Cow Country Reporter

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News from your CEO

Have you renewed your membership? Have you signed up a new member? Do you use our market news hotline which we update every Saturday? Yes, your membership is good until the end of the month but the sooner you renew the better so there will be no disruption in your subscription or you forget. I know my opening remarks may sound like nagging, however, it goes with the job description.

Speaking of job description, I have been very excited about the response we are getting from our "Information Seminars". To date we have held one in Lacassine at the McNeese Processing facility, Louisiana Tech, Ruston and Sheriff Daniels home in St. Francisville. This regional/local approach seems to work and has been well received. Contact me if you would like to have one in your area. Mack Shelton, Delhi Livestock, will be hosting one in the near future so keep a lookout.

Ma Nature just will not let Spring spring and let go of Winter. If we can get some grass growing weather and corn planted in the corn belt, we may get this calf market headed higher. On May 1 slaughter steers and heifers in Nebraska traded $129.00-$131.50 breaking March 2012 record of $130.00. Our only problem is our beef customers in the Northeast are just now getting some weather to bring out the grills. Cow slaughter has been higher so there is plenty of ground beef to place on those grills. Did you know ground beef accounts for 48% of retail sales (grocery stores) and 67% of food service sales? Our cow/calf producers who normally contract their calf crop for late summer, early fall deliveries during the months of Feb./April have been hesitant due to current price levels. Time is still our friend, but you need to stay current with the market. Continue to check with your local sales rep, auction barn manager and CPL hotline. Yes, it is May and summertime is very near. Get your hay equipment ready!

Dave Foster, CEO

What The Industry Learned From Being "Pink Slimed"

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"There has to be outreach and we have to communicate with the consumers using the tools they are communicating with. And that's going to be the social media and things of that nature," Cross says.

Dickson says he's confident LFTB will be back. "At the end of the day, it's still a good product. It's still lean muscle tissue, and it's subjected to a process that makes it as safe, or safer, than anything else on the market. So I think it will come back, but it's going to take time. And that's unfortunate because BPI now has to go back and basically rebuild a business that there really wasn't anything wrong with. It will come back, perhaps in a different form, or different usages, but it will come back, and market forces will drive it," he says.

How Large Does the Corn Crop Need to Be?

By: Darrel Good, University of Illinois

Based on corn planting intentions of nearly 97.3 million acres (implied harvested acres for grain near 90.2 million) and a trend yield of 161.5 bushels, the 2013 season started with expectations of a record U.S. crop near 14.6 billion bushels. A crop of that size would be 1.5 billion bushels larger than the previous record crop of 2009 and the record large consumption during the 2009-10 and 2010-11 marketing years.

Production prospects are now being called into question due to the late start to the planting season in most of the major corn production states. Increasingly, the late start to the season and prospects for further delays in many areas due to upcoming weather suggest that a larger than average percentage of the 2013 crop will be planted "late". All other factors equal, late planting poses some yield threat relative to trend value.

In addition, continued delays to planting, particularly in northern areas, might reduce the acreage planted to corn relative to intentions reported last month. The magnitude of potential yield and acreage reduction, if any, is very difficult to assess at this time since the planting season extends for another month. Instead, it is useful to calculate the size of crop needed to meet likely consumption during the 2013-14 marketing year. That calculation can be used to gauge any reductions in production potential as the planting and growing season progresses.

Assessing consumption potential for the upcoming marketing year is not straight- forward since consumption depends on the strength of demand in each of the major consumption categories as well as the price of corn. The price of corn, in turn, will be influenced by the size of the U.S. crop. Domestic non-feed use of corn is the least complicated category of consumption to forecast since demand is relatively stable and consumption is least sensitive to the price of corn. Use in that category is dominated by corn consumed for ethanol production. Domestic ethanol consumption increased rapidly from 2006 through 2010 as a result of the Renewable Fuels Standards. Consumption, however, stagnated near 13 billion gallons in 2011 and 2012 as the E10 blend wall was reached. The blend wall is expected to expand only slowly during the 2013-14 corn marketing year due to limited market penetration of both E15 and E85 and lack of growth in motor fuel consumption. Assuming a small positive trade balance and slow growth in domestic ethanol consumption, about 13.3 billion gallons of ethanol could be produced during the 2013-14 corn marketing year, requiring about 4.84 billion bushels of corn. Corn used for other industrial and food products has been very stable in recent years near 1.4 billion bushels. Use at that level next year, would point to total domestic non –feed use of corn near 6.24 billion bushels.

Domestic feed and residual use of corn peaked at 6.15 billion bushels in 2005-06 and then trended lower as distillers' grains from the ethanol industry replaced corn in livestock feed rations. Use was estimated at 4.545 billion bushels last year and is projected at 4.4 billion bushels for the current year. Use in that category is thought to be the most price sensitive so that consumption during the 2013-14 marketing year will depend more heavily on the size of the crop. Assuming the 2013 corn crop is larger than that of 2012, that there is some modest expansion in pork and broiler production, and that there is some modest increase in production of distillers' grains, feed and residual use of corn might recover to about 4.8 billion bushels during the upcoming marketing year.

From 2003-04 through 2009-10, annual U.S. corn exports ranged from 1.8 to 2.4 billion bushels. Forecasting exports near the average of two billion bushels represented a reasonable expectation. Exports, however, declined to 1.54 billion bushels last year and are projected at only 800 million bushels for the current marketing year. Another large crop in Brazil and a rebound in Argentine production this year may limit the rebound in U.S. exports during the year ahead. A key demand uncertainty is the likely size of the Chinese market. Exports can be forecast with very little confidence. A very modest 110 million bushels of U.S. corn have been sold for export next year. As a starting point, we use a projection of 1.2 billion bushels.

Based on current conditions, an expectation of a market for 12.2 to 12.3 billion bushels of U.S. corn in 2013-14 seems reasonable. A crop of 12.5 billion bushels, then, would be large enough to supply the market and add a small amount to year ending stocks. A crop of that size would be 2.1 billion bushels, or 14 percent, smaller than production prospects based on planting intentions and trend yield. Prospects have not yet been reduced by that amount.

The USDA will provide an assessment of potential supply, consumption, and price prospects for the 2013-14 corn marketing year in the May 10 WASDE report.

What The Industry Learned From Being "Pink Slimed"

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Dickson says that potential of a recurrence of another "pink slime" issue is so chilling to food manufacturers and processors that he's concerned it is stifling innovation in the sector.

"I think, to a degree, the BPI experience has kind of put a damper on some of the approaches to making new, innovative or alternative processes. I have heard some folks in the food industry in general, not just the meat industry, say that after witnessing what happened to BPI with what was a pretty novel process, and how it was misrepresented in the media, they are a lot more cautious about moving forward with real new or innovative technologies than they were a year ago. And that is unfortunate," Dickson says.

Cross adds that with a growing world population and the resulting need for more food – a doubling of food production by 2050, by some estimates – technology will have to be part of the answer.

What The Industry Learned From Being "Pink Slimed"

By: Joe Roybal , Beef Cow-Calf Weekly

It was a little over a year ago that the issue of "pink slime" exploded into the national consciousness. One of the U.S. beef industry's shining success stories in carcass utilization quickly became a huge industry black eye in terms of consumer perception following a relentless social media attack regarding lean finely textured beef (LFTB).

The furor was precipitated by a series of sensational reports by *ABC News*, which ultimately drew a defamation lawsuit brought by BPI, the dominant maker of LFTB. In the interim, a boycott of LFTB by major retailers forced the closure of three of four BPI processing plants and the layoff of 700 workers.

But the tentacles of that media furor reached farther than that. When Cargill closed its Plainview, TX, processing plant in January 2013, the culprit most cited was drought-induced cattle liquidation that had exacerbated the effects of an existing overcapacity in the packing business. But in an interview with FoodNavigator-USA in early April, Michael Martin, Cargill director of communications, said a contributing factor to the plant idling that laid off 2,000 workers was the reduced production of LFTB at the plant.

Most industry watchers predict that LFTB will make a recovery in time. After all, how can a hungry planet turn its nose up at the recovery of up to 15 lbs. of lean beef per carcass that the LFTB process allows?

Following the media fury, a lot of folks opined that the industry's failing had been a lack of transparency about the process. However, that was never the intent, says Russell Cross, head of Texas A&M University's Animal Science Department. What changed was the consumer, he says.

As head of USDA's Food Safety Inspection Service (FSIS) from 1992-1994, Cross approved the use of LFTB in 1993. That approval defined LFTB as meat, which allowed its use in ground beef without being labeled, he says. It was in 2001, after Cross had left FSIS, that the use of ammonium hydroxide in BPI's production process was approved as a pH control agent.

Cross says LFTB was, and still is, a process based on good science. "I'm not sure how much more BPI could have done back then; the consumer wasn't calling for the type of transparency that today's consumer is. The ball just moved on them."

James Dickson, Iowa State University professor of meat science, concurs. "I'm not sure what else BPI could have done, and that's onething that has puzzled a lot of folks. BPI was very open for a food company as far as visitors and plant tours. They were much more open than most food companies in general, and an awful lot of meat companies, in terms of what they were doing. It doesn't seem that they were trying to conceal that from the public.

"Eldon Roth (BPI CEO) is pretty proud of his operation and he wanted people to see it. I can tell you that as an academic trying to take students on plant tours, there aren't many places that will let you in. BPI didn't quite have an open-door, take-all-comers approach, but it was pretty close. Just about anybody who asked for a tour or visit was let in," Dickson says.

Surveys show that at least a third of U.S. consumers today say they want to know more about how their food is produced, Cross says. A significant contributor to that sentiment, he believes, is the millennial generation. It's a population segment that numbers about 80 million, stretches from birthdates in the late 1970s to early 2000s, and tends to rely on social media for news and communication.

"Consumers are telling us they want to know more about how we produce our food; they want more transparency. It's up to us to inform them about what and how we use technology to produce their food, and we must use the communication vehicles they use to conduct that outreach," Cross says.

As an example of the proactive stance the industry must take, Cross points to Farmers Fight, a TAMU student-led effort to reachout to the millennial generation via social media tools. Planning is underway for the first National Agriculture Advocacy Conference, set for Oct. 4-6 on the TAMU campus. Invited are 100 student leaders from across the nation to discuss agriculture advocacy.

"Our goal is to share what works and what doesn't work in order to more effectively tell our positive story of agriculture," says Victoria Pilger, a TAMU junior animal science major. She's a founding member of Farmers Fight and its incoming executive director.

She says the effort is designed to mobilize the thousands of students across the nation who are actively engaged and passionate about agriculture. "Farmers Fight believes it's our turn to stand up and share our story. Our advocate conference will be a meeting to engage student leaders and prepare us all to advocate for agriculture on our respective campuses," Pilger says.

A Farmers Fight website is expected to debut in June, and the group utilizes a Facebook page on which it regularly posts announcements and discussion.

The bottom line, Cross says is that the industry must get ahead of these issues before it's too late. Dickson agrees, but says that can be a tough challenge in today's environment.

As an example, he points to how the *Associated Press* Twitter account was hacked last week and a message disseminated about a bombing at the White House that had injured President Obama.

"The stock market fell 150 points in just a few minutes," he says. "That's an example of what can happen on social media. And the same can be done to any food product."

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Cow slaughter continues above last year

By: Derrell Peel, Oklahoma State University Extension

Total beef production for the year to date is down 1.3 percent and total slaughter is down 2.1 percent compared to the same period last year. Both beef production and slaughter have been larger in recent weeks and the year to date total is down less than expected. A significant part of larger than expected total slaughter is the result of increased cow slaughter. Year to date slaughter of steers, heifers and bulls are all down from last year. Only cow slaughter is up; 1.2 percent so far this year. Several factors are at work including unexpected beef herd liquidation and structural change in the North American dairy industry.

The closure of a major cow slaughter plant in Quebec, Canada last year has impacted U.S. cow slaughter and cattle and beef trade flows between the U.S. and Canada. A significant part of the 4.4 percent increase in dairy cow slaughter this year is likely due to increased imports of Canadian dairy cows. Previously these cows were slaughtered in Canada and much of the processing beef shipped to the U.S. Though the data are incomplete, there are indications that the flow of processing beef, i.e., trimming for ground beef, has reversed with Canada now deficit in processing beef. The incomplete nature of trade and domestic slaughter data make it difficult to assess what is happening to the U.S. dairy cow herd but it is clear that this structural change must be considered otherwise it would be easy to draw incorrect conclusions about changes in the U.S. dairy cow herd.

After five weeks of year over year increases, beef cow slaughter in the U.S. is only down 2.1 percent for the year to date. Unexpected beef herd liquidation is implied by the fact that beef cow slaughter has been up nearly 14 percent year over year for the last five weeks. It appears that winter has been just too much for some producers. Hay is extremely expensive and in short supply and apparently beyond the reach of some producers recently. With improvement in drought conditions in many regions recently, warm weather and the beginning of forage growth should result in beef cow slaughter falling sharply in the coming weeks. However, the damage may be done as far as herd inventory goes. Larger than expected beef cow slaughter so far this year, combined with indications that more heifers may have entered feedlots this spring (probably the result of the same liquidation) may have already erased any chances of avoiding additional beef cow herd liquidation this year. Beef cow slaughter rates the next few weeks and the mid-year heifer on feed inventory may provide some clues about herd inventory changes but complete data will not be available until next year.

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