Cow Country Reporter

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News from your CEO

Hurricane Helene caused record destruction and deaths from Florida, Georgia, The Carolinas and into Tennessee, Kentucky, Virginia and beyond. My prayers go out to the families, loved ones and friends who died and those who lost homes and businesses. This tragic event was followed by the longshore union strike. We as a nation have got to come together and assist those in need.

We in Louisiana missed the effects of Helene, however, some of our farmers and ranchers in Southeast Louisiana found themselves still "cleaning up" after Fransine hit just a week before. A major cull cow slaughter operation, FPL in Augusta, Georgia is still down without power but hopes to be back up by Oct. 5. FPL is a major buyer of our cull cows in Louisiana.

Our prices for 5 and 6 wt. steers in the Southeast started to narrow in September compared to the same time a year ago, however, 4 wt. steer calves were still $15.00 to $20.00 cwt. higher than the same time last year. Cow/calf producers in Louisiana have been marketing their calves earlier (July-September compared to October-November) which has increased their net income. We are more aware of how to use our forages to increase grazing by incorporating cover crops and other seasonal forages. This change has allowed Louisiana cow/calf producers to be more flexible in their marketing. Please continue to contact your marketing agent and have a "game plan" for next year's calf crop.

Enjoy the October season!

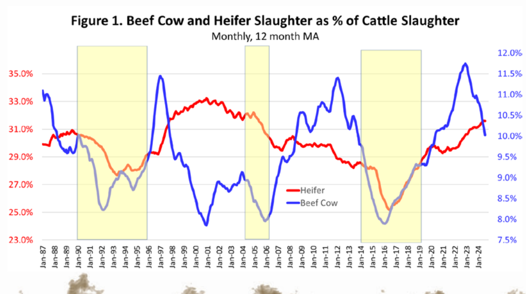
Dave Foster, CEO

An Update on Herd Rebuilding

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

The biggest question in the cattle industry continues to be that of herd rebuilding. Specifically, there are questions regarding the status of the beef cow herd in 2024 and, more importantly, how is the industry setting up for 2025 and beyond. Beef herd expansion involves two components: reduced cow culling and increased heifer retention. Direct measures of the cow herd inventory and replacement heifer inventories are only available in the January 1 USDA-NASS Cattle report, with the next release in late January 2025. In the meantime, it is challenging to determine what is happening in 2024.

There is data on beef cow slaughter through the year that does indicate the beef cow herd culling rate. The final rate is usually expressed annually as total annual beef cow slaughter as percent of the January 1 beef cow inventory. The annual beef cow slaughter total will not be available until after the end of the year. In the first 37 weeks of 2024, beef cow slaughter is down 16.3 percent year over year. Monthly beef cow slaughter can be expressed as a percentage of total cattle slaughter. On an annual basis, beef cow slaughter as a percent of total cattle slaughter is 97.5 percent correlated with the annual herd culling rate. A twelve-month moving average of this percentage provides an indication during the year of beef cow herd culling. The blue line in Figure 1 shows this moving average since 1987. The two major cyclical beef herd expansion in the 1990-1996 and 2014-2019 periods shows how beef cow herd slaughter behaves during herd expansion.



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An Update on Herd Rebuilding

In the two previous herd rebuilds, beef cow slaughter bottomed in 1992 and in 2016. The moving average reflects the previous twelve months suggesting that beef cow slaughter was at a low in the first year of herd expansion in each of these cycles. Figure 1 indicates that beef cow slaughter is declining currently but has not bottomed and is not yet low enough to indicate herd expansion. Moreover, the rate of beef cow slaughter in 2024, although sharply lower year over year, is not down enough to offset the small bred beef heifer inventory at the beginning of the year. The beef cow herd is likely down year over year in 2024.

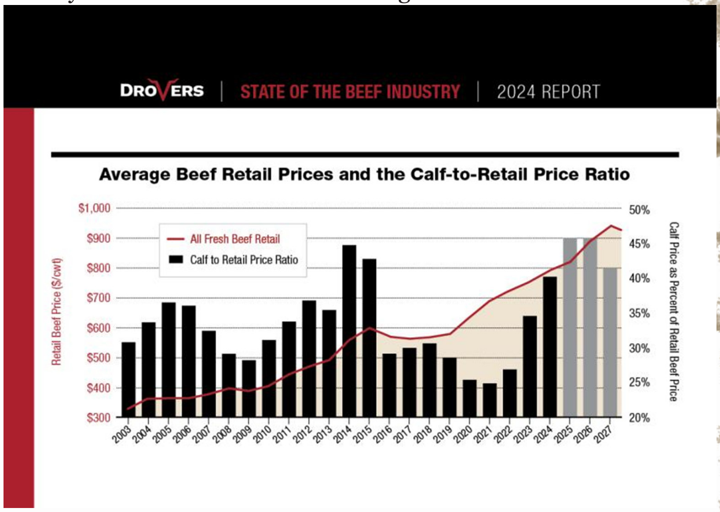
Figure 1 also contains a similar twelve-month moving average of heifer slaughter as a percentage of total cattle slaughter. Heifer slaughter goes down when heifer retention increases and there is a 72.5 percent correlation (negative) between this slaughter percentage and beef replacement heifer percentage (beef replacement heifers as a percent the beef cow herd inventory). The correlation is strong but less than for cows because heifer slaughter includes more than just beef heifers.

Figure 1 shows that the moving average of heifer slaughter also bottoms during herd expansion, typically about a year later than the cow slaughter moving average. In 2024, the twelve-month moving average of the heifer slaughter percentage of total cattle slaughter has not decreased at all thus far. Both of the measures in Figure 1 suggest that there is only minimal indication of industry movement towards herd rebuilding. The beef cow herd will likely be smaller on January 1, 2025 and has very limited potential to do anything other than stabilize and hold steady in 2025.

How Historical Cattle Cycles Are Shaping Inventory and Production Today

Drovers - State of the Beef Industry - 2024 Report - Average Beef Retail Prices(Farm Journal)
Editor's Note: This article is part of the Drovers 2024 State of the Beef Industry report, which includes an exclusive survey of cattle producers and their thoughts on numerous topics of importance to the future of their operations. To download the full report, click here.

By: Lance Zimmerman, senior vice president, senior animal protein analyst for RaboResearch Food & Agribusiness



Past cattle cycles provide an outline for the tendencies that typically shape inventory and production over years and decades. While U.S. beef cow inventories stabilize in 2024, the industry could experience a longer transition period as unprecedented risk mutes profit signals that normally kick-start herd rebuilding efforts.

USDA reported a Jan. 1 beef cow inventory of 28.2 million head, and Rabobank is forecasting a relatively stable cow herd over the next three years between 27.9 and 28.3 million. Cow-calf producers remain relatively quiet about the prospects of restocking pastures. That stands in contrast to the continuous dialogue regarding the production and price risks casting doubts on the segment.

The last herd rebuild started in 2014, but remember the short-term milestones that preceded it. The percentage of heifers in the fed cattle slaughter mix peaked in 2010, the beef cow cull rate spiked in 2011 and beef replacement heifer inventories didn't post a year-over-year increase until Jan. 1, 2012.

More recently the heifer slaughter mix peaked in 2023, and the cull rate reached multiple-decade highs in 2022. Now, the focus is on heifer retention, and that remains a sticking point for this rebuild.

Macroeconomics outline declining supplies and steady demand, or increasing demand and steady supplies, lead to higher prices.

Supply Versus Demand

For nearly three decades, the U.S. beef industry has been in a declining supply and increasing demand market. Absolute prices and volatility have increased significantly over that time, but per-head profit margins have not followed the same uptrend.

Commodity producers largely operate on thin margins, and competition within and across the beef and cattle producing segments has kept margins low, while volatility in returns has increased. That is why U.S. producers are expressing more caution during this rebuild.

The beef consumer's role in supporting each U.S. cowherd rebuild has been discussed many times. Tighter supplies motivate higher meat case and menu prices, allowing producers to receive a higher percentage of beef spending. The July average USDA all-fresh beef retail price pushed to new highs at $8.15 per pound. Even with relatively steady beef demand, Rabobank expects annual average retail beef prices to approach $9.50 per pound around 2027.

That means 500-lb. steer calf prices could advance to annual averages near $400 per cwt as early as 2026, and replacement female prices follow the calf market. It is possible $4,000 bred heifers are in the producer's future. CattleFax estimates current prices around $2,800 per head. That is creating pause for a segment dominated by part-time operators facing production risks and less of an appetite to take on more.

El Niño didn't offer the weather benefits needed to recover pastures in major cow-calf producing regions in 2023 and early 2024, and a return to La Niña in late 2024 will cast doubt on forage availability.

A decade ago, interest rates were 3% to 4%. Today, those loans have an 8% to 9% rate. Aging producers are looking to transition out of the business, but younger producers are struggling to fill the void.

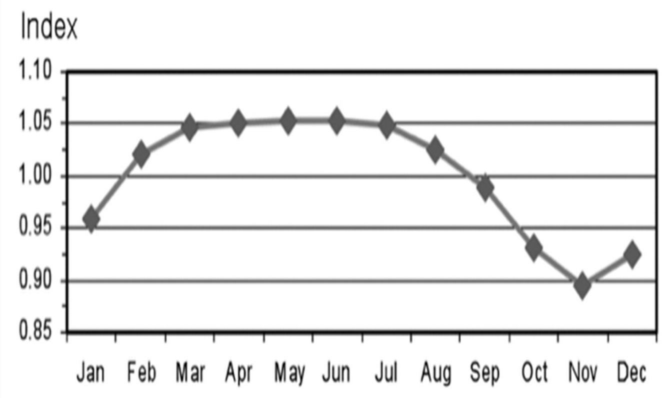
These pressures will likely amplify the rate of consolidation within the cow-calf segment and silence opportunities for smaller operations to expand profitably going forward.

Financial Opportunities for Cull Cow Marketing

By: Mark Z. Johnson

It's typical for cow-calf producers to focus most of their marketing efforts on calves. Accordingly, little marketing effort is put into cull cows and bulls. While pregnancy and culling rates vary between operations; over time, the sale of cull breeding stock accounts for roughly 20 percent of gross revenue in a cow-calf production system. The ebb and flow of the cull cow market has proven to be extremely consistent (and predictable) over time, as shown in the graph below.

Seasonal Price Index, Utility Cows, Southern Plains, 1997-2006. (OSU)The seasonal pattern has been consistent for decades. The 20-year average break from the highs of summer to the low in November is 15 percent. Cull prices typically move higher in the early spring before peaking in the summer when strong seasonal grilling activity drives the demand for ground beef. This demand starts to soften in September and is followed by a large supply of spring calving cull cows hitting the market (after weaning and fall pregnancy checks), in October and November resulting in the fall lows. While many spring calving operations simply choose to dispose of culls as quickly and easily as possible, there is considerable potential to increase the salvage value of culls by 25 – 45 percent with some additional effort devoted to marketing and management. Additional value can be gained through added weight, improving the quality classification, and taking advantage of the seasonal price patterns.



The summer of 2024 has seen cull cow values reach record high prices. On the supply side, a decline in beef cow slaughter numbers reflects the current cowherd stabilization. Year-to-date, commercial beef cow slaughter is down 16 percent from 2023. From a demand standpoint, consumer preference for ground beef products has been robust even at current prices.

For fall calving herds, the seasonal pattern suggests the most profitable option is to market cull cows at the time of weaning/culling in the spring. There is little reason to expect anything different next year as the decreasing cowherd, and small supply of designated replacement heifers this past January, supports strong slaughter cow demand in 2025.

For spring calving operations, this fall represents an opportunity to increase the value of cull cows from the fall lows by retaining ownership into the new year. Improved cull cow marketing offers some of the most reliable return for producers in the uncertain world of cow-calf production. That being said, the cost, moisture conditions and risk of holding onto culls into 2025 must be weighed against the potential of capturing additional value.

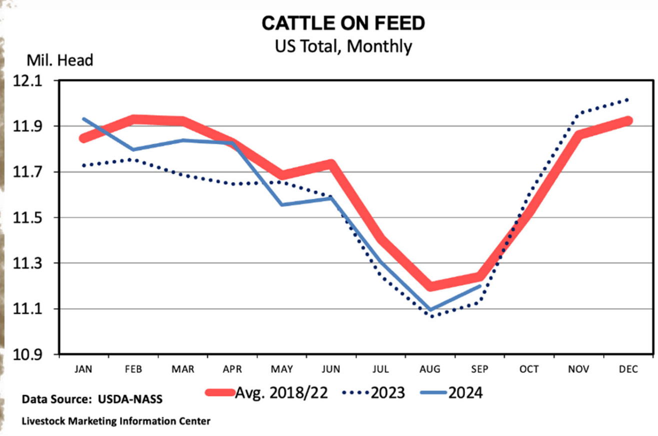
Cattle on Feed and Record-High August Fed Cattle Weights

By: Josh Maples, Mississippi State University

The latest USDA Cattle on Feed report was released Friday and showed placements of cattle into feedlots during August were 1.4 percent lower than during August 2023. Marketings of fed cattle out of feedlots were down about 3.5 percent from a year ago, partially due to one less business day in August 2024 than in August 2023. Both of these numbers were within pre-report expectations and will likely not be big market movers.

Most of the decline in placements from a year ago occurred in placements of cattle weighing less than 800 pounds. Placements of cattle in this weight range were 3.4 percent lower while placements of cattle weighing more than 800 pounds were 1.4 percent higher. Placements in both Kansas and Nebraska were down about 3 percent while placements in Texas were down nearly 6 percent as compared to a year-ago. Placements in Colorado were the exception and were up nearly 30 percent.

Despite the lower placements, the total number of cattle in feedlots with more than 1,000 head capacity on September 1st was up 0.6 percent compared to a year ago. This continues the trend of cattle staying in feedlots longer.



Total placements of cattle into feedlots during 2024 is down about 2 percent but longer feeding periods have reduced turnover and helped to keep inventory levels from fully reflecting the declining calf crop totals.

Longer feeding periods are leading to higher cattle weights. The average dressed weight for federally inspected steers during August 2024 was 930 pounds. Assuming a dressing percentage of 62.5 percent, this suggests an average live weight of 1,488 pounds. This is the highest August steer dressed weight average on record, easily surpassing the 911-pound average during August 2020. Heifer dressed weights also hit an August record at 840 pounds on average. The higher dressed weights are offsetting much of the impact of lower cattle numbers on beef production. Total beef production in 2024 is now expected to be very close to beef production in 2023 despite fewer head processed.

U.S. Beef Exports Reopen to Columbia

By: Maggie Malson

USMEF announced the Colombian government recently lifted its ban on U.S. beef originating from states in which H5N1 was detected in dairy cows; therefore the Export Library for Colombia has been updated to reflect restored access for beef from 13 states, according to a release.

"The reality is that science was on our side and ultimately that prevailed," says Dan Halstrom, U.S. Meat Export Federation President and CEO. "It wasn't easy, but this is kudos to our government for staying with it and getting us back in with full access to Colombia."

Halstrom expressed gratitude to the work of the government in helping with negotiations.

"On behalf of USMEF's membership, I want to thank the U.S. government, and especially the teams at the USDA Animal and Plant Health Inspection Service (APHIS), Foreign Agricultural Service (FAS) and Food Safety and Inspection Service (FSIS) involved in the effort to restore full access for U.S. beef shipments to Colombia," Halstrom says. "The USDA staff posted in Bogota, in particular, worked tirelessly to get these restrictions lifted. We are also grateful to Colombian importers and customers who remained loyal to U.S. beef during this difficult time and who voiced their concerns to the Colombian government about the interruption in trade."

In its statement, USMEF officials shared it is important to note that effective USDA engagement with other trading partners helped prevent similar trade barriers from affecting additional export markets. While Colombia was the only destination to officially restrict imports of U.S. beef as a result of H5N1 findings in dairy cows, the impact on beef exports was substantial.

"In April of 2024 we started experiencing some access challenges related to the H5N1 issue and we were up to 13 states that were not allowed to export to Colombia," Halstrom adds. "We were averaging about $3,000,000 a month in exports and once we got once we got through April and into these restrictions we're down to less than $1,000,000 a month so obviously a very adverse impact."

The USMEF looks forward to rebuilding U.S. beef's presence in the Colombian market and meeting the needs of its valued customers.

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