Cow Country Reporter

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News from your CEO

November, in the cow/calf industry of Louisiana, is a month of completion. Normally the haying is completed, crops are harvested, ryegrass is planted and has a stand, but not so in 2015! Instead of looking forward to grazing early ryegrass after Thanksgiving, many are just finishing up planting ryegrass. Many have been feeding hay and/or other supplements to maintain their cow herds. Looking back over 2015 one could sum up the situation with one word, LATE! However, we may be catching up with our rainfall and for sure we have reduced our drought conditions in the state from extreme to moderate. Our cattle prices that began "heading south" in August are gradually gaining some of the loss back and sale results from "special replacement sales" at our local auction markets show good demand and higher prices. The cattle runs at the local auction markets are winding down and these reduced receipts coupled with good wheat pasture forecasts to our north and west, may help prices for our late marketed calves. Slaughter cow prices are getting higher and as we get closer to the holidays (Thanksgiving, Christmas, New Years) packers will want to be securing numbers to meet their kill figures when markets are closed. Our future in the cattle business looks good for Louisiana and yes, we do have a lot to be thankful for.

I thank the members of CPL for your support this year through our many projects that helped the cattle industry in Louisiana to become a creditable, profitable and viable entity. Remember our veterans who helped give us the freedom to vote and to gather together to worship as well as free speech. Enjoy the fall and have a great Thanksgiving!

Dave Foster, CEO

Are packing plants on the endangered species list?

Meat plants used to be a key part of the economy of hundreds of rural towns and several large Midwest cities. But the structure of the beef industry began to change radically in the 1960s, after brand-new company IBP built a new plant in a cornfield in Denison, Iowa.

That plant's closure on Aug. 14 thus marked the end of an era for IBP, which became part of Tyson Foods in 2001. More importantly, it continued a series of closures that rival those in the late 1990s. Nine processing plants have closed since the start of 2013, representing a daily slaughter capacity of 14,850, or 3.7 million annually, based on 250 operating days.

The statistics reveal the impact of shrinking cattle numbers from 2007, a decline exacerbated by widespread drought from 2010 to 2012. The U.S. cattle population had only three years of modest expansion until 2007. Then numbers fell by 8.843 million until 2014. This forced Cargill in February 2013 to close its Plainview, Texas, plant, taking out 4,650 in daily capacity. This was the largest plant to close. Three other fed beef plants closed after that.

USDA Announces New Commitments To Help Build Up Next Generation Of Farmers And Ranchers

Agriculture Deputy Secretary Krysta Harden today announced a commitment by the U.S. Department of Agriculture (USDA) to prioritize $5.6 billion over the next two years within USDA programs and services that serve new and beginning farmers and ranchers.

Deputy Secretary Harden also announced a new, tailored web tool designed to connect burgeoning farm entrepreneurs with programs and resources available to help them get started.

"Today's announcement is symbolic of the evolution of USDA's efforts to better serve the next generation of farmers and ranchers. What began seven years ago with the recognition that the rapid aging of the American farmer was an emerging challenge, has transformed into a robust, transparent, tech-based strategy to recruit the farmers of the future," said Harden.

"No matter where you're from, no matter what you look like, no matter your background, we want USDA to be the first stop for anyone who is looking to be a part of the story and legacy of American agriculture."

The new web tool is available at www.usda.gov/newfarmers. The site was designed based on feedback from new and beginning farmers and ranchers around the country, who cited unfamiliarity with programs and resources as a challenge to starting and expanding their operations. The site features advice and guidance on everything a new farm business owner needs to know, from writing a business plan, to obtaining a loan to grow their business, to filing taxes as a new small business owner.

By answering a series of questions about their operation, farmers can use the site's Discovery Tool to build a personalized set of recommendations of USDA programs and services that may meet their needs.

Using the new web tool and other outreach activities, and operating within its existing resources, USDA has set a new goal of increasing beginning farmer and rancher participation by an additional 6.6 percent across key USDA programs, which were established or strengthened by the 2014 Farm Bill, for a total investment value of approximately $5.6 billion.

Programs were targeted for expanded outreach and commitment based on their impact on expanding opportunity for new and beginning farmers and ranchers, including starting or expanding an operation, developing new markets, supporting more effective farming and conservation practices, and having access to relevant training and education opportunities. USDA will provide quarterly updates on its progress towards meeting its goal. A full explanation of the investment targets, benchmarks and outcomes is available at: BFR-Commitment-Factsheet.

Deputy Secretary Harden made the announcements during remarks to more than 60,000 attendees at the National FFA Convention in Louisville, Kentucky. The National FFA Organization is the largest youth organization in the United States, and focuses on preparing students for a wide range of careers in agriculture, agribusiness and other agriculture-related occupations.

As the average age of the American farmer now exceeds 58 years, and data shows that almost 10 percent of farmland in the continental United States will change hands in the next five years, we have no time to lose in getting more new farmers and ranchers established. Equally important is encouraging young people to pursue careers in industries that support American agriculture.

According to an employment outlook report released by USDA's National Institute of Food and Agriculture (NIFA) and Purdue University, one of the best fields for new college graduates is agriculture. Nearly 60,000 high-skilled agriculture job openings are expected annually in the United States for the next five years, yet only 35,000 graduates with a bachelor's degree or higher in agriculture related fields are expected to be available to fill them.

The report also shows that women make up more than half of the food, agriculture, renewable natural resources, and environment higher education graduates in the United States. USDA recently released a series of fact sheets showcasing the impact of women in agriculture nationwide.

Today's announcement builds on USDA's ongoing work to engage its resources to inspire a strong next generation of farmers and ranchers by improving access to land and capital; building market opportunities; extending conservation opportunities; offering appropriate risk management tools; and increasing outreach and technical support. To learn more about USDA's efforts, visit the Beginning Farmers and Ranchers Results Page.

Source: USDA news release

Are packing plants on the endangered species list?

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The drought also sharply reduced beef cow numbers to their lowest level since 1941 on Jan. 1, 2014, so five beef cow plants also closed. My data indicate that 50 plants have closed since 1995, taking out 52,695 in daily capacity. Only 1998-2000 saw more than the 2013-to-present closures. That's when 18 plants closed that had a daily capacity of 17,603.

Total commercial cattle slaughter in 2015 will fall below 30 million for the first time since 1963, when it totaled 27.232 million. This year's total is expected to be down 4% to 5% from 2014. Several other plants might thus struggle to remain open. For fed beef packers, 2015 fed steer and heifer slaughter is expected to decline about 3.5%, or 850,000, from last year. Weekly steer and heifer slaughter this year might be as low as 442,000. That's against 525,000 in 2010.

By comparison, the largest steer and heifer slaughter going back to 1965 was in 2000, when the number averaged 580,000 per week. Total cattle slaughter that year averaged 698,000 per week. The industry's biggest-ever slaughter was in 1976, when commercial slaughter totaled 42.654 million. Weekly cow and bull slaughter that year was nearly twice that of current slaughter levels. Cow slaughter in 1976 averaged 191,000 per week, vs. 102,000 so far this year. Bull slaughter averaged 18,000 per week, vs. 9,000 so far this year.

Given the mid-1970s cattle numbers, U.S. beef processing plants were designed to handle large numbers. There are still seven plants with the capacity to handle 6,000 per day. Such numbers back then enabled beef packers to operate five days per week on two shifts and at least a full shift on Saturdays. But Saturday operations have steadily declined in recent years as available cattle numbers fell.

The Saturday slaughter total in 2014, including holiday weeks, averaged 16,395 per week. This was down from 26,763 in 2013 and 45,226 in 2007. So far this year, Saturday kills have averaged 9,885. Plants are also running reduced hours Monday through Friday. Tyson's plants will run at only 34 hours per week of production per shift in fiscal 2015, and ran at 35 to 36 hours in 2014.

Tyson and other fed beef processors expect to operate at slightly higher levels in 2016, as fed cattle supplies increase. But this is not likely to start until March or April. Fed beef processors will struggle to make money this year, which puts some plants on the "endangered species" list.

Steve Kay is editor and publisher of Cattle Buyers Weekly. See his weekly cattle market roundup each Friday afternoon at beefmagazine.com.

Major manure-to-energy project on track for 2016 debut

By Chris Scott, MeatingPlace.com

A project being built on a Smithfield Foods hog production plant that's being described as the largest livestock manure-to-energy project of its kind is expected to be operational by mid-2016, its developers announced. Roeslein Alternative Energy said Phase One of the $120-million project is 50-percent complete and on schedule to successfully install impermeable covers and flare systems on 88 manure lagoons at the Smithfield facility in Albany, Mo. The covers prevent methane gas from entering the atmosphere and reduce odor by blocking rainfall landing in the lagoons.

The second phase will involve installing technology to purify the biogas under the covers and developing a natural gas pipeline designed to open in 2016.

The project is expected to process waste from 2 million pigs and to eventually generate about 2.2 million cubic feet of pipeline-quality natural gas, or the equivalent of 17 million gallons of diesel fuel annually. The project also is expected to prevent about 850,000 tons of methane from reaching the atmosphere.

The developers believe the project has applications for farms across the United States and for use in developing countries that are looking for better ways to sustainably manage natural resources and energy production.

Oklahoma conditions improving

Derrell S. Peel, Oklahoma State University Extension Livestock Marketing Specialist

Drought conditions, which advanced sharply in the late summer and fall, have decreased significantly with recent rains in Oklahoma. The latest Drought Monitor, dated October 27, showed only 2.79 percent of Oklahoma with drought rated at D2 and zero in D3 and D4, the worst drought categories. This was a significant improvement from the week prior. Despite rains in other parts of the state, the north central region of the state, an important wheat production area, had gone nearly 50 consecutive days with less than one quarter inch of precipitation. This region received up to an inch of rain as part of statewide rain coverage late last week. Additional improvement in the reported drought conditions are expected this week. Last week's crop progress report showed that 85 percent of Oklahoma wheat was planted with 62 percent emerged. Both of those figures are slightly lower than the five-year average for that date. Recent rains will result in rapid wheat development and some wheat will be ready for grazing soon.

In the final report for the growing season, Oklahoma range and pasture conditions are rated about average for this time of year compared to non-drought years; with 78 percent of pasture rated fair to excellent. In many cases, pastures still have some green and quality is good. Estimated 2015 total hay supplies in Oklahoma are 7.3 million tons, the third largest annual hay supply ever for the state, and the largest since 2007. It appears that Oklahoma is in good shape with respect to feed and forage supplies and is ready for winter.

Feeder and fed cattle markets are still recovering from the heavy weight market purge in October. Steer slaughter for the past four weeks is up nearly 8 percent from the same period one year ago, suggesting progress in cleaning up heavy weight fed cattle. However, carcass weights have not yet confirmed a peak and the latest steer carcass weights are another record at 930 pounds. In Oklahoma, prices for feeder steers under 600 pounds have recovered 9 to 10 percent from the early October lows. Calf and stocker prices in November will be a balance between supply and demand conditions. On the demand side, additional general cattle market recovery is likely with stronger feedlot demand to replace inventories possible and stocker demand likely will be boosted by better wheat pasture conditions. Seasonally, the fall run of calves typically adds supply pressure to feeder markets. October auction market totals in Oklahoma were down 5.3 percent year over year, which may indicate that some feeder marketings were delayed during the market slump. Replacement heifer demand is an unknown that may temper seasonal feeder supplies. This complex set of supply and demand factors make it very challenging to anticipate feeder prices in the coming weeks. On balance, I would give slightly better odds for steady to somewhat higher prices through November but the downside risk remains.

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