

2022 CattleFax Outlook:

PLENTY OF PROFIT POTENTIAL



by Troy Smith, field editor

Cow-calf producers may be poised to claim a bigger piece of the profitability pie, according to reports delivered at the 2022 Cattle Industry Convention and Trade Show, in Houston, Texas. During the CattleFax Industry Outlook session, market analysts said all classes of cattle should trade higher during 2022. Despite the likelihood of higher production costs, too, all industry segments should see profit opportunity. The cow-calf sector is in a much improved position, except where drought might continue or worsen.

Drought remains a concern for large portions of cow country. According to CattleFax meteorologist Matt Makens, a shift from *La Niña* to *El Niño* control of the ocean-atmosphere system in the Pacific could change weather patterns. *La Niña's* cool-water phase seldom lasts more than two seasons, he said, and this one is in its second year. However, Makens said he suspects *La Niña* will hang on longer or

shift toward a neutral phase.

Consequently, Makens said he expects dry conditions to affect much of the western United States during the spring. It's likely to be driest in the Southwest and parts of the South. The best chances for spring moisture exist in the eastern Corn Belt. Indicators suggest that precipitation may be intermittent and moderate at best.

“For this spring and this summer, precipitation timing will be the important thing,” stated Makens, adding that summer temperatures will be “very warm” in the West and more temperate in the East.

Input costs

Reporting on the state of the economy, energy and feedstuffs, analyst Mike Murphy said economic growth continues in the United States. Unfortunately, inflation is creeping upward, and interest rates are likely to follow soon. Energy costs



PHOTOS COURTESY NCBA

Meteorologist Matt Makens said it is likely that drought will persist in the Southwest and parts of the South, stressing already drought-stricken regions.

are up as a result of low stocks and increased demand.

“We’re still a long way behind pre-pandemic oil production, so we can expect prices to be up. Oil is now around \$90 per barrel, but I look for prices to go to \$100 to \$110,” Murphy stated. “So costs to transport cattle and grain will be higher.”

Murphy said high fertilizer costs

“In 2022, there will be over \$800 per head profit to divide among the segments of the industry.” — Randy Blach



High fertilizer costs are a factor in the 1.5 million reduction in total acreage expected to be planted to corn this year, said Mike Murphy.

are a factor in the expected 1.5 million reduction in total corn acres planted this year. Spring wheat planting is expected to grow by about that amount. Corn stocks-to-use levels should support an average price of \$5.50 per bushel in 2022, with prices ranging from \$5.00 to \$6.50.

Noting that hay prices range from \$300 per ton or more in Montana to half that amount elsewhere, Murphy said hay prices averaged near \$176 per ton in 2021. Prices in 2022 should be steady to \$10 higher, depending on how the West and Central Plains fare for moisture.

“Hay price is mostly weather-related, but there is some correlation to corn price, too,” Murphy added.

Cattle numbers, prices

CattleFax analyst Kevin Good echoed the influence of drought, saying nearly two-thirds of the U.S. beef herd is in abnormally dry conditions or worse, with nearly 40% in genuine drought. Data show cow inventory down 700,000 head from a year ago, and Good



Data show cow inventory down 700,000 head from a year ago, said Kevin Good. He predicted a further decline of about 250,000 head by the end of the year.

predicts a further decline of about 250,000 head by the end of the year. Accordingly, heifer feedlot placements are relatively high.

“Let’s recognize that we need better moisture or we could extend liquidation,” said Good. “Until the weather pattern changes, we’ll see high cow slaughter continue — probably through 2022.”

Good said most indicators point to positive cattle prices. Nothing suggests significant growth in the pork or poultry industries, and demand in both domestic and export markets warrants strong prices.

Good said the 2022 fed steer price should average \$140 per hundredweight (cwt.), which is \$18 higher than in 2021. The expected price range is \$130 to \$155, with strongest prices in the fall. The 800-lb. steer price is estimated to average \$172 per cwt., with a range of \$158 to \$184. For 555-lb. calves, prices should range from \$170 to \$230 per cwt., averaging \$205 — a level “very supportive to profitability.”

Utility cows are likely to average around \$75 per cwt., with a range of \$65 to \$85. Bred cows could average as much as \$1,825 per head, with most running-age cows selling within the \$1,600 to \$2,000 range.

According to Good, factors contributing to producers’ having greater marketing leverage include the expected decline in cattle and beef supplies, continued domestic and foreign demand for beef, and a much anticipated increase in packer participation. Reportedly, plans are in place for a 2,500-head-per-day increase in harvest capacity by late 2022. An additional 4,000-head-per-day increase is expected by 2025.

In closing remarks, CattleFax CEO Randy Blach

reminded convention attendees of the importance of foreign trade, stating: “Export value is now estimated to be \$431 per head; that’s 24% of fed-cattle value. The value of beef exports is \$10.5 billion.”



“Export value is now estimated to be \$431 per head; that’s 24% of fed-cattle value,” said Randy Blach.

Blach advised the audience to understand the difference between price discovery and value discovery. He cautioned against market-reform efforts that might jeopardize value-based beef

programs, explaining that such programs add nearly \$1 billion to the market annually.

The inflation trend is real, Blach said, and interest rates are expected to start climbing upward before the end of 2022. Costs of production will increase, but revenue should increase, too.

“In 2022, there will be over \$800-per-head profit to divide among the segments of the industry,” said Blach. “I can’t tell you what the cow-calf producer, or the feeder, or the packer gets, but there will be

opportunity for tremendous margins.”

Editor’s note: Troy Smith is a freelance writer and cattleman from Sargent, Neb.