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News from your CEO

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May is a busy month for cow/calf producers in Louisiana. Ryegrass- calves will be coming off of grazing and going to market. Hay baling equipment will be greased up and put to work and Spring-born calves will be "worked" and Fall-born calves will be coming to market soon. Two major beef eating events coming up, Mother's Day (busiest day of the year for restaurants) and Memorial Day (the unofficial start of grilling season). Throw in high school and college graduations and the demand for beef continues to be good.

Speaking of events, Mike Kovac, CPL Executive Director, his son Cullen and myself met with Congresswoman Julia Letlow

and her staff, who represents the 5th District of Congress in LA., the week after Easter to discuss the cattle industry in Louisiana. CPL supports two important bills, Cattle Price Discovery/Transparency Act and the American Beef Labeling Act. Also, LSU Hill Farm Research Station in Homer, LA. held a field day on April 27 and their guest speaker was Corbett Wall, host of the Feeder-Flash with DV Auction. Many CPL members attended this event and were complimentary with their remarks of a successful and informative field day. Thank you, Lee Faulk for reaching out to us!

Keep those calves alive and growing and Don't forget Mother's Day!

Dave Foster, CEO



Left to right: Congresswoman Letlow, Dave Foster, Mike Kovac



Left to right: Dave Foster, Congresswoman Letlow, Mike Kovac, Cullen Kovac

GRASS FEVER AND SPRING CHECKLIST

By: Mark Z. Johnson, Oklahoma State University Extension Beef Cattle Breeding Specialist

Much of Oklahoma has received a good rain this week. Soft, slow and 1 – 3 inches of quantity over much of the state. I am extremely bullish on the future of the cattle business. Low cow inventories are, and will continue to add value to all ages and classes of beef cattle. The key to capitalizing on the future value of cattle is run your operation as a business. Managing your operation like a business means making sound, prudent financial decisions regarding your cattle inventories, pasture management, herd health and the purchase of inputs like feed. At this time of year it is easy for me to catch "grass fever" as the pastures green up. I immediately want more inventory and look forward to not rolling out hay and supplemental feed on as daily basis. At this time of year I am forced to remind myself: "not so fast."

If you find yourself in the same situation, take a deep breath, remember you are operating a business, and review the following checklist:

- Have my bulls undergone a Breeding Soundness Exam?
- Have I given pre-breeding vaccinations and dewormed my cow herd?
- Are my replacement heifers of adequate age and target weight to

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GRASS FEVER AND SPRING CHECKLIST

breed up quick and early ahead of my mature cow herd?

- Are my cows and bulls in adequate Body Condition for the onset of breeding season?
- Based on that answer, Do I need to continue with supplemental feed?
- Have I made a plan for weed control, fertilizer, deferred grazing and proper pasture management to insure my drought stressed grazing system gets ahead of grazing pressure?
- Do I have semen and supplies needed if I intend to synchronize estrus and Artificially Inseminate my cowherd?
- What is my hay and feed plan for next winter?
- Do I have ample bull power on hand to get cows covered early in the breeding season?

Bottomline: This is the time of year when it is easy to get excited about the cattle business. It is also time to be planning for the future and keep your business poised for economic sustainability.

Mark Johnson, OSU Extension beef cattle breeding specialist, previews the upcoming Blueprint for the Future Cattlemen's Conference on SUNUPTV from April 15, 2023. https://www.youtube.com/watch?v=u2ob2JyoI8o&list=PLglOSpV-Tcac6-pVMvoBEAk78_7tJCuap&index=2

CATTLE CYCLE UNCERTAINTY LOOMS AS DROUGHT KICKS EXPANSION DOWN THE ROAD

By: Paige Carlson

The release of the Jan. 1 beef cow inventory to start 2023 painted a bleak picture—the result of widespread drought and herd liquidation across much of the nation in 2022.

In the ongoing cattle cycle—years of expansion followed by contraction—2022 proved to be a hard-hitting contraction year, as beef cow inventory reached a 60-year low.

The current cycle, which started in 2014, also following a significant drought, provided five years of steady expansion in beef cow numbers. However, only to be hit by another drought in 2020, the descent began.

While each cycle has a slightly varied length, it tends to evolve gradually and last between eight to 12 years in length—following the biological nature of beef cattle production and cattle producers' responses to price changes and weather conditions.

Drought Influence on Beef Cow Inventory

According to USDA-ERS, on Jan. 1, 2023, U.S. beef cow inventory was 28.9 million head – 3.6% less than the previous year.

Meanwhile, nearly 93% of U.S. beef cows were located in states where most of the pasture and range were rated in “very poor” to “fair” condition, based on USDA National Agricultural Statistics Service (NASS) data. Consequently, cattle producers faced record-high prices for non-alfalfa hay during the last two quarters of 2022 and in each month through the beginning of 2023, USDA-NASS reports.

As feed costs to maintain cattle continue to stress cattle producers' bottom lines, a recent National Weather Service (NWS) forecast brings hope to some and more heartache to others.

The Season Drought Outlook, provided by the NWS Climate Prediction Center suggests drought is likely to persist in areas such as southeast Colorado and much of Kansas, Oklahoma and Texas, as these areas are so entrenched with drought that improvement will be difficult. The highest confidence for improvement exists across North Dakota, South Dakota, Nebraska, eastern Montana and Wyoming, the outlook adds.

Markets React

In the midst of what he claims to be “the bull market of his career,” Brad Kooima, co-owner of Kooima Kooima Varilek in Sioux Center, Iowa, says in a recent interview, “We’re going into the best demand period of the whole year.”

As this spring brings an increased demand in beef for consumers anticipating the season of summer grilling and barbecues, Kooima says the cattle on feed are not finishing as quickly as planned, due to severe weather. The tightness in supply may finally be trumping the packer who needs inventory, he adds.

The most recent USDA cattle on feed report, released April 21, shows cattle on feed totaled 11.6 million head on April 1, down 4.4% year over year, with 7.12 million steers (down 6%) and 4.5 million heifers (down 2%).

As drought persists, Derrell Peel, livestock economist and marketing specialist at Oklahoma State University, suggests that some producers may need to cull additional cows if conditions do not improve in the next few months. This will keep feeder supplies tight and prices well supported.

Meanwhile, Lee Schulz, Iowa State University Extension livestock economist, questions if the current cattle cycle looks like some of those in history where periods of declines in inventory and relatively strong prices held for several years. Or, he wonders, will the industry repeat the last cycle, where profits and higher prices are bid away rather quickly with dramatic expansion.

With year nine of the current cattle cycle well underway, the trend in beef cow inventory looks to remain fairly stable albeit with a continued, general decline in cattle inventory – a process that has been in place since 1975.

Will 2023 be another year of contraction and continued pushing off of a new cycle and the switch to expansion?

The coming months, specifically in weather patterns and pasture conditions, will likely help determine this year's fate.

No love is greater than a mother's love..

HAPPY MOTHER'S DAY!



IMPRESSIVE SPRING WHOLESALE RALLY LEADS BEEF TOWARD LOOMING HOLIDAYS

By: Greg Henderson

Cattle prices have pulled back from the all-time high cash high of \$182.86 per cwt, recorded on April 17, but that hasn't slowed the advance of wholesale beef prices. Friday's Choice boxed beef printed at \$311.44 per cwt., which is \$28 per cwt. higher (10.3%) in just four weeks.

Wholesale beef prices hit a recent low the end of March at \$280.51 per cwt., but the steady march higher since then put Friday's close as the highest Choice boxed beef cutout value for that week on data available back to 2004.

The rally in wholesale prices has certainly been supportive of the fed cattle market, and the gains have been across the carcass. Rib values, however, have lagged the lesser value primals in terms of percentage price gains, and that may be indicative of further gains in the near future.

"The rib primal value rose from a low of \$453.27 per cwt the last week of March to \$478.28 per cwt last week, a gain of \$25.01 per cwt or 5.5%," according to Livestock Marketing Information Center (LMIC) agricultural economist Tyler Cozzens.

Other cutout values, however, have outperformed the rib primal, some in spectacular fashion. For instance, Cozzens said the loin primal value was \$434.22 per cwt., a gain of 13% in five weeks. The round gained 7.2% over the month to \$231.98 per cwt.

Since the last week of March, the chuck primal value has gained \$23.83 per cwt (10.7%) while the brisket and flank primal values were \$242.48 and \$201.23 per cwt last week, respectively, an increase of 11.1% and 15.0%, Cozzens said. And since the start of 2023, the plate primal value has jumped 56.2% from \$170.12 to \$265.69 per cwt. last week.

"As the boxed beef cutout value and beef primal values have risen, retail feature activity has tracked similarly to levels seen last year," Cozzens said. "The USDA weekly Retail Beef Feature Activity report from AMS reports the feature rate as a sample of retail stores nationally, and last week it was 67.5%."

The feature rate is defined as "the amount of sampled stores advertising any reported beef item during the current week, expressed as a percentage of the total sample."

"Since the start of the year," Cozzens said, "weekly feature rate activity has averaged 66.9%, slightly higher than the same period last year, which was 65.6%. Compared to the five-year average of 75.1%, retail feature activity has been tracking lower than typical levels to start the year."

Seasonally, analysts believe that the beginning of the grilling season will support higher rib values in the coming weeks. Mother's Day and Memorial Day holidays, for instance, are typically supportive to rib and loin values.

Managing price risk for cow-calf producers

By: Josh Maples, Mississippi State University

David Anderson, Texas A&M AgriLife Extension, has written about markets reaching record-high cattle prices as cattle supplies tighten and some of the questions out there about the market later in the year. Cow-calf producers certainly welcome higher prices anytime, but what about the producers who don't have anything to sell right now?

Nearly 75% of the calves born in the U.S. are born during the first half of the year, which means many producers are calving or have already finished calving for the year. These calves are still nursing and most likely won't be sold until later in the summer or fall.

While it may be months before the spring calves are sold, producers do have opportunities to utilize price risk management tools now.

Not only are cattle prices surging to high levels now, but there is also optimism that cattle prices could continue to gain steam as we move through 2023.

Seasonal contracts

The chart above plots the contract price for each Feeder Cattle Futures contract month traded on the CME Group. The spring contracts are trading near \$200-\$205 per cwt, but the summer and fall contracts are trading above \$220.

Some of this increase is seasonal, but much of it is also driven by the expectation of continually tighter cattle supplies. Importantly, these expectations of high cattle prices mean there are price risk management opportunities not seen since 2014-2015.

Price risk management tools

There are a few price risk management tools that cow-calf producers selling later this year could consider. Selling a futures contract or purchasing a put option are potential strategies. One thing to consider about these choices is the contract size is 50,000 pounds which might be a little large for many cow-calf producers.

Forward contracting is worth considering – this simply means a producer would lock in a sales price with a buyer in advance. USDA's subsidized Livestock Risk Protection (LRP) tool is also worth considering and can be used on as few as one head which makes it worth a look for producers of all sizes.

Your local crop insurance agent may be well equipped to help you in any LRP decisions. Each of these tools has their own design and tradeoffs to understand before jumping in, and there are certainly other risk management strategies out there.

However, all tools are currently offering risk management opportunities at price levels not seen in the past eight years. Even if a producer doesn't have any calves to sell now, they can still take advantage of the optimism in the market by managing their price risk.

APRIL CATTLE ON FEED - WHAT TO MAKE OF MARCH PLACEMENTS

By: Kenny Burdine, University of Kentucky

USDA released the April Cattle on Feed report on Friday April 21st. This monthly publication estimates the number of cattle on feed at feedlots with capacity of over 1,000 head and serves as a measure of likely beef production over the next several months. While the cow herd has been decreasing in size for several years, an increase in the number of females in the beef system kept on-feed numbers running relatively high for much of 2022. Finally in the fall, the long-expected shift occurred, and on-feed numbers have been running below year-ago levels since then.

In Friday's report, April 1, 2023, on-feed inventory was estimated to be down about 4.5% from April 1, 2022. While this might not immediately raise any eyebrows from casual observers, this on feed number was higher than expected and really came down to March placements being greater than most pre-report estimates. The net effect was that total on-feed inventory was virtually unchanged from March 1 to April 1, which was counter to what many expected. As I write this on Monday April 24th, live cattle futures were mixed while feeder cattle futures were down a bit. On the feeder cattle board, the negative price change lessens as we move away from the spring contracts.

While I am hesitant to make light of any surprise in a major USDA report, it does appear that the market response has been pretty minimal. This is especially true when one is reminded that feeder cattle futures have been steadily increasing for months. Even as this report is digested, fall feeder cattle futures are still above \$230 per cwt and well above where they started 2023. Further, there have been numerous factors impacting placement patterns over the last couple of years with high feed prices and drought being at the top of the list.

There are some possible explanations for the larger-than-expected March placements number. First, March is a month when cattle are often moved off of wheat pasture. Continued dry weather in much of the Southern Plains, combined with high wheat prices, likely impacted movement of feeders last month. Secondly, live cattle imports from Mexico were higher in March, which would contribute to placement numbers. And finally, there is still a lot of carry on the feeder cattle board, so it is very possible that feedlots are aggressively buying feeders ahead, in anticipation of the rising price levels suggested by deferred feeder cattle futures contracts. Put simply, I absolutely think that feedlot placements bears watching in the coming months, but I suspect the larger placement number last month had more to do with timing than a major shift in market fundamentals.

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