

Smooth Sailing

Navigating a cattle cycle of regrowth.

by Megan Silveira, assistant editor

Though graphs and charts are a bit different than the tide, both the economy and the ocean move in waves. There are highs and lows, and people learn with time and practice how to navigate the ups and downs.

The cattle cycle typically moves in 10-year periods, and Lance Zimmerman, senior animal protein analyst at Rabo AgriFinance, says those periods are relatively predictable. Supply shifts and price movements follow patterns of years past, but each new period comes with characteristics that can make it hard for cattlemen to stay afloat.

With proper knowledge of this new cycle, Zimmerman says the beef industry can do more than just weather the storm — they can navigate through it.

Today's waters

The last cattle cycle saw an increase in cattle prices, but with the start of 2023, there seems to be a collective focus across the country: growth. In the recent past, cattlemen culled hard to deal with drought and other consequences.

As the new cycle continues, Zimmerman sees a determination to combat those lower numbers — but it's going to be an uphill climb.

“The herd rebuild is going to take time, especially when we look at the cattle cycle we're entering right now,” Zimmerman explains.

He predicts the rebuild won't be as explosive as past cycles of expansion. Building back will take extra thought from beef producers, Zimmerman says, and he urges cattlemen to adopt a cautious attitude.

“When we look ahead to expansion, we have to realize it's going to be more expensive to do this herd expansion than the last one,” he explains.

After record levels of animals culled last year, Zimmerman says it'll be another two years before the U.S. herd is stabilized.

Between depleted hay and tight corn supplies, Zimmerman says the cattle industry's eagerness for growth needs to be balanced with a bit of patience. Liquidation and expansion phases take years to transition.

He also warns of a looming cattle processing imbalance. Packers could add 15,000 head per day in capacity at the same time that shrinking cattle supplies will reduce slaughter nearly 20,000 head a week by 2026, Zimmerman says.

Competition is another concern as the industry looks to make headway in the next ten years. There are internal concerns like feed, energy and exports; but Zimmerman says producers can't forget there are multiple protein options for consumers. Progress isn't just about adding back to herd numbers — it's about staying relevant and desirable in the eyes of customers.

Demographic trends and generational differences are not just an external concern, however.

“Our segment is unique in the beef industry because we're dominated by small producers,” Zimmerman explains, and those producers are typically the oldest segment of the production chain.

From varying ideas and communication styles to contrasting experiences and preferred methods of knowledge expansion, it's going to take industry-wide collaboration to navigate this new cycle of growth. **AJ**



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