

Cow Country Reporter



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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

HAPPY NEW YEAR! May you and your family have a safe, healthy and prosperous 2022.

The beef cattle market ended 2021 on a positive note. Prices for our Louisiana calves were \$10.00-\$20.00 cwt. higher in December 2021 compared to the same time in 2020. Cattle receipts in our Louisiana auction markets were 10% higher than 2020 (222,330 compared to 202,010) which was a surprise when the 2021 U.S.D.A. Cattle Inventory report showed Louisiana beef cow numbers down 2% in January. Total Louisiana cattle, as well as the U.S. cattle numbers will be lower this year (2022) as large number of beef cows were slaughtered this year due to drought and in our case snow early in the year and hurricane Ida. Less cattle numbers

coupled with good demand for calves should provide a higher market, however, don't "go to sleep" and not pay attention to the market. Remember, be flexible, have a marketing plan and as always keep in touch with your marketing agent. A large number of wheat pasture cattle in Texas and Oklahoma were moved off of wheat in December due to lack of moisture. If we get rain in those areas in January the wheat will come back and grazers will be wanting to restock, so be ready. Feedlots will also be wanting our ryegrass cattle in April and May. This year may have a different market at play so again be flexible. Keep those new-born calves growing and check the markets regularly. Like the Boy Scout's motto "Be Prepared"!!

Dave Foster, CEO

CATTLE ON FEED DYNAMICS

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

The December Cattle on Feed report showed November placements 103.6% of last year and marketings 105.3% of one year ago. November had one more business day than 2021. The December 1 on-feed total was 11.985 million head, down fractionally year over year at 99.6% of last year.

The December report was well anticipated and should not provoke a large market reaction after the long holiday weekend. December is the sixth consecutive month of year-over-year decreases in feedlot inventories, though the November and December totals were only slightly down from one year ago. The twelve-month average feedlot inventory continues to decline from the June peak but is declining very slowly.

Feedlot inventories have persisted well past the cyclical peak in cattle inventories. The total cow herd (and the beef cow herd) inventory peaked on January 1, 2019, with the 2018 calf crop the largest of the current cattle cycle. Estimated feeder supplies declined from the 2019 peak to 2020 but decreased only slightly going into 2021.

Herd liquidation since 2019 has reduced heifer retention and added to feeder supplies despite declining calf crops following the cyclical peak. Total feedlot placements through November were up 2.7% in 2021 compared to the previous year. Some of this was related to pandemic disruptions and delayed placements in 2020. Feedlot placements over 700 pounds are up 4.0% year-over-year for the January-November period, including a 2.7% year-over-year increase in placements over 900 pounds. Increased placements of heavier feeders are partially in response to higher feed costs this year. Placements of cattle under 700 pounds are up a scant 0.7% year-over-year.

However, the November placements contrasted with the year-to-date patterns. The 3.6% year-over-year increase in November placements was entirely made up of cattle under 700 pounds, up 7.0% year-over-year, with placements of feeders over 700 pounds down 0.7% compared to last year. November placements over 800 pounds were down 1.7% compared to last year.

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CATTLE ON FEED DYNAMICS

Placements of lightweight cattle are typically high in November with seasonally large numbers of spring-born calves. However, the increase may be somewhat exaggerated this year for several reasons. Drought limitations are likely contributing to increased placements, the result of reduced opportunities for backgrounding calves this winter. Additionally, drought may also be causing fewer heifers to be held as replacements and further increasing lightweight placements.

Finally, feedlots may be placing more lightweight cattle simply because overall feeder supplies are declining. As feeder supplies decrease, feedlots will, for a few months, be able to hold feedlot inventories by placing smaller cattle, essentially borrowing against future feeder supplies. Lightweight placements will also add more days on feed and further extend feedlot inventories for a period of time. However, as 2022 proceeds, smaller feeder cattle supplies will result in more pronounced decreases in feedlot inventories.

Cattle industry supply dynamics are always slow to develop and have been further disrupted by the pandemic in 2020 and 2021. Drought may add additional herd dynamics in the coming year, but tighter cattle supplies should be more evident across the industry in the coming year.

QUALITY IS DRIVING THE MARKET

By: Nevil Speer

Quality is driving the market like never before. During the past six months, beef consumers have reinforced their preference for product at the top end of the market. Both branded (mostly upper 2/3 Choice) and Prime products have been supported by unprecedented demand.

Most significant, Prime wholesale prices have skyrocketed during the second half of 2021; the Prime/Select spread has averaged nearly \$85/cwt during the past six months. Setting aside the surge in late '19 following the fire at Tyson's Holcomb plant – the current run-up in prices easily surpasses the previous peak in late-March, 2012.

Even more impressive, that's occurred on larger volume. For example, at the close of the first quarter in 2012 just a little over 3% of the slaughter mix graded Prime. At the end of November, the current grading percentage for Prime is surpassing 9%! In other words, the beef industry is garnering higher prices on bigger volume – the very definition of a positive shift in demand.

Quality and consistency never go out of favor. Consumers continue to signal the importance of both in their purchasing habits. That's always been true at the restaurant level; and seemingly, the stay-at-home / cook-at-home trend resulting from Covid has now strengthened that trend at home, too. Quality grade matters in the marketplace.

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.

SHORTENED HARVEST KEEPS MARKET SUPPRESSED

By: Brad Hulett

Cattle feeders knew there was a good chance that last week's market would not be what many wanted, and it did not disappoint. Packers needed few cattle for another shortened harvest week and were able to keep the market headed South. The bulk of the cattle that traded in the South were at \$135 with a few bringing \$134. The only brighter light came at the end of the week with one packer willing to give some \$136 on a hand full of cattle.

Feeders in the North had the same struggles in the market, too. Most of the live trade was around \$135 and dressed trade mostly in the mid \$210's.

Live cattle should be poised to make another run starting this week. Packers will be buying for normal harvest hours, which should put most packers in the situation of needing to buy cattle. Cattle feeders will likely price cattle more aggressively if the board continues its run that began on Friday.

Brad Hulett is Director, Customer Development & Regional Manager, Kansas, at Consolidated Beef Producers, Inc.

STUDY TO HELP USDA MEET THE NEEDS OF AMERICA'S FARMERS

Watch your mailbox in the coming weeks for a brief questionnaire.

Compiled by Farm Progress staff; Farm Futures Business Summit - Ag Finance Boot Camp

The U.S. Department of Agriculture's National Agricultural Statistics Service is conducting the 2021 Farm Producer Study to improve knowledge and understanding of agricultural producers and help USDA improve services to them. A brief questionnaire will mail this month to approximately 75,000 U.S. agricultural producers across the country.

Taking no more than 10 minutes to complete, the questionnaire asks participants for demographic and basic farm information. Producers can respond securely online at www.agcounts.usda.gov or by mail. The deadline for response is Jan. 18, 2022.

"Participation in this study is voluntary yet vital," said Census and Survey Division Director Barbara Rater. "The results of the study may lead to more robust demographic data products to assist other federal agencies, state and local governments, researchers, and analysts in administering and monitoring program effectiveness for the optimal support of diversity within American agriculture."

NASS conducts studies like this to determine what questions to incorporate in future censuses and surveys. This study includes questions about race, ethnicity, gender and disability status. By responding, farmers help paint a more complete picture of who they are and ensure agriculture in America is reflected as accurately as possible to meet the needs of all our producers.

Study results will be posted on the NASS website as a research report in the Education and Outreach section next year. No official estimates will be published from this study.

Source: USDA, 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.

THE NET-ZERO FARMER: UNDERSTAND YOUR FARM'S CARBON FOOTPRINT

You can find many carbon footprint calculators online. They range from simple and rudimentary to increasingly complex. (Darrell Smith, *Farm Journal*)

By: Clinton Griffiths

After a harvest that lasted a lot longer than anticipated, Kyle Mehmen of MBS Family Farms in Butler County Iowa, is ready to refocus on his most poignant opportunity — carbon.

"I would say this is the first time I've actually been quantifiably rewarded for keeping good data on my farm," Mehmen says.

Over the past couple of years, Mehmen has signed up for several carbon programs that pay for the credits generated by his conservation practices and resulting carbon sequestration. While he's calculated carbon credits, he's yet to measure his farm's carbon footprint.

"I don't think ag as a whole is probably getting credit for doing the good things we have done over time just because they're the right things," he says.

Understand The Value

Mehmen expects more of those calculations about a specific farm's own carbon emissions to happen as pressure builds across agriculture to become a net-zero emissions industry.

"If we're going to go down that path, I want it to be more than propaganda," he says. "If it gets watered down and everybody has a net-zero farm, then there's no value."

You can find many carbon footprint calculators online. They range from simple and rudimentary to increasingly complex. Most of these focus on homes, transportation and travel.

Calculations and Credit

Field to Market, a non-profit organization that aims to connect farms, agribusinesses, environmental groups and universities has a free online carbon and sustainability calculator called Fieldprint.

The organization says it's a tool for producers to better understand how management choices affect their overall sustainability performance and communicate their sustainability performance to customers.

The tool also provides state and national averages so farmers can benchmark their sustainability efforts.

"Measuring your carbon footprint can take a lot of different forms," says Allison Thomson, vice president of science and research at Field to Market. "Really understanding the carbon footprint of a farm involves understanding both the energy you use and your direct use of things that make greenhouse gases, which are relatively simple to record, but also includes more complex biogeochemical cycles where you need scientific understanding and access to scientific tools to get a good estimation."

Those complex cycles are found in the soil and the soil ecosystem. Thomson says research and a true reading on those elements of a carbon footprint is helping answer questions from skeptics.

"There's research going on and a lot of new soil tests and lab tests that farmers can do to better understand how their soil is cycling nutrients, how it's storing carbon and how that might change based on different farming practices," she says.

Thomson breaks the process down into three components:

1. Understanding the efficiency of your production, such as how much energy you're using to drive a tractor.
2. Understanding the soil ecosystem, such as carbon sequestration capacity.
3. Understanding the value chain's concerns, such as what customers are interested in or willing to invest in from a farm production perspective.

"Having carbon footprint knowledge can help farmers see where they might want to engage with supply chain initiatives, continuous improvement programs, ecosystem service markets or carbon markets," Thomson says. "Understanding your footprint is the first step to see if engaging with any of these will be beneficial to your farm's production."

Figure Out the Math

USDA's Natural Resources Conservation Service has a calculator called COMET-Farm. It allows users to build and save farm profiles including mapping out fields, record crop or livestock history and set management practices. This fall, the online tool was updated to include new features.

Conservation leaders at USDA say the next step is to help agriculture figure out the math.

"USDA can partner with folks to provide better information," says Robert Bonnie, USDA undersecretary of farm production and conservation. "Farmers shouldn't be expected to figure out the carbon math associated with everything they do."

It's all part of USDA's new focus on climate smart agriculture under the Biden administration.

"The thing about agriculture and forestry is not only are there opportunities for us to reduce emissions, but there are opportunities for us to have negative emissions," Bonnie says.

At Mehmen's farm, while net-zero for emissions isn't a requirement yet, he knows the conversations are already happening.

"I don't always agree with all of the different standards, but that doesn't matter," Mehmen says. "Those are the standards we will be measured by going forward."

Farm Journal Editor Clinton Griffiths is a TV newsman, turned magazine editor, with a passion for good stories. He believes the best life lessons can be found down a dirt road.

AMERICA'S CONSERVATION AG MOVEMENT

THE NET-ZERO FARMER



COULD CHICAGO'S PROOF OF VACCINATION FOR INDOOR DINING BE BULLISH FOR CATTLE AND HOG PRICES?

By: Tyne Morgan

Concerns over the Omicron COVID-19 variant headlined news last week. As analysts debate what it could continue to mean for commodity markets, Bob Utterback of Utterback Marketing and Mark Gold of StoneX Group both say they are friendly on cattle and hog prices into the New Year, despite continued COVID-19 concerns.

"I am friendly on cattle prices for two reasons," Utterback said on AgDay. "I don't think we've seen a major expansion. The second is, I don't think the virus or the impact on the domestic economy will be as bad and lockdowns won't be as bad as we previously saw. So we'll get back to school systems opening up."

Utterback says the big issue will be the packing industry.

"Will there be any political action against the packing industry to break the industry up and try to pass more of the profit margins from the producer to the consumer, to take some of the profit margin away from the packers? I think that's the big uncertainty for the meat industry looking forward," says Utterback. "But overall, I think prices are in an uptrend."

Gold agrees demand could provide continued support in the cattle complex, but cautions the COVID-19 variants will be something the markets will closely watch.

"The best we can tell now, and we're hopeful of this, is that it peaks in the first three or four weeks and then backs off very quickly," says Gold. "So hopefully, that won't have too much of an impact on the retail demand and beef restaurants will be open."

Just this week, the city of Chicago announced anyone entering certain indoor facilities, including dining, will have to provide proof of vaccination. Gold says that's also something to watch.

"In Chicago, they just passed an ordinance saying that if you're going into a restaurant or a bar, you've got to have proof of vaccination. And I think those kind of moves, whether you like them or not, will certainly help the cattle industry by keeping the restaurants open and moving."

Both Gold and Utterback say with cattle prices today, they think protecting prices will pay in 2022.

"I would not want to be selling the board. I think if we break out of these overhead resistance levels, that could be quite bullish for cattle and hogs in the near term. It's the same old thing, though, if concerns about Taiwan and Russia are revealed, trade sanctions would go in place. The market would be in a tizzy and the downward spikes in the market could be significant," Utterback says.

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