Cow Country Reporter

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News from your CEO

June is a busy month for the Louisiana cattle producer. Cow/calf producers who have fall-born calves are researching a marketing plan for their calf crop. Likewise, our cow/calf producers are busy preparing their spring-calves for "fall delivery (Aug.-Oct.). Both producers are in the hay field or getting ready for their second cutting. All of these tasks in the middle of the Covid-19 pandemic. I pray everyone and your love ones are safe and healthy.

The markets? Who knows! What we do know is that our neighbors to the north have summer grass and demand for "grass calves" is good. The feedlots are backed up with finished cattle and the beef plants are gradually increasing their harvesting numbers. We need to get at or above 650,000 head/wk. for several weeks to get caught up. We know that demand for our replacement cows and heifers is good, for the right kind! We also know that non-agriculture folks are finally realizing where their beef comes from and who produces it. Praise God! Keep telling your story! Father's Day is a big beef eating event (not as big as Mother's Day) and as the states start going into the "opening phase" of the Covid-19 thing, hopefully demand for beef increases.

I hope ya'll received the information we sent about the "Livestock and the Coronavirus Food Assistance Program" which your local FSA office is handling. So, check with your marketing agent, keep your calves growing, enjoy Father's Day and if you need additional information contact me. May your June be profitable, safe and healthy!

Dave Foster, CEO

COVID-19 PROVOKES TURBULENCE IN FEEDLOTS

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

Special Notice: The details of the USDA Coronavirus Food Assistance Program (CFAP) became available last week. Cattle producers are eligible for direct payments for cattle sales between January 15 and April 15 and for maximum cattle inventories between April 16 and May 14. Signup begins May 26, 2020. Contact your local Farm Service Agency (FSA) office. More information is available at https://www.farmers.gov/cfap.

The latest USDA Cattle on Feed report shows the dramatic impacts of COVID-19 on fed cattle markets. The May 1 feedlot inventory was11.2 million head, down 5.1 percent year over year. April marketings were down 24.3 percent from last year, a decrease of 433,000 head year over year. Decreased marketings reflect the severe disruptions in cattle slaughter in April and continuing into May. This follows a 13.1 percent year over year increase in March feedlot marketings. The average year over year change over March and April together was a 6.4 decrease in marketings. The slowdown in April marketings and resulting backlog of fed cattle in feedlots would have been more severe without the strong March marketings that pulled some cattle ahead. The backlog of fed cattle continued to build in May.

April placements were down a sharp 22 percent year over year and follow a 23 percent placements drop in March. Combined March and April placements were down 867,000 head from last year. This suggests that a significant drop in expected feedlot marketings starting mostly in September and into October. Of course, the delayed placements from March and April will show up starting in May and will be heavier but the delay will help feedlots have a chance to get current. The feedlot industry will spend much of the summer working through the backlog of fed cattle but the hole from March and April feedlot placements should provide a marketing window to catch up by this fall if not before.

Packing plant disruptions due to COVID-19 began in early April with a 19.3 percent year over year decrease in steer and heifer the week ending April 11. Year over year slaughter totals decreased for four weeks culminating in a 41.2 percent year over year decrease in steer and heifer slaughter the week ending May 2. The beef packing industry appears to have made significant progress in restoring capacity the past three weeks with estimated total cattle slaughter this past week down 14.2 percent from year ago levels.

Packing capacity begins returning; will it be enough?

Gains in packing capacity and delayed feedlot placements could help work through the massive backlog of market-ready fed cattle.

By: Wes Ishmael

Plenty of challenges remain for beef packers to resume what will pass for normal production in the post-pandemic era, but numbers suggest much progress the past two weeks.

Estimated cattle slaughter under federal inspection began to drop sharply the week ending April 10, with 536,000 head slaughtered, compared to 638,000 head the same week a year earlier, a difference of 102,000 head (-15.99%). Barring further COVID-19 complications, the week ending May 2 might be the bottom for slaughter: an estimated 425,000 head, which was 248,000 head fewer (-36.85%) than the prior year.

Jump ahead to the week ending May 23: Estimated slaughter of 555,000 head was 92,000 head fewer (-14.22%) than a year earlier. Trends are similar for the weeks in which actual slaughter under federal inspection data are available.

Depending on who's running the abacus, individual packing plants are currently running from about 50% of capacity to near 90%. That's relative to pre-pandemic capacity. Post-pandemic maximum capacity will likely be less, due to added worker safety measures to guard against COVID-19 infection.

Working through the backlog of fed cattle

Hobbled in a different pasture, although massive and burdensome, the backlog of market-ready fed cattle could be on the lower end of early estimates

Toward the end of April, agricultural economists Glynn Tonsor at Kansas State University and Lee Shulz at Iowa State University, estimated fed cattle carryover May 1 at 485,000 to 510,000 head. For June 1, they estimated 1.07 million to 1.34 million head. That's in Fed Cattle Flows: Demonstrative Scenario Examples, which estimate the number of cattle on feed for more than 120 days and more than 150 days, as of April 1, utilizing monthly Cattle on Feed reports which account for feedlots with 1,000 head or more capacity.

"Too many producers being forced to delay feedlot marketings can quickly cause an oversupply of both market-ready cattle and over-fed, over-finished cattle and lead to an eventual market purge of heavy cattle at some point, which can drive prices down," Tonsor and Shulz explained in their report. "It is important to remember that overall feedlot numbers are not burdensome; it is the supply of market-ready or near market-ready cattle that is burdensome relative to current slaughter capacity."

However, in the May 18 episode of Agriculture Today , Tonsor explained it was possible to start June with fewer than 1 million head of fed cattle carryover if packers could maintain harvest levels above 500,000 head the last two weeks of May. Final harvest figures won't be available until mid-June.

Still, working through the existing backlog will be arduous.

"Even if we were running at 660,000 head like we were a year ago, if I'm correct that we have north of 500,000 head carryover, you have more than a full operating week (beef processing) just to deal with the backlog. So, it's not just days or weeks; it's really going to take months to push through this process," Tonsor explained.

Recent feedlot placements will help

"Combined March and April placements were down 867,000 head from last year. This suggests a significant drop in expected feedlot marketings starting mostly in September and into October," says Derrell Peel, Extension livestock marketing specialist at Oklahoma State University, in his weekly market comments.

"Of course, the delayed placements from March and April will show up starting in May and will be heavier, but the delay will help feedlots have a chance to get current. The feedlot industry will spend much of the summer working through the backlog of fed cattle but the hole from March and April feedlot placements should provide a marketing window to catch up by this fall if not before."

In the latest monthly Livestock, Dairy and Poultry Outlook (LDPO), analysts with USDA's Economic Research Service (ERS) estimated there were 20.54 million head of cattle outside feedlots April 1. That was 657,000 head more (+3.30%) than the same time a year earlier.

"The buildup in fed cattle supplies that are market ready is expected to have a substantial and lasting effect on fed cattle prices," say ERS analysts. "Prices will remain low as the supply of market-ready cattle remains above the sector's ability to process them, and the supply issue is expected to linger through 2021."

Consequently, ERS lowered this year's average price forecast for fed steers (Five Area direct) to $104.08 per cwt: $118.32 in the first quarter; $99 in the second and third quarters; $100 in the fourth quarter. The projected annual average price for next year is $109.

Recent cash prices are significantly higher than the estimate. The question, of course, is will those prices hold? Stay tuned.

With flexibility and faith in the future, beef producers will prevail

We'll get through the COVID-19 pandemic. Here's why.

By Miranda Reiman

Editor's Note—From time to time, I come across blogs or articles that I think are particularly spot-on. Such is the case here. Things are tough in the cattle business right now. But it will get better. It will take some time, maybe more time than we want. But it will get better.

As this worldwide pandemic brings another chain reaction and disruption that seemingly came out of nowhere, I find myself struggling in this career as an ag communicator. It's not often I don't know what to say.

Nearly everybody I love the most has income from crops and livestock on their bottom line so I feel personally invested, but I haven't had any cattle with my name on them for more years than I like to count. So I set out to ask cattlemen what they were feeling and doing now. In trying to find what they needed to hear, I found a lot of hope. I found what I needed to hear.

"You can't change a drought. You can't make it rain. You can't change this market and we can't do anything about this virus. We just have to take care of ourselves and take care of our people. That's all we've ever done," one Texas rancher told me.

(continued on page 3)

With flexibility and faith in the future, beef producers will prevail

And isn't that always the way? Come blizzard or wildfire, personal tragedy or community crisis, that's what cattlemen do best: they take care of their people and their stock and face head-on the next thing as it comes.

I learned this in the aftermath of problems of the 1980s. My parents got married in 1980 and bought the farm in '81. Yet, from all my growing-up years, I don't have many memories of my dad in the tractor. Instead I see the dark green Peterbilt where he worked long hours to pay for that place we called home.

Though a child of the '80s, I didn't know the Farm Crisis with its inflation and skyrocketing interest had an impact on me until much later, when we studied it in high school. I firmly believe that's because Mom and Dad took care of us first, knowing everything else would follow.

Talking to those who lived through different versions of disasters again and again, I uncovered more advice on that theme.

"When you're on a sports team, just because you're behind at halftime, don't lose your cool," one told me. "If you panic, you can't think. You've got to control your emotion."

I heard cattlemen say they were making plans and being flexible. Some are keeping cattle out to grass longer, they're slowing down their finishing process and they're communicating…a lot.

Then I look across this whole food chain, and I find stories with so many similar notes, except they're taking place in towns and metropolitan Main Streets across the U.S. The world has turned upside down for people who serve beef, too.

After laying off nearly all his staff—something one chef never dreamed he'd have to do—he got out the calculator. Figuring the bare minimum he'd need just to keep the lights on, he turned his barbecue restaurant into a takeout terminal and started filling orders. Anything he made after expenses went to support those furloughed staffers.

Night after night, sales have blown past that minimum. He's bought thousands of dollars in grocery gift cards to keep food on the tables of people who are used to being the ones putting food on the table.

That chef is taking care of those entrusted to his care. It's what people in agriculture have always been good at, through all the generations.

It's what my parents did when the going got rough, and it's what those seasoned cattlemen advised, too.

"This will pass and we'll look back and say, 'Oh, we should have done this, or we should've done that…for now we just have to keep doing what we're doing and do it the best we can."

They say, "Hindsight is 20/20," but when looking back on 2020, I hope it shows faith and flexibility carried us through.

Miranda Reiman is director of producer communications for Certified Angus Beef.

Building links along the food chain

Consumers want more beef, but they also want to know the source and sustainability of their food supply. Are we up to the challenge?

By B. Lynn Gordon

"Meat matters to retailers and foodservice because meat matters to the consumer," says Molly McAdams, previous vice-president with HEB Grocery Company in San Antonio, Texas and co-founder of 0m3, a retail advisor. Meat is valuable in the eyes of retailers, she explained, because of what meat means to a retailers' business and their bottom line.

McAdams spoke during the Animal Agricultural Alliance's Annual Convention, hosted virtually May 7-8, 2020.

Research shows 43% of a store's sales are from fresh categories. Taking a deeper dive into the profile of meat shoppers within this fresh category, data reveal a meat consumer is a higher frequency shopper. Meat consumers consistently purchase more than just meat when they visit a retail grocery store compared to a non-meat shopper, impacting product sales throughout the store, and bumping up total sales for the retailer.

"You want a shopper that shows up, shows up frequently, and when they buy, they buy a lot," says McAdams. "That is the meat shopper."

Looking at the foodservice side of the food chain, meat makes a difference for businesses across the food chain. Beef burgers are the number one sandwich ordered in restaurants. Therefore, as the consumers begin to shift their mindset toward sustainability and ask questions about how meat is produced, retailers and foodservice leaders will be listening.

Consumer focus on sustainability in relation to animal agriculture appears to be two-fold – what is the impact on the environment and what is the impact on animal welfare. The good news is, McAdams reports that 49% of consumers believe that if done properly, animal agriculture does not have a negative impact on the environment, demonstrating nearly half of consumers have a level of confidence towards food production.

But, slightly more than half, 55%, of all consumers from the research shared by McAdams, believe brands should provide meat source and how the animal is raised. This presents a continual challenge to the industry to provide more information on where food comes from.

However, McAdams, a meat retail and protein industry expert and rancher, sees this as a positive for retailers, because it shows to them that consumers want to engage with the business where they purchase their beef. Consumers increasingly are asking for the story behind the food, making consumers feel more connected to the products they purchase. "The retailer needs to focus on how to deliver the story, carry products with a story, and communicate this effectively to the consumer."

The challenge this presents to the livestock community is their limited connection with the retailer and foodservice. Regular interaction and direct discussions between those who produce the food and those who sell the product is not a predominant part of the current model. Thus, McAdams challenges producers to find ways to build a relationship with those entities who are closer to the consumer, so the story can be told.

Sustainability is a component of the story consumers want to hear. It is important producers share their message to those on the front line of the food chain because the economic, environmental, and social sustainability of rural communities depends on animal agriculture and its ability to thrive.

B. Lynn Gordon is a freelance writer from Sioux Falls, S.D.

Coronavirus Food Assistance Program

By: Amy D. Hagerman, Oklahoma State University Extension Policy Specialist

The Coronavirus Food Assistance Program (CFAP) opened up on May 26 for applications, and will close on August 28, 2020. Applications can be submitted by phone or email at Farm Service Agency county offices across the country. Producers can find their local FSA office, and much more CFAP information, at www.farmrers.gov/cfap. In addition to the CFAP application, a producer may need to submit forms and documentation to determine their eligibility for the program and agree to basic conservation requirements, which are required for all USDA programs. There is also a form for direct deposit. Anyone who used the drought program (Livestock Forage Program, or LFP) in 2014 or other years will be familiar with the process.

Once a producer's total CFAP payment is calculated, they will receive a direct deposit for 80% of that payment relatively quickly. However, the remaining 20% will only be paid if enough funds are available. This assures that CFAP funds are spread across as many eligible livestock and crop producers as possible. Let's be frank, $16 billion sounds like a lot of funds until you consider how much production of livestock, crops and specialty crops it is being spread across.

Let's break down the payments for cattle producers further. First, producers will need to know their sales and their inventory. USDA is allowing both to be self-certified, but have your documentation on hand and be prepared to produce it if asked. Cattle producers that sold cattle between January 15 and April 15 are eligible for a payment out of the CARES Act funds, provided those cattle were unpriced. USDA defined 'unpriced cattle' as those cattle that were 'not subject to an agreed-upon price in the future through a forward contract, agreement, or similar binding document'. However, if you had another risk management instrument such as a Livestock Risk Protection (LRP) or put option in place the cattle are still eligible sales under CFAP.

If you did not have any sales in that window, then you may still be eligible for receiving a payment on the highest daily inventory between April 16 and May 14 out of CCC funds. Again, this is a self-certified inventory. Cattle producers will receive $33/head for that inventory.

Also, pay attention to the definitions of each category of cattle to sort them into the correct boxes. All of the breeding herd falls into 'all other cattle'. Cull cows and bulls fall into 'slaughter cattle – mature'. Calves, including unweaned calves, fall into 'feeder cattle under 600 pounds'. Stockers you may have sold will fall into one of the two feeder cattle categories, depending on their weight. Fed cattle with average weights until 1400 pounds fall into 'feeder cattle 600 pounds or greater' for now, although that definition is under review.

This program allows producers to offset market losses for those cattle that still had risk exposure during the 2020 market decline. Don't let the process scare you off, many producers have reported that, once they had their numbers in hand, it didn't take long to apply. Get your application in as soon as possible.

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