

DAIRY VETERINARY NEWSLETTER

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The EU Export Rules and a 400,000/ml SCC Limit, and the National Livestock ID Program - Two Ideas Yet Again on Hold

A lot of members of the dairy industry ask about what happened to the concept that a “new SCC limit of 400,000/ml” was to take effect on October 1, 2010. Nothing so far. This was actually an expected change such that in order for a milk plant to maintain a European Union Export Certificate, no farm with milk being sold to the EU could exceed a 3-month geometric mean SCC of 400,000/ml. No new requirements were implemented after a joint letter from the National Milk Producers Federation and the US Dairy Export Council (USDEC) was sent to the FDA saying that the proposed change “posed a significant challenge - - to the US dairy industry.” Following a meeting between FDA and EU personnel in July 2010, it is not certain when or how the program may be implemented. It is speculated that no agreement will be in place before some time in 2011. Adding to the confusion is a new proposal submitted to the National Conference on Interstate Milk Shipments (NCIMS) that is being described as not in direct response to the EU proposal, but which certainly appears to be just that. This proposal, to be voted on by NCIMS members at their biannual meeting in April 2011, proposes a gradual change in the Pasteurized Milk Ordinance SCC limit over 3 years:

Reducing the legal SCC limit from 750,000/ml to 600,000/ml by Jan. 1, 2012

Reducing it to 500,000/ml by Jan. 1, 2013

Reducing it to 400,000/ml by Jan. 1, 2014

The NCIMS has voted to reject numerous proposed SCC reductions since the last reduction in 1993.

The proposed SCC limit change is in a similar state to where the concept of a US National Livestock ID program has been for approximately 8 years and counting. In February 2010, USDA announced a “new, flexible framework for animal disease traceability in the United States. The framework is projected to provide the basic tenets of an improved animal disease traceability capability in the United States.” In late August 2010 in Denver, a Joint Strategy Forum on Animal Disease Traceability was held. 193 attendees were from 43 states, 4 Native American tribes, 33 state animal health agencies, 38 industry organizations, Canada, Mexico, and Japan.

USDA is now expected to draft a proposed rule on animal disease traceability, projected to be published by April 2011 and provide for a 60-90 day public comment period. What comes of the latest proposed rule remains to be seen.

Are We Running Out of Dairy Cows, and What Does This Mean For Dairy Veterinarians?

Food animal veterinarians are aware that a dairy producer is also a beef cow producer. Even for animals sold to other farms as dairy replacements or in some cases as highly valued breeding stock, the goal is for every dairy cow to eventually be sold as a beef cow. Recent surveys suggest that 6% of dairy cows die on the farm, and 94% of dairy cows are sold to slaughter. According to an Illini DairyNet Paper by Dr. Richard Wallace, University of Illinois Extension Veterinarian, “On average, 3% of all market dairy cows are condemned at USDA packing plants.” Therefore 91% of US dairy cows are ultimately a source of beef. The US dairy industry affects the beef cattle industry, and vice versa.

There has been a lot written this fall about the question of whether the US is running out of cattle. According to a report on 11/15/10 by Derrell Peel, Oklahoma State University livestock marketing specialist, US beef cow numbers have declined in 12 of the last 14 years, and dairy cow numbers have dropped as well. In January 2010 there were 93.7 million head of cattle in the US, the smallest number since 1959. A lot of this is caused by greater efficiency in terms of pounds of beef (and dairy) production per animal; total beef production per animal was 140 pounds in 1959 and will be just over 250 pounds in 2010 according to USDA data. Apparently this average is across all cattle including young calves. The US population was 178 million people in 1959, and is 311 million according to the Population Clock as of December 2010. Therefore over the last 51 years, while total cow numbers are unchanged, meat production has increased by 79% and the human population has increased by 75% in the US.

Slaughter of beef and dairy cows is accelerating in late 2010

Nevertheless, the Peel article notes that, “Total cattle slaughter for 2010 is running almost 2% above 2009 levels. Steer slaughter is up less than 1% this year. By contrast, heifer slaughter is up nearly 3% and cow slaughter is up 4%. It is clear that we are maintaining slaughter rates - - with our females. This is not sustainable - -.” In addition, this trend appears to be accelerating; recent estimates suggest that late fall slaughter rates are now running as much as 4.8% above last year, driven by drought conditions in Texas-Oklahoma and low milk prices, which are beginning to decrease in late 2010. Slaughter of dairy cows is up 8.3% above the rate for 2009, according to the Daily Livestock Report of 11/19/10 by Steve Meyer and Len Steiner. This trend has been logically primarily driven by financial forces, including high feed prices, reduced feed availability, low milk prices, and a relatively high demand for beef in the US.

Is the US beef supply in any danger of being at the mercy of imported beef availability?

A bright spot for those selling cattle for slaughter is that beef demand, and therefore the price of beef, is relatively high. What further clouds the picture is that these pricing trends vary widely between regions, and even between states that are relatively close to each other, across the US. Overall, the US beef price was \$94.10/cwt in November 2010, increased from at or below \$80.00 during most of 2009, and almost at the highest point in several years. According to the Drovers CattleNetwork report of 12/9/10, there appears to be a relationship such that major dairy states such as California, Wisconsin, Idaho, Pennsylvania, and Florida have beef prices between \$69.00 and \$83.90/cwt, while states with high beef cow numbers such as Kansas, Nebraska, Oklahoma, South Dakota and Colorado have beef prices between \$96.40 and \$109.00/cwt.

How is it that slaughter of cattle, especially of dairy cattle, can be greatly increased, at an increasing rate, but the price of beef continues to rise as well? Many sources report that all types of meat products are in increasing demand, especially hamburgers eaten at restaurants of all kinds, as the recession is easing for many people. US meat consumption is up.

However, there seems to be an even more pronounced reason why cow numbers in the US are declining rapidly, at the same time the beef price continues to increase – the import/export situation. US imports of beef from Brazil, Argentina, and Australia have markedly declined during 2010. Estimates of the percentage decrease in beef imports vary, and have been changing on a monthly basis, but currently 2010 imports are 12% below 2009 levels. At the same time, 2010 exports of beef from the US to Korea, Russia and Japan have dramatically increased; current estimates forecast a 17% increase in exports for the year vs. 2009. Sources for this information include USDA Livestock, Dairy, and Poultry Outlook reports by Rachel Johnson. As would be expected, beef retail prices for consumers are steadily rising as well.

Most experts speculate that the beef supply (and cattle numbers) in the US will continue to be low relative to demand, and therefore beef prices will remain high, as long as the current import/export balance continues.

What does this mean for the US dairy industry and dairy veterinary medicine?

I think it would be misleading to say that this is clear; what this means for food animal, and particularly dairy veterinarians is not certain. However, nearly all experts speculate that beef and dairy cow numbers will rebound in 2011 because of demand for beef and dairy products. The price of some dairy feeds has unexpectedly begun to decrease in recent days; whether feed prices are higher or lower in 2011 remains to be seen. Milk prices are forecast by many sources to be between \$16.00 and \$16.90/cwt during 2011, not high but higher than milk prices for most of the past 2 years. (Utah's milk price is usually similar to the US all-milk price.) There is some speculation that an early drought in New Zealand may persist and unexpectedly make milk even scarcer, and thus higher in price next year. It is also widely expected that steer prices will increase 12% to \$106.00/cwt in 2011. Many dairy herds are expected to attempt to grow internally from replacements. Of course there are opinions about numerous other factors that cannot be predicted, and they are beyond the scope and space of this article. One of these factors is exactly what the impact of the Cooperatives Working Together (CWT) program will be in 2011.

Other nearly universally expected trends for 2011 are that the beef price will remain high, continuing to increase, and for the first time dairy cattle will average over 21,000 lb/cow/year across the US. High beef prices along with somewhat increased demand for dairy products should continue. All of this suggests that nutrition and care of dairy cattle, reproduction, calf raising, probably including raising dairy bulls/steers, control of mastitis, lameness and metabolic diseases, and reduced culling of dairy animals will be renewed priorities in 2011, especially compared to the very poor morale in the dairy industry we just came through in 2009. Minimizing loss of cows to mastitis, lameness, reproductive failure, and avoiding having a suboptimal calf crop such that more cows must be sold in poorer body condition, as compared to having a good replacement heifer supply, and being able to market mature cows and possibly dairy steers in better condition will likely be paramount for dairy farms. The wild card as always will be how much the uncertain feed costs and other expenses will affect farm profitability in 2011, and thus how much money dairy producers think they can spend for veterinary herd health services.

I hope that all of our readers have a good holiday season and a great year in 2011.

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I always like to hear from our readers, including suggestions for future topics. I can be reached at (435) 760-3731 (Cell), (435) 797-1899 M-W, (435) 797-7120 Th-F or David.Wilson@usu.edu.

A handwritten signature in blue ink that reads "David J. Wilson".

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