



Parched

Significant drought is forcing cow liquidation in some areas.

by *Cristin Tavernaro*

Drought conditions improved across the United States since the beginning of the year. However, it encompasses more of the nation than last year and continues to force cow liquidation in parts of the West, Southwest and Northern Plains.

Overall, 61% of the nation was classified from abnormally dry to exceptional drought, according to the U.S. Drought Monitor for the last week of June. That was 16% more than a year earlier but 5% less than when the year began. That same week, extreme (D3) or exceptional (D4) drought conditions prevailed across 22% of the country, compared to 2% a year earlier.

Pasture conditions

The U.S. Department of Agriculture (USDA) assesses weekly pasture and range conditions during the growing season as very poor, poor, good or excellent. This year's season began with a record low level of pasture and range rated as good or excellent. Pasture and range classified as poor or very poor was record high, according to USDA and an American Farm Bureau Federation (AFBF) analysis.

For more recent perspective, 41% of the nation's pasture and range was poor or very poor the week ending June 27, according to the USDA Crop Progress report.

At the time, AFBF reported, "Arizona has the worst conditions in the continental U.S., registering nearly 90% of pasture and rangeland at poor to very poor, with North Dakota and Utah close behind at 75% and 71%, respectively."

Katelyn McCullock, director and senior agricultural economist at the Livestock Marketing Information Center, says this drought has built over the last year and a half and has affected hay production in the Western U.S.

"May 1, 2021 hay stocks were down almost 12% below last year," McCullock says. "If you look at that on a state-by-state basis,

stocks and limited potential for pasture and hay production all suggest that additional beef cow herd liquidation is imminent."

Average weekly beef cow slaughter the first half of May was 13% to 14% more than the previous six weeks, according to Peel. However, he said it was too soon to project the ultimate drought impact on the inventory heading into next year.

Through June, McCullock noted beef cow slaughter was 10.2% higher than last year.

McCullock points out beef cow slaughter increased during the fourth quarter each of the last two years. She says the primary difference this year is elevated numbers are being seen much earlier, and some producers are culling before the breeding season because of dwindling feed resources.

"I think that points to what the conditions are like out there for carrying capacity," she says. "I would expect to see another round of higher beef cow slaughter again in the fourth quarter."

If drought accelerates the liquidation phase of the cattle cycle, then McCullock says fewer cattle numbers should support higher fed cattle prices the next two to three years.

Considering options

Several factors weigh on producer liquidation decisions. One main driver is what cattle producers expect on the other side of the drought.

Some producers in drought-afflicted regions already liquidated some of their cow herd. Others are weighing the option between liquidation and feeding their way through the drought. Keep these factors in mind when considering the latter:

Hay resources: With drought conditions being widespread, it is likely cattle producers will need to find additional hay resources if they are unable to produce their own.

Utilizing state Extension hay directories and forage calculators can be useful for finding additional hay and understanding how long current supplies will last. For instance, the Noble Research Institute mobile application, Ag Tools, includes a hay ring waste calculator to calculate the amount and cost of hay wasted based on the type of ring feeder used.

Feed costs: Much like hay, feed is another resource and cost to calculate.

Feed costs grew exponentially in the first part of 2021, McCullock says. This can be a concern if you are supplementing feed.

Producers should determine how much feed will be needed and for how long. Luckily, there are also digital resources to calculate feed usage, rations and costs through state Extension websites. For example, South Dakota State University Extension offers a feed value calculator or a feed cost comparison tool, both available at [Extension.SDState.edu/Feed-Nutrient-Calculator](https://extension.sdstate.edu/Feed-Nutrient-Calculator). Producers can also compare current feed costs to what they could sell their cattle for in the future.

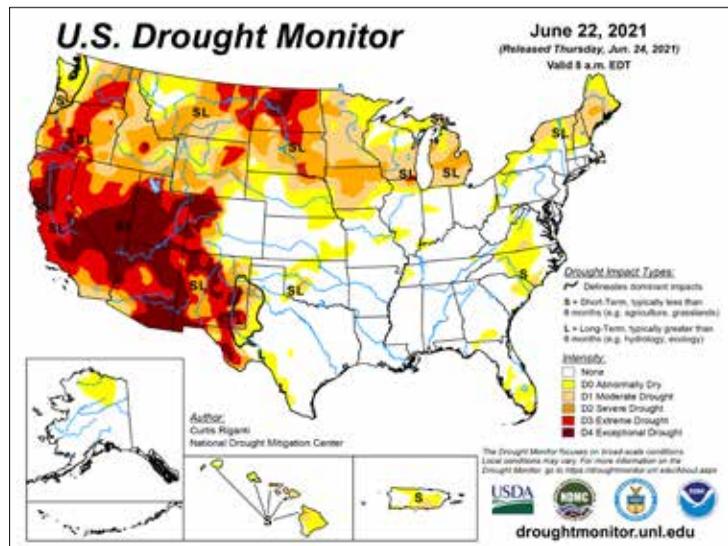
Not only will fed cattle prices rise because of a smaller calf crop, so will calf and feeder cattle prices over the next several years, McCullock says.

Timing will be key when deciding when to market calves or cull cows, she says. Producers could consider holding on to cows and capitalizing on the higher prices later.

"These are going to be some fairly volatile markets this year," McCullock says. "So if they are considering retaining ownership on calves, knowing those feed costs is going to be pretty important."

OSU Beef Extension provides a downloadable decision tool titled "Sell Cows Now or Later?" to help producers compare the advantages of selling cows or incurring costs while waiting for new market opportunities.

Heifer development programs: If available, McCullock says utilizing heifer development programs could be an option for some. This would allow producers to develop heifers without using their own feed and pasture resources. **HW**



Current drought is forcing cow liquidation decisions in some areas, besides limiting forage and hay production.

especially west of the Rockies, you have hay stocks that were down over 40% in several states."

Although drought and forage growing conditions vary between regions and locations, the current drought means more producers this year were already forced to sell cattle or are in the process of considering the option.

Slaughter numbers on the rise

"It appears that herd liquidation is already happening and more can be expected," says Derrell Peel, Extension livestock marketing specialist at Oklahoma State University (OSU), in his mid-May market comments. "Poor pasture conditions now, reduced hay

Sources:

Nepveux, Michael (2021). Severe Drought Leads to Record Levels of Negative Pasture and Rangeland Conditions. www.fb.org.