lower proceeds from calf sales. Light calves generally bring higher prices per pound, but with less pounds to sell the profit may be lower.

Every producer will need to evaluate their own situation and determine whether the lower income from calf sales outweighs the extra feed needed to over winter cows. Prior to early weaning though be certain there will be market opportunities for early weaned calves in your area.

Another consideration would be the indirect costs of not early weaning. By keeping calves on pasture, your cows may head into winter with lower body condition scores due to poor grazing conditions and nursing a calf. It will be expensive to improve BCS this winter given the high cost of feed. The lower BCS of Fall 2021 will have economic impacts in 2022 as research shows that low BCS cows have lower pregnancy rates, wean fewer calves, and have lower weaning rates.

Short-term losses for 2021 and possibly 2022 for cow/calf producers will likely be replaced by large profits in late 2022 and 2023 as reductions in per capita beef supplies will mean higher retail beef prices. The question remains though whether how many cow/calf producers can maintain the short-term losses in the meantime.

The Markets

Beginning Aug. 9, USDA will issue two new cattle reports: the National Direct Formula Base Report, which shows differences between negotiated trade and formula-base prices, as well as aggregated values paid as premiums and discounts; and the National Net Price Distribution Report, which shows weekly weighted average trade (price and volume) for negotiated, negotiated grid, formula and forward contract sales.

Triple-digit gains in choice cutout values last week created optimism; however, traders are still questioning where beef prices will land once Labor Day buying is complete. Feeders are expected to focus on further advancement of cash values following the moderate \$1 to \$2 per cwt gains last week. This could create a wider gap between asking prices and bids once each side becomes more active. Monday morning's boxed beef prices are higher with choice cuts up \$2.03 at \$298.29 and selects up \$2.15 at \$279.24 on a total count of 44 loads.

<i>Data Source: USDA-AMS Market News</i>		Week of 8/6/21	Week of 7/30/21	Week of 8/7/20
5-Area Fed Steer	all grades, live weight, \$/cwt	\$123.83	\$121.68	\$101.34
	all grades, dressed weight, \$/cwt	\$198.20	\$197.39	\$163.20
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$289.00	\$272.90	\$204.52
	Choice-Select Spread, \$/cwt	\$18.43	\$17.50	\$13.23
700-800 lb. Feeder Steer	Montana 3-market, \$/cwt	\$164.61	\$167.75	--
	Nebraska 7-market, \$/cwt	\$170.03	\$165.14	\$149.36
	Oklahoma 8-market, \$/cwt	\$157.08	\$157.99	\$143.85
500-600 lb. Feeder Steer	Montana 3-market, \$/cwt	--	--	--
	Nebraska 7-market, \$/cwt	\$183.04	\$164.63	\$167.23
	Oklahoma 8-market, \$/cwt	\$173.27	\$176.72	\$157.99
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$6.36	\$6.36	\$2.97
	DDGS, Nebraska, \$/ton	\$191.50	\$183.50	\$122.50