

# MARKET ADVISOR

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## Lower Cattle Numbers and Good Demand Supporting Cattle Prices

*What to look forward to in the cattle market.*

Tighter supplies of cattle and beef are supporting prices, and will continue to do so. Four straight years of U.S. beef cow herd liquidation has resulted in smaller calf crops, cattle on feed and beef supplies.

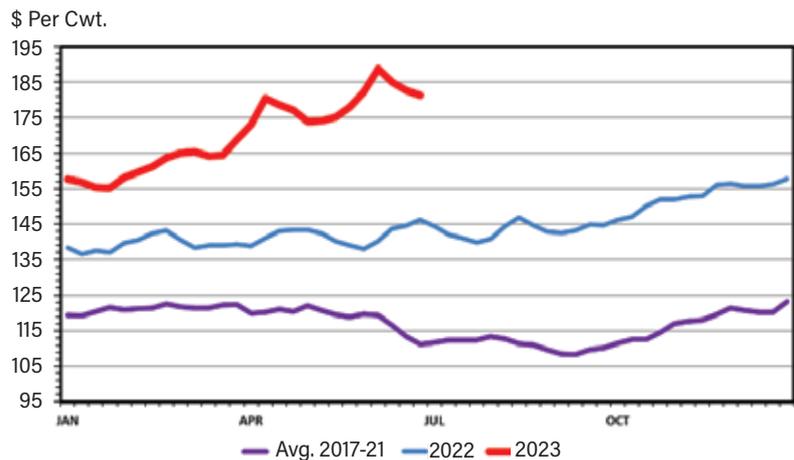
U.S. beef cows on Jan. 1, 2023, at 28.92 million head, were down more than one million head from the 29.98 million head on Jan. 1, 2022, one of the largest yearly declines in decades. The numbers were even below the 28.96 million beef cows at the last cyclical low in 2014, which saw record-high cattle prices.

Expanding and intensifying drought conditions in 2021 with more than 50% of the beef cow herd in areas with at least some drought contributed to beef cow liquidation. Although cattle prices started increasing cyclically in 2021 and 2022 due to the lower cattle numbers and good domestic and export beef demand, drought even worsened in 2022 with 75% of the cow herd in drought by October.

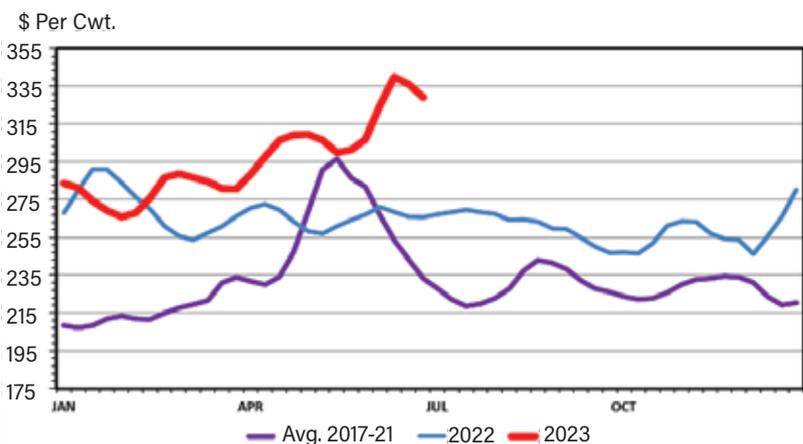
The 2022 U.S. calf crop (including beef and dairy calves) declined 2% at 34.46 million head, and will decline again this year and next year.

2022 beef production at 28.3 billion pounds (lb.) was record high, spurred by drought-induced, high beef cow

**Table 1: Slaughter Steer Prices; 5 Market Weighted Average, Weekly**



**Table 2: Boxed Beef Cutout Value; Choice 600-900lbs., Carcass, Negotiated, Weekly**



and heifer slaughter. USDA predicts 2023 beef production to decline more than 4%, and decline again in 2024 to 24.8 billion lb.

2023 beef supplies have continued to tighten with beef production down every week this year except one in January. For the first half of the year, beef production declined 5% as predicted. Fed-cattle slaughter is down 2.5%. Beef cow slaughter is down 11%, as U.S. drought conditions have improved with 40% of the beef herd now in drought areas, compared to 75% last October.

Beef demand has been stronger than some expected, especially with concerns about the economy. High inflation, increasing interest rates and major bank collapses have been headwinds.

The 2023 Choice boxed-beef cutout value has generally been increasing at higher levels than last year, which suggests strong consumer demand.

The cutout is at a historic high level, only outdone by the temporary big spike during the peak of the 2020 COVID-19 market disruption.

Shorter supplies and strong demand are supporting fed cattle prices. Fed-steer prices have generally been increasing at record-high levels. USDA is predicting fed steers to average a record-high \$171.72 per hundredweight (cwt.) in 2023 and \$180 per cwt. in 2024.

The two factors that affect calf and feeder cattle prices the most are fed- cattle prices, especially live cattle futures prices, in the month when the feeder cattle will reach slaughter weight, and corn prices.

Strong fed-cattle prices and declining corn prices have been supportive to calf and feeder cattle prices. Furthermore, improving U.S. moisture conditions have supported calf prices for summer grazing programs. Southern Plains average

prices for 500-600- lb. feeder steers are up \$75 per cwt. from last year.

USDA is predicting a record-high 2023 corn crop at 15.265 billion bushels, which is pressuring corn prices. Declining corn prices have supported the heavier-weight feeder cattle prices.

When cattle prices are at historic high levels, price volatility is usually also high. And corn price volatility is also expected as information about crop development and expected yield becomes available. The Corn Belt is experiencing dry conditions, with USDA reporting 50% of U.S. corn production experiencing drought in June.

So, there is risk for lower cattle prices. During the increasing phase of the cattle price cycle, marketing plans that establish floor prices, but leave the top side open, are recommended. [AJ](#)

