

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

Herd Expansion Stalls

The July cattle inventory report is important because it gives a mid-year indication of possible changes to look forward to in cattle numbers, beef production and potential market price impact.

The July report is less detailed and only provides total U.S. cattle inventory numbers. The January *CATTLE* report provides a more detailed state-by-state breakdown of numbers, which allows regional comparisons and weather-related changes to be documented.

Most beef cattle market observers expected the July report to show similar cattle inventory numbers to last year and that was the case. The National Agricultural Statistics Service (NASS) reported the July 1 U.S. beef cow herd at 32.4 million head, which was identical to 2018. The January 1, 2019, beef cow inventory was 31.8 million head.

Keep in mind that the July beef cow herd tends to be larger than the previous January, because bred heifers are not counted as beef cows until they calve, and many calve between January 1 and July 1.

There were other signs that beef cow herd expansion has stalled. NASS reported 4.4 million U.S. beef replacement heifers on July 1, down 4% (4.6 million on July 1, 2018). The *CATTLE ON FEED* report pegged the number of heifers on feed up almost 8% from July 1, 2018, another sign the beef herd may be plateauing.

Calf crop

The 2019 calf crop (including beef and dairy calves) in the United States is expected to be 36.3 million head, down slightly from last year. The decline was due to a 1% lower milk cow inventory and adverse-weather-related calf losses in several cattle-producing states. The U.S. feeder cattle supply outside feedlots on July 1 at 37.1 million head was up just slightly from the 37 million last year.

From a cyclical standpoint, the lack of further beef cow herd expansion was expected because of the substantial 2.7 million head increase since the last cyclical low in 2014. The USDA is projecting record high U.S. beef production in 2019.


Beef supply

There are indications that the U.S. beef cow herd may stabilize near current levels for the next couple years. But, of course, weather related forage and grazing conditions are always a wild card. Currently, U.S. range and pasture conditions are the best they have been for many years. USDA estimates that only 1% of U.S. cattle are in an area experiencing drought. Drought-forced liquidation is not expected.

From a supply standpoint, a stable beef cow herd would mean near-record beef production for the next several years. But level rather than continued increasing annual beef production experienced over the last several years would be supportive to cattle prices.

U.S. cattle and calves on feed for the slaughter market for all feedlots totaled 13.6 million head on July 1, up 2.25% from last year. That substantiates USDA's record beef production prediction for 2019.

Record production is a headwind for cattle and beef prices, so continued strong domestic and export beef demand including resolving international trade issues and agreements will be important.

On July 19, NASS released the semi-annual July *Cattle* inventory report. It is available at: www.usda.library.cornell.edu/concern/publications/h702q636h. 

Editor's note: Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.