Cow Country Reporter

March 2013 Volume 5 Issue 6

In This Issue

Cattle Producers Of Louisiana
P.O. Box 886
Prairieville, Louisiana 70769
Website: www.lacattle.org
Toll Free: 888-528-6999

Dave Foster
Chief Executive Officer
info@lacattle.org

News from your CEO

We continue to reach out to our membership and ask them to sign up new members. As you know CPL operates on dues only and as we are asked to do more we need more members to accomplish our goals and objectives. As a member of CPL you may consider donating the proceeds of a calf, yearling, cow or bull as you consider your marketing alternatives, this gift could pay for a month's expenses. Please consider this challenge to keep CPL a viable organization.

Look for the middle of March to see some changes. USDA has set revenue protection insurance for corn, $5.65 per bushel, and soybeans, $12.87 per bushel. The storms that moved through the U.S. in late February early March have helped with the drought situation. All we need now is sunshine and warm weather, coupled with timely showers to make the grass grow. The season of Lent will be over at the end of this month (Easter Sunday), which will increase the demand for red meats from retailers and restaurants. Keep informed of the markets by calling our market hotline for weekly updates.
We are starting a series of information seminars throughout the state. We had a great start in St. Francisville on March 6 at Sheriff Austin Daniels place. Our next meeting is April 4th at the McNeese Processing Plant (see info in this newsletter and on our website). We are planning one for north Louisiana in late April early May. If you would like to have an information seminar in your region please contact me. This year's market change will happen fast and often so use the resources that CPL provides.

May the coming of Spring (March 20) be a blessing to us all.

Dave Foster, CEO

CPL Information Seminar

Host: McNeese State Univ.
Where: McNeese Processing Plant, Lacassine, LA
When: Thursday, April 4
6:00 p.m. - 8:00 p.m.
Welcome by: Dave Foster, CPL-CEO, Chip Lemieux and Joel Jackson, McNeese

~PANEL DISCUSSION~

How to Utilize a Custom Slaughter Plant
Joel Jackson, Manager
Branded Beef Products. What Are They?
Kendal Henry
How to Maximize the Use of the Local Auction Market
Giles Brown, Kinder Livestock
McNeese Calf to Carcass Program
Darrin Goodwin, McNeese
Live Cattle Outlook,
Dave Foster, CPL-CEO
Closing Remarks

For more information contact:
Dave Foster 888.528.6999 or
Joel Jackson 337.588.5008

Déjà vu all over again in the grain market

Source: John D. Anderson, Deputy Chief Economist, American Farm Bureau Federation

Whether you realized it or not, last Thursday was a pretty big day in the grain market. On that day, the last day of February, the price discovery period for Corn Belt corn and soybean crop insurance ended. Now we know for certain the price guarantee that is available on these crops in the key Midwest growing region. The planting price available on Revenue Protection (RP) insurance for corn this year is $5.65. The RP planting price on soybeans is $12.87. These prices are based on closing prices for the CME Group December Corn and November Soybean futures contracts during the month of February. Interestingly, the price guarantees are awfully close to the $5.68 and $12.55 RP planting prices for corn and soybeans, respectively, in 2012. Relative prices between the two crops have shifted toward beans but only slightly.

With time left before planters roll, it is possible that late changes in relative prices could have some impact on planting decisions, but that impact would most likely be minimal. Crop insurance is used extensively to manage risk on corn and soybeans, especially in the Midwest. For example, USDA NASS reported 14.2 million acres of corn planted in Iowa in 2012. According to USDA Risk Management Agency (RMA) summary-of-business data, over 90% of that acreage was insured with some form of federal crop insurance (with about 85% covered by an RP policy). Given the importance of crop insurance as a risk management tool, price changes after the insurance price discovery period are unlikely to have much influence on planting decisions.

While grain prices remain high from a livestock-industry perspective, farmers are likely a little disappointed with these insurance price guarantees. December corn traded consistently in the vicinity of $5.90 in January before losing substantial ground in February. Similarly, November Soybeans trended higher through January, reaching as high as $13.50 before falling along with corn after the February supply/demand update.

With planning prices for the heart of the corn/soybean region looking very similar to a year ago, can we expect something close to a repeat of last year's corn plantings? To recap, last year farmers planted 97.2 million acres of corn (along with 77.2 million acres of soybeans, by the way). With $5.65 corn and $12.87 soybeans, enterprise budgets will continue to show a substantial net revenue advantage for corn – even factoring in a 10 – 12 percent yield reduction for corn following corn. Another big year of corn planting seems likely on the basis of that information. At their recent outlook forum, USDA forecast a slightly lower corn planting figure for 2013: 96.5 million acres. The slight decline from last year is predicated less on expected profitability than on expectations of a less favorable planting season in 2013. Recall that in 2012, planting conditions in much of the country were exceptional, with planting beginning early and proceeding to completion with essentially no interruptions. USDA seems to basically be looking for farmers to make very similar planting decisions to 2012 with slightly less cooperation from Mother Nature during planting. That seems fairly reasonable.

The small drop in plantings notwithstanding, USDA's corn production forecast for 2013 is quite optimistic (at least from a corn-user point of view). Certainly, if weather cooperates, 96.5 million acres is more than adequate to produce an impressive amount of corn. USDA pegs expected yield at 163.6 bushels per acre using a trend model that incorporates expected summer precipitation and temperature. That estimate seems quite high considering the last several years of mostly below-trend experience; but it is clearly not an infeasible number – national average yield was 164.7 in 2009. To bolster their case for the return to "normal", USDA notes in their outlook summary that

"…fall and winter dryness have little correlation with conditions during the following growing season and eventual yield outcomes."

Here's hoping they're right.

The Markets

Fed cattle prices were higher last week – sharply higher, even. The 5-area weighted average live steer prices added very close to $5 compared to the prior week. Wholesale beef prices showed a bit of life as well, with the weekly Choice cutout gaining nearly $3. The wholesale market actually looked strongest at the end of the week, with the Choice cutout advancing close to $2 from Thursday to Friday. It will be interesting to see how much of last week's strength carries forward. Clearly, there were some short-run issues on the front-burner last week that may have added a substantial risk premium in the market. First, of course, the sequester deadline and the highly-publicized threat of meat inspection interruptions added to the perception, if not the reality, of heightened short-run risks of supply disruptions in the market. Second, last week was to some degree a weather-driven market, with severe winter weather disrupting the normal flow of business over much of the country last week. Calf markets were also influenced by last week's storms – to the point that week-over-week comparisons probably don't mean a whole lot. Through the middle of the country, quite a few sales were cancelled or greatly curtailed; and in the rest of the country, buyer interest was diminished by the disruption in cattle shipping caused by the weather.

Rising beef and pork prices will impact restaurant purchases

(continued from page 4)

Roughly three out of five consumers say they enjoy pork served with sweet/honey (65 percent) and smoky (58 percent) barbecue sauces, glazes and marinades. Additionally, consumer preferences for sweet, tangy and chipotle-flavored barbecue sauces are on the rise.

Consumers are willing to pay more for beef products with natural production methods and eco-friendly practices, especially those with steroid, hormone and antibiotic-free claims.

A Vision for 2050

By: John Maday, Managing Editor, Drovers CattleNetwork

U.S. farmers and ranchers have the capability to meet the world's growing need for food, fiber and energy by 2050 while protecting and improving environmental health, according to a new report. But achieving that vision will require a new, collaborative approach toward land management.

The report, titled "Developing a New Vision for United States Agriculture, Forestry, and Conservation," comes from the Solutions from the Land initiative, which "brings together a broad range of stakeholders to explore the development of integrated sustainable solutions to the challenges of climate change, food security, economic development, and biodiversity conservation." The initiative is funded by Farm Foundation and The Nature Conservancy.

The report lays out the challenges involved in sustainably increasing food production while using less land, water and other resources, and offers short- and long-term recommendations for overcoming those challenges.

Challenges listed in the report include:

•Loss of working lands, with 11 million acres of U.S. cropland, 12 million acres of pasture and rangeland and 16 million acres of forestland converted to development between 1982 and 2007.

•Conflicting policies and inadequate rewards for ecosystem services.

•Declining investments in research and innovation, and inadequate dissemination and use of existing research.

•The changing climate and potential negative impacts on livestock and crop production.

•Managing risk, market volatility, and multiple demands, as globalization and the growing link between energy prices and agricultural commodity prices lead to greater market volatility.

The report's authors say the policies and practices of the past will not meet these challenges, and American agriculture, forestry, and conservation interests need to collaborate and shift land use toward practices that achieve multiple goals. They propose these steps:

1) Implement landscape-scale solutions and partnerships. This would involve setting regional objectives for land management and building coalitions of land managers, regulators, scientists, and civil society to develop policies that meet economic, social, and environmental objectives.

2) Harmonize policy frameworks to eliminate conflicting regulations and redundant paperwork, while advancing the use of ecosystem service markets and sustainable supply chains.

3) Reward stewardship of ecosystem services. The report says new markets for ecosystem services have the potential to substitute for conservation payments, but are rarely structured to adequately provide returns comparable to traditional production.

4) Energize and coordinate research. A designated research council or overarching organization should set a research agenda that integrates agricultural, forest, and conservation goals. Research should be focused on real-life applications and decision makers, with improved methods for transforming research findings into on-the-ground results.

5) Transform and modernize information networks. The authors say this requires moving away from a provider-centric information system, in which research results are communicated outward in the hopes of finding an audience, to a user-centric system where information is readily available to users when they want it. This would require better monitoring systems for regional-level systems such as air quality, water quality, and biodiversity, with new "meta-metrics" serving as broad indicators of sustainability.

The authors say their recommendations provide pathways to change, but will require further development, vetting, and broadening. Solutions from the Land invites interested stakeholders to join in the dialogue and collaborate on specific activities such as creating a centralized inventory of land-management projects or identifying polices and regulations that work at cross purposes and restrict progress.

The full report is available online at http://sfldialogue.net/Resources/SFL_Pathways_Report.pdf

"THE UNITED STATES IS NOT JUST AN OLD COW THAT GIVES MORE MILK THE MORE IT'S KICKED IN THE FLANKS."
DEAN RUSK

"MEN, IT HAS BEEN WELL SAID, THINK IN HERDS; IT WILL BE SEEN THAT THEY GO MAD IN HERDS, WHILE THEY ONLY RECOVER THEIR SENSES SLOWLY, AND ONE BY ONE."
CHARLES MACKAY

"LIONS, WOLVES, AND VULTURES DON'T LIVE TOGETHER IN HERDS, DROVES OR FLOCKS. OF ALL ANIMALS OF PREY, MAN IS THE ONLY SOCIABLE ONE. EVERY ONE OF US PREYS UPON HIS NEIGHBOR, AND YET WE HERD TOGETHER."
JOHN GAY

Rising beef and pork prices will impact restaurant purchases

By: Greg Henderson, Editor, Associate Publisher, Drovers CattleNetwork

Higher prices for beef and pork are having an impact on consumer purchasing patterns at restaurants. That's according to the latest "Center of the Plate: Beef & Pork Consumer Trend Report" by Technomic, Inc.

Rising prices for beef – and to a lesser degree, pork – will have direct implications for operators and suppliers through 2013," says Darren Tristano, vice president of Technomic. "It's vital for suppliers and operators to work together in keeping meat products cost-effective. Opportunities are emerging to explore different cuts of meat and develop innovative applications that cross-utilize beef and pork across the menu."

Technomic found in its 2013 report that 92 percent of consumers eat beef at least once each week, and 64 percent of consumers eat pork at least once a week. The study also found 77 percent of consumers said they will change their behavior regarding beef dishes at restaurants if prices increase. Additionally, 49 percent of consumers said they would order beef items less often, and 43 percent said they would dine out less often if beef dishes increased in price at restaurants.

Yet consumers still desire to have affordable meat options.

"The vast majority of consumers report they anticipate purchasing beef at restaurants three months from now at the same rate as they do now," Technomic said. "Consumers who expect to purchase beef more often at restaurants say this is because they want to try new beef items. This signals room for operators and suppliers to experiment with new beef offerings and use unique ingredients and flavors that can satisfy consumer demand while also justifying higher price points."

Other findings from the report:

Consumers say that, on average, four out of every five meals they eat contain some type of meat, such as beef or pork; a greater proportion of older than younger consumers' meals contain meat.

Consumers say that when presented with a choice of protein for a menu offering, they order the item with beef or steak about one out of three times (33 percent). For nearly as many occasions (29 percent), consumers order these items with chicken; about a tenth of the time they order menu items with fish or other seafood (12 percent) or pork (9 percent).

(continued on page 2)

CATTLE PRODUCERS OF LOUISIANA
P.O. BOX 886
PRAIRIEVILLE, LOUISIANA 70769
WEBSITE: WWW.LACATTLE.ORG
TOLL FREE: 888-528-6999