

THE WATER TROUGH

Cows in Control Newsletter

July 2021

The Cow's Tail...

Its been a while since we had a major drought, and this sure feels like one. The dry area is very widespread as you can see below which makes finding feed very difficult. In this issue we have some cow ration comparisons and talk a bit about capitalizing on the strong cattle markets despite a looming drought market which can wreak havoc on cow prices for the fall. There is hope beyond the gloom however as we have meat prices that we haven't seen before and the world seems to be valuing commodities like food much more than in the past. Perhaps Covid brought some reality to the need for real things like food? Ag commodities seem to be the place to be these days, cows will have their day.

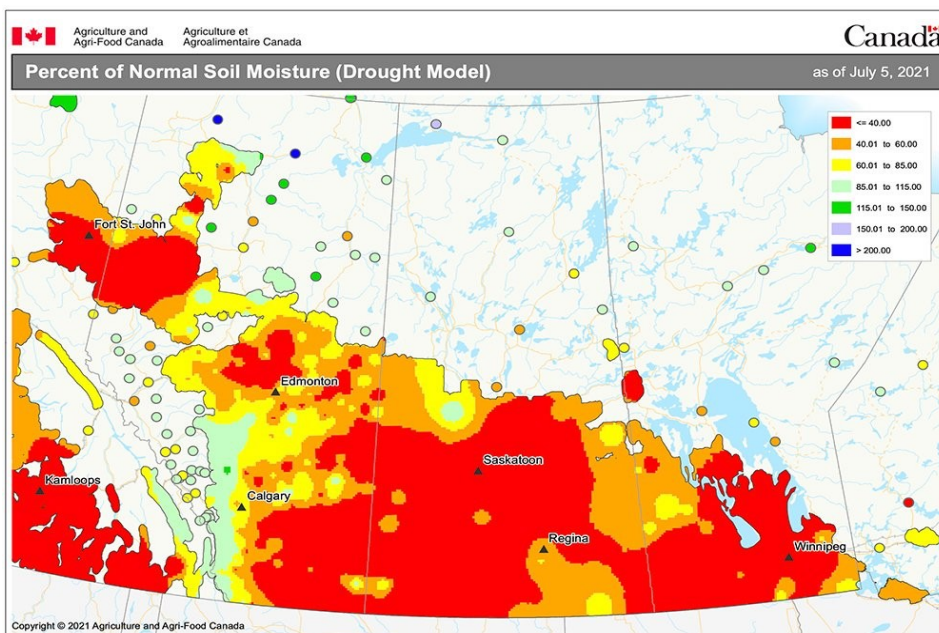
Cows in Control services:

- 1) Developing an annual marketing strategy for your cattle
- 2) Working with you to protect the value of your herd
- 3) Analysis on retained ownership and forward selling
- 4) Making sense of the markets

"There comes a time in the affairs of man when he must take the bull by the tail and face the situation"

~ W.C. Fields

Give us a call for a free consultation



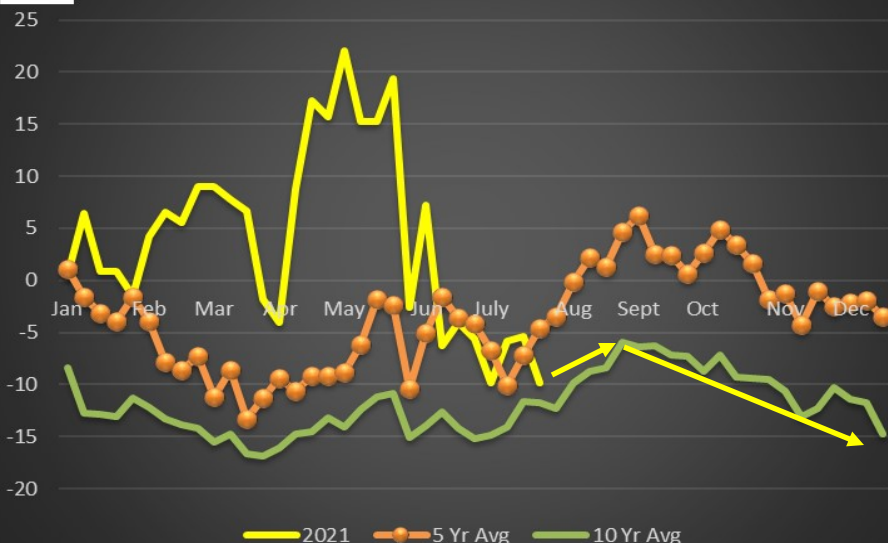
No places to hide from this drought...

In This Issue

- Marketing Buzz
- We're full thanks!
- Cow rations
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Weekly Feeder Basis



Basis is no longer strong and could stay weak...

We're full thanks...

We highlighted in the last few issues that Canada's excess feedlot capacity and packing space was drawing cattle north from the US.

Earlier this year, Canadian cattle were trading nearly 20 cents higher than US cattle. Now we are trading 10 cents under, back closer to traditional basis levels.

Drought in Western Canada is going to keep basis levels quite weak going forward. As pastures dry up, yearlings, cows and calves could start trickling into lots and keep our feedlots full and prices in check.

Some are talking about 30% of the cow herd being culled if the drought persists in many areas. There are about 3.1M beef cows in the prairie provinces. If we had a 25% cull rate that would be 777 thousand cows that could enter the meat system unexpectedly.

That is the equivalent of 12 weeks kills. Those are backlogs that are much worse than Covid backlogs. Lets hope it doesn't get there, but we must be prepared for the fact that a heavy cow cull would turn demand for cows, bred or unbred, very low. We need some drought assistance or feed programs to avoid this.

Canadian calf prices are around \$2.28/lb vs. US prices converted around \$2.18/lb so we are sitting on some good forward bid calf prices. US prices are rising rapidly to meet our prices in Canada.

The Marketing Buzz (July 23)

Canner cows, heiferettes and bulls

Cull cows: \$70-94 (avg. \$86 D2) **Heiferettes:** \$110-143

Cull Bulls: \$100-135

Breds Pairs: \$1650-2250

Feeders (Canadian feeder prices are holding highs)

Steers: 450 wts \$2.43 **Heifers:** 450 wts \$2.03

550 wts \$2.29 550 wts \$1.93

650 wts \$2.14 650 wts \$1.88

750 wts \$2.02 750 wts \$1.73

850 wts. \$1.93 850 wts \$1.73

Slide 550-850: 12 cents/cwt **Heifer:steer @ 750 lbs:** -29 cents

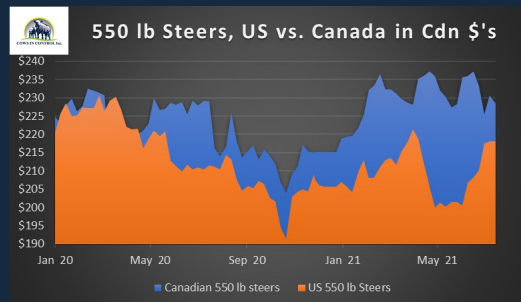
Finished Cattle

\$1.50 live; \$2.50-2.51 rail

Feeder Basis: -8 (futures) **Finished cattle Basis:** -2 (futures)

+2 (cash) 0 (cash)

(Note: Basis levels are now flipping negative after having been very strongly positive earlier this year)



Our hummingbird feeding program seems to work...



Cow rations for comparison...

Cow Rations...

We do not call ourselves nutritionists at Cows in Control, but we have fed enough cows in our time to come up with some rations on Cow-bytes for comparing feed costs this winter in light of the drought conditions.

At \$200/ton hay, just the feed ingredient cost is over \$3.50/cow/day. That is \$700 per cow to winter her 200 days. Add on grass costs, breeding, vet, death loss and overheads and that is a lot to ask for a \$1000 calf to pay for next year.

Blending the hay with straw and barley definitely saves on hay volumes required but made the cost situation worse as grain costs are so high. So we need to look at other ration ideas.

Replacing some hay with pellets is an idea to cut hay usage, but typical screening pellets are in short supply and expensive to buy. Perhaps oat hull or other cheaper pellets could cut the costs a bit if you can find them.

Ration 4 uses high protein dried distillers grains to lower hay usage by getting a bit more out of your hay and old pasture. It saves about a bale/cow for the winter.

Hay will be very hard to find this fall, as the drought is so widespread, so we may need to look at salvage crops as the feed source if we are short on forages. Greenfeed and dry silage from droughted out grain crops may be the solution.

You can see the cost advantage of these crops as well as the ability to avoid high cost hay and use minimal amounts of grain. In this case we are using oats as the supplement. The silage ration has saved \$200/cow compared to a standard hay ration over a 200 day period.

The best solution if needing to buy feed to get through this winter is to make arrangements with your farmer neighbours whose crops may not be worth combining, get them to take the crop insurance hit and sell you the salvage crop as greenfeed or silage. Good luck out there.

| Ration 1: Hay ration | |
|--------------------------|----------------|
| Alfalfa/grass hay | 35 |
| Salt | 0.05 |
| Mineral | 0.05 |
| | |
| | |
| | |
| | |
| Total lbs/cow/day as fed | 35.1 |
| Rate of gain | 0.25 |
| Hay bales/cow/200 days | 5.2 |
| Ration Cost | \$ 3.53 |

| Ration 2: Hay/straw/barley | |
|----------------------------|----------------|
| Alfalfa/grass hay | 10 |
| Straw | 15 |
| Barley | 12 |
| Salt | 0.05 |
| Mineral | 0.05 |
| | |
| | |
| | |
| Total lbs/cow/day as fed | 37.1 |
| Rate of gain | 0.25 |
| Hay bales/cow/200 days | 1.5 |
| Ration Cost | \$ 4.18 |

| Ration 3: Hay/screen pellets | |
|------------------------------|----------------|
| Low quality hay | 20 |
| Lentil screen | 15 |
| Salt | 0.05 |
| Mineral | 0.05 |
| | |
| | |
| | |
| Total lbs/cow/day as fed | 35.1 |
| Rate of gain | 0.25 |
| Hay bales/cow/200 days | 3.0 |
| Ration Cost | \$ 3.91 |

| Ration 4: Hay/DDG | |
|--------------------------|----------------|
| Low quality hay | 30 |
| Stockpile grass | 5 |
| Corn DDG's | 3 |
| Salt | 0.05 |
| Mineral | 0.05 |
| | |
| | |
| Total lbs/cow/day as fed | 38.1 |
| Rate of gain | 0.25 |
| Hay bales/cow/200 days | 4.4 |
| Ration Cost | \$ 3.15 |

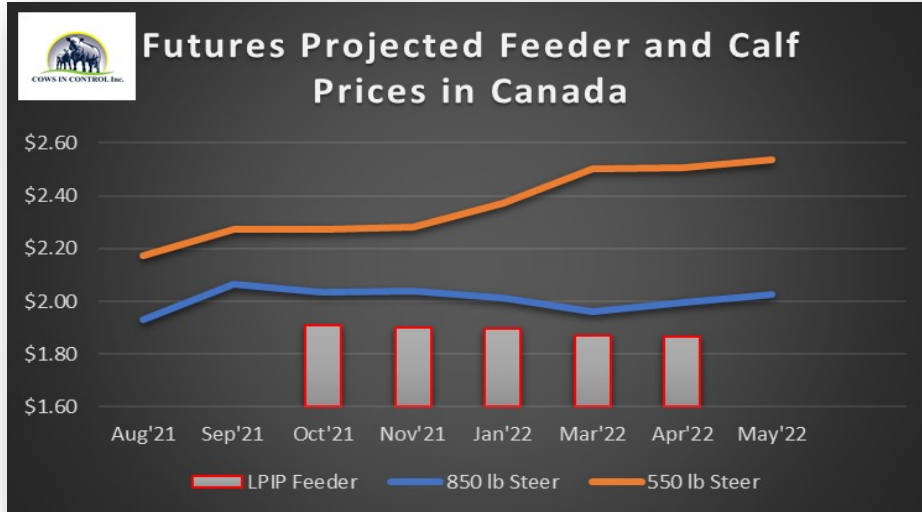
| Ration 5: Greenfeed/hay/oats | |
|------------------------------|----------------|
| Greenfeed | 25 |
| Stockpile grass | 5 |
| Alfalfa/grass hay | 5 |
| Oat grain | 5 |
| Salt | 0.05 |
| Mineral | 0.05 |
| | |
| Total lbs/cow/day as fed | 40.1 |
| Rate of gain | 0 |
| Hay bales/cow/200 days | 0.7 |
| Ration Cost | \$ 3.09 |

| Ration 6: Silage/straw/grain | |
|------------------------------|----------------|
| Barley silage | 45 |
| Barley straw | 5 |
| Oat grain | 5 |
| Salt | 0.05 |
| Mineral | 0.05 |
| | |
| Total lbs/cow/day as fed | 55.1 |
| Rate of gain | 0.25 |
| Hay bales/cow/200 days | 0 |
| Ration Cost | \$ 2.54 |

| | |
|-------------------|-------------|
| Alfalfa/grass hay | \$ 200 /ton |
| Low quality hay | \$ 150 /ton |
| Straw | \$ 120 /ton |
| Greenfeed | \$ 150 /ton |
| Silage | \$ 70 /ton |
| Barley | \$ 413 /MT |
| DDG | \$ 360 /MT |
| Screening pellets | \$ 350 /MT |
| Oats | \$ 259 /MT |

Forward prices are decent

In light of high grain prices, drought conditions and high forage prices, forward futures prices for calves and feeders are quite strong. This is helped by dropping cow inventories in Canada and the US as well as record levels on cutout prices and exports.



All the same, with drought herd liquidations and cattle coming off pastures early as pasture runs short, these seem like fairly decent prices to be trying to lock in do they not? Using the forward futures as a guide, we are showing calf prices going over \$2.50/lb by the new year. For those of you backgrounding your calves until 2022, you may want to look at some hedges that put a floor price under your feeders without capping the upside potential. Both LPIP and options can do this effectively.

Cows in Control, serving the cattle producer

Thoughts on the industry

Though the harvest isn't in, and summer is only half way through, it looks like this drought is very widespread and potentially devastating to many ranchers forced to liquidate or buy feed to get through.

The governments and insurance agencies are working on drought mitigation solutions, but they are sometimes too little too late when crops are burning off or cattle are running short of pasture. Our thoughts are with those battling that tough situation now. Hopefully some of those failed crops will get converted to cow feed.

The bad news is that many more cows than usual will come to town this fall as ranchers destock before winter or pastures run out. This could have a huge effect on cull cow prices which will also affect bred prices. In a severe drought, bred prices can drift lower towards meat prices until the speculators step in or feed availability improves.

The good news is that cow herd inventories in the US and Canada are still dropping. US backlogs are easing, carcass weights are coming down, and the world is voraciously eating beef. Lean beef prices and cutout prices are at record levels, well above long term averages. This is creating strength in the futures market. Feeder futures are at the high end of the ranges for the past 6 years, and looking to want to break out higher. The futures market may be the saviour of our drought ridden cattle market. Don't forget to take advantage of some of the price highs here to hedge your fall or winter prices for your calves or feeders.

Commodities have been very undervalued for quite a long time, and that is starting to resolve itself with commodity price inflation in grains, metals, oil and other commodities. A simple technical analysis on feeder futures indicates a potential quick move to 195 if feeder futures are able to break higher from this level. That is the equivalent of 850 lb steers being \$2.45/lb or 550 weight calves over \$2.75/lb, not bad. So take hope, the drought will shake things up a bit but there is light at the end of the tunnel if we can hang on to the cow's tail here.

Take care -- RC

Contact Us

Give us a call for more information about our services and products

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"TO LOVE THE LORD YOUR GOD AND TO SERVE HIM WITH ALL YOUR HEART AND WITH ALL YOUR SOUL – THEN I WILL SEND RAIN ON YOUR LAND IN ITS SEASON, BOTH AUTUMN AND SPRING RAINS, SO THAT YOU MAY GATHER IN YOUR GRAIN...I WILL PROVIDE GRASS IN THE FIELDS FOR YOUR CATTLE, AND YOU WILL EAT AND BE SATISFIED." - DEUT. 11:13