



# Ready, Set, Reboot!

Cattle producers should keep these topics on their radar screens as 2021 unfolds.

by *Kindra Gordon*

It's a bit of a good-news-bad-news outlook for the beef cattle industry for the year. That's the takeaway from the state-of-the-industry discussions presented during the National Cattlemen's Beef Association (NCBA) "Reboot" convention held virtually Feb. 23-24. Topics covered included cattle price projections, weather concerns, the bullish beef demand and the political climate in Washington, D.C.

As industries, businesses, agriculture producers and consumers all strive toward a return to "normal," here are the key messages shared:

## On the new administration

"Optimistic" is the word NCBA CEO Colin Woodall uses to describe the forthcoming relationship the cattle industry is establishing with the new Biden administration. Woodall and Ethan Lane, who serves as NCBA's vice president of government affairs, share that conversations with many of the new agency staff appointments are underway and going well. They noted this is already an improved tone compared to the Obama administration.

Woodall and Lane call Georgia lawmaker David Scott — who has been selected as the new chairman of the House Agriculture Committee — a "friend of the industry" whom they have worked with for several years. As well, they feel having Tom Vilsack back at the helm of

the United States Department of Agriculture will be a positive.

Regarding government issues on the horizon, COVID-19 recovery, climate change and adverse changes to estate taxes are continuing concerns.

Lane notes there are still many allies to be made on Capitol Hill. He encourages agriculture producers to "continue to engage and continue to educate" policymakers within their regions.

## On the cattle outlook

"Live cattle prices should trend higher for all classes of cattle over the next three to four years," forecasts CattleFax's Randy Blach. However, Blach and the CattleFax team also project grain, oil, seed and energy prices, along with inflation and interest rates, to also increase, meaning input costs will be higher.

Also, the weather forecast through spring, summer and into early fall is being shaped by La Nina, which is setting up hot, dry drought conditions across the West and even into the western edge of the Corn Belt.

As a result of these conditions, CattleFax analyst Kevin Good projects cow inventories will be tightening, but he cautions cow-calf producers, "We don't need to liquidate as much as we did in 2013 and 2014."

Why not? Good and Blach point to the robust beef demand among consumers who remain eager to

eat beef. Even with COVID-19, Blach reports, "Beef demand was exceptional in 2020. It was the strongest demand the industry has seen in over 30 years."

He explains while restaurants were closed, retail beef sales picked up the slack — seeing a nearly \$6 billion increase in spending at retail. Blach states, "People voted with their pocketbooks," and the beef industry benefited.

In total, Blach says the robust beef demand over the last couple years has helped add about \$250/head to fed cattle prices.

He's also optimistic that global beef demand is on a growth

pattern and says, "Don't be surprised if beef exports grow 10% this year and even more down the road."

Looking ahead, if beef demand remains high, Blach is optimistic into 2024 and suggests profitability will improve "significantly" for cow-calf producers and margin operators.

## On consumers

Purdue economist Jayson Lusk provides data on emerging behaviors among consumers as we move toward post-pandemic normalcy. While he senses consumers will return to restaurant dining, Lusk expects some "shake-up" will occur within food service. As an example, he says some entities may become "ghost kitchens" that simply prepare food to be delivered via Uber Eats and Doordash.



Randy Blach

As well, he says the accelerated trend to e-grocery is here to stay with more food and products bypassing stores and being delivered to homes.

However, Lusk anticipates grocery stores of the future may be small and focus on offering fresh items from produce to meats. As well, Lusk projects the rising interest in local, direct-farm products will also grow.

That said, he foresees consumers having increased scrutiny toward over-concentration and anti-competitive behavior across all industries including agriculture.

### On industry challenges

Regarding challenges facing the beef industry, CattleFax's Blach mentions meat substitutes, but notes their market share is extremely small — still under 1% of market share, and “not a threat.”

Blach emphasizes that consumers are increasingly wanting more information about source, traceability, animal care, food safety and sustainability. He notes they “want to align with a brand and a story.” Thus, Blach encourages producers to be prepared for capturing extra value by offering those verifications and sharing that information. “We have a great story to tell as an industry. We need to make sure we tell it,” he concludes.

NCBA's Woodall also underscores the importance of the beef industry reaching out to change the narrative and building connections with policymakers and consumers, especially regarding sustainability. “When we talk about sustainability, the industry has done



Colin Woodall

## 2021 cattle price forecast

- **Fed cattle:** \$119/hundredweight (cwt.) average; \$108 to \$128/cwt. range
- **800-pound feeder steer:** \$145/cwt. average; \$135 to \$160/cwt. range
- **550-pound steer calf:** \$170/cwt. average; \$160 to \$180/cwt. range
- **Utility cows:** \$64/cwt. average; \$52 to \$74/cwt. range
- **Bred cows:** \$1,600/head; \$1,200 to \$1,900/head range **HW**

Source: CattleFax, Feb. 24, 2021

things on our own initiative — not the EPA [Environmental Protective Agency] telling us. That is why showcasing stewardship is a proactive stance.”

Finally, with the global population increasing at a rate of 83 million people per year, Blach points out that U.S. agriculture is poised to play a key role ahead. **HW**