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

News from your CEO

February is a busy month, as well as the shortest of the year. We have Ground Hog Day (Feb.2) and he saw his shadow in Pennsylvania which according to folk lore means 6 more weeks of winter. Valentine's Day (Feb. 14) a big "eating out" event where beef is very popular and then there is Ash Wednesday (Feb.22) which is the beginning of the Lenten Season (7 weeks) and meatless Fridays.

In 2023 beef demand is still gaining ground and with the U.S.D.A. Cattle Inventory (released Jan. 31) showing 3% less total cattle, 4% less beef cows, 6% less beef replacement heifers coupled with 2% lower calf crop lends itself to higher cattle prices this year. So far, the market is proof that prices will increase. Look at the Louisiana cattle numbers in our newsletter and make sure you read Dwane Link's article about calculating your mama cow cost for the year. He will follow up in March with a formula to figure a cost. One really will not know if their cow/calf operation is making money without knowing this cost.

Check our website under "calendar and events" for the Allen Williams BDA Farm tour in April. This event will be a good trip and the price is right. Use the tools that current information provides to make sound marketing decisions. Have a productive month and may the Spring season bring an abundance of forages.

Dave Foster, CEO

Less Heifers in Feedlots...Finally

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

The January Cattle on Feed report from USDA-NASS showed the fourth consecutive month of declining feedlot inventories starting in October. The January 1 on-feed total for feedlots with capacity of 1,000 head or more was down 2.9 percent year over year. The January 1 feedlot total of 11.682 million head was larger than the December 2022 total by a scant 9,000 head but still below the November total of 11.696 million head. It looks increasingly like the early November seasonal peak will hold. If so, the November total was 4.1 below the previous seasonal peak in February 2022 and suggests sharply tighter feedlot numbers going forward.

December marketings were down 6.1 percent year over year, close to pre-report expectations. The marketings number is in line with December fed (steer + heifer) slaughter, which was down 5.9 percent year over year. Feedlots appear to still be current though the lower December marketings may reflect delayed shipments due to the December winter storm.

December placements were down 8.0 percent year over year, also as expected. Monthly feedlot placements were down year over year in nine of the twelve months of 2022. Total placements the last six months from July – December, which accounts for almost all cattle in the feedlots currently, is down 3.1 percent from last year.

The latest report also included the quarterly breakdown of steers and heifers in feedlots. The steer total on January 1 was down 4.5 percent year over year. Steers in feedlots have decreased on a year over year basis for 6 of the last 7 quarters going back to July 2021. The feedlot heifer inventory on January 1 was down by 0.5 percent year over year. This is a small decrease but significant as it is the first year over year quarterly decrease in feedlot heifer inventories since July 2021. Large heifer numbers in feedlots supported the 4.8 percent year over year increase in heifer slaughter in 2022 and was the largest heifer slaughter total since 2004. The decrease in feedlot heifers does not, at this point, reflect heifer retention but simply a lack of heifers due to large heifer slaughter the past two years.

The Cattle report to be released on January 31 will include a feedlot total for all feedlots. The total U.S. feedlot inventory for January 1 averages 122.9 percent of the monthly January 1 total and accounts for feedlots

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Less Heifers in Feedlots...Finally

smaller than 1,000 head capacity. This suggests that the January 1 U.S. feedlot inventory is expected to be 14.4 million head, down 2.3 percent from 2022.

Cow Cost and Breakeven

Part 1 of Series

By: Dwane Link - Cattle.lytix Research and Consulting

Cattle prices are trending higher for the foreseeable future well into 2025, and it is an exciting time to be in the beef business. While we sit cozy next to the fireplace, it is a perfect time to reflect on what does it take to be profitable in beef cattle. High cash prices and rallying markets make it look simple, because the gross revenue generated is so much higher than the average year. Even the rookie operators look like champs in years like this. Gone are the days of selling a calf to buy a washing machine as a measurement of profitability. To protect the industry and the way of life that we care so much about and to preserve the equity we put in, we must do a better job on the business side. The most accurate way to gauge profit is through the cow cost and breakeven. The markets will always move as they see fit, as Adam Smith described in his book The wealth of nations, the "invisible hand" is definitely in play. Cash price is irrelevant because, as producers we have no control over a free market system, knowing and lowering your breakeven and timing are more important, and within the realms of our control.

The elements of the cow cost budget are as follows: (Px) Purchase price – bulls and cows, Depreciation and salvage value, Interest (as opportunity cost), (F/P) Feed and pasture, salt, and minerals, (V/M) vet/ med, labor, (D/L) death loss and the cost of marketing. Purchase price is straight forward. Depreciation is calculated by subtracting the salvage value from the purchase. Salvage value is, the price you would receive when the cow has reached the end of her productive life (I use the 20 yr. avg slaughter price). Interest cost is calculated regardless of whether you are self-funded or not. In the spirit of true business analysis and enterprise budgeting, the opportunity cost is a loss of potential gain if the money was sitting in another investment instrument. Let us not cheat ourselves, we are in the business to make money. The same thought process applies to the pasture cost. Whether you are purchasing the land through a bank, you inherited it, or you are renting it, there are a variety of expenses associated with it such as, land taxes, insurance policies, rent, bank notes, fencing cost etc. Depending on your operation, primarily grass based or dry lot feed based, and the use of some supplemental feed and hay during the winter to fill in between the forage growth curve gaps. Feed and pasture takes into account, the cost of planting annuals or perennials, seed cost, fertilizer, equipment cost, hay cost, supplemental feed, etc. Salt and minerals are a real expense and if formulated properly (do not be afraid to spend a little extra money here), a good mineral program can increase repro efficiency and minimize sickness, effectively reducing the need for further medical treatments, and increasing the pounds of beef per acre. Last month we talked about the value of winter feeding and how it can increase our profitability. Feed is a major category to keep an eye on and so is labor, these are the two biggest challenges to curtail. Vet/med expenses are just routine vaccination and worm medicine, and the rare occasion of foot rot, pink eye, scours, lesions, and other random illnesses etc. Death loss as a percentage is calculated and spread across the backs of the entire herd. If the cow cost is 500 per year and a cow dies, she has already cost the ranch that money (prorated @ 365) and the rest of the herd will have to pay for her expense. The cost of marketing is calculated by adding all the marketing expenses and making a comparison. Forward contract, direct sale, video sale, stockyard sale etc. Each of these avenues have their own advantage and disadvantages. In getting an accurate cost of marketing, we need to look at shrink, commission, yardage, insurance, trucking, $1 checkoff.

Let us bear in mind the old saying, "You cannot manage what you do not measure." Stay tuned for next month's newsletter as we delve further into exactly how to assemble and calculate the cow cost.

United States Department of Agriculture National Agricultural Statistics Service

Louisiana Cattle, Goat, and Sheep Released: January 31, 2023

Louisiana January 1 All Cattle Inventory Down 3 Percent All cattle and calves in Louisiana as of January 1, 2023, totaled 750,000 head, were down 3 percent from January 1, 2022. The calf crop for the full year of 2022 was 340,000 head, down 4 percent from last year. All cows and heifers that have calved, at 445,000 head, were down 3 percent from January 1, 2022; beef cows, at 437,000 head, were down 3 percent; and milk cows, at 8,000 head, were down 11 percent from 2022. All heifers weighing 500 pounds and over were down 3 percent at 99,000 head. Steers were up 9 percent at 25,000 head; bulls were unchanged at 30,000 head; and calves weighing less than 500 pounds were down 6 percent at 151,000 head.

Mackey: Signs of Growing Leverage

By: Brodie Mackey

Cattle feeders got a late week win with $1 cwt higher trades in most areas.

The South was the first to see trade develop at $156 per cwt. The remaining cattle in the North would follow suit with the higher trade. The eastern feeders continuing to battle eroding pen conditions and escalating cost of gains, were able to keep their market steady and moved cattle at $248 dressed. All-in-all, most trade regions saw multiple bidders, a sign of the growing leverage as we work toward the spring.

Harvest came in better than expected at 659,000 head. That's 13,000 bigger than the week previous and 4,000 bigger than the same week a year ago. No question analysts will continue to watch how the elevated kills coupled with the diminishing carcass weights will impact the market.

Looking ahead, frigid temperatures across most of the cattle feeding states looks to set it in. Cattle feeders will look for the market to compensate their performance loss. The Cattle Inventory report will be out next week. It should continue to tell the story of a diminished cow herd.

Profit Tracker: Cattle Feeding Margins At Breakeven

By: Greg Henderson

Cattle feeding margins narrowed significantly the week ended Jan. 28, with average profits at $15 per head, a decline of $45 from the previous week. The decline was the result of average cash prices of $154.86 per cwt., down $0.57 per cwt., and feed costs that increased $36 per head, according to the Sterling Beef Profit Tracker.

Beef packers found estimated profits of $84 per head last week, down $24 per head from the previous week, and down $471 per head from the same week a year ago.

Costs associated with finishing cattle have increased dramatically since April. Cattle sold last week carried a total feed cost of $572 per head, which is 23% higher than the $442 feed costs for cattle sold the same week a year ago.

Cattle marketed last week had a breakeven of $153.75 per cwt., while cattle placed on feed last week have a breakeven of $152.47 per cwt. Cattle placed last week are calculated to have a purchase price for 750-800 lb. feeder steers at $176.77 per cwt., and feed costs of $581 per head. The feeder steer price is 13% higher than last year.

The estimated total cost for finishing a steer last week was $2,152 per head, up 18% from last year's estimate of $1,774 per head.

Fed cattle slaughter totaled an estimated 500,840 head, about 10,000 head more than the previous week and 3,000 head less than the same week last year. Packing plant capacity utilization was estimated at 94.5% compared to 90.6% last year.

US Hay Stocks Fall to Lowest Level Since '74

By: Mary Hightower

High fertilizer prices and drought in 2022 handed hay production in the United States its biggest decline in 11 years with stocks at their lowest level since data collection began, according to the National Agricultural Statistics Service.

The stats were part of the Jan. 12 Crop Production Summary from NASS, which is part of the U.S. Department of Agriculture. The report includes information about all U.S. crops, their production, acreage, and yield. NASS places hay in two categories, alfalfa and "other hay," the latter being relevant to the Southeastern U.S.

According to the summary, May 1 hay stocks were tight, totaling 16.77 million tons or 7 percent lower year over year.

"May 1 stocks, combined with lower 2022 hay production, put hay supplies at the lowest level on record since the data began in 1974," said James Mitchell, extension economist for the University of Arkansas System Division of Agriculture. "The previous record low in hay supplies was in 2021."

Production declines

Nationwide, other hay production totaled 64.84 million tons in 2022, down 9 percent from the prior year, with Arkansas seeing a 16 percent decline. Texas, the nation's largest hay-producing state, produced 6.15 million tons, a 40 percent decline compared to 2021.

"Most Southern Plains and Southeast states had double-digit hay production declines," said Mitchell said.

Mississippi saw a 16 percent decline, Tennessee a 13 percent decline, and Kentucky, a 20 percent decline. Florida bucked the trend, seeing a 7 percent increase in hay production.

"USDA's estimate for Arkansas is much better than what I would have predicted last summer," Mitchell said. Based on conversations with producers last year, he said "I was expecting a decline closer to 25 percent.

"It was hard to predict whether we would get late-season rain last summer," Mitchell said. "It was even hard to predict whether a late-season rain would help us make up for the severe production losses we had in July. Conditions improved enough in September for us to make up for some of that loss."

Yields down

"Expensive fertilizer and poor precipitation impacted yields," he said. "U.S. hay yields averaged 1.87 tons per acre or 6 percent lower year over year. Yields dropped 9 percent in Arkansas to two tons per acre. Neighboring Oklahoma and Texas saw yields averaging 1.25 tons per acre and 1.50 tons per acre, respectively."

Overall, other hay acreage fell 2 percent to 34.63 acres. Arkansas' hay acres declined by 5 percent, while Texas saw a 25 percent reduction in hay acres in 2022.

Mitchell said that "declining cattle inventories, expensive inputs, and high crop prices all likely contributed to the decline in 2022 hay acreage."

Higher prices

Mitchell said farmer would likely be paying more for hay.

"Like other commodities, price comparisons are based on the marketing year," he said. The hay marketing year begins in May and ends in April.

"For the May 2021-April 2022 marketing year, prices averaged $147 per ton," Mitchell said. "For the May 2022-April 2023 marketing year, we forecast prices to average $170 per ton."

Two-Thirds of Consumers Deem Transparency Very to Extremely Important, Survey Finds

By: Paige Carlson

Two-thirds of consumers say transparency in animal protein is extremely or very important, says Merck Animal Health, as part of the company's results in its first consumer transparency research study.

The study focused on gauging consumers' growing interest in transparency in animal protein and its importance in their purchasing decision and brand trust. Specifically, the study explored the consumers' perception of industry transparency when to comes to animal welfare and sustainability and the crossover between transparency, traceability and their willingness to pay for transparency label claims.

Surveyed consumers were given the following definitions:

Transparency: knowing how food is grown, raised and made

Traceability: know where foods come from, or more specifically, being able to follow the movement of food products and ingredients through the supply chain

Study Results

Capturing the opinions of over 1,000 consumers who represent the U.S. shopper, highlights of the study's results include:

- 66% reported transparency in animal proteins (meat, fish, eggs and dairy) as extremely or very important; reasons were considered personal, such as health and nutrition
- 86% of consumers who reported transparency as important also rank traceability as extremely or very important; 40% of those consumers also want to know where the livestock comes from
- Over 50% reported they were willing to pay a 5% premium for transparent labeling
- 55% reported environmental sustainability as very to extremely important
- 66% reported animal care and treatment very to extremely important

"The survey results tell us consumers want more information than ever in order to make informed decisions about the food they put on their dinner tables," says Allison Flinn, DVM, executive director of value chain and consumer affairs at Merck Animal Health.

Merck Animal Health describes the company's DNA TRACEBACK platform as one example of an animal protein traceability solution to accurately trace meat and seafood from farm to table that helps build trust in food labels. Utilizing "nature's bar code"—DNA—this technology assigns a unique barcode number at slaughter to each animal that can be traced through the supply chain from the farm gate, to the processing plant and to the restaurant plate.

Sustainability, nutrition, food safety and animal welfare are all topics consumers want to know more about, and greater transparency builds trust, Flinn adds. This research also provides insights into how farmers, ranchers, food brands and allied industry partners, like Merck Animal Health, can collaborate to meet their expectations.

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