Cow Country Reporter

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News from your CEO

The first half of 2016 will be completed after this month and what a year it has been so far in agriculture. Adverse weather conditions delayed corn and soybean planting and hay harvesting was later than normal. If we look back to last year during June, cattle prices for our calves were $500.00-$550.00 per head higher than they are now. Also, as we take a stroll down memory lane, just before the July 4th break (auction markets shut down during July 4th week) cattle prices started getting a little lower and then after the "break" continued their downward trend. The results were staggering. If you were one of the unfortunate ones who sold your cattle from August to December, you experienced sharply lower prices for calves. Feeders who purchased calves prior to August 2015 felt the real loss as cattle coming out of feedlots were losing $250.00-$350.00 per head and as a result some feedlots closed their gates in 2016 or in some cases sold a section or two of land to pay their losses. So here we are having been to the mountaintop (record prices) and now somewhere above the valley floor wondering what will happen next. The answer, of course, is we are in agriculture and we endure hardships by making adjustments in what we love to do and we celebrate and embrace the good times. So enjoy the start of summer and remember if you haven't renewed your CPL membership do so today and while you are at it sign up a new member.

Dave Foster, CEO

2016 beef markets so far

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

Memorial Day weekend is an important test of beef sales and beef demand. The success of the first big grilling holiday will be assessed over the coming days. There are indications that beef advertising features increased to support large volumes of beef purchased by retailers for the weekend.

The first seasonal bulge in beef production started in February with a 5.5 percent year over year increase in cattle slaughter in the month, which resulted in a 6.6 percent increase in beef production compared to one year ago. Average cattle carcass weights were 828 pounds. Increased slaughter continued in March with a 6.5 percent increase in cattle slaughter compared to last year. Total March beef production was 8.4 percent higher than one year earlier, with cattle carcass weights averaging 832 pounds. Both feedlots, with discounted live cattle futures ahead, and packers, with good beef margins, had incentives to increase cattle slaughter and beef production during the period.

Choice boxed beef, which posted a mid-March weekly peak of $231.77/cwt. dropped to a weekly average of $205.72/cwt. the first week of May as sharply higher February and March beef supplies worked their way through the beef pipeline. Wholesale beef sales were strong and there are indications that large volumes of beef were forward sold for Memorial Day and beyond. Father's Day and the upcoming extended Fourth of July weekend will be important for beef demand. Weather from Memorial Day

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Here's Why Traceable Beef Matters

By Burt Rutherford, BEEF Editors' Blog

The untapped potential of China's beef market is staggering, yet the U.S. remains locked out. That may change someday. When it does, will you be ready?

"We can't tolerate to be out of the fastest-growing market in the world."

That's how Joel Haggard, U.S. Meat Export Federation (USMEF) senior vice president, Asia Pacific, sees things. "We continue to sit on the sidelines of that market, but they're going to have record beef imports again this year," he says. In fact, China's first quarter beef imports were up 85% over last year.

That's just direct imports. That's not counting the unknown volume of beef that flows into China through the gray channel from Hong Kong and Vietnam. The last estimate I saw of China's population was 1.3 billion. An 85% increase in beef imports into a country of 1.3 billion people? You do the math.

It is, indeed, a market the U.S. can no longer afford to be left on the sidelines of direct trade.

The U.S. beef industry has been talking about China for a long time. Progress has been slow, even nonexistent perhaps. But that could change. According to Phil Seng, USMEF president and CEO, "The current administration is very motivated to conclude some type of agreement with China for beef access. I think this resolve to try to get this market open hopefully will translate into some kind of opening."

Should that happen, U.S. beef producers collectively and individually will need to adjust to some new and very strict protocols, Haggard says. And while it's clear that negotiations between superpowers are complex and detailed, the basic protocols being discussed are these: no beta agonists, no implants and traceable cattle.

I'll not argue the value of technology here. Research and practical experience have shown time and again the economic value of those technologies. Instead, let's look at the controversial, to some at least, idea of traceable cattle.

According to Seng, China is trying to set its own rules for international trade. And because 1.3 billion times anything is a mind-boggling number, other countries that the U.S. competes with in the global beef market are willing to acquiesce because of the enormity of China's market potential.

What does this mean to you? While it may not be the push that puts a more robust mandatory, national traceability system to the fore, it means that those producers and value-added programs who had the foresight and vision to implement traceability systems will be light years ahead of the pack should the U.S. ultimately gain access to the Chinese beef market.

Haggard says other countries, like Brazil, have gained access to China yet don't have a national traceability system. "We have to provide meat that comes from traceable cattle to Europe, so this wouldn't be an unprecedented requirement," he says. "Is it going to be easy? No. It's also going to be costly. But I'm confident there are interested parties in the U.S. who want to take advantage of demand in China to meet those requirements."

Will you be one of them?

2016 Beef Markets So Far

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through early July, along with other factors will determine if retail sales are strong enough to confirm continuing good beef demand in the second quarter. For the first quarter of 2016, the retail all fresh beef demand index was equal to last year, a very good sign given the 4 percent jump in per capita beef consumption during the period.

The year over year rate of beef production increase slowed in April as feedlots became more current. Total cattle slaughter increased 1.2 percent year over year in April and total beef production was up 1.8 percent compared to one year earlier. Average cattle carcass weights dropped through April from a mid-March peak of 836 pounds to the current level of 813 pounds. More impressively, steer carcass weights dropped 33 pounds from a mid-March peak of 896 pounds to 863 pounds in the latest May data. Choice boxed beef prices bounced back from the early May lows to $222.07/cwt. the last week of May.

Supply pressure will continue as beef production will likely increase to a seasonal peak in June. This burden is made easier by the fact that strong cattle slaughter so far this year pulled cattle forward and somewhat reduces June slaughter numbers and by the fact that sharply lower carcass weights reduces the year over year beef production increase. The balance of summer beef demand to supply will determine how much seasonal pressure will develop to weigh on wholesale and retail beef prices into the summer. Beef production will continue to grow in the second half of the year as large feedlot placements from February through April begin showing up in slaughter by late summer. The industry has done a lot to helps itself prepare for that by getting current and pulling down carcass weights but good feedlot marketing discipline will be needed for many months to come as cattle numbers coming into feedlots continue to grow. Wholesale and retail beef prices will continue to trend down in the face of growing beef production. However, beef markets so far in 2016 are encouraging, suggesting that modest decreases in prices are stimulating beef demand quickly. Going forward, beef trade - both exports and imports - will be very important, along with domestic beef demand, in determining how beef markets fare in a world of growing beef supplies.

Check your mailbox for your dues notice

We Need A Little Perspective

Source: John F. Grimes, OSU Extension Beef Coordinator

The first months of 2016 have flown by as we've now moved deep into the spring season. A flurry of activity since the first of the year has kept beef producers extremely busy and with Ohio's calving season nearly over producers are busy with breeding season, hay making and managing grazing of the spring flush.

Through the 2016 winter "meeting season", I have had discussions with many individuals involved in all levels of the beef industry about the current status of the beef economy. Much of the discussion has focused on the price volatility in beef markets since the historic price peaks reached in 2014 and the first half of 2015. These once-in-a-lifetime price levels will always be a fond memory for active participants in the market at that time. Unfortunately, the memory of these prices and the current beef economy has combined to make price forecasting and long-term planning a challenging task.

Sales of all classes of cattle at weekly auction markets as well as at production sales featuring bulls and females have seen lower prices compared to the previous 12-24 months. Producers have expressed concerns over the significant drop in prices and where do we go from here. At the risk of oversimplification of a complex economic phenomenon, I think we should review a few of the key factors that impacted prices in the second half of 2015.

The historic price levels of 2014-15 finally encouraged producers to aggressively expand their breeding herds. Fewer heifers entered feedlots and remained on farms and ranches. Expansion was encouraged by the weakening of drought conditions in the western United States. While domestic beef demand has remained positive since the price peak, export sales of beef have struggled due in large part to the strong value of the U.S. dollar in world markets. Much of the rapid drop in fat cattle prices last fall can be attributed to the larger supply of fed cattle at record large carcass weights that resulted in a temporary surplus of beef in the supply chain. Our primary competition in the protein market, pork and poultry, have aggressively increased their overall production as well.

Before we get carried away with too much doom and gloom for the economic outlook for the beef industry, I think producers should keep a realistic view of our current prices from a historical perspective. Much like the euphoria that grain producers felt with $7 per bushel corn a few years back, record high beef prices were not sustainable forever. While beef prices have retreated significantly from the highs of the past couple of years, today's prices look very favorable compared to any years outside of 2014-15.

In my opinion, the current market for potential herd sires provides a fairly accurate picture of overall beef cattle markets at this time. Average sale prices for bulls in Ohio and across the United States are lower than a year ago but look very similar to 2014. Excellent bulls are in high demand and still bring premium prices. There is solid demand for good bulls as well. It does appear that breeders kept too many bull calves for the current demand as prices for the lower 25% of bulls available is softer than the past couple of years. In other words, buyers are being more discriminating when making purchases this year. This sounds very similar to the consumer of our ultimate end product, beef. Provide the customer with a consistent, high quality product and demand and eventual sales will be positive.

The obvious question that is being asked today is "Where are beef prices heading in the future?" There are folks much smarter than me that can offer a much more qualified response to the previous question. Basic supply and demand economics would suggest that like the beef cowherd expansions before, prices for fed cattle, feeder cattle and calves will move lower based on additional supplies. U.S. and global beef demand will dictate the magnitude of the decline.

While prices may moderate, the short- to intermediate-term outlook is generally positive. However, we must recognize that every segment of beef production including cow-calf, backgrounding, stockers, and feedlots are cash-hungry enterprises that will require aggressive management to remain profitable. Here are a few suggestions to keep in mind:

1. Manage against rising costs by improving production efficiencies.
2. Use technologies that increase production efficiencies and offset the risk of declining revenue.
3. Keep in mind that weather risk is unpredictable and make business decisions that can withstand worst-case scenarios.

I contend that we are still in a very exciting time to be involved in the beef industry. We must accept that future profits will not come as easily as they did in 2014 and 2015. Those who plan ahead wisely by managing costs and making sound marketing decisions can increase their chances of long-term success. The producers that can accomplish this will be given the privilege of producing the best-tasting source of protein for consumers around the world for years to come.

Partnership to Restore Longleaf Pine in Louisiana

The mission to increase the longleaf pine population to 8 million acres is going to take an "all-lands" approach, and the shared goal is bringing federal agencies and private landowners together.

"That's a big goal, and it's going to take an all-lands approach," Eddie Taylor, forest supervisor for the Kisatchie National Forest, said Thursday at a press conference held among longleaf pine trees in the Kisatchie.

The Joint Chiefs' Landscape Restoration Partnership is an initiative between USDA Natural Resources Conservation Service (NRCS) and the U.S. Forest Service to increase and enhance longleaf pine acreage in the Kisatchie National Forest and adjacent private and Fort Polk lands.

"We have joined forces with all of our partners ... to do this initiative and to enhance and grow longleaf pines," said Jim Caldwell, public affairs officer with the Kisatchie National Forest.

Eight million acres might sound like a lofty goal, but longleaf pine once covered 90 million acres stretching from Virginia to East Texas, Taylor said. That number has been reduced to about 3.4 million acres today.

There are several reasons for that. It's highly valued for wood products, having been used for railroad ties, poles and now flooring, Taylor said.

But longleaf pine also is home to a variety of species, included red-cockaded woodpeckers and Louisiana pine snakes that could be seen Thursday. A typical well managed longleaf pine forest will be open and parklike with a lot of grasses and wildflowers, according to an NRCS release. "It's one of the most diverse ecosystems in the world," Taylor said. "There are thousands of species out here. There are plants out here that may lead to medical miracles. We just don't know."

Taylor and Caldwell joined others from various partner agencies in the forest Thursday to announce the three-year project.

"The longleaf pine is special," said Kevin Norton, state conservationist with NRCS. "We're at the western edge. There's no prettier longleaf than in the Calcasieu Ranger District.

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