Cow Country Reporter

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In This Issue

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News from your CEO

The last week in April three of your Executive Committee members, Mike Kovac, Dave Sanson and myself, made a trip to West Texas. We visited a Red Angus Ranch in Whitesboro, TX and the Bradley 3 Ranch near Childress, TX. Both ranches gave us contact information as well as insight into different operations and how they manage their cattle operations. James Henderson, one of the 3 in B3R, shared his wisdom of his cattle operation and 18 years of running their processing plant. This diversity is something we in Louisiana could take advantage of with plants like Costal Plains Meats in Eunice, LA. This trip was paid for by each of the Executive Committee members.

I hope y'all checked out the Superior Livestock Video sale held April 18-19 in Natchitoches, LA where 13,000 plus Louisiana cattle sold for current and June-Sept. delivery. The sale prices were $40.00-$50.00, some $51.00-$55.00 cwt. higher than last years sale. Rayburn Smith, a lifetime member of CPL, and his crew did a great job representing Louisiana cattle.

Rain in March and April has provided an abundance of forages for hay and grazing so keep those calves alive and growing to enjoy another profitable year in the cow/calf business. Enjoy the beginning of Summer.

Dave Foster, CEO

Cattle Markets Back on Track

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

A month after cattle markets were roiled by the diagnosis of highly pathogenic avian influenza in dairy cattle, cattle futures and cash markets seem to be mostly recovered. Although there remain questions about some aspects of the disease, including exactly how the disease, now known as Bovine Influenza A virus (BIAV), is spreading between cattle, markets have settled into the knowledge that the disease has relatively minor impacts on cattle, and has no human health implications for meat or pasteurized dairy products. Baring any new surprising information, cattle markets should move on with market fundamentals.

Oklahoma auction prices for steer calves have bounced off the recent lows (Figure 1). Calf prices normally reach a seasonal peak at the end of the first quarter, so steer calf prices may not recover fully to the March highs. However, the strong general uptrend in cattle markets likely means calf prices may move more sideways for a period before moving higher in the later part of the year. Concern about summer grazing conditions could temper stocker demand in the next month or so. In Oklahoma, drought conditions have been reemerging quickly, with the percentage of the state showing abnormally dry conditions or low-level drought increased from about 34 percent in March to nearly 66 percent in the most recent Drought Monitor. However, the outbreak of storms the last weekend of April provided needed moisture in parts of the state, accompanied, unfortunately, by numerous tornados.

Heavyweight feeder cattle prices have bounced more than calf prices buoyed by recovery in Feeder futures and seasonal tendencies for higher prices from now through the middle of the year (Figure 2). Despite the unexpected shocks that have impacted feeder markets, feeder prices are proving to be very resilient. Feedlot demand is strong as feedlots chase limited feeder cattle supplies, spurred on by declining feedlot cost of gain. For all feeder cattle, both calves and big feeders, the highest prices of the year are expected in the fourth quarter.

On January 1, the estimated feeder supply for the U.S. was down 4.2 percent year over year and was the lowest in data available back to 1972. However, the Oklahoma estimated feeder supply on January 1 was up 6.7

(continued on page 2)

percent year over year, reflecting better winter wheat grazing conditions and more stockers on wheat. The weekly volume of feeder cattle in Oklahoma auctions was higher from late February through March, reflecting marketing of cattle off of dual-purpose wheat. Auction volumes have been sharply lower in April but some additional graze-out cattle may be sold in May. Despite the larger feeder supply in the state on January 1, the auction volume of feeder cattle for the year to date in Oklahoma is down 8.7 percent year over year.

Derrell Peel, OSU Extension livestock marketing specialist, says the March cattle on feed report shows a slight decrease in placements from last year on SUNUPTV from April 27, 2024. https://www.youtube.com/watch?v=w30IVEQbuXI

Fed Cattle Weights and Beef Supplies

By: Josh Maples, Mississippi State University

Fed cattle weights have trended higher over the past two months. The average steer dressed weight during March 2024 was 923 pounds. This was the highest March average on record, surpassing the March 2022 total of 914 pounds, and was only the second time that average steer weights during March topped 900 pounds. Cattle weights have been increasing over time, but this particular increase is interesting because of the time of year in which it is occurring. As shown on the chart above, carcass weights typically decrease seasonally during the first half of the year. Carcasses have been getting larger at a time of year when they would normally be decreasing.

Cattle weights are increasing because cattle are spending longer periods in feedlots. As Kenny discussed last week, marketings (or the number of cattle sold out of feedlots) have been lower than expected the past few months. While feedlot supplies are above year-ago levels now, there will be fewer feeder cattle to replace those supplies in 2024. Many feedlots may be incentivized to push weights higher in an effort to keep inventories near capacity for as long as possible. We also have not seen the usual rally in boxed beef or live cattle prices that would normally be expected this time of year and could incentivize more aggressive marketings. Rather, boxed beef prices and live cattle prices trended lower over most of the past month until ticking upward last week.

The larger weights are impacting beef production estimates for 2024. USDA releases forecasts for beef production each month and have been revising their forecasts higher in recent months as the feedlot supply picture becomes clearer. In October 2023, USDA forecasted that 2024 beef production would be 6.3 percent below 2023. In January 2024, the USDA forecast was that 2024 beef production would be 3.2 percent below 2023. In the April 2024 estimate, the forecast was that 2024 beef production will only be 1.9 percent below 2023. Thus, the previous expectation of very tight beef supplies in 2024 has been softened.

Heavier weights are not the only contributor to the revised forecasts. Larger placement totals in some months reflected more cattle coming to feedlots that might have been expected. In a broader sense, this is likely an indicator that herd expansion did not begin as soon some expected. Compared to some expectations, producers continued to send more heifers to feedlots than rather than holding them back for replacements. This contributed to larger feeder cattle supplies and larger beef production expectations for 2024 than would have occurred if those heifers were held back for breeding purposes. It sounds counterintuitive, but beef supplies will get really tight whenever herd expansion begins in full force – because there will be fewer heifers and cows contributing to the beef totals.

R-CALF United Stockgrowers of America
Fighting for the Independent U.S. Cattle Producer

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R-CALF USA Statement on USDA's Final Rule to Require EID Eartags in Cattle

BILLINGS, Mont., April 26, 2024 – Today, the U.S. Department of Agriculture issued an advance copy of the agency's final rule, "Use of Electronic Identification Eartags as Official Identification in Cattle and Bison," that will soon be published in the Federal Register. The advance copy states that 180 days after such publication, all official eartags sold for or applied to cattle and bison must be readable both visually and electronically (EID).

R-CALF USA CEO Bill Bullard issued the following statement in response to the final EID rule.

"It's no surprise that while USDA claims this EID mandate is to improve disease control, it proudly discloses in the rule's accompanying press release that 'the most significant benefits of the rule' is to maintain foreign markets.

"This is because the beneficiaries of this rule are not cattle producers or consumers. Instead, this rule is intended to benefit multinational beef packers and multinational eartag manufacturers who will profit at the expense of cattle producers and consumers. In fact, because the rule is cost-prohibitive for independent cattle producers, the agency is using millions of taxpayer dollars to give millions of their unnecessary EID eartags away.

"The USDA has slapped independent cattle producers, who have worked closely with the USDA in the past to very successfully control, contain, and eradicate foreign animal diseases, in the face.

"We will fight against the implementation of this disastrous rule that infringes on the freedoms and liberties of our nation's independent cattle farmers and ranchers. This is government overreach at its worst.

"Our goal will be to restore for our nation's cattle producers the flexibility the USDA promised them when they agreed to the agency's 2013 rule. That common-sense rule provided producers the flexibility to use a variety of different animal identification devices, depending on what best fit their individual operations. Among those approved devices producers could choose among were the very inexpensive metal eartags and the very costly electronic identification eartags. The USDA has robbed producers of their ability to make their own business decisions. We cannot and should not tolerate this as an industry."

Ranchers Cattlemen Action Legal Fund United Stockgrowers of America (R-CALF USA) is the largest producer-only lobbying and trade association representing U.S. cattle producers. It is a national, nonprofit organization dedicated to ensuring the continued profitability and viability of the U.S. cattle and sheep industries. Visit www.r-calfusa.com or call (406) 252-2516 for more information.

Speer: Protectionism's Persistent Misunderstandings

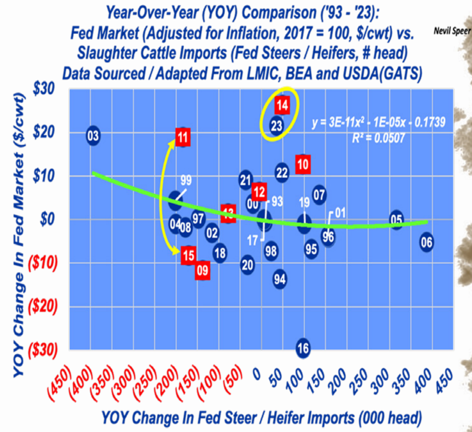
By: Nevil Speer

Disclaimer: This is the third column (see one and two) grappling with some of the claims regarding international trade. And while it's always been a contentious issue, the rhetoric has seemingly been amplified in recent months. Like the disclaimer noted in the first column, none of the discussion that follows should be interpreted as commentary extending to broader political issues and/or candidates.

Such a disclaimer is especially pertinent, because when it comes to trade, the U.S. beef industry stands alone on two separate fronts. Domestically: it's difficult to identify a comparable industry that holds such a solid competitive position in the global marketplace. Internationally: no other country is able to match the U.S. beef industry's dominant ability to readily source large volumes of high-quality beef.

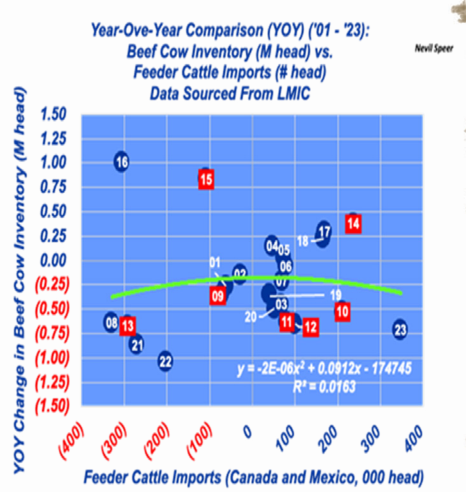
USDA Trade Policy: That said, there's a floating narrative out there that often condemns the presence of international trade – while baffling, it's often positioned as a detrimental influence on the business. For example, RCALF recently proclaimed that USDA's trade policies are hurting ranchers. The ranch group claiming: "… hundreds of millions of dollars in economic injury inflicted on America's ranchers by the USDA's trade policies have contributed greatly to what we learned in the 2022 census – and that is that during each of the past five years, on average more than 21,000 American ranchers have quit ranching, with a total loss of ranchers of 107,000 during that short period."

The series' first column countered that contention by highlighting the beef industry's fiscal trade surplus. The second column further debunked the claim by demonstrating beef imports have neither hindered the fed market nor influenced beef cow inventory. But that leaves us with a third item to consider – namely imports of live animals. Maybe that's detrimental to beef producers?



Facts Are Stubborn Things: There are two sets of data detailed below.

- Fed cattle: The first graph details the relationship between annual changes in the fed market (inflation adjusted) and annual fed steer / heifer imports. Here's what's most important – the regression line is essentially flat; even in those years when imports exceeded the prior year, the subsequent influence on the fed market was negligible. (Note also the COOL years – the absence of any trend is telling.)
- Feeder cattle: Now let's turn our attention to feeder cattle. The anti-trade narrative goes something like this: too many feeder cattle are being imported into the U.S. and subsequently compete with domestic cow/calf producers, thus driving them out of business. What about that? The second graph demonstrates there's simply no evidence to back that up. The regression of change in cow numbers versus feeder cattle imports is flat (the covariance is essentially zero).



Dr. Rick: Everyone loves the Progressive insurance ads with Dr. Rick. You know, "Maybe Progressive can't help you from becoming your parents, but we can protect your home and auto when you bundle with us." My favorite one is the "social listening" commercial. Dr. Rick asks at the end, "Okay, do you really think we need 47 photos of fun dinner at Pam's?" And Pam enthusiastically responds, "Yes!" Dr. Rick immediately counters, "No."

Now envision Dr. Rick at the coffee shop talking about this data. He asks, "Do you really believe international trade is driving producers out of business?" Straightaway, one cowboy enthusiastically responds with, "Yes!" Just like the ad, Dr. Rick then counters with, "No." Maybe Progressive can't help you from becoming a protectionist…

Persistent Misunderstanding: In all seriousness, Drs. Glynn Tonsor (Kansas State University) and Derrell Peel (Oklahoma State University) describe it best in their white paper entitled, "Assessing Economic Impact That Would Follow Loss of U.S. Beef Exports & Imports." They summarize the importance of international trade like this:

…the economic importance of beef exports and imports is substantial and growing with time. In the absence of beef trade, the entire industry would shrink significantly.

Most significant, subsequent to the critical nature of trade, Tonsor and Peel also implore their readers to be discerning students of the trade data influencing their business; sifting out the noise and meaningless talking points related to trade policy:

Given persistent misunderstanding [emphasis mine] and market dynamics in the global marketplace, periodic updated assessments are encouraged.

Nevil Speer is an independent consultant based in Bowling Green, KY. The views and opinions expressed herein do not reflect, nor are associated with in any manner, any client or business relationship. He can be reached at nevil.speer@turkeytrack.biz.

"Do not go where the path may lead,
go instead where there is no path and leave a trail."
Ralph Waldo Emerson

Quantifying the Value of Good Management

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

In comparison to the Purebred Seedstock, Stocker or Finishing segments of beef production, the Commercial Cow-calf sector shouldn't require as much day-to-day management and labor input. Well managed cow-calf operations can concentrate these inputs into short time frames focused on critical control points of production. The critical control points focus on improving herd health, reducing parasites, pregnancy checks to make sure the cost of cow maintenance is rewarded in the form of a weaned calf, and management to improve the value of calves produced.

The April 16, 2024 Oklahoma Market Report shows that 520 pound steers sold at an average value of $315/cwt, translating to a per head value of $1,638. A price which should result in a good profit margin beyond the annual maintenance cost of the cow that produced the calf. Historically low current US cowherd inventories and limited evidence of heifer retention indicates the robust markets we currently enjoy should be sustained for at least the next couple of years. In such times, it can be easy to overlook the critical control points which result in improving the value of calves.

Control What You Can/Manage the Manageable

The value of good management has never been higher. Consider the following:

- The cow that breeds one heat cycle earlier and calves 21 days earlier will yield a calf approximately 40 pounds heavier the day you wean. At current prices, that is an extra $125 per cow.
- Castrated steers bring $5 – 10/cwt more than bulls. The bigger the bull calves get, the larger the discount. The earlier in life bull calves can be castrated, the less stressful it is to the calf. Testosterone production in intact bulls is very low until puberty. Weaning weights of intact bulls are not heavier compared to steers.
- Dehorned or naturally polled calves sell at a $5 – 10/cwt premium over calves with horns.
- Growth implants can increase gains by 10 – 20%. For the expense of approximately $2 per implant resulting in an extra 18 pounds of added pay weight, this equates to over $55 of additional value per head. Weaning weights of growth implanted steers are often heavier than intact bull calves.
- Preconditioning typically bundles the best management practices of castration, dehorning, deworming and bunk training with a nutritional program to accommodate a 45-day on ranch weaning period. Two rounds of vaccinations (respiratory and blackleg) which can be documented as a marketing tool. One such program is the Oklahoma Quality Beef Network (OQBN) which provides producers the opportunity to certify calves and participate in special sales. Information about the OQBN is available at: http://www.oqbn.okstate.edu. The premiums for OQBN calves averaged approximately $13/cwt over the value of non-preconditioned calves from 2011 – 2022. The most optimum time for castration, dehorning and the first round of vaccinations in order to meet the specifications for preconditioned calves is two to four months of age.

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