

A Tale of Two Years

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What a difference a year makes! The summer of 2012 and 2013 have many contrasts when we compare weather conditions, forage conditions, pond water conditions, and the spring hay crop. Last summer some of the contributors to this magazine (Dr. Gary Bates, Dr. Justin Rhinehart, and me) among others were crisscrossing the state discussing drought management topics ranging from forage management to cattle culling to marketing implications. These meetings took place in late June and early July of 2012, and as soon as the meetings were finished we had “rained out the drought” meetings. I was a little surprised, but very thankful, we did not get a phone call this year to address topics when rainfall in the first seven months of the year meets or exceeds the annual average rainfall total. I am not sure how I would address that issue, but I would probably caution producers to hold their concerns until all the animals started pairing up. I am very thankful for all the rain we have received.

Middle and east Tennessee started receiving adequate rainfall about the second week of July in 2012 while the western portion of the state continued to experience extremely dry conditions. Though rain started falling in early July, many cattlemen were forced to market animals prematurely or even market animals (heifers and cows) that were not expected to be marketed in 2012. After witnessing the strongest calf prices ever in the spring of 2012, many producers made the decision to retain more heifers and build the cattle herd from its' lowest point since 1958. However, the spring and summer drought in Tennessee created a barrier that many producers could not maneuver comfortably. This resulted in a decline in Tennessee cattle numbers during 2012 which was validated earlier this year when the January 1, 2013 cattle inventory report was released by USDA.

Every reader of this article is aware the drought of 2012 was not an isolated event as it covered the Corn Belt and the Plains States where the majority of cattle in this nation reside. The concern is that the drought in the Plains persisted through April of 2013, forcing further liquidation of cattle in states such as Texas, Oklahoma, Kansas, and Nebraska. This is not to say that these states have felt relief from the drought as parts of each state listed continue to suffer drought conditions. The persistent drought in these areas has prohibited producers from even considering rebuilding heavily culled herds, but it has caused more producers to reevaluate pasture and water management along with herd management.

For the most part, Tennessee has consistently received moisture over the past twelve months. Adequate rainfall has contributed to one of the larger volume hay crops in a number of years. The 2013 spring hay crop easily out yielded the 2012 spring crop. Hay yields in 2013 were nearly twice as large for most producers compared to 2012. The increase in hay yields are welcomed by most in the cattle industry as hay stocks declined dramatically during 2012. The consistent moisture has also contributed to a longer grazing season than occurred last year. This has allowed producers to easily maintain body condition in breeding stock as well as provide a source of relatively cheap gain for growing calves.

The favorable forage production conditions along with positive expectations of calf and feeder cattle prices the next few years have many producers across Tennessee trying to grow the beef cattle herd again this year. Normally, there is a July 1 cattle inventory report that provides more insight into replacement heifer numbers, but due to the sequester, the July 2013 report was nixed. However, as producers look forward to future calf crops it appears retaining heifers is on

many peoples' minds. This was the case in 2012 as well, but conditions in 2013 have lent more of a helping hand. If conditions continue to be favorable, it appears herd growth could contribute to a producers' bottom line the next few years as calf prices are expected to jump.

It is important to note that retaining heifers during a time of high calf prices will result in a producer foregoing returns in the near term with the hope that future returns exceed what could be obtained currently. Retaining a heifer is a good decision if she can generate more income in the breeding herd than she could when sold before heifer development. Retaining or purchasing heifers is a management decision that cow-calf producers face on a regular basis, and it is an integral part to the economic viability of an operation.

Outlook

Feeder cattle prices and calf prices started trending upwards in late June and it is expected that they will continue the pattern as long as corn yield prospects remain strong. It will be important for operators with spring born calves to watch the market diligently throughout August and September to gauge the direction of the market as well as the magnitude of that direction. If it has not already been done, producers should be considering their marketing alternatives and applying the correct management practices to meet their objective. Look at early spring prices to see if it would be advantageous to background calves and sell them in 2014.