

Global pandemic plows through Texas agriculture

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The novel coronavirus (COVID-19) has altered every aspect of the American economy, including agriculture.

Volatile markets have led to increased uncertainty for farmers and ranchers who are facing tough decisions.

The economic uncertainty related to the impact of COVID-19 on the global economy and the destruction of demand for many agricultural products contributed to significant price declines for ethanol, crops and animal proteins. The decline in futures prices likely coincided with declines in cash market prices, as well.

COVID-19 is dramatically impacting agriculture, and the challenges don't appear to be slowing down.

Cattle

The social distancing and quarantine protocols implemented to slow the spread of COVID-19 have reduced economic growth, shuttered consumers in their homes and changed the way Americans purchase and consume food.

The slowing economy is bad for all animal proteins, but beef—typically the highest-priced of the proteins and considered a luxury product in economic terms - stands to suffer the most when consumers spend less in response to wage cuts and job losses.

Since Jan. 14, June live cattle future prices have declined by more than 30 percent, to around 85 cents per pound, while boxed beef cutouts reached record highs in mid-March to early April before decreasing slightly.

This is due to a variety of factors including reduced foodservice demands, shifts in beef primal cut values as consumers stocked up on cheaper retail cuts, slowdowns at beef packing plants and the way beef is ordered and sold for retail, according to the American Farm Bureau Federation (AFBF).

“This global pandemic has injected never-before-seen uncertainty into the cattle and beef markets,” John Newton, AFBF chief economist, said. “As consumers were emptying meat cases, the boxed beef cutout rose to historic levels, and cattle futures zigged and zagged as far as they could in both directions - all while cash markets gyrated wildly.

The closure of meat packing plants also impacted the cattle sector.

Processing capacity across the U.S. is aligned with consumer demand and fed cattle supply. The loss of packing plants narrows the outlets for those cattle ready to be harvested. This creates a log jam on the supply that reverberates to other

segments of the cattle sector.

Another area causing concern is cattle auctions.

Gulf Coast Livestock Auction owner and general manager Eddie Garcia, whose business is located in Alice, said he received guidance from the Livestock Marketing Association on handling social distancing.

Garcia is only allowing “essential buyers” into the sales auditorium and has capped attendance at 50 people.

And the downturn in cattle prices has taken sale barn owners and buyers on a wild ride.

“There were a couple of weeks leading up to this turnaround where the buyers really didn't know where to grab ahold of,” Garcia said. “It just really caused a lot of uncertainty within the markets and especially the buyers. Can you imagine buying something for \$700 or \$800 and the next day it's worth \$50 to \$100 less?”

Some livestock sale barn facilities are open in Texas depending on the location, while others have temporarily closed. Various social distancing guidelines have been implemented to ensure the safety of buyers, sellers and staff.

Dairy

Schools and restaurants are major buyers of dairy items like milk, cheese and butter. Because many of those facilities are closed, demand was reduced at a time when milking traditionally increases in the spring, Texas Association of Dairymen Executive Director Darren Turley said in an interview with Texas Farm Bureau Radio Network.

“When you get out of cold weather and you start getting back to mild climate, you also have fresh green grass and cows give more milk,” he said. “This is a peak time for us.”

Even though consumers

initially purchased more milk at the grocery store during panic-buying, that didn't translate into higher milk prices because of the nature of the purchases.

Bulk orders traditionally make up the largest portion of sector demand - items like hundreds of individual-sized cartons of milk for schools, 20-pound cases of shredded cheese for restaurants and 55-pound butter cartons. Processing plants have specific production lines configured for these products, and it's difficult to change them overnight.

“With the change in foodservice and everything that we've seen through this stay-at-home process, we have the equivalent of 1,100 milk trucks per day in the nation not being used to make cheese that were in the weeks previous. That's just cheese,” Turley said. “We have a lot of milk in the market that is searching for a home at a time when most of the country is at or close to its peak milk production for the year.”

Milk from a dairy farm is typically processed and on the shelf in a short amount of time. Because it's perishable, it must be dumped if there is no buyer.

The dairy association is deciding on the viability of re-opening an old cheese plant and using it to make animal feed from some of the excess milk, but they're unsure if it will be

profitable.

“Everything is running at full capacity. We have put milk in every venue. We have pots full,” he said. “We ship it out of state, multiple states over. But as you can imagine, most states are getting to be in a similar status as we are with their production being relatively full and having a surplus of milk.”

AFBF economists noted futures prices for Class III milk - which is used for hard cheeses, cream cheese and whey products - is down 36 percent, or more than \$6 per hundredweight, from January. Class IV milk that goes into making butter and dry milk powders is also down 34 percent, or \$5.60 per hundredweight.

Dairy processors and cooperatives are requesting dairy farmers reduce milk supplies, as well as requesting the U.S. Department of Agriculture (USDA) to impose a supply management program in exchange for direct payments.

“Nobody likes to hear it, but I think the situation is far from over,” Turley said.

Pork and poultry

Major meat companies in the U.S. and Canada have temporarily closed plants due to cases of the new coronavirus among employees and concerns about its spread.

The closures have contributed

to drops in price of livestock, including poultry and pork. Both sectors in Texas are struggling to alter production.

Restaurant closures have also contributed to large losses for the industries.

Although these integrated industries are equipped to handle such changes in a systems approach, the farmers raising these animals must still find ways to sustain productivity and farm profitability in a time of uncertainty.

Sheep and goats

Spring is an important time for lamb and goat markets with the arrival of two important holidays - Easter and Ramadan - when more consumers enjoy traditional meals with these proteins. In addition to restaurant closings, social distancing has prevented family gatherings that would have normally included lamb or goat.

The traditional markets for feeder and slaughter weight lambs have sharply declined during this period due to the uncertainty in meat consumption and processor closings.

The value of American wool has also been lost due to decreased access to vital export markets. The major wool trade partners were impacted by COVID-19 and their ports were shut down.

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