Cow Country Reporter

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News from your CEO

April is a busy month! If you are a "Spring" calver then hopefully all your cows have calved and you are putting out bulls to get next year's calf crop. Keep those calves alive and growing because the market has finally got some life to it. Superior Video Livestock Auction had their Gulf Coast Classic in Natchitoches, LA. March 30-31 and compared to last year's sale it was a "barn burner". Feeders sold $30.00 cwt. higher and calves were $50.00-$60.00, instances $70.00 cwt. higher than last year. There were plenty of smiling faces those two days.

Speaking of the "market" on April 27, 2023 at the LSU Research Station in Homer, LA., DV Auction Feeder Flash Host Corbett Wall will be the guest speaker at their field day. If you listen to Corbett's Feeder Flash Monday through Friday then you know what to expect. If you have not heard Corbett tune in and make plans to attend this field day. You won't be disappointed.

As always, PLEASE check with your marketing rep. and get posted on the market. With "fat" cattle bringing in the $170.00 cwt., demand for our good Louisiana calves will be very good.

Call the CPL toll free number 888-528-6999 option 3 and listen to the market report updated every Saturday. May this Easter season be a blessing for you and your family.

Dave Foster, CEO

Beef Production Decreasing; Prices Higher

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

As has been anticipated for several months, beef production is decreasing in 2023. In the last four weeks, beef production has averaged 6.4 percent lower compared to the same period last year. Lower beef production is the result of decreases in both cattle slaughter and carcass weights.

Steer slaughter is down 5.3 percent year over year in the last month and steer carcass weights have averaged 903 pounds, down 16 pounds from one year ago. Heifer slaughter has finally begun to decrease and is down 1.6 percent in the past month, with heifer carcass weights at 830 pounds, down 20 pounds year over year. Cow slaughter is down 6.8 percent year over year in the last four weeks, including a 0.9 percent increase in dairy cow slaughter and a 13.6 percent year over year decrease in beef cow slaughter. Cow carcass weights have averaged 646 pounds the last month, 11 pounds lower than the same period last year. Bull slaughter is down 14.6 percent from one year ago. Bull carcass weights have averaged 854 pounds in the last four weeks, down 26 pounds compared to one year ago.

Choice boxed beef cutout values have averaged $285.13/cwt. the last month, up 11.0 percent year over year. Boxed beef prices are led by higher middle meat values, with rib primals up 21.4 percent and loin primals up 15.5 percent year over year. Chuck primal values have averaged 8.5 percent higher with round primals up 1.3 percent year over year. Short plate primals are 13.5 percent higher with flank primals up 16.4 percent year over year in the last month. Only the brisket primal is down, 8.5 percent lower compared to last year. Select beef cutout and primal values are higher by similar amounts. The Choice-Select spread continues to inch lower to a seasonal low. The Choice-Select spread typically reaches a seasonal low in February. The current spread of $10.39/cwt. is the lowest weekly level so far this year, about a month later than the usual low and still looking for a seasonal low.

Beef production is expected to drop more sharply for the remainder of the year, adding even more supply pressure to support prices. Current estimates for 2023 have beef production decreasing in a range from 4.5 to 6 percent lower year over year. The decrease will depend, in part on whether

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Beef Production Decreasing; Prices Higher

continued drought causes additional herd liquidation and temporarily moderates declining beef production and resulting in a smaller decrease.

The ground beef market is responding to lower beef production as well. Decreasing cow slaughter is already pushing 90 percent lean trimmings prices higher and decreased fed slaughter is pushing 50 percent lean trimmings prices higher as well. The latest Cold Storage report showed seasonally lower beef in cold storage, down 5.9 percent year over year, likely mostly reflecting the seasonal drawdown in beef trimmings. This contrasts with last year, when cold storage inventories remained high all year due to large cow slaughter.

As the calendar turns to April, seasonal grilling demand typically adds additional support for some beef cuts and the ground beef market. Wholesale beef market values typical begin to reflect summer grilling demand in April in preparation for the Memorial Day kickoff to summer beef demand.

Derrell Peel, OSU Extension livestock marketing specialist, explains why consumers can expect to see higher beef prices for the next few months on SunUp TV from March 18, 2023. https://www.youtube.com/watch?v=ia5h4tnqKwA

Factors Affecting Calf Prices in 2021-2022 from Superior Livestock Auction Data

By: Paul Beck - Oklahoma State University

There are some management and health programs that consistently increase sale price of beef calves. An analysis of calf sales through the Superior Livestock Auction by Kansas State University and Merck Animal Health looked at traits of load lots of calves that had impacted sales price. This analysis included 15,287 lots with over 2.5 million calves. The average lot contained 168 head and weighed an average of 559 pounds. The base average price was $1.81/pound.

As you may suspect, calf sex had a large impact on sale price. Steers brought premiums of $19.26/cwt over the base price and mixed lots of steers and heifers brought $4.90/cwt over the base. There were no bull calves in this analysis, intact bull calves are known to receive discounts of $5 to 7/cwt compared to steers with discounts often reaching over $20/cwt for intact bull calves. The presence of horns leads to an average discount of $3.57/cwt or about $20/head. Survey data of cow-calf producers in Oklahoma (Mulenga, Raper, and Peel; 2021) indicated that 71% of producers castrate their calves and 77% practice some form of horn management.

One practice that did not affect sale price was implanting. In this population of calves, 49% were not in programs that banned the use of growth promoting implants. In these calves, there was no discount for implanted calves. The 10 to 20-pound increase in sale weight from implanting with a value of $18 to 40/head is being left on the table, which is the equivalent of a $3 to 7/cwt discount for the calves sold. The Oklahoma cow-calf survey indicated only 20% of producers implant calves preweaning.

Breed was also a significant factor affecting sale price in this analysis. For the national data set brahman influenced cattle were discounted by $7.43/cwt, but when the analysis was conducted for the Southern Plains region (AZ, NM, OK, AR, LA, and TX) the discount for brahman influence breeding was only $1.56/cwt, likely due to the higher incidence of Brahman breeds in this area. Brahman breeding is essential to match cows to the environment, they are known for heat and insect tolerance and provide hybrid vigor to crossbreeding programs. This analysis indicates we should keep the minimum brahman influence in our herd to meet environmental conditions and market calves where the discounts are lowest.

"There are several programs that add to the sale price which may incur some added costs of management, paperwork, ear tags, or audits. Producer BQA (Beef Quality Assurance) certification added $1.40/cwt ($8/head) to sales price, showing buyers see benefits in this certification." All natural programs (Natural+, GAP, NHTC) in this analysis have different requirements that must be considered, but these added from $0.87/cwt (Natural+) to $6/cwt (NHTC) in premiums for calves enrolled in those programs.

Value added health programs showed added value. The base price for this analysis was the VAC24 program where calves are vaccinated at 2 to 4 months of age with 1 dose of a 7-way, 8-way, or 9-way clostridial vaccine; 1 dose of a 5-way viral respiratory vaccine; and 1 dose of a Mannheimia Haemolytica or Mannheimia Multocida vaccine. Calves in the VAC24 program are unweaned at the time of the sale. Compared to these vaccinated but unweaned calves, calves in the VAC45 program (vaccinated twice and weaned for 45-days received a $8.64/cwt premium in the national data set and a $9.87/cwt in the Southern Plains Region. In the analysis of the OQBN preconditioning program premiums for 2022 the weighted average premium for OQBN VAC-45 calves was $18.67/cwt relative to unweaned non-preconditioned calves with no indication of vaccination status (Raper and Peel, 2023).

Buyers recognize the value of these factors. To remain profitable cow-calf producers need to add value where they can to increase the demand for their calves.

References:

Kellie Curry Raper and Derrell Peel. 2023. Strong Premiums for Oklahoma Quality Beef Network Cattle in 2022. Cow-Calf Corner The Newsletter March 6, 2023. https://extension.okstate.edu/programs/beef-extension/cow-calf-corner-the-newsletter-archives/2023/march-6-2023.html

Can beef demand remain resilient throughout 2023?

Assuming the reduced beef supply lasts, will the demand remain strong?

By: Dr. Andrew Griffith, University of Tennessee

A question was asked this week concerning beef supply and demand in 2023, which is an appropriate question given the reduced cattle inventory.

It seems certain domestic supply of beef will decline in 2023 relative to 2022, because there should be fewer animals making their way through the fed cattle system and a reduction in non-fed slaughter.

However, feedlots will likely attempt to support domestic supply by feeding cattle longer and harvesting cattle at heavier weights. It is unlikely heavier weights will make up for the reduced slaughter, which means the market is likely to see an increase in the quantity of beef imported.

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Can beef demand remain resilient throughout 2023?

The demand side is a little less certain. Consumers have been resilient with beef demand through this period of inflation and higher interest rates. How much longer they can remain resilient may the biggest question for the industry to answer. With supplies expected to decline, there is a good chance beef prices will push higher, but it is unknown if it will be high enough to temper beef demand.

Beef Cow, Heifer, and Steer Cattle Slaughter

By: Josh Maples

Weekly cattle slaughter began 2023 trending lower than a year ago. Beef cow slaughter, heifer slaughter, and steer slaughter have each begun 2023 with lower slaughter totals than in 2022.

The recent decline in beef cow slaughter is perhaps the most interesting given the large cow slaughter totals seen in 2022. Drought and higher input costs relative to calf prices lead to really high beef cow slaughter in 2022 (about 11 percent above 2023). However, beef cow slaughter has moderated to begin 2023 as shown in the chart above. Over the first 10 weeks of 2023, beef cow slaughter totaled 683,700 head which is nearly 9 percent below the first 10 weeks of 2022. Improved drought conditions in many parts of the U.S. and optimism about calf prices are key contributors to fewer cows going to market than a year ago. It is worth noting that beef cow slaughter typically declines seasonally during the first few months of the year.

Heifer slaughter has also flipped to a slight decline after large totals in 2022. Heifer slaughter totaled 1.96 million head through the first 10 weeks of 2023 which is about 0.5 percent lower than the same period of 2022. However, this is an important shift from the larger totals seen in 2022. Heifer slaughter in 2022 was about 5 percent higher than in 2022. The reasons for higher heifer slaughter in 2022 were similar to beef cows: drought and input costs relative to expected returns from retaining heifers for breeding purposes.

Steer slaughter was 3.5 percent lower over the first 10 weeks of 2023 compared to the same period in 2022. Through the week of March 11th, 2.88 million head of steers were processed which is down from 2.99 million head to start 2022. Shown in the first chart below, steer slaughter was not elevated above average levels in 2022 like beef cow and heifer slaughter totals were. Steer slaughter in 2022 was about 2 percent lower than in 2021. Smaller calf crops over the past few years mean there are fewer steers moving through feedlots and that trend is expected to continue in 2023. Also interesting is the lower steer dressed weights (shown in the second chart below) as feedlots become increasingly current. Fewer steers slaughtered and lower dressed weights are key drivers to the expectation of lower beef production in 2023.

New Markets for State-Inspected Meat and Poultry Act reintroduced

Currently, 29 states have their own inspection programs which are certified by the USDA's FSIS and meet or exceed federal inspection standards.

Compiled by staff at BEEF

Several U.S. senators have joined together to reintroduce the bipartisan, bicameral New Markets for State-Inspected Meat and Poultry Act to allow meat and poultry products inspected by state Meat and Poultry Inspection (MPI) programs to be sold across state lines. The co-sponsors of the bill say the legislation would open up new markets for farmers and livestock producers across the country while maintaining high inspection standards.

"South Dakota producers raise some of the highest-quality meat and poultry in the world," said Senator Mike Rounds (R-S.D.). "However, meat and poultry products are limited to markets within the state even though they are required to go through inspection at a state facility that meets or exceeds federal inspection standards. This is a disadvantage to producers and consumers alike. Our bipartisan bill would allow these high-quality products that pass federally-equivalent state inspection standards to be sold across state lines, which would open up new markets for our producers and give consumers more choices at the grocery store."

Currently, 29 states have their own inspection programs which are certified by the USDA's Food Safety Inspection Service and meet or exceed federal inspection standards. However, existing law prohibits products processed at these FSIS-approved state MPI inspected facilities to be sold across state lines.

"Despite the requirement of state inspection programs to meet or exceed federal inspection standards, our local producers aren't able to sell their products across state lines," said Senator Joe Manchin (D-WV). I'm proud to reintroduce this bipartisan, bicameral legislation to open new markets for our agricultural businesses and strengthen our national food supply chain. I encourage my colleagues on both sides of the aisle to support this commonsense reform which will directly benefit our local producers and help ensure sustainable, healthy food for every American table."

"The meat processing sector is one of the most consolidated industries in the United States today," said Senator Kevin Cramer (R-ND). "By permitting the sale of state-inspected meats across state lines, our legislation would expand market opportunities for North Dakota ranchers, better position smaller processors to compete against larger competition, and give consumers more choice at the grocery store."

The co-sponsors say since MPI standards must be at least equal to federal safety standards, it makes sense to authorize the sale of state-certified products across state lines. This bill neither affects the Cooperative Interstate Shipment (CIS) program, nor explicitly enables the export of the products at issue.

Rounds, Cramer and Munchin were joined by Senators Angus King (I-ME), Steve Daines (R-MT), John Barrasso (R-WY), Chuck Grassley (R-IA), Jon Tester (D-MT), Tina Smith (D-MN), Cynthia Lummis (R-WY), John Thune (R-SD), John Hoeven (R-ND) and Shelley Moore Capito (R-WV) in co-sponsoring the bill.

Companion legislation was introduced in the House of Representatives by Representative Alex X. Mooney (R-WV).

"I am proud to support the New Markets for State-Inspected Meat and Poultry Act," said Mooney. "High-quality products that pass rigorous inspection standards in states like West Virginia should be able to be sold across state lines without further inspection. This bill ensures safe, inspected and high-quality meat can be provided to American consumers while opening new markets and providing more choices at the grocery store."

The legislation was previously introduced in the 115th, 116th and 117th sessions of Congress.

Cargo Ships Leave West Coast Ports As Labor Talks Show 'Little to No' Progress

By: Jim Wiesemeyer

Rail strikes ran U.S. headlines in late 2022, when rail workers protested protections and pay increases. All strikes came to an end in December when Congress passed a rail agreement in a landslide vote, but there may be another strike looming in the transportation sector.

A group of more than 200 importers, exporters, logistics providers, and retailers urged the White House to intervene in West Coast port labor talks that have been underway since last May.

In a letter to Biden administration on Friday, the groups, including the National Retail Federation, the American Trucking Associations, and the U.S. Chamber of Commerce, urged the administration to help speed the agreement on a new labor contract between the International Longshore and Warehouse Union and the Pacific Maritime Association.

We continue to experience supply chain stress and challenges. While many continue to recover from pandemic-related issues, the ongoing stress of inflation and economic uncertainty continues to impact supply chain stakeholders," the groups wrote. "The lack of a labor contract adds to this uncertainty. While we appreciate that the parties agreed not to engage in a strike or a lockout, we are aware of several instances of activities that have impacted terminal operations. We need the administration to ensure these activities do not continue or escalate.

The group asked the White House to appoint a new point person on the talks now that Labor Secretary Marty Walsh has left his post, and to offer mediation services to the ILWU and PMA given the lack of progress to date.

The request came as cargo volumes have dropped off at West Coast ports since the pandemic's record highs, in part because retailers and importers have sought to avoid potential disruption and delays because of the labor negotiations.

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