



Hindsight, foresight and a little hope are part of this milestone year's market outlook.

by *Kindra Gordon*

With its matching digits to the 20/20 moniker for perfect vision, the year 2020 is considered by many to be a significant milestone. For the cattle business, the upcoming year could be significant because it may mark a turning point in the cattle cycle — with a move toward higher cattle prices and even better prices by 2021 and 2022.

So says Jim Robb, senior agricultural economist and director of the Livestock Market Information Center. He shared his market outlook comments with attendees at the 2019 Range Beef Cow Symposium in Mitchell, Neb., Nov. 19.

Robb cites several factors affecting the shifting market. Consumer demand has remained good and export market demand is anticipated to pick back

up, especially due to the drought in Australia, China consuming more beef because of lower pork supplies resulting from African swine fever, and a rapidly increasing beef cow liquidation currently occurring within the U.S.

“The dynamic is switching very quickly on the supply side...[cattle] prices for the next few years should be slightly higher unless something shocks the system,” Robb states. However, he also adds a disclaimer noting prices will “not be as high as 2015.”

Specifically, Robb forecasts 2020 to be more like 2017, with 2021 higher and 2022 calf prices at \$1.85 per pound in the Southern Plains and \$1.95 per pound in the Northern Plains. “If demand holds together 2022 could be pretty good in cow-calf country,” he says. “Now, things can go wrong. It’s like playing a fantasy card game.”

As an example of one of those “shocks” to the market, Robb points to the August fire at the Tyson Foods beef plant at Holcomb, Kan. Of the resulting market volatility, he notes, “We learned future markets react quickly, and you won’t have a hedge-able opportunity.”

In those instances, Robb advises, “If you’re in cow-calf country and you have forage and patience, you can outlast it. If you have yearlings, you’re less flexible. And, if you have fed cattle, you don’t try to outlast. You sell at lower prices.”

Regarding marketing, he emphasizes to cow-calf producers, “It’s not a one fits all and sell every year on X date.”

“Do I manage by cattle cycles?” he continues. “Don’t bet the farm on it. The cattle cycle is dampened. There are other things driving the market more than the cattle cycle.”

Consumer influence

One of those factors affecting the beef industry and cattle market is consumers, points out Greg Ibach, during his remarks to Range Beef Cow Symposium attendees. Ibach is the United States Department of Agriculture (USDA) undersecretary of agriculture for marketing and regulatory programs.

He encourages producers to “listen to consumers and what they are saying” and suggests spending time visiting grocery stores in urban areas. “That’s a great opportunity to get context of how the market may be changing,” he says.

From his travels around the U.S. and the world, he has learned several things about consumers, including:

- Consumers want to have a story attached to the food they buy.
- Consumers have a firm belief in climate change, shaping their beliefs that producers should do things environmentally to mitigate climate change and to be sustainable. “I’m not saying they are right, but we need to be aware of it and respond,” he says.
- Consumers want to know food is safe.
- While there are consumers willing to spend a lot of money on food, the vast majority of consumers around the world want affordable food.

Regarding a traceability system within the U.S. cattle sector, Ibach says, “We [the USDA] will continue moving forward. Consumers expect it, the world expects it...hopefully, the cow-calf industry will get on board.”

Ibach acknowledges a balancing point between consumers and producers must be met. “Without consumers, we don’t have a market, and without farmers, they don’t have food to eat,” he notes.

His message for the future beef industry is, “Beef isn’t beef, isn’t beef, isn’t beef.” Ibach explains there are different ways to approach consumers, citing examples from “boutique” beef with traceability at every step that consumers pay for to low-cost producers who offer affordable beef and multiple variations in between.

“Align with a marketing system that allows you to be efficient with that system,” he advises producers. “[You] have to figure out how to line up with consumers’ needs and wants, and everybody’s going to have a unique path forward as they look into the future.” **HW**

What cattlemen should do when they make money

If ag economist Jim Robb’s forecast for the next three years is on target, cattle producers should expect some extra dollars in their pockets. How should they spend it? Robb suggests dividing those profits five ways, with 20% to each of the following:

- Put some in a retirement account.
- Pay employees a one-time bonus.
- Invest in a new kitchen at the home place.
- Invest in the ranch.
- Save for a rainy-day emergency fund.

“Think about it over the next year, so you might know how you’ll use some of that positive profitability when it gets here,” he concludes. **HW**



Weather Forecast: A Mixed Bag

The 2020 weather forecast is offering a little of everything — warm and cold, wet and dry — across various parts of the U.S.

by Kindra Gordon

The beloved “Farmer’s Almanac” describes winter 2020 as “freezing, frigid, frosty” but also notes there may be so many ups and downs on the thermometer it could be dubbed a “Polar Coaster.” Specifically, the almanac predicts the country from the Rockies to the East Coast will be cold with ample snow across the northern tier of the country.

Meanwhile, the National Oceanic and Atmospheric Administration’s (NOAA) official winter seasonal outlook

from the Climate Prediction Center (CPC) for the months of December through February are slightly more optimistic with regard to the cold.

While no part of the U.S. is favored to have below-average temperatures this winter, the CPC is forecasting that through February modest probabilities exist for above-average temperatures spanning large parts of the lower 48 states from the West across the South and up the Eastern Seaboard. Alaska and Hawaii have the greatest likelihood for warmer-than-normal conditions.

The CPC says the Northern Plains, the Upper Mississippi Valley and the western Great Lakes region have equal chances for below-, near- or above-average temperatures.

This temperature forecast is a mixed bag because there is currently an absence of either an El Niño or a La Niña. The El Niño Southern Oscillation (ENSO) typically influences the winter climate pattern. The lack of El Niño and La Niña is anticipated to persist through the spring.

“Without either El Niño or La Niña conditions, short-term climate patterns like the Arctic Oscillation will drive winter weather and could result in large swings in temperature and precipitation,” Mike Halpert, deputy director of NOAA’s Climate Prediction Center, explained when the forecast was released.

Regarding precipitation, drier-than-average conditions are most likely for Louisiana, parts of Texas, Mississippi, Arkansas and Oklahoma as well as areas of northern and central California. These conditions could compound the drought which rapidly developed across much of the South during the summer and early fall. Currently, approximately 20% of the country is dealing with drought conditions, with the most severe areas being the Four Corners region of the Southwest, central Texas and parts of the Southeast.

Wetter-than-average conditions are predicted across the Northern Plains, the Upper Mississippi Valley, the Great Lakes region and parts of the Mid-Atlantic region and the Northeast, as well as Hawaii and Alaska.

The remainder of the U.S. falls into the category of equal chances for below-, near-, or above-average precipitation.

With that wide-open forecast, it will be best to stay tuned to the 10-day outlooks, which are typically much more accurate at predicting temperatures and storm trends.

And, to give yourself a laugh, do not forget the words of comedian George Carlin when it comes to forecasting the weather. Carlin once quipped, “Weather forecast for tonight: dark. Continued dark overnight, with widely scattered light by morning.” **HW**

