April 24, 2012

# COWCHIP

**DATES TO REMEMBER:**

May

| | |
|---|---|
| 4 | Deadline for baler twine orders |
| 5 | Field Day and Acadiana Master Cattle Producer Class Graduation (see flyer) |
| 19 | Blood Drive at the Wal-Mart in Abbeville from 9:00 a.m. to 1:00 p.m. |
| 25 | Ryegrass and Clover seed deposits due |

**LEAN, FINELY TEXTURED BEEF:**

A couple of former USDA scientists called this beef product "pink slime" on a recent ABC news program. Media picked up on it characterizing the product as scraps and waste normally destined for pet food. Actually the company producing it developed a method to separate the lean from fat trimmed from retail cuts of beef, roasts and steaks. This produces a product that can be mixed with ground beef, sausage and hamburger. Because all of the fat is removed it is lean, high in protein and FDA approved safe.

Ammonium Hydroxide is used in the process to insure the product is free from E. coli and salmonella. And while this was also mentioned negatively by the media the process was championed by food safety groups. Ammonia is naturally occurring. It is found in the human body and most foods. The compound is used as an antimicrobial food additive in baked goods, cheeses, puddings and candy.

All living things need protein; ammonia is a key player in the human body's nitrogen cycle and protein synthesis. The FDA approved ammonium hydroxide for food processing in 1974.

Taking this product off the market or demanding our hamburgers don't contain it, will not make us healthier. It will result in less hamburger being available and raise food prices. With the current cost of groceries, we need to be careful about making demands without getting the facts.

## ESTABLISHING SEEDED BERMUDAGRASS:

Before undertaking the time, expense and uncertainty of planting bermudagrass, one should inventory the planting site. If bermudagrass is present in the mix of species, it may be more economical and quicker to use herbicides and fertilizers to develop a bermudagrass pasture. A good check is to spray a pasture with a quart per acre of Glyphosate (Roundup) in the late summer or early fall. Mow or burn the accumulated growth and plant ryegrass for winter grazing. The following spring check for the population of bermudagrass developing if there is an even stand with at least one bermudagrass vine every 10 square feet then soil test and fertilize. Be prepared to mow the weeds present if they start to shade the developing Bermuda. If on the other hand, little or no Bermuda is found then plow the ground and make preparations to plant.

There are two varieties of seeded bermudagrass recommended by the LSU AgCenter – Common and Cheyenne. Yields of each are similar with a slight advantage to Cheyenne. Cheyenne seed is usually more expensive, both are seeded at a rate of 5 pounds per acre.

Competition from weeds and lack of soil moisture are the usual reasons for stand failures. Taking steps to reduce weed competition will increase your chances for success. Plow and then cultipack before and after planting to form a very firm seedbed. Several passes may be necessary to achieve proper firmness. Bermudagrass seed will not establish in a fluffy, loose seedbed. Bermudagrass seed is very small and needs to be placed no deeper than ⅛ inch for successful stand establishment. Also, because of seed size it is hard to meter. It is often blended with a fertilizer to obtain an even spread.

For better weed control prepare the seed bed and allow for the first flush of weeds to emerge then spray with Glyphosate before planting. You should limit the amount of nitrogen applied at planting. No more than 20 pounds/acre of actual Nitrogen. However, it is a good time to add lime, phosphorus and potassium that a soil test calls for. Putting nitrogen out early will only increase weed competition and may be wasted if stand failure occurs. Once a satisfactory stand is achieved, fertilize with 80-100 pounds of nitrogen per acre.

Scout the field to determine the success of the planting. If weeds shade the Bermuda, mow the field with the highest setting on the mower. Also, once the Bermuda begins to run, a quart/acre of 2,4-D can be used if broad leafed weeds are present. Delay grazing until good ground coverage has occurred and the Bermuda is 8-10" tall.

## FIELD DAY AND MASTER CATTLE PRODUCER GRADUATION:

Graduates of the 2011 Acadiana Master Cattle Producer class will be honored on May 5th at 8:00 a.m. at the Acadiana Cattle Producers Spring Field Day held at the Iberia Research in Jeanerette. In addition, presentations on pasture management and forage fed beef will be included. Lunch will be served. A flyer is attached for those interested.

## BLOOD DRIVE:

The Vermilion Parish Cattlemen's Association will again sponsor a Blood Drive as part of our Beef Month Celebration. They hope to promote beefs importance to healthy blood and serve the community's need for steady blood supply. It will be held Saturday, May 19th at the Wal-Mart in Abbeville from 9:00 a.m. to 1:00 p.m. Please make every effort to attend. We need your donation and/or help with the event. Let's get some straw hats out there and let the public know about us and that we care about them.

## LOUISIANA CATTLE MARKET UPDATE:

*Ross Pruitt, Department of Agricultural Economics and Agribusiness, LSU AgCenter*

### Replacement Female Investment Decision

Any expansion strategy used by a cow/calf operation should match the available resources, labor, and management that the operation possesses. There is no strategy that will work for every operation, but lack of careful planning in strategy development and implementation may result in unnecessary financial stress for the operation. Although cattle prices have softened in recent weeks, female replacement prices have retained strength as the market tries to balance shaky demand now with the realization incentives are needed to increase future supplies.

A general rule in business is to not own assets that are not generating a return. For cow/calf operators, this would be cows providing calves that are sold annually to pay for the land and provide income to the operator. Cows that are not breeding back are costing the operation more money than what they are providing in terms of an annual return. However, replacement female prices have increased as calf and fed cattle prices rose over the past year. This begs the question of whether replacing open cows still remains a sound business strategy. Replacing older, open females at the end of their productive life is almost always a sound business decision, but what about younger females with productive years ahead of them? The options for the producer are to keep the young, open cow and hope that infertility was only a temporary issue or sell her and purchase a replacement. A purchased replacement could be open, but there would need to be enough time to insure re-breeding occurs for a calf in 2013. Any purchased replacement female could have a calf at her side to provide revenue for the current year.

Net present value (NPV) analysis allows producers to determine if keeping the young, open cow is the preferred option to purchasing a replacement female. This type of analysis compares the present value of a stream of future expected cash flows discounted at a desired rate of return. If the value is positive, then an investment strategy will provide a return higher than the desired rate of return and is a good business decision. When comparing two alternatives, the alternative with the highest NPV would generally be considered the best option, but the strategies should be analyzed over the same number of years.

To conduct an NPV analysis, estimates on future cash revenues (inflows) and expenses (outflows) must be developed. USDA's baseline projections for calf prices through 2017 were used to estimate future revenue streams. Cash expenses for 2012 were taken from LSU AgCenter enterprise budgets with an assumption of a $15/cow increase for each subsequent year through 2017. The desired rate of return (discount value) was assumed to be 4 percent. Other assumptions include calves sold at a weight of 550 pounds; cull cows weight 1,000 pounds and sell for $80/cwt in 2012 and $75/cwt in 2017; a replacement female costs $1,400 and would be financed through a 5 year loan at a 5% interest rate. Cows are culled in 2017 in both scenarios.
Table 1 provides the NPV of the two alternatives of keeping the young, open cow or selling her and purchasing a cow/calf pair. No income would be generated by keeping the open cow in 2012, but would be expected to produce a calf in each of the subsequent years (2013-17). This would suggest the failure of the young, open cow to produce a calf in 2012 was a single year issue and not indicate long term fertility problems. In the table below, income in 2012 for the purchased replacement female scenario is from the sale of the young, open female and of purchased replacement's calf. The replacement female would be expected to produce a marketable calf in each of the subsequent years. Under these assumptions, the NPV analysis favors the strategy of selling the young, open cow and purchasing a replacement cow/calf pair. The analysis favors purchasing a replacement female until the purchase price is greater than approximately $1,424. When replacement female prices exceed approximately $1,424, keeping the young, open cow becomes the preferred strategy as the NPV with this option exceeds the NPV for purchasing a replacement female. With that said, the purchased replacement cow/calf pair would generate a positive NPV as long as the producer did not pay more than

approximately $2,911 (original purchase price of $1,400 plus the NPV value of $1,511.48 from table 1). Paying up to that amount would generate a return at least as great as the desired rate of return of 4%, but still be less than the NPV of keeping the young, open cow. In that situation of paying $2,911, a cow could conceivably be purchased that is of greater genetic potential which would be expected to produce higher quality and higher valued calves than the currently owned cow while still generating at least the desired 4% rate of return.

Table 1. Net Present Value Comparison of Keeping an Open Cow vs. Purchasing Replacement Female

| | Currently Owned & Open Cow | | | Purchased Female | | |
|---|---|---|---|---|---|---|
| | Cash Costs | Income | Net Inflows | Cash Costs | Income | Net Inflows |
| 2012 | $459.95 | | ($459.95) | $1,929.95 | $1,633.97 | ($295.99) |
| 2013 | $474.95 | $905.91 | $430.96 | $532.28 | $905.91 | $373.62 |
| 2014 | $489.95 | $849.53 | $359.58 | $533.98 | $849.53 | $315.55 |
| 2015 | $504.95 | $777.26 | $272.31 | $535.01 | $777.26 | $242.25 |
| 2016 | $519.95 | $746.02 | $226.07 | $535.35 | $746.02 | $210.67 |
| 2017 | $534.95 | $1,534.41 | $999.06 | $534.95 | $784.41 | $999.46 |
| **NPV** | | | **$1,484.32** | | | **$1,511.48** |

The above example assumes that the genetic potential of the purchased cow/calf pair is equal to the currently owned and open cow. Should infertility of the young, open cow continue in the future, then the NPV of keeping the currently owned cow would become negative if only three calves are born between 2013 and 2017. A negative NPV indicates that this female should be replaced as future cash flows generate a rate of return far below the desired level. If multiple cows are open, then adjustments to existing management practices may need to occur to improve profitability and productivity of the operation. It is also recommended that if multiple cows are open, this analysis being conducted on a case-by-case basis since the genetic potential of no two cows is exactly the same.

The above analysis ignores tax implications of the purchase which should be considered when making any investment decision. Purchasing a replacement female will allow the producer to depreciate the value of that animal unlike the owned and open cow which was assumed to be a raised replacement which cannot be depreciated for tax purposes. Additionally, there are tax implications associated with the sales of both cull animals which would slightly alter the analysis, but not the answer, if marginal tax rates are the same across both scenarios.

Corn futures fell lower on the week as traders started off the week reducing their risk exposure to Tuesday's USDA's *World Agricultural Supply and Demand Estimates* which did not alter its corn forecast from last month. The forecasted average corn price for the current marketing year was left unchanged despite the range being adjusted from $5.90/bu to $6.50/bu in March to $6.00/bu to $6.40/bu for the April estimates. A lack of bullish news with bearish pressure from outside markets contributed to decline as the week closed. Live cattle futures were able to overcome weakness early in the week to move higher from last week's close. Stability in the cash market provided support even though there are concerns about economic growth and its impact on demand. Slight changes were made downward in beef exports and beef prices in this month's *WASDE*. Feeder cattle moved higher on the week, in part due to weakness in the corn market. Gains for live and feeder cattle futures also reflected the fact some contracts were limit up on Thursday.
Cash fed cattle trade on Wednesday was described as moderate to active on good demand. Prices in the Southern Plains were even with last week at $122/cwt. Live prices in Nebraska were $122 to $123.50/cwt with dressed prices at $195.

**BULK TWINE:**

We will take orders for baling twine. We are taking orders for sesil and biodegradable baling twine. If interested please fill out the enclosed form and return it with a $5.00 per roll deposit by Friday, May 4th. Again, make checks payable to Vermilion Parish Cattlemen's Association. Once the amount needed is determined we will take bids from local vendors and a price will be established. We will run this like the ryegrass seed program.

**RYEGRASS ORDERS:**

It is time to take orders for ryegrass seed. This is the 34th year we have booked bulk ryegrass seed. The program continues to allow for price advantages to participants. Last year those who booked seed with us paid 41¢/lb. for Gulf and 47¢/lb. for Prine and $129.90/25 lbs. for Durana White Clover

In addition, due to high nitrogen fertilizer costs and the benefits of clover, the Cattlemen's board voted to offer Durana White Clover Seed to producers. Durana is more productive than LAS-1 and more persistent than ladino type clovers like Osceola. White Clover comes in 25 lb. bags so you must order in 25 lb. increments. Seeding rates are 3 lbs./acre in a mixture with ryegrass or 5 lbs./acre if planted alone. For a deposit of $10.00 per 25 lbs. of clover seed you will be guaranteed that amount and for a deposit of $5 per 100 pounds of ryegrass seed, you will be guaranteed that amount. All seed not booked will be available on a first come, first served basis; however, this will be a very limited amount. If you want seed through the program, then you should put a deposit on the amount you desire.

Please indicate which variety you prefer on the order blank. Be aware that Prine or Nelson Tetraploid is generally 10¢/lb. more than Gulf. Prices are not final at this time. Another change in the program is due to limited participation by in parish dealers, we will be soliciting bids on all three seed types from dealers in a four parish area – Vermilion, Acadia, Lafayette and Iberia, so you might have to travel some to obtain your seed. We will accept bids on Prine and Nelson Tetraploid and accept the lowest bid on either of them. Performance on these two are similar.

If you wish to be guaranteed ryegrass seed and/or clover in this year's program, then fill out the form enclosed and send it to Andrew Granger, 1105 W. Port St., Abbeville, LA 70510 along with a check made payable to the Vermilion Cattlemen's Association and in the amount needed to guarantee your seed. Deposits are due by May 25th. Deposits will be non-refundable after July 15th.

**RETURN TO ANDREW GRANGER, 1105 W. PORT ST., ABBEVILLE, LA 70510 BY FRIDAY, MAY 4TH**

NAME _____

ADDRESS _____ CITY _____ ZIP _____

PHONE _____ CELL _____

I would like to order

_____ rolls of sesil twine x $5.00 = _____

_____ rolls of biodegradable baling twine x $5.00 = _____

MAKE CHECK PAYABLE TO VPCA

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**RETURN TO ANDREW GRANGER, 1105 W. PORT ST., ABBEVILLE, LA 70510 BY FRIDAY, MAY 25**

NAME _____

ADDRESS _____ CITY _____ ZIP _____

PHONE _____ CELL _____

Amount of Ryegrass Seed _____ x $5/cwt.

Amount of Clover Seed _____ x $10/25 lbs. (order only in 25 lb. increments)

Amount of Deposit = _____

Type of ryegrass you prefer:

 Prine or Nelson Tetraploid

 Gulf

MAKE CHECK PAYABLE TO VPCA

Sincerely,

Andrew Granger
County Agent
Vermilion Parish

*It is the policy of the Louisiana Cooperative Extension Service that no person shall be subjected to discrimination on the grounds of race, color, national origin, gender, religion, age, or disability.*