Cow Country Reporter

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News from your CEO

Lots of events this month will have an impact on our future in the cattle business. Day- light savings time begins March13 and Easter Day March 27. Lent is over. Lets eat more beef! Corn planting has started in Louisiana and spring calving season continues. Last year March was a big consignment month for those selling their calf crop on the video for summer delivery. Not so this year! Producers are watching the market. Pecan trees have not leafed out yet but by the end of the month this too should happen. Spring officially starts on the 20th but one better check Ma Nature. Just a "heads up", last year at this time prices were $350.00 per head higher or somewhere in the $70.00 cwt. higher so check your breakevens and see what you need to do this year. Yes, prices are lower, but don't get caught hanging onto cattle waiting for the market to increase. If one checks out the cattle inventory for 2016 coupled with the latest cold storage report, prices this fall could be under some pressure.

CPL had a great information meeting last February in St. Francisville. We had 54 people attend! Thanks Austin Daniel for being a great host and First South for your sponsorship. Keep posted on the market and contact me if you want a meeting in your area. This statistic from Don Molino's Daily Agri-News Report speaks volumes, "In 1920 each farmer fed 19 mouths, in 1970 each farmer fed 26 mouths, in 2013 each farmer fed 155 mouths and counting. Remember; No Farms, No Food, No Future! We need to tell our story! Enjoy your Spring and may you be blessed with abundant forage and healthy calves.

Dave Foster, CEO

Cattle market "business as usual"?

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

Feeder and fed cattle prices are currently at roughly the same levels as in late 2013. In the intervening 26 or so months, cattle markets have been on a rollercoaster that took cattle prices higher, faster than ever imagined, followed by a sharp correction in late 2015 that was more abrupt and severe than anyone could anticipate. This has left cattle producers cautious and somewhat hesitant about what to expect going forward. One of the challenges through this period has been the fact that many of the cattle and meat market indicators, patterns and relationships have behaved very unusually leaving producers and analysts at a loss to understand and anticipate market movements.

Recently, however, there are number of indications cattle markets may be returning to somewhat more typical behavior. After the worst year ever in 2015, feedlot margins are moving back to levels will lead to positive returns for feedlots. This process is not complete and will likely continue through the next few months. Within feeder cattle markets, the margins or value of gain across weights just recently has adjusted to reflect feedlot cost of gain. The value of gain calculates to the $0.70 - $0.80/ pound range in the past couple of weeks. This suggests that feedlots are pricing feeder cattle in a manner that reflects equilibrium across weights. This is the first time in many months that the value of gain in feeder prices is consistent with broader cattle market conditions.

On a very different note, wholesale beef markets appear to returning to patterns not seen for many months. So far in 2016, middle meats are advancing or holding value relative to weaker end meats. This long term tendency for middle meats to be the strongest part of carcass value has been reversed much

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Cattle market "business as usual"?

of the time in recent years, going all the way back to the recession in 2009. Retail beef prices peaked in mid-2015 and are working lower as beef production begins to grow. Similarly, the ratio of retail beef prices to pork and poultry prices pushed to unprecedented levels over the past two years and has now peaked an begins adjusting back to more typical levels. The retail meat price ratios have been an impressive indication of strong beef demand but the fact that the retail price ratios are returning to more typical levels is an indication of more relative stability in meat markets.

Finally, perhaps the most obvious sign of relative stability is the fact that feeder and fed cattle and beef markets are exhibiting mostly seasonal behavior so far in 2016. Dramatic price trends, both up and down over the past couple years have overshadowed seasonal market tendencies. Though cattle and beef prices are expected to trend lower over the coming months, that trend will not be pronounced and markets are expected to behave much more seasonally.

While cattle and beef markets will no doubt continue to experience volatility, especially related to external macroeconomic and global uncertainty, it is encouraging that many of the internal market indicators are swinging back to more typical levels. This indicates a degree of relative stability in cattle and beef markets that has not been there in recent months.

VFD 101: What you & your vet need to know

By Paige Nelson (reprinted from Beef Magazine)

Order up! One veterinary feed directive (VFD) please! Hold the client complaints, add extra paperwork (not extra label use), judiciously top it with plenty of producer meetings and throw on a side of accountability. Oh yeah, have it ready by January 1, 2017.

One of the largest orders to come down the regulatory pipeline affecting beef producers, veterinarians and feed suppliers at the same time, VFD, may not be exactly what the veterinarian prescribed, but most agree, it is doable.

Ingredients

VFD. Veterinary feed directive is the new law of the land that will go into effect January 1, 2017. "Any (medically important) antibiotic that is put in a feed (or water) substance for cattle is going to need a VFD from a veterinarian," defines Rick Sibbel, DVM, head of technical services for Merck Animal Health.

VFD's goal is to encourage judicious use of antibiotics in the animal agriculture industry.

Ken Blue, DVM, technical services veterinarian for Elanco, adds, "There will be no production uses for those feed grade antibiotics that fall under the VFD rule. Sponsors are in the process of removing all production uses for these VFD feed grade antibiotics. All VFD feed antibiotics will only have indications for treatment and control of disease.

"There is no extra label use allowed for feed grade antimicrobials," Dr. Blue continues. "If you want to use a VFD product to treat a disease that is not on the label, at a level that is not within label indications, or for a time that is not indicated on the label, you cannot write a legal VFD for that product to be used.... If the label says for treatment of respiratory disease, that's what it has to be used for, and it has to be used at the level and duration that is on the label."

According to the U.S. Food and Drug Administration (FDA), a VFD is not the same as a prescription but it is similar. The FDA oversees both prescription drugs and VFD drugs, but while prescription drugs fall under state pharmacy laws, VFDs do not, and that is the distinction. Dr. Sibbel explains the VFD system as a triplicate form, in which the veterinarian retains the original document. One copy is sent to the feed supplier, and the cattle producer keeps another copy. All VFDs must be on file for at least two years. The VFD only affects feed grade antibiotics. No injectable antibiotics fall under VFD regulation. FDA is recommending that a VFD be valid for six months.

Medically important antimicrobials are those antibiotics that are used in both human and animal medicine, and those that are used in feed are deemed by the FDA as medically important and fall under the direction of VFD:

- Penicillins
- Cephalosporins
- Quinolones
- Fluoroquinolones
- Tetracyclines
- Macrolides
- Sulfas
- Glycopeptides

Nonmedically important antimicrobials are antibiotics used exclusively in animals:

- Ionophores
- Polypeptides
- Carbadox
- Bambermycin
- Pleuromutilin

"If an antibiotic does not have the label that is for therapy or prevention, then that antibiotic can't be transferred into the VFD category. There aren't going to be many," Dr. Sibbel reports.

VCPR. In order for a veterinarian to write a VFD, he or she must have a working veterinary-client-patient-relationship (VCPR) with the producer and must be licensed in the state the animals reside.

Dr. Sibbel defines a VCPR as a situation in which the veterinarian visits the producer's operation on a regular basis, basically giving the veterinarian the full medical picture as to how the operator produces animals, the type of animals that he or she produces and the health condition of those animals.

Combination rule. In cases where a combination of a medically important drug and nonmedically important drug/

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hormone are fed simultaneously, a VFD is required, i.e. tetracycline and melengestrol acetate (MGA).

"Because only one of those two drugs falls under VFD, you've got to have a VFD on file for tetracycline at the feed store," Dr. Sibbel details. "Because it's in combination with a drug not on VFD, the veterinarian has to put on the VFD that he's scripting tetracycline in combination with MGA, as long as MGA is fed at the recommended dosage and the dosage of tetracycline follows the VFD.

"The veterinarian has to identify that it's a combination VFD, and he has to identify the drug that's being used simultaneously," says Dr. Sibbel.

Instructions

Step 1. Establish a working VCPR with clients. - "The veterinarian is going to need to be on-site because that's going to be the interpretation of a more valid veterinary-client-patient-relationship. Maybe not every month and maybe as infrequent as every six months, but, nevertheless, there has to be evidence that the veterinarian is on-site," explains Dr. Sibbel.

Step 2. Have a business relationship with the nearby feed stores. Get up-to-date on the feed products available. - "In the cattle world we have big pieces of geography where there are far more feed stores than there are veterinarians. But I would tell you, it's likely to be a very steep learning curve," he predicts.

Step 3. Know and work with the area's nutritionists. - "Nutritionists know a lot about antibiotics, so they're going to want to use products that they've used in the past and had success with. If those products include antibiotics in the feed, they are going to have to have a relationship with the veterinarian. They are going to have to collaborate on creating the VFD so it's available for the nutritionist to use," advises Dr. Sibbel.

Step 4. Writing a VFD. - The process is simple, even if the implementation is not. Dr. Sibbel says a client (cow-calf, stocker or feedlot) will call their veterinarian and request a VFD antibiotic. The veterinarian, assuming there's a valid VCPR, then writes the VFD identifying the specific antibiotic, the dosage for the prevention, control or treatment of the disease identified as the problem, and the expiration date.

"The government won't provide the actual paperwork, but they will provide the template that everybody pulls the paperwork from," Dr. Sibbel says. "There are online electronic companies that are developing these templates, so that the veterinarian can literally go on his iPad and take care of this."

The veterinarian retains the original VFD form and sends one copy to the client's feed distributer and another copy to the client.

Per a recent announcement by the FDA, feed store and client copies may be hand delivered, emailed, faxed or mailed.

Implications

According to Dr. Sibbel, feed purchased under a VFD can only be fed while the VFD is active. For instance, a producer has a six month VFD for feed containing chlortetracycline. If the producer has feed left over after the VFD has expired, the feed is no longer valid and cannot be fed for that purpose.

"Feed inventory management by the producer hasn't been a big issue because if you bought feed and they delivered feed, you had the latitude to use that feed whenever you wanted to. There is going to be at least some level of new management concern for feed inventory for producers," says Dr. Sibbel.

If one VFD antibiotic proves ineffective, the veterinarian may cancel it and write a new VFD for a different antibiotic, he adds.

Situations

The diversity of each cattle operation lends itself to unique situations for all. But a working VCPR, says Dr. Sibbel, decreases complications on all levels. He gives the following example:

A rancher raises 100 calves each year and backgrounds them. He purchases another 200 calves through the sale barn to feed with his own. These are generally high risk cattle and he needs to feed antibiotics. However, due to price and supply of calves through the ring, cattle purchases may be sporadic, and it may take a month or more to collect all 200. Because VFD feed is good only for the life of the VFD, the rancher may want to purchase his feed relative to his cattle numbers.

Dr. Sibbel emphasizes the possibility of having a VFD on file at the feed store indicating that this rancher buys cattle for a period of time and will be buying feed grade antibiotics for a period of time, too.

Serve Immediately

Veterinarians from around the country expect a few bumpy months following VFD's effective date of January 1, 2017. Nevertheless, FDA has promised there will be monitoring and audits to ensure rules are followed and rule breakers are found. But, are those promises empty handed?

Dan Stafford, DVM, of Shiner, Texas, Shiner Animal Hospital, fears not the monitoring piece of VFD but the lack thereof. He says there is no funding yet for FDA or USDA to do any surveillance.

"Are people going to figure out, 'Okay, it's a ghost program?'" he wonders.

"There needs to be some teeth behind it. I don't want anybody to get in trouble, but a lot of times we've got to have a risk/reward situation where people don't start down that path because they aren't going to get in trouble. I think they need to nail down that monitoring and surveillance part a little bit better in the coming year."

Dr. Sibbel says, as it is currently set up, the FDA and assigned personnel will handle monitoring of feed mills, while individual states are responsible for veterinarians and VCPRs.

With less than a year before VFD takes hold, now is the time, says Sibbel, to begin training staff on extra paperwork and figuring out the best way to fit VFD into the veterinary profession.

Retail beef prices edging lower. Will the trend continue?

By Wes Ishmael in BEEF Editors' Blog

Both retail beef prices and fed cattle prices are trending lower, but at different rates. Are retailers padding their margins?

Retail beef prices, after a steady climb the past few years, appear to be tapering off. The average all-fresh beef price decreased about 5% from August of last year to January of 2016 when it was about $5.76 per pound, according to USDA's Economic Research Service Summary of Retail Price Spreads.

When you look at the monthly 5-Area weighted average for direct-trade fed cattle, August cash trade hit $148-$149 per cwt, according to the Agricultural Marketing Service. It's been a steady downpull since, with the closest price being the 9.5% decline in September. The worst monthly average since August was in December, when cash fed prices were about 16% less than they were in August. January's cash fed cattle prices were about 10% less.

While retail beef prices and cash fed cattle prices both trended lower, it's way too easy to look at the disparity in degree and think that retailers are simply padding their margins at the expense of producers.

In fact, the farm-to-retail price spread for beef has increased over time primarily due to the farm price, say Sebastien Pouliot and Lee Schulz, agricultural economists at Iowa State University (ISU).

They provide insight to meat price spreads in the most recent quarterly Agricultural Policy Review, published by ISU's Center for Agricultural and Rural Development.

"The wholesale-to-retail spread (the difference between the wholesale price and retail price) is a measure of the margin that the retail segment has extracted," they explain. "It is made up of retailers' costs and their profit margins, and while it is impossible to infer from the figure whether the increase is due to increasing costs or to increasing profits, retailers' total operating margin has expanded significantly and persistently."

Closer to home, the farm-to-wholesale spread is the difference between the wholesale price and the net farm price, which is the gross farm price minus the value of byproducts per unit.

"In beef, the farm value share has increased since 2000, the wholesale value share has declined, and the retail value share has remained relatively constant," say Pouliot and Schulz. "At the end of 2015, for a dollar spent on beef, about 45 cents went to the farm (producers), about 10 cents to wholesale (packers), and about 45 cents to retail (grocers)."

Although the trend line was running north for retail share and south for farm share at the end of last year—about to intersect at that 45-cent point—history suggests they'll be similar even as the farm price comes down. Retail prices have to catch up, in other words.

"It takes time for prices to adjust, and they tend to adjust more rapidly when they are increasing than when they are decreasing," Pouliot and Schulz explain. "Even if the recent decline in farm prices has not yet been entirely passed to consumers, we expect the pass-through to more fully adjust in the next few months, such that we observe further decline in prices for red meat at retail."

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