Cow Country Reporter

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News from your CEO

Ma Nature continues to play a major role in the cattle market. Drought conditions forced many cow/calf producers to reduce their cow numbers or completely sell out in our neighboring states to the west. Reports say that Texas reduced their cow numbers by 30% or more. We in Louisiana saw an increase of cows coming to market in July and August. Hay harvest got a good break in September when we had plenty of sunshine, low humidity and wind that cured the cut hay faster than normal. Our marketing of cattle in Louisiana normally peaks in mid-October and starts winding down to Thanksgiving but not so this year, we are probably 2-3 weeks ahead of our marketing trend. The winter wheat area (Texas, Oklahoma, Kansas) got some timely rains in August which allowed them to get wheat planted and growing, however, it turned dry in September and now wheat grazing is pushed back to January unless they get some moisture. If you haven't sold your calves yet, you may want to rough them along through the next couple of months on grass and hay which will allow you to sell weaned calves at a heavier weight.

Enjoy the Fall weather and contact me to set up an information meeting.

* If you have not paid your 2022/2023 CPL dues this may be your last newsletter. Using a credit card go to our website lacattle.org, click on new member and fill out your info or mail $50.00 check to CPL, PO Box 886, Prairieville, LA 70769. We don't want to lose you!

Dave Foster, CEO

Turning a profit in a strange cattle year

Trying to predict what the market will do, is gambling. It's better to focus on the math and consider the sell/buy approach.

By: Doug Ferguson

Some people tell me it has been a strange year. I agree, but the thing is they've all been strange years since Covid. It is so easy to get all caught up in how things are different. Then yesterday I heard the Bon Jovi song with the lyrics "The more things change, the more things stay the same."

In the past year gas is up around 26%, even though the voice on the radio points out to us how it's dropped every day for the last two months. Electricity is up 16% and food is up 12%. I'm getting these stats from some financial articles I read, and I really think they need to go back and check the food increase, because it seems much higher than that to me.

Also, since the start of the year I read that the average mortgage payment has risen ore than 38%. We've just seen the sharpest downturn in housing since 2008. And speaking of 2008 Zerohedge had a chart recently showing how the stock market is behaving exactly like it did before the crash of 08.

I found another article extremely interesting. It showed how housing takes a hard dive every 14 years. The most recent were in 1994, and 2008 and now 2022 is looking much the same. We also recall we had a market crash in 2001 and anyone that owned cattle in 2015 sure remembers that one. What we have is a seven year cycle and guess what year it is.

Getting the right focus

When I went through Ann Barnhardt's marketing school years ago she taught us to ignore market cycles and focus on the math and the relationships between classes of cattle. The marketing skills she taught me and that I now teach others has prospered me, even during the "ugly" times. It's my opinion we should pay attention to these things and be ready.

Being ready does not mean plan on a crash. That is forecasting which is a form of gambling called betting on the come. We would be betting that history will repeat itself. We have all made a bet on a sure thing and lost

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before. What I mean by being ready is having the skill and market literacy to be able to continue to trade in a bear market and still make it cash flow.

In my marketing schools I have an example of a hardware store selling nail guns. The market deflates 75% and cash flows beautifully and even gives us a 30% ROI. We need to know how to market our cattle the same way retail markets their goods, and that is with the sell/buy method. Think about this, even though the price of gas went down we don't see gas stations going out of business or even complaining do we. It is because of the price relationship between the gallons sold and the gallons they are replacing back into their tanks.

Anyone who has crunched some numbers in their business lately is feeling the effect of the rising prices of pretty much everything. The topic I am currently approached about the most is what to do about the high Cost of Gain (COG).

Before I get into the high COG I want to address another thing. Some people already have their minds made up, and they fall back on this old paradigm. They believe they need to save money in the good years to make it through the lean years. Folks this is a poverty mindset. If you do not have a prosperity mindset the money you do have in inventory will do exactly what your mindset is, and it will leave you and find someone else who welcomes it. Money flows to those who invite it, and it stays with those who welcome it. This is why I am so big on having the right mindset. We should be able to welcome money no matter what the conditions or what happens in some goofy year.

Taking on high Cost of Gain

So, what do we do about these high COGs? We use market literacy and evaluate what we have available to us. This week in Oklahoma we could sell eight weight steers and buy back weaned five weight steers with a Return on Gain (ROG) of $1.77. In Nebraska we could sell six weight steers and buy back bawling four weight steers with a ROG of $1.79. In Missouri we could sell seven weight heifers and buy back three weight heifers with a ROG of $1.71. In Kansas we could sell nine weight steers and buy back bawling five weight feeder bulls with a ROG of $2.17

I can do this until the sun comes up tomorrow. What does any of this mean? As long as the ROG is higher than our COG, and I know you are all adding in some profit or cost of living money at bare minimum into the COG, we are making good trades. The problem is if we know how to calculate a ROG. I have no idea how people think they can make some money in the cattle business if they don't know how to do that. I guess that's why they don't need to go to Vegas, they gamble every day

Let me point out I can find these trades in different states, using different weights to sell and different weights to buy back, and as you've seen above I can do it with different sexes. Even with a high COG the market is pretty liquid and for those with a lower COG the market is extremely liquid right now.

Before I move on to cows, I'll wrap up the feeder portion here. Feeder bulls were up to 40 back and bawling calves were up to 25 back. Since I get misquoted all the time, I want to be clear, I have not bought any bawling calves yet. The people that have bought bawlers are telling me it's been tough to keep them healthy.

They've had their fill already and that is why we can see such a discount for unweaned calves. If you are going to wean them commit to it and do a good job. Some of the weaned cattle that come through look a bit suspicious, like they may have had a hard time during the weaning phase, and they will be discounted as well. Some people have had weaned cattle fall apart recently and they prefer to buy them off the cow so they know they are fresh. This is a moving target, to wean or not to wean. The simple answer is if you are going to do it, do a good job at it.

For the cow/calf folks who may be wondering what to do about your high costs. First off, I would suggest being willing to sell some of your breeding stock. The margins between different ages and stages have been very attractive the past year.

Last weekend I got to see a female sale. It the first one I've seen where the offering included a little bit of everything. The female market is over-valued. Everything sold above its intrinsic value.

When we compare similar type and age of pairs to breds, the pairs are over-valued. When we compare age to age their weight affects their value in a big way, even more than stage of pregnancy. The most blown-up example of this is the first-calf heifer. If she is under 1,000-pounds she's a blue light special.

Offsetting high cattle costs

Now how about this to offset some high costs. Sell the spreader and broken mouth pairs and replace with a bred heifer that is under 1,000-pounds and in first stage. The pair has a higher intrinsic value than the heifer but, the actual price difference between the two shows we could be getting paid much more for that value than it is really worth. Not to mention we got rid of the old cow and replaced with a much younger one and we got paid to do it!

Maybe you have an abundance of feed and because of that your bred heifers are the ones that weigh over 1,000-pounds. Some of them sold well enough that we could sell one of them and buy two of the one-and-done cows, and still have a little cash left over after buying the second cow. Not to mention we no longer have to worry about pulling calves because we have mature cows that know what they are doing.

If what I think is about to happen actually happens, sell/buy skill is the only thing that will keep you in the black.

The opinions of Doug Ferguson are not necessarily those of beefmagazine.com or Farm Progress.

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Ending Beef Exports/Imports Would Cost Cattlemen $Billions

By: Greg Henderson

Entirely ceasing U.S. international beef trade would be an economic catastrophe for America's beef industry, and retail beef would be even more expensive for American consumers. That's the conclusion of a new economic report co-authored by livestock economists Glynn Tonsor, Kansas State University, and Derrell Peel, Oklahoma State University.

Even a 10% reduction in U.S. beef exports and imports would cause a significant disruption to prices and quantities of both feeder cattle and fed cattle. Summarizing their analysis in an interview with Drovers, Tonsor and Peel said the cumulative loss from a 10% reduction in exports and imports over 10 years would create an economic loss of $12.9 billion to feeder cattle sellers and $6.8 billion to fed cattle sellers.

The report, "Assessing Economic Impact That Would Follow Loss of U.S. Beef Exports & Imports," outlines why the U.S. trades beef internationally, summarizes historical beef trade data, quantifies national fed and feeder cattle market impacts that could follow loss of beef trade, and allocates national impacts to state-level impacts. The report was prepared for the Kansas Beef Council, the Oklahoma Beef Council, and the Texas Beef Council.

"It's hard to over-state the complex and ever-growing role of beef export and imports," the authors said. "Beef export and imports combine to provide opportunities to increase value to the U.S. industry by exporting products that have more value in foreign markets and importing products that can be sourced more economically in international markets."

As a point of emphasis, "there's value in both imports and exports for American cattlemen," Peel said. "We're seeking out value and benefit both ways."

The analysis was initiated by a "long-term interest in understanding the trade more," Tonsor said. "Industry stakeholders want to understand it better and the pandemic magnified some of that interest."

Specifically, when COVID disrupted the beef industry in the spring of 2020 and beef processing slowed to a trickle and retail demand skyrocketed, many industry stakeholders wondered why the U.S. continued to import and export beef internationally.

Peel said understanding the ramifications of beef trade is an ongoing interest for cattlemen which led to the project to assess the impact of trade on the U.S. beef industry.

The review found the mix of countries the U.S. exports beef to has developed resulting in a more diverse, less concentrated export portfolio. Conversely, sources of U.S. beef imports have comparatively fluctuated less over time.

"Implied trade prices clearly show the U.S. receives a higher dollar per pound value for exports than it pays for imports reflecting core differences in product type and the role of each transaction in adding economic value," the authors wrote. "From 2016 through 2020, the U.S. experienced average annual unprepared beef exports of 2.05 billion pounds, export value of $6.4 billion, and implied export price of $3.13 per pound. Conversely, 2016-2020 average annual unprepared beef imports were 2.30 billion pounds, import value was $5.8 billion, and implied import price was $2.52 per pound. These statistics clearly indicate participation in the global market provides a net economic gain."

Extrapolating the 10% loss of beef trade in the author's example cited earlier to a more extreme, full 100% loss would suggest a catastrophic impact, "broadly approximated at $129 billion for feeder cattle sellers and $68 billion for fed cattle sellers reflecting a much smaller overall industry."

Impact on Consumers

Cattlemen are not the only ones to benefit from international beef trade. Without such trade, retail and food service beef products are more expensive for American consumers.

The ground beef market provides an example.

"We would not be able to supply the ground beef market at the size it is today" without imports, Peel said. "Or, if we did, it would be because we were grinding a lot of more expensive lean products out of the U.S. domestic supply to make it work. That would inevitably have a big impact in terms of raising the price of ground beef and taking that value away from other markets where it's currently being used."

Imported trim makes up just over half of beef imports and is used primarily for ground beef but also for a variety of other processed beef products including sausage products, the authors wrote. Processing beef is also used for numerous prepared products including frozen meals, entrees and other processed products. While some processed products appear at retail, most imported trim is used for food service ground beef.

Reliance on imported beef has remained relatively steady, but U.S. beef exports have grown increasingly important. Peel and Tonsor note that the U.S. Meat Export Federation provides estimates of the per head slaughtered value represented by beef and variety meat exports. That value was about $300 per head in 2014 and had grown to more than $400 per head by November 2021.

"Since 2015 the percent of fed cattle value derived from exports has continued to grow relative to volume," Peel and Tonsor wrote. "For instance, current estimates for 2021 indicate 22% of fed cattle value is attributable to exports vs. only 15% of production (when considering both beef and variety meat). This is a classic example of demand growth and likely reflects increasing success in getting U.S. products in the hands of those most valuing them."

Peel and Tonsor said the economic importance of beef exports and imports is substantial and growing with time. "In the absence of beef trade, the entire industry would shrink significantly."

Welcome to Fall

Deadline extended for grazing lands conservation agreements

The USDA is investing up to $12 million in partnerships that expand access to conservation technical assistance for livestock producers.

Sep 22, 2022

The U.S. Department of Agriculture (USDA) has extended the application deadline for Grazing Lands Conservation Initiative Cooperative Agreements (GLCI) from Sept. 22 to Oct. 6, 2022. USDA is investing up to $12 million in partnerships that expand access to conservation technical assistance for livestock producers and increase the use of conservation practices on grazing lands.

Project proposals for GLCI Cooperative Agreements will identify and address barriers to accessing grazing assistance for producers. These partnerships are encouraged to include outreach and support for reaching historically underserved producers. Projects must address one or more of the following priorities:

- Address local natural resource concerns.
- Use climate-smart agriculture and forestry practices and principles.
- Encourage existing and new partnerships through emphasizing equity in advancing the resource needs of underserved communities.
- Identify and implement strategies to quantify, monitor, report on and verify conservation benefits associated with grazing management systems.

See the August 8 announcement for more information. To apply, visit the funding opportunity on grants.gov .

USDA touches the lives of all Americans each day in so many positive ways. In the Biden-Harris administration, USDA is transforming America's food system with a greater focus on more resilient local and regional food production, fairer markets for all producers, ensuring access to safe, healthy and nutritious food in all communities, building new markets and streams of income for farmers and producers using climate smart food and forestry practices, making historic investments in infrastructure and clean energy capabilities in rural America, and committing to equity across the Department by removing systemic barriers and building a workforce more representative of America. To learn more, visit usda.gov .

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