

By [Meatingplace Editors](#) on 12/26/2013

By Derrell S. Peel

Oklahoma State University Extension Livestock Marketing Specialist

Cattle markets are heading into the final holiday period of 2013 at record or near record price levels across the board.

Cattle slaughter and beef production are falling as the market transitions into a much tighter supply situation in 2014. Cattle and beef prices are expected to push to even higher record levels in 2014. Tight feeder cattle supply will be the major market driver in the coming year with the smallest calf crop since the 1940s squeezed ever tighter with fewer feeder cattle imports and the prospect of increased heifer retention.

This cattle and beef market forecast depends on continued moderation of drought conditions. While overall drought conditions in the country are the best since 2010, there remain widespread areas of marginal to exceptional drought that could quickly regress into more severe drought. It is important to monitor conditions through the winter and especially into the spring to determine market expectations and management plans for the year.

For most producers, 2014 plans should begin with a forage production and management plan. In many cases, forages are in a state of reduced productivity due to drought conditions and must be managed for recovery. This will determine the overall carrying capacity of the ranch as well as the needed rest and recovery periods for forage. Obviously, the potential for continued or redeveloping drought must also be considered, especially early in the year.

The forage management plan will dictate the level and type of cattle production that is possible. Many producers have reduced cow numbers in recent years and need to develop a herd rebuilding plan. There are indications that herd rebuilding has begun in late 2013 with increased heifer retention implied by lower heifer inventories in feedlots and very strong heifer market prices combined with sharply reduced beef cow slaughter in the second half of the year.

Individually, producers need to determine how much and how fast herd recovery is prudent given forage conditions, drought potential, financial considerations and other management factors. Cow-calf producers should not overlook the potential for stocker/backgrounding programs using retained raised calves and/or purchased stockers to compliment cow-calf production in terms of optimal forage use seasonally while facilitating forage recovery.

Stocker can provide income potential or heifer development opportunities for herd growth while minimizing the year-round forage demands of cows.

While profit/return potential is high in 2014, given expectations for record cattle prices, producers can do the most to capitalize on these market opportunities by managing cost of production.

Perhaps the biggest challenge will be the cost of replacement females.

Many producers (and lenders) are concerned about the financial feasibility of

replacement heifer and cow costs. One of the factors that determines what a heifer or cow is worth is the annual cost of production which directly affects net returns. Now is the time for producers to assess production and management practices to see if there are potential adjustments to implement in 2014.

Feed costs are the largest component of annual cow costs with harvested forage and supplemental feed making up the largest part of feed costs. In many instances, better grazing management is the easiest and most feasible way to reduce harvested forage and supplemental feed needs by increasing the production, quality and timing of forage for grazing.