Cow Country Reporter

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News from your CEO

July is the beginning of the new fiscal year (July 1,2020-June 30, 2021) for Cattle Producers of Louisiana. Renewing your membership is important to keeping your organization functional. If you have not renewed, please do so this month and encourage others to join.

CPL has signed on to "letters of support" for the Grassley/Tester SB3693 and the Prime Act HR2859 bills in the last few months. The first bill is called the "50/14" which would require all packer processing plants to purchase a minimum of 50% of their weekly purchases in the "spot" (negotiated cash) market to be delivered within 14 days. The second bill would allow state inspected custom meat plants to sell their meat to customers within their state. The present law mandates that the meat processed be labeled "not for resale" and goes back to the owner of the animal. Please utilize the CPL website to keep current with the cattle markets as well as what is happening in the cattle business. Also, our toll-free number 888-528-6999 option 3 is updated every Saturday for market information.

Be sure you have a game plan in place now for your calf crop. If you forward contract your cattle and have not sold your calves do so now! Yes, corn will be cheap this fall, however, with the slaughter steer and heifer market trading somewhere south of $100 cwt. calf and feeder cattle markets will be under pressure until late fall. So, contact your marketing agent TODAY! Throughout this Covid-19 "adventure" our calf market as well as the slaughter cow market has held up pretty good. Feel free to contact me if you have questions and/or concerns

Enjoy the 4th of July and give thanks to our founders who organized our Great Nation!

Dave Foster, CEO

Third Quarter Beef Recovery

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

Cattle slaughter continues to recover from COVID-19 disruptions in April and May. Estimated cattle slaughter for the week ending June 20, 2020 was 656 thousand head, 98.2 percent of year earlier levels. This is based on estimated slaughter. The latest actual slaughter data for the week ending June 6, 2020 shows weekly total cattle slaughter of 627.7 thousand head, 94.4 percent of the previous year.

Steer and heifer carcass weights have been heavier year over year all year but the gap has widened considerably with the delays in marketing fed cattle since early April. For the year to date, steer and heifer carcass weights have averaged 27.4 pounds heavier year over year. However, for the first quarter of the year, carcass weights were up 20.4 pounds year over year, while average carcass weights in the ten weeks from April 1- June 6, were 36.7 pounds heavier year over year.

Year to date beef production through June 19 is estimated at 12.05 billion pounds, down 3.8 percent year over year. Beef production in the first quarter of 2020 was up 8.0 percent year over year. Second quarter beef production is projected to be down 14.0 percent from one year ago. The combination of recovered slaughter and higher carcass weights resulted in weekly beef production in mid-June estimated to be above year earlier levels for the first time in 10 weeks. Weekly beef production is likely to exceed year earlier levels for the third quarter and perhaps for the balance of the year. Third quarter beef production is forecast to be nearly 6 percent higher year over year. Annual beef production for 2020 is forecast to be slightly higher year over year and a new record level at 27.3 billion pounds.

The June Cattle on Feed report shows the slow return to something like normal for feedlots, along with the challenges that remain. The June 1 on-feed inventory of 11.67 million head, 99.5 percent of last year. One month ago, the May 1 on-feed inventory was 94.9 percent of one year ago. The slow pace of May

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Third quarter beef recovery

marketings, combined with rebounding placements, pushed the on-feed total up sharply in May. The June 1 feedlot total includes an estimated 5.18 million head of cattle on feed more than 120 days, up 22.9 percent year over year. The backlog of fed cattle will continue to plague feedlots and fed cattle markets for many weeks.

May marketings were down 27.5 percent year over year, a low total even after adjusting for the two less business days for the month compared to last year. May placements were just 1.3 percent below one year ago, following April placements down 22 percent and March placements down 23 percent year over year. It appears that feedlot placements and marketings will return to more typical seasonal levels from June forward through the second half of the year.

With beef supplies increasing in the second half of the year, beef demand will be critical. Retail grocery will transition from limited beef supplies in recent weeks to ample supplies at the same time that food service demand is slowly building. Wholesale boxed beef prices have dropped nearly back to pre-COVID-19 levels and may go lower into mid-summer as abundant third cattle beef production could highlight potential recessionary demand weakness.

Feedlot inventory down slightly

Fed cattle backlog expected to continue to plague feedlots and fed cattle markets for many weeks.

By: Krissa Welshans

The U.S. Department of Agriculture's latest "Cattle on Feed" report showed that the feedlot inventory for feedlots with a capacity of 1,000 head or more totaled 11.7 million head on June 1, 2020, fractionally below the same period last year and the second-highest June 1 inventory since the series began in 1996. The number came in near analysts' pre-report estimates.

According to the report, placements in feedlots during May totaled 2.04 million head, 1% below 2019. Analysts had expected a 2% year-over-year decline. Net placements were 1.97 million head.

During May, placements totaled: 375,000 head for cattle and calves weighing less than 600 lb., 305,000 head for those weighing 600-699 lb., 485,000 head for those weighing 700-799 lb., 532,000 head for those weighing 800-899 lb., 235,000 head for those weighing 900-999 lb. and 105,000 head for those weighing 1,000 lb. and greater.

Marketings of fed cattle during May totaled 1.50 million head, 28% below 2019 and the lowest May marketings since the series began in 1996. The number was larger than the analysts' pre-report estimates of 26%. However, USDA livestock analyst Shayle Shagam pointed out that there were two fewer slaughter days this May. "As a result, when you factor that in, we were down only about 20% in May," he said.

Following a challenging May, Shagam said there are signs of improvement for the beef industry's situation as plants are mostly back on line.

"As we sort of worked our way through the month, we began to see more and more plants come on line; we began to see increased line speeds [and] some higher Saturday slaughter," he said. "There became an increased impetus to pull some of those cattle out of the feedlots."

USDA also reported that feeder cattle prices in May were $12.00/cwt. below the same period last year. Shagam said those prices have started to rise, "even though they are below a year ago."

In CME Group's "Daily Livestock Report," Steiner Consulting Group (SCG) said decent pasture conditions early in the spring allowed some producers to keep their calves longer and add pounds outside of the feedlot. Further, SCG noted that the current backlog of fed cattle and uncertainty about demand continue to incentivize keeping cattle outside of feedlots.

Oklahoma State University extension livestock marketing specialist Derrell Peel said the backlog of fed cattle will continue to plague feedlots and fed cattle markets for many weeks. However, he did note that feedlot placements and marketings will return to more typical seasonal levels from June through the second half of the year.

With beef supplies increasing in the second half of the year, Peel said beef demand will be critical.

"Retail grocery will transition from limited beef supplies in recent weeks to ample supplies at the same time that foodservice demand is slowly building," he said. "Wholesale boxed beef prices have dropped nearly back to pre-COVID-19 levels and may go lower into midsummer as abundant third-quarter beef production could highlight potential recessionary demand weakness."

Selling directly to consumers: How to find customers and market your beef

Ready to start selling? Here's a primer to get you going.

By: Greg Bloom

In my last blog, I discussed how to find a plant to process your beef. In this edition, we'll look at using social media to find customers and setting up a website.

Of course, word-of-mouth advertising is the cheapest way to advertise, but you may live in a small town or have already exhausted your possibilities through your existing network. One rancher friend of mine noted recently, "Many of my neighbors are also trying to sell directly to consumers and my small town is saturated with supply. What I need is more prospects."

There are plenty of prospects out there, but how to best find them affordably?

Many ranchers have been successful in the past with simply having an order form that they email prospective customers when asked. To find prospects, one of the simplest ways is to make a Facebook page for your ranch. This will cost you nothing but time.

Once you are active with Facebook, then add in Instagram posts that are connected to your Facebook account. This will help you build a following and you will get inquiries for your order form, which will include pricing for quarters and halves, lead times and other information.

You'll need to actively put up at least one new post per week on your Facebook account. Two or three posts per week is best. Balance your posts by rotating some that are just for fun (like pictures of your kids with your cattle), some that are informational (like what your cattle are eating), and other posts where you are advertising and asking for their business (e.g., buy great beef direct from my ranch.)

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Beef demand is the difference maker

While not perfect, cow inventory is the best reflection of relative change in the overall size of the beef herd from year to year.

By: Nevil Speer

"Industry At A Glance" previously outlined the influence of cattle imports on the fed cattle market during the past 10 years. In short, cattle imports have no influence on the direction of the fed market on a year-over-year basis. Differences in import numbers simply aren't big enough to move the market – they're buffered by a vastly larger domestic supply.

The column noted, "...that could change if imported numbers were to suddenly surge or decline beyond what's occurred during the past 10 years. But for time being, given the limited variation in number of cattle being imported, changes in domestic cattle supply and subsequent beef production are far more significant in establishing general direction of the fed cattle market."

With that in mind, it's useful to address the domestic cattle supply and its influence on the fed market. This week's graph details the relationship between the January 1 beef cow inventory and the annual averaged fed market during the past 10 years. Not surprisingly, the correlation between beef cow inventory and the fed market is strong (-.84).

At first blush, it's counter-intuitive to consider this year's starting beef cow inventory on the fed market. After all, this year's calves won't be harvested until the following year.

However, the January 1 cow inventory is last year's inventory being carried into the new year. Moreover, the measure reflects cows that have calved. Therefore, it's a rough indicator of last year's beef calf crop, with some give and take for liquidation, lost calves, cows that never calve, etc. Calves born last year, with some exceptions, will mostly be harvested over the course of the current year. Cow inventory isn't perfect, but it's the best reflection of relative change in the overall size of the beef herd from year-to-year.

The fed market averaged roughly $124 per cwt between 2010 and 2019 against an average beef cow inventory of 30.5 million head. But within that broad overview there exist some key take-aways that are important. That's especially true when considering positive-residual years ('14,'15,'17-'19) versus negative-residual years ('10-'13, '16) – that is, years above the regression line versus those below.

Key take-aways:

- Considering residuals from the regression line, the general trend with respect to time speaks to broader market strength. After accounting for beef cow inventory , the market has been stronger during the back-half of the decade versus the front-half. In other words, the relative direction of residuals (actual minus expected) has been mostly positive during the past five years, the only exception being 2016 when the market was burdened by large carryover through much of the year.
- That time trend invokes consideration of beef demand: the beef demand index averaged 107.8 in the positive residual years versus only 97.5 in the negative residual years. Demand makes a difference when it comes to sorting differences of inventory and price: better demand means better prices. Improved beef quality and consistency, in conjunction with ongoing education, research and promotion by the Beef Checkoff, is paying dividends over time.
- Turning attention to the negotiated cash trade and its influence on the fed market, the negative residual years nearly match provisions contained within the 30/14 proposal. Meanwhile, the positive residual years – i.e. stronger prices – occurred with an average of only 23% negotiated cash trade.
- MCOOL proponents often point to 2014 and 2015 in terms of market performance – arguing stronger prices were the direct result of mandatory labeling laws. However, after accounting for beef cow inventory (supply), market residuals in '14 and '15 aren't substantively different compared to the other positive residual years ('17, '18 and '19). In other words, there's no evidence MCOOL provided any extra ordinary boost to the market.

These factors most meaningfully converge when comparing 2010 versus 2018. Beef cow inventories were nearly equal across the two years—31.44 vs. 31.47 million head, respectively. The fed market average in 2018 was $21 per cwt stronger versus 2010!

How is it possible that 2018 could be so much better? Beef demand is the difference maker – the index in 2018 was nearly 15 points stronger versus 2010, again underscoring the importance of improved beef quality and efforts by the Beef Checkoff.

Meanwhile, also significant amidst ongoing industry discussion around the market: the percentage of cash trade in 2010 was the highest in the series and more than 13 points higher versus 2018 (38.7% vs 25.4%, respectively) – yet 2010 also held the largest underperforming residual value during the past 10 years. Leave your thoughts in the comments section below.

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Selling directly to consumers: How to find customers and market your beef

A common mistake some make is just always posting ads for beef cuts and folks get tired of this real fast. Share your lifestyle with them. Have some fun.

The next step would be to set up an e-commerce website. But before you go through this process, you need to set up some realistic goals and determine how many head of cattle you want to sell each month.

If you only have a few head of cattle to sell, you can most likely get the customers you need just with word-of-mouth advertising, Facebook and Instagram accounts, and an order form that you email.

If you have more than five head a month available to sell on an on-going basis, then I'd suggest you put up a website and drive traffic to it via Facebook and Instagram. You can get a domain name for less than $15 per year at Bluehost.com. Bluehost also offers a free, easy-to-use website builder called Webley, which will cost you nothing to use and to set up.

If you're ready for full-on e-commerce platform that will take your business to the next level and give you a professional website, I recommend Shopify. Shopify's basic level will cost you $30 per month but give you all the tools you need to manage your growing e-commerce business.

Bloom is owner of U.S. Protein, an international distributor of premium meats. Contact him at greg@usprotein.com . The opinions of the author are not necessarily those of beefmagazine.com or Farm Progress.

Keep shortened breeding seasons to produce more uniform calf crops

By: Glenn Selk, Oklahoma State University Emeritus Extension Animal Scientist

In low margin businesses such as cow/calf ranching, taking advantage of every profit-enhancing tool in the tool box is important to long term success and survival.

Well-defined 60-day breeding and calving seasons will pay off in heavier, and more uniform groups of calves to sell at marketing time. If a small cow operation can market a sizeable number of calves together in one lot, they will realize a greater price per pound (on the average) than similar calves sold in singles or small lots. Proof of this concept has been reported in at least 5 different states. Studies in Kentucky, Arkansas, Texas, Oklahoma and Arizona have shown advantages in sale price for uniform lots of calves compared to singles and small lots (5 or less).

Usable data were collected on 15,473 lots of feeder cattle sold at auction in eastern Oklahoma and Oklahoma City. Data were collected at 14 locations during October, 1997. The number of head in a sale had a significant positive effect on sale price. Lots with 10 or more steers sold for 7.14/cwt over the price of steers sold as singles. The premium for multiple head sale lots held for heifers but held at about $4.00/cwt. Multiple head lots that were not uniform sold for approximately $2.00/cwt less than uniform lots for steers and heifers. Although this data is now 23 years old the concept remains just as important in 2020 as it did in 1997.

Results from OQBN (Oklahoma Quality Beef Network) sales in 2010 illustrated that the advantage may be on the increase. Lots of 10 calves averaged about $8.00/cwt more than similar calves sold 1 head at a time. This advantage increases up to truck-load size lots of 40 – 60 head where sale price increases were noted as much as $12 - $13 dollars/cwt as compared to similar cattle sold as singles. A premium for uniform, multiple head lots is generally attributed to the convenience of filling orders for cattle of a specified description on the part of an order buyer. Also, larger, uniform lots may indicate a single point of origin for the cattle leading to less stress and fewer health problems as may be associated with pen of cattle put together.

Small cow/calf operations can take advantage of these price differentials by achieving 60 day breeding seasons so that the calves are born in a short period of time and are of similar age and weight at sale time. This stresses the need for cows in good body condition at calving and fertile bulls used only in short breeding seasons.

Please remember to pay your dues this month and encourage your neighbor to join. We need our organization now more than ever.

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