

CattleFax Outlook: What's Ahead for Economy, Energy & Feedstuffs?

The indicators point toward better cattle prices ahead, with profit opportunity for all segments of the beef business.

by Troy Smith, field editor

After three years of cow herd contraction and the resulting reduction in numbers of calves and feeder cattle, CattleFax market analysts say the cow-calf sector should be positioned to claim a little bigger piece of the pie. Profitability will be challenged, however, with large portions of cow country facing continued or renewed drought. Additionally, inflation and the likelihood of higher interest rates plus higher costs of production will be challenging factors.

Mike Murphy, CattleFax vice president of research and risk management, talked about how expectations for production and pricing of energy and feedstuffs could affect the beef industry during the Cattle Industry Convention and Trade Show, hosted Feb. 1-3 in Houston, Texas. Addressing energy first, Murphy said increased demand has drawn down stocks, and energy production remains slow.

“The costs of transporting goods and services, cattle and grain will be higher,” Murphy said. (With current world events, the volatility has increased dramatically since those February comments.)

Energy costs also affect the costs of manufacturing and transporting fertilizer, and already-high fertilizer



**Mike Murphy, CattleFax
vice president of research
and risk management**

costs are influencing grain farmers' plans. Murphy said an increase in acreage planted to spring wheat is expected in the northern Midwest. That could result in 1.5 million fewer acres planted to corn. CattleFax estimates total corn acres at 91.8 million. Less acreage or yields lower than an expected 180 bushels per acre could open the top side of the market.

"We've got very tight stocks-to-use compared to historical standpoint,

so unfortunately we're going to keep these prices elevated in here through the spring. Mother Nature will dictate what happens this summer like she typically does," he said.

With drier-than-normal conditions possible in the northern Plains and Corn Belt, Murphy said the timeliness of moisture could affect corn yields and markets. With much of the Plains and West enduring dryness or drought, the weather will continue to influence hay prices, too.

Noting that 2021 prices reached \$300 per ton or more, in Montana, the all-hay average was \$176. Average prices for 2022 could be \$10 higher, due to tight supplies and strong demand.

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Weather forecast

La Niña continues to control weather patterns; more neutral tendencies into next year.

by Megan Silveira, assistant editor

Looking beyond the seven-day predictions featured on the screen of a smartphone, cattle producers can expect a more mild and neutral weather pattern in the upcoming year.

Matt Makens helped participants at the National Cattlemen's Beef Association's (NCBA) Cattle Industry Convention and Trade Show predict Mother Nature's next moves during the third general session Feb. 2, the CattleFax 2022 U.S. & Global Protein & Grain Outlook Seminar.

"Very rarely has *La Niña* been here for three years, and we're on year two," he said.

The sea surface temperatures are currently colder than average across the equatorial Pacific waters, with warmer water found in the central and western zones — a trend Makens said will continue into the next year.

Conditions producers have seen this winter are to be expected in the spring, as the weather continues to follow *La*

Niña tendencies. East of the Rockies will be colder than average, though the northern Plains can expect the coldest temperatures, Makens said.

"The Southwest hurts in *La Niña*," Makens reminded the audience. "The Southwest will continue to hurt for water for now, but we will have a change this summer."

He predicts the planet will lean more towards neutral patterns during the summer season without turning toward *El Niño* tendencies.

Makens said in the summer, Western U.S. states can anticipate warmer temperatures, though the Eastern part of the country should keep their fingers crossed for more temperate weather.

He warned cattlemen in the Corn Belt could be negatively affected by a monsoon that will hit Arizona and California before heading towards Mexico. He said more information for the area will be available closer to the month of May.

While Makens is anticipating this change in the general patterns of weather, he said it's still too soon to be certain.

"You have to let the ocean transition before you know where it's headed," he explained.

Makens said he hopes the fall months will allow for the spread of moisture, a feat that would best be made possible with *El Niño*. Though his hopes are high, Makens does say neutrality is much more likely.

Until then, however, producers can continue to consult their smartphones for the day-to-day affairs of the weather, and continue to turn to the CattleFax team for the long-term weather.

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