



THE LEADING EDGE

CATTLEMAN

Mississippi/Alabama Cattle Producers



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Leading Edge Cattleman Program

Mission Statement:

"To improve profitability, management skills, and cattle of beef producers in participating counties."

**County Cattlemen's
Association President**

County Extension Agent

Leading Edge Participating Counties:

<u>Alabama</u>	<u>Mississippi</u>
Bibb	Chickasaw
Fayette	Clay
Greene	Lee
Hale	Lowndes
Lamar	Monroe
Pickens	Noxubee
Sumter	Oktibbeha
Walker	Webster
Tuscaloosa	Winston
Marion	Calhoun



**Programs in the 2002
Farm Bill Affecting
Livestock Producers**

**John D. Anderson,
Assistant Extension
Professor, Mississippi
State University Agri-
cultural Economics**

The 2002 Farm Security and Rural Investment Act (FSRIA) was signed into law by President Bush in May 2002. The major focus of FSRIA is on commercial crop production; however, the bill probably offers more opportunities for livestock producers than any previous farm bill. Most of the benefits available to livestock producers under FSRIA are found in the conservation title of the bill. Several conservation programs have provisions representing potentially significant opportunities for livestock producers.

The most significant livestock-related program in FSRIA is probably the Environmental Quality Incentives Program (EQIP) – a program continued from the previous farm bill. Basically, EQIP provides cost share assistance for producers to implement conservation practices. For example, in some states EQIP funds have been used to provide incentive payments and cost share payments for fencing off riparian areas. Under FSRIA, authorized funding for EQIP will gradually increase from \$200 million per year to \$1.3 billion per year. A few of the

details related to EQIP implementation have been changed from the previous farm bill. First, payment limits to individual producers have been increased – from \$50,000 per person to \$450,000 per person over the six years that FSRIA is in effect. Second, the bill explicitly states to 60% of EQIP funds are to be spent on livestock operations with the remaining 40% to be spent on crop operations. Finally, all parts of the EQIP program are not open to confined animal feeding operations (CAFOs).

Two new conservation programs may also potentially benefit livestock producers. The first of these is the Grasslands Reserve Program (GRP). This program will provide producers with payments to preserve grasslands (both rangeland and improved pasture). Payments will be received for the establishment of a permanent easement or a long-term rental agreement. These easements or rental agreements will place limited restrictions on the property. Basically, haying and grazing can continue on the land, but it cannot be converted to crop production and it cannot be developed. While this program is written as a national program, it remains to be seen how funds will be distributed. The program establishes “priority areas” that would appear to strongly favor the enrollment of western rangelands over eastern and southeastern pasture land.

The second new program is the Conservation Security Program (CSP). This program will provide producers (both crop and livestock) with incentive payments to implement or maintain resource-conserving production practices on their working farmland. Some practices specifically mentioned in the bill as being eligible for payments include such things as rotational grazing, pasture management, and water quality management. This would indicate that livestock producers could have the opportunity to participate in and benefit from this program. Since rules for the program are not finalized yet, it is unclear exactly what the opportunities for livestock producers might be under this program. Moreover, in spite of the interest it

has generated over the past several months, the CSP will probably not be a very large program. The President’s recently released 2004 budget includes very limited funds for CSP.

Changes to the Conservation Reserve Program (CRP) will make it easier to graze or hay CRP ground. In the past, CRP land could be grazed in times of drought. This provision remains in place while an additional provision permits “routine” haying or grazing that is done in consultation with the state conservationist in a manner that is “consistent with the conservation of soil, water quality, and wildlife habitat”. If haying or grazing is carried out on CRP ground, the amount of the CRP payment will be reduced to reflect the value received from that activity.

Aside from conservation programs, a few other FSRIA provisions will affect the livestock sector. Foremost among these is Country of Origin Labeling (COOL). FSRIA mandates that all perishable agricultural products be labeled as to their country of origin. Labeling will be voluntary for the next two years and mandatory thereafter. COOL provisions indicate that not only imported meat but also meat from any animal not born in the U.S. be labeled as foreign produce.

Finally, the Rural Development title of FSRIA contains funds for Value-Added Agricultural Market Development Grants. This program is designed to “help independent agricultural producers and producer groups enter into value added activities.” In addition, FSRIA authorizes funds to provide cost-share assistance to producers seeking organic certification for their products. Both of these programs could potentially be helpful to livestock producers who are involved in processing and direct-to-consumer marketing.

A Brighter Cattle Outlook For 2003



Dr. Walt Prevatt
Auburn University

U.S. cattle producers begin 2003 with a much brighter outlook. Declining cattle inventories, lower beef production, possible improvements in beef export markets, and improvements in domestic beef demand should contribute to higher beef cattle market prices during 2003. Improving cattle market prices suggest profits will be realized by all segments of the beef cattle industry during 2003.

The brighter cattle outlook is no doubt a welcome change from 2002. Record level beef production of 27.1 billion pounds was realized during 2002. The large numbers of cattle on feed and record carcass weights resulted in the record level of U.S. beef production which exceeded the expectations of most analysts and caused beef prices to plummet. In addition, a widespread drought and the forced liquidation of cattle added much frustration for many cattle producers attempting to expand their operations. These conditions coupled with large levels of pork and poultry production and a poultry trade dispute pressured cattle prices lower during most of the year and resulted in substantial losses in the stocker and fed cattle sectors and only marginal profits for many cow-calf producers.

Declining Meat Production In 2003

The expectation of improving beef cattle market prices during 2003 is based on a number of variables, but particularly the level of meat production. Beef production is

expected to decline about 700-800 million pounds (2.5 percent) to approximately 26.2 billion pounds. Pork production is projected to decline about 2 percent. Poultry production is forecast to remain about level. Thus, total meat supplies should decline resulting in an improvement in meat prices.

2002 was not all bad. 2002 total per capita meat consumption of all red meat and poultry by U.S. consumers is expected to set a new record of approximately 218 pounds (retail weight). This would amount to a 2.5 percent increase in U.S. per capita meat consumption over 2001 and was achieved with increased consumption levels of all three major meats (beef, pork, and poultry).

In addition, the demand for beef has shown much improvement since its low in 1998. Changes in consumers' perceptions of beef coupled with the introduction of more consumer-friendly beef products have contributed to the improvement in beef demand. Further increases in beef demand are expected as companies add new beef products and the U.S. economy strengthens. Also, beef exports are poised for a potential increase during 2003 as Japanese consumers begin to return to beef following food safety concerns with Japanese beef.

Cattle Cycle Disrupted

The cattle cycle, which normally lasts about 10-11 years, has been disrupted. A cattle cycle is measured from the lowest inventory of cattle and calves to the next lowest (trough to trough) over time. We are now in the 14th year of this cattle cycle. Weather will be the wild card this year as cattle producers determine if there will be adequate moisture for grass production and herd expansion. However, if widespread dry weather continues, the inventory of cattle and calves could post another decline in 2004.

The inventory of cattle and calves reported by USDA as of January 1, 2003 totaled 96.1 million head of cattle and calves. This estimate was down almost one percent (about

600,000 head) from a year ago. Cattle on feed were down seven percent (about 944,000 head) from a year ago. However, calves and other heifers and steers grazing small grain pastures in Kansas, Oklahoma, and Texas were substantially higher (about 900,000 head) at 3.7 million head. Thus, feeder cattle coming off wheat pastures during February, March, and April will be much larger than normal. Beef and dairy cow replacements were each up one percent (about 47,000 and 44,000 head, respectively) from a year ago.

The current cattle cycle is the longest cycle in the past 65 years. This cycle is evenly split between seven years of expansion and seven years of liquidation. It is believed that the expected expansion in cattle and calves inventory during the last two years did not develop due to lower cattle prices and widespread drought conditions. If widespread drought conditions continue during 2004, more cows are likely to be sold for slaughter or to new owners in states with adequate feed supplies.

Cattle Prices

Beef cattle prices at all levels are expected to average higher during 2003. Fed cattle prices are expected to average in the low \$70s. Seven-weight feeder cattle are projected to average in the low \$80s. And five-weight feeder calves are forecast to average in the low to mid \$90s. Cull cow and bull prices are also expected to increase two to four percent this year due to lower levels of beef production. However, beef cattle prices will likely fluctuate widely during 2003. These fluctuations will result primarily due to smaller numbers of fed cattle marketed during the first quarter and a very large number of fed cattle marketed during the third quarter of 2003. The larger number of fed cattle marketed during the summer of 2003 are expected from large early spring feedlot placements of feeder cattle coming off of wheat pastures during February, March, and April. Thus, we are likely to see a wider spread in beef cattle prices from the spring highs to the summer lows in 2003.

The fourth quarter of 2003 should support improving beef cattle prices if adequate widespread moisture is realized and beef exports are not interrupted due to war, food safety, trade disputes, etc. Overall, 2003 should provide profits for all sectors of the beef cattle industry.

Big K Farms

Sam Wiggins, Pickens County Extension Agent



Rolling hills, green grass and good black cattle grazing makes a beautiful scene. The original Koon family who settled the land north of Gordo, Alabama 150 years ago could not have envisioned the current operation. Today, Boyd Koon along with his sons operate a 200 head commercial beef cow operation along with hay and timber. There is also still some poultry raised on the farm.

Boyd began to change his operation in 1992. He wanted to produce uniform black steers and heifers. The operation then added the genetics of Black Angus bulls with the plan of running half-brothers together in sire groups. The pastures at Big K Farms lend themselves to 50 - 60 head of brood cows.

Today the farm is on a calving season from October 1st to December 31st. Eighty-five per cent of the calves are born in the first 45 days of the season. All calves are weighed, tagged and males are castrated at birth. As a member of BCIA, weaning weights are taken on all progeny and yearling weights on replacement heifers. Replacement heifers are bred to calve at two years of age.

and are exposed to the bulls two weeks earlier than the mature cows.

The marketing of calves at Big K Farms changed a few years ago. The farm became a member of a local marketing alliance which sells calves off the farm. Uniform truckload lots is a goal of both the marketing group and Big K. The calves are weaned 45 days, vaccinated, and taught how to eat and drink from a trough. Buyers come around to the farms and view the cattle. The marketing group has a sale to bid off the cattle. Boyd Koon's steers have been tops in the sale the last two years.

Heifers not kept as replacements are sold to neighbors. This has allowed the farm to receive extra money for their heifers.

The goals of Big K Farms are:

- ✓ *Produce high quality uniform black calves that fit the market and consumers' demands.*
- ✓ *Reduce calving season to 75 days*
- ✓ *Expand to 300 brood cows*
- ✓ *Market 2 pot loads of steers and 1 pot load of heifers off the farm*
- ✓ *Continue to expand information base of the herd.*

Boyd Koon believes the little extras will be rewarded. He began to freeze brand all of his replacements. This makes identifying the cattle easier and it also makes the brood cows look more uniform.

Carcass and feedlot performance is important at Big K. Information has been provided back to the farm over the last few years from the steers that have been sold through the board sale.

A solid foundation has been laid for the future at Big K. The mixture of quality people, quality management and quality genetics always results in a Quality product.

Cattleman's Calendar

February 21-22 Alabama Cattlemen's Association annual meeting in Montgomery

February 25th Forage meeting, Carrollton, AL. Contact Sam Wiggins, 205-367-8148

March 11th Beef and Forage meeting, Greensboro, AL at Fish Farming Center. 6:30 p.m. Contact Jamey Clary 334-624-8710

March 21-22 6th Annual North Mississippi Beef Agribition, Lee County Ag. Center, Verona, MS. Contact Mike Howell 662-566-2201

March 22nd Alabama BCIA Annual Meeting and Awards Banquet, Montgomery, AL Contact Michele Field 205-646-3607

March 17th and 24th Advanced Beef Nutrition Course for Master Cattle Graduates, 6:30 p.m. each night in Carrollton, AL. Contact Sam Wiggins at 205-367-8148