Cow Country Reporter

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News from your CEO

"Summertime and the living is easy", may be classified as a myth to a farmer and/or rancher today. June is supposed to be a month where we look back several weeks ago and remember when we started to put our first cutting of hay up and for those that calve in the Fall look to bringing our weaned calves to market. This June, Ma Nature decided we needed another test of our faith and resourcefulness by having a super wet Spring which resulted in flooding. As a result, it prevented normal planting of rice, corn, soybeans and also caused ranchers to move cattle to higher ground coupled with some calves dying. So, for us in Louisiana, many are still trying to make a first cutting of hay and now pondering when to market our Fall-born calves. The cattle market for our June/July calves looked good in mid-May, however, delayed planting of corn/soybeans in the Midwest (corn belt) has sent corn prices higher which has lowered calf prices. However, Ma Nature has a way of changing things, with as much moisture she gave us early forages are responding well to sunshine and dry weather. Feedlots are moving cattle to market and summer grass grazers will be looking for our good Louisiana calves. Father's Day and the 4th of July will send beef eaters to the stores and restaurants to purchase beef which will continue to move beef inventory. So maybe our outlook looks a little brighter this month.

A heads up! A one-day seminar in Crowley, July 12 and in Alexandria July 13 titled "Secrets to Increasing Profit" with Dave Pratt will be an event not to miss. Look on our website and an email blast that will be sent out for further information about the program.

Don't forget to renew your membership to CPL, we can't function without you and truly encourage your input, insight and support. Enjoy the start of Summer!

Dave Foster, CEO

Tough Week in Oklahoma; Cattle on Feed

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

May is the season of severe storms in Oklahoma. The week leading up to Memorial Day included numerous severe storms and several tornadoes in the state with lots of damage and, most regrettably, several injuries and fatalities. A bit more unusual this year is the persistent pattern of wet weather.

According to the Mesonet, the year so far through May 26 is the fourth wettest year on record in the state with the last thirty days the second wettest for the period. Regionally, the north central and northeast regions of the state are experiencing the wettest 30-day rain totals with the second wettest 30 day totals in the west central and central regions. Several areas have experienced double-digit rain totals in the past week bringing 30-day rain totals to more than 330 percent of normal.

Widespread flooding is impacting numerous locations around the state. The Arkansas and Cimarron river drainages are particularly hard hit with water levels still rising and more rain expected this week. Keystone Lake, into which the Arkansas and Cimarron rivers flow, is currently reported at 33.53 feet above normal with the flood control pool 112 percent of full. Keystone dam is releasing 275 thousand cubic feet per second of water as flood conditions inevitably move down the Arkansas River. The Arkansas River at Tulsa, just below Keystone Dam, is projected to crest this week at about 23 feet, well above flood stage of 18 feet, and just below the record level of 25.2 feet in 1986.

Comercial navigation on the McClellan-Kerr Arkansas River Navigation System (MKARNS) is being disrupted due to high waters. MKARNS provides inland ports that connect directly to the Mississippi river as far inland as the Port of Catoosa, near Tulsa, Oklahoma. The MKARNS is an

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Tough week in Oklahoma; cattle on feed

important transportation artery for agriculture in a multi-state region, providing a market for grain shipments downstream and the arrival of inputs such as fertilizer.

The May Cattle on Feed report showed April feedlot inventories of 11.8 million, 102.2 percent of last year and the largest May 1 total in the current data series since 1996. April feedlot placements were up 8.7 percent year over year, at the low end of pre-report expectations. Feedlot marketings in April were 6.9 percent higher year over year, equal to expectations. April 2019 had one more business day compared to last year, accounting for some of the year over year increase in marketings and placements.

Plan for flat prices

Could we end up trying to force two sets of cattle through the market at the same time? Don Close, senior animal protein analyst for Rabobank, thinks it's a possibility.

By: Wes Ishmael

"We see a gradual increase in calf prices over the next two years. For 2020, in the Southern Plains, we're talking between $170 and $175 per cwt for steer calves [500 to 600 pounds]," said Jim Robb, senior agricultural economist with the Livestock Marketing Information Center (LMIC).

Although prices are expected to increase, during the recent BEEF Market Outlook webinar , Robb emphasized that the price profile remains relatively flat, in tandem with expectations for cattle numbers to increase.

Cyclically speaking, Robb explained producers currently face little economic incentive to grow or reduce herd numbers.

"Both beef cow numbers and total cattle numbers may be about flat for the next several years, with a slight downward trend, " Robb said. "That's very unusual. The last time we had this was clear back in the late 1950s and early 1960s. Typically, the numbers go down, and we have opportunities with cull cow prices and bred cow prices."

In other words, static numbers will likely alter previously successful cyclical and countercyclical strategies.

In its 2019 Baseline Outlook, the Food and Agricultural Policy Institute (FAPRI) at the University of Missouri pegs peak beef cow number for the next decade at 31.8 million head this year, falling about 200,000 head per year through 2024, and then drifting to 30.2 million in 2028. FAPRI analysis included market information through February 2019.

Conversely, USDA Agricultural Projections to 2028 project the beef cow herd at 31.4 to 32.0 million for the next decade. Those projections were completed in October 2018.

"The extent of reductions will depend upon pasture conditions and feed prices," according to FAPRI analysts. "Productivity growth will partially offset breeding herd declines."

Incidentally, FAPRI projects the price for steers weighing 600 to 650 pounds (basis Oklahoma City) at $143.92 per cwt in 2020, compared to a projection of $153.30 for this year. The estimated price in 2021 is $149.47, increasing to $181.35 in 2028.

USDA projects a feeder steer price (basis Oklahoma City) of $146.50 per cwt this year, declining to $120.15 in 2026 before slowly increasing again.

LMIC projects cow-calf returns over cash costs, plus pasture rent, at about $75 per cow for 2020, basis the Southern Plains.

FAPRI estimates are more pessimistic, projecting net cow-calf returns at a low of $16.15 per cow in 2020 and then growing steadily to $116.08 in 2028.

Meanwhile, there's plenty of market uncertainty going into summer.

Lighter carcass weights continued to support beef and fed cattle prices through April. Surplus moisture promises significant grazing opportunity. The number of calves and cattle lost directly or indirectly to the stormy winter remains unknown.

Likewise unknown but likely supportive, mounting evidence suggests African swine fever is creating an unprecedented void in consumer animal protein that ultimately must be filled by international suppliers.

On the other hand, even with market-depressing carryover corn stocks, it's too soon to tell how flooding might alter planting possibilities.

Despite current strength, unresolved trade issues could pose a barrier to U.S. beef exports. Never mind the increased cattle numbers heading to slaughter, along with expected record-large beef as well as total red meat and poultry production.

During the BEEF webinar, Don Close, senior animal protein analyst for Rabobank, said there was potential for fed cattle prices to receive added pressure in May-June or May-July on the way to a seasonal summer low, due to weather-depressed performance.

"We could start to see the first of the new-crop calves coming to market at the same time we're struggling to clean up the remainder of long yearlings," Close explained. "The concern I have is that we will essentially be trying to force two sets of cattle through the market at the same time."

The summer heat is upon us.
Be sure to stay safe and hydrated!

Don't forget to renew your membership! Your dues are important to the continued success of CPL.

What business are we in? Cattle or protein?

Back in the early days of America's expansion, railroad tycoons failed to see the future. Let's not repeat that mistake.

By: Burt Rutherford

Are you in the cattle business? Or are you in the business of providing the best, highest-quality eating experience that consumers will enjoy? How you answer those questions matters.

Many years ago, when I was at the Texas Cattle Feeders Association, one of our feedyard owners expanded into the hog business. He received a fair amount of grief from his peers for that decision.

His response was that he wasn't just in the cattle feeding business, he was in the business of providing protein to consumers. Thus, diversifying into hogs made sense as he looked at growing his company.

That memory came to me as I pondered the news that Cargill will invest in Aleph Farms , a cultured meat company, or as we at BEEF prefer, fake meat company.

Like many of you, I've been perplexed that beef packers have invested in these companies. Recall that Tyson and others invested in Beyond Meat a while back. Fast food outfits like Burger King have added plant-based fake meat to the menu.

As I noodled on Cargill's news, however, and recalled the family cattle feeding patriarch who diversified into hog production, another idea whizzed through my mind. Back when westward expansion was in full swing and the railroads were laying tracks as fast as workers could swing a sledge hammer, the railroad tycoons made what ultimately proved to be a huge mistake—they failed to realize what business they were in.

Looking short-term, they were in the railroad business. Had they looked long-term, they would have realized they were in the transportation business. Just as the railroads replaced the Stage Coach for transporting people, newer technologies replaced the railroads.

Thus, it makes perfect sense that the Big Four packers would invest in petri-dish protein. They are in the protein business, after all, not just in the business of harvesting beef, pigs and chickens.

Will fake meat replace real beef? No. But some have postulated that it may have a role in providing more protein to a growing world population. Maybe. But that's likely a long time in the future. At present, however, the media is hailing the products as a disruptor and one of the hot new food trends.

And I'm not suggesting that you get into the fake meat business. Far from it. I am suggesting that between now and when petri-dish meat is commercialized, we have an opportunity to go on the offensive in explaining why the real stuff is better—way better.

We can't waste this opportunity.

Record slow planting continues

Wet weather finally takes a bit out of winter wheat crop.

By: Bryce Knorr

Record slow progress planting corn and soybeans is nothing new for a market trying to figure out just how much flooding could lower production this year. But the impact of heavy rains finally showed up in winter wheat ratings following very heavy storms over parts of Kansas and Oklahoma last week.

USDA reported lower winter wheat ratings Tuesday for the first time all season, the first crack in what to date were expectations for very good yields. Instead, ratings knocked a half-bushel of yield potential off the crop according to our models, with states from Indiana to Colorado and the Pacific Northwest suffering.

While the average of our two models still shows hope for yields of 50.5 bushels per acre, more wet weather and rising temperatures could slash both quality and quantity of the crop farmers will harvest this summer.

Ratings improved in only three states, Montana, Nebraska and Ohio, while holding steady in California and Texas.

Troubles with wheat come as worries mount about both corn and soybeans. Farmers seeded just 9% more of their corn crop last week, according to USDA, bringing the total to only 58%. The previous low for this week was 71% in 1995. Only Texas was ahead of normal. The eastern Corn Belt continues to suffer the most. Illinois is only 35% planted, 60% behind the five-year average, with Indiana and Ohio both at 22%.

Emergence is also an issue in a year where some fields have been slow to warm. USDA said 32% of the crop is out of the ground, 37% behind normal. Even Texas was only even with its five-year average and every other major state was behind. Michigan, Ohio and the Dakotas are all in single digits on emergence.

Progress is also still slow for soybeans. USDA put planting at 29%, up 10% from the previous week, but 37% behind average. Every state except North Carolina is behind, with this week's progress the slowest ever according to USDA records.

Soybean emergence is 11%, 24% behind normal.

With drier weather last week on parts of the northern Plains, farmers made headway again with spring wheat. USDA said 84% of the crop is seeded, up 14% from the prior week but still behind by 7%. All six major producing states are behind average.

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CAB Insider: Weather Impacts Continue and Quality Spreads Disappoint

By: Paul Dykstra, Certified Angus Beef

With the passing of Memorial Day and the unofficial start of summer upon us, sellers of highly marbled, finished cattle are wondering where the demand is. The hard truth is that rib and loin middle meat demand has just not driven a price increase and quality grade spread explosion this season as it has in recent years. No doubt, a lot of product has been booked in the past few weeks but it has gone out the door at lower than anticipated prices, especially as far as middle meats are concerned. A look at the ratio comparing the CAB rib primal, properly weighted, to the total CAB carcass cutout shows that the ribs are not upholding their premium price proposition in May compared to the past two years.

The loin primal, also currently under price pressure, experiences more erratic spring patterns but showed a peak cutout contribution the first week in May and has dropped off in following weeks.

Delayed widespread warmer grilling temperatures in the U.S. is one plausible factor in the currently softer spot middle meat market (versus 2017 and 2018) with many areas experiencing continued stormy and wet weather.

As well, total beef supplies are strong with a larger cattle availability coupled with higher CAB acceptance percentages, bringing the certified head count for the past six weeks to +7% over a year ago. The $21/cwt. Choice/Select spread and $10/cwt. CAB/Choice spreads shown in the "year ago" data in the Market Update are much larger than today's cutout spreads. Fed cattle marketers are settling for an uptrending, but not robust, Choice/Select spread over $11/cwt. last week, up to $13/cwt. at this writing. The CAB grid pricing average is also lower in the USDA data with an average just under $3/cwt. premium to Choice last week. With all of this said, this week's market brings a CAB steer carcass weighing 860 lb. to a $60/head premium above the regional weighted average carcass price on a simple quality-based grid. Hopefully, from a cattlemen's perspective, there remains some fire in the grilling season demand to ramp up the spot middle meat markets.