Cow Country Reporter

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News from your CEO

We have endured March and April 2020 contending with Covid-19 and crashing markets. Have we "passed through" the worst of these events? I hope so! I believe that now is the time to stay connected to the marketplace so you are in a better position to make important marketing decisions. Therefore, go to our website, lacattle.org and select "Helpful Links and Resources". This page will give you many choices of market information. Do you want to listen to Corbitt Wall's Feeder Flash? Click on National Beef Wire, then go to the top line and find Feeder Flash. Enjoy! Do you want to get a USDA Market Report? Click on Daily and Weekly Cattle Auctions, select a State then select an auction. Two of my "go to" reports are The Livestock Brief and Cattle Network. Try it, you may like it! I am not sure what the future will be, however, I do know that Cattle Producers of Louisiana will assist our members in providing information, industry contacts and current events that may help you to be better informed when having to make decisions concerning your cattle operations. When we are allowed to gather again let's have some information seminars to discuss your goals and objectives for 2020. My prayer is that forages will be abundant, your calves will weigh more than last year and may you remain healthy.

Dave Foster, CEO

Be Careful What You Ask For

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

COVID-19 has caused unparalleled and catastrophic impacts on cattle and beef markets along with every other part of the economy. Cattle and beef markets are experiencing devastating shocks and challenges resulting in price changes and market behavior that are, not only unprecedented, but also difficult to understand and confusing to many. The anger and frustration of some cattle producers has turned to accusations and proposals for change that will have long-term implications and unintended consequences for the cattle and beef industry.

The U.S. cattle and beef industry is probably the most complex set of markets on the planet. It is extremely difficult to understand with many levels of productions and an enormously complicated marketing chain. Cattle producers often feel – rightfully – that others do not understand the cattle business. They face many challenges and unique considerations of raising cattle in a vast array of climates and production environments; and they constantly fend off a never-ending set of calls to change how cattle are produced for this or that unrealistic demand or expectation of someone somewhere.

Currently some cattle producers are calling for one-size-fits-all restrictions on business practices or changes in industry structure based on a lack of, or an incomplete understanding of, how packing and processing businesses and markets work to process and market thousands of different beef products in a multitude of wholesale and retail beef markets. Never before has the industry faced so many challenges that threaten the operation of multiple processing facilities simultaneously along with massive disruptions to the food service supply chain severely limiting nearly half of the total beef market. The impacts of COVID-19 on beef markets would not be different if the industry consisted of more, smaller, less efficient packing plants who were forced to purchase cattle in immediate cash markets. It might well be worse.

The current structure and business practices of the industry evolved in response to the economic forces that drive the beef industry, like every industry, to be as competitive as possible. The cost efficiencies of large-scale cattle feeding and meatpacking operations is undeniable. Some

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Be Careful what you ask for

current proposals will add cost and risk to the industry and will further increase the differences between cattle and wholesale beef prices. A less efficient, higher cost beef industry will ultimately result in higher beef prices for consumers and make beef a less competitive protein industry. Simultaneously, cattle producers will face lower cattle prices and, as the industry downsizes, more will be forced out of the industry.

Cattle producers will decide what sort of policy prescriptions they want to pursue that will affect how the beef industry functions. I am not suggesting what policies should or should not be promoted. My job is to make sure that the industry understands the implications and consequences of alternatives that are being considered. Some of the proposals being promoted today will have unintended consequences that are negative for the entire industry. This industry consists of many diverse sectors and perspectives but in the end the entire cattle and beef industry will thrive or not as a single industry. Be careful what you ask for.

COVID-19: 4 ideas to help weather a tumultuous 2020

How long will this coronavirus thing go on? And how can you prepare for what's next?

Source: Livestock Marketing Information Center

When will this all end and what should I do in the meantime?

Those are just two of a myriad of questions that beef producers are asking. The answer to the first one is nobody knows for sure. There will be at least several more months of this economic environment and it could easily stretch into 2021, according to the Livestock Marketing Information Center (LMIC).

And the second one? Prepare for price volatility. As conditions change, be ready to adjust marketing plans. It is especially important to communicate with family, partners, and financial institutions.

Given the unknowns in the COVID-19 environment in cattle country , what can we monitor for insight and planning purposes? LMIC offers four ideas to consider.

First, carefully monitor the operation's forage situation. Importantly, take that to the next levels—looking at surrounding areas and states, and nationally.

Pasture conditions this year will be critical to regional and national marketing flows of calves and yearlings. USDA's National Agricultural Statistics Service (NASS) will begin reporting weekly pasture and range condition updates soon (in the Monday Crop Progress report).

Many more animals are headed to spring and summer grazing programs than in recent years because of the drop in the number of animals being placed into feedlots, a trend that may continue for several months. Poor pasture and range conditions could cause bunches of cattle to move into the markets quickly. Further, more winter feed will be required if producers who typically don't hold-over calves into the new calendar year, did so in 2020.

Second, follow the monthly national feedlot placement statistics by NASS, even if you are not feeding cattle. An eye on those results provides an indirect look at how cattle feeders are positioning (head they are buying and at what weights). It will be a measure of how many more animals are outside of feedlots (still on farms and ranches) than last year.

Third, this year, even solely forage-based operations need to keep an eye on feedstuffs, especially corn. Be aware of trends in soybean meal and in hay prices.

The two major drivers of calf and yearling price are fed animal prices and the cost of gain in a feedlot. Critical will be the number of corn acres planted in the Midwestern states.

Beginning with planting season, the markets will focus on spring and early summer growing conditions. Low feedstuff costs can become a supportive market factor for late summer and early fall yearling and calf prices. Drought will do the opposite.

Fourth, pay attention to the U.S. dairy sector. Is there potential for bursts in cow culling? Dairy producers are facing very challenging financial circumstances. One of their options is to cull cows. Depending on timing, this could cause already low prices to fall off a cliff. Milk prices and details of any Federal programs could be crucial.

Source: LMIC, which is solely responsible for the information provided and is wholly owned by the source. Informa Business Media and all its subsidiaries are not responsible for any of the content contained in this information asset.

Where are the feeder cattle? Everywhere but feedyards

According to May 1 feeder cattle inventory figures, large numbers of feeder cattle are outside feedyards. Value-added management and subsequent marketing is more important than ever.

By: Nevil Speer

During the past several weeks, this column has highlighted the dramatic effects COVID-19 has had on beef industry. As part of that series, Industry At A Glance recently featured the sharp slowdown in feeder cattle sales during the past six weeks or so .

That discussion noted that there will be some long-run ramifications because of the disruption. Most notably, "...those feeder cattle haven't disappeared, they're just being held at home. Eventually, that'll likely be reckoned with a surge in feeder cattle placements in months to come..."

There are fewer cattle going to slaughter, that means reduced orders for feeder cattle placements to take their place. To that end, this week's graph illustrates the reality of feeder cattle staying at home. The data represent the January 1 feeder cattle inventory outside of feedyards less placements during January through April. The net result being available feeder/stocker supply on May 1.

The year started with 26.45 million head – right in line with the last four years: the 2016 to 2019 average equals 26.32 million head. However, reduced placements as a result of COVID have dramatically changed the year-over-year comparison.

That is, the May 1 inventory in 2020 looks very different compared to the previous four years. This year's total is over 1 million head bigger versus available supply between 2016 and 2019 (18.85 million head).

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Where are the feeder cattle? Everywhere but feedyards

Once some sense of normalcy returns, it'll be challenging for the industry to absorb those extra cattle in a seamless fashion. And meanwhile, the spring calf crop will also begin pressuring available supply as we transition to the fall marketing season.

Bottom line, bigger supply rules the day—there'll be no shortage of feeder cattle going forward. Clearly, that'll have a negative influence on price, not to mention the string of heavy losses in the feedlot sector. That said, value-added management and subsequent marketing is more important than ever.

Nevil 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.

The big question: Will there be enough grass for grazing livestock this summer?

A new tool developed by several partners through the USDA-ARS may have the answers.

Source: USDA-ARS

Not only are beef and cattle prices providing a challenge to livestock producers, but the productivity of grassland is also weighing heavily on our minds. Calculating grassland productivity, a key to a successful year, is something that must be done each spring when trying to decide how many cattle to turn out to pasture, how long to graze an area, or where forage might be abundant.

An online tool designed to help make such decisions is again available this spring—with some new upgrades to ensure that it serves a wider audience and provides more helpful and detailed information.

The Grassland Productivity Forecast or "Grass-Cast " was developed in 2018 by scientists at the USDA Agricultural Research Service (ARS), along with other Federal agencies and several universities. It was originally designed for ranchers and grassland managers in the Northern Plains and was expanded in 2019 to cover the Southern Plains.

Expansion in 2020

Later this spring it will be expanded again to cover much of New Mexico and Arizona. Grass-Cast also will now provide forecasts for individual 6-mile x 6-mile areas, rather than the county-by-county results available in previous years.

"It's increasingly popular with ranchers and other land managers who are hearing about it from our partners with the Natural Resources Conservation Service (NRCS), Forest Service, Farm Service Agency, and University Extension. Still, we are always looking for ways to make it more useful, so we welcome any suggestions," says ARS economist Dannele Peck, who oversees Grass-Cast as director of the USDA Northern Plains Climate Hub.

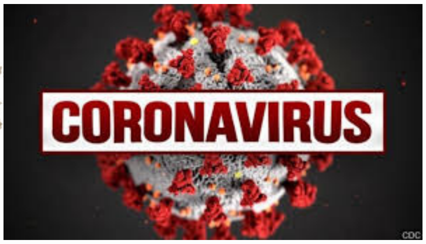
During the 2019 season, the Grass-Cast website was visited nearly 3,000 times by over 1,800 different users.

Grass-Cast uses over 30 years of historical data about weather and vegetation growth—combined with seasonal precipitation forecasts—to indicate whether grasslands are likely to produce above-normal, near-normal, or below-normal amounts of vegetation. It is the result of a partnership between ARS , NRCS , Colorado State University , University of Arizona , and the National Drought Mitigation Center (NDMC) at the University of Nebraska-Lincoln.

The first Grass-Cast maps for the 2020 season were released in mid-April and will be updated every two weeks until the end of August to incorporate newly observed weather data. Grass-Cast becomes more accurate as the growing season progress so it should be consulted more than once. Land managers typically start paying close attention to the forecasts in May and June, when the risk of drought might prompt them to sell yearlings or older cows, wean calves early, buy feed, or move livestock to areas where grass is more plentiful.

Grass-Cast has some limitations, though. It cannot tell the difference between desirable and undesirable forage species, so land managers need to know what proportion of their pastures are weedy, and how those weeds will respond to rain, or a lack of it. They should also combine the forecasts with their knowledge of local soils, plant communities, topography, management history, and other conditions that affect vulnerability to drought, Peck says.

The Grass-Cast website provides tutorial videos, printable handouts, scientific papers, and other features. It can be accessed here.



During these challenging times, the members of CPL are in our hearts and our thoughts. We thank you for keeping the food supply going and it is our sincere hope that you and your family are safe and healthy.

USDA Offers Help for the Cattle Industry

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

Last week, USDA announced a total of $19 billion for the Coronavirus Food Assistance Program (CFAP). The program includes $16 billion in direct payments to farmers and ranchers including $9.5 billion of emergency funding from the CARES Act and $6.5 billion of funding from the Commodity Credit Corporation (CCC). Additionally, CFAP includes $3 billion in purchases of meat, dairy and produce to support producers and provide food assistance to those in need. CFAP is funded from the Coronavirus Aid, Relief and Economic Security Act (CARES), the Families First Coronavirus Response Act (FFCRA) and other USDA programs.

The beef cattle industry will receive $5.1 billion of CFAP funding to partially offset 2020 losses due to COVID-19. Cattle producers will receive a single direct payment determined by two calculations including 85 percent of price losses from January 1- April 15, 2020 and 30 percent of expected losses for two quarters after April 15. In order to qualify, commodities must have experienced at least a five percent price decrease between January and April. USDA expects to begin sign-up in early May and distribute payments by late May or early June.

Payments to cattle producers will partially offset losses due to COVID-19. A study released recently by Oklahoma State University estimated total losses to the beef cattle industry of $13.6 billion including $9.2 billion in 2020 losses. Damage to the cow-calf sector was estimated at $3.7 billion along with $2.5 billion in losses to stocker producers and $3.0 billion in losses to the feedlot sector. Additionally, the cow-calf sector will incur another $4.4 billion in long-term losses if the 2020 damages are not compensated. For more information about this study check out links to the executive summary or the full report.

The economic damages estimated in the report are based on information and conditions in early April. Obviously, the COVID-19 situation is not over and additional impacts are likely. Most recently, workers at several meat packing and further processing facilities have been impacted by COVID-19 resulting in temporary plant closures or reduced production. Expected cattle slaughter dropped to 502 thousand head last week, down 6.3 percent from the week prior (536 thousand head) and down 21.8 percent from the same week last year. Before decreasing sharply the past two weeks, weekly cattle slaughter had averaged 634.3 thousand head per week for the first 14 weeks of the year, up 4.3 percent year over year.

At this time, plant reductions are mostly resulting in some product disruptions and perhaps temporary shortages of fresh meat. Baring a catastrophic combination of plant closures or extended periods of plant disruptions, significant shortages of meat are not expected. However, the combination of processing disruptions and the continuing challenges of supply chain disruptions means that consumers will likely experience limited meat supplies and selection in grocery stores in the coming weeks. Total beef production in 2020 is still projected at a record level over 27 billion pounds but the timing during the year is more volatile and somewhat choppy.

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