Cow Country Reporter

February 2017 Volume 9 Issue 2

In This Issue

News from your CEO

February! The shortest month of the year, however for cattle and beef sales it is a very important month. The cow/calf producer is busy checking newborn calves. The chain stores are refilling orders of beef after a good Dec/ Jan movement and 3 major reports that have an impact on our business were released at the end of January; Cattle Inventory, Cold Storage Report and Cattle on Feed Report. The Cold Storage report showed higher beef in storage. The December Cattle on Feed report showed higher placements (17%) and the Cattle Inventory report showed slightly higher numbers in U.S. and LA. Go to our website to see full report “U.S. All Cattle and Calves”. Calves up 2% (LA up 1%), all Cows and Heifers that have calved up 3% (LA up 1%), Beef Cows up 3% (LA up 1%) and Beef Replacement Heifers up 1% (LA up 1%). If one wanted to depress the slaughter cattle and feeder cattle market these reports could be a way to start a downward price spiral, but what about higher export numbers, higher priced out front beef sales and good beef movement in the grocery stores? Cow/Calf producers, start your calf marketing plans TODAY!

CPL sponsored two belt buckles at the Southwest Livestock Show and thanks to four generous members, CPL was a silver sponsor at the Northeast Louisiana District Livestock Show. Our February meeting, “Dirt Rich or Dirt Poor” at the Dewitt Livestock facility in Alexandria should be a must for all members. We are looking at a topic that is old for some but for most cow/calf producers a new concept. Hope to see you there!

Valentine’s Day is a big beef sale day, second only to Mother’s Day, however, on March 1 Lent starts and for 6-7 weeks beef sales may be a little slow (not like it used to be). Beef sales may be slow, but ryegrass should be in full steam ahead. Take care of those newborn calves and come to the CPL seminar to see how to take care of your soils.

Dave Foster, CEO

Feedlot placements jump in December

Derrell S. Peel, Extension Livestock Marketing Specialist

Strong feedlot demand for feeder cattle helps explain the strong feeder price rally at the end of 2016. December feedlot placements were 117.6 percent of last year, significantly larger than expected. This follows a 15 percent year over year increase in placements in November. December feedlot marketings were 106.8 percent of one year ago; close to expectations. The January 1 on-feed inventory was fractionally above one year ago at 100.3 percent of last year.

For all of 2016, feedlot placements were up 5.8 percent with fourth quarter placements up a strong 7.3 percent year over year. However, marketings increased even more sharply with twelve month total marketings up 6.2 percent year over year. Fourth quarter marketings were up an impressive 9.2 percent from 2015 levels.

December placements were up the most in the southern plains with Texas up 23 percent and Oklahoma up 54 percent year over year. Strong monthly placements were noted in most major feeding states including Nebraska (up 15 percent); Kansas (up 18 percent); Colorado (up 13 percent; and Iowa (up 16 percent), all compared to one year ago. Lower placements

(continued on page 2)

CATTLE PRODUCERS OF LOUISIANA

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

Feedlot placements jump in December

were noted in Washington, Idaho and South Dakota where winter weather likely was a factor in restricting December placements.

December placements were concentrated at lighter weights. Placements weighing 700-800 pounds were up 26.1 percent year over year and placements weighing 600-700 pounds were up 26.8 percent compared to last year. Under 600 pound placements were up 16.0 percent while over 800 pound placements were up only 4.5 percent compared to one year ago. Most of the increased placements will be marketed in the last half of the second quarter and in the third quarter of 2017. There is ample opportunity yet for winter weather to impact production and further delay the timing of these cattle.

Lighter weight December placements may be due in part to the likelihood that heifers accounted for more relatively more placements compared to steers. The quarterly breakdown of steers and heifers on feed in the latest report showed that the January 1 inventory of steers on feed were 2.0 percent less than last year while the inventory of heifers on feed was 5.0 percent larger year over year. This reflects both aggressive steer marketing in 2016 as well as a slowdown in heifer retention last year. Steer slaughter was up 7.6 percent year over year in 2016 and was up 8.7 percent in the fourth quarter of the year. Heifers on feed January 1 were up despite an increase in heifer slaughter in 2016, up 4.7 percent for the year, and up a whopping 11.4 percent in the fourth quarter.

Strong fed cattle prices out of the chute in 2017 are in part due to aggressive fed marketing at the end of 2016, compounded by winter weather. Current fed cattle prices are a bit stronger than expected and may be the seasonal high prices coming a bit earlier than expected. The larger placements imply that supply pressure will build into the middle and later part of the year. The challenge will be for feedlots to continue marketing aggressively to minimize the supply pressure while we see how beef demand adjusts to continued retail price decreases in the coming months.

How to survive a cattle market downturn

By: Brian Williams for Progressive Cattleman

For the first time in several years, on average, cow-calf producers are projected to have a negative net return. What does that mean, and what can be done about it?

In short, this means that producers must find ways to tighten their belts. The one caveat to remember is that those numbers are based on the assumption that producers won't make changes to the way things are currently managed on the farm or ranch. The markets will always fluctuate. They always have, and they always will. But, in reality, there are many things a producer can do to stay in the black, or at the very least, set themselves up to be around when the pastures are greener.

Probably the best starting point is to create a budget. Other strategies can range from developing a marketing plan to finding ways to add value to the cattle. Producers can also plan ahead to build up some working capital to draw from when markets turn downward.

Enterprise budgets

As I mentioned earlier, creating a budget is the best place to start when thinking about making changes in light of down cattle markets. There are two primary types of budgets that cattle producers can use: enterprise budgets and partial budgets. Enterprise budgets include all income, costs and the profits associated with the production of one specific commodity (in this case, cattle). An enterprise budget can be helpful in many ways: First and most importantly, it can tell you whether or not you're profitable.

An enterprise budget can also help to identify areas of inefficiency. What are the highest cost areas? Where is the revenue coming from? Could either be improved? An enterprise budget can help answer all of these questions. Don't know how to put together an enterprise budget? Contact your local extension office or do a quick online search. Most states have extension specialists who will provide a few examples that can be a tremendous help in getting started.

Partial budgets

Partial budgets can be just as useful as an enterprise budget, but are often much simpler to make. A partial budget looks at the additional revenues and the additional costs associated with a change in management practices. Let's say you're thinking about retaining ownership of your calves to try to generate a little extra revenue. A partial budget for such an endeavor would include the additional revenue from selling a larger calf, as well as the costs associated with keeping the calf around longer. If the additional revenue is greater than the additional costs, go for it. If not, a partial budget was a good way of evaluating such an alternative on paper and many have prevented a financial loss.

Marketing plan

Another strategy that can be helpful when the markets make a downturn is to create a marketing plan and look for ways to add value to your cattle. The first step to a marketing plan is determining a breakeven price using a budget. This is the price at which profit levels are zero and serves as a baseline from which to work.

While marketing livestock is a bit more difficult than marketing grain because livestock cannot be "stored," there are still several tools at one's disposal. Once a breakeven price is known, the futures and options market can be used to place a hedge and "lock in" prices at profitable levels. Similarly, a put option can be purchased to create a price floor while also leaving room for upward price movement.

Adding value to cattle

There are also several management strategies that a producer can use to add value to calves.

Some recent research using Mississippi auction data has shown that cattle with body condition scores (BCS) of 5 to 7 bring a premium over cattle with scores above or below that level, with a BCS of 6 bringing the best price. Other management practices such as castration and dehorning will also increase prices at the local auction barn.

Building working capital

Building working capital can be another excellent way of ensuring continuity when markets make a downturn.

How to survive a cattle market downturn

In short, working capital is the funds that are readily available to meet short-term financial obligations. The most common form of working capital is a cash reserve, but can be in the form of other assets such as calves, feed and other inputs that can be quickly and easily liquidated. Typically, it is recommended that producers try to maintain a working capital "cushion" of 15 to 35 percent of gross revenue. Although it may be difficult to build much working capital this year, it is definitely a strategy to keep in mind once markets make a turn for the better.

Producers have many options at their disposal to mitigate losses when markets make a downturn. I have outlined just a few other options available to producers, but there are many others that have not been mentioned. Perhaps the biggest take-home message is regardless of the strategy taken, the importance of careful planning is highest when cattle prices are at their lowest.

Expect the Unexpected

"Why do you hang on to your calves?" the beef economist asked cow-herd owners in the room.

Scott Brown answered his own question: "Because their price is going up. Right?"

Brown, with University of Missouri Extension, cautioned, "There are still downside risks."

Risk remains in spite of slowing of sharp price declines since October. Some stability appears in beef prices.

"Unforeseen events cause volatility," Brown reminded the gathering of producers of Show-Me-Select replacement heifers. "Market shocks occur in response to news."

He gave an example. A release of the USDA cow inventory Jan. 31 might contain surprises, Brown said. "If cow numbers are sharply higher, that could cause a drop in beef prices."

"I get arguments in both directions, up and down, on cow numbers," he said. However, he admitted he thought there would be more cows reported in the U.S. herd. One reason is continued holding back of more heifers.

Brown had already explained that there is a mountain of meat—pork, chicken and beef—facing U.S. consumers.

A growing cow herd will only add to the supply of beef to be sold.

News after the cow count release could drag markets down. "You might consider future downside risks when deciding when to sell calves," Brown said.

However, when he asked herd owners if they increased their herds, few held up their hands. "I could be wrong on a growing cow herd," he said.

Brown went on to explain that international trade plays a big part in the price of domestic meat. Trade policy and value of the dollar both affect that foreign trade.

"Recognize that those changes affect your marketing decisions," he said.

A strong dollar makes prices higher in other countries for buyers of U.S. beef. "If we can't sell beef abroad, that means that meat must be consumed here at home," Brown said. "The main way to move more meat is to lower prices."

As always, Brown urged producers to consider risk management in their marketing.

In his overall outlook on cattle prices, Brown said, "We may be returning to what is a long-term normal price level."

Managers must realize that input expenses don't adjust down as quickly as market receipts.

Brown reminded producers that weather is a big player in determining the size of the cow herd. Drought, especially in the south-central plains, started the huge drop in cow herd size that led eventually to record high cattle prices in 2014.

Changing economics affect individual farm decisions. Major events affect all of agriculture. Price swings in commodity prices make for planning headaches for beef producers.

"It's a series of unforeseen events that caused recent volatility," Brown said.

The Show-Me-Select heifer producers follow management and genetic guidelines developed at the University of Missouri. Protocols, such as for calving ease, add value to heifers coming into the herd.

Heifers with proven genetics add price premiums to replacements sold in the annual spring and fall heifer sales.

Brown tells beef producers that adding quality is a form of risk management.

Repeat buyers at the sales learn that heifers with better genetics outperform old cows they replace. Return buyers bid more at the next sale to buy quality.

Source: Scott Brown, University of Missouri Extension

Group Launches "COOLin100" Campaign

Billings, Mont. One of the staunchest supporters of mandatory country of origin labeling (COOL) for beef, R-CALF USA, is launching a new campaign called "COOLin100." The campaign calls on the new Trump Administration and new Congress to reinstate COOL for beef and pork during the Trump Administration's first 100 days in office.

The idea to launch the new campaign was incepted after R-CALF USA CEO Bill Bullard participated in a 15-minute interview in January with Tomi Lahren, host for the cable network TheBlaze, to talk about COOL. The video went viral with over 700,000 views and Lahren's related "Final Thoughts with Tomi" attracted over 5 million views.

"Having learned about the public's keen interest in COOL, we now want to help President Trump achieve his stated rule to "Buy American," said R-CALF USA COOL Committee Chair Mike Schultz, who also is a cow/calf producer from Brewster, Kansas.

Schultz said the rule to "Buy American" was one of the two rules for America that Trump announced during his inauguration speech.

However, at the behest of the World Trade Organization (WTO), Congress in 2015 repealed the widely popular

(continued on page 4)

Group Launches "COOLin100" Campaign

COOL law that required retailers to label beef and pork according to their country-of-origin with a label denoting where the animal was born, where it was raised, and where it was harvested.

Without the mandatory label, Americans have no way of knowing from which country or countries the beef or pork they purchase was sourced.

Congress repealed the COOL law for beef and pork just a year after a U.S. appellate court upheld a U.S. district court ruling that found that the consumer-friendly COOL law for beef and pork complied with the U.S. Constitution and U.S. statutes. The courts found that COOL empowered Americans to support American farmers and ranchers as well as to choose to buy food produced under their own U.S. food safety system.

"Americans were stripped of their right to know where their beef is produced at the same time the government was relaxing our health and safety import standards to allow raw beef to be imported from previously banned countries including Brazil, Argentina, Namibia, Ireland and France," said Schultz.

According to the U.S. Department of Agriculture data, the U.S. now imports beef from 20 foreign countries, including countries that continue to combat dangerous livestock diseases. For example, the U.S. relaxed restrictions for Brazil, where foot-and-mouth disease (FMD) remains endemic; and for France, which continues to detect mad cow disease (the latest case was detected in March 2016).

Schultz said the only reason producers and consumers lost COOL for beef and pork was because the past Administration and Congress refused to defend America's sovereign right to inform its consumers about the origins of their food. "The new Administration and Congress can correct this serious error very quickly if they choose to."

"Our COOLin100 campaign will empower Americans to Buy American by distinguishing beef and pork products produced exclusively in the United States from those produced in whole or in part in foreign countries.

"Only with a mandatory COOL label on beef and pork can Americans comply with the new Buy American rule that will ultimately boost the U.S. economy by helping to increase demand for cattle produced by U.S. farmers and ranchers, whose businesses are located in every state," concluded Schultz.

The COOLin100 campaign will utilize social media, member and consumer call-ins, fact sheets and lobbying trips to raise awareness for the need to immediately reinstate mandatory COOL so Americans can choose to begin supporting American farmers and ranchers by buying beef and pork produced exclusively in the United States of America.

We need your help! Please share this message "We need mandatory COOL reinstated on our beef and pork in the first 100 days of President Trump's Administration." with the White House, tweet it to President Trump (@realDonaldTrump) using #COOLin100 #BuyAmerican and donate to the cause. Text COOL 10 to 4066305536 to donate $10 to support COOL; or replace the 10 with any dollar amount you wish to give. Donate through our website. Or mail-in your contribution to R-CALF USA COOLin100 PO Box 30715 Billings, MT 59107.

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