

# PRODUCERS

## Livestock News

Vol. 61, Number 2

Marketing ■ Credit ■ Commodities

March 2023



By Tim Meyer  
President, CEO  
Producers Livestock Marketing Association

## Thanks for the opportunity

As I sit down to write my first article as the President and CEO of Producers Livestock, I am struggling to find the right words to express my gratitude to so many who have helped me in my career and life.

First, I want to say thank you to my predecessor, Rick Keith, for giving me the opportunity to join the team at Producers in 2012. Over the past 10 years, Rick and I have faced many challenges together and his leadership and steady hand at the helm was appreciated not only by me but by all who work here. Congratulations and best wishes to Rick and his wife Dee as they begin their time together in retirement.

I want to thank the Producers Livestock board of directors for showing their confidence in me and offering me the opportunity to lead this incredible

organization. I do not take the responsibility lightly and I promise to work diligently to lead this company to new heights in the years ahead.

I want to thank the employees of Producers Livestock for their hard work and dedication to making our organization what it is today. We will continue to focus on serving our customers with professionalism and expertise. We will always put our independent livestock producers first because we care about you and your success.

It was Teddy Roosevelt that once stated, "No one cares how much you know, until they know how much you care." I can assure you that our staff cares, and it will be my mission that we continue to provide you the best service possible when utilizing our services.

I want to also thank the many mentors and co-workers I have had the pleasure of working with over the past 34 years. I have learned invaluable lessons from so many of you and hope that I can continue to apply those learning experiences in my new position.

I want to thank my family and friends who have supported me and my career. I am

blessed to be surrounded by an amazing extended family and many good friends who have always had my back through good times and bad, and for that I am forever grateful.

Most importantly, I want to thank my wife Sandy, our five daughters, sons-in-law and six grandchildren for always supporting my journey over the years. Your support is and always will be appreciated!

Lastly, I love this company and I know that our entire staff loves this company as much as I do. We will continue to work hard for you every day to help you succeed as that is our purpose and our mission. Please reach out to our professionals in the marketing, commodity or credit divisions to assist you in any way we can. Wishing you all nothing but the best. Stay safe out there!



By Kyle Krager  
President  
Producers Commodities, LLC

## Cash Cattle Prices and Office News

It is March 1 and spring is right around the corner. From talking with many of our cattle producers, most are ready for this winter to be over; it has been a tough winter for feeding cattle.

Cattle performance in some areas has been challenging, as Mother Nature continues to show us who is in control. As a result, weights have fallen below year-ago levels, with current live weights at 1,379 pounds compared to 1,405 pounds last year.

Lower weights, along with cattle on feed numbers that are 4% lower than last year, have translated into higher cash and futures prices.

Live cattle futures are approaching contract highs. Last week, in Iowa, we traded cash cattle at \$164 per hundredweight live or \$262 on a dressed basis.

The cash cattle market this year has had a range from \$156 per hundredweight up to \$164 per hundredweight on a live basis. Many analysts predict a higher cash cattle market in the

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Zach Tindall Cell: 712-541-9992

Email: [ztindall@plmcoop.com](mailto:ztindall@plmcoop.com)

# Producers Services Directory

## General Office

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Email: [plma1@plmcoop.com](mailto:plma1@plmcoop.com) [www.ProducersLivestock.net](http://www.ProducersLivestock.net)

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Dave Nickelson, Treasurer	Ext. 1104	Mick Jackson, Marketing Settlements	Ext. 1105
Deb Engler, Secretary	Ext. 1100	Becky Jensen, Marketing Settlements	Ext. 1112

## PLCC Financial Services

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Brokerage Services and Consulting on Hedging - Options - Hedge Contract Programs  
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## Producers Livestock Services

### Producers Beef Programs

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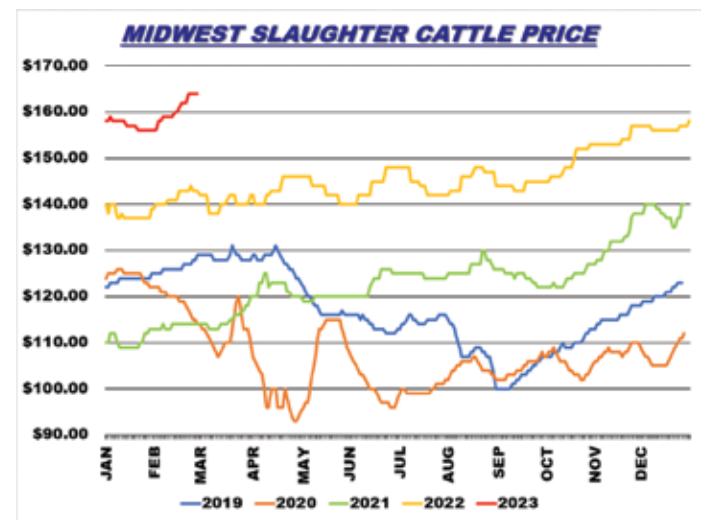
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## PRODUCERS

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## CATTLE

■ FROM PAGE 1

five years; we are at impressive levels today.

### Hedge Contract Service Fee Adjustment for Live Cattle and Feeder Cattle Futures Contracts

Unfortunately, as a result of rising interest rates and trading costs, we need to make some adjustments to our Hedge Contract service fees.

This service fee adjustment will affect deferred Live Cattle and Feeder Cattle Futures positions only. Service fees will not change for Live cattle and Feeder cattle option positions. Lean Hog service fees will also not be adjusted at this time.

Effective April 1, the updated Live Cattle and Feeder Cattle Futures service fees will be as follows:

#### Live Cattle

Less than 8 months, \$0.25 per hundredweight;  
8 months or greater, \$0.40 per hundredweight.

#### Feeder Cattle

Less than 8 months, \$0.20 per hundredweight;  
8 months or greater, \$0.35 per hundredweight.

*This material should not be construed as the solicitation of trading strategies and/or services provided by Producers Commodities LLC as noted in this presentation. These materials have been created for a select group of individuals, and are intended to be presented with the proper context and guidance. Information contained herein was obtained from sources believed to be reliable, but is not guaranteed as to its accuracy. These materials represent the opinions and viewpoints of the author, and do not necessarily reflect the viewpoints and trading strategies employed by the IB, Producers Commodities LLC. The trading of derivatives such as futures, options, and over-the-counter ("OTC") products or "swaps" may not be suitable for all investors. Derivatives trading involves risk of loss and past financial results are not necessarily indicative of future performance. Any hypothetical examples given are exactly that and no representation is being made that any person will or is likely to achieve profits or losses based on those examples. Producers Commodities LLC is not responsible for any redistribution of this material by third parties, or any trading decisions taken by persons not intended to view this material. This material does not constitute an individualized recommendation, or take into account the particular trading objectives, financial situations, or needs of individual customers. Contact designated personnel from Producers Commodities LLC for specific trading advice to meet your trading preferences or goals.*

### New Employees

I am pleased to announce that we have hired two new employees for our Commodity Department: Haylee Bruns and John Tweed.

Haylee Bruns is currently attending Briar Cliff University.

She is working part-time as a Commodities Sales Assistant. Haylee's email address is [haylee@plmcoop.com](mailto:haylee@plmcoop.com).

John Tweed has been hired as a Commodity Broker. John is from Binford, North Dakota, where he worked two internships as a grain originator for CHS Inc.

John is a graduate of Mayville State University with degrees in Agribusiness and Business Administration. John's email address is [jtweed@plmcoop.com](mailto:jtweed@plmcoop.com).

Haylee and John are a great addition to our team at Producers!

Give us a call! Let our team at Producers Commodities help you with all your risk management or Livestock Risk Protection insurance needs. The markets are providing some very good opportunities for livestock producers to take advantage of.

Good luck this spring and be careful out there!

## Ever considered joining the Board?

Would you or someone you know be interested in becoming part of the board of directors for Producers Livestock?

We are currently accepting calls from anyone interested in this opportunity. Elections for directors of the Producers Livestock Board are held annually in February.

- Directors are elected for a three-year term.
- To run for director, a person must be an active member/customer of Producers Livestock Marketing Association.
- Regions up for election/re-election in 2024 are Eastern Nebraska and Western Nebraska.

If you, or someone you know, are interested in running, or need more information about sitting on the board, please contact either Tim Meyer or Deb Engler at 800-257-4046.



**By Mike Sila**  
Senior Vice President, beef division  
Producers Livestock Marketing Association

# Cow herd smallest in half a century

Here we are one day closer to grilling season and ready to have this winter behind us.

The winter moisture has been greatly appreciated, but very costly to cattle performance and weights. With lighter carcass weights in the first quarter, the decreased feeder placements, and the smallest cow herd since 1962, how will beef demand and exports be affected?

Due to the challenges the beef industry faces, the USDA Livestock, Dairy and Poultry Outlook: February 2023, has predicted beef production in 2023 at 26.5 billion pounds. This would be a decrease of 6.3% compared to 28.3 billion pounds of beef production in 2022.

In 2022, the 1% increase in cattle slaughtered offset the lighter carcass weights. This hasn't continued into 2023; through the middle of February the federally inspected slaughter is 5.03 million head, a 2.3% decrease from 2022.

Beef production has also been affected by carcass weights. We have seen steer/heifer carcass weights decline from 885 pounds at the first of the year to 872 pounds in the second week of February. Weekly average carcass weights have been 15 to 20 pounds per head lighter than in 2022. It appears that we will continue to see the results of lighter carcass weights from the winter storms and muddy conditions into the second

quarter.

In 2022, the USDA estimated the per capita disappearance at 59.1 pounds, the highest in the last 12 years. Per capita disappearance for 2023 will have to factor in the uncertainty of the U.S. economy, interest rate increases and inflation.

Along with the economic issues, if retail beef prices continue to increase, consumers may seek cheaper pro-

tein sources. In February, the USDA predicted a 5% decrease in per capita disappearance, or 56.3 pounds.

After seeing a 3% increase for beef exports in 2022, the USDA is predicting a 12.6% decrease in 2023. The USDA has lowered the beef export estimate to 3.09 billion pounds for 2023. The 2023 annual beef exports would still be the third highest behind 2022 and 2021.

Exports will see pressure from increased beef prices due to the strong value of the U.S. dollar along with the declining beef production.

We continue to see increased optimism in the 2023 cattle market despite the declining cattle numbers and decreased production.

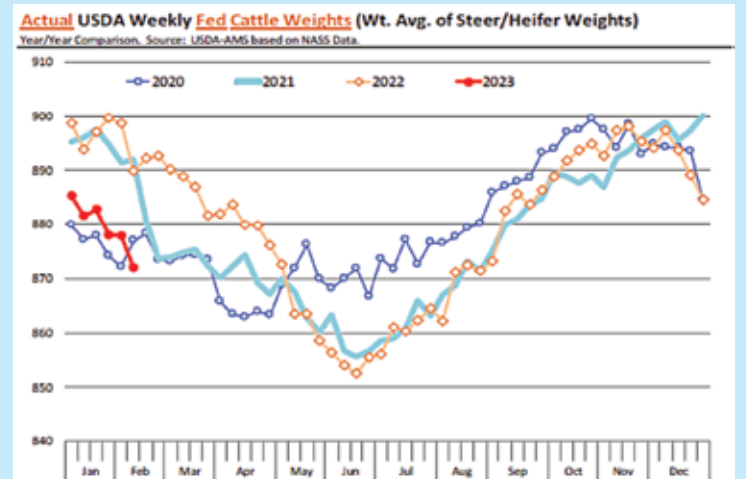
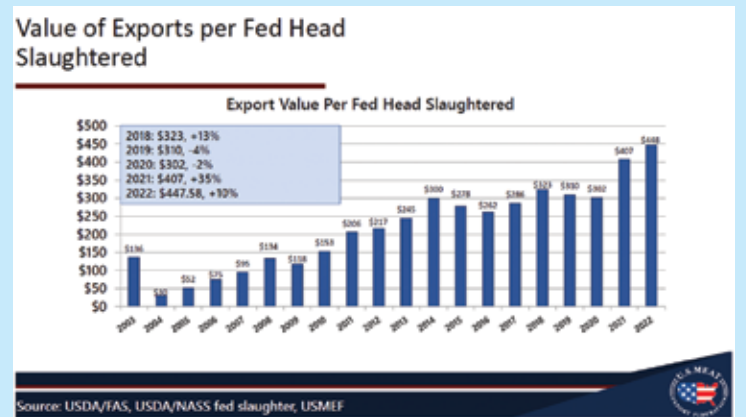
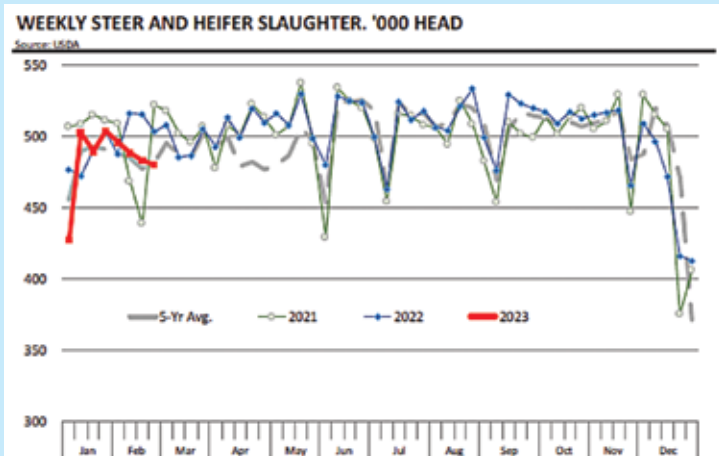
As the cattle prices get closer to the highs of 2014, there may be some great hedging

opportunities.

We all know how easy it is to let our emotions dictate our marketing strategies, so while you patiently await your strike price, let's not forget about having some downside risk management in place.

Please contact your Producers Livestock Beef Agent to utilize futures, options or LRP to take advantages of these prices. Thank you for your patronage.

## Beef herd data:



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## CALVING SEASON UNDERWAY



A cow cleans her newborn shortly after birth this spring. Photo courtesy Iowa Farm Bureau Federation.



By Richard Ellinghuysen  
Senior Vice President, pork division  
Producers Livestock Marketing Association

# Pork production expansion on hold; are better margins ahead?

Lenders to pork producers generally agree that despite decent margins in recent years, there is very little pig farm expansion. That may help profit margins down the line.

Sow numbers have fallen 4% over the past three years and one would think that expansion would be in the cards. Not so. There are too many variables and variables mean uncertainty. And uncertainty doesn't equal low-risk growth.

Since 2019, production costs have climbed from the upper \$60s per hundredweight to upper \$90s per hundredweight, and although there were modest profits in 2022 and some fair hedging opportunities in 2023, the margins haven't been good enough to generate expansion.

Construction costs have also climbed, some say by over 35%. Add to that higher interest rates and the growing cost of maintaining inventories and there's little excitement for expansion.

In addition to that, some analysts believe there are over one million finish spaces that have either been removed from production or are simply sitting empty. If there are empty buildings, that means additional production capacity already exists that isn't being utilized. And why build if there is unused capacity?

New PRRS variants have hurt U.S. pork producers, and the uncertain impact of California Proposition 12 on pork production creates additional worry.

As of this writing (Feb. 28) the industry continues to wait for a decision from the U.S. Supreme Court on Prop 12. Neither of these issues are conducive to industry stability and expansion. It's interesting that despite disease recent slaughter numbers have been higher than expected.

Why? How?

Canadian slaughter plant closures have pushed more hogs into the U.S. from the north. It's possible that this may be part of the reason slaughter is

higher than USDA hog reports would have indicated.

European pork producers are facing growing challenges as some of their governments are implementing policies to restrict, or even flat-out remove, livestock operations and reduce total livestock in an effort to slash greenhouse gas emissions.

Total hogs in Europe are estimated by some to have fallen 6-7% in the past several years. African swine fever (ASF) continues to appear in wild hogs there and occasionally in commercial operations, resulting in EU pork being banned by some countries. In the future, European pork may not be as competitive as it has been in the past.

In South America, it's been reported that Brazil and Argentina are expanding pork production. Some in concert with direct financial investment by China. The timing of that expansion is uncertain.

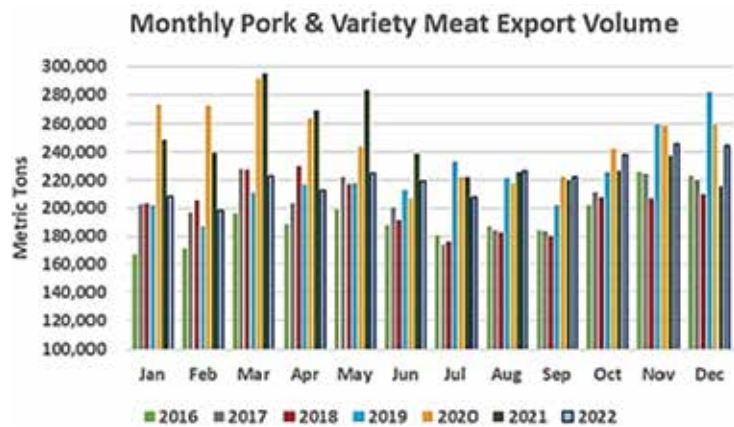
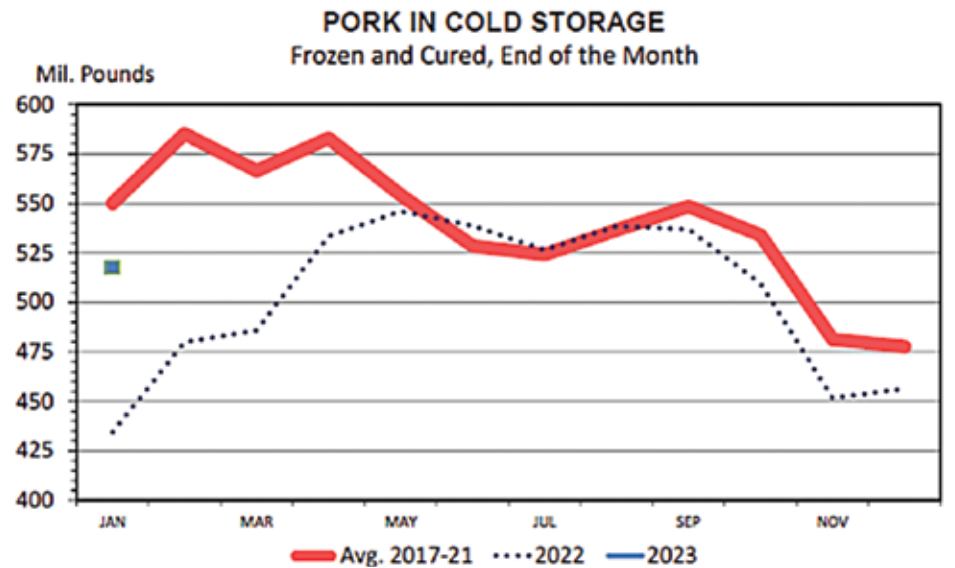
China itself has increased production and with Covid-19 challenges may have reduced consumption. They remain big pork consumers. Mexico has been our top international pork buyer and has become very important to us. That appears likely to continue. Fingers crossed.

It appears that overall conditions favor better U.S. pork profit margins as global pork production edges down. Much will be determined by how pork demand plays out in the U.S. and abroad as well as input cost trends.

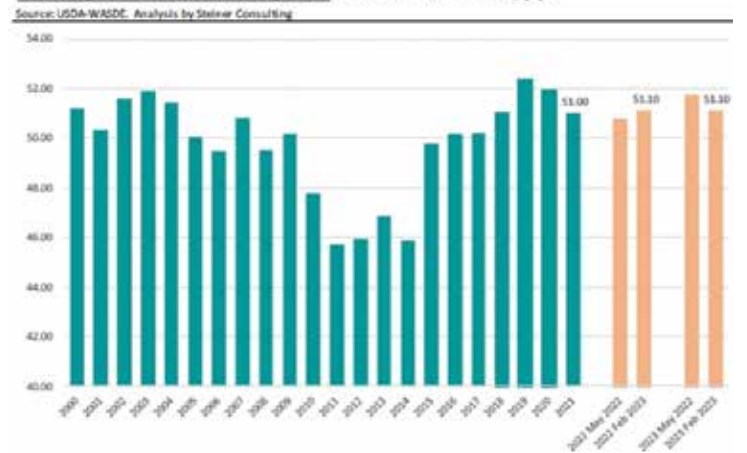
U.S. pork is very price competitive in the domestic and international markets. If production stays flat, input costs level off and demand is favorable, modest profit margins should be in our future.

Stay in touch with your Producers Pork Agent and Producers Commodity Staff who provide CME futures, options and Livestock Risk Production (LRP) to assist you in protecting your margins both now and in the future.

Thank you for your business and have a blessed Lenten and Easter Season!



Per Capita Pork Consumption, Retail Basis, Lb./pp



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