Feedlots managing large cattle supplies

By CAROL RYAN DUMAS
Capital Press

Cattle on feed, placements, marketing and other disappearances, November

(Feedlots with 1,000-head capacity or more)

Item	(1,000 head) 2017	2018	Percent change
Placed on feed, Nov.	2,099	1,996	-5
Fed cattle marketed, Nov.	1,844	1,869	1
Other disappearance, Nov.*	71	80	13
Item	**(1,000 head) 2017**	**2018**	**Percent change**
On feed, Dec. 1	11,516	11,739	2

*Includes death loss, movement from feedlots to pasture, and shipments to other feedlots for further feeding.

Source: USDA NASS
Capital Press graphic

A lot of cattle are making their way through the system to slaughter, but feedlots are keeping the markets balanced with aggressive and timely marketing.

USDA's latest cattle on feed report pegged the Dec. 1 inventory on large feedlots at 11.7 million head, up 2 percent from a year earlier and the largest December inventory since 2011.

But placements in November were down 5 percent year over year, and marketings were up 1 percent for the largest November marketings since the statistics series began in 1996, according to National Agricultural Statistics Service.

"All in all, it was a pretty favorable report," Derrell Peel, extension livestock marketing specialist with Oklahoma State University, said.

While inventory was 2 percent higher than a year ago, the industry started the year 8 percent above year-earlier levels due to relatively big numbers of cattle on feed in 2017, he said.

Feedlots spent the year pulling down year-over-year increases, moderating the rate of increase in beef production. That was especially the case in the last three months, with placements down an average of 5.2 percent September through November, he said.

"Feedlots have done a very good job staying current," he said.

In addition to moderating increases in cattle on feed, carcass weights are consistent with staying current. After declining in 2017, carcass weights in 2018 were expected to be heavier. They were but not by much, he said.

Lower weights at the end of the year will result in a year-over-year increase of 3 to 3.5 pounds in steer carcasses and 6.5 to 7 pounds in heifer carcasses in 2018, he said.

Despite an increase in cattle coming through the system, feedlots have handled inventories about as well as possible and moved them through in a timely manner. They could have slowed them down, added weight and increased beef production even more, he said.

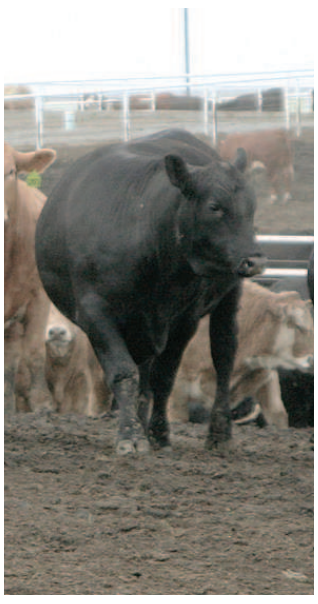
From a supply standpoint, 2019 will be "more of the same but a little less," he said.

The industry will still see increased cattle supplies and beef production but not as much as the last three years. He expects the beef cow herd to increase less than 1 percent when the Jan. 1 inventory is reported, he said.

"I don't see a lot more supply pressure relative to the last three years, but it will continue at a steady pace as we go ahead," he said.

Beef production will likely peak in 2019. The question is whether it will plateau, drop down or potentially pick up, he said.

"We're in pretty good shape to plateau this thing. I think it's sustainable given the strength of demand we've had," he said.



Matthew Weaver/Capital Press File

Cattle at a feedlot in Pasco, Wash. November marketings were the highest since the statistics series began in 1996, according to National Agricultural Statistics Service.

Tree fruit companies attract outside money

By DAN WHEAT
Capital Press

YAKIMA, Wash. — Several tree fruit companies in Central Washington are being sold or have gone out of business as costs and competitive pressures continue to force consolidation in the industry.

Out-of-state private equity firms are involved in some of the acquisitions. Principals in several transactions did not respond or declined to talk on the record.

One of the latest transactions involves International Farming Corp., an agricultural investment firm in Kinston, N.C., that is buying Legacy Fruit Packers and Valley Fruit III, both of Wapato, and Larson Fruit Co. of Selah.

A Larson family member verified the sales and referred inquiries to International Farming, which declined comment.

Four years ago, Valley Fruit and Larson Fruit formed a new company, Legacy Fruit Packers, to build a $17 million apple-packing plant in Wapato. The deal was reached to have enough capital to build the new packing plant to remain competitive, Dean Gardner, CEO of all three companies, said at the time.

Valley and Larson maintained separate orchards and cherry packing lines.

Legacy has sold its fruit through its partnership in Sage Fruit Co., a Yakima marketing company that also sells the fruit of Olympic Fruit in Moxee and Valicoff Fruit Co. in Wapato.

According to a Legacy-Sage website, Legacy packs approximately 4 million boxes of fruit annually from 3,650 acres owned by Valley and Larson. Legacy, Valley and Larson have over 530 full-time employees.

Larson Fruit was owned by the Larson family for three generations. Valley Fruit was also a third-generation company and owned by the Verbrugge family.

The industry has always had outside investment, said Jon Alegria, president of CPC International Apple Co. in Tieton. CPC packs fruit for a large outside investor that has owned Washington orchards for more than 25 years.

Industry returns were good from 2005 to 2015, which attracted more outside investors, but costs of staying competitive have been growing since 2005, Alegria said, adding that risks are increasing and more outside investment is needed to stay competitive.

"There's more and more outside money. It's easily tripled in the last three to five years," he said.

More apple varieties are competing for limited grocery shelf space and it takes $60,000 per acre to acquire and plant land versus $25,000 10 years ago, he said. Land, labor and more organic production are all increasing costs, making the industry more capital-intensive, and that's why outside investment is coming in, Alegria said.

Two of the largest Washington tree fruit companies are raising significant capital, Michael Butler, a Seattle investment banker, said in early December. Mid-size companies running at 30 percent of packing capacity don't have the income they need to pay debt on new packing lines, he said, and without controlling 10 percent of industry sales a company can't be a long-term competitor.

Broetje Orchards, of Prescott near the Tri-Cities, has sold to a Canadian pension fund, sources said. A Broetje spokesman declined comment.

The family-owned company has more than 6,000 acres of apples and cherries. In 2015, Broetje agreed to pay $2.25 million in civil penalties to end several years of U.S. Immigration and Customs Enforcement investigations. Broetje issued a news release saying it agreed to pay with no admission of wrongdoing.

Lawrence Frank, president of Yakima Fruit & Cold Storage, Wapato, declined comment when asked if that company was sold several months ago.

Gail Brown, general manager of Strand Apples Inc., Cowiche, said Strand has reorganized but hasn't sold and is not going out of business.

Vanguard International Group, Issaquah, bought Pride Packing Co., Wapato, in 2017.

Fourth Leaf Fruit Co., Yakima, formerly C.M. Holtzinger Fruit Co., ceased operations. Its telephones have been disconnected and a website states it is permanently closed.

David Henze, former president, said he left the company last April and says he believes it closed at the end of September. A representative of the last known owner, a Vancouver, B.C., investment firm, could not be reached.

Fourth Leaf was a unique company with no orchards of its own. It relied solely on fruit from independent growers.

"We were actually gaining grower volume but it wasn't enough to support the capital expenditures we needed to do," Henze said. "It was an older facility. It had been maintained well, but didn't have a lot of internal defect sorters."

The company had small volume, about 1.35 million, 40-pound boxes of apples annually. About 60 percent was exported, which generally is not as profitable as domestic sales, Henze said.