

# Cow Country Reporter



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News from your CEO

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Ranchers deserve market transparency.

Nearly One in Four



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REMEMBER, if you have not renewed your membership please do so by the end of this month! October is the time when we look forward to a little cool weather and pray that this normally dry month blesses us with some much-needed rain to bring our ryegrass on. Due to lower cattle prices in August and into September many cow/calf producers held on to their calves waiting for the market to improve, however, dry weather stopped the forage growth by mid to late September and cattle started moving to market. By the end of October, the bulk of our calves will be sold. The demand for our calves under 600 lbs. should improve as the wheat pastures to the north and

west of us receive enough moisture to get a good start on grazing wheat. You have heard about the "STOP THE STEALING" rally in Omaha, Nebraska held on October 2, 2019 and we will continue to provide you with updates. The "light" has finally shined on a system that is broken and the "Tyson fire" has started another fire in our industry that enough is enough! I pray that we in Louisiana can overcome these lower prices and work towards another year in the cattle business. Pray for those in other parts of our country that they can overcome this situation. May this month bring you lower humidity, a healthy ryegrass stand and healthy fall calves.

*Dave Foster, CEO*

## A PEAK IN FEEDLOT INVENTORIES?

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

USDA reported September 1 feedlot inventories at 10.98 million head, down 1.3 percent from one year ago. This is the first year over year decrease in monthly cattle on feed totals in 33 months, since December, 2016. A larger than expected decrease in August placements, 91.0 percent of one year ago, pulled feedlot totals lower than expected. August placements dropped sharply partly in response to the market shocks resulting from the Tyson Finney County plant fire on August 9, 2019. August marketings were as expected at 98.5 percent of last year. August had one less business day compared to 2018.

The September Cattle on Feed report highlights some regional differences in the current feedlot situation among the four largest feeding states. The September on-feed inventory in Texas was 101.9 percent of year earlier levels at 2.73 million head; with August placements up 4.8 percent year over year. Kansas had a September 1 feedlot inventory 93 percent of one year ago at 2.34 million head; with August placements 85 percent of year earlier levels. Nebraska showed a September 1 on-feed inventory of 2.16 million head, 101 percent of last year; with August placements down 7.3 percent year over year. Colorado had 0.93 million head of feedlot cattle as of September 1, 103.3 percent of last year with August placements 83 percent of year earlier levels.

Feedlot placements were down for the fourth consecutive month in August and total placements the last six months, capturing the bulk of current cattle on feed, are down 0.8 percent year over year. Meanwhile, monthly marketings for the past six months are up 1.0 percent year over year. Feedlots have continued to market cattle timely and maintain currentness.

Does this imply that monthly feedlot inventories have peaked cyclically? Probably not quite...yet. The short term disruption of the plant fire in August and early September likely delayed some feedlot placements and a larger 2018 calf crop and generally good forage conditions in 2019 likely means that significant numbers of yearlings are still to be marketed in the fourth quarter. The estimated 2019 calf crop is equal to 2018 levels meaning that plenty of new-crop calves will be marketed this fall with feeder

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## A PEAK IN FEEDLOT INVENTORIES?

supplies ample through 2020. It will likely be a few more months before we will see sustained year over year decreases in feedlot inventories.

Feeder cattle prices in Oklahoma improved last week with nearby feeder futures rallying to fill the August down gap. The supportive cattle on feed report and growing demand for wheat stockers will likely add further market support in the near term, at least until larger runs of calves and yearlings show up in October. USDA-NASS reported seven percent of Oklahoma wheat planted as of August 16. I have noticed numerous wheat fields emerged in the past week. Some wheat pasture will no doubt be ready for grazing by November 1.

## RANCHERS DESERVE MARKET TRANSPARENCY

*The U.S. Senate will hear concerns about market transparency in the livestock and poultry sectors.*

By: Amanda Radke

This blog post is a difficult one to write, but BEEF readers have patiently waited to hear from me on this topic.

The topic is fair cattle markets, and I believe beef producers deserve answers, transparency and clarity on this topic.

### **I say this is difficult to write this for three reasons.**

One, there are no easy answers to the challenges we face in the cattle business today. I feel ill-equipped to offer anything of true value here because I, like all of you, don't know what exactly is happening with our markets or how to fix it, if there truly is an issue!

Two, there is much work to be done for America's cattlemen and women to overcome the difficult times we are currently facing right now. It's an uphill battle that feels nearly impossible to face.

And three, I'm in the thick of it, just like you are. We just weaned our calves, and as we identified which ones will ultimately head to the auction barn in a few weeks, I mentally calculated the low price that each calf might bring. At my best guess, a weaned and backgrounded calf sold on the commodity market might bring a mere half or two-thirds of the value (depending on inputs like pasture rent or hay prices) of what it cost to maintain that mama cow for the year. And that's a tough pill to swallow.

Simply stated, if you're not earning a premium for your calves this year (either through selling seedstock cattle or marketing beef directly to the consumer), then you're likely to lose money. This dynamic changes, of course, if you were in a solid cash position to begin the year and aren't over leveraged with debt or other economic pressures.

Needless to say, at the core of this issue is this — the beef producer is struggling right now, but is this a symptom of the packer manipulating the market, or is this simply the ebb and flow of a capitalistic, commodity market that fluctuates in response to supply and demand? That is the big question we face.

And to be clear, it's not just market manipulation or price uncertainty that is making things so tough right now. It's volatile and extreme weather. It's ongoing trade wars. It's rising input costs. It's increasing debt loads. It is year-after-year of breaking even, at best, but mostly just losing money while working your butt off doing it.

It's the aging rancher (average age of the U.S. producer is pushing 60-years old) with fewer and fewer millennials and Generation Z'ers having the ability to step into these big shoes. It's the capital risk, the hard work, the never-ending stress -- it's quite evident that many are feeling the pain of these tough times right now.

Listen, I get it. I'm living it. I'm writing the checks just like you, so I understand what every single person reading this is facing right now.

### **But, what can we really do about it?**

**Earlier this week, producers took to Twitter to alert President Donald Trump and USDA Secretary Sonny Perdue with concerns about the cattle markets. Using the hashtag #FairCattleMarkets, here is a small sampling of what producers had to say yesterday on Twitter:**

Joe Van Newkirk, owner of Van Newkirk Herefords who graced the cover of BEEF's August issue, said, "@realDonaldTrump Cattlemen need your help. Crooked packing plants=disaster for cattle industry. Make beef prices great again. #FairCattleMarket

U.S. Representative Dusty Johnson (R-SD) spoke on the House floor on Sept. 19 and said, "It's hard to overstate the importance of the USDA investigation into the cattle market following the fire in Holcomb, KS."

Johnson also added, "We all know in D.C., there are two type of investigations. Investigations that are for show, and those that are for real. Well, in cattle country, we need an investigation for real."

Montana rancher Kayla Sargent tweeted, "@realDonaldTrump Rural America needs you. We've been taught to play fair since childhood, but the big four have no referee, we are at their mercy. There's room for everyone to prosper in our endeavor to feed the world but the packers are taking all the profit. #FairCattleMarkets"

Cow-calf producer, stock and feeder Joe Goggins said, "We as cow-calf producers and independent feeders take all the risks and fight all the elements. We battle the banker to try to stay financed — and for what?"

**What do our nation's trade organizations have to say on these discussions? Here are some insights.**

### **From the National Cattlemen's Beef Association (NCBA):**

"On Aug. 28, NCBA President Jennifer Houston issued the following statement regarding U.S. Agriculture Secretary Sonny Perdue's call for an investigation into cattle markets following the recent fire at a Tyson beef processing facility in Kansas.

"Today's announcement by Secretary of Agriculture Sonny Perdue demonstrates the government's understanding of the extreme strain placed on the cattle industry by the plant fire in Holcomb, Kansas. We encourage USDA to look at all aspects of the beef supply chain and to utilize internal and external expertise

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## RANCHERS DESERVE MARKET TRANSPARENCY

in this investigation. We believe it adds transparency that will help build confidence in the markets among cattlemen and women.”

### **From the United States Cattlemen's Association (USCA):**

“On Aug. 29, the USCA sent letters to the USDA and the Commodity Futures Trading Commission (CFTC) requesting each department to convene cattle market participants to discuss concerns related to price transparency and true price discovery.

“The letters, addressed to Secretary Sonny Perdue and CFTC Chairman Heath P. Tarbert, are in response to the untimely fire at the Tyson Foods’ Holcomb, Kansas beef plant. In the weeks following the event, U.S. cattle producers have witnessed unprecedented disruption in the cattle marketplace.

“Two separate Cattle Industry Summits would directly address issues related to the Mandatory Price reporting program, Packers & Stockyards Act violations and definitions, and the cattle futures contracts. USCA looks forward to working with both USDA and CFTC to convene cattle industry stakeholders in the months ahead.”

### **And from the Livestock Marketing Association (LMA):**

“The LMA is encouraged by the USDA’s announcement of an investigation into beef pricing margins to determine if there is any evidence of price manipulation, collusion, restrictions of competition, or other unfair practices. LMA encourages USDA to conduct a thorough investigation of all facets of this issue and underlying forces. If unfair trade practices or other violations of the Packers and Stockyards Act or antitrust laws are found, rapid enforcement actions must follow.

“Following the recent fire at the beef processing plant in Holcomb, the cattle industry experienced a sharp decline in fed cattle and feeder cattle prices. At the same time, boxed beef prices skyrocketed. All the while, the number of cattle slaughtered weekly has not been significantly less than the week of the fire. The combination of these factors resulted in significant packer profit margins. At the same time, livestock producers receive a shrinking portion of the retail beef dollar paid by the American consumer.

“However, this is only one illustration of long-standing concerns regarding pricing and competition. The USDA investigation should analyze issues related to competition in a larger context than the fire, including looking at issues experienced due to lack of competition in the entire live cattle marketing complex.

“LMA is the national trade organization representing more than 75 percent of the regularly selling fixed facility livestock auction markets in the U.S. LMA also represents online and video marketing entities, and professional buyers: livestock dealers and order buyers. Our more than 800 livestock marketing business members each work with hundreds and even thousands of producers to utilize competitive markets to bring them the best prices for their animals. This adds up to hundreds of thousands of cattle farmers and ranchers served by markets. Our industry needs producers, feeders, markets, and packers. It is critical that each of these sectors has a reasonable opportunity to make a profit during the business cycle, ensuring a healthy and sustainable industry. However, if anti-competitive practices are at play, it risks pushing market participants in other segments out of business.”

### **So what's next?**

On Wed., Sept. 25 at 10:00 a.m., the U.S. Senate Committee on Agriculture, Nutrition & Forestry will listen to a variety of industry voices on perspectives on the livestock and poultry sectors.

Witnesses in this hearing will include NCBA’s Houston, Ron Kardel, National Turkey Federation and West Liberty Foods vice chairman and grower; Jayson Lusk, Purdue University Department of Ag Economics head and distinguished professor; Burton Pfliger, American Sheep Industry Association past president; Trent Thiele, Iowa Pork Producers Association president; and Shane Eaton, USCA member and owner of Eaton Charolais in Lindsay, Mont.

Now some may contend that the market is functioning as usual, that market manipulation isn’t happening and the packer is working fairly with the producer.

If it’s truly business as usual, then there should be no problems with an open investigation that clears the air and offers transparency to all.

But if there is something truly different going on with the markets today, something that is hurting the U.S. beef producer and taking away our opportunities to effectively market cattle in this country, then a thorough and complete investigation is warranted and necessary.

I will add this caveat — I don’t believe the government can and should “fix” or artificially manipulate the markets to better one sector of the beef business over another. Let the supply and demand fluctuate as it was designed, but let’s ensure that it is functioning in a way that is transparent, clear and accessible to all who are selling cattle in this commodity market.

I, for one, will be watching closely and will report back on what we learn after this Senate discussion. Remember, we are in the business of marketing not just beef, but cattle, too, so maybe it’s time for the independent cowboy to use our leverage in this business to retain more value of our stock before they move on down the chain.

What do you think? Email me please at [amanda.radke@informa.com](mailto:amanda.radke@informa.com).

*The opinions of Amanda Radke are not necessarily those of beefmagazine.com or Farm Progress.*

Don't Forget!

Don't delay!  
Renew today!

## NEARLY ONE IN FOUR

By Kit Pharo, PCC Update

Someone shared an internet article with the PCC Discussion Group that was entitled "Nearly One-In-Four have Tried Meatless Fast Food." This group loves to discuss things that most cow-calf producers would rather not acknowledge – much less talk about. That's just our nature. One of the responses came from Dr. Allen Williams, who is an industry expert in grass-fed beef, grazing methodology, regenerative agriculture – and much more. I thought his email was very eye-opening and worth sharing. This is somewhat of a follow-up to last week's article entitled "Flavorless Beef."

Fake meat is not going away, and is not just a fad. Too much has been invested and too many consumers simply have no dedicated allegiance to beef (or other meat proteins). They want flavor, juiciness, eating quality and perceived health benefits. Those of us in the beef industry ignore this at our own peril and demise.

I am writing a series of articles on fake meats and the unintended consequences, but this will not stem the tide of consumer demand. It will simply point out the facts of how and why we got to this point.

All the major packers have invested heavily in fake meats and continue to invest. They have no allegiance to those of us who are livestock producers. Their allegiance is to the customer who will pay for whatever food products that can be sold. They will not hesitate to shut down their packing plants in the future – IF fake meats dominate. They view their packing plants as liabilities anyway – OSHA, animal welfare audits, workman's comp, HACCP, ICE, HR, etc., etc.

We have to point the finger back at ourselves as being culpable in this. The beef industry (of which we are a part) has put out an ever-declining product in terms of end product eating quality. The fact is an Impossible Burger patty IS juicier and has MORE flavor than the typical fast food beef hamburger patty. It is a highly processed food and terrible for you from a health standpoint, but the consumer perceives otherwise due to the marketing jargon. The typical fast food beef hamburger is barely tolerable. It is cooked to the consistency of a lump of coal, has little to no flavor, and little to no juiciness. Because the Impossible Burger does not have to be cooked to temps of 165 or higher and its number one ingredient is water, it is a juicy product.

There are numerous reasons why today's beef is far more bland in flavor and far less juicy than it used to be. As stated in an earlier discussion thread, DDGs are a big part of that problem. However, so are the GMO grains (genetically modified), total mixed rations, the aggressive implant and beta-agonist programs, poor genetics, etc., etc.

If we continue to rely on packers to be our customer, we are making a huge mistake. If we do not figure out how to take better control of our own markets and produce a better end product, we will lose out to the fake meats. Slowly but surely. If that happens, only one in three of you will still be ranching ten to fifteen years from now.

Do not ignore this, thinking it will go away! Take control of your own destiny! That is a huge part of being a Herd Quitter.

*Allen*

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