

Using Cull Cow Seasonality to Your Advantage

Several weeks ago as the deadline for bids to be received for the most recent CWT dairy retirement buyout arrived it was advised for producers to quickly make a decision with regards to cull cow marketing plans. Cull prices were going to be pressured by the seasonal supply increases of cull cows as well as increased dairy culls from the CWT program as that industry attempts to restore profitability. At that time, it was not definitively known that a third round of CWT buyouts in 2009 would occur. This third round was announced yesterday with audits starting in the first week of November suggesting culling associated with this round will occur after the first week of November.

Seasonal indices indicate for Louisiana that Lean 85-90% cull cow prices are above the yearly average in the 4th quarter of each year but February through April having prices the highest above the yearly average. Assuming the delaying of the marketing decision with regards to cull cows will not strain winter forage resources needed for the breeding herd, it may pay to delay the marketings of cull to take advantage of seasonally higher prices after the first of the year and to avoid dairy culls associated with the CWT program.

Winter ryegrass cash costs per acre are assumed to be approximately \$91 for a prepared seedbed. In this example, the goal is to maintain weight on the animal assumed to weigh 1,000 pounds and grade Lean 85-90% instead of adding weight to potentially improve the grade at marketing. Hay costs per pound are the same if purchased or produced (information from the LSU AgCenter enterprise budgets and Alabama Hay Report from USDA AMS).

Stocking Rate (cows/acre)	0.5	1	1.5	2
Days	120			
Ryegrass Cost Per Cow	\$ 181.66	\$ 90.83	\$ 60.55	\$ 45.42
Ryegrass Cost Per Cow Per Day	\$ 1.51	\$ 0.76	\$ 0.50	\$ 0.38
Mineral @ 0.25 lb/day @120 days	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10
Hay Cost Per Pound	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03
Total Value of Hay Fed	\$30.18			
Death Loss Percentage	1.50%			
Death Loss Value	\$5.59			
Interest Rate	6.50%			
Interest Expense	\$ 4.69	\$ 2.75	\$ 2.10	\$ 1.78
Marketing	\$ 15.00			
Total Costs	\$ 239.22	\$ 146.45	\$ 115.53	\$ 100.06
Projected February Price (5 year average)	\$46.55			
Expected Returns	\$226.28	\$319.05	\$349.97	\$365.44
Expected Revenue if Sell Now	\$372.50			

Additionally, the eight year average for this class of cattle is lower at \$43.52/cwt, but would still be profitable given the above assumptions. Beef cow slaughter has been below year ago levels with dairy culling being heavier in all but one month this year relative to 2008.

The next round of CWT dairy herd buyouts closes on October 15th. A maximum bid (\$5.25/cwt of milk removed) is again in effect and while the exact number of head to be removed is unknown, some analysts are suggesting another 70,000 to 80,000 cows from the national dairy herd to be removed. It is expected that this round will be completed by the end of the year.

A higher than expected job loss report pressured stocks down on Thursday with commodity futures following Wall Street downward. Lack of strength in the cash fed cattle market has also pulled down live cattle futures this week with no help coming from cutout values on sluggish demand and relatively cheaper pork available. These factors helped push feeder contracts down despite showing some strength earlier in the week.

Cash fed cattle trade was down again this week with stronger variation in the live trade than previous weeks (\$83 in Kansas/Texas, \$82 in Colorado, and \$80-\$82 in Nebraska). Dressed trade in Nebraska was \$127-\$128 and \$131 in Kansas. One trend that has started in the past couple of weeks has been discounts for carcasses over 1,000 pounds, mainly in Nebraska and other northern feeding areas. These discounts are \$15-\$20/cwt for carcasses over 1,000 pounds with packers not discounting the first 10% of animals weighing more than this threshold. This week's *In the Cattle Markets* (available at www.lmic.info) discusses this more in depth, but suffice to say growing conditions that were very favorable to crops also helped produce heavier cattle faster than anticipated. This has led to a back-up in the timing of marketings as feeders in the Northern Plains delayed marketings to improve their prices. Show lists in Texas and the Southern Plains are apparently tighter than Northern Plains given the lack of a similar occurrence in the Southern Plains.

Slaughter cows and bulls in LA sold mostly steady to \$1 lower this week. Feeder steers were mixed but steady to \$3 lower with heifers steady to \$4 lower.

Table 1. Louisiana Auction Prices for the Week Ending October 2, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	\$115-135	\$110-115	Breaking	\$40-44
250-300	\$108-127	\$97-107	Boners	\$38-47.50
300-350	\$103-121	N/A	Lean	\$32-42.50
350-400	\$96-117	\$87-102		
400-450	\$92-113	\$87-100	Bulls, YG 1-2, <1,500 lbs	\$46-54
450-500	\$89-111	\$80-90	Bulls, YG 1-2, >1,500 lbs	\$50-57
500-550	\$84-100	\$78-89		
550-600	\$81-98	\$77-88		
600-650	\$82-93	\$77-87		
650-700	\$80-88	\$78-84		

Note: All prices are in \$/cwt, steers and heifers are Medium and Large 1-2
 Price ranges may reflect higher prices received in northern areas of the state in the middle of the week
 Source: USDA AMS

Table 2. Louisiana Auction Prices for the Week Ending September 25, 2009.

Weight	Steers	Heifers	Slaughter Classes	
200-250	\$102-125	\$110-119	Breaking	\$37-47
250-300	\$104-127	\$90-108	Boners	\$37-48
300-350	\$92-121	\$88-106	Lean	\$31-43.50
350-400	\$94-117	\$79-104		
400-450	\$78-107	\$72-101	Bulls, YG 1-2, 1000-1500 lbs	\$44-55
450-500	\$84-103	\$72-93	Bulls, YG 1-2, >1,500 lbs	\$46-58.50
500-550	\$83-100	\$70-97 ¹		
550-600	\$80-98	\$70-97 ¹		
600-650	\$80-94	\$70-91.50		
650-700	\$82-91.50	\$78-89		

Note: All prices are in \$/cwt, steers and heifers are Medium and Large 1-2
 Price ranges may reflect higher prices received in northern areas of the state in the middle of the week
 Source: USDA AMS

Table 3. Futures Prices

Month	Live Cattle	Change*	Feeder Cattle	Change*	Corn	Change*
Oct	\$ 82.950	-3.100	\$ 93.550	-3.050		
Nov			\$ 93.575	-3.150		
Dec	\$ 84.000	-1.350			333 1/2	- 1/2
Jan			\$ 94.675	-3.125		
Feb	\$ 84.525	-1.225				
Mar			\$ 95.850	-2.700	346 1/2	- 1/4
Apr	\$ 86.625	-1.375	\$ 96.850	-2.950		
May			\$ 97.875	-2.875	355 1/2	0
Jun	\$ 83.350	-1.375				
Jul					363 3/4	0
Aug	\$ 84.250	-1.250	\$ 99.400	-2.200		
Sept			\$ 99.900	-1.700	372 1/4	0

Source: DTN

* Change is from the previous Friday's close

Table 4. State and National Market Information

Commodity	This Week	Last Week	Last Year
5 – Area Fed Steer Price			
Live	\$ 82.07	\$ 83.47	\$ 95.84
Dressed	\$ 127.63	\$ 129.58	\$ 147.88
Oklahoma City Feeder Cattle Prices			
5-5.5 cwt Med and Large #1	\$ 108.12	\$ 105.34	\$ 119.24
7.5-8 cwt Med and Large #1	\$ 95.19	\$ 96.82	\$ 106.51
Boxed Beef Cutout Values (weekly average)			
600-900 lb Choice cutout	\$ 137.25	\$ 140.48	\$ 154.40
600-900 lb Select cutout	\$ 131.91	\$ 133.76	\$ 147.90
Georgia Dock Broilers	\$ 83.74	\$ 83.95	\$ 87.49
Georgia B/S Breasts	\$ 126.00	\$ 129.00	\$ 137.50
Georgia Leg Quarters	\$ 38.00	\$ 39.50	\$ 56.00
Meat production (million lbs)			
Beef	504.4	513.9	495.4
Pork	469.4	471.4	460.1
Slaughter (1,000 head)			
Cattle	635	650	630
Hogs	2,329	2,346	2,323
Broilers/Fryers (millions)	166.047	163.323	166.061
Average Dressed Weight			
Cattle	797	793	793
Hogs	202	201	198
	9/26/2009	9/19/2009	9/28/2008
Poultry Placements (in thousands)¹			
LA Broiler Egg Sets	3,346	3,379	3,183
US Broiler Egg Sets	191,352	189,583	198,742
LA Broiler Chick Placements	2,892	2,996	3,260
US Broiler Chick Placements	161,505	166,073	165,813

Source: USDA Agricultural Marketing Service, USDA National Agricultural Statistics Service and Livestock Marketing Information Center

¹Note the placements numbers are lagged by one week prior to publishing.