

MARKET ADVISOR

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Beef Cow Slaughter Soars

The U.S. beef cow herd has declined for three straight years.

Volatile and lower-than-expected calf prices due to several “black swan” events are some of the issues. However, the epicenter of the decline is drought that has been affecting much of beef cow country.

Some parts of the northern Plains, including North Dakota, have experienced improved moisture conditions from last year. Yet much of the Western United States is still experiencing drought conditions, with USDA reporting 50% of the U.S. beef cow herd in drought areas (www.usda.gov/oce/weather-drought-monitor).

Prices for most market classes of cattle are back up to 2015 levels. With the higher prices, what are expectations for changes in beef cow numbers this year?

The first official estimate will be when the USDA National Agricultural Statistics Service (NASS) releases the semiannual July 1 *Cattle* inventory report July 22.

Through the first half of 2022, U.S. beef cow slaughter was up 15% over last year, following a 9% increase in 2021. Weekly beef cow slaughter numbers this spring were higher than the normal peak fall slaughter levels. A pressing question is whether beef cow slaughter will remain at double-digit levels throughout the year. Or have cows just been marketed early due to drought and the northern Plains calf losses due to the severe blizzards?

If cow slaughter remains high throughout the year, that could mean a beef cow herd decline of a million head or more by Jan. 1, 2023.

Strong cull cow prices have been occurring in spite of high beef cow slaughter. Many cows are bringing \$10 to \$15 per hundredweight more than last year. Prices have been supported by strong hamburger demand. Consumers have faced record-high gasoline prices and general inflationary effects on the entire economy, so they are purchasing less expensive and more versatile meat and food items.

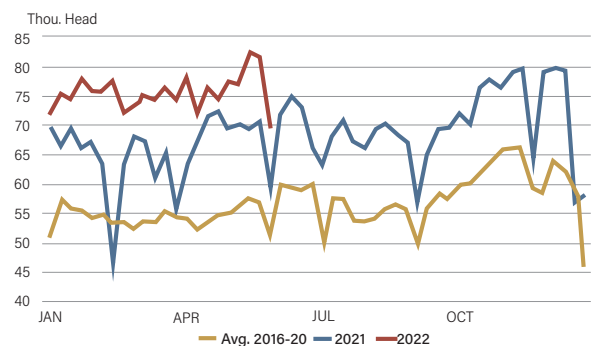
NASS reported the U.S. beef replacement inventory Jan. 1, 2022, at 5.6 million head, a 191,600-head or 3.3% decline. The number of bred heifers expected to calve in 2022 was 3.4 million, down 3%. Due to drought, some of the heifers expected to be bred this summer were likely sold as feeder heifers.

It seems likely the U.S. beef cow herd will decline again in 2022, with the only questions being how much and for how long.

Most cyclical beef cow liquidation phases last four years.

The last cyclical liquidation phase

Figure 1: U.S. Beef Cow Slaughter, Federally Inspected, Weekly



started in 2006 and went the normal four years through 2009. Although, a severe drought in the southern Plains caused another four-year decline through 2013. That was a major reason for the record-high cattle prices in 2014.

No one knows how long or how widespread the current drought conditions will persist with forced beef cow liquidation.

In the short term, the potential size of the U.S. corn crop is unknown, COVID-19 pandemic effects linger, inflation is a concern for consumer beef demand and the Russia-Ukraine war is causing chaos in world agriculture, energy and financial markets with unprecedented uncertainty and volatility.

In the long term, cyclically lower cattle numbers will be supportive to cyclical increasing cattle prices, which may challenge the historical 2014 record highs. **AJ**