Beef industry in uncharted waters during pandemic

news coverage on what has been happening nationally to the beef industry is also happening locally. The closing and reduced operations of beef processing and packing plants has greatly reduced the price local beef producers receive for their cattle.

Because of the packing plant closures, many Ohio auction markets have also asked beef producers to hold off in bringing cattle to market.

In Hancock County, the cattle industry is relatively small compared to other counties in the state. Most producers have small feedlots or raise cattle on pasture. Hancock County does have a few operations that would be considered small to medium in size. However, size of operation does not change the impact that COVID-19 has had on the beef industry.

To discuss these impacts, I have adapted an article written by Garth Ruff, a member of the Ohio State University Extension Beef Team and Agriculture Agent in Henry County.

Like most of agriculture, timing is critical for the livestock production supply chain to flow as it is designed. What is the impact of holding market ready cattle in local feedlots? Economically, cash flow concerns for small- to medium-sized cattle feeders may arise as packing capacity remains limited.

Immediate impacts for cattle feeders include increasing days on feed, and selling heavier and potentially higher yield grade cattle once the market returns (higher input cost, but a lower market price). Most packing plants have discount schedules of Yield Grade 4 and 5 cattle in addition to carcass weight specifications.

There have been discussions regarding slowing the rate of gain or transitioning livestock to a maintenance diet. As federal cattle sales are delayed, the cost of weight gain increases, more feed is required, and cattle are less efficient as they reach or pass optimal market size.

In a study commissioned by the National Cattlemen's Beef Association (NCBA) and led by Derrell Peel, Breedlove Professor of Agribusiness and Extension Livestock Marketing Specialist at Oklahoma State University, the total losses to the U.S. beef industry were estimated at $3.7 billion or the equivalent of $111.91 per animal.

The losses for the cattle feeding segment of the industry was projected to be at $3 billion or $205.96 per head.

While local stocker prices have been relatively stable, especially for calves going to grass, the NCBA study estimates that stocker/backgrounder losses averaged $159.98 per head, or $2.5 billion country wide. Stocker refers to calves that have been weaned and are sold to other enterprises to be raised to market size.

Cows and bulls being sold to processors were operating at or near capacity prior to the COVID-19 pandemic. With most of these animals coming from the dairy industry, and given the current economic downturn in the dairy industry, that trend is likely to continue.

Beef cow-calf operators may have an opportunity to add weight to cows currently on the sell sheet — if it can be done at an economic cost of gain. Cow-calf refers to a system where a producer maintains a herd of cows producing calves rather than buying calves and feeding them to market size.

One bright spot for the cattle industry is the local freezer beef market. In this market, a beef producer generally raises a small number of cattle to be processed at a small, local processor and then sold to individuals. Generally, an individual buys a whole, half, or quarter section of the processed animal.

Local meat processors in the state have reported record retail beef sales; however, large increases in local demand have overwhelmed the cooler space available in small plants.

Because local processors are small and have limited capacity, beef producers will have to reserve time and space months in advance. Thus, freezer beef availability is often determined by the capacity of the local processor.

The beef industry, like most of agriculture, is currently navigating uncharted territory with the disruption to the supply chain caused by COVID-19. Cattle supply is adequate for the U.S. needs but availability of beef at the local meat counter will be fluctuating depending on packer plant closures and the proximity of the closure to the local meat counter.

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