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News from your CEO

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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

HAPPY NEW YEAR! May each of you and your families be blessed with good health in 2016.

Whew! We can finally say goodbye to 2015 and what a year it was. Record breaking weather and cattle prices were the main news in the headlines and in the local coffee shops. Cattle prices were wonderful the first half of 2015 only to end the year with \$300.00-\$550.00 per head losses. The only exception was the last two marketing weeks in December when cattle coming out of the feedlot gained \$18.00 cwt. compared to the second week in December. Louisiana cattle marketed through the 9 auction markets in our state were 12% lower than 2014. Ed Czerwin, USDA Livestock and Grain Market News reporter out of Amarillo, in his article tells a real weather situation. After reading this article you may not wish for a white Christmas. Dr. Darrell Peel does a good job of summarizing 2015 and getting us prepared for 2016. Speaking of 2016, there are some exciting things happening. The new Louisiana Beef Industry Council (LBIC) is up and running so watch their work this year as they manage your check off dollar. I have been to all their meetings since they started in August and I am very impressed how all the board members have you, the producer's, best interest in all their decisions. Amelia Levin Kent, a CPL member, was named by USDA Secretary of Agriculture Tom Vilsack, to serve

a 3 year term on the Cattlemen's Beef Board representing Louisiana.

The next big report to look for is the US Cattle Inventory released in the last week of January. This report coupled with weather conditions, could help give insight to market prices starting the new year. If we have learned anything from 2015 it is to expect and prepare for huge market price swings, keep informed regularly, be flexible and embrace change in your cattle operation. Have a great year!

Dave Foster, CEO

BLIZZARD UPDATE LOSSES ARE BIG IN SOME AREA

By: Ed Czerwin

The Christmas blizzard appears to have had a lot more impact on the Dairy industry south and west of Amarillo. There is a bunch of very large dairy operations that are near Clovis NM and Muleshoe TX where the storm was the worst. They are starting to estimate thousands of dairy cows that perished during the storm along with many, MANY more small calves. Also milk production will decline in some operations because of cows not being milked during the storm and its impact on upcoming production.

Another segment that showed very large losses was the wheat pasture cattle from Tulia down to Lubbock. The snow was so deep that the cattle were able to walk over fences and wandered many miles away. They don't know how many actually died yet but many are missing and some have been found

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HOW WILL CATTLE AND BEEF MARKETS BE DIFFERENT IN 2016?

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

Cattle markets in 2015 transitioned from what 2014 was to more like what 2016 will be. Beef production will be up three to four percent annually from 2015 levels, which was the lowest since 1993. Increased beef production in 2016 is still a low number historically. That increase began with a two percent year over year increase in beef production in the fourth quarter of 2015. Beef production will grow more in the second half of 2016 as limited recent feedlot placements will constrain beef production the first few months of the year.

Beef herd expansion was aggressive in 2015. The annual inventory numbers due out on January 29 will confirm just how aggressive and how the stage is set for 2016. Herd expansion will continue in 2016, though perhaps a bit slower than earlier expected as a result of the market shake-up in late 2015. Feeder cattle supplies will increase on a projected 1.2 percent higher 2015 calf crop but will be tempered by continued heifer retention and lower cattle imports. Cattle imports from Canada were down 27 percent year over year through October and Mexican cattle imports, though up nearly five percent for the year, dropped an estimated 30 percent year over year in the fourth quarter of 2015. Herd rebuilding in both Canada and Mexico and lower U.S. cattle prices will likely keep cattle imports down in 2016.

Changes in meat trade and the situation for competing meats will modify 2016 meat consumption significantly relative to 2015. For beef, 2015 consumption was fractionally higher year over year from 2014 as a surge in beef imports more than offset decreased beef production. In 2016, sharply lower beef imports will likely offset much of increased domestic production and lead to an expected one percent increase in domestic beef consumption. Beef imports began dropping in late 2015 with October imports (latest data) down 13 percent, led by a 33 percent year over year drop in imports from Australia. 2016 beef imports are projected down year over year by 12 to 15 percent. Beef exports are expected to be plus or minus equal to 2015 levels after dropping by nearly 14 percent in 2015. Beef export recovery will be slow but may begin in 2016. Lower beef prices will support beef exports but continuing global economic concerns, especially regarding China, will likely keep the dollar value high and limit beef (and other meat) exports.

Pork production, after jumping 7.4 percent year over year in 2015, will grow much more modestly in 2016, perhaps around one percent. Most of that growth will be in the first quarter of 2016 as peak market hog inventories move through meat markets. The December Hogs and pigs report confirmed that current hog numbers are record high but also showed that peak production is on the ground now and sow farrowings are expected decrease into 2016. Pork exports, up a sluggish 1.9 percent in 2015, are projected to increase six to seven percent in 2016. Modest production increase and better pork exports mean that domestic pork consumption may actually decline fractionally in 2016.

Broiler production is also expected to grow more modestly in 2016; perhaps two to three percent compared to nearly 4 percent in 2015. More importantly, in the absence of any more avian influenza, broiler exports are projected to increase seven to eight percent year over year, compared to a 12 percent drop in 2015. Domestic broiler consumption is projected to increase 1.5 percent in 2016; compared to a 6.2 percent increase year over year in 2015.

Taken together, these changes in meat production mean that total meat production will increase less than 2 percent in 2016, compared to a 2.7 percent year over year increase in 2015. More importantly, meat production combined with trade impacts mean that total meat consumption will only increase fractionally in 2016 following a 4.5 percent year over year increase in 2015. While beef production will increase the most, the overall meat situation will be more favorable in 2016 compared to 2015. "accept a lower conception rate on yearling heifers to find those that will breed early?" The answer is: the open heifers are growing and will gain more pounds per acre than cow-calf pairs and will usually generate more profit per acre than the cow-calf pairs. You then have a life-time bonus in cows that will tend to calve earlier and wean bigger calves.

BLIZZARD UPDATE LOSSES ARE BIG IN SOME AREA

up to 30 miles away. It will probably take a long time to find all of the cattle.

Feedlots in that same general area that had recently purchased light weight Mexican cattle and/or light Holstein calves from California had incredible losses.

I will keep you posted as I find out more info but it will take a long time to round up all of the wandering cattle and figure out the total losses. Like I said earlier, every feedlot has had big weight losses but areas South and West had the biggest death losses.

SUSTAINABILITY HAS BECOME A BUZZ WORD

By: Bryan Weech

Sustainability has become a buzz word in the beef industry for good reason. Like it or not, your immediate customers, those who process beef such as Tyson, JBS, Cargill and other packers, and those who sell beef to the end consumer, like Walmart, McDonald's and many others, have concluded that beef sustainability is an important issue. They are focused on continuous improvement in the ecological, economic, and social aspects of beef production because they believe it is critical to the long-term viability of the beef industry.

A most basic calculation has been made by many of the beef industry's major customers; if they want to be in the business of selling beef over the next 25, 50 or 100 years, they must sell a product consumers feel good about buying.

Marketing studies have shown consumers expect the food they purchase, including beef, to be environmentally sound (doesn't harm nature), financially viable (farmers receive a fair price) and is socially responsible (supports local communities, animals are well cared for and is wholesome and nutritious).

But here's the catch; an increasingly influential and vocal segment of consuming public expects those in the supply chain, which includes ranchers, to build those attributes into the beef they produce. And when this consuming segment is led to believe that the food they buy doesn't meet their expectation, there is a noticeable negative reaction leading to action. Think of banning sow crates and the requirement for cage-free eggs which have become mandated management practices in a growing number of states.

In this evolving Internet age, consumers are more aware, have more choices and are expressing greater expectations than ever before. And the beef industry must continue to find ways to accommodate the consumers of the 21st century.

Around the world, the beef value chain is collaborating to find ways to meet the modern consumer's expectations. In Brazil, the Roundtable for Sustainable Beef has been operating for nearly eight years. To our north, the Canadian Roundtable for Sustainable Beef was formed almost two years ago, and here in the U.S., the U.S. Roundtable for Sustainable Beef was launched this year. All of these multi-stakeholder initiatives have the intent to clarify the definition of sustainable beef, and to act as a catalyst for working together to support continuous improvement of the sustainability of beef production.

Even with the increased discussion about sustainability across the beef value chain, to date there has been little explanation of what sustainability means from a practical management perspective. The question remains—how does the average beef producer get started on the road of continuous improvement and apply the principles of sustainable management?

In our 21st century beef production system, where the consumer is king and sustainability is an expectation not a request, decisions about bull selection, grazing management, water management, calving season date, feed conversion, red meat yield, animal husbandry practices and others take on increased meaning in the context of sustainability. A realization that these management decisions play a role in the continuous improvement of the sustainability of the beef value chain is a starting point that producers and other value chain participants must understand.

Bryan Weech is a consultant and adviser on sustainable agricultural projects. Contact him at bryanweech@gmail.com.



R-CALF USA REQUESTS SENATE JUDICIARY COMMITTEE INVESTIGATION INTO 2015 CATTLE PRICE COLLAPSE

Billings, Mont. - In a formal request sent today to the U.S. Senate Committee on the Judiciary (Committee), R-CALF USA seeks an investigation into potential antitrust and anticompetitive conduct in the U.S. cattle and beef markets. The group is asking the Committee to investigate 13 specific issues including the cause for the dramatic, unprecedented collapse of U.S. cattle prices in 2015; whether there are structural problems in the U.S. cattle market that contributed to the price collapse in 2015; and whether dominant meatpackers or other major market participants engaged in unlawful conduct that adversely influenced the cattle futures market and cash cattle market in 2015.

In its highly detailed and well-documented request, the group provides evidence indicating that antitrust and anticompetitive conduct by dominant meatpackers and certain traders in the cattle futures market in 2015 caused a severe anomaly in U.S. cattle markets. That anomaly, according to the group, caused an “unprecedented extraction of equity from the U.S. live cattle industry” and harmed consumers as well.

As background for the Committee, the group explained that extremely tight cattle supplies and growing beef demand were among market fundamentals cited by analysts to support projections for strong cattle prices throughout 2015 and for up to three years beyond. During the first half of 2015, those projections were spot-on, the group stated.

“But then something went awry,” The group wrote adding that in the latter part of 2015, “cattle prices collapsed farther and faster than during any time in history and the unprecedented volatility in the cattle futures market rendered it useless for price discovery purposes.”

The group provided documentation showing that independent cattle feeders lost more than \$500 per head of cattle sold during the collapse and, consequently, “the very foundation of the U.S. cattle industry’s feeding sector - its independent cattle feeders - was irreparably damaged.”

But as cash cattle prices plummeted and cattle futures prices fluctuated with extreme volatility, dominant meatpackers were benefiting from what one industry commentator referred to as ‘gangbuster profits.’ Meanwhile, consumers continued paying at or near record high prices for beef.

In further support of its request, R-CALF USA states that analysts are characterizing the 2015 price collapse with nondescript phrases such as ‘market meltdown’ and ‘psychological upheaval,’ indicating that they either do not know or they will not say what actually caused the catastrophic price collapse.

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