

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

Smaller Beef Cow Herd Will Support Prices

Report shows, from a supply standpoint, that the smaller beef cow herd and calf crops will be supportive to prices for the next several years.

July 23, the USDA National Agricultural Statistics Service (NASS) released the semiannual July Cattle *inventory* report, and Aug. 20, NASS released the August Cattle on Feed report.

The current and past reports are available online at: <https://usda.library.cornell.edu/concern/publications/h702q636h> (Cattle) and <https://usda.library.cornell.edu/concern/publications/m326m174z> (Cattle on Feed).

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.

Beef cow inventory

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

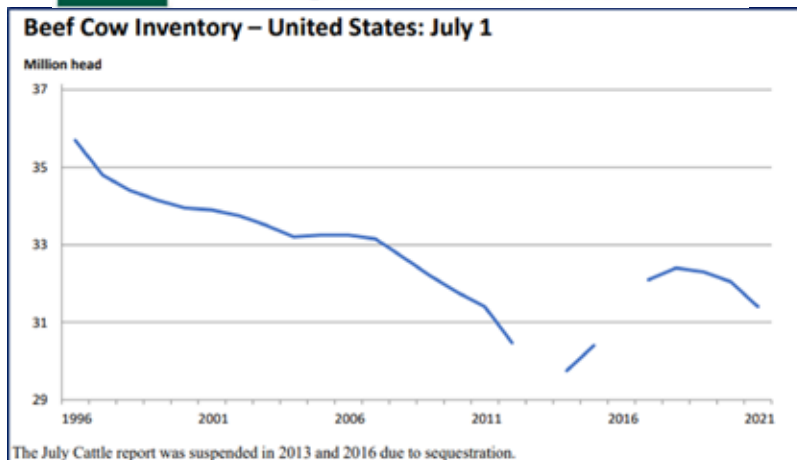
that was the case. NASS reported the July 1 U.S. beef cow herd at 31.4 million head, down 2% from last year's 32.05 million. The current inventory is down 3.1% from the 2018 cyclical peak of 32.4 million head.

Drought in the Northern Plains and Western states is causing forced beef cow liquidation. Increased beef cow slaughter in the first half of 2021 likely will cause lower beef cow numbers next year. Furthermore, the July 1 number of heifers over 500 pounds (lb.) kept for beef cow replacement at 4.3 million head was down 2.3% year over year.

Of course, weather-related forage and grazing conditions are always a wild card. In late summer, NASS reported U.S. pasture and range conditions at 43% in the poor to very poor category compared to 31% last year and 9% in 2019. USDA estimates 32% of the U.S. cattle inventory is located in areas experiencing some level of drought. If drought conditions linger or worsen, forced liquidation will likely continue.

The July Cattle report also gives the first estimate by NASS of the 2021 calf crop. The calf crop (includes both beef and dairy calves) at 35.1 million head is down fractionally from last

USDA United States Department of Agriculture
National Agricultural Statistics Service



year, but down 3.3% from the 2018 cyclical peak of 36.3 million head.

The COVID-19 pandemic, with reduced slaughter capacity, caused a backlog of cattle in feedlots that has negatively affected cattle prices, especially fed cattle.

Feedlot inventories

The August *Cattle on Feed* report showed continued improvement in feedlot inventories. The number of cattle on feed Aug. 1 at 11.07 million head was down 2% from last year. That was the lowest number of cattle on feed since October 2017.

In spite of drought conditions, feedlot placements in July at 1.7 million head were down more than 8%. Fed steer and heifer marketings in July at 1.9 million head were down 4.5% from last year. The number of cattle on feed more than 120 days was down 4.5% from last year's pandemic-inflated levels.

The report confirmed the industry is finally reducing the backlog of cattle in feedlots. Also important is that with cyclically declining beef cow numbers and calf crops, feedlot inventories should continue to decline and support fed cattle prices.

Of course, drought conditions are a wild card. Higher corn prices and cost of gain mean feedlots prefer to purchase heavier feeder cattle, but severe drought is causing forced sales of feeder cattle from pastures and ranges, especially heifers originally kept for replacements. Continued and expanding drought could cause more placements into feedlots.

The bottom line for cattle prices from a supply standpoint is the smaller beef cow herd and calf crops will be supportive to prices for the next several years.

Declining supplies along with strong beef demand and record-high beef exports have resulted in current cattle prices being higher than the last several years.

Both live (fed) cattle and feeder

cattle futures prices for 2022, if they actually happen, would be the highest cash market prices since 2015. **AJ**

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



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