

Cow Country Reporter



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Let us take a moment to pause and remember the people who were affected by Hurricane Laura. From all accounts, cattle fared better than people in the path of this monstrous storm. It will take some time to clean up, rebuild and assess the damage. Unlike Hurricane Rita, this storm did not have the adverse effect on cattle that Rita had and therefore our cattle will not be "labeled" and discounted as "storm cattle". Make sure you talk to your marketing agent and provide information about your cattle's condition to assist in your marketing plan.

We in Louisiana are in our "fall run" season (August-October) for marketing our calf crop. The calf

and feeder market was lower the last full week of August which tends to be normal when the majority of the supply is unweaned, bawling calves. Demand for our calves under 600 lbs. will increase as the wheat gets planted and buyers are looking to fill orders to go to wheat pasture. Let's hope the country can open up our restaurants and food service industry so that people can get back to work and we can move this heavy supply of market-ready cattle through the supply chain. As we move into the Fall season, extend a helping hand to those in the wake of Hurricane Laura and give thanks for our many blessings.

Dave Foster, CEO

WINTER WHEAT GRAZING PROSPECTS

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

Winter wheat is used for grain-only, forage-only or dual-purpose systems targeting cattle grazing and grain production. In the Southern Plains, stocker producers interested in grazing winter wheat pastures often begin planting wheat in late August or early September. The desire to jump-start wheat forage growth by planting early in the fall must be balanced against frequent seasonal drought and hot soil temperatures that prevent wheat germination. Conditions this year vary across Oklahoma ranging from very dry to adequate moisture with generally favorable soil temperatures. Early planted wheat also faces a bigger likelihood of fall armyworm or other pest invasions, disease pressure and increased weed competition. Dual-purpose wheat producers must navigate both the production tradeoffs between wheat forage and grain production as well as the economic challenges in wheat and cattle markets.

Current feeder cattle prices provide an indication of the economic prospects for fall and winter grazing. In the last week of August, the Oklahoma average auction price for 475-pound steers was \$165.25/cwt. with 750-pound steers at \$140.40/cwt. This calculates to a value of gain of \$0.975/pound for 275 pounds of gain. Across beginning weights of 450-600 pounds, the value of gain ranges from \$0.90 to \$1.00/lb. using current auction prices. Cost of production is likely less than \$0.90/lb. in many cases, suggesting potential positive returns for stocker production.

A common wheat pasture grazing budget is based on October stocker purchases with feeders marketed in early March including roughly 120 days of winter grazing. For example, based on current market conditions, 475-pound steer price is projected to be between \$160 and \$165/cwt. in October. This estimate is suggested by both typical seasonal cash price patterns and October Feeder futures at the current time. Budgets using a range of purchase prices, feed costs, and average daily gain result in a range of estimated March breakeven prices from \$129 - \$139/cwt. with the most likely values from \$132-\$136/cwt. for animals weighing about 750 pounds at sale. Current March feeder futures, adjusted for Oklahoma basis, suggest a 750-pound steer price of about \$140/cwt. in early March. Market conditions right now suggest some potential for winter grazing returns above production costs.

Markets will no doubt evolve this fall and producers must continue to evaluate winter grazing potential under dynamic market conditions. Winter grazing potential may vary widely for a range of stocker production alternatives. Prior to purchase, producers should consider flexibility for stocker operations

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WINTER WHEAT GRAZING PROSPECTS

including the size of animals purchased, animal gender and quality and length of grazing period. The old adage of stocker production is that profits are made on the buy and only collected at sale; that is to say “bought right is half sold”.

General economic uncertainty and volatility will continue to be particularly important in cattle markets and risk management should be carefully considered. Futures markets may offer an opportunity to lock in a margin on winter grazing. However, risk management requires deliberate action to implement a plan. Market opportunities are often fleeting and producers may have to act quickly to take advantage of changing market conditions. It is important to have a marketing and risk management plan in place to help guide stocker purchases and production. Winter wheat grazing seasons in the Southern Plains typically include a range of conditions. Fall 2020 is starting with some potential and perhaps a bit of excitement.

MOTHER NATURE CONTINUES TO HIT AS HARD IN 2020

Wildfires, a derecho storm and hurricanes — devastating weather events make 2020 an even tougher year to battle.

By: Amanda Radke

This year has been hard on so many people. COVID-19 has brought on loss of life, loss of jobs, loss of security, loss of peace and other unimaginable hardships.

Increased poverty, homelessness, civil unrest, race wars, destruction of property, riots, food supply disruptions, empty grocery store shelves, school shut downs, businesses closed forever, and the list seems to go on and on.

I would like to think there is hope just around the corner, but as we near closer to the election, I fear the ugliness will only continue to escalate.

Agriculture has been impacted by this novel coronavirus in countless ways, as well. As we grapple with the same troubling news and disruptions as the rest of society, many farmers and ranchers are also dealing with the ramifications of Mother Nature’s blows.

From wildfires to hurricanes to wind storms, the devastation due to extreme weather events has been severe. My thoughts and prayers are with those impacted by these horrific scenarios.

In Iowa, a severe “derecho” storm blew across the state, destroying crops, grain bins, homes, buildings and more.

According to World Grain, “The storm unleashed winds of over 100 miles per hour, equivalent to an F1 tornado. Some have described it as an inland hurricane. The Iowa Department of Agriculture estimates more than 57 million bushels of permanently licensed grain storage was seriously damaged or destroyed.”

Hurricane Laura is also impacting the southern United States, putting both crops and livestock at risk.

The Poultry Site reports, “Laura made landfall early on August 27 as a Category 4 storm packing winds of 150 mph in the small town of Cameron, Louisiana, the National Hurricane Center said. It rapidly weakened to a Category 1 storm and then a tropical storm by afternoon.”

Reuters adds, “U.S. President Donald Trump is expected to head to the Gulf Coast to survey the damage. The storm was forecast to drop heavy rain over Arkansas, Mississippi, Alabama, Tennessee, Missouri and Kentucky as it headed out to the East Coast, the National Weather Service said.”

In California, where the forest management policy is firmly in the “do not touch camp,” we see annual wildfires that could be mitigated with responsible logging and grazing. However, that’s a blog post for another day.

Policy discussions aside, in California, what is being called a “megafire era” is consuming acres of redwood forests and surrounding farmland as it burns.

According to Reuters, “The fires are far from under control with over 230 strikes in past day sparking new fires after more than 650 in the last 10 days, Cal Fire said. At least seven people have been killed and over 1,400 homes and other structures destroyed. Smoke from fires created unhealthy air quality for a large swath of northern California and drifted as far away as Kansas.”

If you have experienced one of these damaging weather events or others, such as ongoing drought conditions, in 2020, know that you’re not alone. Resources are available to help, and the agricultural community wants to rally around you and offer you help, comfort and fellowship as you navigate through this difficult year.

If you know of resources that could help the victims of the hurricanes, wildfires or the derecho storm, please email information to me at amanda.radke@informa.com.

The opinions of Amanda Radke are not necessarily those of beefmagazine.com or Farm Progress.

210 ANALYTICS: MEAT SALES REMAIN ABOVE 2019 SALES

By: Emily Park

SAN ANTONIO – According to data collected and analyzed by 210 Analytics and IRI, perimeter retail food sales the week ended Aug. 16 came in at 10% above sales during the same timeframe in 2019, holding steady with the rest of the month.

“While still highly elevated, the data shows a gradual softening of the more extreme lockdown trends in the grocery market,” said Jeremy Johnson, vice president of education for the International Dairy Deli Bakery Association (IDDBA). “We seem to be settling into a steady pattern as consumers continue to prepare many more meals at home. That includes the very different back-to-school landscape that will significantly impact trend lines for many categories, including bakery and dairy. We will continue to monitor how the trends develop to help the industry best understand what the remainder of the year may look like.”

The meat category came in at 16% above 2019 dollar sales and 7% above volume sales. Dollar wise, lamb (up 19.8%), beef (up 19.5%) and turkey (up 11.2%) were the top performing meats. Chicken was up 9.6% and pork was up 8.9%.

“Between the continued social distancing mandates, highly elevated consumer concern about the virus, economic pressure and the impact of virtual schooling, meat sales are likely to hold well above 2019 levels for the foreseeable future,” said Anne-Marie Roerink, president of 210 Analytics.

The deli department came in 7% below 2019 sales numbers. Deli prepared came in at 20% below 2019 sales with deli meat at 11% above and deli cheese at 11% above.

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210 ANALYTICS: MEAT SALES REMAIN ABOVE 2019 SALES

The dairy department experienced a 13% gain in dollar sales compared to 2019 the week of Aug. 16. Top performers in the category were whipped toppings (up 22.3%), eggs (up 18.7%) and natural cheese (up 17.2%).

“Retailers are mostly relying on pre-packaged sales to replace cold and hot food bar revenue. And while grab-and-go has long been a consumer favorite, pre-packaged does not quite have the same opportunity to bring back the full assortment for operators or the same mix and match flexibility for consumers,” said Eric Richard, industry relations coordinator with IDDBA. “We do hear from shoppers that portion size variety is an important solution to make sure pre-packaged items meet the needs of families of all sizes, as well as allow dishes to serve as sides or mains regardless of the size of the household.”

Bakery sales were still down the week of Aug. 16, coming in at 5.9% below 2019 sales. Donuts held down the category, coming in at 36.3% below 2019 levels and rolls were down 11.4%. Bread was the best performer in the category, up 7.3%.

In the produce category, dollar sales gains totaled 11.5% the week of Aug. 16. Fresh vegetables are still outperforming fresh fruit, with vegetable sales up 13.5% and fruit sales up 9.9%. The top performers in the department were cherries (up 49.6%), oranges (up 24.5%) and melons (up 20%).

“While we no longer have the incredible spikes of the shelter-in-place weeks, fresh produce sales are still considerably higher than pre-pandemic levels,” said Joe Watson, vice president of membership and engagement for the Produce Marketing Association (PMA). “During the upcoming weeks, we will keep a close eye on snackable items to see how the very different back-to-school picture will impact fresh produce sales. Highlighting the availability of healthy fruit and vegetable snacks regardless of virtual or in-person education is a great way to help parents navigate the start of the school year.”

HOW LONG UNTIL THE AG ECONOMY IS BACK ON TRACK AFTER COVID-19?

Ag economist predicts COVID-19 will adversely affect the world economy for another six to nine months.

By: B. Lynn Gordon

“We think it will be about a year from now, maybe August of 2021, before the U.S. economy gets back on track.” That’s what Dan Basse, president of AgResource Company, told those listening in on the virtual Feeding Quality Forum hosted by Certified Angus Beef (CAB).

Basse has been following the ramifications of COVID-19 and its economic impact across the country, and more specifically in agriculture, since the outset. AgResource, an agricultural advisory and research firm based in Chicago, predicts a continued adverse impact on the world economy for another six to nine months. That’s tying much of how the economy will react when a vaccine is available, when a country like the United States will be able to reach herd immunity, and what science believes will be the immunity duration of a vaccination.

In the meantime, the U.S. foodservice industry is slowly creeping back to 40% of its normal sales but continues to be crippled by the limitations put on seating capacity for restaurants, the impact the shutdown had on the school lunch program, and the pending cold weather that will limit outdoor dining across the northern hemisphere.

“The foodservice industry has been very important to the beef cattle industry, but we believe it will struggle until we get into next spring – the beef industry needs to plan for that.” Before COVID-19, 51% of Americans’ food dollar was spent outside their home, putting added emphasis on how important the foodservice industry is to the beef market.

“Today the U.S. cattle market is struggling between the uncertainty of politics (trade) and the COVID-19 health scare amid record-large domestic beef demand.”

Basse worries about the future of trade agreements like the one between U.S. and China signed in January 2020. Although its progress was reviewed in late August by both parties and the agreement was believed to be headed in the right direction, the current political landscape adds uncertainty to how the projected phases of purchases will unfold. “History has shown to us that tariffs are easy to put in place but very difficult to remove.”

Basse wishes he could be more bullish on the cattle market. High beef prices in April and May from COVID-19 shutdowns impacted beef trade through July. He recommends cattle producers look at hedging going forward to be able to have an opportunity to lock in a margin and further strengthen their position.

In the fourth quarter of 2020, the estimates for fed cattle prices are \$104 per cwt by USDA, \$111 by CME, and \$106 by AgResource with predicted futures of \$112-\$114, encouraging the logic by Basse to do some hedging and take some risk off the table. He sees this trend continue into the first quarter of 2021.

The 41-year agricultural economist commented he has never seen debt levels like this before. The U.S. debt is now a massive \$26.8 trillion and growing. He worries what impact this will have on inflationary values.

Further, he noted, “Never before has the U.S. Net Farm Revenue been determined by U.S. Government payments.” In 2020, farmers will see 40-45% of their net revenue coming from government assistance associated with COVID-19 aid packages leaving economists like Basse to wonder what this means going forward.

Will this assistance continue beyond late 2020? Growing debt and government payments make it difficult for Basse to be bullish on the agricultural economy. “The money is coming this year, but what does the farmer do if that money stops coming.”

U.S. feed prices will stay depressed as near-normal weather domestically and worldwide sees yields surpassing demand. Mid to late August has brought some dry weather to the Corn Belt, potentially impacting the record yields that were on the horizon and causing some rallies. “As cattlemen and consumers of grain, this is something to watch.” AgResource estimates December corn futures will peak between \$3.60 - \$3.70 per bushel and yields running between 176-179 bushels per acre.

Basse believes debt levels will be a drag on the U.S. and world economy for many years to come. “The U.S. farmer needs a new demand driver to brighten profitability,” he says, “or a 20-30% fall in the value of the U.S. dollar versus South America or Black Sea countries.”

For the ag economy to turn around, “We in agriculture need to wake up every morning looking for a new demand driver,” he concluded.

B. Lynn Gordon is a freelance writer from Sioux Falls, S.D. The opinions of the author are not necessarily those of beefmagazine.com or Farm Progress.

FEEDER CATTLE PREMIUMS REMAIN STOUT

Buyers continue to reward sellers for decommo-ditizing the product.

By: Nevil Speer

The feeder market has been on a solid run of late. CME's Feeder Cattle Index is encroaching \$145 per cwt—that's up from around \$115 in early April. And as noted in this column several weeks ago, the runup has occurred, "despite two black swan events, bigger supply and sharp [feedyard] losses." And along the way, "...the feeder market has staged a solid recovery and is encroaching the top side of a well-established trading range."

However, for some it gets even better from there. That is, buyers have seemingly shaken off concerns about the market going forward and proven to be especially aggressive when purchasing program cattle. CattleFax recently described the scenario this way in its July 31 Update:

Video sales season surges on, as major sales over the past three weeks featured fall delivery calves from most regions and states. The continued optimism in the futures complex has caused prices to trend generally firmer compared to similar offerings earlier in the summer. Calves with long lists of valued-added program continued to return stout premiums compared to commodity calves.

This week's illustration highlights feeder cattle program premiums, year to date, based on video sales hosted by Superior Livestock Auction. The values are on-par to stronger compared to previous years. Speer

Bottom line: differentiation and documentation pays. Even at the most minimum program level, simply providing source and age verification equates to receiving an additional \$2.50 per cwt or ~\$16 per head for a 650-pound calf, both steers and heifers.

The trend here isn't surprising. It's consistent with some prior discussion about the general direction of the beef industry back in March with respect to the growing prevalence of branded programs. The primary takeaway being that, despite all the noise around the market during the past year, buyers continue to reward sellers, "...to decommo-ditize the product and establish value creation through differentiation."

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