# Cow Country Reporter

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In This Issue

News from your CEO

No Herd Rebuilding in Sight

Mid-Year Cattle Inventory Down 3%; COF Down 2%

Profit Tracker: Beef & Pork Producer Margins Gaining

Mackey: Packers Aggressive Seeking the 'Right Kind'

Speer: Where's Your Thermostat?

Missouri Passes New Felony Law To Protect Livestock Transport

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## News from your CEO

August is normally (whatever normally means) the start of the Fall cattle runs; however, calves and yearlings have been moving to the sale barns early due to higher prices and lower forage output. Dry weather coupled with record high temperatures have decreased pasture growth. The big news in July was the mid-year USDA Cattle Inventory Report and the July 1st Cattle on Feed Report. Both reports showed decreases on inventory and cattle on feed. The USDA Cattle on Feed Report had a surprise, June placements were 3% higher. Looking at the weight breakdowns, the cattle under 600 lbs. had the greatest increase which tells me that dry, hot weather conditions caused cow/calf producers in the drought states to sell their cattle early and/or place them in feedlots. Cattle prices for calves and yearlings continue to be $70.00-$80.00 cwt. higher than the same time last year. Prices will continue higher into 2024. Replacement cow and heifer prices are not as high, percentage wise, as calves and yearlings.

CPL members Wedge and Sammy Barthe from Norwood, LA. held a pasture walk at their farm in late July and had 65 people present. They are in regenerative grazing (several different forages coupled with rotational grazing) and the crowd consisted of 4-H high-school Juniors and Seniors, new cattle owners and seasoned cow/calf producers.

Keep cool this month and check the markets!

*Dave Foster, CEO*

## No Herd Rebuilding in Sight

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

The July Cattle report showed that the U.S. beef cow herd continued to decline through the first half of the year. The July 1 beef cow inventory was 29.4 million head, down 2.6 percent year over year. This is the fifth year of smaller beef cow inventories since the 2018 cyclical peak, with the beef cow herd down 3.0 million head, a five-year decrease of 9.3 percent. The smaller beef cow herd is part of a general decrease in all cattle numbers in the U.S.

The total inventory of all cattle and calves in this report was 95.9 million head, down 2.7 percent year over year. The total inventory of heifers was down 3.8 percent from last year with decreases of 2.4 and 2.7 percent for beef and dairy replacement heifers, along with a 5.2 percent decline in the inventory of other heifers. The inventory of steers over 500 pounds was down 3.5 percent year over year and the inventory of calves under 500 pounds was down 2.6 percent from one year ago. The bull inventory was down 5.0 percent year over year. Total cattle in feedlots on July 1 was 13.1 million head, down 2.2 percent year over year. The calculated supply of feeder cattle (other heifers + steers + calves – cattle on feed) based on this report is 34.4 million head, 3.6 percent smaller than last year. The report pegged the 2023 calf crop at 33.8 million head, down 1.9 percent year over year. The dairy cow inventory, at 9.4 million head, was unchanged from last year and was the only inventory category in the report not showing a year-over-year decrease.

Not only did the report show continued cattle liquidation thus far in 2023, but there are also no clear indications that numbers will stabilize and grow anytime soon. The current inventory of beef replacement heifers is 4.05 million head, lower than the previous cyclical low of 4.2 million head in 2011 and 2012 and is the lowest in 50 years of available July 1 inventory data. There is certainly no indication of heifer retention in thi10.5

(continued on page 2)

## No Herd Rebuilding in Sight

The sharp increase in feeder cattle prices this year represents a growing market incentive for the beef cattle industry to transition from liquidation to herd expansion, but it does not appear that the industry is responding yet. Feeder cattle prices will continue to increase to jump-start heifer retention, which will lead to even higher prices as feeder supplies are further squeezed with fewer heifers in the feeder cattle supply.

## Mid-Year Cattle Inventory Down 3%; COF Down 2%

By: USDA

USDA National Agricultural Statistics Service's July 1 Cattle Inventory report, released Friday, found 95.9 million head, 3% below last year's 98.6 million total.

All cows and heifers that have calved totaled 38.8 million head, 2% below the 39.6 million head on July 1, 2022.

Beef cows, at 29.4 million head, down 3% from a year ago. Milk cows, at 9.40 million head, unchanged from the previous year.

All heifers 500 pounds and over on July 1, 2023 totaled 15.0 million head, 4% below the 15.6 million head on July 1, 2022. Beef replacement heifers, at 4.05 million head, down 2% from a year ago. Milk replacement heifers, at 3.65 million head, down 3% from previous year. Other heifers, at 7.30 million head, 5% below a year earlier.

Steers 500 pounds and over on July 1, 2023, totaled 13.9 million head, down 3% from July 1, 2022.

Bulls 500 pounds and over on July 1, 2023, totaled 1.90 million head, down 5% from previous year.

Calves under 500 pounds on July 1, 2023, totaled 26.3 million head, down 3% from a year earlier.

Cattle and calves on feed for the slaughter market in the United States for all feedlots totaled 13.1 million head on July 1, 2023, down 2% from the previous year. Cattle on feed in feedlots with capacity of 1,000 or more head accounted for 85.5% of the total cattle on feed on July 1, 2023, up slightly from previous year. The total of calves under 500 pounds and other heifers and steers over 500 pounds (outside of feedlots), at 34.4 million head, down 4% from the 35.7 million head on July 1, 2022.

**CALF CROP DOWN 2%**

The 2023 calf crop in the United States is expected to be 33.8 million head, down 2% from last year. Calves born during the first half of 2023 are estimated at 24.8 million head, down 2% from the first half of 2022. An additional 9.00 million calves are expected to be born during the second half of 2023.

**JULY 1 CATTLE ON FEED**

Cattle and calves on feed for the slaughter market in the United States for feedlots with capacity of 1,000 or more head totaled 11.2 million head on July 1, 2023. The inventory was 2% below July 1, 2022. The inventory included 6.73 million steers and steer calves, down 3% from the previous year. This group accounted for 60% of the total inventory. Heifers and heifer calves accounted for 4.47 million head, unchanged from 2022.

Placements in feedlots during June totaled 1.68 million head, 3% above 2022. Net placements were 1.61 million head. During June, placements of cattle and calves weighing less than 600 pounds were 390,000 head, 600-699 pounds were 275,000 head, 700-799 pounds were 380,000 head, 800-899 pounds were 368,000 head, 900-999 pounds were 185,000 head, and 1,000 pounds and greater were 80,000 head.

Marketings of fed cattle during June totaled 1.96 million head, 5% below 2022.

Other disappearance totaled 69,000 head during June, unchanged from 2022.

## Profit Tracker: Beef & Pork Producer Margins Gaining

By: Greg Henderson

Cattle slaughter continues in decline and packers are scrambling to find enough market-ready cattle to keep the chains moving. Feedyards have countered with higher asking prices. USDA's most recent grading data and the national Choice plus Prime grading percentage reached a new low for 2023, equaling the 5-year average.

For the week ending July 22, cattle feeders found average profits near $441 per head, about steady with profits the previous week. The week's 5-area direct price was $187.26 per cwt. an increase of $2.90 per cwt., which is $44 per cwt. higher (+24%) than the same week a year ago, according to the **Sterling Beef Profit Tracker**.

Beef packer margins slipped further into the red with average losses of about $81 per head, or losses of $71 per head more than the previous week. Wholesale beef prices posted an average of $300 per cwt., down about $5 from the previous week. The Beef and Pork Profit Trackers are calculated by Sterling Marketing, Vale, Ore.

Cattle sold last week carried a total feed cost of $580 per head, up about $2 per head from the previous week, but 12% higher than the $510 feed costs for cattle sold the same week a year ago.

Cattle marketed last week had a breakeven of $155.76 per cwt., while cattle placed on feed last week have a breakeven of $181.82 per cwt. Cattle placed last week are calculated to have a purchase price for 750-800 lb. feeder steers at $242.69 per cwt., and feed costs of $454 per head. The feeder steer price is 31% higher than last year.

The estimated total cost for finishing a steer last week was $2,180 per head, up 18% from last year's estimate of $1,917 per head.

Fed cattle slaughter totaled an estimated 498,632 head, down about 4,000 head from the previous week and 14,000 fewer than the same week last year. Packing plant capacity utilization was estimated at 87.2% compared to 89.4% last year.

**Farrow-to-finish hog producers** saw profits of about $45 per head last week, about $9 per head more than the previous week. Pork producers saw profits of $89 per head the same week a year ago. Lean carcass prices averaged $106.13 per cwt., up $3.51 per cwt. from the previous week.

Pork packers closed the week with $6 per head profits, down $3 per head from the previous week. Last year pork packers were losing about $16 per head. Hog slaughter was estimated at 2.316 million head, down 12,000 head from the week before and up 22,000 head from last year.

(continued on page 3)

## Profit Tracker: Beef & Pork Producer Margins Gaining

Pork packer capacity utilization was estimated at 85.2% compared to 83.0% last year.

(Note: The Sterling Beef Profit Tracker calculates an average beef cutout value for the week in its estimates for feedyard and packer margins. Other prices in the weekly Profit Tracker also are calculated weekly averages. Feedyard margins are calculated on a cash basis only with no adjustment for risk management practices. The Beef and Pork Profit Trackers are intended only as a benchmark for the average cash costs of feeding cattle and hogs. Sterling Marketing is a private, independent beef and pork consulting firm not associated with any packing company or livestock feeding enterprise.)

## Mackey: Packers Aggressive Seeking the 'Right Kind'

By: Brodie Mackey

The July cattle marketing period has been everything but ordinary. For most it will not be forgotten. The tightness of supplies continue to be leveraged by the cattle feeders, competition on front-enders have pushed the market higher almost every week. This past week was no different.

After several weeks of marginal volumes packers entered the market more aggressive. As of Friday they had purchased 117,000 head cash and grids combined, look for that number to increase Monday.

The South saw activity at $180 per cwt., with a report of a regional paying as much as $187 per cwt. The momentum pushed North. Regionals quicker to the market trying to tie up the "right kind" had cattle feeders taking bids at $188-190. Ultimately, the majors would follow.

On the dressed side cattle feeders looked to take advantage of the $30 Choice-Select spread and would grid most cattle at $295 per cwt. On the week, the industry would trade $2-3 higher compared to the week previous.

Looking ahead, there will be lots of commentary from Friday's reports. The highlight, no sign of herd rebuilding just yet. The tighter supplies will be with the industry for some time to come. Cattle feeders will continue to leverage the situation.

## Speer: Where's Your Thermostat?

By: Nevil Speer

**Different Complaint:** The preceding column featured criticism about CME's June Live Cattle contract. One analyst believed basis was out of whack with blame largely directed towards speculators. Fast forward about 30 days. Same commentator, more grumbling, different offender:

[June live cattle are trading at] $177.57 which doesn't sound very good when they were trading cattle on Thursday from $185 to $188 and we're getting so close to the end of the June live cattle contract and they don't converge anymore and very frustrating for a lot of people that are watching. Your hedged cattle feeders they love it because they always get a basis and they're getting where they count that and they figure that into their breakeven. They're gonna have to change that contract to get it to where they converge together....

Let's focus on 1) convergence, and 2) cattle feeders.

**Convergence:** The June Live Cattle contract settled on June 30 at $181.50. That's just 17 cents (emphasis) over the week's cash market. That reality refutes any claim to "[cash and futures] don't converge anymore" and "they're gonna have to change that contract."

Sure, they may not trade in lockstep a month from expiration but that's not indicative of need for alarm. It calls to mind Virgil's great observation: "Fortunate is he who understands the cause of things."

**Basis Jumpers:** Did you catch the subtle dig at "hedged cattle feeders". (Remember just a month prior it was the speculators' fault.). They're often portrayed as "basis jumpers" with the underhanded implication they don't pull their weight. The critics complain the hedgers will stall the rally because they're disinterested in the cash market (despite evidence to the contrary: see 55 – 0).

But isn't that the very purpose of the hedge in the first place? Disciplined hedgers protect themselves against noise and volatility –the very essence of why futures markets exist.

It's perplexing why anyone would bash cattle feeders for wanting such a backstop and minimizing their respective value at risk. That's like criticizing fighter pilots for implementing the tailhook when making a carrier landing.

**Currentness:** Punching the "basis jumpers" also overlooks the importance of currentness to the market. Several years ago, Randy Blach (CEO, Cattle Fax) discussed that topic with Ron Hays (Radio Oklahoma Network); he explained the influence of increased risk management:

It's been a major, major change...People are willing to take singles and doubles instead of swinging for the fences...." It's also important to reinforce the importance of risk management to the overall market. As alluded to previously, hedging helps make disciplined marketers. And that's largely buffered against uncurrentness in the face of record-large feedyard inventories.

(see Business First, Market Second).

**Breakevens:** Did you also note the quip, "they figure that [basis] into their breakeven." It insinuates disciplined hedgers not only undermine the cash market, but they also make it more competitive to buy feeder cattle. In other words, "hedged cattle feeders" are working both sides of the ledger.

The result being an enduring divisiveness. The commentary pits cattle feeders against one another: hedged feedyards versus cash-to-cash operators.

**They:** Therein enters the overarching preoccupation with "they". Generally, that equates to the packer. Now "they" also includes the speculator (per the prior column) and/or the CME and/or the hedged cattle feeder. Per the discussion above, it's all unsubstantiated rhetoric (for rhetoric's sake).

Successful people never waste time or energy on "they". Any such claim is disempowering; it's the equivalent of putting your thermostat in someone else's house.

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## Missouri Passes New Felony Law To Protect Livestock Transport

By: Paige Carlson

Animal activists look for ways to disrupt the livestock industry, especially during transport.

Unfortunately, some get away with it. For example, two animal rights activists “rescuing” two chickens from a Foster Farms truck in Livingston, Calif., in September 2021, were found not guilty of misdemeanor theft by a Merced County jury.

However, in the state of Missouri, those interfering with the shipping of livestock will now face a felony offense, following Missouri Gov. Mike Parson’s approval of the bill, “Offense of Interference with Transportation of Livestock,” as part of a larger public safety package.

The bill, originally sponsored by Missouri’s Rep. Brenda Shields, criminalizes any person who knowingly stops or otherwise interferes with a motor vehicle transporting livestock; provokes or disturbs livestock when the livestock is confined in a motor vehicle; or puts or places a substance on the livestock that affects its health or use, according to the legislative documents.

Activity of this kind will result in a class E felony charge for the first offense and a class C felony for any subsequent offense. Additionally, felony charges may include prison time or a fine up to $10,000, depending on the case. Previous punishment included a misdemeanor charge and a $1,000 fine.

Fueled by issues in transferring hogs within her district that includes a large pork processing plant, Shields explained to a local news source that trucks were being slowed down or stopped, tainted water was thrown into the truck [trailer] and hypodermic needles were put into the loaded hogs.

“[Animal Activist] Groups like Direct Action Everywhere (DXE) have small pockets of supporters across the country that are willing to mobilize for the cause, and the ‘lead organizers’ have also shown they’re willing to travel anywhere to conduct ‘investigations’ and demonstrations,” explains Hannah Thompson-Weeman, president of Animal Agriculture Alliance, in a PorkBusiness.com article.

From a quality, reliability and food supply standpoint, Shields says consumers expect safe protein and processors expect animals that haven’t been tampered with. Specifically, pigs go through the entire process to get to the plant, making sure the pig is clean and free of any contaminants, she adds. However, if the processor comes across one of these hypodermic needles, production halts immediately until the source of the needle is identified. The entire line then must be cleaned and valuable production time is lost.

It’s been proven over again that these animals are transported in a very safe way with very little stress, Shields adds, and the people who tamper with the process, often animal rights proponents, are causing unnecessary pressure and interruptions to the livestock industry.

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