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

The year 2023 is half over! You should have received your notice to renew your membership for 2023-2024, if not, let us know.

The cattle markets are on fire! June 1-2 saw prices for steers and heifers coming out of the feed lots in the North at $188.00 cwt.-$190.00 cwt. and $180.00cwt. in the South. Both locations set new highs. Calf prices are also increasing at the auction market. This would be a good time to evaluate your pasture conditions. Your Spring-born calves go to market mid-August to the end of September and if your forages are short, it may be the time to pull the calves off the cow now while prices are $50.00-$60.00 cwt. higher than the same time last year. This will give your cows a chance to regain some body condition going into the Fall, check with your marketing rep.

Don't forget Father's Day June 18 and the first day of Summer begins June 21. Since there was our first tropical storm in the Gulf in early June, review your emergency plans for these storms and make adjustments. Enjoy your Summer!

Dave Foster, CEO

Here We Go Again

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

For the second time in a decade, drought has pushed cattle numbers in the U.S. lower than planned and lower than needed to meet the demands of the market. Figure 1 shows how the current situation is similar to the beginning of the previous low in beef cow numbers.

Cattle prices are trending higher, starting to increase much as they did in 2013 prior to the herd rebuilding that commenced in 2014. However, while drought has diminished in much of the country, important beef cattle regions in the central and southern plains that are still in drought limit how the cattle industry is able to respond. Beef cow slaughter is falling so far this year, usually the first sign of ending liquidation and stabilizing the cow herd. However, with the year more than one-third over, cow slaughter is down about 11 percent year over year and that is not enough of a decrease to ensure the end of herd liquidation. In 2014, beef cow slaughter dropped just over 18 percent from the previous year to put the brakes on herd liquidation. I suspect that the ongoing drought is masking continued liquidation in some areas up to this point. While signs are encouraging that the drought will continue to fade through the year, more beef cow herd liquidation is likely in 2023.

The supply of bred heifers on January 1 was down 5.1 percent year over year to the lowest inventory since 2011. The low bred heifer inventory combined with the relatively slow reduction in beef cow slaughter makes additional beef cow herd liquidation this year probably unavoidable. In other words, if drought conditions continue to improve, 2024 will probably be the low point of the herd similarly to 2014, albeit at even lower beef cow inventories. The peak in cattle prices in 2014, extending into 2015, precipitated record heifer retention in 2015 and 2016 that pushed the beef cow herd higher.

The supply of replacement heifer calves (available to be bred this year) on January 1 was very low, suggesting that the ability to add heifers next year may be limited. However, some heifers not reported as replacements typically get bred and that number may increase this year. Nevertheless, the overall supply of heifers remains limited. The inventory of heifers in feedlots remains high, though it is declining. Thus far, heifer slaughter in 2023 is fractionally higher year over year on top of the large heifer slaughter level last year. Heifer slaughter in 2022 was 30.6 percent of total

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cattle slaughter, the highest proportion since 2005. Heifer slaughter is expected to decrease through the year but, like beef cow slaughter, at a relatively slow rate. What all of this means is that heifer retention likely will begin in earnest this fall with heifer calves to be bred in 2024. Modest herd expansion is possible next year with faster herd expansion after 2024.

The Cattle and Beef Margin Squeeze

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

The cattle and beef industry consists of primary production at the cow-calf level followed by a series of margin sectors for stocker and feedlot production; slaughter and fabrication at the packing level; and a multitude of beef product markets including retail grocery, food service and exports. Price adjustments in each of the industry sectors are related but variable in magnitude and timing. It is generally true in food markets that prices at retail adjust less and more slowly than farm level. Increasingly tight cattle supplies suggest that margins at all levels above the cow-calf sector will be squeezed in the coming months. The severity of the squeeze and the timing will vary across beef industry segments.

Retail beef prices are mostly unchanged over the last 16 months, with the most recent monthly retail all fresh beef price down 0.7 percent year over year. However, current Choice boxed beef prices are up over 14 percent from one year ago. It appears that retail margins are decreasing as wholesale values are increasing faster than retail prices. The reported retail beef prices reflect only grocery sales and less is known about beef price adjustments in food service and export markets. The ability of retail beef prices to move higher as limited supplies and rising wholesale prices squeeze retail margins is perhaps the biggest concern in beef markets currently.

Packer margins are already being squeezed with more pressure expected ahead. Fed cattle prices are up 25 percent year over year, outpacing the 14 percent increase in boxed beef prices. Additionally, packers will face increased overhead costs as declining cattle numbers will reduce packing plant utilization rates in the coming months.

Feedlots are currently enjoying good profits due to the long time lags in feedlot production and the fact that fed prices increased quickly to record levels this year. The increase in fed cattle prices are balanced against the price of feeder cattle placed in feedlots roughly six months ago. However, it's just a matter of time before feedlot margins feel the squeeze of rising cattle prices. The prices of feeder cattle currently being placed in feedlots are up about 39 percent year over year. Feedlot breakevens for fed cattle will increase sharply by the end of the year.

Calf prices are currently up roughly 50 percent year over year. With calf prices increasing faster than feeder cattle prices, stocker margins or value of gain is eroding. However, similar to feedlots, the time lags in stocker production will allow the uptrend in prices feeder sales to offset part of the high calf purchase prices. A significant uptrend in feeder prices is priced into Feeder futures contract for the deferred months and, depending on the details, stocker or backgrounding programs may still show decent prospects for positive returns. Calf prices are likely to continue increasing faster than feeder cattle prices in the coming months.

Cattle markets are increasingly focused on calf prices in order to build the incentives for herd expansion in the coming months. Cow-calf producers will see sharply rising revenues as calf prices continue to increase. Cow-calf production is the primary source of supply for the industry and, thus, cow-calf producers do not face buy-sell margins like the rest of the industry. However, input costs for fertilizer, chemicals and fuel have been a significant challenge for the cow-calf sector. Drought impacts and record high hay prices are a particular challenge for some producers. High calf prices that encourage herd rebuilding will be accompanied by sharply higher breeding cow and replacement heifer prices in the coming months. Undoubtedly there will be considerable dynamics and volatility in cattle and beef markets at all levels for the foreseeable future.

USDA, University of Kentucky Break Ground on Forage Research Building

Facility will improve productivity, sustainability, and competitiveness of forage-based enterprises that raise cattle, horses, sheep, and goats.

By: Krissa Welshans

Agriculture Secretary Tom Vilsack participated this week in a groundbreaking ceremony for a new $65.9 million research facility, known as the Forage-Animal Production Research Unit (FAPRU), on the University of Kentucky campus. The ceremony was hosted by the U.S. Department of Agriculture's Agricultural Research Service (ARS) and the University of Kentucky's College of Agriculture, Food and the Environment (UK-CAFE), which will house the new facility.

"Agricultural research bolsters economic growth and enhances food quality and safety all while combatting the climate crisis," said Agriculture Secretary Vilsack. "Today's groundbreaking builds on more than two decades of partnership with the University of Kentucky, while demonstrating USDA's latest commitment to pushing the boundaries of what is possible for agriculture, and to creating profitable and sustainable systems, rooted in science, that will advance farmers' production for years to come."

The mission of FAPRU is to improve the productivity, sustainability and competitiveness of forage-based enterprises that raise beef cattle, horses, sheep and goats — particularly operators of small- to medium-sized farms.

Upon completion, targeted for 2026, the new FAPRU building will encompass approximately 52,600 total square feet of office, supporting a research laboratory space, as well as a collaborative area, headhouse and eight-bay greenhouses. It will be staffed by six ARS scientists and seven university researchers, along with laboratory technicians and administrative personnel. Research conducted, among other projects, will include developing sustainable forage systems to ensure the performance and health of beef cattle and small ruminants such as sheep and goats; minimizing the incidence of tall fescue toxicosis and evaluating the potential of natural antibiotic

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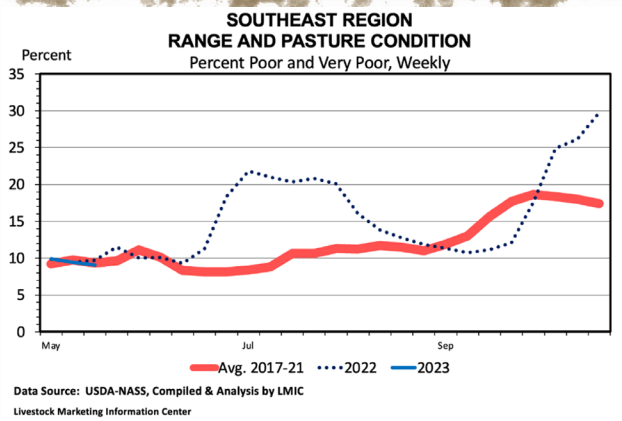


Pasture Conditions and Market Update

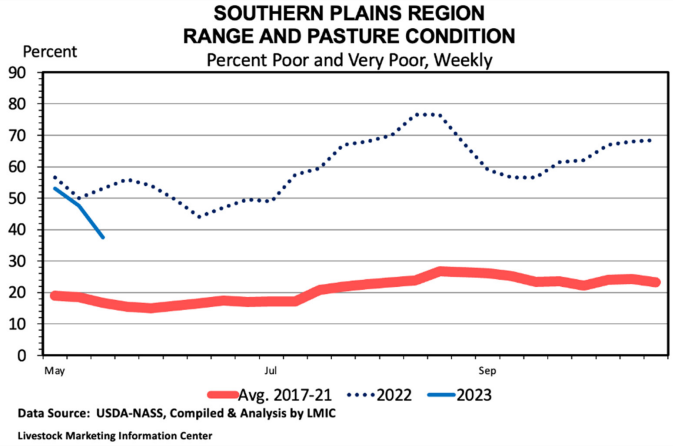
By: Josh Maples, Missisippi State University

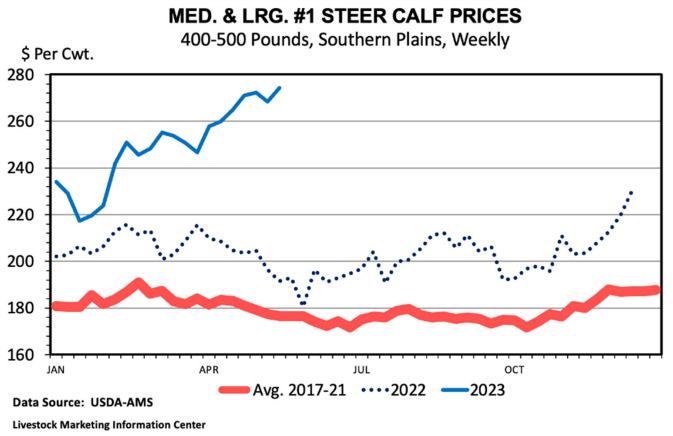
USDA-NASS begins releasing pasture and range conditions in May each year and the charts above and below show conditions in the Southeast and Southern Plains regions as compared to a year ago and the five-year average from 2017-2021. These charts show the percentage of range and pasture that is classified as "poor" or "very poor."

The percentage of poor pasture in the Southeast is around 10 percent which is similar to a year ago and also similar to the five-year average. The Southern Plains region has been an area worth watching as drought has been a theme in much of that area for the past few years. Drought impacts show up in the range and pasture conditions as the region was nearly 40 percent poor or very poor. However, the Southern Plains graph does show some improvement in recent weeks thanks to some much-needed rain during mid-May.

The current drought outlook is for drought to remain but improve in most of the Plains region that is currently in a drought designation. The outlook is less positive for the western half of Texas and eastern New Mexico where drought conditions are expected to persist through the summer.

Cattle prices have continued on an upward trend. The market report table below shows prices in the Southeast are up approximately 40 percent above a year ago. We are in an interesting stage of the cattle cycle when supplies get tight and market dynamics shift to incentivize more production. While the cattle industry is incredibly complex and interconnected with multiple marketing periods for any single animal (e.g. calf, stocker, feeder, fed cattle), increased production of cattle ultimately has to happen at the cow-calf sector. Calf prices in the Southern Plains region were above $270 (graph below) last week. It will be especially interesting to track calf prices as we approach late summer and early fall when many cow-calf producers typically sell their spring-born calves.





USDA, University of Kentucky Break Ground on Forage Research Building

alternatives to improve nitrogen efficiency and reduce enteric methane emissions by cattle.

"The groundbreaking of the new Forage-Animal Production Research Unit building reflects USDA's commitment to developing innovative research and cutting-edge solutions that help our farmers be more productive, profitable and resilient," said USDA Chief Scientist and Under Secretary for Research, Education and Economics Dr. Chavonda Jacobs-Young. "It also underscores the importance of our partnerships with land-grant universities and USDA's efforts to ensure today's scientists and researchers are working in state-of-the-art facilities equipped with the tools they need to take on the world's greatest agricultural challenges."

The groundbreaking ceremony highlighted community, state and legislative support for ARS and UK's longstanding collaboration on a premier forage research program. Additional speakers at the event included Sen. Mitch McConnell, U.S. Senate Republican Leader; Dr. Eli Capilouto, UK President; and Dr. Nancy Cox, Dean of UK-CAFE. Dr. Simon Liu, USDA ARS Administrator also participated in the program.

Earlier this month, USDA released a three-year science and research strategy, which establishes a scientific framework to transform the U.S. food system and support our nation's farmers, ranchers, producers and foresters. Facilities like FAPRU will help USDA research respond to the needs of the diverse communities we serve across the nation, as outlined in the strategy's five priorities.

Can the Cattle Industry Have a Positive Impact on Climate Change? YES!

By: Mark Z. Johnson

At the recently completed Blueprint For The Future Cattlemen's Conference, I had the opportunity to interview Dr. Frank Mitloehner, a professor and air quality specialist in cooperative extension in the Department of Animal Science at the University of California, Davis. As such he shares his knowledge and research, both domestically and abroad, with students, scientists, farmers and ranchers, policy makers, and the public at large. Dr. Mitloehner served the keynote speaker at the conference banquet and is highly regarded as the "greenhouse gas guru" and an advocate for animal agriculture. He collaborates with animal agriculture to create better efficiencies and mitigate pollutants. His focus is on understanding and mitigating air emissions from livestock operations, as well as studying the implications of these emissions on the health of farm workers and neighboring communities. In addition, he is focused on the food production challenge that will become a global issue as the world's population grows to nearly 10 billion by 2050.

Dr. Mitloehner made the following points in his presentation:

- The most concerning greenhouse gas from animal agriculture is methane. Cattle (as a ruminant animal), swamps and even more sources produce methane. Methane is quite different from other greenhouse gases because it is naturally destroyed within about 10 years. While there is a constant source of methane produced by cowherds, it is not contributing to additional global warming because a similar amount of what is produced is also destroyed. The same is not true of other greenhouse gases, like vehicle emissions, which accumulate in the atmosphere.
- Furthermore, as a result of his work, California Dairy herds have actually been successful in reducing the amount of methane produced and in some cases, as a result of covering lagoons to trap biogas (much of which is methane) it is being converted into transportation fuel. As such, it has turned into a second "cash crop" for these Dairy operations.
- Decreasing methane emissions will decrease global warming. This means the cattle industry can be part of the climate solution because there are ways to reduce methane that are cost-effective and have positive impact on climate.
- Dr Mitloehner's most important "take home" message was that this is a positive news story for the beef industry and cattle producers which we should embrace.

Reference: clear.ucdavis.edu

Dues notices have been mailed.
Be sure to check your mailbox and consider recruiting your neighbor as a member.
Your support is needed to continue the work we do for you.

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