

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

Continued Beef Cow Herd Liquidation Will Support Prices

Possible changes to look forward to in cattle numbers, beef production and potential market price effects.

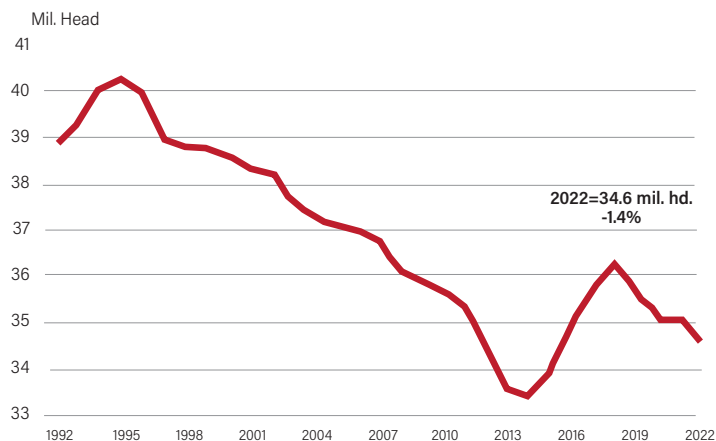
July 23, the USDA National Agricultural Statistics Service (NASS) released the semiannual July *Cattle* inventory report. The current and past reports are available online at: <https://usda.library.cornell.edu/concern/publications/h702q636h>.

The July *Cattle* inventory report is important because it gives a midyear indication of possible changes to look forward to in cattle numbers, beef production and potential market price effects. 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, which allows regional comparisons and weather-related changes to be documented.

Most beef cattle market observers expected the July *Cattle* report to show lower beef cow inventory numbers compared to last year, and that was the case.

NASS reported the July 1 U.S. beef cow herd at 30.35 million head, down 750,000 or 2.4% from last year's 31.1 million. The current inventory is down 6.3% from the 2018 cyclical peak of 32.4 million head, and the lowest number since the 29.75

Figure 1: Calf Crop: July Estimates, U.S., Annual



million head in 2014 — the last cyclical low.

Drought in the southern Plains and Western states is causing forced beef cow liquidation. Through the first half of 2022, U.S. beef cow slaughter was up 14.6% over last year following a 9% increase in 2021.

Further liquidation is likely to continue

Of course, weather-related forage and grazing conditions are always a wild card. In late July, NASS reported U.S. pasture and range conditions at 47% in the poor to very poor category compared to 40% last year.

USDA estimates 59% of the U.S. cattle inventory is located in areas experiencing some level of drought compared to 32% last year (<https://usda.gov/oce/weather-drought-monitor>).

The July 1 number of heifers over 500 pounds (lb.) kept for beef cow replacement at 4.15 million head was down 3.5% year over year. That was the lowest number of beef replacements since July 1 records began in 1973.

The July *Cattle* report also gives the first estimate by NASS of the 2022 calf crop. The calf crop (including both beef and dairy calves) at 34.6

million head is down 1.4% from last year and down 4.7% from the 2018 cyclical peak of 36.3 million head.

Calf crop declines and drought-forced feeder cattle and calf placements into feedlots reduced the July 1 feeder cattle and calf supply outside feedlots by a million head or 2.7% from last year.


The number of cattle on feed at 13.4 million head was the same as last year. Still, cattle on feed inventories will likely decline in future months due to the fewer available supplies.

Higher corn prices and cost of gain mean feedlots prefer to purchase

heavier feeder cattle, although severe drought is causing forced sales of calves and feeder cattle from pastures and ranges, especially heifers originally kept for replacements. Continued and expanding drought could temporarily cause more placements into feedlots.

The bottom line for cattle prices from a supply standpoint is the smaller beef cow herd and calf crop will be supportive to prices. Declining supplies along with good beef demand and record beef exports have resulted in current cattle prices increasing back up to 2015 levels.

In the short-term, drought continues; the size of the 2022 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.

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

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