Cow Country Reporter

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News from your CEO

The big news in the cattle business this month will be the Cattle Inventory Report! The building of the U.S. cattle herd is slowing down, to the point that many experts predict that herd build up will certainly continue to be strong in 2018. Not So! All cattle and calves in the U.S. as of January 1, 2018 were up 1%; Louisiana figures up 5% (820,000). All cows and heifers that have calved up 1% in U.S.; Louisiana up 5% (485,000). Beef cows in the U.S. up 2%; Louisiana up 6% (473,000). Beef replacement heifers in the U.S. down 4%; Louisiana up 6% (90,000). Calf crop during the year up 2% in U.S. and up 6% in Louisiana. The U.S. cattle herd of 94.4 million head is the largest reported in 9 years. However, the big news in the U.S. is beef replacement heifers, down 4%. Slaughter cows harvested in 2017 was big and heifers in feedlots were higher than expected. The other big news is cattle grazing on small grain pastures is the lowest number since January 2013. What do these numbers mean for Louisiana? If adequate moisture returns to the wheat pasture area, demand for calves under 600 lbs. will be good. Also, cattle grazers in the "Flint Hills" are holding cattle on grass longer to get heavier weights. There will be some "holes" in the marketing of cattle in 2018, so contact your marketing rep (sale barn, order buyers, video rep) and see if you can market your calves when demand is good. Slaughter cow prices continue to improve. Call me to set up some information meetings this month. Please pause and honor two great Presidents, Washington and Lincoln, and let's hope many beef eaters don't give up eating meat on Friday's for Lent!

Dave Foster, CEO

Plenty of Feedlot Cattle To Start 2018

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

The January 1, 2018 inventory of cattle in feedlots was 11.49 million head, 108.3 percent of year earlier levels. This is an increase of 884,000 head compared to January 1, 2017 and is the largest January on-feed total since 2012. For the twelve months of 2017, feedlot placements totaled 23.5 million head, up 1.91 million head (an 8.8 percent increase) from 2016. Total 2017 marketings increased 1.03 million head year over year, up 4.9 percent.

December placements were up 0.8 percent year over year, slightly more than expected. This follows large year over year placement increases in September, October and November. December marketings were equal to expectations, down 1.4 percent from the previous year. December had one less business day compared to a year earlier, thus daily average marketings were still larger year over year as it was every month in 2017. In the last five months of 2017, feedlot placements exceeded marketings by 506,000 head. These additional cattle will be marketed in the first 4-6 months of 2018.

December feedlot placements consisted of an unusual pattern of weights with increased year over year placements of feeders under 600 pounds and over 1000 pounds. Placements of typical weights from 600-900 pounds were down 4.7 percent year over year. Beginning in 2017, monthly cattle on feed reports now include more detail on placements of feeder cattle over 800 pounds; with data now showing 800-899, 900-999 and over 1000 pound placement categories. Over all twelve months of 2017, feedlot placements over 1000 pounds represented 4.3 percent of total placements; 900-999 pounds were 8.9 percent; and 800-899 pounds were 21.8 percent of total placements. The 700-799 pound weight group was the largest category at 24.9 percent. Placements of feeders from 600-699 pounds was 18.5 percent of the total placements while those under 600 pounds were 21.5 percent of the total. Placements under 600 pounds likely includes many dairy calves and seasonally some beef calves. Total placements of feeders under 600

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Plenty of feedlot cattle to start 2018

pounds were up 11.4 percent in 2017 over 2016; including a 30 percent year over year jump in under 600 pound placements in November that was attributed to lack of wheat pasture in the Southern Plains.

The latest cattle on feed report also included the breakdown of steers and heifers on feed. Steers on feed, January 1 were 7.34 million head, up 4.5 percent year over year. Heifers on feed were 4.15 million head, up 15.9 percent over one year ago. The number of steers on feed was the largest since 2008 while the number of heifers on feed was the largest since 2012. The heifer feedlot inventory swelled sharply in the last half of 2017 and indicates slowing heifer retention. However, it should be noted that the ratio of steer to heifer slaughter in 2017 was still well above long-term average levels meaning that growing heifer feedlot inventories relative to steers is really just getting back to more typical levels of heifer feeding after sharp reductions due to drought and herd expansion since 2012.

Cattlemen's Column: Livestock Haulers Need More Clarity on Electronic Logging

By Tim Pennell, TSCRA Marketing and Transportation Committee chair

It seems like everything having to do with information is going electronic. For the most part, that's a good thing, but when it comes to hauling a load of cattle, allowing commercial livestock haulers to keep a record of their hours in a paper logbook — instead of by an electronic logging device (ELD) attached to their truck engine — may tell a more accurate story of actual driving time, and may allow the drivers to keep animal welfare as much of a priority as their own well-being and the safety of other drivers.

In 2012, the Commercial Motor Vehicle Safety Enhancement Act became law, requiring the Department of Transportation (DOT) to create and enforce an electronic logging device rule. As of last year, all motor carriers and drivers who are required to keep paper records must have installed an ELD in their trucks.

In November of last year, the DOT Federal Motor Carrier Safety Administration (FMCSA) waived this regulation for agricultural haulers for 90 days. Unless we get DOT to extend this exemption for livestock haulers, that waiver ends this month.

According to federal law, commercial drivers are allowed a maximum duty day of 14 hours, to include a maximum of 11 consecutive hours of driving time. Drivers must rest for 10 consecutive hours in a 24-hour period.

The drive across Texas, under the best of conditions, is an 11- or 12-hour event. Even a drive from the middle part of our state to the feedyards in the Texas Panhandle will take the better part of nine hours if there are no problems along the way.

We have several questions for DOT and concerns about the unintended negative consequences of what was most likely a well-intentioned rule.

Since the ELD is attached to the engine of the truck, does it consider the time a truck sits idling at a livestock market while the driver waits for a load of cattle to be sold and loaded?

Does this regulation consider that many livestock haulers must take rural roads and drive through rural town squares at speeds that are much slower than highway speeds to pick up and deliver their loads?

Do DOT regulators understand that it takes a different set of skills to haul live cattle than to haul boxed goods? Stopping to unload cattle at the end of an 11-hour drive and then reload them 10 hours later is much more stressful on the livestock than continuing to the destination, especially when temperatures can be extreme.

Most livestock haulers have participated in specialized training, such as USDA's Master Cattle Transporter program, which provides instruction on proper animal handling and transportation methods. They also stop multiple times on a long haul to ensure the cattle are well and not under any great stress.

Major studies reviewed by FMCSA show that the livestock sector is one of the safest of the commercial hauling sectors.

Members of Texas and Southwestern Cattle Raisers Association (TSCRA) ask that the waiver granted by DOT in November be extended indefinitely for livestock haulers. It will allow time for the FMSCA and our industry to provide the training and education livestock haulers need to fully understand these logging devices, and will also allow time for the FMCSA to develop livestock-specific solutions and still maintain safety on our roads.

The safety record of those who carry our cattle is already commendable, but our industry needs time to develop transportation practices that build on our strong safety records and the unique challenges of moving living beings over long distances. We will keep you informed of our work with our friends in Washington to create regulations that support a safe and practical livestock transportation segment of our ag industry.

CattleFax Outlook: Cattle profitability remains for 2018

More volatility. More beef production. More dry weather in the Southwest. But it wasn't all more of the same in the CattleFax Outlook session. There are some changes on the horizon in 2018.

By: Wes Ishmael

"We think 2018 will be a profitable year for most," said Randy Blach, CattleFax CEO, at that organization's 2018 Industry Outlook during the Cattle Industry Convention in Phoenix, Ariz. "Demand means calf prices might not fall below the cost of production for average-cost and low-cost producers."

The latter point applies to the current year and cattle cycle.

Related: Grow beef exports, grow the beef market

Although cyclical risk remains, Blach added that the majority of the price break is already in the books. Keep in mind that industry profit last year was the second most in history, according to CattleFax.

CattleFax projects the price for a 550-pound steer calf this year at $135-$180 per cwt; an average of $158, which is $7 less than last year. The price for a 750-pound steer is estimated at $135-$160; an average of $145, which is $1 less. The fed steer price is projected at $110-$130; $115 average, which would be $6 less than last year.

Related: Consumer demand, market resiliency highlight fed cattle market

That's all the more impressive when you consider anticipated record-large total red meat and poultry production for the next several years.

'We'll peak at about 3 million more beef cows than the last low, growing harvest numbers through the rest of the

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decade, “Blach says.
More specifically, CattleFax projects beef production this year 3% more than last year at 27.5 billion pounds, ultimately peaking at more than 29 billion pounds for the cycle. This year’s estimate is based on projections of fed slaughter of 26.6 million head, which would be 3% more than last year.
CattleFax estimates the average cold carcass weight this year at 822 pounds, which would be 10 pounds more than last year, but still 3 pounds less than in 2016.
Price strength stems from robust domestic demand and growing international demand for beef.
CattleFax expects the Annual U.S. Retail Beef Demand Index to be stable this year at 121 (it was 123 in 2016). Analysts there note that recent tax reform and expected GDP growth of 2-4% provides demand support. At the same time, they expect interest rates to increase 1.00-1.25% this year.
Globally, CattleFax looks for U.S. beef exports to increase 6% this year to 3 billion pounds.
“The balance of trade improved by 1 billion pounds between 2015 and 2017, offsetting 40% of the production growth,” says Kevin Good, CattleFax senior analyst. He adds the balance of trade should remain positive this year, though likely not as strong as last year.
“We have to see these exports grow,” Blach says. “We’ll need to see record export numbers through the balance of the decade to keep supplies from overwhelming the market.” He adds that overall demand will be the key to maintaining fed cattle prices in the $100 area through 2020.
Primary short-term uncertainties
The main wildcard this year is weather.
CattleFax meteorologist, Art Douglas, points to the current La Niña, which has wrought significant drought across two-thirds of the nation.
On the one hand, forecasts through the spring and summer call for continued hotter and drier conditions across much of the West and Southern Plains. On the other, Douglas notes various current weather events point to La Niña weakening heading into summer with a new El Niño potentially forming to bring some relief heading into fall.
Already, hay stocks are the snuggest since 1976 (except for 2012-13) CattleFax analysts say. “Expect hay prices to increase $15-$20 per ton, with additional weather-related risk.”
The depth and length of drought will have plenty to say about whether the nation’s beef cowherd continues to expand, and if so, by how much.
As it is, according to the CattleFax Outlook, the U.S. beef cowherd grew by 2.8 million head over the last four years.
For reference, there were 31.72 million beef cows to start this year, according USDA’s recent Cattle inventory report. That’s 509,800 head more (+1.63%) than Jan. 1, 2017.
CattleFax analysts say additional expansion of 200,000-400,000 beef cows is possible over the next several years—a plateau in 12-18 months—leading to a herd size still short of the 32.7 million in 2006.
“Industry numbers rebounded due to good grazing conditions and profitability,” Good says. While profitability continues, drought conditions serve as a headwind.
Historic volatility to continue
Blach highlighted feedlot profits and losses in recent years as an illustration of now commonplace extreme price volatility.
Using a simple average and assuming no risk management: feedlot profits were $4.5 billion in 2014; losses were $6.5 billion in 2015-16; profits were $4 billion last year.
Further, Balch points to price swings of $40 per cwt ($550 per head) for fed cattle, from highs to lows during the past three years. Shorter term, he says it’s common to see daily cash fed cattle prices move $14-$18 per cwt within two or three weeks.
“These equity swings are unprecedented and the reason risk management has increased,” Blach says. “We think this will continue. We think we’ll have more price volatility than at any time in the past.

Cattle inventory report shows a little more expansion

Heifer retention at the upper end of expectations and steady movement of feeder cattle into feedlots show in the Jan. 1 USDA inventory report.

By: Alan Newport

The new cattle inventory report shows we may have a little bit more herd expansion left this year than some expected, and cattle feeders are staying current despite bigger supplies.
The replacement heifer number was a little higher than expected, but not above the possible range calculated by economist Derrell Peel prior to the report, he says. Peel is livestock marketing specialist for Oklahoma State University.
“So we could see some added growth in 2018, but likely not more than 1%, and that was really in the realm of expectations, too, Peel says.
He also noted that cattle feeders appear to be staying current. “We’re working our way through the bigger numbers pretty well,” he says.
Overall, USDA reported all cattle and calves on Jan. 1 at 101% of the 2017 level at 94.39 million.
Heifers over 500 pounds for beef cow replacement came in at 96% of the 2017 number, at 6.13 million, compared with almost 6.37 million on Jan. 1, 2017.
They inventoried the breeding herd of all cows and heifers that have calved at 101% and 41.12 million. Beef cows came in at 102% of the 2017 number, at an inventory of just over 31.72 million.
All steers 500 pounds and over were 100% of last year’s number with 16.35 million.
All cattle on feed were 107% of last year’s inventory at just over 14 million. Peel says this number represents generally good movement into feedlots, as well as the lack of wheat pasture in the Southern Plains.
USDA placed the calf crop for last year at 35.09 million, which was 102% of the inventory of 35.81 million counted Jan. 1, 2017.

Implications of 2017 cow slaughter

Beef cow slaughter in 2017 indicates that producers are still expanding. But did tax reform skew the data?

By: Nevil Speer

This column has been regularly monitoring beef cow slaughter through 2017 in an effort to get some insight into what 2018's starting beef cow inventory might look like. For a little perspective, based on data between 1987 and 2016, the equilibrium slaughter rate runs around 9.3%.

In other words, bigger slaughter, as a percentage of the cowherd, means a smaller cowherd in the following year, while a rate slower than 9.3% spells likely expansion. The data are fairly reliable with only a few outliers (1993, 2015 and 2016).

As a reminder, 2017's starting beef cow inventory was pegged at 31.21 million cows. Accordingly, a 9.3% slaughter rate equates to 2.91 million cows. From the get-go, beef producers proved that 2017 would be another year of rebuilding. Beef cow slaughter ran behind the 9.3% equilibrium pace through the year. However, what's interesting are the month-over-month differences between the monthly equilibrium expectation and actual slaughter rate through the year.

That is, the first nine months saw slaughter track fairly closely with monthly expectations. The January-September total ran about 97% of expectations. However, October and December marked only 92% and 91% of the expectation, respectively.

The primary question surrounds the 'why' of that occurrence. Are producers truly hanging on to cows to rebuild the cowherd? Or did they see tax reform on the horizon and decide to defer income to 2018? Or some of both? Much of that question will be answered in coming months – and that means analysts need to watch beef cow slaughter carefully during the first several months of 2018. What's your take on beef cow slaughter in 2017?

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