

# Cow Country Reporter



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News from your CEO

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FEAR



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Dave Foster  
Chief Executive Officer  
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Well, here we are in April! The time of year when our Spring-born calves are on the ground, our

Fall-born calves have made it through the winter and if we had stockers on ryegrass then we are planning to market them soon. This scenario takes place in a "perfect world". As ya'll know, we are not in a perfect world.

We entered 2020 with the prospect of a higher cattle market and up until mid-February the cattle market was looking pretty good. Calf prices were slightly higher than the same time last year and slaughter cow prices were working higher with the

demand for replacement heifers and cows in good demand. Hello Covid-19, good bye healthy market prices. To say we have been on a roller coaster ride is an

understatement. So, what do we do? We in Louisiana are blessed with forages that are available almost year-round. Contact your marketing agents, (auction market, video rep, order buyer) that you do business with and review your marketing plan. Know your input costs and breakeven price on your calf crop. Be flexible with your marketing plan and look for ways to "hit" the uptick in prices as they occur.

Be informed! Call CPL at 888-528-6999 Ext 3 and get posted on the market every Saturday. Go to our website [lacattle.org](http://lacattle.org) and check out the daily markets and news articles under Helpful Links. Stay in touch and informed and be safe out there!

*Dave Foster, CEO*

## CATTLE MARKET RESPONSES TO RECENT MARKET TURMOIL

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

Economists often say that market prices are determined by demand and supply. What they really mean is more correctly stated as "market prices are determined by expectations of demand and supply". Under more stable and normal circumstances, this distinction is not particularly significant. However, the current market situation creates significant disparities between the current supply and demand situation and expectations for coming supply and demand conditions. The result is a number of seeming paradoxes between different cash cattle and beef markets and between cash and futures markets.

Fed and feeder cattle markets have exhibited extreme volatility while balancing current market conditions and expectations for the future. As the Dow Jones fell from over 29,000 in the third week of February to less than 19,000 one month later, Live cattle futures fell from about \$112/cwt. to \$86/cwt. (June contract) over the same period. The markets reflect the ongoing concern about the weakening U.S. and global macroeconomic conditions resulting from COVID-19. June Live cattle futures recovered to \$97/cwt. before dropping again late last week to \$89/cwt. Live cattle futures have also reflected the risk that labor disruptions could disrupt packing plant operations.

Cash fed cattle prices declined from nearly \$120/cwt. in mid-February to a low around \$106/cwt. in mid-March. Cash fed prices declined on broader concerns reflected in the Live futures as well as the supply pressure of increased beef production. Year to date beef production is up 6.3 percent through mid-March. In the past two weeks, cash fed cattle prices rebounded to about \$119/cwt. as packers increased beef production in response to the sharp demand increase for retail beef. Beef production is estimated to be up over 11 percent the last two weeks of March. Saturday cattle slaughter the past two weeks is estimated to be up 90 percent year over year and contribute to a 5.9 percent year over year increase in total cattle slaughter for the two-week period. Carcass weight continue well above year ago levels.

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## REGIONAL CATTLE ON FEED BREAKDOWN

Feeder cattle futures markets also reflected the macroeconomic uncertainty and declined from over \$143/cwt. in mid-February to a low of about \$109/cwt. by mid-March (May contract). Feeder futures continues to exhibit tremendous volatility trying to balance the longer-term macroeconomic concerns with short-term market conditions.

Cash feeder cattle prices followed futures with the Oklahoma combined auction prices for 500-550 lb. No. 1 steer prices dropping from about \$184/cwt. in the third week of February to a low near \$152/cwt. one month later. Prices for 750-800 lb. No. 1 steers declined from about \$139/cwt. to \$117/cwt. over the same period. The sharp drop in cash prices resulted in a sharp drop in feeder cattle marketings. Combined auction totals for Oklahoma declined 59 percent year over year in the last three weeks of March. Nationally, total feeder and stocker receipts are down 56 percent in the last three weeks of March. The squeeze on available feeder supplies pushed feeder prices sharply higher last week by 10 to 12 percent over the previous week. Ripple effects will likely impact feeder cattle markets in the coming weeks.

The different patterns of boxed beef, fed and feeder cattle prices in the past six weeks illustrates vividly the fact that these markets operate with very distinct dynamics. These dynamics have become very apparent as the distinction between the current market situation and expectations for future supply and demand conditions has widened.

## R-CALF USA MEMBER ALERT

For Immediate Release  
March 20, 2020

To: R-CALF USA Members and Affiliates  
From: CEO Bill Bullard  
Date: March 20, 2020  
Subject: Do You Sell Beef Direct to the Consumer?

**Background:** In this time of crisis, while consumers are stocking up on essentials, they are being met with empty beef aisles at their local supermarkets and grocery stores. In an effort to help American families access safe, nutritious 100% USA -born, -raised and -harvested beef; R-CALF USA is launching an online service that will connect consumers direct to their local cattle producers.

**Action:** If you sell USA -born, -raised, and -harvested beef direct to consumers, please list your company's contact information at [www.USAb Beef.org](http://www.USAb Beef.org). Be sure to complete the 'Producer Sign Up Form' with all of your accurate information and check all 'Shipping Options' that apply so consumers can find you via the search function.

Please share this information with your local butcher shops and local processors and invite them to list themselves, provided they too meet the only requirement: all beef must be USA -born, -raised and -harvested beef.

Next week we will issue a news release as well as a social media marketing campaign about our new website to promote your USA -born, -raised and -harvested beef as well as to raise awareness about the importance of restoring Mandatory Country-of-Origin Labeling (M-COOL) on all beef sold in America, which American's are proving is essential to their health and safety.

If you sell beef directly to consumers, this may prove exceptionally helpful in building your customer base. Thank you for your support!

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*R-CALF USA (Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America) is the largest producer-only lobbying and trade association representing U.S. cattle producers. It is a national, nonprofit organization dedicated to ensuring the continued profitability and viability of the U.S. cattle industry. Visit [www.r-calfusa.com](http://www.r-calfusa.com) or, call 406-252-2516 for more information.*

## U S SENATORS SCRUTINIZE MEAT PACKERS' BIG PROFITS DURING PANDEMIC

KFGO Thomson Reuters By: Tom Polansek

CHICAGO (Reuters) – U.S. senators are calling for investigations of record profit margins for beef processors like Tyson Foods and Cargill, after ranchers complained surging meat prices due to coronavirus hoarding did not translate into higher cattle prices.

Futures prices for cattle have tumbled during the outbreak, worrying farmers as the U.S. economy heads into a downturn and fueling questions about whether the market run by CME Group is an effective tool for risk management.

Senator Charles Grassley of Iowa wrote on Twitter that U.S. Department of Agriculture, Department of Justice and Commodity Futures Trading Commission probes may be needed to determine why ranchers did not benefit from soaring meat demand.

"Beef is flying off grocery shelves but farmers are seeing prices go down," Grassley said. "If packers are illegally manipulating markets during crisis, we need USDA & DOJ & CFTC to investigate + help farmers. Four companies control 80% of market & they're taking advantage."

Processors' margins leapt to more than \$600 per head of cattle last week, HedgersEdge.com said. But cattle producers are operating at a net loss, four U.S. senators from South Dakota, North Dakota and Montana told the Justice Department in a letter that called for a price-fixing investigation.

Cargill said it is a committed buyer in the cash market for cattle, which was less impacted than futures. Tyson said it wants cattle producers to succeed and paid them a premium last week.

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## U S SENATORS SCRUTINIZE MEAT PACKERS' BIG PROFITS DURING PANDEMIC

"This is an uncertain and unprecedented time, where food service beef demand has come to an immediate and virtual standstill, while retail demand has increased," Tyson said.

USDA said it was working with CFTC to ensure transparency and integrity in agricultural markets.

Live cattle futures dropped 3.5% on the Chicago Mercantile Exchange over the last three weeks amid worries the virus would shut slaughterhouses, while prices for beef that meat companies ship to wholesale buyers jumped about 20%.

Futures sank as managed funds liquidated long positions, or bets prices will rise, said Cassie Fish, a beef expert who formerly worked for Tyson. It was the market's biggest event-driven decline in more than 45 years, she said.

"They decided to get out," Fish said. "It was like a stampede."

Farmers and processors use futures to offset the risk of producing meat, and futures are intended to reflect the underlying cash market. April cattle futures ended last week at a record \$18 to \$19 under the cash market, according to consultancy AgResource.

CME Group said it is committed to improving its livestock markets.

## COVID-19: COMMUNITIES RALLYING TOGETHER WHILE SOCIAL DISTANCING

*Small acts of kindness can make a big difference during tough times. Here are examples of how communities are coming together during the COVID-19 crisis.*

By: Amanda Radke

Yesterday, I shared some words of encouragement and an inspiring pep talk as our nation deals with the ramifications of COVID-19.

Wanting to keep some positivity amidst all of the bad news we have been receiving lately, I asked my friends on Facebook: "What are your communities doing to lift each other up right now while the coronavirus impacts the nation?"

I received so many wonderful responses ; in fact, the feedback was so great there may have to be a part two to this blog. Today, I wanted to share a few of the highlights with you. Check out what folks across the country are doing to deliver hope and lift each other up during times of crisis.

- Cavender's raising money for the FFA

With so many state conventions cancelled, FFA members are dealing with the disappointing reality that their days of competing in their blue corduroy jackets may be cut short.

Cavender's is raising money to support the future of FFA with a t-shirt fundraiser. According to the western retailer, "100% of the proceeds of these shirts will go directly to FFA to support scholarships and agricultural education at the state level. Thank you in supporting the future generation of Agriculture and those that keep American running!"

- Farmers and ranchers supplying food locally to fill in gaps.

In Boise, Ida., producer Megan McDowell shares, "There's so much good going on here. The dairy up the road has slashed prices for needy families. We donated two steers for ground beef for those in need. The local nursery put in one entire greenhouse of vegetables. The liquor store donated cheap spirits for making cleaners. It's been an amazing cooperative effort. I'm making yogurt, mozzarella, cottage cheese, Panera and ricotta for the food boxes. Another lady donated 100 chickens. Farming and ranching folks are amazing. I think this will become a farm stand near the highway once the crisis has passed."

- Hospets SNAK PAKS provide supplies to low-income senior citizens.

In Ohio, Hospets is providing Supplement Needs Assistance Kits (SNAK PAKS). These kits are available to low-income seniors with no local family assistance for shopping or transportation. These are provided at no cost to the senior. If you would like to sponsor a SNAK Pak, Hospets is accepting donations.

- Arizona Beef Council feeds the homeless

When the Arizona Beef Council had to make the tough decision to cancel their annual gate-to-plate tour, they pivoted and provided the St. Patrick's Day meal of corned beef and cabbage to the Justa Center, a resource location for senior citizens who are experiencing homelessness.

- Local community hosts "Quarantine Cruise Night"

Jordan Hasenkamp, of Wetmore, Kans., shared this inspiring moment held in her community, "Our town hosted a Quarantine Cruise Night last weekend, and plan to do it again this weekend! The big thing years ago used to be that all the kids cruised up and down Main Street on Saturday nights. It was kind of put to an end by 2005 or 2006, but they brought it back last weekend and everyone had a blast! The movie theatre sold curbside popcorn, and the bar sold food to go and plans to barbecue this weekend! This was certainly a morale boost and a show of community support, and it offered some relief to our little movie theatre and bar!"

- Iowa cattle woman donates ag activities and ground beef in her community.

In Independence Iowa, producer Crystal Blin, went door-to-door gifting agriculturally-themed coloring pages and ground beef to help spread awareness of National Ag Week.

Blin said, "I didn't enter anyone's homes; I didn't touch hands; and I didn't stay longer than to necessary, but the smiles were huge! There are lots of ways to share agriculture's message."

These are just the tip of the iceberg on the small and large acts of kindness that are happening in communities across the country. Whether it's buying a gift card from a main street business to use later, providing supplies to the vulnerable individuals in the area, sewing face masks to help with the shortage of medical supplies or just praying fervently for this to pass, it is amazing to see Americans rallying together , from a distance, and I'm confident that when this storm passes, we will be stronger than ever!

Stay safe and healthy, my friends. And continue to look for opportunities to do good when the opportunity arises. If you have stories like this to share, please email me at [amanda.radke@informa.com](mailto:amanda.radke@informa.com). I would love to hear them!

*The opinions of Amanda Radke are not necessarily those of beefmagazine.com or Farm Progress.*

\*This article was edited to fit our format. To see the full article, go to [beefmagazine.com](http://beefmagazine.com)\*

## FEAR

*In Cattle Markets by The Beef & Cassandra Fish* 03/31/2020

By: Cassie Fish

There is even more fear and hysteria in the cattle business today than yesterday. As futures leak lower and lower, observers are working overtime to create narratives to support the market break. With the market in its 10th week of decline, some veer further from logic and reason, repeating information out of context or not fully understood. Bearish 'what if's' are popular as are embellishing stories with no facts. Positive news is overlooked, discarded in favor of a news bit that 'fits' the moment.

How does one make sound business decisions in this environment? Cattle futures have already priced a 3 standard deviation cash price decline on March 16 based on the last 30 years of data. So far those lows stand. But the bears want more.

### The Fundamentals

A few small to tiny eastern packing plants- some kosher, some not and even a small cow and Holstein plant are experiencing short term interruptions in operations due to the coronavirus. Yet, the industry will still harvest between 670k and 680k head this week, which will either set a record for the largest kill in late March in history, or the second largest.

Boxed beef cutout values are finally correcting, down about \$9 or 3.5% from the record high reached last week. Yesterday's USDA Comprehensive Boxed Beef report saw another week of huge sales volume with exports and 22+ day sales picking up greatly and formula sales stay very strong. The jump in the weekly price pushed packing plant margins to their widest in history, beyond the level reached after the Tyson Fresh Meat's Finney Country plant fire.

So what's a packer to do? CME cattle futures ought to make it easy to buy cattle dollars cheaper. After all, spot Apr LC is more than \$20 below last week's 5-area average negotiated cash cattle price. Even with cutout values backing off, margins are still enormous. Thus far, packers aren't bidding. What strange times these are.

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