

Cow Country Reporter



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News from your CEO

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Mark your 2017 calendars for a CPL information meeting on February 10 at LSU Dewitt Livestock Facility on the LSUA campus in Alexandria, LA. This workshop is titled, "Dirt Rich or Dirt Poor" and our co-operator is the Louisiana Grazing Lands Conservation Initiative. More info to come.

If you have not renewed your CPL membership (\$50.00), please do so by the end of 2016. Your membership makes this organization what it is and is valuable to the cattle industry in Louisiana.

The year 2016 is coming to a close and with it are many lessons learned (via the school of hard knocks), Ma Nature provided floods and droughts to test our staying power (all happening at the most inopportune time). The cattle market kept us confused ALL YEAR! So let's say GOODBYE TO 2016 and thanks for the memories/lessons learned. Our

cattle runs are over for 2016 and now we can take care of our fall born calves and prepare for our spring calves. Hopefully you have enough hay and will get enough moisture to have some ryegrass to graze. Going into 2017 we now can learn from 2016. Start planning your marketing program now! Continue to be flexible (remember 2016) and keep informed. Cattle prices, both feeder and slaughter cattle improved in November and December which will make the new year outlook a little more positive. Use our market hotline which is updated every Saturday by calling 888-528-6999, option 3 to keep up to date with cattle prices. Sign up some new members to keep CPL a viable organization and more importantly call our toll free number with your questions, concerns and suggestions. Remember CPL is your organization.

From all of us at CPL we wish you and yours a very Merry Christmas and a prosperous New Year!

Dave Foster, CEO

Cattle Producers of Louisiana lost a founding member of this organization on December 2, 2016. Ronald Black, Executive Board Member, passed suddenly and will be dearly missed. Ronald was articulate, organized and devoted to a cause that he believed in. As a founding member of CPL, he authored the CPL by-laws and played a major role in developing a structure for this organization that is unique and very functional. He was our lead person representing CPL in supporting the rule to restructure the Louisiana Beef Industry Council. CPL has one member on this board and our executive committee selected Ronald to represent us. At the LBIC first official meeting of this new structure officers were elected and Ronald was unanimously chosen as chairman. He was the catalyst in getting this board up and running in just three short months. His leadership skills coupled with his knowledge of rules and regulations made Ronald unique. He was a gifted writer and his command of the English language allowed him to communicate to people on all levels. To say, Ronald Black will be missed is an understatement. May God bless his family and friends. I give thanks and praise to God for putting Ronald Black in my life. Like his family, friends and acquaintances we will cherish his memory because we all have a Ronald Black story to share.

BEEF COLD STORAGE MYTHS AND REALITIES

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

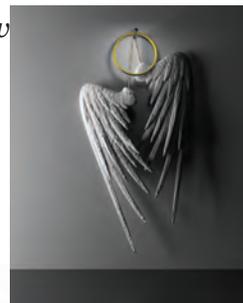
Considerable ado has been made about large beef cold storage totals for the past year. This has resulted in questions, concerns and confusion among cattle producers and others about the implications of large cold storage holdings. I have gotten numerous questions about “huge supplies of beef in cold storage that would keep beef markets depressed”. Misunderstanding has been increased by misleading media stories about cold storage. One such recent article by a major news service was entitled “U.S. Beef Supplies at Highest in Records Dating Back a Century”. The article was referring to the reported October beef cold storage total of 532 million pounds, the largest monthly total since records began in December 1915. However, beef cold storage, which is frozen beef supplies maintained in commercial warehouses for more than 30 days, represents roughly two percent of annual beef production. In other words, 98 percent of beef is marketed as chilled fresh beef and does not pass through cold storage. Record cold storage inventories do not imply record beef supplies. Indeed, beef supplies, as measured by total annual beef production, exceeded the projected 2016 beef production total in 17 of the past 21 years.

October cold storage represented 2.15 percent of annual beef production (a rolling twelve month total of beef production), fractionally less than the 2.16 percent from one year ago and less than the record monthly level of 2.19 percent in January, 2016. Cold storage inventories typically increase seasonally in the winter and decrease into the middle of the year. Since beef in cold storage is typically held for six to twelve months, a twelve month average of monthly cold storage inventories provides a good measure of cold storage management over time. The twelve month average of cold storage inventories for October was 1.97 percent of annual beef production compared to 2.01 percent at the same time last year. Since 2012, the monthly cold storage pipeline has averaged 1.82 percent of annual beef production and has ranged from 1.61 percent (October and November, 2014) to 2.07 percent (January, 2016). Therefore, cold storage inventories, or more correctly, changes in cold storage inventories from month to month are too small to be a direct beef supply issue except possibly in a few specific markets.

While cold storage is only a minor component of total beef supplies, cold storage behavior is indicative of market conditions and challenges. Cold storage inventories include an unspecified mix of boneless beef trimmings and muscle cuts along with bone-in beef cuts. Bone-in beef cuts in cold storage have generally declined over time and represented 7.2 percent of October total cold storage inventories; the lowest proportion in over 20 years. The bulk of cold storage inventories are boneless product and are believed to consist mostly of trimmings and end meats. Rarely, and only under exceptional circumstances, significant quantities of middle meats may be put into cold storage. These frozen high quality steaks do not enter normal chilled meat markets when marketed and are typically sold at a discount. Trimmings and end meats are more commonly frozen though maintaining frozen stocks is expensive and is not done without a good economic reason.

Holding beef in cold storage is motivated primarily by two separate but related market activities: the ground beef market and international beef trade. Changing flows of beef imports and exports may contribute to variation in cold storage inventories. For example, the build-up of cold storage in late 2015 was undoubtedly related to the dramatic increase in beef imports last year, most of which was frozen processing beef and was pulled out of cold storage over several months. Beef destined for frozen exports may contribute to increased cold storage inventories when exports are growing. Increased fed slaughter in 2016 has produced more fed trimmings and lean beef supplies are larger due to additional cow slaughter. Sharply growing beef production and a relatively weak ground beef market in 2016 likely account for the build-up to record cold storage supplies in October. Despite being only a small part of the overall beef supply, large current cold storage inventories of beef certainly reflect the marketing challenges that accompany growing beef production in 2016.

Ronald Mark Black, a lifelong resident of Deerford passed away on Friday, December 2, 2016. He had a long and distinguished career in law enforcement including the East Baton Rouge Parish Sheriff's Office, the East Baton Rouge Parish District Attorney's Office, the State of Louisiana Attorney General's Office, the Juvenile Justice Institute, the Criminal Justice Institute, and the State of Louisiana Department of Revenue. He retired as the Director of the Investigation's Division at the State of Louisiana Attorney General's Office. He also was a dedicated cattleman. He served as the President of the East Baton Rouge Parish Cattleman's Association, the Executive Director of the Cattle Producers of Louisiana, the Chairman of the Louisiana Beef Industry Council, the Secretary for the Tri-Parish Co-op, and was a member the Louisiana Cattleman's Association and Farm Bureau. Ronnie is survived by his wife, Donna Lay Black of Deerford; and his daughter Michelle Black Bickham and husband Thomas Bickham, and grandson Matthew Bickham of Baton Rouge. He was preceded in death by his grandparents, Cole and Alma Cline Black of Deerford and Hattie McGehee and Basile Robeau of New Orleans; his parents, C.C. and Evelyn Marchand Black of Deerford and Mattie Beall Lohmann of New Orleans; and his brother, Charles Richard Black of Pride. Ronnie loved his family above all else, and was a dedicated husband, Daddy, and Papa. He will be missed by all. In lieu of flowers, monetary donations may be sent to the American Heart Association or the parsonage fund at Galilee Baptist Church.



IS BEEF DEMAND HEADING IN THE WRONG DIRECTION? DATA SHOW BEEF DEMAND IS SLIPPING WHAT ARE THE IMPLICATIONS?

By: Nevil Speer

During the past several months, the ag media has provided extensive coverage around the influence of increasing protein supply in the marketplace. Accordingly, Industry At A Glance has also reviewed the importance of growing supplies in recent months, including discussion around the importance of exports and continued competitiveness of milk and dairy products for consumer dollars. More production from all sources (beef, pork, poultry) has been a major determinant of market weakness during the past year.

Meanwhile, beef demand has not received its due share of attention. This week's illustration provides an update of quarterly beef demand numbers as reported by Kansas State University, along with the one-year moving average. The data of late is disappointing. The beef demand index peaked in the fourth quarter of 2014 at nearly 94; the most recent reading from the third quarter of 2016 was 88.31.

It's important to remember what drives demand for all types of goods. Aggregate demand is a function of both quantity and price. Demand is fundamentally driven by five key factors:

- Population
- Income
- Tastes/preferences
- Expectations
- The price of other goods

And for beef, the "price of other goods" means potential substitution from pork, poultry and even dairy sources of protein. That is, if consumers perceive the price/value relationship to be in favor of the competitors, they choose such over beef. And therein enters the importance of pricing for other goods.

Beef has been pressured already from pork and poultry – especially on the ground beef side of the market. For more on that topic see: *Is Ground Beef Losing Out to Pork and Poultry?*

However, that pressure is likely also being felt to some extent on the whole muscle portion of the meat case. For example, this past week a major retail chain was offering a buy-one-get-one-free pork tenderloin special. Those types of features certainly catch the attention of any shopper and erode beef's pricing power in the market place.

What are your perceptions around beef demand and its competitive position? Will beef demand flatten out in the near term? Or will the competitive pricing pressure continue to weigh on demand in the future? Given consideration of the five factors outlined above, where do you foresee demand going forward? Leave your thoughts in the comments section below.

Nevil Speer is based in Bowling Green, Ky., and serves as vice president of U.S. operations for AgriClear, Inc. – a wholly-owned subsidiary of TMX Group Limited. The views and opinions of the author expressed herein do not necessarily state or reflect those of the TMX Group Limited and Natural Gas Exchange Inc.

WHY HAVE A CALVING SEASON?

Source: Dr. Glenn Selk, Oklahoma State University Extension Cattle Reproduction Specialist

One of the most asked questions in the cattle industry in the Southern United States: If I "pull" the bulls out for part of the year, won't I lose an opportunity to get a few calves? Should I leave the bull out with cows year-round?

Here is the answer: A research analysis of 394 ranch observations from the Texas, Oklahoma, and New Mexico SPA (standardized performance analysis) data set provided insight into the age old argument about "leaving the bull out" or having a defined breeding season. Oklahoma State University and Texas A&M Agricultural Economists (Parker, et al) presented a paper at the 2004 Southern Association of Agricultural Scientists. They found a positive relationship between number of days of the breeding season and the production cost per hundredweight of calf weaned. Also they reported a negative relationship between number of days of the breeding season and pounds of calf weaned per cow per year.

The data suggested that for each day the breeding season was lengthened, the annual cost of producing a hundred pounds of weaned calf increased by 4.7 cents and pounds of calf weaned per cow per year decreased by 0.158 pounds. The range of breeding seasons in the data set was from extremely short (less than one month) to 365 days or continuous presence of the bull. The trend lines that resulted from the analysis of the data give us an opportunity to evaluate the economic importance of a defined breeding season. The producer that leaves the bull out year-round (365 days) would sell 45.82 fewer pounds of calf per cow per year on the average than producers with a 75-day breeding season. That same producer would have \$13.63 greater costs per hundredweight of weaned calf than the producer that used a 75-day breeding season. In this era of cost/price squeezes, a well-defined breeding and calving season provides a better opportunity to survive the volatility of cattle prices and input costs.

SOUTHERN DROUGHT CONTINUES TO LIMIT FORAGE OPTIONS

Source: Dr. Pat Keyser, Professor and Director, Center for Native Grasslands Management

Many areas in the Mid-South are experiencing drought –with many in severe drought – that is worsening with no relief in sight. These dry conditions limit options for forage managers now, but it is worth looking forward and considering steps that can position you to better handle future droughts.

One thing that comes to mind is the importance of drought-hardy perennials. Annuals, warm- and cool-season, are valuable tools and will, no doubt, play a role in recovery strategies for many producers. But perennials are a more reliable option for providing forage than annuals. When spring rains are not timely, desirable summer annuals like crabgrass will not grow. Similarly, species like annual bluegrass or seeded stands of wheat and rye cannot develop in the fall without timely rain.

A second thing that comes to mind is that so many of our pastures in this region have taken a beating from successive droughts over the past decade. One result is that we no longer have vigorous, strong cool-season pastures. Tall fescue is our most drought-tolerant cool-season option, but many of our “fescue” pastures no longer have good stands. Instead, we have an abundance of annuals, low quality warm-season grasses, and weeds. Renovation of tall fescue pastures whenever the current drought breaks can help correct this problem.

Third, we need drought-hardy PERENNIAL warm-season forages. Without reliable, high quality summer pastures, we put much greater stress on our cool-season pastures by continued grazing through hot, dry summers. This is a time when cool-season pastures need to be rested. Providing a perennial warm-season complement to tall fescue will improve forage during this period. It will also allow for better management of both pastures and, in turn, improved sward condition.

Our most drought tolerant option for summer pasture are native grasses such as, switchgrass, indiangrass, and big bluestem. These plants have very deep root systems (10 or more feet deep) and can access water not available to other grasses. In addition, warm-season species have inherently greater drought tolerance than cool-season grasses because of their physiology. As you evaluate your pastures in coming months, consider converting those that have not been able to maintain reliable tall fescue during the repeated droughts of recent years. Such droughty sites are a good option for native warm-season grasses because of their adaption to such conditions.

Developing perennial pastures on a foundation of drought-hardy species for both the cool (tall fescue) and warm-season (natives) will put you in a stronger position to handle future droughts. A good target for the warm-season natives would be approximately 30% of your pasture base. Such a combination will allow each forage to produce when it is at its best and enable the other to remain vigorous.

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