

Corah's Crystal Ball

With a career in the beef industry spanning four decades, Larry Corah gives insight to the industry trends he foresees.

by *Kindra Gordon, field editor*

Change. It's something the beef industry has seen a lot of — with the pace accelerating during the past few years.

Larry Corah has had a front-row seat to the beef industry's evolution during the last four decades, and he says he's still amazed by the industry's twists and turns. Corah has served as vice president of Certified Angus Beef LLC (CAB) since June 1998.

He started his career as a beef extension and research specialist at Kansas State University (K-State), where he worked for more than 20 years. He then joined the National Cattlemen's Beef Association (NCBA) as director of production systems, before coming to CAB.

"Summarizing just the last four years in the beef industry is fascinating," Corah says. Four years ago, fed-cattle prices were in the \$82- to \$85-per-hundredweight range. Today, four years later, we're seeing \$120 to \$125 per hundredweight and even \$128 to \$130 per hundredweight for fed cattle."

Despite those price increases, Corah notes that cattlemen have still had a challenge making money — largely due to corn prices going from \$3.60 per bushel (bu.) to as much as \$7 per bu. in the past four years, as well.

So, what does Corah expect ahead? He offers five points to ponder:

1. Drought impact on cow inventory

The reduction in the U.S. cow inventory due to the widespread drought during the last few years continues to take a toll on beef supplies. Corah reports that U.S. cattle numbers were at 29.3 million head on Jan. 1, 2013, and forecasts are calling for that number to go below 29 million head by Jan. 1, 2014.

Corah points out that this impacts many sectors — from feedlots and animal health companies to packers — because the industry infrastructure is built on size. Smaller numbers mean smaller economies of scale.

Corah adds, "The real question is what will



Other Trends Ahead

Certified Angus Beef LLC's (CAB) Larry Corah anticipates several trends impacting the future U.S. beef industry.

"We are seeing a reinvigoration of ground beef in the marketplace," says Corah.

He explains that premium grinds are being created by taking the brisket, chuck and other cuts to make unique ground-beef blends.

Each blend has a different flavor profile. This has led to several new burger chains and promotions, Corah says, citing Smashburger and Hard Rock Café as examples. "It's amazing how much ground product is being sold at a premium — which means more value for the carcass. Ground beef is a real success story for the beef industry."

Corah cites the introduction of the flat-iron steak and other new cuts as a positive to the industry during the past decade. Through training, education and recipes provided by the industry, restaurants are taking those cuts and adding value in the market.

"There's a lot of change that has occurred on the marketing side, and I think that trend will continue," says Corah.

Corah notes that heavier carcass weights have pros and cons for the industry right now. While they are helping keep more pounds of beef available, big carcasses are heavy to work with and a challenge for size of the box. "It takes a lot of creativity; it's not as simple as cutting it in half," says Corah. He notes that the industry is enlisting help from meat scientists, and encourages producers to do their part in managing cow size.

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we build back to? Will it be 32 or 35 million head? I don't know that we'll get there. I think U.S. cattlemen will rebuild back a couple million cows, but I don't think we'll build back to numbers we had before."

Regarding the high grain prices the last two years, Corah says, "Livestock producers have had a difficult time making it work."

However, he's optimistic that grain prices will level out.

"The current market signals we're moving to more of a balance with \$4- to \$5-per-bushel corn," he says, "and that could create better conditions for the livestock industry."

2. Global growth must continue

"We live in a global world, and we have to accept that," Corah says. He notes that the value of U.S. calves is impacted by global events, issues and politics.

"From a marketing standpoint, global exports are becoming more important to the U.S.," Corah says.

He reports that currently 11%-12% of all American beef is exported. Comparatively, CAB exports about 13% of its beef supply. With consumption of beef decreasing domestically, Corah suggests beef exports must increase to the 15%-16% range.

Corah notes that other countries are building their cattle numbers, but he emphasizes that it's not the eating quality of beef raised in the United States — which leaves a huge export opportunity open for the United States. As an example, Corah says South America is a market where U.S. beef exports are really growing, despite South America's increasing cow numbers.

"Eighty percent of grain-fed cattle are from the U.S.," Corah says. "That's a huge opportunity to add value and price to what U.S. producers receive for cattle."

3. Premium prices for quality

Another trend that Corah sees occurring in the beef industry is the demand — and willingness to pay — for higher-quality beef. He shares that about four years ago, Kroger started offering premium beef in its stores; two years ago Costco started selling Prime beef with success; and within the last two years, Walmart has added higher-quality beef to its offering.

"This has disrupted the whole marketplace and created competition for better beef product, which has affected beef pricing," says Corah. To illustrate, he notes that one of the leading marketing alliances has paid an average \$117-per-head premium for the top 25% of cattle in its program the last five years.

"A \$117 premium is huge," Corah says. "A cow-calf producer may say they don't see all of that, but these cattle do bring more at the sale barn. There are a lot of premiums in the industry that did not exist five to 10 years ago."

On average, Corah says, one-third of premiums go to the cow-calf producer, 50%-60% go to the feedlot and the packer retains some.

Corah believes premiums for validated programs likely will continue to exist.

Regarding consumers, he notes, "We've changed the price of beef. The spread between beef and poultry prices is huge — and consumers will back off. If they're going to pay \$10 to \$12 per pound for a strip steak, that'd better be a good strip steak. Select beef is a hard sell."

4. Communication with consumers

Corah says consumers' interest in food and how it is raised — and by whom — just continues to grow.

In his conversations with consumers, he emphasizes that the beef business is very family-oriented.

"The public is fascinated with passing the farm or ranch to the next generation," he says. "That's very cool about the beef industry. Beef producers have a great story to tell."

He adds, "Our industry must communicate and capitalize on that to link producers to the consuming public."

CAB has been doing its part to communicate with consumers through its web, print and video campaign that features local Angus ranchers.

Another tactic Corah takes with consumers is to stress the investment farmers and ranchers have in agriculture.

"I share with people what it costs to run a cow today versus five or 10 years ago. The land investment per cow used to be in the range of \$2,500 across most of the country. Today, it can be as high as \$7,000 per cow. If someone has 50 cows, that's a \$350,000 investment. That gets people's attention

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PHOTO BY KINDRA GORDON

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because they realize that's more than a house — more than their house."

Corah adds, "Once they learn what farmers and ranchers do, most consumers are very supportive."

5. Increasing predictability with genomics.

On the production side of the beef industry, Corah anticipates that with work currently being done at universities and research stations, the genetic tools used to select and breed cattle in five to 10 years is going to be "different and fun."

He concludes, "The development of genetic markers for feed efficiency, tenderness, health and other traits is going to make it a fun era and will really impact the industry. Breeding cattle will become even more predictable."

Price outlook

Corah says sales at CAB signal a positive price outlook ahead. He reports that August was CAB's largest month in the history of the company — selling more than 83 million pounds (lb.).

"We're selling as much beef as ever; I do think we'll see higher prices," he comments. "With the grain market being softer, we could be looking at some very interesting beef prices."

Because of fewer pounds available in the marketplace, Corah says, "We're getting to the point cattle-numbers-wise that I truly believe we'll see \$1.40-per-pound fed cattle. . . I'm pretty optimistic in what the next four to five years could look like. Of course, that all hinges on drought, genomics and other factors that might come up."



Editor's Note: Kindra Gordon is a freelance writer and cattlewoman from Whitewood, S.D.