



# Market Advisor

► by **Tim Petry**, livestock marketing economist, North Dakota State University

## Weather continues to restrict expansion

*The U.S. Department of Agriculture (USDA) National Agricultural Statistics Service (NASS) July 1 cattle report issued July 20 confirmed the normal cattle cycle buildup continues to be stalled by adverse weather conditions.*

### Core stats

All cattle and calves in the U.S. July 1 totaled 104.8 million head, down 400,000 head from 105.2 million last year, but still above the 104.2 million recorded in 2005.

Beef cows that have calved, at 33.4 million head, were down slightly from the 33.45 million reported in both 2005 and 2006.

Feeder calf prices have been high enough the last several years to stimulate beef herd expansion, but adverse weather conditions have prevented it from happening.

### Dry and drought

Last year, extremely dry conditions in both the Southern Plains and Northern Plains caused herd liquidations in parts of those areas. Much of the Southern Plains has received ample rainfall this year. The Northern Plains has also returned to average moisture in much of the area, although parts of North Dakota, South Dakota and Nebraska still remain dry.

Interestingly, parts of North Dakota were under some degree of drought for 78 consecutive months from December 2000 to June 2007, according to Adnan Akyuz, North Dakota state climatologist. The most severe drought occurred during the third week of July 2006 when 100% of the state was experiencing at least moderate drought status recorded by the weekly U.S. Drought Monitor (<http://drought.unl.edu/dm/monitor.html>). After having no drought status in June, much of southwestern North Dakota is again recorded as abnormally dry.

The major drought areas in 2007 are in the southeastern and western U.S., and beef cow herd liquidation has occurred there.

U.S. beef cow harvest averaged 11.6% higher than last year in the first half of 2007 but was below last year in July. Beef cow harvest was more than 18% higher in 2006 than in 2005.

The NASS report also showed a 6% reduction in heifers retained for replacement compared to last year. There is interest in herd rebuilding in areas that have improved moisture conditions, so more heifers from the 2007 calf crop may be retained.

### U.S.-Canada numbers

NASS also released a joint U.S.-Canadian cattle inventory report Aug. 16. The Canadian cattle herd also declined. All cattle and calves in Canada as of July 1 totaled 15.9 million head, down 1% from the 16 million in 2006 and 6% below the 16.9 million two years ago.

Beef cows that have calved in Canada declined 1% in 2007 and were down 6% from the peak numbers that occurred in 2005.

The 2007 U.S. calf crop was estimated at 37.4 million head, down 167,000 head from last year. The supply of feeder cattle outside feedlots was up about 100,000 head July 1. Calves have been staying

on pasture longer this year due to higher corn prices and feedlot costs of gain, as well as improved moisture in much of the Plains.

### Cattle on feed

The NASS cattle-on-feed report released Aug. 17 showed a 5% decline in cattle on feed Aug. 1 compared to a year ago.

Placements into feedlots during July totaled 1.62 million head, 17% below 2006 and 3% below 2005. This is the lowest placement figure for July since the series began in 1996.

Placements of cattle weighing less than 700 pounds (lb.) were down 31%, while placements of cattle heavier than 700 lb. were down only 3½% percent.

The number of cattle on feed in Southern Plains (Kansas, Oklahoma and Texas) feedlots declined 490,000 head, while the number on feed in the Northern Plains (Iowa, Nebraska and South Dakota) increased 25,000 head. This reflects the cheaper cost of corn and the increasing availability of ethanol feed byproducts in the Northern Plains.

The shorter supply of cattle will be supportive to prices in 2007 and 2008. Feeder-calf prices are near last year's levels in spite of higher corn prices and will be the subject of a future "Market Advisor" column.

Fed-steer prices are about \$5 per hundredweight (cwt.) higher than last year due to expanding export markets for beef. Cow prices are also above year-ago levels, even though cow harvest is up. A strong domestic demand for hamburger is supporting prices.

*Tim Petry*

E-MAIL: [tim.petry@ndsu.edu](mailto:tim.petry@ndsu.edu)

**Editor's Note:** Addressing marketing issues affecting the livestock industry, "Market Advisor" is a monthly column distributed by the NDSU Agricultural Communication office. Petry is a livestock economist with the NDSU Extension Service. In that role, he provides assistance to all livestock segments in the state, focusing on adding value to the livestock industry in the region. An archive of columns can be found at [www.ag.ndsu.nodak.edu/aginfo/lsmkt/news/archive.htm](http://www.ag.ndsu.nodak.edu/aginfo/lsmkt/news/archive.htm).

**Feeder calf prices have been high enough the last several years to stimulate beef herd expansion, but adverse weather conditions have prevented it from happening.**