Cow Country Reporter

October 2020 Volume 12 Issue 10

Cattle Producers Of Louisiana
P.O. Box 886
Prairieville, Louisiana 70769
Website: www.lacattle.org
Toll Free: 888-528-6999

Dave Foster
Chief Executive Officer
info@lacattle.org

News from your CEO

We have passed through some adversities (Hurricane Laura, lower cattle markets), however, I think we are resilient enough to move forward. Hopefully, you have sent your calf crop to market and have gone to your local U.S.D.A. Farm Service Agency and filled out the paper work to collect your $55.00/head for calves and bred heifers on hand from April 16, 2020 to August 31, 2020. If you have not completed this task you have until December 11, 2020 to complete it.

Our weather started to improve at the end of September and continued great (sunshine, low humidity, temps high 70's to low 80's and lows in the 50's) through the first full week of October (forecast anyway).

Our calf marketings started early and will start to decline in mid-month or sooner. The supply in our local auction markets consist mostly of unweaned, bawling calves which are discounted this time of year. As our food service industry starts to open up demand for beef will be good, so there is a chance for our cattle coming out of the feedlots to receive higher prices which will help our calf market. Enjoy the Fall weather, be safe and remember to vote November 3, 2020.

Dave Foster, CEO

Add Value to Your Calves This Fall

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

Cow-calf producers can add significant value to calves prior to sale. A careful look at the auction reports reveals the value of calf production and marketing practices. Hopefully bull calves were castrated at branding time or earlier but, if not, castration should be done in plenty of time for steers to fully heal prior to sale. The most recent Oklahoma combined auction report shows that the average discount for bulls weighing 450-550 pounds was $62/head. The same applies to dehorning if needed. A research study from 2012 showed that horned cattle received a discount of $3.15/cwt. (1). The discount is likely higher in current markets.

Weaned calves bring significant premiums over unweaned calves. The recent auction data shows that weaned steers weighing 450-550 pounds brought an average of $49/head more than steers marked as unweaned. Unweaned heifer calves were discounted an average of $35/head. Weaning at least 45 days is the most common protocol for preconditioning programs and is considered a minimum in today's markets. In the past couple of years, buyers have been observed paying additional premiums for calves weaned 60 days or longer. Part of the weaning process should include training calves to seek feed and eat from bunks.

It is recommended that calves receive two rounds of respiratory and Clostridial vaccines. Calves vaccinated at branding should receive a second round at weaning. Otherwise, vaccinations can be done at least two weeks prior to weaning and again at weaning; or at weaning and at least two weeks after weaning. Producers are encouraged to become certified in Beef Quality Assurance (BQA) standards and to follow BQA practices for preconditioning calves.

Preconditioned calves will have the most value if calves are enrolled in a certified program and marketed in special value-added sales. Buyers pay more consistent premiums when sufficient numbers of similarly managed animals are available at sales. Having invested in preconditioning, cow-calf producers have the best opportunity to capture added value for preconditioned calves by marketing calves at advertised sales that ensure interested buyers are in attendance. Research confirms that vaccinations, weaning and certification all contribute to added value in preconditioning programs (1).

One such certification program is the Oklahoma Quality Beef Network (OQBN). Information on upcoming sales, program requirements and enrollment are available at http://oqbn.okstate.edu/. In the last five years, 400-500 pounds steers certified in the OQBN program have received premiums

(continued on page 2)

Add Value to Your Calves This Fall

of $20.19/cwt. and 500-600 pound steers received premiums of $12.59/cwt. Heifers weighing 400-500 pounds received premiums of $12.91/cwt. and 500-600 pound heifers had premiums of $11.93/cwt. Preconditioning calves does mean additional costs for feed, medicine, and labor. Producers should evaluate costs versus returns but positive net returns have become much more consistent and likely in recent years.

(1) Williams, Galen S, Kellie Curry Raper, Eric A. DeVuyst, Derrell Peel and Doug McKinney. (2012) "Determinants of Price Differentials in Oklahoma Value-Added Feeder Cattle Auctions." JARE 37(1):114-127.

Feedlot Dynamics Continue

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

The September Cattle on Feed report was largely a replay of the August report with larger than expected placements pushing feedlot inventories higher. Feedlot placements in August were 109.1 percent of last year's level, above the average pre-report estimate and at the upper end of analyst expectations. Marketings in August were 96.9 percent of year ago levels. However, with one less August business day this year compared to 2019, the average daily marketings were slightly higher than one year ago. The September 1 on-feed total was 11.394 million head, up 3.8 percent year over year. Large July and August placements have muted the seasonal low in feedlot inventories and pushed the September 1 total to record levels for the current data series back to 1996.

Reaction to this latest report is likely to be bearish. However, perspective is important to understand the current feedlot situation. Obviously, 2020 has been a strange year with unusual dynamics. Despite large placements the past two months, total feedlots placements are down 4.2 percent for the year to date (down 4.3 percent in the last six months). Two months of large placements does not mean that we suddenly have more cattle. Over the course of the year, the total number of feeder cattle in the pipeline has not changed from what was indicated early in the year. Cattle inventories peaked in 2019 and January 1 estimated feeder supplies were down 0.4 percent year over year. As we work through 2020 and into 2021, feeder cattle supplies should continue to tighten modestly. The indications are that September placements will not follow the pattern of July and August.

Because of the normal seasonality of feedlot inventories, placements, and marketings, a twelve-month moving average (12MA) of each data series allows valid month-to-month comparisons and provides a longer-term view of feedlot production. The 12MA of feedlot inventories peaked in March and, despite increasing the past two months, is currently 0.6 percent below the peak. The 12MA of marketings peaked cyclically in March 2020 as well. The 12MA of placements peaked recently in December 2019 and is currently 2.7 percent below the peak. The cyclical peak in 12MA placements was in Feb 2018. All of these highlight the fact that the industry has moved past the cyclical peak in cattle numbers and will see modestly tighter supplies going forward.

This does not mean that the current dynamics are without consequence. While the long-term totals have not increased, the unusual fluctuations in placements imply more short-term dynamics in the next few months. The July-August bulge in placements suggests higher feedlot marketings in the first quarter of 2021. July placements were skewed to the lighter weight cattle, while August placements included more heavyweight placements, which further implies that cattle could be somewhat bunched up. However, winter weather typically spreads cattle out a bit, so the exact timing is uncertain. The ripples from the first half of 2020 will extend into early 2021.

Coronavirus Food Assistance Program 2 for Livestock Producers

Are you a livestock producer whose operation has been directly impacted by the coronavirus pandemic? USDA is implementing Coronavirus Food Assistance Program 2 for agricultural producers who continue to face market disruptions and associated costs because of COVID-19. Coronavirus Food Assistance Program 2, or CFAP 2, will provide producers with financial assistance that gives them the ability to absorb some of the increased marketing costs associated with the COVID-19 pandemic. USDA will accept CFAP 2 applications from September 21, 2020 through December 11, 2020. Learn more at farmers.gov/cfap.

Eligible Livestock Commodities

Livestock eligible for CFAP 2 includes: beef cattle, hogs and pigs, and lambs and sheep. Additional specialty livestock commodities are also eligible, as described on farmers.gov/cfap/specialty-livestock. All equine, animals raised for breeding stock, companion or comfort animals, pets, and animals raised for hunting or game purposes are ineligible for CFAP 2. CFAP 2 payments are available for eligible producers of livestock commodities categorized as price trigger commodities. Specifically, price trigger commodities suffered a five percent-or-greater national price decline in a comparison of the average prices for the week of January 13-17, 2020, and July 27-31, 2020.

CFAP 2 Payments for Livestock

For beef cattle, payments will be equal to the highest owned inventory of eligible livestock, excluding breeding stock, on a date selected by the eligible producer from April 16, 2020, through August 31, 2020, multiplied by the CCC payment rate of $55 per head. Additional CFAP 2 Information Farm Service Agency staff at local USDA Service Centers will work with producers to file CFAP 2 applications. Producers interested in one-on-one support with the CFAP 2 application can also call 877-508-8364 to speak directly with a USDA employee ready to offer assistance at our call center. Visit farmers.gov/cfap for additional information on Coronavirus Food Assistance Program 2, other eligible commodities, CFAP 2 eligibility, payment limitations and structure, and how to apply.

Grocers Watch Pandemic and Stockpile

By Anne Gasparro and Jaewon Kang, Copyright 2020 Dow Jones & Company, Inc.

Grocery stores and food companies are preparing for a possible surge in sales amid a new rise in Covid-19 cases and the impending holiday rush.

Supermarkets are stockpiling groceries and storing them early to prepare for the fall and winter months, when some health experts warn the country could see another widespread outbreak of virus cases and new restrictions. Food companies are accelerating production of their most popular items, and leaders across the industry are saying they won't be caught unprepared in the face of another pandemic surge.

Southeastern Grocers LLC secured holiday turkeys and hams over the summer, months before it normally starts inventory planning, said Chief Executive Anthony Hucker. And grocery wholesaler United Natural Foods Inc. has loaded up on extra inventory of cranberry sauce, herbal tea and cold remedies, said President Chris Testa.

"We started talking about Thanksgiving in June. That's earlier than we ever have," he said.

Associated Food Stores recently started building "pandemic pallets" of cleaning and sanitizing products so it always has some inventory in warehouses, said Darin Peirce, vice president of retail operations for the cooperative of more than 400 stores. The company is establishing protocols so it can better manage scenarios of high demand.

"We will never again operate our business as unprepared for something like this," he said.

These changes, a reaction to the sudden and massive shortages grocers experienced in the spring, amount to a shift from the just-in-time inventory management practices that have guided the fast-moving retail business for decades.

Now, food sellers are stockpiling months, rather than weeks, worth of staples such as pasta sauce and paper products to better prepare for this winter, when people are expected to hunker down at home.

Ahold Delhaize USA, SpartanNash Co. and others say they are buying more food as soon as they can, stocking warehouses with wellness and holiday items. Many retailers are expanding distribution capacity, augmenting warehouse space and modifying shifts.

They say they want to be ready for a potential Covid-19 surge that experts are warning could hit as soon as this fall, as daily reported cases are increasing again in many states after falling in the summer. More than 200,000 people have died from the coronavirus in the U.S.

A fresh increase in demand in the event that officials reinstate restrictions on restaurants or workplaces would also run up against the normal holiday boom in grocery sales, further elevating demand for items like baking products, pasta, meat and paper towels.

Back in March, "we didn't know what we didn't know," said Chris Lewis, executive vice president of supply chain at Ahold Delhaize's Retail Business Services.

Ahold Delhaize, owner of the Giant and Food Lion chains, already has its holiday inventory in its warehouses. The grocer is also storing 10% to 15% more inventory than it did before the pandemic to ensure it won't run out of fast-selling items.

Industry executives say they don't think a potential wintertime burst in grocery demand will be as extreme as it was in March, when people panic-shopped, fearing grocery-store closures or food shortages. Consumers are better prepared this time around, said Sean Connolly, chief executive of Conagra Brands Inc.

Some retailers are also betting that recent investments in warehouses and e-commerce will help them meet demand for home deliveries in the coming months.

Still, some products such as cleaning wipes and canned vegetables remain hard for stores to obtain, partly because of continued high demand and because manufacturers are still trying to keep up. Some manufacturers are worried they will lose production capacity if infections break out among their workers or if other issues, such as lack of child care, prevent people from working.

Hormel Foods Corp. CEO Jim Snee said on a recent conference call that the company has 24% less inventory than a year ago. Its bacon, pepperoni, Skippy peanut butter and Spam canned meat could run short if Covid-19 cases among workers interrupt production again, he said.

"We can't afford any disruptions," he said.

General Mills Inc. said it hasn't caught up with demand for Progresso soup, Betty Crocker cake mixes and Pillsbury refrigerated dough. It is increasing its production capacity and has hired 30 new outsourcing partners since March.

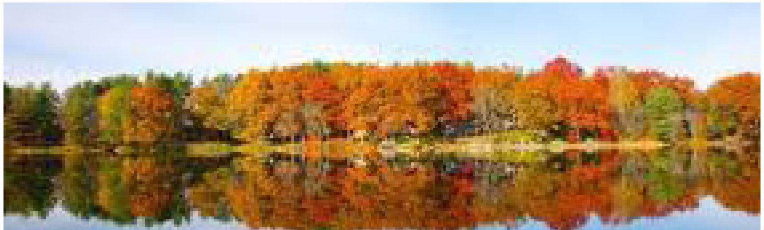
Manufacturers have given priority to making their fastest-selling products, which has helped some items recover inventory in recent months.

General Mills and Kellogg Co. said they have been able to rebuild inventory in their cereal businesses, for instance. "Even if the consumer can't find the exact flavor they want, we'll still have something on the shelf," General Mills CEO Jeff Harmening said in an interview Wednesday.

Campbell Soup Co.'s overall inventory is only about halfway recovered, and the team is pushing hard to fully catch up by January, according to CEO Mark Clouse. It is racing to get its Chunky and condensed soups and Swanson broths back in stock and adding production capacity for snacks such as Pepperidge Farm Goldfish crackers and Cape Cod potato chips.

Hy-Vee Inc., a chain of more than 240 supermarkets in the Midwest, is stockpiling additional sanitizing, cleaning and paper products when possible, but full variety hasn't returned, said CEO Randy Edeker.

Walmart Inc. Chief Financial Officer Brett Biggs said the company is overriding its grocery-ordering algorithms in many stores to build up extra inventory now, after decades of becoming increasingly lean.



Prime beef leads the pack

The premium for Prime beef is defying gravity as consumers look for the best beef of the bunch in the meat case.

By: Nevil Speer

Several weeks ago, this column highlighted the surprising strength in wholesale beef values – despite the overwhelming deficit of food service sales . The column noted:

Seemingly, the beef industry is benefitting from very strong retail pull. Consumers are actively purchasing beef at the retail level – including high-end product – and establishing solid support for wholesale beef prices. That observation is best reinforced by renewed divergence between rib/loin versus round/chuck values.

Solid demand at the retail level is further reinforced by the also-surprising strength at the upper end of the market with respect to quality grade. This week's graph speaks to that trend, highlighting the four-week moving averages for cutout price spreads versus Select. Most important, the premium for Prime has been defying gravity – the moving average now stands above $30 and has been positively diverging from other categories in recent weeks.

The inherent question that arises surrounds the durability of this trend. To that end, EnsembleIQ recently surveyed 1,072 consumers about their perceptions of eating at home since March. Several highlights of interest:

1. Close to 70% said they enjoyed "a lot" the meals they prepared.
2. Roughly half said they got a lot of enjoyment out of cooking.
3. Roughly 42% said they prefer their household's home cooking to that of restaurants.

With that in mind, it seems there may be some lasting structural shifts in terms of meat preferences and subsequent demand over time. In other words, perhaps consumers will begin to have higher expectations for beef quality and consistency when purchasing beef at retail.

Whatever occurs, as noted in the previous column on beef prices, "Regardless of how this plays out going forward, it reinforces the importance of beef quality and consistency. The advances the industry has made during the past 10 to 15 years is all-important to consumer behavior – else we wouldn't be witnessing this sort of market action. And it has paid dividends at the most challenging time, enabling retail to backfill much of the load that's often carried by the HRI sector."

Speer is based in Bowling Green, Ky. and serves as director of industry relations for Where Food Comes From (WFCF). The views and opinions expressed herein do not necessarily reflect those of WFCF or its shareholders. He can be reached at nspeer@wherefoodcomesfrom.com . The opinions of the author are not necessarily those of beefmagazine.com or Farm Progress.

CATTLE PRODUCERS OF LOUISIANA
P.O. BOX 886
PRAIRIEVILLE, LOUISIANA 70769
WEBSITE: WWW.LACATTLE.ORG
TOLL FREE: 888-528-6999