

# Optimistic, Not Complacent

Genetic and beef demand trends looking up; improvement will secure the future, cattlemen say.

by Miranda Reiman, senior associate editor

There's a proven way to win repeat business: Solve a problem for your customer.

Mark McCully, CEO of the American Angus Association, opened the 2022 Angus Convention Nov. 5 in Salt Lake City, Utah, by recounting the decades of solutions the breed has provided and encouraging attendees to do more of that.

"How can we bring products and services that have value, solve problems?" he asked.

The story that's often retold is one of the great successes in the beef business: a shift from inconsistency to predictable high-quality beef and more dollars in the chain for everybody.

"We went 20 years, back in the '80s and '90s, at a breakeven business at best," McCully said.

Last year, CattleFax reported a \$305 return from cow-calf through harvest.

From 2011 to 2021, production of beef grading USDA Select decreased by 48%, premium Choice increased by 57%, and Prime jumped by 217%. In that same time frame, the Choice-Select spread doubled.

"We're no longer just putting the product out there that we hope somebody will buy," McCully said. "We're out there differentiating our product with something — the premium quality that consumers around the world are craving."

There are still additional challenges: balancing the cow and the carcass, labor shortages, inflation, Angus confusion in a noisy marketplace and inspiring the next generation. Yet innovations are often born from brainstorming. Convention provided opportunities to do that.

"Maybe the most valuable thing we can do is draw our perspective, talk to others that maybe have a little different experience, maybe have a different vantage point on this business," McCully said. "Growing that perspective is so, so important."

## Diverse experience, views

A group of cattlemen from different industry sectors joined McCully on stage and shared both their optimism and words of caution as they looked to the future of the cattle business. Panelists included Jerry Connealy, Connealy Angus Ranch, Whitman, Neb.; Mark Gardiner, Gardiner Angus Ranch and U.S. Premium Beef, Ashland, Kan.; Joe Goggins, Vermilion Ranch and auction market owner, Billings, Mont.; Ed Greiman, Upper Iowa Beef, Lime Springs, Iowa; and Matt Perrier, Dalebanks Angus, Eureka, Kan.

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**Mark McCully**

"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," Gardiner said. "We have the tools, we have the genetics and we have the information ... and the world wants our protein."

Without the pressure of worsening beef demand and declining breed popularity, Perrier suggested, 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."

## Profits in the forecast

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."

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

If the panelists officially voted, their answers would have varied from improve slightly to improve significantly.

"I think we've got more opportunity," Gardiner said. "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."

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, noting they would have to cover input prices, like climbing equipment prices and fertilizer that doubled in just one year. "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."

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.

Using superior genetics can also be a hedge of a different sort, Gardiner noted.

"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

### Audience poll: expectations for cow-calf profitability in the United States during the next two to three years

Improve significantly	20%
Improve slightly	59%
Remain the same	6%
Worsen slightly	14%
Worsen significantly	1%

money," Perrier said. "It's easy to quantify grid premiums. It's tougher to quantify what the Angus cow can and should do out in our pastures. That's probably the best genetic hedge there is."

### Creating incentive

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.

"I think the only thing that brings young people into this thing and gets some involved and we keep this land in food production, is margin. We've got to increase margin," he stated.

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."

### Upside potential

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 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.

"It's all full circle," Connealy added. "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."

"There's still room. There's still upside. We can get better," he concluded. **ABB**

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**Matt Perrier**