Daily Livestock Report

Sponsored in part by CME Group

Vol. 18, No. 171/ September 2, 2020

From both a management and market impact perspectives, drought fits about four types in the U.S.: local, forage-based, feedstuff-based, and the last type impacts both feed grains and forages.

Local: Localized drought conditions happen when there's enough dryness that the rancher needs to make a few different decisions. Buying feed or hay, or weaning a bit early. It's enough that you can't ignore it but not enough that there are widespread market impacts.

Forage: A forage-type of drought effects pasture and range conditions on a large scale. Animals often need to be managed differently than in a typical year — cattle might need to be pulled earlier from pastures, and conditions have deteriorated to a large scale that supplementation is required to keep them thrifty. However, one key is that it is not dramatically raising feedstuff costs, and therefore is not dramatically dragging down calf and yearling prices.

Feedstuffs: This type of drought is significantly increasing feed costs, raising feedlot cost of gain. However, pasture and range for the national beef cowherd are not severely impacted. That drought is a typically a Midwest crop issue. Pasture conditions provide additional flex in the system and allow animals to gain weight outside the feed yard. At least in the short-term, cattle producers are able to manage around taking significant hits at sale time.

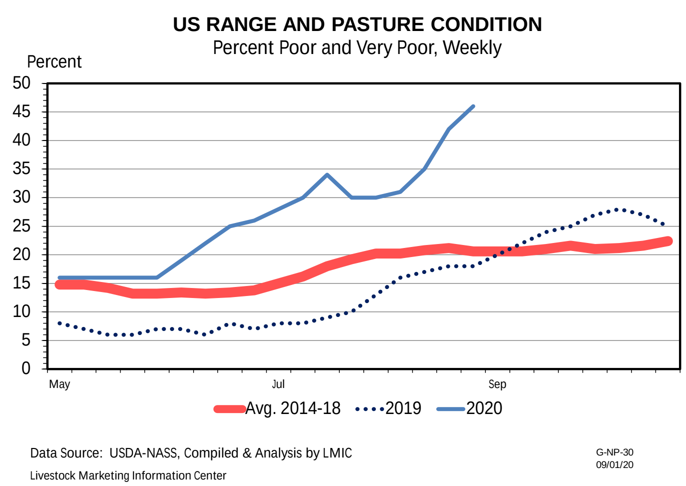
Both Forage and Feedstuffs: The last type is usually disastrous for cattle producers. In recent years it's akin to the 2012 drought. Pasture and range conditions are effected, feed grains are effected; and cattle producers are forced to sell whole herds. That is a situation where it can be challenging to manage because of cost and/or length.

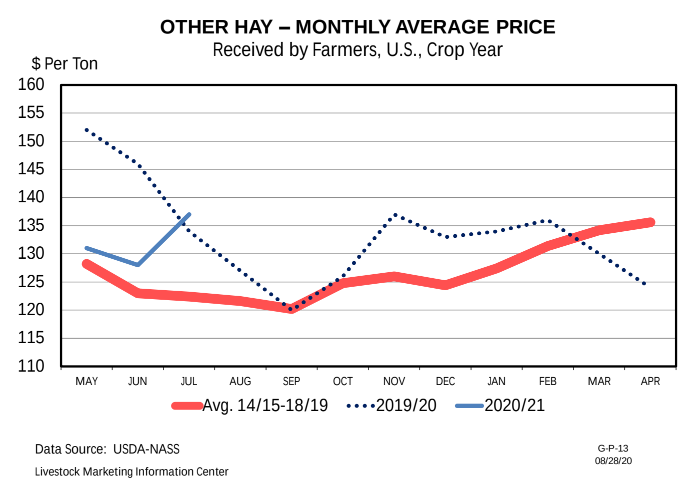
The drought currently taking over a large part of the U.S. would fit the Forage type drought where pasture and range conditions are deteriorating. Still, feed grains have maintained relatively modest levels. Admittedly, corn in recent weeks has crept higher, but that increase was related to the Derecho effects and was not drought-related. During recent weeks, pasture and range conditions have been persistently and dramatically deteriorating. The Western region and Great Plains are experiencing the worst of it, each registering over 40% in poor and very poor conditions. The widespread impact of the drought is starting to show up in national hay prices. Other hay jumped $10 in July over June prices, and August will likely be higher.

Many western cattle ranchers likely early-weaned their calves and are creep feeding them until normal sale time, or even later. Small grain grazing may offer some relief to Southern Plains states, as rain has recently hit that area. Small grain pastures provide another avenue to place animals outside of feedlots and add considerable flexibility to the beef production system. These timely rains may allow for animals to head to grazing out wheat pasture as early as October. Dual-purpose fields, those grown for both grain production as well as winter pasture, will be planted later. This moisture and the next two weeks will determine those timelines. Drought-stressed summer stockers have likely already moved, while areas with more forage are probably making decisions now. Small grain pastures will only really offer flexibility for late Summer and Fall weaned calves.

Pacific Northwest and California winter coastal grazing areas are still at risk. Cattle ranchers that typically utilize those pastures are in a wait and see mode, hoping for moisture. Those cattle will need to move this Fall into feedlots, if those pastures do not materialize. The target timeframe for coastal pastures is similar to that of the Southern Plains wheat grazing.

Nibble managers have been penciling out options for retained ownership, graze out opportunities, and selling prospects for this Fall. But, at this time many decisions are still weather dependent.





The **Daily Livestock Report is published by Steiner Consulting Group, DLR Division, Inc**.. To subscribe, support or unsubscribe please visit www.dailylivestockreport.com.