

Cow Country Reporter



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News from your CEO

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OF LOUISIANA**



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If you have not paid your 2018-2019 membership dues, please pay them this month or you will be put on the inactive list and not receive this newsletter in September. Thank you for your continued support!

Three of your Executive Board members (Mike Kovac, Dave Sanson and myself) made a whirlwind tour in 5 days the first week in August (July 29-Aug 2) to gather information about the cattle industry. We met and had conversation with Corbitt Wall in Canyon, TX who works for DV Auctions with Real Time Index. Corbitt is on the DV Auction website with his "Feeder Flash" 5 days a week. Ed Czerwien, Market Analyst, Amarillo, TX puts out informative radio spots for Farm Broadcasters and his info is picked up by several news outlets. He talks about the current live markets and meat prices. Both these men gave us valuable information that they eagerly shared with us. We toured the most modern cow slaughter plant, Caviness Beef Packers, Hereford TX, that I have seen in the USA. They have the capacity to harvest 1800 head per day and have been harvesting close to 1700 head per day for several weeks now. We toured Pharo Cattle Co, Cheyenne Wells, CO where Kit Pharo has developed cattle that are frame size 2 to 4. The cows weigh 1100 lbs.

and are low input producers. He sells the bulls that are developed on grass. This stop was eye opening and gave us pause to contemplate the direction of our current cattle herd and the cost to wean a calf. An additional treat was we took part in a tour with a group of grass beef producers from Australia. Louisiana accents coupled with Aussie speak was unique in itself. We then finished our trip by visiting feedlots in TX, OK, and KS.

The take away message was, due to the drought there is an abundance of cull cows on the market which has depressed our cull cow market and this event will probably continue into the Fall. The feedlots are full, packers are working through the supply and hopefully the slaughter steer and heifer market has reached the low for the year. How does all this information effect Louisiana's cattle industry? If you preg-check your cows at weaning and have more than a handful to sell you may want to "rough" them through the winter and sell them next Feb./Mar. Check with your local auction market. Our calf market in Louisiana has the type of calf that buyers are looking for from September to November (90% supply under 650#) so demand for wheat pasture and rye grass calves should be good.

Let's have some meetings in your area to discuss these things. Keep cool and keep those calves growing.

Dave Foster, CEO

BEEF CONSUMPTION AND GROWING BEEF IMPORTS IN CHINA

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

Total beef consumption in China in 2018 is estimated at 8.5 million metric tons, second only to the U.S., according to the USDA Foreign Agricultural Service. On a per capita basis, this is just over 6 kilograms (carcass basis) or about 9.4 pounds per person (retail basis). This level is 16 percent of projected 2018 U.S. retail beef consumption of 57.7 pounds per capita. In China, beef consumption is about 11 percent of total meat consumption behind poultry (15 percent) and pork, which is hugely popular and represents 74 percent of meat consumption. These values do not include fish and seafood, which are very popular in China.

Beef consumption in China is low but rising. Despite being a major beef producing and consuming country for many years, China never participated much in global beef markets until recently. Since 2014, beef consumption has outstripped domestic production and Chinese beef

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BEEF CONSUMPTION AND GROWING BEEF IMPORTS IN CHINA

imports have risen sharply. By 2016, China exceeded Japan as the number two beef importing country behind the U.S. Chinese beef imports in 2018 are projected to be just 13 percent smaller than U.S. beef imports. At the current pace, China could be the largest beef importing country in the world in another year or two. Over 95 percent of Chinese beef imports are sourced from Brazil, Uruguay, Australia, New Zealand and Argentina. In Shanghai I saw large billboards advertising Argentine beef. U.S. beef exports to China resumed in 2017 after a nearly 14 year absence and are developing very slowly. In the past 12 months, exports to China have amounted to 0.6 percent of total U.S. beef exports.

What is the future potential for U.S. beef in China? Beyond the additional obstacles due to the current trade war, building markets for U.S. beef in China will face several challenges. Price is one of those challenges. Beef is expensive in China relative to other meats, even more so than in the U.S. Although growing beef demand in China is the result of a rapidly growing urban middle-class population, beef remains expensive for many consumers. Imported beef from the U.S. is especially expensive.

The bigger challenge for U.S. beef is the role of beef in Chinese cuisine. China is not a land of steakhouses, although western-style steak restaurants are growing in popularity and represent the most immediate demand for U.S. beef. This specialized restaurant and business hotel demand is small but expanding. In an example of this, I met with staff of the U.S. Meat Export Federation and a beef importer at a new, upscale steak restaurant in Shanghai which features both U.S. and Australian beef. We discussed the opportunities and challenges for U.S. beef in China. The reality is that, for the majority of Chinese consumers, beef, especially muscle cuts, are only infrequently a part of the diet.

Chinese cuisine is characterized by hot pot, stir fry dishes and Chinese barbeque that use small amounts of beef in pieces or thinly sliced rather than large cuts of beef. Beef offals are very popular and more affordable for many consumers. For example, Chinese barbeque is not large quantities of brisket or other beef cuts but is various meat products prepared on skewers. The beef barbeque that I ate in China was beef tendons rather than muscle meat. Beef entrees are typically a minor part of most menus. One exception to this was in the Muslim sections of Xian where beef is popular in place of pork. There I enjoyed beef in sandwiches, soups and dried as a type of jerky.

In all markets, meat quality is defined by the preferences of the consumer and the way the product is used. Highly marbled U.S. beef does not necessarily represent additional quality in many Chinese dishes. This makes U.S. fed beef even more expensive relative to domestic Chinese beef and most other imported beef. This is not to say that there isn't potential for U.S. beef in China. However, it does illustrate that accessing the larger Chinese market is not simply a matter of shipping U.S. steaks to China. U.S. Meat Export Federation staff in China are pursuing an innovative and dedicated effort to build market share for U.S. beef. There is considerable potential for U.S. beef in China but it will take time, patience and persistence.

DROUGHT'S IMPACT ON COW INVENTORY

By: Nevil Speer

There is now fully one-third of the U.S. cowherd in states rated poor or very poor for pasture conditions. That will play out in a number of ways this fall.

Nevil Speer

It's not really a new story, but it's sure an important one. The drought continues to worsen in the western and southwestern United States. To see the extent of the drought, check out the most current drought monitor .

Last week's Industry At A Glance addressed the importance of drought from a feedstuffs perspective . USDA's May 1 hay inventory pegged total hay stocks at 15.7 million tons – nearly 9 million tons short of last year's mark. As such, we went into this year's haying season with a sharp deficit.

To make matters worse, continued dry conditions in key hay producing areas are making it difficult to backfill that deficit – dry weather and irrigation shortages will prove to be a limiting factor. Moreover, the drought means hay will be in even greater demand. As noted last week, dry conditions likely mean feeding cows well ahead of the normal fall/winter feeding season.

This week's illustration addresses that very issue. The graph depicts the proportion of the beef cowherd that reside in states with pastures categorized as either poor or very poor versus good or excellent, while also depicting year-ago rates.

At the beginning of July, nearly two-thirds of the cow inventory resided in areas rated good or excellent. That's since declined to less than 50% as the month progressed. Meanwhile, there are now fully one-third of the cows in states which are categorized as poor or very poor.

Clearly, ranchers are feeling the impact of the 2018 drought. That said, how are you making adjustments to deal with this year's dry weather conditions? How is the feed situation playing out in your area? Are you planning on altering your marketing plans for this coming fall because of weather?

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3 GRAZING RATIOS YOU SHOULD OBSESS OVER TO BE PROFITABLE

Profitability in the cattle business is possible. Here are three ratios that will add cash to your bottom line.

By: Burke Teichert

In a recent short video conversation led by my good friend Allen Williams about AMP (adaptive multi-paddock) grazing, Allen asked me what effects AMP grazing would have on livestock economics. Good question—and it deserves a good answer. Any grazing, whether good or poor, has an effect on the soil—either positive or negative. There are no neutrals.

Grazing fits into a total management scheme or system. To be effective, we must manage holistically or, as some people say, use a systems approach. In my articles, I have referred to “Five Essentials for Successful Ranch Management.”

The first “essential” is that our approach to management must be both integrative and holistic. The problem most of us face in trying to use a systems approach is that we fail to do enough integration of facts, ideas, principles, possible methods, etc. to enable good understanding of the problems or opportunities we are trying to address.

This article is an attempt to help readers understand some of the relationships between how we graze and the potential economic results. Grazing can have a dramatic and profound effect on three key ratios. Now remember that this is a systems or holistic approach. There are other items to manage that also affect these ratios—not just grazing.

* **Acres per cow** is a measure of ranch stocking rate. You can reduce acres per cow in two ways—reduce the size and milking ability of the cows, which reduces the nutrient requirements, or increase the productivity of the land. Both are economically important and effective, but grazing to improve the soil has tremendous power.

- Some first attempts at better grazing don't have enough paddocks and don't allow adequate recovery times between grazes. This may result in no improvement or even negative effects.
- Other attempts using a good number of paddocks and especially adequate recovery times begin to yield positive results. As the intensity (number of paddocks and stock density) increases, the increase in forage productivity accelerates. Then you begin to see what Allen Williams describes as “compounding and cascading effects.” One positive effect builds on itself and leads to other positive effects.
- It's difficult to explain in a few words; but, as the stock density increases because of more and smaller paddocks, more litter is laid on the soil surface, grazing is more uniform, grazing efficiency improves, manure and urine are more evenly distributed and adequate recovery time can be accommodated. These changes lead to improvement in ecosystem functions.
- Rainfall and snowmelt infiltration rates are improved and water holding capacity of the soil is improved, leading to increased plant growth through a greater portion of the year.
- Nutrient cycling improves because more plant material is returned to the soil either as manure or trampled plant material. This feeds soil microbes which in turn feed plants and also further improves soil moisture-holding capacity.
- Then photosynthesis becomes more efficient because of more green leaves during a greater portion of the year which further improves the water and mineral cycles.
- While all this is going on, you start to notice greater diversity in the plant, insect, bird, small animal and game animal community. Diversity in the plant community produces different types and depths of rooting which encourages greater diversity in soil microbes and accesses water and minerals from deeper in the soil. This diversity also attracts a greater variety of insects.
- All of this variety results in symbiotic relationships between plants which makes the whole more productive. The variety of soil microbes, insects and birds provides plants and animals protection from predators (usually insects rather than coyotes or wolves) and disease.

This is just a beginning of what happens in the soil that causes great changes and improvement in the soil and plant productivity. I hope it gives you an idea of the complexity of interconnectedness that exists between many parts of the biological system that drives land and pasture productivity.

Think of it this way—if you could spend \$50-100 per acre on fence and water development and double your stocking rate (cut acres per cow in half), you essentially would have purchased another ranch for \$50 to \$100 per acre. You don't pay any more property tax, shouldn't have to add employees, vehicles, saddle horses, tools or equipment. This is economic power.

* **Cows per person** or labor hours per cow for small ranches with less than one full time person or for ranches that have several enterprises to spread time across, is another key driver of profitability. Most graziers using adaptive multi-paddock grazing put as many cattle in one herd as possible rather than having them scattered across several pastures with continuous or season-long grazing.

Fewer herds simply make it easier to check cattle and make sure they are healthy, have water and are where they belong. Over time, good grazing will produce a healthier feed source that will reduce pests and improve the overall health of the animals.

I know a good number of successful graziers with excellent animal performance that use no pesticides and seldom doctor an animal. Good grazing coupled with good herd and pasture organization will enable a significant reduction in labor requirement. I know several ranchers who have doubled carrying capacity through better grazing and have not added labor except a few times each year to work cattle. A few hire contractors to develop water, but most build their own fence, mostly simple electric fence.

* **Fed feed vs. grazed feed** should meet the test of logic. Any time you put a machine between the mouth of a cow and her feed source, it costs more.

Cows have legs and a mouth and can feed themselves for much or all of the year. I won't say that feeding cows is never cost-justified because sometimes it is—however, not nearly as often as some ranchers do it.

AMP grazing makes more grazable feed available and for a greater portion of the year. Because of more

3 GRAZING RATIOS YOU SHOULD OBSESS OVER TO BE PROFITABLE

plant diversity, improved soil moisture holding capability and better soil health, feed quality is better and for more of the year.

I occasionally get in arguments with some very smart people who contend that you can dry-lot cows cheaper than you can graze them. If that is true, someone else in the system is losing money. Most “cheap” feedstuffs such as baled straws and stalks have a fertility and soil health benefit back on the ground from which they came. By-products that occur at the processing level such as almond hulls, citrus pulp and distillers grains can be very good feed, but further processing and/or transportation can make them cost prohibitive in many situations.

For any dry-lot feeding there are always the machine and labor costs to haul, process, mix and then to remove and properly dispose of or use manure. If pasture lease costs have become so high in your area that a dry-lot is cheaper, most of the people paying those leases will have very poor gross margins unless they are leasing by the acre and can greatly increase carrying capacity with good grazing. Good grazing simply makes it possible to graze more and feed less which almost always saves money.

My understanding of ranch economics and finance tells me that to be most profitable on a continuing basis, you should reduce overheads as much as possible, market well, use direct inputs (mostly feed and vet costs) very wisely and then focus on (almost become obsessive about) these three ratios.

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