

Smaller Beef Cow Herd Will Support Prices

Current conditions affect cattle market.

July 21, 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 gives a midyear 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, which allows regional comparisons and weather-related changes to be documented.

Most beef cattle market observers expected the July *Cattle* report to show lower cattle inventory numbers compared to last year, and that was the case. There were smaller numbers in every market class of cattle except dairy cows, which were unchanged.

NASS reported the July 1 U.S. beef cow herd at 29.4 million head, down 800,000 or 2.6% from last year. The current inventory is down 9.3% from the 2018 cyclical peak of 32.4 million head, and even lower than the 29.75 million head at the last cyclical low in 2014.

Drought in much of the United States has caused forced beef cow liquidation. Worsening drought

conditions caused year-over-year beef cow slaughter to increase 2.5% in 2020, 9% in 2021, and 11% in 2022. By October 2022, 75% of the beef cow herd was located in an area affected by drought. U.S. drought conditions have improved, but 30% of the cow herd is still experiencing drought conditions (www.usda.gov/oce/weather-drought-monitor). So far, 2023 beef cow slaughter has declined 12% from last year.

While some interest in beef cow herd rebuilding in areas with adequate moisture may be occurring, the report confirmed very little rebuilding will be possible this year.

The July 1 number of heifers more than 500 pounds kept for beef cow replacement at 4.05 million head was down 2.4% from last 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 2023 calf crop. The calf crop (includes both beef and dairy calves) at 33.8 million head is down 1.9% from last year, and down 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 more than a million head, down 3.6% from last year.

The number of cattle on feed at 13.1 million head was down 2.2% from last year. Cattle on feed inventories will likely continue to decline in future months due to the fewer available supplies, and the potential for increased retention of heifers replacement. Weather-related forage and grazing conditions are always the wild card for when and how much retention will take place.

The bottom line for cattle prices from a supply standpoint is the smaller beef cow herd and calf crops will be supportive to prices. Declining supplies along with good beef demand and beef exports have resulted in fed-cattle prices increasing to record high levels. Feeder cattle, calf, and cow prices have the potential to be record high in the next year.

In the short-term, some drought continues, the size of the 2023 U.S. corn crop is unknown with drought in parts of the Corn Belt, inflation is a concern for consumer beef demand, and the continuing Russia-Ukraine war is causing volatility in world agriculture markets. But in the long term, cyclically lower cattle numbers will be supportive to continued cyclical increasing cattle prices and interest in beef herd expansion. **A**