

Cow Country Reporter



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We in the beef cattle business are off to a "running start". The calf market opened higher in January, and the slaughter cow market had a very good demand with sharply higher prices compared to the same time in 2021. The USDA Cattle Inventory came out January 31, 2022 with the following results, all cattle and calves as of January 1, 2022 in the U.S. totaled 91.9 million head, down 2% from last year. Louisiana had 775,000 head, same as last year. All U.S. cows and heifers that had calved was down 2% with beef cows down 2% also. Louisiana had a 1% increase in all cows and heifer and also 1% increase in beef cow numbers. Louisiana beef heifer replacement numbers had no change at 80,000 head, while the U.S. beef replacement heifers were down 3%. The Louisiana calf crop had 355,000 head, up 3% while the U.S. calf crop is down 1%. What does all

these figures mean? The U.S. cattle inventory is down in numbers while Louisiana has the same if not higher numbers to sell as last year and hopefully at higher price levels than 2021. So, keep those mama cows bred and raise a calf to weaning. This market will be crazy this year with spikes in prices so PLEASE check with your marketing agent on the market and/or call our toll-free hotline 888-528-6999 option 3 for a weekly market report. Slaughter cow prices are trending higher and will remain higher for a couple of months. Take advantage of these higher markets.

I am not sure if that woodchuck in Pennsylvania saw his shadow or not on Feb. 2 but if he didn't, we will have a short winter (according to the folklore). Treat your sweetheart to a nice steak on Feb. 14 and remember keep those calves alive and growing.

Dave Foster, CEO

TWO TYPES OF BEEF BUYERS AT WORK

Being aware of the current dynamic offers opportunity for sell/buy marketers

By: Doug Ferguson

Since the new year began the markets seem to be searching for equilibrium, which is not uncommon. It appears to me that this is being created by buyers having two different mindsets.

One type of buyer is focused on numbers. They must buy thousands of cattle in a time frame and are overanxious about getting them. Type, condition, quality, and even the health of the cattle do not matter to these people. They are making it a seller's market as they keep bidding until the other guy quits. How the cattle look on paper is how the cattle should actually look, and these guys are overspending for some of the cattle they are getting.

The other type of buyer is focused more on quality and the prices paid for cattle reflect that. This is because the first type of buyer wasn't at that auction.

This kind of dynamic makes it difficult for me to call a trend that I am seeing during the week because it creates more of a roller coaster. At one auction the heavier feeders were higher, and at the next one they were lower. This changes up the Value of Gain, and relationships between weights from one sale to the next.

With this circumstance both buyers and sellers need to pay attention to auctions in their area and communicate with the sale barn. As a buyer we need to shop around and find a good place to buy. If we do end up at a sale with one of those buyers willing to pay the same price for cattle of a certain weight no matter how they look we will probably get skunked at that sale. It is better to go home with an empty trailer than a load of overpriced cattle.

As a seller it will pay to shop around as well. Fancy cattle sell well wherever they are, but not all of us have fancy stock. Those of us who do not

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have fancy stock need to find out where these careless volume buyers are and sell our cattle there. It will also pay to call the stockyard and find out what weight of cattle they have the highest demand for. It will also be worth taking the time to ask what can be expected for discounts and premiums, as the price swing is getting pretty wide in some places.

Making sense of the price swing

Here is what I mean by price swing. A buddy tells me in his local area there is pretty much no discount for bawling calves. Not too far away from him there is a twelve dollar discount for bawling calves. As a seller this makes it worth it to drive an extra hour down the road to sell bawling calves.

Some markets have a ten dollar rollback on heifers while others hammered the girls with a fifty dollar rollback. Clearly we found a great place to sell steers.

At sales without the careless volume buyers feeder bulls were 5-20 back, unweaned calves were 4-12 back. The bigger the bawler the bigger the discount, which destroys the myth about needing heavier weaning weights. It's not paying right now. Fleshy cattle were 7 back, while fancy cattle caught a 7 dollar premium and replacement quality heifers could easily catch a 13 dollar premium. With that kind of value capture do we really want to keep them and breed them ourselves? For a little more money we can buy a bred one that will give us a calf real soon.

There was one animal I saw at a couple sales this week that no one wanted, not even the careless volume buyer. It was the short-weaned cattle.

I have written about these before but this time I will be direct and try a different way to get the point across. Value-added marketing is only value added if we capture the added value. It makes no sense to put in an entire year's worth of work and then right as we are bringing the product to market devalue it. The softest way to say this is that it is the opposite of doing smart things.

These short-weaned cattle were a little over 30% off. A seven- to ten-day wean cost the producer over \$300 per head. Given what it takes to run a cow in our local area this was the difference between red ink and black ink. Let me try putting it a different way to get the point across. These people are trying to make money with a 30% death loss. We must sell something our customer wants to buy and it is clear that buyers do not want this short wean garbage.

A look at the markets

Something else stood out this week. At many sales we could sell a weaned animal and replace it with a heavier bawler and put a nice lump of cash in our pocket.

When I compare animals, I compare those that are similar to each other. Last week and this week I noticed that the animals that fall into the #1-#2 class have the greatest profit margin. If you're in this to make money then you have to respect the entire market.

Last week I also noticed a change in the hay market that held up this week. Small square bales are finally over-valued to large rounds again. The change in relationship was dramatic, as they are now more than double the value of rounds. If you have some small squares that you can part with you can sell them and easily double the tonnage of hay on hand with the same amount of money by buying back rounds. And if you're real ambitious you can then unroll those rounds and square bale them back up. Sell/buy marketing isn't just for cattle, it works on anything.

PEEL: FEEDLOTS MAINTAIN CATTLE INVENTORIES

By: Derrell Peel - Oklahoma State University

Unexpectedly large December placements once again pushed feedlot inventories higher year-over-year on January 1. Feedlot placements in December were 106.5 percent of last year, higher than the average trade expectation and above the trade estimate range.

December marketings were about as expected at 100.8 percent of one year ago. However, with one less slaughter day in the month, daily average marketings were 5 percent higher year over year in December. The January 1 on feed total was 12.037 million head, 100.6 percent of last year. On January 1, the inventory of steers in feedlots was 0.5 percent below one year ago while the number of heifers on feed was up 2.4 percent year-over-year.

Although cattle numbers are generally declining, feedlots will try to maintain inventories as long as possible. Following a similar pattern to November, most of the increase in December placements was lightweight cattle. Placements of cattle weighing less than 700 pounds were up 9.5 percent year over year while placements of cattle over 800 pounds were up just 1.7 percent compared to last year.

Cattle producers may have helped feedlots with large December placements as rising feeder prices encouraged later and larger auction totals...at least in some regions. In Oklahoma, for example, feeder cattle auction totals for the three weeks of December sales were up 22.4 percent year over year. Feeder cattle supplies are expected to tighten considerably in 2022.

With the final numbers for December completing the year, commercial beef production in 2021 totaled 27.937 billion pounds, up 2.8 percent year over year and a new record annual total for the U.S. Total cattle slaughter (federally inspected) was 33.184 million head, up 3.2 percent over 2020. It's worth noting that 2021 had a total of 254 slaughter days, two less than 2020 (a leap year). Total slaughter days per year vary from 254 to 256 and usually only change by one day more or less per year.

Total steer and heifer (fed) slaughter was 25.972 million head in 2021 with steer slaughter at 16.145 million head. Heifer slaughter was 9.827 million head and made up 37.8 percent of fed slaughter, the largest percentage since 2004. Total cow slaughter was 6.669 million head and accounted for 20.1 percent of total slaughter, the highest percentage since 2011. Beef cow slaughter totaled 3.562 million head, up 9.0 percent year over year.

Steer carcass weights averaged 906 pounds last year, down one pound from 2020. Average steer carcass weights exceeded average bull carcass weights (884 pounds in 2021) for the third year in a row. Heifer carcass weights averaged 831 pounds, down 1.8 pounds year over year. Cow carcass weights averaged 637 pounds, down

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3.8 pounds from the prior year.

Declining cattle numbers are projected to reduce cattle slaughter by 2.5 -3.0 percent in 2022 and lead to a 2.5 percent decrease in beef production for the year. However, drought could change the timing by forcing more liquidation and slaughter sooner and delaying the decrease in production until later.

KENTUCKY FARMERS ENDURE EPIC RUIN AND WORST STORM DAMAGE IN STATE HISTORY AS AGRICULTURE RUSHES TO REBUILD

By: Tyne Morgan

On Dec. 10, 2021, a tornado charged across the Midsouth demolishing towns and farms in its path.

"You could not have charted a path with more destruction throughout rural Kentucky than what happened in mid-December," says Ryan Quarles, Kentucky Commissioner of Agriculture.

The EF4 tornado was the deadliest tornado in the state's history, resulting in 58 fatalities.

"When I got there, there were still people who were injured and walking around. It was just terrible," says Keith Lowry, a farmer just 10 miles south of Mayfield, Ken. "There's nothing left in downtown Mayfield for 10 to 12 city blocks. There won't be anything left on in downtown Mayfield."

Along its 200-mile path, the tornado also destroyed a research farm vital to the state's ag industry.

"Our agriculture industry got hit more than any other industry in our state. Literally we have a path of destruction from the Bootheel of Missouri to just south of Louisville, Kentucky," Quarles says. "We have deceased livestock just south of Louisville. If you work your way back toward western Kentucky, we have collapsed grain centers, grain silos and the poultry industry got pummeled with close to 30 poultry barns completely collapsed or damaged beyond repair."

Mayfield, Ken., is considered ground zero for the devastation caused by the December tornado. As Lowry detailed, block after block of the town was crushed by the storm.

"I made a call to the mayor and to the judge executive. They said just come on up, we've got big problems," he says.

That call happened at 2:30 a.m., and a few hours later Lowry, who also owns heavy machinery and operates a trucking company, headed for Mayfield.

"When I got there, they had three or four medical emergencies they could not get to. So we took our heavy equipment and cleaned up some streets. I've never seen anything like it — it's just like a bomb went off."

While there's been a steady stream of cleanup efforts blanketing the rural town, the work has only started.

"We've been at it for six weeks, and you can hardly tell we've done anything. It's just that much devastation," Lowry says.

As the cleanup continues, the price tag of the devastation is still unknown.

"We don't know how expensive this tornado storm system will be toward Kentucky agriculture. But what we do know is it will be the most expensive storm damage for ag that our state has ever seen," he adds. "There's no question about it."

As residents work to rebuild, the costs of materials have climbed, and some materials are now in short supply.

"Another big issue in our state right now is the lack of fencing," Quarles says. "There are literally areas where you don't know where the property lines are anymore. Plus, you have debris, nails or other items that can be harmful to livestock. So we're still dealing with sorting livestock properly, beef cattle, and also animal welfare issues."

Grain bins were also crushed, raising questions about where the 2022 harvest will be stored.

"One of our local granaries had close to 6 million bushels of grain destroyed, and I don't think it's going to be salvageable for the chicken industry, which is very big for Graves County, and as of today, were still hauling it out," says Lowry.

That feed mill is a main artery for poultry feed, as it supplies close to 200 farms.

"The local granary — we're hoping and praying somebody will come in there and rebuild because we need that grain. The chicken industry needs the grain," Lowry adds.

Agriculture Rallies to Help

While some business might never rebuild, what's happened in the days and weeks after the tornado is something Quarles says is nothing short of remarkable.

"What's interesting is that agriculture is taking care of agriculture. A Pilgrim's Pride hatchery got hit — 8 million chicks gone, females out, but Tyson's helping supply the feed right now. So we're trying to help out each other," Quarles says.

"I have to brag on my fellow farmers. They were called into duty, and we showed up," Lowry says. "If you know the farming community well enough, we don't have to be asked, we just get there, we get the job done. We will get the job done eventually, but it seems like it's a never-ending process."

While the support has been local, relief has also been pouring in from miles away.

"I'm just humbled to see the random acts of kindness from Americans I have never met," Quarles says. "We had donations of feed troughs, we've had 1,800 pairs of gloves. We have feed and hay coming in from all corners of the United States. And, of course, there's the monetary donations, as well."

Quarles says the Kentucky Department of Agriculture and the Kentucky Farm Bureau set up a GoFundMe page called the Kentucky Agriculture Relief Fund. Last week, the relief fund eclipsed over \$1 million to help Kentucky rebuild.

"I don't know if we'll ever see it back like it was, we probably won't, but it's time for us to rebuild. We will rebuild and we will come back stronger," Lowry says.

How to Help

The Kentucky Department of Agriculture and the Kentucky Farm Bureau Federation are joining forces to create Kentucky Agriculture Relief Fund. The groups have created a GoFundMe page to help provide resources for agricultural-related recovery efforts for farmers affected by the widespread and devastating storms on Dec. 10-11, 2021.

NALIVKA: BRAGGING RIGHTS ARE IN ORDER!

By: John Nalivka, President - Sterling Marketing, Inc., Vale, Oregon

Earlier this month I wrote about key beef industry economics. First, and as a follow-up, I think in the current situation of consumers faced with less-than-full supermarket meat cases and high prices it is important to emphasize the factors that have created this situation - labor constraints in packing plants and distribution delays due to trucking on the supply chain. It is not total built capacity creating the problem.

Another issue closely related to capacity is efficiency – both from the standpoint of production and cost. In analyzing this topic, data is important and I have plenty to provide industry analysis and create interesting charts. However, I am a firm believer that more often than not, simplicity is usually the best way to make an important point. I think most issues regarding markets have gone the route of getting caught up in the data with the end result being plenty of numbers, tables, and charts, but losing the point of the analysis.

Getting back to the point at hand – telling the story of beef production efficiency and starting with the cowherd. In January 2020, there were about 93 million head of cattle in the U.S. whose calves utilizing U.S. forage and grain in 2021, together with cull cows from that herd, produced a record 28 billion pounds of beef in 2021. That equates to a record 687 pounds of beef produced for every cow in the U.S. herd. In addition, and from that U.S. produced beef, we will export an estimated and record high 3.5 billion pounds of U.S. beef.

In comparison to 2021 and nearly 50 years ago, the U.S. cattle herd in 1975 was tallied at a record 132 million head. From that record size cattle herd, the industry produced 26 billion lbs. of beef the following year or 451 lbs. of beef per cow and a stark difference from today! In 1976, U.S. beef exports totaled 87 million lbs. and 40 times less than the amount in 2021!

Production efficiency is key to sustainability including profitability, both at the ranch and for the industry as a whole, but that production efficiency doesn't end at the ranch gate. It is dependent on a viable and efficient supply chain with all parties acting in cooperation going forward. As the comparison between today and 50 years ago illustrates, the story is about efficient use of capacity (the cowherd) not just capacity. Bragging rights are in order but the work has not ended!

Louisiana January 1 All Cattle Inventory Unchanged



All cattle and calves in Louisiana as of January 1, 2022, totaled 775,000 head, were unchanged from January 1, 2021. The calf crop for the full year of 2021 was 355,000 head, up 3 percent from last year. All cows and heifers that have calved, at 460,000 head, were up 1 percent from January 1, 2021; beef cows, at 451,000 head, were up 1 percent; and milk cows, at 9,000 head, were down 10 percent from 2021. All heifers weighing 500 pounds and over were down 3 percent at 102,000 head. Steers were down 12 percent at 23,000 head; bulls were unchanged at 30,000 head; and calves weighing less than 500 pounds were up 1 percent at 160,000 head.



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