The Milkweed

Dairy's best information and insights

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"Float like a butterfly, sting like a bee." — Muhammad Ali

Dairy Livestock Prices Moving Up F-A-S-T

by Pete Hardin

Values for dairy livestock – especially for springing heifers and good milk cows – are rising fast. But it's hard to get a current handle on what are honest prices. That's because many transactions for dairy heifers and milk cows are now privately negotiated.

Elsewhere in this issue, we report:

—Buyers representing dairies in Florida are scouring the Texas panhandle for springers and good milk cows. Word from Texas sources is that those Florida dairies are willing to pay $3,500 to $4,000 apiece for those dairy animals.

—About 120 head (milk cows and springers) from a top-notch, registered Holstein herd in southwestern Wisconsin recently were purchased at the end of July by Fair Oaks Farms. Rumored price: $3,000 apiece for the animals; the milk cows' production averaged just under 30,000 pounds of milk. Those top Holstein cattle and their genetics were clearly undervalued.

The question becomes: How do dairy producers with good livestock to sell track current livestock prices? That's a good question. For sure, a cattle jockey pulling up to the farm, uninvited, won't offer anything close to current top-dollar. Breed associations and regional sales barn transactions of quality dairy animals may be the best ways to stay atop current dairy livestock values.

Multiple factors are working in tandem to dramatically boost or sustain prices for dairy livestock – from calves to culls. Those factors include:

Serious shortage of dairy heifers

Available dairy heifers are scarce and will remain so for at least a few years. Dairy cows' gestation periods cannot be fast-forwarded to produce more females. These days, a small percentage of the total dairy heifer population changes ownership. Mega-dairies now commonly rely on custom operators to raise their heifers. Few mega-dairies relinquish title to their young dairy females. Those mega-dairies may experience higher turnover of milk cows than small- and medium-sized milking operations.

With their available expertise, mega-dairy operators are leading the run-up of dairy livestock prices. They can foresee pending milk shortages.

Years of heavy use of beef semen by dairy farmers (all herd sizes) to impregnate their cows and heifers have shorted dairy heifer inventories. Given recent years' usually inadequate milk prices and relatively high grain costs, the quick cash returns offered for selling "black" calves (primarily Holstein/Black Angus crosses) were needed to boost cash flow.

In spring 2023, dairy producers thought getting $300 for a week-old "black" calf was a bargain. That $300 equaled a $1.10/cwt. premium for the average Holstein cow's annual the milk production. Selling a week-old "black" calf also saved the seller of costs for raising that critter. In spring one year ago, Holstein heifer calves were bringing $25-$50 at Wisconsin auctions.

Today? Those "black" calves are consistently bringing $900 – give or take $100, depending on size, condition and local markets. Holstein heifer calves in Wisconsin markets are commanding around $500-$600.

Some savvy dairy livestock figures expect Holstein heifer calves to exceed values for "black" calves in a few months.

The "big boys" milking cows know that milk supplies will be tight and farm milk prices will rise … perhaps significantly. They're not watching short-term futures contracts' prices. The futures complex historically is slow on the uptake as dairy commodity prices and milk futures start xupwards momentum.

Tumbling grain prices …

Cheap grain costs offer another incentive for buyers – both dairies and feedlot operators – to drive up dairy livestock prices.

The old saying, "Cheap corn makes cheap milk" may need an updated revision to read: "Cheap corn makes profitable milk when milk prices are decent." Tight heifer supplies will keep a lid on milk production levels… regardless of how cheap corn and soybeans may fall to in the coming year.

Dairy operators that normally contract big volumes of grain can see opportunities galore in mid-summer 2024. Despite plenty of challenging weather events, the Corn Belt currently features what looks like a bumper corn crop. (The bountiful acres that are not flood-impaired will offset flooded out acres.) Plenty of old crop carry-over stocks remain in storage on farms. Similar "cheap grain" logic carries over to the beef industry. Feedlot operators can continue to pay liberally for young dairy livestock. That's because they can lock in cheap corn prices for the entire span it takes to raise a calf to market weight.

What's a dairy farmer to do?

If you're considering selling dairy livestock privately, don't bite at the first offer. Check with trustworthy local sources who may be better plugged in to current livestock price trends.

Registered breeders may contact their respective associations. Field staffers for the breed associations are reasonably up to speed on potential buyers, sellers and prices. The Jersey Marketing Service has put together buyers and sellers for many years. The Holstein Association is playing catch-up, currently developing a website list of buyers and sellers.

Over the years, some dairy farmers have forsaken selling animals at livestock sales auctions. Why? With heifers generally selling at prices below costs of raising them, farmers didn't want to pay commissions or trucking. But local and regional dairy livestock auctions may be a good measure of just how valuable the dairy animals are.

Bottom line …

Dairy livestock prices, from calves to milk cows, are moving up faster than many can keep tabs on. Sellers owe it to themselves to do their homework, trying to figure out current values. For what it's worth, old pros in the livestock auction business concur that in a few months, female dairy calves will be priced equal to, or higher than, "black" calves.

Global Financial Meltdown Furher Lowers Grain Commodities

by Jan Shepel

On August 7, December corn was down 3 ¾ cents a bushel with quotes around $4; November soybeans were down 7 ¼ cents with quotes at $10.22 a bushel and September wheat is down 7 cents a bushel to $5.38 as the perception of record yield potential is weighing on all three commodity markets.

That followed several days of turmoil as international markets traded sharply lower and dragged commodity prices with them. That frenzy began on Friday (August 1) in international financial markets and cascaded into commodities by Monday morning and continued into Tuesday.

Every major stock index around the world was under immense pressure and the equity sell-off crept into commodities. Even crude oil dropped to a seven-month low. Commodity markets were not spared in the sell-off noted Andersons Grain analyst Jacob Christy.

The global meltdown raises questions about the economic health of countries that are key importers of U.S. grain – namely Japan and China. And if their economies are in trouble it offers little hope of turning around stagnant corn export demand and "woeful" soybean export demand, Christy said.

After a quick bounce on the previous Friday, corn and soybean prices were back to contract lows on Monday morning with new crop corn futures under the $4 mark and November beans looking to test their key $10 mark. Also not helping boost the price of the key commodities is the fact that there is little in the extended weather forecast that would prove to threaten the yield potential in the United States.

"It's really hard to see markets not continuing their slide until we can unearth more meaningful demand," Christy said.

On Tuesday, August 6, commodity markets continued to be bearish with December corn down to $4.03 per bushel; November soybeans down 14 cents to $10.26 per bushel; and September wheat down 5 cents to $5.34 per bushel. USDA's Crop Progress Report was nearly unchanged this week with only 1% of the corn moving from the "Good" category from the "Poor" category. Soybeans were similarly unchanged.

Some analysts believe that when the USDA's World Agricultural Supply and Demand Estimates (WASDE) report comes out on August 12 it may feature the highest ever U.S. corn yield estimates in that report's history. Traditionally the August

Continued on page 4