

# MARKET ADVISOR

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## Drought-induced Beef Cow Liquidation Will Support Prices

*Implications of a declining beef cow herd.*

The USDA-National Agricultural Statistics Service (NASS) released the annual *Cattle* inventory report Jan. 31, 2023: <https://usda.library.cornell.edu/concern/publications/h702q636h>

Given the continuing drought in much of the Plains and Western states with forced liquidation and high beef cow slaughter, the big question wasn't if but how much the beef cow herd declined.

U.S. beef cows Jan. 1, 2023, at 28.92 million head were down more than 1 million head from Jan. 1, 2022, one of the largest yearly declines in decades. The 2023 numbers were below the 28.96 million beef cows at the last cyclical low in 2014, which saw record-high cattle prices.

2022 marked the fourth straight year of U.S. beef cow cyclical liquidation. Numbers peaked Jan. 1, 2019, at 31.7 million head, so the four-year decline was 2.77 million head or 8.75%. Although cattle prices

started increasing cyclically in 2021 and continued in 2022, drought even worsened in 2022 with 75% of the cow herd in drought by late summer.

The top 10 beef cow states in order of importance are Texas, Oklahoma, Missouri, Nebraska, South Dakota, Kansas, Montana, Kentucky, Florida and North Dakota, which account for 58% of the U.S. beef cow herd. All of those states except Missouri experienced declining beef cow numbers. Liquidation was most severe in the Southern Plains with Oklahoma losing the most beef cows at 140,000 head. Texas continued with a 125,000 head drop.

Declines continued to move north with Kansas down 106,000 head, Nebraska losing 99,000, South Dakota dropping 67,000, North Dakota declining 59,000 and Montana losing 29,000.

Only modest beef cow increases were recorded in a few states with

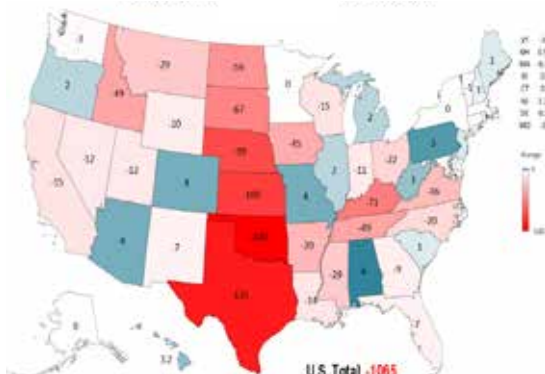
317,800 head (5.8%), the second lowest number in 50 years just above the 5.14 million head of heifers in 2011. The number of bred beef heifers expected to calve in 2023 was 3.17 million, down 5% from last year. The historical low number of replacement heifers likely means very little beef cow herd rebuilding is possible this year. Of course, weather remains the wild card to when rebuilding is even possible.

States with the largest declines in beef replacements were Texas down 70,000 head; Iowa, Kansas and Nebraska each losing 30,000 head; and North and South Dakota dropping 20,000 head. The 2022 U.S. calf crop (includes beef and dairy calves) declined 2% at 34.46 million head, and will decline again this year.

The declining beef cow herd and calf crops will mean fewer cattle marketed and declining beef production in 2023, and likely in future years. That will be supportive to cattle prices.

Current cattle prices are above last year at 2015 levels, and are expected to continue to increase cyclically. However, price volatility and risk will likely continue. Drought conditions are at the forefront, the potential size of the 2023 corn crop is unknown with high input costs, inflation is a concern and geopolitical tensions around the world continue. **AJ**

**Figure 1: Change in Beef Cows 2022 to 2023 (1000 Head)**



Alabama increasing 6,000 head; followed by Pennsylvania up 5,000 head; and 4,000-head expansion occurring in Missouri, Colorado and New Mexico.

The U.S. beef replacement heifer inventory at 5.16 million head declined