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Livestock

Analyst expects contra-seasonal trend

By **CAROL RYAN DUMAS**
Capital Press

Cattlefax analyst Mike Murphy advises cattle producers to consider the potential for a contra-seasonal trend in markets when making decisions that will affect their businesses in the short term.

In a seasonal trend, the cash market for fed cattle pushes higher through the holidays, into the new year and into early spring.

But in a contra-seasonal trend, it will be more of an underperforming market going into the spring, hitting a low in the spring and starting to turn higher in the summer, Murphy said during the Jan. 21 Cattlefax webinar.

The same trend would exist

in the cash feeder-cattle market, with prices moving lower in the spring, he said.

Despite tight supplies, three factors support a contra-seasonal market trend, he said.

First, beef has lost some of the price advantage it enjoyed in 2014 relative to competing meats and is now at a record high compared with pork and poultry on a retail, wholesale and live basis, he said.

Second, a shift in currencies of key trading partners has dampened beef and pork exports and slowed demand.

Third, the beef-production segment has lost the leverage advantage it enjoyed in the beef chain for most of 2014, with that leverage now shifting up the

chain. It's a market dynamic that has played out over decades, he said.

Margins in beef production increased more than the margin on the retail side in 2014, squeezing retailers. Now the retailer needs to get some of that margin back, and that will happen at the expense of potentially everyone down the supply chain, he said.

Cattle producers on winter grazing operations should expect more pressure to the cash feeder market going into the spring, and the futures have already priced in a lot of that correction, Murphy said.

Those dealing with summer grass operations should expect cash feeder prices pressured in the spring to recover back into

the fall as the market goes into fall highs, specifically in the third quarter, he said.

Producers should keep in mind, however, that corn prices could play a role relative to markets, he said.

Looking at things from the perspective of producers trying to market a lighter weight animal or producers needing to buy a few for their summer grass operation, the market should stay well supported all the way into early March and could get a little stronger, Murphy said.

The market on those 550-pound steers should weaken going into the spring, stabilize going into the summer and likely come under a little pressure going into the fall, he said.

For those looking to sell cull cows carried from weaning into the winter, the market has suffered a correction, pulling the price down from the mid \$110s per hundredweight seen in November and December. The market is likely to return to that level in the next couple of months but might not exceed it, he said.

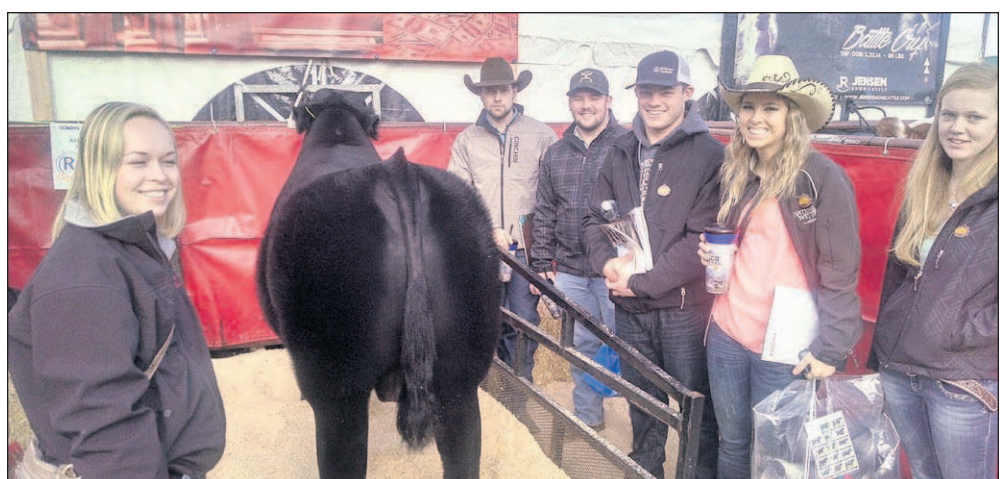
That's not to say producers will lose money if they retain those cows into winter, but the payoff might not be as much of a windfall as a year ago, he said.

The cull cow market will tail off in the late spring into summer all the way into fall. Producers who lose a calf this winter or spring and have a cow they'll likely cut from the herd should do it sooner rather than later, he said.

In the longer term, with herd expansion beginning, beef supplies are going to grow over the next few years. This year's supplies are expected tighter compared with 2014, but the supply should start to grow into 2016 and 2017, Murphy said.

That growth suggests markets have seen the high end of the price range and considering an increase in pork and poultry productions, there's probably more of a downside risk relative to the market than upside, he said.

That doesn't imply producers won't be profitable, especially in the cow-calf sector, over the next few years. But the only way price can advance as supply grows is with a lot of growth in demand, he said.



Lee Juillerat/For the Capital Press

Six Klamath Community College students in Ty Kliewer's Livestock Judging class traveled to the National Western Livestock Show in Denver to compete in livestock judging competition.

Students go to national event

By **LEE JUILLERAT**
For the Capital Press

KLAMATH FALLS, Ore. — Sometimes the best lessons are learned outside the classroom.

For six students in Ty Kliewer's Livestock Judging class at Klamath Community College, the learning took place last month when they traveled to the National Western Livestock Show in Denver to compete in livestock judging competition.

It was the first time KCC students participated in the high-level national competition, and proved an eye-opener for team members, including Jake McCarty and Veronica Turner.

"I think it was neat for us to look up to the other teams and see what we could do," said McCarty, 21, a full-time KCC ag major. He also works full-time for Balin Ranches, is president of the collegiate FFA and an intern for the Klamath Bull and Horse Sale.

"Going into it, we really didn't know what to expect," McCarty said. "We hadn't done a professional judging competition before. We were pretty

confident going into it, and as a whole we did pretty good."

"It's crazy to see how different and how much more advanced they were," Turner, 19, who is majoring in agricultural science, said of competitors from four-year schools like Texas A&M and Ohio State that have major ag programs. "It makes you want to work harder next time you compete."

Turner and McCarty were part of a team that included Emily Cole, Garrett Gardner, Sarah Gerdes and Logan Dean. Kliewer, 36, an adjunct teacher who sells breeding bulls and farms hay and grain at his Klamath County ranch, accompanied the group.

"It was a pretty big jump from anything they've ever done before. Our kids were pretty green in comparison," Kliewer said, noting some larger schools recruit students for competitions.

"We were definitely the underdogs," said Keith Duren, who oversees KCC's ag programs.

He supports the livestock judging class in part for its spinoff benefits. During competitions, student judges must

be able to make decisions, explain and defend those decisions while being concise and articulate.

"You definitely build those skills we value in leaders. You also learn to work with a team and with different personalities," Duren said.

Kliewer, who competed in livestock judging competitions as a student at Lane Community College and Oregon State University, said he wants others to share those experiences, and to better prepare themselves for a range of possible careers.

"I look back and see how that prepared me for life," he said. "It improved my public speaking skills a lot."

In the competition, students judged beef cattle, pigs, meat goats and sheep.

"I know from here on out I'll look at cattle or pigs or sheep differently," said McCarty. "Definitely down the road it opens up opportunities for some of us."

While his long-range plans call for having his own ranch and raising beef cattle, McCarty also is considering working at a large feed lot, in ag sales or with genetics companies.

U.S. hide, skin, leather exports hit record

By **CAROL RYAN DUMAS**
Capital Press

The U.S. hide, skin and leather industry exported more than \$2.85 billion in cattle hides, pig skins, and semi-processed leather products in 2014, setting a record.

U.S. companies regularly export between 90 percent and 95 percent of total U.S. production of hide and skin products and are one of the top raw materials suppliers to the global leather manufacturing industry, said Stephen Sothmann, president of U.S. Hide, Skin and Leather Association.

The vast majority of exports are cattle hides, and the hides of 98 percent to 99 percent of all cattle slaughtered in the U.S. are recovered and processed to specifications, he said.

Hide "companies are very well connected to beef packing plants" in the U.S. he said.

U.S. companies exported nearly \$2.8 billion in cattle hides and nearly \$55 million in pig skins in 2014, according to USDA.

Total exports of \$2.85 billion topped the earlier record of

\$2.7 billion in 2013, Sothmann said.

Prices for the past two years have been historically high if not record high on some products, reflecting high demand and limited supply, he said.

About 50 percent of the hides are used for footwear, about 20 percent for automobile upholstery and the remainder for leather accessory items, such as purses and belts, he said.

Prices have been supported by a significant increase in demand for leather for automobiles, mirroring the increase in global auto sales, and more demand for leather products by a rising, global middle class, he said.

At the same time, the U.S. cattle herd has been shrinking for at least the last 60 years and hides are a byproduct of the beef industry, he said.

Cattle hides are sold by the piece and prices got as high as \$120 to \$130 over the past two years, dropping back to about \$100 a piece in the last quarter of 2014. The U.S. industry exported about 29 million hides in

2014, he said.

China, the largest leather producer in the world, is by far the largest buyer of U.S. hides, accounting for about 60 percent of those exports and nearly \$1.5 billion in 2014. Other large destination markets include South Korea, Taiwan, Mexico and the European Union, he said.

The U.S. exports two types of cattle hides — wet salted and wet blue.

Wet salted hides are soaked in brine and preserved with the hair on. Wet blue hides are de-haired and subjected to a tanning agent, usually chromium, as a first stage of leather tanning, he said.

U.S. exports of wet salted cattle hides dropped slightly in 2014 to \$1.8 billion, a 1.2 percent decrease from 2013 levels. Exports of wet blue cattle hides jumped 21 percent to more than \$959 million, according to USDA statistics.

The U.S. industry is undergoing a multi-year transition towards lower wet salted cattle hide sales and increasing wet blue sales, for a few reasons, Sothmann said.

Agreement raises hopes for beef checkoff reform

By **CAROL RYAN DUMAS**
Capital Press

Efforts to reform the beef checkoff and raise the assessment seem to be gaining ground.

After a three-year stalemate three national industry organizations have signed a memorandum of understanding guiding the changes.

Raising more money for beef promotion and research through the checkoff has long been a goal for most industry organizations, but a lack of consensus on how the program is operated has blocked any progress.

An MOU penned last fall by the Beef Checkoff Enhancement Working Group met with more pushback, leaving a frustrated Agriculture Secretary Tom Vilsack to take matters into his own hands and propose a supplemental checkoff to run concurrently with the existing checkoff.

Congress nixed that proposal, however, and members of the working group went back to the drawing board to make the MOU more widely palatable.

Last weekend, National Cattlemen's Beef Association board of directors voted to support the MOU at the 2015 Cattle Industry Convention in San Antonio. Two other members of the

working group — the National Livestock Producers Association and American National CattleWomen — also support the MOU.

"This is a great day for the beef checkoff," said NCBA Past President Scott George in a broadcast from the convention.

The MOU doubles the checkoff assessment from \$1 to \$2 per head of cattle each time the animal is sold and includes a refund provision for the additional dollar for those who don't want to pay the increase, he said.

It also provides a referendum mechanism to allow those paying the assessment to vote on continuing the checkoff or changing the assessment in the future without having to go through Congress, he said.

Addressing one of the main sticking points in the checkoff stalemate, the MOU makes the nominating committee and operating committee more inclusive. The nominating committee selects candidates for the operating committee, which decides how checkoff dollars are spent, he said.

The MOU tries to make sure all groups have representation on the nominating committee, said Colin Woodall, NCBA vice president of government affairs.

Other members of the work-

ing group are taking the MOU to their organizations' boards of directors for review. A final draft of the MOU will be decided at the working group's meeting in March, he said.

One of those organizations, U.S. Cattlemen's Association, did not support the earlier MOU, saying NCBA has too much influence on the operating committee and which organizations received checkoff contracts.

USCA President Danni Beer noted the changes to the make-up of the nominating committee but said USCA's board of directors is still reviewing the MOU.

USCA Past President Jon Wooster, who represents the organization in the working group, said the changes in the committee structure will probably make little difference in the governance of the checkoff.

Other members of the working group are Farm Bureau, Livestock Marketing Association, Meat Import Council of America and National Milk Producers Federation.

It's too early to tell when a potential increase to the assessment might take place, Woodall said.

Changes to the checkoff must first be approved by Congress and then pass in an industry referendum, he said.



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