

# Cow Country Reporter



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Boy, Ma Nature has raised havoc in Louisiana during our harvest season. Hay, soybeans, cotton, sweet potatoes and to a degree corn and rice have all had to deal with poor harvest conditions and it is not over yet. The cattle industry has fared better, with the exception of cull cow prices.

Drought conditions in other parts of the country forced producers to sell cows starting in June. Now we are in the season of the marketing year when cull cow prices are historically low due to heavy receipts at the local auction markets. The bright side for us is timely rains in the wheat grazing areas has jump-started demand for our calves under 600 lbs. Prices have not dropped off seasonally

as expected earlier in the year. The big runs are close to peaking and receipts at our local auction markets will ease lower until Thanksgiving and then drop off until March. So, if you have cull cows and calves to sell check with your marketing agent for a marketing plan. Demand nationwide has been very good for yearlings weighing 700-1000 lbs. and will continue until the corn harvest in the mid-west is complete. The farm bill has not been passed and a trade agreement (USMCA) has been developed between the U.S., Canada and Mexico. Many events are continuing to unfold so it would be a good idea to have some information meetings. Contact me.

*Dave Foster, CEO*

## FALL FEEDER CATTLE MARKET SITUATION

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

Winter wheat pasture continues to develop rapidly in Oklahoma. Some pasture will be ready for grazing in the next few weeks. As a result strong stocker cattle demand is evident. Despite a 32 percent year over year increase in combined auction volume this past week, average Oklahoma auction prices for preferred stocker weights jumped sharply last week. Prices for 450-500 pound, Medium/Large, number 1 steers increased \$6.64/cwt. from the week before to \$183.23/cwt. and prices for 500-550 pound steers were up \$4.89/cwt. to 171.77/cwt. Prices for steers under 450 pounds were mostly higher as well, compared to the previous week. These counter-seasonal price increases sometimes happen when winter stocker demand kicks in before the fall run of calves thereby offsetting, at least in the early fall, the supply pressure that typically pushes prices to a seasonal low in October. Oklahoma feeder prices at the end of September were generally 4 to 10 percent higher than the same time last year.

Prices for feeder steers over 650 pounds were also higher compared to the previous week. However, prices for steers between 550 and 650 pounds declined compared to the previous week. As a result, weekly average prices are nearly equal for steers weighing from 550 to 750 pounds: 550-600 pounds, \$163.67/cwt.; 600-650 pounds, \$162.80/cwt.; 650-700 pounds, \$162.62/cwt.; and 700-750 pounds, \$163.01/cwt. This price pattern contrasts with the more typical pattern of higher prices for lighter weight animals. However, this unusual feeder price pattern occurs quite commonly in Oklahoma in the fall when stocker demand supports lightweight feeder prices and feedlot demand supports heavy feeder prices leaving a hole with weak demand for the middle weight feeder animals. In general, six-weight steers at this time of the year are too heavy to be preferred for stockers and too light for feedlots, who favor heavier placement weights to maximize the number of fed cattle that will finish against the April Live Cattle futures contract and avoid the sharp break between the April and June Live Cattle contracts.

Numerous factors will affect the likelihood of a seasonal stocker calf price low in the next month. Supplies will grow as feeder volumes increase to a seasonal peak by early to mid-November. With the larger 2018 calf

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## FALL FEEDER CATTLE MARKET SITUATION

crop, the fall run of calves is expected to exceed last year. However, demand for wheat pasture stockers may partially or totally offset increased stocker calf supplies. I really don't expect much more increase in stocker prices but additional increases are possible in the next couple of weeks. As we move through October into November, feeder prices are likely to stabilize or perhaps move lower but the seasonal low may be quite muted. Recent purchase price increases have reduced the return potential for winter stockers meaning that producers should carefully budget winter stockers to guide upcoming purchases. For cow-calf producers, recent calf price increases have added upwards of \$50/head to calf value in the past six weeks or so.

## USMCA WILL REPLACE NAFTA

*Updated: AFBF, NFU weigh in on trade agreement; OCM is deeply disappointed.*

Reaction to the newly minted United States-Mexico-Canada Agreement has been generally positive.

Trade negotiators from the United States and Canada reached the agreement just before the midnight Sunday deadline. The agreement, known by the acronym USMCA, will replace the 24-year-old North American Free Trade Agreement.

Highlights of the agreement:

- Elimination of Canada's 'Class 7' milk pricing program,
- Granting U.S. dairy additional access to Canadian market,
- Imposing new disciplines on Canada's supply management system,
- Preserving and expanding access for U.S. poultry and egg producers,
- Allowing U.S. wheat growers more access to the Canadian market,
- Science-based trading standards,
- Timely review of products produced through biotechnology and gene editing.

"The U.S. Grains Council (USGC) is very pleased to see the United States, Mexico and Canada have reached a new agreement," said U.S. Grains Council chairman Jim Stitzlein. "No trade agreement has had more impact on our sector than NAFTA, which prompted explosive growth in our export sales to both countries as well as the development of a fully-integrated grains and livestock supply chain within North America. Over the past two decades, this agreement has proven beneficial for the producers, agricultural sectors and economies of all three countries."

"After more than a year of escalating trade tensions, the prospects of progress on trade with our two closest trading partners is encouraging," said National Farmers Union President Roger Johnson. "Farmers have seen their income plummet over the past five years, only to have farm prices further depressed by trade disruptions. While this agreement is certainly no cure-all, it is hopefully a start to repairing our trade relationships around the world, to restoring our reputation as a reliable trading partner, and to resolving longstanding issues with discrimination against U.S. wheat."

"I'm pleased to see the U.S., Canada, and Mexico have successfully delivered a renegotiated NAFTA for consideration, and I am eager to review the details," said Senate Agriculture Committee Chairman Pat Roberts, R-Kansas. "Since 1994, when the original NAFTA went into force, the value of U.S. agricultural exports to Canada has increased by 271% and to Mexico by 305%. That is no small impact on rural America, as well as the American economy. This trade pact will provide our farmers and ranchers with much needed export market certainty and will strengthen the relationship with two of our most important trading partners."

Under NAFTA, U.S. soy exports to Canada and Mexico were almost \$3 billion in 2017, and U.S. soy exports to Mexico have grown four-fold under the agreement. Mexico is now the second largest export market for U.S. soybeans and meal. Additionally, roughly \$43 billion of agriculture products are exported to Canada and Mexico every year.

The new deal will help stabilize the U.S.'s two neighboring export markets for growers, something that the American Soybean Association has been requesting of the administration, said ASA President and Keota, Iowa, farmer John Heisdorffer. This news follows last week's announcement that the U.S. had signed a new free trade agreement with Korea and that negotiations are in progress with Japan.

"With USMCA, KORUS, and other agreements in sight, we are hopeful that a negotiated solution to the China tariffs could be in sight," Heisdorffer said.

"Trade is critical to agriculture, especially trade with our two closest neighbors. The USMCA builds on the success our farmers and ranchers have seen from NAFTA," said American Farm Bureau President Zippy Duvall.

"I have long said that I believe our country is located in the best neighborhood on Earth – North America – with valuable allies to our north and south," said Agriculture Secretary Sonny Perdue. "We have secured greater access to these vital markets and will maintain and improve the highly productive integrated agricultural relationship we have as nations."

Deeply disappointed

The Organization for Competitive Markets says the new agreement doesn't provide America's cattle producers the opportunity for fair and transparent markets in U.S. trade deals.

"A glaring omission from the deal is a reinstatement of Country of Origin Labeling, a crucial component of a fair market," said the Organization for Competitive Markets in a media statement. "The provisions of the USMCA allow South American cattle and beef to be brought into Mexico and shipped into the U.S. beef market without any limitations and labeled a 'Product of U.S.A.' This trade deal harms U.S. cattle producers' prices and denies U.S. consumers the U.S. products they are demanding."

Source: U.S. Grains Council, ASA, Office of Sen. Pat Roberts, USDA, NFU, AFBF, OCM



## **USDA OUTLINES NEXT STEPS FOR ADVANCING ANIMAL DISEASE TRACEABILITY**

USDA recognizes that some livestock industry sectors have already invested much infrastructure into developing traceability programs.

As the National Institute for Animal Agriculture held its 2018 Strategy Forum on Livestock Traceability in Kansas City, Mo., to support the U.S. Department of Agriculture's animal disease traceability (ADT) program, USDA undersecretary for marketing and regulatory programs Greg Ibach announced Sept. 25 from Washington, D.C., the agency's four overarching goals for advancing disease traceability to protect the long-term health, marketability and economic viability of the U.S. livestock industry.

"The landscape surrounding animal disease traceability has changed dramatically in the past decade, and producers across the nation recognize that a comprehensive system is the best protection against a devastating disease outbreak like foot and mouth disease" Ibach said. "We have a responsibility to these producers and American agriculture as a whole to make animal disease traceability what it should be: a modern system that tracks animals from birth to slaughter using affordable technology that allows USDA to quickly trace sick and exposed animals to stop disease spread."

USDA said its four overarching goals for increasing traceability are:

1. Advance the electronic sharing of data among federal and state animal health officials, veterinarians and the industry, including sharing basic ADT data with the federal animal health events repository;

2. Use electronic identification tags for animals requiring individual identification in order to make the transmission of data more efficient;

3. Enhance the ability to track animals from birth to slaughter through a system that allows tracked data points to be connected, and

4. Elevate the discussion with states and industry to work toward a system where animal health certificates are electronically transmitted from private veterinarians to state animal health officials.

These goals reflect the core themes resulting from a state and federal animal disease traceability working group that developed 14 key points for advancing traceability. They are also in keeping with feedback USDA's Animal & Plant Health Inspection Service received at stakeholder meetings held across the country to hear from the industry and producers directly, the agency said.

USDA said it recognizes that some sectors of the livestock industry have already invested a lot of infrastructure into developing traceability programs and noted that these new goals complement what those sectors are already doing and will help increase traceability across the entire industry. USDA said it is committed to continued discussion and collaboration to ensure that traceability efforts may be coordinated across the country.

While electronic identification is critical for advancing traceability, USDA said its important to emphasize that the agency will not dictate the use of a specific tag technology. Different industries prefer different tag types (e.g., low frequency versus ultra-high frequency), and choice will continue to be a cornerstone of USDA's ADT program, giving producers the ability to decide what works best for their operations.

Not only will electronic identification allow animals to move more quickly through ports, markets and sales, but USDA said it will also help ensure rapid response when a disease event strikes.

To assist with the transition to electronic identification, USDA is ending the free metal tags program and instead is offering a cost-share for electronic tags. This is something stakeholders have repeatedly told USDA they need to help transition to electronic systems.

"Another key component of our plan is sharing a few key data elements from existing state and industry animal movement databases with our animal health events repository," Ibach said. "That way, if an outbreak occurs, we can quickly find the information we need to locate and identify potentially diseased or at-risk animals. This helps avoid unnecessary quarantines that could impact producers' livelihoods, and by linking to that information instead of housing it ourselves, we maintain our stakeholders' privacy."

Moving forward, USDA said to continue to build on the current momentum around ADT and will begin implementing these goals starting in fiscal 2019. USDA said it will work with state partners and industry to establish appropriate benchmarks to meet to show progress. USDA will also ensure that all new traceability cooperative agreements will be contingent on measurable advancements toward these four goals.

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## **CONGRESS FAILS TO PASS FARM BILL BY SEPT 30, 2018**

House Republicans blame the Senate.

As was reported last week, Congress failed to pass a Farm Bill before the Sept. 30 expiration of the 2014 Farm Bill.

The lapse leaves about 40 programs without a baseline. Those programs include trade promotion programs, beginning farmer and rancher programs and organic agriculture funding.

House Republicans put the blame for the failure on the Senate, with House Agriculture Committee chairman Mike Conaway, R-Texas, saying, "I don't get the sense that getting something done has quite the sense of urgency with my Senate colleagues as it does with me." – Feedstuffs

Meanwhile, Senate Ag Committee chairman Sen. Pat Roberts, R-Kansas, says he's working to extend a "lifeline" to programs that will lack funding. "The same thing happened in 2012," Roberts said. "That's not the way we would have liked to see things go, but I think they know they'll be fully funded. Right now, it's just a temporary hiccup." – Nebraska Rural Radio Association

The National Wildlife Federation and 42 of its affiliate organizations are calling on lawmakers to pass a bipartisan Farm Bill with strong conservation provisions.

"Farmers and ranchers count on the Farm Bill for the tools they need to protect our rivers and streams, support habitat and our wildlife heritage, and secure working lands for future generations. The failure of Congress to pass a bipartisan Farm Bill on-time is a missed opportunity that hurts both America's farmers and our land, water and wildlife resources," said Collin O'Mara, president and CEO of the National Wildlife Federation.

## **DROUGHT-DRIVEN COW SLAUGHTER THIS YEAR MAY PULL THE PLUS ON HERD GROWTH IN 2019**

By: Nevil Speer

Back in May, we reviewed beef cow slaughter through the first quarter of 2018. At that time, the column noted that beef cow liquidation through March totaled 721,000 – the largest total since 2013.

However, that total also needs some context – that is, the January 1 beef cow inventory was marked at 31.7 million head. Thus, the March slaughter total represented only about 2.27% of the starting cow herd population – about in line from a historical perspective.

Now let's fast forward to the current scenario through August. Beef cow producers have liquidated 2.02 million cows during the first eight months of the year. That provides a fairly good base to extrapolate what might occur through the remainder of the year.

During the past 30 years, beef cow slaughter between September and December represents about 56% of the January to August total. Therefore, total cow liquidation through the end of the year should run somewhere around 3.15 million cows – or about 9.9% of the January 1 inventory.

That total can then be used to predict next year's beef cow inventory from a historical perspective. Clearly, it's not a perfect predictor. However, the general direction is fairly solid. And based on previous years' data, it appears that rate should result in a smaller starting inventory in 2019 versus 2018.

Obviously, there's a lot at play out here in the coming months. But it appears that drought is definitely impacting the keep/cull decision at the farm/ranch level.

As noted in May, "Perhaps we're done expanding the cowherd and will peak around the current 31.7 million cows. Of course, that could all change given the enduring drought conditions in the Southwest and Southcentral United States."

What's your take on beef cow slaughter in 2018? Are you making plans for further expansion? If you're in a drought area, what steps are you taking to manage inventory? Leave your thoughts in the comment section below.

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