Cow Country Reporter

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News from your CEO

The biggest news in the cattle business was the 2-day hearings in the U.S. Senate and in the House of Representatives, on the Cattle Price Discovery/Transparency Act introduced by Senators Grassley and Fisher. Those for the bill want more competition in the "fat" cattle market (slaughter steers and heifers) and those opposed don't want government mandates. The Ag Committee for the Senate heard testimony from 2 USDA representatives that will be charged with developing the cattle price library as well as 2 producers, Ricky Ruffin from Mississippi and Shelly Ziesch from North Dakota, both for the bill and Shawn Tiffany owner of Tiffany Feedyards, KS. and Dr. Koontz, an economist from Colorado State both against the bill. The following day in the House Ag Committee hearing they had testimony from two producers who were for the bill, and the President from NCBA who was against it. The CEOs from the 4 major packing companies testified against the bill. Your CPL executive committee has always supported the bill because we know competition in the marketplace is a major factor in price discovery.

This is the month to follow up with your marketing rep. to decide when to sell your calf crop. Demand should be good for our calves going to a summer graze-out program and also later (Aug./Sept.) to go to ryegrass and wheat pasture. Beef cow slaughter continues to be high, 6% higher in April compared to April 2021 and replacement heifer and cow prices have not increased in price proportionately. Demand and prices for replacement cattle should increase as we move into the last half of 2022 as drought-stricken states continue to sell cows. This may be the time to have some information meetings in your area to discuss marketing options. Let me know! Honor your mother this month!

Dave Foster, CEO

The Cow Herd Numbers Game

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

Through mid-April, beef cow slaughter is up 16.9 percent year over year; a surprisingly strong rate of cow slaughter for this time of year. This likely reflects continuing drought impacts carried over from last year, combined with very strong cull cow prices and limited forage prospects going forward. The fast pace of cow slaughter thus far implies the likelihood of significant beef cow herd liquidation in 2022. Liquidation is expected to continue in the first half of the year unless drought conditions improve immediately and significantly. Cow slaughter could moderate late in the year if early culling and overall lower cow numbers result in lower seasonal slaughter in the fall.

However, the numbers tell the story. The current pace of beef cow slaughter suggests an annual beef herd culling rate of 13.8 percent, a record in data back to 1986. The beef cow inventory would likely decrease by 4 percent year over year with the January 1, 2023, inventory dropping below 29 million head. This would be the largest annual beef cow herd decrease since the mid-1980s. The current beef cow slaughter pace will probably not continue all year. In order for annual beef cow slaughter to average, say 13 percent higher year over year, average beef cow slaughter for the remainder of the year would have to average 11.6 percent. In that example, net beef herd culling would still be over 13 percent this year. The result would likely be a January 1, 2023, beef cow inventory in the vicinity of 29.0 million head, down over 3.5 percent year over year. If annual beef cow slaughter equaled last year's nine percent year over year increase, slaughter would have to average 6.1 percent higher year over year for the remainder of the year. That level of decrease in the slaughter rate (from the current 16.9 percent rate) seems unlikely at this point. In this case, the net herd culling rate would be just under 13 percent (though still a record level) and the 2023 beef cow

(continued on page 2)

The Cow Herd Numbers Game

herd could be roughly 29.2 million head, down about three percent year over year.

All of these outcomes depend on drought in the coming weeks and months. Dramatic and immediate improvement in drought conditions could allow the industry to avoid these rather dire results. The next few months will likely have impacts on the cattle industry for several years. Drought conditions that result in the levels of liquidation described above would also prevent retention of replacement heifers. This implies that, if conditions do not improve until late this year or into next year, better conditions in 2023 would, at best, allow the industry to stabilize inventories and lay the groundwork to begin recovery in 2024 at the earliest.

There is, however, some optimism. As May begins, we are seeing some rainfall in parts of western Oklahoma that have seen very little moisture in six months. The latest Climate Prediction Center seasonal drought outlook map now shows prospects for some drought improvement in the Plains, though drought is expected to continue. The next few weeks are critical.

Derrell Peel, OSU Extension livestock marketing specialist, discusses the latest USDA Cattle on Feed report and says the markets are already seeing the effects of drought-related liquidation and movement. https://www.youtube.com/watch?v=3SFa_pSvsnw

Meat Institute: Packer Margins Since 2015 Due to Increased Herd Size

By: North American Meat Institute

The North American Meat Institute (Meat Institute) Answered Questions Asked Of Meat And Poultry Industry Companies By House Agriculture Committee Chairman David Scott During A Hearing On Beef And Cattle Markets:

"The analysis of beef and cattle market margins from 2015 are not in dispute," said Julie Anna Potts, President and CEO of the Meat Institute. "Cattle prices hit record highs in 2014 and 2015, when the overall cattle herd was at its smallest since 1952 (for context, that was during the Truman Administration). Those record prices incentivized rapid herd expansion among producers.

"While the beginning-of-the-year cattle inventory in the U.S. hit its peak in 2019, given the time needed to raise a calf to market weight, the supply of feeder cattle in the herd on the first of the year did not peak until January 2020. Total feeder cattle supply began 2020 at the highest level in more than a decade.

"Two and a half months later, in March 2020, COVID hit. Slaughter plants were idled beginning in April. By the week ending May 1, 2020, weekly slaughter dropped by 40 percent and didn't recover until late June, but still lagged behind what would have been normal volumes during the season.

"If Chairman Scott wishes to consider the entire beef supply chain from beginning to end, he should consider the margins for producers as well. No sector – cow-calf, feedlot, nor packer – has realized positive margins every year. For example, the four-firm concentration ratio in 2014, when cow-calf and feedlot margins were at record highs, was the same as in 2017 when all three sectors showed positive margins. In fact, the four firm ratio has not changed appreciably since 1994. However, over this more than 25-year timeline, the cow-calf sector suffered negative margins the fewest number of years of the three as the chart below shows."

Ground beef a relative bargain — for now

Beef Outlook: The ground beef supply grows as cow slaughter continues across the U.S. because of drought conditions.

By: Scott Brown

Consumers have a lot of ground beef available, but that could change.

Although retail beef prices are up across the board, recent market developments in the cattle sector have affected certain beef products differently than others. With beef cow slaughter remaining well above year-ago levels, even as the cow herd and other inventory categories shrink, the amount of ground beef available for consumers has grown while the production of other beef products is declining.

From the third quarter of 2021 through the first quarter of this year, the amount of federally inspected beef production from steers and heifers is 1.1% lower than the year-ago amount, while beef produced from cow and bull slaughter is up 6.3%. The fact that both beef imports (+12.8%) and beef exports (+11.9%) have grown sharply since the third quarter of 2021 adds to the disparity.

Although it is not a perfect translation to say that cow and bull slaughter plus beef imports equal ground beef production while steer and heifer slaughter and exports are comprised of other beef products, the product mix from these sources tilts strongly in that direction.

Supply situation

While demand factors are also at play regarding prices for different beef products, the relative supply story is very apparent when examining the consumer price index for different beef products.

Since the beginning of 2021, the change in the CPI relative to the previous year has been lower for ground beef than that for beef steaks, beef roasts, and the CPI for all beef and veal.

While it is not uncommon for price movements among beef products to vary for short periods of time, the magnitude and duration of the differences in the CPI in recent months are unusual.

Even when accounting for the drought conditions that have plagued much of the western U.S. for quite some time, the level of beef cow slaughter has been abnormally high in recent months. Monthly data through March reports year-to-date beef cow slaughter 17.3% above 2021, even though we began the year with a smaller beef cow inventory than in 2021.

The most recent weekly data suggests that this trend is not yet showing signs of slowing. Barring a significant future revision to cattle inventory numbers, the rate of beef cow liquidation that we are currently experiencing has only occurred two other times (2011 and 1996) since the mid-1980s.

Stock up on ground beef

(continued on page 3)

Ground beef a relative bargain — for now

Elevated ground beef supplies are providing consumers a relatively affordable product at a time when the price of almost everything is increasing.

The annual change in the CPI for ground beef has trailed the overall beef and pork CPI for each of the past 12 months, but as has been repeated often in recent months, the current level of ground beef and overall beef production is unsustainable in the long term.

The longer it continues now, the tighter that beef supplies will become in the future as the production base of the industry (beef cows) continues to shrink. When that time comes, beef and cattle prices will almost certainly move higher as ground beef and overall beef availability declines.

Fill your freezers and make plans for your cattle operation accordingly.

Brown is a livestock economist with the University of Missouri. He grew up on a diversified farm in northwest Missouri.

What are my options when I am out of grass?

Supplementing protein on grass will not reduce grass intake.

By: Karla H. Wilke, Mary Drewnoski-- University of Nebraska-Lincoln

As the drought that has plagued the western Great Plains for over a year spreads across the Midwest, producers are making hard decisions about cowherd management. Drought is no stranger to most cow-calf producers so most have a plan for culling decisions related to about 20% of the cow herd. When drought threatens the grazing resources for the other 80%, difficult decisions have to be made. The first question that must be answered is should I feed them or sell them. This article explores some feeding options producers may have, but cost of production and opportunity costs will need to be carefully evaluated for each one.

Annual forages

For those with irrigated cropland, annual forages may be a means of providing grazing when perennial forages are limited. Planting spring cool season annuals such as oats, rye, triticale, or mixtures containing brassicas can stretch the grazing season and delay liquidation or confinement for a time. Producers might also consider "forage chains" in which the spring planted cool season annual is followed by a warm season annual for grazing, haying, or chopping as silage, followed by another cool season crop for late fall or following spring grazing. The cost of seeding, fertilizer, and water need to be evaluated against other feeding options. Additionally, with current commodity markets, the opportunity cost of planting forages vs. planting grain commodities must be carefully considered.

Feeding supplemental feed on pasture to stretch grass

Supplementing protein on grass will not reduce grass intake, in fact, it will likely increase grass intake, especially when grass quality is low. However, mixing a wet, high-quality feed like wet distillers grains, with a low quality roughage such as ground crop residue can replace some grazed forage and help meet the nutrient needs of the pairs. Research has suggested this forage replacement is most likely to be 0.50 pounds of forage dry matter for every 1.0 pound of a mixture of 30:70 wet distillers and wheat straw on a dry matter basis. This means of drought mitigation is something that needs to be planned and implemented to stretch pasture and is not meant to be used as a means of retaining cattle on a pasture that already needs grazing deferment as this will not prevent overgrazing.

Early weaning

Early weaning (less than 180 days of age) can be a useful drought mitigation tool. This removes the calf who is likely eating 1.5% of BW on a dry matter basis in forage from the pasture and also removes the demands of lactation from the cow and may reduce her intake by 20%. Calves who are early weaned need a source of rumen undegradable protein such as distillers grains to replace what they were receiving from milk or they will likely not gain over 1-1.5 pounds/day. Additionally, they need highly digestible feed that will not slow passage rate through the rumen and reduce intake, thus the quality of hay used is very important. Producers who want to early wean calves may find it advantageous to feed the calves to a more traditional market weight, but need to carefully evaluate the cost of gain against the value of that gain, particularly with today's high commodity prices. The cow may then graze the pasture longer without the demands of lactation and the calf's forage intake, or the cow may be maintained in confinement, which can be done with by-products and residues.

Confinement feeding production cows

Limit feeding nutrient dense diets to cows in confinement has been shown to be successful. When limit feeding a diet based on low quality forage and distillers grains the efficiency of the early weaned calf vs. feeding the lactating cows was similar. Early weaning, however, does allow the calves to be fed a diet that is better suited to their needs which can allow for increased gains. However, recent research suggests the most economical return is to feed calves a creep ration through a creep gate while allowing them to nurse the limit fed cow. Those that can mix a separate ration for the calf, similar to that which would be fed to an early weaned calf, can get increased gains and profit. However, for some producers, creep rations may not be feasible. Calves of limit fed cows that are not fed a creep ration will have limited access to feed and thus lower gains. The lower feed costs may not make up for the lower gains resulting in lower profitability at normal weaning time. However, due to the lower gains these calves will experience some compensatory gain, thus retaining the calves for a growing period can result in improved profitability.

While there are options for feeding cattle when grass is limited, producers want to carefully evaluate the cost of feeding the cattle against the value of the cow-calf pairs.

Brazil beef exports soar to U S while facing China bans

By: Peter Thomas Ricci

The Brazilian beef market is experiencing dramatically different export opportunities between two of its largest customers — the United States and China.

For the U.S., imports from Brazil are soaring. According to the Daily Livestock Report, Brazil has accounted for 15% of all beef imports thus far in 2022, up from just 2% in the same time period in 2021. Because of those imports (many of which are lean beef trimmings), U.S. beef imports are up 30% over last year.

DLR credits two market conditions for those strong imports. One, exchange rates between the U.S. dollar and Brazilian Real mean that U.S. prices for Brazil's beef are "far better than [what] most countries can offer, with the exception of a few Asian countries." Two, while U.S. and Canadian cattle inventories have declined in recent years, Brazil's cattle herd is expected to rise by 1.4 million head in 2022, or 3.9%.

Uncertain demand from China

An additional factor in Brazil's international meat trade is demand from China, which has been inconsistent in recent months.

Last fall, two atypical BSE cases in Brazil resulted in a ban from China (and subsequent production halts in Brazil). And in the last month, China's General Administration of Customs has suspended imports from JBS SA and Marfrig on two separate occasions, with the most recent ban lasting from April 15 to 22. According to Reuters, Chinese technicians detected a nucleic acid of the omicron variant of COVID-19 on packages of imported Brazilian beef, which prompted the temporary ban.

China has deal with strict COVID-19 lockdowns this spring that have halted aspects of the international meat trade. At one point, shipping giant AP Moller-Maersk A/S stopped bookings on refrigerated containers into Shanghai, as the lockdowns have hindered the transportation of meat and seafood.

USDA Designates 56 Louisiana Parishes as Primary Natural Disaster Areas

Use the link below to access the USDA press release:

https://www.fsa.usda.gov/state-offices/Louisiana/news-releases/2022/usda-designates-56-louisiana-parishes-as-primary-natural-disaster-areas

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