

# Cow Country Reporter



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### News from your CEO

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Dave Foster  
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The year 2022 has made the halfway mark! Can you believe it? Here we are in June and the calf market is trying to gain some price increase. The next two months will tell the story if stockers want off their summer grass. Timely rains in the Midwest have added an increase in available forages. This fact coupled with light supply of calves suitable for grazing may increase prices paid for our calves under 600 lbs. Put a pencil to the weight of your Fall-born calves and see if you are willing to take a profit of \$100.00 - \$150.00 per head for your five weight calves. Spring-

calf producers need to be following the market closely also to see if they want to market their calves earlier than August and early September. Check with your marketing rep.! Cattle numbers will definitely be lower when the Fall marketing season begins so be aware of the market. Yes, there will be less calves available, however, there will also be higher input costs for the buyers; trucking, fuel prices and feed cost to name a few.

Remember Father's Day, June 19, and the first day of summer June 21. Keep those calves growing and gaining weight!

*Dave Foster, CEO*

## USMEF EXAMINES STRONG GLOBAL DEMAND TEMPERED BY GROWING ECONOMIC CHALLENGES

*Experts share insight on first quarter red meat exports, foodservice and retail trends, and the globalized trade in this recap from The U.S. Meat Export Federation (USMEF) Spring Conference in San Antonio, Texas.*

By: Industry Press Release

The U.S. Meat Export Federation (USMEF) Spring Conference got underway Wednesday in San Antonio, attracting a diverse range of participants including pork, beef, lamb, corn and soybean producers, as well as packers, processors, exporters and traders from throughout the United States.

USMEF Chair Mark Swanson, who recently founded food safety consulting firm Tru Grit KGMS Enterprises LLC, welcomed attendees and urged them to take the opportunity to visit one-on-one with a strong contingent of USMEF's international staff from Asia, Mexico, Central and South America, the Caribbean, Europe and Africa. Due to COVID travel restrictions, this is the first time since 2019 that most of these staff members have participated in an in-person USMEF conference.

USMEF President and CEO Dan Halstrom followed with an overview of first quarter red meat export results, which were impressive despite mounting economic and logistical challenges. Halstrom is optimistic that exports will post a strong performance in 2022, but cautioned that across the globe, inflation is definitely pressuring consumer spending power.

"To date, demand for U.S. red meat has been as strong as I've ever seen in all my years in the meat business, and remarkably resilient," he said. "But the question in my mind is, at what point do these inflationary pressures start to constrict disposable income for the global consumer? At what point will we see a crack in demand?"

Halstrom also highlighted foodservice and retail trends that exploded during the pandemic and are likely here to stay, such as takeout ordering from ghost kitchens and grocery sales through e-commerce platforms. He concluded by noting that last year total U.S. red meat exports soared to a record \$18.7 billion. While more moderate growth is projected this year, he said exports could approach the \$20 billion milestone.

Wednesday's general session also featured a keynote address from acclaimed author and consultant Peter Zeihan, who described a global geopolitical system that seems headed toward chaos. Zeihan discussed

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## **USMEF EXAMINES STRONG GLOBAL DEMAND TEMPERED BY GROWING ECONOMIC CHALLENGES**

the impact of Russia's invasion of Ukraine on global agricultural trade and production, as well as its effect on energy supplies and manufacturing. He also focused on how China's COVID lockdowns have impacted the global economy and highlighted demographic trends and geopolitical issues that are shaping critical world events.

Zeihan sees the relatively stable period of economic growth driven by globalized trade coming to an end, replaced by a new era characterized by labor and supply shortages, an environment of constrained capital and rising inflation. On the agricultural side, these trends are exacerbated by the war in Ukraine as sharply reduced production of wheat and the cost and availability of fertilizer, nitrogen, potash and other inputs will severely limit global food production for an extended period. He projects that food insecurity will rise around the globe and says conditions are ripe for regional famines. Zeihan noted, however, that while American farmers and ranchers face sharply higher input costs, their production and supply chain challenges are not as drastic as in many other regions. So despite significant obstacles, he emphasized that U.S. agriculture is well-positioned for robust growth over the next 10-12 years.

Thursday's general session featured a discussion of U.S.-China trade relations, including a look at the market access gains for U.S. red meat achieved in the Phase One Economic and Trade Agreement. Panelists for this session were former U.S. Ambassador to China and longtime Iowa Governor Terry Branstad and USMEF Senior Vice President for the Asia Pacific Joel Haggard.

The conference concluded Friday with a panel discussion examining creative programs USMEF has designed in emerging markets to expand the range of U.S. red meat cuts available in wet markets and butcher shops.

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## **GROUND BEEF DEMAND CONTINUES STRONG**

*Strong demand for the past year has kept the wholesale price of ground beef near record levels.*

By: Derrell Peel

Memorial Day is perhaps the biggest hamburger grilling day of the year, possibly rivaled by Independence Day. Ground beef demand has continued strong for the past twelve months after rising sharply in the second quarter of 2021 (indicated by the prices in the figure below).

The ground beef market is large and complex with two major demand channels in retail grocery and food service. These market channels utilize different and largely separate supply chains that depend on a wide variety of lean and fat sources. Clark (2019) provides a more detailed account of the ground beef market, which is summarized below.

Ground beef at retail grocery typically depends almost exclusively on domestic sources of fresh beef, often marketing ground beef from specific primal sources such as ground chuck, ground round or ground sirloin. Retail grocery ground beef utilizes fatty trimmings from fed steers and heifers as well as lean beef from cow and bull slaughter, all frequently primal specific, and may include whole muscle grinds. Retail grocery frequently includes a wide range of lean to fat ground beef products ranging from 70 percent lean (the minimum to be called ground beef) to over 90 percent lean.

Food service ground beef uses a wider range of lean and fat sources. In Quick Service Restaurants (QSR), in particular, margins are extremely narrow and specialized grinders monitor a wide range of ground beef sources to control the price of ground beef within the specifications of each restaurant customer. Each restaurant chain specifies one or more lean to fat formulations, with the exact lean to fat ratio proprietary to each company. Food service ground beef will include a wide range of fresh and frozen beef trimmings from domestic as well as (mostly frozen) imported lean beef trimmings.

The ground beef market plays a critical role to balance supply and demand for the vast array of products produced by the beef industry. While the trimmings are always utilized in ground beef or other processed products, whole muscle cuts may move into or out of ground beef formulations as the supply as well as the demand for those products as muscle cuts fluctuates.

Chuck products may enter ground beef grinds if they are cheap enough but increased export demand for these products, particularly in Asian markets, have reduced the use of chuck muscles in hamburger grinds. Beef products from the round are leaner and may be used to provide the additional lean needed for ground beef, but compete with higher value uses of these products, especially for processed products such as jerky.

Fed steers and heifers produce significant amounts of fatty trimmings, which require additional pounds of lean product to make ground beef. For example, one pound of 50 percent lean trimmings, mixed with five pounds of 90 percent lean trimmings, will produce six pounds of 83.3 percent lean ground beef. While there are many ground beef formulations and many product mixes to achieve them, this 5:1 ratio of 90 percent lean to 50 percent lean trimmings is representative of the ground beef market. The figure below shows the wholesale price for this combination of 90s and 50s for the past several years. Strong demand for the past year has kept the wholesale price of ground beef near record levels, exceeded only by the brief spike that occurred in the initial stages of the pandemic in 2020 and a few months of reduced supply in 2014/2015.

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## **PEEL: GLOBAL BEEF UPDATE - EXPORTERS**

By: Derrell Peel - Oklahoma State University

In recent weeks, the USDA Foreign Agricultural Service has posted numerous country reports from beef producing, consuming and trading countries, culminating in the April release of the Livestock and Poultry: World Markets and Trade report. These reports provide the most current assessment of the global livestock and poultry market situation.

Global beef production is projected to expand in 2022 with increased production in Brazil, China, India, Australia and Mexico offsetting decreased production in the U.S., Canada, the European Union (E.U.) and Argentina. Global beef trade is projected to continue expanding to new record levels in 2022.

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## PEEL: GLOBAL BEEF UPDATE - EXPORTERS

Brazil is projected to be the largest beef exporting country again in 2022 with exports forecast to increase 12.1 percent year over year. Brazil has been the largest beef exporting country for the last five years consecutively and the largest in 14 of last 20 years after first becoming the largest exporting country in 2004. Brazil is projected to account for 22 percent of global beef exports this year. After disruptions in 2021, Brazil is again exporting beef to China/Hong Kong. Exports to the U.S. increased by 131 percent in 2021 and are sharply higher thus far in 2022, following increased Brazilian market access for fresh product in early 2021. However, Brazil will encounter sharply higher tariff rates in 2022 for exports to the U.S. once the “other country” Tariff Rate Quota (TRQ) is met.

The second tier of beef exporting countries are a much smaller second, third and fourth place behind Brazil. The U.S., India and Australia are all roughly the same size as exporters. By a small margin, the latest USDA forecast is for the U.S. to be the second largest beef exporting country for the second consecutive year in 2022, with total exports just 58 percent of exports from Brazil. U.S. beef exports are expected to decline modestly from record 2021 levels but will remain at historically high levels.

India is forecast to be the third largest beef exporting country in 2022 with exports increasing year over year from 2021 levels. India was the largest global beef exporter from 2014-2016 but slowed and declined to a recent low in 2020 before recovering. Production of bovine meat in India includes beef and meat from water buffalo (carabeef).

Australia is forecast to be the fourth largest beef exporting country in 2022. Beef production in Australia dropped to the lowest level more than two decades in 2021 as the industry began to rebuild from several years of drought-forced liquidation. Beef exports are forecast to increase by 14.2 percent year over year in 2022. Australia accounted for just 12.3 percent of U.S. beef imports in 2021, the lowest on record. This compares to an average share of nearly 29 percent for the prior 20 years.

The top four beef exporting countries represent about 60 percent of the 2022 projected global total in the USDA report. The third tier of beef exporting countries begin at about half the level of Australia, and these include Argentina, the E.U., New Zealand, Canada and Uruguay. Collectively, exports from these five countries are projected to decrease by 3.4 percent in 2022, with only the E. U. showing a slight increase in exports. Together, the top nine exporting countries are forecast to account for nearly 87 percent of global beef exports in 2022. Additionally, beef exports from Mexico and Paraguay are forecast at slightly more than half of the Argentina level and bring the total share of the top eleven beef exporters to 93 percent of the global total in 2022.

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## CLIMATE CHANGE COULD SPELL THE END FOR MIDWESTERN CORN, STUDY FINDS

By: Ben Adler, Senior Editor, Sourced from Louisiana Farm Bureau News “The Daily Voice”

The midwestern Corn Belt — which roughly covers parts of Indiana, Illinois, Iowa, Missouri, Nebraska and Kansas — will be “unsuitable” for cultivating corn by 2100 if climate change continues on its current trajectory, a new study finds.

“The future climate conditions ... will significantly reshape biophysical suitability across the Central and Eastern U.S., causing a near collapse of corn cultivation in the Midwestern U.S. by 2100,” the study, published in Environmental Research Letters, concludes.

Using climate and soil data, Emory University environmental studies professor Emily Burchfield modeled where crops would be successfully grown in a warmer future. Burchfield found that under scenarios with high or moderate greenhouse gas emissions, the climatic conditions necessary to grow corn, soy, alfalfa and wheat will all shift notably northward, “with the Corn Belt becoming unsuitable to the cultivation of corn by 2100.”

Burchfield’s paper suggests that changes to the way crops are grown will be necessary to continue corn farming in the United States.

“These projections may be pessimistic because they don’t account for all of the ways that technology may help farmers adapt and rise to the challenge,” Burchfield said in a press release from Emory.

In fact, Midwestern farmers have already been successfully adapting to climate change. Due to a variety of technological advances, U.S. farmers today harvest more than five times as much corn per acre as farmers did 100 years ago. Some of these changes, according to a 2018 study in Proceedings of the National Academy of Sciences, have been helpful to combating rising temperatures. For example, because plants have a cooling effect on their local environment, planting closer together has reduced the effects of global warming on corn crops. Farmers also have adjusted to higher temperatures by planting crops earlier in the season and cross-breeding more with more heat-tolerant Mexican varieties of corn.

As a result, and in part because of the usual annual variation in weather, many in the Midwestern corn industry haven’t necessarily experienced any harmful impacts from climate change yet, although some note that rainfall patterns have been fairly extreme in recent years. Some U.S. farmers stopped planting corn after punishing droughts in 2007 and 2012.

“It’s hard to gauge what actually is the trend,” Taylor Moreland, owner of Moreland Seed & Soil in Centralia, Mo., told Yahoo News. “In 2012, that was a horrible drought, Midwest-wide, that was a terrible drought and there were massive losses across most farms. 2013 was kind of a drought as well. And then ’14 was awesome, ’15 was extremely wet, to the point where a lot of corn couldn’t get planted at all because if the ground is wet you can’t plant ... ’16 was another great year, ’17 was a great year, ’18 was a great year. And then, really, the past three years have been all so wet, where you typically want to plant corn in April and most farmers around here haven’t been able to plant all their corn yet this year at all, because it’s been so wet.”

But Moreland, who grew up on a farm in Missouri, pointed out that the Midwest has always seen wide fluctuations in weather.

“The weather patterns do tend to change,” he said. “If you track back before I was doing this, we had droughts, we had wet years, we had hot years. I remember my grandpa talking about this, how there were a

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### **CLIMATE CHANGE COULD SPELL THE END FOR MIDWESTERN CORN, STUDY FINDS**

couple years in a row where they'd have crops burn up and the family would be broke.”

To the extent that farming is given up altogether in some areas, that could actually help mitigate climate change, as former farms could, in theory, become valuable sinks for absorbing carbon dioxide from the atmosphere — but only if the land is allowed to lie fallow without being redeveloped for half a century or more, according to a new study in the journal *Science Advances*.

While the current Corn Belt could lose its titular crop, places like northern Minnesota and parts of Canada could become well suited to growing corn for the first time.

The Intergovernmental Panel on Climate Change has found that droughts, temperature extremes and more prevalent pests will decrease agricultural yields. The IPCC calls for swift, massive reductions in greenhouse gas emissions to avert catastrophic climate change and the widespread famine that could result.

Burchfield said that American farms will be more resilient against climate change if they switch from monoculture — a single commodity crop planted in rows — to farms that integrate more diverse crops.

“Relying on technology alone is a really risky way to approach the problem,” Burchfield said. “If we continue to push against biophysical realities, we will eventually reach ecological collapse.”

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### **DIRECT BEEF SALES PROGRAM TO ADDRESS LEGAL, ECONOMIC ISSUES**

*Tiffany Dowell Lashmet discusses upcoming free sessions in her latest Texas Agriculture Law Blog.*

Are you interested in selling beef directly to the consumer? What type of insurance do you need? How do you set your prices? Do you need any permits? Will it increase your profits? Not sure where to start? Wonder what mistakes people have made getting their business off the ground? We've got the program for you!

Justin Benavidez, Texas A&M AgriLife Extension economist, and I will be hosting two in-person programs focused on the legal and economic issues related to direct beef sales. These day-long programs will cover a variety of issues with speakers including Extension Meat Specialist Jade Cooper, Benavidez, a panel of business owners engaged in direct beef sales, and myself.

Here's the exciting part...these programs are free! We will also feed you lunch and provide a copy of our direct beef sales handbook.

We're offering two live sessions.

We will be in Amarillo on Monday, June 20. [Click here](#) to register.

We will be in Brenham on Friday, August 26. [Click here](#) to register.

Funding for these programs is provided by the Southern Extension Risk Management Education Center.

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