

IN THE DRIVER'S SEAT

How Angus breeders will maintain the lead, improve margin.

by Miranda Reiman, senior associate editor

If you're raising Angus cattle, you're part of the leading beef breed in the world. You've experienced decades of increasing beef demand and improvements in tools and technologies that allow for rapid improvement.

There is optimism as it relates to near-term cattle prices and the long-term outlook for the industry.

If you're raising Angus cattle, despite droughts and labor challenges, it's a good time to be in the business.

A group of cattlemen from different industry sectors shared those thoughts on the future of the cattle business Nov. 5 during the 2022 Angus Convention in Salt Lake City, Utah.

But they also imparted words of caution.

"On one hand, what we can be very proud of in this breed is what we've done to improve demand, but we can't get complacent," said Mark Gardiner, Gardiner Angus Ranch, Ashland, Kan. "We have the tools, we have the genetics and we have the information ... and the world wants our protein."

Today's demand charts show a different picture than what the cattlemen remember from years earlier. They recalled renowned animal scientist Harlan Ritchie's "Five Years to Meltdown" article that suggested the beef business was just

half a decade away from being an irrelevant protein.

Matt Perrier, Dalebanks Angus, Eureka, Kan., suggested without that pressure, programs like the Angus Herd Inventory Records (AHIR®),

open artificial insemination (AI) and the *Certified Angus Beef*® (CAB®) brand might not exist.

"That's what inspires ingenuity. We wouldn't be here today if we weren't suffering through the late '70s and



'80s trying to sell Angus bulls," he said. "Let's face it, complacency does the exact opposite."

They all sense a turn from the tough years of late, but will the good times be good enough to make cattlemen too comfortable?

PREDICTIONS OF PROFITABILITY

Using audience polling software, conference attendees voted on their expectations for cow-calf profitability in the United States during the next two to three years. The responses showed 59% believed it would "improve slightly."

That's compared to 20% at improve significantly, 14% worsen slightly, 6% remain the same and 1% who said worsen significantly.

If the panelists, which also included Joe Goggins, Vermilion Ranch; Ed Greiman, Upper Iowa Beef; and Jerry Connealy, Connealy Angus Ranch, officially voted, their answers would have varied from improve slightly to improve significantly.

"I think we've got more opportunity, we've got more volatility in the input costs and everything, but it's going to be the best it's ever been from the price standpoint," Gardiner said.

Connealy and Goggins only tempered that optimism with a nod to input prices.

"I do believe when God helps us with some moisture and we grow extremely bullish, I think we pale what happened in '14. I think these cattle bring more than any of us ever imagined they could bring when we get some moisture," Goggins

said. "But on top of that, a baler costs \$68,000; a swather \$270,000; a corn chopper costs near a million. Our fertilizer costs last year: 100% higher, this fall 25% higher again. Fuel. We've got some hurdles to get over to keep margin.

"So the cattle are going to get higher, but they've got to get higher," he said.

Sharing years of historical data on his own Iowa cattle feeding operation, Greiman said he used to count on about \$50 per head profit "like clockwork," but then the swings in the market became more pronounced. With his packer hat on, Greiman sees how that affects the cow-calf producers he buys from.

"I've watched what volatility does to them — it tears them up," he said. "So, the only thing I can tell you is to use the tools that you have. There's a lot of really good tools out there for risk management. When you see profitability, grab ahold of it."

Greiman said that could be anything from Livestock Risk Protection (LRP) to traditional futures options, and Goggins agreed LRP is not cheap but is valuable.

Using superior genetics can also be a hedge of a different sort, Gardiner noted, ensuring future demand for Angus bulls.

"There's one breed that can do what we do on the end product and growth standpoint, and yet the pasture full of females is going to make the producer money," Perrier said. "It's easy to quantify grid premiums. It's tougher



Following the main stage presentation, Goggins and Perrier continued the discussion on The Angus Conversation podcast. Listen to "Keeping Cattlemen Independent: Goggins, Perrier on Securing the Future" www.theangusconversation.com.




to quantify what the Angus cow can and should do out in our pastures. That's probably the best genetic hedge there is."

THE COST OF ENTRY

Even with the best cattle that keep getting better and an up market, there's still not enough incentive to keep the next generation coming back to farms and ranches, Goggins said. How high do cattle prices have to get to lure people back?

"We're selling six-weight steers today, \$2 either side. Obviously, it's not enough, because we've got more dispersions scheduled in our markets this year than we've ever had," Goggins said. "And the only thing I think we can all agree upon, I think the only thing that brings young people into this thing and get some involved and we keep this land in food production, is margin. We've got to increase margin. How do we do that? That's where we all kind of differ, but somehow we've got to come up with margin."

It's not just the cost of feed and equipment, it's also land and animal costs associated with getting into the business, Greiman said.

"It looks like it should work on

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paper, but you've got to service debt, and that is the hard part," he said.

COORDINATION VS. INTEGRATION

The audience had five choices for a question on the biggest barrier to future success. A large majority, 79%, said higher input costs. Labor challenges came in at 11%, with less than 10% saying access to capital, vertical integration and erosion of consumer trust.

Vertical integration is not the solution any of the panelists want, but Perrier said the "irony" of remaining free and independent may be that it requires more cooperation.

"The only way we keep that from happening, in my opinion, is through vertical coordination and passing that information and building those alliances and sharing and being transparent with whoever it is that we sell product to and with who they sell product to," he said.

Connealy said even though they are all important, he thinks erosion of consumer trust is the one to keep an eye on.

"If we don't do the right things, if we don't represent our cattle and our industry correctly, that could drag us down. I have complete confidence in those top four [barriers] that people in this industry will overcome those," he said. "There'll be a different way to do things. There's a lot of ingenuity in this room. I think as long as we can keep the demand to pull our product through, we'll figure it out, and we'll come out on top."

Sometimes responding to challenges means using more

information or better ways to go about it. A majority of the audience, at 54%, said longevity was the tool they most needed from the Association.

Gardiner stated an "all of the above" answer including the other options (environmental adaptability, feed efficiency, disease resistance and tenderness) would get his vote.

As the Angus business goes, so goes the rest of the business, Connealy said, noting the Angus breed's 70% market share in the cattle business. That's why he'd put something like disease resistance at the top of the list, but he also knows it's not a trait that's easy to get at with the Association's current database. In the future, the breed may have to get strategic in how the database is leveraged, Connealy said.

"But we need to do that so that we can get that data in a big way so that we can continue to lead the industry. Whoever gets a handle on something like that, they're going to be at the driver's seat," he said.

ANTICIPATION AND DEMAND

Based on polling, an overwhelming majority said "increased beef demand globally" was the trend that gave them the most optimism.

"It is all contingent on that increased beef demand," Perrier said. "We've got to maintain it. We've got to grow it. Otherwise, that pie starts shrinking and then we've got battles."

When the cutout hit \$300, that was an example of what's possible, Greiman said.

"We're just putting so much more

value in the whole carcass now," he added. "That shows what we could head to. We can support some higher prices when we get there."

Looking at global demand vs. population trends gives him confidence.


"Protein needs are going to be out of this world," Greiman said.

In the near-term, the conversation will focus on the need for calves to fill pen space, Goggins said.

"Looking at this from the cow-calf producer standpoint, what industry changes give you the most optimism, to me, no question — tighter supplies, and Number 2 is the increased packing capacity. We're going to have some competition coming in this thing now. We've been lacking that," Goggins said.

"We're going to have tight supplies with some competition, and when that happens ... fireworks."

Beef is the chosen protein, Gardiner said, and that's because of what cattlemen have done with the information they received.

Connealy added, "It's all full circle. The American Angus Association provides the tools. You obviously have done a tremendous job of using those tools, making a premium product. Demand has gone up. We've got to stay the ship," he said. "There's still room. There's still upside. We can get better." 

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