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# **Developing a Strategic Plan for 2022**



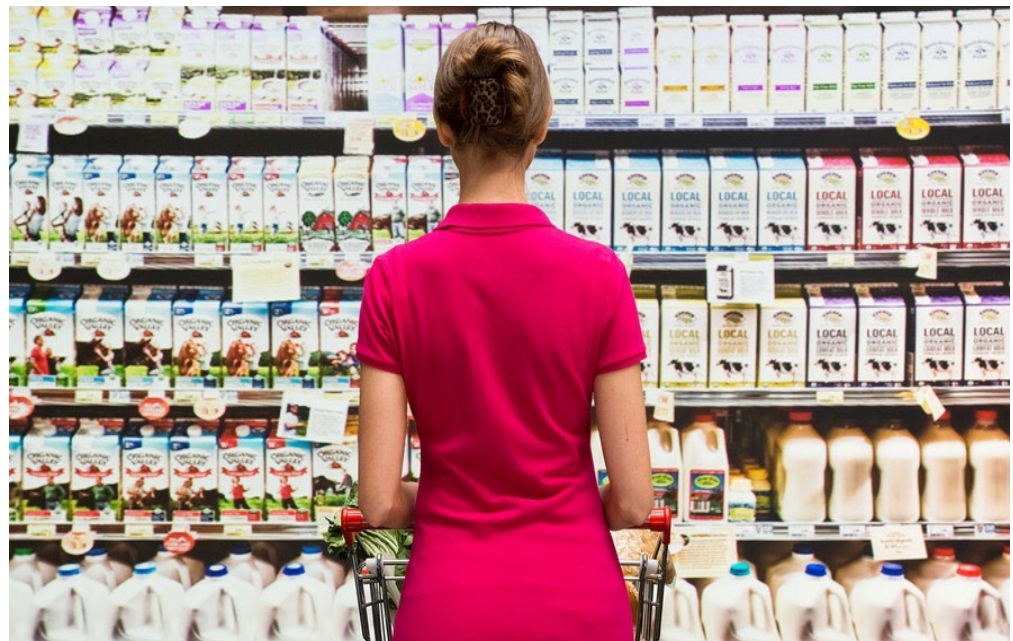
# Risks/Concerns

- COVID-19
- Global Recession
- African Swine Fever
- China
- Supply Chain Disruptions
- Meat Packing Plants
- Trade Agreements/Export Markets
- Weather (Blizzards/Floods/Drought)
- Consumer Demand
- Competing “Meats”
- Feed and Fertilizer Prices
- Governmental Policy



**“Demand for Alternative Dairy Is Here to Stay, as Consumers Seek Balance Between Sustainability, Health and Taste”**

**33% of U.S. Adults drink non-dairy milk weekly...**



# *January 2022*

## *U.S. Cattle Inventory Report*

- U.S. Beef Production and Cattle Numbers are continuing to **TIGHTEN.**
- **Declining U.S. Cattle Inventory**
  - **Plus, there is a drought.**
- Inventory numbers confirm that herd expansion for the current U.S. cattle cycle has ended.
  - **Peaked in 2019 @ 94.8 million head**
- Beef Cows: ~5% **↓** since 2019

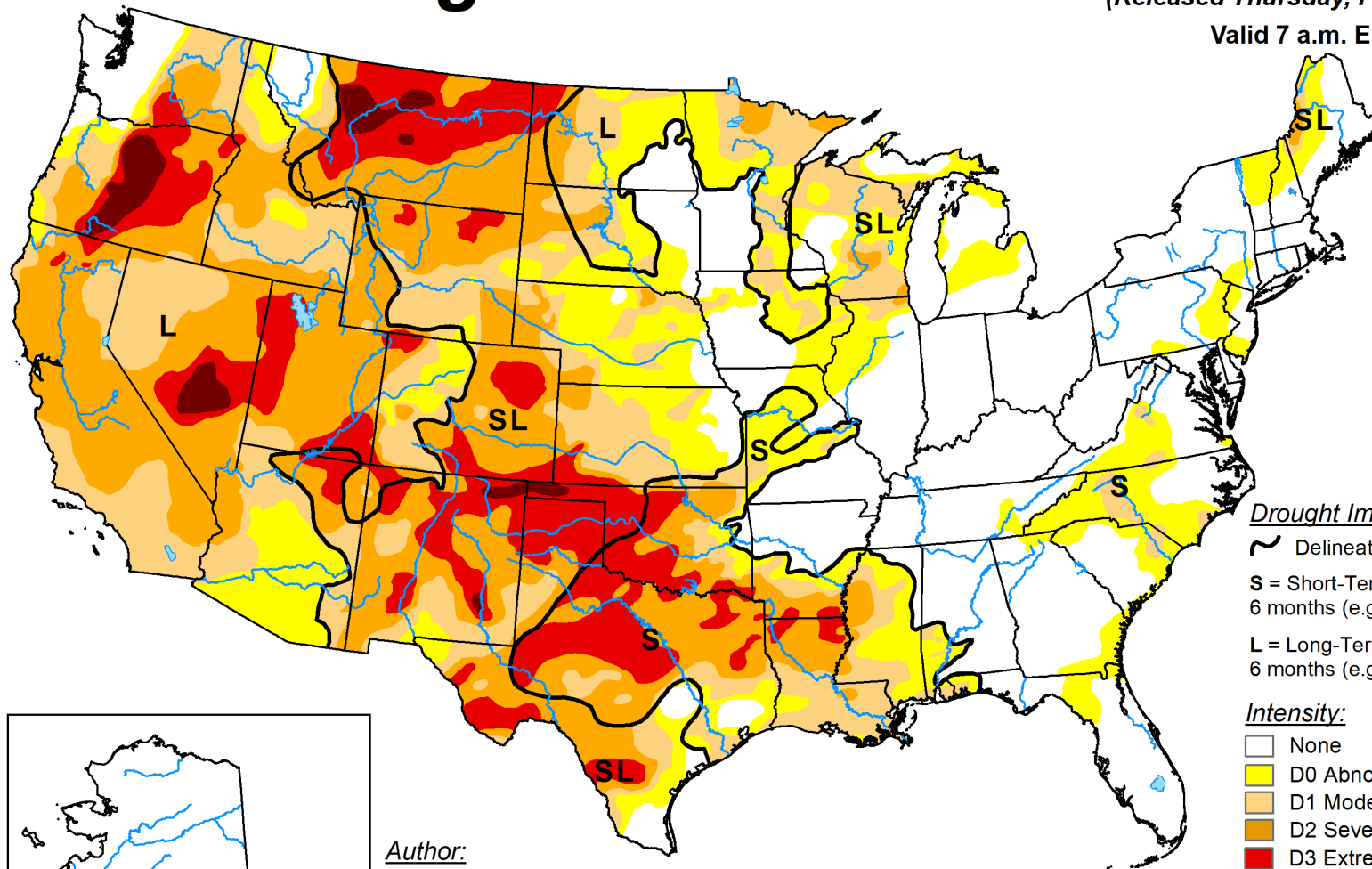


# U.S. Drought Monitor

February 1, 2022

(Released Thursday, Feb. 3, 2022)

Valid 7 a.m. EST



## Drought Impact Types:

~ Delineates dominant impacts

S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)

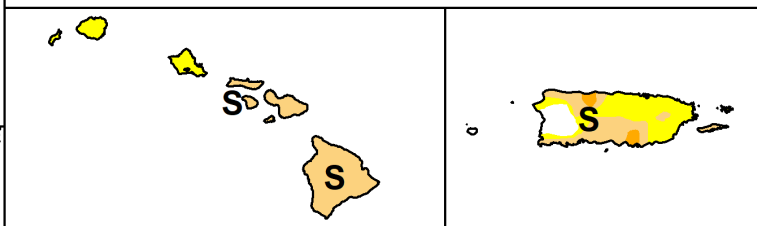
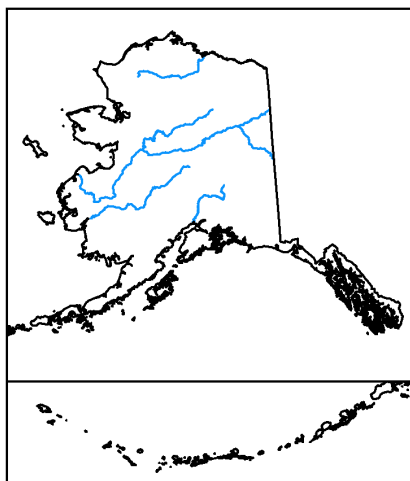
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

## Intensity:

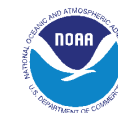
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

## Author:

Curtis Riganti  
National Drought Mitigation Center



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

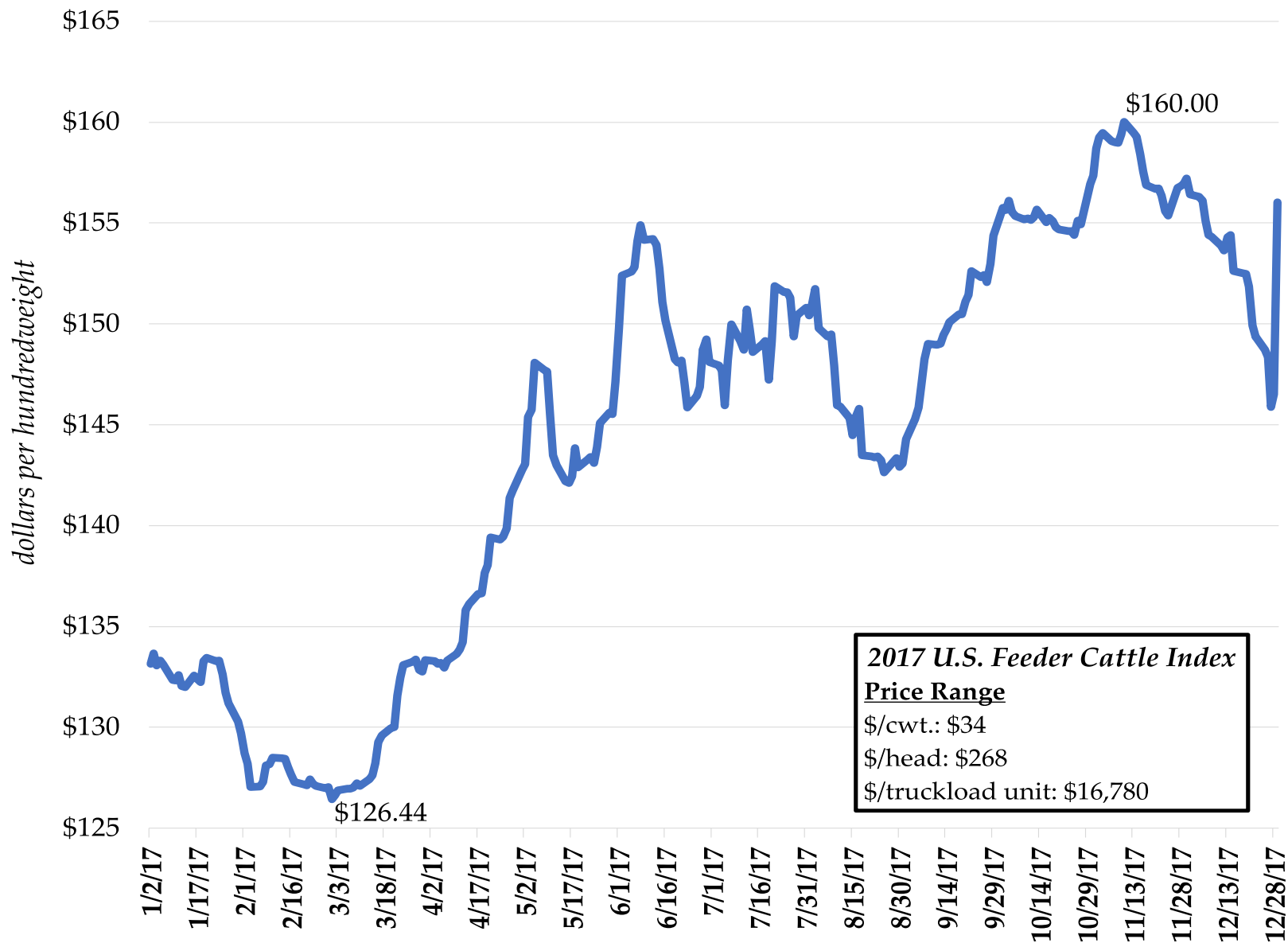


[droughtmonitor.unl.edu](https://droughtmonitor.unl.edu)

I don't think the cattle market will resume any so called "normalcy" anytime soon. Be prepared for some intense volatility with expanded price ranges **that may not make much sense.**

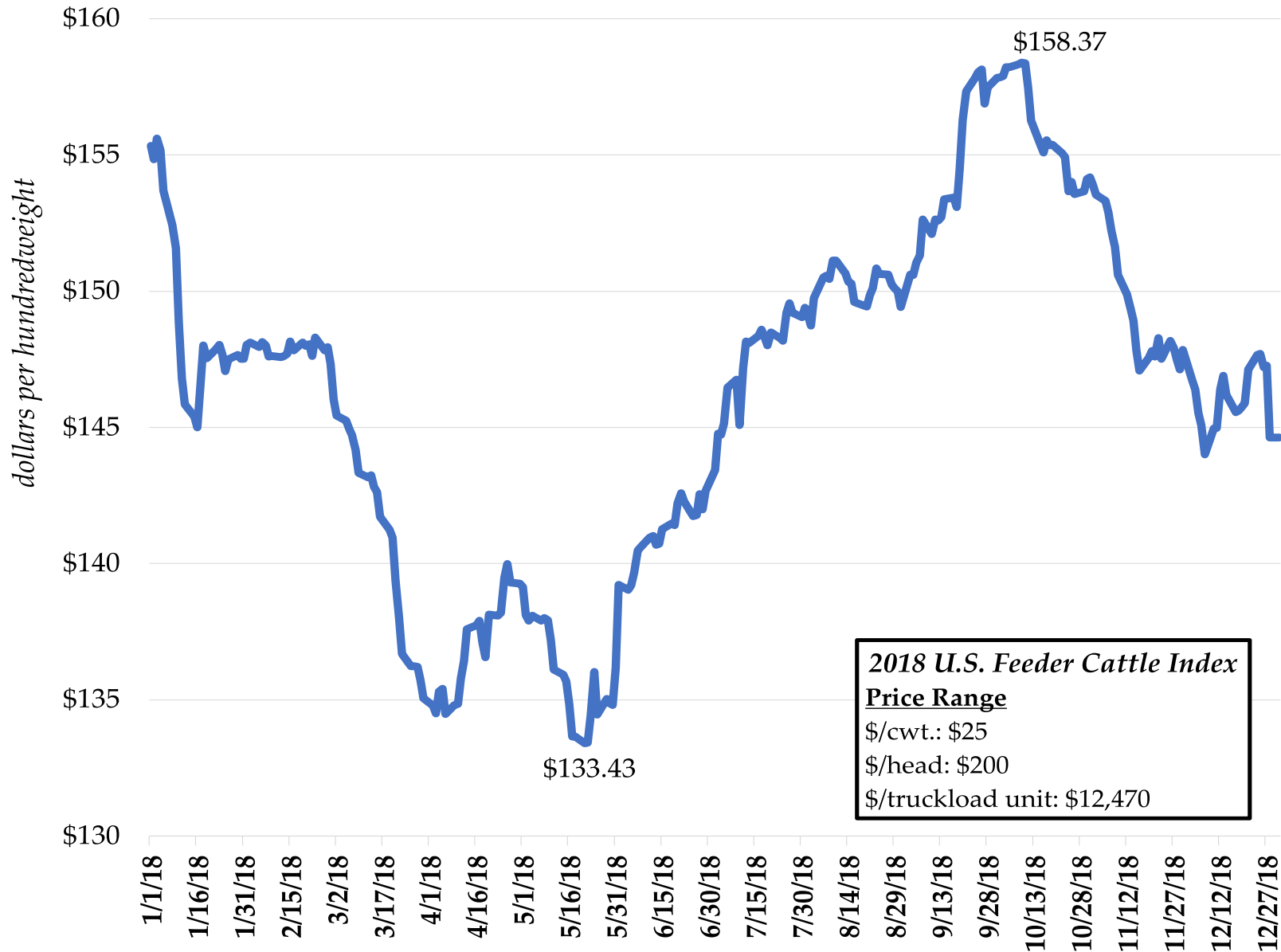
- Inputs and Outputs

# 2017 U.S. Feeder Cattle Index

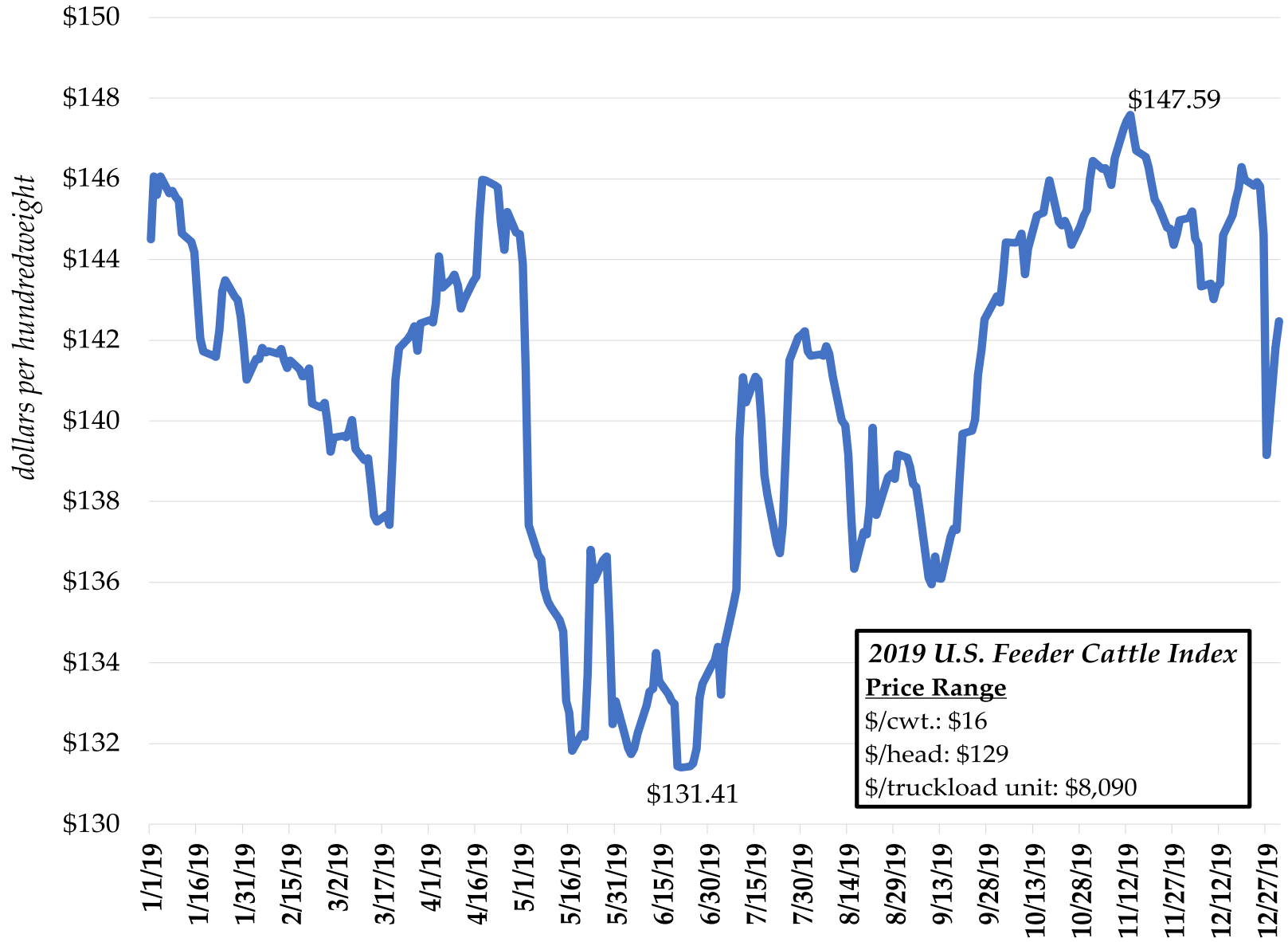




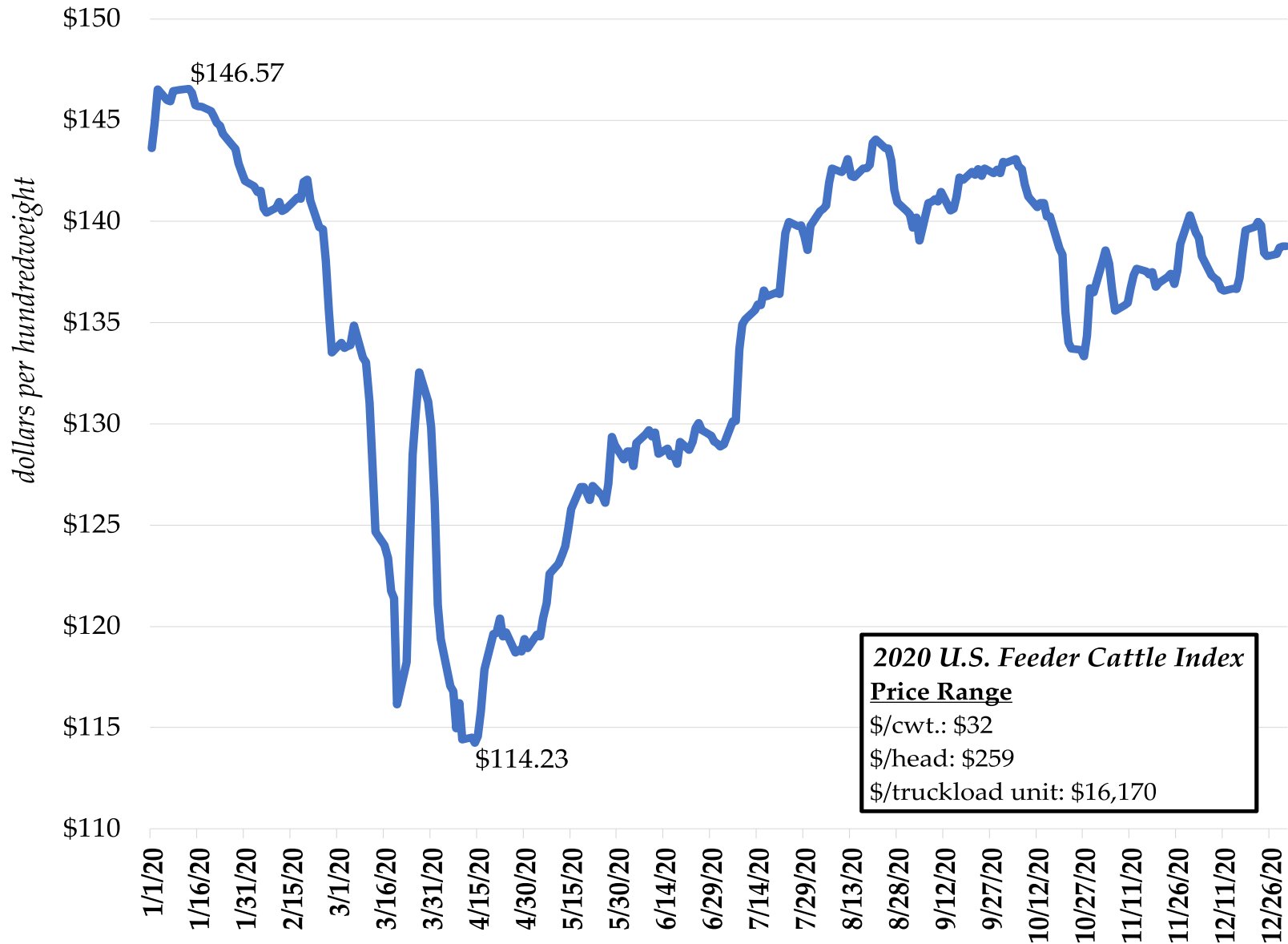
# 2018 U.S. Feeder Cattle Index



# 2019 U.S. Feeder Cattle Index

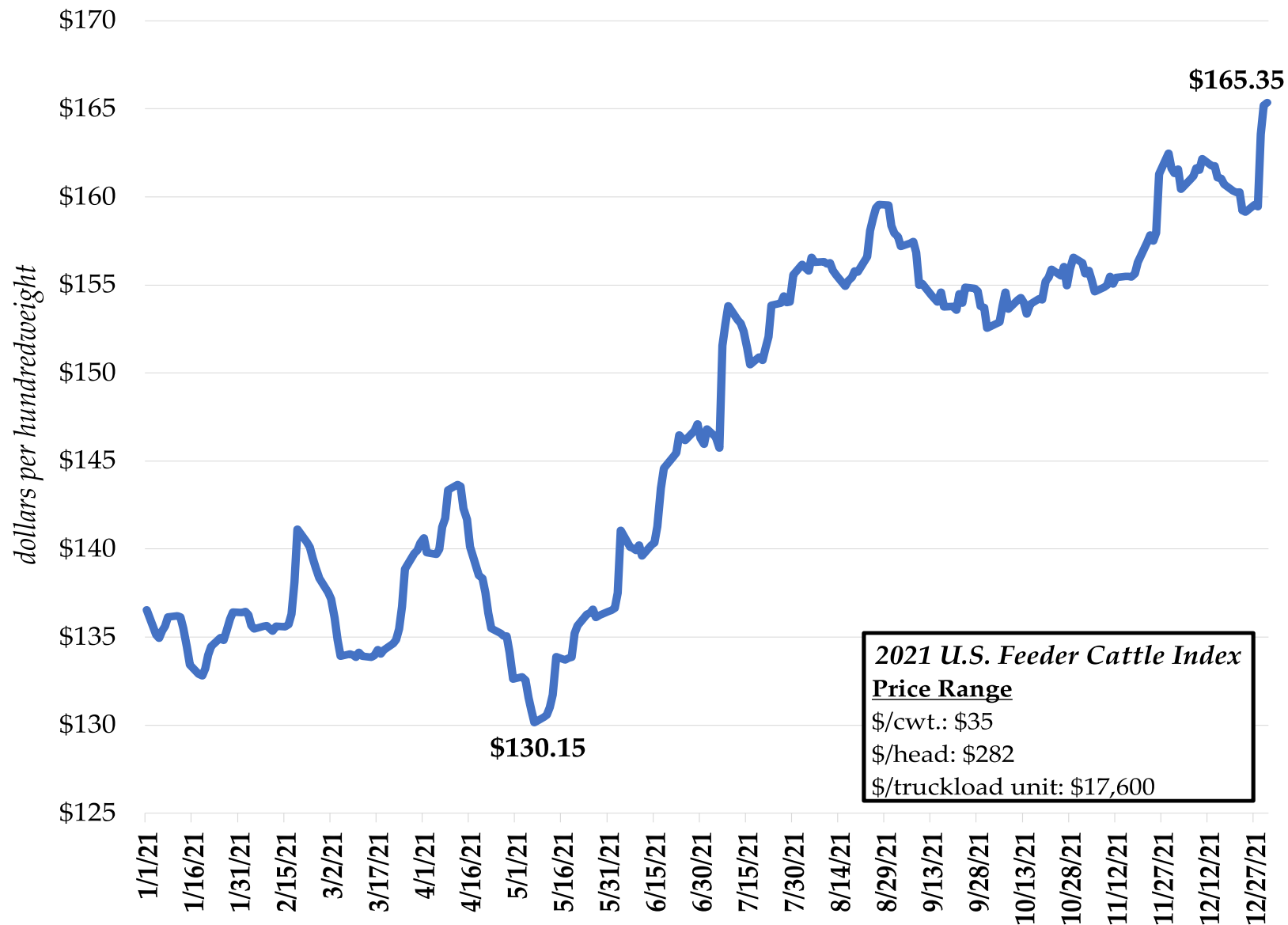


# 2020 U.S. Feeder Cattle Index

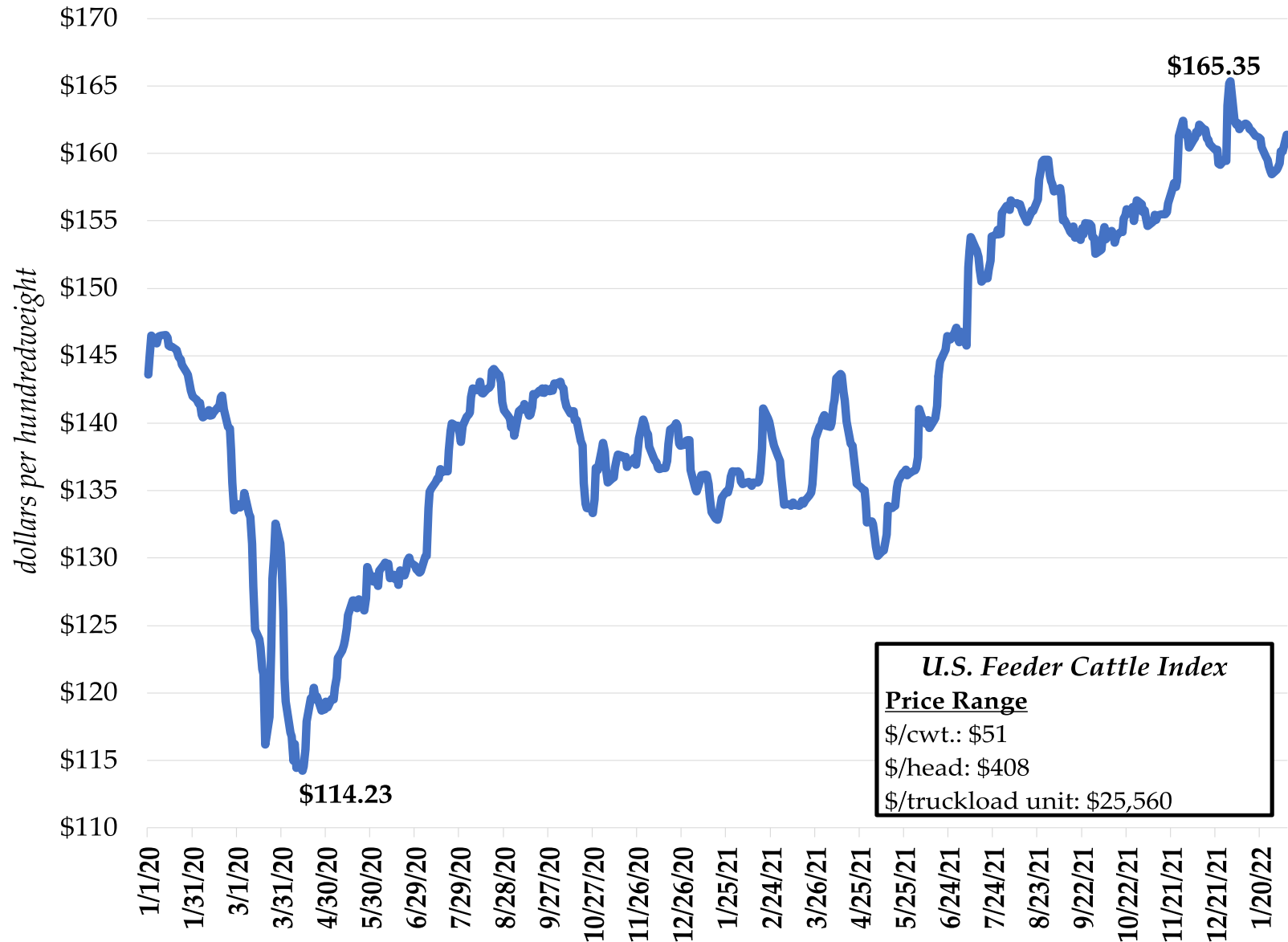




## 2021 U.S. Feeder Cattle Index



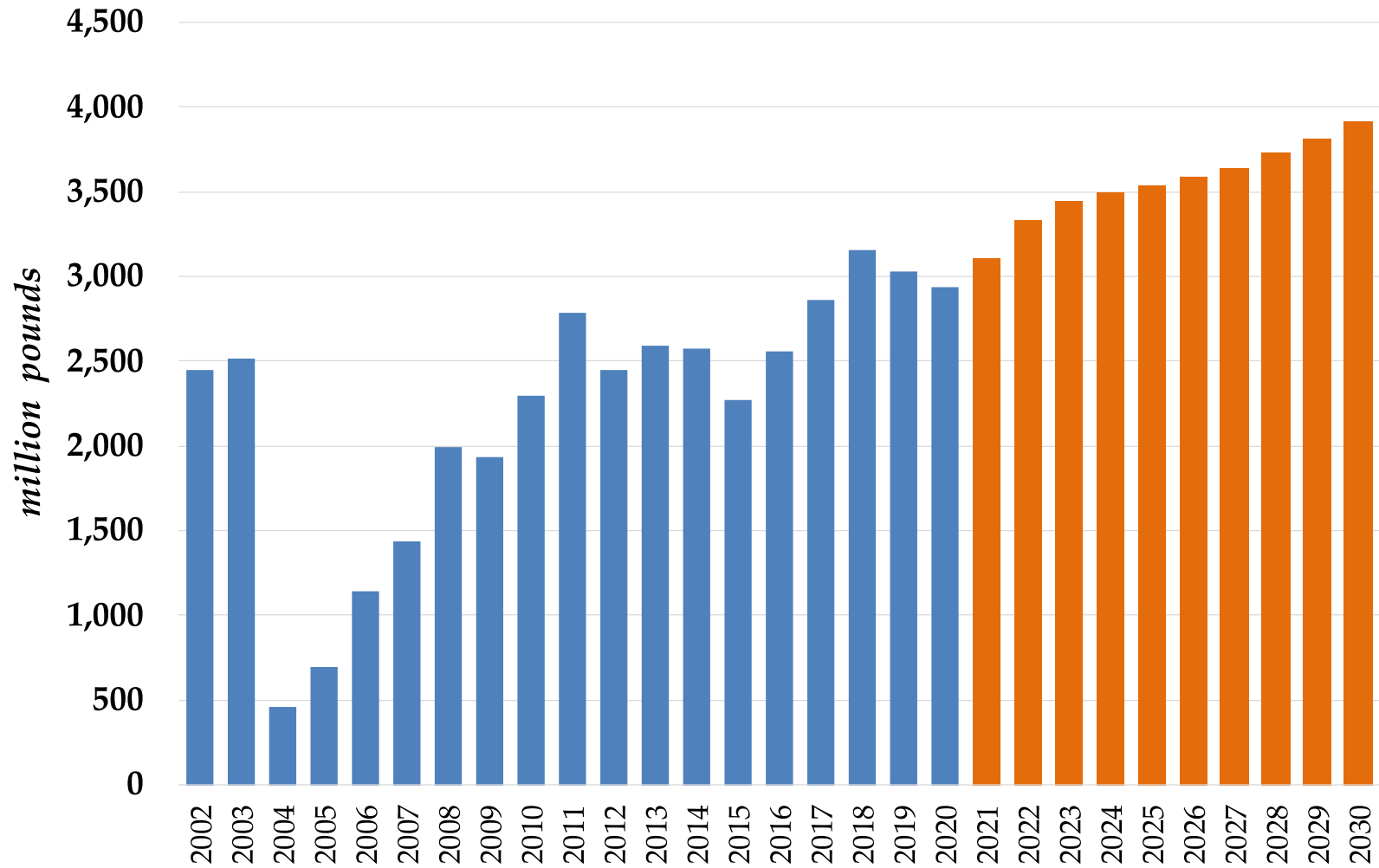
## U.S. Feeder Cattle Index, 2020 - Present



<b>U.S. Feeder Cattle Index</b>	<b>\$161.43</b>	<b>Change</b>
<b>CME FC March 2022</b>	<b>\$167.27</b>	<b>\$5.84</b>
<b>CME FC April 2022</b>	<b>\$172.00</b>	<b>\$10.57</b>
<b>CME FC May 2022</b>	<b>\$176.10</b>	<b>\$14.67</b>
<b>CME FC August 2022</b>	<b>\$185.15</b>	<b>\$23.72</b>
<b>CME FC September 2022</b>	<b>\$186.70</b>	<b>\$25.27</b>
<b>CME FC October 2022</b>	<b>\$187.65</b>	<b>\$26.22</b>
<b>CME FC November 2022</b>	<b>\$187.75</b>	<b>\$26.32</b>



## U.S. Beef Exports

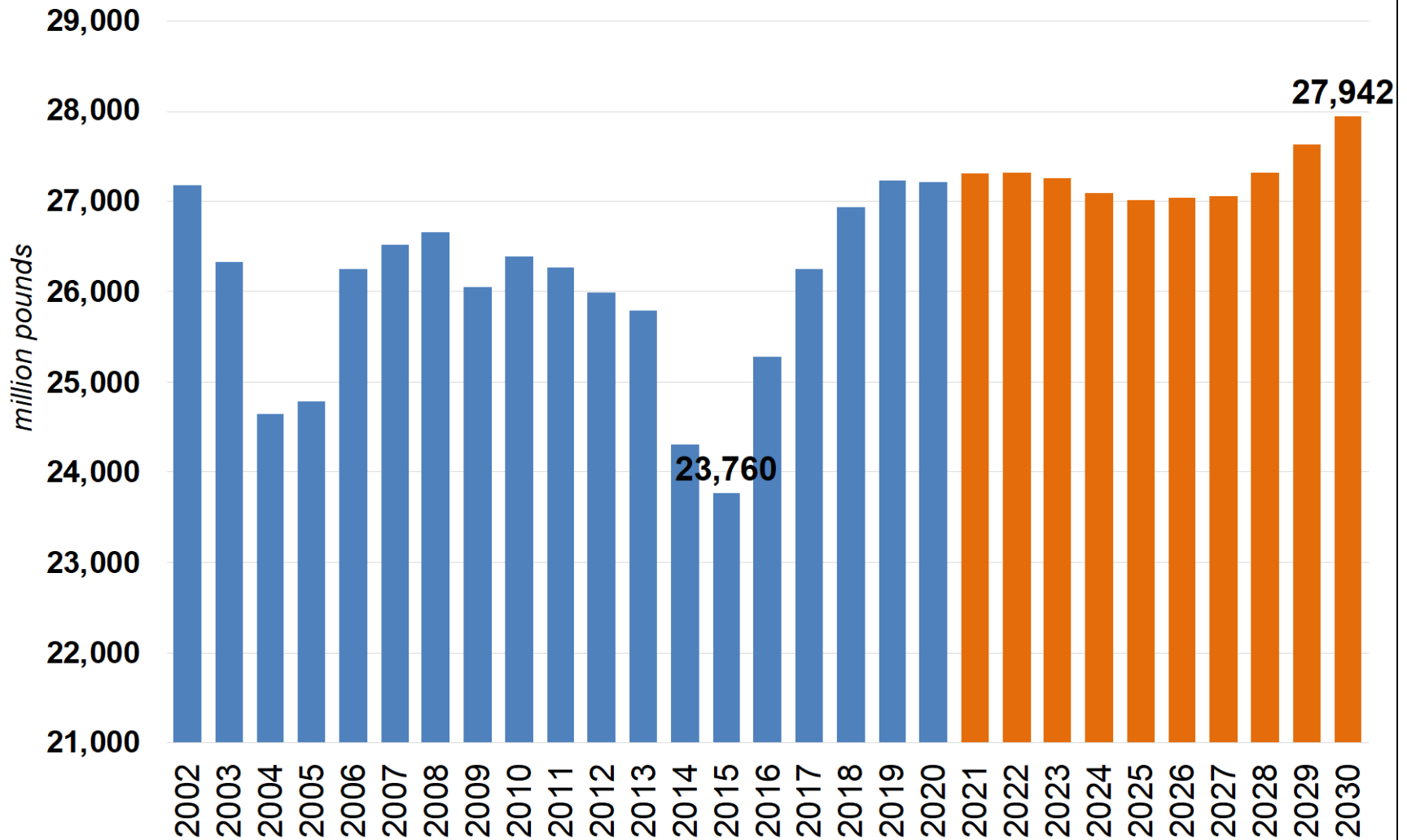


Source: Food and Agricultural Policy Research Institue (FAPRI)

# U.S. Beef Exports

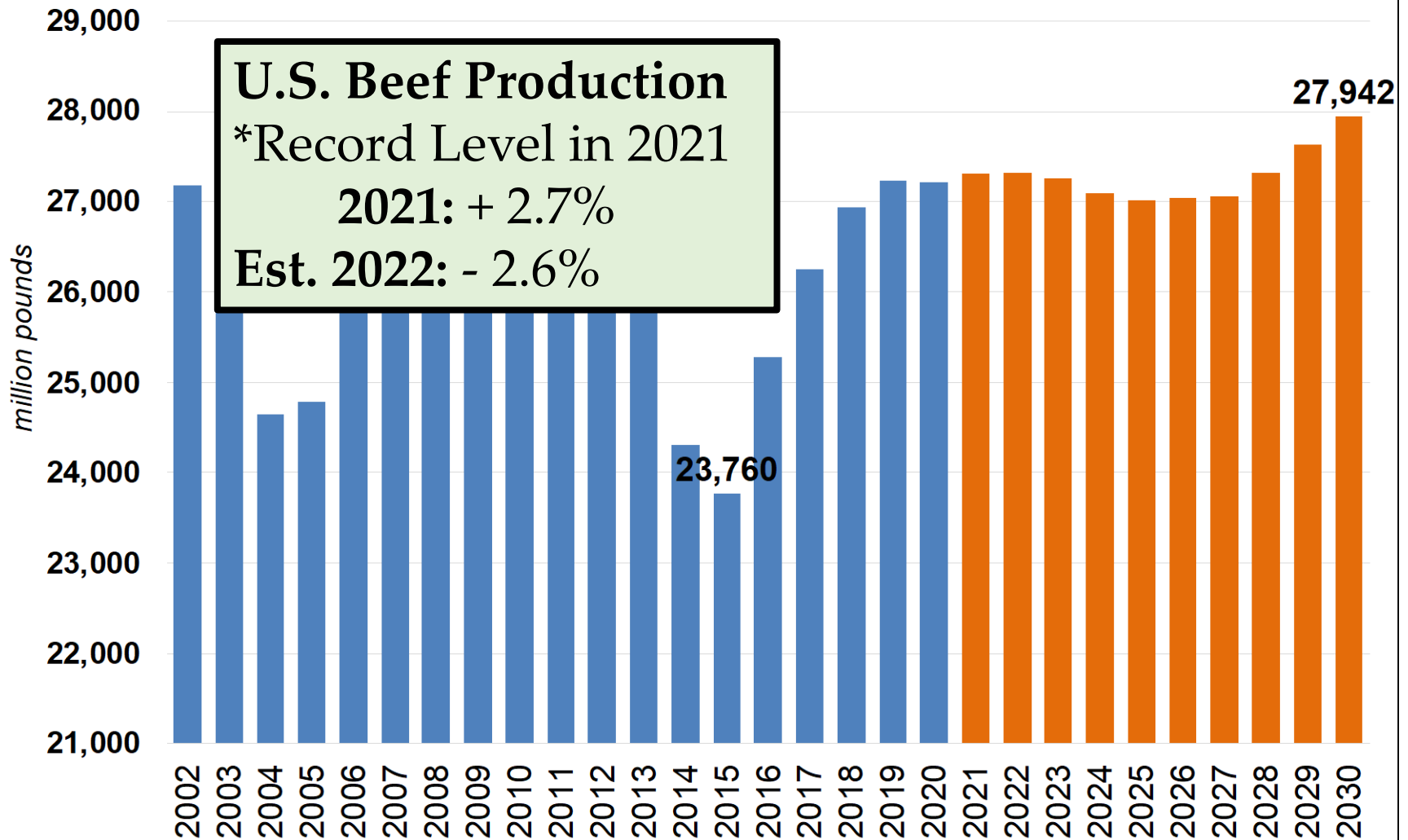
- **Record Level of U.S. Beef Exports in 2021.**
- Japan
- South Korea
- China/Hong Kong ~ 19%
- Mexico
- Canada
- Taiwan

## Long-Term Beef Projections U.S. Beef Production



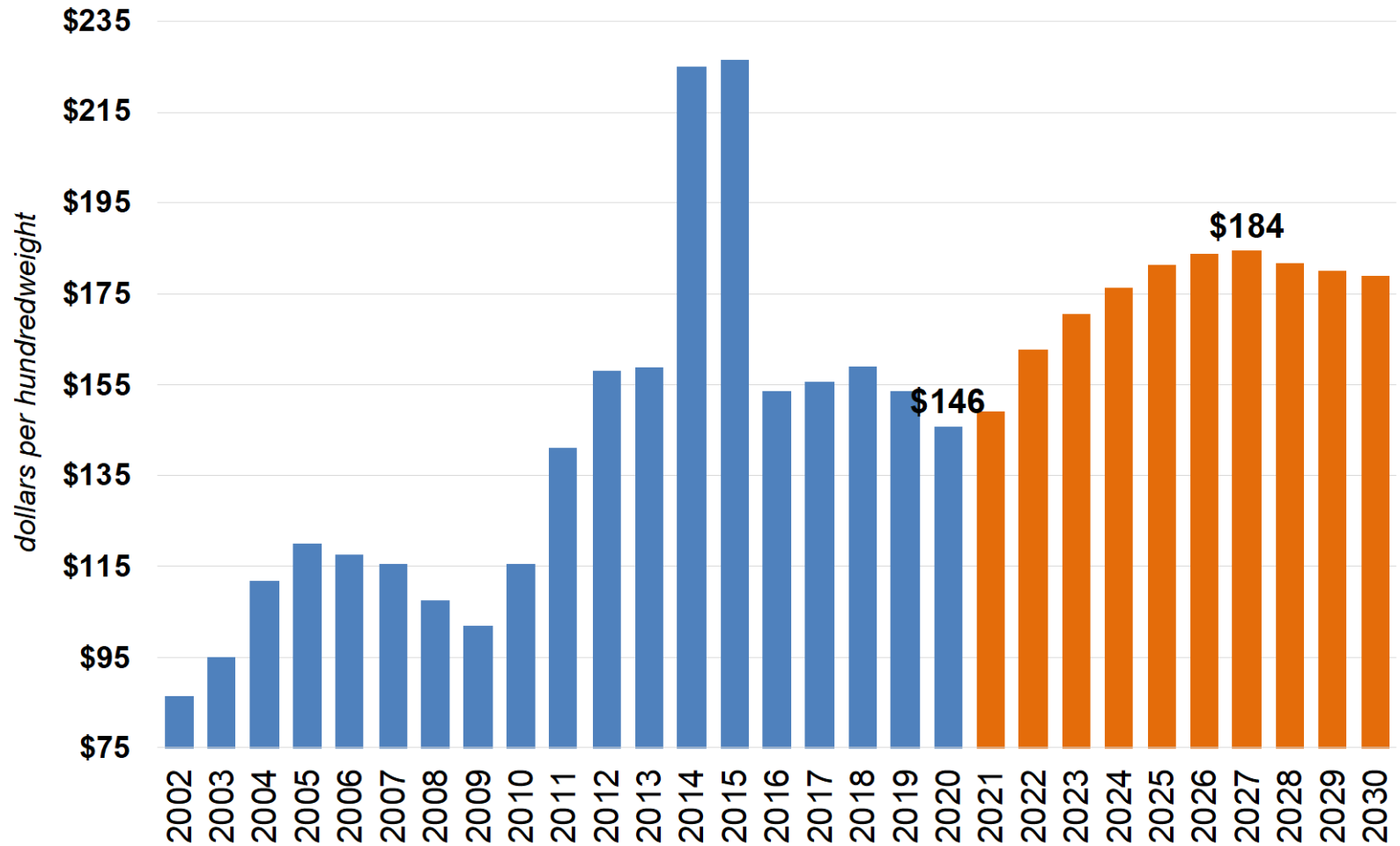
Source: Food and Agricultural Policy Research Institute (FAPRI)

## Long-Term Beef Projections U.S. Beef Production



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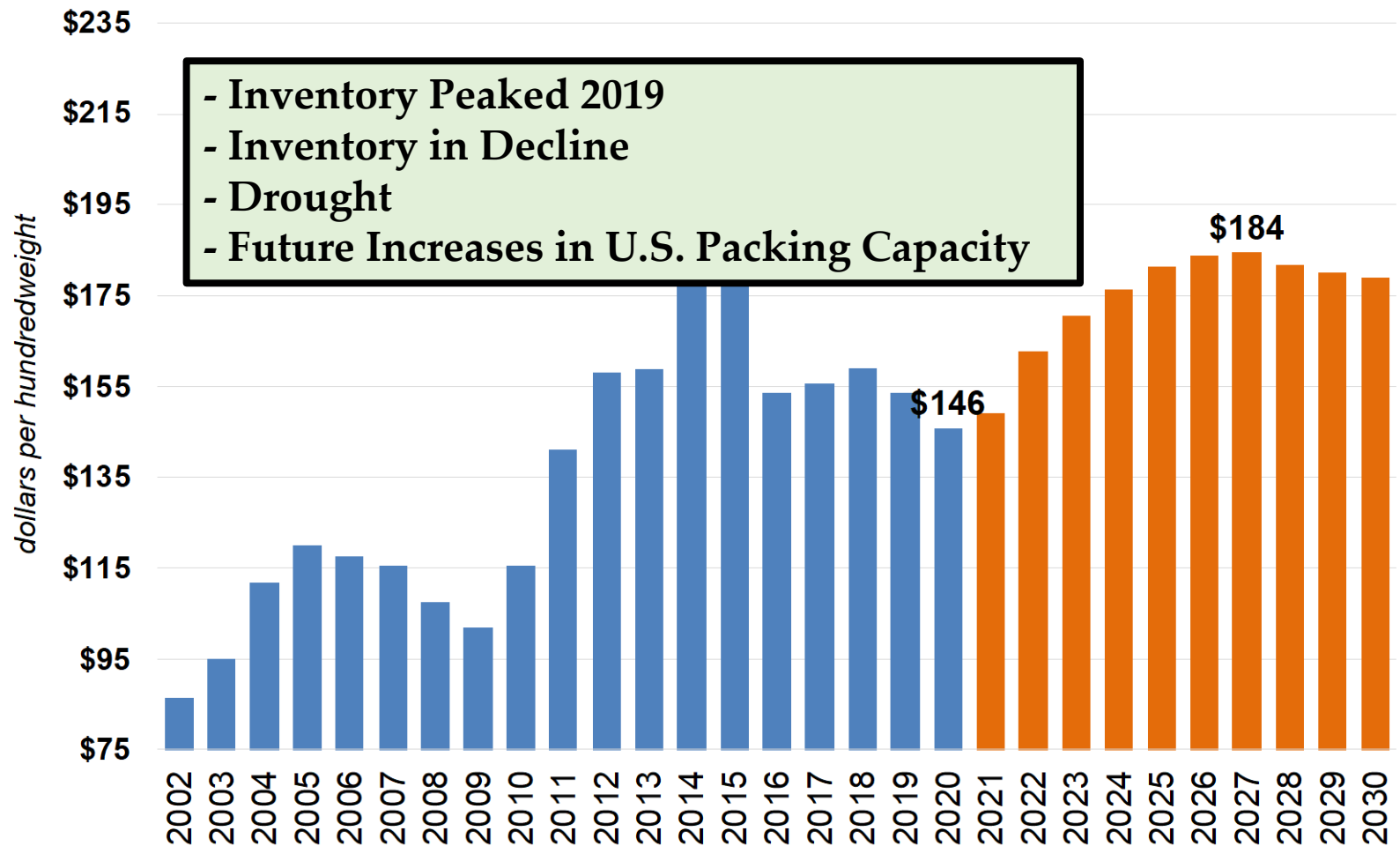
## Long-Term Price Projections 600-650 lb. Feeder Steers, Oklahoma City, OK



Source: Food and Agricultural Policy Research Institute (FAPRI)

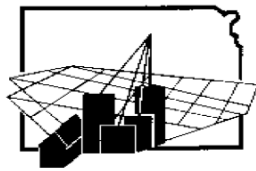
Higher Prices Moving Forward.

## Long-Term Price Projections 600-650 *lb.* Feeder Steers, Oklahoma City, OK



Source: Food and Agricultural Policy Research Institute (FAPRI)





## Kansas Feedlot Performance and Feed Cost Summary\*

Justin Waggoner, Extension Beef Systems Specialist, Kansas State University

### December , 2020 Closeout Information

Sex	No	In Weight	Final Weight	Avg. Days on Feed	Avg. Daily Gain	Feed/Gain (Dry Basis)	% Death Loss	Avg. Cost of Gain/Cwt.	Projected Cost of Gain Current Month's Placed Cattle
Steers	22110	832	1478	166 (138 - 182)	3.83 (3.55 - 4.15)	6.08 (5.53 - 6.57)	1.20	\$77.92 \$71.37 - \$86.58	\$97.50 \$95.00 - \$100.00
Heifers	15496	751	1294	158 (143 - 178)	3.41 (3.07 - 3.87)	6.28 (5.69 - 6.86)	1.40	\$83.94 \$75.02 - \$93.63	\$101.50 \$100.00 - \$103.00

### Current Feed Inventory Costs: Mid-January, 2021

	Range	No. Yards
Corn	\$4.72 /bu \$4.38-\$5.00	5
Ground Alfalfa Hay	\$137.81 /ton \$120.00 - \$148.83	5

\*Appreciation is expressed to these Kansas Feedyards: Brookover Ranch Feed Yard, Deseret Cattle Feeders, Hoxie Feedyard, HyPlains Feed Yard, Kearny County Feeders, Poky Feeders, Pratt Feeders, and Supreme Cattle Feeders.

\*\*Closeout figures are the means of individual feedyard monthly averages and include feed, yardage, processing, medication, death loss and usually sold FOB the feedlot with a 4% pencil shrink. Interest charges normally are not included.

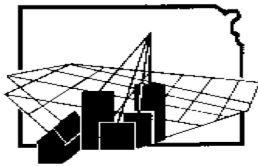
## December 2020 Feedlot Cost of Gain:

**Steers: \$0.78/lb.**

**Heifers: \$0.84/lb.**

**Corn: \$4.72/bu.**

Moving forward, every kernel that is consumed must now be replaced by another at a significantly higher price.



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Steers	15322	817	1469	171 (157 - 178)	3.74 (3.49 - 4.13)	6.09 (5.62 - 6.35)	1.30	\$108.62 \$99.47 - \$114.18	\$116.50 \$115.00 - \$118.00
Heifers	16397	760	1321	161 (151 - 177)	3.43 (3.10 - 3.76)	6.27 (5.76 - 6.60)	1.49	\$114.21 \$104.01 - \$120.90	\$120.50 \$120.00 - \$121.00

Current Feed Inventory Costs: Mid-December, 2021			Range	No. Yards
Corn		\$6.23 /bu	\$5.84-\$6.95	4
Ground Alfalfa Hay		\$177.20 /ton	\$150.00 - \$193.00	4

\*Appreciation is expressed to these Kansas Feedyards: Brookover Ranch Feed Yard, Deseret Cattle Feeders, Hoxie Feedyard, HyPlains Feed Yard, Kearny County Feeders, Poky Feeders, Pratt Feeders, and Supreme Cattle Feeders.

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## November 2021 Feedlot Cost of Gain:

**Steers: \$1.09/lb.**

**Heifers: \$1.14/lb.**

**Corn: \$6.23/bu.**

# ~~10 Ways to Make a Cow More Profitable~~

10 Ways to Survive the  
Next Decade...

# 1) Upgrade Feeder Calves

Heterosis

BUY A GOOD BULL.

# MY TARGET: DESIRABLE FEEDER CATTLE

- ML Frame
- #1-2 MS
- SOLID. Growth. Nutrition.
- Black, White, Red, etc.
- $\frac{1}{4}$  or less Brahman influence.
- Castrated, Dehorned
- Vaccinated (initial and booster)
- Implant, Ionophore
- Little to No Disposition.
- Truckload Units.

# Feedlot Placements by Weight

- 39.7% > 800
  - 26.6% 700 – 700
  - 20.5% 600 – 699
  - 23.8% < 600
- 
- The shift over the last 18 months has been for placing heavier cattle as cost of gain has increased.

## MY Truckload Targets:

- 875 lb. Steers
- 775 lb. Heifers

## 2) Nutrition

- Perennial Mixed Forage Pastures
- Cool-Season Annual Forages
- Warm-Season Annual Forages
- Stockpiled Forage
  
- By-product Supplementation
- A GOOD Mineral.

# Nutrition

- Annual Ryegrass
  - Crabgrass
  - Red Clover
- 
- Balancing Feeder Cattle Diet
    - 0.25 – 0.5% of BW with Byproduct Feedstuffs



**VALUE OF FORAGE increases as  
Feedlot Cost of Gain increases...**







# Red Clover

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Red Clover has antimicrobial compounds that can help reduce antibiotic use in animals.



### **3) Don't Let Feeder Cattle Back Up**

- Cost of Gain is too high to put it on twice...

### **4) Reduce Shrink**

- Be Strategic in Sorting, Working, and Loading Cattle prior to Marketing
- Consider Preconditioning

# 5) Wintering Your Cowherd

What are you gonna feed? And at what price?

DO THE MATH

Carrying an open cow through the winter is like hiring an employee, and paying them monthly (salary & benefits), and expecting them not to show up for work for the next year.

- In 2022...

# 6) Utilization of INPUTS

Critical USE of inputs...

Cut Back on Waste

I don't care if there is a shortage... if you don't get adequate utilization out of a product it won't be economical.

You got to much machinery and equipment.

Hay/Feeding Waste?

# 7) CULL COWS WITH A BAD DISPOSITION

- Damage Equipment
- Injure People
- Reduce Efficiency
  - In the pen
  - Moving herd to another pasture



# 8) Have a Plan



“With inflation running persistently below 2%, we will aim to achieve inflation moderately above 2% for some time so that inflation average is 2% over time and longer-term inflation expectations remain well-anchored at 2%.”

- Federal Reserve

CPI (Papa John's, Uber, Netflix):

**Nov. 2021: 6.8%**

**Dec. 2021: 7.0%**



# At Some Point, Have a Plan for Inflation

At that point, it will be critical for producers to consider the needs of your business moving forward.

- Feed
- Land Rent
- Animal Inventory
- Labor
- Interest Rates

<b>Feeder Calf Revenues:</b> 5%	
<b>Cost of Production:</b> 12%	

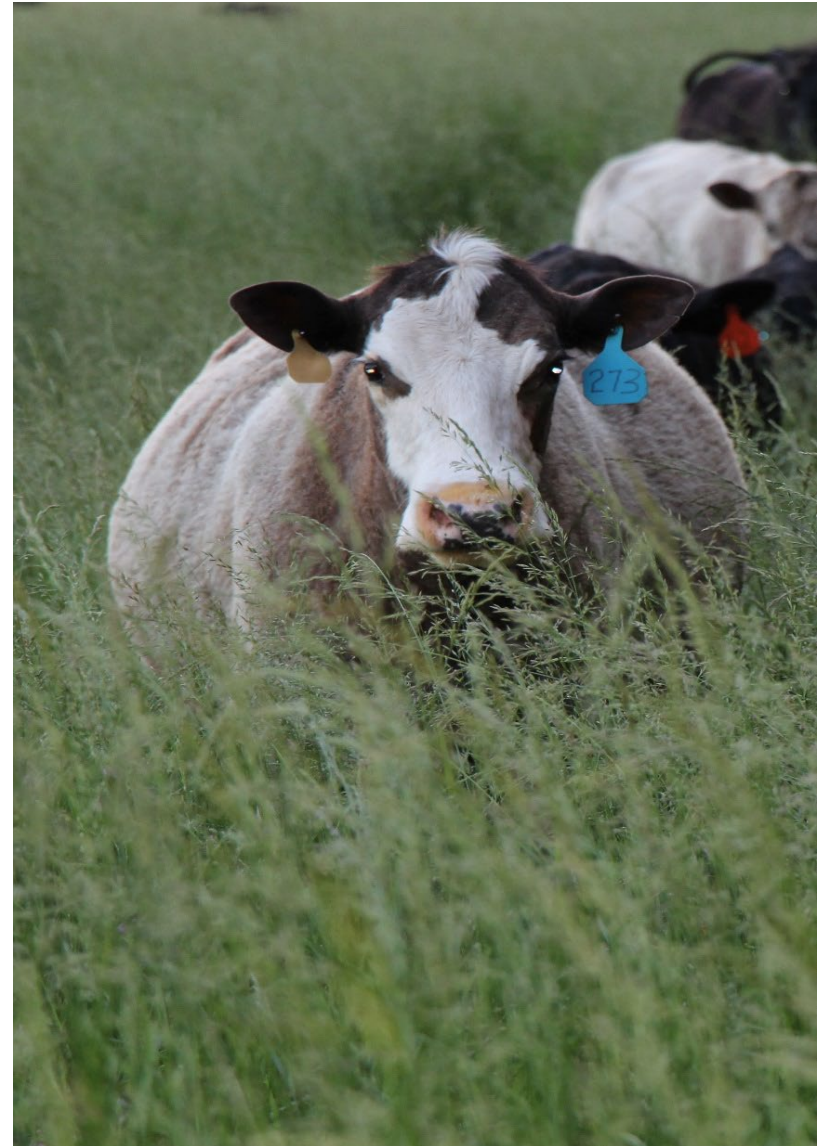
Planning ahead will impact your bottom line.

## 9) Hold'em A Little Longer

- If Feeder Cattle get short like we did in 2013-2014, consider holding them a little longer if the resources exist on your operation...
- **19 months in a row of higher prices**

# 10) Survive Then Thrive

- Continue to do the things that got you here
- Wage a war on forage and feeding costs (focus on mgt. & resources)
- Prepare for the next drought...





# WORDS ARE JUST WORDS.

What to focus on?

Only two numbers matter:

THE BOTTOM LINE

What you spend and what you receive...