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News from your CEO

I hope every CPL member received their renewal notice for 2024/2025 fiscal year. If you did not, please contact me at info@lacattle.org or call 225-673-4814 and leave a message if you get a voice mail.

The cattle market is higher, especially slaughter cows and slaughter bulls. Light weight calves, under 500 lbs., are in good demand to turn out on summer grass in the Northern states. As y'all know, in the South from June until September our calves gain on grass, less than 1 lb. per day on average. So, your older cows with calves may do better putting wheels under them now and sending them to the stockyards, something to think about. We in Louisiana have been getting plenty of rain, especially from Alexandria north. Yes, grass is growing, however, it's hard to make hay when one gets ½ to 1 inch of rain every day. A good amount of corn had to be replanted and/or planted in soybeans or rice in many areas.

It is never easy in agriculture, hopefully the rest of the country will wake up and realize where their food comes from! Tell your story and enjoy the Summer!

Dave Foster, CEO

The Impact of Better Forage Conditions

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

With the growing season well under way, pasture and range conditions in the U.S. are generallygood. Nationwide, just eight percent of range and pasture is rated very poor, with 14 percent rated poor. According to the Drought Monitor, there is less drought in the country than anytime since April 2020. Several important beef cow areas continue to experience drought including much of Kansas, much of New Mexico, Arizona and southwest Texas, central and western Montana, and southern Florida. Percentages of range and pasture reported as poor to very poor are highest in New Mexico (70 percent); Texas (38 percent), Florida (32 percent), Arizona (27 percent), Kansas (21 percent), and Montana (18 percent).

Most of Oklahoma has gotten rain in the past month, with some of the driest areas in the northwest and Panhandle receiving rain this past week. Just seven percent of Oklahoma pasture and range is rated poor to very poor, with 57 percent rated good to excellent. Hay harvest, along with winter wheat harvest is proceeding despite some interruptions due to recent rains.

Better forage conditions remove one of the barriers to stabilizing and rebuilding the beef cow herd. Cattle producers, in many cases, can begin retaining heifers...but are they? What producers want to do at this point is unclear. Cattle producer expectations are influenced by several considerations. Despite improved current forage conditions, the threat of rebuilding La Niña conditions later in the year is likely tempering some production plans. Moreover, while higher calf prices provide incentives to increase calf production, it's not clear that producers are yet reacting to long term profitability prospects (to retain heifers) as much as short-term revenue from selling more calves now.

I suspect some heifer retention is beginning but we will not have any direct data until next year because the July Cattle Inventory has been cancelled. Heifer slaughter data, along with quarterly heifer feedlot inventories will eventually show the impact of increased heifer retention. However, current heifer slaughter reflects feedlot placement decisions made roughly six months ago and thus will indirectly reflect heifer retention only well after the fact. Moreover, heifer slaughter data includes both beef and dairy heifers; and the dynamics of beef on dairy crossbreeding is likely confounding heifer slaughter data somewhat. While it is possible that some yearling heifers from last year may be in development for breeding in 2024, it appears that if (when) heifer retention begins more earnestly this year, it

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will be with heifers from the current calf crop. This could include some fall-born heifers being weaned now but is more likely to be spring calves weaned this fall. Most of these heifer calves will not breed until 2025 and enter the herd in 2026.

Regardless of whether heifer retention is beginning now, the beef cow herd is likely to be smaller yet on January 1, 2025, with limited (at best) herd growth prospects in 2026. The question of when heifer retention begins is important in two respects. First, heifer retention will further squeeze feeder supplies and push feeder cattle prices higher. That is likely to happen later this year. Secondly, the longer it takes to start heifer retention, the longer the industry will continue to see reduced cattle inventories, smaller beef production, and high average cattle and beef price levels.

Common Challenges of Cow-calf Share Arrangements

By: Kenny Burdine, University of Kentucky

As an Extension economist that focuses in the area of livestock marketing, I always learn a lot by working through questions I get from stakeholders. A couple times each year a farmer or Extension agent will reach out to me hoping to understand what type of arrangement is typical when multiple individuals partner on a cow herd. The reality is that these arrangements tend to be very complex, and each one is unique. Often, one of the individuals provides the majority of the labor and management, while the other owns the land, cattle and equipment. From there, these arrangements vary greatly as to which party provides what and who is responsible for which expenses. It can be difficult to set share agreements up in a way that is attractive to both parties and this article will briefly talk through some of the reasons why.

First, large profits have historically been pretty elusive in the cow-calf business. I am well aware that I am writing this during a time when calf prices are extremely high and that can be seen in the Southern Plains calf price chart above. But the profit levels being seen during 2024 are much higher than what most would describe as "typical". As one can imagine, I tend to get more questions about share arrangements when calf prices are high. But, when we discuss applying the proposed arrangement to a lower, long-run average calf price, there is often not enough revenue for both parties to be happy given the individual contributions they are making.

Secondly, producers need to have a good feel for their costs in order to fully think through a share arrangement. The fairest way to set up a cow-share agreement is for each party to share in revenues at roughly the same proportion as their cost contribution. Fleshing this out is simply not possible without a good understanding of those costs. This becomes further complicated by the fact that a lot of those costs tend to be non-cash contributions. For example, one party may be contributing the bulk of the labor / management, and a value needs to be placed on that time. If one of the parties is going to be responsible for cutting, raking, and rolling the hay, values must be placed on non-cash costs like depreciation on equipment, in addition to the operator's time and the variable costs of producing that hay. Similarly, if one party owns the land being used for pasture and / or hay production, a value should be placed on the use of that ground.

Finally, cow-calf operations are not static; they change over time. Depending on forage availability and market conditions, the size of a cowherd will change from year to year. When heifers are held back for replacement purposes, this effectively lowers revenues for the cow-calf operation in the short run. During times when the cowherd is being expanded, short-term revenue can be greatly impacted. If the cows themselves are owned in partnership, this may not be an issue. But if one party owns the "cowherd", the arrangement needs to find a fair way to compensate the other party for their share of heifers that are not sold. This can likely be done by placing a value on all calves at weaning, whether they are sold or retained, but a question still remains about the cost of developing those heifers that are retained for breeding purposes.

These are just three of the more common hurdles cow-calf operators tend to encounter as they explore a share arrangement on a cowherd. My goal in walking through those was not to imply that share arrangements are not possible. There are examples of successful arrangements and I think they can be a good way for someone to get started in the cattle business. But due to the complexity of cow-calf operations and the cyclical nature of calf markets, it is imperative that all parties fully think through all aspects of these arrangements before entering into an agreement.

Here Are The Notable Changes In The House Farm Bill

By: Cheyenne Kramer

The House Ag Committee recently released and approved their initial version of the long-awaited 2024 Farm Bill, which included changes to several areas important to production agriculture – such as reference prices, base acres and federal programs. During an episode of the Top Producer podcast, Farm CPA Paul Neiffer explained how farmers could expect those changes to affect them.

Reference Prices

According to Neiffer, the proposed farm bill would increase reference prices across the board, with the smallest increases in barley, oats and corn and the largest in rice. The changes for other crops include:

- Legumes: ~19%
- Peanuts: 17.8%
- Cotton: 14.4%
- Wheat: 15.5%
- Soybeans: 18.5%

It's important to note, however, these likely won't be the final numbers in the farm bill.

"I think this is going to increase the cost of the farm bill by – over a 10-year period – maybe $15 billion to $20 billion," Neiffer says. "If they need to cut some, they can cut it out of here."

Base Acres

Another update includes base acres. In the new House-approved language, if you have planted more acres

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than you have base acres, the excess acres will now qualify to be increased to reflect what your plantings were over the average of 2019 to 2023 crop years.

"This is a pretty good deal. It's a one-time opportunity – not a reallocation of your current base," Neiffer says. "Let's say you have corn and soybeans, but the last five years you only planted corn. This base acre update will be based on what you planted. So, if you only planted corn, you'll get an increase in corn base acres."

In addition, non-covered commodities, such as potatoes or onions, can now be used on up to 15% of total farm acres.

The House proposal does not restrict who qualifies for the program.

Agriculture Risk Coverage Program

Like reference prices, the Agriculture Risk Coverage program (ARC) also sees an increase in this proposal.

The guarantee of benchmark revenue jumps from 86% to 90% and the maximum payment also rises from 10% of benchmark revenue to 12.5%.

Marketing Loans

Neiffer says that while some may go up slightly more than others, almost all marketing loans increase by about 10%.

"There are a couple of situations where that helps. If you want to get a loan, you can get more of a loan," he says. "But it could also hurt you in a way."

He goes on to explain price loss coverage (PLC) payments are calculated as the difference between the effective reference price and market year average (MYA) price and the MYA price cannot drop below the loan rate. So, with the increase in the market loan rate, PLC payments could be smaller.

Livestock Programs

On the animal side, changes have been made to the dairy margin program and livestock indemnity payments.

"The big one [for the dairy margin program] is the tier one coverage gets more of a subsidy from 5 million lb. up to 6 million lb. That's a 20% increase," Neiffer says.

The payment rate for livestock indemnity payments is also increased to up to 100%. Neiffer says that increase is for animals that have been killed by a federally protected species, such as wolves.

He adds if a pregnant animal is killed in this situation, the owner could be paid up to 85% of the unborn animal's lowest weight class.

Partnership Tax Payments

Another payment change to watch involves how operations are classified. In the past, Neiffer says, operations taxed as partnerships – such as an LLC or S corporation – were limited to one payment. The new proposal does not have a payment limit for qualified pass-through entities, which could be any LLC not electing to be a C corporation, any S corporation or any general partnership or joint venture. The one-payment limit would still apply to C corporations.

"I don't know if this will happen," Neiffer says. "The 2018 Farm Bill had certain provisions similar to this in the House bill but didn't happen."

Farm Income Definition

The House proposal also broadens the definition of what counts as farm income.

"Under the current definition of farming, gains from trading in farm equipment typically is not considered to be farm income. This farm bill specifically states that is farming, as well as agritourism and direct-to-consumer marketing," Neiffer says. "That's good news."

Conservation Reserve Program

The maximum Conservation Reserve Program (CRP) payment more than doubles in this draft – jumping from $50,000 to $125,000.

"For farmers who maybe have acres that really shouldn't be farmed, this is allowing more of those acres to get enrolled," Neiffer says.

Crop Insurance

The final area Neiffer highlights with notable changes is supplemental crop insurance.

He shares the 85% cap on revenue protection policies is increased to 90% for individual yield or revenue coverage, but it's aggregated across multiple commodities. The supplemental coverage option (SCO) is also increased from 86% to 90%.

"This is really welcome news for farmers in North Dakota, Texas, Oklahoma or southern Missouri where the cost of crop insurance is so high," Neiffer says. "By increasing the subsidy, this is probably going to allow a lot of those farmers to buy revenue protection at 60% or 65% and then use SCO to go up to 90%."

There's also a 10-percentage point subsidy increase for those who qualify as beginning or veteran farmers. This has been expanded from five years to 10 years as well.

Fewer Cows, Fewer Ranchers

By: Greg Henderson

The consolidation of American agriculture and its beef industry continues. USDA's 2022 Census of Agriculture found 1.9 million farms in the United States, down 7% from 2017 and the smallest number since 1950. Over the last 25 years the number of farms has declined 14%.

"The number of producers [age] 65 and over increased 12%, continuing the trend of an aging producer population," said a highlight sheet for the census, describing changes since 2017. Nearly four of every 10 farmers were over the age of 65. There was a 9% decline in the number of farmers aged 35-65 years.

America's beef industry shows a similar trend to that of agriculture in general. The number of operations with at least one beef cow totaled 622,162, down 106,884 operations (-15%) from the 2017 Census.

The decline in beef operations coincided with a steep decline in America's beef cow herd. The 2022 Census (not to be confused with the Jan. 1 Inventory report) counted 29.214 million beef cows, down 2.5 million cows

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(-8%) from 2017's 31.722 million.

The number of beef cows has declined further since 2022, with USDA's annual Cattle Inventory showing 28.2 million on farms January 1 of this year. That's 10% fewer than what USDA's 2017 Inventory report counted at 31.2 million. America's widespread drought and some tough economic conditions for cow-calf producers since 2017 is responsible for declining cow numbers.

CONSOLIDATION

Overall, America's agricultural production is dominated by just 6% of farms with more than $1 million in annual sales. Those 105,384 farms operate 31% of farmland and generate three fourths of sales.

As with the declining number of farmers, the number of acres in farms is also declining at a rapid rate. The 2022 census found 880 million acres in production, down nearly 75 million acres (-8%) from 25 years prior.

Touting the Biden Administration's efforts to help create "competitive models for small- and mid-sized farms," Agriculture Secretary Tom Vilsack called the 2022 Ag Census report "a wake-up call to everyone who plays a role in agriculture policy or who shares an interest in preserving a thriving rural America."

Nowhere are the effects of consolidation more prevalent than the beef industry. Seventy-nine percent of producers own fewer than 50 beef cows and represent just 25% of the herd. Include all producers with fewer than 100 cows and the results are stunning – 89.5% of beef cow owners represent just 39.5% of the nation's herd, with an average herd size of 20 cows.

That means 60.5% of America's beef cows are in herds of 100 head or more (58,115 ranches), average size 195 cows. And the 6,972 ranches with 500 or more have 6.3 million cows, 22% of the total, and an average herd size of 905.

The average herd size of all beef cow operations was 47 head based on 2022 census data, up from 43.5 head average in 2017. The census breaks the number of producers into six groups according to size that have fewer than 500 cows. All six of those groups saw decline in the number of operations.

The opposite trend was true in the three groups with more than 500 cows. At 5,408, the census found 870 more operations reporting 500-999 cows (+16%) than in 2017. The 1,000-2,499-cow category found 1,358 ranches, an increase of 156 operations (+11%). Ranches with 2,500 or more cows, the largest category reported, saw a 4% increase from 198 ranches in 2017 to 206 operations in 2022.

The two largest categories, 1,000-2,499 and 2,500 or more, added 275,912 cows to their herds since 2017, a 10% increase.

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