Cow Country Reporter

October2021 Volume 13 Issue 10

In This Issue

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

October is the month where we are trying to complete the harvest and this year is no exception. Due to weather conditions, as well as market conditions in the cattle business, we are playing "catch up". Many are still harvesting the last of the hay crop as well as planting ryegrass. Our neighbors in the Southeast part of the state are struggling with "cleaning up" after IDA. A big THANK YOU to all who have assisted in this effort!

You have heard me say over the years, get your calves sold before mid-September and preferably by the end of August. This year, mostly due to the drought in the Mountain states, prices for our good Louisiana calves under 600 lbs. began to decline in early September as many producers in the drought affected states sold their calves early and at a lighter weight (400-500 lbs.). Hopefully, most of our members sold early, if not you may want to "rough" them through until early 2022.

I have received a few calls about a tax on livestock (part of the stimulus bill in Washington) that is crazy. The proposal is an annual tax of $6500.00 per dairy cow, $2500.00 per beef cow and $500.00 per hog. I reached out to our U.S. Representative's office, Julie Letlow, who sits on the House Agriculture Committee and spoke with to her Chief of Staff Ted Verrill, and told him at that rate production agriculture would end in the U.S. He agreed and said they and our Louisiana delegation are "fighting tooth and nail" to shut this tax down. It would not hurt if all CPL members would contact your friends and neighbors and have them call your Representatives and Senators. I did call our two Senators and left messages.

Enjoy the harvest month and may your harvest be bountiful.

Dave Foster, CEO

Feedlot Situation Improving Slowly

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

The September USDA-NASS Cattle on Feed report pegged September 1 feedlot inventories at 11.234 million head, 98.6 percent of last year. August marketings were 1.885 million head, 99.6 percent of one year ago and August placements were 2.104 million head, 102.3 percent of one year earlier. August placements and marketings were both slightly higher than average pre-report estimates but within the range of analyst forecasts.

The August placements were the largest placement total for the month since 2011. Among major cattle feeding states, placements were largest in Nebraska, up 11 percent year over year and Colorado, up 17 percent from last year. Meanwhile, August placements in Kansas were down 2 percent year over year and Texas placements were 90 percent of one year ago. The weight distribution of August placements shows that the unexpected increase in placements was almost entirely in heavy weight placements. Placements of feeders under 600 pounds were unchanged from last year and placements from 600-700 pounds were down 7.5 percent year over year. Placements weighing 700-800 pounds were up 2.1 percent year over year and placements from 800-900 pounds were up 2.3 percent over last year. Most dramatically, placements weighing over 900 pounds were up 15.4 percent year over year. Placements over 900 pounds were up 21.4 percent in Nebraska, accounting for 60 percent of the total year over year increase for the heaviest weight group.

The question for several months has been when feedlots would "turn the corner" on the large fed cattle supplies and set the stage for improving fed cattle prices. It always seems to take longer than it should. However, there are indications that of continued progress along those lines. It appears the feedlots are slowly getting more current. The 12-month

(continued on page 2)

Feedlot Situation Improving Slowly

moving average of feedlot placements peaked recently in April, with declines since except for a slight move higher with the large August placements. Generally declining placements implies smaller feedlot numbers eventually. The large heavy placements in August will front-end load future production somewhat. The 12-month moving average of marketings peaked recently in June and is moving lower in July and August suggesting that the peak feedlot production is past. Remember back in February that the monthly feedlot inventory was the largest since February of 2006. The inventory dropped by 8.5 percent from the February peak to a seasonal low in August. The 12-month moving average of the feedlot inventory also peaked recently in June and is also moving lower. The feedlot situation is slowly improving.

Going forward, the expectation is that fed cattle supplies will continue to tighten and drop below the slaughter capacity cap that has separated the fed market from beef markets. Beef production is expected to drop in the fourth quarter and fed markets should participate more fully in the market strength. Barring any new disruptions or "Black Swans" cattle and beef markets should get lined up in a more typical fashion and move forward with tighter supplies and continued strong demand. Experiencing just the normal cattle market dynamics, i.e. a little "stability", would be nice for a change.

Mandatory COOL Discussions Heat Up

By: Katie Humphreys

On Thursday, Sen. John Thune (R-S.D.) joined Chip Flory, AgriTalk host. The conversation primarily revolved around two initiatives that impact cattle producers – mandatory country of origin labeling (mCOOL) and mandatory price reporting.

First things first, Flory says, the American Beef Labeling Act is not the same as the Product of the USA label. This act is focused on mandatory country of origin labeling.

"Mandatory country of origin labeling is an issue that has been around for a long time. It's one I've been working on since my days in the House of Representatives. In fact, it was included in two previous farm bills, but in every circumstance, it got knocked out by the World Trade Organization, so we had to go back to the drawing board," Thune says.

The primarily issue with the current beef labeling system is that it allows imported beef that's finished but not born or raised in the U.S. to be labeled as a product of the U.S.

"Our producers want to be able to have a label that distinguishes their products, which are born, raised and harvested here in the United States, to the consumer — and the consumer, I think, has a right to know," Thune says. "The shirts you and I are wearing today say where they come from, but the beef we put in the center of our plate doesn't have to bear that label."

To get the issue resolved once and for all, Thune says the best way is to get the people who defend it at the World Trade Organization, the U.S. Trade Representative Office and USDA, to be involved in the drafting process. According to Thune, both Katherine Tai, United States Trade Representative, and Tom Vilsack, Secretary of Agriculture, promised at their confirmation hearings to help come up with mCOOL provisions that would withstand or be compliant with World Trade Organization rules.

"Secretary Vilsack gets it; he understands it and we're trying to get Katherine Tai and others in the administration to share the view that this is an important piece of legislation because it is really important to the economy, the livestock and agricultural economy, in this country," Thune says. "I hope we'll have good cooperation from the administration, but we'll see."

Canada and Mexico are paying careful attention because they contested mCOOL in the past – and they're the reason why it was repealed, he adds.

"They succeeded in a legal challenge at the World Trade Organization and, as a consequence, the World Trade Organization allowed them to levy retaliatory tariffs against American agriculture, so it was taken off the books," he explains.

The American Beef Labeling Act is a bipartisan piece of legislation. It's a first step, Thune describes, with a long road ahead.

"There are other countries with similar labeling laws. The United States, for whatever reason, every time we've tried to do this, we've run into these roadblocks," he says. "It's high time we develop a sense of urgency and thread the needle in such a way we can differentiate and under the American Beef Labeling Act allow for transparency that benefits both producers and consumers."

There's likely a segment of the cattle industry that wonders why voluntary country of origin labeling hasn't worked.

"A voluntary law is pretty weak tea," Thune says. "To ensure consumers know where their beef is coming from, and producers get the benefit of selling the highest quality beef in the world, we have to have a mandatory labelling system."

Speaking of mandatory, Flory asks, are we going to get an extension for the mandatory price reporting by the end of the month?

"I think what will probably happen, I hope what happens, is we get a yearlong extension at least," Thune says. "There's also the possibility we could do a short-term extension. I don't think we would be opposed to that either. At a minimum, we need to get an extension so when Sept. 30 rolls around that legislation doesn't cease to exist."

Nalivka: Supply Chain Issues Affect Packer Capacity Utilization

By: John Nalivka

The opinions expressed in this column are those of John Nalivka, president, Sterling Marketing, Inc., Vale, Oregon.

Since the plant shutdowns and ultimate production slowdowns resulting from COVID-19 in March 2020, available capacity as measured by daily slaughter has become a focus of the beef industry with government seemingly designated as the chief problem solver.

However, as I have stated many times, capacity is not the critical issue, but rather capacity utilization and that issue largely centers on plants with processing and further-processing. In fact, labor constraints are not just noted in the slaughter and processing, but coupled with other critical issues are creating bottlenecks across the supply chain, from packaging to trucking.

Let's examine beef industry slaughter capacity and utilization. I have calculated and tracked these figures since 1988 and I think that slaughter, while not encompassing all aspects and potential bottlenecks of a plant, is probably the best metric to estimate and track capacity in the red meat industry. However, one cannot lose sight of the fact other plant components can have an impact, i.e., further-processing and cooler space.

My estimated annual fed cattle slaughter capacity is 29,796,000 head and 7,602,000 for cow slaughter. On a weekly basis, fed slaughter is 574,974 or 104,541 per day on a 5½ day week. Cow slaughter capacity is 146,190 per week or 26,580 on a 5½ day week.

Is there enough capacity? Again, to answer that question, the analysis must shift to utilization. This is true of any aspect of the industry whether it be packers, feedlots, or grass when talking about cow-calf capacity. It's not total feedlot pen or bunk space but rather the utilization of that space and with grazing capacity, the unencumbered utilization of existing forage.

I review weekly and annual capacity utilization. So, utilization of fed plant capacity has averaged 87.3% YTD through September 11. This compares to 84.3% last year for the same time period and 88.3% in 2019. This comparison illustrates the impact of plant closures and line slowdowns due to COVID in 2020. In fact, during April and May 2020, utilization of capacity in fed beef plants averaged 67.2%. That was not only significant to the industry, it posed a major challenge to every plant in the country and that's an average for the industry and does not show the significance of the problem for some plants. A target is to consistently operate week-in and week-out at 90% or higher.

Improvement for capacity utilization in cow plants YTD through September 11 has been substantially better than fed plants and has averaged 89.7% compared to 84.3% for the same period a year ago. It's no wonder. Beef cow slaughter is up 10% YTD from a year earlier while dairy cow slaughter is up 2%, and total cow slaughter is 6% higher YTD than a year ago. In 2019, for the same period, utilization of cow slaughter capacity was 85.3% and averaged 80.1% for April and May 2020.

Reduced cattle numbers in 2022 through at least 2024 coupled with a continued tight labor supply for packing plants will further aggravate this issue of capacity utilization holding capacity unchanged. My estimate of average fed plant capacity utilization for 2022 is 85.3%. So, the question is – if capacity is increased against a declining cattle supply and reduced capacity utilization, how could a new plant carrying large debt coupled with working capital compete?

$3B USDA plan targets ASF, drought, market disruptions, school food

By Chris Scott, MeatingPlace

USDA said today it is committing $3 billion to help U.S. agricultural producers meet multiple operational challenges sparked by such issues as drought, animal health, and market supply chain disruptions.

The funding includes:

- Up to $500 million to expand monitoring and other programs to prevent the spread of African swine fever (ASF) through USDA's Animal and Plant Health Inspection Service (APHIS). The National Pork Producers Council (NPPC) applauded the announcement, citing the threat ASF poses for the U.S. pork industry.
- $500 million to support drought recovery and encourage the adoption of "water-smart" management practices through relief and drought resilience efforts that have the potential to affect producers across the country.
- $500 million in relief from agricultural market disruption, including higher transportation costs, higher prices for certain materials and other near-term obstacles related to the marketing and distribution of certain commodities.
- Up to $1.5 billion in assistance to help U.S. schools address supply chain disruptions in the wake of the coronavirus pandemic, which challenged school food professionals to make sure children have access to food they need to learn, grow and thrive.

USDA Secretary Tom Vilsack also outlined and requested public comment on a new climate partnership initiative designed to create revenue streams for producers through new market opportunities for commodities developed using "climate-smart" practices. The agency plans to support pilot projects that implement conservation practices on working lands that will allow for monitoring carbon and greenhouse gas benefits associated with climate change efforts. Public comments will be accepted through Nov. 1, the agency said in a news release.

The latest announcement comes weeks before USDA has indicated it will begin accepting applications for its $650 million Pandemic Response and Safety (PRS) grant program covering processors and other food producers adversely affected by the COVID-19 pandemic since January 2020.

BLM Recognizes Ranchers for Exemplary Stewardship of Public Rangelands

By: Public Lands Council

The Bureau of Land Management recognized two ranches with federal grazing permits for their outstanding work to restore, enhance, and protect vital Western ecosystems.

The 2021 Rangeland Stewardship and Sagebrush-Steppe Awards were presented during the 2021 Public Lands Council (PLC) Annual Meeting. Honorees include the Dugout Ranch in Utah, Bruneau-Owyhee Sage-Grouse Habitat Project in Idaho, Reverse JL Bar Cattle Company in Colorado, and Nature Conservancy Great Basin Ecoregion.

“These awards for outstanding stewardship of Western landscapes are an important public recognition by BLM of something the agricultural community has known to be true for decades — ranching work is conservation work,” said PLC President Niels Hansen. “We applaud the innovation and commitment that these public lands ranchers have demonstrated to nurturing healthy rangeland ecosystems. Multiple use and active management are vital elements of a lasting, successful strategy for our nation’s public lands, and we appreciate BLM’s partnership with Western ranchers as we all work to conserve America’s stunning landscapes.”

PLC works in active partnership with the BLM, other federal agencies, and local land management offices to support an active, cooperative, and innovative approach to land management.

“Ecosystem services like restoring native grasslands are part and parcel of ranchers’ every-day work. Public lands ranchers have an innate commitment to the health of our environment. They will continue to do this work whether they’re in the spotlight or not, but these awards are a welcome recognition that their work matters,” said PLC Executive Director Kaitlynn Glover. “Congratulations to these ranchers who have had such a positive impact on some of our nation’s most iconic landscapes.”

PLC has long advocated for the role grazing plays in protecting multiple use and maintaining vibrant ecosystems, strong local economies, and resilient rural communities.

“The Nature Conservancy and Redd Family are honored by the acknowledgment of their conservation and range management work on the Dugout Ranch,” said Matthew Redd, Project Manager for Dugout Ranch and Canyonlands Research Center. “We humbly accept the Rangeland Stewardship Award on behalf of this sacred landscape and all she sustains.”

“We are grateful to the BLM for our long partnership and their support of Landscape Conservation Forecasting™ to protect critical lands and wildlife,” said Louis Provencher, The Nature Conservancy’s Nevada Director of Science and Interim Utah Science Director. “We are very honored to receive this award and look forward to continuing to work with our public lands partners to help them lower costs and achieve their conservation goals.”

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