



# Master Cattleman Quarterly

## Oklahoma State University

### Income Tax Relief for Drought or Weather-Related Sale of Livestock

*J. C. Hobbs, Assistant Extension Specialist Tax Education & Farm Management*

As the tax filing deadline approaches, time is running out concerning the income tax elections concerning weather related sales of livestock. This article describes the provisions and the information needed to make an election.

If you have sold more livestock than normal due to the drought or other weather-related conditions, there are two income tax provisions that may provide some relief. **All 77 Oklahoma counties have been designated as eligible for federal assistance and received disaster declarations from the president or by an agency or department of the federal government.** Each provision may allow a producer to reduce the tax consequences of bunching income if certain conditions are met. For a more detailed discussion of the rules, tax consequences, reporting requirements, and examples, visit your County OSU Extension office and get a copy of the publication titled: "Tax Consequences of Weather-Related Sale of Livestock" or find on [osufacts.okstate.edu](http://osufacts.okstate.edu).

The first provision applies to a producer who has sold more livestock than normal due to the adverse weather. [Refer to IRS Code Section 451(e)].

The income from the animals in excess of normal sales may be postponed until the following tax year when the income would have normally been recognized. However certain conditions must be met. The weather-related condition must have caused the area to receive a "disaster declaration." **Producers in all Oklahoma counties are eligible to use this provision if they meet the following qualifications.** The producer's principal business must be farming and use the cash method of accounting. The producer must show that the livestock would normally have been sold in the following year. The weather-related conditions that caused an

area to be declared a disaster area must have caused the sale of livestock.

The second provision only applies to breeding, dairy, or draft animals that were sold in excess of normal. For the animals sold in excess of normal, a producer may elect to replace the animals sold within a two year period after the year of sale with like animals (used for the same purpose) and thus defer the recognition of income until the new animals are sold. Unlike the first provision, there is no need for a disaster declaration; all that is needed is proof that drought conditions existed which caused the sale of additional animals. However, if an area has received a disaster declaration made by the president or by an agency or department of the federal government, the replacement period is extended to **four** years instead of two. **Again, producers in all Oklahoma counties are eligible to use this provision and the replacement period has been extended to four years if they meet the qualifications discussed in this and the following paragraph.**

The replacement animals must be for the same use as the animals sold. For example, a producer must replace dairy cows with dairy cows or breeding livestock with breeding livestock. If the excess animals were sold for \$10,000, the producer will need to buy \$10,000 or more of replacements to completely defer the gain from the sale. A producer must repurchase the same dollar amount of animals which were sold in excess of normal, not the number of excess animals sold. Using the example above, if only \$8,000 is spent on the new animals then \$2,000 must be recaptured on amended tax return and the tax paid. There is no requirement as to how long the animals were held by the taxpayer to receive this treatment, but the producer must provide evidence of the weather condition and a calculation of the

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## Income Tax Relief for Drought or Weather-Related Sale of Livestock (cont.)

gain for each number and kind of animal sold. [Refer to IRS Code Section 1033(e)]

The producer must evaluate the following points to determine whether it will be beneficial to postpone gain recognition by replacing the animals or electing the one-year deferral: the estimated amount of expenses for the following tax year, potential income tax and capital gain rates for future tax years, net operating loss carryforward amounts, the ability to use income averaging, or other tax items the producer may have. It is important to do some

extensive tax planning to make a sound economic decision concerning the two elections. The potential increase in tax rates expected to occur in 2013 and later will impact the decision.

This is only a brief discussion of the rules that apply to weather related sales of livestock. Please consult your tax preparer or advisor for additional information concerning the income tax implications that would apply to your specific business situation.

## Noninsured Crop Disaster Assistance Program (NAP) Deadline Fast Approaching

*Jody Campiche, Assistant Professor and Extension Economist*

The NAP application closing date for summer and fall harvested crops as well as warm season grasses intended for summer grazing is March 15, 2012. NAP provides assistance to producers of noninsurable crops when low yields, loss of inventory, or prevented planting occurs due to natural disasters. A noninsurable crop is defined as a crop for which the catastrophic risk protection level of federal crop insurance is not available. Crops planted and grown for livestock consumption, including both grain and forage crops, are also eligible for NAP coverage.

NAP covers losses greater than 50 percent of the expected production (which is based on the approved yield and reported acreage). Producers must apply for coverage at their local Farm Service Agency (FSA) office and pay the applicable service fees by the closing date. The service fee is the lesser of \$250 per crop or \$750 per producer per administrative county, not to exceed a total of \$1,875 per

producer with farming interests in multiple counties.

In the event that a producer suffers a loss and is eligible for a NAP payment, a notice of loss (form CCC-576) due to damaging weather must be filed within 15 calendar days of a loss for a planted crop or within 15 calendar days of the final planting date if the crop cannot be planted. For more information on NAP eligibility, visit the FSA website shown below or talk to your local FSA agent.

[http://www.fsa.usda.gov/FSA/newsReleases?area=newsroom&subject=landing&topic=pfs&newstype=prfactsheet&type=detail&item=pf\\_20080819\\_distr\\_en\\_nap08.html](http://www.fsa.usda.gov/FSA/newsReleases?area=newsroom&subject=landing&topic=pfs&newstype=prfactsheet&type=detail&item=pf_20080819_distr_en_nap08.html)

The sales closing date for federal crop insurance for annual spring seeded crops is also March 15, 2012. Producers should visit their local crop insurance agent for additional details.

## Eastern Oklahoma Beef Cattle Summit: Re-investing in the Beef Cattle Business

*JJ Jones, Area Ag Economics Specialist*

After the worst drought since the dust bowl, many cattle producers find themselves facing challenging decisions. The Oklahoma Cooperative Extension Service is offering the Eastern Oklahoma Beef Cattle Summit, titled "Re-investing in the Beef Cattle Business." It will be held on March 21 at the Southeast Expo Center in McAlester from 9:00 a.m. to 4:30 p.m. Cost will be \$10/person.

This year's summit will focus on the cattle industry's current situation, future outlook and the strategies for remaining and re-investing in the cattle business. Topics will include Current and Future Market Outlook, Renovating Bermuda and Native Grass Pastures After a Drought, Re-investing and Rebuilding Herd Strategies, Selecting Beef

Cow Replacements, and Risk Management for Every Cattle Producer.

In addition to the presentations, there will be a trade show. Lunch and breaks will be provided.

Registrations should be sent to the Pittsburg County Extension office at 707 West Electric, McAlester, OK 74501-5058. Registration forms are found in county extension offices in the southeast. Registrations are due by March 14.

If you have any questions about this conference, please visit with your county extension educator or call the Pittsburg County Extension Office at 918-423-4120 or e-mail david.cantrell@okstate.edu.

## What Can You Afford to Pay for Cows When Cash Flow Is a Concern?

*Damona Doye, Farm Management Specialist*

In the last issue of this newsletter, we pointed you to the Cow Bid Price Estimate Calculator as a tool that could help evaluate the profitability of investing in expensive cows or cow/calf pairs (download free from beefextension.com under Cow/Calf, Calculators). The Net Present Value calculations showed that a \$2,000 or \$2,250 purchase price could be profitable *over the long run* if a producer’s cow operating cost per year are low relative to benchmark data, say less than \$550 per cow per year. Cost of production benchmarks in Standardized Performance Analysis (SPA) data for Texas and the southwest can be viewed at [http://agrisk.tamu.edu/library/pdf/pdf/SW%20Key%20Measures%20Summary%20Last%205%20Years .pdf](http://agrisk.tamu.edu/library/pdf/pdf/SW%20Key%20Measures%20Summary%20Last%205%20Years.pdf) and from Kansas Farm Management Association data at <http://www.agmanager.info/kfma/> under Enterprise Analysis (select the beef enterprise that best matches your situation).

Over the long run is italicized for a reason. What was not stressed in the earlier article is that the net cash flow is negative for the first five years of the investment. And obviously, a business has to survive the short run to get to the long run. Hence, in this article, we want to spend a bit more time on the cash flow aspect of the repurchase decision.

Even if the production practices and related operating costs are similar in two businesses, the financial situation may be very different depending on how assets are controlled, that is, whether they are owned or leased. The amount of owner equity (the percent of assets to which no others have a claim) impacts the business financial position and may indirectly constrain rebuilding decisions. For producers who have owned land with debt servicing requirements, the need for cash is significantly greater than for businesses with either land owned free and clear or rented land. For instance, one producer might have \$110 in rent for 10 acres of native pasture per cow while another has \$110 per acre for principal and interest on a land note (\$1,100 per cow). Use of debt to finance asset purchases and/or operating expenses means a producer may have fixed obligations to which new debt must be added to rebuild a liquidated herd. And, given record-high prices being established for cows and heifers, annual payments on a breeding female loan may be several hundred dollars per cow. Table 1 shows the loan payments on a \$2,000 cow, given a range of down payments and loan repayment lengths at 6 percent interest.

Table 1. Loan payments for a \$2,000 cow purchase at 6% interest

| Down payment | Repayment period |        |        |
|--------------|------------------|--------|--------|
|              | 3 year           | 4 year | 5 year |
| 20% = \$400  | 600              | 463    | 381    |
| 30% = \$600  | 525              | 405    | 323    |
| 40% = \$800  | 450              | 350    | 286    |

Hopefully, producers who sold cows during the drought saved the proceeds from their sales for restocking as the larger the down payment, the smaller is the demand on future cash flow. Clearly, borrowing money to repurchase cows will require careful cash flow management as well as control of other costs.

This leads to a related question. How much loan can a cow support in the future? The answer depends on cost of production as well as how much income is generated by the cow on average. Table 2 shows the per cow net cash flow for a herd from which average calf weight is 500 pounds, average calf price is \$175 per hundredweight and the calf crop is 86.5 percent, a recent Texas/southwest SPA average. No cull cow revenue is included in this estimate. Low cost producers may find it feasible to repay cow loans with the proceeds from calf sales with low interest rates and loan repayment periods of more than four years. Others may find that a loan will cash flow only if compare to (Table 1) for loan payments they can provide a down payment of more than 40% or get more than 5 years to repay the loan.

Table 2. Average Net Cash Flow Per Cow Com-

| Loan payments per cow | Cow Cash Operating Cost per Year |       |       |
|-----------------------|----------------------------------|-------|-------|
|                       | \$450                            | \$550 | \$650 |
| 100                   | 207                              | 107   | 7     |
| 200                   | 107                              | 7     | -93   |
| 300                   | 7                                | -93   | -193  |

As a farm management specialist, I’m fond of saying that certainly production and marketing matter, but control-

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**What Can You Afford to Pay for Cows When Cash Flow Is a Concern? (cont.)**

ling costs is critical. In the coming months and years, it will be imperative.

Future income and cash flow for the short and intermediate term depends on the producer's skills in managing costs, their initial debt/equity position and the choices made in responding to the drought, namely how many are long cows were kept and fed and what was done with proceeds

from the cows sold. Of course, off-farm income and family living needs from the farm operation also impact the farm/ranch family's financial situation and ability to tolerate risk. Thus, producers who have liquidated part or the entire cow herd will need to manage cash very carefully in coming months and years.

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**Program Offered for Beginning Oklahoma Cattle Producers**

A new program offered by OSU Extension may be just the thing for beginning cow/calf producers who want to take their operations to the next level, but can't go back to school to do it. Do you know a newcomer contemplating entry into the beef industry? If so this program can help individuals decide if the business is right for them before they invest money, time, and effort. These workshops will start producers on the path to profit from the beginning rather than spending years learning the hard way.

The second annual OSU Cow/Calf Boot Camp will be held at the Creek County Fairgrounds, Kellyville, Oklahoma on April 23, 24, and 25, 2012. This program is not for the lazy or faint of heart, as extension educators pack approximately 34 hours of instruction into the three days. Enrollment is limited to 50 participants and there is a \$100.00 fee which covers 5 meals, the text book, and all other educational materials.

Most of the production topics are handled in a demonstration or "hands on" format with live cattle. Most of the business and management topics are handled by working

through actual problems in small groups with an agricultural educator as a facilitator with each group of four or five persons. Topics covered include an overview of the beef industry, cattle handling and production practices, hay evaluation, parasite control, breeding stock evaluation and selection, cattle marketing, cattle health and vaccinations, pasture and forage management, economical nutrition, farm business planning, reproduction, calving, and aging cows.

A complete schedule and details are available at [www.osucowcamp.com](http://www.osucowcamp.com). For more information, contact your local county OSU Extension Office or Dave Sparks DVM at 918-686-7800, [dave.sparks@okstate.edu](mailto:dave.sparks@okstate.edu). Today's beef industry is changing faster than ever before, with high input costs and high cattle prices. While some businesses will fail in the upcoming years, the top managers will prosper. This class will fill up fast so, reserve a place now. Take advantage of the challenges and the rewards that come from managing an operation in the top level of producers.

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**Oklahoma Quality Beef Network: Summary of Fall 2011 Sales**

*Kellie Curry Raper, Ag Economics, Eric DeVuyst, Ag Economics, Derrell Peel, Ag Economics, Doug McKinney, Animal Science*

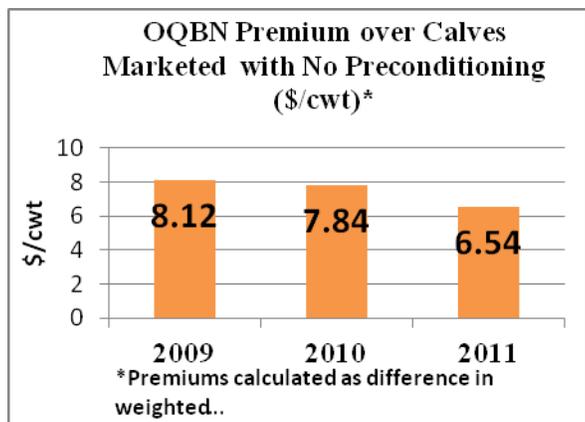
This past fall, Oklahoma Quality Beef Network (OQBN) value added calf sales were hosted by six livestock markets around the state, including McAlester, OKC West, Durant, Blackwell, Pawnee, and Tulsa. A total of nine OQBN sales were conducted between October 11, 2011 and January 12, 2012. Market data was collected at seven of those sales for each lot of OQBN calves, as well as for non-OQBN cattle that sold during the period before and after the OQBN portion of the sale. A total of 3,611 OQBN certified calves sold in 462 lots at the seven sales represented here. Data was collected on a total of 9,433

calves, including the OQBN calves. Note that, overall, the number of OQBN calves sold in these special sales decreased from the past two years, as many cow-calf producers were forced by the drought conditions to market calves earlier than is typical.

Producers marketing OQBN certified calves have followed a specific health management preconditioning protocol that has been shown to increase the performance of calves as they move through the beef supply chain (e.g. Schumacher, Schroeder, and Tonsor, 2011). That protocol, along with the third party certification that OQBN offers, is

## Oklahoma Quality Beef Network: Summary of Fall 2011 Sales (cont.)

expected to increase the value of calves at marketing, as compared to calves sold with no preconditioning.



**Figure 1. OQBN Premiums at OQBN Calf Sales, Fall 2009 through Fall 2011**

Figure 1 illustrates the OQBN premium over non-preconditioned cattle for the past three marketing years. This year's weighted average premium is \$6.54, as compared to 2009 and 2010 premiums of \$8.12/cwt and \$7.84/cwt, respectively (Raper and McKinney, 2009; McKinney, et al, 2010). This premium is based on the weighted average price of all OQBN lots as compared to non preconditioned cattle and does not consider any price differences attributable to lot size, weight, breed, hide color, sex,

fleshiness, and muscling. The 2011 premium represents a slight decrease from the past two years; however, even with the unusual marketing conditions of 2011, OQBN calves commanded a significant premium over non-preconditioned calves.

See <http://www.oqbn.okstate.edu> for more detailed information on the health management protocol and the certification process.

### References

McKinney, Doug, Eric DeVuyst, Kellie Curry Raper, and Galen Williams. "Oklahoma Quality Beef Network: Summary of Fall 2010 Sales." *Master Cattleman Quarterly*, Vol. 10:4, March 2011.

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Schumacher, Tucker, Ted C. Schroeder, and Glynn T. Tonsor. *Value of Preconditioned Certified Health Programs to Feedlots*, Kansas State University Agricultural Experiment Station and Cooperative Extension Service, MF3017, August 2011. Available at [http://www.agmanager.info/livestock/marketing/bulletins\\_2/marketing/feeder\\_cattle/MF3017\\_6pp.pdf](http://www.agmanager.info/livestock/marketing/bulletins_2/marketing/feeder_cattle/MF3017_6pp.pdf).

## Pasture Recovery Following Drought

*Daren D Redfearn, Extension Forage and Pasture Management Specialist*

### Damage Assessment and Recovery

Following drought, stand damage is readily apparent even on well-managed pastures. Since the drought occurred when warm-season grass pastures were actively growing, it is almost certain that root growth was restricted, in addition to the more obvious decline in forage yield. Extent of stand damage due to differences in soil types, fertility practices, grazing management, pasture species, and harvest management are somewhat easy to determine.

### Soil type, fertility, grazing management

Pastures on lighter soils generally showed greater damage than stands on heavier soils. Many pastures were not fertilized because of the recent drought conditions. Pastures with lower fertility levels that were overgrazed appeared to have greater damage than non-grazed pastures.

### Pasture species

Bermudagrass pastures had varying degrees of damage. Recently sprigged bermudagrass pastures had sparse growth. Established bermudagrass pastures that were grazed for the majority of the summer had moderate to severe degrees of damage. This was almost entirely due to stocking rate. The bermudagrass pastures managed solely for hay production were less damaged than grazed pastures. This was presumably due to longer growth periods during the drought that excluded grazing for several months during the drought.

Old World bluestem pastures had varying degrees of damage, similar to the bermudagrass pastures. Again, this was mostly due to stocking rate. There were very few Old World bluestem pastures that were managed solely for hay production. Thus, the extent of damage on Old World bluestem pastures was greater than what was observed for bermudagrass.

## Pasture Recovery Following Drought (cont.)

Since weeping lovegrass pastures are primarily restricted to lighter soils, many stands were severely damaged due to drought. Weeping lovegrass pastures that were grazed typically had some dead crowns, especially in thicker stands. In the stands that were thin, weeping lovegrass did not appear to have substantial crown death. These differences were probably due to less plant competition for moisture in the thin stands.

### Stand damage

Slightly damaged stands (less than 30% stand loss) should recover quickly with weed control, proper fertility, and deferred grazing or harvest once satisfactory growing conditions return. Stands that are moderately damaged (between 30% and 60% stand loss) should fully recover with weed control, proper fertility, and deferred grazing or harvest. There are many tillers and seed that will aid in stand recovery. If these stands remain thin into the fall, it may be preferable to overseed with an adapted pasture legume or winter annual grasses. Severely damaged stands (greater than 60% stand loss) are going to require an enormous level of patience for adequate recovery. If stands are thin in the fall, it may be preferable to overseed legumes or winter annual grasses.

All perennial grasses have growth mechanisms that contribute to recovery of previously established stands. Bermudagrass is unique in that it has stolons, in addition to rhizomes. Although most of the stolons are likely dead, there are many rhizomes in the plant crown that can produce new growth. The Old World bluestems and weeping lovegrass have rhizomes, but each of these plants also produces many seed in most years. Similar to the bermudagrass, the rhizomes of the Old World bluestems and weeping lovegrass will produce new growth. Much of the seed produced will be viable and capable of germinating and producing new plants if adequate moisture is present.

The best approach to post-drought pasture management is to reduce competition and focus on moisture conservation and use. First and most importantly, it is necessary that aggressive weed control measures are used to reduce competition for moisture and nutrients. This allows the desirable plants the best opportunity for successful re-establishment of rhizomes and stolons in bermudagrass pastures and rhizomes along with germination of the seed-bank in Old World bluestem and weeping lovegrass pastures. Secondly, follow fertilization based on a proper soil test. Since our recovery approach is to manage many of these pastures as a “new” seeding, it is important that our initial fertilization focus is on adding phosphorus (P) to stimulate root growth. Lastly, it is important to prepare for grazing and harvest deferment. Depending on the severity

of the pasture damage, it may be necessary to restrict grazing on some of these pastures for longer than three months.

### Approach for Post-drought Pasture Management

Many pastures appear as if there is no hope for reasonable recovery when conditions return to normal. The restricted root growth is more of a concern during and immediately following drought since these are the structures responsible extracting moisture and nutrients from the soil. It is critical to focus on management practices that enhance root regrowth in order to facilitate pasture recovery.

Once favorable growing conditions return there will remain lingering effects related to growth and competition. Without a doubt, there will be increased weed competition and pressure from both grassy and broadleaf weeds. Pasture growth will be slower, especially in overgrazed pastures due not only to weed competition, but also reduced energy reserves that promote early, vigorous spring growth. Even with substantial rainfall, recovery of warm-season grass pastures is going to be difficult to predict. Any pasture growth response to a management practice is going to be almost entirely dependent on available moisture.

The key to successful pasture recovery following a drought is patience. The best approach to managing pastures that were overgrazed due the drought is to manage them as new plantings. This includes aggressive weed control, fertility based on a proper soil test, and grazing deferment. The obvious question is, *if I can manage only one practice, which one do I choose?* The answer to this question is weed control. However, it is important to recognize that additional fertility coupled with deferred harvest will result in more rapid recovery than a single management practice alone.

### Weed control as a tool for post-drought recovery

Even though weed control is most important, it should not be made complicated by the number of commercially available pasture herbicides and premixes. The key to successful weed control is timeliness. From a forage production standpoint, it is best to spray a single time at an earlier date with a lower rate of herbicide, rather than too late with an increased herbicide rate.

The best control method for broadleaf weeds is with timely post-emergent herbicide application of products such as 2,4-D, dicamba, or other premixed pasture herbicides that contain these products. For pastures with perennial, problematic, or noxious weeds, a premix with additional herbicide active ingredients and a broader level of weed control may be necessary. Herbicides with broad spectrum control should be applied early when weeds are

**Pasture Recovery Following Drought (cont.)**

small. This reduces weed growth and competition and more importantly, conserves moisture for forage grass growth.

**Fertilization as a tool for post drought-recovery**

Plant fertility needs should be given special consideration in drought-damaged pastures. Since many of these pastures were grazed repeatedly, it is likely that root growth will be restricted to the top few inches of soil. It is important that these pastures have a strong root system to speed the recovery of drought-damaged pastures.

*Bermudagrass pastures*

Since drought-damaged stands should be managed as a new stand, plant P needs should be the primary consideration. Standard P fertility recommendations are adequate for stands with slight to moderate damage, but stands with severe damage require additional P, even when soil test results indicate adequate available P levels (Table 1).

Since bermudagrass pastures respond quickly to supplemental fertility, the addition of 50 lbs nitrogen (N) per acre will increase the recovery once the stolons have reached 6 to 10 inches in length. Nitrogen should only be applied if soil moisture is present. Once bermudagrass pastures begin to show signs of recovery, additional N can be applied to increase production if soil moisture is present. During drought or immediately following a drought, it is important that only enough N be applied for a 30-day production period based on the presence of adequate soil moisture. For example, this would be no more than 75 lbs N per acre per month.

**Table 1. Recommended phosphorus (P) application for drought-damaged bermudagrass pastures based on soil test.**

*Old World bluestem and weeping lovegrass pastures*

Neither Old World bluestem nor weeping lovegrass respond as quickly to fertilization as bermudagrass. However, each still have requirements for supplemental fertility.

| Soil test P                                      | Stand damage |             |             |
|--|--------------|-------------|-------------|
|  | Severe       | Moderate    | Slight      |
| ----- P <sub>2</sub> O <sub>5</sub> needed ----- |              |             |             |
| Low  | 75 lbs/acre  | 75 lbs/acre | 75 lbs/acre |
| Moderate   | 60 lbs/acre  | 60 lbs/acre | 60 lbs/acre |
| High   | 30 lbs/acre  | 20 lbs/acre | 20 lbs/acre |
| Adequate   | 20 lbs/acre  | 0           | 0           |

Similar to the recommendations for severely drought-damaged stands in bermudagrass, it is important to provide additional P when soil test results indicate adequate available P levels (Table 2). Additional N fertilization during the “new” establishment period for Old World bluestem and weeping lovegrass is not recommended since a small amount of N is present in many of the fertilizers used for P fertilization. During drought or immediately following a drought, it is important that additional N be applied only if adequate soil moisture is available. For example, this would be from 60 to no more than 75 lbs N per acre for the growing season.

**Table 2. Recommended phosphorus (P) application for drought-damaged Old World bluestem and weeping lovegrass pastures based on soil test.**

**Grazing and harvest deferment as a tool for post drought-recovery**

Since we are managing these drought damaged pas-

| Soil test P                                      | Stand damage |             |             |
|--|--------------|-------------|-------------|
|  | Severe       | Moderate    | Slight      |
| ----- P <sub>2</sub> O <sub>5</sub> needed ----- |              |             |             |
| Low  | 60 lbs/acre  | 60 lbs/acre | 60 lbs/acre |
| Moderate   | 40 lbs/acre  | 40 lbs/acre | 40 lbs/acre |
| High   | 30 lbs/acre  | 20 lbs/acre | 20 lbs/acre |
| Adequate   | 20 lbs/acre  | 0           | 0           |

tures as recent plantings, it is important that they have adequate time for establishment. The single most important strategy for pasture recovery will be to avoid the temptation to begin grazing as soon as plants begin their spring growth.

Overgrazing coupled with severe removal of top growth develops plants with shallow root systems. These plants need an opportunity to replenish their energy reserves and establish new root growth. It may be necessary for pastures that were used heavily during the drought to not be grazed during the entire growing season. In some cases, it may be necessary to use temporary fencing to allow for adequate grazing deferment. Ideally, spring and summer grazing of heavily grazed pastures should not begin until the plants have at least 4 or 5 weeks of growth.

It is important to maintain a critical level of stubble height. Under normal growing conditions, forage stubble

## Pasture Recovery Following Drought (cont.)

height should be no less than 3 inches for bermudagrass and 5 inches for both Old World bluestem and weeping lovegrass. This serves two purposes. The first purpose is that the remaining leaf area provides the energy for plant growth. During drought recovery, this will increase root growth in addition to plant growth. The second purpose is for soil coverage. As the stubble breaks down, it forms a layer of litter on the soil surface. This improves soil moisture retention and also reduces soil temperature.

### Pasture Recovery Prescriptions

The two best measures of pasture recovery following drought are stand thickness and forage height. These characteristics are often independent of one another, which means that a pasture may be thin and tall or it may be short and thick. While either of these two scenarios can be adequate during periods with favorable growth conditions, pasture recovery will occur more quickly when pastures are both thick and tall. To enhance the post-drought pasture recovery, it is important to consider the following pasture management practices:

1. Save the best (pastures) for last. Since these pastures will recover the quickest, it is important that they be allowed to have unrestricted growth when the probability of moisture is greatest.
2. Pay special attention to P fertility needs first to increase root growth of drought-damaged pastures.
3. Don't graze or harvest too early. Following a drought, plants that appear healthy may still have a short root system.

### Recommendations

*Warm-season grass pastures managed and harvested solely for hay*

Cool-season grassy weeds that are present can be grazed in winter or while the summer grass is dormant, glyphosate can be applied to control any remaining winter annual weeds with additional broadleaf weed control in the spring if needed. Following a proper soil test, any nutrient deficiencies, especially P, should be made prior to summer. Nitrogen fertilization can be applied during the summer based on available soil moisture.

*Warm-season grass pastures with broadleaf weeds*

While the summer grass is dormant, glyphosate can be applied to control any winter annual weeds with additional broadleaf weed control in the spring if needed. Following a proper soil test, any nutrient deficiencies, especially P, should be made prior to summer. Nitrogen fertilization can be applied during the summer based on available soil moisture.

*Warm-season grass pastures with grassy weeds*

Cool-season grassy weeds that are present can be grazed in winter or while the summer grass is dormant, glyphosate can be applied to control any remaining winter annual weeds with additional broadleaf weed control in the spring if needed. Following a proper soil test, any nutrient deficiencies, especially P, should be made prior to summer. Nitrogen fertilization can be applied during the summer based on available soil moisture.

*Warm-season grass pastures with legumes (may or may not include broadleaf and grassy weeds)*

Cool-season grassy weeds that are present should be grazed during January. Fertilization with P and K fertilization to promote legume growth should be made in February through early March. If necessary, broadleaf weed control can be applied following legume production cycle. Nitrogen fertilization can be applied during the summer based on available soil moisture.

### Recovery Assessment

Pasture recovery following drought is difficult to predict. With inadequate precipitation, pasture recovery may show minimal progress even with proper management. Good growing conditions coupled with proper management practices may result in complete recovery for slightly- to moderately-damaged stands within one year. However, severely damaged stands may take longer than one year for recovery even with adequate moisture.

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## Stocker Producers Report Economic Loss from Bloat

*Greg Highfill, OSU Area Extension Livestock Specialist*

Death loss from wheat pasture bloat has been reported in Northwest Oklahoma throughout the winter months and has caused a significant economic loss for area producers. The main area of significant loss are wheat fields from the Waukomis and Ames area extending south to north of Chickasha. However, scattered reports of death loss have also been received from numerous counties in the western half of the state. Some reports involve just a small number of stocker calves while others involve more significant totals. A few producers are reporting over a 2 percent death loss with some approaching 3 percent. With stocker calves worth over \$1,000 per head, it is reasonable to estimate that the economic loss from wheat pasture bloat this winter is easily in the hundreds of thousands of dollars and could realistically exceed one million dollars. The estimated sale of bloat prevention products is approaching one million dollars as well.

### **Bloat Cases Intermittent**

The unique aspect of the bloat issues this year is the sporadic death loss producers have experienced since early December. Normally, the majority of bloat occurs as the wheat plant begins to grow rapidly in early February. In a typical year, bloat losses would be confined to a small region and last a relatively short period of time. With November and December moisture and the mild weather, some wheat fields have been in a bloat-causing state on and off for a majority of the winter. The question facing stocker producers is whether the excellent moisture and growing conditions we currently have during this typical bloat period of early February will bring some relief or an entire new episode of bloat death loss.

### **Factors Impacting Bloat**

Gas production in the rumen is normal. Billions of microorganisms ferment feedstuffs in the rumen to produce the needed biological energy for beef production and they also produce a large amount of byproduct gasses. There are two types of bloat, gas bloat and frothy bloat. Gas bloat typically occurs in feedlot cattle and is usually related to digestive issues that disable the calf's ability to eruct or belch gas out of the rumen. Frothy bloat is caused by the entrapment of rumen fermentation gasses in a stable foam. Plant proteins are the primary foaming agent. The high protein content of wheat pasture along with its rapid rate of digestion gives wheat forage the potential for causing bloat.

On the animal side, stocker calves are able to eat a large amount of high moisture forage and will often increase consumption as weather fronts approach. Cattle with bloat symptoms will have a distended rumen on the left side of the animal and in severe cases on both sides. As the rumen expands, the animal will develop labored breathing, extend its head, collapse, and suffocate.

### **Bloat Control**

Poloxalene is the product of choice to significantly reduce the incidence of wheat pasture bloat. Several studies indicate that feeding poloxalene (Bloat Guard®) at the level of 1-2 grams per 100 pounds of body weight per day dramatically reduces bloat. Poloxalene is a mild detergent that reduces the surface tension of the foam, resulting in decreased formation of foam and release of gasses entrapped in the foam. The most common poloxalene containing products are loose mineral and pressed molasses blocks.

It is important to remember that in order to be effective, adequate amounts of poloxalene must be consumed on a regular basis, every 24 hours at a minimum. Attaining a high percentage of cattle consuming mineral daily is difficult. Effective mineral supplementation to meet nutritional needs is not necessarily the same thing as daily treatment for bloat. More feeding stations are required, one pressed block per 5 head, for example. Mineral intake is driven by a salt craving, so all other salt sources must be removed to help encourage poloxalene intake. Several feeding recommendations on the label help ensure proper intake and should be followed explicitly. Expecting all stocker calves in a pasture to consume mineral daily is probably unattainable, but the greater percentage of cattle consuming mineral that a producer can achieve, the more insurance they are buying. In severe bloat outbreaks, daily hand-feeding of a palatable feed supplement top dressed with a poloxalene containing mineral may be required. Although not a labeled treatment for bloat, OSU studies have shown that feeding supplements containing monensin (Rumensin®) decreased both the incidence and severity of bloat. In marginal bloat situations, monensin could be included in feed or mineral supplements to curb occasional cases.

## Changes in the Final GIPSA Marketing Rules

*J. Ross Pruitt, Assistant Professor, LSU and Shannon L. Ferrell, Assistant Professor, OSU*

### Overview

The Grain Inspection, Packers and Stockyards Administration (GIPSA) of the U.S. Department of Agriculture (USDA) was directed in the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) to amend the Packers and Stockyards Act (PSA) of 1921.

Following a lengthy review of comments made on the proposed rule, GIPSA released the final revised rules with an implementation date set for February 7, 2012. Congress directed the Secretary of USDA to issue regulations that would establish criteria in five areas with respect to the Packers and Stockyards Act of 1921. The first area is found in section 11005 of the 2008 Farm Bill and directs establishment of “criteria that the Secretary will consider in determining whether the arbitration process provided in a contract provides a meaningful opportunity for the grower or producer to participate fully in the arbitration process.” Four additional regulations are found in the following section of the Farm Bill and direct the Secretary of USDA to issue regulations that would establish criteria with respect to the Packers and Stockyards Act of 1921:

1. whether an undue or unreasonable preference or advantage has occurred in violation of such Act (this section was not included in the final rule);
2. whether a live poultry dealer provided reasonable notice to poultry growers of any suspension of the delivery of birds under a poultry growing arrangement;
3. when requirement of additional capital investment over the life of a poultry growing arrangement or swine production contract constitutes a violation of the PSA; and
4. if a live poultry dealer has provided a reasonable period of time for a swine or poultry contract grower to remedy a breach of contract that could lead to termination of production contract.

The above list reflects the language used in the 2008 Farm Bill. In addition to these criteria, the 2008 Farm Bill also required livestock and poultry contracts to specifically disclose the right of the contract producer or grower to decline the requirement to use arbitration to resolve any controversy under the contract.

Many of the changes to the proposed rule reflect clarifications requested by commenter’s. The following list of terms defined in the proposed rule has been removed from the final rule:

1. Tournament systems
2. Capital investment
3. Forward contract
4. Marketing agreement
5. Production contract
6. Competitive injury
7. Likelihood of competitive injury.

Provisions not included in the final rule are:

1. Value-added production and premiums
2. Recordkeeping
3. Packer-to-packer sales and relationships with dealers
4. Prohibitions and requirement related to capital investment
5. Applicability of contracts
6. Unfair, unjustly discriminatory, and deceptive practices or devices
7. Undue or unreasonable preference or advantage
8. Livestock and poultry contract
9. Tournament systems.

As of this writing, Congress has blocked funding for further development of rules for the terms and provisions listed above. However, several of these provisions and terms remain under consideration by GIPSA.

### Major Changes in the Wording of the Final Rule

Certain terms used in the statutory language of the PSA are defined in GIPSA’s regulations at title 9 of the Code of Federal Regulations (C.F.R.). GIPSA’s final rule indicates some modifications of these definitions at §201.2. While no changes were made to paragraph (m), “principal part of performance,” or paragraph (o), “suspension of delivery of birds,” there were some significant changes to the definition of “additional capital investment” which is paragraph (n). The threshold for additional capital investment has been lowered from a combined \$25,000 to \$12,500 and clarified with the addition of the phrase “per structure.” Previously, the definition for additional capital investment was vague, referencing “growing and raising facilities.” Maintenance and repair costs may not be included in calculating additional capital investments. Any recurring labor and operating costs that increase as a result of the additional capital investment may not be included as this clause was removed in the final rule. Anything related to the construction of additional structures or equipment appears to be included in the calculations to arrive at a combined value of \$12,500 or more per structure.

Changes were also made to 9 C.F.R. §201.3 to clarify that these rules are clearly applicable only to the broiler

## Changes in the Final GIPSA Marketing Rules (cont.)

chicken industry. Hens and pullets being raised for table egg production are excluded from the final rules as GIPSA does not have jurisdiction over table egg production.

Modifications were also made in 9 C.F.R. §201.215. Paragraph (c) was changed to allow an exception when a catastrophic/natural disaster or other emergency prevented reasonable notice on the suspension of delivery of live birds. Unforeseen bankruptcies are included in this clause which provides criteria on when reasonable notice has been provided to contract growers for suspension of delivery of birds. This paragraph previously allowed for a waiver to be sought in instances of a disaster or other emergency. Note this section does not apply to termination of contracts; it only applies to extended periods of time where the contract grower will not be raising birds for the live poultry dealer.

Important changes were made to 9 C.F.R. §201.216, titled “additional capital investment criteria.” All previous references to the term “capital investment” have been removed and replaced with “additional capital investment.” Paragraph (c) has been amended to include the phrase “or does” substantially reduce operations at the slaughter or processing facility within 12 months of requiring additional capital investments. Exemptions for this criterion are given for a catastrophic/natural disaster or emergency (unforeseen bankruptcy). Waivers will not need to be applied for in such instances as the rules allow for this possibility (natural/catastrophic disaster or unforeseen bankruptcy). Paragraph (h) of §201.216 in the final rule was not present in the proposed rules. This paragraph states that required equipment changes by the contractor could be considered a violation of the PSA if the equipment was working as intended, previously accepted by the contractor, and there is not adequate compensation incentives provided to the contract grower

The major change to 9 C.F.R. §201.217 (§201.218 in the proposed rule) is the inclusion of wording that allows a breach of contract to occur if food safety or animal welfare is concerned. This section focuses on whether the packer, live poultry dealer, or swine contractor has provided a reasonable period of time for the contract grower to remedy a

breach of contract. Parts of this section were reworded and clarified, but the addition of the food safety or animal welfare clause is the major change. Paragraph (c) states that contractors must consider the contract grower’s ongoing responsibilities related to the care of poultry or swine in their care “when establishing the date by which a breach should be remedied.” Previously in paragraph (d), 14 days were provided for a rebuttal to be submitted following the date of the breach of contract notice. This has been altered to “adequate time.” Paragraphs (e) through (h) included in the proposed rule are not included in the final rule.

The order of 9 C.F.R. §201.218 (§201.219 in the proposed rule) dealing with arbitration has been reorganized with the release of the final rule. What was paragraph (b) has now become paragraph (a) in the final rule. Contract growers who fail to choose whether or not they will be bound by arbitration when signing a production contract will be treated as if they decline arbitration set forth in the contract. The opportunity to decline arbitration must still appear in bold conspicuous print. References to the Federal Arbitration Act were removed as USDA has determined that violations of contract arbitration terms are more appropriately addressed in that statute than the PSA.

### Conclusion

The rules described in this document primarily apply to poultry and swine production contract growers. However, the provisions on arbitration may apply to other livestock (e.g. cattle, goats, and sheep) when production is governed by production contract. This caveat goes back to the language contained in the 2008 Farm Bill. Rules described in this document only reflect criteria that the Secretary of USDA (or their designee) can use to determine if a violation of the Packers and Stockyards Act has occurred. Meeting the criteria does not necessarily mean a violation has occurred.

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## Ag Lease 101

The North Central Farm Management Extension Committee recently updated a series of leasing publications and has included them in a new Ag Lease 101 website: [www.AgLease101.org](http://www.AgLease101.org) The new website features a document library with free downloadable lease publications and fillable pdf forms for a variety of lease agreement types: fixed and flexible cash rental arrangements, crop

share rental arrangements and pasture rental arrangements. Use these to convert your oral leases to written documents that ensure a clear understanding between parties. Short video clips such as ag lawyer, Shannon Ferrell, discussing 5 things every lease should include are posted under the Frequently Asked Questions section.

Save the Dates!! Upcoming Spring and Summer 2012 Events

| EVENT  | DATE               | TIME            | LOCATION      | CONTACT  |
|--|--------------------|-----------------|---------------|--|
| Eastern Oklahoma Beef/Cattle Summit                      | 3/21/12            | 9 am to 4:30 pm | McAlester     | David Cantrell, 918-423-4120                               |
| Wagoner County Women in Ag Conference                    | 4/10/12            | 6 pm - 8 pm     | Wagoner       | 918-485-4747   |
| Specialty Crop Conference, Part 1                        | 4/12/12            |                 | Lane          | Jim Shrefler, 580-512-5544                                 |
| OSU Cow/Calf Boot Camp                                   | 4/23/12 to 4/25/12 |                 | Kellyville    | Dave Sparks, 918-686-7800                                  |
| Specialty Crop Conference, Part 2                        | 5/31/12            |                 | Lane          | Jim Shrefler, 580-512-5544                                 |
| 2012 Statewide Women in Ag and Small Business Conference | 8/9/12 to 8/10/12  |                 | Oklahoma City | Damona Doye, 405-744-9836 or Jennifer Jensen, 605-210-0191 |

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