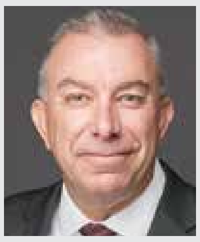
Vol. 64, No. 4
July 2026

PRODUCERS Livestock

Livestock News
Marketing ■ Credit ■ Commodities

COMMON GROUND, COMMON GOALS AND COMMON SENSE



By Tim Meyer
President, CEO
Producers Livestock Marketing Association

Over the past 18 months, a movement has been afoot throughout the country that is bringing livestock industry leaders together to address the many challenges faced by those involved in the numerous phases of livestock production.

This movement has been led by the Livestock Marketing Association. I was fortunate enough to garner an invitation to one of four regional summits the association is hosting in 2026.

The summit in Omaha was held May 27-29 to discuss these challenges and attempt to prioritize goals for the organization. A similar summit was held in Reno, Nevada, in May. The two remaining summits will be held in Nashville, Tennessee, and Fort Worth, Texas, in August.

The challenge facing livestock producers

Keeping a farm or ranch viable takes constant effort. Access to land and labor, rising input costs, overregulation and other pressures continue to threaten the livelihood and legacy of livestock producers.

These challenges have never been greater than they are today.

A united voice for the industry

That is why members of the Common Ground Coalition have come together around the issues that matter most. By standing strong together, they are working to preserve the livestock industry and inviting others to stand with them.

The goals

- Achieve and maintain agriculture-friendly tax policy.
- Make risk management tools more effective.
- Improve access to labor.
- Increase flexibility for livestock haulers.
- Create support for young and emerging livestock producers.

Stand together

The Common Ground Coalition is not another organization.

It is a united group of cow-calf producers, stocker operators, marketers, feeders and allied industry partners who believe the industry is stronger when it works together to protect the nation's food supply.

I would encourage all of you to join the Common Ground movement by signing up at the LMA's website (lmaweb.com) and (commongroundcoalition.net).

Stand with others to save our farms and ranches, protect our land and build a lasting legacy for generations to come. It's only common sense!

MANAGED MONEY MOVES AWAY FROM LEAN HOGS, HESITANT IN CATTLE COMPLEX

By Zach Tindall
Senior Vice President
Producers Commodities, LLC

Every Friday, the Commodity Futures Trading Commission releases its weekly Commitment of Traders report, showing the status of positions for the producer and managed money sectors of the market. Analysts use this data to see if the "fund money" is buying or selling any particular commodity.

Managed money can inject capital into these complexes on either side of the market, causing moves that at times drive prices higher or lower than current fundamentals support.

Price movement within the protein complexes driven by managed money sometimes contradicts current market situations, but has more to do with money flow from other commodity sectors or takes into account broader market factors.

Historic run for Live Cattle

Live Cattle futures have been on a historic run since the lows set in 2020. Tighter supplies in the future, cash prices working higher and boxed beef prices that pushed to the highest levels ever with the exception of the COVID-19 time period all brought managed money to the complex as buyers.

Managed money set a record-long position in January 2025 at 156,909 contracts. That record has been tested a handful of times since then, but the funds have not held a long position greater than 150,000 contracts according to the CFTC reports, other than that one week.

At the beginning of December, the funds decreased their long position to just over 80,000 contracts but have since increased that position and have spent the majority of 2026 long between 110,000 and 130,000 contracts.

The funds have not shown any interest in buying the complex to push their length to record levels, but they are unwilling to remove themselves from length in the market as inventory numbers support elevated prices.

Open interest is 100,000 contracts less than the same

■ SEE MONEY ON PAGE 2

PLMA REGIONAL SUMMITS IN AUGUST

Following Dakotafest (Aug. 18-20 in Mitchell, South Dakota), join Producers Livestock for our next Regional Summit on Aug. 18 or Aug. 19 at Granite Springs Lodge near Alexandria, South Dakota.

This event is an opportunity to connect with fellow livestock producers, enjoy a great meal and hear timely insights from a panel of Producers Livestock experts covering everything from market trends to industry insights, risk management and the challenges and opportunities currently impacting producers.

Bring your toughest questions for an open Q&A session with our team to wrap up the evening.

Scan the QR code below or go online to reserve your spot: producers-livestock.com/regional-summits

We look forward to seeing you in August!

Event Location:
Granite Springs Lodge
25840 422nd Ave
Alexandria, SD 57311

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PRODUCERS
(USPS445-860; ISSN0887-2767)
PRODUCERS LIVESTOCK NEWS is published bi-monthly by
Producers Livestock Marketing Asso.
Jay Bakken, CHAIRMAN. Zak Kennedy, VICE CHAIRMAN.
Tim Meyer, PRESIDENT. Garette Long, TREASURER. Deb Engler, SECRETARY.
Periodical's postage paid at Omaha, NE and additional entry office.
POSTMASTER — Send address changes to:
PRODUCERS LIVESTOCK MARKETING NEWS
4809 S. 114th St., Omaha, NE 68137-2308

PRODUCERS LIVESTOCK INTERNSHIP UPDATE

By Owen Larsen

I'm halfway through my time here at Producers Livestock, and I want to share an update about my internship experience so far.

As a finance student at Iowa State University with a background on a small cow-calf farm in Underwood, Iowa, I was excited to get started in this role.

I began my internship in the Omaha office and jumped right in, meeting the credit and beef marketing teams. I had a lot to learn about how livestock lending works, but the credit team was happy to teach me about everything they do.

I got to sit in on, and even present to, the loan committee. I then spent a couple of days with the credit team going out to meet with customers and learn about their operations.

With the beef marketing team, I was taught how the beef settlements are handled.

One key memory was on May 28 and 29, when I was fortunate enough to be brought along to the Common Ground Coalition. As an intern, I sat in on the meetings and met some of the major producers from across the country.

My next step was spending some time on the road with a few different beef agents. I rode along with Scott Hodne, Joe Hoffmann and Dave Herbold, and we put on a lot of miles traveling across western Iowa and southern Minnesota.

I saw quite a few feedlots and learned a great deal about marketing fat cattle and purchasing feeder cattle. I was shown many different ways to build and maintain a profitable cattle operation.

Finally, I spent time on the road with field inspector Mike Sievers. We traveled throughout South Dakota and Nebraska, and I can say we saw a lot of cattle. That week ended with the all-staff meeting in Sioux City, where it was nice to meet everyone in the company who I previously hadn't met.

Now I am just arriving at the commodities office in Sioux City, where I will spend three weeks learning a whole new world about hedging and managing risk. I am now halfway through my internship this summer, and it has been wonderful so far.

Thank you to Producers Livestock for a great internship experience, and I look forward to the rest of my time here.

MONEY

FROM PAGE 1

time a year ago and is currently at the lowest level since October 2024.

Feeder Cattle futures

Feeder Cattle futures continue to be supported by the cash market as feedlots compete for available feeder cattle and corn prices have worked lower for the majority of 2026.

Managed money set a record-long position a year ago at 37,806 contracts after the Mexican border was closed following a short reopening. This record was set after managed money was net short in the Feeder Cattle complex at the end of 2024. Since that record was set, managed money has found comfort being long between 10,000 and 20,000 contracts for the majority of 2026.

Price swings within the complex have been extreme and heavily influenced by money flow from the speculative sector of the market.

Open interest has increased from the low set at the beginning of June, but still lags levels from all of 2025. For the years 2021-2024, open interest in the Feeder Cattle complex mainly stayed between 40,000 and 60,000 contracts.

During 2025, open interest peaked near 100,000 contracts, and the lowest level recorded for the year was at the beginning of December 2025 at 63,000 contracts.

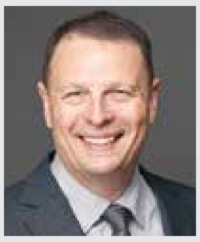
Big swings in hog complex

The Lean Hog complex pushed to new contract highs during March as the funds established a new record-long position at more than 146,000 contracts.

Optimism surrounding pork demand, a decreased supply of hogs, and high beef and cattle prices all attracted managed money to the Lean Hog complex. As the funds unwound that position, the futures spiraled lower and the funds eventually pushed their positions to near their historic record-short position.

At the end of June, the funds were short more than 25,000 contracts, less than 6,000 away from their all-time record-short position. As managed money liquidated their long position, open interest within the complex moved from record large at over 380,000 contracts to under 300,000 in the span of just four months.

SUMMER AUCTIONS SHOW DEEP VOLUME DROPS



By Mike Sila
Senior Vice President, Beef Department
Producers Livestock Marketing Association

With the start of summer, two early video auctions kicked off in June. Both of the sales saw significant decreases in head counts from last year.

Superior Livestock Auction's (SLA) Cornbelt Classic video sale offered 76,069 head on June 16 and 17, compared to 104,011 in 2025 and 61,705 head for 2024.

One week later, Northern Livestock Video Auction (NLVA) listed 48,658 head for its 2026 Early Summer Special video sale, down from 67,804 in 2025 but above 23,316 in 2024.

SLA's sale was down 27%, while NLVA's sale had 28% fewer cattle compared to last year. The early summer video sales last year were unusually high, with ranchers wanting to take advantage of the record-high prices being paid at that time.

This year's numbers reflect the decrease in the cow herd since 2025, calf contracting that was done earlier in the year and uncertainty tied to the drought conditions in some areas.

Both video auctions had a strong showing with record prices throughout the sales. These reported prices will be load lots of unweaned steer calves for delivery from October through November. These calves are in Colorado, Iowa, North Dakota, Nebraska, South Dakota and Wyoming.

On Superior Livestock's sale, 550- to 599-pound steers averaged $508.42 per hundredweight, up $125 per hundredweight from last year. Their big brothers weighing 650 to 700 pounds were $118 per hundredweight higher than a year ago, averaging $480.04 per hundredweight.

Northern Livestock posted very similar results the following week. Unweaned steers weighing 550 to 599 pounds brought an average of $508.40, $127 per hundredweight more than last year. The 600- to 649-pound steers came in at $483.62 per hundredweight, up $122 per hundredweight from last year.

Sale barn trade has also remained at record levels. Bassett Livestock Auction reported fall steer calves weighing 600 to 650 pounds averaged $496.70 per hundredweight on June 24.

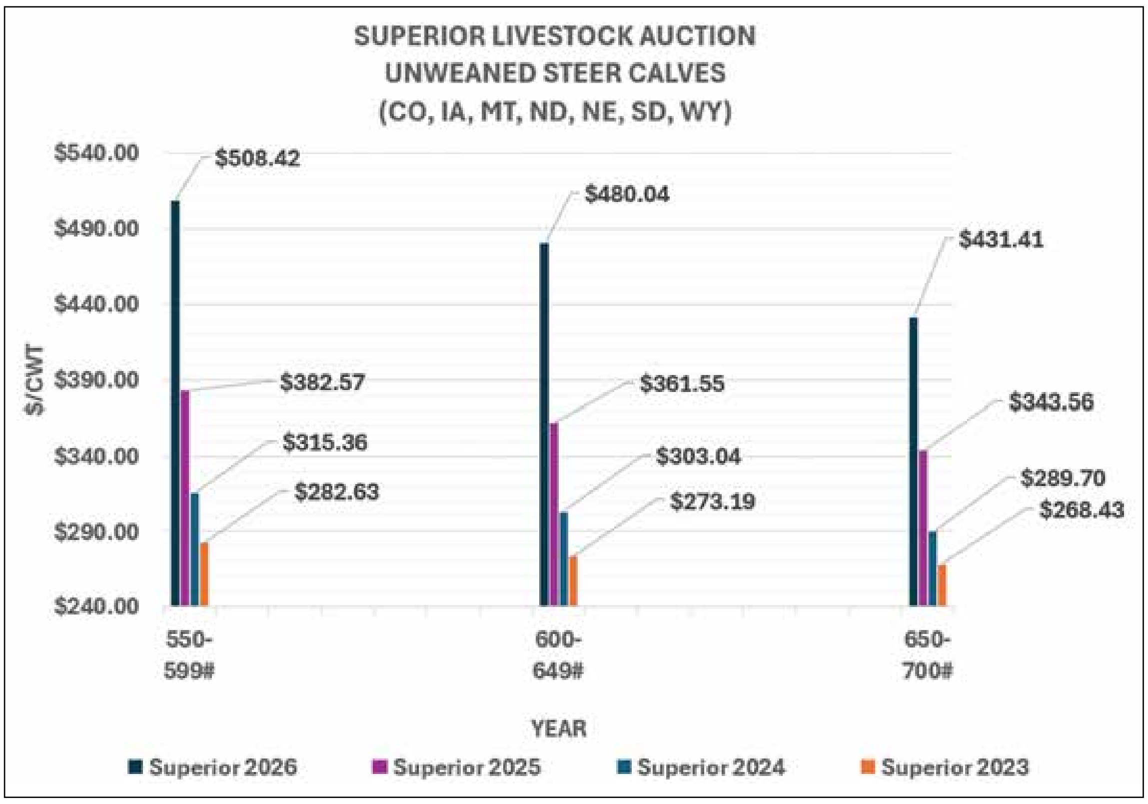
Fall steer calves weighing 650 to 700 pounds had an average price of $476.52, about $650 per head more than last year. The Feeder Cattle Index also reached a new high at $381.86 per hundredweight on June 25.

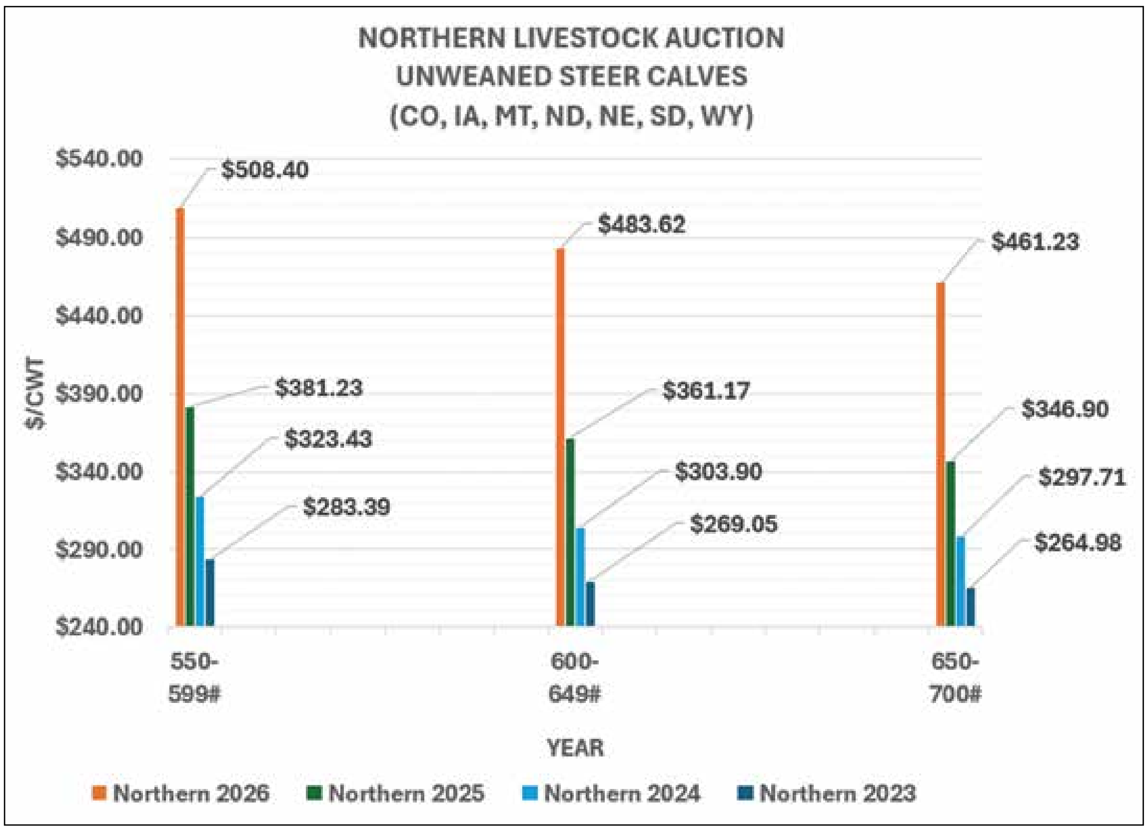
Hedging last year's calves did leave some money on the table, although the strong basis helped hedgers recover part of that value.

With feeder prices at current levels and market conditions vulnerable to change, downside protection is more important than ever.

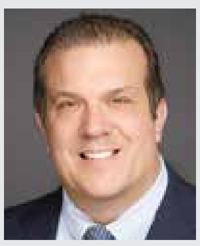
If you are unable to hedge your market price when purchasing feeders, options may provide a way to manage your downside risk.

As you place cattle this fall, please contact your Producers Livestock beef agent or commodity broker to help develop a price risk management strategy. Thank you for the opportunity to be part of your team.





A LOOK AT THE "FOUR C's OF CREDIT"



By Howie Heckenlively
Senior Vice President, credit dept.
Producers Livestock Credit Corp.

I had many different ideas for topics I could write about for this newsletter. In the last issue, I wrote an introductory piece about myself, my experience as an agricultural lender and touched on some personal topics. I felt that was a good place to start since I joined the company in March.

For this article, I thought I'd explain the basic tenets of credit underwriting and the "Four C's of Credit." After all, when I speak with a customer or prospect, one of the first questions they ask is, "What are you looking for when underwriting a new loan application?" This basic framework provides a good starting point.

First, and in no particular order, is **collateral**. Collateral is important because in our case (and in most cases), it consists of the assets that will ultimately be liquidated to repay a particular loan.

A grain farmer sells grain to repay an operating loan. A cattle feeder sells fat cattle to repay a feedlot loan. A rancher sells calves as feeders to repay a breeding stock loan. It's important that there is sufficient collateral of the appropriate quality to repay loans in each of these situations.

The second "C" is **capital**. Capital refers to the equity shown on a balance sheet. It can be found in short-term, intermediate and long-term assets.

For our discussion, I'll focus on short-term capital, which is referred to as liquidity. Liquidity is the amount of short-term assets a person or operation has above and beyond its short-term debt. Lenders generally require this to be positive and, in most cases, prefer to see a buffer of about 20% to 25%.

This means that if you have a $1 million loan, most lenders would like to see $1.2 million to $1.25 million in liquid assets available to help repay this loan. This is because the value of these assets can fluctuate, so a one-to-one ratio may not always be sufficient to satisfy the debt.

The third "C" is **capacity**. Arguably, this may be the most important of the four. Capacity refers to your ability to repay the loan. In other words, how much income can you generate, and have you historically generated the amount needed to repay your debts?

When evaluating capacity, lenders typically review three to five years of financial history to support the loan request.

SEE **CREDIT** ON PAGE 4

WHAT HAPPENED TO OUR ANNUAL SUMMER RALLY?

By Jeremy Schram
Pork Agent, Pork Department
Producers Livestock Marketing Association

Profitability for most participants in the hog industry has been solid for almost two years now.

We began this year with great optimism as we saw a strong and unseasonal rally in the hog markets beginning in late January.

Modest cash hog price strength, coupled with a significant rally in lean hog futures contracts, provided producers with very attractive hedging opportunities through the rest of the year. This rally was supported by a balance of adequate butcher hog supplies along with robust pork demand.

Year-to-date export volume was up 5.38% through April.

The Lean Hog Index reached the lower $90 level and has spent nearly all the time from early March to now in an extremely narrow range, almost exclusively between $90 and $93. This is very unusual and unseasonal, as we generally see price appreciation from late winter, through spring and into the summer months.

Some important fundamentals in the hog and pork complex began to change when we got into the late spring season.

Butcher hog supplies continued to be greater than anticipated, and with favorable crush margins, producers decided to keep plenty of weight on their hogs prior to marketing. This led to overall pork production being 1.5% higher than 2025 through May.

At the same time, May and June exports to Mexico slowed for several different reasons (one significant being the discovery of pseudorabies in a small group of pigs in Texas and Iowa).

Demand weakness

Additionally, according to the USDA and other sources, we have seen a decrease in purchasing power for the consumer due to inflation, high gas prices and other economic factors that have led to overall weakness in domestic pork demand and a buffer to the pork cutout price.

Both ham and belly primal prices are approximately 20% lower than year-ago levels. These two primal cuts are extremely important for setting overall pork cutout prices!

For the past couple of years now, we have seen lean hog futures prices rally early in the year and offer some of the highest prices and best hedging opportunities during that time. Hedgers who were proactive were very well rewarded.

One current concern that we have is that if we move into a period where disease pressure lightens up and we continue to see gains in sow productivity, we could see an unexpected bump in the supply of hogs that would likely pressure our markets.

For this reason, we encourage you to stay in touch with us here at Producers to help you develop a functional marketing plan and look for opportunities to take some price risk off the table, especially for our upcoming fall and winter months.

CREDIT

FROM PAGE 3

That's why we gather three to five years of tax returns and balance sheets when considering a new loan application.

Capacity is important because it is what truly repays a loan. Collateral and capital can erode over time if the income isn't there to support the debt. Likewise, when capacity is strong, collateral and capital can actually improve over time.

The final "C" is **character**. This is probably the most underrated one. Character is very important to a lender. I struggle with rating this one because we often assume good character, but this isn't always the case.

The only reason I wouldn't rank it number one in importance is because I've seen borrowers with great character who were still not able to pay back their loans.

I will say, however, that in those situations they were communicative, cooperative and had the integrity to do everything possible to make their lender whole.

On the other hand, when poor character is combined with insufficient capacity, it's a recipe for disaster. These borrowers often fail to cooperate with their lenders.

They may evade their financial obligations by being untruthful and, in some cases, even commit fraud. These tend to be the cases where lenders lose the most money.

In closing, I'd say that the "Four C's of Credit" provide a great starting point for bankers and borrowers to be on the same page. If a borrower meets these criteria, we are generally supportive of new loan requests.

Of course, there are always additional factors to consider, such as leadership, operational management, risk management, industry risks, threats of competition and more. Those are probably topics for another time.

I'd be remiss if I didn't mention that we at Producers Livestock have a very strong credit portfolio. We have an outstanding customer base, and our lenders work with some very high-quality families and individuals.

As always, we appreciate your business and are proud to be your trusted financial partner.