Cow Country Reporter

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News from your CEO

The year 2019 is coming to a close and we in the cattle business (and really all agriculture) are looking to 2020 to be a more profitable year. Our feeder cattle market in Louisiana was lower compared to 2018 with the exception of April which was $2.00-$5.00 cwt. higher, probably due to demand for graze-out wheat pasture and early summer grass. However, our calves were $5.00-$20.00 cwt. lower, with the extreme discounts from August to mid-October as compared to the same time in 2018. Cattle receipts through November at the local auction markets year to date were slightly less than last year. We could see heavier than normal numbers in December with producers holding calves for higher prices. Due mostly to adverse weather conditions from early Spring to Summer in parts of the U.S. slaughter cow prices were under pressure as many ranchers were forced to sell cows. The cow processors stayed busy and plants were overloaded with a supply of kill cows which in turn lowered the prices for cows going to slaughter from September into early December. Louisiana producers were able to put up hay and if we don't have any big weather surprises, we should be good until Spring. Check with your marketing agents (local auction markets, order buyer and video rep.) to get posted on the year 2020. You need to ask them; what will the cow and heifer replacement market be this Spring, do I need to change when to market my cows and then ask them are my genetics right for the market premiums? You need to have this conversation no later than January 2020!

From all of us at Cattle Producers of Louisiana may you have a Merry Christmas and a safe and healthy New Year.

Dave Foster, CEO

More, heavier cattle placed in feedlots in October

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

The latest USDA Cattle on feed report pegs November 1 feedlot inventories at 11.83 million head in feedlots with a capacity of 1000 head or more. This is 101.2 percent of last year and up 4.8 percent from October as feedlot inventories increase to a seasonal peak. After two months of year over year decreases in cattle on feed totals, large October placements pushed November 1 inventories back above year earlier levels. Annual average feedlot inventories (twelve month moving average) peaked in August but there is a chance that strong placements in the next few months could push to a higher average total. In other words, feedlot inventories are close but may not yet be quite at a cyclical peak.

October placements were 110.2 percent of one year ago, a bit lower than the average of a wide range of pre-report estimates. Several factors contributed to the relatively large October placement number including the fact that the number was compared to a small 2018 value; indications of general delays in feeder cattle marketing this fall; and additional August and September delays related to the August packing plant fire. October marketings were 99.4 percent of last year, in line with pre-report expectations. Total placements in the six months from May to October were down 0.4 percent year over year while six-month total marketings were up 0.5 percent.

October placements were dominated by heavy weight feeders. Placements of feeder cattle over 800 pounds were up 29.5 percent year over year with placements 700-800 pounds up 14.9 percent compared to one year ago. Meanwhile, placement of feeders under 600 pounds were down 6.3 percent year over year. In the three months from August-October, placements of feeders over 700 pounds were up 4.6 percent year over year while placements of cattle less than 700 pounds were down 2.8 percent.

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More, heavier cattle placed in feedlots in October

This means that feedlots will be somewhat front-loaded for the next few months.

Regional contrasts are apparent in the latest cattle on feed report. October placements in Texas were up 14 percent year over year leading to a November on-feed total 107 percent of last year. In Colorado, a 23 percent increase in placements supported a feedlot inventory 105 percent of last year. Kansas placed 14 percent more cattle in October with a November feedlot inventory 103 percent of last year. By contrast, Nebraska placed only 3 percent more cattle in October compared to one year ago, leading to a November 1 feedlot total 95 percent of last year. Iowa had October placements up 7 percent year over year with a November 1 on-feed total 94 percent of one year ago.

Finally, my recent travels in Oklahoma and the Texas Panhandle have confirmed that the frustratingly slow wheat pasture development is finally making progress. I have noted a growing number of stockers on wheat recently and more wheat that appears nearly ready for turnout. Groups of cattle stockpiled on dry pasture waiting for wheat pasture are common. Western Oklahoma, in particular remains pretty dry and in some cases wheat stocking rates are lighter than usual.

Winter storm impacts markets in many ways

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

A major winter storm disrupted Thanksgiving travel last week and will have a variety of impacts for some time. The latest snow and cold hampers an already difficult crop harvest. Though frozen conditions may increase access to muddy fields, deep snow in some areas will add additional delays to corn harvest and may further impact crop quality. On November 25, 84 percent of corn harvest was completed; well behind the average of 96 percent for the date. Corn harvest was 68 percent complete in South Dakota, 57 percent in Wisconsin, 56 percent in Michigan and just 30 percent in North Dakota. Many of these areas have been hit by significant snow and blizzard conditions in this latest storm.

Winter weather often impacts cattle production, reducing production and increasing costs for ranches and feedlots. Severe weather inevitably means management challenges and higher costs for producers but may also have market impacts if poor conditions are widespread enough. The current blast of winter weather impacts a wide swath of cattle feedlots from Colorado, across parts of Nebraska and the Dakotas, part of Iowa and across Minnesota. It appears that the major cattle feeding areas in Kansas and Texas missed the bulk of this storm.

While this storm may not be widespread enough to cause noticeable fed cattle market reactions, the storm may delay cattle finishing and disrupt slaughter flows in some regions and may help ensure that the seasonal peak is in for carcass weights. Steer and heifer carcass weights have pushed above year ago levels the past few weeks with the latest steer carcass weights at 912 pounds compared to 900 pounds last year and heifer carcasses at 841 pounds, up from 836 pounds one year ago on the same date. However, for the year to date, steer carcass weights are down 3.3 pounds and heifer carcasses are down 4.4 pounds. An early storm like this may set the stage for a long period of feedlot production challenges with impacts persisting and accumulating through the winter.

Winter weather often impacts the demand side of the market. Winter storms may disrupt transportation and the flow of perishable products to markets. Though people continue to eat during storms, travel and business disruptions often reduce restaurant traffic and power disruptions may reduce meat demand as consumers hunker down and get through the storm with minimal cooking and more use of prepared and ready to eat products.

For cattle and beef markets, winter weather may have negative impacts on both supply and demand depending on the location, severity and size of storm events. The net impact is uncertain and is often difficult to isolate in aggregate market prices. However, higher costs, lost production and reduced revenues impact the entire industry from cattle producers to beef retailers.

As the cycle turns: Heifer retention rates hit the skids

Beef cow slaughter is an important aspect to monitor. In the absence of major drought or other type of forced liquidation, it's an important indicator of producer sentiment about the business.

By: Nevil Speer

Last week's Industry At A Glance highlighted year-to-date beef cow slaughter amidst some historical perspective. All that as an attempt to provide some context with respect to next year's starting beef cow inventory. As quick review, through October, cow slaughter is nearly on pace with last year and tracking towards a full-year total of around 9.6% of the starting beef cow inventory.

Beef cow slaughter is an important aspect to monitor. In the absence of major drought or other type of forced liquidation, it's an important indicator of producer sentiment about the business. Meanwhile, equally important in determining the size of next year's cowherd comes on the heifer side.

The numbers are often reported as a bulk total – that is, replacement heifers being retained. Generally, the reported number includes both open and bred heifers. However, the most important statistic is a subset of the data are heifers being held "expected to calve in coming year" (i.e. bred heifers). The distinction is important. The bred heifer component is the subset that becomes next year's "beef cows that have calved."

This week's graph provides a historical overview since 2001 – the first year in which USDA provided some granularity and separately reported the inventory of bred heifers. Last year's Jan. 1 totals equaled 5.925 million and 3.544 million head for total and bred heifers, respectively.

For some perspective, during the last five years, total heifer inventory has averaged 6.166 million head, while bred heifer inventory averaged 3.787 million head. Accordingly, it is clear producers are turning down the heifer retention rate. That's further supported by this year's heifer slaughter rate.

As noted last week, the beef industry has witnessed five straight years of expansion since the 2014 low of 28.966 million cows. Will 2019 be the turn-around year? A 2019 slowdown in bred heifer retention along with potential uptick in cow slaughter in the last few months of the year could result in a smaller cowherd. What's your take with the size of the starting cowherd in 2020?

Speer serves as an industry consultant and is based in Bowling Green, Ky. Contact him at nevil.speer@turkeytrack.biz

Livestock economist gets candid about 2019 markets & 2020 outlook

2019 was rocky at best and a wreck at worst. How's 2020 shaping up?

By: Kindra Gordon

Jim Robb pulled no punches during his remarks at the 2019 Range Beef Cow Symposium in Mitchell, Neb. on Nov. 19, saying, "Tyson did a crappy job" after the Aug. 9, 2019, fire shut down the Tyson beef processing plant at Holcomb, Kan.

Robb, who has served as the long-time director of the Livestock Marketing Information Center (LMIC) and is now senior agricultural economist, added, "They [Tyson] did a terrible job. They thought they were the center of the universe…It could've been better for everyone if they'd been more upfront and cognizant of what was going on. We didn't know at that time if the plant was out of commission for 1 year or 2 weeks.

Robb ranked the Kansas plant fire as one of the top four events of his career that "hit us [the market] on the side of the head with a 2x4, and we didn't know if we were going up, down or sideways." He cited the Dairy Termination Program from the late 80's, the 9/11 terrorist attacks, and the U.S.'s first BSE case on Dec. 23, 2003 , as the other three mega events that spooked the market

Of the volatility these market shocks caused, he said, "The market goes crazy and the retailer panics…We learned futures markets react quickly, and you won't have a hedge-able opportunity."

But, as painful as the Tyson plant closure effect was, Robb says with the addition of Saturday cattle slaughter, the market could – and did – work. "We got through it in a matter of months versus years," he stated.

In anticipation of future market shock events, Robb offered this advice, "If you're in cow-calf country and you have forage and you have patience, you can outlast it." He noted that cow-calf producers have the flexibility to manage these types of market shocks better than anyone else.

"Now, if you have yearlings, you have less window of opportunity," Robb said. If possible, he suggests trying to put cattle in a feedlot and locking in a profit.

And, if you have fed cattle, "You don't try to beat the market," Robb said. "You don't try to outlast it. You're not going to. You sell at lower prices," he said.

Regarding marketing, he emphasized to cow-calf producers, "It's not a one fits all and sell every year on X date." He continued, "Do I manage by cattle cycles? Don't bet the farm on it. The cattle cycle is dampened. There are other things driving the market more than the cattle cycle."

The other disaster

Robb also shared wrath over the current cull cow market , calling it "a disaster." Pointing to the high number of dairy and beef cows going into the cull market, he said, "We have a hell of a cow liquidation going on."

Robb indicated this is a sign of a larger problem – getting heifers and cows bred.

He reported, "I toured all of the major Colorado feedlots in August of this year. I'm an economist, and if I can see heiferettes out there; they're out there. These animals are not getting bred." Citing numbers from Florida, Montana and Kansas, Robb said it all points to the same story.

He reprimanded producers saying, "We need to fix this. We're wasting a lot of money selling animals in a cull market instead of having pregnant animals producing something."

As a result of this culling, Robb reported the cattle inventory forecast is already headed down slightly, which is creating what he calls a "soft landing cattle cycle."

He explained, "It's not going to collapse down. We are already in the liquidation phase, which is probably a shortened liquidation. But beef production is going to start going down beginning in the second half of 2020."

Bright spot

Looking ahead, there is some cattle price optimism. Robb stated, "The dynamic is switching very quickly on the supply side…[cattle] prices for the next few years should be slightly higher unless something shocks the system." However, he also added a disclaimer noting prices will "not be as high as 2015."

Specifically, Robb forecasts 2020 to be more like 2017, with 2021 higher and 2022 calf prices at $1.85 per pound in the Southern Plains and $1.95 per pound in the Northern Plains. He said, "If demand holds together, 2022 could be pretty good in cow-calf country."

But, like a true economist, he hedged, adding, "Now, things can go wrong. It's like playing a fantasy card game."

Kindra Gordon is a freelance ag writer from Whitewood, S.D.

Happy Holidays from everyone at Cattle Producers of Lousiana. We hope your holidays will be filled with joy and laughter through the New Year.

Physician tells patients to eat beef & be merry

Want to live a long, health life? Ignore weak observational studies and just eat beef!

By: Amanda Radke

I recently read an op-ed featured in Forbes that gives me hope that common sense and truth may one day prevail. And when that truth does finally shine through, nobody will need to feel guilty about eating meat.

The op-ed was written by Paul Hsieh, a physician with expertise in health policy, medical ethics and free market economics. Hsieh is also the founder of Freedom and Individual Rights in Medicine (FIRM) and practices medicine in Denver, Colo.

Titled, “I’m a physician, and I’ll continue eating read meat ,” Hsieh shares why the past and current recommendations to reduce red meat consumption in favor of a plant-centered diet is based on faulty science and grand assumptions.

Addressing the recent study printed in the Annals of Internal Medicine, which concluded that adults should, “continue current levels of red meat and processed meat consumption.”

Hsieh writes, “These conclusions were a direct challenge to current recommendations urging that people significantly reduce red meat consumption. These new recommendations have met with ‘fierce criticism’ from the American Heart Association, the American Cancer Society, and the Harvard T.H. Chan School of Public Health. In particular, the Harvard group called these new recommendations “irresponsible and unethical” and warned that this could ‘harm the credibility of nutrition science and erode public trust in scientific research.’”

The 14 researchers who conducted this study found that most of the plant-based data is derived from weak observational studies.

Hsieh explains why this type of research can be so flimsy. He says, “Observational studies are notoriously unreliable, in part because they are based on people’s reported recollections of what they ate — sometimes weeks in the past. I sometimes have a hard time remembering what I had for dinner the night before, let alone 3 weeks ago!

“Another problem with observational studies is the issue of confounding factors. We must be careful not to confuse correlation with causation.”

The good doctor goes onto explain that he recommends his clients continue to eat and enjoy meat for their health , and he practices what he preaches in his own life, as well.

He concludes, “As for myself, I’ll continue eating red meat at my current levels, purchasing meat from sources in accordance with my ethical values. Enjoying some hearty beef stew at dinner or crispy bacon at breakfast probably won’t affect my health much one way or another. But it will certainly enhance my overall life and happiness!”

So this holiday season and every day after, eat meat and be merry! It’s good for you, for your health and for the planet, too. Despite what the populace would tell us otherwise, the facts and the science are on our side; it’s just been swept under the rug for the last 40 years.

Thank you, Dr. Hsieh, for being willing to stick your neck out and share an unpopular truth. We appreciate your experience, wisdom and expertise in this arena!

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

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