

# BEEF BUSINESS

by Julie Mais, editor

*In this month's "Beef Business," we present CattleFax outlook and new NCBA leadership.*

## CattleFax Forecasts Positive Profitability Trends in 2022

The CattleFax Outlook Seminar, hosted Feb. 2, as part of the 2022 Cattle Industry Convention and NCBA Trade Show in Houston, shared expert market and weather analysis. Cattle price and profitability trends for producers are pointed in the right direction, even as challenges and uncertainty persist with continued disruptions from the pandemic. While issues around labor and packing capacity have lingered, both are expected to improve in the year ahead. These expansions in capacity combined with strong global and domestic consumer beef demand suggests increased profitability across segments, signaling a market that is healthier and more stable in the year ahead, according to CattleFax.

Kevin Good, vice president of industry relations and analysis at CattleFax, reported U.S. beef cow inventories have fallen more than 700,000 head from last year and are off nearly 1.6 million from cycle highs. This year, the beef cow herd will near 30.1 million head.

"Drought, market volatility and processing capacity challenges affected 30-40% of the cow herd over the last year," Good said. "Without an improvement in weather and profitability, at least 250,000 more head will be liquidated in 2022."

The feeder cattle and calf supply will be 675,000 head smaller than last

year, totaling 25.5 million head. Fed cattle slaughter will decline 400,000 head lower compared to last year, at 25.7 million head. Commercial beef production will contract over the next several years starting with a 2% decline in 2022.

Good forecasted the average 2022 fed steer price at \$140 per hundredweight (cwt.), up \$18 per cwt. from 2021, with a range of \$130 to \$155 per cwt. throughout the year. All cattle classes are expected to trade higher, and prices are expected to improve. The 800-pound (lb.) steer price is expected to average \$172 per cwt. with a range of \$158 to \$184 per cwt., and the 550-lb. steer price is expected to average \$205 per cwt., with a range of \$180 to \$230 per cwt. Finally, Good forecasted utility cows at an average of \$75 per cwt. with a range of \$65 to \$85 per cwt., and bred cows at an average of \$1,850 per head with a range of \$1,700 to \$2,000 for load lots of quality, running-age cows.

Consumer demand for beef at home and around the globe remained strong in 2021, a trend that will continue in 2022, especially as tight global protein supplies are expected to fuel U.S. export growth. This will also drive beef prices from end users to consumers to continue higher in the coming years.

While U.S. median household income increased in 2021, historically high inflation is affecting low-to-middle income Americans the most.

Inflation is also driving beef prices to a higher trading range. The USDA All-Fresh Beef Retail Price should average near \$7.15 per lb. this year, ultimately resulting in more margin in the system.

According to Good, wholesale demand will likely slow in the coming year, but cutout value should hold steady near \$280 per cwt. on average for 2022.

Global protein demand has continued to rise, and U.S. beef exports are expected to grow by 5% this year to 3.7 billion lb. The increases were led by large, year-over-year gains into China, and Japan and South Korea remaining strong trade partners for protein.

"The tightening of global protein supplies will support stronger U.S. red meat exports in 2022," Good said.

Mike Murphy, CattleFax vice president of research and risk management services, expects summer weather patterns — and their effect on corn and soybean yields — to be the focus of market participants.

With the expectation of normal weather next spring, CattleFax is forecasting planted corn acres at 91.8 million, with a trendline yield expectation of 180 bushels (bu.) per acre for the 2022 planting season. Soybean acres are expected to remain near steady at 87.2 million acres for the 2022-2023 market year.

"Exceptional demand from China is leading U.S. corn exports to new records, and expanded interest could

easily push exports higher in 2022,” Murphy said.

Murphy noted weather is likely to continue influencing hay prices, with much of the central Plains and the West battling some level of dryness or drought.

“Dec. 1 on-farm hay stocks were down 6% nationally from the previous year, at 79 million tons,” he said. “Expect current year hay prices to average near \$186 per ton, \$10 higher than 2021 prices due to tighter supplies and stronger demand.”

According to meteorologist Matt Makens, *La Niña* remains firmly in control of the ocean-atmosphere system, and that is unlikely to change this spring. However, it remains possible there will be some changes throughout summer.

For the United States, barring any change to the *La Niña* outlook or sudden warming in the Gulf of Alaska, dryness continues across the Southwest and South with warm temperatures, too. The northern Plains and Corn Belt are expected to have wetness farther east this spring and drier conditions for this summer, with temperatures closer to normal vs. 2021.

CattleFax CEO Randy Blach concluded the session with an overall positive outlook, expecting margins to improve as cattle supply tightens and producers gain leverage back from packers and retailers, beef demand to remain solid with expected export growth, and utilization and packing capacity to improve over the next few years.

Source: NCBA

## Schiefelbein Becomes NCBA President


Don Schiefelbein, a central

Minnesota native, seedstock breeder and cattle feeder, became the new National Cattlemen’s Beef Association (NCBA) president during the 2022 Cattle Industry Convention, hosted in Houston, Texas, in early February. Schiefelbein and his family operate Schiefelbein Farms, a diversified farming operation in Kimball, Minn.

The 2022 NCBA officer team, approved by the NCBA board of directors, took office at the end of this year’s convention. Todd Wilkinson of South Dakota was named president-elect, and Mark Eisele of Wyoming was elected vice president. Nebraska rancher Buck Wehrbein was elected chair of the NCBA Policy Division, and stocker/backgrounder Gene Copenhaver of Virginia was elected policy vice chair. Brad Hastings

of Texas and Clark Price of North Dakota were elected as chair and vice chair of the NCBA Federation Division, respectively.

Before returning to the family farm, Schiefelbein served as the executive director of the American Gelbvieh Association, and previously worked for the North American Limousin Association after graduating from Texas A&M University.

Schiefelbein has a long history of industry service, most recently in the role as chair of the Beef Industry Long Range Planning Committee. He has also served as president and chairman of the American Angus Association. In addition, Schiefelbein is a past president of the Minnesota Cattlemen’s Association. 

Source: NCBA



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